

Dexus (ASX: DXS)

ASX release



5 May 2020

2020 Macquarie Australia Conference

Dexus releases the attached presentation to be presented virtually at the 2020 Macquarie Australia Conference today.

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Disclaimer

This presentation was prepared against the backdrop of the unfolding disruption caused by the outbreak of COVID-19 and the resultant deterioration in business conditions. It is apparent that there are potential implications from the outbreak for the global and domestic economy, volatility in equity markets, liquidity in credit markets and impact on the appetite for and pricing of real estate assets which are uncertain and unquantifiable at this time. This presentation should be read and considered in light of that uncertainty.

About Dexus

Dexus is one of Australia's leading real estate groups, proudly managing a high-quality Australian property portfolio valued at \$33.8 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 \$16.8 billion of properties, with a further \$17.0 billion of properties managed on behalf of third-party clients. The group's \$11.2 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.8 million square metres of office workspace across 55 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 35 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

Dexus Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for Dexus (ASX: DXS)
Level 25, 264 George Street, Sydney NSW 2000

Macquarie Australia Conference

Ross Du Vernet, CIO
5 May 2020

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

Agenda

- COVID-19 and Dexus
 - March 2020 portfolio update
 - Well positioned heading into this crisis
 - Dexus's response
 - Growth through the cycle
- COVID-19 and the office market outlook
- Summary



Rialto Towers, 525 Collins Street, Melbourne VIC.

Office portfolio at 31 March 2020

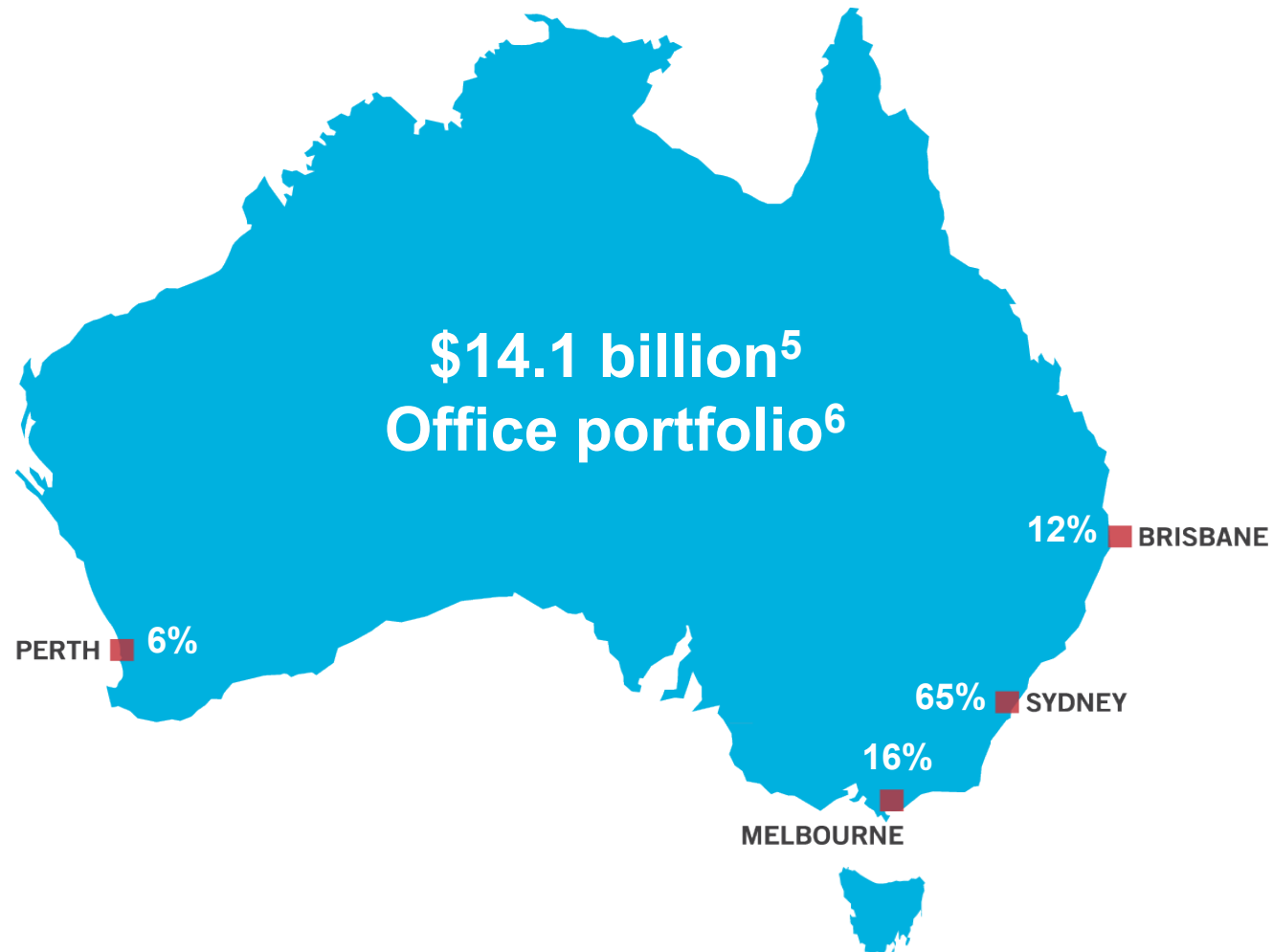
Portfolio in a robust position and yet to show impact of crisis

