



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

17 October 2024

# 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<sup>1</sup>



**32.9%**  
gearing



**75%**  
average  
FY24 debt  
hedged

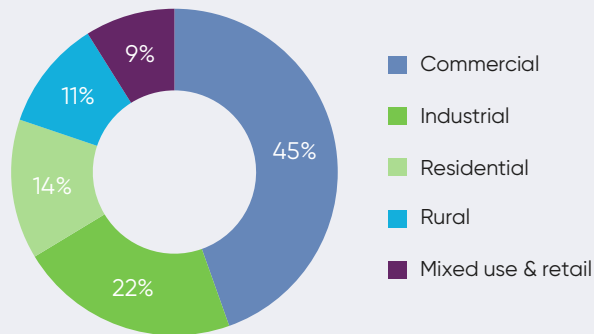


**9%**  
Dexus principal  
ownership

# Secure and defensive income with embedded growth

## High-quality portfolio

Zoned to high value land uses  
(% by value)



**\$741m**  
portfolio value  
with 100 assets



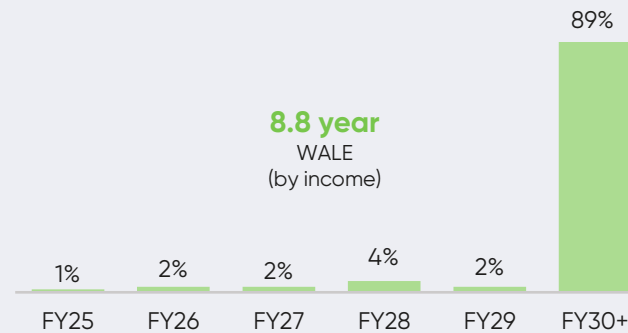
**85%**  
weighted to  
metro and  
highway assets



**78%**  
weighted to  
eastern seaboard

## Income resilience

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



**99.7%**  
occupancy  
(by income)



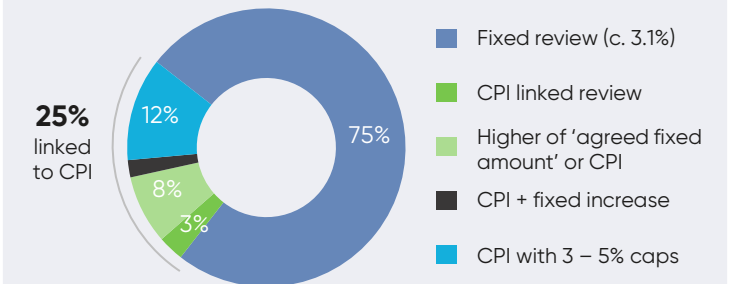
**95%**  
income from  
major tenants



**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<sup>1</sup>** transactions in 2024 to date, on track to exceed 2023 volumes (58 transactions)

**6.2%<sup>1</sup>** 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<sup>2</sup>

**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<sup>2</sup>)



Glass House Mountains redevelopment and re-stocking of pipeline



other strategic opportunities including acquisitions

# 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<sup>1</sup>
- Stated strategy to become a fully-integrated fuel and convenience retailer
- Intends to grow non-fuel earnings to >50% across 1,000+ stores



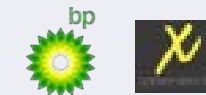
### 7-Eleven Australia

- 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



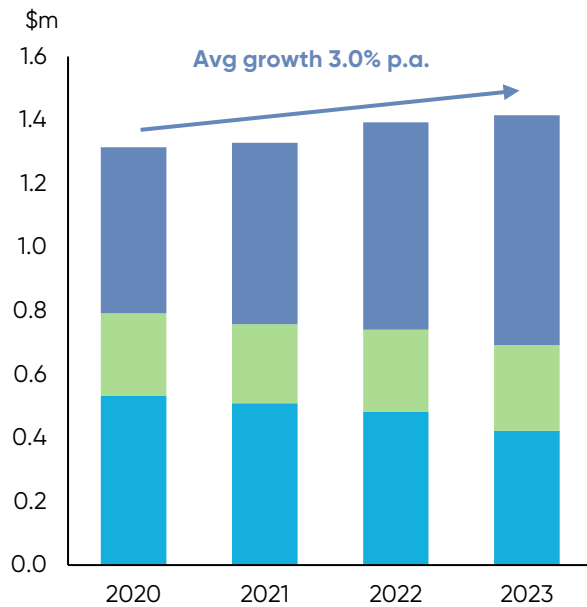
## DXC benefits from a diverse tenant base



