Ad Hoc Note
12 February 2025

Did not sign-up for this report?
Sign-up for future reports here

Stor-Age Property REIT Ltd
Valuation & Analyst Update

12m Target Price	R17.10
Share Price	R14.80
Expected dividend	R1.18
Implied 12m Total Return	24%

Share Code: SSS – Market Cap: R7.1 billion – PB: 0.9x – DY: 8%

Self-storage | South Africa

Reason for this Ad Hoc Note: *A change in analyst and resulting review of valuation approach, fair value and 12m TP. Forecasts will be updated following the FY 25E results.*

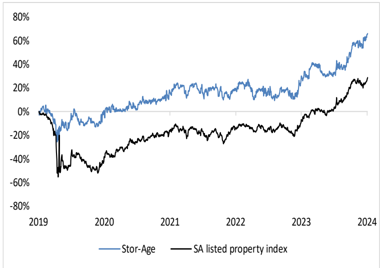
Thoughts: Well-run, Well-positioned & Globally Competitive Self-Storage REIT

- Stor-Age owns a well-managed, growing self-storage property portfolio that was built out of a strong SA-base (that remains robust and growing) and is increasingly allocating capital towards the UK (Rand Hedge benefits) while cleverly leveraging the somewhat lower balance sheet intensity of JV funding structures to build out what will likely become a substantial portfolio.
- Rental income growth has been strong, historically outpacing inflation, with SA averaging around 10-11% and the UK around 6-9% over the past 5 years. Occupancy rates are high in owned properties, exceeding 90% in South Africa and around 85% in the UK, while JV properties are still in their lease-up period, with occupancy around 60%.
- The Group's Net Property Operating Income (NPOI) margin has been consistently around 74% since FY19. EBITDA margins are also strong, at 66-67% while financial performance is underpinned by solid cash flows and a history of distributing nearly all Funds From Operations (FFO) as dividends; Note that the company has recently shifted its distribution policy from 100% to 90-95% of FFO, retaining some capital for growth.
- The Net Asset Value (NAV) per share has steadily increased, providing a solid return and we consider the Group's balance sheet comfortably/lowly geared.
- Refer to **Annexure A** and **Annexure B** whereby we further review the Group's history and examine the global self-storage market and Stor-Age's listed peers around the world.

Valuation and 12m TP: Relative Model and Dividend Discount Model Used

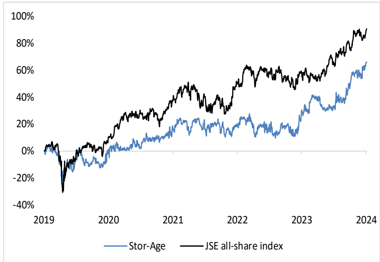
- Interestingly, Stor-Age's share price has not kept pace with NAV growth, leading to a current Price/Book ("PB") ratio of 0.8~0.9x. Given what we consider conservative valuations of its underlying investment properties, the potential for both Rand Hedge benefits from its UK portfolio, optionality for organic and acquisitive growth, we think that the share should (at least) track its historic c.1.0x PB ratio over time.
- We determined the fair value for Stor-Age by using a Relative Valuation Model and a Dividend Discount Model:
  - **Relative Value**: Our fair value is R15.90 per share
  - **Dividend Discount Model**: Our fair value is R14.57 per share.
  - **Equal-weighted average valuation**: Result is R15.23 per share.
- Rolling this fair value forward, we arrive at a 12m Target Price of R17.10 (Previously: R16.73); factoring in dividends, we expect this to generate a 12m Expected Return of ca 24% from the current share price.
- Note that the international peer averages used exclude some USA peers due to differences in accounting practices, namely, that their investment properties are not fair valued on their balance sheet. This distorts their PB ratios and makes PB comparisons difficult.

Total Return vs SA Listed Property Index



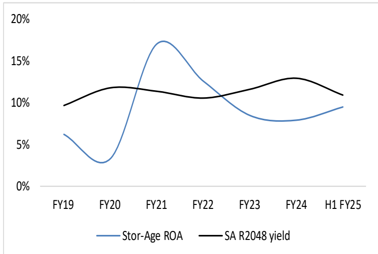
Sources: Refinitiv, Blue Gem Research

Total Return against All-Share Index



Sources: Refinitiv, Blue Gem Research

Price Earnings (x) and Dividend Yield (%)



Sources: Refinitiv, Blue Gem Research

Harry van der Merwe*

x.com/BlueGemResearch

facebook.com/BlueGemResearch

Note: This is Commissions Research; all views expressed, data used and workings and calculations in this report are the Analyst's & not Blue Gem Research (Pty) Ltd's.

www.BlueGemResearch.co.za – Confused by this report? View our FAQ.
Please refer to disclaimer at the end of this document and on website

BLUE GEM RESEARCH

Purpose of this Note

- The Analyst covering Stor-Age Property REIT (SSS) ("Stor-Age" or "the Group") has changed and this Note will serve as a basis for the incoming Analyst to review previously published views and valuation(s) and adjust them accordingly. Forecasts will be updated following the incoming FY 25E results.
- This Note should be read in conjunction with Blue Gem Research's prior published pieces on Stor-Age (LINK) but assumptions, forecast and valuation changes in this and future Notes take precedence over prior published views.
- Do note that the latest public information was used for this analysis (H1:25) but that these figures are now c.4~5 months old and should be refreshed with FY 25E results when they are reported later this year. This does introduce some degree of risk to our forecast and valuation, and, indeed, the latter may have upside risk given the time value of money (i.e. the valuation may be c.4~5 months higher).

Historical Financial & Operational Analysis & Commentary

What follows are select statistics extracted from Stor-Age financial reporting to which we have added commentary. For additional information by year, please read **Annexure A**.

Table 1: Stor-Age's Property Portfolio

	2016	2017	2018	2019	2020	2021	2022	2023	2024	Average 5-year growth	H1:24	H1:25
Number of properties:	**33**	**43**	**62**	**65**	**71**	**74**	**85**	**93**	**103**	**7.6**	**97**	**107**
SA - owned, leased, managed & JVs	33	43	48	49	50	52	55	57	60	2.2	60	63
UK - owned, leased, managed & JVs	0	0	14	16	21	22	30	36	43	5.4	37	44
Number of new properties:		10	19	3	6	3	11	8	10		4	10
Properties in Joint Ventures (JV):						**2**	**11**	**14**	**17**		**18**	**20**
SA						2	2	4	5		5	7
UK							9	10	12		13	13
Number of new JV properties:						**2**	**9**	**3**	**3**		**4**	**3**

Sources: Stor-Age Property REIT (various reports) & Blue Gem Research workings and assumptions. JV = joint ventures

We have three observations from **Table 1:**

1. The **annual growth in SA was substantially higher after listing to FY19** (averaging 8.3 new properties per year for three years). This slowed down to an average of 2.2 properties per year from FY20 to FY24.
2. There is **higher growth in the UK** after acquiring the initial 14 Storage King properties in FY18 (5.4 average per annum from FY20 to FY24) revealing some shifting regional capital allocation.
3. From FY21, **the Group's expansions and acquisitions have mainly been done in Joint Ventures (JV's)**. There were 30 additional properties (excluding six managed at H1:25 (FY20: nil)) of which 20 were in JVs (66% of the total). This reveals a shifting preference in how the Group structures and spreads its balance sheet investments (i.e. JVs allow the Group's balance sheet to cover more properties as it is indirectly leveraging external partners' balance sheets as co-investors while still operationally managing the properties and earning the ManCo fees from this).

The Group reported 26 managed properties at H1:25 (23: FY24) which includes the JV properties.

Table 2: Stor-Age's Rental Income Growth & Occupancy

	Unit	2017	2018	2019	2020	2021	2022	2023	2024	5-year Average	H1:24	H1:25
Rental income growth												
SA	*%*	9.4	10.6	7.5	6.5	8.6	10.0	9.8	12.7	**9.5%**	13.6	10.8
UK	*%*				5.0	6.3	21.2	8.9	3.0	**8.9%**	6.1	6.8
Occupancy												
SA	*%*	85	85	84	85	90	88	92	92	**89%**	91	92
UK	*%*		78	80	79	90	88	85	84	**85%**	84	85

Sources: Stor-Age integrated annual reports and presentations

- **Stor-Age has historically managed to grow rental rates quicker than inflation:**
  - The rental income growth was likely the result of high and growing occupancy combined with growth in the number of properties and the rental rate increases that were accepted by tenants given the stickiness, ease-of-use and quality of the self-storage product the Group offers.
  - This resulted in growth of ca 10~11% for SA and 6~9% for the UK (average of past 5 years to FY24 and H1:25).
  - Note that the COVID period (FY21 and FY22) introduced some volatility to these numbers but this fact as a Black Swan Event lies outside of management control.
- **A high occupancy was achieved in both territories**, even through the COVID lockdown period (FY21 and FY22):
  - Since FY23, the SA occupancy has consistently held up at >90%, which lines up with these properties being more mature inside the Group's portfolio.

- The UK H1:25 occupancy has been maintained at the average of the past five years to March 2024 (ca 85%).

- At H1:25, the JV properties' occupancy was 60% in SA and 61% in the UK. This is well below the 92% (SA) and 85% (UK) of the owned portfolio (owned and leased) and indicates that these properties are still in the 3~5 year process of reaching optimal occupancy levels (so-called "lease-up period").

Table 3: Stor-Age Property Statistics

	Unit	2020	2021	2022	2023	2024	H1:24	H1:25
Number of tenants per region								
SA	*thousand*	25	27	28	30	32	30	33
UK	*thousand*	9	11	17	17	20	19	20
% residential tenants per region								
SA	*%*	60	61	61	63	63	63	65
UK	*%*	69	69	74	74	76	79	77
Gross lettable area ("GLA")								
SA	*%*	81	82	79	78	78	71	71
UK	*%*	19	18	21	22	22	29	29
Rental income composition (%)								
SA	*%*	63	57	55	54	51	50	51
UK	*%*	37	43	45	46	49	50	49
Property asset value composition (%)								
SA	*%*	59	62	54	43	35	36	37
UK	*%*	41	38	46	57	65	64	63

Sources: Stor-Age Property REIT (various reports) & Blue Gem Research workings and assumptions

- **Stor-Age's tenant growth is a result of the increase in number of properties and a higher number of tenants which is reflected in the overall higher occupancy**:
  - The majority of the Group's tenants are still residential (60˜65% in SA and 69˜79% in the UK) though the corporate sector rents larger space per lease.
  - This has remained conistent over years and is comparable to international peers.
- Over the years, **the Group's property portfolio composition (when viewed based on Gross Lettable Area or "GLA") has shifted in favour of the UK** where the rental per m² is substantialy higher than in SA:
  - The contribution to the Group's total rental income from its SA segment has declined from 63% in FY20 to 51% in 1H:25, not through an absolute decline in the SA rentals but, rather, from a disproportionate growth in the UK rentals.
  - Please do note that this number excludes JVs, which, if fully consoldiated may somewhat shift this picture.
- **This changing regional rental mix trend is expected to continue** due to:
  - The long-term trends towards Rand depreciation (versus the British Pound),
  - The relative higher growth in number of properties in the UK versus SA (or even from new territories outside SA).
  - Furthermore, we expect (at least some of) the JV properties to (eventually) be wholly-owned by the Group as/when the JV-partners exit, and there are more JV properties in the UK than in SA.
- The investment property asset value breakdown shows how the UK property valuation contribution to total value has grown to be substantially larger than SA, despite a larger number of properties and substantially higher GLA in SA:
  - Quite simply, property is more expensive and has a higher valuation in the UK (a Developed Economy that is located on an island) than in South Africa (a Developing Economy that is not particularly geographically constrained).
  - Note both investment property value and GLA numbers includes JVs and as a result is indicative of where relative *future* revenue and profit contributions are heading. In other words, management is increasingly allocating larger portions of capital to the UK and they are clearly expecting better risk-adjusted returns from this region.
  - An added benefit to SA shareholders is that this capital allocation steadily enhances the Rand Hedge properties of Stor-Age's shares (i.e. Rand-based returns improve as the Rand weakens versus the British Pound).

