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360 Capital REIT (ASX: TOT) – HY2021 Results Executing on Equity Strategy

26 February 2021

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360 Capital FM Limited as Responsible Entity for the 360 Capital REIT (the “Fund” or “TOT”) is pleased to announce its financial results and operational update for the half year ended 31 December 2020.

HY21 Key Highlights

- Active management of TOT's loan portfolio resulted in \$42.4m in loan repayments, with all direct real estate loans now repaid
- Sold a further 6 apartments in Gladesville¹, 19 of 23 apartments have now been sold at an average premium of 21.3% to purchase price
- Peet Limited (ASX: PPC) investment benefiting from record low interest rate environment and government stimulus packages
- Post period TOT acquired a 9.2% strategic stake in Irongate Group (ASX: IAP), a diversified Australian real estate fund with a third-party funds management platform
- Post period TOT entered a 50% equity partnership with PMG, a New Zealand real estate funds management business with NZ\$665.7m of funds under management
- Post period, the majority of TOT's available capital has been deployed into investments that provide recurring income in line with TOT's stated strategy and objectives

Key financial highlights for the half year ended 31 December 2020

- Statutory net profit of \$4.4m down -51% on pcp due to prior period gain on URB Investments
- Operating profit of \$1.5m down -59% on pcp due to TOT not deploying cash balances
- Operating EPS of 1.1cps down -76% on pcp due to TOT not deploying cash balances
- Distributions per security (DPS) of 3.0cps in line with forecasts
- NTA per security of \$1.14

COVID-19 Impacts

As a result of COVID-19, TOT ceased its lending activities and shifted management's focus to converting outstanding loan positions and assets to cash. Given the market volatility and economic uncertainty the Responsible Entity took a conservative approach with a focus on capital preservation. TOT reduced its capital investment into new opportunities for most of calendar 2020, impacting earnings over the period.

¹ From 1 July 2020 to 25 February 2021



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Executing on Refined Investment Strategy

TOT has commenced executing on its refined strategy of investing in real estate equity. Simplifying TOT's strategy and focus to generating recurring income from real estate equity investments.

TOT's longer-term objective is owning direct assets / value-add opportunities on balance sheet. Initially TOT is gaining this exposure through strategic investments in real estate funds management platforms.

Market conditions for direct real estate remains competitive despite softening real estate fundamentals. This has led to a dislocation between A-REIT pricing and underlying direct real estate transactions.

TOT now has two strategic holdings in A-REITs, being approximately 9.2% of Irongate Group (ASX:IAP) and 5.0% of Peet Limited (ASX: PPC).

PMG Funds

TOT has entered into a 50% equity partnership with PMG Group, a New Zealand based diversified commercial real estate funds management business, established in 1992.

PMG manages five unlisted funds, three single-property syndicates, with 42 properties and NZ\$665.7m of Funds Under Management ("FUM")².

The equity partnership provides TOT with an investment in a growing funds management platform with a long track record and diversification through exposure to the New Zealand real estate market. This investment provides TOT with enhanced returns over and above holding a direct real estate asset, through fee income from funds management and underwriting activities.

PEET Limited (ASX:PPC)

Peet Limited (ASX:PPC) is a residential developer that delivers master planned communities, medium density housing and apartments. TOT's investment in PPC was at an attractive entry price below PPC's NTA. This investment has benefited from the record low interest rate environment and government stimulus, particularly in Western Australia where PPC controls over 20,000 lots.

Irongate Group (ASX:IAP)

Irongate Group (ASX:IAP) is a diversified real estate investor with \$1.1b of real estate assets on balance sheet and a third-party funds management platform. IAP owns office and industrial assets across major metro markets and established precincts in Australia and New Zealand.

Gladesville Apartment Sales Campaign

TOT has now exchanged contracts for the sale of 19 of 23 apartments at an average premium of 21.3% to the November 2019 purchase price. Whilst transaction volumes have slowed, TOT is confident of selling the remaining apartments over FY21.

² Including assets under contract as at 30 April 2021

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Velocity Property Group (ASX: VP7)

VP7 Shareholders have approved the acquisition of AMF Finance (\$1.5m for TOT's 50.0%) subject to completion of the proposed capital raising. Repayment of TOT's \$10.0m corporate loan note is forecast to occur prior to June 2021.

Capital Management Initiatives

During the period, the Responsible Entity bought back 1.1m securities at a price of \$0.87, reflecting a 23.0% discount to NTA and 6.9% distribution yield. In addition, the Responsible Entity remains focused on improving and maintaining communication of TOT's simplified investment strategy to existing and potential investors.

2H FY21 Focus and Guidance

TOT's primary focus for the balance of FY21 is to close the gap between trading price and NTA and complete the sale of AMF Finance and non-core assets, recycle proceeds into real estate equity.

Forecast FY21 distribution guidance of 6.0 cents per security, reflecting a 6.8% distribution yield on the current trading price.

Authorised for release by Kim Child, Company Secretary, 360 Capital FM Limited.

More information on TOT can be found on the ASX's website at www.asx.com.au using ASX code "TOT", at our website www.360capital.com.au, by calling the TOT investor line:1300 082 130 or by emailing investor.relations@360capital.com.au

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About 360 Capital REIT (ASX: TOT)

The Fund has a demonstrated track record of consistent quarterly distributions, averaging over 9.0cps per annum over five years through a selective and disciplined investment philosophy, combined with access to real estate-based investment opportunities available to TOT through the 360 Capital Group, the manager of the Fund.

About 360 Capital Group (ASX: TGP)

360 Capital Group is an ASX-listed, investment and funds management group, focused on strategic and active investment management of alternative assets. Led by a highly experienced team, the Group operates in Australian and global markets investing across real estate, public and private equity and credit strategies. We partner with our stakeholders to identify, invest and realise on opportunities.