Arena REIT

FULL YEAR 2023 RESULTS PRESENTATION

10 August 2023

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 Full Year 2023

Facilitating access to essential services which deliver strong community benefits

- Growth in net operating profit driven by like-for-like contracted rental increases, acquisitions and development completions.
- NAV per security stable as an increase in portfolio capitalisation rate has been offset by passing and market rent increases.
- Weighted average lease expiry (WALE) of 19.3 years.
- Two healthcare properties divested, two operating ELCs acquired and continued expansion of development pipeline.
- Ten ELC development projects completed.
- 14% reduction in emission intensity of Arena's assets under management[1].
- Solar renewable energy installed on 83% of property portfolio.
- $500 million Sustainability Linked Loan (SLL) issued over existing debt facility.
- Issuing FY24 distribution guidance of 17.4 cents per security (cps), an increase of 3.6% on FY23 DPS[2].

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.
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

$74 million

-78% on FY2022

Net operating profit

$60 million

+6% on FY2022

Earnings per security (EPS)

17.1 cents

+5% on FY2022

Net asset value (NAV) per security

$3.42

+1% on FY2022

Average like-for-like rent increase

+6.8%

+270bps on FY2022

Gearing ratio[3]

21%

+80bps on FY2022

Delivering on Strategy

Ongoing strategy discipline and partnership approach

Portfolio management

Two healthcare properties divested at an average premium of 2.4% to 30 June 2022 book value.

Long term WALE (by income) of 19.3 years.

Portfolio weighted average passing yield of 5.16%.

Lease management

99.7% portfolio occupancy.

Average like-for-like rent increase of +6.8%.

Working in partnership

Continue to progress solar renewable energy program; currently installed on 83% of Arena's property portfolio.

Investment and development

Two operating properties acquired at a net initial yield of 6% on total cost with initial average lease term of 25 years.

Ten ELC developments completed at an average net initial yield of 5.8% on total cost with initial average term of 20 years.

Nine[1] new ELC development projects acquired.

1. Excludes two ELC development projects which were conditionally contracted at 30 June 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 FY2023 include:
  - Zero organisational scope 1 and 2 emissions.
  - 5.5-star rating for organisational NABERS energy co-assessment.
  - Certified carbon neutral by Climate Active for business operations in 2021-2022.
  - Achieved gender balance for the Arena board using the 40:40:20 model.
  - Ongoing active collaboration with tenant partners on sustainability initiatives.
  - Solar renewable energy systems installed on 83% of Arena's property portfolio.
  - 14% reduction in emissions intensity of Arena's assets under management[1].
  - Measured inventory of Arena's FY2022 (year one) embodied emissions.
  - Completed inaugural Physical Climate Risk Assessment.
  - Completed first year of Arena's Modern Slavery roadmap.
- More detailed information will be provided in Arena's FY2023 Sustainability Report scheduled to be released in September 2023.

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

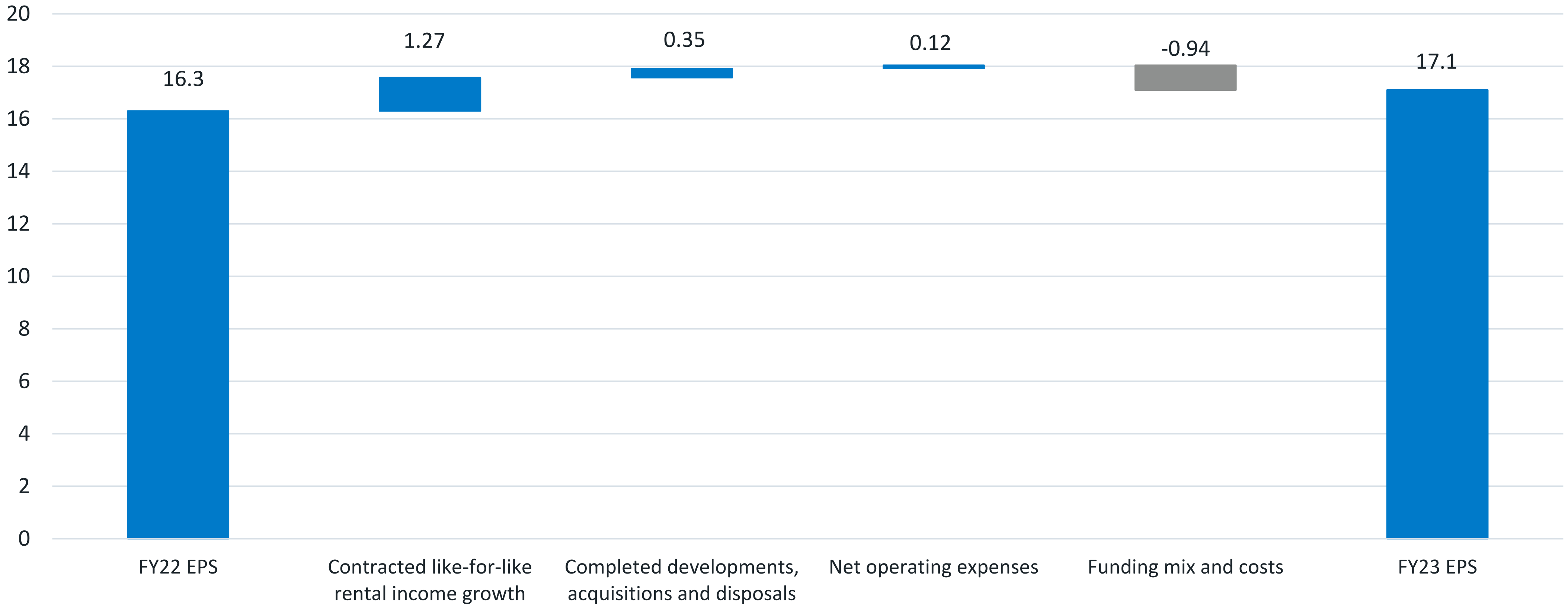
Increase in property income supporting earnings & distribution growth

	FY23 $'000	FY22 $'000	Change $'000	Change %
Property income	74,147	66,585	7,562	+11%
Other income	594	437	157	+36%
Total operating income	**74,741**	**67,022**	**7,719**	**+12%**
Property expenses	(507)	(576)	69	-12%
Operating expenses	(4,720)	(4,899)	179	-4%
Finance costs	(9,862)	(5,220)	(4,642)	+89%
Net operating profit	**59,652**	**56,327**	**3,325**	**+6%**
Statutory net profit	**74,239**	**334,288**	**(260,049)**	**-78%**
Earnings per security (EPS) (cents)	17.1	16.3	0.80	+5%
Distribution per security (DPS) (cents)	16.8	16.0	0.80	+5%

- Property income continues to increase due to:
  - Contracted rental growth from annual rent increases and market rent reviews;
  - Acquisition of operating ELC properties; and
  - ELC development completions.
- Lower statutory net profit primarily due to a lower revaluation gain on investment properties and derivatives compared to the prior period.
- Property expenses lower due to allowances for property inspections and valuations normalising post COVID.
- Operating costs are lower predominantly due to staff mix and reduced STI pool.
- 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.

