Dexus Convenience Retail REIT (ASX:DXC)

ASX release

8 February 2022

2022 Half Year Results presentation and property synopsis

Dexus Convenience Retail REIT (DXC) releases its 2022 Half Year Results presentation.

An investor conference call will be webcast at today at 11.00am 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

For further information please contact:

Investor enquiries
Chris Brockett
Fund Manager
+61 3 8656 1000
chris.brockett@dexus.com

Media enquiries
Louise Murray
Senior Manager, Communications
+61 2 9017 1446
louise.murray@dexus.com

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. The fund's portfolio is valued at $803 million, 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 estate 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") as 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).

Level 30, 101 Collins Street, Melbourne VIC 3000 Australia. PO Box 18011 Melbourne Collins Street East VIC 8003 Australia

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2022 Half Year Results

8 February 2022

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, present and emerging.

Artwork: Changing of the Land by Sharon Smith.


1
2
Special E10
Supreme+
94
98
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FREE EVERY TUESDAY
WITH ANY PURCHASE
ICED
Mobil
Mobil

Agenda

Introduction and highlights

HY22 highlights

Strong result demonstrating the resilience of the portfolio and acquisition growth

4.6% distribution per security growth

Upgraded FY22 guidance during the half to 23.1 cents per security (5.5% growth)

Disciplined approach to capital allocation

Including on-market securities buyback program

4.4% growth in NTA to $3.83

High-quality portfolio delivered 4.3% like-for-like valuation uplift[1]

Dexus integration largely complete

DXC benefiting from Dexus's fully-integrated real estate platform

Announced six acquisitions at an attractive average yield of 5.6%

supported by long WALE of 10.5 years

Raised $56.3 million to support growth

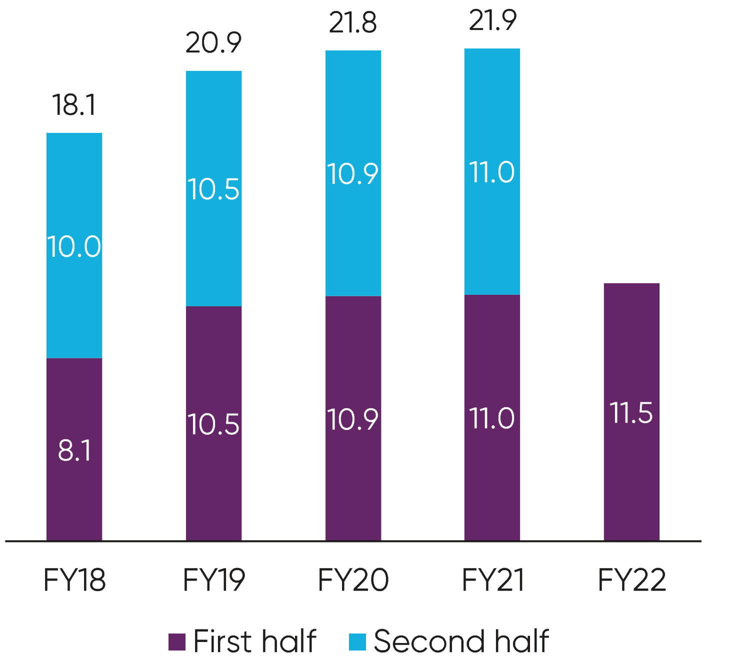
Strong balance sheet with gearing of 32.0%

