

Aspen Group

2015 Half Year Results Presentation

February 2015

Agenda



1. Review of the half year
2. Financial results
3. Business update
4. FY15 priorities

Questions

Appendices

1. Review of the half year

Progress over 1H FY15



Key priorities

Progress

Non-core assets

- Settlement of Noble Park in October 2014
- \$17.8m of non-core assets sold and due to settle 2H FY15
- Spearwood only material non-core asset remaining

Aspen Parks Fund

- Recapitalisation of APPF complete
- Aspen Group now holds 42%, and now consolidated

Growth

- \$15m of acquisitions to date in FY15
- \$6m of development committed on existing parks – expect ROA mid-teens
- Residential development pipeline activating

Financial

- Overheads reduced by a further 5% since 2H FY14; expect continued falls
- Buyback of 5.7% of securities at an average price of \$1.25
- NAV per security down to \$1.37 from \$1.50 on back of resource property declines

Distribution guidance

- 1H FY15 distribution of 4.5 cents per security declared
- Confirm full year distribution guidance of 9.0 cents per security

Park operating performance



- ❖ Strong performance of main short-stay/residential portfolio
- ❖ Resource sector weakness continues to be a drag on performance
- ❖ Cost control evident across the portfolio

	1HFY15 \$m	1HFY14 \$m	Change
<u>Net income</u>			
Short-stay/residential	8.2	7.3	12%
Resources parks	2.8	4.1	(31%)
Resorts	2.0	1.9	6%
Total	13.0	13.3	(2%)
<u>Net income margin</u>			
Short-stay/residential	47.7%	45.2%	2.5%
Resources parks	48.5%	56.4%	(7.9%)
Resorts	26.0%	23.4%	2.6%
	42.5%	42.3%	0.2%

Like for like basis

Valuation movements



- ❖ Valuation movements mirror performance
 - 4 short-stay/residential parks revalued up \$3.8m
 - All resource properties revalued, down \$18.9m – mostly Aspen Karratha Village
 - Slight impairment to resorts, including provision for selling costs
- ❖ AKV re-leasing a key priority
- ❖ No impairments to the carrying value of non-core assets this half
 - Gain of \$2.1m on sales

	Dec-14 \$m	Jun-14 \$m	Change \$m
<u>Valuation</u>			
Short-stay/residential	41.2	37.4	3.8
Aspen Karratha Village (AKV)	26.5	38.5	(12.0)
Other resource parks	26.3	33.2	(6.9)
Resorts *	23.5	25.0	(1.5)
Total	117.5	134.1	(16.6)

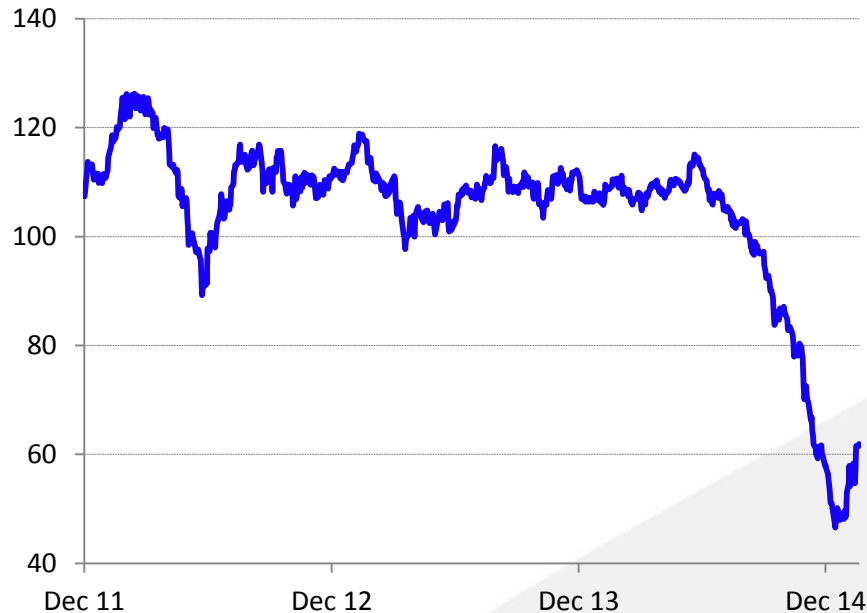
* Net of provisions at 30 June 2014

Resource sector challenges



- ❖ Resource sector generally remains under significant pressure. During 1H FY15:
 - ~25% fall in iron ore price
 - ~50% fall in oil price

Oil (Brent US\$/BBL)



Iron Ore (Spot US\$/t)



