



# NATIONAL STORAGE REIT

**WILSON HTM  
RAPID INSIGHTS CONFERENCE**

**JUNE 2016**

# IMPORTANT NOTE & DISCLAIMER



This presentation has been prepared by National Storage REIT ("NSR") comprising National Storage Holdings Limited (ACN 166 572 845) and National Financial Services Limited (ACN 600 787 246 and AFSL 475 228) as responsible entity for the National Storage Property Trust (ARSN 101 227 712). You acknowledge and agree that you will rely on your own independent assessment of any information, statements or representations contained in this presentation and such reliance will be entirely at your own risk.

## Summary information

This presentation contains summary information about the current activities of NSR and the entities within the NSR stapled group as at the date of this presentation. The information in this presentation is of a general nature and does not purport to be complete.

Statements made in this presentation are made only as of the date of this presentation and remain subject to change without notice.

This presentation should be read in conjunction with NSR's other periodic and continuous disclosure announcements lodged with the ASX, which are available at [www.asx.com.au](http://www.asx.com.au).

## Disclaimer

No member of NSR or any of its related bodies corporate and each of their respective directors, employees, officers, associates, agents, auditors and advisers offer any representation, guarantee or warranty, express or implied, as to the accuracy, completeness, currency or reliability (including as to auditing or independent verification) of any statement, estimate, opinion or other information contained in this presentation.

To the maximum extent permitted by law, the members of NSR and each of their related and controlled entities and each of their respective directors, officers, employees and agents disclaim all liability and responsibility (including without limitation any liability arising from fault or negligence) for any direct or indirect loss or damage which may be suffered through the use, or reliance on, anything contained in, or omitted from, this presentation.

## Not an offer of securities

This presentation is for information purposes only and should not be considered as a solicitation, offer or invitation for subscription, purchase or sale of NSR securities in any jurisdiction.

## Not financial advice

Nothing in this presentation constitutes investment, legal, tax or other advice. This presentation has been prepared without taking account of any person's individual investment objectives, financial situation or particular needs. Each recipient of this presentation should consult with, and rely solely upon, the advice of their own legal, tax, business and/or financial advisors in connection with any decision made in relation to the information contained in this presentation.

## Financial data

All references to dollars and cents are in reference to Australian dollars unless otherwise stated and all financial data is presented as at the date of this presentation unless otherwise stated.

## Forward-looking statements

This presentation may contain certain "forward-looking statements", including statements regarding future earnings and distributions. All statements other than statements of historical facts included in this presentation are forward-looking statements. These forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of NSR, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. You are cautioned not to place undue reliance on forward-looking statements, opinions and estimates provided in this presentation as there can be no assurance, and no representation is made, that actual outcomes will not differ materially from these forward-looking statements. Further, no representation is given that the assumptions upon which a forward-looking statement or other forecast may be based is reasonable. Forward-looking statements, opinions and estimates provided in this presentation necessarily involve uncertainties, assumptions, contingencies and other factors, and unknown risks may arise, many of which are outside the control of NSR. Similarly, statements about market and industry trends, which are based on interpretations of current market conditions, should be treated with caution. Such statements may cause the actual results or performance of NSR to be materially different from any future results or performance expressed or implied by such forward-looking statements. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Such forward-looking statements are based on information available to NSR as at the date of this presentation. Except as required by law or regulation (including the ASX Listing Rules), NSR undertakes no obligation to provide any additional, updated or supplementary information whether as a result of new information, future events or results, or otherwise. This presentation should not be relied upon as a recommendation or forecast by NSR.

## Past performance

The past performance, including past security price performance, of NSR cannot be relied upon as an indicator of, and provides no guidance as to future NSR performance including future security price performance and is given for illustrative purposes only.

