

# Gateway Lifestyle Group

## Acquisitions and equity raising



9 March  
**2016**



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Acquisitions and  
equity raising

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Gateway Lifestyle Group (Gateway) is a stapled group comprising shares in the Company and units in the Trust. Each share in the Company is stapled to one unit in the Trust, and quoted on the ASX (ASX code: GTY). Shares in the Company and units in the Trust are stapled and cannot be traded separately. As a result of the stapling and in accordance with certain arrangements between the Company and the Trust, the operations of Gateway are coordinated under the management of the Company.

This Presentation contains summary information about Gateway's activities current as at the date of this Presentation. The information in this Presentation is of a general background nature and does not purport to be complete or contain all the information securityholders would require to evaluate their investment in Gateway, nor does it contain all the information which would be required in a prospectus or product disclosure statement prepared in accordance with the Corporations Act (Cth) 2001. This Presentation should be read in conjunction with Gateway's other periodic and continuous disclosure announcements which are available at [www.gatewaylifestyle.com.au](http://www.gatewaylifestyle.com.au). To the maximum extent permitted by law, Gateway, the underwriters, their, and their respective affiliates' and related bodies corporates', officers, employees, agents partners, agents and advisors make no representation or warranty (express or implied) as to the currency, accuracy, reliability or completeness of the information in this Presentation and disclaim all responsibility and liability for the information (including without limitation, liability for negligence).

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# Important Notices and Disclaimer (Continued)

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## **Financial data**

All dollar values are in Australian dollars (A\$) unless otherwise stated. Investors should be aware that certain financial data included in this Presentation are “non-IFRS financial measures” under Regulation G of the U.S. Securities Exchange Act of 1934, as amended. These measures include gearing. In addition, such measures may be “non-IFRS financial information” under Regulatory Guide 230 Disclosing Non-IFRS Financial Information published by ASIC. The disclosure of such non-IFRS financial measures in the manner included in the Presentation may not be permissible in a registration statement under the U.S. Securities Act. These non-IFRS financial measures do not have a standardized meaning prescribed by Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Although Gateway believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-IFRS financial measures included in this Presentation.

Investors should note that this Presentation contains pro forma financial information, including a pro forma balance sheet as at 31 December 2015. In preparing the pro forma financial information, certain adjustments were made to Gateway's reviewed balance sheet as at 31 December 2015 that Gateway considered appropriate to reflect the application of the proceeds of the entitlement offer to fund the six secured MHE acquisitions, repay debt and pay for the transaction costs associated with the equity raising and MHE acquisitions, as if the entitlement offer and application of proceeds had occurred on 31 December 2015. The pro forma financial information does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”).

## **This Presentation may not be released or distributed in the United States.**

This Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. Neither the entitlements nor the New Stapled Securities have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (“U.S. Securities Act”) or the securities laws of any state or other jurisdiction of the United States.

The entitlements may not be taken up by, and the New Stapled Securities may not be offered or sold to, directly or indirectly, any person in the United States or any person that is, or is acting for the account or benefit of, any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

The distribution of this Presentation in other jurisdictions outside Australia may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.





# EXECUTIVE SUMMARY

Acquisitions and  
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# Executive Summary

## Acquisitions and equity raising

**Gateway announces the acquisition of six manufactured home estates (MHEs) funded via an equity raising of \$120.0 million**

### Acquisitions

- Six secured MHE acquisitions for a combined consideration of \$49.3 million (excluding transaction costs)<sup>1</sup>
- Acquisitions are consistent with Gateway's business strategy and investment criteria
- 1,180 MHE sites added to MHE portfolio, comprising 428 sites occupied by existing manufactured homes and 752 potential sites for new manufactured homes<sup>2</sup>
- In advanced due diligence and exclusive negotiations in relation to two further MHE acquisitions

### Equity raising

- Fully underwritten \$120.0 million equity raising comprising a \$40.2 million institutional placement and \$79.8 million 2 for 15 non-renounceable entitlement offer
- Proceeds of the raising will be used to fund the six secured MHE acquisitions and repay debt to strengthen Gateway's financial position to deliver its business plan

### Impact and trading update

- The equity raising, acquisitions and debt paydown is neutral to the FY16 underlying EPS guidance provided by Gateway at its 1H16 results, on a Volume Weighted number of Securities (VWS) basis<sup>3</sup>
- Pro forma net debt LVR reduced to 19.6%<sup>4</sup>
- Increases undrawn debt capacity to \$141 million<sup>5</sup> to support further growth initiatives
- Remains on target to achieve the PDS forecast of 261 home settlements in FY16 as reaffirmed in Gateway's 1H16 results announcement, supported by increased trend in new home sales metrics evidenced in 2H16<sup>6</sup>

