

ASPEN GROUP LIMITED

Results Presentation 1H FY19

February 2019



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BLG4 Tween Waters Holiday Park, NSW



BLG4 Koala Shores Holiday Park, NSW



1

1H FY19 Highlights & Financial Results



FY19 Progress Review – Key Developments

1.1

FY19 PLAN

- Targeting ~ \$40 million in acquisitions and developments at existing properties
- Sale of residences at Four Lanterns to commence
- Development to substantially progress at Tomago
- Investigating move to external custodian (RE) to release ~\$10 million cash to apply towards investments
- Explore adjacent sub-sectors including affordable residential accommodation

1H FY19 DELIVERED

- ✓ Acquisition of Highway 1 Tourist Park (\$23m) - settled Oct 2018
- ✓ Four Lanterns – deposit now taken on 6 residences off-plan, active marketing of properties in place
- ✓ Commenced pre-development work at Tomago under a revised business plan, increasing additional sites to 52 within the community (an increase of 17 over the previous plan)
- ✓ RE transfer process to conclude Q3 FY19 and release \$9.8m cash
- ✓ Barlings Beach – phase 1 of beachfront inventory upgrade and rejuvenation completed (~\$0.35m)
- ✓ ~10% increase in distribution from 1H FY18 (2.3cps from 2.1cps)
- ✓ Sub-tenant secured for legacy lease (Perth) – occupancy commitment for balance of lease term

2H FY19 FOCUS

- AKV asset management
- Complete onboarding of Highway 1 acquisition
- Progress stabilisation of Darwin and Barlings Beach
- Continued sale of Four Lanterns residences
- Finalise Tomago marketing campaign and commence new residence build
- Continue to pursue acquisition opportunities

10 Strategic
Core Assets

↑ Doubled

~\$130m core
portfolio value

↑ 160%

Non-core assets
fully divested

↑ \$34m cash

1,969 total sites

↑ 1,247 sites

52 development
sites - DA
approved

Portfolio cap
rate 9.3%

Delivered over the past ~2 years



Key Financial Highlights

1.2

Financial performance driven by increased scale from acquisitions

Metrics	1H FY19 \$m	1H FY18 \$m	Change %
Statutory revenue	13.7	9.3	47% ▲
Statutory profit	0.4	(0.9)	151% ▲
Profit from operations:			
- Accommodation	5.7	4.4	31% ▲
- Non-Core	-	0.8	(100)% ▼
Gross profit	5.7	5.2	9% ▲
Central services	(2.7)	(2.6)	4% ▲
Underlying EBITDA¹	3.0	2.6	15% ▲
Depreciation and amortisation	(1.1)	(0.7)	71% ▲
Net finance expense	(0.3)	(0.1)	216% ▲
Operating profit after tax¹	1.5	1.8	(17)% ▼

Distribution	1H FY19 \$m	CPS	1H FY18 CPS	Change
Operating profit after tax ¹	1.5	1.6	1.8	
Add: D & A	1.1	1.2	0.6	
Underlying earnings	2.6	2.7	2.4	12% ▲
Distribution		2.3	2.1	10% ▲
Payout Ratio		84%	88%	

Revenue

- Increase primarily acquisition driven:
 - Full half contributions from 1H FY18 acquisitions (Darwin FreeSpirit Resort and BIG4 Koala Shores Holiday Park)
 - Highway 1 Tourist Park acquisition in the current period

Profit

- Statutory profit increase reflecting:
 - Contribution from acquisitions
 - Reduced acquisition costs (\$1.8m)

Partially offset by:

- Revaluation decrement (Karratha Village \$0.75m)
- Lower non-core income following FY18 Spearwood sale
- Operating profit¹:
 - Underlying earnings increase in line with acquisitions
 - Offsetting reduced non-core income
- MER reduction to 3.9%² p.a, from 4.1% p.a. for FY18

