

## NEWS RELEASE

For Release

April 2, 2018

### **StorageVault Reports Fiscal 2017 Annual Results; Highlighting \$485 Million in Acquisitions; Significant Growth in NOI and FFO; Provides 2018 Outlook; Reversal of Q1 and Q3 2017 Goodwill Impairment**

**STORAGEVAULT CANADA INC.** (“StorageVault” or the “Corporation”) (SVI-TSX-V) today reported the Corporation’s full year 2017 audited results. Iqbal Khan, Chief Financial Officer, commented:

“StorageVault delivered another solid year of growth in 2017. The results reflect significant year over year increase in assets owned, equity, revenue, net operating income and funds from operations. Our focus continues to be on growing free cash flow through improved operations, accretive acquisitions and internal expansion. We more than doubled our asset base from the end of 2016, with \$485 million in acquisitions, highlighted by the acquisition of one of Canada's premier self storage portfolios, Sentinel Storage, and increased our same store NOI by over 10% year over year, exceeding our expectations. Looking ahead, we expect to do \$70 to \$90 million of acquisitions in 2018, complete the expansion of two of our existing stores, and continue to increase our cash flow through operating efficiencies and revenue management.”

#### **2017 Full Year Audited Results**

StorageVault achieved another year of significant growth in 2017 with \$485.4 million in acquisitions, the majority of which were acquired in the latter half of the year. The full effect of these acquisitions will not be realized until 2018. These acquisitions followed in the footsteps of \$324.6 million of total acquisitions in the prior two fiscal years.

The net loss of \$13.9 million for the year (net loss of \$21.2 million for 2016) is after \$38.6 million in depreciation and amortization and \$10.9 million deferred tax recovery, both non-cash items, recorded in 2017. Revenue increased to \$61.9 million in 2017 from \$27.8 million in 2016 and net operating income (“NOI”), a non-IFRS measure, grew to \$40.6 million from \$17.0 million in 2016. Cash flow from operations grew to \$16.0 million in 2017 from \$7.5 million in 2016 and when combined with our financing and investing activities resulted in a cash balance of \$16.1 million at the end of the year.

As a result of our strong revenue management program, our revenue and NOI from existing self storage, a non-IFRS measure, increased by 9.1% and 10.1%, compared to the prior year. Funds from operations (“FFO”), a non-IFRS measure, were \$15.8 million compared to \$7.3 million for 2016, a 115.5% increase year over year. Adjusted funds from operations (“AFFO”), a non-IFRS measure, were \$21.2 million compared to \$9.3 million for 2016, a 128.6% increase year over year.

Annualizing the results from the acquisitions in 2017 would have resulted in NOI of \$56.6 million, FFO of \$24.0 million and AFFO of \$29.4 million. See “Annualized Information” below.

For a reconciliation of the above NOI, FFO, and AFFO amounts to IFRS, please see pages 11 through 17 of the Corporation’s Management’s Discussion & Analysis for the year ended December 31, 2017 filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## **2017 Fourth Quarter Results**

The Q4 2017 net income of \$15.3 million (net loss of \$18.7 million for Q4 2016) is after \$13.2 million of depreciation and amortization, the reversal of previously recorded goodwill impairment taken in Q1 2017 and Q3 2017 for a total of \$12.4 million (see below for further information) and deferred tax recovery recorded in the quarter of \$10.9 million. All three amounts are non-cash items.

Revenue for the fourth quarter increased to \$20.7 million compared to \$8.9 million in Q4 2016 and NOI grew to \$14.0 million from \$5.7 million for the comparative period. As mentioned above, our cash flow from operations increased year over year and when combined with our financing and investing activities resulted in cash balance of \$16.1 million at the end of the year.

As a result of our revenue management program and operational efficiency, revenue and NOI from existing self storage stores increased by 7.3% and 7.0%, compared to the same period last year, resulting in cumulative year over year increase in NOI of 10.1% fiscal 2017. Funds from operations were \$5.4 million for Q4 2017 compared to \$2.3 million in Q4 2016, a 134.7% increase year over year. Adjusted funds from operations were \$6.3 million for Q4 2017 compared to \$3.3 million in Q4 2016, a 91.9% increase year over year.