Non-core assets



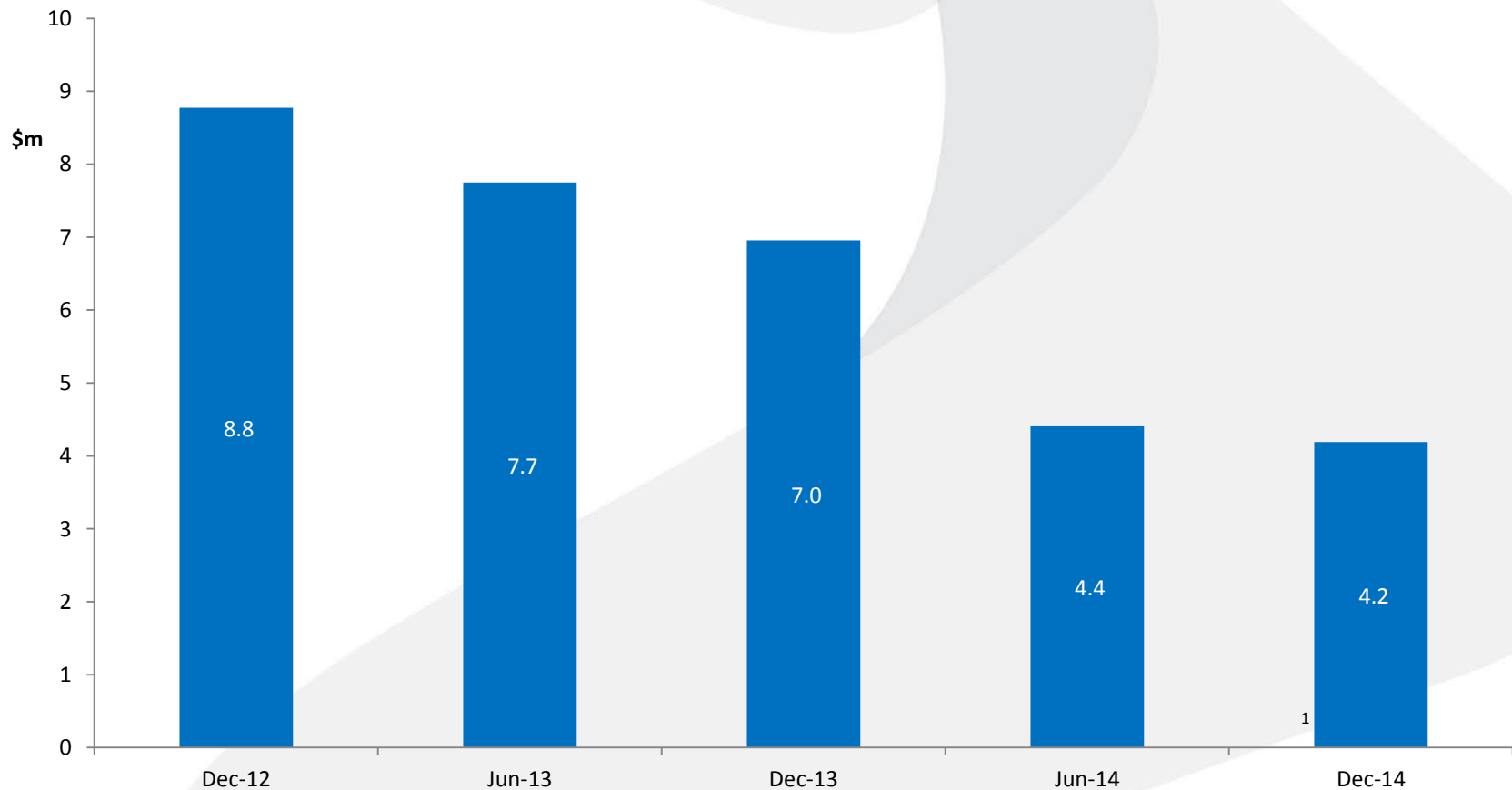
Sale process largely complete

- ❖ Noble Park settled in October 2014
- ❖ Remaining material non-core asset is the Spearwood industrial estate, Perth
 - Environmental classification on track, with expected resolution in 2H FY15
 - Leasing campaign underway
 - Discussions on potential sale
 - Asset value unchanged at \$68.0m (gross selling price)
- ❖ Development portfolio \$22.7m of assets as at 31 December 2014
 - \$17.8m sold and due for settlement 2H FY15
 - Only net carrying value of \$4.8m remaining

Further reduction in overheads

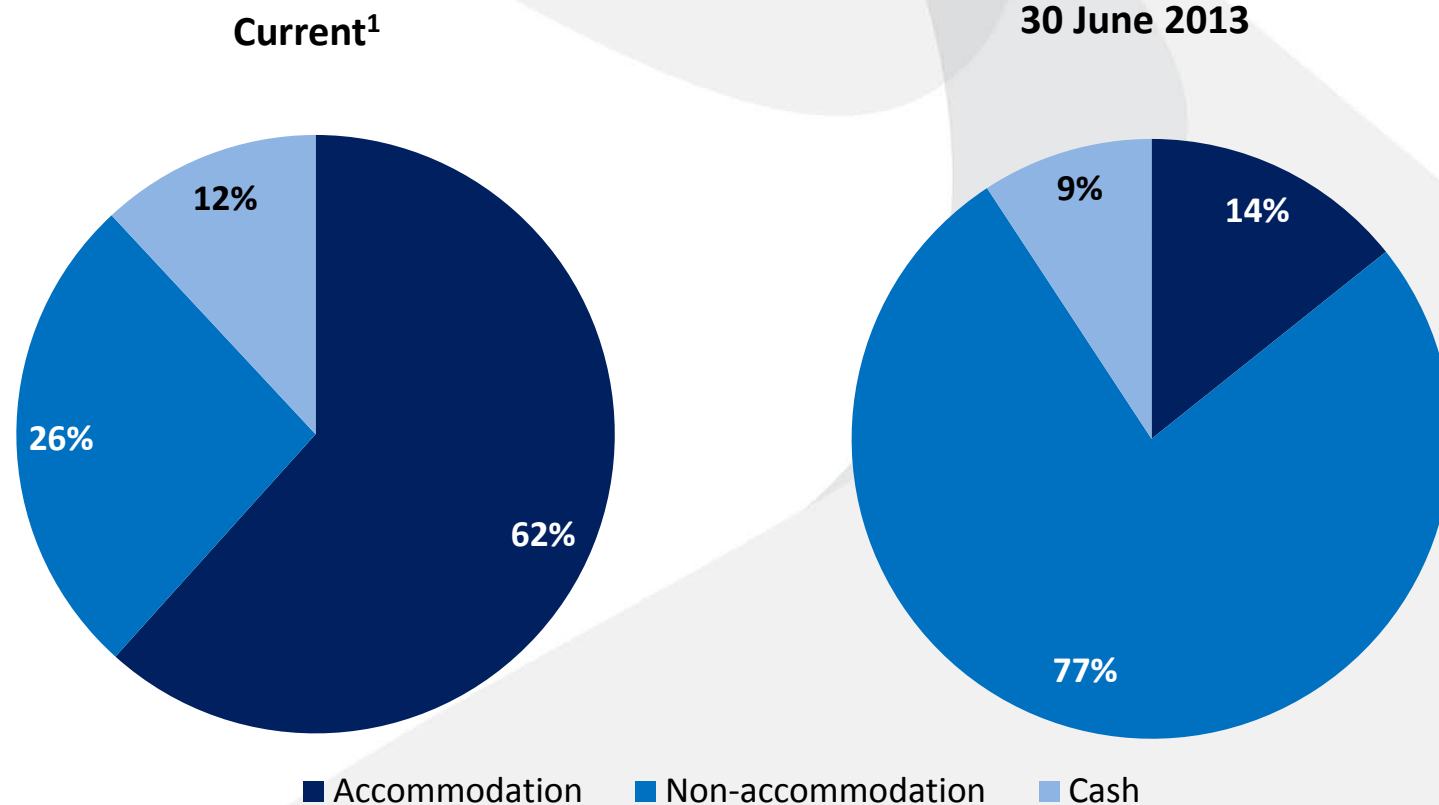


- ❖ Underlying overheads down a further 5% from 2H FY14, down 40% from 1H FY14
- ❖ Further material reduction of at least 10% is expected with Sydney corporate office relocation (to occur mid March 2015)



