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360 Capital REIT (ASX:TOT) HY21 Results Presentation

26 February 2021





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1. Snapshot of HY21 Results



TOT Snapshot of HY21 Results

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\$1.14
NTA



NTA DISCOUNT¹
-22.8%



\$0.88
CLOSING PRICE¹



6.0cps
Forecast FY21
Distribution



MARKET CAP¹
~\$122m



Executing Refined
Investment Strategy

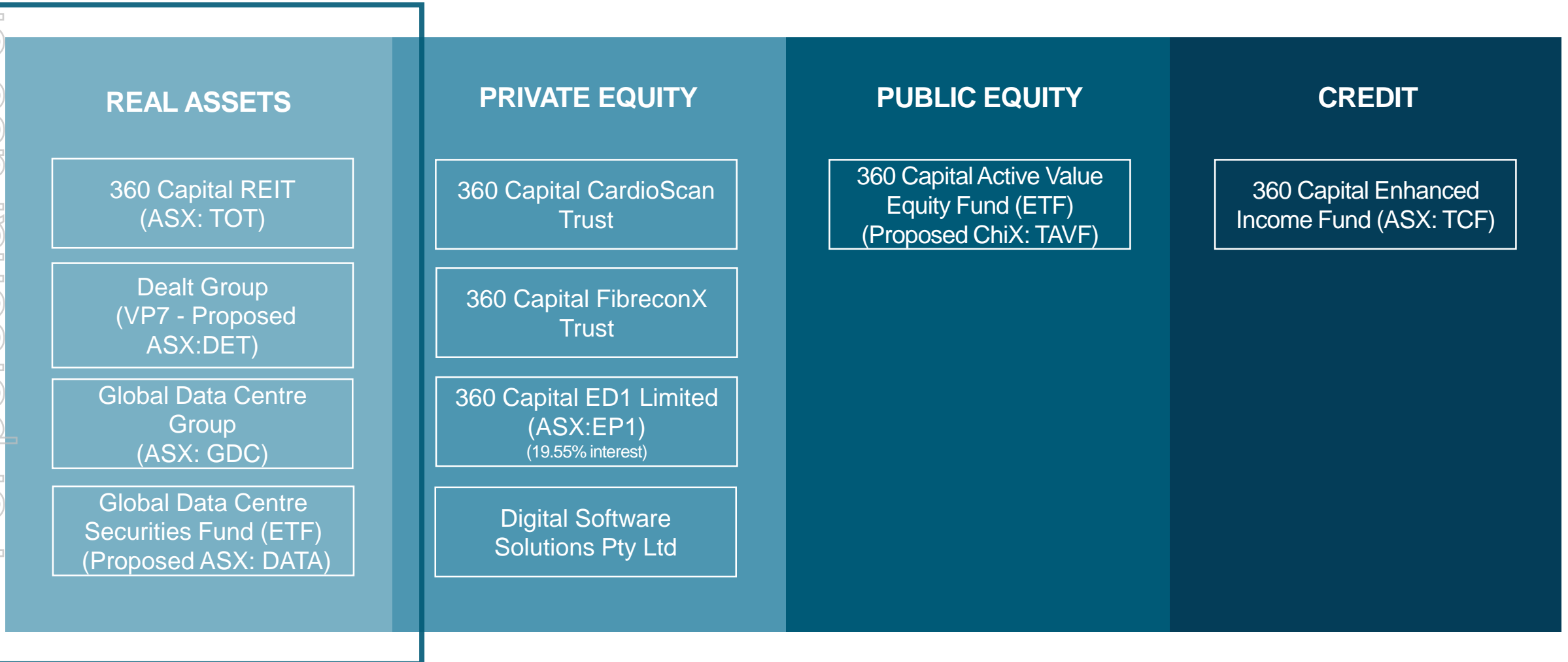
¹ Based on the \$0.88 closing price of TOT on 25 February 2021



The Manager – 360 Capital Group (ASX:TGP)

360 Capital REIT (ASX:TOT) is part of 360 Capital Group's real assets strategy

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What is 360 Capital REIT?

