

# Dexus (ASX: DXS)

## ASX release



4 May 2021

### 2021 Macquarie Australia Conference

Dexus releases the attached presentation to be presented virtually at the 2021 Macquarie Australia Conference today.

*Authorised by Brett Cameron, General Counsel and Company Secretary of Dexus Funds Management Limited*

#### For further information please contact:

##### Investors

Rowena Causley  
Senior Manager, Investor Relations  
+61 2 9017 1390  
+61 416 122 383  
rowena.causley@dexus.com

##### Media

Louise Murray  
Senior Manager, Corporate Communications  
+61 2 9017 1446  
+61 403 260 754  
louise.murray@dexus.com

#### About Dexus

Dexus is one of Australia's leading real estate groups, 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 \$11.5 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](http://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

# Macquarie Australia Conference

## Ross Du Vernet, Chief Investment Officer

4 May 2021

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



# Agenda

- › **Dexus overview**
- › **March 2021 quarter highlights and office update**
- › **Resilience of Dexus business model**
  - Funds Management business
  - Options for growth
- › **Summary**



# 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**

- › Recognised as a global leader in sustainability
- › Dexus is a top 50 entity listed on the ASX with a market capitalisation of approximately \$11 billion<sup>1</sup>
- › One of Australia's leading real estate groups managing a high-quality Australian property portfolio valued at \$36.5 billion<sup>2</sup>
- › Diverse capability set and options for growth
- › Strong balance sheet with low gearing of 24.9%<sup>3</sup>
- › \$1.1 billion contracted asset sales<sup>4</sup>

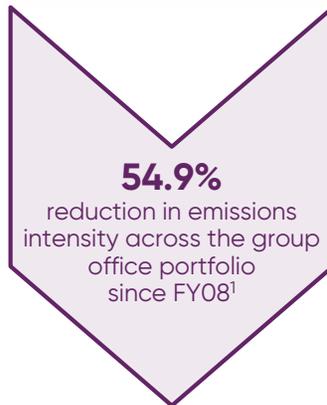
1. At 30 April 2021.
2. Figures are as at 31 December 2020, pro forma for the merger of ADPF and DWPF (prior to circa \$2 billion of redemptions) as well as the previously announced sales of Grosvenor Place, Sydney, 60 Miller Street, North Sydney, 10 Eagle Street, Brisbane, acquisition of an interest in 1 Bligh Street, Sydney, and previously announced industrial and healthcare acquisitions.
3. At 31 December 2020, look-through gearing 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.
4. Includes Dexus's share of the sale of 60 Miller Street, North Sydney, Grosvenor Place, Sydney and 10 Eagle Street, Brisbane.



# Dexus sustainability approach

ESG is at the core of what we do

- › Our Sustainability approach is the lens that we use to effectively manage emerging ESG risks and opportunities, creating sustained value for our stakeholders
- › Strive for leadership and impact
- › Continuous improvement approach to sustainability
- › Long-term programs
- › Ensure we have alignment between capital partners and DXS investors



1. Calculated using a location-based method.

## We are transitioning to net zero emissions by 2030

### Transitioning to 100% renewable energy

- Off-site renewables
- On-site renewables
- Electrification

### Improving energy efficiency

Reducing occupancy costs and creating a unique customer experience

### Offsetting remaining emissions

Nature based offsets to capture any remaining emissions

### Vision for net zero emissions and smart, sustainable workplaces

## Participation in ESG benchmarks drives continuous improvement

Global Industry Leader for the Real Estate Sector

**Dow Jones Sustainability Indices**

In collaboration with SAM

Global Sector Leader for listed office entities (Dexus Office Trust)



CDP Climate A list



A+ rating for Strategy and Governance  
A+ rating for Direct Property



# March 2021 quarter highlights and office update

# Pro forma portfolio position

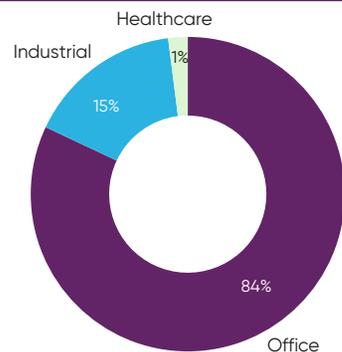
Quality office and industrial portfolio generating solid income streams

