

Australia Small and Mid Cap

Equity Research

Significant cap rate compression still to come in the RLLC industry

What cap rates are being priced into LIC, GTY, and INA's shares?

We estimate the stock prices of LIC, GTY, and INA are currently implying 7.5% cap rates. We use 6.5% in our SOTP valuations for each stock, which is where we expect cap rates to fall to over the next 18 months. This suggests a valuation discount for RLLCs to other Australian property asset classes. This is in contrast to the US, where manufactured home (MH) communities have been trading at significantly lower cap rates (higher valuation) than other US property asset classes.

What are the current US MH cap rates?

US cap rates are currently 5%-6% for MH communities and c.7% for RV (recreation vehicle) parks. RV parks are akin to caravan parks in Australia which generally fall under tourism or the mixed use parks category. MH communities in the US are similar to RLLC/MHE (Residential Land Lease Communities/Manufactured Home Estates) communities in Australia although they can more commonly be all-ages facilities and are generally larger in terms of the number of lots. Broadly we think these assets are comparable to the Australian sector, consisting of affordable relocatable homes which sell for a discount to the local average house prices.

Why are Australian RLLC cap rates higher vs. the US?

Australian cap rates are currently c.8% for a pure RLLC community and c.9% for mixed use (tourism) parks. This represents a c.6% spread vs. the bond rate and compares to a c.5% average spread. In our view, this spread is likely to narrow as the sector matures. US MH assets trade at a 3.5%-4.0% spread to the US 10-year bond. We see RLLCs as low-risk, annuity-style assets, which effectively offer 100% occupancy in perpetuity. We believe the main reason for Australian RLLC cap rates being higher than the US is the relative immaturity of the sector. Until recently the level of corporate ownership was very low. However, this is changing rapidly and we believe further corporatisation and offshore interest in the sector is likely to emerge which may be a potential catalyst for cap rate compression.

INA – minor earnings changes post DMF divestment

We have updated our forecasts for INA post the completion of the sales of 5 DMF (Deferred Management Fee) villages to Forum Partners for A\$41mn. This results in a 2.1%/2.8%/3.0% cut to our FY17/FY18/FY19 estimates. Our 12-month price target falls 3.1% to A\$3.15.

UPCOMING EVENTS

	AGM Dates
LIC	29th Nov-16
INA	15th Nov-16
GTY	17th Nov-16

Source: Company data

KEY FINANCIAL DATA

FY17E	LIC.AX	INA.AX	GTY.AX
AFFO (A\$m)	22.0	20.2	47.4
AFFO per share (Acps)	21.0	16.6	15.8
P/AFFO	17.1	16.2	15.0
3 Yr AFFO CAGR	25.3%	18.1%	10.9%
DPU	5.2	10.9	11.9
Yield	1.4%	4.0%	5.0%

Source: Goldman Sachs Global Investment Research.

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Overview: We compare the US MH sector to Australia's

Penetration of affordable housing in the US is much higher than in Australia. In our view, affordable housing communities (RLLCs) are likely to become a much larger proportion of housing in Australia for a number of reasons: 1) poor housing affordability, 2) supply shortages, 3) the lack of retirement savings, 4) a simpler structure compared to DMF housing, and 5) that RLLC provides an attractive form of equity release.

We see the RLLCs rivalling the traditional DMF retirement sector in terms of size over the next 10 years. In our view its simpler structure is attractive to customers and the annuity-style income is attractive to investors. Among our RLLC stocks, we prefer LIC (CL-Buy) due to its superior 3-year CAGR (25.3% FY16-FY19E) and high IRR greenfield model. INA (Buy) is our second most preferred due to its 18.1% 3-year CAGR driven by strong growth in home settlements numbers. We remain Neutral on GTY but see decent valuation and yield support. We see this group of stocks all benefiting from the aging population theme and evolution of the Australian RLLC industry.

Exhibit 1: RLLC stocks' valuation summary

RLLC - Valuation and Price Target summary (A\$)			
	GTY	INA	LIC
SOTP	2.60	2.85	3.90
P/AFFO	2.35	3.10	4.40
DCF	2.98	3.05	3.05
Average Valuation	2.65	3.00	3.77
Cost of equity	9%	9%	9%
12 month dividend	0.12	0.11	0.05
12-M Price Target	2.75	3.15	4.00
Current Share Price	2.38	2.70	3.60
Upside	15%	17%	11%
Yield at current price	5.0%	4.0%	1.4%
Yield at valuation	4.5%	3.6%	1.4%

Note: Current prices are as of November 3, 2016 close.

Source: IRESS, Goldman Sachs Global Investment Research.

Key risks

Lifestyle Communities Ltd. (LIC.AX, CL-Buy): (-) A fall in residential house prices; Federal budget pressures could see further increases in the retirement age; Higher land costs or building costs; Land availability could be a bottleneck, impacting future sales volumes.

Ingenia Communities Group (INA.AX, Buy): (-) A significant fall in residential house prices, further increases in the retirement age, higher asset prices, land costs or building costs could impact project IRRs.

Gateway Lifestyle Operations Ltd. (GTY.AX, Neutral): (-) Fall in residential house prices; increase in the retirement age or changes in the age pension; higher asset prices or building costs; delays in receiving DA approvals. (+) Higher home settlements than we forecast; rent reviews across the portfolio; accretive acquisitions.

Australian cap rates vs. US

We analyse the cap rates of various property asset classes in Australia and USA, including RLLC and mixed use communities vs. broader residential retail, office and industrial.

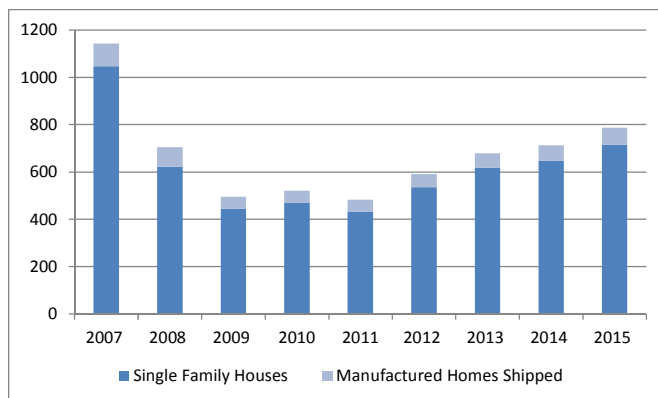
There are three listed MH stocks in the US (not covered): Equity Lifestyle Properties (ELS), Sun Communities (SUN), UMH Properties (UMH). All three reported at recent earnings conference calls cap rates of currently 4%-6% for MH and 5%-7% for RV properties.

