GATEWAY LIFESTYLE

FY18

Results Presentation

20 August 2018

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Agenda

01
FY18 Financial Results

Key highlights

FY18 metrics

Total revenue
$129.7m
up 8.8%

Distributable earnings
$40.7m
up 2.9%

Long-term rental revenue
$51.0m
increased 10.2%

Operating margin
56.9%

Net profit before tax
$59.3m
up 1.0%

FY18 distribution
9.1 cps
No change

Long-term occupied sites
7,180
Up 9.8%

Gearing
32.4%
Proforma gearing 30.9%[1]

1. Debt facility capacity as at 30 June 2018 adjusted for the divestment of Bass Hill and Acacia Ponds

Key financial results

Growth in distributable earnings

- Revenue up 8.8% driven by increases in long-term rental and development revenue
- Profit before tax of $59.3m up by 1.0%
- Net profit after tax decreased by 2.5%, reflects transition to $1.1m accounting income tax expense in FY18 (FY17: $1.0m income tax benefit)
- Distributable earnings[1] increased 2.9% to $40.7m, with settlement volumes impacted by moderating residential real estate market conditions in certain locations
- Distribution of 9.1 cps (FY17: 9.1 cps)
- Gearing ratio at 32.4% reflects acquisitions and investment in home inventory

	FY18	FY17	Change
Revenue	$129.7m	$119.2m	8.8% ▲
Profit before tax	$59.3m	$58.7m	1.0% ▲
Net profit after tax	$58.2m	$59.7m	(2.5%) ▼
Distributable earnings[1]	$40.7m	$39.6m	2.9% ▲
Distributable earnings per security on issue	13.5 cents	13.2 cents	2.3% ▲
Stapled securities[2]	303.7m	299.4m	1.4% ▲
Distribution per security	9.1 cents	9.1 cents	-
	Jun18	**Jun17**	**Change**
Net Assets per security on issue	$2.08	$1.98	5.1% ▲
NTA per security on issue	$1.59	$1.48	7.4% ▲
Gearing (D/TTA)	32.4%	23.4%	9 ppts ▲

1. Distributable earnings is a non-IFRS measure being net profit after tax, adjusted for non-cash, one-off and non-recurring items (see Appendix 2).
2. Stapled securities as at the end of the period.

EBITDA

Operations driving EBITDA growth, principally long-term income

- Adjusted EBITDA of $48.7m increased by 7.5% (FY17: $45.3m), driven by the Operations segment
- Operations EBITDA growth driven by long-term rental revenue growth
- Development EBITDA decrease due to lower settlement volume (FY18: 236, FY17: 241)
- Corporate expenses of $14.9m (FY17: $14.6m) included due diligence costs written off for potential acquisitions that did not meet acquisition criteria

	FY18 ($m)	FY17 ($m)	Change (%)
Rental and other income	68.0	60.9	11.7 ▲
Development revenue	61.6	57.5	7.1 ▲
Revenue	**129.6**	**118.4**	**9.5 ▲**
Operations expenses	(29.4)	(26.2)	12.2 ▲
Development expenses	(36.6)	(32.3)	13.3 ▲
Corporate expenses[1]	(14.9)	(14.6)	2.1 ▲
Adjusted EBITDA[2]	**48.7**	**45.3**	**7.5 ▲**
Segment[1]			
Operations	34.1	30.3	12.5 ▲
Development	14.6	15.0	2.7 ▼
Adjusted EBITDA[2]	**48.7**	**45.3**	**7.5 ▲**

1. Corporate expenses allocated at 30% to operations and 70% to development.
2. Adjusted EBITDA reflects the adjustment for one-off items and other reconciling items to Distributable Earnings. Adjusted EBITDA reconciliation for FY18 and FY17 is provided in Appendix 2.

