National Storage Affiliates Trust (NSA)

Updated August 4th, 2022 by Nikolaos Sismanis

Key Metrics

Current Price:	$54	**5 Year CAGR Estimate:**	14.0%	**Market Cap:**	$6.9 B
Fair Value Price:	$51	**5 Year Growth Estimate:**	12.0%	**Ex-Dividend Date:**	09/14/2022[1]
% Fair Value:	106%	**5 Year Valuation Multiple Estimate:**	-1.3%	**Dividend Payment Date:**	09/30/2022
Dividend Yield:	4.1%	**5 Year Price Target**	$90	**Years Of Dividend Growth:**	7
Dividend Risk Score:	F	**Retirement Suitability Score:**	D	**Rating:**	Buy

Overview & Current Events

National Storage Affiliates Trust is a self-administered and self-managed real estate investment trust specializing in the operation and acquisition of self-storage properties located within the top 100 metropolitan statistical areas throughout the United States and Puerto Rico. The trust owns 1,076 consolidated self-storage properties in 39 states and Puerto Rico with approximately 69.9 million rentable square feet. Through its property management platform, the trust also manages an additional portfolio of 177 properties owned by its unconsolidated real estate ventures. NSA owns a 25% equity interest in each of its unconsolidated real estate ventures. NSA generates around $590 million in annual revenues and is headquartered in Greenwood Village, Colorado.

On May 26th, National Storage Affiliates increased its dividend by 10% to a quarterly rate of $0.55.

On August 3rd, 2022, National Storage Affiliates reported its Q2 results for the period ending June 30th, 2022. Total revenues came in at $198.9 million, 43.9% higher year-over-year. The increase in revenues was attributable to higher same-store revenues and growth from acquisitions. Specifically, year-over-year same-store total revenues increased 14.6% to $137.3 million, driven primarily by a 14.9% increase in average annualized rental revenue per occupied square foot, offset by a 10 basis point decrease in average occupancy. Further, NSA acquired eight self-storage properties for $113.5 million during the quarter, which along with all other acquisitions completed over the past four quarters, further boosted results.

Core FFO landed at $91.6 million, 53.4% higher versus the prior-year period, primarily driven by 17.3% higher NOI (Net Operating Income) and proportionally weaker growth of just 7.6% in operating expenses. On a per-share basis, core FFO grew by 29% to $0.71 due to the additional shares issued to partially fund the trust's acquisitions. At the end of the quarter, occupancy stood at 95.1%, 10 basis points lower compared to Q2-2021. Following robust momentum and accretive earnings growth powered by last year's acquisitions, management reaffirmed its guidance. They continue to expect core FFO/share to land between $2.80 and $2.85 for FY2022. We have applied the midpoint of this range in our calculations, which implies year-over-year growth of 25.2%.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
FFO/shr[2]	---	($0.08)	$0.75	$0.92	$1.12	$1.24	$1.38	$1.54	$1.71	$2.26	***$2.83***	***$4.99***
DPS	---	---	---	$0.54	$0.88	$1.04	$1.16	$1.27	$1.35	$1.59	***$2.20***	***$3.54***
Shares[3]	---	---	---	15.5	29.9	44.4	53.3	58.2	66.5	81.1	***91.5***	***180.0***

National Storage Affiliates is not a very old REIT as it was founded in 2013. During its relatively brief history of operations, however, it has swiftly grown its financials primarily through acquisitions. We expect future growth to continue to be driven by accretive acquisitions, with the trust claiming an acquisition pipeline of 300+ properties. These include 130 properties with an estimated value of $1.4 billion and the 177 properties included in its Joint Venture, from which the trust can buy out the remaining 75% stake. We forecast a core FFO/share growth of around 12% in the

[1] Estimated dates based on past dividend dates.

[2] The trust believes that Core FFO (FFO excluding special items such as acquisition fees) better reflects its performance.

[3] Share count is in millions.

medium-term. In terms of its dividend, the trust has raised it consistently since its IPO, with hikes taking place more than once throughout each year. We expect the dividend to keep growing at around 10% through 2027, substantially lower than the more recent accelerated hikes. This is in order to account for any potential headwinds moving forward as the trust gradually matures. However, it is very likely that the trust will outperform our estimates.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2026
Avg. P/FFO	---	---	---	16.3	19.0	18.1	20.5	21.9	19.3	24.3	***19.2***	***18.0***
Avg. Yld.	---	---	---	3.6%	4.1%	4.6%	4.1%	3.8%	4.1%	2.8%	***4.1%***	***3.9%***

Shares of National Storage Affiliates have historically traded with an average P/FFO of around 19.9. Recently, the valuation multiple has compressed amid increased market uncertainty and a rising-rates environment. It is currently standing at 19.2 despite the trust's robust guidance. We believe that the current multiple is somewhat fair, reflecting the company's ongoing growth prospects. However, we are using 18 in this report to be as conservative as possible amid an already exciting total return investment case.

