

**ARENA REIT**

*Better Communities. Together.*

# Annual General Meeting

24 November 2022





# CHAIR'S ADDRESS

David Ross





# ARENA DIRECTORS



From left: Gareth Winter, David Ross, Rob de Vos, Rosemary Hartnett, Dennis Wildenburg, Simon Parsons.



# AGENDA

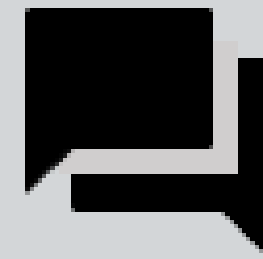
Hybrid Meeting Instructions	4
Chair's Address	7
Managing Director's Report	11
Questions	15
Formal Business	16
Meeting Close	25
Important Notice	26



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.

# ASKING TEXT QUESTIONS ONLINE

Select the messaging tab and type your question in the **Ask a question** box.



Press the send arrow to submit your message for review.



✓ Received

Your submitted questions along with any written responses from the meeting team can be found by selecting **My Messages**.

HOME MESSAGING VOTING

Messaging

Ask a question


0 / 1000

ALL MESSAGES MY MESSAGES

**Moderator**  
February 8, 2022 10:39 AM

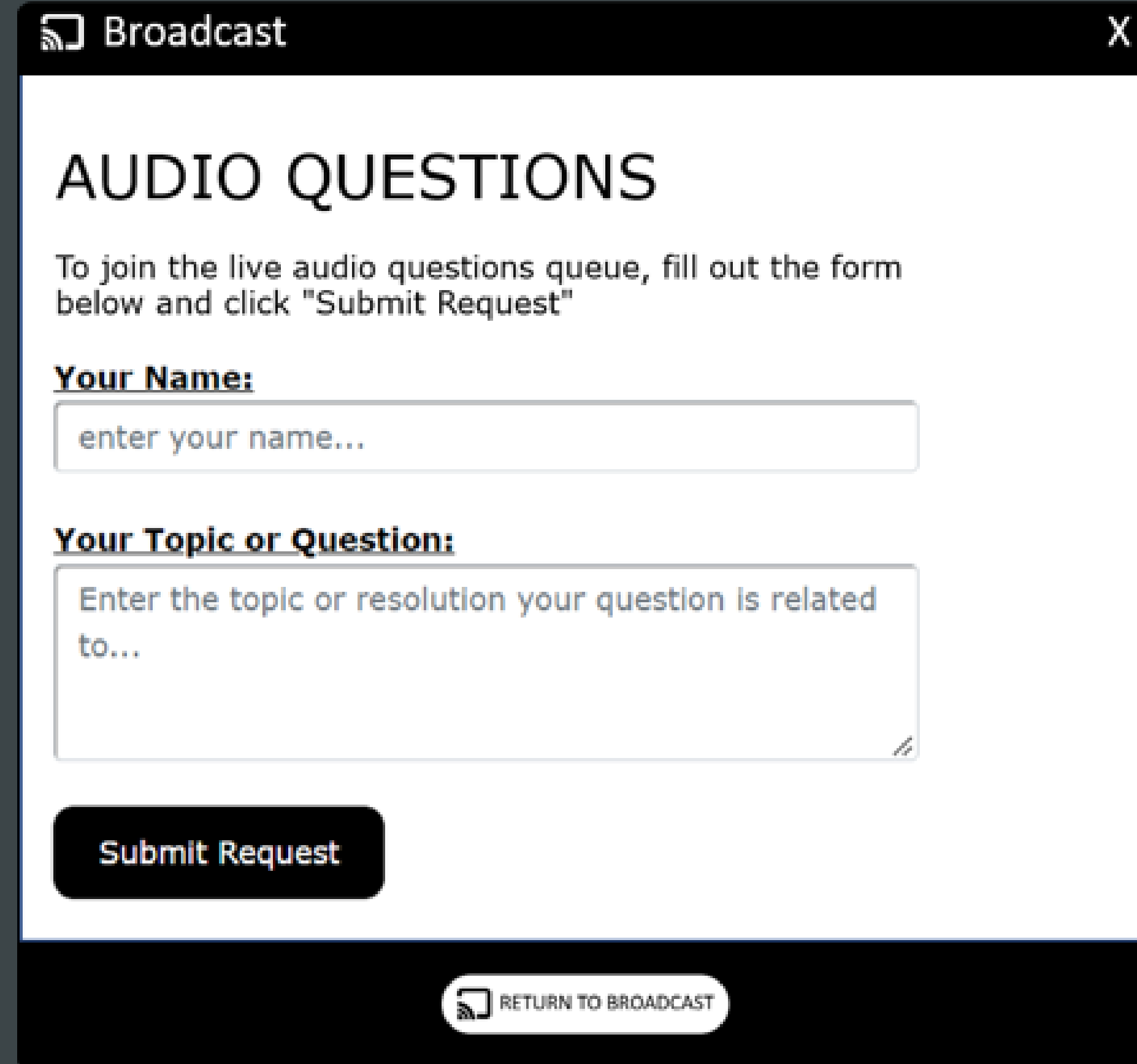
Welcome to the meeting. If you would like to submit a question, type your question in the box above and then press the send arrow. Please include the number of the resolution at the beginning of your question. Questions may be moderated or amalgamated if there are multiple questions on the same topic.

