



# BANK OF AMERICA MERRILL LYNCH

9<sup>TH</sup> AUSTRALIAN REAL ESTATE CONFERENCE

NATIONAL STORAGE REIT

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OCTOBER 2018

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**Australasia's largest self-storage  
owner-operator, focused on driving  
organic growth across 144 storage centres  
and executing a strong pipeline of  
acquisition and development opportunities.**

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# Developing multiple revenue streams to maximise returns

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## Asset Management

Focus on organic growth, platform efficiencies and scalability

## Acquisitions

Executing high quality acquisitions across Australia and New Zealand

## Portfolio & Development Management

Expansion and development projects in key markets

## Product & Innovation

Embracing transformation, innovation and digital opportunities

## Capital Management

Efficiency and effectiveness in capital and risk management



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# FY18 HIGHLIGHTS

UNDERLYING EPS 9.6 CENTS | A-IFRS PROFIT \$145.8 MILLION

UNDERLYING  
EARNINGS<sup>1</sup>

**\$51.4m**  
(up 12.5%)

AUSTRALIAN PORTFOLIO  
OCCUPANCY

**80.4%**  
(up 3.0%)

TOTAL RETURN<sup>3</sup>

**19.9%**

ASSETS UNDER  
MANAGEMENT

**\$1.4b**  
(up 23%)

UNDERLYING  
EPS<sup>1</sup>

**9.6 cents**  
(up 4.3%)

SAME CENTRE  
REVPA<sup>2</sup>

**\$220**  
(up 3.8%)

ACQUISITIONS  
COMPLETED

**\$155m**  
(up 12%)

NET TANGIBLE  
ASSETS

**\$1.51**  
(up 13%)

1 – Underlying earnings is a non-IFRS measure (unaudited), see table on slide 8 for reconciliation

2 June 16 Centres (86 centres) excludes New Zealand and developing centres

3 – Distribution yield plus percentage NTA growth

REVPA – Revenue Per Available Square Metre

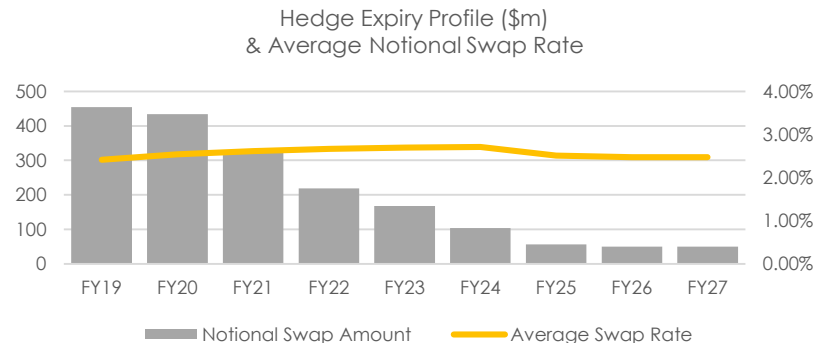


# CAPITAL MANAGEMENT

FOR THE YEAR ENDED 30 JUNE 2018

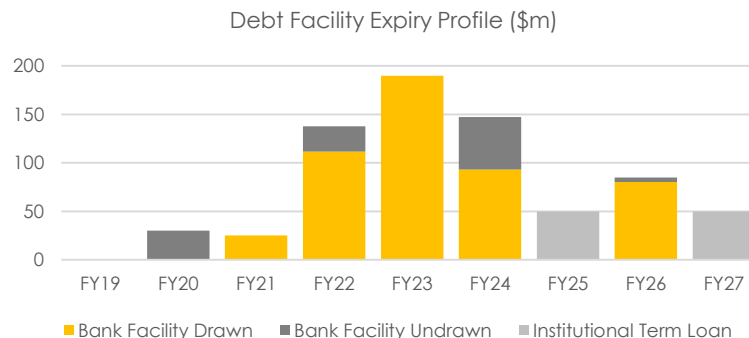
## MAJOR REFINANCE COMPLETED JUNE 2018 \$175 MILLION EQUITY RAISING AUGUST 2018

- June 2018 gearing 38%
  - Target range 25% - 40% (Covenant 55%)
  - ICR 3.6x (Covenant 2.0x)
- Total debt facilities \$715 million (\$229 million available facilities post capital raise)
- Focus on managing debt and swap profiles to reduce risk and add value
- Weighted average debt maturity 4.7 years
- Average cost of debt 3.8%
- \$319 million hedged at 30 June 2018
- NSR completed a \$175 million equity raising which reduced pro-forma gearing to 30%