Predominant accommodation business

Major shift in the business achieved – focus on accommodation

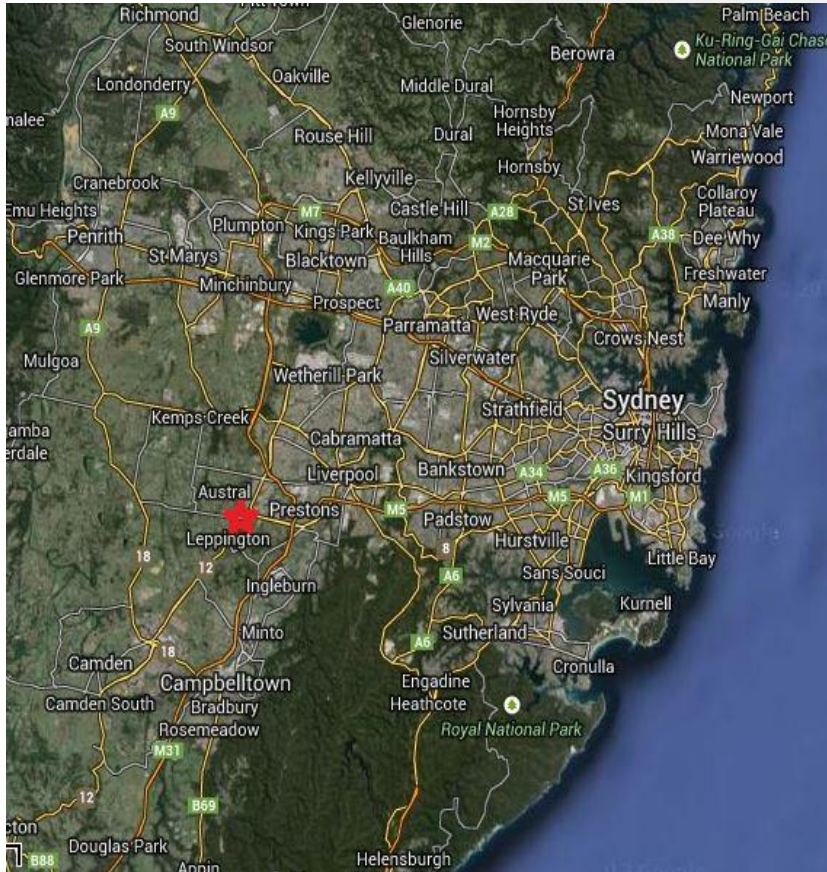


¹ 31 December 2014 pro forma for Four Lanterns acquisition

Acquisition of Four Lanterns



Leppington, Metropolitan Sydney NSW



- ❖ 100% permanent residential park
- ❖ Sydney Metro location desirable for affordable accommodation
- ❖ Medium density zoning
- ❖ 102 sites, with potential development upside (subject to Council approval)
- ❖ 100% occupied

Acquisition metrics	
Purchase price	\$7.4m
Ingoing yield (incl acq costs)	7.6%

Acquisition of Harrington

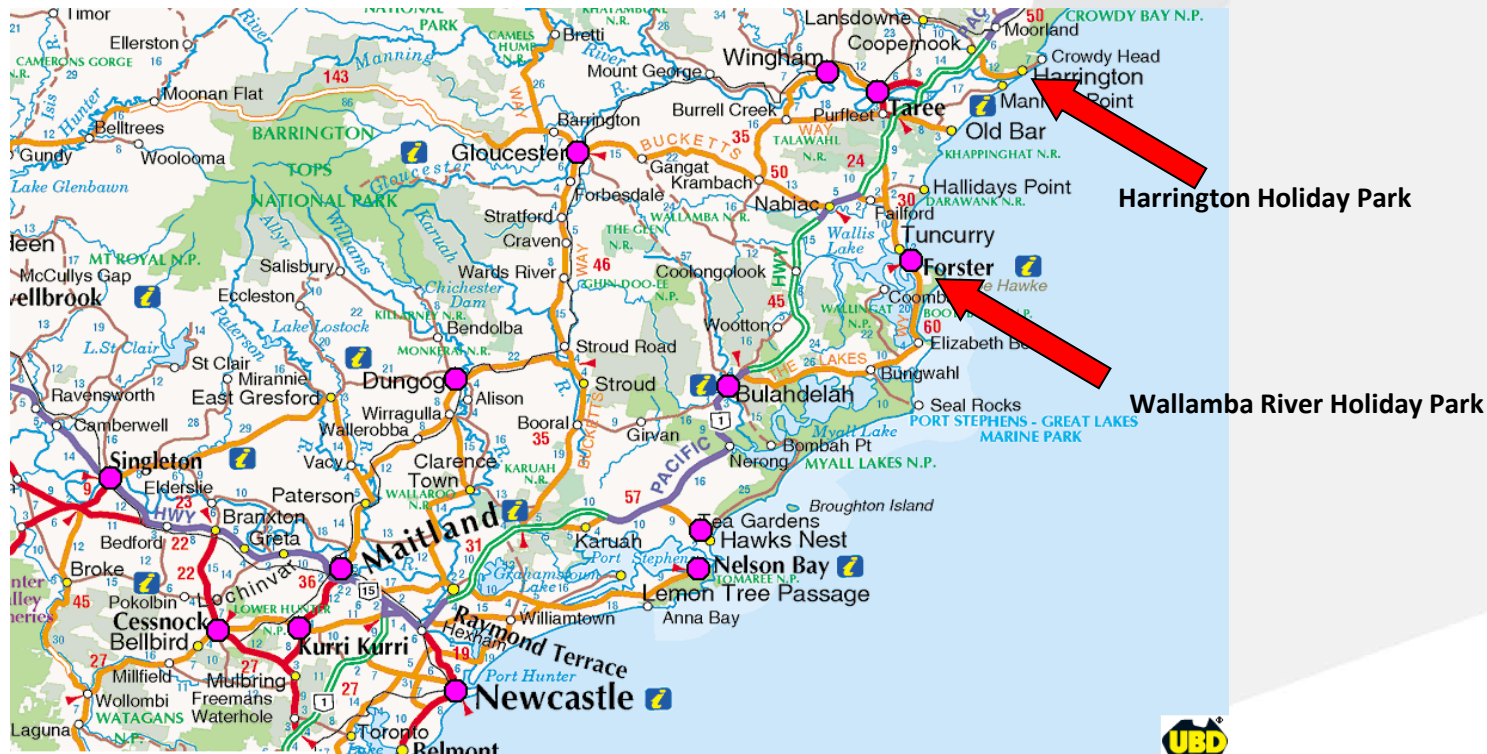


Harrington Holiday Park, Harrington NSW

- ❖ Popular northern NSW coastal location
- ❖ Tourism and permanent mix with development potential upside from residential conversion
- ❖ 321 sites (24% annuals / 76% short stay)
- ❖ Crown leasehold with 25 years remaining