# ASKING AUDIO QUESTIONS ONLINE

Click on the  button at the bottom of the broadcast window. The meeting broadcast will be replaced with the audio questions interface.

Confirm your name, enter the topic of your question and click **Submit Request**.

Follow the instructions to grant access to your microphone and join the queue.



The screenshot shows a window titled "Broadcast" with a close button (X) in the top right corner. The main heading is "AUDIO QUESTIONS". Below the heading is a paragraph: "To join the live audio questions queue, fill out the form below and click 'Submit Request'". There are two input fields: "Your Name:" with a placeholder "enter your name..." and "Your Topic or Question:" with a placeholder "Enter the topic or resolution your question is related to...". A "Submit Request" button is located below the second field. At the bottom of the window, there is a "RETURN TO BROADCAST" button with a speaker icon.

# VOTING ONLINE

When open, the vote will be accessible by selecting the voting tab at the top of the screen.



To vote simply select the direction in which you would like to cast your vote. The selected option will change colour.

For  Against  Abstain

There is no submit or send button, your selection is automatically recorded. You can change your mind or cancel your vote any time before the poll is closed.

The screenshot shows a mobile application interface for online voting. At the top, there are three navigation tabs: HOME, MESSAGING, and VOTING. The VOTING tab is selected. Below the navigation, a status bar indicates "Poll Open" and "You have voted on 0 of 2 Items". The first item is "Resolution 1", with the instruction "Select a choice." and three radio button options: "For", "Against", and "Abstain". A "CANCEL" button is located below these options. The second item is "Question 2", also with the instruction "Select a choice." and three radio button options: "Yes", "No", and "Unsure". A vertical scrollbar is visible on the right side of the screen.



# FY22 HIGHLIGHTS

## Positive investment and community outcomes

- 102% growth in statutory net profit driven by increase in operating profit and investment property and derivatives revaluations.
- 8.4% growth in net operating profit driven by acquisitions and development completions and like-for-like contracted rent increases averaging +4.1%.
- 32% growth in NAV highlights the continued attractiveness of early learning centre (ELC) and healthcare property investments.
- Weighted average lease expiry (WALE) of 19.8 years.
- Six development completions and expanded development pipeline.
- 20% gearing with 77% hedge cover for 4.3 years.
- Certified carbon neutral by Climate Active for business operations in 2021-2022.
- Solar renewable energy systems installed on 80% of Arena's property portfolio.
- Reaffirm FY23 distribution guidance of 16.8 cents per security (cps), an increase of 5% on FY22 DPS<sup>1</sup>.

1. FY23 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, no material change in current market conditions 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.

**\$334 million**

**Statutory net profit**

+102% on FY21

**\$56 million**

**Net operating profit**

+8.4% on FY21

**16.3 cents**

**Earnings per security (EPS)**

+7.2% on FY21

**\$3.37**

**Net Asset Value (NAV) per security**

+32% on FY21

**+4.1%**

**Average like-for-like rent increase**

+51bps on FY21

**20.2%**

**Gearing ratio<sup>2</sup>**

+30bps on FY21





# SUSTAINABILITY

## Investment proposition and partnership 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.
- Arena's portfolio facilitates access to essential community services with positive social impact:
  - 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 sustainability outcomes to be detailed in Arena's FY22 Sustainability Report include:
  - Active collaboration with tenant partners on sustainability initiatives.
  - Solar renewable energy systems installed on 80% of Arena's property portfolio.
  - Climate action plan including greenhouse gas inventory of Arena's financed emissions.
  - Inaugural TCFD-aligned climate risks and opportunities disclosures.
  - Arena REIT certified carbon neutral by Climate Active for business operations in 2021-2022.
  - Analysed operations and supply chains to voluntarily opt into Modern Slavery reporting.

