FY16 Results Presentation

30 August 2016 | Gateway Lifestyle Group

GATEWAY LIFESTYLE

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Bayside, QLD

OVERVIEW

Delivering on strategy and positioned for growth

Operational Outcomes	Growth Outcomes	Financial Outcomes
262 home settlements	**$147m** of acquisitions across 17 communities[1]	**$44.8m** underlying net profit after tax ($38.9m statutory net profit after tax)
$100k gross profit per home settled (41% margin)	**3,892** Sites with the potential for new MHEs	**17.12 cents** underlying earnings per security[2] (14.6 cents statutory earnings per security)[2]
$141 pw average manufactured home site rent	**$145m** acquisition debt capacity[3]	**10.88 cents** distributions per security ($29.9m distributions paid or declared)

1. Excluding transaction costs and including the post balance date settlement of Terrigal Sands
2. Volume Weighted Securities (VWS) are calculated based upon the absolute number securities on issue pre and post the equity raise.
3. As at 30 June 2016 excludes post balance date settlement of Terrigal Sands acquisition

PDS key operating metrics

- Average manufactured home site rent of $141 per week in line with PDS forecast
- 262 home settlements with an average profit of $100k per home settled (41% gross margin)
- Active home sales across a wide base of 25 communities to diversify risk
- Increased MHE portfolio to 53 from 36 and from 6,218 sites to 9,515 sites[1]
- Key operating metrics reflect execution of strategy

Key operating metrics	FY16	FY16 PDS forecast	Change	Pro-forma FY15
Rental				
Rental Revenue ($m)	47.8	45.4	5.2%	39.1
Manufactured home site average weekly rate ($)	141.0	141.0	-	138.0
Manufactured Home Settlements				
Gross home settlements revenue ($m)	64.1	63.2	1.4%	30.6
Average selling price ($'000)	244.7	242.0	1.1%	246.4
Average development cost ($'000)	144.4	144.0	0.3%	138.0
Net profit per manufactured home settled ($'000)	100.4	98.0	2.4%	108.4
Manufactured homes settled	262	261	0.4%	124
Portfolio				
MHEs (end of period)	53[1]	36	47.2%	36
MHEs in development	25	24	4.2%	15

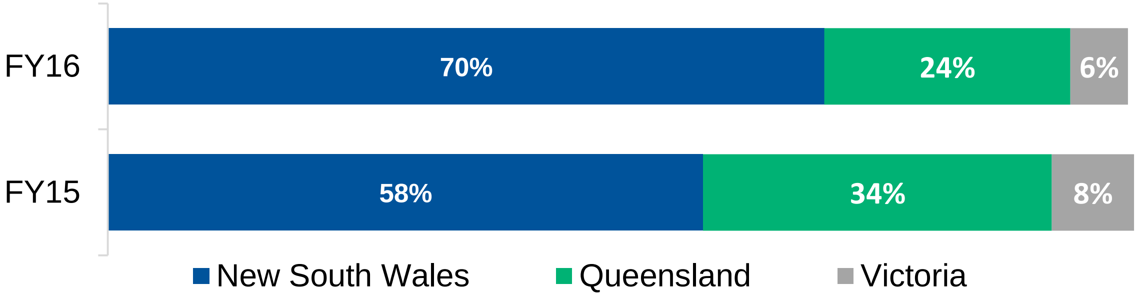
1. Includes post balance date settlement of Terrigal Sands