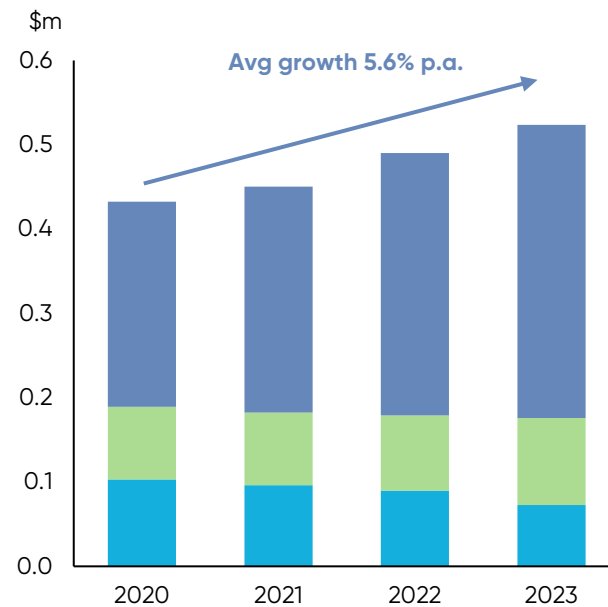
# Australian convenience retail sector

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)

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%



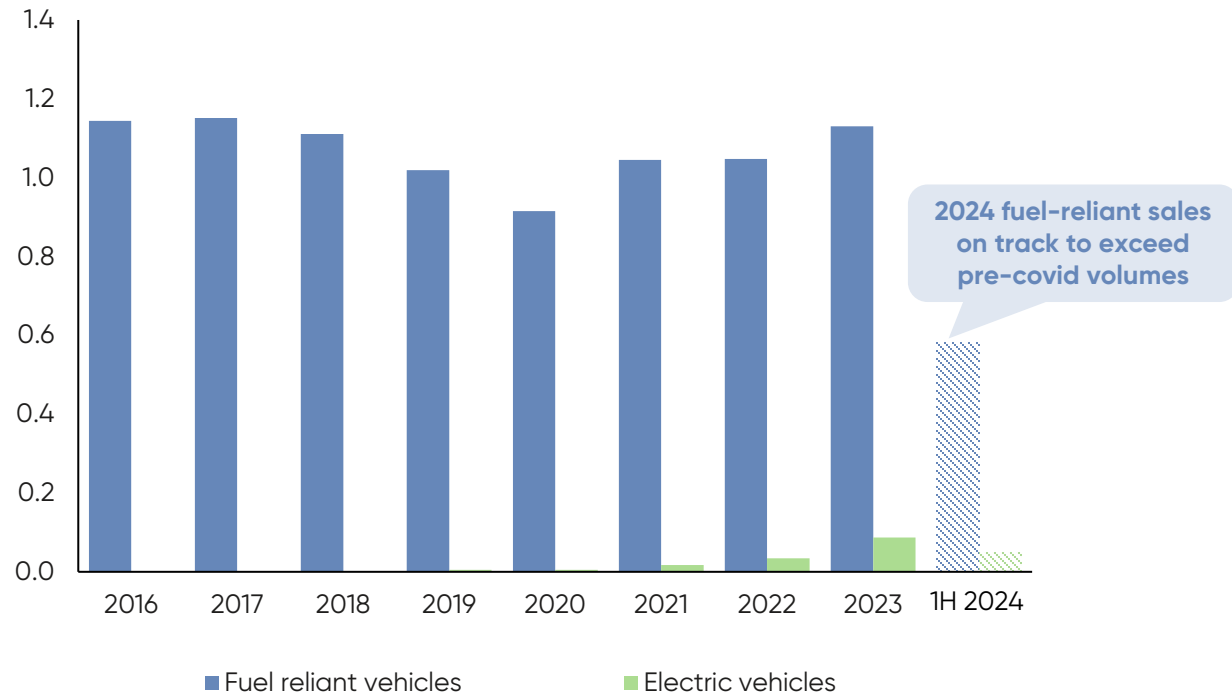
Tenants continue site enhancements including alternative energy (EV charging)

