



# NATIONAL STORAGE REIT

**FY16 RESULTS**

**23 AUGUST 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 including information that reflect any change in NSR's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward looking statements whether as a result of new information, future events or results or otherwise is disclaimed. .

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 2016 Financial Statements was not subject to independent audit or review. Investors should be aware that certain financial data included in this Presentation is "non-IFRS financial information" under ASIC Regulatory Guide 230: "Disclosing non-IFRS financial information" published by ASIC and may also be "non-GAAP financial information" within the meaning given under Regulation G of the U.S. Securities Exchange Act of 1934, as amended.

Non-IFRS financial information does not have a standardised meaning prescribed by Australian Accounting Standards ("AAS"). Accordingly, the non-IFRS financial information in this Presentation: (i) may not be comparable to similarly titled measures presented by other entities; (ii) should not be construed as an alternative to other financial measures determined in accordance with AAS; and (iii) is not a measure of performance, liquidity or value under the IFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information included in this Presentation.



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

**105 CENTRES ACROSS AUSTRALIA & NEW ZEALAND**

**STRONG PIPELINE OF ACQUISITION OPPORTUNITIES**

**DRIVING ORGANIC STORAGE GROWTH**

## A-IFRS PROFIT \$44.0 million



**\$29.2 MILLION**  
**8.7 CENTS**  
PER STAPLED SECURITY

**UNDERLYING  
EARNINGS\***

**23 NEW CENTRES +  
SOUTHERN CROSS**

**PORTFOLIO  
GROWTH**

**\$959 MILLION**

**ASSETS UNDER  
MANAGEMENT**

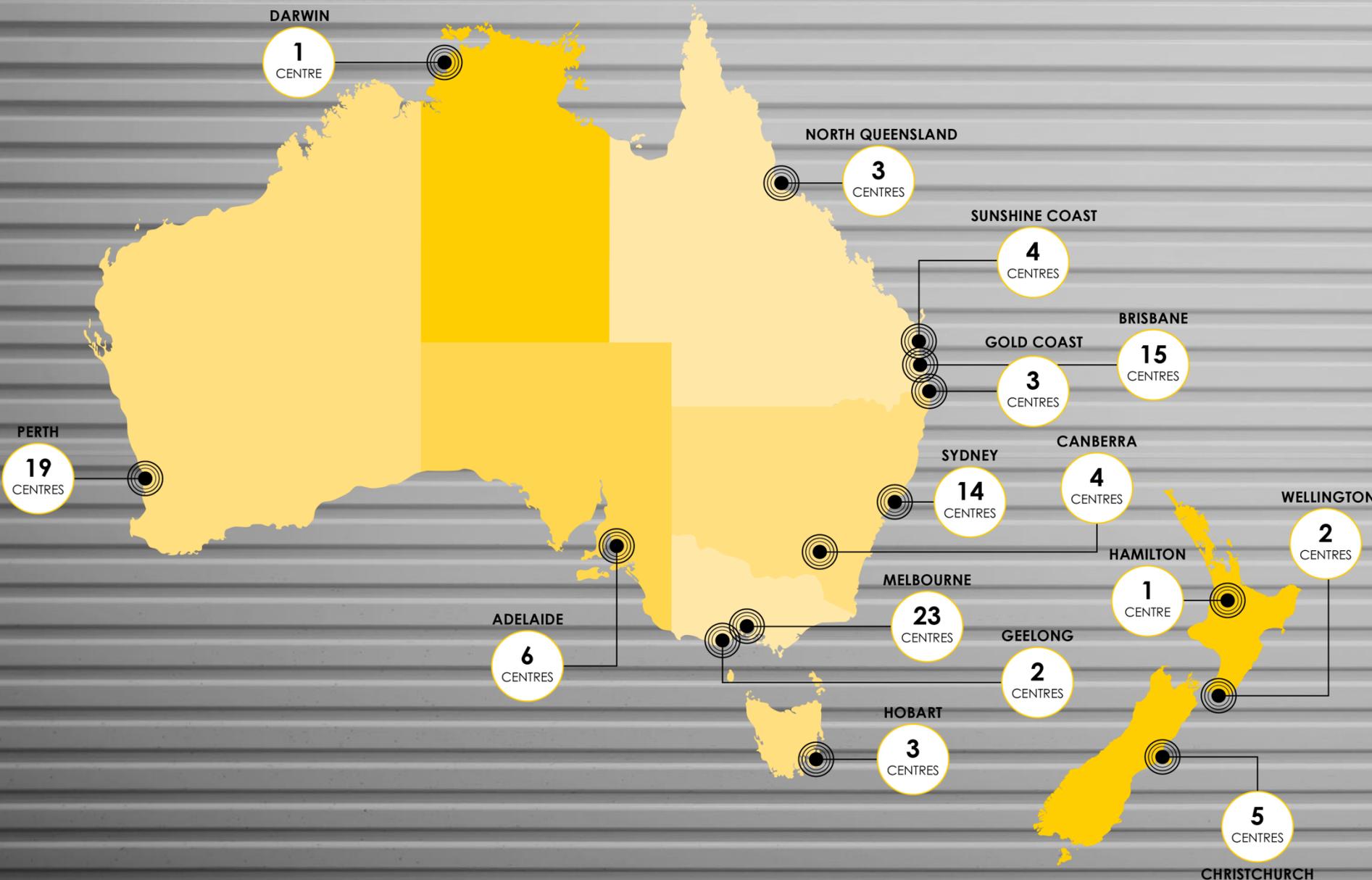
**9.2 – 9.4 CENTS**  
PER STAPLED SECURITY

