



## ASX Release

**360 Capital Group (ASX: TGP) – HY22 results**  
**Well capitalised to grow funds management strategy**  
**High conviction, principal investing driving earnings**  
**Significant FY22 upgrade to earnings and NTA growth**

**24 February 2022**

REAL ASSETS  
PRIVATE EQUITY  
CREDIT

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360 Capital Group (ASX: TGP) (**Group**) is pleased to announce its financial results and operational update for the half year ended 31 December 2021.

During the first six months to December 2021, the Group has been focused on executing its alternative assets funds management simplification strategy and setting the base for growth across its three key investment strategies of: Real Assets, Private Equity and Credit.

The financial results for the 6 months to 31 December 2021 were well above forecast. Combined with a strong balance sheet, potentially significant profits from Irongate Group investment, and a pipeline of funds management transactions and initiatives in the second half, the Group is well positioned up for a strong FY22.

**Key financial highlights for the 6 months ended 31 December 2021**

Statutory net profit (post tax) of \$25.7 million, up 1,350% on \$1.8 million in pcp;

Net operating profit (post tax) of \$15.6 million, up 3,212% on \$0.5 million in pcp;

Statutory net profit (post tax) EPS of 11.7 cps, up 1,363% on 0.8 cps in pcp;

Net operating profit (post tax) EPS of 7.1 cps, up 3,450% on 0.2cps in pcp;

Dividends of 3.0 cps (fully franked) up 50% on pcp which comprised a pre-tax distribution of 2.0cps;

NAV of \$1.00 per security, up 10% on 30 June 2021 NAV of \$0.91 per security;

Strong balance sheet with \$91.0 million in cash, (equivalent to \$0.42 per security), \$128.6 million in ASX listed securities, (equivalent to \$0.58 per security) and is ungeared;

Despite the strong financial result, the Group's ASX share price fell to \$0.825 per security, a 17.5% discount to the Group's NAV per security of \$1.00 and down 6.8% from its close of \$0.885 as at 30 June 2021.



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### HY22 key highlights

The key highlights driving the strong financial result for the 6 months to 31 December 2021 included:

#### **Real assets**

- 360 Capital REIT (ASX:TOT) simplified strategy to a pure REIT, disposing \$6.0 million of non-core assets<sup>1</sup>;
- TOT/TGP invested a total of \$191.3 million into Irongate Group (ASX:IAP) at average price of \$1.41 per security<sup>2</sup>, post period Charter Hall lodging indicative proposal at \$1.90 per security on ex distribution basis and agreeing to sell TOT/Group four assets for \$336 million, see "Irongate Proposal" below;
- Post period, the Group entered into an agreement with TOT (subject to various conditions including TOT and Group Securityholder approval) to buy TOT's 50% equity interest in PMG to the Group for NZ\$21.875 million<sup>3</sup>;
- Hotel Capital Partners (HCP) (70% owned by TGP) settled its first hotel acquisition for \$146.0 million on behalf of a US based private equity fund and made offers on several more properties and platforms to build out its portfolio;
- The Group sold its 33.2% stake in GDC for \$42.0 million in September 2021 and 50% share in the GDC investment manager for \$4.4 million in December 2021 as part of its funds management simplification strategy.

#### **Private equity**

- Sold Digital Software Solutions in September 2021 with Group receiving 1.8x multiple on its capital invested;
- Group disposed of its 39.1% stake in FibreconX Trust and its 50% interest in the management rights for a total of \$26.7 million equating to an IRR of approximately 177% generating a pre-tax profit of approximately \$17.1 million;
- Continue to monitor Cardioscan which benefited, but was also impacted from the Covid 19 pandemic;
- Commence discussions with various private equity funds management businesses to work together.

#### **Credit**

- Established the 360 Capital Private Credit Fund, open ended credit, unlisted, wholesale fund for sophisticated investors to invest in corporate credit transaction alongside TCF. Initial raising completed in January 2022 and now continuously open for investment;
- 360 Capital Enhanced Income Fund (ASX:TCF) completed a capital raising in December 2021 and alongside 360 Capital Private Credit Fund is expected to complete its next loan investment of approximately \$23.0 million in early 2022;

<sup>1</sup> Non-core assets included, at book value, the DET loan and shares (\$3.2m) and inventory disposal (\$2.8m)

<sup>2</sup> As at 31 December 2021

<sup>3</sup> Excluding the NTA adjustment



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- Continue to run the Dealt real estate debt platform and commence discussions with potential JV partners in Australia and NZ about scaling the Groups real estate debt funds management activities.