Annual production volumes of US manufactured homes have historically been much higher than Australia as a percentage of total new home builds. We believe the industry is in the early stages of evolution in Australia and in our view may explain why assets in the sector trade at a significant cap rate premium (valuation discount) to other property asset classes.

Manufactured homes in the US account for c.10% of new homes constructed. In Australia we estimate that MH volumes account for c.1% of volumes or 2000 manufactured homes out of c200,000 annual new housing market.

Exhibit 2: MHE volumes

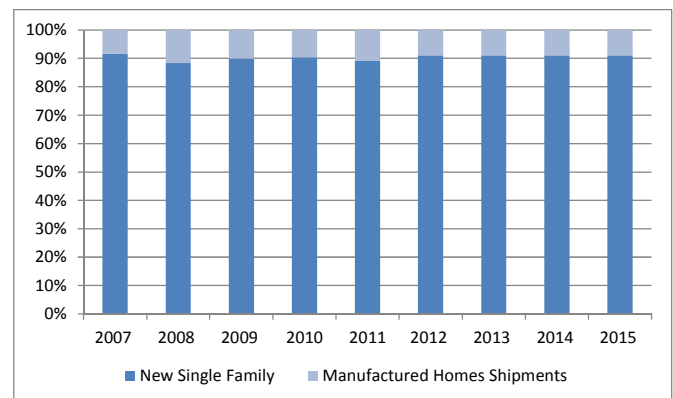
Housing starts vs MH shipments (thousands of units)



Source: US Census Bureau.

Exhibit 3: MH shipments represent c.10% of new homes

Housing starts vs MH shipments



Source: US Census Bureau

Cap rates for US property asset classes

Recent earnings conference commentary from ELS, SUI, and UMH suggests the US quality MH community assets have traded at cap rate of 5%-6% over the last 3 years, with recent transactions trending more to the bottom end of this range. Recreational vehicle (RV) communities have traded at c.200 bp premium to this. We believe the US multi-family cap rate data series (sourced from Bloomberg) is a good proxy for MH cap rates in the US.

Interestingly US MH communities and multi-family property assets have traded at cap rates on average below (valuation premium) other US property asset classes with the average spread being 50-100bp.

This is in contrast to the cap rate differential in Australia where quality RLLC communities have traded at a cap rate premium (valuation discount) of 75bp-100bp vs. prime industrial, c.200bp vs. prime office and 200bp-300bp to super and major retail assets since 2009.

In our view this is because the Australian RLLC (MH) market is relatively immature vs. the MH sector in the US. We believe the Australian RLLC market will evolve significantly with the annual build likely to reach 4,000-10,000 homes p.a. over the next 25 years (see below). This might still only represent 3%-6% of new homes built per year vs. 10% in the US.

If one considers the relatively high cost of housing in Australia vs. the US, then it could be conceivable that manufactured housing could become a greater proportion of new homes build per year than the US. At 10% of an assumed (through the cycle) annual new home market of 160,000 homes, this could imply 16,000 manufactured homes per year or 8x the current estimated annual build rate.

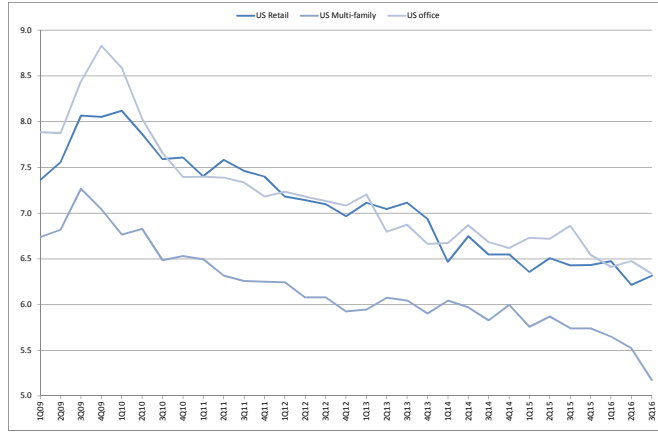
Exhibit 4: 10,000 RLLC homes p.a. would account for c.6% of new housing stock
Potential demand for RLLC housing in Australia

Potential demand For RLLC housing	
Australians on full or part age pension in 2013	2,349,927
RLLC market share (90% residents on pension & 50% of households are couples)	3.3%
Residents of RLLCs (assuming 50% of houses are couples)	78015
1.5 people per home average	
Estimated Number of people on full or part age pension in 2040	4,553,409
Scenario 1) market share maintained	
Share	3.3%
Implied RLLCs required at 3.3% share	100,779
Implied CAGR in volume of houses	2.7%
Additional RLLC houses	48,769
Houses required p.a.	1,951
Scenario 2) market share rises to 5% of aged pensioners by 2040	
Share	5.0%
Implied RLLCs required at 5% share	151,780
Implied CAGR in volume of houses	4.4%
Additional RLLC houses	99,770
Houses required p.a.	3,991
Scenario 3) market share rises to 7.5% of aged pensioners by 2040	
Share	7.5%
Implied RLLCs required at 7.5% share	227,670
Implied CAGR in volume of houses	6.1%
Additional RLLC houses	175,660
Houses required p.a.	7,026
Scenario 4) market share rises to 10% of aged pensioners by 2040	
Share	10.0%
Implied RLLCs required at 10% share	303,561
Implied CAGR in volume of houses	7.3%
Additional RLLC houses	251,551
Houses required p.a.	10,062

Source: ABS, Company data, Goldman Sachs Global Investment Research.

