



2 May 2018

GATEWAY LIFESTYLE GROUP (ASX: GTY)

Presentation at Macquarie Australia Conference

Please find attached a copy of the presentation to be given by Gateway Lifestyle Group (ASX: GTY) at the Macquarie Australia Conference. A copy of this presentation is available to view on the Group's website at www.gatewaylifestyle.com.au.

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Trent Ottawa

Chief Executive Officer



Macquarie Australia Conference

Trent Ottawa

2 May 2018

lifestyle

Disclaimer

Summary Information

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GTY results are reported under International Financial Reporting Standards (IFRS). However, this presentation includes certain financial information that are non-IFRS financial measures for the purposes of providing a more comprehensive understanding of the performance of GTY. These non-IFRS financial measures include Distributable Earnings, EBITDA and other operating measures which provide useful information for measuring the underlying operating performance of GTY. Such non-IFRS information is unaudited, however the numbers have been extracted from audited financial statements.

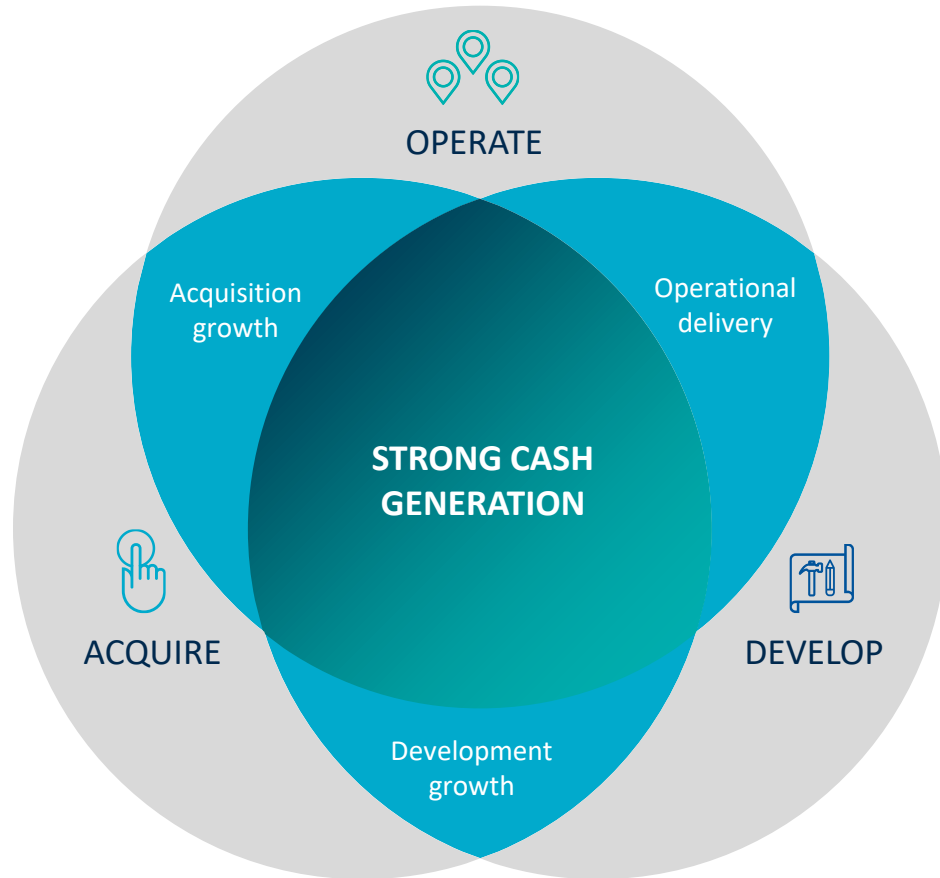
01

Our business



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

- Organic long term rental revenue growth
- Incremental rental revenue growth from new home sales
- Acquisition opportunities
- Cap-rate compression

SHORT-TERM EARNINGS DRIVERS

- New home settlements
- Average profit per home
- Operating margin
- Corporate costs

