

ARENA REIT

2020 FULL YEAR RESULTS

13 August 2020





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FY20 HIGHLIGHTS

Result demonstrates portfolio resilience in a challenging environment

- 5% growth in EPS¹ driven by contracted rental growth, acquisitions and development completions.
- Decisive response to the impacts of COVID-19, including working with tenant partners to finalise all rent relief agreements where justified.
- Long WALE maintained at 14 years.
- Acquisition of three ELC properties and one healthcare property, divestment of five ELC properties.
- Three development projects delivered, acquisition of 17 new projects² taking development pipeline to 20 projects² with forecast total cost of \$112 million with \$57 million capital expenditure outstanding.
- 6% growth in NAV highlights resilience of ELC portfolio valuations.
- Debt maturity extended and capacity increased.
- Completed \$60 million institutional placement and post balance date \$25 million Security Purchase Plan (SPP).
- Commenced renewable energy program.

1. EPS is calculated as net operating profit over weighted average number of securities on issue.
2. Includes four projects that have not yet settled; including one subject to an unconditional contract and three which are awaiting satisfaction of subdivision or planning approval.
3. Includes SPP securities which were issued on 1 July 2020 while settlement proceeds were received on 30 June 2020.
4. Includes ten FY19 uncapped market rent reviews which were resolved during FY20, excludes 26 unresolved FY20 market rent reviews which are all subject to a 0% collar and 7.5% cap.
5. Gearing calculated as ratio of net borrowing over total assets less cash.

\$76.6 million

Statutory net
profit

+29% on FY19

14.55 cents

Earnings per security
(EPS)¹

+5% on FY19

14.0 cents

Distributions per
security (DPS)

+4% on FY19

\$2.22

Net Asset Value
(NAV)³

+6% on FY19

+3.4%

Average like-for-like
rent increase⁴

14.8%

Gearing ratio⁵

-730bps on FY19

DELIVERING ON STRATEGY

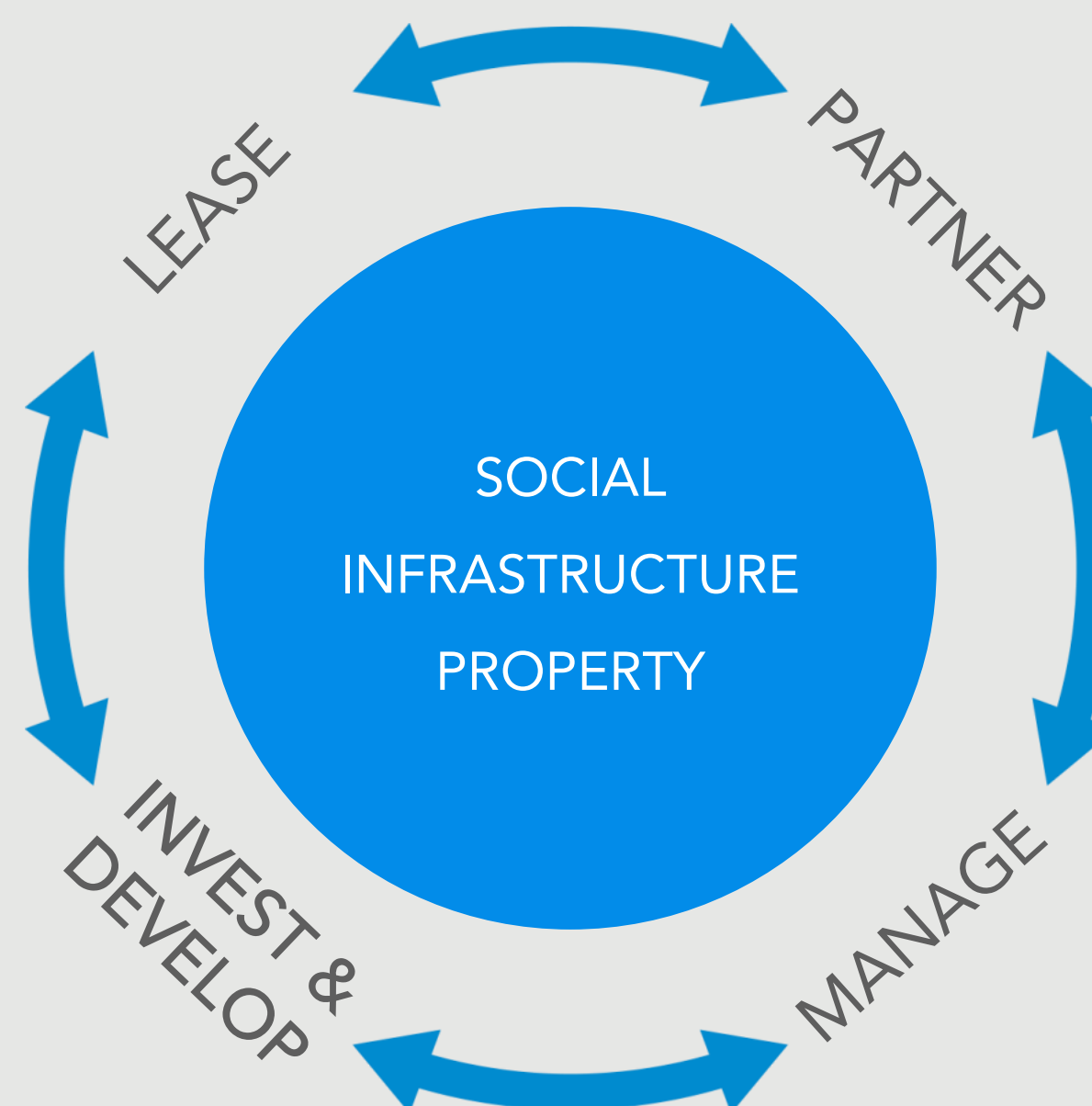
Consistent approach delivering positive portfolio and capital management outcomes

Lease management:

- 100% occupancy.
- Average FY20 like-for-like rent increase of +3.4%¹.

Investment and developments:

- Four operating properties acquired at a net initial yield of 6.3% with initial weighted average lease expiry of 16 years.
- Three ELC developments completed at a net initial yield on cost of 6.7% with initial weighted average lease expiry of 22 years.
- 17 new ELC development projects acquired with forecast total cost of \$83 million².



Working in partnership:

- Commenced renewable energy program.
- Completed rejuvenation of existing ELCs in partnership with four tenant groups.
- All rent relief agreements reached to date where justified³.

Portfolio management:

- Portfolio weighted average lease expiry (by income) maintained at 14 years.
- Five ELC properties sold at average premium of 11.6% to book value.
- Net valuation uplift of \$36.9 million.
- Portfolio weighted average passing yield 6.22%.

1. Includes ten FY19 uncapped market rent reviews which were resolved during FY20, excludes 26 unresolved FY20 market rent reviews which are all subject to a 0% collar and 7.5% cap.

2. Includes four projects that have not yet settled; including one subject to an unconditional contract and three which are awaiting satisfaction of subdivision or planning approval.

3. Under the National Cabinet Mandatory Code of Conduct landlords are obliged to provide eligible tenants rental relief in proportion to the reduction in trade resulting from COVID-19.



COVID-19 UPDATE

Decisive response, uncertainties remain

Impact

- All of Arena's properties remain open and in operation, including greater Melbourne and regional Victoria.
- Lockdowns in response to COVID-19 significantly impacted ELC occupancies across the portfolio.
 - Strong rebound post ease of lockdown restrictions, occupancy levels are generally within 5% of pre-COVID-19 levels and higher in some cases.
 - Continued uncertainty in lockdown affected areas (greater Melbourne and regional Victoria); however current Government support has been designed to maintain operator viability.
- Strong Government response to COVID-19 via the Early Childhood Education and Care Relief Package (ECECRP), JobKeeper package, ELC transition payment and top-ups for lockdown affected areas, relaxation of the activity test and waiver of gap fees and additional absence days for COVID-19 related reasons.
- Medical centre visitation, imaging and pathology services reduced up to May 2020 but have been improving in-line with the broader economy opening up.
- SDA portfolio unaffected outside the introduction of increased sanitation, resident security and well-being programs.
- Progress on ELC development program largely unaffected to date.

Arena's response

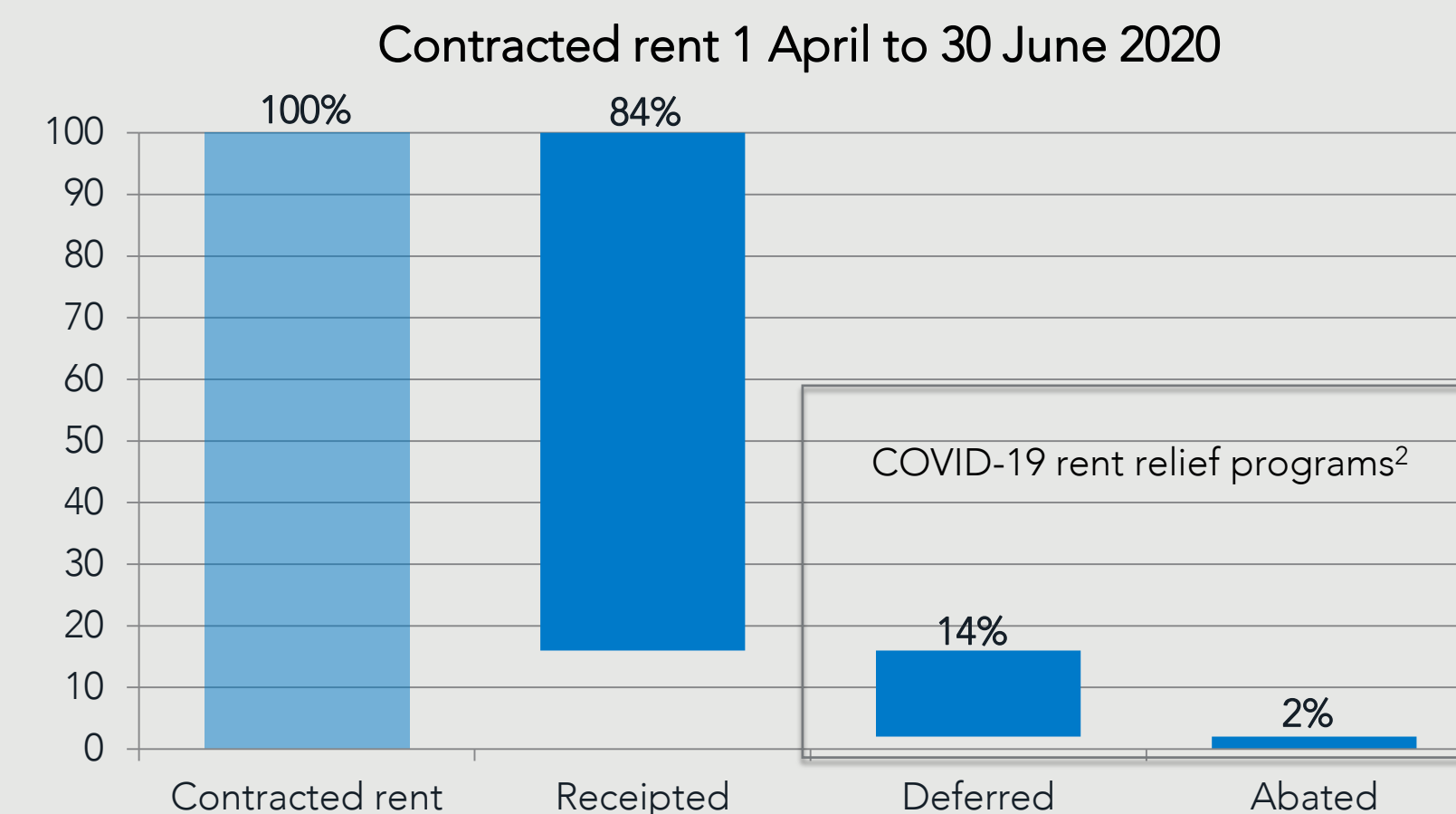
- Implemented measures to support the safety and wellbeing of the Arena team.
- Increased engagement with tenant partners and Arena's stakeholders.
- Capital management initiatives undertaken to provide capacity to pursue future social infrastructure property investments consistent with strategy while also improving liquidity and reducing gearing.
- All rent relief agreements with our tenant partners have been reached to date where justified¹.

