Aspen Group
Update 1st Quarter FY22

15 October 2021

Aspen's Business Model

Sustainable Ecological Footprint

Aspen's efficient dwellings use significantly less resources to manufacture and operate than the average Australian home – we also recycle/refurbish dwellings

With solar installed, our dwellings can produce more renewable energy than they consume

We install energy and water saving devices and metering to reduce resource use

Our communities share resources such as common areas, recreation facilities, gardens and transport

Our parks are highly vegetated, and our land management programs reduce degradation and environmental risks

Aspen's carbon emission reduction target for the assets that it controls is in accordance with the 2015 Paris Agreement

Aspen Provides Quality Accommodation to Australian Households on Competitive Terms

Customer-centric business model typically servicing households that can afford no more than $400 weekly rent or $400k purchase price

We provide a range of products demanded by our customers in residential, retirement and park communities

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

Total value of real estate in Aspen's addressable market >$1 trillion

Average Dwelling Rent of $248 per Week*

Average Land Site Rent of $166 per Week*

Average Dwelling Sales Price of $287k*

Some of our properties are located in past and present Indigenous communities, and we actively seek to help these communities and conserve heritage items

Governance

Aspen Group comprises Aspen Group Limited and Aspen Property Trust with two separate independent Boards

Aspen provides equal employment opportunities regardless of gender, gender-identity, age, culture, race, religion and lifestyle choices

We continuously strive for the highest WH&S standards at our properties to keep our employees, suppliers and customers safe

Our Joint CEOs own a combined stake of 8.7% in Aspen Group and 50% of their remuneration package is deferred for up to 3 years and subject to performance hurdles and vesting conditions

* As at 30 June 2021

Financial Performance

Key Metrics (management accounts - not audited)	1Q FY22 $m	1Q FY21 $m	Change	FY21 $m
Total Revenue	**11.77**	**9.24**	27%	**35.95**
Operating & Development Net Income	**4.34**	**4.20**	3.5%	**14.84**
Margin	37%	45%		41%
- Rental & ancillary services revenue	8.03	7.67	4.7%	29.07
- Direct property expenses	(4.59)	(4.03)	14%	(16.39)
Net Operating Income	**3.44**	**3.64**	**(5.6%)**	**12.68**
Operating Margin	**43%**	**47%**		**44%**
- Development & trading revenue	3.74	1.57	139%	6.88
- Cost of sales	(2.84)	(1.01)	180%	(4.72)
Net Development & Trading Income	**0.90**	**0.55**	**63%**	**2.16**
Development & Trading Margin	**24%**	**35%**		**31%**
Net Corporate overheads	(1.07)	(1.01)	5.8%	(4.50)
Operating EBITDA	**3.27**	**3.18**	2.7%	**10.34**
Net finance expense	(0.35)	(0.33)	5.4%	(1.34)
Tax	-	-	-	-
Operating Profit[1]	**2.92**	**2.85**	2.4%	**9.00**
Securities (weighted)	125.2	116.4	7.6%	116.4
Operating EPS (cents)	**2.33**	**2.45**	(4.8%)	**7.73**

1QFY22 performance was reasonable in a challenging operating environment:

- **Rental and ancillary services revenue up 4.7%** - mainly attributable to higher contributions from Darwin Freespirit Resort (DFR) and new acquisitions including Uniresort and Lewis Fields, offset by a material decline in Aspen Karratha Village (AKV) revenue post expiry of the Woodside lease while a new customer base is being built
- **Net Operating Income down 5.6%** - margin declined from 47% to 43% driven by a change in business mix (eg. greater contribution from relatively low margin DFR and lower contribution from AKV) and cessation of JobKeeper receipts after 1QFY21
- **Net Development & Trading Income up 63%** - sale of 9 houses mainly from the Perth House Portfolio
- **Net corporate overheads up 5.8%** - net of project management fees of $0.27m from the Mill Hill Capital funds
- **Net interest expense up 5.4%** - increased debt and increased hedging over the quarter with $70m of BBSW exposure (65% of current drawn debt) fixed to April 2024 at 50bps
- **Nil tax** – Aspen has a material amount of historic tax losses that currently shelters taxable profits
- **Operating EPS down 4.8%** - impacted by acquisition of Perth Apartment Portfolio (PAP) in September that did not contribute to earnings, but were funded with new equity and debt

