ARENA REIT

2022 HALF YEAR RESULTS

11 February 2022

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.

HY22 HIGHLIGHTS

Delivering on our investment objectives and improving community outcomes

- 204% growth in statutory net profit driven by increase in operating profit and investment property revaluations.
- 11% growth in net operating profit driven by like-for-like contracted rent increases averaging +3.6%, acquisitions and development completions.
- 18% growth in NAV highlights the continued attractiveness of early learning centre (ELC) and healthcare property investments.
- Progressing solar installations and FY22 sustainability goals.
- Weighted average lease expiry (WALE) of 19.8 years.
- Continued to deliver development completions and expand development pipeline.
- FY22 distribution guidance has been increased from 15.8 to 16.0 cents per security (cps), an increase of 8.1% on FY21 DPS[1].

1. 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 the COVID-19 pandemic (which is subject to a wide range of uncertainties) and assumes ongoing government support of the early learning sector.
2. Gearing calculated as ratio of net borrowings over total assets less cash.

$185.8 million

Statutory net profit

+204% on HY21

$27.5 million

Net operating profit

+11% on HY21

7.97 cents

Earnings per security (EPS)

+10% on HY21

$3.02

Net Asset Value (NAV) per security

+18% on FY21

+3.6%

Average like-for-like rent increase

+30 bps on FY21

18.8%

Gearing ratio[2]

-110 bps on FY21

DELIVERING ON STRATEGY

Strategy discipline and working in partnership continue to deliver positive outcomes

Portfolio management:
- Two ELC properties sold at average premium of 15% to book value.
- Net valuation uplift of $153 million, +13.8%.
- Portfolio weighted average passing yield 5.14%.
- Long portfolio WALE (by income) of 19.8 years.

Lease management:
- 100% portfolio occupancy.
- Average like-for-like rent increase of +3.6%.
- Post balance date lease extension on 21 properties to facilitate solar installation and access to energy consumption data.

Working in partnership:
- Continue to progress the installation of solar renewable energy systems.
- All tenant partners are compliant with COVID-19 rent relief agreements[1].

Investment and developments:
- One operating property acquired at a net initial yield of 4.7% on total cost with initial lease term of 20 years.
- Terms agreed for the acquisition of six operating ELC properties for $38 million to be leased to an existing tenant partner on a 25 year initial lease term.
- Three ELC developments completed at an average net initial yield on total cost of 6.4% with initial average lease term of 20 years.
- Eight new ELC development projects acquired with forecast total cost of $48 million[2].

1. Under the National Cabinet Mandatory Code of Conduct landlords are obliged to provide eligible tenants rental relief in proportion to the reduction in trade resulting from COVID-19.
2. Excludes two ELC developments conditionally contracted post 31 December 2021.

SUSTAINABILTY

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 outcomes.
- Arena's properties facilitate access to essential community services:
  - ELCs provide early childhood education and care which allows 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 FY2022 sustainability goals include:
  - Collaborating with tenant partners on ESG initiatives.
  - Reporting on collaboration with tenant partners regarding installing solar renewable energy.
  - Reporting on renewable energy production for properties where it has been installed.
  - Outlining an organisational carbon emission reduction plan.
  - Outlining a carbon emission reduction plan for Arena's property portfolio.
  - Outlining a plan to align with the Task Force on Climate-Related Financial Disclosures (TCFD).
  - Voluntarily opting into Modern Slavery reporting.
  - Implementing company specific policies/procedures for managing ESG risks.
  - Extending and disclosing Arena's approach to various employee initiatives.

COVID-19 UPDATE

Arena's portfolio accommodates essential services

- All of Arena's properties remain open and in operation.
- 100% of contracted rent has been received for the period 1 July 2021 to 31 December 2021.
- Origination and development programs largely unaffected.
- Medical centre properties assisting in national COVID-19 vaccination program and precedent for strong recovery in elective procedures following easing of any COVID-19 related restrictions.
- A challenging environment to attract and retain skilled labour for ELC operators.
- The essential nature of the services provided by the ELC sector was reinforced through various COVID-19 related funding commitments[1]. The Federal Government brought forward an additional $1.7 billion[2] of investment to the sector, in order 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[3].

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

FINANCIAL RESULTS

Gareth Winter
Chief Financial Officer

FINANCIAL PERFORMANCE

Disciplined investment continues to deliver earnings growth

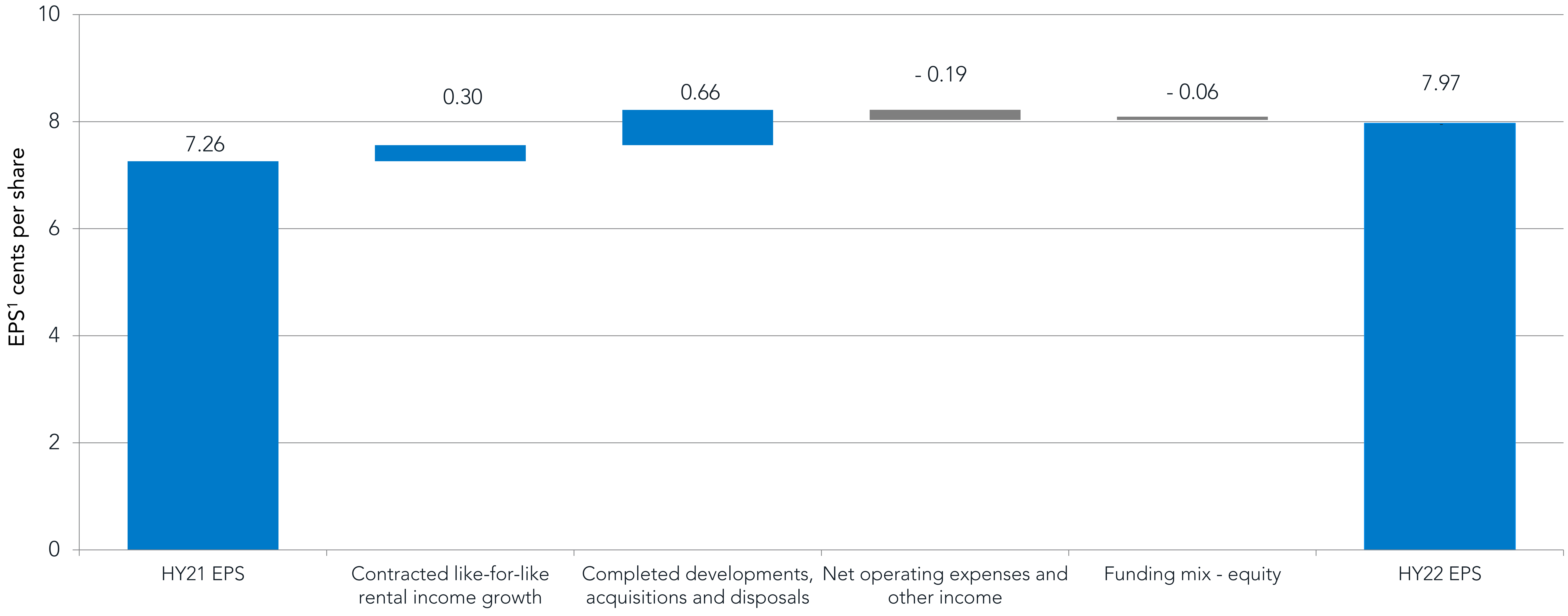
	HY22	HY21	Change	
	($'000)	($'000)	($'000)	(%)
Property income	32,351	28,232	4,119	15%
Other income	285	257	28	11%
Total operating income	**32,636**	**28,489**	4,147	15%
Property expenses	(448)	(356)	(92)	26%
Operating expenses	(2,511)	(1,944)	(567)	29%
Finance costs	(2,186)	(1,473)	(713)	48%
Net operating profit	**27,491**	**24,716**	2,775	11%
Statutory net profit	185,796	61,134	124,662	204%
Earnings per security (EPS[1]) (cents)	7.97	7.26	0.71	10%
Distribution per security (DPS) (cents)	7.90	7.35	0.55	7%

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;
  - Acquisition of operating ELC properties; and
  - ELC developments completed during FY21 and HY22.
- Higher statutory net profit arising from increase in operating profit and higher investment property revaluations.
- Property expenses higher due to increased property inspection and valuation costs.
- Operating costs are higher predominately due to a team-wide independent remuneration review to reflect the growth and scale of the business and current market conditions.
- Finance costs higher due to increased capacity from debt refinance and an increase of balance of debt drawn.

CONTRIBUTORS TO EPS GROWTH

Rental growth and development completions supporting EPS growth



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

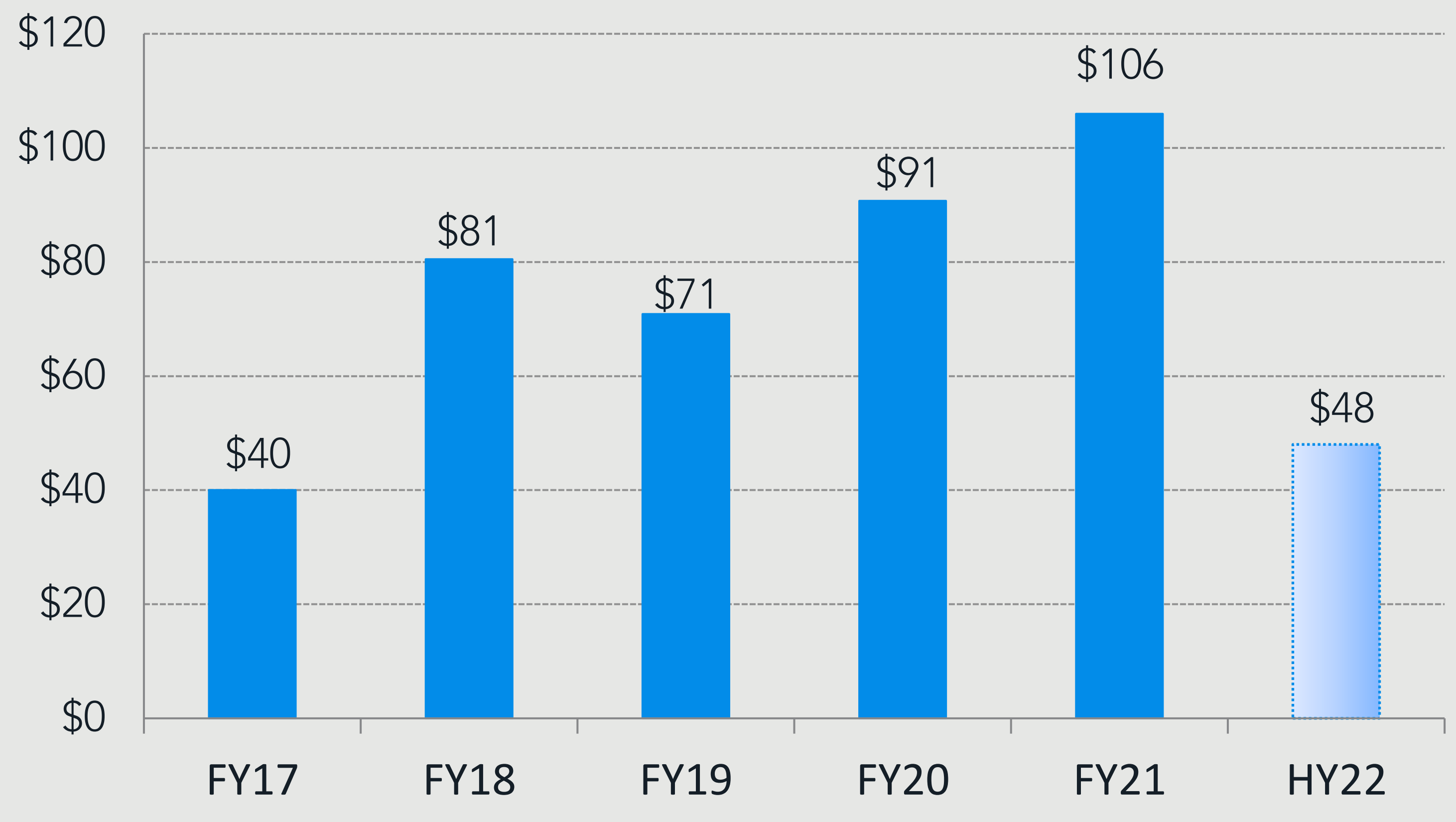
FINANCIAL POSITION

Strong balance sheet with substantial capacity

As at	31 Dec 2021	30 June 2021	Change
	($m)	($m)	%
Total assets	1,346.8	1,151.5	17%
Investment properties	1,305.1	1,112.4	17%
Borrowings	275	240	15%
Net assets	1,042.7	878.9	19%
Securities on issue	345.6	343.6	1%
Net Asset Value (NAV) per security	$3.02	$2.56	18%
Gearing[1]	18.8%	19.9%	-110 bps