Distribution

- 2.3 cps in line with guided range, representing a ~10% increase from 1H FY18



Note: Due to rounding, numbers displayed may not add up precisely to totals

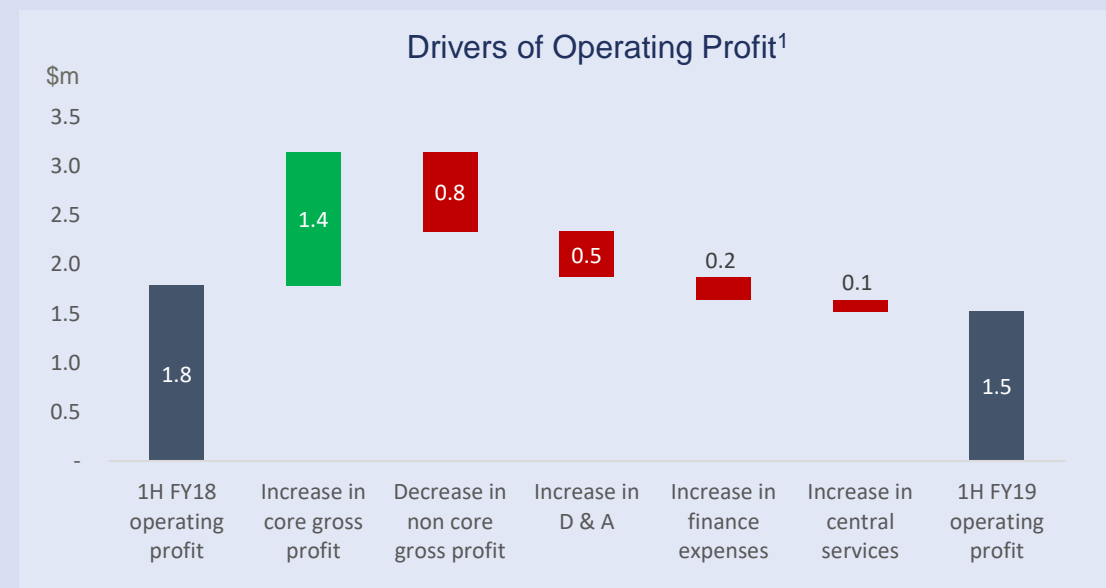
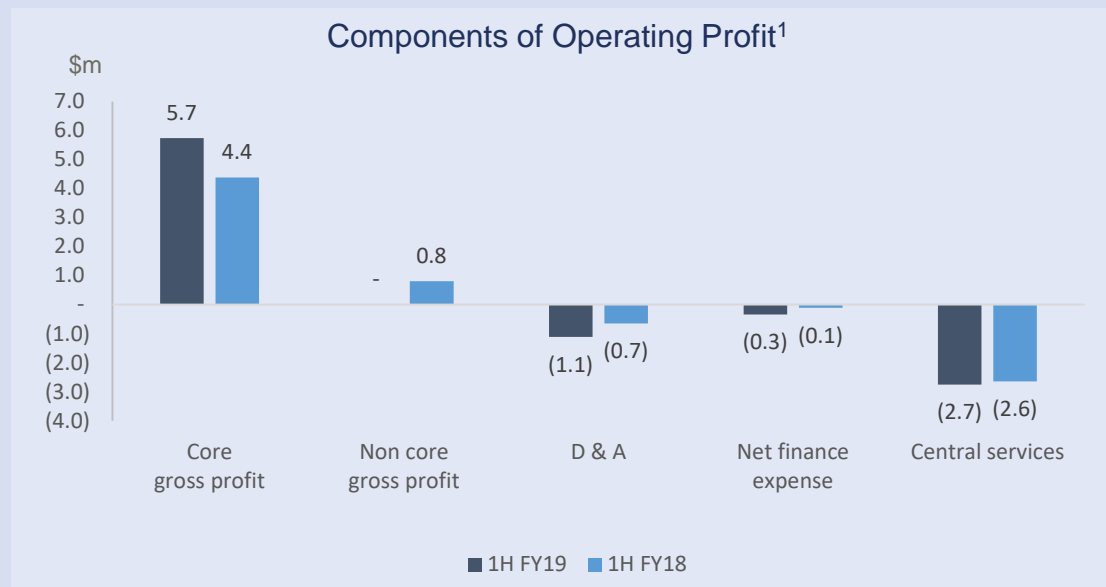
1. Non-IFRS measure used by management to assess the underlying operating performance of the business, which excludes one off and non-operating items