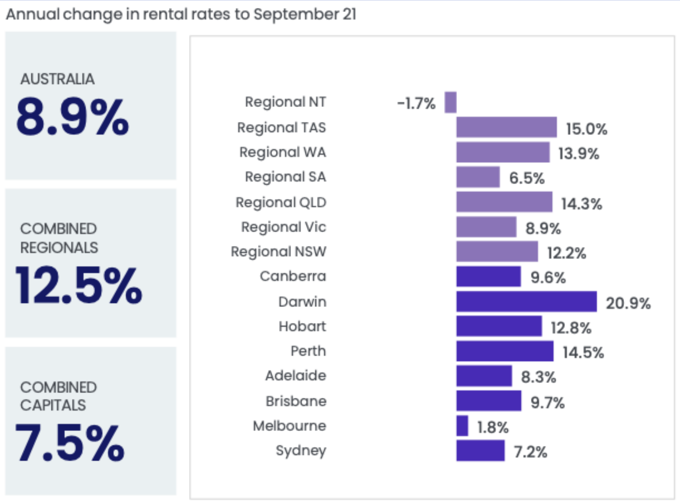
Aspen's total earnings are not seasonal in our opinion – some of our parks communities are highly seasonal, however our Darwin Freespirit Resort and NSW coastal parks peak in winter and summer respectively

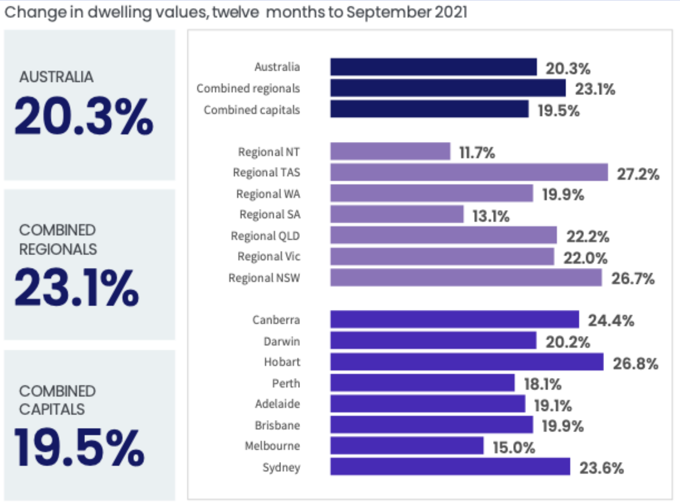
1. Non-IFRS measure used by management to assess the underlying performance of Aspen - excludes depreciation and amortisation, revaluations, and one-off and non-operating items. Refer to definition in financial statements.

Residential

- **Upper Mount Gravatt Co-living Community** (UMG) has performed above expectations to date and is now the largest contributor to residential portfolio NOI – in 1QFY22:
  - Occupancy rate of only 76% and average rent of only $208 per week per room, constrained by international border closures
  - Material cost reduction helped lift NOI to about $350k in the quarter, equating to an annualised yield of 7.5% on purchase price
- **Perth House Portfolio** – prices and rents continue to increase and we have improved the quality of our tenant base which has significantly reduced rental arrears and R&M
- **Treatts Road Lindfield** – rents have increased as the tenant mix changed over time – only 2 of the retirement village tenants remain with most relocating to Pacific Highway
- **Burleigh Heads** redevelopment is progressing well and we expect to complete and lease the first 4 houses by 31 December 2021 and the remainder by 4QFY22:
  - Expected average weekly rent is now $750 versus $540 at time of purchase
  - Current median sale price of local 3 bedroom house / apartment is now $954k / $1.03m (source: domain) versus expected average cost of $480k per house
- **Cooks Hill** redevelopment has commenced – expect to complete project by 30 June 2022

