Arena REIT

HALF YEAR 2024 RESULTS PRESENTATION

15 February 2024

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 for Half Year 2024

Facilitating access to essential services which deliver strong community benefits

- Growth in net operating profit driven by like-for-like contracted rental increases and the full period impact of prior acquisitions and development completions.
- Statutory net profit was lower primarily due to investment property and derivative revaluations.
- NAV per security stable as an increase in portfolio capitalisation rate has been largely offset by passing and market rent increases.
- Weighted average lease expiry (WALE) of 18.8 years.
- Three ELC development projects completed, and seven ELC development projects added to the pipeline[1].
- Achieved 100% of Sustainability Linked Loan margin discount for the FY2023 sustainability performance targets.
- Solar renewable energy installed on 88% of property portfolio.
- Reaffirm FY24 distribution guidance of 17.4 cents per security, an increase of 3.6% on FY23 DPS[2].

1. Includes three ELC development projects which were conditionally contracted at 31 December 2023.
2. FY24 distribution guidance is estimated on a status quo basis assuming no new acquisitions or disposals and no material change in current market or operating conditions.
3. Gearing calculated as ratio of net borrowings over total assets less cash.

Statutory net profit

$19 million

-59% on HY2023

Net operating profit

$31 million

+3% on HY2023

Earnings per security (EPS)

8.72 cents

+1.5% on HY2023

Net asset value (NAV) per security

$3.38

-1% on FY2023

Average like-for-like rent increase

+5.4%

-140bps on FY2023

Gearing ratio[3]

21.7%

+70bps on FY2023

Delivering on Strategy

Inflation protected, predictable income

Portfolio management

Long term WALE (by income) of 18.8 years.

Portfolio weighted average passing yield of 5.26%.

Lease management

99.7% portfolio occupancy.

Average like-for-like rent increase of +5.4%.

Nine market rent reviews completed; all achieved the maximum outcome of +7.5%.

Working in partnership

Continue to progress solar renewable energy program; currently installed on 88% of Arena's property portfolio.

Achieved 100% Sustainability Linked Loan margin discount for the FY2023 sustainability performance targets.

Investment and development

Three ELC developments completed at an average net initial yield of 5.4% on total cost with initial average term of 20 years.

Seven[1] new ELC development projects acquired at a forecast average net initial yield on total cost of 6.3%.

1. Three ELC development projects were conditionally contracted at 31 December 2023.

Sustainability

Investment proposition and 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.
- Sustainability outcomes delivered during FY2024 to date include:
  - Zero organisational scope 1 and 2 emissions.
  - 13% reduction in emissions intensity of Arena's assets under management (scope 3)[1].
  - 6-star rating for organisational NABERS energy co-assessment.
  - Certified carbon neutral by Climate Active for business operations in 2022-2023.
  - Solar renewable energy systems installed on 88% of Arena's property portfolio.
- Key future sustainability goals include:
  - Develop a detailed transition plan including an emissions reduction roadmap for our operations and asset portfolio by FY25.
  - Complete alignment of annual reporting with recommendations of the TCFD by FY25.
  - Install solar renewable energy systems on 90% of Arena's property portfolio by FY27.
  - Continue to build on our Modern Slavery response in line with our roadmap.

1. For FY2022 (Scope 3, Category 15) by indoor floor area measured in $kgCO_2e/m^2$ in line with supplemental guidance for the financial sector by the TCFD as compared with equivalent restated FY2021 baseline.

Financial Results

Gareth Winter

CHIEF FINANCIAL OFFICER

Financial Performance

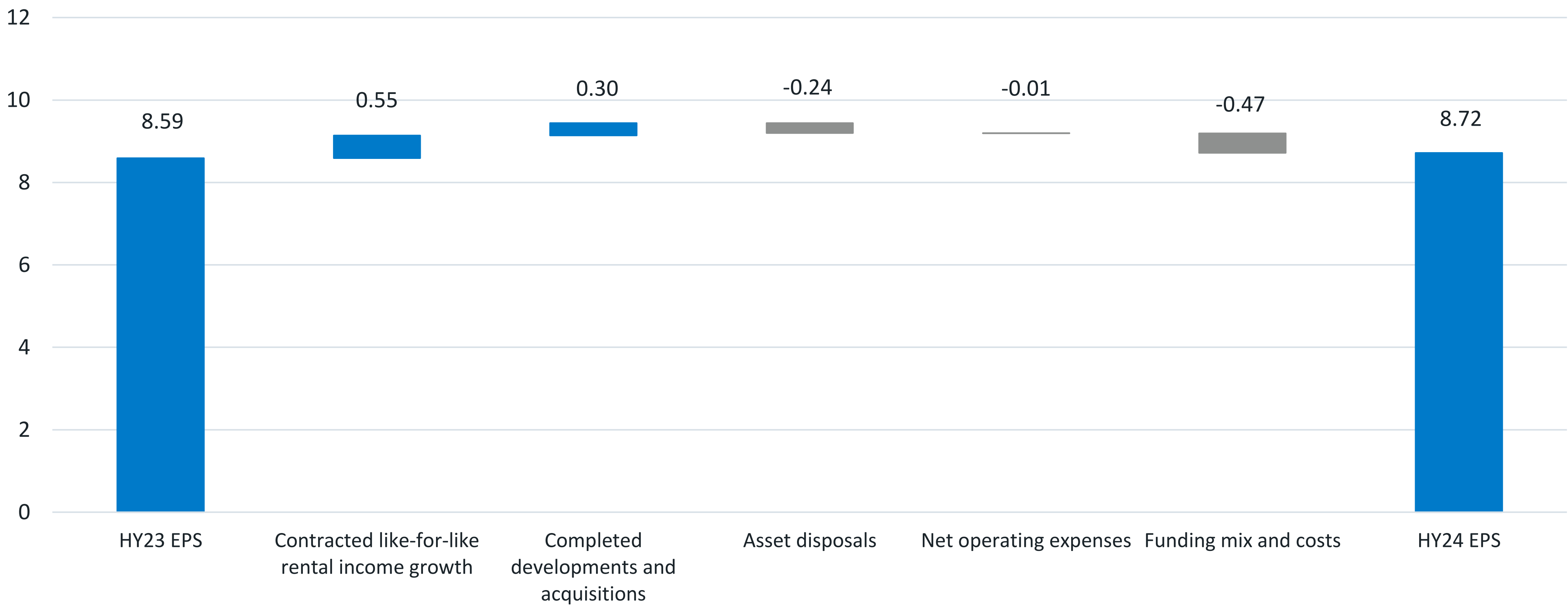
Increase in property income supporting earnings & distribution growth

	HY24 $'000	HY23 $'000	Change $'000	Change %
Property income	**39,060**	36,451	2,609	+7%
Other income	**329**	190	139	+73%
Total operating income	**39,389**	**36,641**	2,748	+7%
Property expenses	**(227)**	(250)	23	-9%
Operating expenses	**(2,509)**	(2,325)	(184)	+8%
Finance costs	**(5,901)**	(4,199)	(1,702)	+41%
Net operating profit	**30,752**	**29,867**	885	+3%
Statutory net profit	**19,391**	**47,629**	(28,238)	-59%
Earnings per security (EPS) (cents)	**8.72**	**8.59**	0.13	+1.5%
Distribution per security (DPS) (cents)	**8.70**	**8.40**	0.30	+3.6%

- Property income continues to increase due to:
  - Contracted rental growth from annual rent increases and market rent reviews;
  - Acquisition of operating ELC properties in prior periods; and
  - ELC development completions.
- Statutory net profit was lower primarily due to investment property and derivative revaluations.
- Operating costs are higher primarily due to changes in the team mix and IT security upgrades.
- Finance costs higher due to increase in facility limit, extension of debt term, higher interest rates and an increase in the balance of debt drawn.

