

# ASX ANNOUNCEMENT

12 FEBRUARY 2025

## HY2025 RESULTS

### FINANCIAL HIGHLIGHTS

- Net operating profit (distributable income) of \$36 million, +16% on prior corresponding period (pcp)
- Statutory net profit of \$36 million, +87% on pcp
- Total Assets of \$1.8 billion, +10% on 30 June 2024
- Net Asset Value (NAV) per security of \$3.44, +0.9% on 30 June 2024
- Earnings per security (EPS) of 9.2 cents, +5.5% on pcp
- Distributions per security (DPS) of 9.125 cents, +4.9% on pcp
- Completion of \$120 million Institutional Placement and \$24 million Security Purchase Plan
- Reaffirm FY2025 full year distribution guidance of 18.25<sup>1</sup> cents, +4.9% on pcp

### New investment and annual rent increases underpinning distribution growth

Arena REIT (Arena) has today announced a net operating profit for the half-year ended 31 December 2024 of \$36 million, an increase of 16% on the pcp. Key contributors to the result were income growth from contracted annual rent reviews, acquisitions and development projects completed in half year 2025 (HY2025) and the full period effect from development projects completed in financial year 2024 (FY2024).

The HY2025 result equates to EPS of 9.2 cents, an increase of 5.5% on the pcp. Arena has paid DPS of 9.125 cents for the period, an increase of 4.9% on the pcp. Arena reaffirms financial year 2025 (FY2025) distribution guidance of 18.25<sup>1</sup> cents per security (cps), an increase of 4.9% on FY2024.

Statutory net profit for HY2025 was \$36 million, an increase of 87% primarily due investment property and derivative valuation gains compared to the pcp.

Arena's total assets increased by 10% from 30 June 2024 to \$1.8 billion due to the acquisition of operating ELC and key health worker accommodation properties and ELC development projects, and ELC development completions.

Mr de Vos said "Arena's investment activity accelerated during half year 2025 as the trajectory of debt costs became clearer and we utilised our competitive cost of capital and deal sourcing expertise to execute on emerging opportunities. With an expanded and experienced management team, Arena remains well positioned to capitalise on further growth opportunities that are consistent with our well-defined strategy and investment objective".

<sup>1</sup> 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.



## PORTFOLIO HIGHLIGHTS

- 11 operating properties acquired<sup>2</sup>
- Six ELC development projects completed
- Development pipeline of 19 ELC projects at a forecast total cost of \$131 million<sup>3</sup>
- Average like-for-like rent review increase of 3.2%
- Weighted average lease expiry (WALE) of 18 years
- 99.3% portfolio occupancy
- Portfolio weighted average passing yield 5.42%
- Continued to progress solar renewable energy program

### Acquisitions and development project completions in HY2025<sup>2</sup>

11 operating properties acquired at an average net initial yield of 6.1%<sup>4</sup> with weighted average initial lease term of 16 years. Six ELC development projects were completed for a total cost of \$43 million at an average net initial yield on total cost of 5.7%, with an initial weighted average lease expiry of 20 years.

### Development pipeline of \$131 million<sup>3</sup>

As at 31 December 2024 the development pipeline was comprised of 19 ELC projects with a forecast total cost of \$131 million; \$93 million of forecast capital expenditure remains outstanding. The weighted average initial yield on forecast total cost on completion of the development pipeline is 6.1%.

### Long portfolio WALE maintained at 18 years

The portfolio WALE is 18 years following the completion of acquisitions and ELC development projects during HY2025.

### Portfolio revaluation

As at 31 December 2024 Arena's property portfolio comprised 279 ELC properties and development sites (90% of portfolio value) and 10 healthcare properties (10% of portfolio value). 59 ELC properties and three healthcare properties were independently valued as at 31 December 2024, with the remaining ELC and healthcare properties and ELC development projects subject to Directors' valuation.

The portfolio's weighted average passing yield increased by 3 basis points to 5.42%. The weighted average passing yield on the ELC portfolio was unchanged and healthcare portfolio increased by 32 basis points. A summary is detailed below:

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<sup>2</sup> Includes two operating acquisitions which were conditionally contracted as at 31 December 2024.

<sup>3</sup> Includes eight ELC development projects which were conditionally contracted as at 31 December 2024.

<sup>4</sup> Includes 10 ELC and Bendigo key health worker accommodation properties, 6.1% net initial yield on purchase price, forecast yield on total cost including transaction costs is 5.8%.

	No. of properties	31 Dec 2024	Valuation movement (since 30 June 2024)		Weighted average passing yield	
		Valuation			31-Dec-2024	Change
		(\$m)	\$m	%	%	bps
ELC portfolio	279	1,567	+12	+0.8	5.36	-
Healthcare portfolio	10	167	-5	-4.0	6.00	+32
<b>Total Portfolio</b>	<b>289</b>	<b>1,734</b>	<b>+ 7</b>	<b>+0.4</b>	<b>5.42</b>	<b>+ 3</b>

### Average like-for-like rent review increase of 3.2%

Annual rent reviews completed during HY2025 resulted in an average like-for-like rent increase of 3.2%. 18 HY2025 market rent reviews are currently in negotiation and anticipated to be resolved in 2HFY2025.

### Investment proposition and approach drives sustainable and commercial outcomes

Sustainability is integral to Arena's investment approach and best positions Arena to achieve positive long term commercial outcomes.

