

Dexus (ASX: DXS)

ASX release



2 March 2021

ASX CEO Connect

Dexus provides an overview presentation that is being presented today at the ASX CEO Connect Series.

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About Dexus

Dexus is one of Australia's leading real estate groups, proudly managing a high-quality Australian property portfolio valued at \$32.1 billion. We believe that the strength and quality of our relationships will always be central to our success and are deeply committed to working with our customers to provide spaces that engage and inspire. We invest only in Australia, and directly own \$16.5 billion of office and industrial properties. We manage a further \$15.6 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$11.4 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.6 million square metres of office workspace across 51 properties, we are Australia's preferred office partner. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (trading code: DXS) and is supported by more than 29,000 investors from 24 countries. With 36 years of expertise in property investment, development and asset management, we have a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for investors. www.dexus.com

Dexus Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for Dexus (ASX: DXS)
Level 25, 264 George Street, Sydney NSW 2000

ASX CEO Connect

Alison Harrop, Chief Financial Officer

2 March 2021

Dexus Funds Management Limited
ABN 24 060 920 783
AFSL 238163 as responsible entity for Dexus

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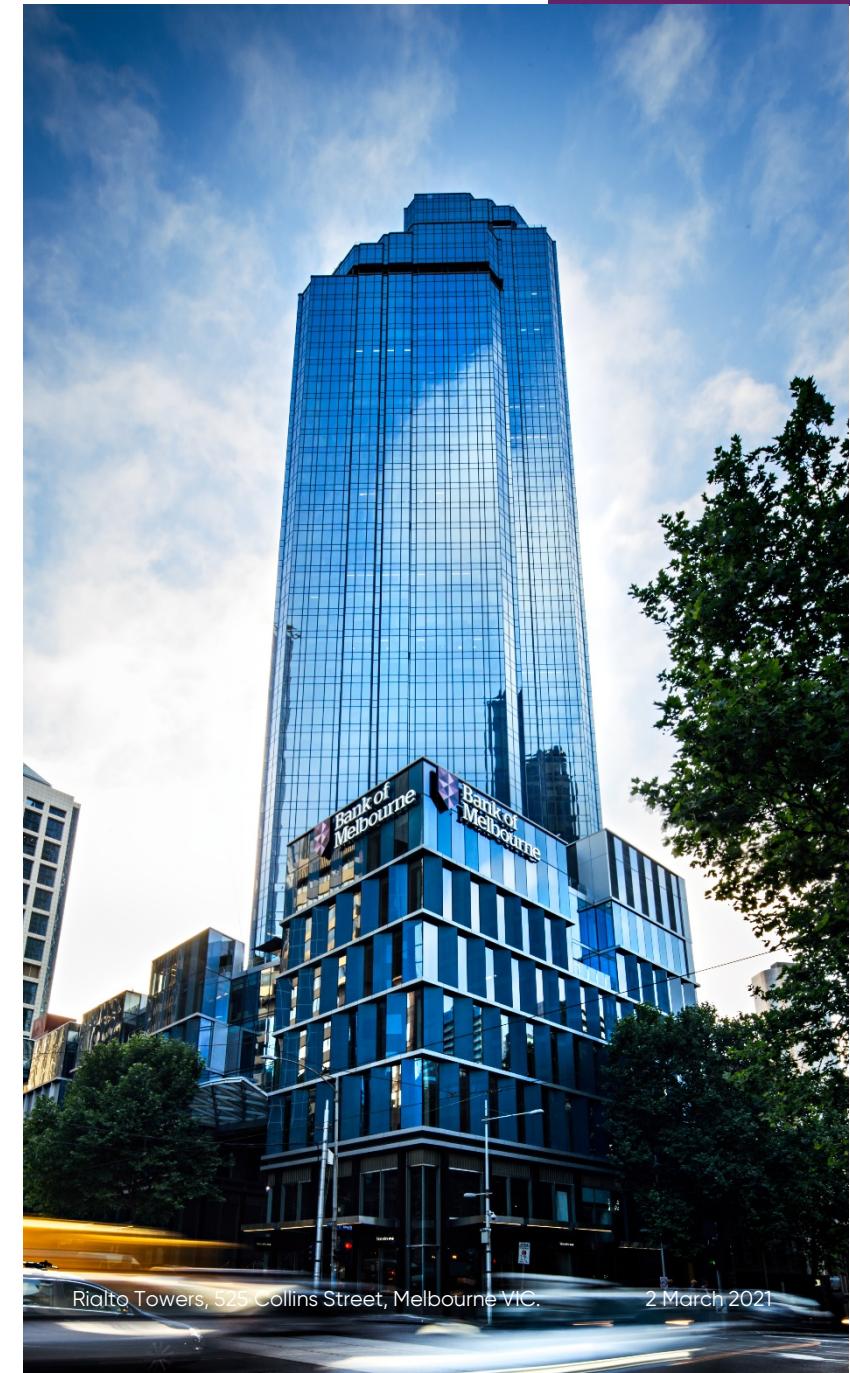
Dexus overview

Our strategy: to deliver superior risk-adjusted returns for investors from high quality real estate in Australia's major cities

