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ASX ANNOUNCEMENT
19 August 2021

Aspen Group Financial Results – FY21

Continued Growth in Earnings, Distributions and NAV

New Acquisition and Equity Raising

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 2021.

Aspen’s Customer-Centric Business Model

Aspen typically provides accommodation to Australian households who can afford no more than \$400 weekly rent or \$400k purchase price in Residential, Retirement and Park Communities.

We have a fully integrated platform across operations, asset management, development and capital management that enables us to provide the broad spectrum of products and services that these customers need.

We support our customers so that they can live happier and healthier lives. We foster a safe, social, diverse, and inclusive culture in our communities by providing on-site management, customer services, and community facilities which gives our residents a sense of home and meaningful connections to the community.

Aspen’s total addressable market is worth over \$1 trillion.



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Business Update

Over the past 12 months the property markets in which Aspen operates have generally benefited from continued population growth, a shift in consumer preference for “lifestyle” locations, and pent-up demand for lower cost housing. Also, low interest rates and increasing house prices are providing even more incentive and need for retirees to “downsize” to free up capital to help fund their retirement.

Despite significant disruption due to the COVID-19 pandemic and associated lockdowns, Aspen's NAV, EPS and DPS increased over the year. The main drivers of the good performance were pivoting between short stay and longer stay leases at our Park Communities throughout the changing seasons and lockdowns; materially growing refurbishment, development and trading activities; and tight cost controls across the business. The growth was achieved despite WA's moratorium on rent increases that ended late March 2021 and the end of Woodside's long-term lease at Aspen Karratha Village in January 2021 that resulted in a material decrease in income at this property while we transitioned to a short stay model.

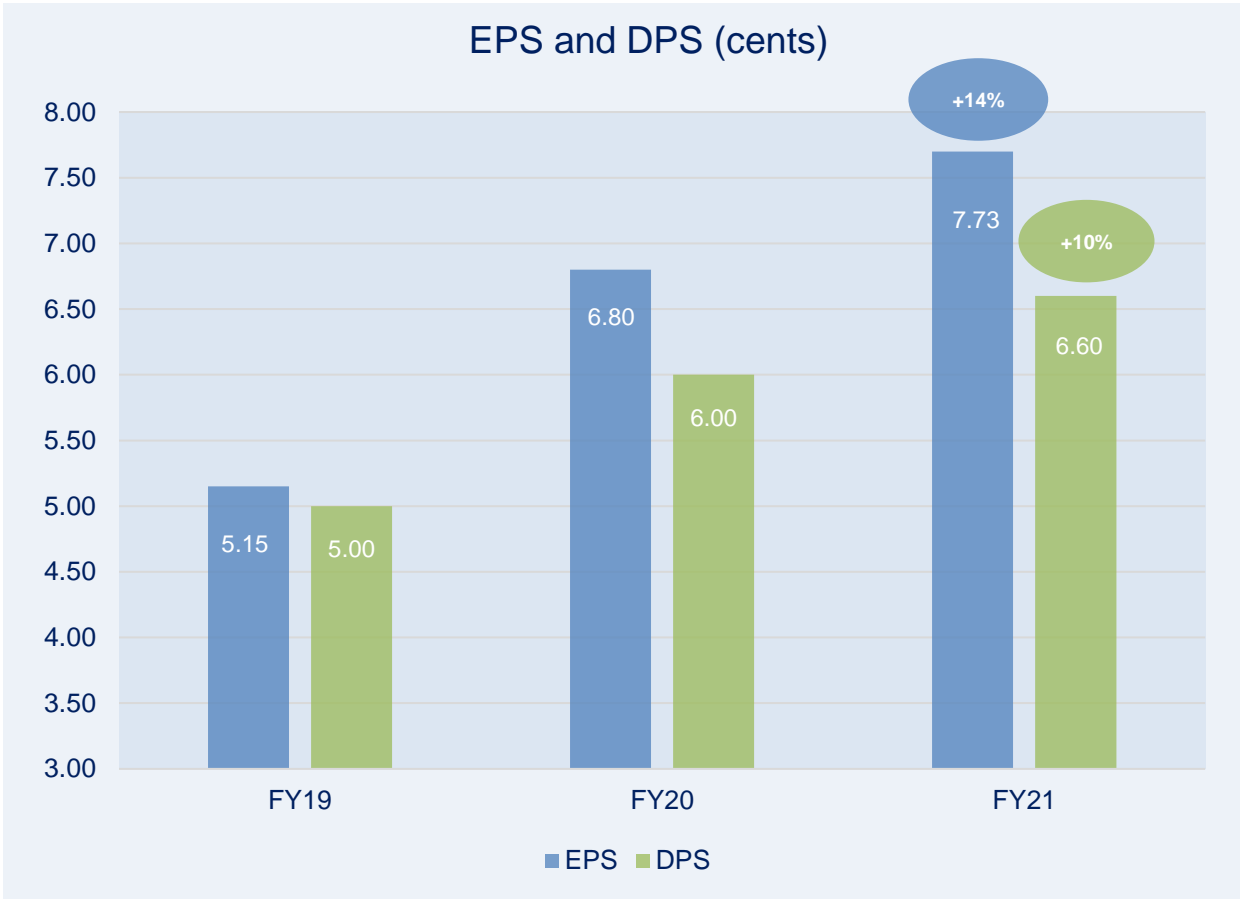
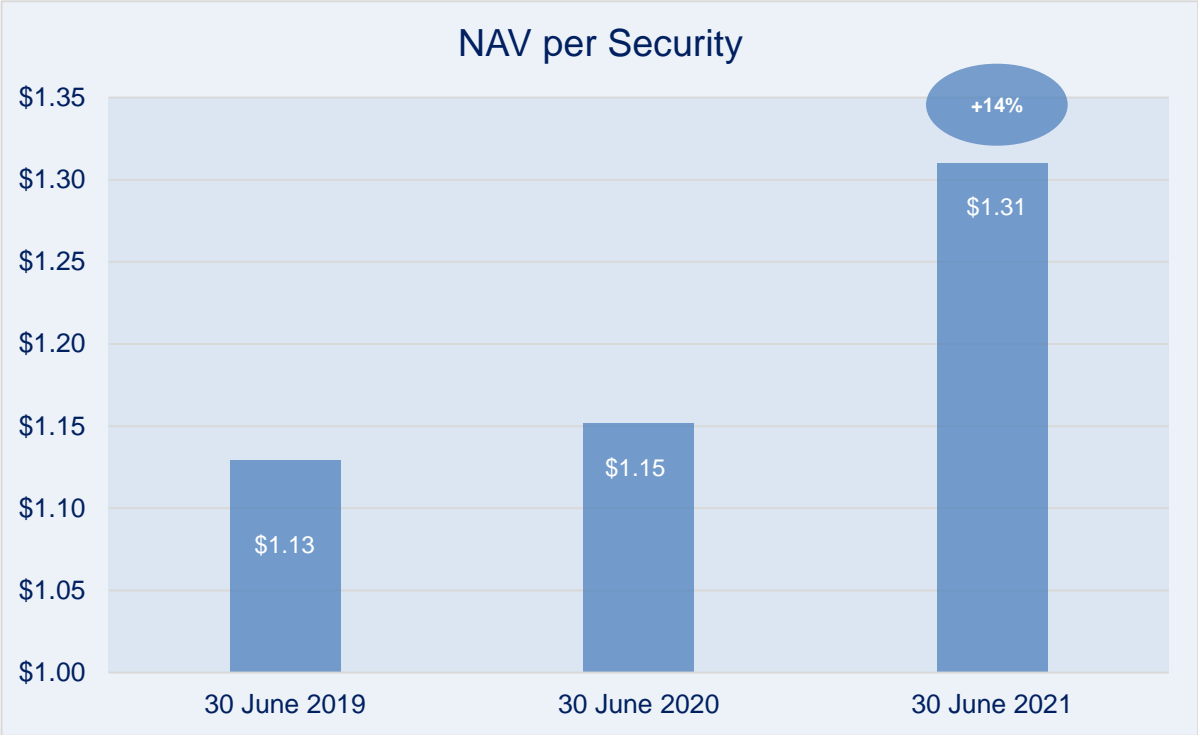
The value of Aspen's property portfolio increased by 37% over the year to \$229 million, mainly through revaluation gains and the acquisitions of Cooks Hill Co-Living Community (\$68k per unit*), Burleigh Heads Residential Community (\$175k per dwelling*), Mount Barker land (\$46k per approved site*), Upper Mount Gravatt Co-Living Community (\$60k per room*) and Lewis Fields Retirement Community (\$30k per approved site*). These properties are in attractive lifestyle locations close to major commercial hubs and jobs. Our low entry prices enable us to provide quality accommodation on competitive terms whilst also generating attractive investment returns for securityholders.

