

# Merger of Aspen Group and Aspen Parks Property Fund

Creating a leader in value for money accommodation

14 September 2015



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# The Merger proposal



# EXECUTING ON STRATEGY

## Becoming a leader in "value for money" accommodation

- 1** Aspen Group and Aspen Parks Property Fund ("APPF") have entered into an agreement to merge
  - APPF is an unlisted property fund, with 21 properties valued at \$189 million<sup>(1)</sup> and approximately 3,000 investors
  - Aspen Group has a 42% holding in APPF and is its manager
- 2** Completes Aspen Group's strategic change
  - Clear focus on owning, managing and developing value for money accommodation
  - Completes structural simplification of Aspen Group
- 3** Significant immediate accretion to distributions
  - The Merged Group is forecasting an FY16 annualised distribution of 12.0 cents per security<sup>(2)</sup>
  - Accretion of 28% over FY16 distribution guidance
  - 9.8% yield on Aspen Group's security price of \$1.225<sup>(3)</sup>
- 4** Strengthened fully integrated platform for value creation
  - National portfolio of 25 assets with over 5,000 sites and more than 400 staff
  - Well positioned to execute on growth through optimising operations, organic development and acquisitions
- 5** The Directors of Aspen Group and APPF consider the Merger is a compelling proposition for both sets of securityholders, unanimously recommend the Merger and intend to vote their securities in favour of the Merger<sup>(4)</sup>

1 Pro forma for the announced sale of three WA tourism properties

2 The Merged Group is forecasting an FY16 annualised distribution of 12.0 cents per Merged Group security, based on 2H FY16 distribution forecast of 6.0 cents per Merged Group security and no material change in business conditions

3 As at 11 September 2015

4 In each case, in the absence of a superior proposal and subject to an independent expert concluding the Merger is in the best interests of Aspen Group securityholders and APPF securityholders respectively



# MERGER TERMS

## Key Merger terms

### Consideration for Aspen Group Securityholders

- ❖ Aspen Group securityholders will receive one Merged Group security for each Aspen Group security

### Consideration for APPF Securityholders

- ❖ Consideration represents a value of \$0.50 per APPF security<sup>(1)</sup>
  - 8.2% premium to APPF NAV of \$0.4622 as at 30 June 2015
- ❖ The form of consideration will be at each APPF securityholder's election:
  - Scrip Option: APPF securityholders will receive 0.386 Merged Group securities for each APPF security<sup>(2)</sup>
  - Cash Option: APPF securityholders (other than Aspen Group) may choose to participate in a buy-back facility at \$0.52 per APPF security, subject to an overall cap of \$35 million<sup>(3)</sup>
    - Cash Option of \$0.52 is equivalent to Scrip Option at \$1.347 per Merged Group security
    - The \$35 million cap represents approximately 50% of total Merger consideration to APPF securityholders (other than Aspen Group)
  - APPF securityholders may elect to receive a combination of the Scrip Option and Cash Option

## Implementation

- ❖ The Merger will be implemented by schemes of arrangement requiring approval by APPF securityholders and Aspen Group securityholders and is currently expected to be implemented in December 2015

1 Consideration represents the higher of the value received under (i) the Merger ratio (0.386) multiplied by the Aspen Group 10 day VWAP (\$1.23 as at 11 September 2015), or (ii) the sum of (a) 50% of capped cash consideration of \$0.52 and (b) 50% of the Merger ratio multiplied by Aspen Group 10 day VWAP

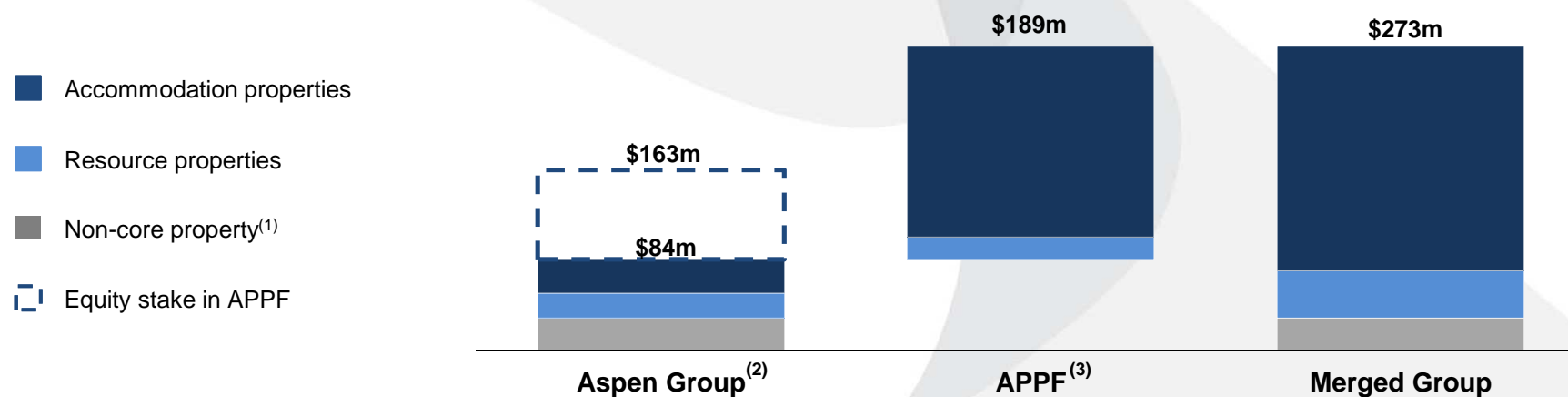
2 Represents an implied value of \$0.48 per APPF security based on Aspen Group's 10 day VWAP of \$1.23 as at 11 September 2015. The implied value will change with movements in Aspen Group's security price

3 If demand for the Cash Option exceeds the cap, APPF securityholders will retain some Merged Group securities under a pro rata scale back, however they will have the option of selling these securities via a sale facility

# THE MERGED GROUP

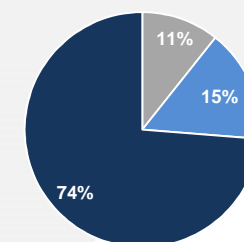
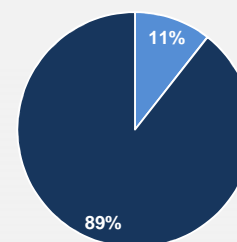
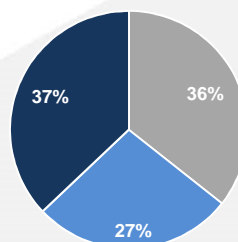
Creating a simplified and integrated platform for further growth

Portfolio size and asset type as at 30 June 2015



Total number of accommodation properties	4	21	25
Total number of accommodation sites	596	4,673	5,269
<b>Weighted average capitalisation rate</b>	<b>11.4%</b>	<b>13.1%</b>	<b>12.7%</b>

Asset type



1 Largely comprising Spearwood South industrial property currently held for sale  
 2 Pro forma for the sale of Spearwood North and the acquisition of Tomago Van Village  
 3 Pro forma for the announced sale of three WA tourism properties

# THE MERGED GROUP

A simple business owning, managing and developing value for money accommodation properties

1	Permanent residents	<ul style="list-style-type: none"> <li>❖ Largely retiree customers</li> <li>❖ Land lease model (customer owns cabin)</li> <li>❖ Stable, high quality, annuity residential rental cashflows</li> <li>❖ Development margin on cabin sales</li> </ul>
2	Annual tourists	<ul style="list-style-type: none"> <li>❖ Tourist customers</li> <li>❖ Land lease model (customer owns cabin)</li> <li>❖ Annual rental streams</li> </ul>
3	Short-stay rentals / tourists	<ul style="list-style-type: none"> <li>❖ Tourist and business customers</li> <li>❖ Lease of cabins and caravan sites</li> <li>❖ Short stay rentals, typically averaging less than one week</li> </ul>
4	Resource parks	<ul style="list-style-type: none"> <li>❖ Business / contractors in resources sector and tourist customers</li> <li>❖ Lease of cabins (typically business / contractors) and caravan sites (typically tourists)</li> <li>❖ Typically short stay rentals: up to several months (business / contractors) to less than one week</li> <li>❖ Long term lease in place at the AKV worker facility to January 2018</li> </ul>

