

15 NOVEMBER 2017

## ANNUAL GENERAL MEETING – CHAIRMAN’S ADDRESS AND PRESENTATION

Good morning ladies and gentlemen and welcome to the general meetings of unitholders in Arena REIT No. 1 and Arena REIT No. 2 (together, the Trusts) and the annual general meeting of shareholders in Arena REIT Limited (the Company), which together constitute Arena REIT’s 2017 Annual General Meeting (AGM).

My name is David Ross and I am the Independent Chairman of the Board of Directors of Arena REIT Limited and of the Board of Directors of Arena REIT Management Limited (the Responsible Entity of the Trusts) and I have been appointed as the chairman of today’s meeting.

The time is now 10am and a quorum is present. I therefore declare the meeting open.

Please take a moment to ensure that your mobile phones are turned to silent.

Allow me to introduce to you the other members of your Board of Directors:

- Bryce Mitchelson, Managing Director;
- Gareth Winter, CFO and Company Secretary;
- Dennis Wildenburg, Independent Non-Executive Director; and
- Simon Parsons, Independent Non-Executive Director.

The Board has two committees, an Audit Committee and a Remuneration & Nomination Committee which are comprised of only the Independent Directors.

Also with us today are:

- Members of the Arena management team;
- Elizabeth O’Brien, Partner, Charles Christie, Partner and Leona Goh, Audit Manager, representing PWC, Arena’s Auditor;
- John Hutchinson, representing Hall & Wilcox, Arena’s Corporate Legal Advisor; and
- Emma Collins, Returning Officer, Boardroom Limited.

The Board and Management look forward to meeting with securityholders at the conclusion of the meeting.



## Agenda

The agenda for today's meeting includes a brief presentation from me followed by a presentation from Arena's Managing Director, Bryce Mitchelson on the operating performance of Arena in the 2017 financial year and the outlook for the 2018 financial year.

We will then move to general questions followed by the formal business of the meeting, being consideration and voting on five resolutions.

## Securityholder returns

As we head into our fifth year listed on the ASX, I am proud to report on another year of positive financial performance and operational achievements for Arena.

We finished the 2017 financial year with an annual ASX total securityholder return of 19.8%, a significant achievement when compared to the ASX 300 A-REIT index annual total return of -5.6%.

Since inception we have consistently outperformed the average total return for the A-REIT sector each year.

On a three year basis, Arena's compound annual return was 31.0% per annum, which significantly outperformed the ASX 300 A-REIT sector return of 12.2% per annum over that period.

We see these outcomes as an endorsement of both our strategy and our ability to deliver against our investment objective – to generate attractive and predictable distributions to investors with earnings growth prospects over the medium to long term.

## Financial performance

Arena's financial performance has again been strong, with net operating profit, or distributable income, of \$28.7 million recorded for the year, up 12% on our 2016 result.

This was primarily as a result of growing rental income from annual rent reviews and new income from the four developments completed in 2016 and a record eight development projects completed in 2017.

We delivered on our upgraded distribution guidance of 12.0 cents per security, with underlying earnings per security of 12.3 cents, an increase of 11% over FY16.

Following the development project completions and the revaluation of the portfolio, Arena's total assets increased to \$621.3 million, and pleasingly we finished the year with a Net Asset Value per security of \$1.84, up 19% on 30 June 2016.

The post year end \$55 million equity raising has reduced gearing and further improved our capacity to access new opportunities to grow income and enhance portfolio value and quality.

## Remuneration

Reflecting on these positive financial outcomes achieved for the year, I can confirm that the management team substantially met the 2017 KPI's set by the Board – delivering significant growth in earnings and distributions and achieving a range of other non-financial objectives.

The performance objectives have been reset for FY18, and have been designed to incentivise management to continue to achieve superior long-term performance outcomes for investors, taking into account prevailing market conditions.

In addition, the Short Term Incentive (STI) plan has been modified to introduce a deferred component – with 50% to be paid by the issue of Arena securities after 12 months – with the objective of increasing employee alignment with securityholders and retention.

The Board believes the current remuneration framework, which is outlined in the Remuneration Report section of the 2017 Annual Report, aligns the interests of the management team and enables Arena to continue to attract and retain a high quality and committed management team.

## Strategy and operational performance

Strategically, we continue to focus on providing long term accommodation solutions to operators of social infrastructure, with our investments in early learning centres and healthcare properties to date delivering an attractive average total direct property portfolio return since listing of 19% per annum.

Operationally we continue to differentiate Arena's brand in the marketplace through our partnership approach, priding ourselves on our ability to work collaboratively with our tenants and business partners to deliver outstanding results.

During the year we extended the portfolio's weighted average lease expiry to 12.8 years by partnering with tenants to extend, renew or renegotiate over 50% of our leases – enabling us to enhance both the long term value of our tenant's businesses and the growth and predictability of Arena's rental income stream.

In our development portfolio, we partnered with existing tenants to secure new sites, and design, develop and construct purpose built properties to add to the portfolio.

Our preferred investment characteristics remain unchanged – our focus is on a combination of:

- long lease terms;
- premises that have strategic importance to tenant operations;
- tenants of high credit quality; and
- leases where outgoings and capex obligations rest with the tenant rather than the landlord.

As a long-term investor, our focus is on maximising the quality of our portfolio, through the sale of assets that no longer fit our investment criteria, the enhancement of existing properties, and the development of new high quality assets. Pleasingly, we sold two assets at a premium to the prior

valuation, completed eight developments and added a further five development projects to the portfolio over the course of 2017.

When combined with the \$65 million development portfolio acquisition announced in July 2017, Arena's development pipeline now comprises 18 projects with a total forecast cost of \$113 million.

The management team's focus for 2018 remains active management of the existing portfolio, successful execution of our significantly expanded development pipeline, and identifying new opportunities for investment.

As investor interest in social infrastructure real estate continues to grow, we believe our specialised management and development expertise, execution track record and successful partnering reputation are key differentiators for operators looking for a long term real estate partner.