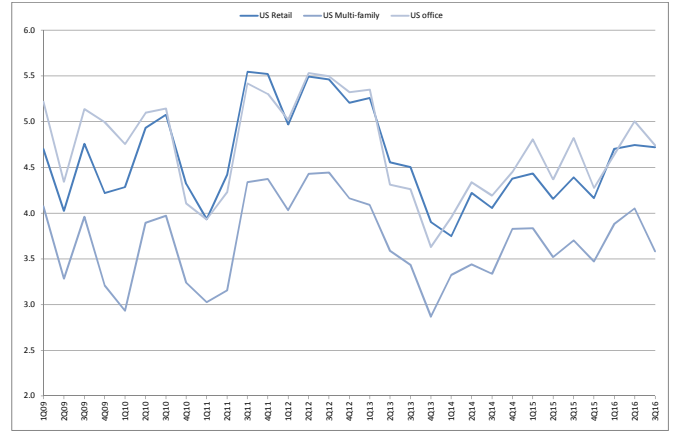
We forecast cap rates to fall (valuation to rise) over the next two years to c.6.5% for A-grade pure RLLC assets in Australia. This is likely to be a significant premium to Australian residential gross yields, which currently sit at 3%-4% across the capital cities (source: Real Estate Institute of Australia, Market Facts June 2016).

Exhibit 5: US Multi-family cap rates are a good proxy for US Manufactured Housing



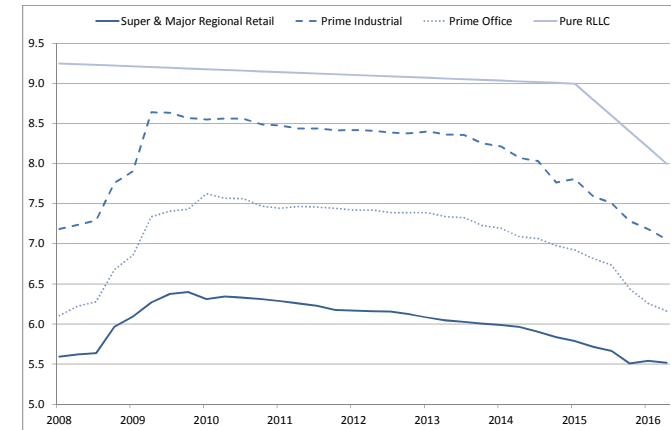
Source: Bloomberg

Exhibit 6: US Multi-family spreads are the low US Property cap rate spreads over the 10-year bond rate



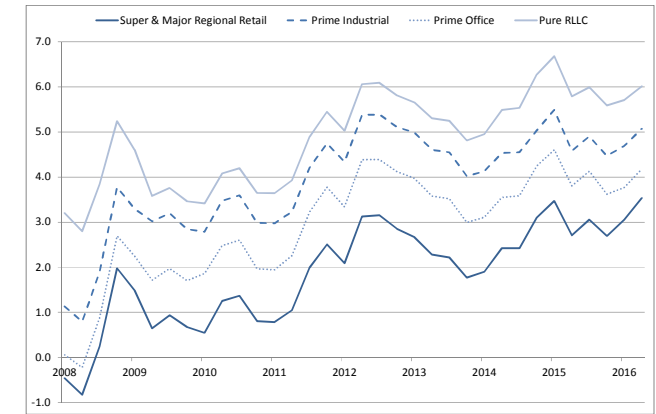
Source: Bloomberg

Exhibit 7: Australian RLLC cap rates remain high Australian property cap rates across asset classes



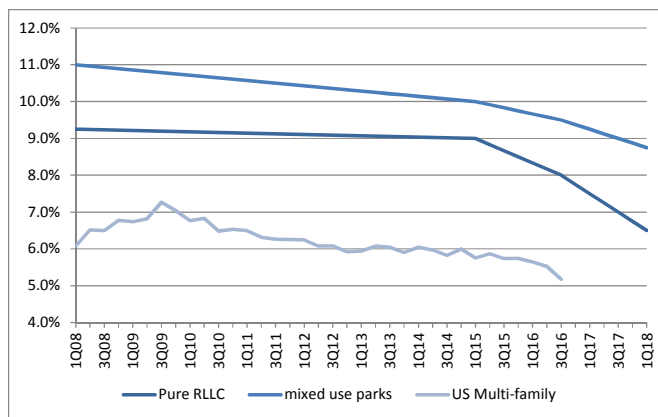
Source: MSCI IPD, JLL, Colliers Edge, Goldman Sachs Global Investment Research.

Exhibit 8: Australian spreads



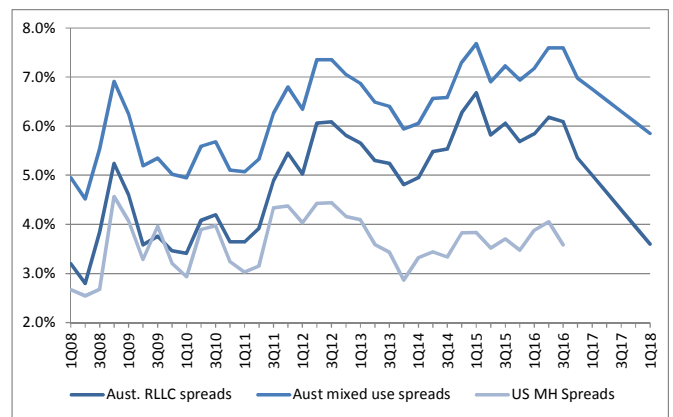
Source: MSCI IPD, JLL, Colliers Edge, Goldman Sachs Global Investment Research.

Exhibit 9: Australian RLLC cap rates vs US Multi-family



Source: Bloomberg, Goldman Sachs Global Investment Research.

Exhibit 10: Australian RLLC spreads vs US Multi-family



Source: Bloomberg, Goldman Sachs Global Investment Research

Global Valuation Comp: Australian RLLC stocks vs. global peers

Below is a comparison of the Australian RLLC stocks vs the global peers, including other retirement and land lease stocks.