1. Under the National Cabinet Mandatory Code of Conduct landlords are obliged to provide eligible tenants rental relief in proportion to the reduction in trade resulting from COVID-19.

COVID-19 UPDATE

Impact of COVID-19 on property income¹

- For the period 1 July 2019 to 31 March 2020:
 - 100% of contracted rent has been receipted.
- For the period 1 April 2020 to 30 June 2020:
 - 84% of contracted rent has been receipted:
 - 14% of contracted rent has been deferred, of which 71% is scheduled to be received in FY21; and
 - 2% of contracted rent has been abated.
- For the period 1 July 2019 to 30 June 2020:
 - 96% of contracted rent has been receipted;
 - 3.5% of contracted rent has been deferred, of which 71% is scheduled to be received in FY21; and
 - 0.5% of contracted rent has been abated.



1. As at 13 August 2020.

2. All rent relief agreements reached to date where justified, including under the National Cabinet Mandatory Code of Conduct whereby landlords are obliged to provide eligible tenants rental relief in proportion to the reduction in trade resulting from COVID-19.



FINANCIAL RESULTS

Gareth Winter
Chief Financial Officer



FINANCIAL PERFORMANCE

Ongoing investment enhancing earnings and distribution growth

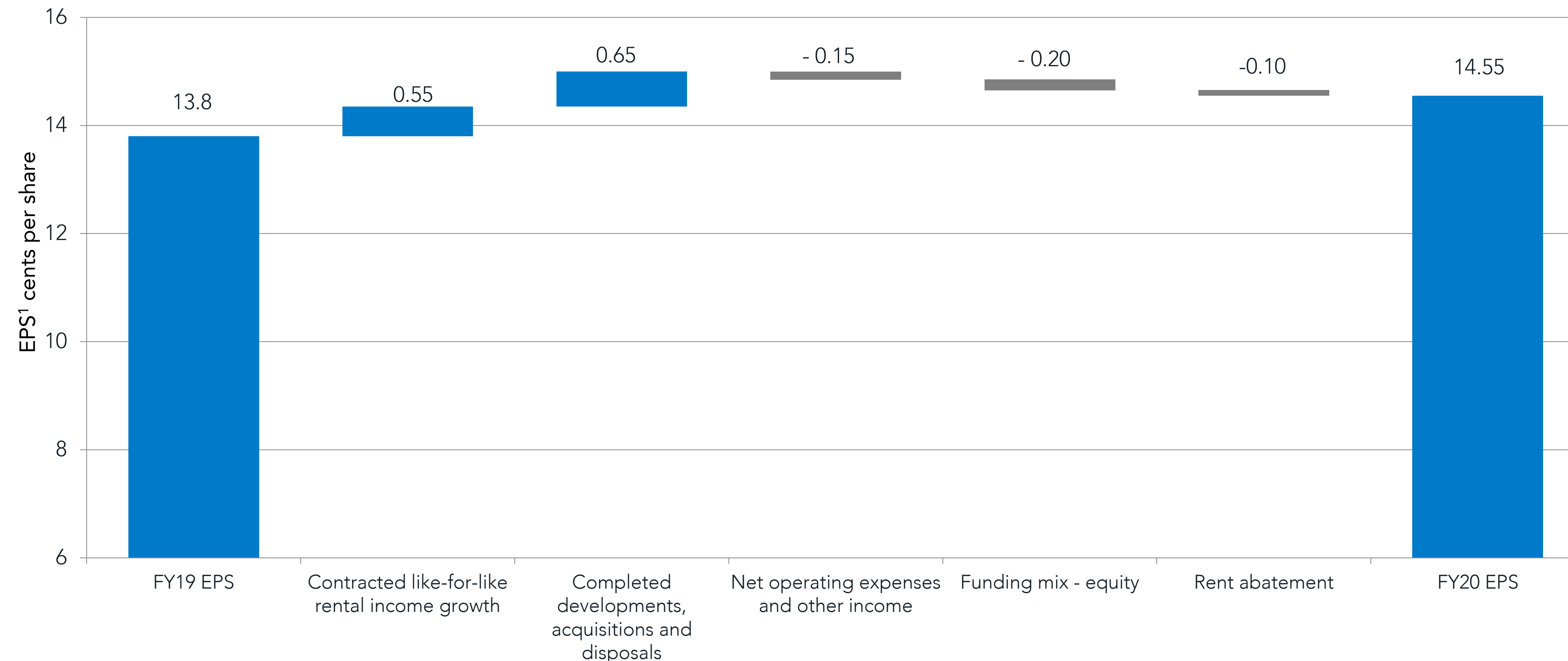
	FY20	FY19	Change	
	(\$'000)	(\$'000)	(\$'000)	(%)
Property income	53,844	48,744	5,100	+10%
Other income	559	583	(24)	-4%
Total operating income	54,403	49,327	5,076	+10%
Property expenses	(530)	(360)	(170)	+47%
Operating expenses	(4,291)	(3,937)	(354)	+9%
Finance costs	(5,738)	(7,337)	1,599	-22%
Net operating profit	43,844	37,693	6,151	+16%
Statutory net profit	76,641	59,323	17,318	+29%
Earnings per security (EPS ¹) (cents)	14.55	13.8	0.75	+5%
Distribution per security (DPS) (cents)	14.0	13.5	0.50	+4%

1. EPS is calculated as net operating profit over weighted average number of securities on issue.

- Property income continues to increase due to:
 - Contracted annual and market rental growth;
 - Acquisition of operating ELC and healthcare properties; and
 - ELC developments completed throughout FY19 and FY20.
- Property income is presented net of COVID-19 related rent abatement. Deferred rent is included in property income, however the FY20 distribution payout ratio was reduced to accommodate rent deferred during the period that will be collected in a future period.
- Higher statutory net profit arising from property valuation uplift and profits realised on sale of divested properties, offset by revaluation of interest rate hedges.
- Property expenses higher due to increased property inspection and valuation costs.
- Finance costs lower due to lower gearing and lower cost of debt.

CONTRIBUTORS TO EPS GROWTH

Rental growth and development completions supporting EPS growth



1. EPS is calculated as net operating profit over weighted average number of securities on issue.

FINANCIAL POSITION

Strong balance sheet with capacity to fund future growth

As at	30 June 2020	30 June 2019	Change
	(\$m)	(\$m)	%
Total assets	1,012.6 ¹	825.7	+23%
Investment properties	914.0	798.3	+14%
Borrowings	215.0	188.5	+14%
Net assets	751.9	610.3	+23%
Securities on issue	327.3	291.3	+12%
Net Asset Value (NAV) per security ²	\$2.22	\$2.10	+6%
Gearing ³	14.8%	22.1%	-730bps

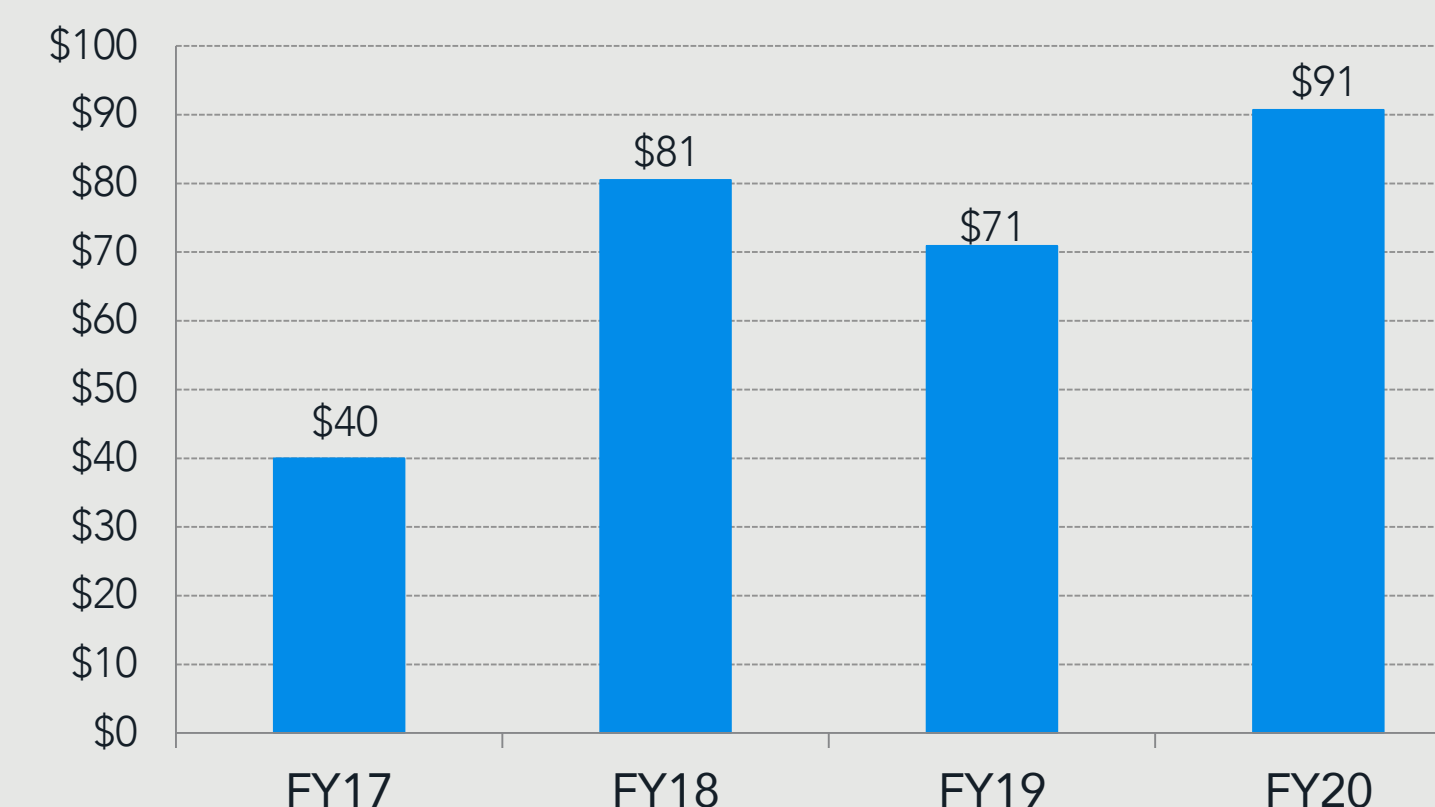
1. Includes \$76 million of cash.

