



360 Capital REIT (ASX:TOT) FY22 Results Presentation

24 August 2022



1	Snapshot and Key Highlights	3
2	Portfolio Overview	7
3	Financials	16
4	TOT's Tax Benefit	20
5	Capital Management	22
6	Key Focus and Guidance	24



1. Snapshot and key highlights



Value Proposition

\$257.5m¹

Modern Portfolio

25%

Manager Co-Investment

7.8 year WALE

Secure, recurring income²

-33.3%

Discount to NTA per Unit³

7.7%

FY23 Fully Franked
Distribution Yield³

Modern portfolio - with an average age of 2 years⁵, minimal capex

Aligned manager - with 16-year real estate track record

Secure, growing income - 85.2% government and publicly listed tenants, average rent review of 3.0% p.a.

Compelling entry price - with no value for approximately 10.0cps of franking credits, equivalent to approximately 30.0cps in fully franked dividends – equivalent to 5 years of fully franked distributions⁶

Attractive distribution yield – distribution expected to be fully franked in FY23, grossed up equivalent distribution yield of 10.3%⁴.

¹ Following the settlement of two properties post period and settlement of the third property forecast to occur prior to 30 September 2022

² As at 30 June 2022

³ Based on the \$1.17 Proforma NTA (see slide 19 for details) and the \$0.78 closing price of TOT on 23 August 2022.

⁴ Based on the \$0.78 closing price of TOT on 23 August 2022 and a tax rate of 25%.

⁵ Based on period since the completion of the construction of the property or completion of a major refurbishment

⁶ Based on FY23 current distribution forecast of 6.0cps and current number of securities on issue



FY22 Financial Highlights



\$1.17¹
Proforma NTA



25.3cps
FY22
Operating earnings
321% increase on
earnings guidance²



~30.0cps
Potential future
franked
distributions



24.0cps
FY22
statutory earnings



6.0cps
FY22 distribution



\$27.6m³
Non-core asset sales
as part of transition
to an A-REIT

¹ See slide 19 for details

² Based on FY22 Earnings Guidance provided on 18 August 2021 of 6.0cps

³ Includes post period disposal of TOT's 50% ownership of PMG Holdings Limited



FY22 Operational Highlights

Executed on Irongate Group transaction, delivering TOT a 32% pre-tax IRR and \$41.7m in operating gain on TOT's \$123.2m investment

Post period disposed of its 50% interest in PMG Funds, delivering TOT a 22% pre-tax IRR proceeds applied to asset acquisitions

Acquired a \$257.5m portfolio, comprising three modern assets with a Weighted Average Lease Expiry of 7.8 years^{1,2}

Franking credit balance available to Securityholders equivalent to approximately 30.0cps fully franked distributions – equivalent to 5 years of distributions⁵.

FY22 operating earnings per security of 25.3cps, a 321% increase over guidance³, has generated significant retained profits

32%
pre-tax IRR on IAP Transaction

22%
pre-tax IRR on sale of PMG Funds

\$257.5m
Modern Portfolio

~10.0cps
Franking Credit Balance

18.1cps
Retained Profits from IAP⁴

¹ As at 30 June 2022

² Weighted by gross income

³ Based on FY22 Earnings Guidance provided on 18 August 2021 of 6.0cps

⁴ As at 30 June 2022. Calculated as the increase in Retained Profits in the Active trust between 30 June 2021 and 30 June 2022

⁵ Based on FY23 current distribution forecast of 6.0cps and current number of securities on issue



