



# NATIONAL STORAGE REIT

## ASX ANNOUNCEMENT

22 AUGUST 2018

### NSR FY18 RESULTS AND \$175 MILLION EQUITY RAISING

National Storage REIT (NSR) today announced its financial results for the year ended 30 June 2018 with an A-IFRS profit after tax of \$145.8 million.

#### KEY HIGHLIGHTS

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- A-IFRS profit after tax of \$145.8 million
- FY18 underlying earnings<sup>1</sup> of \$51.4 million, up 12.5% on FY17
- FY18 underlying EPS<sup>1</sup> of 9.6 cps in line with guidance, up 4.3% on FY17
- Total Return<sup>2</sup> for FY18 of 19.9%
- Final distribution of 4.9 cps bringing total FY18 distribution to 9.6 cps
- 23% increase in total assets under management to \$1.4 billion
- Net tangible assets increased by 13% to \$1.51 per stapled security
- \$155 million in acquisitions settled in FY18 and new strategic initiatives announced
- FY19 underlying EPS guidance of 9.6 – 9.9 cps (\$62.5 million – \$64.5 million)<sup>3</sup>

#### FINANCIAL RESULTS

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Managing Director Mr Andrew Catsoulis said “NSR has delivered positive FY18 results in line with guidance, demonstrating our continued commitment to the successful execution of our growth strategy and active revenue and asset management. Underlying earnings for the period increased by 12.5% to \$51.4 million, underpinned by strong storage revenue growth of 18% to \$124.6 million. Throughout FY18, we settled \$155 million in high quality assets across Australia and New Zealand, increasing total assets under management by 23% to \$1.4 billion, reaffirming our position as the largest self-storage owner-operator in Australasia.”

NSR confirms the final distribution of 4.9 cps (totalling 9.6 cps for FY18) as previously estimated on 21 June 2018 and confirms the payment date of 29 August 2018.

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<sup>1</sup> Underlying earnings is a non-IFRS measure (unaudited)

<sup>2</sup> Distribution yield plus percentage NTA growth

<sup>3</sup> Including the impact of the equity raising

## OPERATING RESULTS

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Strong organic growth was achieved in FY18 through the proactive management of rate and occupancy, delivering a 3.8% growth in same centre revenue per available metre (REVPAM) from \$212 to \$220. Australian portfolio occupancy (excludes NZ and developing centres) grew by 3.0% to 80.4% with over 60% of centres trading at or above 80% occupancy.

“NSR remains focused on delivering organic growth through proactive management of rate and occupancy, and embracing technology and innovation to extract additional value from our internalised management platform” said Mr Catsoulis.

## OVERVIEW OF ACQUISITIONS AND DEVELOPMENTS POST BALANCE DATE

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NSR is pleased to announce that since 1 July 2018, it has settled, contracted or entered into exclusive due diligence over six assets with a total NLA of 29,800sqm for \$57 million. These include the following:

- Beresfield, NSW – 3,700sqm
- Thornton, NSW – 1,700sqm
- Rutherford, NSW – 4,400sqm
- Buckland, Auckland – 10,200sqm
- Scoresby, Victoria – 5,400sqm
- Yanchep, Western Australia – 4,400sqm

In addition, NSR currently has approximately \$100 million of further acquisition opportunities under active consideration. Currently 10 development and expansion projects are underway and at various stages of completion.

Mr. Catsoulis said that “our strong growth trajectory is expected to continue as we identify opportunities to add value to our portfolio through accretive asset acquisitions, asset expansions and developing high quality self-storage assets.”

## STRATEGIC INITIATIVES

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NSR also announces that it is embarking on a number of strategic initiatives aimed at maximising shareholder returns and unlocking additional cost-effective sources of capital.

These strategic initiatives include;

- **Agreement with Stockland**

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. A detailed portfolio review is being undertaken by both parties with an initial group of NSR assets. NSR intends to retain its existing storage facilities.

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### 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)

- **Capital partnership in New Zealand**

NSR today announces its intention to investigate the establishment of a capital partnership over approximately NZ\$120 million of existing assets in New Zealand, taking advantage of strong local market conditions and a high level of prevailing occupancy across NSR centres. NSR intends to retain an equity position in the portfolio, and benefit from the establishment of ongoing development and management fee streams.

Development and expansion of multiple new greenfield and brownfield self-storage assets in the Auckland and greater New Zealand market will be a key focus of the strategy. The partnership will allow NSR to unlock capital with proceeds to be re-invested in NSR's acquisition and development pipeline.

- **Expanding development pipeline**

NSR's development pipeline will capitalise on new and existing centre opportunities. NSR has identified up to 25 centres with the potential for further value uplift, with an initial five projects expected to commence throughout FY19. The development pipeline is forecast to add approximately 3,000 sqm of net lettable area per centre which will yield an additional \$750k – \$1 million in income per centre at stabilised occupancy.

