

# PERFORMANCE THROUGH INTEGRATION



**STORAGEVAULT**  
CANADA SELF STORAGE CENTRES

ANNUAL  
REPORT  
2019



VENTURE  
**50**  
2020

**STORAGEVAULT WAS  
RECOGNIZED AS A  
TSX VENTURE 50™  
COMPANY IN 2020  
FOR THE 3<sup>RD</sup> TIME**

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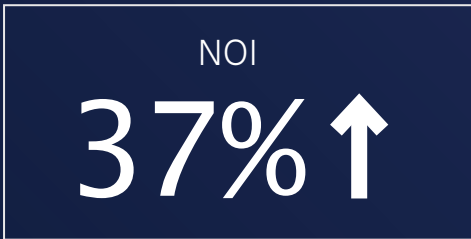
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## CORPORATE INFORMATION

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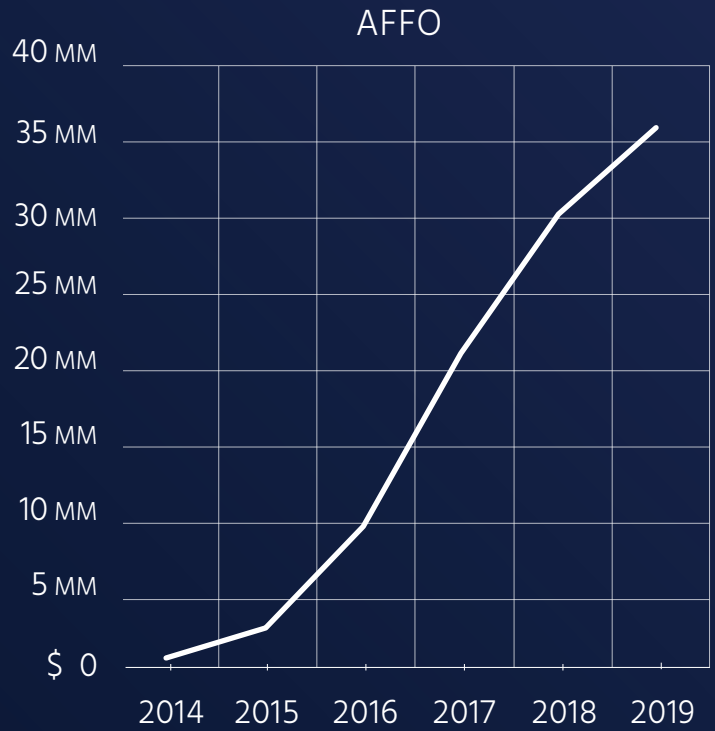
**SVI'S MANAGEMENT TEAM IS  
KNOWN FOR ITS EXECUTION  
AND DISCIPLINE RESULTING  
IN PERFORMANCE**

# HIGHLIGHTS



## ↑ NOI AND AFFO

LET'S TALK **GROWTH:**



# LETTER TO OUR SHAREHOLDERS

## Dear Fellow Shareholders,

StorageVault continued its strong performance in 2019 with over \$373 million in acquisitions and over 7% same store revenue and NOI growth.

SVI landed its second whale in as many years with the acquisition of Real Storage, the fourth largest operator in Canada, for \$275 million. Real Storage owned and operated 38 stores throughout Ontario, Manitoba, Alberta and British Columbia and had been one of SVI's most significant competitors in the acquisition market. Of the 27 markets Real Storage operated in, SVI had existing operations in many of them and as a result we expect significant synergies to be realized over the next 24 months. SVI also acquired \$98 million of additional assets in the year with a focus on infilling our current markets.

While we are now almost triple the size of our next closest competitors with over 200 stores across Canada, we are still confident that we can acquire an additional \$50 to \$75 million of assets in 2020 and beyond.

Operationally, we have had an equally successful year achieving over 7% same store revenue and NOI growth and a 19% AFFO growth for the year. These strong results stem from our performance driven culture, a dynamic revenue management platform, the successful integration of acquisitions and exceeding our acquisition targets.

Our commitment to innovation and investment in intelligent software has allowed us to achieve a best in class reservation centre and revenue management system. Through automation and data analytics, these initiatives have allowed us to enhance revenues, control customer acquisition costs and other operating expenses while improving the customer experience. As a result, we have built the best storage

portfolio and operating platform in Canada. Combine this with our disciplined operating team, and the result is a tremendous competitive advantage that we will continue to leverage.

Other notable accomplishments include:

- Recognition as one of the Top 50<sup>TM</sup> performing companies on the TSX-V (3rd time in last 4 years).
- A diversity leader in gender, ethnicity and experience.
- Philanthropically, we supported more than 150 organizations in communities from coast to coast, partnering in initiatives related to health care, education, sport and quality of life.
- Commitment to environmental responsibility through initiatives such as roof top solar, solar walls, motion-sensor LED lighting, low-flow plumbing fixtures, in-floor radiant heating and an upgrade program for older stores to install light sensors, LED lighting, efficient doors and more.

As with last year, we continue to capitalize on historically low interest rates by moving to fixed rate debt; 93% of our debt is now fixed.

We are committed to growing cash flow and creating long term wealth for our shareholders.

We appreciate your ongoing support.

Sincerely,

**Steven Scott**

Chief Executive Officer

February 27, 2020



WE GREW TO OVER  
**8 MILLION SQFT**  
OF RENTABLE SPACE  
IN **73,000** STORAGE  
UNITS



**\$372.7 MILLION** IN  
ACQUISITIONS  
RESULTING IN  
**46 STORES** BEING  
**ADDED** IN 2019



**REVENUE GROWTH**  
OF **40%** TO **\$135.0**  
**MILLION** FROM  
\$96.4 MILLION



**NOI GROWTH** OF  
**37%** TO **\$90.1 MILLION**  
FROM \$65.9 MILLION



EXPECTING **\$50** TO  
**\$75 MILLION** IN  
**ACQUISITIONS**  
IN 2020



**756% 5 YEAR**  
TOTAL SHAREHOLDER  
RETURN



# OUR NATIONAL FOOTPRINT



## OUR BRANDS





**200+ locations** owned and managed  
across Canada and growing!



# OUR BOARD MEMBERS

## MEET OUR BOARD MEMBERS

### JAY LYNNE FLEMING

Director

President and CEO of CVL Investments Ltd., and founder of Storage for Your Life, which she sold to StorageVault in 2015. Ms. Fleming currently serves as Chair of the Corporation's Governance Committee and also serves on both the Audit and Acquisition Committees.

Chairman and CEO of the Corporation, Mr. Scott has been a Principal and Chief Executive Officer of The Access Group of Companies focusing on the ownership, acquisition, development and management of self storage and other real estate assets.

### STEVEN SCOTT

Director  
CEO

### IQBAL KHAN

Director  
CFO

The CFO of the Corporation, Mr. Khan, has been a Principal and Chief Financial Officer of The Access Group of Companies focusing on the ownership, acquisition, development and management of self storage and other real estate assets as well as records management.

Mr. Simpson is a co-founder and former president and CEO of the Corporation, and currently serves as a director and as Chair of the Acquisition Committee. He was vital in transitioning StorageVault to a publically traded company on the TSX Venture Exchange.

### ALAN SIMPSON

Director

### BLAIR TAMBLYN

Director

Mr. Tamblyn is the Co-Founder, Chief Executive Officer of Timbercreek Asset Management, and Chairman of the Board for Timbercreek Financial. Mr. Tamblyn serves as Chair of the Corporation's Audit Committee.

**“ We will continue to increase our cash flow through integration and revenue management. ”**

# StorageVault Canada Inc.

## Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## Independent Auditor's Report

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To the Shareholders of StorageVault Canada Inc.:

### Opinion

We have audited the consolidated financial statements of StorageVault Canada Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of income (loss) and other comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis and the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.





## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sean Du Plessis.

Calgary, Alberta  
February 26, 2020

**MNP** LLP

Chartered Professional Accountants

**MNP**

**StorageVault Canada Inc.**  
**Consolidated Statements of Financial Position**  
**As at December 31**

	2019	2018
<b>Assets</b>		
Real estate and equipment, net (Note 5)	\$ 1,246,187,751	\$ 915,442,044
Goodwill and intangible assets, net (Note 6)	113,827,924	77,526,826
Cash and short term deposits	24,460,186	19,695,873
Prepaid expenses and other current assets	2,985,805	5,191,801
Accounts receivable (Note 9)	5,404,296	4,934,873
	<b>\$ 1,392,865,962</b>	<b>\$ 1,022,791,417</b>
<b>Liabilities and Shareholders' Equity</b>		
Debt (Note 7)	\$ 1,043,788,392	\$ 702,411,156
Interest rate swaps (Note 7)	9,291,210	-
Lease liability (Note 14)	25,491,060	-
Deferred tax liability (Note 10)	64,063,076	47,026,009
Accounts payable and accrued liabilities	12,458,892	7,394,616
Unearned revenue	7,025,354	5,033,079
	<b>1,162,117,984</b>	<b>761,864,860</b>
<b>Shareholders' Equity</b>		
Share capital (Note 8)	355,585,663	338,552,701
Dividends paid (Note 8)	(12,529,361)	(8,726,868)
Contributed surplus (Note 8)	8,812,227	5,218,589
Deficit	(121,120,551)	(74,117,865)
	<b>230,747,978</b>	<b>260,926,557</b>
	<b>\$ 1,392,865,962</b>	<b>\$ 1,022,791,417</b>

