

National Storage Affiliates Trust Announces Internalization of its PRO Structure

GREENWOOD VILLAGE, Colo.--(BUSINESS WIRE)-- National Storage Affiliates Trust ("NSA" or the "Company") (NYSE: NSA), announced an agreement in principle for the internalization of its participating regional operating ("PRO") structure, which is expected to close on July 1, 2024. As part of the transaction, we expect our eight existing PROs, who currently manage 32% of NSA's 1,050 properties, to transition management to NSA's platform in phases to ensure a seamless execution.

David Cramer, President and CEO commented, "The internalization of the PRO structure marks the beginning of the next exciting chapter for NSA. This accretive transaction will further enhance our growth profile and simplify our structure. Additionally, given the size and sophistication of NSA's operating platform, now is the optimal time to consolidate all operations."

We expect the completion of the internalization of the PRO structure to create several potential strategic benefits, including:

- **Simplified structure and financial reporting** NSA will no longer pay performance distributions to holders of subordinated performance units ("SP Units"). This will provide more transparency to investors and greater potential upside in FFO per share growth as there will be no further sharing in NOI generated from PRO-managed properties with holders of SP Units.
- **Significant G&A savings**: As part of the transaction, NSA expects to acquire the PROs' management agreements and will no longer pay any supervisory and administrative fees. After the completion of the management transition, NSA will directly manage the vast majority of the former PRO properties and expects to realize approximately \$7.5 - \$9.0 million of annual G&A savings. We also plan to work with select former PROs in a few markets to optimize our property management.
- **Execute enhanced customer acquisition strategy**. We will launch our new website, nsastorage.com, which will incorporate our existing brands and PRO brands that we expect to acquire on a multi-brand website for a seamless web reservation experience. Along with the full integration of our centralized call center supporting the properties, we expect that these steps will enhance the customer experience and improve efficiency.
- **Enable brand flexibility**. NSA will continue to operate multiple brands, selecting the brand with the best scale economies in a given market, while eliminating brands that are less dominant. We will focus on enhancing regional brand effectiveness to improve our market positioning.
- **Optimize operational execution**: NSA will be able to leverage the full benefits of its scale and centralized platforms to drive NOI by optimizing revenue and margins

through a consistent approach to data analysis and pricing across the entire portfolio.

- **Expand portfolio optimization strategy:** NSA will continue to execute on its asset recycling program in non-core markets and will implement this strategy across its entire portfolio. We will fully control the direction of our acquisition growth strategy, targeting core markets where we will focus on building market concentration.

Mr. Cramer further commented, “This milestone is very much in line with our recent strategic initiatives, all with a goal of positioning NSA for accelerated earnings growth in 2025 and beyond. While the PRO structure fueled our significant growth over the past several years and has contributed to our sector-leading core FFO per share growth since our IPO in 2015, now is the right time to pivot and position NSA for accelerated earnings growth once the fundamental environment improves.”

Expected transaction details surrounding the internalization include:

- **Annual FFO accretion.** Management expects that upon the completion of the management transition, the transaction will be accretive to FFO per share by approximately \$0.03 - \$0.04, primarily due to annual G&A savings. Additional future accretion is expected to be realized through organic positive NOI growth from PRO-managed properties whereby the upside sharing will be eliminated.
- **PRO management agreements acquired:** Consistent with prior internalizations, we expect to purchase the PRO management contracts and, in certain cases, specified intellectual property (including brand, trade names and trademarks) for 4x EBITDA from the management of the PRO-managed properties.
- **Tenant insurance contracts purchased:** In connection with acquiring the PRO management contracts described above, NSA expects to acquire from the PROs the right to direct the tenant insurance business for our properties, using a valuation methodology consistent with prior internalizations.
- **Total consideration:** Total cash and OP units expected to be paid in conjunction with the buyout of the management contracts and tenant insurance policies is expected to be approximately \$85.0 - \$90.0 million. These newly issued OP units, as well as OP units issued upon conversion of SP units, will generally have a one-year lockup on resales.
- **Phased transition:** NSA will execute a phased approach, allowing for management transitions of NSA-owned properties in a controlled and thoughtful manner.
 - NSA will start working on the transition immediately and plans to execute new property management agreements with the majority of our PROs for a transitional period following the completion of the internalization at a newly negotiated management fee. NSA anticipates that these transitional periods will be staggered over the next twelve months.
- **Captive pipeline:** Many of the former PROs, including ones that have previously retired, will continue to maintain a significant equity ownership in NSA and have a significant vested interest in NSA’s continued success. While we will no longer have a contractual agreement regarding the captive pipeline, we expect to continue to pursue external growth opportunities with former PROs.
- **Adjustment to FFO per share calculation:** NSA expects all 12.1 million outstanding SP units will be converted to approximately 18.2 million OP units in NSA OP, LP and the DownREIT partnerships, as applicable at a weighted average conversion ratio of 1.51 and will be included in the common shares and units outstanding for purposes of

