

23 February 2018

GATEWAY LIFESTYLE GROUP (ASX: GTY) 1H18 RESULTS

Gateway Lifestyle Group (ASX: GTY) today released its interim results for the half year ended 31 December 2017, delivering Distributable Earnings of \$19.6 million (1H17: \$14.5 million) and reaffirming guidance of 7% growth in Distributable Earnings for FY18¹.

The Group's CEO & Managing Director, Trent Ottawa, said: "The half year results are consistent with our strategy of growing the long-term rental income. With over 6,600 long-term sites now occupied across our communities, a stable development pipeline and capacity for growth, we remain well positioned to continue delivering Gateway Lifestyle communities and value for our securityholders.

"The 1H18 results reflect a solid start to the year with 119 new home settlements (142 at 22 February 2018) and continued growth in long-term rental revenue, with annualised long-term rental revenue now approximately \$51 million. Demand for our communities continues to grow and the business remains well positioned to deliver earnings growth in FY18 and beyond."

Key Highlights

- **Statutory net profit after tax of \$20.6 million** (1H17: \$20.1 million) and growth in **Distributable earnings of 35.3 % to \$19.6 million** (1H17: \$14.5 million)
- **Interim distribution of 3.75 cents per stapled security** (1H17: 3.5 cps) for the half year
- **Rental revenue up 12.8% to \$30.8 million** (1H17: \$27.3 million) driven by a 10.1% increase in long-term site rental revenue of \$25.1 million (1H17: \$22.8 million)
- **As at 31 December 2017 annualised long-term rental revenue of approximately \$51 million** from 6,660 long-term occupied sites (1H17: 6,277¹) at an average weekly rent of \$146.0 (1H17: \$141.50)
- **119 home settlements** (1H17: 92) at an average net profit margin of \$103,000 per home (1H17: \$97,000), has the Group well positioned for circa 250 settlements in FY18
- **Forward investment** in home inventory for 2H18 sales campaigns. Cash conversion expected to improve in 2H18 as display home inventory is sold
- **Asset recycling** well progressed following the divestments of Rainbow Waters and Bass Hill² communities with \$18.4 million sales proceeds (excluding transaction costs)
- **Acquisition** of DA approved land lease community greenfield site at Evans Head, NSW North Coast, for \$7.5 million³

1. Assuming no material changes in market conditions
2. Expected to settle July 2018
3. 176 sites (approximately \$38,000 per site)

Overview

FY18 settlements are on track for circa 250, with 142 settlements as at 22 February 2018. Forward investment in home inventory has the Group well positioned for 2H18 sales campaigns, in a market where circa 80% of sales are expected to come from display home inventory. Improved sales prices for display homes stock contributed to an increase in average profit per home to \$103,000 (1H17: \$97,000).

Today, the Group announces the acquisition of DA approved greenfield land lease community site at Evans Head for \$7.5 million⁴ (excluding transaction costs). The acquisition provides an exciting opportunity to expand the Gateway Lifestyle portfolio on the NSW North Coast and complement our existing Evans Head expansion asset which continues to attract strong levels of interest for upcoming stage releases.

Subsequent to year-end, the Group announced the divestment of two non-core assets. Mr Ottawa said: "The divestment of two non-core assets is consistent with the Group's asset recycling strategy allowing redeployment of capital to higher return projects, such as Evans Head, to deliver higher returns to securityholders."

Gateway Lifestyle Group confirms the interim distribution of 3.75 cents per stapled security previously announced, including a deferred tax component of 57.6% for the six-month period to 31 December 2017 and confirms the payment date of 15 March 2018.

Outlook

The Group continues to be well positioned to support sustainable long-term growth and value creation.

The Group is on track to deliver on guidance of 7% growth in Distributable Earnings for FY18, assuming no material changes in market conditions.

Further details are provided in the Appendix 4D and 1H18 results presentation.

Gateway Lifestyle will hold a conference call on Friday 23 February at 11am (AEDT) to discuss the 1H18 Results; Conference Call 1800 148 258 (toll free) Code 659 6659 Webcast: <https://edge.media-server.com/m6/p/6nyudrpk>

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4. 176 sites (approximately \$38,000 per site)