1. Subject to customary completion conditions

2. Some of the potential MHE sites may be subject to various regulatory and other approvals, including planning approvals from relevant local government authorities and applicable conversion ratios

3. Refer to the "Key risks" section of this Presentation. Assumes the six secured MHE acquisitions settle within 2 months of this announcement and the balance of the net amount raised is applied to debt paydown. VWS is calculated based upon the absolute number securities on issue pre and post the equity raise. For statutory accounting purposes the FY16 EPS will be impacted by a number of factors including application of the Theoretical ex-Rights Price adjustment to the weighted average number of securities

4. Pro forma net debt LVR is calculated as, debt as at 31 December 2015, adjusted for the acquisition of three MHEs previously announced (one settled in 2H16, and two expected to settle in 2H16), acquisition of six secured Acquisitions and the application of the proceeds of the Offer, less pro forma cash at bank of \$10 million, as at the date of the launch

5. Undrawn debt capacity is calculated as total facility capacity of \$250 million, less pro forma debt accounting for the three MHEs previously announced, the six secured MHE acquisitions and the application of the proceeds of the Offer

6. Refer to "Key risks" section of this Presentation



# ACQUISITIONS OVERVIEW

Acquisitions and  
equity raising

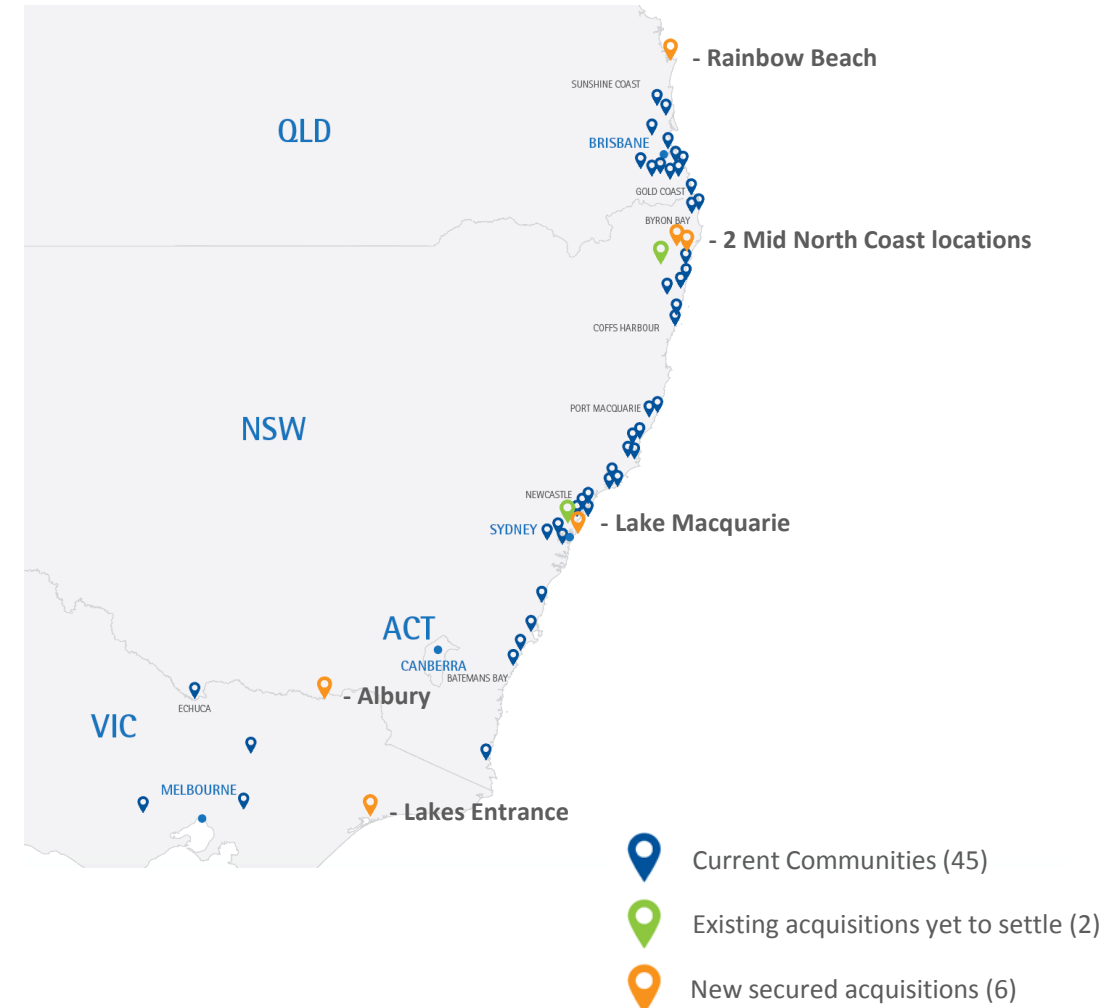


# Overview of acquisitions

## Acquisitions and equity raising

- Gateway announces the acquisition of six secured MHE communities for aggregate consideration of \$49.3 million (excluding transaction costs) in the following locations:
  - Lake Macquarie, NSW (MHE)
  - Albury, NSW (MHE Expansion)
  - 2 Mid North Coast, NSW (MHE Conversion)
  - Rainbow Beach, QLD (MHE Conversion)
  - Lakes Entrance, VIC (MHE)
- Acquisitions meet Gateway's investment criteria and growth strategy
- A mix of MHE types providing a combination of existing operating MHEs and potential for new manufactured home sales<sup>1</sup>
- Six secured acquisitions are expected to settle within 2 months<sup>2</sup>

1. Refer to "Key risks" section of this Presentation  
2. Subject to customary completion conditions







# Impact of acquisitions

Acquisitions and equity raising