Contributors to EPS Growth

Rental growth, acquisition and development completions supporting EPS growth



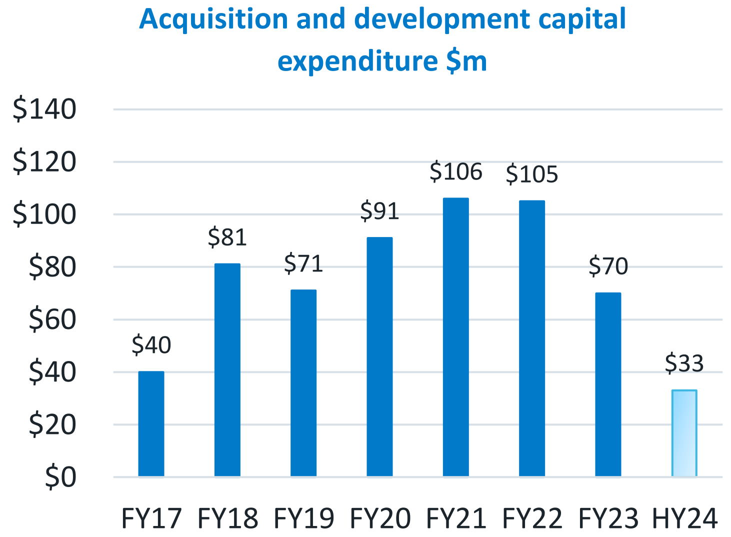
1. EPS is calculated as net operating profit over weighted average number of securities on issue.

Financial Position

Strong balance sheet with substantial capacity

As at	31 Dec 2023 $m	30 June 2023 $m	Change %
Total assets	1,590	1,568	+1%
Investment properties	1,542	1,516	+2%
Borrowings	356	342	+4%
Net assets	1,197	1,199	-
Securities on issue	353.9	350.7	+1%
Net Asset Value (NAV) per security	$3.38	$3.42	-1%
Gearing[1]	21.7%	21.0%	+70bps

- Growth in total assets continues from the acquisition of ELC developments and ELC development completions.
- Undrawn debt capacity of $144 million to fund ELC development commitments and new investment opportunities, of which $67 million is committed as at 31 December 2023.



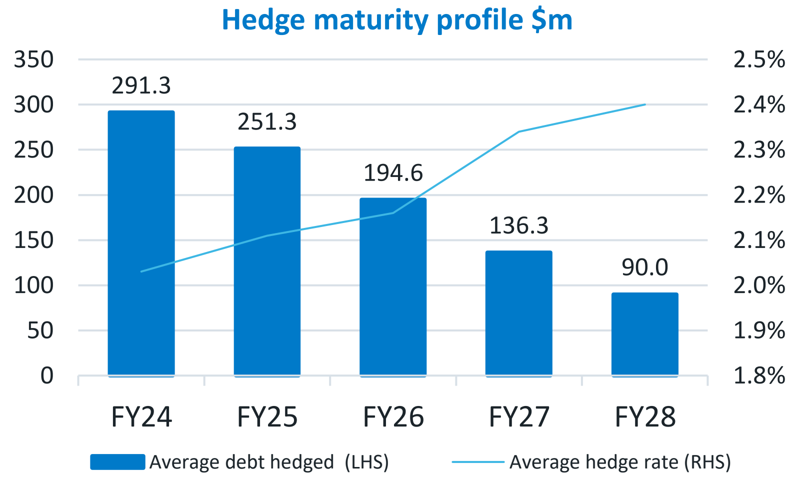
1. Gearing calculated as ratio of net borrowings over total assets less cash.

Capital Management

Ongoing hedging discipline in volatile interest rate markets

As at	31 Dec 2023	30 June 2023	Change
Borrowings	$356m	$342m	+$14m
Borrowings facility limit	$500m	$500m	-
Gearing[1]	21.7%	21.0%	+70bps
Weighted average facility term	3.2 years	3.7 years	-0.5 year
Weighted average cost of debt	4.10%	3.95%	+15bps
Interest cover ratio	4.9x	5.4x	-0.5x
Hedge cover	80%	88%	-800bps
Weighted average hedge rate	2.03%	2.03%	-
Weighted average hedge term	3.1 years	3.5 years	-0.4 year

- $500 million debt facility comprised as follows as at 31 December 2023:
  - $200 million expiring 31 March 2026;
  - $150 million expiring 31 March 2027; and
  - $150 million expiring 31 March 2028.
- DRP in operation with $9 million raised in HY24.
- Intention is to maintain ongoing hedge cover in a range of 70-80% of drawn debt.



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

Portfolio Update

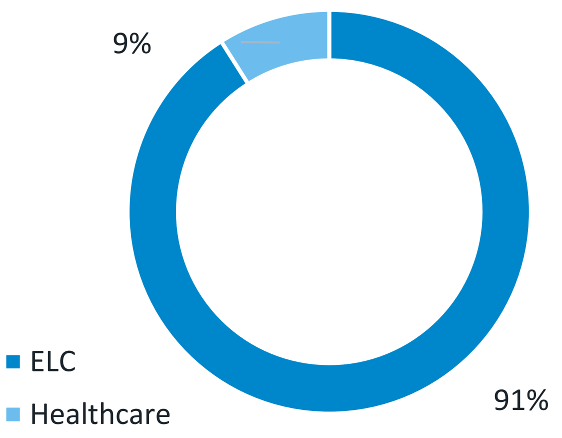
Rob de Vos

MANAGING DIRECTOR

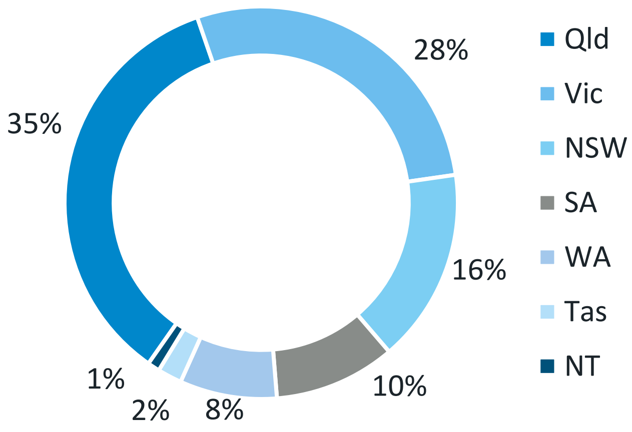
Portfolio Overview

	Number of assets[1]	31 December 2023 valuation	Net valuation movement versus 30 June 2023		31 December 2023 passing yield	Change versus 30 June 2023
		$m	$m	%	%	bps
Early learning portfolio	266	1,404	-3.3	-0.2	5.24	+11
Healthcare portfolio	9	138	-0.5	-0.3	5.50	+13
Total portfolio	275	1,542	-3.8	-0.2	5.26	+10

