

360 Industrial Fund

17 August 2016

FY16 Results

Increased Scale, Reduced Costs, Greater Diversification

360 Capital Investment Management Limited (360 Capital) as Responsible Entity for the 360 Capital Industrial Fund (Fund or ASX code: TIX) is pleased to announce the Fund's results for the year ended 30 June 2016.

Highlights

- Statutory profit of \$49.8 million;
- Operating profit increased by 70.9% to \$48.2 million; reflecting 22.7 cents per Unit (cpu) in line with guidance;
- Distributions per Unit (DPU) increased by 2.9% to 21.6cpu (2015: 21.0cpu);
- Raised \$140.1 million of capital via the Australian Industrial REIT (ANI) acquisition, making the Fund the largest pure rent collecting industrial A-REIT;
- Net tangible assets (NTA) increased 37.8% to \$491.1 million (\$2.32 per Unit) from \$356.5 million (\$2.34 per Unit) as at 30 June 2015;
- Leased over 68,000 sqm or 10.0% of the portfolio, with a further 14,000 sqm (2.0% of the portfolio) subject to heads of agreement;
- Portfolio occupancy of 99.4% and weighted average lease expiry(WALE) of 4.7 years;
- Completed the disposal of \$10.5 million of non-core assets, with a further \$50.0 million targeted disposals during FY17 (subject to leasing outcomes);
- Entire portfolio externally valued, resulting in a \$38.2¹ million increase in book values during the year (prior to capital expenditure), taking the total portfolio value to \$905.2² million
- TIX's ASX closing price on 30 June 2016 of \$2.74 reflected a premium to NTA per Unit of 18.1%, an attractive annualised distribution yield of 7.9% and a FY16 total Unitholder return of 23.8%.

Financial performance

Earnings & distributions

Statutory revenue increased by 44.6% to \$104.2 million reflecting the growth in rental income from the increased investment property portfolio. Net profit of \$49.8 million was up 13.4% an increase from the prior year, primarily driven by increase in revenue and property revaluations gains offset by the impact of one off transaction costs and fair value adjustments associated with the ANI Acquisition.

Operating earnings of \$48.2 million was up 70.9% on the prior year driven by higher property income from acquisitions, fixed rental increases and, lower finance costs. Operating earnings includes a pro forma adjustment to reflect 100.0% of ANI's operating earnings prior to consolidation.

Underlying earnings certainty and the ANI acquisition has provided DPU growth of 2.9% on the prior year to 21.6cpu.

¹ Including capital expenditure and asset held for sale
² Including asset held for sale

360 Industrial Fund

Assets & liabilities

During the year, total assets of the Fund increased by \$300.1 million or 48.2% to \$923.3 million due to the acquisition of ANI's \$331.3 million property portfolio.

After raising \$140.1 million of equity via the issue of an additional 59.5 million Units through the scrip component of the ANI acquisition, the Fund's NTA increased 37.8% during the year to \$491.1 million.

ANI acquisition

The compulsory acquisition of ANI was completed on 1 December 2015. The Fund's portfolio now comprises 37 industrial assets with an increased exposure to the NSW economy of 43.6% (by value) and improved the scale and diversity.

The transition of the 16 former ANI properties was completed on 1 December 2015. The Fund is well progressed in delivering on its leasing strategy having already leased 45,007 sqm of the ANI portfolio.

The ANI acquisition was transformational for TIX, with TIX now the largest pure industrial rent collecting vehicle on the ASX with a clear strategy and focus on active asset management.

Portfolio management

During the year the Fund leased over 68,000 sqm or 10.0% of the portfolio with a further 14,000 sqm (2.0% of the portfolio) subject to heads of agreement. FY17 expiry has reduced to 13.7%, down from 18.5% as at 31 December 2015 with this further reducing to 10.5% post completion of the current asset sale.

For assets held more than 12 months, like-for-like net property income increased by 4.0% for the period. This is reflective of the Fund's underlying income profile where over 80.0% of the property portfolio is subject to fixed rent reviews averaging 3.3% p.a. as well as the releasing of vacant space at 69 Studley Court, Derrimut, VIC.

Asset sales

In line with TIX's ongoing asset recycling strategy, approximately \$50.0 million of assets have been targeted for disposal over the course of FY17.