Dexus group: AUM = \$36.5bn<sup>1</sup>

Public & private capital	~500 property professionals	161 properties across the portfolio	4.4 million sqm of property	\$11.5bn development pipeline	24.9% HY21 Dexus gearing <sup>2</sup>
--------------------------	-----------------------------	-------------------------------------	-----------------------------	-------------------------------	---------------------------------------

Dexus balance sheet investment portfolio: Total AUM of \$15.5bn <sup>1</sup>	Third Party Funds management business: Total AUM of \$21.0bn <sup>1</sup>
--	---

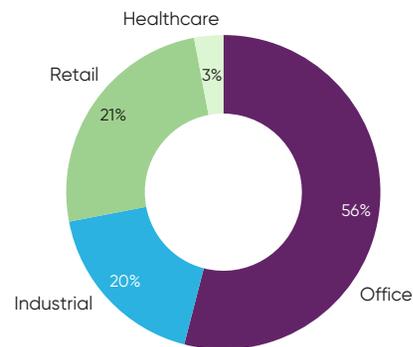
### Split by Sector



### Portfolio attributes

- › **Office**
  - 86% prime grade
  - 72% in Sydney and Melbourne CBDs
- › **Industrial**
  - High quality portfolio in prime locations
  - Diverse mix of customers' businesses benefiting from e-commerce tailwinds

### Split by Sector



### Platform attributes

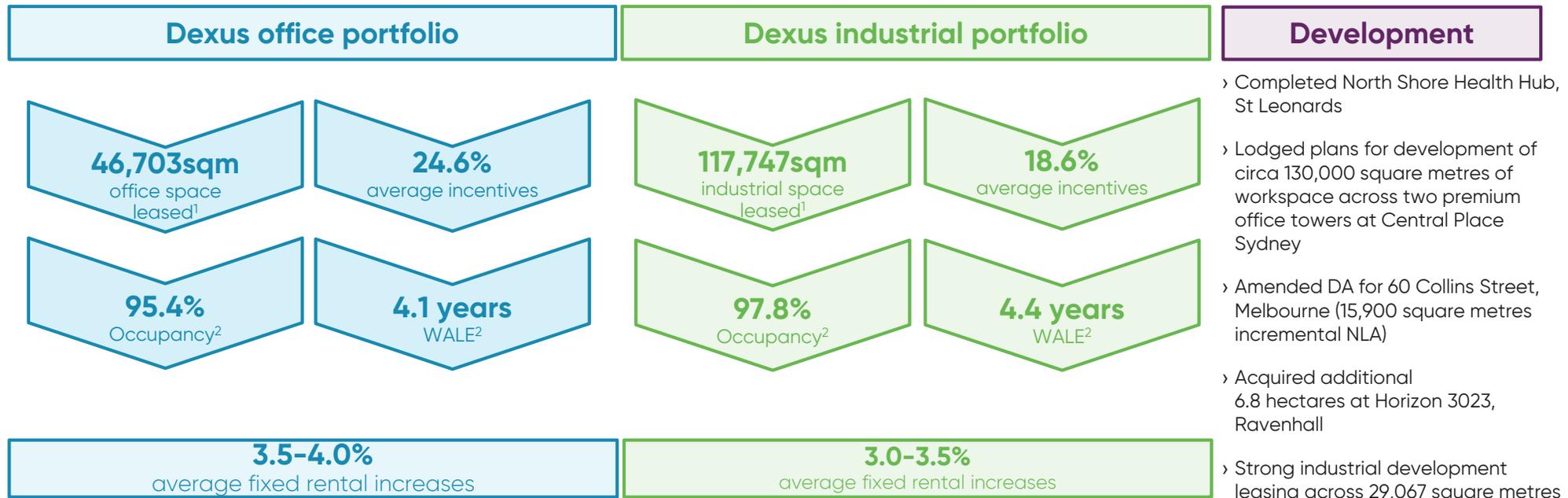
- › 69 long-term and stable capital partners
- › 9 investment vehicles
- › \$5.4 billion Third Party Funds Management development pipeline
- › Provides annuity-style, secure income with embedded growth
- › Enhances Dexus's ability to execute on opportunities through the cycle

All figures on this slide are as at 31 December 2020 unless otherwise stated.

