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ASX ANNOUNCEMENT
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Aspen Group Financial Results – First Half FY21

Continued 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 half year ending 31 December 2020.

Key Highlights (compared to 1H FY20)

Total Revenue
$17.77m
8%

Driven by **diversified business** and **measured exposure to development**

Operating Profit*
$5.29m
45%

Property NOI up 11%
Margin improved from 42% to 47%

Development & Trading Profit up 135%
Margin improved from 32% to 34%

Net Corporate Overheads down 15%
MER reduced to 2.0% annualised

EPS*
4.55 cents
20%

Continuing the strong growth in FY20 of 32% notwithstanding a larger equity base and less gearing

DPS
3.10 cents
13%

Distribution over
70% Tax Deferred

NAV
$1.20
5%

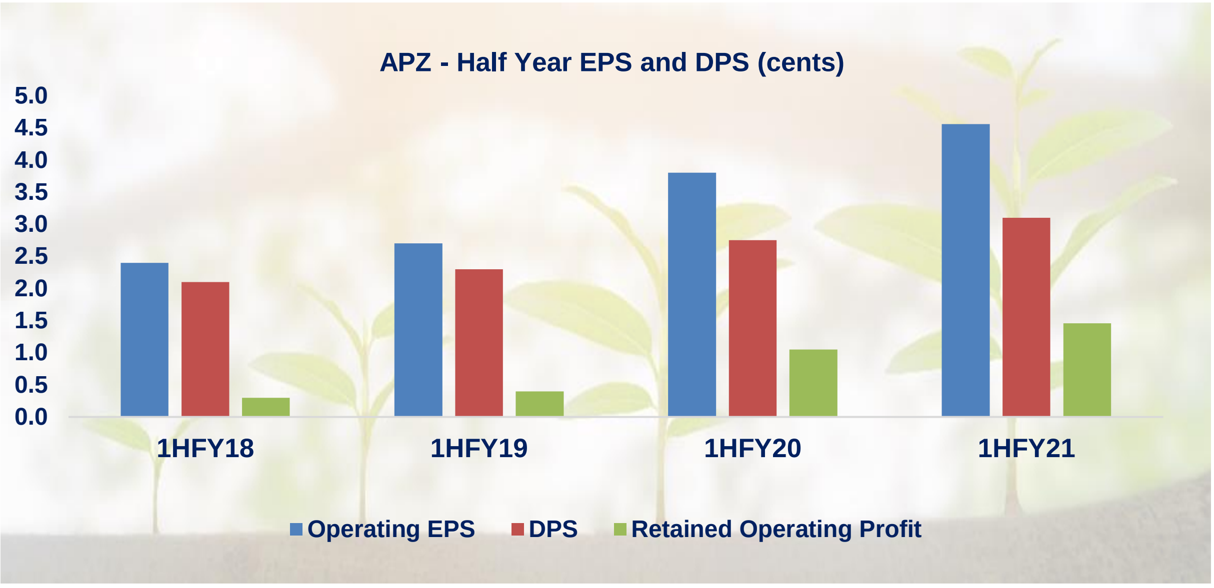
Only Aspen Karratha Village externally revalued in 1H

Portfolio attractively valued on a **WACR of 8.3%** and **$79k per approved site** including land and dwellings

Gearing of 23% - capacity to fund additional growth opportunities within the portfolio and through new acquisitions

* Operating Profit is a non-IFRS measure – refer to definition in financial statements

Over the past 3 years Aspen has materially increased operating EPS and DPS whilst also positioning the business for continued growth over the medium to long term…



Strong momentum in sales and acquisitions…

- **100 dwellings and land lots** sold/contracted across the Group including funds' projects in the half
- Settled acquisition of a **record 3 new properties** in the half including Cooks Hill co-living community, Mount Barker development land, and Burleigh Heads build-to-rent townhouses

Aspen's Business Model

Aspen is a leading provider of quality accommodation on competitive terms in the residential, retirement and short stay sectors. 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.

Our customers range from single to large family households of all ages. We believe our addressable market is worth over $1 trillion considering about 6.5 million households (70% of total) are either renting or servicing a mortgage and that 1.5 million are considered "stressed", paying more than 30% of income on housing costs. This is despite 1.3 million households receiving Commonwealth Rent Assistance totaling over $4.4 billion annually.

Our business is all about providing our customers a better lifestyle at a more affordable price, which has become even more desirable in the COVID-19 era. It is diversified in terms of customers, product type, geography and regulatory regime, and we have a very measured exposure to development, which has protected us in this volatile environment. We typically charge weekly rents of $275-400 for dwellings and $140-180 for land sites, which are well supported by household incomes and government subsidies.

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 each of our properties and reduce risk by optimising customer mix based on demand, length of stay, service offering, relative pricing and expenses, regulation, capital costs and other factors. For instance, in some of our properties we have customers staying overnight in fully serviced holiday cabins and other customers with their own dwellings on lifetime land leases.


