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# Arena REIT

Acquisitions and Equity Raising Presentation

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21 May 2019



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# Overview

## Equity raising to fund recent acquisitions and maintain capacity for growth opportunities

Acquisitions	<ul style="list-style-type: none"><li>• Arena has settled, exchanged contracts or entered heads of agreement during 2H FY19 to acquire and develop additional social infrastructure properties with a total investment of \$62 million (the "Acquisitions"), including:<ul style="list-style-type: none"><li>– 3 specialist disability accommodation properties for a total investment of \$24 million<sup>1</sup></li><li>– 3 Early Learning Centre ("ELC") properties for a total investment of \$13 million</li><li>– 5 ELC developments with total anticipated project investment of \$25 million</li></ul></li><li>• The Acquisitions have a 6.5% weighted average net initial yield on total cost and 18 year WALE</li><li>• Arena is in exclusive due diligence on approx. \$30 million of new opportunities – some or all of these opportunities may not proceed</li></ul>
Strategic rationale	<ul style="list-style-type: none"><li>• The Acquisitions exhibit the following attractive investment characteristics:<ul style="list-style-type: none"><li>✓ Well located assets with strategic importance to the operations of the tenant</li><li>✓ Supported by fundamental demand drivers including population growth and increasing female workforce participation</li><li>✓ Secure defensive income underpinned by long lease terms, triple-net lease structures and contracted rental growth</li><li>✓ High quality tenants with a strong track record in healthcare and childcare operations</li></ul></li></ul>
Equity raising	<ul style="list-style-type: none"><li>• Equity raising to fund the Acquisitions and maintain balance sheet capacity to accommodate pipeline growth and speed of execution on opportunities:<ul style="list-style-type: none"><li>– A fully underwritten \$50 million institutional placement ("Institutional Placement") at an issue price of \$2.67 per Placement Security</li><li>– A non-underwritten Security Purchase Plan ("SPP") to eligible investors to raise up to \$5 million<sup>2</sup></li></ul></li></ul>
Financial impact and FY20 guidance	<ul style="list-style-type: none"><li>• Pro forma gearing of 25%<sup>3</sup> maintaining capacity to accommodate current pipeline opportunities</li><li>• Accretive to Earnings Per Security ("EPS")<sup>4</sup></li><li>• Accretive to Net Asset Value per Security ("NAV")</li><li>• Confirming FY19 distribution of 13.5 cents per security and advise FY20 distribution guidance of 14.3 cents per security<sup>5</sup> (+5.9% on FY19) representing a distribution yield of 5.4% at the Institutional Placement Offer Price</li></ul>

<sup>1</sup> Refer to Arena ASX Announcement dated 18 February 2019

<sup>2</sup> Eligible securityholders as at 7:00pm (AEST) on 20 May 2019 with a registered address in Australia or New Zealand. The Arena Board may (in its absolute discretion), where the total applications under the SPP exceed \$5 million, determine to increase the amount raised to reduce or eliminate the need to scale-back.

<sup>3</sup> Gearing calculated as ratio of drawn borrowings over total assets; includes the impact of the Institutional Placement but does not include any impact attributable to SPP.

<sup>4</sup> Earnings per security (EPS) calculated as net operating profit over weighted average number of securities on issue.

<sup>5</sup> FY20 distribution guidance is estimated on a status quo basis assuming no acquisitions in addition to the Acquisitions, or disposals, all developments in progress are completed in line with forecast assumptions, and tenants comply with their lease obligations, it includes the impact of the Institutional Placement and SPP.



# Arena portfolio

Acquisition of 11 properties<sup>1</sup> on net yield on total cost of 6.5%<sup>2</sup> with 18 year WALE

Metric	31 Dec 18	Acquisitions	31 Dec 18 Pro Forma
Number of properties	218	11	229
Portfolio value (A\$m)	\$743 million	\$62 million	\$805 million
Weighted average yield (%)	6.5%	6.5%	6.5%
			31 May 19 Pro Forma
Weighted Average Lease Expiry ("WALE")	14.2 years	18.0 years	14.3 years <sup>3</sup>



SACARE The Gums, Salisbury - SA



ELC development concept - SA



ELC development concept - QLD



<sup>1</sup> Acquisitions since 31 December 2018.

<sup>2</sup> Weighted average net initial yield on total cost.

<sup>3</sup> Pro forma WALE of Arena's portfolio including Acquisitions (on completion) as at 31 May 2019.

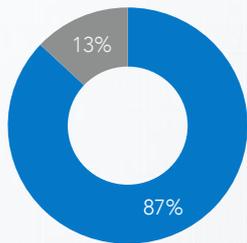
# Portfolio impact

Acquisitions improve portfolio diversification by sector, geography and tenant

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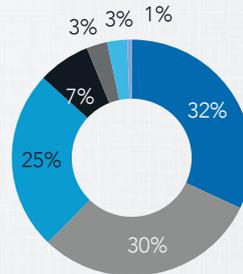
At 31 December<sup>3</sup> 2018

Sector diversification<sup>1</sup>



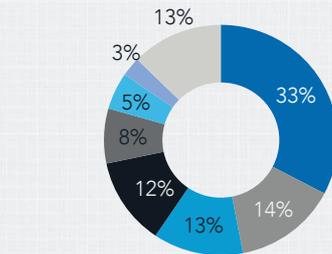
■ ELC ■ Healthcare

Geographic diversification<sup>1</sup>



■ QLD ■ VIC ■ NSW ■ WA  
■ TAS ■ SA ■ NT

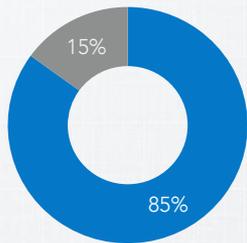
Tenant diversification<sup>2</sup>



■ Goodstart ■ Green Leaves  
■ Healius ■ Affinity Education  
■ G8 Education ■ Petit Early Learning  
■ Oxanda Childcare ■ Other

