Dexus Convenience Retail REIT (ASX:DXC)

ASX release

17 October 2024

2024 Bell Potter Foundations Conference presentation

Dexus Convenience Retail REIT (DXC) releases the attached presentation to be presented at the 2024 Bell Potter Foundations Conference, which is being held virtually today.

Authorised by Scott Mahony, Company Secretary of Dexus Asset Management Limited

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About Dexus Convenience Retail REIT

Dexus Convenience Retail REIT (ASX code: DXC) is a listed Australian real estate investment trust which owns high quality Australian service stations and convenience retail assets. At 30 June 2024, the fund's portfolio is valued at approximately $741 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

14 Commercial Road, Shiedow Park SA

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 Bell Potter Foundations Conference

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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.

DXC investment proposition

Providing investors with exposure to defensive income with embedded growth

Generate defensive income

- Secure income backed by:
  - High-quality tenants
  - Long WALE
  - High occupancy

Act as a reliable custodian of capital

- Manage gearing to preserve capital redeployment optionality into high-returning opportunities
- Strategic hedging to partly offset earnings impact of higher interest rates

Active portfolio management to maximise value

- Continuing to explore capital recycling opportunities
- Strategic growth opportunities beyond fuel & convenience

Aligned manager with deep real asset capability

- Dexus is committed to delivering performance for investors across its funds management platform
- Leverage insights across transactions, developments, asset management, treasury and sustainability

Key metrics

99.7% occupancy (by income)

8.8 year WALE (by income)

6.8% distribution yield[1]

32.9% gearing

75% average FY24 debt hedged

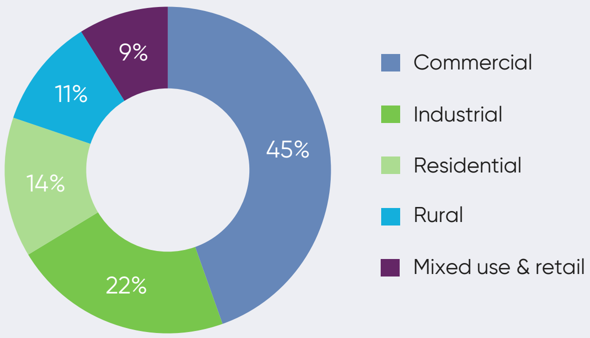
9% Dexus principal ownership

1. Based on closing security price as at 8 October 2024.

Secure and defensive income with embedded growth

High-quality portfolio

Zoned to high value land uses
(% by value)



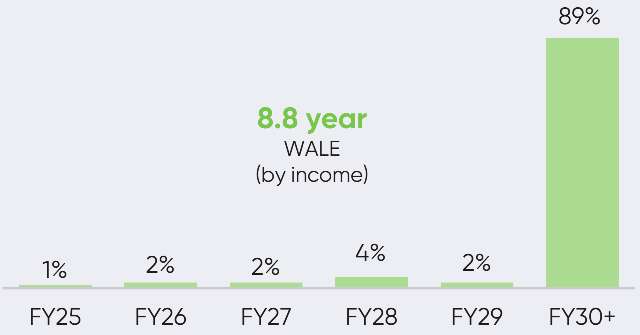
$741m portfolio value with 100 assets

85% weighted to metro and highway assets

78% weighted to eastern seaboard

Income resilience

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



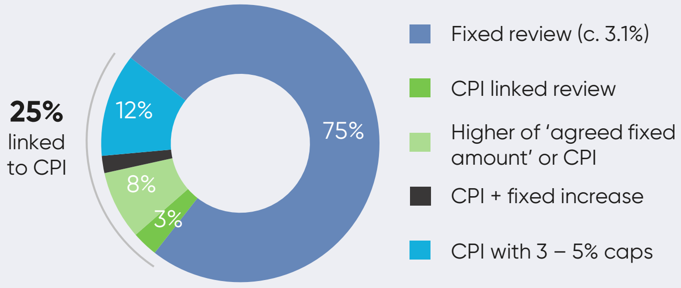
99.7% occupancy (by income)

95% income from major tenants

12% income from non-fuel tenants

Embedded growth

Attractive property rental increases per annum
(% by income)