Acquisition metrics

Purchase price	\$7.7m
Ingoing yield (incl acq costs)	12.0%



2. Financial results

Operating earnings



	1H FY15		1H FY14
	\$m	CPS	\$m
Profit / (Loss) from Operations			
Commercial/Industrial	5.5	4.7	12.2
Accommodation			
- Aspen Karratha Village	2.8	2.9	7.3
- Aspen Parks Property Fund	7.1	6.1	3.2
Development and other	-	-	(3.3)
Total Profit from Operations	15.3	13.2	19.3
AGL - Overhead and other expenses	(4.2)	(3.6)	(7.2)
APPF - Overhead and other expenses	(1.6)	(1.4)	-
Net financial expenses	(1.7)	(1.5)	(3.8)
Operating Profit Before Tax	7.8	6.7	8.3
Income tax expense	-	-	-
Operating Profit after Tax	7.8	6.7	8.3
NCI	1.5	-	-
APZ share of Operating Profit after Tax	6.3	5.4	8.3
APZ Distributions	5.1	4.5	9.0

Group financial result

Statutory loss for 1H FY15



	1H FY15		1H FY14
	\$m	CPS	\$m
Operating profit	7.8	6.7	8.3
Profit / (loss) from discontinued operations	2.1	1.8	(48.0)
Revaluation of Aspen karratha Village	(12.0)	(10.3)	(11.5)
Impairment of equity accounted investees	-	-	(7.2)
Parks/resorts carrying value movements	(9.4)	(8.1)	(0.8)
Other	(6.7)	(5.7)	1.2
Non-operating loss	(26.0)	(22.3)	(66.3)
Statutory loss before tax	(18.2)	(15.6)	(58.0)
Tax benefit	-	-	(12.1)
Statutory loss after tax	(18.2)	(15.6)	(70.1)
NCI allocation	3.6	3.1	8.5
Statutory loss after tax attributable to APZ	(14.6)	(12.5)	(61.6)

Balance sheet



	31-Dec-14 \$m	30-Jun-14 \$m
Cash	44.3	44.7
Assets held for sale	112.9	115.2
Investment properties (AKV)	26.5	38.5
Equity investments	-	10.7
Parks properties carrying value	170.9	-
Head office assets	0.1	1.4
Other	8.2	11.2
Total Assets	363.0	221.7
Liabilities held for sale	30.3	23.2
Borrowings	92.8	7.4
Other	26.6	11.4
Total Liabilities	149.8	42.0
Net Assets	213.2	179.7
Non-controlling interests	(59.0)	-
Unrecognised leasehold value	1.3	-
NAV	155.6	179.7
NAV per security	1.37	1.50
Gearing	25%	Nil
Look through gearing	18%	Nil

Debt structure



- ❖ Look through gearing of 18%
- ❖ Simple structure: 2 facilities
- ❖ Both debt facilities refinanced during 1H FY15, with an increase in term, and reduction in margin

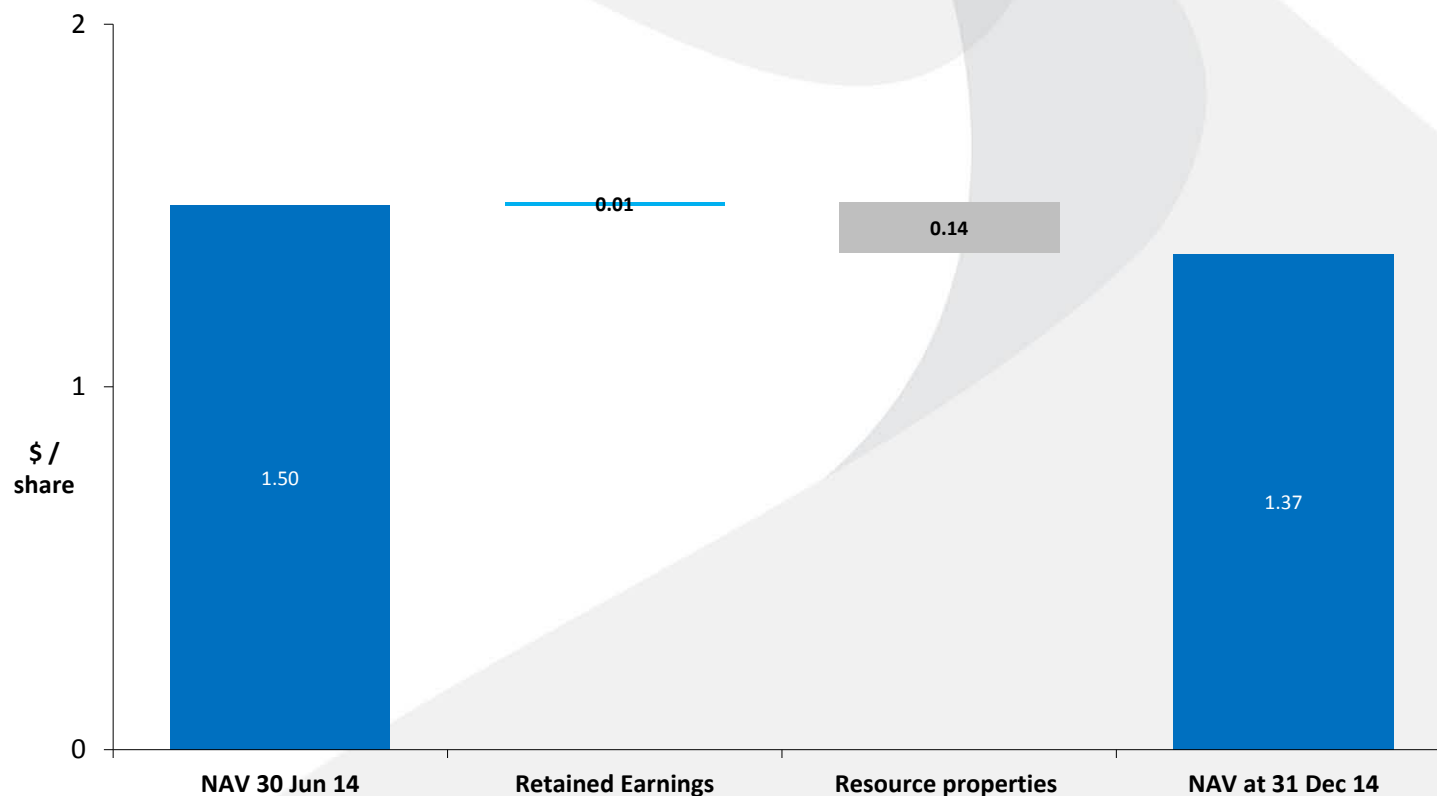
Senior Debt facilities	APZ	APPF
Maturity date	Sep 16	Sep 17
Total drawn debt	40.0m	82.3m
Senior debt facilities	40.0m	125.0m*
LVR / LVR limit covenant	38%/40%	37%/55%
Debt maturity (years)	1.7	2.7
Interest rate hedging	100%	85%
Weighted average cost of debt	5.2%	4.7%

