

Dexus (ASX:DXS)

ASX release



24 October 2017

2017 Annual General Meeting

Chair's address

Good afternoon ladies and gentlemen and welcome to Dexus's 2017 Annual General Meeting.

My name is Richard Sheppard and I'm the Chair of the Board of Directors of Dexus Funds Management Limited. I'll table my appointment as Chair of today's meeting and open the meeting.

Welcome to Dexus's head office, which as you can see now has a great view of the Sydney Harbour Bridge due to the development underway in our city.

We will commence with my address and then I'll hand over to our CEO, Darren Steinberg, who will cover key achievements across each of our earnings drivers, and we will end with the formal aspects relating to the resolutions which were outlined in the Notice of Meeting and Explanatory Memorandum sent out in mid-September.

Today is a significant day for our Board as this will be Elizabeth Alexander's last AGM. For more than 12 years Elizabeth has been an Independent Director of Dexus, joining the Board in January 2005.

Elizabeth has seen the group evolve from its humble initial years as a stapled entity, from owning offshore assets in the US and Europe, to today being a leader in Australian office property.

As a member and former Chair of the Board Audit Committee as well as Chair of Dexus Wholesale Property Limited, Elizabeth has brought a wealth of knowledge and experience in accounting, finance and corporate governance to the Board and demonstrated sound and consistent judgement from which the group has greatly benefited.

On behalf of the Board, the Group Management Committee and our Security holders, I would like to thank Elizabeth for her dedication and contribution during this time and look forward to her continued involvement as Chair of Dexus Wholesale Property Fund.

As a Board we believe that corporate governance is the foundation for the long term success of the group and achieving Dexus's strategy is underpinned by a strong governance platform.

We continually seek ways to improve how we report to our investors, and I invite you to look at a new section we introduced to our Annual report this year that summarises the key activities of the Board and its respective committees over the past 12 months.

Safety is also of paramount importance to us as a Board and we have placed significant emphasis on this through our risk management approach.

In FY17 we delivered on what we set out to achieve, ensuring both a strong financial result and excellent operational achievements, while continuing to create long term value for our investors.

I will start by looking at what Dexus is today, as well as our FY17 performance and strategic achievements.

There are two core elements of our strategy, leadership in office and being a funds management partner of choice and we continue to position the group to achieve both of these.

The group portfolio has assets under management of \$24.9 billion. Dexus directly owns \$12.2 billion of office and industrial properties with 84% of this portfolio comprising high quality office properties.

We manage a further \$12.7 billion on behalf of our third party funds and clients across office, industrial, retail and healthcare.

Looking at our FY17 performance, our full year distribution of 45.47 cents per security was at the upper end of guidance and represented a 4.5% increase on the prior year. This resulted in a five year compound growth rate of 7.2% per annum.

Our performance reinforces our track record with Dexus achieving a compound total security holder return of 17.4% per annum over 5 years, outperforming both the S&P/ASX 200 AREIT Index and ASX 200 Index.

We also undertook \$2.7 billion of property transactions on behalf of Dexus and our third party clients.

Taking a closer look at some of the key achievements that were consistent with our strategy.

For our objective of Leadership in office, the group office portfolio outperformed the IPD Investment Performance Index over one, three and five years and Dexus's office portfolio occupancy increased above 97%, its highest level since 2011.

Our sustainability approach, which is aligned to our strategy was recognised this year through a leading position in the Global Real Estate Sustainability Benchmark, with the listed office portfolio ranked first in Australia and third globally. Each year we set ourselves measurable sustainability commitments and pleasingly we're on track to achieve our 2020 targets.

For our objective of being a funds management partner of choice, we delivered strong performance across all funds and launched a new unlisted healthcare property fund to take advantage of a sector that will benefit from ageing demographics and population growth. Dexus Wholesale Property Fund continued to attract strong investor interest, successfully raising \$550 million of new equity over the past 12 months.

These are only a few of the many achievements against our strategic objectives and you'll find more detail in the annual report, which you can review in your own time.

Today I will also cover two areas that we look at in a constantly evolving investment and business environment. The Board and Group Management Committee keep a close eye on these areas to ensure we differentiate ourselves.

The first area is Cities, where we are set to benefit from urbanisation and globalisation of the workforce.

The growth in our population and the value of CBDs as employment and economic drivers will provide considerable opportunities for Dexus in the future.

The incremental growth of office demand in recent years has been driven by global companies and Australia has become a destination for a number of multinational firms looking to attract global talent.

