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360 Capital REIT (ASX: TOT) – HY20 Results

27 February 2020

Continuing five-years of consistent distributions from a diversified portfolio of investments across real estate equity, debt and real estate based operating businesses

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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 six months ended 31 December 2019.

The Fund has a diversified portfolio of investments across real estate equity, debt and real estate based operating businesses with a demonstrated track record of consistent quarterly distributions, averaging 9.8cps per annum over five years.

In line with the Fund’s updated strategy and objectives, post the reporting period, 360 Capital Total Return Fund was renamed “360 Capital REIT” the name change provides greater clarity around the Fund’s objective of providing regular quarterly distributions in line with the Fund’s passive earnings and reinvestment of the Fund’s active earnings.

HY20 Key Highlights

- Completed merger with URB Investments Limited (URB), increasing the market capitalisation of TOT from \$84.9m¹ to \$148.7m²
- Completed institutional placement of \$10.8m in October 2019
- Achieved an average Internal Rate of Return (IRR) of 16.0% on exited loan investments
- Increased loan book to \$101.0m of first mortgage real estate debt at an average interest rate of 9.8%
- Acquired 23 apartments in Gladesville, NSW at -20.0% below valuation and commenced sales campaign, initial four (4) sales translate to a return on equity of 31% over a 3-month investment horizon
- In joint venture with TGP, TOT acquired a 19.9% interest in Velocity Property Group (ASX:VP7) at a -64% discount to the 30 June 2019 audited Net Tangible Assets (NTA)
- Provided \$10.0m corporate note to VP7 at 7.0% with 250m options attached at 4.0cps (pre-consolidation)

Key financial results highlights for the six months ending 31 December 2019

- Statutory net profit of \$8.9m up 189% pcp reflecting gain on URB acquisition
- Operating profit of \$3.5m down -11% on pcp due to URB acquisition and higher cash balances
- Statutory earnings per security (EPS) of 11.5cps up 150% on pcp
- Operating EPS of 4.5cps down 25% on pcp
- Distributions per security (DPS) of 4.5cps in line with forecasts
- NTA per security of \$1.17 pre-AASB9 loss allowance

¹ Based on closing price of \$1.07 on 20 February 2020

² Based on total Stapled Units on issue post on-market buyback of 4.64m Stapled Units (as at 20 February 2020)



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Merger with URB Investments (URB)

The Fund has now completed the merger with URB with all assets being absorbed by the Fund. The Fund has commenced the sale of the URB's listed equities portfolio, having now sold approximately \$17.8 million in line with holding values, with a balance of approximately \$3.1 million of listed equities remaining to be sold. The remaining assets of URB are cash and \$11.2 million of indirect property investments.

Real Estate Debt Portfolio

The Fund holds a 50% stake in AMF Finance Pty Limited (AMF). AMF originates alternative lending and structured financing solutions to Australian real estate investors and developers and receives all establishment fees on development transactions written by 360 Capital Group entities, including TOT.

The Fund was repaid its \$8.0m Coogee and \$7.7m Perth hotel loan investments, delivering a 15.1% and a 16.8% Internal Rate of Return (IRR) per annum respectively (including the Fund's share of AMF fees).

The Fund's \$101 million real estate loan portfolio now comprises only senior secured first and only mortgages, with an average all-in interest rate of 9.8% and portfolio Loan to Value Ratio (LVR) of approximately 67% on a fully drawn basis.

Gladesville Apartment Sales Campaign

The Fund has commenced the sales campaign for the Gladesville apartments. Within the first month of the sales campaign, the Fund has exchanged four (4) contracts for sale, reflecting an average premium of 26% to the Fund's purchase price.

Initial sales translate to a return on equity of approximately 31% over a three (3) month investment horizon.

The Fund is confident of achieving similar results for the balance of the investment and has seen an increase in enquiry for all apartment types.

Velocity Property Group (ASX: VP7)

On 23 December 2019 the Fund announced that TGP TOT JV Pty Limited (JV), a company jointly owned by TOT and 360 Capital Group (ASX: TGP), made a 19.9% strategic stake in Velocity Property Group (ASX: VP7)(Velocity) for an investment of approximately \$1.6 million or 2.0 cents per share reflecting a 64% discount to the 30 June 2019 Net Tangible Assets (NTA) per security of 5.6 cents per security.

TOT has also provided a \$23.7 million residual stock loan over a completed project currently being sold down by Velocity and a \$10.0m secured corporate loan investment with a term of 2 years and an interest rate of 7.0% p.a. The corporate loan investment has 250 million options attached at an option price of 4.0 cents per security (pre-consolidation) a 28% discount to the 30 June 2019 NTA per security (conversion rights being subject to Velocity shareholder approval on 6 March 2020).

The JV has two Board representatives (Tony Pitt and James Storey) with Velocity now changing its business around development fees rather than development risk. This new capital light structure by Velocity will allow TOT to receive a new revenue stream from development syndicate underwriting as well as other fees such as further financing opportunities.



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Capital Management

During the half year the Fund issued 9.14 million stapled units at \$1.18 per unit to institutional investors raising circa \$10.8 million. The allotment of new stapled units was completed on 21 October 2019. The proceeds were allocated to fund the lending activities and replenishing working capital.

The Fund also issued 64.25 million stapled units under scheme of arrangement in relation to the acquisition of URB. The scheme was implemented on 20 December 2019 and the ASX trading of the new units commenced on 23 December 2019.

Post the reporting period, the Fund announced the on-market buyback of up to 6.75 million ordinary stapled securities. The buy-back will be funded from TOT's available cash balance. At the date of this announcement, the Fund had bought back 4.82m securities at an average price of \$1.07 reflecting a – 8.5% discount to NTA³ and 8.4% distribution yield⁴.

Investor Briefings

We will be providing investor briefings on the TOT, 360 Capital Group and other managed funds in the following locations:

Sydney	10am, Friday, 20 March 2020	Dexus Place, level 15, 1 Farrer Place, Sydney
Melbourne	2pm, Monday, 23 March 2020	Dexus Place, level 14, 385 Bourke St, Melbourne
Perth	10am, Thursday, 26 March 2020	Dexus Place, level 16, 240 St Georges Terrace, Perth
Brisbane	2pm, Monday, 30 March 2020	Dexus Place, Level 31, 1 Eagle Street Waterfront Place Brisbane
Adelaide	2pm, Wednesday, 1 April 2020	Mayfair Hotel, 45 King William St, Adelaide

[Click here to RSVP](#) or visit www.360capital.com.au

Outlook and Guidance

The Fund strategy has evolved from a pure total return focus to that of providing regular quarterly distributions in line with the Fund's passive earnings and reinvestment of the Fund's active earnings. The Fund has a diversified portfolio of investments across real estate equity, debt and real estate based operating businesses.

³ Based on closing price of \$1.07 on 20 February 2020

⁴ Based on annualised forecast DPS/closing price of \$1.07 on 20 February 2020



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As 360 Capital's dedicated listed real estate vehicle, the responsible entity remains focused on continuing to increase liquidity and awareness of the Fund and greater focus on acquisitions / investments that provide recurring income.

The Fund is forecasting Operating Earnings for FY20 of 9.0cps⁵ and Distributions per security of 9.0cps.

Authorised for release by Tony Pitt, Managing Director 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 code TOT)

The Fund has a diversified portfolio of investments across real estate equity, debt and real estate based operating businesses with a demonstrated track record of consistent quarterly distributions, averaging 9.8cps 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.

⁵ Including pre-acquisition operating profits from URB Investments