*Reduced to \$110 million in January 2015

NAV per security movement



- ❖ Decline in NAV of \$0.13 per security over the half year
- ❖ Decline in resource properties value offset by some retained operating earnings



3. Business update

Reallocating capital

Shifting capital from resources exposure...

- ❖ Pilbara occupancy is extremely low (~30%)
- ❖ Identified opportunity to relocate unused cabins to Perth Vineyards, where there are immediately available residential sites
- ❖ Relocation cost of ~\$40k is significantly less than cost to buy a new cabin (~\$150k)



Cabin removal at Pilbara Holiday Park, Karratha

Reallocating capital

...to annuity residential Perth exposure

- ❖ Test cabin was completed, to assess feasibility, with no wear and tear or cost issues
- ❖ Market demand for product at Perth Vineyards has been strong, with 3 cabins sold within the first month
- ❖ Sale price <\$200k for 2 bedroom homes
- ❖ ~20 cabin sites identified in Perth metro area as being suitable for cabin relocations



Relocated cabin at Perth Vineyards Holiday Park

Development opportunity



- ❖ In-house development management capability
- ❖ Pipeline re-starting with availability of capital from non-core asset sales
- ❖ Currently progressing \$6.0m of development on short-stay product
 - Highly accretive stabilised ROA in mid teens
- ❖ Currently investigating a number of potential residential development projects
 - Identified 200+ sites at various stages
- ❖ Focus on measured residential opportunities creating annuity rental

Optimising existing portfolio



- ❖ Positive cyclical forces
 - Lower Australian dollar
 - Lower petrol prices
 - Value for money
- ❖ Management focus
 - Cost efficiencies
 - Revenue enhancement / more active yield management
 - Aspen Karratha Village re-leasing

Acquisition pipeline



- ❖ With low gearing, from non-core asset sales acquisition capacity of \$100m+
- ❖ Currently investigating a number of opportunities:
 - ❖ Focus on residential and mixed use short stay/residential parks
 - ❖ Enhancing existing park clustering, or opportunities for new clusters
 - ❖ Measured development opportunity

4. FY15 priorities

Priority action points

- ❖ Finalise sale of Spearwood
- ❖ Continue to focus on acquisitions – there are a large number of opportunities
- ❖ Grow residential development pipeline to create annuity rental streams
- ❖ Optimise operational returns
- ❖ Maintain discipline on overhead cost
- ❖ FY15 distribution guidance of 9.0 CPS, consistent with 1H FY15 distribution of 4.5 CPS – Aspen currently on track