1. Before rent straight lining adjustments.

Delivering value

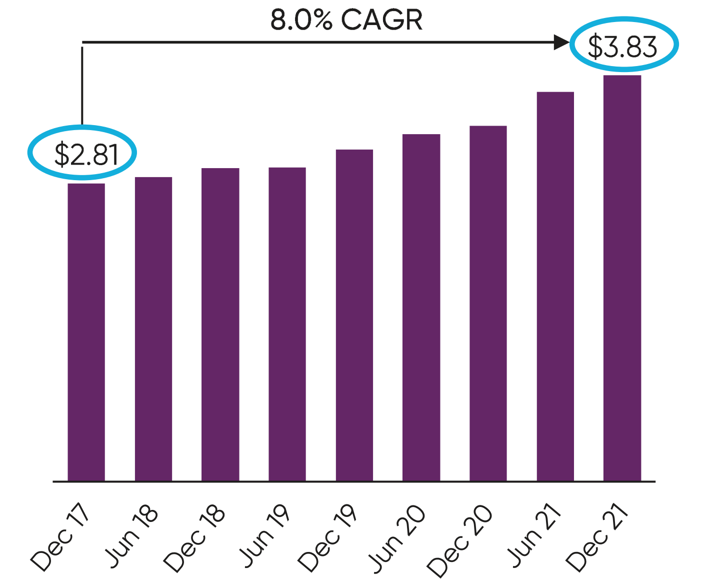
Successfully delivered on strategy since IPO

Distributions (cps)



Cash-backed and growing distributions

NTA per security ($)



Delivering consistent NTA growth at 8.0% per annum

Core growth drivers

$397 million

Value-accretive acquisitions
Acquired 53 assets ($397 million) since inception at an average yield of 6.1% and WALE of 12.5 years[1]

Tenant quality and diversification
Major tenants increased from 4 at inception to 10 with Chevron becoming DXC's #1 tenant

Property enhancement initiatives
Developed car wash at 7-Eleven Redbank Plains and expanded retail offer at Murarrie and Canning Vale

Income and value growth supported by strong business fundamentals

1. Includes acquisition of BP Brendale which settled on 4 February 2022.

DXC's strategy

Convenience retail and non-discretionary retail mandate with strict investment criteria

Strategy

to be a leading convenience retail REIT delivering an attractive, defensive and growing income stream

Strategic objectives:

- **Executing transactions and managing capital** to deliver long-term value to all securityholders
- **Maintaining deep tenant engagement** to ensure their sites are well positioned for the long term (e.g. strong convenience offerings)
- **Leveraging Dexus's leading ESG capabilities** to work closely with tenants to enhance the sustainability of their sites

Mandate

to invest in high-quality convenience retail and non-discretionary retail properties

Investment criteria:

- **Well-located assets** with high traffic count, population density and proximity to other important infrastructure (e.g. shopping centres)
- **Strong lease quality** supported by well-capitalised tenants, long-dated leases and contracted rental growth
- **Appealing site-specific attributes** including land size, zoning, topography, visibility from road, parking and amenities

Resilient and growing income stream

90% of income derived directly from major tenants

3% average rental growth per annum across the portfolio[1]

1. Assuming CPI of 2.25%.

Market dynamics

Portfolio resilience over the long term

Industry trends

Domestic electric vehicle (EV) adoption expected to reach >60% penetration by 2050 (from <1% currently)[1]

Increased government attention on climate change and net zero emission targets likely to accelerate EV uptake

Convenience retail offers becoming an increasingly important driver of site traffic, particularly in metro areas

Major fuel tenants likely to adopt new strategies to address external dynamics

DXC portfolio well positioned

Long-dated leases provide income certainty in the medium to longer term (93% of leases by income expiring FY30 or beyond)

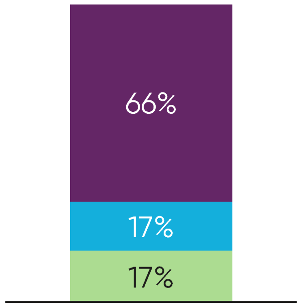
Proactive tenant engagement to improve convenience retail offerings and install EV charging stations

Optimal portfolio mix with metro and highway sites accounting for 83% of total portfolio value

Diversified tenancy mix through acquisitions with greater convenience retail focus

Securing long-term leases with major tenants to enhance income sustainability

- Recently securing 7-Eleven at Redbank Plains and Viva Energy Australia at Lawnton
- Capital contribution from tenants to upgrade sites
- 15-year leases extend lease expiries at these sites to FY37



