



360 Capital REIT (ASX:TOT) FY23 Results Presentation

24 August 2023



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1. Snapshot and key highlights





360 Capital REIT (ASX:TOT) – value proposition

“360 Capital REIT is an ASX-listed diversified AREIT invested in a modern portfolio of income producing office, office/healthcare, high-tech industrial and retail assets within Australia”

8.8%

Fully franked distribution yield in FY23 & forecast FY24 (based on ASX security price on 23 August 2023)

(34.6%)

Trading price discount to NTA per security (based on ASX security price on 23 August 2023 vs NTA of \$0.91 per security)

7.4 Years

Weighted Average Lease Expiry (WALE) with 84% of income derived from government and publicly listed tenants, average rent review of 3.0% p.a.

3.0 Years

Forecast years of fully franked distributions¹

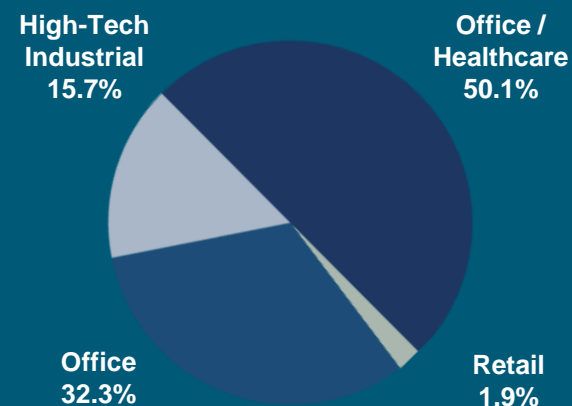
7.6cps equivalent to approximately 17.8cps fully franked distributions - equiv. to 3 years

\$225.0m

Modern Core Portfolio
2 brand new assets and 1 major refurbished (excluding \$4.3m non-core assets)

Aligned Sponsor

360 Capital Group is the largest securityholder with 26.1% of TOTs securities as long-term co-investment



Asset Diversification²

14.4%

Grossed up FY24 forecast distribution yield taking franking credits into account, (based on ASX security price on 23 August 2023)

¹ At the date of this report, based on forecast franking balance following payment of existing tax liabilities, forecast distribution of 6.0cps p.a. and current number of securities on issue and a franking rate of 30%. Noting the actual franking balance and applicable franking rate may change over the forecast period.

² Weighted by value



FY23 operational highlights

Simplification of TOT's balance sheet and transition to traditional A-REIT and acquisition of modern, diversified portfolio

The Fund realised proceeds of \$186.9 million from the disposal of investments in Irongate Group (ASX:IAP) and PMG Funds, averaging an Internal Rate of Return (IRR) of 31% per annum

Completed commissioning of 510 Church Street, Cremorne VIC and construction of Michael Hill's new global HQ at 34 Southgate Avenue, Cannon Hill QLD

Leased 800 sqm of the vacant space at 510 Church Street, Cremorne and commenced speculative fitout over remaining vacancy

FY23 highlights

\$225.0m

Modern diversified core portfolio

\$186.9m

Realisation of investments

2.8 Yrs

Average building age

93.3%

Portfolio occupancy



2. Portfolio overview



Portfolio overview

“84% of the portfolio is leased to government and publicly listed tenants, diversified across industry segment and asset class”

Portfolio occupancy¹ 93.3%	Weighted average lease expiry¹ 7.4 years	Weighted average cap rate² 5.33%	Gross assets \$232.9m
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Portfolio diversification by asset class²

