



360 Capital REIT (ASX:TOT)

FY24 Results Presentation

22 August 2024





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Why invest in TOT?



High yield at NTA discount

- FY25 fully franked distribution yield of 7.8%¹
- Future tax-advantaged distributions through depreciation allowances on modern property portfolio
- Trading at (36.9%)² NTA discount provides for potential capital growth and enhanced total securityholder return

Well leased, modern assets

Defensive cashflow with long Weighted Average Lease Expiry (WALE) of 6.7 years³, 81.6%³ of income derived from government and publicly listed tenants and minimal forecast capital and incentive expenditure

Sustainable capital structure

Gearing of 33.6%⁴ with forecast fully franked distributions of 3.0cps in line with fully leased operating earnings

1. Based on FY25 DPS of 3.0cps divided by closing price on 28 June 2024 of \$0.385 per security

2. Based on 30 June NTA per security of \$0.61 vs trading price on 28 June 2024 of \$0.385 per security

3. Weighted by gross income including car parking, rental guarantee, excluding outstanding incentives and including Heads of Agreement

4. Gearing including post period proforma adjustment of \$3.3 million from realisation of HomeHQ Artarmon investment, calculated as (borrowings less cash) divided by (total asset less cash)



1. Snapshot and key highlights



360 Capital REIT (ASX:TOT) – FY24 financial highlights

Regular income and the potential for capital growth from a diversified portfolio of well leased, modern assets

6.5%

FY24 operating earnings yield¹

5.25cpu

FY24 fully franked distributions

Aligned sponsor

360 Capital Group largest securityholder with 39.5%⁴ of TOT securities as long-term co-investment

\$0.61

NTA per security

2.5cpu

FY24 operating earnings

Well leased, modern assets

6.7 Year Weighted Average Lease Expiry⁵ (WALE) with 81.6%⁵ of income derived from government and publicly listed tenants, average rent review of 3.1%⁵ p.a.

(36.9%)

Trading price discount to NTA per security²

33.6%

Gearing³ reduced through entitlement offer, DRP and non-core asset sale post period

Sustainable capital structure

Gearing of 33.6%³ with distributions rebased to 3.0cps in line with fully leased operating earnings

1. Based on FY24 Operating EPS of 2.5cps divided by closing price on 28 June 2024 of \$0.385 per security
2. Based on 28 June 2024 closing price of \$0.385 per security
3. Gearing including post period proforma adjustment of \$3.3 million from realisation of HomeHQ Artarmon investment, calculated as (borrowings less cash) divided by (total asset less cash)
4. Post June DRP issuance
5. Weighted by gross income including car parking, rental guarantee, excluding outstanding incentives and including Heads of Agreement



360 Capital REIT (ASX:TOT) – FY24 operational highlights

Regular income and the potential for capital growth from a diversified portfolio of well leased, modern assets

6.7 year

Weighted Average Lease Expiry¹

740sqm

Heads of Agreement

Capital management

In February 2024, the responsible entity undertook a 0.8:1 entitlement offer to reduce gearing

Post period, agreed terms to extended the debt facility until FY28 at a reduced margin

93.0%

Portfolio occupancy

5.0 Star²

NABERS rating across portfolio

Exit from non-core asset

Post period, TOT sold its remaining non-core asset, HomeHQ Artarmon, with proceeds applied to reduce gearing to 33.6%³

6.16%

Weight Average Cap Rate based on external valuations as at 30 June 2024

\$201.4m

Portfolio based on external valuations as at 30 June 2024

Asset management

Post period, the Fund entered into heads of agreement over 740sqm of vacancy at 38 Sydney Ave, Forrest

1. Weighted by gross income including car parking, rental guarantee, excluding outstanding incentives and including Heads of Agreement
2. 5.0 Star NABERS Energy rating across all properties, noting 510 Church Street Cremorne VIC, is 5.0 Star with Green Power
3. Gearing including post period proforma adjustment of \$3.3 million from realisation of HomeHQ Artarmon investment, calculated as (borrowings less cash) divided by (total asset less cash)