2. Includes SPP securities which were issued on 1 July 2020 while settlement proceeds were received on 30 June 2020.

3. Gearing calculated as ratio of net borrowing over total assets less cash.

- Growth in total assets continues from the acquisition of operating properties, ELC development completions and property valuation uplift.
- Gearing³ remains low with undrawn debt capacity of \$115 million and \$76 million of cash reserves to fund the balance of development pipeline of \$57 million and future growth opportunities.

Acquisition and development capital expenditure \$m



CAPITAL MANAGEMENT

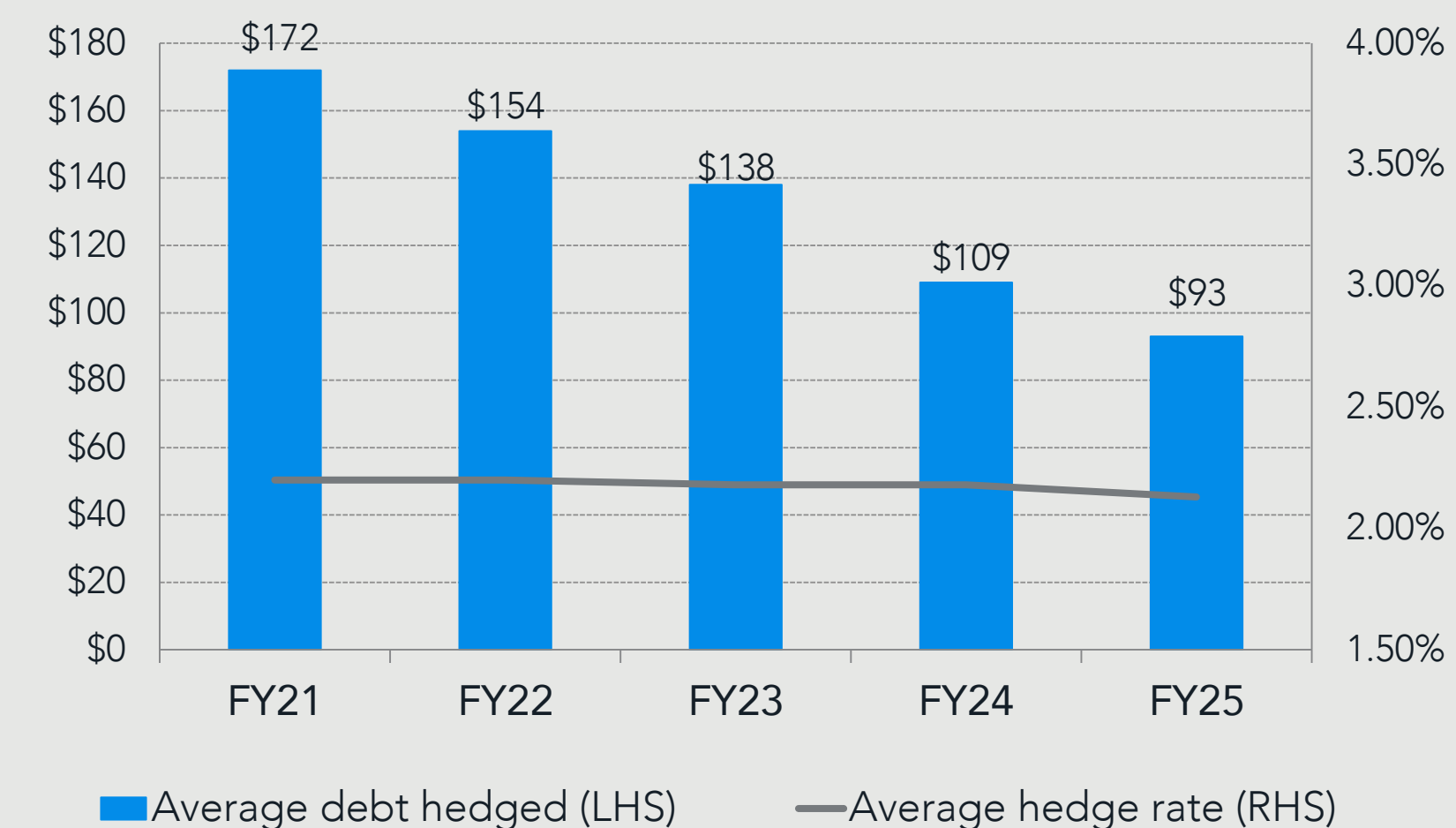
Debt maturity extended and capacity refreshed

As at	30 June 2020	30 June 2019	Change
Borrowings	\$215.0m	\$188.5m	+14%
Borrowings facility limit	\$330m	\$280m	+\$50m
Gearing ¹	14.8%	22.1%	-730bps
Weighted average facility term	3.5 years	3.3 years	+0.2 year
Weighted average cost of debt	3.15%	3.65%	-50bps
Interest cover ratio	6.65x	5.5x	+1.15x
Hedge cover	80%	82%	-200bps
Weighted average hedge rate	2.20%	2.42%	-22bps
Weighted average hedge term	4.7 years	4.8 years	-0.1 year

1. Gearing calculated as ratio of net borrowing over total assets less cash.

- Syndicated borrowing facility limit increased by \$50 million to \$330 million, comprised of:
 - \$130 million expiring 31 March 2023;
 - \$150 million expiring 31 March 2024; and
 - \$50 million expiring 31 March 2025.
- Institutional placement raised \$60 million in June 2020.
- DRP in operation – \$7.7 million raised in FY2020.
- SPP raised \$25 million – funds received pre 30 June 2020 while securities were issued post 30 June 2020.