75% income fixed c. 3.1% p.a. growth

25% income linked to CPI

+3.4% average FY24 rent review

Proactive capital management approach amidst a robust transaction market for fuel & convenience assets

Direct fuel & convenience transaction market evidence

35[1] transactions in 2024 to date, on track to exceed 2023 volumes (58 transactions)

6.2%[1] average yield, compared to DXC weighted average cap rate of 6.4%

investors taking a long-term view on underlying land value growth and tenant lease renewal potential

DXC divestments track record since FY22[2]

24 assets divested

$109m total divestments value (14% of portfolio)

<2% average discount to book value

DXC capital redeployment options

debt repayment (9bps gearing benefit from divestments since FY22[2])

Glass House Mountains redevelopment and re-stocking of pipeline

other strategic opportunities including acquisitions

1. Based on year-to-date volumes from January to June 2024.
2. Including circa $40 million of asset sales currently under negotiation as disclosed to the Australian Securities Exchange on 12 August 2024.

Diverse and high-quality tenants committed to network enhancement

Top tenants continue to reinvest in their sites for the long term

Chevron

- Material investment into re-branding national network from Puma to Caltex
- Net increase in national leasehold network via Viva Energy leases assigned to Chevron as part of Viva Energy's acquisition of OTR

Viva Energy

- Acquired On The Run Group and Reddy 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
- Commitment to expand 7-Eleven Australia's network
- Focus on enhancing 7-Eleven Australia's food offering by leveraging exposure to 84,000 stores in 20 countries with varied formats

BP

- Undertaking acquisition of over 50 X Convenience sites (of which two are in the DXC portfolio) to expand national network and leverage its expertise in convenience retail
- Stated global strategy to double number of strategic convenience sites to 2030

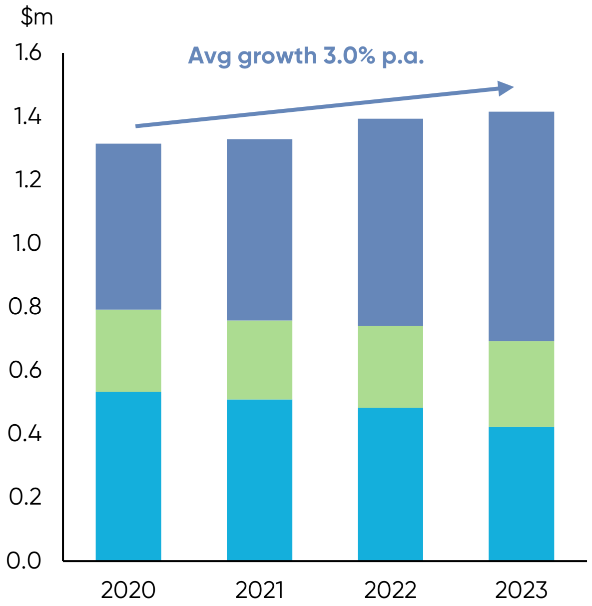
DXC benefits from a diverse tenant base

1. Based on headline consideration. Reddy Express formerly Coles Express.

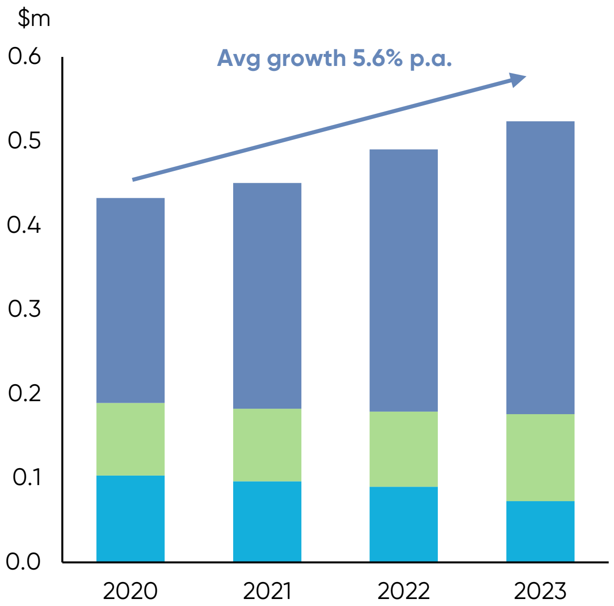
Australian convenience retail sector

Growth in store sales and shift in consumer preferences towards higher margin sales categories