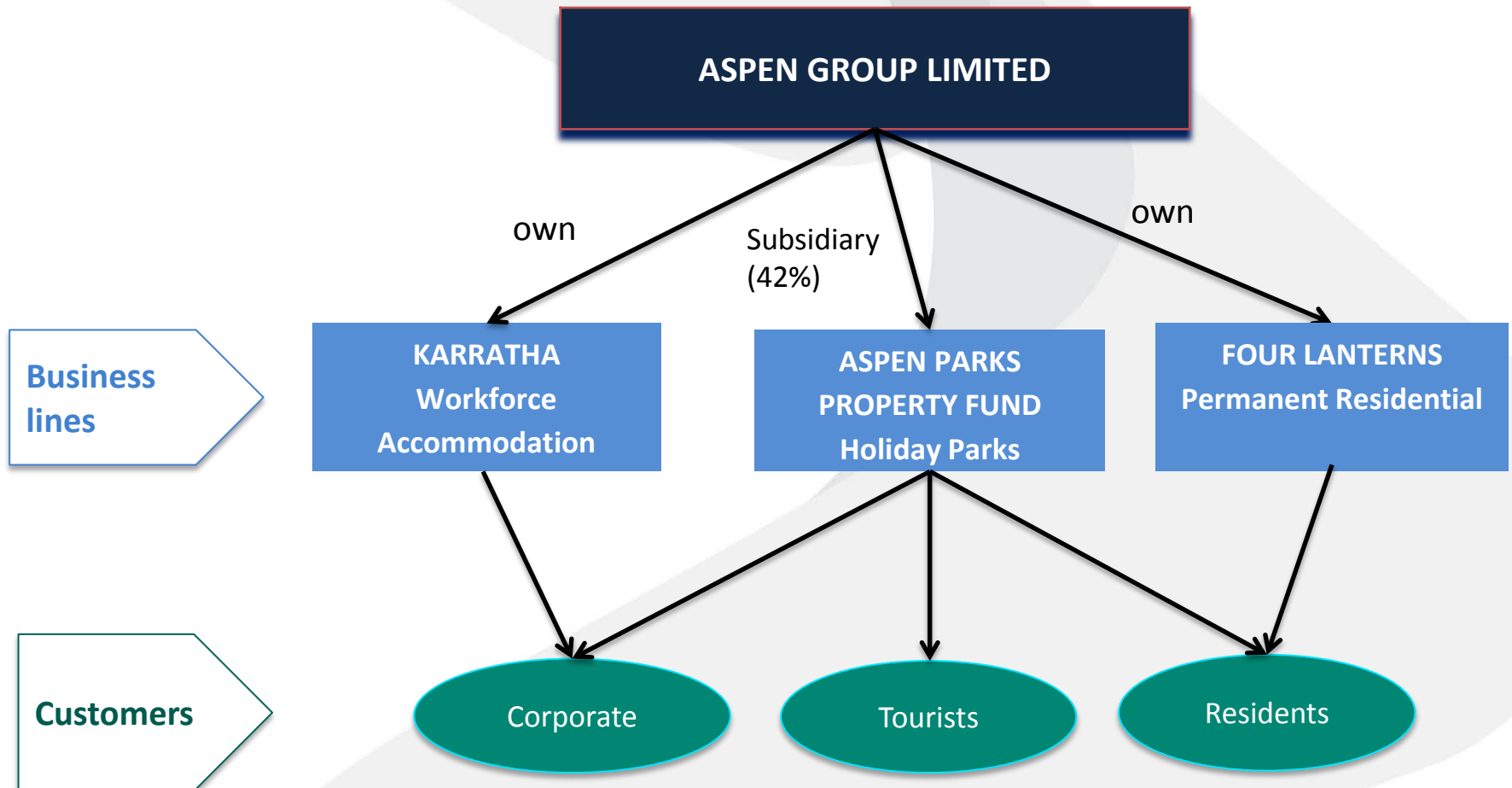
Questions

Appendices

Accommodation business



Consistent “value-for-money” customer proposition



Resource properties



- ❖ Focus on:
 - Securing lease extension at AKV
 - Cost management
- ❖ Independent revaluation of all resource parks during 1H FY15

Property	Dec-14 \$m	Capitalisation rate	Jun-14 \$m	Change \$m
Aspen Karratha Village	26.5	21.0%	38.5	(12.0)
Pilbara Holiday Park	9.8	15.9%	11.2	(1.4)
Balmoral Holiday Park	2.5	10.8%	3.9	(1.4)
Myall Grove Holiday Park	4.0	15.0%	5.3	(1.3)
Cooke Point Holiday Park*	10.0	32.4%	12.8	(2.8)
Total	52.8		71.7	(18.9)

*Cooke Point Holiday Park includes unrecognised goodwill at Jun 14 of \$1.5m

Short-stay/residential parks



- ❖ Independent valuation of 4 short-stay/residential parks during half. Carrying values rose slightly

Property	Dec-14 \$m	Capitalisation rate	Jun-14 \$m	Change \$m
Geelong Riverview Tourist Park	3.2	22.9%	2.4	0.8
Horseshoe Lagoon Holiday Park	8.5	12.5%	8.0	0.5
Maiden's Inn Holiday Park	15.0	12.0%	14.5	0.5
Woodman Point Holiday Park*	14.5	11.7%	12.5	2.0
Total	41.2		37.4	3.8

* Woodman Point Holiday Park includes unrecognised goodwill of \$7.2m at Dec 14 (\$5.2m at June 14)

- ❖ Resorts weakened due to selling costs provision and impairment

Property	Dec-14 \$m	Capitalisation rate	Jun-14 \$m	Change \$m
Resorts	23.5	~12.5%	25.0*	(1.6)

* Net of provisions

Aspen Parks Property Fund



Carrying values

Property	Sector	Dec-14	Jun-14	Movement	
		\$m	\$m	\$m	%
A Shady River Holiday Park	Short Stay residential	6.0	6.0	-	-
Ashley Gardens BIG4 Holiday Village	Short Stay Residential	19.5	19.5	-	-
Balmoral Holiday Park	Resource	2.5	3.9	(1.4)	(36%)
BIG4 Dubbo Parklands	Short Stay Residential	10.2	10.2	-	-
Boathaven Holiday Park	Short Stay Residential	8.0	8.0	-	-
Coogee Beach Holiday Park ¹	Short Stay Residential	7.3	7.3	-	-
Cooke Point Holiday Park ²	Resource	10.0	12.8	(2.8)	(22%)
Exmouth Cape Holiday Park	Short Stay Residential	10.2	10.3	(0.1)	(1%)
Geelong Riverview Tourist Park	Short Stay Residential	3.2	2.4	0.8	33%
Harrington Holiday Park ⁴	Short Stay Residential	8.3	-	-	-
Horseshoe Lagoon Holiday Park	Short Stay Residential	8.5	8.0	0.5	6%
Maiden's Inn Holiday Park	Short Stay Residential	15.0	14.5	0.5	3%
Monkey Mia Dolphin Resort	Resorts	14.2	14.9	(0.8)	(5%)
Myall Grove Holiday Park	Resource	4.0	5.3	(1.3)	(25%)
Ningaloo Reef Resort	Resorts	9.3	10.1	(0.8)	(8%)
Perth Vineyards Holiday Park	Short Stay Residential	14.0	14.0	-	-
Pilbara Holiday Park	Resource	9.8	11.2	(1.4)	(12%)
Port Augusta BIG4 Holiday Park	Short Stay Residential	5.7	5.7	-	-
Twofold Bay Beach Resort	Short Stay Residential	6.0	6.0	-	-
Wallamba River Holiday Park	Short Stay Residential	7.7	7.7	-	-
Woodman Point Holiday Park ³	Short Stay Residential	14.5	12.5	2.0	16%
Yarraby Holiday & Tourist Park Resort	Short Stay Residential	9.4	9.4	-	-
		203.2	199.7	(4.8)	(3%)

¹ Coogee Beach Holiday Park includes unrecognised goodwill of \$2.8m at Dec 14 (\$2.8m at Jun 14)

² Cooke Point Holiday Park includes unrecognised goodwill at Jun 14 of \$1.5m

³ Woodman Point Holiday Park includes unrecognised goodwill of \$7.2m at Dec 14 (\$5.2m at Jun 14)

⁴ Harrington Holiday Park includes unrecognised acquisition costs \$0.6m

Financial highlights



Key financial metrics	1H FY15	1H FY14	Change
Revenue	33.8m	42.2m	(19.9%)
Statutory loss	(18.2m)	(70.2m)	74.1%
Operating profit	7.8m	8.3m	(6.0%)
Operating profit EPS	6.7c	6.9c	(2.9%)
Operating cashflow	3.0m	9.0m	(66.7%)
Gearing	25.3%	Nil ¹	-
Net asset value per security	1.37c	1.50c	(8.0%)
Distribution per security	4.5c	7.5c	(40.0%)

