

# Lok'nStore PLC 106p

## Ongoing cash flow and profit rise

5 December 2011



12m High: 143 p

12m Low: 92 p

Market Cap: £26.5m

Shares in Issue: 25.0 m

Gearing: 63%\*

Interest Cover: 3.1x

EPIC Code: LOK

Sector: Support Service

Market: London AIM

Nominated Advisor & Broker: Panmure Gordon

PR: FTI Consulting

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Following results on 7<sup>th</sup> November, we marginally raised our estimates, which we had raised £0.2m at the time of the previous results. The AGM is due on 9<sup>th</sup> December.

**Minimal new competing space is coming through. Gearing is modest: 30.7% loan to asset value. There are development opportunities ready when Lok'nStore deems appropriate, with several sites held. These would provide a premium cash flow return as surplus, disposable land means they are cheap to develop. The June, EPS enhancing acquisition demonstrates growth enhancement potential too. Self-storage pricing is stable despite poor consumer confidence. Lok'nStore has nimbly teed up ways to enhance its growth, related to both its operations and its real estate, so that even if the economy stays depressed for years, there are clear growth drivers.**

At the cycle peak, Lok'nStore made major disposals. On the way down it was nimble, keeping floating debt, husbanding cash and making a strategic acquisition for an overall modest cost. At the cycle nadir it is reporting peak EBITDA. Without an upturn, cheaply developable sites provide growth as might two other growth initiatives (archive and third party management). Were an upturn to come, operational gearing is good.

Lok'nStore's market drivers are exposed to consumer spending, but more importantly are in strong secular growth as self-storage penetration rises.

**Valuation** – NAV has doubled since 2004 to adjusted 229p. Internally enhanced growth: development of existing opportunities held now equates to a 20% rise in our projected "like-for-like" (five year out) FFO – to 28.8p per share.

Conservatively, 138p, 60% NAV is an initial illustration, reflecting the difficult macro-economy – still a modest rating at 10.3x 2012E FFO at that 138p level. Importantly EBITDA is at a record high and funding is secure and inexpensive. In the right circumstances the assets are worth more than current NAV, given the development potential. We favour FFO (EBITDA – interest) as cash generation is the key and maintenance capex requirements are minimal. Lok'nStore's 2010/11 FFO multiple is 8.3x. This is with occupancy (56% in mature stores) which we consider at or near the cycle low. With minimal market improvement FFO doubles in five years.

Y/E	Sales	Declared Profit	Adjusted Profit	Adjusted EPS**	P/E ratio	Div	Yield
July	£m	£m	£m	p.	X	p.	%
2010A	10.4	0.43	0.43	0.9	117.8	1.0	0.9
2011A	10.8	0.94	1.07	4.1	25.8	3.0	2.8
2012E	12.9	1.05	1.20	4.8	22.0	3.3	3.1
2013E	13.3	1.20	1.35	5.4	19.6	3.6	3.4

Source: Company accounts and Hardman & Co. estimates

\* Conservatively stated - post deferred tax (unlikely to be payable) and leasehold property book cost

\*\* Adjusted EPS after adding back exceptional items and acquisition goodwill

## INVESTMENT CASE

**Overview:** Self-storage is a strong, growing market (prices at all-time highs for example, occupancy pressures very muted), not least as more people rent and housing space remains tight. Space can switch between business and domestic customers (currently 60% latter). With minimal recovery in the self-storage market, there is still clear visibility to funds from operations (FFO) doubling in the next five years – or more if the existing development opportunities are added on. Because of the secular growth trends, were the economy to stay flat for those five years there should be some growth in occupancy and we would expect price rises broadly to match RPI. Finance at good rates is in place for five years and with the facilities leaving plenty of leeway. Lok'nStore has excellent asset enhancement possibilities (four already owned) and with a net development/ refurbishment/ relocation cost totalling under a year's FFO, we estimate. We estimate these upgrades could enhance FFO some 20% above the projected doubling over the five year modelling we undertake. Shorter term, 2012, rates are resilient and we are excited by the possibilities of enhancing value from the 2011 acquisition (paid for out of cash flow) and possible news on planning applications.

1. **Lok'nStore's business has in these latest results shown its resilient in the current recession, with record EBITDA.** Trading did soften between April and August this year; it has proved resilient since. Prices never fell. There has been a rise in EBITDA margins and in EBITDA itself both at the store and at the group level in 2010/11.
2. **It is a growth business: EBITDA has doubled since 2006 (NAV per share doubled since 2004).** We estimate that with minimal price and occupancy rises, funds from operations (FFO) should double in the next five years, even before options to accelerate that growth which we believe could add 20% using only sites already held.
3. **There is fire power to accelerate growth.** Lok'nStore owns four sites which can be developed (2 new additions and two replacement stores with potential for land disposals) at nil or low net cost. The recent extension of the banking facilities to 2016 and the current 30.7% loan to value ratio and cash generation give plenty of options for growth. So too does the acquisition in the summer of the data storage business. Additionally there is a modestly priced option to acquire a site.
4. **Finances are strong.** The new £40m, five-year facility (with a margin of LIBOR plus 2.35%-2.65%) will provide working capital for the development of the business over the medium term. Under the new facility Lok'nStore is not obliged to make any repayments prior to its expiration in 2016. The underlying business generates cash in good times and bad. Given interest rate cycles, there is a good element of contra-cyclicality there. There are no derivatives, fixes or other extraneous structures.
5. **In addition, the valuation looks cheap.** The group is expanding, albeit modestly as is appropriate in these economic times. The rating is cheap – assuming occupancy slowly rises by 5% points (to 61%), then funds from operations would be 24p/ share, with ample scope to enhance that further within that time frame (as we model five years out, pages 9, 15). This is good growth, the multiple on historic FFO is only 8.1x and it is lower than the peer group (who have more debt).

This is a resilient business that performs during a recession and can boost its growth into an upturn. Weak consumer sentiment certainly does not preclude profit advances but it affects the developments and slows profit growth. Storage prices have risen at a steady pace (3-4%pa) year in year out for a decade, key to our confidence. There, a-typically, was a pause in H2 just reported but no decline. Cash flow and profits ARE still growing and the dividend trebled.

**A weak economy is not without its benefits** – Operationally geared advances from occupancy rises will have to wait; in the meantime cash generation is strong and shrewd planning has led to a low cost of funds. Even in a weak economy, cash generation is high, particularly for Lok'nStore with flexible debt service costs. Interest rates paid are low, circa 3%. The weak market has consolations:

- i) Low amounts of newly opened space in the market, which might have been keen to be filled.
- ii) Lok'nStore debt is low and it has the option into an upturn to expand. Property prices are cheap.
- iii) Low growth means lower interest cost and strong cash generation. Lok'nStore has a totally "plain" debt structure but this is an effective hedge to its operational risks, by having floating debt to partly compensate for subdued top line expansion. Lok'nStore is very clear that growth opportunities will be seized selectively; indeed it sold assets in 2007.

