



### **Clive Appleton (Chairman)**

Good afternoon ladies and gentlemen. My name is Clive Appleton - I am Chairman of Aspen Group Limited and it is my pleasure to welcome you to the 2018 Annual General Meeting. It is now 2:00pm, the time appointed for the meeting, and as we have a quorum, I declare the meeting open.

I would now like to introduce my fellow directors: John Carter and Guy Farrands together with our CEO Joel Cann and CFO Emmanuel Zammit. Our Company Secretary, Belinda Cleminson is also present.

The Company's auditor PricewaterhouseCoopers is represented here by James Dunning whom I also have pleasure of welcoming today. The auditors will be available to answer questions on the conduct of the audit and the Audit Report for the year ended 30 June 2018.

Aspen Group recorded a statutory profit of \$0.8 million in 2018. Operating profit of the business was \$3.0 million representing earnings of approximately 3.1 cents per security. The group had net cash of \$8.7 million at the end of the year.

Over the last couple of years, Aspen has been repositioning itself as an affordable accommodation provider. That objective has been carefully managed with the need to generate ongoing revenue to increase earnings and distributions for security holders. Our investment in Aspen's existing retirement assets has been staged and progressive whilst we continue to purchase and invest in high-yielding tourism-based caravan parks.

Over the past 12 months, the group acquired Big4 Koala Shores located at Port Stephens, two hours north of Sydney, and most recently, Darwin FreeSpirit Resort. We also acquired Highway 1 Caravan and Tourism Park in Adelaide which was settled in October and has now been integrated into group operations. Aspen Group now holds approximately 65% of its portfolio in Tourism assets complemented by Retirement and Corporate assets.

The transition process has seen Aspen sell its industrial property at Spearwood South in Perth, a development site in Queensland and most recently in August this year another development site in Perth. These disposals conclude the divestment of non-core assets.

Development of our retirement assets has progressed during 2018 with a 28-site expansion commenced at Four Lanterns Estate in Sydney and a 52-site expansion in final planning stages at Tomago, north of Newcastle.

Non-core asset sales generated approximately \$34 million of cash which together with the \$55 million debt facility provided substantial acquisition capacity. These funds enabled the purchase of Darwin FreeSpirit Resort, Highway 1 Tourist Park, security buy backs and a special capital distribution. The company now has a modest level of debt with a gearing ratio of 12%.

The Board remains committed to improving the level of financial returns to securityholders. Our objective is to continuously increase distributions per security going forward. Aspen's recent acquisitions are designed to achieve that objective; however, we also recognise assets require a stabilisation period post-acquisition which necessitates operational focus and investment in facility upgrades to reach sustainable growth.

Given the stage of rebuilding in the business, Aspen's earnings continue to remain subject to the scale, timing and management of the acquisitions it secures. Our current assessment is that first half FY19 earnings shall be in a range of \$2.6 to 2.8 million with a distribution of 2.3 to 2.5 cents per security.

That concludes the introductory remarks and with that we will now turn to the formalities of today's meeting. Before I put the formal resolutions to the meeting I would like to make a few comments about the resolution to effect a change to the Responsible Entity. Currently Aspen has around \$10 million tied up in short term deposits necessary to support our Responsible Entity (or RE) licence. This short-term liquidity is required by ASIC. Consequently, we earn very little income from this money. Changing to an outsourced RE will free up that cash ready for additional purchases or investment. We would only have to invest that cash at 2% to cover the revised ongoing costs associated with this change. We intend to do much better than that.



### **Joel Cann (CEO)**

Thanks Clive and good afternoon everyone.

FY18 saw Aspen Group make continuing efforts towards achieving its business plan and improving security holder returns. The business has managed to double its investment portfolio of core assets and divest all non-core assets over the past 24 months.

Our current business initiatives by sector include:

#### Tourism

- Applying dynamic and sophisticated distribution and marketing efforts.
- Increasing the use of flexible labour and improved management of permanent and temporary staff.
- Using data analytic insights for tactical decision making.




#### Retirement

- At Four Lanterns, we have already built several new homes under our expansion scheme and sales to date of the 28 new product is encouraging.
- The business plan for conversion of Tomago Van Village into a land-lease community now calls for a higher number of new homes and increased density within that community.