Hedge maturity profile \$m





PORTFOLIO UPDATE

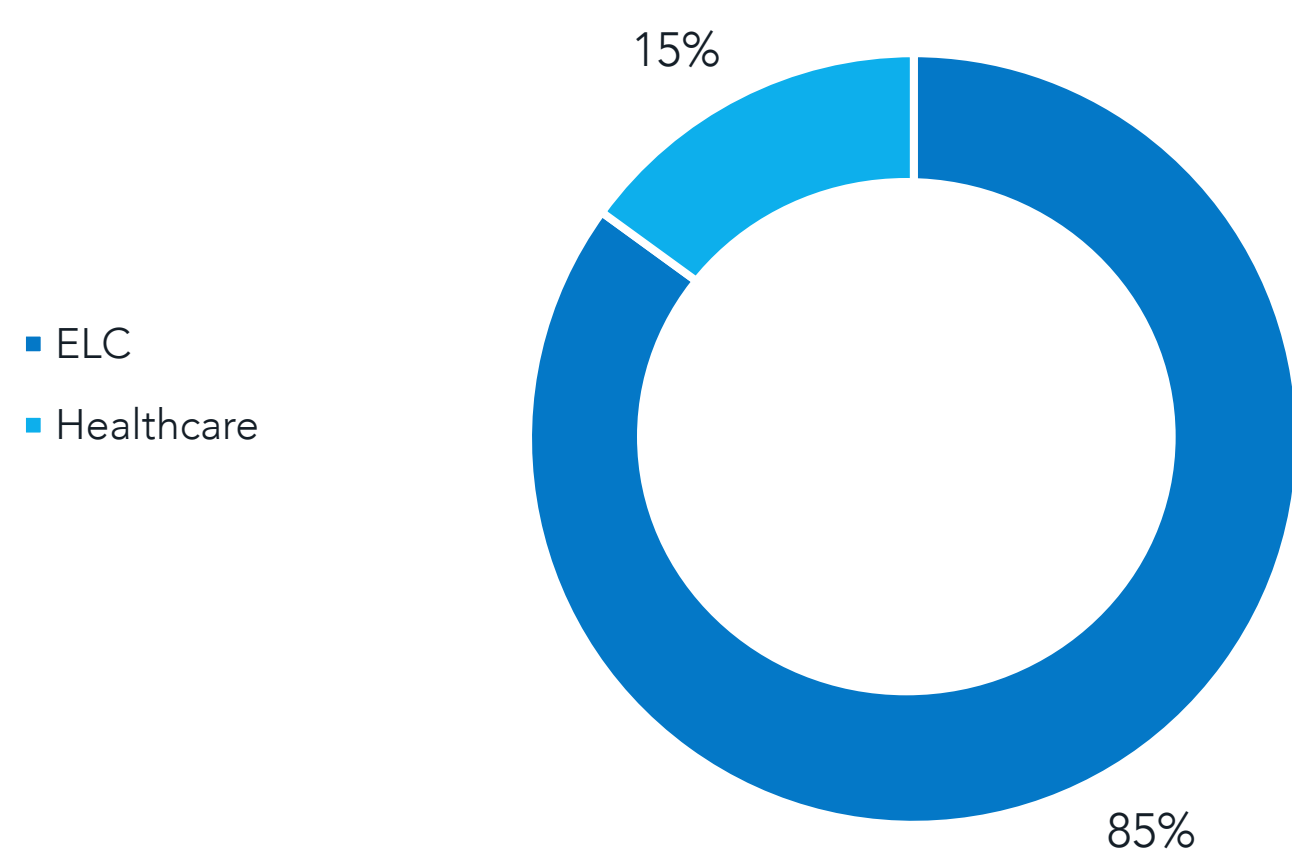
Rob de Vos
Managing Director



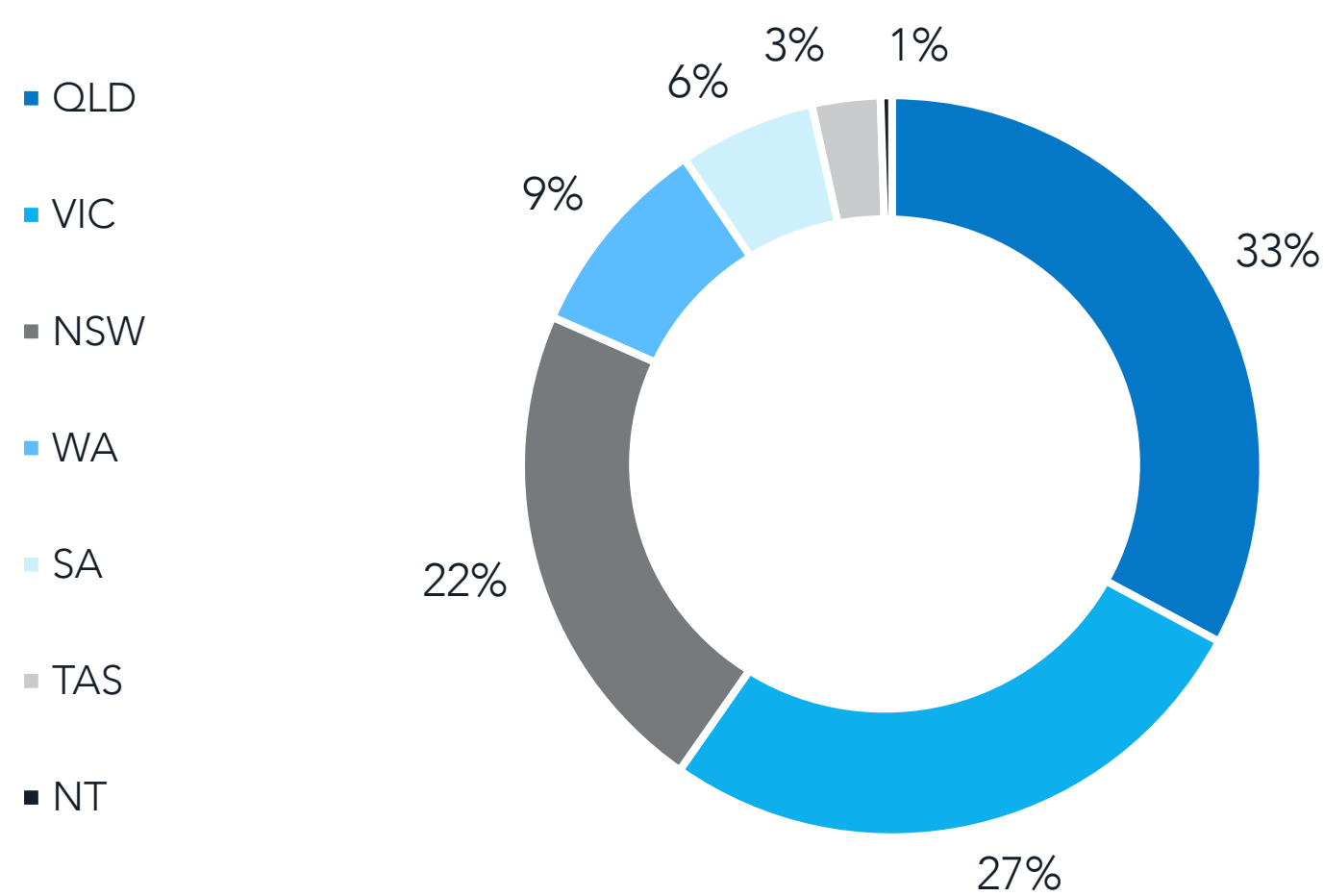
PORTFOLIO OVERVIEW

	Number of assets ¹	30 June 2020 valuation	Net valuation movement versus 30 June 2019		30 June 2020 passing yield	Change versus 30 June 2019
		\$m	\$m	%	%	bps
ELC portfolio	228	777.4	+34.7	+5.1%	6.24%	(21)
Healthcare portfolio	11	136.6	+2.2	+1.8%	6.12%	4
Total portfolio	239	914.0	+36.9	+4.6%	6.22%	(10)

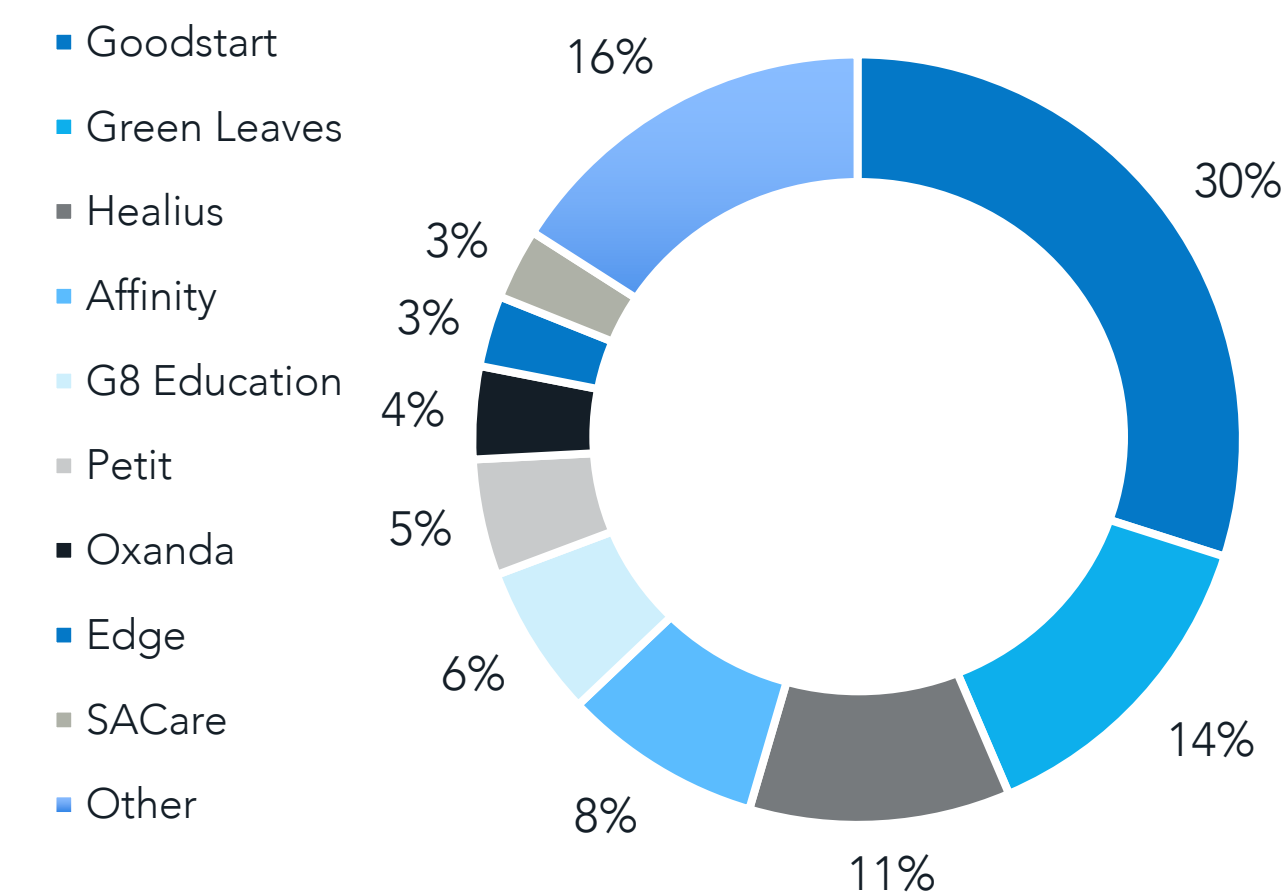
Sector diversity (by value)



Geographic diversity (descending by value)



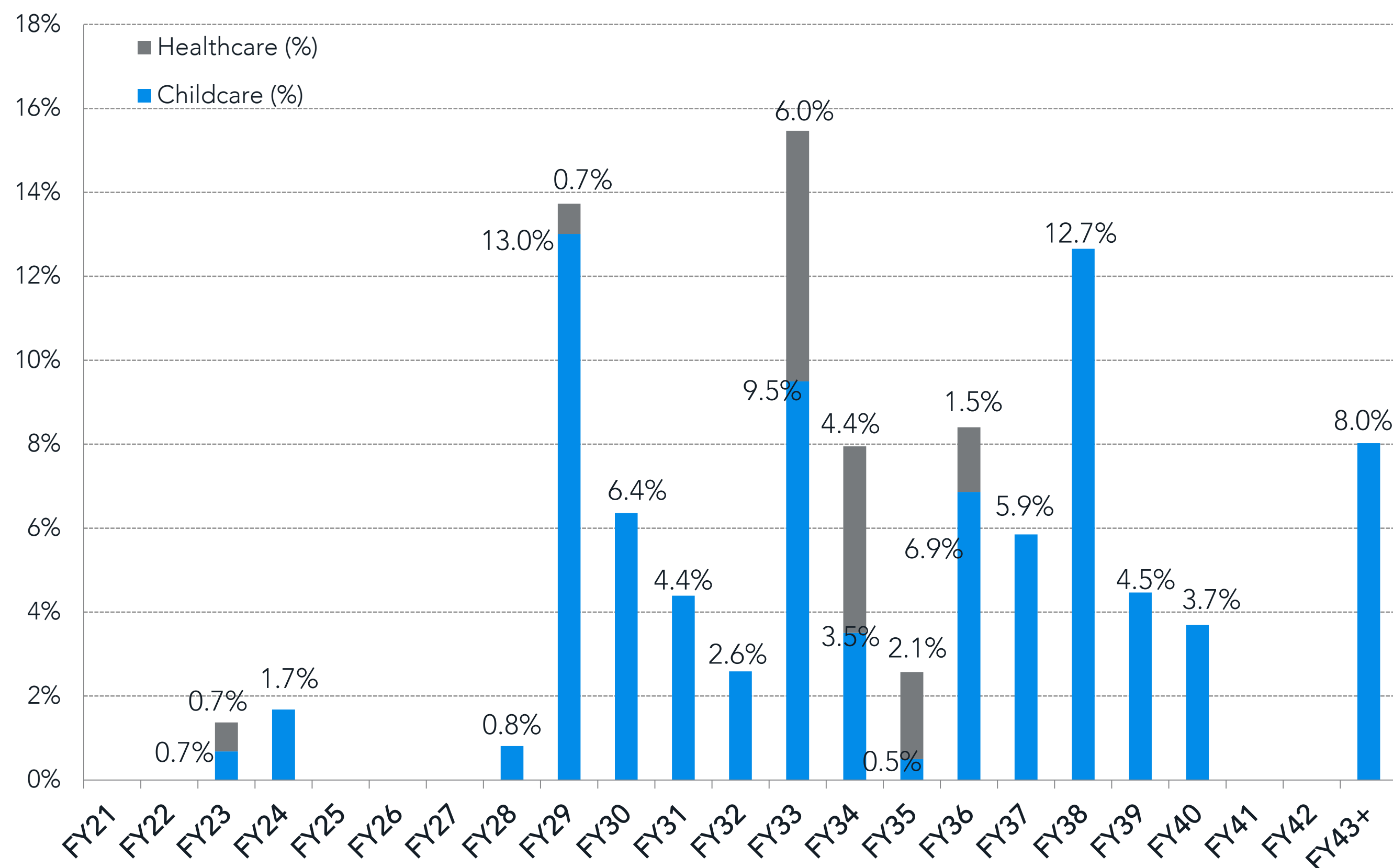
Tenant diversity (descending by income)



1. Includes one project which is subject to an unconditional contract and excludes three projects which are awaiting satisfaction of subdivision or planning approval.
 2. Totals may not add due to rounding.