Record profits were achieved at the interims and full year. Interim period store EBITDA rose 15% (no new stores). H2 store EBITDA rose 10% (£4.85m vs. £4.42m). Prices never fell and occupancy was up like for like by 2% yoy

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at end January but down 2% yoy end July. We believe both have recovered modestly since end July. Occupancy drift has the feel of "bumping along the bottom" but does postpone the real value creation inherent in Lok'nStore.

The key plank to our investment case is that price rises are still sticking and are projected eventually to rise.

**Where Lok'nStore is placed now: real and visible value added.**

- 2010/11A EBITDA margins and EBITDA itself both rose to a peak. Other measures of profitability rose both at the store and at the group level.
- The group is expanding, albeit modestly as is appropriate in these economic times.
- Lok'nStore has ample scope to accelerate expansion as and when right, and fairly quickly. Planning is in place for a number of store expansions and finance is readily available.

We therefore consider the model has been tested in the recession and has worked well, with the key driver (store EBITDA and FFO) well up on the level at the height of the boom.

Lok'nStores' premium growth is more important than its discount rating. The undervaluation is extreme and should partly unwind short term. With debt in place to 2016, we model an illustration to 2016 which shows FFO doubling on 3% price rises and a cumulative 5% points rise in occupancy, allied to costs of funds rising to a more normalised 5%. But that is far from the whole story.

Existing development opportunities add real very valuable "optionality" to the business' growth choices. On top of the drivers doubling FFO, development opportunities add a significant premium because Lok'nStore has been nimble in finding ways to minimise net development costs. There are four sites here and the incremental ANNUAL cash flow is a very high percentage of the total net expenditure required. These four sites (which feature as a small part of NAV) are very important to the value of the business as we have a base case of them adding 20% to FFO. In addition, the document storage market is an interesting area for Lok'nStore to have expanded (it was in it in a small way prior to the acquisition). We see plenty of synergy operationally and in property assets between the Lok'nStore self-storage operation and its document storage work.

**What is behind our profit numbers** – Historically, growth has been strong (EBITDA twice 2006 levels) and there has been no dilutive issuance of shares. Even in these markets, profits are advancing usefully. 2011/12E we see the pre-acquisition operation moving sideways due to difficult times in the economy but the acquisition (which cost 1.6x year's free cash flow), takes EBITA and PBT growth to 35% and 12% respectively.

Price rises are at the upper end of industry achievements (+3.5% in the last few years average). Full year prices rose 1.9% and organic turnover by almost exactly the same amount, with the small acquisition (owned for a month) in 2010/11 adding £0.14m sales. Operating costs fell 1.3%, so with this and some of the stores still maturing occupancy, margins rose.

**Growth potential: development sites, cash flow, balance sheet strength** – Cash generation has led in recent years and prospectively for c5% of debt to be paid down each year (pre acquisitions). Lok'nStore has a clear financing view to October 2016 with a new £40m facility in place (on good rates and no amortization required). Big Yellow, with £275m historic debt has a core facility in place to September 2013, Safestore £309m with a facility to August 2013. Lok'nStore has the scope to add to organic growth but the economy is of course a significant influence. The relative position is strong – primarily through the financial robustness. Financial gearing on NAV (ex-deferred tax and leasehold property at value) is 43%. We allow for 3.5% interest rate payable on average in 2011/12E. The rate has risen on the refinancing, but a full year rise to 4% is unlikely before 2012/13E or later.

With this strength, we see significant potential to expand, whilst, in the short-medium term Lok'nStore is well set:

- Three renewed site planning permissions for expansions and one major new site in the short term planning pipeline. Through a variety of property management methods, these sites can be brought online at low cost (a low amount £ millions, possibly even less). Maidenhead and Reading are specifically stated as self-funded. In a dull economic environment, this adds a potential of some 7% store area for a really low cost. Naturally it takes some years for occupancy and profits to build and the development decisions have not been committed to, but this is a very real avenue to enhance growth.
- There is also one site option in hand and indeed the low gearing gives flexibility to acquire as property costs are low.
- The Lok'nStore document storage business was small prior to the Saracen acquisition but has scope to expand usefully.
- Smaller, but there is scope for increasing the number of stores managed for third parties (one is already).

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Three notes indicate the conservatism of accounting: no repairs are capitalised and interest on current development assets is not capitalised. As to the balance sheet, development assets are held at historic cost. As per the industry norm, stores are revalued. Deferred taxes are unlikely to be paid as conversion to REIT is an option.

**Investment timing** – The macro-economic weakness assists cash flow and profits, on the margin, but sentiment will conversely see this as a delay in the accelerated returns likely from development-led expansion. Lok'nStore has good scope for such expansion and is well advised to have proceeded with caution in 2011. On greater southern English macro-economic visibility, management could readily expand.

With the geared benefits of better occupancy coming through effectively instantaneously, followed up by the new-development stores' profit boost in year three, Lok'nStore would benefit very rapidly from economic recovery. The net cost of all those four new/ rebuilt/ relocated stores is low, for an eventual possible £2m additional turnover and 60% margins flowing to the bottom line pre interest. In addition is the Southend site acquisition option. Within the five year modelling period we look at (page 15), this could readily add £1.2m to FFO and PBT – all depending on timing of the decision to expand. £1.2m equates to a 20% rise in our projected FFO – to 28.8p per share.

**Valuation** – Our core valuation method is using funds from operations (FFO). On historic 2010/11 FFO of 12p (10.6p 2010; 13.4p 2012E), our 138p illustration is a multiple of 12.5x or a "yield" of 8.0%. Whilst we do not model for development sites, these are all held in the portfolio and have a disproportionately beneficial influence on FFO and PBT.

All our share price and cash flow modelling ignore the upside potential in estate development or expansion. Developing existing opportunities equating to as much as a 20% extra rise in our projected modelling of FFO five years out would take it to 28.8p per share. The rise (+20%) is so much because of the modest net costs (land disposals and shared site).

FFO ignores capital expenditure but we estimate maintenance capex to be a small fraction of £1m per annum. Free cash flow, adjusted to use only maintenance capex, is the same therefore as FFO bar this very small fraction of £1m per annum. On our modelling we factor in £0.5m but believe the true figure to be less.

