

SHURGARD STORAGE CENTERS INC

Form 425

June 06, 2006

page 1
NAREIT
Investor
Conference
Summary
of
Public
Storage/Shurgard
Merger
June
6-8,
2006
THE
MOST
RECOGNIZED
BRANDS
IN
SELF-STORAGE
SLIDE
PRESENTATION,
FILED
JUNE
6,
2006
Filed
by
Public
Storage,
Inc.
Pursuant
to

Rule
165
and
Rule
425(a)
under
the
United
States
Securities
Act
of
1933,
as
amended
Subject
Company:
Shurgard
Storage
Centers,
Inc.
Commission
File
No.
001-11455
Date:
June
6,
2006

page 2
Disclosures
Forward-Looking
Statements
This
presentation
contains
forward-looking
statements
within
the
meaning
of

Section
27A
of
the
Securities
Act
of
1933
and
Section
21E
of
the
Securities
Exchange
Act
of
1934.

All
statements
other
than
statements
of
historical
facts
included
in
this
presentation
are
forward-looking
statements.

All
forward-looking
statements
speak
only
as
of
the
date
of
this
conference.

Such
forward-looking
statements
involve
known

and
unknown
risks,
uncertainties
and
other
factors
that
may
cause
the
actual
results,
performance,
achievements
or
transactions
of
Public
Storage,
Shurgard
and
their
affiliates
or
industry
results
or
the
benefits
of
the
proposed
merger
to
be
materially
different
from
any
future
results,
performance,
achievements
or
transactions
expressed
or
implied
by

such
forward-looking
statements.
Such
risks,
uncertainties
and
other
factors
relate
to,
among
others,
difficulties
encountered
in
integrating
the
companies,
approval
of
the
transaction
by
the
shareholders
of
the
companies,
the
satisfaction
of
closing
conditions
to
the
transaction,
inability
to
realize
or
delays
in
realizing
the
expected
synergies,
unanticipated
operating
costs

and
the
effects
of
general
and
local
economic
and
real
estate
conditions.
Additional
information
or
factors
which
could
impact
the
companies
and
the
forward-looking
statements
contained
herein
are
included
in
each
company's
filings
with
the
Securities
and
Exchange
Commission,
including
in
Part
II,
Item
1A,
Risk
Factors ,
in
Public
Storage's

Quarterly
Report
on
Form
10-Q
for
the
quarter
ended
March
31,
2006,
our
registration
statement
on
Form
S-4
filed
on
April
20,
2006,
as
amended
on
May
24,
2006,
and
our
other
Reports
on
Form
10-K,
10-Q
and
8-K.
The
companies
assume
no
obligation
to
update
or
supplement
forward-looking
statements

that
become
untrue
because
of
subsequent
events.
Additional
Information
This
presentation
does
not
constitute
an
offer
of
any
securities
for
sale.
In
connection
with
the
proposed
transaction,
Public
Storage
and
Shurgard
have
filed
a
preliminary
joint
proxy
statement/prospectus
as
part
of
a
registration
statement
regarding
the
proposed
merger
with
the

Securities
and
Exchange
Commission.
INVESTORS
AND
SECURITY
HOLDERS
ARE
URGED
TO
READ
THE
DEFINITIVE
JOINT
PROXY
STATEMENT/PROSPECTUS
AND
OTHER
RELEVANT
MATERIAL
WHEN
THEY
BECOME
AVAILABLE
BECAUSE
THEY
WILL
CONTAIN
IMPORTANT
INFORMATION
ABOUT
PUBLIC
STORAGE
AND
SHURGARD
AND
THE
PROPOSED
MERGER.
Investors
and
security
holders
may
obtain
a
free
copy
of

the
definitive
proxy
statement/prospectus
when
they
become
available
and
other
documents
filed
by
Public
Storage
and
Shurgard
with
the
SEC
at
the
SEC's
website
at
www.sec.gov.
The
definitive
joint
proxy
statement/prospectus
and
other
relevant
documents
when
they
become
available
may
also
be
obtained
free
of
charge
from
Public
Storage
or