LEASE EXPIRY PROFILE

Weighted average lease expiry maintained at 14¹ years

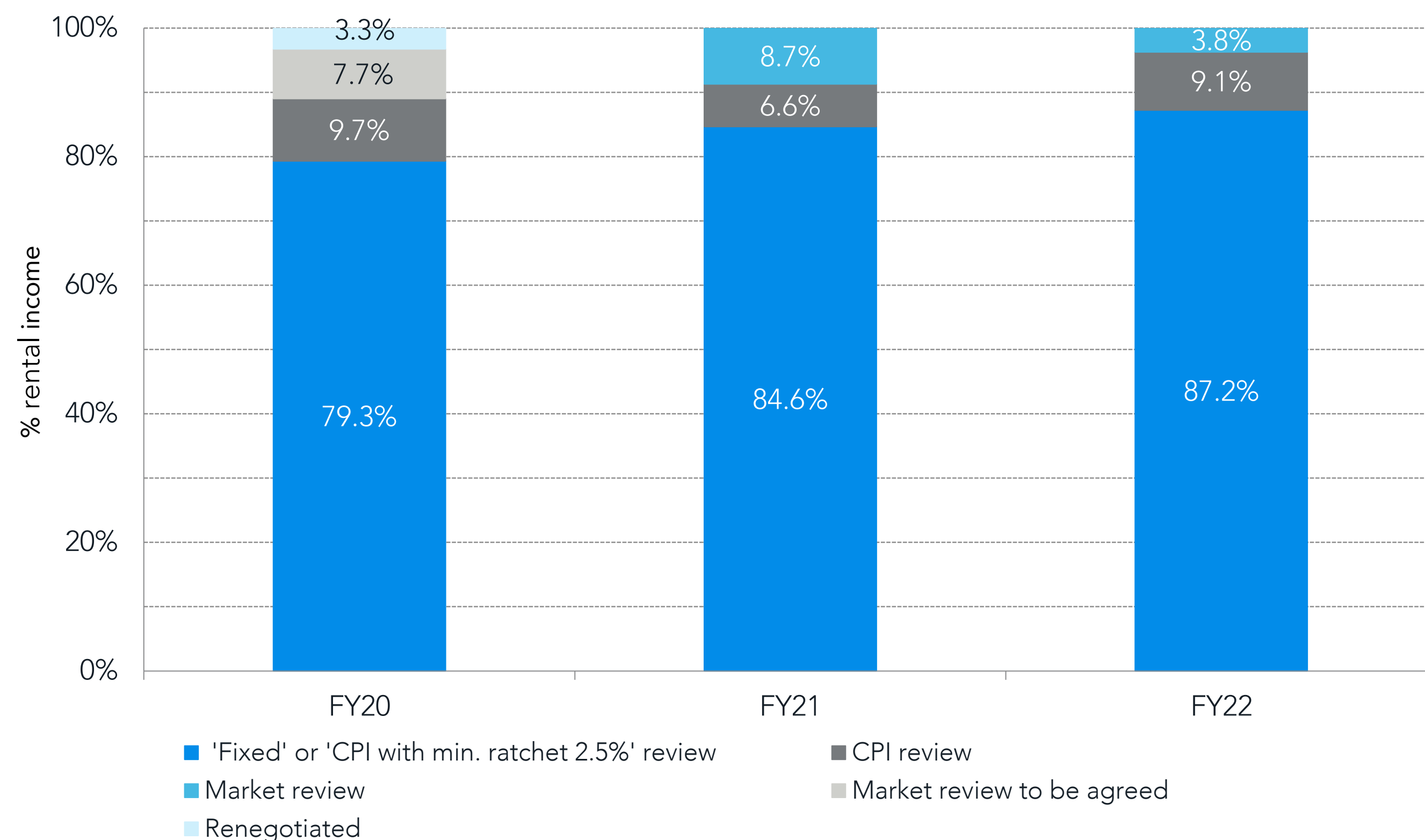


1. By income.

- Three operating ELC properties added to portfolio each with initial lease term of 20 years.
- One operating healthcare property added to portfolio with initial weighted average lease term of 10 years.
- Three ELC development completions added to portfolio with initial weighted average lease term of 22 years.
- Less than 4% of portfolio income subject to expiry prior to FY2029.

ANNUAL RENT REVIEWS

FY20 average like-for-like rent increase of +3.4%¹



- Like-for-like rent increase includes positive impact of ten FY19 market rent reviews which were resolved during FY20 at an average increase of +18.9%.
- 26 FY20 market rent reviews remain unresolved as at 30 June 2020, each are subject to 0% collar and 7.5% cap.
- All FY21 and FY22 market rent reviews are subject to 0% collar and 7.5% cap.

1. Includes ten FY19 uncapped market rent reviews which were resolved during FY20, excludes 26 unresolved FY20 market rent reviews which are all subject to a 0% collar and 7.5% cap.

ACQUISITIONS AND DEVELOPMENTS

Targeted pipeline of quality ELCs

- High quality, purpose built properties.
- 14 development projects are forecast to complete in FY21 with the balance of current projects forecast to complete in FY22.

Acquisitions/development completions	Number of properties	Total cost (\$m)	Initial yield on total cost (%)	Initial weighted average lease term (years)
Operating ELC acquisitions	3	15.5	6.2	20.0
Operating healthcare acquisition	1	11.1	6.5	10.0
ELC development completions	3	16.9	6.7	22.0
Total/weighted average	7	43.5	6.5	18.0

Development pipeline ¹	
Number of projects	20
Forecast total cost	\$112 million
Initial yield on total cost	6.6%
Capex amount outstanding	\$57 million

1. Includes four projects that have not yet settled; including one subject to an unconditional contract and three which are awaiting satisfaction of subdivision or planning approval.



ELC OPERATING ENVIRONMENT

Arena's properties accommodate the provision of essential services

Strong macroeconomic drivers supporting Australian ELC sector

- Provision of ELC's integral to assisting Australians back to work in the short term and improving workplace productivity over the medium to long term.
- Strong structural demand for services and record female workforce participation rate drove increased long day care (LDC) participation rates pre COVID-19^{1,2}.
- Government support improved through introduction of CCS in July 2018 and ongoing COVID-19 related funding commitments.

Government response to COVID-19³

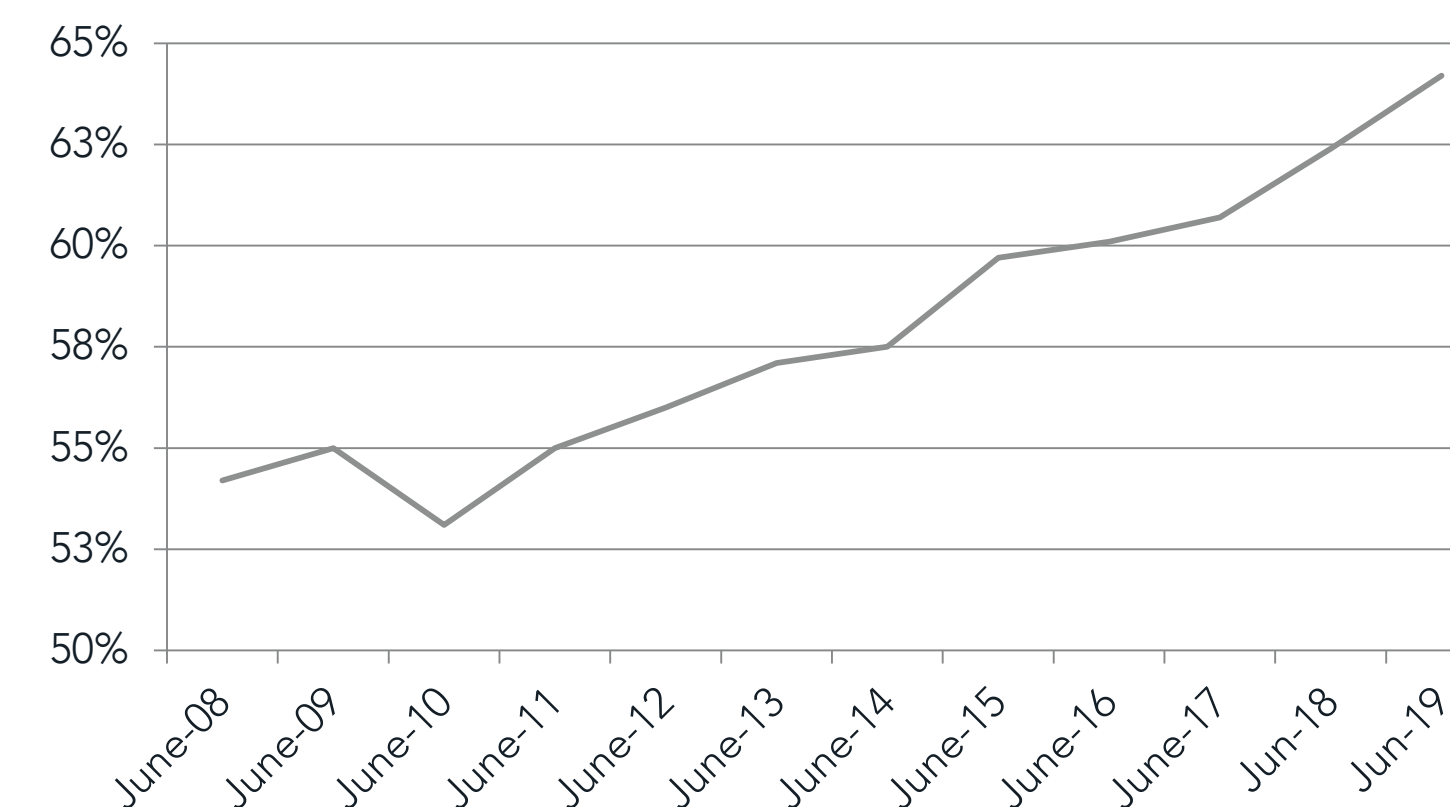
- 6 April to 12 July 2020 - Early Childhood Education and Care Relief Package (ECECRP) and JobKeeper package apply, gap fees are waived.
- 13 July to 27 September 2020 - JobKeeper ceases for ELCs, CCS resumes, new transition payment applies (equivalent to 50% of ECECRP for the period) and gap fees charged as usual.
- 13 July to 4 October 2020 - Activity test relaxed and daily fees capped at pre COVID-19 levels, initial absences reset to 42 days. Gap fees may be waived and unlimited additional absence days can be claimed for COVID-19 related reasons without the need for medical evidence until 31 December 2020.
- 5 August 2020 - Federal government announced an additional 30 days of allowable absences for all Victorian families in addition to current 42 allowable absences for FY2021. ELCs in greater Melbourne where CCS rate is greater than 50% of income to receive top up of 5% additional transition payment (equates to +20% of existing transition payment). ELCs in greater Melbourne where CCS rate is less than 50% of income, and where attendances falls below 30%, to receive top up of 10-25% additional transition payment (equates to +40%+100% of existing transition payment).

