

For personal use only

ARENA REIT

**2023
HALF YEAR
RESULTS**

9 February 2023





For personal use only

AGENDA

Highlights	3
Sustainability	5
Financial Results	6
Portfolio Update	11
Outlook	19
Questions	20
Directory	21
Appendices	22
Important Notice	32

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

Delivering on our investment objective and improving community outcomes

- +8.6% growth in net operating profit driven by like-for-like contracted rental increases averaging +6.45%, acquisitions and development completions.
- Statutory net profit was -74% primarily due to lower investment property revaluation gain.
- Increase in NAV per security due to positive investment property revaluations arising from underlying increases in market rents.
- Increase in borrowing facility and extension of debt facility term.
- \$500 million Sustainability Linked Loan (SLL) issued over existing debt facility.
- Strategy discipline underpins ongoing acquisitions, completion of seven ELC developments, expansion of the development pipeline and divestments.
- Weighted average lease expiry (WALE) of 19.5 years.
- Reaffirm full year 2023 (FY23) distribution guidance of 16.8 cents per security, reflecting growth of 5% over financial year 2022 (FY22) DPS².

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

2. 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.

\$47.6 million

Statutory net
profit

-74% on HY22

\$29.9 million

Net operating
profit

+8.6% on HY22

8.59 cents

Earnings per security
(EPS)

+7.8% on HY22

\$3.42

Net Asset Value
(NAV) per security

+1% on FY22

+6.45%

Average like-for-like
rent increase

+235bps on FY22

21.5%

Gearing ratio¹

+130bps on FY22



For personal use only

DELIVERING ON STRATEGY

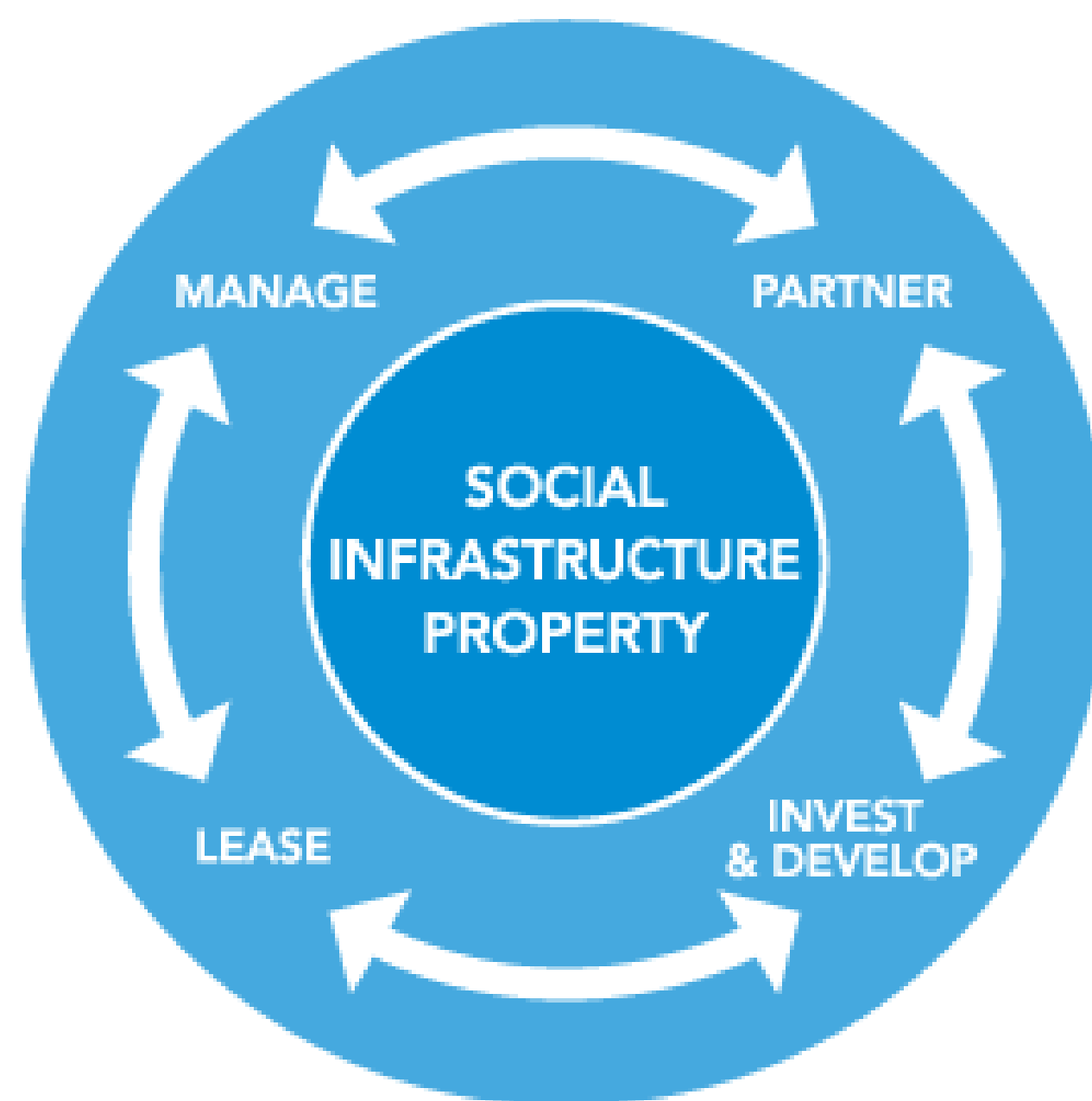
Ongoing strategy discipline and partnership approach

Portfolio management:

- Two healthcare properties were contracted for sale as at 31 December 2022 at an average premium of 2.4% to 30 June 2022 book value.
- Long portfolio WALE (by income) of 19.5 years.
- Portfolio weighted average passing yield 5.05%.
- Net valuation uplift of \$18 million, +1.3%.

Lease management:

- 99.6% portfolio occupancy.
- Average like-for-like rent increase of +6.45%.
- Leases extended to facilitate installation of solar.



Working in partnership:

- Continue to progress solar renewable energy program; currently installed on 81% of Arena's property portfolio.
- All tenant partners are compliant with COVID-19 rent relief agreements¹.

Investment and developments:

- Two operating properties acquired at a net initial yield of 6.0% on total cost with initial average lease term of 25 years.
- Seven ELC developments completed at an average net initial yield on total cost of 5.9% with initial average lease term of 20 years.
- Seven new ELC development projects acquired with forecast total cost of \$55 million².

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. Includes one ELC development project which was conditionally contracted at 31 December 2022



SUSTAINABILITY

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 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.





For personal use only

FINANCIAL RESULTS

Gareth Winter
Chief Financial Officer



FINANCIAL PERFORMANCE

Property income increase supports earnings & distribution growth

	HY23	HY22	Change	
	(\$'000)	(\$'000)	(\$'000)	(%)
Property income	36,451	32,351	4,100	+13%
Other income	190	285	(95)	-33%
Total operating income	36,641	32,636	4,005	+12%
Property expenses	(250)	(448)	198	-44%
Operating expenses	(2,325)	(2,511)	186	-7%
Finance costs	(4,199)	(2,186)	(2,013)	+92%
Net operating profit	29,867	27,491	2,376	+9%
Statutory net profit	47,629	185,796	(138,167)	-74%
Earnings per security (EPS ¹) (cents)	8.59	7.97	0.62	+8%
Distribution per security (DPS) (cents)	8.40	7.90	0.50	+6%

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

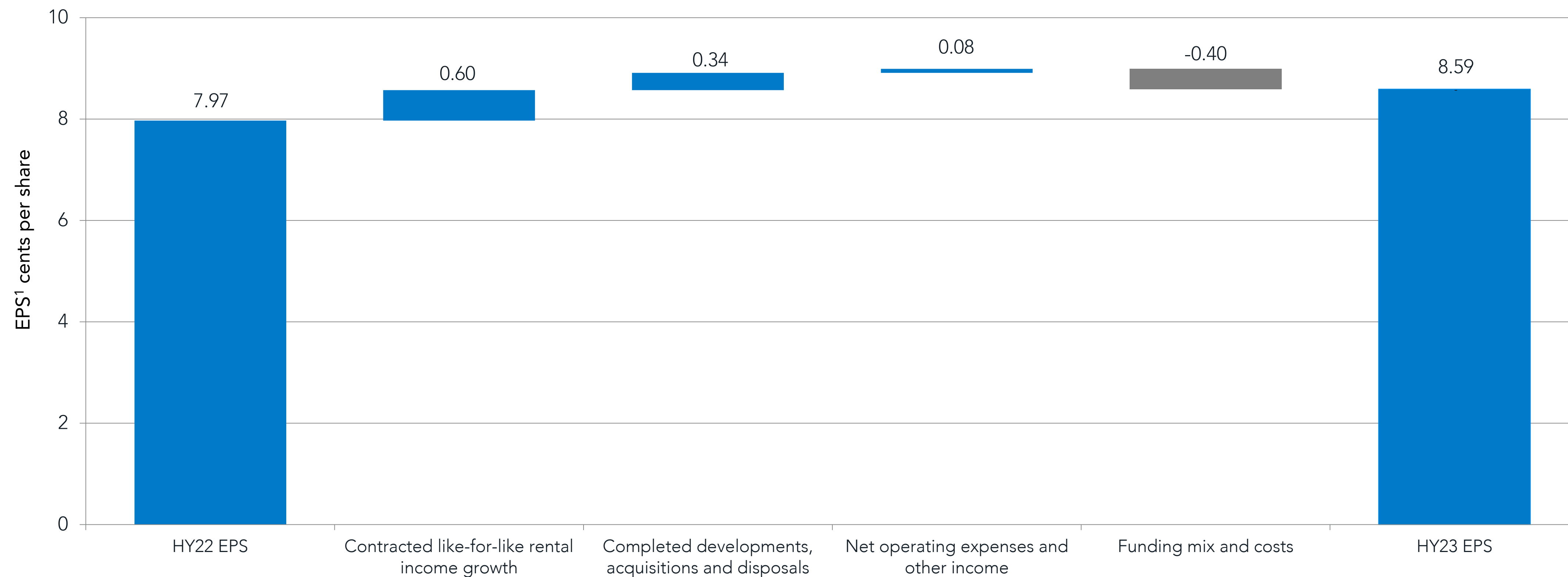
- Property income continues to increase due to:
 - Contracted annual rental growth;
 - Rental income from operating ELC acquisitions; and
 - Rental income from ELC development completions.
- Lower statutory net profit primarily from lower investment property revaluation gain.
- Finance costs higher due to increased cost of debt, increase in facility limit, extension of debt term and an increase in the balance of debt drawn.



