Dexus Convenience Retail REIT (ASX:DXC)

ASX release

5 February 2024

2024 half year results presentation and property synopsis

Dexus Convenience Retail REIT (ASX: DXC) releases its 2024 half year 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 31 December 2023, the fund's portfolio is valued at approximately $753 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).

The registered office for the Responsible Entity is Level 30, 50 Bridge Street, Sydney NSW 2000 and its principal place of business is Level 5, 80 Collins Street (South Tower), Melbourne VIC 3000.

DXC | dexus

Dexus Convenience Retail REIT

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

2024 Half year results

5 February 2024

219 Westphalen Drive, Warrego QLD

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

01

Introduction and highlights

49 Great Eastern Highway, Bellevue WA

DXC investment proposition

Providing investors with defensive income with embedded rental growth

Generate defensive income with embedded rental growth

- +3.5% average rent review in HY24
- High occupancy and long WALE
- 95% of income derived from national and international major tenants

Maintain prudent capital structure

- Gearing of 32.6%, within 25-40% target range
- Interest rate hedging for FY24 expected to be >70%[1]
- Significant headroom to covenants

Active approach to portfolio optimisation

- Continuing to explore asset divestment opportunities
- Seeking value-enhancing redeployment opportunities

Aligned manager with deep real asset capability

- Dexus principal ownership of 9%
- Deep capability across Dexus's ~$61.0 billion real asset platform[2]

Key metrics

- **$753m** portfolio
- **9.3 year** WALE (by income)
- **99.6%** occupancy (by income)
- **6.30%** WACR
- **32.6%** Gearing
- **~27%** trading discount to NTA[3]
- **~8%** distribution yield[3]

1. Based on existing hedges in place as at 31 December 2023 and assuming no further transactional activity. | 2. As at 30 June 2023. Pro forma post final completion of the AMP Capital acquisition. | 3. Based on closing security price as at 2 February 2024.

HY24 highlights

Resilient portfolio supporting organic property income growth

Updated FY24 guidance range	– Updated FY24 guidance to FFO and distributions of 20.8 – 21.1 cents per security[1], reflecting an increase in the lower end of the range
Generate defensive and growing income	– +3.5% average rent review achieved – +2.8% like-for-like income growth – Well positioned to commence Stage 1 redevelopment of Glass House Mountains towards a best-in-class convenience retail offering, subject to AFLs
Solid capital position	– Solid gearing of 32.6%[2] reflects the deleveraging benefits post $52.3 million of asset sales over the past 18 months – Anticipate FY24 average hedged debt to be above 70%[3] – $30 million facility cancellation to optimise overall debt costs, with no debt maturities until FY26 – Post 31 December 2023, exchanged contracts to sell Lonsdale (SA) for $4.73 million, in line with book value[4]; expected to reduce gearing by circa 40 basis points
Strong portfolio fundamentals maintained	– Portfolio reflects valuable landbank with national presence – Continuing to diversify exposure to convenience retail tenancies over time – Contracted rental growth from high-quality tenant covenants continues to partly offset the impact of cap rate expansion on portfolio valuations

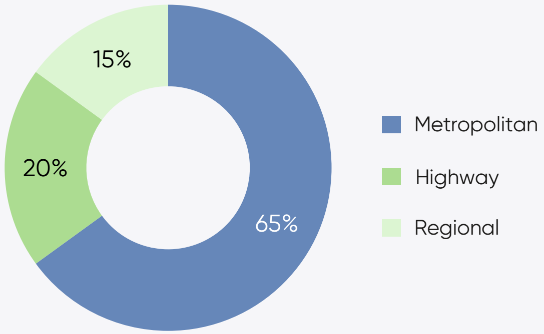
219 Westphalen Drive, Warrego QLD

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 circa 4.5% (90-day BBSW) and no further transactional activity.
2. Compared to target gearing range of 25 – 40%.
3. Based on existing hedges in place as at 31 December 2023 and assuming no further transactional activity.
4. Based on the book value of 52 Aldershot Road, Lonsdale, SA as at 31 December 2023.