Leased¹
33,284sqm

Occupancy²
97.2%
31 Dec 2019: 97.4%

Incentives³
16.9%
31 Dec 2019: 16.2%

WALE⁴
4.4 years
31 Dec 2019: 4.5 years



1. Including Heads of Agreement.
 2. By Income.
 3. Average.
 4. Weighted average lease expiry.
 5. DXS balance sheet as at 31 December 2019.
 6. Canberra assets held for sale at Dec-19 not shown on map.
- 3 Macquarie Australia Conference 2020

Industrial portfolio at 31 March 2020

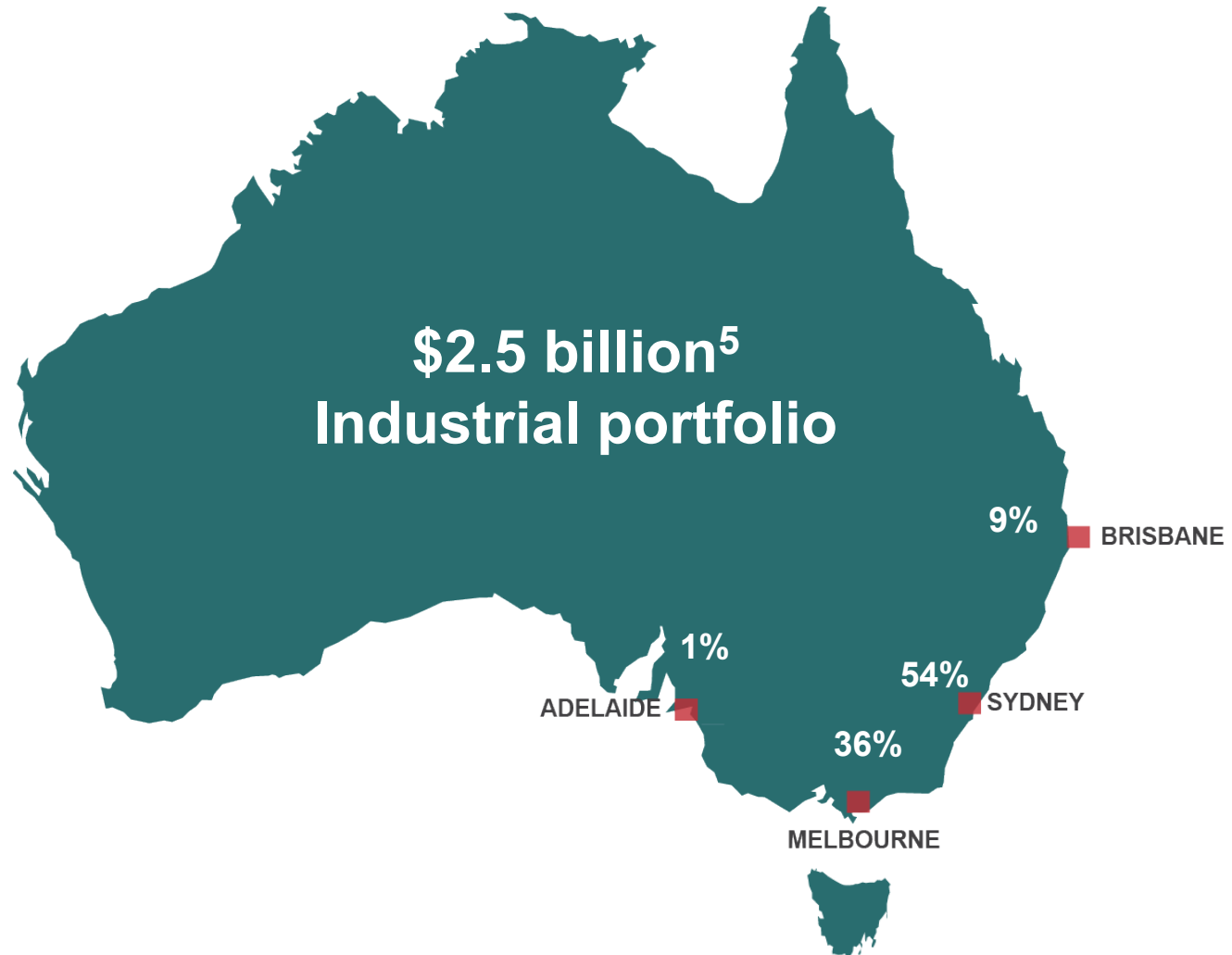
Portfolio in a robust position and yet to show impact of crisis

