National Storage Affiliates Trust (NSA)

Updated March 10th, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	$38	**5 Year CAGR Estimate:**	9.8%	**Market Cap:**	$5.14 B
Fair Value Price:	$37	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date[1]:**	03/14/2024
% Fair Value:	103%	**5 Year Valuation Multiple Estimate:**	-0.5%	**Dividend Payment Date:**	03/29/2024
Dividend Yield:	5.9%	**5 Year Price Target**	$47	**Years Of Dividend Growth:**	8
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. At the end of 2023, the trust held ownership interests in and operated a diversified portfolio of 1,050 self-storage properties located in 42 states and Puerto Rico, comprising approximately 68.6 million rentable square feet, configured in approximately 542,000 storage units. This number which excludes 39 self-storage properties classified as held for sale to be sold to a third party in 2024. NSA generated roughly $794 million in revenues last year, and is based in Greenwood Village, Colorado.

On February 28th, 2024, the company reported its Q4 and full-year results for the period ending December 31st, 2023. For the quarter, total revenues came in at $215.4 million, 3.2% higher year-over-year. The increase in revenues was attributable to 2.4% higher same-store revenues and growth from acquisitions. The year-over-year same-store total revenue growth was driven primarily by a 3.6% increase in average annualized rental revenue per occupied square foot offset by a 380 basis point decrease in average occupancy.

Core FFO landed at $83.6 million, 8% lower versus the prior-year period, as the rise in revenues was more than offset by a 31.2 % increase in interest expenses. On a per-share basis, core FFO fell by 4.2% to $0.68. The lower decline here was due to a lower share count resulting from the trust's share repurchases. During 2023, the trust repurchased 8.84 million shares for approximately $310.2 million. For the year, core FFO per share came in at $2.69.

Management introduced their fiscal 2024 guidance, expecting core FFO/share to land between $2.40 and $2.56, the midpoint of which we have applied in our estimates.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
FFO/shr[2]	$0.75	$0.92	$1.12	$1.24	$1.38	$1.54	$1.71	$2.26	$2.81	$2.69	***$2.48***	***$3.17***
DPS	---	$0.54	$0.88	$1.04	$1.16	$1.27	$1.35	$1.59	$2.15	$2.23	***$2.24***	***$3.00***
Shares[3]	---	15.5	29.9	44.4	53.3	58.2	66.6	81.2	91.2	86.8	***86.8***	***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 nearly 300 properties. These include 113 properties with an estimated value of $1.7 billion and the 185 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 5% in the 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 6% through 2029, despite the most recent decelerated dividend hike. Elevated interest rates have been taken into account regarding these estimates.

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[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.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/FFO	---	16.3	19.0	18.1	20.5	21.9	19.3	24.3	18.5	13.8	***15.4***	***15.0***
Avg. Yld.	---	3.6%	4.1%	4.6%	4.1%	3.8%	4.1%	2.8%	4.1%	6.0%	***5.9%***	***6.3%***

Shares of National Storage Affiliates have historically traded with an average P/FFO of around 19. These days, the REIT's valuation multiple remains compressed amid increased market uncertainty and a higher interest rate environment. However, the stock's recovery in recent months has somewhat ascended the stock's P/FFO to 15.4. In our view, although slightly richer than our fair P/FFO of 15, this multiple reflects both the current rates environment and the company's prospects to continue to grow. The 5.9% yield remains attractive given the dividend's growth prospects, even with interest rates at rather elevated levels.

