



Lok'n Store

AIM / Support Services / LOK.L

Bridgewell Limited makes markets in Lok'n Store

Good H1 results, excellent drivers, further value

Lok'n Store has reported good results this morning, with strong increases in sales and store EBITDA. Customer numbers and pricing continue to be healthy and the new sites (Crayford and Farnborough) are performing strongly. Post the disposal of Kingston for £10m and the announcement about the new pipeline site (Harlow) during the close, we see value as having been made more visible while at the same time there are excellent prospects for the group to scale up on its existing operations. With a 325p fair value we have raised our recommendation from Overweight to Buy.

Lok'n Store's H1 announcement this morning is positive, with good progress on all fronts. Sales were up strongly (+24%), and store EBITDA rose sharply (+44%, margin +41%). Pricing was also ahead of the year-end and the new stores at Farnborough and Crayford have performed strongly. Move-ins rose by 28% in the half-year, suggesting that the new stores are filling up well. We believe there are more sites ripe for development on the back of the new banking facilities. We have made small adjustments to our forecasts, reflecting the strong performance in H1 and the forthcoming investment in Harlow.

Self-storage in the UK remains immature by comparison with other global markets (the US, Australia) and double-digit underlying growth continues to be the norm. We believe concerns about interest rates are overdone given that higher interest rates imply more de-cluttering, and in a higher interest rate environment there is probably increased availability of good sites.

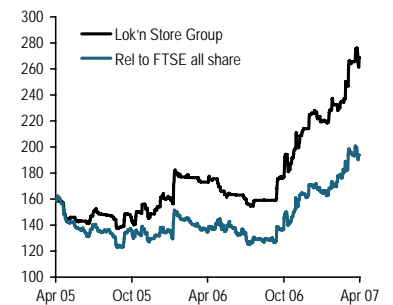
We believe all the ingredients are now in place for renewed outperformance: (1) increased clarity about the NAV; (2) Lok's new model (Farnborough) is sophisticated and set to deliver significantly further value; (3) the disposal of Kingston for £10m gives increased visibility to the valuation; (4) the acquisition of Harlow (69,000 sq ft) earlier in the current month reflects the company's determination to build the pipeline assertively.

In terms of the valuation, Lok'n Store remains at an EV/sq ft discount to the two leading comparators, Big Yellow and Safestore, despite increasingly having a model that lends itself to comparison with Big Yellow. With the share price trading 5-10% ahead of last year's Cushman & Wakefield property valuation (Big Yellow trades at a significant premium), we believe there is good upside and we have raised our recommendation from Overweight to Buy.

Buy

Previous: Overweight

23 April 2007



Vital Statistics

	Current	Year ago
Share price (p)	268	173
Issued shares (m)	27	25
Mkt Cap (£m)	72	43
Performance	Actual	Relative*
1 month	9%	6%
3 months	42%	33%
12 months	55%	35%

*Relative to FTSE all Share

Priced at close of business on 20 April 2007

Financial Overview

	Turnover	EBITA	PBT	EPS	DPS	PE	Yield	Net debt
Y/end Jul	£m	£m	£m	p	p	x	%	£m
2005A	8	0.6	0.1	0.4	0.0	0.0	0.0	7.7
2006A	9	0.9	0.1	0.1	0.0	0.0	0.0	13.2
2007E	10	1.3	0.4	1.6	0.7	0.0	0.3	12.0
2008E	12	1.4	0.5	2.1	1.0	0.0	0.4	10.0

Source: Company, Bridgewell Limited estimates

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Table 1: £/sq ft comparators

	Price (p)	MC (£m)	EV (£m)	Space (000 sq ft)*	£/sq ft
Big Yellow	636	653.5	794.9	2570	309.3
Safestore	244	456.3	668.3	4338	154.1
Lok'n Store	269	67.3	80.5	919**	87.5

* Lettable ** Note – this excludes Farnham and Portsmouth (56.7k sq ft), Harlow (69k sq ft) and the impending loss of Kingston (-32k sq ft).

Source: Bridgewell Limited






Appendix: Regulatory disclosures



Source: DataStream, Bridgewell Limited

Recommendations

Bridgewell Limited has adopted the following scheme for stock recommendations.

-  **Buy** – Outperformance of UK FTSE sector (or peer group) by 10% or more over six months.
-  **Overweight** – Outperformance of UK FTSE sector (or peer group) by 5% to 10% over six months.
-  **Neutral** – Outperformance or underperformance of UK FTSE sector (or peer group) by up to 5% over six months.
-  **Underweight** – Underperformance of UK FTSE sector (or peer group) by 5% to 10% over six months.
-  **Sell** – Underperformance of UK FTSE sector (or peer group) by 10% or more over six months.

Where a recommendation is relative to a peer group rather than a FTSE sector, that peer group will be specified in the document. The period for the recommendation is indicative only. The expectation is that performance will occur in line with the recommendation during the period, but not necessarily over the period as a whole. Recommendations may be changed at any time during the specified period.