- Growth in total assets continues from the acquisition of operating properties, ELC development completions and property valuation uplift.
- Undrawn debt capacity of $155 million as at 31 December 2021 to fund the post balance date ELC portfolio transaction of $38 million, the balance of the development pipeline of $71 million and future growth opportunities.

Acquisition and development capital expenditure $m



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

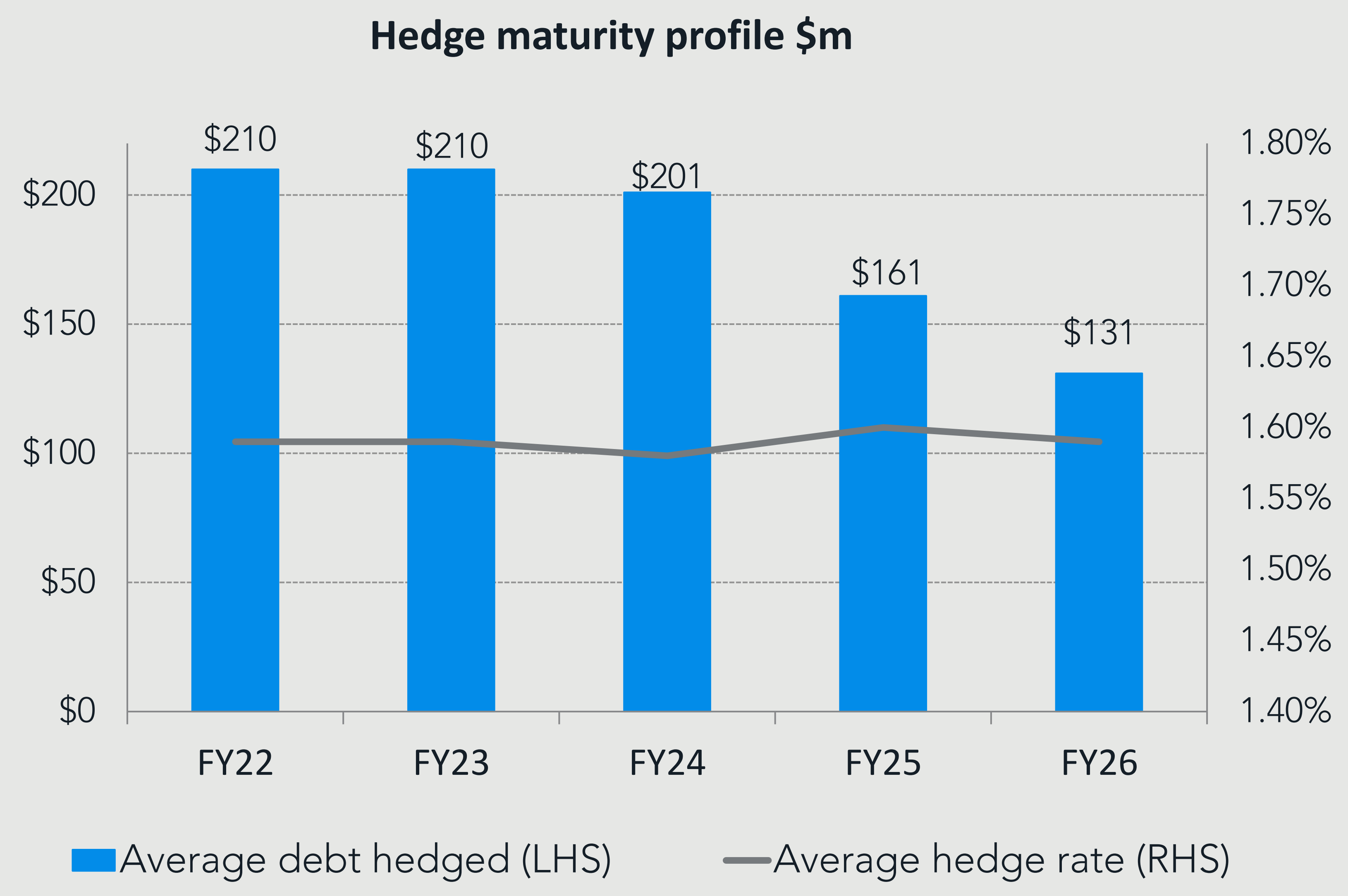
CAPITAL MANAGEMENT

Debt maturity extended and capacity refreshed

As at	31 Dec 2021	30 June 2021	Change
Borrowings	$275m	$240m	+$35 million
Borrowings facility limit	$430m	$330m	+$100 million
Gearing[1]	18.8%	19.9%	-110bps
Weighted average facility term	3.9 years	3.7 years	+0.2 year
Weighted average cost of debt	2.60%	2.65%	-5bps
Interest cover ratio	8.4x	8.9x	-0.5x
Hedge cover	76%	81%	-5%
Weighted average hedge rate	1.60%	1.67%	-7bps
Weighted average hedge term	4.7 years	4.4 years	+0.3 year

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

- Syndicated borrowing facility limit increased by $100 million to $430 million and extension of maturity dates, as at 31 December 2021 facility is comprised of:
  - $150 million expiring 31 March 2024;
  - $130 million expiring 31 March 2026; and
  - $150 million expiring 31 March 2027.
- DRP in operation – $4.9 million raised in HY22.