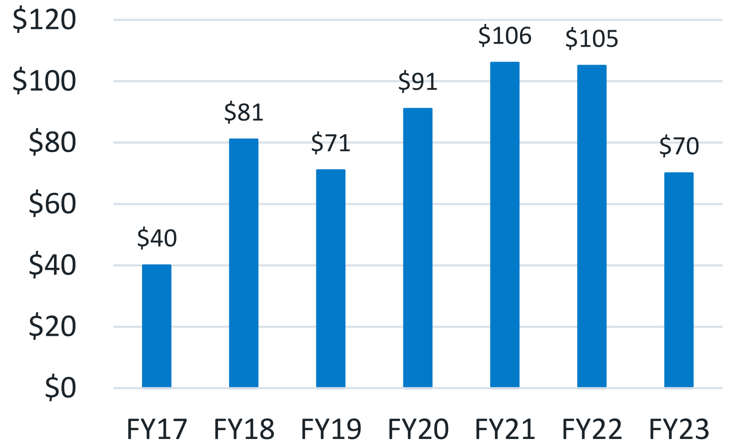
Financial Position

Strong balance sheet with substantial capacity

As at	30 June 2023 $m	30 June 2022 $m	Change %
Total assets	1,568	1,519	+3%
Investment properties	1,516	1,462	+4%
Borrowings	342	324	+6%
Net assets	1,199	1,169	+3%
Securities on issue (million)	351	347	+1%
Net Asset Value (NAV) per security	$3.42	$3.37	+1%
Gearing[1]	21.0%	20.2%	+80bps

- Growth in total assets continues from the acquisition of operating properties, ELC development completions and property valuation uplift.
- Undrawn debt capacity of $158 million as at 30 June 2023 to fund the balance of the development pipeline of $66 million and future growth opportunities.

Acquisition and development capital expenditure $m



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

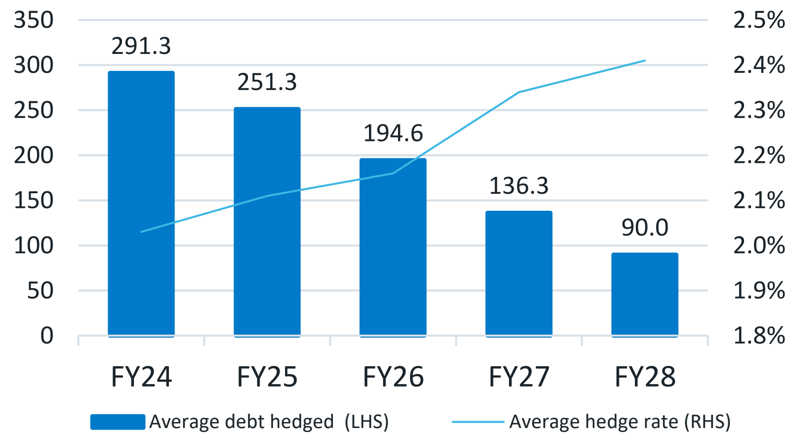
Capital Management

Hedging discipline and expanded liquidity

As at	30 June 2023	30 June 2022	Change
Borrowings	$342m	$324m	+$18m
Borrowings facility limit	$500m	$430m	+$70m
Gearing[1]	21.0%	20.2%	+80bps
Weighted average facility term	3.7 years	3.4 years	+0.3 year
Weighted average cost of debt	3.95%	2.90%	+105bps
Interest cover ratio	5.4x	6.8x	-1.4x
Hedge cover	88%	77%	+1,100bps
Weighted average hedge rate	2.03%	1.68%	+35bps
Weighted average hedge term	3.5 years	4.3 years	-0.8 year

- Syndicated borrowing facility limit increased by $70 million to $500 million and extension of maturity dates. As at 30 June 2023 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 $13 million raised in FY23.
- Intention is to maintain ongoing hedge cover in a range of 70-80% of drawn debt.

Hedge maturity profile $m



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

Portfolio Update

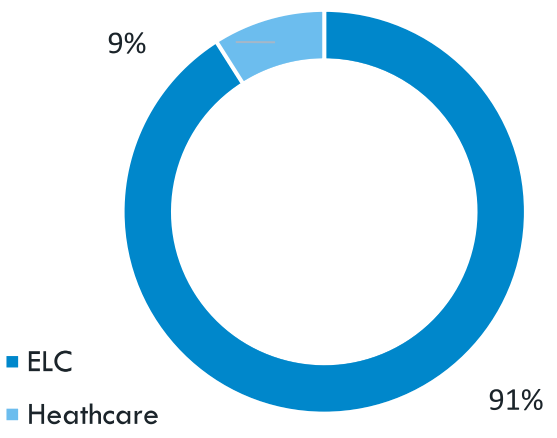
Rob de Vos

MANAGING DIRECTOR

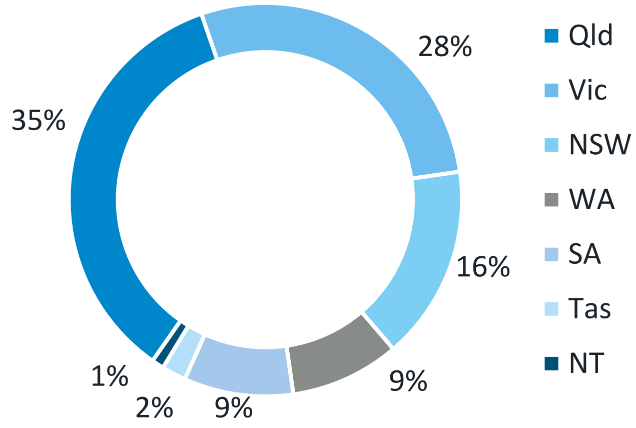
Portfolio Overview

	Number of assets[1]	30 June 2023 valuation	Net valuation movement versus 30 June 2022		30 June 2023 passing yield	Change versus 30 June 2022
		$m	$m	%	%	bps
Early learning portfolio	263	1,377	21	+1.6	5.13	+23
Healthcare portfolio	9	139	-4	-2.1	5.37	+35
Total portfolio	272	1,516	17	+1.2	5.16	+25