High-tech industrial – 15.7%



Office / healthcare – 50.1%



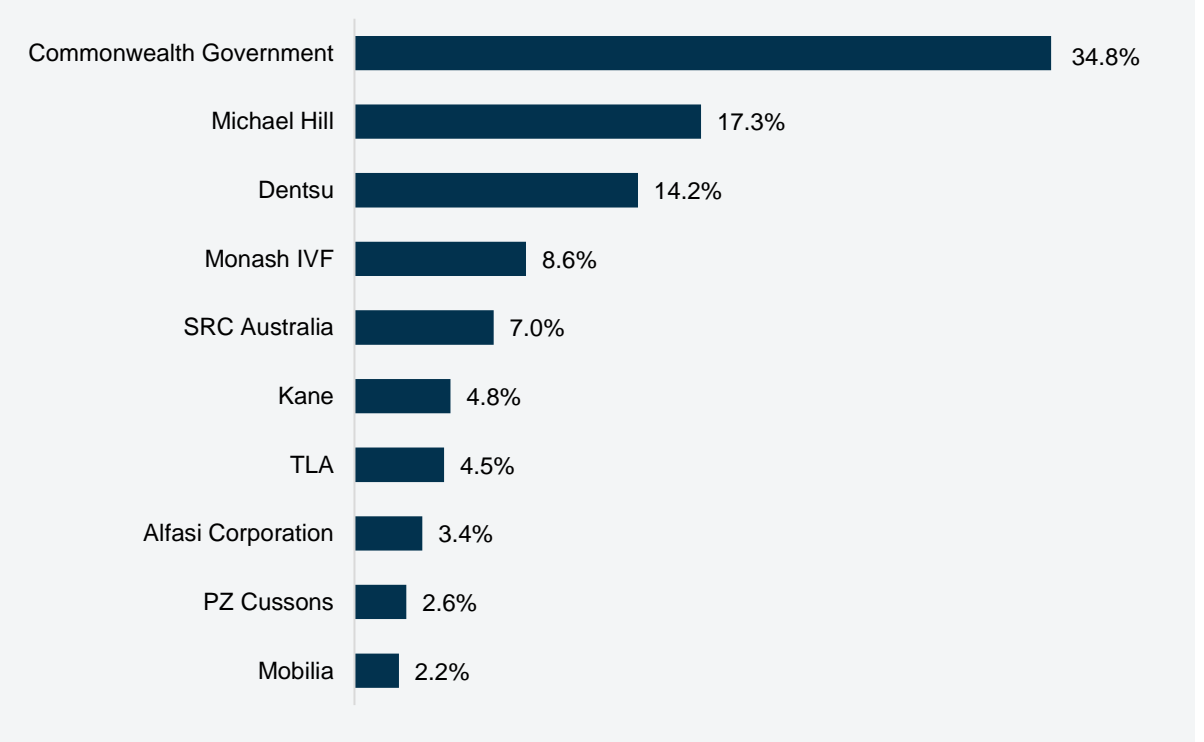
Office – 32.3%



Retail – 1.9%



Top 10 tenants¹



¹ Weighted by Gross Income including car parking and excluding outstanding incentives

² Weighted by value

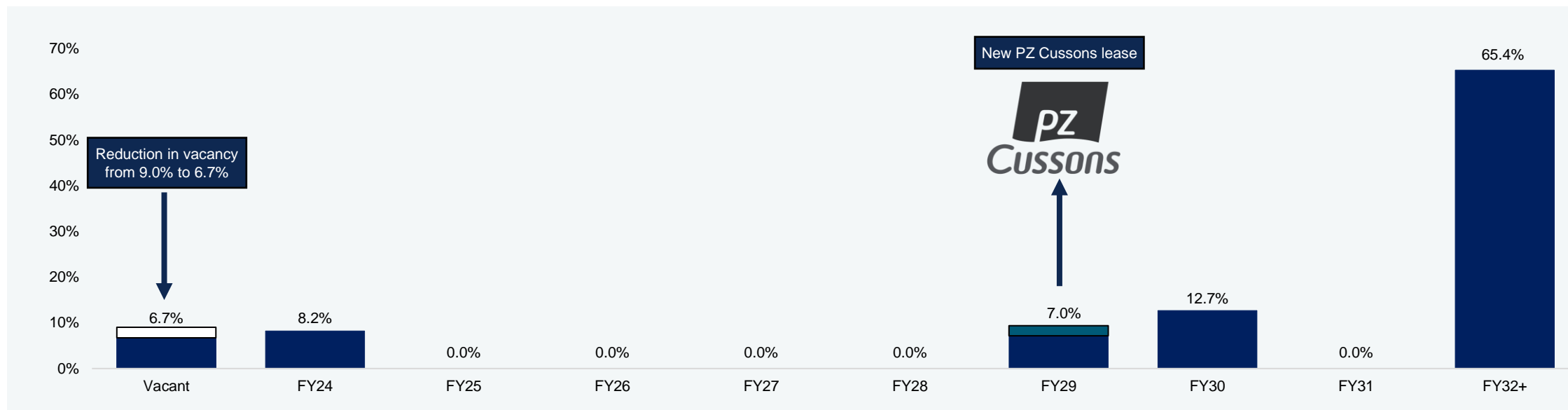


3. Asset management



Leasing expiry profile

Lease expiry profile (by income)¹



Current vacancy

ADDRESS	AREA	INCOME (%) ²	EXPIRY
A.L2, 510 Church Street, Cremorne	1,332 Sqm	3.5%	-
B.L2, 510 Church Street, Cremorne	1,250 Sqm	3.2%	-

FY24 expiry

ADDRESS	AREA	INCOME (%) ²	EXPIRY
L1, 38 Sydney Ave, Canberra	2,206 Sqm	8.2%	Jun-24

¹ Weighted by gross income including car parking and excluding outstanding incentives

² Based on gross market income including car parking



Leasing strategy

510 Church Street, Cremorne

- Since TOT's acquisition accelerated leasing with a speculative fit-out strategy.
- First fitted suite leased to PZ Cussons prior to fit-out completion. Secured 5.5 year lease over 800sqm tenancy.
- The fit-out of the remaining vacant space commenced in June 2023 to be delivered in October 2023 - strong initial interest

38 Sydney Avenue, Canberra

- The vacant space at this property is subject to a rental guarantee until June 2024
- The property currently offers the only >2,000 sqm contiguous A-grade tenancy in the Forrest/Barton precinct
- Following the Federal Budget in May 2023 there has been an increase in the level of enquiry and inspections

Office leasing markets

- **Cremorne, Melbourne:** Premium fringe office continues to benefit from the flight to quality and amenity. The perception of risks to delivery cost and timing of office fit outs has skewed tenant demand towards fitted office space.
- **Forrest/Barton, Canberra:** The Barton/Forrest market in Canberra is expected to remain one of Australia's tightest capital city office markets with vacancy in the Forrest precinct currently 4.7%¹.

