Dexus Convenience Retail REIT (ASX:DXC)

ASX release

7 August 2023

2023 Annual results presentation and property synopsis

Dexus Convenience Retail REIT (ASX: DXC) releases its 2023 Annual results presentation.

An investor conference call will be webcast today at 10.00am on www.dexus.com/investor-centre

The property synopsis excel workbook is also available at www.dexus.com/convenience

Authorised by the Board of Dexus Asset Management Limited

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About Dexus Convenience Retail REIT

Dexus Convenience Retail REIT (ASX code: DXC) (formerly APN Convenience Retail REIT (ASX code: AQR)) is a listed Australian real estate investment trust which owns high quality Australian service stations and convenience retail assets. At 30 June 2023, the fund's portfolio is valued at approximately $781 million, is predominantly located on Australia's eastern seaboard and leased to leading Australian and international convenience retail tenants. The portfolio has a long lease expiry profile and contracted annual rent increases, delivering the fund a sustainable and strong level of income security. The fund has a conservative approach to capital management with a target gearing range of 25 – 40%. Dexus Convenience Retail REIT is governed by a majority Independent Board and managed by Dexus (ASX code: DXS), one of Australia's leading fully integrated real asset groups, with over 35 years of expertise in property investment, funds management, asset management and development. www.dexus.com

Dexus Asset Management Limited (ACN 080 674 479, AFSL No. 237500) (the "Responsible Entity") is the responsible entity and issuer of the financial products in respect of Convenience Retail REIT No. 1 (ARSN 101 227 614), Convenience Retail REIT No. 2 (ARSN 619 527 829) and Convenience Retail REIT No. 3 (ARSN 619 527 856) collectively the Dexus Convenience Retail REIT (ASX code: DXC) stapled group. The Responsible Entity is a wholly owned subsidiary of Dexus (ASX code: DXS).

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2023 Full Year Results

7 August 2023

Dexus Asset Management Limited ACN 080 674 479 AFSL 237 500
as responsible entity for Dexus Convenience Retail REIT

Acknowledgement of country

Dexus Convenience Retail REIT 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 and present.

Artwork: Changing of the Land by Sharon Smith.

Agenda

Corner Northcote Street & Main Road, Kurri Kurri NSW

Introduction and highlights

DXC investment proposition

Providing investors with defensive income with embedded rental growth

Generate defensive income with embedded rental growth

- **+3.7%** average rent review in FY23
- **>99%** occupancy, **9.7 year** WALE (by income)
- **88%** income derived from 10 national and international major tenants
- Minimal capex supporting high cash flow conversion

Maintain prudent capital structure

- Successfully reduced pro forma gearing to **31.8%**[1], within 25-40% target range
- Anticipate FY24 average hedging to be above **70%**[2]
- Diversified lender book and **4.2 years**[3] average tenure
- Significant headroom to covenants

Active approach to portfolio optimisation

- **7%** of portfolio divested in FY23 with proceeds used to repay debt[4]
- Disciplined approach to capital allocation
- Growth opportunities beyond fuel & convenience segment with high credit quality tenants

Aligned manager with deep real asset capability

- Dexus principal ownership of **9%**
- Dexus brings capital transaction, development, leasing and asset management capability across its ~$62.3 billion platform of real asset segments[5]

Key metrics

- **$781m** portfolio
- **6.10%** WACR
- **99.4%** occupancy (by income)
- **9.7 year** WALE (by income)
- **31.8%**[1] Gearing
- **>8%** distribution yield[6]

1. Pro forma for the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA which are expected to settle post 30 June 2023. At 30 June 2023, gearing was 33.4%.
2. Based on existing hedges in place as at 30 June 2023 and assuming no further transactional activity.
3. Pro forma for $30 million facility extension that occurred on 31 July 2023.
4. Includes the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA for combined proceeds of $18.6 million to be received post 30 June 2023.
5. As at 31 December 2022. Pro forma post final completion of the AMP Capital acquisition.
6. Based on closing security price as at 4 August 2023

