Aspen Group Limited
ABN 50 004 160 927

Aspen Property Trust
ARSN 104 807 767

Suite 21, 285A Crown Street
Surry Hills NSW 2010

Telephone: 02 9151 7500
Email: homemail@aspengroup.com.au

ASX ANNOUNCEMENT

18 November 2022

2022 AGM – Chair's Address

Welcome to the 2022 Annual General Meeting of Aspen Group. Aspen is one of Australia's leading providers of truly affordable accommodation. Our core customer base is the approximate 40% of Australian households who can pay no more $400 per week in rent or $400,000 to purchase a home. We offer our customers accommodation within Residential, Retirement and Park communities.

I am very pleased to report a third year in a row of strong performance by the group despite the significant challenges of the Covid pandemic, turmoil in the building industry, natural disasters, and cost of living pressures on our customers.

Over the past three years Aspen's Operating Earnings[1] per Security increased by 19% per annum and Net Asset Value per Security increased by 17% per annum. This growth has been driven by a severe shortage of quality, well-located affordable accommodation, and our management team who are adding significant value across operations, development, and capital management.

There is a genuine crisis for Australia's lower income households who rent. Nationally, the residential vacancy rate has dropped to only 1%[2], rents have increased about 10% over the past year[3], and now only 14% of newly available rentals are being offered at less than $400 per week[4].

We expect continued upward pressure on rents over the medium term due to increased population growth post the borders reopening, a scarcity of well-located land close to jobs and facilities, increased timeframes and costs in building new supply, higher property operating costs, and the normalisation of interest rates.

The Productivity Commission recently released its excellent study titled *"In need of repair: The National Housing and Homelessness Agreement"*. The report highlights that some existing Federal and State government subsidies do not help bring housing costs down and suggests that funding should be more focused on lower income households who need it most. We strongly support the Commission's recommendations for a review of Commonwealth Rent Assistance "as a priority...with the aim of improving the sufficiency, fairness and effectiveness of the payment" and the introduction of "portable rent assistance" to give public housing tenants the option to use their subsidies on private sector housing. We look forward to working hand in hand with governments and social housing providers to help solve the problems.

Aspen continues to make good strides with its ESG efforts. We help society by providing more affordable housing, including to the Australian Red Cross for its Ukrainian refugee program. We recycle / refurbish buildings, saving significant resources compared to building new, and our dwellings have a small ecological footprint compared to the average house in Australia. We continually evaluate our corporate governance structure and Board composition and there will be opportunities to improve both once Aspen reaches sufficient scale.

I would like to thank all of Aspen's employees at head office and the properties for their hard work and commitment throughout the last 12 months. I would also like to thank the existing and new securityholders who strongly supported our recent equity raising to help fund our growth.

Clive Appleton
Chairman

2022 AGM – CEOs' Address

Aspen's portfolio of Residential, Retirement and Park communities has more than tripled over the past 3 years to over 4,600 dwellings and sites valued at more than $400 million. Our growth has been fueled by the acquisition and development of properties that closely align with the requirements of our core customer base. More than 95% of our dwellings are leased at less than $400 per week and all our land sites are leased at less than $200 per week. Many of our customers receive Commonwealth Rent Assistance (CRA) of up to $100 per week to help pay the rent.

Residential, Retirement and Park Communities

Residential

Our available Residential dwellings are over 99% occupied and the quality of our customer base has improved after we refurbished properties and through more considered tenant selection. The vast majority of our tenants are caring for their homes and arrears are less than 0.2% of the total rent roll.

We have already refurbished 340 Perth Apartments since acquiring the portfolio in September last year – a rate of almost 1 per day. They were typically leased within a week of becoming available at an average rent of about $325 per week, up 18% on initial guidance of $275 per week. We have been discounting the rent by $20-30 per week for the first 6 months during disruptive refurbishment works.

We expect to shortly appoint a builder for the refurbishment of 132 Guildford Road Maylands. The apartment complex has 10 storeys and 120 units, some with expansive views across the Swan River to the Perth CBD. There is surplus land that may be used for additional community facilities and dwellings (subject to approvals). We expect the refurbishment to be complete and to commence leasing in the second half of FY24. We are aiming for an average rent of $325 per week and 6.8% net rental yield on total cost of approximately $158k per apartment.

The average rent for the Perth House Portfolio is up 15% since acquisition to $402 per week. We have sold another two freestanding houses so far in FY23 after the leases expired. Since acquiring the portfolio in November 2019 for a total cost of $21 million, we have released about $7 million of capital (net of capex) through house sales at a significant premium to cost, and total NOI has increased about 10%. These sales proceeds are being redeployed into other properties that offer lower rents to our customers while generating higher investment returns.

Uniresort co-living community was acquired in April 2021 during the Covid lockdowns and occupancy has recovered from about 60% to above 95% after the recent return of foreign students. We have kept average rents steady at around $210 per week while rebuilding occupancy and have started entering into new agreements for 2023 at higher rents.

