



28 June 2016

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ASX ANNOUNCEMENT

ACQUISITION OF SOUTHERN CROSS PORTFOLIO AND FOUR ADDITIONAL STORAGE CENTRES AND EQUITY RAISING

National Storage REIT ("NSR") is pleased to announce it has entered into arrangements to acquire the Southern Cross portfolio of assets which it currently manages and partly owns through a joint venture with Heitman, as well as four additional storage centres in Australia. The acquisitions will be funded via a combination of debt and a \$260m equity raising, and are expected to be accretive to FY17 earnings.

KEY HIGHLIGHTS

- NSR to acquire the Southern Cross portfolio of 26 storage assets across Australia which it currently manages, consisting of 126,000 sqm NLA and 13,000 storage units, for net consideration of \$285m¹
- NSR has also entered agreements to acquire four additional storage centres, including a three centre portfolio in Perth and a centre in Cairns, with a combined NLA of 12,400 sqm and 1,240 storage units for a combined total of \$16.1m
- Acquisitions strengthen NSR's position as a leading self-storage provider in Australia and New Zealand and increase NSR's footprint by a combined 138,400 sqm and 14,240 storage units to 523,000 sqm and 56,000 units respectively
- Acquisitions underscore the most acquisitive year in NSR's history, with 18 acquisitions completed since 1 July 2015, collectively exceeding \$127million²
- Acquisitions to be funded via a \$260m equity raising, comprising a \$101m institutional Placement ("Placement") and a \$159m 3-for-10 pro-rata accelerated non-renounceable Entitlement Offer ("Entitlement Offer") and expanded debt facility
- NSR has refinanced its existing debt facility, resulting in an increase in average weighted tenor from 2.5 years to 5.0 years, and expanded its target gearing range to 25% – 40%
- Following the acquisitions and equity raising, NSR's gearing will reduce to 33%^{3,4}, and NTA will increase by 5.4% to \$1.18⁴ per stapled security (from \$1.12 at 1H16)
- NSR reaffirms FY16 EPS guidance of 8.7 – 8.8 cents per stapled security and expects FY17 underlying earnings to be within a range of 9.2 – 9.4 cents per stapled security

¹ Consideration for Southern Cross portfolio net of NSR's equity accounted holding, excluding transaction costs and business adjustments.

² Excludes Southern Cross portfolio and the four new centres comprising the current transaction

³ Pro-forma gearing following the post balance date acquisition of 11 assets for a total of \$87.4m as well as the acquisitions

⁴ Forecast excludes impact of any re-valuations as at 30 June 2016

NATIONAL STORAGE REIT (NSR)

National Storage Holdings Limited (ACN 166 572 845)
National Storage Financial Services Limited (ACN 600 787 246 AFSL 475 228) as responsible entity for
National Storage Property Trust (ARSN 101 227 712)



OVERVIEW OF ACQUISITIONS

Managing Director Andrew Catsoulis said "The acquisition of the Southern Cross portfolio is transformational for NSR, enlarging our asset base by 26 centres (including two dedicated wine storage centres), and adding approximately 126,000 sqm of net lettable area and 13,000 storage units to NSR's existing footprint".

"This acquisition reinforces our position in the Australian and New Zealand self-storage market by securing long-term ownership of strategically important assets. These assets are highly complementary to our existing property portfolio and are already fully integrated into our platform. In addition to the value derived from our deep knowledge of the Southern Cross portfolio assets, there is potential to unlock further value as these centres continue to mature, with additional upside potential from further expansion, development or redevelopment of some assets" said Mr Catsoulis.

"FY16 marks the most acquisitive year in our history. In addition to the Southern Cross acquisition, we have announced 23 acquisitions since 1 July 2015 for a combined consideration in excess of \$140m including the acquisition of four self-storage centres announced today. We continue to maintain a strong pipeline of potential acquisitions, with approximately \$100m of assets currently under consideration and advanced negotiations underway for approximately a further \$30m of assets" said Mr Catsoulis.

The announced acquisitions are expected to be accretive to FY17 underlying earnings, and will not impact FY16 underlying earnings.

EQUITY RAISING

NSR also announces a fully underwritten \$260m equity raising, comprising a \$101m institutional placement of new stapled securities in NSR ("New Securities") and a \$159m pro-rata accelerated non-renounceable Entitlement Offer.

NSR will conduct a Placement to existing eligible institutional shareholders and new institutional investors to raise \$101m. The Placement will be conducted by way of a bookbuild at a fixed price of \$1.58 per New Security ("Offer Price") and will result in the issue of 63.6 million New Securities.

The Offer Price of \$1.58 represents a 8.7% discount to the distribution-adjusted last closing price of \$1.775 on 27 June 2016 and a 6.0% discount to TERP⁵. At the Offer Price and based on NSR's guidance for FY17, the New Securities issued under the Offer will generate an estimated FY17 EPS yield of 5.9%⁶.