Average convenience retail sales per site



Average convenience gross profit per site



Average retail gross margins (excl. fuel)	2020	2021	2022	2023
	32.9%	33.9%	35.2%	37.0%

- Top selling categories with growing margins (incl. food service, hot drinks, beverages, confectionary)
- Other categories (communications, printed materials, car accessories)
- Tobacco

Australian sector trends

Increased investment into convenience retail capabilities including through M&A

Reconfiguring stores towards higher margin products supports profitability

Increase proportion of retail gross margins towards more mature markets >50%

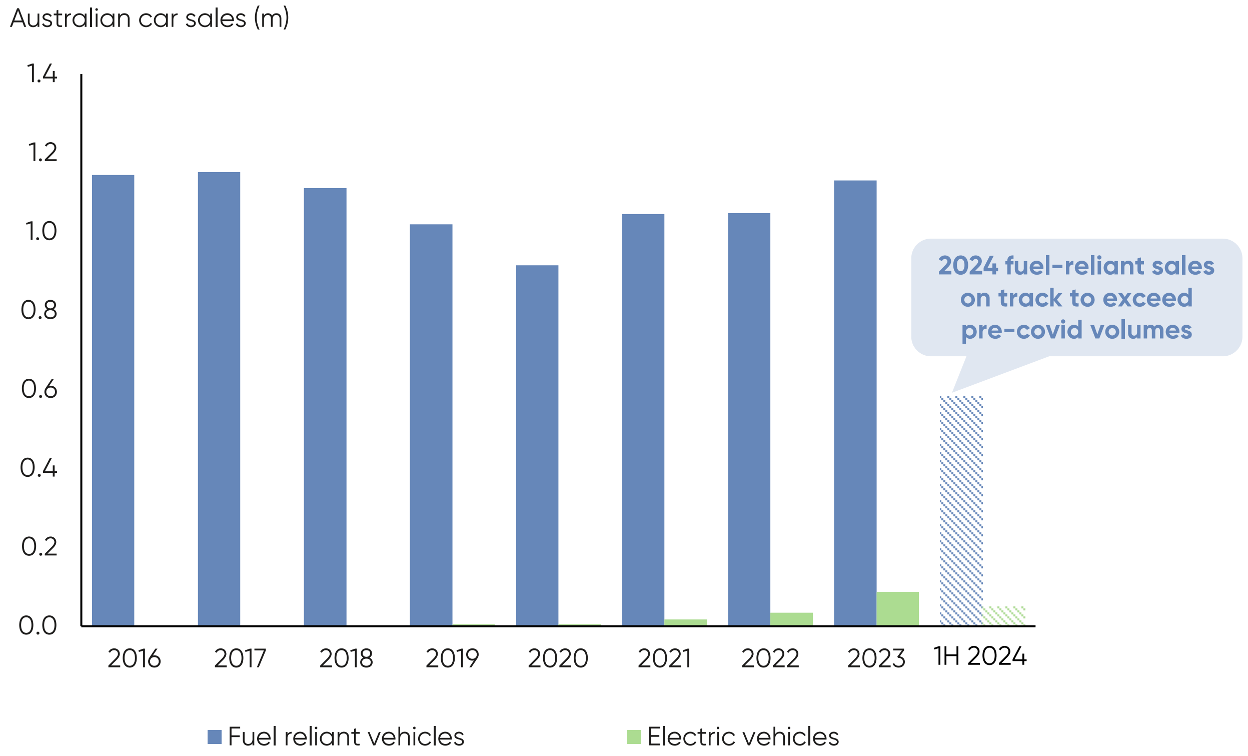
Tenants continue site enhancements including alternative energy (EV charging)

Source: AACS State of the Industry Reports.

