

20 August 2018

GATEWAY LIFESTYLE GROUP (ASX: GTY) FY18 RESULTS

Key Highlights

- **Statutory net profit after tax of \$58.2 million** (FY17: \$59.7 million), including a net fair value gain of \$22.2 million (FY17: \$25.0 million)
 - **Distributable earnings increased by 2.9% to \$40.7 million** (FY17: \$39.6 million) in line with the 2 May 2018 trading update
 - **Distributions of 9.1 cents per stapled security** (FY17: 9.1 cps) for the financial year
 - **Rental revenue up 10.7% to \$61.9 million** (FY17: \$55.9 million) driven by a 10.2% increase in long-term site rental revenue of \$51.0 million (FY17: \$46.3 million)
 - **As at 30 June 2018 annualised long-term rental revenue of \$55.2 million** from 7,180 long-term occupied sites (FY17: 6,539) at an average weekly rent of \$147.9 (FY17: \$142.4)
 - **236 home settlements** (FY17: 241) at an average net profit margin of \$106k per home (FY17: \$105k), delivering growth in our long-term rental portfolio, and enter FY19 with 60 committed sales
 - **Capital management** positions the Group well for the future, with \$60 million of acquisitions in key over 50's living destinations and divestment of non-core assets
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During the year the Group progressed its long-term strategy, focused on the value proposition for securityholders and residents ending the year with 7,180 long-term occupied sites and annualised long term rental of over \$55 million.

Capital management activities positioned the Group for the future. The Group's acquisition activity focused on key over 50's lifestyle destinations, with two operating communities acquired in Victor Harbor (South Australia) and two greenfield sites at Evans Head (NSW) and Yarrawonga (Victoria). The divestment of non-core assets progressed well, with approximately \$25 million either settled or subject to unconditional contract¹.

The Group continued to invest in the portfolio to build out the long-term income stream. Asset revaluations demonstrated continued cap rate compression for residential land lease communities.

Whilst the business enjoyed good momentum through 1H18, settlement activity in the second half was impacted by moderating residential real estate conditions in certain locations, with an extension of the period from sale to settlement as incoming residents took longer to sell their homes. This performance led to a revision of the Group's earnings guidance in early May 2018.

Gateway Lifestyle Group confirms the final distribution of 5.35 cents per stapled security which has a deferred tax component of 47.4% (including CGT discount component) for the six-month period to 30 June 2018 previously announced and confirms the payment date of 28 September 2018.

¹ As at 20 August 2018 Rainbow Waters (\$8 million), Bass Hill (\$10.4 million) and Failford (\$1.4 million) divestments completed, and unconditional contracts exchanged for the sale of Acacia Point (\$5.6 million).

Corporate Activity

The ongoing operations and strategic direction of Gateway Lifestyle Group will largely be dependent on the outcome of the corporate activity involving the Group. On 2 July 2018, Hometown Australia announced a conditional off-market takeover offer at \$2.25 per stapled security (Offer). On 8 August 2018 Hometown sent securityholders a Bidder's Statement in relation to the Offer. Hometown has declared that this Offer Price is its best and final offer and will not be increased in the absence of a competing proposal.

The Directors have undertaken a detailed review of the Offer and the Bidder's Statement. The outcome of this review, and the Directors' recommendation is contained in a Target's Statement, a copy of which was released on the ASX's market announcements platform today.

Further details are provided in the Appendix 4E and FY18 results presentation.

Gateway Lifestyle will hold a conference call on Monday 20 August 2018 at 11am (AEDT) to discuss the FY18 Results; Webcast: <https://edge.media-server.com/m6/p/xgso5j8j>.

If you require further information please contact investor@gatewaylifestyle.com.au.