



National Storage Affiliates Trust (NSA)

Updated May 3rd, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	\$36	5 Year CAGR Estimate:	11.3%	Market Cap:	\$4.70 B
Fair Value Price:	\$37	5 Year Growth Estimate:	5.0%	Ex-Dividend Date¹:	06/14/2024
% Fair Value:	96%	5 Year Valuation Multiple Estimate:	0.8%	Dividend Payment Date:	06/28/2024
Dividend Yield:	6.3%	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 the first quarter of 2024, 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 68.7 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 May 1st, 2024, the company reported its Q1 results for the period ending March 31st, 2024. For the quarter, total revenues came in at \$173.9 million, 1.5% lower year-over-year. The decline in revenues was attributable to 1.5% lower same-store revenues. While the company's Average Annualized Rental Revenue per Occupied Square Foot rose by 2.4%, this was more than offset by a 380 basis point decline in average occupancy.

Core FFO landed at \$72.4 million, 9.1% lower versus the prior-year period, as the decline in revenues was compounded further by higher interest expenses. On a per-share basis, core FFO fell by 6.3% to \$0.60. The lower decline here was due to a lower share count resulting from the trust's share repurchases.

Management reiterated 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/shr²	\$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
Shares³	---	15.5	29.9	44.4	53.3	58.2	66.6	81.2	91.2	86.8	80.2	130.0

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.

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.

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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	14.4	15.0
Avg. Yld.	---	3.6%	4.1%	4.6%	4.1%	3.8%	4.1%	2.8%	4.1%	6.0%	6.3%	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. The stock is currently trading at a P/FFO of 14.4. In our view, while slightly humbler than our fair P/FFO of 15, this multiple kind of reflects both the current rates environment and the company's prospects to continue to grow. The 6.3% yield remains attractive given the dividend's growth prospects, even with interest rates at rather elevated levels.

Safety, Quality, Competitive Advantage, & Recession Resiliency

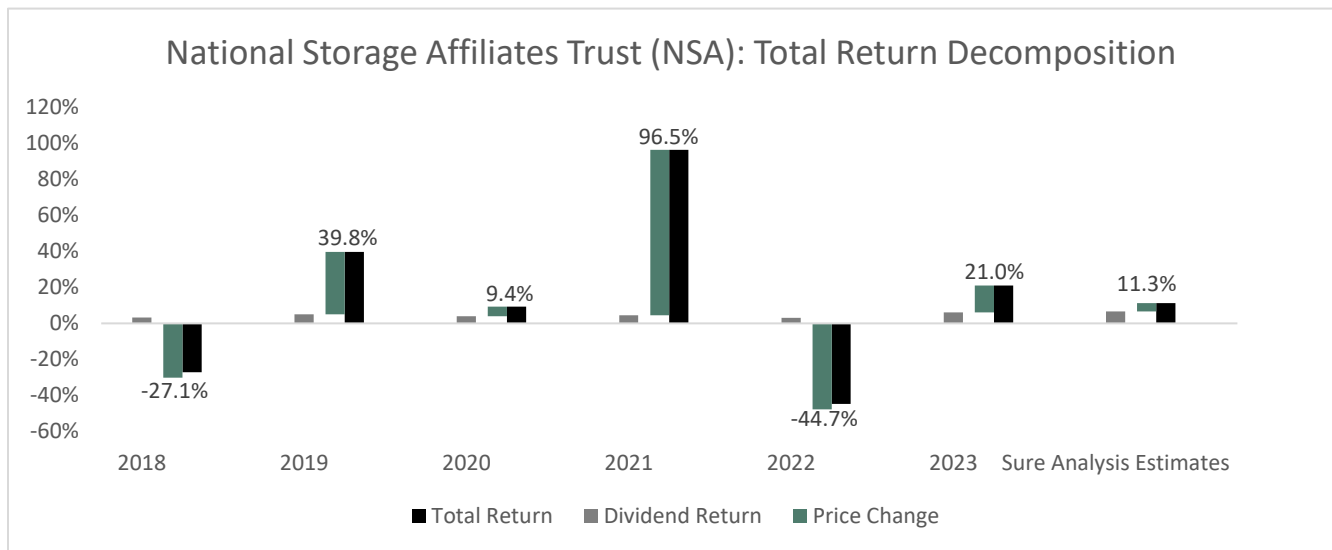
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	0%	59%	79%	84%	84%	82%	79%	70%	77%	83%	90%	95%

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 6.4% dividend yield, and the possibility of a modest valuation tailwind point to annualized returns of 11.3% over the medium-term. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	77	134	199	268	331	388	432	586	802	858
Gross Profit	49	89	134	184	227	278	309	430	591	629
Gross Margin	63.7%	66.1%	67.4%	68.5%	68.6%	71.6%	71.4%	73.4%	73.7%	73.3%
SG&A Exp.	8	16	22	30	36	44	44	51	59	59
D&A Exp.	24	41	55	75	89	105	117	158	233	222
Operating Profit	17	32	58	79	102	127	147	218	290	337
Operating Margin	22.2%	23.6%	29.0%	29.3%	30.7%	32.7%	34.0%	37.2%	36.2%	39.3%
Net Profit	-	12	18	3	14	4	49	105	104	157
Net Margin	0.0%	9.3%	9.0%	1.1%	4.3%	1.0%	11.2%	17.9%	13.0%	18.3%
Free Cash Flow	12	46	83	109	142	175	204	303	400	406
Income Tax	---	0	0	1	1	1	2	2	4.7	1.6

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	833	1,099	1,892	2,267	2,729	3,084	3,514	5,563	6,070	5,932
Cash & Equivalents	9	7	13	13	13	21	19	25	35	65
Accounts Receivable	1	1	2	2	3	3	3	6	13	10
Inventories	---	---	---	---	---	---	---	---	---	---
Goodwill & Int. Ass.	8	4	29	25	22	35	47	7	54	65
Total Liabilities	619	583	913	995	1,327	1,632	2,083	3,080	3,681	3,806
Accounts Payable	10	---	---	---	---	---	---	59	---	---
Long-Term Debt	598	568	879	958	1,278	1,534	1,917	2,941	3,551	3,658
Shareholder's Equity	---	237	577	669	744	701	751	1,557	1,423	1,082
LTD/E Ratio	---	2.40	1.52	1.14	1.39	1.67	1.98	1.66	2.16	2.57

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.0%	1.3%	1.2%	0.1%	0.6%	0.1%	1.5%	2.3%	1.8%	2.6%
Return on Equity	---	10.5%	4.4%	0.5%	2.0%	0.6%	6.7%	9.1%	7.0%	6.9%
ROIC	0.0%	1.3%	1.2%	0.1%	0.6%	0.1%	1.5%	2.4%	1.8%	2.7%
Shares Out.	---	15.5	29.9	44.4	53.3	58.2	66.5	134.5	91.24	146
Revenue/Share	3.85	2.95	2.53	6.04	6.21	6.66	6.49	4.35	8.79	5.88
FCF/Share	---	0.62	1.01	1.05	2.45	2.67	3.01	2.26	4.39	2.78

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

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