# THE MERGED GROUP

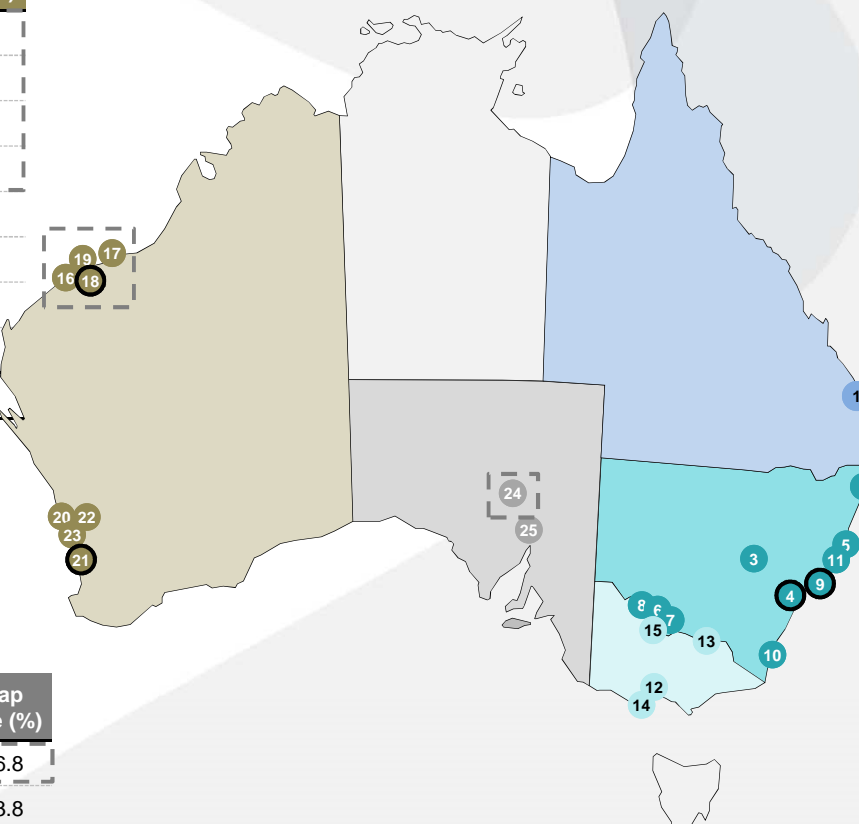
Accommodation portfolio<sup>(1)</sup> of over 5,000 sites with a national footprint

## Western Australia

Property	Carrying value (\$m)	Cap rate (%)
16 Balmoral	1.2	10.8
17 Cooke Point	8.1	36.2
18 Karratha Village	22.0	14.7
19 Pilbara	7.9	16.5
20 Coogee Beach	6.5	19.2
21 Mandurah	10.7	9.3
22 Perth Vineyards	14.7	10.9
23 Woodman Point	13.0	11.5
<b>Total / Average</b>	<b>84.1</b>	<b>15.4</b>

## South Australia

Property	Carrying value (\$m)	Cap rate (%)
24 Myall Grove	2.7	16.8
25 Port Augusta	5.7	13.8
<b>Total / Average</b>	<b>8.4</b>	<b>14.7</b>



○ Aspen Group asset

⌚ Resource property

## Queensland

Property	Carrying value (\$m)	Cap rate (%)
1 Australiana	6.0	11.3

## New South Wales

Property	Carrying value (\$m)	Cap rate (%)
2 Ballina	17.2	9.0
3 Dubbo	11.3	10.2
4 Four Lanterns	8.0	8.3
5 Harrington	8.3	13.0
6 Horseshoe	8.5	12.8
7 Maiden's Inn	15.0	12.2
8 Shady River	5.8	12.7
9 Tomago	11.2	9.3
10 Twofold Bay	6.5	10.3
11 Wallamba River	9.1	9.9
<b>Total / Average</b>	<b>100.9</b>	<b>10.6</b>

## Victoria

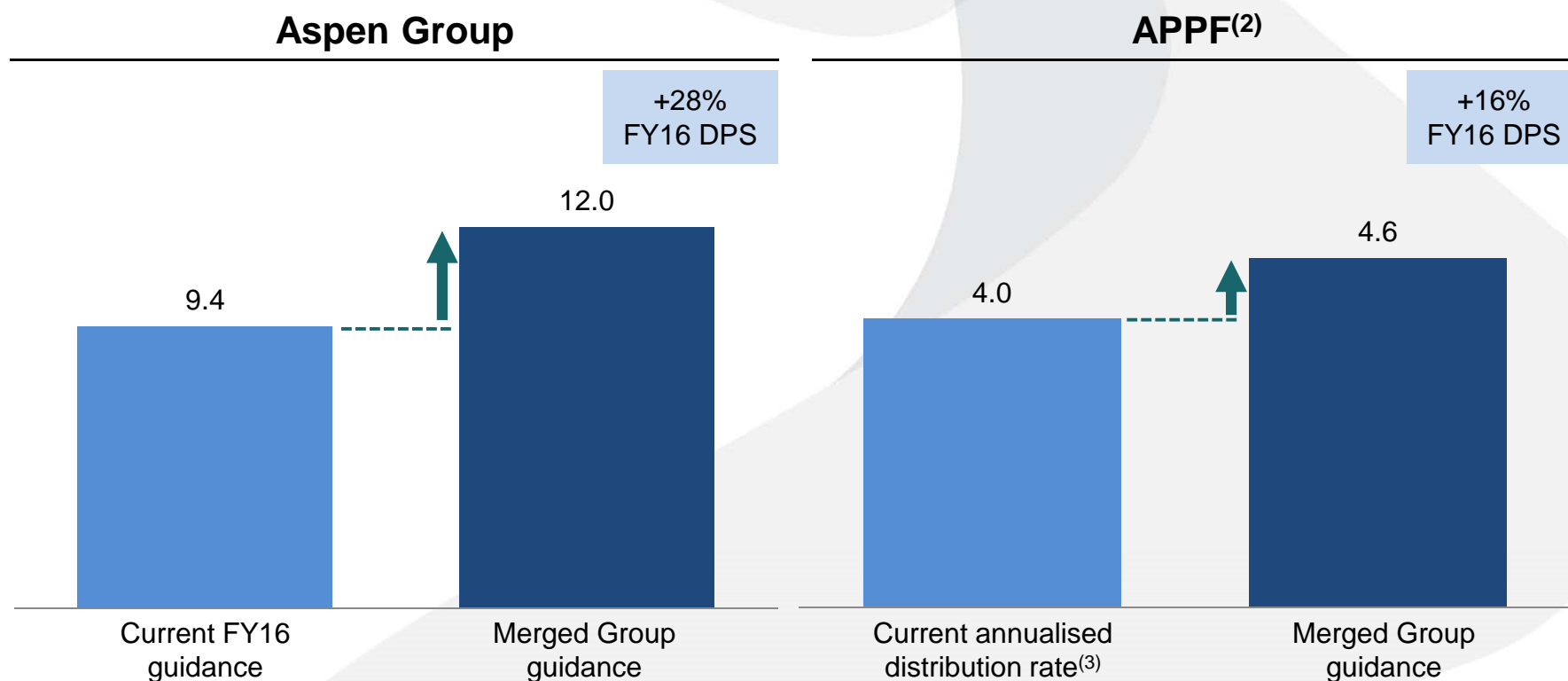
Property	Carrying value (\$m)	Cap rate (%)
12 Ashley Gardens	20.3	10.3
13 Boathaven	7.8	15.1
14 Geelong	3.2	23.0
15 Yarraby	10.2	11.3
<b>Total / Average</b>	<b>41.5</b>	<b>12.4</b>



# DISTRIBUTIONS

## Immediate significant accretion to distributions<sup>(1)</sup>

- ❖ Distribution accretion reflects:
  - Merged Group balance sheet gearing consistent with target range
  - Merger synergies



1 The Merged Group is forecasting an FY16 annualised distribution of 12.0 cents per Merged Group security, based on 2H FY16 distribution forecast of 6.0 cents per Merged Group security and no material change in business conditions. The APPF equivalent of 4.6 cents represents 12.0 cents multiplied by the Merger ratio of 0.386 Merged Group security for each APPF security

