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ASX ANNOUNCEMENT

20 February 2023

Aspen Group Financial Results – 1H FY23

FY23 EPS¹ Guidance Upgraded 17% to 11.50-12.00 Cents (Up 33-39% on FY22)

Aspen Group (comprising Aspen Group Limited and Aspen Property Trust) (ASX: APZ) (“Aspen”) is pleased to provide its financial results for half year ending 31 December 2022 and upgraded guidance for FY23.

Strong demand for Aspen’s quality accommodation on truly affordable terms

- ✓ Extreme shortage of accommodation, especially at the more affordable end of the spectrum – residential vacancy rate c.1% nationwide²
- ✓ With Covid dissipating, population growth has increased, and people are on the move again needing long and short stay accommodation
- ✓ Dwelling and land rents are increasing – dwelling rents are outperforming as we expected
- ✓ We have pivoted to offering more of our dwellings on a short stay basis, generating higher rents and net income than we could by offering long stay during Covid lockdowns
- ✓ More dwellings and land sites have been added to the available rental pool through acquisition, development, and refurbishment – high ROIC³ compared to valuation cap rates for stabilised assets, driving both Operating Earnings and NAV⁴ growth
- ✓ Operating margins have expanded towards targeted levels

1H FY23 Financial Results

Statutory Profit \$25.87m equating to 15.29 cents per security

Operating Earnings¹ \$11.98m equating to 7.08 cents per security – up 102% on 1H FY22

- Total Revenue up 87% to \$36.7m
- Operating and Development Net Income up 106% to \$16.2m - measured balance of Property NOI (\$12.1m at margin of 49%) and Development Profit (\$4.1m at margin of 34%)
- Corporate Overheads up 1% to \$2.95m (MER⁵ 1.1%)
- EBITDA up 144% to \$13.3m
- Operating Earnings excludes the uplift in property value above cost of production on our redevelopment/refurbishment projects – these are included in Statutory Profit and increase in the NAV

Net Asset Value (NAV) \$1.88 – up 5% compared to 30 June 2022 and 24% compared to pcp

- Uplift driven predominantly by Property NOI increases, value-add projects and retained earnings – more than offsetting cap rate increase of 25-35bps generally applied to property valuations in the half
- Portfolio attractively valued on a WACR⁶ of 6.51% and average of only \$89k per dwelling/site – this puts Aspen in a good position to offer very competitive terms to customers while still generating attractive returns for securityholders
- Retirement and Residential land development projects generating 25% ROIC reflecting low-cost land bank and relatively high Development Profit margin of 34% - development pipeline of over 10 years based on current sales rates
- Expected value uplift on 132 Guildford Road, Maylands and Cooks Hill residential projects only partially reflected in current NAV – estimated \$8m (4cps) imbedded discount in book values. This discount is for development & leasing risk and time value, and is expected to be released over the next 6-12 months as projects complete (this ignores potential valuation increases due to market rents currently being higher than valuation assumptions)
- Gearing⁷ of 24% - below long-term target range of 30-40%

Outlook

- ✓ Residential vacancy rates are near historic lows across Australia and there is plenty of unsatisfied demand for more affordable accommodation
- ✓ Residential market rents are increasing quickly and are now above in-place rents for many of our residential dwellings
- ✓ Our land rents are below the level at which Commonwealth Rent Assistance caps out which improves affordability for our residents, and sustainability and growth prospects for our securityholders
- ✓ Our operating platform can take advantage of the higher rents and net income available through offering dwellings and land on a short stay basis with additional services – we are well equipped to offer our accommodation from overnight to a lifetime
- ✓ Current dwelling projects expected to continue to drive increased NOI and NAV – examples:
 - Completion of high-quality residential redevelopment projects - Cooks Hill, Newcastle in May 2023 and 132 Guildford Road, Maylands in 2H FY24
 - Additions/upgrades to our Park Communities – commencing development of additional dwellings/land leases at Highway 1 and Barlings Beach
- ✓ Retirement Community development projects expected to be ramped up significantly to increase Development Profits, annuity rents and NAV - land lease development pipeline is 18 years based on current low sales rate which was being held back by building industry supply and cost issues
- ✓ Cost of debt is increasing - we have always assumed interest rates would normalise and we have operated the business and acquired/marked the portfolio accordingly – we recently extended \$70m of interest rate hedges by one year to April 2025 at 204bps fixed (up from 50bps)
- ✓ Acquisitions - property transaction prices have generally remained robust despite higher interest rates. We expect Aspen's opportunities to increase, and we will remain patient
- ✓ In our opinion, Aspen is generating very attractive margins, ROIC, cashflows and distributions for securityholders – amongst our ASX-listed peers we have the largest Total Addressable Market which increases opportunities for growth, and we have the most diversified portfolio by geography, customer type, lease type and regulation which reduces risk