Leased¹
21,094sqm

Occupancy²
96.0%
31 Dec 2019: 96.0%

Incentives³
13.0%
31 Dec 2019: 13.3%

WALE⁴
4.4 years
31 Dec 2019: 4.6 years

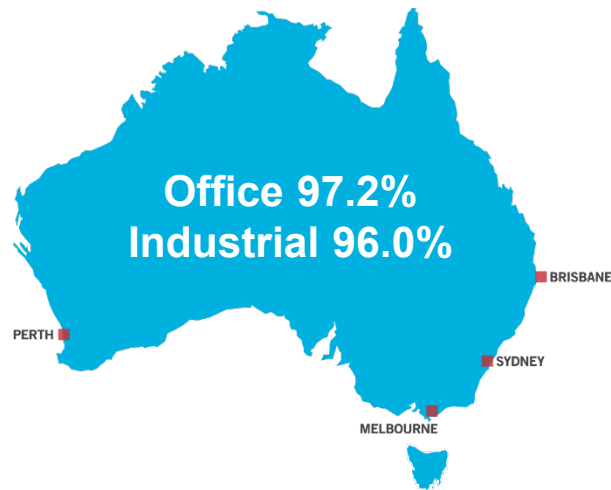


1. Including Heads of Agreement.
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5. DXS balance sheet as at 31 December 2019.

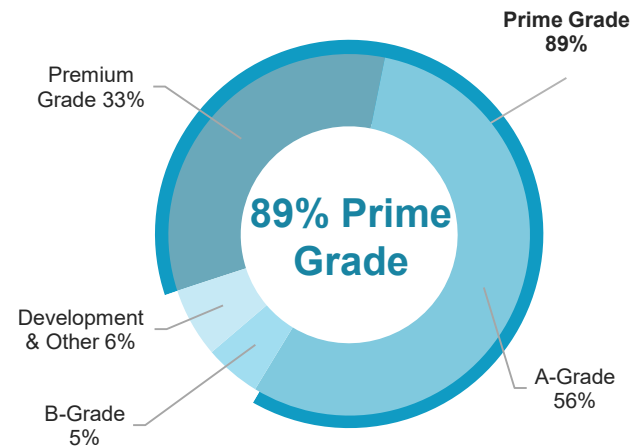
Well positioned heading into this crisis

Property portfolio is in strong shape and underpinned by a strong balance sheet

High Portfolio Occupancy¹

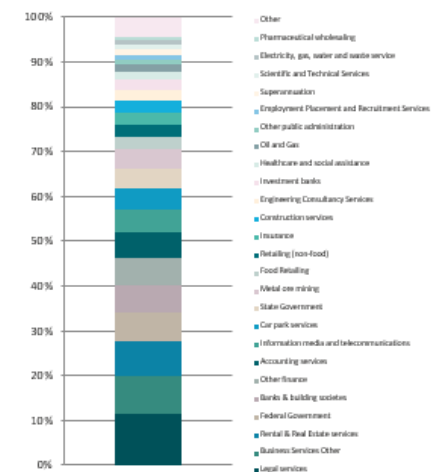


High Quality Office Portfolio²



Diversified Office customer/tenant base²

Diversity of office customers (by income)



Strong balance sheet at 30 April 2020

Gearing³
25.4%⁴

Headroom and liquidity
\$1.7bn

Duration of debt
7.1 years

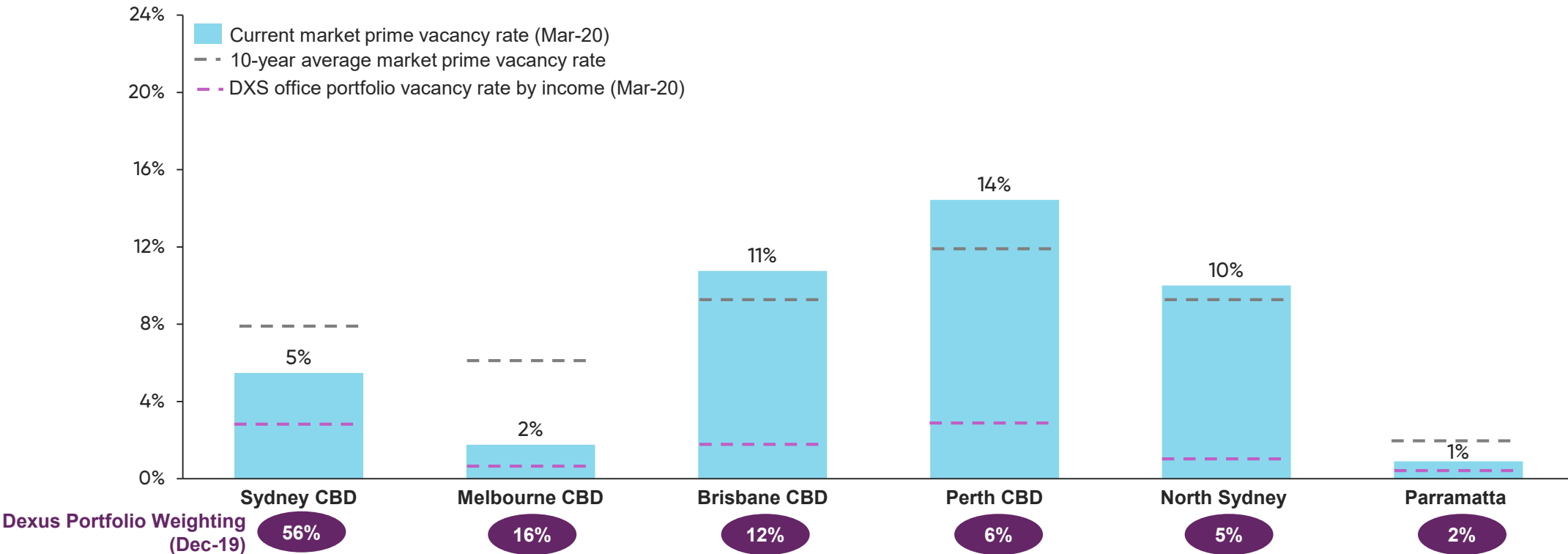
Diverse sources of debt
38% bank
62% capital markets