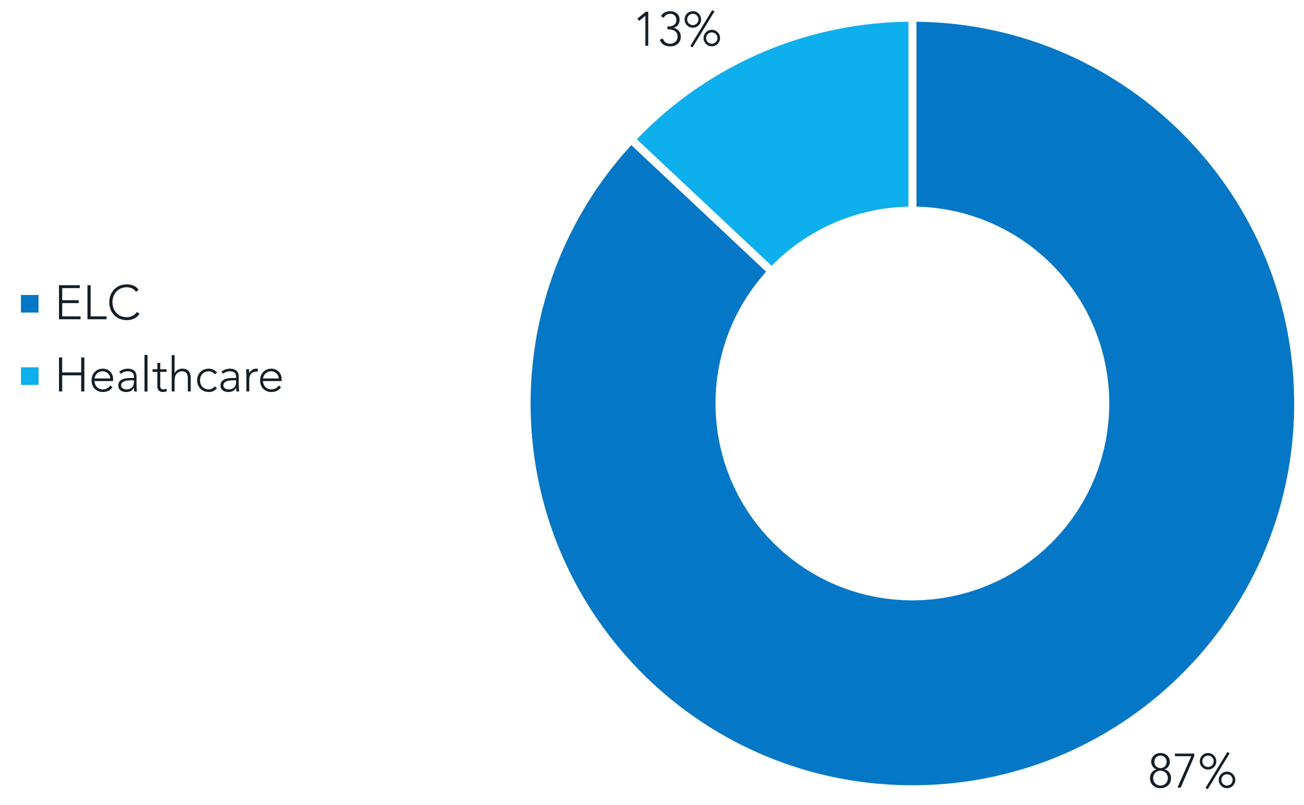
PORTFOLIO UPDATE

Rob de Vos
Managing Director

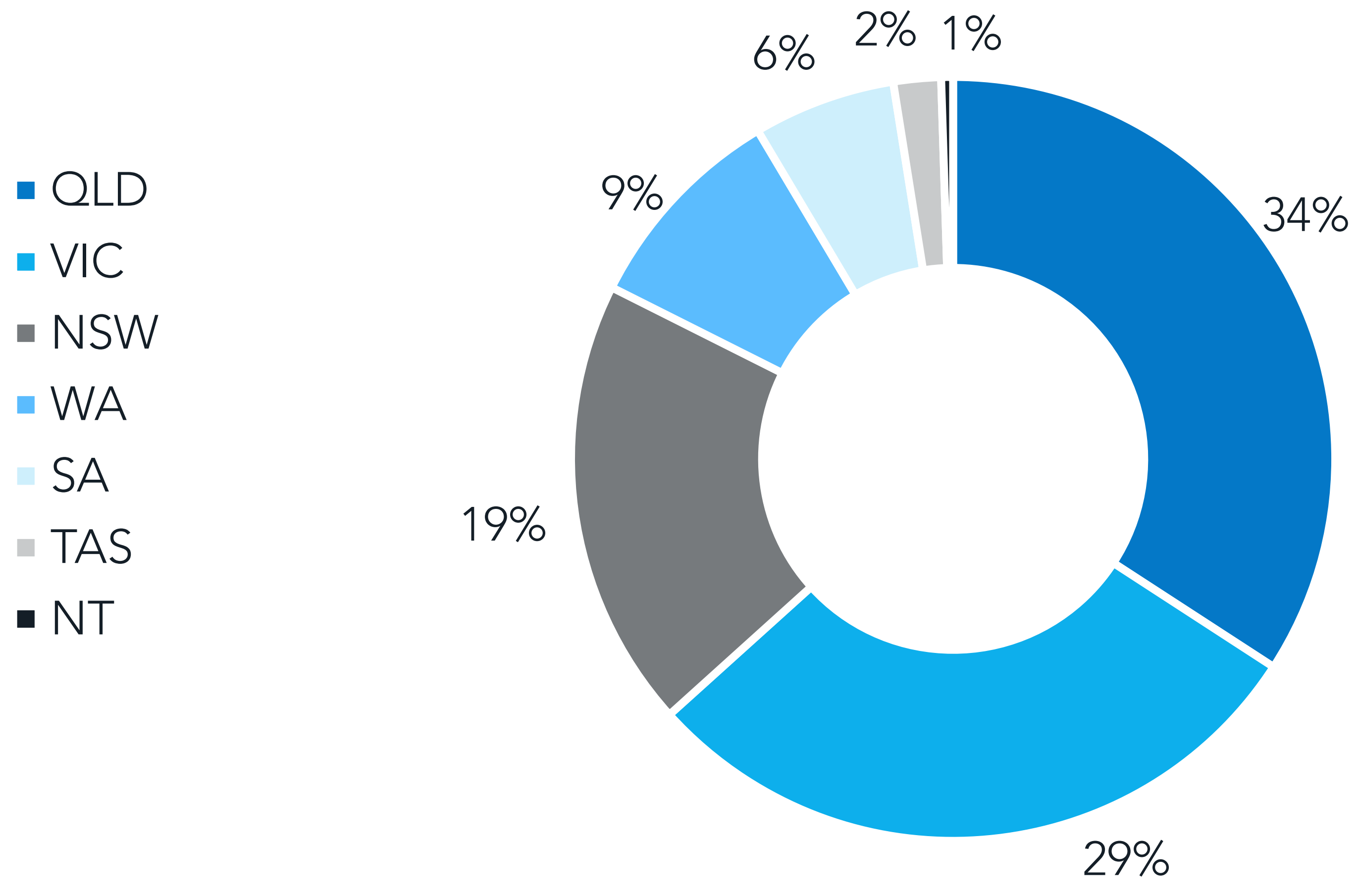
PORTFOLIO OVERVIEW

	Number of assets[1]	31 Dec 2021 valuation	Net valuation movement versus 30 June 2021		31 Dec 2021 passing yield	Change versus 30 June 2021
		$m	$m	%	%	bps
ELC portfolio	245	1,138.6	+139.9	+14.6%	5.13%	(71)
Healthcare portfolio	11	166.5	+13.4	+8.8%	5.22%	(12)
Total portfolio	**256**	**1,305.1**	**+153.3**	**+13.8%**	**5.14%**	**(63)**

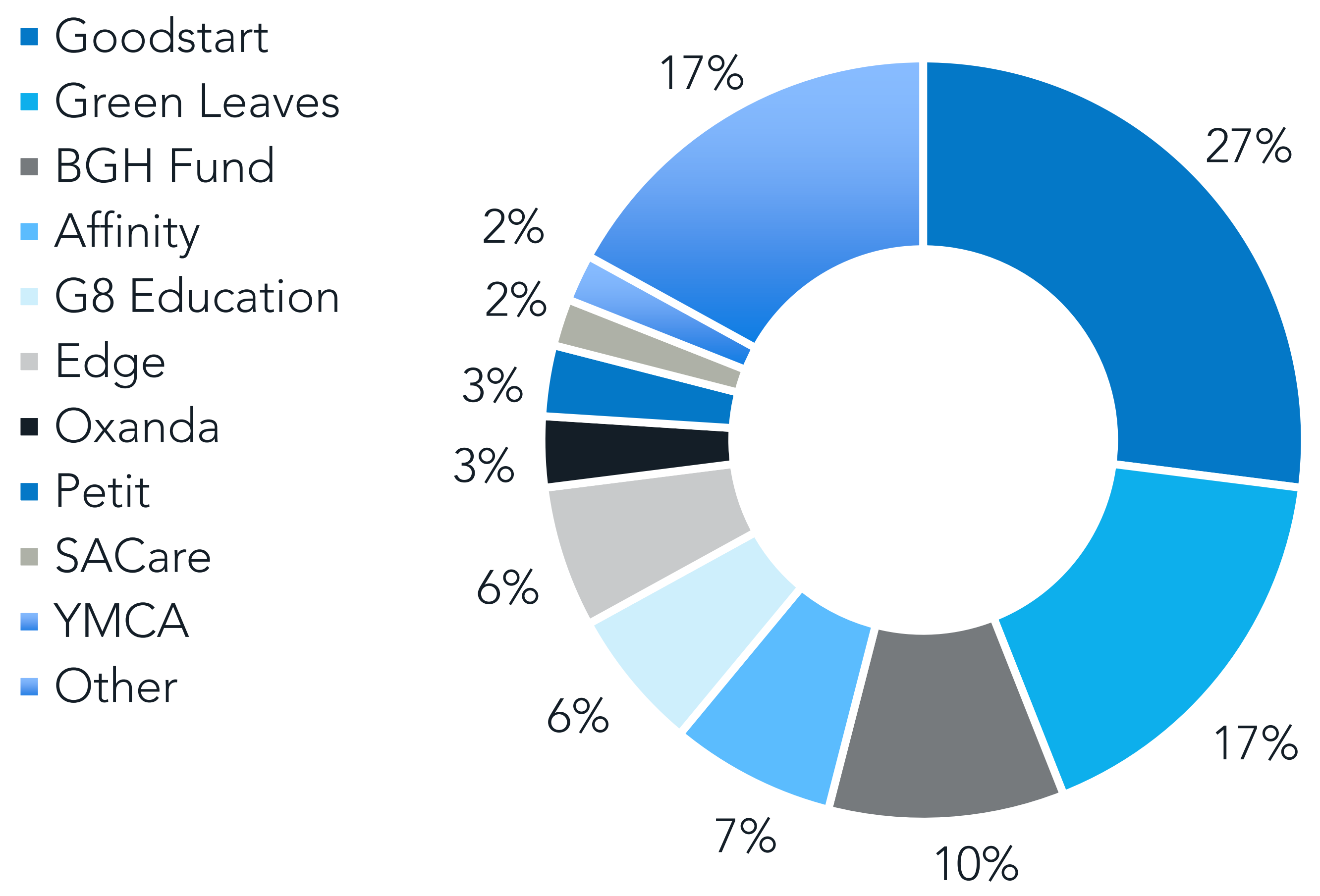
Sector diversity (by value)



Geographic diversity (descending by value)



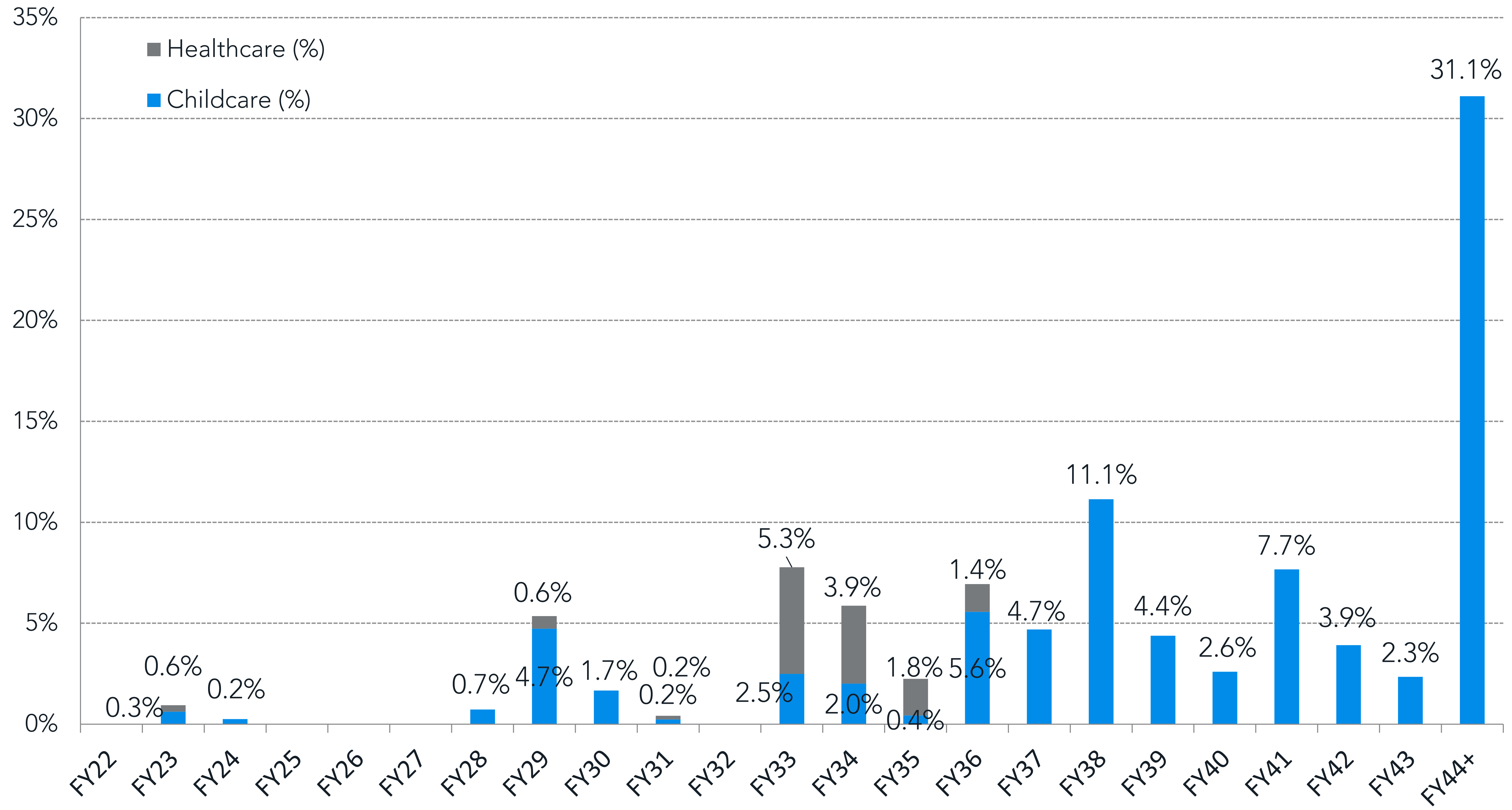
Tenant diversity (descending by income)



