ASX ANNOUNCEMENT

9 FEBRUARY 2023

HY2023 RESULTS

FINANCIAL HIGHLIGHTS

- Net operating profit (distributable income) of $29.9 million, up 8.6% on the prior corresponding period (pcp)
- Statutory net profit of $47.6 million, down 74% on pcp
- Total Assets of $1.58 billion, up 4% on 30 June 2022
- Net Asset Value (NAV) per security of $3.42, up 1% on 30 June 2022
- Earnings per security (EPS) of 8.59 cents, up 7.8% on pcp
- Distributions per security (DPS) of 8.4 cents, up 6.3% on pcp
- Reaffirm FY23 full year distribution guidance of 16.8[1] cents, up 5% on pcp

Delivering on our investment objective and improving community outcomes

Arena REIT (Arena) has today announced a net operating profit for the half-year ended 31 December 2022 of $29.9 million, up 8.6% on the pcp.

Key contributors to the result were income growth from contracted annual rent reviews, acquisitions and development projects completed in financial year 2022 (FY22) and half year 2023 (HY23).

This result equated to EPS of 8.59 cents, up 7.8% on the pcp. Arena has paid DPS of 8.4 cents for the half-year, an increase of 6.3% on the pcp. Arena reaffirms financial year 2023 (FY23) distribution guidance of 16.8[1] cents per security (cps), an increase of 5% on FY22.

Statutory net profit for the half-year was $47.6 million, a decrease of 74% on pcp primarily due to lower investment property revaluation gain.

Arena's total assets increased by 4% from 30 June 2022 to $1.58 billion as a result of acquisitions, development capital expenditure and positive portfolio revaluation. The valuation uplift contributed to a 1% increase in NAV of 5 cents per security to $3.42 at 31 December 2022.

Commenting in respect of today's announcement, Arena's Managing Director Mr Rob de Vos said, "Our team and tenant partners have continued to work hard during the period. Arena has delivered seven new high quality, purpose built early learning centres for local communities and our tenant partners continue to report strong underlying business occupancy."

[1] FY23 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.

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)

Level 32, 8 Exhibition Street
Melbourne VIC 3000
www.arena.com.au

Locked Bag 32002 Collins Street East
Melbourne VIC 8003
info@arena.com.au

T +61 3 9093 9000
Freecall 1800 008 494

PORTFOLIO HIGHLIGHTS

- Weighted average lease expiry (WALE) of 19.5 years
- 99.6% portfolio occupancy
- 100% of contracted rent has been received for the period 1 July 2022 to 31 December 2022
- Portfolio valuation uplift of $18 million
- Portfolio weighted average passing yield 5.05%
- Continued to progress solar renewable energy program
- Two operating early learning centres (ELC) and seven ELC development projects acquired[2]
- Seven ELC development projects completed
- Two healthcare properties contracted for sale as at 31 December 2022 at an average premium of 2.4% to book value at 30 June 2022
- Development pipeline of 15 ELC projects at a forecast total cost of $106 million[2]
- Average like-for-like rent review increase of 6.45%

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 outcomes.

Arena's properties facilitate access to essential community services:

- ELCs provide early childhood education and care which improve lifelong learning prospects of children and allow 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 future sustainability goals as outlined in Arena's FY22 Sustainability Report include:

- Continued active collaboration with tenant partners on appropriate sustainability initiatives.
- Install solar renewable energy systems on 90% of Arena's property portfolio by FY27.
- Maintain organisational carbon neutrality Climate Active certification.
- Develop a detailed transition plan including an emissions reduction roadmap for our operations and asset portfolio by FY25.
- Align reporting with recommendations of TCFD by FY25.
- Achieve gender balance for Arena board using the 40:40:20 model by FY24.
- Develop a Reconciliation Action Plan that is endorsed by Reconciliation Australia.
- Continue to build on our Modern Slavery response in line with our roadmap.

[2] Includes one ELC development which was conditionally contracted at 31 December 2022.

Acquisitions and development project completions in HY23

Two operating ELC properties were acquired for $7.8 million at a net initial yield on total cost of 6.0% with an initial average lease term of 25 years and seven ELC development projects were completed for $44.3 million at a net initial yield on cost of 5.9%, each with an initial average lease term of 20 years. Seven[3] new ELC development projects were acquired.

Development pipeline of $106 million[3]

The development pipeline now comprises 15 ELC projects with a forecast total cost of $106 million; $66 million of forecast capital expenditure remains outstanding. The weighted average initial yield on forecast total cost on completion of the development pipeline is 5.4%.

