



NATIONAL STORAGE REIT

1H FY17 RESULTS

22 FEBRUARY 2017

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**AUSTRALASIA'S
LARGEST
SELF-STORAGE
OWNER -
OPERATOR**

**STRONG
PIPELINE OF
ACQUISITION
OPPORTUNITIES**

**STRENGTHENING
THE PLATFORM**

**NATIONAL
STORAGE**



**STRONG
ORGANIC
GROWTH**

**ENHANCING
THE OPERATING
BUSINESS**

**ROBUST CAPITAL
AND DEBT
STRUCTURE**

**WELL
POSITIONED
INTO FY18 AND
BEYOND**

A-IFRS PROFIT \$23.7 million

\$20.1m



**1H FY16
\$14.3 MILLION
UNDERLYING
EARNINGS***

9.2c – 9.4c
PER STAPLED SECURITY



**5.8% - 8.0%
GROWTH
FY17 EPS
GUIDANCE****

**5 NEW
CENTRES +
SOUTHERN CROSS**



**PORTFOLIO
GROWTH**

**\$1.1 BILLION AUM
\$1.23 NTA**



**JUNE 16
\$959M AUM
\$1.12 NTA**

2.6%
(5.2% annualised)

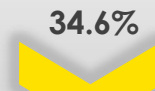


**REVPAM#
GROWTH**

DEBT TENOR



5.6 YEARS



34.6%
GEARING
(38% June 16)

**41% increase in
underlying earnings
1H FY17 driven by
strong trading and
recent acquisitions**

**FY17 EPS
guidance 9.2 – 9.4
cents affirmed
delivering
5.8% - 8.0% EPS
growth**

**5 new acquisitions
adding 27,600sqm
NLA in addition to
the 26-centre
Southern Cross
portfolio**

**15% growth in assets
under management
(AUM) driven by
acquisitions and
valuation gains of
\$20.5million. 9.8%
growth in net tangible
assets during 1H FY17**

**2.6% increase in
REVPAM achieved
during 1H17.
Significant growth in
Nov & Dec provides
momentum for 2H17**

**Institutional term
loan delivering
8 and 10 year debt
tenors. Gearing
reduced to 34.6%**

*A-IFRS profit after tax adding back tax expense (\$0.6 million), business combination and restructuring costs (\$15.3 million) and contracted gain in respect of sale of investment property (\$0.8 million) presented within fair value adjustments, less Fair value adjustments (\$18.4 million) and finance lease diminution (\$1.9 million).

** Assuming no material changes in market conditions

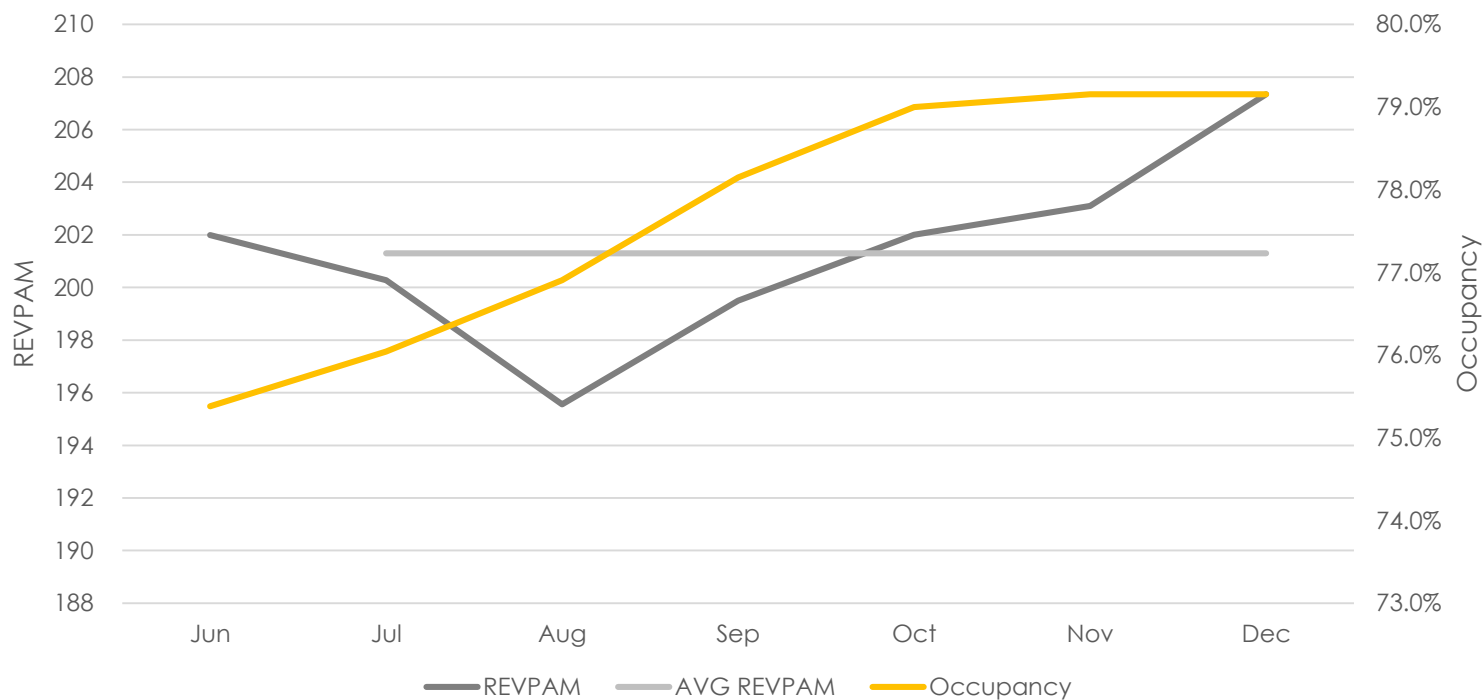
REVPAM Revenue per available square metre