2. Annualised 6 month MER based on average total assets 1H FY19

Operating Performance

1.3

Core portfolio of assets driving growth in business operating performance



Reconciliation of statutory profit to operating profit ¹	1H FY19 \$m	1H FY18 \$m
Statutory profit / (loss) after tax	0.4	(0.9)
Income tax expense	-	-
Statutory profit / (loss) before tax	0.4	(0.9)
Non-underlying items		
Change in fair value of PPE	0.7	(0.1)
Change in fair value of equity investment	-	0.1
Change in responsible entity and custodian and proposals for change in investment manager	0.2	-
Finance costs	0.1	0.1
Acquisition costs	0.2	2.0
Loss on disposal of assets held for sale	-	0.2
Other expenses	(0.2)	0.5
Operating profit before tax¹	1.5	1.8

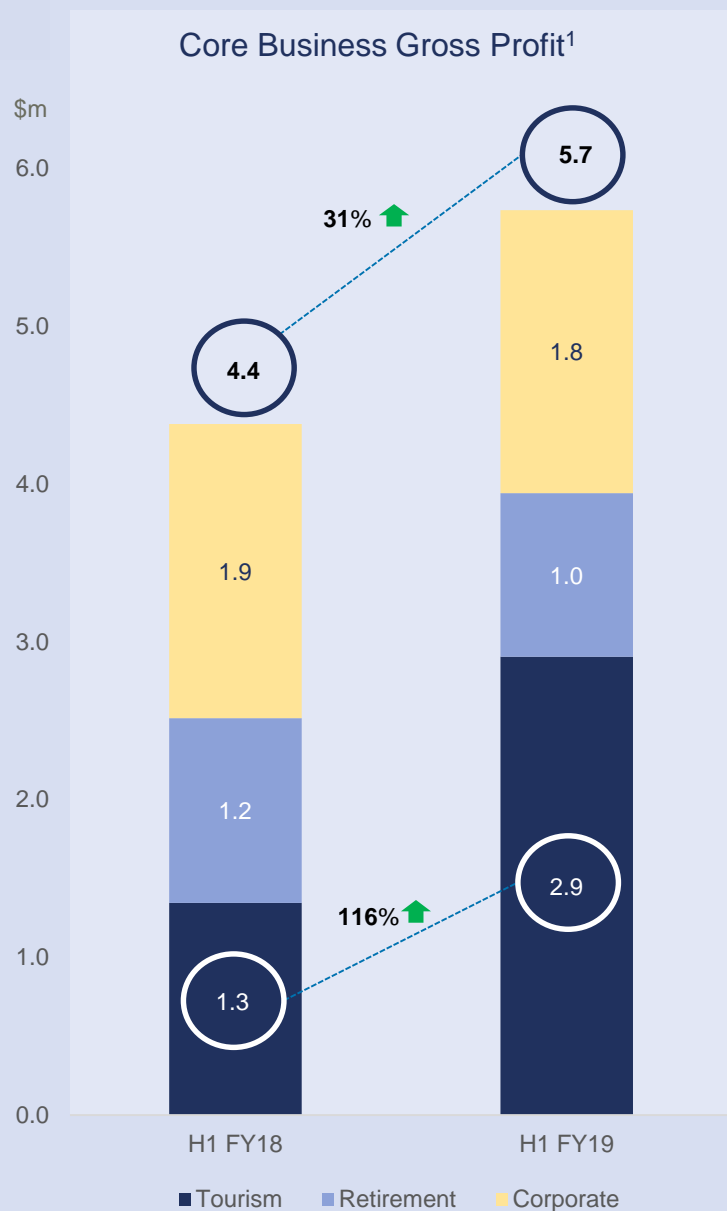


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1. Non-IFRS measure used by management to assess the underlying operating performance of the business, which excludes one off and non-operating items

