

Aspen Group 2016 Full Year Results Presentation

30 August 2016



AGENDA



- 1 Business overview**
- 2 Financial highlights**
- 3 Strategy / business update**
- 4 FY17 focus**

Appendices

Aspen continues to be in an strong position. Clear business direction. Desirable portfolio with development upside. \$40 million in cash available to grow business.

FY16 Review

- Sale of 42% interest in APPF at a 38% premium (\$16.2 million) to its Net Asset Value (NAV)¹
 - Termination of management rights for an additional \$5.0 million
 - Total final premium of APPF sale of \$22.5 million or \$0.20 / Aspen security NAV
- First statutory profit since 2011: \$9.9 million
- Distribution of 9.2 cents per security consistent with guidance
- Two acquisitions: \$19.8 million (excl. acquisition costs) at an average ingoing yield of 9.3%
- 12% reduction in overheads year on year from FY15

Capital management

- On-market securities buyback completed at an average price of \$1.20
 - Total of 10.7 million securities bought back, representing ~9% of outstanding securities
- Currently in negotiations for new debt facility to continue growth of business
- NAV per security of \$1.26
- No debt; \$40 million unrestricted cash on hand

FY17 Outlook

- Capacity to acquire >\$100 million of assets²
- Over \$30 million in value enhancing development targeted for Four Lanterns Estate and Tomago Van Village³
- 1HFY17 distribution guidance of 2.1 cps

¹ NAV is an unaudited non-IFRS measure that, in the opinion of the Directors, is useful in understanding and appraising the Company's performance. NAV is an asset measure that includes the recognition of property assets on the basis of their current valuation. Further detail is included within the FY16 statutory accounts

² There is no certainty that this level or any acquisitions will be completed

³ Total anticipated construction and consultant costs. There is no certainty that this amount will be spent

Business strategy

- Aspen is now a business committed to the affordable accommodation sector
 - Exploring high total returns in the Lifestyle Village / MHE and Short Stay (e.g. parks, motels) segments
 - Both income generating and development opportunities
- Intensifying hands-on management of current portfolio to maximise revenue and minimise costs



2 FINANCIAL HIGHLIGHTS – KEY FINANCIALS

- ❖ Significant improvement in statutory profit – reflecting crystallisation of value on APPF divestment
- ❖ Operating profit lower due to sale of APPF and sale of non-core assets
- ❖ Distribution for FY16 in line with guidance at 9.2 cps

Key financial metrics (\$m)	FY16	FY15	Change %
Revenue	41.4	65.5	(37%)
Statutory profit / (loss)	9.9	(31.7)	131.3%
Operating profit ¹	4.8	4.7	1%
Operating profit EPS	4.2c	4.2c	1%
Operating cash flow	4.7	3.4	39%
Gearing %	nil	35.1	-
NAV ² (\$ per security)	1.26	1.26	-
Distribution per security ³	9.2c	9.0c	2%

¹ Operating profit attributable to securityholders of Aspen

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³ Represents 4.6 cps distributed 25 February 2016 and 4.6 cps announced 24 June 2016 and distributed 25 August 2016