Delivering defensive income with embedded rental growth

Portfolio attributes

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



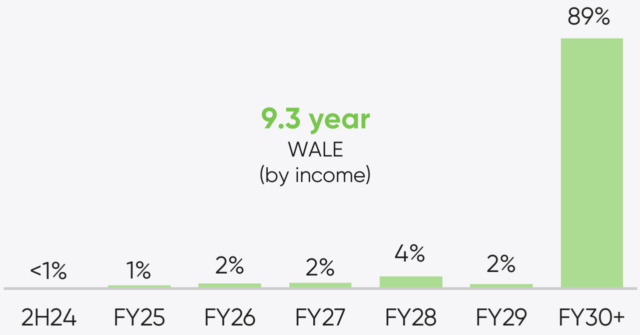
101
properties

$753m
portfolio value

78%
weighted to eastern seaboard

Income resilience

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



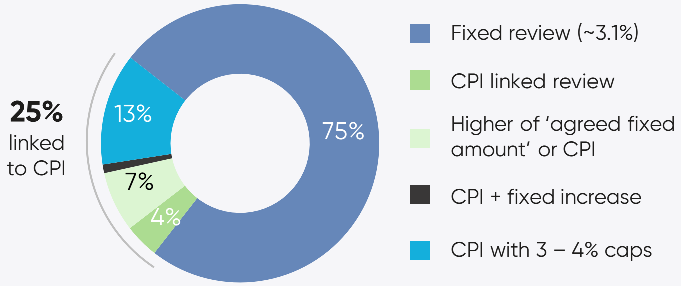
99.6%
occupancy (by income)

95%
income from major tenants

12%
income from non-fuel tenants

Growth

Embedded property income growth
(% by income)



75%
income fixed ~3.1% growth

25%
income linked to CPI

+3.5%
average HY24 rent review

Tenants meaningfully investing in their sites for the long term

DXC benefits from a diverse tenant base

Tenant	% portfolio income
Chevron	34%
Viva Energy, OTR and Coles Express	17%
7-Eleven Australia	13%
EG Australia	10%
Mobil and X Convenience	4%
Ampol	4%
United	4%
BP	2%
Other QSR and national tenants	7%
Major tenants	**95%**

1. Based on headline consideration.

Top tenants continue to reinvest in their sites

Chevron

- Material investment into re-branding national network from Puma to Caltex
- Net increase in national leasehold network via Viva Energy lease acquisitions associated with OTR transaction

Viva Energy

- Acquired OTR Group and Coles Express for $1.45 billion[1]
- Stated strategy to become a fully-integrated fuel and convenience retailer
- Intends to grow non-fuel earnings to >50% across 1,000+ stores

7-Eleven Australia

- Acquired by 7-Eleven International LLC with a commitment to:
  - Expand 7-Eleven Australia's network
  - Improve the product offering with a focus on food by leveraging exposure to 84,000 stores in 20 countries with varied formats

Sustainability progress

DXC initiatives

100% renewable electricity sourced for controlled assets

Maintained carbon neutral position across DXC controlled and managed operations for FY23 as part of the Dexus group submission[1]