FY23 highlights

Resilient portfolio and active capital management

Priorities	Outcomes delivered
Deliver guidance	✓ FFO & distributions of 21.6cps[1]
Generate defensive and growing income	✓ +3.7% average rent review achieved ✓ +2.7% like-for-like income growth ✓ Maintained 99%+ occupancy
Further strengthen capital position	✓ 31.8% pro forma gearing below midpoint of target range[2] ✓ Anticipate FY24 average hedging to be above 70%[3] ✓ No debt maturities until FY26[4]
Active portfolio optimisation	✓ Expanded divestment program delivering $52.3 million proceeds (7% of portfolio)[5] ✓ Transacted at average 2.5% discount to book ✓ Divestments have enhanced portfolio quality with 12% of income derived from non-fuel retail tenancies

219 Westphalen Drive, Warrego QLD

1. Reflects midpoint of guidance range provided in February 2023.
2. Pro forma for the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA which are expected to settle post 30 June 2023. At 30 June 2023, gearing was 33.4%.
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Strategically located portfolio delivering defensive income with embedded rental growth for investors

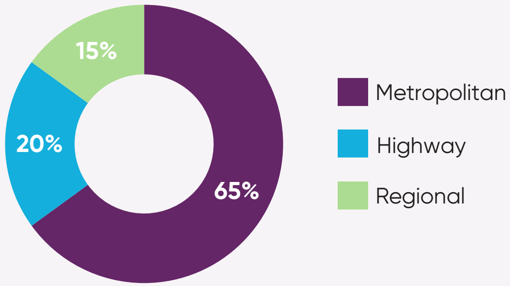
Portfolio attributes

105 properties

$781m portfolio value

77% weighted to eastern seaboard

Weighted to high-quality metro and highway sites
(% by value)



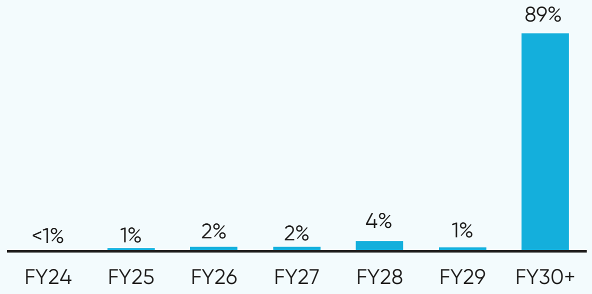
Income resilience

99.4% occupancy (by income)

88% income from 10 major tenants

9.7 year WALE (by income)

No major lease expiries until 2030+
(% by income)



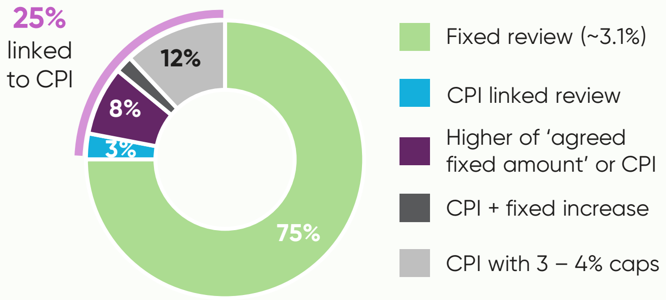
Growth

75% income fixed ~3.1% growth

25% income linked to CPI

+3.7% average rent review achieved

Embedded property income growth
(% by income)



Sustainability progress

DXC initiatives

100% renewable electricity sourced for managed portfolio assets

Progressed solar rollout across 22 properties leased to Chevron

Embedding sustainability initiatives into Glass House Mountains design

Corner Edith Street and Bruce Highway, Cluden QLD

Dexus group initiatives

FY23 ESG initiatives

Supply chain monitoring

Implemented EcoVadis supplier verification across preferred group suppliers, with coverage of 72% of preferred supplier spend engaged on the group platform