## Accounting standards

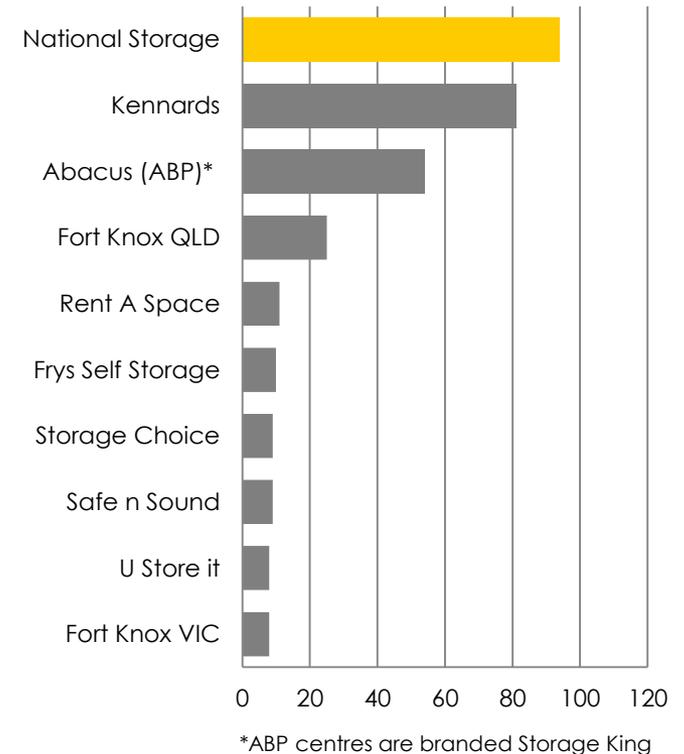
NSR's statutory results are prepared in accordance with International Financial Reporting Standards ("IFRS"). This presentation also includes certain non-IFRS measures in presenting NSR's results. Any additional financial information in this presentation which is not included in NSR's Half-year Financial Report was not subject to independent audit or review.

# AUSTRALIAN SELF-STORAGE INDUSTRY



- Originally US market, began in Australia in 1970's
- Alternate use for land awaiting development
- Highly fragmented industry
- Top three brands only have c25% of market
- Demand drivers include change of life events, building/renovating/moving, urban densification, ageing population and online retailing
- Selection drivers include location, convenience, customer service and quality of offer
- Low levels of brand awareness and brand differentiation across the industry
- Supply is constrained by availability of suitable locations, land values and higher/better use

**Australasia Self Storage Industry  
Ten Largest Owner/Operators**



# TYPICAL SELF STORAGE CENTRE



# NSR OVERVIEW



- Australia's first listed, fully integrated and internally managed self-storage REIT (S&P/ASX 200)
- 100 centres under ownership, operation or management across Australia and New Zealand, in a highly fragmented industry
- Diverse tenant base with over 37,000 customers
- National Storage Management Platform
  - dynamic pricing model
  - experienced operations team drive balance between occupancy and rate per sqm with strong focus on overall growth in revenue
  - marketing
  - contact centre
  - property maintenance
- Developing multiple revenue streams to maximise returns

## DEVELOP MULTIPLE REVENUE STREAMS TO MAXIMISE RETURNS

### ASSET MANAGEMENT

- 
- Balance rate and occupancy to achieve dual objectives of organic growth while maximising revenue from portfolio
- 
- Leverage management platform and economies of scale to extract value
- 
- Drive cost efficiencies across the portfolio
- 

### ACQUISITIONS

- 
- Focus on high quality accretive acquisitions in a fragmented industry
- 
- Strong potential acquisition pipeline in Australia and New Zealand
- 

### PORTFOLIO, CENTRE AND DEVELOPMENT MANAGEMENT

- 
- Provision of design and development services
- 
- Focus on development in markets where acquisitions are more challenging
- 
- Australian Prime Storage Fund and Perth Development Portfolio arrangements
- 
- Management of third party centres

### PRODUCT AND INNOVATION

- 
- Exploring opportunities for revenue generation across:
- New sales channels including mini warehousing and logistics solutions
- Digital strategies
- Expanding ancillary product range

# ACQUISITIONS: INDUSTRY GROWTH STRATEGY



## ANNOUNCED ACQUISITIONS

- 100 centres currently under ownership, operation or management across Australia and New Zealand, an increase of 18 from June 2015
- In excess of \$128 million in acquisitions transacted to date in FY16

