ARENA REIT

2022 FULL YEAR RESULTS

11 August 2022

Arena

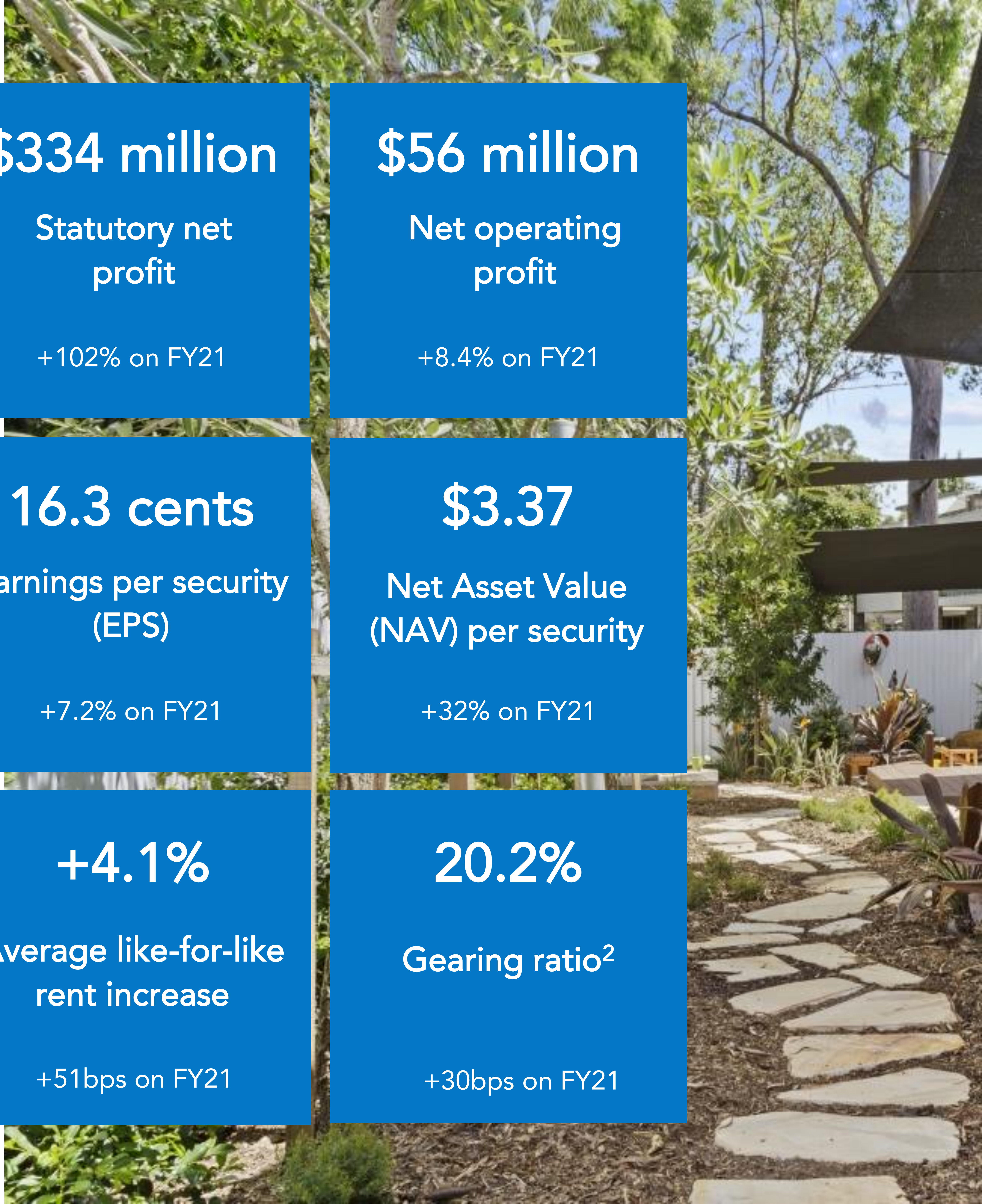
AGENDA

Arena REIT acknowledges the traditional custodians of the lands on which our business and assets operate, and recognises their ongoing connection to land, waters and community.

HIGHLIGHTS

Positive investment and community outcomes

- 102% growth in statutory net profit driven by increase in operating profit and investment property and derivatives revaluations.
- 8.4% growth in net operating profit driven by acquisitions and development completions and like-for-like contracted rent increases averaging +4.1%.
- 32% growth in NAV highlights the continued attractiveness of early learning centre (ELC) and healthcare property investments.
- Weighted average lease expiry (WALE) of 19.8 years.
- Six development completions and expanded development pipeline.
- Certified carbon neutral by Climate Active for business operations in 2021-2022.
- Solar renewable energy systems installed on 80% of Arena's property portfolio.
- FY23 distribution guidance of 16.8 cents per security (cps), an increase of 5% on FY22 DPS[1].



$334 million Statutory net profit +102% on FY21	**$56 million** Net operating profit +8.4% on FY21
16.3 cents Earnings per security (EPS) +7.2% on FY21	**$3.37** Net Asset Value (NAV) per security +32% on FY21
+4.1% Average like-for-like rent increase +51bps on FY21	**20.2%** Gearing ratio[2] +30bps on FY21

1. FY23 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 the COVID-19 pandemic (which is subject to a wide range of uncertainties) and assumes ongoing government support of the early learning sector.
2. Gearing calculated as ratio of net borrowings over total assets less cash.

DELIVERING ON STRATEGY

Ongoing strategy discipline and partnership approach

Portfolio management:
- Long portfolio WALE (by income) of 19.8 years.
- Portfolio weighted average passing yield 4.91%.
- Net valuation uplift of $254.5 million, +23%.
- Two ELC properties sold at average premium of 15% to book value.

Lease management:
- 100% portfolio occupancy.
- Average like-for-like rent increase of +4.1%.
- Leases extended to facilitate installation of solar.

Working in partnership:
- Continue to progress solar renewable energy program; currently installed on 80% of Arena's property portfolio.
- All tenant partners are compliant with COVID-19 rent relief agreements[1].

Investment and developments:
- Seven operating properties acquired at a net initial yield of 5.4% on total cost with initial average lease term of 24.1 years.
- Six ELC developments completed at an average net initial yield on total cost of 6.4% with initial average lease term of 20.8 years.
- Nine new ELC development projects acquired with forecast total cost of $56 million[2].

1. Under the National Cabinet Mandatory Code of Conduct landlords were obliged to provide eligible tenants rental relief in proportion to the reduction in trade resulting from COVID-19.
2. Excludes five ELC developments that are contracted subject to planning or other conditions precedent.

SUSTAINABILTY

Investment proposition and partnership approach drives sustainable and commercial outcomes

- Sustainability is integral to Arena's investment approach and best positions Arena to achieve positive long term commercial and community outcomes.
- Arena's portfolio facilitates access to essential community services with positive social impact:
    - ELCs provide early childhood education and care which allows parents and carers the opportunity to remain in, join or re-join the workforce.
    - Medical centres provide local, community-based primary health care services.
    - Specialist disability accommodation is designed to provide a better quality of life for residents with high physical support needs.
- Key sustainability outcomes to be detailed in Arena's FY22 Sustainability Report include:
    - Active collaboration with tenant partners on sustainability initiatives.
    - Solar renewable energy systems installed on 80% of Arena's property portfolio.
    - Climate action plan including greenhouse gas inventory of Arena's financed emissions.
    - Inaugural TCFD-aligned climate risks and opportunities disclosures.
    - Arena REIT certified carbon neutral by Climate Active for business operations in 2021-2022.
    - Analysed operations and supply chains to voluntarily opt into Modern Slavery reporting.

FINANCIAL RESULTS

Gareth Winter
Chief Financial Officer

FINANCIAL PERFORMANCE

Disciplined investment delivering ongoing earnings growth

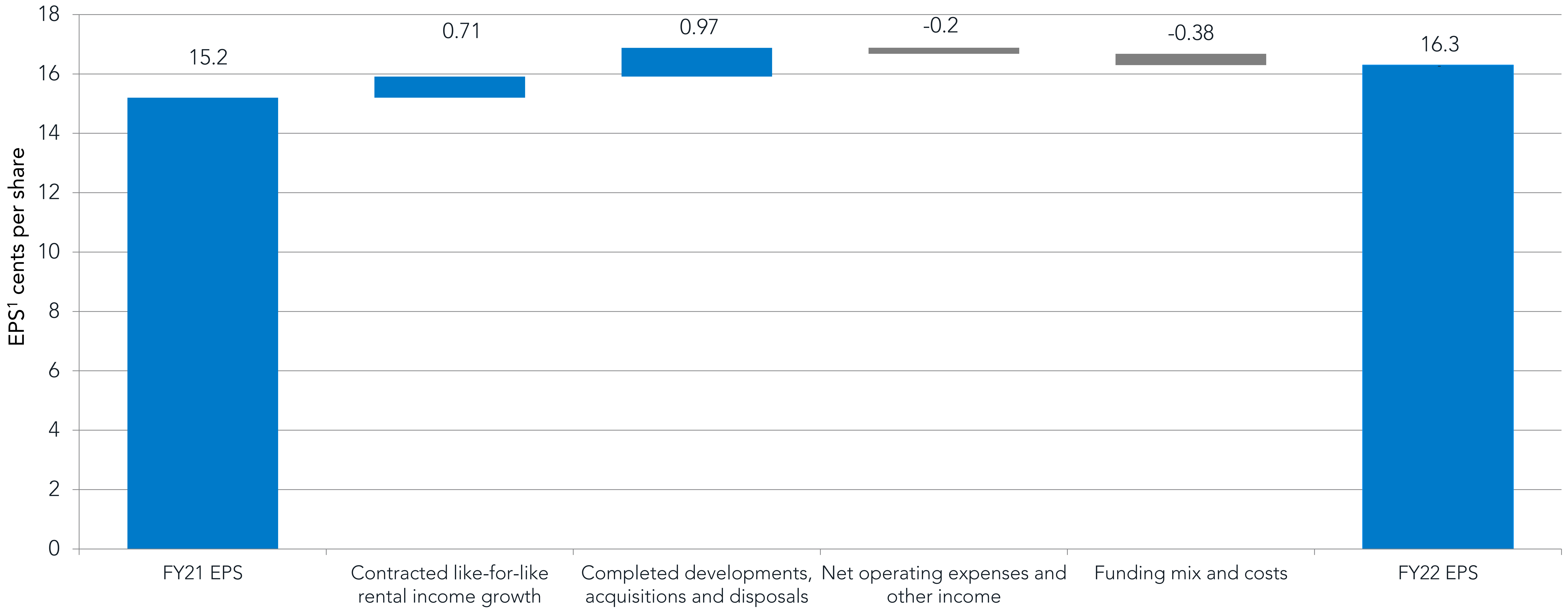
	FY22	FY21	Change	
	($'000)	($'000)	($'000)	(%)
Property income	66,585	59,808	6,777	11%
Other income	652	541	111	21%
Total operating income	**67,237**	**60,349**	6,888	11%
Property expenses	(791)	(602)	(189)	31%
Operating expenses	(4,899)	(4,382)	(517)	12%
Finance costs	(5,220)	(3,422)	(1,798)	53%
Net operating profit	**56,327**	**51,943**	4,384	8%
Statutory net profit	**334,288**	**165,351**	168,937	102%
Earnings per security (EPS[1]) (cents)	**16.3**	**15.2**	1.1	7%
Distribution per security (DPS) (cents)	**16.0**	**14.8**	1.2	8%

1. EPS is calculated as net operating profit over weighted average number of securities on issue.
2. The independent remuneration review was completed in late FY2021 for implementation in FY2022.