calculating FFO per share. Such amounts include the Company's DownREIT SP unit equivalents, which are expected to be converted to DownREIT OP unit equivalents.

Arlen Nordhagen, co-founder of NSA and Vice Chairperson of the Board, commented, "The PRO structure has been instrumental in driving NSA's tremendous growth over the years. Our long-term vision for NSA always contemplated the eventual internalization of the PRO structure, and current market conditions make today the right time for a win-win scenario for common shareholders and PROs alike. I'm grateful to our PROs for their invaluable contributions to NSA's success and excited about how this event will contribute to earnings growth going forward."

Tamara Fischer, Executive Chairperson of the Board, added "As I reflect over the past eleven years since our formation, I am truly grateful for the tremendous success that we have experienced, largely due to the cooperative partnership with our PROs. We have been truly fortunate to build our company with such a highly experienced group of self storage operators. Like Arlen and Dave, I am very excited about the future opportunities for NSA and believe now is the right time for this transition."

About National Storage Affiliates Trust

National Storage Affiliates Trust is a real estate investment trust headquartered in Greenwood Village, Colorado, focused on the ownership, operation and acquisition of self storage properties predominantly located within the top 100 metropolitan statistical areas throughout the United States. As of March 31, 2024, the Company held ownership interests in and operated 1,050 self storage properties located in 42 states and Puerto Rico with approximately 68.7 million rentable square feet. NSA is one of the largest owners and operators of self storage properties among public and private companies in the United States. For more information, please visit the Company's website at www.nationalstorageaffiliates.com. NSA is included in the MSCI US REIT Index (RMS/RMZ), the Russell 1000 Index of Companies and the S&P MidCap 400 Index.

NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this press release constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and such statements are intended to be covered by the safe harbor provided by the same. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond NSA's control. These forward-looking statements include information about possible or assumed future results of NSA's business, financial condition, liquidity, results of operations, plans and objectives. Changes in any circumstances may cause our actual results to differ significantly from those expressed in any forward-looking statement. When used in this release, the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressions are intended to identify forward-looking statements. Statements regarding the following subjects, among others, may be forward-looking: market trends in NSA's industry, interest rates, inflation, the debt and lending markets or the general economy; the Company's business and investment strategy; the acquisition and disposition of properties, including those under contract and our ability to execute on NSA's acquisition pipeline; and the internalization of PROs into NSA. For a further list and description of such risks and uncertainties, see our most recent Annual

Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission, and the other documents filed by NSA with the Securities and Exchange Commission. The forward-looking statements, and other risks, uncertainties and factors are based on NSA's beliefs, assumptions and expectations of its future performance, taking into account all information currently available to us. Forward-looking statements are not predictions of future events. NSA disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

View source version on businesswire.com:

<https://www.businesswire.com/news/home/20240603014419/en/>

National Storage Affiliates Trust
Investor/Media Relations

George Hoglund, CFA
Vice President - Investor Relations
720.630.2160

ghoglund@nsareit.net

Source: National Storage Affiliates Trust