The redevelopment of our Burleigh Heads community is complete, and we have been offering the 18 townhouses for lease in batches, achieving an average rent of around $800 per week. The average total cost per house is about $500k and the average market value is above $800k in our opinion – an uplift of at least 60%.

Lindfield Apartments are fully leased at an average rent of only $281 per week, with some of the tenants on highly subsidised legacy leases.

The Cooks Hill co-living community redevelopment project has been the most impacted by the building industry bottlenecks and cost blowouts. We are now hoping for completion in February 2023. We expect to achieve an average rent of $350 per week for the 50 self-contained, furnished apartments and 6.0% net rental yield on total cost of only $200k per apartment despite the building cost increase.

We expect to maintain a high occupancy in our Residential properties. Stock available for rent will increase over the remainder of FY23 including the final batch of refurbished houses at Burleigh Heads and 50 apartments at Cooks Hill. The current Residential portfolio is expected to generate over $9 million in NOI once all the refurbishment projects are completed and leased. This is more than 3-fold increase on the FY22 NOI contribution from this segment.

Residential land sales have slowed which is not unexpected given higher interest rates, inflated house building costs and extended building timeframes. We settled 8 lots to October YTD and have around 40 contracts on hand, mostly at Coorong Quays, with very few being terminated at this stage, so we still expect a material increase in land development profits in FY23. This part of our business is currently releasing significant free cashflow which is helping fund our other refurbishment and development projects while keeping a lid on debt.

Retirement Communities

All completed dwellings at our Retirement communities are occupied, land site rentals are increasing, and the portfolio is growing quickly through acquisitions and development.

The growth in land rent per site at these communities has been constrained at less than inflation over the past 12 months and are below the level at which Commonwealth Rent Assistance (CRA) caps out. We are sensitive to the needs of our retiree customer base who are facing cost of living pressures from significant price inflation in other essentials including food and energy. Lower land rents also make our villages more appealing to potential buyers of our new houses which helps drive development profits.

Aspen acquired three Retirement communities in FY22 – Wodonga Gardens VIC, Meadowbrooke WA and Alexandrina Cove Lifestyle Village SA. At the time of acquisition, these brownfield villages already had good quality community buildings and facilities in place, 105 occupied sites producing income, and 409 vacant sites for future development including some already serviced. The purchase price of only $26k per site on average, together with lower than usual development costs, enables Aspen to provide competitively priced accommodation at these villages while still generating attractive returns.

We now have six Retirement communities being expanded with a total development pipeline of 540 approved sites equating to 20x total sales in FY22, providing plenty of growth potential.

The cost of building our village houses has increased about 20-30% over the past 18-24 months mainly due to material and labour shortages in the building industry. To date we have managed to increase selling prices sufficiently to still achieve adequate profit margins while growing total sales volumes. The new residents enter into a lease over their land sites, which increases Aspen's annuity rental income stream and net asset value.

We expect our Retirement dwellings to remain full and land rent per site to grow over the next 12 months. We will continue to increase our portfolio of leased sites over FY23 as more new houses are completed and settled at Lewis Fields, Sweetwater Grove, Alexandrina Cove and Four Lanterns.

Development activity is increasing across our Retirement communities with 13 settled October YTD and all our completed dwellings have been sold, including intended display homes. The main risk to this part of our business is the unusually long building timeframes which could delay settlements into FY24. Pleasingly, there are early signs that building costs have stabilised and capacity is freeing up.

Park Communities

The performance of our Parks portfolio has picked up considerably as the Covid pandemic recedes and borders have reopened. There has been increased demand from tourists and workers, and the average room rate has increased. This has been facilitated by cabin and grounds upgrades across the portfolio over the past two years during the lockdowns. Operating costs have been managed well, and profits and margins have increased.

Darwin Freespirit Resort performed very well during its peak trading season to the end of October and its Net Operating Income (NOI) was $2.2 million for October YTD FY23, up 33% compared to the previous corresponding period (pcp). Aspen Karratha Village's weekly occupancy has recovered to the 40-60% range and average daily room rate is in the $115-130 range. Its NOI was $0.6 million for October YTD FY23, up 500% to pcp. The NSW coastal Parks and Adelaide Caravan Park have been in their low season and are performing above budget and well ahead of last year, driven partly by increased weekend demand and longer average length of stay. Highway One is enjoying a recovery in demand from seasonal workers and its NOI is also up on FY22. Across our Parks properties, forward bookings are comfortably ahead of the same time last year.

At some stage we expect the higher interest rates, a decline in real wages and cheaper offshore holidays to impact domestic tourist demand at our Parks. This could be offset by increased demand from workers, particularly at Aspen Karratha Village, Darwin Freespirit Resort and Highway One where we are seeing a good pickup in enquiry from corporates.