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

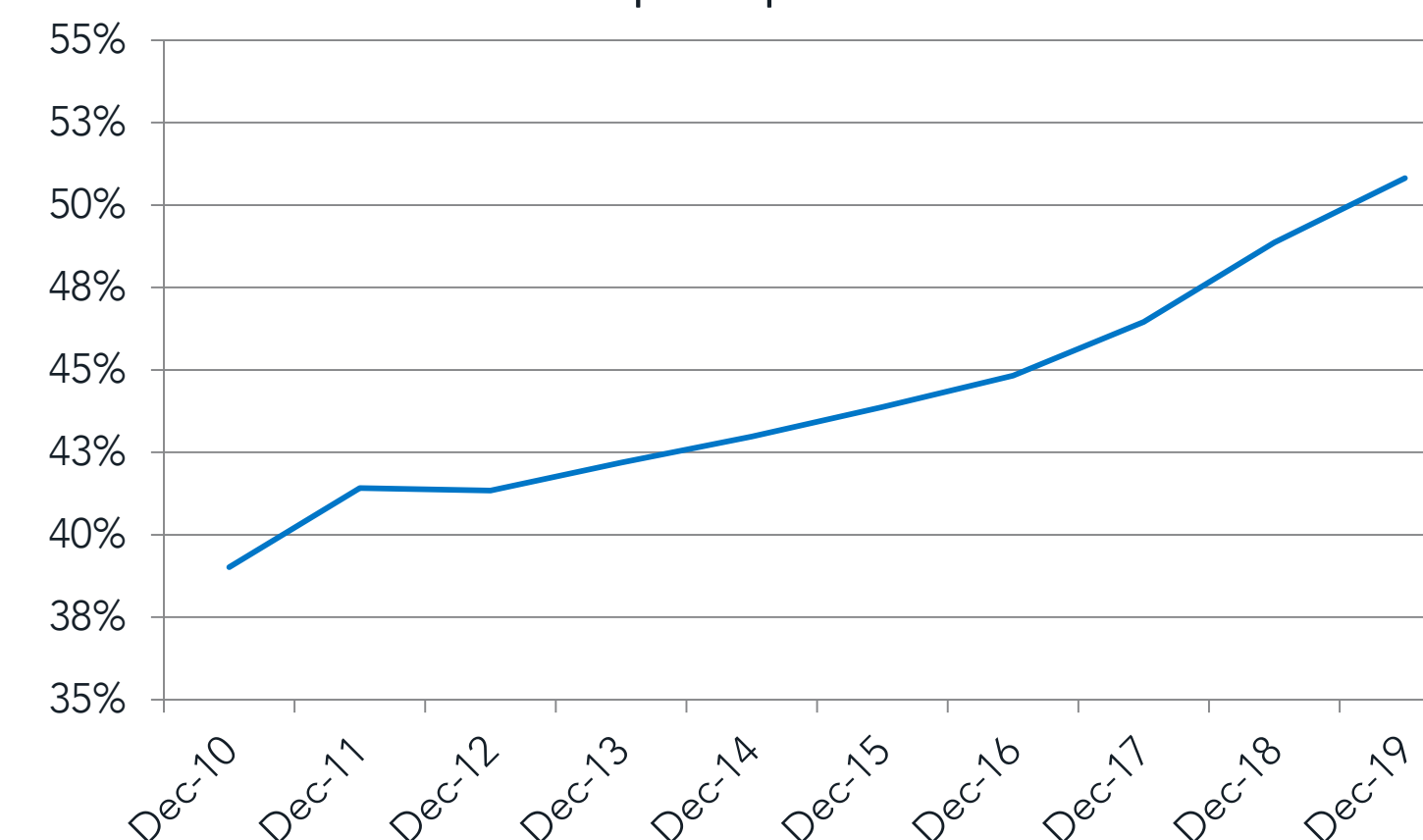
2. Australian Government 'Early Childhood and Child Care in Summary' Reports 2012-2019.

3. <https://www.dese.gov.au/covid-19/childcare/>; <https://ministers.dese.gov.au/>

Female Workforce Participation Rate¹



LDC participation rate²



ELC PORTFOLIO

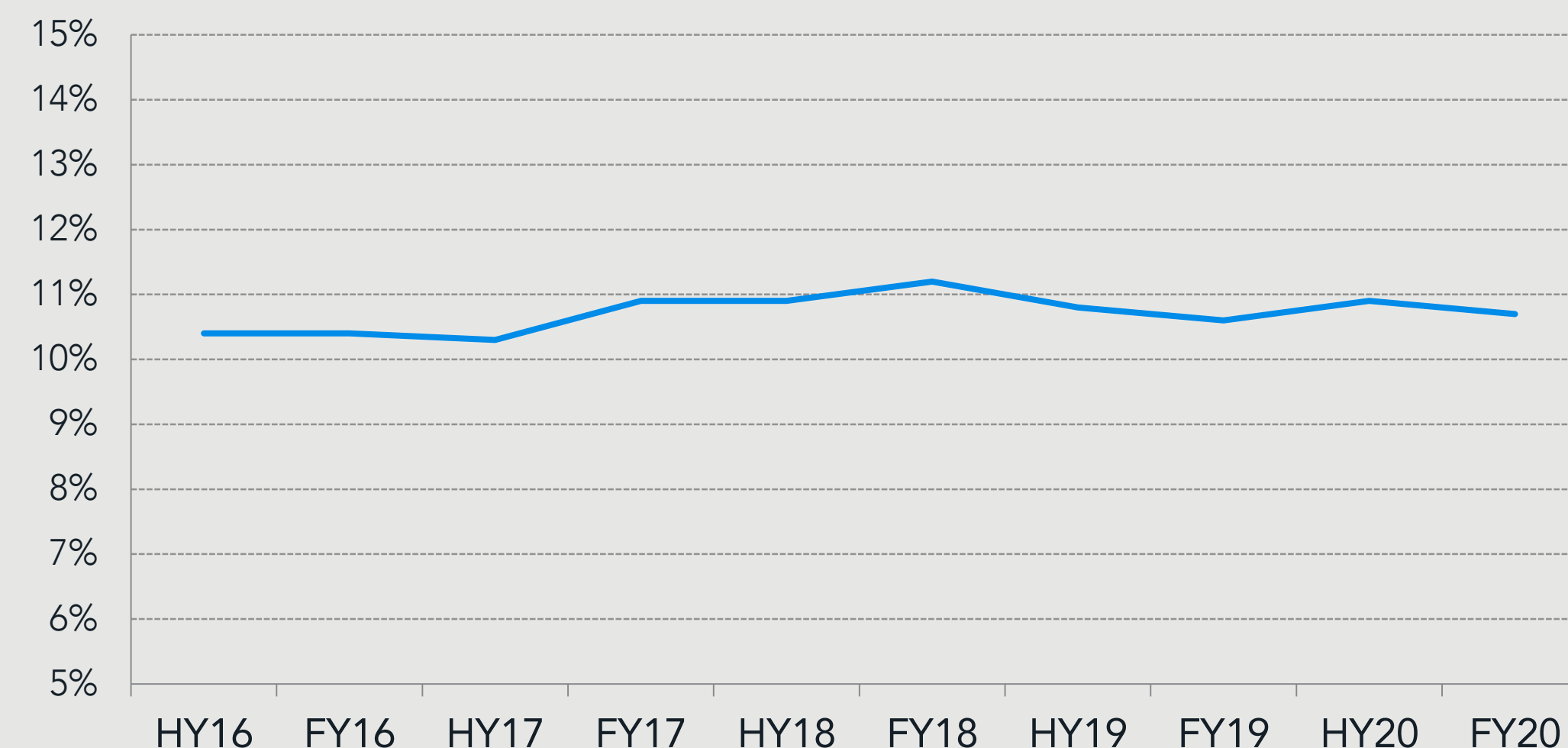
Pre-COVID-19 portfolio strength underpinned by asset quality

Arena's ELC portfolio operating data to 31 March 2020¹

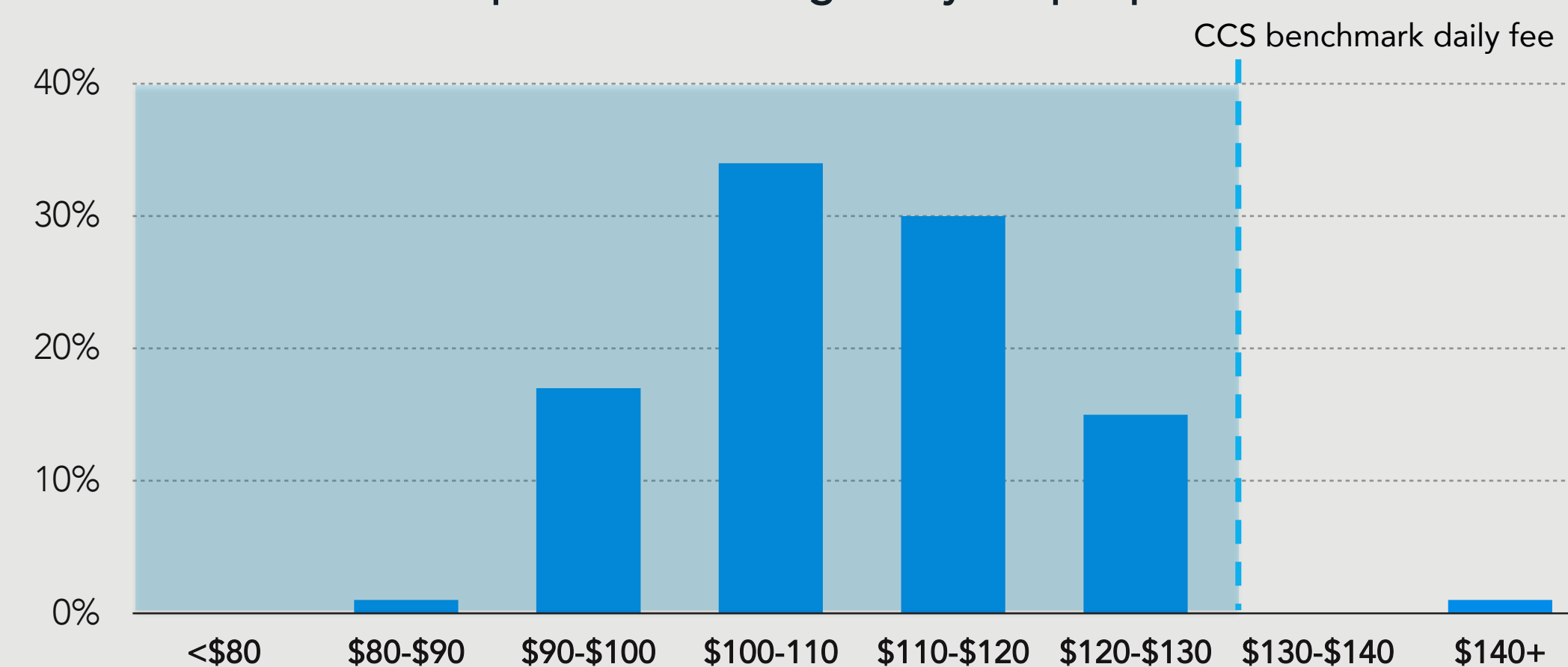
- 100% occupancy.
- Average centre occupancy stable year on year.
- Average daily fee increased to \$109.23:
 - +2.9% from 31 December 2019; and
 - +5.2% from 30 June 2019.
- Net rent to revenue ratio of 10.7%.

1. Arena analysis based on operating data provided by Arena's tenant partners as at 31 March 2020.
 2. Assumes CCS fully covers a daily fee of approximately \$134 based on CCS capped hourly fee of \$12.20 per hour over an 11 hour day.

