

ASX ANNOUNCEMENT

15 AUGUST 2024

2024 FULL YEAR RESULTS

FINANCIAL HIGHLIGHTS

- Net operating profit (distributable income) of \$62 million, up 4.7% on prior year
- Statutory net profit \$57.5 million, down 22.5% on prior year
- Earnings per security¹ (EPS) of 17.65 cents, up 3.2% on prior year
- Distributions per security (DPS) of 17.4 cents, up 3.6% on prior year
- Total Assets of \$1.62 billion, up 3% on 30 June 2023
- Net Asset Value (NAV) per security of \$3.41, down 0.3% on 30 June 2023
- Completion of post balance date \$120 million Institutional Placement that was strongly supported by new and existing securityholders and offer to existing eligible security holders to participate in a Security Purchase Plan to raise up to another \$20 million
- Proforma gearing of 19.9% following post balance date Institutional Placement, compared with 21% as at 30 June 2023
- Reaffirming FY2025 DPS guidance of 18.25 cents per security², reflecting growth of 4.9% on FY2024

Income growth underpinned by ongoing disciplined capital management

Arena REIT (Arena) has today announced a net operating profit of \$62 million for the full year ended 30 June 2024, an increase of 4.7% on the prior corresponding period (pcp).

Key contributors to the result were income growth from contracted annual and market rent reviews and acquisitions and development projects completed in financial year 2023 (FY2023) and financial year 2024 (FY2024).

This result equated to EPS of 17.65 cents, an increase of 3.2% on the pcp. Arena has paid DPS of 17.4 cents for the full year, an increase of 3.6% on the pcp. Arena reaffirms financial year 2025 (FY2025) distribution guidance of 18.25 cents per security² (cps), an increase of 4.9% on FY2024.

Statutory net profit for the year was \$57.5 million, a decrease of 22.5% on pcp primarily due to a lower revaluation gain on investment properties and derivatives compared to the pcp.

Arena's total assets increased by 3% from 30 June 2023 to \$1.62 billion primarily as a result of acquisition and development capital expenditure. Arena's NAV was \$3.41 as at 30 June 2024 in line with \$3.42 at

¹ Earnings per security (EPS) is calculated as net operating profit over weighted average number of securities.

² FY2025 distribution guidance is estimated on a status quo basis assuming no new acquisitions or disposals and no material change in current market or operating conditions.



30 June 2023 as an increase in Arena's portfolio capitalisation rates have been offset by passing and market rent increases.

PORTFOLIO HIGHLIGHTS

- Weighted average lease expiry (WALE) of 18.5 years
- 99.7% portfolio occupancy
- Portfolio weighted average passing yield 5.4%
- Continued to progress solar renewable energy program
- Seven ELC development projects completed
- 14 ELC development projects acquired³
- Development pipeline of 21 ELC projects at a forecast total cost of \$139 million³
- Post balance date acquisition of six operating ELCs
- Average like-for-like rent increase of 4.9%

Investment proposition and partnership approach drives sustainable and commercial outcomes

Sustainability has been embedded across Arena's business strategies which best positions us to achieve positive long term commercial and community outcomes.

Sustainability outcomes delivered during FY2024 include:

- Zero organisational scope 1 and 2 emissions.
- 6-star rating for organisational NABERS energy co-assessment.
- Certified Carbon Neutral by Climate Active for business operations in 2022-2023.
- Certified Carbon Neutral by Climate Active for business services in 2022-2023.
- Registered to develop Arena's 'Reflect' Reconciliation Action Plan.
- Solar renewable energy systems installed on 90% of Arena's property portfolio.
- Adopted an Emission Reduction Plan targeting net zero Financed Emissions by 2050, with an interim 2030 target of a 60-70% reduction in the intensity of Arena's Financed Emissions⁴.
- A 36% absolute reduction and 42% reduction in the intensity of Arena's Financed Emissions⁴ to end FY2023.

Further information will be detailed in Arena's FY2024 Sustainability Report which is scheduled to be released in late September 2024.

Development project completions in FY2024

Arena completed seven ELC projects for a total investment of \$54.5 million, on a net yield on total cost of 5.1% with an initial weighted average lease term of 20 years.