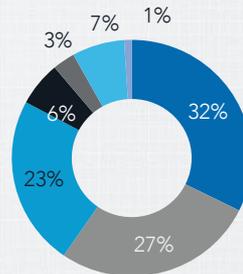
Post Acquisitions<sup>3</sup>

Sector diversification<sup>1</sup>



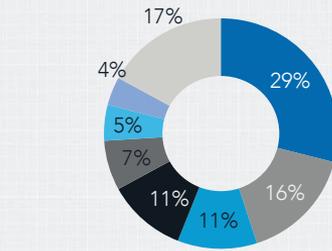
■ ELC ■ Healthcare

Geographic diversification<sup>1</sup>



■ QLD ■ VIC ■ NSW ■ WA  
■ TAS ■ SA ■ NT

Tenant diversification<sup>2</sup>



■ Goodstart ■ Green Leaves  
■ Healius ■ Affinity Education  
■ G8 Education ■ Petit Early Learning  
■ Oxanda Childcare ■ Other

<sup>1</sup> By portfolio value.

<sup>2</sup> By income.

<sup>3</sup> Totals may not add due to rounding.



# Acquisitions and development pipeline

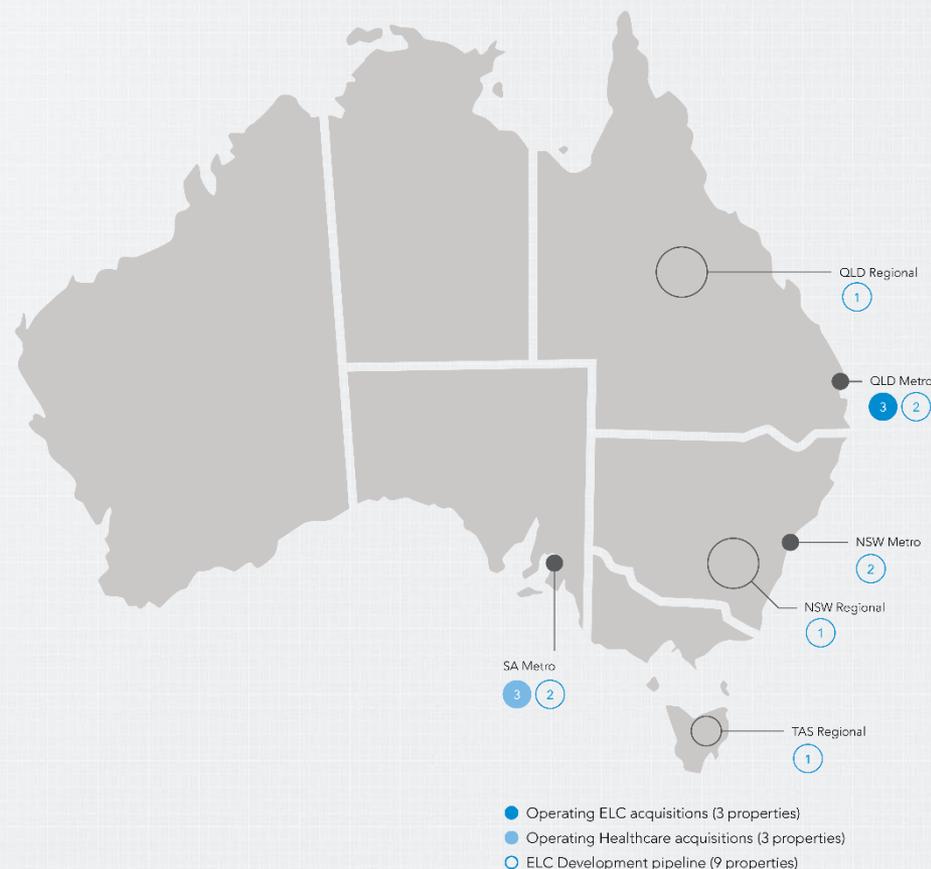
Six operating assets settled and five new projects added to development pipeline

## Operating asset acquisitions post 31 December 2018

Properties	Number	Total cost	Initial Yield on cost	Initial lease term
ELC	3	\$13m	6.8%	20 years
Healthcare	3	\$24m	6.0%	15 years

## Pro Forma development pipeline as at 31 December 2018

	Number of projects	Forecast total cost	Initial Yield on cost	Capex amount outstanding
Existing	4	\$21m	6.7%	\$11m
New projects	5	\$25m	6.7%	\$25m
Total	9	\$46m	6.7%	\$36m



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# Strategic rationale

## Acquisitions further enhance the defensive characteristics of Arena's existing portfolio



### Well located assets

- Strategic importance to the operations of the tenant
- Supported by fundamental demand drivers including population growth and increasing female workforce participation
- Enhanced portfolio geographic diversification



### Secure defensive income

- Security of income through long term leases
- Triple net lease structures
- Weighted average net initial yield on total cost of Acquisitions of 6.5%
- Weighted average lease expiry on Acquisitions of 18 years



### High quality tenants

- All ELC Acquisitions are or will be operated by existing Arena portfolio operators
- Strong operational track record in respective sectors
- Arena's preferred lease structures in place
- Enhanced tenant diversification



### Further diversifies existing social infrastructure portfolio

- Acquisitions consistent with strategy to grow and diversify Arena's existing healthcare portfolio and further diversify its portfolio of social infrastructure property
- Specialised high-care facilities leased to SACARE<sup>1</sup> with strong underlying demand for disability services



### Positive financial impact

- Accretive to FY20 EPS and NAV per security
- Gearing reduced to fund additional growth
- Gearing headroom assists speed of execution on new opportunities
- Maintain new investment capacity through prudent capital management



<sup>1</sup> SACARE is a leading provider of disability care and rehabilitation services in South Australia.