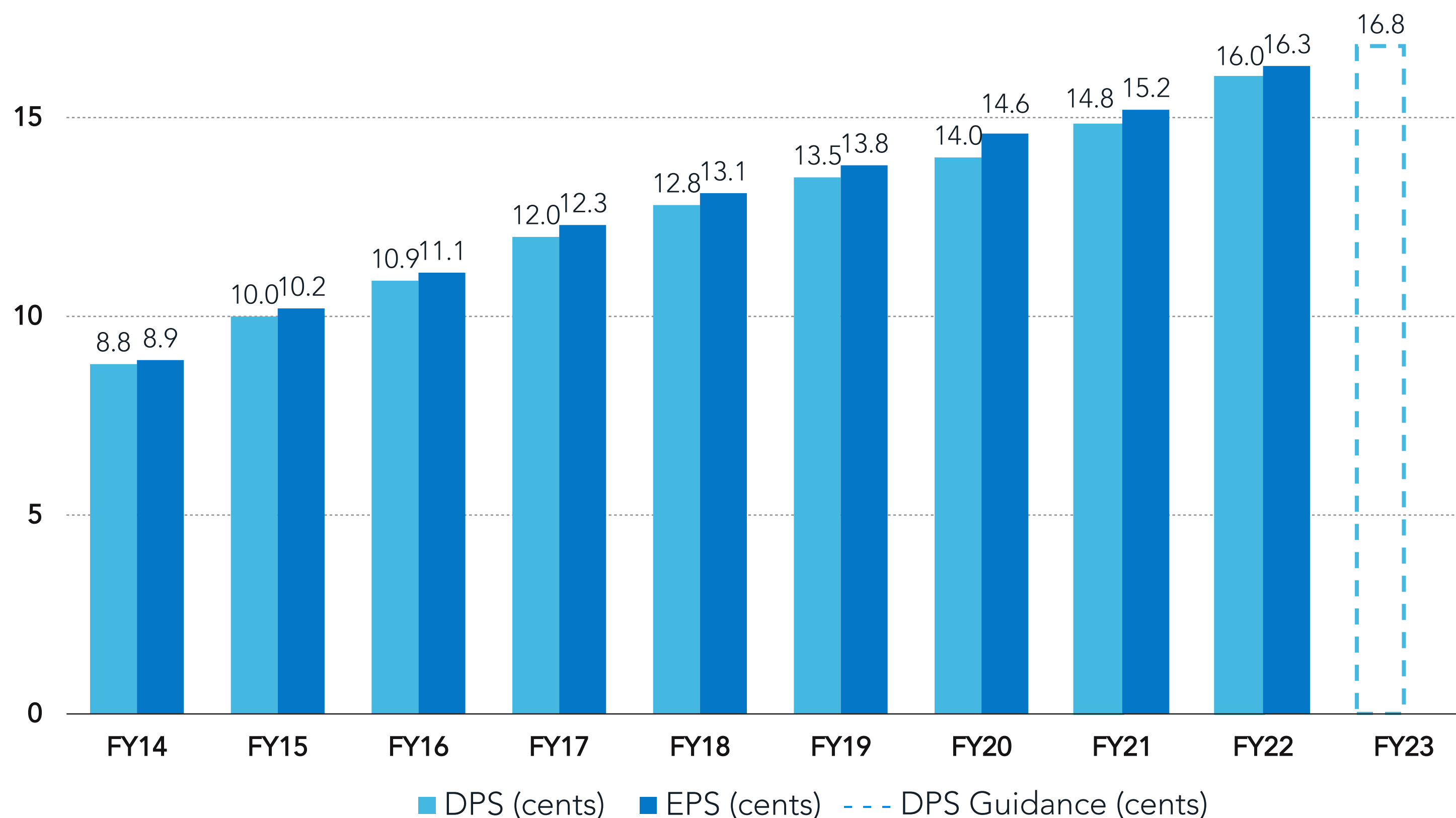
# DELIVERING ON INVESTMENT OBJECTIVE

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

- Reaffirm FY23 DPS guidance of 16.8 CPS +5% on FY22<sup>1</sup>.
- Earnings and distribution growth underpinned by core earnings drivers.

1. FY23 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, no material change in current market conditions 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.

Earnings and distributions per security (cents)