**FY17 EPS  
GUIDANCE\*\***

\*A-IFRS profit adjusted for tax benefit (-\$0.25 million), fair value adjustments (-\$10.02 million) and net loss from fair value adjustments of leasehold investment properties (-\$4.55 million)

\*\* Assuming no material changes in market conditions

# NATIONAL STORAGE FOOTPRINT



# ACQUISITIONS



- Announced 23 acquisitions across Australia and New Zealand in FY16 (excluding Southern Cross portfolio) with a total combined purchase price of \$145 million
- Active growth strategy to consolidate highly fragmented industry, leveraging fully-integrated scalable platform
- Strong potential acquisition pipeline with a further \$60m of assets currently under consideration

	State	Announcement Date	NLA (sqm)	Storage Units	Purchase Price <sup>1</sup>	
H 1 F Y 1 6	Belfast, Opawa, Ferrymead, Hornby & Redwood	Christchurch (NZ)	August 2015	17,000	1,350	\$21.9m (NZ\$23.0m)
	Pymble, Camperdown & Seven Hills	New South Wales	October 2015	13,600	1,400	\$11.1m
	Frankton	Hamilton (NZ)	November 2015	5,400	520	\$7.0m (NZ\$7.4m)
	Earlville	Queensland	November 2015	5,200	550	\$9.9m
	Croydon South	Victoria	December 2015	4,250	390	\$4.7m
	Dee Why	New South Wales	December 2015	4,500	575	\$3.2m
H 2 F Y 1 6	Highbett	Victoria	March 2016	4,600	700	\$17.0m
	Darwin	Northern Territory	April 2016	5,800	600	\$10.8m
	Gosford	New South Wales	April 2016	4,900	400	\$7.2m
	South Wharf	Victoria	May 2016	4,800	725	\$12.5m
	Newtown & Hutt City	Wellington (NZ)	May 2016	8,100	1,450	\$23.8m (NZ\$25.0m)
	Edmonton	Queensland	June 2016	8,500	600	\$7.1m
	Bayswater, Malaga & Welshpool	Western Australia	June 2016	7,300	760	\$9.0m
Butler (Leasehold) <sup>3</sup>	Western Australia	June 2016	5,100	480	-	
<b>Total (since 1 July 2015) - 23 Centres</b>			<b>99,050</b>	<b>10,500</b>	<b>\$145.3m<sup>2</sup></b>	
<b>Total (since 1 January 2016) - 11 Centres</b>			<b>49,100</b>	<b>5,715</b>	<b>\$87.4m<sup>2</sup></b>	

1. Excluding transaction costs.

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

3. Part of the Perth Development Portfolio – greenfield development centre with option to acquire (now exercised for a purchase price of \$8.8 million).