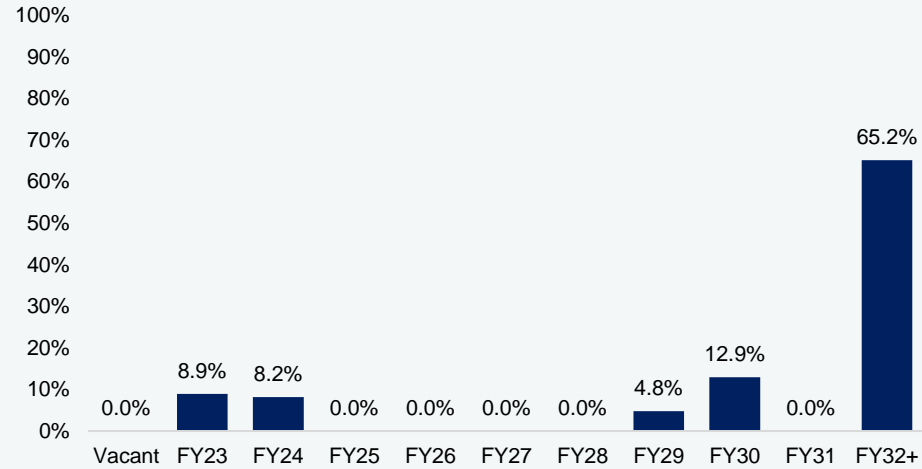
2. Portfolio Overview



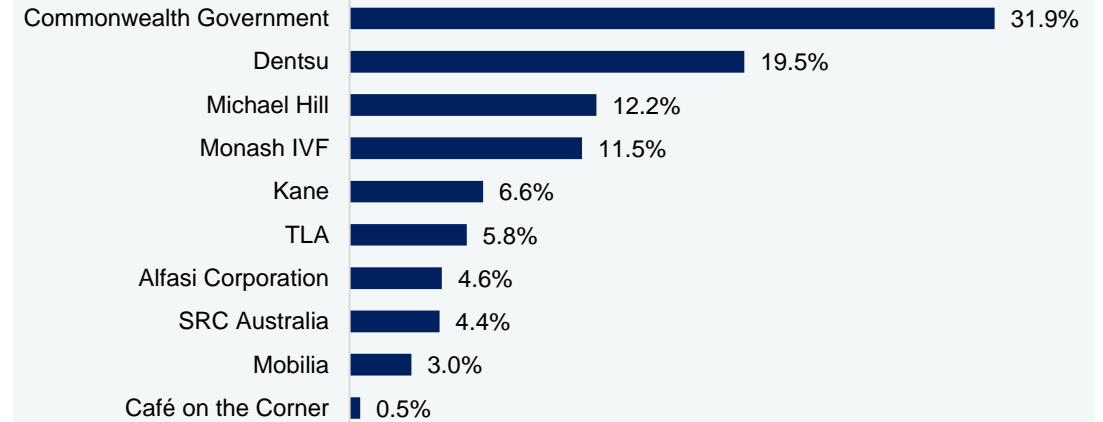


Portfolio

Lease Expiry Profile (by income)^{1,3}



Top 10 Tenants¹



Geographic Diversification²



Portfolio Overview

Properties (#)	3
Valuation (\$m)	\$257.5m
Area (sqm) ⁴	32,275
Occupancy (%) ¹	100.0%
WALE (years) ²	7.8
WACR (%) ²	4.66%
Average Building Age / Refurbishment ²	2.0 years

¹ Weighted by gross property income, as at 30 June 2022 (including Dentsu tenancies and Cannon Hill, as if complete)

² Weighted by gross income

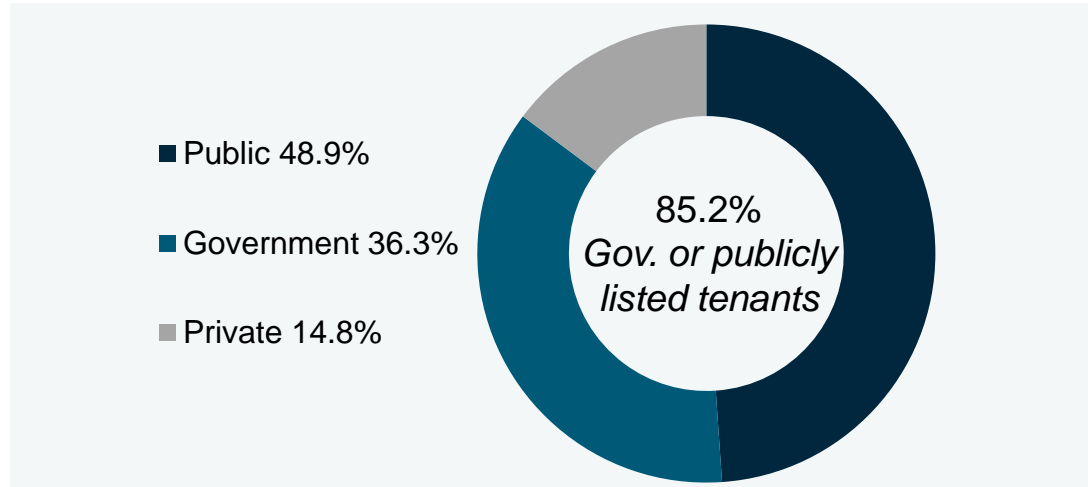
³ Adjusted for 50% ownership of 510 Church Street. Cremorne

