

Dexus (ASX: DXS)

ASX release



3 May 2022

2022 Macquarie Australia Conference

Dexus releases the attached presentation to be presented at the 2022 Macquarie Australia Conference, which is being held at Sheraton Grand Sydney Hyde Park, 161 Elizabeth Street, Sydney.

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About Dexus

Dexus (ASX: DXS) is one of Australia's leading fully integrated real estate groups, managing a high-quality Australian property portfolio valued at \$45.3 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 \$18.3 billion of office, industrial and healthcare properties, and investments. We manage a further \$27.0 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$17.8 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. Sustainability is integrated across our business, and our sustainability approach is the lens we use to manage emerging ESG risks and opportunities for all our stakeholders. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange and is supported by more than 30,000 investors from 23 countries. With over 35 years of expertise in property investment, funds management, asset management and development, we have a proven track record in capital and risk management 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

The image is a promotional graphic for a conference. It features a background photograph of a city waterfront with several modern skyscrapers. The buildings have various architectural styles, including glass facades and curved forms. In the foreground, a river flows, with a small boat visible. The sky is clear and blue. The overall scene is bright and modern.

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Macquarie Australia Conference

3 May 2022

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

Acknowledgement of country

Dexus acknowledges the Traditional Custodians of the lands on which our business and assets operate, and recognises their ongoing contribution to land, waters and community.

We pay our respects to First Nations Elders past, present and emerging.

Artist: Amy Allerton, Indigico Creative, a Gumbaynggir and Bundjalung woman.

Artwork: The Places Where We Thrive.

Artwork description: The artwork tells the story of a vision for our communities, both large and small, where they are all thriving and strong as they build lives, homes and legacies for present and future generations. Every community is connected by spirit and by country, surrounded by flourishing waterways and vibrant land that is enriched and cared for by its people. Communities are empowered to find new ways to build and expand, as they dream and innovate to create the places where we thrive.



Agenda

Dexus overview

March 2022 quarter highlights

Real estate in an inflationary environment

Dexus: well placed for growth

Outlook

Q&A



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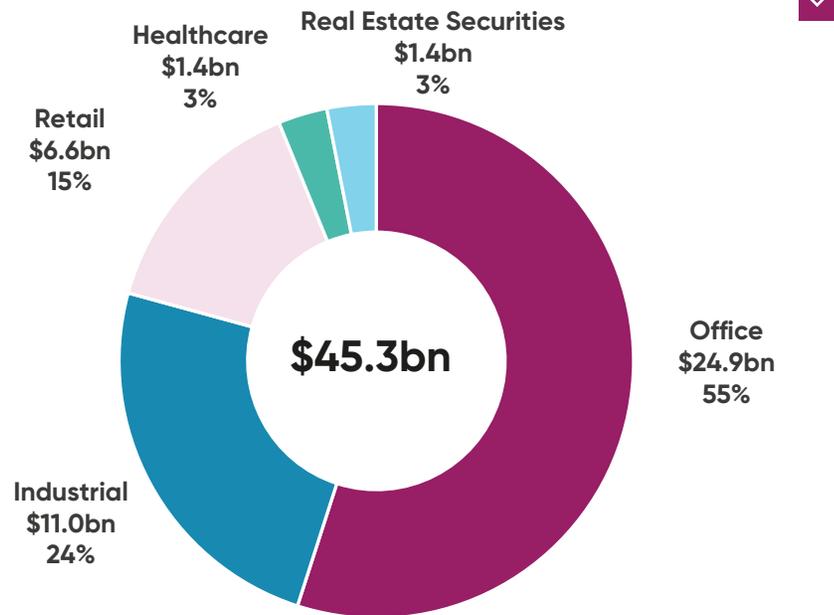
Dexus overview