Earnings Guidance Upgraded for FY23

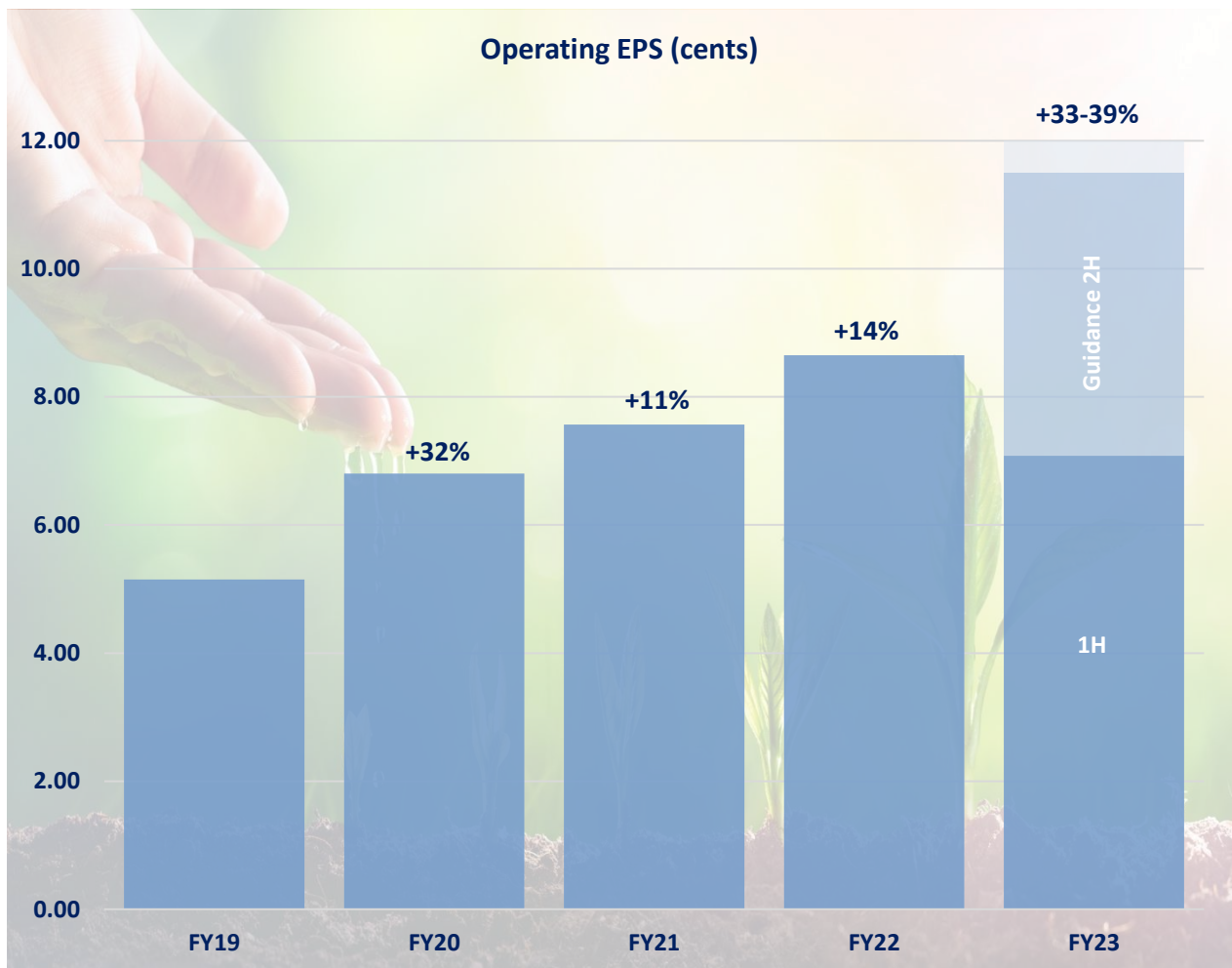
Expected Operating EPS of 11.50-12.00 cents

Upgrade of 17% to previous guidance of 9.75-10.25 cents

Increase of 33-39% on FY22

Implied Minimum DPS of 7.50 cents

Based on low end of payout policy range of 65-75%



Please refer to 1H FY23 Financial Report and Results Presentation released on ASX today for further information.

Announcement authorised by the Board of Aspen Group Limited.

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1. Operating Earnings is a non-IFRS measure that is determined to present, in the opinion of the directors, the operating activities of Aspen in a way that appropriately reflects Aspen's operating performance – refer to financial report for full definition
2. Source: SQM Research
3. ROIC – Return on Invested Capital
4. NAV – Net Asset Value
5. MER – Management Expense Ratio calculated as Net Corporate Overheads (annualised) divided by closing Total Assets
6. WACR – weighted average cap rate
7. Gearing = (financial debt less cash) / (total assets less cash less retirement village resident loans / deferred revenue)

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