Portfolio mix (by value)

Metro assets
well-located with broad alternate use opportunities

Highway assets
essential to long-haul travel and freight

Regional assets
high exposure to diesel sales and lower EV take-up

1. Source: Evans & Partners Research.

ESG update

Supporting initiatives through working with DXC tenants

Environmental

Today

- 6 of top 10 DXC tenants have net zero emissions targets
- Supporting tenant ESG aspirations and continued investment in sustainability initiatives
  - DXC facilitated the rollout of onsite solar across 40 DXC properties leased to Chevron throughout QLD and WA
- EV charging stations currently offered at two sites across the DXC portfolio

What's next

- Proactively engage with tenants regarding EV charging stations, solar power and energy efficiency
- Increased environmental data collection and auditing for tracking performance
- Target new developments to adopt sustainable design elements

Social

Today

- 8 of top 10 DXC tenants have community programs in place
- Leveraging efforts from Dexus's participation in industry social sustainability working groups
- Providing consistent supply of essential goods and services throughout COVID-19 pandemic

What's next

- Engage employees and tenants through Dexus community partner initiatives across DXC operations

Black Dog Institute

PLANET ARK

Governance

Today

- Alignment of investor interests through Dexus's ownership and management of DXC
- Independent Chairman and majority independent board in place
- The Board continues to review its composition, experience and director tenure

What's next

- Integrate the Dexus governance framework across DXC operations and portfolio
- Enhance identification of ESG risks and opportunities via monitoring and enhance disclosure via reporting

Financial overview

HY22 financial result

Strong result with momentum to meet upgraded guidance

Profit & loss	HY22	HY21		Change
Net property income[1] ($m)	$21.0	$15.8	▲	32.5%
Statutory net profit ($m)	$40.0	$21.0	▲	90.0%
FFO ($m)	$15.4	$12.3	▲	25.9%
FFO (cents per security)	11.5	10.8	▲	6.6%
Distributions (cents per security)	11.5	11.0	▲	4.6%
FFO payout ratio (%)	99.4%	101.3%	▼	(1.9)ppt
Balance sheet	**31 Dec 2021**	**30 Jun 2021**		**Change**
NTA per security ($)	$3.83	$3.67	▲	4.4%

- Like-for-like portfolio income growth of 2.3%
- Contributions from recent acquisitions

- Includes $21.1 million of property valuation gains[2]

- Includes impact of new securities issued from $56.3 million of equity raised

- Attributable to $21.1 million of property valuation gains[2]

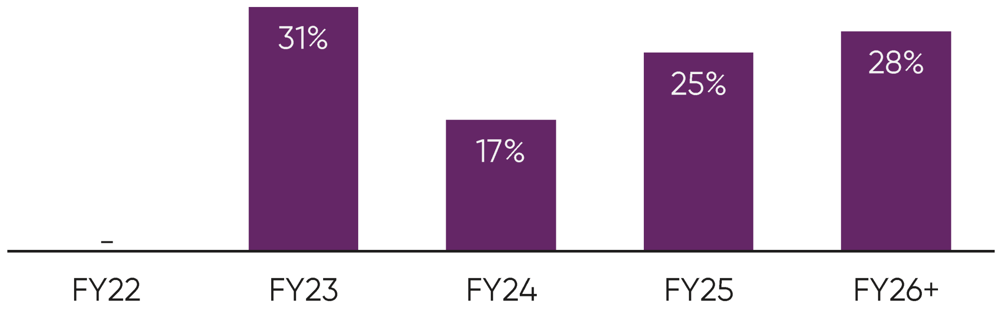
1. Includes property revenue less property costs.
2. Before rent straight lining adjustments.