Exhibit 11: Global company comparison

Ticker	Company name	Local Currency	Price (LC)	Mkt Cap (LC mn)	Yield FY1	3-yr EPS CAGR FY0-FY3*	P/AFFO				P/B Jun Y/E FY17	Net debt FY1	PEG FY17 P/AFFO / 3yr CAGR
							FY1	FY2	FY3	Jun Y/E FY17			
GTY.AX	Gateway Lifestyle Operations Ltd.	A\$	2.38	713	5.0%	5.5%	15.0	13.4	12.1	15.0	1.2	171.3	2.7
INA.AX	Ingenia Communities Group	A\$	2.70	465	4.0%	18.1%	16.2	13.0	12.3	16.2	1.1	146.1	0.9
LIC.AX	Lifestyle Communities Ltd.	A\$	3.60	375	1.4%	25.3%	17.1	14.1	12.4	17.1	2.5	58.7	0.7
Australian retirement DMF & rental													
AOG.AX	Aveo Group	A\$	3.17	1,843	2.8%	7.0%	17.5	15.5	15.2	17.5	1.0	427.1	2.5
EGH.AX	Eureka Group Holdings Ltd	A\$	0.71	163	na	17.3%	13.6	9.8	8.4	13.6	2.5	35.7	0.8
New Zealand retirement DMF													
RYM.NZ	Ryman Healthcare Ltd	NZ\$	8.51	4,255	2.1%	-7.2%	23.8	20.3	17.4	22.9	2.8	545.9	-3.2
MET.NZ	Metlifecare Ltd	NZ\$	5.45	1,161	1.2%	13.0%	15.4	14.0	12.2	15.4	1.0	74.2	1.2
SUM.NZ	Summerset Group Holdings Ltd	NZ\$	4.68	1,032	1.5%	22.5%	19.8	17.0	14.5	18.4	2.0	241.5	0.8
US Manufactured Housing Sites													
ELS	Equity LifeStyle Properties Inc	US\$	73.65	6,283	2.3%	9.5%	22.5	21.0	19.8	21.8	7.6	2065.5	2.3
SUI	Sun Communities Inc	US\$	76.18	5,563	3.4%	10.9%	20.3	17.8	16.9	19.0	2.7	2300.0	1.7
UMH	UMH Properties Inc	US\$	11.62	322	6.2%	26.8%	17.0	14.7	11.8	15.9	2.6	338.1	0.6
US Single Family Rental Owners													
AMH	American Homes 4 Rent	US\$	20.20	4,816	1.0%	24.9%	21.3	18.9	16.9	20.1	1.4	2523.3	0.8
SFR	Colony Starwood Homes	US\$	28.09	2,851	3.1%	34.4%	17.4	15.0	13.8	16.2	1.2	1828.1	0.5
US Public Multifamily owners													
AVB	AvalonBay Communities Inc	US\$	169.57	23,284	3.2%	5.0%	20.5	19.3	18.1	19.9	2.6	6056.4	3.9
CPT	Camden Property Trust	US\$	80.73	7,062	7.1%	1.6%	17.6	17.7	16.9	17.6	1.5	2714.1	10.7
EQR	Equity Residential	US\$	60.87	22,224	8.2%	-1.7%	20.5	19.3	18.4	19.9	2.5	9996.7	-11.5
MAA	Mid-America Apartment Communities Inc	US\$	92.57	6,993	3.6%	5.1%	15.5	15.1	14.0	15.3	2.5	3390.0	3.0
Overall Mean					3.5%	12.8%	18.3	16.2	14.8	17.8	2.3	1936.0	1.1
Overall Median					3.2%	10.9%	17.5	15.5	14.5	17.5	2.5	545.9	0.9

Note: Estimates for GTY, INA, LIC and EQR are GS; all other stocks are based on Bloomberg consensus as we do not cover them. Current prices are as of November 3, 2016 close.

Source: Bloomberg, Goldman Sachs Global Investment Research.

Sum of the parts valuations: We use 6.5% cap rate for each stock

Below are the SOTP valuations for LIC, GTY and INA. We estimate c.7.5% is currently implied in the share prices of each stock, suggesting there is room for further share price appreciation if our cap rate compression scenario comes to fruition. Except for INA, our target prices and estimates are unchanged.

Exhibit 12: LIC's sum of the parts valuation

LIC Sum of the Parts FY17E	No of sites	Revenue	EBITDA	Multiple	Value	Earnings yield	% of total EV	A\$/share	Comment
Community Management (Rental Income)	1,608	15.3	6.2	15.4x	95.6	6.5%	20%	\$0.91	We expect cap rate compression to continue over the next 12 month and assume a cap rate of 6.5%, down from current levels of c.8% for individual assets.
DMF	1,608	3.2	3.2	16.1x	52.4		11%	\$0.50	Average DMF valuation per unit of A\$32.5k per site, as per company data
Development Income (adjusted - infrastructure costs)	260	72.4	27.9	10.0x	279.3	10.0%	60%	\$2.67	We use 10x multiple, which compares to 11-13x for GS AREIT coverage
Corporate overheads			-5.2	8.0x	-41.5	12.5%	-9%	-\$0.40	8% cap rate as LIC is able to benefit from scale benefits
Rental from future development pipeline	1,230	12.7	8.3	10x	82.6	10.0%	18%	\$0.79	Cap rate of 10%, consistent with GS AREIT coverage
Total		90.9	32.2		468.5		100%	\$4.48	
FY17 net debt					(58.7)			-\$0.56	
No. of Shares on issue					104.7				
Valuation per share					\$3.90				

Source: Company data, FactSet, Goldman Sachs Global Investment Research.

