

# EQUITY RAISING

**\$300 MILLION INSTITUTIONAL PLACEMENT  
AND SECURITY PURCHASE PLAN**



**NATIONAL STORAGE REIT**  
5 May 2020

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# Executive Summary

## EQUITY RAISING TO REPLENISH INVESTMENT CAPACITY AND PROVIDE ADDITIONAL FUNDING FLEXIBILITY

### Equity Raising

- Fully underwritten institutional placement ("**Placement**") to raise \$300 million and a non-underwritten Security Purchase Plan to raise up to a further \$30 million<sup>1</sup> ("**SPP**") from eligible investors. The Placement and SPP, together the "**Equity Raising**" or the "**Offer**".
- The Offer price has been set at \$1.57 per stapled security ("**Issue Price**"), which represents:
  - a 7.1% discount to the last closing price of \$1.69 per stapled security on 4 May 2020, and
  - a 7.1% discount to the 5-day VWAP of \$1.69 per stapled security on 4 May 2020

### Rationale

- Proceeds will be used to strengthen the balance sheet, replenish investment capacity and provide additional funding flexibility for continued growth over the next one to two years – providing certainty of funding beyond the expected period of volatility due to the COVID-19 pandemic
- Post Placement NSR will be strongly positioned for its next phase of growth through acquisition and development opportunities that may arise as a result of the COVID-19 pandemic
- Proactive capital management initiatives to offset any potential impact of the COVID-19 pandemic on self-storage operations and valuations

### Financial Impact

- Pro forma gearing (post Placement) of 24.1%<sup>2</sup>, down from 36.5% (pro forma 31 December 2019)
- Pro forma NTA (post Placement) of \$1.72 per stapled security
- Cash and undrawn debt facilities will increase to \$628 million following the Equity Raising<sup>3</sup>
- As a consequence of the Equity Raising NSR is updating its FY20 earnings guidance to between 8.2 to 8.7 cents per stapled security. NSR intends to continue to pay distributions in accordance with its stated distribution policy (90 – 100% of underlying earnings)

1 – The Offer structure balances the need for certainty of proceeds received through the Placement with NSR's desire to provide its retail securityholders with the opportunity to participate through the SPP. The cap on the SPP of \$30 million is considered appropriate to provide the opportunity for the majority of NSR's retail securityholders to achieve a pro rata allocation having regard to the total Equity Raising size, the construct of NSR's register and historical take-up rates in SPPs. Full details of the SPP will be contained in the SPP offer booklet, which will be sent to eligible securityholders in due course. NSR may (in its absolute discretion), in a situation where total demand exceeds \$30 million, decide to increase the amount to be raised under the SPP or apply a scale back

2 – Post the SPP gearing will reduce further to 22.9%. Assumes \$30 million of proceeds from the non-underwritten SPP

3 – Pro forma as at 31 December 2019 post Placement and SPP. Assumes \$30 million of proceeds from the non-underwritten SPP and documentation of a \$100m debt facility from J.P. Morgan

# Investment Highlights

## High Quality, Diversified and Resilient Portfolio

- NSR is the largest self-storage owner-operator in Australasia with 183 storage centres located in strategic locations across Australia and New Zealand
- Whilst operations have been impacted by the COVID-19 pandemic all centres have remained open and operational throughout this period
- Total portfolio occupancy 79%<sup>1</sup> with over 70% of centres trading at or above 75% occupancy as at 30 April 2020
- Active management of rate and occupancy has enabled NSR to respond proactively

## Prudent Capital Management

- Post the Placement, pro forma gearing will be 24.1% which provides balance sheet strength and flexibility for NSR to continue pursuing its growth strategy<sup>2</sup>
- NSR has recently obtained increased documented debt facilities of \$125 million from its existing club financiers, plus a \$100 million commitment from a new lender
- NSR will have a strong liquidity position post the Equity Raising to withstand any further impact of COVID-19 pandemic on its operations

## Material Growth Opportunities

- The self-storage markets in Australia and New Zealand remain highly fragmented – NSR has approximately \$120 million of acquisition and development opportunities under active consideration
- The COVID-19 pandemic may provide a unique opportunity for NSR to acquire quality assets at attractive prices over the next 12 – 18 months

## Proven Track Record

- NSR has delivered strong returns to its securityholders through a combination of organic growth, growth by acquisitions, and strategic developments
- Total securityholder returns of 15.3% p.a. since IPO, materially outperforming the ASX200 A-REIT Index of 7.2%<sup>3</sup>
- Over 120 new self-storage acquisition and development opportunities delivered since IPO

1 – Includes Australia and New Zealand, excluding Wine Ark and let-up centres

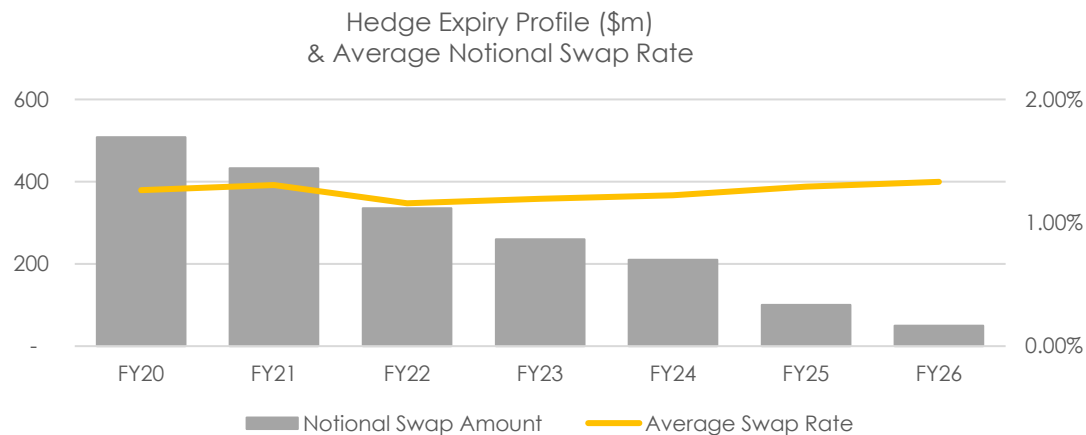
2 – Post the SPP gearing will reduce further to 22.9%. Assumes \$30 million of proceeds from the non-underwritten SPP