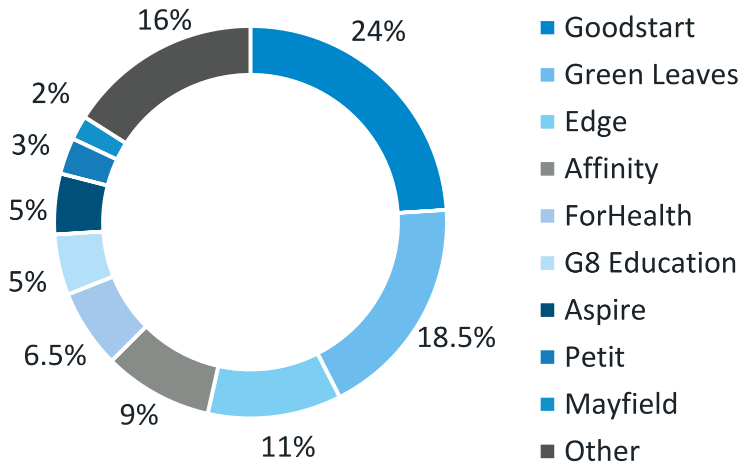
Sector diversity (by value)



Geographical diversity (descending)



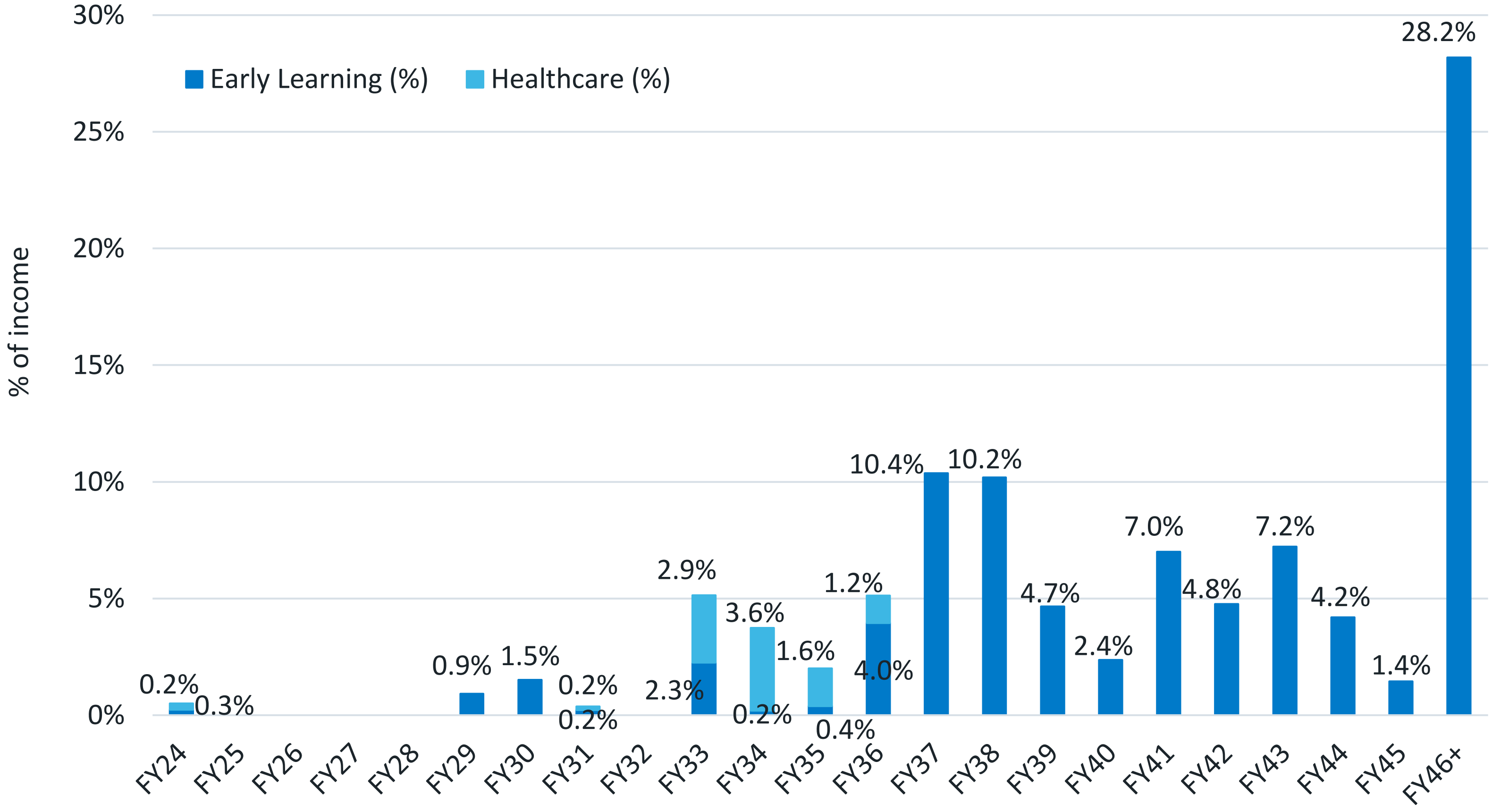
Tenant diversity (descending)



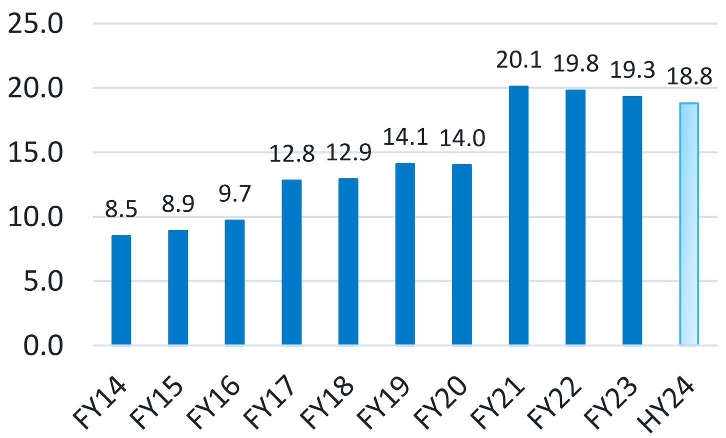
1. Excludes three ELC development projects which were conditionally contracted at 31 December 2023.