Long term strategy

Continue to focus on long-term value to drive securityholder returns

Long-term target to reach

10,000

occupied long-term sites

Targeting rental growth of the greater of CPI or

3-5% pa

Acquire

200-300

long-term occupied sites annually

Targeting

~250

settlements on average pa

Expected long-term
occupied sites
at 30 June 2018

+7,100

Estimated long-term sites on build-out of portfolio

~9,000

10,000

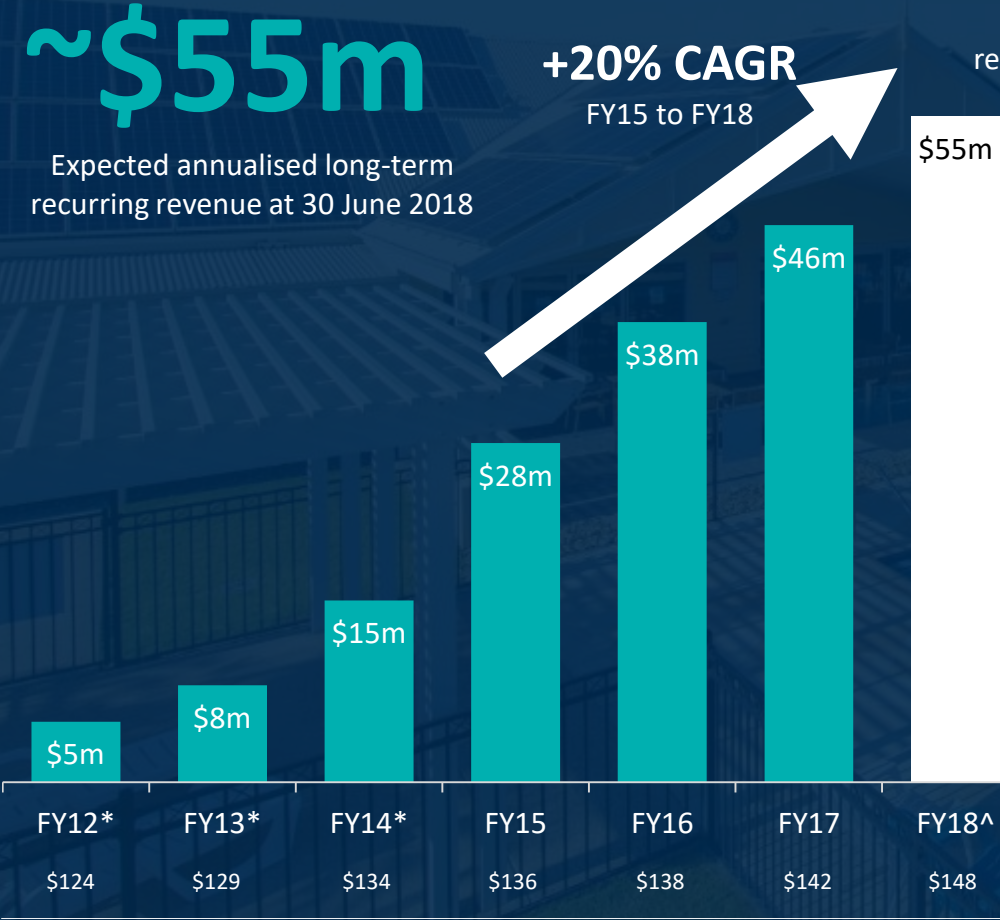
Key long-term value driver: Recurring revenue growth

FY15 to FY18 +20% CAGR

~\$55m

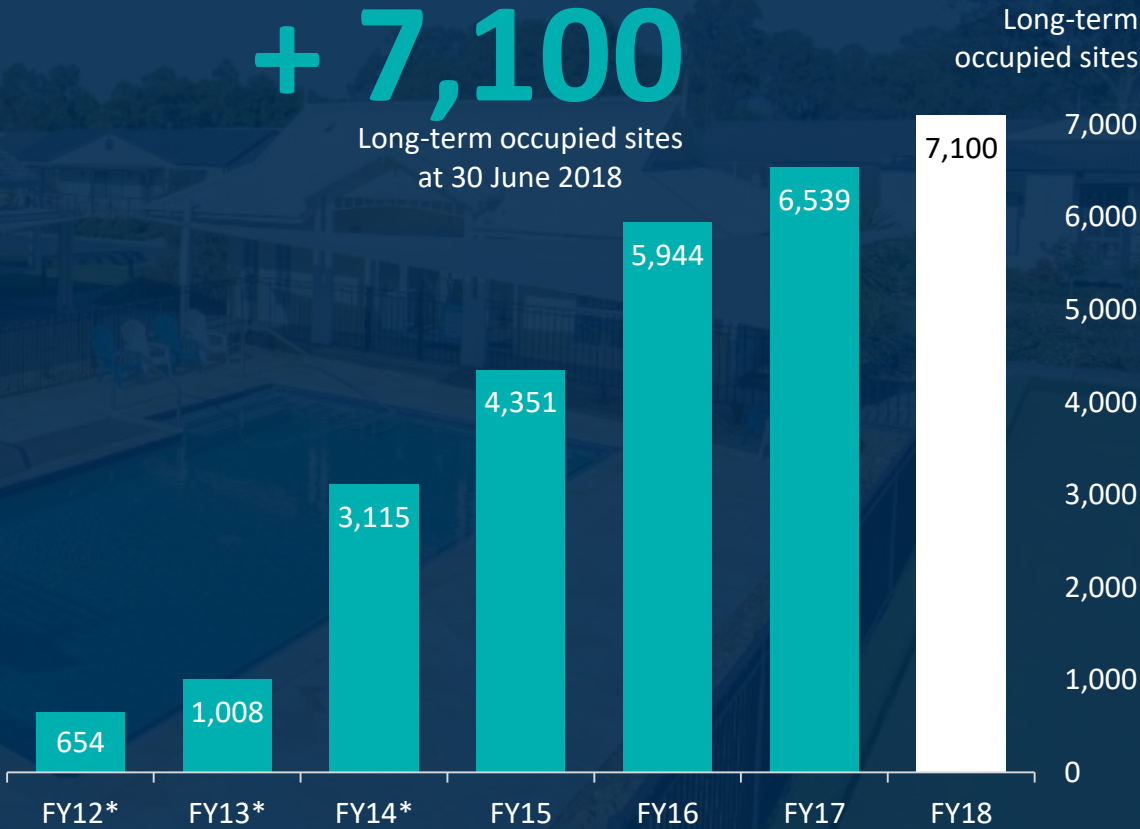
Expected annualised long-term recurring revenue at 30 June 2018

