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ASX ANNOUNCEMENT
20 February 2019

Financial results for the half year ended 31 December 2018

KEY POINTS

- Aspen Group 1H FY19 financial results
  - Statutory profit after tax of $0.4 million (loss of $0.9 million in 1H FY18)
  - 1H FY19 distribution of 2.3 cents per security; increasing ~10% on prior corresponding period
  - Total operating profit after tax attributable to Aspen Group of $1.5 million
  - Underlying earnings of 2.7 cents per security (2.4 cents per security in 1H FY18)
  - Net debt of $16.3 million; gearing ratio 11%
  - Net Asset Value (NAV) per security of $1.18

- Aspen Group continues to build its affordable accommodation portfolio
  - 1 tourism asset acquired for $23 million
  - Disposal of non-core property assets complete
  - ~$25 million of available funding for acquisitions / investment including anticipated release of ~$10 million of restricted cash

Aspen Group (ASX: APZ) today announced its financial results for the year ended 31 December 2018 recording a statutory profit of $0.4 million, the significant components of which include:

- Operating profit after tax of $1.5 million

offset by

- Revaluation decrement of $0.7 million;
- Acquisition costs incurred of $0.2 million; and
- Professional fees of $0.2 million associated with the Responsible Entity and Custodial changes and proposals for change in Investment Manager.

Underlying cash earnings, attributable to Aspen Group securityholders, was $2.6 million.

In commenting on the result, Aspen Group CEO Joel Cann said, "1H FY19 continued the significant steps taken towards our goal of being a major owner and operator in the Australian affordable accommodation sector.

Acquiring and stabilising assets in line with strategy continued to be a key priority during the half. We acquired our sixth tourism park, Highway 1 in Adelaide SA which was settled in Q2 FY19. The acquisition was valued at $23 million. During the half, our core portfolio increased in total assets by 23%. The core portfolio achieved income growth of ~30%. Whilst growth from both acquisitions and stabilised areas of the portfolio was pleasing, we noted headwinds at a number of assets including Darwin FreeSpirit where our corporate accommodation demand fell in line with reduced major project activity, Adelaide came off of a strong FY18 period that include Ashes and major event activity whilst Tomago has reduced available inventory pending the redevelopment work to be undertaken in that business.

Improvement of Darwin is a key priority in the second half together with general operating leverage which remains an area of significant focus as we build the portfolio. We are observing benefits from clustering of assets in close geographic proximity which allows us to leverage scale and target lower costs.

Development activity significantly advanced during the half with the majority of civil works completed at Four Lanterns in Leppington NSW. 11 residences are on site with sales activity resulting in 5 confirmed sales and a further holding order in place at this time. We are awaiting final sign-off of electrical infrastructure by the authorities which will allow occupancy to be approved and sales to be settled. The expectation is that residence settlements shall commence in March / April 2019.

We have also commenced initial works at Tomago in preparation for stage 1 of the 52-site expansion. A marketing campaign will be undertaken later in 1H FY20 as construction commences, with settlements planned to commence from 2Q FY20.

The sale of our final non-core asset at Midland WA was completed during 1H FY19 bringing to a conclusion the restructure of the group to an affordable accommodation provider. The business finished in a net debt position of $16.3 million at the end of the year, post the Highway 1 acquisition, and has ~$25 million of capacity to deploy towards future acquisitions and investments.

End

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