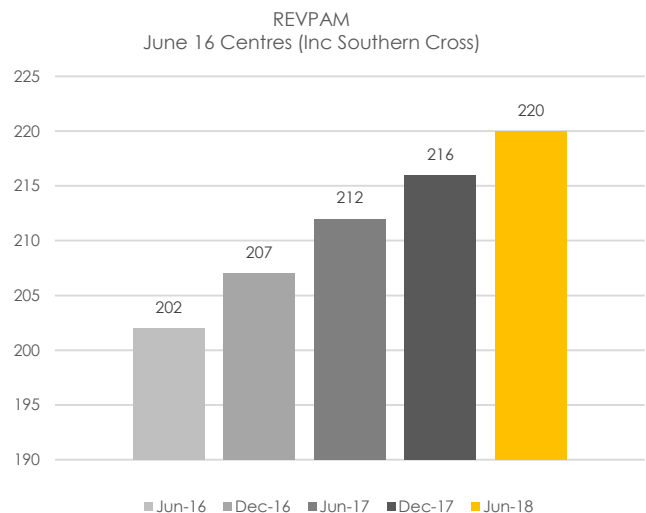
Capital Management	Jun-18	Jun-17
Total debt facilities	\$715m	\$542m
Total debt drawn	\$600m	\$482m
Remaining debt capacity	\$115m	\$60m
Debt term to maturity (years)	4.7	4.6
Covenant gearing ratio (55%)	38%	37%
Average cost of debt drawn	3.8%	3.7%
Covenant interest coverage (2.0x)	3.6x	4.2x
Debt hedged	\$319m	\$266m
% debt hedged	53%	55%
Average cost of hedged debt (inc margin)	4.0%	3.9%