### **Outlook**

As we head into 2018 we are well placed to continue to deliver against our investment objective – to generate attractive and predictable distributions to investors with earnings growth prospects over the medium to long term – with our structured annual rental reviews continuing to generate income growth and our accretive development pipeline providing a further uplift.

As in previous years, I am pleased to advise that we are forecasting distribution growth, reconfirming the distribution guidance we provided in July 2017 for the 2018 financial year of 12.8 cents per security – reflecting growth of 6.7% over the 2017 financial year.

### **Conclusion**

Before handing over to Bryce I would like to take the opportunity on behalf of the Board and the management team to publicly thank all of our securityholders, tenants and business partners for their continued support.

On behalf of the Board I would also like to acknowledge and express appreciation to our management team for their ongoing commitment and contribution to Arena's performance.

David Ross  
Chairman

15 November 2017

– ENDS –

**For further information, please contact:**

Bryce Mitchelson  
Managing Director  
+61 3 9093 9000  
bryce.mitchelson@arena.com.au

Susie McPherson  
Head of Investor Relations and Marketing  
+61 3 9093 9000  
susie.mcpherson@arena.com.au

**About Arena REIT**

Arena REIT is an ASX300 listed property group that owns, manages and develops specialised real estate assets across Australia. Our current portfolio of social infrastructure assets is leased to a diversified tenant base in the growing early learning and healthcare sectors. To find out more, please visit [www.arena.com.au](http://www.arena.com.au)