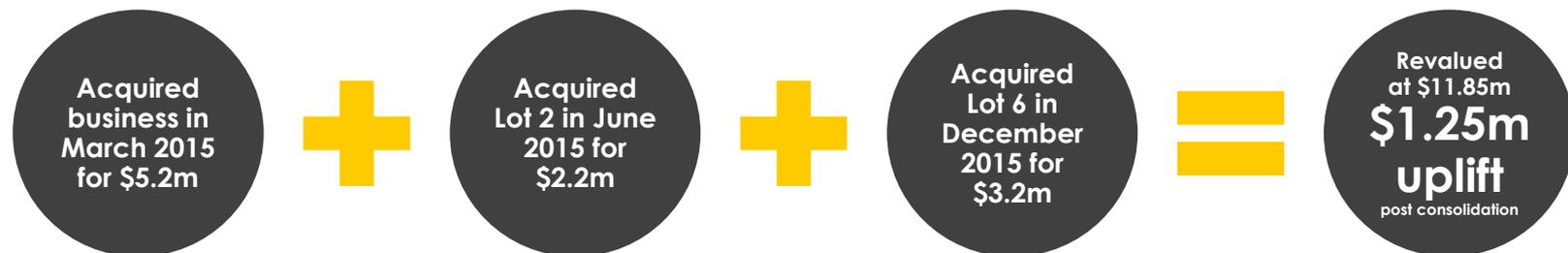
## STRATEGIC RATIONALE

- Highly fragmented industry
- Scalable fully-integrated operating platform – driving revenue and cost synergies
- Strong acquisition and integration track-record
- Investment guidelines dictate superior locations, proximity to usage drivers and ability to add value