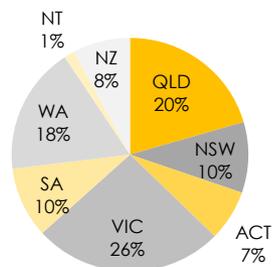
# ACQUISITIONS



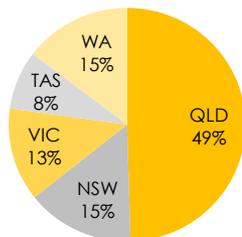
## ACQUISITION OF SOUTHERN CROSS PORTFOLIO

- Secures ownership of strategically important assets and expands property base, underpinning NSR's strong market position
- Highly complementary to NSR's existing property portfolio and already integrated into the NSR platform
- Further potential to unlock value as centres continue to mature, with upside from further expansion / development or redevelopment / portfolio recycling of some assets
- Consistent with NSR's growth strategy
- Expected to settle late August 2016

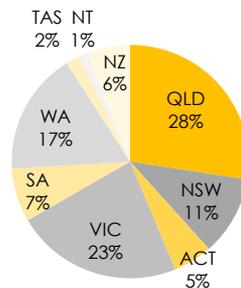
**Current NSR**  
By NLA



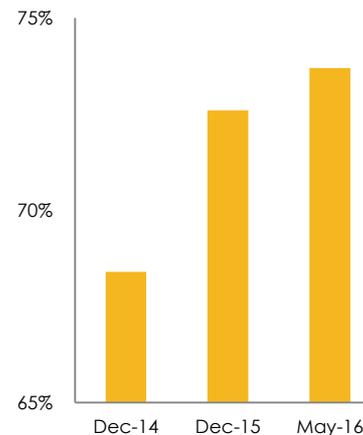
**Southern Cross (SX)**  
By NLA



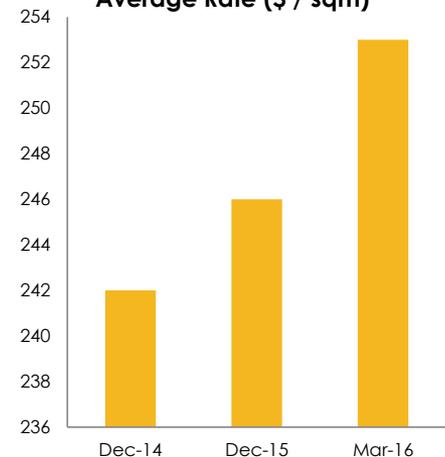
**Pro-forma NSR**  
By NLA



**Southern Cross Portfolio Occupancy (%)**



**Southern Cross Portfolio Average Rate (\$ / sqm)**

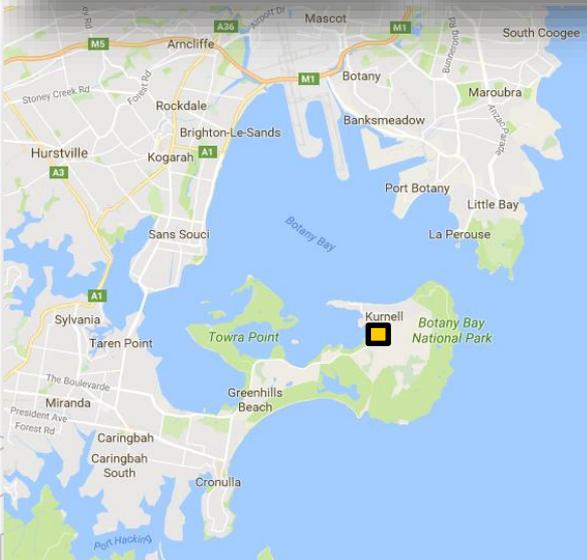


# NEW ACQUISITIONS



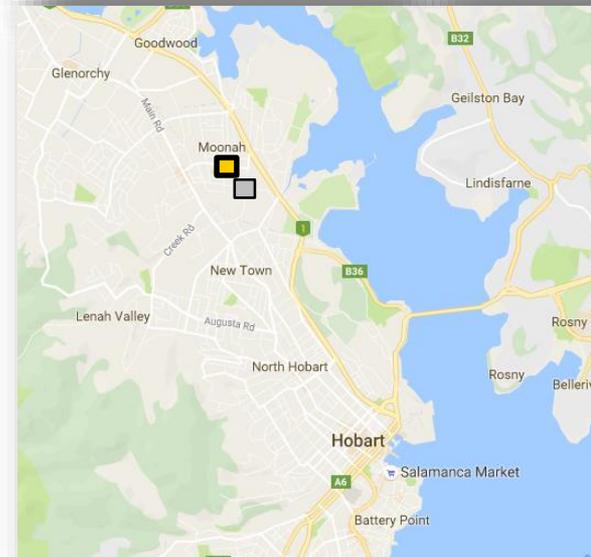
## KURNELL, NSW

- 10,300 sqm NLA
- Expands NSW presence
- Diversified income with boat/vehicle storage
- Potential for further site development
- Purchase price \$17.45 million
- Fits within NSR's target yield range
- Settlement expected late August 2016



## MOONAH CENTRAL, TAS

- 2,300 sqm NLA
- Second centre in Moonah
- Strengthens presence in Hobart storage market
- Purchase price \$3.3 million
- Fits within NSR's target yield range
- Settlement expected September 2016



# 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 QLD to open during FY17
- 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
- It is anticipated NSR will acquire up to three assets upon completion



# FINANCIAL HIGHLIGHTS



**A-IFRS PROFIT \$44.0 million**

**\$29.2 MILLION  
8.7 CENTS  
PER STAPLED SECURITY**



**UNDERLYING  
EARNINGS\***

**5.0 YEARS**



**DEBT TENOR**

**\$260 MILLION**



**CAPITAL RAISED**

**38%**



**34%\*\*  
GEARING**

\*A-IFRS profit after tax adjusted for tax benefit (-\$0.25 million), Fair value adjustments (-\$10.02 million) and Net loss from fair value adjustments of Leasehold investment properties (-\$4.55 million)