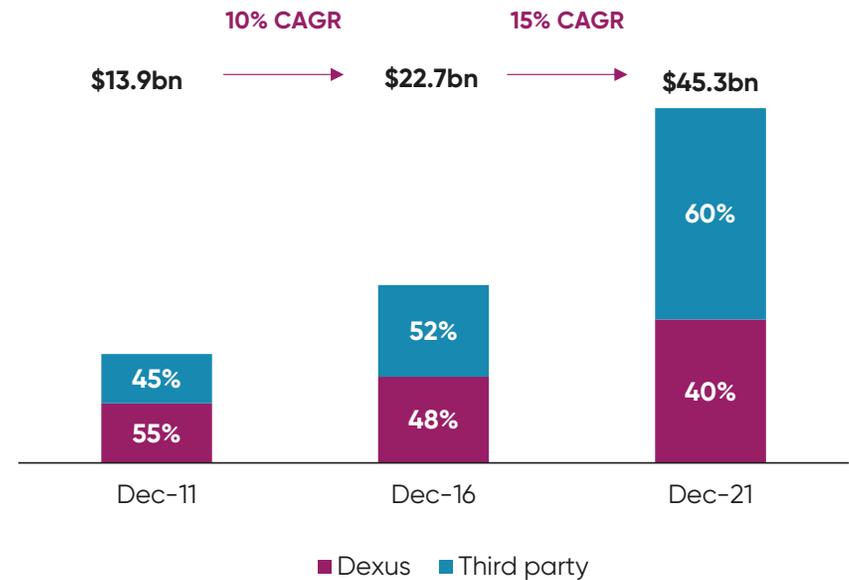
A fully-integrated real estate platform

Diversified across key real estate sub-sectors

\$45.3bn group FUM composition at 31 December 2021¹



Significant group FUM growth over the past decade



¹ Funds under management as at 31 December 2021 is pro forma for final settlement of Jandakot Airport, Perth and introduction of Cbus Super into the Jandakot joint venture.

Strategic acquisition of the Collimate platform

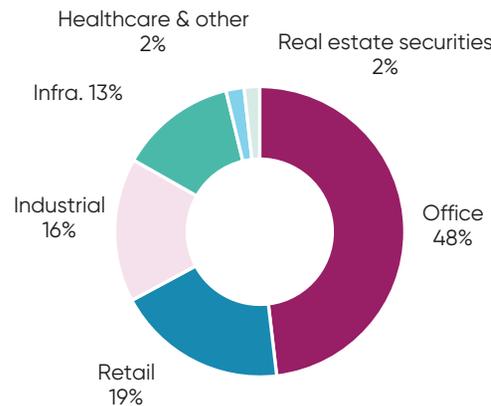
Continued execution on strategy to expand our funds management platform and capabilities

Collimate to add up to \$27.9bn¹ AUM to the platform
(Real Estate: up to \$18.2bn¹ + Infrastructure up to \$9.7bn¹)

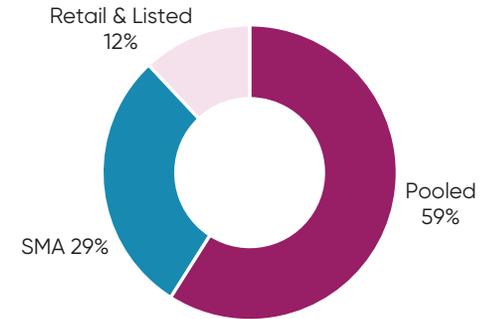
Strategic rationale

- ✓ **Further diversifies** Dexus's funds management platform with an **expanded investor base**
- ✓ **Expanded capabilities** to drive an enhanced offering and asset performance
- ✓ Provides a **scalable platform** for growth, underpinned by Dexus's **best practice governance and risk management** framework
- ✓ **Long-term value creation** potential for listed Dexus Security holders and funds management partners