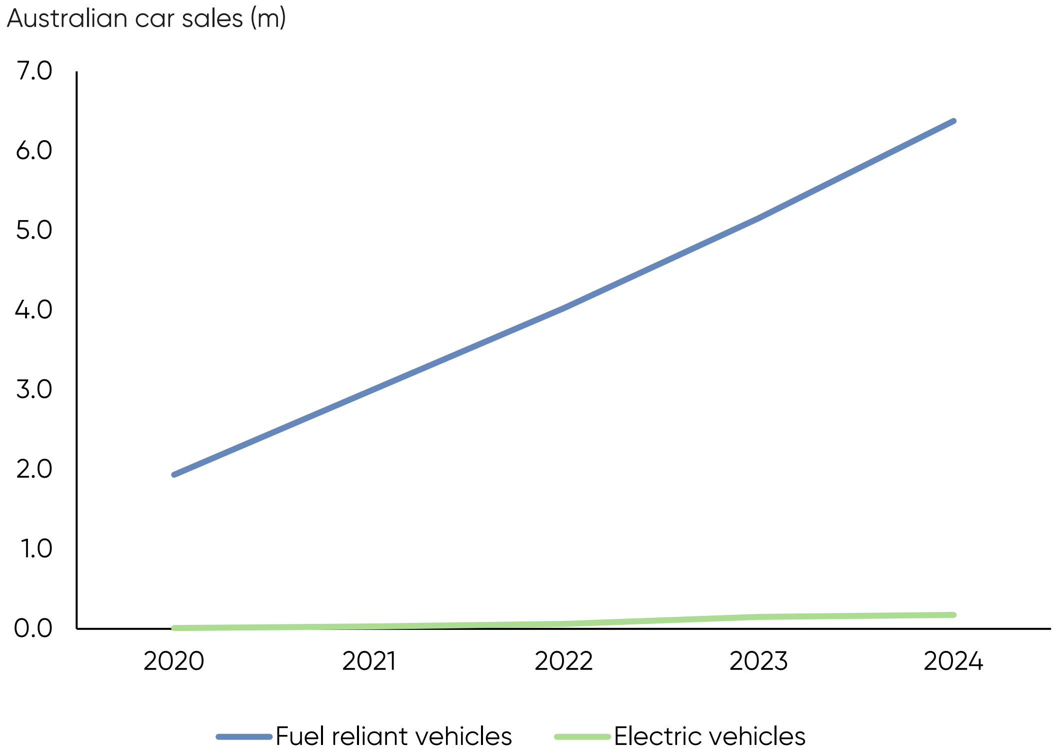
Australian car sales

Consumer behaviour indicates gradual energy transition

Strong fuel-reliant new car sales growth



Cumulative new car sales since 2020



Source: ABS, Dept of Industry, Science, Energy and Resources, energy.gov.au, VFACTS.

DXC case study: Glass House Mountains redevelopment

Significantly enhancing the convenience retail offering and reducing reliance on fuel income

High-quality redevelopment of Northbound site (Stage 1)

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

New OTR format focused on food-on-the-go, grocery convenience and an internal quick-service restaurant

Inclusion of new sustainability initiatives, including 10 EV charging bays

Strong financial outcomes expected

Fund-through structure **reduces exposure to construction cost and timing delay risk**

Expected to deliver strong development returns in comparison to DXC cost of capital