For personal use only

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

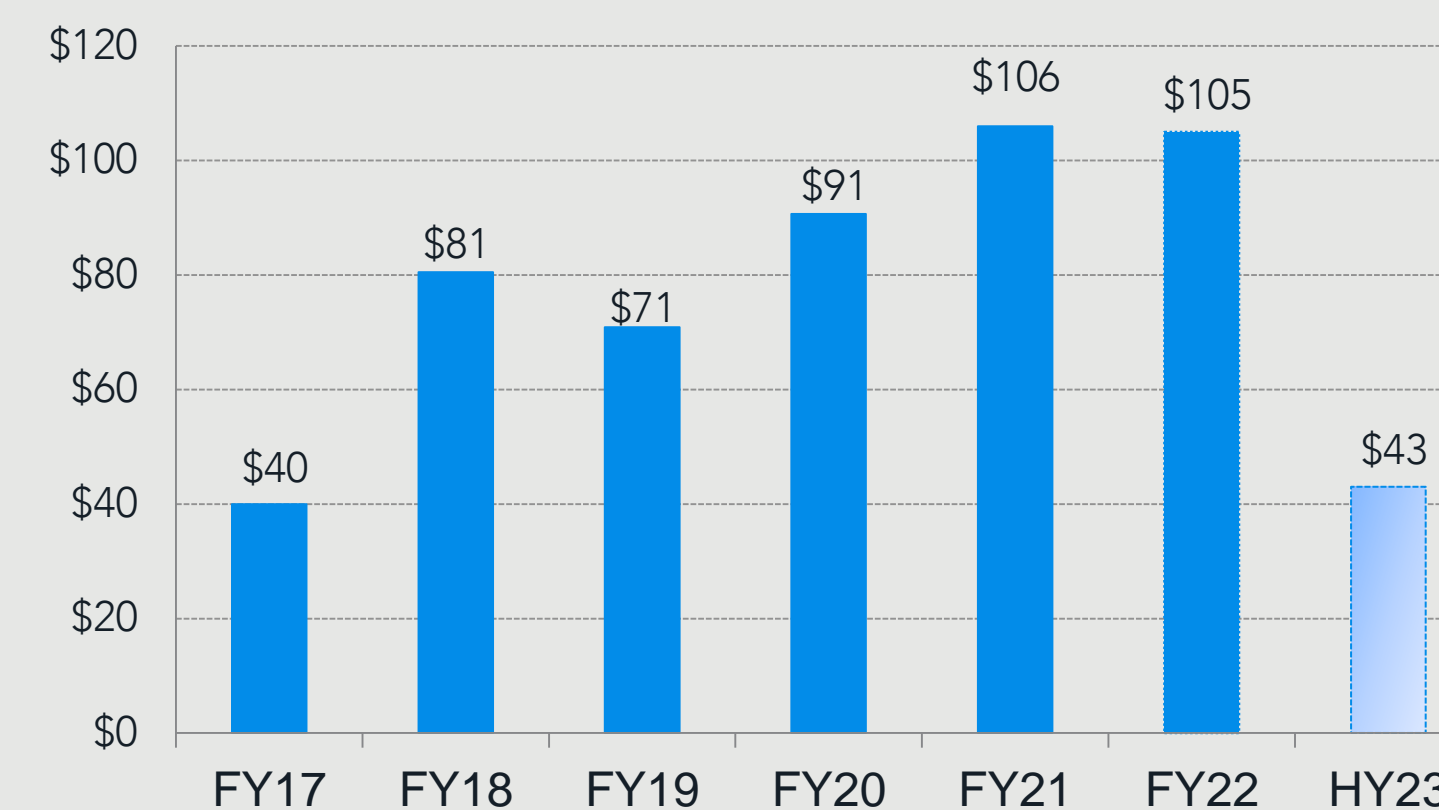
As at	31 Dec 2022	30 June 2022	Change
	(\$m)	(\$m)	%
Total assets	1,578.0	1,518.6	+4%
Investment properties	1,523.5 ¹	1,461.9	+4%
Borrowings	352.0	324.0	+9%
Net assets	1,194.1	1,169.0	+2%
Securities on issue	348.7	346.7	+1%
Net Asset Value (NAV) per security	\$3.42	\$3.37	+1%
Gearing ²	21.5%	20.2%	+130bps

1. Includes two healthcare properties which were contracted for sale as at 31 December 2022.

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

- Growth in total assets continues from the acquisition of operating properties, ELC development completions and property revaluation uplift.
- Undrawn debt capacity of approximately \$150 million as at 31 December 2022 to fund the balance of the development pipeline of \$66 million and future growth opportunities.

Acquisition and development capital expenditure \$m





For personal use only

CAPITAL MANAGEMENT

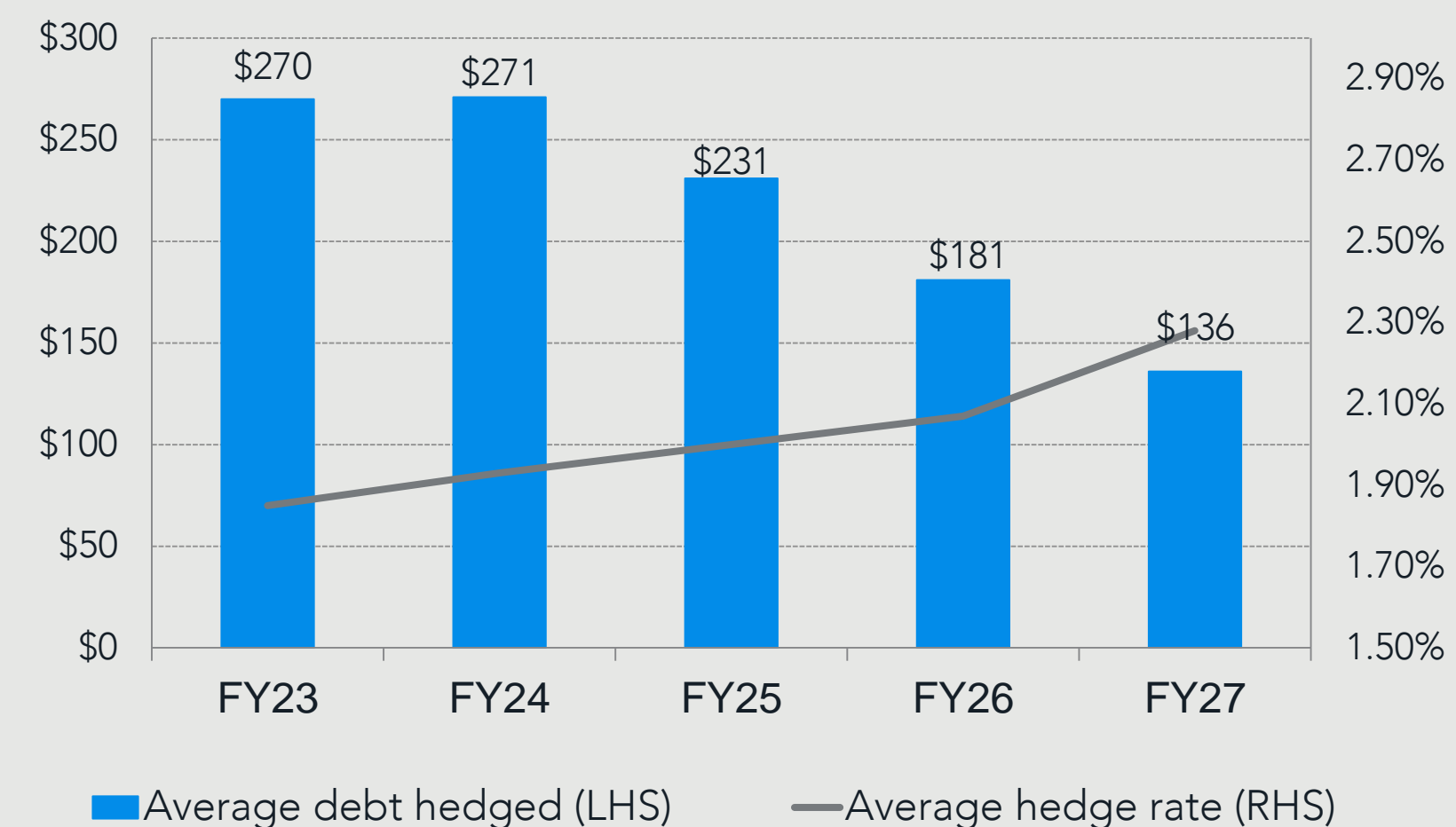
Maintaining hedging discipline, increase in facility limit and term extension

As at	31 Dec 2022	30 June 2022	Change
Borrowings	\$352m	\$324m	+\$28m
Borrowings facility limit	\$500m	\$430m	+\$70m
Gearing ¹	21.5%	20.2%	+130bps
Weighted average facility term	4.2 years	3.4 years	+0.8 year
Weighted average cost of debt	3.90%	2.90%	+100bps
Interest cover ratio	5.7x	6.8x	-1.1x
Hedge cover	80%	77%	+300bps
Weighted average hedge rate	1.93%	1.68%	+25bps
Weighted average hedge term	4.0 years	4.3 years	-0.3 year

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

- Syndicated borrowing facility limit increased by \$70 million to \$500 million and extension of maturity dates. As at 31 Dec 2022 facility is comprised of:
 - \$200 million expiring 31 March 2026;
 - \$150 million expiring 31 March 2027; and
 - \$150 million expiring 31 March 2028.
- DRP in operation with \$6 million raised in HY23.
- Intention is to maintain hedge cover in a range of 70-80% of drawn debt.
- Weighted average cost of debt increase contributors were floating rate +60bps, hedge swaps +20bps and facility expansion and term extension +20bps.