Commitments and Contingencies (Note 14)

*The accompanying notes are an integral part of these consolidated financial statements.*

Approved on behalf of the Board:

"signed" Steven Scott  
 Director

"signed" Iqbal Khan  
 Director

**StorageVault Canada Inc.**  
**Consolidated Statements of Changes in Equity**  
**For the Years Ended December 31**

	2019	2018
<b>Share Capital</b>		
Balance, beginning of the period	\$ 338,552,701	\$ 319,571,781
Common shares issued, net of issuance costs (Note 8)	17,032,962	18,980,920
Balance, end of the period	355,585,663	338,552,701
<b>Dividends Paid</b>		
Balance, beginning of the period	(8,726,868)	(5,070,304)
Dividends paid in the year	(3,802,493)	(3,656,564)
Balance, end of the period	(12,529,361)	(8,726,868)
<b>Contributed Surplus</b>		
Balance, beginning of the period	5,218,589	3,540,210
Redemption of stock options and warrants	-	(223,252)
Stock based compensation (Note 8)	3,593,638	1,901,631
Balance, end of the period	8,812,227	5,218,589
<b>Deficit</b>		
Balance, beginning of the period	(74,117,865)	(49,966,570)
IFRS 16 equity adjustment (Note 3)	(1,207,122)	-
Deferred tax recognized on adoption of IFRS 16 (Note 10)	322,905	-
Net income (loss) and comprehensive income (loss)	(46,118,469)	(24,151,295)
Balance, end of the period	\$ (121,120,551)	\$ (74,117,865)

*The accompanying notes are an integral part of these consolidated financial statements.*

**StorageVault Canada Inc.**  
**Consolidated Statements of Income (Loss) & Comprehensive Income (Loss)**  
**For the Years Ended December 31**

	2019	2018
<b>Revenue</b>		
Storage and related services	\$ 133,212,736	\$ 94,666,809
Management fees	1,750,304	1,716,790
	<b>134,963,040</b>	<b>96,383,599</b>
<b>Expenses</b>		
Operating costs	44,865,099	30,523,949
Acquisition and integration costs	6,982,983	2,248,751
Selling, general and administrative	11,214,718	6,192,383
Stock based compensation (Note 8)	3,593,638	1,901,631
Depreciation and amortization (Note 5)	79,206,355	58,857,132
Interest	42,189,684	28,875,906
Unrealized loss on interest rate swap contracts (Note 7)	9,291,210	-
	<b>197,343,687</b>	<b>128,599,752</b>
Net income (loss) and comprehensive income (loss) before tax	<b>(62,380,647)</b>	<b>(32,216,153)</b>
Deferred tax recovery (Note 10)	16,262,178	8,064,858
Net income (loss) and comprehensive income (loss)	<b>\$ (46,118,469)</b>	<b>\$ (24,151,295)</b>
<b>Net income (loss) per common share</b>		
Basic	\$ (0.128)	\$ (0.069)
Diluted	\$ (0.128)	\$ (0.069)
<b>Weighted average number of common shares outstanding</b>		
Basic	360,468,060	351,893,667
Diluted	360,468,060	351,893,667

*The accompanying notes are an integral part of these consolidated financial statements.*



**StorageVault Canada Inc.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31**

	2019	2018
<b>Cash provided by (used for) the following activities:</b>		
<b>Operating activities</b>		
Net income (loss) and comprehensive income (loss)	\$ (46,118,469)	\$ (24,151,295)
Adjustment for non-cash items:		
Deferred tax recovery (Note 10)	(16,262,178)	(8,064,858)
Depreciation, amortization (Note 5)	79,206,355	58,857,132
Amortization of deferred financing costs	1,142,637	1,137,473
Stock based compensation (Note 8)	3,593,638	1,901,631
Unrealized loss on interest rate swap contracts (Note 7)	9,291,210	-
(Gain) loss on disposal of real estate and equipment	4,436	(352,184)
Cash flow from operations before non-cash working capital balances	30,857,629	29,327,899
Net change in non-cash working capital balances		
Accounts receivable	(469,424)	(1,022,548)
Prepaid expenses and other current assets	2,205,996	3,518,879
Accounts payable and accrued liabilities	5,064,278	(7,752,575)
Unearned revenue	1,992,275	651,190
	39,650,754	24,722,845
<b>Financing activities</b>		
Common shares issued, net of issuance costs (Note 8)	285,684	1,598,020
Dividends paid (Note 8)	(2,317,974)	(2,113,765)
Principal lease payments (Note 14)	(311,830)	-
Debt issuance costs	(2,504,247)	(1,397,298)
Advances from long term debt (Note 7)	536,106,032	420,840,336
Repayment of long term debt (Note 7)	(193,377,587)	(281,267,693)
	337,880,078	137,659,600
<b>Investing activities</b>		
Cash paid in business combinations (Note 4)	(335,246,364)	(140,263,193)
Additions to real estate and equipment (Note 5, 6)	(37,530,977)	(18,611,830)
Proceeds on disposal of real estate and equipment	10,822	36,023
	(372,766,519)	(158,839,000)
Increase in cash and short term deposits	4,764,313	3,543,445
Cash and short term deposits balance, beginning of period	19,695,873	16,152,428
Cash and short term deposits balance, end of period	\$ 24,460,186	\$ 19,695,873

*The accompanying notes are an integral part of these consolidated financial statements.*

## StorageVault Canada Inc.

### Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

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#### 1. Description of Business

The consolidated financial statements of StorageVault Canada Inc. and its subsidiaries (the "Corporation") as at and for the year ended December 31, 2019, were authorized for issuance by the Board of Directors of the Corporation on February 26, 2020. The Corporation is incorporated under the Business Corporations Act of Alberta and is domiciled in Canada. Its shares are publicly traded on the TSX Venture Exchange ("Exchange"). The address of its registered office is 1000 – 250 2<sup>nd</sup> Street SW, Calgary, AB, T2P 0C1.

The Corporation's primary business is owning, managing and renting self storage and portable storage space to individual and commercial customers. The Corporation also stores, shreds, and manages documents and records for customers.

#### 2. Basis of Presentation

These consolidated financial statements and the notes thereto present the Corporation's financial results of operations and financial position under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at January 1, 2019.

The consolidated financial statements have been prepared under the historical cost method, except for the revaluation of certain financial assets and financial liabilities to fair value. The consolidated financial statements were prepared on a going concern basis, and are presented in Canadian dollars, which is the Corporation's functional currency.

#### 3. Accounting Policies

##### *Basis of Consolidation*

The consolidated financial statements include the accounts of StorageVault Canada Inc., its wholly owned subsidiaries, Sentinel Self-Storage Corporation and Spyhill Ltd., all of which are headquartered in Toronto, Ontario. The financial statements for the consolidated entities are prepared for the same reporting period as StorageVault Canada Inc. using consistent accounting policies. All intercompany transactions and balances have been eliminated in the preparation of these consolidated financial statements.

##### *Interest in Joint Venture*

The Corporation had an interest in a joint venture, through its wholly owned subsidiary Sentinel Self-Storage Corporation, Spyhill Ltd. ("JV"), which was a jointly controlled entity. The Corporation recognized its interest in the JV using the equity method of accounting. As at February 1, 2018, the Corporation wholly owned the JV through the purchase of the remaining 50% of its shares.

##### *Revenue Recognition*

Revenue from the rendering of services and sales of goods are recognized at the fair value of consideration received or receivable after the deduction of any trade discounts and excluding sales taxes.

The Corporation's revenue comprises the renting of storage units to customers, information and records management, managing storage facilities on behalf of third parties and sale of merchandise, including locks, boxes, packing supplies and equipment.

**Note 3 – Continued**

Revenue earned from the renting of storage units is accounted for under IFRS 16 – Leases. Storage units are rented to customers pursuant to rental agreements which provide for weekly or monthly rental terms with non-refundable rental payments. The rental agreements may be terminated by the customer without further obligation or cost upon vacating the storage unit. Revenue from rental agreements is recognized over the rental term pursuant to the rental agreement. Non-refundable customer deposits, which are received to hold a unit for rent at a future date, are deferred and recognized as revenue upon commencement of the rental agreement. Receipts of rental fees for future periods are deferred and recognized as revenue when each respective monthly period commences.

The Corporation earns a management fee based on a percentage of gross revenues of the operations for managing storage facilities for third parties. Revenue is recognized over time when the services are rendered.

Revenue for other storage related services is recognized in the month the respective services are provided. Receipts of fees for other storage related services for future periods are deferred and recognized as revenue when each respective monthly period commences. A provision is made for expected allowances as necessary.

Revenue from the sale of merchandise, including locks, boxes, packing supplies and equipment, is recognized at a point in time when the merchandise is delivered to the customer.

*Business Combinations*

All business combinations are accounted for by applying the acquisition method. Upon acquisition, the assets (including intangible assets), liabilities and contingent liabilities acquired are measured at their fair value. The Corporation recognizes intangible assets as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgment and includes assumptions on the timing and amount of future cash flows generated by the assets acquired and the selection of an appropriate discount rate. Acquisition and integration costs are recognized in profit or loss as incurred.