Safety, Quality, Competitive Advantage, & Recession Resiliency

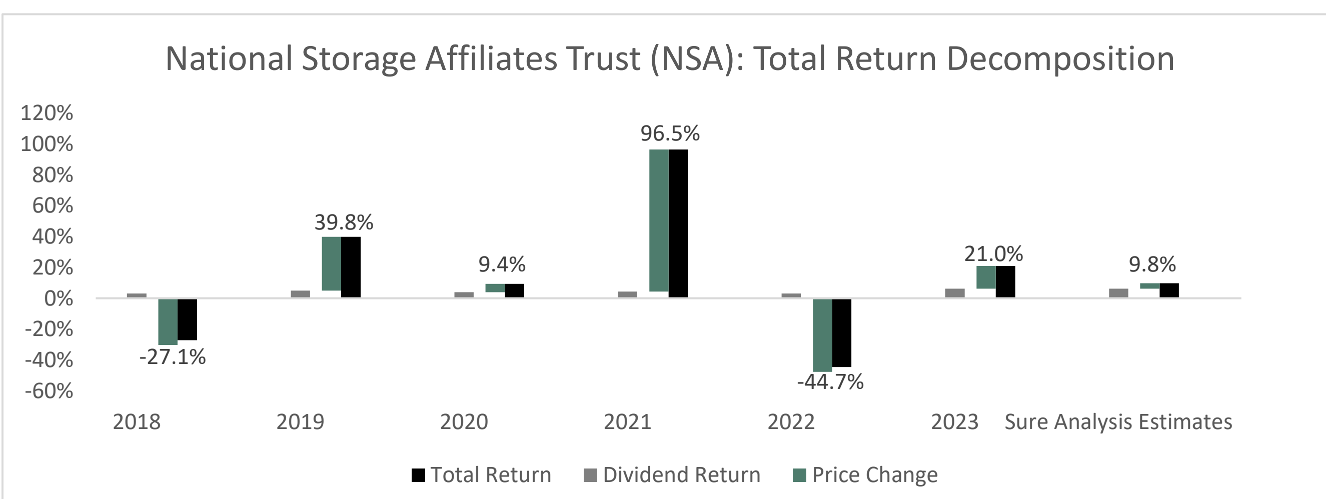
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	0%	59%	79%	84%	84%	82%	79%	70%	77%	83%	***90%***	***95%***

Overall, we consider National Storage Affiliates' dividend safe due to its payout ratio and sequential payout hikes. Further, being one of the largest self-storage operators, the trust seems to have unlocked significant profit-maximization competitive advantages. Notably, over the past five years (Q1-2019-Q4-2023), NSA achieved an above-average quarterly core FFO per share growth of 15%. This compares to 12.6%, 10.7%, and 10.5% for Extra Space Storage (EXR), CubeSmart (CUBE), 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, we note that elevated interest rates will be a headwind to the company's performance over the medium-term.

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. It features an exceptional track record of growing its core FFO/share and DPS over the past few years as well. While higher interest rates are likely to hamper its growth relative to its past performance, our growth estimates, the 5.9% dividend yield, and the possibility of a modest valuation headwinds point to annualized returns of 9.8% over the medium-term. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	---	77	134	199	268	331	388	432	586	802
Gross Profit	---	49	89	134	184	227	278	309	430	591
Gross Margin	---	63.7%	66.1%	67.4%	68.5%	68.6%	71.6%	71.4%	73.4%	73.7%
SG&A Exp.	---	8	16	22	30	36	44	44	51	59
D&A Exp.	---	24	41	55	75	89	105	117	158	233
Operating Profit	---	17	32	58	79	102	127	147	218	290
Operating Margin	---	22.2%	23.6%	29.0%	29.3%	30.7%	32.7%	34.0%	37.2%	36.2%
Net Profit	---	-	12	18	3	14	4	49	105	104
Net Margin	---	0.0%	9.3%	9.0%	1.1%	4.3%	1.0%	11.2%	17.9%	13.0%
Free Cash Flow	---	12	46	83	109	142	175	204	303	400
Income Tax	---	---	0	0	1	1	1	2	2	4.7

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	368	833	1,099	1,892	2,267	2,729	3,084	3,514	5,563	6,070
Cash & Equivalents	11	9	7	13	13	13	21	19	25	35
Accounts Receivable	1	1	1	2	2	3	3	3	6	13
Inventories	---	---	---	---	---	---	---	---	---	---
Goodwill & Int. Ass.	3	8	4	29	25	22	35	47	7	54
Total Liabilities	313	619	583	913	995	1,327	1,632	2,083	3,080	3,681
Accounts Payable	---	10	---	---	---	---	---	---	59	---
Long-Term Debt	299	598	568	879	958	1,278	1,534	1,917	2,941	3,551
Shareholder's Equity	---	---	237	577	669	744	701	751	1,557	1,423
LTD/E Ratio	---	---	2.40	1.52	1.14	1.39	1.67	1.98	1.66	2.16

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	---	0.0%	1.3%	1.2%	0.1%	0.6%	0.1%	1.5%	2.3%	1.8%
Return on Equity	---	---	10.5%	4.4%	0.5%	2.0%	0.6%	6.7%	9.1%	7.0%
ROIC	---	0.0%	1.3%	1.2%	0.1%	0.6%	0.1%	1.5%	2.4%	1.8%
Shares Out.	---	---	15.5	29.9	44.4	53.3	58.2	66.5	134.5	91.24
Revenue/Share	---	3.85	2.95	2.53	6.04	6.21	6.66	6.49	4.35	8.79
FCF/Share	0.20	---	0.62	1.01	1.05	2.45	2.67	3.01	2.26	4.39

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