3 – Bloomberg as at 4 May 2020

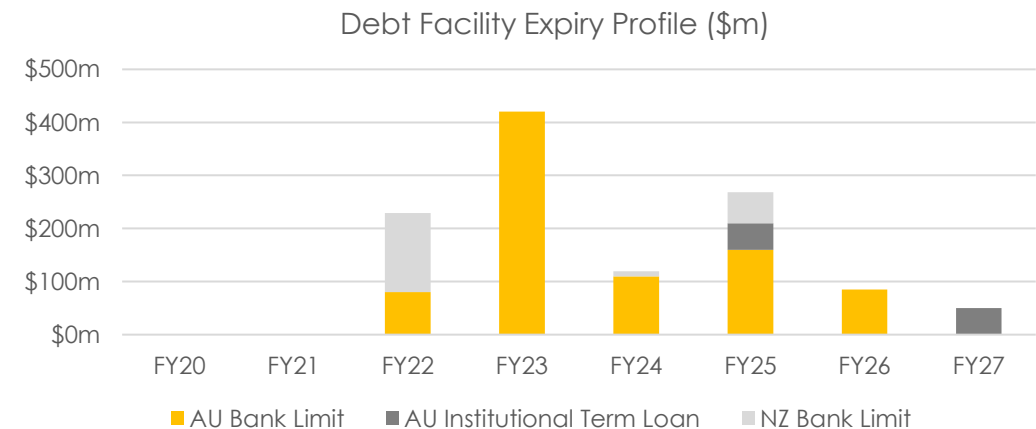
# Capital Management

## THE EQUITY RAISING STRENGTHENS NSR'S BALANCE SHEET AND PROVIDES FUNDING FLEXIBILITY

- As announced on 7 April 2020, NSR increased its current debt arrangements as follows:
  - Additional documented facilities of \$125 million from existing club banks
  - Received a commitment from J.P. Morgan for a \$100 million facility which is currently being documented
- Post the Placement, pro forma gearing will reduce to 24.1%, down from 36.5% (pro forma 31 December 2019)<sup>1</sup>
- Adjusting for the increased debt facilities and Equity Raising proceeds, NSR's undrawn debt facilities and cash will be \$628 million<sup>2</sup>
- NSR has no debt maturities until July 2021 with a weighted average debt expiry of 3.1 years as at 30 April 2020



Capital Management	Pro Forma <sup>2</sup>	Dec-19
Cash balance	\$33.5m	\$33.5m
Total debt facilities	\$1,172.8m	\$947.8m
Total debt drawn	\$578.7m	\$897.1m
Available funds (debt capacity plus cash)	\$627.5m	\$84.1m
Debt term to maturity (years)	3.1	3.5
Gearing ratio (covenant 55%)	22.9%	36.5%



1 – Post the SPP gearing will reduce further to 22.9%. Assumes \$30 million of proceeds from the non-underwritten SPP

2 – As at 31 December 2019 post Placement and SPP. Assumes \$30 million of proceeds from the non-underwritten SPP and documentation of a \$100m debt facility from J.P. Morgan

# Acquisition Pipeline

## NSR HAS A STRONG ACQUISITION PIPELINE, WITH FURTHER OPPORTUNITIES LIKELY

### Self-storage landscape: a fragmented market

- The Australian and New Zealand self-storage markets remain highly fragmented. Approximately 75% of self-storage assets are owned and operated by families or small syndicates
- The COVID-19 pandemic may provide additional opportunity for NSR to acquire quality assets at attractive prices over the next 12 – 18 months
  - Smaller operators may look to exit their investments as a result of uncertainty created by COVID-19
  - The buyer universe for self-storage assets may decrease as a result of tightening credit conditions and travel restrictions

### Transaction opportunities

- NSR has completed \$188 million of acquisitions in FY20 to 30 April 2020
- NSR has identified approximately \$120 million of self-storage acquisitions under active consideration
- With a strengthened liquidity position, NSR can act quickly on value accretive acquisition opportunities that arise
- The Equity Raising provides NSR the funding capacity to continue being the primary consolidator of self-storage assets in Australia and New Zealand
- NSR has deep access to transaction opportunities, having developed extensive relationships with potential self-storage real estate vendors over a number of years and is one of only a few operators that can provide vendors with a 'clean exit'

## FY20 ACQUISITIONS TO DATE

Region	Number of Centres	Total NLA (sqm)
Brisbane	2	11,900
Gold Coast	2	4,100
Sydney	1	3,000
Melbourne	6	22,600
Perth	3*	16,200
Tasmania	1	3,900
Wellington (NZ)	1	4,700
<b>Total Acquisitions*</b>	<b>16</b>	<b>66,400</b>

\*Does not include development sites



National Storage Kelvin Grove



# Development, Expansion & Value-add Pipeline

## EXECUTING A STRONG PIPELINE OF DEVELOPMENT OPPORTUNITIES

- NSR has 12 expansion and development projects within Australia and New Zealand underway (undertaken in its own right and by various JV and development arrangements). These are expected to deliver uplift to NLA and NTA per stapled security post completion
- Multiple other development and expansion projects remain under active consideration with a focus on areas targeted by gap analysis in key strategic locations
- NSR has commenced “Project Next” – planning for optimisation of existing centres through refurbishment, expansion and upgrades to enhance security, automation, unit configuration and store appearance – enhancing overall customer experience and driving revenue optimisation



National Storage Manukau CBD – concept drawing

Project	Location	Structure	Phase	Cost (\$'m)	NLA (sqm)	DD	Settlement	Concept	DA	Tender	BA	Construction	PC
Biggera Waters	QLD	JV (NSR 25%)	Construction	\$38.3	10,200	●	●	●	●	●	●	●	
Robina	QLD	NSR	Construction	\$14.3	7,500	●	●	●	●	●	●	●	
Manakau (Ha Cres)	NZ	NSR	Construction	\$9.6	4,700	●	●	●	●	●	●	●	
Port Kennedy	WA	JV (NSR 0%)	Construction	\$10.3	5,900	●		●	●	●	●	●	
Mitchell	ACT	NSR	Construction	\$13.9	6,800	●	●	●	●	●	●	●	
Montrose	TAS	NSR	Construction	\$10.4	4,600	●	●	●	●	●	●	●	
Manakau (CBD)	NZ	NSR / JV	Demolition	\$27.3	9,500	●	●	●	●	●	●		
Ellerslie	NZ	NSR / JV	Planning	\$29.6	9,200	●	●	●	●	●	●		
Albany	NZ	NSR / JV	Planning	\$29.3	9,900	●	●	●	●	●	●		
Kurnell	NSW	NSR	Tender	\$4.5	200	●	●	●	●	●			
Moorooka	QLD	JV (NSR 25%)	DA Submitted	\$24.2	6,300	●	●	●	●				
Byford	WA	JV (NSR 0%)	DA Obtained	\$10.3	5,900	●		●	●				