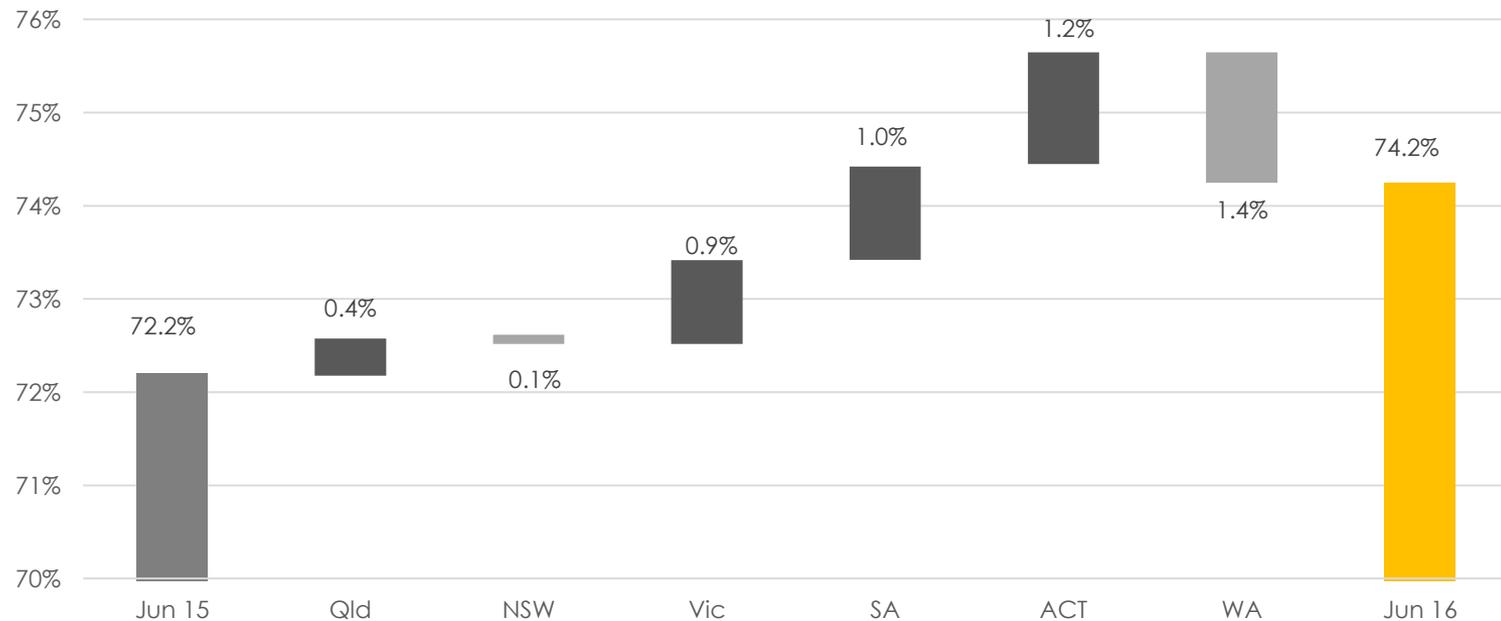
\*\* Forecast gearing post capital raise and acquisitions to 31 August 2016

# DRIVING ORGANIC OCCUPANCY GROWTH



- **June 15 (like-for-like) Portfolio\*\*** increased 2.0% to 74.2%
- Occupancy increased by 3.4% to 75.6%, excluding the impact of centres in the Perth market
- Perth market showing signs of stabilisation with positive occupancy growth achieved over May and June
- Maintained a balanced approach between rate per sqm and occupancy growth
- Improving overall portfolio metrics