Speculative Suite Strategy – 510 Church Street, Cremorne





Commissioning of new assets

510 Church Street, Cremorne VIC



34 Southgate Avenue, Cannon Hill, Brisbane



7.1% NLA / 10 Yr Term



7.1% NLA / 10 Yr Term



23.6% NLA / 7 Yr Term



13.3% NLA / 10 Yr Term



4.1% NLA / 5.5 Yr Term

- 510 Church Street was completed in October 2021 with over 55% of the tenants (by area) moving into the property during FY23



michael hill.

- In September 2022 TOT completed the acquisition of the newly constructed 34 Southgate Avenue, Cannon Hill, Brisbane
- The property is purpose-built to accommodate industrial/manufacturing activities and the global headquarters for Michael Hill International (ASX: MHJ)



ESG initiatives

Property	Current / Target NABERS Rating	FY23 Initiatives	FY24 Initiatives
510 Church Street, Cremorne, VIC	5.0 stars ¹ / 5.0 stars	Collection and monitoring of NABERS data Commissioned building optimisation report and commenced implementation	Continue optimising building performance Achieve 5-star NABERS rating in the building's initial assessment in March 2024
34 Southgate Avenue, Cannon Hill, QLD	5.0 stars ¹ / 5.0 stars	Installed ~100kW solar panel system Commenced data collection for NABERS assessment	Achieve 5-star NABERS rating in the building's initial assessment in September 2023
38 Sydney Avenue, Canberra, ACT	4.5 stars ² / 5.0 stars	Installed ~100kW solar panel system Commissioned NABERS Improvement Plan and commenced implementation	Continuing implementing NABERS Improvement Plan

Targeting 5-Star NABERS Rating across the portfolio

~260kW Solar systems

~\$250,000 FY23 spend on sustainability

Focus on maximizing sustainability



¹ The building designed to achieve this NABERS rating

² Installation of the solar panel system is expected to increase the NABERS rating to 5 stars



4. Financials



FY23 profit & loss highlights

Statutory net loss

\$47.9m

(June 2022: profit \$33.7m)

Statutory net loss of \$47.9 million represents a 242.1% decrease from the prior year. The result included a \$53.4 million fair value loss on the investment properties mainly comprising of a \$32.2 million loss on revaluation and \$15.1 million in stamp duty costs.

Operating profit

\$7.1m

(June 2022: \$35.5 million)

Operating profit¹ of \$7.1 million (equating to 5.0cps) includes net property income of \$9.9 million² on the three investment properties acquired during the year.

Distributions per security

6.0cps

(June 2022: 6.0cps)

The Fund continues to maintain consistent income distributions paying 6.0cps fully franked distributions during the year in line with the prior year.

PROFIT & LOSS STATEMENT	FY23 (\$m)	FY22 (\$m)	Change (\$m)	Change (%)
Gross property income	11.9	-	11.9	
Distribution income	0.1	8.0	(7.8)	
Realised gain on securities	-	41.7	(41.7)	
Share of profit equity investments	-	1.4	(1.4)	
Net gain on disposal of financial asset	2.6	0.1	2.5	
Finance revenue	0.3	0.2	0.1	
Other income	0.1	0.5	(0.4)	
TOTAL REVENUE	15.0	51.8	(36.8)	(71%)
Direct property expenses	2.0	-	2.0	
Management fees and expenses	1.7	1.7	0.4	
Finance costs	3.9	-	3.9	
Other expenses	0.4	0.0	(0.0)	
TOTAL EXPENSES	7.9	1.7	6.2	369%
Income tax (expense)/benefit	-	14.6	(14.7)	
OPERATING PROFIT¹	7.1	35.5	(28.4)	(80%)
Non-operating items	(55.0)	(1.8)	(52.7)	
STATUTORY NET PROFIT	(47.9)	33.7	(81.1)	(242%)
Weighted average securities on issue	143.5	140.3	2.7	
STATUTORY EPS	(33.0) cps	24.0 cps	(57.1) cps	(238%)
OPERATING EPS¹	5.0 cps	25.3 cps	(20.3) cps	(80%)
DISTRIBUTIONS CPS	6.0 cps	6.0 cps	- cps	- %

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. The above report is prepared on an operating basis. For full statutory accounts including disclosures together with operating to statutory reconciliation refer 360 Capital REIT 2023 Annual Report.

2. Net property income of \$9.9 million excluding IFRS adjustments.



FY23 balance sheet highlights

Core Property Portfolio

\$225.0m

(June 2022: Nil)

During the year, TOT settled the three-asset portfolio as part of the Irongate Group transaction

Net tangible assets

\$0.91

per security
(June 2022: \$1.32)

The Fund's NTA of \$0.91 per security reflects a decrease of \$0.41 or -31.1% from 30 June 2022 largely due to the fair value loss of the investment properties comprising stamp duty and acquisition costs of 14.7cps cost and revaluations of 22.3cps.

ASX closing price

\$0.68

per security
(June 2022: \$0.775)

The Fund's ASX closing price of \$0.68 per security was down from \$0.775 per security as at 30 June 2022.