Shurgard
by
directing
such
request
to:
Public
Storage,
Inc.,
701
Western
Avenue,
Glendale,
CA
91201-2349,
Attention:
Investor
Relations
or
Shurgard
Storage
Centers,
Inc.,
1155
Valley
Street,
Suite
400,
Seattle,
WA
98109,
Attention:
Investor
Relations.
Public
Storage
and
Shurgard
and
their
respective
directors
and
executive
officers
may
be
deemed
to
be

participants
in
the
solicitation
of
proxies
from
the
shareholders
of
Public
Storage
and
Shurgard
in
connection
with
the
merger.
Information
about
Public
Storage
and
its
directors
and
executive
officers,
and
their
ownership
of
Public
Storage
and
information
about
Shurgard
and
its
directors
and
executive
officers,
and
their
ownership
of
Shurgard

securities,
is
set
forth
in
the
preliminary
joint
proxy
statement/prospectus
included
in
the
registration
statement
on
Form
S-4
filed
with
the
SEC
on
April
20,
2006
and
amended
May
24,
2006.
Additional
information
regarding
the
interests
of
those
persons
may
be
obtained
by
reading
the
definitive
proxy
statement/prospectus
when
it

becomes
available.
This
communication
shall
not
constitute
an
offer
to
sell
or
the
solicitation
of
an
offer
to
sell
or
the
solicitation
of
an
offer
to
buy
any
securities,
nor
shall
there
be
any
sale
of
securities
in
any
jurisdiction
in
which
such
offer,
solicitation
or
sale
would
be
unlawful

prior
to
registration
or
qualification
under
the
securities
laws
of
any
such
jurisdiction.
No
offering
of
securities
shall
be
made
except
by
means
of
a
prospectus
meeting
the
requirements
of
Section
10
of
the
Securities
Act
of
1933,
as
amended.

page 3
Merger Terms

page 4
Terms of Merger

Each
share
of
Shurgard's
common
stock
will
be
exchanged
for

.82
shares
of
Public
Storage s
common
stock

No
caps
or
collars
on
share
exchange

Issue
approximately
38.7
million
common
shares,
assume
\$1.9
billion
of
Shurgard
debt
and
\$136
million
of
Shurgard
preferred
will
be
redeemed
prior
to
closing

One
Shurgard
independent
director
to
join
Public
Storage
Board

of
Directors

Structured
as
a
taxable
transaction

Step
up
in
tax
basis
of
properties
enhances
future
free
cash
flow
retention

Merger
targeted
to
close
during
the
third
quarter,
2006

Subject
to
shareholder
votes
and
customary
closing
conditions

page 5
Combined Company and
Portfolio

page 6

2005 Combined Revenues and NOI

(\$ in millions)

(1)

Before minority interest and depreciation

(2)

PSA and SHU owned properties as of March 31, 2006

(3) Includes reclassification adjustments made to certain SHU historical amounts to conform to PSA presentation as filed in S-4 amendment on May 24, 2006

Combined

Pro Forma

Company

PSA

SHU
 Combined
 3
 Percent
 Revenues
 U.S.
 \$1,061
 \$357
 \$1,422
 92%
 Europe
 -
 127
 127
 8%
 Total
 \$1,061
 \$484
 \$1,549
 100%
 Property NOI
 1
 U.S.
 \$666
 \$204
 \$872
 95%
 Europe
 -
 42
 42
 5%
 Total
 \$666
 \$246
 \$914
 100%
 Operations Footprint
 2
 1,508 facilities
 642 facilities
 2,150 facilities
 (158 in Europe)
 (158 in Europe)
 37 states
 21 states
 38 states
 -
 7 European
 7 European

-

countries

countries

92 mm sq ft

39 mm sq ft

131 mm sq ft

-

(8 mm sq ft in Europe)

(8 mm sq ft in Europe)

2005

page 7

Competitive Landscape

U.S.