# MANAGING DIRECTOR'S REPORT

Rob de Vos



# DELIVERING ON STRATEGY

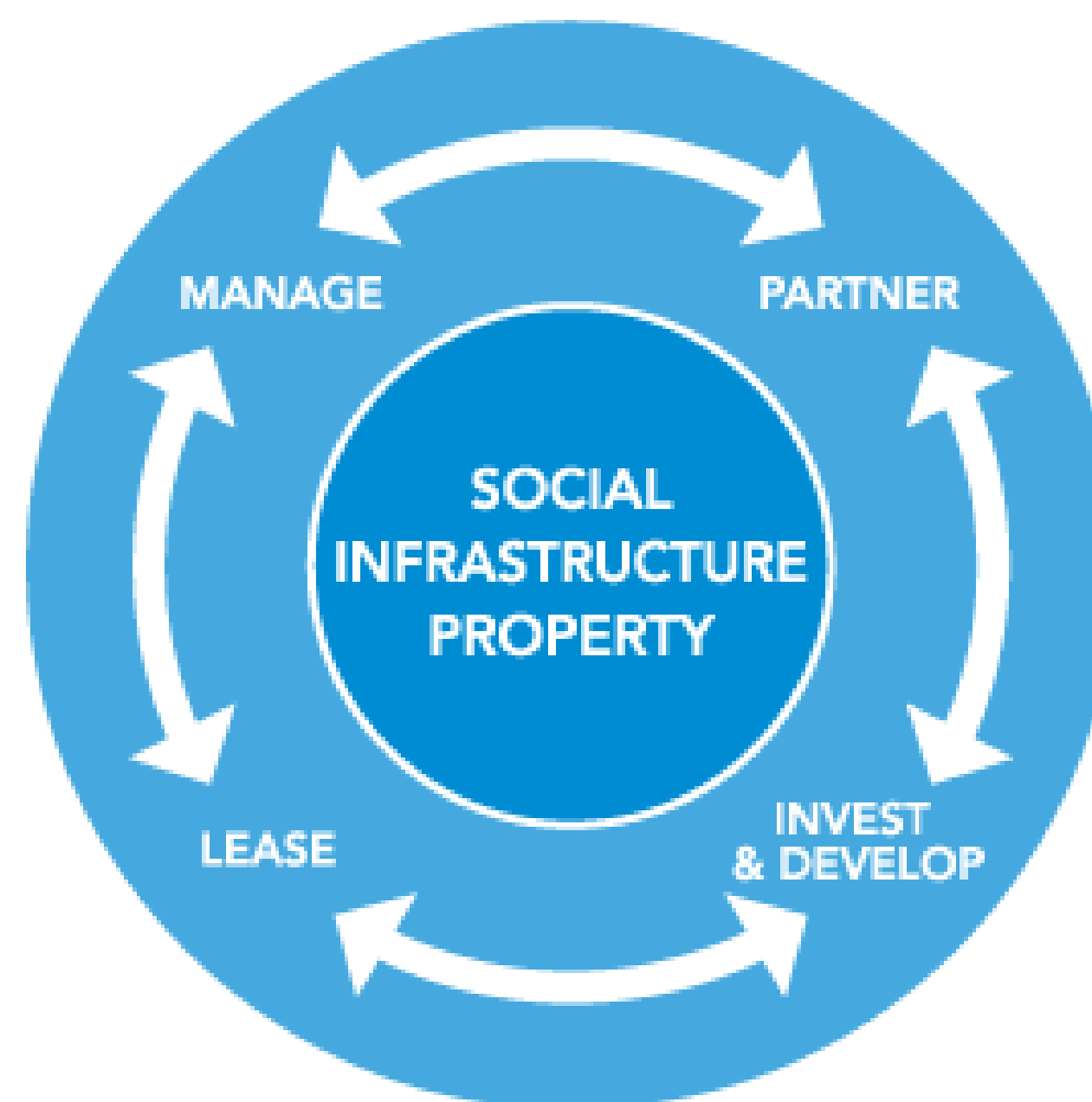
Ongoing strategy discipline and partnership approach

## Portfolio management<sup>1</sup>:

- Long portfolio WALE (by income) of 19.8 years.
- Portfolio weighted average passing yield 4.91%.
- Net valuation uplift of \$254.5 million, +23%.
- Two ELC properties sold at average premium of 15% to book value.

## Lease management<sup>1</sup>:

- 100% portfolio occupancy.
- Average like-for-like rent increase of +4.1%.
- Leases extended to facilitate installation of solar.



## Working in partnership<sup>1</sup>:

- Continue to progress solar renewable energy program; currently installed on 80% of Arena's property portfolio.
- All tenant partners are compliant with COVID-19 rent relief agreements<sup>2</sup>.

## Investment and developments<sup>1</sup>:

- Seven operating properties acquired at a net initial yield of 5.4% on total cost with initial average lease term of 24.1 years.
- Six ELC developments completed at an average net initial yield on total cost of 6.4% with initial average lease term of 20.8 years.
- Nine new ELC development projects acquired with forecast total cost of \$56 million<sup>3</sup>.

