

Stor-Age Property REIT Ltd

Tough UK Market but with Room to Grow

Share Code: SSS – Market Cap: R8.8bn – P/B: 0.9x – DY: 6.6%

Self-Storage | South Africa

12m Target Price	1908cps
Share Price	1715cps
Implied Return	18%

Summary of Results: South Africa does the heavy lifting

- Stor-Age's FY 26 landed in line with our forecast as Distributable Earnings rose +8.4% to R642.4m and Distributable Income per Share growing by +5.1% to 129.29cps. Final DPS rose +5.1% to 116.36cps (maintaining the REIT's 90% payout).
- The Group's balanced sheet remained comfortable, gearing at reasonable-to-low levels (Loan-to-Value or LTV at 27.1%, or at 30.3% on a Look-through basis including JV's), and the NAV per share growing at +3.7% to 1767cps.
- Digging deeper, the Group's South African segment carried the result with its rental income growing +10.5%, net property operating income +11.1%, and same-store rate +8.6%.
- UK segment lagged with GBP rental income growth of only +1.1% eaten by operating costs growing +4.5% resulting in Net Property Operating Income slipping -0.8%.

Thoughts: UK Should See Better FY 27E

- Despite the UK miss above, we think that FY 26 was a quality results in a two-speed year with a tougher H2:26.
- There will be new UK leadership from October 2026 that has sparked an operational review here and should see efficiencies and pricing gains (probably really annualising from H2:27E).
- AI-driven efficiencies should help medium-term UK margins while AI-pricing transparency in the UK could help the Group's SA operations (many local operators may not have the AI know-how that the Group is gaining in the competitive UK market).
- Finally, we will be watching some financing rolls where low-struck hedges (70% of net debt, ~1.3-year average expiry) roll off and potentially reprice higher during FY 27E.

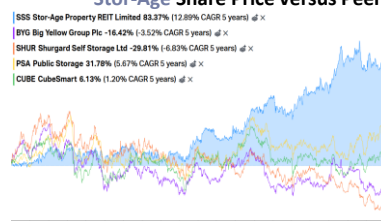
Updated Forecast and Valuation: Double-digit Implied Total Return

- We update our fair value based on our blended fair value of 1812cps (previously 1850cps) and a 12m TP of 1908cps (previously 1970cps). With the share at 1715cps (it has de-rated since the R500m December raise), the implied 12m total return improves to 18% (previously 16%) — about 11% price return plus a 7.1% Forward Yield.

Stor-Age Share Price versus Top 40 Index



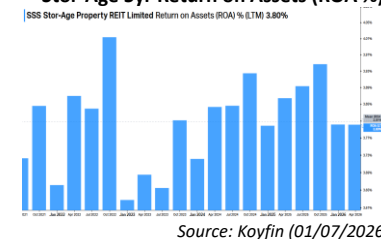
Stor-Age Share Price versus Peers



Stor-Age Price-to-Book (P/B x) History & Average (10-years):



Stor-Age 5yr Return on Assets (ROA %):



Rm (unless stated)	FY24A	FY25A	% y/y	FY26A	% y/y	FY27E	% y/y	FY28E	% y/y	FY29E	% y/y
Property revenue	1,228.3	1,319.3	7.4%	1,391.0	5.4%	1,481.1	6.5%	1,582.6	6.9%	1,699.9	7.4%
South Africa	622.8	686.3	10.2%	752.4	9.6%	820.1	9.0%	891.8	8.7%	967.6	8.5%
United Kingdom	605.5	633.0	4.5%	638.7	0.9%	661.0	3.5%	690.8	4.5%	732.2	6.0%
Net property operating profit	783.6	843.8	7.7%	866.1	2.6%	923.1	6.6%	988.0	7.0%	1,066.5	7.9%
Distributable earnings (Rm)	563.0	592.5	5.2%	642.4	8.4%	693.8	8.0%	742.3	7.0%	794.3	7.0%
Distributable income per share (cps)	118.2c	123.0c	4.0%	129.3c	5.1%	135.7c	5.0%	145.2c	7.0%	155.4c	7.0%
Dividend per share (cps)	118.2c	110.7c	(6.4%)	116.4c	5.1%	122.1c	5.0%	130.7c	7.0%	139.8c	7.0%
SA REIT NAV per share *		17.04	-	17.67	3.7%	18.73	6.0%	19.67	5.0%	20.70	5.2%