1

Net Rentable

Number of

Square Feet

Properties

(million sq ft)

1

Public Storage / Shurgard

1,992

123

2

Extra Space Storage

634

48

3

U-Haul

1,000

33

4

U-Store-It

339

21

5

Sovran Self Storage

290

18

(1) Public Storage and Shurgard owned properties as of March 31, 2006.

Competitor's information based on data disclosed on website or in public filings.

page 8

Competitive Landscape

Europe

1

1

Shurgard Europe

158

Belgium, France, Sweden, UK,

Netherlands, Denmark,

Germany

2

Safestore / Spaces / Une piece en plus

104
UK, France
3
Access Self Storage
44
UK
4
Big Yellow Self Storage
44
UK
5
City Self Storage
29
Denmark, Czech Republic,
Italy, Norway, Spain, Sweden
6
Lok'n Store
20
UK
7
Homebox
16
France
Other Operators
332
Industry
747
Number of
Properties
Countries
Served
(1)
Shurgard owned properties as of March 31, 2006.
Competitor s information based on data disclosed on website or in public filings.

page 9

CA

313

52

NV

22

OR

24

14

WA

42
51
UT
7
AZ
15
22
ID
NM
CO
50
8
WY
HI
6
MT
TX
170
65
KS
22
OK
8
NE
1
SD
ND
MO
38
IA
MI
15
24
IL
100
23
IN
18
13
KY
7
AR
LA
10
ME
VT
WV
VA
42
36

TN
23
10
MS
1
AL
22
GA
71
18
FL
157
32
SC
25
15
OH
30
0
CT
14
DE
4
MA
19
MD: 44
11
NH
2
NJ: 48
7
RI
2
MI
15
28
OH
30
Combined U.S. Portfolio
Operations overlap
Public Storage alone
Shurgard alone
1,992 Domestic Facilities
1
(as of March 31, 2006)
Property
Count
Public
Storage
1,508

Shurgard

484

(1)

Public Storage and Shurgard owned properties as of March 31, 2006.

NY

49

11

PA

21

7

NC

25

41

MN

25

19

WI

16

page 10

Chicago

7%

San Francisco

7%

Dallas-Ft. Worth

5%

Houston

5%

New York
5%
Other
33%
Miami
4%
Wash DC
3%
Philadelphia
3%
Atlanta
5%
Sacramento
2%
Seattle-Tacoma
3%
Denver
3%
Tampa
2%
Minneapolis
2%
Los Angeles
11%
U.S. Portfolio -
Self Storage sq ft
1
(as of March 31, 2006)
Chicago
7%
San Francisco
6%
Dallas-Ft. Worth
5%
Seattle-Tacoma
5%
Houston
5%
Other
36%
Los Angeles
9%
Detroit
2%
Denver
2%
Minneapolis
2%
Philadelphia
3%

Charlotte
2%

New York
5%

Wash. DC
3%

Miami
4%

Atlanta
4%

Public Storage
Shurgard

Los Angeles
5%

San Francisco
5%

Chicago
5%

Other
29%

Detroit
6%

Charlotte
7%

Dallas-Ft. Worth
4%

Wash DC
4%

Atlanta
3%

Minneapolis
4%

Phoenix
3%

Houston
4%

Orlando
4%

New York
4%

Portland
3%

Seattle-Tacoma
10%

Combined
Over one million customers
(1)
Public Storage and Shurgard owned
properties as of March 31, 2006.

page 11
Denmark
8
Denmark
8
United
Kingdom
18

United
Kingdom

18

France

48

France

48

Germany

11

Germany

11

Sweden

22

Sweden

22

Belgium

19

Belgium

19

Netherlands

32

Netherlands

32

European Portfolio

1

(as of March 31, 2006)

Total Locations: 158

Total Rentable sq ft: 8,309,000

(1)

Shurgard owned properties as of March 31,
2006, per first quarter 2006 10-Q filing.

page 12
European Portfolio
Self Storage sq ft
1
(as of March 31, 2006)
United Kingdom
8%
Netherlands
9%