Core Operating Performance

1.4



Retirement

- On a same site basis, Retirement gross profit declined 11% y.o.y.
Reduction due to lower development income (~\$0.1m).
- Excluding development income, contribution flat - growth in stabilised assets (MGE and FLE) offset by pre-development impact at Tomago.

Tourism

- Acquisitions led increase in gross profit contribution of 116%.
Highway 1 and Darwin FreeSpirit contributing \$1.7m growth.
Darwin has produced a passing yield of ~8.6% for its first 12 month trading period, noting that trading this year was impacted by the cyclone in January and an early wet season which shortened the peak tourism trade period return.
The FY19 yield from this asset is expected to be in a range of 9.25 – 9.5%. As has been widely reported, the Darwin region has been affected by reduced tourism and workforce activity.
- On a same site basis, Tourism gross profit declined 7% y.o.y.
Reduction principally due to reduced revenue at Adelaide (Ashes and less event activity).

Corporate

- On a same site basis, Corporate gross profit declined 4% y.o.y.
Revenue increase of 6% offset by hyper-inflation of key costs (council rates and insurance).



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1. Non-IFRS measure used by management to assess the underlying operating performance of the business, which excludes one off and non-operating items

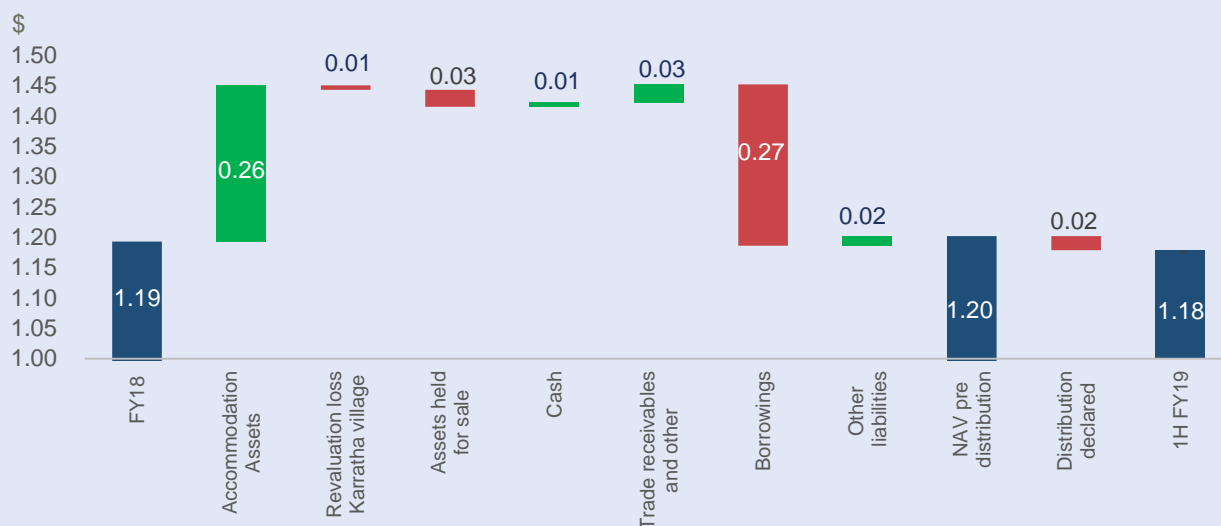
Financial Position and Capital Management

1.5

Balance Sheet provides capacity for further growth opportunities

	1H FY19	FY18	Change
	\$m	\$m	\$m
Accommodation assets ¹	130.4	106.4	24.0
Other Assets	8.4	8.1	0.2
Net cash / (debt)	(16.3)	8.7	(25.0)
Total debt facility	45.0	45.0	-
Gearing ² %	11%	-	11%
Net Asset Value (NAV)	113.6	114.9	(1.3)
NAV \$ per security	1.18	1.19	(0.01)