# Arena REIT

## Annual General Meeting

15 November 2017



# Agenda

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# Chairman's Address

David Ross, Chairman



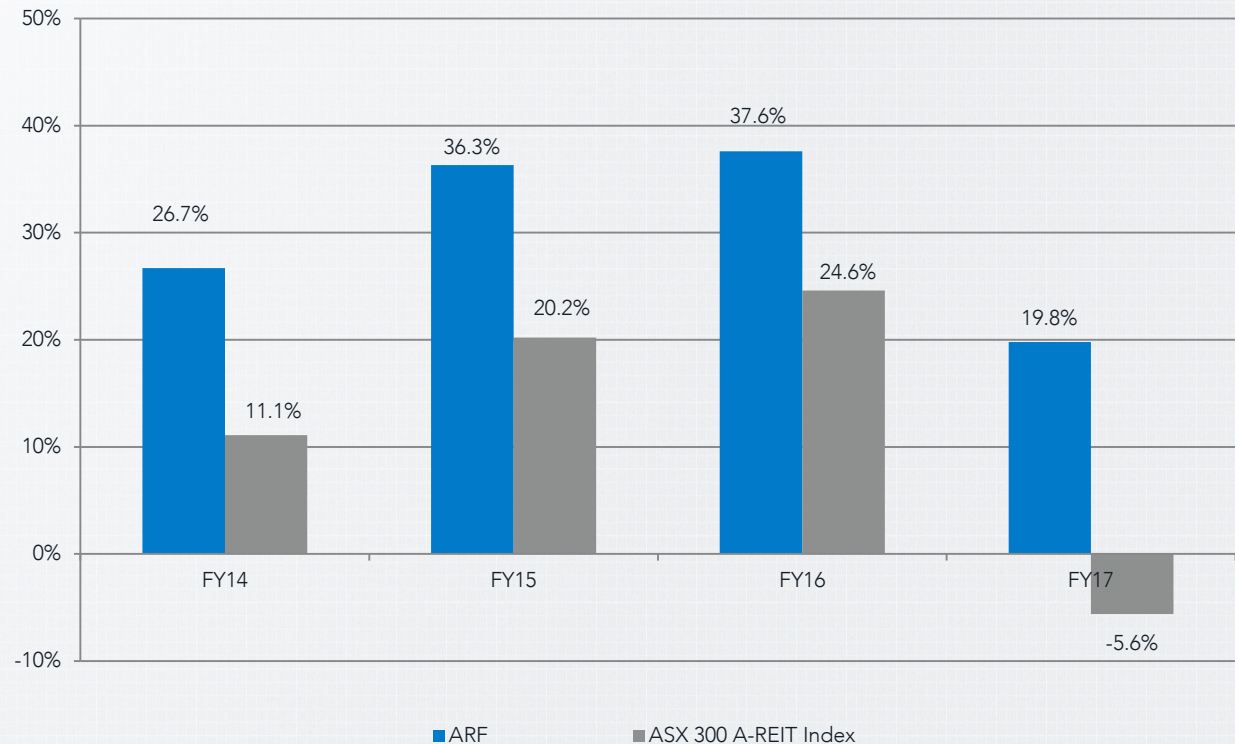


# Track record of outperformance

Strong FY17 result building on successful track record for investors

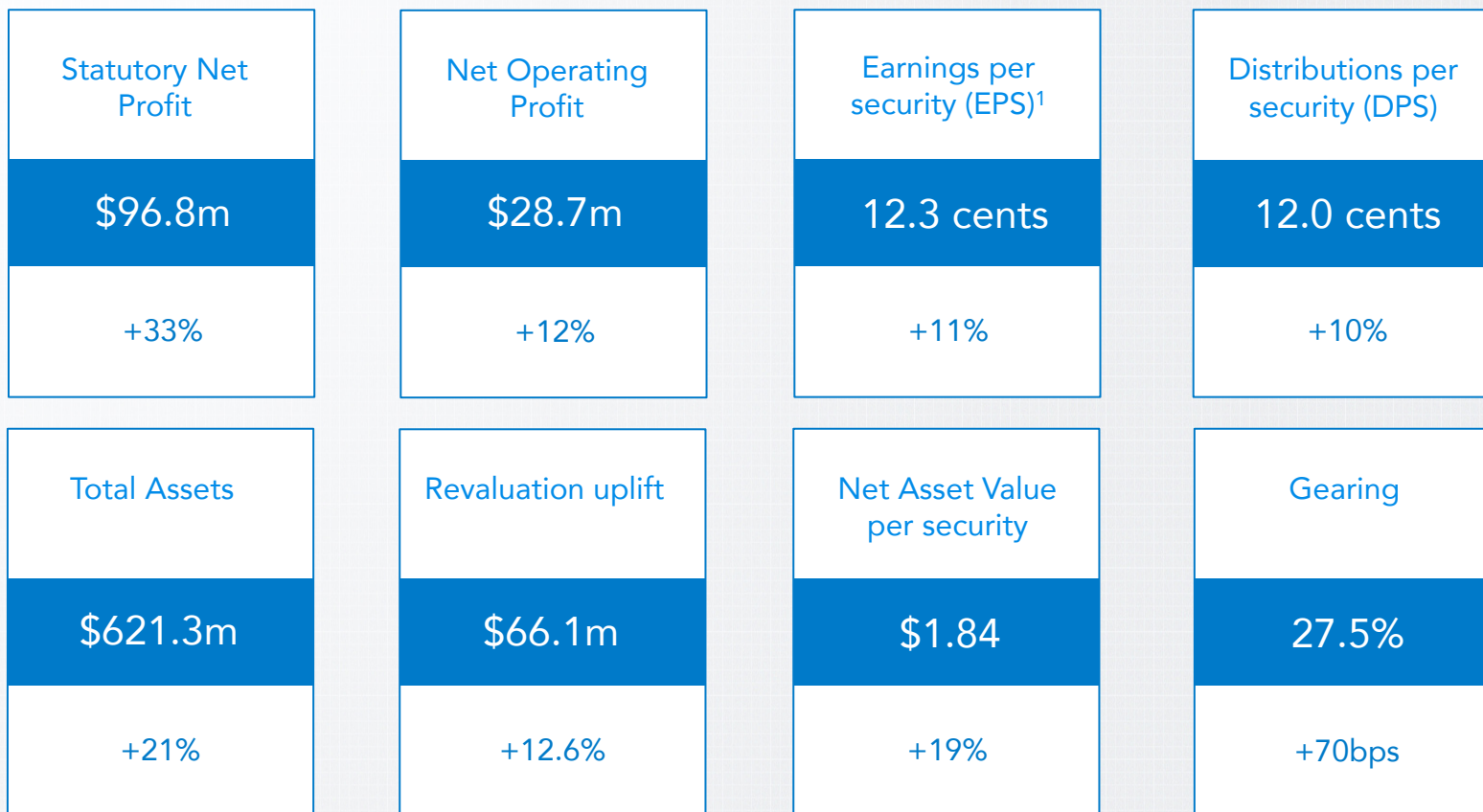


ASX annual total securityholder return (%)



# FY17 financial highlights

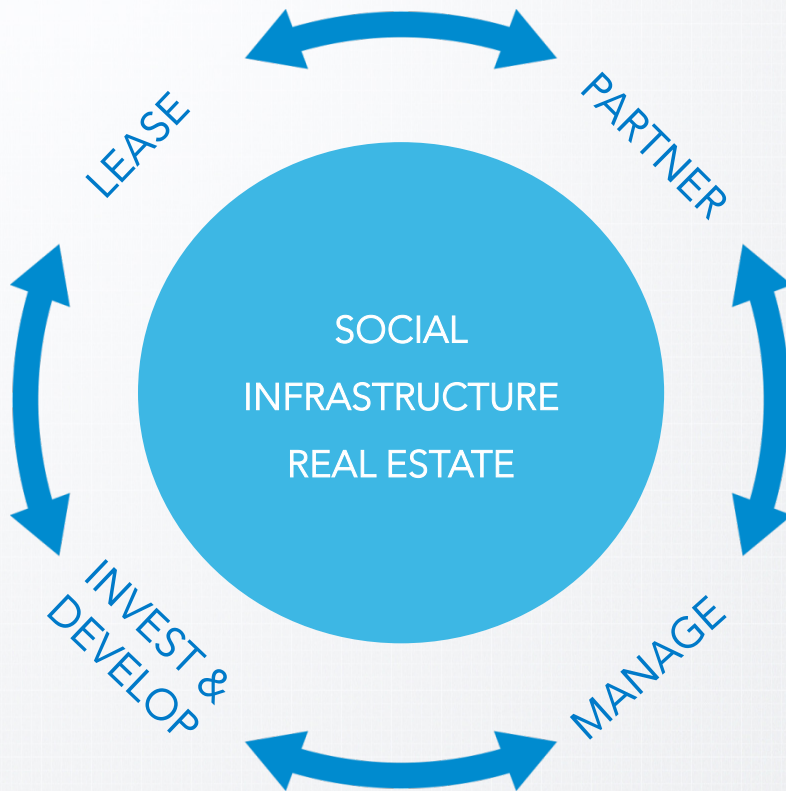
## Strong FY17 results



<sup>1</sup> Earnings per security (EPS) calculated as Net Operating Profit over weighted average number of securities on issue.