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Objective

To provide investors with regular quarterly distributions

Strategy

Simplified strategy of investing in real estate equity. Initial exposure through investments in real estate fund managers. Longer term objective of owning direct / value-add real estate assets on TOT's balance sheet

Investor Returns

Growing distributions from 6.0cps base with opportunity for NTA growth

Track Record

15-year real estate track record across office, industrial and retail assets in Australia and New Zealand

Execution

Consistent execution of TOT's stated strategy of investing in real estate equity and increase the scale and liquidity of TOT

Simplification of TOT's Business Model

Key HY21 Highlights



Key HY21 Key Highlights

Active management of TOT's loan portfolio resulted in \$42.4m in loan repayments during the reporting period, 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 stimulus and record low interest rate environment

Post period TOT, acquired a 9.18% strategic stake in Irongate Group (ASX: IAP) for \$78.6m, a diversified Australian real estate fund with a funds management platform

Post period TOT entered a 50% equity partnership with PMG for \$16.5m, a New Zealand real estate funds management business with NZ\$665.7m of funds under management³

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

6.8% distribution

Forecast FY21 annualised
distribution yield²

~\$135m

Capital deployed

\$0.88

Last trading price²

-22.8%

Discount to Net Tangible Assets²

\$1.14

NTA of the Fund

~\$122.0m

Market Capitalisation²

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¹ From 1 July 2020 to 25 February 2021

² Based on the \$0.88 closing price of TOT on 25 February 2021

³ Including assets under contract as at 30 April 2021



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2. Refined Strategy and Value Proposition

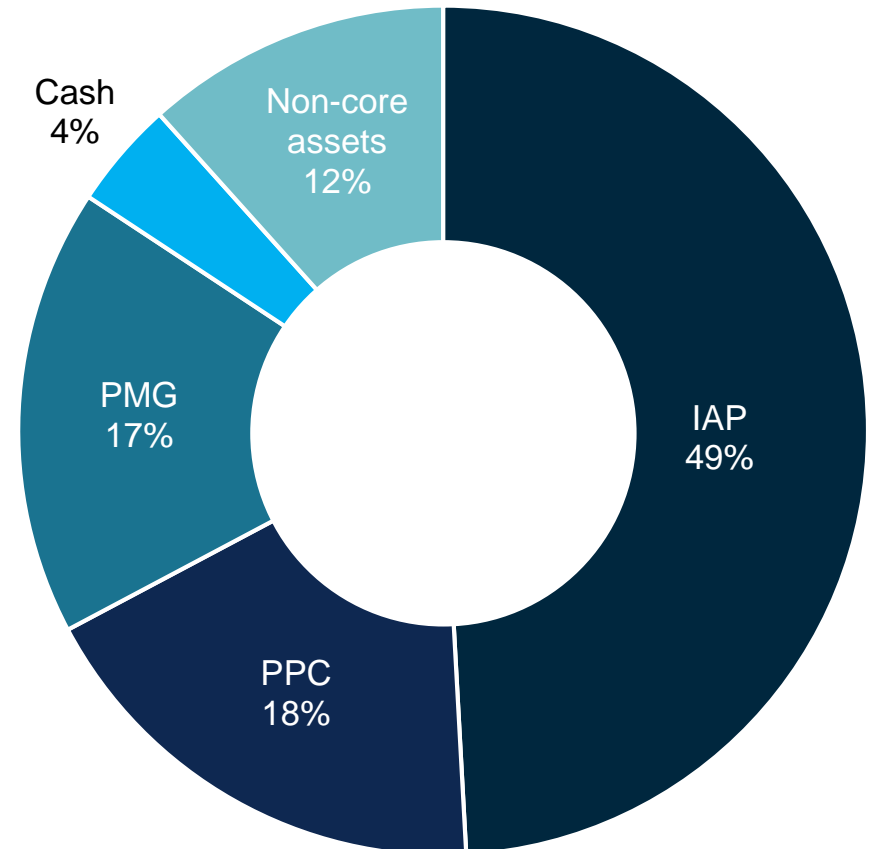
Executing on TOT's Refined Investment Strategy