Communities	Number	% Total	Total sites	MHE occupied sites	Potential for new MHE sites <sup>2</sup>
<b>As at 31 December 2015<sup>1</sup></b>					
MHE	15	32%	2,438	2,317	121
MHE Conversion	20	43%	3,451	1,398	2,053
MHE Expansion	12	26%	2,446	1,255	1,231 <sup>3</sup>
<b>TOTAL</b>	<b>47</b>	<b>100%</b>	<b>8,335</b>	<b>4,970</b>	<b>3,405</b>
<b>Secured Acquisitions</b>					
MHE	2	33%	230	230	0
MHE Conversion	3	50%	799	92	707
MHE Expansion	1	17%	151	106	45
<b>TOTAL</b>	<b>6</b>	<b>100%</b>	<b>1,180</b>	<b>428</b>	<b>752</b>
<b>Combined Total</b>					
MHE	17	32%	2,668	2,547	121
MHE Conversion	23	43%	4,250	1,490	2,760
MHE Expansion	13	25%	2,597	1,361	1,276
<b>COMBINED TOTAL</b>	<b>53</b>	<b>100%</b>	<b>9,515</b>	<b>5,398</b>	<b>4,157</b>

1. Includes the acquisition of three communities previously announced (one settled in 2H16, and two expected to settle in 2H16)

2. Some of the potential MHE sites may be subject to various regulatory and other approvals, including planning approvals from relevant local government authorities and applicable conversion ratios

3. Includes 40 potential MHE sites on vacant expansion land at Cobb Haven.





## MHE ACQUISITION DETAILS

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# MHE Acquisitions

## Acquisitions and equity raising

### Lake Macquarie, NSW



#### MHE profile

MHE type	MHE
Total sites	180
MHE occupied sites	180
Land area	5.9 hectares
Acquisition price <sup>2</sup>	\$14.5m
Purchase price per site	\$81k

### Albury, NSW



#### MHE profile

MHE type	Expansion
Total sites <sup>1</sup>	151
MHE occupied sites	106
Land area	5.5 hectares
Acquisition price <sup>2</sup>	\$12.2m
Purchase price per site	\$81k

### Mid North Coast, NSW



#### MHE profile

MHE type	MHE Conversion
Total sites <sup>1</sup>	149
MHE occupied sites	35
Land area	3.8 hectares
Acquisition price <sup>2</sup>	\$4.5m
Purchase price per site	\$30k

1. Some of the potential MHE sites may be subject to various regulatory and other approvals, including planning approvals from relevant local government authorities

2. Acquisition price excludes transaction costs





# MHE Acquisitions

## Acquisitions and equity raising

### Rainbow Beach, QLD



#### MHE profile

MHE type	MHE Conversion
Total sites <sup>1</sup>	521
MHE occupied sites	10
Land area	9.3 hectares
Acquisition price <sup>2</sup>	\$8.0m
Purchase price per site	\$15k