# ELC industry update

Industry characterised by fundamental demand drivers and supportive Government policy

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## Strong fundamental demand drivers

- Increased long day care (LDC) participation rate
- Increased female workforce participation rate
- Forecast population growth of over 17% in 0-4 years age group category from 2018 to 2029<sup>1</sup>



## Supportive government policy

- Child Care Subsidy (CCS) improved childcare affordability by an average of 11%<sup>4</sup> from July to December 2018
- Preschool funding extended to FY2020
- Bipartisan support continues for the early learning sector



## Moderating supply environment

- New and net ELC supply growth moderated during late 2018 due to:
  - credit tightening from banks;
  - exit of some smaller/community operators; and
  - generally more measured approach to growth across sector

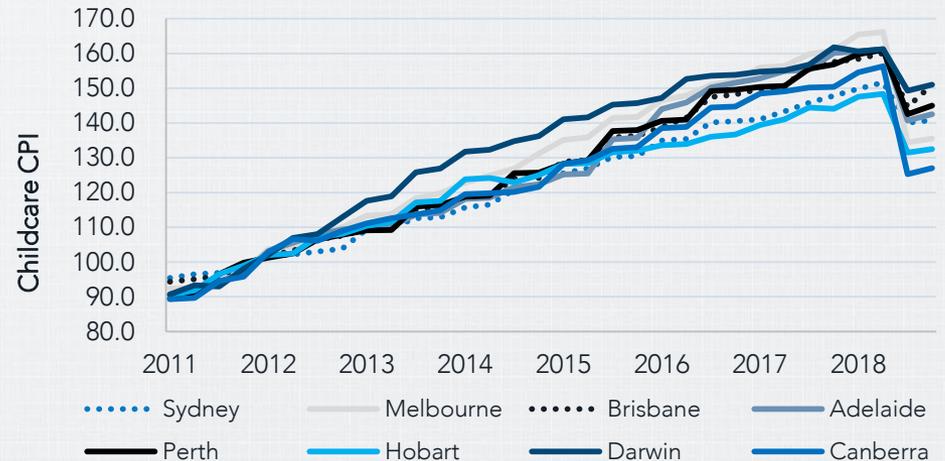
LDC participation rate 0-4 years<sup>2</sup>



Female workforce participation rate<sup>3</sup>



Childcare CPI by Capital City<sup>4</sup>



<sup>1</sup> ABS Population Projections, Australia 2017-2066 medium assumptions.

<sup>2</sup> Australian Government 'Early Childhood and Child Care in Summary' Reports 2012-2018.

<sup>3</sup> Australian Bureau of Statistics Female Labour Force Participation Rate (females aged 20-74 with at least one dependant child of ELC age).

<sup>4</sup> ABS 6461.0 Consumer Price Index: Australia.



# Equity raising overview

**\$50 million fully underwritten Institutional Placement and non-underwritten SPP to raise up to \$5 million<sup>1</sup>**

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<p><b>Institutional Placement offer structure and price</b></p>	<ul style="list-style-type: none"> <li>Fully underwritten Institutional Placement to raise \$50 million</li> <li>Institutional Placement issue price of \$2.67 per Placement Security                             <ul style="list-style-type: none"> <li>– 4.3% discount to the last closing price of \$2.79 on 20 May 2019</li> <li>– 2.4% discount to the 5-day Volume Weighted Average Price (“VWAP”) of \$2.74 to 20 May 2019</li> <li>– Represents an FY20 distributable earnings yield of 5.4%</li> </ul> </li> </ul>
<p><b>Use of proceeds</b></p>	<ul style="list-style-type: none"> <li>Equity raising to fund Acquisitions and maintain capacity for further growth opportunities</li> </ul>
<p><b>Security Purchase Plan (SPP)</b></p>	<ul style="list-style-type: none"> <li>Eligible securityholders<sup>2</sup> will be invited to subscribe for up to \$15,000 of SPP Securities per securityholder, free of transaction and brokerage costs</li> <li>The SPP offer price will be the issue price of the Institutional Placement adjusted for distribution entitlements in respect of the June 2019 quarter</li> <li>The Issue date of the SPP Securities will be 1 July 2019 and they will not participate in the June 2019 quarter distribution</li> <li>Further information in relation to the SPP will be dispatched to eligible securityholders on or around 3 June 2019</li> </ul>
<p><b>Underwriting</b></p>	<ul style="list-style-type: none"> <li>The Placement is fully underwritten by Morgan Stanley Australia Securities Limited</li> </ul>
<p><b>Ranking</b></p>	<ul style="list-style-type: none"> <li>Placement Securities will rank pari passu with existing securities on the date of issue and will be entitled to the distribution for the 3 months ending 30 June 2019 (3.375 cents per security)</li> <li>SPP Securities will be issued on 1 July 2019 and will only be entitled to distributions declared after that date</li> </ul>



<sup>1</sup> The Arena Board may (in its absolute discretion), where the total applications under the SPP exceed \$5 million, determine to increase the amount raised to reduce or eliminate the need to scale-back.

<sup>2</sup> Eligible securityholders are holders of existing Arena securities as at 7:00pm (AEST) on 20 May 2019 with a registered address in Australia or New Zealand.

# Equity raising overview (continued)

## Sources and uses of funds

Sources of funds <sup>1</sup>	\$ million
Institutional Placement	50
Existing debt facilities	13
<b>Total Sources</b>	<b>63</b>

Uses of funds	\$ million
Acquisition and development funding	62
Transaction costs	1
<b>Total Uses</b>	<b>63</b>

## Pro Forma Balance Sheet

	31 Dec 18 (\$ million)	Acquisitions and Institutional Placement <sup>1</sup> (\$ million)	31 Dec 18 Pro Forma (\$ million)
Cash	7.8		7.8
Receivables and other assets	13.0		13.0
Investment properties	742.9	62.0	804.9
<b>Total assets</b>	<b>763.7</b>		<b>825.7</b>
Trade and other liabilities	5.6		5.6
Distributions payable	9.2		9.2
Borrowings	195.1	13.0	208.1
Derivatives	2.6		2.6
<b>Total liabilities</b>	<b>212.5</b>		<b>225.5</b>
<b>Net assets</b>	<b>551.2</b>	<b>49.0</b>	<b>600.2</b>
Number of securities on issue (m)	271.3	18.7	290.0
Net asset value per security (\$)	2.03		2.07
Gearing <sup>2</sup>	25.7%		25.3%

<sup>1</sup> Excludes any impact attributable to the SPP.