Lease Expiry Profile

Weighted average lease expiry of 18.8 years

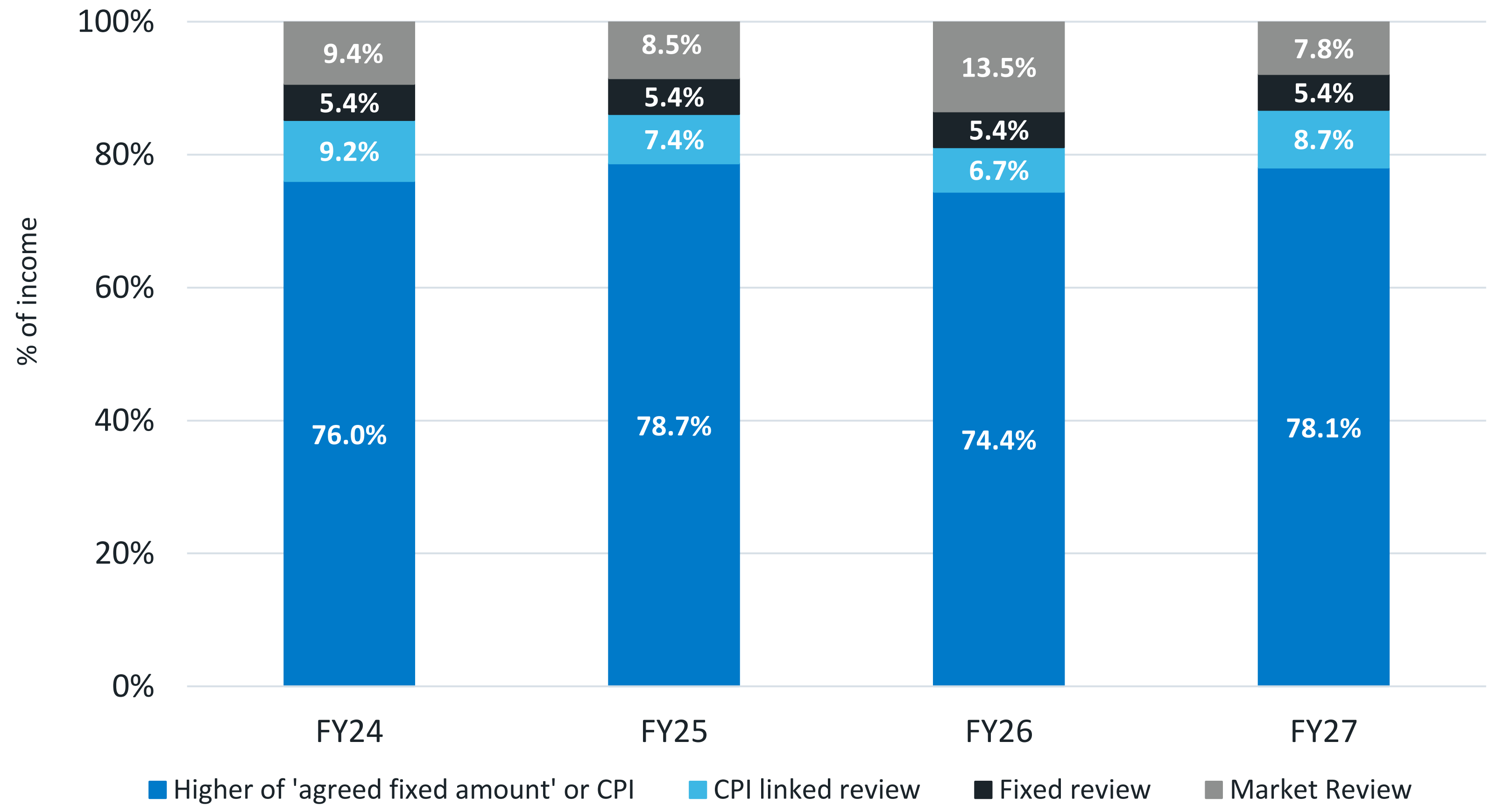


- Less than 3% of portfolio income subject to expiry prior to FY31.
- Over 52% of portfolio lease income expires after FY40.
- Three ELC development completions added to portfolio with initial lease terms of 20 years.



Annual Rent Reviews

HY24 average like-for-like rent increase of +5.4%



- Attractive rent review structure with embedded income growth and inflation protection.
- ~95% of FY24, FY25, FY26 and FY27 rent reviews contracted at CPI, the higher of CPI or an 'agreed fixed amount', or market rent reviews.
- ~5% of FY24, FY25, FY26 and FY27 rent reviews are subject to fixed rent reviews.
- Nine market rent reviews completed; all achieved the maximum outcome of +7.5%.
- Market rent reviews are all subject to a 0% collar.

Acquisitions and Developments

Working with our tenants as property partners

- High-quality, purpose-built properties facilitating essential community services.
- Three ELC development projects were completed in HY2024.

Development completions	Number of properties	Total cost	Initial yield on total cost	Initial weighted average lease term
		$m	%	Years
ELC development completions	3	22.7	5.4	20

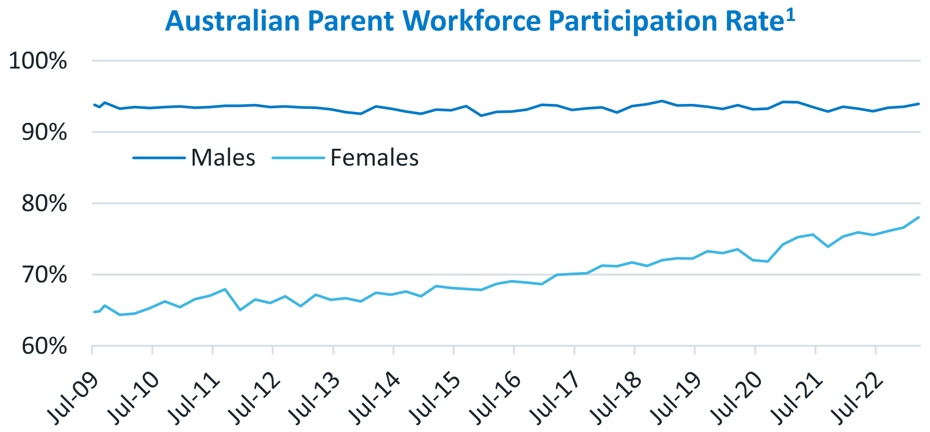
Development pipeline	As at 31 December 2023
Number of projects	18[1]
Forecast total cost	$117 million
Initial yield on total cost	5.7%
Capex amount outstanding	$67 million