These strategic initiatives, together with the fully underwritten equity raising of \$175 million (see below), will 'reset' NSR's balance sheet, providing longer-term flexibility to invest in its portfolio, accelerate its development program, to satisfy NSR's currently anticipated funding requirements for the next 2-3 years. Once fully implemented alongside ongoing asset acquisition and portfolio management programs, these initiatives are expected to drive earnings and value growth, with expected EPS growth of 6% - 10% p.a. over FY20 - FY21<sup>4</sup>.

Mr Catsoulis said "NSR's portfolio now has the scale, quality and maturity to reset the strategy for portfolio optimisation, in a way that releases capital for continued growth by acquisitions, generates higher profitability from capturing the alternative use value embedded in our portfolio, and reduces NSR's reliance on capital markets for medium term growth. We are confident that by doing so, stronger earnings and distribution growth will be delivered to securityholders over the next few years."

## **EQUITY RAISING**

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NSR today also announces a fully underwritten \$175 million equity raising, comprising a \$50 million Institutional Placement, and a \$125 million pro-rata accelerated non-renounceable Entitlement Offer (together, the "Offer"). Offer proceeds will be used to strengthen NSR's balance sheet, reducing gearing levels to 30% from 38%<sup>5</sup>, and provide longer-term funding flexibility to continue its consolidation strategy and pursue further growth through the identified strategic initiatives.

The Offer Price is priced at \$1.66 per stapled security ("Offer Price"), which represents a 6.5% discount to the last closing price of \$1.775 per stapled security on 21 August 2018, and 4.8%

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<sup>4</sup> Assuming no unforeseen circumstances or strategic portfolio acquisitions

<sup>5</sup> Pro-forma as at 30 June 2018

discount to TERP at the 5-day VWAP<sup>6</sup> or 5.5% discount to TERP at the last closing price<sup>7</sup>. At the Offer Price and based on NSR's guidance for FY19, the stapled securities issued under the Offer will generate an estimated FY19 EPS yield of 5.9%<sup>8</sup>.

The Entitlement Offer will be structured as a 5-for-37 pro-rata accelerated non-renounceable Entitlement Offer, and as the Entitlement Offer is non-renounceable, entitlements will not be tradeable or otherwise transferrable.

Stapled securities issued under the Offer will rank pari passu with existing stapled securities from allotment, and will be entitled to the distribution for the six months ending 31 December 2018.

Key dates for the equity raising include;

KEY EVENT	DATE
Trading halt and announcement of Institutional Placement and Entitlement Offer	22 August 2018
Institutional Placement and institutional component of the Entitlement Offer (together the " <b>Institutional Offer</b> ") opens	22 August 2018
Institutional Offer Closes	23 August 2018
Trading in National Storage stapled securities resumes on an ex-entitlement basis	24 August 2018
Record date for determining entitlement to subscribe for new stapled securities under the Entitlement Offer	24 August 2018
Retail Offer Booklet despatched	29 August 2018
Retail component of the Entitlement Offer (" <b>Retail Offer</b> ") opens	29 August 2018
Early Retail Offer period closes – last day to apply for new stapled securities and be issued on the Initial Allotment Date	31 August 2018
Settlement of new stapled securities under the Institutional Offer and Early Retail Offer	3 September 2018
Initial Allotment Date – quotation and normal trading of new stapled securities issued under the Institutional Placement, Institutional Offer and Early Retail Offer	4 September 2018
Retail Offer closes	7 September 2018
Settlement of new stapled securities issued under Retail Offer (other than those issued on the Initial Allotment Date)	13 September 2018
Final Allotment Date in relation to new stapled securities issued under Retail Offer (other than those issued on the Initial Allotment Date)	14 September 2018
Normal trading of new stapled securities issued under the Retail Offer (other than those issued on the Initial Allotment Date)	17 September 2018
Holding statements sent to participants under the Retail Offer	18 September 2018

<sup>6</sup> Theoretical Ex Rights Price ("TERP") of \$1.74 per Stapled Security at the 5-day volume weighting average price, including New Securities issued under the Institutional Placement

<sup>7</sup> TERP of \$1.76 per Stapled Security at the last closing price, including New Securities issued under the Institutional Placement

<sup>8</sup> Based on mid-point of FY19 EPS guidance

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## OUTLOOK

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Subject to no material changes in market conditions, and taking into account the equity raising announced today, NSR provides FY19 underlying EPS guidance of 9.6 – 9.9 cps (FY19 underlying earnings of \$62.5 – \$64.5million).

“NSR continues to be well positioned for growth in FY19 through the implementation of several strategic initiatives and the execution of our acquisition and development pipeline across Australia and New Zealand. I am thankful for the continued support of our securityholders and remain focused on maximising the long-term value of our securities,” said Mr Catsoulis.

## ENDS

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National Storage is one of the largest self-storage providers in Australia and New Zealand, with 138 centres providing tailored storage solutions to over 50,000 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).

For further information:

Andrew Catsoulis  
Managing Director  
07 3218 8100

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