+20% CAGR
FY15 to FY18



+ 7,100

Long-term occupied sites at 30 June 2018



* Pro-forma financial information for Gateway Lifestyle Group
^ Annualised long-term rental revenue as at 30 June 2018

Our portfolio

Australia's largest portfolio of land lease communities



| | | Qty | Total sites | Long-term | Vacant Development | Short-term | Asset value | Value per site | On completion |
|--------------------|------------------|-----|-------------|-----------|--------------------|------------|-------------|----------------|---------------------|
| LAND LEASE | NSW | 25 | 3,944 | 3,282 | 662 | - | \$307m | \$78K | |
| | QLD | 13 | 2,042 | 1,880 | 162 | - | \$176m | \$86K | |
| | VIC/SA | 5 | 824 | 543 | 281 | - | \$62m | \$75K | |
| | Subtotal/average | 43 | 6,810 | 5,705 | 1,105 ¹ | 0 | \$545m | \$80K | ~6,800 |
| MIXED USE | NSW/ACT | 13 | 2,623 | 1,413 | 307 | 903 | \$135m | \$52K | |
| | VIC | 2 | 179 | 70 | - | 109 | \$6m | \$32K | |
| | Subtotal/average | 15 | 2,802 | 1,483 | 307 | 1,012 | \$141m | \$50K | ~2,200 |
| TOTAL ² | | 58 | 9,612 | 7,188 | 1,412 | 1,012 | \$686m | \$71k | ~9,000 ³ |
| | | | | 75% | 15% | 10% | | | |

+7,100
long-term occupied sites

+1,800
development sites

1. Vacant Development sites in land lease communities includes 508 greenfield sites - Old Bar (181), Evans Head (176) and Yarrawonga (151)
2. 31 December 2017 pro forma for the acquisition of Rosetta, Seachange, Evans Head and Yarrawonga and the divestment of Rainbow Waters and Bass Hill
3. Estimate of occupied long-term sites on completion of portfolio build out

02

Our market



Albury, NSW



Market drivers

Our market is driven by two major economic tailwinds



Ageing population



77% of senior Australians expect to receive some form of government income support in retirement



10.4m or 33% of Australians aged over 55 by 2040



18% of couples and 29% of singles aged 65+ do not own their home without a mortgage



71% of Australians aged 65+ have zero superannuation balance



Only 27% of retirees expect to rely on the age pension as their major source of income

Source: Australian Bureau of Statistics; National overview of retirement village sector, Grant Thornton (2014)

Housing Affordability



Affordable and sustainable lifestyle options



Cost of living pressures



Commonwealth support for independent living – “Living Longer Living Better”



Growing demand for land lease communities



Gateway Lifestyle's offering

Provides a smart and sustainable solution

We offer our residents



Affordable home ownership to free up capital



Low maintenance housing



Simple contracts



Independent living



Community facilities for social interaction



Secure home ownership protected by legislation



no exit fee



Sustainable rent & access to rental assistance

Our resident profile

61

Average age of new purchasers in FY18

10+

average tenure in a mature community

67

Average age of residents

How we know it works

+9,500

residents now call a Gateway Lifestyle community home

89%

of residents would recommend living in a Gateway Lifestyle community to a friend

92%

of residents feel connected to their community

70%

of residents felt their wellbeing had improved

Source: Research conducted by Spark Strategy in conjunction with Gateway Lifestyle