1. For FY22 or as at 30 June 2022.

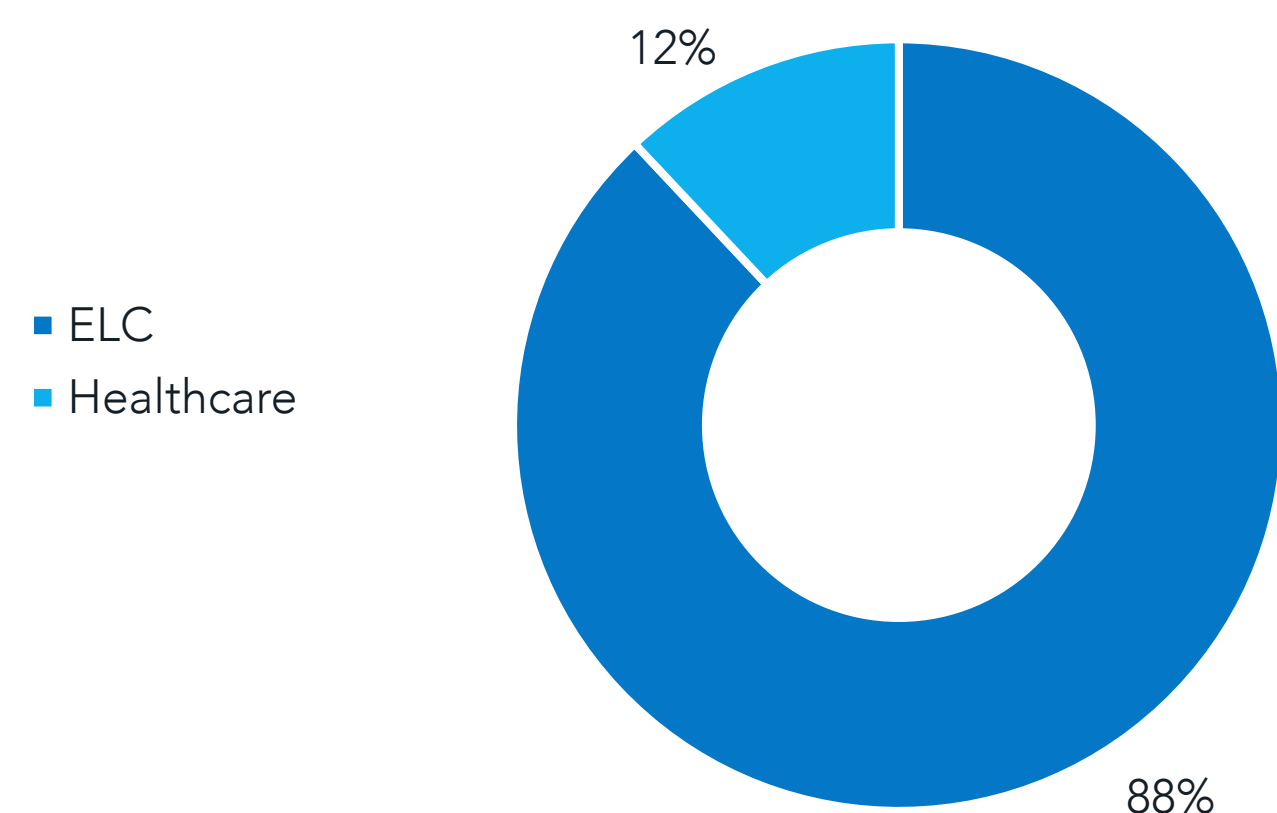
2. Under the National Cabinet Mandatory Code of Conduct landlords were obliged to provide eligible tenants rental relief in proportion to the reduction in trade resulting from COVID-19.