Conclusion:
This operational review shows a well-managed, growing property portfolio that was built out of a strong SA-base (that remains robust and growing) and a management that is increasingly allocating capital towards the UK (Rand Hedge benefits) while cleverly leveraging the somewhat lower balance sheet intensity of JV funding structures to build out what will likely become a substantial portfolio.

Now, let us delve into how these operational numbers generate IFRS profits and cash flows, which are particularly relevant to investors.

Table 4: Stor-Age's Income Statement

R million	2017	2018	2019	2020	2021	2022	2023	2024	7-year CAGR %	5-year CAGR %	H1:24	H1:25
Property revenue (rental & other)	**167**	**310**	**524**	**699**	**800**	**911**	**1,071**	**1,228**	*33%*	*19%*	**600**	**649**
Net property operating income (NPOI)	**128**	**233**	**385**	**517**	**587**	**686**	**791**	**904**	*32%*	*19%*	**436**	**470**
Proceeds from insurance claim	0	0	0	0	0	0	52	0			0	0
Management fees	14	22	11	5	5	15	36	63	*24%*	*42%*	39	35
Administration expenses	-25	-37	-44	-55	-89	-103	-153	-184	*33%*	*33%*	-87	-90
Net Property Operating Profit (NPOP)	**117**	**218**	**353**	**466**	**503**	**648**	**674**	**784**	*31%*	*17%*	**393**	**426**
EBITDA	**119**	**221**	**359**	**477**	**514**	**657**	**682**	**794**	*31%*	*17%*	**398**	**430**
Fair Value Adjustments	127	375	-53	-295	871	754	240	189			**86**	**175**
Profit Before Interest and Tax	**243**	**592**	**293**	**160**	**1,363**	**1,394**	**905**	**963**			**475**	**596**
Net Interest Paid	3	9	33	58	63	91	140	204			101	123
Income From Associates Before Tax	0	0	0	0	0	0	30	37			9	3
Income Before Tax	**240**	**582**	**260**	**102**	**1,299**	**1,303**	**795**	**796**			**382**	**476**
Taxation	-1	4	2	-3	97	271	63	85			18	-399
Profit For the Period	**241**	**578**	**258**	**105**	**1,203**	**1,031**	**732**	**711**			**365**	**875**
Income Attributable to Minorities		1	0	0	10	12	7	5			2	10
Income Attributable to Equity Holders	**241**	**577**	**258**	**105**	**1,192**	**1,020**	**725**	**706**			**363**	**864**
Total Comprehensive Income	239	454	401	348	1,082	893	1,133	970			519	751
Headline Earnings	113	374	176	208	473	482	500	424			242	666

Sources: Stor-Age Property REIT (various reports) & Blue Gem Research workings and assumptions

- We consider the EBITDA margin a good indicator and valuation metric:
  - In Stor-Age's case, depreciation relates to other operating fixed assets such as IT equipment and is not material relative to other (operating) costs of the REIT.
  - Thus, Stor-Age's EBITDA margin is close to the "Net Property Operating Profit" (NPOP[1]) margin.
  - The Group's EBITDA margin of 66˜67% compares well with listed peers that average a c.65% margin (Peer Group EBITDA margins have a low of 60% and high of 72% at recent reporting periods – **Table 25**).
- The NPOI[2] margin averaged 74% since FY19 (**Table 4**) when the UK numbers were included for a full year and have consistently been around 74% each year, despite the relative contribution of profit from SA and the UK changing over this period. This margin declined in H1:24 to 72% but we do expect it to recover back to 74%.
- The NPOI had a 5-year 19% CAGR to the end of FY24 (**Table 4**) and the investment property value[3] had a CAGR of 13% over the same period (**Table 6**). The gap between these two growth rates leads us to form a view that property valuations seem somewhat conservative as investment property fair values should, in the long-term and neutralizing for interest rate changes, track the underlying profits they are generating.
- Below in **Table 5**, is a great valuation assumption comparison for Stor-Age's properties pre- and post-COVID, also revealing the differences between these performance metrics and the actual discount and capitalisation rates ("Cap Rate") used:

Table 5: Stor-Age's Property Valuation Assumptions/Ranges

	South Africa FY19	FY24	UK FY19	FY24
(1) Discount rate	16.1%˜18.4%	13.8%˜15.3%	9.1%˜15.6%	8.8%˜9.5%
(2) Cap rate	7.6%˜9.5%	8.3%˜10.5%	6.1%˜12.9%	5.8%˜6.8%
(1) – (2) = Difference: Growth	**8.5%˜8.9%**	**5.5%˜4.8%**	**3%˜2.7%**	**3%˜2.7%**
Rental escalations	8%˜15%	6%˜10%	2.8%˜3.3%	2.5%˜3.5%
Operating cost inflation	6%	6%˜7.2%	2.8%	2.8%˜3.5%
Occupancy	84%*	90%˜95%	80%*	80%˜95%

*Sources: Stor-Age Property REIT integrated annual reports and Blue Gem Research workings; * Actual, projections were not disclosed*

- Considering the forecast assumptions at FY19 and FY24, we want to highlight:
  - Projected occupancies are higher at FY24, which will lead to higher NPOI and margin.
  - Projected rental escalations are lower for SA and very similar in the UK. Projected cost increases are higher for both territories. This may lead to lower margins; however, the higher occupancy mitigates this pressure.
  - Discount rates (first ten years' projections) were lower for both territories whilst expected growth rate was lower for SA and the same for the UK.
  - This indicates that the SA portfolio is increasingly mature (higher occupancy means lower future growth) whilst the UK property income streams should grow faster due to a lower starting occupancy.

A logical conclusion based on the above (NPOI CAGR of 19%y/y versus the CAGR of investment value of 13%y/y) is that it appears that property valuations may be somewhat conservative at 31 March 2024 relative to the same date of FY19. Our

[1] NPOI plus Management Fees minus Group Administrative Expenses
[2] Property Revenue (Rental Income + Sales of Packaging Materials *et al*) minus Direct Property Costs (rates, labour *et al*)
[3] Excludes property values that lie inside Joint Ventures as these JVs are equity accounted in the Group's IFRS accounts

industry analysis (**Annexure B**) also indicates an industry with increasing profit margins as companies become larger (larger number of properties), also supporting higher valuations (i.e. Returns to Scale materializing in the self-storage industry).

- The "Fair Value Adjustment" line in **Table 4** relates to the changes in valuations of the investment properties and financial hedges of financial instruments. These adjustments differ materially from year-to year due to exchange rate differences and changes in valuation assumptions (which includes discount rate and/or capitalisation rate assumptions changes).
- "Income from Associates" represents Stor-Age's share of the JV profits before tax:
    - From FY21/FY22, the Group has preferred to do new developments and acquisitions inside JVs with property groups and private partners.
    - The disclosure of JV profits and statistics until the JV properties' occupancies reach optimum level (3~5 years) does not affect efficiency or performance metrics of the rest of the Group, and the debt remains off balance sheet thereby not affecting the Group Loan to Value (LTV)[4] ratio.
    - Likewise, this process of increasingly investing through JV's allows the Group's finite capital to be allocated to more properties (as it need only finance a portion of each and the JV partners finance the rest), which allows the Group to move faster, build more and spread its risk better while (we would assume) providing a fertile ground for future consolidation of interests (i.e. buying out the JV partners from their equity interest once the properties have proven themselves and Stor-Age's balance sheet is larger).
- The historic years where the tax charge is more material was due to deferred tax raised for revaluation of investment properties to fair value in the UK. Note that this has changed due to the UK operations status changing:
    - Storage King (the name of the UK-owned entity by Stor-Age) was *not* previously a Real Estate Investment Trust (REIT), and, thus, attracted normal UK tax and was required by IFRS to account for related deferred tax.
    - In the H1:25 results, the large add-back of tax is because of the UK operation obtaining (UK) REIT status during the period.
    - This change triggered a deferred tax balance being reversed to reserves that related to the past revaluation of UK properties to fair value (the tax is raised as if the properties will eventually be sold and the profit would have been taxed).
    - Logically, we do not expect this to recur in the future.
- The Minority Interest value is due to the subsidiary in Guernsey where the Storage King management have a 2.2% minority shareholding:

Table 6: Stor-Age's Assets

R million	2017	2018	2019	2020	2021	2022	2023	2024	7-year CAGR %	5-year CAGR %	H1:24	H1:25
Fixed Assets	**2,052**	**4,039**	**6,251**	**7,092**	**7,885**	**9,555**	**10,764**	**11,706**	***28%***	***13%***	**11,258**	**11,855**
Joint ventures	0	0	0	194	34	257	450	734			699	709
Goodwill	84	144	141	152	147	146	156	161			159	160
Deferred Tax Asset	2	19	19	25	3	7	13	11			12	0
Other Assets	0	124	35	0	172	184	173	47			165	38
Total Fixed Assets	**2,264**	**4,494**	**6,645**	**7,464**	**8,241**	**10,149**	**11,555**	**12,659**			**12,293**	**12,763**
Stock	2	3	5	6	6	7	7	7			8	7
Debtors	11	65	119	146	83	127	139	126			116	118
Cash	8	22	260	76	171	222	356	322			99	272
Total Current Assets	**21**	**90**	**384**	**228**	**260**	**357**	**501**	**455**			**223**	**397**
Total Assets	**2,284**	**4,584**	**7,029**	**7,692**	**8,501**	**10,506**	**12,056**	**13,114**			**12,516**	**13,159**

Sources: Stor-Age Property REIT (various reports) & Blue Gem Research workings and assumptions

- Fixed Assets mainly represent investment properties at fair value and is quite predictably the largest asset on the balance sheet for the Group:
    - See our comments earlier revolving around these properties' fair values and our view that they may be somewhat conservatively valued
    - I.e. there could be upside risk to this balance sheet line item and, thus, the Group's resulting NAV.
- Joint Ventures are discussed further below.
- Debtors are well managed at ca 33 days outstanding at H1:25 (**Table 11)**:
    - This is an improvement on prior periods and defendable in isolation.
    - I.e. Most tenants pay for their units within a month, which is exactly what we would expect from a well-managed tenant book.