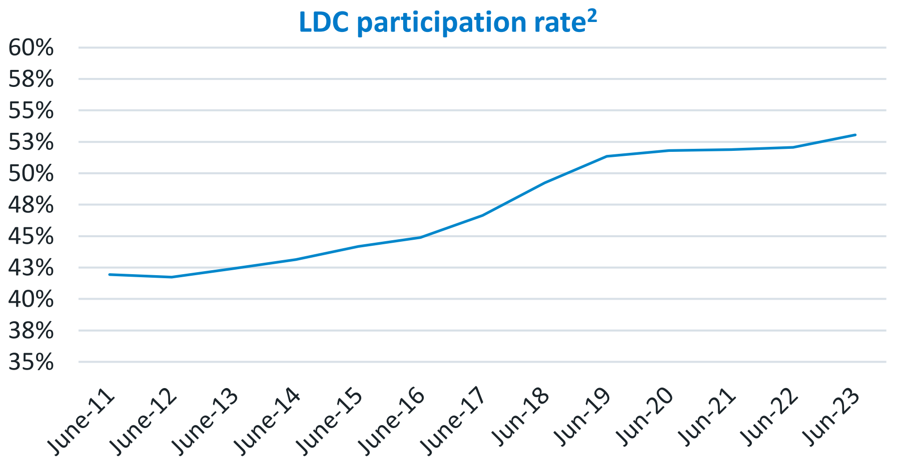
1. Includes one ELC extension project and three ELC development projects which were conditionally contracted at 31 December 2023.

ELC Operating Environment

Strong social and macroeconomic drivers continue to support early learning sector

- Record female workforce participation rate has been driving demand for services and increased long day care participation rates over the medium to long term[1,2].
- From July 2023 Australian families have benefitted from the following improved affordability measures introduced by the Federal Government[3]:
  - Increasing the maximum Childcare Subsidy (CCS) rate to 90% for the first child in care;
  - Retaining the increased CCS rate at a maximum of 95% for subsequent children in care; and
  - Increasing the CCS for every family earning less than $530,000 in annual household income, with one child in care.
- These measures have been designed to improve lifelong learning prospects of Australian children, increase workforce participation, improve gender equality, including women's financial security and stimulate economic activity over the medium to long term[4].
- Net new ELC supply to 31 December 2023 was +3.6%[5].
- Increasing demand for early childhood education and care (ECEC) is maintaining pressure on the supply of skilled ELC educators.





1. ABS Labour Force status by Relationship in household, Sex, State and Territory.
2. Australian Government Department of Education Child Care quarterly reports 2011-2023.
3. Labor's Plan for Cheaper Child Care | Policies | Australian Labor Party (alp.org.au)
4. Cheaper childcare: A practical plan to boost female workforce participation (grattan.edu.au).
5. NQF Snapshots | ACECQA

Early Childhood Education and Care Policy Reform

Draft recommendations support increased demand for ECEC services

- The ACCC's final report on its inquiry into childcare was released in late January 2024, relevant key recommendations include[1]:
  - The Australian Government reconsider and restate the key objectives and priorities of its ECEC policies.
  - Further consideration and consultation on changes to the CCS and hourly rate cap to simplify their operation including, determining an appropriate base for the hourly rate cap, indexing the cap to better reflect the input costs relevant to delivery of childcare services, changing the hourly rate cap to a daily rate cap for centre based day care services, removing, relaxing or substantially reconfiguring the current activity test and a stronger role for Government to monitor providers' prices, costs, profits and outcomes, supported by a credible threat of regulatory intervention to place downward pressure on fees.
  - Governments further consider how the existing regulatory frameworks support and influence the attraction and retention of ECEC educators and workforce.
  - Consider market stewardship role for government, to monitor, regulate and shape childcare markets to ensure they deliver government objectives.
  - Further consideration of the benefits and challenges of supply-side subsidies coupled with other more direct forms of market intervention, as appropriate.
- The Productivity Commission (PC) released a draft report 'A path to universal early childhood education and care' in late November 2023 which focuses on improvements to ECEC availability, affordability, inclusivity, flexibility and regulation that will help to deliver 30 hours of quality ECEC a week for all children aged 0-5. The final report to government is due by 30 June 2024 and will be released publicly after this date[2].
- The ACCC and PC reports are consistent with the Australian Federal Government's commitment to improve the Australian childcare system through fundamental economic reform. The development and implementation of a whole of government Early Years Strategy[3] is expected to create a new and integrated approach to the early years and outline a program of action to deliver cheaper childcare, boost workforce participation and drive productivity growth.

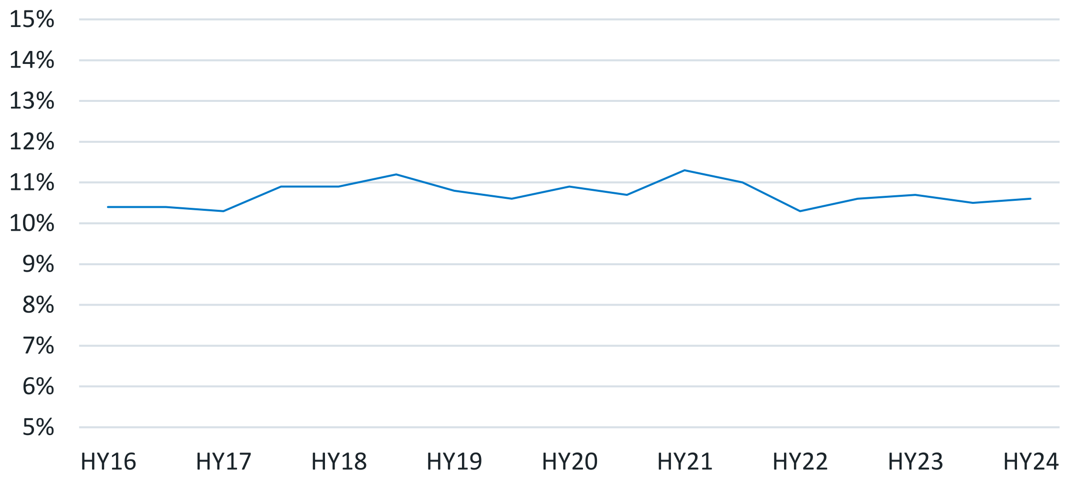
1. Childcare inquiry 2023 | ACCC
2. Early Childhood Education and Care - Public inquiry - Productivity Commission (pc.gov.au)
3. Labor's Plan for Cheaper Child Care | Policies | Australian Labor Party (alp.org.au)