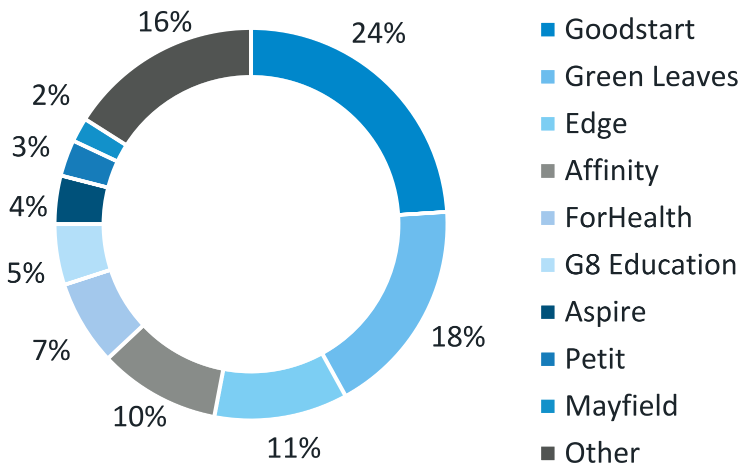
Sector diversity (by value)



Geographical diversity (descending)



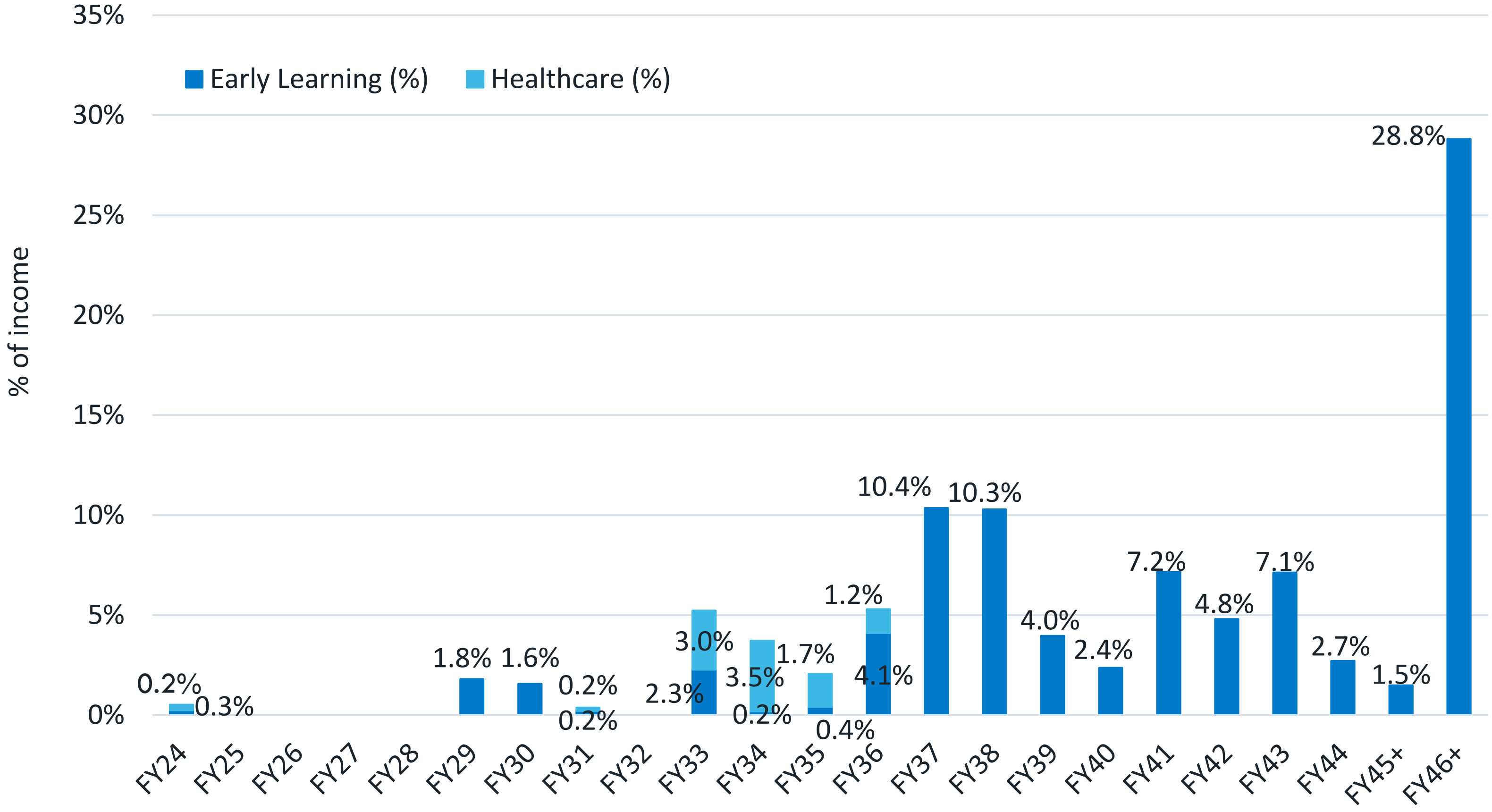
Tenant diversity (descending)