FY17 FORECAST: BRIDGE TO FY17 AND ANALYSIS



1H earnings	+	2H proforma underlying earnings	+	2H same centre revenue uplift	+	Full 2H impact of completed acquisitions	+	Full 2H impact of Southern Cross	+	Other acquisitions, revenue and fees	-	Interest and one-off items	=	FY17 underlying earnings
\$20.1m		\$20.1m		\$3.4m		\$1.4m		\$1.9m		\$0.5m - \$1.5m		\$1.9m		\$45.5m - \$46.5m

Occupancy v REVPA M Trend Analysis

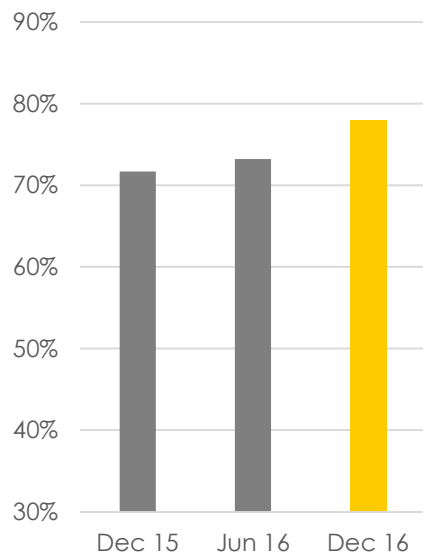


DRIVING OCCUPANCY GROWTH



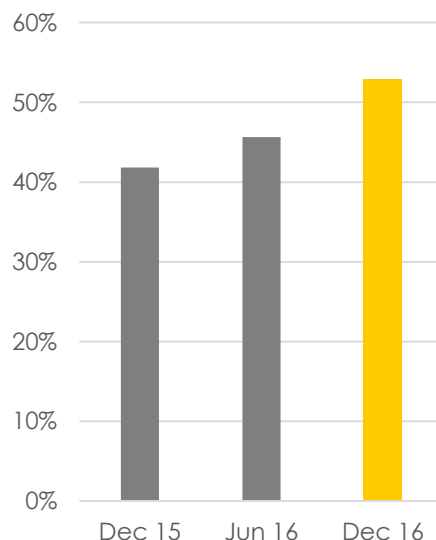
NSR Established Portfolio

- Increase of **4.7%** to 77.9% in the six months to 31 December 2016
- Increase of 6.2% in the twelve months to 31 December 2016



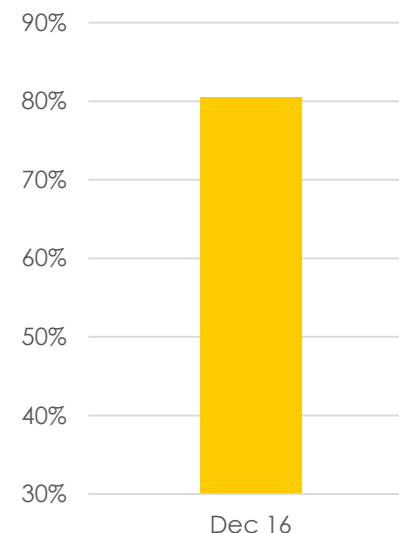
NSR Developing Portfolio

- Increase of **7.3%** to 52.9% in the six months to 31 December 2016
- Increase of 11.1% in the twelve months to 31 December 2016