# Australian car sales

Consumer behaviour indicates gradual energy transition

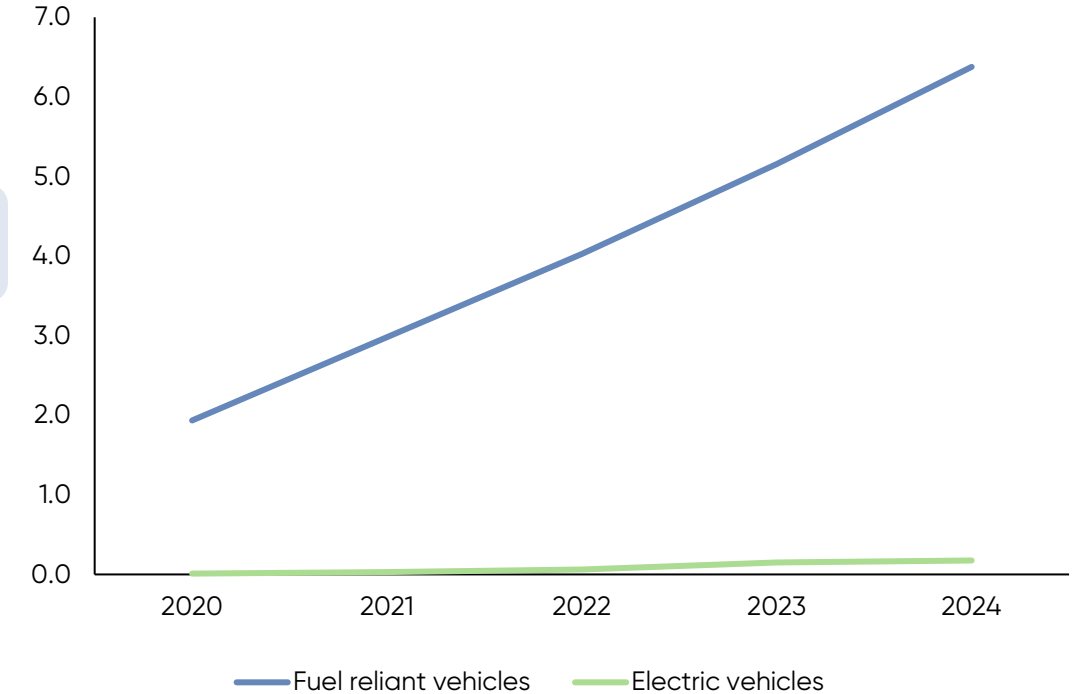
## Strong fuel-reliant new car sales growth

Australian car sales (m)



## Cumulative new car sales since 2020

Australian car sales (m)





