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MARKET RELEASE

ASX ANNOUNCEMENT
24 August 2015

Annual financial results for the year ended 30 June 2015

KEY POINTS

- Transition of Aspen Group into a pure-play accommodation provider substantially complete
- Aspen Group FY15 financial results
  - Total operating profit before tax attributable to Aspen Group of $10.2 million, down 31%
  - 2H FY15 distribution of 4.5 cents per security; full year FY15 distribution of 9.0 cents per security
  - Statutory loss after tax of $31.7 million, largely on the back of devaluation of resources properties
  - Gearing of 35.1%; look-through gearing of 22.5%
  - Net Asset Value per security of $1.26
- Property income from core residential/short-stay parks up solidly
  - Continued income weakness in resource oriented properties
  - Lease extension of 2 years (to January 2018) secured at Aspen Karratha Village
- Acquisition of 6 accommodation assets (one subsequent to year end)
- First manufactured housing developments settled
- Increase in Aspen's ownership of Aspen Parks Property Fund (APPF) to 42.0%
- Capital management initiatives during the year
  - Extended debt facilities on more favourable terms in both Aspen Group and Aspen Parks, increasing term to September 2017
  - Completed on market share buyback of $8.6 million
  - Completed an entitlement offer in APPF of $41.2 million
- Distribution guidance for FY16 of at least 9.4 cents per security (up at least 4.4% from FY15)

Aspen Group (ASX: APZ) today announced its financial results for the year ended 30 June 2015, recording a statutory loss of $31.7 million.

The statutory loss primarily results from valuation declines in assets within the resource segment ($29.0 million) and impairment of non-core assets held for sale ($3.0 million).

Operating profit before tax, attributable to the Aspen securityholders, was $10.2 million, which was down 31% from FY14. The fall largely reflects the progress Aspen Group has made in its strategy of divesting all non-core assets, with $108.0 million sold during FY15 (2014: $342.5 million)

In commenting on the result and the positioning of the business, Aspen Group Chief Executive Officer Clem Salwin, said, "We have substantially achieved the strategic goal that we set ourselves 2 years ago – Aspen is now largely a focused, pure play accommodation business.

"Our positioning in accommodation builds upon the over eleven year experience of Aspen in the sector and is supported by very strong industry themes: demographics, housing affordability and public policy. We also find pricing of assets attractive.

"Our objectives were clear: to simplify the business, reduce debt, have a lower cost base, and grow our asset base within the "value-for-money" accommodation sector. Aspen Group has made very significant progress in achieving these objectives, and is now well placed for the future.

"Since December we have made five acquisitions, totalling around $50 million with an average yield of 10%. This momentum is continuing, with a further acquisition since June. These acquisitions are over half weighted to permanent residential.

"We've also commenced manufactured housing development in the year and expect to expand this element of our business going forward.

"Operating performance in our residential/ short stay portfolio has been solid. However, there has been continued weakness in the properties servicing the resources sector, reflecting the deep downturn in the resources capex cycle.

"At the Aspen Karratha Village, we secured an extension of the lease at that property for a further 2 years, enhancing the income stability and security.

"We have also been selling our non-core assets with over $100 million announced or settled through the year. Today, the only material non-core asset remaining is the Spearwood South property.

"We continued to have a keen focus on reducing our cost base, with a further 24% reduction in Group overheads in the second half over 1H FY15 (and a 35% annual reduction over FY14).

"Our disciplined capital management is demonstrated by our strong balance sheet. Look through gearing as at 30 June stood at 22.5%. This provides us with significant acquisition capability.

"While Aspen has made significant progress on its objectives, FY15 has not been without its challenges.

"Aspen continues to suffer from further softening in the resources sector, with a decline of $29 million in the value of the five resource properties, reflecting the deep cyclical decline in the resources sector. There was also an impairment of $3.0 million on the updated independent valuation of Spearwood South.

"This has resulted in Aspen Group's Net Asset Value (NAV) declining to $1.26 per security (8% down since 31 December 2014). The decline in NAV is clearly very disappointing.

"The business faces the future well placed to build upon our progress in achieving strategic change, to build upon our eleven years of experience in the sector, and to build upon the strong structural themes in our industry – to generate stronger returns for the owners of the business. As we move into FY16, our focus is to create value both within our existing portfolio and in disciplined acquisition opportunities."

Operating performance

The table below outlines net income and margin for Aspen Group properties (on a like for like basis) during the year compared to the prior year.