Portfolio overview

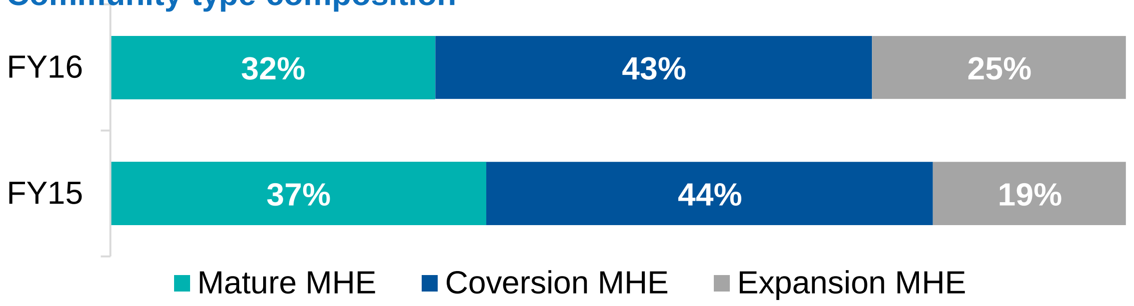
- 17 communities acquired in FY16 for $147 million[1] resulting in a total of resulting in a total of 53 communities
- 5,623 occupied manufactured home sites and over 8,400 residents
- 3,892 potential development sites
- Balanced mix of mature and growth assets

Communities	Qty	Total sites	Occupied manufactured home sites	Development sites
Mature MHEs	17	2,668	2,553	115
Conversion MHEs	23	4,250	1,576	2,674
Expansion MHEs	13	2,597	1,494	1,103
TOTAL[1]	**53**	**9,515**	**5,623**	**3,892[2]**

Geographic composition[3]



Community type composition[3]



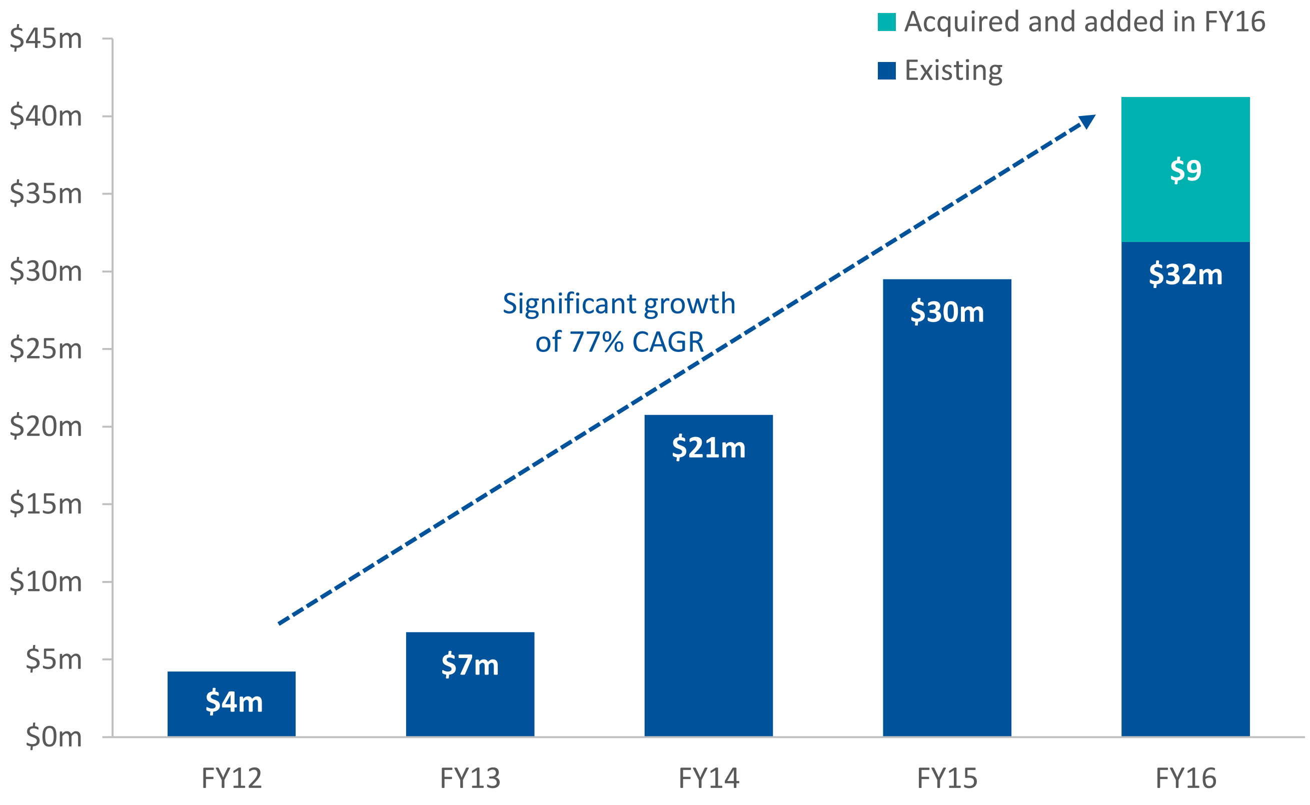
1. Excluding transaction costs and including post balance date settlement of Terrigal Sands
2. Some of the potential MHE sites may be subject to various regulatory and other approvals, including planning approvals from relevant local government authorities and applicable conversion ratios
3. Calculated by community and includes post balance date settlement of Terrigal Sands acquisition