#### Corporate

- We continue to manage the Woodside relationship as well as considering our options for the future Aspen Karratha Village.

## Acquisitions

KOALA SHORES HOLIDAY PARK	DARWIN FREESPIRIT RESORT	HIGHWAY ONE TOURIST PARK
		
<b>Property information</b> <ul style="list-style-type: none"> <li>Location: Lemon Tree Passage, NSW</li> <li>Land area: 6.5 ha</li> <li>Total inventory: 143                             <ul style="list-style-type: none"> <li>108 sites</li> <li>35 cabins</li> </ul> </li> </ul> <b>Facilities</b> <ul style="list-style-type: none"> <li>Full tourist park, water frontage, newly renovated cabins and excellent park presentation</li> </ul>	<b>Property information</b> <ul style="list-style-type: none"> <li>Location: Holtze, NT</li> <li>Land area: 10.8 ha</li> <li>Total inventory: 431                             <ul style="list-style-type: none"> <li>Sites 282</li> <li>Cabins 149</li> </ul> </li> </ul> <b>Facilities</b> <ul style="list-style-type: none"> <li>Full tourist park with a fully licensed food and beverage operation</li> <li>3 resort pools, BBQ and picnic areas, jumping cushion, conference and events facilities</li> </ul>	<b>Property information</b> <ul style="list-style-type: none"> <li>Location: Bolivar, SA</li> <li>Land area: 9.7 ha</li> <li>Inventory: 320                             <ul style="list-style-type: none"> <li>Sites 132</li> <li>Cabins 109</li> <li>Residences 79</li> </ul> </li> </ul> <b>Facilities</b> <ul style="list-style-type: none"> <li>Mixed-use park offering short, extended and long-stay guest accommodation</li> <li>Recently refurbished facilities, 2 outdoor pools, a pool-side camp kitchen and recreational area</li> </ul>



## Acquisitions

- During the 2018 financial year, Aspen completed the acquisition of 2 properties, namely Koala Shores near Newcastle NSW and Darwin FreeSpirit Resort in Darwin. Since our FY18 results were announced, Highway 1 in Adelaide has been added to the portfolio.
- We have 2 existing tourism assets where significant capital works are underway including:
  - Barlings Beach - which has commenced an upgrade of facilities to improve its market appeal and returns from tourism inventory; and
  - Tomago Van Village - which is undergoing redevelopment and conversion to a residential community. Returns from this asset are currently lower as we have withdrawn inventory to facilitate the development scheme.
- Darwin FreeSpirit - which has been adversely impacted by conditions in the Darwin market. Our team is working diligently to improve earnings from this asset over the balance of FY19.

## Development pipeline

### Four Lanterns Estate

- Cost and revenue are in line with original projections
- Deposit now taken on 3 homes off-plan, EOI and negotiations in progress with a number of other parties
- Total homes on completion 130

Inventory <sup>1</sup>	New
Total sites	28
Holding deposit	3
Full deposit	3



### Tomago Village Van Park

- Targeting civil construction commencement 1H FY19
- 204 total sites on completion, as follows:
  - Existing (operating) 152
  - Greenfield (undeveloped) 52
- An increase of 17 over the previous plan
- Prices have been reduced to reflect softer market and plan density



1. Inventory as of 19 November 2018

## Development pipeline

- Development activity at 4 Lanterns is well underway with the 28-site expansion due for completion June 2019. Currently, we can report that 3 homes have obtained holding deposits and 3 homes have received full deposits ahead of settlement.
- We recently commenced works at Tomago under a revised business plan which would increase density of the estate and form 52 additional sites within the community.



## Outlook

- Current projections indicate distributable earnings in a range of 2.3 to 2.5 cents per security for the first half
- Full year earnings remain dependant on a number of factors including integration of recent acquisitions and the forthcoming peak Christmas / New Year trading period on the east coast. Accordingly, an update on full year earnings is expected to be given later in Q3 FY19



BIG4 Tween Waters



Barlings Beach



BIG 4 Koala Shores



### Outlook

We expect growth in 1H FY19 earnings in-line with the acquisitions program which has contributed positively to the group result and helped to offset the loss of earnings from Spearwood South during the prior year.

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