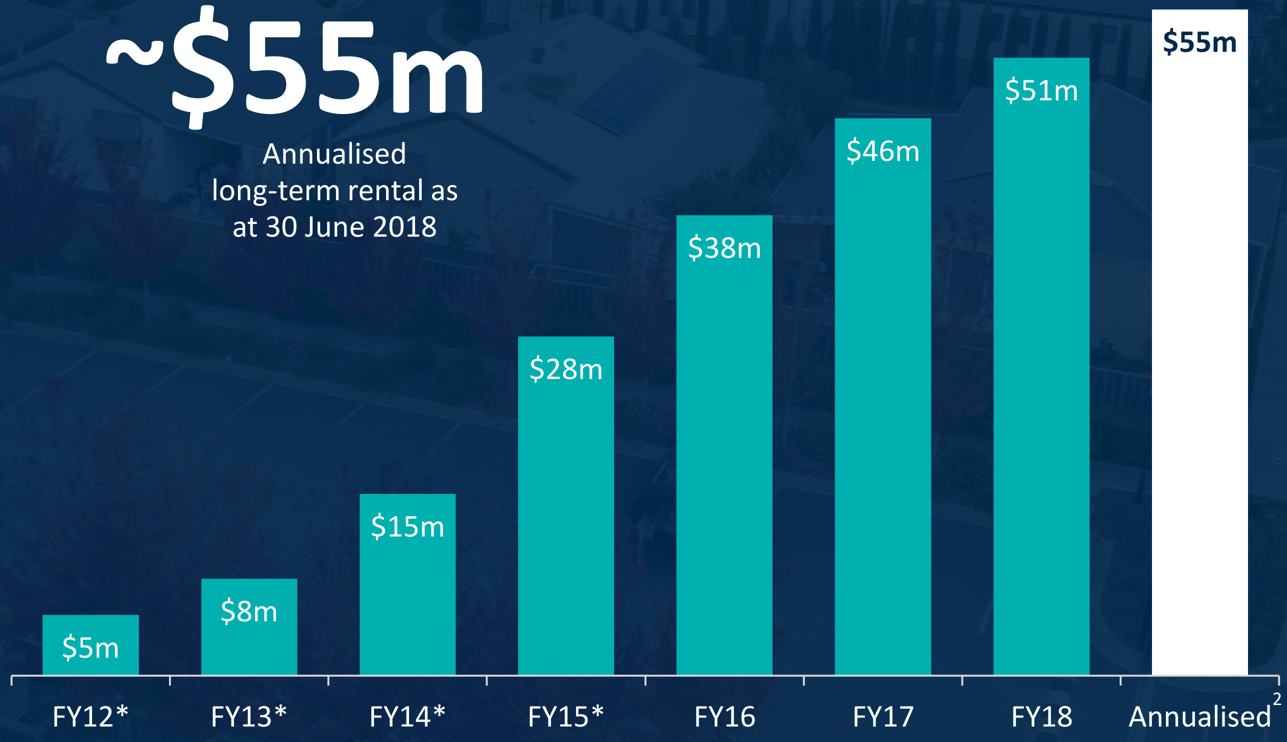
Long-term rental revenue

Organic rental growth and investments driving increase in long-term rental base

	FY18
FY17 LONG-TERM RENTAL REVENUE	**$46.3M**
CONTINUING PORTFOLIO	$1.0M
RENTAL GROWTH	$1.3M
SETTLEMENTS	$0.9M
ACQUISITIONS	$1.5M
FY18 LONG-TERM RENTAL REVENUE[1]	**$51.0M**

~$55m

Annualised long-term rental as at 30 June 2018



	FY12*	FY13*	FY14*	FY15*	FY16	FY17	FY18
LONG-TERM AVERAGE WEEKLY RENT (LTAWR)[1]	$124	$129	$134	$136	$138	$142	$148
OCCUPIED LONG-TERM SITES[1]	654	1,008	3,115	4,351	5,944	6,539	7,180

* Proforma data

1. Long-term occupied sites and average weekly rent includes annuals and park rentals as at 30 June.
2. FY18 annualised revenue derived using 7,180 long-term occupied sites at an average long-term occupied site rental of $147.9 per site per week.

