



Arena REIT (ASX Code ARF)

Investor meeting to consider the proposal to
staple with Sydney HealthCare Trust

Implementing strategy to improve diversification and earnings

9 December 2013

arenainvest.com.au



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Refer to Arena's website www.arenainvest.com.au and ASX announcements for updated information in relation to the Proposal and the proposed Affinity transaction.



Why has the meeting been called?

The meeting has been called for ARF Investors (who held units at 12.00 pm (AEDT) on the record date being Saturday, 7 December 2013) to vote on resolutions to:

- approve the stapling of Units in ARF with Units in Sydney HealthCare Trust (SHCT) (an unlisted managed investment scheme also managed by Arena) to form a Stapled Group which will continue to trade on the ASX as 'Arena REIT' (code: ARF) (Stapling Proposal); and
- approve general changes to the ARF constitution to reflect ARF's transition to a listed entity (General Constitutional Changes).

Sydney HealthCare Trust investors have this morning approved the Stapling Proposal.

The Arena Board considers the Proposal to be in the best interests of ARF and unanimously recommends ARF Investors vote in favour of both resolutions.

More than 75% of eligible votes cast must be cast in favour for the Resolutions to pass.

Agenda

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David Ross

Chairman
Arena Investment
Management



James Goodwin

Joint Managing
Director
Arena Investment
Management

1 Management presentation



1 Overview

Stapling Proposal key features

- Stapling of ARF units with SHCT units on a 1 for 1 NTA per unit basis.
- SHCT investors can elect to accept cash of \$1.15 per Stapled Security entitlement or hold stapled securities. The offer represents an equivalent pricing premium of 2.6% on the current portfolio carrying value when compared to acquiring the properties directly. Approximately 81% of the entitlements to Stapled Securities of SHCT investors will be redeemed.
- Proposal is conditional on the approval by both ARF and SHCT investors (9 Dec 2013) and regulatory approvals. SHCT investors have approved the Stapling Proposal at its meeting this morning.
- Stapled group to be listed on ASX under the same code 'ARF'.

Stapling Proposal rationale

- Consistent with ARF's broadened strategy to potentially include assets in healthcare, education and government sectors.
- Exposure to healthcare assets with strong benefits for ARF.
- Increased earnings which will improve the attractiveness of distributions to ARF investors.

General constitutional changes

- Resolution to approve general changes to the ARF constitution to reflect ARF's transition to a listed entity.

1 Benefits, disadvantages and risks

Benefits

- ✓ Portfolio diversification:
 - Introduces healthcare exposure.
 - Broadens tenancy base.
- ✓ Relatively long remaining lease terms.
- ✓ Increase in ARF's FY14 statutory forecast distribution from 8.4 cents to at least 8.65 cents per stapled security (both post recent Affinity childcare centre acquisitions).
- ✓ Increase in ARF's pro forma FY14 net profit available for distribution (annualised basis) from the original PDS forecast of 8.2 cents to 9.2 cents per stapled security (post recent Affinity childcare acquisitions).
- ✓ All of the assets in the healthcare portfolio were purpose built between 2000 and 2002 and are leased to Primary Health Care, an ASX100 listed company.

Disadvantages

- × Increases pro forma gearing ratio from 19% (post Affinity) to approximately 32%. ARF's target gearing ratio is 35% to 45%.
- × Dilution of NTA by 2% due to Redemption Offer and Transaction Costs.

Risks

An investment in the Stapled Group will be subject to risks including concentration, tenant, regulatory and other risks.