Workplace inclusion

Dexus was recognised as a Bronze Employer by Pride in Diversity's Australian Workplace Equality Index - the definitive national benchmark for LGBTQ workplace inclusion

Reflect Reconciliation Action Plan (RAP)

Progressed the implementation of Dexus's Reflect RAP

FY23 review and update of the Dexus Sustainability Strategy

DXC will prioritise alignment with the three refreshed Dexus group sustainability priority areas in a way that best unlocks the potential value of DXC assets

Customer prosperity | **Climate action** | **Enhancing communities**

Financials and transactions

FY23 financial result

Distributions delivered in line with guidance

Profit & loss	FY23	FY22[1]		Change
Property FFO ($m)	47.0	43.9	▲	6.9%
Management fees ($m)	(5.3)	(5.0)	▲	7.5%
Net finance costs ($m)	(10.6)	(6.9)	▲	53.0%
Other expenses ($m)	(1.3)	(1.0)	▲	37.0%
FFO ($m)	29.8	31.1	▼	(4.3)%
FFO (cents per security)	21.6	22.8	▼	(5.3)%
Distributions (cents per security)	21.6	23.1	▼	(6.5)%
FFO payout ratio (%)	100.0%	101.3%	▼	(1.3) ppt
Balance sheet	**30 Jun 2023**	**30 Jun 2022**		**Change**
NTA per security ($)	$3.75	$4.03	▼	(6.9)%

- Reflects full-period contributions from acquisitions in HY22, partly offset by divestments
- Like-for-like income growth of +2.7%

- Driven by $38 million increase in average portfolio size

- Reflects average cost of debt increasing 110bps, primarily driven by higher floating interest rates

- Primarily due to an increase in securities on issue following $56.3 million of equity raised in HY22

- Predominantly driven by $41.3 million of property portfolio devaluations

1. FY22 FFO composition restated to include amortised borrowing costs in FFO, to align with PCA guidelines, as well as a minor reclass within Property FFO relating to investment property income. Reported FY22 payout ratio was 100%.