- Property income continues to increase due to:
  - Contracted annual rental growth;
  - Acquisition of operating ELC properties; and
  - ELC developments completions.
- Higher statutory net profit arising from increase in operating profit and higher investment property and derivatives revaluations.
- Property expenses higher due to increased property inspection and valuation costs.
- Operating costs are higher predominately due to a team-wide independent remuneration review to reflect the growth and scale of the business and current market conditions[2].
- Finance costs higher due to increased capacity from debt refinance and an increase of balance of debt drawn.

CONTRIBUTORS TO EPS GROWTH

Rental growth, acquisitions and development completions supporting EPS growth



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

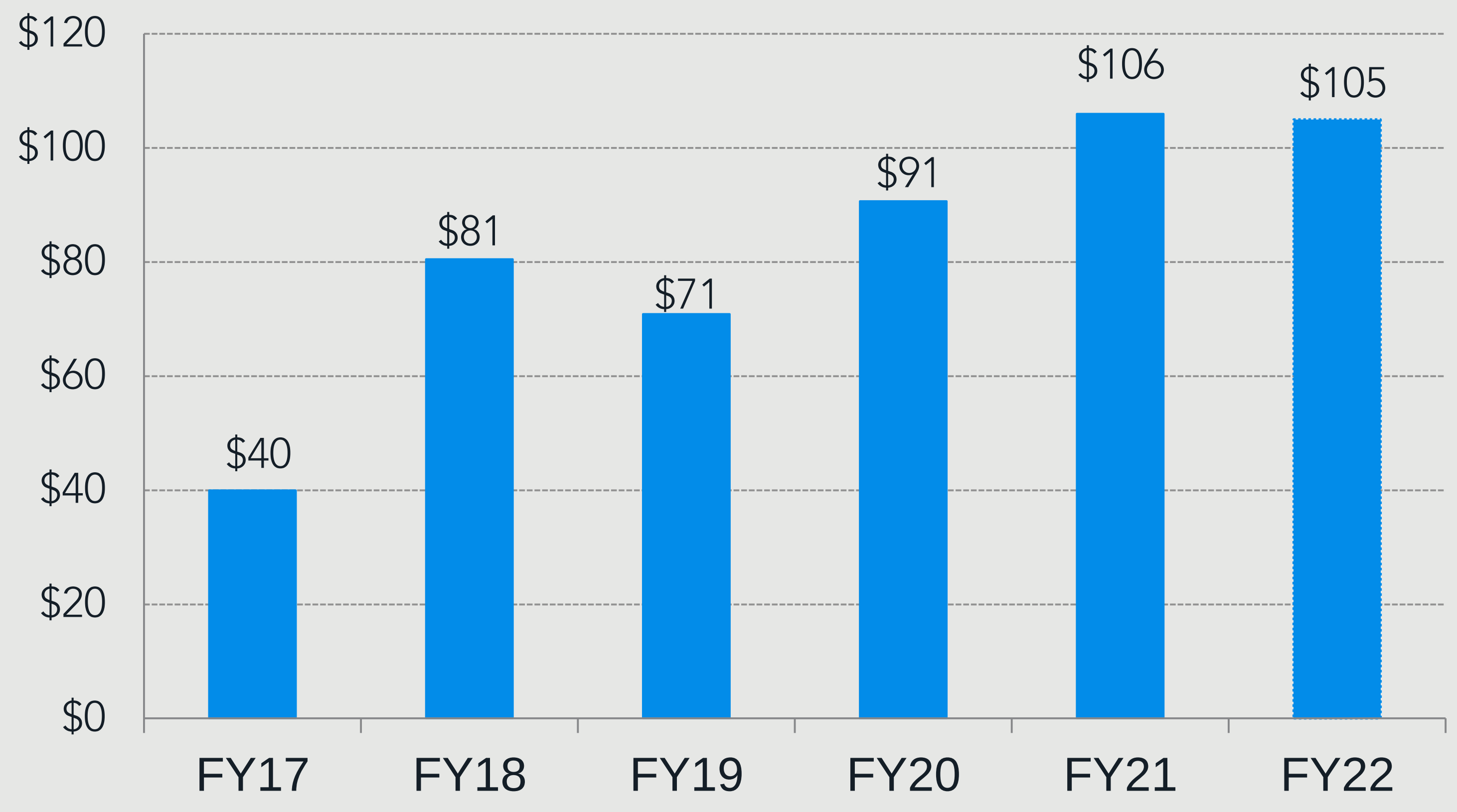
FINANCIAL POSITION

Strong balance sheet with substantial capacity

As at	30 June 2022 ($m)	30 June 2021 ($m)	Change %
Total assets	1,518.6	1,151.5	32%
Investment properties	1,461.9	1,112.4	31%
Borrowings	324	240	35%
Net assets	1,169.0	878.9	33%
Securities on issue	346.7	343.6	1%
Net Asset Value (NAV) per security	$3.37	$2.56	32%
Gearing[1]	20.2%	19.9%	+30 bps

- Growth in total assets continues from the acquisition of operating properties, ELC development completions and property valuation uplift.
- Undrawn debt capacity in excess of $100 million as at 30 June 2022 to fund the balance of the development pipeline of $88 million and future growth opportunities.

Acquisition and development capital expenditure $m



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

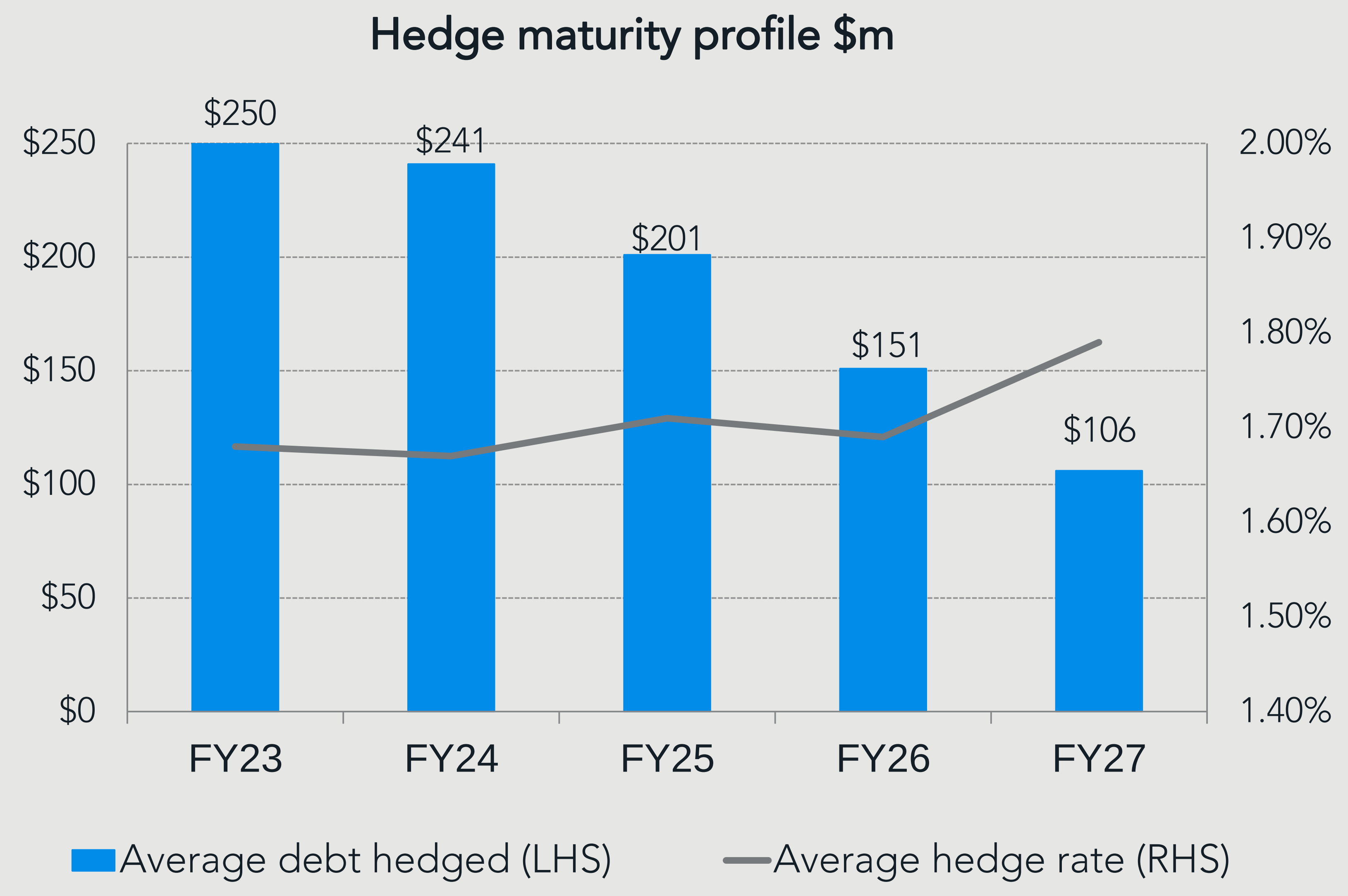
CAPITAL MANAGEMENT

Hedging discipline and expanded liquidity

As at	30 June 2022	30 June 2021	Change
Borrowings	$324m	$240m	+$84m
Borrowings facility limit	$430m	$330m	+$100m
Gearing[1]	20.2%	19.9%	+30bps
Weighted average facility term	3.4 years	3.7 years	-0.3 year
Weighted average cost of debt	2.90%	2.65%	+25bps
Interest cover ratio	6.8x	8.9x	-2.1x
Hedge cover	77%	81%	-4%
Weighted average hedge rate	1.68%	1.67%	+1bps
Weighted average hedge term	4.3 years	4.4 years	-0.1 year

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

- Syndicated borrowing facility limit increased by $100 million to $430 million and extension of maturity dates. As at 30 June 2022 facility is comprised of:
  - $150 million expiring 31 March 2024;
  - $130 million expiring 31 March 2026; and
  - $150 million expiring 31 March 2027.
- DRP in operation with $10 million raised in FY22.
- Intention is to maintain hedge cover in a range of 70-80% of drawn debt.