For a reconciliation of the above NOI, FFO, and AFFO amounts to IFRS, please see pages 11 and 17 of the Corporation's Management's Discussion & Analysis for the year ended December 31, 2017 filed on SEDAR at [www.sedar.com](http://www.sedar.com).

As mentioned above, the Corporation reversed \$12.4 million of goodwill impairment. The Q1 2017 goodwill impairment that was recorded was \$5.4 million, and as a result, Q1 2017 net loss would have been \$5.4 million without such goodwill impairment. The Q3 2017 goodwill impairment that was recorded was \$7.0 million, and as a result, Q3 2017 net loss would have been \$8.3 million without such goodwill impairment. The Corporation incorrectly determined that the goodwill impairment test was triggered at the acquisition dates. The goodwill impairment test that was performed at the acquisition dates should have been performed at the year end. Had the goodwill impairment testing been conducted at the year end instead of on the acquisition dates, no goodwill impairment would have resulted in Q1 and Q3 2017. The result is that there is no goodwill impairment recorded in the 2017 annual financial statements.

## **Reversal of Goodwill Impairment Recorded in Q1 and Q3 2017**

In connection with a continuous disclosure review by the Ontario Securities Commission Corporate Finance branch, the goodwill impairment of \$12.4 million that had been previously recorded in the Q1 and Q3 2017 interim financial statements has been reversed. The Corporation incorrectly determined that the goodwill impairment test was triggered at the acquisition dates. The goodwill impairment test that was performed at the acquisition dates should have been performed at the year end. The goodwill impairment originally taken was not as a result of IFRS as had been previously stated. Had the goodwill impairment testing been conducted at the year end instead of on the acquisition dates, no goodwill impairment would have resulted. The result is that there is no goodwill impairment recorded in the 2017 annual financial statements. The impact of this reversal of the \$12.4 million goodwill impairment on the 2017 annual financial statements is to reinstate the previously recognized goodwill of \$12.4 million and reduce the cumulative loss by \$12.4 million from what was previously recorded. There were no changes to previously reported NOI, FFO and AFFO figures resulting from these reversals.

## **Our Strategy**

StorageVault is focused on owning and operating storage in the top markets in Canada. Our goal is to have multiple stores in each market, with complementary portable storage units, to take advantage of

economies of scale. Our growth strategy is focused on acquisitions, organic growth, expansion of our existing stores and expansion of our portable storage business.

### **Further Information**

For comprehensive disclosure of StorageVault's performance for the year ended December 31, 2017 and its financial position as at such date, please see StorageVault's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2017 filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Non-IFRS Financial Measures**

Management uses both IFRS and Non-IFRS Measures to assess the financial and operating performance of the Company's operations. These Non-IFRS Measures are not recognized measures under IFRS, do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other companies. The Non-IFRS Measures referenced in this news release include the following:

- i. Net Operating Income (“**NOI**”) – NOI is defined as storage and related services revenue less related property operating costs. NOI does not include interest expense or income, depreciation and amortization, corporate administrative costs, stock based compensation costs or taxes. NOI assists management in assessing profitability and valuation from principal business activities.
- ii. Funds from Operations (“**FFO**”) – FFO is defined as net income (loss) excluding gains or losses from the sale of depreciable real estate, plus depreciation and amortization, stock based compensation expenses, and deferred income taxes; and after adjustments for equity accounted entities and non-controlling interests. The Corporation believes that FFO can be a beneficial measure, when combined with primary IFRS measures, to assist in the evaluation of the Corporation's ability to generate cash and evaluate its return on investments as it excludes the effects of real estate amortization and gains and losses from the sale of real estate, all of which are based on historical cost accounting and which may be of limited significance in evaluating current performance.
- iii. Adjusted Funds from Operations (“**AFFO**”) – AFFO is defined as FFO plus acquisition and integration costs. Acquisition and integration costs are one time in nature to the specific assets purchased in the current period or pending and are expensed under IFRS.
- iv. Existing Self Storage – means stores that the StorageVault has owned or leased since the beginning of the previous fiscal year.