Burleigh Heads and Cooks Hill projects detracted about $50k from NOI for the quarter as we expense all operating costs (eg. land tax, council rates) – these properties are expected to generate NOI of about $1m per annum on completion of refurbishment and leasing



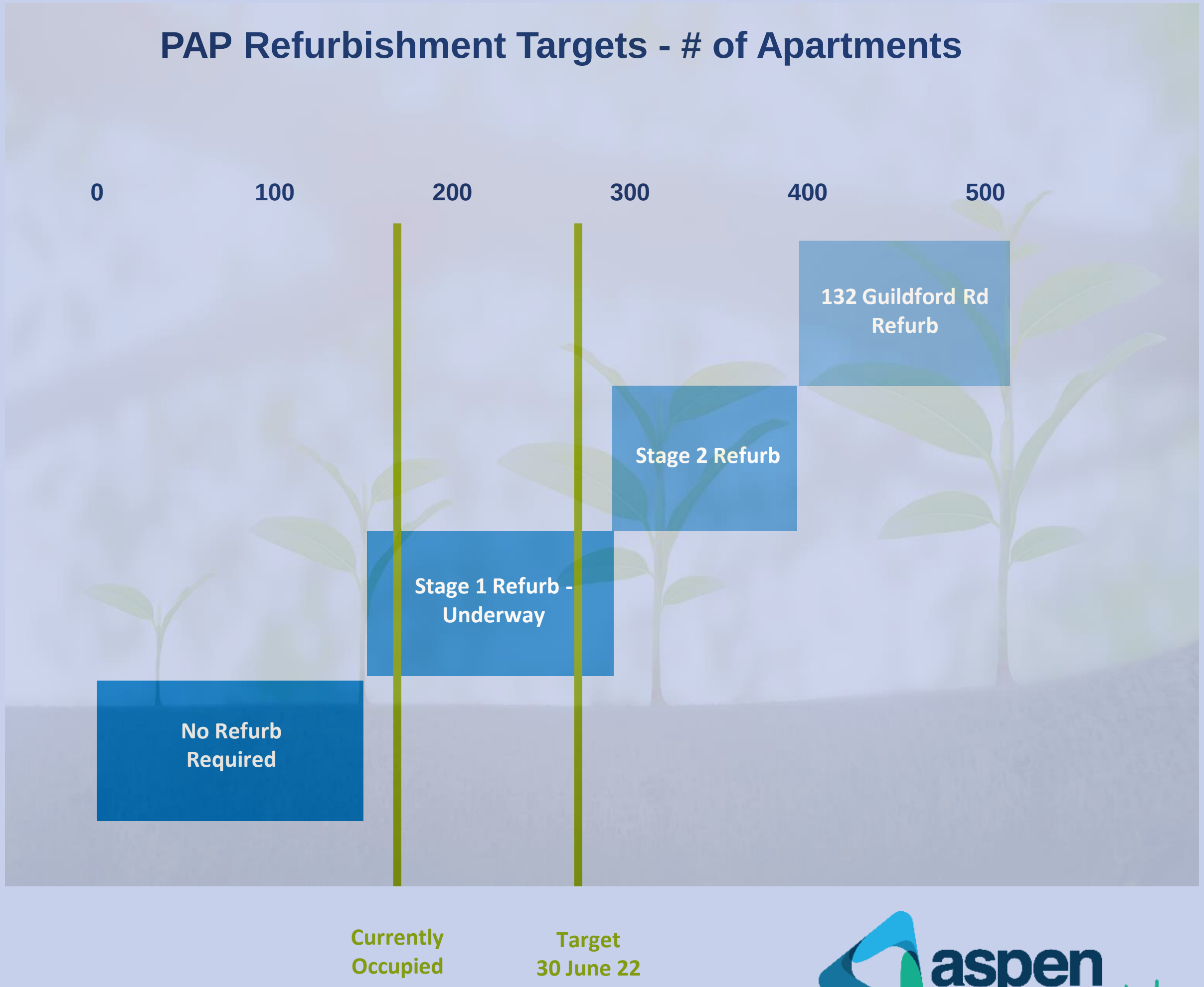


	Residential		
	1QFY22	1QFY21	Change
Revenue	$1,211	$972	25%
NOI	$517	$309	67%
Margin	43%	32%	11%