03

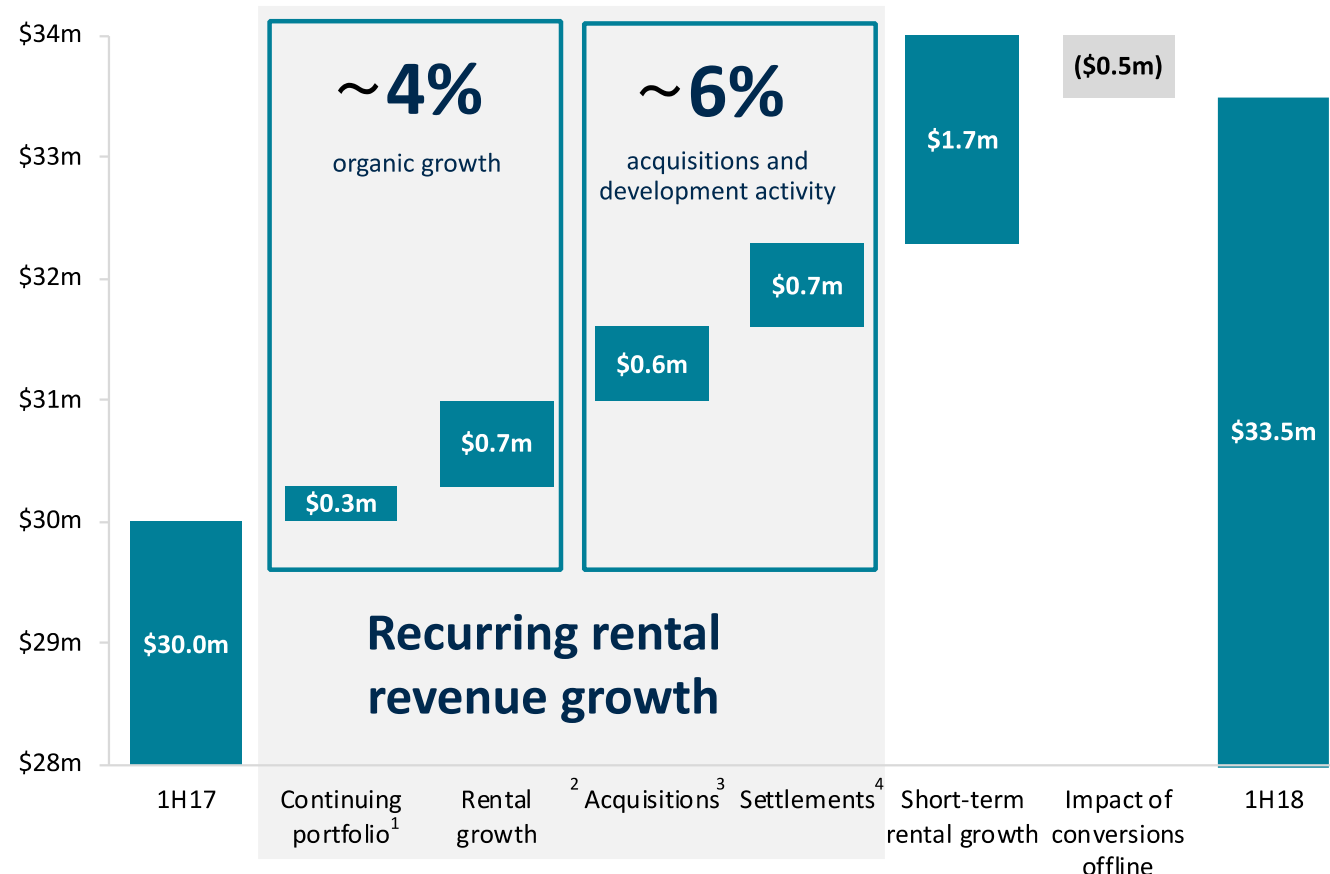
Our value proposition



Recurring long term rental growth

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

- 1H18 long-term income growth of 10% YoY
 - ~4% like-for-like organic rental growth
 - ~6% acquisitions and settlements
- Long term organic rental growth target greater of CPI or 3-5% per annum:
 - Annual rent reviews
 - Resetting rents on home sales
- Settlements and acquisitions incrementally add to the long-term recurring rental stream



1. Contribution from roll forward of long-term occupied sites (6,277) and long-term average weekly rent (\$141.5) as at 31 December 2016 for 1H18. In effect this is the full half effect of 1H17 rental growth and 1H17 settlements