### Funds management

As outlined in the FY21 results, the Group decided to undertake a simplification strategy in its funds management business to focus on higher margin activities which can be scaled.

Over the past six months it has executed on this strategy, namely:

- Closed down all public equity funds including the sale of Ralton Asset Management;
- Exited its co-investment and management interests in Global Data Centre Group; and
- Sold its co-investment and management interests in FibreconX.

Group will have approximately \$154 million in cash (post IAP transaction) to deploy for funds management growth initiatives.

Proposed acquisition of PMG will increase FUM by NZ\$879 million but also provide a platform to grow TGP's NZ FUM across TGP's investment strategies;

- Proposed IAP transaction:
  - Increases TOT's gross assets to over \$260 million providing a diversified portfolio of income producing assets;
  - TGP will receive rental income while warehousing 100 Willis Street, Wellington NZ and subsequent fees and potential profits from selling its stake to third party funds;
  - PMG will receive property management fees for managing the 100 Willis Street, Wellington NZ on behalf of the Group and Charter Hall Partnership;
- Credit and Private Equity strategies will continue to grow organically across corporate credit investing as well as scaling our real estate debt investing activities.

The Group currently has FUM of \$563 million (excluding undrawn mandates). Subject to the PMG and IAP transactions proceeding, the Group is targeting FUM >\$1.5 billion by 30 June 2022 (excluding undrawn mandates).

Revenue from funds management activities was \$5.7 million for the 6 months to 31 December 2021, up 159% on \$2.2m in PCP.

### Principal investments

Over the past six months to 31 December 2021, the Group disposed of its co-investments in the digital infrastructure activities being:

- 360 Capital FibreconX Trust for \$26.7 million, equating to an IRR of 177% return on original \$10.0 million investment; and
- 33.2% in Global Data Centre Group for \$42.0 million in line with our cost base.

The Group contracted the sale of E&P Financial Group Limited for \$29.9 million in the prior period and settled this investment for \$29.9 million in July 2021.



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Post the sale of Digital Software Solutions Pty Ltd (Dealt) in September 2021, the Group received all of its capital invested back while also maintaining a position as the largest shareholder in Dealt Holdings Limited.

Given the discounted trading price of TOT, the Group has invested a further \$4.3 million into TOT over the 6 months to 31 December 2021, increasing its ownership to 23.1%.

In support of TOT's investment in IAP, the Group invested a further \$20.8 million to increase its ownership in IAP from 5.4% to 7.1% over the 6 months to 31 December 2021. IAP share price increased from \$1.45 to \$1.73 per security during the 6 months to 31 December 2021 and profits expected to be realised in 2H22 as a result of Charter Hall's proposal at \$1.90 per security for IAP.

The Group has also committed \$25.0 million of revolving co-investment capital to invest in credit strategies, alongside its current long term co-investment in TCF.As at 31 December 2021, the value of the Group's co-investments comprised: \$83.8 million in Irongate Group; \$40.8 million in TOT; \$4.0 million in TCF and \$8.7 million in unlisted investments.

Over the period, the Group repositioned its co-investment into more income focused investments reducing growth style investments given our view on markets.

### **Proposed Irongate Group transaction**

On 28 January 2021, TGP and TOT entered into a memorandum of understand (MOU) with a Charter Hall Group (ASX:CHC) managed partnership comprised of Dutch pension fund PGGM (PGGM) and Charter Hall Group.

The MOU facilitated Charter Hall Partnership to make a non binding indicative offer to IAP Board to purchase all of the IAP securities on issue (including TOT's and TGP's holdings totalling approximately 135.4 million securities) for \$1.90 per security plus pay the March 22 distribution (estimated at \$0.0467 per security) by way of a Trust Scheme (Indicative Proposal).