Chart source: Corelogic

Residential – Perth Apartment Portfolio

- **Perth Apartment Portfolio** repositioning and refurbishment program is progressing well:
  - The portfolio comprises 514 apartments, averaging about 55sqms and 1.7 bedrooms
  - For the c.150 apartments that are already in good condition we are aiming to retain the good quality tenants on average rents of about $255 per week (increase of about $35 per week or +13%)
  - We notified termination of about 45 leases to make way for refurbishment – we plan to empty 132 Guildford Road (120 apartments) to provide flexibility for a more substantial repositioning of the property
  - Stage 1 Refurbishment Works have commenced - 113 apartments using 3 main contractors - contracted cost for a complete internal gut and refit of a 2 bedroom unit is about $30-35k (excludes common area and external works)
  - Stage 1 refurbished apartments will be progressively handed back and offered for lease from early next month
  - We believe the acquisition will become neutral to FY21 pro-forma EPS when around 300 apartments are occupied



Retirement Communities

- Continued steady growth in land rents of 2-4% per annum
- Some of the margin contraction in 1QFY22 is due to expensing the costs of the vacant land at the recently acquired Lewis Fields and Wodonga Gardens
- Sweetwater Grove repositioning and expansion is progressing well:
  - Existing dwellings have been moved around and off the site to make way for new houses – this has negatively impacted short term NOI
  - Prices for new homes have increased about 15% since commencement – 3 bedroom house price is now above $300k
  - Per lot civil costs will be low in the next stage as much of the existing infrastructure will be retained
- Lewis Fields and Wodonga Gardens have two components:
  - 77 existing Retirement Village (RV) dwellings with traditional loan/lease agreements – total purchase price for this operating component was $3.9m and we expect to collect $6.4m in deferred fees (assuming total exit fees are reduced from 36% to 25% and static house prices) – average revenue of over $500k per annum assuming ALOS* of 12 years
  - 175 approved land lots that we are seeking to develop and operate under a Land Lease model – we paid only $26k per approved lot on average (the next c.25 houses will be built on lots with civils already in place)

  Lewis Fields residents have approved our restructuring proposal and Council is supportive - we expect the land title to be updated shortly and to commence construction of the first 4 new houses this quarter to be sold under a land lease model

  At Wodonga Gardens the next 12 houses developed will be leased under the traditional RV model as these lots are situated amongst the existing RV houses and we already hold 9 deposits at an average price of $377k (plus future DMF)