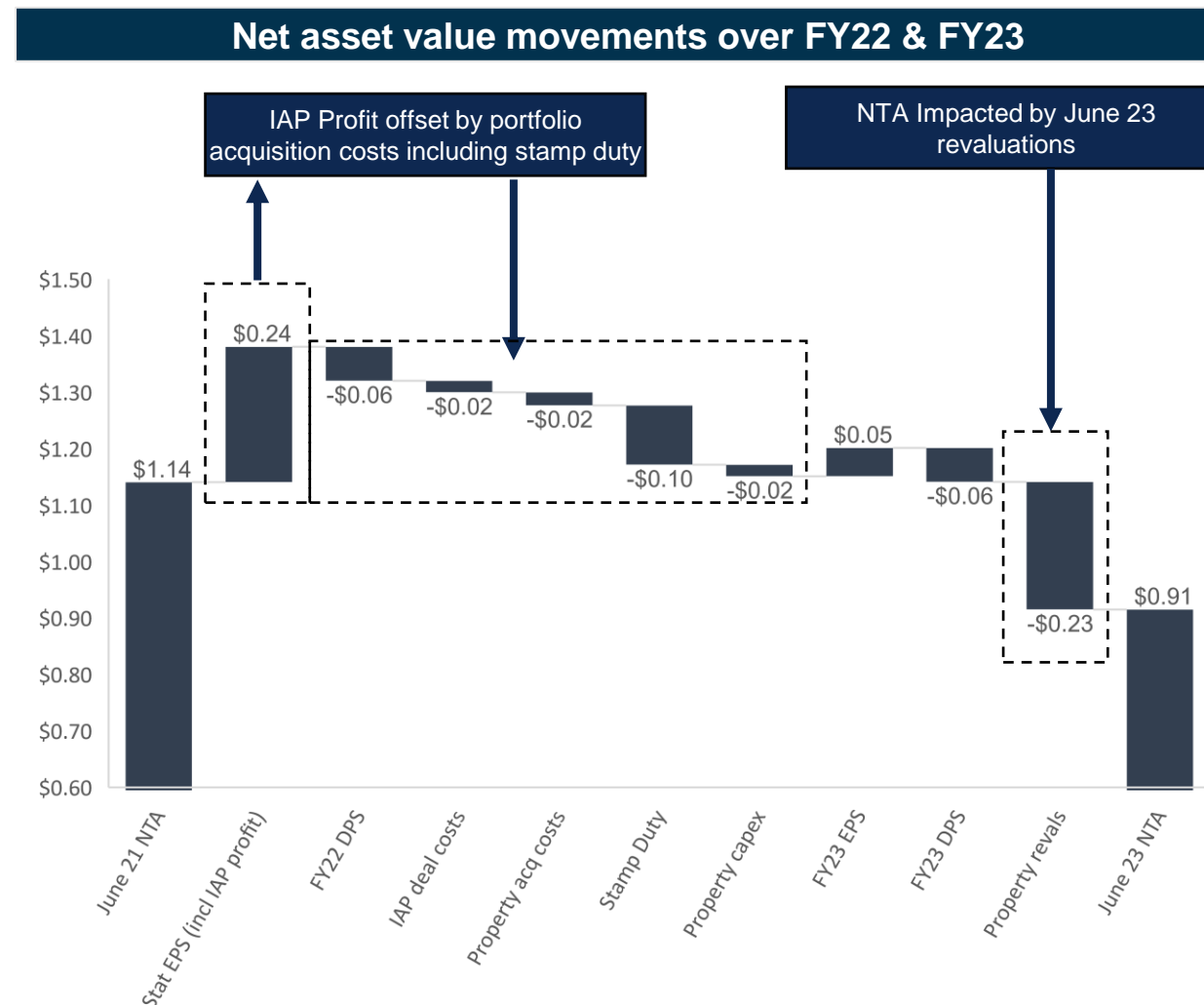
BALANCE SHEET	30-Jun-23 (\$m)	30-Jun-22 (\$m)	Change (\$m)	Change (%)
Cash	3.1	10.8	(7.7)	
Investment properties	225.0	-	225.0	
Other assets	4.8	5.3	0.5	
Joint ventures	-	18.9	(18.9)	
Investments in securities	-	166.7	(166.7)	
TOTAL ASSETS	232.9	201.8	31.1	15.4%
Payables	3.5	0.5	2.3	
Borrowings	83.4	-	83.4	
Deferred tax liabilities	0.6	13.8	(13.2)	
Provision for income tax	11.8	0.2	11.6	
Distributions payable	2.2	2.1	0.1	
TOTAL LIABILITIES	101.5	16.7	84.8	507.8%
NET ASSETS	131.4	185.1	(53.7)	(29.0%)
Securities on issue	144.4	140.7	3.7	2.6%
NTA per security	\$0.91	\$1.32	(0.41)	(31.1%)
Gearing ¹	34.9%	-		

1. Gearing calculated as (borrowings less cash) / (Total assets less cash)



Transition from real estate debt and equity investing activities to direct assets