1. At 31 March 2020 and by income.
2. As at 31 December 2019.
3. Target gearing range of 30-40%.
4. Proforma 31 March 2020 look-through gearing including the settlement of GIC's additional interest in the Dexu Australian Logistics Trust core portfolio and acquisition of Rialto Towers (before transaction costs) previously announced on 1 April 2020 and 6 April 2020, respectively.

Real estate markets are well positioned

Office vacancy rates below 10-year averages in most markets

Office vacancy rates by location % of NLA



Source: JLL, company information.

Dexus's response

Supporting the sustainability of our SME customer (tenant) base



Consistent with Dexus's Sustainability approach "**Future enabled customers**" is about building constructive, enduring relationships with tenants to create value

Focused on supporting the viability of our small business customers

- In April 2020, the Australian Government introduced a commercial code of conduct¹ and set of principles which applies to commercial tenancies (including retail, office and industrial) for small and medium enterprise tenants (SMEs) with turnover of less than \$50 million experiencing financial stress or hardship as a result of the COVID-19 pandemic
- Dexus's immediate priority is to support SMEs, including the city retailers that support the office community, who have been significantly impacted by the coronavirus pandemic, and is progressing discussions with these customers on forms of rental relief
- From those customers who have requested rental relief, Dexus estimates SMEs (office, retailers and industrial) with turnover of less than \$50 million to comprise approximately 8% of total property portfolio income and is working through if they qualify for relief

Other corporate measures

- Focused on ensuring the health safety and wellbeing of our workforce, customers and people in our buildings
- Implemented government guidelines to reduce the spread of COVID-19 at properties
- Enhanced liquidity, securing additional bank debt facilities² totalling \$550 million with a weighted average tenor of 5.0 years providing further funding flexibility in the current environment
- Implemented freeze on recruitment and non-essential consultancy spend, as well as temporary reductions in Director and Executive remuneration
- Focused on initiatives to prepare for return to work

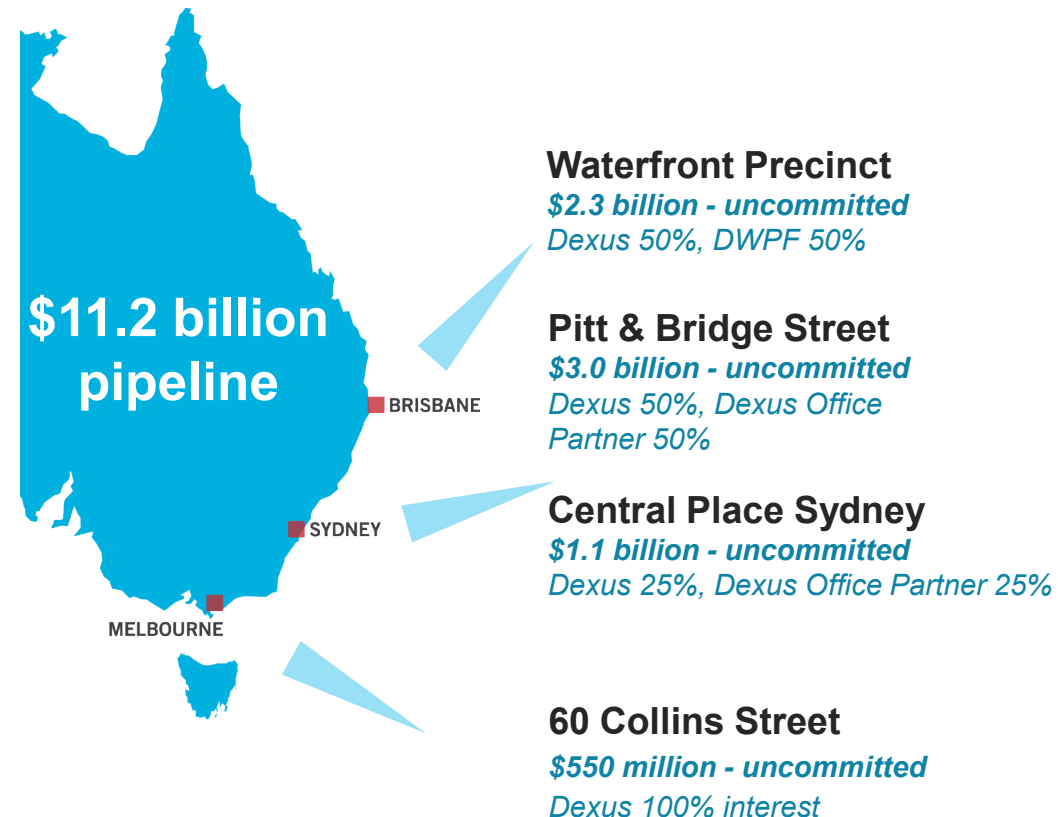
1. The code of conduct is available at <https://www.pm.gov.au/sites/default/files/files/national-cabinet-mandatory-code-ofconduct-sme-commercial-leasing-principles.pdf>

