ASX ANNOUNCEMENT

25 NOVEMBER 2021

2021 AGM CHAIR'S ADDRESS AND MANAGING DIRECTOR'S REPORT

Chair's Address

Highlights for 2021 Financial Year

In a period affected by the direct and indirect challenges of COVID-19, Arena has produced strong earnings, distribution and capital growth, successfully delivered acquisitions and development completions, replenished the development pipeline, further extended the portfolio's existing long WALE through a post balance date portfolio lease renegotiation and further improved our progress with regard to sustainability outcomes.

These positive outcomes are a result of the resilience and support of our stakeholders, particularly our tenant partners; the quality of Arena's portfolio, the proactive approach of Arena's management team and the strong macro-economic themes that support investment in social infrastructure property. It is also an endorsement of Arena's disciplined strategy and ability to deliver against our investment objective.

Arena's statutory net profit for the year was $165.4 million, an increase of 116% on the prior year primarily due to the revaluation uplift during FY21.

Underlying net operating profit increased by 18.5% to $51.9 million.

Key contributors to higher operating income include contracted annual rent growth and positive outcomes on market rent reviews, acquisition of operating early learning centre (ELC) properties and development projects completed during the 2020 financial year (FY20) and FY21. The result represents earnings per security of 15.2 cents, an increase of 4.5% over the prior year.

Arena has paid a full-year distribution per security of 14.8 cents, up 5.7% on the prior year.

Arena's total assets increased by 14% to $1,151.5 million as a result of acquisitions, development capital expenditure and the positive revaluation of the portfolio. The revaluation uplift was the primary contributor to the 15% increase in net asset value per security to $2.56 at 30 June 2021.

Arena continues to operate well within its banking covenant requirements. As at 30 June, Arena's gearing was 19.9%[1] with $90 million of undrawn debt capacity to fund the balance of the development capital expenditure of $57 million and future social infrastructure property investments consistent with strategy.

Sustainability

Sustainability is fundamental to Arena's investment approach and we believe that approach best positions Arena to achieve positive long term commercial outcomes.

Arena's portfolio of social infrastructure properties provides direct access to essential community services. Our ELCs provide early childhood education and care which allows parents and carers the opportunity to remain in or re-join the workforce. Arena's medical centres provide local, community-based primary health care services. Our specialist disability accommodation is designed to provide a better quality of life for residents with high physical support needs.

Given the environmental and social footprint of its assets, Arena has an opportunity to leverage its own sustainability initiatives to create a multiplier effect on its sustainability impacts by partnering with its tenants. Accordingly, Arena's overarching approach to sustainability is to actively seek out 'Partnerships for Change.' Our partnership approach delivers mutually beneficial outcomes for our communities, team, tenant partners and ultimately our investors.

Post balance date Arena released its 2021 Sustainability Report which provides detail on our commitment to strategies that address sustainability challenges faced by Arena and our stakeholders and identifies opportunities to progress positive change. It outlines goals and targets over the short and medium term for ongoing action and future reporting.

We continue to welcome feedback from all stakeholders to ensure that we can build upon our disclosures moving forward.

Remuneration

Arena's key remuneration objectives are to attract, retain and incentivise talent by providing market competitive rewards, with incentive opportunity designed to align remuneration with performance and strategy, and to guide the behaviour and actions of executive Key Management Personnel (KMP).

There were no changes to the remuneration framework in FY21. Executive KMP remuneration and target remuneration mix was maintained at FY20 levels and there were no changes to Board fees.

[1] *Gearing calculated as ratio of net borrowing over total assets less cash.*

The remuneration outcomes in FY21 reflect Arena's strong financial performance of 4.5% earnings per security growth and 5.7% distribution per security growth and strong operational outcomes achieved notwithstanding the COVID-19 pandemic.

Executive KMP were awarded 95% of their target Short Term Incentive (STI) which reflects:

- the delivery of above target distribution and earnings growth in FY21; and
- the performance of Executive KMP in respect of non-financial objectives.

The FY19 Long Term Incentive (LTI) was tested as at 30 June 2021 and will fully vest as the FY21 Distributable Income of 15.2 cents per security (representing a 5.1% compound annual growth rate (CAGR) over the three year performance period) exceeded the high hurdle of 15.0 cents per security and Arena's TSR of 83% (equivalent to a 22% CAGR) for the 3 year period ended 30 June 2021 ranked at the 89th percentile of the ASX300 A-REIT comparator group.