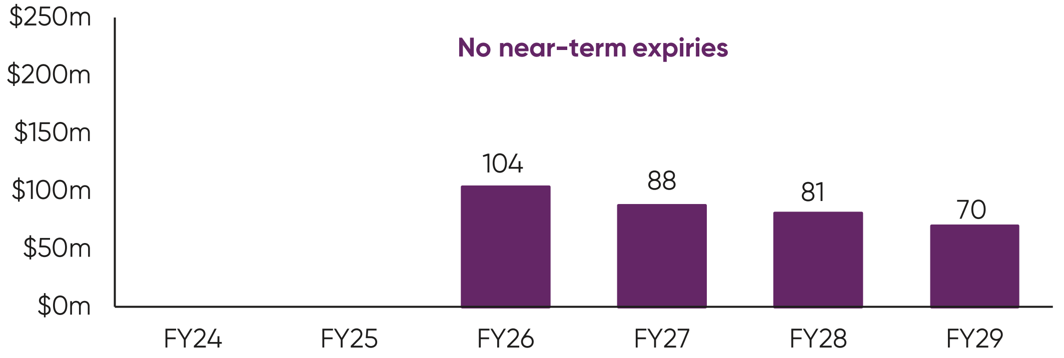
Balance sheet and capital management

Active and prudent approach to enhancing balance sheet strength

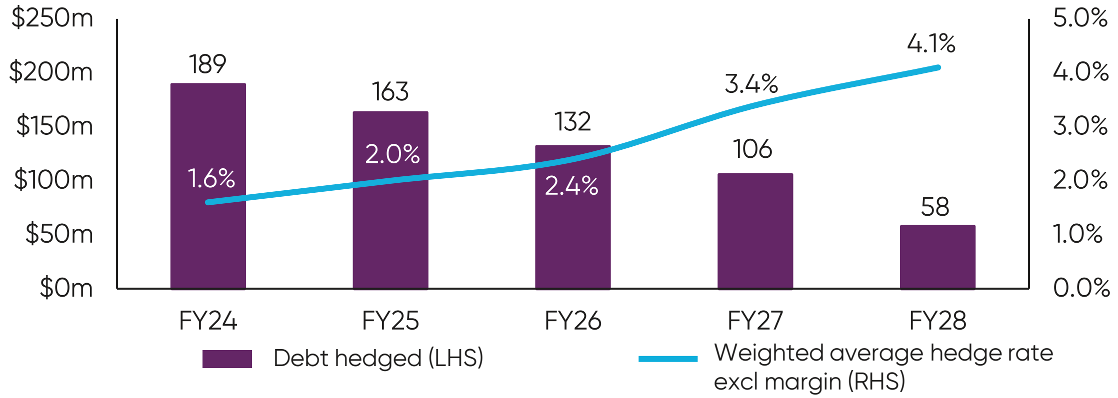
- Programmatic divestment proceeds used to **strengthen balance sheet, supporting long-term growth**
- Focused on **managing gearing at around the midpoint of the target range** in an uncertain environment
- Anticipate **FY24 average hedging to be above 70%** following contracted asset sales and incremental hedging[1]

Key metrics	30 Jun 2023	30 Jun 2022
Gearing[2]	31.8%[3]	35.0%
Cost of debt[4]	3.7%	2.6%
Average maturity of debt[5]	4.2 years[6]	4.7 years
Average hedged debt (incl caps)	64%	58%
Average maturity of hedges	4.1 years	3.8 years
Total borrowings	$263.4m	$299.6m
Headroom[7]	$80.5m	$75.4m

Debt maturity profile (total facility limit)[6]



Interest rate hedging profile



1. Based on existing hedges in place as at 30 June 2023 and assuming no further transactional activity.
2. Adjusted for cash.
3. Pro forma for the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA which are expected to settle post 30 June 2023. At 30 June 2023, gearing was 33.4%.
4. Weighted average for the period, inclusive of fees and margins on a drawn basis.
5. Weighted average maturity of drawn debt. 30 Jun 2022 is restated and was previously reported as 4.2 years based on a weighted average maturity of total facility limits.
6. Pro forma for $30 million facility extension that occurred on 31 July 2023.
7. Undrawn facilities plus cash.

Portfolio valuations

Valuations remain supported by predictable cash flows and strong tenant covenants

- **Portfolio cap rate expansion of 36 bps** in a challenging environment of rising interest rates
- **Contracted rent growth** partly offset the valuation impact of cap rate movements
- **Average cap rate of 6.10% remains above the marginal cost of debt**, appealing to a broad range of direct property market investors

Property portfolio valuation summary – 30 Jun 2023

Portfolio	Properties	30 Jun 2023 book value ($m)	Total reval change ($m)	Total reval change (%)	Cap rate (%)	Cap rate 12 month mvmt (bps)
Metropolitan	74	$505	$(29.2)	(5.5)%	5.99%	44 bps
Highway	9	$155	$(4.4)	(2.8)%	5.96%	26 bps
Regional	22	$122	$(7.7)	(5.9)%	6.73%	25 bps
Total	105	$781	$(41.3)	(5.0)%	6.10%	36 bps

Significant capital recycling

Enhancing the portfolio and balance sheet in a subdued market

Outcomes[1]	
11	assets divested
$52.3m	total divestments value (7% of portfolio)
2.5%	average discount to book value
6.69%	average cap rate[2]

Portfolio enhancement[1]	
42%	of assets sold located in regional areas
21%	reduction in assets with older tank infrastructure
3.7%	increase in average asset size (by value)
~4ppt	reduction in gearing from asset sales

226-228 Bridge Road, Pooraka SA

473 North East Road, Hillcrest SA

1. Includes the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA for combined proceeds of $18.6 million to be received post 30 June 2023.
2. By value. Based on book value capitalisation rate of assets prior to divestment.

