

28 August 2024

Geraldi Mimery  
Adviser, Listings Compliance (Melbourne)  
ASX Limited

By email: [ListingsComplianceMelbourne@asx.com.au](mailto:ListingsComplianceMelbourne@asx.com.au)

Dear Geraldi

**Lifestyle Communities Limited (ASX: LIC): Response to request for information in relation to compliance with Listing Rule 3.1**

We refer to your letter dated 22 August 2024 requesting further information in connection with LIC's ICR covenant.

Our responses to each of your questions are set out below.

Capitalised terms used in this letter that are not defined have the meaning given to them in your request email.

- 1 **Does LIC consider the increase in the ICR covenant to 2.5x to be information that a reasonable person would expect to have a material effect on the price or value of its securities?**

*LIC response:* No.

- 2 **If the answer to question 1 is "no", please:**
  - (a) **Explain the basis for that view.**
  - (b) **Explain why a similar decrease in the ICR covenant, among other changes to LIC's debt facility, was considered to be material by ICR in its announcement on 14 December 2023.**

*LIC response:*

The announcement on 14 December 2023 noted multiple changes to LIC's corporate debt facility. These changes included a material increase in the size of the debt facility from \$525 million to \$700 million to support growth, improved tenor, introduction of two new lenders into the syndicate, and changes to commercial terms, including the debt covenant limits. These changes, taken as a whole, were considered price-sensitive due to their ability to help fund future earnings growth.

During the discussions with the lending syndicate leading up to the 14 December 2023 announcement, a change to the methodology for calculating EBITDA for covenant testing purposes to better align with other ASX listed land lease industry participants, was discussed. At LIC, homeowners purchase a proportionate share of the clubhouse, recreational facilities, and all associated infrastructure when they purchase their home. This helps LIC build a sense

of community, shared ownership, and pride in where our homeowners live. Due to this operating model, which is unique to LIC, the cost of this infrastructure is capitalised to inventory during development and then classified as costs of goods sold and expensed in the profit and loss statement upon settlement. The impact of this operating model is that LIC recognises lower earnings before interest, tax, depreciation, and amortisation (EBITDA) per house than other ASX listed land lease industry participants, even if sales prices and build costs are similar. Ultimately, the change to the methodology for calculating EBITDA for covenant testing purposes was not agreed upon at that time.

In parallel with the \$275 million rights issue that was announced on 22 February 2024, discussions with the lending syndicate on the change to the methodology progressed and were ultimately agreed in April. Effectively, the agreed change is to add back the cost of infrastructure, which has been expensed to cost of goods sold as part of the calculation of EBITDA for covenant testing purposes. This revised calculation of EBITDA for covenant testing purposes better aligns with other ASX listed land lease industry participants and means that covenants can be more easily benchmarked across the participants. For LIC, the change had the effect of increasing EBITDA for covenant testing purposes, and in return, the lending syndicate sought an increase in the covenant limit, increasing from 1.5x under the previous calculation methodology to 2.5x under the new calculation methodology. The contracts to effect the changes were executed on 17 April 2024.

LIC did not, and does not, view the changes as material (and does not believe that a reasonable person would have expected the changes to have a material effect on the price or value of LIC's securities) noting,

- LIC's improved liquidity position at the time the changes were agreed as a result of the \$275 million rights issue
- LIC was in compliance with its lending covenants at the time the changes were agreed upon (and remains in compliance with its covenants)
- LIC did not seek or receive any covenant relief from its lending syndicate in the lead-up to the changes being agreed
- The changes were commercial in nature and focused on alignment with other ASX listed land lease industry participants. They did not affect LIC's operations, profitability, or plans for growth.

The changes were noted as part of a general market update at the Macquarie Conference on 7 May 2024 for completeness and to assist analysts' comparative review of LIC.

**3 When did LIC first become aware of the increase in the ICR covenant to 2.5x?**

*LIC response:* See the response to question 2 above.

**4 Did LIC disclose the increase in the ICR covenant at any time prior to 7 May 2024? If so, please identify that announcement. If not, please explain why LIC considered it appropriate to disclose the increase in the ICR covenant via a footnote in a presentation slide, as opposed to a standalone announcement as prescribed by section 4.14 of Guidance Note 8.**

*LIC response:*

LIC did not disclose the increase in the ICR covenant at any time prior to 7 May 2024.

As noted in response to question 2 above, LIC did not (and does not) consider the increase in the ICR covenant to be price-sensitive.

**5 If LIC first became aware of the increase in the ICR covenant prior to 7 May 2024 and did not release an announcement at that time, please explain why the information was not**

released to the market at an earlier time, commenting specifically on when you believe LIC was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps LIC took to ensure that the information was released promptly and without delay.