1 SHCT portfolio



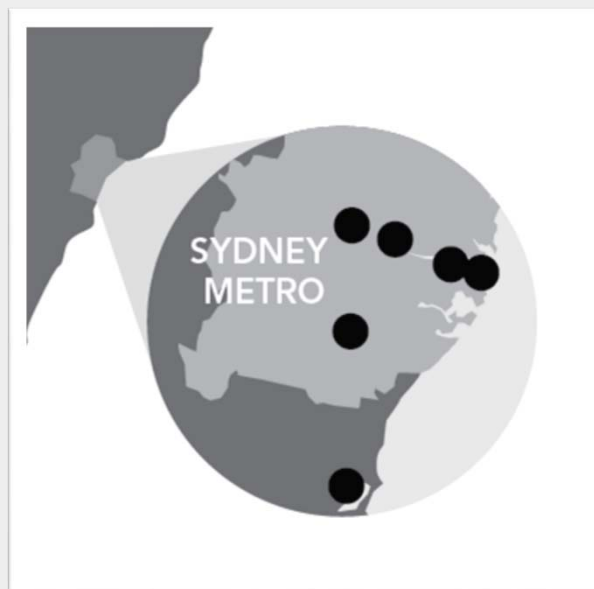
Wentworthville Medical Centre



Leichhardt Medical Centre



Campbelltown Medical and Dental Centre



Bondi Junction Medical and Dental centre



Mt Druitt Medical Centre



Dapto Medical centre

1 SHCT consistent with ARF investment strategy

The SHCT portfolio of healthcare assets is consistent with ARF's strategy and investment criteria:

Sectors	Characteristics	SHCT – A good fit
Childcare Healthcare Education Govt & high quality tenants	Relatively long remaining lease terms.	✓ The average WALE of the portfolio is 9 years.
	Premises that have strategic importance to the operations of the tenant.	✓ The properties are all purpose build medical centres.
	High credit quality tenants.	✓ Tenanted by Primary Health Care. Primary is one of Australia's leading medical operators. It is an ASX100 listed company with a market cap of \$2.5 billion.
	Tenants responsible for all, or substantially all the statutory and operating outgoings.	✓ The tenant is responsible for all statutory outgoings, operating outgoings and costs including insurance, land tax (on a multiple holding basis), repairs & maintenance (other than of a structural nature).
	Reversionary capital value risk can be managed.	✓ The goodwill value of the business is linked to the term of the lease which encourages the tenant to renew the lease.