1. Excludes two ELC development projects which were conditionally contracted at 30 June 2023.

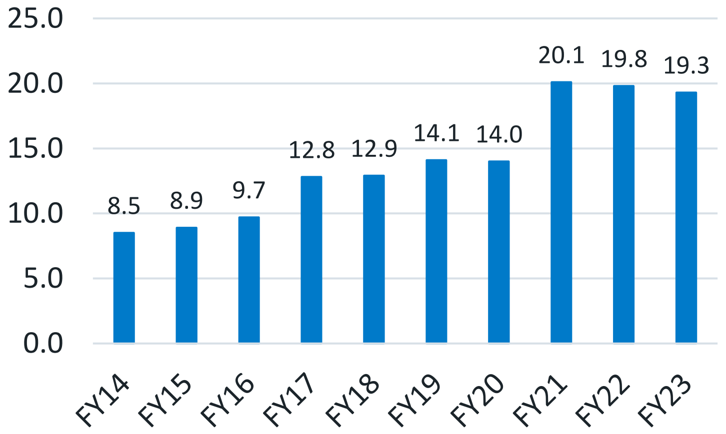
Lease Expiry Profile

Weighted average lease expiry of 19.3 years



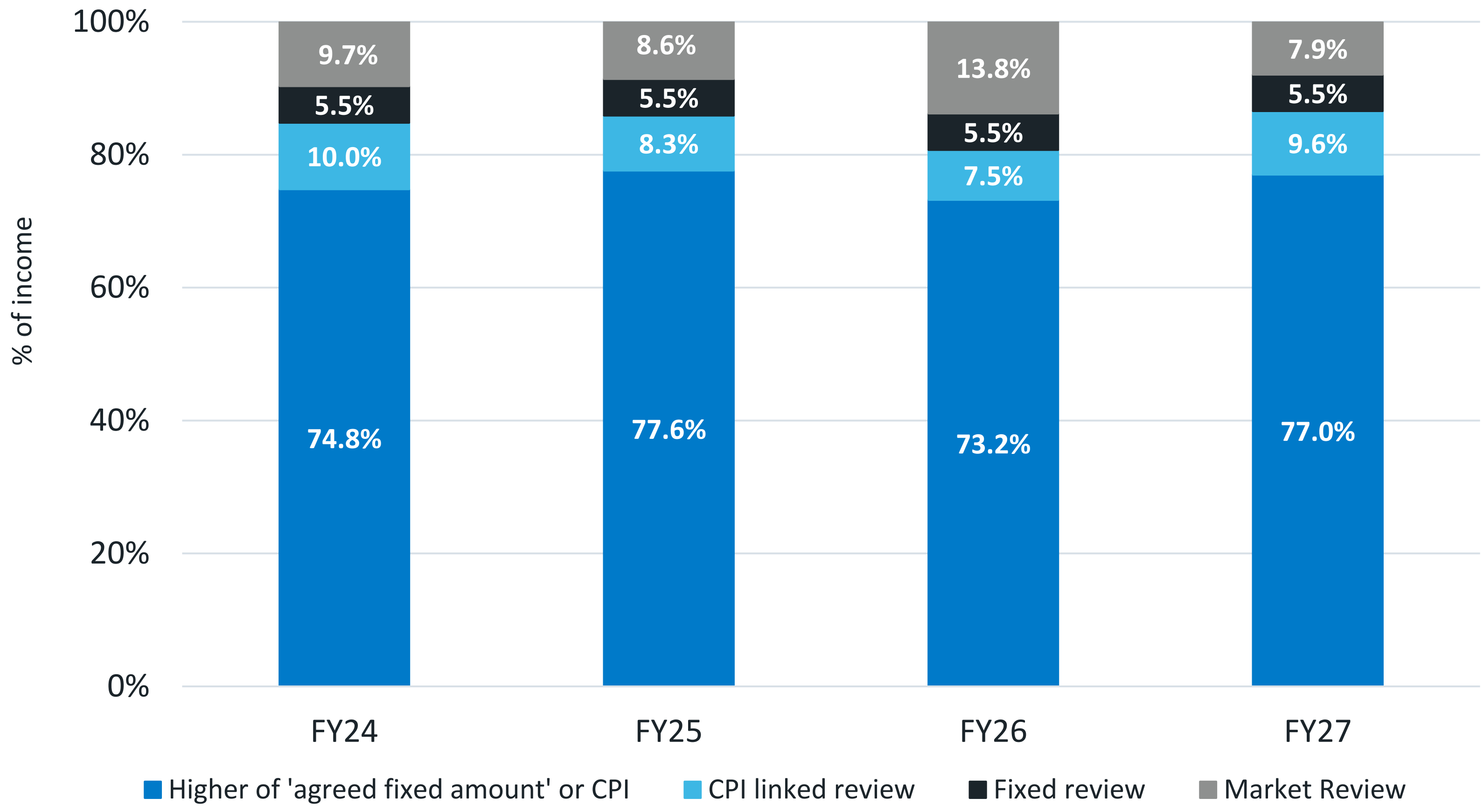
- Less than 3% of portfolio income subject to expiry prior to FY30.
- Over 50% of portfolio lease income expires after FY40.
- Ten ELC development completions added to portfolio with initial weighted average lease term of 20 years.

Portfolio WALE in years



Annual Rent Reviews

FY23 average like-for-like rent increase of +6.8%



- 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.
- Market rent reviews are all are subject to a 0% collar.

Acquisitions and Developments

Working with our tenants as property partners

- High-quality, purpose-built properties with existing and new tenant partners.
- Two operating ELC properties were acquired during FY2023.
- Ten ELC development projects were completed in FY2023.

Acquisitions and development completions	Number of properties	Total cost	Initial yield on total cost	Initial weighted average lease term
		$m	%	Years
Operating ELC acquistions	2	7.8	6.0	25
ELC development completions	10	65.1	5.8	20
Total /weighted average	12	72.9	5.8	20.5

Development pipeline	As at 30 June 2023
Number of projects	16[1]
Forecast total cost	$112 million
Initial yield on total cost	5.4%
Capex amount outstanding	$66 million

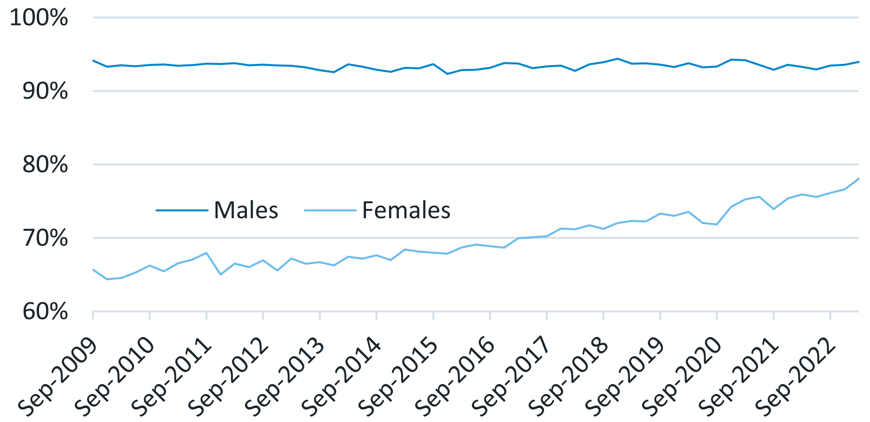
1. Includes two ELC development projects which were conditionally contracted at 30 June 2023.

ELC Operating Environment

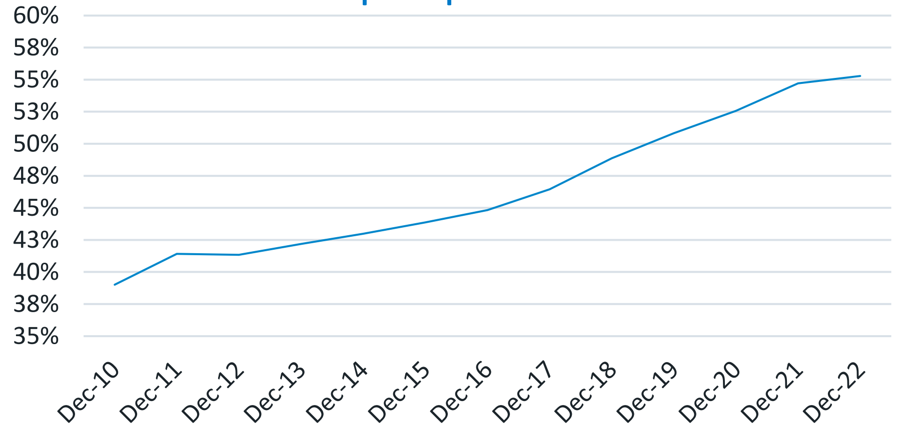
Strong social and macroeconomic drivers continue to support early learning sector

- 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 benefit from the following improved affordability measures[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 March 2023 was +3%[5].
- Increasing demand for ELC places is renewing pressure on the supply of skilled ELC labour.
- The ACCC issued an interim report on its inquiry into the market for the supply of childcare services on 5 July 2023; the final report is due by 31 December 2023[6].
- The Productivity Commission is expected to release a draft report of its inquiry into the early childhood education and care sector in late November 2023[7].