Potential combined AUM by sector¹



Potential combined AUM by vehicle type¹

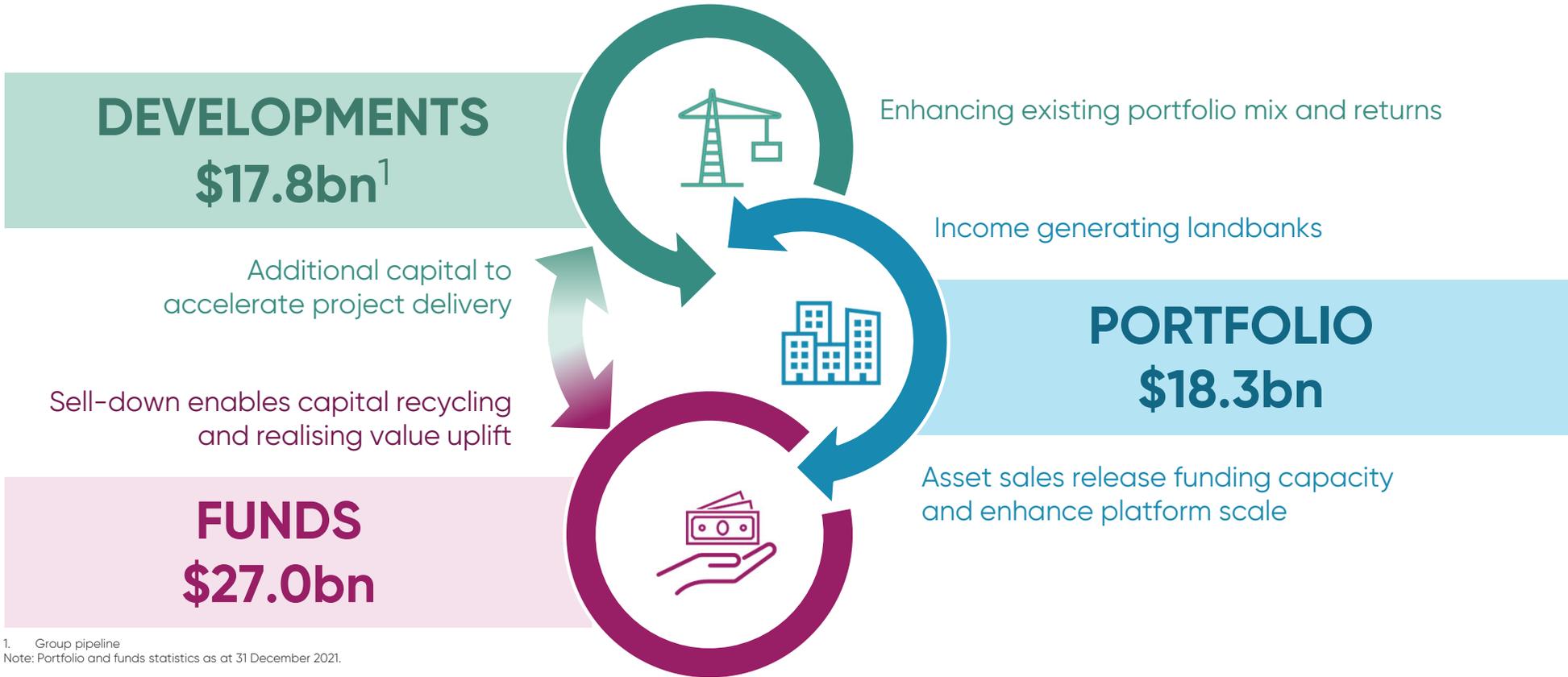


Source: Company filings.

1. Reflects maximum potential combined FUM. Please refer to ASX release dated 27 April 2022 for transaction details.

A unique business model delivering on income & growth

High-quality portfolio with embedded upside from funds management and development



1. Group pipeline
Note: Portfolio and funds statistics as at 31 December 2021.

An architectural rendering of a modern, multi-story building with a curved facade. The building features several levels of green terraces with lush vegetation and people walking around. The facade is composed of a grid of dark, rectangular panels. The building is set against a backdrop of a city skyline and a large green field in the distance. The text "March 2022 quarter highlights" is overlaid in white on the lower part of the image.

March 2022 quarter highlights

March 2022 quarter highlights

Leasing conditions stable during 3Q, strong demand for developments

Property portfolio

OFFICE

56,763sqm leased¹
(Mar-21: 46,703 sqm¹)

95.2% occupancy
by income (HY22: 95.1%)

29.9% avg incentives²
(HY22: 29.7%)

- › Stable leasing conditions
- › **Flight to quality & centralisation**
- › Occupancy steady
- › **Sydney showing signs of recovery**
- › **Development leasing wins** with 31,397sqm secured across three key tenants

INDUSTRIAL

203,733sqm leased¹
(Mar-21: 117,747 sqm¹)

97.5% occupancy
by income (HY22: 98.6%)

11.1% avg incentives^{2,3}
(HY22: 10.6%)

- › **Above trend leasing volume**
- › **98.8% core occupancy** excl. business parks (from 99.2% at HY22)
- › Underlying incentives **stable at 11.1%**
- › **Development leasing wins** 23,086sqm secured across three industrial developments

Funds management

- › **Jandakot** settlement concluded along with Cbus Super investment
- › **Transacted ~\$1.3bn** in properties across multiple funds
- › **DWPF raised \$100m** of new equity
- › **DWPF** has fulfilled \$1.3bn of the ADFP redemption requirements to date and remains on track to fulfill the remaining ~\$900m and complete the merger by the end of 2022
- › **DXI & DXC** initiated on-market buybacks