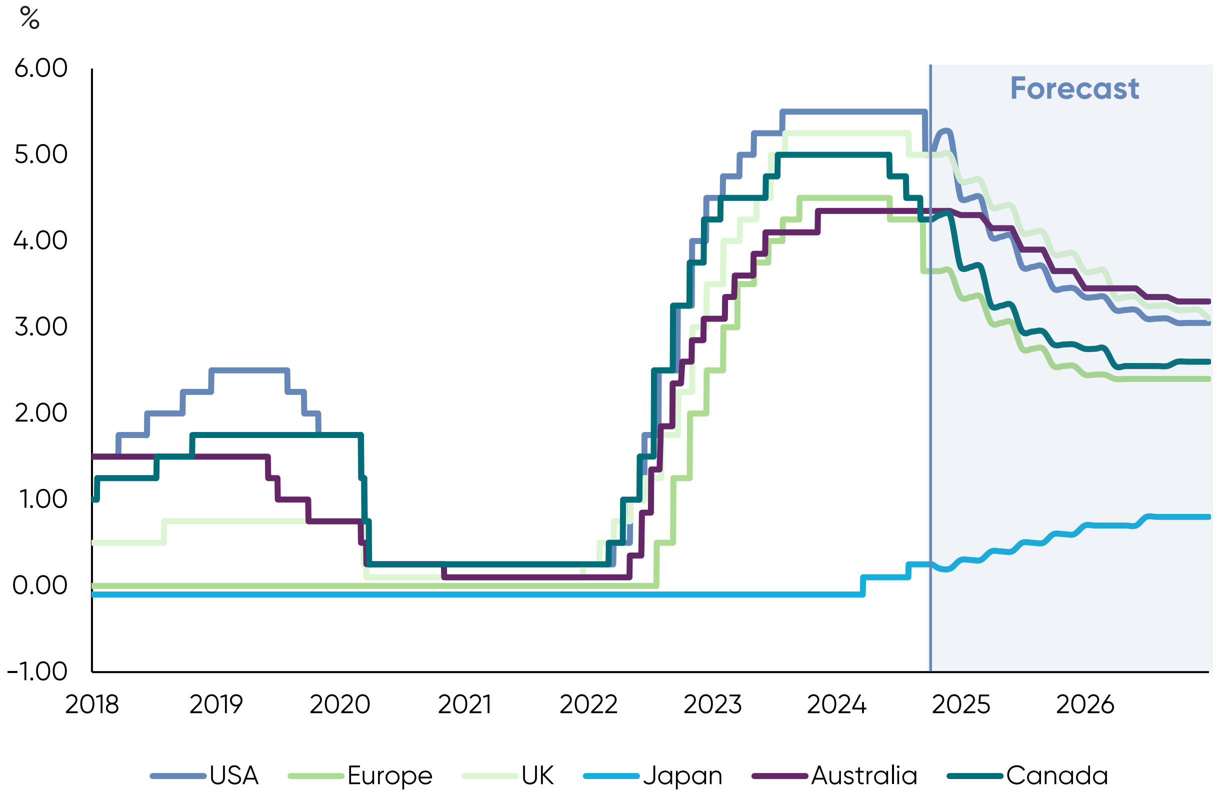
Strong pricing evident in recent transactions for assets with quick-service-restaurant retailing attached