Australian Parents Workforce Participation Rate[1]



LDC participation rate[2]

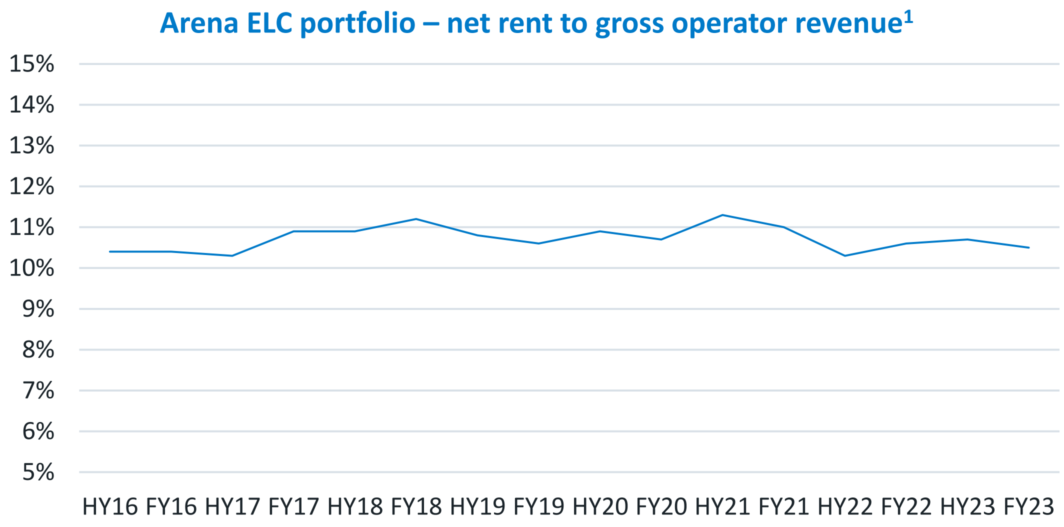


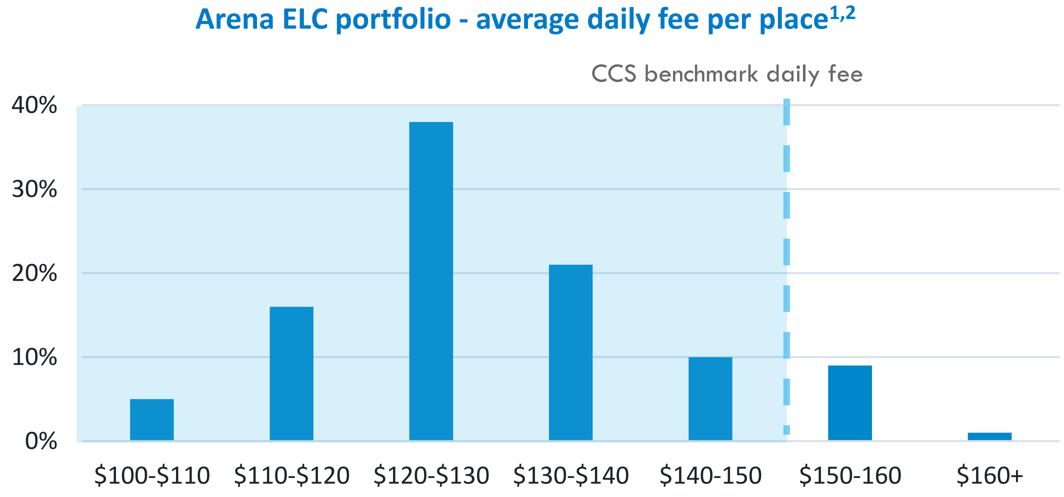
1. ABS Labour Force status by Relationship in household, Sex, State and Territory.
2. Australian Government Department of Education Child Care quarterly reports 2011-2023.
3. Labor's Plan for Cheaper Child Care | Policies | Australian Labor Party (alp.org.au)
4. Cheaper childcare: A practical plan to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

ELC Portfolio

Asset quality supporting portfolio strength

- 99.7% portfolio occupancy as at 30 June 2023.
- Arena's ELC portfolio operating data[1] to 31 March 2023:
  - Average daily fee of $129.57:
    - +7.1% from 31 March 2022; and
    - +1.8% from 30 September 2022.
  - 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 ten years.
  - Net rent to revenue ratio of 10.5%.





1. Arena analysis based on operating data provided by Arena's tenant partners as at 31 March 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 & 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 divested during the period 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

Long term inflation protected income

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

INCOME GROWTH

- 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.
- $112 million development pipeline comprising 16[2] ELC projects with $66 million of capital expenditure outstanding.

OUTLOOK

- Strong social and macroeconomic 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 gearing[3] at 21%.
- 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. 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 two ELC development projects which were conditionally contracted at 30 June 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

	FY2023 $'000	FY2022 $'000	Change $'000	Change %
Property income	74,147	66,585	7,562	+11%
Other income	594	437	157	+36%
Total operating income	**74,741**	**67,022**	**7,719**	**+12%**
Property expenses	(507)	(576)	69	-12%
Operating expenses	(4,720)	(4,899)	179	-4%
Finance costs	(9,862)	(5,220)	(4,642)	+89%
Net operating profit (distributable income)	**59,652**	**56,327**	**3,325**	**+6%**
Non-distributable items:				
Investment property revaluation & straight-lining of rent	16,997	254,486	(237,489)	
Change in fair value of derivatives	527	24,478	(23,951)	
Profit/(loss) on sale of investment properties	(47)	1,023	(1,070)	
Transaction costs	(745)	(541)	(204)	
Amortisation of equity-based remuneration (non-cash)	(1,557)	(1,135)	(422)	
Other	(588)	(350)	(238)	
Statutory net profit	**74,239**	**334,288**	**(260,049)**	