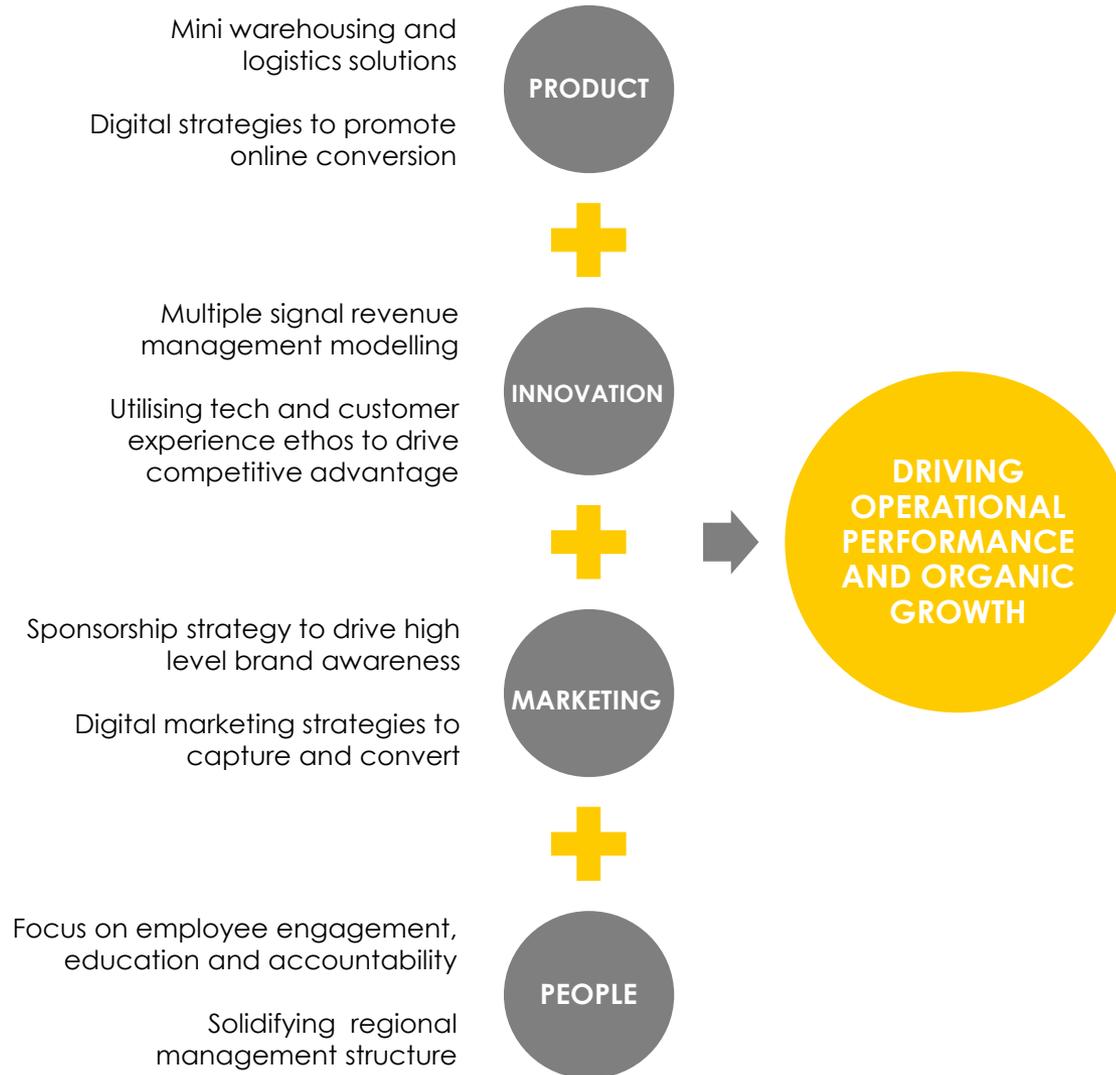
## STRATEGY OUTLOOK

- Evidence of tightening cap rates demonstrated in NSR portfolio yield – weighted average primary cap rates at 9.7% on IPO, tightening to 8.4% 1H FY16
- Tightening cap rates now being reflected in wider industry expectations
- Strong potential acquisition pipeline within Australia and New Zealand

## VALUE CREATION SPOTLIGHT – DEE WHY



# EXPLORING OPERATIONAL OPPORTUNITIES



# 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 \$12.45m)
- Fund targeting \$100m of capital (target gearing of 50%) over a five year term
- NSR holds first right of refusal to acquire assets on sale or termination of the Fund at market valuation
- Three foundation assets at Albion, Kelvin Grove and Carrara QLD (construction commenced)
- 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

## PORTFOLIO RECYCLING

- First portfolio recycling opportunity in Brooklyn, VIC completed in 2015
- Due diligence continues on a number of additional sites with development potential

## PERTH DEVELOPMENT PORTFOLIO (Parsons Group)

- Construction and management agreement covering five centres (first project under construction)
- It is anticipated NSR will acquire three assets upon completion

## CENTRE MANAGEMENT

- Addition of Jandakot, WA (branded National Storage, operated by Parsons Group) in September 2015
- 29 centres now under management

## SOUTHERN CROSS PORTFOLIO - HEITMAN

- Value uplift of equity interest from \$6.7m to \$8.5m
- NSR holds pre-emptive rights to acquire

# HIGHLIGHTS



## 1H FY 2016

- A-IFRS profit after tax of \$20.6 million
- Underlying earnings\* of \$14.3 million (4.3 cents per security)

## FY 2016 GUIDANCE

- FY16 underlying earnings guidance remains unchanged at 8.7 – 8.8 cents per security (\$29.0m – \$29.5m) representing underlying EPS growth of 6.0% – 7.5% on FY15 (assuming no material changes in market conditions)
- Distribution payout ratio is forecast to remain between 90% - 100% of underlying earnings

## ACHIEVEMENTS

- Underlying earnings up 35% on 1H FY15
- EPS up 13.2% to 4.3 cents per security on 1H FY15
- Successful integration of New Zealand into management platform
- 5% increase in rate per sqm across the total portfolio (excluding developing centres)
- 20% increase in total assets under management to \$886 million
- Established (IPO) portfolio EBITDA grew by 4.3% H1 FY16 v H1 FY15

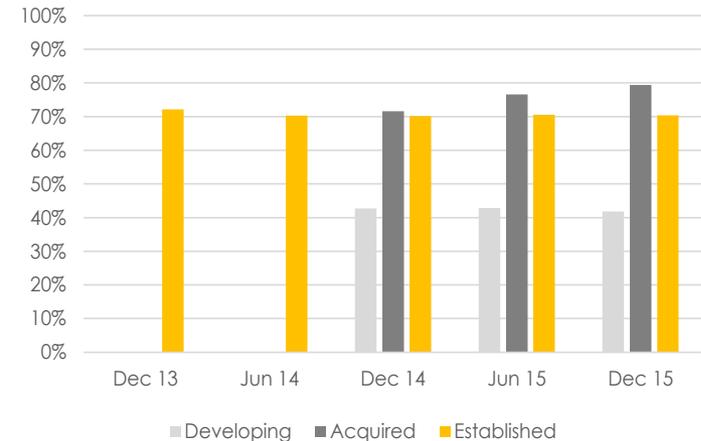
\* A-IFRS profit after tax less tax benefit (\$0.4 million), Fair value adjustments (\$3.3 million) and Finance lease diminution, presented as fair value adjustments (\$2.6 million)