### Lakes Entrance, VIC



#### MHE profile

MHE type	MHE
Total sites	50
MHE occupied sites	50
Land area	2.4 hectares
Acquisition price <sup>2</sup>	\$2.6m
Purchase price per site	\$52k

### Mid North Coast, NSW



#### MHE profile

MHE type	MHE Conversion
Total sites <sup>1</sup>	129
MHE occupied sites	47
Land area	2.5 hectares
Acquisition price <sup>2</sup>	\$7.45m
Purchase price per site	\$58k

1. Some of the potential MHE sites may be subject to various regulatory and other approvals, including planning approvals from relevant local government authorities

2. Acquisition price excludes transaction costs



# EQUITY RAISING

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# Equity raising

## Acquisitions and equity raising

### Overview

- The six secured MHE acquisitions will be funded by a fully underwritten \$120.0 million equity raising comprising a \$40.2 million institutional placement and a \$79.8 million 2 for 15 accelerated non-renounceable entitlement offer
- Additional equity raised will be used to repay debt in order to strengthen Gateway's financial position to deliver its business plan

### Acquisition pipeline

- Gateway is currently in advanced due diligence and exclusive negotiations in relation to two MHE assets – a MHE Conversion Asset of circa \$9.5 million (excluding transaction costs) and a MHE asset of circa \$23 million (excluding transaction costs)
- In addition, Gateway has a pipeline of growth opportunities and continues to assess potential acquisitions to further expand its MHE portfolio in line with its investment criteria and stated business strategy<sup>1</sup>
- Future acquisitions may be funded through cash, debt or equity issued to vendors, or a combination of these

1. Refer to "Key risks" section of this Presentation

Sources of funds	\$m
Institutional placement proceeds	40.2
Entitlement offer proceeds	79.8
<b>Total sources</b>	<b>120.0</b>
Uses of funds	\$m
Secured MHE acquisitions	49.3
Repay debt	62.0
Transaction costs associated with equity raising and secured MHE acquisitions	8.7
<b>Total uses</b>	<b>120.0</b>



# Pro forma Balance Sheet

Acquisitions and  
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\$ million	31 December 2015 <sup>1</sup>	Previously announced acquisitions settling in 2H16 <sup>2</sup>	Acquisitions and equity raising <sup>3</sup>	Pro Forma at 31 December 2015
<b>Assets</b>				
Cash	16.2	1.0	-	17.2
Investment properties <sup>4</sup>	428.5	28.0	49.3	505.8
Goodwill and Intangibles	142.8	-	-	142.8
Other assets	32.2	-	-	32.2
<b>Total assets</b>	<b>619.7</b>	<b>29.0</b>	<b>49.3</b>	<b>698.0</b>
<b>Liabilities</b>				
Borrowings	137.6	31.1	(62.0)	106.7
Other liabilities	42.8	-	-	42.8
<b>Total liabilities</b>	<b>180.4</b>	<b>31.1</b>	<b>(62.0)</b>	<b>149.5</b>
<b>Net assets</b>	<b>439.3</b>	<b>(2.1)</b>	<b>111.3</b>	<b>548.5</b>
<b>Total equity</b>	<b>439.3</b>	<b>(2.1)</b>	<b>111.3</b>	<b>548.5</b>

1. Statutory balance sheet as disclosed in 1H16 financial report

2. Includes the acquisition of three MHEs previously announced (one settled in 2H16, two expected to settle in 2H16)

3. Includes the acquisition of six secured Acquisitions and the application of the net proceeds of the Offer

4. Investment properties have been included at their fair value excluding transaction costs



# Equity raising details

## Acquisitions and equity raising

**Fully underwritten institutional placement and 2 for 15 non-renounceable entitlement offer to raise \$120 million**

### Offer structure and size

- Fully underwritten equity offering to raise \$120.0 million, comprising:
  - An institutional placement to raise approximately \$40.2 million
  - A 2 for 15 accelerated non-renounceable entitlement offer to raise approximately \$79.8 million
- 50.0 million new stapled securities (New Stapled Securities) to be issued (equivalent to approximately 20.0% of existing stapled securities on issue)

### Offer Price

- Equity raising will be conducted at \$2.40 per New Stapled Security (Offer Price)
  - 7.3% discount to the last traded price of \$2.59 on Tuesday, 8 March 2016
  - 6.5% discount to TERP<sup>1</sup> of \$2.57