[4] LTV is defined as net debt (debt minus cash on hand) divided by the sum of investment property at fair value plus investments in JVs

Table 7: Stor-Age's Equity and Liabilities

R million	2017	2018	2019	2020	2021	2022	2023	2024	7-year CAGR %	5-year CAGR %	H1:24	H1:25
Ordinary Share Capital	1,767	3,175	4,293	4,360	4,784	5,375	5,362	5,363	*17%*	*5%*	5,361	5,420
Reserves & Other	123	293	304	212	834	1,222	1,774	2,171	*51%*	*48%*	1,991	2,614
Ordinary Shareholders' Interest	**1,890**	**3,468**	**4,597**	**4,572**	**5,618**	**6,597**	**7,136**	**7,534**	*22%*	*10%*	**7,351**	**8,034**
Minority Interest		26	28	33	39	46	58	65			61	84
Total Shareholders' Interest	**1,890**	**3,494**	**4,625**	**4,605**	**5,657**	**6,643**	**7,195**	**7,599**			**7,412**	**8,119**
Interest Bearing Loans	106	625	1,493	2,046	1,347	2,599	3,390	3,887	*67%*	*21%*	3,508	4,035
Deferred Tax Liability					65	287	369	436			384	0
Lease & derivative long-term liabilities	7	177	213	461	334	249	316	359			336	344
Total Long-Term Liabilities	**113**	**802**	**1,707**	**2,507**	**1,747**	**3,135**	**4,076**	**4,681**			**4,228**	**4,380**
Creditors and Provisions	59	111	212	161	184	237	276	325			255	289
Dividends	75	152	215	226	234	262	276	271			292	275
Tax & Other	1	8	21	33	32	68	74	79			98	97
Bank Overdrafts	146	17	249	160	647	160	160	160			232	0
Total Current Liabilities	**281**	**288**	**697**	**580**	**1,098**	**727**	**786**	**834**			**876**	**661**
Total Liabilities	**394**	**1,089**	**2,404**	**3,087**	**2,844**	**3,862**	**4,862**	**5,515**			**5,104**	**5,041**
Total Equity and Liabilities	**2,284**	**4,584**	**7,029**	**7,692**	**8,501**	**10,506**	**12,056**	**13,114**			**12,516**	**13,159**
Total interest-bearing liabilities net of cash	244	620	1,482	2,130	1,823	2,537	3,194	3,725	*48%*	*20%*	3,640	3,763
Enterprise Value (EV)	**2,210**	**4,266**	**6,322**	**6,961**	**7,714**	**9,442**	**10,665**	**11,594**	*27%*	*13%*	**9,558**	**11,145**

Sources: Stor-Age Property REIT (various reports) & Blue Gem Research workings and assumptions

Table 8: Stor-Age's Number of Shares and Market Capitalisation

Share/unit data		2017	2018	2019	2020	2021	2022	2023	2024	7-year CAGR %	5-year CAGR %	H1:24	H1:25
Number of Shares in Issue (Actual)	million	176.9	301.9	393	397.8	432.9	474.6	474.6	476.2	*15%*	*3.9%*	476.2	481.7
Shares issued	million	37.0	125.0	91.1	4.9	35.0	41.7	0.0	1.5			1.6	5.5
Weighted Average Shares in Issue (Actual)	million	142.7	238	321.9	391.9	421.8	440.5	474.6	475.4			474.7	476.3
Fully Diluted Weighted Average Shares in Issue	million	142.7	238	322	394	425.5	445.8	478.7	479.8			478.6	480.2
Market Capitalisation	R billion	1.9	3.9	5.1	5.0	5.7	7.0	6.1	6.5	*19%*	*5.0%*	5.9	7.3

Sources: Stor-Age Property REIT (various reports) & Blue Gem Research workings and assumptions

- Share capital movements relate to the issue of shares for acquisitions, new developments and expansions. Interest bearing loans were raised for the debt-funding aspect of the aforementioned spend (see our comments on LTV). In September 2024 (1H:25) the Group acquired Extra Attic in Airport Industria, Cape Town for a purchase consideration of R73 million funded by the issue of 4.978 million Stor-Age shares to the sellers at R14.66 per share. The Group also issued new shares and acquired shares for the conditional share plan each year (not material for our purposes).
- The increase in Reserves relates largely to revaluation of investment properties to fair value and the translation differences of converting Storage King Pound values to Rand at year-end, as typically all of the "Funds from Operations" (FFO[5]) was historically paid out as dividends up to FY24:
  - In FY 24, management changed the distribution policy from 100% of distributable income to 90~95% of distributable income.
  - The retained funds can be used as contributions to JVs (share capital and shareholder loans) and thus ensures a wider range of investment opportunities whilst keeping the LTV at the Group stated level of 30˜35%.
- "Other long-term liabilities" relates almost entirely to capitalised lease obligations:
  - This represents the present value of future lease payments to the end of the term of the lease (the 'principal debt').
  - Lease payments are allocated to interest (in the Income Statement) and a reduction in the lease liability (capital portion).
- Enterprise Value ("EV") minus (net) debt equates to market capitalisation in most years as the share has historically traded around its Net Asset Value ("NAV") – the share has a trailing 5-year Price-to-Book Ratio of c.1.0x.

[5] "FFO" is a term widely used in the industry. It is similar to operating cash flow before working capital movements for the main operating activity of the business. It was disclosed as Appendix 1 to the IAR (page 193) and is described as "*SA REIT best practice recommendations disclosure*"

Table 9: Stor-Age's Cash Flow History

R million	2017	2018	2019	2020	2021	2022	2023	2024	7-year CAGR	5-year CAGR	H1:24	H1:25
Cash flow from operating activities	**119**	**202**	**341**	**449**	**583**	**652**	**702**	**808**	*31%*	*19%*	**368**	**389**
Dividends paid	-95	-209	-326	-430	-460	-481	-550	-572	*29%*	*12%*	-278	-272
Net interest and tax paid	-13	-15	-29	-67	-118	-113	-192	-235	*51%*	*52%*	-103	-114
Net Cash flow from operating activities	**11**	**-22**	**-14**	**-48**	**5**	**58**	**-40**	**1**			**-12**	**4**
Net cash flow from investing activities	**-534**	**-1,281**	**-734**	**-475**	**-178**	**-1,223**	**-232**	**-305**			**-280**	**-57**
Net cash flow from financing activities	**521**	**1,326**	**983**	**323**	**271**	**1,227**	**306**	**248**			**52**	**24**
Net increase (decrease) in cash	**-2**	**24**	**235**	**-201**	**98**	**63**	**34**	**-55**			**-240**	**-30**
Cash & Cash Equivalent beginning of period	10	8	22	260	76	171	222	356			356	309
Translation effects on cash & cash equivalents		-10	3	18	-3	-11	99	8			-17	-7
Cash & Cash Equivalent end of period	**8**	**22**	**260**	**76**	**171**	**222**	**356**	**309**			**99**	**272**
Funds From Operations ("FFO")					**437**	**527**	**504**	**536**			**271**	**294**

Sources: Stor-Age Property REIT (various reports) & Blue Gem Research workings and assumptions

- The eight-year *cumulative* "Net cash flow from operating activities" was -R49 million (i.e. basically zero):
  - This shows that, after paying interest, the Group has paid out effective all the cash flow generated from its operations to its shareholders as dividends to investors.
  - This shows the strength underpinning the distribution (it *really* is backed by real cash flows) and, perhaps, shows why the distribution policy has now shifted to a slightly lower payout as this will allow the Group to retain some of these cash flows to compound inside of the business.
- From FY21, management have disclosed FFO:
  - The total FFO from FY21 to FY24 of R2 billion was paid as dividend (R2.06 billion).
  - Before the change in distribution policy, Stor-Age paid out a 100% of FFO over this period.
  - See our comments earlier around the distribution policy change to 90~95% payout ratio.

Table 10: Stor-Age Dividends, FFO, NAV & Share Price

Share statistics per share	2016	2017	2018	2019	2020	2021	2022	2023	2024	7-year CAGR	5-year CAGR	H1:24	H1:25
Total Dividend / Share		R0.88	R0.98	R1.07	R1.12	R1.06	R1.12	R1.18	R1.18	*4.3%*	*2.0%*	R0.61	R0.57
Funds From Operations / Share						**R1.04**	**R1.20**	**R1.06**	**R1.13**			**R0.57**	**R0.61**
Net Asset Value[1] per share		**R10.68**	**R11.58**	**R11.70**	**R11.58**	**R12.98**	**R13.90**	**R15.14**	**R16.14**	*6.1%*	*6.6%*	**R15.58**	**R16.14**
JSE Market Price at Period End	R9.35	R11.00	R12.91	R12.91	R12.45	R13.10	R14.78	R12.85	R13.56	*3.0%*	*1.0%*	R12.30	R15.15

Sources: Stor-Age Property REIT (various reports) & Blue Gem Research workings and assumptions; 1 Calculated per REIT best practice recommendations which renders a different result than dividing Total Shareholders' Interest (including outside shareholders) by the number of issued shares at reporting date.

- The Group's Net Asset Value (NAV) per share increased by ca 6.1% p.a. over our review period and, when coupled with a dividend yield (**Table 11**) of ca 8.6%, has provided a return substantially beating the SA ca 5% annual inflation rate.
- Interestingly, the share price had a more muted (+3%y/y CAGR) appreciation which is reflected in the Price/Book Ratio ("PB") which ranged from 1~1.1x in earlier years to its current range of 0.8~0.9x (**Table 13**):
  - In other words, the share's valuation has slowly derated over time despite the operational performance we have noted above and below.
  - Considering that the investment property portfolio value is seemingly conservatively valued, we believe the PB ratio should be higher than 0.9x (see **Valuation**).
  - A further consideration is that the UK property value is likely to represent more than 60% of the total and, over time, likely Rand depreciation should naturally increase this component of NAV.
- Thus—and, once again, refer to our **Valuation** section for more detailed analysis and commentary hereon—we do believe that there is reasonable upside in the share price from its current levels and general valuation.
- Globally, listed self-storage businesses almost *all* report very high EBITDA and NPOP margins that cluster quite closely around 65%:
  - As mentioned earlier, depreciation is not material in these businesses, so the two margin percentages are close to each other (**Table 25**).
  - The PAT margin includes fair value adjustments, most significantly on the investment properties but also financial hedging and is less useful for any period-to-period comparison and across peers.

Table 11: Stor-Age's Margins, Returns and Risk Ratios

		2017	2018	2019	2020	2021	2022	2023	2024	3-year Average	5-year Average	H1:24	H1:25
Returns													
Return on Shareholder Funds	%	13.0	17.0	6.0	2.0	21.0	16.0	10.0	9.0	*11.8*	*11.6*	9.8	21.6
FFO / Opening Shareholder Funds	%					9.5	9.3	7.6	7.4			7.5	7.7
Historical DY	**%**		**8.9**	**8.3**	**8.7**	**8.5**	**8.5**	**8.0**	**9.2**	***8.6***	***8.6***	**9.6**	**8.4**
Forward DY	**%**	**8.9**	**8.3**	**8.7**	**8.5**	**8.5**	**8.0**	**9.2**					
9-year IRR (div + share price)	%								13.7				
5-year IRR (2020 to 2024) (div + share price)	%								9.6				
Margins													
EBITDA	%	71	71	69	68	64	72	64	65	*68*	*67*	66	66
NPOI	%	77	75	73	74	73	75	74	74	*74*	*74*	73	72
NPOP	%	70	70	67	67	63	71	63	64	*67*	*65*	65	66
PAT	%	144	186	49	15	150	113	68	58	*98*	*81*	60	133
Risk													
Debt / Equity (Blue Gem Calculation)	%	17	22	37	51	36	42	48	53	*38*	*46*	49	46
LTV (Blue Gem calculation)	**%**	**16**	**19**	**27**	**33**	**26**	**29**	**32**	**34**	*27*	*31*	**32**	**32**
EBITDA / interest (Blue Gem Calculation)	times	40	25	11	8.2	8.2	7.2	4.9	3.9	*13.4*	*6.5*	3.9	3.5
Current Ratio	times	0.1	0.3	0.6	0.4	0.2	0.5	0.6	0.6	*0.4*	*0.5*	0.3	0.6
Dividend Cover	times	2.1	2.6	0.8	0.2	2.7	2.1	1.3	1.3	*1.6*	*1.5*	1.3	3.2
Dividend cover: FFO per share / Div per share	times					1.0	1.1	0.9	1.0			0.9	1.1
Debtors Collection Period	days	23	77	83	76	38	51	47	38	*54*	*50*	35	33

Sources: Stor-Age Property REIT (various reports) & Blue Gem Research workings and assumptions

- Stor-Age's EBITDA and NPOP margins are 66% and 65%, thus compare defendably with these globally listed peers and begins to highlight how well the Group is managed relative to some of the best global players in self-storage.
- Stor-age's LTV is in line with global peers (peers average an LTV of 25˜30% versus Stor-Age's LTV of ca 31%).
- Stor-Age also hedges its interest rates and, in our opinion, the balance sheet is conservatively managed. Interest cover of 3.5 times at H1:25 is comfortable.
- As new acquisitions and developments will mostly be executed in joint ventures, it allows Stor-Age to deploy the same amount of capital over more opportunities and, thus, helps reduce their portfolio and balance sheet risk:
    - See our comments earlier for further colour hereon.
    - These JV properties are branded Stor-Age (in SA) and Storage King (in the UK).
    - This implies to us that (at some future date via acquisitive activity) they should be fully brought onto the balance sheet, probably when occupancy reaches around 80% and by which time related debt would have been largely or fully paid off.
    - We consider this well-positioned upside for the future as these JV's being operated by Stor-Age means that they have line-of-sight to the underlying and, thus, lowers any acquisitive risk here while minimizing any due diligence costs (i.e. they will know *exactly* what they are acquiring when/if any JV-partner interests are taken out).
- All debt ratios are within debt provider covenants with good headroom.