Summary

Strong appeal in defensive and rental growth attributes of high-quality portfolio

Well placed to deliver consistent property income growth underpinned by leases to high-quality international and national tenants

Focus on enhancing balance sheet strength via continuing to explore additional asset sales to increase redeployment optionality

Actively position for long-term growth including through portfolio optimisation intiatives

FY24 guidance: FFO and distributions of 20.7 – 21.1 cents per security, reflecting a distribution yield of over 8%[1]

1. Based on property income growth supported by contracted rental increases, current interest rate expectations and barring unforeseen circumstances. Assumes average floating interest rates of 4.25% – 4.75% (90-day BBSW) and no further transactional activity. Distribution yield based on closing security price as at 4 August 2023.

Appendices

Transactions

$52.3 million of divestments at 2.5% average discount to book

Property	Property type	Settlement
2215 David Low Way, Peregian Beach, QLD	Metropolitan	19-Sep-22
4545 Flinders Highway, Reid River, QLD	Regional	14-Nov-22
25 Kiernan Drive, Roseneath, QLD	Regional	16-Dec-22
282 Wardell Street, Enoggera, QLD	Metropolitan	6-Feb-23
Lot 401 Great Northern Highway, South Hedland, WA	Regional	31-Mar-23
983 Waterworks Road, The Gap, QLD	Metropolitan	27-Apr-23
127 Kingston Road, Woodridge, QLD	Metropolitan	27-Apr-23
656 Bruce Highway, Woree, QLD[1]	Metropolitan	Aug-23
1182 Chapman Road, Glenfield, WA[1]	Regional	Aug-23
264 Browns Plains Road, Browns Plains, QLD[1]	Metropolitan	Oct-23
323 North East Road, Hampstead Gardens, SA[1]	Metropolitan	Oct-23