Goodwill represents the excess of the identifiable cost of an acquisition over the fair value of the Corporation's share of the net assets and net liabilities acquired at the date of acquisition. If the identifiable cost of acquisition is less than the fair value of the Corporation's share of the net assets/net liabilities acquired (i.e. a discount on acquisition) the difference is credited to the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) in the period of acquisition. At the acquisition date, goodwill acquired is recognized as an asset and allocated to each cash-generating unit ("CGU") expected to benefit from the business combination's synergies and to the lowest level at which management monitors the goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained

**Note 3 – Continued**

about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Corporation obtains complete information about facts and circumstances that existed as of the acquisition date up to a maximum of one year.

*Cash and Short Term Deposits*

Cash and short term deposits on the Consolidated Statements of Financial Position are comprised of cash at bank and on hand, and short term, highly liquid deposits with an original maturity of three months or less. For the purpose of the Consolidated Statements of Cash Flows, cash and short term deposits are defined as above, net of outstanding bank overdrafts, except where no right of set-off exists.

*Real Estate and Equipment*

Real estate and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) during the financial period in which they are incurred.

Once an asset is available for use in the location and condition intended by management, it is depreciated to its residual value using the appropriate depreciation rate set forth by management. Land is not depreciated.

Depreciation is calculated using the declining balance method to depreciate the cost of real estate and equipment to their residual values over their estimated useful lives, as follows:

Land, Yards, Buildings & Improvements -	Buildings	4%
	Leasehold improvements	20%
	Business operating equipment	10%
	Fences and parking lots	8%
Storage Containers -	Storage containers	10%
Vehicles -	Vehicles	30% to 40%
	Truck decks and cranes	20%
Office and Computer Equipment -	Furniture and equipment	20%
	Computer equipment	45%



**Note 3 – Continued**

The residual value and useful lives of real estate and equipment are reviewed, and adjusted if appropriate, at each Consolidated Statement of Financial Position date. An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. These impairment losses are recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

*Goodwill and Intangible Assets*

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities acquired at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses.

Finite life intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization begins when an asset is available for use and is calculated on a straight-line basis to allocate the cost of assets over their estimated useful lives as follows: Tenant Relationships - 22 to 180 months.

Indefinite life intangible assets, consisting of management contracts, are carried at cost and are not amortized. The useful life of indefinite life intangible assets are reviewed at each Consolidated Statements of Financial Position date.

Goodwill and indefinite life intangibles are reviewed for impairment annually by assessing the recoverable amount of each CGU to which it relates. The recoverable amount is the higher of fair value less costs of disposal, and value in use. When the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. Any impairment is recognized immediately in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). Any impairment recognized on goodwill is not subsequently reversed.

*Income Taxes*

Income tax is comprised of current tax and deferred tax. Income tax is recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the tax expected to be payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

**Note 3 – Continued**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

*Stock Based Compensation*

The fair value of stock options issued to directors, officers and consultants under the Corporation's stock option plan is estimated at the date of issue using the Black-Scholes option pricing model, and charged to the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) and contributed surplus. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. On the exercise of options, the cash consideration received and the fair value of the option previously credited to contributed surplus are credited to share capital.

The fair value of options issued to advisors in conjunction with financing transactions is estimated at the date of issue using the fair value of the goods and services received first, if determinable, then by the Black-Scholes option pricing model, and charged to share capital and contributed surplus over the vesting period. On the exercise of agent options, the cash consideration received and the fair value of the option previously credited to contributed surplus are credited to share capital.

When stock options are cancelled, it is treated as if the stock options had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately. However, if a new option is substituted for the cancelled option and is designated as a replacement option on the date that it is granted, the cancelled and the new options are treated as if they were a modification of the original option.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Corporation's share purchase options. Forfeitures are estimated for each reporting period and adjusted as required to reflect actual forfeitures that have occurred in the period.

*Income (Loss) per Share*

Basic income (loss) per common share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is calculated by dividing the net earnings by the weighted average number of shares outstanding as adjusted for the potential dilution that would occur if outstanding stock options, subordinated debentures, preferred shares or other potentially dilutive financial instruments were exercised or converted to common shares.

The weighted average number of diluted shares is calculated in accordance with the treasury stock method. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price.

**Note 3 – Continued**

*Share Capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of shares are shown in equity as a deduction from the proceeds received.

*Segment Reporting*

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Corporation's CEO and/or CFO in order to make decisions regarding the allocation of resources to the segment. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

*Financial Instruments*

- a) Financial assets - Pursuant to IFRS 9, the classification of financial assets is based on the Corporation's assessment of its business model for holding financial assets. The classification categories are as follows:
- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Corporation classifies the following financial assets as measured at amortized cost: cash and short term deposits and accounts receivable.
  - Financial assets at fair value through other comprehensive income: assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Corporation has no financial assets classified in this category.
  - Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income. The Corporation has no financial assets classified in this category.

Financial assets measured at amortized cost are measured at cost using the effective interest method. For assessing impairment of financial assets measure at amortized cost the Corporation applied the simplified approach and has calculated expected credit losses based on lifetime expected credit losses. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). When a trade receivable is uncollectible, it is written off against the allowance for expected credit losses.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

- b) Financial liabilities - The classification of financial liabilities is determined by the Corporation at initial recognition. The classification categories are as follows:

**Note 3 – Continued**

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). The Corporation classifies the following financial liabilities as measured at amortized cost: debt and accounts payable and accrued liabilities.
- Financial liabilities measured at fair value through profit or loss: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). The Corporation classifies the following financial liabilities as measured at amortized cost: interest rate swap liability.

Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.

*Significant Accounting Estimates and Judgments*

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include, but are not necessarily limited to:

- Real estate and equipment - The Corporation determines the carrying value of its real estate and equipment based on policies that incorporate estimates, assumptions and judgments relative to the useful lives and residual values of the assets.
- Impairment of non-financial assets - Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for the disposal of the asset. The value in use calculation is based on a discounted cash flow model. The estimated future cash flows are derived from management estimates, budgets and past performance and do not include activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.
- Purchase price allocations - Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of a business combination. These estimates may be further based on management's best assessment of the related inputs used in valuation models, such as future cash flows and discount rates.

**Note 3 – Continued**

- Expected credit losses – Financial assets measured at amortized cost are stated after evaluation as to their collectability and an appropriate allowance for expected credit losses is provided where considered necessary. The Corporation uses a provision matrix to calculate expected credit losses for accounts receivable which is based on the Corporation’s historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment. Actual losses may differ from estimates made.
- Income taxes - Income taxes are subject to measurement uncertainty due to the possibility of changes in tax legislation or changes in the characterization of income sources.
- Stock based compensation - Compensation costs accrued for stock based compensation plans are subject to the estimation of the ultimate payout using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

Management judgments that may affect reported amounts of assets and liabilities, income and expenses include but are not necessarily limited to:

- For the purpose of assessing impairment of tangible and intangible assets, assets are grouped at the lowest level of separately identified cash inflows which make up the CGU. Determination of what constitutes a CGU is subject to management judgment. Management has identified each location as a separate CGU. The asset composition of the CGU can directly impact the recoverability of the assets included within the CGU.
- The determination of which entities require consolidation is subject to management judgment regarding levels of control, assumptions of risk and other factors that may ultimately include or exclude an entity from the classification of a subsidiary or other entity requiring consolidation.
- For the purpose of recording asset acquisitions, management must exercise judgment to determine if the acquisition meets the definition of a business. Such determination may affect the recorded amounts of specific assets and liabilities, goodwill and/or transaction costs.
- The Corporation applied judgment in determining control over the JV where the Corporation held 50% equity ownership. The judgment was based on a review of all contractual agreements to determine if the Corporation has control over the activities, projects, financial and operating policies of the JV. Through a shareholder agreement, the Corporation was guaranteed 50% of seats on the board of the JV and participated in all significant financial and operating decisions. Joint control was established by the shareholder arrangement that required unanimous agreement on decisions made on relevant activities.
- Management has applied judgment in assessing that the management contracts acquired have an indefinite useful life because the Corporation purchased a complete system to operationally manage its own business and that of other self storage businesses. The Corporation has acquired substantial know-how and expertise in managing stores owned by third parties, including long term relationships, which the Corporation will have the benefit of for an indefinite period of time. The management contracts have therefore been deemed to have an indefinite useful life.

**Note 3 – Continued**

*Changes in Accounting Policies*

The Corporation has adopted the following new and revised standards effective January 1, 2019:

IFRS 16 – Leases

The Corporation adopted the requirements of IFRS 16 - Leases as of January 1, 2019. IFRS 16 replaces IAS 17 - Leases and results in almost all leases, where the Corporation is the lessee, being recognized on the Consolidated Statement of Financial Position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The lease liability is measured at present value of the lease payments that are not paid at the balance date and is unwound over time using the interest rate implicit in the lease repayments where available, or the Corporation's incremental borrowing rate. Accounting for the lessors remains unchanged under the new standard.

The right-of-use asset comprises the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. The asset is depreciated over the term of the lease. The new standard replaces the Corporation's operating lease expense with an interest and depreciation expense.