# Portfolio strategy

Value-adding business model focussed on specialised real estate



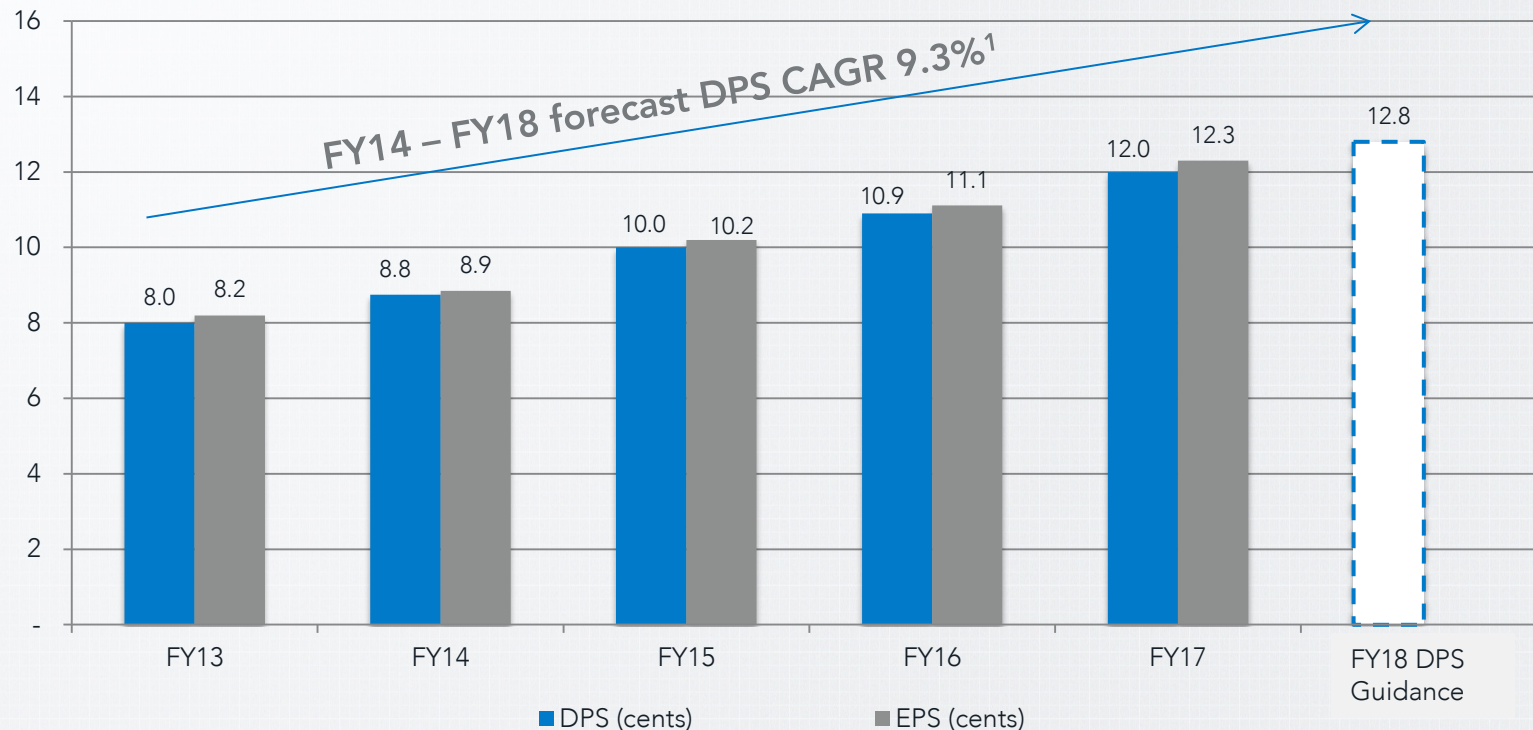
## Preferred property characteristics

- ✓ Relatively long lease terms
- ✓ Premises that have strategic importance to tenant operations
- ✓ High credit quality tenants
- ✓ Tenants responsible for all, or substantially all, of the statutory and operating outgoings and costs including land tax, insurance, electricity, repairs and maintenance, including of a capital or structural nature
- ✓ Reversionary capital value risk can be effectively managed

# Delivering on investment objective:

To generate attractive and predictable distributions to investors with earnings growth prospects over the medium to long term

Earnings and Distributions per security (cents)



<sup>1</sup> FY18 Distribution guidance is estimated on a status quo basis assuming no new acquisitions or disposals, all developments in progress are completed in line with forecast assumptions, and tenants comply with their lease obligations. Forecast FY18 distribution per security growth and five year forecast DPS Compound Annual Growth Rate (CAGR) are based on FY18 distribution guidance.