Development

- › **81,400sqm industrial development** completed (Ravenhall and Merrifield in VIC)
- › **Atlassian** - exchanged binding transaction documents (subject to conditions) to fund, develop and invest in Atlassian's new headquarters in Sydney
- › **Central Place** - lodged the final Development Application submission to the City of Sydney
- › **Waterfront Brisbane** - HoA across ~19,300sqm / ~28% of total office space in the 1st tower
- › **123 Albert St, Brisbane** - HoA with a major tenant for ~12,000sqm, bringing total contracted income across ~48% of total space

1. Including Heads of Agreement and including development leasing transactions.

2. Excluding development leasing.

3. Excluding impact of one large renewal whose net effective rent remained the same. Including this renewal, average incentives for the March 2022 quarter was 14.2%.

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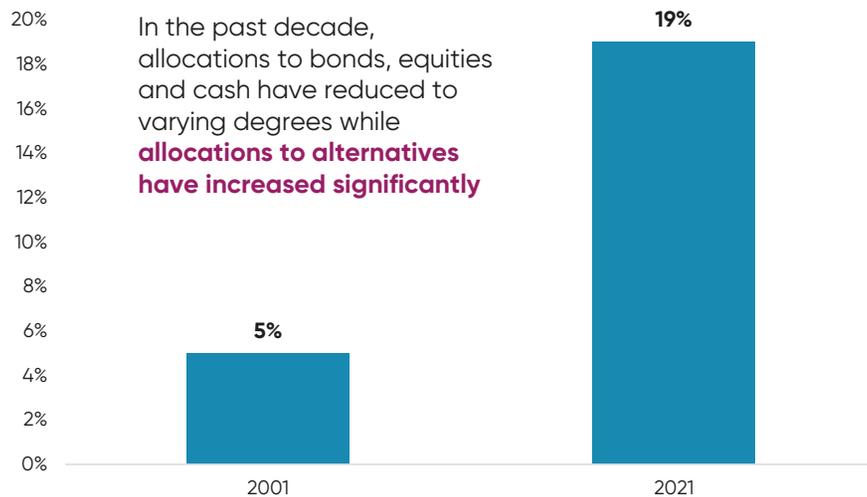
Real estate in an inflationary environment



Significant capital to be deployed into real assets

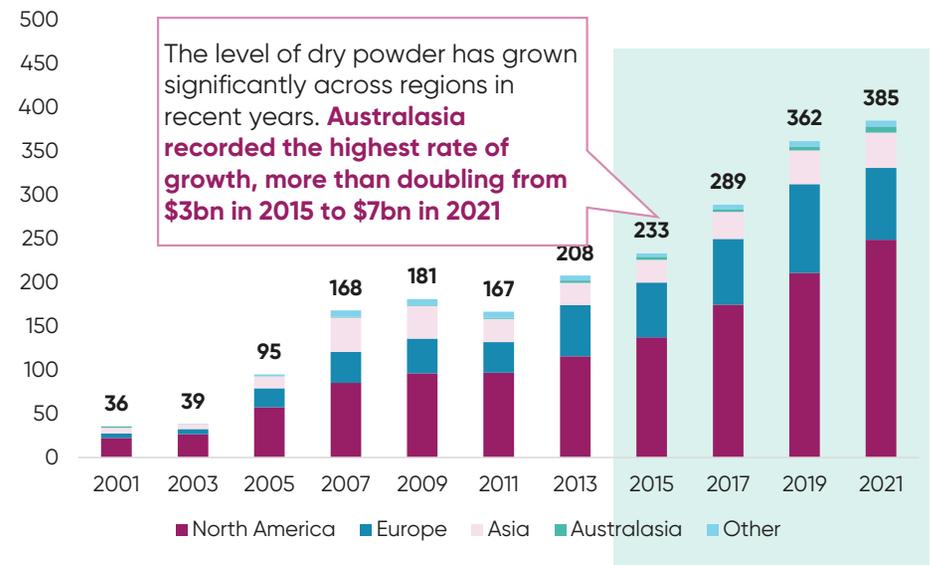
Dexus well placed to benefit

Aggregate investment allocations to Alternatives¹



Source: Willis Towers Watson (Global Pension Assets Study).
 1. Represents aggregate P7 assets allocation (P7 markets – Australia, Canada, Japan, Netherlands, Switzerland, UK, US).