Exhibit 13: INA's sum of the parts valuation

INA Sum of the Parts	No of sites	Revenue	EBITDA	Multiple	Value	Earnings yield	% of total EV	A\$/share	Comment
ALE Long term sites	1,986	14.2	8.5	15.4x	131.2	6.5%	21%	\$0.76	We expect cap rate compression to continue over the next few years due to competition, and assume a cap rate of 6.5%, down from current levels of c.8% for individual assets.
Short term sites and other rev	2,852	44.0	15.2	11.1x	168.9	9.0%	27%	\$0.97	9% cap rate, consistent with other short term accommodation peers
Development profit	200	58.7	21.2	10.0x	211.9	10.0%	33%	\$1.22	Development cap rate of 10%, consistent with GS AREIT coverage
ALE overheads			-5.0	8.0x	-40.4	12.5%	-6%	-\$0.23	8% cap rate as INA is able to benefit from scale benefits
Total ALE		116.9	39.9	11.8x	471.7	8.5%	74%	\$2.72	
rental from future developments	1,771	14.2	9.3	10.0x	92.6	10.0%	15%	\$0.53	Cap rate of 10%, consistent with GS AREIT coverage
Garden Villages			10.8	10.5x	113.2	9.5%	18%	\$0.65	9.5% cap rate, consistent with other short term accommodation peers
Settlers DMF			1.0	12.9x	12.4	7.7%	2%	\$0.07	10% off remaining book value
Corporate overheads			-6.8	8.0x	-54.5	12.5%	-9%	-\$0.31	8% cap rate as INA is able to benefit from scale benefits
Total			44.8	14.2x	635.3				
FY17 net debt					(146.1)			-\$0.84	
No. of Shares on issue					173.6				
Valuation per share					\$2.85				

Source: Company data, FactSet, Goldman Sachs Global Investment Research.

Exhibit 14: GTY's sum of the parts valuation

GTU Sum of the Parts	No of sites	Revenue	EBITDA	Multiple	Value	Earnings yield	% of total EV	A\$/ Share	Comment
RLLC Home Site Rental	6,874	50.0	37.5	15.4x	577.4	6.5%	60%	\$1.93	We expect cap rate compression to continue over the next few years due to competition, and assume a cap rate of 6.5%, down from current levels of c.8% for individual assets.
MHE Development Income	260	64.1	26.6	10.0x	266.0	10.0%	28%	\$0.89	Development cap rate of 10%, consistent with GS AREIT coverage
Corporate overheads			-12.2	8.0x	-97.4	12.5%	-10%	-\$0.33	8% cap rate as GTY is able to benefit from scale benefits
Rental from future developments	4,157		21.4	10.0x	214.0	10.0%	22%	\$0.71	Cap rate of 10%, consistent with GS AREIT coverage
Total	11,031		78.9	12.2x	960.0	8.2%	100%	\$3.21	
FY17 net debt					(171.3)				
No. of Shares on issue					299.4				
Valuation per share					\$2.60				

Source: Company data, FactSet, Goldman Sachs Global Investment Research.

Ingenia (INA.AX) – Earnings changes post DMF divestment

We have adjusted our INA earnings forecasts post the divestment of 5 DMF communities (retirement villages) to Forum Partners, which settled on October 31 for A\$41mn. INA will retail a A\$2.2mn (10%) net equity interest in the assets.

The divestment of the DMF assets has resulted in a 2.1%/2.8%/3.0% cut to our FY17/FY18/FY19 estimates. Accordingly, our 12-month price target falls 3.1% to A\$3.15, which is derived from our FY17 valuation (equally weighted DCF, SOTP, P/AFFO) rolled forward at the group cost of equity less dividends. Our P/AFFO valuation falls 8.8% due to a lower 3-year CAGR over the forecast period (18.1% vs 19.3% previously).

Exhibit 15: Earning and valuation changes

	EBITDA (A\$ mn)			NPAT (A\$ mn)			EPU (A¢)			DPU (A¢)		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
FY16H	24.8	24.8	0.1%	20.2	20.2	-0.2%	13.3	13.3	0.2%	9.3	9.3	0.0%
FY17E	35.6	32.7	-8.0%	29.6	28.9	-2.4%	17.0	16.6	-2.1%	11.1	10.9	-2.1%
FY18E	46.1	43.3	-6.2%	37.7	36.7	-2.6%	21.4	20.8	-2.8%	13.9	13.6	-2.3%
FY19E	57.2	54.2	-5.2%	40.6	39.4	-3.0%	22.6	21.9	-3.0%	15.0	14.5	-3.0%
CAGR ('16-'19)	32%	30%		26%	25%		19%	18%		17%	16%	
				Old	New	% Chg						
SOTP Valuation (A\$/share):				2.80	2.85	1.7%						
P/AFFO Valuation (A\$/share):				3.40	3.10	-8.8%						
DCF Valuation (A\$/share):				3.10	3.05	-1.7%						
Target Price (A\$/share):				3.25	3.15	-3.1%						

Note: We apply a 1.04x ratio based on the median PEG ratio of our RLLC coverage to the 3-year CAGR to arrive at the P/AFFO valuation multiple of 18.9x

Source: Goldman Sachs Global Investment Research.