# Operational Update

## ALL NSR CENTRES ARE OPEN AND OPERATIONAL

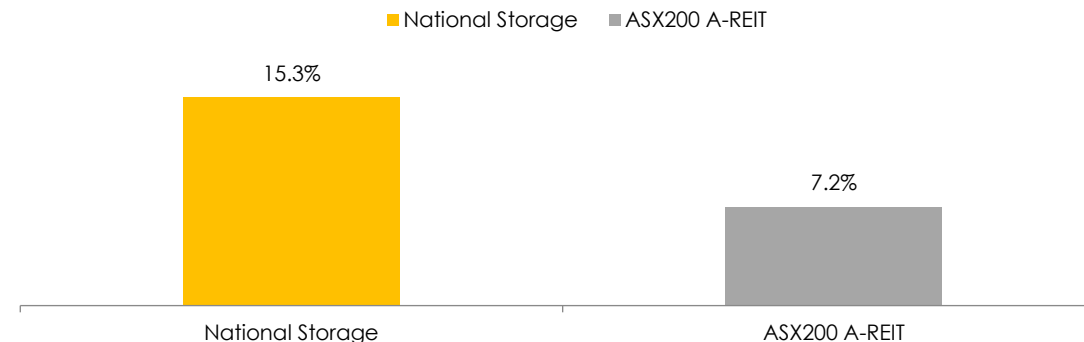
- Whilst operations have been impacted by the COVID-19 pandemic all NSR centres have remained open and operational throughout this period
- Storage revenues continue to demonstrate the **resilient nature of the self-storage asset class** to economic volatility
  - NSR has moderated its same-centre earnings forecast for the current earnings period to account for the rapid change in economic conditions, customer sentiment and discretionary spending
- All centres in **Australia remain fully operational**, subject to additional COVID-19 related OH&S guidelines
- In New Zealand **Self-storage was classified as an essential service** during the Level 4 lockdown restrictions, and as a result NSR was able to continue to provide access for other essential service providers and those requiring access to storage for essential items
  - The NZ Government has now reduced lockdown restrictions to Level 3 enabling all of NSR's New Zealand centres to resume full-service operations for all customers
- NSR has implemented a range of **operational efficiency and capital expenditure deferral initiatives** across its business to minimise any economic impact of COVID-19
- NSR has put in place a **contact-free move-in process** enabling customers to book storage online and move their goods into one of NSR's centres without the need for physical assistance from or contact with our staff

# National Storage REIT Track Record

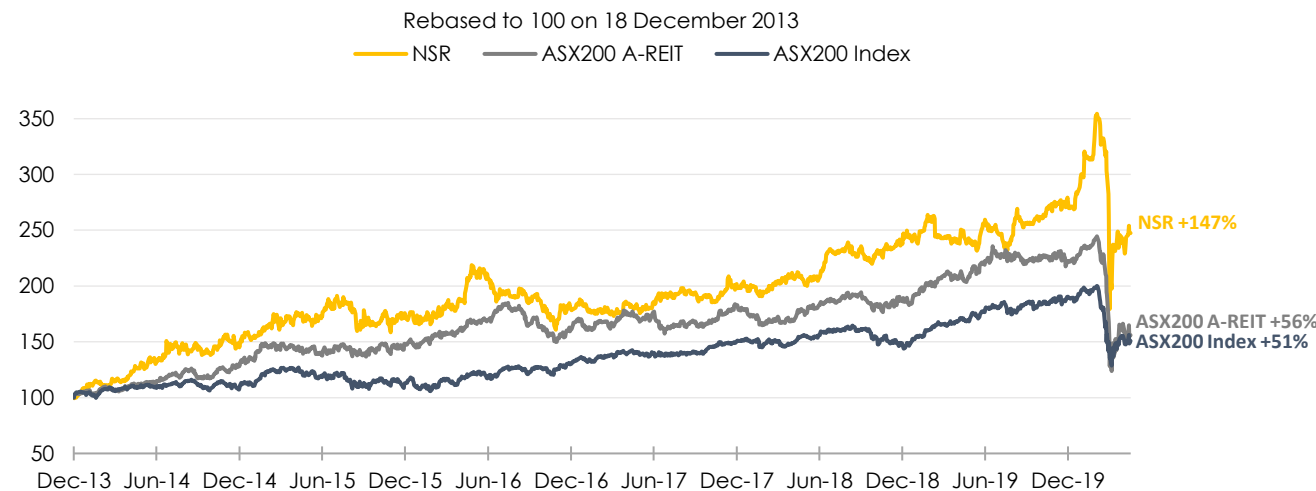
## PROVEN TRACK RECORD OF DELIVERING STRONG TOTAL RETURNS FOR NSR SECURITYHOLDERS

- NSR's ongoing acquisition and development strategy combined with its fully integrated, scalable platform has continued to deliver growing returns to securityholders
- Experience in recent years has demonstrated the strength and resilience of NSR's business, providing strong returns to its investors, despite challenging economic conditions
- Over 120 new self-storage acquisition and development opportunities delivered since IPO, which has allowed NSR to cement its position as the largest owner-operator of storage centres in Australia and New Zealand
- Successful on-strategy acquisitions has helped NSR to deliver growing returns to securityholders – NSR has materially outperformed the total returns of the ASX200 A-REIT Index since IPO<sup>1</sup>

### Total Securityholder Returns Since IPO (Annualised)<sup>1</sup>



### Total Securityholder Returns Since IPO<sup>1</sup>



<sup>1</sup> – Bloomberg as at 4 May 2020

# Placement and SPP Overview

## Offer Structure and Price

- A fully underwritten institutional placement to raise \$300 million
- The Issue Price has been set at \$1.57 per stapled security, which represents a:
  - 7.1% discount to the last closing price of \$1.69 per stapled security on 4 May 2020
  - 7.1% discount to the 5-Day VWAP of \$1.69 per stapled security on 4 May 2020

## Ranking

- New Securities issued under the Offer will rank equally with existing stapled securities from the date of issue and will be entitled to the distribution for the six months ending 30 June 2020

## Underwriting

- The Placement is fully underwritten by J.P. Morgan Securities Australia Limited and Citigroup Global Markets Australia Pty Limited
- The SPP will not be underwritten

## Security Purchase Plan

- Eligible securityholders in Australia and New Zealand will be invited to subscribe for up to \$30,000 of Securities per securityholder<sup>1</sup>, free of transaction and brokerage costs, at the same price as the Placement, to raise up to \$30 million<sup>2</sup>
- New Securities issued under the SPP will rank equally with existing stapled securities from the date of issue (including those issued under the Placement) and will be entitled to the distribution for the six months ending 30 June 2020
- Further information in relation to the SPP will be dispatched to eligible securityholders on or around 12 May 2020

1 – Subject to the number of Securities taken up by the securityholder under the SPP announced by NSR on 25 June 2019. A securityholder is limited to subscribing for up to \$30,000 of Securities in total under all SPPs within a 12 month period.