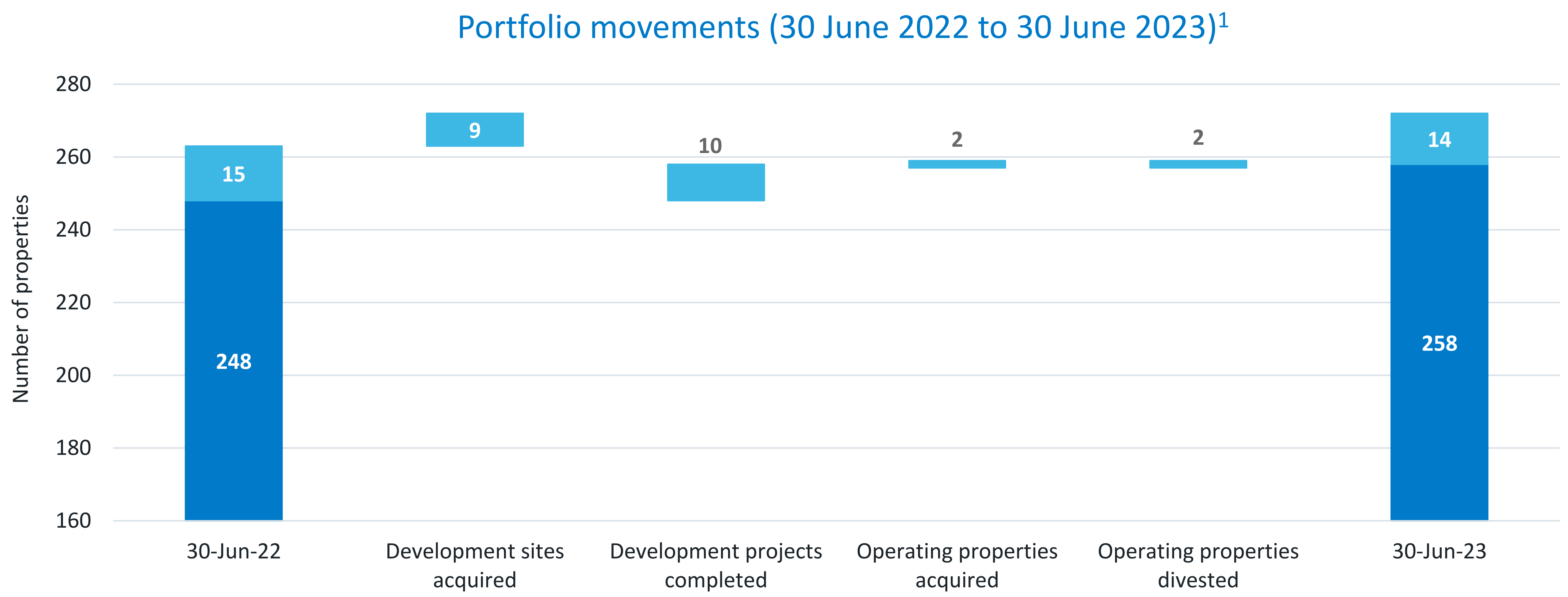
Balance Sheet

	30 June 2023 $'000	30 June 2022 $'000	Change $'000	Change %
Cash	16,113	22,200	(6,087)	-27%
Receivables and other assets	5,958	4,692	1,266	+27%
Investment properties	1,515,912	1,461,888	54,024	+4%
Derivatives	19,497	18,970	527	+3%
Intangibles	10,816	10,816	-	-
Total assets	**1,568,296**	**1,518,566**	49,730	+3%
Trade and other liabilities	13,917	13,005	912	+7%
Distributions payable	14,730	14,040	690	+5%
Borrowings	340,342	322,547	17,795	+6%
Total liabilities	**368,989**	**349,592**	19,397	+6%
Net assets	**1,199,307**	**1,168,974**	30,333	+3%
Number of securities on issue (m)	350.7	346.7	+4m	+1%
Net asset value per security ($)	3.42	3.37	+0.05	+1%
Gearing[1] (%)	21.0	20.2	+80bps	+4%

Covenant	Facility requirement	Ratio
Loan to value ratio (LVR)	Maximum 50%	24.6%
Interest cover ratio (ICR)	Minimum 2x	5.4x

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

Portfolio Composition and Movement



1. Excludes two ELC development projects which were conditionally contracted at 30 June 2023.

ELC Portfolio Valuations

As at 30 June 2023	Number of properties[1]	Value $m	Passing yield %
Independent ELC freehold valuations			
Queensland	20	108.1	4.98
Victoria	12	57.1	4.93
New South Wales	5	38.5	4.48
Western Australia	5	23.9	4.78
South Australia	3	16.6	5.24
Total independent ELC valuations	**45**	**244.2**	**4.89**
Director ELC freehold valuations			
Queensland	70	417.4	5.12
Victoria	58	333.9	5.03
New South Wales	27	107.0	5.05
Western Australia	19	89.6	4.71
South Australia	14	84.2	5.75
Tasmania	8	35.4	5.76
Northern Territory	2	6.9	5.65
Total director ELC freehold valuations	**198**	**1,074.4**	**5.12**
Total freehold ELC portfolio	**243**	**1,318.6**	**5.08**
Director ELC leasehold valuations – Victoria	6	17.35	9.32
Total ELC portfolio excluding development sites	**249**	**1,336.0**	**5.13**
ELC development sites	14	41.1	
Total ELC portfolio	**263**	**1,377.1**	**5.13**