Our purpose: to create spaces where people thrive

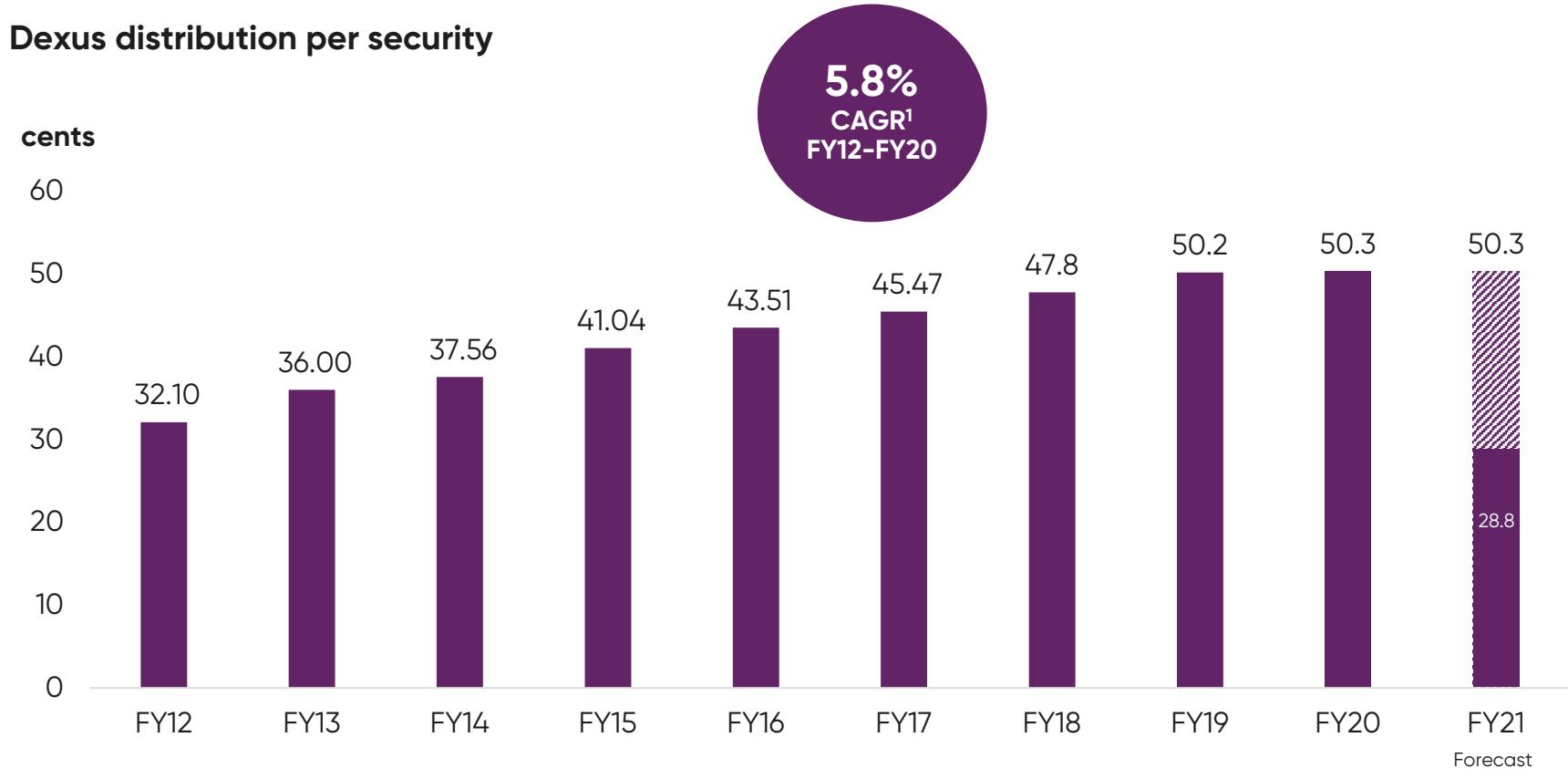
- › Dexus is a top 50 entity listed on the ASX with a market capitalisation of approximately \$9.4 billion
- › One of Australia's leading real estate groups managing a high-quality Australian property portfolio valued at \$32.1 billion
- › Strong balance sheet with low gearing of 24.9%¹
- › Recognised as a global leader in sustainability
- › Circa 545 employees with specialist teams across all key markets and sectors

1. Adjusted for cash and debt in equity accounted investments, excluding the impact of the contracted divestments of 60 Miller Street, North Sydney and Grosvenor Place, Sydney.