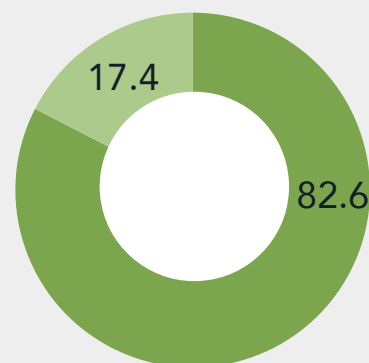
1 Impact on ARF

Sector Diversification (%) – Healthcare exposure

Pre Stapling incl. Affinity



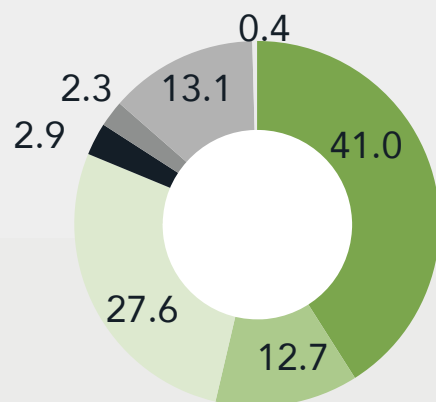
Post Stapling



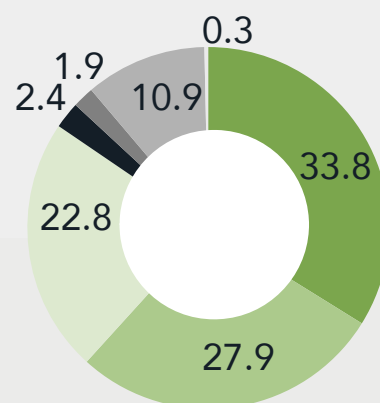
■ Childcare
■ Healthcare

Geographic Diversification (%) – increased exposure to NSW

Pre Stapling incl. Affinity



Post Stapling

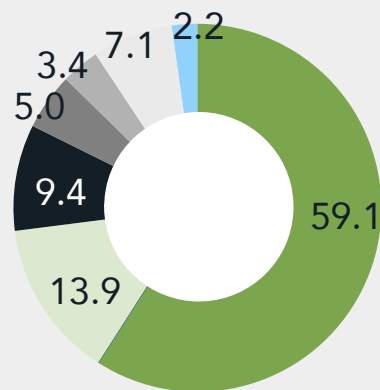


■ QLD
■ NSW
■ Vic
■ Tas
■ SA
■ WA
■ NT

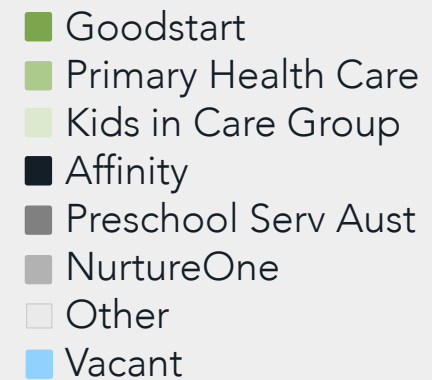
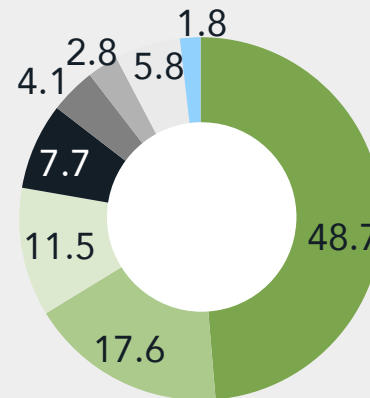
1 Impact on ARF

Tenant Diversification (%) – exposure to Primary Health Care and reduced exposure to Goodstart