### Retail entitlement offer

- Eligible Retail Stapled Securityholders may also apply for additional New Stapled Securities in excess of their Entitlement up to a maximum of 50% of their Entitlement

### EPS and DPS guidance following Offer

- The equity raising, acquisitions and debt paydown is neutral to the FY16 underlying EPS guidance provided by Gateway at its 1H16 results, on a VWS basis<sup>2</sup>
- Given New Stapled Securities are fully entitled to the 2H16 distribution despite only being on issue for part of the period, maintaining a payout ratio of 75% of Gateway's adjusted NPAT (being the mid-point of the target range set out in the PDS) implies an expected 2H16 DPS of 5.52 cents.

### Ranking

- New Stapled Securities issued will rank pari passu with existing stapled securities

### Underwriting

- Offer is fully underwritten by Macquarie Capital (Australia) Limited and UBS AG, Australia Branch as Joint Lead Managers and Underwriters

1. Theoretical ex-rights price (TERP) is the theoretical price at which Gateway stapled securities should trade after the ex-date for entitlement offer. TERP is a theoretical calculation only and the actual price at which Gateway stapled securities should trade immediately after the ex-date for the entitlement offer depends on many factors and may not equal TERP. TERP excludes the New Stapled Securities issued under the Placement and is calculated by reference to Gateway's last closing price on 8 March 2016.

2. Refer to the "Key risks" section of this Presentation. Assumes the six secured MHE acquisitions settle within 2 months of this announcement and the balance of the net amount raised is applied to debt paydown. VWS is calculated based upon the absolute number securities on issue pre and post the equity raise. For statutory accounting purposes the FY16 EPS will be impacted by a number of factors including application of the Theoretical ex-Rights Price adjustment to the weighted average number of securities



# Timetable

## Acquisitions and equity raising

Event	Date
<b>Trading halt and announcement of Offer</b>	<b>Wednesday, 9 March 2016</b>
Institutional placement and institutional entitlement offer conducted	Wednesday, 9 March 2016
Trading halt lifted – stapled securities recommence trading on ASX on an “ex-entitlement” basis	Thursday, 10 March 2016
Record date for determining entitlement to subscribe for New Stapled Securities	7:00pm Friday, 11 March 2016
Retail entitlement offer opens	9:00am Wednesday, 16 March 2016
Retail Offer Booklet despatched	Wednesday, 16 March 2016
Settlement of institutional placement, institutional entitlement offer and early retail entitlement offer acceptances	Tuesday, 22 March 2016
Allotment and normal trading of New Stapled Securities under the institutional placement, institutional entitlement offer and early retail entitlement offer acceptances	Wednesday, 23 March 2016
Retail entitlement offer closes	5:00pm Wednesday, 30 March 2016
Allotment of New Stapled Securities under the retail entitlement offer	Wednesday, 6 April 2016
Despatch of holding statements and normal trading of New Stapled Securities issued under the retail entitlement offer	Thursday, 7 April 2016





# OUTLOOK AND BUSINESS UPDATE

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# Outlook and business update

## Acquisitions and equity raising

### EPS and DPS

- The equity raising, acquisitions and debt paydown is neutral to the FY16 underlying EPS guidance provided by Gateway at its 1H16 results, on a VWS basis<sup>1</sup>
- Given New Stapled Securities are fully entitled to the 2H16 distribution despite only being on issue for part of the period, maintaining a payout ratio of 75% of Gateway's adjusted NPAT (being the mid-point of the target range set out in the PDS) implies an expected 2H16 DPS of 5.52 cents.

### Gearing and headroom

- Pro forma net debt LVR to reduce from 28.9% to 19.6%<sup>2</sup>, below Gateway's target net debt LVR range of 25% to 35%
- Undrawn debt capacity increases from \$110 million to \$141 million<sup>3</sup>

### Acquisition pipeline

- Strengthened financial position supports ability for Gateway to execute its business plan
- Gateway continues to assess potential acquisitions to further expand its MHE portfolio

### FY16 homes sales

- Gateway remains on track to deliver 261 home settlements in FY16, supported by increased trend in new home sales metrics evidenced in 2H16