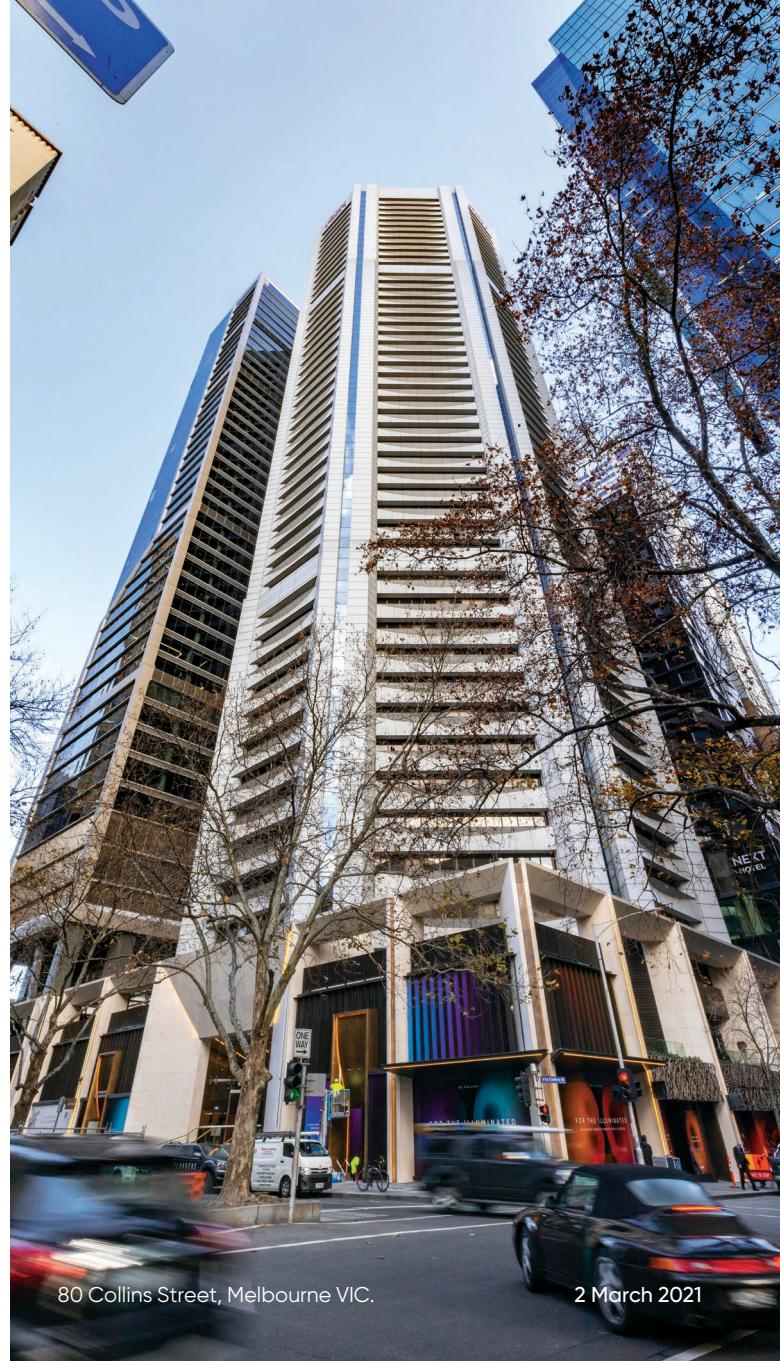


Delivering sustained value

Dexus distribution per security



1. Compound Annual Growth Rate (CAGR) is calculated over eight years. Adjusted for the one-for-six security consolidation in FY15.



80 Collins Street, Melbourne VIC.

2 March 2021

Dexus HY21 highlights

Financial highlights

- › Strong rent collections and distribution for investors
- › Achieved robust independent asset values

96.0% Dexus portfolio rent collections	28.8 cents Distribution per security for HY21
\$160.8 million value uplift across Dexus portfolio	

Immediate priorities

1. Assisting in returning businesses safely to their workplace
2. Progressing optimisation of portfolio composition via asset recycling
3. Accelerating opportunities to expand funds management business
4. Continuing to work with customers on the future of workspace
5. Progressing city-shaping development pipeline

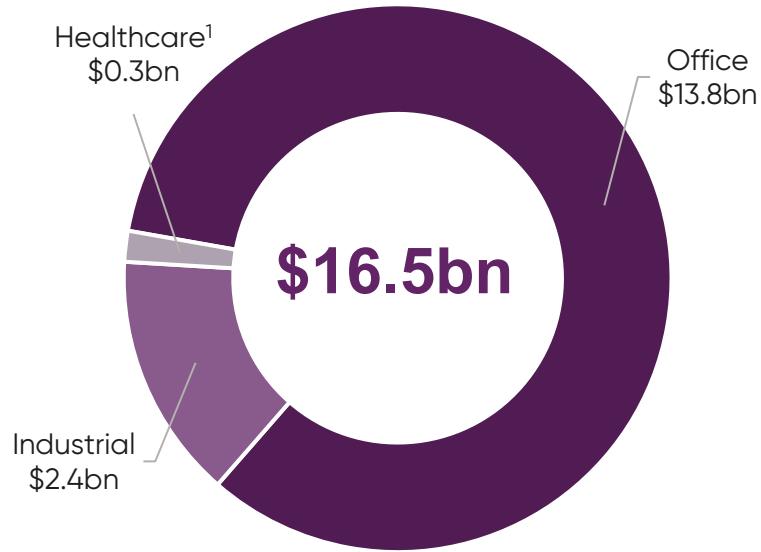
100% of the portfolio has an active COVID-Safe Plan in operation ¹		
60 Miller Street, North Sydney ²	Grosvenor Place, Sydney ²	45 Clarence Street, Sydney
Australian Bragg Centre 50% Dexus 50% HWPF		Launched opportunity fund series
Six Ideas by Dexus ³ working with 12 major customers impacting circa 20,000 employees		
Central Place Sydney progressing to Stage 3 of USP ⁴ process		Waterfront Brisbane DA received for \$2.2bn precinct transformation

1. Excluding assets with no common areas under Dexus's operational control.
 2. Conditional exchange of sale documents, subject to FIRB approval.
 3. Workspace consulting business.
 4. Unsolicited Proposal.