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- 360 Capital REIT has refined its investment focus to real estate equity investing
- Simplified strategy with majority of non-core assets repaid or contracted to sell
- Balance sheet now largely re-deployed
- Market conditions for direct real estate remains competitive despite softening real estate fundamentals
- Longer term objective of owning direct assets / value-add opportunities on balance sheet
- Initially TOT achieving exposure to real estate assets through strategic investments in real estate funds management platforms
- TOT has two substantial holdings in
 - Irongate Group (ASX:IAP) – 9.18% holding²
 - Peet Limited (ASX: PPC) – 5.01% holding²

Balance Sheet Composition¹



¹ Percentage calculated based on total assets as at 31 December 2020. Book value of PPC at 31 December 2020. Book value of non-core at 31 December 2020 less disposal of Penrith Shopping Centre and two Gladesville apartments . PMG and IAP held at price paid.

² As at 31 January 2021

Value Proposition – Closing the Discount & Growing DPU

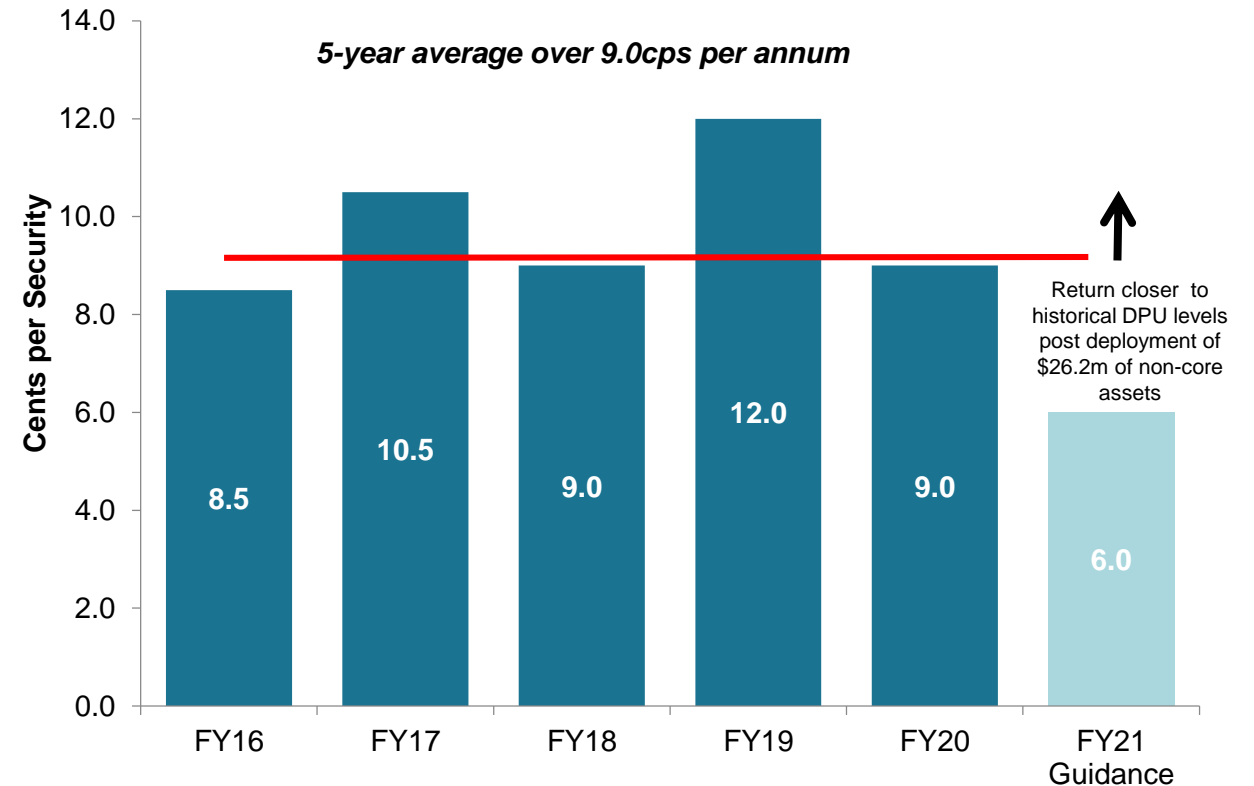
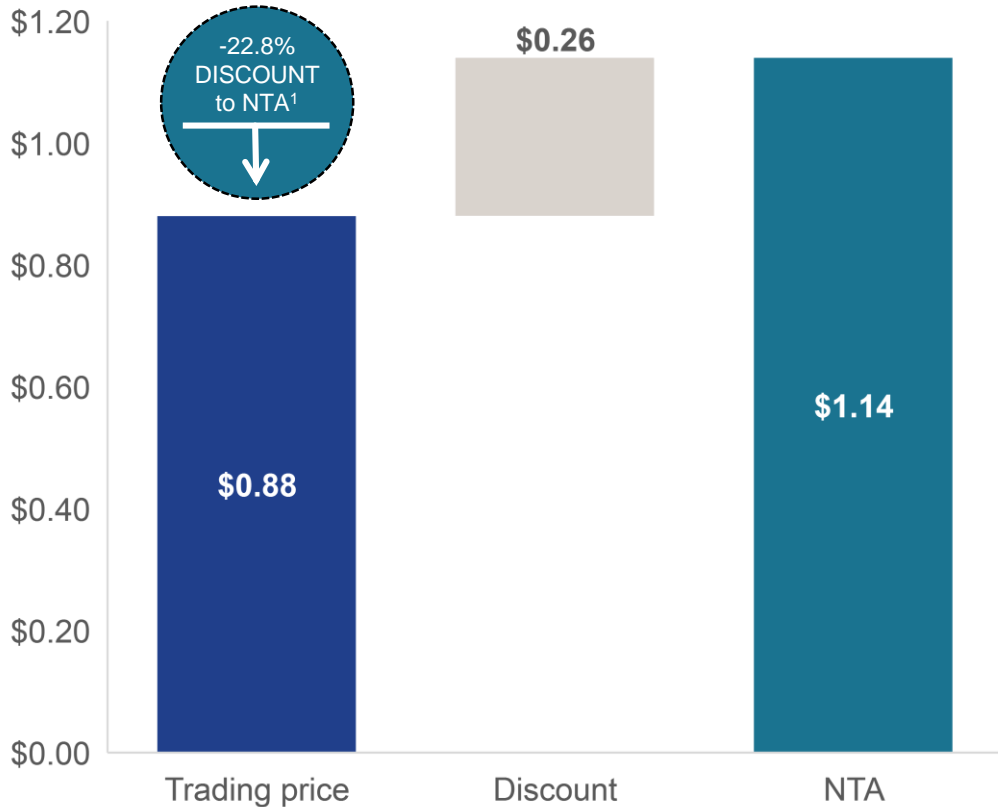


Phase One – Attractive Entry Point

Phase Two – Target Returning to Historical DPU levels

Discount to NTA -22.8% and 6.0cps p.a. FY21 forecast distribution, reflecting 6.8% yield on trading price¹

Five-year track record of recurring distributions averaging over 9.0cps. FY21 impacted by cash drag. Target to return closer to historical levels now cash deployed plus opportunity for NTA growth



Note: Financial figures as at 31 December 2020 unless otherwise stated. Figures calculated based on 137,739,757 securities.