Operations

Growth in line with expectations

- Rental revenue increased by 11.7% primarily driven by growth in long-term rental revenue
- Average weekly site rent of $147.9pw, a 3.9% increase on 30 June 2017 ($142.4pw), and in line with expectations
- Short-term revenue contributed $10.9m (FY17: $9.6m)
- Operating expenses included incremental costs of $1.9m from FY17 and FY18 acquisitions, with the other key driver of the cost increase being increasing electricity costs
- Operating margin at 56.8% (FY17: 57.0%) in line with expectations
  - On a like-for-like basis[1] operating margin improved to 57.5% (FY17: 56.9%)
  - Mature assets continue to target ~70% margin

	FY18 ($m)	FY17 ($m)	Change (%)
Long-term rental revenue	51.0	46.3	10.2 ▲
Short-term rental revenue	10.9	9.6	13.5 ▲
Other[2]	6.1	5.0	22.0 ▲
Rental and other revenue[2]	**68.0**	**60.9**	**11.7 ▲**
Operating expenses	(29.4)	(26.2)	12.2 ▲
Operations EBITDA	**38.6**	**34.7**	**11.2 ▲**
Corporate expense allocation	(4.5)	(4.4)	2.3 ▲
Net operations EBITDA[3]	**34.1**	**30.3**	**12.5 ▲**

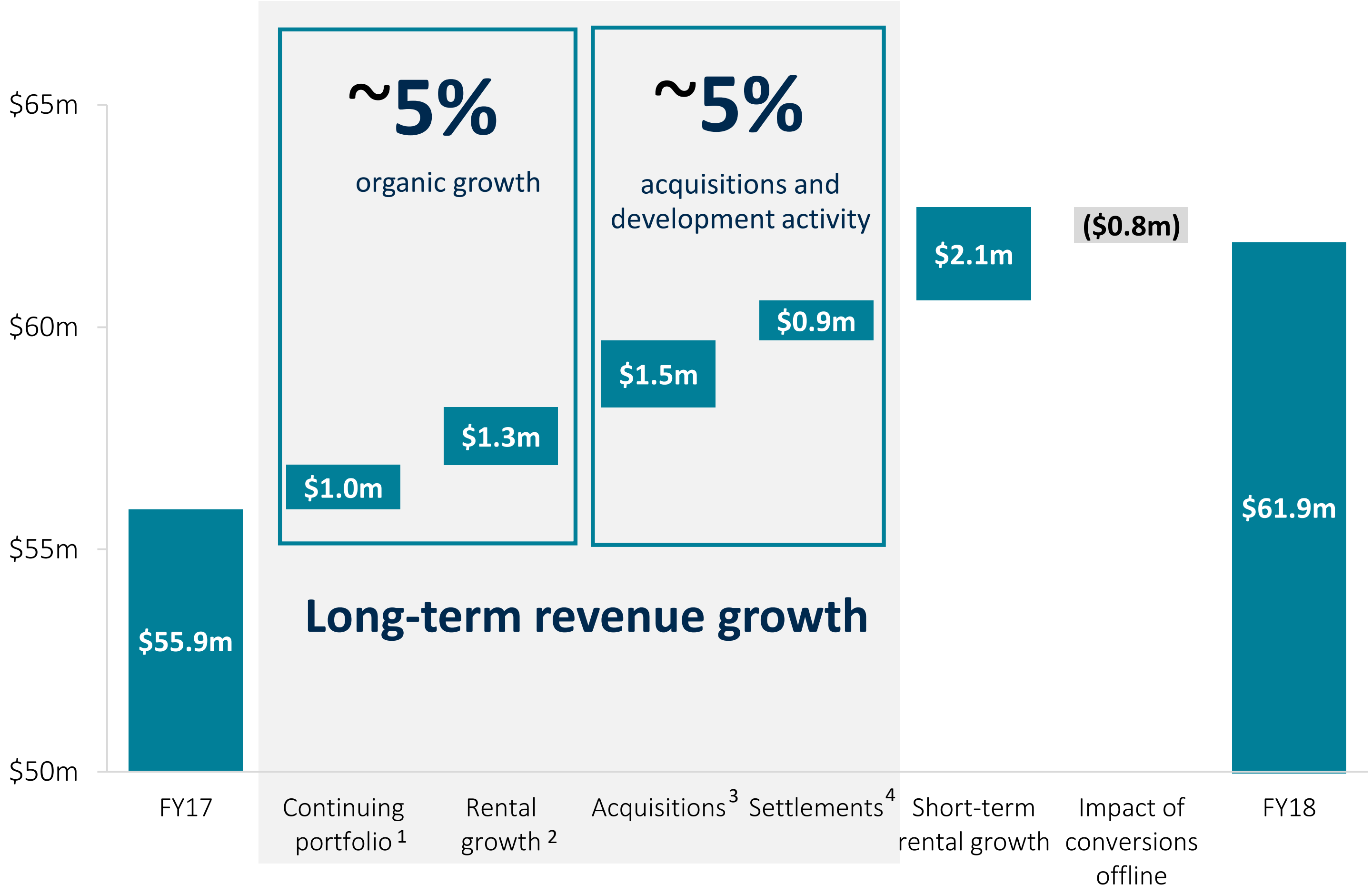
Operations EBITDA margin	56.8%	57.0%	(0.2)ppts ▼
Long-term occupied site rent	$147.9pw	$142.4pw	3.9 ▲
Occupied long-term sites[4]	7,180	6,539	9.8 ▲