The Corporation applied the new standard IFRS 16 using the "Modified Retrospective" approach which recognizes the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at January 1, 2019, without having to adjust comparatives in the current year reporting. The Corporation recognized the right-of-use assets based on the value they would have been at the commencement date and the lease liabilities based on their value at the date of initial application, resulting in an adjustment to the retained earnings of \$1,207,122.

The Corporation elected to use the practical expedient to not recognize a right-of-use asset or a lease liability for leases for which the lease term ends within 12 months of the date of initial application. The Corporation has also elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. Options (extension/termination) on lease contracts are assessed on a case by case basis. The weighted average incremental borrowing rate at the date of initial application was 4.33%. This has been applied to the liabilities recognized at the date of initial application where there is no implicit rate.

As of January 1, 2019, the Corporation had \$18,174,269 of right-of-use leased assets and \$19,381,391 in lease liabilities.

A reconciliation of the operating lease commitments as of December 31, 2018 to the opening balance of lease liabilities at the date of adoption is as follows:

<b>Operating lease commitments as of December 31, 2018</b>	\$ 26,249,853
Lease liabilities recognized as of January 1, 2019	-
Effect of discounting using the incremental borrowing rate	(6,868,462)
<b>Lease liabilities recognized as of January 1, 2019</b>	<u>\$ 19,381,391</u>



**StorageVault Canada Inc.**  
**Notes to the Consolidated Financial Statements**  
For the Years Ended December 31, 2019 and 2018

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**4. Acquisitions**

During the year ended December 31, 2019, the Corporation completed the below transactions that met the definition of a business under IFRS 3 - Business Combinations. These acquisitions have been accounted for using the acquisition method with the results of the operations being included in the consolidated financial statements of the Corporation since the dates of acquisition. Details of the acquisitions are:

First Quarter Acquisitions:

During the first quarter, the Corporation completed the acquisition of two self storage locations in Ontario for \$10,460,000 (subjected to customary adjustments). These acquisitions were arm's length transactions and have been accounted for as business combinations. The purchases were paid for by cash on hand.

A summary of the acquisitions are as follows:

	<b>Two Self Storage Locations</b>
Acquisition date:	February 20, 2019
Land, Yards, Buildings & Improvements	\$ 9,192,522
Tenant Relationships	1,267,478
Net assets acquired	<u>10,460,000</u>
Consideration paid for the net assets acquired was obtained from the following:	
Cash	<u>10,460,000</u>
Selected information for the acquisitions, since their acquisition dates:	
Revenue	1,197,635
Operating costs	430,200
	<u>767,435</u>
Amortization	709,939
Interest	307,718
Net income (loss)	<u>\$ (250,222)</u>

**StorageVault Canada Inc.**  
**Notes to the Consolidated Financial Statements**  
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**Note 4 – Continued**

Second Quarter Acquisitions:

During the second quarter, the Corporation completed the acquisition of 42 self storage locations and an information and records management business for \$336,000,000 (subjected to customary adjustments). These acquisitions consisted of both arm's length and non - arm's length transactions. The purchases were paid for by advances from long term debt, issuance of common shares, promissory notes and cash on hand.

A summary of the acquisitions are as follows:

	<b>Three Self Storage Locations and RecordXpress</b>	<b>38 Self Storage Locations</b>	<b>One Self Storage Location</b>	<b>Total</b>
Acquisition date:	April 12, 2019	April 15, 2019	May 29, 2019	
Land, Yards, Buildings & Improvements	\$ 24,339,429	\$ 252,446,366	\$ 25,827,893	\$ 302,613,688
Tenant Relationships	5,481,623	22,553,634	2,672,107	30,707,364
	<u>29,821,052</u>	<u>275,000,000</u>	<u>28,500,000</u>	<u>333,321,052</u>
Deferred tax	-	(33,622,150)	-	(33,622,150)
Goodwill	2,678,948	33,622,150	-	36,301,098
Net assets acquired	<u><u>32,500,000</u></u>	<u><u>275,000,000</u></u>	<u><u>28,500,000</u></u>	<u><u>336,000,000</u></u>

Consideration paid for the net assets acquired was obtained from the following:

Issuance of common shares	8,300,000	-	7,000,000	15,300,000
Cash	-	38,000,000	500,000	38,500,000
Debt	7,086,364	237,000,000	16,000,000	260,086,364
Promissory note	17,113,636	-	5,000,000	22,113,636
	<u><u>32,500,000</u></u>	<u><u>275,000,000</u></u>	<u><u>28,500,000</u></u>	<u><u>336,000,000</u></u>

Selected information for the acquisitions, since their acquisition dates:

Revenue	3,499,397	15,237,951	1,350,274	20,087,622
Operating costs	2,316,143	5,906,083	457,182	8,679,408
	<u>1,183,254</u>	<u>9,331,868</u>	<u>893,092</u>	<u>11,408,214</u>
Amortization	2,165,429	14,739,720	777,739	17,682,888
Interest	1,091,016	6,386,195	678,054	8,155,265
Net income (loss)	<u><u>\$ (2,073,191)</u></u>	<u><u>\$ (11,794,047)</u></u>	<u><u>\$ (562,701)</u></u>	<u><u>\$ (14,429,939)</u></u>

**StorageVault Canada Inc.**  
**Notes to the Consolidated Financial Statements**  
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**Note 4 – Continued**

Fourth Quarter Acquisitions:

During the fourth quarter, the Corporation completed the acquisition of two self storage locations for \$26,200,000 (subjected to customary adjustments). These acquisitions were both arm's length transactions. The purchases were paid for by advances from long term debt and cash on hand.

A summary of the acquisitions are as follows:

	<b>Two Self Storage Locations</b>
Acquisition date:	October 1, 2019
Land, Yards, Buildings & Improvements	\$ 23,950,624
Tenant Relationships	2,249,376
Net assets acquired	<u>26,200,000</u>
Consideration paid for the net assets acquired was obtained from the following:	
Cash	24,200,000
Debt	2,000,000
	<u>26,200,000</u>
Selected information for the acquisitions, since their acquisition dates:	
Revenue	436,678
Operating costs	184,263
	<u>252,415</u>
Amortization	539,223
Interest	196,711
Net income (loss)	<u>\$ (483,519)</u>

## StorageVault Canada Inc.

### Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

#### 5. Real Estate and Equipment

	<u>Land, Yards, Buildings &amp; Improvements</u>	<u>Storage Containers</u>	<u>Intangible Tenant Relationships</u>	<u>Vehicles</u>	<u>Office &amp; Computer Equipment</u>	<u>Total</u>
<b>COST</b>						
December 31, 2017	\$ 743,997,212	\$ 12,703,190	\$ 82,261,527	\$ 4,893,080	\$ 1,808,595	\$ 845,663,604
Additions	11,524,966	6,026,887	-	205,573	854,404	18,611,830
Disposals	(10,648)	(17,500)	-	(28,159)	-	(56,307)
Business acquisitions	160,099,529	-	15,600,471	-	-	175,700,000
December 31, 2018	915,611,059	18,712,577	97,861,998	5,070,494	2,662,999	1,039,919,127
Additions	38,542,148	49,157	-	166,721	1,273,869	40,031,895
Disposals	(46,200)	(5,000)	-	(275,627)	-	(326,827)
Business acquisitions	335,756,834	-	34,224,218	-	-	369,981,052
December 31, 2019	\$ 1,289,863,841	\$ 18,756,734	\$ 132,086,216	\$ 4,961,588	\$ 3,936,868	\$ 1,449,605,247

#### ACCUMULATED DEPRECIATION

December 31, 2017	\$ 34,153,525	\$ 4,119,032	\$ 23,673,335	\$ 3,059,396	\$ 633,565	\$ 65,638,853
Depreciation	34,427,544	1,257,998	22,178,673	581,547	411,370	58,857,132
Disposals	(213)	(271)	-	(18,418)	-	(18,902)
December 31, 2018	68,580,856	5,376,759	45,852,008	3,622,525	1,044,935	124,477,083
Depreciation	49,445,309	1,315,008	27,435,403	441,761	568,874	79,206,355
Disposals	(12,941)	(118)	-	(252,883)	-	(265,942)
December 31, 2019	\$ 118,013,224	\$ 6,691,649	\$ 73,287,411	\$ 3,811,403	\$ 1,613,809	\$ 203,417,496

#### NET BOOK VALUE

December 31, 2018	847,030,203	13,335,818	52,009,990	1,447,969	1,618,064	<b>915,442,044</b>
December 31, 2019	1,171,850,617	12,065,085	58,798,805	1,150,185	2,323,059	<b>1,246,187,751</b>

Included in Land, Yards, Buildings & Improvements is Land at a value of \$412,304,800 (December 31, 2018 - \$298,882,932; December 31, 2017 - \$245,377,231).

Included in Land, Yards, Buildings & Improvements is \$16,102,351 (December 31, 2018 - \$7,770,200; December 31, 2017 - \$1,189,411) of construction in process that is not being depreciated.