Australia's population is forecast to increase by 25% over the next 15 years, and our governments are investing heavily in transport infrastructure to support the growth of cities.

Dexus has \$10.2 billion invested in property across the major CBDs of Australia and our investment strategy continues to focus on Australia's major cities. The acquisition of an interest in the MLC Centre in Sydney, increases our footprint and reinforces our belief that cities will benefit from the global trend of urbanisation.

We have a solid presence in the Sydney CBD and fringe, with Dexus owning or managing nearly 25% of the prime grade office market across 21 assets. This provides Dexus with valuable insights and knowledge to better understand and pre-empt the needs of our customers.

The second area is customer, where flexibility is becoming increasingly valuable in a fast paced world. Our ability to lease space from one hour to ten years, or provide turn-key solutions, enables our customers to scale up or down in line with their business needs.

The workspace is extending beyond the physical space to additional services. Through Workspace Dexus, Dexus is able to offer products and services that genuinely add value to a customer's experience, such as car sharing and parking solutions, childcare services, meeting and training facilities, and health and wellbeing activities.

Dexus continues to develop its customer centric approach which has the potential to drive a competitive advantage. Done well, our customer relationships will grow loyalty to the Dexus brand, improve retention and attract new customers, ultimately creating value over the long term.

I will now hand you over to Darren.

CEO's address

Thanks Richard and good afternoon everyone.

Our business model continues to create value from three key earnings drivers. The property portfolio is the largest driver of value creation and contains the Dexus office and industrial portfolios. Our funds management business generates solid annuity style fee income, and our trading business is where we use our real estate capabilities to generate trading profits.

Looking closely at our \$12.2 billion property portfolio. Strong leasing has flowed through to our metrics over the past 12 months.

At 30 June 2017, the office portfolio occupancy was above 97% and a record year of leasing across our industrial portfolio resulted in occupancy of 96.5%. At 30 September occupancy in both these portfolios remains strong.



The portfolio weighted average lease expiry for both office and industrial remains high at around five years.

In terms of returns, the office portfolio delivered a strong one year unlevered total return of 14.1% and the industrial portfolio a return of 12.6%.

The property portfolio is positioned for growth with like-for-like income growth of 4-5% expected in office and 3-4% growth in industrial.

Our development business is progressing well, and over the year we reached key milestones on major office projects.

At 105 Phillip Street in Parramatta, the office project that we are building for the NSW Department of Education recently "topped out", and we have sold this as part of our trading pipeline which I will talk to shortly.

At 100 Mount Street in North Sydney, we are now 60% pre-committed in a market where we are expecting vacancy to keep trending down towards 6.9%.

Our development pipeline is concentrated in and around our major cities, and includes the new Tiffany & Co. flagship store at 175 Pitt Street and plans for a mixed-use development at 201 Elizabeth Street in Sydney. We continue to build out our industrial estate at Quarry at Greystanes off the back of the success of strong leasing.

Through our pipeline we are well positioned to make a significant contribution to investment performance and grow our third party funds over the next three to five years.

Our funds management business now has \$12.7 billion of assets under management and 69 clients.

We continue to create value for our clients and this year DWPF once again outperformed its benchmark over all time periods, and the Dexus Office Partnership delivered a one year unlevered total property return of 14.7%. Since its inception, this partnership has delivered an annualised return of 14.6%. This has been driven by leasing, transactions and the completion of developments.

As Richard mentioned, we are diversifying and growing our funds management business through the launch of a new unlisted healthcare property fund that has received strong interest from both domestic and offshore investors.

Turning to our trading business, we delivered \$47.2 million of trading profits after tax from the sale of three properties. 105 Phillip Street was the highlight, delivering \$21 million of profit after tax in FY17 and the remainder contributing to approximately 60% of our profits in FY18. We are targeting \$35-\$40 million of trading profits after tax in FY18 and have made good progress on future projects in the trading pipeline.

In conclusion, we have delivered strong performance for FY17, and have had a good start to FY18 where we expect strong performance in the office markets of Sydney and Melbourne. Our development pipeline is progressing well and our funds management business continues to expand.

Our market guidance¹ for FY18 is for distributions to be paid in line with free cash flow, to deliver distribution per security growth of 4.0-4.5%.

I would like to thank my fellow Directors and the Dexus team for their commitment and contribution over the past 12 months, and you, our investors, for your continued and valued investment in the group.