Updated Financials to October 2022 and Full Year Guidance

Earnings

Aspen's strong growth has continued into FY23, and Operating Earnings per Security was 4.50 cents in the first 4 months. All our community types have contributed to this growth through increases in NOI and Development Profits:

Unaudited Management Accounts	First 4 Months		
$m	FY22	FY23	Change
Residential NOI	*0.74*	*2.16*	*191%*
Retirement NOI	*0.81*	*1.10*	*35%*
Parks NOI	*2.95*	*4.98*	*69%*
Total Property NOI	**$4.50**	**$8.23**	**83%**
Houses and Land Lots Settled	*4*	*21*	
Profit per Sale	*$109k*	*$85k*	
Development Profit	**$0.43**	**$1.78**	**314%**
Total NOI & Development Profit	**$4.9**	**$10.0**	**104%**
Net Corporate Overheads	($1.6)	($1.8)	13%
EBITDA	**$3.3**	**$8.2**	**148%**
Net Interest Expense	($0.5)	($0.8)	66%
Operating Earnings	**$2.8**	**$7.4**	**163%**
Securities - weighted	128.4	164.1	28%
Operating Earnings per Security	**2.19**	**4.50**	**105%**

Balance Sheet

We believe the carrying value of our property assets is relatively well insulated from the increase in interest rates and potential softening in economic activity. Our properties are highly occupied, and rents are growing, yet remain very competitive. Our properties are valued at below new replacement cost and generate higher cash yields than most commercial real estate classes and bonds. All our Parks except AKV are currently generating more NOI than assumed in the valuations. Uniresort is too.

Four of the Perth Apartment complexes were externally valued by CBRE and JLL in October 2022 and these valuations support our view that the total Perth Apartment Portfolio value will increase by around $20 million over its 30 June 2022 carrying value as refurbishments are completed and the apartments are leased over the next 18 months.

Colliers revalued Darwin Freespirit Resort in November 2022 after previously valuing the property in December 2021. Compared to Collier's previous valuation, the assumed sustainable EBITDA increased from $2.0 million to $2.8 million (still below the FY22 actual of over $3.0 million), and the cap rate has increased 25bps to 8.75%. The new valuation of $32 million increased by $8.5 million (36%) of which only $2.9 million was taken up through Directors' Appraisals at 30 June 2022.

Aspen's net debt at the end of October was $97 million and gearing[5] was 22.5% (not adjusting for revaluations post 30 June 2022), well below our long-term target of 30-40%. $70 million of interest rate exposure (BBSW) has been hedged to April 2024 at 50bps and total all-in borrowing margin (above BBSW) is 200bps. Interest rates have increased, and we expect them to remain around current levels in the foreseeable future. We believe the normalisation of interest rates from artificially low levels is positive for the economy and Aspen's business as it will help property prices and development costs reconnect with household incomes and rents.

We continue to be very patient acquiring assets that are suitable for our business model and accretive to securityholder returns. We will continue to recycle capital from lower yielding assets over time into higher returning opportunities.

FY23 Guidance

Over the past couple of years during the Covid pandemic, we provided guidance of at least 10% increase in Operating Earnings per Security and/or Net Asset Value per Security over the medium term, and Aspen has exceeded both measures in a challenging operating and development environment. With the pandemic now receding we are reverting to guidance on a financial year basis.

Operating Earnings per Security (EPS) range of 9.75 to 10.25 cents – increase of 12.7% to 18.5% on FY22. This implies that EPS will be highly skewed to the first half, allowing for potential delays in planned settlements of new houses in our Retirement communities from 2H FY23 into FY24, and the potential for weaker economic conditions to negatively impact activity at our Parks in the second half (though not yet evident). The guidance assumes no new acquisitions.

Distributions per Security (DPS) of at least 7.00 cents – increase of 6.1% on FY22. This is consistent with our recently announced policy to distribute 65-75% of Operating EPS to securityholders.

Further guidance will be provided with Aspen's half year results in February 2023.

On behalf of the Aspen team, we thank you for your ongoing support.

David Dixon **Joint CEO**	**John Carter** **Joint CEO**

Announcement authorised by the Board of Aspen Group Limited.

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For further information, please contact: David Dixon Joint Chief Executive Officer Phone: (+61) 2 9151 7584 Email: davidd@aspengroup.com.au	 John Carter Joint Chief Executive Officer Phone: (+61) 2 9151 7586 Email: johnc@aspengroup.com.au

1. Operating Earnings is a non-IFRS measure that is determined to present, in the opinion of the directors, the operating activities of Aspen in a way that appropriately reflects Aspen's operating performance – refer to Aspen's financial reports for full definition
2. Source: SQM Research– October 2022
3. Source: CoreLogic – October 2022
4. Source: PropTrack – October 2022
5. Gearing = (financial debt less cash) / (total assets less cash less retirement village resident loans)

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