

Lok'nStore Group

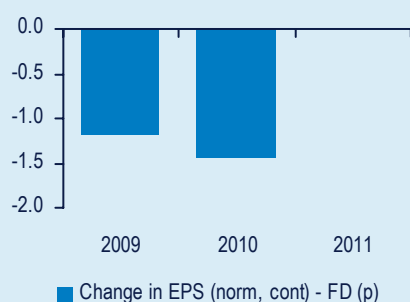
Support Services

Buy **60p**

Potential upside **67%**

Target price **100p**

Impact on estimates

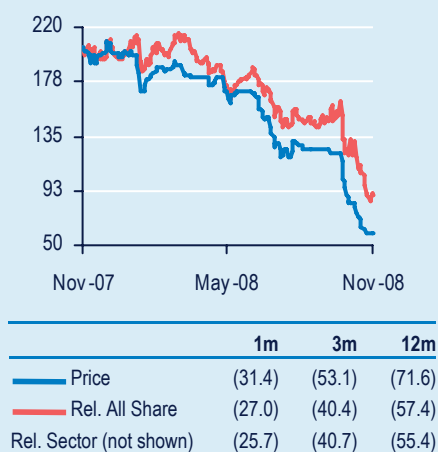


EPS (norm, cont) - FD (p)	2009E	2010E	2011E
Old	-3.66	-3.19	
New	-4.83	-4.64	-3.26

Source: Investec Securities estimates

Market cap	£16.1m
Enterprise value	£40.5m
Next news	Interims, 28 Apr 09
12m high / low	209p/60p
Index	FTSE AIM
RIC / Bloomberg	LOK.L / LOK.LN

Share price performance



Source: JCF Group

Investec acts as Broker and Advisor to Lok'nStore Group

Well positioned to withstand economic turbulence

Our view

Lok'nStore reported a positive set of full year results with like for like revenue up 8.4% in the year (H1 13.0%) and an adjusted NAV per share of 244p (2007: 270p). Lok'nStore's flexible approach allows management to switch to a more cautious approach of running the existing portfolio for cash and we do not anticipate new store openings until economic conditions improve.

Key points

- **Tougher times ahead.** To reflect the poor economic background we have downgraded our forecasts to anticipate a 5% fall in revenue in 2009 (new forecasts attached). We forecast £2m of capex to complete the new Harlow site and expect net debt to increase to £24.4m at y/e FY09.
- **Undervalued.** With the shares trading at a 75% discount to adjusted NAV, the call on the shares centres on whether the group can survive. With management now running the portfolio for cash, no ongoing capex, headroom on covenants on a facility extending to 2012, scope to cut costs, interest rates reducing substantially and the historic resilience of self storage, we remain positive.
- **Target price 100p.** A 60% discount to adjusted historic NAV, at the lower end of the peer range.

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Financials and valuation - IFRS compliant

Year end: 31 July

	2007	2008	2009E	2010E	2011E
Turnover (£m)	10.7	10.8	10.3	10.8	11.3
EBITDA (£m)	2.6	2.3	2.1	2.5	3.0
EBITA (£m)	1.3	0.8	0.4	0.6	1.0
PBT (normalised) (£m)	0.4	(0.4)	(1.2)	(1.2)	(0.8)
Net income (normalised) (£m)	0.4	(0.4)	(1.2)	(1.2)	(0.8)
EPS (normalised, continuing) - FD (p)	1.5	(1.6)	(4.8)	(4.6)	(3.3)
FCFPS - FD (p)	(23.2)	(5.1)	(3.6)	(4.1)	(2.7)
NAV per share (p)	193.2	162.3	161.2	156.9	154.0
DPS (p)	0.67	1.00	1.00	1.05	1.10
PE (normalised) (x)	38.9	n/a	n/a	n/a	n/a
Price/book (x)	0.3	0.4	0.4	0.4	0.4
EV/sales (x)	3.8	3.7	3.9	3.7	3.6
EV/EBITDA (x)	15.4	17.7	19.3	16.0	13.5
FCF yield (%)	(38.0)	(8.4)	(5.7)	(6.6)	(4.3)
Dividend yield (%)	1.1	1.7	1.7	1.8	1.8

Source: Company accounts/Investec Securities estimates

Readers in all geographies please refer to disclosures on page 4.

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Lok'nStore Group

Company profile

Lok'nStore is the fourth largest operator of self storage centres in the UK. The company has a maximum lettable area in excess of 1m sq ft. Storage space is available in sizes from 12 sq ft to 10,000 sq ft. Storage is provided in steel storage units, pallet or open storage. The companies 4,500 customers range from householders to businesses and government.