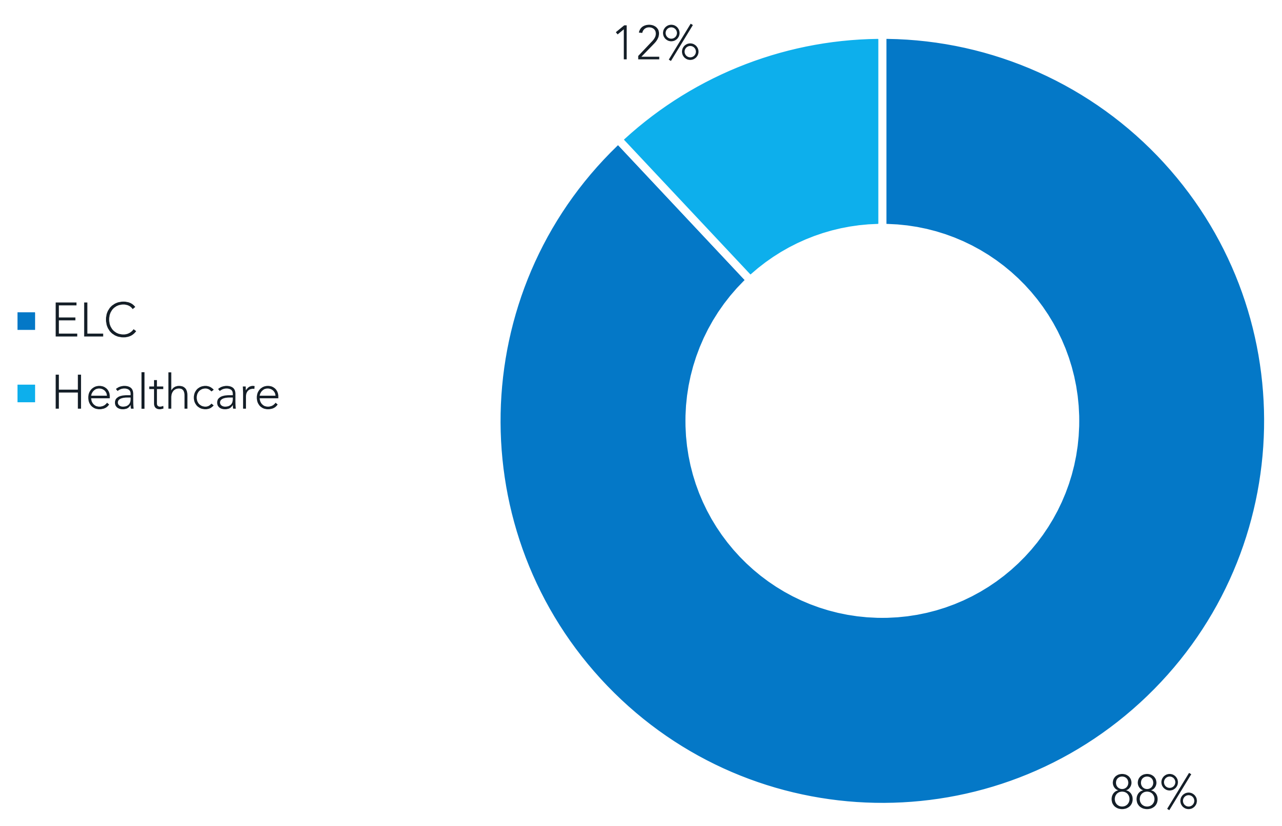
PORTFOLIO UPDATE

Rob de Vos
Managing Director

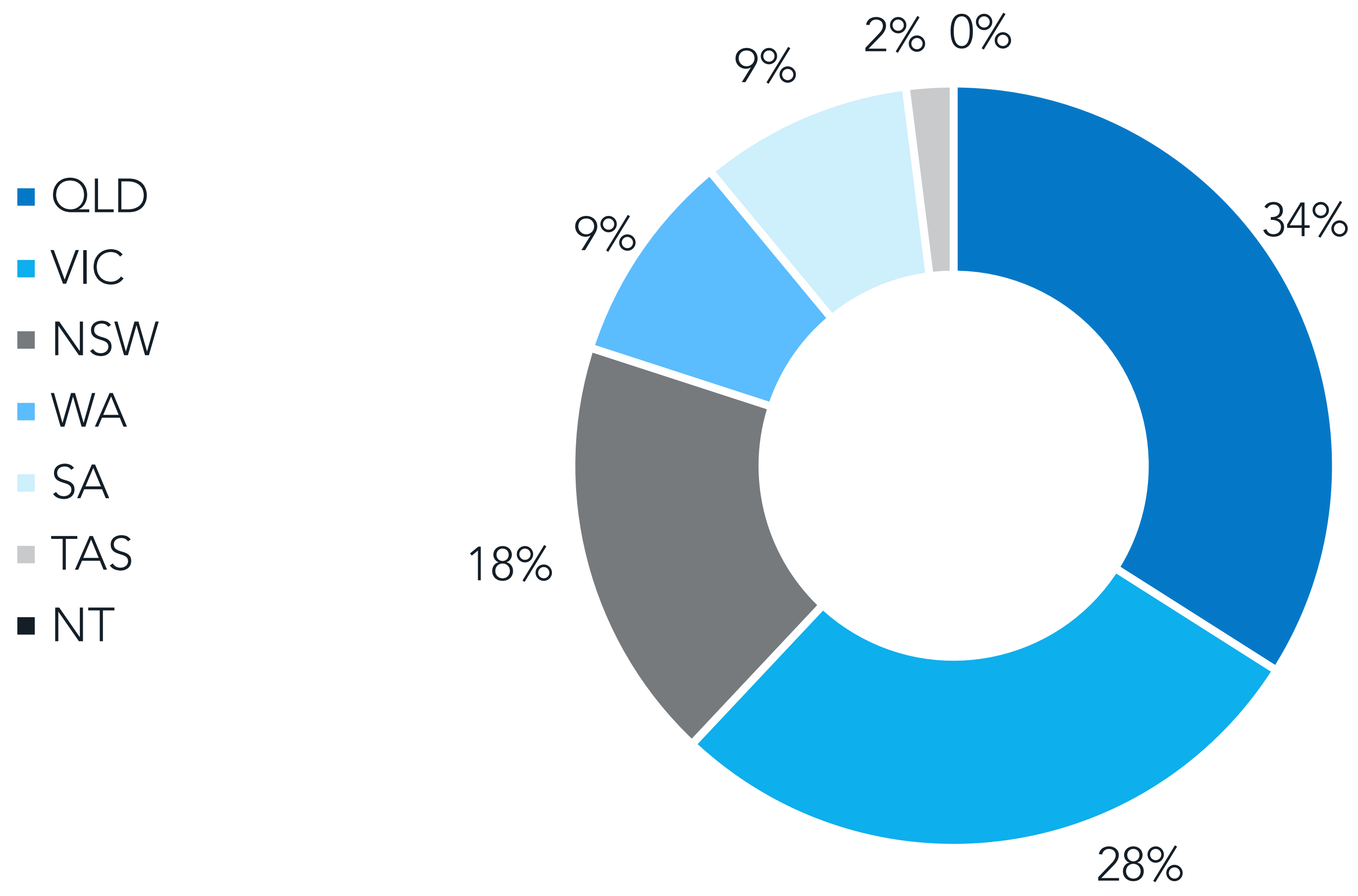
PORTFOLIO OVERVIEW

	Number of assets[1]	30 June 2022 valuation	Net valuation movement versus 30 June 2021		30 June 2022 passing yield	Change versus 30 June 2021
		$m	$m	%	%	bps
Early Learning portfolio	252	1,287.6	+232.1	+24.2%	4.90%	-94
Healthcare portfolio	11	174.3	+22.4	+14.6%	5.02%	-32
Total portfolio	**263**	**1,461.9**	**+254.5**	**+22.9%**	**4.91%**	**-86**

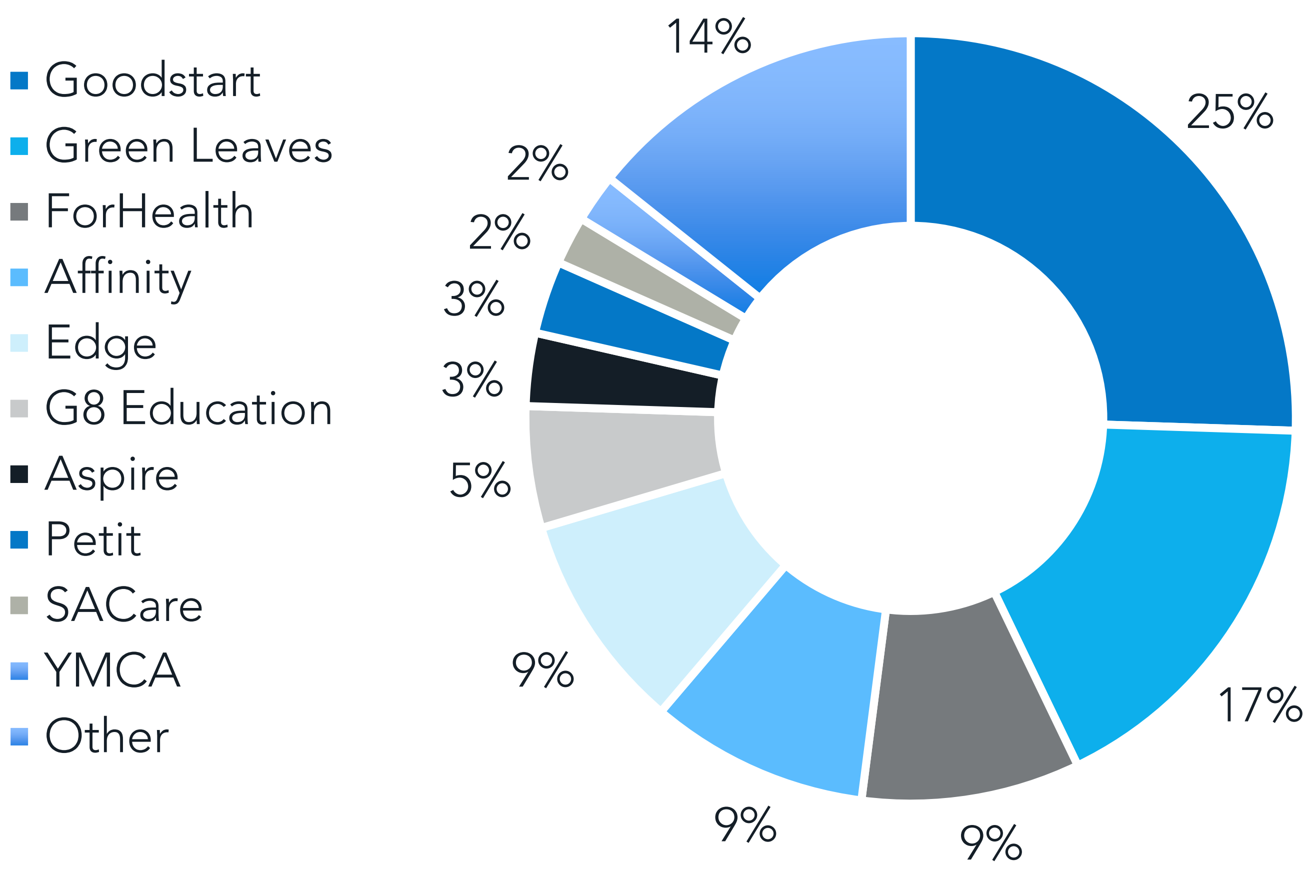
Sector diversity (by value)



Geographic diversity (descending by value)