NSR Acquired Portfolio

- 80.5% occupancy at 31 December 2016



Note: Excludes Southern Cross and New Zealand

NSR Established Portfolio comprises centres held for more than two years, excluding developing centres

NSR Developing Portfolio comprises immature centres in letting up stage

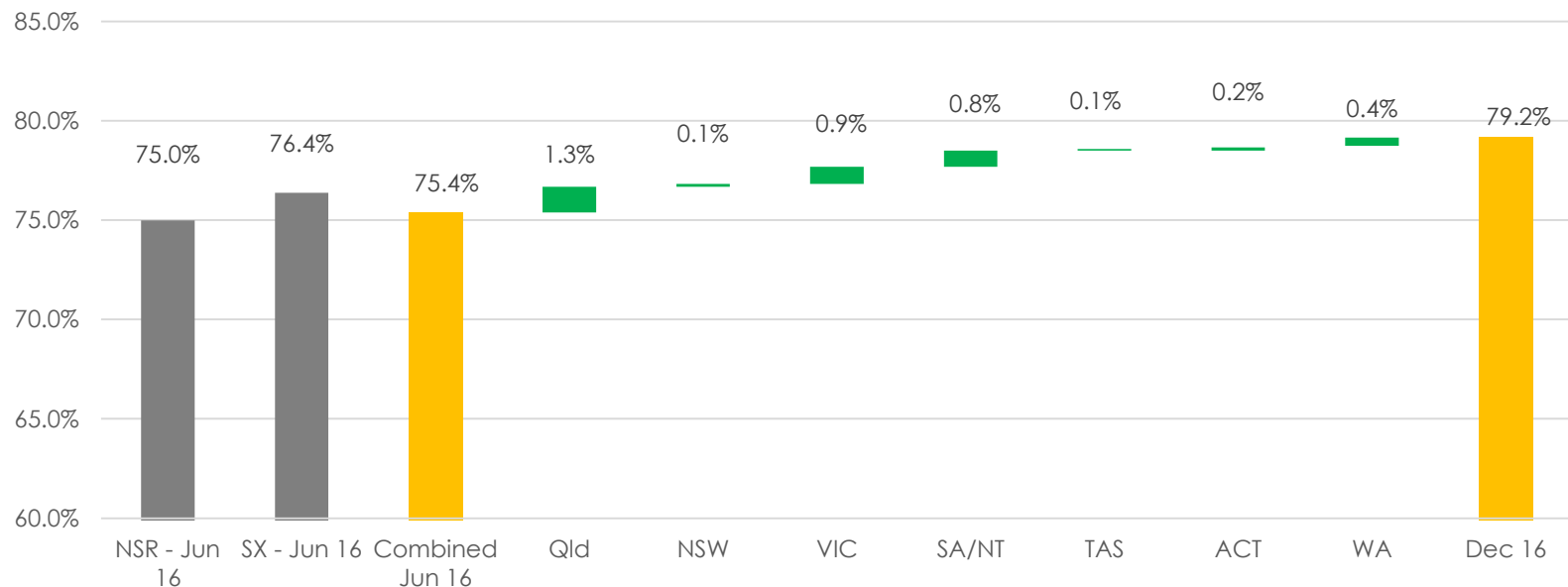
NSR Acquired Portfolio comprises centres acquired within the past two years

ORGANIC OCCUPANCY ANALYSIS



- **Combined Portfolio** increased 3.8% to 79.2% (June 16: 75.4%) to 31 December 2016
- Delivered organic occupancy growth across Established and Developing portfolios
- Occupancy growth achieved across all markets including Perth
- Active revenue management delivering strong occupancy growth and increasing rate per sqm (up from \$257 at October 16 to \$261)
- Approximately 53% of centres now trading at or above 80% occupancy

