



Steady as she grows

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| Company/ASX Code | National Storage REIT/NSR |
| AGM date | Wednesday 28 October 2020 |
| Time and location | 10am Virtual |
| Registry | Computershare |
| Webcast | Digital Meeting |
| Poll or show of hands | Poll on all items |
| Monitor | Sally Mellick and Lachlan McPhee |
| Pre AGM Meeting? | Yes, with Chairman Laurie Brindley and Director |

Please note any potential conflict as follows: The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

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| Item 1 | Consideration of accounts and reports |
| ASA Vote | No vote required |

Summary of ASA Position

National Storage (NSR) is the largest owner-operator of self-storage across Australia and New Zealand. With 194 currently operated centres, National Storage provides a number of self-storage products including storage space, records management, and wine and vehicle storage. They are also able to add value to over 70,000 customers through products such as insurance, hire and packaging services.

The 2019-20 financial year brought notice for a potential takeover, but overseas offers were quashed once the COVID-19 pandemic hit. It seems that ASX listed Abacus Property Group may still be in the mix, already having a minority stake in the company. Although operating being constrained by the pandemic as expected, NSR has bounced back strongly, with growth periods through the later part of the 2020 financial year underscoring the resilience of its business model. Through the implementation of technological innovations such as keyless entry systems and allowing staff to work remotely, the company is positioned to continue to operate and grow while the industry returns to normal.

National Storage has not requested or received any JobKeeper support and has maintained full staffing and wage rates across the organisation. Through employees agreeing to voluntarily take 1 day of Annual Leave per week, the company has been supported and able to ensure the safety of jobs for all of their employees.

Even through these troubling times, the company managed to acquire 22 new centres over the period for a value of over \$200M and are already in negotiations for a further \$100M going into 2020-21.

Following on from 2019-20, the company successfully raised over \$300m in capital in order to continue with acquisitions as well as to pay off debt to improve their balance sheet.

Governance and culture

The company maintains a strong customer focus and supports staff to do this effectively. All staff salaries and benefits without the assistance of Jobkeeper. At the time of the Annual Report no staff member had been infected by COVID-19 and all centres remained operational.

The Annual Report contains a comprehensive and detailed list of risk factors which includes how those risks have or may be managed or addressed if challenging circumstances arise. The company put into play their emergency plans when COVID impacted their business and managed some critical issues well to keep the business operating in all sites.

Perhaps it is then so surprise that customers gave National Storage a five star rating in all categories and on overall rating in the Canstar Blue 2020 Review, performing significantly better than the other two main competitors, one being Abacus Property's Storage King.

<https://www.canstarblue.com.au/stores-services/self-storage/>

Financial performance

NSR has had another successful financial year. Revenue is up 12% to \$177.9M and Net Profit After Tax (NPAT) down 16% to \$121.8M. Earnings per share is down 32% to 14.67cps based on NPAT.

NSR has consistently reported and compared underlying data and results. Underlying earnings as detailed on p32 of the Annual Report are up 9% to \$67.7M. A distribution of 8.1cps was paid to each security, down 13.5% from 2019.

Through an institutional placement and a Security Purchase Plan (SPP) NSR were able to raise a gross amount of \$361.88M, with a net amount of \$303.10M after distributions and costs. The main purposes for this raising was to gain further flexibility for funding due to COVID-19 and to replenish investment capability and strengthen the balance sheet. See also item 6.

With the additional capital, NSR were able to pay off \$430m of their debt as well as acquire \$236.60m in property during the year. In alignment with last year's reporting, NSR has capitalised on their opportunities for development by acquiring smaller storage operations and have now taken a higher portion of owned sites to 2019. (4 from 6) They will be continuing to execute their "Four Pillars" model going into the next financial year.

NSR's closing cash position is down 49.5% from \$178.8M to \$90.4M, mostly due to acquiring further property and paying down debt. This is all aligned to their comments from 2019. NSR have commented that they are intending to continue spreading their reach through development of new self-storage facilities as well as re-developing and recycling other facilities over Australia and New Zealand.

Key events

Three non-binding take-over offers were managed.

Key Board or senior management changes

The General Counsel and Chief Risk Officer left and their roles were taken up by the existing team.

Summary

| (As at FYE) | 2020 | 2019 | 2018 | 2017 | 2016 |
|--------------------------------------|-------|-------|-------|-------|------|
| NPAT (\$m) | 121.8 | 144.8 | 145.8 | 103.4 | 44.0 |
| UPAT (\$m) | 67.7 | 62.4 | 51.4 | 45.7 | 29.2 |
| Share price (\$) | 1.84 | 1.78 | 1.61 | 1.52 | 1.65 |
| Dividend (cents) | 8.1 | 9.6 | 9.6 | 9.2 | 8.7 |
| TSR (%) | 7.92 | 16.5 | 12.2 | -2.3 | 7.2 |
| EPS (cents) | 14.67 | 21.59 | 26.82 | 20.7 | 13.1 |
| CEO total remuneration, actual (\$m) | 1.74 | 1.32 | | | |

For 2020, the CEO's total actual remuneration was **18.9 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Note - For May 2020, the Full-time adult average weekly total earnings (annualised) was \$91,983 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings").