# OCCUPANCY

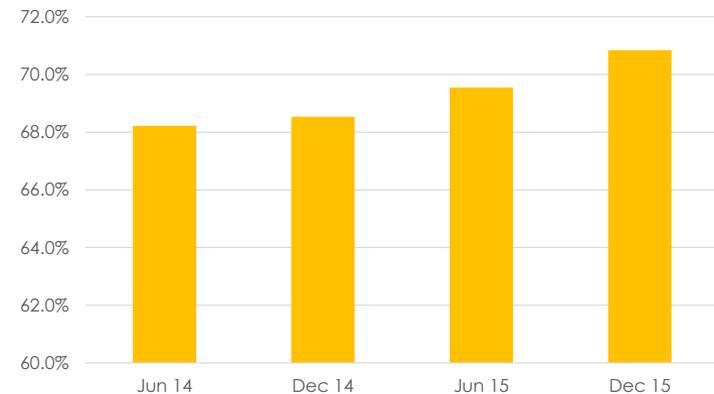


- Driving an appropriate balance between rate per sqm and occupancy growth
- Improving overall portfolio metrics despite soft trading conditions in certain markets
- **Established Portfolio** trading consistently between 70% - 71%
- **Total Portfolio\*** increased from 72% to 73%
- Overall occupancy affected by soft conditions and new supply. Positive gains in other states offset occupancy decline in Perth market
- NLA comparisons
  - Average NLA of Established Portfolio 5,450 sqm
  - Average NLA of Acquired Portfolio 5,200 sqm
  - Comparable industry NLA average\*\* 4,600 sqm

Occupancy (%)



Established Centre Occupancy Excluding WA



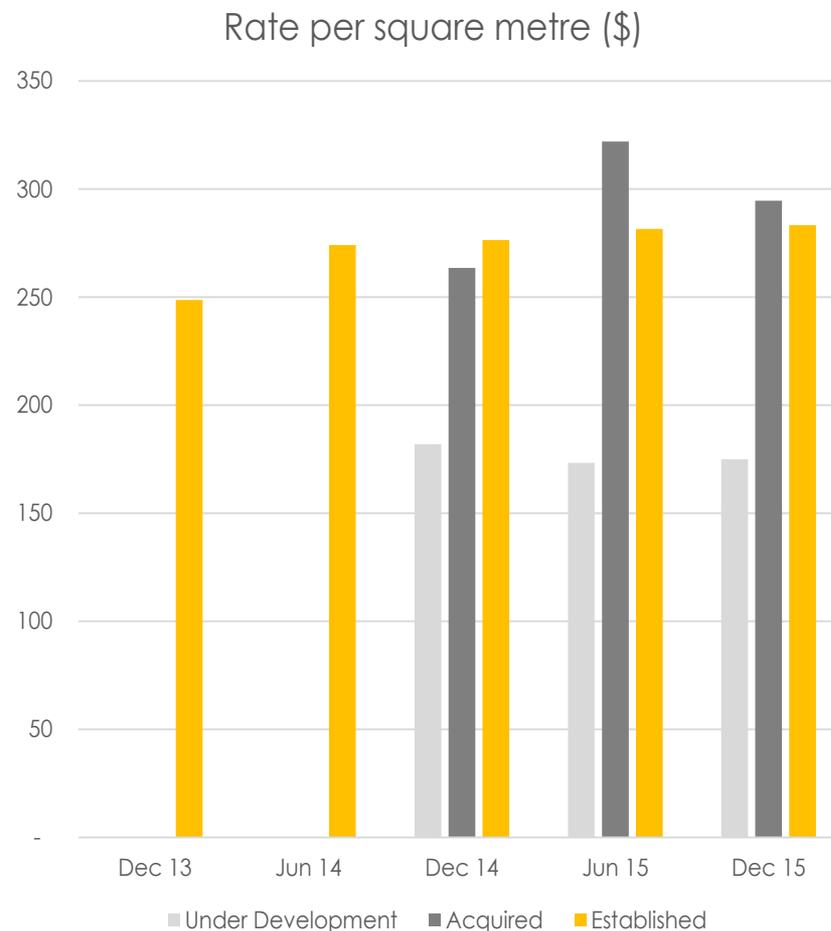
\* excluding NZ and developing centres

\*\* based on internal NSR research

# RATE PER SQM



- Driving an appropriate balance between rate per sqm and occupancy growth on an individual centre basis
- **Established Portfolio** increase in rate per square metre to \$283/sqm (Dec 14: \$276/sqm, Jun 15: \$282/sqm)
- **Total Portfolio\*** rate per square metre of \$289/sqm (Dec 14: \$274/sqm, Jun 15: \$293/sqm)
- 1H FY16 rate per sqm impacted by recent acquisition of new centres at lower starting rate per sqm and timing of rate increases
- Adopting advanced multiple signal revenue management model together with a value-add marketing approach to move away from competitor discounting