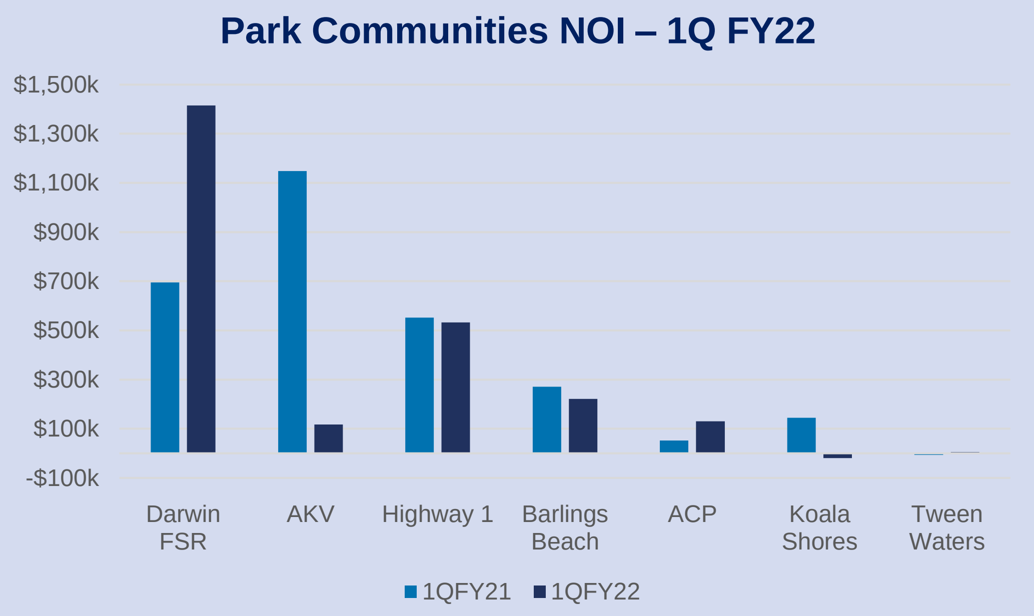
	Retirement Communities		
	1QFY22	1QFY21	Change
Revenue	$1,014	$878	16%
NOI	$597	$575	4%
Margin	59%	66%	(7%)

* ALOS: Average Length of Stay of existing residents

Park Communities

- **COVID-related restrictions are impacting short stay business at our parks** – we have been actively pivoting between short stay and longer stay letting depending on lockdown status and the season:
  - Our NSW coastal parks, especially Tween Waters, and Adelaide Caravan Park (near the CBD) have been impacted the most
  - A large proportion of the NOI decline versus pcp can be attributed to the cessation of JobKeeper post 1QFY21
- **Darwin Freespirit Resort** performed well in its peak trading season and NOI doubled versus pcp – current business-on-books for October and November is well ahead of the same time last year
- **Aspen Karratha Village** NOI is down materially post the end of Woodside's lease in January 2021 - occupancy has been building slowly and NOI turned slightly positive in 1Q after being negative for the last 5 months of FY21 – we still expect significant growth in demand for accommodation in the years ahead once Woodside and others greenlight their Karratha projects, but NOI is likely to remain volatile over the short term
- **Highway 1 and Barlings Beach** have a large proportion of long term dwelling leases and casual and long term land leases which has helped maintain profitability despite the disruptive lockdowns
- **We are expecting strong trading performance at our NSW coastal parks over their peak summer trading periods as long as people are free to travel**

	Park Communities		
	1QFY22	1QFY21	Change
Revenue	$5,807	$5,824	0%
NOI	$2,326	$2,757	(16%)
Margin	40%	47%	(7%)



Development & Trading Activity

	Settled - September Quarter FY22			Contracts/Deposits at 30 September 2021		
	# Dwellings/Sites	$m (ex.GST)	Per Dwelling/Site	# Dwellings/Sites	$m (ex.GST)	Per Dwelling/Site
Development & Trading						
Total Revenue	**9**	**$3.74**	**$415,727**	**34**	**$10.99**	**$323,120**
Total Cost		**($2.84)**	**($315,434)**			
Profit		**$0.90**	**$100,293**			
Margin		**24%**				
Development						
Total Revenue	1	$0.20	$204,545	**29**	**$8.88**	**$306,089**
Total Costs		($0.16)	($163,437)			
Profit		**$0.04**	**$41,108**		**Expected Margin c.30%**	
Margin		20%				
Trading						
Total Revenue	8	$3.54	$442,125	**5**	**$2.11**	**$421,900**
Total Costs		($2.68)	($334,434)			
Profit		**$0.86**	**$107,691**		**Expected Margin c.20%**	
Margin		24%				

Solid momentum in development and trading activity has continued in FY22

Combined sales/contracts/deposits for new retirement community houses is 30 compared to 23 settled sales in all of FY21