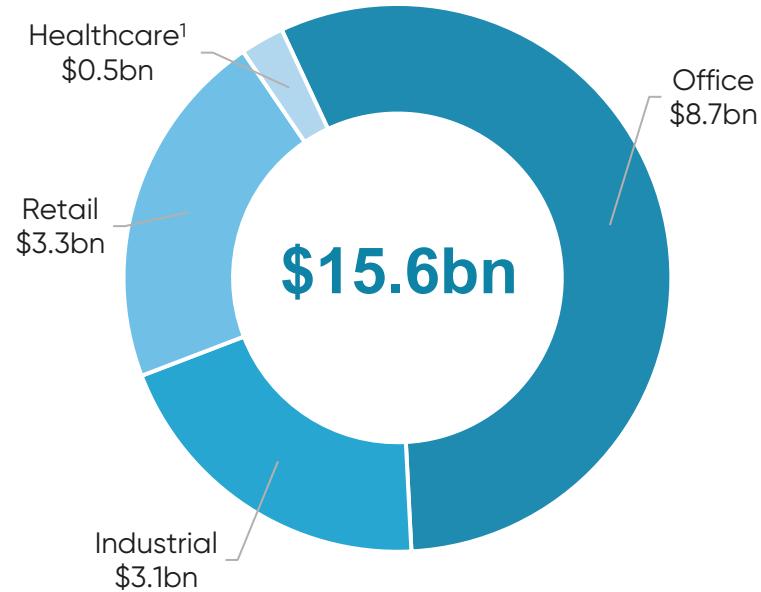
Dexus group property portfolio

\$32.1 billion total funds under management

Dexus property portfolio
(balance sheet)



Funds Management portfolio
(includes eight investment vehicles)



1. Current 'as is' value as at 31 December 2020.



Growth through Funds Management

Provides Dexus with an annuity-style, secure income

- › Long-term, stable partners enhancing ability to execute on opportunities through the cycle
- › Strong transaction track record and capability unlocks asset recycling opportunities for capital partners
- › Diversified development pipeline providing future embedded value and growth