Post balance date Acquisitions

The post balance date acquisition of six operating ELC properties was settled in late July 2024.

³ Includes four ELC development projects which were conditionally contracted as at 30 June 2024 and four ELC development projects which are in exclusive due diligence.

⁴ Financed Emissions are Scope 3 Category 15 emissions by indoor floor area measured in kgCO₂e/m² in line with supplemental guidance for the financial sector by the TCFD as compared with equivalent restated FY2021 baseline.

Development pipeline of \$139 million³

The development pipeline comprises 21 ELC projects with a forecast total cost of \$139 million; \$95 million of forecast capital expenditure remains outstanding. The weighted average net initial yield on forecast total cost on completion of the development pipeline is 6.0%.

Long portfolio WALE of 18.5 years

The portfolio WALE is 18.5 years following the ELC acquisitions and developments completed during FY2024.

Average like-for-like rent review increase of 4.9%

Rent reviews during the period resulted in an average like-for-like FY2024 rent increase of 4.9%. 26 FY2024 market rent reviews have been resolved at an average increase of 7.7%.

Stable portfolio valuation

At 30 June 2024, Arena's property portfolio comprised 267 ELC properties and development sites (91% of portfolio value) and 9 healthcare properties (9% of portfolio value). 127 properties were independently valued throughout FY2024 with the balance of the portfolio subject to directors' valuations. A valuation uplift of \$4 million was recorded, representing an increase of 0.25% from FY2023.

The portfolio's weighted average passing yield widened by 23 basis points to 5.39%. The weighted average passing yield on the ELC portfolio widened by 23 basis points and healthcare portfolio widened by 31 basis points. A summary is detailed below:

	No. of Properties ⁵	30 June 2024 Valuation	Revaluation movement (since 30 June 2023)		Weighted average passing yield	
		\$m	\$m	%	30 June 2024	Change
ELC portfolio	267	1,444	+7	+0.5	5.36	+23
Healthcare portfolio	9	135	-3	-2.5	5.68	+31
Total Portfolio	276	1,579	+4	+0.25	5.39	+23

ELC sector and portfolio update

Strong macroeconomic drivers continue to support the Australian ELC sector. The rising female workforce participation rate continues to drive demand for ELC services and the long day care participation rate over the medium to long term^{6,7}.

From July 2023 Australian families have benefitted from improved affordability measures⁸ including an increase in the maximum Childcare Subsidy (CCS) rate to 90% for the first child in care, retention of the increased CCS rate at a maximum of 95% for subsequent children in care; and increasing the CCS for every family (with one child in care) earning less than \$530,000 in annual household income.

⁵ Excludes four ELC development projects which were conditionally contracted as at 30 June 2024 and all post balance date Acquisitions.

⁶ ABS Labour Force status by Relationship in household, Sex, State and Territory.

⁷ Australian Government 'Early Childhood and Child Care in Summary' Reports 2012-2023.

⁸ [Labor's Plan for Cheaper Child Care | Policies | Australian Labor Party \(alp.org.au\)](https://www.alp.org.au/policies/cheaper-child-care)

These measures have been designed to improve lifelong learning prospects of Australian children; increase workforce participation; improve gender equality, including women's financial security; and stimulate economic activity over the medium to long term⁹.

The Federal Government has announced additional funding to support a 15% wage increase for early childcare education and care workers in services that agree to limit daily fee increases to 4.4% over the next 12 months. The increased funding is expected to result in improved staff availability and better outcomes for families.

Arena's ELC tenant partners reported the following underlying business operating data as at 31 March 2024¹⁰:

- Average daily fee of \$141.38, +0.6% from 30 September 2023 and +9.1% from 31 March 2023;
- Like-for-like operator occupancy is in line with March 2023 which was higher than any corresponding period over the prior seven years; and
- Net rent to revenue ratio of 10.3%¹¹.

Healthcare sector and Arena portfolio update

Arena's community-based healthcare and specialist disability accommodation portfolios continue to perform in-line with expectation.