Included in Land, Yards, Buildings & Improvements are right-of-use assets at a value of \$23,772,865 (December 31, 2018 - \$nil; December 31, 2017 - \$nil), net of accumulated depreciation of \$910,371 (December 31, 2018 - \$nil; December 31, 2017 - \$nil). The continuity of the right-of-use assets is as follows:

#### Self Storage Properties

Balance, January 1, 2019	\$ 18,174,269
Additions	6,508,967
Depreciation charge for the year	(910,371)
Balance, December 31, 2019	<u>\$ 23,772,865</u>

## StorageVault Canada Inc.

### Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

#### 6. Goodwill and Intangible Assets

	<u>Goodwill</u>	<u>Management Contracts</u>	<u>Total</u>
<b>COST</b>			
December 31, 2017	\$ 55,760,892	\$ 16,300,000	\$ 72,060,892
Business acquisitions	5,465,934	-	5,465,934
December 31, 2018	61,226,826	16,300,000	77,526,826
Business acquisitions	36,301,098	-	36,301,098
December 31, 2019	\$ 97,527,924	\$ 16,300,000	\$ 113,827,924

#### ACCUMULATED AMORTIZATION

December 31, 2017	\$ -	\$ -	\$ -
Amortization	-	-	-
December 31, 2018	-	-	-
Amortization	-	-	-
December 31, 2019	\$ -	\$ -	\$ -

#### NET BOOK VALUE

December 31, 2018	61,226,826	16,300,000	<b>77,526,826</b>
December 31, 2019	97,527,924	16,300,000	<b>113,827,924</b>

At December 31, 2019, the Corporation performed its annual impairment test on goodwill and its indefinite-life intangible assets. Goodwill is allocated to the group of CGU's that benefited from the synergies of the business combination on which the goodwill arose. The Corporation used the fair value less costs of disposal method to determine the recoverable amount of the CGUs. Based on the impairment test performed, the Corporation concluded that no impairment exists on its goodwill and indefinite-life intangible assets.

Information regarding each impairment test is as follows:

#### *Manitoba and Saskatchewan group of CGU's*

- The cash flow projection includes specific estimates based on the expected life of the properties, with a net operating income growth rate of 2% which is consistent with management's knowledge of the local market and is lower than the CGU's recent historical growth rate.
- Cash flows were discounted at a pre-tax rate of 5.98% based on management's judgement in this geographic region.

**Note 6 – Continued**

*Kamloops, BC group of CGU's*

- The cash flow projection includes specific estimates based on the expected life of the properties, with a net operating income growth rate of 4%. The Corporation has seven stores in the region and is able to disburse costs and operate more efficiently.
- Cash flows were discounted at a pre-tax rate of 6.89% based on management's experience in this geographic region and the fact that the properties are on leased land.

*London, ON group of CGU's*

- The cash flow projection includes specific estimates based on the expected life of the property, with a net operating income growth rate of 2% which is consistent with management's knowledge of the local market.
- Cash flows were discounted at a pre-tax rate of 5.98% based on management's experience in this geographic region.

*Sentinel Self-Storage group of CGU's*

- The cash flow projection includes specific estimates based on the expected life of the properties, with a net operating income growth rate of 4%. Given the location of the stores in this portfolio, over 20 stores in major markets and highly desirable locations in Canada, management believes that this growth rate is sustainable, and is consistent with the CGU's historical growth rate.
- Cash flows were discounted at a pre-tax rate of 4.80% based on management's experience and the superior quality and location of these properties.

*Portable Storage group of CGU's*

- The cash flow projection includes specific estimates based on the expected life of storage containers, with a net operating income growth rate of 4.6% based on management's experience and the exclusive marketing channels the Corporation has for this product type.
- Cash flows were discounted at a pre-tax rate of 6.39% based on management's experience in these markets.

*Real Storage group of CGU's*

- The cash flow projection includes specific estimates based on the expected life of the properties, with a net operating income growth rate of 5% during the first three years and 4% thereafter. Given the location of the stores in this portfolio and with SVI already operating in many of the 27 markets that the stores are located in, management believes that this growth rate is sustainable.
- Cash flows were discounted at a pre-tax rate of 5.00% based on management's experience and location of these properties.



**StorageVault Canada Inc.**  
**Notes to the Consolidated Financial Statements**  
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**Note 6 – Continued**

*Management Division CGU*

- The cash flow projection includes specific estimates for five years with a terminal growth rate of 4%, which management feels would be representative of the future indefinite cash flows from this asset.
- Cash flows were discounted at a pre-tax rate of 20% based on what management deemed appropriate for the nature of this type of revenue stream.

*RecordXpress Division CGU*

- The cash flow projection includes specific estimates for five years with a growth rate of 1%, which management feels would be representative of the future cash flows from these assets.
- Cash flows were discounted at a pre-tax rate of 7.5% based on management’s experience in the records management business.

The most sensitive inputs to the value in use model used for these group of CGU’s are the growth rate and the discount rate:

- A 1% increase or decrease in the growth rate would not result in an impairment of these groups of CGU’s.
- A 1% increase or decrease in the discount rate would not result in an impairment of these groups of CGU’s.

Group of CGU's	Goodwill	Carrying Value
Manitoba and Saskatchewan	\$ 2,621,716	\$ 26,759,487
Kamloops, BC	76,470	7,844,970
London, ON	142,807	2,113,312
Sentinel Self-Storage	52,442,159	435,047,242
Portable Storage	2,578,968	14,502,185
Real Storage	33,622,150	260,260,280
Management Division	3,364,706	16,300,000
RecordXpress Division	2,678,948	7,934,692
	\$ 97,527,924	\$ 770,762,168

## StorageVault Canada Inc.

### Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

#### 7. Debt

	December 31, 2019			December 31, 2018		
	Rate Range	Weighted Average	Balance	Rate Range	Weighted Average	Balance
<b><u>Mortgages</u></b>						
Fixed/Variable	3.18% to 5.00%	4.21%	662,333,188	3.18% to 5.20%	4.24%	555,183,118
	<i>Maturity: Jul 2020 to Nov 2029</i>			<i>Maturity: Jan 2019 to Dec 2028</i>		
Deferred financing costs, net of accretion of \$3,656,956 (Dec 31, 2018 - \$2,514,319)			(3,856,505)			(2,505,296)
			<u>658,476,683</u>			<u>552,677,822</u>
<b><u>Lines of Credit and Promissory Notes</u></b>						
Variable		4.78%	72,413,656		4.47%	149,733,334
	<i>Maturity: Aug 2020 to Dec 2022</i>			<i>Maturity: Jul 2019 to Apr 2021</i>		
Fixed		4.00%	312,898,053			-
	<i>Maturity: Feb 2020 to Apr 2022</i>					
		4.12%	<u>385,311,709</u>		4.47%	<u>149,733,334</u>
		4.18%	<u>1,043,788,392</u>		4.29%	<u>702,411,156</u>

#### **Reconciliation of Debt**

The following table reconciles the changes in cash flows from financing activities for the Corporation's debt:

	December 31, 2019	December 31, 2018
Debt, beginning of period	\$ 702,411,156	\$ 563,975,987
Advances from debt	536,106,032	420,840,336
Repayment of debt	(193,377,587)	(281,267,693)
Total cash flow from debt financing activities	<u>342,728,445</u>	<u>139,572,643</u>
Change in deferred financing costs	(1,351,209)	(1,137,474)
Debt, end of period	<u>\$ 1,043,788,392</u>	<u>\$ 702,411,156</u>

The bank prime rate at December 31, 2019 was 3.95% (December 31, 2018 – 3.95%).

Mortgages are secured by a first mortgage charge on the real estate and equipment of the Corporation, general security agreements covering all assets of the Corporation, general assignment of rents and leases and assignments of insurance coverage over all assets of the Corporation. The Corporation must maintain certain financial ratios to comply with the facilities. These covenants include debt service coverage ratios, a fixed charge coverage ratio, a tangible net worth ratio, and a loan to value ratio. As of December 31, 2019, the Corporation is in compliance with all covenants.

## StorageVault Canada Inc.

### Notes to the Consolidated Financial Statements

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#### Note 7 – Continued

The deferred financing costs consist of fees and costs incurred to obtain the related mortgage financing, less accumulated amortization.

Principal repayments on mortgages and lines of credit in each of the next five years are estimated as follows:

Year 1	\$	455,965,637 (includes lines of credit of \$372.4 million)
Year 2	\$	81,662,231
Year 3	\$	141,284,984
Year 4	\$	43,444,435
Year 5	\$	14,603,686
Thereafter	\$	310,683,924

The Corporation entered into interest rate swap contracts during the year in order to fix the interest rate on \$600 million of debt at a weighted average rate of 4.07%. The swaps mature between April 2026 and November 2029.

As at December 31, 2019, the swap had an unrealized fair value loss of \$9,291,210 (December 31, 2018 - \$nil) and a total fair value of \$9,291,210.

#### 8. Share Capital

Authorized: Unlimited number of common, voting shares of no par value.

Authorized: Unlimited number of preferred non-voting shares issuable in series at an issuance price of \$1 per share.