Same Centre Occupancy Movement
30 June 2016 - 31 December 2016



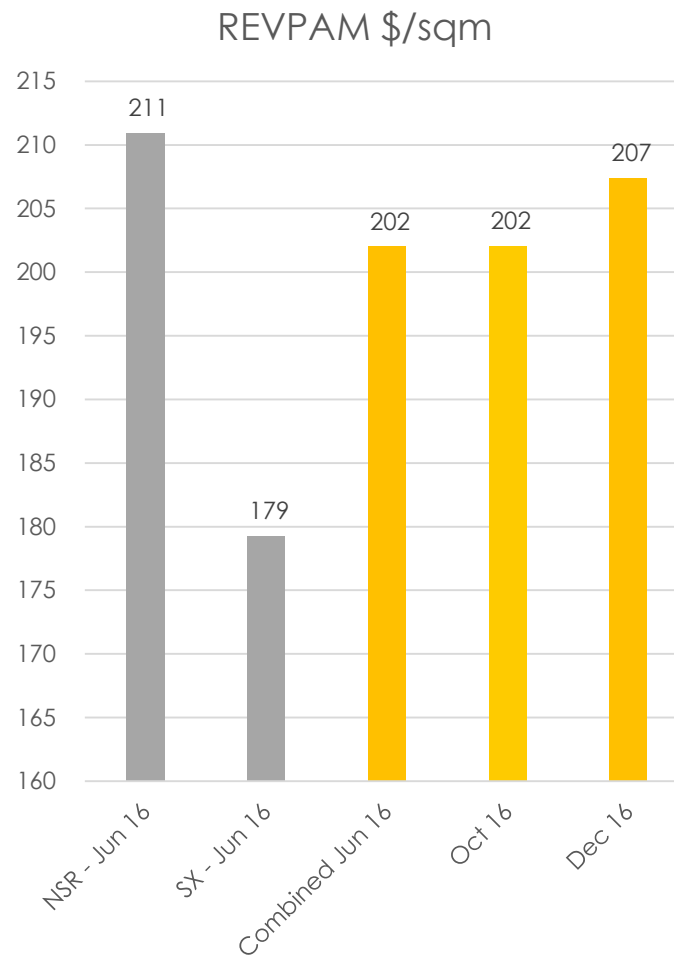
Note: Excludes New Zealand and developing centres

Combined Portfolio comprises all centres owned at 30 June 2016 plus Southern Cross

DELIVERING REVPAM GROWTH



- **Combined Portfolio** REVPAM \$207/sqm (Jun 16: \$202/sqm)
- REVPAM has increased by \$5 or 2.6% since October 2016 (5.2% annualised)
- December 2016 REVPAM 3.2% above 1H average – providing significant uplift to 2H revenue
- Continued increase in REVPAM forecast throughout 2H FY17
- Driving REVPAM with a balanced approach to rate per sqm and occupancy growth on an individual centre and unit type basis
- Active revenue management delivering efficiencies and results:
 - Driving physical occupancy growth
 - Shifting focus to individual unit size rate growth
 - Optimising rate increases for existing customers
- January results tracking in line with forecast



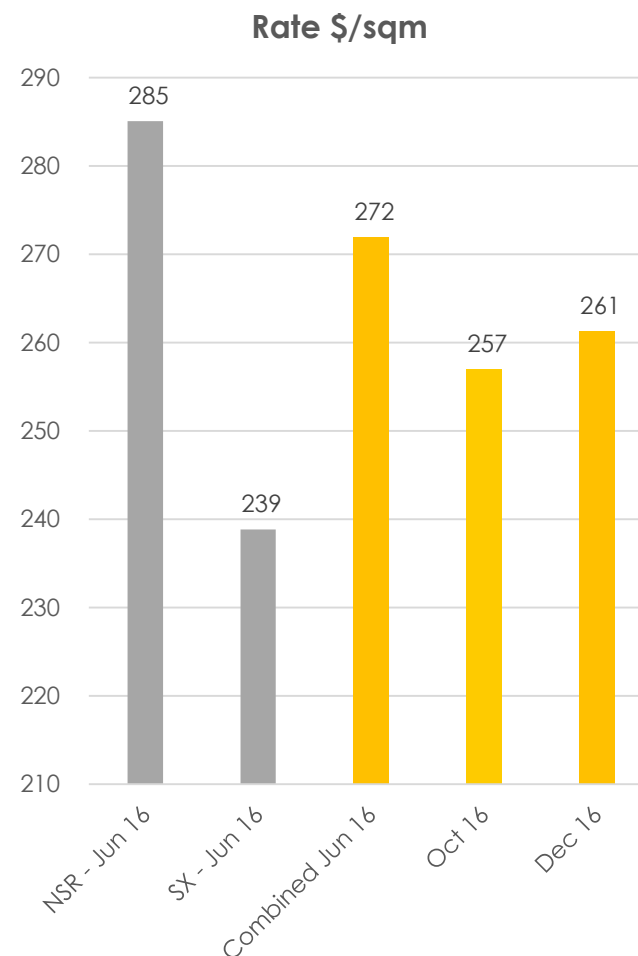
Note: Excludes New Zealand and developing centres