Looking at it another way, the mature stores now have 56% occupancy. On the current 2011/12E numbers, placing adjusted free cash flow (FFO minus "normalised" or maintenance capex) on a 6.0% yield, this gives a resultant share price of 138p. Were this occupancy to rise 5% points to 61% and the adjusted free cash flow put on a 7.2% yield, this yields 138p. (On FFO, the read across would be a slightly higher share price). See page 11. It should be remembered that Lok'nStore has the option to apply for REIT status so we ignore tax for valuation purposes. Note that both of these ratios assume all stores are mature and we are about eighteen months away from that. It also ignores the four stores which are ripe for development which would add value. On page 13 we model funds from operations progression, doubling in five years on conservative assumptions on the market.

All this puts the shares in the context of good growth in a consumer driven property backed business, with strictly limited new supply coming in to compete. We note the house builders are trading at low discounts to NAV whereas Lok'nStore's NAV is 229p and its cash flow is strong.

## OPERATIONAL ANALYSIS

**The stores** – All Lok'nStore's stores are in the triangular region bounded Poole, Northampton, Ashford Kent so should rebound relatively rapidly into an economic upturn. Lok'nStore operates in short term storage solutions. The average contract lasts just under a year. This actually gives opportunities to introduce relatively rapidly new initiatives such as changes in payment requirements for insurance. On 30<sup>th</sup> June, Lok'nStore paid £3.7m for 90.6% of Saracen, a document storage business, paying 10x EBITDA. This will, over time, grow the portion of real estate held by Lok'nStore devoted to document storage and has beneficial implications, at the margin, for group-wide efficiencies and certainly enhances growth.

Lok'nStore has very little immature stock, stores which would be more vulnerable to accepting pricing "deals" to fill up space.

**Comparisons** – The business focus is the south east of England and through to the south Midlands. Lok'nStore has rather different financial ratios to Big Yellow and Safestore. These are different businesses: Big Yellow has 32 established stores (51 in total) of which 56% are in London and on average are larger (see Fig. 1). Lok'nStore has Sunbury and Staines near London but none in London. With Big Yellow's greater London bias there is more scope, we contend, for Lok'nStore to recover once some consumer pressure eases. Safestore's 118 stores include 22 in Paris. Safestore has revenue per available sq. ft. of £18.61 (historic) but this does include some rental periods which are then discounted back as incentives. Its occupancy is (H1 April 2011) 59%, with 65% on mature stores (Lok'nStore 56%). Safestore store EBITDAR margin was 63% (60.3% Lok'nStore, 68% Big Yellow). EBITDAR is calculated pre rental costs. Lok'nStore and Big Yellow store EBITDA margins are in the table figure 4 (46%, 62%). Safestore's store EBITDA margin is 51% which is calculated after rent charges on leases.

Typical cost per square foot to complete stores for Big Yellow currently is £187. (Source Big Yellow May 2011 presentation based on the five stores being developed which are a mix of in London and around M25). Big Yellow's £187 / foot cost and £22.60 per foot revenue (see Fig 4) generate an 12.1% return. For Lok'nStore the figure for development cost is much lower and we consider Lok'nStore's return on incremental capital to be above that of Big Yellow. It is clear that the four development opportunities generate a revenue return much higher than Big Yellow or Safestore, given the net cost is brought down so much by surplus land sales or the joint occupier in the case of Maidenhead.

**Development** – This is a crucial plank to our optimism on the company. As we note above, the capital returns should be excellent. We shall analyse in greater detail when the first incremental store development is under way. It has been indicated this should be 2012. Net costs will be low and hence it is important to appreciate that the likely expansion of the floor plate is unlikely to cause a reduction in profits despite the up-front costs (cost of capital and of staffing). But it is also important to be aware that the full cash flow benefits will not be felt until three years out. This minimised cost to capital and revenue accounts is quite an achievement and reflects the intelligent way Lok'nStore has of expanding its estate. Nearer the time of likely development we shall expand further, therefore, but the Reading site we consider could be redeveloped to housing moving the storage site; Maidenhead is strongly placed to be an excellent site (on a road which may become a ring road) with low cost through sharing of occupancy with a food store proposed, and several other sites can be renewed and expanded at minimal or no net cost.

**Consumer sentiment weakness** – The past six months have seen clear signs of renewed economic weakness. Although consumer credit figures for April did show an increase, there has been a "downhill" flow since then and both Lok'nStore and other major UK self-storage operators have made similar and cautious comments, with Safestore on 9<sup>th</sup> November and Big Yellow the most recent on 22<sup>nd</sup> November. Safestore stated that revenue per Available Foot for Q4 2011 was £20.10, an increase of 2.9% compared to Q4 2010 and 4.4% over Q3 2011. Very importantly, there was a fall in average self-storage rental rate per sq. ft. for Q4 2011 of a minimal 0.3% compared to Q3 2011 and 0.4% over the prior year. Big Yellow annualised store revenue rose 10% year on year through the near tail end of the store opening programme. Its established stores saw revenue rise 1% on unchanged margins.

Announced at the start of June, new construction orders crashed at their fastest rate for 24 years, according to figures released by the Office of National Statistics, with a 23% drop on the previous three months and an 18% decline on the same period last year. Whilst this is a volatile trend and has no direct read-across to Lok'nStore, it is indicative of low confidence.

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The common message is that this calendar year, prices have been in a sideways to very slight uptrend, with stable margins and occupancy. Importantly, all UK operators have been realistic on store fill rates and pricing discipline has been maintained.

**MARKET COMPETITORS**

Safestore	96 stores. Listed on London Stock Exchange (LSE)
Big Yellow	63 Listed on LSE and a UK REIT
Access Self Storage	52 Privately owned
Storage King	23 Private with a part franchise mix
Lok'nStore	22 Listed on AIM
Shurgard	22 Via Shurgard Self-Storage Europe, Subsidiary of US REIT
Alligator	15 Privately owned

*Fig 1. Source: Self-Storage Association*

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**MARKET POSITION**

- Lok'nStore has an estimated 5% market share (from Self-Storage Association figures). The pricing strength demonstrates to us that it has a strong market position. The pricing differential vs. for e.g. Big Yellow is primarily the latter's London bias but also at a micro level, the latter taking more visible "frontage" sites.
- A further differentiator – small at this stage – is that Lok'nStore has a management contract with the owner of a store sold by Lok'nStore. This is an interesting operating model in this case unencumbered by the capital in the real estate.

**STRENGTHS**

- The prospects for Lok'nStore are still on-going price rises of circa 3% pa (minimal over supply), after a pause in H2 just announced. On constant occupancy this raises funds from operations (FFO), effectively free cash flow, by 12% pa. Over a five year period, 3% pa compound price rises doubles FFO.
- This is likely to be enhanced by expansion plans as the balance sheet is a modest 31% geared on a loan to value basis. There is inherent capacity to expand as a result. The five year length of bank facilities align positively with sites already held having planning permission (one would be anticipated to receive permission in 2012).
- Lok'nStore's history of conservative financing (it has not issued shares over the years but did make a big site disposal in 2007 for example) is a strong indicator for future shareholder value maximisation.
- Shareholder value maximisation is also evidenced by Lok'nStore's attitude, as we understand it, to real estate. The model is underpinned by ownership (or leasing) of assets. Nonetheless selling real estate is also a core part of the mix. At the micro level, Lok'nStore has a strong record of identifying property related opportunities such as the sale of the Kingston site in 2007 for some £10m. Some of this money paid down debt, some was invested in a new-style store in Farnborough, which model was used shortly after at Harlow. This cross-pollination between what one might call the "propco" and the "opco" aspect of what Lok'nStore does is a real strength.