Long portfolio WALE maintained at 19.5 years

The portfolio WALE is 19.5 years following the ELC acquisition and developments completed during HY23.

Asset recycling underpins ongoing quality of portfolio

Two healthcare properties at Caboolture, QLD and Bondi, NSW were contracted for sale as at 31 December 2022 at an average premium of 2.4% to 30 June 2022 book value. Proceeds of approximately $33 million will be reinvested into Arena's development projects.

Portfolio valuation uplift of $18 million

At 31 December 2022, Arena's property portfolio comprised 260 ELC properties and development sites (89% of portfolio value) and 11 healthcare properties (11% of portfolio value). All 271 properties were revalued during HY23, with 52 properties independently valued and the remaining 219 at directors' valuation. A valuation uplift of $18 million was recorded, an increase of 1.3% from FY22.

The portfolio's weighted average passing yield widened by 14 basis points to 5.05%. The weighted average passing yield on the ELC portfolio widened by 13 basis points and healthcare portfolio widened by 16 basis points.

	No. of properties	31 Dec 23 Valuation ($m)	Valuation movement (since 30 June 2022)		Weighted average passing yield	
			$m	%	31-Dec-22 %	Change bps
ELC portfolio	260	1,348.6	+19	+ 1.5	5.03	+13
Healthcare portfolio	11	174.9	- 1	- 0.4	5.18	+16
Total Portfolio	**271**	**1,523.5**	**+18**	**+1.3**	**5.05**	**+14**

Average like-for-like rent review increase of 6.45%

Annual rent reviews completed during HY23 resulted in an average like-for-like rent increase of 6.45%.

[3] Includes one ELC development which was conditionally contracted at 31 December 2022.

ELC sector update

Strong social and macroeconomic drivers continue to support the Australian ELC 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[4,5].

In late November 2022 the Australian Federal Government's Cheaper Childcare Bill successfully passed through the Senate[6].

From 1 July 2023 Australian families will benefit from the following improved affordability measures:

- 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 to stimulate broader economic activity over the medium to long term[7].

Arena's healthcare portfolio continues to perform well

Strong structural macroeconomic drivers continue to support Australian healthcare accommodation. Ongoing domestic and international investor interest in Australian healthcare property continued to support price strength in this sector during the period.

Strong occupancy has been maintained across the specialist disability accommodation portfolio.

CAPITAL MANAGEMENT HIGHLIGHTS

- Gearing[8] 21.5%, increased from 20.2% at 30 June 2022
- Weighted average cost of debt of 3.90% as at 31 December 2022
- 80% of borrowings hedged for weighted average term of 4.0 years at 1.93%.
- Weighted average facility term of 4.2 years with no expiry until March 2026

Increase in borrowing facility and extension of facility tranche

Arena increased its syndicated borrowing facility by $70 million to $500 million and extended a $150 million facility tranche from 31 March 2024 to 31 March 2028 during HY23. As at 31 December 2022 the weighted average remaining facility term was 4.2 years with no debt expiry before 31 March 2026.

---

[4] ABS Labour Force status by Relationship in household, Sex, State and Territory.
[5] Australian Government Department of Education Child Care quarterly reports 2011-2021..
[6] *Bills — Family Assistance Legislation Amendment (Cheaper Child Care) Bill 2022; in Committee — They Vote For You*.
[7] *Cheaper childcare: A practical plan to boost female workforce participation (grattan.edu.au)*.
[8] Gearing calculated as ratio of net borrowings over total assets less cash.

Arena's weighted average cost of debt was 3.9% as at 31 December 2022 compared with 2.9% as at 30 June 2022. Contributors to this increase were floating rate +60bps, hedge swaps +20bps and facility expansion and term extension +20bps. As at 31 December 2022 80% of borrowings were hedged for a weighted average term of 4.0 years at a weighted average rate of 1.93%.

Sustainable finance

Arena REIT has added an inaugural Sustainability-Linked Loan (SLL) over its existing debt facility of $500m. Arena's Sustainable Finance Framework and SLL are aligned to the Sustainability-Linked Loan Principles.