# 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



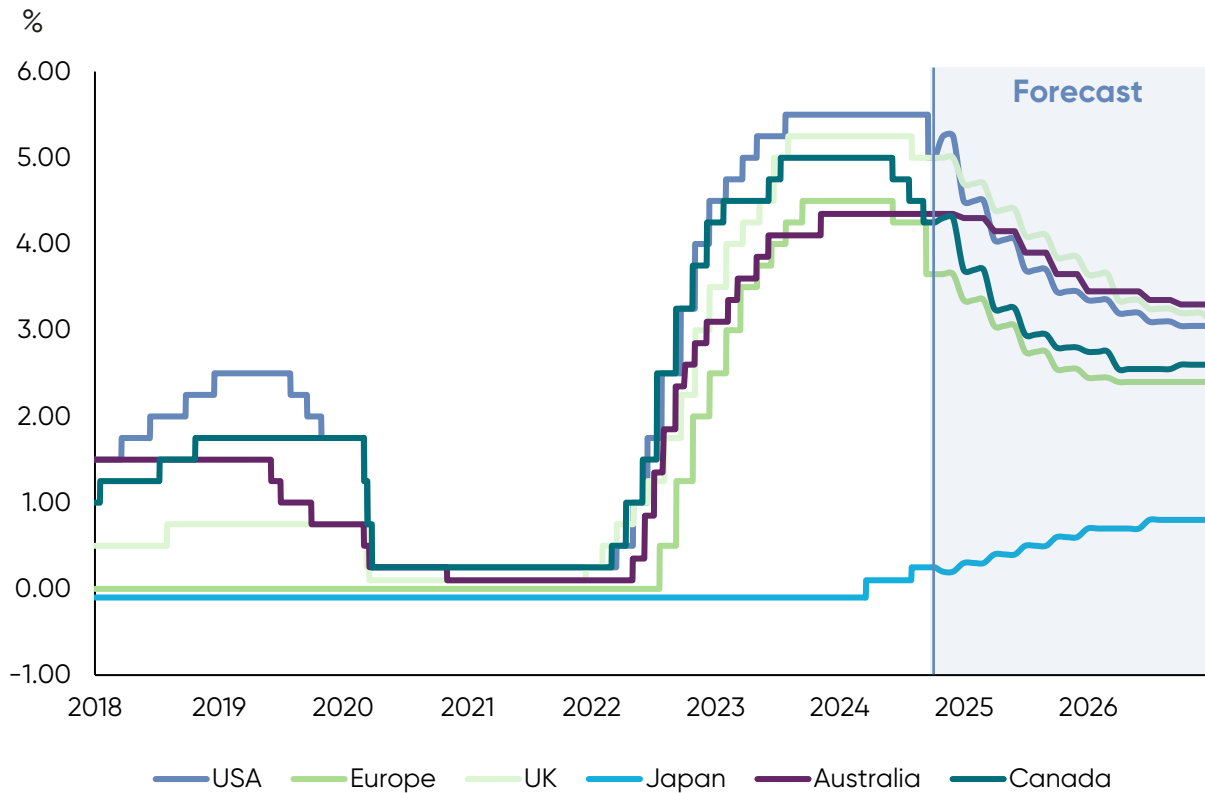
**Valuation upside potential** from surrounding infrastructure works