2. Post issuance of the \$500 million of 12-year Medium Term Notes and since the HY20 results.

Growth through the cycle

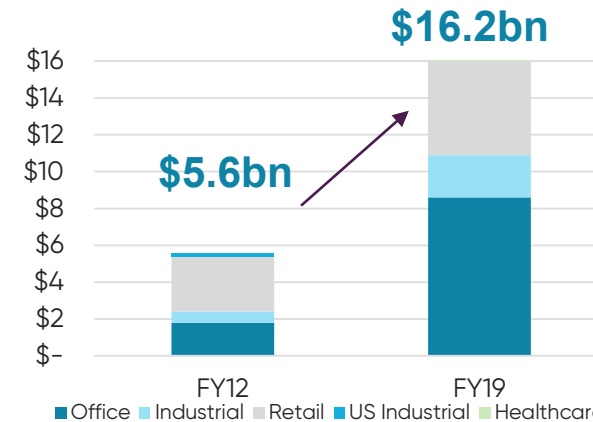
Continuing to progress development pipeline and grow the funds business

City defining projects: uncommitted, longer dated and all currently income producing



Funds Management: continued demand from capital partners providing capital through the cycle

189% growth in FUM since FY12



Rialto Towers, 525 Collins Street, Melbourne VIC.

- Attracted over \$9 billion of third-party equity since FY12
- Established network of 79 investors as at December 2019
- Continued demand from our partners during this period including the establishment of a new Joint Venture with GIC that has exchanged contracts to acquire a 50% interest in Rialto Towers, Melbourne

COVID-19 and the office market outlook



COVID-19 will accelerate evolution of office markets

Megatrends remain in place but new risks and opportunities to emerge



Benefits

- Australia well placed to emerge strongly vs. other geographies due to fast COVID-19 response
- Premium assets will benefit from “flight to quality” during times of financial difficulty
- Reduction in pressure on workplace density given greater focus on employee wellbeing



Risks

- Wider adoption of flexible working arrangements – several mitigating factors to support office demand
- Accelerated adoption of technology driving efficiency – likely to impact back and middle office
- Lengthened timelines to activate development projects – benefit from having flexibility



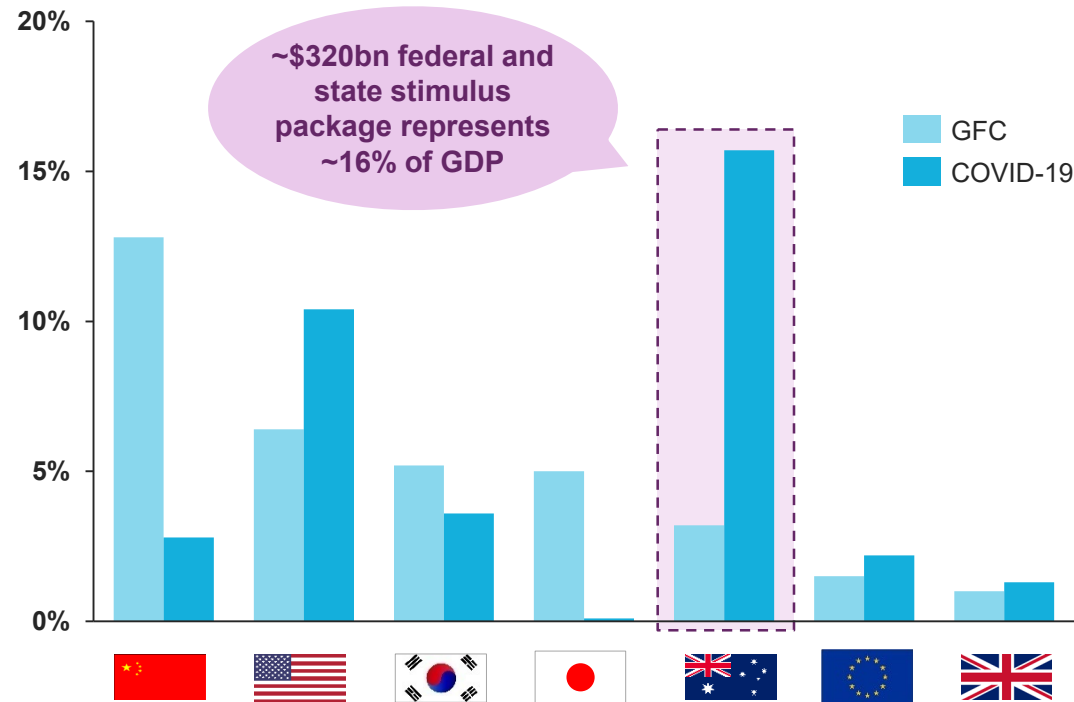
Opportunities

- Co-working arrangements under pressure – potential to offer flexible physical and contractual arrangements
- Heightened stakeholder attention on health, safety and sustainability – ability to use our strong track record
- Leaders in innovation will be able to tailor product offerings to be meet changing customer demands

