

# SCALABILITY IN THE BUSINESS MODEL ENABLES PROFITABLE GROWTH

24Storage is a challenger on the self storage market thanks to digitalisation and smart stores in the right locations. We are currently in a build-up phase and still have a large number of newly opened stores. The cash flow from letting activities is increasing as the stores achieve a higher degree of maturity. The scalability in our business model also means that profitability will rise in the longer term when we grow.

## BUSINESS IDEA

24Storage's business idea is to offer private customers and companies in Sweden's three metropolitan regions, Stockholm, Gothenburg and Malmö, simple and effective storage, what is known as self storage. Most of our operations are conducted in our own properties which are new set ups or have been further developed, but also in special cases via long-term leases. We combine a tried and tested self storage model with full-scale e-commerce, proptech-adapted facilities and structured customer management using CRM systems that enable scalability, which provides conditions for profitable growth.

## OPERATING TARGET

Our ambition is to open three to five new stores per year, which will add around 10,000 square metres of lettable floor space per year.

## BUSINESS MODEL AND STRATEGY

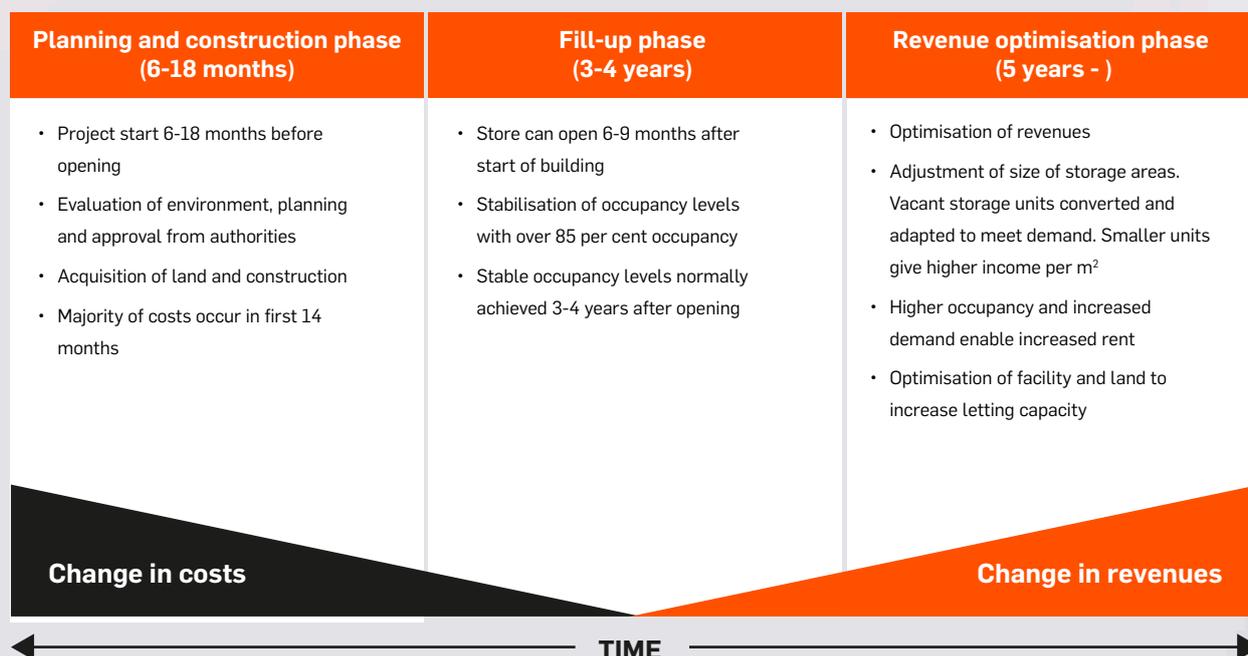
Our strategy is to grow in growth areas which have a positive

demographic development and where there is a strong purchasing power, primarily in the metropolitan regions of Stockholm, Gothenburg and Malmö.

Our earnings power is determined by the number of storage facilities and the revenues from leasing operations, in relation to costs for the storage facilities and administrative costs. Revenues from the leasing activities are in direct relation to the growth in occupancy of our newly built stores, at the same time as our mature stores are continually undergoing revenue optimisation through expansion with more units, increased rents and adjustments of size.

At the same time, the increase in our real estate portfolio provides a long-term growth in value. Our new stores are specially designed so that the architecture will fit in with the surroundings, so we can maximise the lettable space while it is still on the drawing board. Once a store opens, the value of the property rises in step with the occupancy rate, leading to successive revenue optimisation, which

### Investing cycle for self storage



is normally estimated to happen over a six-year period. After that we can generate a strong cash flow from the store.

### INVESTING CYCLE FOR SELF STORAGE

#### Planning and construction

The planning phase is the start-up work that often takes place between three and eight months before work starts on building a new facility. During this period preparatory work is undertaken, including analysis, evaluation, contact with the authorities and acquisition of building rights. Start-ups are decided by what we consider to be the best possible geographical location available based on our start-up criteria. Our first choice consists of acquisition of building rights for the construction of new buildings in line with our concept. The lack of suitable building land in attractive areas can make other types of establishment in certain catchment areas a better alternative. Our goal is to build stores with a gross building area of 3,000-6,000 square metres, provided the market conditions are good. This is initially a capital-intensive business, since land and construction represent the majority of the costs for a new facility. In rare cases we choose to start up by renting premises or a property.

#### Fill-up

Once a store has opened it takes around four years before it has reached an occupancy rate of 80-85 per cent. When new lettable space is added the average occupancy rate for the Group falls since it takes time for a new store to

achieve a stable occupancy rate at the right price. When a store has achieved a stable occupancy rate, the lettable space is divided among many tenants, which creates stability in the revenue streams.

#### Revenue optimisation

As the store's occupancy rises towards 90 per cent we can successively raise the level of rent in years five and six. An occupancy rate of just over 90 per cent is considered to be optimal, as there should be capacity to meet demand from new customers. After that the store can be considered mature.

Further, the lettable space in the store can be optimised through conversion, where new and previously unutilised space is rebuilt to provide new storage space. Increasing the floor space or extending the existing store allows us to increase the lettable capacity.