1. Expected settlement post 30 June 2023 for combined proceeds of $18.6 million.

79-89 Mulgrave Road, Cairns QLD

Network overview

National portfolio predominantly weighted to the eastern seaboard

Key metrics

676,000sqm total site area

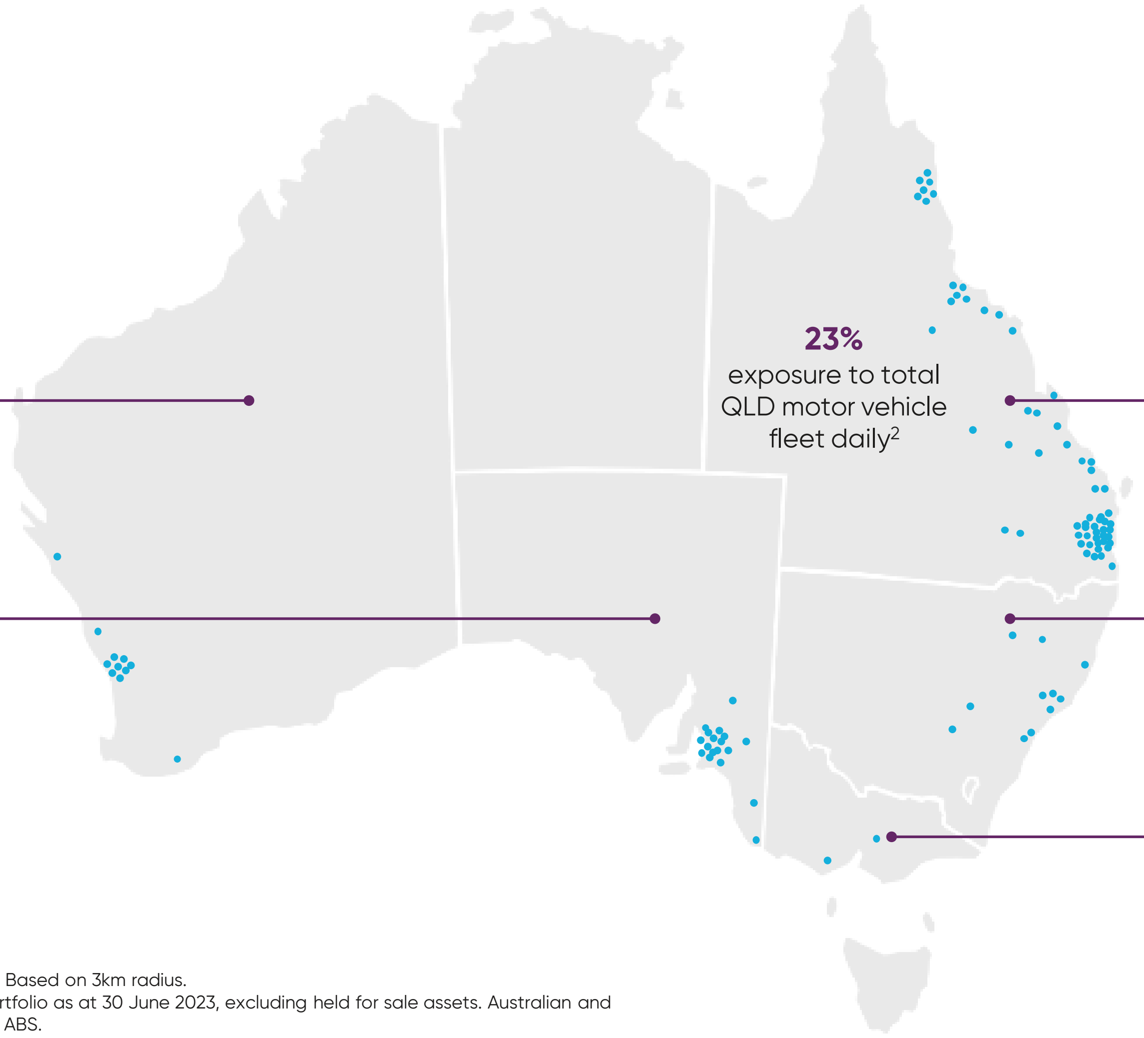
35% average site coverage

2.9m people within 3km radius[1]

68 specialty retail tenancies

9% exposure to total Australian motor vehicle fleet daily[2]

2.1% population growth since last census, 0.3% above national average[1]



23%
exposure to total QLD motor vehicle fleet daily[2]

Western Australia
$69m valuation
9% of total portfolio
11 properties

South Australia
$111m valuation
15% of total portfolio
18 properties

Queensland
$471m valuation
60% of total portfolio
63 properties

New South Wales
$120m valuation
15% of total portfolio
11 properties

Victoria
$11m valuation
1% of total portfolio
2 properties

1. Estimate as at May 2023 sourced from AreaSearch. Based on 3km radius.
2. Portfolio estimated traffic count data based on portfolio as at 30 June 2023, excluding held for sale assets. Australian and Queensland total motor vehicle data sourced from ABS.

Portfolio tenancy mix

88% of income derived from 10 national and international major tenants

Tenant	% portfolio income
Chevron	33%
7-Eleven	13%
Viva Energy	12%
EG Australia	10%
Mobil	5%
OTR	4%
United	4%
Ampol	3%
Coles Express	2%
BP	2%
Top 10	**88%**
Other	12%
Total	**100%**

303 Glen Osmond Road, Glenunga SA

QSR and other national tenants (7% of income):

Glass House Mountains fund-through development

Optionality to significantly increase convenience retail offering

High-quality dual highway site totaling 87,660 square metres with low site coverage

Opportunity to **redevelop into state-of-the-art dual service stations**, with enhanced convenience retail and quick service restaurant offerings

Sustainability initiatives embedded into project design including EV charging stations, rooftop solar and rainwater harvesting

Estimated **$40 million project at 5 – 6% yield on cost across a two-stage program**[1]

Indicative project timing[1]

