

ASX Release

19 February 2024

360 Capital Group (ASX: TGP)

Half Year Results 31 December 2023

360 Capital Group (ASX: TGP) (**Group**) is pleased to announce its financial results and operational update for the half year ended 31 December 2023.

The six months to December 2023 have been one of the quietest periods in the Group's history given the current state of the commercial real estate market in Australia. With continuing interest rate increases, equity investment into commercial real estate was at record low volumes with capital favouring commercial real estate credit investing on a select basis.

Like FY2023, the Group continued to be impacted by falling values of the Group's investments, with a statutory loss of \$5.4 million for the 6 months to 31 December 2023. Operating profit including income generated from the Group's investments was in line with expectations at \$4.7 million given the strong underlying leases with a weighted average lease term of 8.7 years.

Given the trading discount of the Group's securities on the ASX, the quality of the Group's assets and high cash balance (being \$34.9 million in cash as at 31 December 2023), the Board decided that buying back its own securities was one of the best investments that could be made at this time. Over the past 6 months the Group brought back a total of 8.8 million securities, equating to 4.0% of the Group's issued securities (excluding ESP securities) at an average price of \$0.537 per security.

The Group has no borrowings and including non-recourse debt in off balance sheet funds, the Group look through debt was 23.8% of assets as at 31 December 2023.

Our strategy remains unchanged focusing on real estate funds management and investment across the four strategies: Core, Credit, Opportunistic Real Estate and Hospitality.

Key financial highlights for HY24

- Statutory net loss attributable to securityholders of \$5.4 million up 832.9% (HY23: loss of \$0.6 million)
- Operating profit of \$4.7 million down 19.1% (HY23: \$5.9 million profit)
- Statutory loss of 2.4cps, up 700.0% (HY23: loss 0.3cps)
- Operating EPS of 2.1cps down 22.2% (HY23: 2.7cps)
- Fully franked dividend per security (DPS) of 2.0cps down 11.1% (HY23: distribution of 2.25cps, excl special dividend);
- NAV per security of \$0.74, down 5.1% (June 2023: \$0.78)
- Strong balance sheet with \$34.9 million in cash, and no debt

The Group obtained securityholder approval at its AGM on 27 November 2023 to buyback a total of 48.3 million securities representing approximately 20% of the Group's issued securities. With the securities brought back to date under this buyback, the Group can buyback up to a further 42.2 million securities.

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Funds Management

Over the past 6 months, the Group's sold its remaining non-real estate managed fund, 360 Capital CardioScan Trust, including its 53.6% co-investment generating \$3.7 million in cash back to the Group.

With the sale of Cardioscan Trust, the Group's simplification strategy is now complete managing three ASX listed entities, an unlisted fund and individual mandates within Hotel Capital Partners.

Operating revenue from funds management activities was \$1.6 million for the 6 months to 31 December 2023, down 60.9% from \$4.1 million in prior period which included acquisition fees.

Real estate credit investing and deal generation was strong at the start of FY24, generating \$0.7 million in upfront fees, from a total of \$26.5 million in new loans. However, with the slowdown in new construction starts and limited activity in investment loans, we have seen a marked slowdown in opportunities. We expect this to improve in the second half of 2024 calendar year.

Principal Investments

As at 31 December 2023, the Group had a total of \$124.1 million in co-investments and principal investments as follows:

Hotel Property Investments (ASX:HPI): \$83.0 million

360 Capital REIT (ASX:TOT): \$37.6 million

360 Capital Mortgage REIT (ASX:TCF) \$3.5 million

Over the past 6 months, the Group increased its investment in 360 Capital REIT, investing a further \$2.6 million, increasing its co-investment stake to 29.1%. Post period, the Group has increased its stake to 29.5% through TOT's DRP.

The carrying value of the Group's co-investments was further impacted by the trading prices of HPI and TCF over the past 6 months with \$7.9 million write-down in the carrying value.

As the Group manages and owns 29.1% of TOT, the Group equity accounts its co-investment at TOT's NTA equivalent to \$0.90 per TOT security. However, as at 31 December 2023 its ASX closing price was \$0.53 per security.

TOT announced on 14 February 2024, an entitlement offer equity raise up to \$46.8 million at the offer price of \$0.40 per new stapled security with the net proceeds from the raising being used to reduce TOT's borrowings. The Group intends to subscribe for its full entitlement under the equity raise, a capital commitment of \$13.8 million which will be funded from the Group's existing cash.

The Group is the largest securityholder in HPI, owning 14.8% of HPI securities. HPI was one of the few AREIT which increased its distribution forecast in FY24 due to the strong lease rent reviews, with the Group forecasting to receive \$5.5 million in distributions in FY24.

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Opportunities and outlook

Unlike many AREITs and REIT managers, the Group has no major legacy issues, no debt and a clear business strategy across the Group and its investment vehicles. The Group expect markets to deteriorate further in 2024 as the full effect of recent interest rate rises impact the Australian real estate markets and the general economy. The Board and management continue to monitor the market for opportunities which may improve the performance of the Group and create long term value for Securityholders.

Given level of cash, uncertainty around transactional fee revenues, the size of the buyback and current market environment, making earnings forecasting difficult. The Group has a dividend and distribution policy of distributing a minimum of 80% of operating earnings which remains unchanged and will continue to make 6 monthly distributions/dividends.

The Group is forecasting that dividends/distributions will be lower in 2H24 with a forecast earnings of between 1.6 cps and 1.8 cps.

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

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