<sup>2</sup> Gearing calculated as ratio of drawn borrowings over total assets; includes the impact of the Institutional Placement but does not include any impact attributable to SPP.



# Indicative timetable

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Event	Date
Trading halt and announcement of Equity Raising	Tuesday 21 May 2019
<b>Institutional Placement</b>	
Institutional Placement bookbuild	Tuesday 21 May 2019
Announcement of outcome of Institutional Placement	Wednesday 22 May 2019
Trading halt lifted	Wednesday 22 May 2019
Settlement of Placement Securities under the Institutional Placement	Friday 24 May 2019
Allotment and trading of Placement Securities issued under the Institutional Placement	Monday 27 May 2019
<b>SPP</b>	
Record date for SPP	7pm Monday 20 May 2019
SPP offer period	9am Monday 3 June to 5pm Tuesday 25 June 2019
Allotment of Securities issued under the SPP	Monday 1 July 2019
Securities issued under the SPP commence trading on ASX	Tuesday 2 July 2019
Holding statement dispatch date	Tuesday 2 July 2019



# Conclusion and outlook

## Accretive Acquisitions and balance sheet strengthened to fund additional growth

### Acquisitions and Equity Raising

- ✓ Acquisitions exhibit the following attractive investment characteristics;
  - Well located assets with strategic importance to the operation of the tenant
  - Supported by fundamental demand drivers including population growth and increasing female workforce participation
  - Secure defensive income underpinned by long lease terms, triple-net lease structures and contracted rental growth
  - High quality tenants with a strong track record in healthcare and childcare operations
- ✓ Attractive acquisition metrics, with a weighted average net initial yield on total cost of 6.5% and 18 year WALE
- ✓ The Transaction is accretive to FY20 EPS<sup>1</sup> and NAV per security
- ✓ Balance sheet strengthened via reduced gearing, providing additional capacity to pursue accretive acquisitions in future

### Outlook

- ✓ Confirming FY19 distribution of 13.5 cents per security
- ✓ Provide FY20 distribution guidance of 14.3 cents per security<sup>2</sup> (+5.9% on FY19) representing a distribution yield of 5.4% at the Institutional Placement price
- ✓ Pro forma gearing of 25%<sup>3</sup> maintaining capacity to accommodate pipeline opportunities
- ✓ Arena is presently in exclusive due diligence on approximately \$30 million of new opportunities – some or all of these opportunities may not proceed

<sup>1</sup> Earnings per security (EPS) calculated as net operating profit over weighted average number of securities on issue.

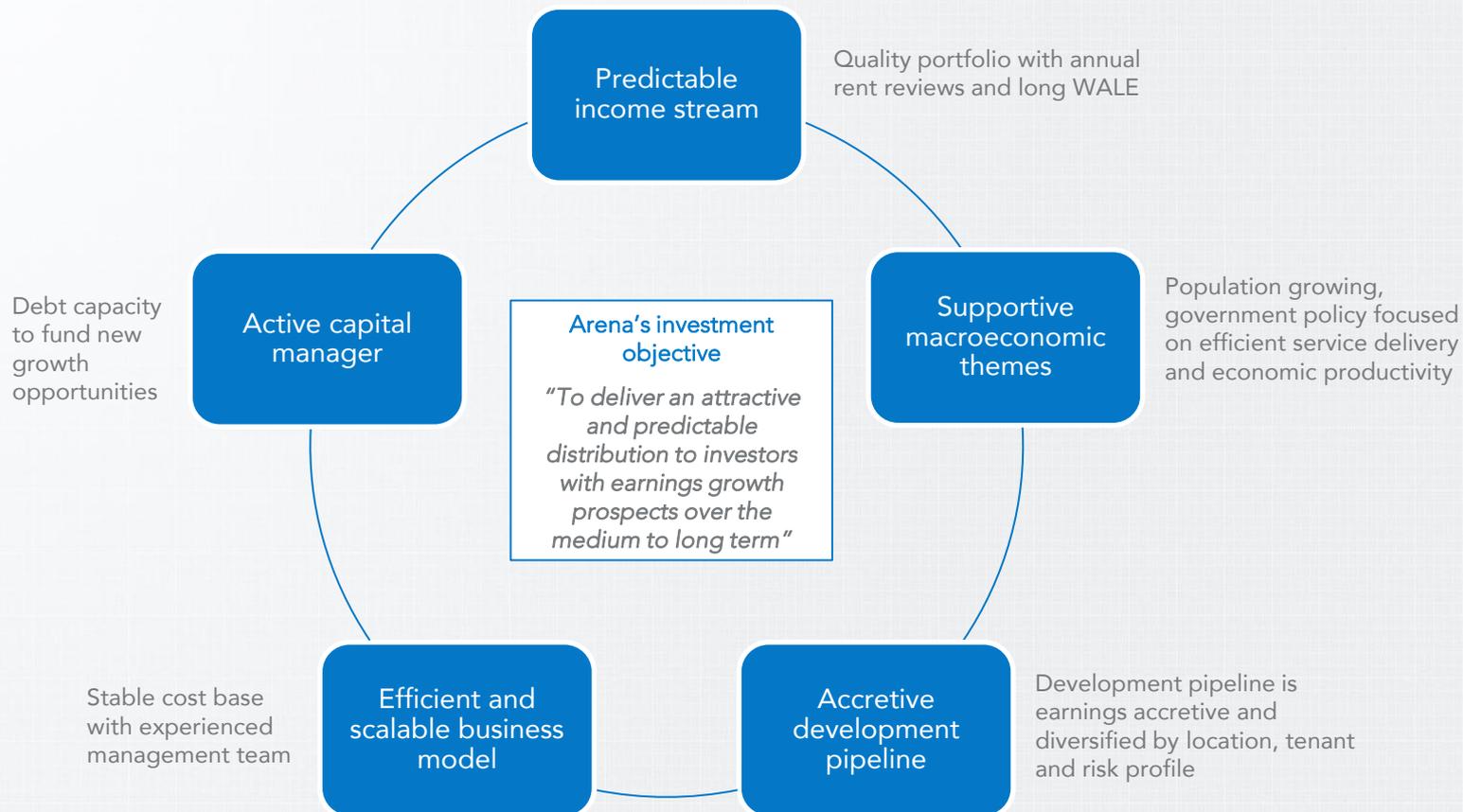
<sup>2</sup> FY20 distribution guidance is estimated on a status quo basis assuming no acquisitions in addition to the Acquisitions, or disposals, all developments in progress are completed in line with forecast assumptions, and tenants comply with their lease obligations, it includes the impact of the Institutional Placement and SPP.

