

ASX ANNOUNCEMENT

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2 JUNE 2020

ARENA REIT EQUITY RAISING

- Arena REIT Group (“**Arena**”) today announces it is undertaking a fully underwritten A\$50 million institutional placement (“**Institutional Placement**”) at an issue price of A\$2.28 per new Stapled Security (“**Security**”) to provide capacity to pursue further social infrastructure property investments.
- It will also offer a non-underwritten Security Purchase Plan (“**SPP**”) to eligible securityholders to raise up to A\$10 million¹
- FY20 distribution guidance of 13.9 to 14.0 cents per security^{2,3} (+3.0% - 3.7% on FY19) reaffirmed

Strategic Rationale

The proceeds of the equity raising will be used by Arena to provide capacity to pursue further social infrastructure property investments. Post the Institutional Placement, Arena’s pro forma 31 December 2019 gearing will reduce to 17.6%⁴.

Arena has a track record of deploying capital in a disciplined manner and this equity raising provides capacity to continue with Arena’s investment objective to provide predictable distributions with earnings growth prospects over the medium to long term. Over the last 3 years, Arena has, on average, deployed approximately \$75m per annum into developments and acquisitions. Since IPO (June 2013), Arena has actively managed its portfolio, completing 37 operating asset acquisitions, completed (or has in progress) 56 development projects and disposed of 26 assets to support growth and enhance portfolio quality.

The equity raising positions Arena to continue its growth strategy across the social infrastructure sector, by investing in opportunities via development and acquisition that exhibit some or all of the following investment characteristics:

¹ Eligible securityholders as at 7:00pm (AEST) on 1 June 2020 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 \$10 million, determine to increase the amount raised to reduce or eliminate the need to scale-back.

² Estimated on a status quo basis assuming no new acquisitions or disposals, developments in progress are completed in line with forecast assumptions, and tenants comply with their existing or adjusted lease obligations. It includes the impact of the Institutional Placement and SPP.

³ Refer to Arena ASX Announcement dated 21 May 2020.

⁴ Gearing calculated as ratio of borrowings over total assets; includes the impact of the Institutional Placement but does not include any impact attributable to the SPP.

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)

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- Relatively long lease terms
- Premises that have strategic importance to the operation of the tenant
- High credit quality or government tenants
- Leases where tenants are responsible for substantially all statutory and operating outgoings and costs including land tax, insurance and repairs and maintenance

Portfolio Update

Forecast FY20 average like-for-like rent of the portfolio increased by 3.4%⁵ (including the impact from completed FY19 market reviews but excluding the impact of any rent relief programs).

Independent preliminary draft valuations of 100% of Arena's portfolio received as at 1 June 2020 provide for an overall increase in portfolio value as at 30 June 2020 in the order of \$15 million which is equal to approximately 5 cents per security (NAV at 31 December 2019 was \$2.18) - these valuations are in draft and are preliminary and remain subject to finalisation and audit, and as such may be subject to further change.

At present Arena has a development pipeline of 20 development projects at a total forecast cost of \$112 million⁶ with \$67 million of capital expenditure outstanding. These projects are expected to be delivered over the next 18 months.

Operating Environment

All of Arena's properties remain open and continue to accommodate the provision of essential services to Australian communities.

The Government's response through the Early Childhood Education and Care Relief Package (ECECRP) and the JobKeeper package show a robust childcare and healthcare system will be integral to Government policy of rebuilding the Australian economy in the wake of COVID-19. Each of Arena's ELC tenant partners qualify for the ECERP and JobKeeper package.

Arena estimates approximately 23% of its tenants are covered under the National Cabinet Mandatory Code of Conduct, and rent relief agreements have been reached where justified. Approximately 90% of rental payments due from tenants has been received for the last 3 months (March to May 2020).

Rent relief provided to tenants has largely been deferred; the level of rental abatement for the last 3 months (March to May 2020) is not material.

ELC profitability has recently been constrained by increasing attendances and therefore rising costs being incurred at a time when Government funding has been fixed and operators are unable to charge fees. The Federal Government is reviewing the ECECRP and future support of the early learning sector beyond 30 June 2020 and until this is clarified, uncertainties will remain.

COVID-19 also continues to provide an environment of heightened economic uncertainty.

⁵ Excludes 26 FY20 unresolved market rent reviews.

⁶ Includes 4 projects that have not yet settled, awaiting satisfaction of planning or subdivision approvals.

The ELC sector is expected to benefit from thematic tailwinds such as Government support and strong fundamental demand drivers as demonstrated by the record long day care and female workplace participation rates observed prior to the onset of the COVID-19 pandemic.

The Australian healthcare sector will also continue to be supported by a growing and ageing population and the increased prevalence of chronic health conditions.

Institutional Placement

Arena is undertaking a fully underwritten A\$50 million Institutional Placement at an issue price of A\$2.28 per Placement Security. E&P Corporate Advisory Pty Limited is acting as adviser to the transaction.