Balance sheet and capital management

Capacity to continue active approach to portfolio growth

- Strong balance sheet management with gearing within 25 – 40% target range
- Sufficient capacity to pursue accretive opportunities
- Actively considering divestment opportunities and capital recycling
- Activation of an on-market securities buyback program
- Staggered debt maturities limits refinancing risk

Debt maturity profile (total facility limit)



Key metrics	31 Dec 2021	30 Jun 2021
Gearing	32.0%	28.2%
Cost of debt	2.7%	3.0%
Weighted average debt maturity	2.5 years	2.9 years
Hedged debt (incl caps)	66%	55%
Headroom[1]	$66.5m	$74.3m[2]

1. Undrawn facilities plus cash.
2. Excludes a $20 million at-call accordion facility which was exercised in August 2021.

Portfolio valuation movements

Sustainable assets with predictable cash flows supporting favourable valuation outcomes

- **4.3% like-for-like increase**, or 2.7% ($21.1m) total increase, on prior corresponding period book values
- **Stronger pricing being achieved** on recent direct market transactions for comparable assets, at an average market yield of 5.38% in 2021

Property portfolio valuation summary – 31 December 2021

Portfolio	Properties	31 Dec 2021 book value ($m)	Reval uplift[1] (%)	Cap rate (%)	Cap rate 6 month mvmt (bps)	Reval uplift due to cap rate mvmt (%)	Reval uplift due to rental growth (%)
Metropolitan	79	$532	3.5%	5.65%	(19) bps	55%	45%
Highway	8	$134	0.4%	5.69%	(16) bps	91%	9%
Regional	25	$137	1.9%	6.66%	(16) bps	37%	63%
Total	112	$803	2.7%	5.82%	(20) bps	54%	46%

1. Before rent straight lining adjustments.

Portfolio performance

Key portfolio metrics

High-quality sites underpinned by strong income visibility

112
properties

5.82%
WACR

11.5 year
WALE
(by income)

90%
of property income derived from 10 major tenants

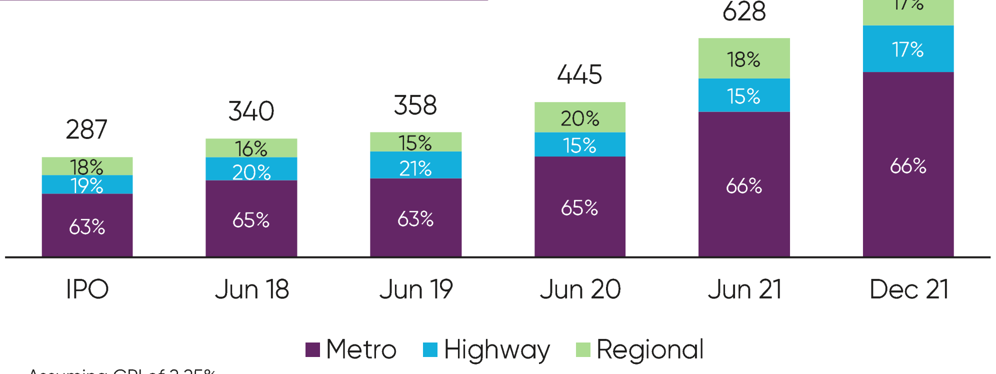
99.7%
occupancy
(by income)

3.0%
weighted average rent review[1]

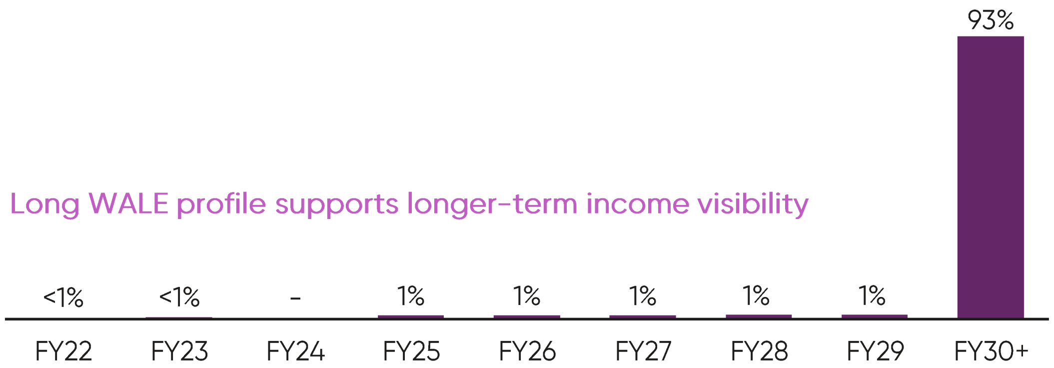
2.3%
like-for-like NOI growth

Portfolio value ($m)