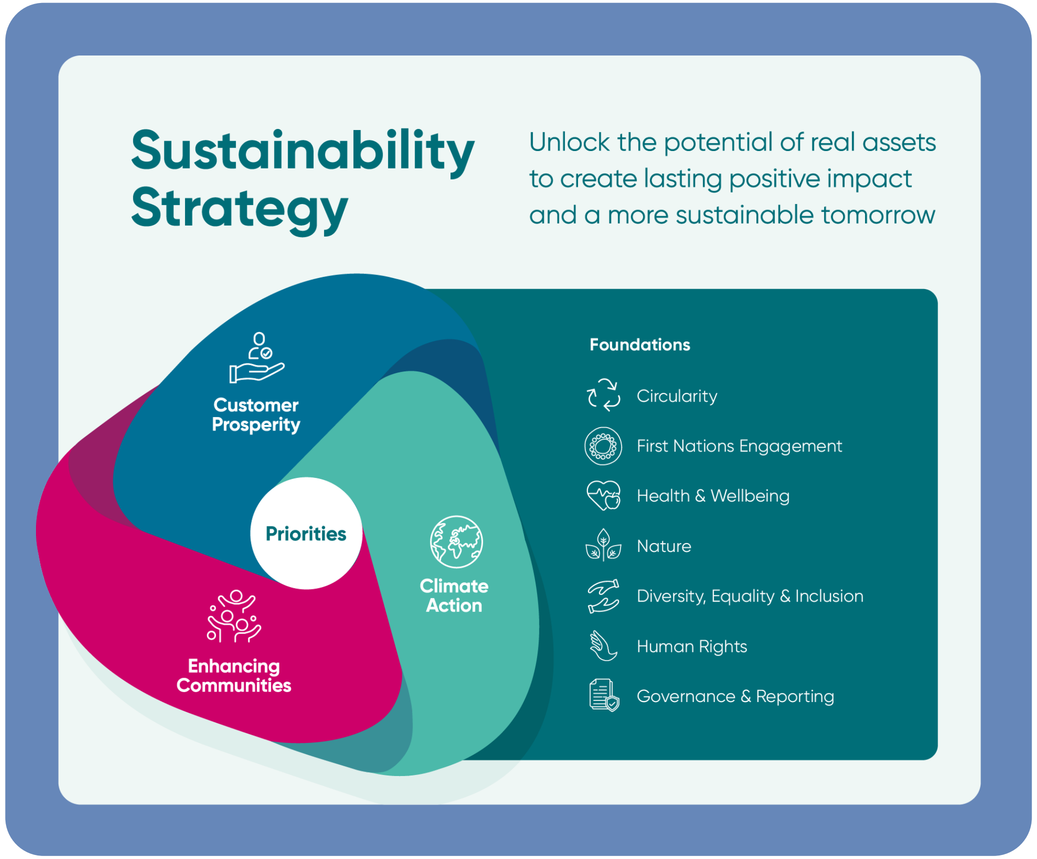
Embedded initiatives into Glass House Mountains design

Supporting tenants in their varied approaches to the shift in the energy mix

Solar supplier selected for solar rollout across 20 properties leased to Chevron

Four DXC vendors covered by EcoVadis sustainability tracking (up from two at FY23)

Aligned to Dexus group sustainability strategy



1. Covers business operations and controlled building portfolio. Final Climate Active certification expected to be achieved post-reporting period. Covers scope 1, 2 and some scope 3 emissions. Refer to Sustainability Data Pack available on Dexus website for scope 3 inclusions.

02

Financial overview

Cnr Thompson Road & Victoria Street, Geelong North VIC

HY24 financial result

Solid property income growth partly offsetting impact of higher interest rates

Profit & loss	HY24	HY23	Change
Property FFO ($m)	22.7	23.9	(5.0)%
Management fees ($m)	(2.5)	(2.7)	(7.9)%
Net finance costs ($m)	(5.2)	(5.1)	2.5%
Other expenses ($m)	(0.5)	(0.5)	(0.9)%
FFO ($m)	**14.5**	**15.6**	**(7.1)%**
FFO (cents per security)	10.5	11.3	(7.1)%
Distributions (cents per security)	10.4	10.6	(2.4)%
FFO payout ratio (%)	98.7%	93.9%	4.8ppt
Balance sheet	**31 Dec 2023**	**30 Jun 2023**	**Change**
NTA per security ($)	$3.63	$3.75	(3.2)%

- Like-for-like income growth of 2.8% offset by the impact of 11 divestments totalling $52.3 million settled in FY23 and HY24
- Average portfolio value lower due to asset divestments and property devaluations
- Average debt balance $39 million lower due to asset divestments, offset by the average cost of debt increasing 60bps half-on-half due to higher floating and hedge rates
- FFO decline reflects higher interest rates and reduced property income from divestments, partly offset by solid like-for-like income growth
- FY24 payout ratio expected to be broadly in line with FY23 payout of 100%
- Predominantly driven by property portfolio devaluations and net fair value losses on derivatives

Balance sheet and capital management

Active management to enhance redeployment optionality

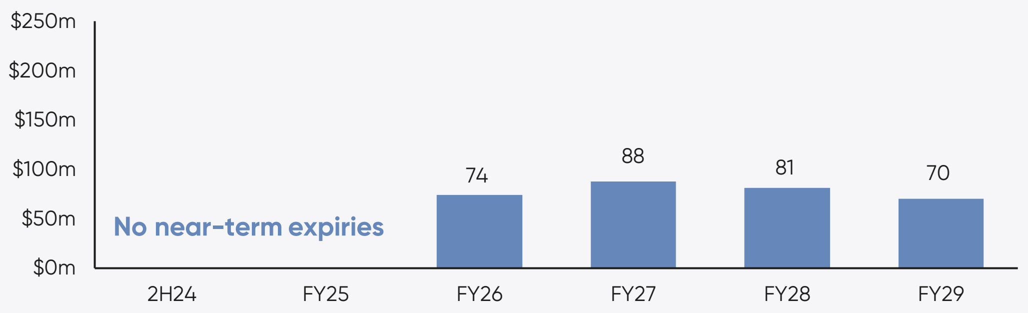
Executed **$30 million facility cancellation** to optimise overall debt costs

