

10 July 2018

GATEWAY LIFESTYLE GROUP (ASX: GTY)

Discussions with Hometown

Gateway Lifestyle Group (**Gateway Lifestyle**) refers to ASX announcements on 2 July 2018 in relation to a conditional off-market takeover bid by Hometown Australia Holdings Pty Ltd and Hometown America Holdings LLC, ACN 626 522 085 Pty Ltd (collectively **Hometown**) for all the stapled securities of Gateway Lifestyle Group for cash consideration of \$2.25 per security¹ (**Hometown Takeover Bid**).

In its announcement, Hometown indicated that it would be prepared to increase the consideration payable under the Hometown Takeover Bid to \$2.30 per security¹ upon execution of a bid implementation agreement on terms satisfactory to Hometown (**Proposed Conditional Higher Offer Price**).

In conjunction with its advisers, the Gateway Lifestyle Board (**Board**) has carefully reviewed the terms and conditions of the Hometown Takeover Bid and Proposed Conditional Higher Offer Price and has sought to negotiate a bid implementation agreement with Hometown in good faith.

However, the Board was not prepared to accept bid conditions and other provisions of Hometown's bid implementation agreement that:

- unduly constrained Gateway Lifestyle's ability to operate the business in the ordinary course and in the interests of all securityholders;
- were not in the interests of Gateway Lifestyle's securityholders; and
- resulted in significant conditionality, reducing the certainty of the Hometown Takeover Bid.

The Board does not consider that the Proposed Conditional Higher Offer Price is sufficiently compelling to warrant acceptance of the terms attached to the Proposed Conditional Higher Offer Price.

Whilst the Gateway Lifestyle Board is encouraged by the level of interest in the business, it will not enter into arrangements that it believes constrain its ability to maximise value and provide certainty for Gateway Lifestyle securityholders. The Gateway Lifestyle Board will continue to engage with interested parties.

Securityholders are advised to take no action at this point.

Andrew Love
Chairman

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¹ Expressed on an ex-distribution basis (ie excluding the 5.35cps distribution for the period ending 30 June 2018 for which the record date was 29 June 2018)