2 – The Offer structure balances the need for certainty of proceeds received through the Placement with NSR's desire to provide its retail securityholders with the opportunity to participate through the SPP. The cap on the SPP of \$30 million is considered appropriate to provide the opportunity for the majority of NSR's retail securityholders to achieve a pro rata allocation having regard to the total Equity Raising size, the construct of NSR's register and historical take-up rates in SPPs. Full details of the SPP will be contained in the SPP offer booklet, which will be sent to eligible securityholders in due course. NSR may (in its absolute discretion), in a situation where total demand exceeds \$30 million, decide to increase the amount to be raised under the SPP or apply a scale back

# Key Metrics, Sources & Uses

Sources <sup>1</sup>	\$m
Placement proceeds	\$300.0
<b>Total</b>	<b>\$300.0</b>

Uses	\$m
Repayment of debt	\$295.3
Transaction costs	\$4.7
<b>Total</b>	<b>\$300.0</b>

Key Metrics	
Issue Price under the Placement	\$1.57 per stapled security
Discount to last close	7.1%
Discount to 5-Day VWAP	7.1%
Pro forma market capitalisation post Placement <sup>2</sup>	\$1,638 million
Pro forma balance sheet gearing post Placement <sup>3</sup>	24.1%

## Use of proceeds

- The Placement proceeds will be used to pay down \$295 million of existing debt facilities
- Any proceeds from the non-underwritten SPP, which is expected to raise up to \$30 million, will be used to reduce debt
- Post the Placement, pro forma gearing will reduce to 24.1%<sup>3</sup>, down from 36.5% (pro forma 31 December 2019) and below NSR's target gearing range of 25-40%



National Storage Canterbury (Vic) – recent acquisition

1 – Excludes potential proceeds from the non-underwritten SPP

2 – Calculation based on NSR's market capitalisation of \$1,338 million on 4 May 2020, adjusted for the Placement of \$300 million

3 – Post the SPP gearing will reduce further to 22.9%. Assumes \$30 million of proceeds from the non-underwritten SPP



# Timetable

Event	Date
Trading halt and announcement of Equity Raising	Tuesday, 5 May 2020
<b>Placement</b>	
Placement bookbuild	Tuesday, 5 May 2020
Announcement of outcome of Placement	Wednesday, 6 May 2020
Trading halt lifted	Wednesday, 6 May 2020
Settlement of Placement Securities under the Placement	Friday, 8 May 2020
Allotment and trading of Placement Securities issued under the Placement	Monday, 11 May 2020
<b>SPP</b>	
Record date for SPP	7pm Brisbane time, Monday, 4 May 2020
SPP offer period	Tuesday, 12 May 2020 to Tuesday, 2 June 2020
Allotment of Securities issued under the SPP	Tuesday, 9 June 2020
Securities issued under the SPP commence trading on ASX	Wednesday, 10 June 2020
Holding statement dispatch date	Wednesday, 10 June 2020

Note: The above timetable is indicative only and subject to change. The commencement and quotation of New Securities is subject to confirmation from ASX. NSR reserves the right to vary these dates or withdraw the Offer at any time. Subject to the requirements of the Corporations Act, the ASX listing rules and other applicable laws, NSR, in consultation with the underwriters, reserves the right to amend this timetable at any time

# Pro Forma Balance Sheet

\$M	Reported 31 December 2019	Post Balance Date Adjustments <sup>2</sup>	Pro Forma 31 December 2019	Placement	Pro Forma 31 December 2019 Post Placement	SPP <sup>3</sup>	Pro Forma 31 December 2019 Post Placement and SPP
Cash	33.5		33.5		33.5		33.5
Investment Properties <sup>1</sup>	2,285.9	10.0	2,295.9		2,295.9		2,295.9
Intangibles	46.4		46.4		46.4		46.4
Other Assets	41.1		41.1		41.1		41.1
<b>Total Assets</b>	<b>2,406.8</b>	<b>10.0</b>	<b>2,416.8</b>		<b>2,416.8</b>		<b>2,416.8</b>
Debt	893.4	10.6	904.0	(295.3)	608.7	(30.0)	578.7
Other liabilities	67.9		67.9		67.9		67.9
<b>Total Liabilities</b>	<b>961.4</b>	<b>10.6</b>	<b>972.0</b>	<b>(295.3)</b>	<b>676.7</b>	<b>(30.0)</b>	<b>646.7</b>
Net Assets	1,445.4	(0.6)	1,444.8	295.3	1,740.1	30.0	1,770.1
Securities on Issue (m)	788.1	3.8	791.9	191.1	983.0	19.1	1,002.1
NTA per stapled security	\$1.77 <sup>4</sup>		\$1.76		\$1.72		\$1.71
<b>Gearing</b>	<b>36.2%</b>		<b>36.5%</b>		<b>24.1%</b>		<b>22.9%</b>

1 – Net of leasehold properties

2 – Accounts for \$10m of acquisition settled and NSR securities issued under the Distribution Reinvestment Plan for 1H FY20

3 – Assumes that the SPP proceeds will be utilised to reduce debt. The SPP is non-underwritten

4 – NTA of \$1.78 per stapled security excluding ASIC guidance in relation to treatments under AASB 16

# KEY INVESTMENT RISKS

Investors should carefully consider the risk factors described below, in addition to the other information in this document and publicly available information of NSR, before making an investment decision. If you require further information regarding the appropriateness or potential risks of this investment, you should seek appropriate financial advice. An investment in NSR is subject to risks, both specific to NSR and more general risks. Many of these risks are beyond the control of NSR and, if they were to eventuate, may impact adversely on the performance, or value, of an investment in NSR. This summary details some of the major risks that you should be aware of when investing in NSR, however it is not intended to be exhaustive. Investors should be aware that the list of risks described below may not cover all possibilities and should also consider risks specific to their situation. Additional risk factors and uncertainties that are not known to NSR at the time of this Offer, or which are considered immaterial, may in the future materially impact NSR's assets, financial condition or operations and may have an adverse effect on an investment in NSR.

## **Key risks relating to NSR**

### **1.1. Impact of Coronavirus (COVID-19)**

The events relating to COVID-19 have recently resulted in unprecedented restrictions and lockdowns, including in relation to domestic and international travel and general disruption to business activities. These restrictions have been imposed by domestic and international governments and regulatory authorities, and/or implemented as a matter of best practice during the ongoing health crisis. While all of NSR's centres have remained open and operational throughout the COVID-19 pandemic, the events relating to COVID-19 may have a material adverse effect on, or cause a material adverse change to, NSR's business. Given the high degree of uncertainty surrounding the extent and duration of COVID-19, it is not currently possible to assess the full impact of COVID-19 on the NSR business. There is also continued uncertainty as to the duration and further impact of COVID-19 including (but not limited to) in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, travel restrictions and the impact on global economies. There is no certainty that property values or NSR's business activities will normalise to a level existing prior to the impact of COVID-19 (or how long such normalisation could take). If the duration of events surrounding COVID-19 are prolonged, NSR may need to take additional measures in order to respond appropriately (for example, by raising additional funding).

### **1.2 General commercial property risks**

Risks commonly associated with commercial property investment apply equally to an investment in NSR, including levels of occupancy, capital expenditure requirements, development and refurbishment risk, environmental or compliance issues, changes to government and planning regulations, including zoning and damage caused by flood or other extreme weather (to the extent that it is not or could not be insured against).

### **1.3 Self-storage property operational risks**

Storage property and business market conditions vary from state to state around Australia and New Zealand as well as within each state or local area. Conditions and localised demand are influenced by factors such as housing activity (new and existing), retail activity, new competition, and employment. NSR's distributions are largely dependent on revenue received from its self-storage customers as well as revenue generated from joint venture arrangements and development management fees. Any negative impact on customer revenue has the potential to decrease the value of NSR and have an adverse impact on distributions or the value of Stapled Securities or both. Reduced discretionary consumption, increased consumer uncertainty and government lock-downs and market interventions

which limit non-essential services as an anticipated consequence of the COVID-19 could result in a moderation in NSR's revenue streams as a result of a fall in storage occupancy and a reduction in joint venture and development revenue due to the deferral of projects. These factors, the severity and duration of which are uncertain, may materially affect the operating and financial performance and prospects of NSR and continue to impact on NSR's business.