Diversified portfolio

\$8.7bn
Office



\$3.1bn
Industrial



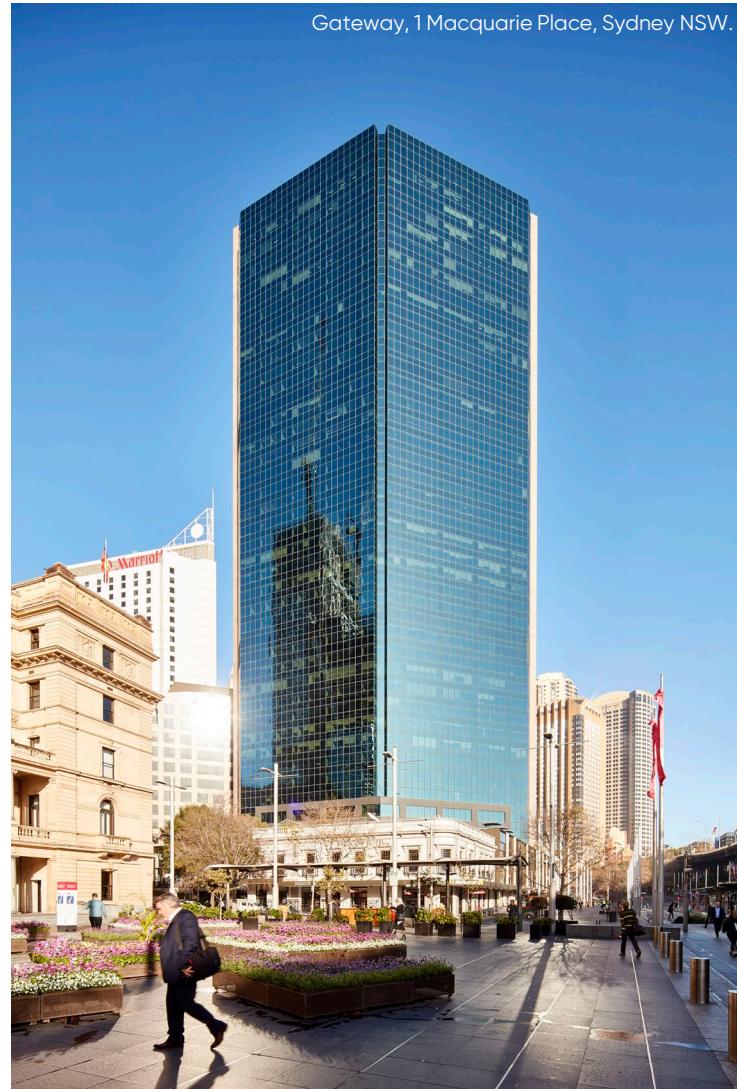
\$3.3bn
Retail



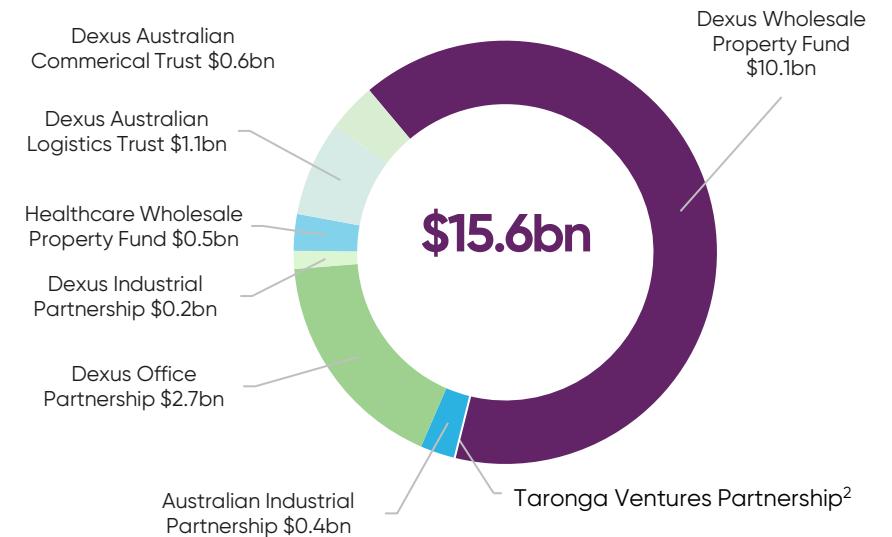
\$0.9bn¹
Healthcare



1. On completion value.
2. Platform and fund Investment.



Diversified Funds Management business across 8 vehicles



Attracted over \$10.7 billion of third party equity since FY12

Dexus office portfolio

\$13.8 billion across key office CBDs

47
properties

96.0%
occupied¹

4.2 years
WALE¹

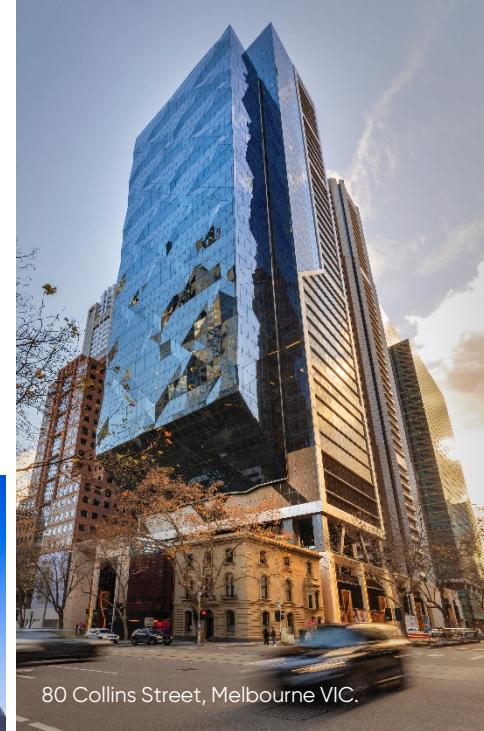
Australia Square, Sydney NSW.



One Farrer Place, Sydney NSW.



MLC Centre, Sydney NSW.



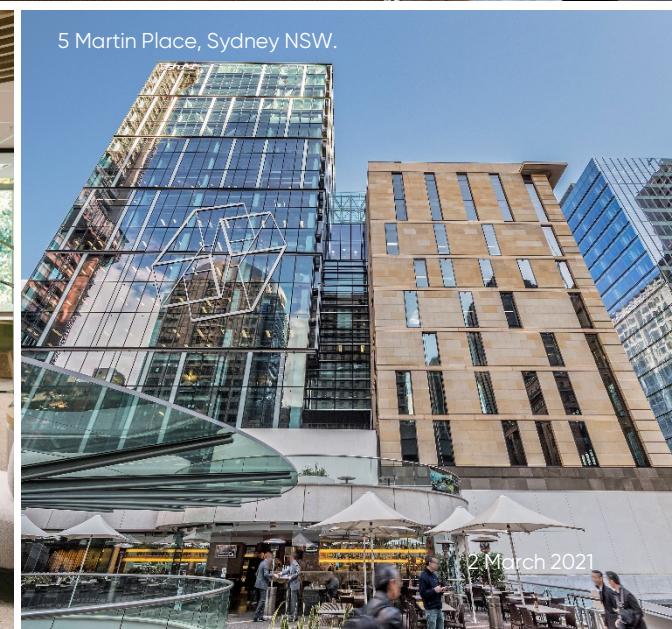
80 Collins Street, Melbourne VIC.



100 Mount Street, North Sydney NSW.



The Annex 12 Creek Street, Brisbane QLD.



5 Martin Place, Sydney NSW.

1. By income. WALE = weighted average lease expiry.

Dexus industrial portfolio

\$2.4 billion across key markets

74 properties

95.5% occupied¹

4.3 years WALE¹



4 Bellevue Circuit, Greystanes NSW.



58 Foundation Road, Truganina VIC.



47 Foundation Road, Truganina VIC.



9 Custom Place, Truganina VIC.



Botany Quarter, Lord Street, Botany NSW.