Table 12: Stor-Age's Growth Analysis

Growth in		2018	2019	2020	2021	2022	2023	2024	7-year Average	5-year Average	H1:25
Revenue	%	86	69	33	15	14	18	15			8.1
EBITDA	%	86	63	33	8	28	4	16			8.1
NPOP	%	87	61	32	8	29	4	16			8.2
Dividend per share (growth)	**%**	**11.4**	**9.2**	**4.7**	**-5.4**	**5.7**	**5.4**	**0.0**	***4.3%***	***2.1%***	**-6.8**
NAV per share (growth)	**%**	**8.4**	**1.0**	**-1.0**	**12.1**	**7.1**	**8.9**	**6.6**	***6.1%***	***6.7%***	**3.6**
FFO per share	%					15	-11	6.2			7.0
Sales per share	%	12	25	9	6	9	9	15			7.8

Sources: Stor-Age Property REIT (various reports) & Blue Gem Research workings and assumptions

- H1:25 numbers indicate slightly subdued growth and, amongst other reasons, is partly due to developments and acquisitions now mainly done in JVs where the Group largely have minority equity positions.
- The dividend declined in H1:25 as Stor-Age changed its policy from paying out all FFO to 90˜95% of FFO – i.e. This is a not reflection on the growth of Distributable Income nor FFO generated by operations over this period (both were robust).

Table 13: Stor-Age's Valuation Multiples and Beta

		2017	2018	2019	2020	2021	2022	2023	2024	8-year ave.	5-year ave.	H1:24	H1:25
3 Year Beta	times			0.1	0.4	0.4	0.4	0.2	0.1	*0.3x*	*0.3x*	0.2	0.1
Price/Book (NAV)	**times**	**1.0**	**1.1**	**1.1**	**1.1**	**1.0**	**1.1**	**0.9**	**0.8**	***1.0x***	***1.0x***	**0.8**	**0.9**
EV/EBITDA	times	19	19	18	15	15	14	16	15	*16x*	*15x*	12	13
Price/Earnings	times	13	8	24	23	12	14	12	15	*15x*	*15x*	15	9
Price/Sales Per Share	times	9.0	10.0	8.0	7.0	7.0	7.0	6.0	5.0	*7.0x*	*6.4x*	4.9	5.6

Sources: Sharedata and Blue Gem Research

- Stor-Age is a low beta share (1-year beta is 0.1˜0.2x & its share's 5-year beta is 0.3x) and the share has a wide institutional shareholder base with relatively good liquidity for its size.
- Our thoughts on the various market valuation metrics and ratios are as follows:
  - The Price Earnings ("PE") ratio is less useful due to the a REIT's earnings including fair value adjustments which fluctuate materially over years.
  - We consider the Price/Book ("PB") ratio as far more useful, given that the largest line item on the Group's balance sheet (Investment Properties) is regularly fair valued (**Table 6**).
  - The Enterprise Value (market value of equity plus interest bearing debt = total assets minus other non-interest-bearing liabilities) is a widely used measure when performing a Market Approach valuation (**Table 14**). The EBITDA number is before fair value adjustments.
  - Finally, Price/Sales per share ("P/S") is also a useful valuation metric over years.
- At H1:25, all valuation multiples were lower than the historical averages:
  - We may reasonably expect the multiples to revert to the historical averages especially as the business becomes more profitable as properties are added.
  - See our comments earlier on the peer group and how Returns to Scale clearly exist in this sector.

Other Notable Observations

- Stor-Age manages third-party self-storage properties for a management fee ("Management 1st"). Despite adding to FFO, this line of service will not be reflected in property valuations on the Group's balance sheet (i.e. while leveraging the existing, internal skills set and cost-base, this cash flow stream is actually a capital-lite service business).
- Furthermore, Stor-Age has internally developed a business called "Digital First" that continues to show year-on-year growth in revenue:
  - We believe that the digital enquiry skillset provides a key competitive advantage in accessing and converting prospective customers.
  - With the rise of online platforms and mobile applications, Digital First aims to take advantage of this opportunity by offering these services globally to self-storage operators.
  - To date, Digital First is managing the digital marketing for 139 self-storage properties (excluding Group owned and UK JV properties) across 20 countries and in 12 languages with estimated annual revenue from current contracts at R18.6 million.
  - Besides high-margin incremental revenues being added to the Group, another less obvious attraction of this business is that it affords Stor-Age the opportunity to identify good acquisition prospects.
  - The Group has expressed interest in expanding this business to other countries apart from the UK and, with a cost-base in rand, this augers well for future expansion at a low-cost relative to global peers.

Stor-Age's UK REIT Status

- On 6 July 2024, the Storage King group of companies (i.e. Stor-Age's UK subsidiary) was classified successfully as a UK Real Estate Investment Trust ("REIT"):
  - The main benefits accruing to it (and Stor-Age) from its UK REIT status is an exemption from corporation tax on profits from their property rental business and capital gains arising from the disposal of properties or shares of property-rich companies engaged in UK property rental business activity.
  - Any other UK income and gains not specifically derived from UK property rental activities are part of the "residual business" and will be subject to corporation tax at 25%. In Storage King's case, this would be primarily sales of merchandise, insurance income and property management fees.
  - Finally, a dividend declared by a UK REIT to a SA holding company would attract a 20% withholding tax and relief can be claimed for 5% under the double tax treaty between the UK and SA, provided the conditions under the treaty are met.
- For the period prior to 6 July 2024, the Storage King group of companies were subject to corporation tax of 25%.
- Post this date, corporation tax is only payable on the residual business as explained above.
- No withholding tax has been accounted for at 30 September 2024 as no dividend had yet been declared at the reporting date. In addition, the dividend relating to the six-month period ending 30 September will be declared from a combination of pre- and post- REIT profits with pre-REIT profits having already been subject to corporation tax which will therefore not be subject to withholding tax.

Valuation

- We have performed a Relative Valuation Model (market approach) using only certain international peers and a performed a Dividend Discount Model.
- We gave each valuation an equal weight to arrive at an average valuation of the two methods.
- Please refer to **Table 25** for more financial details of the peer companies.

Table 14: Stor-Age Valuation – Relative Valuation Model

Company	Country	EV/EBITDA	EV/Sales	Price/Book
Public Storage	USA	19x	13x	9.8x
Extra Space Storage Inc	USA	19x	13x	2.2x
CubeSmart	USA	18x	12x	3.4x
National Storage Affiliates Trust	USA	37x	22x	10.7x
Shurgard Self Storage Ltd	Europe	21x	10x	1.0x
Big Yellow Group PLC	UK	23x	11x	1.0x
National Storage REIT	Australia	38x	20x	10.8x
Safestore Holdings PLC	UK	25x	10x	1.3x
Abacus Storage King	Australia	22x	10x	0.7x
Stor-Age	SA and UK	14.0x	8.9x	0.9x
Averages excl USA companies[3]				
Mean (excl National Storage Aus & US co's)		22.8x	10.4x	1.0x
Median (excl National Storage Aus & US co's)		22.5x	10.4x	1.0x
Selected multiple		**22.5x**	**10.4x**	**1.0x**
Adjustments				
Country risk adjustment [1]		20.0%	8.0%	8.0%
Size adjustment [2]		20.0%	7.0%	7.0%
Adjusted multiple		**13.5x**	**8.8x**	**0.9x**
Stor-Age NAV H1:25 (R million)				8,119
Stor-Age EBITDA H1:25 X 2 (R million)		860		
Stor-Age Sales H1:25 X 2 (R million)			1,298	
Enterprise value (R million)		**11,610**	**11,422**	
Less: Net Debt (R million)		-3,763	-3,763	
Equity value (R million)		**8,071**	**7,605**	**7,300**
Average equity value (R million)				**7,659**
Shares outstanding (million)				*481.7*
Equity value per share (30 September 2024)				**R15.90**

1. *PWC valuation survey - up to 40%. Stor-Age earns approximately 50% of its revenue from developed markets.*
2. *PWC valuation survey - up to 50%. Stor-Age earns approximately 50% of its revenue from developed markets.*
3. *Public Storage and ExtraSpace have market caps of US$53 and US$33 billion and the other self-storage peers are substantially smaller than them. The PB ratio is not useful for USA companies as they do not fair value their properties but rather account for them at cost minus depreciation. The USA companies are thus excluded from the average PB ratio. We have also excluded the Australian national Storage REIT from the averages as its multiples are well above the other peers. We did not investigate the reasons for this anomaly.*

Sources: Stor-Age, Koyfin, various data providers, and Blue Gem Research workings and assumptions

Table 15: Stor-Age Valuation – Dividend Discount Model

Input	Assumptions/Source	Value
Cost of Equity (CoE)	**CAPM formula**	**11.1%**
Risk free	*SA R2032 14 Jan 2025*	9.3%
Equity risk premium	*PWC Valuation Survey*	6.0%
Beta	*Sharedata*	0.30
Terminal growth rate (real)	**90% payout**	**3.0%**
H1:25 Dividend		R0.57
H1:25 Dividend X 2 plus growth		R1.18
Selected dividend (Forward 12m)		R1.18
GGM Valuation Rounded: Formula is (R1.18)/(11.1%-3%) =		**R14.57**

Sources: Stor-Age, Koyfin, various data providers, and Blue Gem Research workings and assumptions

Table 16: Stor-Age's Equal-weighted Valuation*

Summary valuation and expected 12-month return	Assumption	Value
Average of two valuations	30 Sep 24	**R15.23**
Share price 30 September 2024		R15.15
Target price 30 September 2025 (30 September 2024 price plus growth at CoE minus the 12-month forward dividend)		**R15.65**
Expected return from 30 September 2024:		
Dividend	7.8%	R1.18
Price appreciation	2.8%	R0.50
Total 12m Expected Return*	**10.6%**	**R1.68**
As a % of 30 September 2024 share price		*11.1%*
As a % of valuation		*11.0%*
Past 5 years' average return (calculated using dividends and opening and closing share price to FY24)		*9.6%*

Hypothetical expected return from 5 February 2024 if share re-rates to 1.0x PB*:	
Share price 5 February 2025	R14.80
Target price 5 February 2026 ((plus growth at CoE / 0.9) minus dividend)	R17.10*
12 m dividend (potentially higher thus conservative)	R1.18*
Total return	**R3.48***
Return as % of share price on 5 February 2025	*23.5%**

*Source: Koyfin and Blue Gem Research; * Based on H1:25 figures and, as noted earlier in this note, these are now c.4~5 months old.*

ANNEXURE A: Summary of Stor-Age's Corporate History

Extracts in Figures & Tables in this annexure are taken directly from Stor-Age's own disclosure

2005: Stor-Age Property REIT Ltd's founders complete their local market research on the self-storage space.