Arena ELC portfolio – net rent to gross operator revenue¹



Arena ELC portfolio - average daily fee per place^{1,2}





HEALTHCARE SECTOR & PORTFOLIO

Strongly sought defensive asset class

- Strong structural macro-economic drivers continue to support Australian healthcare accommodation including growing and ageing population and increased prevalence of chronic health conditions
- February 2020 acquisition of \$11 million multi-disciplinary medical centre co-located with the Kalamunda Hospital, WA:
 - Modern purpose built property majority leased to Mead Medical, a leading local community healthcare provider with complementary pathology and pharmacy tenancies.
 - 10 year weighted average lease expiry, triple net anchor lease, 6.5% initial yield.
- Healius has announced¹ that its medical centres experienced strong revenues throughout the COVID-19 period underpinned by telehealth services, and of its intention to sell its medical centre business to BGH Capital.
- Strong occupancy across specialist disability accommodation portfolio.

1. Healius ASX Announcement 15 June 2020.





OUTLOOK

Well positioned despite ongoing uncertainty


INCOME GROWTH

- FY21 distribution guidance of 14.4-14.6 cents per security, an increase of 3-4%¹ on FY20.
- Annual rent increases, including market rent reviews:
 - Approximately 8% of FY20 income unresolved; and
 - Approximately 9% of FY21 income.
- Full impact of FY19 and FY20 acquisitions and development completions.
- \$112 million development pipeline comprising 20 ELC projects².

OUTLOOK

- Early learning and healthcare are integral to economic recovery.
- Gearing³ reduced to 14.8%, no debt expiry falling due until March 2023.
- Proven ability to secure and execute on high quality opportunities while maintaining a disciplined investment process for opportunities that meet Arena's preferred property characteristics.

1. FY21 distribution guidance is estimated on a status quo basis assuming no new acquisitions or disposals, all developments in progress are completed in line with forecast assumptions, tenants comply with their existing or adjusted lease obligations and is based on Arena's current assessment of the future impact of COVID-19 pandemic (which is subject to a wide range of uncertainties) and assumes ongoing government support of the early learning sector.
2. Includes four projects that have not yet settled; including one subject to an unconditional contract and three which are awaiting satisfaction of subdivision or planning approval.
3. Gearing calculated as ratio of net borrowing over total assets less cash.



Investment objective:
To deliver an attractive and predictable distribution to investors with earnings growth prospects over the medium to long term.



QUESTIONS



CORPORATE DIRECTORY

Please direct enquiries to Sam Rist on samantha.rist@arena.com.au or +61 3 9093 9000



ROB DE VOS

Managing Director



GARETH WINTER

Chief Financial Officer



SAM RIST

Head of Investor Relations



APPENDICES



FINANCIAL PERFORMANCE – FY20

	FY20	FY19	Change	
	(\$'000)	(\$'000)	(\$'000)	%
Property income	53,844	48,744	5,100	+10%
Other income	559	583	(24)	-4%
Total operating income	54,403	49,327	5,076	+10%
Property expenses	(530)	(360)	(170)	+47%
Operating expenses	(4,291)	(3,937)	(354)	+9%
Finance costs	(5,738)	(7,337)	1,599	-22%
Net operating profit (distributable income)	43,844	37,693	6,151	+16%
<i>Non-distributable items:</i>				
Investment property revaluation & straight-lining of rent	36,926	32,362	4,564	
Change in fair value of derivatives	(4,104)	(8,619)	4,515	
Profit/(loss) on sale of investment properties	1,303	(223)	1,526	
Transaction costs	(144)	(474)	330	
Amortisation of equity payments remuneration (non-cash)	(1,155)	(1,169)	14	
Other	(29)	(247)	218	
Statutory net profit	76,641	59,323	17,318	

BALANCE SHEET – FY20

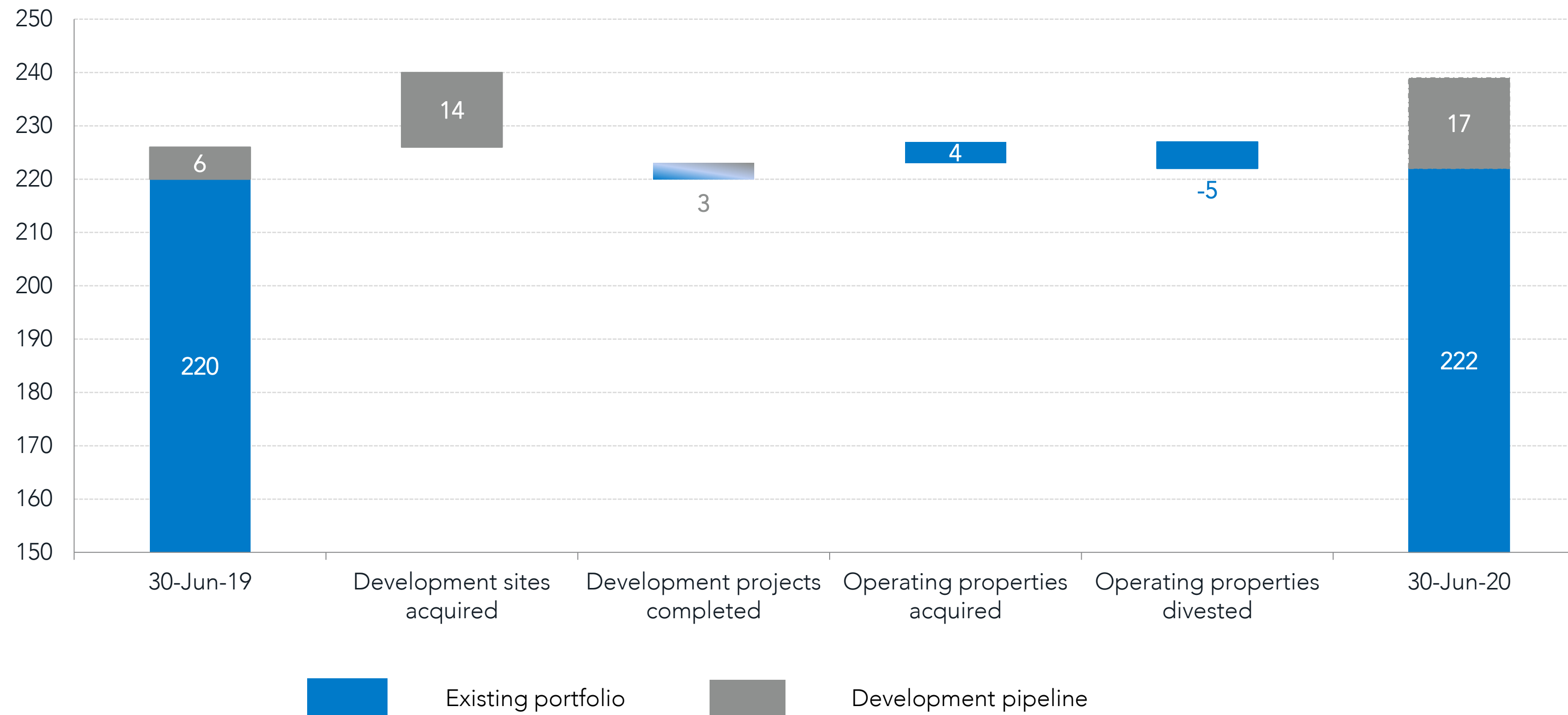
	30 June 20	30 June 19	Change	
	(\$'000)	(\$'000)	(\$'000)	%
Cash	76,330	8,134	68,196	+838%
Receivables and other assets	11,427	8,453	2,974	+35%
Investment properties	914,007	798,318	115,689	+14%
Intangibles	10,816	10,816	-	-
Total assets	1,012,580	825,721	186,859	+23%
Trade and other liabilities	11,218	8,809	2,409	+27%
Distributions payable	22,419	9,832	12,587	+128%
Borrowings	213,953	187,570	26,383	+14%
Derivatives	13,110	9,180	3,930	+43%
Total liabilities	260,700	215,391	45,309	+21%
Net assets	751,880	610,330	141,550	+23%
Number of securities on issue (m)	327.3	291.3	36.0	+12%
Net asset value per security (\$)	2.22	2.10	0.12	+6%
Gearing ¹ (%)	14.8	22.1	-730bps	n/a

1. Gearing calculated as ratio of net borrowing over total assets less cash.

Covenant	Facility requirement	Ratio
Loan to value ratio (LVR)	Maximum 50%	23.6%
Interest cover ratio (ICR)	Minimum 2x	6.65x

PORTFOLIO COMPOSITION AND MOVEMENT

Portfolio movements (30 June 2019 to 30 June 2020)¹



1. Includes one project which is subject to an unconditional contract and excludes three projects which are awaiting satisfaction of subdivision or planning approval.

ELC PORTFOLIO VALUATIONS

As at 30 June 2020	Number of properties	Value (\$m)	Passing yield (%)
Independent ELC valuations			
Queensland	77	268.2	6.35
Victoria	65	244.1	6.08
New South Wales	31	95.4	6.19
Western Australia	22	61.7	6.23
Tasmania	7	20.1	6.58
South Australia	7	27.7	6.37
Northern Territory	2	4.8	7.05
Total independent ELC valuations	211	722.0	6.24
ELC development sites	17	55.4	
Total ELC portfolio	228	777.4	6.24

ELC PORTFOLIO METRICS

	30 June 2020	30 June 2019	Change
Leased ELCs	211	210	+1
Development sites	17	6	+11
Total ELCs	228	216	+12
WALE (by income) (years)	14.2	14.1	+0.1 year
Tenanted occupancy (%)	100	100	-
Average passing yield (%)	6.24	6.44	-20bps
Portfolio value (\$m)	777.4	676.2	+15%
Average rental increase (%)	3.9	3.8	+10bps
Rent to gross revenue ratio (%)	10.7 ¹	10.6 ²	+10bps
Average daily fee (\$)	109.23 ¹	102.91 ²	+6%
Portfolio composition (% by value)			
Metropolitan %	65	61	+400bps
Regional %	35	39	-400bps

