

Dexus (ASX: DXS)



ASX release

27 April 2021

Update in relation to the merger of DWPF with AMP Capital Diversified Property Fund

Dexus provides an update in relation to the merger of Dexus Wholesale Property Fund ("DWPF" or "the Fund") with AMP Capital Diversified Property Fund ("ADPF") following the Unitholder meetings that were held today to vote on the merger proposal.

This follows Dexus and DWPF entering into an Implementation Agreement with the Independent Board Committee of ADPF on behalf of the Responsible Entity of ADPF ("ADPF RE"), which was announced to the Australian Securities Exchange on 16 March 2021 following discussions with the ADPF RE and engagement with ADPF Unitholders over a six-month period.

Unitholders in both DWPF and ADPF have approved the merger, establishing the pathway to create an enhanced investment proposition for both sets of unitholders.

ADPF is currently a circa \$5.4 billion¹ high-quality diversified property fund that invests in the office, retail and industrial sectors. The overall sector allocation and portfolio quality is comparable to the DWPF portfolio.

The portfolio includes investments in assets such as Quay Quarter Tower, Sydney (50% interest) which is currently under construction, 309-321 Kent Street, Sydney (50% interest, with remaining 50% co-owned by Dexus), Westfield Booragoon Shopping Centre, Perth (50% interest) and Westfield Warringah Mall, Brookvale, Sydney (25% interest) along with a diversified portfolio of industrial assets.

ADPF also includes minority investments in two other AMP Capital managed wholesale funds, the AMP Capital Wholesale Office Fund ("AWOF") and the AMP Capital Shopping Centre Fund ("ASCF").

ADPF is presently subject to a meaningful volume of redemption requests from existing ADPF Unitholders. Dexus expects to satisfy the ADPF Unitholder redemption requests on a pro rata basis over an approximate 18-month period through the divestment of a number of assets.

Strategic rationale for Dexus

Darren Steinberg, Dexus CEO said: "We are pleased that both sets of Unitholders have signalled their confidence in our abilities through their support of the merger proposal and welcome the ADPF unitholders onto our platform. We will continue to execute on the Fund's investment strategy as we integrate the ADPF assets to drive performance and deliver further economies of scale from a management, procurement and leasing perspective.

The merger will expand Dexus's funds management business, further diversifying DWPF's portfolio and investor base while solidifying the Fund's position as a globally significant diversified real estate wholesale fund.

Dexus contribution

In support of the merger Dexus has agreed to contribute funding to facilitate liquidity for ADPF investors and protect DWPF from value dilution resulting from transaction costs. Specifically, these funding contributions comprise:

- circa \$400 million of upfront liquidity to redeeming ADPF Unitholders. This liquidity will be provided via the acquisition of existing ADPF assets and is expected to be subject to pre-emptive rights held by existing investors in the underlying assets and approvals. Should this approval not be secured Dexus will seek alternative methods of providing the liquidity.
- circa \$50 million of transaction costs for both ADPF and DWPF. The coverage of ADPF transaction costs is subject to previous agreement between Dexus and the ADPF RE.

The merger will be accretive to Dexus's Adjusted Funds from Operations (AFFO) and Net Asset Value (NAV) in FY22. In addition, the merger will provide the opportunity to generate further upside through the active management, leasing and development of ADPF assets.

Next steps

Dexus and DWPF have developed a transaction structure that addresses the needs of ADPF Unitholders seeking to redeem while maintaining the strength and liquidity of DWPF. The proposed next steps include:

- The responsible entity of DWPF will replace the ADPF RE on 28 April 2021²
- DWPF and ADPF agree to combine via Stapling following an approximate 18-month period whereby Dexus will seek to sell-down a list of identified ADPF assets (Identified Assets) to meet all existing ADPF redemption requests (Redemption Window)
- The amount of ADPF investor redemptions to be met during the Redemption Window is fixed at approximately \$2 billion. The Redemption Window has been established to provide time to cleanse the ADPF Unitholder redemption queue prior to the stapling with DWPF
- Where practical, Dexus will be appointed as investment manager and, to the extent practical, as property manager

Authorised by Brett Cameron, General Counsel and Company Secretary of Dexus Funds Management Limited.

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About Dexus

Dexus is one of Australia's leading real estate groups, managing a high-quality Australian property portfolio valued at \$32.1 billion. We believe that the strength and quality of our relationships will always be 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 \$16.5 billion of office and industrial properties. We manage a further \$15.6 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$11.4 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.6 million square metres of office workspace across 51 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 more than 29,000 investors from 24 countries. With 36 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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About Dexus Wholesale Property Fund

Dexus Wholesale Property Fund (DWPF) is an open-ended unlisted property fund with a \$10.1 billion diversified portfolio of high quality retail, office and industrial properties located in key locations across Australia. DWPF has a Standard & Poor's A (Stable) rating and is supported by 65 Australian and international wholesale investors. DWPF has outperformed its benchmark, the MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index over the past one, three, five and seven-year periods. DWPF is managed by Dexus, one of Australia's leading real estate groups with \$32.1 billion of assets under management. www.dexus.com

Dexus Wholesale Property Limited ABN 47 006 036 442, AFSL 238166, as Responsible Entity for Dexus Wholesale Property Fund.

¹ Gross asset value as at 31 March 2021 pro forma for the sales of 140 St Georges Tce, Perth (exchanged) and 68 Waterloo Rd, Macquarie Park (settled).
² DWPL becomes the RE of ADPF on the date which ASIC updates its records. As such, this date is indicative only.