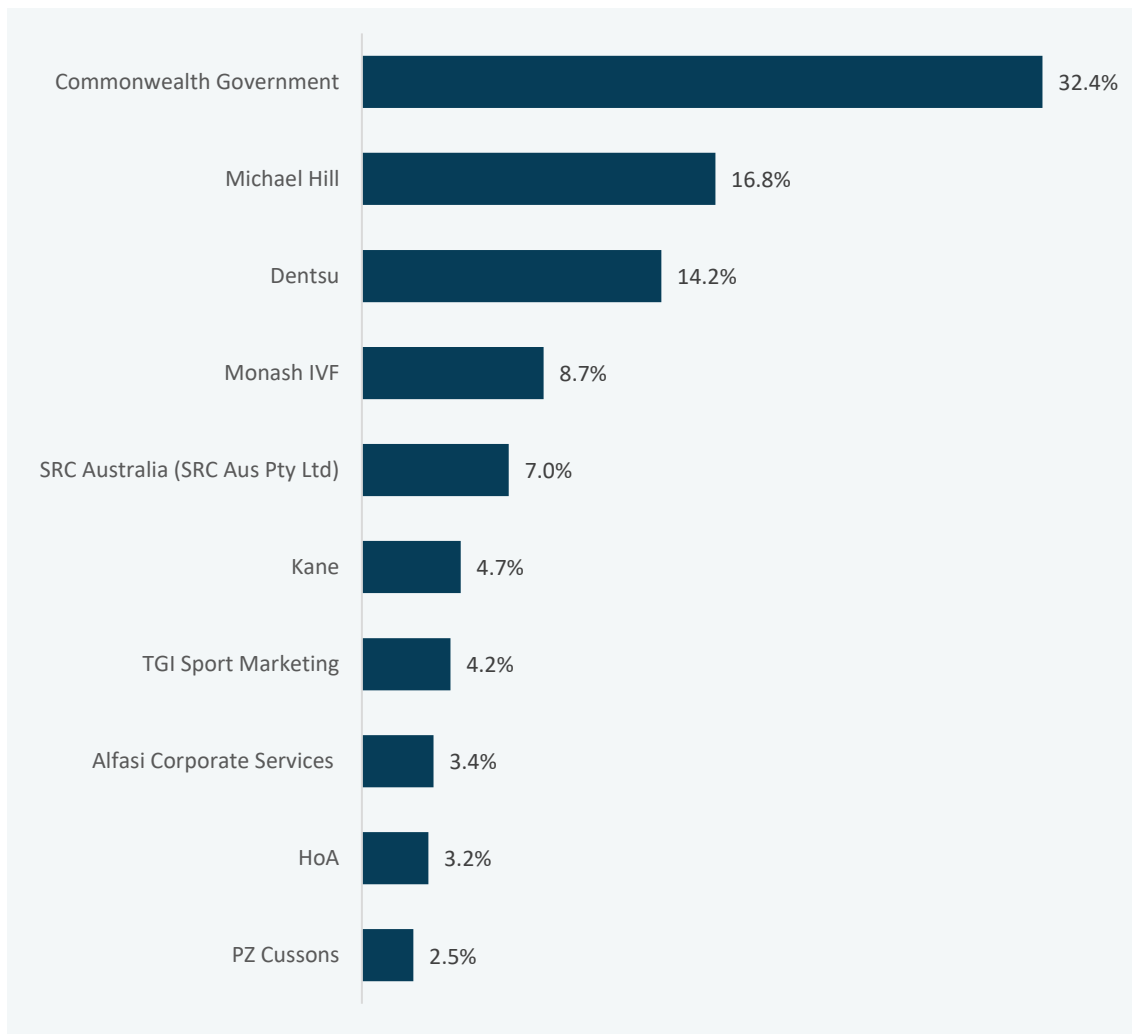


2. Portfolio overview



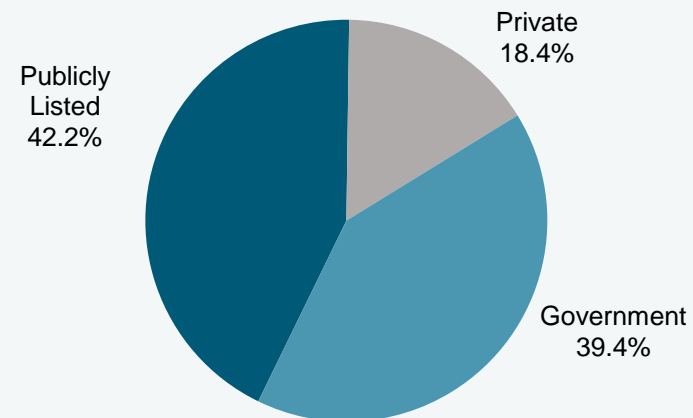
Income profile

Top 10 Tenants¹

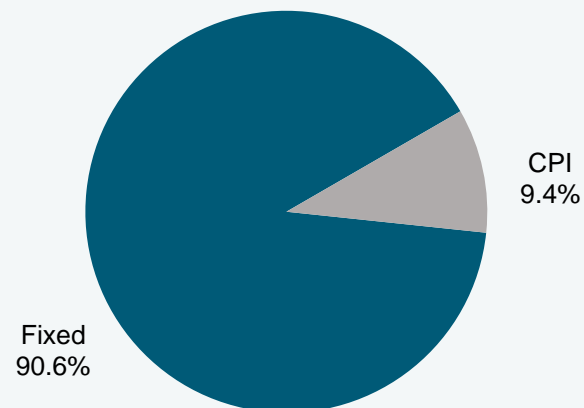


Income and review profile¹

Tenant Type: 81.6% Government and listed



Review Type: 3.1% p.a. WARR

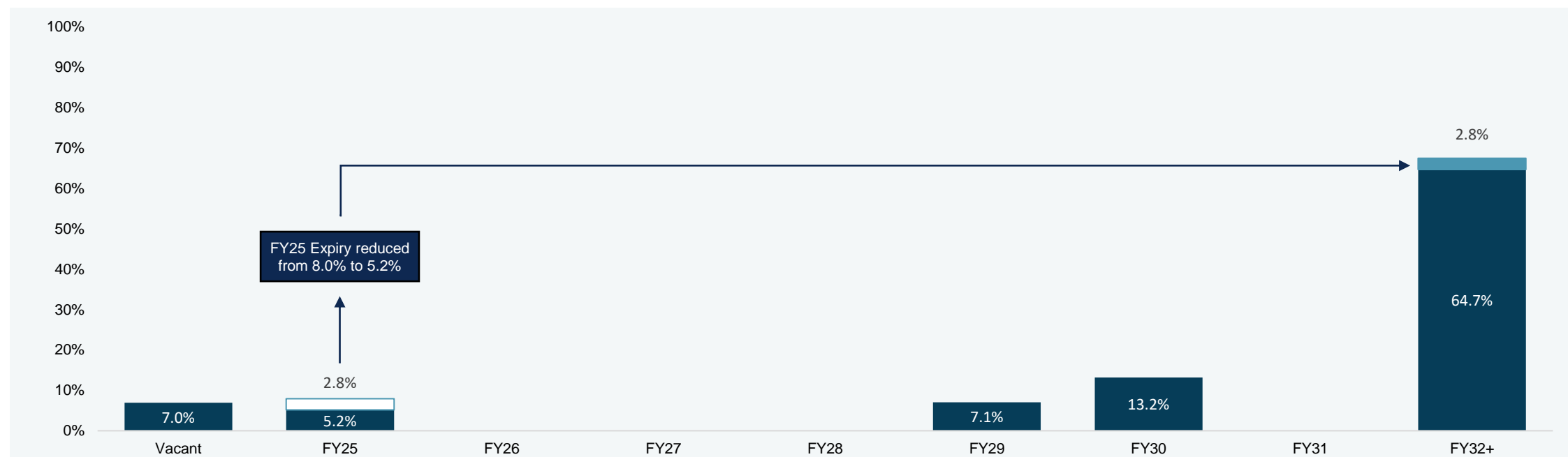


1. Weighted by gross income including car parking, rental guarantee, excluding outstanding incentives and including Heads of Agreement



Lease expiry profile

Lease expiry profile (by income)¹



Current vacancy

ADDRESS	AREA	INCOME (%) ¹	EXPIRY
A.L2, 510 Church Street, Cremorne	1,332 Sqm	3.6%	-
B.L2, 510 Church Street, Cremorne	1,250 Sqm	3.4%	-

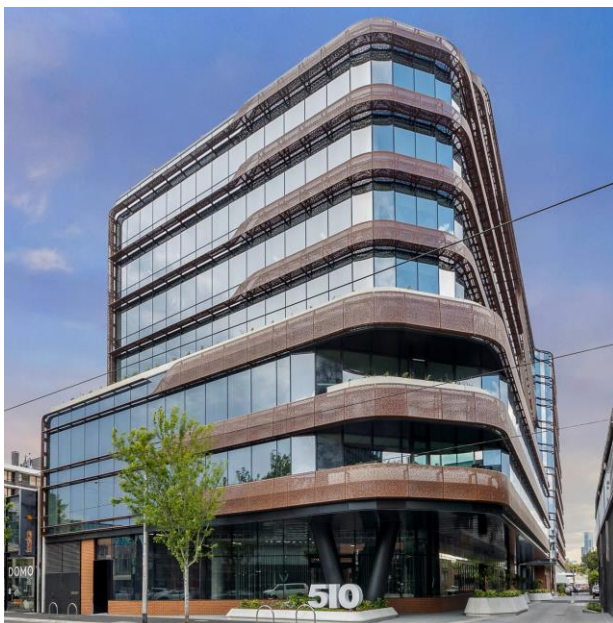
FY25 expiry

ADDRESS	AREA	INCOME (%) ¹	EXPIRY
L1, 38 Sydney Ave, Forrest	1,404 Sqm	5.2%	-

1. Weighted by gross income including car parking, rental guarantee, excluding outstanding incentives and including Heads of Agreement



510 Church Street, Cremorne VIC



Overview

- 510 Church Street is a brand-new A-grade office/healthcare (65% office/35% healthcare) building comprising 19,719sqm of lettable area across 9 levels, 6 levels of office, 3 levels of healthcare accommodation, ground floor retail and 145 car parks
- The property has a 5.0 Star² NABERS Energy Rating with Green Power and 5.0 Star Green Star Design Rating

1. At 50% ownership
 2. 4.5 Star NABERS, 5.0 Star NABERS with Green Power
 3. At 100% ownership
 4. Weighted by gross income including car parking, excluding outstanding incentives