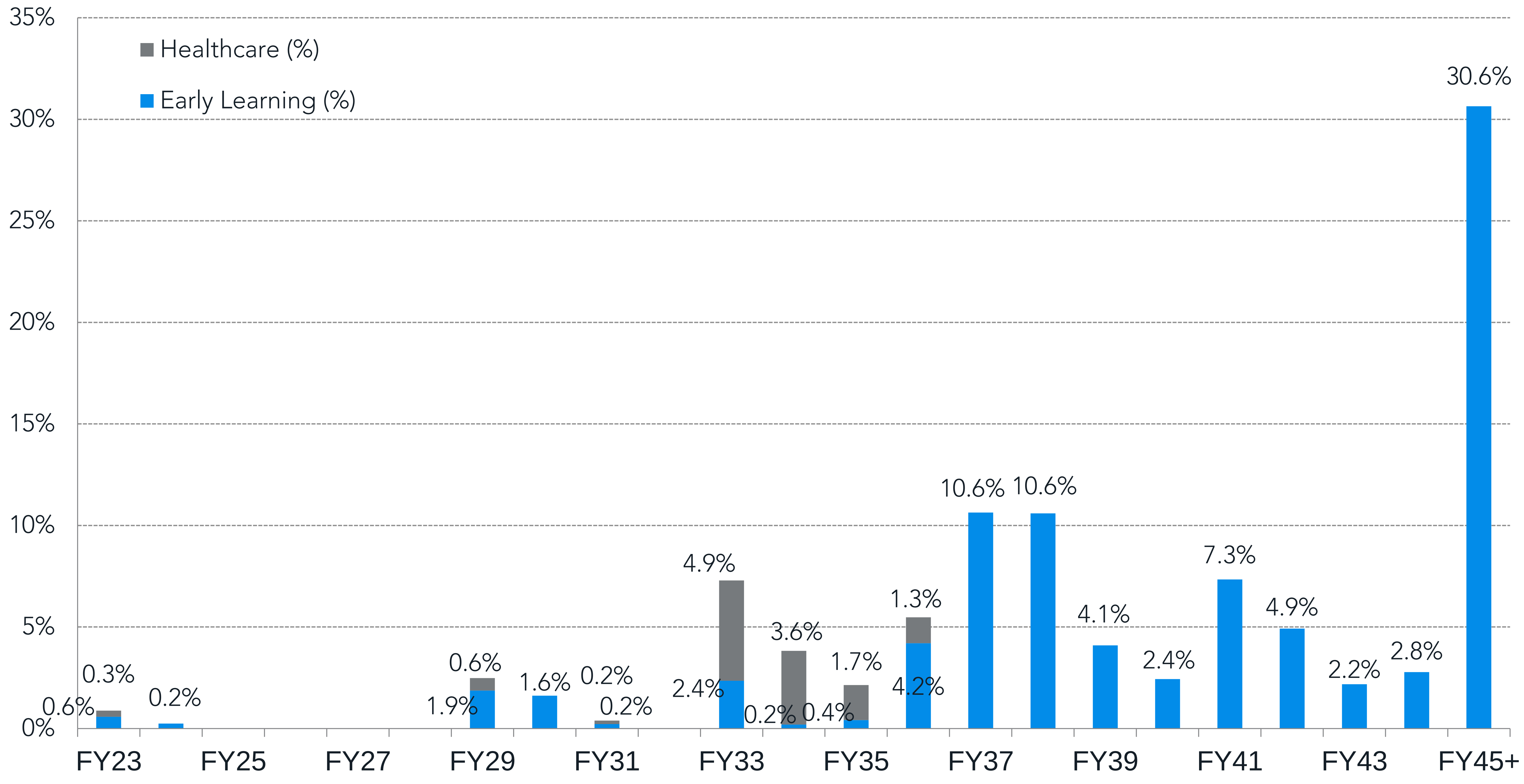
Tenant diversity (descending by income)[2]



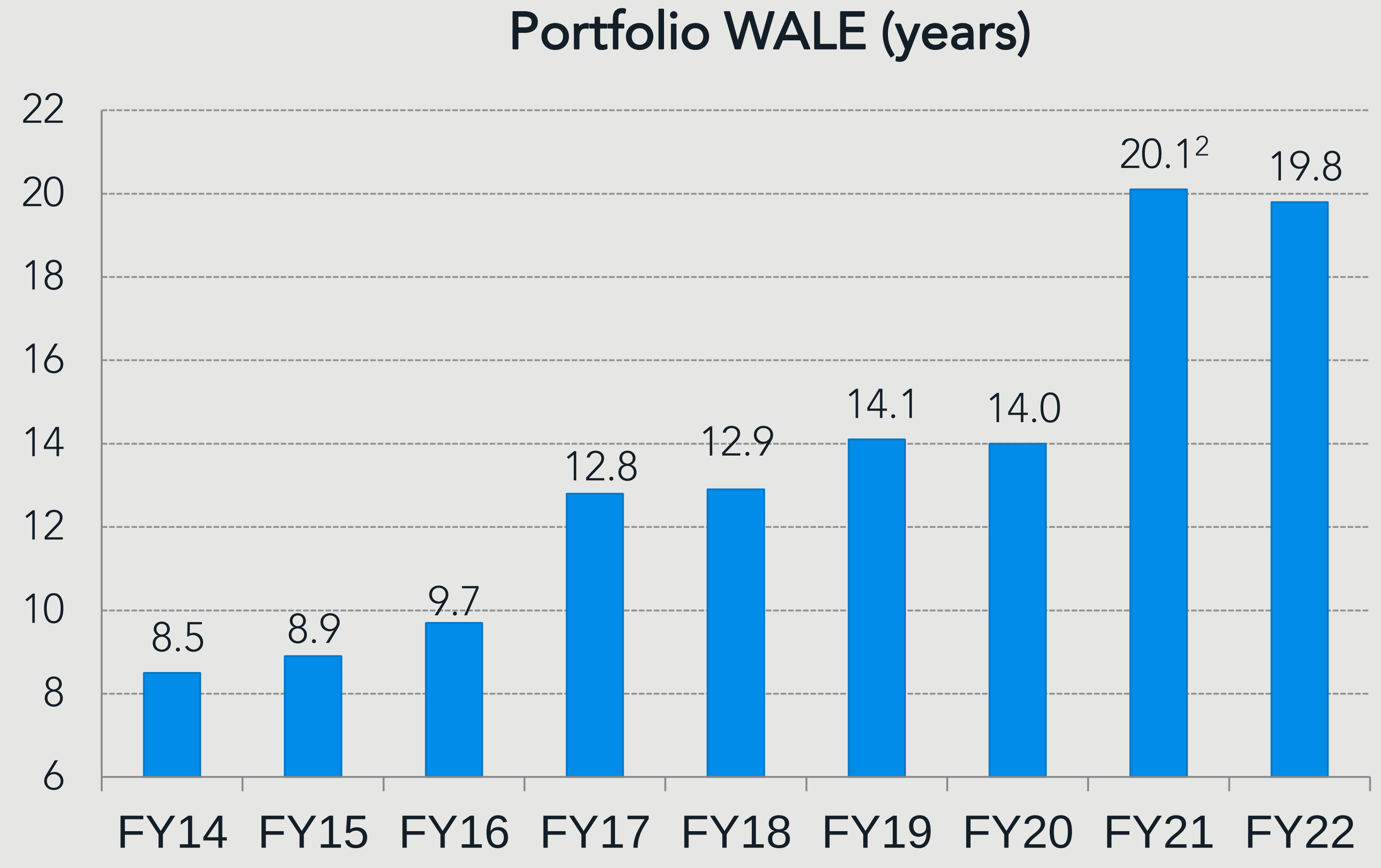
1. Excludes five ELC developments that are contracted subject to planning or other conditions precedent.
2. Totals may not add due to rounding.

LEASE EXPIRY PROFILE

Weighted average lease expiry of 19.8[1] years



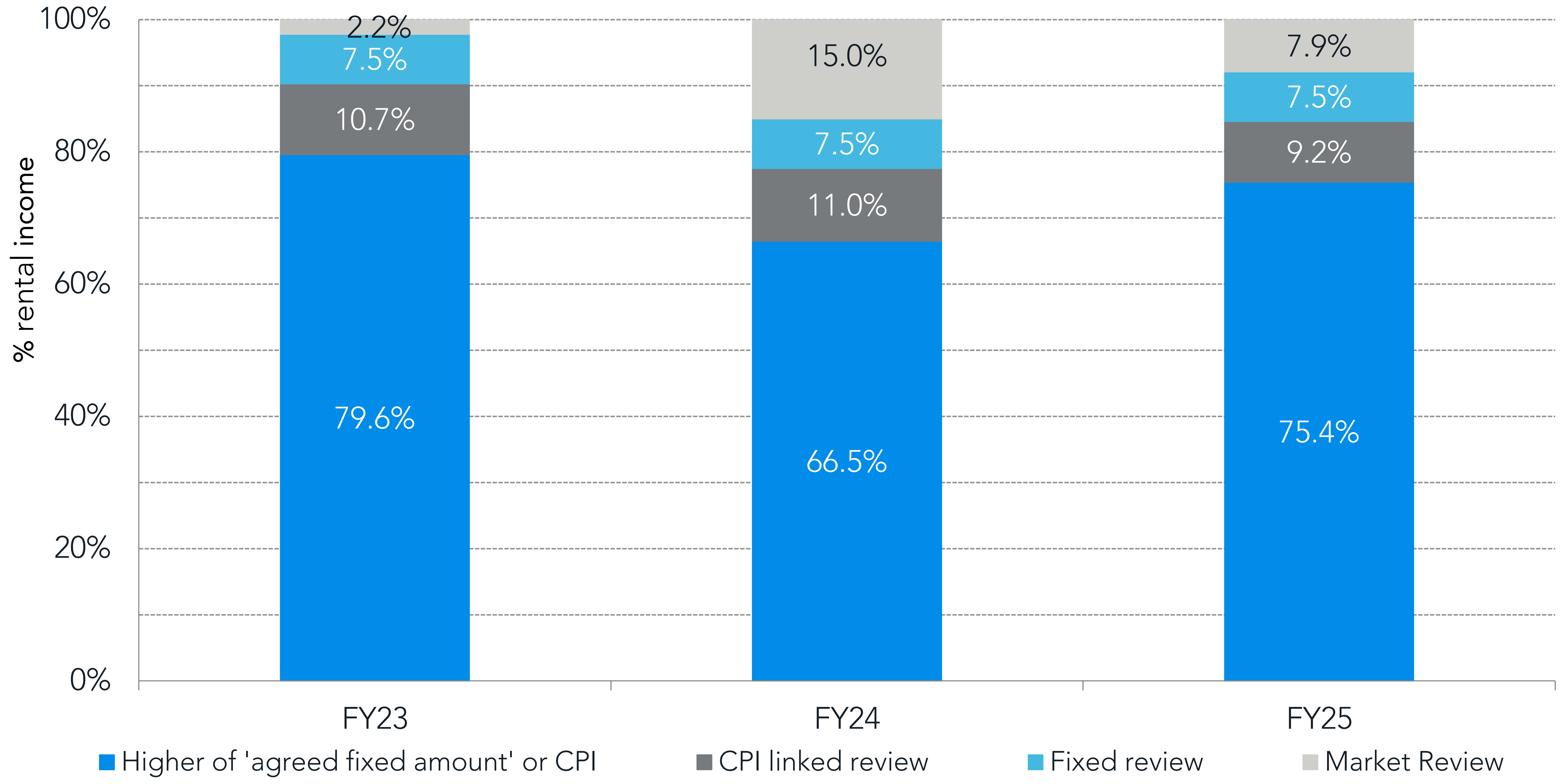
- Less than 4% of portfolio income subject to expiry prior to FY30.
- Over 50% of portfolio lease income expires after FY39.
- Six ELC development completions added to portfolio with initial weighted average lease term of 20.8 years.



