



Stor-Age Property REIT Limited
Incorporated in the Republic of South
Africa

Registration number
2015/168454/06 Share code: SSS
ISIN ZAE000208963
(Approved as a REIT by the JSE)
("Stor-Age" or the "Company")

ACQUISITION OF A SELF STORAGE PROPERTY IN BEDFORD, UNITED KINGDOM

1. INTRODUCTION

The board of directors of Stor-Age (the "**Board**") is pleased to announce that Stor-Age, through its wholly-owned subsidiary, Betterstore Properties UK Limited ("**Betterstore**"), has concluded an agreement with Mark and Joanne Holme (collectively, the "**Sellers**"), in terms of which Betterstore has acquired 100% of the issued share capital of Viking Self Storage Bedford Limited ("**Viking**") (the "**Acquisition**"), for an initial purchase consideration of £12.0 million (R224.3 million at an exchange rate of R18.69 as at 1 March 2019) ("**Purchase Price**") which will be adjusted up or down (as the case may be) by the Working Capital Adjustment (as defined in clause 3.2 below), which adjustment is limited to a maximum of £300 000.

2. RATIONALE

The Acquisition is in line with the stated growth and investment strategy of the Storage King business of pursuing value-added acquisitions in the United Kingdom ("**UK**") self storage market. The Board believes that the Acquisition represents an excellent opportunity to acquire a high-quality self storage property in a location which complements the existing UK-based Storage King portfolio, providing additional scale from both a balance sheet and trading perspective (the "**Property**"). The Property will be re-branded under the Storage King brand and managed under the existing operating infrastructure.

Located in Bedford, the county town of Bedfordshire in the East of England, the Property has a gross lettable area ("**GLA**") of over 48 000 square feet ("**sqf**") and a maximum lettable area of 54 000 sqf and, in the past 18 months, has consistently traded at a mature occupancy level of 90%. The Property is well-built and offers good visibility to a main arterial road, while trading into a dense residential area as evidenced by the attractive average rental rate and high occupancy levels that it has been able to achieve and maintain.

3. TERMS OF THE ACQUISITION

- 3.1 The sale and purchase agreement of the Acquisition was signed on 1 March 2019 and is unconditional, with an effective date of 1 March 2019 (the "**Effective Date**").
- 3.2 The Purchase Price shall be calculated as follows:
- An initial consideration of £12.0 million was paid on the Effective Date; and
 - Within 20 business days post the Effective Date, a further payment of a sum equal to

the net working capital balance as at the Effective Date (“**Working Capital Adjustment**”). This is anticipated to be approximately £220 000 but is limited to a maximum payment of £300 000.

- 3.3 The Purchase Price will be settled in cash, funded through Stor-Age’s existing GBP-denominated debt facilities.
- 3.4 The Sellers have provided warranties and indemnities that are standard for a transaction of this nature.
- 3.5 In accordance with paragraph 10.21 to Schedule 10 of the JSE Listings Requirements, Stor-Age will ensure that no provisions contained in the Constitutional documents of Viking will frustrate the Company in any way from compliance with its obligations in terms of the JSE Listings Requirements, nor will it relieve the Company from compliance with the JSE Listings Requirements.

4. PROPERTY SPECIFIC INFORMATION

Details of the Property are set out below:

Property name	Geographic location	GLA (sqf)	Weighted average annual rental rate per sqf	Total consideration payable
Viking Self Storage Bedford	Units 3 & 4, Caxton Road, Bedford, MK41 0HT	48 175	£22.8	£12.0 million adjusted by the Working Capital Adjustment

Notes

- The Property is classified as self storage and is held on a freehold basis.
- The total consideration payable is considered to be in line with fair market value of the property £11.93 million, subject to the special assumptions of: (i) zero purchaser’s costs; and (ii) the future extension of the property, as determined by an external valuation performed by Oliver Close, a Professional Valuer and Registered Valuer of The Royal Institution of Chartered Surveyors, of Cushman & Wakefield Debenham Tie Leung Limited as at 30 November 2018. The valuation methodology adopted for the Property is consistent with the methodology used for the valuation of Stor-Age’s properties as at 31 March 2018.
- The value of the net assets attributable to the Acquisition is £12.3 million.

5. FINANCIAL INFORMATION

Set out below is the forecast revenue, operating profit, net profit after tax and earnings available for distribution in respect of the Acquisition (the “**Forecast**”) for the 1 month ending 31 March 2019 and the year ending 31 March 2020 (the “**Forecast Period**”).

The Forecast has been prepared on the assumption that the Acquisition is effective on 1 March 2019.

The Forecast, including the assumptions on which it is based and the financial information from

which it has been prepared, is the responsibility of the Board. The Forecast has not been reviewed or reported on by independent reporting accountants.

The Forecast presented in the table below has been prepared in accordance with the Company's accounting policies, which are in compliance with International Financial Reporting Standards.

	Forecast for the 1 month period ending 31 March 2019 R'000	Forecast for the year ending 31 March 2020 R'000
Revenue	1 609	20 181
Operating costs	(370)	(4 628)
Operating profit before finance costs	1 239	15 553
Finance costs	(751)	(9 382)
Operating profit after finance costs	488	6 171
UK corporation tax	(93)	(1 172)
Net profit after tax	395	4 999
Earnings available for distribution	395	4 999

The Forecast incorporates the following material assumptions in respect of revenue and operating costs:

1. The Forecast is based on information derived from management accounts, budgets and lease agreements in respect of the Acquisition. Stor-Age is satisfied with the quality of the information supplied in this respect.
2. Analysis of contractual nature of rental income:

	Forecast for the 1 month period ending 31 March 2019	Forecast for the year ending 31 March 2020
% contracted rental income	100.0	-
% near contracted rental income	-	60.3
% uncontracted rental income	-	39.7
Total	100.0	100.0

3. The lease agreements are month-to-month and may be terminated by a tenant on providing two weeks' notice. In determining the Forecast, management has assumed that the Property exhibits a similar level of tenant churn based on historical performance and experience from similar properties.
4. No fair value adjustments and no depreciation is recognised in the Forecast Period.
5. There are no unforeseen economic factors that will affect the ability of tenants to meet their commitments in terms of existing lease agreements. The Forecast assumes bad debts of 0.5% of rental income, consistent with the current levels of bad debt impairments.
6. The Forecast assumes that the Acquisition has been 100% funded with GBP-denominated debt funding throughout the Forecast Period. The effective interest rate on debt funding assumed in the Forecast is 3.95%, being the Company's current effective interest rate on its GBP-denominated debt facilities.
7. A GBP:ZAR exchange rate of R18.50 for the one month ending 31 March 2019 and R19.24 for the year ending 31 March 2020 has been assumed for the Forecast Period.

6. CATEGORISATION

The Acquisition is classified as a category 2 transaction in terms of the JSE Listings Requirements. Accordingly, it is not subject to approval by shareholders.

7. DIVIDEND GUIDANCE

The Acquisition has no impact on the Company's dividend guidance for the year ending 31 March 2019.

Johannesburg
5 March 2019

Financial Advisor and Transaction Sponsor
Investec Bank Limited

JSE Sponsor
Questco Corporate Advisory Proprietary Limited