Since IPO:
- c. $390 million acquisitions[2]
- c. $130 million revaluation gains



Lease expiry profile (% by income)



1. Assuming CPI of 2.25%.
2. Represents total acquisitions settled since IPO.
3. Includes land held for development.

Active and disciplined approach to acquisitions

Long lease terms and favourable rent reviews providing sustainable sources of growth

› $73.7 million of acquisitions announced at an **attractive average yield of 5.6% and WALE of 10.5 years**

United Gordonvale, QLD

$18.4m purchase price
2.8% annual rent reviews[1]
9.4year WALE

7-Eleven Kingston, QLD

$10.2m purchase price
4.0% annual rent reviews
7.5year WALE

Warrego Highway Travel Centre, QLD

$16.0m purchase price
3.2% annual rent reviews[1]
11.5year WALE

Dubbo Service Centre, NSW – fund-through development

$8.4m purchase price
2.6% annual rent reviews[1]
12.0year WALE

Puma Chandler, QLD

$11.7m purchase price
3.0% annual rent reviews
11.3year WALE

BP Brendale, QLD

$9.1m purchase price
2.5% annual rent reviews[1,2]
12.2year WALE

1. Annual rent reviews assume CPI of 2.25%.
2. Annual rent reviews is greater of 2.5% or CPI.

Development
Enhancing the portfolio

- Hillcrest, South Australia fund-through development completed in November 2021 at a cost of $8.5m, **now valued at $9.1 million**
- Dubbo Service Centre, NSW fund-through project expected to complete by April 2022 and **potential second stage currently being investigated**
- Fund-through arrangements provide **appropriate risk mitigation**

Total spend: $8.5m
Yield on cost: 5.5%

Hillcrest, South Australia

Total spend: $8.4m
Est. yield on cost: 6.0%

Dubbo Service Centre, NSW

Summary

Summary and FY22 guidance

Well placed to deliver on strategy

Leading convenience retail REIT delivering an attractive, defensive and growing income stream

Building sustainable sources of income growth with assets well positioned for the future

Maintaining a disciplined approach to capital allocation including considering divestment opportunities

Strong momentum into FY22 with **active approach to executing strategic objectives**

FY22 guidance: **FFO and distributions of 23.1 cents per security**, up 5.5% compared to FY21[1]

1. Subject to a continuation of current market conditions and no unforeseen events.

7-Eleven, Southern River WA

Appendices


Shell
V-Power
coles
Quality Fuels
Diesel
V-Power
Unleaded 95
SPECIALS

Leveraging Dexus's capabilities to enhance growth

Activating new investment opportunities through an aligned and experienced manager

Member of the Dexus group, **benefitting from deep acquisition, development and asset management capabilities**

Leveraging Dexus's scale and breadth of tenant relationships with retail assets under management of over $6 billion[1]

Supported by a strong development track record with $4.3 billion of developments completed in the last 5 years[1]

Aligned objectives through Dexus's 8.9% principal ownership of DXC

Leveraging Dexus's sustainability approach across environment, social & governance (ESG) to support long-term value creation

Mobil X, Hampstead Gardens SA

Liberty Oil, Gosnells WA


Puma, Kempsey South NSW

1. As at 30 June 2021.

Consolidated profit & loss statement

$'000	HY22	HY21
Net property income	20,964	15,826
Straight lining of rental income	2,812	2,151
Interest income	146	9
Total revenue	23,922	17,986
Management fees	(2,460)	(1,626)
Finance costs	(3,172)	(2,036)
Corporate costs	(441)	(136)
Total expenses	(6,073)	(3,798)
Net operating income (EBIT)	17,849	14,188
Fair value gain/(loss) on derivatives	3,657	206
Fair value gain/(loss) on investment properties	18,473	6,650
Net profit after tax	39,979	21,044