1. By income. WALE = weighted average lease expiry.

Delivering flexibility and a seamless experience

A productive workplace leads to profitability

Dexus provides solutions from 1 hour to 10 years

Traditional Offering (Core)

- > Vacant spaces (7 years+)
- > Remains the dominant offering but requirements are evolving

Flexible Offering (Flex)

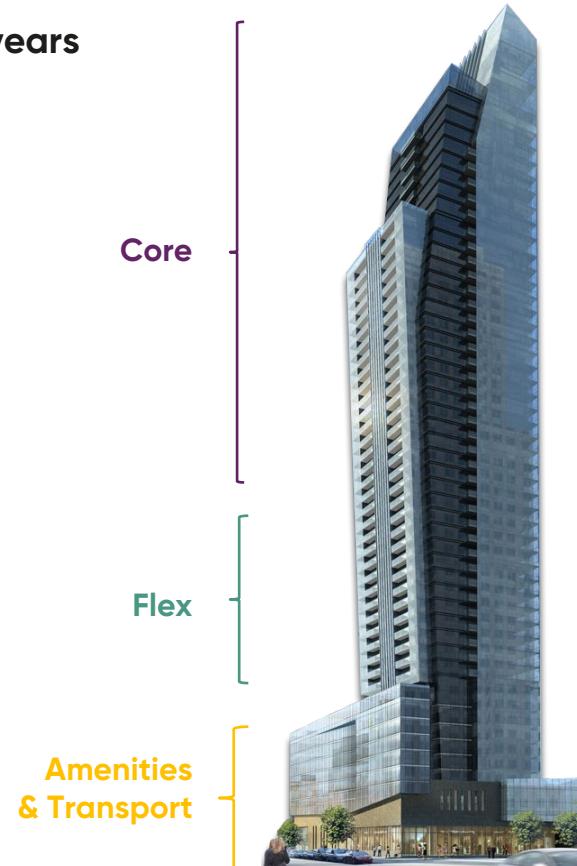
- > **Fitted spaces (6+ months)** Fully fitted suites with shorter lease terms to cater for smaller tenants (Suite X)
- > **Serviced spaces (1+ hours)** Meeting / training rooms with full technology offering (Dexus Place)
- > **Co-working spaces** Shared spaces with common infrastructure services (new evolution Dexus Place)

Amenities

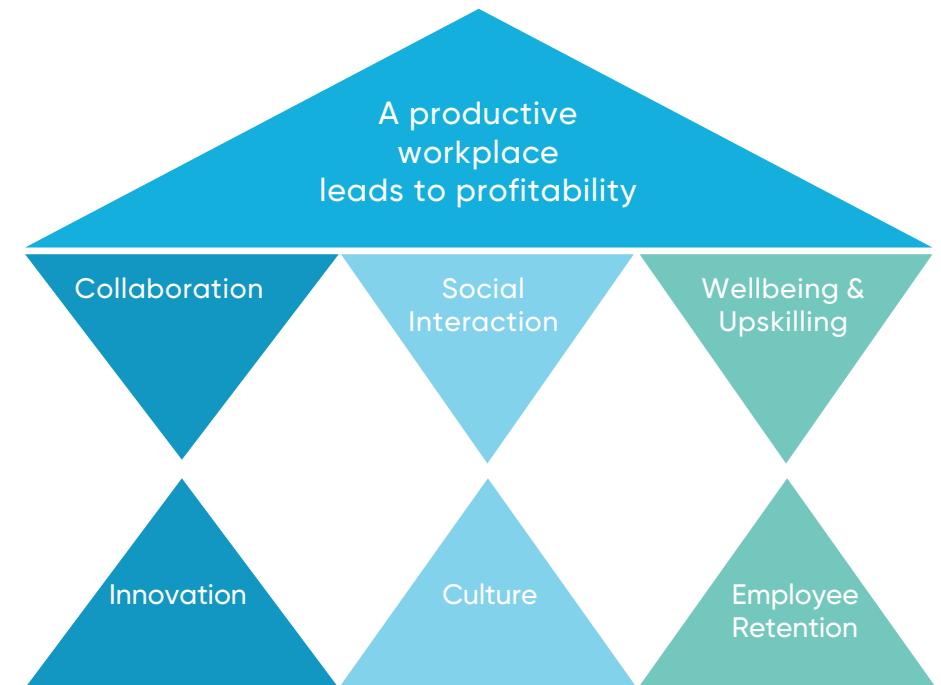
- > Experiential services (retail, health & wellness, events, EOT, concierge, real time insights)

Transport Solutions

- > Flexible car parking, bike storage



The workplace and its role in business



Transactions & Trading profits

Progressing optimisation of portfolio composition & de-risking trading profits

Transactions since FY11: \$28.4bn

\$16.6bn acquisitions | \$11.8bn divestments

Transactions in HY21: \$2.8bn

Assets sold in line with book values demonstrating investor confidence

Divestment of Grosvenor Place, Sydney



Divestment of 45 Clarence Street, Sydney



Acquisition of Australian Bragg Centre, Adelaide



Delivered \$436m¹ in trading profits since FY12

achieving an average unlevered IRR of c. 28% p.a.