Movement in NAV per security



Accommodation assets

- Highway 1 Tourist Park settled in Oct 2018 for \$23m
- Four Lanterns site expansion near completion and sale of residences is underway
- Pre-development work continues to progress at Tomago

Net Debt

- Net debt increase of \$25m in 1H FY19 represented by:
 - Acquisition of Highway 1 Tourist Park (\$23m)
 - Distribution paid (\$2.0m)
 - Improvement works at Four Lanterns (\$2.0m)

Partially offset by:

- Asset sale - Midvale property (\$2.5m)

NAV

- NAV decline of \$0.01 to \$1.18 per security
- \$0.01 decline primarily attributed to:
 - Revaluation decrement of Karratha Village (\$0.75m) in accordance with reducing Woodside contract tenure
 - Acquisition and due diligence costs written off (~\$0.2m)



Note: Due to rounding, numbers displayed may not add up precisely to totals

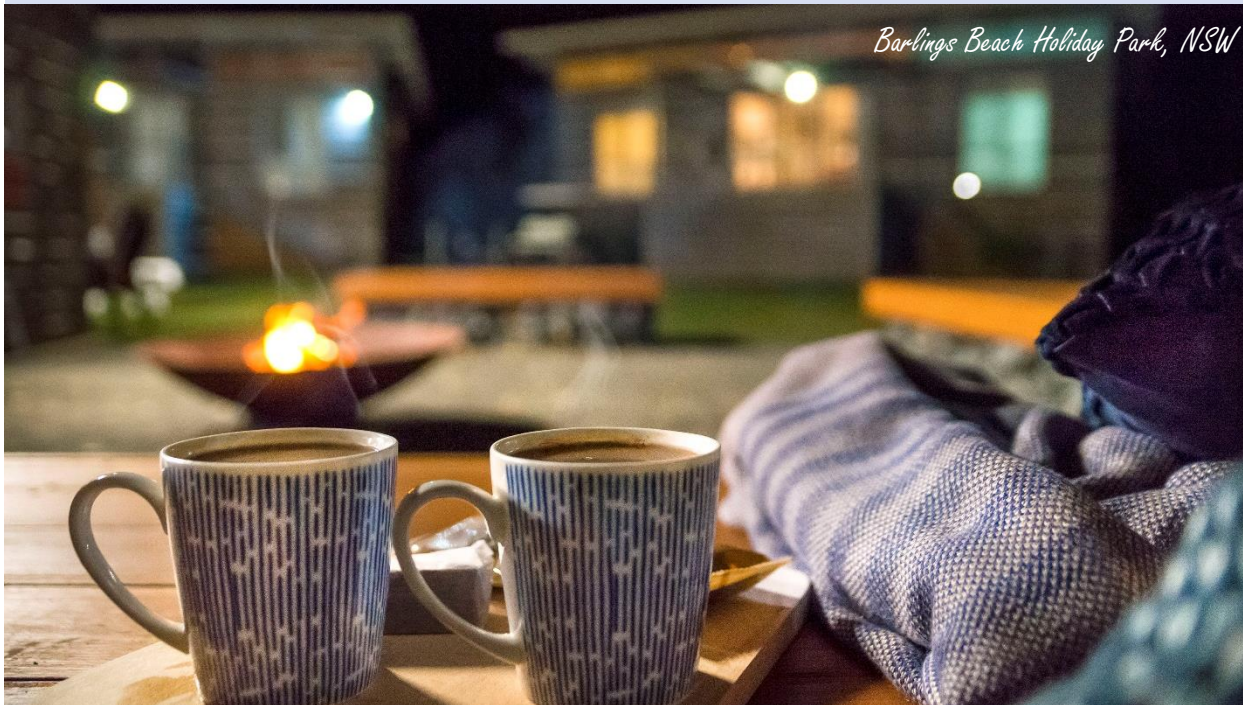
1. FY18 includes \$0.25m of unrecognised non-statutory property carrying value adjustments