The Entitlement Offer will be structured as a 3 for 10 fully underwritten pro-rata accelerated non-renounceable Entitlement Offer priced at \$1.58 per New Security (the same price as the Placement) to raise gross proceeds of \$159m.

⁵ TERP of A\$1.681 per stapled security calculated on an ex-distribution basis (adjusting for the 30 June 2016 estimated distribution of 4.4 cents per stapled security), including stapled securities issued under the Placement. "TERP" is the theoretical price at which stapled securities will trade after the ex-date for the distribution for the period ending 30 June 2016. It is a theoretical calculation only and the actual price at which stapled securities will trade immediately after the ex-date for the distribution will depend on many factors and may not be equal to the TERP.

⁶ Adjusting for the full year impact of the Acquisition and the Offer. Acquisition currently expected to settle in August 2016.



Eligible securityholders will be entitled to subscribe for 3 New Securities for every 10 NSR stapled securities held as at 7:00pm (Sydney Time) on Thursday, 30 June 2016. Eligible institutional securityholders will be invited to participate in the institutional component of the Entitlement Offer ("Institutional Entitlement Offer") which will take place from today, Tuesday, 28 June 2016 to Wednesday, 29 June 2016. Eligible institutional securityholders can choose to take up all, part or none of their entitlement. Institutional entitlements that eligible institutional securityholders do not take up by the close of the Institutional Entitlement Offer, and institutional entitlements that would otherwise have been offered to ineligible institutional securityholders, will be sold through an institutional shortfall bookbuild at the Offer Price on Wednesday, 29 June 2016.

The retail component of the Entitlement Offer ("Retail Entitlement Offer") will be open to existing eligible retail securityholders with a registered address in Australia and New Zealand from Tuesday, 5 July 2016 to Thursday 14 July 2016 with early retail entitlement offer acceptances due by 5:00pm (AEST) on Friday, 8 July 2016.

Existing eligible retail securityholders will have the opportunity to apply for additional securities above their entitlement as part of the retail component of the Entitlement Offer. Further details will be communicated to existing securityholders and lodged with ASX on Tuesday, 5 July 2016.

The Entitlement Offer is non-renounceable and entitlements will not be tradeable or otherwise transferrable.

The New Securities to be issued under the Placement and the Entitlement Offer will not be entitled to the estimated FY16 final distribution, but will rank pari passu with existing stapled securities from allotment.

CAPITAL MANAGEMENT

NSR's existing debt facilities have been renegotiated, increasing the limit by \$130m to \$424m, including a new \$100m debt facility to fund the Southern Cross portfolio acquisition. Improved terms include increasing the gearing covenant to 55%.

Weighted average tenor has been extended to 5.0 years, up from 2.5 years as at 31 December 2015, with the shortest maturity date being December 2019.

NSR's target gearing range has expanded to 25% – 40% (from 25% – 35%) to provide flexibility and ability to act on acquisition opportunities.

Mr Catsoulis noted "These renegotiated facilities exemplify our prudential approach to capital management and will provide average weighted five year tenored funding which will help secure NSR's debt position well into the future. This will also provide us with additional capacity to pursue our strong pipeline of potential acquisition opportunities, including \$30m currently under advanced negotiations".

OPERATIONAL UPDATE AND OUTLOOK

The NSR portfolio is trading at 72% occupancy with potential for further upside as key markets improve. Positive gains in other states have offset occupancy decline in Perth, demonstrating the resilience of the portfolio and benefits of diversification.

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NSR reaffirms FY16 EPS guidance of 8.7 – 8.8 cents per stapled security. The 2H16 estimated final distribution of 4.4 cents per stapled security brings the total estimated distribution for FY16 to 8.7 cents per stapled security. Factoring in the acquisitions and Offer, NSR expects FY17 underlying earnings to be within a range of 9.2 – 9.4 cents per stapled security, representing 5.7% – 8.0% growth on FY16 guidance.

Following the acquisitions and Offer, NSR's gearing will reduce to 33%³, and NTA will increase by 5.4% to \$1.18⁴ per stapled security (from \$1.12 at 1H16).

NSR will continue to actively pursue acquisition opportunities in line with its acquisition and asset management strategy.

A further operational update and outlook will be provided in August 2016 as part of the announcement of NSR's FY16 financial results.

This announcement does not lift the trading halt that was put in place today and NSR expects the trading halt will not be lifted until market open on Thursday 30 June 2016.

ENDS

National Storage is one of the largest self-storage providers in Australia and New Zealand, with 100 centres providing tailored storage solutions to over 35,000 residential and commercial customers. NSR is the first independent, internally managed and fully integrated owner and operator of self-storage centres to be listed on the Australian Securities Exchange (ASX).

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