- TOT was originally established with a very wide real estate mandate to invest across debt and equity
- In February 2020, securityholders voted 98.35% in favour of narrowing TOT's investment focus away from development activities
- In August 2021, TOT announced it was going to further simplify its investment strategy with a “longer term objective of owning direct/value-add real estate assets”
- In March 2022, TOT achieved this objective by contracting with Charter Hall to acquire three modern assets as part of the agreed Irongate Transaction with Charter Hall
- TOT made significant profits from the Irongate Transaction in FY22, these were offset by the stamp duty and associated costs of the committed acquisitions of the three assets acquired in FY23
- TOT was further impacted from rising interest rates (post committing to the acquisitions) as capitalisation rates softened





TOT's unique tax benefits

Franking Credits¹

Approximately 7.6cps of franking credits, equivalent to 3 years of fully franked distributions¹

Taxable Component

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

Franked Component

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

Tax Benefit

It is expected that TOT's FY24 distribution will be fully franked, providing TOT holders with a tax benefit compared to similar yielding traditional A-REITs

14.4%³
Grossed up FY24 forecast distribution yield taking franking credits into account



6.0cps

Tax Deferred

Taxable

Traditional A-REIT

8.6cps eqv. ²

Tax Benefit

Franked

TOT

1. Based on forecast franking balance following payment of existing tax liabilities, forecast distribution of 6.0cps p.a. and current number of securities on issue and a franking rate of 30%. Noting the actual franking balance and applicable franking rate may change over the forecast period
 2. Based on gross up of fully franked distribution of 6.0 cps at 30% franking rate
 3. Based on ASX security price on 23 August 2023



Capital management

Debt facility summary

Debt terms

- TOT has entered into the following debt facility:
 - Term: 3-years
 - Facility Limit: \$105.0m
 - Expiring: FY26

Interest rate strategy

- TOT's debt is currently unhedged, the FY23 weighted average all-in interest rate was 4.7% (including margin). 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.

Capital management initiatives

DRP

- During FY23 3,752,846 were issued at an average price of \$0.77 under TOT's Distribution Reinvestment Plan (DRP). The DRP has been suspended since the September 2022 quarterly distribution.

Non-core asset sales

- TOT's remaining non-core asset is a 4.5% interest in Home HQ Artarmon fund, classified as current asset as TOT is actively seeking to exit this investment (\$4.3m value)
- During FY23, TOT settled the sale of its 50% interest in PMG Funds for \$21.6m

\$105m

Facility limit

\$21.2m¹

Headroom

34.9%²

Gearing

3.8m

Securities issued via
the DRP

¹ Facility limit less drawn debt as at 30 June 2023

² Calculated as (Borrowings less Cash)/(Total assets less Cash)



5. FY24 key focus and guidance





FY24 key focus and guidance

	Focus	Status
Leasing	<p>Complete leasing of vacancy / rental guarantee space at:</p> <ul style="list-style-type: none"> • 510 Church Street, Cremorne; and • 38 Sydney Avenue, ACT 	<ul style="list-style-type: none"> • Ongoing
Scale	<ul style="list-style-type: none"> • Look for opportunities to increase size and scale of TOT including potential M&A activity across ASX listed and unlisted property trusts 	<ul style="list-style-type: none"> • Ongoing
Trading Price	<ul style="list-style-type: none"> • Continue to market TOT to new investors • Gain S&P Real Estate classification • Gain broker research coverage • TOT is focused on closing trading discount including potentially using non-core assets sale proceeds and other capital management initiatives 	<ul style="list-style-type: none"> • Ongoing • Re-classified as Diversified REIT • Ongoing
Distribution Guidance	<ul style="list-style-type: none"> • Forecast FY24 fully franked distribution guidance of 6.0cps 	<ul style="list-style-type: none"> • Ongoing

¹The building designed to achieve this NABERS rating

²Installation of the solar panel system is expected to increase the NABERS rating to 5 stars



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360 Capital **Identifying**
 strategic investment
opportunities



Appendix A. property portfolio



510 Church Street, Cremorne VIC



Overview

- 510 Church Street is a brand-new A-grade office/healthcare (65% office/35% healthcare) building comprising 19,752 sqm of lettable area across 9 levels, 6 levels of office, 3 levels of healthcare 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

1 At 50% ownership

2 The building is designed to achieve a 5 Star NABERS rating

3 At 100% ownership

4 Weighted by Gross Income including car parking and excluding outstanding incentives

5 Based on net lettable area

6 CPI based on May 2023 RBA forecast

Summary Metrics

Valuation¹	\$115.0m (50%)
NABERS Rating	5.0 stars ²
NLA³	19,752 sqm
Site Area³	3,026 sqm
Occupancy⁴	87.1%
WALE⁴	6.4 years
Cap Rate	5.25%
\$/Sqm³	\$11,644

Ownership

Ownership Interest	50%
Title	Freehold

Valuation

Valuation¹	\$115.0m (50%)
Capitalisation Rate	5.25%
Valuation Date	June 2023



510 Church Street, Cremorne VIC



Major Tenants

Tenant	% total Gross Rent	NLA ¹ (sqm)	Review type	Expiry date	Option to extend
Dentsu	26.6%	4,668	Fixed	Jul 29	3
Commonwealth Govt.	24.5%	4,307	Fixed	Oct 31	5
Monash IVF	16.1%	2,623	Fixed	Jan 32	2 x 5