1. Excludes two ELC developments conditionally contracted post 31 December 2021.

LEASE EXPIRY PROFILE

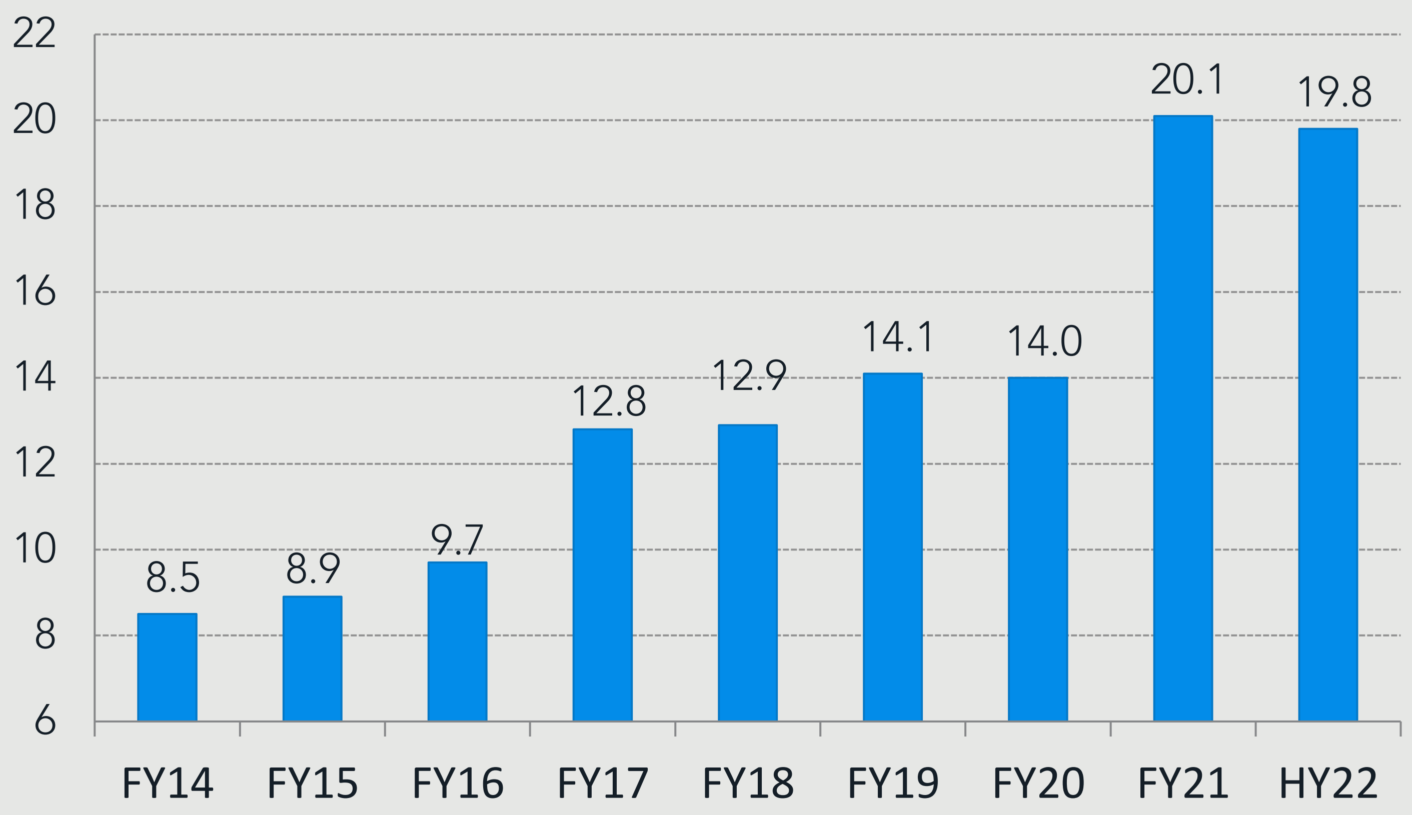
Weighted average lease expiry of 19.8[1] years



1. By income.

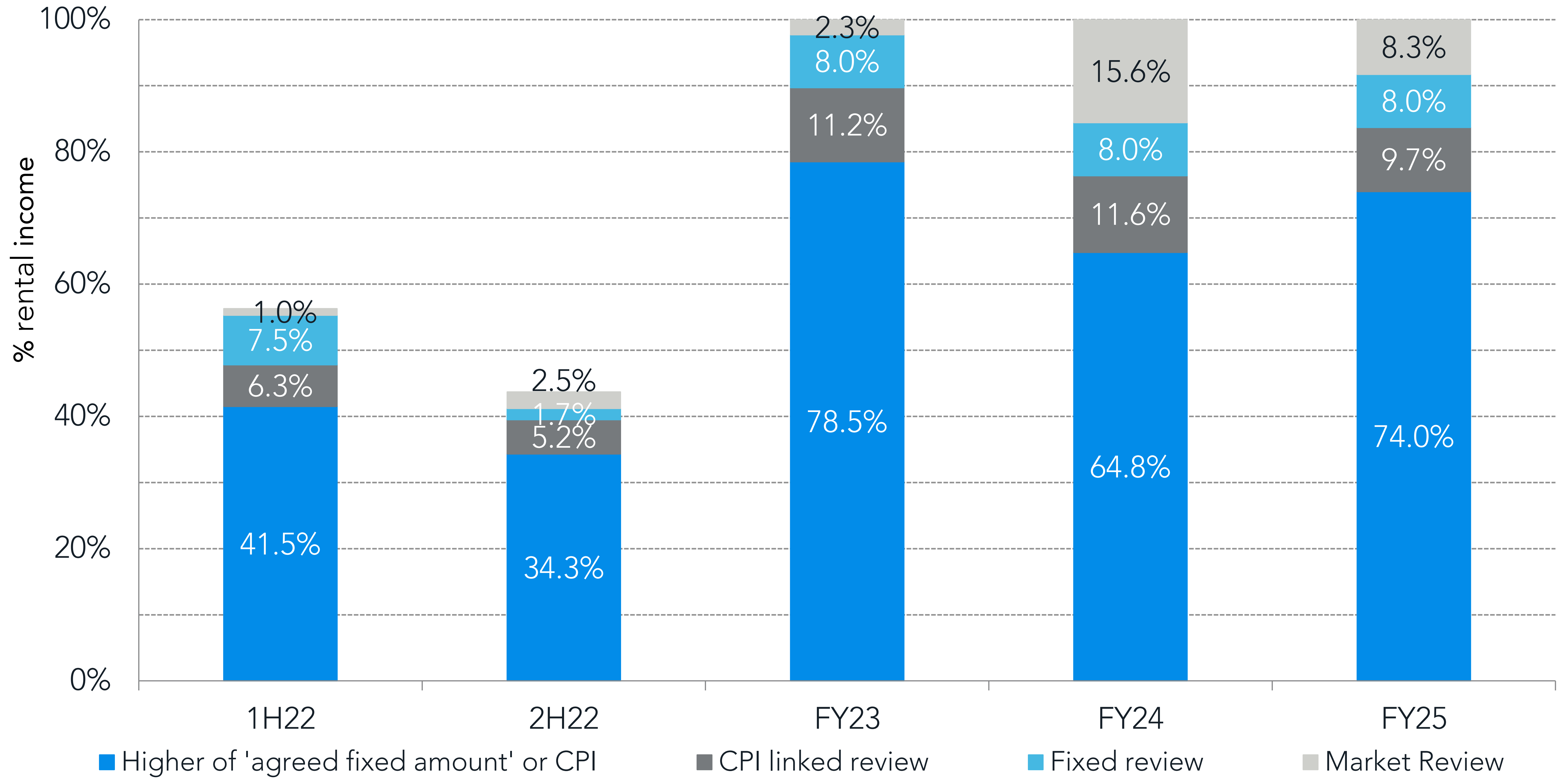
- Less than 2% of portfolio income subject to expiry prior to FY2029.
- Over 31% of portfolio lease income expires after FY43.
- Three ELC development completions added to portfolio with initial weighted average lease term of 20 years.

Portfolio WALE (years)



ANNUAL RENT REVIEWS

HY22 average like-for-like rent increase of +3.6%



- Attractive rent review structure with embedded income growth and inflation protection.
- >80% of FY23, FY24 and FY25 rent reviews at the higher of CPI or an 'agreed fixed amount', or market rent reviews.
- >11% of FY23 and FY24 and ~10% of FY25 rent reviews are CPI-based.
- 8% of FY23, FY24 and FY25 rent reviews are subject to fixed rent reviews.
- 16% of FY24 reviews are market rent reviews; all are subject to a 0% collar and approximately half are subject to a 7.5% cap and approximately half are uncapped.

ACQUISTIONS AND DEVELOPMENTS

Delivering essential community service accommodation

- High quality, purpose built properties with existing tenant partners.
- Three ELC development projects were completed in HY22, an additional seven are forecast to complete in 2H22 with the balance forecast to complete in FY23.
- Terms agreed for a $38 million acquisition of six operating ELC properties to be leased to an existing tenant partner on a 25 year initial lease term.

Acquisitions/development completions	Number of properties	Total cost ($m)	Initial yield on total cost (%)	Initial weighted average lease term (years)
Operating ELC acquisitions	1	9.4	4.7	20
ELC development completions	3	16.9	6.4	20
Total/weighted average	4	26.3	5.8	20