2006: Stor-Age was formed and opened its first property.

2007: Management conducts international market research.

2009: The Group now holds four properties in Cape Town.

2010: A JV is formed with Acucap and Faircape.

2012: The Group now has 15 properties in four cities.

2014: The Group now has 38 properties in six cities (included pipeline properties to be developed).

2016: Stor-Age lists on the JSE on 16 November 2015 (March year-end, FY16). The Group has 43 properties in six cities (Trading Portfolio) – 24 owned (Listed Portfolio), eight managed (Managed Portfolio) and 11 properties in its pipeline. Its occupancy is 84% and the long-term target is reported as 90%. The Group **raised R1.4 billion** (139.4 million shares), used R1 billion to settle interest bearing debt and R394 million to settle vendor debt. Its shares were issued at R10 each. The prospectus indicates a 8% forward dividend yield (DY) and the prospect of 10.8% growth in distributions. Gross lettable area (GLA) of 181,500 m², gross asset value R1.3 billion (24 properties, average of R54,200, ca R7,200 per m²). Residential customers are 78% with the corporate sector tenants representing the balance. 88% of the properties are in Gauteng and the Western Cape. 33% of tenants rent for < 6 months and 33% > one year is 46% of the total. Gearing on listing (Loan to Value (LTV)[6]) of 25% with a maximum target of 30 to 35%. The expected long-run interest rate on debt is 9%. By year end, the Group has 24 properties in the Listed Portfolio (valued at R1.4 billion), nine managed and 19 in the pipeline including the Managed Portfolio (R1.2 billion). The occupancy was 86%. R45 million was spent on improvements to properties. GLA of the Managed Portfolio was 54,900 m² where property and asset management fees were earned. Stor-Age had a pre-emptive right to acquire this portfolio.

2017: Acquisition of Storage RSA for R475 million (six properties, 41,800 m² GLA, ca R11,400/m²) funded largely by the issue of 37 million shares @R10.81 raising R400 million. The balance was funded with debt. The Gardens and Durbanville properties were expanded for R41 million and the Bryanston land was acquired for R17.4 million. The Group had a R650 million debt facility with Nedbank. LTV was 12%. There were six pipeline properties, with a projected cost of ca R465 million. The occupancy was 85%. The property portfolio was reported as follows[7]:

Table 17: 2017 property portfolio

	Listed Portfolio	Managed Portfolio	Trading Portfolio	Pipeline Portfolio
Number of properties	31	12	43	6
GLA	233 000 m²	67 000 m²	300 000 m²	39 000 m²
Value	R2.1bn	c. R860m	R2.96bn	c. R465m

Source: Stor-Age Integrated Annual Report

2018: The Group acquired Stor Town (4 properties, 22,400 m² GLA, Durban) for R145 million (ca R6,500 per m²) and 97.3%[8] of Storage King in the UK (14 properties of which nine are freehold and five are leasehold, 57,000 m² total GLA) for R1.7 billion (ca R24,600 per m² for the properties alone[9]). Note, the purchase price included other assets and goodwill. An additional 12 properties trade under licence as Storage King. Average occupancy of the Storage King portfolio was 78%. The Group also opened a high-profile Big Box property in Randburg as part of the managed portfolio. There are ten properties in the pipeline. The Group raised R1.3 billion through a share issue and has a £25 million Libor debt facility.

[6] LTV is defined as net debt (debt minus cash on hand) divided by the sum of investment property at fair value plus investments in JVs.

[7] Note that only the listed portfolio (owned and leased) is included in the asset value on the balance sheet.

[8] Outside shareholders are Storage King management.

[9] Note that leasehold properties are valued at fair value by discounting income streams until the end of the lease. Management indicated the average remaining lease period to be 14.5 years. By comparison, owned properties are also valued at fair value by projecting income for 10 years and then assuming a sale at the end of 10 years at market value (a period into perpetuity). The leased property valuations, therefore, by deduction, will have a lower value per m² than the owned properties, bringing down the average of owned and leased combined.

Table 18: 2018 property portfolio

	Total	South Africa	United Kingdom
Total property value	**R3.9bn**	R2.5bn	R1.4bn
Number of properties[3]	**50**	36	14
Total number of customers[3]	**23 500+**	17 000+	6 500+
Total GLA	**321 000 m²**	264 000 m²	57 000 m²
Occupancy	**84.1%**	85.2%	78.2%
Loan to value (LTV)	**16.1%**	9.1%	28.6%

Source: Stor-Age Integrated Annual Report; 3 Includes All Store acquired post year-end

2019: The Group acquires Viking (5,100 m² GLA) and Storage Pod (4,000 m² GLA) (UK) for £23.8 million (ca R50,000 per m²)[10]. Storage King owned 11 and leased five properties and 12 trade under licence. The Bryanston and Craighall[11] developments were completed for R146 million. The Group then acquired three additional properties, which offer approximately 20,000 m² GLA, for future development. All-Store Self Storage was acquired in April 2018 and upgraded (6,100 m² GLA). The Group developed an additional 1,600 m² GLA and acquired the twelve-property managed portfolio (86,700 m² with an occupancy of 80% at year-end, R1.12 billion, ca R12,900 per m²). The Group raised R1 billion through issue of shares and increased its Libor debt facility to £52 million. It had a SA pipeline of 9 properties (R850 million).

Table 19: 2019 property portfolio

	Total	South Africa	United Kingdom
Total property value[2]	**R6.0 bn**	R4.0 bn	R2.0 bn
Number of properties	**65**	49	16
Total number of customers	**32 000+**	24 000+	8 000+
Total GLA	**423 700 m²**	357 600 m²	66 100 m²
Occupancy	**83.5%**	84.0%	80.3%
Loan to value (LTV)	**24.6%**	17.2%	39.2%

Source: Stor-Age Integrated Annual Report

2020: The Group acquired Flexistore (UK, 5 properties) for £13.4 million (ca R270 million at R20/£, 14,600 m² GLA, ca R18,500 per m²). It was funded via a R250 million equity raise and debt. The Group now owns 13 properties and leases eight in the UK whilst a further seven trade under licence. The one property is added in SA (the Craighall development: R109 million, 6,500 m² GLA, ca R16,800 per m²).

Storage King entered a Heads of Agreement with a UK-based Moorfield, a specialist private equity real estate group to form a JV, to develop a five to seven property portfolio of high-profile big box self-storage properties in prime locations in London and the Southeast. At the time, equity contributions to the JV were anticipated to be in the ratio of 25:75 with Storage King contributing 25% (£25million). All newly developed properties are to be branded and managed by Storage King on behalf of the owners. Storage King will earn management fees from the JV for developing and managing the assets and will have a pre-emptive right to acquire all newly developed assets once certain pre-defined operating criteria have been met.

A target is set to achieve approximately 50% loan to cost for new developments (Stor-Age has a stated objective of a Group LTV of 30 to 35%. JV LTV's do not affect the Group's LTV).

The Group launched 'Management 1st' in the UK, a comprehensive third-party management solution offered to independent operators, developers and private equity owners.

There are eight properties in the pipeline (R700 million).

Finally, Stor-Age is included in the JSE SA listed property index (SAPY) in September 2019.

[10] There is an opportunity to expand the properties to 10,100 m² GLA. Note, a number of factors will explain the substantially higher value paid per m² for these properties when compared to the initial 14 properties acquired in the UK. Rental rate per m² (substantial difference depending on location) and related operating costs and the lower relative value per property and area of the leasehold properties (5 of 14 acquired in FY18).

[11] Craighall was completed after year-end.

Table 20: 2020 property portfolio

	Total	South Africa	United Kingdom
Total property value[2]	**R7.0 bn**	R4.1 bn	R2.9 bn
Number of properties	**71**	50	21
Total number of customers	**34 700+**	25 300+	9 400+
Total GLA[3]	**448 200 m²**	365 400 m²	82 800 m²
Occupancy	**83.8%**	85.0%	78.8%
Loan to value (LTV) ratio	**30.1%**	22.5%	40.7%

Source: Stor-Age Integrated Annual Report

2021: The Sunningdale (R65 million) and Tyger Valley (R92 million) developments were completed. Development of the 7,400 m² Cresta property (estimated cost of R102 million for ca R13,800 per m²) continued during the year. Properties were acquired for development in Paarden Eiland and Pinelands. In the UK, development was underway to bring online an additional 8,082 m² GLA across 6 existing properties at an estimated cost of £7.9 million (ca R20,500 per m²). The Group concluded a R250 million (over-subscribed) equity raise that is earmarked for acquisitions. A JV with Nedbank Property Group was structured and the Group acquired Green Cube and Silverpark. Post period during April 2021, the Group successfully acquired Blackpool's largest self-storage operator, Blackpool Self Store, for £3.6 million. Management reported that the Moorfield JV, aims to develop a portfolio of self-storage properties focused on London and the Southeast, with an initial value of £50 million and the potential to increase to £100 million. In SA, the pipeline was 9 properties (R787 million).

Table 21: 2021 property portfolio

	Total	South Africa	United Kingdom
Investment property value	**R7.6 bn**	R4.7 bn	R2.9 bn
Number of properties[3]	**74**	52	22
Total number of tenants	**38 400**	27 300	11 100
Total GLA[4]	**448 800 m²**	366 000 m²	82 800 m²
Occupancy	**90.1%**	90.0%	90.4%
Loan to value (LTV) ratio	**24.1%**	18.2%	33.6%

3 Number of properties includes trading properties in JVs. Investment property value excludes properties in JVs (equity accounted); Source: Stor-Age Integrated Annual Report
Source: Stor-Age Integrated Annual Report

2022: In the UK (as mentioned above), the Group acquired the Blackpool Self storage property (2,629 ²m for £3.9 million or ca R32,600 per m²), the McCarthy's portfolio (four properties, 12,133 m², £37.5 million, ca R68,000 per m²) and acquired the Storagebase (four properties, 28,093 m², £59 million, ca R46,200 per m²) inside the Moorfield JV where Stor-Age has a 24.9% equity holding. In total, 11 properties were acquired (two in SA for R108 million; and the nine in the UK for £100.4 million or ca R2.2 billion).

Stor-Age also made improvements for an additional estimated 5,658 m² GLA at an estimated cost of £7.2 million across three existing properties – Chester, Doncaster and Bedford (ca R28,000 per m²). The Group also secured four new UK developments in the Moorfield JV for £44 million.

In SA, the Group developed two properties in the Nedbank JV (R200 million).

The Group raised R575 million equity in an oversubscribed book-build to fund the above activities.

The Group renegotiated and expanded its debt funding, including adding additional funders in the UK at attractive rates.

Importantly, at this junction the Group indicated that the majority of new developments will be completed in a JV structure with a development partner.