OPERATIONAL RESULTS

Strong site rental income growth – 1,577 occupied sites added

- Strong residential site revenue base providing 83% of total rental revenue
- Annualised site rental income of $41 million at year end ($11 million increase from FY15 at year end)
- Average MH site rent of $141 per week
- ~8,400 residents in Gateway communities

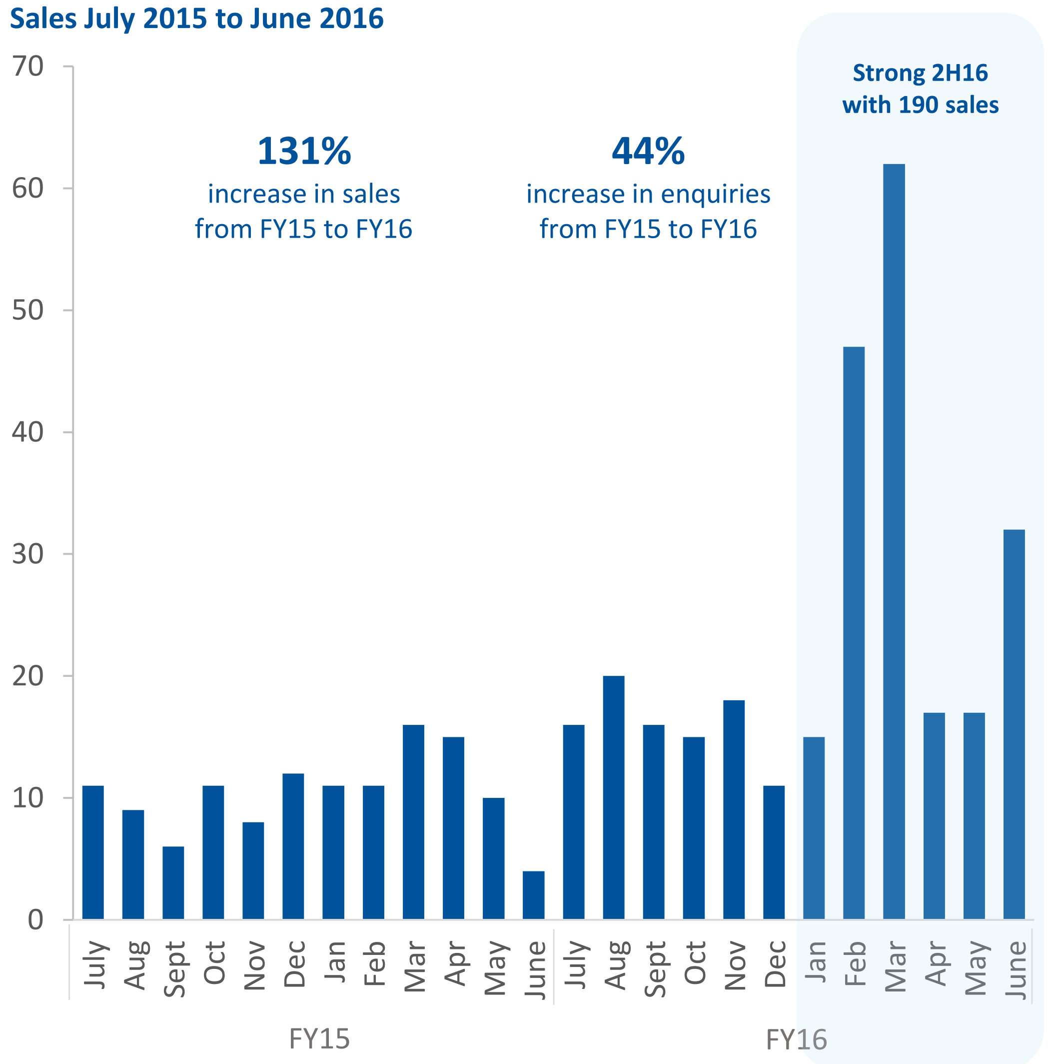
Growth in annualised site rental income



	FY12	FY13	FY14	FY15	FY16
Communities	5	9	24	36	53
MH occupied sites (ye)	654	1,008	2,979	4,046	5,623
Residential Rent (pw)	$124	$129	$134	$138	$141

Home settlements in line with forecast

- Settled 262 homes across 25 communities (in line with PDS forecast)
- Momentum of home settlements continue into FY17 with 75 committed sales at year end
- Key metrics in line with PDS:
  - Average selling price of $244k (PDS: $242k)
  - Average MHE development cost of $144k (PDS:$144k) driven by volume
- Actively selling across 16 communities in 1H17 and forecast to sell across 25 communities by year end



Delivering on community conversion strategy – accelerated programs

- Continued execution of master planning communities
- Planning approval for expansion with 83 additional sites at Regal Waters, Redlands and The Retreat
- Residential planning approval for full MHE conversion of 5 communities
- Staged planning approval for conversion of two additional communities
- Strategic advancement of conversion plan to meet demand at Aspley, Twin Cedars, Salamander Bay and Sussex Inlet