Delivered \$47.1m² of HY21 trading profits

Secured profits across FY21 and FY22 to c. \$95m (pre tax)¹

Success achieved across diverse asset classes and strategies:



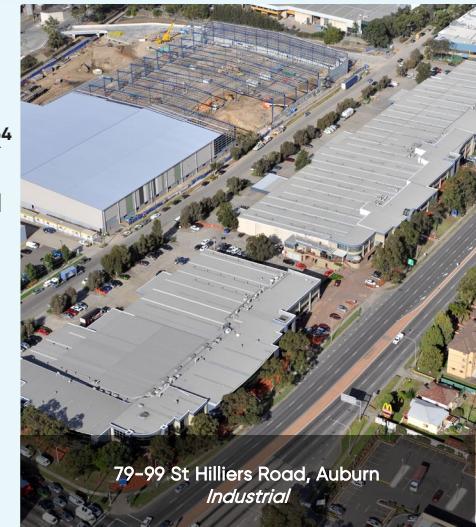
201 Elizabeth Street, Sydney Office

19%³ unlevered IRR⁴

Rezoning and DA

Sold in 2 tranches in 2019-2020

\$69m trading profits¹



79-99 St Hilliers Road, Auburn Industrial

56% unlevered IRR⁴

Rezone, lease and develop

Sold in 2017

\$26m trading profits¹

1. Trading profits pre tax.
2. Trading profits post tax.
3. The unlevered IRR represents the total return realised from the disposal of Dexus's interest in 201 Elizabeth Street and has been measured from the date of being classified as a trading asset.
4. IRRs are calculated using pre tax figures.

Developments

\$11.4 billion group development pipeline, with minimal current commitments

Committed pipeline \$1.3bn (Dexus share \$0.5bn)
 circa 3.2% of balance sheet FUM¹ (of 15% limit)

Key projects

Australian Bragg Centre **North Shore Health Hub**

MLC Retail & Theatre, Sydney **Ravenhall**

Circa \$200m remaining spend for Dexus until end FY22

Uncommitted and concept \$10.1bn (Dexus share \$5.3bn)

City-shaping projects \$6.7bn² (Dexus share \$3.1bn)

Waterfront Brisbane **Central Place Sydney**

Pitt & Bridge Precinct, Sydney **60 Collins Street, Melbourne**

Minimal upfront capital to retain optionality, longer-dated and income producing

1. Project cost for committed developments and trading projects as a proportion of balance sheet FUM at 31 December 2020.
 2. Group share in project cost (including cost of land where purchased for development and excludes downtime and income earned through development).

Strong financial position

Enduring FFO, stable valuations and low gearing

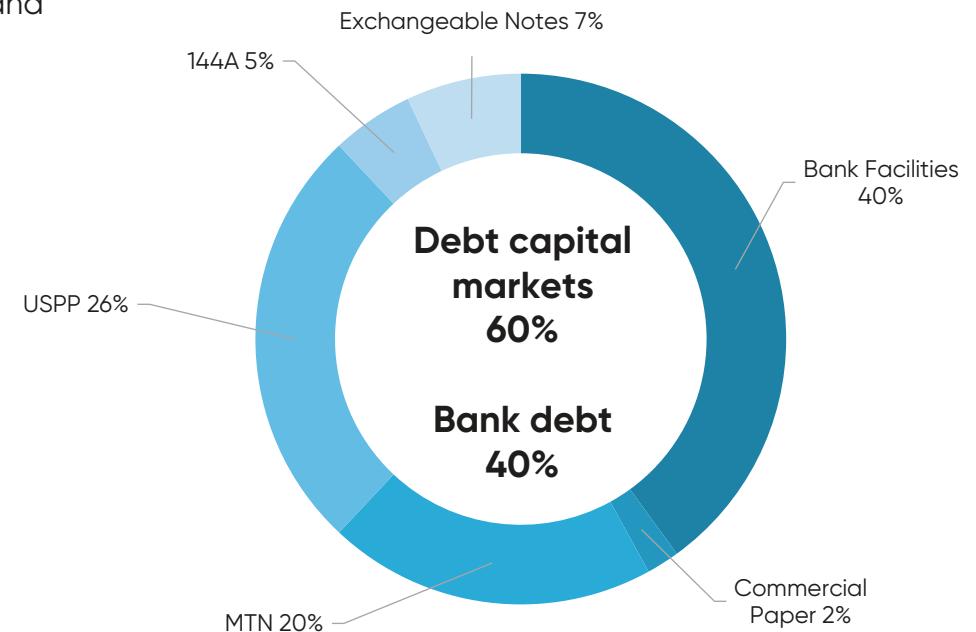
- › Stable, independent asset valuations supported by the continued investment demand for quality assets enabled a net profit after tax of \$442.9 million
- › Adjusted Funds from Operations (AFFO) and Distribution of 28.8 cents per security, up 7.1% and 6.7% respectively on the previous corresponding period, primarily driven by trading profits
- › Maintained low gearing of 24.9%²

December 2020 Valuations	Valuation movement ¹	Capitalisation rate movement
Total portfolio	+\$160.8m / +1.0%	5.01% / -4bps
Office portfolio	+32.8m / +0.2%	4.95% / -2bps
Industrial portfolio	+112.0m / +4.8%	5.36% / -30bps

Key financials	31 Dec 2020	31 Dec 2019
Net profit after tax (\$m)	442.9	994.2
Adjusted Funds From Operations (AFFO) (\$m)	313.8	295.3
Underlying FFO per security (cents)	30.1	31.9
Distribution per security (cents)	28.8	27.0
Distribution payout (% AFFO)	99.9%	100.2%
	31 Dec 2020	30 June 2020
Net tangible asset backing per security (\$)	10.96	10.86
Gearing (look-through) (%)	24.9 ²	24.3 ³

1. Total portfolio includes healthcare and leased assets revaluation gain of \$16.0 million.
 2. Adjusted for cash and debt in equity accounted investments, excluding the impact of the contracted divestments of 60 Miller Street, North Sydney and Grosvenor Place, Sydney.
 3. Proforma gearing, adjusted for cash and debt in equity accounted investments. Look-through gearing at 30 June 2020 was 26.3%.