\$A/\$NZ = 1.10



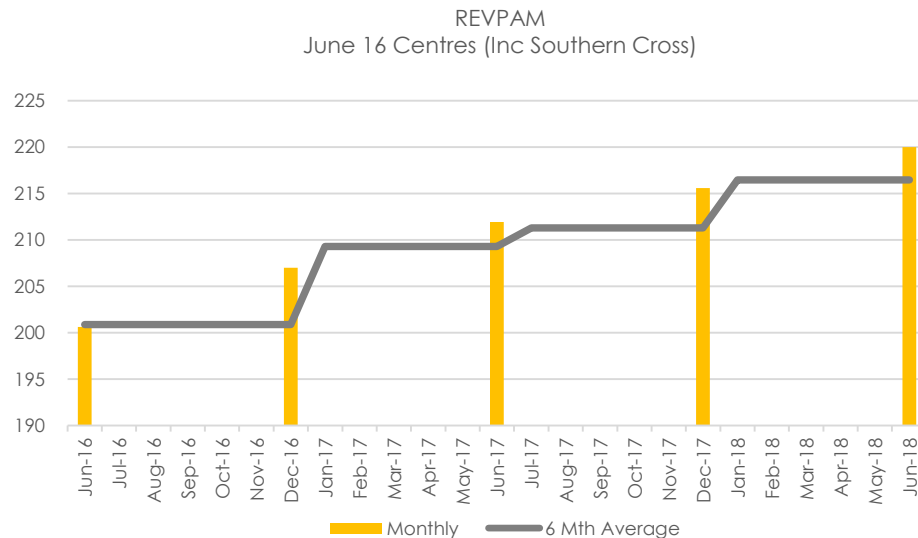
# KEY OPERATIONAL METRICS

## PROACTIVE MANAGEMENT OF RATE AND OCCUPANCY CONTINUES TO DELIVER STRONG REVPAM GROWTH



**REVPAM \$220 / sqm**  
**(Jun 17: \$212 / sqm)**  
**Rate up slightly to \$272 / sqm**

**\$8 increase in REVPAM**  
**Up 3.8% since June 2017**  
**Up 8.9% since June 2016**



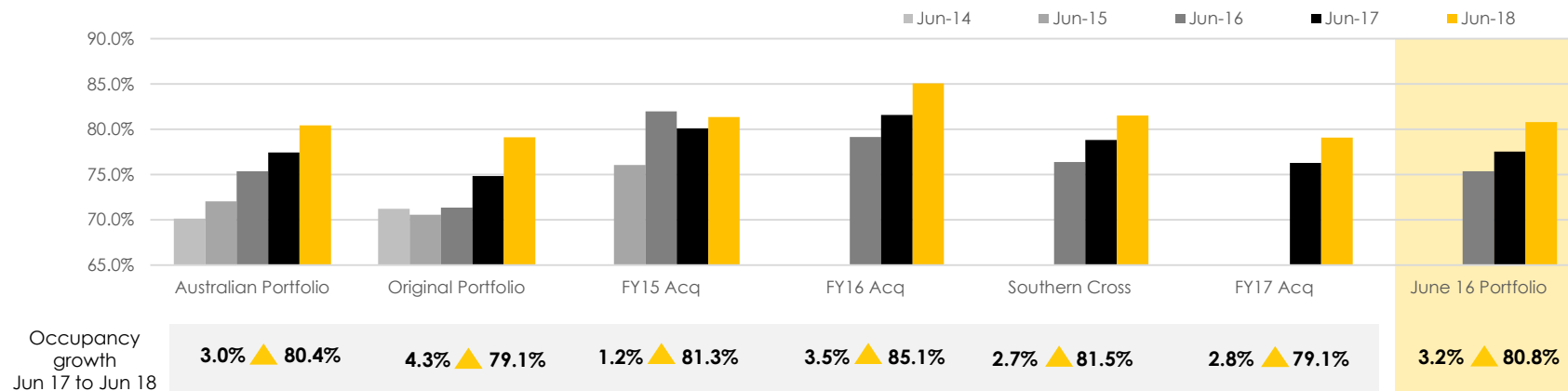
NSR drives Revenue Per Available Square Metre (REVPAM) by balancing occupancy and rate per sqm growth on a centre and individual unit basis. Revenue management strategies continue to advance through the use of NSR's multiple signal revenue management model and data analytics.

June 16 Centres (86 centres) excludes New Zealand and developing centres

# KEY OPERATIONAL METRICS

## ACTIVE REVENUE MANAGEMENT AND ANALYTICS CONTINUE TO DELIVER OCCUPANCY GROWTH

- 80.8% June 16 Portfolio Occupancy (FY17: 77.5%), with >60% of centres trading at or above 80% occupancy
- Occupancy growth of 25,000 sqm during FY18
- Strong growth experienced across SA (up 6%), WA (up 6%)



### KEY

**Australian Portfolio (110 centres)** excludes New Zealand and developing centres  
**Original Portfolio (37 centres)** comprises IPO centres (excludes Southern Cross centres)  
**FY15 Acq (14 centres)** comprises acquisitions completed during FY15  
**FY16 Acq (9 centres)** comprises acquisitions completed during FY16

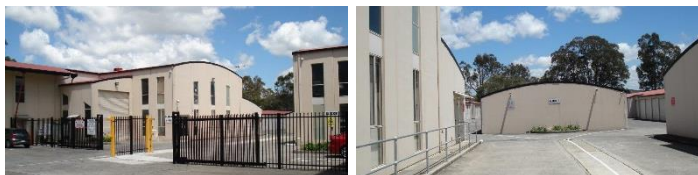
**Southern Cross (26 centres)** comprises centres held in the Southern Cross joint venture  
**FY17 Acq (8 centres)** comprises acquisitions completed during FY17  
**June 16 Portfolio (86 centres)** excludes New Zealand and developing centres (**Reference Portfolio**)



# ACQUISITION HIGHLIGHTS

## CONTINUED ACQUISITION GROWTH

- \$155 million of assets settled in FY18
- 87,500m<sup>2</sup> additional NLA
- NSR is continuing to successfully execute its growth strategy in a highly fragmented industry and to leverage NSR's fully-integrated, scalable platform



Wyong Acquisition



Morisset Acquisition

## FY18 ACQUISITIONS

Region	NLA (Sqm)	Purchase Price
<b>New South Wales</b> Morisset North Wyong	7,300	\$11.9m
<b>New Zealand</b> Ngauranga Te Rapa	7,900	NZ\$21.3m
<b>Northern Territory</b> Darwin	8,800	\$14.0m
<b>Queensland</b> Carrara <sup>1</sup> Hope Harbour Milton (development site) Marcoola Robina Townsville (5 Centres)	45,200	\$83.9m
<b>Victoria</b> Geelong Mornington	7,300	\$10.9m
<b>Western Australia</b> Jandakot (Property) Perth Airport <sup>1</sup>	11,000	\$15.1m
<b>Total<sup>2</sup></b>	<b>87,500</b>	<b>\$155.3m</b>

