



ASX Release

24 August 2023

360 Capital Group (ASX: TGP)

Financial Year 2023 Results

Positioned to capitalise on market downturn

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360 Capital Group (ASX: TGP) (**Group**) is pleased to announce its financial results and operational update for the year ended 30 June 2023.

The Group completed its simplification strategy in FY23 positioning itself for opportunities which we expect to arise from the aggressive rise in interest rates over FY23. Our strategy remains unchanged focusing on real estate funds management and investment across four strategies: Core, Credit, Opportunistic Real Estate and Hospitality.

Post simplification, the Group's platform mainly comprises permanent capital investment vehicles with greater co-investment exposure to the alternative real estate asset classes of hospitality venues (70.6%) and living sector (via residential credit investments) (2.7%), supplemented by our modern office (8.6%), office/healthcare (13.4%), high-tech industrial (4.2%) and retail (0.5%) assets in 360 Capital REIT (ASX:TOT). The co-investment provides the Group with stable cashflows with a weighted average look through lease expiry of 9.3 years.

In FY23, the Group had a statutory loss of \$20.8 million from revaluations and mark to market of its listed investments. The Group is in a strong financial position with \$38.8 million (17cps) in cash, \$128.6 million (57cps) in listed investments and \$6.8 million (3cps) in other assets net of liabilities. The Group has no borrowings and including non-recourse debt in off balance sheet vehicles, the Group look through debt is 18.7% of assets.

Key financial highlights for FY23

- Statutory net loss attributable to securityholders of \$20.8 million down 165.6% (June 2022: profit \$31.7 million);
- Operating profit of \$9.9 million down 67.8% (June 2022: \$30.9 million);
- Statutory loss of 9.3cps, down 164.1% (June 2022: profit 14.5cps);
- Operating EPS of 4.5cps down 68.1% (June 2022: 14.1cps);
- Distribution per security (DPS) of 4.25cps down 29.2% (June 2022: dividends 6.0cps);
- A special 8.0cps fully franked dividend was paid in October 2022, distributing significant franking credits to Securityholders.
- NAV per security of \$0.78, down 21.2% (June 2022: \$0.99); and
- Strong balance sheet with \$38.8 million in cash, and no debt.

Total operating revenue for FY23 was \$15.6 million, comprising \$5.1 million (32.7%) from funds management fees and the remainder from investment activities (including interest on cash). With the Group simplification, employment and operating costs were \$5.4 million, a reduction of 44.9% on FY22.

Ordinary distributions of 4.25cps for FY23 equated to a payout ratio of 94.4% of the 4.5 cps. FY23 operating earnings and were in line with the Group's distribution policy of distributing a minimum of 80% of operating earnings.



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With the deterioration in the trading price of the ASX listed REIT sector, including TGP's security ASX trading price which closed on 23 August 2023 at 62.5cps, a discount of 19.9% to the 30 June 2023 NAV of \$0.78, the Group announced a buyback of up to 21,899,755 TGP securities (being approximately 9.0% of the Groups securities on issue, equivalent to 15.6% of securities excluding Directors and KMPs). The buyback will be funded from existing cash reserves.

The Group's directors and KMP's own approximately 42.3% of the Group's securities and do not intend to participate in the buyback.

Key operational highlights for FY23

Core – 360 Capital REIT (ASX: TOT)

- TOT sold its 50% equity interest in PMG in July 2022 for \$21.6 million;
- TOT settled the Irongate Group transaction in September 2022, (recognising an operating gain of \$41.7 million recorded in FY22 results), completing the implementation of its strategy of becoming a pure REIT, purchasing 3 modern assets for \$257.2 million from Irongate Group;
- Increased portfolio occupancy to 93.3% with leasing to PZ Cussons at 510 Church Street, Cremorne VIC;
- Distributed 6.0cps for FY23 in line with forecast guidance of 6.0cps distribution for FY24.

Opportunistic – 360 Capital Strategic Real Estate Partners (SREP)

- Via SREP, the Group has become the largest securityholder in Hotel Property Investments (ASX:HPI) purchasing a strategic 14.9% stake worth \$90.8 million as at 30 June 2023;

Credit

- Transitioned from corporate credit lending back to real estate lending, having originated and invested more than \$300 million in loan investments over the last six years and expanded its real estate credit investing capability with the full acquisition of the Dealt.com.au real estate debt platform;
- Transitioned 360 Capital Enhanced Income Fund (ASX:TCF) from corporate credit investing to real estate credit investing and renamed 360 Capital Mortgage REIT;
- Launched 360 Capital Private Credit Fund, an unlisted contributory mortgage fund and commenced investing in first mortgage real estate loans in partnership with TCF;
- The Group, TCF and PCF wrote a total of \$45.4 million in loans during the year and a further \$19.4 million post period as part of its expansion of real estate credit activities with Group also committing underwriting capital to facilitate Group's credit expansion.

Hospitality – Hotel Capital Partners (Joint venture)

- HCP was appointed as asset manager on a further five hotels during FY23, taking total number of hotels under asset management to seven;
- Team expanded with Lucia Grambalova becoming shareholder and Chief Investment Officer of HCP;
- Continuing to advise and work with private capital investors on hotel and co-living opportunities.



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Opportunities and outlook for FY24 and beyond

As outlined above, the Group has completed its simplification strategy with no major legacy issues, no debt and a clear business strategy across the Group and its investment vehicles, in preparation to capitalise on opportunities expected to arise from the market downturn.

The 360 Capital team is well positioned with the Board having a diversified skill set across all aspects of real estate investing and funds management with average experience of approximately 30 years each having been through the various economic cycles. The Group's KMPs have worked together in 360 Capital for approximately 10 years.

In line with the Group's co-investment philosophy, the Board and KMPs have increased their ownership in the Group during FY23 from 34.2% in June 2022 to 42.3% as at 30 June 2023.

We expect markets to deteriorate further in FY24 as interest rates start impacting the Australian real estate markets and the general economy. The degree of this deterioration is yet to be determined however, like we were between 2009-2011 where we transacted on several platform acquisitions, fund consolidations and other special situations, the Group and its various investment vehicles are well positioned to capitalise on opportunities as they arise.

The Group is forecasting a 2.0 cps distribution for the 6 months to 31 December 2023 and will continue to make 6 monthly distributions in line with its distribution policy.

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 using the Group's ASX code "TGP", on the Group's website www.360capital.com.au, by calling the 360 Capital investor enquiry line on 1300 082 130 or by emailing investor.relations@360capital.com.au

Alternatively, please contact:

Tony Pitt
Executive Chairman
360 Capital Group
+61 2 8405 8860

James Storey
Chief Executive Officer
360 Capital Group
+61 2 8405 8860

Glenn Butterworth
Chief Financial Officer
360 Capital Group
+61 2 8405 8860

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 real estate assets. Led by a highly experienced team, the Group operates in Australian and New Zealand investing across real estate equity and credit opportunities. We partner with our stakeholders to identify, invest and realise on opportunities.