1. Excludes two ELC development projects which were conditionally contracted at 30 June 2023.

ELC Portfolio Metrics

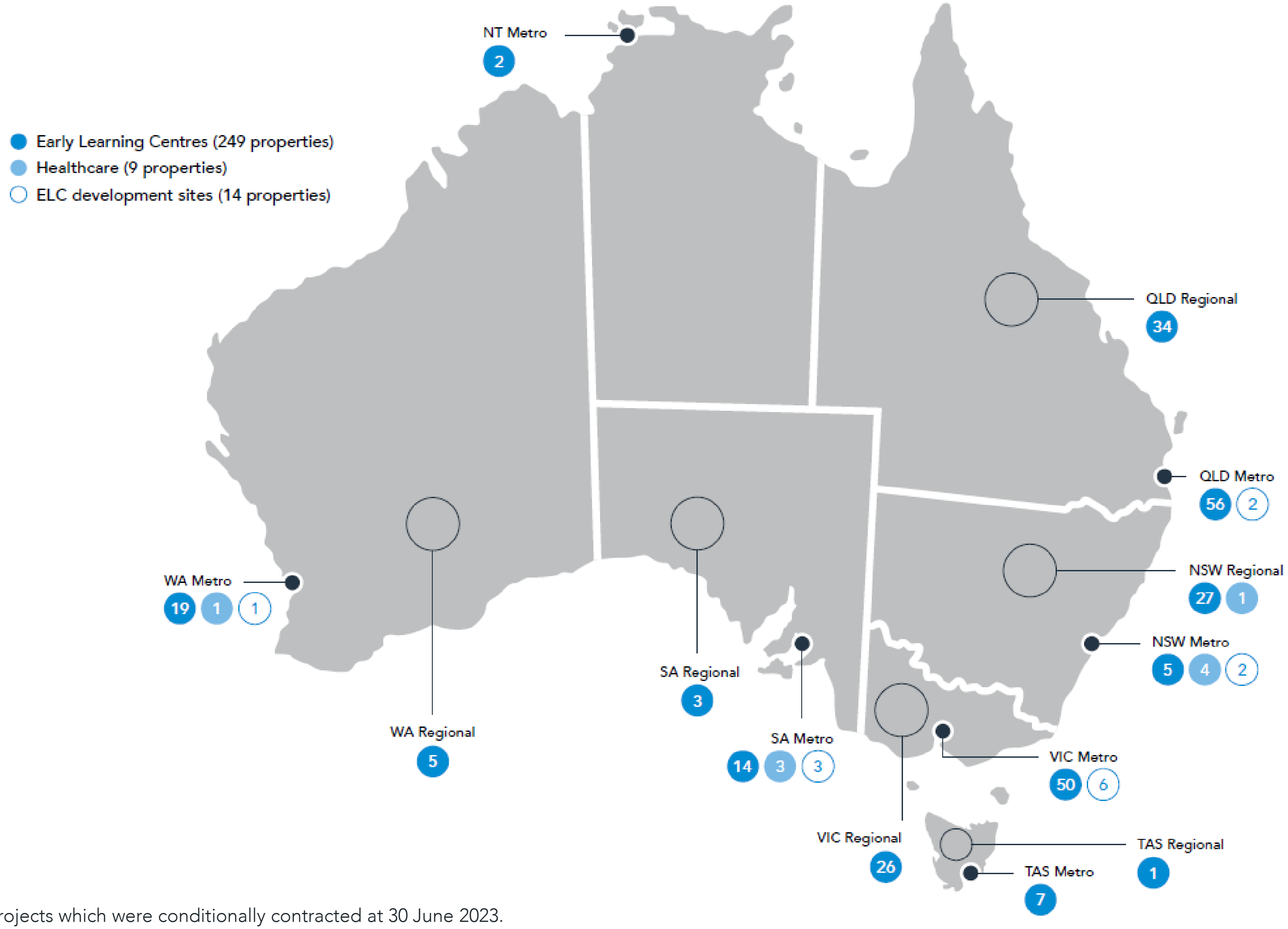
	30 June 2023	30 June 2022	Change
Leased ELCs	249	237	+12
Development sites	14[1]	15[2]	-1
Total ELCs	263	252	+11
WALE (by income) (years)	20.2	21.1	-0.9 year
Tenanted occupancy (%)	99.6	100	-40bps
Average passing yield (%)	5.13	4.90	+23bps
Portfolio value ($m)	1,377	1,288	+7%
Average rental increase (%)	7.1	4.3	+280bps
Rent to gross revenue ratio (%)	10.5	10.6	-10bps
Average daily fee ($)	129.57[3]	121.00[4]	+7.08%
Portfolio composition (% by value)			
Metropolitan	70	70	-
Regional	30	30	-

1. Excludes two ELC development projects which were conditionally contracted at 30 June 2023.
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 31 March 2023.
4. Arena analysis based on operating data provided by Arena's tenant partners as at 31 March 2022.

Healthcare Portfolio Metrics

	30 June 2023	30 June 2022	Change
Total healthcare properties	9	11	-2
WALE (by income) (years)	10.3	10.9	-0.6 year
Tenanted occupancy (%)	100	100	-
Average passing yield (%)	5.37	5.02	+35bps
Property portfolio ($m)	139	174	-20%
Average rental increase (%)	4.9	3.5	+140bps
Portfolio composition (% by value)			
Metropolitan	89	90	-100bps
Regional	11	10	+100bps

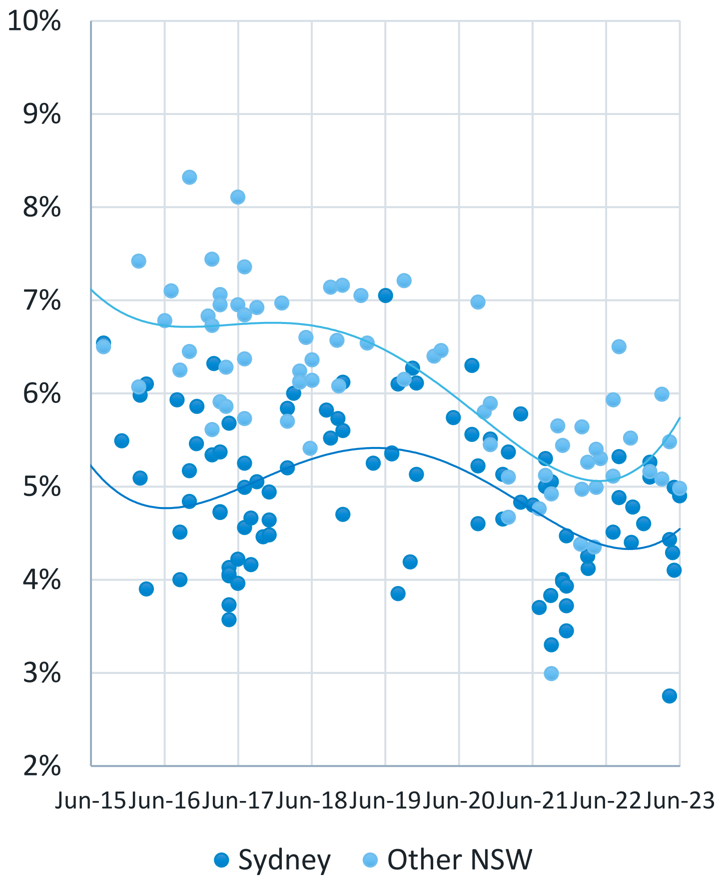
Portfolio Location Map



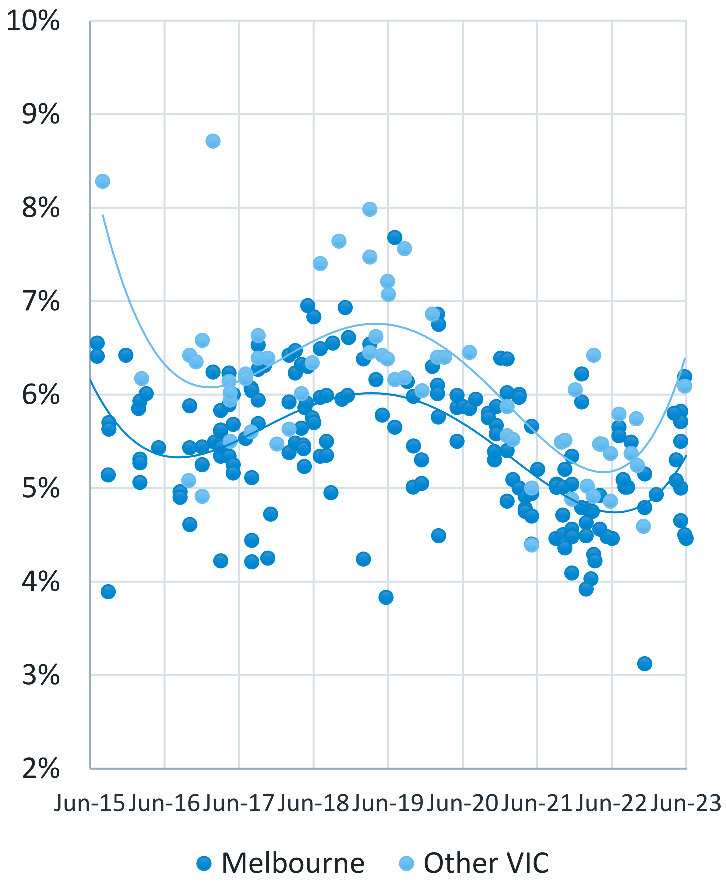
1. Excludes two ELC development projects which were conditionally contracted at 30 June 2023.