	FY24		FY25	
Site	**1H**	**2H**	**1H**	**2H**
Northbound (stage 1)				
Southbound (stage 2)				

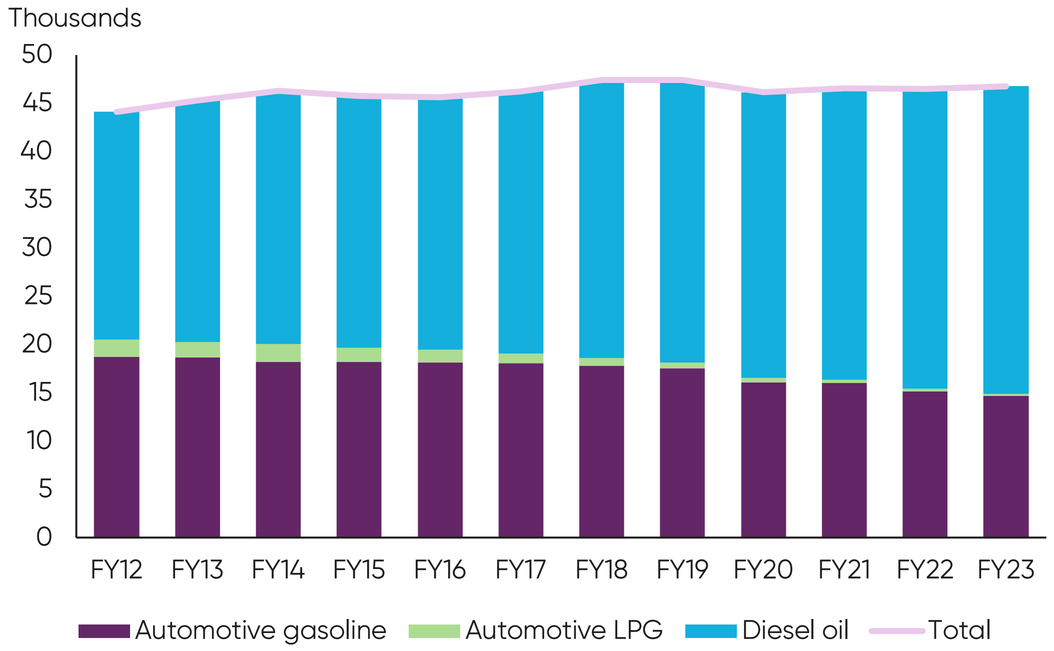
Glasshouse Mountains Dual Service Centre, QLD

1. Project remains uncommitted. Timing of commencement subject to relevant development approvals and finalisation of lease agreements.