Anticipate **FY24 average hedging to be above 70%[1]** while continuing to assess opportunistic incremental hedging

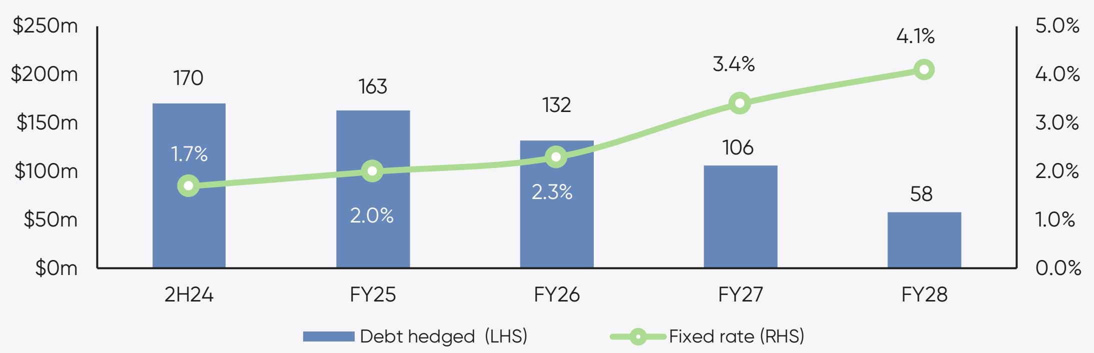
Continuing to explore asset divestments to **increase value-enhancing redeployment optionality**

Key metrics	31 Dec 2023	30 Jun 2023
Gearing[2]	32.6%	31.8%[3]
Cost of debt[4]	4.0%	3.7%
Average maturity of debt	3.8 years	4.2 years[5]
Average hedged debt (incl caps)	81%	64%
Average maturity of hedges	3.3 years	4.1 years
Total borrowings	$248.2m	$263.4m
Headroom[6]	$66.0m	$80.5m[5]

Debt maturity profile (total facility limit)



Interest rate hedging profile



1. Based on existing hedges in place as at 31 December 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 settled 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. Pro forma for $30 million facility extension that occurred on 31 July 2023. | 6. Undrawn facilities plus cash.

Glass House Mountains fund-through redevelopment

Significantly enhancing the convenience retail offering

Redevelopment of a large dual highway site into two modern service stations with an **extensive convenience retail and quick service restaurant offering**

Northbound project (Stage 1):

Well positioned to **commence redevelopment in Q3 FY24** subject to finalisation of relevant Agreements for Leases

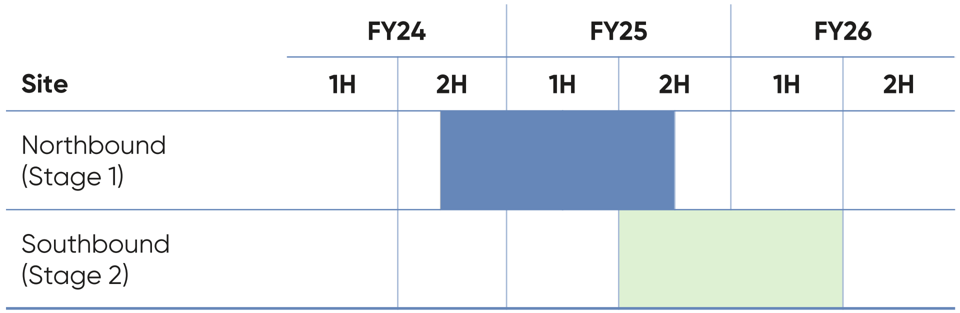
Secure income backed by **Viva Energy, McDonalds, GYG and KFC on a 15-year average lease term**; attractive income mix with **45% contribution from quick service restaurant offering**

Expected to deliver strong development returns[1]