<sup>3</sup> Gearing calculated as ratio of drawn borrowings over total assets; includes the impact of the Institutional Placement but does not include any impact attributable to SPP.



# Arena strategically well positioned

High level of long term contracted earnings with growth prospects



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# Appendix A

Key Risks



# Key risks

Investors should carefully consider the risk factors described below. If you require further information regarding the appropriateness or potential risks of investing in Arena REIT, you should seek appropriate financial, legal, taxation and other necessary advice. All investments involve risk and there are many factors that can impact on the performance of an investment. This summary details some of the major risks that you should be aware of when investing in Arena REIT. Investors should be aware that the list of risks described below may not cover all possibilities and should also consider risks specific to their situation.

## Key risks relating to Arena REIT

### (a) Concentration risk

The current portfolio of Arena REIT is invested in childcare centres, medical centres and childcare development sites. Adverse events to the childcare and/or healthcare property sectors may result in general deterioration of tenants' ability to meet their lease obligations across the portfolio or to future growth prospects of the current portfolio. Any material deterioration in the operating performance of tenants may result in them not meeting their lease obligations which could reduce Arena REIT's income and portfolio value if a suitable replacement cannot be found.

### (b) Tenant risk

Arena REIT relies on tenants to generate the majority of its revenue. A substantial proportion of Arena REIT's tenants are not for profit companies limited by guarantee or private companies. If a tenant is affected by financial difficulties it may default on its rental or other contractual obligations which may result in loss of rental income or losses to the value of Arena REIT's properties.

### (c) Licensing

The provision of childcare and healthcare services are regulated activities. There is therefore a risk that if the relevant tenants' licence is revoked, no suitably qualified replacement tenant may be found.

### (d) Government policy risk and change in law

Childcare and healthcare operators rely heavily on government funding which, if reduced, may adversely impact the underlying demand for these services and therefore tenants' ability to meet lease obligations and/or their demand for these properties. There is a risk that there may be changes in legislation, government policies or legal or judicial interpretation relating to the childcare and/or healthcare sectors and/or contractual arrangements including leases.

### (e) Alternative use risk

The risks associated with investing in property assets can be greater for special purpose facilities such as childcare and healthcare properties, which may require extensive

### (e) Alternative use risk (continued)

expenditure and rezoning to be suitable for other commercial purposes.

Arena REIT's performance depends in part on the demand for childcare and healthcare properties in Australia. Most childcare and healthcare properties would require extensive expenditure and rezoning to be suitable for other commercial purposes.

### (f) Acquisitions and divestments

Arena REIT intends to make additional acquisitions of assets in accordance with its investment strategy. Future acquisitions may affect Arena REIT's financial performance. The value of Arena REIT's properties may vary as a consequence of general market conditions, the property market, or factors specific to an individual property. Arena REIT may be required to sell one or more properties, which may result in a capital loss.

### (g) Re-leasing and vacancy

There is a risk that Arena REIT may not be able to negotiate suitable lease extensions with existing tenants or replace outgoing tenants with new tenants on substantially the same terms. Arena REIT could also incur additional costs associated with re-leasing the properties. Re-leasing the properties would depend on numerous market conditions and financial considerations prevalent at that time.

### (h) Rental income

Distributions made by Arena REIT are largely dependent upon the rents received from its property portfolio and expenses incurred during operations. Arena REIT has made a number of assumptions in relation to the level of rental income Arena REIT will receive. However, rental income may differ from those assumptions and may be affected by a number of factors, including:

- (i) overall macroeconomic conditions;
- (ii) competition from other childcare centres and healthcare properties;
- (iii) the financial condition of tenants;
- (iv) increase in rental arrears and vacancy periods;
- (v) changes in government policies relating to the childcare and healthcare sectors; and
- (vi) supply and demand in the property market.

### (i) Property valuations

Changes in the property market, especially changes in the valuation of properties and in market rents, may adversely affect Arena REIT's financial performance and the price of Arena REIT Securities (including Placement Securities). In addition, the valuations of Arena REIT's properties are the best estimates at the time of undertaking the valuation and may not reflect the actual price a property would realise if sold. The valuations are subject to a number of assumptions which may prove to be inaccurate.

### (j) Fund-through development risks

Arena REIT may acquire assets on a 'fund-through' basis, under which Arena REIT settles vacant or partially improved land purchases and then makes periodic payments based on quantity surveyor certification.



# Key risks (continued)

## **(j) Fund-through development risks (continued)**

There is a risk that delays or issues relating to the development of a site could delay its completion. Any significant delays in completion could have an adverse effect on Arena REIT's financial performance.

There is also a risk that a developer or its contractors and consultants, encounter financial or other difficulties in developing a site and as a result, the developer could default on its development obligations to Arena REIT. If this occurs, there is a risk that Arena REIT will incur additional costs in attempting to complete the development. Arena REIT enters into agreements with builders allowing Arena REIT the right to step in and take over construction contracts if developers default, but exercising these rights may incur additional construction and/or development costs.