# Managing Director's presentation

Bryce Mitchelson, Managing Director



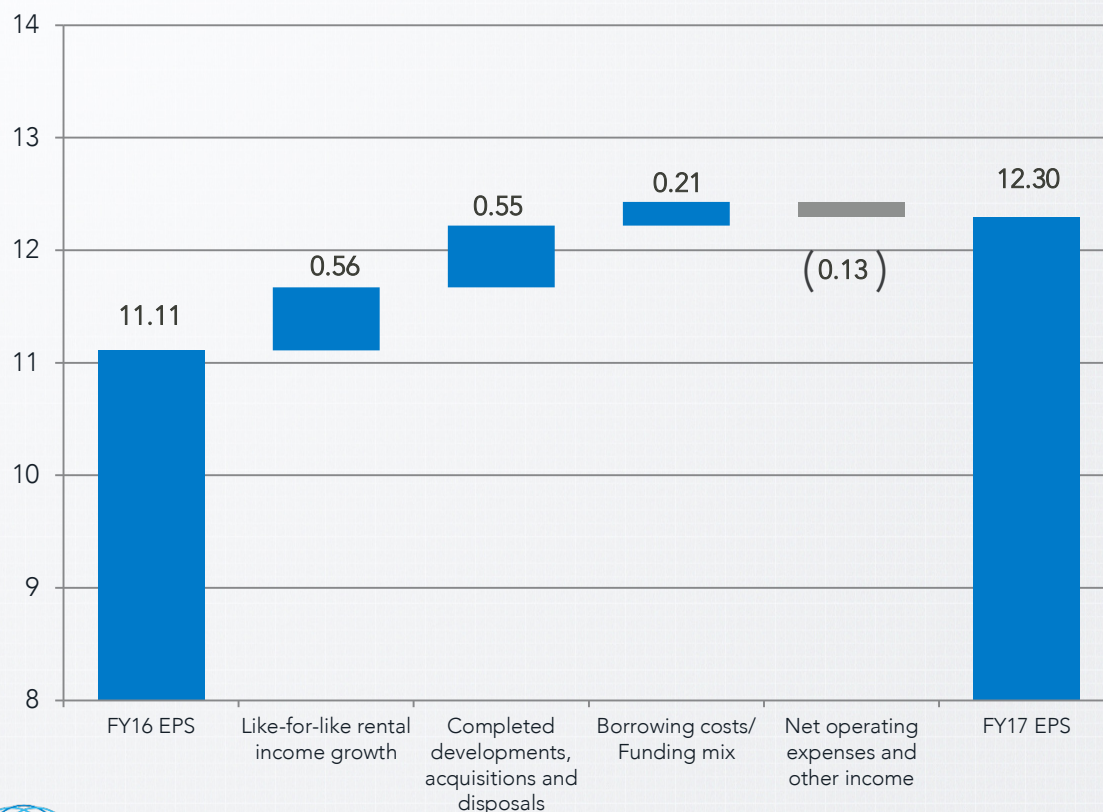
# FY17 financial performance drivers

Active portfolio and capital management underpin EPS growth of 11%

## Highlights

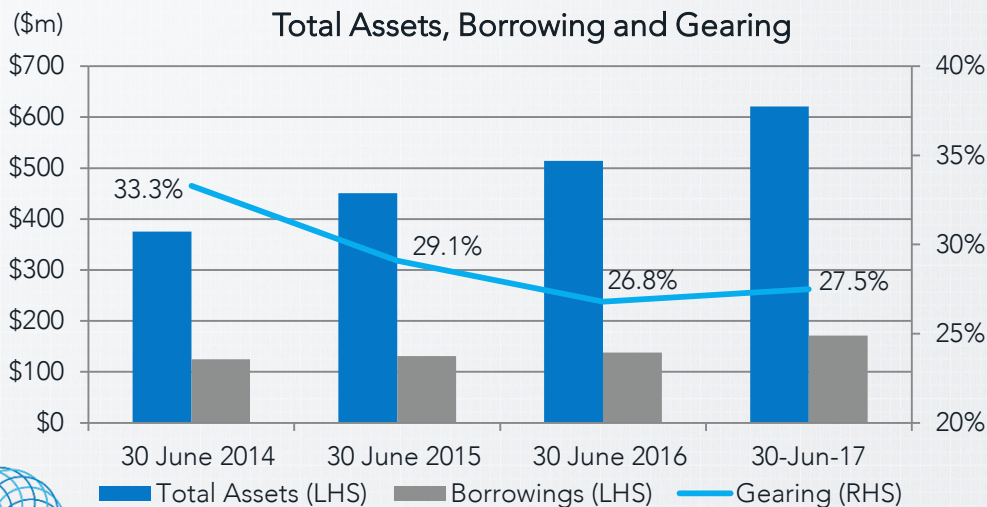
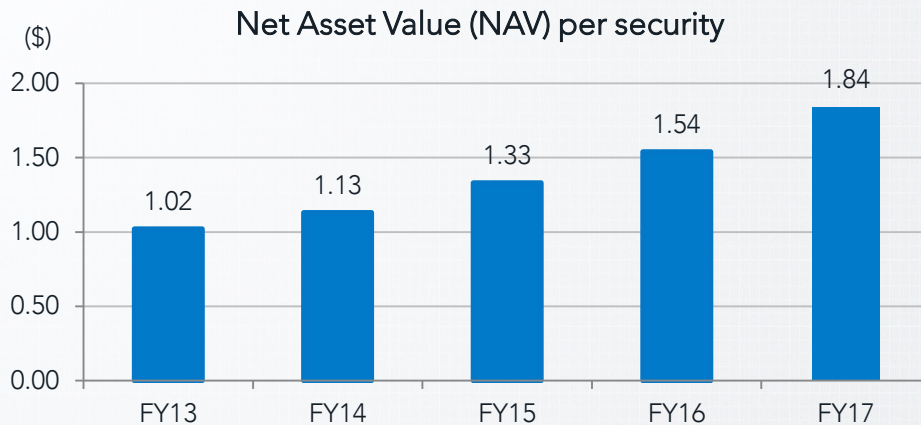
- Growth in income from:
  - Like-for like annual rental income growth of 4.3% (6.8% on market rent reviews)
  - New income from acquisitions and developments completed in FY16 and FY17
- Finance costs increased due to higher borrowing amount; partially offset by lower borrowing costs
- Operating costs relatively stable

Contributors to EPS growth (cents)



# FY17 financial position

Increase in NAV per security of 19%



## Highlights

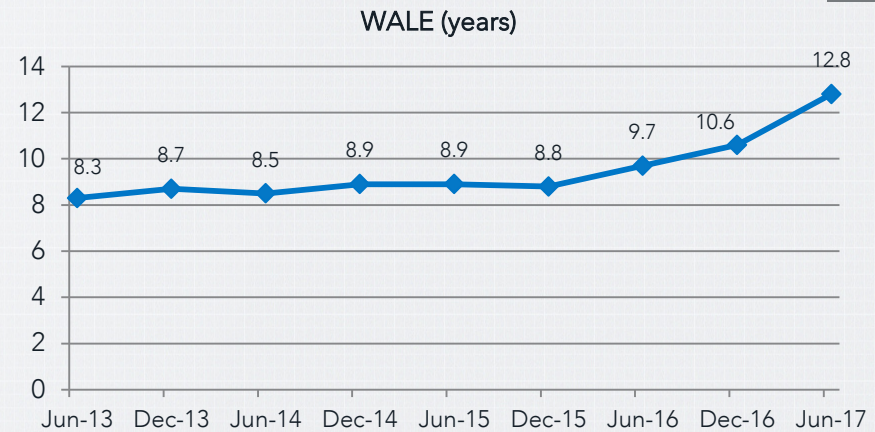
- Net asset value per security increased 19% to \$1.84 following \$66 million increase in valuations
- Total Assets increased by 21% to \$621.3 million
- \$30 million increase in borrowing facility to \$205 million (\$171 million drawn) to fund growth
- Subsequent events
  - \$65 million development portfolio acquisition announced in July 2017
  - Funded via \$55 million equity placement and \$10 million Security Purchase Plan