FY21 Key Highlights (compared to FY20)



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

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



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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.

We expect rents to continue to increase steadily at our Residential and Retirement Communities, particularly for our WA properties now that the moratorium on rent increases has ended. To date we have achieved an average rent increase of 13% upon lease renewals at our Perth houses. At our recently acquired Upper Mount Gravatt Co-Living Community, we have quickly achieved increased occupancy and reduced costs, increasing the current income yield to over 7% annualised compared to initial guidance of 5%. Our land rents continue to grow at around 2-4% per annum.

The near-term outlook for our Parks Communities continues to be clouded by the COVID-19 pandemic. International travel is likely to remain highly restricted for the next 12 months which could increase domestic holiday stays at our parks, but only if government-imposed restrictions reduce. Our Tween Waters park near the NSW-VIC border and Adelaide Caravan Park near the CBD have been materially impacted to date, and we expect net income from these properties to improve once lockdowns end. We have pivoted to a short stay operating model at Aspen Karratha Village (AKV) after Woodside's long-term lease expired in January 2021, which resulted in a 52% reduction in net income in FY21 (-\$78k in 2H). AKV's occupancy has been steadily improving, room rates are higher than they were under the previous lease, and the property became profitable again in July 2021. We remain positive about the prospects of the Karratha region over the medium term, however its near-term performance hinges on Woodside greenlighting its proposed projects. The profitability of AKV is likely to remain highly volatile until a short stay customer base becomes more established and/or we enter into longer term leases with corporate customers.

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 over the year and has accelerated into FY22 – we have already achieved 31 deposits/contracts/sales for houses compared to 26 sales in all of FY21. 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. This is presenting opportunities 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. There are ample opportunities within our parks portfolio to refurbish or add new dwellings and earn very attractive returns. Development is underway at our Burleigh Heads Residential Community and will commence shortly at our Cooks Hill Co-Living Community, and prices and rents have increased in these markets since acquisition. We expect these developments to complete and become income producing by the end of FY22.

The demand for our properties has generally increased during the COVID-19 pandemic as they are typically in "lifestyle" locations close to jobs and facilities. Our relatively low rents have become even 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 our portfolio of residential, retirement and park communities through development and acquisitions.

Acquisition of Perth Apartment Portfolio and Equity Raising

Today we also announce the proposed acquisition of a portfolio of apartments in Perth's inner metro suburbs and a related equity raising, which materially increases Aspen's scale and growth prospects, in our opinion. Please refer to the investor presentation released today for further details.

Announcement authorised by the Board of Aspen Group Limited.

END

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