1. By income.
2. Pro-forma WALE as at 30 June 2021; refer Arena REIT (ASX: ARF) ASX Announcement Market Update 29 July 2021.

ANNUAL RENT REVIEWS

FY22 average like-for-like rent increase of +4.1%



- Attractive rent review structure with embedded income growth and inflation protection.
- >80% of FY23, FY24 and FY25 rent reviews contracted at the higher of CPI or an 'agreed fixed amount', or market rent reviews, and ~10% of FY23, FY24 and FY25 rent reviews are directly CPI-based.
- 7.5% of FY23, FY24 and FY25 rent reviews are subject to fixed rent reviews.
- 15% of FY24 reviews are market rent reviews; all are subject to a 0% collar.

ACQUISITIONS AND DEVELOPMENTS

Creating and investing in accommodation that facilitates the delivery of essential community services

- High quality, purpose built properties with existing and new tenant partners.
- Six ELC development projects were completed in FY22.
- Acquired a $38 million portfolio of six operating ELC properties during FY22.

Acquisitions/development completions	Number of properties	Total cost ($m)	Initial yield on total cost (%)	Initial weighted average lease term (years)
Operating ELC acquisitions	7	47.4	5.4	24.1
ELC development completions	6	35.9	6.4	20.8
Total/weighted average	13	83.3	5.8	22.5

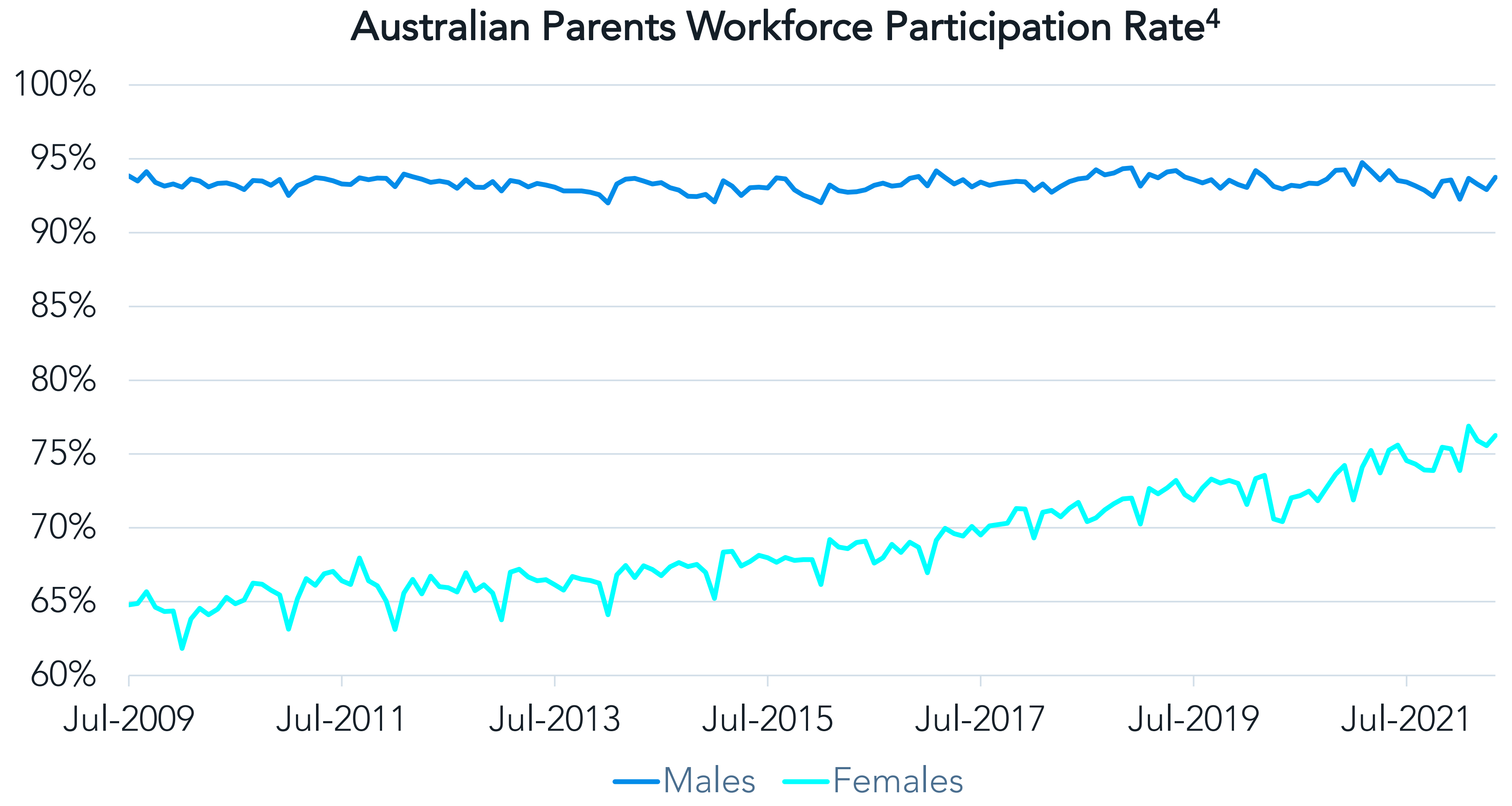
Development pipeline	As at 30 June 2022
Number of projects	20[1]
Forecast total cost	$139 million
Initial yield on total cost	5.5%
Capex amount outstanding	$88 million

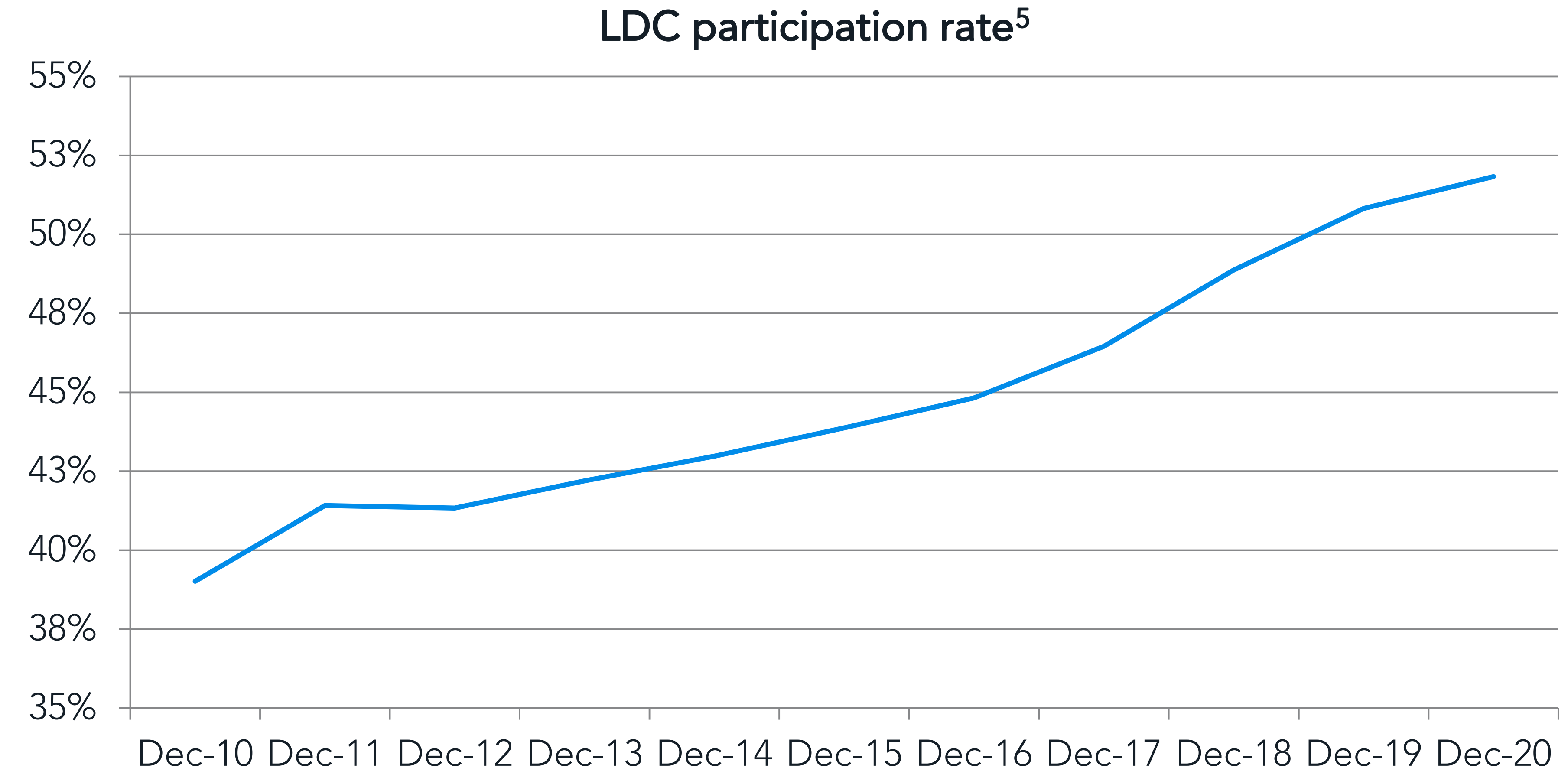
1. Includes five ELC developments that are contracted subject to planning or other conditions precedent.

ELC OPERATING ENVIRONMENT

Strong macroeconomic drivers continue to support Australian early learning sector

- Government support was improved by the introduction of the Childcare Subsidy (CCS) in July 2018 and the essential nature of the services provided by the ELC sector was reinforced through the various COVID-19 related funding commitments[1].
- Australia's new Labor Federal Government has committed to further reduce the cost of childcare[2] by lifting the maximum Child Care Subsidy (CCS) rate to 90% for the first child in care, and to keep the recently increased CCS rate at a maximum of 95% for subsequent children in care. The Government also intends to reduce the rate at which the CCS tapers with household income and lift the maximum household income at which the CCS ends from $354,305 to $530,000. These measures have been designed to improve workforce participation, gender equality, women's financial security and economic activity over the medium to long term[3].
- Strong structural demand for services and record female workforce participation rate continue to drive increased long day care (LDC) participation rates over the medium to long term[4,5].
- Net new ELC supply to 30 June 2022 was +2.7%[6].
- A challenging environment to attract and retain skilled labour for ELC operators.