Inclusion of new sustainability initiatives, including EV charging stations, rooftop solar, rainwater harvesting, grey water reuse and new fuel tank technology

Site	Site area	Est. project costs	Est. yield on cost
Northbound (Stage 1)	~25,000sqm	~$20m	5.5 – 6%
Southbound (Stage 2)	~62,000sqm	~$25m	5 – 6%

Indicative project timing



1. Based on independent valuation on completion estimates.

Portfolio valuations

High income certainty continues to support valuation outcomes

Property portfolio valuation summary – 31 Dec 2023						
Portfolio	Properties	31 Dec 2023 book value ($m)	Total reval change ($m)	Total reval change (%)	Cap rate (%)	Cap rate 6 month mvmt (bps)
Metropolitan	71	$487	$(6.4)	(1.3)%	6.22%	23 bps
Highway	9	$152	$(4.3)	(2.8)%	6.13%	18 bps
Regional	21	$115	$(2.0)	(1.7)%	6.89%	16 bps
Total	**101**	**$753**	**$(12.6)**	**(1.7)%**	**6.30%**	**20 bps**

Portfolio cap rate expansion of 20 bps reflecting broader interest rate environment

Contracted rent growth continuing to partly offset the valuation impact of cap rate movements

Average cap rate of 6.30% remains above the marginal cost of debt, with broad-based appeal to direct property market investors

Transaction market

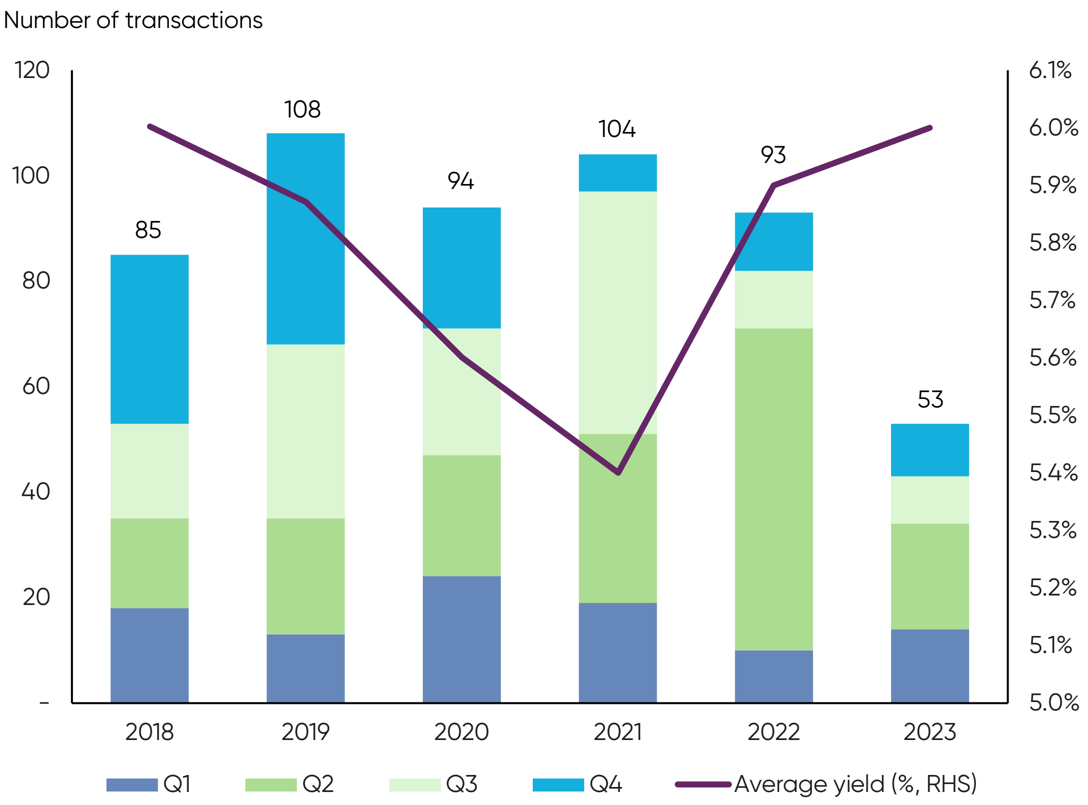
Liquid transaction market allowing for asset price discovery

Fuel & convenience property transaction volumes in CY23 were down however **remained robust despite the challenging macroeconomic environment**

Material transaction activity reflecting **repricing of asset values and cap rates** in response to the broader interest rate environment

Fuel & convenience transaction volumes have been supported by investors taking a **long-term view on underlying land value growth and tenant lease renewal potential**

Transactions volumes and average yield



Source: Burgess Rawson, Savills.