That ends my presentation but before I hand back to Richard, you may have noticed our brand has been updated over the past 12 months. The following video gives you an insight into our refreshed brand which reinforces our connection with our customers through the products and services we offer, and represents who we are today and where we are headed. For our webcast participants this video is not available via the webcast but you can find it on our website at www.dexus.com/brand

1. Barring unforeseen circumstances guidance is supported by the following assumptions: Impacts of announced divestments and acquisitions; underlying FFO per security growth of 2.0-2.5% underpinned by Dexus office portfolio like for like growth of 4-5%, Dexus industrial portfolio like for like income growth of 3-4%, management operations FFO of c.\$50 million and cost of debt in line with FY17; trading profits of \$35-40 million net of tax; maintenance capex, cash incentives, leasing costs and rent free incentives of \$165-170 million; and excluding any further transactions

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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 \$24.9 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 \$12.2 billion of office and industrial properties. We manage a further \$12.7 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$4.3 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.8 million square metres of office workspace across 54 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 28,000 investors from 20 countries. With more than 30 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

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Dexus Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for Dexus (ASX:DXS)

Dexus 2017 Annual General Meeting 24 October 2017

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

Dexus Board of Directors



Elizabeth Alexander



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Dexus 2017 Annual General Meeting



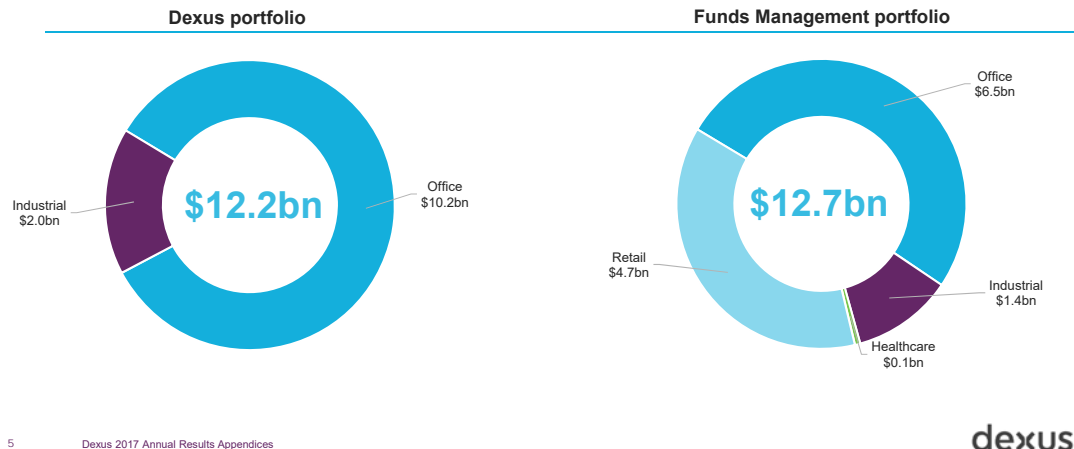
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Dexus 2017 Annual General Meeting



Dexus today

Group portfolio totalling \$24.9 billion



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Dexus 2017 Annual Results Appendices

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FY17 performance

Strong financial results and strategic achievements

Group performance



Distribution of **45.47 cents** per security up 4.5%



17.4% per annum total security holder return¹ over 5 years



Undertook **\$2.7 billion** of property transactions

Leadership in office



Achieved **IPD office outperformance** over 1, 3 & 5 years



Increased office portfolio occupancy to **97.2%**



On track to deliver **2020 sustainability targets**

Funds management partner of choice



Strong performance across all funds



Launched an unlisted **healthcare property fund**



Raised \$550 million of new equity in Dexus Wholesale Property Fund

1. Total security holder annualised compound return. Source: UBS Australia.

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Cities of the future and urbanisation

Dexus's investment strategy is focused on Australia's major cities

- Australia's major cities are set to benefit from urbanisation and the globalisation of the workforce
- Urbanisation is supported by population growth and government investment in infrastructure
- Dexus owns \$10.2 billion of CBD real estate and is well positioned to capitalise on the opportunities this will present over the long term



Dexus has ownership or management of 21 Sydney CBD and CBD Fringe assets valued at \$8.7 billion¹



Responding to the evolving customer

Workspace extending beyond the physical space

workspace
dexus 

- It has become important to get closer to our customers, understand their business and be more agile in how we respond
- Workspace Dexus offers products and services that genuinely add value to our customers' experiences
- Strong customer relationships will grow loyalty, improve retention and attract new customers, creating value over the long term