Sources: Stor-Age audited results, Profile Media, Iress, Koyfin & Blue Gem Research workings & assumptions



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BLUE GEM RESEARCH

Rm (unless stated)	FY24A	FY25A	% y/y	FY26A	% y/y	FY27E	% y/y	FY28E	% y/y	FY29E	% y/y
INCOME STATEMENT:											
Property revenue	1,228.3	1,319	7.4%	1,391	5.4%	1,481	6.5%	1,582.6	6.9%	1,699.9	7.4%
Net property operating income	904.5	971.3	7.4%	1,025	5.6%	1,093	6.6%	1,171.1	7.1%	1,261.7	7.7%
<i>NPOI margin</i>	73.6%	73.6%	-	73.7%	-	73.8%	-	74.0%	-	74.2%	-
Management fee income	63.1	71.0	12.6%	61.8	(13.0%)	65.5	6.0%	69.5	6.0%	73.6	6.0%
Administration expenses	(184.0)	(198)	7.9%	(221)	11.6%	(236)	6.5%	(252.5)	7.0%	(268.9)	6.5%
Net property operating profit	783.6	843.8	7.7%	866.1	2.6%	923.1	6.6%	988.0	7.0%	1,066.5	7.9%
<i>NPOP margin</i>	63.8%	64.0%	-	62.3%	-	62.3%	-	62.4%	-	62.7%	-
Fair value adj. to investment property	251.1	443.3	76.5%	463.7	4.6%	383.3	(17%)	405.3	5.7%	429.5	6.0%
Profit from operations	952.8	1,256	31.8%	1,329	5.9%	1,297	(2.4%)	1,384.4	6.7%	1,487.0	7.4%
Net finance cost	(204)	(267)	30.6%	(262)	(1.8%)	(285)	9.0%	(305.9)	7.0%	(324.2)	6.0%
Share of profit from JVs (equity-accounted)	8.8	48.0	446.1%	82.6	72.1%	92.5	12.0%	101.7	10.0%	111.9	10.0%
Profit before taxation	757.1	1,036	36.9%	1,150	10.9%	1,104	(4.0%)	1,180.2	6.9%	1,274.7	8.0%
Taxation	(85.0)	391.8	(561%)	(22.7)	(105%)	(23.9)	5.0%	(25.1)	5.0%	(26.3)	5.0%
Profit for the year	672.1	1,428	112.6%	1,127	(21.1%)	1,080	(4.2%)	1,155.2	6.9%	1,248.3	8.1%
Attributable to non-controlling interest	(5.0)	(17.3)	246.9%	(7.2)	(58.7%)	(7.7)	8.0%	(8.4)	8.0%	(9.0)	8.0%
Distributable earnings (Rm)	563.0	592.5	5.2%	642.4	8.4%	693.8	8.0%	742.3	7.0%	794.3	7.0%
<i>DE margin (% property revenue)</i>	45.8%	44.9%	-	46.2%	-	46.8%	-	46.9%	-	46.7%	-
Weighted shares in issue (m)	476.2	481.7	1.2%	496.8	3.1%	511.2	2.9%	511.2	-	511.2	-
Distributable income per share (cps)	118.2c	123.0c	4.0%	129.3c	5.1%	135.7c	5.0%	145.2c	7.0%	155.4c	7.0%
<i>Payout ratio</i>	100.0%	90.0%	-	90.0%	-	90.0%	-	90.0%	-	90.0%	-
Dividend per share (cps)	118.2c	110.7c	(6.4%)	116.4c	5.1%	122.1c	5.0%	130.7c	7.0%	139.8c	7.0%
Dividends declared (Rm)	563.0	533.3	(5.3%)	578.1	8.4%	624.4	8.0%	668.1	7.0%	714.9	7.0%
BALANCE SHEET:											
Investment properties	11,706	12,420	6.1%	12,777	2.9%	13,511	5.7%	14,316	6.0%	15,165	5.9%
Equity-accounted JV investments	734.0	711.4	(3.1%)	771.2	8.4%	832.9	8.0%	899.6	8.0%	971.5	8.0%
Cash & equivalents	322.0	336.9	4.6%	367.4	9.0%	378.4	3.0%	389.8	3.0%	401.5	3.0%
Reported NAV (attributable to parent)	7,534	8,465	12.4%	9,323	10.1%	9,771	4.8%	10,250	4.9%	10,775	5.1%
Shares in issue, year-end (m)	476.2	481.7	1.1%	511.2	6.1%	511.2	(0.0%)	511.2	-	511.2	-
Reported NAV per share (R)	15.82	17.58	11.1%	18.24	3.8%	19.12	4.8%	20.05	4.9%	21.08	5.1%
SA REIT NAV (Rm)		8,285	-	9,127	10.2%	9,575	4.9%	10,054	5.0%	10,579	5.2%
SA REIT NAV per share (R)		17.04	-	17.67	3.7%	18.73	6.0%	19.67	5.0%	20.70	5.2%
Net interest-bearing debt (Rm)	3,564	3,947	10.7%	3,535	(10.4%)	3,816	7.9%	4,142	8.5%	4,482.8	8.2%
<i>SA REIT loan-to-value</i>	28.7%	30.1%	-	26.7%	-	26.6%	-	27.2%	-	27.8%	-