Terms of the MOU include (but not limited to) the following conditions:

- TOT will purchase a portfolio of 3 modern office buildings in IAP totalling \$254.0 million comprising a portfolio WALE of approximately 8.3 years;
- TGP will purchase a 50% share in 100 Willis Street, Wellington NZ for \$82.0 million and enter into a call option agreement to purchase the remaining 50% off Charter Hall Partnership in the future; and
- TGP had requested to purchase the IAP's fund manager and co-investment stakes, however, we have been informed that certain stakeholders may have pre-emptive rights and therefore we have assumed we will not be purchasing the fund manager and co-investment stakes.

The IAP Board has granted the Charter Hall Partnership an exclusivity period of approximately 6 weeks due diligence in order to convert its Indicative Proposal to a binding proposal. TOT and TGP have also entered into agreements with Charter Hall Partnership to allow it to undertake due diligence on its assets it proposes to buy under the MOU.

It is envisaged that this transaction will be completed in late FY22, if approved by IAP securityholders.



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Proposed Irongate Transaction provides TGP with a pre-tax realised profit of approximately \$23.6 million<sup>4</sup> above its purchase price and TOT with a pre-tax realised profit of \$42.1 million<sup>4</sup> above its purchase price.

The strategy of investing in IAP was to give TOT a portfolio of direct assets and TGP to expand its funds management activities. The Proposed Irongate Transaction provides the following benefits:

- In line with TOT's strategy of investing in direct real estate assets to provide TOT securityholders with regular and growing distributions with potential capital growth, upon complete of the Irongate Transaction, TOT will own a portfolio of modern office assets with a long WALE, fully leased to a diversified tenant base, fixed annual rent reviews, depreciation benefits and geographically diversified across Australian east coast;
- TOT's gross assets will increase to approximately \$260 million, increasing fee revenue for TGP;
- TGP will receive rental income while warehousing 100 Willis Street, Wellington NZ and subsequent fees and potential profits from selling its stake to third party funds;
- PMG will receive property management fees for managing the 100 Willis Street, Wellington NZ on behalf of the Group and Charter Hall Partnership;
- TGP or its nominee will be granted a call option for the remaining a 50% share in 100 Willis Street, Wellington NZ for \$82.0 million (plus adjustments).

Neither TGP nor TOT will be undertaking a capital raising to fund the Proposed Irongate Transaction, funding it from existing cash resources and bank borrowings.

### **Proposed purchase of 50% interest in PMG**

Based on feedback from a number of TOT investors, and TOT's strategy of becoming a pure REIT, TOT undertook a review of the suitability of maintaining its investment in PMG.

On completion of this review and in light of the pending Charter Hall transaction on IAP which had the potential of fast tracking TOT's REIT strategy, TOT engaged in discussions with TGP for the potential sale of its 50% equity interest in PMG to TGP.

Given the related party nature of the potential transaction, TOT and TGP each established its own Independent Board Committee.

In late January 2022, the Group's IBC made an offer of NZ\$21.875 million<sup>5</sup> to purchase TOT's 50% interest it owns in PMG.

The Offer was indicative in nature and subject to a number of conditions, including due diligence, an independent expert opinion that the offer was "Fair and Reasonable and in the best interest of both TOT and TGP securityholders and TOT and TGP securityholder approval.

Each party has appointed separate independent experts, has commenced documentation and due diligence.

<sup>4</sup> Subject to IAP Transaction being completed during the FY22 financial year as set out in the MOU with Charter Hall Group,  
<sup>5</sup> Excluding the NTA adjustment



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PMG has approximately NZ\$879 million of FUM comprising a series of unlisted, open ended real estate investment funds. The remaining 50% share in PMG is owned by staff and directors.

If TOT and TGP securityholders approve the transaction at their respective securityholder meetings (scheduled for early April 2022), it is expected that the transaction will settle shortly thereafter providing the Group with a strong beachhead to grow NZ opportunities.

### **Board and management changes**

From 1 March 2022, the following changes are being made to the Board and management:

#### **James Storey appointed Group CEO**

James has been with 360 Capital now for approximately 10 years, initial as a Fund Manager and more recently as the Head of Real Assets. He has been instrumental in a number of transactions, including the recent acquisition by TOT of PMG and the Irongate Group Proposed Transaction;

As CEO, James will assume all day-to-day operational responsibilities for the Group from 1 March 2022 and will be supported by the Group KMP's.