Lifestyle Communities Ltd.: Summary financials

Profit model (A\$ mn)	6/16	6/17E	6/18E	6/19E	Balance sheet (A\$ mn)	6/16	6/17E	6/18E	6/19E
Total revenue	69.9	91.0	105.9	115.6	Cash & equivalents	3.4	9.8	11.2	17.0
Cost of goods sold	(43.1)	(56.2)	(64.0)	(67.5)	Accounts receivable	0.8	0.8	1.0	1.0
SG&A	(16.6)	(19.5)	(21.8)	(23.6)	Inventory	35.5	38.3	39.6	40.1
R&D	--	--	--	--	Other current assets	0.7	1.5	5.3	10.9
Other operating profit/(expense)	18.9	16.7	18.0	19.2	Total current assets	40.4	50.5	57.1	69.0
EBITDA	29.2	32.0	38.1	43.7	Net PP&E	4.2	4.2	4.2	4.2
Depreciation & amortization	0.0	0.0	0.0	0.0	Net intangibles	0.0	0.0	0.0	0.0
EBIT	29.2	32.0	38.1	43.7	Total investments	163.7	189.4	216.4	244.4
Interest income	0.2	0.1	0.1	0.1	Other long-term assets	14.2	18.7	21.3	22.5
Interest expense	(0.8)	(1.8)	(2.3)	(2.8)	Total assets	222.5	262.9	299.0	340.1
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0	Accounts payable	14.4	19.0	21.6	22.8
Others	0.0	0.0	0.0	0.0	Short-term debt	2.6	2.6	2.6	2.6
Pretax profits	28.6	30.3	35.8	40.9	Other current liabilities	0.6	0.0	0.0	0.0
Income tax	(7.9)	(8.4)	(10.0)	(11.4)	Total current liabilities	17.5	21.5	24.1	25.3
Minorities	(1.3)	0.0	0.0	0.0	Long-term debt	46.0	66.0	81.0	101.0
Net income pre-preferred dividends	19.3	21.9	25.9	29.5	Other long-term liabilities	27.6	27.6	27.6	27.6
Preferred dividends	0.0	0.0	0.0	0.0	Total long-term liabilities	73.6	93.6	108.6	128.6
Net income (pre-exceptionals)	19.3	21.9	25.9	29.5	Total liabilities	91.2	115.1	132.8	153.9
Post-tax exceptionals	0.0	0.0	0.0	0.0	Preferred shares	0.0	0.0	0.0	0.0
Net income	19.3	21.9	25.9	29.5	Total common equity	131.3	147.8	166.3	186.2
EPS (basic, pre-exception) (A¢)	18.7	21.0	24.8	28.3	Minority interest	0.0	0.0	0.0	0.0
EPS (basic, post-exception) (A¢)	18.7	21.0	24.8	28.3	Total liabilities & equity	222.5	262.9	299.0	340.1
EPS (diluted, post-exception) (A¢)	18.6	20.9	24.7	28.2	BVPS (A¢)	126.0	141.8	159.5	178.6
DPS (A¢)	2.5	5.2	7.1	9.2					
Dividend payout ratio (%)	13.4	24.7	28.5	32.5					
Free cash flow yield (%)	(5.6)	1.6	2.1	2.7					
Growth & margins (%)	6/16	6/17E	6/18E	6/19E	Ratios	6/16	6/17E	6/18E	6/19E
Sales growth	(10.8)	30.1	16.3	9.2	CROCI (%)	8.1	13.5	13.9	13.4
EBITDA growth	(10.9)	9.8	19.0	14.6	ROE (%)	15.7	15.7	16.5	16.8
EBIT growth	(10.9)	9.8	19.0	14.6	ROA (%)	9.6	9.0	9.2	9.2
Net income growth	15.7	13.5	18.2	14.2	ROACE (%)	13.3	12.3	12.7	12.6
EPS growth	13.4	12.1	18.2	14.2	Inventory days	226.7	239.9	222.4	215.6
Gross margin	38.4	38.2	39.6	41.6	Receivables days	2.2	3.3	3.1	3.1
EBITDA margin	41.7	35.2	36.0	37.8	Payable days	83.5	108.1	115.6	119.8
EBIT margin	41.7	35.2	36.0	37.8	Net debt/equity (%)	34.4	39.7	43.5	46.5
					Interest cover - EBIT (X)	46.1	18.2	16.4	15.6
Cash flow statement (A\$ mn)	6/16	6/17E	6/18E	6/19E	Valuation	6/16	6/17E	6/18E	6/19E
Net income pre-preferred dividends	19.3	21.9	25.9	29.5	P/E (analyst) (X)	17.8	17.1	14.1	12.4
D&A add-back	0.0	0.0	0.0	0.0	P/B (X)	2.1	2.5	2.3	2.0
Minorities interests add-back	(1.3)	0.0	0.0	0.0	EV/EBITDA (X)	10.8	13.5	11.7	10.6
Net (inc)/dec working capital	(27.4)	(1.8)	(1.2)	(0.6)	EV/GCI (X)	1.7	2.0	1.8	1.7
Other operating cash flow	(4.7)	3.8	3.7	2.6	Dividend yield (%)	1.0	1.4	2.0	2.6
Cash flow from operations	(14.2)	23.9	28.4	31.4					
Capital expenditures	(1.0)	(18.0)	(20.3)	(21.4)					
Acquisitions	(1.2)	(14.0)	(14.3)	(14.6)					
Divestitures	0.0	0.0	0.0	0.0					
Others	5.0	0.0	0.0	0.0					
Cash flow from investments	2.8	(32.0)	(34.6)	(36.0)					
Dividends paid (common & pref)	(2.6)	(5.4)	(7.4)	(9.6)					
Inc/(dec) in debt	9.4	20.0	15.0	20.0					
Common stock issuance (repurchase)	0.8	0.0	0.0	0.0					
Other financing cash flows	(3.4)	0.0	0.0	0.0					
Cash flow from financing	4.2	14.6	7.6	10.4					
Total cash flow	(7.2)	6.5	1.4	5.8					