Under the SLL, Arena is incentivised to accelerate our existing sustainability program, with key performance indicators and associated sustainability performance targets based on the following material sustainability areas:

- Maintaining organisational carbon neutrality, delivering a detailed emissions reduction plan for operations and assets under management and reducing scope 1 and 2 greenhouse gas emissions from operations and assets under management;
- Further increasing the rollout of solar renewable energy systems on Arena's property portfolio; and
- Issuing our inaugural and ongoing annual Voluntary Modern Slavery Statement and refining Arena's Modern Slavery response in line with our roadmap.

Capacity to fund new investment opportunities

At 31 December 2022, Arena's gearing[9] was 21.5%, increased from 20.2% at 30 June 2022 with undrawn debt capacity of approximately $150 million to fund the balance of the development pipeline of $66 million, and future growth opportunities. Arena raised $6 million during HY23 via the DRP, which remains open.

Commenting on Arena's financial position, Chief Financial Officer Mr Gareth Winter said, "Arena has maintained its capital management discipline through the period. Our balance sheet gearing and expanded debt facilities fully fund the development pipeline with capacity to deploy capital into further growth opportunities."

OUTLOOK

FY23 forecast distribution guidance of 16.8 cents per security[10]

Arena reaffirms FY23 distribution guidance of 16.8[10] cps reflecting growth of 5% over FY22.

[9] Gearing calculated as ratio of net borrowings over total assets less cash.
[10] FY23 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.

Mr de Vos said "Arena's investment proposition and partnership approach are integral to building better communities, together. This approach drives sustainable and commercial outcomes and underpins Arena's value proposition which provides inflation protected, long term income predictability with earnings growth prospects over the medium to long term."

Teleconference

An investor teleconference will be held to provide an overview of the operating activities and financial results for the half-year to 31 December 2022. Details of the teleconference are as follows:

Title: Arena REIT HY23 Results

Date: Thursday 9 February 2023

Time: 11.30am AEDT

Registration: Investors wishing to participate in the teleconference must register click here to register. Upon registration, investors will be emailed the teleconference dial-in number, the conference passcode and a unique access PIN for the call; this information will also be emailed to you as a calendar invitation.

A recording of the investor teleconference will also be made available on the Arena website.

This announcement is authorised to be given to the ASX by Gareth Winter, Company Secretary.

– ENDS –

For further information, please contact:

Rob de Vos
Managing Director
+61 3 9093 9000
rob.devos@arena.com.au

Sam Rist
Chief of Investor Relations and Sustainability
+61 3 9093 9000
samantha.rist@arena.com.au

About Arena REIT

Arena REIT is an ASX200 listed property group that develops, owns and manages social infrastructure properties across Australia. Our current portfolio of social infrastructure properties is leased to a diversified tenant base in the growing early learning and healthcare sectors. To find out more, visit www.arena.com.au.

Important Notice

This document has been prepared by Arena, comprising Arena REIT Limited (ACN 602 365 186) and 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). The information contained in this document is current only as at the date of this document or as otherwise stated herein. This document may not be reproduced or distributed without Arena's prior written consent. The information contained in this document is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. Arena has not considered the investment objectives, financial circumstances or particular needs of any particular recipient. You should consider your own financial situation, objectives and needs, conduct an independent investigation of, and if necessary obtain professional advice in relation to, this document. Past performance is not an indicator or guarantee of future performance.

Except as required by law, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions, or as to the reasonableness of any assumption, contained in this document. By receiving this document and to the extent permitted by law, you release Arena and its directors, officers, employees, agents, advisers and associates from any liability (including, without limitation, in respect of direct, indirect or consequential loss or damage or any loss or damage arising from negligence) arising as a result of the reliance by you or any other person on anything contained in or omitted from this document.

This document is for information purposes only and should not be considered as a solicitation, offer or invitation for subscription, purchase or sale of securities in any jurisdiction, or to any person to whom it would not be lawful to make such an offer or invitation.

This document contains forward-looking statements including certain forecast financial information. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "outlook", "upside", "likely", "intend", "should", "could", "may", "target", "plan", and other similar expressions are intended to identify forward-looking statements. The forward-looking statements are made only as at the date of this announcement and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the control of Arena and its directors. Such statements are not guarantees of future performance and actual results may differ materially from anticipated result, performance or achievements expressed or implied by the forward-looking statements. Other than as required by law, although they believe there is a reasonable basis for the forward-looking statements, neither Arena nor any other person (including any director, officer, or employee of Arena or any related body corporate) gives any representation, assurance or guarantee (express or implied) as to the accuracy or completeness of each forward-looking statement or that the occurrence of any event, result, performance or achievement will actually occur. You should not place undue reliance on any of the forward-looking statement.