#### **Tony Pitt appointed Executive Chairman**

Tony Pitt to be appointed the Executive Chairman of the Group. Tony will remain an executive of the Group and will transition the day-to-day responsibilities to James over the balance of this financial year. Tony will focus on identifying opportunities to grow the Group's funds management business, continue to build strategic relationships and with the Board, the CEO and KMP's ensure execution of the Group's strategy of being a fund manager and investor of alternative assets across Australia and NZ.

These changes have been driven by Tony who has confirmed to the Board that he is seeking to continue on a full-time basis. Tony has also confirmed that he intends to increase his ownership of the Group (currently 32.0%) by purchasing further Group securities, on market, under the ownership creep provisions.

#### **Tony McGrath appointed Non-Executive Director**

As part of expanding and refreshing the Group's Board, the Group has also appointed Tony McGrath as a Non-Executive Director of the Group. Tony has over 35 years of experience in corporate markets specialising in restructuring and insolvency.

Tony began his career at KPMG before founding McGrathNicol in 2004, leading the firm to become a prominent national restructuring, insolvency and advisory business. Throughout his career, Tony has undertaken some of Australia's largest and most complex insolvencies including HIH Group of Companies, Great Southern Limited and Pan Pharmaceuticals.

Tony was the chairman of McGrathNicol from 2004 until his retirement from the practice in 2016 and is currently a director of Servcorp Limited and a Commissioner of the National Rugby League. Tony also serves on a number of Not-for-Profit boards and has been on the Group's Credit Committee for approximately 2 years.



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### **Independent Directors and Board sub-committees**

The balance of the Board composition will remain unchanged. David van Aanholt will become the Independent Deputy Chairman and Andrew Moffat and John Ballhausen will remain Independent Non-Executive Directors.

The following Committees will be chaired by the following Independent Directors:

Audit and Risk Committee	Tony McGrath
Remuneration Committee	Andrew Moffat
ESG Committee	John Ballhausen
TOT Investment Committee	David van Aanholt

### **FY22 upgraded forecast earnings, FY23 forecast dividends**

As a result of the strong HY22 financial results as outlined above, coupled with the Proposed Irongate Transaction, the Group is forecasting operating earnings (post tax) of 15.0-16.0 cps (prior to any reinvestment of the cash on balance sheet).

In prior years, the Group has provided securityholders with quarterly pre-tax distributions. Given the strong financial results to date and the majority of the activities in FY22 are in the corporate part of the Group, the Group is forecasting to pay a significant amount of corporate tax in FY22 which has allowed the Group to pay securityholders fully franked dividends in FY22.

The Group reaffirms that **FY22 dividends will be fully franked and forecasts these to total 6.0 cps**.

The Group is also forecasting to have significant retained earnings and franking credits resulting from FY22 activities, allowing the **Group to forecast FY23 dividend of 6.0 cps (fully franked)**.

### **Key focus for balance of FY22**

- Increase funds management activities to build recurring and growing revenue base;
- Complete the Proposed Irongate Transaction and ensure the assets are fully integrated into our operations;
- Complete the PMG Transaction and support PMG in its growth prospects;
- Continue to grow the Group's credit strategies across TCF, 360 Capital Private Credit Fund and real estate debt investing organically and through platform acquisitions;
- Continue to grow mandates with Hotel Capital Partners across Hotel debt and equity opportunities;
- Use TGP's strong balance sheet to continue to support funds management initiatives and potentially acquire funds management platforms which are in line with the overall Group investment strategy.



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Authorised for release by 360 Capital Group Board.

More information on the Group can be found on the ASX's website at [www.asx.com.au](http://www.asx.com.au) using the Group's ASX code "TGP", on the Group's website [www.360capital.com.au](http://www.360capital.com.au), by calling the 360 Capital investor enquiry line on 1300 082 130 or by emailing [investor.relations@360capital.com.au](mailto:investor.relations@360capital.com.au)

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### 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, private equity and credit strategies. We partner with our stakeholders to identify, invest and realise on opportunities.

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