During FY16, 33-59 Clarinda Road, Oakleigh South, VIC was sold for \$10.5 million on 18 December 2015 with net proceeds used to reduce debt.

At 30 June 2016, 74-94 Newton Road, Wetherill Park, NSW was under an active marketing campaign for sale and classified as non-current asset held for sale. Post period terms were agreed for the sale of the property and an exclusive due diligence period has commenced. The composition and timing of these asset sales will be largely dependent on ongoing lease negotiations.

360 Industrial Fund

Property valuations

The Fund undertook external revaluations of the entire portfolio as at 30 June 2016, resulting in a \$38.2 million increase on book values compared to FY15, taking total portfolio value to \$905.2 million³.

As a result of the revaluations, the Fund's overall weighted average capitalisation rate (WACR) firmed 46 basis points during the year to 7.45% at 30 June 2016.

Capital management

A total of \$140.1 million of new equity (59.5 million Units) was issued during the period as part consideration of the ANI acquisition. The Fund now has a total of 211,957,288 Units on issue. The market capitalisation of the Fund is approximately \$580.8 million as at 30 June 2016 with TIX's inclusion in the S&P/ASX 200 targeted during FY17.

During the year, the Fund renegotiated its syndicated debt facility to \$420.0 million, with NAB increasing its facility to \$250.0 million and Bankwest increasing its facility to \$170.0 million. The ANI debt facility of \$130.0 million was repaid using the TIX syndicated debt facility. A new \$80.0 million interest rate swap agreement was also entered into with Bankwest. The Fund's interest rate hedge book now totals \$400.0 million and reflects an average rate of 2.5% (excluding any margins). The interest rate swaps are hedged for an average of 3.0 years bringing the Fund's all in interest cost to approximately 3.8%. The Fund remains comfortably within its syndicated debt facility covenants.

The Fund has an indicative offer from overseas institutions for a \$330.0 million, 10 year debt facility. If the fund proceeds, the weighted average debt term will increase from 1.7 years to approximately 8.2 years upon formalising the facility. Traditional bank debt is proposed to remain at \$115.0 million allowing flexibility around capex and leasing costs to enable TIX to efficiently manage cash flow.

Outlook and guidance

The Fund is well progressed with FY17 and FY18 expiries and has a strong track record of actively managing the portfolio, evidenced by the high occupancy and long WALE of the portfolio of 99.4% and 4.7 years respectively.

The Fund's clear strategy of focusing on acquiring and actively managing passive industrial assets is unchanged. The acquisition of the ANI portfolio was transformational for TIX, with TIX now the largest pure industrial rent collecting vehicle on the ASX.

TIX is targeting reduced gearing, below 40.0% in FY17 and is committed to long-term sustainable low risk earnings for Unitholders.

³ Including asset held for sale

360 Industrial Fund

More information on the Fund can be found on the ASX's website at www.asx.com.au using the Fund's ASX code "TIX", on the Fund's website www.360capital.com.au, by calling the 360 Capital investor enquiry line on 1800 182 257 or emailing investor.relations@360capital.com.au

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About 360 Capital Industrial Fund (ASX code TIX)

360 Capital Industrial Fund is an ASX-listed Fund focused on passive rent collecting from warehouse and logistics properties in Australia in the \$10 million plus range. The Fund has strong, defensive, income-focused investment fundamentals via a diversified \$905.2 million portfolio of 37 quality assets, a weighted average lease expiry of 4.7 years, occupancy of 99.4% and a forecast FY17 distribution of 21.6cpu. The Fund is externally managed by 360 Capital Group, a leading ASX-listed real estate investor and fund manager that operates under a transparent fee structure and is the largest unitholder in the Fund to ensure ongoing alignment of interests with Unitholders.

About 360 Capital Group (ASX code TGP)

360 Capital Group is an ASX-listed, property investment and funds management group concentrating on strategic investment and active investment management of property assets. The company actively invests in direct property assets, property securities and various corporate real estate acquisitions within Australian real estate markets on a private equity basis. 360 Capital Group's 15 full time staff have significant property, funds and investment management experience. 360 Capital Group manages nine investment vehicles holding assets valued at over \$1.4 billion on behalf of over 12,000 investors and has over \$200 million worth of co-investments across the 360 Capital Group.
