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ASX ANNOUNCEMENT
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Aspen Group Financial Results

Growth in Earnings, Distributions and NAV

Aspen Group (which comprises Aspen Group Limited and the Aspen Property Trust) (ASX: APZ) ("**Aspen**") is pleased to provide its financial results for the year ending 30 June 2020.

FY20 Highlights

- Enhanced management team and strategy
- Growth in the business and portfolio - total owned dwellings / land sites up 10% to 2,264
- Increased diversification - property type, location, customer type and regulatory regime
- Pivoted to more longer-term leases during COVID - currently 63% of dwellings / land sites
- More value-add refurbishment and development activity across the portfolio
- Reduction in costs across the platform - management expense ratio down 45% (net corporate overheads / closing total assets)
- **Operating profit per security up 32% to 6.80 cents**
- **Distributions per security up 20% to 6.00 cents**
- **Net Asset Value up 2% to $1.15 per security** – portfolio attractively valued in our opinion:
  - Average value per dwelling / land site of approximately $77,000
  - Weighted average capitalisation rate of 8.1%
- Maintained strong balance sheet – gearing of 18.8% with no debt maturing until November 2022 – well positioned to take advantage of new opportunities as they arise

Aspen's Business Model

Aspen is a leading provider of quality accommodation on competitive terms in the residential, retirement and short stay sectors. Aspen's opportunities are enormous within Australia's $7 trillion residential market given significant unsatisfied demand for suitable accommodation at more affordable prices and rents. Aspen's weekly rents are typically $270-350 for dwellings and $140-170 for land sites which are well supported by household incomes including those receiving government subsidies.

We have a fully integrated platform across operations, asset management, development and capital management that provides a broad spectrum of products and services to our customers under different regulatory regimes and ownership schemes: Rentals – Shared Equity – Sales.

We provide one, some or the entire range of our accommodation products and services at each of our properties. We seek to maximise the profitability and value of our properties and to reduce risk by optimising customer mix based on demand, length of stay, service offering, relative pricing and expenses, regulation, capital costs and other factors.

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Over the past 12 months the residential and retirement markets in which Aspen operates have generally benefited from the continued growth and aging of the permanent population, further interest rate reductions, a slowdown in supply of new accommodation, and pent up demand for lower cost housing. In the second half of FY20, Aspen's business was impacted by catastrophic bushfires over summer and the COVID-19 event, particularly our short stay tourist component where revenues collapsed. However, most of the loss of revenue has been offset by a rapid shift to longer stay leases, a material reduction in operating costs and the receipt of subsidies and grants from various federal and state governments. Approximately 60% of our traditional tourist cabins are currently leased on longer term contracts (typically 90 days) and we have retained the flexibility to offer them on a more profitable short stay basis when market conditions improve, hopefully by the summer holiday period.

Financial Performance – FY20

Despite the challenging operating conditions, Aspen's financial performance improved materially in FY20 compared to FY19:

- Statutory net profit after tax increased to $11.87 million
- **Operating profit increased 34% to $6.64 million equating to 6.80 cents per security**
- Net cashflow from operating activities increased 192% to $11.25 million
- Total rental and ancillary services revenue increased by 2% to $28.13 million, mainly due to increases at Highway One Caravan Park, Aspen Karratha Village and our land lease communities, and the acquisition of the Lindfield Apartments and the Perth Residential Portfolio during the year, however these were largely offset by the collapse in short stay tourist revenues during the COVID-19 event from March through to the end of the year, and bushfires which materially impacted our Barlings Beach and Tween Waters parks on the NSW south coast over their peak summer trading period
- Net operating income increased 5% to $11.78 million. The collapse in total short stay revenue was largely recovered through leasing park cabins on a longer stay basis, material cost reductions at the properties, and the receipt of government subsidies and grants which we estimate contributed about $0.5 million net to the result. Operating margin increased to 42%. Insurance claims totalling $0.7 million of lost profits and $0.2 million of physical damage relating to the summer bushfires remain outstanding as at the date of this report and were not included in the results
- Development and trading profit increased 16% to $0.68 million from the sale of seven houses at Four Lanterns
- Net corporate overheads decreased 25% to $4.43 million, with a significant reduction in the use of external consultants and Aspen earning $0.35 million in project management fees from the Mill Hill Capital funds
- EBITDA increased 36% to $8.03 million due to increased net operating income from the properties, increased development profits and a reduction in net corporate overheads
- Net finance expense increased 49% to $1.39 million due to an increase in debt which was used to fund acquisitions and project works
- **Ordinary distribution per security increased 20% to 6.00 cents**