An independent review of Arena's remuneration framework was completed in FY21 for implementation in FY22; details of the review are provided in the Remuneration Report. In the four years since the previous independent review, Arena has experienced significant growth, including a 60% increase in property income, an 85% increase in total assets and a 134% increase in market capitalisation.

The key decisions to be implemented with respect to FY22 remuneration reflect contemporary market practice, talent retention in an increasingly competitive market, the progression of Arena's strategy and individual and collective employee performance.

Strategy

Government support of the ELC sector was reinforced through the various COVID-19 related funding commitments[2,] undertaken by the Federal Government over the last 18 months.

The Federal Government has also recently committed a further investment of $1.7 billion[3] to the sector to:

- Support ongoing economic recovery in the short term; and
- Improve workforce participation, gender equality, women's financial security and economic activity over the medium to long term[4].

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2 *https://www.dese.gov.au/covid-19/childcare; https://ministers.dese.gov.au/.*
3 *https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/making-child-care-more-affordable-and-boosting*
4 *https://grattan.edu.au/wp-content/uploads/2020/08/Cheaper-Childcare-Grattan-Institute-Report.pdf.*

Strong structural demand for services and a record female workforce participation rate continue to drive increased long day care participation rates over the medium to long term[5'6].

Macro-economic drivers also continue to support Australian healthcare accommodation, including a growing and ageing population and increased prevalence of chronic health conditions. Strong occupancy has been also maintained across the specialist disability accommodation portfolio.

Healthcare properties remain strongly sought after, with increased domestic and international interest in Australian healthcare property and increasing interest in social infrastructure property more generally.

In this environment, Arena continues to differentiate its brand in the marketplace through a partnership approach, working collaboratively with our tenants and other stakeholders.

Arena's management team has specialist asset management and development expertise and a strong track record that includes the successful delivery of 54 development projects for our tenant partners over the past nine years at a total cost of $262 million.

Outlook

Arena remains well positioned to navigate ongoing and emerging economic and investment challenges and to consider new opportunities that are consistent with Arena's investment objective of delivering an attractive and predictable distribution to investors with earnings growth prospects over the medium to long term.

As in previous years, I am pleased to advise that we are forecasting distribution growth for FY22 and distribution guidance for FY22 of 15.8 cents per security[7] was issued in August 2021 reflecting 6.8% growth over FY21.

Conclusion

Before handing over to Arena's Managing Director, Rob de Vos I would like to take the opportunity on behalf of the Board and the management team to thank our investors, tenants and business partners for their ongoing support.

[5] *ABS Female Labour Force Participation Rate (aged 20-74 at least one dependent child of ELC age).*

[6] *Australian Government 'Early Childhood and Child Care in Summary' Reports 2012-2020.*

[7] *FY22 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, tenants comply with their existing or adjusted lease obligations and is based on Arena's current assessment of the future impact of COVID-19 pandemic (which is subject to a wide range of uncertainties) and assumes ongoing government support of the early learning sector.*

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

We will continue to work hard for our Securityholders and look forward to reporting to you in 2022.

Thank you.

Managing Director's Report

Thank you David.

I would also like to acknowledge the Traditional Custodians of the various lands on which we meet today, and recognise their ongoing connection to land, waters and community and to offer a warm welcome to Arena REIT's 2021, Annual General Meeting.

Community well-being is at the very core of the services that our tenant partners provide from within Arena's property portfolio. The last 18 months have been an uncertain and challenging period for our tenant partners and their staff, who played a vital role in ensuring that the essential community services they provide remained open to support community well-being during the COVID-19 pandemic. I would like to take this opportunity to thank our tenant partners for their resilience and tenacity.

Looking forward, we anticipate that the community need for the services that Arena accommodates will continue to increase. The services that Arena accommodates are fundamental to well performing communities and in relation to early learning services, integral to allowing working families get back to work and assist broader economic recovery.

These factors will of course drive demand for the types of assets that Arena owns and develops; and as such will assist Arena's investment objective of delivering an attractive and predictable distribution to investors with earnings growth prospects over the medium to long term.