3. Excludes five ELC developments that are contracted subject to planning or other conditions precedent.

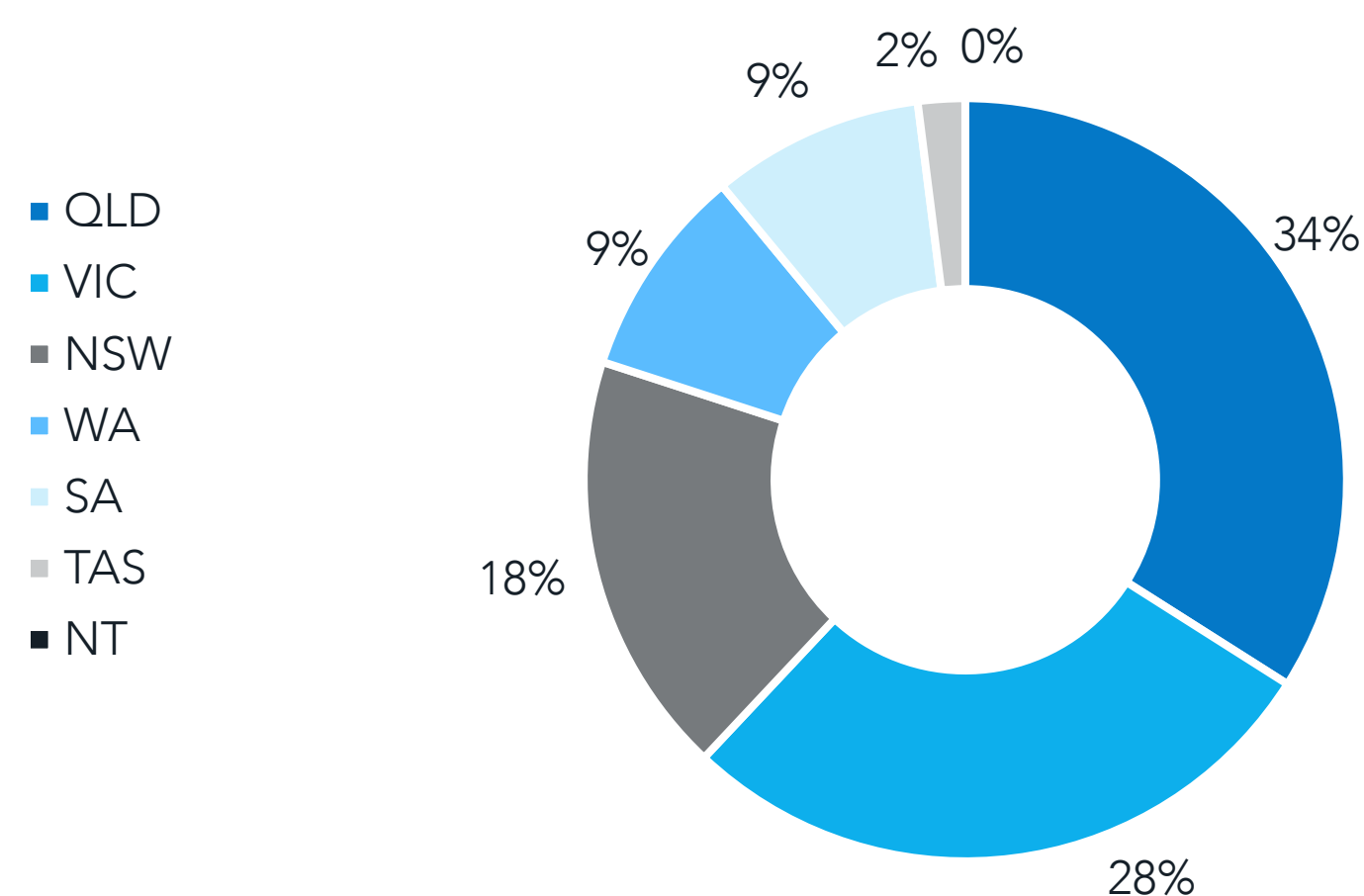
# PORTFOLIO OVERVIEW

	Number of assets <sup>1</sup>	30 June 2022 valuation	Net valuation movement versus 30 June 2021		30 June 2022 passing yield	Change versus 30 June 2021
		\$m	\$m	%	%	bps
Early Learning portfolio	252	1,287.6	+232.1	+24.2%	4.90%	-94
Healthcare portfolio	11	174.3	+22.4	+14.6%	5.02%	-32
<b>Total portfolio</b>	<b>263</b>	<b>1,461.9</b>	<b>+254.5</b>	<b>+22.9%</b>	<b>4.91%</b>	<b>-86</b>