Valuation upside potential from surrounding infrastructure works

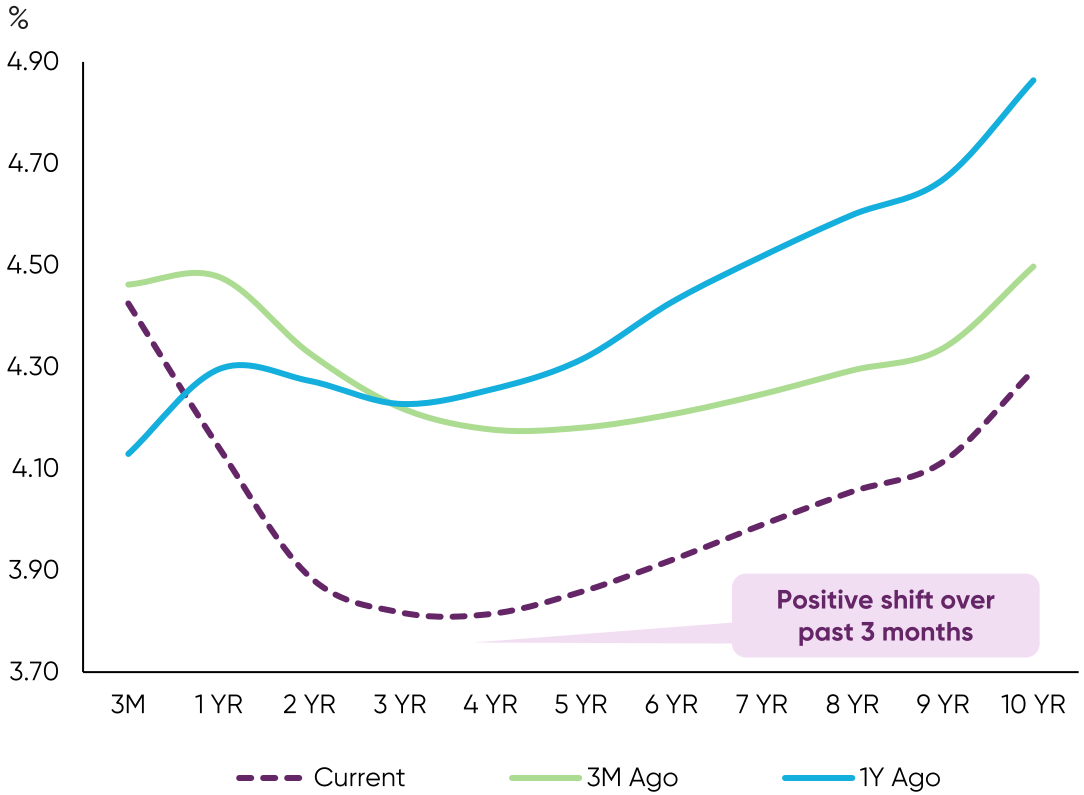
Global easing cycle is upon us

While Australia lags, 3-4 year money is cheap

RBA easing projected to commence early CY25[1]...



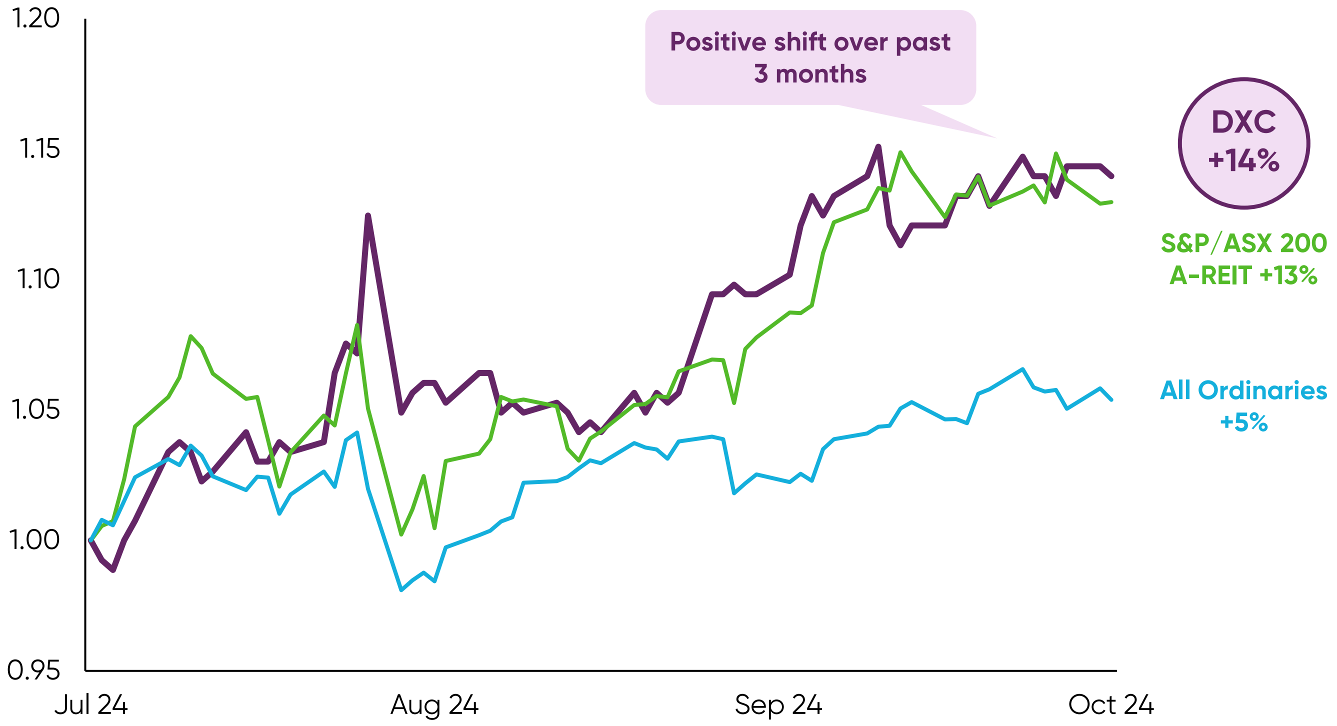
...but is already captured in 3-4 year money



Source: Data as at 8 October 2024, Bloomberg.
1. See disclaimer, including in relation to forward looking statements. Forecasts are not guaranteed to occur.