- Fairly evenly split between Four Lanterns, Sweetwater Grove and Wodonga Gardens
- Margins are increasing – price growth has outpaced higher building costs
- Only 1 sale settled in 1QFY22 mainly due to delays in house construction during COVID lockdowns and supply issues
- All general marketing costs for projects are expensed when incurred which impacted reported margin in 1QFY22 due to only 1 sale

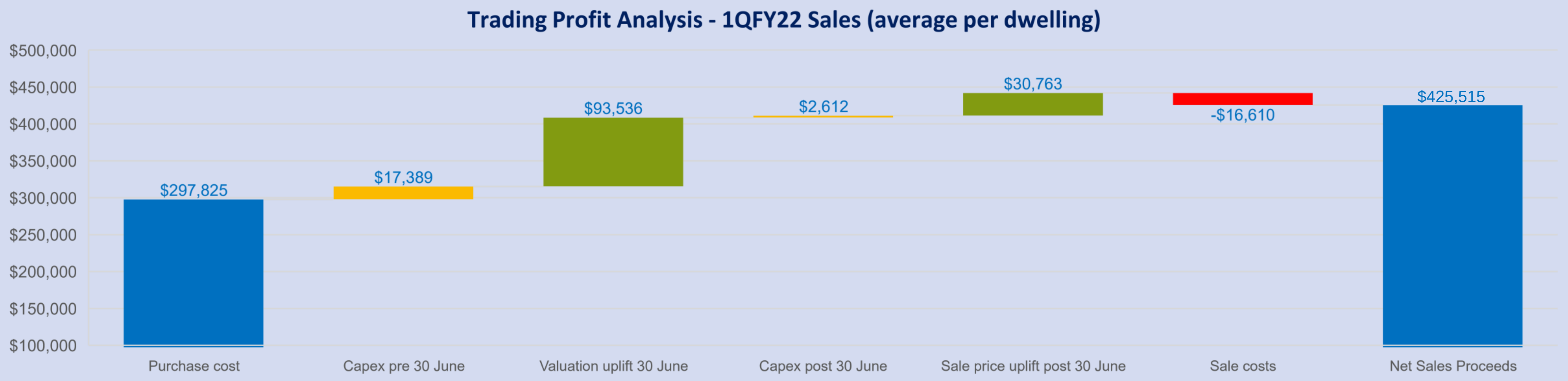
Combined sales/contracts for existing residential houses is 13 compared to 2 settled sales in all of FY21

- Prices are increasing: Q1 average settled sales price (pre transaction costs) was 8% above the written up book value at 30 June 2021

Development & Trading Activity – Trading Profits

Total returns and value-add are reflected through a combination of operating earnings and net asset value (NAV) :

- Aspen's properties are typically classified as Investment Properties under IFRS, therefore must be valued at balance date each half year - combination of external valuer and Directors' appraisals
- This includes the Perth House Portfolio - the average trading profit from the sale of individual houses in 1QFY22 was $111k per house, of which only $94k was reflected on the balance sheet at 30 June 2021
- Aspen's carrying values of retained houses will be reviewed at 31 December 2021 reflecting the c.8% premium achieved on these sales over 30 June 2021 book values, and other market evidence



Development & Trading Activity – The Ridge, Mount Barker

- Mount Barker englobo land was acquired in December 2020 with approvals in place for 97 residential land lots - our current plan is to:
  - Develop and sell the premium parts of the site, along the ridge and slopes with northerly aspect and views to Mount Barker Summit, for general residential use
  - Develop the flatter, lower lying section of the site into a retirement community to be operated under a land lease model

  The proposed proportions of each are still being determined based on our opinion of highest and best use of the land and potential investment returns for our business
- Stage 1 of the residential land development comprises 36 lots:
  - Civil works are expected to commence in November and complete in 4QFY22
  - Presales campaign started last weekend on standard lots – offers already received on 7 of the 10 lots offered - average sales price of $253k (inc. GST)
  - Expected profit margin of roughly $100k per lot (based on expected average cost and assuming 97 lots only)

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