**WEAKNESSES**

- The size of Lok'nStore distorts ratios such as PBT and EBITDA relative to turnover and assets.
- By the nature of the market, customer leases are terminable at short notice. There is a benefit to this churn in that the portfolio will respond quickly to an upturn. We are IN a macro downturn and revenues appear pretty solid. Managing this churn does require effort.
- Markets remain subdued. For Lok'nStore the occupancy figure was 59% July 2010 and 56% July 2011 (a snapshot – not the year average).

**OPPORTUNITIES**

- The occupancy levels are – we would argue – reasonably resilient as this is a market where there is no oversupply in the good locations which Lok'nStore occupies.
- These reasonably resilient occupancy levels and the lack of new space facilitate on-going price advances. Price rises are a well-established trend, tried and tested in these difficult times.

**THREATS**

- The threats would be either a significant weakening of the UK economy (in Lok'nStore's specific locales) or (to a lesser degree) a rapid rise in interest rates. The latter would impact on FFO for example. A scenario illustratively with occupancy 3% points higher and funding costs of 5% would raise EBITDA £0.4m and interest cost £0.6m. Whilst this would hit PBT minimally, the scenario would be positive, encouraging better pricing, could raise occupancy further and would open up the development potential in sites currently held.
- One threat as a nature of the industry is opening of new rival capacity near Lok'nStore outlets. Development funding is minimal and likely so be so for some while. Roll-out of new stores from other self-storage operators will at best be muted while current economic conditions persist.

**MARKET DRIVERS**

- The current trend for a rise in rentals and lodgers will only serve to accelerate the underlying trend. 30%+ of the market (for larger operators) is from businesses mostly small businesses or repairs and sales operatives.
- The UK market is 27m sq. ft. (Mintel/SSA Survey, 2009) in 750 centres. This compares to the USA with 2.6bn sq. ft. (or a multiple of 16x per person compared to the UK).
- The industry is a growth industry (one pointer is that now more enquiries come from the internet than passing trade).
- Some market trends for the UK market are illustrated overleaf.

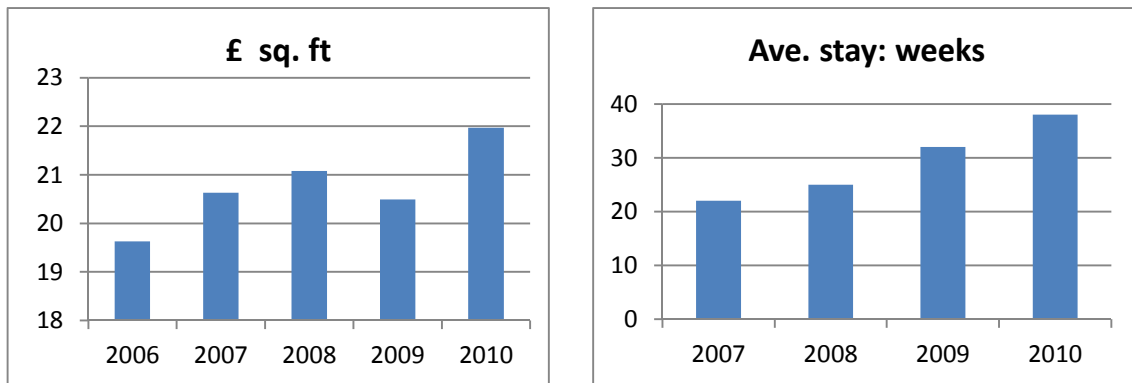


Fig 2 and 3. Source: MARKETWIDE statistics from Drivers Jonas Deloitte / Self-Storage Association UK 2011 market report  
2007/8 average stay figures may understate the exact level, we believe, but the trend is intact.

**FINANCING CAPACITY & FUTURE 'MILESTONES'**

- The new Lloyds £40m, five-year revolving credit facility has replaced the existing facility with Royal Bank of Scotland, which was due to expire in February 2012, and provides working capital for the development of the business over the medium term. Under the new facility Lok'nStore is not obliged to make any repayments prior to its expiration in 2016. The margin on the new facility will be at LIBOR plus 2.35%-2.65%, based on a loan-to-value covenant test (2.35% at Lok'nStore's current LTV level). Interest cover and loan to value covenants are broadly in line with the previous facility and will enable the group to continue to execute its growth strategy. The financial structure of the business is net debt end July of £24.4m (end January £21.9m). A key benefit is that Lok'nStore resisted the temptation to fix rates at too high a level.
- Planning applications are shortly due to be submitted for the Maidenhead development. As an indication, we estimate the net cost to be £1m or less to build the store, which when mature would generate over £0.7m EBITDA, we estimate. Maidenhead – were a decision made to proceed – should make a neutral profit impact in 2012/13E, modest positive 2013/14E and stronger beyond.
- When the market is propitious, the site of the existing Reading store could be sold for residential purposes (There is planning in place to move to a larger site, adjacent). This should generate a large part of the cash cost to build the new significantly larger site.

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**PROFITS AND CASH FLOW TRENDS**

- FCF per share was 9.0p last year.
- FFO per share 12.0p last year.
- NAV has doubled since 2004.

The past year saw Lok'nStore achieve £4.85m store EBITDA, £3.25m store EBITA and £1.56m Group EBITA. All these figures are heading up, despite the difficult market conditions. Pre the acquisition, central costs fell again: the trend for several years.

**EBITDA rising, in difficult markets**

We note that half the operating costs are property costs and leases have been lengthened on attractive terms, the property owners being keen to secure visibility with a good tenant. The average term was extended by three years to 15.2 years. Reading and Poole are examples where, in strong locations, Lok'nStore turned stores from leasehold to freehold. Occupancy costs are actually falling modestly. Asset management is well conducted.

Assets over the years have grown significantly, at low risk. Of material importance, there are no more shares in issue than there were five years, and more, ago.

**No share issuance diluting returns**

**EBITDA TRENDS**

We see EBITDA rising approximately 45% in five years and 42% on like for like mature stores (a faster rate than we model for Big Yellow for instance). In the table below, we model per store. Naturally individual stores are each very different. Note that the capital employed per store is also very different, with Lok'nStore's model significantly more capital efficient per store, with the build cost lower per area.