The issue price represents a 5.0% discount to the last closing price of A\$2.40 on 1 June 2020; and 7.3% discount to the five-day Volume Weighted Average Price of A\$2.4594 to 1 June 2020.

It is intended that eligible institutional securityholders who bid for up to their 'pro rata' share of new securities under the Institutional Placement will be allocated their full bid, on a best endeavours basis.^{7,8}

From the date of issue, securities issued under the Institutional Placement will rank equally with existing securities on issue. Institutional Placement Securities will be entitled to the distribution for the 6 months ending 30 June 2020.

The Securities issued under the Institutional Placement are expected to be allotted and commence trading on 9 June 2020.

SPP

Following the completion of the Institutional Placement, Arena will offer eligible securityholders resident in Australia and New Zealand on Arena's register as at 7:00pm (AEST) on Monday 1 June 2020, the opportunity to participate in a non-underwritten SPP to raise up to A\$10 million⁹. Eligible securityholders in Australia and New Zealand will be invited to subscribe for up to A\$30,000 of additional new securities per securityholder, free of transaction and brokerage costs.

⁷ For this purpose, an eligible institutional securityholder's 'pro-rata' share will be estimated by reference to Arena's beneficial register on 15 May 2020, but without undertaking any reconciliation and ignoring securities that may be issued under the SPP. Accordingly, unlike in a rights issue, this may not truly reflect the participating securityholder's actual pro-rata share. Nothing in this announcement gives a securityholder a right or entitlement to participate in the Placement and Arena has no obligation to reconcile assumed holdings (e.g. for recent trading or swap positions) when determining a securityholder's 'pro-rata' share. Institutional securityholders who do not reside in Australia or other eligible jurisdictions will not be able to participate in the Placement. Refer to the equity raising Presentation Appendix for the eligible jurisdictions and selling restrictions relevant to these jurisdictions. Arena and the underwriter disclaim any duty or liability (including for negligence) in respect of the determination of a securityholder's 'pro-rata' share.

⁸ Eligible institutional securityholders who bid in excess of their 'pro-rata' share as determined by Arena and the underwriter are expected to be allocated a minimum of their 'pro-rata' share on a best endeavors basis as set out in footnote 7 above, and any excess may be subject to scale back.

⁹ Eligible securityholders as at 7:00pm (AEST) on 1 June 2020 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 \$10 million, determine to increase the amount raised to reduce or eliminate the need to scale-back.

The Issue date of the SPP Securities will be 1 July 2020 and will only be entitled to distributions declared after that date. Accordingly the offer price under the SPP will be the issue price of the Institutional Placement adjusted down for distribution guidance in respect of distribution for the 6 months ending 30 June 2020.

Further information in relation to the SPP will be dispatched to eligible securityholders on or around 9 June 2020.

Transaction Impact

The impact of the Institutional Placement is:

- Existing FY20 distributions per Security guidance of 13.9 – 14.0 cents is maintained¹⁰
- Pro forma 31 December 2019 gearing reduced to 17.6%¹¹

Outlook and Guidance

Arena expects to pay a final FY20 distribution for the second half of FY20 in the range of 6.75 to 6.85 cents per Security. The payout ratio for H2 FY2020 has been adjusted so the distribution reflects rent receivable for the six month period net of rent deferrals. This will bring the full year FY20 distribution per Security to 13.9 to 14.0 cents¹².

¹⁰ Estimated on a status quo basis assuming no new acquisitions or disposals, developments in progress are completed in line with forecast assumptions, and tenants comply with their existing or adjusted lease obligations. It includes the impact of the Institutional Placement and SPP.

¹¹ Gearing calculated as a ratio of drawn borrowings over total assets; includes the impact of the Institutional Placement but does not include any impact attributable to the SPP

¹² Estimated on a status quo basis assuming no new acquisitions or disposals, developments in progress are completed in line with forecast assumptions, and tenants comply with their existing or adjusted lease obligations. It includes the impact of the Institutional Placement and SPP.

Indicative Transaction Timetable

Event	Date
Trading halt and announcement of Equity Raising	2 June 2020
Institutional Placement	
Institutional Placement bookbuild	2 June 2020
Announcement of outcome of Institutional Placement	3 June 2020
Trading halt lifted	3 June 2020
Settlement of Placement Securities under the Institutional Placement	5 June 2020
Allotment and trading of Placement Securities issued under the Institutional Placement	9 June 2020
SPP	
Record date for SPP	7pm 1 June 2020
SPP offer period	9am 9 June to 5pm 25 June 2020
Allotment of Securities issued under the SPP	1 July 2020
Securities issued under the SPP commence trading on ASX	2 July 2020
Holding statement dispatch date	2 July 2020

Important Information

Additional information about the Equity Raising (including "Key Risks") are contained in the presentation released to the ASX today.

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

– ENDS –

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About Arena REIT

Arena REIT is an ASX300 listed property group that owns, manages and develops 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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