

## Morning Meeting Notes

Price	194p
Market cap	£48.7m
12m high / low	194p/141p
Average daily volume (000s)	49.1
Sector	Support Services
Index	FTSE AIM
RIC / Bloomberg	LOK.L / LOKLN
Implications for forecasts	▶

### Share price performance



	1m	3m	12m
Price	22.2	24.5	38.3
Rel. All Share	17.5	18.7	14.0
Rel. Sector (not shown)	16.4	13.4	7.6

Source: JCF Group

## Lok'nStore Group

Buy

### Strong increase in NAV

**Lok'nStore's full year results are ahead of our expectations, demonstrating good trading conditions. However, the highlight is the very substantial increase in NAV to 213p per share (200p on a fully diluted basis) from 106p at the last valuation in January 2005. We expect the shares to move to a premium to this NAV, reflecting the significant growth potential in the immature UK self storage market.**

### Key Forecasts

Year End: 31 July	2005	2006E	2007E
Turnover (£m)	7.8	8.9	9.7
PBT (Normalised) (£m)	0.1	0.1	0.1
EPS (Normalised) - FD (p)	0.5	0.2	0.4
DPS (quote) (p)	0.00	0.00	0.00
PE (x)	362.3	1,004.9	500.8
EV/EBITDA (x)	41.5	35.7	31.3
FCF Yield (%)	(1.7)	(11.5)	(7.1)
Dividend Yield (%)	0.0	0.0	0.0

Source: Company accounts/Investec Securities estimates

- Turnover and adjusted PBT of £8.95m/£0.15m in the year to July 2006 is ahead of our forecast £8.90m/£0.05m. Good sales growth was seen at the established and new storage centres, driven by a 9% increase in occupied space and a 4% increase in prices.
- Group turnover was up 15% and EBITDA up 29%. 19 out of the 21 stores are now operating with a positive EBITDA.
- The property has been independently valued at £66.6m which translates into a NAV per share of 213p (200p fully diluted). This is a very substantial increase on the previous valuation of £31.8m at January 2005, reflecting a 33% increase in the value of trading properties from that date, the two new stores and the inclusion of the Kingston and Reading properties at full market value.
- Planning permission has been granted at the Kingston site and there is potential for redevelopment at the Reading site. Reading has, therefore, been valued as an operating self storage site but with an additional uplift to reflect the residential potential but recognising that this has yet to be obtained.
- Net debt rose from £7.7m last year to £13.2m following a £6.3m capital spend on expanding the portfolio and a £1.6m operating cash inflow. Using the latest property valuation, gearing stands at a low 25% and the group has a £20m facility that is sufficient for the group's immediate expansion plans.
- The outlook statement is positive, highlighting the UK self-storage market continues to offer an excellent combination of predictable profits and potential for growth and that there is an opportunity to further increase the value of the business by accelerating the group's growth rate. We support this view and believe the shares should trade at a material premium to the historic NAV of 200p per share.

Investec acts as Broker and Advisor to Lok'nStore Group. Refer to important disclosures starting on page 2.

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### Definition of research ratings

	Expected 12m performance vs the FT All Share
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	130	50%	39	30%
Hold	104	40%	25	24%
Sell	28	11%	2	7%

Source: Investec Securities

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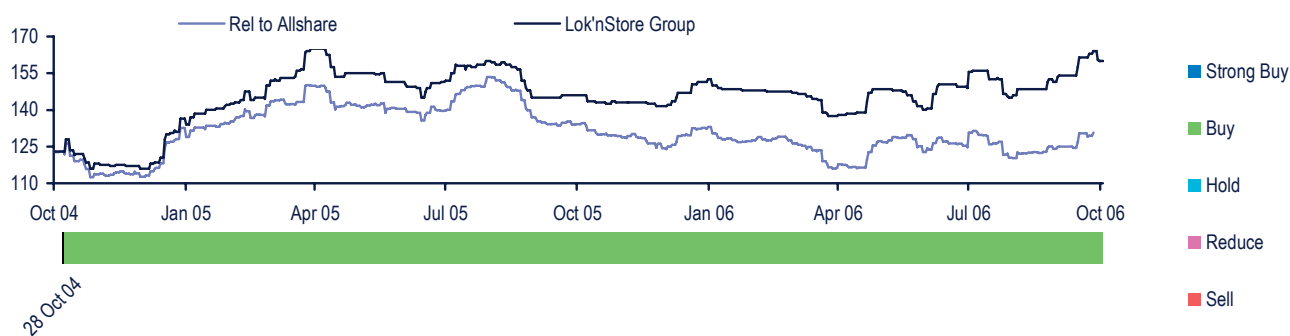
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### Lok'nStore Group Ratings Plotter as at 30 Oct 06



Source: JCF Group/Investec Securities

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