**We model 3% pa price rises an 5% point occupancy rise for each business**

Per mature store: Medium term illustrative scenarios	Big Yellow	Big Yellow	Lok'nStore	Lok'nStore
12 month figs to period end	Sept 2011	Sept 2016E	July 2011	July 2016E
Revenue £'000s	1400	1740	522	680
EBITDA £'000s [1]	990	1270 [2]	317	450 [2]
Margin pre lease costs	71.0% [1]	73.3%	60.6 % [1]	66.2%
Capacity sq. ft.	60600	60600	51200	51200
Occupancy sq. ft.	45400	48300	28700	31200
Portion occupied	75%	80%	56%	61%
Revenue £ per sq. ft. capacity	22.61	27.20	10.54	13.30
Revenue £ per sq. ft. occupancy	30.80	35.70	18.82	21.80
Total store EBITDA margin (incl. leasehold costs & immature stores)	62%	68%	45.5%	55%
Established store EBITDA margin (incl. leasehold costs)	64%	68%	46.7%	55%

**Lok'nStore has a lesser proportion of its estate occupied and lower prices .... this is a deliberate function of the capital efficient model**

Fig 4. Source: Company accounts latest y/e and Hardman estimates

[1] Margin stated is PRE rental costs on leased property. Big Yellow EBITDA mature stores POST lease costs 64%, Lok'nStore 47% POST lease costs

[2] See fig. 8. 80% revenue rise from prices goes to EBITDA; 90% of rise in occupancy goes to EBITDA

In the lower part of the cycle (as per now) this differing model weighs on PBT as central costs are a higher proportion of store EBITDA than the levels for example at Big Yellow. This affects PBT. It does not affect cash flow measures so markedly and we contend cash flow is what matters.

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As we outline on page 15, the model established grows FFO/ share of 100% in five years from now, ignoring the likelihood of new store openings. Comparing Lok'nStore's lower gearing that Big Yellow or Safestore, there is more scope at Lok'nStore for expenditure to accelerate growth. Furthermore, the assets held which can be developed would be largely self-funding, leaving scope for other possible additional investment opportunities.

**LATEST FINANCIAL RESULTS**

The June acquisition was EPS enhancing. Previous (interim) results were reported on 11<sup>th</sup> April. At that stage there were modest upgrades to estimates.

H1 2010/11: store EBITDA £2.48m, 45.9% store EBITDA margins. Group EBITDA £1.71m (up 18% on H1 previous year). EBITA £0.86m, PBT £0.60m, Net debt £21.9m. Occupancy rose 2% on the previous year.

H2 2010/11 just reported: store EBITDA £2.37m, 45.9% store EBITDA margins. Group EBITDA £1.57m (up 13% on H2 previous year). EBITA £0.70m, PBT £0.80m, Net debt £24.4m (post acquisition). Occupancy fell 2% on the previous year.

These H2 figures include a month's trading from an acquisition of an offsite records storage and document archiving business, Saracen Datastore Limited ("Saracen").

Lok'nStore acquired 89.6% of Saracen for £4.0m gross using its existing revolving credit facility. The on-going Managing Director of Saracen who has been with the business since 1995, retains a 9.4% stake in Saracen. Saracen is headquartered in Leatherhead and was established in 1991. It has four sites across the South East of England providing over 100,000 sq.ft. For the year ended 31 December 2010, Saracen turnover was £1.6m and adjusted EBITDA £0.4m. We estimate Saracen 2011/12E revenue and EBITDA to be somewhat ahead of the historic figure.

H2 2010/11 was in line with expectations that EBITDA margins would fall vs. H1 and that prices would rise, but occupancy fall.

- **Store EBITDA £4.85m up 10% yoy with margins 45.5% (42.6%).**
- **Steady on-going cash generation.**
- **Interest cost historic sub 2%, rising modestly post new facilities.**
- **New facilities in place to 2016 at excellent rates. £40m at 235bps LIBOR margin (at LTV below 40%). No amortisation, five year revolver.**

**H1 saw an 18% rise in EBITDA and 4% rise in turnover. It was always anticipated H2 would see a more modest rise in EBITDA.**

**H2 occupancy and margin falls minimal: trading has slightly picked up. Underlying rising margin and turnover trends intact**

**Acquisition**

**New loan facility**

**FINANCIAL FORECASTS, P&L**

FY July	2011	2012	2013
(£m)	Actual	Forecast	Forecast
Group Revenue	10.8	12.9	13.3
<b>EBITA</b>			
Stores	3.11	3.70	3.85
Group	1.56	2.10	2.25
<b>PBT</b>			
Declared	0.94	1.05	1.20
Adjusted	1.07	1.20	1.35

**2011 acqn costs £0.13m; 2012 amort goodwill £0.165m**

Fig 5: Source: Company accounts and Hardman & Co. estimates

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**Profit, cash flow & margins** - £0.3m 2011/12E incremental profit (pre amortisation goodwill, post funding cost) from the acquisition. In the meantime prices to its self-store customers are rising (1.9% full year yoy but minimal H2 and currently stable).

Funds from operations stood at £3.0m 2010/11A and rises to £3.36m 2011/12E: a rise from 12.0p to 13.4p

**Overheads** – 46% of the costs are property costs, where weak markets and good management have allowed Lok'nStore to achieve cost savings which are still coming through. Total costs indeed have fallen year on year in each of the past three years: they are unlikely to bounce back this year. True “overhead” costs are £1.0m, down 10% yoy (Source Lok'nStore interim results presentation). Total operating costs fell again in H2, by 1.3% year on year. This is the adjusted figure ex acquisition; costs rose 1% including the acquisition.

**Taxes** – There may be a conversion to REIT in the future. Current taxes accountable for are due to minor non-deductibility of property depreciation but cash taxes are nil. Levels of prospective development are well below the threshold applying to REITS

**Earnings & Dividends Per Share** – Declared dividends per share for 2010/11 have seen a 200% rise, in part prompted by the new banking facility and the visibility this brings but also from the basic resilience especially post year-end.

**This year's FFO estimated at 13.4p**

**The costs are still falling but Lok'nStore is not one of the largest quoted operators so they have to be kept on a tight rein**

**MANAGEMENT TEAM AND BOARD**

**Andrew Jacobs** – CEO. Founded Lok'nStore in 1995, after 8 years' experience as a stockbroker, at Nomura International in London.

**Simon Thomas** – Chairman of Lok'nStore, executive director since 1997 after a successful career in the publishing and finance sectors. He co-founded the emerging markets investment trust business at LCF Edmond de Rothschild. He has also worked at Swiss Bank Corporation, Nomura International and Reed International.