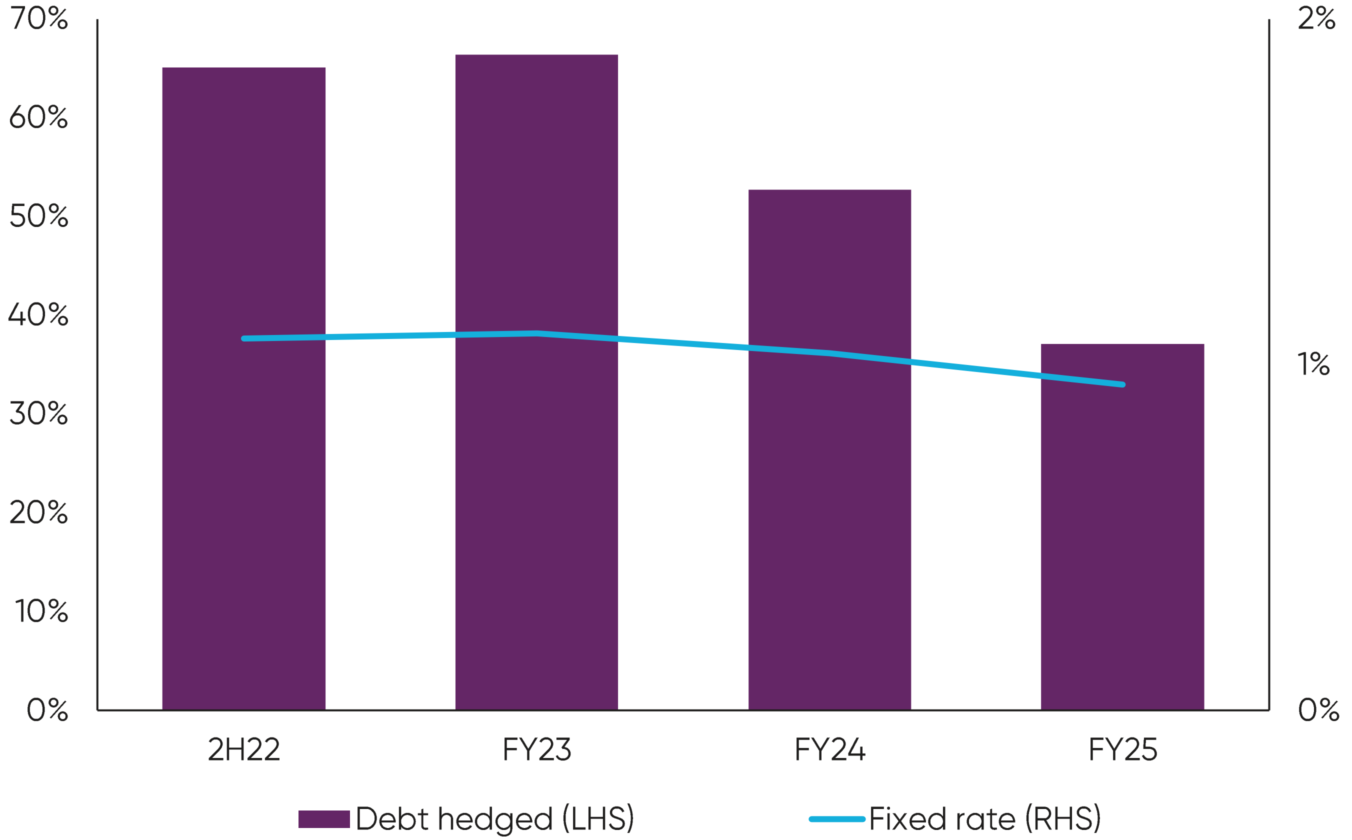
FFO reconciliation

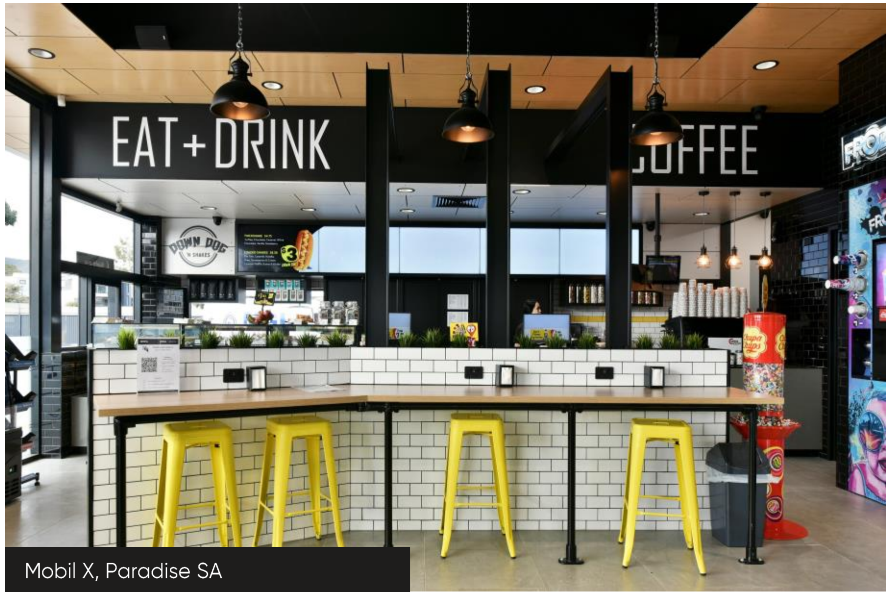
$'000	HY22	HY21
Statutory net profit after tax for the period	39,979	21,044
Adjusted for:		
Reversal of straight-line lease revenue recognition	(2,812)	(2,151)
Reversal of fair value (gain) on investment properties	(18,473)	(6,650)
Reversal of fair value (gain) on derivatives	(3,657)	(206)
Add back amortised borrowing costs	197	137
Add back amortised leasing costs and rent-free adjustments	45	95
Add back rental guarantee and coupon income	168	–
FFO	15,447	12,269
Distribution declared	15,933	12,858
Weighted securities on issue (thousands)	134,046	113,542