Combined Portfolio comprises all centres owned at 30 June 2016 plus Southern Cross

RATE PER SQM ANALYSIS



- **Combined Portfolio** rate per square metre \$261/sqm (Jun 16: \$272/sqm)
- Rate increased 1.7% since October 2016
- Positively impacted by reduction in promotional offers and active revenue management
- Continued increase in rate per sqm forecast throughout 2H FY17
- Focus on driving rate in highly occupied centres
- Rate influenced by:
 - Revenue management system driving occupancy
 - Timing of rate increases
 - Promotional offers
- Evidence of reducing impact of short term promotional offers and rate improving as highlighted in October and December 2016
- Having increased occupancy by 4.7% across the established portfolio in 1H, focus will be on driving overall revenue growth (balancing rate and occupancy) from higher occupancy base across 2H



Note: Excludes New Zealand and developing centres

Combined Portfolio comprises all centres owned at 30 June 2016 plus Southern Cross

NEW ZEALAND



- **Portfolio Occupancy:** 73.5% (June 2016: 76.3%)
- **Rate:** \$216/sqm (June 2016: \$212/sqm)
- Kenepuru acquired in January 2017 taking total NZ centres to nine
- New Zealand operational structure in place with direct link back to Australian management platform
- Extract value from acquired centres via optimising rate per square metre and driving occupancy
- Opportunity for future expansion/development
- Continue to pursue acquisition opportunities in Auckland and other major population centres
- Further economies of scale to be achieved as portfolio growth continues



National Storage Newtown



National Storage Hutt City

CAPITAL MANAGEMENT



Debt Finance Facility (AU + NZ)

- \$424 million in facilities - \$388 million drawn as at 31 December 2016
- Additional NZ\$50 million facility entered into in January 2017
- \$100 million institutional term loan entered into in September 2016 providing 8 and 10 year debt tenor
- Gearing 34.6% as at 31 December 2016
- Gearing covenant 55%
- Gearing range 25% – 40% (\$95 million acquisition capacity at December 16)
- Weighted average tenor 5.6 years
- Weighted average cost of debt 3.9%

Distributions

- Distribution Reinvestment Plan remains open
- Distribution policy of 90% - 100% of underlying earnings
- 1H FY17 interim distribution of 4.6 cps to be paid 27 February 2017

Capital Raising

- \$260 million fully underwritten capital raising successfully completed
- Used to fund the acquisition of Southern Cross and reduce gearing
- Strong balance sheet to fund future acquisition opportunities



STRATEGY



**NATIONAL
STORAGE**

**ASSET
MANAGEMENT
(ORGANIC
GROWTH)**

ACQUISITIONS

**PORTFOLIO,
DEVELOPMENT &
CENTRE
MANAGEMENT**

**PRODUCT &
INNOVATION**

**CAPITAL
MANAGEMENT**

DEVELOP MULTIPLE REVENUE STREAMS TO MAXIMISE RETURNS

ACQUISITIONS



- Active growth strategy to consolidate highly fragmented industry, leveraging fully-integrated scalable platform
- Announced 5 acquisitions across Australia and New Zealand since June 2016 (excluding Southern Cross) with a total combined purchase price of \$80 million
- Timing and nature of acquisitions will see contribution to earnings flow through into 2H FY17 and beyond
- Strong potential acquisition pipeline estimated in excess of \$100 million
- Multiple potential acquisition opportunities under active consideration

Recent Acquisitions

Centre	State	Date	NLA (sqm)	Units	Purchase Price*
Butler (greenfield development)	Western Australia	August 2016	5,100	480	\$8.8m
Kurnell	New South Wales	August 2016	12,400	750	\$17.5m
Moonah Central	Tasmania	September 2016	2,400	200	\$3.3m
Artarmon Central	New South Wales	December 2016	3,400	560	\$10.8m
Kenepuru	Wellington (NZ)	January 2017	4,300	500	NZ\$9.8m
Rockingham, Guildford & Subiaco***	Western Australia	January 2017	-	-	\$30.0m
Subtotal			27,600	2,490	\$80m**
Southern Cross – 26 centres		August 2017	126,000	13,000	\$285m
Total (Since 30 June 2016)			153,600	15,490	\$365m**

*Excluding transaction costs.