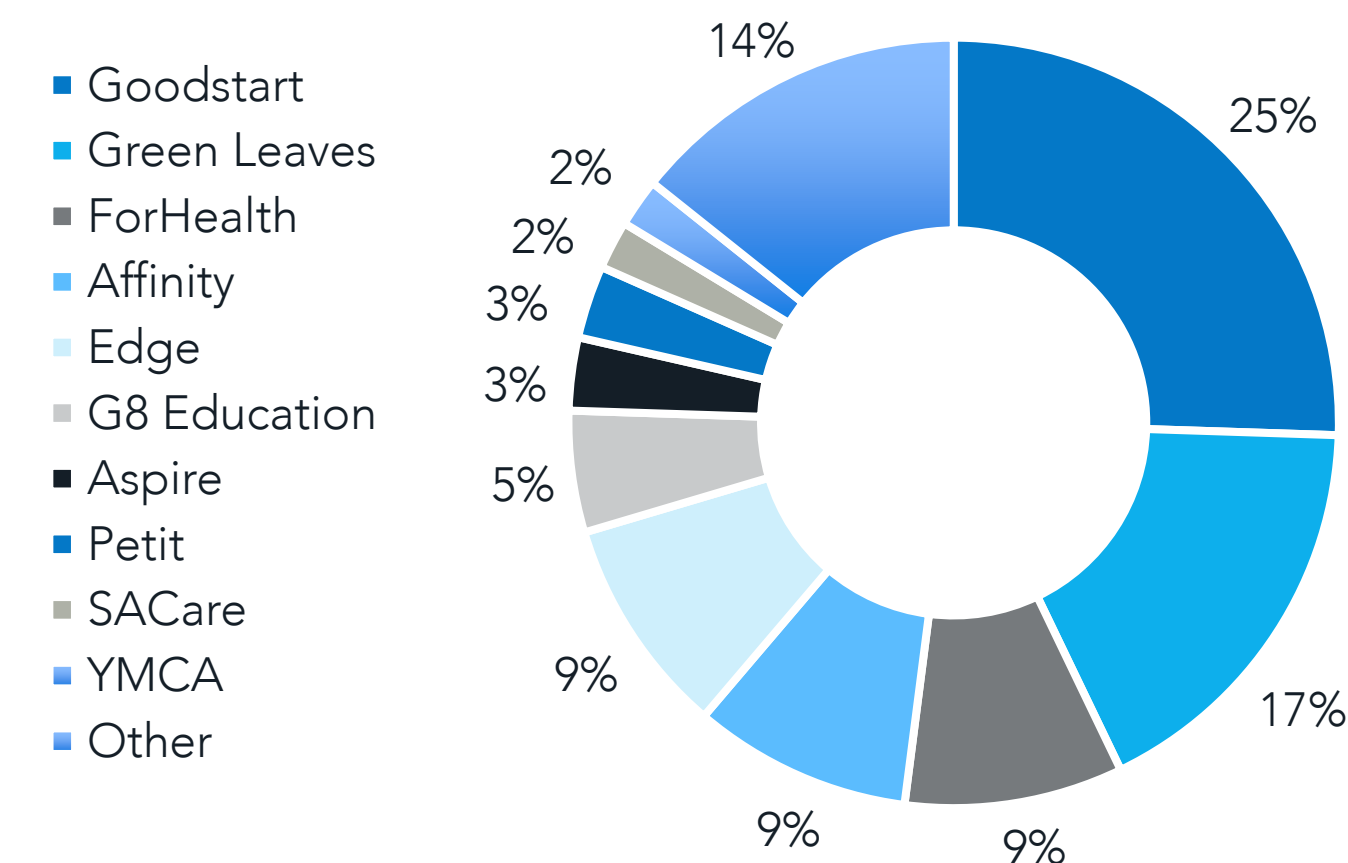
Sector diversity (by value)<sup>2</sup>



Geographic diversity (descending by value)<sup>2</sup>



Tenant diversity (descending by income)<sup>2,3</sup>



1. Excludes five ELC developments that are contracted subject to planning or other conditions precedent.  
 2. As at 30 June 2022.  
 3. Totals may not add due to rounding.



# OUTLOOK

Long term income predictability with inflation protection

## INCOME GROWTH

- Reaffirm FY23 distribution guidance of 16.8 cents per security, an increase of 5%<sup>1</sup> on FY22.
- Attractive rent review structure with embedded income growth and inflation protection: >80% of FY23, FY24 and FY25 rent reviews contracted at the higher of CPI or an 'agreed fixed amount', or market rent reviews.
- Full impact of FY22 acquisitions and development completions and partial impact of FY23 development completions.
- \$139 million development pipeline comprising 20 ELC projects<sup>2</sup>.

## OUTLOOK

- Strong macroeconomic drivers continue to support the early learning and healthcare sectors.
- Hedging discipline, expanded liquidity and substantial capacity with 20.2% gearing<sup>3</sup> as at 30 Jun 22.
- 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. FY23 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, no material change in current market conditions 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 five ELC developments that are contracted subject to planning or other conditions precedent.

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



### Investment objective:

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



# QUESTIONS





# FORMAL BUSINESS







# ORDINARY BUSINESS

## Financial Reports

To receive and consider the Financial Report, the Directors' Report and the Auditor's Report, each for the financial year ended 30 June 2022.



# ORDINARY BUSINESS

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

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

*'That the Remuneration Report for the financial year ended 30 June 2022 be adopted.'*

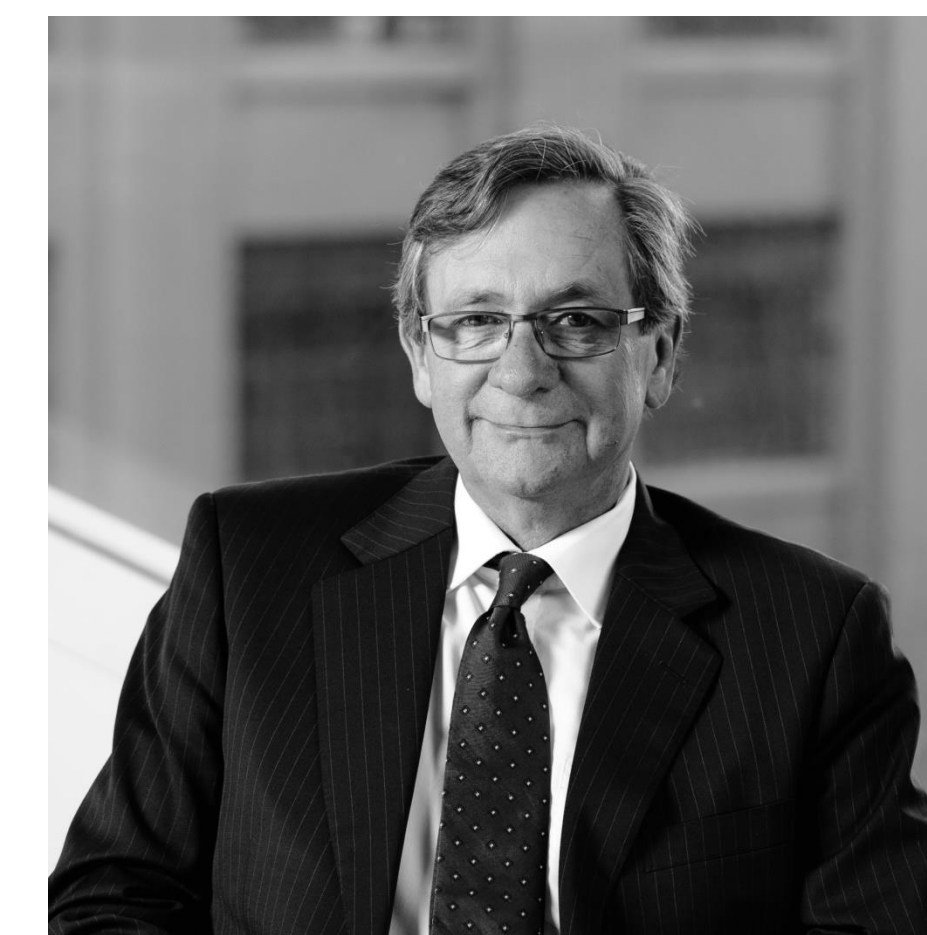
Proxy voting results	For	Against	Open	Abstain
Proxy votes for Resolution 1 (%)	95.77%	3.74%	0.49%	
Proxy votes for Resolution 1 (quantity)	218,625,982	8,525,791	1,109,994	11,202,550