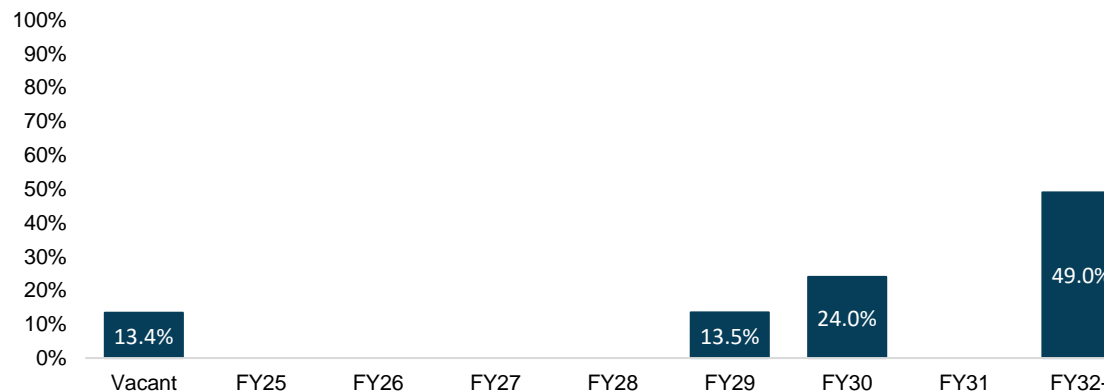
Tenancy Profile

Tenant	% Total Gross Rent ⁴	NLA ³ (sqm)	Review type	Expiry date	Option to extend
Dentsu	27.8%	4,668	Fixed	Jul-29	3
Commonwealth Gov.	22.4%	4,307	Fixed	Oct-31	5
Monash IVF	16.9%	2,623	Fixed	Jan-32	5 + 5
Kane	9.1%	1,393	Fixed	Oct-31	5 + 5
TGI Sport Marketing	8.2%	1,400	Fixed	Feb-32	3
Alfasi Corporation	6.6%	1,174	Fixed	Dec-28	3
PZ Cussons	4.8%	804	Fixed	Dec-28	-
Mobilia	4.2%	768	Fixed	Jan-29	3 + 3
Total	100.0%	17,137			

Summary Metrics

Valuation ¹	\$105m (50%)
Independent Valuation Date	June 2024
Ownership Interest	50%
Title	Freehold
NABERS Rating	5.0 Star ²
NLA ³	19,719sqm
Site Area ³	3,026sqm
Occupancy ⁴	86.6%
WALE ⁴	5.5 years
Cap Rate	6.00%
\$/Sqm ³	\$10,650

Lease expiry profile (by income)⁴





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.
- Certified 5.0 Star NABERS Energy Rating

1. Weighted by gross income including car parking

Tenancy Profile

Tenant	% total Gross Rent ¹	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			

Lease expiry profile (by income)¹



Summary Metrics

Valuation	\$30.0m
Independent Valuation Date	June 2024
Ownership Interest	100%
Title	Freehold
NABERS Rating	5.0 Star
NLA	3,585sqm
Site Area	2,598sqm
Occupancy¹	100.0%
WALE¹	8.2 years
Cap Rate	6.50%
\$/Sqm	\$8,368





38 Sydney Ave, Forrest ACT



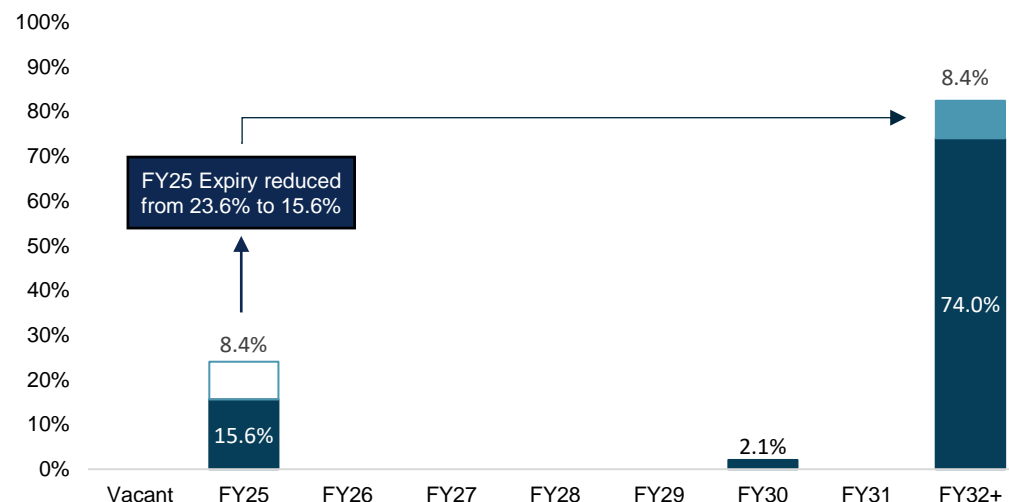
Overview

- The Property comprises a modern four 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 achieved a 5.0 Star NABERS Energy rating in February 2024
- The weighted average rent review is 3.6%^{1,2} p.a.