Hedge maturity profile \$m





For personal use only

PORTFOLIO UPDATE

Rob de Vos
Managing Director



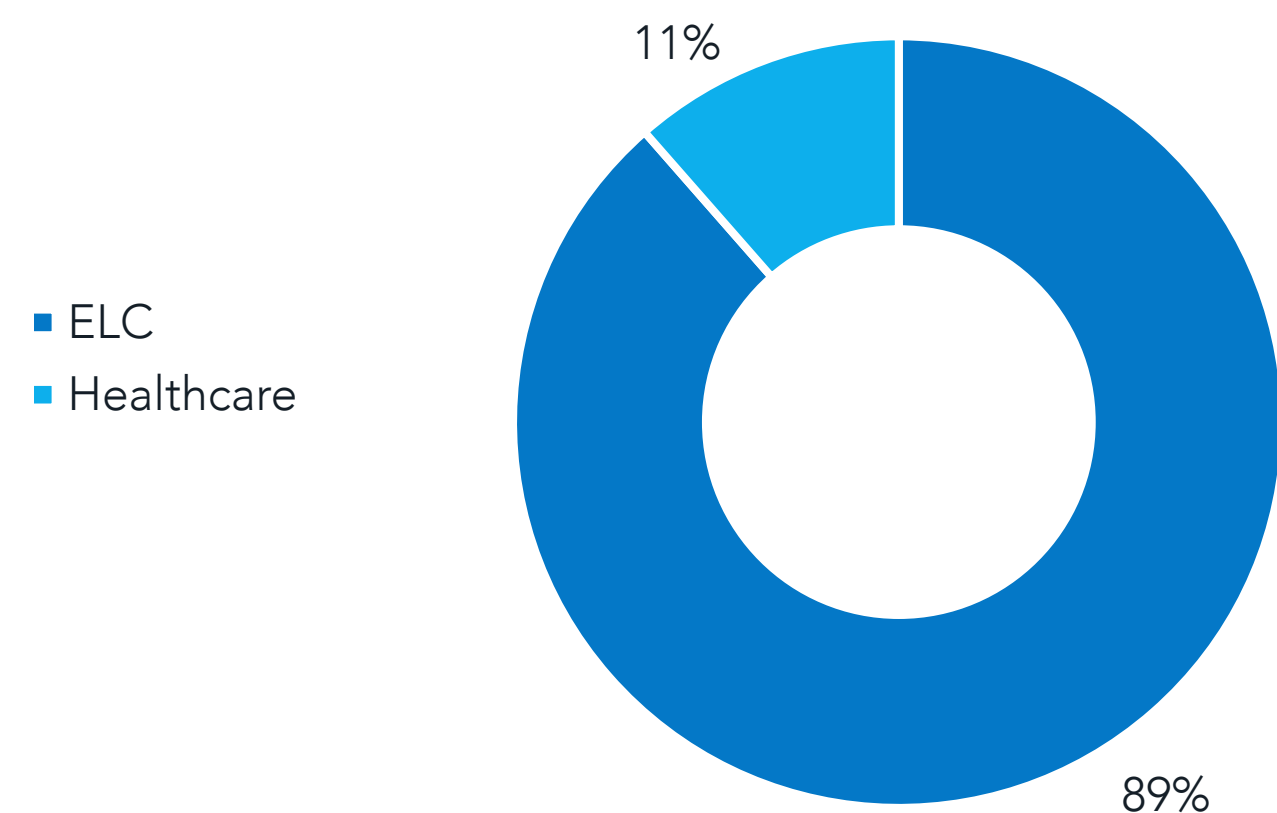


For personal use only

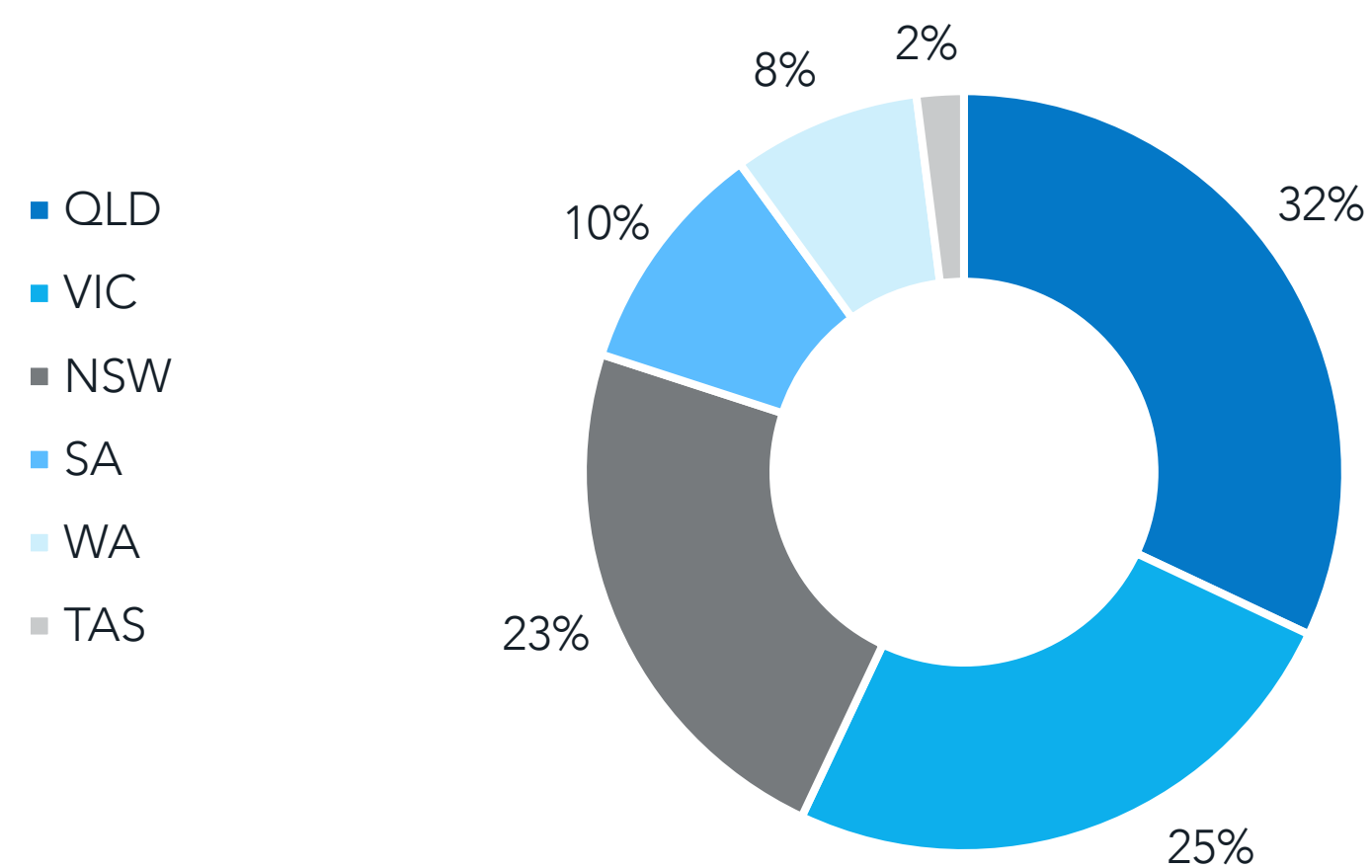
PORTFOLIO OVERVIEW

	Number of assets ¹	31 Dec 2022 valuation	Net valuation movement versus 30 June 2022		31 Dec 2022 passing yield	Change versus 30 June 2022
		\$m	\$m	%	%	bps
Early Learning portfolio	260	1,348.6	+19	+1.5%	5.03%	+13
Healthcare portfolio	11 ²	174.9 ²	-1	-0.4%	5.18%	+16
Total portfolio	271	1,523.5	+18	+1.3%	5.05%	+14

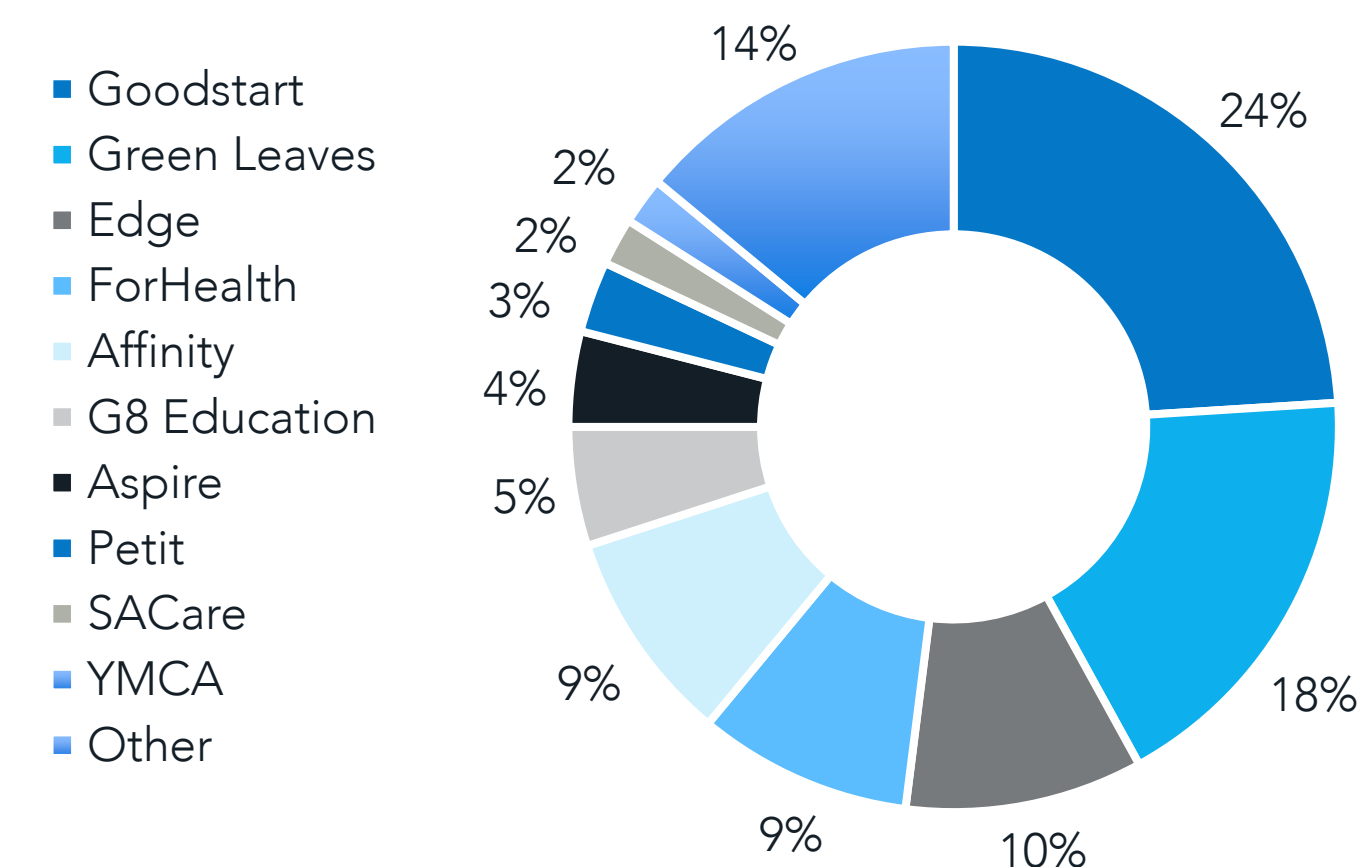
Sector diversity (by value)



Geographic diversity (descending by value)



Tenant diversity (descending by income)



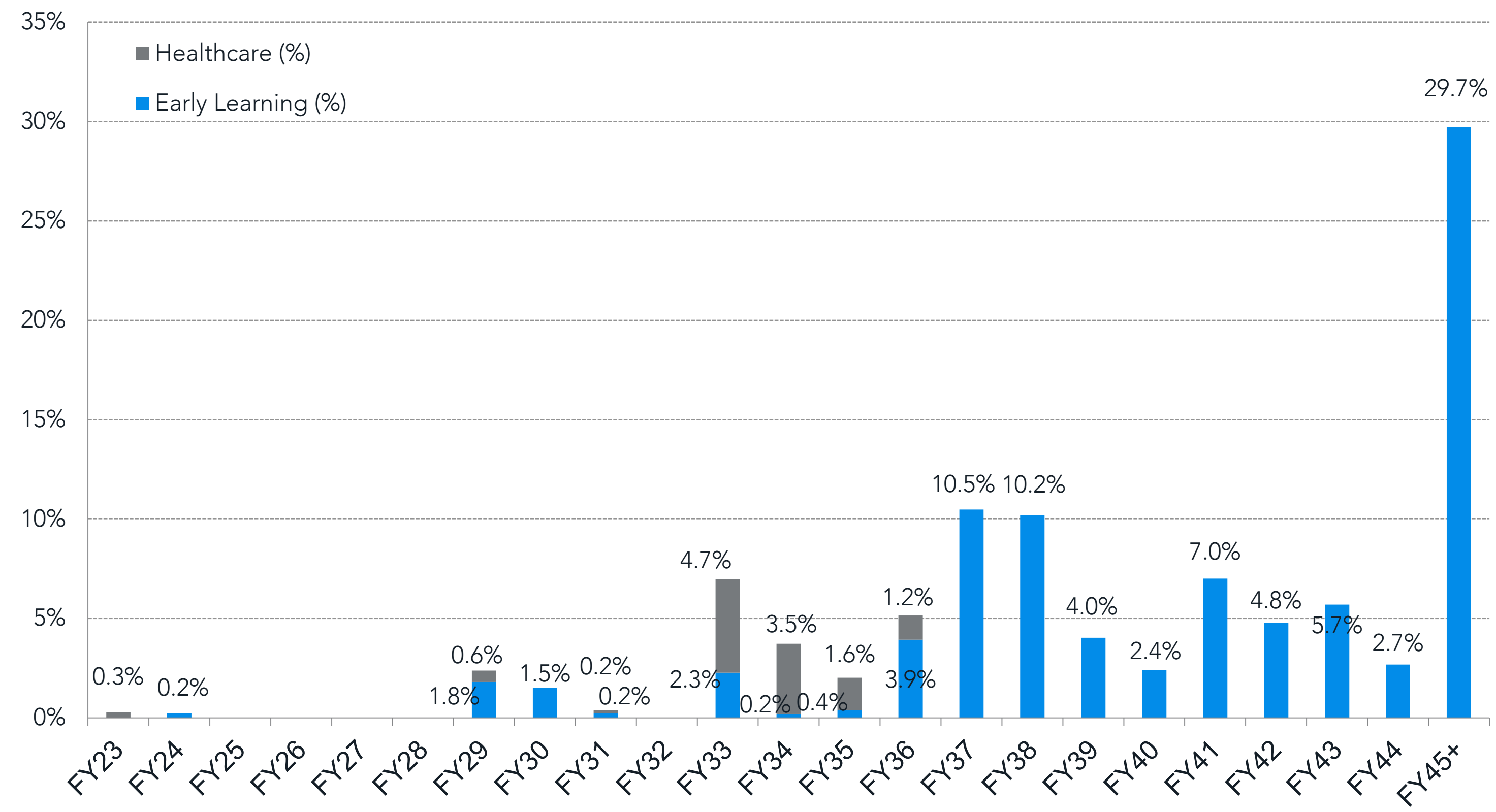
1. Excludes one ELC development project which was conditionally contracted at 31 December 2022.
 2. Includes two healthcare properties which were contracted for sale as at 31 December 2022.