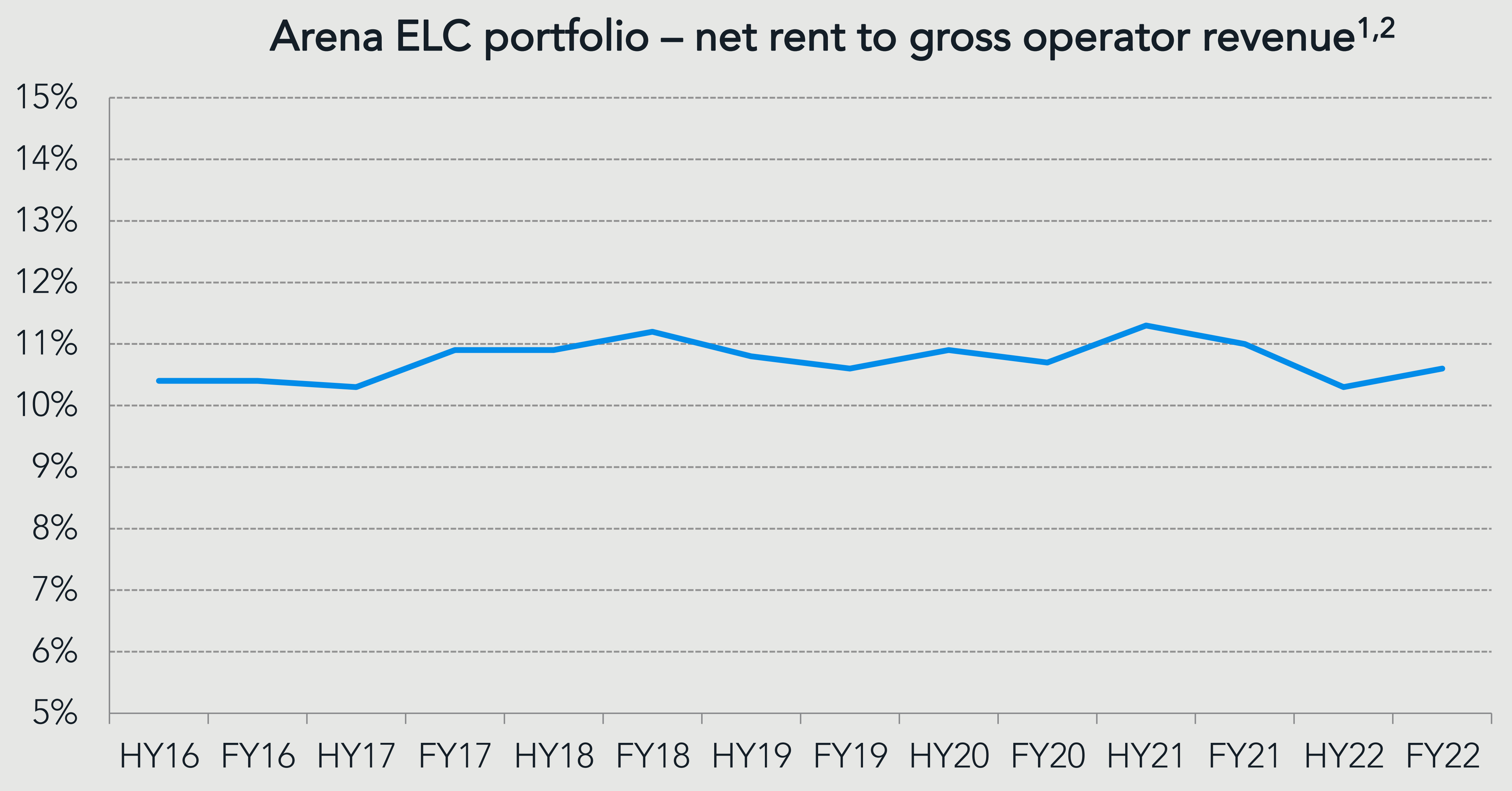
1. https://www.dese.gov.au/covid-19/childcare/; https://ministers.dese.gov.au/.
2. https://www.alp.org.au/policies/women_economic_recovery
3. https://grattan.edu.au/wp-content/uploads/2020/08/Cheaper-Childcare-Grattan-Institute-Report.pdf.
4. ABS Labour Force status (husband, wife or partner, or lone parent, with dependent children).
5. Australian Government 'Early Childhood and Child Care in Summary' Reports 2012-2021.
6. https://www.acecqa.gov.au/resources/national-registers.

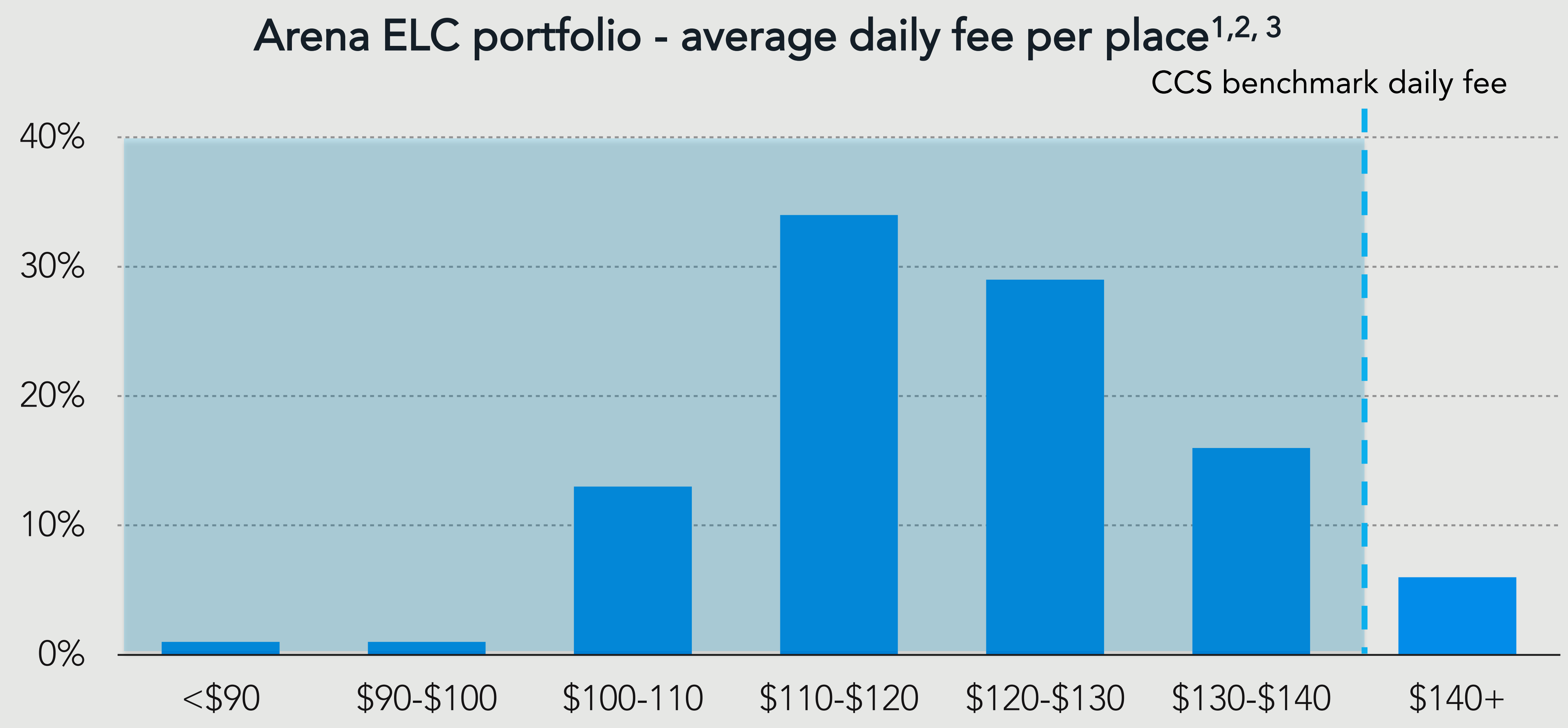
ELC PORTFOLIO

Portfolio strength underpinned by asset quality

- 100% portfolio occupancy as at 30 June 2022.
- Arena's ELC portfolio operating data[1] to 31 March 2022:
  - Average daily fee of $120.27[2]:
    - +5.35% from 31 March 2021[2]; and
    - +2.91% from 30 September 2021[2].
  - Underlying operator occupancy (as reported by Arena's tenant partners) is in line with the same period last year, which was higher than any prior corresponding period over the past five years.
  - Net rent to revenue ratio of 10.6%[2].

1. Arena analysis based on operating data provided by Arena's tenant partners as at 31 March 2022.
2. COVID-19 related impacts to ELC operator revenues, government subsidies and attendances may diminish the like-for-like accuracy of these measures during the period.
3. Assumes CCS fully covers a daily fee of approximately $140.14 based on CCS capped hourly fee of $12.74 per hour over an 11 hour day.





HEALTHCARE SECTOR & PORTFOLIO

Strong long-term macroeconomic drivers remain supportive of sector

- Strong structural macroeconomic drivers continue to support Australian healthcare accommodation including a growing and ageing population and increased prevalence of chronic health conditions.
- Increased domestic and international interest in Australian healthcare property and increasing interest in social infrastructure property more generally.
- Strong occupancy has been maintained across the specialist disability accommodation portfolio.
- PHC Darlinghurst medical centre was sold[1] at a 3.7% net initial yield and the net proceeds returned to investors during FY22; PHC Syndicate investors realised a compound total return of 13.4% per annum over their 20 year investment period.

1. PHC Darlinghurst medical centre was owned by two unlisted property vehicles that were managed by Arena.

OUTLOOK

Long term income predictability with inflation protection

INCOME GROWTH

- FY23 distribution guidance of 16.8 cents per security, an increase of 5%[1] on FY22.
- Attractive rent review structure with embedded income growth and inflation protection: >80% of FY23, FY24 and FY25 rent reviews contracted at the higher of CPI or an 'agreed fixed amount', or market rent reviews.
- Full impact of FY22 acquisitions and development completions and partial impact of FY23 development completions.
- $139 million development pipeline comprising 20 ELC projects[2].

OUTLOOK

- Strong macroeconomic drivers continue to support the early learning and healthcare sectors.
- Hedging discipline, expanded liquidity and substantial capacity with gearing[3] at 20.2%.
- 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. FY23 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 the COVID-19 pandemic (which is subject to a wide range of uncertainties) and assumes ongoing government support of the early learning sector.
2. Includes five ELC developments that are contracted subject to planning or other conditions precedent.
3. Gearing calculated as ratio of net borrowings 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

ROB DE VOS

Managing Director

GARETH WINTER

Chief Financial Officer

SAM RIST

Head of Investor Relations and Sustainability

APPENDICES

FINANCIAL PERFORMANCE

	FY22	FY21	Change	
	($'000)	($'000)	($'000)	%
Property income	66,585	59,808	6,777	+11%
Other income	652	541	111	+21%
Total operating income	**67,237**	**60,349**	**6,888**	**+11%**
Property expenses	(791)	(602)	(189)	+31%
Operating expenses	(4,899)	(4,382)	(517)	+12%
Finance costs	(5,220)	(3,422)	(1,798)	+53%
Net operating profit (distributable income)	**56,327**	**51,943**	**4,384**	**+8%**
Non-distributable items:				
Investment property revaluation & straight-lining of rent	254,486	107,651	146,835	
Profit/(loss) on sale of investment properties	1,023	1,909	(886)	
Change in fair value of derivatives	24,478	4,949	19,529	
Transaction costs	(541)	(39)	(502)	
Amortisation of equity-based remuneration (non-cash)	(1,135)	(983)	(152)	
Other	(350)	(79)	(271)	
Statutory net profit	**334,288**	**165,351**	**168,937**	