2015 – 2016 Like-for-Like Portfolio Occupancy\*\*

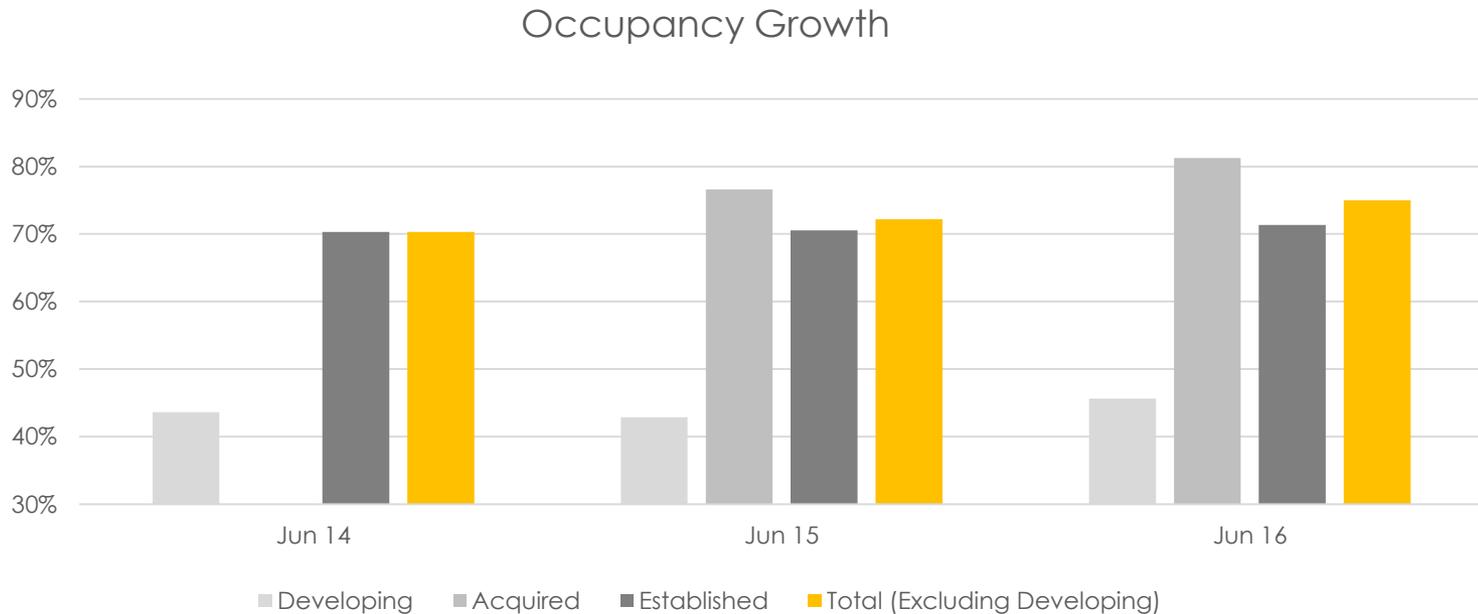


\* All centres owned at 30 June 2015 (excluding NZ and developing centres)

\*\* Excludes New Zealand and developing centres

# DRIVING TOTAL OCCUPANCY GROWTH

- **Total Portfolio\*** increased 3% to 75% (June 15: 72%)
- 33% of centres holding average occupancy above 80%
- Positive impacts of improved revenue management system

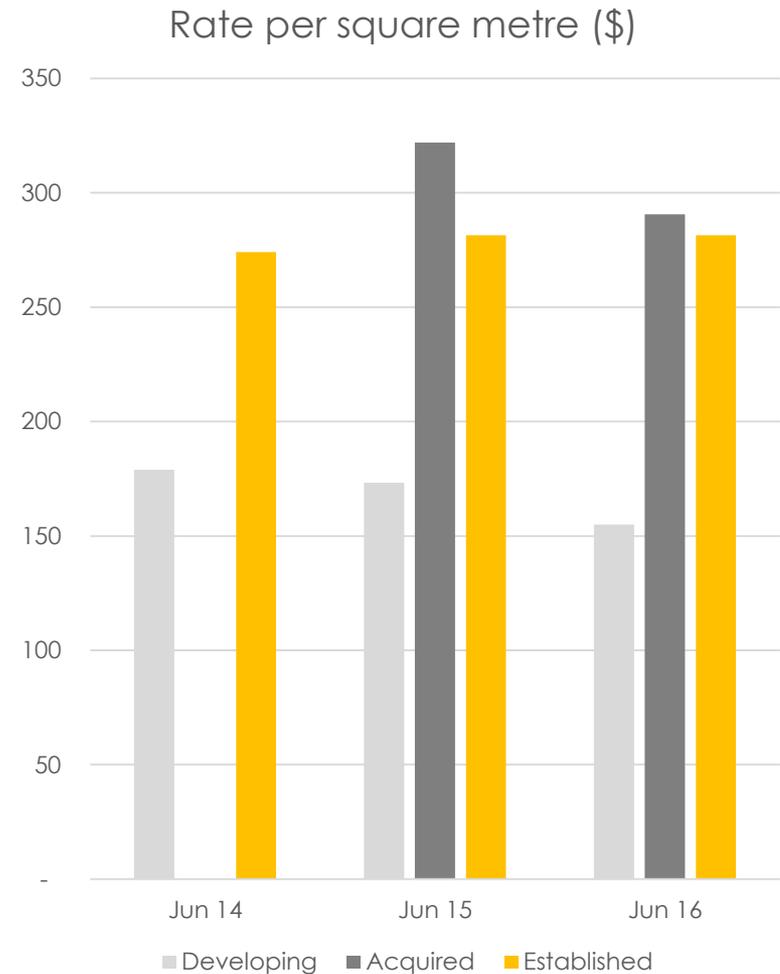


\*Excludes New Zealand and developing centres  
 Established Portfolio includes centres held for more than two years  
 Acquired Portfolio includes centres acquired within the past two years