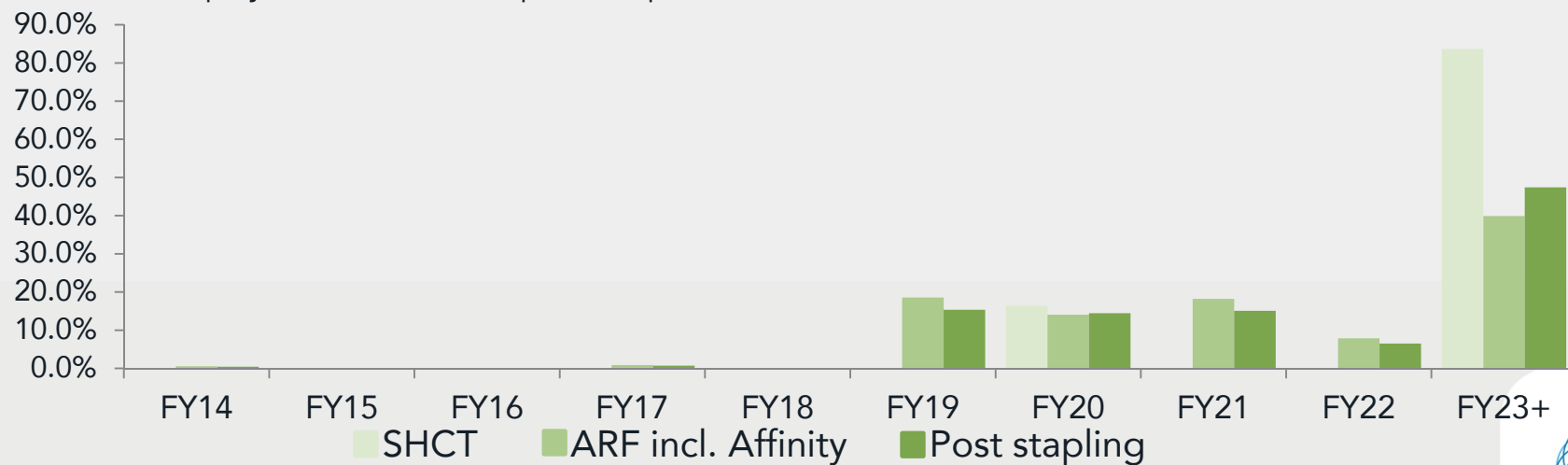
Pre stapling incl. Affinity



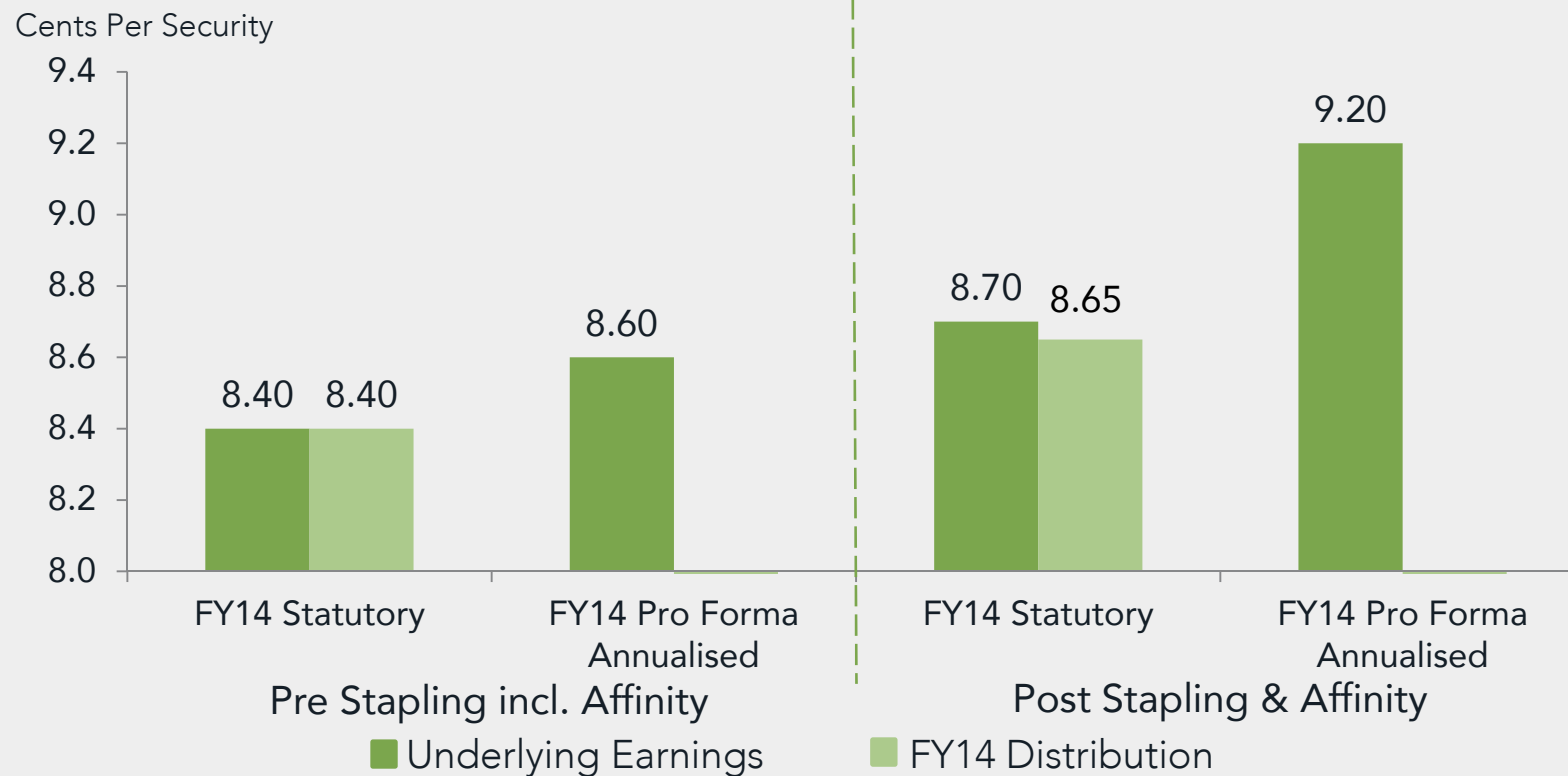
Post Stapling



Lease Expiry Profile (%) – improved profile



1 Impact on ARF



- Under the Stapling Proposal, FY14 Statutory distribution forecast increases by 3.0% to 8.65 cpu. FY14 Pro Forma forecast underlying annualised earnings increases to 9.2 cpu.