⁴ 100% of 510 Church Street area

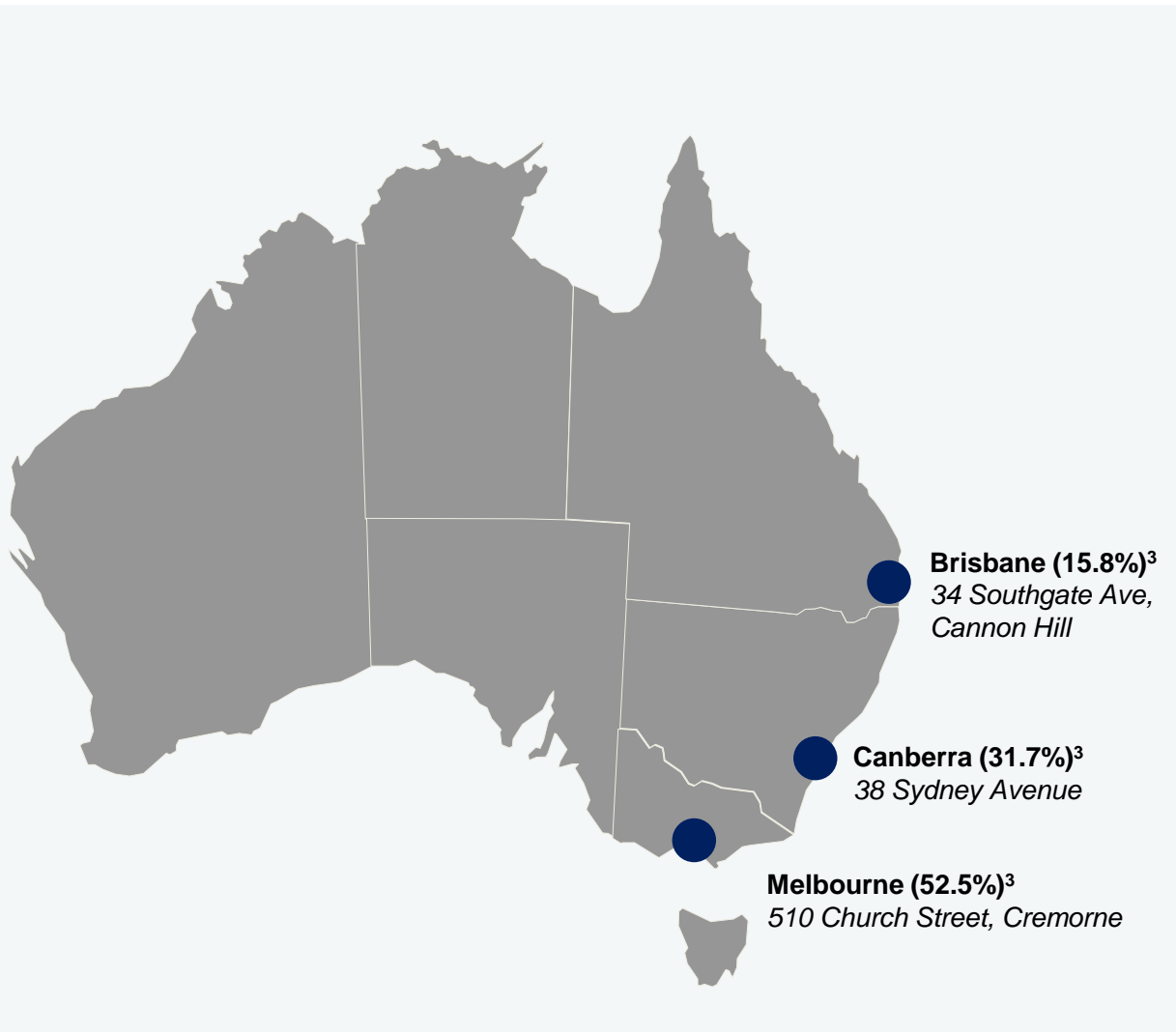


Diversified, secure income, contracted rent increases

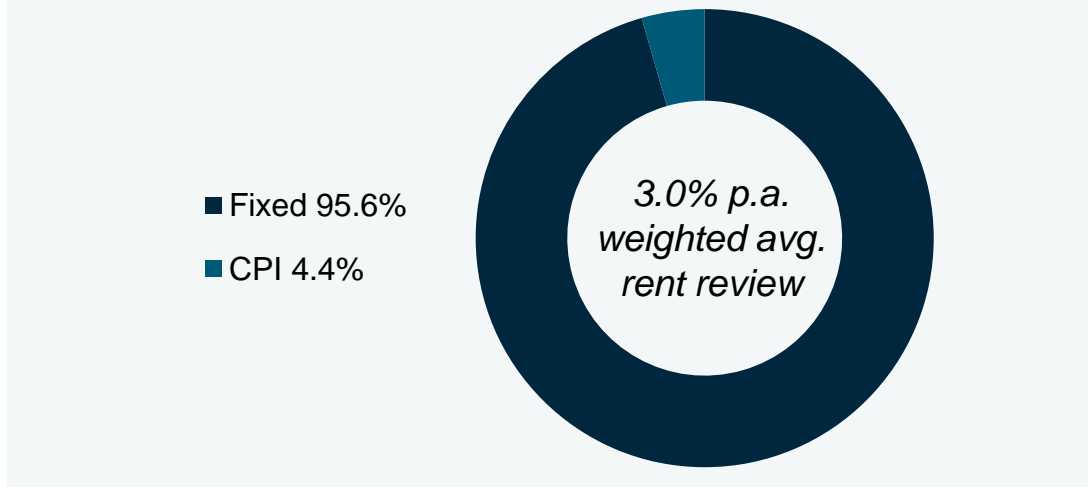
Tenant Type Composition^{1,2}



Initially East Coast Geography – Focus on Major Markets



Rent Reviews^{1,2}



¹ Weighted by gross property income, as at 30 June 2022 (including Dentsu tenancies and Cannon Hill, as if occupied)
² Excludes rental guarantees
³ Based on property values



510 Church Street, Cremorne VIC



Overview

- 510 Church Street is a brand-new A-grade office building comprising 19,805 sqm of lettable area across 9 levels of office accommodation, ground floor retail and 145 car parks
- The property was constructed in order to achieve a 5.0 Star NABERS Energy Rating and 5 Star Green Star Design Rating
- The weighted average rent review is 3.0% p.a.