1. Figures are as at 31 December 2020, pro forma for the merger of ADPF and DWPF (net of circa \$2 billion of redemptions) as well as the previously announced sales of Grosvenor Place, Sydney, 60 Miller Street, North Sydney, 10 Eagle Street, Brisbane, acquisition of an interest in 1 Bligh Street, Sydney, and previously announced industrial and healthcare acquisitions.
2. Look-through gearing, 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.

# March 2021 quarter update

Strong leasing activity across office and industrial portfolio

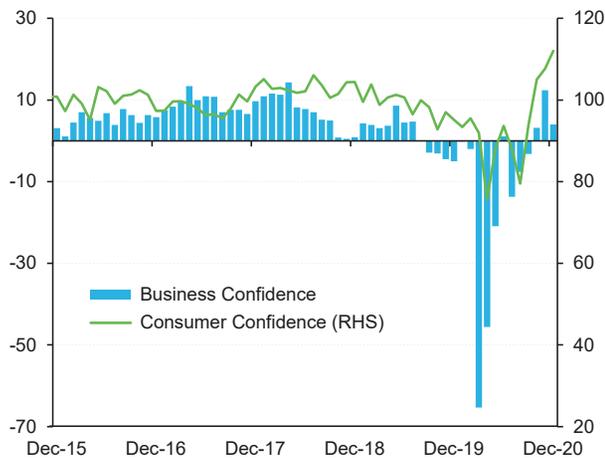


1. Leased across 108 office transactions and 37 industrial transactions. Includes development leasing.  
 2. By income. WALE = weighted average lease expiry.

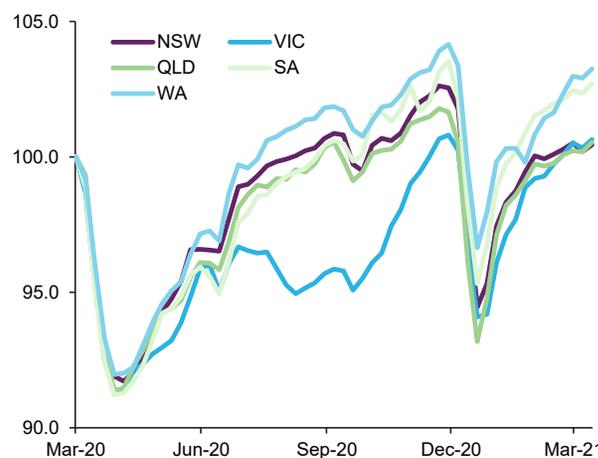
# Leading indicators point to improving conditions

Recovery of the Australian economy is well underway

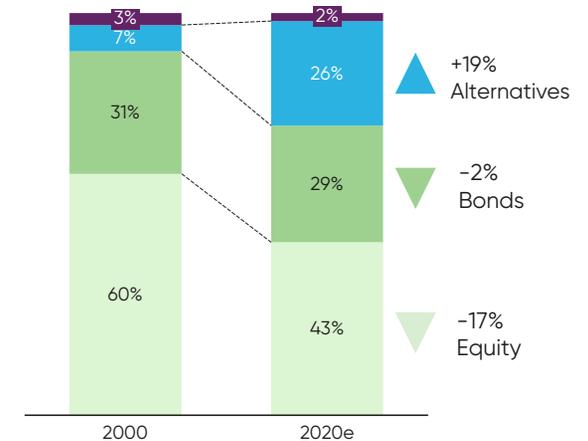
**Business & consumer confidence**



**Payroll jobs**



**Asset allocation**



Business confidence rose to **16 index points** in February, being the highest level since early 2010<sup>1</sup>

**+1.0% increase** in payroll jobs over the year to March 2021 bringing it above pre-pandemic levels<sup>2</sup>

**+19% increase<sup>3</sup>** reallocation into real estate and other alternatives with bonds now less appealing to investors

Source: Company filings and surveys, ABS, NAB, DAE, Thinking Ahead Institute  
 1. Business confidence rose +4 points in February 2021 to reach 16 index points. Chart data to December 2020.  
 2. 1% increase in payroll jobs between 14 March 2020 and 27 March 2021 (ABS).  
 3. Global Pension Assets Study 2021.