## **(k) General development risk**

In certain circumstances, Arena REIT may be exposed to development risk, resulting from the development of new properties, the refurbishment of existing properties or additions and extensions to existing properties. Property development carries a number of risks, including:

- (i) issues surrounding applications for planning approvals from local authorities which can result in delays or require amendments to plans both of which may result in increased costs;
- (ii) breach of contract by building contractors; and
- (iii) unforeseen circumstances which cause project delays or increases to building costs.

A number of factors affect the earnings, cash flows and valuations of commercial property developments, including construction costs, scheduled completion dates and securing tenants at estimated rental income.

## **(l) Property liquidity**

Property assets are by their nature illiquid investments. Arena REIT may not be able to realise the assets within a short period of time or may not be able to realise assets at valuation. This may affect Arena REIT's net asset value or the trading price of Arena REIT Securities.

## **(m) Environmental issues**

As with any property, there is a risk that one or more of Arena REIT's properties may be contaminated now or in the future. Government environmental authorities may require such contamination be remediated. There is always a residual risk that Arena REIT may be required to undertake any such remediation at its own cost.

In addition, environmental laws impose penalties for environmental damage and contamination which can be material in size. Exposure to hazardous substance at a property within Arena REIT's portfolio could result in personal injury claims. Such a claim could prove greater than the value of the contaminated property. An environmental issue may also result in interruptions to the operations of a property, including the closure of the property. Any lost income caused by such an interruption to operations may not be recoverable.

## **(n) Occupational health and safety**

There is a risk that liability arising from occupational health and safety matters at one or more of Arena REIT's properties may be attributable to Arena REIT as the landlord instead of, or as well as, the tenant. To the extent that any liabilities may be borne by the Arena REIT, this may impact upon the financial performance of Arena REIT (to the extent not covered by insurance). In addition, penalties may be imposed upon Arena REIT which may have an adverse impact on Arena REIT.

## **(o) Capital expenditure**

Capital expenditure may exceed Arena REIT's current forecasts which could adversely impact Arena REIT's financial performance.

## **(p) Insurance**

Arena REIT maintains a range of insurances relating to its properties with policy specifications and insured limits that it believes to be customary in the industry. However, potential losses of a catastrophic nature such as those arising from earthquakes, terrorism or severe flooding may be uninsurable or not insurable on reasonable financial terms, may not be insured at full replacement costs or may be subject to large excesses. The nature and cost of insurance has been based upon the best estimate of likely circumstances. However, various factors may influence premiums to a greater extent than those forecast, which may in turn have a negative impact on the financial performance of Arena REIT.

## **(q) Investment characteristics**

Arena REIT is exposed to the risks associated with the external management of investment syndicates, including the wind down of such investment syndicates and the associated loss of management fee income and cost recoveries.

## **(r) Regulatory risks**

Arena REIT conducts its business in a highly regulated industry and must comply with the requirements of its Australian Financial Services Licence, the Corporations Act, ASIC, ASX and other regulators. Non-compliance with regulatory requirements may result in financial penalties, additional expense or reputation damage to Arena REIT. In addition, changes to regulation may result in increased costs to Arena REIT in order to comply with regulatory requirements, and an increased risk of non-compliance with new and complex regulation.



# Key risks (continued)

## (s) Dependency on key staff

The specialised nature of Arena REIT's asset portfolio requires a manager with extensive experience in the childcare and healthcare sectors. The loss of key staff or inability to attract new qualified staff could adversely affect Arena REIT's operations and performance.

## Key risks relating to investing in Arena REIT Securities (including Placement Securities)

### (a) Economic and market conditions

A number of factors affect the performance of the equity market, which could affect the price at which Arena REIT Securities (including Placement Securities) trade on the ASX. Among other things, movements on international and domestic stock markets, interest rates, exchange rates, inflation and inflationary expectations and overall economic conditions, economic cycles, investor sentiment, political events and levels of economic growth, both domestically and internationally as well as government taxation and other policy changes may affect the demand for, and price of Arena REIT Securities (including Placement Securities). Additionally, equity markets can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of Arena REIT.

### (b) Distribution guidance

No assurances can be provided in relation to the payment of future distributions. Future determinations as to the payment of distributions by Arena REIT will be at the discretion of Arena REIT and will depend upon the availability of profits, the operating results and financial conditions of Arena REIT, future capital requirements, covenants in relevant debt facilities, general business and financial conditions and other factors considered relevant by Arena REIT. No assurance can be given in relation to the level of tax deferral of future distributions. Tax deferred capacity will depend upon the amount of tax depreciation available and other factors.

### (c) Trading liquidity

Liquidity of Arena REIT Securities (including Placement Securities) will be independent on the relative volume of buyers and sellers in the market at any given time, which may be impacted by various factors. Large Security holders choosing to trade out of their positions may also affect the market by absorbing trading liquidity.

### (d) Dilution risk

As Arena REIT issues Securities (including Placement Securities) to new Investors, existing Security holders proportional beneficial ownership in the underlying assets of Arena REIT and proportional entitlement of any distributions may be reduced.

## (e) Funding

Arena REIT's ability to raise funds from either debt or equity sources in the future depends on a number of factors, including, the state of debt and equity markets, the general economic and political climate and the performance, reputation and financial strength of Arena REIT.

## Other risks related to Arena REIT and property fund investments

### (a) Interest rates

Unfavourable movements in interest rates relating to Arena REIT's debt facilities could lead to increased interest expense, to the extent that interest rates are not hedged.

### (b) Banking obligation risk

Under Arena REIT's debt facilities, Arena REIT is subject to a number of undertakings and covenants, including in relation to gearing levels and interest cover ratios. An event of default would occur if Arena REIT fails to maintain these financial covenants. This may be caused by unfavourable movements in interest rates (to the extent interest rates are not hedged) or deterioration in the income or the value of Arena REIT's investments. In the event that an event of default occurs, the lender may require immediate repayment of Arena REIT's debt facilities. Arena REIT may need to dispose of assets for less than valuation, raise additional equity or reduce or suspend distributions in order to repay Arena REIT's debt facilities, if this occurs.