2. Calculated as interest bearing debt net of cash, divided by total assets

Barlings Beach Holiday Park, NSW



Barlings Beach Holiday Park, NSW



2

Outlook



- Full year FY19 underlying earnings¹ are expected to be in a range of 6.0 to 6.3 cps. This range anticipates:
 - regular build up to the northern dry season for Darwin;
 - the ramp up as anticipated of our Highway 1 acquisition;
 - corporate overheads are maintained in line with 1H FY19;
 - the completion of 10 residence settlements at Four Lanterns (noting that each incremental residence sale produces profit of \$40k); and
 - the re-sale of 5 residences at Mandurah Gardens each sale generating an NOI of ~\$10k.
- The group's outlook assumes subdued earnings from its assets which are in the pre-stabilisation phase – in particular Barlings Beach, Tomago and Darwin FreeSpirit. Specifically:
 - Tomago earnings are impacted by withdrawn inventory pending the site expansion / development. Currently ~10% of sites are unutilised in preparation for development works.
- The outlook does not include the potential impact of any acquisitions that may occur during 2H FY19.
- Acquisition funding capacity remains at ~\$25 million inclusive of the \$9.8m of restricted cash to be released once the RE transfer process is concluded.
- Following the \$25m facility reduction in June 2018, Aspen expects to be able to increase its facility as future opportunities arise.
- Full year FY19 SIBC is forecast to be in the range of \$1.0 - \$1.1m.



Highway 1 Tourist Park, SA



3

Portfolio & Acquisitions Update



Accommodation Portfolio

3.1

	RETIREMENT				TOURISM							CORPORATE	GROUP
	Four Lanterns Estate	Tomago Village Van Park ³	Mandurah Gardens Estate	Total	BIG4 Tween Waters	Barlings Beach Holiday Park	BIG4 Koala Shores ⁶	Adelaide Caravan Park	Darwin FreeSpirit Resort	Highway 1 Tourist Park	Total	Aspen Karratha Village	
State	NSW	NSW	WA		NSW	NSW	NSW	SA	NT	SA		WA	
Carrying value ⁴ (\$m)	11.6	12.9	11.3	35.8	7.1	13.6	10.3	11.0	19.3	23.1	84.4	10.3	130.4
Land tenure	Freehold	Freehold	Freehold		Freehold	Freehold	Freehold/ Leasehold	Freehold ⁵	Freehold	Freehold		Freehold	
Area (ha)	3.9	13.9	6.8	24.6	1.9	8.8	6.5	1.5	10.8	9.9	39.4	2.9	66.9
Value per ha (\$m)	3.0	0.9	1.7	1.5	3.7	1.6	1.6	7.4	1.8	2.3	2.1	3.5	2.0
Inventory													
Long / Extended stay ¹	130 ⁷	138	158	426	-	200	-	-	-	130	327	180	936
Short stay cabins / sites ²	-	16 / 5	-	16 / 5	31 / 65	30 / 28	35 / 108	45 / 49	149 / 282	82 / 108	374 / 641	-	388 / 645
Total	130	159	158	447	96	258	143	94	431	320	1,342	180	1,969
DA approved	-	45 ⁸	-	45	-	-	-	-	-	-	-	-	45
Total potential sites	130	204	158	492	96	258	143	94	431	320	1,342	180	2,014
Other information													
Revenue contribution %													
- Long / Extended stay	100%	81%	100%	93%	-	67%	-	-	-	33%	12%	100%	50%
- Short stay	-	19%	-	7%	100%	33%	100%	100%	100%	67%	88%	-	50%
Cap Rate ⁹ (weighted average)	8.1%				8.9%							16.0% ¹⁰	9.3%
Stay in Business Capex (\$m)	0.10				0.15							0.07	0.32
D & A (\$m)	0.16				0.80							0.16	1.12