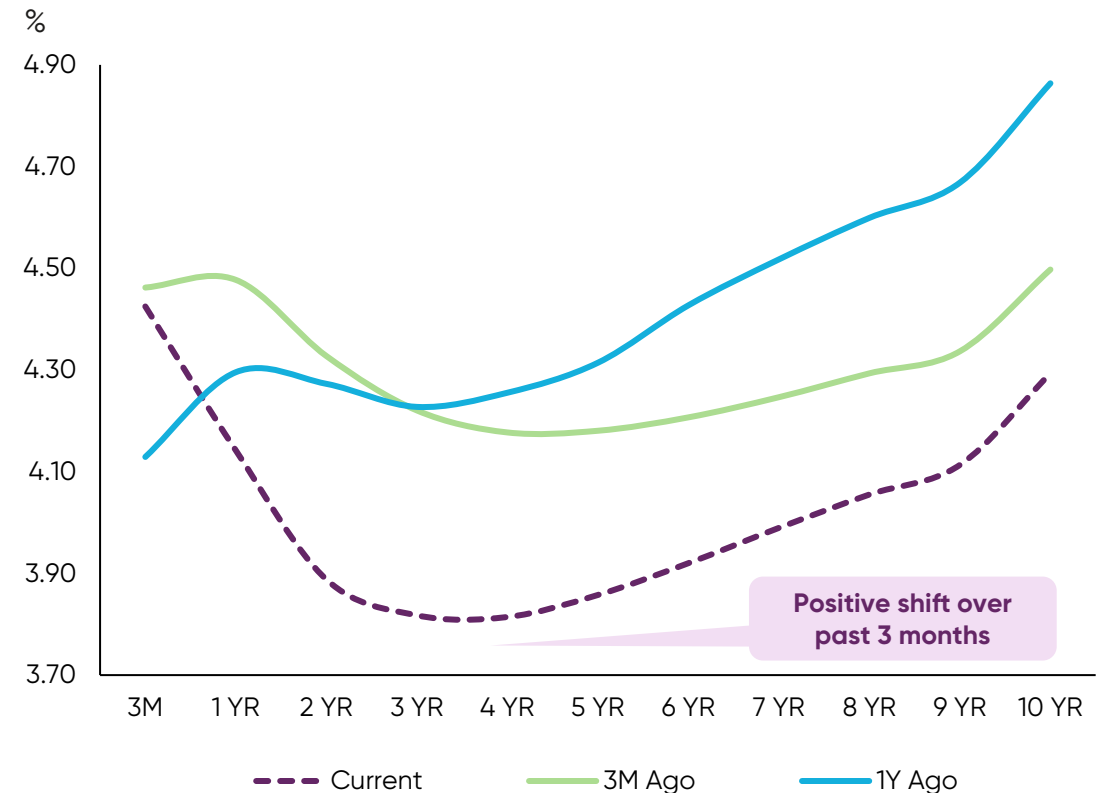
# Global easing cycle is upon us

While Australia lags, 3-4 year money is cheap

RBA easing projected to commence early CY25<sup>1</sup>...



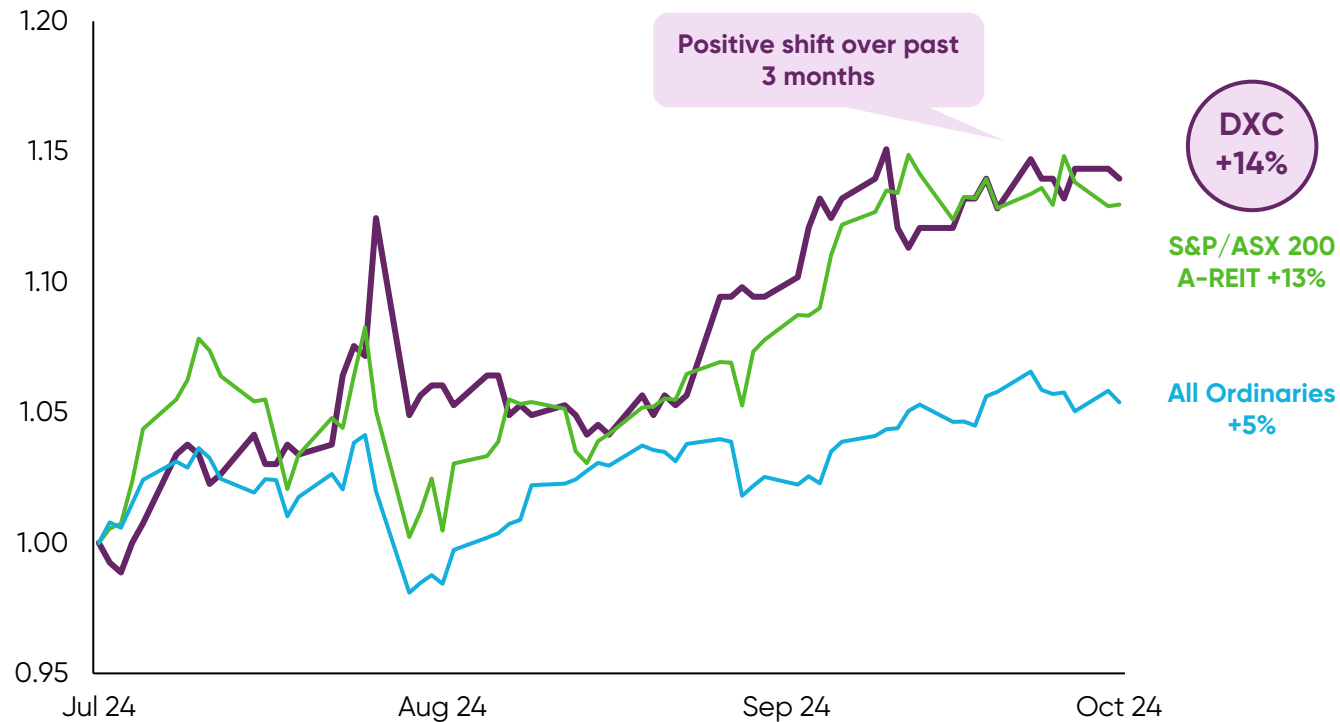
...but is already captured in 3-4 year money