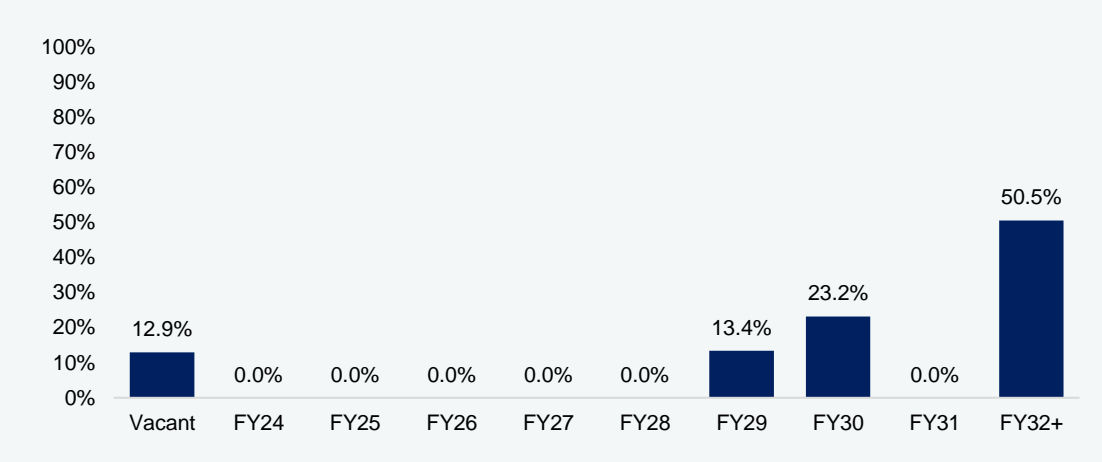
Total	67.2%	11,598			
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¹ 100% of 510 Church Street area
² Weighted by gross property income as at 30 June 2023

Tenant	% ²
Dentsu	26.6%
Commonwealth Govt.	24.5%
Monash IVF	16.1%
Kane	9.0%
TLA	8.4%
Alfasi	6.4%
PZ Cussons	4.9%
Mobilia	4.2%



Lease expiry profile (by income)²





34 Southgate Ave, Cannon Hill QLD



Overview

- 34 Southgate Avenue is a brand-new high tech industrial building that is wholly leased to ASX listed Michael Hill International (ASX:MHJ)
- The lease is subject to a fixed annual review of 3.0% p.a.
- The building was designed to achieve a 5.0 Star NABERS Energy Rating

¹ The building is designed to achieve a 5-Star NABERS rating

² Weighted by Gross Income including car parking and excluding outstanding incentives

Summary Metrics

Valuation	\$36.0m
NABERS Rating	5.0 stars ¹
NLA	3,585 sqm
Site Area	2,598 sqm
Occupancy²	100.0%
WALE²	9.2 years
Cap Rate	5.25%
\$/Sq	\$10,042