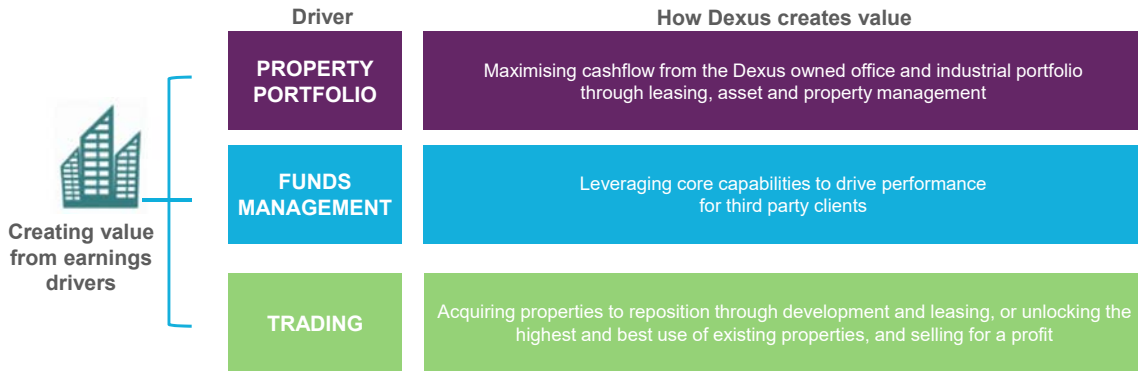


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CEO's address

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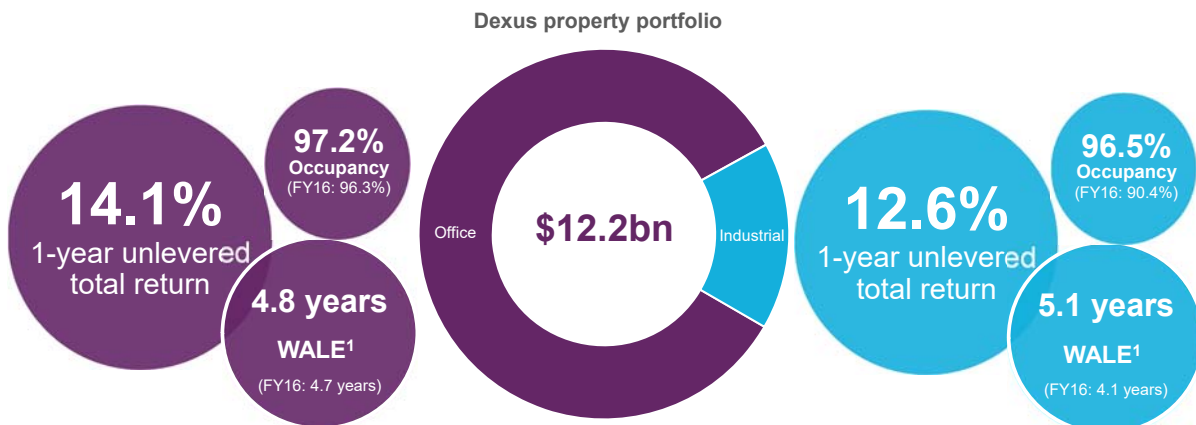
Creating value from key earnings drivers



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Performing property portfolio



1. Weighted average lease expiry by income, including completed developments and acquisitions.
2. Weighted average capitalisation rate.

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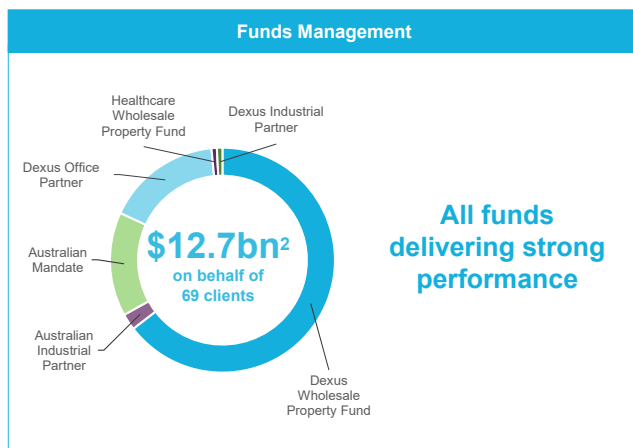
Progressing development pipeline