ELC Market Transactions

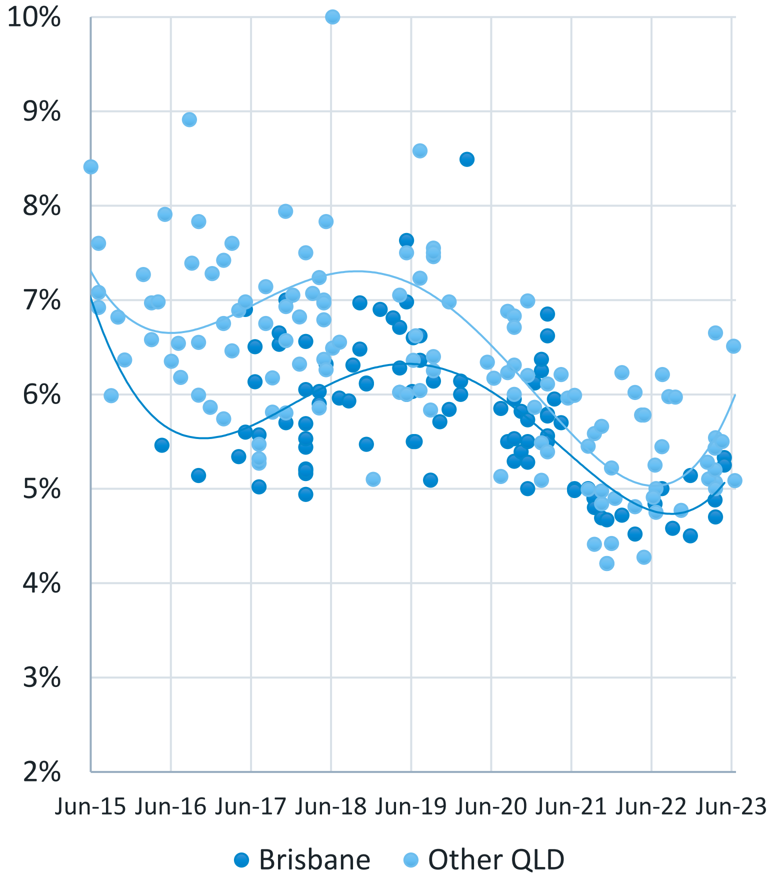
NSW passing yields



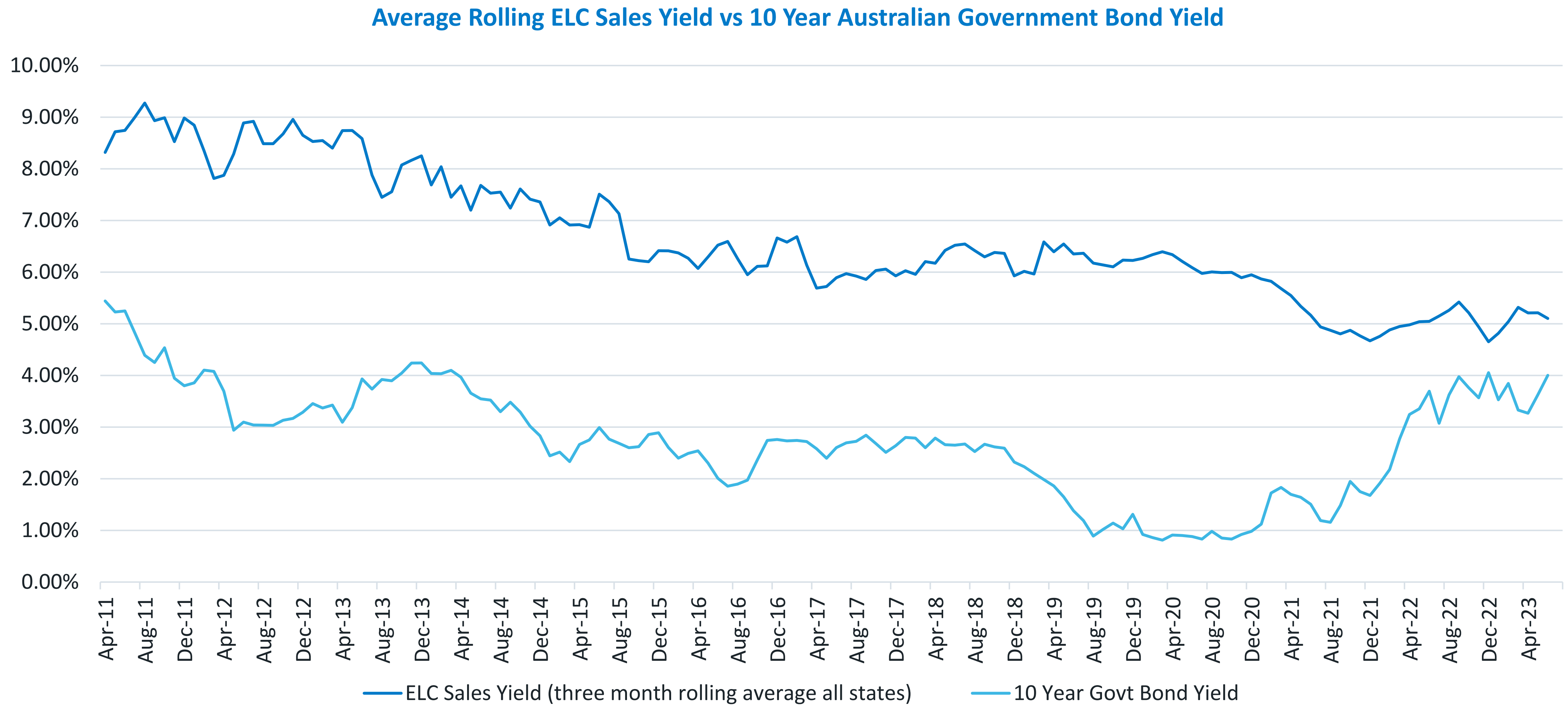
VIC passing yields



QLD passing yields



ELC Sales Yields versus 10 Year Bond



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