### **1.4 Monthly storage agreements**

Storage units are typically rented on a month to month basis. There is no guarantee that existing storage customers will not default under, or will renew, their storage agreements. Where an existing customer does not renew their storage agreement for whatever reason, there is no guarantee that other storage customers will be found.

### **1.5 Competition**

The entry of new competing self-storage centres or discounting by existing competing self-storage centres may adversely affect the occupancy level and rental rates of the self-storage centres operated or managed by NSR.

### **1.6 Valuations**

Valuations ascribed to NSR's assets will be influenced by a number of ongoing factors including supply and demand for self-storage centres, a downturn in the property market and general economic conditions. Valuations represent only the analysis and opinion of qualified experts at a certain point in time. These factors may be exacerbated by the impact of COVID-19. A reduction in the value of NSR's property assets may adversely affect the value of the Stapled Securities. It may also impact on NSR's financing arrangements (refer to Funding below). Property values may fall if the underlying assumptions on which the property valuations are based, change in the future. As property values fluctuate, so too may returns from property assets. There is no guarantee that a property will achieve a capital gain on its sale or that the value of the property will not fall as a result of the assumptions on which the relevant valuations are based proving to be incorrect.

### **1.7 Property liquidity**

NSR may be required to dispose of some of its property assets in response to adverse business conditions. Given the relatively illiquid nature of property investments, NSR may not be able to realise the property assets in a timely manner or at an optimal sale price in line with the asset's valuation. This may affect NSR's net asset value or trading price per Stapled Security.

### **1.8 Risk of joint venture development funds**

NSR is currently a joint venture participant with other parties. This imposes restrictions which would not apply if NSR was the 100% owner of the assets and operations of those joint ventures, including in relation to changes in relevant business plans, distribution policies, capital, borrowings and capital expenditure. For further information please refer to paragraph 1.6 above.

# KEY INVESTMENT RISKS CONT'D

## **1.9 Leasehold interests**

NSR operates a number of self-storage centres from properties owned by third parties under lease arrangements. There is no guarantee that those leases will be able to be renewed or able to be renewed on suitable terms (including in relation to rent payable). The leases may also be subject to certain termination rights which, if triggered, may result in the lessor terminating the lease. This may adversely affect NSR's ability to continue to operate the self-storage centres at those locations, and the fair value attributed to them.

## **1.10 Insurance risk**

There is no certainty that appropriate insurance will be available for all risks on acceptable commercial terms or that the cost of insurance premiums will not continue to rise. Some risks are not able to be insured at acceptable premiums. Examples of losses that are generally not insured against include war or acts of terrorism and natural phenomena such as earthquake or cyclone. If any of NSR's assets are damaged or destroyed by an event for which NSR does not have cover, or a loss occurs which is in excess of the insured amounts, NSR could incur a capital loss and lost income which could reduce returns for holders of Stapled Securities (including New Securities). Any failure by the company or companies providing insurance (or any reinsurance) may adversely affect NSR's right of recovery under its insurance.

## **1.11 Future acquisitions and expansion**

NSR may consider opportunities to make further acquisitions of self-storage assets. NSR may also develop and expand the lettable area at a number of NSR's centres. The rate at which NSR is able to expand will reflect market forces and the availability of capital at the time. Forecast distributions may be affected by such actions. The risks faced by NSR in relation to any future development projects will depend on the terms of the transaction at the time. There can be no assurance that NSR will successfully identify, acquire and integrate further self-storage assets, or successfully implement acquisitions on time and on budget. Furthermore, there is no guarantee that any acquisition will perform as expected. Future acquisitions may also expose NSR to unanticipated business risks and liabilities.

## **1.12 Banking obligation risk**

NSR is subject to a number of undertakings and financial covenants under its current debt facility arrangements, including in relation to gearing levels and interest cover ratios. An event of default can occur under its current debt facility if NSR fails to maintain these financial covenants. This may be caused by unfavourable movements in interest rates (to the extent rates are not hedged) or deterioration in the income or the value of NSR's properties and/or businesses. To the extent that an event of default occurs, the lender may require immediate repayment of the debt facility. NSR may need to dispose of assets at less than valuation, raise additional equity or reduce or suspend distributions in order to repay the debt facility, if this occurs.

## **1.13 Funding and gearing**

NSR's ability to raise funds from either debt or equity sources in the future depends on a number of factors, including the state of debt and equity markets, the general economic and political climate and the performance, reputation and financial strength of NSR. Changes to any of these underlying factors could lead to an increase in the cost of funding, limit the availability of funding, and increase the risk that NSR may not be able to refinance its debt and/or interest rate hedges before expiry or may not be

able to refinance them on substantially the same terms as the existing facility or hedge instruments. If alternative financing is not available, this could adversely affect NSR's ability to acquire new properties and to fund capital expenditure, and NSR may need to realise assets at less than valuation, which may result in financial loss to NSR. Possible increases in the interest rate, the cost of interest rate hedges and the level of financial covenants required by lenders may adversely impact on the operational and financial results of NSR and the level of distributions available to holders of Stapled Securities (including the New Securities). As noted above, COVID-19 may negatively impact on property valuations. In part, NSR's gearing levels depend on the valuation of properties within its portfolio. If the value of properties in NSR's portfolio decreases, then NSR's gearing will increase. Without the capital proposed to be raised under the Offer, a COVID-19 related impact to property valuations and earnings has the potential to increase NSR's gearing levels above its target gearing range.

## **1.14 Environmental issues**

Unforeseen environmental issues may affect the properties in the property portfolio owned by NSR. These liabilities may be imposed irrespective of whether or not NSR is responsible for the circumstances to which they relate. NSR may also be required to remediate sites affected by environmental liabilities. The cost of remediation of sites could be substantial. If NSR is not able to remediate the site properly, this may adversely affect its ability to sell the relevant property or to use it as collateral for future borrowings. Material expenditure may also be required to comply with new or more stringent environmental laws or regulations introduced in the future, for example in relation to climate change.

## **1.15 Forecast distributions**

No assurances can be provided in relation to the payment of future distributions. Future determination as to the payment of distributions by NSR will be at the discretion of NSR and will depend upon the availability of profits, the operating results and financial condition of NSR, future capital requirements, covenants in relevant debt facilities, general business and financial conditions and other factors considered relevant by NSR.

## **1.16 Stapled structure**

There are inherent risks associated with a stapled structure. For example, the boards of NSH and NSFS may not agree on certain matters that involve the approval of each of these boards.