# OTHER BUSINESS

## Resolution 2: Re-election of Dr Simon Parsons as a director of the Company

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

*'That Dr Simon Parsons who retires by rotation 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 voting results	For	Against	Open	Abstain
Proxy votes for Resolution 2 (%)	95.21%	4.31%	0.48%	
Proxy votes for Resolution 2 (quantity)	219,403,870	9,936,019	1,112,614	11,161,326

# OTHER BUSINESS

## Resolution 3: Re-election of Ms Rosemary Hartnett as a director of the Company

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

*'That Ms Rosemary Hartnett who retires by rotation in accordance with ASX Listing Rules 14.4 and 14.5 and, being eligible, offers herself for re-election, be re-elected as a director of the Company.'*



Proxy voting results	For	Against	Open	Abstain
Proxy votes for Resolution 3 (%)	97.45%	2.07%	0.48%	
Proxy votes for Resolution 3 (quantity)	224,579,040	4,781,714	1,112,614	11,140,461



# OTHER BUSINESS

## Resolution 4: Grant of deferred STI rights to Mr Rob de Vos

To consider and, if thought fit, pass the following 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 Rob de Vos, of rights as his deferred short term incentive under the Arena REIT Deferred Short Term and Long Term Incentive Plan on the terms set out in the Explanatory Memorandum to this Notice of Meeting, is approved.'*

Proxy voting results	For	Against	Open	Abstain
Proxy votes for Resolution 4 (%)	99.11%	0.40%	0.49%	
Proxy votes for Resolution 4 (quantity)	226,440,940	912,804	1,112,144	11,199,046



# OTHER BUSINESS

## Resolution 5: Grant of LTI performance rights to Mr Rob de Vos

To consider and, if thought fit, pass the following 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 Rob de Vos, of performance rights as his long term incentive under the Arena REIT Deferred Short Term and Long Term Incentive Plan on the terms set out in the Explanatory Memorandum to this Notice of Meeting, is approved.'*

Proxy voting results	For	Against	Open	Abstain
Proxy votes for Resolution 5 (%)	98.41%	1.10%	0.49%	
Proxy votes for Resolution 5 (quantity)	224,848,103	2,505,641	1,112,144	11,199,046



# OTHER BUSINESS

## Resolution 6: Grant of deferred STI rights to Mr Gareth Winter

To consider and, if thought fit, pass the following 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 and an Executive Director of the Responsible Entity, Mr Gareth Winter, of rights as his deferred short term incentive under the Arena REIT Deferred Short Term and Long Term Incentive Plan on the terms set out in the Explanatory Memorandum to this Notice of Meeting, is approved.’*

Proxy voting results	For	Against	Open	Abstain
Proxy votes for Resolution 6 (%)	99.11%	0.40%	0.49%	
Proxy votes for Resolution 6 (quantity)	226,450,940	912,804	1,112,144	11,189,046



# OTHER BUSINESS

## Resolution 7: Grant of LTI performance rights to Mr Gareth Winter

To consider and, if thought fit, pass the following 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 and an Executive Director of the Responsible Entity, Mr Gareth Winter, of performance rights as his long term incentive under the Arena REIT Deferred Short Term and Long Term Incentive Plan on the terms set out in the Explanatory Memorandum to this Notice of Meeting, is approved.'*

Proxy voting results	For	Against	Open	Abstain
Proxy votes for Resolution 7 (%)	98.41%	1.10%	0.49%	
Proxy votes for Resolution 7 (quantity)	224,858,103	2,505,641	1,112,144	11,189,046





# MEETING CLOSE





# IMPORTANT NOTICE

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