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

17 August 2023

Aspen Group Financial Results for FY23

Strong Growth in Underlying EPS, DPS and NAV – FY24 Outlook Positive

Aspen Group (comprising Aspen Group Limited and Aspen Property Trust) (ASX: APZ) ("Aspen") is pleased to announce its financial results for FY23 and guidance for FY24.

Strong demand for Aspen's quality accommodation on competitive terms

- Shortages of accommodation are acute at the more affordable end of the spectrum – the proportion of residential rentals offered in Australia at <$400pw has collapsed from 42% in 2020 to only 16% in 2023[1]
- Aspen's rents and prices remain highly competitive, and attractive to customers – in FY23 our average rent[2] was only $275pw per dwelling/site and average sales price was only $258k per new dwelling/site (inc. GST)
- Only frictional vacancy at our longer stay accommodation, and short stay demand has been solid - tourist demand has been mixed but has increased overall, and corporate demand has strengthened
- We are maximising profitability through dynamic yield management - optimising the mix of rental rate, lease term, occupancy, and variable costs

FY23 Financial Results

Statutory Profit $54.40m equating to 31.22 cents per security

Underlying Operating Earnings[3] $20.9m equating to 12.00 cents per security – up 39% on FY22

- Total Revenue up 53% to $70m
- Operating and Development Net Income up 67% to $30.6m
  - 80% from Property NOI: $24.31m at 48% margin
  - 20% from Development Profit: $6.25m at 31% margin
- Net Corporate Overheads $6.23m (MER[4] 1.1%)
- EBITDA up 81% to $24.6m
- Net Finance Expense up 110% to $3.7m

Distributions of 7.75 cents per security – up 17% on FY22

Net Asset Value per Security $2.01 – up 13% from 30 June 2022

- Uplift driven by increase in net rental income from all but one property, and value creation from redevelopment/refurbishment projects (cap rates generally increased 25-50bps over the year)
- Portfolio attractively valued on a WACR[5] of 6.5% and average of only $117k per operational dwelling/site
- Continued recycling of capital out of higher rent/price point properties at around 3% net yield into lower rent/price point properties more suited to our core customer base
- Development projects generated 18% ROIC[6] in FY23 despite building industry turmoil, reflecting the low book value of our land bank of $33k per approved site and attractive profit margin of 31% - development pipeline increased to 14 years based on current sales rates
- Balance sheet remains solid - gearing[7] reduced to 25% (below long-term target of 30-40%) and ICR[8] steady at 4.8x despite a near doubling in interest expense due to higher interest rates

Outlook and Guidance

Expected Market Conditions

✓ **Demand for accommodation to keep growing** driven by population growth and the economy / employment holding up

✓ **Rents to remain structurally higher** due to sticky building costs, increasing regulatory burden and interest rates normalising

✓ **Governments increasing incentives** to encourage new supply and support tenants with low income. We don't expect the introduction of onerous rent controls as it would be counter-productive

✓ **Tenants** will mitigate against market rent increases and other cost of living pressures in a variety of ways which may include **relocating to Aspen's properties**

✓ **Retirees more incentivised to free up capital by "right sizing" into rental and land lease communities** with house prices generally increasing, higher interest rates on cash deposits, and increasing Commonwealth Rent Assistance

Aspen Drivers

✓ **Investing more in our platform**, particularly high-quality operations and development managers closer to our properties

✓ **More dwellings and sites in our rental pool** through continued creation of new land leases, Cooks Hill refurbishment completed June 2023 (already 78% leased), 132 Guildford Road Maylands refurbishment expected to complete Q4 FY24

✓ **Our residential rents expected to increase** but remain competitive to median market rents

✓ **Opportunities to maximise NOI through dynamic yield management** – total revenue from our park communities is up 16% FY24 YTD compared to previous corresponding period

✓ **Development Profits expected to increase** – aiming for small increase in sales volumes and stable % profit margins, but a larger proportion of higher value dwellings v. land sites – about 37% of FY24 targeted sales have contracted[9] YTD

✓ **Maintaining measured balance** of NOI (c.80%) and Development Profit (c.20%) over the medium term

✓ **Selling assets at a yield well below cost of debt**, particularly metropolitan residential with relatively high rent and price points is trading at c.3% net yield

? **Acquiring assets to enhance portfolio mix and improve growth prospects** over the medium term even if it dilutes EPS in the short term

✗ **Interest expense to more than double in FY24** – guidance assumes average cost of debt of 6%

Underlying Earnings Guidance for FY24

Underlying Operating EBITDA $29-30m

Up 18-22% on FY23

Underlying EPS 12.50-13.00 cents

Up 4-8% on FY23

Minimum DPS 8.50 cents

Up 10% on FY23

Please refer to FY23 Financial Report and Results Presentation released on ASX today for further information.

Announcement authorised by the Board of Aspen Group Limited.

END

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. Source: PropTrack - % of all dwellings (houses and units) offered for rent in Australia at <$400pw on Realestate.com.au in March 2020 and April 2023
2. Rent including ancillary revenues per average number of operational dwellings and sites
3. Underlying 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 underlying operating performance – refer to financial report for full definition
4. MER – Management Expense Ratio calculated as Net Corporate Overheads divided by closing Total Assets
5. WACR – Weighted Average Capitalisation Rate
6. ROIC – Return on Invested Capital
7. Gearing = (financial debt less cash) / (total assets less cash less retirement village resident loans and deferred revenue)
8. ICR – Interest Cover Ratio = EBITDA / Total Interest Paid
9. Contracted includes settled, contracted, and deposited

Disclaimer

This announcement has been prepared by Aspen Group Limited on behalf of Aspen Group Limited and Aspen Property Trust ("Aspen") and should not be considered in any way to be an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, and neither this document nor anything in it shall form the basis of any contract or commitment. Prospective investors should make their own independent evaluation of an investment in Aspen. Nothing in this announcement constitutes investment, legal, tax or other advice. The information in this announcement does not take into account your investment objectives, financial situation or particular needs. The information does not purport to constitute all of the information that a potential investor may require in making an investment decision.

Aspen has prepared this announcement based on information available to it. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this announcement. To the maximum extent permitted by law, none of Aspen, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this announcement or its contents or otherwise arising in connection with it.

This announcement contains forward looking information. Indications of, and guidance on, future earnings, distributions and financial position and performance are forward looking statements. Forward looking statements are based on Aspen's current intentions, plans, expectations, assumptions, and beliefs about future events and are subject to risks, uncertainties and other factors which could cause actual results to differ materially. Aspen and its related bodies corporate and their respective directors, officers, employees, agents, and advisers do not give any assurance or guarantee that the occurrence of any forward-looking information, view or intention referred to in this announcement will actually occur as contemplated. All references to dollar amounts are in Australian currency.

This announcement has been prepared for publication in Australia and may not be released to the US wire services or distributed in the United States. This announcement does not constitute an offer of securities for sale in the United States or any other jurisdiction. Any securities described in this address may not be offered or sold in the United States absent registration under the US Securities Act of 1933 or an exemption from registration.

aspen