## **1.17 No assurance of liquidity or trading price**

No assurances can be provided that the Stapled Securities (including the New Securities) will trade at any particular price or as to liquidity of trading or that any capital growth in NSR will translate into a higher price at which the Stapled Securities (including the New Securities) trade. The historical performance of Stapled Securities provides no guidance as to the future performance of Stapled Securities (including the New Securities).

## **1.18 Insolvency**

In the event of any liquidation or winding up of NSR the claims of NSR's creditors will rank ahead of those of its investors. Under such circumstances NSR will first repay and discharge all claims of its creditors. Any surplus assets will then be distributed to NSR's investors. All investors will rank equally in their claim and will be entitled to an equal share per Stapled Security.

# KEY INVESTMENT RISKS CONT'D

## 1.19 Employees

NSR's future performance is dependent on the ability to recruit, train, retain and motivate senior executives and employees. There is a risk that NSR may be unable to attract or retain key personnel and specialist skills and may lose corporate memory. NSR relies upon the expertise and experience of the senior management team. As a consequence, if the services of key personnel were no longer available this may have an adverse impact on the financial performance of NSR. However, NSR's senior management team are considered internally to be stable and committed and succession planning is undertaken periodically by the NSH Board and Managing Director.

## 1.20 Occupational health and safety

There is a risk that liability arising from occupational health and safety matters at a property in NSR's portfolio may be attributable to NSR as the registered proprietor. To the extent that any liabilities may be incurred by NSR, this may impact upon the financial position and performance of NSR (to the extent not covered by insurance). In addition, penalties may be imposed upon NSR which may have an adverse impact on NSR.

## 1.21 Compliance

NSR is subject to strict regulatory and compliance arrangements under the Corporations Act, ASX and ASIC policy. If NSFS breaches the terms of its Australian Financial Services Licence, ASIC may take action to suspend or revoke the licence which would adversely impact the ability of NSFS to operate NSPT. Being listed on the ASX imposes various listing obligations with which NSR must comply on an ongoing basis.

## 1.22 Litigation, disputes and default

There is a risk that NSR or a member of the NSR group may become involved in litigation or disputes, which could adversely affect its financial performance.

## 1.23 Contractual risk

NSR has entered into letters of offer and conditional agreements to acquire certain storage assets owned by third parties, referred to in this document as "Total Acquisitions". Failure of a third party to comply with the agreements could result in a delay in, or failure to complete, the Total Acquisitions. Further, if any of the conditions are waived and the Total Acquisitions proceed, there may be an adverse impact on the financial position and performance of NSR. If any of the conditions are not satisfied or waived within the time specified, the Total Acquisitions may not proceed or may be delayed.

## 1.24 Post-acquisition performance

If the Total Acquisitions are successful, the risks identified in this section in relation to NSR's ownership and operation of self-storage sites, including (but not limited to) "General Commercial Property Risks", "Environmental Issues" and "Occupational Health and Safety" will also apply to the assets acquired by NSR as part of the Total Acquisition.

## General market and regulatory risks

### 2.1 Economic and market conditions

NSR may be adversely impacted by many factors including fluctuations in general economic conditions including interest rates, inflation, consumer confidence levels which may adversely affect the demand for storage space and general market levels. A number of factors affect the performance of the stock markets, which could affect the price at which NSR's securities trade on the ASX. Among other things, the impact of COVID-19 (or other pandemics or epidemics), geo-political instability, including

international hostilities, acts of terrorism, the response to COVID-19 and travel restrictions, epidemics and pandemics such as COVID-19, movements of international and domestic stock markets, interest rates, exchange rates, inflation and inflationary expectations and overall economic conditions, economic cycles, investor sentiment, political events and levels of economic growth, both domestically and internationally as well as government taxation and other policy changes or changes in law may affect the demand for, and price of, Stapled Securities. The share prices for many listed companies in Australian stock markets and in international stock markets have in recent times been subject to wide fluctuations and volatility, which in many cases may reflect a diverse range of non-company specific influences referred to above. In particular, the events relating to COVID-19 have recently resulted in significant market falls and volatility both in Australia and overseas, including in the prices of securities trading on the ASX. There is continued uncertainty as to the further impact of COVID-19 on the Australian economy and equity and debt capital markets including in relation to governmental action, work stoppages, university and school stoppages, lockdowns, quarantines, travel restrictions and the impact on the Australian economy (and international economies) and share markets globally. Any of these events and resulting fluctuations may materially adversely impact the market price of Stapled Securities. It is also possible that new risks may emerge as a result of domestic or foreign markets experiencing extreme stress, or existing risks (including the impacts of COVID-19) may evolve in ways that are not currently foreseeable. The equity capital markets have in the past and may in the future be subject to significant volatility. No assurances can be given that the New Securities will trade at or above the offer price for those securities. None of NSR, its Board or any other person guarantees the market performance of the New Securities.

### 2.2 Interest rates

Unfavourable movements in interest rates relating to NSR's debt facility could lead to increased interest expense, to the extent that interest rates are not hedged. This could impact the level of distributions available to holders of Stapled Securities (including New Securities).

Further, the risk that changes in prevailing market interest rates and the strength of capital markets will influence NSR's interest costs and its ability to refinance debt respectively.

### 2.3 Inflation

Lower than expected inflation rates generally or specific to the sectors in which NSR operates could reduce the rate of increase in inflation-linked revenues. Higher than expected inflation is likely to increase operating and development costs. Such changes could adversely impact NSR's financial performance.

### 2.4 Derivatives

NSR uses derivative instruments to hedge its exposure to interest rates. The mark-to-market valuation of derivative instruments could change quickly and significantly. Such movements may have an adverse effect on the financial performance and financial position of NSR.

### 2.5 Dilution risk

Investors who do not participate in the Offer will have their investment in NSR diluted. Further, and in addition to the Offer, NSR may issue securities to finance future acquisitions or pay down debt which may, under certain circumstances, dilute the value of securityholders' interests in NSR and the proportional beneficial ownership in the underlying assets of NSR.



# KEY INVESTMENT RISKS CONT'D

## **2.6 Changes in law**

Changes in law, government legislation, regulation and policy in jurisdictions in which NSR operate may adversely affect the value of its portfolio and/or NSR's future earnings and performance as well as the value of NSR's securities quoted on the ASX.

## **2.7 Taxation risk**

There may be tax implications arising from applications for Stapled Securities (including New Securities), the receipt of distributions (if any) and returns of capital from NSR, and on the disposal of Stapled Securities. Future tax reforms could impact on the distributions from NSR and the value of securities, possibly with retrospective effect. Investors should note that Australian tax laws are complex and constantly subject to change.

## **2.8 Accounting standards**

The Australian Accounting Standards to which NSR adheres are set by the Australian Accounting Standards Board (AASB) and are consequently outside the control of NSR and the directors of NSH and NSFS. Changes to accounting standards issued by AASB or changes to the commonly held views on the application of those standards could materially and adversely affect the financial performance and position reported in NSR's financial statements.

