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## MARKET RELEASE

## ASX ANNOUNCEMENT 30 October 2015

### **Aspen Group revised proposal to merge with Aspen Parks Property Fund Creating a leader in value for money accommodation**

The Aspen Group (ASX:APZ) Board Committee today announces that it has provided a revised merger proposal (Revised Proposal) to Aspen Parks Property Fund (APPF) to create a leader in value for money accommodation.

The APPF Board Committee has considered the Revised Proposal and determined it is a superior proposal to the Sunsuper/Discovery Unsolicited Proposal. The APPF Board Committee has recommended the Revised Proposal in the absence of superior proposal. Aspen Group notes the announcement by the APPF Board Committee today.

The Revised Proposal represents value of \$0.60 per APPF security<sup>1</sup>. APPF securityholders will also continue to enjoy their distribution from APPF until Merger implementation expected in December 2015 (representing an additional value of approximately 1 cent per APPF security).

The Revised Aspen Group Proposal represents:

- 29.8% premium to APPF's NAV of \$0.4622 as at 30 June 2015
- 17.5% premium approximately to APPF's most recent asset valuations as at 30 June 2015
- 3.4% or 2 cent premium to Sunsuper/Discovery Unsolicited Proposal of \$0.58
  - approximately 5.0% or 3 cent premium including the value of APPF distributions prior to Merger implementation

Aspen Group securityholders will continue to receive one Merged Group Security for each Aspen Group security they hold.

Aspen Group's Chairman, Mr Frank Zipfinger, said: "The Aspen Group Board Committee has carefully assessed all available options, including the Sunsuper/Discovery Unsolicited Offer. This assessment included an analysis of Aspen Group's NAV and potential pro forma earnings achievable under the various options. We have concluded that the Revised Proposal represents the best value outcome for Aspen Group securityholders."

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<sup>1</sup> Consideration represents (a) the cash consideration of \$0.60 per APPF security; (b) the revised merger ratio (0.42857) multiplied by Aspen Group's 10 day VWAP (\$1.40 as at 23 October 2015, being the last trading day before the announcement of the Sunsuper/Discovery Unsolicited Offer) which equals \$0.60 per APPF security.

"For APPF securityholders, a key distinguishing benefit of the Revised Proposal is that it provides the choice to remain invested in the value for money accommodation asset class in an appropriately structured investment, and to enjoy the immediate distribution accretion as well as future income and capital returns that would come from remaining invested in a sector with positive long term trends."

### **Revised Proposal terms**

APPF securityholders will at their election, either retain Merged Group Securities or receive cash:

- **Securities Option:** 0.42857 Merged Group Securities for each APPF security with an implied value of \$0.60 per APPF security<sup>2</sup>; or
- **Cash Option:** \$0.60 per APPF security, subject to an overall cap of \$41 million<sup>3</sup>, which represents approximately 50% of total merger consideration; or
- A combination of the Securities Option and the Cash Option

Commenting on the Revised Proposal, the CEO of Aspen Group, Clem Salwin, said: "The Revised Proposal maximises value for all investors. It provides the opportunity to participate in future growth opportunities supported by positive industry fundamentals.

"The Merged Group will have a fully integrated management platform and a scale portfolio to be a leader in the industry. Our focus will be on driving operational returns on existing assets, executing on an expanded development pipeline, selected acquisition opportunities and maintaining a strong balance sheet".

### **Revised Proposal FY16 earnings and distribution guidance**

Under the Revised Proposal the Merged Group is expected to generate annualised underlying cash earnings for FY16 of 14.1 – 16.0 cents per Merged Group Security<sup>4</sup>, and an annualised FY16 distribution of 12.0 cents per Merged Group Security.<sup>5</sup>

### **Merged Group gearing**

The Merged Group will have an appropriate capital structure following implementation.

30 June 2015 pro forma gearing will be between:

- 27% - 41% immediately following the Merger<sup>4</sup>
- 20% - 35% post the sale of Spearwood South<sup>4</sup>

The Merged Group will continue to target a gearing range of between 25% - 35%.

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<sup>2</sup> Consideration represents the Revised Merger Ratio (0.42857) multiplied by Aspen Group's 10 day VWAP (\$1.40 as at 23 October 2015, being the last trading day before the announcement of the Sunsuper/Discovery Unsolicited Offer).

<sup>3</sup> 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.

<sup>4</sup> This range based on zero to full take-up under the Cash Option.

<sup>5</sup> Based on 2H FY16 distribution forecast of 6.0 cents per Merged Group Security and no material change in business conditions.

## Rationale for the Revised Proposal

The Merger of Aspen Group and APPF is forecast to deliver significant benefits to both Aspen Group securityholders and APPF securityholders.

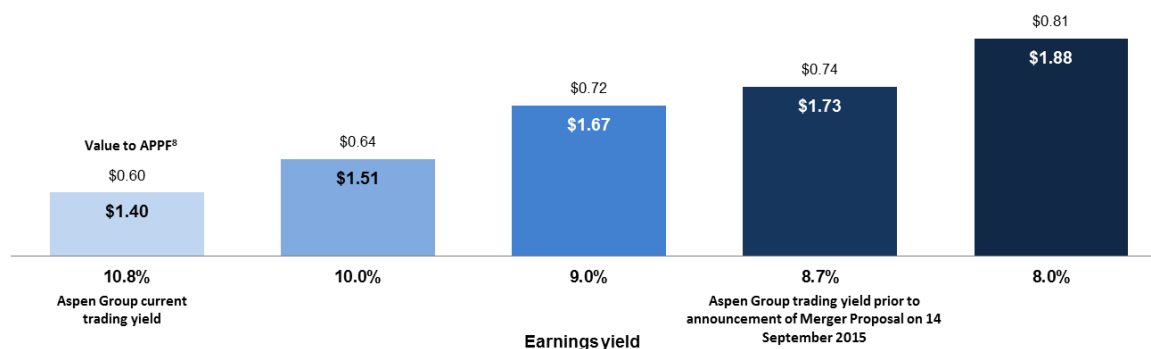
For Aspen Group, the merger represents the final stage in Aspen Group's strategic change, to create a simplified business focused on owning, managing and developing value for money accommodation. The merger delivers Aspen Group securityholders an increased exposure to a quality portfolio of assets, a forecast 28% increase in FY16 distributions and significant operating synergies estimated at \$1.7 million per annum. The Merged Group's FY16 annualised distribution yield is a forecast 8.6%.<sup>6</sup>