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

Ingenia Communities Group: Summary financials

Profit model (A\$ mn)	6/16	6/17E	6/18E	6/19E	Balance sheet (A\$ mn)	6/16	6/17E	6/18E	6/19E
Total revenue	107.0	128.5	156.5	186.1	Cash & equivalents	15.1	3.0	4.4	8.2
Cost of goods sold	--	--	--	--	Accounts receivable	6.9	7.9	8.9	9.9
SG&A	(82.2)	(95.8)	(113.3)	(131.9)	Inventory	17.7	26.7	30.4	32.3
R&D	--	--	--	--	Other current assets	0.0	0.0	0.0	0.0
Other operating profit/(expense)	0.0	0.0	0.0	0.0	Total current assets	39.6	37.5	43.7	50.4
EBITDA	24.8	32.7	43.3	54.2	Net PP&E	1.9	1.9	1.9	1.9
Depreciation & amortization	(0.6)	(0.6)	(0.6)	(0.6)	Net intangibles	2.0	2.0	2.0	2.0
EBIT	24.2	32.1	42.6	53.6	Total investments	0.0	0.0	0.0	0.0
Interest income	0.2	0.1	0.1	0.1	Other long-term assets	12.5	21.2	29.9	36.2
Interest expense	(6.8)	(4.3)	(6.0)	(7.3)	Total assets	766.8	843.6	930.8	996.8
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0	Accounts payable	24.9	36.5	43.6	43.6
Others	0.0	0.0	0.0	0.0	Short-term debt	0.5	0.5	0.5	0.5
Pretax profits	17.6	27.9	36.7	46.3	Other current liabilities	209.0	212.8	218.1	218.1
Income tax	2.6	1.0	0.0	(6.9)	Total current liabilities	234.3	249.7	262.2	262.3
Minorities	0.0	0.0	0.0	0.0	Long-term debt	103.6	148.6	203.6	248.6
Net income pre-preferred dividends	20.2	28.9	36.7	39.4	Other long-term liabilities	7.3	7.3	7.3	7.3
Preferred dividends	0.0	0.0	0.0	0.0	Total long-term liabilities	110.9	155.9	210.9	255.9
Net income (pre-exceptionals)	20.2	28.9	36.7	39.4	Total liabilities	345.2	405.6	473.1	518.2
Post-tax exceptionals	4.1	6.3	6.9	7.5	Preferred shares	0.0	0.0	0.0	0.0
Net income	24.3	35.2	43.6	46.8	Total common equity	421.6	438.0	457.7	478.5
EPS (basic, pre-exception) (A¢)	13.3	16.6	20.8	21.9	Minority interest	0.0	0.0	0.0	0.0
EPS (basic, post-exception) (A¢)	16.0	20.3	24.7	26.1	Total liabilities & equity	766.8	843.6	930.8	996.8
EPS (diluted, post-exception) (A¢)	16.0	20.3	24.7	26.1	BVPS (A¢)	244.9	250.1	257.0	264.3
DPS (A¢)	9.3	10.9	13.6	14.5					
Dividend payout ratio (%)	58.0	53.6	55.0	55.8					
Free cash flow yield (%)	(0.3)	2.1	3.9	3.2					
Growth & margins (%)	6/16	6/17E	6/18E	6/19E	Ratios	6/16	6/17E	6/18E	6/19E
Sales growth	41.1	20.1	21.8	18.9	CROCI (%)	2.4	6.2	7.1	7.1
EBITDA growth	34.0	31.9	32.1	25.3	ROE (%)	6.3	8.2	9.7	10.0
EBIT growth	34.1	32.7	32.7	25.7	ROA (%)	3.4	4.4	4.9	4.9
Net income growth	(5.6)	44.9	24.0	7.4	ROACE (%)	5.9	6.1	6.9	6.8
EPS growth	(14.5)	26.3	21.9	5.6	Inventory days	NM	NM	NM	NM
Gross margin	NM	NM	NM	NM	Receivables days	19.1	20.9	19.5	18.3
EBITDA margin	23.2	25.5	27.6	29.1	Payable days	NM	NM	NM	NM
EBIT margin	22.6	25.0	27.2	28.8	Net debt/equity (%)	21.1	33.4	43.6	50.3
					Interest cover - EBIT (X)	3.7	7.6	7.2	7.4
Cash flow statement (A\$ mn)	6/16	6/17E	6/18E	6/19E	Valuation	6/16	6/17E	6/18E	6/19E
Net income pre-preferred dividends	20.2	28.9	36.7	39.4	P/E (analyst) (X)	20.5	16.2	13.0	12.3
D&A add-back	0.6	0.6	0.6	0.6	P/B (X)	1.1	1.1	1.1	1.0
Minorities interests add-back	0.0	0.0	0.0	0.0	EV/EBITDA (X)	20.2	18.7	15.6	13.2
Net (inc)/dec working capital	16.8	1.6	2.4	(2.8)	EV/GCI (X)	1.0	1.1	1.1	1.0
Other operating cash flow	(16.5)	0.0	0.0	0.0	Dividend yield (%)	3.4	4.0	5.0	5.4
Cash flow from operations	21.0	31.1	39.7	37.2					
Capital expenditures	(22.2)	(21.3)	(21.4)	(21.8)					
Acquisitions	(85.1)	(89.1)	(48.1)	(30.5)					
Divestitures	(1.0)	41.0	0.0	0.0					
Others	0.0	0.0	0.0	0.0					
Cash flow from investments	(108.3)	(69.4)	(69.4)	(52.2)					
Dividends paid (common & pref)	(12.5)	(18.8)	(23.9)	(26.0)					
Inc/(dec) in debt	35.2	45.0	55.0	45.0					
Common stock issuance (repurchase)	67.7	0.0	0.0	0.0					
Other financing cash flows	(3.3)	0.0	0.0	0.0					
Cash flow from financing	87.1	26.2	31.1	19.0					
Total cash flow	(0.1)	(12.1)	1.4	3.9					