Diversified sources of debt



Environmental, Social and Governance update

Global ESG leadership

Global ESG benchmark recognition

<p>1st Globally in Real Estate</p> <p>Dow Jones Sustainability Indices</p> 	<p>1st Globally Listed Office</p> <p>2020 GRESB Real Estate Assessment</p> 	<p>CDP Climate A List</p> <p>2020 Leadership "A" rating from CDP Climate Change</p> 	<p>A+ Principles for Responsible Investment</p> <p>Achieved in Strategy & Governance, and Direct Property modules</p> 
<p>Member of Dow Jones Sustainability Indices</p> <p>Powered by the S&P Global CSA</p>			

Environmental performance

<p>5 Star NABERS Energy rating</p>  <p>Average across group office portfolio</p>	<p>Gold BBP</p> <p>Leasing standard Ensures customer commitment to collaboration & sustainability</p>	<p>54.9% Reduction</p> <p>Emissions intensity across group office portfolio since FY08¹</p> 	<p>Over \$170m</p> <p>Avoided costs Through enhanced portfolio energy efficiency since FY08</p>
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1. Calculated using a location based method.

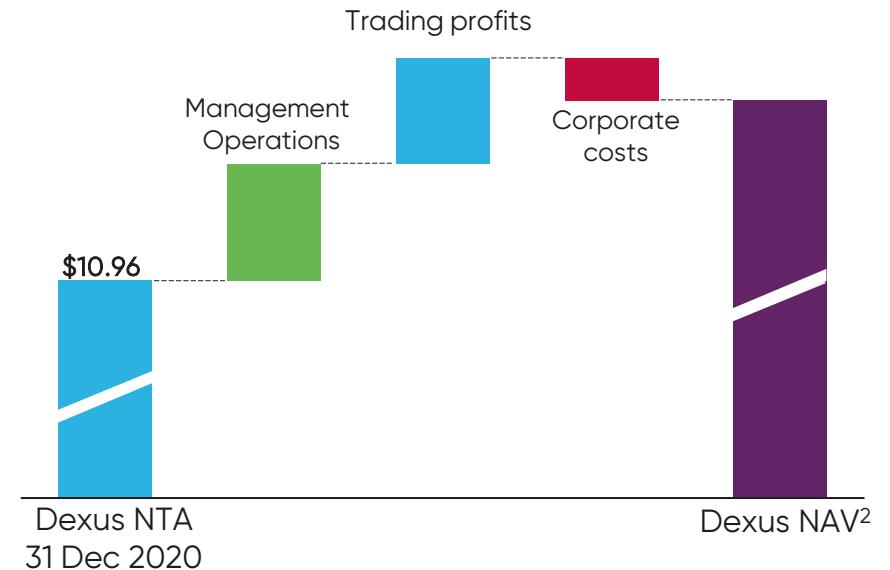


Summary

Focus on growth in capital efficient funds management business

- › Expect the impacts of the COVID-led recession to continue to flow through the Australian economy in 2021
- › Strong leasing activity and enquiry across our property portfolio
- › Robust asset valuations supported by strong investment demand
- › Uncertainty on the impacts of working from home on the office sector
 - Confident that office will remain a core requirement for our customers and will continue to deliver solid long-term investor returns
 - Dexus has been preparing for increased flexibility for many years pre-COVID
- › Expect an FY21 full year distribution per security amount consistent with FY20¹

Underlying value of overall Dexus business compares favourably to current security price



Note: Illustrative build up of underlying value across Dexus business.

1. Subject to there being no reinstatement of any major lockdowns or unforeseen circumstances. The FY20 full year distribution per security amount was 50.3 cents.
 2. Net Asset Value.

Glossary

Distribution payout policy:	Policy is to distribute in line with free cash flow.
Funds From Operations (FFO):	FFO is in line with Property Council of Australia definition and comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments and reversal of impairments, derivative and FX mark to market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, certain transaction costs, one-off significant items, amortisation of intangible assets, movements in right of use assets and lease liabilities, rental guarantees and coupon income.
Adjusted FFO (AFFO):	AFFO is in line with Property Council of Australia definition and comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments and reversal of impairments, derivative and FX mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, certain transaction costs, one-off significant items, amortisation of intangible assets, movements in right of use assets and lease liabilities, rental guarantees and coupon income, less maintenance capital expenditure and lease incentives.
Gearing:	Gearing is represented by Interest Bearing Liabilities (excluding deferred borrowing costs and including the currency gains and losses of cross currency swaps) less cash divided by Total Tangible Assets (excluding derivatives and deferred tax assets) less cash. Covenant gearing is the same definition but not adjusted for cash.
Gearing (look through):	Represents Gearing defined above adjusted to include debt in equity accounted investments.
Portfolio Value:	Unless otherwise stated, portfolio value is represented by investment properties, inventories and investments accounted for using the equity method, and excludes cash and other assets.
Weighted Average Lease Expiry (WALE):	A measure in years of the average term to expiry of in-place rent. Includes vacancies.

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