<sup>10</sup> 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



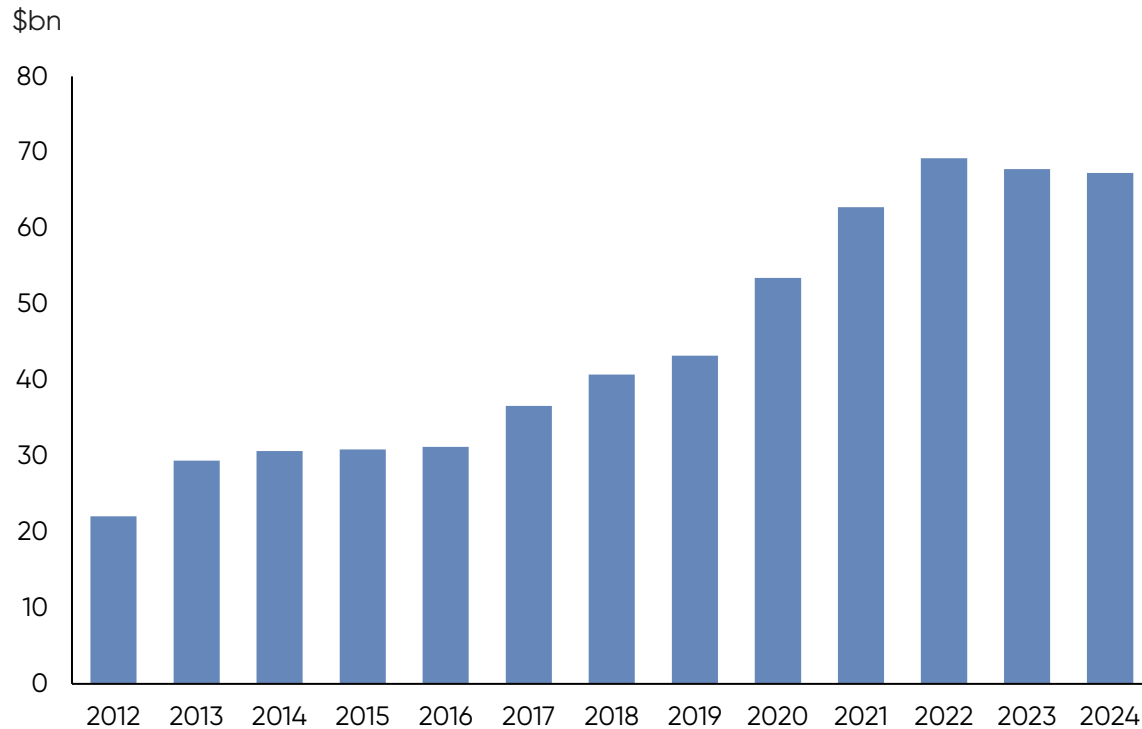
**Fuel A-REITs:** more sensitive given 'bond proxy' status underpinned by long weighted average lease expiry



**Increased capital demand** in interest rate easing cycle

# 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<sup>1</sup>



**Robust transaction activity** supporting asset price discovery



**Positive convenience retail themes** underpinned by material tenant investment



**Fragmented ownership** supporting potential consolidation opportunities

# Questions

303 Glen Osmond Road, Glenuga SA



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