Private closed ended real estate fund dry powder 2001-2021, US\$bn



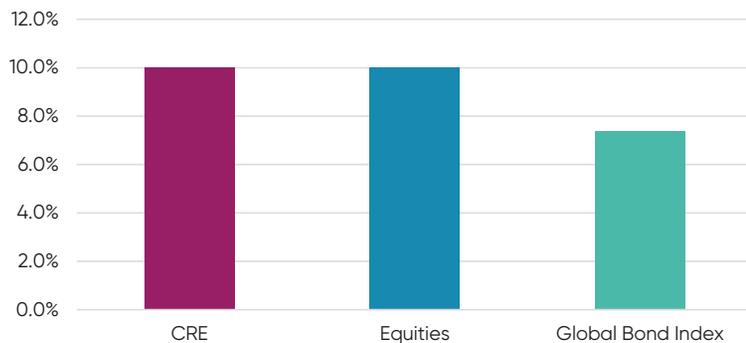
Source: Prequin.
 Australasia includes Australia, New Zealand, Federated States of Micronesia, Guam, Kiribati, New Zealand, Mariana Islands, PNG, Samoa, Solomon Islands and Vanuatu

Commercial real estate (CRE) – an attractive asset class

Empirical evidence indicates significantly lower volatility and robust return

CRE – significantly lower volatility over past 25 years

Average annual total returns (25-year CAGR to December 2021)



	CRE	Equities	Global Bond Index
Volatility	2.4	11.8	6.9

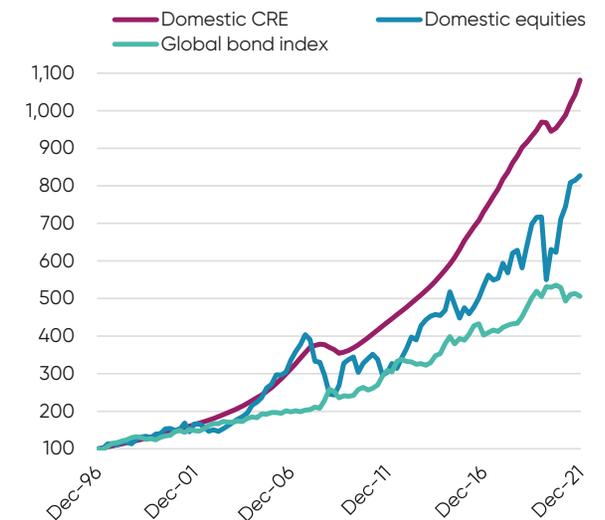
Volatility is defined as the average three-year standard deviation of returns.

In the last 25 years, CRE

- › was the **least volatile** asset class in all but 6 months
- › **Outperformed equities** in return and volatility in **11 years**
- › **Outperformed bonds** in return and volatility **every year**

CRE outperformed both equities and bonds (cumulative since 1996)