The broader Australian healthcare sector is facing short term challenges arising from inflation and higher interest rates as well as sector specific funding issues. Accordingly, we anticipate short term downward pressure on some Australian healthcare real estate values as a result of more challenging operating conditions.

Over the longer-term, demand for Australian healthcare services is expected to increase due to supportive macroeconomic themes.

CAPITAL MANAGEMENT HIGHLIGHTS

- Weighted average facility term of 4.1 years with no expiry until May 2027
- Weighted average cost of debt of 4.0% as at 30 June 2024
- Gearing¹² of 22.6% as at 30 June 2024, proforma gearing of 19.9% following the post balance date Institutional Placement, compared with 21% at 30 June 2023
- Following the repayment of debt using part proceeds from the post balance date Institutional Placement, 86% of borrowings are hedged for a weighted average term of 4.5 years at the date of this announcement

Extension of borrowing facility

Arena extended the maturity dates on each tranche of its \$500 million syndicated borrowing facility during the period.

⁹ [Cheaper childcare: A practical plan to boost female workforce participation \(grattan.edu.au\)](https://grattan.edu.au)

¹⁰ Arena analysis based on operating data provided by Arena's tenant partners as at 31 March 2024.

¹¹ Assumes CCS fully covers a daily fee of approximately \$157.19 based on CCS capped hourly fee of \$14.29 per hour over an 11 hour day.

¹² Gearing calculated as ratio of net borrowings over total assets less cash.

As at 30 June 2024, the weighted average remaining facility term was 4.1 years with no expiry before 31 May 2027. Following the post balance date Institutional Placement, proforma undrawn debt facility capacity of \$182 million available to fund the development program and future growth opportunities.

Arena's weighted average cost of debt as at 30 June 2024 was 4.0% compared with 3.95% as at 30 June 2023.

Sustainable finance

Arena has a Sustainability-Linked Loan (SLL) overlaid across its existing \$500 million debt facility. Arena's Sustainable Finance Framework and SLL are aligned to the Sustainability-Linked Loan Principles.

Arena achieved 100% of the SLL margin discount for the FY2023 sustainability performance targets during the period.

Substantial capacity to fund new investment opportunities

Following the post balance date Institutional Placement, Arena's 30 June 2024 proforma gearing is 19.9%¹³ reduced from 21% as at 30 June 2023, with undrawn debt capacity of \$182 million to fund the balance of the development pipeline of \$95 million, and future growth opportunities. Arena raised \$17 million during FY2024 via the DRP, which remains open.

Commenting on Arena's financial position, Chief Financial Officer Mr Gareth Winter said "Arena has maintained capital management discipline through the cycle with consistent hedging programs, extension of facility term and the successful completion of the post balance date Institutional Placement; increasing capacity to deploy capital into growth opportunities consistent with strategy."

OUTLOOK

FY2025 distribution guidance of 18.25 cents per security¹⁴

Arena reaffirms FY2025 DPS guidance of 18.25 cents per security reflecting growth of 4.9% over FY2024.

Mr de Vos said "Strong macroeconomic drivers continue to support growth in the demand for essential community services across Australia. These themes, combined with Arena's disciplined origination, capital management and asset management expertise have positioned the business well to sustainably deliver on its purpose and investment objective of delivering predictable distributions to securityholders with the prospect for growth."

Teleconference

An investor teleconference will be held to provide an overview of the operating activities and financial results for the full year to 30 June 2024. Details of the teleconference are as follows:

Title: Arena REIT FY2024 Results

Date: Thursday 15 August 2024

Time: 10.00am AEST

¹³ Gearing calculated as ratio of net borrowings over total assets less cash.

¹⁴ FY2024 distribution guidance is estimated on a status quo basis assuming no new acquisitions or disposals and no material change in current market or operating conditions.

Registration: Investors wishing to participate in the teleconference must register [click here](#) to register.

Upon registration, investors will be emailed the teleconference dial-in number, the conference passcode and a unique access PIN for the call; this information will also be emailed to you as a calendar invitation.

A recording of the investor teleconference will also be made available on the Arena website.

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

– ENDS –

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About Arena REIT

Arena REIT is an ASX200 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.

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