NOI, FFO, AFFO and Existing Self Storage, should not be viewed as an alternative to, in isolation from, or superior to, net income or cash flow from operations, or results from StorageVault's comprehensive operations, respectively, or other measures calculated in accordance with IFRS. NOI, FFO and AFFO should not be interpreted as an indicator of cash generated from operating activities and is not indicative of cash available to fund operating expenditures, or for the payment of cash distributions. Existing Self Storage should not be considered a measure of StorageVault's comprehensive operations. NOI, FFO, AFFO and Existing Self Storage are simply additional measures of operating performance which highlight trends in StorageVault's core business that may not otherwise be apparent when relying solely on IFRS financial measures. StorageVault's management also uses these non-IFRS measures in order to facilitate operating performance comparisons from period to period and to prepare operating budgets. In addition, the Corporation's definitions of NOI, FFO, AFFO and Existing Self Storage may differ from that of other issuers.

## **Annualized Information**

The Corporation purchased 42 stores during fiscal 2017 and the revenues and operating expenses from each acquisition are reflected in the December 31, 2017 financial statements from the date of acquisition forward for these properties. In order to provide the reader with a greater understanding of potential results from a full year of operations with the acquired assets, the Corporation has prepared an unaudited estimated Annualized NOI and FFO statement annualizing the revenues and expenses estimated as if the properties were purchased as of January 1, 2017 and owned for the entire 12 month period. For further information on the estimated annualized results referenced above in this news release, please refer to “Annualized Net Operating Income and Funds from Operations” set forth in the Corporation’s Management’s Discussion & Analysis for the year ended December 31, 2017 filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## **About StorageVault Canada Inc.**

StorageVault owns and operates storage locations in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, and Nova Scotia.

For further information, contact Mr. Steven Scott or Mr. Iqbal Khan:

Tel: 1-877-622-0205  
ir@storagevaultcanada.com

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**Forward-Looking Information:** This news release contains “forward-looking information” within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein are forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as “plans”, “ expects” or “does not expect”, “proposed”, “is expected”, “budgets”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. In particular, this news release contains forward-looking information regarding: the Corporation’s strategic objectives, goals, growth strategy and focus including growing free cash flow through improved operations, accretive acquisitions and internal expansion; the size of potential future acquisitions the Corporation may make in 2018; the expansion of two existing stores; statements regarding StorageVault’s expected future performance, including an increase in cash flow through operating efficiencies and revenue management; the full effect of the acquisitions completed in 2017 and the annualized NOI and FFO assuming previous acquisitions that occurred in Fiscal 2017 were purchased on January 1, 2017. There can be no assurance that such forward-looking information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such forward-looking information. This forward-looking information reflects StorageVault’s current beliefs and is based on information currently available to StorageVault and on assumptions StorageVault believes are reasonable. These assumptions include, but are not limited to: the level of activity in the storage business and the economy generally; consumer interest in the Corporation’s services and products; competition and SVI’s competitive advantages; trends in the storage industry, including, increased growth and growth in the portable storage business; the availability of attractive and financially competitive asset acquisitions in the future; the revenue and costs from acquisitions conducted in fiscal 2017 being extrapolated to the entire period for 2017 and being consistent with, and reproducible as, revenue in future periods; and anticipated and unanticipated costs. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of

activity, performance or achievements of StorageVault to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; delay or failure to receive board or regulatory approvals; the actual results of future operations; competition; changes in legislation, including environmental legislation, affecting StorageVault; the timing and availability of external financing on acceptable terms; conclusions of economic evaluations and appraisals; and lack of qualified, skilled labour or loss of key individuals. A description of additional assumptions used to develop such forward-looking information and a description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in StorageVault's disclosure documents on the SEDAR website at [www.sedar.com](http://www.sedar.com). Although StorageVault has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Forward-looking information contained in this news release is expressly qualified by this cautionary statement. The forward-looking information contained in this news release represents the expectations of StorageVault as of the date of this news release and, accordingly, is subject to change after such date. However, StorageVault expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law.

The amount of potential future acquisitions by the Corporation in fiscal 2018 and revenue and NOI growth for 2018 contained in this news release may be considered a financial outlook as defined by applicable securities legislation. Such information and any other financial outlooks have been approved by management of the Corporation as of the date hereof. Such financial outlooks are provided for the purpose of presenting information about management's current expectations and goals relating to the future business of the Corporation. Readers are cautioned that reliance on such information may not be appropriate for other purposes.