**Applying a NZD/AUD exchange rate of 1.05.

***Acquisition of freehold interest in existing leasehold centres plus additional land

PERTH ACQUISITION: GUILDFORD, ROCKINGHAM & SUBIACO



- Acquired in January 2017 for \$30 million
- Acquisition of freehold interests of two existing Perth assets – Guildford and Rockingham
- In addition acquired two land parcels at Rockingham:
 - Lot 9 has industrial tenant in place
 - Lot 11 will be used to expand hardstand storage offering
- Businesses already operated by NSR – acquiring property only on commercial property yield (ie buying rental stream)
- Negotiated improved lease terms for Subiaco centre which secures underlying business and long term leasehold interest (WALE: 10 years)
- Earnings impact – rent versus interest saving of approximately \$1.0 million per annum from year one



ACQUISITIONS: CASE STUDIES



ACT CENTRES



- Acquired October 2014
- Four centre portfolio
- Strong occupancy growth
- Maintaining rate
- Strong valuation uplift

	On Acq	Dec 2016	Change %
Occupancy	73%	88%	20.6%
Rate per sqm	\$226	\$225	(0.4%)
REVPAM	\$165	\$199	21.0%
Valuation	\$46.5m	\$60.9m	31.0%

MULGRAVE



- Acquired July 2014
- Good occupancy growth
- Maintaining rate
- Positive valuation uplift

	On Acq	Dec 2016	Change %
Occupancy	73%	77%	6.8%
Rate per sqm	\$276	\$276	0.0%
REVPAM	\$201	\$214	6.5%
Valuation	\$7.0m	\$9.1m	30.0%

SUMMARY & OUTLOOK



1H FY17 UNDERLYING EARNINGS \$20.1 MILLION

**FY17 UNDERLYING EARNINGS GUIDANCE AFFIRMED
\$45.5 – \$46.5 MILLION***

**FY17 UNDERLYING EPS GUIDANCE AFFIRMED
9.2 – 9.4 CENTS PER STAPLED SECURITY***

ACTIVE ACQUISITION PIPELINE

*Assuming no material changes to market conditions.

THANK YOU

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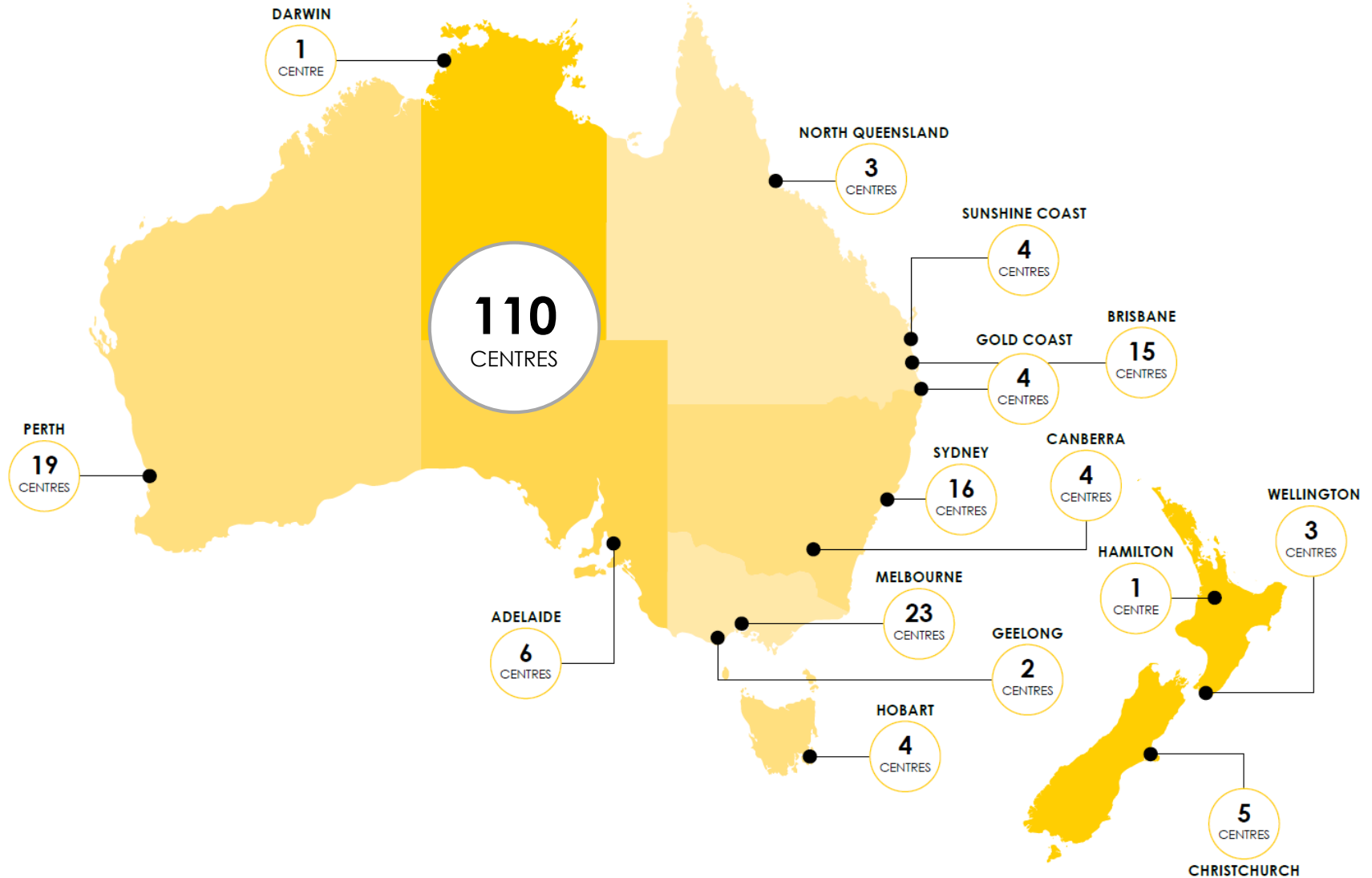