Summary Metrics

Valuation¹:	\$135.0m (50%)
NABERS Rating:	5.0 stars ^(target)
NLA³:	19,805 sqm
Site Area:	3,026 sqm
Occupancy⁴:	100.0%
WALE²:	7.1 years
Cap Rate:	4.50%
\$/Sqm³:	\$13,633

Ownership

Ownership Interest:	50%
Title:	Freehold

Independent Valuation

Valuer:	JLL
Valuation¹:	\$135.0m (50%)
Capitalisation Rate:	4.50%
Valuation Date:	May 2022

¹ At 50% ownership

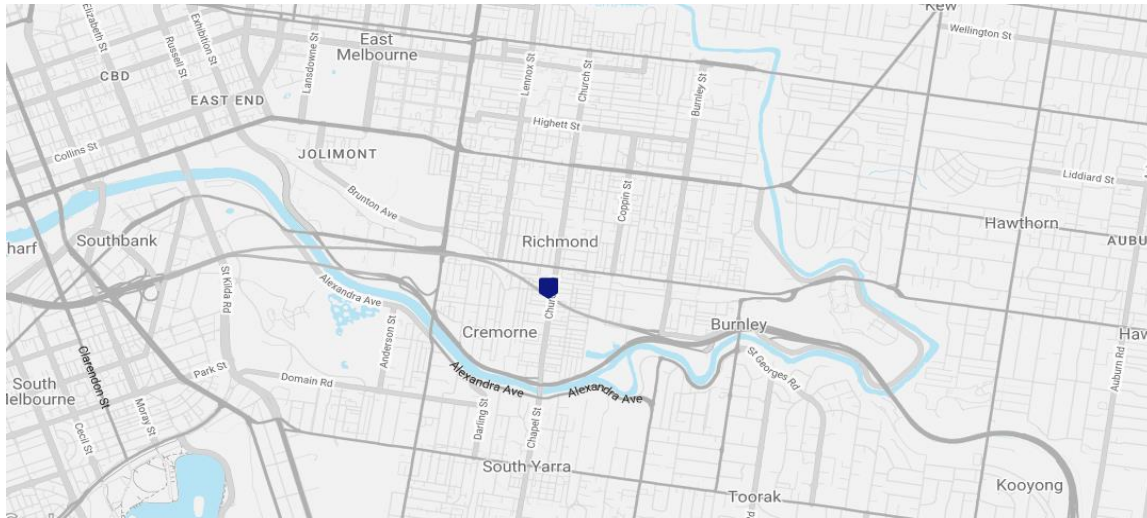
² As at 30 June 2022

³ At 100% ownership

⁴ Including rental guarantees

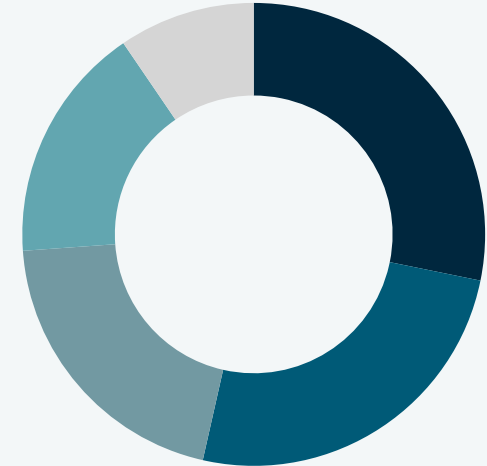


510 Church Street, Cremorne VIC



Top 5 Tenants^{2,3,4}

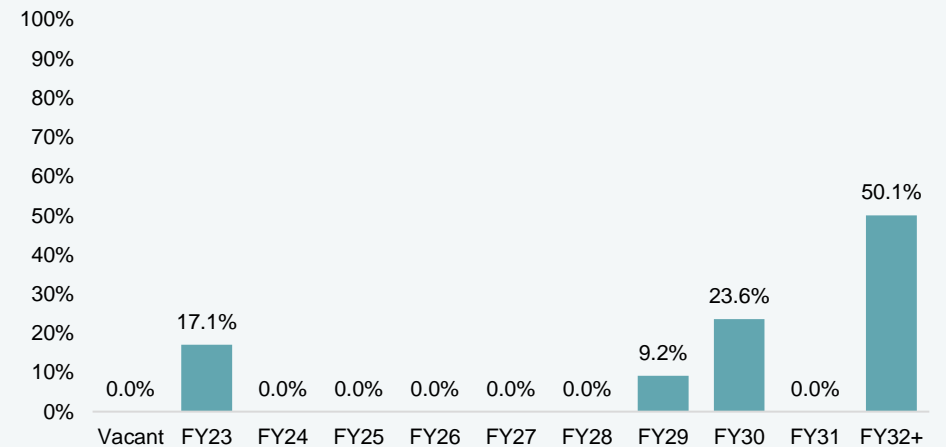
- Dentsu 23.6%
- Commonwealth Gov 21.2%
- Rent Guarantee 17.0%
- Monash IVF 13.9%
- Kane 8.0%



Major Tenants

Tenant	% total Gross Rent	NLA ¹ (sqm)	Review type	Expiry date	Option to extend
Dentsu	23.6%	4,668	Fixed	Jul 29	2 x 5
Commonwealth Gov	21.2%	4,307	Fixed	Oct 31	5
Monash IVF	13.9%	2,623	Fixed	Jan 32	3
Total	58.7%	11,598			

Lease Expiry Profile^{2,3,4}



¹ 100% of 510 Church Street area
² Includes rental guarantees
³ Weighted by gross property income