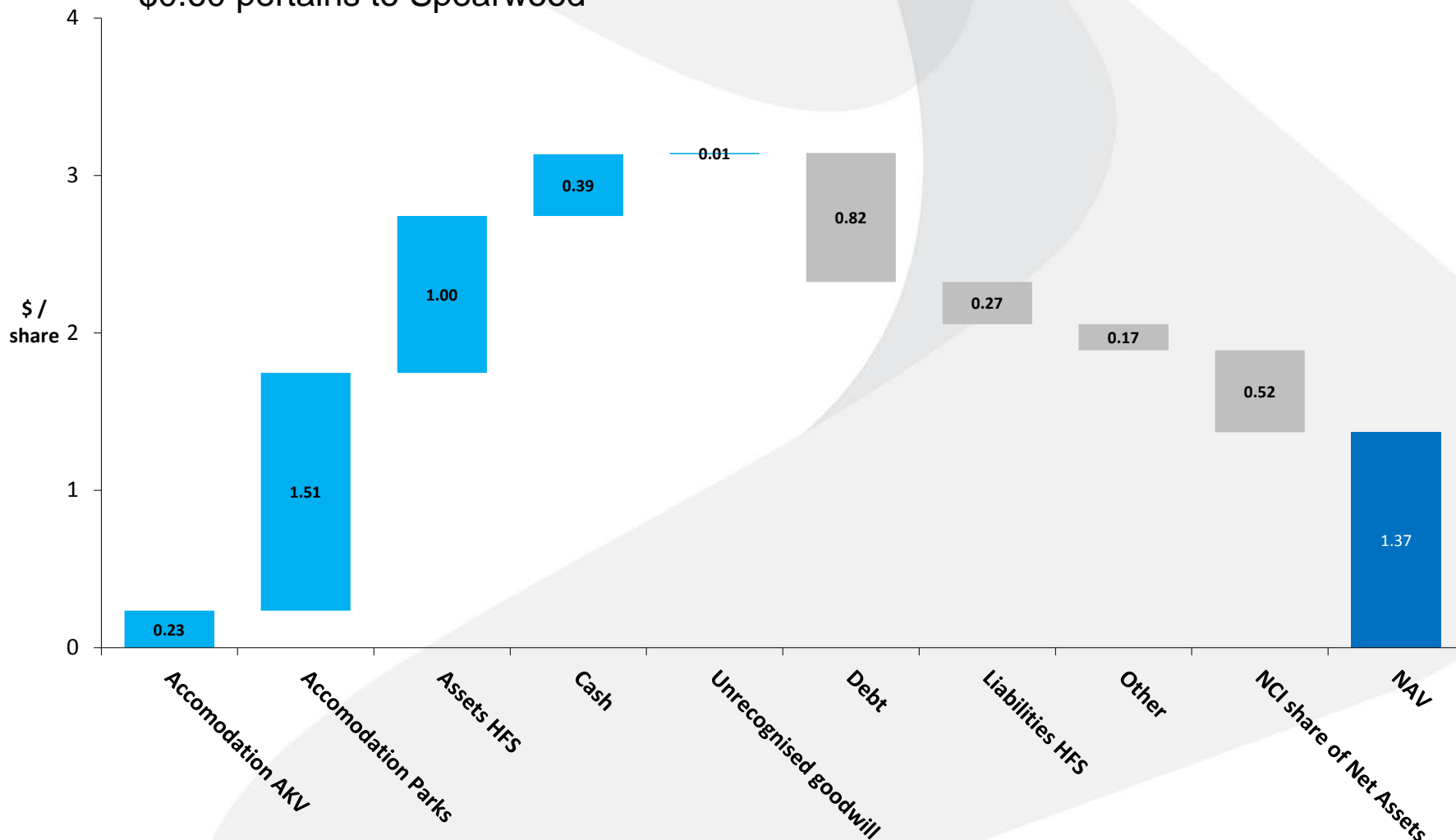
- ❖ Revenue decline due to asset sales, partially offset by the consolidation of APPF during the period
- ❖ Like for like net income growth of 12% in mixed use parks
- ❖ Net decline in value of resource properties of \$18.9m
- ❖ Mixed use parks improve, with \$3.8m value increase during the period

¹ Gearing at 30 June 2014

NAV per security composition



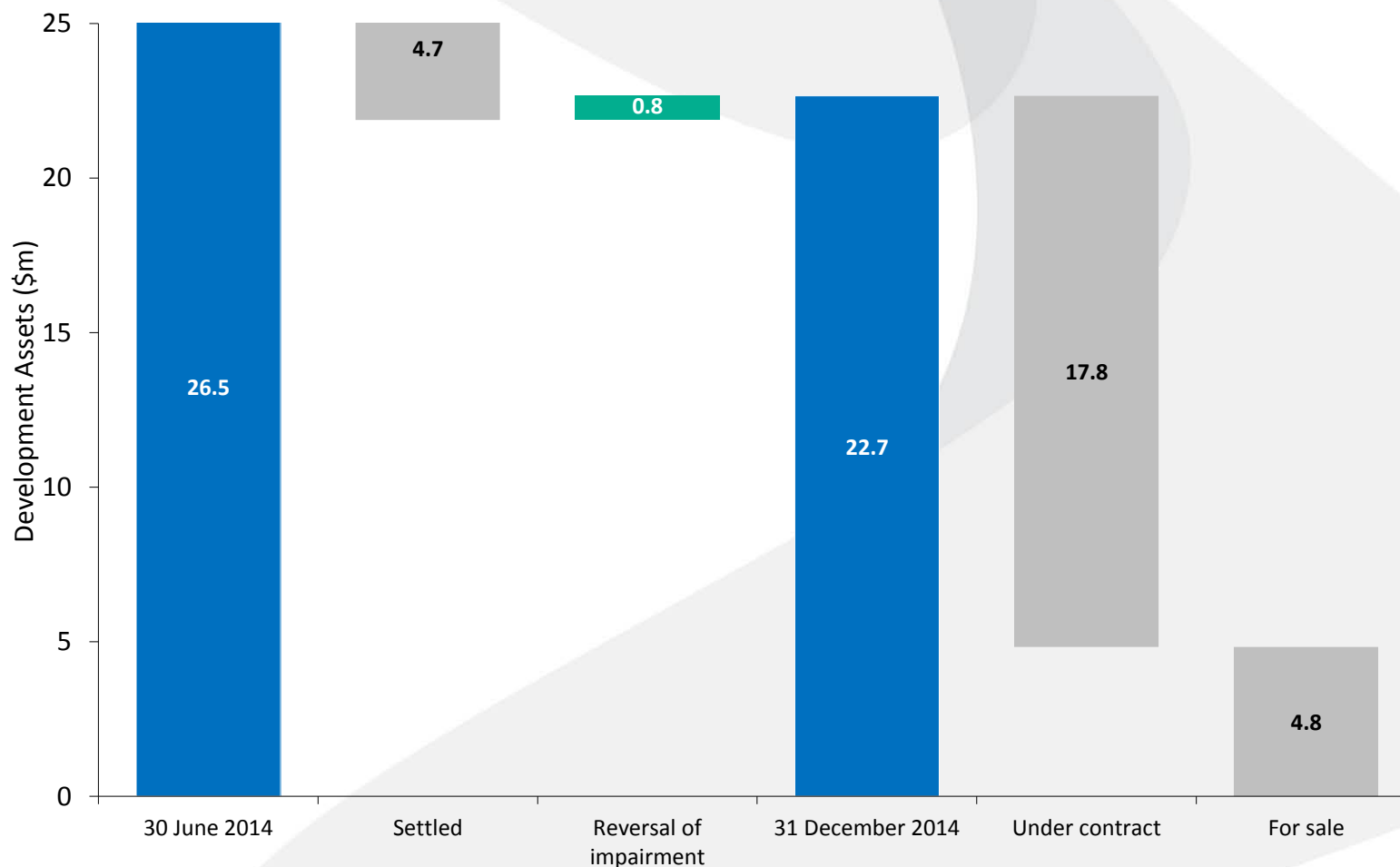
- ❖ \$0.39 per security in cash available for acquisitions
- ❖ Of the \$1.00 per security in assets held for sale, \$0.16 has been contracted, and \$0.60 pertains to Spearwood



