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

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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.

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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 facilites
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

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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.

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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.

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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.

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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%

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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%

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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

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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

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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

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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.

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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

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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