Other information

Average daily volume (000s)	25
Free float	80%
Number of shares in issue (m)	26
Website	www.loknstore.co.uk

Calendarised valuation - IFRS compliant

	2006	2007	2008	2009E
Calendar PE (x)	114.9	272.8	n/a	n/a
Calendar price/book (x)	0.6	0.3	0.4	0.4
Calendar EV/sales (x)	4.2	3.8	3.8	3.9
Calendar EV/EBITDA (x)	20.0	16.3	18.3	17.7
Calendar FCF yield (%)	(35.6)	(25.6)	(7.3)	(6.1)
Calendar dividend yield (%)	0.5	1.3	1.7	1.7

Source: Company accounts/Investec Securities estimates

Ratios and metrics - IFRS compliant

Year end: 31 July

	2007	2008	2009E	2010E	2011E
Sales growth (y-on-y) (%)	19.2	1.5	(5.0)	5.0	5.0
EBITDA growth (y-on-y) (%)	65.7	(12.9)	(8.3)	20.7	18.0
Net income (normalised) growth (y-on-y) (%)	n/a	n/a	(189.7)	4.0	29.7
EPS (normalised) growth (y-on-y) (%)	n/a	n/a	(195.8)	4.0	29.7
FCFPS growth (y-on-y) (%)	(10.6)	78.1	30.0	(15.2)	34.6
NAVPS growth (y-on-y) (%)	367.3	(16.0)	(0.7)	(2.7)	(1.9)
DPS growth (y-on-y) (%)	n/a	49.3	0.0	5.0	5.0
Interest cover (x)	1.4	0.7	0.2	0.3	0.5
Net debt/EBITDA (x)	4.0	10.0	11.6	9.6	8.0
Net debt/equity (%)	20.5	53.5	58.5	59.9	60.4
Dividend cover (x)	2.4	(1.7)	(4.9)	(4.5)	(3.0)
EBITDA margin (%)	24.6	21.1	20.4	23.5	26.4
EBITA margin (%)	12.5	7.8	3.9	5.9	8.7
ROCE (%)	1.8	1.1	0.5	0.8	1.3
NWC/sales (%)	2.1	(23.7)	(25.0)	(21.9)	(19.1)
Tax rate (normalised) (%)	n/a	n/a	n/a	n/a	n/a
Tax rate (reported) (%)	n/a	n/a	n/a	n/a	n/a