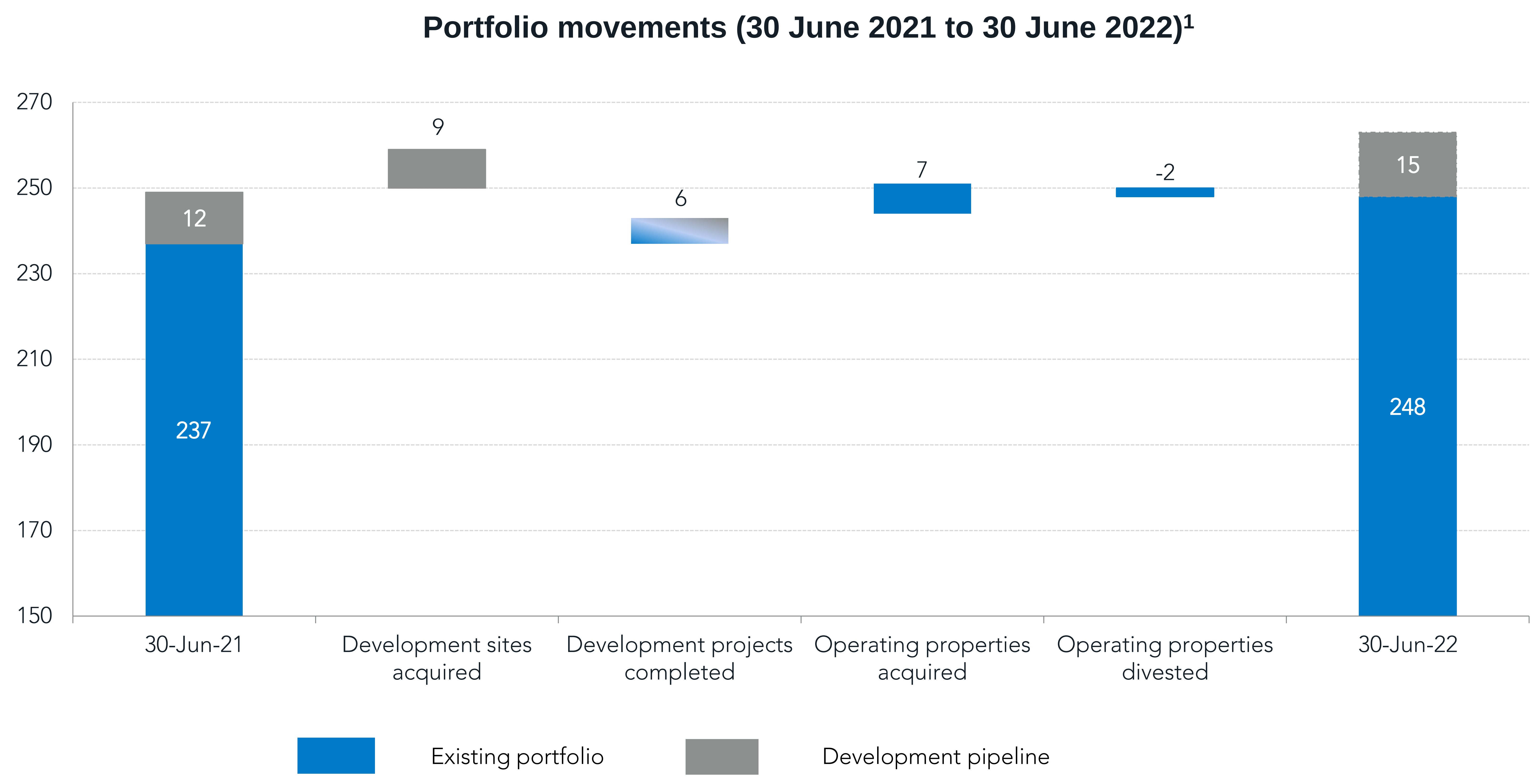
BALANCE SHEET

	30 June 22	30 June 21	Change	
	($'000)	($'000)	($'000)	%
Cash	22,220	14,018	8,202	+59%
Receivables and other assets	4,692	14,246	(9,554)	-67%
Investment properties	1,461,888	1,112,431	349,457	+31%
Derivatives	18,970	-	18,970	NA
Intangibles	10,816	10,816	-	-
Total assets	**1,518,566**	**1,151,511**	367,055	+32%
Trade and other liabilities	13,005	14,455	(1,450)	-10%
Distributions payable	14,040	12,801	1,239	+10%
Borrowings	322,547	239,163	83,384	+35%
Derivatives	-	6,174	(6,174)	NA
Total liabilities	**349,592**	**272,593**	76,999	+28%
Net assets	**1,168,974**	**878,918**	290,056	+33%
Number of securities on issue (m)	346.7	343.6	+3.1m	+1%
Net asset value per security ($)	3.37	2.56	+$0.81	+32%
Gearing[1] (%)	20.2	19.9	+30bps	+2%

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

Covenant	Facility requirement	Ratio
Loan to value ratio (LVR)	Maximum 50%	26.5
Interest cover ratio (ICR)	Minimum 2x	6.8x

PORTFOLIO COMPOSITION AND MOVEMENT



1. Excludes five ELC developments that are contracted subject to planning or other conditions precedent.

ELC PORTFOLIO VALUATIONS

As at 30 June 2022	Number of properties	Value ($m)	Passing yield (%)
Independent ELC freehold valuations			
Queensland	21	123.0	4.86
Victoria	10	34.3	4.79
New South Wales	6	27.1	4.64
Western Australia	6	30.4	4.62
South Australia	2	14.0	5.15
Tasmania	3	13.6	5.53
Total independent ELC valuations	**48**	**242.4**	**4.85**
Director ELC freehold valuations			
Queensland	63	337.7	5.12
Victoria	58	348.4	4.59
New South Wales	25	111.1	4.65
Western Australia	18	81.7	4.46
South Australia	12	72.3	5.11
Tasmania	5	20.6	5.59
Northern Territory	2	6.2	5.85
Total director ELC freehold valuations	**183**	**978.0**	**4.84**
Total freehold ELC portfolio	**231**	**1,220.4**	**4.84**
Director ELC leasehold valuations – Victoria	6	16.5	9.14
Total ELC portfolio excluding development sites	**237**	**1,236.9**	**4.90**
ELC development sites	15	50.7	NA
Total ELC portfolio	**252**	**1,287.6**	**4.90**

ELC PORTFOLIO METRICS

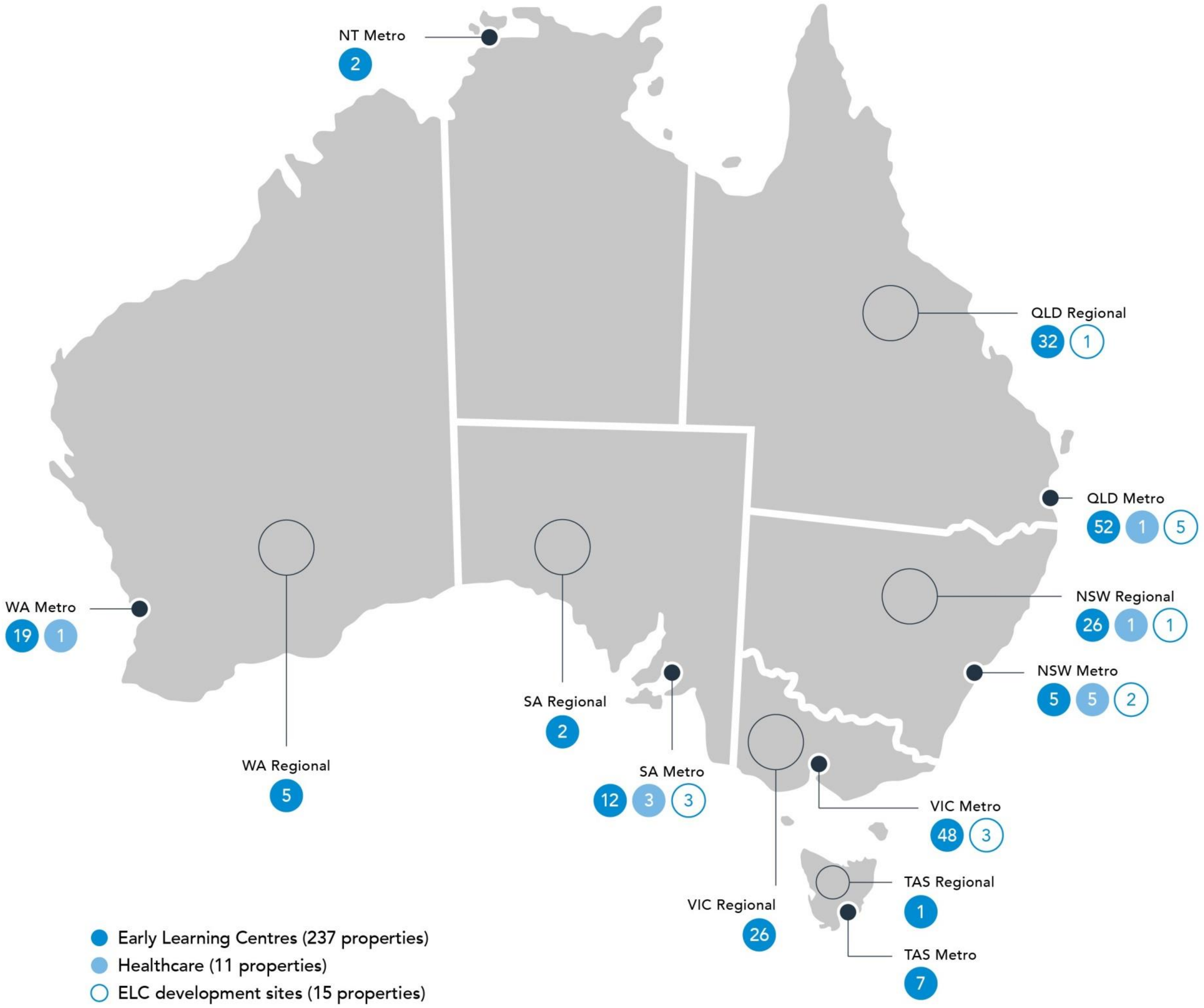
	30 June 2022	30 June 2021	Change
Leased ELCs	237	226	+11
Development sites	15[1]	12	+3
Total ELCs	252	238	+14
WALE (by income) (years)	21.1	21.4[3]	-0.3 year
Tenanted occupancy (%)	100	100	-
Average passing yield (%)	4.90	5.84	-94bps
Portfolio value ($m)	1,287.6	959.1	+34%
Average rental increase (%)	4.3	3.6	+70bps
Rent to gross revenue ratio (%)	10.6[2]	11.0[4]	-40bps
Average daily fee ($)	120.27[2]	114.16[4]	+5.35%
Portfolio composition (% by value)			
Metropolitan %	70	68	+200bps
Regional %	30	32	-200bps

1. Excludes five ELC developments that are contracted subject to planning or other conditions precedent.
2. Arena analysis based on operating data provided by Arena's tenant partners as at 31 March 2022; COVID-19 related impacts to ELC operator revenues, government subsidies and attendances may diminish the like-for-like accuracy of these measures during the period.
3. Pro-forma WALE as at 30 June 2021; refer Arena REIT (ASX: ARF) ASX Announcement Market Update 29 July 2021.
4. Arena analysis based on operating data provided by Arena's tenant partners as at 31 March 2021; COVID-19 related impacts to ELC operator revenues, government subsidies and attendances may diminish the like-for-like accuracy of these measures during the period.