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| Item 2 | Adoption of Remuneration Report |
| ASA Vote | For |

Summary of ASA Position

The Remuneration Committee have reviewed the structure and delivery of Executive remuneration for the coming year and have integrated equity payments into the structure. Full LTI incentives will no longer be fully satisfied as cash. There is no increase in the base salary of \$1.075m for the Managing Director. STI and LTI amounts are set at 70% of base salary; 70% of STI is to be paid as cash and 30% as equity with the reverse ratio for LTI: 70% as equity and 30% as cash. The number of shares to be issued will be determined by VWAP for the 30 days of June for the relevant year. Equity once earned will be issued in three equal tranches: the first immediately, then each of the following two years, and subject to meeting employment and other conditions.

Hurdles remain largely unchanged. There are three hurdles for STI for all KMP: (1) 70% for achievement of underlying earnings as determined by the Board and not disclosed. There is a potential 10% out performance payment possible for the Managing Director if underlying earnings targets are exceeded and this would depend on sufficient funds being available in the total KMP STI pool of \$1.113m. (2) 15% on individual criteria set by the Board and not disclosed; and (3) assessment by the Board in relation to project implementation, risk management and innovation.

There are two hurdles for LTI. Seventy percent of the payment is based on (1) TSR performance of National Storage against the ASX 200 A-REIT index. If the Company achieves TSR above the 50th percentile then 50% of LTI is earned at the 50th percentile and then pro rata until 100% is paid at

the 75th percentile. The remaining 30% is based on (2) achievement of underlying earnings per share growth of 5% per annum.

The Remuneration structure has changed significantly from last year when we voted against the Report. A few aspects of the remuneration report do not accord with ASA policy, namely,

- LTI measurement and payment remains at three years, although vested shares will now be a mix of STI and LTI payments.
- The use of non- statutory figures for hurdles, particularly earnings per share growth. However this is the figure that is used to determine dividend amount.
- Relative TSR performance, prefer the payment does not commence unless performance is above 50th percentile: at 51st percentile, 30% vesting rising by 2% until 85th percentile
- Some of the measurement items lack disclosure and are opaque. It is difficult to determine whether or not a fair assessment of performance has been met

| CEO rem. framework | Target* \$m | % of Total | Max. Opportunity \$m | % of Total |
|--------------------|-------------|------------|----------------------|------------|
| Fixed Remuneration | 1.075 | 42% | | |
| STI - Cash | .527 | 20% | | |
| STI - Equity | .226 | 9% | | |
| LTI - Cash | .226 | 9% | | |
| LTI - Equity | .527 | 20% | | |
| Total | 2.581 | 100.0% | | |

The amounts in the table above are the statutory amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

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| Item 3 | Re-election of Claire Fidler as a Director |
| ASA Vote | For |

Summary of ASA Position

Legally trained, Ms Fidler was appointed as Company Secretary in 2015 after experience in law firms and the business world, including Rio Tinto. In 2017 she was appointed to the Board as an Executive Director. She oversees the company's legal, governance and risk functions. While her shareholding is relatively modest in relation to her remuneration, her position as Head of Legal and Governance includes STI and LTI, both of which will be paid in a mix of cash and shares.

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| Item 4 | Re-election of Steven Leigh as a Director |
| ASA Vote | For |

Summary of ASA Position

Mr Leigh holds qualifications in Project Management and has lengthy experience in various aspects of the real estate industry. He joined the Board of National Storage in 2015. He began with QIC Global Real Estate in 1991 and gained significant experience in property funds management in several sectors. In 2012 he was appointed Managing Director of QIC Global Real Estate. He is also a Director of Scentre Group. Mr Leigh is a member of the Remuneration and Nomination committees.

We had discussions with the company last year about a policy for Directors and shareholdings. We are pleased to report that Mr Leigh has significantly increased his shareholding in the company and now owns in excess of one year's Director fees.

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| Item 5 | Re-election of Howard Brenchley as a Director |
| ASA Vote | For |

Summary of ASA Position

Mr Brenchley was appointed to the Board of National Storage in 2014. An economist by training he has an extensive background in funds management, particularly in real estate investments, as an analyst and fund manager. He is a founding director of ASX listed APN Property Group which has established other niche REIT offerings on the ASX. He is a member of the Audit and Risk Committees.

We had discussions with the company last year about a policy for Directors and shareholdings. We are pleased to report that Mr Brenchley has significantly increased his shareholding in the company and now owns in excess of one year's Director fees.

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| Item 6 | Ratify issue of Stapled Securities under the 2020 Placement |
| ASA Vote | For |

Summary of ASA Position

The approval of this issue of shares refreshes the 15% limit for issuing securities without requiring shareholder approval within a 12 month period.

In April 2020 National Storage took advantage of the temporary 10% increase placement capacity allowed under ASX Listing Rule 7.1 and undertook a capital raising via a \$300m Placement and a \$30m Share Purchase Plan for existing shareholders. The Placement represented approximately 24.13% of issued capital prior to the Placement. Under the SPP, shareholders could apply for prescribed amounts of stapled securities up to \$30k with provision for scale back for over-subscription. In the event, existing shareholders applied for \$48m worth of shares and the original

cap was waived with no scale back for shareholders. The number of shares being refreshed represents the 15% of issued capital, the 9.13% in excess of the 15% is carried forward under ASX Listing Rule 7.1.

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