2 For those APPF securityholders who retain Merged Group securities

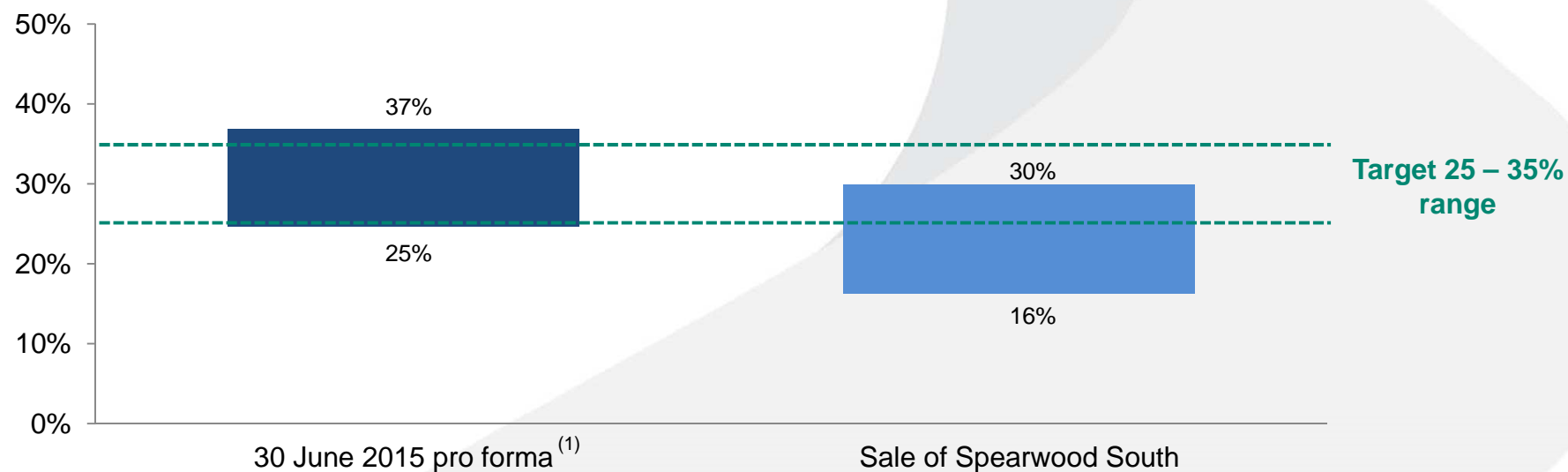
3 Current distribution is the annualised income distribution rate as outlined in APPF's Full Year Financial Results and Fund Update released on 24 August 2015

# CAPITAL STRUCTURE

## Appropriate capital structure

- ❖ Merged Group pro forma 30 June 2015 gearing<sup>(1)</sup> subject to the level of take up under the Cash Option
  - Range of 25% to 37% (based on zero to full take-up of the Cash Option)
  - Post a sale of Spearwood South industrial property, pro forma 30 June 2015 gearing would range from 16% to 30% (based on a zero to full take-up of the Cash Option)

### Merged Group gearing<sup>(2)</sup>



1 Pro forma for the sale of Spearwood North, announced sale of three WA tourism properties and the acquisition of Tomago Van Village

2 Calculated as interest bearing liabilities less cash divided by total assets less cash

# BENEFITS FOR ASPEN GROUP SECURITYHOLDERS



1	<b>Increased exposure to a quality portfolio of assets</b>	<ul style="list-style-type: none"> <li>❖ Opportunity for Aspen Group to achieve scale efficiently</li> <li>❖ Valued at a weighted average capitalisation rate of 13.1%                             <ul style="list-style-type: none"> <li>➤ Properties independently valued during FY15 (most for 30 June 2015 accounts)</li> </ul> </li> <li>❖ De-risked portfolio transaction given Aspen Group's knowledge of APPF</li> <li>❖ No additional management resources required to manage the enlarged portfolio</li> <li>❖ Consistent with Aspen Group's strategy of focusing on value for money accommodation</li> </ul>
2	<b>Significant operating synergies</b>	<ul style="list-style-type: none"> <li>❖ Estimated cost savings of approximately \$1.7 million per annum upon full implementation                             <ul style="list-style-type: none"> <li>➤ Equates to over 10% of pro forma FY16 distributable earnings</li> </ul> </li> <li>❖ Completes structural simplification of Aspen Group</li> </ul>
3	<b>A forecast 28% increase in distributions</b>	<ul style="list-style-type: none"> <li>❖ The Merged Group FY16 pro forma distribution guidance (on a full year basis) is 12.0 cps<sup>(1)</sup></li> <li>❖ Accretion of 28% over the Aspen Group FY16 distribution on a standalone basis</li> </ul>
4	<b>Appropriate capital structure</b>	<ul style="list-style-type: none"> <li>❖ The Merged Group will have pro forma 30 June 2015 gearing between approximately 25% – 37%</li> <li>❖ Capacity to undertake accretive developments and acquisitions</li> </ul>
5	<b>Improved access to capital markets</b>	<ul style="list-style-type: none"> <li>❖ Improved access to equity and debt capital markets given increased scale</li> <li>❖ The Merger enlarges Aspen Group's investor and capital base creating the potential for increased trading of securities on the ASX</li> </ul>

1 The Merged Group is forecasting an FY16 annualised distribution of 12.0 cents per Merged Group security, based on 2H FY16 distribution forecast of 6.0 cents per Merged Group security and no material change in business conditions

# BENEFITS FOR APPF SECURITYHOLDERS

1	<b>Improved liquidity</b>	<ul style="list-style-type: none"> <li>❖ Option of receiving up to 100% consideration in cash (subject to the aggregate \$35 million Cash Option cap), or remaining invested in the Merged Group which will be a leading owner and manager of value for money accommodation listed on the ASX</li> <li>❖ Flexibility to add to or reduce holdings via ASX trading in Merged Group securities</li> </ul>
2	<b>Material 8.2% premium to NAV</b>	<ul style="list-style-type: none"> <li>❖ The Merger consideration represents a value of \$0.50<sup>(1)</sup>, which is an 8.2% premium to APPF's NAV per security of \$0.4622 as at 30 June 2015</li> <li>❖ 18 of APPF's 21 properties have been independently valued as at 30 June 2015, with the remaining three recently acquired</li> </ul>
3	<b>A forecast 16% increase in distributions</b>	<ul style="list-style-type: none"> <li>❖ The Merged Group FY16 pro forma distribution (on a full year basis) is 12.0<sup>(2)</sup> cps</li> <li>❖ Accretion of 16% increase over current APPF distributions<sup>(3)</sup></li> <li>❖ Opportunity to participate in the benefits of a larger combined group with internalised management</li> </ul>
4	<b>Appropriate capital structure</b>	<ul style="list-style-type: none"> <li>❖ Pro forma 30 June 2015 gearing of the Merged Group is expected to be approximately 25% - 37%</li> <li>❖ Capacity to undertake accretive developments and acquisitions</li> </ul>
5	<b>Improved access to capital markets</b>	<ul style="list-style-type: none"> <li>❖ Greater access to equity and debt capital markets, consistent with Aspen Group benefits</li> </ul>
6	<b>Clear and consistent investment strategy</b>	<ul style="list-style-type: none"> <li>❖ APPF securityholders who retain Merged Group securities will retain exposure to an investment strategy that is consistent with the current strategy of APPF</li> <li>❖ Low execution risk and little business disruption</li> </ul>

1 Consideration represents the higher of the value received under (i) the Merger ratio (0.386) multiplied by the Aspen Group 10 day VWAP (\$1.23 as at 11 September 2015), or (ii) the sum of (a) 50% of capped cash consideration of \$0.52 and (b) 50% of the Merger ratio multiplied by the Aspen Group 10 day VWAP

2 The Merged Group is forecasting an FY16 annualised distribution of 12.0 cents per Merged Group security, based on 2H FY16 distribution forecast of 6.0 cents per Merged Group security and no material change in business conditions. The APPF equivalent of 4.6 cents represents 12.0 cents multiplied by the Merger ratio of 0.386 Merged Group securities for each APPF security

3 For those APPF securityholders who retain Merged Group securities. Current APPF distribution is the annualised income distribution rate as outlined in APPF's Full Year Financial Results and Fund Update released on 24 August 2015