*Common shares issued:*

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2017	345,226,934	\$ 319,571,781
Issued on asset acquisitions	6,313,955	15,661,727
Dividend reinvestment plan	613,694	1,497,892
Share option and warrant redemption	3,568,391	1,906,263
Share issuance costs	-	(84,962)
Balance, December 31, 2018	<u>355,722,974</u>	<u>338,552,701</u>
Issued on acquisitions	5,464,286	15,300,000
Dividend reinvestment plan	537,795	1,447,278
Share option redemption	1,080,000	350,350
Share issuance costs	-	(64,666)
Balance, December 31, 2019	<u><u>362,805,055</u></u>	<u><u>\$ 355,585,663</u></u>

**Note 8 – Continued**Dividend Reinvestment Plan

Represents common shares issued under the Corporation's dividend reinvestment plan ("DRIP") for holders of common shares approved on April 18, 2016. Under the terms of the DRIP, eligible registered holders of a minimum of 10,000 Common Shares (the "Shareholders") may elect to automatically reinvest their cash dividends, payable in respect to the common shares, to acquire additional common shares, which will be issued from treasury or purchased on the open market. The Corporation may initially issue up to 5,000,000 common shares under the DRIP, which may be increased upon Board of Directors approval, acceptance of the increase by the Exchange, and upon public disclosure of the increase.

*Contributed surplus:*

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Opening balance	\$ 5,218,589	\$ 3,540,210
Stock based compensation	3,593,638	1,901,631
Redemption of stock options and warrants	-	(223,252)
Ending balance	<u>\$ 8,812,227</u>	<u>\$ 5,218,589</u>

*Stock Options*

The Board of Directors of the Corporation may from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants of the Corporation, non-transferable options to purchase common shares provided that: i) the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares; ii) the options are exercisable for a period of up to 10 years from the date of grant; iii) the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares; and iv) the number of common shares reserved for issuance to all technical consultants, if any, will not exceed 2% of the issued and outstanding shares. The exercise price for purchasing these shares cannot be less than the minimum exercise price as provided by Exchange rules.

The following table summarizes information about stock options outstanding and exercisable as at:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Opening	13,537,450	\$1.36	11,555,850	\$1.01
Exercised/Expired	(1,095,000)	0.37	(1,018,400)	0.73
Granted	6,000,000	2.90	3,000,000	2.52
Closing and Exercisable	<u>18,442,450</u>	<u>\$1.92</u>	<u>13,537,450</u>	<u>\$1.36</u>

## StorageVault Canada Inc.

### Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

#### Note 8 – Continued

The fair value of options granted in 2019 was estimated on the date of the grant, as determined by using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	0.10%
Risk-Free Interest Rate	1.49%
Expected Life of Options	4 Years
Expected Volatility of the Corporation's Common Shares	19.20%

Stock options exercisable and outstanding are as follows:

Exercise Price	Vesting Date	Expiry Date	December 31, 2019	December 31, 2018
\$ 0.23	May 6, 2009	May 6, 2019	-	990,000
\$ 0.33	Jun. 19, 2014	Jun. 19, 2024	140,000	180,000
\$ 0.41	Apr. 28, 2015	Apr. 28, 2025	2,122,450	2,122,450
\$ 0.50	Sep. 14, 2015	Sep. 14, 2025	1,570,000	1,570,000
\$ 1.36	Dec. 21, 2016	Dec. 21, 2026	2,810,000	2,825,000
\$ 1.78	Mar. 16, 2017	Mar. 16, 2027	2,850,000	2,850,000
\$ 2.52	May 4, 2018	May 4, 2028	3,000,000	3,000,000
\$ 2.90	May 28, 2019	May 28, 2029	5,950,000	-
Options exercisable and outstanding			18,442,450	13,537,450

#### Equity Incentive Plan

Under the Corporation's Equity Incentive Plan passed on May 30, 2018 (the "Plan"), directors, employees and consultants are eligible to receive awards, in the form of Restricted Share Units ("RSU's"), Deferred Share Units ("DSU's") and Named Executive Officer Restricted Share Units ("Neo RSU's"), as and when granted by the Board, at its sole discretion. The maximum number of awards that may be issued under the Plan is 17,545,677. The maximum number of shares that may be reserved for issuance under the Plan, together with any of the Corporation's other share-based compensation arrangements, may not exceed 10% of the issued shares of the Corporation.

The RSU's and DSU's that are granted vest in equal annual amounts over three years. The Neo RSU's vest three years after the date of grant. RSU's, DSU's and Neo RSU's are entitled to be credited with dividend equivalents in the form of additional RSU's, DSU's and Neo RSU's, respectively.

With certain exceptions, the Plan provides that (i) the maximum number of awards that may be granted to any one participant together with any other share-based compensation arrangements, in any 12 month period, may not exceed 5% of the issued shares, and, in the case of any consultant, may not exceed 2% of the issued shares; and (ii) the total value of all securities that may be issued to any non-employee director under all of the Corporation's security based compensation arrangements may not exceed \$150,000 per annum.

**Note 8 – Continued**

The Corporation entered into total return swaps (“TRS”) as economic hedges of the Corporation’s DSUs and RSUs. Under the terms of the TRS, a bank has the right to purchase the Corporation’s shares in the marketplace as a hedge against the returns in the TRS. At December 31, 2019, 618,652 TRS units were outstanding.

At December 31, 2019, 100% of the combined DSU and RSU exposures were economically hedged (December 31, 2018 - nil%). Hedge accounting is not applied for the DSU/RSU hedging program.

Under the Plan, 240,980 common shares at a value of \$894,038 have been issued as at December 31, 2019.

*Dividends*

A cash dividend of \$0.002614 per common share was declared on March 15, 2019 and paid to shareholders of record on March 29, 2019.

A cash dividend of \$0.002627 per common share was declared on June 21, 2019 and paid to shareholders of record on June 28, 2019.

A cash dividend of \$0.002640 per common share was declared on September 16, 2019 and paid to shareholders of record on September 30, 2019.

A cash dividend of \$0.002653 per common share was declared on December 17, 2019 and payable to shareholders of record on December 31, 2019.

**9. Financial Risk Management and Fair Value**

The Corporation is required to disclose certain information concerning its financial instruments. The fair values of the Corporation’s cash and short term deposits, accounts receivable and accounts payable and accrued liabilities approximate their carrying amount due to the relatively short periods to maturity of these financial instruments. The fair value of the Corporation’s debt obligations is estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Corporation might pay or receive in actual market transactions.

IFRS establishes a three tier fair value hierarchy to reflect the significance of the inputs used in measuring the fair value of the Corporation’s financial instruments. The three levels are:

Level 1 – This level includes assets and liabilities measured at fair market value based on unadjusted quoted prices for identical assets and liabilities in active markets that the Corporation can access on the measurement date.

Level 2 – This level includes measurements based on directly or indirectly observable inputs other than quoted prices included in Level 1. Financial instruments in this category are measured using valuation models or other standard valuation techniques that rely on observable market inputs.



**StorageVault Canada Inc.**  
**Notes to the Consolidated Financial Statements**  
For the Years Ended December 31, 2019 and 2018

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**Note 9 – Continued**

Level 3 – The measurements used in this level rest on inputs that are unobservable, unavailable, or whose observable inputs do not justify the largest part of the fair value instrument.

The fair value of financial liabilities was as follows:

	Fair Value Hierarchy	As at December 31, 2019		As at December 31, 2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities:					
Debt	Level 2	1,043,788,392	1,049,023,737	702,411,156	686,639,088

Financial instruments may expose the Corporation to a number of financial risks including interest rate risk, credit risk and environmental risk.

- a) Interest rate risk – Interest rate risk arises from changes in market interest rates that may affect the fair value of future cash flows from the Corporation’s financial assets or liabilities. Interest rate risk may be partially mitigated by holding both fixed and floating rate debt, or by staggering the maturities of fixed rate debt. The Corporation is exposed to interest rate risk primarily relating to its long term debt. The Corporation will manage interest rate risk by utilizing fixed interest rates on its mortgages where possible, entering into interest rate swap contracts, staggering maturities over a number of years to mitigate exposure to any single year, and by attempting to ensure access to diverse sources of funding.

There is interest rate risk associated with variable rate mortgages and lines of credit as interest expense is impacted by changes in the prime rate. The impact on the Statements of Income (Loss) and Comprehensive Income (Loss) if interest rates on variable rate debt had been 1% higher or lower for the year ended December 31, 2019 would have been approximately \$1,369,745 (December 31, 2018 - \$1,539,550).

- b) Credit risk – Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their financial obligations to the Corporation. The risk of incurring bad debts often arises if storage customers relocate and cannot be found to enforce payment, or if storage customers abandon their possessions. The extent of bad debts can be mitigated by quickly following up on any unpaid amounts shortly after the due date, enforcing late fees, denying access to any customers with delinquent accounts, and ultimately seizing the possessions of the customer. Additionally, the Corporation typically rents to numerous customers, each of which constitutes significantly less than 5% of the Corporation’s monthly revenue. This diversification in the customer base reduces credit risk from any given tenant.

The Corporation has approximately \$670,000 of receivables from related parties at December 31, 2019. Management believes there is low credit risk associated with these related party balances due to the nature of the relationship and the historical loss rates.

**Note 9 – Continued**

Change in the Corporation’s allowance for expected credit losses is as follows:

<b>Balance December 31, 2017</b>	\$298,178
Charges or adjustments during the year	<u>(47,520)</u>
<b>Balance December 31, 2018</b>	250,658
Charges or adjustments during the year	<u>98,968</u>
<b>Balance December 31, 2019</b>	<u><u>\$349,626</u></u>

The creation and release of the allowance for expected credit losses has been included in operating costs in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

- c) Liquidity risk – Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation manages liquidity risk through cash flow forecasting and regular monitoring of cash requirements including anticipated investing and financing activities. Typically, the Corporation ensures that it has sufficient cash or liquid investments available to meet expected operating expenses for a period of 30 days, excluding the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. For the foreseeable future, the Corporation anticipates that cash flows from operations, working capital, and other sources of financing will be sufficient to meet its operating requirements, debt repayment obligations and will provide sufficient funding for anticipated capital expenditures. It is the Corporation’s intention to renew any debt coming due in the next fiscal year. The maturities of long term financial liabilities are summarized in Note 7.
  
