

2 May 2018

GATEWAY LIFESTYLE GROUP (ASX: GTY)

FY18 Trading Update and Revised Guidance

Gateway Lifestyle Group (ASX:GTY) (the Group) today provides an update on the Group's FY18 guidance and year to date operating performance.

Consistent with moderating conditions in residential housing markets, Gateway Lifestyle has observed an extension of the period from sale to settlement as incoming residents take longer to sell their family home. Whilst enquiry levels remain robust, Gateway Lifestyle now expects new home settlements in a range of 230 to 240, compared to previous guidance of ~250 settlements for the full year. We continue to achieve strong development margins with a positive trend in achieved margins through 2H18. We expect to record development margins of at least \$105k (1H18: \$103k; 2H18 \$107k) per new home for the full year, and have not sought to stimulate demand through material discounting.

As a result of reduced settlement volume which continues to be the key variable driver of short-term earnings, we now expect distributable earnings to be in the range of 2-4% growth for FY18.

We continue to achieve important milestones on other key metrics and the long-term value drivers of the business remain strong:

- Expecting ~4% organic rental growth, the mid-point of our target range of 3-5%
- Annualised long term revenue at 30 June 2018 expected to be approximately \$55M
- Acquisition of 4 properties including 488 long-term occupied sites and 393 development sites
- Continue to improve overall portfolio quality

Commenting on the revised guidance, Gateway Lifestyle CEO Trent Ottawa said: "We have seen market conditions moderate and an extended conversion period from sale to settlement. With ongoing demand and strong enquiry levels at key projects, we have not sought to aggressively discount our product to achieve short term settlement volume. Our long term strategy of growing the long term recurring revenue through the settlement of new homes and acquisitions will continue."

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Trent Ottawa

Owen Kemp

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