### (c) Financing

There is a risk that Arena REIT may not be able to refinance its debt facilities and/or interest rate hedge before expiry or may not be able to refinance them on substantially the same terms as Arena REIT's existing facility and/or hedge instruments.

### (d) Gearing

Arena REIT's gearing level will magnify the effects of any changes in interest rates or changes in property values or performance measures. If the level of gearing increases over the term of Arena REIT's debt facilities, this may affect the ability of Arena REIT to refinance its debt facilities.

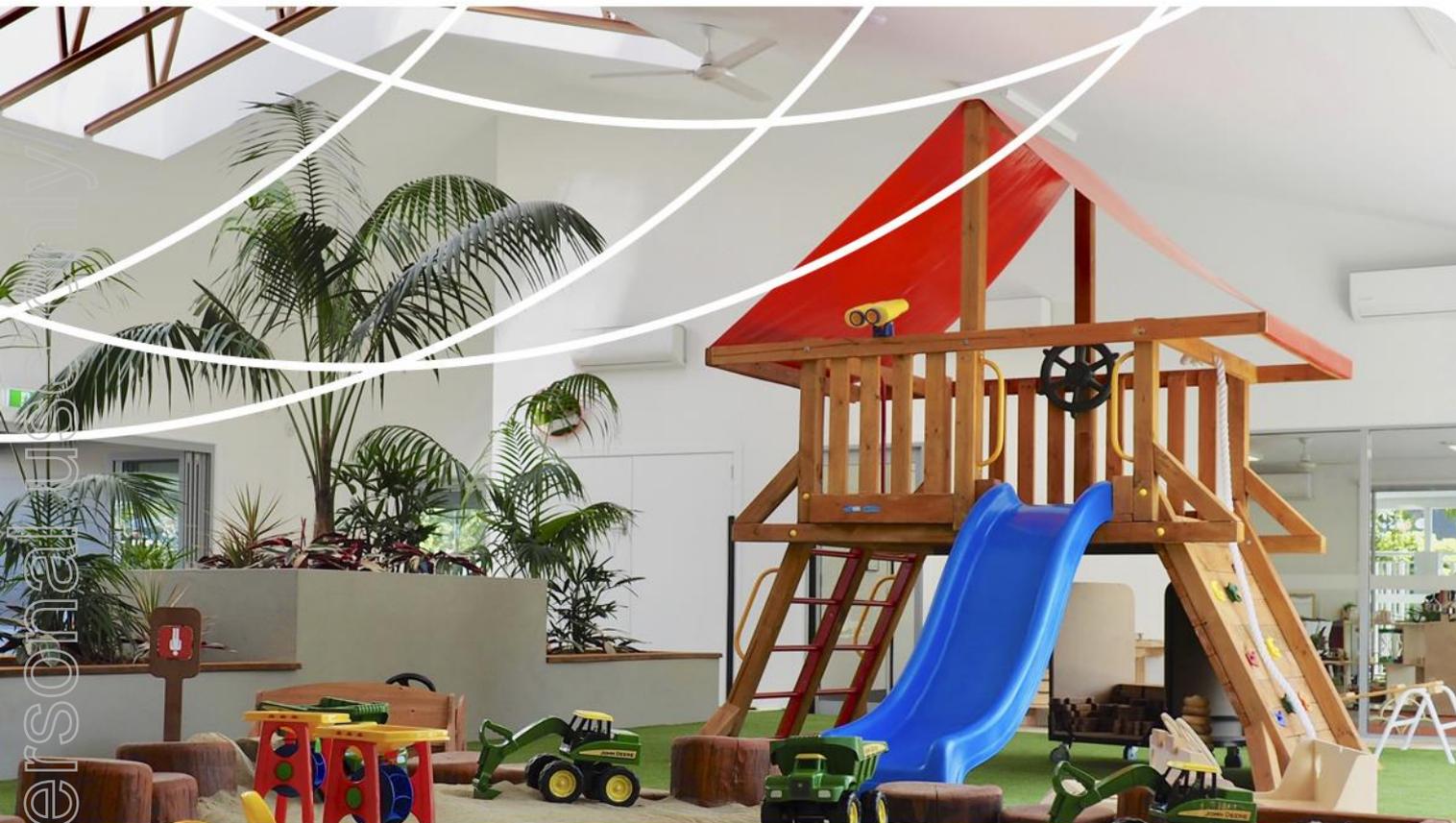
### (e) Litigation

Arena REIT may in the ordinary course of business be involved in possible litigation and disputes (for example, tenancy disputes, development disputes, occupational health and safety claims or third party claims). A material or costly dispute or litigation may adversely affect the operational and financial results of Arena REIT.

### (f) Tax and stamp duty

Changes in tax or stamp duty law or changes in the way tax or stamp duty law is expected to be interpreted in Australia may adversely impact Arena REIT's financial performance and the value of Arena REIT securities.





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# Appendix B

International Offer Restrictions



# International Offer Restrictions

This document does not constitute an offer of new stapled securities ("New Securities") of Arena REIT in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Securities may not be offered or sold, in any country outside Australia except to the extent permitted below.

## **Canada (British Columbia, Ontario and Quebec provinces)**

This document constitutes an offering of New Securities only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such New Securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – *Prospectus Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Securities or the offering of New Securities and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Securities or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Securities in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements.

These resale restrictions may in some circumstances apply to resales of the New Securities outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Securities.

Arena REIT as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon Arena REIT or its directors or officers. All or a substantial portion of the assets of Arena REIT and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against Arena REIT or such persons in Canada or to enforce a judgment obtained in Canadian courts against Arena REIT or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

### *Statutory rights of action for damages and rescission*

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.



# International Offer Restrictions

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Securities purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against Arena REIT if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against Arena REIT. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Securities during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against Arena REIT, provided that (a) Arena REIT will not be liable if it proves that the purchaser purchased the New Securities with knowledge of the misrepresentation; (b) in an action for damages, Arena REIT is not liable for all or any portion of the damages that Arena REIT proves does not represent the depreciation in value of the New Securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the New Securities were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action.

These rights are in addition to and not in derogation from any other right the purchaser may have.