The pipeline is 14 properties (10 SA and 4 UK).

Table 22: 2022 property portfolio

	Total	South Africa	United Kingdom
Investment property value	**R9.26 bn**	R5.04 bn	R4.22 bn
Number of properties[3]	**85**	55	30
Total number of tenants	**44 800**	28 300	16 500
Total GLA[4]	**485 800 m²**	384 800 m²	101 000 m²
Occupancy	**88.1%**	88.1%	88.3%
Loan to value (LTV) ratio	**27.9%**	23.2%	32.5%

Source: Stor-Age Integrated Annual Report

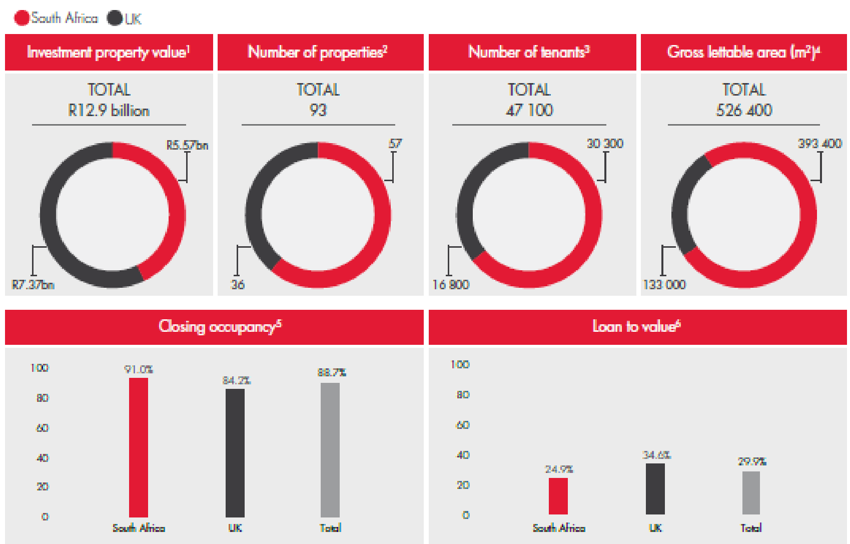
2023: The Group acquired Think Secure Self Storage (Cape Town) for R65 million (4,000 m² GLA with plans to expand to 6.900 m², ca R16,300 per m²). The Group completed its Morningside development (R125 million, 7,400 m², ca R16,900 per m²). At this point, developments were occurring in Bryanston, Pinelands, Paarden Eiland, Century City and Kramerville for a total of R388 million for 28,200 m² of GLA at ca R13,800 per m². All the properties completed or under development form part of the JV with Nedbank Property Partners, except for Century City that was being developed in a JV with the Rabie Property Group.

The Group structured a new JV with Nuveen (UK) and acquired the Easistore portfolio (UK) in this JV (Stor-Age's equity contribution was £4.4 million). The Bath (£11.7 million, 4,300 m², ca R60 000 per m²) and Heathrow (£13.8 million, 5,700 m², ca R53,000 per m²) developments were completed. Developments that were in progress in the UK were Canterbury (£9.8 million, 5,000 m², ca R43,000 per m²) and Swan Village (£12 million, 5,900 m², ca R45,000 per m²). These new developments are housed inside the Moorfield JV. The Group also made expansions in the UK: Chester, Doncaster, Bedford and Weybridge properties, bringing online an additional 5,000 m² GLA. Expansions are underway at the Milton Keynes and Crew properties.

In SA, Stor-Age's secured development pipeline in this year comprised of nine properties with an approximate total development cost of R880 million that will add an estimated 53 000 m² GLA (ca R16,600 per m²). The development pipeline in the UK comprised three properties with an approximate total development cost of £45 million (16,900 m², ca R58,600 per m²).

During this year, there were 3 properties trading under licence in the UK, in addition to the 36 owned and leased. At this point, Storage King was the sixth largest operator in the UK by number of properties.

Figure 1: 2023 property portfolio

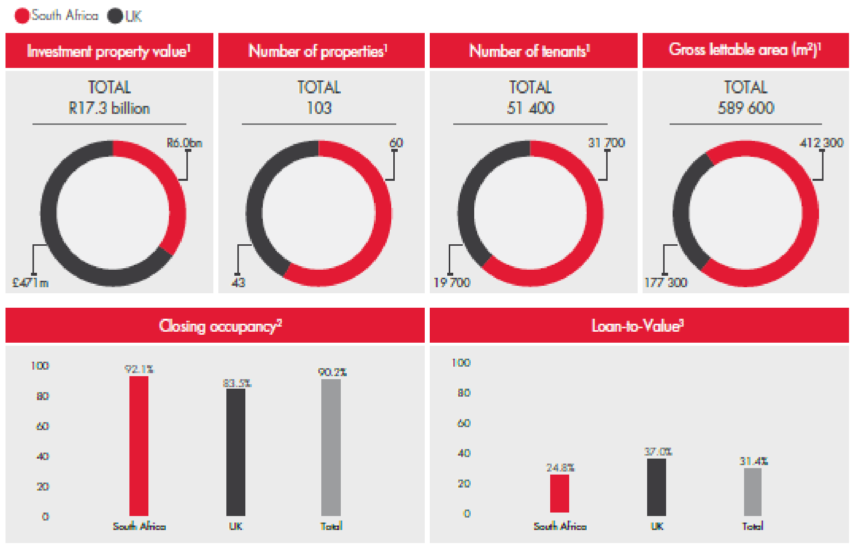


1 Includes 100% of trading properties held in JVs as at 31 March 2023.
2 Includes trading properties held in JVs and managed by the Group as at 31 May 2023. Excludes Heathrow which began trading in July 2023.
3 Includes trading properties held in JVs and managed by the Group as at 31 March 2023.
4 Includes trading properties held in JVs as at 31 March 2023.
5 Excludes trading properties held in JVs and managed by the Group as at 31 March 2023.
6 LTV ratio is defined as net debt as a percentage of the sum of net investment property and investment in JVs.

Source: Stor-Age Integrated Annual Report

2024: During FY 24, the Group completed four developments in SA costing a total of R372 million (24,100 m², ca R15,400 per m²). Two further property developments were also completed after year-end for R171 million (Century City and Kramerville, 11,500 m², ca R14,900 per m²).

Figure 2: 2024 property portfolio



[1] Includes trading properties held in JVs and managed by the Group as at 31 March 2024. Excludes Century City and Kramerville properties which began trading in June 2024 and July 2024 respectively.
[2] 100% owned properties.
[3] LTV ratio is defined as net debt as a percentage of the sum of net investment property and investment in equity-accounted investees.

Source: Stor-Age Integrated Annual Report

The Group completed the Bath, Heathrow, West Bromwich and Canterbury developments in the UK. The Acton (Moorfield JV, £24.75 million, 5,850 m², ca R93,000 per m²) and Leyton (Nuveen JV, £13.9 million, 3,900 m², ca R78,000 per m²) developments were in progress during 2024. The Group also expanded the Milton Keynes and Crew properties (3,846 m²). Town planning applications were lodged for Huddersfield, Wakefield and Blackpool for a combined 4,830 m² GLA.

The Group entered into a Hines third-party management agreement (using their Management 1st platform). Following this, after year-end, Hines acquired three properties which will be branded Storage King and managed by Stor-Age through the third-party management agreement.

There were 22 properties being managed on the Management 1st platform (UK 17, SA 5) with two more properties to be added that are currently being developed in JVs. Besides high-margin management fees, this internal management platform provides the Group with an advantaged potential acquisitions pipeline when these third-party owners want to exit their properties. The Group earned third-party management fees of R63 million during FY24 (FY23: R36 million).

At year-end, 24 independent operators utilising the Group's Digital First marketing services comprised 126 properties in 19 countries across the UK, continental Europe, Central America, Asia and Australia representing fees earned of R11.6 million.

See our **Initiation of Coverage** on Stor-Age at this point: LINK.

H1:25: See our **H1:25 Results Note** on Stor-Age here for more details: LINK.

In September 2024, the Group acquired Extra Attic in Airport Industria (Cape Town) for a purchase consideration of R73 million. The Group also developed two properties: Kramerville (5,400m² GLA on full fit-out) in their NPP JV (Nedbank), and Century City (6,100m² GLA on full fit-out) in their Rabie JV.

The Leyton development (housed in the Nuveen JV) commenced trading during October 2024 and four additional properties were added to the UK third-party management platform: Management 1st.

In July 2024, the Group reduced its shareholding in the Acton development from 24.9% to 15.0% by disposing of a 9.9% interest to Moorfield for a consideration of £1.3 million. These proceeds were used to fund the Group's proportionate share of the Acton development.

The Group's property portfolio now comprises of 107 trading properties across SA (63) and the UK (44) that provide storage to ca 52,800 customers. Of the 107 properties, 81 were classified as owned (H1:24 - 80) and 26 as managed (including those only partially owned as they are housed inside of JVs).

The combined value of the Group's portfolio--including properties managed in JV's--was R17.4 billion (SA – R6.4 billion; UK – £478 million split with 37% in SA and 63% in the UK). The maximum lettable area, including the pipeline and ongoing developments, exceeded 680,000 m².

The Group's LTV is 31%.

Table 23: Property portfolio at 30 September 2024

Portfolio analysis	Number of properties	% of property valuation	% of NPOI	% of GIA
SA				
Freehold	52	97.0%	95.4%	95.9%
Leasehold	3	3.0%	4.6%	4.1%
Total	55	100.0%	100.0%	100.0%
UK				
Freehold	18	92.2%	70.8%	74.1%
Leasehold	8	7.8%	29.2%	25.9%
Total	26	100.0%	100.0%	100.0%
Total – own properties	81	100.0%	100.0%	100.0%
Freehold	70	94.5%	83.7%	91.0%
Leasehold	11	5.5%	16.3%	9.0%
Managed properties	26			
SA	8			
UK	18			
Total trading properties	107			
SA	63			
UK	44			
Under development	1			
SA	–			
UK	1			
Total including properties under development	108			
SA	63			
UK	45			

Trading properties includes Leyton in the UK – phase 1 of the development commenced trading in October 2024.

Source: SENS announcement. Note: NPOI is Net Property Operating Income (property revenue minus direct property costs before management fees earned and group administration costs)

Table 24: Customer profile

Customer profile	30 September 2024 SA	30 September 2024 UK	30 September 2023 SA	30 September 2023 UK
Number of customers	32 700	20 100	30 200	19 400
Commercial	35%	23%	37%	21%
Residential	65%	77%	63%	79%
Average length of stay – months (existing customers)	26.5	32.4	25.7	32.1
Average length of stay – months (customers vacating during the period)	15.0	9.5	14.1	10.6

Commercial and residential split analysed by area. Includes owned and managed properties.