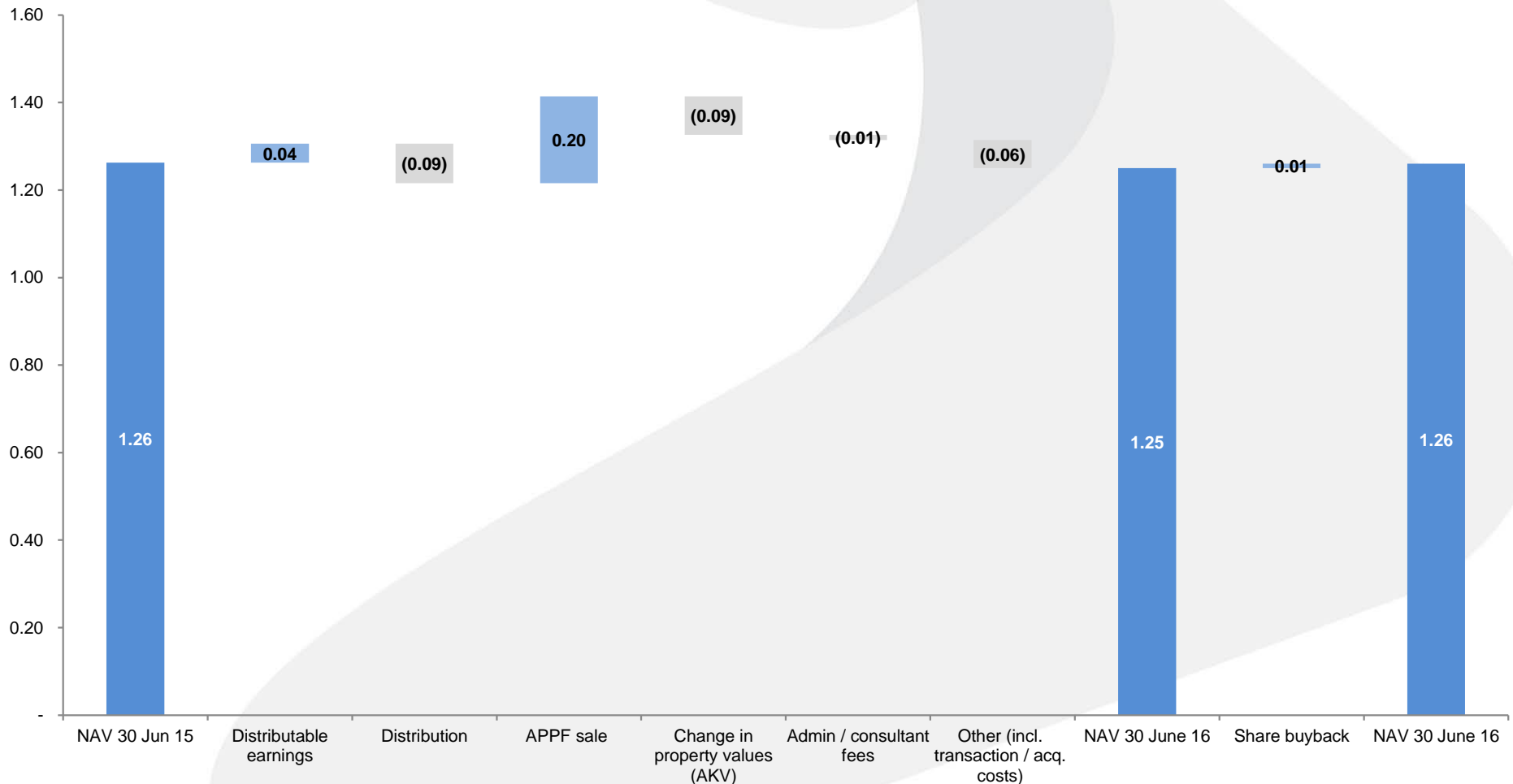
	FY16 \$m	CPS	FY15 \$m
Profit / (loss) from operations			
Accommodation			
- Aspen Group properties	7.2	6.4	5.9
- APPF properties	9.3	8.2	15.8
- APPF management fees / equity	0.4	0.4	1.1
Non-core	3.2	2.8	7.7
Total gross profit	20.1	17.8	30.5
Operating expenses	(9.4)	(8.3)	(11.6)
Depreciation	(3.2)	(2.8)	(5.2)
Financial expenses	(1.6)	(1.4)	(4.8)
Operating profit before tax	6.0	5.3	8.8
Income tax expense	-	-	-
Operating profit after tax	6.0	5.3	8.8
Non-controlling interest ¹	(1.2)	(1.1)	(4.1)
APZ share of operating profit after tax	4.8	4.3	4.7
add-backs ²	0.8	0.7	-
Distributable / cash earnings	5.6	5.0	4.7
APZ distributions	10.2	9.2	10.2

¹ Relating to APPF investors

² FY16 addbacks relate to depreciation, stay in business CapEx (SIBC) and unrecognised CapEx fees

NAV per security of \$1.26

- ❖ \$0.43 represented in cash
- ❖ Positive impact of sale of APPF of \$0.20 (\$22.5m)
- ❖ Negative impact of devaluation of AKV of \$0.09 (\$10.7m)



Ability to re-establish scale within the business through a combination of cash and debt funded acquisitions

Cash reserves of ~\$40m are immediately available to pursue acquisitions
Gearing of 35%, would provide debt funding capacity of a further ~\$70m



Total potential pipeline ~\$100m

=

Enterprise Value
creation



Acquisition experience
Development and operational enhancement expertise

The strategy is to leverage the operating platform and balance sheet position into an expanded, diversified accommodation portfolio that provides a high total return from a mixture of cash income yield and profitable development / redevelopment opportunities