Arena's ELC Portfolio

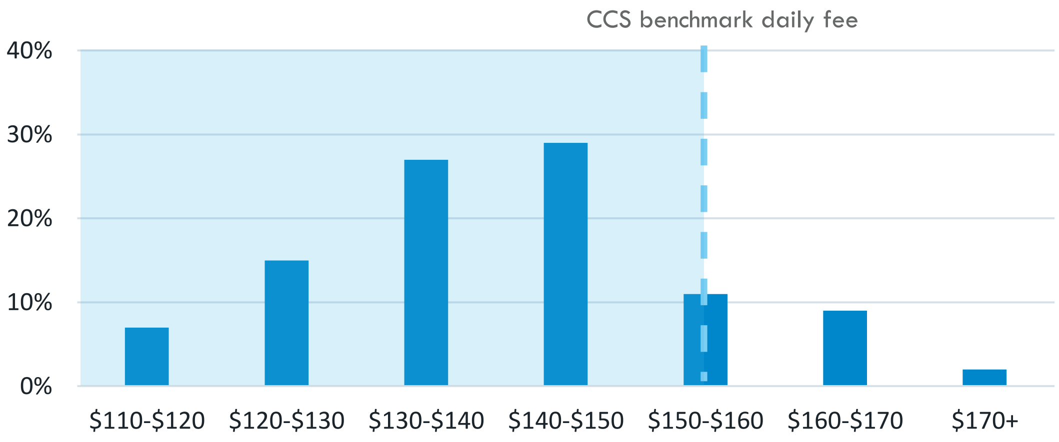
Asset quality supporting portfolio strength

- 100% portfolio occupancy as at 31 December 2023.
- Arena's ELC portfolio operating data[1] to 30 September 2023:
  - Average daily fee of $140.63:
    - +10.46% from 30 September 2022; and
    - +8.53% from 31 March 2023.
  - Like-for-like operator occupancy (as reported by Arena's tenant partners) is above the same period last year and higher than any prior corresponding period over the past seven years.
  - Net rent to revenue ratio of 10.6%.

Arena ELC portfolio – net rent to gross operator revenue[1]



Arena ELC portfolio - average daily fee per place[1,2]



1. Arena analysis based on operating data provided by Arena's tenant partners as at 30 September 2023.
2. Assumes CCS fully covers a daily fee of approximately $151.03 based on CCS capped hourly fee of $13.73 per hour over an 11-hour day.

Healthcare Sector & Arena Portfolio

Supportive macroeconomic drivers

- Strong structural macroeconomic drivers continue to support Australian healthcare accommodation including a growing and ageing population and increased prevalence of chronic health conditions.
- Healthcare real estate transaction volumes increasing.
- Ongoing domestic and international investor interest in Australian healthcare property continued to support price resilience in this sector during the period.
- Challenging labour conditions for healthcare operators.

Outlook

Well positioned to explore new opportunities in a changing investment market

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

INCOME GROWTH

- Reaffirm FY24 distribution guidance of 17.4 cents per security, an increase of 3.6%[1] on FY23.
- Attractive rent review structure with embedded income growth and inflation protection: ~95% of FY24, FY25, FY26 and FY27 rent reviews contracted at CPI, the higher of CPI or an 'agreed fixed amount', or market rent reviews.
- Full impact of FY23 acquisitions and development completions and partial impact of FY24 development completions.
- $117 million development pipeline comprising 18[2] ELC projects with $67 million of capital expenditure outstanding.

OUTLOOK

- Strong social and macroeconomic drivers continue to support the early learning and healthcare sectors.
- Higher interest rates partially offset by ongoing hedging discipline.
- Expanded liquidity and substantial capacity with gearing[3] at 21.7%.
- Proven ability to secure and execute on high quality opportunities while maintaining a disciplined investment process for opportunities that meet Arena's preferred investment characteristics.

1. FY24 distribution guidance is estimated on a status quo basis assuming no new acquisitions or disposals and no material change in current market or operating conditions.
2. Includes one ELC extension project and three ELC development projects which were conditionally contracted at 31 December 2023.
3. Gearing calculated as ratio of net borrowings over total assets less cash.

Questions

Corporate Directory

Please direct enquiries to Sam Rist samantha.rist@arena.com.au

Rob de Vos

Managing Director

Gareth Winter

Chief Financial Officer

Sam Rist

Chief of Investor Relations & Sustainability

Appendices

Financial Performance

	HY2024 $'000	HY2023 $'000	Change $'000	Change %
Property income	**39,060**	**36,451**	2,609	+7%
Other income	329	190	139	+73%
Total operating income	**39,389**	**36,641**	**2,748**	**+7%**
Property expenses	(227)	(250)	23	-9%
Operating expenses	(2,509)	(2,325)	(184)	+8%
Finance costs	(5,901)	(4,199)	(1,702)	+41%
Net operating profit (distributable income)	**30,752**	**29,867**	**885**	**+3%**
Non-distributable items:				
Investment property revaluation & straight-lining of rent	(3,795)	18,374	(22,169)	
Change in fair value of derivatives	(6,450)	923	(7,373)	
Transaction costs	(266)	(353)	87	
Amortisation of equity-based remuneration (non-cash)	(654)	(901)	247	
Other	(196)	(281)	85	
Statutory net profit	**19,391**	**47,629**	**(28,238)**	

Balance Sheet

	31 Dec 2023 $'000	30 June 2023 $'000	Change $'000	Change %
Cash	14,605	16,113	(1,508)	-9%
Receivables and other assets	8,779	5,958	2,821	+47%
Investment properties	1,542,282	1,515,912	26,370	+2%
Derivatives	13,047	19,497	(6,450)	-33%
Intangibles	10,816	10,816	0	-
Total assets	**1,589,529**	**1,568,296**	**21,233**	**+1%**
Trade and other liabilities	22,138	13,917	8,221	+59%
Distributions payable	15,394	14,730	664	+5%
Borrowings	354,576	340,342	14,234	+4%
Total liabilities	**392,108**	**368,989**	**23,119**	**+6%**
Net assets	**1,197,421**	**1,199,307**	**(1,886)**	**-**
Number of securities on issue (m)	353.9	350.7	+3.2 million	+1%
Net asset value per security ($)	3.38	3.42	-$0.04	-1%
Gearing[1] (%)	21.7	21.0	+70bps	+3%

Covenant	Facility requirement	Ratio
Loan to value ratio (LVR)	Maximum 50%	26.1%
Interest cover ratio (ICR)	Minimum 2x	4.9x

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

Portfolio Composition and Movement

1. Excludes three ELC development projects which were conditionally contracted at 31 December 2023.

ELC Portfolio Valuations

As at 31 December 2023	Number of properties[1]	Value $m	Passing yield %
Independent ELC freehold valuations			
Queensland	18	107.3	5.20%
Victoria	14	71.4	5.09%
New South Wales	2	10	5.30%
Western Australia	4	17	5.07%
South Australia	4	25	5.77%
Tasmania	5	20.9	6.01%
Northern Territory	2	6.2	6.38%
Total independent ELC valuations	**49**	**257.8**	**5.31%**
Director ELC freehold valuations			
Queensland	72	423.6	5.11%
Victoria	57	327.3	5.20%
New South Wales	30	136.4	5.03%
Western Australia	20	98.1	4.72%
South Australia	15	91	5.67%
Tasmania	3	13.6	6.08%
Total director ELC freehold valuations	**197**	**1,090.0**	**5.15%**
Total freehold ELC portfolio	**246**	**1,347.8**	**5.18%**
Director ELC leasehold valuations – Victoria	6	17.8	9.57%
Total ELC portfolio excluding development sites	**252**	**1,365.6**	**5.24%**
ELC development sites	14	38.3	
Total ELC portfolio	**266**	**1,403.9**	**5.24%**

