

Dexus (ASX: DXS)

ASX release



5 October 2018

Dexus extends presence in healthcare sector through strategic investment

Dexus today announced that it has conditionally agreed to acquire an interest in Heathley Limited ("Heathley"), the external manager of the Heathley Healthcare REIT ("Healthcare REIT"), a new stapled vehicle proposed to list on the Australian Securities Exchange ("ASX"), and in which Dexus will take a cornerstone investment.

Dexus's investment in Heathley and the Healthcare REIT is consistent with its commitment to increase its exposure to Australian healthcare property, while supporting Dexus's funds management strategy through a strategic partnership with an established healthcare property and funds management team with broad relationships in the sector.

Transaction details

- Attractive investment transaction structure¹:
 - Dexus will acquire an initial 28.5% interest in Heathley for \$11.3 million, with an option to acquire a further 21.5% interest in the future
 - Dexus will take a 10% cornerstone investment in the Healthcare REIT at the proposed issue price of \$2.00 per stapled security for consideration of \$37.3 million
- The transaction is expected to have an immaterial impact on Dexus's distribution and Adjusted Funds from Operations (AFFO) per security on an annualised basis², as well as Dexus's gearing³
- Dexus will have a representative on the Board of Heathley Asset Management Limited, the Responsible Entity of the Healthcare REIT, in addition to Heathley Limited, the manager of the Healthcare REIT

Dexus Chief Executive Officer, Darren Steinberg said: "We are pleased to be able to partner with Heathley and look forward to continuing to build scale in this growing sector. Our investment in Heathley complements our existing healthcare fund strategy and is a logical extension to our funds management platform, providing access to strong customer relationships in the sector."

Heathley Chief Executive Officer, Andrew Hemming, said: "We welcome the partnership with Dexus. It will support Heathley to execute its growing pipeline alongside an experienced partner. The partnership will also bring new and strengthen existing relationships in the sector, and we expect this to generate opportunities for both partners."

Dexus's investment in both the Healthcare REIT and Heathley will be funded through existing debt facilities.

This investment follows Dexus's launch of the Healthcare Wholesale Property Fund ("HWPF") in December 2017. HWPF is currently undertaking a second capital raise to fund pipeline projects which, if successfully acquired, would take HWPF's funds under management to circa \$830 million on completion.

About Heathley and the Healthcare REIT

Heathley is a specialist owner of Australian healthcare real estate assets and a leading manager of healthcare real estate in Australia and is part of the Heathley Group. The management team has completed 47 healthcare property transactions since 2013 with a combined acquisition value of \$601 million. Management of the Healthcare REIT will be the primary focus for the Heathley Group and upon listing, the Healthcare REIT will comprise an Australian healthcare portfolio of 42 assets diversified across five states valued at \$528.4 million⁴. The weighted average capitalisation rate for the portfolio is 6.5%⁵, weighted average lease expiry is 9.1 years⁶ and the portfolio is 98.2%⁷ occupied. Key customers in the portfolio include Infinite Care, Primary Health Care Limited, Genesis Care, Sonic Healthcare Limited, Queensland Health, Mater, Montserrat Day Hospitals and HealthCare.

Further details on the Heathley Group and the Healthcare REIT will be made available when the Product Disclosure Statement (or "PDS") for the proposed initial public offer is lodged (expected during October 2018).

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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 \$27.2 billion. We believe that the strength and quality of our relationships is 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 \$13.3 billion of office and industrial properties. We manage a further \$13.9 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$4.2 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.7 million square metres of office workspace across 53 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 27,000 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)

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- 1 Subject to satisfaction of certain conditions including approval by Heathley shareholders and unitholders investing in existing Heathley-managed funds that are to become part of Healthcare REIT, key management personnel signing up to new employment contracts, successful completion of the IPO and no material adverse change in the PDS prepared with respect to the offer.
 - 2 The assumption in relation to the transaction having an immaterial impact on Dexus's distribution and AFFO per security is based on Heathley and the Healthcare REIT meeting their forecast funds from operations for FY19 and FY20.
 - 3 On a look-through basis.
 - 4 Based on Independent Valuations as at 1 September 2018 adjusted for the Healthcare REIT's ownership interest in each property. Valuations are on an 'as if complete' basis.
 - 5 Weighted by Independent Valuations as at 1 September 2018 adjusted for the Healthcare REIT's ownership interest in each property. Valuations are on an 'as if complete' basis.
 - 6 Weighted by gross passing income as at 1 September 2018, adjusted for the Healthcare REIT's ownership interest. Includes rental guarantees. Assumes that the buyback rights granted to certain aged care operators are not exercised prior to the expiry of the relevant lease term.
 - 7 Weighted by gross passing income as at 1 September 2018, adjusted for the Healthcare REIT's ownership interest.