

Dexus Convenience Retail REIT (ASX:DXC)

ASX release

11 August 2025

Improved portfolio quality with capacity to fund growth initiatives

Dexus Convenience Retail REIT (DXC) today announced its results for the full year ended 30 June 2025, confirming a distribution of 20.7 cents per security.

Summary

- **Delivered on FY25 guidance**, with Funds From Operations (FFO)¹ and distributions of 20.7 cents per security, slightly above guidance of 20.6 cents per security
- **Increased like-for-like net property income growth to 2.9%** supported by average rent reviews of 3.1% and increase in occupancy to 99.9%
- **Balance sheet positioned for growth with gearing of 29.4%**² at the lower end of the 25-40% target range, providing funding capacity to undertake existing development opportunities and pipeline restocking activity
- **Glass House Mountains Northbound site on track** for completion in February 2026, fully pre-leased on an average 18-year lease term. Design is progressing on the Southbound site with tenant negotiations underway
- **Portfolio valuation uplift**, supporting 2.2% increase in Net Tangible Assets (NTA) per security

Jason Weate, DXC Fund Manager said: "DXC has delivered FFO and distributions slightly above guidance, as our portfolio continues to generate defensive income with embedded rental growth. During FY25, we improved DXC's overall portfolio quality and strengthened our balance sheet through strategic divestments, creating capacity to redeploy capital into higher-returning opportunities.

"Today's result demonstrates our ability to deliver on our investment proposition to generate secure and defensive income with embedded growth, supported by prudent capital and active portfolio management."

Strategy

Jason Weate said: "During the year, DXC strategically divested \$38.8 million of our portfolio at an average 1.8% discount to book value, which has enhanced portfolio quality and balance sheet flexibility. We remain focused on redeploying capital into higher returning initiatives, including the Glass House Mountains redevelopment. Redevelopment of the Northbound site is underway and is on track to complete in early 2026 which will deliver a new, expanded On The Run convenience retail offering focused on food-on-the-go, grocery convenience and an internal quick-service-restaurant (QSR). In addition, the site will house three separate QSR pad sites to major national and international brands, with direct leases with the fund."

FY25 saw the continued strength of the fuel and convenience transaction market, underpinned by robust demand for secure income assets amid an increasingly favourable interest rate environment. This transaction activity has allowed for material asset price discovery in an environment where moderate capitalisation rate compression has re-emerged, supporting both the Fund's NTA and development returns.

Financial result

The statutory result reflected a net profit after tax of \$39.4 million, compared to a profit of \$3.4 million in the prior year, primarily reflecting property valuation gains recorded this year compared to valuation losses in the prior year.

FFO was \$28.4 million, or 20.7 cents per security, reflecting a decline of 1.5% on the prior year as a result of higher cost of debt and lower income from asset divestments, partially offset by like-for-like net operating income growth. The portfolio delivered like-for-like net operating income growth of 2.9%, reflecting the portfolio's embedded annual fixed and CPI-linked rental escalators combined with an increase in occupancy.

During the year, 98% of DXC's investment properties, by value, were independently externally valued. The external and internal valuations resulted in a net revaluation uplift of \$16.6 million, a 2.3% increase on prior-year book values, driven by a combination of contracted rent growth and capitalisation rate compression of eight basis points. The June 2025 reporting period represents the first instance of capitalisation rate compression since 2022.

The asset revaluations drove an eight cent, or 2.2% increase, in NTA to \$3.64 per security.

Gearing of 29.4% is at the lower end of the 25-40% target range, with proceeds from asset sales utilised to repay debt during the year. DXC also lengthened its average debt maturity to 4.5 years with no debt expiries until FY28. Hedged debt averaged 72% for FY25, with subsequent years to benefit from \$66 million of hedging activity undertaken during the second half of the year at competitive rates.

Property portfolio and asset management

DXC's property portfolio includes 91 assets, valued at \$728 million with a weighted average capitalisation rate of 6.32%.

The portfolio is 89% weighted to high value land uses (zoned to commercial, industrial, residential or mixed use) with 86% exposure to metropolitan and highway locations. Metropolitan and highway assets benefit from higher traffic flow and greater flexibility to explore alternate land usage over time to support consumer trends toward greater convenience retail spend per visit.