- Residential conversion strategies reflect a focus on the long term business plan
- Focus remains on conversion of all sites to residential sites over the long term


Aspley, QLD


Twin Cedars, QLD


Redlands, QLD


Regal Waters, NSW

Acquisitions[1]

- Strategic acquisition of 17 communities
- Acquisition cost of $147 million excluding transaction costs
  - Average cost per site of $43k
- Mix of mature and growth assets consistent with portfolio
- 3,403 additional sites with 1,367 occupied residential sites
- Actively reviewing new opportunities

Community	Qty	Sites	Acquisition Price ($'000)	Value per Site ($'000)
Mature MHEs	3	247	19,400	78.5
Conversion MHEs	7	1,483	55,000	37.1
Expansion MHEs	7	1,673	72,220	43.2
Total/Average	**17**	**3,403**	**146,620**	**43.1**


Bayside Community Facilities, QLD


Bayside Residence, QLD

1. Includes post balance date settlement of Terrigal Sands

FINANCIAL RESULTS

Underlying income statement

$ million	FY16	FY16 PDS forecast	Change ($m)	Change (%)
Rental revenue	47.8	46.8	1.0	2%
Manufactured home settlements	64.1	63.2	0.9	1%
Revenue	**112.0**	**110.0**	**2.0**	**2%**
Operating expenses	(15.7)	(17.5)	1.8	(10%)
Manufactured home expenses	(37.8)	(37.6)	(0.2)	1%
Corporate costs	(12.2)	(8.9)	(3.3)	37%
Total expenses	(65.7)	(64.0)	(1.7)	3%
Operating EBITDA	**46.3**	**46.1**	0.2	(0%)
Depreciation and amortisation	(0.1)	(0.5)	0.4	(70%)
Interest expense	(5.8)	(2.5)	(3.3)	132%
Income taxes	4.4	(1.7)	6.1	(359%)
Net profit after tax	**44.8**	**41.4**	3.4	8%