1. Excludes three ELC development projects which were conditionally contracted at 31 December 2023.

ELC Portfolio Metrics

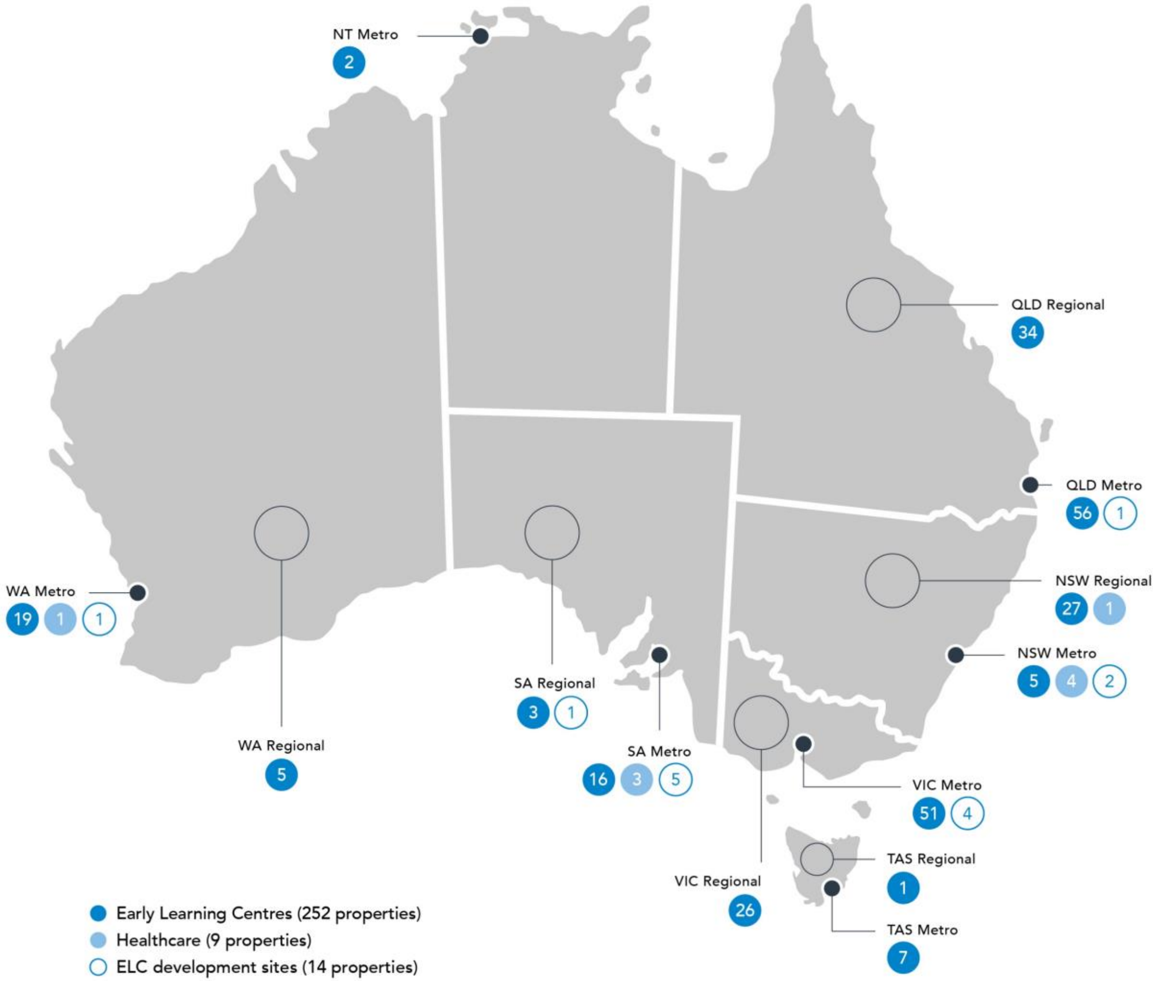
	31 Dec 2023	30 June 2023	Change
Leased ELCs	252	249	+3
Development sites	14[1]	14[2]	-
Total ELCs	266	263	+3
WALE (by income) (years)	19.8	20.2	-0.4 year
Tenanted occupancy (%)	99.7	99.6	+10bps
Average passing yield (%)	5.24	5.13	+11bps
Portfolio value ($m)	1,404	1,377	+2%
Average rental increase (%)	5.5	7.1	-160bps
Rent to gross revenue ratio (%)	10.6	10.5	+10bps
Average daily fee ($)	140.63[3]	129.57[4]	+8.5%
Portfolio composition (% by value)			
Metropolitan	70	70	-
Regional	30	30	-

1. Excludes three ELC development projects which were conditionally contracted at 31 December 2023.
2. Excludes two ELC development projects which were conditionally at 30 June 2023.
3. Arena analysis based on operating data provided by Arena’s tenant partners as at 30 September 2023.
4. Arena analysis based on operating data provided by Arena’s tenant partners as at 31 March 2023.

Healthcare Portfolio Metrics

	31 Dec 2023	30 June 2023	Change
Total healthcare properties	9	9	-
WALE (by income) (years)	9.8	10.3	-0.5 year
Tenanted occupancy (%)	100	100	-
Average passing yield (%)	5.50	5.37	+13bps
Property portfolio ($m)	138.4	138.8	-
Average rental increase (%)	4.38	4.9	-52bps
Portfolio composition (% by value)			
Metropolitan	89	89	-
Regional	11	11	-