Total returns rebased to 1996

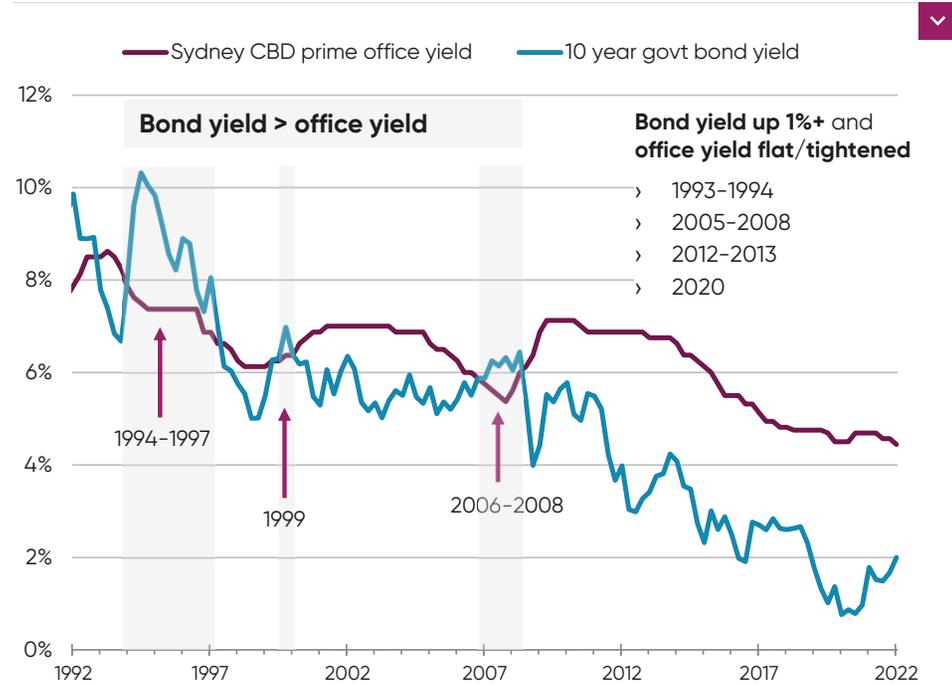


Past performance is not an indicator of future performance
Source: MSCI, ABS.

Bond yields vs. office yields

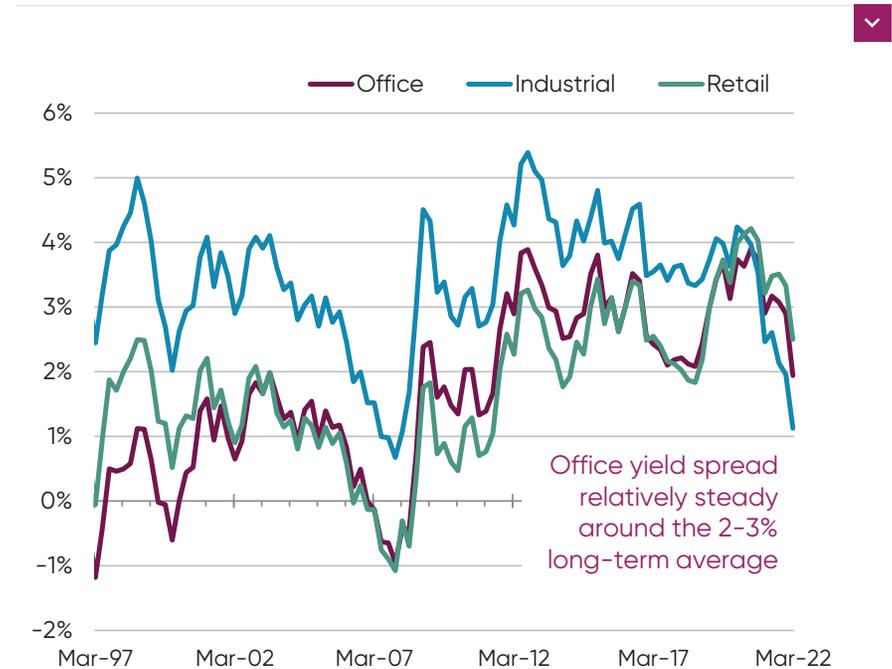
Office yields showing no direct relationship to bond yield but spreads remain meaningful

Sydney CBD prime office yield vs 10Y govt bond yield: no direct relationship



Source: JLL, Bloomberg.