## 2

# The Merged Group profile

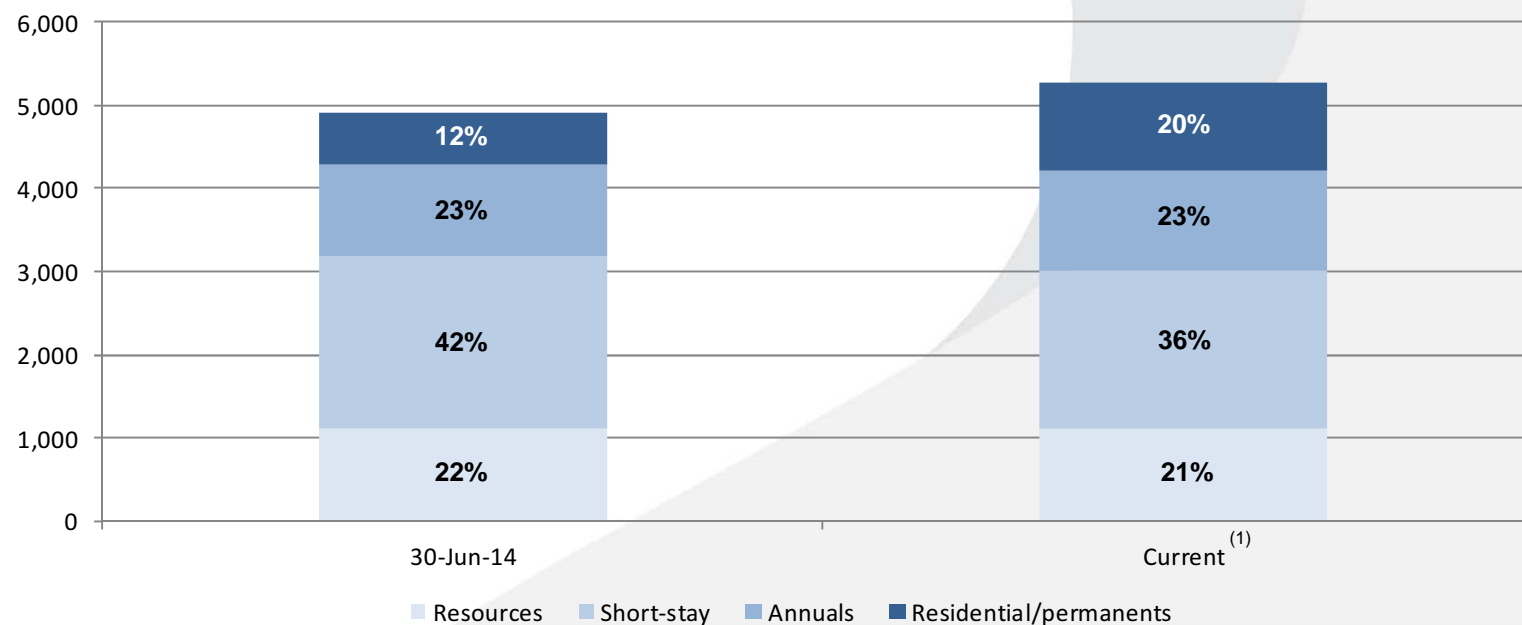


# THE MERGED GROUP PROFILE

## Business focus has been to shift toward residential / permanents

- ❖ Acquisitions since 1 July 2014 have been 56% residential / permanents
- ❖ Sale of three short stay resort-style assets in north-west WA (expected to close September 2015)

## Portfolio composition – number of accommodation sites



1 Pro forma for the announced sale of three WA tourism properties and the acquisition of Tomago Van Village



# THE MERGED GROUP PROFILE

## Properties across a diversified customer base to reduce risk

1	Mix of permanent residents and short-stay (59%)	<ul style="list-style-type: none"> <li>❖ Mixed exposure is a frequent regulatory requirement</li> <li>❖ Greater flexibility to maximise the highest and best use of sites</li> <li>❖ Ability to cross-sell to customers</li> <li>❖ Conversion potential</li> <li>❖ Precincting an important focus of masterplanning to increase product attraction</li> <li>❖ Competitive advantage to be able to manage mixed use parks and maximise opportunities</li> </ul>
2	Resource parks (17%)	<ul style="list-style-type: none"> <li>❖ One worker facility, largely leased to January 2018, underpinning income security</li> <li>❖ Look to continue to reduce capital exposure by relocating cabins</li> <li>❖ Focus on maximising operational efficiencies and grey-nomad tourism market</li> </ul>
3	100% short-stay (16%)	<ul style="list-style-type: none"> <li>❖ Focus on strong, diversified short-stay customer bases</li> <li>❖ Most exposure is in metropolitan Melbourne</li> <li>❖ Optionality of long-term land use</li> </ul>
4	100% permanent residents (8%)	<ul style="list-style-type: none"> <li>❖ Two acquisitions</li> <li>❖ Stable residential yield plus development opportunities</li> </ul>

# THE MERGED GROUP PROFILE: OPERATIONS

A market leading fully integrated internalised operating platform

1	Scale operations	<ul style="list-style-type: none"> <li>❖ 11 year track record, with operations commencing in 2004</li> <li>❖ 25 properties, located in every mainland state – 42% in NSW</li> <li>❖ Over 400 employees</li> </ul>
2	Strong customer franchise	<ul style="list-style-type: none"> <li>❖ Over 200,000 customers on electronic database <ul style="list-style-type: none"> <li>➢ Competitive advantage providing a large low cost, proprietary distribution channel</li> <li>➢ Reflects business scale and time in business</li> </ul> </li> <li>❖ Dedicated sales and marketing team</li> </ul>
3	Integrated digital strategy	<ul style="list-style-type: none"> <li>❖ Spanning social media (facebook, twitter, instagram), on-line travel agencies (OTA) and own website</li> <li>❖ Overall online revenue growth – 10% year on year in month of August 2015</li> <li>❖ Revamped APPF website launch in June 2015 – 15% year on year revenue growth in month of August already achieved</li> </ul>
4	Yield management	<ul style="list-style-type: none"> <li>❖ Dynamic pricing to optimise rates and occupancies</li> <li>❖ Specialist in-house manager, applying hospitality industry techniques and statistical analysis</li> </ul>
5	Operating efficiencies	<ul style="list-style-type: none"> <li>❖ Focus on asset clusters</li> <li>❖ Supplier efficiencies with scale</li> </ul>

# THE MERGED GROUP PROFILE: DEVELOPMENT

## Progressing expanded development pipeline

1	<b>In-house team</b>	<ul style="list-style-type: none"> <li>❖ Located in both Sydney and Perth</li> <li>❖ Combine traditional residential, caravan park and manufactured housing experience</li> </ul>
2	<b>Development approach</b>	<ul style="list-style-type: none"> <li>❖ Creating high quality annuity rental streams</li> <li>❖ Market research/demographic driven</li> <li>❖ Multiple suppliers of manufactured cabins</li> </ul>
3	<b>Maximizing existing asset opportunities</b>	<ul style="list-style-type: none"> <li>❖ Expansion of short stay cabins at Dubbo and Ashley Gardens, Melbourne underway</li> <li>❖ Upgrade or conversion of existing sites, generating development margin and improved overall property underway at 6 properties</li> <li>❖ Utilising vacant land <ul style="list-style-type: none"> <li>➤ Three development applications (DAs) in train to add approximately 200 sites</li> <li>➤ Expect to start delivery from late FY16</li> </ul> </li> <li>❖ Significant expansion in manufactured housing delivery, as pipeline ramps up from FY15 start</li> </ul>
4	<b>Continued growth</b>	<ul style="list-style-type: none"> <li>❖ Master planning underway at five properties, to continue the multi-year growth momentum</li> <li>❖ Acquisitions build pipeline – Tomago acquired with an in place DA for 24 sites</li> </ul>

# THE MERGED GROUP PROFILE: ACQUISITIONS

## Strong acquisitions track record

1	Clear criteria	<ul style="list-style-type: none"> <li>❖ Locational focus on: metropolitan, existing asset clusters, or major regional population centres (especially east coast)</li> <li>❖ Attractive income yields and development potential</li> </ul>
2	Adding to development pipeline	<ul style="list-style-type: none"> <li>❖ Focus on development/expansion upside</li> <li>❖ Positive demographics drive volume growth</li> <li>❖ Very attractive return on capital employed and growth in annuity rental streams</li> </ul>
3	Mixed parks opportunity	<ul style="list-style-type: none"> <li>❖ Our existing scale operating platform facilitates acquisition and integration of mixed parks</li> <li>❖ In turn, such acquisitions enhance and reinforce our scale advantage</li> </ul>
4	Ongoing pipeline	<ul style="list-style-type: none"> <li>❖ Continue to see good deal flow, building upon the six acquisitions over the last year</li> <li>❖ Reflects fragmented industry/high individual ownership</li> <li>❖ Industry in early stages of consolidation/corporatisation</li> </ul>