Ownership

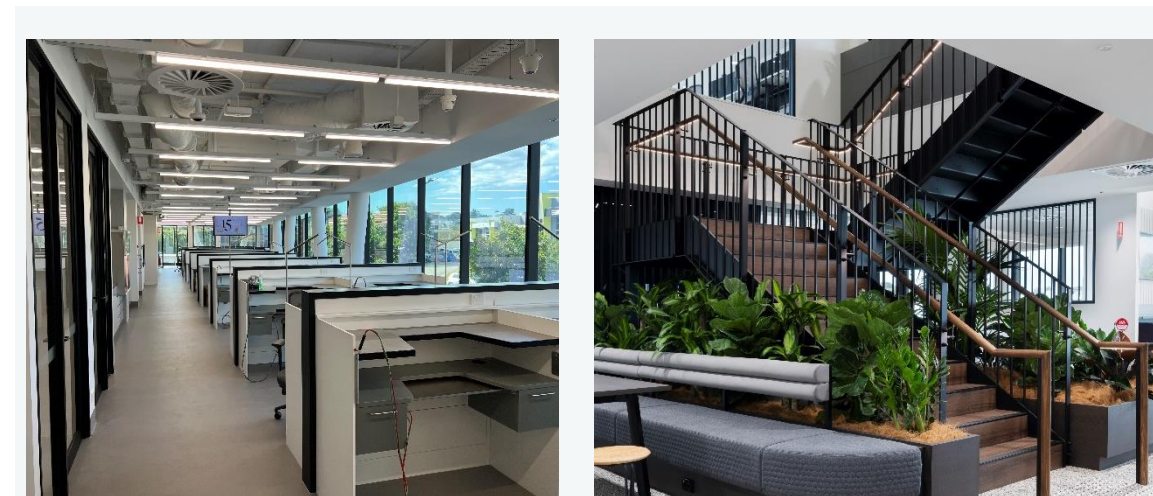
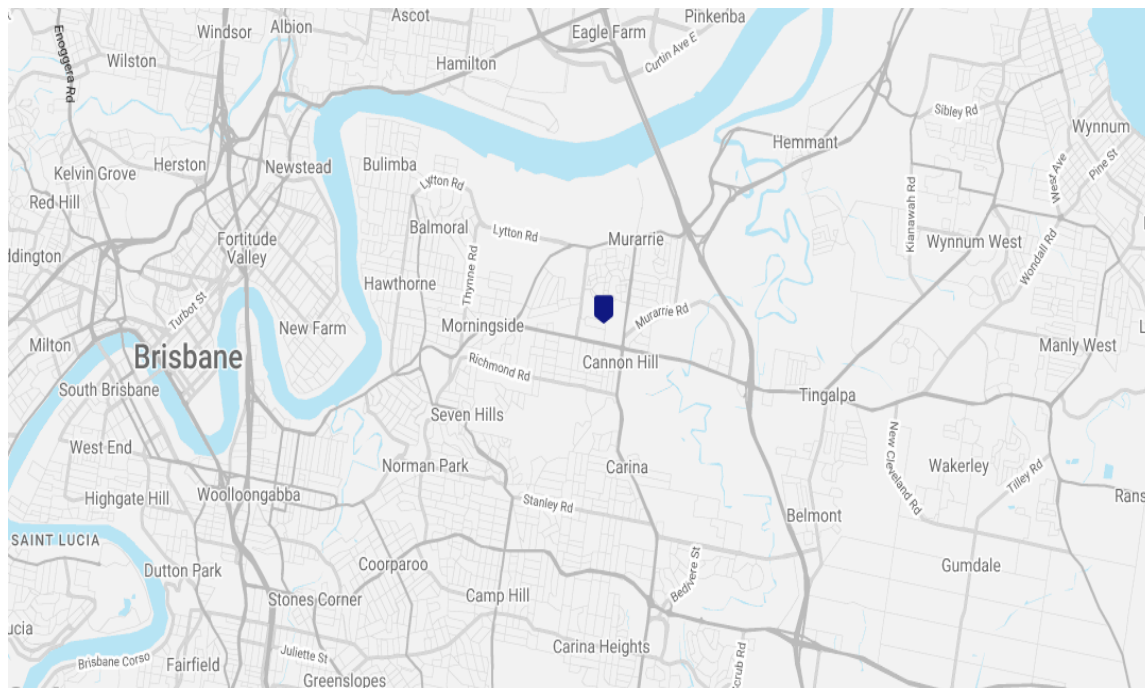
Ownership Interest	100%
Title	Freehold

Valuation

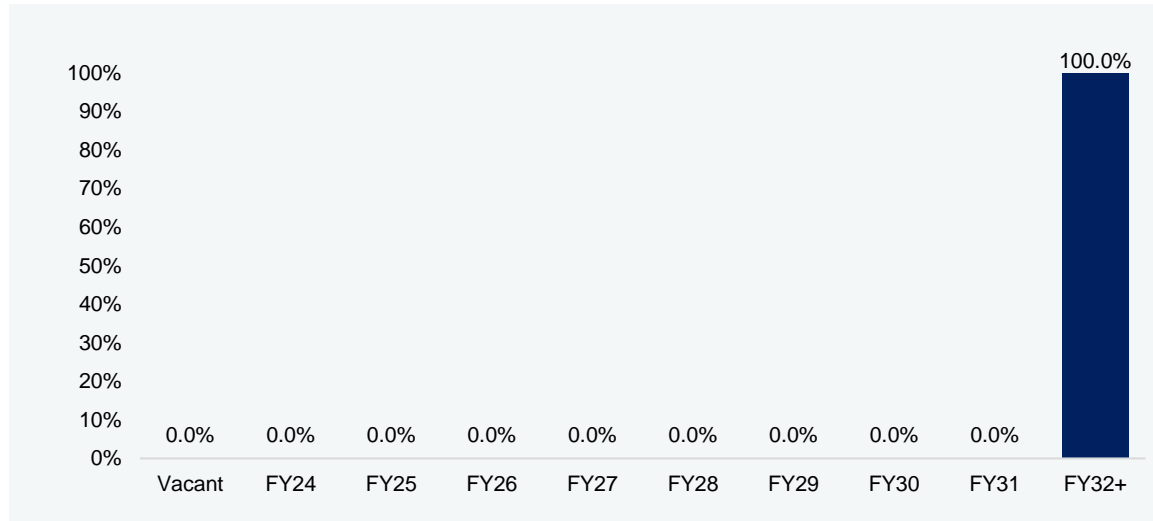
Valuation	\$36.0m
Capitalisation Rate	5.25%
Valuation Date	June 2023



34 Southgate Ave, Cannon Hill QLD



Lease expiry profile (by income)²



Major Tenants

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

¹ The building designed to achieve this NABERS rating
² Weighted by Gross Income including car parking and excluding outstanding incentives



38 Sydney Ave, 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 rating¹
- The weighted average rent review is 3.7%² p.a.