1. Refer to the "Key risks" section of this Presentation. Assumes the six secured MHE acquisitions settle within 2 months of this announcement and the balance of the net amount raised is applied to debt paydown. VWS is calculated based upon the absolute number securities on issue pre and post the equity raise. For statutory accounting purposes the FY16 EPS will be impacted by a number of factors including application of the Theoretical ex-Rights Price adjustment to the weighted average number of securities

2. Pro forma net debt LVR is calculated as, debt as at 31 December 2015, adjusted for the acquisition of three MHEs previously announced (one settled in 2H16, and two expected to settle in 2H16), acquisition of six secured Acquisitions and the application of the proceeds of the Offer, less pro forma cash at bank of \$10 million, as at the date of the launch

3. Undrawn debt capacity is calculated as total facility capacity of \$250 million, less pro forma debt accounting for the three MHEs previously announced and the six secured MHE acquisitions and the application of the proceeds of the Offer



# APPENDICES

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### International Offer Restrictions

This document does not constitute an offer of new stapled securities (New Stapled Securities) of Gateway in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Stapled Securities may not be offered or sold, in any country outside Australia except to the extent permitted below.

#### Hong Kong

WARNING: This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Stapled Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Stapled Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Stapled Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

#### New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Stapled Securities are not being offered to the public within New Zealand other than to existing securityholders of Gateway with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the FMC Act and the Securities Act (Overseas Companies) Exemption Notice 2013.

Other than in the entitlement offer, the New Stapled Securities may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.





# Selling restrictions (continued)

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## International Offer Restrictions (cont.)

### Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore ("MAS") and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (the "SFA") in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. The issuer is not authorised or recognised by the MAS and the New Stapled Securities are not allowed to be offered to the retail public. This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Stapled Securities may not be circulated or distributed, nor may the New Stapled Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an institutional investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Stapled Securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

### United States

Neither the entitlements nor the New Stapled Securities have been, or will be, registered under the U.S. Securities Act, and may only be offered or sold:

- i. in the United States to persons that Gateway and Underwriters have pre-identified (in advance of the Offer) and have determined to be either (i) "qualified institutional buyers" ("QIBs") that are acting for their own account or for the account or benefit of one or more persons, each of whom is a QIB; or (ii) a dealer or other professional fiduciary organised, incorporate or (if an individual) resident in the United States that is acting for an account (other than an estate or trust) held for the benefit or account of persons that are not U.S. Persons (as defined in Rule 902(k) under the U.S. Securities Act) for which it has and is exercising investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S of the U.S. Securities Act ("Eligible U.S. Fund Manager")
- ii. outside the United States in "offshore transactions" (as defined in Rule 902(h) under Regulation S of the U.S. Securities Act) in reliance on Regulation S of the U.S. Securities Act



# Key risks

## Acquisitions and equity raising

This section describes some of the potential key risks associated with an investment in Gateway. An investment in Gateway is subject to risks specific to its business and to general risks associated with investing in Stapled Securities. Each of these risks could, if it eventuates, have an adverse effect on Gateway's business, financial condition, operating and financial performance and the value of its Stapled Securities.

This section does not purport to list every risk that may be associated with Gateway's business or risks associated with an investment in the Stapled Securities now or in the future. Potential investors should consider whether the New Stapled Securities offered in the Offer are suitable investments having regard to their own personal investment objectives and financial circumstances and the risks set out below.

### Risks relating to Gateway

#### Gateway's business strategy may not be effective

Gateway is continuing to embark on a number of strategies to achieve PDS forecasts and grow its business beyond the PDS forecast period. These strategies may, in time, prove to be misguided or may be implemented ineffectively and result in an outcome that is detrimental to the performance of Gateway. For example:

Gateway may not be able to convert short-term sites into long-term sites (both brownfield and adjoining land developments) and/or achieve new manufactured home sales in line with its expectations;

- Gateway may not be able to continue to increase rents in line with its expectations; and
- Gateway's strategies may be more costly than anticipated, resulting in higher than expected expenses.

Ineffective or unsuccessful implementation of the business strategies adopted by the Board and management, or being unable to respond efficiently and appropriately to changing market conditions may adversely impact the performance and growth of Gateway.

#### Gateway may not be able to sustain or grow its homes sales income

The growth in Gateway's manufactured home sales income is dependent on its ability to replicate the manufactured home sales success achieved in certain MHEs amongst its broader Portfolio. A material downturn in the housing market in the localities in which Gateway operates may reduce the appeal of manufactured homes to potential residents due to a decreased release of net capital between the sale of their existing home and the purchase price of a manufactured home. In addition, such a downturn may result in an increase in the time required for a potential resident to sell their existing home and fund the purchase of a manufactured home. These factors may result in reduced demand and volume of sales. An adverse impact on the ability for Gateway to sustain or grow its home sales income in line with its expectations may adversely impact on the performance and growth of Gateway.