# DRIVING RATE PER SQM AND EBITDA GROWTH



- **EBITDA growth** of 22% across Total Portfolio
- Driven by an appropriate balance between rate per sqm and occupancy growth on an individual centre basis
- **Established Portfolio\*** rate per square metre \$281/sqm (Jun 15: \$282/sqm)
- **Total Portfolio\*** rate per square metre \$285/sqm (Jun 15: \$293/sqm)
- Rate per sqm influenced by:
  - acquisition of new centres at lower starting rate per sqm
  - timing of rate increases
  - promotional offers
- Advanced multiple signal revenue management model delivering efficiencies and results



\*Excludes New Zealand and developing centres  
Established Portfolio includes centres held for more than two years  
Acquired Portfolio includes centres acquired within the past two years

# NEW ZEALAND



- **NZ Portfolio Occupancy:** 76%
- **NZ Rate:** \$212/sqm
- FY16 Acquisitions
  - Christchurch (5)
  - Hamilton (1)
  - Wellington (2)
- 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 major population centres
- Further economies of scale to be achieved as portfolio growth continues



# CAPITAL MANAGEMENT



## Debt Finance Facility (AU + NZ)

- \$424 million in facilities - \$286 million drawn
- Gearing 38%, to reduce to 34% post acquisitions to 31 August 2016
- Gearing covenant headroom increased to 55%
- Gearing range expanded to 25% – 40%
- Weighted average tenor 5.0 years (increased from 2.5 years)
- Weighted average cost of debt 4.1%

## Distributions

- Distribution Reinvestment Plan remains open
- Distribution policy of 90% - 100% of underlying earnings
- FY16 final distribution of 4.4 cps to be paid 29 August 2016
- 8.7 cps distributed for FY16

## Capital Raising

- \$260 million fully underwritten capital raising successfully completed
- Issue price \$1.58
- Used to fund the pending acquisition of Southern Cross and reduce gearing
- Strong balance sheet to fund future acquisition opportunities