03

Summary

226-228 Bridge Road, Pooraka SA

Well placed to deliver defensive and growing property income

Well placed to deliver resilient and growing property income underpinned by long leases backed by strong tenant covenants

Focus on preserving balance sheet strength via continuing to explore additional divestments

Execute portfolio optimisation initiatives including Glass House Mountains redevelopment

Updated FY24 guidance: FFO and distributions of 20.8 – 21.1 cents per security, reflecting an increase in the lower end of the range and a distribution yield of circa 8%[1]

172 New England Highway, Rutherford NSW

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 circa 4.5% (90-day BBSW) and no further transactional activity. Distribution yield based on closing security price as at 2 February 2024.

04

Appendices

473 North East Road, Hillcrest SA

Transactions

$18.6 million of transactions settled in HY24 at 2.9% average discount to book value

Property	Property type	Settlement
656 Bruce Highway, Woree, QLD	Metro	18 August 2023
1182 Chapman Road, Glenfield, WA	Regional	31 August 2023
323 North East Roast, Hampstead Gardens, SA	Metro	3 October 2023
264 Browns Plains Road, Browns Plains, QLD	Metro	19 October 2023

Glass House Mountains Dual Service Centre, QLD

303 Glen Osmond Road, Glenuga SA

Network overview

Valuable landbank with national presence

101
properties

67
specialty retail tenancies

668,000sqm
total site area

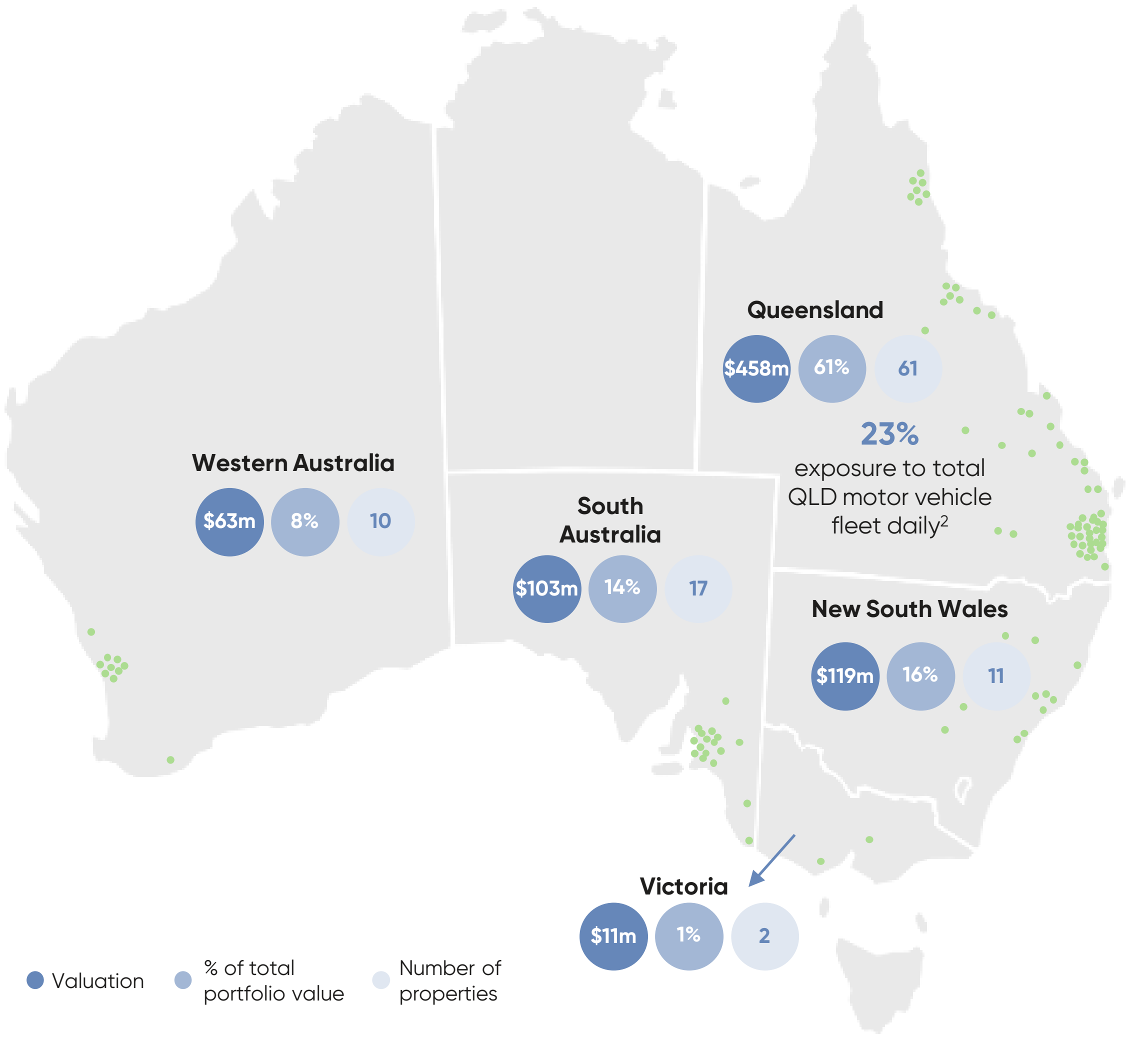
2.9m
people within 3km radius[1]