## **2.9 Equity raising and underwriting risk**

NSR has entered into an underwriting agreement under which the Underwriters have agreed to fully underwrite the Offer, subject to the terms and conditions of the underwriting agreement between the parties. If certain conditions are not satisfied or certain events occur, the Underwriters may terminate the underwriting agreement. Termination of the underwriting agreement would have an adverse impact on the proceeds raised under the Offer and NSR's sources of funding for acquisitions. If the underwriting agreement is terminated NSR may not be able to complete the acquisitions, which may have a material adverse effect on NSR's financial performance, financial position and security price.

# INTERNATIONAL OFFER RESTRICTIONS

This document does not constitute an offer of new stapled securities ("New Securities") of NSR in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Securities may not be offered or sold in the Placement, in any country outside Australia except to the extent permitted below.

## **Canada (British Columbia, Ontario and Quebec provinces)**

This document constitutes an offering of New Securities only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such New Securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – Prospectus Exemptions, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Securities or the offering of New Securities and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Securities or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Securities in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the New Securities outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Securities.

NSR as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon NSR or its directors or officers. All or a substantial portion of the assets of NSR and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against NSR or such persons in Canada or to enforce a judgment obtained in Canadian courts against NSR or such persons outside Canada. Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

## *Statutory rights of action for damages and rescission*

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

# INTERNATIONAL OFFER RESTRICTIONS CONT'D

## Canada (British Columbia, Ontario and Quebec provinces) Cont'd

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Securities purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against NSR if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against NSR. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Securities during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against NSR, provided that (a) NSR will not be liable if it proves that the purchaser purchased the New Securities with knowledge of the misrepresentation; (b) in an action for damages, NSR is not liable for all or any portion of the damages that NSR proves does not represent the depreciation in value of the New Securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the New Securities were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

*Certain Canadian income tax considerations.* Prospective purchasers of the New Securities should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the New Securities as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

*Language of documents in Canada.* Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Securities (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

## Hong Kong

WARNING: This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## Japan

The New Securities have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the New Securities may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires New Securities may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of New Securities is conditional upon the execution of an agreement to that effect.

NSR has made a notification in compliance with the Investment Trust Law of Japan. Neither the Financial Services Agency of Japan nor the Kanto Local Finance Bureau has passed upon the accuracy or adequacy of this document or otherwise approved or authorised the offering of New Securities to investors resident in Japan.

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Securities are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

# INTERNATIONAL OFFER RESTRICTIONS CONT'D

## Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore ("MAS") and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (the "SFA") in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. The issuer is not authorised or recognised by the MAS and the New Securities are not allowed to be offered to the retail public. This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Securities may not be circulated or distributed, nor may the New Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an institutional investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## Switzerland

The New Securities may not be distributed in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering material relating to the New Securities constitutes a prospectus or a similar notice (as such terms are understood under the Swiss Financial Services Act (FinSA)) or the listing rules of any stock exchange or regulated trading facility in Switzerland.

This document is personal to the recipient only and not for general circulation in Switzerland. Neither this document nor any other offering or marketing material relating to the New Securities or the offering may be publicly distributed or otherwise made publicly available in Switzerland. The New Securities will only be offered to investors who qualify as "professional clients" under art. 4 para. 3 of the FinSA.

Neither this document nor any other offering or marketing material relating to the offering or the New Securities have been or will be filed with or approved by any Swiss regulatory authority or authorized review body. In particular, this document will not be filed with, and the offer of New Securities will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA). The offering has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). Accordingly, the investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of New Securities.

## United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Securities.

This document is issued on a confidential basis to "professional investors" (within the meaning of the Alternative Investment Fund Managers Directive) who are also "qualified investors" (within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU), replacing section 86(7) of the FSMA) in the United Kingdom. The New Securities may not be offered or sold in the United Kingdom by means of this document or any other document except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Securities has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to NSR.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The New Securities are being marketed in the United Kingdom in compliance with the National Private Placement Regime (within the meaning of The Alternative Investment Fund Managers Regulations 2013). NSR's most recent annual report and other information it has lodged with the Australian Securities Exchange can be found on the websites of NSR ([www.nationalstorage.com.au](http://www.nationalstorage.com.au)) and the ASX ([www.asx.com.au](http://www.asx.com.au)).

## United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Securities have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Securities may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

The New Securities will only be offered and sold in the United States to:

- "qualified institutional buyers" (as defined in Rule 144A under the US Securities Act); and
- dealers or other professional fiduciaries organized or incorporated in the United States that are acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not US persons for which they exercise investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act.

# SUMMARY OF UNDERWRITING AGREEMENT

The National Storage Holdings Limited ("Company") and National Storage Financial Services Limited ("RE") as responsible entity for the National Storage Property Trust ("Trust") (each of the Company and the RE an "Issuer" and together the "Issuers") has entered into a Placement Agreement with the Joint Lead Managers in respect of the Placement.

## Key Terms of the Placement Agreement

The Joint Lead Managers' obligation to underwrite and manage the Placement is conditional on certain matters, including ASX granting a trading halt, the Issuer releasing to ASX an announcement that discloses the Placement, as well as the timely delivery of the due diligence questionnaire and certain other documents to the Joint Lead Managers.

## Termination events

Each Joint Lead Manager may, in certain circumstances, by notice to the Issuers and the other Joint Lead Manager specifying the event, terminate its obligations under the Placement Agreement without cost or liability, at any time before the Issue Date if any one or more of the following occurs on or before that time or during the period referred to in the relevant subclauses, as applicable:

- a) an Issuer is in breach of this agreement or any of an Issuer's representations or warranties in this agreement is not true or correct when made or taken to be made (\*);
- b) the Issuers withdraw all or part of the Placement or Securities Purchase Plan;
- c) the Issuers are unable or will not be able to issue the Placement Securities on the issue date;
- d) the RE is replaced as the responsible entity of the Trust;
- e) the Placement is not conducted in accordance with the timetable set out in the Placement Agreement;
- f) an Issuer is prevented from allotting or issuing any Placement Securities within the time required by the Offer Materials, the Listing Rules, the ASX Settlement Operating Rules or by any other Applicable Laws, an order of a court of competent jurisdiction or a Government Agency;
- g) an Issuer alters its capital structure, the capital structure of the Trust, or a Constitution without the prior consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed);
- h) any Issuer Group Member is or becomes Insolvent;
- i) there is a Material Adverse Effect when compared to the position disclosed in the Offer Materials or otherwise disclosed by the Issuers to the ASX on or prior to the date of this agreement;
- j) an Issuer or any of their respective directors or officers (as these terms are defined in the Corporations Act) engage in any fraudulent conduct or activity in connection with the Offer;
- k) there are not or there ceases to be reasonable grounds for any statement or estimate by an Issuer in any announcement released at the Announcement Time (including the Announcement and any financial forecasts disclosed at the Announcement Time);
- l) responses to the DDQ or any other information supplied by or on behalf of the Issuers to the Joint Lead Managers in relation to the Group or the Placement is, or becomes, false or misleading or deceptive, or likely to mislead or deceive, including by way of omission (\*);
- m) a statement contained in the Offer Materials, or in any announcement released at the Announcement Time, is or becomes misleading or deceptive (including by way of omission);
- n) the Cleansing Notice is or becomes "defective" (as that term is defined in sections 708A(10) or 1012DA(10) of the Corporations Act), or any amendment or update to the Cleansing Notice is issued or is required to be issued under the Corporations Act, and where that "defective" (as that term is defined in sections 708A(10) or 1012DA(10) of the Corporations Act) Cleansing Notice, or amendment or update to the Cleansing Notice is adverse from the point of view of an investor;
- o) the Issuers do not provide a Certificate as and when required by this agreement or the Certificate that is so provided is false, misleading or deceptive (including by way of omission);
- p) ASX withdraws, revokes, varies or amends the Temporary Extra Placement Capacity Waiver necessary to conduct the Placement and Securities Purchase Plan in a manner in which, in the reasonable opinion of the Joint Lead Managers, materially impacts the Issuers' ability to conduct the Placement or the SPP;
- q) the Chairman or Managing Director of any Issuer Group Member (other than the RE) is removed from office or replaced;
- r) a change in the board of directors of the Company occurs or is announced (\*);