Denmark

9%

Germany

17%

Belgium

3%

France

54%

United Kingdom

11%

Belgium

16%

Sweden

18%

Netherlands

23%

Germany

4%

Denmark

4%

France

24%

Same Store (123)

New Store (35)

United Kingdom

10%

Belgium

13%

Sweden

15%

Netherlands

20%

Germany

7%

Denmark

5%

France

30%

All Stores (158)

(1)

Shurgard owned properties as of March 31,
2006, per first quarter 2006 10-Q filing.

page 13
Shurgard Merger Sources and Uses
1

Public
Storage
has
raised
the
capital
to
fund
the

merger
costs,
payoff
SHU s
short-term
debt
and
redeem
SHU s
preferred
stock.

Merger Funding

(1)

Per information filed in S-4 amendment May 24, 2006

(2)

Unsecured credit facility balance of \$621M at 3/31/06 and \$67M of notes payable at 3/31/06

Funding Sources

(\$ in millions)

%

Funding Requirements

(\$ in millions)

%

Common equity

3,177

\$

78%

Common equity

3,177

\$

78%

Cash

892

22%

Retirement of SHU debt²

688

17%

Redeem SHU preferred

136

3%

Transaction costs

68

2%

4,069

\$

100%

4,069

\$

100%

page 14

Combined Capitalization as of March 31, 2006

(\$ in millions, except share price)

(1)

Pro

forma

combined

company

uses

PSA s

stock

price
and
pro
forma
shares
outstanding
to
calculate
combined
equity
market
capitalization
at
March
31,
2006
(2)
Pro
forma
includes:
payoff
of
SHU
unsecured
credit
facility
of
\$621M
at
3/31/06,
payoff
of
SHU
notes
payable
of
\$67M
at
3/31/06,
issuance
of
\$518M
of
PSA
preferred
stock,
redemption
of
\$136M
of

SHU
 preferred
 stock
 and
 issuance
 of
 \$100M
 of
 PSA
 preferred
 units.

Post merger, the combined company will still have one of the
 most conservative capital structures in the REIT industry

Pro Forma

PSA

SHU

Combined

2

Share Price (close at 3/31/06)

1

81.23

\$

66.63

\$

81.23

\$

Common Shares (in millions)

128.2

47.3

166.9

Equity Market Capitalization

10,414

\$

3,152

\$

13,557

\$

Debt

142

1,943

1,413

Preferred Stock

2,603

136

3,121

Preferred Units

225

-

325

Minority Interest

33

139

172

Total Capitalization

13,417

\$

5,370

\$

18,588

\$

Debt / Total Capitalization

1%

36%

8%

Debt + Pref. / Total Capitalization

20%

39%

24%

page 15
Strategic Rationale

page 16
Strategic Rationale

Highest quality, best located portfolio complimentary to PSA's
portfolio

Best
opportunity
to
drive
economies
of
scale

in
operations

Opportunity to acquire large competitor in all stock, taxable transaction

Significant increase in depreciable assets

Significant
increase
in
market
presence
in
several
high
barrier
to
entry
markets

General & Administrative costs reduced significantly

PSA: 2% of revenues vs. SHU 7% of revenues

1

Eliminate redundancies in back office and executive infrastructure

SOX compliance and audit cost will be substantially reduced

Operating cost per facility could be reduced

Domestic Same Store NOI margin: PSA 67% vs. SHU 60%

2

Significant number of facilities in the same markets will further enhance economies of scale

Revenues could be enhanced

Occupancy: PSA 91% vs. SHU 86%

3

Participation in national media and promotional programs

Largest and best platform in Europe

Most properties are newly developed and of high quality

Opportunity to drive top line revenue through application of U.S. marketing, pricing and promotional programs

Opportunities to improve economies of scale, customer awareness in many markets

(1)
2005
G&A
/
total
revenues:
PSA
total
revenues
of
\$1,061M
and
G&A
of
\$21M,
SHU
total
revenues
of
\$484M
and
G&A
of
\$35M
(2)
2005
Same
Store
NOI
(after
direct
and
in-direct
costs)
/
total
revenues:
PSA
total
revenues
of
\$811
and
NOI
of
\$543M,
SHU
total
revenues

of
\$329M
and
NOI
of
\$196M
(3)
2005
full
year
Same
Store
occupancy

page 17

General & Administrative Expenses

1

(\$ in millions)