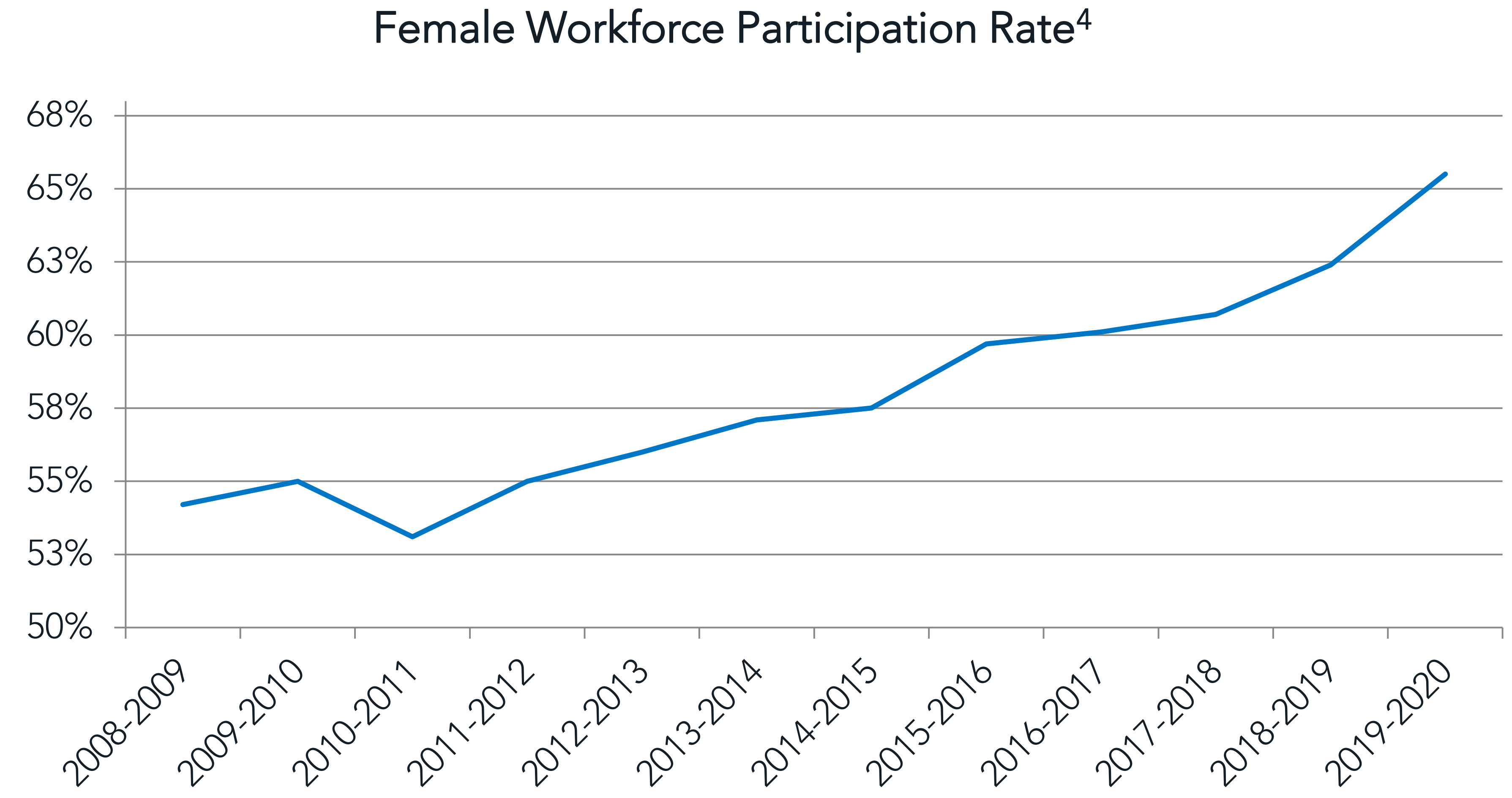
Acquisition/Development pipeline	As at 31 Dec 2021	Post balance date transaction
Number of projects	19[1]	6
Forecast total cost	$122 million	$38 million
Initial yield on total cost	5.9%	5.6%
Capex amount outstanding	$71 million	$38 million

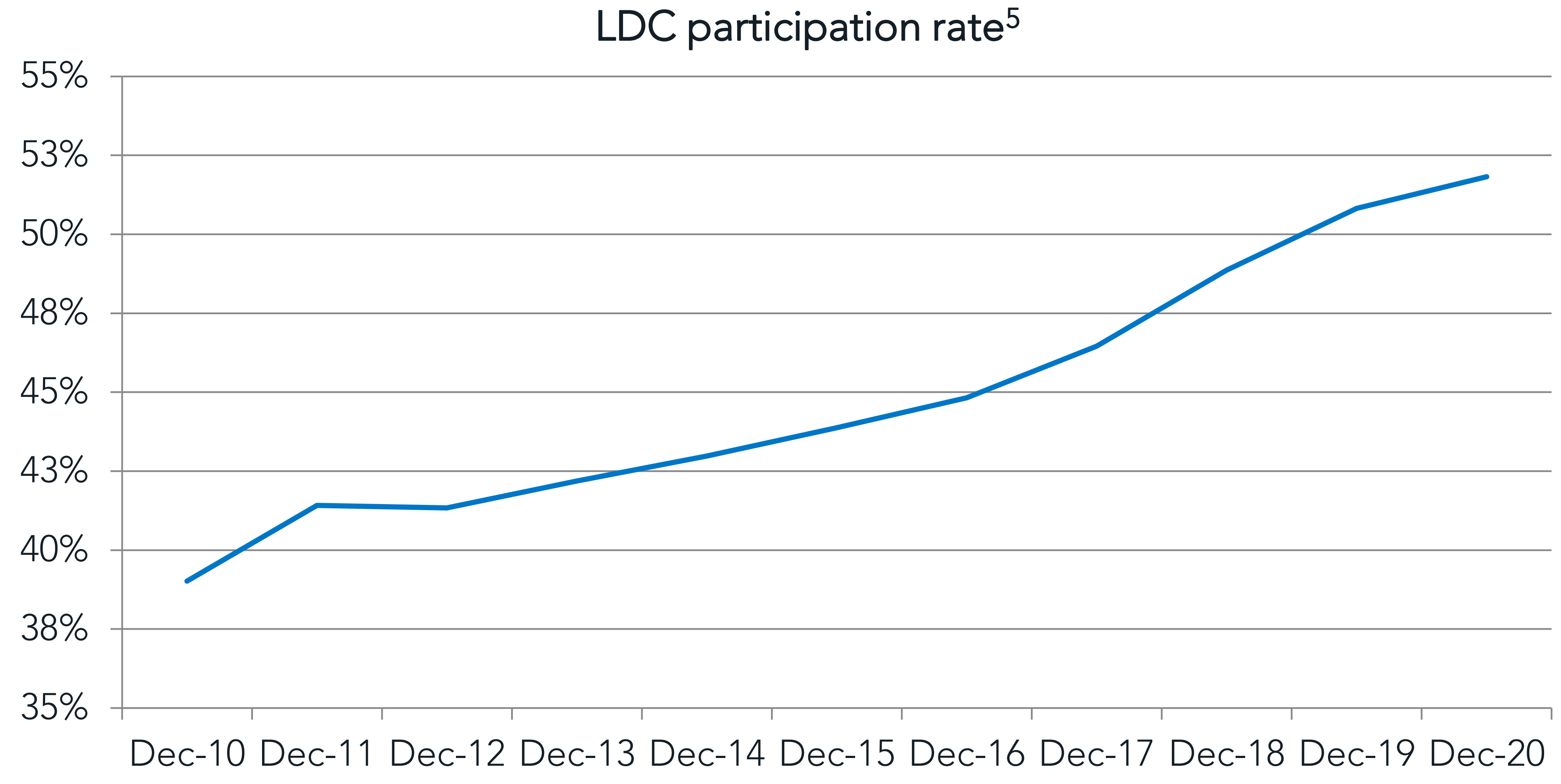
1. Includes two ELC developments conditionally contracted post 31 December 2021.

ELC OPERATING ENVIRONMENT

Strong macroeconomic drivers continue to support Australian ELC sector

- Government support was improved by the introduction of the Childcare Subsidy (CCS) in July 2018 and the essential nature of the services provided by the ELC sector was reinforced through the various COVID-19 related funding commitments[1].
- The Federal Government brought forward an additional $1.7 billion[2] commitment to the sector, with the removal of the annual CCS cap to apply in FY22 and a higher CCS for families with more than one child in care to commence from 7 March 2022, in order 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[3].
- Strong structural demand for services and record female workforce participation rate continue to drive increased long day care (LDC) participation rates over the medium to long term[4,5].
- A challenging environment to attract and retain skilled labour for ELC operators.
- Net new ELC supply to 31 December 2021 was +3.1%[6].