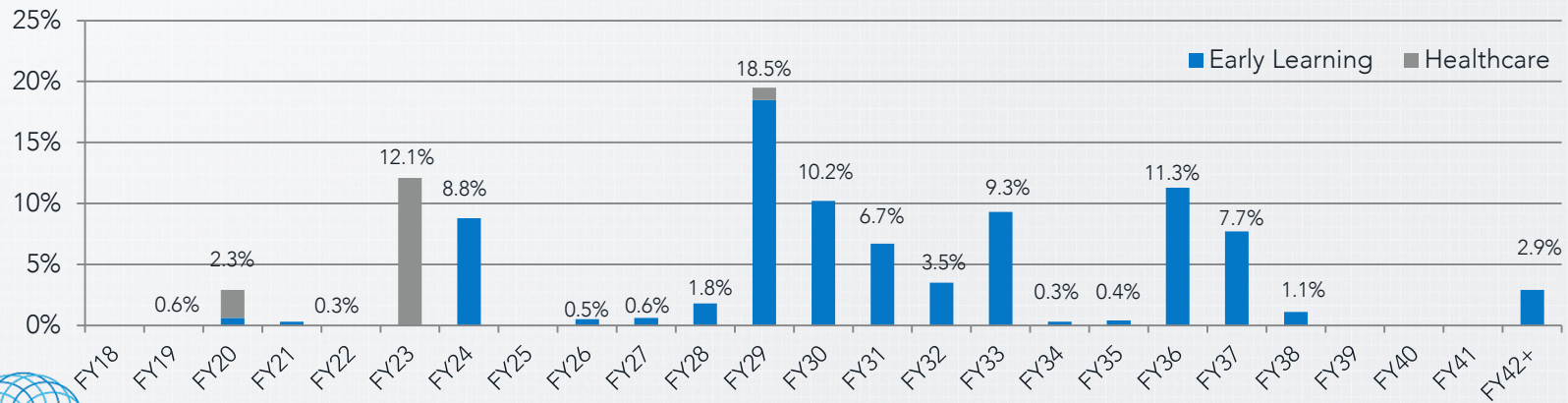
# Portfolio highlights

## Portfolio defensive characteristics enhanced

- 100% occupancy maintained
- 129 lease extensions/renegotiations/renewals completed
- Weighted average lease expiry (WALE) extended to 12.8 years
- Only 3.2% of portfolio income subject to expiry in next five years



Lease Expiry Profile (by income) (30 June 2017)





# Eight ELC developments completed in FY17

Meeting Arena's development project criteria and delivering competitive advantage to operators

	Total cost (\$m)	Initial yield on cost (%)	Lease term (yrs)	Long day care places
<b>Leasehold properties</b>				
Heather Grove, VIC	2.5	8.7	26	104
Pakenham, VIC	2.5	8.7	26	104
Casey Central, VIC	2.5	8.7	26	104
Mernda South, VIC	2.6	8.7	26	104
Epping North, VIC	2.5	8.7	26	104
<b>Freehold properties</b>				
Horsham, VIC	3.1	8.8	20	100
Epsom, VIC	2.7	8.0	15	130
Stage 2 – Griffin, QLD	2.0	8.3	20	54
<b>Total/Weighted average</b>	<b>20.4</b>	<b>8.6</b>	<b>23</b>	<b>804</b>

- ✓ Favourable physical locations
- ✓ Supportive demographics
- ✓ Sustainable rents
- ✓ Arena preferred lease terms
- ✓ Purpose built and flexible design
- ✓ Specialist partners



YMCA Heather Grove VIC, completed December 2016



# ELC development pipeline \$113 million

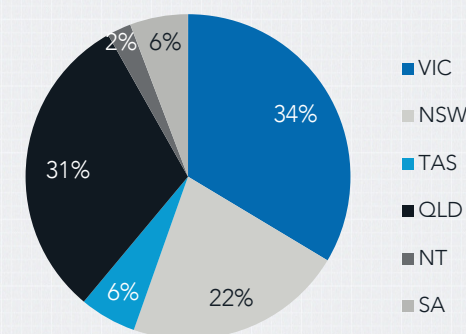
Seventeen projects due for completion in FY18; one project in FY19

Arena pipeline <sup>1</sup>	Arena originates site, secures tenant and constructs	Fund through structure <sup>2</sup>	Total pipeline
Number of projects	6	12	18
Forecast total cost	\$31m	\$82m	\$113m
Portfolio initial yield on cost	7.7%	6.3%	6.6%
Capex amount outstanding	\$9m	\$40m	\$49m



Paisley Park ELC Chadstone VIC, completed July 2017

Development pipeline by state (by total cost)

