



ARENA REIT (ASX CODE: ARF)

ASX ANNOUNCEMENT

22 NOVEMBER 2019

Arena REIT Annual General Meeting
Chair's address
10.00am Friday 22 November 2019

Chair's address

Good morning ladies and gentlemen and welcome to the general meetings of unitholders in Arena REIT No. 1 and Arena REIT No. 2 (together, the Trusts) and the annual general meeting of shareholders in Arena REIT Limited (the Company), which together constitute Arena REIT's 2019 Annual General Meeting (AGM).

My name is David Ross and I am the Independent Chair of the Board of Directors of Arena REIT Limited and of the Board of Directors of Arena REIT Management Limited ((ARML) the Responsible Entity of the Trusts) and I have been appointed as the chair of today's meeting.

The time is now 10am and a quorum is present. I therefore declare the meeting open.

Please take a moment to ensure that your mobile phones are turned to silent.

Allow me to introduce to you the other members of your Board of Directors:

- Rob de Vos, Managing Director;
- Gareth Winter, CFO and Company Secretary (ARML);
- Rosemary Hartnett, Independent Non-Executive Director;
- Simon Parsons, Independent Non-Executive Director; and
- Dennis Wildenburg, Independent Non-Executive Director.

The Board has two committees, an Audit Committee and a Remuneration and Nomination Committee which are comprised of only the Independent Directors.

Also with us today are:

- Members of the Arena management team;
- Charles Christie, Partner, George Sagonas, Partner and Leona Goh, Audit Manager, representing PWC, Arena's Auditor;
- James Morvell, representing Hall & Wilcox, Arena's Corporate Legal Advisor; and
- Lucas Jones, Returning Officer, Boardroom Limited.

Arena REIT Limited (ACN 602 365 186)
Arena REIT Management Limited ACN 600 069 761 AFSL No. 465754 as responsible entity of
Arena REIT No. 1 (ARSN 106 891 641) and Arena REIT No. 2 (ARSN 101 067 878)

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The Board and Management look forward to meeting with securityholders towards the conclusion of the meeting.

Agenda

The agenda for today's meeting includes a brief presentation from me followed by a presentation from Arena's Managing Director, Rob de Vos on the operating performance of Arena in the 2019 financial year (FY19) and the outlook for the 2020 financial year (FY20).

We will then move to general questions followed by the formal business of the meeting, being consideration and voting on eight resolutions.

Highlights for 2019 financial year

We are pleased to report that Arena has achieved another year of strong financial and operational results for our securityholders.

Arena's net operating profit increased by 8.7% to \$37.7 million in the 2019 financial year.

Key contributors to the result were rental income growth from annual rent reviews and income from acquisitions and development projects completed in the 2018 and 2019 financial years.

This result represents distributable income (or earnings) per security (EPS) of 13.8 cents, an increase of 5.3% over the prior year. Arena has paid a full-year distribution of 13.5 cents per security, an increase of 5.5% on the prior year.

Arena's total assets increased by 13.8% to \$825.7 million as a result of acquisitions, development capital expenditure and the positive revaluation of the portfolio. The revaluation uplift was the primary contributor to the 7% increase in net asset value per security to \$2.10 at 30 June 2019.

Arena raised \$50 million via a fully underwritten institutional placement in May 2019 and a further \$16.4 million via a security purchase plan in July 2019.

At 30 June 2019, Arena's balance sheet debt gearing was 22.8% with undrawn debt capacity of \$92 million as at balance date to fund development capital expenditure and potential new investments to grow income and enhance portfolio value and quality.

Securityholder returns

Arena has delivered a one year ASX total return of 34.3% and five year ASX total return of 25.0% per annum to 30 June 2019¹.

¹ UBS, UBS Australian REIT month in review, June 2019; ASX total return includes security price growth and reinvestment of distributions.

Strategy

Arena has produced strong earnings and capital growth, successfully delivered development completions, replenished the development pipeline, reduced gearing and increased the average duration of its leases with its tenant partners during financial year 2019.

These positive outcomes are a result of the quality of Arena's property portfolio, the proactive approach of Arena's management team and the strong macro-economic themes that support investment in social infrastructure property. It is also an endorsement of Arena's disciplined strategy and ability to deliver against our investment objectives.