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Funds Management and Trading



1. Net of tax.
2. Includes transactions settled up to 16 August 2017.

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Trading: well positioned for FY18 and FY19

Achieved \$47.2 million¹
of trading profits in FY17



Secured circa 60%
of FY18 trading profits
from sale of
105 Phillip Street, Parramatta



\$35-\$40 million¹
FY18 trading profits target



Summary

- Well positioned for FY18 due to:
 - Expected strong performance in office markets in Sydney and Melbourne and improving dynamics in Brisbane and Perth
 - Progress opportunities in the development pipeline
 - Further growth in Funds Management business
- Market guidance¹ for the 12 months ending 30 June 2018
 - Distribution per security growth of 4.0-4.5%



1. Barring unforeseen circumstances guidance is supported by the following assumptions: Impacts of announced divestments and acquisitions; underlying FFO per security growth of 2.0-2.5% underpinned by Dexu office portfolio like for like growth of 4-5%, Dexu industrial portfolio like for like income growth of 3-4%, management operations FFO of c.\$50 million and cost of debt in line with FY17; trading profits of \$35-40 million net of tax; maintenance capex, cash incentives, leasing costs and rent free incentives of \$165-170 million; and excluding any further transactions.

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Dexu's new-look brand



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Discussion and questions



Resolution 1

Resolution 1: Adoption of the Remuneration Report

To consider and if thought fit pass the following Resolution as an ordinary resolution:

"That the Remuneration Report for the financial year ended 30 June 2017 be adopted."

Proxy votes

Resolution		For	Open	Against
1. Adoption of remuneration report	%	93.62%	0.18%	6.20%
	Number of Votes	779,486,292	1,467,611	51,659,253
	Number of Security holders	517	421	410

Resolution 2.1

Resolution 2.1: Approval of Independent Director

To consider and if thought fit pass the following Resolution as an ordinary resolution:

"That the continuing appointment of John Conde as a Director of Dexus Funds Management Limited be approved (by ratification)."

Proxy votes

Resolution		For	Open	Against
2.1 Approval of Independent Director John Conde	%	97.87%	0.19%	1.94%
	Number of Votes	817,373,022	1,546,271	16,207,367
	Number of Security holders	840	447	108

John Conde



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Resolution 2.2

Resolution 2.2: Approval of Independent Director

To consider and if thought fit pass the following Resolution as an ordinary resolution:

"That the continuing appointment of Peter St George as a Director of Dexus Funds Management Limited be approved (by ratification)."

Proxy votes

Resolution		For	Open	Against
2.2 Approval of Independent Director Peter St George	%	98.96%	0.19%	0.85%
	Number of Votes	826,796,597	1,550,560	7,108,055
	Number of Security holders	850	448	85

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Peter St George



Resolution 2.3

Resolution 2.3: Approval of Independent Director

To consider and if thought fit pass the following Resolution as an ordinary resolution:

"That the continuing appointment of Mark Ford as a Director of Dexus Funds Management Limited be approved (by ratification)."

Proxy votes

Resolution		For	Open	Against
2.3 Approval of Independent Director Mark Ford	%	99.17%	0.19%	0.64%
	Number of Votes	828,569,065	1,559,141	5,337,536
	Number of Security holders	863	449	77

Mark Ford



Resolution 2.4

Resolution 2.4: Approval of Independent Director

To consider and if thought fit pass the following Resolution as an ordinary resolution:

"That the continuing appointment of Nicola Roxon as a Director of Dexus Funds Management Limited be approved (by ratification)."

Proxy votes

Resolution		For	Open	Against
2.4 Approval of Independent Director Nicola Roxon	%	99.17%	0.20%	0.63%
	Number of Votes	828,580,512	1,636,424	5,257,537
	Number of Security holders	754	449	186

Nicola Roxon



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Resolution 3

Resolution 3: Capital Reallocation Proposal

To consider and if thought fit pass the following Resolution as an ordinary resolution:

"That the Capital Reallocation Proposal described in Section 3 of the Explanatory Memorandum to the 2017 Notice of Meeting be approved for all purposes."