*LIC response:* See the response to question 2 above.

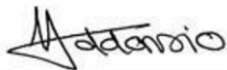
- 6 Please confirm that LIC is in compliance with the Listing Rules, particularly, Listing Rule 3.1.**

*LIC response:* LIC confirms that, so far as it is aware, it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

- 7 Please confirm that LIC's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of LIC with delegated authority from the board to respond to ASX on disclosure matters.**

*LIC response:* LIC confirms that its responses to the questions above have been authorised and approved by its board.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Anita Addorisio', with a stylized initial 'A'.

Anita Addorisio  
Company Secretary



22 August 2024

Reference: 98593

Ms Anita Addorisio  
Company Secretary  
Lifestyle Communities Limited  
Level 5, 101 Moray Street  
South Melbourne VIC 3205

By email

Dear Ms Addorisio

**Lifestyle Communities Limited ('LIC'): ASX Aware Letter**

ASX refers to the following:

- A. LIC's announcement titled 'Annual Report to Shareholders 2024' released on the ASX Market Announcements Platform ('MAP') on 13 August 2024 which disclosed (relevantly) on page 63 details in relation to LIC's interest cover ratio ('ICR') covenant of 2.5x.
- B. LIC's announcement titled 'Lifestyle Communities amends its debt facility', released on MAP on 14 December 2023 which announced among other things that the ICR covenant had been reduced from 2.5x to 1.5x before stepping up to 1.75x.

ASX notes that LIC indicated this announcement was 'market-sensitive' when it was lodged on MAP.

- C. LIC's announcement titled '2024 Macquarie Australia Conference', lodged on MAP on 7 May 2024 which disclosed in a footnote on slide 11 in relation to the ICR covenant:

*"Adjusted EBITDA for covenant testing purposes amended by agreement with our lending syndicate to exclude the impact of infrastructure costs expensed through cost of goods sold. Covenant adjusted to >2.5x as part of the amendment."*

- D. Section 4.14 of *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B*, which states (relevantly):

*"ASX has experienced difficulties in the past with announcements that have been given a fairly innocuous header (such as "Chairman's Address to AGM") but have had market sensitive material embedded in them. ASX would ask entities to ensure that the header to such an announcement clearly identifies the fact that it contains market sensitive information (eg, "Chairman's Address to AGM and Buyback Announcement") or, better still, that market sensitive announcements are made on a stand-alone basis and not embedded in other announcements that may not be market sensitive."*

- E. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

- F. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

*"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."*

- G. Section 4.4 of *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B* titled "When does an entity become aware of information?"

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H. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure as follows.

*“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*

*3.1A.1 One or more of the following 5 situations applies:*

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

*3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

*3.1A.3 A reasonable person would not expect the information to be disclosed.”*

### **Request for information**

Having regard to the above, ASX asks LIC to respond separately to each of the following questions:

1. Does LIC consider the increase in the ICR covenant to 2.5x to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to any part of question 1 is “no”, please:
  - 2.1 Explain the basis for that view.
  - 2.2 Explain why a similar decrease in the ICR covenant, among other changes to LIC’s debt facility, was considered to be material by ICR in its announcement on 14 December 2023.
3. When did LIC first become aware of the increase in the ICR covenant to 2.5x?
4. Did LIC disclose the increase in the ICR covenant at any time prior to 7 May 2024? If so, please identify that announcement. If not, please explain why LIC considered it appropriate to disclose the increase in the ICR covenant via a footnote in a presentation slide, as opposed to a standalone announcement as prescribed by section 4.14 of Guidance Note 8.
5. If LIC first became aware of the increase in the ICR covenant prior to 7 May 2024, and did not release an announcement at that time, please explain why the information was not released to the market at an earlier time, commenting specifically on when you believe LIC was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps LIC took to ensure that the information was released promptly and without delay.
6. Please confirm that LIC is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
7. Please confirm that LIC’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of LIC with delegated authority from the board to respond to ASX on disclosure matters.

### **When and where to send your response**

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This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30am AM AEST Wednesday, 28 August 2024**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, LIC's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out above and may require LIC to request a trading halt immediately if trading in LIC's securities is not already halted or suspended.

Your response should be sent by e-mail to **ListingsComplianceMelbourne@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow us to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Suspension**

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in LIC's securities under Listing Rule 17.3.

### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to LIC's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that LIC's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Release of correspondence between ASX and entity**

We reserve the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A. The usual course is for the correspondence to be released to the market.

Yours sincerely

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ASX Compliance