Tenancy Profile					
Tenant	% total Gross Rent ¹	NLA (sqm)	Review type	Expiry date	Option to extend
Commonwealth Government	55.5%	4,857	Fixed	Dec-34	5
SRC Australia	18.5%	1,541	CPI ²	Jan-32	5
Rent Guarantee - ACT	23.6%	2,206	Fixed	Dec-24	-
New Lease (HOA)	-	740	Fixed	Dec-31	5
On The Corner Café	2.2%	114	Fixed	Jun-29	5
Total	100.00%	8,718⁴			

Summary Metrics	
Valuation	\$66.4m
Independent Valuation Date	June 2024
Ownership interest	100%
Title ³	Leasehold
NABERS rating	5.0 Star
NLA	8,718sqm
Site Area	3,269sqm
Occupancy ¹	100.0%
WALE ¹	8.0 years
Cap Rate	6.25%
\$/Sq m	\$7,616

Lease expiry profile (by income)¹



1. Weighted by gross income including car parking, rental guarantee, excluding outstanding incentives and including Heads of Agreement
2. CPI based on December quarter 2023 ABS CPI data
3. Crown leasehold
4. New HOA (740sqm) is accounted for in Vendor Rental Guarantee in FY24. Lease commences in FY25, post expiry of rental guarantee.

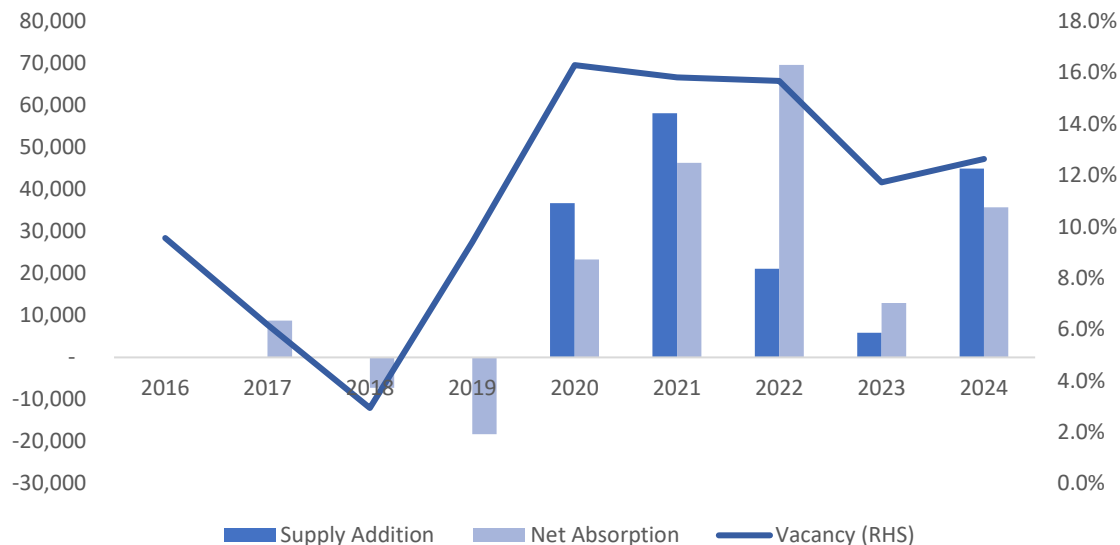


3. Asset management

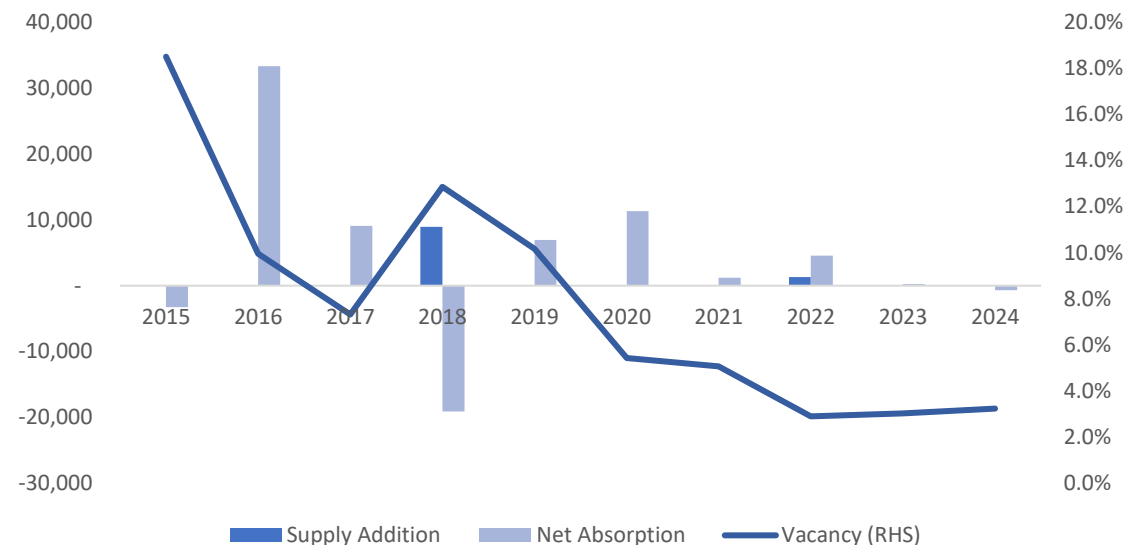


Leasing

Richmond-Cremorne Market Profile¹



Forrest/Barton Market Profile²



510 Church Street, Cremorne

- Completed speculative fit out of Level 2 in October 2023
- Lack of car parking has been the largest impediment to securing tenants for the Level 2 vacancy
- Post period, management secured 10-bays from existing tenants, allowing an increased parking ratio
- Economic rents significantly above market rents, likely no new supply in the medium term leading to face market rental growth
- Discussions ongoing with multiple tenants on vacancy

