

9 March 2016

GATEWAY LIFESTYLE GROUP (GTY) ANNOUNCES ACQUISITIONS AND EQUITY RAISING

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Gateway Lifestyle Group (Gateway) today announces the secured acquisitions of six Manufactured Home Estates (MHEs) (Acquisitions) for a combined consideration of \$49.3 million (excluding transaction costs)¹, funded via an equity raising.

The Acquisitions:

- include four MHEs in New South Wales, one in Queensland, and one in Victoria;
- add a total of 1,180 MHE sites comprising 428 sites occupied by existing manufactured homes and 752 potential sites for new manufactured homes²;
- are a combination of established, conversion and expansion MHEs and are consistent with Gateway's business strategy and investment criteria; and
- are expected to settle within 2 months.

In addition, Gateway is also currently in advanced due diligence and exclusive negotiations with regards to two further MHEs – a MHE Conversion asset for a purchase price of circa \$9.5 million (excluding transaction costs) and a further MHE asset for a purchase price of circa \$23 million (excluding transaction costs)³.

Gateway is undertaking a fully underwritten \$120.0 million equity raising comprising a \$40.2 million institutional placement and \$79.8 million 2 for 15 entitlement offer to fund the Acquisitions and to repay debt to strengthen Gateway's financial position to deliver its business plan.

Commenting on the Acquisitions and equity raising, Gateway's CEO, Trent Ottawa said, "these Acquisitions demonstrate our continued ability to source MHEs to grow our portfolio of MHE communities. The Acquisitions increase our pipeline of potential sites available for new manufactured homes to 4,157.

We are excited about the opportunity to bring in an estimated 600 new residents into our communities, as we continue to work towards creating and enhancing our communities by providing affordable living solutions to our residents.

On the completion of the equity raising, Gateway will use excess proceeds raised to repay debt, which will enable us to continue our disciplined organic growth and acquisition strategy. We remain confident in our ability to source new MHEs that fit our long term strategic requirements for the benefit of securityholders and our current and future residents."

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.

³ Future acquisitions may be funded through cash, debt or equity issued to vendors, or a combination of these.



Acquisitions

The Acquisitions comprise a combination of established, conversion and expansion MHEs providing an aggregate of 1,180 sites as set out in the table below:

Communities	Number	% Total	Total sites	MHE occupied sites	Potential for new MHE sites ⁴
MHE	2	33%	230	230	0
MHE Conversion	3	50%	799	92	707
MHE Expansion	1	17%	151	106	45
TOTAL ACQUISITIONS	6	100%	1,180	428	752

Impact of the Acquisitions and equity raising

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.⁵

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 net profit after tax (being the mid-point of the range as set out in the PDS) implies an expected 2H16 DPS of 5.52 cents.

Post the equity raising and settlement of the Acquisitions, pro forma net debt LVR will reduce from 28.9% (as at 31 December 2015) to 19.6%⁶, below Gateway's target gearing range of 25% - 35%. Furthermore Gateway's undrawn debt capacity increases from \$110 million to \$141 million⁷. The additional equity raised strengthens Gateway's financial position to enable it to deliver on its pipeline of growth opportunities. Gateway continues to assess potential acquisitions to further expand its portfolio of MHEs in line with its investment criteria and stated business strategy.

Gateway reaffirms that it remains on track to deliver the PDS forecast of 261 home settlements in FY16, supported by an increased trend in new home sales evidenced in 2H16.

⁴ 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.

⁵ 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.

⁶ 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 Entitlement Offer, less pro forma cash at bank of \$10 million, as at the date of this announcement.

⁷ 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 Acquisitions and the application of the proceeds of the Offer.



Equity raising

Gateway is undertaking a fully underwritten \$120.0 million equity raising comprising a \$40.2 million institutional placement (Institutional Placement) and \$79.8 million 2 for 15 accelerated non-renounceable entitlement offer (Entitlement Offer) at \$2.40 per New Stapled Security (Offer Price).

The Offer Price represents a 6.5% discount to TERP of \$2.57⁸, and 7.3% discount to the \$2.59 closing price on Tuesday 8 March 2016.

The proceeds of the Equity Raising will be applied to:

- fund the secured acquisition of the six identified MHE acquisitions; and
- repay debt to strengthen Gateway's financial position to deliver its business plan.

The Entitlement Offer is non-renounceable and rights will not be traded on the ASX or be otherwise transferable. Eligible Stapled Securityholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect of those entitlements not taken up.