1. Includes annuals accommodation

2. Sites used for caravans or designated camping

3. Assumes future conversion from mixed use to predominately retirement

4. Includes value attributed to non-income earning components (e.g. VED and land value of approved sites)

5. In-place zoning for medium density residential

6. Includes group lodge accommodating ~12 guests

7. Includes 28 site expansion

8. Inclusive of 7 reconfigured sites

9. Cap-rate of operating income stream

10. Cap rate is indicative – reflects long-term operating model



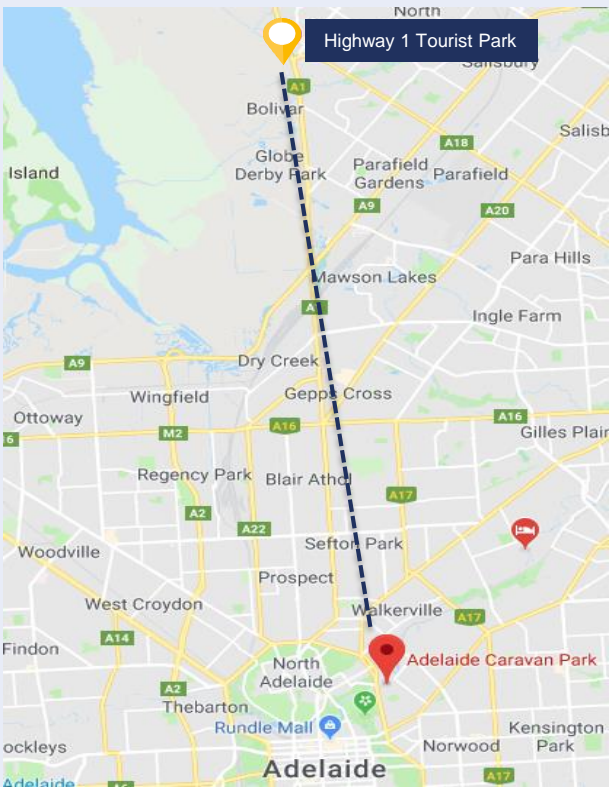
Acquisition: Highway 1 Tourist Park

3.2

Earnings growth targeted by leveraging group distribution capability and synergy benefits obtained from clustering with Adelaide Caravan Park

LOCATION

□ Port Wakefield Rd, Bolivar SA 5110



INVENTORY

COMPOSITION

	79	132	132
	109	109	109
	79	-	79
Privately owned	Aspen owned	Total	
■ Sites	-	132	132
■ Cabins	-	109	109
■ Residences	79	-	79
Total	79	241	320

USAGE MIX

	24 27 79	108 82	132 109 79
Long stay	Short-stay	Total	
■ Sites	24	108	132
■ Cabins	27	82	109
■ Residences	79	-	79
Total	130	190	320

LOCATION IMAGES



State	Purchase Price (\$m)	Approx. Yield	Inventory	Value per unit of inventory (\$k)	Area (ha)	Value per ha (\$m)
SA	23	9.00%	320	72	9.86	2.3

Four Lanterns Estate (28 site expansion)

Development Progress

- 5 full and 1 holding deposit received
- Settlements anticipated to occur in March / April 2019, subject to the timing of final approval of electricity grid connections
- 11 inventory on site
 - 6 sold
 - 5 available for sale

Outlook

- Enquiry levels slowed 1H FY19, in line with the residential market in Sydney
- Sales and marketing campaign continuing
- Anticipated sell out 2H FY20
- Total homes on completion 130

Inventory ¹	Existing
Total Sites	28
Holding Deposits	1
Full Deposits	5
Settled	-



Display Suite



Display Suite



Display Suite



Homes under construction



Tomago Village Van Park (52 site expansion)

Development Progress

- Revised designs for low cost affordable housing complete
- Revised feasibility assumes the construction of 76 new residences including the replacement of 10 existing and relocation of 15 Aspen owned cabins