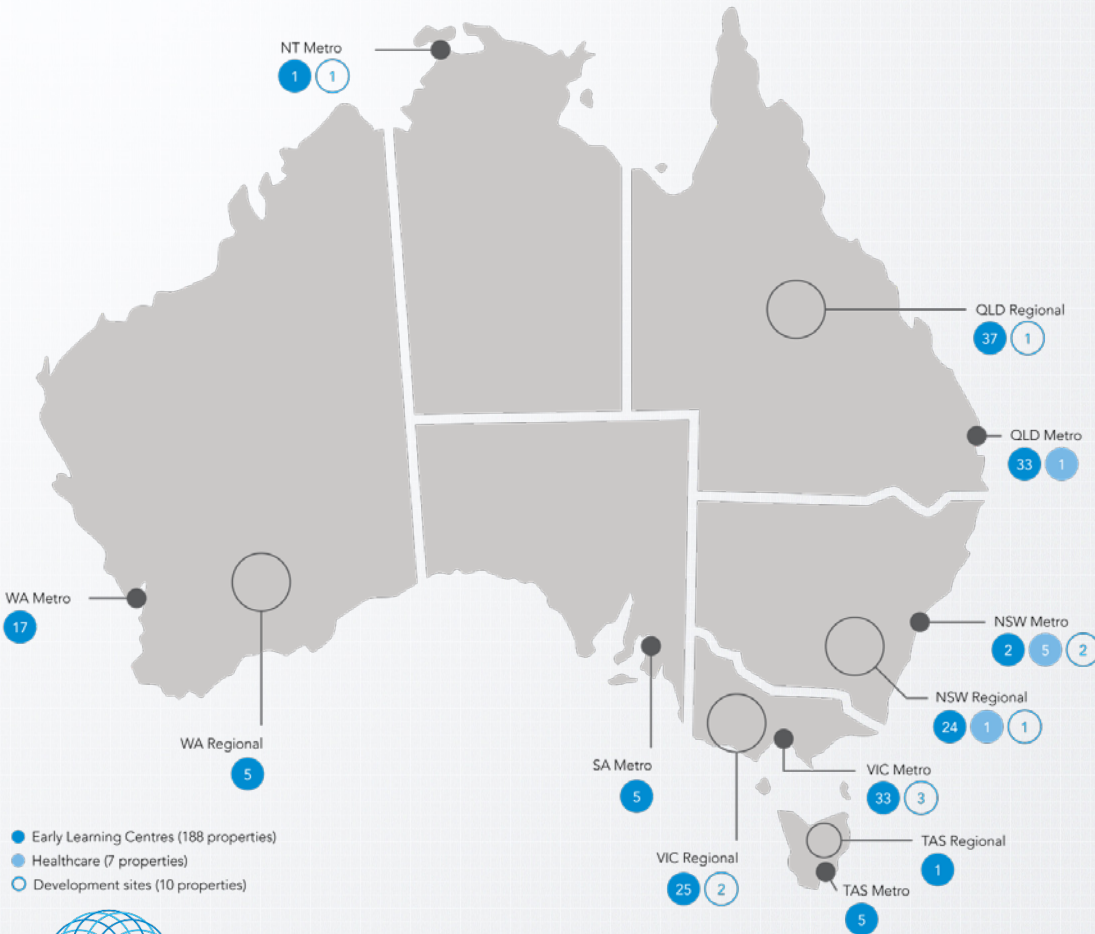


<sup>1</sup> One further project in feasibility not included.

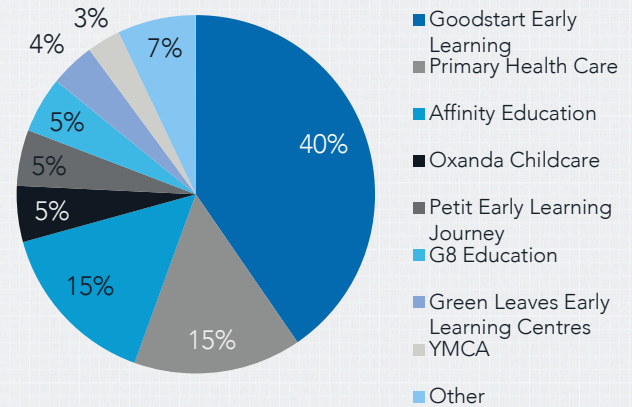
<sup>2</sup> A fund through acquisition involves the acquisition of land and progressive payment of development costs on which a return is derived.

# Portfolio well diversified

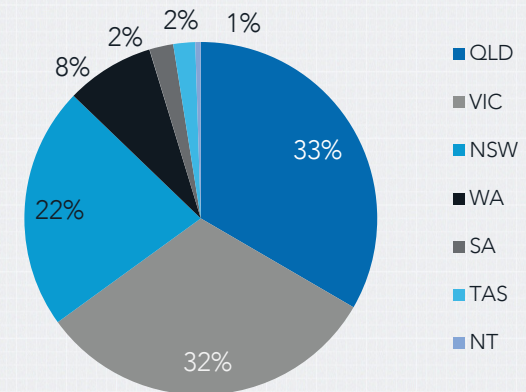
Early Learning 86% of portfolio value; Healthcare 14% of portfolio value



Tenant diversification (by income)



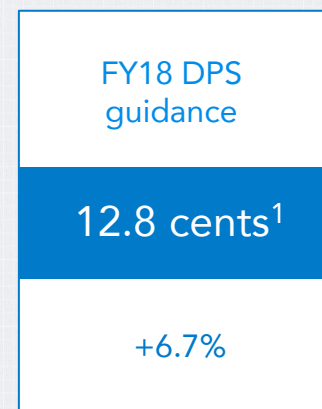
Geographic diversification (by value)