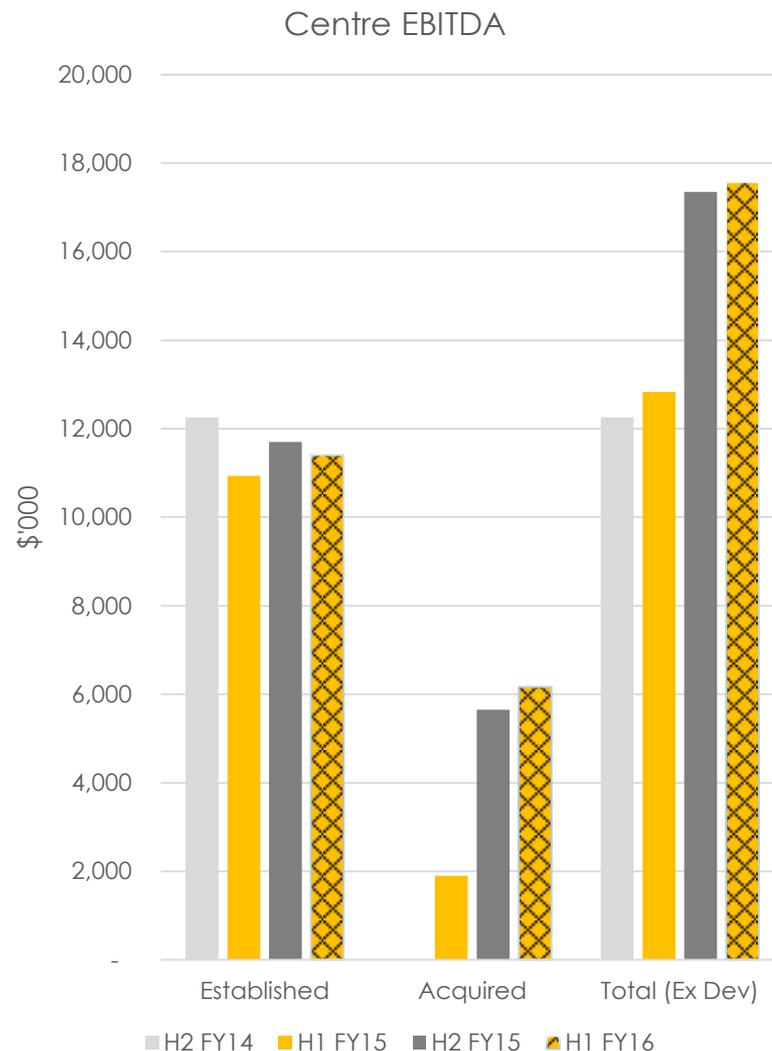


\* excluding NZ and developing centres

# CENTRE EBITDA GROWTH (EX NZ)



- Established (IPO) portfolio grew by 4.3% H1 FY16 v H1 FY15
- Previously acquired centres continue to deliver additional EBITDA and positive impact on EPS
- Recently acquired centres should continue to increase contribution as full year impact of acquisitions flow through and additional acquisitions come into the portfolio
- Strong overall EBITDA growth with additional \$4.8 million (37%) H1 FY16 v H1 FY15



# FY16 ACQUISITIONS



Centre	State	Date	Purchase Price
Belfast, Opawa, Ferrymead, Hornby & Redwood	Christchurch (NZ)	August 2015	\$21.4m (NZ\$23.0m)
Pymble, Camperdown & Seven Hills	New South Wales	October 2015	\$11.1m
Frankton	Hamilton (NZ)	November 2015	\$6.9m (NZ\$7.4m)
Earlville	Queensland	November 2015	\$9.9m
Croydon South	Victoria	December 2015	\$4.7m
Dee Why (portion of freehold of existing centre)	New South Wales	December 2015	\$3.2m
Highett	Victoria	March 2016	\$17.0m
Coconut Grove	Northern Territory	April 2016	\$10.8m
Gosford	New South Wales	May 2016	\$7.2m
South Wharf	Victoria	May 2016	\$12.5m
Newtown, Hutt City	Wellington (NZ)	May 2016	\$23.3m (NZ\$25.0m)
<b>18 Acquisitions</b>			<b>\$128.0m</b>