⁴ As at 30 June 2022



34 Southgate Avenue, Cannon Hill QLD



Overview

- 34 Southgate Avenue is a brand-new A-Grade office building that is wholly leased to ASX listed Michael Hill Jewellers (ASX:MHJ)
- The lease is subject to a fixed annual review of 3.0% p.a.
- The building was designed to achieve a 4-5 Star NABERS Energy Rating

Summary Metrics

Purchase Price²:	\$40.8m
NABERS Rating:	4.5 stars ^(target)
NLA:	3,585 sqm
Site Area:	2,598 sqm
Occupancy:	100.0%
WALE¹:	10.0 years
Cap Rate:	4.50%
\$/Sqm:	\$11,381

Ownership

Ownership Interest:	100%
Title:	Freehold

Independent Valuation

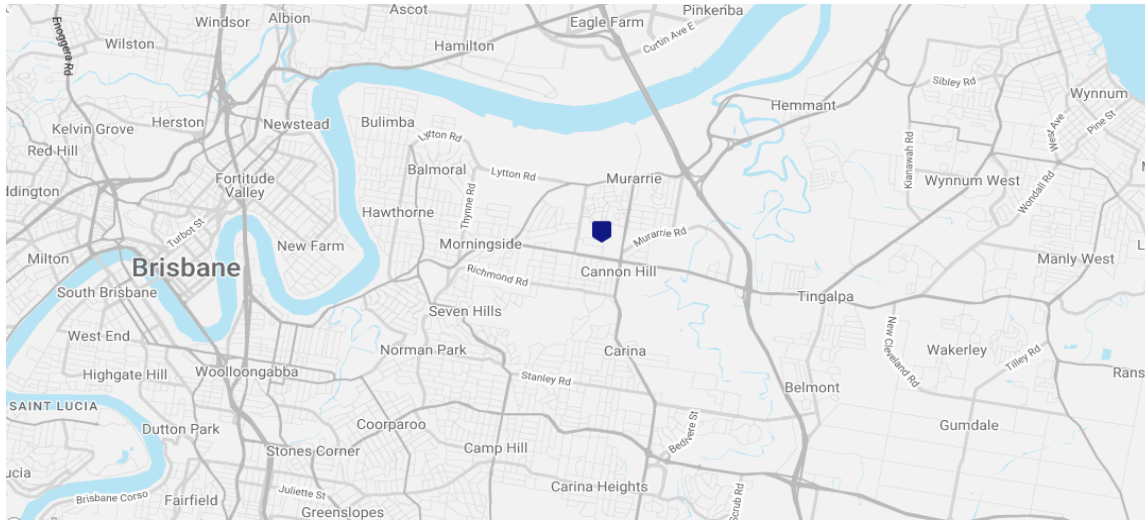
Valuer:	CBRE
Valuation:	\$40.0m
Capitalisation Rate:	4.50%
Valuation Date:	May 2022

¹ As at 30 June 2022

² Includes purchase price adjustment based on estimated commencing rent. To be confirmed based on actual commencing rent at settlement.



34 Southgate Avenue, Cannon Hill QLD



Top 5 Tenants¹

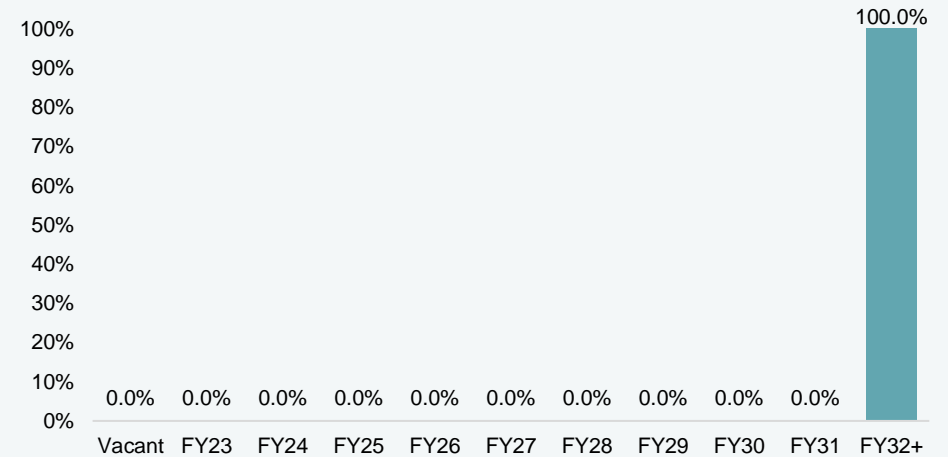
■ Michael Hill 100.0%



Major Tenants

Tenant	% total Gross Rent	NLA (sqm)	Review type	Expiry date	Option to extend
Michael Hill	100.0%	3,585	Fixed	July 32	2 x 5
Total	100.0%	3,585			

Lease Expiry Profile



¹ Weighted by gross property income



38 Sydney Avenue, Canberra ACT



Overview

- The Property comprises a modern four (4) storey A-Grade commercial office building, with a single basement car park accommodating 82 car spaces, bicycle storage, and end of trip facilities
- The building has a 4.5 Star NABERS Energy rating
- The weighted average rent review is 3.5% p.a.