Non-core development asset sales



Substantially completed sale programme



APZ Operating earnings deconsolidated

APPF deconsolidated and reflected as equity accounted investment

	1H FY15		1H FY14
	\$m	CPS	\$m
Profit / (Loss) from Operations			
Industrial	5.2	4.4	12.2
Accommodation			
- Aspen Karratha Village	2.8	2.4	7.3
- Aspen Parks Property Fund	1.2	1.1	3.2
Development	(0.1)	(0.1)	(4.7)
Other revenue	2.1	1.8	1.4
Total Profit from Operations	11.3	9.7	19.3
Overhead and other expenses	(4.6)	(4.0)	(7.2)
Net financial expenses	(0.3)	(0.3)	(3.8)
Operating Profit Before Tax	6.3	5.4	8.3
APZ Distributions	5.1	4.5	9.0

APZ profit/loss deconsolidated



APPF deconsolidated and reflected as equity accounted investment

	1H FY15 \$m	CPS	1H FY14 \$m
Accommodation operating profit	1.2	1.0	6.2
Industrial operating profit	5.2	4.5	6.9
Development operating loss	(0.1)	(0.1)	(4.8)
Operating profit	6.3	5.4	8.3
Profit / (Loss) - subsidiary assets held for sale	1.7	1.5	(23.6)
Profit / (Loss) - commercial/industrial properties held for sale	0.4	0.3	(24.4)
Revaluation of Aspen Karratha Village	(12.0)	(10.3)	(11.5)
Loss from equity accounted investees	(2.4)	-	(7.2)
Write-down of assets held for sale	-	-	(0.8)
PPE fair value	(1.2)	(1.0)	-
Relocation costs	(2.2)		
Other statutory amounts	(1.5)	(1.3)	1.2
Non-operating loss	(17.2)	(10.8)	(66.3)
Statutory loss before tax	(10.9)	(5.4)	(58.0)
Tax benefit	-	-	(12.1)
Statutory loss after tax	(10.9)	(5.4)	(70.1)
NCI allocation	(0.5)	(0.4)	8.5
Statutory loss after tax attributable to Aspen Group	(11.4)	(9.8)	(61.6)

APZ balance sheet deconsolidated

APPF deconsolidated and reflected as equity accounted investment

	31-Dec-14 \$m	30-Jun-14 \$m
Cash	39.3	44.7
Assets held for sale	89.8	115.2
Investment properties	26.5	38.5
Equity investments	48.0	10.7
Property, plant and equipment	0.1	1.4
Other	7.0	11.2
Total Assets	210.7	221.7
Liabilities held for sale	30.3	23.2
Borrowings	10.6	7.4
Other	14.4	11.4
Total Liabilities	55.3	42
Net Assets (NAV)	155.3	179.7
NAV per security	1.37	1.50
Gearing	4%	Nil
Look through gearing	18%	Nil

APPF operating earnings



	1H FY15		1H FY14
	\$m	CPS	\$m
Revenue from operations			
Mixed use net property income	8.5	4.5	7.4
Resources net property income	2.8	1.5	4.4
Resorts net property income	2.0	1.1	2.1
Other revenue	0.1	-	0.2
Total revenue	13.3	7.1	14.1
Operating expenses	(4.0)	(2.1)	(5.0)
Financial expenses	(2.7)	(1.4)	(3.2)
Profit before tax	6.7	3.6	5.8
Income tax expense	0.0	-	0.0
Core operating profit after tax	6.7	3.6	5.8
Distributions	4.1	2.0	6.4

APPF profit/loss



	1H FY15		1H FY14
	\$m	CPS	\$m
Mixed use underlying profit	3.5	1.9	1.8
Resources underlying profit	2.0	1.1	3.1
Resorts underlying profit	1.2	0.6	0.9
Total operating profit	6.7	3.7	5.8
Mixed use property valuations	0.4	0.2	(14.9)
Resource property valuations	(1.4)	(0.8)	(16.3)
Resort property valuations	(4.4)	(2.3)	(15.9)
Amortisation of capital expenditure	(2.6)	(1.4)	(2.0)
Relocation costs	(0.9)	(0.5)	0.0
Interest rate swap revaluation	(1.5)	(0.8)	0.0
Other statutory adjustments	(0.1)	(0.1)	0.0
Statutory Profit / (Loss) After Tax	(3.9)	(2.1)	(43.3)

APPF balance sheet



	31-Dec-14	30-Jun-14
	\$m	\$m
Cash	5.1	5.9
Property, plant and equipment	165.4	177.6
Goodwill	13.8	12.0
Resort assets held for sale	23.5	12.0
Other assets	2.7	2.9
Total assets	210.4	210.3
Interest bearing liabilities	81.3	110.2
Other liabilities	15.8	13.9
Total liabilities	97.1	124.1
Net assets	113.3	86.2
Units	232.6	162.7
NAV	\$ 0.4898	\$ 0.5299
Gearing	38%	51%
LVR	37%	52%

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