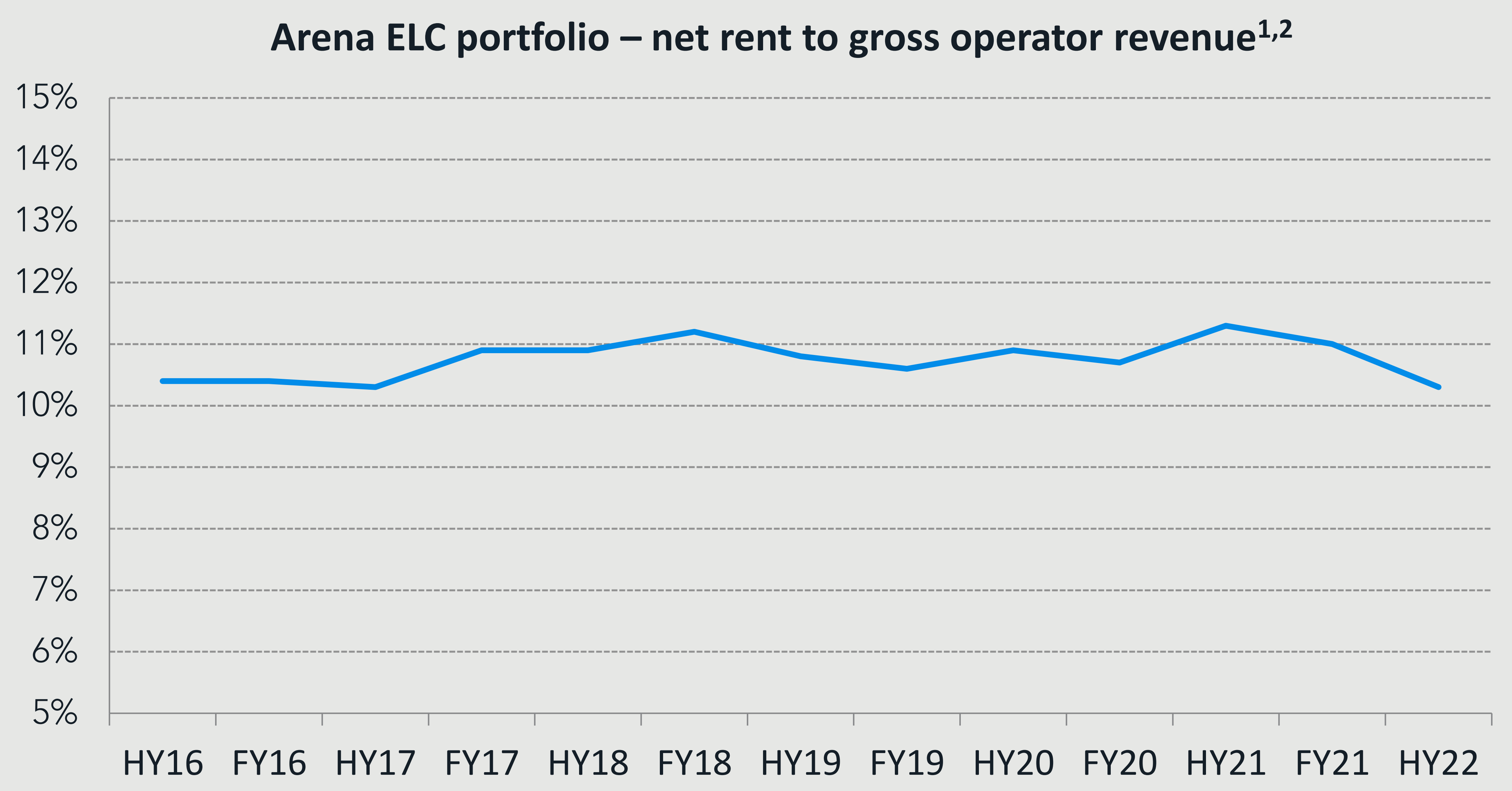


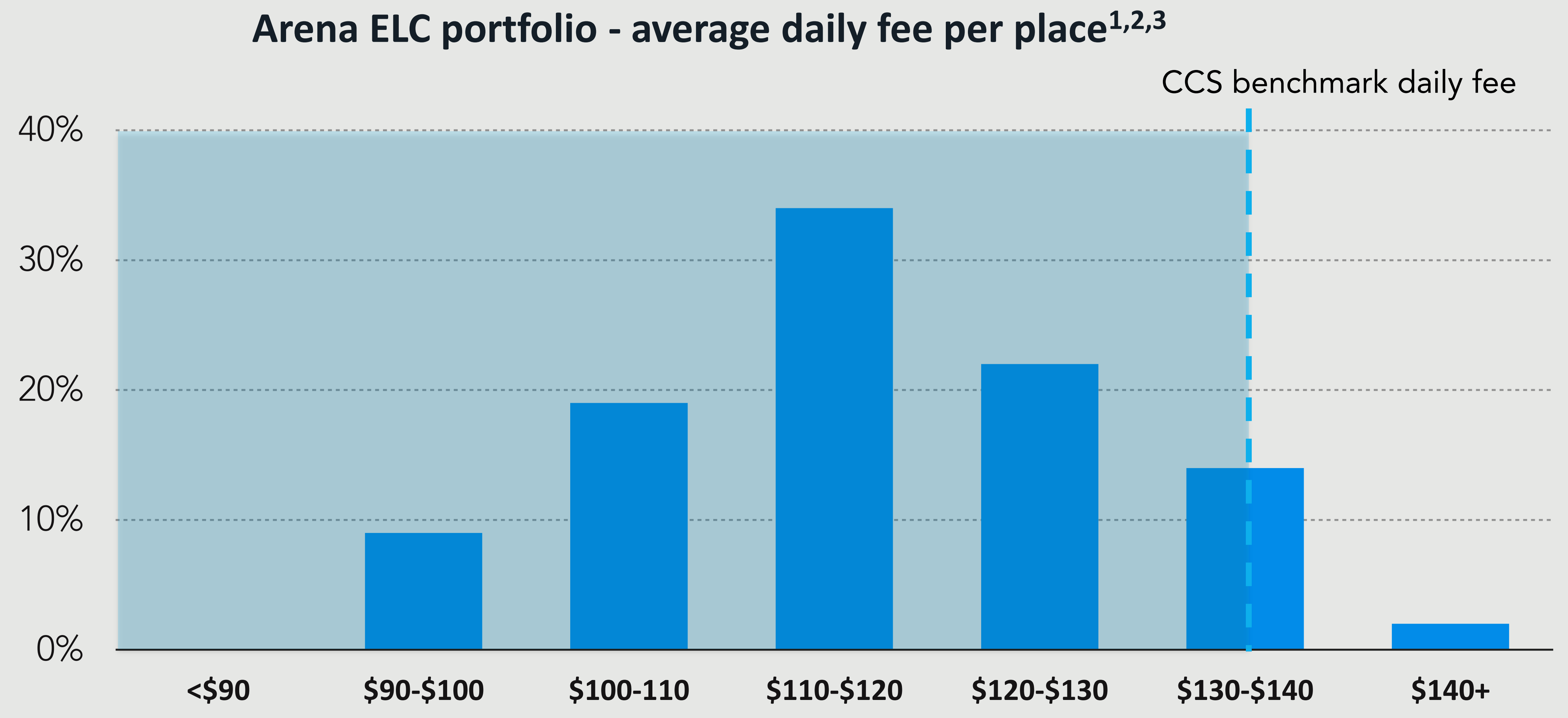
1. https://www.dese.gov.au/covid-19/childcare/; https://ministers.dese.gov.au/.
2. https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/making-child-care-more-affordable-and-boosting.
3. https://grattan.edu.au/wp-content/uploads/2020/08/Cheaper-Childcare-Grattan-Institute-Report.pdf.
4. ABS Female Labour Force Participation Rate (aged 20-74 at least one dependant child of ELC age).
5. Australian Government 'Early Childhood and Child Care in Summary' Reports 2012-2020.
6. https://www.acecqa.gov.au/resources/national-registers.

ELC PORTFOLIO

Portfolio strength underpinned by asset quality

- 100% portfolio occupancy as at 31 December 2021.
- Arena's ELC portfolio operating data[1] to 30 September 2021:
  - Underlying operator occupancy across Arena's operating ELC portfolio (as reported by Arena's tenant partners) is higher than any prior corresponding period over the past five years.
  - Average daily fee of $116.87[2]:
    - +2.23% from 30 June 2021[2]; and
    - +2.83% from 31 December 2020[2].
  - Net rent to revenue ratio of 10.3%[2].





1. Arena analysis based on operating data provided by Arena's tenant partners as at 30 September 2021.
2. COVID-19 related impacts to ELC operator revenues, government subsidies and attendances may diminish the like-for-like accuracy of these measures during the period.
3. Assumes CCS fully covers a daily fee of approximately $135.40 based on CCS capped hourly fee of $12.31 per hour over an 11 hour day.

HEALTHCARE SECTOR & PORTFOLIO

Strongly sought after asset class

- Strong structural macro-economic drivers continue to support Australian healthcare accommodation including a growing and ageing population and increased prevalence of chronic health conditions.
- Medical centres participating in COVID-19 vaccination and booster roll-out.
- Strong occupancy has been maintained across the specialist disability accommodation portfolio.
- Increased domestic and international interest in Australian healthcare property and increasing interest in social infrastructure property more generally.

OUTLOOK

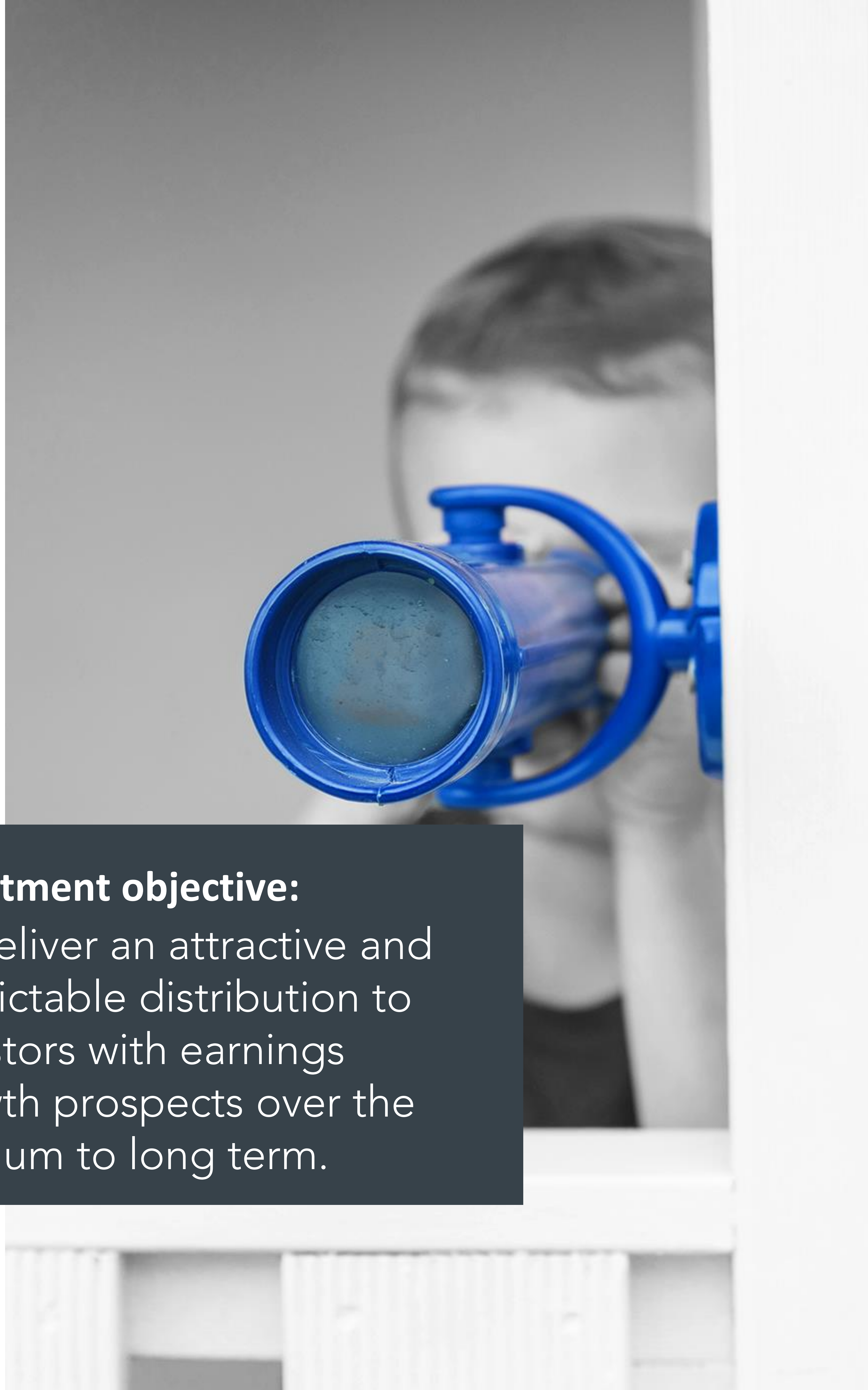
Long term income predictability with inflation protection

INCOME GROWTH

- Upgraded FY22 distribution guidance of 16.0 cents per security, an increase of 8.1%[1] on FY21.
- Attractive rent review structure with embedded income growth and inflation protection >80% of FY23, FY24 and FY25 rent reviews at the higher of CPI or an 'agreed fixed amount', or market rent reviews.
- Full impact of FY21 and partial impact of FY22 acquisitions and development completions.
- $122 million development pipeline comprising 19 ELC projects[2] with 5.9% forecast initial yield on total cost.
- Terms agreed for a $38 million post balance date acquisition of six operating ELC properties with 5.6% forecast initial yield on total cost.

OUTLOOK

- Early learning and healthcare remain integral to economic recovery.
- Gearing[3] at 18.8%, no debt expiry until March 2024.
- 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.



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

1. 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 the COVID-19 pandemic (which is subject to a wide range of uncertainties) and assumes ongoing government support of the early learning sector.
2. Includes two ELC developments conditionally contracted post 31 December 2021.
3. Gearing calculated as ratio of net borrowings over total assets less cash.