¹ Based on the closing price of TOT on 25 February 2021

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3. Investment Portfolio





PMG Funds Management Equity Partnership

TOT's recently announced investment in PMG Funds provides TOT Investors with:



Exposure to a diversified commercial real estate funds management business, established in 1992



Provides TOT a 50% interest in a growing funds management platform with a long track record



Diversification through exposure to the New Zealand real estate market



Opportunity for growth of PMG business through underwriting future offers – currently \$NZ665.7m¹ AUM



Enhance direct property returns through underwriting and funds management fees

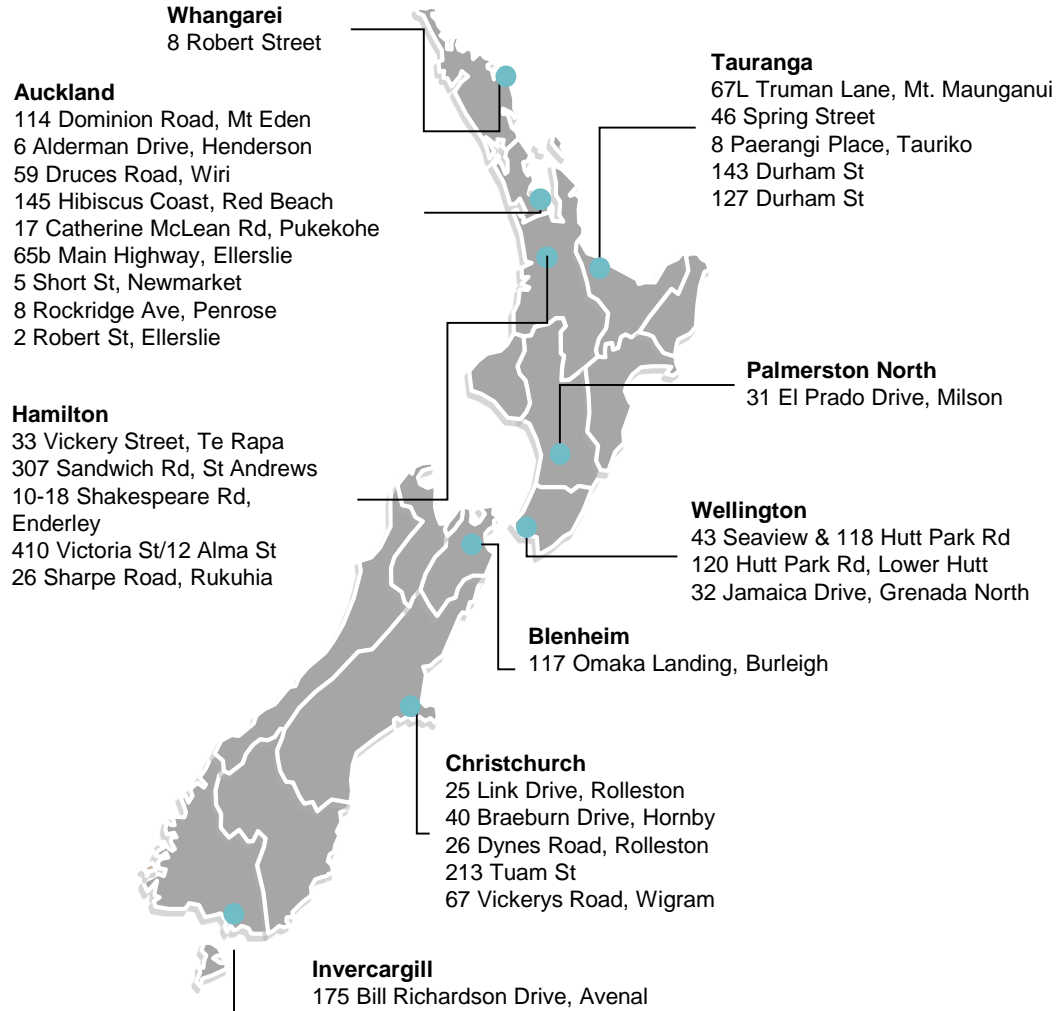
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¹ Including assets under contract as at 31 March 2021