Market dynamics

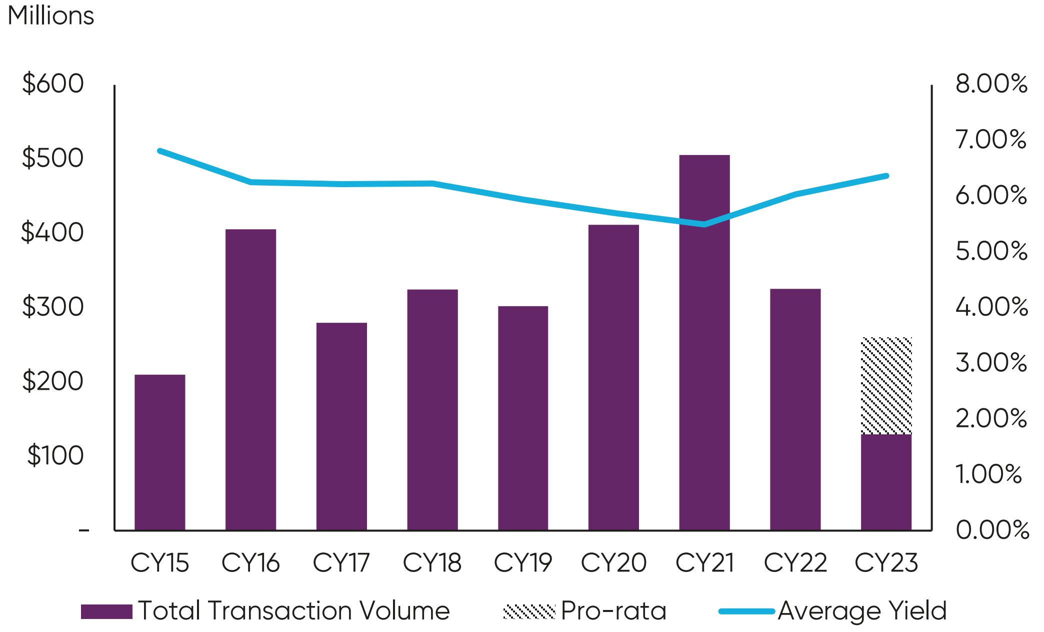
Fuel sales volumes remain robust

Sales volumes of petroleum products[1]



Transaction volumes broadly in line with historical levels

National service stations transaction volumes[2]



Source: ABS, Dept of Industry, Science, Energy and Resources, energy.gov.au, Australian petroleum statistics, Dexus Research.
1. Premium diesel oil excluded from the chart due to limited data.
2. FY23 data projected for Dec-22 to Jun-23.

Consolidated profit & loss statement

$'000	FY23	FY22
Net property income[1]	51,914	47,844
Interest income	59	147
Total revenue	51,973	47,991
Management fees	(5,330)	(4,956)
Finance costs	(11,370)	(3,398)
Corporate costs	(1,329)	(970)
Total expenses	(18,029)	(9,324)
Net operating income	33,944	38,667
Fair value gain / (loss) on derivatives	(1,041)	13,136
Fair value gain / (loss) on investment properties	(41,283)	30,836
Net profit / (loss) after tax	(8,380)	82,639

1. Includes straight lining of rental income.

FFO reconciliation

$'000	FY23	FY22
Statutory net profit / (loss) after tax for the period	(8,380)	82,639
Adjusted for:		
Net fair value (gain) / loss on investment properties	41,283	(30,836)
Net fair value (gain) / loss on derivatives	1,041	(13,136)
Incentive amortisation and rent straight-line	(4,618)	(5,042)
Debt modification	734	(3,510)
Rental guarantees, coupon income and other	(310)	980
FFO	29,750	31,095[1]
Distribution declared	29,755	32,037
Weighted securities on issue ('000)	137,757	136,329
Payout ratio (Distribution per security / FFO per security)	100.0%	101.3%[1]
Distribution per security (cents per security)	21.6	23.1
FFO (cents per security)	21.6	22.8[1]

1. FY22 has been restated to include amortised borrowing costs in FFO, aligned with PCA guidelines. Reported FY22 FFO payout ratio was 100%.

Consolidated balance sheet

$'000	30 Jun 2023	30 Jun 2022
Cash and cash equivalents	5,454	5,178
Investment properties	781,220	850,050
Other assets	16,189	17,894
Total assets	802,863	873,122
Borrowings	(263,420)	(299,611)
Provisions	(9,796)	(11,256)
Other liabilities	(13,264)	(7,737)
Total liabilities	(286,480)	(318,604)
Net assets	516,383	554,518
Stapled securities on issue (thousands)	137,757	137,757
NTA per security ($)	$3.75	$4.03

Important information

This presentation ("Material") has been prepared by Dexus Asset Management Limited (ACN 080 674 479, AFSL No. 237500) ("DXAM") as the responsible entity of Convenience Retail REIT No. 1 (ARSN 101 227 614), Convenience Retail REIT No. 2 (ARSN 619 527 829) and Convenience Retail REIT No. 3 (ARSN 619 527 856), collectively the Dexus Convenience Retail REIT (ASX: DXC) stapled group. DXAM is a wholly owned subsidiary of Dexus (ASX: DXS).

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