1 - Developing Centres

2 - AUD/NZ 1.10

# FY19 COMPLETED ACQUISITIONS

## ACQUISITION PIPELINE REMAINS VERY STRONG

- NSR has settled 9 assets for a total of \$75 million since 1 July 2018
- In addition, NSR has over \$100 million in acquisition opportunities currently under active consideration, with the majority expected to settle within six months

### FY19 ACQUISITIONS TO DATE

Centre	Region	Settlement Date	NLA (\$qm)	Purchase Price
Beresfield	New South Wales	Jul 2018	3,700	
Thornton	New South Wales	Jul 2018	1,700	
Rutherford	New South Wales	Jul 2018	4,400	
Scoresby	Victoria	Aug 2018	5,400	
Yanchep	Western Australia	Aug 2018	4,400	
Buckland	Auckland (NZ)	Sept 2018	10,200	
Shallcross St	Western Australia	Sept 2018	-	
Maitland	New South Wales	Sept 2018	3,182	
Morisset	New South Wales	Oct 2018	3,099	
<b>TOTAL</b>			<b>36,081</b>	<b>\$75m</b>



# NEW ZEALAND

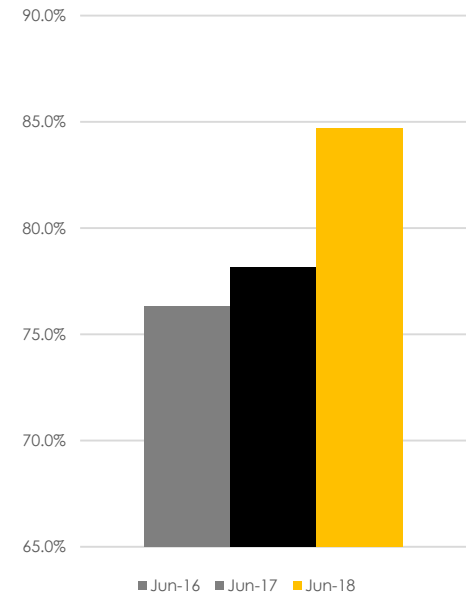
## PORTFOLIO EXPANSION CONTINUES

- 14 owned centres across New Zealand with 78,100 sqm of NLA
- Multiple centres at or approaching stabilised occupancy
- Acquisitions:
  - Ngauranga - April 2018
  - Te Rapa – May 2018
  - Buckland – Sept 2018
  - Continue to pursue acquisition opportunities in Auckland and other major population centres
- Economies of scale being achieved as portfolio continues to grow
- New Zealand operational structure in place with direct link back to Australian management platform
- Opportunities for future expansion / development / JV identified as part of the strategic initiatives announced today

### 14 Owned Centres

Occupancy: 87%      NLA (sqm): 78,100  
REVPAM: \$194/sqm      Value: NZ\$120m+

Occupancy



# SUSTAINABILITY

## REDUCING OUR CARBON FOOTPRINT WHILE GENERATING SUPERIOR RETURNS

- The comprehensive program is designed to deliver long term benefits both environmentally and from a cost saving perspective
- Phase One of the program is complete and expected to save 2,000 MWh (with a reduction of 1,400 t-CO<sub>2</sub>-e), leading to expected savings of over \$400,000 in electricity expenditure in FY19
- Phase Two of the program will commence in FY19 with a further 40+ centres to have solar installed which is expected to generate approximately 3,000 MWh in solar electricity per year.
- The Phase 2 installation is expected to offset more than half of NSR's electricity load on those sites, feeding excess solar generation back to the grid.
- As the owner-operator of the sites, 100% of the financial benefits will flow directly to NSR



### Phase One – Nearing completion Estimated Solar PV Program Benefits

Installed Capacity	1.3 MW +
Number of Centres	50+
Electricity Savings (FY19)	2,000 MWh +
Emissions Reduced	1,400 + t-CO <sub>2</sub> -e
Investment	< \$3 million
Forecast IRR	> 20%

### Phase Two - FY19 Estimated Solar PV Program Benefits

Installed Capacity	2.0 MW +
Number of Centres	40+
Electricity Savings (FY19)	2,500 MWh +
Emissions Reduced	1,500+ t-CO <sub>2</sub> -e
Investment	< \$3.5 million
Forecast IRR	Approx. 15%