Delivering on Strategy

Despite the broad challenges COVID-19 has presented our stakeholders, Arena's disciplined strategy has supported overall positive operational and financial outcomes.

We have receipted all contracted rent and maintained 100% occupancy across the portfolio; and achieved average rental growth of 3.3%.

The portfolio's existing long WALE was further increased to 20.1 year[8]s following the acquisition of seven operating ELC properties with an initial weighted average lease expiry of 27.3 years, the completion of 14 ELC developments with an initial weighted average lease expiry of 20.8 years and a post balance date portfolio lease renegotiation with Goodstart which included an increase of 25 years of lease term on 87 ELC properties.

We have again had success in executing on our asset recycling, investment and development activities – with:

- Six ELC properties divested at an average premium of 16% to book value;
- Seven operating ELC properties acquired at an average net initial yield of 6.1% on total cost;
- 14 ELC developments completed at an average net initial yield on total cost of 6.6%; and
- Replenishment of our development pipeline with a further nine exciting new development sites that will support future earnings growth.

We have worked in partnership with our tenants and completed multi-site solar installations as part of our renewable energy program as well as ELC rejuvenation programs with two of our tenant partners.

We have seen further net valuation growth across the portfolio of over $107 million – the passing yield for the portfolio at June was 5.77%. Recent direct property transactions point to the potential of further reduction in yields which may give rise to further increases in valuations at December 2021.

Our portfolio metrics are in great shape, during FY21 we have achieved:

- Strong rental growth – with like-for-like increases of 3.3%;
- The portfolio remained 100% occupied – and has been for six consecutive years;
- We have long contracted lease duration of over 20 years; and
- Portfolio value was up 11.8% - $107m for the 12 month period.

Contributors to EPS Growth

As a result of our focused management activities and ongoing prudent capital management, our earnings per security was up 4.5% from 14.55 cents to 15.2 cents in FY21.

You can see on this slide that the growth in our rent roll, arising from annual rent escalations and market rent reviews, along with the impact of our acquisitions and development completions are the predominate drivers of Arena's ongoing earnings and distribution growth and this has been offset by marginal increases in operating costs and the impact of raising equity earlier in the year.

8 *Post balance date portfolio lease renegotiation with Goodstart included an increase of 25 years of lease term on 87 ELC properties.*

Portfolio Overview

As at 30 June, Arena's portfolio consisted of 249 social infrastructure properties occupying over 66 hectares of land. All assets were valued at 30 June 2021 which provided for a portfolio valuation of $1.1 billion up $107m or 11.8% from the prior year.

In terms of portfolio diversification, our early learning and healthcare investments have grown in value proportionately over the 12 months to June 2021 – so no change in overall sector diversification.

Geographically, we have 83% of the portfolio located in the high population, eastern seaboard states; and we continue to improve our spread of tenant partnerships, with 32 tenant partners in total as at June 2021.

Outlook

Looking forward, early learning and healthcare services are integral to economic recovery and improving community outcomes – these important themes support Arena's portfolio value and will continue to provide opportunities for further disciplined growth.

We have provided distribution guidance for the current financial year of 15.8 cents per security[9] - an increase of 6.8% on FY21.

Our positive outlook is underpinned by long contracted leases with rental growth and inflation protection from annual rent reviews, as well as the opportunity for ongoing selective development and acquisition activity.

We have increased our funding capacity; and as at June 2021 our gearing was approximately 20% with no debt expiry until March 2024.

We have a proven ability to secure and execute on high quality opportunities whilst maintaining our discipline; and in a changing external environment I have comfort in assuring our business stakeholders that the Arena team will continue to work hard to achieve positive investment outcomes, that in-turn provide positive outcomes for Australian communities.

In closing, I would like to thank our Board members and our executive team, our contractors and service providers for their dedication and hard work through the period, and to thank you, our Securityholders for your support and ongoing interest in Arena REIT.

[9] *FY22 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, tenants comply with their existing or adjusted lease obligations and is based on Arena's current assessment of the future impact of COVID-19 pandemic (which is subject to a wide range of uncertainties) and assumes ongoing government support of the early learning sector.*

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

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About Arena REIT

Arena REIT is an ASX300 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.