A-REITs and fuel specific A-REITs typically benefit from interest rate cuts

Security price performance (3 months to 8 October 2024)



A-REITs: naturally leveraged to interest rate markets

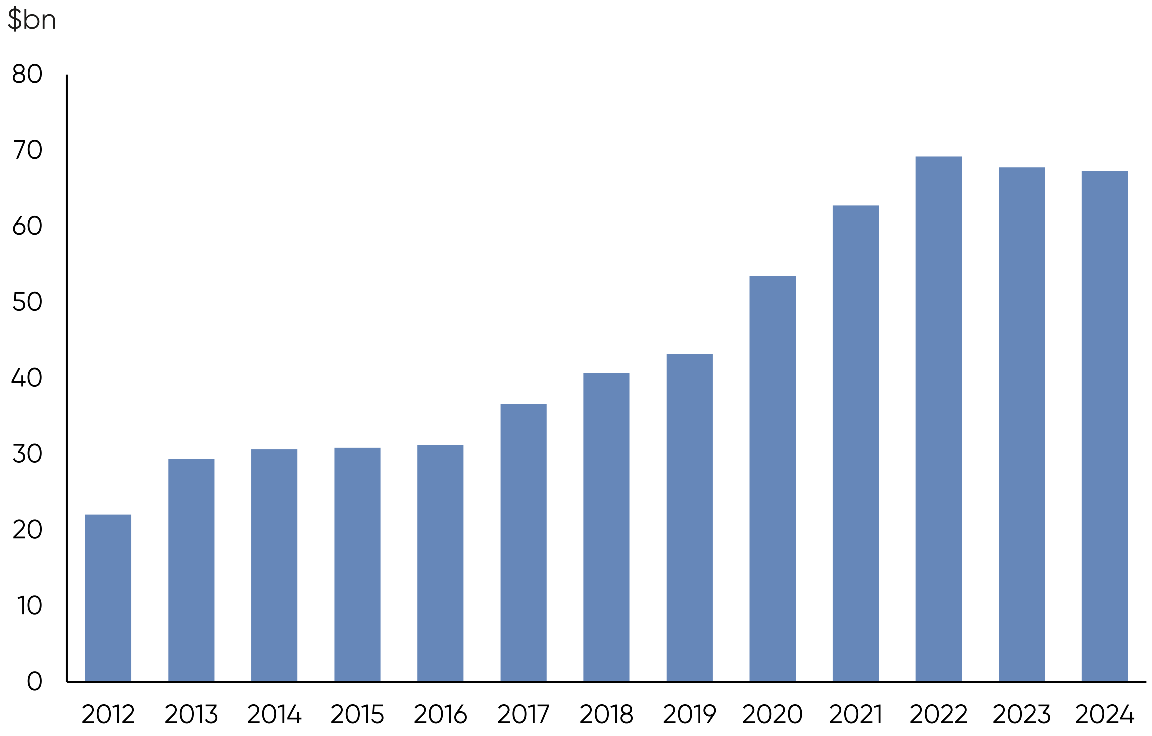
Fuel A-REITs: more sensitive given 'bond proxy' status underpinned by long weighted average lease expiry

Increased capital demand in interest rate easing cycle

Source: IRESS.

Private capital 'dry powder' expected to support unlisted transaction volumes

Asia Pacific private real estate capital 'dry powder' has remained elevated due to heightened investor uncertainty in recent years



Fuel & convenience presents an attractive investment opportunity in current environment

Leverage to interest rates due to 'bond proxy' status with RBA easing projected to commence early 2025[1]

Robust transaction activity supporting asset price discovery

Positive convenience retail themes underpinned by material tenant investment

Fragmented ownership supporting potential consolidation opportunities

Source: CBRE May 2024 Debt Funding Gap for Asia Pacific Real Estate Report.
1. See disclaimer, including in relation to forward looking statements. Forecasts are not guaranteed to occur.

Questions

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Important information

dexus