For personal use only

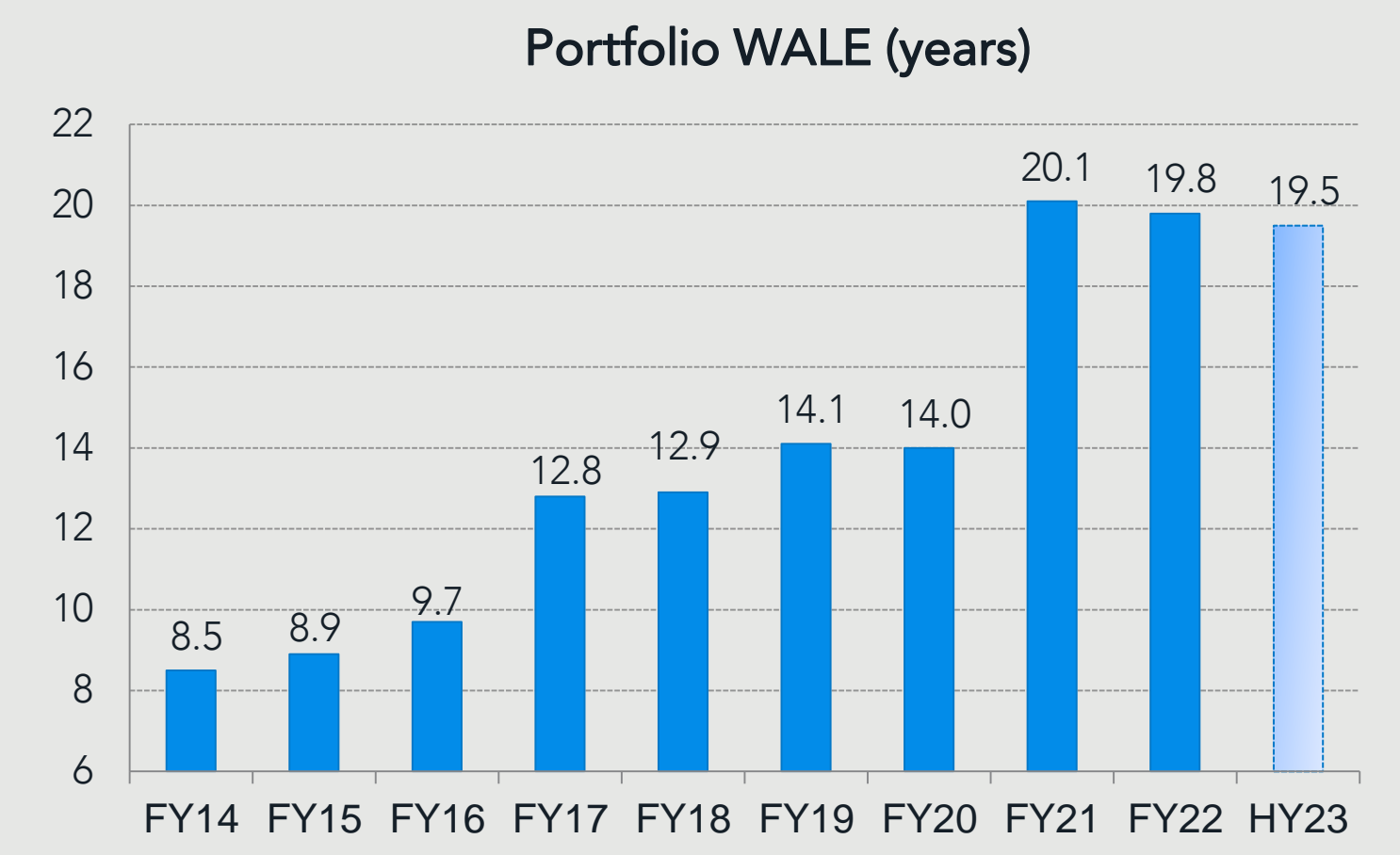
LEASE EXPIRY PROFILE

Weighted average lease expiry of 19.5¹ years



1. By income.

- Less than 3% of portfolio income subject to expiry prior to FY30.
- 50% of portfolio lease income expires after FY40.
- Seven ELC development completions added to the portfolio with an initial weighted average lease term of 20 years.

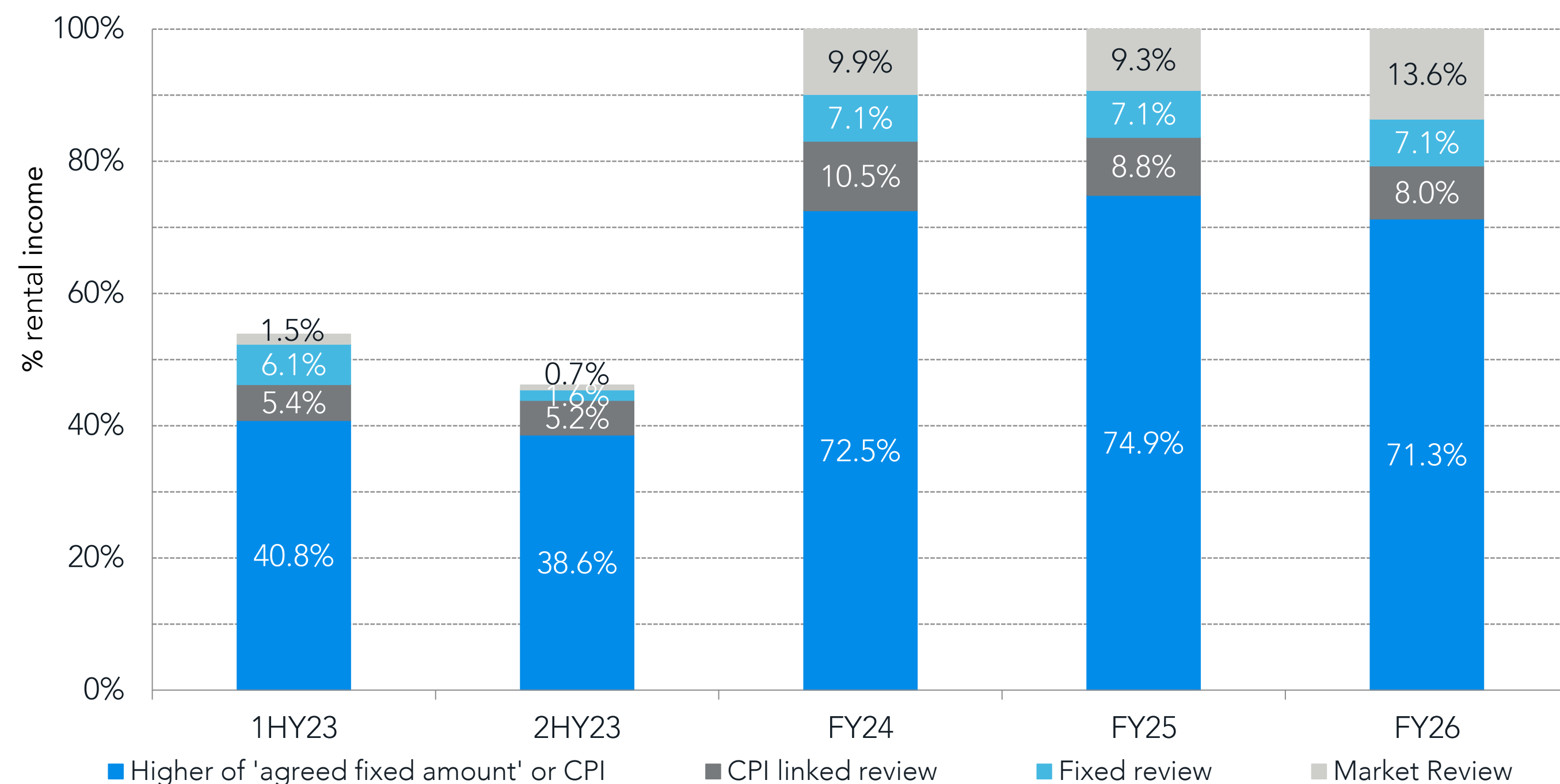




For personal use only

ANNUAL RENT REVIEWS

HY23 average like-for-like rent increase of +6.45%



- Attractive rent review structure with embedded income growth and inflation protection.
- >90% of FY23, FY24, FY25 and FY26 rent reviews are contracted at CPI, the higher of CPI or an 'agreed fixed amount', or market rent reviews.
- 13.6% of FY26 reviews are market rent reviews; all are subject to a 0% collar.

1. Totals may not add due to rounding.



For personal use only

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.
- Two operating ELC properties were acquired during HY23.
- Seven ELC development projects were completed in HY23.