APPENDICIES:

- **NATIONAL STORAGE FOOTPRINT**
- **PORTFOLIO, DEVELOPMENT AND CENTRE MANAGEMENT**
- **SUMMARY INCOME STATEMENT**
- **BALANCE SHEET METRICS**
- **PORTFOLIO METRICS**
- **STRATEGY DETAIL**



NATIONAL STORAGE FOOTPRINT



PORTFOLIO, DEVELOPMENT AND CENTRE MANAGEMENT



AUSTRALIAN PRIME STORAGE FUND

- Partnership facilitates the development and ownership of premium grade self-storage centres
- NSR has taken a 24.9% equity interest (up to \$12.45 million)
- Three foundation assets at Albion, Kelvin Grove and Carrara with fourth site secured in Melbourne
- Carrara opened September 2016, Albion forecast opening March 2017
- NSR is entitled to fees associated with development and ongoing management
- NSR leveraging brand and management to generate additional revenue and share platform costs, generating further synergies

PERTH DEVELOPMENT PORTFOLIO

- Construction and management agreement covering five centres with Parsons Group
- Jandakot and Butler operational
- Centre in Perth International Airport precinct under construction, due for completion and acquisition in July 2017
- It is anticipated NSR will acquire further assets upon completion



National Storage Carrara (APSF)

SUMMARY INCOME STATEMENT

RECONCILIATION OF A-IFRS PROFIT TO UNDERLYING EARNINGS

\$ Million	Note	1H FY16	1H FY17	% Movement
Storage revenue		33.2	47.8	44%
Sales of goods and services		3.0	4.3	43%
Other revenue (Inc share of profit of JV and contracted gain)		2.9	5.0	73%
Total Revenue		39.1	57.1	46%
Operating Centre Expenditure				
Salaries and employee benefits	1	4.7	8.2	74%
Lease expense		6.2	6.0	-3%
Property rates and taxes	2	2.2	3.8	73%
Cost of goods sold		0.7	1.0	43%
Repairs and maintenance		0.6	0.8	33%
Advertising and marketing	3	0.6	1.7	183%
Other operating expenses		3.0	4.7	57%
Total Operating Centre Expenditure		18.0	26.2	46%
Operating Profit		21.1	30.9	46%
General and administration		3.3	4.3	30%
Finance costs	4	3.3	6.2	88%
Depreciation and amortisation		0.2	0.3	50%
Total expenses		24.8	37.0	49%
Underlying Earnings		14.3	20.1	41%
Add / (less) fair value adjustments		3.3	17.6	
Add / (less) diminution of lease asset		2.6	1.9	
Add / (less) business combination and restructure expenses		-	(15.3)	
Profit / (loss) before income tax		20.2	24.3	
Income tax (expense) benefit		0.4	(0.6)	
Profit / (loss) after income tax		20.6	23.7	

1 - full impact of extra management resources added during Dec 15 half and additional centres

2 - higher land value assessment and additional centres

3 - full impact of revised marketing plan and new centres

4 - higher debt levels and increased cost of debt associated with extended debt tenor