Sources: Stor-Age audited results, Profile Media, Iress, Koyfin & Blue Gem Research workings & assumptions

Summary of Results

Stor-Age delivered a solid, in-line full year to 31 March 2026:

- Distributable Earnings rose 8.4% to R642.4m and Distributable Income Per Share (DIPS) 5.1% to 129.29cps;
- At a 90% payout the full-year dividend lifted 5.1% to 116.36cps (final dividend 56.62cps).
- The result was second-half weighted — H2 distributable earnings grew 12.2% against 4.9% in H1 — which we read as momentum, not noise, & expect to continue into FY 27E.

Table 2: FY 26 results summary (year ended 31 March)

Rm unless stated	FY25A	FY26A	Change
Property revenue	1,319.3	1,391.0	+5.4%
Net property operating income	971.3	1,025.8	+5.6%
Net property operating profit	843.8	866.1	+2.6%
Distributable earnings	592.5	642.4	+8.4%
Distributable income/share (cps)	123.0	129.3	+5.1%
Dividend per share (cps)	110.7	116.4	+5.1%
SA REIT NAV per share (R)	17.04	17.67	+3.7%
Group closing occupancy	91.8%	90.8%	-1.0pp
SA REIT loan-to-value	30.1%	26.7%	-3.4pp

Source: Stor-Age Property REIT FY 26 results presentation and audited results, and Blue Gem Research.

Digging into the detail of FY 26E reveals:

- **Revenue & operations:** Group property revenue rose 5.4% to R1,391.0m. [South Africa did the heavy lifting](#) (rental income +10.5%, net property operating income +11.1%, same-store rental rate +8.6%, closing occupancy 93.4%). [The UK tread water](#) (GBP rental income +1.1%, NPOI -0.8% in a tougher market, occupancy 81.6%), and a stronger Rand (GBP/ZAR closed R22.54 versus R23.74) muted the UK's Rand contribution — a R196m translation loss ran through other comprehensive income.
- **Margins & earnings:** The group NPOI margin held around 73.7% and EBITDA (including the JV contribution) grew 4.1% to R920.1m. Net property operating profit rose 4.1% to R906m. Net finance costs were roughly flat at R262.3m.
- **Balance sheet:** The SA REIT loan-to-value fell to 26.7% (FY 25: 30.1%) after [a R500m equity raise in December 2025 at a premium to NAV](#); about 70% of net debt is hedged (average expiry ~1.3 years). SA REIT NAV per share rose 3.7% to 1767cps (above the current stock price of 1715cps).
- **Portfolio & strategy:** The [estate reached 109 properties \(SA 63, UK 46\)](#), with R200m of SA trading-store acquisitions (Lock-Up, Execustore, West Coast), a new SA development site (Maitland) and the De Waterkant (Cape Town) development underway. Management reaffirmed a five-year plan to reach 160 properties by 2030.