Payout ratio (Distribution per security / FFO per security)	99.4%	101.3%
Distribution per security (cents per Security)	11.5	11.0
FFO (cents per security)	11.5	10.8

Consolidated balance sheet

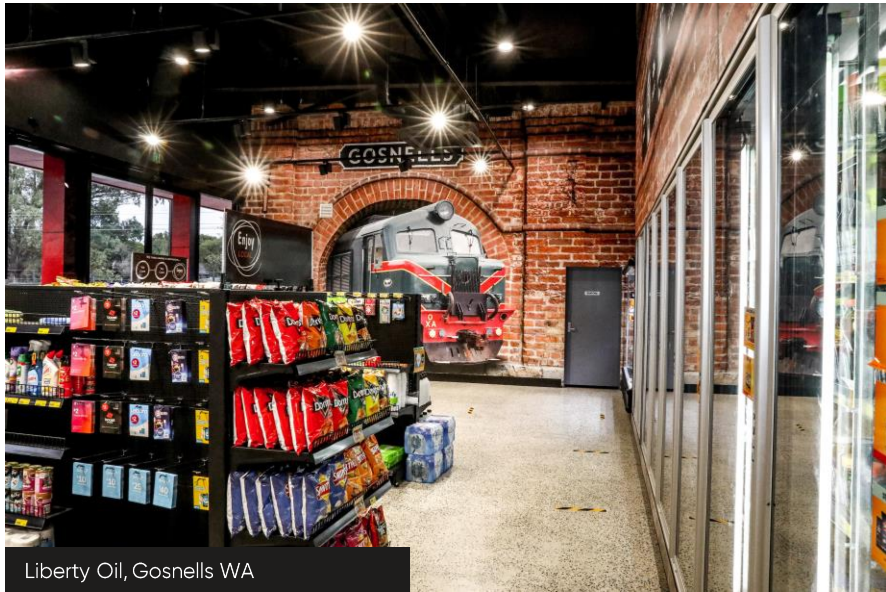
$'000	31 Dec 2021	30 June 2021
Cash and cash equivalents	8,163	786
Investment properties	802,879	632,651
Other assets	5,739	13,357
Total assets	816,781	646,794
Borrowings	(265,691)	(180,769)
Distributions payable	(7,967)	(6,758)
Other liabilities	(10,642)	(5,996)
Total liabilities	(284,300)	(193,523)
Net assets	532,481	453,271
Stapled securities on issue (thousands)	139,148	123,430
NTA per security ($)	$3.83	$3.67