1. Excluding FY17 and FY18 acquisitions and divestments.
2. Other revenue in FY17 adjusted to exclude fuel and merchandise sales which are at nil margin. Refer to Appendix 3.
3. Illustrative allocation of corporate expenses, allocated at 30% to operations and 70% to development disclosed on slide 7.
4. As at 30 June.

Recurring long term rental growth

Long term strategy of 3-5% organic rental growth plus incremental rental growth from settlements and acquisitions

- FY18 long-term income growth of 10.2% YoY
  - ~5% like-for-like organic rental growth
  - ~5% acquisitions and settlements
- Continue to target long-term organic rental growth target greater of CPI or 3-5% per annum
- Short-term rental growth of $2.1m was driven by the full year effect of the Sundown (Canberra) acquisition, in part offset by the divestment of Rainbow Waters in 2H18 and conversion of short-term sites at Beachfront, Ballarat and Maroochydore



1. Contribution from roll forward of long-term occupied sites average weekly rent as at 30 June 2017 for FY18, excluding FY17 and FY18 acquisitions and divestments. In effect this is the full year effect of FY17 rental growth and settlements.
2. Rental growth from long-term occupied sites held at 30 June 2017 (6,539).
3. Acquisitions includes the long-term revenue from FY17 acquisitions and the Rosetta and Seachange acquisitions in May 2018, net of the impact of the divestment of Rainbow Waters
4. Settlements includes long-term revenue from FY18 settlements

Development

Settlements impacted by moderating residential real estate market conditions

- 236 settlements (FY17: 241), adding an additional $1.9m to the annualised long-term recurring revenue base:
  - $261k net average sale price per new home
  - $106k gross profit per home
- 2H18 settlements (117) were impacted by moderating residential real estate market conditions in certain locations, and extended period from sale to settlement
- Extended period from sale to settlement observed in the second half
- 98 displays homes available for sale and 60 committed sales as at 30 June 2018

	FY18 ($m)	FY17 ($m)	Change (%)
Development revenue	61.6	57.5	7.1▲
Development expenses	(36.6)	(32.3)	13.3▲
Development EBITDA	**25.0**	**25.2**	**1.2▼**
Corporate expense allocation[1]	(10.4)	(10.2)	2.0▲
Net development EBITDA	**14.6**	**15.0**	**(2.7)▼**
Settlements (# homes)	236	241	(2.1)▼
Gross profit per home ($000)	106	105	0.9▲
Annualised long term revenue ($m)[2]	1.9	1.8	5.5▲

1. Illustrative allocation of corporate expenses, allocated at 30% to operations and 70% to development disclosed on slide 7.
2. Annualised revenue for the settlements in the period based on the average weekly incoming rent for these settlements.

Capital management

Positioned for the future

- Investment properties increased to $711.2m, as a result of ongoing investment and revaluations, in part offset by non-core asset divestments
  - 47 assets were independently valued during the period with a net fair value gain of $22.2m
  - Mature community carrying cap rates now range between 6.5% – 7.0%
- Non-core asset divestment proceeds of $25m (excluding transaction costs)
- Debt refinancing significantly progressed to extend facility size and maturity profile, finalisation subject to corporate activity
- DRP suspended in June 2018 in light of corporate activity

	Jun18	Jun17	Change
Investment Properties[1]	$711.2m	$622.8m	14.2%
Total Tangible Assets	$776.0m	$671.6m	15.5%
Net Debt	$251.1m	$157.4m	59.5%
Gearing[2]	32.4%	23.4%	9 ppts
Drawn debt	$258.4m	$180.0m	43.6%
Debt capacity	$21.6m	$70.0m	(69.1%)
LVR[3]	35.8%	28.9%	6.9ppts
ICR	3.4x	4.1x	(0.7x)
Weighted average debt maturity	1.9 yrs	2.5 yrs	(0.6 yrs)
Hedging	39%	57%	(18 ppts)
Cost of debt	3.8%	4.0%	0.2 ppts