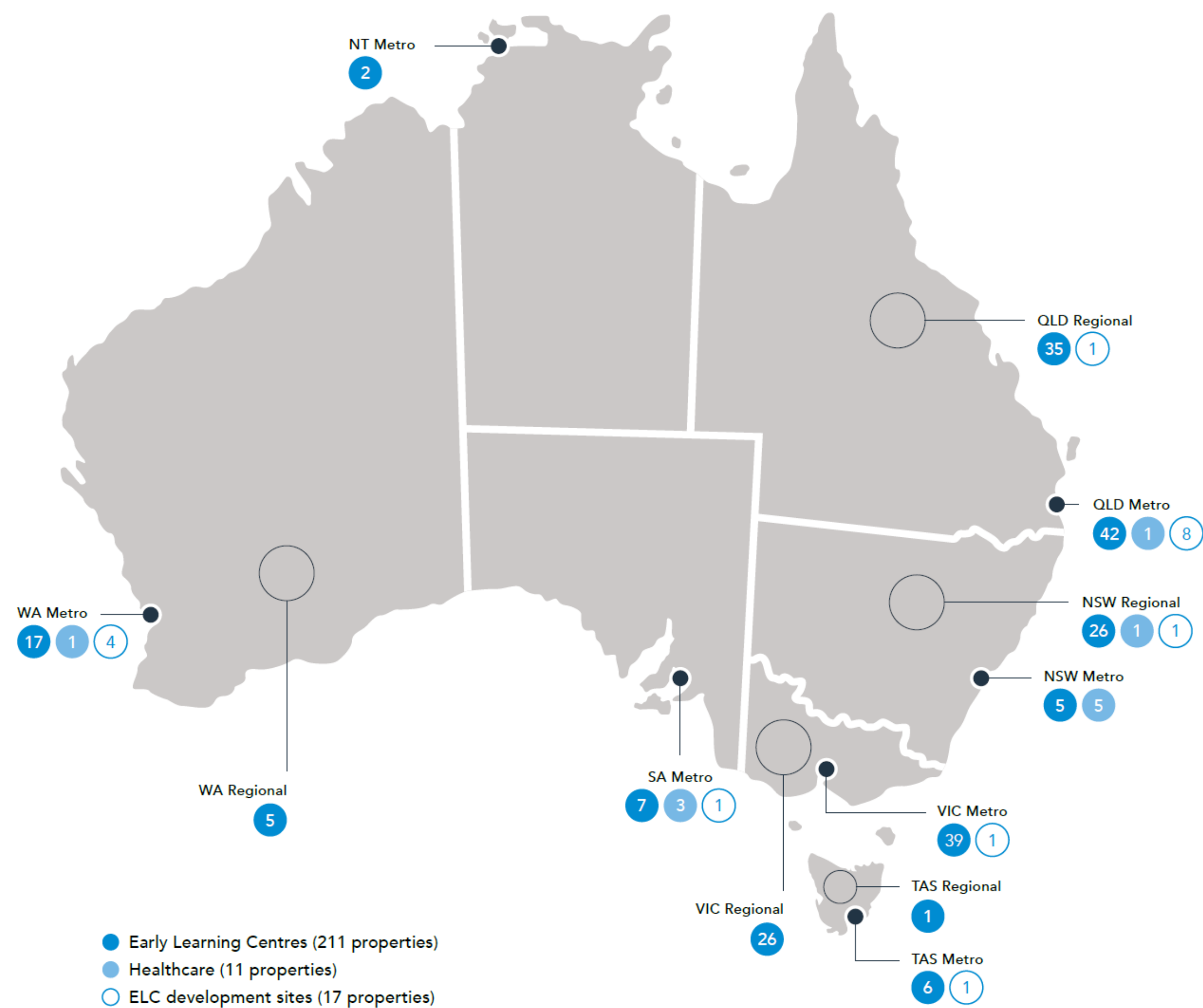
1. Arena analysis based on operating data provided by Arena's tenant partners as at 31 March 2020.

2. Arena analysis based on operating data provided by Arena's tenants partner as at 31 March 2019.

HEALTHCARE PORTFOLIO METRICS

	30 June 2020	30 June 2019	Change
Total healthcare properties	11	10	+1
WALE (by income) (years)	12.8	14.2	-1.4 years
Tenanted occupancy (%)	100	100	-
Average passing yield (%)	6.12	6.08	-4bps
Property portfolio (\$m)	136.6	122.1	+12%
Average rental increase (%)	2.25	2.6	-35bps
Portfolio composition (% by value)			
Metropolitan %	91	90	+100bps
Regional %	9	10	-100bps

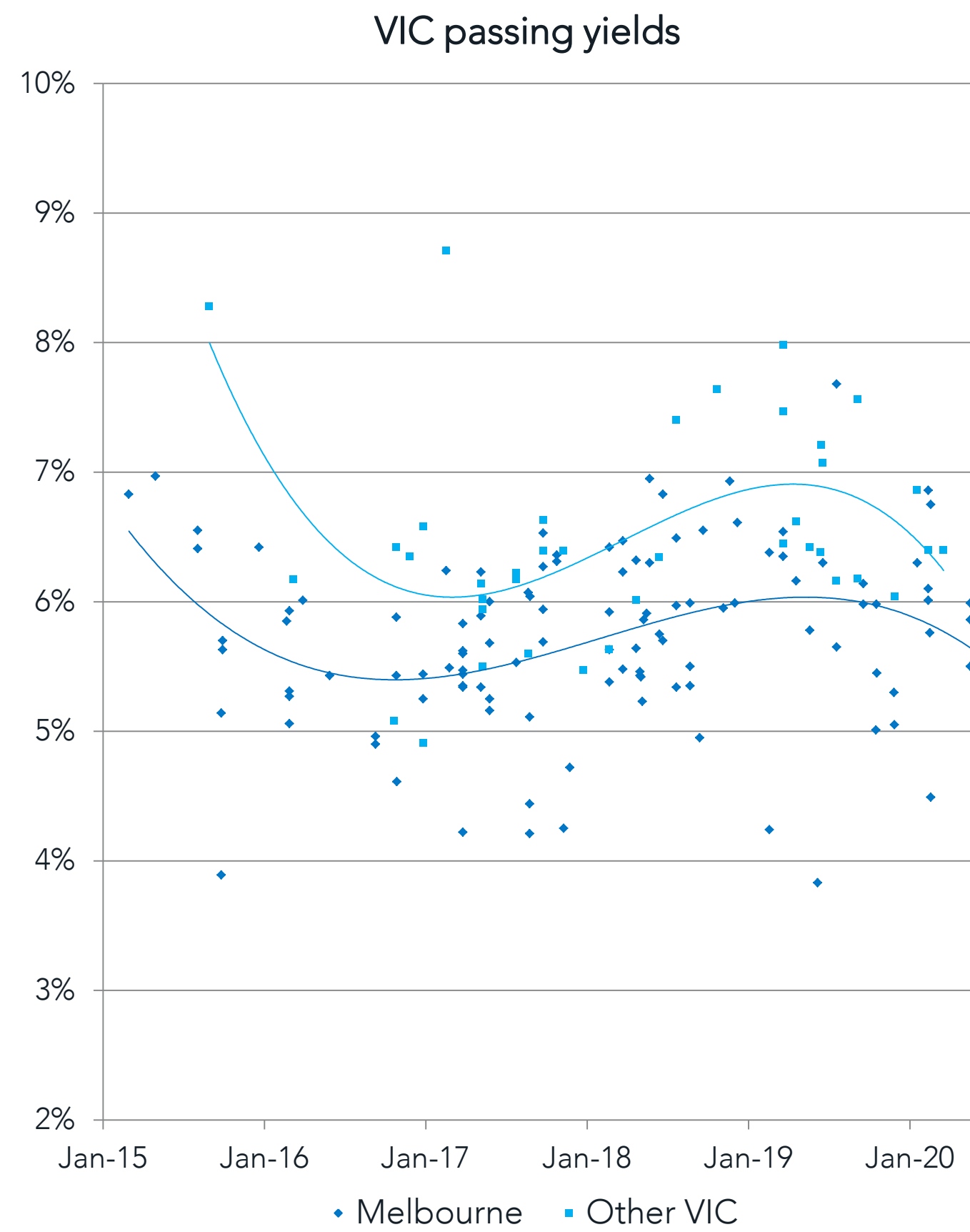
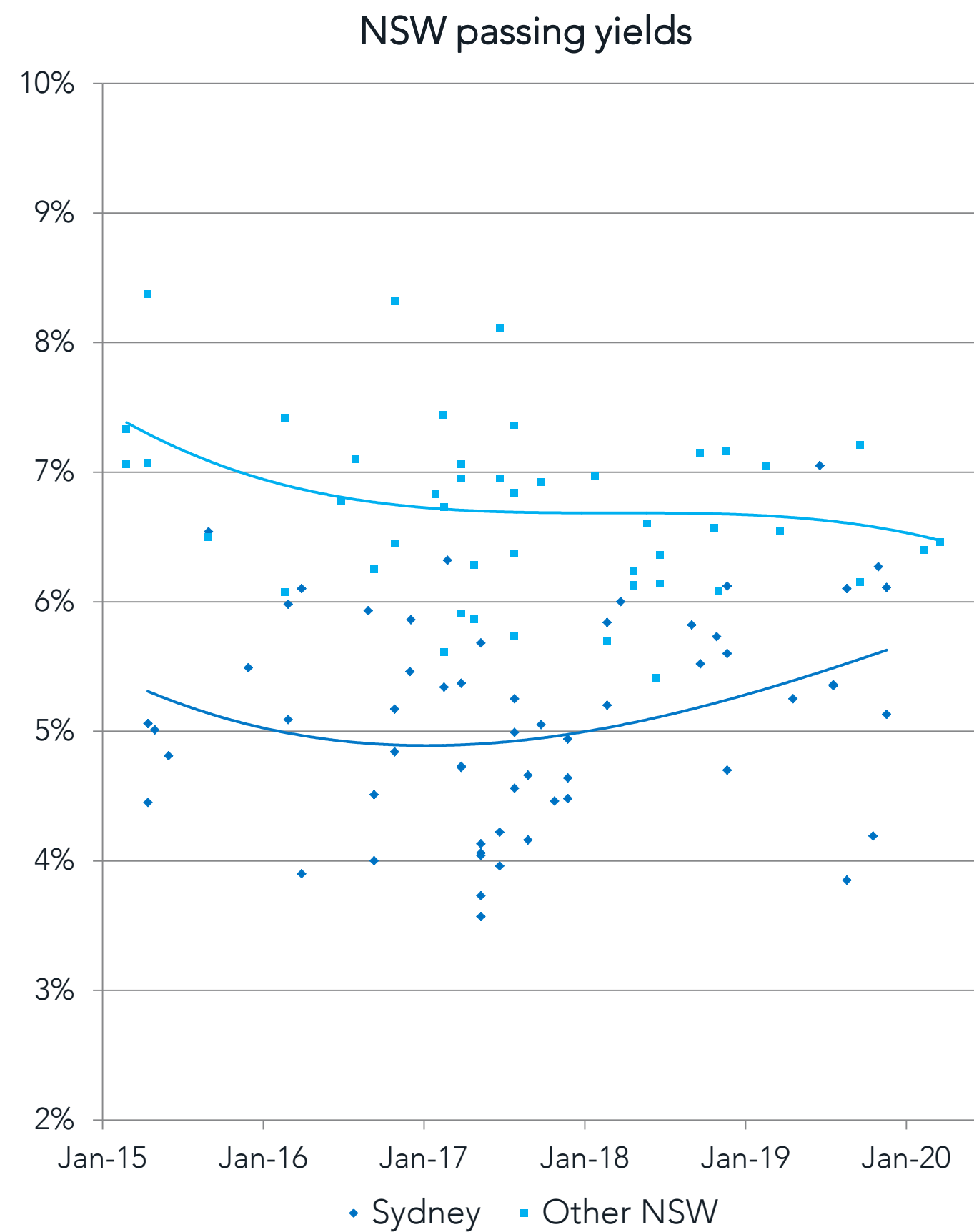
PORTFOLIO LOCATION MAP



1. Includes one project which is subject to an unconditional contract and excludes three projects which are awaiting satisfaction of subdivision or planning approval.



ELC MARKET TRANSACTIONS





ELC SALES YIELDS VERSUS 10 YEAR BOND

Average ELC Sales Yield versus 10 Year Aust Government Bond Yield





IMPORTANT NOTICE

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