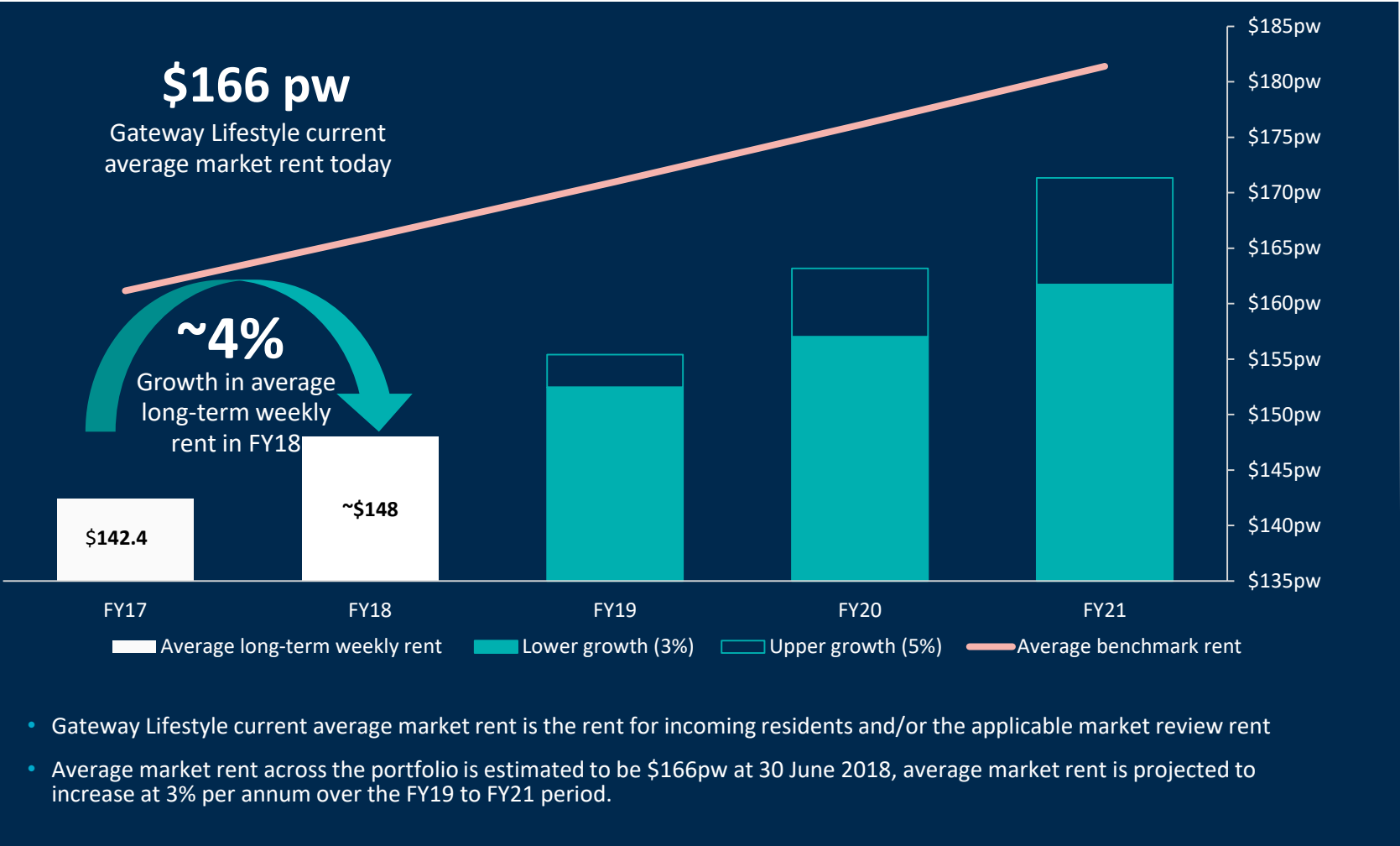
2. Rental growth from long-term occupied sites held at 31 December 2016 (6,277). Consistent % growth as seen in the average weekly rent of 3.2% to \$146.0 at 31 December 2017 (31 December 2016: \$141.5)

3. Acquisitions includes the long-term revenue from Canberra and Suncoast acquisitions from 2H17

4. Settlements includes long-term revenue from 2H17 and 1H18 settlements

Sustainable rental growth

Rental growth of 3-5% pa growth is sustainable



| (\$) | Single | Couple |
|---|--------|--------|
| Gateway Lifestyle Average Weekly Rent | 148 | 148 |
| Commonwealth Rent Assistance | (67) | (38) |
| Net Weekly Rent | 81 | 110 |
| Aged Pension | 413 | 623 |
| Net Weekly Rent as % of Aged Pension | 20% | 18% |
| GTY Average Market Rent % of Aged Pension | 24% | 18% |