Portfolio occupancy increased to 99.9% following lease up of minor specialty vacancies, with 95% of overall income derived from major national and international tenants.

DXC's portfolio offers strong income visibility with a weighted average lease expiry of 7.9 years and 91% of income expiring in FY30 or beyond.

The Glass House Mountains two-stage redevelopment project presents a significant opportunity to utilise excess land and significantly enhance the convenience retail offering across the dual highway site. Development continues at the 25,000 square metre Northbound site which is 100% pre-leased on an 18-year average lease term, with 43% of income to be derived from QSR retailers. Total redevelopment costs of circa \$24 million over a 12-month period are expected to generate a yield on cost of circa 5.8% and deliver strong development returns for DXC. Completion of the Northbound site is on track for early 2026 and the design for the Southbound site is progressing with tenant negotiations underway.

Environmental, Social and Governance (ESG)

DXC is committed to delivering meaningful sustainability outcomes and aligns to the Dexus Sustainability Strategy, including an aspiration to unlock the potential of real assets to create a lasting positive impact and a more sustainable tomorrow. This also includes delivering against the sustainability priority areas of Customer Prosperity, Climate Action and Enhancing Communities.

Recognising the importance of climate action, 100% renewable electricity is sourced for assets where DXC has operational control. DXC maintained its carbon neutral position for Scope 1, 2 and some Scope 3 emissions across its business operations and controlled building portfolio for FY25 as part of the Dexus managed portfolio emissions³.

DXC supports its customers' ESG aspirations and their varied approaches to the shift in the energy mix. Over the year, DXC supported customers in delivering their sustainability initiatives, including a 39.5kW solar panel array installation at Orana in WA, and progressing commercial agreements for electronic vehicle (EV) charger installation across three separate DXC assets.

For the redevelopment of the Northbound site at Glass House Mountains, sustainability initiatives have been embedded into the project design including plans for EV charging stations, rooftop solar, rainwater harvesting, grey water reuse and new fuel tank technology.

Overview and outlook

DXC is well placed to deliver defensive and growing property income and will retain its focus on:

- Enhancing portfolio attributes that deliver income certainty and growth
- Preserving balance sheet flexibility underpinned by a disciplined approach to capital allocation
- Pursuing value-enhancing activities, including the Glass House Mountains redevelopment and restocking of the development pipeline
- Leveraging Dexus's capabilities across transactions, developments, asset management and treasury.

Despite the observed recovery in transaction market volumes and pricing, DXC continues to trade at a circa 19% discount to NTA⁴. DXC's convenience retail assets benefit from predictable cash flows and strong tenant covenants, which together are expected to support valuation resilience. In addition, the portfolio weighted average capitalisation rate provides a positive spread against the marginal cost of debt.

Barring unforeseen circumstances, DXC provides FY26 guidance⁵ for FFO and distributions of 20.9 cents per security, reflecting an attractive distribution yield of 7.1%⁴.

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) is a listed Australian real estate investment trust which owns high quality Australian service stations and convenience retail assets. At 30 June 2025, the fund's portfolio is valued at approximately \$728 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), a leading Australasian fully integrated real asset group with more than four decades of expertise in real estate and infrastructure 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 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.

- 1 The Directors consider the Property Council of Australia's (PCA) definition of FFO to be a measure that reflects the underlying performance of the Group. FFO comprises net profit/loss after tax attributable to stapled security holders, calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, derivative mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, non-FFO tax expenses, certain transaction costs, one-off significant items, rental guarantees and coupon income.
- 2 Adjusted for cash.
- 3 Covers Scope 1, 2 and some Scope 3 which received limited assurance. In line with Climate Active Carbon Neutral Standard for Organisations, net emissions for the year ended 30 June 2025 include offsets purchased and allocated for retirement during the year and up to the date of this announcement. Final Climate Active certification expected to be achieved post-reporting period. Refer to the Sustainability Data Pack for Scope 3 inclusions, which will be made available by Dexus on 20 August 2025 on the Dexus website.
- 4 Based on closing security price as at 7 August 2025.
- 5 Based on property income growth supported by contracted rental increases and current interest rate expectations.