	FY15 $m	FY14 $m	Change %
Net income			
Residential / short stay	15.0	14.0	7%
Resources parks	4.4	6.5	(33%)
Discontinued Operations	3.8	3.7	3%
Total	**23.1**	**24.2**	**(4%)**
Net income margin			
Residential / short stay	47%	46%	1%
Resources parks	43%	50%	(7%)
Discontinued Operations	23%	21%	2%
Total	**40%**	**39%**	**1%**

[1]Like-for-like basis

On a like for like basis, income at our core residential/short-stay parks was up 7%, with a slight improvement in margins.

Net income at the resource parks continued to decline, due to weaker revenues as a result of the severe downturn in the resource cycle.

Aspen Group has secured a lease extension at the Aspen Karratha Village (AKV), for 150 of the 180 rooms, for 2 years until January 2018, so underpinning the stability of income, albeit at lower earnings levels. Based only on this 83% occupancy, the independent property valuation represents a 12% income yield.

Overview of portfolio

Aspen Group owns and manages 25 accommodation properties, either directly or via its investment in APPF (including three properties in north-west Western Australia held for sale).

During the year, Aspen Group acquired five parks for a combined value of $51.3 million (including acquisition costs). Two of these parks were 100% manufactured housing estates (MHE), which were acquired by Aspen Group directly, with the balance three parks being a combination of residential / short stay properties which were acquired by APPF. Subsequent to year end, a sixth park was acquired by Aspen Group directly, bringing our total acquisitions to $61.8 million since the acquisitions commenced in December 2014.

FY15 financial results

Aspen Group recorded a statutory loss for the year of $30.8 million, due largely to declines in asset values within the resource segment of $29.0 million, including a decline in the valuation of AKV to $22.0 million ($26.5 million as at December 2014 and $38.5 million as at June 2014). There was also an impairment of its unsold portion of the Spearwood Industrial Complex (Spearwood South) of $3.0million.

Operating profit before tax, attributable to securityholders, was $10.2 million, which was down 31% from FY14.

Group overheads were down nearly 24% over the first half, reflecting in part the lower cost base of the business due to the relocation to Sydney. For the full year, overhead costs were down nearly 35%.

The NAV at 30 June 2015 was $1.26 per security.

Discontinued operations

Aspen Group secured the settlement or sale of $108.7 million of non-core assets during FY15.

Only $32.0 million of non-core assets remain unsold, with the key unsold non-core asset being Spearwood South, valued at $29.0 million (showing an 11% yield on the property which is 100% leased on a 5 year WALE).

Key achievements in the programme of disposal of non-core assets during the year include:

- The conditional sale of its two resort parks, as well as one 100% short stay park, for $34.2 million. All three parks are located in the north-west region of Western Australia. Settlement of these three parks, following satisfaction of all remaining conditions, is expected to occur in 1H FY16;
- Settlement of Noble Park for $20.7 million in October 2014;
- Securing the sale of Spearwood North for $35.0 million which settled subsequent to year end; and
- Only a net $3.0 million exposure remains unsold within a single legacy development syndicate and wind-up processes have commenced on three of these legacy entities.

Capital management

At 30 June 2015 Aspen Group had two debt facilities. One of these pertains to Aspen Group, with the other being held by APPF. (The APPF debt facility is now consolidated to Aspen Group for accounting purposes, but it is non-recourse to Aspen Group). The debt facilities at 30 June 2015 were drawn to a total $141.9 million (30 June 2014: $26.7 million), versus a total limit of $170.0 million.

Both debt facilities were refinanced during the year. Key outcomes of these refinances include:

- Increase in term to September 2017 for both facilities (an extension of 1 year for Aspen Group, and 2 years for APPF);
- A weighted average reduction in the debt margin of 0.5%; and
- An increase of $20.0 million within the Aspen Group revolving bank facility.

Aspen Group's gearing was 35.1% at 30 June 2015 which has increased from nil at 30 June 2014, primarily reflecting the consolidation of APPF. Excluding APPF consolidation, the standalone gearing for Aspen Group was 8.4% at 30 June 2015.

In October 2014, APPF completed an entitlement offer, raising $41.2 million. This was underwritten by Aspen Group, with the objective of strengthening APPF's balance sheet, and which provided capacity for APPF to acquire 3 new accommodation parks during FY15.

During the year, Aspen Group bought back 6.8 million securities, at an average price of $1.25.

Outlook

Aspen Group advises its distribution per security guidance for FY16 is for at least 9.4 cents per security and 4.6 cents per security for 1HFY16. This guidance assumes no material change in business conditions.

Market Briefing

Aspen Group will be providing a market briefing at 10:00am (AEST) today, 24 August 2015.

The market briefing will be webcast via:

http://webcasting.brrmedia.com/broadcast/55c42a2d96101ff409ed98a6

Dial in details within Australia are:

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