**ASSET MANAGEMENT (ORGANIC GROWTH)**

**ACQUISITIONS**

**PORTFOLIO, DEVELOPMENT & CENTRE MANAGEMENT**

**PRODUCT & INNOVATION**

**CAPITAL MANAGEMENT**

**DEVELOP MULTIPLE REVENUE STREAMS TO MAXIMISE RETURNS**

**FY16 UNDERLYING EARNINGS \$29.2 MILLION (8.7 cps)**

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

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

**\$60 MILLION ACTIVE ACQUISITION PIPELINE**



# THANK YOU

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



# **APPENDICIES:**

**SUMMARY INCOME STATEMENT**

**BALANCE SHEET METRICS**

**PORTFOLIO METRICS**

**STRATEGY DETAIL**



# SUMMARY INCOME STATEMENT

## RECONCILIATION OF A-IFRS PROFIT TO UNDERLYING EARNINGS



\$ Million	FY15	FY16	% Movement
Storage revenue	55.2	69.7	26%
Sales of goods and services	2.8	3.1	11%
Other revenue (Inc share of profit of JV)	7.3	9.1	25%
<b>Total Revenue</b>	<b>65.3</b>	<b>81.9</b>	<b>25%</b>
<b>Operating Centre Expenditure</b>			
Salaries and employee benefits	7.8	10.3	32%
Lease expense	10.0	12.8	28%
Property rates and taxes	3.7	4.4	19%
Cost of goods sold	1.3	1.3	0%
Repairs and maintenance	0.8	1.1	38%
Other operating expenses	5.9	8.1	37%
<b>Total Operating Centre Expenditure</b>	<b>29.5</b>	<b>38.0</b>	<b>29%</b>
<b>Operating Profit</b>	<b>35.8</b>	<b>43.9</b>	<b>23%</b>
General and administration	5.9	6.8	15%
Finance costs	5.3	7.3	38%
Depreciation and amortisation	0.3	0.6	100%
<b>Total expenses</b>	<b>41.0</b>	<b>52.7</b>	<b>29%</b>
<b>Underlying Earnings</b>	<b>24.3</b>	<b>29.2</b>	<b>20%</b>
Add / (less) fair value adjustments	21.0	10.0	
Add / (less) diminution of lease asset	4.6	4.6	
Add / (less) other non-operating expenses	(0.9)	-	
<b>Profit / (loss) before income tax</b>	<b>49.0</b>	<b>43.8</b>	
Income tax (expense) benefit	(0.3)	0.2	
<b>Profit / (loss) after income tax</b>	<b>48.7</b>	<b>44.0</b>	

# BALANCE SHEET METRICS



Balance Sheet Metrics	Jun 15	Jun 16		
	Aust (\$A)**	Aust (\$A)	NZ (\$NZ)	Total (\$A)
Total assets (net of finance lease liability)	\$538m	\$668m	\$56m	\$721m
Net tangible assets	\$372m	-	-	\$384m
Net tangible assets per security	1.11	-	-	1.14
Total debt facilities	\$200m	\$380m	\$46m	\$424m
Total debt drawn	\$124m	\$242m	\$46m	\$286m
Remaining debt capacity	\$76m	\$138m	\$0m	\$138m
Debt hedged	\$110m	\$110m	\$10m	\$120m
% debt hedged	89%	45%	22%	42%
Average cost of debt	3.9%	4.1%	4.0%	4.1%
Covenant gearing ratio	24%	-	-	38%
Covenant interest coverage (2.0x)	5.6x	-	-	5.1x
Debt term to maturity (years)	2.7	5.1	4.1	5.0

\* \$A/\$NZ = 1.046

\*\* NSR held no \$NZ assets or liabilities at June 15



# PORTFOLIO METRICS



	30 June 2014			30 June 2015			30 June 2016		
	NSR	MGT	TOTAL	NSR	MGT	TOTAL	NSR	MGT	TOTAL
Freehold centres	31	25	56	42	27	69	60	28	88
Leasehold centres	10	1	11	12	1	13	16	1	17
Total centres	41	26	67	54	28	82	76	29	105
Freehold NLA (sqm)	189,000	127,000	316,000	245,000	141,000	386,000	320,000	142,000	462,000
Leasehold NLA (sqm)	49,000	2,000	51,000	59,000	2,000	61,000	78,000	2,000	80,000
Total NLA (sqm)	238,000	125,000	367,000	304,000	139,000	447,000	398,000	144,000	542,000
Average NLA	5,800	4,800	5,500	5,400	5,000	5,500	5,300	5,000	5,200
Storage units	27,000	13,000	40,000	36,000	14,000	50,000	45,000	14,200	59,200
REVPAM <sup>1</sup>	\$193	N/A	N/A	\$215	N/A	N/A	\$211	N/A	N/A
Assets under management	\$333m	\$217m	\$550m	\$500m	\$240m	\$740m	\$666m	\$293m	\$959m
Weighted average Primary cap rate <sup>2</sup>	9.60%	N/A	N/A	8.50%	N/A	N/A	8.30%	N/A	N/A

**NSR** – owned portfolio

**MGT** – managed centres including Southern Cross

1. REVPAM (Revenue per available square metre) – Excludes developing and New Zealand centres
2. Excludes New Zealand 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**