Interest rate hedging profile





Mobil X, Paradise SA


Liberty Oil, Gosnells WA

Market dynamics

Electric vehicle adoption

› Demand for traditional automotive fuels should persist in the medium term despite a transition to electric vehicles

› Public fast charging will be an important part of electric vehicle infrastructure with well located service stations on major arterial roads likely to play a key role

Fuel sales

› Demand for traditional fuels is expected to remain resilient in the near-to-medium term, particularly for freight transport

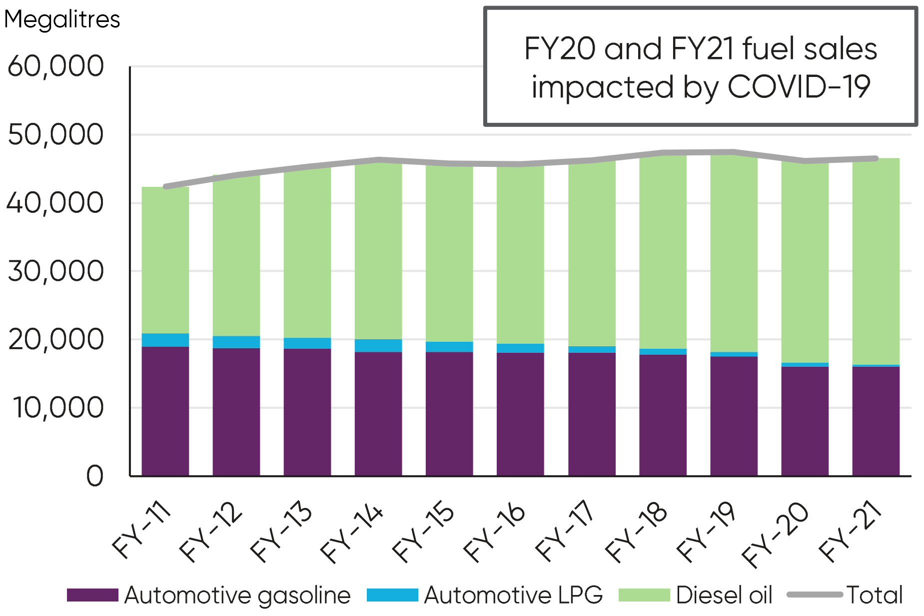
› Diesel vehicles represent 26% of total vehicles, however diesel accounts for 65%[1] of total fuel sales due to freight

Consumer behaviour

› Service station visitation is increasing, with 55% visiting at least once a week – up from 49% in 2017

› Convenience retail offer is becoming an increasingly important driver of site traffic, and will ultimately overtake fuel as the key driver of profit and sales

Sales volume of petroleum products[1]



Source: ABS, Electric Vehicle Council, Company data, Evans & Partners Research, Dept of Industry, Science, Energy and Resources, energy.gov.au, Australian petroleum statistics, ACAPMA, 2019 Monitor of Fuel Consumer Attitudes.
1. Premium diesel oil excluded from analysis due to data availability.

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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