Source: Company accounts/Investec Securities estimates

Support Services

Summary financials (£m) - IFRS compliant

Year end: 31 July

Income statement	2007	2008	2009E	2010E	2011E
Turnover	10.7	10.8	10.3	10.8	11.3
EBITDA	2.6	2.3	2.1	2.5	3.0
Depreciation	(1.3)	(1.4)	(1.7)	(1.9)	(2.0)
Operating profit	1.3	0.8	0.4	0.6	1.0
Other income, JVs and associates	0.0	0.0	0.0	0.0	0.0
Net interest	(1.0)	(1.3)	(1.7)	(1.8)	(1.8)
Share-based payments	0.0	0.0	0.0	0.0	0.0
PBT (normalised)	0.4	(0.4)	(1.2)	(1.2)	(0.8)
Impairment of acquired intangible assets	0.0	(0.3)	0.0	0.0	0.0
Exceptionals	0.6	0.0	0.0	0.0	0.0
PBT (reported)	1.0	(0.7)	(1.2)	(1.2)	(0.8)
Taxation	0.0	0.0	0.0	0.0	0.0
Minorities & preference dividends	0.0	0.0	0.0	0.0	0.0
Discontinued / assets held for sale	0.0	0.0	0.0	0.0	0.0
Profit attributable	1.0	(0.7)	(1.2)	(1.2)	(0.8)
Net income (normalised)	0.4	(0.4)	(1.2)	(1.2)	(0.8)
EPS (reported) - FD (p)	3.7	(2.8)	(4.8)	(4.6)	(3.3)
EPS (normalised, continuing) - FD (p)	1.5	(1.6)	(4.8)	(4.6)	(3.3)
EPS (normalised) - FD (p)	1.5	(1.6)	(4.8)	(4.6)	(3.3)
DPS (p)	0.67	1.00	1.00	1.05	1.10
Average number of group shares - FD (m)	26.3	26.4	25.9	25.9	25.9
Average number of group shares (m)	25.7	26.1	25.6	25.6	25.6
Cash flow	2007	2008	2009E	2010E	2011E
Operating profit	1.3	0.8	0.4	0.6	1.0
Depreciation	1.3	1.4	1.7	1.9	2.0
Other non-cash movements	0.3	0.3	0.3	0.3	0.4
Change in working capital	2.1	(1.2)	0.0	(0.2)	(0.2)
Other cash movements	0.0	0.0	0.0	0.0	0.0
Operating cash flow	5.0	1.4	2.4	2.7	3.1
Interest	(0.8)	(1.3)	(1.7)	(1.8)	(1.8)
Dividends from JVs & associates	0.0	0.0	0.0	0.0	0.0
Tax	0.0	0.0	0.0	0.0	0.0
Maintenance capex	(10.3)	(1.4)	(1.7)	(1.9)	(2.0)
Free cash flow	(6.1)	(1.3)	(0.9)	(1.1)	(0.7)
Expansionary capex	0.0	(12.9)	(0.3)	1.4	1.3
Dividends paid	0.0	(0.3)	(0.3)	(0.3)	(0.3)
Cash impact of exceptionals	0.0	0.0	0.0	0.0	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0
Disposals	8.3	4.0	0.0	0.0	0.0
Share issues	0.0	(2.1)	0.0	0.0	0.0
Other financial	0.5	0.1	0.0	0.0	0.0
Change in net debt	2.7	(12.5)	(1.5)	0.1	0.3
Net cash (debt)	(10.5)	(23.0)	(24.4)	(24.3)	(24.1)
FCFPS - FD (p)	(23.2)	(5.1)	(3.6)	(4.1)	(2.7)
Balance sheet	2007	2008	2009E	2010E	2011E
Intangible fixed assets	0.3	0.0	0.0	0.0	0.0
Tangible fixed assets	75.8	81.0	81.3	79.9	78.6
Net working capital	0.2	(2.6)	(2.6)	(2.4)	(2.2)
Assets employed	76.3	78.4	78.7	77.5	76.4
Investments/other assets	0.0	0.0	0.0	0.0	0.0
Net cash (debt)	(10.5)	(23.0)	(24.4)	(24.3)	(24.1)
Provisions & other liabilities (inc. Pension)	(14.9)	(12.5)	(12.5)	(12.5)	(12.5)
Net assets	50.9	42.9	41.7	40.6	39.9
Minority interests	0.0	0.0	0.0	0.0	0.0
NAV per share (p)	193.2	162.3	161.2	156.9	154.0

Source: Company accounts/Investec Securities estimates

Lok'nStore Group

Definition of research ratings

	Expected 12m performance
Buy	Appreciation of 10% or more
Hold	Appreciation or depreciation of less than 10%
Sell	Depreciation of 10% or more

UK stock ratings distribution

	Coverage universe		Investment banking clients	
	Count	% of total	Count	% of total
Buy	115	52%	29	25%
Hold	83	37%	11	13%
Sell	24	11%	2	8%

Source: Investec Securities

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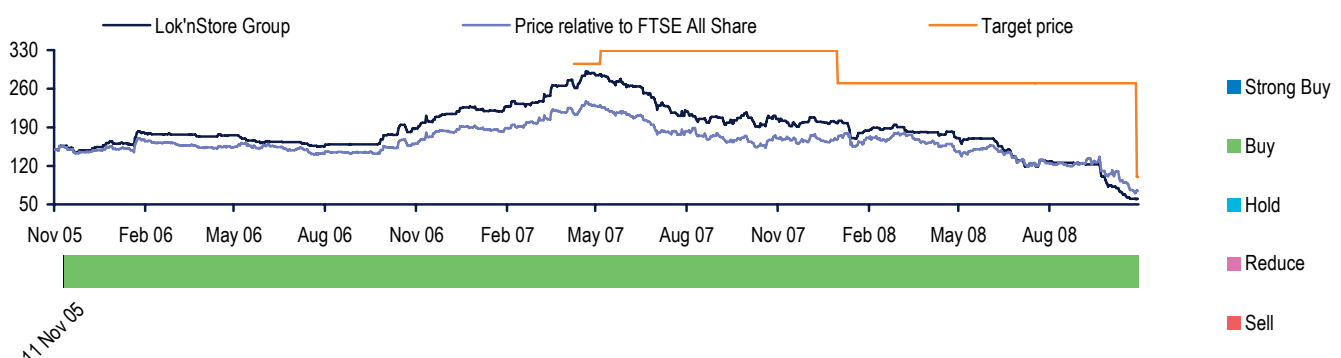
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Lok'nStore Group Ratings Plotter as at 10 Nov 08



Source: Investec Securities estimates, FactSet

Lok'nStore Group

Support Services

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