Summary Metrics

Valuation:	\$81.7m
NABERS rating:	4.5 stars
NLA:	8,885 sqm
Site Area:	3,269 sqm
Occupancy:	100.0% ¹
WALE:	9.0 years ²
Cap Rate:	5.00%
\$/Sqm:	\$9,195

Ownership

Ownership Interest	100%
Title³	Leasehold

Independent Valuation

Valuer	JLL
Valuation	\$81.7m
Capitalisation rate	5.00%
Valuation Date	June 2022

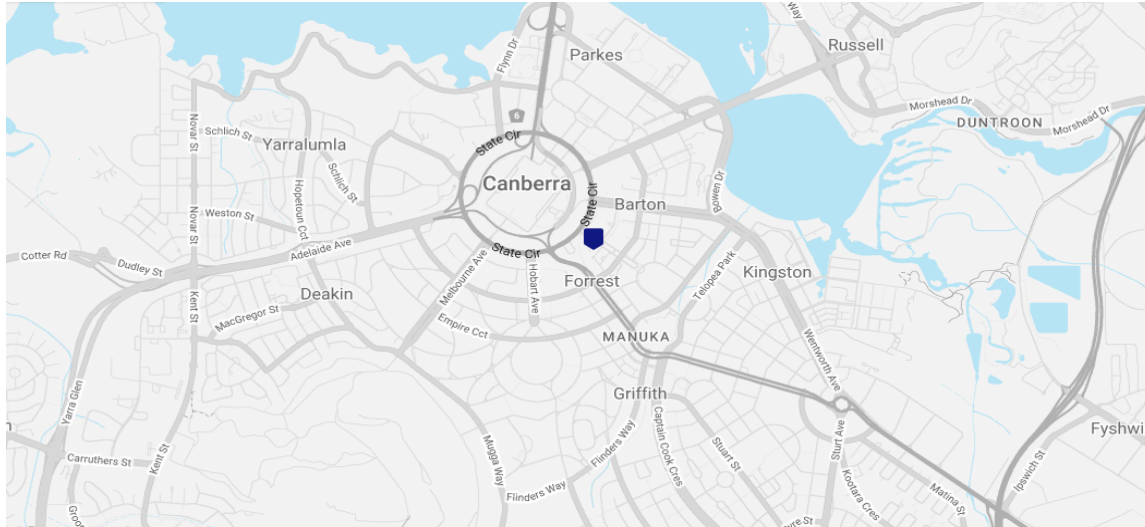
¹ Including rental guarantees

² As at 30 June 2022

³ Crown Leasehold

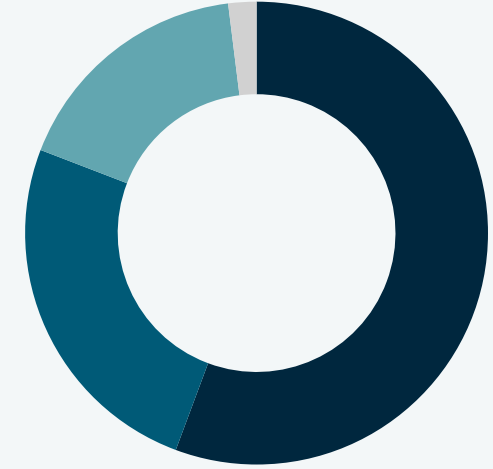


38 Sydney Avenue, Canberra ACT



Top 5 Tenants²

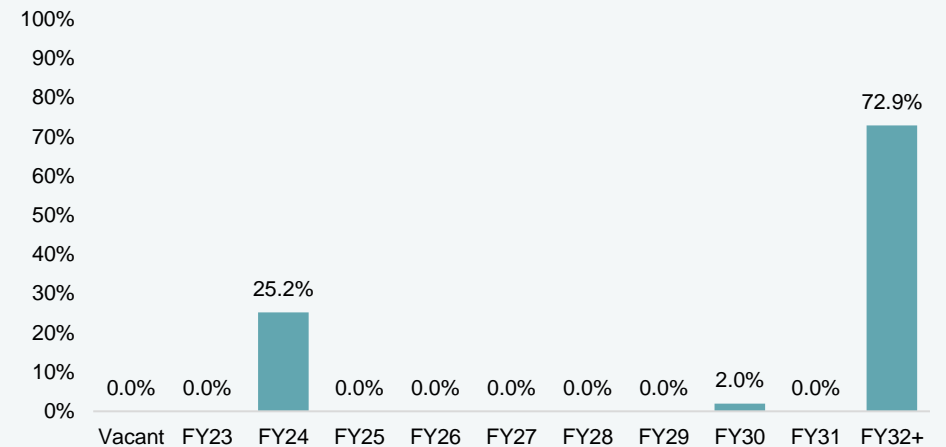
- Commonwealth Gov 55.7%
- Rent Guarantee 25.2%
- SRC 17.2%
- Zamlod 2.0%



Major Tenants

Tenant	% total Gross Rent	NLA (sqm)	Review type	Expiry date	Option to extend
Commonwealth Gov	55.7%	1,541	Fixed	Jan 32	5
SRC Australia	17.2%	4,857	> Fixed or CPI	Dec 34	5
Total	72.9%	6,398			