SHU G&A costs can be reduced or eliminated

\$17

\$19

\$21

\$18

\$33

\$35
 \$0
 \$20
 \$40
 2003
 2004
 2005
 PSA
 SHU
 6%
 Rev
 8%
 Rev
 7%
 Rev
 2%
 Rev
 2%
 Rev
 2%
 Rev
 \$22.7 million of G&A costs is expected to be eliminated
 SHU G&A costs (\$millions) 2005
 Executive and personnel expenses
 Audit and consulting fee (including
 Sarbanes-Oxley compliance costs)
 Other costs of being a public company
 Total SHU G&A costs
 \$ 9.5
 9.4
 3.8
 \$ 35.3
 Potential synergy cost savings
 Total potential synergy cost savings
 2
 22.7
 Europe
 Other miscellaneous costs
 3.6
 9.0
 (1)
 Per PSA and SHU 2005 10-K filings.
 Calculated
 G&A
 /
 total
 revenues:
 PSA
 total
 revenues

-
2003
\$894M,
2004
\$959M,
2005
\$1,061M;
SHU
total
revenues

-
2003
\$298M,
2004
\$424M,
2005
\$484M

(2) As filed in amended S-4, May 24, 2006

page 18
Domestic Same Store Operating Margins
1

Duplicative Yellow Pages costs can
be significantly reduced

Television advertising costs will be
allocated over a larger number of
properties

Duplicative support service costs
will be reduced or eliminated

Human Resources

Payroll processing

Accounts Payable

Cash Management

Insurance

Property Tax Management

Accounting and Income Tax

MIS function

65.3%

65.6%

67.0%

61.1%

60.5%

59.6%

0%

25%

50%

75%

2003

2004

2005

PSA

SHU

Each 100 basis point improvement in SHU s
domestic

Same Store margin contributes \$3.2 million in annual cash flow

(1)

Domestic Same Store: NOI (after direct and in-direct) / total revenues:

PSA NOI -

2003 \$480M, 2004 \$507M, 2005 \$543M

PSA total revenues -

2003 \$735M, 2004 \$773M, 2005 \$811M

SHU NOI

2003 \$168M, 2004 \$187M, 2005 \$196M

SHU total revenues

2003 \$275M. 2004 \$309M, 2005 \$329M

page 19
Domestic Same Store Sq Ft Occupancy
1

SHU s
occupancy levels can
be enhanced with the aid of
PSA s
marketing efforts,
national reservation center

and centralized pricing programs

Opportunity to enhance revenues by incorporating PSA s tenant reinsurance and truck rental programs into the SHU s portfolio

89.2%

91.0%

91.0%

83.0%

84.0%

86.0%

60%

80%

100%

2003

2004

2005

PSA

SHU

Each 100 basis point improvement in SHU s domestic Same Store occupancy, at constant rental rates, increases annual revenues by \$3.7 million

(1)

Per PSA and SHU 2005 10-K filings.

page 21
Business Plan

Rebrand
all domestic properties to Public Storage and use PSA
operating platform

Maximize revenue growth

Strive to improve occupancy levels to those experienced by PSA

Centralize pricing at corporate level

Utilize national call center

Expand usage of internet and website to attract customers more efficiently

Centralize marketing and real estate at corporate level

Drive economies of scale benefits

Use television with no incremental costs for properties in same markets

Combine Yellow Page promotions for properties in same markets

Streamline field supervision functions

Eliminate duplicative back-office support functions

Meaningful benefits not expected until 2007

page 22

Long-term Financing Plan

Capital structure

Use preferred stock and retained cash as sources of permanent capital to repay debt assumed in the merger and future growth opportunities

Shurgard debt assumed

Refinance where possible with permanent capital

Goal is to quickly recapitalize Public Storage's balance sheet, positioning it for continued growth