**Ray Davies** – Finance director; Ray Davies a chartered accountant, has held a number of senior finance positions in the property, construction, and health and fitness sectors in multi-site operations. In 1992, he was appointed Group Finance Director and Company Secretary of Dragons Health Clubs plc during a period of rapid and sustained growth. Following its acquisition by Crown Sports plc in 2000, he was appointed Finance Director of Crown Sports Clubs Division and Company Secretary of Crown Sports plc, a company listed on the London Stock Exchange. From 1984 to 1992 he was Group Finance Director and Company Secretary of Mark Scott Construction Group.

**Colin Jacobs** – Acquisitions Director. Formerly in sales and marketing functions in the retail industry.

**Edward Luker** – NED, heads the audit committee. Senior independent director. Edward Luker is a well-known figure in the UK property industry, having worked for CB Richard Ellis for 34 years, where he has been a Director and Partner for 20 years. In 1997/8 Edward was Chairman of the Investment Property Forum, the industry body, and has acted for a number of pensions in the creation of property investment funds. Edward is a Fellow of the Royal Institute of Chartered Surveyors and is currently the discretionary portfolio manager of one of the UK's largest public sector pension funds investing in property.

**Richard Holmes** – NED, heads remuneration committee. Richard Holmes is currently Marketing Director of Specsavers. Previously, Richard held a number of senior positions within the Boots organisation, including Director of Offer Development at Boots e-commerce business, Marketing Director of Boots the Chemist and Director of Health & Beauty. Richard was also Head of Strategy Development for Unilever's worldwide dental business

**Charles Peal** – NED, sits on audit committee. Charles Peal started his career in 1977 at 3i Group, the leading UK quoted Venture Capital Company. He was the Chief Executive of Legal and General Ventures from 1988 to 2000 and was a Director of various quoted private equity investment trusts and management buyouts. He is currently a Director of Warnborough Asset Management, an independent fund management business and Chairman of BLME Sharia'a Umbrella Fund SICAV-SIF.

**Ian Wright** – NED an investment manager and Head of Real Estate equities at Laxey Partners (UK) Ltd, qualified Chartered Accountant.

**VALUATION**

**Methodology 1: FFO of 12p historic: on 8.5% yield, equates to shares at 138p.** Our preferred valuation method as it stands on the funds actually generated by the business (after interest, and tax is nil). Lok'nStore has strong financing and pays modest rates, so the FFO yield (post interest funds from operations / market capitalisation) is 12.3% or a multiple of 8.1x. At our illustrative 138p, the shares would be on an FFO historic yield of 8.0%. Arguably, interest costs might rise. Nonetheless, such a rise is 1) probably some way off and 2) were it to be the case, it would likely go hand in hand with a rise in the occupancy of the stores as the economy recovered.

On 12.0p 2011/12E FFO, on 8.7% yield, places shares at 138p. At current 97p, a 12.4% yield.

**Methodology 2: 6% yield on current year EBITA adjusted to ignore non-maintenance capex equates to 138p.** We take EBITDA 2011/12E £4.0m and deduct our assumed £0.5m maintenance capex figure (which we believe to be a conservative number). This adjusted EBITA is our view of true free cash, pre taking into account debt, given tax is nil. We then put a 6% yield on this £3.5m and deduct the face value of debt to give an illustrative £34.5m market capitalisation – 138p. We assume nil tax, given the type of asset which could be converted to a REIT.

In the table below we compare various occupancy levels and various yield bases. Note that all data assumes current levels of pricing and overheads. It also assumes that 90% of occupancy increase revenues are captured within Lok'nStore profits.

- **Free cash yield (EBITDA - £0.5m assumed maintenance capex) of 6.0% on the business at current levels of profitability generates a 138p/ share level.**
- **Free cash yield 7.2% on the business if occupancy is modelled to rise to 61% (from 55% currently across the stores) generates 138p/ share.**

Adj EBITA [1]	Yield assumed	Enterprise value	Market cap. [2]	Per share
£m	%	£m	£m	pence
3.5 [A]	5.0	70.0	46.0	184
3.5 [A]	6.0	58.5	34.5	138
4.2 [B]	7.2	58.5	34.5	138

Fig 6. Source: Company accounts latest y/e  
Adj. EBITA = EBITDA minus assumed maintenance capital expenditure = free cash flow used here.

[1] 2011/12E EBITA is stated post depreciation well above likely maintenance capital expenditure. Adjusted is derived from our 2011/12E EBITDA £4.0m at (55% average store occupancy), minus £0.5m assumed maintenance capex. (£0.5m may overstate maintenance capex. Note depreciation is £1.9m and includes for example depreciation on property assets). We then go through various scenarios: [A] as at our present 2011/12E, [B] with some occupancy growth.

[2] Market capitalisation is Enterprise value minus £24m estimated current debt.

[A] Based on 2011/12E EBITDA £4.0m minus assumed maintenance capex (depreciation being higher).

[B] Assuming 61% occupancy on mature stores, up from 56% (all else incl. pricing unchanged)..

**This is a resilient, well financed growth stock. In addition, the valuation looks cheap.**

**On this year's FFO, shares yield over 12%**

**EBITDA minus maintenance capex is our main benchmark Fig. 6**

**On occupancy at 61% (mature stores 56% currently) a 7.2% yield basis gives 138p ....**

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**Five year projected illustrations** – Growth prospects are more important than snapshot valuation ratings and Lok'nStore demonstrates premium growth, especially if potential in the existing property portfolio is factored in. All numbers in Fig. 7 onwards assume nil new store openings. Were the existing opportunities held to be developed, as we anticipate they will, FFO could be enhanced up to 20% because of their low development cost.

We assess Lok'nStore in comparison to Big Yellow and look at the historic reported allied to the estimated effect of

- i) 3% compound revenue growth pa for five years but no new developments. It is assumed the operators keep 80% of the benefit of this top line (we assume a drawn out shallow economic recovery otherwise revenue growth would be higher)
- ii) Occupancy rising by 5% points over that period. We assume the operators keep 90% of this. Effectively the additional economic costs of higher occupancy are low at these levels.

We note that under this scenario (5% points rise in occupancy and 3% annual price rises): -

- i) Lok'nStore grows mature store occupancy to 61%, vs. 76.1% for Big Yellow, arguably leaving more scope for Lok'nStore to expand further as the economy accelerates.
- ii) FFO broadly doubles in each case, the PBT for Lok'nStore expands much more from its low current base.
- iii) These growth estimates are BEFORE any benefit from store openings – which are nonetheless likely to take place.
- iv) Lok'nStore rating in FFO terms is significantly below Big Yellow's and in PE terms Lok'nStore drops to become cheaper five years out. We contend FFO is the more important because that is what drives the net present value of future cash flows.