#### Competition risk

Increased competition resulting from industry consolidation, increased market sophistication and greenfield developments has the potential to adversely impact Gateway's manufactured home sale volumes, margins and ability to increase rent. In addition, any increased competition for acquisitions of mixed use MHEs could result in higher prices and therefore impact Gateway's ability to achieve an appropriate return on investment.



# Key risks (continued)

## Acquisitions and equity raising

### Personnel risk

The ability of Gateway to successfully deliver on its business strategy is dependent upon retaining key employees of Gateway (such as its CEO, Trent Ottawa and its CFO, John Wong). The loss of senior management, or other key personnel, could adversely impact on Gateway's current and future business and financial performance.

### Government and regulatory factors

Changes to Government, regulatory policies and legislation that underpin aspects of Gateway's business model could adversely affect its operating and financial performance. A large number of MHE residents are eligible for certain forms of Commonwealth Government assistance, such as the Age Pension and Rent Assistance. Those benefits cover approximately half of the rent payable by residents. An unexpected change to such Government assistance that results in a reduction of Government support or removal of such support could result in a reduction in demand for manufactured homes and therefore negatively impact Gateway's business.

### Gateway may not be able to increase rents

There is a risk that Gateway will not be able to continue to increase rents payable by residents for long-term sites above CPI. The ability to increase rent by CPI is generally governed by a site agreement, which is subject to MHE-specific State legislation. Changes in legislation in any State in which Gateway owns, or intends to acquire, MHEs may impact the ability for Gateway to increase rent by CPI.

While Gateway has been able to increase rent in excess of CPI (for example, by way of a market review), residents typically have the right to object to such rent increases and apply to the Tribunal to seek an order that a rent increase is excessive. Should such an order be made, Gateway's operating results could be adversely affected.

It is also possible that the rental income Gateway receives from its MHEs could be adversely affected if new MHEs or mixed use MHEs cannot be developed to increase the proportion of long-term sites within such MHEs or residents are no longer eligible for rental assistance.

### Development and conversion risk

There are a number of risks associated with development opportunities (whether greenfield or brownfield), including (but not limited to): delays or issues in relation to planning, application and regulatory approvals locations and approvals processes and development cost overruns, which may arise from poor market analysis and property selection. There is also a risk that Gateway may not be able to successfully execute its strategy of converting mixed use MHEs into converted MHEs.

### Supplier and building risk

Gateway relies on a number of suppliers to supply the manufactured homes that it sells to residents. If Gateway is unable to continue to source manufactured homes:

- on a consistent basis, this would impact Gateway's ability to sell manufactured homes and increase rental incomes; or
- on commercially favourable terms with suppliers, particularly with regard to ongoing price reductions for manufactured homes (based on increased volumes of manufactured homes purchased by Gateway) and the supply of display homes on favourable payment terms, this may have a negative impact on Gateway's financial performance and position.

In addition, there is a possibility that one or more of its suppliers may fail or that a number of issues regarding the building and supply of manufactured homes will increase. For example, such suppliers may become insolvent or be unable to perform their contractual obligations (such as to supply manufactured homes or repair defects). Such events may lead to losses and insurance may not be available to cover such losses (for example, Gateway's insurance may not cover those events or insurance held by suppliers may not cover those events nor entitle Gateway to recover under such policy).



## Key risks (continued)

### Acquisitions and equity raising

#### Approvals revoked or amended

MHE operators are required to hold and maintain appropriate approvals (i.e. licences or permits) to operate MHEs with the relevant local councils and comply with all zoning, planning and use requirements. Approvals may be revoked or amended in certain circumstances. For example, an approval for a MHE operator to operate a MHE may be revoked if the MHE operator fails to comply with the requirement made by or under the relevant local government legislation or a condition specified in the approval.

If Gateway does not comply with the relevant regulations, the relevant council will not approve the transfer of the relevant authorisations from the vendor of a MHE which Gateway has acquired. If Gateway is unable to obtain approvals for the operation of its MHEs in the future, or any of its existing approvals are adversely amended or revoked, this may adversely impact the financial performance and position and future prospects of Gateway, which may in turn lead to a potential breach of lending covenants.