# THE MERGED GROUP PROFILE

## Supportive social trends and positive industry fundamentals

1	<b>Demographics</b>	<ul style="list-style-type: none"> <li>❖ Increasing retiree population</li> <li>❖ Lengthening life expectancy <ul style="list-style-type: none"> <li>➤ Inadequate savings drives requirement for capital release from residential down-sizing</li> <li>➤ More active, self-reliant lifestyle</li> </ul> </li> <li>❖ Drive stronger volumes over time</li> </ul>
2	<b>Social policy</b>	<ul style="list-style-type: none"> <li>❖ Public policy <ul style="list-style-type: none"> <li>➤ Government has moved away from direct accommodation provision</li> <li>➤ Approach is to focus on rental assistance</li> </ul> </li> <li>❖ Social desire for ageing in-place</li> </ul>
3	<b>Market structure</b>	<ul style="list-style-type: none"> <li>❖ Housing affordability <ul style="list-style-type: none"> <li>➤ Driver of increasing demand</li> <li>➤ Residential down-sizing releases substantial equity</li> </ul> </li> <li>❖ Land lease model is efficient and easy to understand, driving consumer acceptance</li> <li>❖ Highly fragmented industry ownership – not highly corporatised</li> </ul>
4	<b>Merged Group positioning</b>	<ul style="list-style-type: none"> <li>❖ Builds upon 11 year experience in the sector</li> <li>❖ Scale business</li> <li>❖ Clear strategic focus on accommodation sector now in place</li> <li>❖ Focused and directed management</li> <li>❖ Already strongly income yield generating business</li> <li>❖ Significant growth potential supported by appropriate capital structure</li> </ul>

## SUMMARY AND CONCLUSION

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- ✓ The Merged Group will be a leading owner, manager and developer of value for money accommodation, with a geographically diverse portfolio across Australia
- ✓ The Merger will create an enlarged and simplified entity with an improved platform to drive shareholder value
- ✓ Significant benefits for both Aspen Group securityholders and APPF securityholders
  - Significant increase in distributions for both APPF securityholders and Aspen Group securityholders
  - Optional liquidity event for APPF securityholders at a premium to NAV
  - Increased scale
  - Material synergy benefits and cost savings
  - Appropriate capital structure
- ✓ Current timetable is for securityholder meetings in November 2015 and implementation in December 2015
- ✓ The Directors of Aspen Group and APPF consider the Merger is a compelling proposition for both sets of securityholders, unanimously recommend the Merger and intend to vote their securities in favour of the Merger
  - In each case, in the absence of a superior proposal and subject to an independent expert concluding the Merger is in the best interests of Aspen Group securityholders and APPF securityholders



# Appendices

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- A** Financial information
- B** Implementation of the Merger
- C** Aspen Group strategy evolution
- D** Accommodation portfolio
- E** Summary of Merger Implementation Deed

# A FINANCIAL INFORMATION



## Pro forma 30 June 2015 Balance Sheet

Pro forma 30 June 2015 (\$m)	APPF	Aspen Group <sup>(1)</sup>	Adj.	Pro forma
Cash	2	7	(1)	6
Assets held for sale	-	37	-	37
Investment property	174	223	1	223
Goodwill	15	12	6	18
Other assets	3	9	-	9
<b>Total assets</b>	<b>194</b>	<b>287</b>	<b>6</b>	<b>293</b>
Interest bearing liabilities	73	72	40	112
Other liabilities	13	17	(2)	15
<b>Total liabilities</b>	<b>86</b>	<b>89</b>	<b>38</b>	<b>127</b>
Non-controlling interests (APPF)	-	(55)	55	-
<b>Net assets</b>	<b>108</b>	<b>143</b>	<b>23</b>	<b>166</b>
Securities on issue (million)	233 <sup>(2)</sup>	113	26	139
<b>NAV (\$)</b>	<b>0.46</b>	<b>1.26</b>		<b>1.19</b>
<b>Gearing<sup>(3)(4)</sup></b>	<b>37.1%</b>	<b>23.3%</b>		<b>36.9%</b>

### Distribution guidance

- ❖ The Merged Group is forecasting an FY16 annualised distribution of 12.0 cents per Merged Group security, based on 2H FY16 distribution forecast of 6.0 cents per Merged Group security

### Assumptions

- ❖ Total transaction costs of c.\$7.0 million including:
  - c.\$3.2 million to reset currently outstanding interest rate swaps
  - c.\$0.2 million of stamp duty
  - c. \$3.6 million of advisor costs and other restructuring costs
- ❖ Estimated synergies of \$1.7 million per annum in corporate overheads, and \$0.7 per annum in reduced interest expense
- ❖ Merged Group securities issued based on a Merger ratio of:
  - 1 Merged Group security for each Aspen Group security
  - 0.386 Merged Group securities for each APPF security
- ❖ Full take up of the Cash Option<sup>(4)</sup>
- ❖ Continuation of current business trading environment
- ❖ Realisation of certain development profits
- ❖ No material change in business conditions

1 Aspen Group consolidated balance sheet (including APPF)

2 Aspen Group holds 97.6 million APPF securities

3 Calculated as interest bearing liabilities less cash divided by total assets less cash

4 Gearing would be 24.7% with zero take up of the Cash Option

## **B IMPLEMENTATION OF THE MERGER**

### **Background to the Merger and APPF IBC process and recommendation**

- ❖ In May 2015, Aspen Group submitted a confidential, incomplete and non-binding expression of interest to APPF to combine the two groups by way of Merger
- ❖ Governance protocols have been adopted, including the establishment of an APPF independent board committee (APPF IBC) to assess the merits of the Merger for APPF securityholders, including:
  - Appointment of independent financial and legal advisers
  - Exchange of information between APPF and Aspen Group to assess the relative impact of the Merger
  - Assessment of the merits of the Merger relative to APPF's strategic alternatives
  - Assessment of the strategic rationale and the ability for the Merged Group to achieve identified cost synergies
  - Independent valuations of the properties
- ❖ The final Merger ratio followed negotiations between Aspen Group and APPF and their respective financial advisors, having regard to the relative value and growth contributions of each entity and the sharing of benefits derived from the Merger
- ❖ APPF IBC believes the Merger is a compelling proposition for APPF securityholders:
  - Provides the option of a liquidity event at a material 8.2% premium to NAV, or to benefit from ownership of a larger, ASX listed entity in an improved position to execute the acquisition and development growth strategy
  - Available liquidity significantly exceeds that of any alternative Withdrawal Offer
- ❖ The Directors of Aspen Group and APPF unanimously recommend the Merger in the absence of a superior proposal, subject to an independent expert concluding the Merger is in the best interests of Aspen Group securityholders and APPF securityholders

## **B IMPLEMENTATION OF THE MERGER**



### **Merger considerations**

- ❖ APPF securityholders will receive 100% Merged Group securities unless they elect the Cash Option
- ❖ After giving careful consideration to the varying objectives of APPF and Aspen Group securityholders, a Cash Option subject to a cap of \$35 million has been provided, which represents approximately 50% of the total consideration to APPF securityholders (other than Aspen Group)
  - Historically, APPF has provided securityholders with an annual liquidity mechanism
  - The Cash Option materially exceeds the size of any withdrawal offer that APPF could undertake in the absence of the Merger (most recent Withdrawal Offer in October 2014 resulted in the buy-back of 4.7% of outstanding APPF securities)
  - The size of the Cash Option is considered appropriate to provide immediate liquidity to those APPF securityholders based on applications under previous withdrawal offers
  - The Cash Option cap also ensures an appropriate level of gearing of the Merged Group on implementation
- ❖ If aggregate demand for the Cash Option exceeds the \$35 million cap:
  - APPF securityholders will retain some Merged Group securities under a pro rata scale back
  - These APPF securityholders will then have the option of either retaining the securities received or selling the securities through a sale facility

## B IMPLEMENTATION OF THE MERGER

### Implementation timetable and distribution guidance

	Timing
<b>Announcement of Merger</b>	14 September 2015
<b>First court hearing</b>	
<b>Scheme Booklet released to Aspen Group and APPF securityholders</b>	October 2015
<b>Aspen Group and APPF securityholder meetings</b>	November 2015
<b>Second court hearing</b>	
<b>Merger implementation</b>	December 2015

Note: These dates are indicative only and are subject to change

- ❖ Aspen Group and APPF securityholders will be entitled to their respective distributions until Merger completion
  - Final distributions expected to be paid up to Merger completion in December 2015<sup>(1)</sup>
- ❖ Merged Group distribution for 2H FY16 is forecast to be 6.0 cents per security<sup>(1),(2)</sup>