# CAPITAL MANAGEMENT

## **Debt Finance Facility (AU + NZ)** (Current)

- Club arrangement with three major Australian banks
- \$294 million in facilities
- \$275 million drawn
- Gearing covenant 50%
- \$119.4m hedged - weight average tenor 4.0 years

## **Distributions**

- Distribution Reinvestment Plan introduced
- Initial take up 19.9% (within two weeks of launch)
- Distribution policy of 90% - 100% of underlying earnings
- FY16 interim distribution of 4.3 cents per stapled security, paid 26 February 2016

## **Valuation Policy**

- 3 year rolling independent valuations

# PORTFOLIO METRICS



METRICS	IPO			31 December 2014			31 December 2015		
	NSR	MGT	TOTAL	NSR	MGT	TOTAL	NSR	MGT	TOTAL
Freehold centres	28	24	52	39	27	66	50	29	79
Leasehold centres	10	-	10	10	-	10	15	-	15
Total centres	38	24	62	49	27	76	65	29	94
Freehold NLA (sqm)	163,000	117,000	281,000	234,000	129,000	363,000	277,000	141,000	418,000
Leasehold NLA (sqm)	49,000	-	49,000	49,000	-	49,000	73,000	-	73,000
Total NLA (sqm)	212,000	117,000	330,000	283,000	129,000	412,000	350,000	141,000	491,000
Average NLA	5,600	4,900	5,300	5,800	4,700	5,400	5,400	4,900	5,200
Storage units	25,000	12,000	37,000	32,000	13,000	45,000	40,000	14,000	54,000
REVPAM (Excludes developing centres)	\$174	N/A	N/A	\$182	N/A	N/A	\$212	N/A	N/A
Assets under management	\$270m	\$210m	\$480m	\$409m	\$224m	\$633m	\$618m	\$268m	\$886m
Weighted average Primary cap rate	9.70%	N/A	N/A	9.50%	N/A	N/A	8.40%	N/A	N/A

**NSR** – owned portfolio

**MGT** – managed centres including Southern Cross

**REVPAM** – revenue per available square metre

# BALANCE SHEET METRICS



Balance Sheet Metrics	Dec 14	Dec 15		
	Aust (\$A)**	Aust (\$A)	NZ (\$NZ)	Total (\$A)*
Total assets (net of finance lease liability)	\$449.4m	\$589.3m	\$31.0m	\$618.4m
Net tangible assets	\$296.2m	-	-	\$375.7m
Net tangible assets per security	1.00	-	-	1.12
Total debt facilities	\$200m	\$200m	\$31m	\$229m
Total debt drawn	\$112m	\$168m	\$31m	\$197m
Remaining debt capacity	\$88m	\$32m	\$0m	\$32m
Average cost of debt drawn	3.9%	3.4%	4.0%	3.5%
Gearing ratio	23%	-	-	31%
Covenant gearing ratio (50%)	26%	-	-	34%
Covenant interest coverage (2.0x)	5.9x	-	-	5.5x
Debt term to maturity (years)	3.1	2.2	4.0	2.5
Debt hedged	\$110.0m	\$110.0m	\$10.0m	\$119.4m
% debt hedged	98%	66%	32%	61%
Average cost of hedged debt	4.0%	4.0%	4.5%	4.1%
Weight average hedge maturity (years)	3.40	4.60	2.80	4.30