Aspen holds five accommodation properties with significant development upside

- ❖ Two acquisitions completed over the year
 - Tomago Van Village, Newcastle NSW
 - Adelaide Caravan Park, SA
- ❖ Two assets in exclusive due diligence
- ❖ Continue to focus on building the acquisition pipeline with strong balance sheet capabilities

Accommodation type	Property Name	Value (\$m)	%	Number of sites / dwellings	
				Existing	Total potential
Mixed residential/short stay	Tomago Van Village	11	22%	156	56
Resource	Aspen Karratha Village	11	22%	180	-
100% permanent	Mandurah Gardens Estate	10	20%	158	-
	Four Lanterns Estate	8	16%	102	31
100% short stay	Adelaide Caravan Park	10	20%	76	-
Total		50	100%	672	87
Non-core	Spearwood Industrial	29	100%	-	-
Total		79	100%	672	87

- ❖ Aspen is well positioned going into FY17
 - No debt; \$40m in cash available to grow business
 - Simplified structure
- ❖ Focused on affordable accommodation
 - Lifestyle Villages / MHE
 - Short stay (caravan parks / motels)
- ❖ Committed to securityholder value maximisation
 - The Board believes current strategy will deliver a value and security price above the current NAV in a reasonable timeframe
- ❖ Guidance for FY17
 - Aspen's earnings in FY17 will be dependant on a number of variables including the performance of current operations, as well as the size, timing and magnitude of earnings of acquisitions executed during FY17
 - Whilst acquisitions are expected to be earnings accretive, the timing is uncertain
 - First half distribution is expected to be 2.1c, which is in line with expected earnings

Appendices

**A****Accommodation portfolio****B****APZ deconsolidated P&L****C****Balance sheet****D****Overhead reduction**

A ACCOMMODATION PORTFOLIO DETAILS



	Four Lanterns Estate	Mandurah Gardens Estate	Tomago Van Village	Adelaide Caravan Park	Aspen Karratha Village	Total
State	NSW	WA	NSW	SA	WA	-
Segment / accommodation type	100% permanent	100% permanent	Mixed residential / short-stay	100% short-stay	Transient worker	-
Value (\$m)	8.2	10.4	11.3	9.7	11.3	50.9
Ingoing yield	8.3%	9.3%	9.3%	9.4%	27.3%	9.1%
Land tenure	Freehold ¹	Freehold	Freehold	Freehold ¹	Freehold	-
Area (ha)	3.9	6.8	13.9	1.5	2.9	29.0
Existing Sites	Existing long-stay	102	158	74	-	334
	Short-stay cabin ²	-	-	68	45	293
	Short-stay sites ³	-	-	14	31	45
	Total	102	158	156	76	672
Potential expansion	DA approved	-	-	24	-	24
	Pre-DA	31	-	32	-	63
	Total	31	-	56	-	87
	Total potential sites	133	158	212	76	759

¹ In-place zoning for medium density residential

² Cabins used for short-stay or worker accommodation

³ Sites used for caravans or designated camping

APPF deconsolidated and reflected as equity accounted investment

	FY16		FY15
	\$m	CPS	\$m
Profit from operations			
Accommodation			
- AKV	4.0	3.5	5.7
- Residential / short stay	3.4	3.0	0.2
- APPF management fees / equity	3.1	2.7	6.3
Non-core / other	2.9	2.6	6.8
Total income	13.4	11.9	18.9
Operating / admin expenses	(7.0)	(6.2)	(7.4)
Depreciation	(1.8)	(1.6)	(1.4)
Financial expenses	0.2	0.2	(1.3)
Operating profit before tax	4.8	4.3	8.8
Income tax expense	-	-	-
Operating profit after tax	4.8	4.3	8.8
add-backs ¹	0.8	0.7	-
Distributable / cash earnings	5.6	5.0	8.8
APZ distributions	10.2	9.2	10.2

¹ Addbacks relate to depreciation and capital expenditure fees

Strong capital position provides financial flexibility to pursue multiple options

- ❖ Available cash on hand of \$44m versus prior year net debt of \$118m
- ❖ FY16 property asset holdings reflect direct group holdings (prior year included APPF assets)

	Jun-16 \$m	Jun-15 \$m
Cash	43.8	23.3
Spearwood ¹	29.0	28.7
Aspen Karratha Village	11.3	22.0
Accommodation property	37.9	199.7
Property assets	78.2	250.1
Other assets / assets held for sale	16.7	88.7
Total assets	138.7	362.4
Borrowings	-	141.9
Other	10.9	24.5
Total liabilities	10.9	166.4
Net assets	127.8	196.1
Non-controlling interests ²	-	(55.3)
Net assets attributed to Aspen Group	127.8	142.5
NAV ³ per share	1.26	1.26
Gearing	nil	35.1%