# Persistent investment demand for quality assets

Underpins NTA and provides funding for growth



Asset	Grosvenor Place, Sydney	60 Miller Street, North Sydney	1-5 Thomas Holt Drive, Macquarie Park	452 Flinders Street, Melbourne	1 Farrer Place, Sydney	400 George Street, Sydney
Sale price	\$925m <sup>1</sup>	\$273m	\$289m	\$454m	\$585m	\$290m
Prem/disc to BV	-5% discount <sup>2</sup>	+3% premium <sup>2</sup>	Premium <sup>3</sup>	+11% premium <sup>2</sup>	At book value	Premium <sup>3</sup>
Equivalent yield	4.83%	5.24%	5.70%	4.94%	4.59%	4.89%

Source: Company filings, online media, Cushman & Wakefield, CBRE, JLL.

1. Reflecting a 50% interest in Grosvenor Place Sydney. The sale will realise total net proceeds of \$925m for the 50% interest (\$694m realised for Dexus).

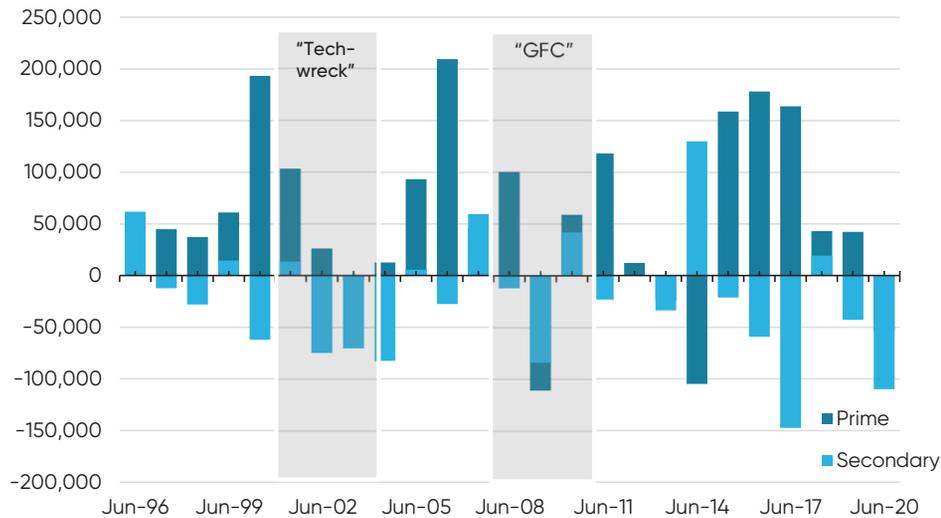
2. To June 2020 book value.

3. As reported in the media

# Prime assets benefit from 'flight to quality'

Dexus portfolio well positioned

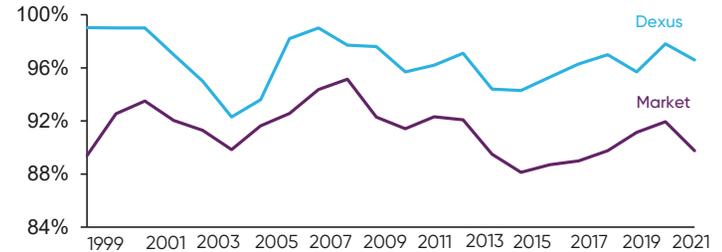
Sydney CBD net absorption over the past 25 years



Grade	Tech-wreck '02-05'	GFC '09-12'
Prime	+128,253 sqm	+78,509 sqm
Secondary	-221,994 sqm	-65,217 sqm

Source: JLL, company information.

Historic Dexus occupancy vs market



## Dexus is well positioned to perform

- › Flight to quality and centrality during market downturns
  - Prime grade assets represent 93% of Dexus office portfolio<sup>1</sup>
- › Strong focus on capability to better service flexibility needs
  - Increased focus on amenity and customer demands
- › Improved control on capex spend and extracting better lifecycle value

