

13 December 2017

Not for release or distribution in the United States

P | 1800 683 290
A | Level 23, 71 Eagle Street, Brisbane QLD 4000
P | GPO Box 3239 QLD 4001
E | invest@nationalstorage.com.au
nationalstorage.com.au



ASX ANNOUNCEMENT

ACQUISITION OF ADDITIONAL STORAGE CENTRES AND EQUITY RAISING

National Storage REIT ("NSR") is pleased to announce \$102 million in storage centre acquisition opportunities settled, contracted or under exclusive due diligence. The opportunities comprise:

- The \$35 million acquisition of six storage centres in Australia (including one development site) (**settled acquisitions**); and
- The \$67 million acquisition of five storage centres in Australia (**contracted or under exclusive due diligence**), which are due to settle by February 2018 subject to the successful completion of due diligence, (together, **Total Acquisitions**).

The Total Acquisitions represent approximately 62,000 sqm in net lettable area (NLA) and 5,500 storage units. The Total Acquisitions will be funded via the drawdown of existing debt facilities, a \$50 million institutional placement and a security purchase plan (**SPP**) to raise up to \$15 million from eligible investors, in order to execute acquisition opportunities and strengthen its balance sheet.

The Total Acquisitions, together with the debt and equity capital raised, are expected to be accretive in their first full year of ownership. NSR re-affirms FY18 underlying EPS guidance of 9.6 – 10.1 cents per stapled security. Following completion of the capital raise and settlement of the above acquisitions, NSR's pro-forma gearing will be 36.4%¹, and NTA will increase by approximately 4.5% to \$1.40² per stapled security (from \$1.34 as at 30 June 2017).

Furthermore, NSR advises that it has commenced negotiations on a further \$35 million tranche of storage assets.

^{1,2} Pro forma gearing and NTA as at 31 December 2017, adjusted forecast 31 December 2017 cash balance, for post balance date distribution, Total Acquisitions and capital raising (including an assumed \$15 million raised through the SPP), including a \$35 million uplift in the value of investment properties (based on preliminary and unaudited 31 December 2017 Director valuations)

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)

KEY ACQUISITION HIGHLIGHTS

CENTRE	STATE	SETTLEMENT DATE	NLA (SQM)	PURCHASE PRICE
Jandakot	WA	Oct 2017	5,200	\$6.2m
Perth Airport	WA	Oct 2017	5,800	\$8.9m
Milton (development site)	QLD	Nov 2017	5,300 (Planned)	\$3.4m
Marcoola	QLD	Nov 2017	3,400	\$4.5m
Morisset	NSW	Dec 2017	3,600	\$5.4m
Wyong	NSW	Dec 2017	3,700	\$6.5m
Settled acquisitions			27,000	\$34.9m
South East Qld	QLD	Dec 2017/Jan 2018	15,300	\$35.5m
Greater Melbourne Area	VIC	Jan 2018/Feb 2018	10,600	\$17.7m
Northern Territory	NT	Jan 2018/Feb 2018	8,800	\$14.0m
Total settled, contracted or under exclusive due diligence			61,700	\$102.1m

OVERVIEW OF ACQUISITIONS

Managing Director Andrew Catsoulis said "The acquisitions completed to date in FY18 demonstrate the continued success of NSR's industry consolidation efforts, enlarging our asset base to 123 centres, adding approximately 22,000 sqm of NLA and 2,000 storage units to NSR's existing footprint. The additional acquisitions in respect of which we have commenced exclusive due diligence will add a further approximately 35,000 sqm of NLA and 3,000 units, if successfully completed".

"These assets are highly complementary to our existing property portfolio and continue to strengthen our position in the important NSW market as well as providing NSR with further coverage and enhanced economies of scale. There is potential to derive further value in respect of a number of these centres, via further development or expansion activities in the short to medium term." said Mr Catsoulis.

EQUITY RAISING

NSR announces a fully underwritten \$50 million equity raising, via a Placement of new stapled securities in NSR (New Securities) plus a SPP which will raise up to \$15 million from eligible investors.

The Placement will be conducted today, 13 December 2017, by way of a bookbuild at a fixed price of \$1.50 per New Security ("Offer Price") and will result in the issue of approximately 33.3 million New Securities.

The Offer Price represents a 5.4% discount to the last closing price of \$1.585 on 12 December 2017, and a 5.1% discount to the five day volume weighted average price of \$1.581 on 12 December 2017.

New Securities to be issued under the Placement will be entitled to the estimated interim distribution of 4.7 cps for the period ending 31 December 2017, and will rank pari passu with existing stapled securities from allotment.

The SPP issue price will be the lower of the issue price under the Placement of \$1.50, and the 5-day VWAP of the stapled securities as at the closing date of the SPP offer, being 2 February 2018. The new securities issued as a result of the SPP will not be entitled to the interim distribution for H1FY18 as they will be allotted after the record date, however will rank pari passu with other securities upon allotment.

CAPITAL MANAGEMENT

NSR's existing debt facilities have been increased by \$75 million to \$617 million. As a result, weighted average tenor has been increased from 4.1 years to 4.3 years.

NSR's target gearing range remains at 25% – 40% to provide flexibility to act on acquisition opportunities as they arise.

Mr Catsoulis noted "These increased debt facilities exemplify the strength of the ongoing support from our lenders and reflect a prudent approach to capital management providing average weighted 4.3 years tenured 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 \$35m currently under negotiation".

OPERATIONAL UPDATE

The NSR portfolio is trading at approximately 80% occupancy with potential for further upside as key markets improve. Positive gains from improvements in our revenue management system and call centre operations are anticipated to continue to drive revenue growth over the short to medium term. Improvements in enquiry generation delivered through marketing, together with improved conversion rates demonstrate the operational leverage of the platform as well as the resilience of the portfolio and benefits of diversification. Revenue per available square metre (REVPAM) is forecast to increase by 2.0% for the six months December 2017.

Following a review undertaken by senior management and the Board, the position of Chief Operating Officer undertaken by Mr Peter Greer has been made redundant effective from 31 December 2017. Mr Greer's current operational responsibilities will be allocated across the senior executive. Mr Catsoulis said "Peter has been instrumental in the successful growth of National Storage and we wish to thank him for his tireless efforts over the last 20 years".

OUTLOOK

NSR re-affirms FY18 underlying EPS guidance of 9.6 – 10.1 cents per stapled security with an estimated H18 distribution of 4.7 cents per stapled security. Consistent with FY17, a stronger 2H FY18 performance is anticipated based on continuing improvements in organic occupancy growth, an increased contribution from the new centres to be acquired in December 2017, the expected completion of additional acquisitions in early 2018 and the timing of expenditure being slightly weighted to H1FY18.

Following the acquisitions and Placement, NSR's gearing will be 36.4%³, and NTA will increase by 4.5% to \$1.40⁴ per stapled security. NSR will continue to actively pursue acquisition opportunities in line with its stated acquisition and asset management strategy.

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, 14 December 2017.

^{3,4} Pro forma gearing and NTA as at 31 December 2017, adjusted for forecast 31 December 2017 cash balance, post balance date distribution, acquisitions and capital raising (including an assumed \$15 million raised through the SPP), and including an \$35 million uplift in the value of investment properties (based on preliminary and unaudited 31 December 2017 Director valuations)

ENDS

National Storage is one of the largest self-storage providers in Australia and New Zealand, with 123 centres providing tailored storage solutions to over 40,000 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

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities laws.

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)