- Operating revenue of $112 million (2% above PDS forecast)
- Short term rental revenue impacted by accelerated community conversions and acquisitions
- Manufactured home operating margin of 67%
- Development profit of $100.4k per home – gross margin of 41%
- Corporate platform developed to facilitate continued growth and to deliver upon the business plan
- Interest expense reflects the additional acquisitions funded by debt
- Tax benefit is the result of restructuring

Statutory income statement

$ million	FY16	FY16 PDS forecast	Change ($m)	Change (%)	FY15
Revenue					
Rental revenue	47.8	45.4	2.4	5.2%	5.4
Manufactured home settlements	64.1	63.2	0.9	1%	0.5
Other revenue	1.8	1.4	0.6	42%	0.1
Total revenue	**113.8**	**110.0**	**3.9**	**3%**	**6.0**
Operating expenses	(16.7)	(17.5)	0.8	(5%)	(4.9)
Manufactured home expenses	(37.8)	(37.6)	(0.2)	1%	(0.4)
Corporate costs	(20.8)	(8.9)	(12.1)	135%	(28.9)
Operating EBITDA	**38.4**	**46.0**	**(7.6)**	**(18%)**	**(28.2)**
Net gain/(loss) on fair value	1.2	0.0	1.2	N/A	0.1
Depreciation and amortisation	(0.1)	(0.5)	0.4	(70%)	0.0
Finance costs	(6.8)	(2.5)	(4.3)	171%	(2.7)
Income taxes	6.2	(1.7)	7.9	(463%)	0.0
Statutory net profit after tax	**38.9**	**41.4**	**(2.5)**	**(7%)**	**(30.8)**
Reconciliation items					
Non-recurring operational	0.9	-	-		
Non-recurring corporate	4.1	-	**-**		
Tax Benefit from Significant Items	(1.7)				
Non-cash statutory adjustments	2.6	-	**-**		
Underlying net profit after tax	**44.8**	**41.4**	**3.4**		

Capacity for balance sheet growth

- Increase of $171 million to $518 million in the value of investment properties
- $145 million available debt capacity[1]
- Low gearing of 17% below target gearing range of 25-35%
- Strong interest cover ratio of over 6.1x
- Cash balance at year end of $18.6 million

Key debt metrics

	30 June 2016	30 June 2015
Drawn debt	$105m	$52.5m
Interest cover	6.1x	n/a
Gearing[2]	16.8%	12%
Debt capacity	$145m[1]	$127.5m