A description of Bridgewell's valuation methodology can be found at www.bridgewell.co.uk/RecommendationScheme.aspx

Equity Research Quarterly Ratings Distribution

Data as of 31 March 2007

Buy (%)		Overweight (%)		Neutral (%)		Underweight (%)		Sell (%)	
All	Client	All	Client	All	Client	All	Client	All	Client
27	38	35	37	26	25	11	0	1	0

Includes AIM and Official List companies

General

Analysts' remuneration is not linked to specific corporate finance transactions, nor to recommendations contained in research, but is determined by the general profitability of Bridgewell Group plc and its subsidiaries.

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As at 19 April 2007

Aberdeen Asset Management	1,4,5	Dee Valley	1,2,4,5	Michael Page	4
Acambis	4	Detica	4	MITIE Group	4
Acencia Debt Strategies	1,2,5,6	DIC Entertainment	1,3,4,5	Mobile Streams	1,3,4,5
Adamind	1,3,4,5,7	DICOM Group	1,2,4,5	Morgan Crucible	4
Advanced Medical Solutions Group	1,3,4,5	Dunelm Mill	1,4,6	Mothercare	4
Afren	4,5,6	Empresaria	1,3,4,5,6	Mouchel Parkman	4
Akers Biosciences	1,3,4,5	Enterprise	4	Nautical Petroleum	1,3,4,5
Allergy Therapeutics	1,3,4,5,6	Entertainment Rights	4	N Brown	4
Aminex	1,4	F & C Asset Management Group	4,10	New Star Asset Management	4
Andor	4,5	Fenner	4	Next Fifteen Communications	1,3,4,5
Anite Group	4	Flying Brands	1,2,4,5	Northgate Info	4
ARC International	1,2,4	Foseco	4	NXT	1,2,4,5
Ark Therapeutics	4	Future	4	office2office	4
Atkins (WS)	4	Games Workshop	1,2,4,5	Paragon Group of Companies	4
Atrium Underwriting	1,4,5	GCap Media	1,2,4,5	Penna Consulting	1,3,4,5,6
Augean	1,3,4,5	Global Energy Development	1,3,4,5	Pipex	4
AVEVA Group	4	Glotel	1,4,5	Polar Capital	1,3,4
Babcock International Group	4	Gyrus Group	4	Premier Oil	4
Bateman Litwin	4,6	Halfords	4	Prodesse Investment Ltd	1,4
Bellway	1,4,5	Halma	4	Psion	4
Berkeley Group Holdings	4	Hardy Oil & Gas	4	Quantica	1,3,4,5
Biffa	4	Harvey Nash	4	Rathbone Brothers	1,4,5
BioProgress	4,5,6	Hornby	4,5	Redrow	4
Blacks Leisure	4	Huntsworth	2,4,5	Rensburg Sheppards	4
Bloomsbury Publishing	4	Huveaux	4	Revenue Assurance Services	1,3,4,5
Bovis Homes Group	4	Imagination Technologies	4	Robert Walters	4
Brewin Dolphin Holdings	1,2,4,5	Impax	1,3,4,5	Rotork	4
BSS Group	4	Imperial Energy	4	royalblue	4
BTG	4	Imprint	4	SciSys	1,3,4,5
Canaccord Capital	1,3,4,5	Independent Media Distribution	1,2,4,5	Senior	4
Carillion	4	Informa	4	Serco Group	4
Carpetright	4	Ingenious Media Active Capital	1,3,4,5,6	Severfield-Rowen	4
Cattles	4	Inspicio	1,4,5,6	Shanks Group	4
Centaur Media	4	Intec Telecom	4,5	Shed Productions	1,3,4,5
Charles Stanley Group	1,2,4,5	Interserve	4	Sinclair Pharma	1,4,5
Charter	4	Intertek	4	SkyePharma	4
Charteris	1,3,4,5	ISG	3,4,5	SMG	4
Chrysalis Group	4	Island Oil & Gas	1,2	SOCO International	1,2,4,5
CODA	1,3,4,5	iSOFT Group	1,4,5	Spectris	4
Cookson Group	4	ITE Group	4	Speedy Hire	4
Corin Group	4	Johnston Press	4	Spice	4
Corporate Services	1,2,4,5	Kier Group	1,4,5	Spirax Sarco	4
Cosalt	1,4,5	Laird Group	4	Spring Group	4
Crest Nicholson	4	Liontrust Asset Management	4	St Modwen	1,4
CSR	4	Lok'n Store	4	Synairgen	1,3,4,5
CSS Stellar	1,3,4,5	London Scottish Bank	4	Synergy Health	4
Dana Petroleum	4	Majedie Investments	1,2,4,5	Taylor Nelson	4
Datong	1,3,4,5	Marshalls	1,4,5	Ted Baker	4
Debenhams	4	Media Square	4	The Local Radio Company	1,3,4,5

Thomson Intermedia	1,3,4,5	Universal Salvage	4	Weir	4
Topps Tiles	4	Vanco	4	Wilmington	4
Trafficmaster	1,4,5	Vectura Group	4	Wilson Bowden	1,4,5
Travis Perkins	4	VEGA Group	4,5	Wolfson Micro	4
Tribal Group	4	Venture Production	4	Workspace	3,4
TT electronics	1,4	Vernalis	4	Xaar	4
Tullow Oil	4	Warner Estates	1,2,4,5,6	Zetex	4
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