A key benefit for APPF securityholders is the opportunity to remain invested in the value for money accommodation asset class, and to enjoy the income and capital returns that would come from remaining invested in a sector with positive long term trends. This continued investment opportunity in an appropriate structured entity is only available under the Revised Proposal – it is not afforded to APPF securityholders under the Sunsuper/Discovery Unsolicited Offer.

The chart below shows that based on an indicative analysis of different earnings yields, there is significant potential value uplift to both Aspen Group and APPF securityholders that may be delivered as a result of the Revised Proposal:

### Indicative Merged Group security price<sup>7</sup>

The only opportunity for APPF securityholders to participate in the potential upside is to elect the Securities Option and remain invested



<sup>6</sup> Based on Aspen Group's 10 day VWAP (\$1.40 as at 23 October 2015 being the last trading day before the announcement of the Sunsuper/Discovery Unsolicited Offer).

<sup>7</sup> Based on mid-point of Merged Group earnings range of 14.1 – 16.0 cents per security based on zero to full take-up of the Cash Option. Chart and analysis are indicative only and not a forecast.

<sup>8</sup> Based on a Revised Merger Ratio of 0.42857 Merged Group Securities for each APPF security.

## The Revised Proposal is the most compelling proposition available to APPF securityholders

Aspen Group's proposal is superior to the Sunsuper/Discovery Unsolicited Offer:

- Provides the opportunity for APPF securityholders to remain invested and participate in the value for money accommodation asset class through a larger, more diversified and more liquid investment vehicle
- Enjoy the income and capital returns from exposure to a sector with positive long term trends
- A forecast FY16 annualised distribution yield of 8.6% on Merged Group Securities<sup>9</sup>
- Receive a premium of 2 cents per security over the Sunsuper/Discovery Unsolicited Proposal
- Continue to enjoy monthly distributions from APPF until implementation of the Proposal (expected to be approximately 1 cent per security)

## Comparison of Revised Proposal and Sunsuper/Discovery Unsolicited Offer

	Revised Proposal	Sunsuper / Discovery Unsolicited Offer
How much will I receive?	\$0.60 <sup>10</sup>	\$0.58
In what form will I receive it?	<b>Your choice of:</b> <ul style="list-style-type: none"> <li>• cash (up to a cap of \$41 million); or</li> <li>• 0.42857 Merged Group Securities per APPF security; or</li> <li>• a combination of both</li> </ul>	<b>Only cash</b> <ul style="list-style-type: none"> <li>• no opportunity to enjoy ongoing income and the potential for capital returns, in an appropriately structured investment entity</li> </ul>
Will I retain the value of distributions received?	<b>Yes</b> <ul style="list-style-type: none"> <li>• distributions will be received until Merger Implementation (expected to be December 2015)</li> <li>• represents approximately 1 cent in additional value</li> </ul>	<b>No</b> <ul style="list-style-type: none"> <li>• the value of any distribution received after 23 October 2013 will be deducted from \$0.58</li> </ul>
Will I receive ongoing distributions?	<b>It is your choice:</b> <ul style="list-style-type: none"> <li>• if you elect to receive consideration in Merged Group Securities, you will enjoy ongoing half yearly distributions that are expected to be 29% higher than current APPF distributions<sup>11</sup></li> <li>• a forecast FY16 annualised distribution yield of 8.6%<sup>12</sup></li> </ul>	<b>No</b> <ul style="list-style-type: none"> <li>• accepting the Sunsuper / Discovery Unsolicited Offer denies APPF investors the option to receive ongoing distributions</li> <li>• you will receive cash (the current official cash rate is 2.00% p.a.)</li> </ul>

<sup>9</sup> Aspen Group's 10 day VWAP (\$1.40 as at 23 October 2015 being the last trading day before the announcement of the Sunsuper/Discovery Unsolicited Offer).

<sup>10</sup> Consideration represents (a) the cash consideration of \$0.60 per APPF security; (b) the revised merger ratio (0.42857) multiplied by Aspen Group's 10 day VWAP (\$1.40 as at 23 October 2015 being the last trading day before the announcement of the Sunsuper/Discovery Unsolicited Offer) which equals \$0.60 per APPF security.

<sup>11</sup> 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 5.1 cents represents 12.0 cents multiplied by the revised merger ratio of 0.42857 Merged Group Securities for each APPF security.

<sup>12</sup> Aspen Group's 10 day VWAP (\$1.40 as at 23 October 2015 being the last trading day before the announcement of the Sunsuper/Discovery Unsolicited Offer).

## Timetable

Aspen Group expects the Revised Proposal to be implemented and Merged Group Securities to commence trading during 2015 if the required approvals are obtained.

Further details will be released together with the Explanatory Memorandum and Securityholder Booklets in November 2015.

Aspen Group will continue to keep the market informed as appropriate.

**End**

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