35%
average site coverage

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

78%
weighted to eastern seaboard

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

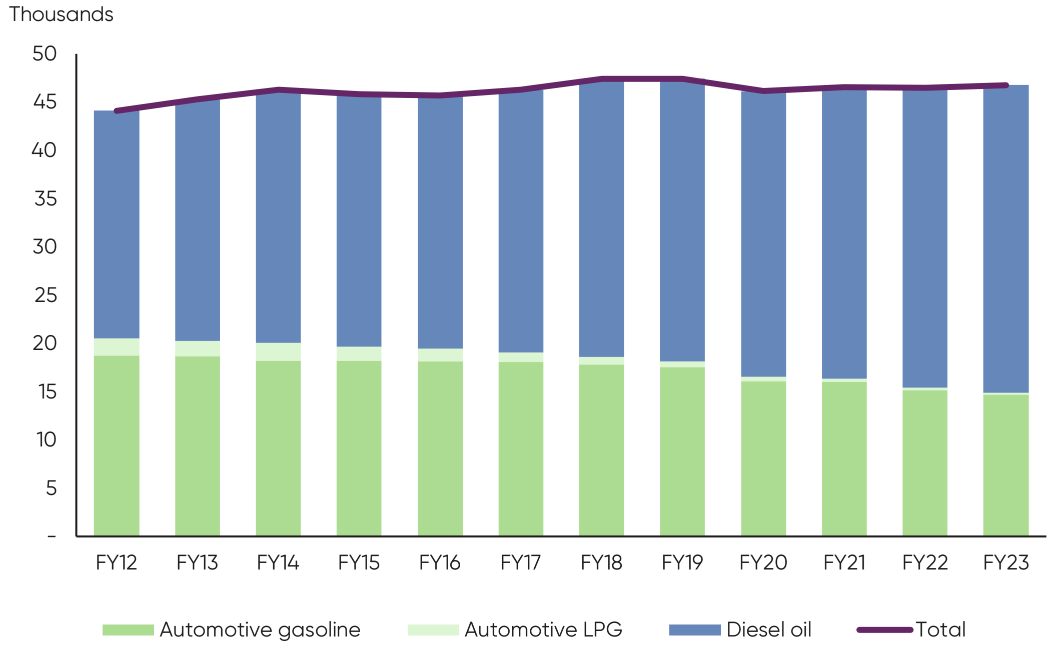


1. Estimate as at 30 June 2023 sourced from AreaSearch. Based on 3km radius.
2. Portfolio estimated traffic count data based on portfolio as at 31 December 2023. Australian and Queensland total motor vehicle data sourced from ABS.