Measured against our December 2025 (1H 26) forecast, [the result landed squarely in line with our forecasts](#):

- Revenue of R1,391.0m was within 0.5% of our R1,398m and distributable earnings of R642.4m within 0.1% of our R643m.
- The only visible “miss” is DPS; 116.36cps versus our 120cps, but this is purely a share-count effect — the December R500m raise lifted the weighted average shares in issue to 496.84m (year-end 511.17m) against the ~483m our prior model assumed (we did not forecast a capital raise in the period).
- This new capital is funding accretive growth, so we treat the near-term per-share dilution as a timing cost, not a deterioration in quality of earnings.

We have updated our fair value and 12m TP based on our valuation model:

- We see the Group's blended [fair value at 1812cps \(previously 1850cps\)](#),
- This fair value is fractionally over a Price-to-Book value of 1.0x (NAV is 1767cps based on SA exit cap rate of 8.83% & UK exit cap rate of 5.75%),
- This sees us adjust our [12m TP to 1908cps \(previously 1970cps\)](#), &
- With the share at 1715cps, this [implies 12m total return of 18% \(previously 16%\)](#) — about 11% price return plus a 7.1% Forward Yield.

South Africa (SA) segment

Table 3: South African Segment – Summarized History & Forecast

Rm	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E	FY31E
SA property revenue	622.8	686.3	752.4	820.1	891.8	967.6	1,045.0	1,128.7
SA net property operating income	479.7	530.8	582.7	634.7	690.3	749.9	809.9	874.7
SA NPOI margin	77.0%	77.3%	77.5%	77.4%	77.4%	77.5%	77.5%	77.5%

Sources: Stor-Age various reports, Blue Gem Research workings and assumptions

- In FY26, South African property operating revenue reached R746.5m, a 10.4% increase from R676m in FY25 with rental income specifically grew by 10.5% year-on-year to R706m.
- Net property operating income (NPOI) grew by 11.1% to R582.7m in FY26, up from R524.7m in FY25.
- Because NPOI grew faster (11.1%) than revenue (10.4%), the segment achieved operating margin expansion. The primary drivers for this were a strong achieved rental rate growth of 8.6% (closing at R164.0/m²) and disciplined cost control, with same-store operating expenses restricted to a 7.5% increase.
- The South African portfolio maintained high occupancy levels, ranging between 92.0% and 94.0% throughout the year, closing at a resilient 93.4%.
- Joint Venture (JV) lease-up properties were a notable success, contributing an 8,100m² gain in occupancy.
- Management experienced a typical seasonal occupancy reduction of approximately 2.0% during the first half (H1) of the year. However, they successfully recovered this dip in the second half (H2).
- Operational stability improved further as the average length of stay for SA tenants increased to 27.0 months, while customer churn trended higher to 5% (FY 25: 4.8%).
- Stor-Age secured three major South African acquisitions: Lock-Up Storage in KZN for R95m (11,400m²), Execustore in Ballito for R59m (5,700m²), and West Coast Storage in the Western Cape for R46.5m (6,950m²).
- A new prime development site was secured in Maitland for R15.0m. Significant developments progressed over the period include a R260m facility in De Waterkant, a R91m facility in Melrose, and a R82m expansion of the Sunningdale property via a joint venture.
- Management aims to grow the South African portfolio from 63 properties today to 90 properties by 2030, and future growth will be driven by acquiring properties in Cape Town, Johannesburg, Pretoria, and Durban, and by developing flagship "billboard" sites alongside smaller, tech-enabled infill stores.
- Looking forward, management noted that a stable domestic backdrop and manageable inflation in South Africa will support this selective growth
- We forecast SA revenue +9% in FY 27E, easing toward 8.8~8.0% as the base builds.

United Kingdom (UK) segment

Table 4: United Kingdom Segment – Summarized History & Forecast

Rm	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E	FY31E
UK property revenue (ZAR)	605.5	633.0	638.7	661.0	690.8	732.2	776.2	822.7
UK net property operating income	424.8	440.5	443.1	458.8	480.8	511.8	544.9	580.0
UK NPOI margin	70.1%	69.6%	69.4%	69.4%	69.6%	69.9%	70.2%	70.5%

Sources: Stor-Age various reports, Blue Gem Research workings and assumptions; Note: GBP/ZAR assumed flat over forecast period

- The United Kingdom (UK) property operating revenue increased slightly by 0.8% to £27.m , up from £27.1m in FY25 as rental income specifically grew by 1.1% to £24.1m.
- UK net property operating income (NPOI) declined by 0.8% to £18.8m in FY26, down from £18.9m in the previous year as operating margins compressed during the period (which was driven by operating expenses growing at 4.5%, which outpaced the modest rental income growth).