- d) Environmental risk – Environmental risk is inherent in the ownership of property. Various municipal, provincial and federal regulations can result in penalties or potential liability for remediation should hazardous materials enter the environment. The presence of hazardous substances could also impair the Corporation’s ability to finance or sell the property, or it may expose the Corporation to civil law suits. To mitigate such risk, the Corporation will procure recent or updated environmental reports for all acquisitions. It also prohibits the storage of hazardous substances as a condition of the rental contract signed by customers.

Unless otherwise noted, it is management’s opinion that the Corporation is not exposed to significant currency risk.

**StorageVault Canada Inc.**  
**Notes to the Consolidated Financial Statements**  
For the Years Ended December 31, 2019 and 2018

**10. Income Tax**

	2019	2018
Loss before taxes	(62,380,647)	(32,216,153)
Combined federal and provincial statutory income tax rate	<b>26.75%</b>	26.75%
Income tax recovery calculated at statutory rate	(16,686,823)	(8,617,821)
Non-deductible items	2,325,303	502,554
Change in tax rate and other items	(1,900,658)	50,409
Income tax expense (recovery)	<b>(16,262,178)</b>	(8,064,858)

Movements in deferred tax assets (liabilities) related to temporary differences during the year are as follows:

	December 31, 2018	Recognized on acquisitions	IFRS 16 Transition Adjustment	Recognized in earnings	December 31, 2019
Property, plant and equipment	(59,768,535)	(27,607,095)	(4,861,617)	(4,078,485)	<b>(96,315,732)</b>
Goodwill and intangible assets	(4,868,083)	(6,015,055)	-	9,483,698	<b>(1,399,440)</b>
Long term debt	(641,839)	-	-	(362,210)	<b>(1,004,049)</b>
Interest rate swaps	-	-	-	2,456,596	<b>2,456,596</b>
Lease liability	-	-	5,184,522	1,555,314	<b>6,739,836</b>
Deferred tax assets not recognized	1,585,951	-	-	(77,904)	<b>1,508,047</b>
Non-capital loss carry forwards	16,666,497	-	-	7,285,169	<b>23,951,666</b>
Deferred tax asset (liability)	<b>(47,026,009)</b>	<b>(33,622,150)</b>	<b>322,905</b>	<b>16,262,178</b>	<b>(64,063,076)</b>

**11. Related Party Transactions**

The Corporation holds a Master Franchise from Canadian PUPS Franchises Inc. (CPFI) which provides the Corporation with the exclusive Canadian franchise rights for the development and operation of portable storage throughout Canada. CPFI is a corporation related to Steven Scott and Iqbal Khan who are directors of the Corporation. The Corporation pays a monthly royalty of 3.5% on the gross sales. During the year ended December 31, 2019, the Corporation paid \$291,152 (December 31, 2018 - \$237,725) for royalties and \$82,585 (December 31, 2018 - \$920,071) for storage containers and other equipment under the Master Franchise Agreement.

Included in accounts payable and accrued liabilities, relating to the previously noted transactions, at December 31, 2019 was \$73,783 (December 31, 2018 - \$22,461) payable to CPFI.

The Corporation has management agreements with Access Self Storage Inc. and related companies (“Access Group”). These companies are related to Steven Scott and Iqbal Khan who are directors of the Corporation. The Corporation invoices the Access Group for management fees as well as additional services it provides as part of the management agreements. During the year ended December 31, 2019, the Corporation received \$7,559,825 (December 31, 2018 – \$6,103,873) in payments and reimbursements related to the management agreement.

Included in accounts payable and accrued liabilities was \$292,132 (December 31, 2018 - \$517,993) payable to the Access Group. Included in accounts receivable was \$671,452 (December 31, 2018 - \$1,206,855) receivable from the Access Group.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly and indirectly, and include directors. The remuneration of key management personnel for employment services rendered are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Wages, management fees, bonuses and directors fees	\$ 539,196	\$ 390,194
Stock based compensation	<u>2,220,877</u>	<u>1,625,895</u>
	<u>\$ 2,760,073</u>	<u>\$ 2,016,089</u>

**12. Capital Risk Management**

The Corporation’s objectives when managing capital are to safeguard the Corporation’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation defines capital as shareholders’ equity excluding contributed surplus, and long term debt. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets, and adjust the amount of cash and short term deposits. The Board of Directors does not establish a quantitative return on capital criteria, but rather promotes year over year sustainable growth.

**Note 12 – Continued**

The Corporation reviews and assesses its capital structure on an ongoing basis. The Corporation determines the appropriate mortgage debt to be placed on properties at the time a particular property is acquired or when an existing mortgage financing matures. Consideration is given to various factors including, but not limited to, interest rates, financing costs, the term of the mortgage and the strength of cash flow arising from the underlying asset. Mortgage debt is usually only secured by the underlying asset. The Corporation monitors its capital using a debt to fair value ratio.

Except for the debt covenants described in Note 7, the Corporation is not subject to any externally imposed capital requirements.

**13. Segmented Information**

The Corporation operates three reportable business segments. Each segment is a component of the Corporation for which separate discrete financial information is available for evaluation by the chief decision makers of the Corporation.

- Self Storage – involves the customer leasing space at the Corporation’s property for short or long term storage. Self storage may also include space for storing boxes, vehicles and use for small commercial operations.
- Portable Storage – this segment involves delivering a portable storage unit to the customer. The customer can opt to keep the portable storage unit at their location, or have it moved to another location for further storage.
- Management Division – involves revenues generated from the management of stores owned by third parties.

The Corporation evaluates performance and allocates resources based on earnings before interest, taxes, depreciation, amortization and stock based compensation. Corporate costs are not allocated to the segments and are shown separately below.

**StorageVault Canada Inc.**  
**Notes to the Consolidated Financial Statements**  
For the Years Ended December 31, 2019 and 2018

**Note 13 – Continued**

**For the Year Ended December 31, 2019**

	Self Storage	Portable Storage	Management Division	Corporate	Total
Revenue	\$ 125,764,839	\$ 7,447,897	\$ 1,750,304	\$ -	\$ 134,963,040
Operating expenses	39,730,109	5,134,990	-	-	44,865,099
Net operating income	86,034,730	2,312,907	1,750,304	-	90,097,941
Acquisition and integration	-	-	-	6,982,983	6,982,983
Selling, general & admin.	-	-	-	11,214,718	11,214,718
Interest expense	42,189,684	-	-	-	42,189,684
Unrealized loss on swaps	-	-	-	9,291,210	9,291,210
Stock based compensation	-	-	-	3,593,638	3,593,638
Depreciation & amortization	76,804,172	1,867,949	365,308	168,926	79,206,355
Deferred tax recovery	-	-	-	(16,262,178)	(16,262,178)
Net income (loss)	<u>\$ (32,959,126)</u>	<u>\$ 444,958</u>	<u>\$ 1,384,996</u>	<u>\$ (14,989,297)</u>	<u>\$ (46,118,469)</u>

Additions:

Real estate and equipment	409,430,685	334,753	-	247,509	410,012,947
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**For the Year Ended December 31, 2018**

	Self Storage	Portable Storage	Management Division	Corporate	Total
Revenue	\$ 88,202,008	\$ 6,464,800	\$ 1,716,791	\$ -	\$ 96,383,599
Operating expenses	26,269,735	4,254,214	-	-	30,523,949
Net operating income	61,932,273	2,210,586	1,716,791	-	65,859,650
Acquisition and integration	-	-	-	2,248,751	2,248,751
Selling, general & admin.	-	-	-	6,192,383	6,192,383
Interest expense	28,875,906	-	-	-	28,875,906
Stock based compensation	-	-	-	1,901,631	1,901,631
Depreciation & amortization	56,755,567	1,953,230	-	148,335	58,857,132
Deferred tax recovery	-	-	-	(8,064,858)	(8,064,858)
Net income (loss)	<u>\$ (23,699,200)</u>	<u>\$ 257,356</u>	<u>\$ 1,716,791</u>	<u>\$ (2,426,242)</u>	<u>\$ (24,151,295)</u>

Additions:

Real estate and equipment	187,602,427	6,232,460	-	476,943	194,311,830
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## StorageVault Canada Inc.

### Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

#### Note 13 – Continued

##### Total Assets

	Self Storage	Portable Storage	Management Division	Corporate	Total
As at December 31, 2018	\$ 967,246,443	\$ 19,827,440	\$ 17,795,589	\$ 17,921,945	\$ 1,022,791,417
As at December 31, 2019	\$ 1,334,810,756	\$ 17,946,452	\$ 17,408,039	\$ 22,700,715	\$ 1,392,865,962

#### 14. Commitments and Contingencies

##### Lease Liabilities

The Corporation leases buildings and lands in Kamloops, BC, Montreal, QC, Toronto, ON and Winnipeg, MB. The leases expire between 2023 and 2054, with the leases expiring in 2023 and 2027 having up to 15 years and 20 years of renewals, respectively, which are expected to be exercised by the Corporation.