1 Based on this indicative timetable

2 Assuming no material change in business conditions

## **B IMPLEMENTATION OF THE MERGER**

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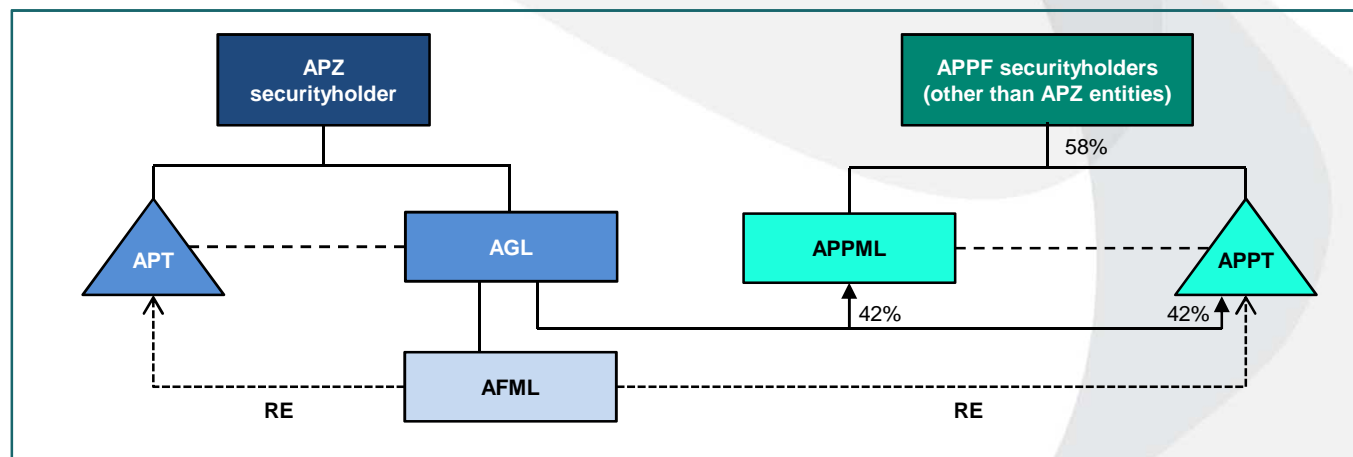
### **Aspen Group strategy if the Merger does not proceed**

- ❖ Continue intensive operational and revenue management to optimise returns from existing assets
- ❖ Development programme – both improving utilisation of existing sites and expansion onto available vacant land
- ❖ Deploy the significant available capital from the balance sheet on asset acquisitions
  - Acquisitions are typically highly accretive to distributions
  - Build upon recent successes and acquisition track record (6 acquisitions since late 2014)



