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ASX ANNOUNCEMENT
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Aspen Group Financial Results

Improved Management Delivers 55% Increase in Operating Earnings

Aspen Group (which comprises Aspen Group Limited and the Aspen Property Trust) (ASX: APZ) ("**Aspen**") is pleased to provide its financial results for the half year ending 31 December 2019.

Aspen's Business Model

Aspen is a leading provider of quality accommodation on competitive terms in the residential, retirement and short stay sectors. Aspen's opportunities are enormous within Australia's $7 trillion residential market given significant unsatisfied demand for suitable accommodation at more affordable prices and rents.

We have a fully integrated platform across operations, asset management, development and capital management that provides a broad spectrum of products and services to our customers under different regulatory regimes and ownership schemes: Rentals – Shared Equity – Sales.

Aspen provides one, some or the entire range of its accommodation products and services at each of its properties. We seek to maximise the profitability and value of properties and reducing risk by optimising the customer mix based on demand, relative pricing and expenses, regulation, capital costs and other factors.

Over the past 6-12 months Australia's residential and retirement markets have generally benefited from the continued growth and aging of the population, further interest rate reductions, and a slowdown in supply of new accommodation. The short stay markets (tourism and worker) have benefitted from good demand growth, with overnight stays by domestic travellers growing at an impressive 12% and international travellers by 2% (Austrade - year to September 2019). However, there are some pockets of oversupply, particularly in hotels and serviced apartments in some metropolitan areas, and demand has been impacted recently by severe bushfires in some regions and the coronavirus outbreak offshore. We don't expect either of these to have any lasting negative impacts on Aspen.

Portfolio

The value of Aspen's property portfolio increased by 25% over the half to $160 million, mainly through the acquisition of the Lindfield Apartments ($206k per dwelling*) and the Perth Residential Portfolio ($238k per dwelling*). The low entry prices enable us to provide quality accommodation to our customers on competitive terms whilst also generating attractive investment returns for securityholders. Additionally, these metropolitan, non-seasonal, rental properties have reduced portfolio risk in our opinion.

We have increased capital improvement activity across the portfolio. For instance, the redevelopment and expansion of Tomago has commenced; the first stage of apartments at Lindfield have been refurbished and are being leased at materially higher rents; new hi-tech cabins are being installed at Highway One; new entertainment facilities are under construction at Darwin Freespirit Resort; and labour and energy saving initiatives have been completed or are underway at all properties.

* Pre transaction costs

Financial Performance

Aspen's financial performance improved materially in 1H FY20 compared to 1H FY19:

- **Operating profit after tax increased 55% to $3.66 million or 3.80 cents per security**
- Statutory net profit after tax increased 319% to $2.29 million
- Property net operating income increased 11% to $6.36 million, with all of the properties performing around or above 1H FY19, except Darwin Freespirit Resort which has been negatively impacted by heavy rate discounting in its market
- Development profit was $0.41 million from the sale of four houses at Four Lanterns at higher than budgeted margins
- Net corporate overheads decreased 15% to $2.42 million, with a significant reduction in the use of external consultants and Aspen earning project management fees from the Mill Hill Capital funds
- Net finance expense increased 60% to $0.71 million, due to increased debt
- **Ordinary distribution increased 20% to $2.65 million or 2.75 cents per security**

The tables below summarise Aspen's underlying operating profit and bridge to audited statutory profit:

	1H FY20 ($'000)	**1H FY19** ($'000)	**% Change**
Operating revenue	**15,131**	13,637	11%
Operating expenses	**(8,768)**	(7,899)	11%
Net operating income (NOI)	**6,363**	5,738	11%
Operating margin	**42%**	42%	
Revenue from development activities	**1,301**	20	
Cost of sales	**(887)**	(25)	
Development profit	**414**	(5)	
Development margin (profit / revenue)	**32%**	(25%)	
Discontinued operations loss – net of non-controlling interest	**-**	(75)	
Operating and development net income	**6,777**	5,658	20%
Net corporate overheads	**(2,416)**	(2,852)	(15%)
EBITDA	**4,361**	2,806	55%
Net finance expense	**(705)**	(441)	60%
Tax	**-**	-	
Operating profit	**3,656**	2,365	55%
Securities (weighted)	**96,322**	96,322	-
Operating profit per security (cents)	**3.80**	2.46	55%
Ordinary distributions per security (cents)	**2.75**	2.30	20%

	1H FY20 ($'000)	1H FY19 ($'000)	% Change
Statutory net profit attributable to parent entity	**2,291**	547	319%
Adjustments:			
Depreciation of property, plant and equipment	1,335	1,091	
Asset revaluations	(150)	660	
Transaction costs & other	180	67	
Operating profit	**3,656**	2,365	55%
Net finance expense	705	441	
EBITDA	**4,361**	2,806	55%
Net corporate overheads and other	2,416	2,852	(15%)
Operating & development net income	**6,777**	5,658	20%

Balance Sheet

As at 31 December 2019, Aspen had total assets of $173.4 million, gross debt of $52.5 million and net asset value (NAV) of $109.7 million equating to $1.14 per security. Gearing was 28.6% at the end of the period which is comfortably within our target range.

The slight increase in NAV is mainly attributable to retained earnings as no properties were externally revalued in the half. The portfolio is attractively valued on a weighted average capitalisation rate (WACR) of 8.2% and an average of $73,113 per approved site including land and dwellings.

The table below summarises Aspen's balance sheet:

	31 December 2019 ($'000)	30 June 2019 ($'000)
Property, plant and equipment	**114,080**	112,934
Investment properties	**30,435**	-
Goodwill and intangibles	**15,200**	15,212
Carrying value of properties	**159,715**	128,146
Cash	**3,989**	6,466
Other assets	**9,690**	7,123
Total assets	**173,394**	141,735
Financial debt	**52,498**	24,500
Other liabilities	**11,237**	8,469
Total liabilities	**63,735**	32,969
Net Asset Value (NAV)	**109,659**	108,766
NAV per security ($)	**1.14**	1.13

Guidance

Aspen's 1H FY20 underlying earnings were ahead of budget. The major bush fire events along the south coast of NSW have negatively impacted profits at our Barlings Beach and Tween Waters properties by at least $500,000 in late December and January. We will seek to recover these losses through our insurances, and we will provide an update to the ASX when the outcome is known. In the meantime, our underlying earnings and distribution guidance for FY20 remains unchanged at 6.75-7.00 cents and 6.00 cents per security respectively.

We continue to seek opportunities to grow the business and portfolio on a profitable basis in the residential, retirement and short stay sectors.

Announcement authorised by the Board of Aspen Group Limited.

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