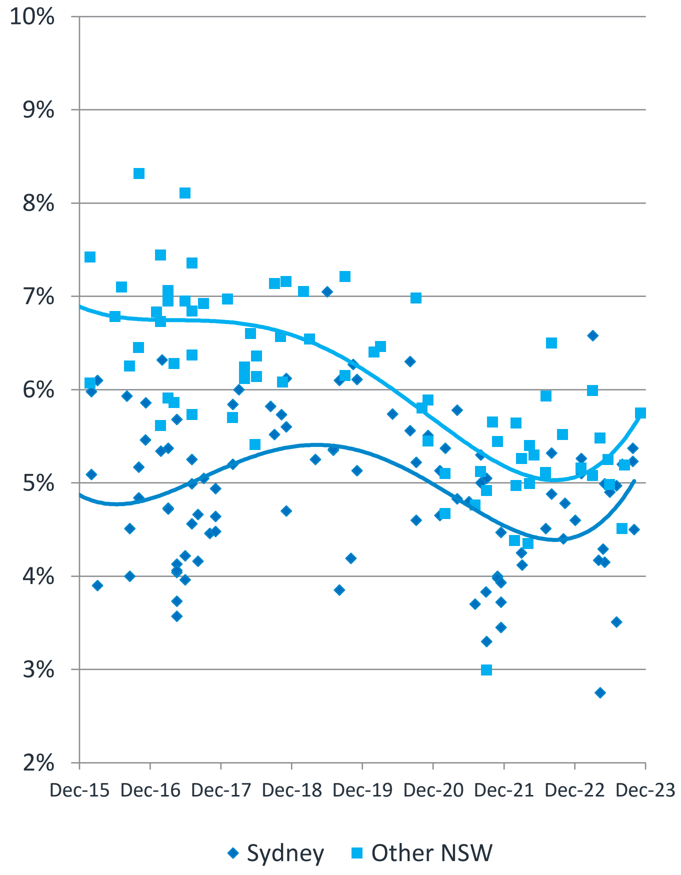
Portfolio Location Map



1. Excludes three ELC development projects which were conditionally contracted at 31 December 2023.

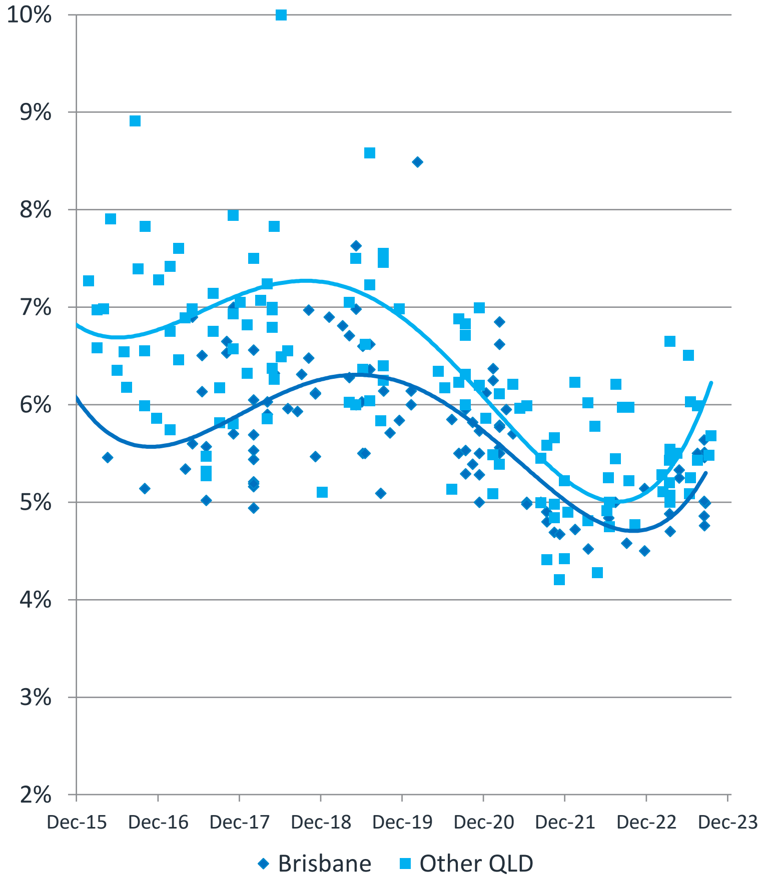
ELC Market Transactions

NSW passing yields

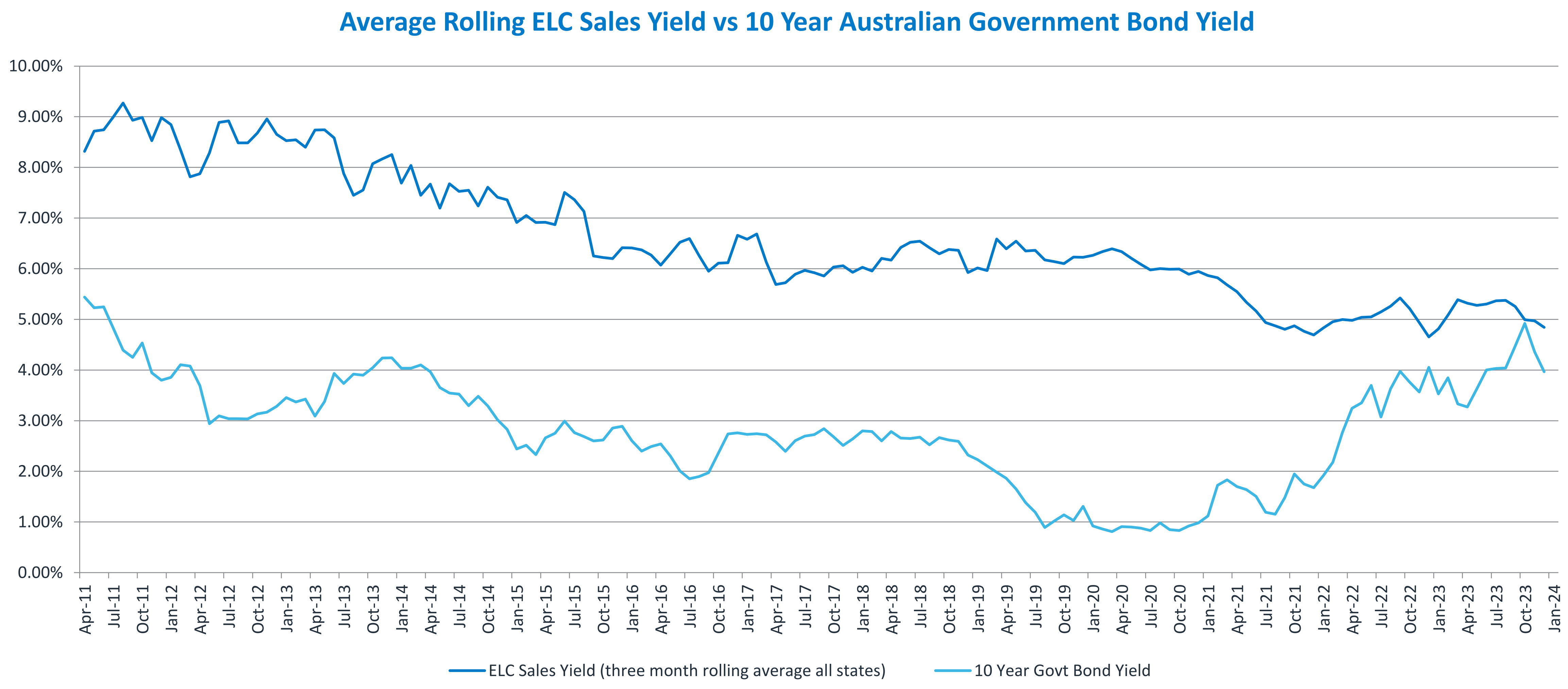


VIC passing yields

QLD passing yields



ELC Sales Yields versus 10 Year Bond



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