Business Update
Four Lanterns Estate, Leppington, NSW (render)

Business Update

Over the past 12 months the residential and retirement markets in which Aspen operates have generally benefited from continued population growth, a shift in consumer preference for accommodation in “lifestyle” locations, and pent-up demand for lower cost housing. With interest rates now at their lowest levels ever and house prices generally rising, there is even more incentive and need for retirees to fund their living expenses by freeing up capital in their houses and “downsizing” into the types of properties Aspen provides.

During the COVID-19 event, performance has been very mixed across our different property types and locations. For instance, 28% of Aspen’s portfolio by value is in Western Australia. The state is essentially COVID-free, its economy is benefiting from its export-oriented resources sector which is achieving record revenues, and its population is growing as people return home from overseas and relocate from interstate (traditional fly-in-fly out working arrangements are highly problematic with travel restrictions). Business activity in the Karratha region has been robust and Karratha airport passenger movements have been quickly recovering towards pre-COVID levels which bodes well for our Aspen Karratha Village. Also, our Perth residential portfolio is benefitting from historically low vacancy rates of less than 1% and rapidly escalating market rents. On the other hand, our Tween Waters Holiday Park near the NSW-Victorian border, Adelaide Caravan Park near the Adelaide CBD and Darwin Freespirit Resort with its large component of caravanning customers, are being materially impacted by travel and gathering restrictions. We are hopeful that the short stay tourist segment of our business will become more predictable and rebound over the next 12 months as vaccines are rolled out, state government handling of isolated outbreaks becomes less chaotic, and international travel remains off limits.

The value of Aspen’s property portfolio increased by 16% over the half to $186 million, mainly through the acquisitions of Cooks Hill co-living community ($68k per unit*), Burleigh Heads build to rent community ($175k per dwelling*) and Mount Barker land ($46k per approved site*). These locations offer attractive lifestyles and are close to major commercial hubs and jobs. Our low entry prices enable us to provide quality accommodation to our customers on competitive terms whilst also generating attractive investment returns for securityholders. Aspen Karratha Village was our only property that was externally revalued in the half, up $5m to $16m (only $89k per room).

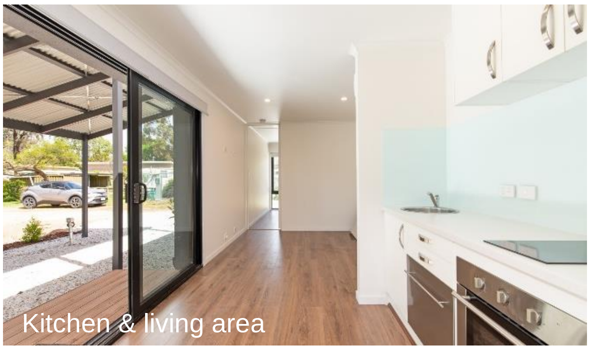
We have increased capital improvement and development activity across the portfolio. For instance, the sale of new houses has commenced at Sweetwater Grove at prices of $200-250k at an average profit margin of about $63k (29%); 17 of the 20 units at Treatts Road Lindfield have now been refurbished and re-leased with average rents up about 67% to $324 per week; new hi-tech Xodboxes have been installed at Highway One and have been leased at $275-$325 per week generating a marginal ROCE of above 15%; new entertainment facilities have been installed at Darwin Freespirit Resort which has attracted more customers and materially boosted profitability; new labour and energy saving initiatives continue to be adopted at all of our properties.

* Pre transaction costs

New Xodboxes at Highway 1 – Lifestyle Living at Competitive Rents

Residential Rentals from $275 to $325 per week (1 & 2 bedrooms)


Xodbox and carport/landscaping.


Kitchen & living area


Park amenities


Gated community

Our properties offer quality accommodation on competitive terms in their local markets which strongly underpins occupancy, rents, net income and value…

…They also have the potential to be profitably repositioned and developed into higher value uses over time which underpins capital growth into the future.


Tween Waters Holiday Park, NSW

Financial Performance

Key Profit and Loss Metrics	1H FY21 $m	1H FY20 $m	% Change	FY20 $m
Total Revenue	**17.77**	**16.43**	**8%**	**30.38**
Operating & Development Net Income	**8.02**	**6.78**	**18%**	**12.46**
Margin	45%	41%		41%
Operations				
Rental and ancillary services revenue	14.88	15.13	(2%)	28.13
Direct property expenses	(7.83)	(8.77)	(11%)	(16.35)
Net operating income	**7.05**	**6.36**	**11%**	**11.78**
Margin	47%	42%		42%
Development & Trading				
Development & trading revenue	2.89	1.30	122%	2.25
Cost of sales	(1.92)	(0.89)		(1.57)
Net development income	**0.97**	**0.41**	**135%**	**0.68**
Margin	34%	32%		30%
Net corporate overheads	**(2.05)**	**(2.42)**	**(15%)**	**(4.43)**
EBITDA	**5.96**	**4.36**	**37%**	**8.03**
Net finance expense	(0.67)	(0.71)	(5%)	(1.39)
Tax	-	-		-
Operating Profit	**5.29**	**3.66**	**45%**	**6.64**
Securities (weighted)	116.36	96.32	21%	97.59
EPS (cents)	**4.55**	**3.80**	**20%**	**6.80**
DPS (cents)	**3.10**	**2.75**	**13%**	**6.00**

Aspen's insurers agreed to a payout of $686k relating to the bushfires that impacted our Barlings Beach and Tween Waters properties in January 2020. The net payment of $577k after deductibles and other expenses has not been included in Operating Profit.