Safety, Quality, Competitive Advantage, & Recession Resiliency

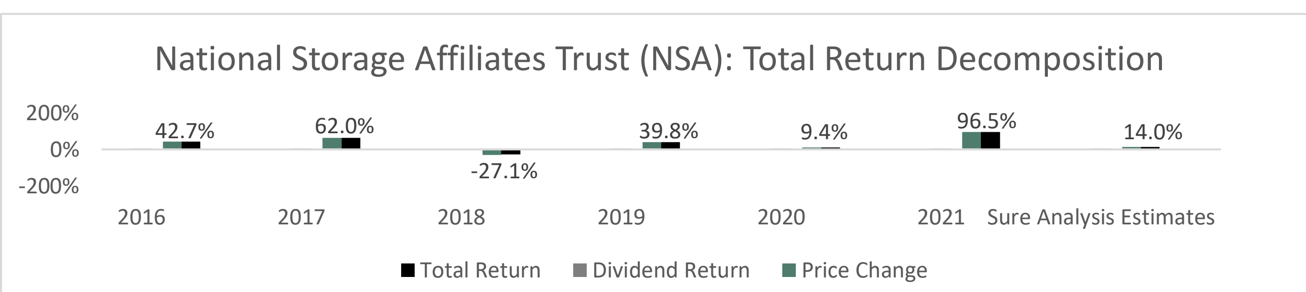
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	---	---	59%	79%	84%	84%	82%	79%	70%	***78%***	***71%***

Overall, we consider National Storage Affiliates' dividend safe due to its 78% payout ratio and sequential payout hikes. The trust features several qualities. These include high weighted average remaining leases, which stand at around 27 years and 5 years for the trust's real estate leasehold interests and office leases, respectively. Further, being one of the largest self-storage operators, the trust seems to have unlocked significant profit-maximization competitive advantages. Specifically, since the trust's IPO, NSA has achieved same-store NOI growth of 8.5%. This compares to 6.1%, 7.5%, 6.8%, and 4.1% against CubeSmart (CUBE), Extra Space Storage (EXR), Life Storage (LSI), and Public Storage (PSA) respectively. Due to the trust's multi-year contracts, high occupancy rate, and robust performance throughout the pandemic, we believe that NSA should perform well during a potential recession. Still, due to its relatively recent inception, the trust has not yet found itself in the midst of a prolonged recession.

Final Thoughts & Recommendation

National Storage Affiliates is a rapidly growing self-storage trust with a diversified portfolio of hundreds of properties across the U.S. and Puerto Rico. The trust features a robust acquisition pipeline, impressively long multi-year leases, and an exceptional track record of growing its core FFO/share and DPS over the past few years. This is despite its relatively short trading history. We forecast annualized returns of 14.0% in the medium-term, powered by the stock's 4.1% yield and our estimated per-share growth rates, offset by modest valuation headwinds. As a result, shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	29	---	77	134	199	268	331	388	432	586
Gross Profit	18	---	49	89	134	184	227	278	309	430
Gross Margin	59.9%	---	63.7%	66.1%	67.4%	68.5%	68.6%	71.6%	71.4%	73.4%
SG&A Exp.	2	---	8	16	22	30	36	44	44	51
D&A Exp.	4	---	24	41	55	75	89	105	117	158
Operating Profit	12	---	17	32	58	79	102	127	147	218
Operating Margin	40.4%	---	22.2%	23.6%	29.0%	29.3%	30.7%	32.7%	34.0%	37.2%
Net Profit	(3)	---	-	12	18	3	14	4	49	105
Net Margin	-11.8%	---	0.0%	9.3%	9.0%	1.1%	4.3%	1.0%	11.2%	17.9%
Free Cash Flow	4	---	12	46	83	109	142	175	204	303
Income Tax	---	---	---	0	0	1	1	1	2	2

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	179	368	833	1,099	1,892	2,267	2,729	3,084	3,514	5,563
Cash & Equivalents	3	11	9	7	13	13	13	21	19	25
Accounts Receivable	0	1	1	1	2	2	3	3	3	6
Inventories	---	---	---	---	---	---	---	---	---	---
Goodwill & Int. Ass.		3	8	4	29	25	22	35	47	7
Total Liabilities	192	313	619	583	913	995	1,327	1,632	2,083	3,080
Accounts Payable	---	---	10	---	---	---	---	---	---	59
Long-Term Debt	165	299	598	568	879	958	1,278	1,534	1,917	2,941
Shareholder's Equity	(12)	---	---	237	577	669	744	701	751	1,557
LTD/E Ratio	(13.6)	---	---	2.40	1.52	1.14	1.39	1.67	1.98	1.66

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	---	---	0.0%	1.3%	1.2%	0.1%	0.6%	0.1%	1.5%	2.3%
Return on Equity	---	---	---	10.5%	4.4%	0.5%	2.0%	0.6%	6.7%	9.1%
ROIC	---	---	0.0%	1.3%	1.2%	0.1%	0.6%	0.1%	1.5%	2.4%
Shares Out.	---	---	---	15.5	29.9	44.4	53.3	58.2	66.5	134.5
Revenue/Share	1.46	---	3.85	2.95	2.53	6.04	6.21	6.66	6.49	4.35
FCF/Share	---	0.20	---	0.62	1.01	1.05	2.45	2.67	3.01	2.26

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.