38 Sydney Avenue, Forrest

- The vacant space at this property is subject to a rental guarantee until mid-December 2024
- Very little activity across Forrest/Barton sub-markets with only -194sqm of negative net absorption over the past 12-months and no new supply additions
- Total market vacancy remains at 3.2% across the combined sub-markets
- Face market rents have increased, largely driven by economic rents on new builds being up to 35% higher than existing A-grade properties
- Change in leasing strategy and relaunching of space has generated enquiry leading to signed Heads of Agreement over 740sqm post period
- Active discussions with various tenants on the balance of the tenancy

1. Colliers International Market Research
 2. PCA Office Market Report – August 2024



FY25 ESG initiatives

Property	Current / Target NABERS Rating	FY25 Initiatives
510 Church Street, Cremorne, VIC	Achieved: 5.0 Star ¹	Continue optimising building performance to achieve a 5.0 Star NABERS rating without Green Power once the building has reached 100% occupancy
34 Southgate Avenue, Cannon Hill, QLD	Achieved: 5.0 Star	Achieved 5.0 Star NABERS rating in December 2023
38 Sydney Avenue, Forrest, ACT	Achieved: 5.0 Star	Continuing implementing NABERS Improvement Plan. Building achieved 5.0 Star NABERS rating in February 2024

5 Star NABERS Rating across the portfolio

~260kW Solar systems

Focus on maximising sustainability through building commissioning and tuning



1. The building designed to achieve this NABERS rating. Currently rated 4.5 Star or 5.0 Star with Green Power. Building is on track to achieve 5.0 Star when 100% occupied.



4. Financials



FY24 profit & loss highlights

Statutory net loss
\$21.9m
 (FY23: loss \$47.9m)

Statutory net loss of \$21.9 million compared to a \$47.9 million loss in pcp. FY24 includes fair value loss of \$26.3 million on investment properties. The prior year included a \$53.4 million revaluation loss, mainly comprising a \$32.2 million loss on revaluation and \$15.1 million in stamp duty costs.

Operating profit
\$4.1m
 (FY23: \$7.1m)

Operating profit¹ of \$4.1 million (equating to 2.5cps) impacted from higher borrowing costs in FY24 with FY23 including a \$2.6 million gain on sale of PMG. Future borrowing costs forecast to be lower from reduced borrowings and interest margin.

Distributions per security
5.25cps
 (FY23: 6.0cps)

Re-based distribution to an annualised 3.0cps from the June 2024 quarter following the Entitlement Offer. Distributions for FY25 forecast to be 3.0cps per annum paid quarterly (eqv. 0.75cps per quarter).

PROFIT & LOSS STATEMENT ³	FY24 (\$m)	FY23 (\$m)	Change (\$m)	Change (%)
Gross property income	13.7	11.9	1.8	
Distribution income	0.1	0.1	-	
Net gain on disposal of financial asset	-	2.6	(2.6)	
Finance revenue	0.2	0.3	(0.1)	
Other income	-	0.1	(0.1)	
TOTAL REVENUE	14.0	15.0	(1.0)	(6.7%)
Direct property expenses	2.8	2.0	0.8	
Management fees and expenses	1.8	2.0	(0.2)	
Finance costs	5.3	3.9	1.4	
TOTAL EXPENSES	9.9	7.9	2.0	25.3%
Income tax (expense)/benefit	-	-	-	
OPERATING PROFIT¹	4.1	7.1	(3.0)	(41.9%)
Non-operating items ²	(26.0)	(55.0)	(28.9)	
STATUTORY NET LOSS	(21.9)	(47.9)	(25.9)	54.2%
Weighted average securities on issue	164.7	143.5	21.2	
STATUTORY EPS	(13.3)cps	(33.4)cps	20.1cps	60.2%
OPERATING EPS¹	2.5cps	5.0cps	(2.5)cps	(50.0)%
DISTRIBUTIONS CPS	5.25cps	6.0cps	(0.75)cps	(12.5)%

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. Non-operating items includes IFRS adjustments such as fair value gain/(loss) on investment properties, straight-lining of rental income, amortisation of lease incentives and amortisation of borrowing costs.

3. The above report is prepared on an operating basis. For full statutory accounts including disclosures together with operating to statutory profit/(loss) reconciliation, refer 360 Capital REIT Financial Report for the year ended 30 June 2024.