Lease Expiry Profile



¹ Includes rental guarantees

² Weighted by gross property income



3. Financials



FY22 Balance sheet highlights

\$201.8m

of total assets

As at 30 June 2022, TOT had \$201.8m of total assets, an increase of \$33.5m or 19.9% over the 12-months

\$28.0m

Increase in net assets

During the period net assets increase by \$28.0m largely due to the increase in TOT's investment in Irongate Group

\$13.8m

Tax liability

\$13.8m tax liability equivalent to approximately 10.0cps in franking credits or approximately 30.0cps of fully franked distributions

	30-Jun-22 (\$m)	30-Jun-21 (\$m)	Change (\$m)	Change (%)
Cash	10.8	15.6	(4.8)	
Joint ventures	18.9	19.8	(0.9)	
Investments in securities	166.7	122.2	44.6	
Inventory	-	2.8	(2.8)	
Convertible loan note	-	3.2	(3.2)	
Other assets	5.3	4.7	0.6	
TOTAL ASSETS	201.8	168.3	33.5	19.9%
Payables	0.5	2.9	(2.4)	
Deferred consideration	-	3.9	(3.9)	
Deferred tax liabilities	13.8	0.8	13.0	
Provision for income tax	0.2	1.5	(1.3)	
Distributions payable	2.1	2.1	0.0	
TOTAL LIABILITIES	16.7	11.2	5.5	48.7%
NET ASSETS	185.1	157.1	28.0	17.8%
Securities on issue	140.7	137.7	2.9	2.1%
NTA per security	\$1.32	\$1.14	\$0.18	15.4%



FY22 Profit and loss highlights

\$8.0m

Distribution revenue

Distribution revenue of \$8.0m, a \$4.3m increase from FY21 due to capital being redeployed into Irongate Group

\$41.7m

Operating gain on IAP²

TOT invested approximately \$123.2m into IAP at an average price of \$1.41 per security and sold its interest into the Charter Hall led scheme of arrangement for \$1.90 per security or \$165m

\$1.4m

PMG revenue

TOT generated \$1.4m in income from its investment in PMG Funds. TOT sold PMG post period for A\$19.6m (plus NTA), generating a 22% pre-tax IRR over the 17-month hold period

	FY22 (\$m)	FY21 (\$m)	Change (\$m)	Change (%)
Distribution income	8.0	3.7	4.3	
Sale of inventory	3.0	10.1	(7.0)	
Net gain on fair value of financial assets	39.7	3.0	36.7	
Net gain on disposal of financial assets	0.1	5.4	(5.3)	
Revaluation on acquisition of equity accounted investment	1.4	-	1.4	
Other income	0.5	3.6	(3.1)	
TOTAL REVENUE	52.7	25.8	26.9	105%
Management fees and expenses	(1.7)	(4.0)	2.3	
Cost of goods sold	(2.8)	(9.0)	6.2	
Other expenses	(0.6)	(1.1)	0.6	
Profit from continuing operations	47.6	11.6	36.0	309%
Income tax (expense)/benefit	(13.9)	(2.4)	(11.5)	
STATUTORY NET PROFIT	33.7	9.2	24.5	265%
Fair value (gain) / loss on investments	(39.7)	(3.0)	(36.7)	
Net (gain) / loss on disposal of financial assets	-	(5.4)	5.4	
Operating gain	41.7	4.2	37.5	
Transaction costs	0.5	3.4	(2.8)	
Other	(0.8)	0.2	(0.9)	
OPERATING PROFIT¹	35.5	8.6	26.9	314%
OPERATING EPS¹	25.3 cps	6.2 cps	19.1 cps	308%
STATUTORY EPS	24.0 cps	6.7 cps	17.3 cps	258%
DISTRIBUTIONS CPS	6.0 cps	6.0 cps	.0 cps	0%

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.

² 360 Capital REIT recognised an operating gain of \$41.7million relating to the Scheme of Arrangement (SOA) between Charter Hall and Irongate Group approved by securityholder of Irongate Group on 29 June 2022. At 30 June 2022 all substantial conditions precedent relating to the SOA had been satisfied including a satisfactory Independent Expert Report, securityholder approval, FIRB and New Zealand Overseas Investment Office approval and only the Second Judicial Advice was outstanding which was subsequently received on 5 July 2022. Settlement of the sale of the IAP securities under the SOA occurred on 15 July 2022.

Proforma¹ Balance Sheet Post Sale of PMG and Acquisition of Portfolio



\$257.5m

Property portfolio

TOT will acquire a \$257.5m portfolio of investment properties as part of the Charter Hall led scheme of arrangement.

29.7%

Gearing²

TOT will have gearing of 29.7% on a proforma basis following the sale of PMG and the acquisition of the property portfolio.

\$1.17

Proforma NTA per security

Following the completion of these transactions TOT will have an NTA of \$1.17 per security on a proforma basis.