## B IMPLEMENTATION OF THE MERGER

### Current Aspen Group and APPF structure



**APZ**  
Aspen Group

**APT**  
Aspen Property Trust

**AGL**  
Aspen Group Limited

**AFML**  
Aspen Funds Management Limited

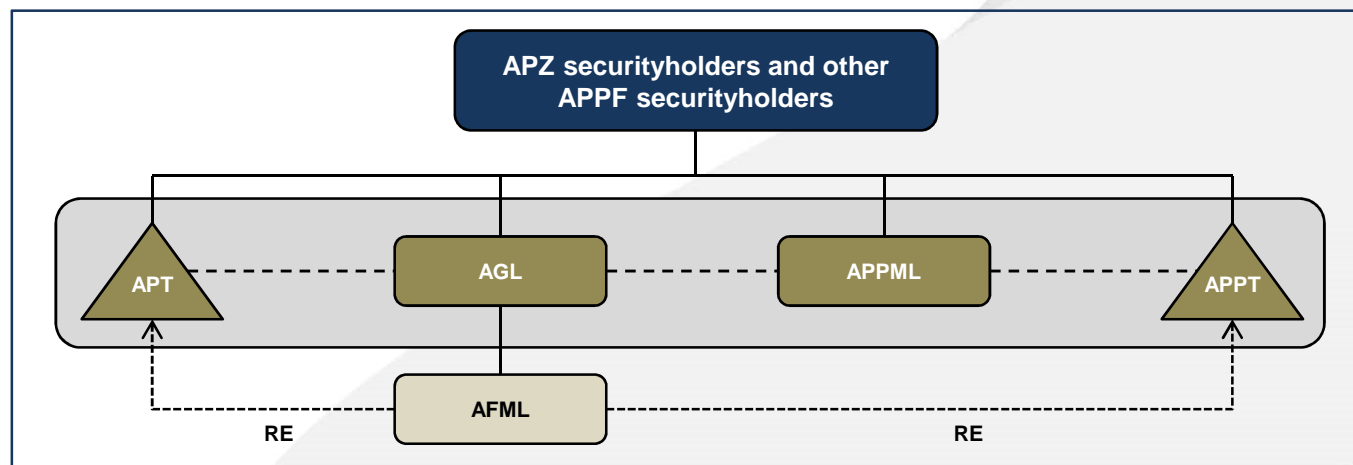
**APPF**  
Aspen Parks Property Fund

**APPML**  
Aspen Parks Property Management Limited

**APPT**  
Aspen Park Property Trust

----- Stapled  
 ————— Equity ownership  
 -----> RE

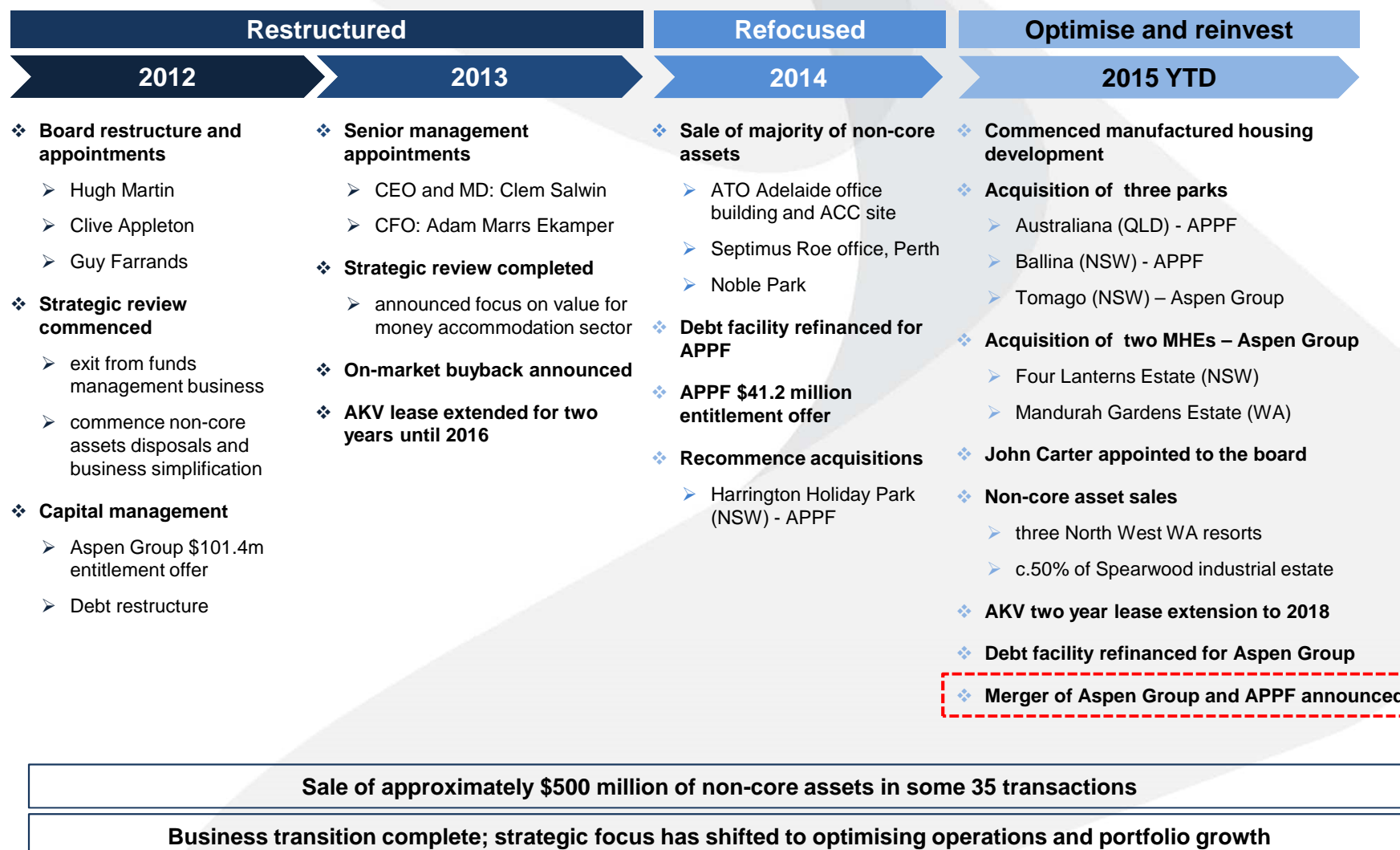
### Proposed structure following Merger



# C ASPEN GROUP STRATEGY EVOLUTION



Aspen Group has been refocused to deliver a clear and consistent business

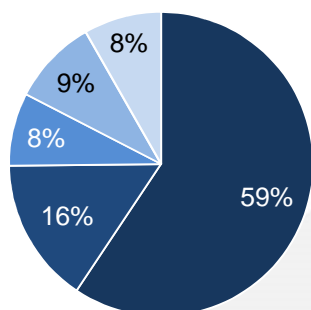


## D ACCOMMODATION PORTFOLIO<sup>(1)</sup>



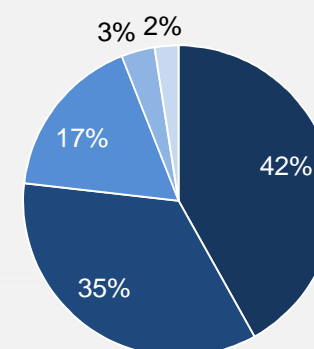
	Number of properties	Value (\$m)	% overall	# of sites
Mixed residential/short stay	15	143	59%	3,459
100% short stay	3	37	16%	447
100% residential	2	19	8%	260
Resource – AKV worker facility	1	22	9%	180
Resource – other parks	4	20	8%	923
<b>Total</b>	<b>25</b>	<b>241</b>	<b>100%</b>	<b>5,269</b>

Value split by property type



- Mixed residential/short stay
- 100% short stay
- 100% residential
- Resource - AKV worker facility
- Resource - other parks

Value split by state



- NSW
- WA
- VIC
- SA
- QLD

# D ACCOMMODATION PORTFOLIO<sup>(1)</sup>



Property	Location	State	Tenure	Sites	Carrying value (\$m)	Cap rate (%)
Ballina	Ballina	NSW	Both (F&L)	223	17.2	9.0%
Dubbo Parklands	Dubbo	NSW	Freehold	127	11.3	10.2%
A Shady River	Echuca-Moama	NSW	Freehold	146	5.8	12.7%
Horseshoe Lagoon	Echuca-Moama	NSW	Freehold	320	8.5	12.8%
Maiden's Inn	Echuca-Moama	NSW	Freehold	427	15.0	12.2%
Yarraby	Echuca-Moama	VIC	Freehold	245	10.2	11.3%
Twofold Bay Beach	Eden	NSW	Freehold	314	6.5	10.3%
Tomago	Newcastle	NSW	Freehold	156	11.2	9.3%
Harrington	North Coast	NSW	Leasehold	322	8.3	13.0%
Wallamba River	North Coast	NSW	Freehold	269	9.1	9.9%
Four Lanterns Estate	Sydney	NSW	Freehold	102	8.0	8.3%
Geelong Riverview	Geelong	VIC	Leasehold	111	3.2	23.0%
Ashley Gardens	Melbourne	VIC	Freehold	166	20.3	10.3%
Boathaven	Wodonga	VIC	Both (F&L)	194	7.8	15.1%
Balmoral	Karratha	WA	Both (F&L)	229	1.2	10.8%
Karratha Village	Karratha	WA	Freehold	180	22.0	14.7%
Pilbara	Karratha	WA	Freehold	219	7.9	16.5%
Mandurah Gardens	Mandurah	WA	Freehold	158	10.7	9.3%
Coogee Beach	Perth	WA	Leasehold	180	6.5	19.2%
Perth Vineyards	Perth	WA	Freehold	200	14.7	10.9%
Woodman Point	Perth	WA	Leasehold	245	13.0	11.5%
Cooke Point	Port Hedland	WA	Leasehold	207	8.1	36.2%
Port Augusta	Port Augusta	SA	Freehold	154	5.7	13.8%
Myall Grove	Roxby Downs	SA	Freehold	268	2.7	16.8%
Australiana	Hervey Bay	QLD	Freehold	107	6.0	11.3%
<b>Total/Average</b>				<b>5,269</b>	<b>240.8</b>	<b>12.7%</b>

# D ACCOMMODATION PORTFOLIO



## Ballina Lakeside North Coast, NSW



## Dubbo Parklands Dubbo, NSW



## Harrington North Coast, NSW



## Horseshoe Lagoon Moama, NSW



<b>Description</b>	<p>Located on the NSW Far-North Coast, 30km south of Byron Bay and 190km south of Brisbane.</p> <p>Set alongside Shaw's Bay Lake, the accommodation range suits all budgets with bungalows, cabins and powered caravan and camping sites, each with waterfront options.</p>	<p>Located in close proximity to Taronga Western Plains Zoo, a leading tourist destination.</p> <p>This park is dedicated to tourism accommodation and attracts a cross-sector of short stay tourists visiting the zoo and the Dubbo region generally.</p>	<p>Located on the NSW Mid-North Coast, 80km south of Port Macquarie.</p> <p>The park has as a variety of cabin accommodation for annual tenants and short stay tourists as well as catering for the requirements of campers and caravanners.</p>	<p>Located in the Echuca / Moama region - within 20km of three other Aspen parks</p> <p>Recently, a number of vacant sites have been converted to permanent residential properties, providing development profits and improving property yields.</p>
<b>Date acquired</b>	15 May 2015	21 June 2013	8 December 2014	20 April 2006
<b>Land area</b>	2.8 Ha (F) + 2.6 Ha (L)	4.1 Ha	6.3 Ha	13.3 Ha
<b>Tenure</b>	Freehold / Leasehold	Freehold	Leasehold	Freehold
<b>Carrying value</b>	\$17.2m	\$11.3m	\$8.3m	\$8.5m
<b>Cap rate</b>	9.02%	10.20%	12.98%	12.80%



# D ACCOMMODATION PORTFOLIO



**Four Lanterns Estate**  
Leppington, NSW



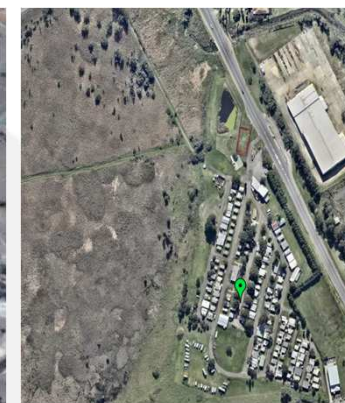
**Maiden's Inn**  
Moama, NSW



**A Shady River**  
Moama, NSW



**Tomago Van Village**  
Tomago, NSW



## Description

Located within the SW Sydney growth corridor, 51km from the Sydney CBD and 32km from the second Sydney airport site in Badgerys Creek.

Surrounding properties have notable development including a convenience strip retail centre adjoining the estate boundary.

Located in the Echuca / Moama region, on the NSW bank of the Murray River on the border of NSW and Victoria. Within 20km of three other Aspen parks.

The park offers a range of accommodation options for permanent residents as well as short stay tourists.

Located in the Echuca / Moama region, adjoining the Murray River on the border of NSW and Victoria. Within 10km of three other Aspen parks.

The park offers accommodation for both permanent residents as well as cabins and powered sites for short stay tourists.

Located within the greater Newcastle region, 23km to the Newcastle CBD, and 159km to the Sydney CBD.

The park provides both long and short term accommodation with additional development potential.

<b>Date acquired</b>	13 January 2015	12 November 2007	12 November 2007	19 September 2015
<b>Land area</b>	3.9 Ha	15.4 Ha	10.7 Ha	19.9 Ha
<b>Tenure</b>	Freehold	Freehold	Freehold	Freehold
<b>Carrying value</b>	\$8.0m	\$15.0	\$5.8m	\$11.2m
<b>Cap rate</b>	8.25%	12.20%	12.74%	9.30%





## ACCOMMODATION PORTFOLIO



### Twofold Bay Beach Eden, NSW



### Wallamba River North Coast, NSW



### Ashley Gardens Melbourne, Victoria



### Boathaven Ebdon, Victoria



#### Description

Located in Eden on the NSW Sapphire Coast, 265km south-east of Canberra and 478km south of Sydney. The resort offers direct access to the beach.

The park is home to permanent residents and annual tenants as well as catering to short stay tourists.

Located on the NSW Mid-North Coast, 154km north of Newcastle.