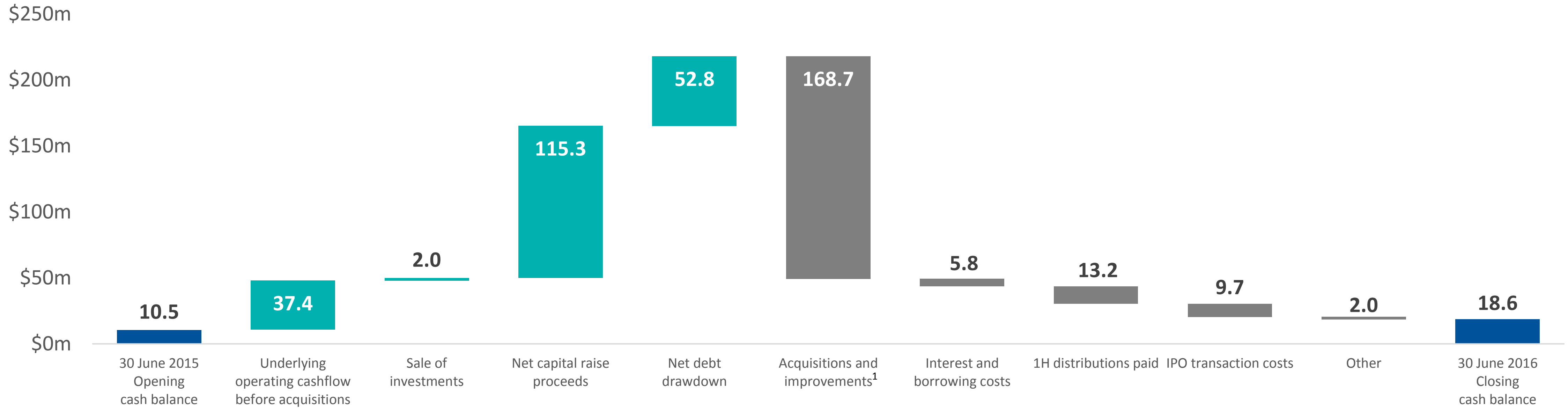
Edgewater, QLD

1. As at 30 June 2016 and excluding the payment for the acquisition of Terrigal Sands settled on 22 July 2016
2. Gearing calculated as net debt divided by total tangible assets

Underlying operating cash flow

- $37.4 million in underlying operating cashflow – 81% correlation to underlying EBITDA
- $29.9 million in distributions paid or declared

$ million	**FY16**
Operating cashflow	31.8
Add: transactional costs	0.3
Add: income taxes	0.5
Add: net interest paid	3.3
Underlying adjustments	1.5
Underlying operating cashflow	**37.4**
Conversion rate	81%