FY24 balance sheet highlights

Property Portfolio

\$201.4m

(June 2023: \$225.0m)

The investment property portfolio includes 3 modern well leased assets valued at \$201.4 million. All properties have been externally valued as at 30 June 2024, with WACR increasing from 5.33% to 6.16%.

Borrowings

\$73.4m

(June 2023: \$83.4m)

Gearing increased above range due to payment of income tax from Irongate transaction. Borrowings reduced in 2H24 from proceeds of capital raising, DRP, and post period non-core sale, reducing gearing to 33.6%¹.

NTA

\$0.61

per security
(June 2023: \$0.91)

NTA of \$0.61 per security was down from \$0.91 per security as at 30 June 2023 due to property valuation decreases and dilution from capital raising.

BALANCE SHEET	30-Jun-24 (\$m)	30-Jun-23 (\$m)	Change (\$m)	Change (%)
Cash	2.4	3.1	(0.7)	
Investment properties	201.4	225.0	(23.6)	
Other assets	0.3	0.5	(0.2)	
Investment in HomeHQ	3.3	4.3	(1.0)	
TOTAL ASSETS	207.4	232.9	(25.5)	(10.9%)
Payables	3.4	3.5	(0.1)	
Borrowings	73.4	83.4	(10.0)	
Deferred tax liabilities	0.3	0.6	(0.3)	
Provision for income tax	-	11.8	(11.8)	
Distributions payable	1.6	2.2	(0.6)	
TOTAL LIABILITIES	78.7	101.5	(22.8)	(22.5%)
NET ASSETS	128.7	131.4	(2.7)	(2.1%)
Securities on issue	212.4	144.4	68.0	47.1%
NTA per security	\$0.61	\$0.91	(\$0.30)	(33.0%)
Gearing	33.6% ¹	34.9%	(1.3%)	(3.7%)

1. Gearing including post period proforma adjustment of \$3.3 million from realisation of HomeHQ Artarmon investment, calculated as (borrowings less cash) divided by (total asset less cash)



Valuations and office markets snapshot

Valuations

- All properties were independently revalued for 30 June 2024
- Average capitalisation rate softening of 0.83% to 6.16% over FY24 reflecting increase in the cost of capital and limited purchaser demand across Australian commercial real estate markets
- Valuations fell due to capitalisation rate softening, offset in part from increasing market rents and inbuilt rent reviews from existing tenants
- Direct portfolio valuations reduced by \$23.6 million in FY24

Property Value Movement - Jun 23 – Jun 24	Value and Cap Rate	
	as at 30 Jun 24	as at 30 Jun 23
 510 Church Street, Cremorne	\$105.0m 6.00% \$10,650/Sqm	\$115.0m 5.25% \$11,644/Sqm
 34 Southgate Ave, Cannon Hill	\$30.0m 6.50% \$8,368/Sqm	\$36.0m 5.25% \$10,042/Sqm
 38 Sydney Ave, Forrest	\$66.4m 6.25% \$7,616/Sqm	\$74.0m 5.50% \$8,510/Sqm
Total:	\$201.4m 6.16%	\$225.0m 5.33%

Capital Markets Activity and Outlook

- Cost of capital has increased in line with risk free rates, this is now being reflected in capitalisation rates
- Transactional volumes have increased with evidence suggesting capitalisation rates softening, however, prime capitalisation rates appear closer to their peak for this cycle
- Vendors have predominately been REITs and syndicators selling to reduce gearing or fund development pipelines
- Bifurcation, is a continuing theme as a growing number of secondary assets will not be able to refinance, likely leading to significant secondary asset sales (some by motivated vendors) resulting in a growing spread between prime and secondary yields
- Yield spread is largely reflective of the changing dynamics of the occupier / leasing market and future capital expenditure requirements of secondary assets

Key office sale evidence:

Sales	Sale price	Sale date	\$/Sqm	Equivalent yield	WALE
44 Market St, Sydney	\$393m	Jun-23	\$13,356	6.5%	2.7 yrs
1 Margaret St, Sydney	\$293m	Aug-23	\$14,123	5.9%	1.6 yrs
1 Nicholson St, East Melbourne	\$155m	Sep-23	\$9,133	6.0%	4.1 yrs
Botanica 7 & 9, Richmond	\$80m	Oct-23	\$5,873	8.6%	4.1 yrs
60 Margaret St, Sydney	\$779m	Oct-23	\$16,520	6.1%	3.3 yrs
54 Miller St, North Sydney	\$72m	Dec-23	\$10,353	7.0%	2.0 yrs
124 Walker St, North Sydney	\$95m	Jan-24	\$8,677	8.0%	1.9 yrs
101 Southgate Ave, Cannon Hill	\$54m	Feb-24	\$6,989	6.3%	10.0 yrs
255 George St, Sydney (50%)	\$364m	Apr-24	\$18,658	6.13%	7.5 yrs