New home settlements

Grow the long-term recurring rental base



LONG-TERM VALUE DRIVERS

~250

Settlements per annum
on average

~\$2m

Additional annualised long-term
rental from new home settlements

SHORT-TERM EARNINGS DRIVERS

230-240

Expected settlements for FY18

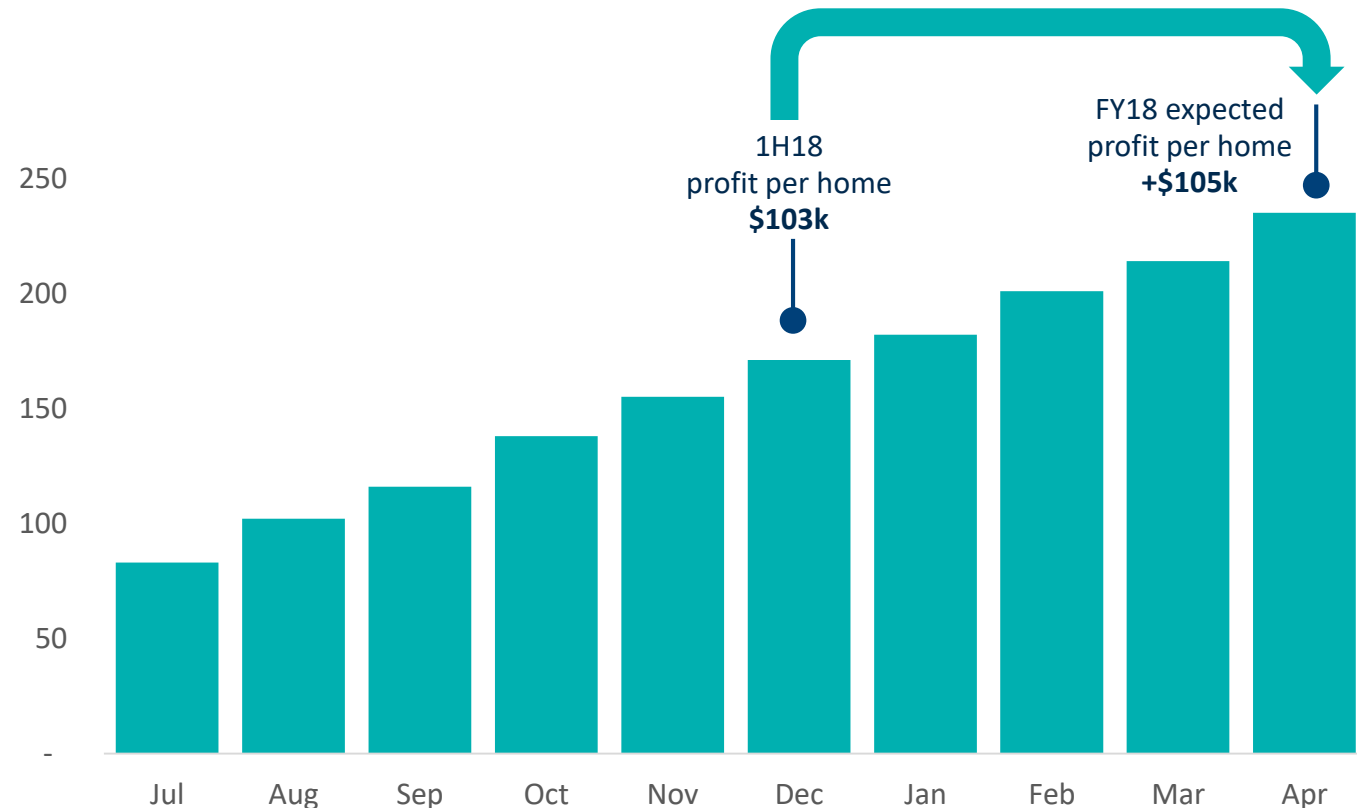
+\$105k

Expected FY18 gross profit per home
(1H18: \$103k; 2H18 \$107)

MARKET OBSERVATIONS

- 2H18 new home demand and enquiry levels have continued at 1H18 levels
- Residential housing market has moderated, which has extended the conversion period from sale to settlement
- 2H18 YTD gross profit per home has improved on 1H18
- Long-term target ~250 new home settlements per annum, contributing approximately \$2m additional annualised long-term rental

Expected settlements FY18



Acquisitions

Added 488 occupied long-term sites to the portfolio



- Settled on four acquisitions during FY18 for combined consideration of \$57m¹
- Contributed additional 488 occupied long-term sites with average rents of \$146 per week and fixed rent increases
- 393 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 | 151 | 881 |
| DEVELOPMENT SITES | 0 | 67 | 176 | 151 | 393 |
| LOCATION | Victor Harbour SA | Victor Harbour SA | Evans Head NSW | Yarrawonga VIC | |
| ASSET TYPE | Mature | Expansion | Greenfield | Greenfield | |

1. Excluding transaction costs

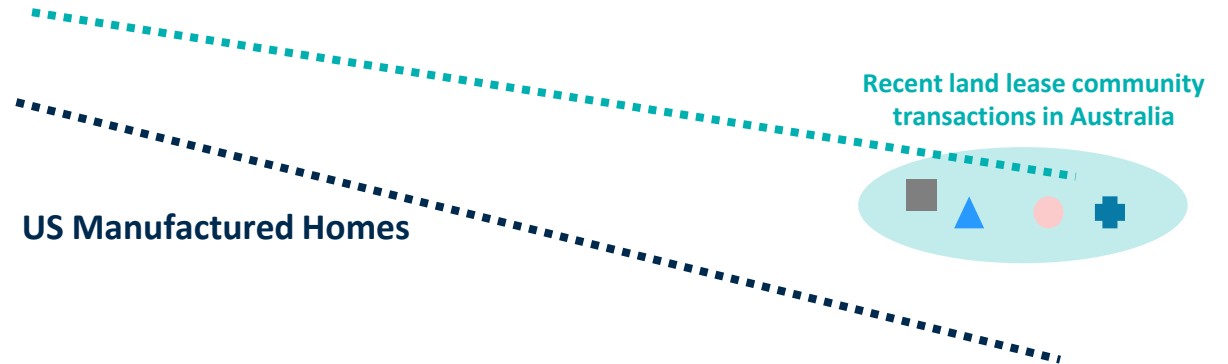
Acquisition environment

Cap rates have continued to tighten

- Tightening cap rates, new participants and increasing greenfield focus
- Transactions and valuations now at sub 7% for quality mature assets
- Off market transactions continue to be the industry norm
- New entrants are active and reflect increasing industry awareness
- Continues to be a number of suitable existing assets to target for acquisitions
- Approvals for new greenfield sites are increasing

Land lease community cap rate trends

Australian Land Lease Communities



■ Newport
(Hometown Australia)

▲ Durack Gardens
(Ingenia)

● Green Wattle
(Hometown Australia)

⊕ Rosetta & Seachange
(Gateway Lifestyle)