The tables below summarise Aspen's underlying operating profit and bridge to audited statutory profit. At 30 June 2020, the parks' assets (with the exception of Darwin Freespirit Resort) which were previously classified as Property, Plant and Equipment and Goodwill were reclassified to Investment Properties. This was adjusted retrospectively under the requirements of the Accounting Standards.

Key Metrics	FY20 $m	FY19 $m	Change
Rental & ancillary services revenue	28.13	27.54	2%
Direct property expenses	(16.34)	(16.31)	
Net Operating Income	**11.78**	**11.23**	**5%**
Operating Margin	***42%***	***41%***	
Development & trading activities revenue	2.25	1.69	33%
Cost of sales	(1.57)	(1.11)	
Net Development Income	**0.68**	**0.58**	16%
Development Margin	*30%*	*35%*	
Operating & Development Net Income	**12.46**	**11.81**	**5%**
Net Corporate overheads	(4.43)	(5.92)	(25%)
EBITDA	**8.03**	**5.89**	**36%**
Net Interest expense	(1.39)	(0.93)	49%
Tax[1]	-	-	-
Operating Profit[2]	**6.64**	**4.96**	**34%**
Operating Profit per security (cents)	**6.80**	**5.15**	**32%**
Ordinary Distribution per security (cents)	**6.00**	**5.00**	**20%**

1. For the purpose of illustrating operating profit above, a deferred tax benefit of $3.13m resulting from Aspen Group Limited recognising a deferred tax asset in respect certain timing differences and historical tax losses has been excluded
2. Non-IFRS measure used by management to assess the underlying performance of Aspen which excludes depreciation and amortisation, revaluations, and one-off and non-operating items

	FY20 $m	FY19 $m
Statutory Net Profit after Tax	**11.87**	**(0.96)**
Depreciation of PPE	0.52	0.65
Asset revaluations	(3.40)	4.52
Transaction costs and other	0.77	0.74
Tax benefit	**(3.13)**	**-**
Operating Profit	**6.64**	**4.96**
Net interest expense	1.39	0.93
EBITDA	**8.03**	**5.89**
Net corporate overheads and other	4.43	5.92
Operating and Development Net Income	**12.46**	**11.81**

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Financial Performance – 4Q FY20

The negative impacts of COVID-19 became evident in March 2020 and affected operating performance over the entire 4Q FY20. A summary of 4Q FY20 performance is provided below to illustrate Aspen's operating metrics during the COVID-19 event:

Summary Metrics	FY20 $m	Q4 FY20 $m	Q4 Contribution
Rental and ancillary services revenue	**28.13**	**6.07**	**22%**
Net operating income	11.78	2.74	23%
Net development income	0.68	0.10	15%
Net corporate overheads	(4.43)	(0.95)	21%
EBITDA	**8.03**	**2.01**	**25%**
Net finance expense	(1.39)	(0.33)	24%
Operating profit	**6.64**	**1.67**	**25%**
Operating profit per security (cents)	6.80	1.65	24%

Balance Sheet

As at 30 June 2020, Aspen had total assets of $190.7 million, gross debt of $42.5 million and Net Asset Value of $134.0 million equating to $1.15 per security.