Acquisitions/development completions	Number of properties	Total cost (\$m)	Initial yield on total cost (%)	Initial weighted average lease term (years)
Operating ELC acquisitions	2	7.8	6.0	25
ELC development completions	7	44.3	5.9	20
Total/weighted average	9	52.1	5.9	20.8

Development pipeline	As at 31 December 2022
Number of projects	15 ¹
Forecast total cost	\$106 million
Initial yield on total cost	5.4%
Capex amount outstanding	\$66 million

1. Includes one ELC development project which was conditionally contracted at 31 December 2022.



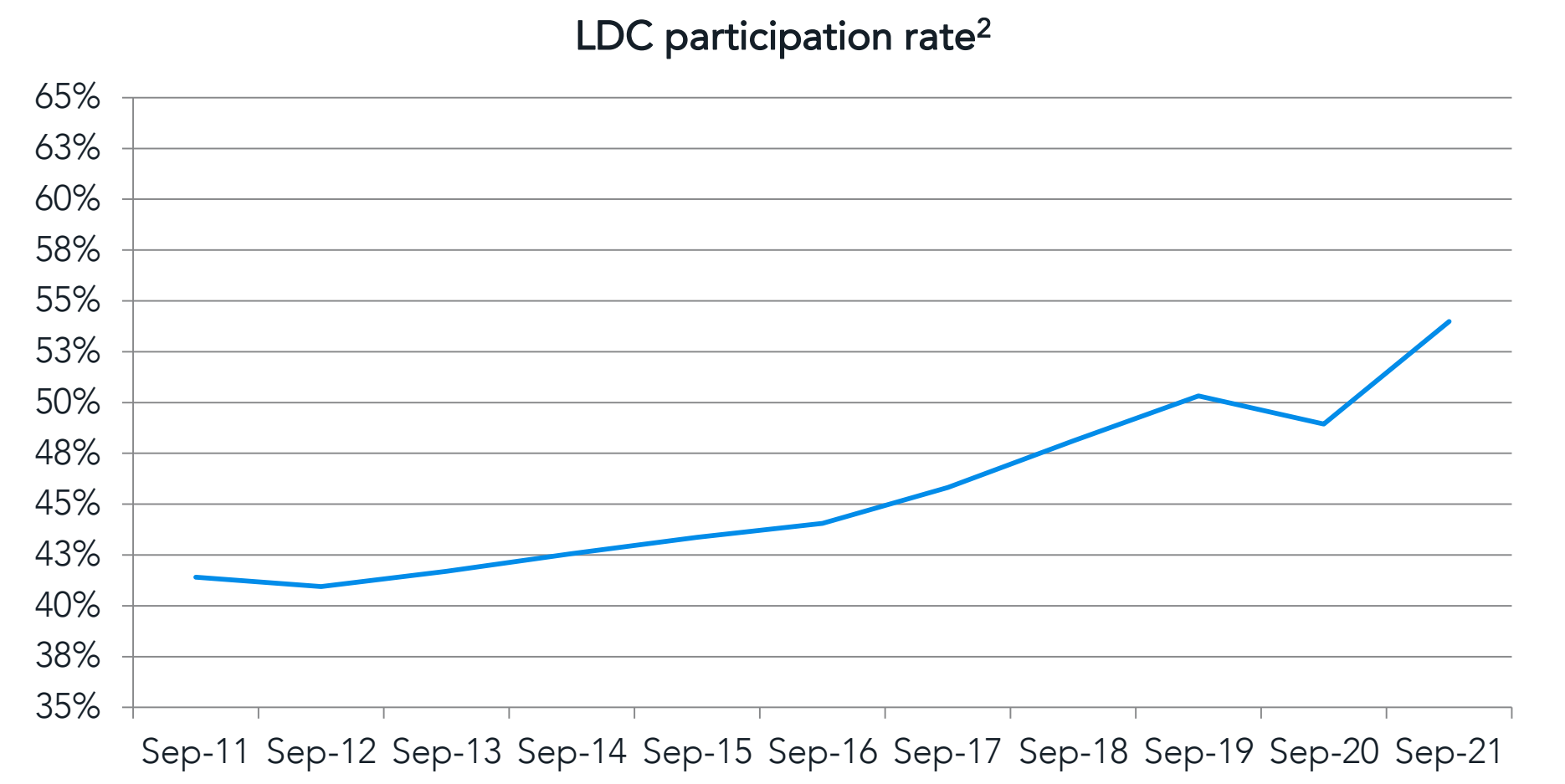
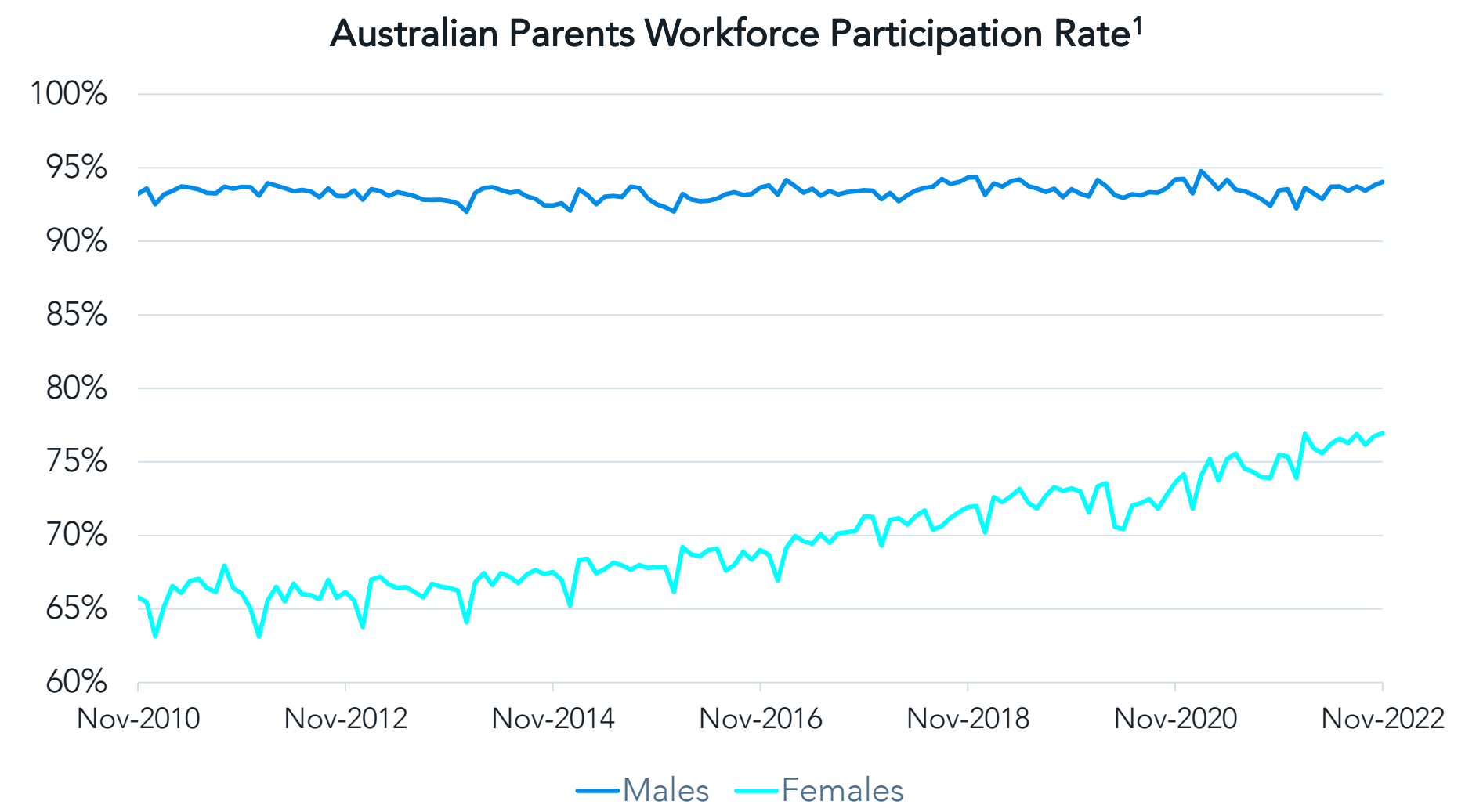


ELC OPERATING ENVIRONMENT

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}.
- In late November 2022 the Australian Federal Government’s Cheaper Childcare Bill successfully passed through the Senate³.
- 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 term⁴.
- Early signs of improving conditions to attract and retain skilled labour for ELC operators.
- Net new ELC supply to 31 December 2022 was +2.8%⁵.
- ACCC commences inquiry into the market for the supply of childcare services⁶.

1. ABS Labour Force status by Relationship in household, Sex, State and Territory.
 2. Australian Government Department of Education Child Care quarterly reports 2011-2021.
 3. [Bills — Family Assistance Legislation Amendment \(Cheaper Child Care\) Bill 2022; in Committee — They Vote For You](#)
 4. [Cheaper childcare: A practical plan to boost female workforce participation \(grattan.edu.au\)](#).
 5. [NOF Snapshots | ACECQA](#)
 6. [Childcare inquiry | ACCC](#)