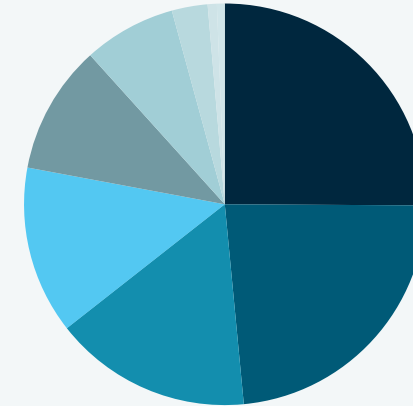
PMG Real Estate Portfolio – Over 50% Industrial Exposure

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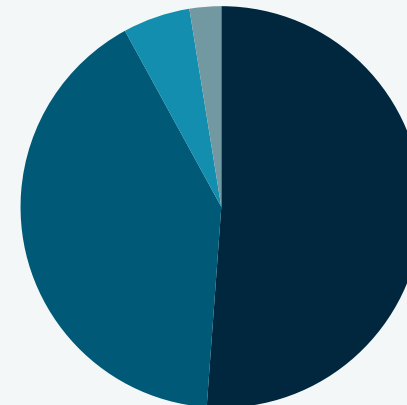
Map includes properties held as at 30 September 2020 in the Pacific Property Fund, PMG Direct Childcare Fund, PMG Direct Office Fund and PMG Generation Fund

Property value by region



- Auckland 25.1%
- Christchurch 23.4%
- Wellington 15.9%
- Hamilton 13.5%
- Tauranga 10.4%
- Palmerston North 7.4%
- Whangarei 2.9%
- Blenheim 0.7%
- Invercargill 0.6%

Property value by type



- Industrial 51.2%
- Office 40.9%
- Childcare 5.4%
- Retail 2.5%

Property valuation estimated at 30 September 2020 based on quarterly reports for each fund.



PEET Limited Investment (ASX: PPC)

Why did TOT invest in **PEET**

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- ✓ PPC currently has c. 47,000 lots across 51 projects across Australia¹
- ✓ Attractive entry price: Average entry price of PPC stake was acquired at a discount to net tangible assets
- ✓ PPC is positioned to benefit from record low interest rates; and Government stimulus, particularly in WA where PPC controls over 20,000 lots¹
- ✓ Trading price currently 13.3%² above average entry price of \$1.05
- ✓ Strategic holding given desirability from investors for large landbanks and detached housing developments

¹ As at 30 June 2020

² Based on the \$1.19 closing price on 25 February 2021



Irongate Group (ASX: IAP)

Why did TOT invest in IRONGATE

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IAP is a diversified real estate fund with \$1.1bn of real estate and a third-party funds management platform



IAP owns office and industrial assets across major metropolitan cities and established commercial precincts in Australia and New Zealand



Relative value: disparity between A-REIT pricing and underlying direct real estate transactions



Scale: The IAP stake provided the opportunity to become the largest securityholder in a diversified real estate fund with a third-party fund's management platform



Investment provides TOT with base level of recurring earnings from a diversified portfolio of assets



Forecast Non-Core Asset Realisations Totaling \$26.2m

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Velocity (VP7) Debt and Equity

Corporate loan and equity to be repaid through asset sales and future capital raising \$10.5m



Settled
January 2021

Gladesville Apartments

Four remaining – value \$4.2m



Forecast
April 2021

Forecast
June 2021

Forecast
April 2021

Forecast
April 2021



Penrith Shopping Centre
\$7.0m



AMF Finance Sale
\$1.5m (TOT's 50% interest)



Home HQ Artarmon
\$3.0m



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4. HY21 Financial Summary

Key Financial Metrics



\$103.9m

Cash balance

As at 31 December 2020, TOT had a cash balance of \$103.9m. Cash balance currently \$13.7m as at 24 February 2021.