Source: Chadwick Property Valuers, 2018

Rosetta & Seachange



Key highlights

- Purpose built land lease communities in Victor Harbour, 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 (excl transaction costs) | \$28m | \$17m | \$45m |
| Operations EBITDA FY19 Estimate | \$1.9m | \$0.9m | \$2.8m |
| Unlevered IRR | 10% | 15% | 12% |



The Lakes Yarrawonga



- Legend**
- Lots available
 - Lots currently occupied
- Key Facilities & Features**
- A Community Centre
 - B Indoor Pool
 - C Bowling Green
 - D Park



Yarrawonga on Lake Mulwala, VIC

Delivering 151 long-term sites

Construction to commence in FY19

4 year sell down

| | |
|--|------------|
| Target pre-tax IRR on development | 16% |
| Average selling price | +\$280,000 |
| Incremental long term revenue pa on completion | +\$0.8m |
| Estimated value on completion | \$13.8m |



04

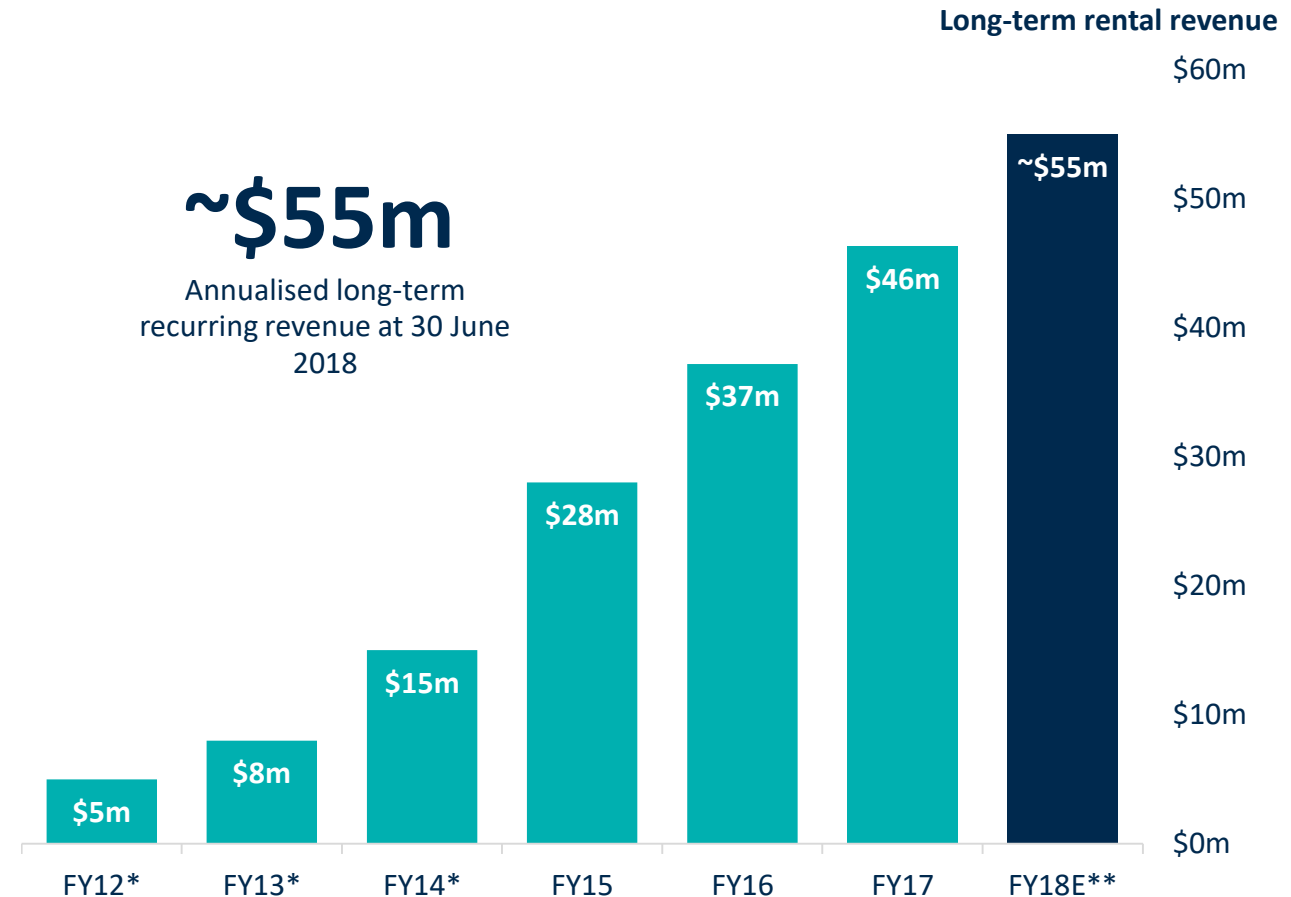
Strategy and outlook



FY18 trading update

- Delivering on long term strategic targets
- Revised guidance of 2% to 4% growth in distributable earnings for FY18 with new home settlements range of 230-240¹
 - ~4% organic growth in the long term weekly rent
 - Annualised long term revenue at 30 June 2018 expected to be approximately \$55M
 - Observing moderation in residential housing markets, period to convert sale to settlement has extended as incoming residents are taking longer to sell their family homes
 - Development margin trending up in 2H in line with expectations at +105k for the full year – have not aggressively discounted to achieve volume
 - Acquisition of 4 properties including 488 long-term occupied sites and 393 development sites
 - Continue to improve overall portfolio quality

¹ Subject to no material changes in market conditions.