SUMMARY, Medium term illustrative scenarios	Big Yellow 250p	Big Yellow 250p	Lok'nStore 106p	Lok'nStore 106p
Y/E	March 2011	March 2016E	July 2011	July 2016E
P/ FFO (EBITDA – interest*)	13.4	7.2	8.9	4.4
P/E NIL Tax**	14.4	6.7	25.8	7.0

**Lok'nStore EPS grows fast on our 5 year projection, and FFO doubles – even with nil store openings, so clear enhancement visibility at Lok'nStore**

Fig 7. Source: Company accounts latest y/e. FOR CALCULATION OF FFO SEE Fig 8

\* Note, this excludes the impact of new developments. Note the interest deducted is excluding interest on development sites of £0.2m for Lok'nStore and an estimated £0.3m Big Yellow.

\*\* Note it is assumed neither stock pays material tax. Lok'nStore currently does pay tax: £0.21m 2009/10 and £0.05m 2010/11 (non cash). There are £2.6m tax losses. However, it has the opportunity to turn itself to a REIT if of benefit.

For the full calculation, see table, figure 8, overleaf. We ignore revaluation items, fair value adjustments (including those on derivatives and hedges etc. of which Lok'nStore has none, we understand) and disposal profits. For both stocks we ignore development sites, so both are to be regarded as conservatively struck.

Our calculations for prospective debt assume half PAT (profit after tax ignoring revaluations etc.) is paid out in dividends. This is an assumption for the model and does not reflect our definitive views of the prospective dividends for either stock.

**We see Lok'nStore as offering excellent growth at good value....**

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For the prospective figures five years out we assume 5% cost of debt for both stocks.

**Lok'nStore and Big Yellow profit and cash flow projections and comparisons** – FFO more than doubles in five years if mature store occupancy ratios rise 5% points (line four of the figure below) and prices rise 3% compound annually (line one).

.... Our dominant benchmark is absolute but also compelling in comparison.

Medium term illustrative scenarios	BYG	BYG	LOK	LOK
Y/E	March 2011	March 2016E	July 2011	July 2016E
Revenue £'000s, assuming NIL occupancy growth, 3% compound inflation	63.4	73.5	10.8	14.6
STEP 1: EBITA £'000s assuming 80% top line growth retained for the benefit of the company	33.6	41.6	1.7	3.3
STEP 2: Occupancy rise assumed (Group total). NB ratio excludes data storage (acqn.)	63.0%	80.0%	55.0%	61.0%
STEP 2: Above (excl. data storage) equates to current occupancy in mature stores of:	75.0%	80.0%	56.0%	61.0%
STEP 2: Revenue £'000s effect of STEP 1 + STEP 2	63.4	92.7*	10.8	16.2
STEP 2: EBITA £'000s Adding OCCUPANCY growth to INFLATION effect, assuming 90% of the former benefits the company	33.6	58.9**	1.7	4.9
EBITA % margin	53.0%	63.5%	12.8%	32.9%
Assumed debt £m	274	210	24	22
Interest payable (5% cost assumed 2016E) £m	-11.2	-10.5	-0.5	-1.1
PBT (post share based payments ex-revaluation, disposal profits etc, excl. BYG associate) £m	22.4	48.4	0.9	3.8
Depreciation £m	1.5	1.5	1.6	1.8
FFO (excludes finance cost development sites) £m	23.8	49.9	3.0	6.0
Shares (m)	131	131	25.0	25.0
<b>FFO/ Share (p)</b>	<b>18.2</b>	<b>38.1</b>	<b>12.0</b>	<b>24.0</b>

The projected 3% pa price inflation...

... allied to mature store occupancy rising 5% points....

... raises EBITA margins as illustrated...

(more at Lok'nStore given the higher relative depreciation)

FFO broadly doubles in the 5 years for each stock PRE the Lok'nStore asset enhancements.

Fig 8. Source: Company accounts latest y/e, Hardman & Co estimates

\* Calculation: £73.5m (Step 1) x 80.0/63.4 (i.e. the rise in occupancy since last stated, step 2)

\*\* Calculation: (£92.7m (Step 2) - £73.5m) x 90% = £17.3m. £17.3m + £41.6m (Step 1) = £58.9m.

Note, the table above excludes store openings, namely the development sites at Lok'nStore and the development sites and associate at Big Yellow.

**Current share price is appropriate only if things never pick up** – As a “sanity check”, we look at the funds from operations on current revenue run rates (enhanced by the acquisition). This is £12.9m 2011/12E and £4.0m EBITDA. Net of replacement capex, this falls to £3.5m free cash. With tax at nil, the market capitalisation is 7.7x of this adjusted EBITA. If interest cost of £0.9m is taken off, the adjusted PE is 10.4x

Effective PE 10.4x adjusting for the “true” replacement capex even if nothing ever grows.

Not all the stores are mature, the economy is depressed but will at some stage recover and, further, there are several development opportunities. All this points to growth potential.

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**Timing** – Whilst self-storage is exposed to levels of consumer confidence, it is interesting to note how it and specifically Lok'nStore has performed in 2011.

- First, we note that trading did soften between April and August.
- This resulted in a modest fall-back in occupancy but prices (whilst they stopped rising for a few months) crucially did not fall.
- 2010/11A EBITDA margins and EBITDA itself both rose to a peak. Other measures of profitability rose both at the store and at the group level.
- The group is expanding, albeit modestly as is appropriate in these economic times.
- Lok'nStore has ample scope to accelerate expansion as and when right, and fairly quickly. Planning is in place for a number of store expansions and finance is readily available.

**What's not to like about EBITDA being at a record high, twice 2006 levels, and growing from here?**

We therefore consider the model has been tested in the recession and has worked well, with the key driver (store EBITDA and FFO) well up on the level at the height of the boom.

In the 2004 – 2009 period, Lok'nStore shares' performance tended to reflect economic growth. Since 2010, turning points in the shares have on several occasions tracked performance of long term UK interest rates.

In both July 2010 and February 2011, Lok'nStore shares started a rising trend with the turning point being a change in trend toward falling long term interest rates. We consider that in a time of anaemic GDP growth and with Lok'nStore's floating rate debt, the shares should welcome falling long interest rates. Our view is that this trend is supportive to the shares short term. Growth, longer term, will also be supportive. There is a potentially awkward transition between the two so, short term we would add. The undervaluation is extreme but we see some undervaluation remaining until there is a clearer way forward to some returning consumer confidence.