Market dynamics

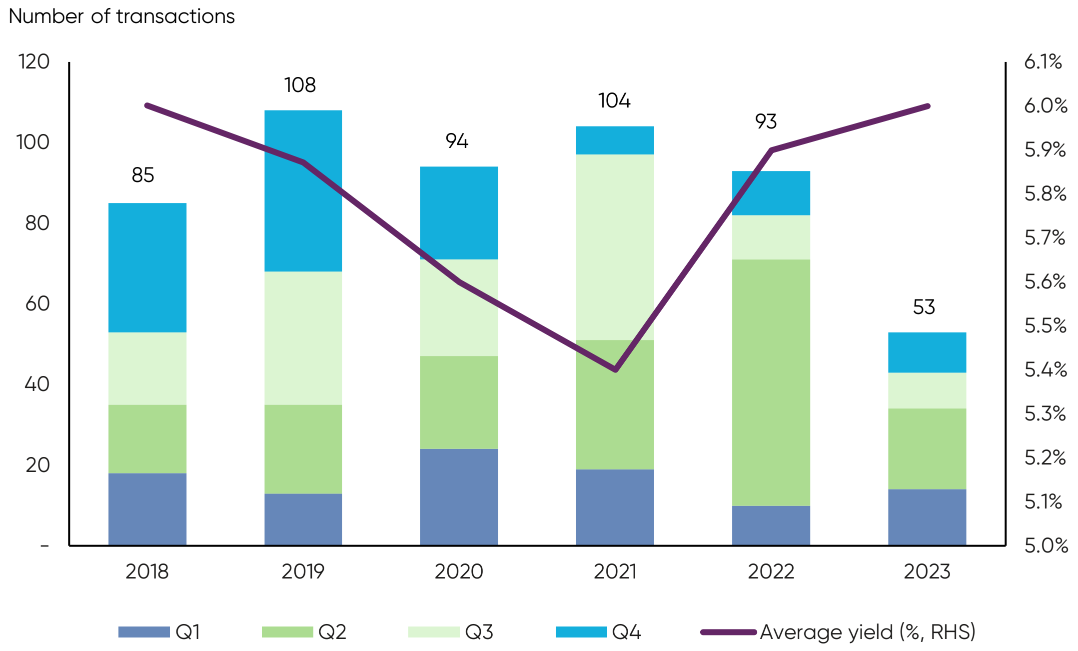
Fuel sales volumes remain solid

Sales volumes of petroleum products[1]



Transactions volumes and average yield

National service stations transaction numbers



Source: ABS, Dept of Industry, Science, Energy and Resources, energy.gov.au, Australian petroleum statistics, Savills, Burgess Rawson, Dexus Research.

1. Premium diesel oil excluded from the chart due to limited data.

Consolidated profit & loss statement

$'000	HY24	HY23
Net property income[1]	24,440	26,815
Interest income	37	22
Total revenue	**24,477**	**26,837**
Management fees	(2,509)	(2,725)
Finance costs	(5,923)	(5,459)
Corporate costs	(542)	(547)
Total expenses	**(8,974)**	**(8,731)**
Net operating income	**15,503**	**18,106**
Fair value gain/(loss) on derivatives	(4,575)	(113)
Fair value gain/(loss) on investment properties	(12,647)	(14,892)
Net profit/(loss) after tax	**(1,719)**	**3,101**

1. Includes straight lining of rental income.

FFO reconciliation

$'000	HY24	HY23
Statutory net profit / (loss) after tax for the period	(1,719)	3,101
Adjusted for:		
Net fair value (gain) / loss on investment properties	12,647	14,892
Net fair value (gain) / loss on derivatives	4,575	113
Incentive amortisation and rent straight-line	(1,820)	(2,514)
Debt modification	688	367
Rental guarantees, coupon income and other	82	(400)
FFO	**14,453**	**15,559**
Distribution declared	14,258	14,602
Weighted securities on issue ('000)	137,757	137,757
Payout ratio (Distribution per security / FFO per security)	98.7%	93.9%
Distribution per security (cents per security)	10.4	10.6
FFO (cents per security)	10.5	11.3

Consolidated balance sheet

$'000	31 Dec 2023	30 Jun 2023
Cash and cash equivalents	4,920	5,454
Investment properties	753,402	781,220
Other assets	10,716	16,189
Total assets	**769,038**	**802,863**
Borrowings	(248,152)	(263,420)
Provisions	(7,457)	(9,796)
Other liabilities	(13,023)	(13,264)
Total liabilities	**(268,632)**	**(286,480)**
Net assets	**500,406**	**516,383**
Stapled securities on issue ('000)	137,757	137,757
NTA per security ($)	3.63	3.75

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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