Australia is well placed to emerge strongly from COVID-19

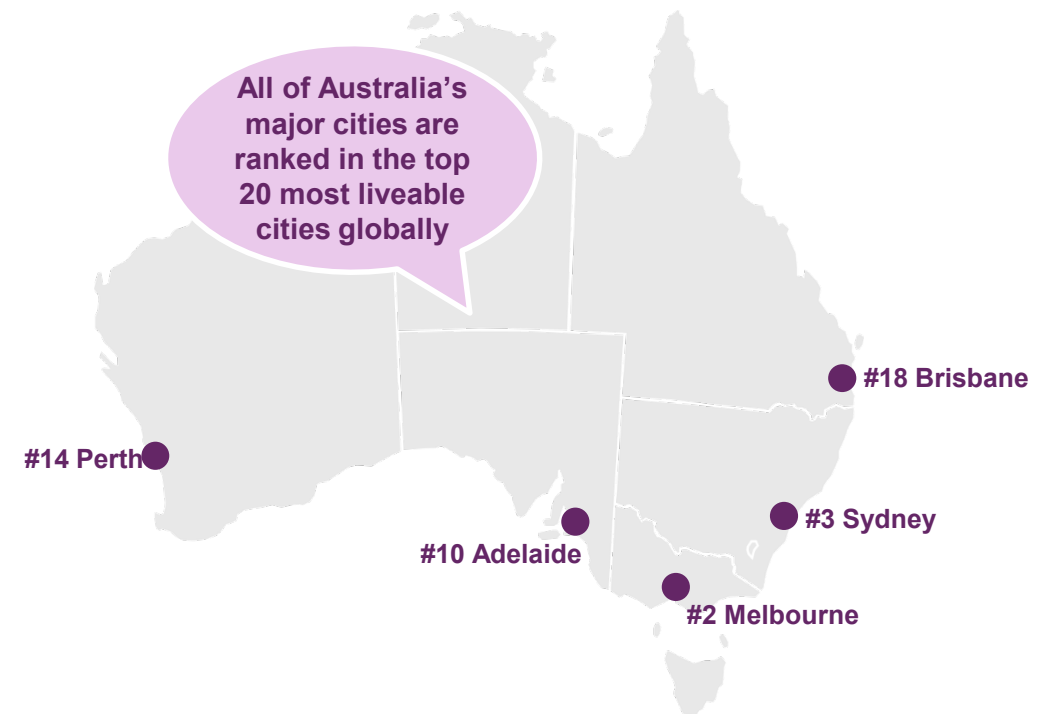
Unprecedented stimulus response will enhance our strong global position

Fiscal stimulus package (GFC vs. COVID-19)
% of GDP



Source: Dexis Research, Economist Intelligence Unit 2019 Report.

Liveability of Australia's major cities
EIU Liveability Rankings

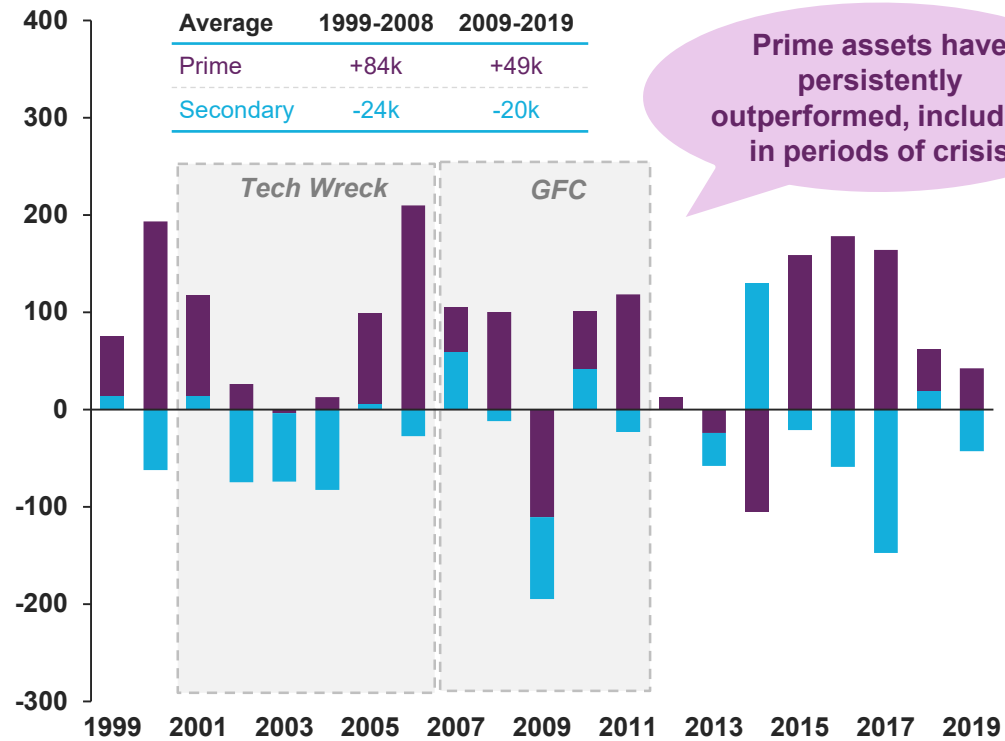


Premium assets benefit from “flight to quality”