For personal use only

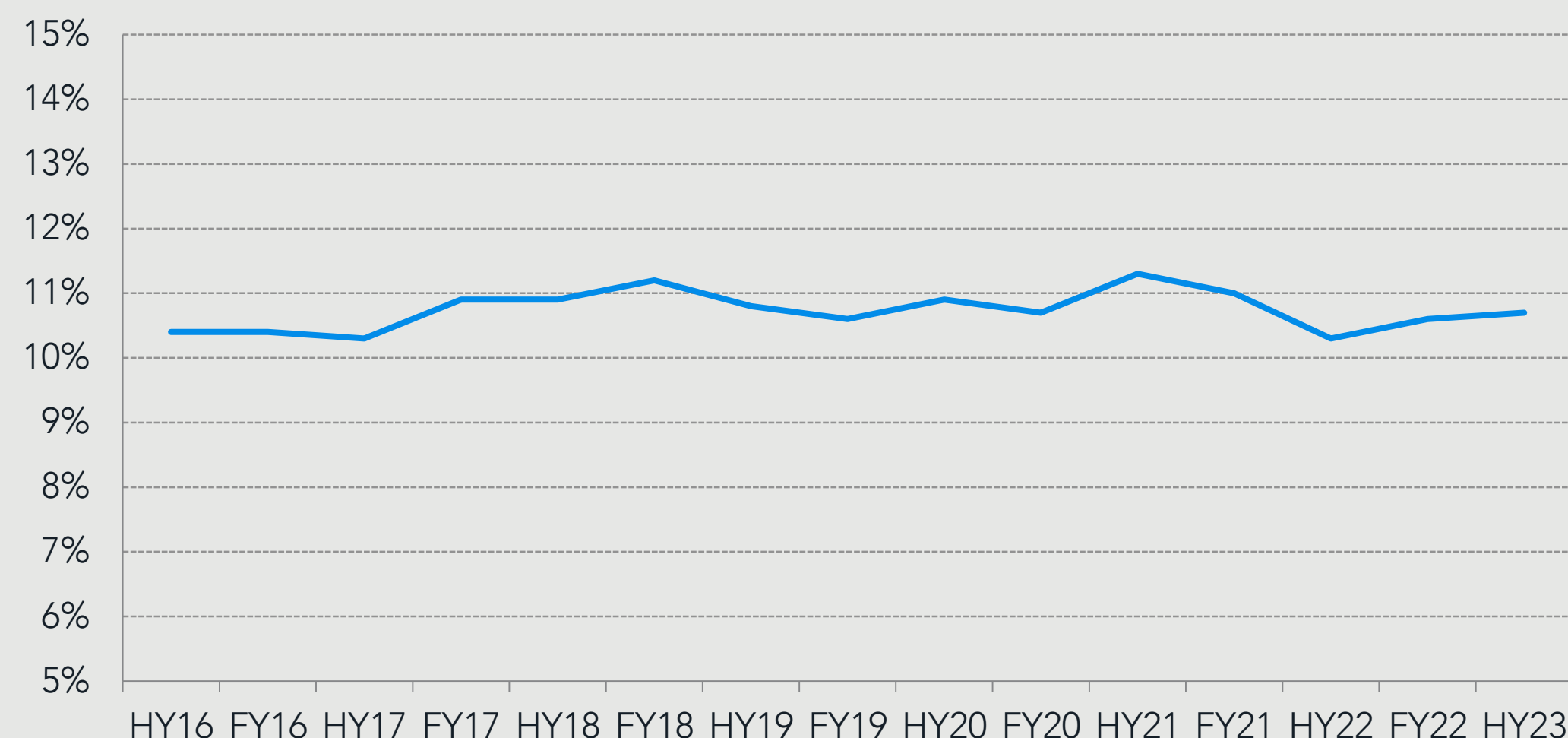
ELC PORTFOLIO

Portfolio strength underpinned by asset quality

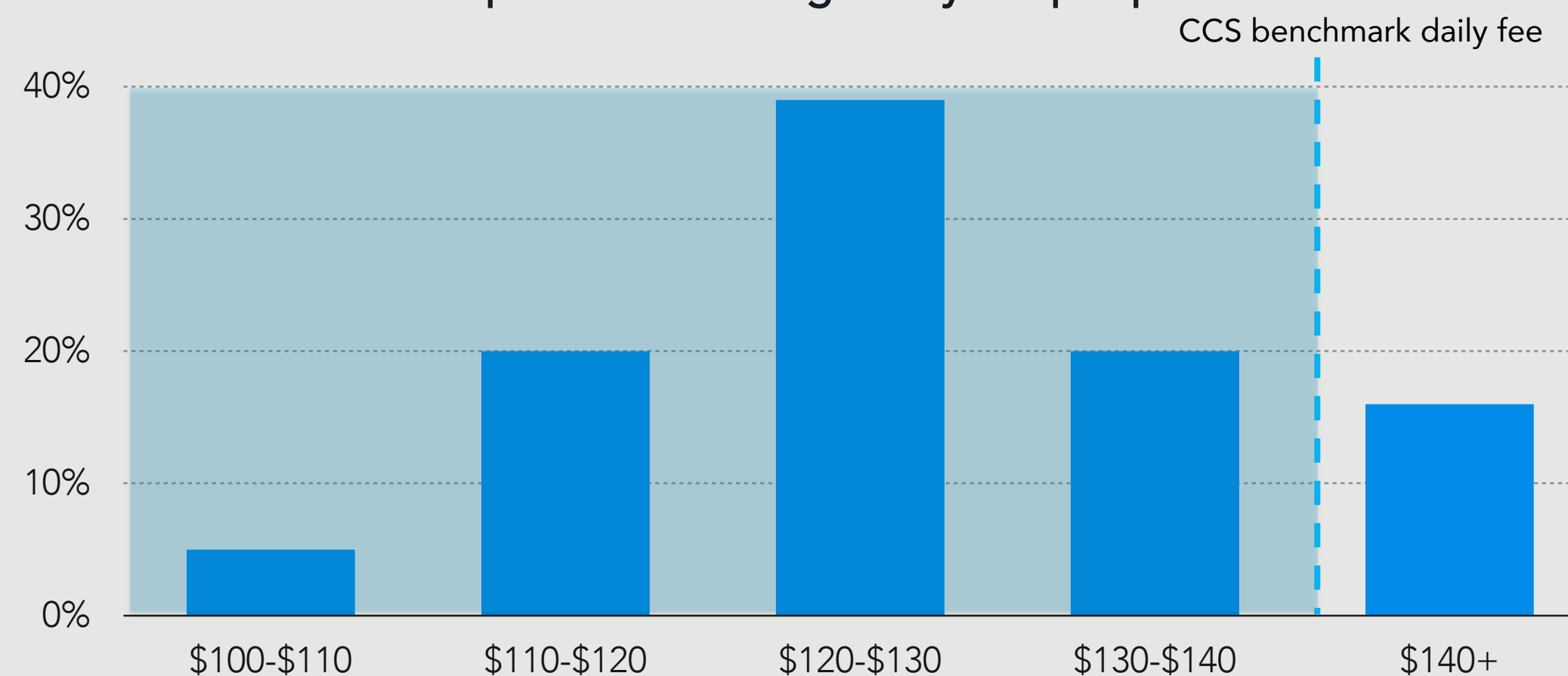
- 99.6% portfolio occupancy as at 31 December 2022.
- Arena’s ELC portfolio operating data¹ to 30 Sep 2022:
 - Average daily fee of \$127.31:
 - +5.22% from 31 March 2022; and
 - +8.95% from 30 September 2021.
 - Underlying operator occupancy (as reported by Arena’s tenant partners) remains robust and higher than any prior corresponding period over the past six years.
 - Net rent to revenue ratio of 10.7%.

1. Arena analysis based on operating data provided by Arena’s tenant partners as at 30 September 2022.
 2. 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.

Arena ELC portfolio – net rent to gross operator revenue¹



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





HEALTHCARE SECTOR & 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.
- Ongoing domestic and international investor interest in Australian healthcare property continued to support price strength in this sector during the period.
- 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.
- Strong occupancy has been maintained across the specialist disability accommodation portfolio.



OUTLOOK

Inflation protected, predictable long term income

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: >90% of FY23, FY24, FY25 and FY26 rent reviews contracted at CPI, 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.
- \$106 million development pipeline comprising 15² ELC projects with \$66 million of capital expenditure outstanding.

OUTLOOK

- Strong social drivers continue to support the early learning and healthcare sectors.
- Higher interest rates substantially offset by ongoing hedging discipline, expanded liquidity and substantial capacity with gearing³ at 21.5%.
- 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 and no material change in current market or operating conditions.

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

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.



For personal use only

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

Chief of Investor Relations
and Sustainability



For personal use only

APPENDICES





FINANCIAL PERFORMANCE – HY23

	HY23	HY22	Change	
	(\$'000)	(\$'000)	(\$'000)	%
Property income	36,451	32,351	4,100	+13%
Other income	190	285	(95)	-33%
Total operating income	36,641	32,636	4,005	+12%
Property expenses	(250)	(448)	198	-44%
Operating expenses	(2,325)	(2,511)	186	-7%
Finance costs	(4,199)	(2,186)	(2,013)	+92%
Net operating profit (distributable income)	29,867	27,491	2,376	+9%
<i>Non-distributable items:</i>				
Investment property revaluation & straight-lining of rent	18,374	153,335	(134,961)	
Profit/(loss) on sale of investment properties	-	1,047	(1,047)	
Change in fair value of derivatives	923	4,655	(3,732)	
Transaction costs	(353)	(326)	(27)	
Amortisation of equity-based remuneration (non-cash)	(901)	(443)	(458)	
Other	(281)	37	(318)	
Statutory net profit	47,629	185,796	(138,167)	

BALANCE SHEET – HY23

	31 Dec 22	30 June 22	Change	
	(\$'000)	(\$'000)	(\$'000)	%
Cash	16,519	22,200	(5,681)	-26%
Receivables and other assets	7,255	4,692	2,563	+55%
Investment properties	1,523,508 ¹	1,461,888	61,620	+4%
Derivatives	19,893	18,970	923	+5%
Intangibles	10,816	10,816	-	-
Total assets	1,577,991	1,518,566	59,425	+4%
Trade and other liabilities	19,099	13,005	6,094	+47%
Distributions payable	14,646	14,040	606	+4%
Borrowings	350,111	322,547	27,564	+9%
Total liabilities	383,856	349,592	34,264	+10%
Net assets	1,194,135	1,168,974	25,161	+2%
Number of securities on issue (m)	348.7	346.7	+2 million	+1%
Net asset value per security (\$)	3.42	3.37	+\$0.05	+1%
Gearing ² (%)	21.5	20.2	+130bps	+6%

1. Includes two healthcare properties which were contracted for sale as at 31 December 2022.

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

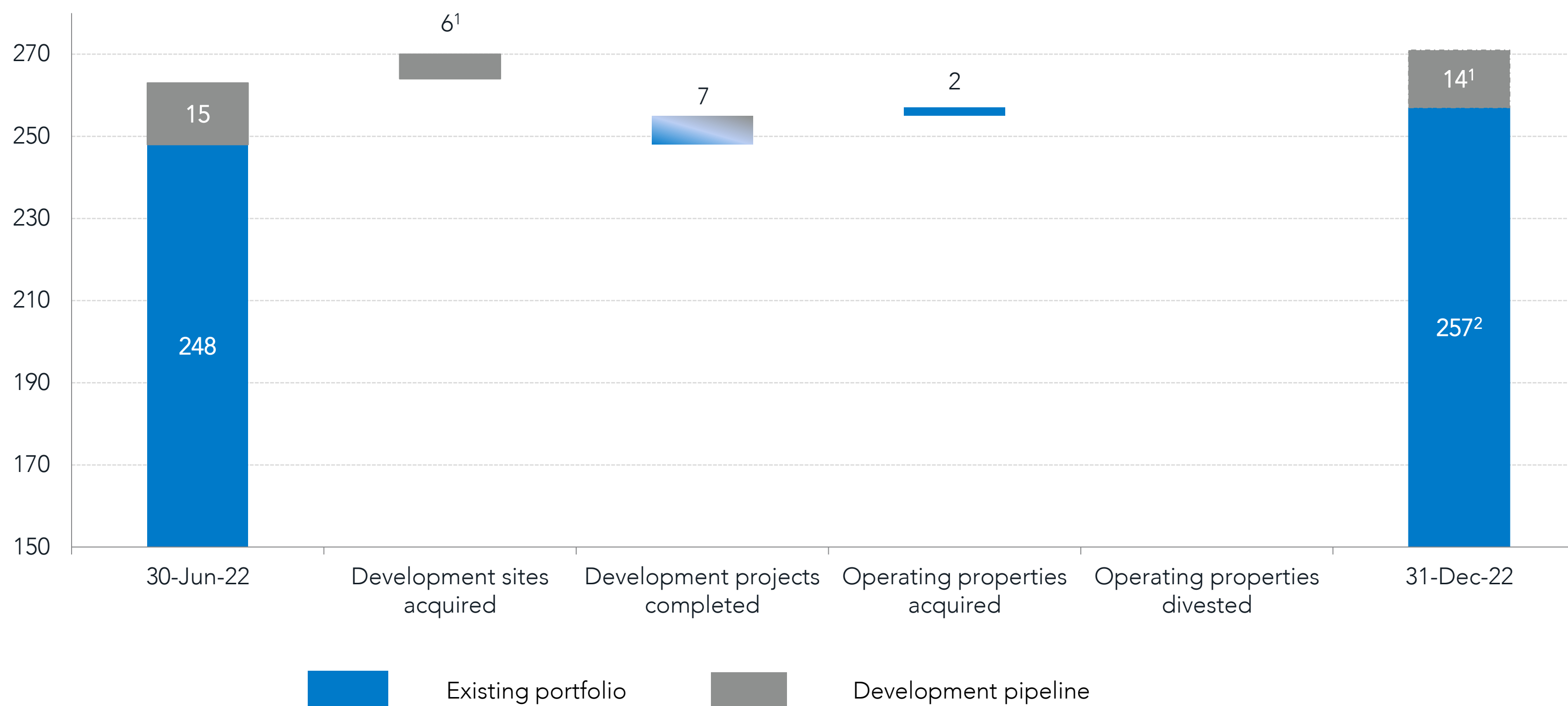
Covenant	Facility requirement	Ratio
Loan to value ratio (LVR)	Maximum 50%	26.4%
Interest cover ratio (ICR)	Minimum 2x	5.7x



For personal use only

PORTFOLIO COMPOSITION AND MOVEMENT

Portfolio movements (30 June 2022 to 31 December 2022)¹



1. Excludes one ELC development project which was conditionally contracted at 31 December 2022.
 2. Includes two healthcare properties which were contracted for sale as at 31 December 2022.