1. Excludes post balance date settlement of Terrigal Sands

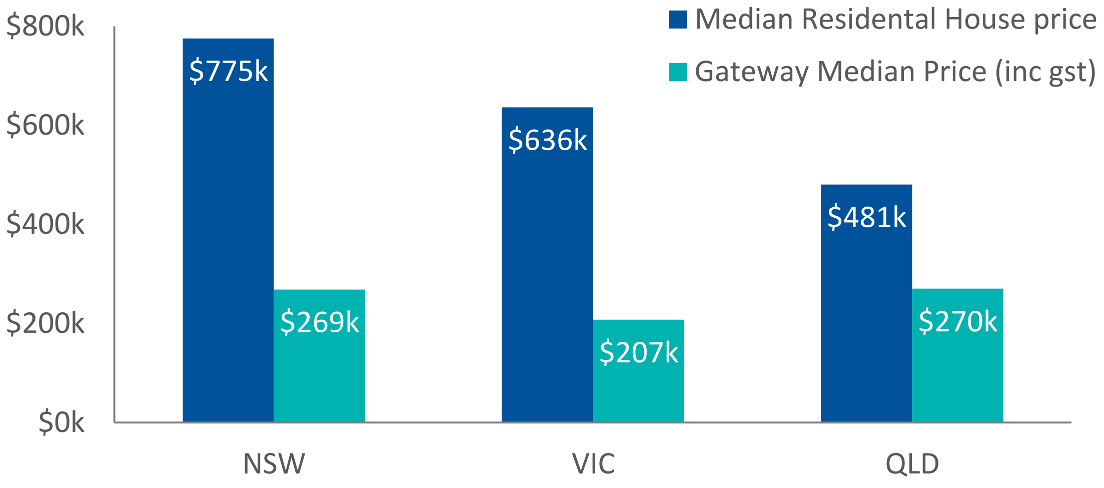
MARKET OVERVIEW

Market overview – MHE offering real retirement options

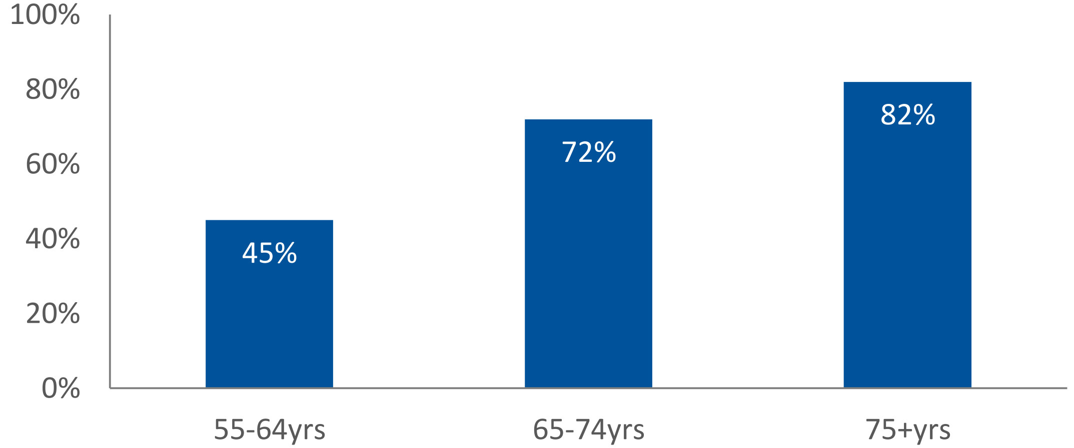
- Market outlook remains strong
  - Gateway home pricing positioned to take advantage of growing property prices with Gateway median price at 50-60% of the median residential house price in the area
  - Growing awareness of residential land lease communities
  - Demand for affordable housing is expected to continue and result in innovative options
- Impact of housing prices and housing affordability gap continues to impact on lifestyles for senior Australians
  - Over 55 demographic growing at 2x the population
  - Majority of residents continue to be pensioners with growing market of single resident buyers
- Land lease model is simple and transparent with no direct government funding and provides a simple retirement solution
- Price gap provides opportunity for retirees to release capital to assist with living costs

Source: Australian Bureau of Statistics - 2016

Gateway pricing vs median house price[1]



Property ownership with no mortgage[1]



OUTLOOK

Outlook

Strategic outlook

- FY16 reaffirmed business strategy
- Focused on increasing long term site rental income with organic growth
- Strong debt capacity to continue acquisition growth
- Industry continues to gain momentum and awareness with further opportunity for further consolidation
- Acquisitions expected to continue
- Continue to undertake due diligence on a number of attractive acquisitions