Dexus has historically outperformed market occupancy

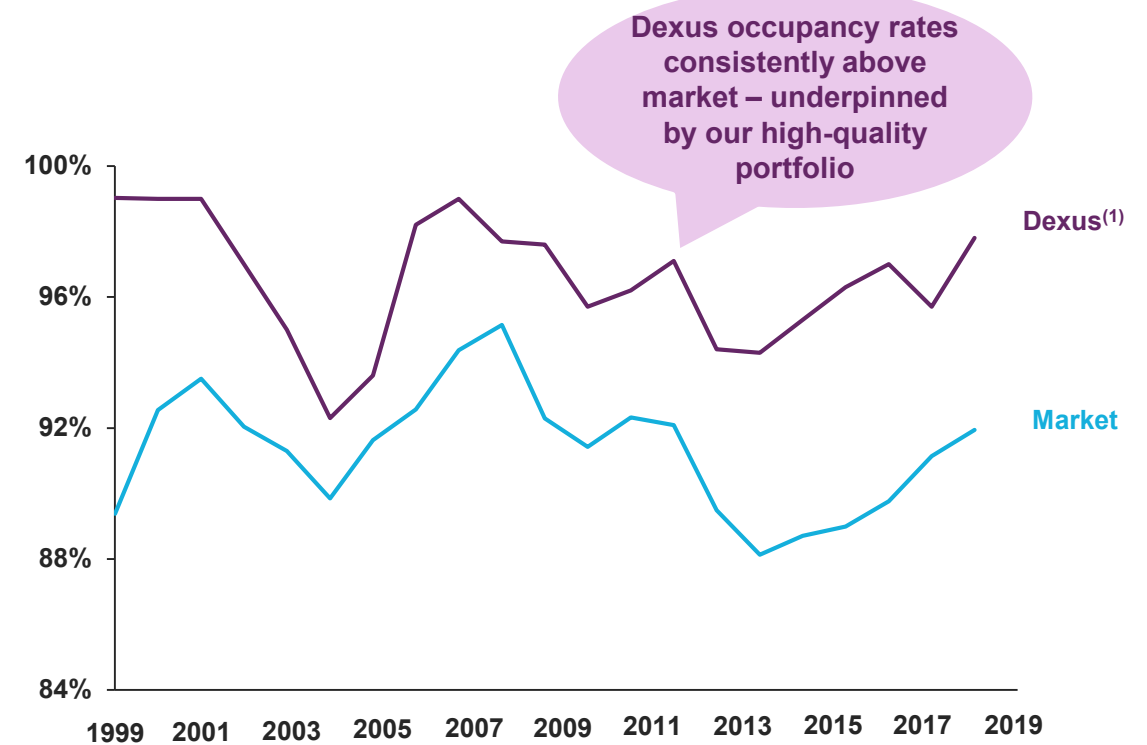
Office net absorption – Sydney CBD

NLA '000 sqm, y-o-y ending June



Office occupancy rate – Australia

% NLA occupied



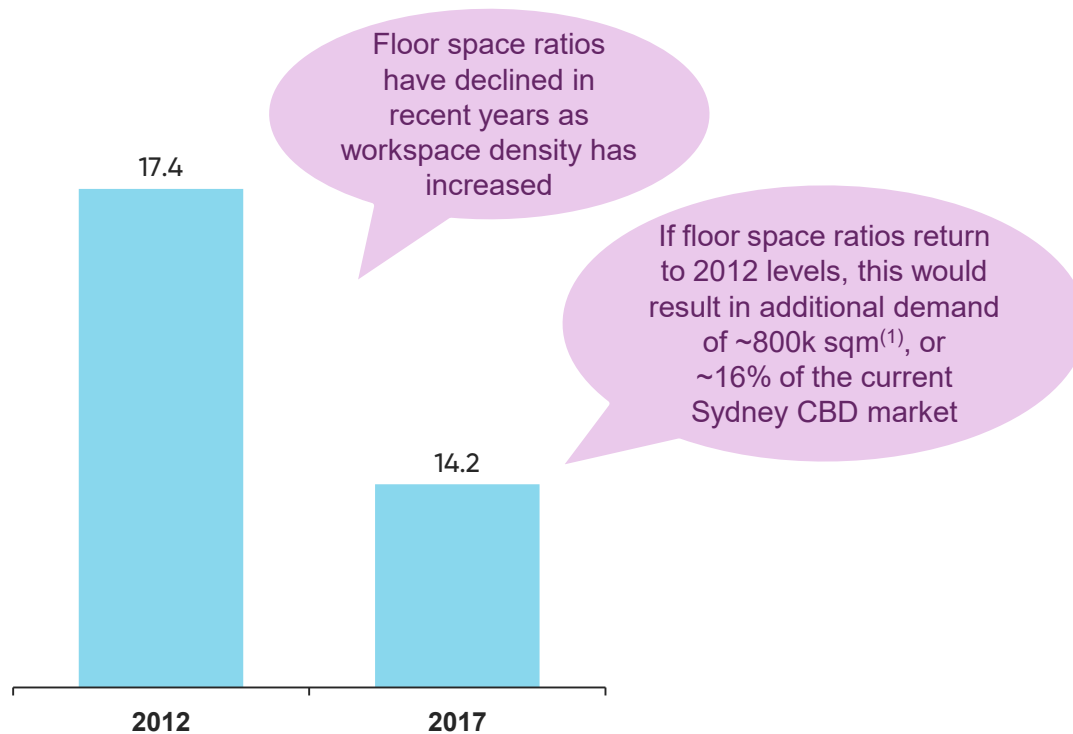
Source: JLL, company information.