\$1.14

NTA per security

Increase of 1.0cps from the prior period

\$4.4m

Statutory NPAT attributable to securityholders

51% decrease in statutory net profit attributable to securityholders due to the comparable period having the gain on the URB acquisition

\$1.5m

Operating profit

Operating profit¹ of \$1.5m reflecting a 59% decrease on prior period as a result of the high average cash balance

Financial results overview

Balance sheet summary	31-Dec-20 (\$m)	30-Jun-20 (\$m)	Change (\$m)	Change (%)
Total Assets	159.9	161.7	(1.8)	-1%
Total Liabilities	3.6	4.7	(1.1)	-24%
Net Assets	156.4	157.1	(0.7)	0%
Securities on issue	137.7	138.8	(1.1)	-1%
NTA per security ¹	\$1.14	\$1.13		

Profit and loss summary	H1 FY21 (\$m)	H1 FY20 (\$m)	Change (\$m)	Change (%)
Total Revenue	13.3	11.6	1.7	15%
Profit from continuing operations before tax	5.6	10.0	(4.4)	-44%
Statutory Profit attributable to Securityholders	4.4	8.9	(4.5)	-51%
Operating Profit ²	1.5	3.5	(2.0)	-59%
Operating EPS ²	1.1 cps	4.5 cps	-3.4 cps	-76%
Distribution CPS	3.0 cps	4.5 cps	-1.5 cps	-33%

¹ The Fund has provisioned an allowance for loss on loans receivable for purposes of AASB 9, however there is currently no evidence any actual loss will eventuate.

² Operating profit is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for non-operating items.



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5. Capital Management





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Simplification

Buy Back

Co-Investment

Investor Returns

Execution

Closing the gap between trading price and NTA

Simplified strategy of investing in real estate equity. Longer term objective of owning direct and valued-add assets on TOT's balance sheet

During the period, bought back 1.1m securities at a price of \$0.87, reflecting a -23.0% discount to NTA and 6.9% distribution yield

360 Capital Group, Directors and Key Management Personnel hold 21.5% of TOT

Growing distributions from 6.0cps base with opportunity for capital growth through equity investments.

Consistent execution of TOT's stated strategy of investing in real estate equity and increase the scale and liquidity of TOT



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6. 2H21 Key Focus and Guidance



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Discount to NTA

Communication

Non Core Assets

Strategy

Guidance

Continue to execute on TOT's refined strategy

Focus on closing the gap between trading price and NTA

Improve and maintain communication to existing and potential investors

Complete the sale of AMF Finance and non-core assets, recycle proceeds into real estate equity

Maintain exposure to a diversified portfolio of real estate assets and support the growth of PMG Group

Forecast FY21 distribution guidance of 6.0 cents per security, reflecting a 6.8%¹ distribution yield

¹ Based on annualised forecast EPS and DPS / closing price of \$0.88 on 25 February 2021



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Appendix 1: Financials



1H FY21 balance sheet highlights



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\$103.9m

Cash balance

As at 31 December 2020, TOT had a cash balance of \$103.9m. Cash balance currently \$13.7m as at 24 February 2021.

\$42.4m

Loans repaid

The Fund has been repaid \$42.4m in loan investments during 1H FY21, with all direct real estate loans now repaid

\$1.14

NTA per security

Increase of 1 cent per security from the prior period

	31-Dec-20 (\$m)	30-Jun-20 (\$m)	Change (\$m)	Change (%)
Cash	103.9	78.5	25.4	
Receivables	0.2	0.6	(0.4)	
Loans receivable	-	42.4	(42.4)	
AMF Finance Joint Venture ¹	0.1	0.2	(0.0)	
TOT TGP Joint Venture	0.6	1.0	(0.3)	
Investments in listed securities	29.0	6.3	22.7	
Investment in unlisted securities	10.3	11.0	(0.7)	
Inventory	5.9	11.8	(5.9)	
Convertible notes	9.9	9.9	-	
TOTAL ASSETS	159.9	161.7	(1.8)	-1%
Payables	0.2	0.2	0.0	
Deferred tax liabilities	1.0	0.0	1.0	
Provision for income tax	0.3	1.3	(1.0)	
Distributions payable	2.1	3.1	(1.1)	
TOTAL LIABILITIES	3.6	4.7	(1.1)	-24%
NET ASSETS	156.4	157.1	(0.7)	0%
Securities on issue	137.7	138.8	(1.1)	-1%
NTA per security ²	\$1.14	\$1.13		
Core NTA post (AASB 9) allowance ²	\$1.14	\$1.13		

1. The value of TOT's 50% interest in AMF Finance joint venture is accounted for using the equity accounted method.
2. The Fund has provisioned an allowance for loss on loans receivable for purposes of AASB 9, however there is currently no evidence any actual loss will eventuate.