Proxy votes

Resolution		For	Open	Against
3. Capital Reallocation Proposal	%	99.74%	0.19%	0.07%
	Number of Votes	832,170,421	1,596,257	563,901
	Number of Security holders	727	462	153

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Resolution 4

Resolution 4: Ratification of placement

To consider and if thought fit pass the following Resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.4, the issue of 49,019,608 stapled securities, each comprising a unit in each of Dexus Diversified Trust, Dexus Industrial Trust, Dexus Office Trust and Dexus Operations Trust, to certain institutional and sophisticated investors at \$10.20 per Security on 27 June 2017 as described in the Explanatory Memorandum to the 2017 Notice of Annual General Meeting be ratified for all purposes."

Proxy votes

Resolution		For	Open	Against
4 Ratification of placement	%	95.23%	0.28%	4.48%
	Number of Votes	521,899,344	1,544,312	24,575,866
	Number of Security holders	682	457	182

Resolution 5

Resolution 5: Approval of an increase in the remuneration pool for Non-Executive Directors

To consider and if thought fit pass the following Resolution as an ordinary resolution:

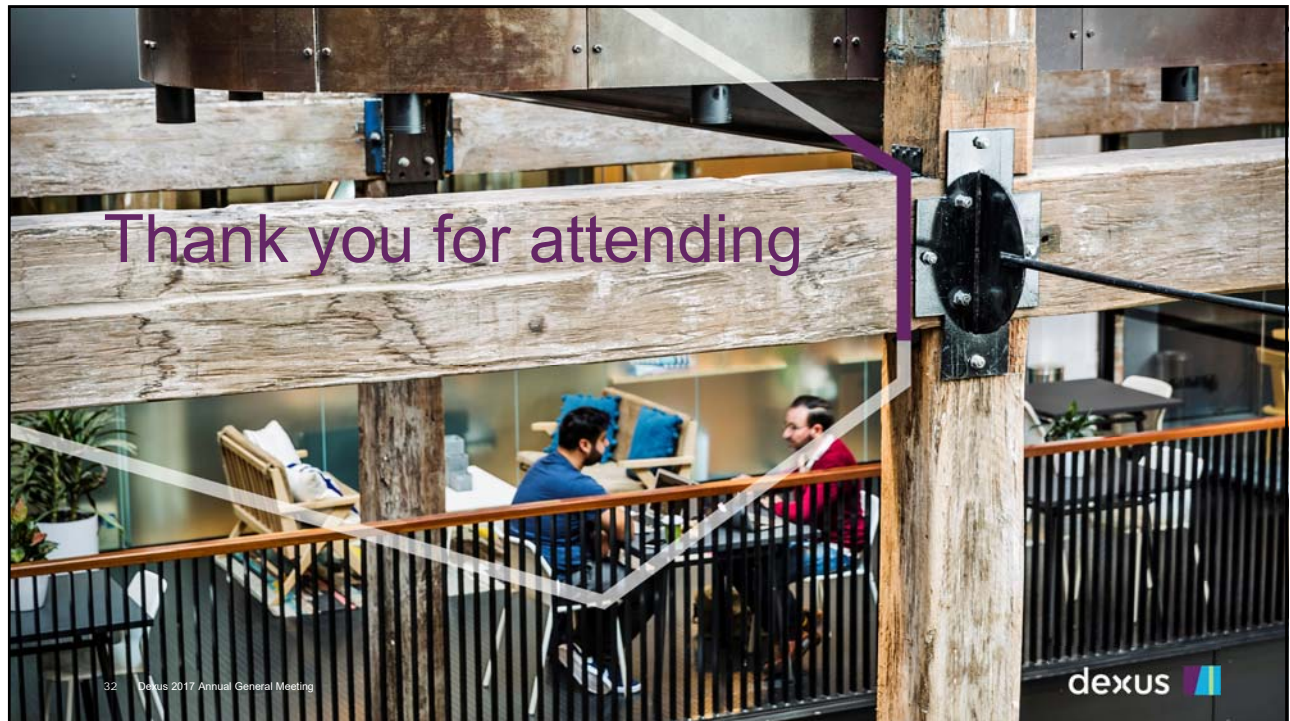
"That the increase in the remuneration pool for the Non-Executive Directors of Dexus Funds Management Limited and its holding company Dexus Holdings Pty Limited as set out in the Explanatory Memorandum to the 2017 Notice of Annual General Meeting be approved for all purposes."

Proxy votes

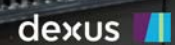
Resolution		For	Open	Against
5. Increase in the remuneration pool for Non-Executive Directors	%	62.27%	0.18%	37.55%
	Number of Votes	517,715,004	1,498,595	312,201,404
	Number of Security holders	298	434	619

Discussions and questions

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