(1) Represents Dexus Office Trust until 2003 and includes acquisition of CPA from 2014 onwards

Pressure on workplace density in recent years

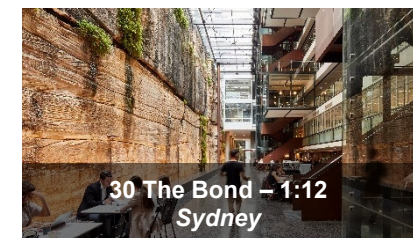
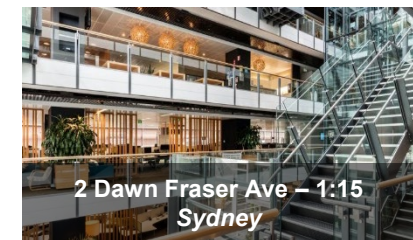
Likely to ease given greater focus on employee health and wellbeing

Office floor space ratio – Sydney CBD *Sqm per worker*



Source: Sydney City Council.
(1) Assumes the number of workers are held at 2017 levels.

Recent Dexu fit-outs *Sqm per desk*

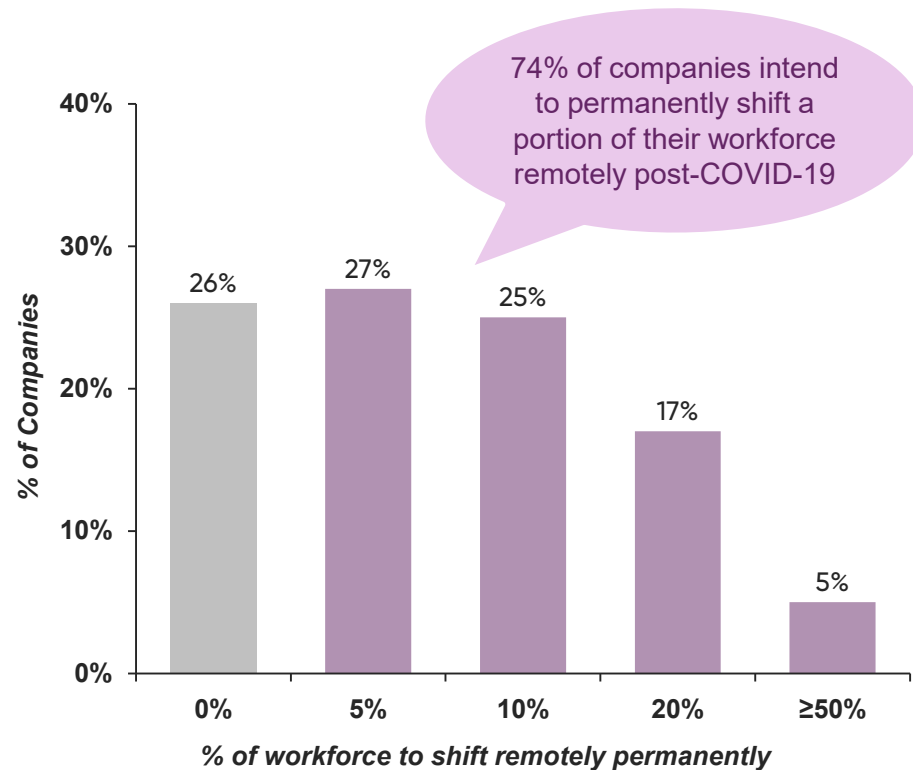


Wider adoption of flexible working arrangements

However, several mitigating factors to support office demand

Level of intended remote working post-COVID

% of companies permanently shifting workforce remotely



Source: Gartner Survey – April 2020.

There are several mitigating factors that will support office demand going forward

- ▶ Working from home >2.5 days per week shown to negatively impact knowledge transfer
- ▶ Knowledge jobs forecast to increase significantly over the next 20 years – place high value on collaboration
- ▶ Office space to continue as a talent attraction and retention tool – likely to benefit prime locations
- ▶ Easing of workplace density due to increased focus on employee wellbeing – “hot-desking” will be challenged



Summary

Summary

Well positioned heading into the crisis and for the recovery

- Dexus has entered this period of uncertainty in a solid position
 - owning and managing a quality property portfolio with high occupancy
 - maintaining a strong balance sheet
- Priority is to support the ongoing viability of small business customers (tenants) post this crisis
- Continued focus on growth opportunities through
 - investing on behalf of capital partners
 - progressing \$11.2 billion group development pipeline
- Continued debate on how COVID-19 will accelerate evolution of office markets
- On 26 March 2020, Dexus's FY20 full year guidance for distribution per security growth and the detailed assumptions were withdrawn – Dexus continues to assess the impact of COVID-19



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