- UK closing occupancy was 81.6%, with occupied space decreasing by 2.5% over the year. The achieved same-store average rental rate grew by 1.0%, closing at £27.6/sq. ft.
- The above was really driven by the UK experiencing a tougher operating environment characterized by softer move-in activity, a subdued housing market, and macro headwinds impacting consumer affordability as the market normalized from post-pandemic highs.
- That said, the UK Joint Venture (JV) portfolio performed well, gaining 2,000m² in occupied space, while the third-party managed portfolio gained 1,200m². And, UK customer retention remained strong, with the average length of stay extending to 34.0 months and churn stabilizing at pre-pandemic levels of 8.2%.
- The UK expanded its capital-light growth model by securing a new third-party management contract with Time Investments for a 4,100m² property in Exeter. The Acton JV development with Moorfield also successfully opened in June 2025. And the Group progressed its development partnership with Hines, with projects in Chelmsford (6,500m²) and Aylesbury (4,200m²) currently under construction.
- Heads of terms were agreed in principle for a new 57,000 sqf sale-and-manage-back development in the South East.
- Terms were agreed to refinance an existing £75.0m UK club facility into a new five-year, £85.0m senior secured facility on improved margins, expected to be completed by June 2026. While these terms are better than previous, the Group *hedging* of rates sees some roll-over pressure during FY 27E (see our forecast section).
- In the UK, management aims to expand the UK portfolio from 46 properties today to 70 properties by 2030 with future growth prioritizing London, the South East, and key regional towns through a mix of selected acquisitions, third-party developments, and a "Management First" capital-light approach.
- Management noted that the UK macro environment will likely face subdued growth and restrictive rates (which we tend to agree on), however, they expect resilience to be supported by strict pricing discipline, tenant retention, and tight cost control. We expect this recovery to be H2:27E loaded and really annualize into FY 28E (we have adjusted our forecasts accordingly).

Forecasts

- Stor-Age's updated guidance for FY 27E:
 - Distributable Income Per Share growing +5% y/y
 - This is based on their current view and a 90% payout ratio, thus, implying a DPS growth of +5% y/y.
 - They see SA as entering FY 27E with momentum, the UK well-positioned to weather a tough cycle and will focus the Group on occupancies, rate optimisation and retention.
- We expect SA momentum to remain positive, the UK recovery to be H2:27E weighted and there to be some slightly financing cost creep as hedges are rolled into what is likely a higher-rate environment:
 - (SA and UK) Rental income and (UK) operating margins could surprise on the upside, but financing costs could surprise on the downside (with a higher annualizing share count), &
 - These opposing vectors somewhat cancel out to see our expected FY 27E DPS of c.122cps (FY 26: 116.4cps) being more or less in line with management's own view (both are c.+5% y/y).

Valuation and 12m TP

Valuation & 12m Target Price (TP)

- The SA 10-year government bond yield (R2035, ~8.3% on our basis) remains the single biggest swing factor in the valuation; we publish a sensitivity below. A shallow SA rate-cutting cycle would support both property values and SA funding costs.
- GBP/ZAR closed FY 26 at R22.54 (FY 25: R23.74). Rand strength is a translation headwind for the UK contribution; a weaker Rand would be a tailwind (an un-modelled, two-sided risk we hold flat). UK 12m SONIA remains elevated (~4%), keeping GBP funding costs higher as hedges reprice.

We keep our valuation method unchanged: an equal-weighted blend of a Dividend Discount Model and a relative EV/EBITDA valuation, with P/B (c.1.0x) and a segmental DCF as cross-checks:

- We update our blended fair value of 1812cps (previously 1850cps), or c.1.0x P/B
- Rolling this forward at our Cost of Equity (less the Forward Yield) gives a 12-month target price of 1908cps (previously 1970cps).
- Against the 1715cps share price, the implied 12-month Total Return is 18% (previously 16%) — roughly 11% price return plus a 7.1% forward dividend yield.