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

Gateway Lifestyle Operations Ltd.: Summary financials

Profit model (A\$ mn)	6/16	6/17E	6/18E	6/19E	Balance sheet (A\$ mn)	6/16	6/17E	6/18E	6/19E
Total revenue	116.2	124.8	141.1	153.4	Cash & equivalents	18.6	16.5	15.7	35.5
Cost of goods sold	(37.8)	(38.3)	(40.6)	(41.4)	Accounts receivable	4.0	4.1	4.3	4.4
SG&A	(15.1)	(18.0)	(21.6)	(24.5)	Inventory	9.4	9.5	10.0	10.2
R&D	--	--	--	--	Other current assets	2.1	2.1	2.1	2.1
Other operating profit/(expense)	0.0	0.0	0.0	0.0	Total current assets	34.0	32.1	32.1	52.2
EBITDA	46.3	51.6	60.2	67.6	Net PP&E	516.8	581.5	649.7	685.5
Depreciation & amortization	(0.1)	(0.2)	(0.2)	(0.3)	Net intangibles	140.7	140.7	140.7	140.7
EBIT	39.4	51.4	60.0	67.3	Total investments	0.0	0.0	0.0	0.0
Interest income	0.1	0.2	0.2	0.3	Other long-term assets	10.2	44.5	79.6	78.2
Interest expense	(6.8)	(4.2)	(6.8)	(8.7)	Total assets	701.8	798.8	902.2	956.6
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0	Accounts payable	11.7	11.9	11.9	11.9
Others	0.0	0.0	0.0	0.0	Short-term debt	0.0	0.0	0.0	0.0
Pretax profits	32.8	47.4	53.4	58.9	Other current liabilities	24.1	24.1	24.1	24.1
Income tax	6.2	0.0	0.0	0.0	Total current liabilities	35.9	36.0	36.0	36.0
Minorities	0.0	0.0	0.0	0.0	Long-term debt	102.8	187.8	277.8	317.5
Net income pre-preferred dividends	44.8	47.4	53.4	58.9	Other long-term liabilities	4.1	4.1	4.1	4.1
Preferred dividends	0.0	0.0	0.0	0.0	Total long-term liabilities	106.9	191.9	281.9	321.7
Net income (pre-exceptionals)	43.9	47.4	53.4	58.9	Total liabilities	142.8	227.9	317.9	357.7
Post-tax exceptionals	5.9	0.0	0.0	0.0	Preferred shares	0.0	0.0	0.0	0.0
Net income	38.9	47.4	53.4	58.9	Total common equity	559.0	570.9	584.2	598.9
EPS (basic, pre-exception) (A¢)	16.8	15.8	17.8	19.7	Minority interest	0.0	0.0	0.0	0.0
EPS (basic, post-exception) (A¢)	14.9	15.8	17.8	19.7	Total liabilities & equity	701.8	798.8	902.2	956.6
EPS (diluted, post-exception) (A¢)	14.9	15.8	17.8	19.7	BVPS (A¢)	186.7	190.7	195.1	200.0
DPS (A¢)	10.9	11.9	13.4	14.8					
Dividend payout ratio (%)	73.2	75.0	75.0	75.0					
Free cash flow yield (%)	1.4	4.6	5.2	6.0					
Growth & margins (%)	6/16	6/17E	6/18E	6/19E	Ratios	6/16	6/17E	6/18E	6/19E
Sales growth	65.1	7.4	13.0	8.7	CROCI (%)	8.8	7.7	8.2	8.6
EBITDA growth	59.7	11.4	16.7	12.3	ROE (%)	7.8	8.4	9.2	10.0
EBIT growth	35.9	30.4	16.7	12.3	ROA (%)	6.4	6.3	6.3	6.3
Net income growth	225.6	21.7	12.7	10.4	ROACE (%)	9.1	7.4	7.5	7.8
EPS growth	219.6	6.4	12.7	10.4	Inventory days	77.1	89.7	87.7	89.3
Gross margin	67.5	69.3	71.2	73.0	Receivables days	17.8	11.8	10.8	10.3
EBITDA margin	39.8	41.3	42.7	44.1	Payable days	163.7	112.5	106.9	104.8
EBIT margin	33.9	41.2	42.5	43.9	Net debt/equity (%)	15.1	30.0	44.9	47.1
					Interest cover - EBIT (X)	5.9	12.8	9.1	8.0
Cash flow statement (A\$ mn)	6/16	6/17E	6/18E	6/19E	Valuation	6/16	6/17E	6/18E	6/19E
Net income pre-preferred dividends	44.8	47.4	53.4	58.9	P/E (analyst) (X)	15.7	15.0	13.4	12.1
D&A add-back	(0.1)	(0.2)	(0.2)	(0.3)	P/B (X)	1.4	1.2	1.2	1.2
Minorities interests add-back	0.0	0.0	0.0	0.0	EV/EBITDA (X)	16.7	17.1	16.2	14.7
Net (inc)/dec working capital	(10.4)	(0.0)	(0.8)	(0.3)	EV/GCI (X)	1.2	1.3	1.3	1.2
Other operating cash flow	(0.3)	0.0	0.0	0.0	Dividend yield (%)	4.1	5.0	5.6	6.2
Cash flow from operations	31.8	47.5	52.8	58.9					
Capital expenditures	(22.1)	(15.0)	(15.9)	(16.2)					
Acquisitions	(155.9)	(84.1)	(87.7)	(9.2)					
Divestitures	0.0	0.0	0.0	0.0					
Others	1.4	0.0	0.0	0.0					
Cash flow from investments	(176.6)	(99.1)	(103.6)	(34.6)					
Dividends paid (common & pref)	(13.2)	(35.5)	(40.0)	(44.2)					
Inc/(dec) in debt	0.0	85.0	90.0	39.7					
Common stock issuance (repurchase)	120.0	0.0	0.0	0.0					
Other financing cash flows	(4.8)	0.0	0.0	0.0					
Cash flow from financing	102.0	49.5	50.0	(4.5)					
Total cash flow	(42.9)	(2.1)	(0.8)	19.8					

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

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Reg AC

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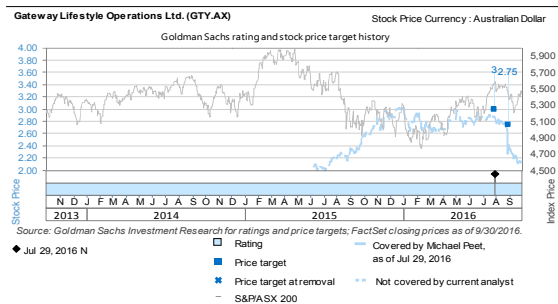
Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global Equity coverage universe

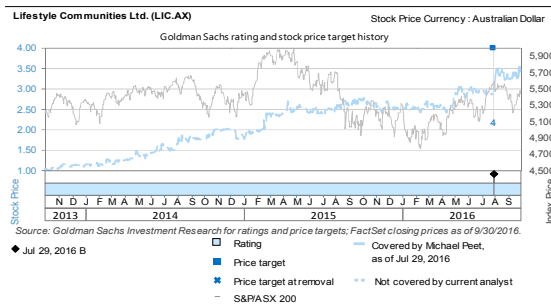
	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	31%	55%	14%	64%	59%	53%

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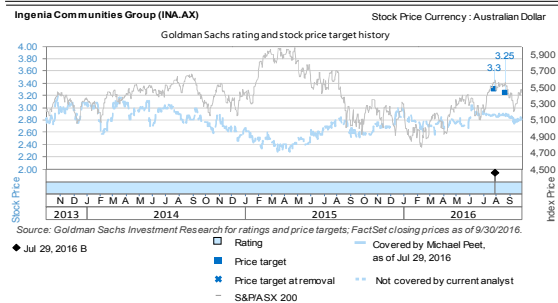
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