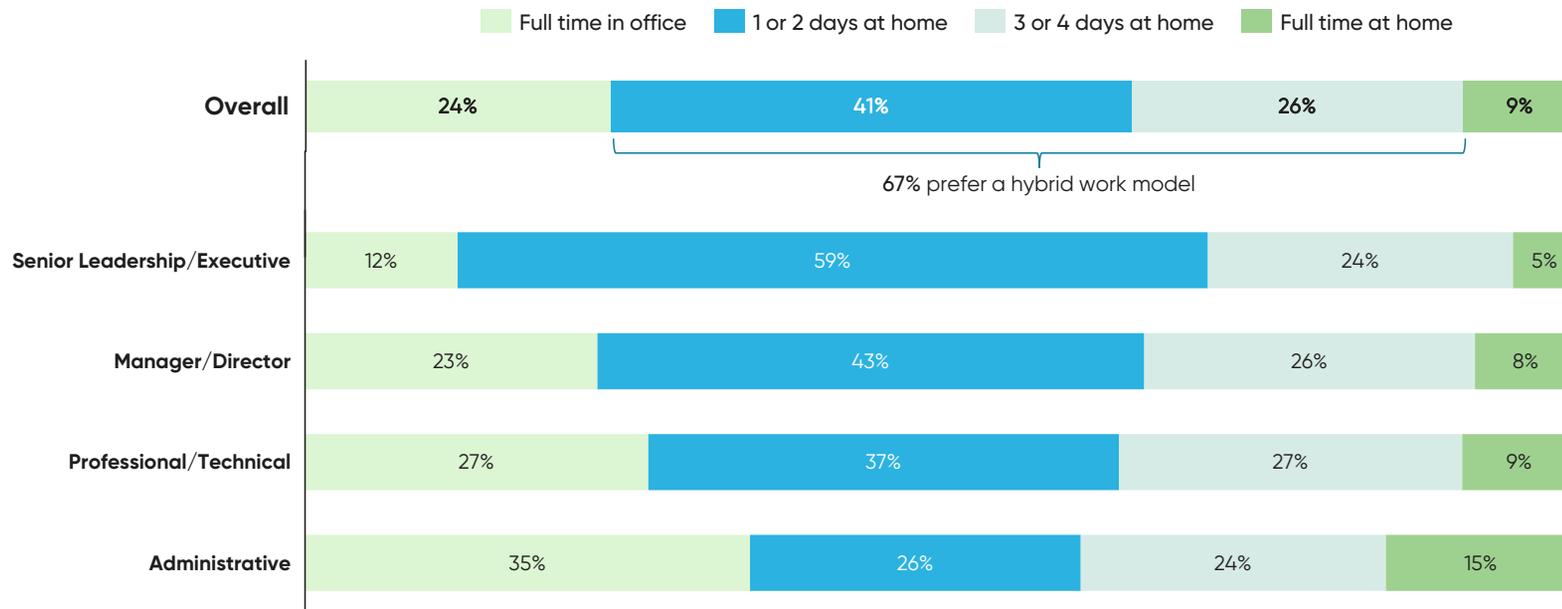
1. Prime grade buildings represented 93% of the office portfolio including stabilised assets only and excluding development-affected assets and land.

# Workspace flexibility – an evolution not a revolution

Ideal workspace arrangements differ amongst the population

## Ideal work arrangements

% of survey respondents<sup>1</sup>, Aug 2020



Majority of workers prefer a hybrid model

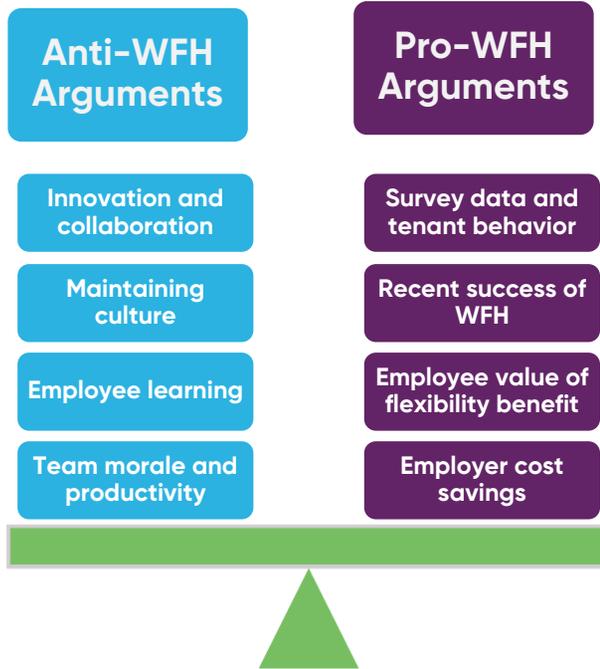
Work from home appeals more to those with higher income and experience

Source: Gensler Workplace Survey 2020.