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

Head of Investor Relations and Sustainability

APPENDICES

FINANCIAL PERFORMANCE – HY22

	HY22	HY21	Change	
	($'000)	($'000)	($'000)	%
Property income	32,351	28,232	4,119	+15%
Other income	285	257	28	+11%
Total operating income	**32,636**	**28,489**	**4,147**	**+15%**
Property expenses	(448)	(356)	(92)	+26%
Operating expenses	(2,511)	(1,944)	(567)	+29%
Finance costs	(2,186)	(1,473)	(713)	+48%
Net operating profit (distributable income)	**27,491**	**24,716**	**2,775**	**+11%**
Non-distributable items:				
Investment property revaluation & straight-lining of rent	153,335	35,351	117,984	
Profit/(loss) on sale of investment properties	1,047	749	298	
Change in fair value of derivatives	4,655	764	3,891	
Transaction costs	(326)	(25)	(301)	
Amortisation of equity-based remuneration (non-cash)	(443)	(375)	(68)	
Other	37	(46)	83	
Statutory net profit	**185,796**	**61,134**	**124,662**	

BALANCE SHEET – HY22

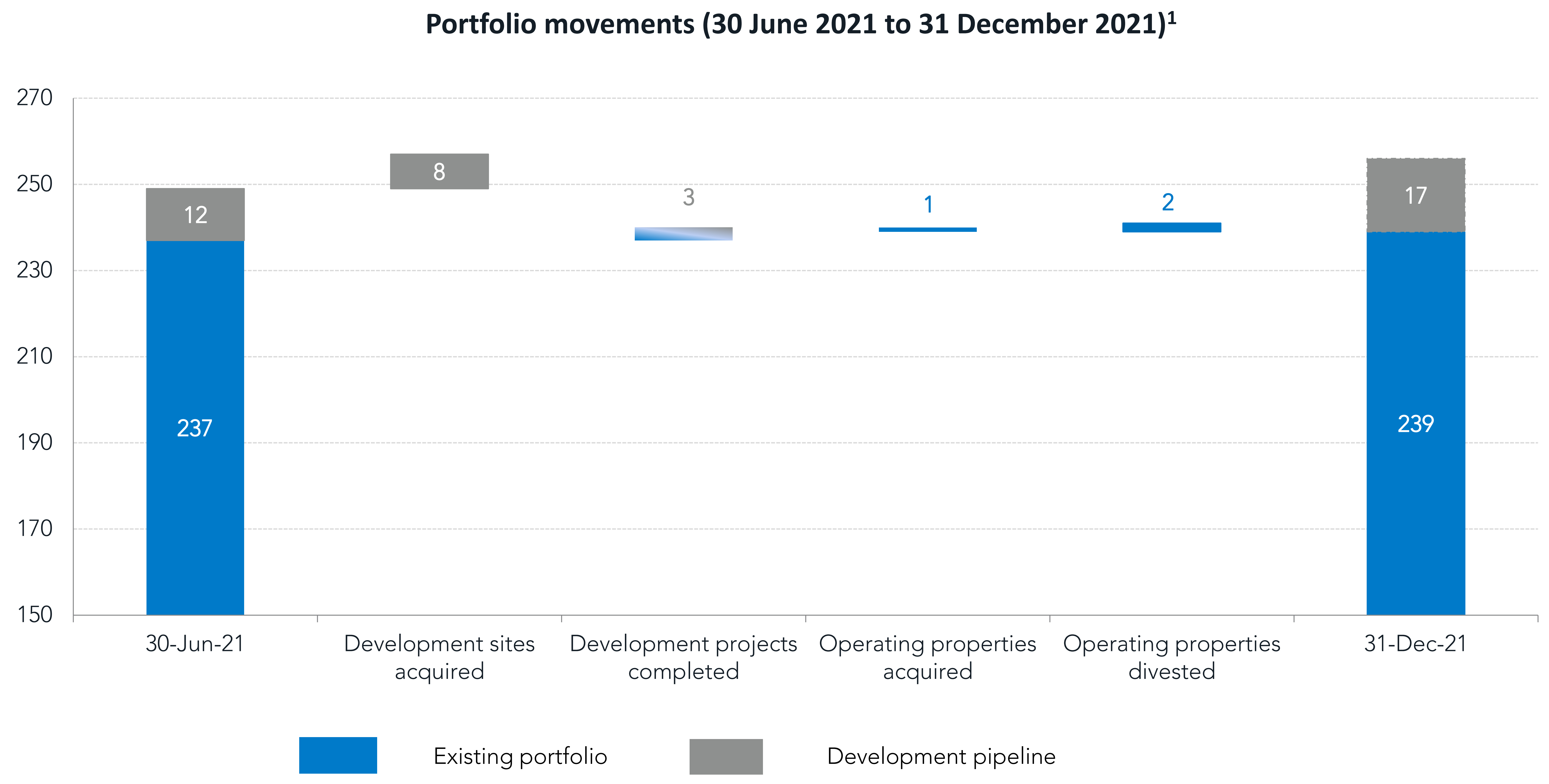
	31 Dec 21	30 June 21	Change	
	($'000)	($'000)	($'000)	%
Cash	26,113	14,018	12,095	+86%
Receivables and other assets	4,805	14,246	(9,441)	-66%
Investment properties	1,305,094	1,112,431	192,663	+17%
Intangibles	10,816	10,816	-	-%
Total assets	**1,346,828**	**1,151,511**	195,317	+17%
Trade and other liabilities	16,455	14,455	2,000	+14%
Distributions payable	13,651	12,801	850	+7%
Borrowings	273,164	239,163	34,001	+14%
Derivatives	853	6,174	(5,321)	-86%
Total liabilities	**304,123**	**272,593**	31,530	+12%
Net assets	**1,042,705**	**878,918**	163,787	+19%

Number of securities on issue (m)	345.6	343.6	+2m	1%
Net asset value per security ($)	3.02	2.56	+$0.46	18%
Gearing[1] (%)	18.8	19.9	-110bps	-6%

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

Covenant	Facility requirement	Ratio
Loan to value ratio (LVR)	Maximum 50%	25.4%
Interest cover ratio (ICR)	Minimum 2x	8.4x

PORTFOLIO COMPOSITION AND MOVEMENT



1. Excludes two ELC developments conditionally contracted post 31 December 2021.

ELC PORTFOLIO VALUATIONS

As at 31 December 2021	Number of properties	Value ($m)	Passing yield (%)
Independent ELC freehold valuations			
Queensland	16	92.7	5.51
Victoria	15	87.2	4.58
New South Wales	9	32.9	5.35
Western Australia	5	24.4	4.38
South Australia	3	15.3	4.81
Total independent ELC valuations	**48**	**252.5**	**5.02**
Director ELC freehold valuations			
Queensland	65	305.7	5.27
Victoria	53	270.6	4.88
New South Wales	22	93.1	4.89
Western Australia	19	79.1	4.82
Tasmania	8	33	5.61
South Australia	5	27.1	5.54
Northern Territory	2	5.8	6.1
Total director ELC freehold valuations	**174**	**814.4**	**5.08**
Total freehold ELC portfolio	**222**	**1,066.9**	**5.07**
Director ELC leasehold valuations – Victoria	6	16.5	9.14
Total ELC portfolio excluding development sites	**228**	**1,083.4**	**5.13**
ELC development sites	17	55.2	
Total ELC portfolio	**245**	**1,138.6**	**5.13**

ELC PORTFOLIO METRICS

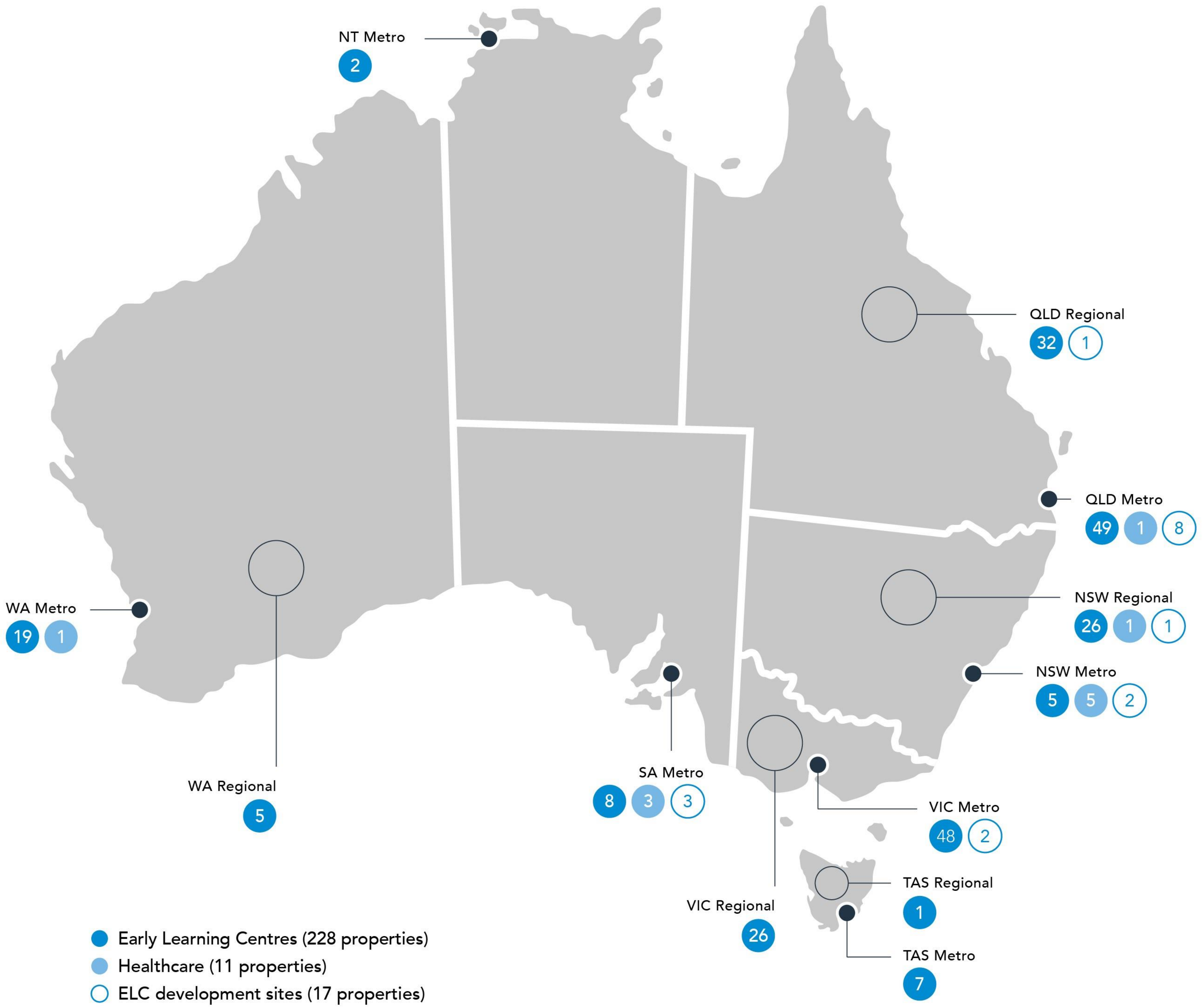
	31 Dec 2021	30 June 2021	Change
Leased ELCs	228	226	+2
Development sites	17	12	+5
Total ELCs	245	238	+7
WALE (by income) (years)	21.1	21.4	-0.3 year
Tenanted occupancy (%)	100	100	-
Average passing yield (%)	5.13	5.84	-71bps
Portfolio value ($m)	1138.6	959.1	+19%
Average rental increase (%)	3.65	3.64	+1bps
Rent to gross revenue ratio (%)	10.3[1]	11.0[2]	-70bps
Average daily fee ($)	116.87[1]	114.16[2]	+2.37%
Portfolio composition (% by value)			
Metropolitan %	70	68	+200bps
Regional %	30	32	-200bps

1. Arena analysis based on operating data provided by Arena's tenant partners as at 30 September 2021; COVID-19 related impacts to ELC operator revenues, government subsidies and attendances may diminish the like-for-like accuracy of these measures during the period.
2. Arena analysis based on operating data provided by Arena's tenant partners as at 31 March 2021; COVID-19 related impacts to ELC operator revenues, government subsidies and attendances may diminish the like-for-like accuracy of these measures during the period.