Note: June 2015 balance sheet includes the consolidation of APPF

¹ Spearwood was previously classified as an asset held for sale at Jun-15 and has been reclassified as at Jun-16

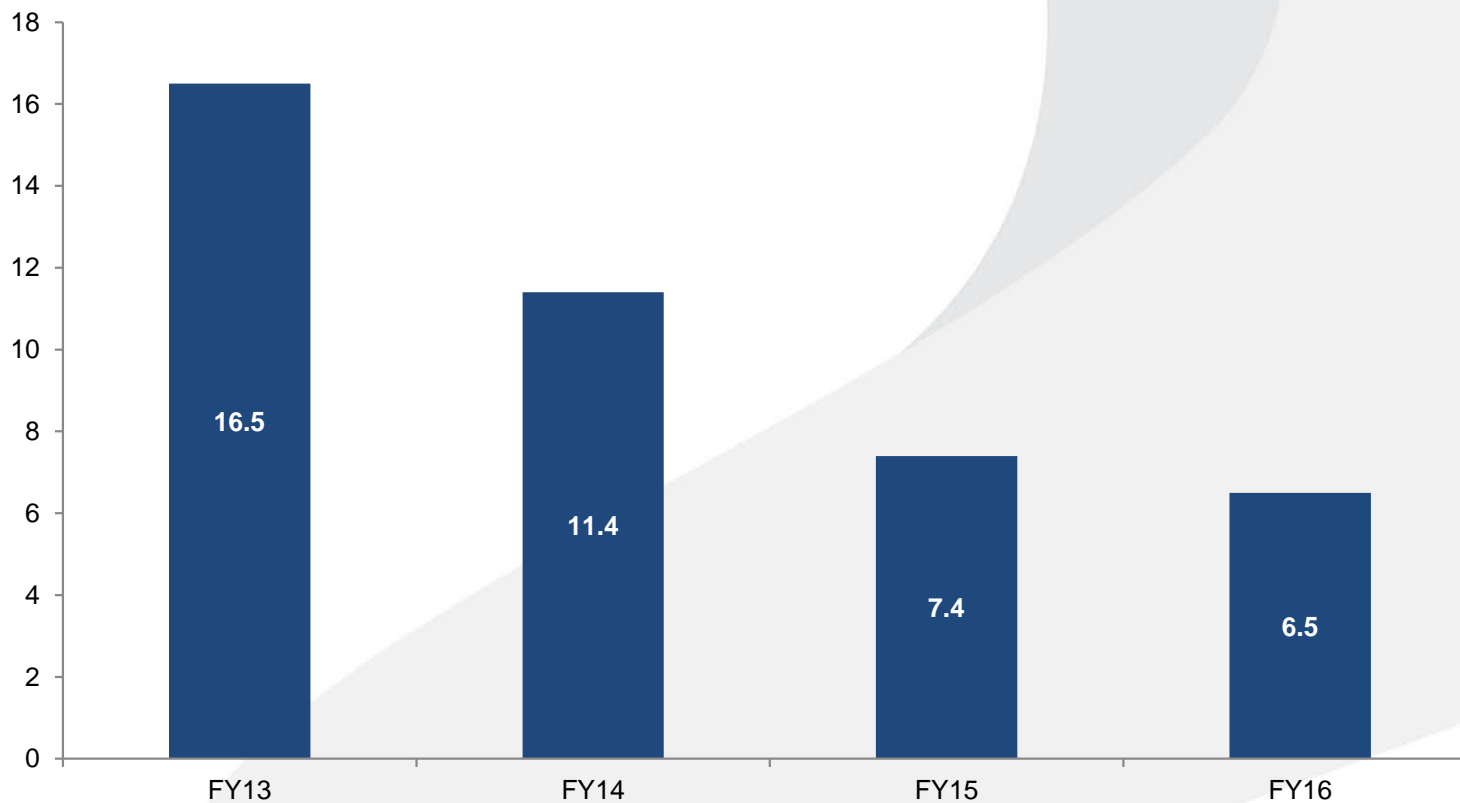
² Relating to non Aspen Group APPF investors

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Further reduction in overheads in FY16

- ❖ Overheads reduced 12% on FY15
- ❖ FY16 overheads down 61% on FY13

Aspen Group overheads, FY13-FY16



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