# TECHNOLOGY AND INNOVATION

## LEVERAGING TECHNOLOGY, INNOVATION AND DIGITAL TRANSFORMATION TO STRENGTHEN OUR PLATFORM

### ■ **Enhanced Revenue Management**

- Continuous monitoring of competitor pricing
- Automated pricing algorithm to maximise yield based on unit specific features and benefits

### ■ **Paperless Customer Sign-Up**

- Customers can now sign up and move into storage 100% paperless
- Delivering a streamlined customer experience
- Higher level of automated customer payment of accounts
- Increased security of customer information

### ■ **Spacer Integration**

- Partnering with a key disrupter in the industry to ensure National Storage:
  - Embraces digital disruption, complementing traditional enquiry streams
  - Expands to new customer segments, staying relevant in a changing customer landscape

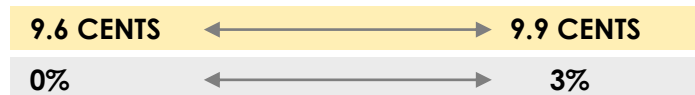
### ■ **Contact Centre Upgrade**

- Investment in enhancing internal efficiencies and productivity with the upgrade to the latest technology
- Streamlining of all communication channels (Web Chat, Telephone, Email, etc) into a unified customer experience

# FY19 GUIDANCE AND OUTLOOK

FY19 DISTRIBUTION GUIDANCE OF **9.6 – 9.9 CENTS PER STAPLED SECURITY** (including the impact of the equity raising)

## UNDERLYING EPS GROWTH<sup>1</sup> PER STAPLED SECURITY



## UNDERLYING EARNINGS GROWTH



- **FY19 EPS range of 9.6 – 9.9** cents per stapled security taking into account the equity raising and the gradual deployment of proceeds
- The strategy is expected to **accelerate earnings and value growth** over time as proceeds are deployed and our strategic initiatives are implemented, underpinning expected **EPS growth of 6% – 10% p.a. over FY20 - FY21<sup>2</sup>**

1 – Taking into account the impact of the \$175 million equity raising announced today

2 – Assuming no unforeseen circumstances or strategic portfolio acquisitions

NSR provides this guidance on the assumption there are no material changes in market conditions or operating environments



# OVERVIEW OF STRATEGIC INITIATIVES

## CONTINUING TO IDENTIFY VALUE ADD OPPORTUNITIES

NSR is pleased to announce several strategic initiatives designed to optimise the value of our portfolio, drive earnings accretion, and find additional cost-effective sources of capital to continue our successful consolidation strategy.

NSR is pleased to announce the following strategic initiatives:

1

### **Agreement with Stockland (ASX:SGP)**

Working together to unlock the higher and better use potential of NSR sites

Investigating the options for storage developments within the Stockland portfolio

2

### **Capital partnership in New Zealand**

Releasing capital while continuing to grow NSR's presence in New Zealand through additional acquisition, expansion and development opportunities

3

### **Expanding Development Pipeline**

Investigating and reviewing opportunities both within and outside the NSR portfolio to maximise development activity



# APPENDICES

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# 1 AGREEMENT WITH STOCKLAND

## UNLOCKING VALUE

- NSR has entered into an Agreement with leading Australian property group, Stockland, to review and identify mixed use and storage opportunities across both NSR's and Stockland's portfolios respectively
- Planning changes and evolving local market conditions present opportunities to optimise returns for some assets through further development or higher and better use alternatives
- A detailed portfolio review is being undertaken by both parties
- NSR intends to retain control of its storage facilities in the assets post-development, to ensure continuing revenue growth from core storage operations over the long term
- The parties will agree the best transaction structure and enter into project-specific documents for an opportunity on a case-by-case basis

## BENEFITS

- ✓ Aims to maximise returns for each party
- ✓ Minimises development risk for NSR and enables NSR to focus on core storage operations
- ✓ Potential to add NSR-operated storage facilities to Stockland's assets



Marion – Adelaide (Majority NSR owned)