#### Passing off risk

Gateway has a strong presence in the MHE industry but is not presently the registered owner of trade marks for 'Gateway' or the 'tree' image, which exposes Gateway to a risk that its name and image may be used by others.

#### Funding risk

In order to continue to fund organic growth and further acquisitions, Gateway will rely on access to various sources of new capital, along with the refinancing and / or variation of existing debt facilities. An inability to obtain the necessary funding or refinancing on acceptable terms and at commercial rates or a material increase in the cost of such funding may have an adverse impact on Gateway's performance or financial position. There is no guarantee that Gateway will be able to secure debt or equity funding at rates that make Gateway's organic growth and acquisition strategy attractive, or at all.

Gateway has various covenants in relation to its debt facilities, including interest coverage ratios and loan to valuation ratios. Factors such as falls in asset values or rental income could lead to a breach in debt covenants. In such an event, Gateway's lenders may require their loans to be repaid immediately. Gateway's ability to renew or extend existing borrowing facilities may also be affected.

#### Property valuations

The value of each MHE held by Gateway, including the six acquisitions announced in this presentation may be affected by the property market generally or Gateway in particular. Factors affecting property valuation include, but are not limited to capitalisation and discount rates, the economic growth outlook, land resumptions and releases and proximity to major infrastructure projects. Such impacts on property valuations lead to material variations in the value of Gateway.

#### Short-term rental and occupancy risk

Occupancy levels for short-term sites may fall below expectations as a result of factors such as increased competition in the caravan/holiday park industry or specific issues arising out of Gateway's MHEs and facilities which adversely impact its reputation. Occupancy rates are difficult to predict and are generally seasonal.



# Key risks (continued)

## Acquisitions and equity raising

### Acquisition risk

Gateway's strategy includes pursuing acquisitions of MHEs. The six secured Acquisitions announced in this Presentation are subject to customary completion conditions. Whilst Gateway is not aware of any reason why the Acquisitions will not proceed, there is a risk that these conditions may not be satisfied and that the Acquisitions do not complete. To the extent that the Acquisitions fail to complete, the financial performance of Gateway could be materially adversely affected.

In addition to the six acquisitions announced in this Presentation, Gateway has acquired a further 11 MHEs since listing in June 2015. Integration of these MHEs acquired by Gateway in the Gateway platform may take longer and cost more than anticipated and there is no guarantee that any MHEs acquired by Gateway will operate as profitably as they did prior to their acquisition. The performance of those MHEs may be adversely affected by changes in management or reduced demand from residents (existing and prospective). To the extent that acquisitions are not successfully integrated with Gateway's existing business, the financial performance of Gateway could be materially adversely affected.

### Acquisition pipeline and due diligence risk

Gateway regularly evaluates mergers and acquisitions, property investments and other opportunities that it believes are consistent with its strategy. Gateway has a pipeline of potential acquisition opportunities that it is evaluating to drive future growth of the business, however there is no guarantee that Gateway will be able to successfully complete future acquisitions. Further, Gateway may not be successful in identifying future acquisition opportunities, assessing the value, strengths and weaknesses of these opportunities or finalising acquisitions on acceptable terms or at all. While it is Gateway's policy to conduct a thorough due diligence process in relation to any such acquisition, risks remain that are inherent in such acquisitions. Gateway's past and future acquisitions may subject it to unanticipated risks and liabilities, or disrupt its operations and divert management's attention and resources from Gateway's day-to-day operations.

## General Risks

### Market risk

The market price of Gateway stapled securities will fluctuate due to various factors, many of which are non-specific to Gateway, including recommendations by brokers and analysts, Australian and international general economic conditions, inflation rates, interest rates, exchange rates, changes in government, fiscal and monetary and regulatory policies, global geo-political events and hostilities and acts of terrorism, and investor perceptions. In the future, these factors may cause Gateway's stapled securities to trade on the ASX at a price above or below their issue price.

### Taxation

Future changes in Australian taxation law (including the goods and services tax and stamp duty), including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of your investment in Gateway stapled securities or the holding and disposal of those securities. Further, changes in tax law (including the goods and services tax and stamp duty), or changes in the way tax law is expected to be interpreted in the jurisdictions in which Gateway operates, may impact the future tax liabilities of Gateway.

### Litigation

Gateway may, in the ordinary course of business, be involved in possible litigation disputes. Any such dispute may be costly and adversely affect the operational and financial results of Gateway.