# SUMMARY OF UNDERWRITING AGREEMENT CONT'D

- s) ASIC issues, or threatens in writing to issue, proceedings or commences any inquiry or investigation in relation to the Placement which (i) becomes public; or (ii) is not withdrawn within 24 hours, or by 7.00am on the Settlement Date (whichever is earlier);
- t) the ASX makes any official statement to any person, or indicates to the Issuers, or the Joint Lead Managers (whether or not by way of an official statement) that Securities will be suspended from quotation (which, for the avoidance of doubt, does not include the trading halt requested to facilitate the Placement), the Company or the Trust will be removed from the official list, or that quotation of all of the Placement Securities will not be granted by the ASX, or such suspension from quotation occurs which: (i) becomes public; or (ii) is not withdrawn within 24 hours, or by 7.00am on the Settlement Date (whichever is earlier);
- u) unconditional approval (or conditional approval, provided that such condition would not, in the reasonable opinion of the Joint Lead Managers, have a material adverse effect on the success or settlement of the Placement) by ASX for official quotation of the Placement Securities is refused, or is not granted, on or before the Allotment Date (or such later date agreed in writing with the Joint Lead Managers in their absolute discretion) or is subsequently withdrawn, qualified or withheld on or before the Allotment Date;
- v) any Government Agency commences any public action against an officer of an Issuer in his or her capacity as an officer of an Issuer or announces that it intends to take any such action or an officer of an Issuer is charged with an indictable offence or is disqualified from managing a corporation under the Corporations Act (\*);
- w) any Government Agency commences any public action, or any investigation or hearing against or in respect of the Issuers or the Group or announces that it intends to take any such action in relation to any matter (\*);
- x) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Hong Kong, South Korea, Singapore or the Peoples' Republic of China, a state of emergency is declared by any of those countries (other than as already declared prior to the date of this Agreement) or a major escalation occurs in relation to a previously declared state of emergency by any of those countries or a terrorist act is perpetrated on any of those countries (\*);
- y) at any time between the Bookbuild opening time and 5 hours after the Bookbuild closing time on the Bookbuild Date, the level of the S&P/ASX 200 Index or the S&P/ASX 200 A-REIT Index (each an Index) falls to a level that is the Market Fall Percentage (being 10%) or more below the level of the relevant Index as at the Bookbuild opening time on the Bookbuild Date;
- z) the Joint Lead Managers becomes aware of a contravention by an Issuer of an Applicable Law (\*);
- aa) a general moratorium on commercial banking activities in Australia, the United States, the United Kingdom, Singapore, Hong Kong, Japan or any member state of the European Union is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries (\*);
- bb) there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law or regulatory directive (either in Australia or in any jurisdiction to which the Placement Securities will be marketed), or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement) (\*);
- cc) any of the following occurs: (i) trading in all securities quoted or listed on the ASX, the New Zealand Exchange, the London Stock Exchange, the Hong Kong Stock Exchange, the Tokyo Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day on which that exchange is open for trading (Trading Day) (or for a substantial part of 1 Trading Day), or a Level 3 "market-wide circuit breaker" is implemented by the New York Stock Exchange upon a 20% decrease against the prior day's closing price of the S&P 500 Index only; or (ii) there is any adverse effect on the financial markets in Australia, the United States of America, the United Kingdom, Singapore, Hong Kong, Japan or any member state of the European Union or any adverse change in political, financial or economic conditions in any of those countries (\*); or
- dd) there is an event, occurrence or non-occurrence after the execution of this Agreement which makes it illegal or commercially impossible for the Joint Lead Managers to satisfy a material obligation under this Agreement, or to market, promote or settle the offer of Placement Shares, or that causes the Joint Lead Managers to delay satisfying a material obligation under this Agreement, including: (i) any acts, statute, order, rule, regulation, directive or request of any government agency, orders of any courts, lockdowns, lock-outs, forced closures, restrictions on mobility, or interruptions or restrictions in transportation which has this impact; or (ii) any acts of God or other natural forces, civil unrest or other civil disturbance, currency restriction, embargo, action or inaction by a government agency, or any other event similar to those mentioned in this clause.



# SUMMARY OF UNDERWRITING AGREEMENT C O N T ' D

Clause 7.2 of the Placement Agreement provides that a Joint Lead Manager may not terminate the Placement Agreement in reliance on any of the above termination events denoted with an asterisk (\*) unless in the reasonable opinion of that Joint Lead Manager, the event:

- has had or is likely to have a materially adverse effect on:
  - the marketing, outcome, success or settlement of the Placement; or
  - the likely price at which the Placement Securities will trade on ASX;
- has given or would be likely to give rise to a material liability for the Joint Lead Manager under any Applicable Law; or
- has given or would be likely to give rise to a contravention by the Joint Lead Manager or its Affiliates or the Joint Lead Manager or its Affiliates being involved in a contravention of the Corporations Act or any Applicable Law.

If a Joint Lead Manager terminates its obligations under the Placement Agreement, the Joint Lead Manager will not be obliged to perform any of its obligations which remain to be performed.

Termination of the Placement Agreement could also have an impact on the amount of proceeds raised under the Placement. If the Issuers withdraw the Placement, they will not receive any proceeds. In each of these circumstances, the Issuers would need to utilise alternative funding options to achieve its objectives as described in this presentation.

The Issuers give certain representations, warranties and undertakings to the Joint Lead Managers and an indemnity to the Joint Lead Managers and its affiliates subject to certain carve-outs.

For details of fees payable to the Joint Lead Managers, see the Appendix 3B released to ASX on 5 May 2020.

# THANK YOU

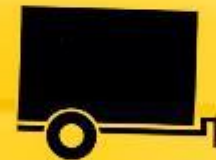
**NATIONAL STORAGE**



**PERSONAL  
STORAGE**



**BUSINESS  
STORAGE**



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HIRE**



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SUPPLIES**