Sydney yield spreads to 10Y government bond yield: around long-term average

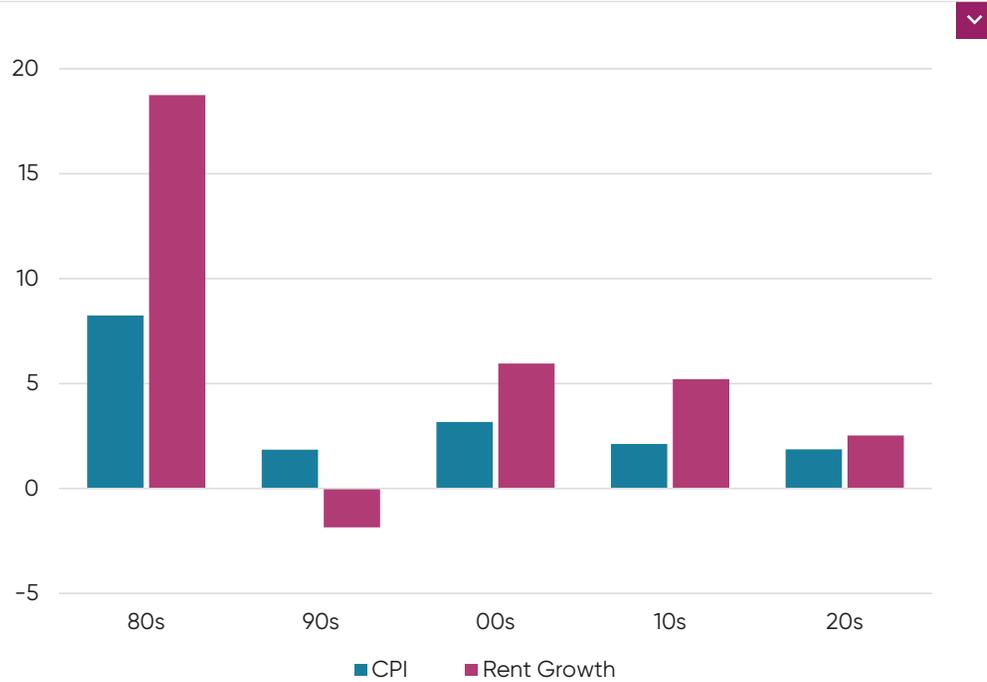


Source: MSCI, ABS, JLL, Dexus Research.
Note: Average prime yields used (Sydney CBD, West Melbourne Industrial, Sydney Regional Retail)

Inflation vs. office rental growth

Historically rental growth outpaced inflation across most of the past four decades

Inflation vs. annual A-grade Sydney office rental growth



Historically, Sydney office **rental growth outpaced inflation** across most of the past four decades

In the past 43 years where inflation increased by 4%+, as it did recently, **3 out of 5 times** rental growth outpaced CPI

Source: ABS, JLL, Dexus Research. Note: Rent growth refers to annual net face rent growth for Sydney A-grade offices.

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Well placed for growth

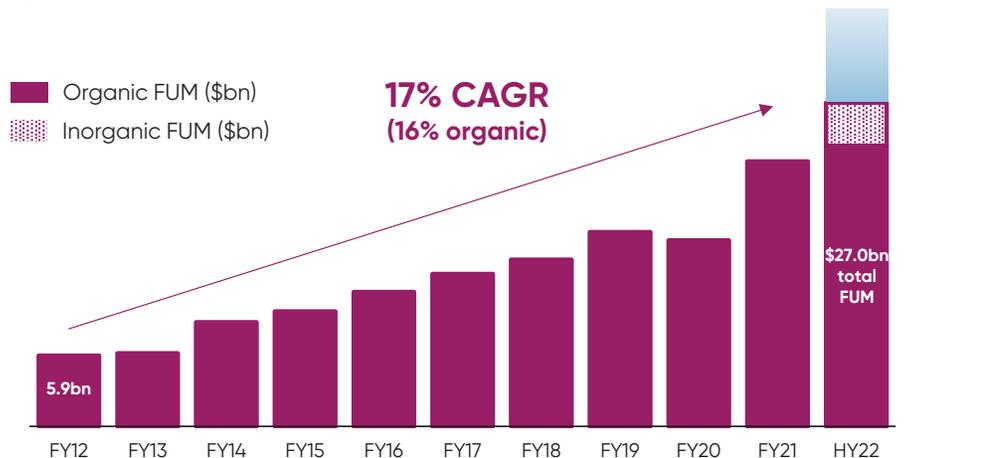


Growth drivers: Funds management & Developments

Expected to underpin future growth and returns through the cycle

Funds management: Proven track record in growing FUM

Over 80% Third party FUM growth being organic
 ~**6%** of Dexus FFO from Management operations in FY21¹



1. FFO contribution calculated before finance costs, group corporate costs and tax.

2. Estimated project cost, pipeline for funds management only.

3. Refer to slide 30 of the HY22 results presentation.

4. Excludes fund-through and concept developments and assumes restocking of existing industrial landbank beyond FY25 with minimum 200,000sqm of completions p.a.

5. The forecast completion value assumes fully leased at market rents with cap rates at circa 4% for office and industrial.

Developments: \$17.8bn group pipeline

- › **Dexus development WIP** is expected to **more than double** going forward³
- › Average indicative development **margins** expected to remain strong **above 25%**^{3,4,5} (avg historical margin c. 28%)
- › Average target yield on cost 5–6%
- › **Minimal upfront capital** with a range of funding options