# Outlook

## Sector fundamentals sound; Arena well positioned to explore future growth opportunities

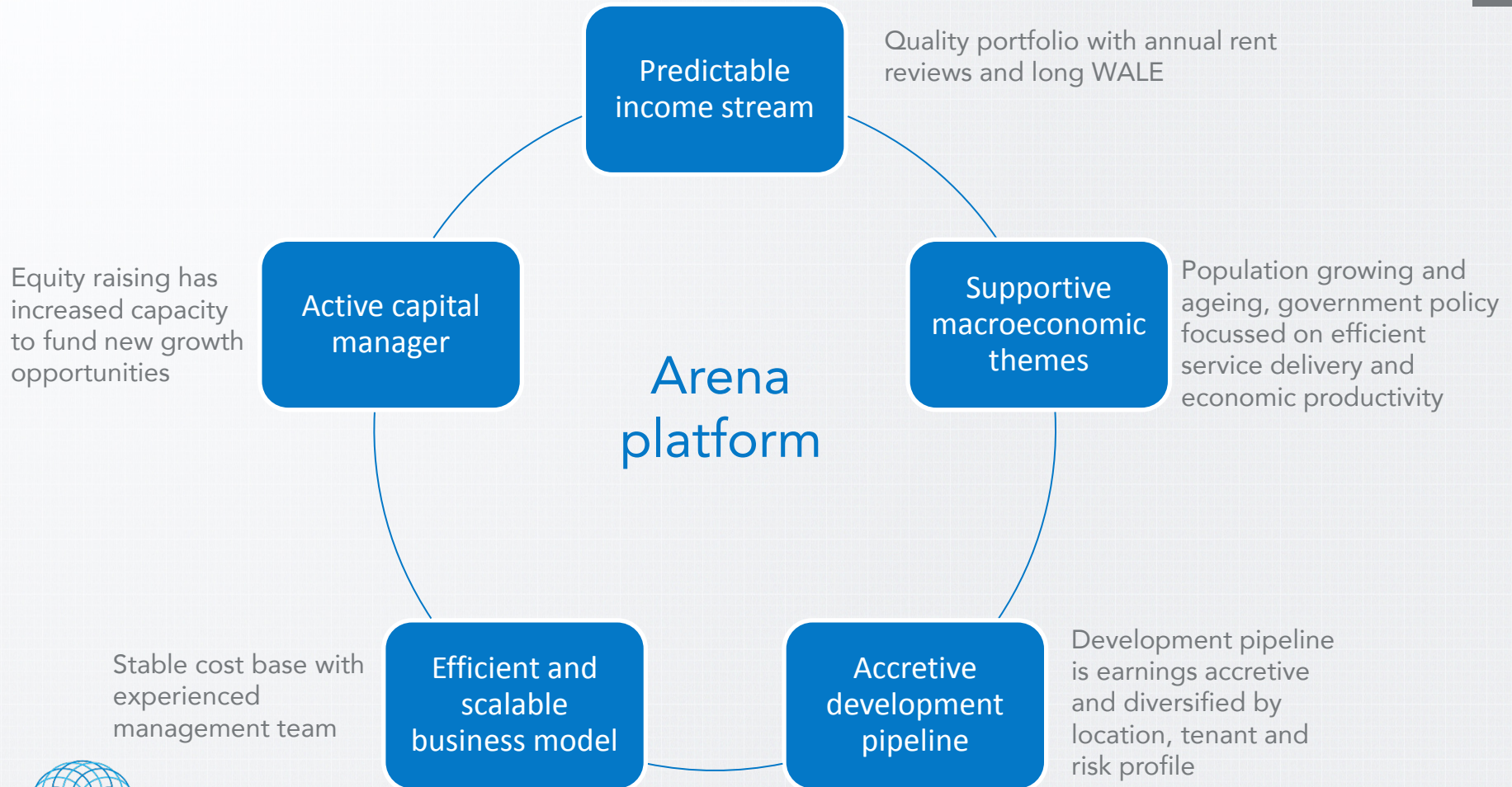
- Annual rental growth underpinned by high proportion of reviews that are fixed or greater of 2.5% or CPI – advantageous in a low inflation environment
- Growing demand for social infrastructure services and real estate supporting capital values
- Increased in federal government funding for childcare sector to commence July 2018
- Arena continues to monitor increase in ELC supply and position portfolio to mitigate potential impacts
- Development pipeline expanded to 18 projects with total forecast cost of \$113 million – 17 forecast to complete in FY18
- Equity raising has provided additional capacity to explore future growth opportunities



<sup>1</sup> FY18 Distribution guidance is estimated on a status quo basis assuming no new acquisitions or disposals, all developments in progress are completed in line with forecast assumptions, and tenants comply with their lease obligations.

# Solid investment case

Positioned to deliver predictable and growing earnings with a scalable business model





# Questions





# Formal Business



# Ordinary Business

## Resolution 1: Non-binding advisory vote on the Remuneration Report

To consider and, if thought fit, to pass the following as an advisory resolution of the Company:

*'That the Remuneration Report for the financial year ended 30 June 2017 be adopted.'*

### Proxy votes

	For	Open	Against	Abstain
%	98.68%	0.94%	0.38%	-
Votes	152,250,682	1,453,969	585,266	1,741,614





# Other Business

## Resolution 2: Re-election of Mr David Ross as a director of the Company

To consider and, if thought fit, to pass the following as an ordinary resolution of the Company:

*'That Mr David Ross, who was appointed on incorporation of the Company on 16 October 2014 in accordance with ASX Listing Rules 14.4 and 14.5 and, being eligible, offers himself for re-election, be re-elected as a director of the Company.'*

### Proxy votes

	For	Open	Against	Abstain
%	98.11%	0.91%	0.98%	-
Votes	152,863,768	1,421,674	1,521,941	224,148



# Other Business

## Resolution 3: Ratification of Institutional Placement

To consider and, if thought fit, to pass the following resolutions as separate ordinary resolutions of the Company and each of the Trusts:

*'That for the purpose of ASX Listing Rule 7.4 and for all other purposes, the previous issue of 27,093,596 Securities at an issue price of \$2.03 per security, under a placement to institutional investors as detailed in the Explanatory Memorandum (Placement), is ratified.'*

### Proxy votes

	For	Open	Against	Abstain
%	95.00%	4.88%	0.12%	-
Votes	28,982,852	1,488,228	37,449	321,592



# Other Business

## Resolution 4: Grant of Performance Rights to Mr Bryce Mitchelson

To consider and, if thought fit, to pass the following resolutions as separate ordinary resolutions of the Company and each of the Trusts:

*'That for the purposes of ASX Listing Rule 10.14 and for all other purposes, the grant to the Managing Director, Mr Bryce Mitchelson, of Performance Rights as his long term incentive under the Arena REIT Long Term Incentive Plan on the terms set out in the Explanatory Memorandum to this Notice of Meeting, is approved.'*

### Proxy votes

	For	Open	Against	Abstain
%	96.72%	0.93%	2.35%	-
Votes	150,618,548	1,452,469	3,664,654	295,860



# Other Business

## Resolution 5: Grant of Performance Rights to Mr Gareth Winter

To consider and, if thought fit, to pass the following resolutions as separate ordinary resolutions of the Company and each of the Trusts:

*'That for the purposes of ASX Listing Rule 10.14 and for all other purposes, the grant to the Chief Financial Officer, Mr Gareth Winter, of Performance Rights as his long term incentive under the Arena REIT Long Term Incentive Plan on the terms set out in the Explanatory Memorandum to this Notice of Meeting, is approved.'*

### Proxy votes

	For	Open	Against	Abstain
%	96.72%	0.93%	2.35%	-
Votes	150,618,548	1,452,469	3,664,654	295,860





# Concluding Remarks

David Ross, Chairman



# 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). The information contained in this document is current only as at 30 June 2017 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 Annual Report for the year ended 30 June 2017 lodged with the ASX on 28 September 2017 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.

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