Balance Sheet

As at 31 December 2020, Aspen had total assets of $205.4 million, gross debt of $53.6 million and net asset value (NAV) of $140.2 million equating to $1.20 per security. Gearing was 23.1% at the end of the period which is below our target range of 30-40%.

The increase in NAV over the half is mainly attributable to the revaluation of Aspen Karratha Village and retained earnings. We have written off all transaction costs relating to property acquisitions this half. The portfolio is attractively valued on a weighted average capitalisation rate (WACR) of 8.3% and an average of about $79k per approved site including land and dwellings.

Balance Sheet Metrics	1H FY21 $m	1H FY20 $m	% Change	FY20 $m
Property Assets	**185.7**	**159.7**	**16%**	**167.0**
Total Assets	**205.4**	**173.3**	**19%**	**190.7**
- Cash	7.9	4.0		8.2
- Gross debt	53.6	52.5		42.5
Net Debt	**45.7**	**48.5**	**(6%)**	**34.3**
Gearing[1]	23.1%	28.7%		18.8%
Loan to Value Ratio[2]	25.0%	31.0%		20.8%
Interest Cover Ratio[3]	6.9x	6.2x		5.5x
Net Asset Value (NAV)	140.2	109.7		134.0
Securities at period end	116.4m	96.3m		116.3m
NAV per Security	**$1.20**	**$1.14**	**5%**	**$1.15**

1. Net Debt divided by Total Assets less Cash
2. Net Debt divided by Property Assets as defined in the debt facility (covenant is 50%)
3. EBITDA divided by debt interest expense as defined in the facility (covenant is 2.0x)

Outlook

We believe Aspen is well positioned to continue to grow profits and the book value of equity over the medium term and we are aiming for growth of at least 10% per annum. However, we expect business conditions and profitability to remain volatile over the short term.

We expect rents to continue to increase steadily across our residential and land lease properties, particularly for our Perth portfolio once Western Australia's COVID-19 related moratorium on rent increases ends on 28 March 2021. In the Perth metropolitan area, the average residential rent has increased about 13% during the moratorium (source: Domain Rent Report).

The near-term outlook for our short stay business continues to be clouded by the COVID-19 event. International travel is likely to remain off limits for at least the next 12 months which should benefit domestic holiday parks, but only if government-imposed restrictions become less chaotic.

We have pivoted to a short stay operating model at Aspen Karratha Village (AKV) after the expiry of Woodside's long term accommodation agreement in late January 2021 which will result in reduced income and volatility in the short term as we build our customer base. As is the case for all of our properties, we expect to earn higher profits over the long run under a short stay model given the additional operating intensity and volatility. We expect economic activity to increase in Karratha over the next several years, particularly if Woodside's various proposals for the Karratha Gas Plant and Perdaman's Karratha Urea project are greenlighted. AKV's net operating income (NOI) was $3.9 million in FY20 while the Woodside agreement was in place. The external valuation assumes 17% cap rate and stabilised NOI of $2.9 million based on 52% occupancy and $134 average room rate, after a 12-month period of building new short stay patronage.

We have been positioning for strong growth in the years ahead in the development and trading component of our business. Sales of new houses at our land lease communities increased materially in the first half and the pace has continued into the second half – the number of contracts/deposits we currently hold for new houses at our land lease communities are already above the entire 1H settlements. In Perth, increasing rents and lower interest rates have made it more attractive for our customer base to buy than to rent, which is putting upward pressure on house prices. If this continues, opportunities may arise to sell individual houses and recycle the capital into other areas of our portfolio where we can offer cheaper rents to our customer base and earn higher returns. For instance, there are ample opportunities within the portfolio to add new dwellings at our parks at very attractive yields, such as Xodboxes at Highway 1. We expect to commence development works on our Cooks Hill co-living and Burleigh Heads build to rent projects soon and we believe their values on completion will be well above total cost.

The demand for our type of properties has generally increased during the COVID-19 event as they are typically in “lifestyle” locations close to jobs, and more people are working from home and seeking more space. New technology and shifts in consumer preferences are boosting, not disrupting, demand for our accommodation products. For instance, our new dwellings are efficiently designed and well insulated which reduces their environmental footprint, energy use and operating costs. Also, rapidly improving communication networks and internet services have enabled our customers to spend more time at home, working and living. Our lower rents have become more attractive in the weaker economic environment and they are well supported by government subsidies. We do not provide leasing incentives to our customers which makes rents more affordable (not artificially inflated), reduces credit risk and improves income growth potential.

We continue to seek new opportunities to grow the business and portfolio on a profitable basis in the residential, retirement and short stay sectors through development and acquisitions. Some segments of Australia’s accommodation industry are stressed, and this is presenting opportunities for Aspen.

Announcement authorised by the Board of Aspen Group Limited.

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