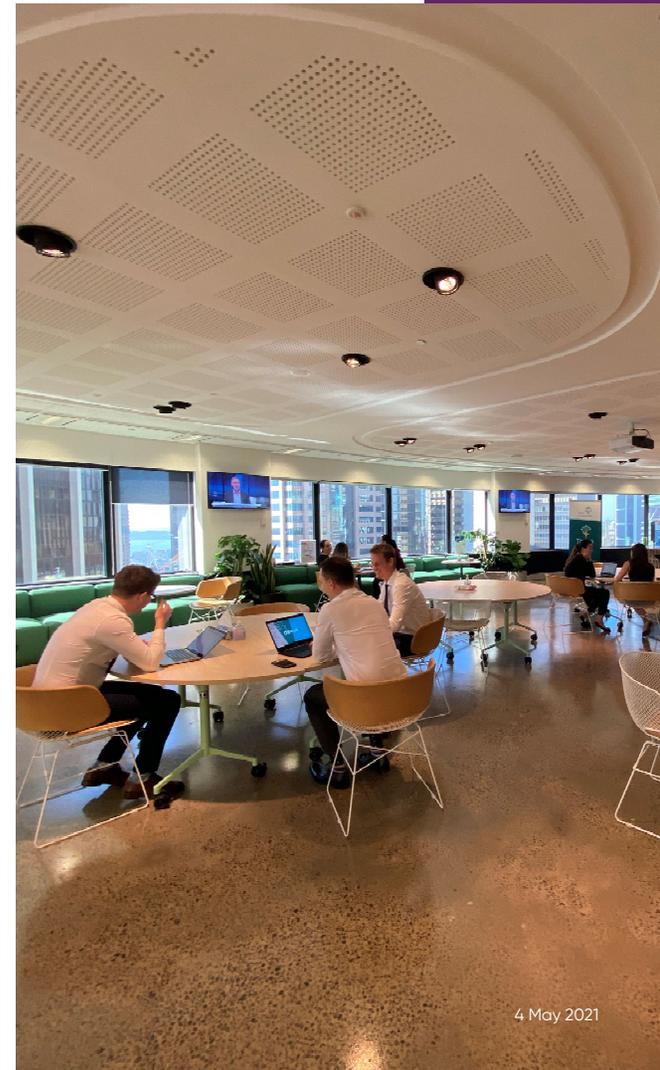
1. A survey of 2,430 Australian workers across 9 industries and a range of levels, roles, ages and cities was conducted in August 2020. Respondents were required to have worked in an office prior to COVID-19.

# Workplace flexibly – a balancing act

## Working From Home (WFH) considerations



Source: Green Street, Dexus.



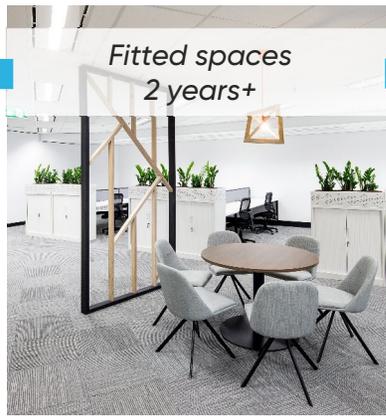
# Dexus's product offering to meet increased flexibility

Collaborative fit-outs can be integrated across products

## Workspace solutions from 1 hour to 10 years



Dominant portfolio offering. Customer demand expected to remain, however, customer requirements for flexibility will continue to evolve over time.



Fully fitted out suites with shorter lease terms. Targeted at reducing the pain points associated with real estate occupation for SMEs.



SuiteX provides high quality workspace that enables companies to remain agile while having access to turn-key solutions to support growth.



Dexus Place provides meeting, video conferencing and training facilities that facilitate cost effective interaction and collaboration across physical and virtual environments.

*We continue to work with our customers on the future of workspace*

# Dexus business model



# Core business activities



## Managing

Dexus manages \$15.5 billion<sup>1</sup> of properties on behalf of Dexus investors and \$21.0 billion<sup>1</sup> on behalf of third party capital partners.