**We consider that in a time of anaemic GDP growth and with Lok'nStore's floating rate debt, the shares should welcome falling long interest rates**

**In summary, Lok'nStores' premium growth is more important than its discount rating, but both are supportive to a share price higher than current levels. With debt in place to 2016, we model an illustration to 2016 which shows FFO doubling on 3% price rises and a 5% points rise in occupancy, allied to costs of funds rising to a more normalised 5%. On top of these drivers doubling FFO, existing development opportunities add a significant premium because Lok'nStore has been nimble in finding ways to minimise net development costs. Historically, growth has been strong (EBITDA twice 2006 levels) and there has been no dilutive issuance of shares. This is a resilient industry with the major players seeing price resilience in the recession.**

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**FINANCIAL ANALYSIS & ESTIMATES**

Profit & Loss	Year End	Year End	Year End	Year End	
£m Y/E July £000	2010A	2011A	2012E	2013E	
<b>Turnover</b>					<b>We attempt to illustrate the organic growth</b>
Ongoing business	10.42	10.71	11.00	-	
Acquisition	-	0.14	1.90	-	
Total turnover	10.42	10.85	12.90	13.30	
<b>EBITDA</b>					
On-going EBITDA	2.93	3.31	3.50	-	
Acquisition	-	(0.03)	0.50	-	
Total EBITDA	2.93	3.28	4.00	4.15	
<b>EBITA</b>					
On-going EBITA	0.92	1.73	1.70	-	
Acquisition	-	(0.07)	0.40	-	
Total EBITA*	0.92	1.56	2.10	2.25	<b>We assume sideways profits 2012 vs. 2011 ex acquisition as H1 2011 was a strong period</b>
<b>Net Interest</b>	(0.49)	(0.50)	(0.86)	(0.85)	
<b>Minority</b>	-	-	(0.04)	(0.05)	
<b>PBT</b>	0.43	0.94	1.05	1.20	
<b>Adj. PBT**</b>	0.43	1.07	1.20	1.35	
Tax %	49	5	0	0	
Adj. PAT	0.22	1.02	1.20	1.35	
<b>EPS declared (p)</b>	0.88	3.54	4.20	4.80	
<b>Adj. EPS (p)</b>	0.88	4.08	4.80	5.40	
<b>Dividend per share (p)</b>	1.0	3.0	3.3	3.6	

Fig 9 Source: Company accounts and Hardman & Co. estimates

\* Post share based payments 2009/10 £0.18m, £2010/11 £0.10m.

\*\* Excluding revaluations, goodwill amortisation, profits on disposals, acquisition costs

Depreciation levels within the acquisition are inferred. Other performance indicators are as stated in the accounts.

The 12.0p per share 2010/11A level rises to 13.4p 2011/12E.

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Cash Flow	Year End	Year End	Year End	Year End
Y/E July £000	2010A	2011A	2012E	2013E
<b>Operating profit adj.</b>	<b>1.29</b>	<b>1.89</b>	<b>2.10</b>	<b>2.25</b>
Depreciation	1.83	1.62	1.80	1.75
Working Capital	0.53	0.32	0.00	0.00
Other	(0.18)	(0.23)*	0.00	0.00
<b>Operating cash flow</b>	<b>3.47</b>	<b>3.60</b>	<b>3.90</b>	<b>4.00</b>
Interest	(0.45)	(0.55)	(0.90)	(0.80)
Tax	0.00	0.00	0.00	0.00
Net Capex	(0.56)	(0.79)	(1.00)	(1.00)
<b>Free cash flow</b>	<b>2.46</b>	<b>2.26</b>	<b>2.00</b>	<b>2.20</b>
Acquisitions	0.00	(3.56)	0.00	0.00
Dividends	(0.33)	(0.25)	(0.60)	(0.70)
Increase in net cash	2.13	(1.66)	1.40	1.50
<b>Opening net debt</b>	<b>24.86</b>	<b>22.73</b>	<b>24.39</b>	<b>23.00</b>
<b>Closing net debt</b>	<b>22.73</b>	<b>24.39</b>	<b>23.00</b>	<b>21.50</b>

For 2011/12E we assume depreciation like-for-like rises £0.1m, which may well prove conservative

Fig 10. Source: Company accounts and Hardman & Co. estimates  
\* Including £0.13m acquisition costs

Note consistent free cash flow, even modelling for subdued UK macro-economy

Balance Sheet	Year End	Year End	Year End	Year End
Y/E July £000	2010A	2011A	2012E	2013E
Tangible Assets	75.04	72.12	72.10	72.10
Intangible Assets	0.00	4.42	4.20	4.00
Total long term Assets	75.04	76.54	76.30	76.10
Current assets	6.62 [1]	5.71 [2]	1.50	2.00
Current liabilities	(3.67) [3]	(32.84) [4]	(4.00)	(4.20)
Long term debt	(28.04)	(0.00)	(24.00)	(23.60)
Deferred tax	(10.85)	(10.55)	(10.50)	(10.50)
Total long term Liabilities	(38.89)	(10.55)	(34.50)	(34.10)
<b>Net assets</b>	<b>39.11</b>	<b>38.83</b>	<b>39.30</b>	<b>39.80</b>
Net assets excl. deferred tax (Adj. NAV)	49.96	49.38	49.80	50.30
Adj NAV per share (p) [5]	<b>200</b>	<b>197</b>	<b>199</b>	<b>201</b>

Scope for REIT conversion

Fig 11. Source: Company accounts and Hardman & Co. estimates

[1] Cash £5.36m included

[2] Cash £3.78m included

[3] Debt zero

[4] Debt £28.12m

[5] This derives from the Lok'nStore balance sheet which holds leased properties at book cost. Hence, nearly 90% of NAV as stated in the accounts is freehold.

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Management	Major Shareholders
<p><b>Chairman:</b> Simon Thomas</p> <p><b>Chief Executive:</b> Andrew Jacobs</p> <p><b>Group Finance Director:</b> Ray Davies</p>	<p>Laxey Partners 29.0%</p> <p>Andrew Jacobs 20.7%</p> <p>Simon Thomas 8.4%</p> <p>Duart Capital 5.8%</p> <p>Charles Stanley, Stockbrokers 4.9%</p>
Key Dates	Key Milestones
<p><b>AGM:</b> 9th December 2011</p> <p><b>Next Interim Results:</b> April 2012</p> <p><b>Next Full Year Results:</b> November 2012</p>	<p><b>1995</b> Lok'nStore foundation</p> <p><b>1997</b> Floated on Ofex raising £1.1 million @ 38p per share</p> <p><b>1998</b> Second fundraising £1.6 million @ 60p per share</p> <p><b>2000</b> Admission to AIM</p> <p><b>2001</b> Access storage sell 29% stake</p> <p><b>2002</b> Fundraising Placing &amp; Open Offer 6,850,390 shares @ £1.55 per share</p> <p><b>2003</b> Share Buyback 3.4 million shares @ £1.12 per share</p> <p><b>2007</b> Kingston &amp; Woking Stores sold for £12.5 million</p> <p><b>2008</b> 3 development sites purchase</p> <p><b>2009</b> New Harlow store opened</p> <p><b>2011</b> New £40 million bank facility; Acquisition of Saracen</p>

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