1 Independent Expert Opinion

- Independent expert opinion sought from respected accounting firm, Moore Stephens.
- The Independent Expert is of the opinion:

“ARF Unitholders will be better off if the Proposed Transactions are implemented than if they are not. The Proposed Transactions are in the best interest of, and are fair and reasonable to, ARF Unitholders”.

1 Board Recommendation

The Arena Board considers the Proposal to be in the best interests of ARF Investors and unanimously recommends ARF Investors vote in favour of both resolutions.

The Arena Board considers the Proposal to be in the best interests of ARF Investors because the advantages outweigh the disadvantages and risks.

2 Questions



3 Formal business



3 Resolution 1: Stapling Proposal

Resolution 1 is a special resolution and is as follows:

"Subject to the passing of the SHCT Stapling Resolution, the ARF Constitution be amended (in accordance with section 601GC(1)(a) of the Corporations Act 2001 (Cth)) in accordance with the draft constitution submitted to the meeting, marked the "Tenth Supplemental Deed" and signed by the Chairman of the Meeting for the purposes of identification, with effect on and from the Effective Time and that the responsible entity of ARF be authorised execute and lodge with the Australian Securities and Investments Commission a supplemental deed to give effect to these amendments to the ARF Constitution and to undertake all necessary actions to implement the Stapling Proposal by effecting the Transaction Steps as set out in this Document."

3 Resolution 2: General Constitutional Changes

Resolution 2 is a special resolution and is as follows:

"If the Stapling Resolution is not approved, the ARF Constitution be amended (in accordance with section 601GC(1)(a) of the Corporations Act 2001 (Cth)) in accordance with the draft constitution submitted to the meeting, marked the "Ninth Supplemental Deed" and signed by the Chairman of the Meeting for the purposes of identification, with effect on and from the Effective Time and that the responsible entity of ARF be authorised to execute and lodge with the Australian Securities and Investments Commission a supplemental deed to give effect to these amendments to the ARF Constitution."

3 Proxy voting results

Vote type	Resolution 1		Resolution 2	
	Number of votes	% of eligible votes cast	Number of votes	% of eligible votes cast
For	96,900,789	91.65	96,525,624	91.33
Undirected	1,671,272	1.58	2,095,346	1.98
Against	7,160,414	6.77	7,075,479	6.69
Abstain	34,074	-	70,100	-

The Chairman will cast undirected proxies in favour of both resolutions.

Being special resolutions, both resolutions 1 and 2 will be passed if 75% or more of the votes cast by investors present (in person or by proxy) and eligible to vote are cast in favour of the resolutions.

3 Voting procedures

Now go to poll

- Both resolutions will now go to a poll.
- Counting of votes will then take approximately 10 to 15 minutes
- We will then reconvene the meeting to announce the outcome of the polls.

Voting

- Each investor/proxy holder must complete their green voting card.
- The sum of votes cast for and against must not exceed your voting entitlements.
- If a proxy holder has been directed to vote in a particular manner, by completing the voting card the proxy holder will be deemed to have voted in accordance with those directions.

James Barrie of Arena's registrar Boardroom is the Returning Officer and Scrutineer of the polls.

Please ask James if you have any questions in relation to completing your voting cards.

4 Counting of votes



5 Final voting results



5 Final voting results

Vote type	Resolution 1		Resolution 2	
	Number of votes	% of eligible votes cast	Number of votes	% of eligible votes cast
For				
Against				
Abstained				

6 Meeting close