Table 4: Stor-Age Valuation Summary

Valuation method	Value (cps)	Weight
Dividend Discount Model	1854cps	50%
Relative — EV/EBITDA 13.5x (FY27E)	1770cps	50%
Blended fair value (previously R18.50)	1812cps	—
Cross-check: P/NAV at 1.0x	1767cps	—
Cross-check: Segmental DCF	2140cps	—
12-month target price (prev. R19.70)	1908cps	—
Current share price (31 May 26)	1705cps	—
Implied 12m total return (prev. 16%)	18%	—

Source: Blue Gem Research. DDM: Ke 12%, terminal g 5%. Net debt R3,535.8m; 511.17m shares.

Table 5: Stor-Age Valuation Sensitivity Analysis (Risk-free / Cost of Equity)

Sensitivity (terminal g held 5%)	Ke 11%	Ke 12%	Ke 13%
≈ SA 10-year (R2035)	8.8%	9.8%	10.8%
Blended fair value (cps)	1968cps	1812cps	1695cps
12-month target price (cps)	2063cps	1908cps	1794cps
Implied 12m total return	27%	18%	12%

Source: Blue Gem Research. The SA 10-year bond yield is the key swing factor; terminal growth held at 5%.

Our fair value eased slightly despite solid results because of interest rates shifting from a cutting cycle to a hiking cycle. This has had the effect of putting cap rates, yields and, ultimately, valuations in this (and other property markets) under a firmer ceiling than previously:

- Multiples have compressed across peers,
- Currently, Stor-Age shares trade at an EV/EBITDA of 13.5x with a P/B of 0.9x
- This compares favourably against this peers set's average of c.17.9x and 2.1x, respectively.
- Our implied fair value for Stor-Age would place it on a P/B of just above 1.0x.

Table 5: Global Listed Self-Storage Stocks

Name	Mkt cap (US\$bn)	Revenue LTM (US\$m)	EBITDA LTM (US\$m)	EBITDA margin	EV/EBITDA (x)	P/B (x)
Public Storage	57.11	4,870.0	3,430.0	70.5%	20.8x	11.7x
Extra Space Storage	32.93	3,480.0	2,280.0	65.7%	19.5x	2.4x
CubeSmart	9.38	1,130.0	710.4	62.6%	18.5x	3.5x
National Storage Aff.	5.82	749.5	463.9	61.9%	16.8x	6.2x
Shurgard Self Storage	2.97	529.7	309.9	58.5%	15.6x	1.4x
Big Yellow Group	2.36	276.9	172.7	62.4%	17.2x	0.7x
National Storage REIT	2.80	278.8	162.4	58.3%	39.5x	10.8x
Safestore Holdings	1.78	335.5	193.9	57.8%	16.7x	0.6x
Abacus Storage King	1.24	167.2	82.8	49.5%	24.6x	0.8x
Stor-Age Property REIT	0.54	85.9	51.1	59.5%	14.0x	1.0x
Peer Average (ex-outliers)					17.9x	2.1x
Stor-Age (SSS)					14.0x	1.0x

Source: Koyfin peer screen (30 June 2026) and Blue Gem Research. National Storage REIT (P/B 10.8x) and Public Storage (P/B 11.7x) excluded as outliers.

Key risks to our forecast & valuation

Downside risks:

- UK competition and new supply worsening the pricing environment and/or a worsening in the UK consumer pressure;
- Financing costs rising as hedges roll off into higher SONIA/JIBAR;

- Continued Rand strength eroding the ZAR value of UK earnings and creating some degree of balance sheet drag (i.e. depressing NAV growth from the weight of the balance sheet sitting in UK-valued assets);
- A higher SA 10-year bond yield (discount-rate sensitivity above);
- Execution risk on the 160-property plan (quality matters here);
- Any forward SA macro/consumer weakness.

Upside risks:

- A faster UK turnaround under new leadership and the efficiency programme (particularly from FY 28E, we think this may materialize);
- AI-driven margin and pricing advantages (especially taking learnings from the UK sector and applying them successfully into the SA moat);
- SA acquisitions turning yield-accretive sooner (likely linked with our above AI-point);
- A re-rating toward peer multiples; and a potential mid-cap reclassification as the portfolio scales toward 160 properties;
- US-Iran peace drives the oil price lower which shifts the interest rate hiking cycle into one of cutting.

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