ELC PORTFOLIO VALUATIONS

As at 31 December 2022	Number of properties	Value (\$m)	Passing yield (%)
Independent ELC freehold valuations			
Queensland	16	96.2	5.12
Victoria	18	134.6	4.85
New South Wales	10	34.6	4.67
Western Australia	5	22.1	4.52
South Australia	2	12.1	5.59
Total independent ELC valuations	51	299.6	4.92
Director ELC freehold valuations			
Queensland	73	413.3	5.06
Victoria	51	253.0	4.83
New South Wales	22	112.0	4.81
Western Australia	19	89.1	4.73
South Australia	14	81.3	5.33
Tasmania	8	34.8	5.71
Northern Territory	2	6.4	5.80
Total director ELC freehold valuations	189	989.9	4.99
Total freehold ELC portfolio	240	1,289.5	4.98
Director ELC leasehold valuations – Victoria	6	17.3	9.32
Total ELC portfolio excluding development sites	246	1,306.8	5.03
ELC development sites	14 ¹	41.8	
Total ELC portfolio	260	1,348.6	5.03

1. Excludes one ELC development project which was conditionally contracted at 31 December 2022.



ELC PORTFOLIO METRICS

	31 Dec 2022	30 June 2022	Change
Leased ELCs	246	237	+9
Development sites	14 ¹	15 ²	-1
Total ELCs	260	252	+8
WALE (by income) (years)	20.7	21.1	-0.4 year
Tenanted occupancy (%)	99.6	100	-40bps
Average passing yield (%)	5.03	4.90	+13bps
Portfolio value (\$m)	1,348.6	1,287.6	+5%
Average rental increase (%)	6.9	4.3	+260bps
Rent to gross revenue ratio (%)	10.7 ³	10.6 ⁴	+10bps
Average daily fee (\$)	127.31 ³	121.00 ⁴	+5.22%
Portfolio composition (% by value)			
Metropolitan %	70	70	-
Regional %	30	30	-

1. Excludes one ELC development project which was conditionally contracted at 31 December 2022.
2. Excludes five ELC development projects which were contracted subject to planning or other conditions precedent at 30 June 2022.
3. Arena analysis based on operating data provided by Arena's tenant partners as at 30 September 2022.
4. Arena analysis based on operating data provided by Arena's tenant partners as at 31 March 2022.



For personal use only

HEALTHCARE PORTFOLIO METRICS

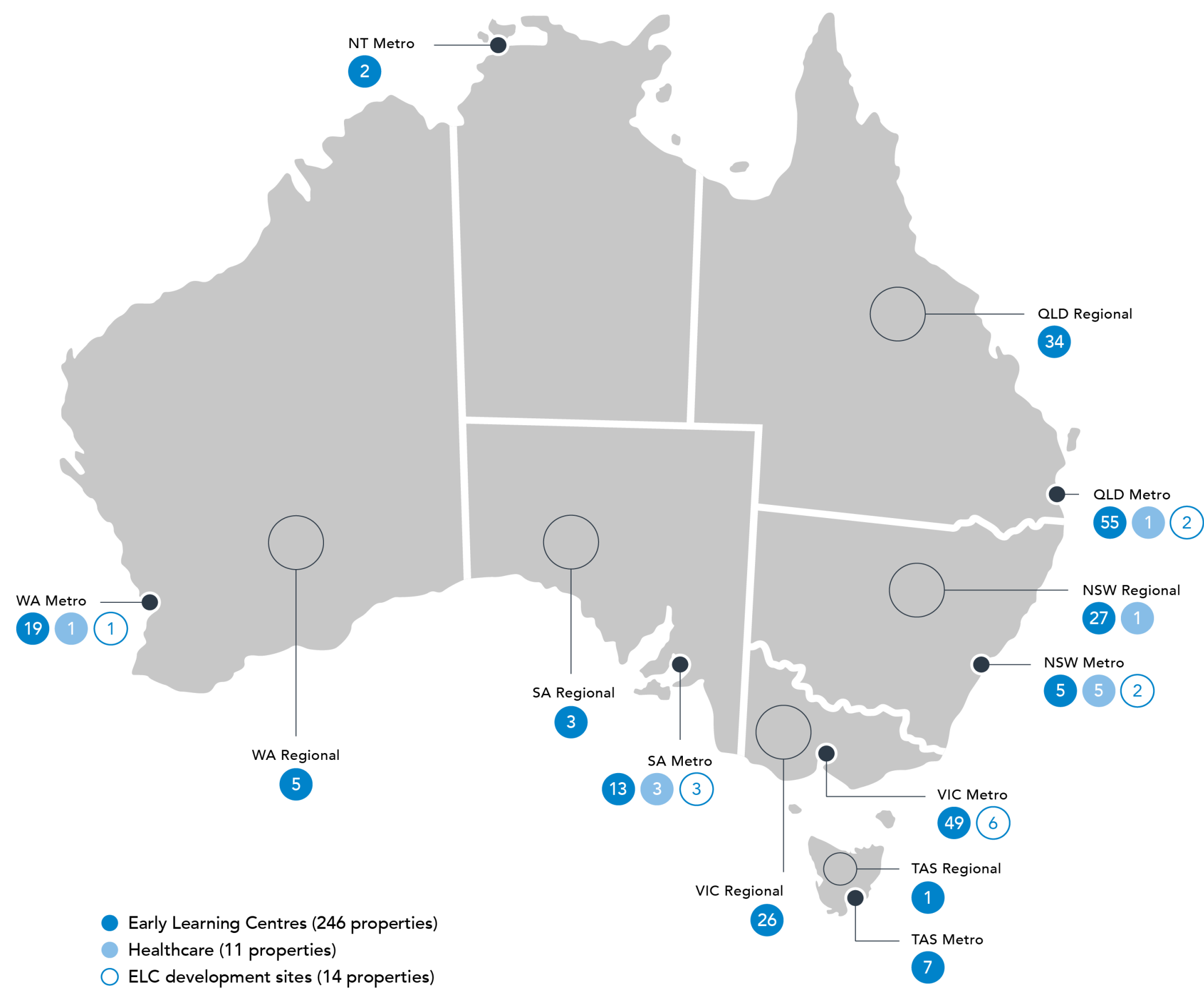
	31 Dec 2022	30 June 2022	Change
Total healthcare properties	11 ¹	11	-
WALE (by income) (years)	10.5	10.9	-0.4 year
Tenanted occupancy (%)	100	100	-
Average passing yield (%)	5.18	5.02	+16bps
Property portfolio (\$m)	174.9 ¹	174.3	+0.3%
Average rental increase (%)	4.25	3.5	+75bps
Portfolio composition (% by value)			
Metropolitan %	90	90	-
Regional %	10	10	-