* Pro-forma data is based on historical information for the assets comprising Gateway Lifestyle as at 15 June 2015, being the date of listing of the stapled security on the ASX
** Based on annualised long-term revenue expected as at 30 June 2018

05

Q&A



06

Appendices



Regal Waters, QLD

Portfolio

| | | QTY | TOTAL SITES | LONG-TERM SITES | SHORT-TERM SITES | DEVELOPMENT SITES ¹ | ASSET VALUE | VALUE PER SITE |
|---------------|------------------|-----|-------------|-----------------|------------------|--------------------------------|-------------|----------------|
| MATURE | NSW | 16 | 2,303 | 2,215 | 18 | 70 | \$184m | \$80K |
| | QLD | 7 | 1,119 | 1,114 | - | 5 | \$90m | \$80K |
| | VIC/SA | 2 | 397 | 397 | - | - | \$32m | \$81K |
| | Subtotal/average | 25 | 3,819 | 3,726 | 18 | 75 | \$306m | \$80K |
| EXPANSION | NSW | 12 | 2,435 | 1,421 | 205 | 809 | \$148m | \$61K |
| | QLD | 5 | 779 | 646 | - | 133 | \$70m | \$89K |
| | VIC/SA | 3 | 427 | 146 | - | 281 | \$30m | \$70K |
| | Subtotal/average | 20 | 3,641 | 2,213 | 205 | 1,223 | \$247m | \$68K |
| CONVERSION | NSW | 9 | 1,636 | 968 | 578 | 90 | \$93m | \$57K |
| | QLD | 1 | 144 | 120 | - | 24 | \$17m | \$117K |
| | VIC | 2 | 179 | 70 | 109 | - | \$6m | \$32K |
| | ACT | 1 | 193 | 91 | 102 | - | \$17m | \$89K |
| | Subtotal/average | 13 | 2,152 | 1,249 | 789 | 114 | \$133m | \$62K |
| TOTAL/AVERAGE | | 58 | 9,612 | 7,188 | 1,012 | 1,412 | \$686m | \$71K |
| | | | | 75% | 10% | 15% | | |

1. Calculated as total number of manufactured home sites available for new manufactured homes.

Profit and loss

| | 1H18 (\$m) | FY17 (\$m) | FY16 (\$m) |
|------------------------------------|-------------|--------------|--------------|
| Rental and other income | 33.5 | 60.9 | 49.7 |
| Development revenue | 30.6 | 57.5 | 64.1 |
| Revenue | 64.1 | 118.4 | 113.8 |
| Operations expenses ¹ | (14.7) | (26.2) | (18.5) |
| Development expenses | (18.4) | (32.3) | (37.8) |
| Corporate expenses | (7.7) | (14.6) | (14.3) |
| Adjusted EBITDA² | 23.3 | 45.3 | 43.2 |
| Segment³ | | | |
| Operations | 16.5 | 30.3 | 26.9 |
| Development | 6.8 | 15.0 | 16.3 |
| Adjusted EBITDA¹ | 23.3 | 45.3 | 43.2 |

1. Operating expenses impacted by full year impact of FY16 acquisitions and changes in classification to align all community related operating expenditure in the operations. For the avoidance of doubt, FY16 has not been restated.
2. Adjusted EBITDA reflects the adjustment for one-off items and other reconciling items to Distributable Earnings. Adjusted EBITDA reconciliation for FY17 and FY16 is provided in Appendix 2.
3. Incorporates illustrative allocation of corporate costs, allocated at 30% to operations and 70% to development.

Capital Management

| | Dec17 | Jun17 | Change (%) |
|------------------------------------|----------|----------|------------|
| Investment Properties ¹ | \$629.2m | \$622.8m | 1.0 |
| Total Tangible Assets | \$689.3m | \$671.6m | 2.6 |
| Net Debt | \$190.9m | \$157.4m | 21.3 |
| Gearing ² | 27.8% | 23.4% | 4.4 |
| Drawn debt | \$199m | \$180m | 10.6 |
| Debt capacity | \$51m | \$70m | (27.3) |
| LVR ³ | 32.2% | 28.9% | 3.3ppts |
| ICR ⁴ | 4.0x | 4.2x | (4.8) |
| Weighted average debt maturity | 2.1yrs | 2.6yrs | (19.4) |
| Hedging | 50.9% | 56.3% | (5.4ppts) |
| Cost of debt | 3.9% | 4.0% | 0.1ppts |

1. Investment properties are presented net of Bass Hill (\$10.4million) and Rainbow Waters (\$8m) which are assets held for sale.

2. Gearing calculated as net debt divided by total tangible assets. Pro forma gearing for asset sales and Evans Head acquisition 26.6%.

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.

4. ICR covenant is 2.0x (in accordance with bank facility definition)



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