HEALTHCARE PORTFOLIO METRICS

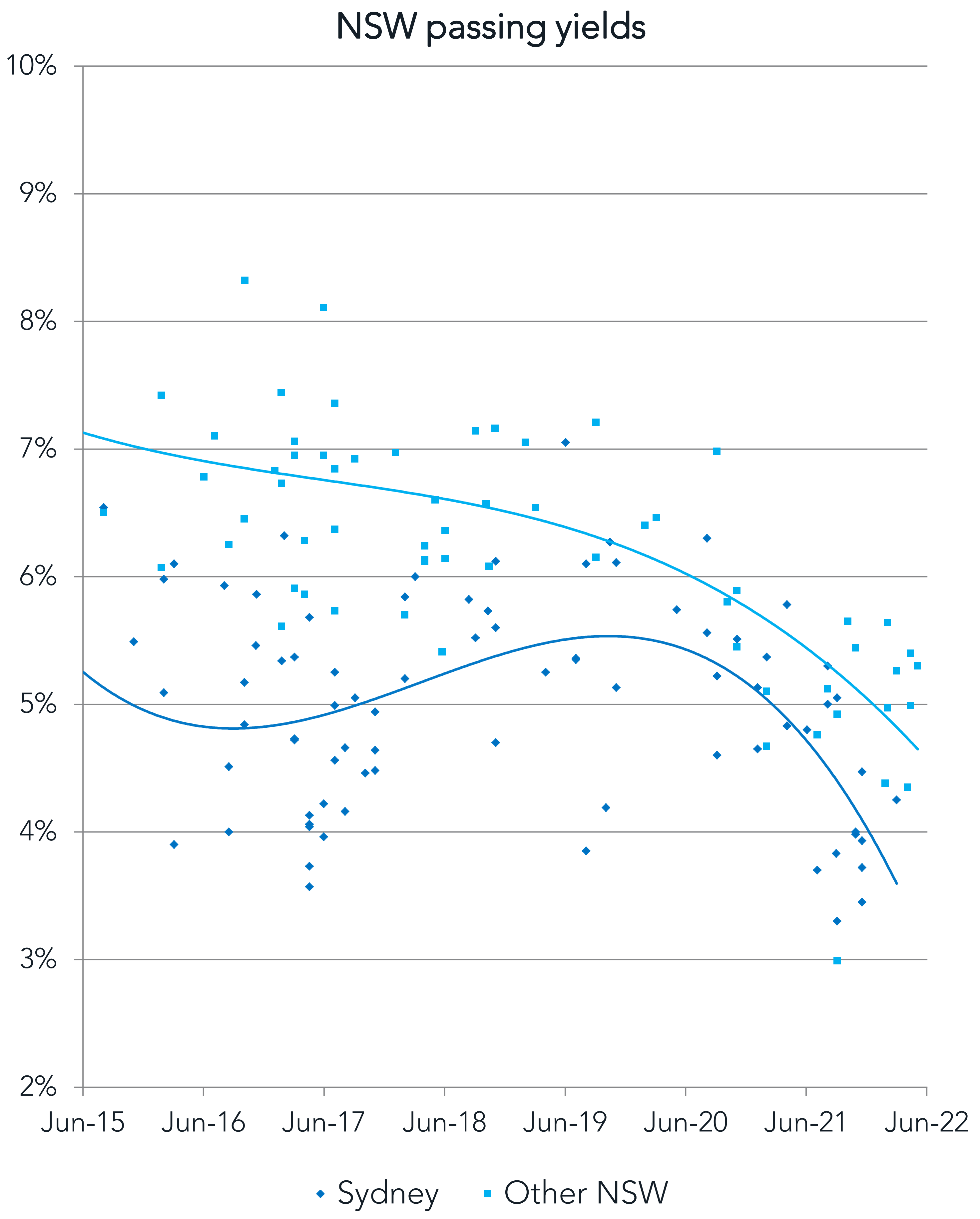
	30 June 2022	30 June 2021	Change
Total healthcare properties	11	11	-
WALE (by income) (years)	10.9	11.9	-1 year
Tenanted occupancy (%)	100	100	-
Average passing yield (%)	5.02	5.34	-32bps
Property portfolio ($m)	174.3	153.3	+14%
Average rental increase (%)	3.5	1.7	+180bps
Portfolio composition (% by value)			
Metropolitan %	90	91	-100bps
Regional %	10	9	+100bps

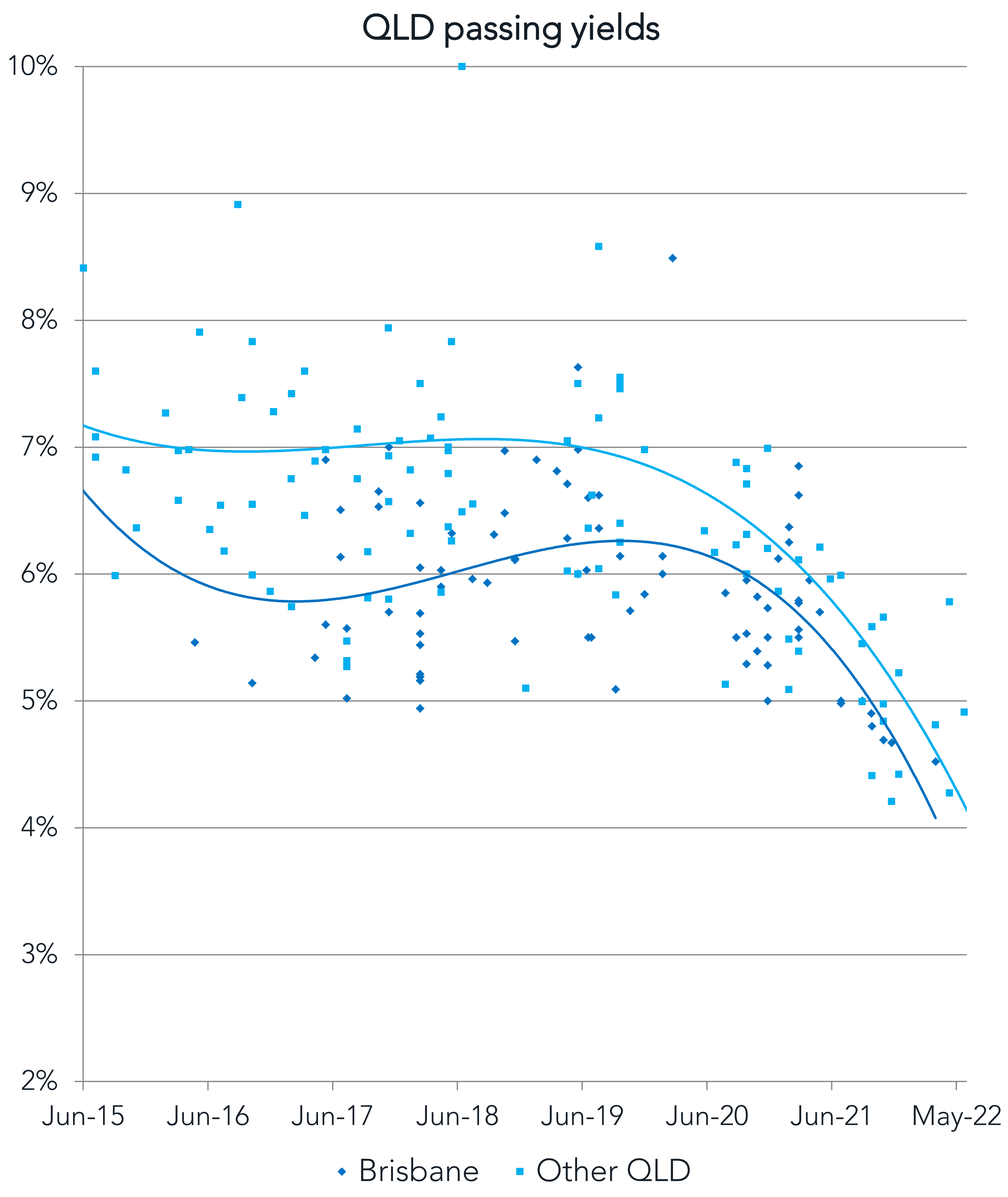
PORTFOLIO LOCATION MAP



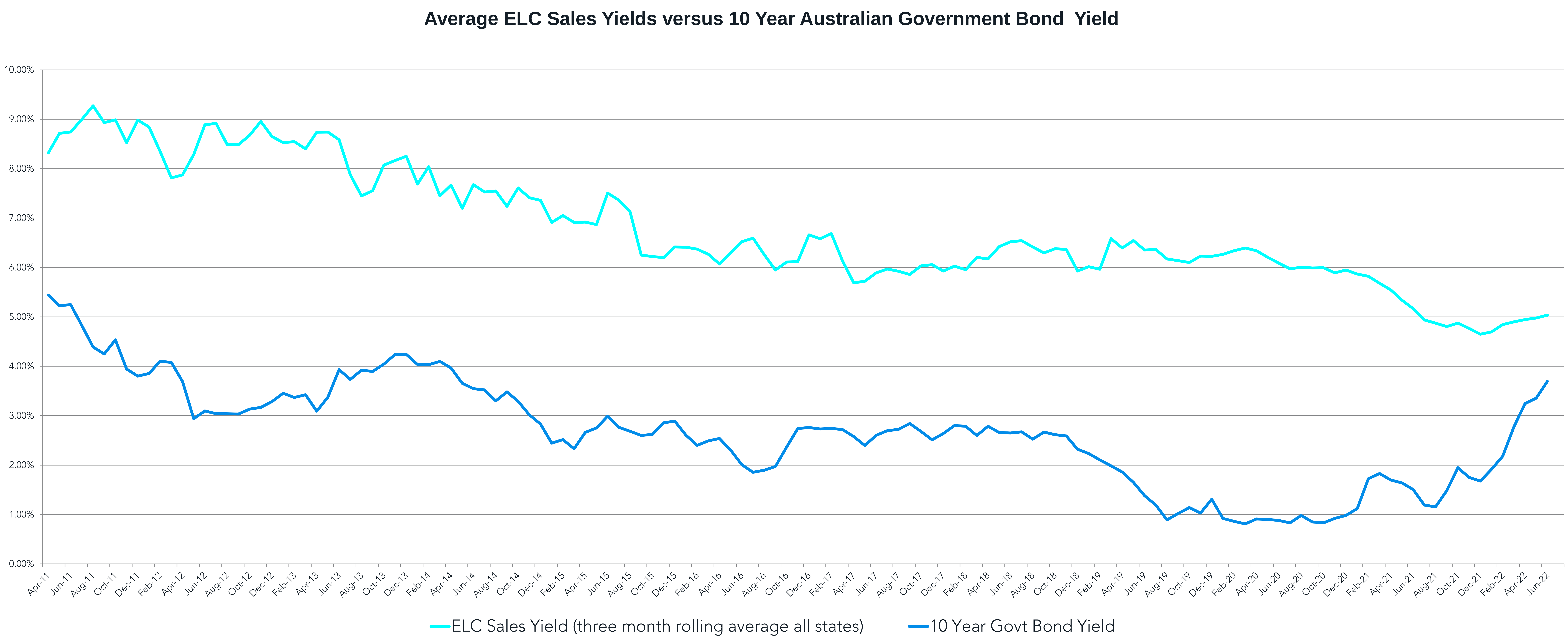
1. Excludes five ELC developments that are contracted subject to planning or other conditions precedent.

ELC MARKET TRANSACTIONS





ELC SALES YIELDS VERSUS 10 YEAR BOND



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