Progressing the \$17.8 billion group development pipeline



Sydney

Atlassian tower
Target project timing: 2022 to 2026



Sydney

Central Place Sydney
Target project timing: Stage 1 – 2023 to 2026



Melbourne

Ravenhall Industrial estate
Target project timing: 2019 to 2025



Perth

Jandakot Airport
Target project timing: 2021 to 2027



Brisbane

Waterfront Brisbane
Target project timing: Stage 1 - 2022 to 2027



Melbourne

60 Collins Street
Target project timing: 2023 to 2026



Adelaide

Australian Bragg Centre
Target project timing: 2020 to 2023

Case study: Jandakot Airport, Perth

Leveraging our integrated platform to facilitate growth and enhance returns

Off-market acquisition¹

1 November 2021

- › **Quality portfolio with scale**
- › Secured using **balance sheet strength**
- › Highly competitive industrial sector
- › Portfolio of 51 industrial assets, 80 hectares of developable land and a commercial airport operating business

Co-investment with DXI

22 November 2021

- › **Benefit for DXI** – a transformational acquisition with a successful \$350m equity raising²
- › **Benefit for DXS** – facilitating growth and enhancing diversification of the funds management business

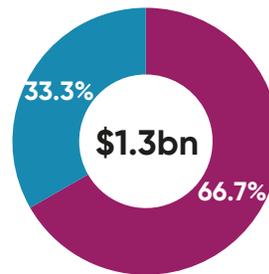
Introduction of Cbus Super

31 March 2022

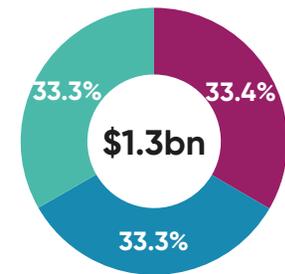
- › **New joint venture investor** on funds management platform
- › Preserving capacity to fund high returning development pipeline and other opportunities



Ownership:



~150bps uplift in Return On Invested Capital



1. DXI had committed to acquire 33.3% shortly after initial settlement

2. \$350 million equity raising proceeds used to partially fund the acquisition of a 33.3% interest in Jandakot Airport, 100% interest in 2 Maker Place, Truganina VIC and a 50% interest in Lot 2, 884-928 Mamre Road, Kemps Creek NSW.

Attractive blend of resilient income and growth upside

High-quality portfolio with embedded upside from funds management and development

Target 3-5% distribution growth through the cycle

PROPERTY PORTFOLIO

NTA above current Security price¹

- **Significant disconnect** between private and public capital markets
- Resilient and increasingly diversified income stream

Property portfolio contributed
~88% of FFO⁵ in FY21

FUNDS

\$27.0bn FUM

A platform with significant scale in its own right

17% 10Y FUM

CAGR accelerating trajectory

DEVELOPMENT & TRADING

\$17.8bn group pipeline facilitating organic growth

Above 25%² expected indicative average development margin

\$30-72m p.a. trading profit in the **last 5 years³**
a consistent source of distributions

30%+ avg IRR⁴ from trading, enhancing returns

Management operations and Trading contributed
~12% of FFO⁵ in FY21

1. Based on DXS closing price at 2 May 2022

2. Excludes fund-through and concept developments and assumes restocking of existing industrial landbank beyond FY25 with minimum 200,000sqm of completion p.a.. The forecast completion value assumes fully leased at market rents with cap rates at circa 4% for office and industrial.

3. Trading profits pre-tax

4. Average unlevered IRR (pre-tax).

5. Funds From Operations (FFO) is calculated before finance costs, group corporate costs and other (including tax).

Note: All statistics as at 31 December 2021.

Leading sustainability credentials

Delivering on long term value by focusing on issues that matter the most to our stakeholders

Global benchmark recognition¹



Net Zero Emissions target by 30 June 2022	4th Globally Listed Office 2021 GRESB Real Estate Assessment	55% Reduction Emissions intensity across group office portfolio since FY08	A⁺ Principles for Responsible Investment Achieved in Strategy & Governance, and Direct Property modules
1st Globally Real Estate Dow Jones Sustainability Indices	5.2 star NABERS Energy rating Average across group office portfolio	Gold BBP Leasing standard Ensures customer commitment to collaboration & sustainability	CDP Climate Change 2021 Leadership "A-" rating from CDP Climate Change



1. All figures as at 31 December 2021.

Outlook

Well positioned for growth

- › Industrial markets remain strong, and we are seeing the first signs of improvement in Sydney office market effective rents
- › Strong momentum in funds management and developments
- › Based on current market conditions and barring unforeseen circumstances, Dexus upgrades its guidance to **deliver distribution per security growth of not less than 2.5%** for the 12 months ended 30 June 2022, with the upgrade primarily driven by better than expected outcomes across the business.



Artist impression: Atlassian Central, Sydney NSW

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