1H FY21 profit and loss highlights



\$1.5m

Finance revenue

Finance revenue of \$1.5m, a –\$1.8m decrease from H1 FY20 due to TOT choosing not to write new loans in the second half of the year

\$4.4m

Statutory NPAT attributable to securityholders

51% decrease in statutory net profit attributable to securityholders due to the comparable period having the gain on the URB acquisition

\$1.5m

Operating profit

Operating profit¹ of \$1.5m reflecting a 59% decrease on prior period as a result of the high average cash balance

1.1cps

Earnings per security

Earnings per Security of 1.1cps for the period reflects a -76% decrease on the prior period

3.0cps

Distributions per security

Distributions of 3.0cps for the period reflects a -33% decrease on the prior period in line with the new equity strategy

1. Operating profit is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for non-operating items.
2. The Fund has provisioned an allowance for loss on loans receivable for purposes of AASB 9, however there is currently no evidence any actual loss will eventuate.

	H1 FY21 (\$m)	H1 FY20 (\$m)	Change (\$m)	Change (%)
Finance revenue	1.5	3.3	(1.8)	
Distribution income	0.4	0.8	(0.4)	
Net gain on fair value of financial assets	4.7	0.5	4.1	
Gain on business acquisition	-	5.6	(5.6)	
Revaluation on acquisition of equity accounted investment	-	1.1	(1.1)	
AMF revenue (Active Returns)	-	0.2	(0.2)	
Sale of inventory	6.7	-	6.7	
Loss reversal allowance (AASB 9) ²	-	-	-	
Other income	0.1	0.0	0.1	
TOTAL REVENUE	13.3	11.6	1.7	15%
Management fees and expenses	(0.8)	(0.6)	(0.3)	
Revaluation on acquisition of equity accounted investment	(0.3)	-	(0.3)	
AMF losses (Active Returns)	(0.0)	-	(0.0)	
Transaction costs	(0.1)	(0.4)	0.3	
Cost of goods sold	(5.9)	-	(5.9)	
Finance expenses	-	(0.0)	0.0	
Investment property expenses	(0.3)	-	(0.3)	
Net loss on disposal of financial assets	(0.1)	(0.4)	0.3	
Loss allowance (AASB 9) ²	-	(0.1)	0.1	
Profit from continuing operations	5.6	10.0	(4.4)	-44%
Income tax (expense)/benefit	(1.2)	(1.1)	(0.1)	
STATUTORY PROFIT	4.4	8.9	(4.5)	-51%
External NCI	-	-	-	
STATUTORY PROFIT ATTRIBUTABLE TO SECURITYHOLDERS	4.4	8.9	(4.5)	-51%
Fair value (gain) / loss on investments	(4.7)	(0.5)	(4.1)	
Net gain on business acquisition	-	(5.6)	5.6	
Net (gain) / loss on fair value of financial assets	0.3	(1.1)	1.5	
Tax Effect on Fair value (gain) / loss on investments	1.0	0.9	0.1	
Transaction costs	0.3	0.4	(0.1)	
Loss on sale of investments	0.1	0.4	(0.3)	
Loss allowance (AASB 9) ²	-	0.1	(0.1)	
OPERATING PROFIT¹	1.5	3.5	(2.0)	-59%
OPERATING EPS¹	1.1 cps	4.5 cps	3.5 cps	-76%
DISTRIBUTIONS CPS	3.0 cps	4.5 cps	1.5 cps	-33%



Disclaimer

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