## Developing

Utilising our expertise to access and manage development opportunities, enhance future returns and improve portfolio quality and diversification.



## Transacting

Identifying, evaluating and executing acquisition and divestment opportunities across a range of sectors and asset types.

1. As at 31 December 2020, pro forma for the merger of APDF and DWPF (prior to circa \$2 billion redemptions) as well as the previously announced sales of Grosvenor Place, 10 Eagle Street, 60 Miller Street, and previously announced industrial and healthcare acquisitions.

# Delivering on a key strategic initiative

## Expanding and diversifying the Funds Management business

### Funds management is a core part of Dexus's strategy

- › A focus on expanding and diversifying the funds management business will increase the resilience of Dexus's earnings in relation to current and future challenging office market conditions
- › Since the start of 2021, Dexus has:
  - Established a **new office partnership with Mercatus** to acquire 33.3% interest in 1 Bligh Street, Sydney
  - Received Unitholder approval for the **merger of the AMP Capital Diversified Property Fund with Dexus Wholesale Property Fund**
  - Received approval for **the Simplification of the Dexus corporate structure** by Dexus Security holders – this will increase flexibility to satisfy the growing demand from third party capital
  - Achieved practical completion of the **North Shore Health Hub, owned by Dexus Healthcare Property Fund** – adding quality and scale to meet growing investor demand for healthcare real estate



# Funds management business

## Scalable and expanding suite of products

Widely held funds			Joint Ventures					Venture Capital
								
<b>DWPFP</b>   dexus	<b>DHPF</b>   dexus	<b>DREP1</b>   dexus	<b>DOTA</b>   dexus	<b>DACT</b>   dexus	<b>DITA</b>   dexus	<b>AIP</b>   dexus	<b>DALT</b>   dexus	<b>TARONGA VENTURES</b>
Dexus Wholesale Property Fund	Dexus Healthcare Property Fund	Dexus Real Estate Partnership	Dexus Office Partnership	Dexus Australian Commercial Trust	Dexus Industrial Partnership	Australian Industrial Partnership	Dexus Australian Logistics Trust	Taronga Ventures Partnership <sup>4</sup>
\$15.3bn <sup>1</sup>	\$0.9bn <sup>2</sup>	New fund	\$5.4bn <sup>3</sup>	\$0.6bn <sup>3</sup>	\$0.4bn <sup>3</sup>	\$0.4bn	\$2.6bn <sup>2</sup>	\$0.4bn <sup>5</sup>
<ul style="list-style-type: none"> <li>› Established 1995</li> <li>› 43 properties</li> <li>› Outperformed benchmark over 3, 5, 7 &amp; 10 years<sup>5</sup></li> </ul>	<ul style="list-style-type: none"> <li>› Established 2017</li> <li>› \$946 million<sup>2</sup> portfolio across 5 properties</li> </ul>	<ul style="list-style-type: none"> <li>› Marketing launched in 2020</li> <li>› First in a planned series of closed-end opportunity funds</li> </ul>	<ul style="list-style-type: none"> <li>› Established 2013</li> <li>› 19 properties</li> <li>› Acquired &amp; de-listed CPA portfolio April 2014</li> </ul>	<ul style="list-style-type: none"> <li>› Established in 2020</li> <li>› 50% interest in iconic prime-grade Rialto Towers, located in Melbourne CBD</li> </ul>	<ul style="list-style-type: none"> <li>› Established 2014, recapitalised in 2018</li> <li>› Core strategy with growth mandate</li> </ul>	<ul style="list-style-type: none"> <li>› Established 2012</li> <li>› 20 properties</li> <li>› Strong performance since inception</li> </ul>	<ul style="list-style-type: none"> <li>› Established 2018</li> <li>› Growth strategy through develop to core and acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>› Established 2021</li> <li>› Growth strategy through acquisitions</li> </ul>
								<ul style="list-style-type: none"> <li>› Established 2020</li> <li>› Platform and fund investment</li> <li>› Partnership with large, reputable real estate companies</li> <li>› Driving real estate innovation by identifying and investing into next generation solutions</li> </ul>

All figures as at 31 December 2020 unless otherwise stated.