Gladesville – Sydney

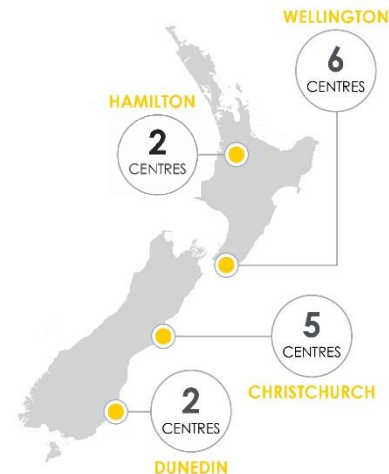
## 2 CAPITAL PARTNERSHIP IN NEW ZEALAND

### ACCELERATING PORTFOLIO EXPANSION IN A CAPITAL EFFICIENT MANNER

- NSR intends to develop a capital partnership for NSR's existing portfolio across New Zealand
- Strong market fundamentals and operating metrics are continuing to drive strong investor demand for self-storage assets in New Zealand
- The NZ portfolio comprises attractive assets valued at approximately NZ\$120 million (post settlement of Buckland), that generates strong underlying cashflows, some of which have further development potential
- The portfolio's ongoing cash-flows support the development of multiple new greenfield and brownfield self-storage assets in the Auckland and greater New Zealand market. Auckland currently enjoys occupancy of greater than 90%
- NSR intends to retain an equity ownership stake in the assets

### BENEFITS

- ✓ Releases significant capital upfront, to be recycled into further asset acquisitions and expansions across Australia and New Zealand, underpinning portfolio growth
- ✓ Establishes multiple fee revenue streams for NSR from the ongoing management, development, acquisition and financing of existing and future assets
- ✓ Likely to crystallise a profit for NSR



\*map pre-Buckland settlement and includes two centres operated under license as National Storage centres

#### 14 Owned Centres (inc Buckland)

Occupancy: 87%	NLA (sqm): 78,100
REVPAM: \$194/sqm	Value: NZ\$120m+

### 3 EXPANSION AND DEVELOPMENT PIPELINE

#### FOCUS ON NSR'S EXPANSION AND DEVELOPMENT PIPELINE TO MAXIMISE NEW AND EXISTING CENTRE OPPORTUNITIES

- **Expansion of five assets within NSR's existing portfolio to commence in FY19**
  - Estimated total capex of \$15 million to \$20 million and stabilised yield on cost of >20%
  - Assets have high occupancy and will benefit from expanded NLA
- Up to **25 centres** with potential for further value add through expansion and development given current and future expected trading conditions
- Expansion and development program expected to **add approximately 3,000 sqm of NLA per centre** which could yield an **additional \$750k to \$1 million in income per centre** at stabilised occupancy, with only a marginal increase in operating costs. The additional expansions will also improve the asset value of each of the expanded centres upon completion of the works

- 
- NSR continues to work with its investment partners on the delivery of 10 leading self-storage development projects:

<b>Australian Prime Storage Fund (APSF)</b>	Albion and Kelvin Grove (operational), Canterbury (under construction)
<b>Parsons Group</b>	Five centres in Perth, WA
<b>Leyshon Group</b>	Bundall (Gold Coast) and Milton (Brisbane)

# DEVELOPMENT EXAMPLE 1

## GOLD COAST

Concept Summary	Investigating retrofit of existing building structure in conjunction with newly constructed facility with potential to stage delivery
Site Area	21,881m <sup>2</sup>
Current Use	Retail, Retail/Office & Carpark
Design Status	Concept Design
Indicative Yield	10,000m <sup>2</sup> + 4,000m <sup>2</sup>
Project Status	Acquisition Pending
Target Commencement	2019





# DEVELOPMENT EXAMPLE 2

## 177 & 243 SCOTTSDALE DRIVE, ROBINA

Concept Summary	To increase capacity and product diversity of existing facility to higher and better use
Site Area	10,061m <sup>2</sup> & 3,111m <sup>2</sup>
Current Use	Existing Building contains 952 units with 10,159m <sup>2</sup> –the balance parcel is currently underutilised as hardstand
Proposed Use	6 additional commercial drive up storage areas on existing site & a new 6 level storage facility
Design Status	Preparing Development Application
Target Construction Commencement	Mid 2019



# DEVELOPMENT EXAMPLE 3

110 BUNDALL ROAD, BUNDALL

Concept Summary	Combined existing large format retail and new storage centre
Site Area	3,775m <sup>2</sup>
Proposed Use	Storage Centre with 606 units
GFA	10,000m <sup>2</sup>
Carparks	12
Project Status	Approved and Under Construction
Anticipated Completion	February 2019



# END

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A photograph of a white building wall with vertical paneling. On the right side, there is a large yellow square sign with a black border. Inside the sign, the words "NATIONAL" and "STORAGE" are written in bold, black, sans-serif capital letters, stacked vertically. The sign is mounted on a grey vertical pillar. To the left of the sign, there is a black metal frame or pipe structure.

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STORAGE**

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