Demand for high quality and well located early learning and healthcare property continues to be underpinned by growing community demand and supportive domestic macro-economic trends including:

- actual and projected population growth²;
- record and growing female workplace participation rate³;
- strong long day care participation rate⁴;
- improved affordability for early learning from the federal government's Child Care Subsidy (CCS)⁵; and
- aging population and increased prevalence of chronic health conditions⁶.

Arena remains focused on maximising the quality of its portfolio and sees opportunities to enhance existing properties for increased return, to acquire and develop new high quality assets and sell assets that no longer meet our investment criteria.

Arena's management team has specialist asset management and development expertise and a strong track record that includes the successful delivery of 37 development projects over the past seven years at a total cost of \$170 million.

Arena continues to differentiate its brand in the marketplace through a partnership approach, working collaboratively with our tenants and business partners.

Arena is well placed to continue to deliver on its investment objective – to generate attractive and predictable distributions to investors with earnings growth prospects over the medium to long term.

² ABS Australian Demographic Statistics.

³ ABS Female Labour Force Participation Rate (aged 20-74 at least one dependent child of ELC age).

⁴ Australian Government 'Early Childhood and Child Care in Summary' Reports 2012-2018.

⁵ Arena analysis based on operating data provided by Arena's tenant partners as at 31 March 2019.

⁶ ABS National Health Survey.

Remuneration

Reflecting on the positive financial outcomes achieved for the year, I can confirm that the management team met the 2019 key performance objectives set by the Board – delivering significant growth in earnings and distributions and achieving a range of other non-financial objectives.

The key performance objectives have been reset for financial year 2020, and have been designed to challenge and appropriately incentivise management to achieve not only relatively strong EPS growth performance, but also take into consideration the level of risk undertaken to achieve that growth in the prevailing market conditions.

The Board believes the current remuneration framework, which is outlined in the Remuneration Report section of the 2019 Annual Report, aligns the interests of the management team with securityholders and enables Arena to continue to attract and retain a high quality, committed and dynamic management team.

Governance

During financial year 2019, Arena announced the retirement of Bryce Mitchelson and the appointment of his successor Rob de Vos (formerly Arena's Head of Property) as the new Chief Executive Officer and Managing Director. We would like to thank Bryce for his leadership of Arena and acknowledge his passion for the business and substantial contribution to the strong performance of Arena since its ASX listing in June 2013. Bryce retires after close to 10 years with Arena and its predecessor business and we wish him all the best.

Arena also recently welcomed Ms Rosemary Hartnett as a new non-executive director. Rosemary is currently the independent chair of ISPT and has more than 30 years' experience in the Australian property sector, including extensive senior management experience in property finance, funds management, investment and social enterprise. Rosemary will make a valuable contribution to Arena and her broad experience will complement the Board's existing mix of skills and experience.

Outlook

Arena's outlook is positive and our portfolio remains in a strong position, supported by:

- 100% occupancy;
- long term predominantly triple net leases with minimum annual rent escalations;
- market rent reviews scheduled for financial year 2020 and 2021;
- annualisation of financial year 2019 development completions; and
- debt capacity to execute on selective new investment opportunities.

As in previous years, I am pleased to advise that we are forecasting distribution growth for financial year 2020 and reconfirm distribution guidance issued in August 2019 of 14.3 cents per security⁷ reflecting growth of 5.9% over financial year 2019.

Conclusion

Before handing over to Rob I would like to take the opportunity on behalf of the Board and the management team to thank our investors, tenants and business partners for their ongoing support.

On behalf of the Board I would also like to acknowledge and express our appreciation to Arena management team for their ongoing commitment and contribution to Arena's performance.

We will continue to work hard for our securityholders and look forward to reporting to you in 2020.

Thank you.

– ENDS –

For further information, please contact:

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About Arena REIT

Arena REIT is an ASX300 listed property group that owns, manages and develops social infrastructure properties across Australia. Our current portfolio of social infrastructure properties is leased to a diversified tenant base in the growing childcare and healthcare sectors. To find out more, please visit www.arena.com.au

⁷ Estimated on a status quo basis assuming no new acquisitions or disposals, developments in progress are completed in line with forecast assumptions, and tenants comply with their lease obligations.