1. As at 31 December 2020, pro forma for the merger of ADPF and DWPFP (prior to circa \$2 billion of redemptions).
2. Includes Dexus ownership interest and on completion value.
3. Includes Dexus ownership interest.
4. Dexus investment in the platform and fund.
5. New partnership formed in March 2021.
6. As at 31 March 2021.

# Options for growth

Balance sheet strength and growing capital partners

## Sources of capital

- Divestments**
  - › Active asset recycling
  - › Good liquidity for quality assets
  - › \$1.1 billion<sup>1</sup> contracted sales awaiting settlement
- Third party capital**
  - › Divesting interests in development projects to existing and new partners
- Existing balance sheet capacity**
  - › Low gearing 24.9%<sup>2</sup> provides headroom against target gearing range of 30-40%

Deploy capital into initiatives and opportunities that deliver growth

## Uses of capital

- Funds management**
  - › Asset warehousing and co-investment
  - › Capability and platform acquisitions
- Opportunistic acquisitions**
  - › Focus on selective core and value-add development acquisition opportunities
- Development pipeline**
  - › Activating the \$6.1 billion<sup>3</sup> development pipeline
- On-market securities buyback**
  - › Taking advantage of market volatility

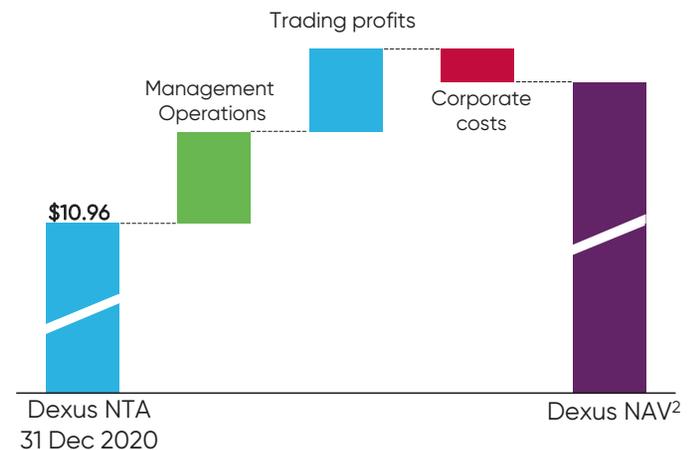
1. Includes Dexus's interest of the sale of 60 Miller Street, North Sydney, Grosvenor Place, Sydney and 10 Eagle Street, Brisbane.  
 2. At 30 December 2020 adjusted for cash and debt in equity accounted investments, excluding the impact of the contracted divestments of 60 Miller Street, North Sydney and Grosvenor Place, Sydney.  
 3. Dexus share.

# Summary

Dexus is a unique business and more than just an office REIT

- › March 2021 quarter saw the commencement of the COVID-19 vaccine roll out in Australia and an increase in physical occupancy across CBD office locations
  - Positive economic indicators point to a continued economic recovery
- › Dexus is a diversified property platform that can leverage leading capabilities across a range of asset classes
  - Options for growth available and a strong balance sheet - ready to be put to use to enhance investor value
  - Will continue to execute on strategic initiatives to drive superior risk-adjusted returns for investors
- › Maintain guidance for an FY21 full year distribution per security amount consistent with FY20<sup>1</sup>

## 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.

# Important information

- › This presentation is issued by Dexus Funds Management Limited (DXFM) in its capacity as responsible entity of Dexus (ASX:DXS). It is not an offer of securities for subscription or sale and is not financial product advice.
- › Information in this presentation including, without limitation, any forward-looking statements or opinions (the Information) may be subject to change without notice. To the extent permitted by law, DXFM, Dexus and their officers, employees and advisers do not make any representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of the Information and disclaim all responsibility and liability for it (including, without limitation, liability for negligence). Actual results may differ materially from those predicted or implied by any forward-looking statements for a range of reasons outside the control of the relevant parties.
- › The information contained in this presentation should not be considered to be comprehensive or to comprise all the information which a Dexus security holder or potential investor may require in order to determine whether to deal in Dexus stapled securities. This presentation does not take into account the financial situation, investment objectives and particular needs of any particular person.
- › The repayment and performance of an investment in Dexus is not guaranteed by DXFM, any of its related bodies corporate or any other person or organisation.
- › This investment is subject to investment risk, including possible delays in repayment and loss of income and principal invested.

dexus