1. Investment properties are presented net of $21.8 million assets held for sale being Bass Hill, Acacia Ponds, Benalla and Healesville.
2. Gearing calculated as net debt divided by total tangible assets. Pro forma gearing for sale of Bass Hill and Acacia Ponds 30.9%
3. LVR is calculated as gross borrowings divided by investment properties based on the most recent independent valuation. Bank facility provides for up to 50% LVR.

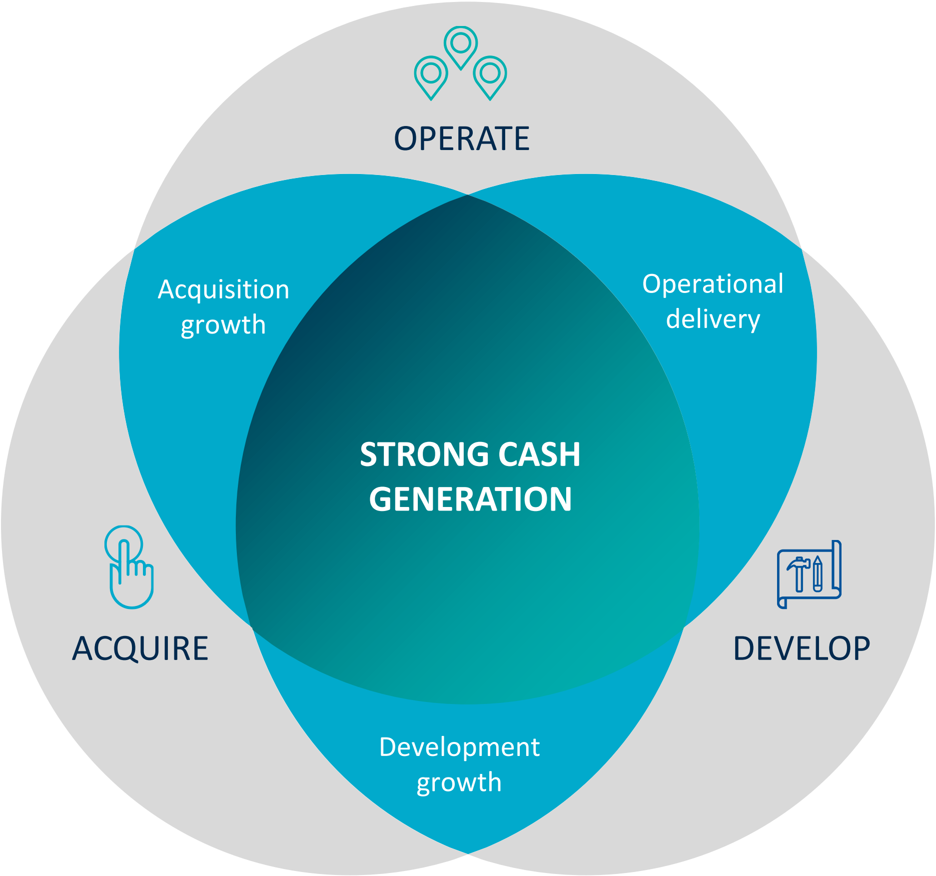
02

Business Overview

GATEWAY LIFESTYLE

Business overview

Land lease community owner and operator



- Grow long-term compounding revenue
- Deliver long term securityholder returns
- Develop quality land lease communities
- Create sustainable living solutions for an ageing population
- Simple resident contracts with no entry/exit fees

MACRO TAILWINDS
Ageing population and demand for affordable homes

LONG-TERM VALUE DRIVERS	SHORT-TERM EARNINGS DRIVERS
• Organic long term rental growth • Incremental rental revenue growth from new home sales • Acquisition opportunities • Cap-rate compression	• New home settlements • Average profit per home • Operating margin • Corporate expenses