New Stapled Securities will rank *pari passu* with existing stapled securities.

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

Institutional Offer

Eligible Institutional Stapled Securityholders will be invited to participate in the Institutional Placement and Institutional Entitlement Offer (together, the Institutional Offer) which is being conducted today Wednesday, 9 March 2016. Eligible Institutional Stapled Securityholders can choose to take up all, part or none of their entitlement. Institutional entitlements cannot be traded on market.

Together with the Institutional Placement, institutional entitlements that Eligible Institutional Stapled Securityholders do not take up by the close of the Institutional Entitlement Offer, and institutional entitlements that would otherwise have been offered to Ineligible Institutional Stapled Securityholders, will be offered to Eligible Institutional Stapled Securityholders who apply for New Stapled Securities in excess of their entitlement, as well as to certain other Eligible Institutional Investors.

Retail Entitlement Offer

Eligible Retail Stapled Securityholders will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on 9:00am (Sydney time) on Wednesday, 16 March 2016 and close at 5:00pm (Sydney time) on Wednesday, 30 March 2016. 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.

Further details about the Retail Entitlement Offer will be set out in a booklet (Retail Offer Booklet), which Gateway expects to lodge with the ASX on Thursday, 10 March 2016, in advance of the despatch date (as detailed further below). For Eligible Retail Stapled Securityholders who wish to take up all or part of their Entitlement, payment must

⁸ The Theoretical Ex-Rights Price (TERP) is the theoretical price at which Gateway securities should trade after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Gateway securities trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated exclusive of the Institutional Placement, and by reference to Gateway's last closing price on Tuesday, 8 March 2016.



be made via BPAY® or by cheque by following the instructions set out on the personalised Entitlement and Acceptance Form. Payment is due by no later than 5:00pm (Sydney time) on Wednesday, 30 March 2016. The Retail Offer Booklet and accompanying Entitlement and Acceptance Form are expected to be despatched on Wednesday, 16 March 2016.

Key Dates*

Key event	Date
Trading halt and announcement of Offer	Wednesday, 9 March 2016
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

* All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Sydney time. Gateway reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Gateway reserves the right to extend the closing date for the Retail Entitlement Offer, to accept late applications under the Retail Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the allotment date for New Stapled Securities under the Retail Entitlement Offer. Any changes to the timetable will be posted on Gateway's website at www.gatewaylifestyle.com.au.

Gateway also reserves the right not to proceed with the Entitlement Offer in whole or in part at any time prior to allotment and issue of the New Stapled Securities under the Retail Entitlement Offer. In that event, the relevant Application Monies (without interest) will be returned in full to Applicants.

Additional Information

Additional information regarding the Acquisitions and Entitlement Offer is contained in the investor presentation released to the ASX today. The Retail Offer Booklet will be released separately and mailed to Eligible Retail Stapled Securityholders.

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate professional advice before making any investment decision. If you have any questions about the Retail Entitlement Offer, please do not hesitate to contact Gateway's Information Line on 1300 131 678 (from within Australia) or + 61 1300 131 678 (from outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday during the Retail Offer Period.



For further information please contact:

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This announcement 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 announcement 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

Forward looking statements

Certain statements contained in this announcement are "forward-looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "expect", "likely", "intend", "should", "could", "may", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance" and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, statements relating to the impact of the acquisition of the Manufactured Home Estates (MHEs), the future performance of Gateway and the outcome and effects of the Entitlement Offer and use of proceeds. Forward-looking statements, opinions and estimates provided in this announcement are inherently uncertain and are based on assumptions and estimates which are subject to certain risks, uncertainties and change without notice, as are statements about market and industry trends, which are based on interpretation of market conditions. Actual results and performance may vary materially because events and actual circumstances frequently do not occur as forecast and future results are subject to known and unknown risk such as changes in market conditions and in regulations. Investors should form their own views as to these matters and any assumptions on which any of the forward-looking statements are based and not place reliance on such statements. To the maximum extent permitted by law, Gateway and its directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.



Financial data

All dollar values are in Australian dollars (A\$) unless otherwise stated. Investors should be aware that certain financial data included in this announcement are “non-IFRS financial measures” under Regulation G of the U.S. Securities Exchange Act of 1934, as amended. These measures include net debt LVR and pro forma net debt LVR. 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 announcement 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 announcement.

Investors should note that this announcement contains pro forma financial information, including a pro forma balance sheet as at 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.