HEALTHCARE PORTFOLIO METRICS

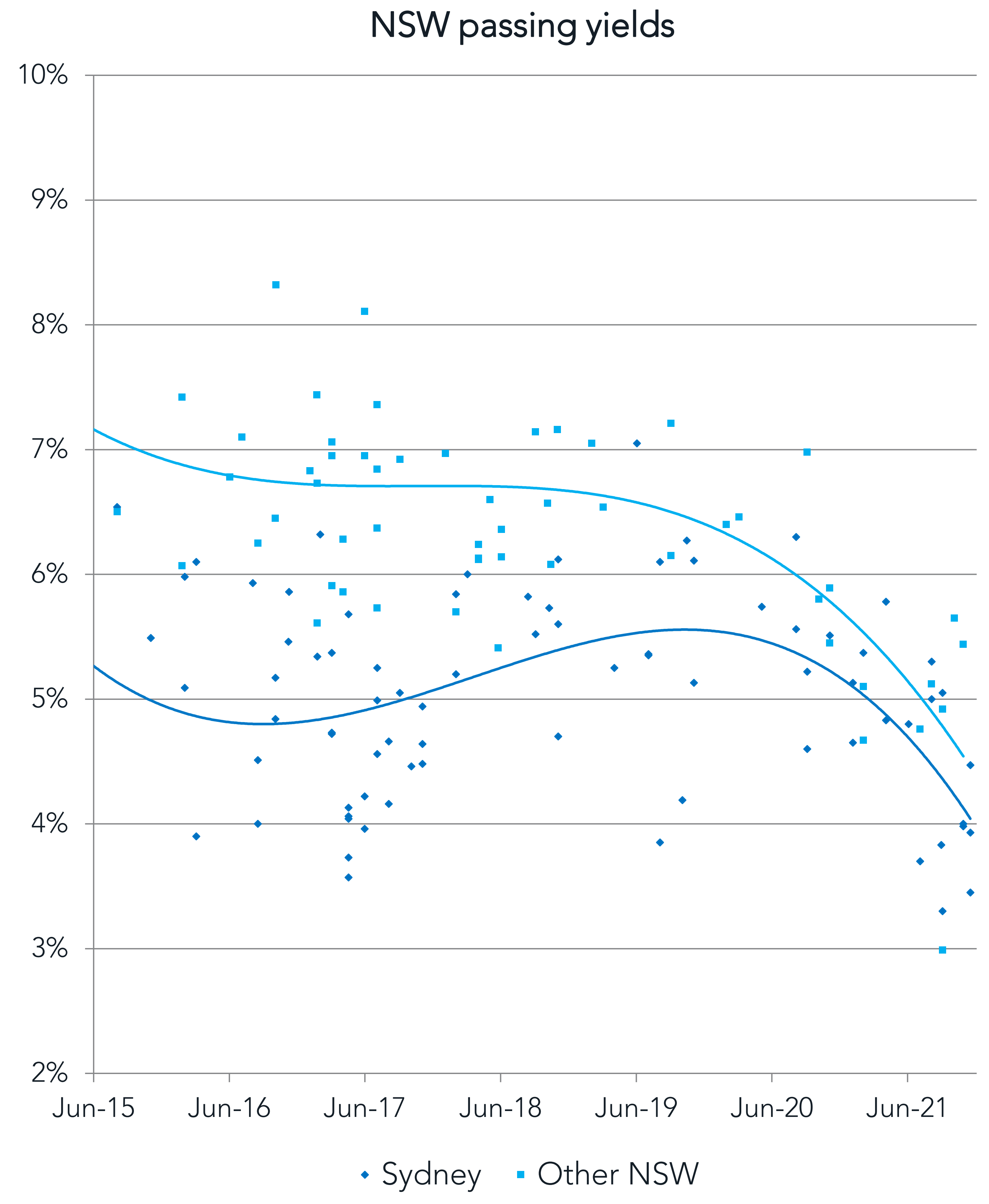
	31 Dec 2021	30 June 2021	Change
Total healthcare properties	11	11	-
WALE (by income) (years)	11.5	11.9	-0.4 year
Tenanted occupancy (%)	100	100	-
Average passing yield (%)	5.22	5.34	-12bps
Property portfolio ($m)	166.5	153.3	+9%
Average rental increase (%)	3.17	1.7	+147bps
Portfolio composition (% by value)			
Metropolitan %	91	91	-
Regional %	9	9	-

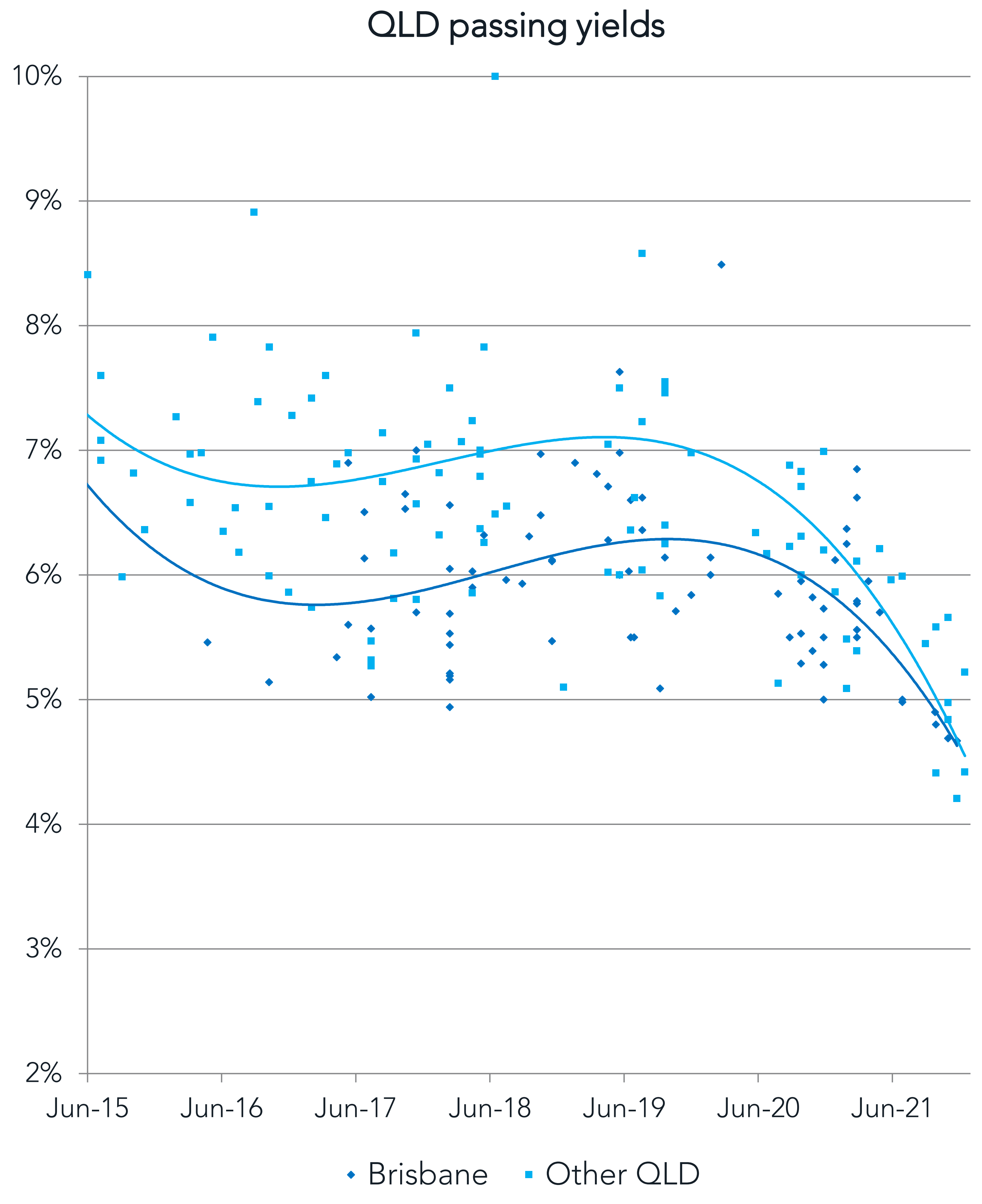
PORTFOLIO LOCATION MAP



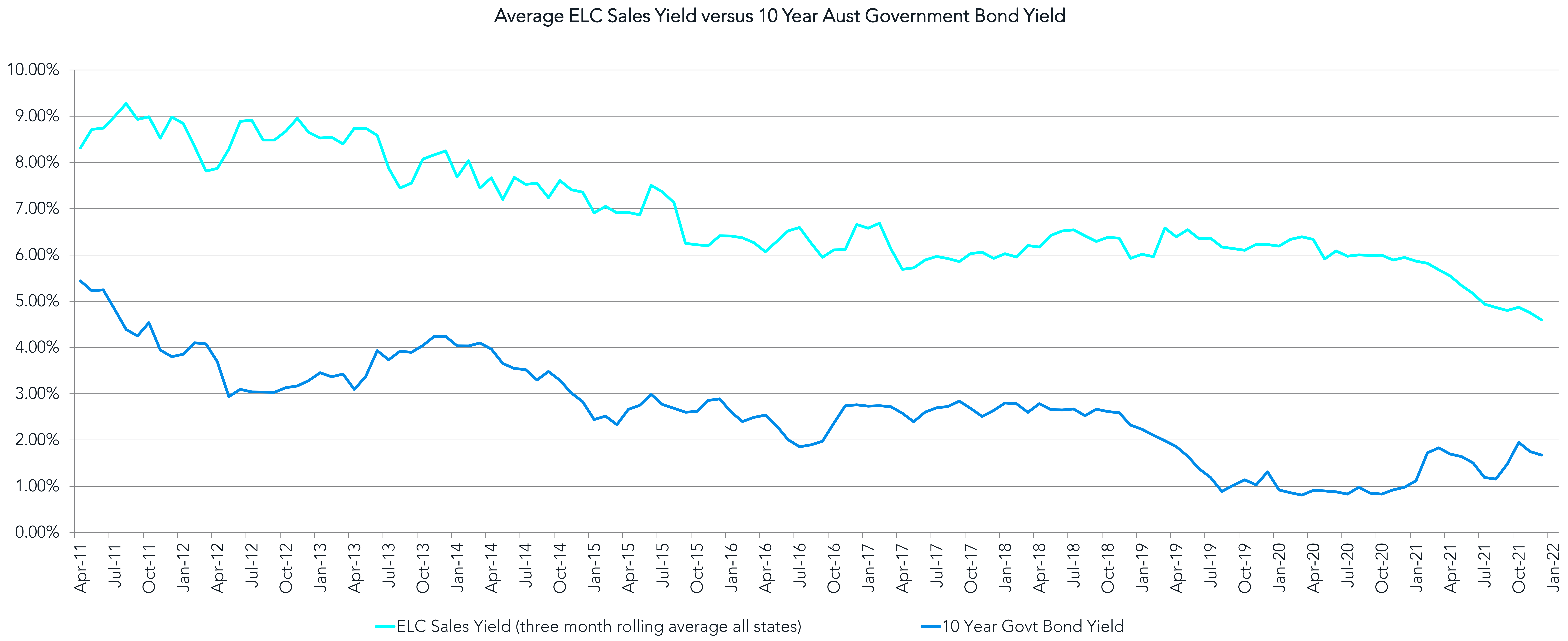
1. Excludes two ELC developments conditionally contracted post 31 December 2021.

ELC MARKET TRANSACTIONS





ELC SALES YIELDS VERSUS 10 YEAR BOND



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