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ASX ANNOUNCEMENT
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Aspen Group

Upgrade to FY25 Earnings Guidance – Releasing the Handbrake on Lifestyle Sales

Aspen Group (ASX: APZ) is pleased to announce an upgrade to its FY25 Underlying EPS[1] guidance to 16.0 cents
5% increase on initial guidance of 15.2 cents and 16% increase on FY24 actual of 13.8 cents

Rentals

- Aspen's portfolio is very well positioned in Australia's best performing States and affordable rent and price points
- Long stay rentals are robust. Vacancy is minimal and mainly related to disruptive changes in foreign student visa rules this semester, and refurbishment works. Passing rents in our Residential segment are generally below market rents in rising markets, underpinning growth. Lifestyle segment rents are contracted to increase by 3-4% per annum, and the rental pool is growing at more than 10% per annum through development
- Short stay rentals are patchy. Tourism is generally flat, and demand has been negatively impacted by unexpected project disruptions for two large corporate customers. Pleasingly, 3-month forward bookings for our Parks segment are up 27% on the same time last year, including over the important summer holiday peak, but there is still more work to be done

Development

- Momentum is very strong with all metrics improving
- On track to more than double production in FY25 to over 200 Lifestyle houses and Residential land sites with building timeframes normalising and costs stabilising
- Excellent performance FYTD with good demand across all projects and 74 settlements and contracts[2] on hand:
  - 55 Lifestyle houses at an average sale price of $469k (up 12% on FY24)
  - 19 Residential land sites at an average sale price of $213k (up 7% on FY24)
  - Average profit margin of $120k (up $31k on FY24) or 33% (up 3ppt on FY24)
  - Embedded expected Development Profit of $8.9 million, up 71% on the same time last year, already exceeds the entire FY24 result of $8.7 million, and 89% of initial FY25 guidance of $10.0 million
  - Embedded expected annuity Lifestyle land rent of over $0.5 million, worth over $5 million
- Truly capital-light:
  - Development capital employed has increased by only 3% or $1.5m since 30 June 2024
  - ROIC[3] is tracking well above the very healthy 21% achieved in FY24
- Releasing the handbrake:
  - We are now prepared to satisfy the increasing demand for our Lifestyle houses and land, and will therefore no longer manage to an 80/20% mix of Net Rental Income and Development Profit
  - Development risks will continue to be mitigated through disciplined capital & inventory management and maintaining adequate profit margins & ROIC

Capital

- Aspen's balance sheet is strengthening with the expected sale over the next 2 months of an additional 20.5 million Eureka Group shares to Filetron[4] and Burleigh Heads townhouses, which are subject to conditional contracts:
  - Expected net debt of around $130 million
  - Gearing[5] approaching 20% and Interest Cover Ratio[6] over 4x
  - Spare balance sheet capacity of about $100 million
- Increasingly attractive opportunities to profitably deploy capital organically and through acquisition

Upgrade to FY25 Earnings Guidance

- Underlying EPS of 16.0 cents – 5% increase on initial guidance and 16% increase on FY24
- The upgrade mainly reflects higher expected development profit of $2.5 million, more than offsetting reduced earnings due to the disruptions to our corporate and student customers this half which are probably one-off, and from selling Eureka Group shares with the proceeds initially applied to debt reduction
- Aspen's underlying earnings does not include the uplift in the value of newly leased Lifestyle sites above production cost which is expected to be about 1.0 cent per security in FY25. It also does not include the expected realised profit on the sale of Eureka Group shares of about 4.4 cents per Aspen security. These items will be included in Aspen's statutory profit and increase Aspen's net asset value

Please refer to Aspen's AGM addresses released on ASX today for an update on the business and additional important information.

Announcement authorised by the Board of Aspen Group Limited.

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1. Subject to no material change in Aspen's operating environment. Underlying Earnings per Security 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 Aspen's financial reports for full definition
2. Contracts includes contracts, EOIs and deposits as at 15 November 2024
3. ROIC - Return on Invested Capital = development profit divided by the carrying value of development inventory plus spare land in Lifestyle and Park properties classified as investment property
4. Sale of Eureka Group shares to Filetron is subject to the approval of Eureka Group shareholders by January 2025
5. Gearing = financial debt less cash / total assets less cash less retirement village resident loans and deferred revenue
6. Interest Cover Ratio as defined in Aspen's debt covenant

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