1. Includes two healthcare properties which were contracted for sale as at 31 December 2022.



For personal use only

PORTFOLIO LOCATION MAP

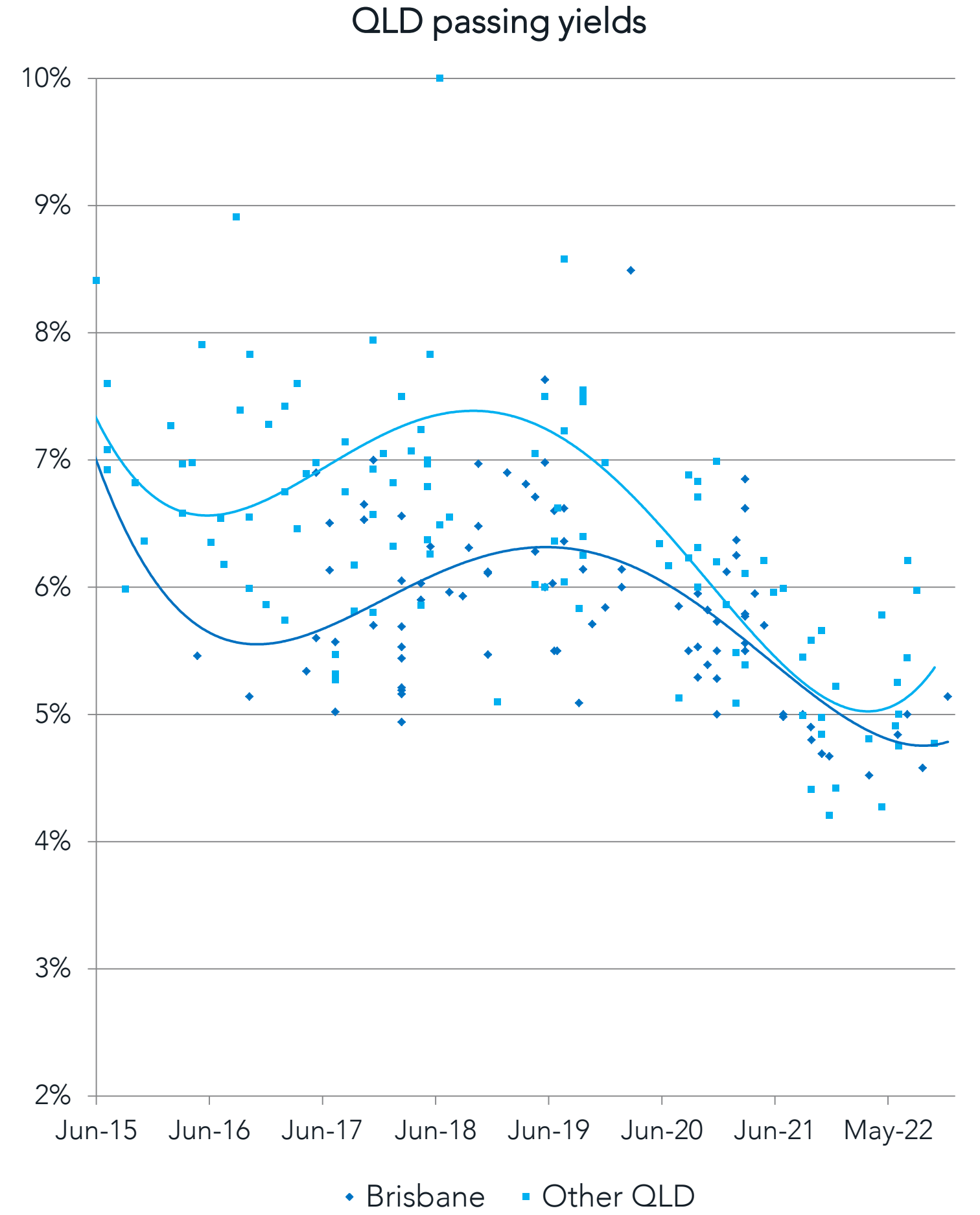
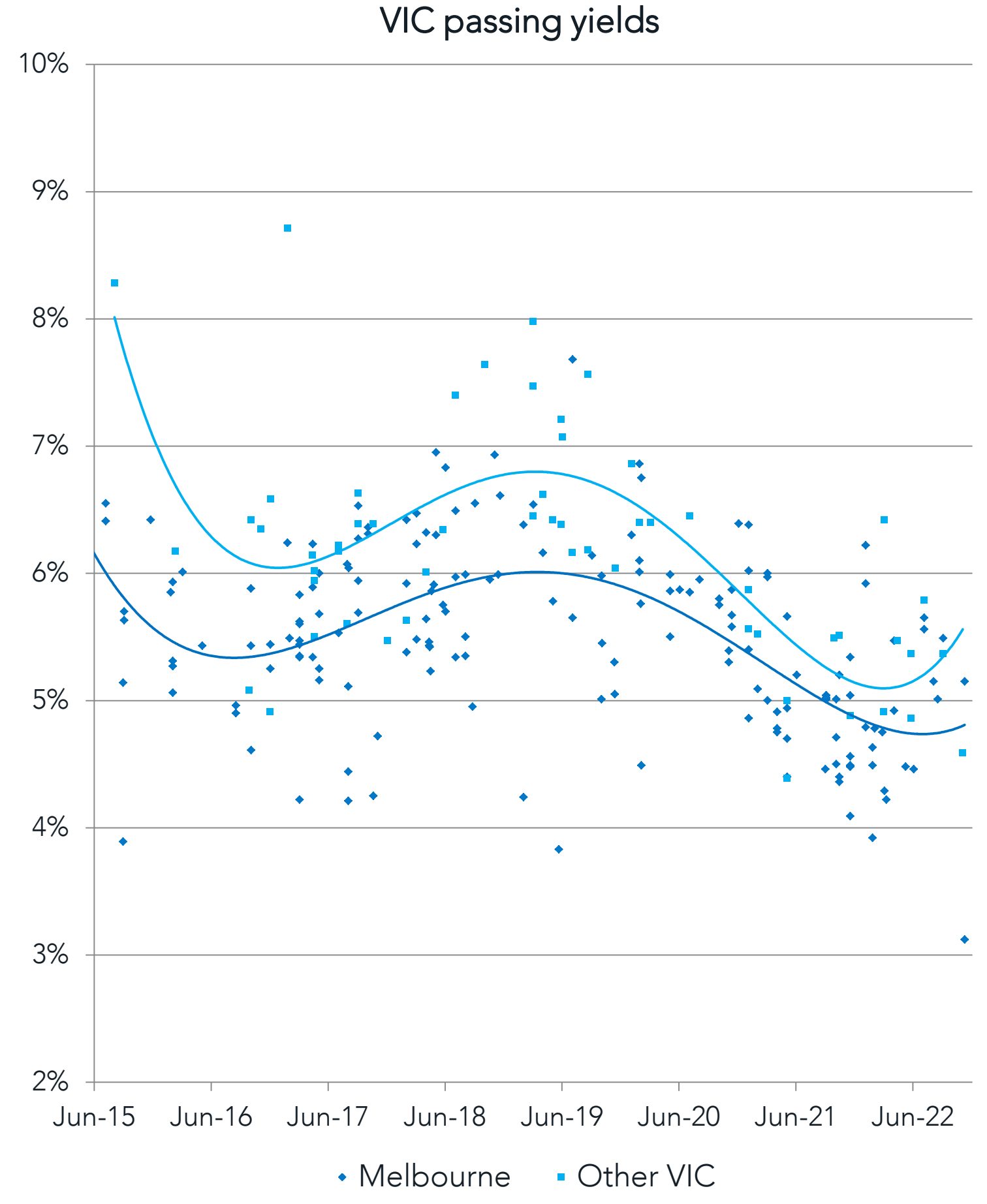
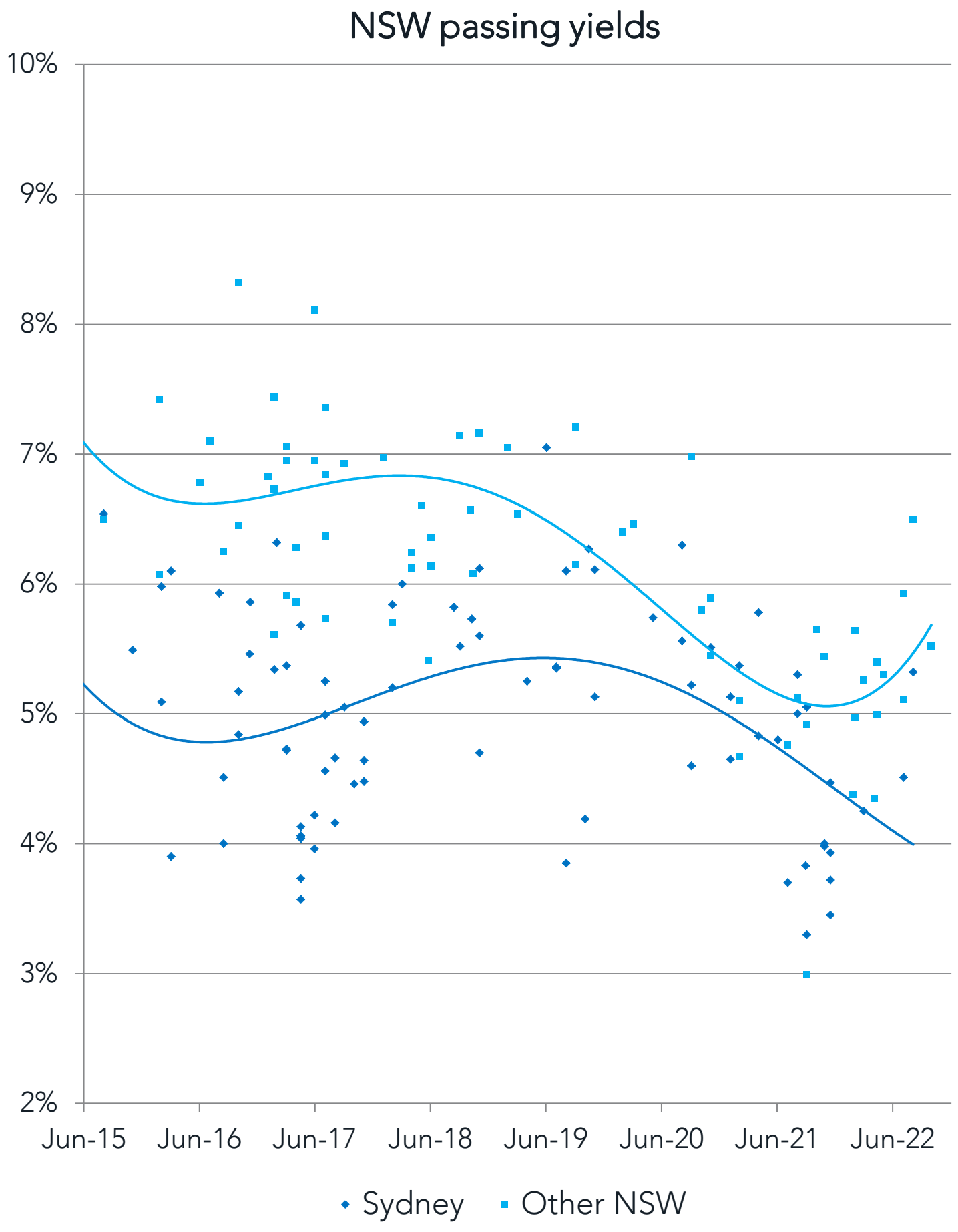


1. Excludes one ELC development project which was conditionally contracted at 31 December 2022.
2. Includes two healthcare properties which were contracted for sale as at 31 December 2022.



For personal use only

ELC MARKET TRANSACTIONS

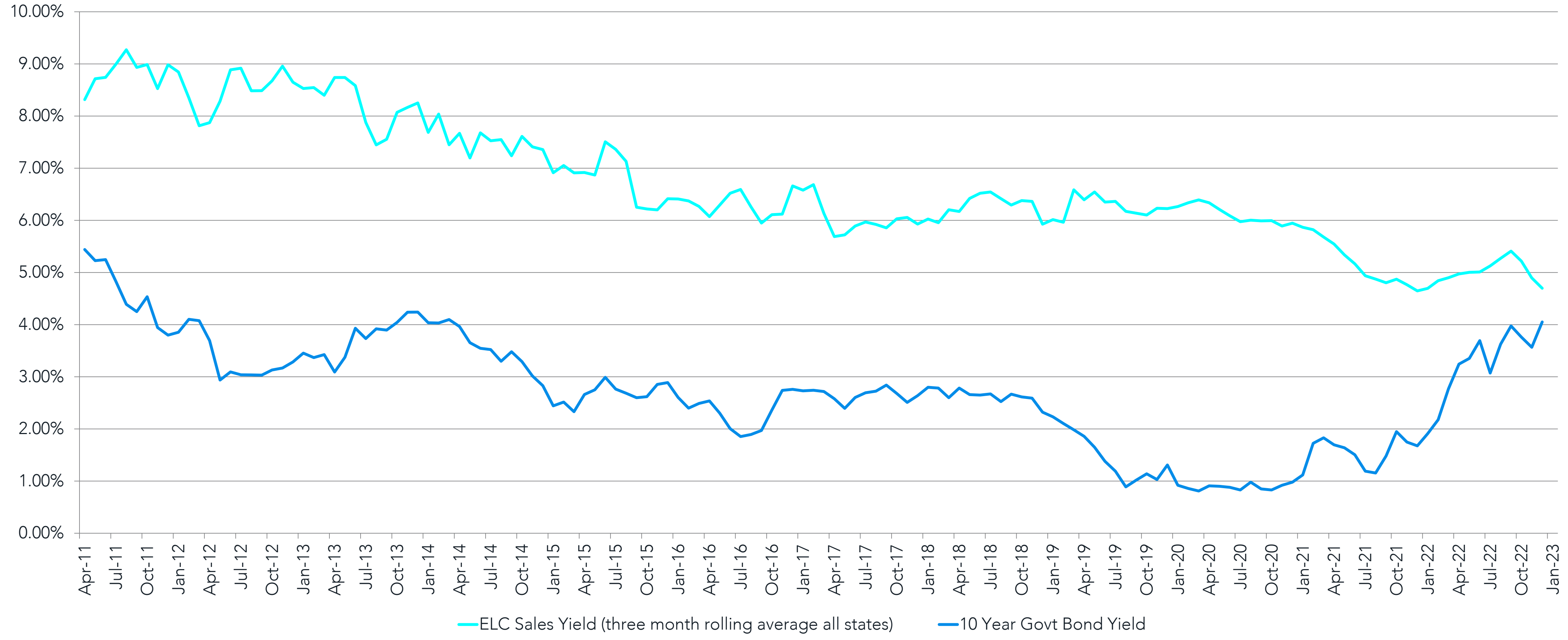




For personal use only

ELC SALES YIELDS VERSUS 10 YEAR BOND

Average Rolling ELC Sales Yield vs 10 Year Australian Government Bond Yield





For personal use only

IMPORTANT NOTICE

This presentation has been prepared by Arena REIT (Arena) comprising 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) and is authorised to be given to the ASX by Gareth Winter, Company Secretary. The information contained in this document is current only as at 31 December 2022 or as otherwise stated herein. This document is for information purposes only and only intended for the audience to whom it is presented. This document contains selected information and should be read in conjunction with the Financial Report for the half year ended 31 December 2022 lodged with the ASX on 9 February 2023 and other ASX announcements released from time to time. 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.

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 contains certain forward-looking statements along with certain forecast financial information. The words "anticipate", "believe", "expect", "project", "forecast", "guidance", "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 document and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Arena and its directors. Such statements reflect the current expectations of Arena concerning future results and events, and are not guarantees of future performance. Actual results or outcomes for Arena may differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements or forecasts. Other than as required by law, although they believe that 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) that the occurrence of these events, or the results, performance or achievements expressed in or implied by any forward-looking statements in this announcement will actually occur and you are cautioned not to place undue reliance on such forward-looking statements. Risk factors (which could be unknown or unpredictable or result from a variation in the assumptions underlying the forecasts) could cause actual results to differ materially from those expressed, implied or projected in any forward-looking statements or forecast. Past performance is not an indicator or guarantee of future performance or results.