BALANCE SHEET METRICS



Balance Sheet Metrics	Dec 15			Dec 16		
	Aust (\$A)	NZ (\$NZ)	Total (\$A)*	Aust (\$A)	NZ (\$NZ)	Total (\$A)*
Total assets (net of finance lease liability)	\$589m	\$31m	\$618m	\$1,043m	\$54m	\$1,095m
Net tangible assets	-	-	\$376m	-	-	\$619m
Net tangible assets per security	-	-	1.12	-	-	1.23
Total debt facilities	\$200m	\$31m	\$229m	\$380m	\$46m	\$424m
Total debt drawn	\$168m	\$31m	\$197m	\$343m	\$46m	\$388m
Remaining debt capacity	\$32m	\$0m	\$32m	\$37m	\$0m	\$37m
Average cost of debt drawn	3.4%	4.0%	3.5%	3.5%	3.4%	3.5%
Gearing ratio	-	-	30.7%	-	-	34.6%
Interest coverage (2.0x)	-	-	5.5x	-	-	4.5x
Debt term to maturity (years)	2.2	4.0	2.5	5.9	3.6	5.6
Debt hedged (inc forward start hedges)	\$110m	\$10m	\$119m	\$190m	\$24m	\$213m
% debt hedged	66%	32%	61%	55%	51%	55%
Average cost of hedged debt	4.0%	4.5%	4.1%	4.7%	4.5%	4.7%
Weight average hedge maturity (years)	4.6	2.8	4.3	5.1	2.4	4.9

* - \$A/\$NZ = 1.040 (Dec 15: 1.066)

PORTFOLIO METRICS



	31 December 2015				30 June 2016				31 December 2016			
	AUST	NZ	MGT	TOTAL	AUST	NZ	MGT	TOTAL	AUST	NZ	MGT	TOTAL
Freehold centres	44	6	29	79	52	8	28	88	80	8	4	92
Leasehold centres	15		-	15	16	-	1	17	17		-	17
Total centres	59	6	29	94	68	8	29	105	97	8	4	109
Freehold NLA (sqm)	254,000	23,000	141,000	418,000	289,000	31,000	142,000	462,000	444,000	31,000	21,000	496,000
Leasehold NLA (sqm)	73,000	-	-	73,000	78,000	-	2,000	80,000	69,000	-	-	69,000
Total NLA (sqm)	327,000	23,000	141,000	491,000	367,000	31,000	144,000	542,000	513,000	31,000	21,000	565,000
Average NLA	5,600	3,900	4,900	5,200	5,400	3,900	5,000	5,200	5,300	3,900	5,100	5,200
Storage units	38,500	1,500	14,000	54,000	41,600	3,400	14,200	59,200	55,000	3,600	1,500	60,100
REVPAM ¹	\$212	\$122	N/A	N/A	\$211	\$161	N/A	N/A	\$207	\$171	N/A	N/A
Assets under management	\$618m	-	\$268m	\$886m	\$612m	\$56m	\$293m	\$959m	\$996m	\$56m	N/A	\$1,050m
Weighted average Primary cap rate	8.4%	8.5%	N/A	N/A	8.2%	8.3%	N/A	N/A	8.0%	8.2%	N/A	N/A

NSR – owned portfolio – 31 December 2016 including Southern Cross
MGT – managed centres - including Southern Cross pre 31 December 2016

1. REVPAM (Revenue per available square metre) – Excludes developing centres

STRATEGY DETAIL



ASSET MANAGEMENT

- Achieve **organic growth** through proactive management of rate and occupancy to drive overall revenue growth
- Leverage management platform and economies of scale to **extract value**
- Drive cost **efficiencies** across the portfolio

ACQUISITIONS

- Execute high quality **accretive** acquisitions in a fragmented industry

PORTFOLIO, DEVELOPMENT & CENTRE MANAGEMENT

- Focus on **development** activities in key markets
- Align with **investment partners** to execute development opportunities
- **Generate fees** from site identification, design, development, project management, administration and ongoing management activities
- Undertake **portfolio recycling** opportunities to maximise value

PRODUCT & INNOVATION

- Explore market **opportunities** for revenue generation
- Focus on digital **transformation**
- Driving **brand** awareness

CAPITAL MANAGEMENT

- Maintain an **efficient** capital structure
- **Effective** risk management including interest rate and refinancing risk

DEVELOP MULTIPLE REVENUE STREAMS TO MAXIMISE RETURNS