*Certain Canadian income tax considerations.* Prospective purchasers of the New Securities should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the New Securities as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

*Language of documents in Canada.* Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Securities (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

## Hong Kong

WARNING: This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).



# International Offer Restrictions

No advertisement, invitation or document relating to the New Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## **New Zealand**

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (New Zealand) (the "FMC Act"). The New Securities are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

## **Singapore**

This document has not been registered as a prospectus with the Monetary Authority of Singapore ("MAS") and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (the "SFA") in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. Arena REIT is not a collective investment scheme authorised under Section 286 of the SFA or recognised by the MAS under Section 287 of the SFA and the New Securities are not allowed to be offered to the retail public.

This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Securities may not be circulated or distributed, nor may the New Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

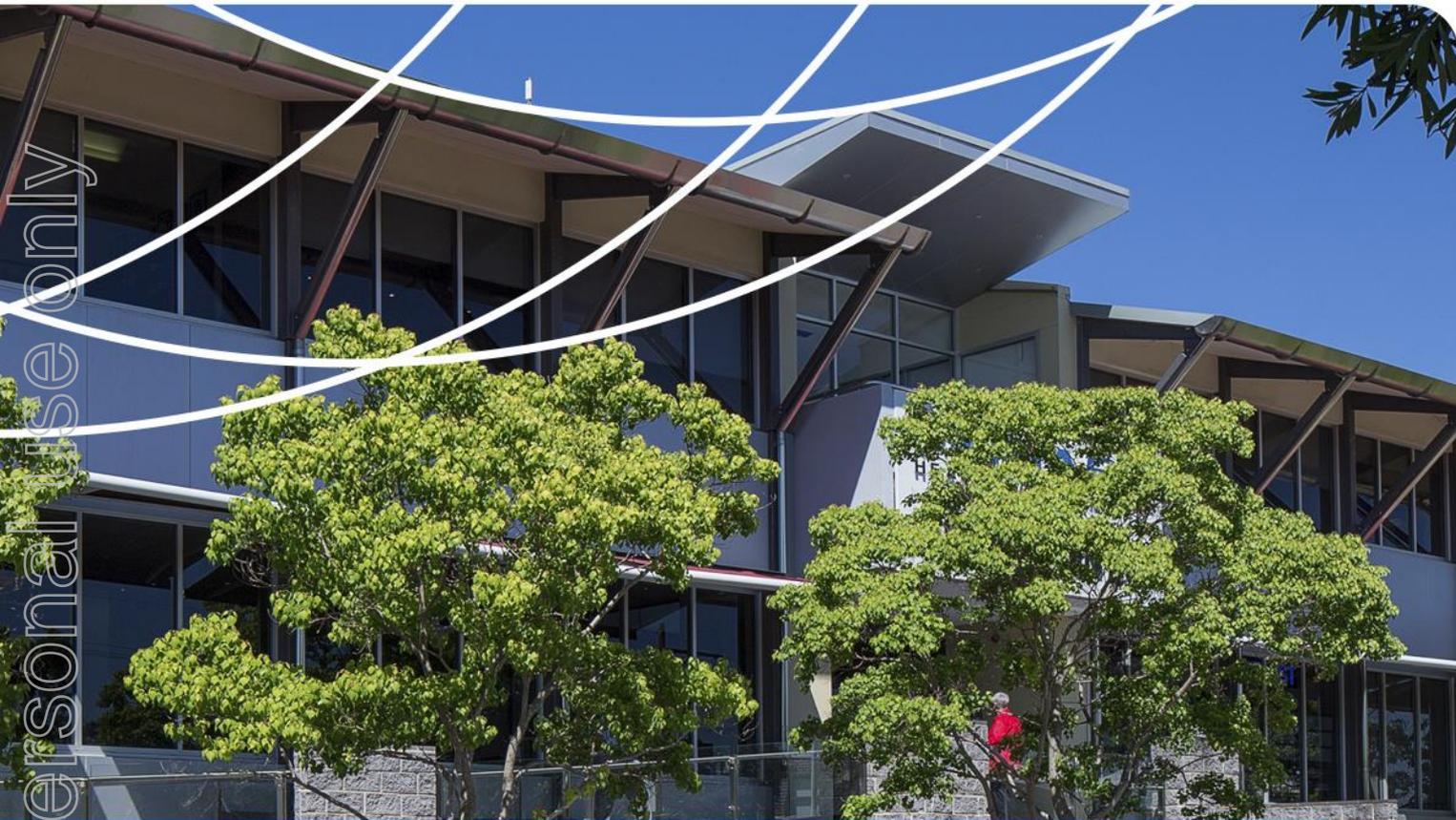
This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an "institutional investor", please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## **United States**

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Securities have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.





# Appendix C

Glossary



**Arena**

# Glossary

Acquisitions	The acquisitions outlined in this presentation
Arena	Arena REIT 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)
ASX	Australian Securities Exchange
CCS	Australian Child Care Subsidy which came into effect 2 July 2018
ELC	Early learning centre
EPS	Earnings per share calculated as net operating profit over weighted average number of securities on issue
Institutional Placement	The Institutional Placement outlined in this presentation
FY	Financial year
Gearing	Gearing calculated as ratio of drawn borrowings over total assets
Initial Yield	Initial net rent at commencement of lease divided by the property purchase price
LDC	Long day care services
NAV	Net asset value
Placement Security/Securities	The Securities being offered under the Institutional Placement detailed in this presentation
REIT	Real Estate Investment Trust
Security/Securities	A stapled security comprising one unit in Arena REIT No. 1 (ARSN 106 891 641), one unit in Arena REIT No. 2 (ARSN 101 067 878) and one share in Arena REIT Limited (ACN 602 365 186)
SPP	The Security Purchase Plan outlined in this presentation and the SPP Offer Booklet dated 21 May 2019
Transaction	The Acquisitions, Institutional Placement and initiatives outlined in this presentation
VWAP	Volume weighted average price
WALE	Weighted average lease expiry (by income)

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