The park offers a range of accommodation for annual tenants as well as cabins and caravan sites for short stay tourists.

Located in Braybrook, 10km north-west of the Melbourne CBD.

The park offers cabin, caravan and camping accommodation for short stay tourists, providing a value-for-money alternative to city lodging popular with families.

Located near Albury/Wodonga on the border of NSW and Victoria, midway between Melbourne and Canberra.

Accommodation is split between permanent and annual residents and short stay tourists.

<b>Date acquired</b>	7 July 2005	30 November 2005	1 May 2007	15 November 2007
<b>Land area</b>	6.7 Ha	9.4 Ha	4.4 Ha	1.3 Ha (F) + 3.9 Ha (L)
<b>Tenure</b>	Freehold	Freehold	Freehold	Freehold / Leasehold
<b>Carrying value</b>	\$6.5m	\$9.1m	\$20.3m	\$7.8m
<b>Cap rate</b>	10.30%	9.85%	10.25%	15.05%

# D ACCOMMODATION PORTFOLIO



## Geelong Riverview Geelong, Victoria



## Yarraby Echuca Village, Victoria



## Balmoral Karratha, WA



## Coogee Beach Fremantle, WA



### Description

Located in Geelong, a short drive from Victoria's Great Ocean Road and Surf Coast, 85km south-west of the Melbourne CBD.

The park accommodates both permanent residents and short stay tourists.

Located in the town of Echuca, on the Murray River on the border between Victoria and NSW.

Predominantly a permanent residential and annual tenant park also offering cabins, caravan and camping site accommodation for short stay tourists.

Located in the town of Karratha within close proximity to two other Aspen Parks.

The park provided accommodation solutions to the resource sector and is now focused on permanent residents as well as providing camping and caravan sites to short stay tourists.

Located approximately 8km from Fremantle and 27km from the Perth CBD.

The park offers both permanent residential and short stay tourist accommodation.

<b>Date acquired</b>	15 November 2007	26 October 2005	23 July 2004	23 July 2004
<b>Land area</b>	2.7 Ha	9.4 Ha	6.3 Ha (F) + 1.3 Ha (L)	4.4 Ha
<b>Tenure</b>	Leasehold	Freehold	Freehold / Leasehold	Leasehold
<b>Carrying value</b>	3.2m	\$10.2m	\$1.2m	\$6.5m
<b>Cap rate</b>	23.00%	11.25%	10.83%	19.23%



# D ACCOMMODATION PORTFOLIO



**Cooke Point**  
Port Hedland, WA



**Mandurah Gardens**  
Mandurah, WA



**Pilbara**  
Karratha, WA



**Perth Vineyards**  
Perth, WA



## Description

A coastal property overlooking Pretty Pool Inlet at Port Hedland, WA. The park is located approximately 239km from Karratha.

The park offers a variety of cabin and campsite options for short stay tourists.

Situated approximately 65km SW of the Perth CBD and c.2km from Mandurah's major shopping complexes, medical centre and hospital.

A community lifestyle village that provides modern and affordable retirement living. It offers a vibrant community for individuals and couples over 55.

Located in the Pilbara region of WA, 18km from the city of Dampier and in close proximity to two other Aspen Parks.

The Park has become a home to permanent residents as well as offering cabins and camping facilities to short stay tourists.

Located 14 km from the Perth CBD, close to Perth airport and in the heart of the Swan Valley wine region.

Accommodation is split between permanent residents, annual tenants and short stay tourists.

<b>Date acquired</b>	23 July 2004	26-June 2015	23 July 2004	26-June 2004
<b>Land area</b>	3.6 Ha	6.8 Ha	5.7 Ha	9.6 Ha
<b>Tenure</b>	Leasehold	Freehold	Freehold	Freehold
<b>Carrying value</b>	\$8.1m	\$10.7m	\$7.9m	\$14.7m
<b>Cap rate</b>	36.20%	9.25%	16.45%	10.91%



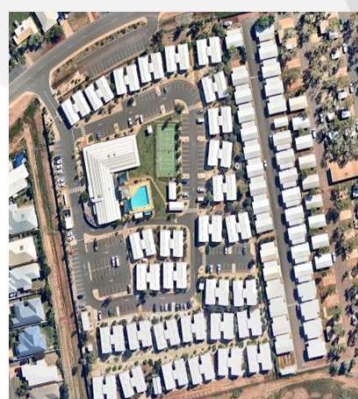
## ACCOMMODATION PORTFOLIO



### Woodman Point Fremantle, WA



### Karratha Village Karratha, WA



### Port Augusta Port Augusta, SA



### Myall Grove Roxby Downs, SA



#### Description

Located 10km from the historic port city of Fremantle and 25 km southwest of the Perth CBD. Positioned within the Woodman Point regional nature reserve.

Home to permanent residents as well as offering cabins, camping and caravan facilities to short stay tourists.

Located in the Pilbara region of WA, 18km from the city of Dampier and in close proximity to two other Aspen Parks.

The Park solely focuses on worker accommodation and currently has a lease in place for over 80% of the Park.

Located in Port Augusta, 318km north-west from Adelaide.

Focuses on short stay tourist accommodation, offering cabin, caravan and camping sites.

Located in Roxby Downs, 256km north-west of Port Augusta and 562 km north-west of Adelaide

Offers accommodation for permanent residents as well as cabins and powered sites for short stay tourists

<b>Date acquired</b>	23 July 2004	8 August 2008	17 August 2006	15 October 2007
<b>Land area</b>	8.2 Ha	2.9 Ha	5.1 Ha	8.7 Ha
<b>Tenure</b>	Leasehold	Freehold	Freehold	Freehold
<b>Carrying value</b>	\$13.0m	\$22.0m	\$5.7m	\$2.7m
<b>Cap rate</b>	11.50%	14.70%	13.75%	16.75%

## **D** ACCOMMODATION PORTFOLIO



### **Australiana Top Tourist Park** Hervey Bay, QLD



#### **Description**

Located in Hervey Bay, 297km north of Brisbane.

Home to permanent residents and offers cabins, caravan, and camping sites for short stay tourists. Facilities include an outdoor barbecue area, playground equipment and a recreation room.

<b>Date acquired</b>	20 March 2015
<b>Land area</b>	2.4 Ha
<b>Tenure</b>	Freehold
<b>Carrying value</b>	\$6.0m
<b>Cap rate</b>	11.25%



## SUMMARY OF MERGER IMPLEMENTATION DEED



### Process and conditions

- ❖ Aspen Group and APPF have entered into a Merger Implementation Deed to give effect to the Merger
- ❖ Conditions precedent include:
  - Customary regulatory approvals (including ASIC and ASX approvals) and court approval of the AGL and APPML schemes of arrangement and the APT and APPT trust schemes
  - Aspen Group and APPF securityholder approval of the AGL and APPML schemes of arrangement, respectively (75% of votes cast; 50% of securityholders approving)
  - No material adverse change in Aspen Group or APPF
  - The representations and warranties of each of Aspen Group and APPF given under the Merger Implementation Deed remaining true and correct
  - Admission of existing APPF entities to listing and approval for quotation of new Merged Group securities, and
  - An independent expert opining that the Merger is in the best interests of Aspen Group securityholders and APPF securityholders respectively
- ❖ Deal protection measures for both Aspen Group and APPF during an exclusivity period, including restrictions on each of Aspen Group and APPF:
  - From soliciting an approach in relation to a competing transaction, and
  - From discussing, negotiating or entering into a competing transaction, or providing a person with due diligence access, subject to each Board's fiduciary and statutory obligations





## SUMMARY OF MERGER IMPLEMENTATION DEED



### Process and conditions (continued)

- ❖ Customary termination rights including:
  - If any of the resolutions required to implement the Merger are not approved by the requisite majority
  - If an independent expert opines that the Merger is not in the best interests of Aspen Group or APPF securityholders
  - For a change in either the Aspen Group or APPF Board's recommendation to vote in favour of the relevant Scheme, and
  - For an unremedied breach of the deed (including for a breach of a representation or warranty)
- ❖ The Merger Implementation Deed is appended to the transaction announcement that has been released to the ASX and is on the Aspen Group and APPF websites



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This presentation and the information in it is not investment or financial product advice and is not a recommendation or advice in relation to Aspen Group ("Aspen Group"), Aspen Parks Property Fund ("APPF") or their subsidiaries, or the merger proposal described in this presentation (the "Proposal"). Further information on the Proposal will be provided in the Aspen Group and APPF securityholder booklets, which are expected to be made available in or around late October 2015.

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