Gateway Lifestyle portfolio

Australia's largest portfolio of land lease communities

Portfolio as at 30 June 2018

		Qty	Total sites	Long-term	Vacant Development	Short-term	Asset value	Value per site	On completion
	NSW	25	3,916	3,262	654	-	$331m	$85k	
LAND LEASE	QLD	13	2,063	1,863	200	-	$189m	$92k	
	VIC/SA	5	826	555	271	-	$60m	$73k	
	Subtotal/average	*43*	*6,805*	*5,680*	*1,125*[1]	-	*$581m*	*$85k*	~6,800
MIXED USE	NSW/ACT	13	2,646	1,429	322	895	$146m	$55k	
	VIC	2	157	71	-	86	$6m	$36k	
	Subtotal/average	*15*	*2,803*	*1,500*	*322*	*981*	*$152m*	*$54k*	~2,200
TOTAL		58	9,608	7,180	1,447	981	$733m	$76k	~9,000[2]
				75%	15%	10%			100%

7,180
long-term occupied sites

+1,900
development sites

1. Vacant Development sites in land lease communities includes 502 greenfield sites - Old Bar (181), Evans Head (176) and Yarrawonga (145).
2. Estimate of occupied long-term sites on completion of portfolio build out.

Acquisitions

Four acquisitions in FY18

- Settled on four acquisitions during FY18 for combined consideration of $57m
- Contributed additional 488 occupied long-term sites with average rents of $146 per week and fixed rent increases
- 387 development sites acquired
- Limited appetite for conversion or mixed use assets in the long term

	ROSETTA	SEACHANGE	EVANS HEAD	YARRAWONGA	TOTAL/ AVERAGE
ACQUISITION PRICE[1]	$28m	$17m	$7.4m	$4.5m	$56.9m
TOTAL SITES	347	208	176	150	881
COST PER SITE	$81k	$82k	$42k	$30k	$65k
LONG-TERM SITES AT ACQUISITION	347	141	0	0	488
LONG-TERM SITES ON COMPLETION	347	208	176	145	875
DEVELOPMENT SITES	0	67	176	145	387
LOCATION	Victor Harbor SA	Victor Harbor SA	Evans Head NSW	Yarrawonga VIC	
ASSET TYPE	Mature	Expansion	Greenfield	Greenfield	

1. Excluding transaction costs

Rosetta & Seachange

- Purpose built land lease communities in Victor Harbor, one of South Australia's leading retirement destinations
- 488 sites expected to generate $2.8m EBITDA in FY19
- 67 developments sites with proven track record of sales
- Average weekly site rent of $146 per week with fixed 3-4% pa rent increases and market review every five years

	Rosetta	Seachange	Total
Occupied sites	347	141	488
Approved development sites	-	67	67
Total sites	**347**	**208**	**555**
Acquisition price[1]	**$28m**	**$17m**	**$45m**
Operations EBITDA FY19 estimate	**$1.9m**	**$0.9m**	**$2.8m**
Unlevered IRR	10%	15%	12%

1. Excluding transaction costs.

03

Hometown Takeover Offer

Aspley, QLD

Corporate Activity

- Securityholders have been presented with a conditional takeover offer from Hometown at $2.25 per stapled security (Offer)
  - Hometown is offering $2.25 per stapled security, subject to a number of conditions as set out in the Bidder's Statement dated 7 August 2018
  - The Offer opened on 8 August and is scheduled to close on 10 September 2018 (unless extended)
  - On 16 August 2018 Hometown declared that $2.25 per stapled security is its best and final offer and will not be increased in the absence of a competing proposal
- Gateway Lifestyle released its Target's Statement in relation to the Offer today (20 August 2018)
- Securityholders are encouraged to read the Target's Statement prior to making a decision in relation to the Offer
- The Independent Expert, Grant Samuel & Associates Pty Limited, has concluded the Offer is fair and reasonable to the securityholders of Gateway not associated with Hometown.
- Your Directors recommend that you accept the takeover Offer from Hometown in the absence of a superior proposal. However, securityholders should have regard to the outstanding conditions of Hometown's Offer in deciding when to accept.