¹ The installed solar panel system is expected to increase the NABERS rating to 5 stars
² CPI based on May 2023 RBA forecast
³ Weighted by Gross Income including car parking and excluding outstanding incentives
⁴ Crown Leasehold

Summary Metrics

Valuation	\$74.0m
NABERS rating	4.5 stars ¹
NLA	8,718 sqm
Site Area	3,269 sqm
Occupancy³	100.0%
WALE³	8.3 years
Cap Rate	5.50%
\$/Sqm	\$8,510

Ownership

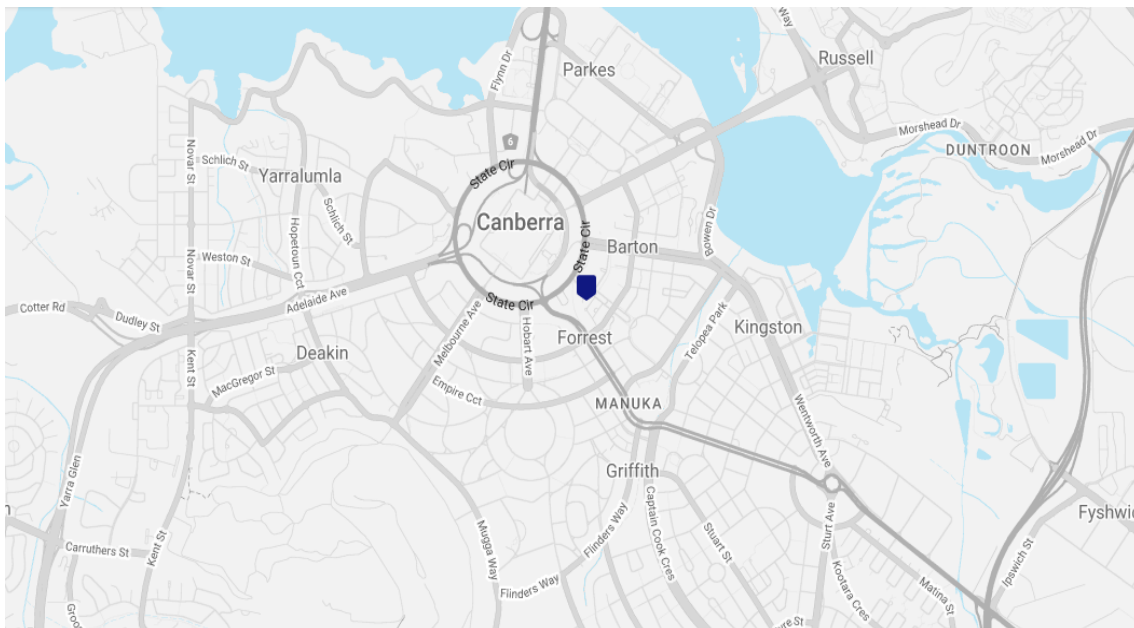
Ownership Interest	100%
Title⁴	Leasehold

Valuation

Valuation	\$74.0m
Capitalisation rate	5.50%
Valuation Date	June 2023



38 Sydney Ave, Canberra ACT



Major Tenants					
Tenant	% total Gross Rent	NLA (sqm)	Review type	Expiry date	Option to extend
Commonwealth Govt.	55.6%	4,857	Fixed	Dec 34	5
SRC Australia	17.8%	1,541	> Fixed or CPI	Jan 32	5

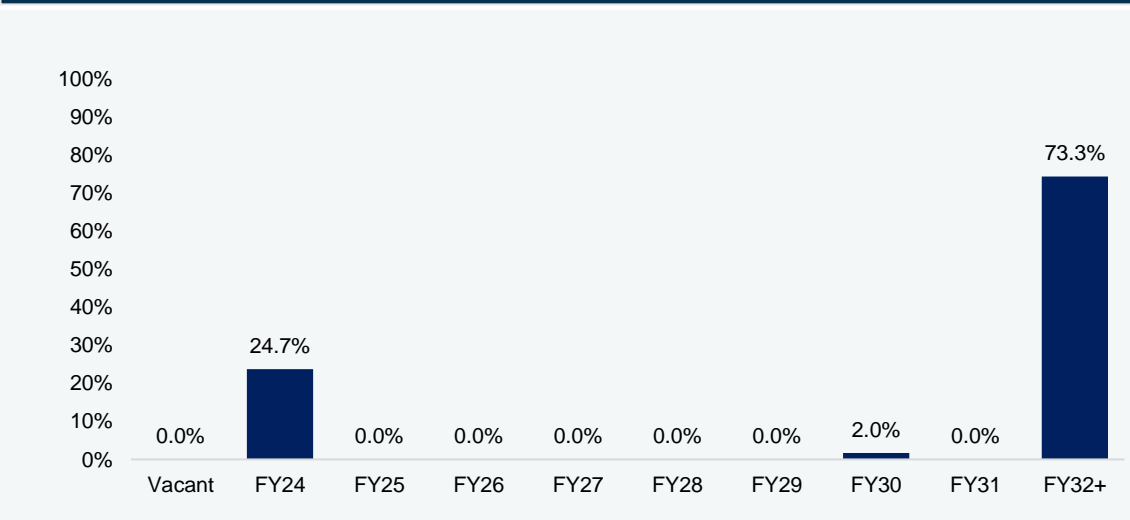
Total	73.3%	6,398			
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1 Weighted by Gross Income including car parking and excluding outstanding incentives

Tenant	% ¹
Commonwealth Govt.	55.6%
Rental guarantee	24.7%
SRC Australia	17.8%
Zamlod	2.0%



Lease expiry profile (by income)²





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