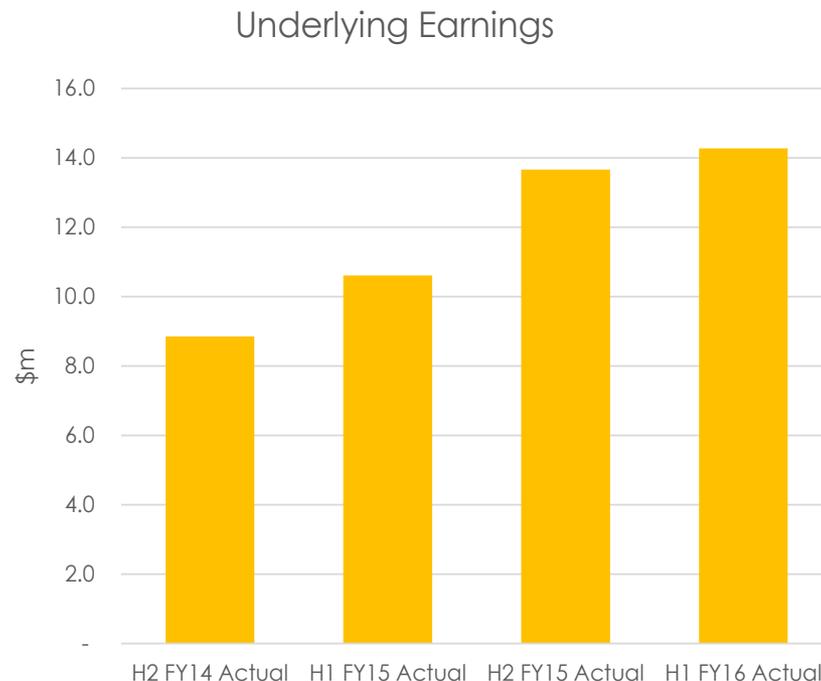
\* - \$A/\$NZ = 1.066

\*\* NSR held no \$NZ assets or liabilities at Dec 14

# SUMMARY AND OUTLOOK



- 1H FY16 underlying earnings of \$14.3 million (4.3 cents per security)
- FY16 underlying earnings guidance \$29.0 - \$29.5m - assuming no material changes in market conditions
- FY16 underlying EPS guidance of 8.7 – 8.8 cents per security (6.0% – 7.5% growth on FY15) - assuming no material changes in market conditions
- Benefits from acquisitions continue to flow through to earnings
- Active acquisition pipeline



Results and Guidance Summary	
1H FY16 underlying earnings	<b>\$14.3 million (4.3 cents per security)</b>
FY16 underlying earnings guidance	<b>\$29.0 - \$29.5m (19 – 22% growth on FY15)</b>
FY16 underlying EPS guidance	<b>8.7 – 8.8 cents (6.0% – 7.5% growth on FY15)</b>



# APPENDIX A: 31 DECEMBER 2015 RESULTS

# SUMMARY INCOME STATEMENT

## RECONCILIATION OF A-IFRS PROFIT TO UNDERLYING EARNINGS



\$ Million	1H FY15	1H FY16	% Movement
Storage revenue	24.3	33.2	37%
Sales of goods and services	2.7	3.0	13%
Other revenue (Inc share of profit of JV)	2.2	2.9	30%
<b>Total Revenue</b>	<b>29.2</b>	<b>39.1</b>	<b>34%</b>
<b>Operating Centre Expenditure</b>			
Salaries and employee benefits	3.8	4.7	24%
Lease expense	4.5	6.2	38%
Property rates and taxes	1.8	2.2	22%
Cost of goods sold	0.6	0.7	17%
Repairs and maintenance	0.4	0.6	50%
Other operating expenses	2.8	3.6	29%
<b>Total Operating Centre Expenditure</b>	<b>13.9</b>	<b>18.0</b>	<b>29%</b>
<b>Operating Profit</b>	<b>15.3</b>	<b>21.1</b>	<b>38%</b>
General and administration	2.3	3.3	43%
Finance costs	2.2	3.3	50%
Depreciation and amortisation	0.2	0.2	0%
<b>Total expenses</b>	<b>18.6</b>	<b>24.8</b>	<b>33%</b>
<b>Underlying Earnings</b>	<b>10.6</b>	<b>14.3</b>	<b>35%</b>
Add / (less) fair value adjustments	3.2	3.3	
Add / (less) diminution of lease asset	1.9	2.6	
Add / (less) other non-operating expenses	(0.6)	-	
<b>Profit / (loss) before income tax</b>	<b>15.1</b>	<b>20.2</b>	
Income tax (expense) benefit	0.1	0.4	
<b>Profit / (loss) after income tax</b>	<b>15.2</b>	<b>20.6</b>	



# THANK YOU

INVEST@NATIONALSTORAGE.COM.AU  
WWW.NATIONALSTORAGE.COM.AU  
1800 683 290