Source: Stor-Age report

END ANNEXURE A

ANNEXURE B: International Peer Comparisons in the Self-Storage REIT Sector

Table 25: International Self-Storage Peer Comparison

Company	Ticker	Exch	Market Cap US$ b	Sales US$ b	EBITDA US$ b	EBITDA %	Number of properties	Same store occupancy %	Years in business
Self-storage pure plays:									
Public Storage[1]	PSA	NYSE	52.8	4.5	3.30	73	3,333	92	52
Extra Space Storage Inc	EXR	NYSE	33.3	2.6	1.80	69	3,862	94	48
CubeSmart	CUBE	NYSE	9.6	1.1	0.70	66	1,508	89	20
National Storage Aff Trust	NSA	NYSE	4.9	0.9	0.60	66	1,070	86	21
Shurgard Self Storage Ltd	SHUR	EBR	3.6	0.4	0.20	58	318	90	30
Big Yellow Group PLC	BYG	LSE	2.2	0.3	0.20	65	109	81	26
National Storage REIT	NSR	ASX	2.0	0.2	0.10	60	254	82	24
Safestore Holdings PLC	SAFE	LSE	1.8	0.3	0.20	65	190	77	26
Abacus Storage King[3]	ASK	ASX	0.9	0.1	0.10	62	123	91	28
Stor-Age[2]	SSS	JSE	0.4	0.1	0.04	66	107	90	18
Self-storage and other activities:									
U-Haul	UHAL	NYSE	12.4	5.6	1.80	32			79

Source: Koyfin, Company Presentations and Blue Gem Research

1 Also owns 35% of Shurgard
2 Operates as Storage King in the UK
3 Operates as Storage King in Australia

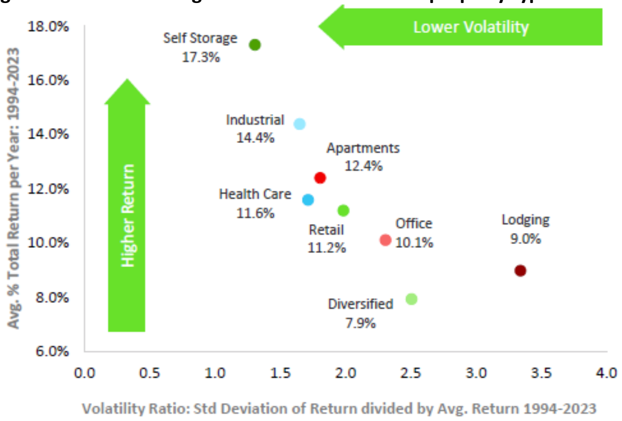
- The two largest (listed) self-storage companies have been in business for ca 50 years, followed by Shurgard in Europe (which has operated for ca 30 years).
- The self-storage companies that have been in business for the longest (apart from Shurgard), are both the largest in size *and* have the highest EBITDA margins. In our opinion, this demonstrates that this sector enjoys good economies of scale and, thus, scale can start to play an important role in a self-storage's businesses evolution.
- All the self-storage companies have high occupancy rates.

Figure 3: Self-storage Shares - Relative Price Performance (including dividends)

Source: TradingView (performance in Rands)

- In **Figure 3,** Stor-Age's 5-year Total Returns (i.e. share price with dividends reinvested) is a remarkable fourth place *globally*!
    - This is despite Stor-Age being materially smaller and younger than these other self-storage REITS, *and*
    - This is despite Stor-Age having nearly half its property portfolio exposed to Emerging Markets (i.e. South Africa) with most of these peers being USA, UK and Australian-focussed.
    - This highlights—amongst the other peer comparison metrics—the quality of Stor-Age's underlying operations, properties and its management.
- In **Figure 4,** over 10 years, USA self-storage REITS had the lowest volatility and highest return of all property classes.

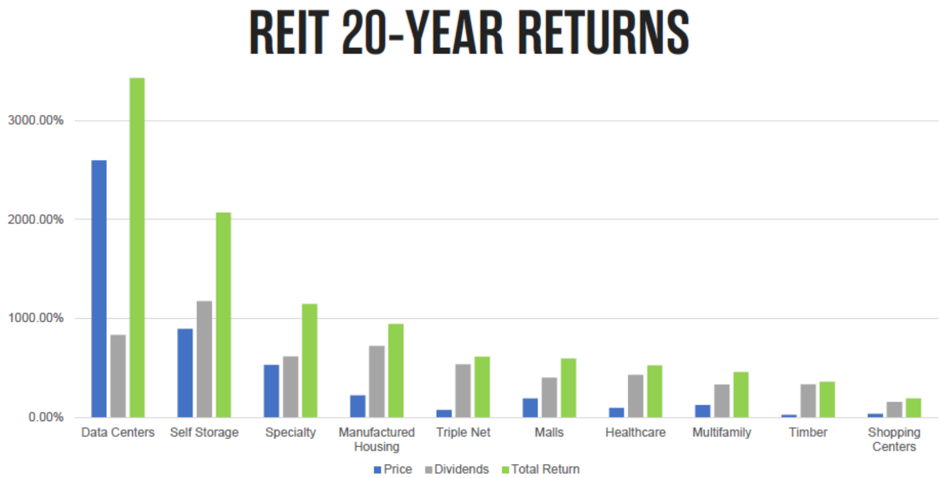
Figure 4: USA self-storage shares relative to other property types – return and volatility



Source: National Storage US Presentation

- Self-storage had the second-best USA property REIT sector performance over 20 years with the highest proportion from dividends (**Figure 5**).
- The self-storage REITs also beat the general listed property indices in the UK and Australia with Stor-Age beating the SA listed property REIT index substantially over the same period.

Figure 5: USA specialised and General REITS 20-year Total Returns



Source: Extra Space presentation

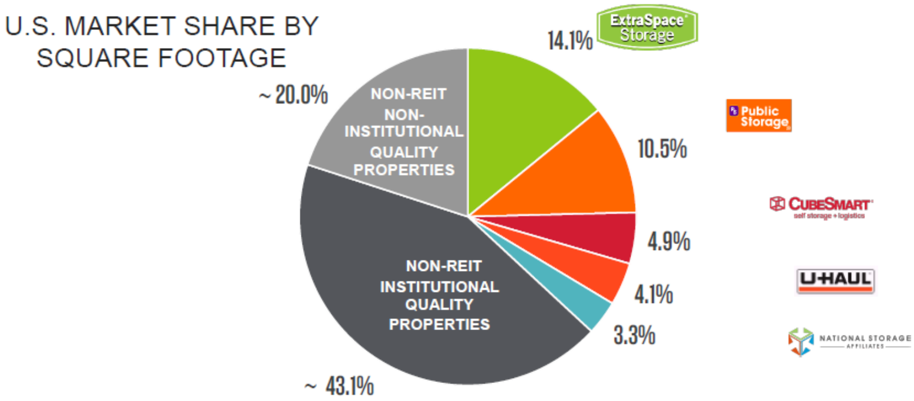
- From the above, we draw the conclusions that:
  - Self-storage is amongst the most attractive sub-sectors in the property sector, and
  - Stor-Age is well-run and highly competitive when viewed relative to its peers around the world.

Industry characteristics

From a review of the ten listed self-storage companies' results presentations:

- Self-storage is still a fagmented market in each of the countries the companies operate in **(Figures 6, 7 and 8).**

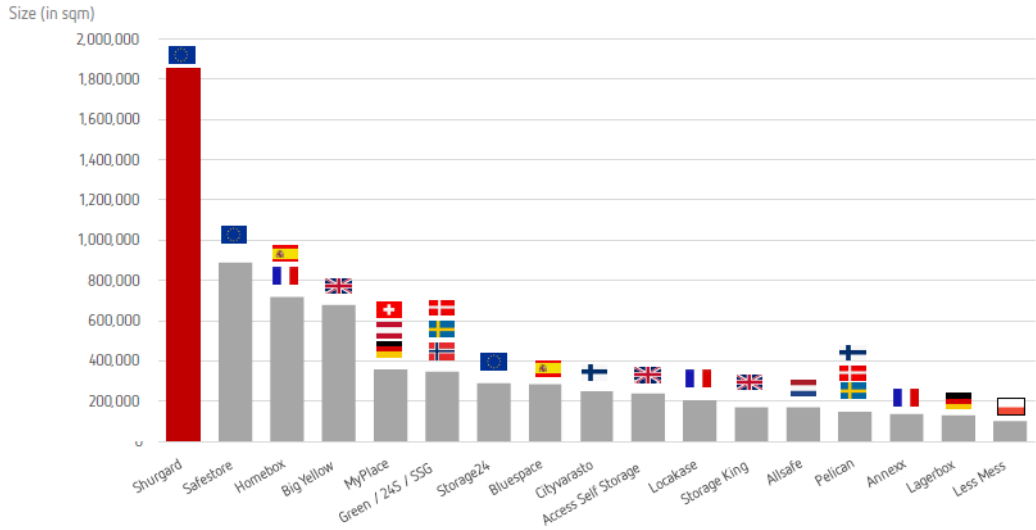
Figure 6: USA self-storage market share by listed and non-listed companies



Source: Extra Space presentation

- **Figure 7** shows that only three stock exchanges have listed self-storage operators in the UK and Europe while there are many (smaller) unlisted players. Storage King has the 12th largest lettable space in the UK.

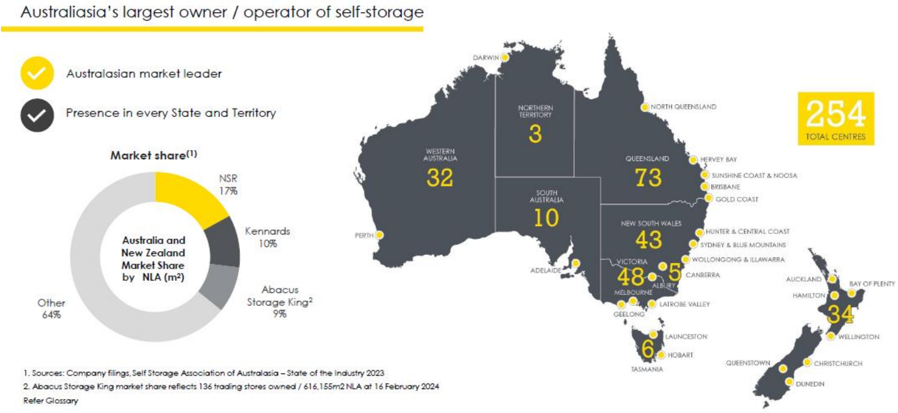
Figure 7: UK self-storage market share by company



Source: Shurgard Presentation

- The two Australian listed self-storage companies have a 26% market share with the balance supplied by unlisted companies (**Figure 8**).

Figure 8: Australian market share of listed and non-listed companies

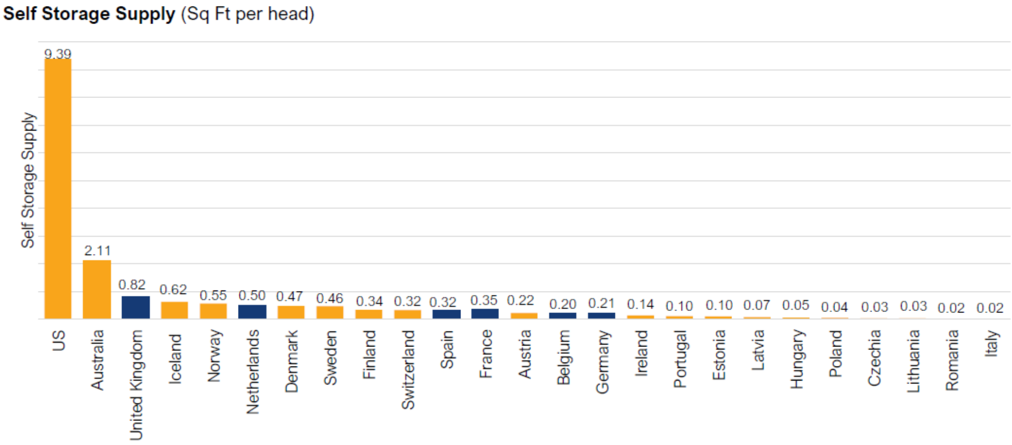


Source: National Storage Australia Presentation

- Due to this broad fragmentation of self-storage regional markets, all of the listed companies regularly acquire other self-storage properties and operators in addition to organically expanding existing buildings and developing new buildings.