The value of Aspen's property portfolio increased by 30% over the year to $167.0 million, mainly through the acquisition of the Lindfield Apartments ($206k per dwelling*) and the Perth Residential Portfolio ($238k per dwelling*). Subsequent to year end, Aspen settled the acquisition of a co-living community at Cooks Hill, Newcastle in July 2020 ($68k per dwelling*) and is expected to settle the acquisition of a build-to-rent residential community in Burleigh Heads, Queensland around October 2020 ($175k per dwelling* partially completed). In our opinion, we have paid close to land value for these properties and well below replacement cost. The low entry prices enable us to provide quality accommodation to our customers on competitive terms whilst also generating attractive investment returns for securityholders. Additionally, these metropolitan, non-seasonal, residential rental properties have reduced portfolio risk in our opinion.

Capital improvement activity has increased across the portfolio. For instance, the redevelopment and expansion of Sweetwater Grove (Tomago) into a land lease community has commenced and two houses are already under deposits; the Treatts Road, Lindfield apartments are being refurbished and are being leased at materially higher rents; new hi-tech cabins are being installed at Highway One which we believe offer an attractive and affordable upgrade to our existing customers living in vans; new entertainment facilities have been added at Darwin Freespirit Resort and are performing well above budget; and labour and energy saving initiatives have been completed or are underway at all properties.

In June, Aspen raised $20 million of equity (before costs) through the issue of 20 million securities at $1.00 each and net proceeds were initially used for debt reduction and working capital. At 30 June 2020 gearing was 18.8% which is comfortably below our target range of 30-40%. Aspen has a debt facility of $71 million expiring in November 2022, of which $28.3 million was undrawn / unutilised at balance date. Total margin (line fee plus drawn margin) is 180bps and $25 million of BBSW exposure is fixed with interest rate swaps at 81bps to January 2023.

Post the end of the year, the acquisition of the Cooks Hill co-living community was funded with cash, and the acquisition and development of the Burleigh Heads property is expected to be funded with debt. We expect to deploy our remaining spare balance sheet capacity into several projects across the portfolio including the expansion of Sweetwater Grove and on new acquisitions if attractive opportunities become available.

The 2% increase in NAV over the year to $1.15 is attributable to a net increase in property valuations, a recognition of some value for deferred tax assets, and retained earnings. In our opinion, the portfolio is attractively valued on a weighted average capitalisation rate (WACR) of 8.1% and an average of approximately $77,000 per approved site including land and dwellings.

* Pre-acquisition costs

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Key Metrics	FY20 $m	FY19 $m
Property Assets[4]	167.0	128.0
Total Assets[5]	190.7	141.7
- Cash	8.2	6.5
- Gross Debt	42.5	24.5
Net Debt	34.3	18.0
Gearing[1]	18.8%	13.3%
Loan to Value Ratio[2]	20.6%	14.1%
Interest Cover Ratio[3]	5.5x	5.8x
Net Asset Value (NAV)	134.0	108.8
Securities at period end	116.3m	96.3m
Net Asset Value per security	$1.15	$1.13

1. Net Debt divided by Total Assets less Cash
2. Net Debt divided by Property Assets - facility covenant is 50%
3. EBITDA divided by debt interest expense - facility covenant is 2.0x
4. Excludes Cooks Hill and Burleigh Heads which were contracted but not settled during FY 2020
5. Includes a deferred tax asset recognised of $3.125m at 30 June 2020

Outlook

We have been managing the risks of COVID-19 and the recessionary economic environment by entering into longer term leases for our traditional short stay cabins and materially reducing operating costs. Importantly, we have maintained the flexibility to shift back to short stay business should demand improve and if it leads to higher profits. There is the potential for buoyant domestic travel activity, particularly over the summer period because holidaymakers may not be able to travel overseas this year.

The COVID-19 event is currently ongoing and evolving and it is not possible to accurately predict its impact on Aspen's business. Therefore, we are currently not able to quantify profit and distribution guidance for FY21.

Aspen will continue to seek opportunities to grow its portfolio of affordable accommodation properties in the residential, retirement and short stay sectors through development and acquisition.

Announcement authorised by the Board of Aspen Group Limited.

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