An increase of 17 sites over the previous plan

Outlook

- Construction documentation, approvals and tender target completion 2H FY19
- Targeting civil construction commencement 1Q FY20, with settlements planned from 2Q FY20
- 204 total sites on completion, as follows:
 - Existing (operating) 152
 - Brownfield (undeveloped) 52

Existing tourist cabin



Stage 2 development area



Indicative design image



Indicative design plan



Big4 Koala Shores Holiday Park, NSW

4

Appendices



Operating Profit¹

4.1

	1H FY19		1H FY18	
	\$m	Cps	\$m	Cps
Profit from operations				
Accommodation	5.7		4.4	
Non-core	-		0.8	
Gross profit	5.7	6.0	5.2	5.1
Central services	(2.7)		(2.6)	
Underlying EBITDA¹	3.0	3.1	2.6	2.5
Depreciation and amortisation	(1.1)		(0.7)	
Net finance expense	(0.3)		(0.1)	
Operating profit before tax¹	1.5	1.6	1.8	1.8
Income tax expense	-		-	
Operating profit after tax¹	1.5		1.8	
APZ distributions	2.2	2.3	2.1	2.1
Special capital distribution	-	-	5.1	5.0



Note: Due to rounding, numbers displayed may not add up precisely to totals

1. Non-IFRS measure used by management to assess the underlying operating performance of the business, which excludes one off and non-operating items

Operating Profit¹ by Sector

4.2

1H FY19	Tourism / Retirement	Corporate	Group
	\$m	\$m	\$m
Revenue	9.4	4.2	13.7
Cost of sales	(5.5)	(2.5)	(7.9)
Gross profit	3.9	1.8	5.7
Central services	-	-	(2.7)
Underlying EBITDA¹	3.9	1.8	3.0
Depreciation and amortisation	(1.0)	(0.2)	(1.1)
Net financial expense	-	-	(0.3)
Operating profit before tax¹	3.0	1.6	1.5



Note: Due to rounding, numbers displayed may not add up precisely to totals

1. Non-IFRS measure used by management to assess the underlying operating performance of the business, which excludes one off and non-operating items

Balance Sheet

4.3

	1H FY19	FY18
	\$m	\$m
Cash	14.0	13.4
Accommodation Assets ¹	130.4	106.4
Other assets	8.4	8.1
Total Assets	152.8	127.9
Borrowings	30.3	4.7
Other liabilities	8.9	8.3
Total Liabilities	39.2	13.0
Net Assets	113.6	114.9
NAV per share	1.18	1.19
Gearing %²	11%	-



Note: Due to rounding, numbers displayed may not add up precisely to totals

1. FY18 includes \$0.25m of unrecognised non-statutory property carrying value adjustments

2. Calculated as interest bearing debt net of cash, divided by total assets

Distribution History

4.4

Period / Quarter Ended	Date Paid	Distribution Type	Aspen Group Ltd	Aspen Property Trust ¹		Total Amount Paid cents
			Cps	Cps	Tax Deferred / Non assessable income	
Jan-17	28/02/2017	Ordinary	-	2.1	-	2.1
Jun-17	29/08/2017	Ordinary	-	2.5	-	2.5
Oct-17	20/10/2017	Special Capital Distribution	-	5.0	100.0%	5.0
Dec-17	27/02/2018	Ordinary	-	2.1	31.4%	2.1
Jun-18	30/08/2018	Ordinary	-	2.1	30.5%	2.1
Dec-18	26/02/2019	Ordinary	-	2.3	TBA	2.3

Carry Forward Tax Losses and Franking Credits

	Aspen Group Ltd	Aspen Property Trust
Year Ended 30 June 2018	Gross (\$m)	Gross (\$m)
Revenue account	68.3	-
Capital account	39.5	-
Franking credits	2.2	-



1. APT has elected to adopt the Attribution Managed Investment Trust regime from 1 July 2016

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Barlings Beach, NSW