FY17 Guidance

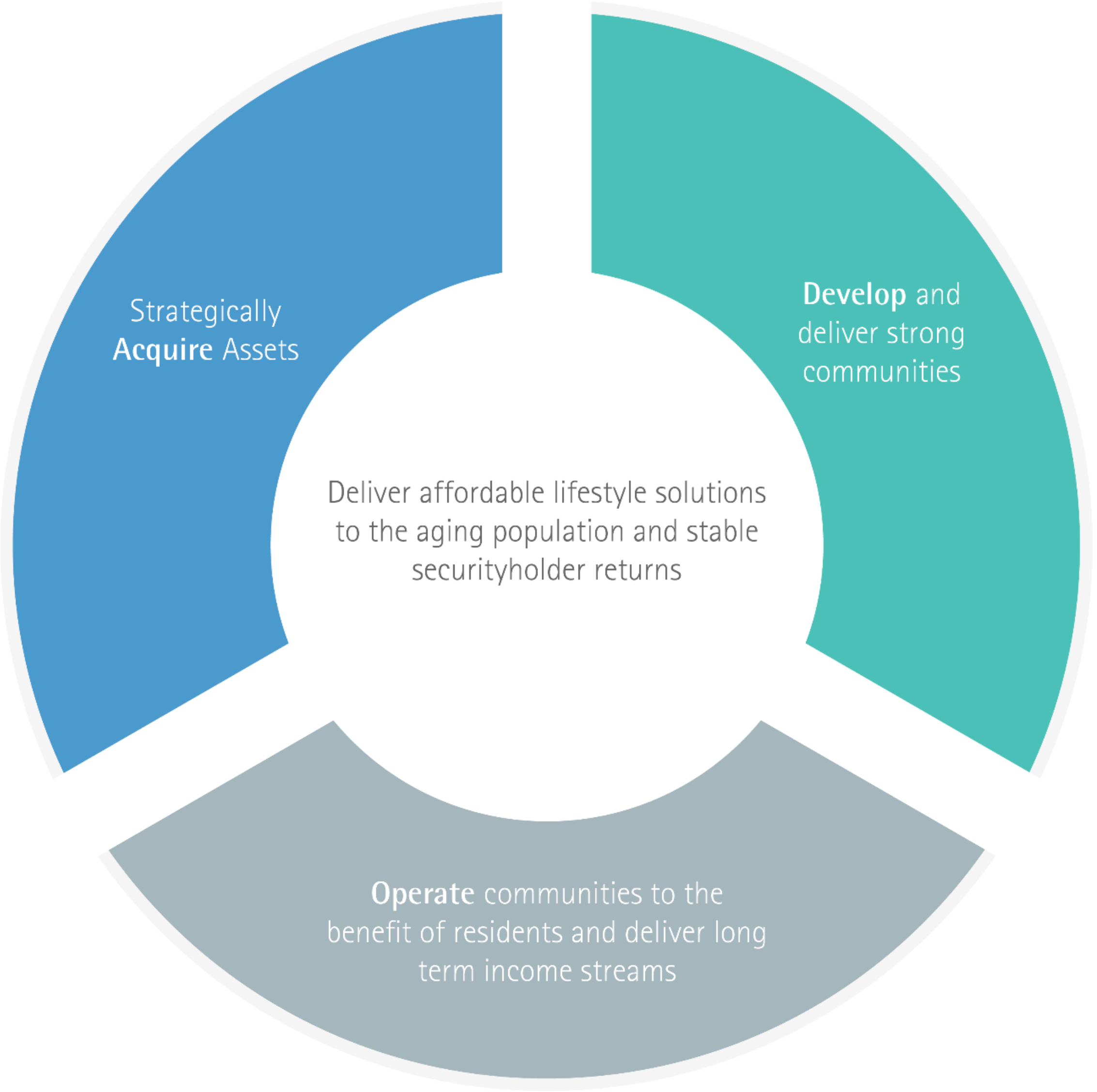
- Target growth of ~5% in underlying net profit after tax excluding further acquisitions for FY17
- Distributions payout policy remains unchanged at 65-85% of distributable earnings
- Guidance is subject to no material changes to market conditions

QUESTIONS AND ANSWERS

APPENDICES

APPENDICES

Appendix 1: Gateway Lifestyle Business Model



Appendix 2: Consolidated Balance Sheet

$ million	FY16	FY15	Change ($)	Change (%)
Assets				
Cash	18.6	11.3	7.3	64.6
Other Current Assets	15.5	18.1	-2.6	-14.5
Investment properties	516.1	347.2	168.9	48.7
Goodwill	140.7	140.4	0.3	0.2
Other non-current assets	10.9	3.7	7.2	192.3
Total assets	**701.8**	**520.7**	**181.1**	34.8
Liabilities				
Borrowings	-102.8	-50.2	-52.6	104.9
Other liabilities	-40	-36.2	-3.8	10.5
Total liabilities	**-142.8**	**-86.4**	**-56.4**	65.3
Net assets	**559.0**	**434.3**	**124.7**	28.7
Equity				
Contributed equity	583.4	467.9	115.5	24.7
Accumulated Profit/(Losses)	-24.4	-33.5	9.1	-27.2
Total equity	**559.0**	**434.3**	**124.7**	28.7

Appendix 3: Consolidated Cashflow Statement

$000s	FY16	FY15	Change (%)
Net cash flows from operating activities	31.8	-30.1	205.7
Net cash flows from (used in) investing activities	-176.6	-181.1	2.4
Net cash flows from (used in) financing activities	152.9	220.0	30.5
Net increase (decrease) in cash held	**8.0**	**8.9**	**10.1**
Opening cash brought forward	10.5	1.6	556.3
Closing cash carried forward	**18.6**	**10.5**	**77.1**

Appendix 4: Underlying Operating EBITDA Waterfall


THANK YOU