Simplified

Balance sheet

Following the completion of these transactions TOT will have a balance sheet primarily consisting of 3 income generating investment properties

	30-Jun-22 (\$m)	IAP Sale (\$m)	PMG Sale (\$m)	Proforma (\$m)	Acquisitions (\$m)	Proforma (\$m)
Cash	10.8	165.3	22.1	198.2	(196.2)	2.0
PMG Funds (50%)	18.9		(18.9)	-		-
Investments in securities	166.7	(165.3)	(1.1)	0.4		0.4
Investment properties	-			-	257.5	257.5
Other assets	5.3			5.3		5.3
TOTAL ASSETS	201.8			204.0		265.2
Payables	0.5		0.2	0.7	2.8	3.6
Deferred tax liabilities	13.8			13.8		13.8
Provision for income tax	0.2			0.2		0.2
Interest bearing liabilities	-			-	80.3	80.3
Distributions payable	2.1			2.1		2.1
TOTAL LIABILITIES	16.7			16.9		100.0
NET ASSETS	185.1			187.1		165.2
Securities on issue	140.7			140.7		140.7
NTA per security	\$1.32			\$1.33		\$1.17
Gearing	0.0%			0.0%		29.7%

¹ Proforma balance sheet prepared on the basis that that all transactions were settled on 1 July 2022

² Calculated as (Interest bearing liabilities less Cash)/(Total assets less Cash)



4. TOT's Tax Benefits

TOT's Tax Benefits



- Franking Credits^{1,2}**
- Taxable Component**
- Franked Component**
- Tax Benefit**

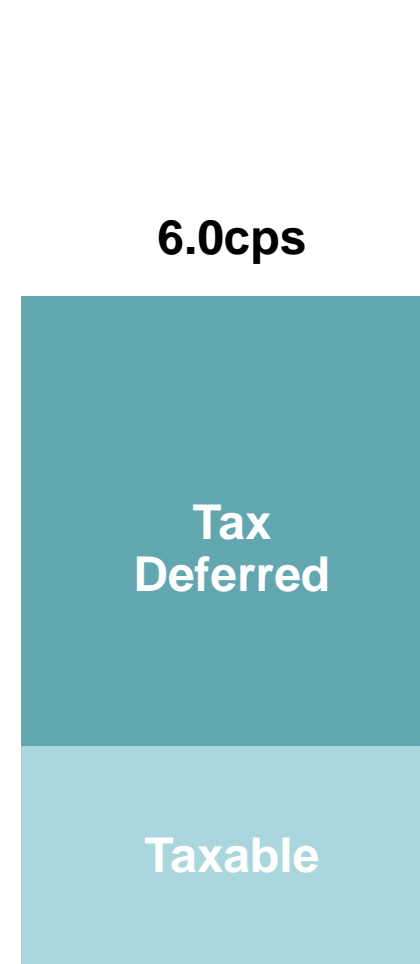
Approximately 10.0cps franking credit balance available to Securityholders equivalent to approximately 30.0cps fully franked distributions - equiv. to 5 years

TOT will pay the taxable component (based on the property net income) from the passive trust

TOT will top-up the shortfall between the taxable component and the forecast 6.0cps distribution as a fully franked distribution

It is expected that TOT's FY23 distribution will be fully franked, providing TOT holders with a tax benefit compared to similar yielding traditional A-REITs

Traditional AREIT



ASX:TOT



¹ Based on a 25% tax rate

² Based on FY23 current distribution forecast of 6.0cps and current number of securities on issue



5. Capital Management



Capital Management

Debt facility summary

Debt terms

- TOT has entered into the following debt facility:
 - Term: 3-years
 - Facility Limit: \$105m
 - Expiring: FY26

Interest rate strategy

- TOT's debt is currently unhedged and we have assumed a weighted average all-in interest rate of 4.25% in FY23. TOT will implement its interest rate hedging strategy as part of its overall capital management strategy and will implement the hedging strategy when interest rates normalise over the course of FY23

Capital management initiatives

DRP

- TOT will maintain the DRP during FY23 potentially raising up to a further \$6.5m to pay accrued tax liabilities

Performance fee

- In line with fee structures of comparable A-REITs, the Responsible Entity has agreed to waive ongoing Performance Fees subject to relevant change of control provisions (as defined under TOT's constitution)

Non-core asset sales

- TOT's remaining non-core asset is Artarmon Homemaker Centre, TOT is seeking to exit this investment in the near term (\$4.8m value)
- Post period, TOT sold its interest in PMG Funds for NZ\$22.0m with proceeds used to fund the IAP acquisitions
- During the period, TOT sold \$6m of non-core assets with the proceeds reinvested into IAP securities

\$105m
Facility limit

29.7%¹
Gearing

3-year
Debt maturity

4.25%
Assumed FY23
Weighted Average
All-In Interest Rate

¹ On proforma basis. See slide 19 for details.



6. Key Focus and Guidance



Key Focus and Guidance

Leasing

Complete leasing of rental guarantees at:

- 510 Church Street, Cremorne; and
- 38 Sydney Ave, ACT

Scale

Look for opportunities to increase size and scale of TOT

Trading Price

- Continue to market TOT to new investors
- Gain S&P Real Estate classification
- Gain broker research coverage

Guidance

Forecast FY23 distribution guidance of 6.0cps expected to be fully franked



Disclaimer

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360 Capital



James Storey

Chief Executive Officer

+61 2 8405 8860

James.storey@360capital.com.au

www.360capital.com.au

Level 37, 1 Macquarie Pl, Sydney NSW 2000