Key sustainability outcomes delivered to date include:

- Zero organisational scope 1 and 2 emissions.
- 6-star rating for organisational NABERS energy tenancy rating (with 100% green power).
- Registered to develop Arena's 'Reflect' Reconciliation Action Plan.
- Solar renewable energy systems installed on 93% 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 Emissions<sup>5</sup>.
- A 36% absolute reduction and 42% reduction in the intensity of Arena's Financed Emissions to end FY2023<sup>5</sup>.

### ELC sector update

Strong macroeconomic drivers continue to support the Australian early childhood education and care (ECEC) sector. Rising female workforce participation continues to drive demand for services and increases in long day care participation rates<sup>6,7</sup>.

During 2024 the Federal Government announced additional funding to support a 15% wage increase for ECEC workers in services that agree to limit daily fee increases to 4.4% over a 12 month period. The increased funding is expected to result in improved staff availability and better outcomes for families.

Federal government investment into creating affordable childcare for working families has bipartisan support and is 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 term<sup>8</sup>.

<sup>5</sup> Financed Emissions are Scope 3 Category 15 emissions by indoor floor area measured in kgCO<sub>2</sub>e/m<sup>2</sup> in line with supplemental guidance for the financial sector by the TCFD as compared with equivalent restated FY2021 baseline.

<sup>6</sup> ABS Labour Force status by Relationship in household, Sex, State and Territory.

<sup>7</sup> Australian Government Department of Education Child Care quarterly reports 2011-2023.

<sup>8</sup> [Labor's Plan for Cheaper Child Care | Policies | Australian Labor Party \(alp.org.au\)](https://www.alp.org.au)

Arena's ELC tenant partners reported the following underlying business operating data as at 30 September 2024<sup>9</sup>:

- Average daily fee of \$150.18, +6.14% from March 2024 and +6.95% from September 2023;
- Like-for-like operator occupancy remains robust; and
- Overall net rent to revenue ratio has improved to 10.0%.

### Healthcare sector and portfolio update

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

The underlying community demand for Australian healthcare services continues to increase due to supportive macroeconomic themes. In this context, Arena is selectively reviewing new healthcare opportunities in sub-sectors that are integral to the delivery of community healthcare services and deliver on Arena's purpose and investment objective.

### Acquisition of Bendigo key health worker accommodation

During HY2025 Arena acquired a key health worker accommodation property in Bendigo, Victoria for approximately \$35 million on a passing yield of 6.2%<sup>10</sup> with 19 years term remaining on the lease. The property is fully leased to the Victorian State Government entity, Bendigo Health Care Group (Bendigo Health), the public sector provider of healthcare services to the Bendigo region. The property was purpose-built for Bendigo Health in 2014, under a 30-year triple-net lease arrangement and comprises a 120-apartment residential village on a site which is located 500 metres from the main Bendigo Hospital site.

### CAPITAL MANAGEMENT HIGHLIGHTS

- Gearing<sup>11</sup> 20.8%, decreased from 22.6% at 30 June 2024
- Weighted average cost of debt of 4.25% as at 31 December 2024
- 79% of borrowings hedged for weighted average term of 2.8 years at 2.45%
- Weighted average facility term of 3.6 years with no expiry until May 2027
- Achieved 100% of Sustainability Linked Loan margin discount for the FY2024 sustainability performance targets

### Ongoing discipline in interest rate management

Arena's weighted average facility term was 3.6 years as at 31 December 2024 with no near term expiry; the weighted average cost of debt was 4.25% compared with 4.0% as at 30 June 2024. 79% of borrowings were hedged for a weighted average term of 2.8 years at a weighted average rate of 2.45% as at 31 December 2024.

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<sup>9</sup> Arena analysis based on operating data provided by Arena's tenant partners as at 30 September 2024.

<sup>10</sup> Net initial yield on purchase price, forecast initial yield on total cost including transaction costs is 5.8%.

<sup>11</sup> Gearing calculated as ratio of net borrowings over total assets less cash.

## Sustainable finance

In late 2022 Arena agreed terms for an inaugural Sustainability-Linked Loan (SLL) over its existing debt facility totalling \$500 million. 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 FY2024 sustainability performance targets.

## Capacity to fund new investment opportunities

During HY2025 Arena completed a \$120 million Institutional Placement and \$24 million Security Purchase Plan; and raised \$10 million via the DRP, which remains open.

At 31 December 2024, Arena's gearing was 20.8%, decreased from 22.6% at 30 June 2024 with undrawn debt capacity of \$118 million to fund the balance of the development pipeline of \$93 million; Arena retains significant balance sheet capacity to fund future growth opportunities.

Commenting on Arena's financial position, Chief Financial Officer Mr Gareth Winter said "Arena has maintained capital management discipline through the cycle with consistent gearing and hedging programs. We have successfully completed an Institutional Placement and SPP; increasing capacity to deploy capital into growth opportunities consistent with strategy."

## OUTLOOK

### FY2025 forecast distribution guidance of 18.25 cents per security<sup>12</sup>

Arena reaffirms FY2025 distribution guidance of 18.25 cps reflecting growth of 4.9% over FY2024.

## Teleconference

An investor teleconference will be held to provide an overview of the operating activities and financial results for the half-year to 31 December 2024. Details of the teleconference are as follows:

Title: Arena REIT HY2025 Results

Date: Wednesday 12 February 2025

Time: 9.00am AEDT

**Registration:** Investors wishing to participate in the teleconference must register [click here to register](#). Upon registration, participants will be emailed the teleconference dial-in number and a unique code to access 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.

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<sup>12</sup> 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.

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 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](http://www.arena.com.au).

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