Valuations, debt facility and capital management

Interest rate strategy

- Currently 100% floating to benefit from a potential fall in Australian interest rates
- Australian interest rates forecast to have peaked and falling in FY25
- Post capital raising and reduced margins from the debt facility extension, interest expense will be significantly lower going forward

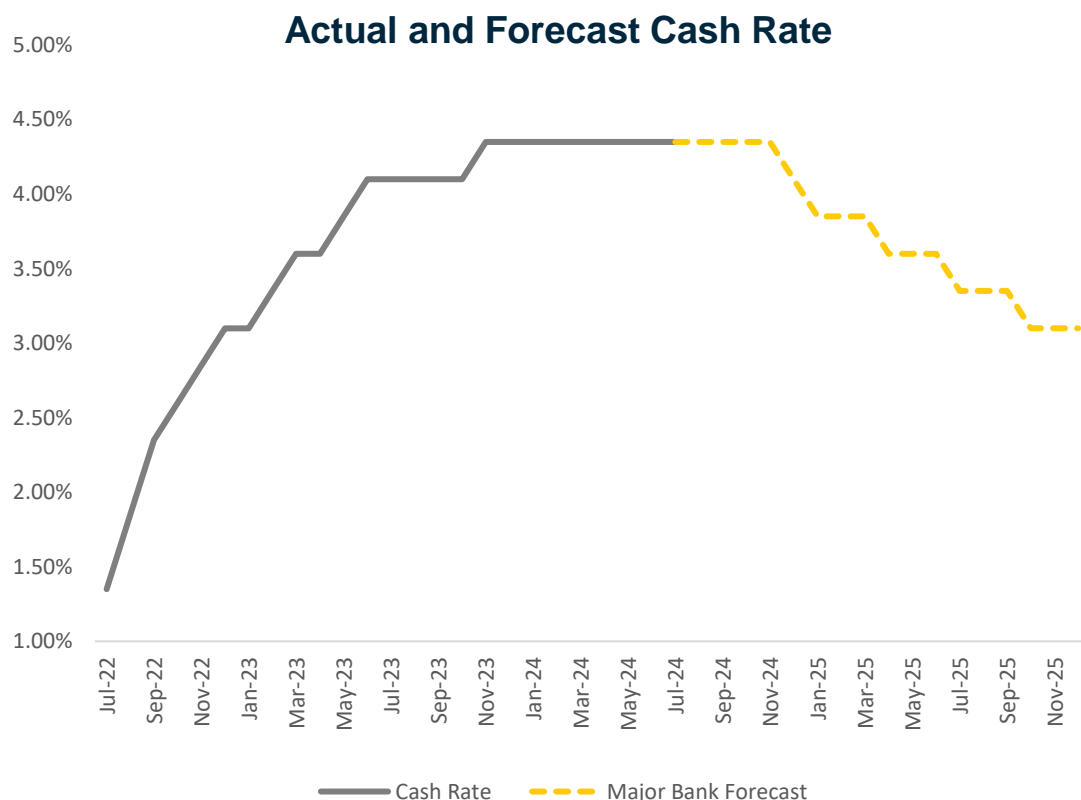
Debt facility and capital management

Debt terms

- Debt facility was reduced to \$84.0 million post capital raising and further reduced to \$80.0 million upon extension of facility post period.
- Current facility details:
 - Term: 3 years
 - Facility Limit: \$80.0 million
 - Drawn amount: \$73.6 million
 - Expiring: FY28 (3 years from extension)
 - LVR covenant: 50%
 - ICR covenant: 1.5x (actual 2.5x FY24)

Capital Management

- Completed entitlement offer raising \$25.5 million and \$2.7 million through DRP issuances including June 2024, with net proceeds used to reduce debt
- Post period, gearing reduced to 33.6%¹ with sale of HomeHQ Artarmon stake
- DRP expected to remain on to further reduce debt in the near future



1. Gearing including post period proforma adjustment of \$3.3 million from realisation of HomeHQ investment, calculated as (borrowings less cash) divided by (total asset less cash)



5. FY25 key focus and guidance



FY25 key focus and guidance

Leasing

Capital management

Trading price

Distribution guidance

Focus

Status

<p>Complete leasing of vacancy / rental guarantee space at:</p> <ul style="list-style-type: none"> • 510 Church Street, Cremorne; and • 38 Sydney Avenue, Forrest ACT 	<ul style="list-style-type: none"> • Ongoing post recent leasing. Continue active discussions to lease remaining vacancies
<ul style="list-style-type: none"> • Continue to maintain gearing within 30-40% range 	<ul style="list-style-type: none"> • Maintain DRP for near term to reduce gearing to bottom end of range
<ul style="list-style-type: none"> • Continue to market to new investors • Gain broker research coverage • Focused on closing trading discount 	<ul style="list-style-type: none"> • Greater interest post FY24 capital management initiatives, leasing activity and unique position of providing fully franked distributions
<ul style="list-style-type: none"> • FY25 forecast fully franked distribution guidance of 3.0cps 	<ul style="list-style-type: none"> • Confirmed due to lower interest costs and recent leasing successes



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