- Only in the USA—where the longest established players have been in business for ca 50 years—does there appear any pressure on rentals and marginal declining occupancy. We believe that this is likely due to the high available amount of self-storage space per capita in that region (see **Figure 9** below) that implies saturation across that market.
- Based on this same *per capita* metric, there appears to be substantial growth opportunity in the UK, Europe, South Africa and Australia / New Zealand:
    - The factors that cause customers to require self-storage are the same in all the countries these companies operate in.
    - There should also be developing opportunities in other parts of the world.
    - **Figure 11** and **Figure 12** demonstrate the industry growth in the USA and when considered with the self-storage area per capita of the USA versus other countries **(Figure 9).**
    - Thus, one can clearly see the potential for self-storage growth in the markets that Stor-Age (i.e. South Africa and the UK) and other non-USA listed self-storage companies operate.

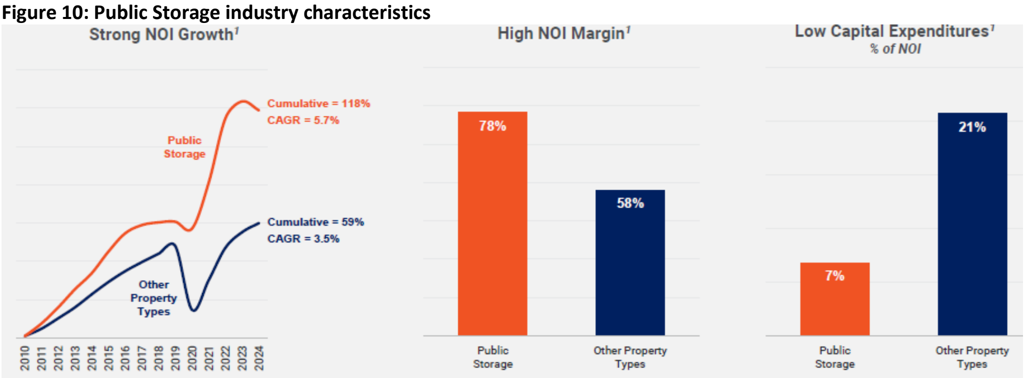
Figure 9: Self-storage square foot per capita by country



Source: Safestor Presentation. Blue bars = where Safestor operates

- Most of the listed self-storage REITs report high occupancy (>80%, average 87%) and operating profit / EBITDA margins (>60%, average 65%):
    - Note that the self-storage REITs that have been oprating the longest also have the highest occupancy and profit margins due to brand recognition, location of stores, experience and established systems / best practice and economies of scale (head office overhead versus net property operating profit).
    - As depicted in **Figure 10**, using Public Storage as example, the high profit margin, growing profits and low re-investment requirement results in a good cash flow generation which typically is distributed as dividends.
- Apart from the USA self-storage REITs, rental rate escalations are above inflation.
- Generally speaking, the self-storage industry has a low environmental footprint as it does not use much power and water:
    - Most self-storage REITs are reporting energy and water saving initiatives with many targeting 2030 to be net zero, which we think is largely achievable (unlike many other industries).
    - Besides lowering environmental risks, this also implies that they are less reliant or captive to a country's utilities (important from a South African perspective).
- Self-storage properties tend to have a large number of customers with the largest part being consumers that, on average, has a tenure of ca 30 months with ca 50% of customers renting for longer than 1 year.

Figure 10: Public Storage industry characteristics



Source: Public Storage results presentation

Figure 11: Growth in US households utilizing self-storage

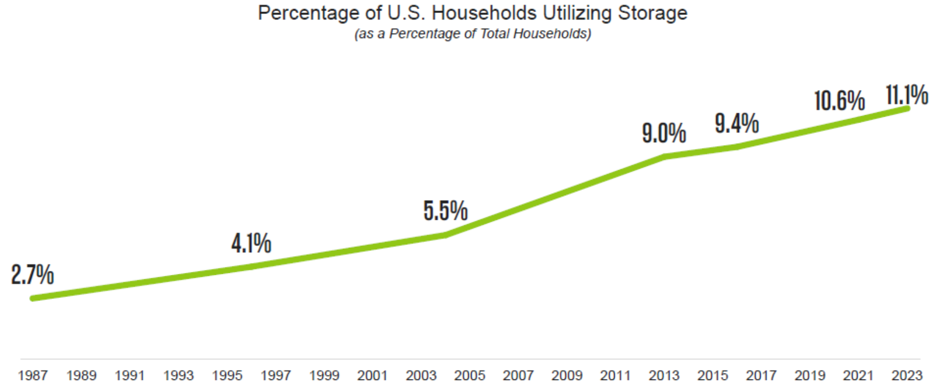
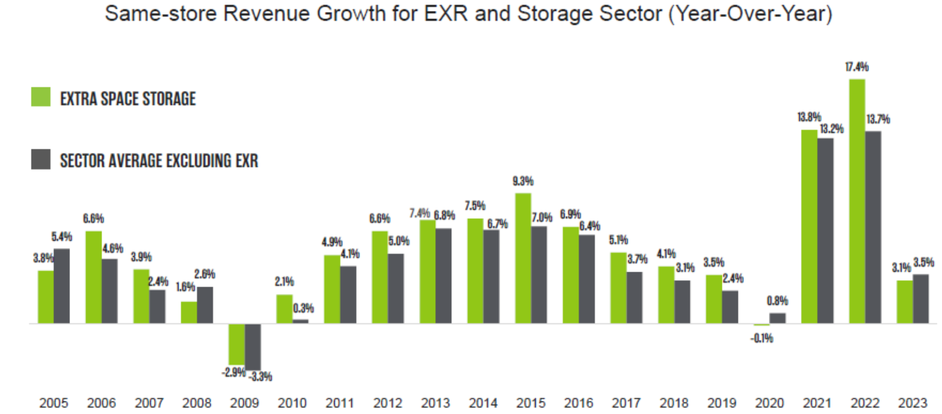


Figure 12: Same-store revenue growth in USA and ExtraSpace



Source: Extra Space Storage results presentation

END ANNEXURE B

Disclaimer

Confused by this report? View our FAQ and the below disclaimer.

Potentially a Commissioned Report

With reference to the disclosure contained within the 'Disclosures*' section below, it is possible that Blue Gem Research (Pty) Ltd has agreed with Stor-Age Property REIT Ltd (here after referred to as 'the Company') for the inclusion of the Company in its coverage universe for a certain time period. Part of this agreement includes payment to Blue Gem Research (Pty) Ltd by the Company and, as such, Blue Gem Research (Pty) Ltd, any employees, contractors and/or contracted analysts who worked on this report cannot be considered independent in any way. Thus, it is safest for you to consider this as a commissioned report, marketing material, and it cannot be considered financial advice, investment advice or any such similar material.

In the event that this is not a 'Commissioned Report', then all the usual disclaimers concerning independent research are applicable per industry norms.

Ownership of the Report

While this report was produced by the Analyst—under supervision of and using templates produced by Blue Gem Research (Pty) Ltd—this report is the property of Blue Gem Research (Pty) Ltd, but may be freely distributed so long as in the act of such a distribution no additions to, deletions from and modifications to this report are made. Furthermore, no party without the express permission of Blue Gem Research (Pty) Ltd may sell this report or make any direct form of compensation from the re-distribution thereof.

Frequency of Next Update

The frequency of new and/or updated report is left at the discretion of Blue Gem Research (Pty) Ltd and/or the Analyst. No guaranty or promise is made for any level of frequency or timeliness concerning an update or related report with regards to this report.

Disclosures*

A. The Analyst is an officer, board member, or director of the Company
B. The Company is a client of Blue Gem Research (Pty) Ltd (i.e. this is a Commissioned Report) and Blue Gem Research (Pty) Ltd has received money in exchange for the production of this report.
C. Analyst holds long or short personal positions in a class of common equity securities of this company

Stor-Age Property REIT Ltd	B

Financial Numbers, Forecasts, Valuations and other Assumptions

While every effort has been made by the Analyst and Blue Gem Research (Pty) Ltd to ensure the accuracy and integrity of the financial numbers, ratios, forecast, valuations and other quantitative and qualitative data in this report, Blue Gem Research (Pty) Ltd does not warranty or guaranty its accuracy. The reader relies on this data and information from this report at his/her own risk. Furthermore, in the case of forecasts and valuations, Blue Gem Research (Pty) Ltd wholly and completely cannot be held liable for any damage or loss caused by any individual, collection of individuals or business or any other party by said party acting or not acting based on the forecasts and valuation(s) included in this report. By their very nature, forecasts and valuations may not be accurate and, indeed, may be wholly and completely wrong. All opinions, views, forecasts and valuations are solely the responsibility of and the independent opinion of the Analyst and, while Blue Gem Research (Pty) Ltd, has endeavoured the ensure the Analyst's view expressed stands up to scrutiny, the view is solely that of the Analyst and, thus, Blue Gem Research (Pty) Ltd cannot be held liable for it nor does the act of publishing this/these opinions, views, forecasts and valuations in any way show agreement, endorsement or sharing of the Analyst's view.

Legal Entities

To South African Residents: **Blue Gem Research (Pty) Ltd is not an Authorised Financial Services Provider.** This report is not financial advice, investment advice or any such similar material. **This report constitutes "marketing information".** Blue Gem Research (Pty) Ltd and/or its employees and/or officers and/or the Analyst(s) have no knowledge of any reader's or readers' financial position(s) and, hence, this cannot in any way be construed as direct or indirect advice leading any person or persons to act thereon. Any decision made or not made which can in any way be linked to this report is solely the responsibility of the party or parties making such a decision. I.e. Blue Gem Research (Pty) Ltd cannot be held liable for any result based on any decision that can be directly or indirectly linked to this report.

General

For the purposes of this report Blue Gem Research (Pty) Ltd refers to all directors, employees, contractors, sub-contractors and any Analysts of Blue Gem Research (Pty) Ltd. This research report is based on information from sources that Blue Gem Research (Pty) Ltd believes to be reliable. Whilst every care has been taken in preparing this document, no research analyst or employee or director of Blue Gem Research (Pty) Ltd gives any representation, warranty or undertaking and accepts no responsibility or liability as to the accuracy or completeness of the information set out in this document (except with respect to any disclosures relative to members of Blue Gem Research (Pty) Ltd and the research analyst/s involvement with any issuer referred to above. All views, opinions and estimates contained in this document may be changed after publication at any time without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors or any particular class of investors; if you have any doubts, you should consult your investment advisor. The investments discussed may fluctuate in price or value. Changes in rates of exchange may have an adverse effect on the value of investments. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Directors, employees, contractors, sub-contractors and any Analysts of Blue Gem Research (Pty) Ltd and/or their respective directors' may own the investments of any of the issuers discussed herein and may sell them to or buy them from clients on a principal or agent basis. The contents of this report may be out of date from the date it was published and facts, circumstances, markets, prices, exchange rates and other relevant financial context may have changed significantly that renders this report null and void, and the onerous to consider this is placed on the reader at the time of reading. This report is for information purposes only. By accepting this document, you agree to be bound by the foregoing limitations and release Blue Gem Research (Pty) Ltd from any potential legal or otherwise liability.

NOT FOR DISTRIBUTION OUTSIDE OF SOUTH AFRICA OR IN ANY JURISTICTION WHERE THIS MAY BREACH THE LOCAL LAWS OR REGULATIONS.