04

Q&A

GATEWAY LIFESTYLE

05

Appendices

Appendix 1

Portfolio Information

As at 30 June 2018

		Qty	Total sites	Long-term	Vacant Development	Short-term	Asset value	Value per site
MATURE	NSW	16	2,260	2,207	35	18	$199m	$88k
	QLD	7	1,120	1,114	6	-	$102m	$91k
	VIC	1	50	50	-	-	$3m	$60k
	SA	1	348	348	-	-	$29m	$82k
	Subtotal/average	*25*	*3,778*	*3,719*	*41*	*18*	*$333m*	*$88k*
EXPANSION	NSW	11	2,441	1,411	825	205	$154m	$63k
	QLD	5	801	631	170	-	$73m	$92k
	VIC	2	220	10	210	-	$10m	$48k
	SA	1	208	147	61	-	$19m	$89k
	Subtotal/average	*19*	*3,670*	*2,199*	*1,266*	*205*	*$257m*	*$70k*
CONVERSION	NSW	10	1,668	982	116	570	$105m	$63k
	QLD	1	142	118	24	-	$14m	$95k
	VIC	2	157	71	-	86	$6m	$36k
	ACT	1	193	91	-	102	$19m	$96k
	Subtotal/average	*14*	*2,160*	*1,262*	*140*	*758*	*$143m*	*$66k*
TOTAL/AVERAGE		58	9,608	7,180	1,447	981	$733m	$76k
				75%	15%	10%		

Appendix 2

Profit to distributable earnings

- Distributable earnings increased 2.9% on FY17
- Primarily the adjustments relate to non-cash items
- One off items in FY18 reflect non-cash statutory adjustments and advisory fees for corporate activity and capital management services recognised in the statutory profit and loss in FY18

	FY18 ($m)	FY17 ($m)	Change (%)
Profit after income tax	**58.2**	**59.7**	(2.5)▼
add back:			
Depreciation	0.4	0.5	
Net fair value gain	(22.2)	(25.0)	
Income tax expense/(benefit)	1.0	(1.1)	
Amortisation of borrowing costs	0.8	0.7	
Security based payments expense	1.1	0.8	
One-off items[1]	1.4	4.0	
Distributable earnings[2]	**40.7**	**39.6**	2.9▲

1. One-off items in FY17 included $1.5m restructuring related costs, $1.3m of professional fees relating to legacy taxation matters, stapled security arrangements, one-off audit and due diligence services and $0.7m loss from the disposal proceeds from rezoned land and loss on the sale of plant and equipment.
2. Distributable earnings is a non-IFRS measure being net profit after tax, adjusted for non-cash, one-off and non-recurring items.

Appendix 3

Adjusted EBITDA Reconciliation by Segment

FY18 ($m)	Statutory	Share based payments	One-off items	Other	Adjusted
Rental and other income	68.0	-	-	-	68.0
Development revenue	61.6	-	-	-	61.6
Revenue	**129.6**	-	-	-	**129.6**
Operations expenses	(29.8)	-	0.4	-	(29.4)
Development expenses	(36.6)	-	-	-	(36.6)
Corporate	(17.0)	1.1	1.0	-	(14.9)
EBITDA	**46.2**	**1.1**	**1.4**	-	**48.7**
Operations	38.2	-	0.4	-	38.6
Development	25.0	-		-	25.0
Corporate	(17.0)	1.1	1.0	-	(14.9)
EBITDA	**46.2**	**1.1**	**1.4**	-	**48.7**

FY17 ($m)	Statutory	Share based payments	One-off items	Other	Adjusted
Rental and other income	61.4	-	-	(0.5)	60.9
Development revenue	57.5	-	-	-	57.5
Revenue	**118.9**	-	-	**(0.5)**	**118.4**
Operations expenses	(26.9)	-	0.2	0.5	(26.2)
Development expenses	(32.3)	-	-	-	(32.3)
Corporate	(19.1)	0.8	3.7	-	(14.6)
EBITDA	**40.6**	**0.8**	**3.9**	-	**45.3**
Operations	34.5	-	0.2	-	34.7
Development	25.2	-	-	-	25.2
Corporate	(19.1)	0.8	3.7	-	(14.6)
EBITDA	**40.6**	**0.8**	**3.9**	**-**	**45.3**

TRENT OTTAWA
Chief Executive Officer
Tel: 02 9276 6000
trent.ottawa@gty.com.au

OWEN KEMP
Chief Financial Officer
Tel: 02 9276 6000
owen.kemp@gty.com.au

Contact Information

Maroochy, QLD