The lease liabilities are measured at the present value of the lease payments that are not paid at the balance sheet date. Lease payments are apportioned between interest expense and a reduction of the lease liability using the Corporation's incremental borrowing rate to achieve a constant rate of interest on the remaining balances of the liability.

For the year ended December 31, 2019, the Corporation recognized \$1,019,236 (December 31, 2018 - \$nil) in interest expense related to its lease liabilities. As a result of the adoption of IFRS 16, for the year ended December 31, 2019, the Corporation recognized \$nil (December 31, 2018 - \$1,255,333) in operating lease payments.

A reconciliation of the lease liabilities from the date of adoption of IFRS 16 to December 31, 2019 is as follows:

	Self Storage Properties
Balance, January 1, 2019	\$ 19,381,391
Additions	6,508,967
Cash Payments	(1,418,534)
Interest	1,019,236
Balance, December 31, 2019	<u>\$ 25,491,060</u>

##### Contingency

The Corporation has no legal contingency provisions at either December 31, 2019 or December 31, 2018.

## StorageVault Canada Inc.

### DIRECTORS

Jay Lynne Fleming  
Vancouver, BC

Iqbal Khan  
Toronto, ON

Steven Scott  
Toronto, ON

Alan Simpson  
Regina, SK

Blair Tamblyn  
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### TSX VENTURE EXCHANGE LISTING:

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Steven Scott  
Chief Executive Officer

Iqbal Khan  
Chief Financial Officer

### AUDITORS

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### REGISTRAR & TRANSFER AGENT

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Facsimile 403-265-0232

SVI

# StorageVault Canada Inc.

(the “Corporation”)

Form 51-102F1

## Management’s Discussion and Analysis For Three Months Ended and Fiscal Year Ended December 31, 2019

The following Management’s Discussion and Analysis (“MD&A”) provides a review of corporate and market developments, results of operations and the financial position of StorageVault Canada Inc. (“SVI” or “the Corporation”) for the three months and fiscal year ended December 31, 2019. This MD&A should be read in conjunction with the audited fiscal 2019 consolidated financial statements and accompanying notes contained therein, which have been prepared in Canadian dollars and in accordance with International Financial Reporting Standards (“IFRS”). This MD&A is based on information available to Management as of February 27, 2020.

### FORWARD LOOKING STATEMENTS

This MD&A and the accompanying Letter to Shareholders contains forward-looking information. All statements, other than statements of historical fact, included in this MD&A and the accompanying Letter to Shareholders may be 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, forward-looking information included in this MD&A and the accompanying Letter to Shareholders includes statements with respect to: the Corporation’s outlook as to the market for self storage, portable storage and third party management fees; economic conditions; the availability of credit; the expectation of cash flows; the Corporation’s strategic objectives, growth strategies, goals and plans; potential sources of financing including issuing additional common shares as a source financing, generally, and as a source of financing for potential acquisitions; future expansion of existing SVI stores; the size of potential future acquisitions the Corporation may make in 2020; the annualized net operating income (NOI), a non-IFRS measure, and annualized funds from operations (FFO), a non-IFRS measure, assumes acquisitions that occurred in Fiscal 2019 were purchased on January 1, 2019; and the general outlook for the Corporation. This forward-looking information is contained in “Highlights”, “Nature of Business”, “Business and General Corporate Strategy”, “Outlook”, “Financial Results Overview” and “Working Capital, Long Term Debt and Share Capital” and other sections of this MD&A.

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 the Corporation to be materially different from those expressed or implied by such forward-looking information. Certain of such risks are discussed in the “Risks and Uncertainties” section of this MD&A.

Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not

place undue reliance on forward-looking information. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation.

The forward-looking information in this MD&A and the accompanying Letter to Shareholders should not be relied upon as representing the Corporation's views as of any date subsequent to the date of this MD&A. Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of the Corporation to obtain sufficient or necessary financing, satisfy conditions under previously announced acquisition agreements, or satisfy any requirements of the TSX Venture Exchange with respect to these acquisitions and any related private financing; 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 from acquisitions completed in Fiscal 2019 being extrapolated to the entire period for 2019 and being consistent with, and reproducible as, revenue in future periods; and anticipated and unanticipated costs. 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 the Corporation's disclosure documents on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Corporation undertakes no obligation to publicly update or review any forward-looking information, except in accordance with applicable securities laws. Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations.

The amount of potential future acquisitions by the Corporation in fiscal 2020 and revenue and NOI growth for 2020 may be considered a financial outlook, as defined by applicable securities legislation, contained in this MD&A and the accompanying Letter to Shareholders. Such information and any other financial outlooks or future-oriented financial information has been approved by management of the Corporation as of the date hereof. Such financial outlook or future-oriented financial information is 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.

Additional information relating to StorageVault Canada Inc. can be found at [www.sedar.com](http://www.sedar.com).

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## GLOSSARY OF TERMS

The following abbreviated terms are used in the Management Discussion & Analysis and have the following respective meanings:

“**AFFO**” means 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. AFFO is a non-IFRS measure – see Accounting Policies Non-IFRS Measures;

“**Existing Self Storage**” means stores that the Corporation has owned or leased since the beginning of the previous fiscal year; Existing Self Storage is a non-IFRS measure – see Accounting Policies Non-IFRS Measures;

“**FFO**” means net income (loss) excluding gains or losses from the sale of depreciable real estate, plus depreciation and amortization, stock based compensation expenses, unrealized gains or losses on interest rate swaps, and deferred income taxes; and after adjustments for equity accounted entities and non-controlling interests;

“**IFRS**” means international financial reporting standards;

“**MD & A**” means this management discussion and analysis disclosure document;

“**New Self Storage**” means stores that have not been owned or leased continuously since the beginning of the previous fiscal year; New Self Storage is a non-IFRS measure – see Accounting Policies Non-IFRS Measures;

“**NOI**” means net operating income, calculated as revenue from storage and related services less related property operating costs; NOI is a non-IFRS measure – see Accounting Policies Non-IFRS Measures;

“**Non-IFRS Measures**” means operating and performance metrics that are not always calculated with reference to IFRS, but are used commonly in the storage industry to measure operating results for assets owned or leased;

“**Q1, Q2, Q3 or Q4**” means a three month fiscal quarter of the Company, ending on March 31, June 30, September 30 and December 31 respectively;

“**Revenue Management**” means the operating principle of achieving optimal revenue through a combination of rental rate increases on existing customers (increases the existing revenue base and rent per square foot) and dynamic pricing of available inventory;

“**Store**” means self storage property or location or facility or site;

“**Subsequent Events**” means material transactions that have occurred from January 1, 2020 to February 27, 2020

“**SVI**” means StorageVault Canada Inc.;

“**The Company**” or “**The Corporation**” or “**We**” or “**Our**” means StorageVault Canada Inc.

## NATURE OF OUR BUSINESS

### Business Overview

The Corporation's primary business is owning, managing and renting self storage and portable storage space to individual, governments and commercial customers. The Corporation also stores, shreds, and manages documents and records for customers. The common shares of the Company are publicly traded on the TSX Venture Exchange, under the symbol 'SVI'.

As of December 31, 2019, SVI owned 151 stores and 4,613 portable storage units across Canada, for a total of 8,177,060 square feet of rentable storage space in 73,632 rental units. The stores operate under the Access Storage, Depotium Mini-Entrepots, Sentinel Storage and Storage For Your Life brands. Our portable storage business operates under the Cubeit and PUPS brands. Our records management business operates under the RecordXpress brand.

In addition to our owned stores, SVI manages 50 stores that are owned by third parties for a management fee, bringing the total number of stores owned and managed to 201.

SVI's objective is to own and manage storage assets in Canada's top markets. The Corporation will focus on acquiring storage assets with strong existing cash flows, in strategic markets, preferably with excess capacity and land allowing for future development and expansion of our self, portable and information and records management storage businesses. Financing for this growth is intended to come from a combination of free cash flow from operations, mortgage financing and the issuance of additional debt or equity securities.

### The Storage Landscape

Demand for storage is driven by population growth, change of circumstances and smaller living areas and work spaces. Business incubation, last mile storage and distribution, immigration, downsizing, renovations, moving, death, divorce, insurance, etc. have contributed to the significant growth in demand for storage space in Canada over the past 10 years and statistics show that this trend is expected to continue.

### Market Size

The Canadian storage market is estimated to be 90 million square feet across 3,000 stores, with the top 10 operators owning less than 15% of these stores; by comparison, the US market is estimated at over 2.7 billion square feet across over 51,000 plus stores. This translates into approximately 8.3 square feet per capita in the US versus only 2.5 square feet per capita in Canada suggesting that Canada is an under-stored nation.

The market fragmentation of the Canadian storage industry combined with the low square foot per capita provides significant consolidation, expansion and development opportunities. Our existing platform, relationships, reputation and knowledge of the storage industry allows us to identify and take advantage of accretive and strategic acquisition opportunities.

### Pricing and Occupancy

A store's rental rates and level of occupancy are dependent upon factors such as population density and growth, the local economy, pricing, customer service and curb appeal. We believe in managing our inventory (units) through pricing. Since our rentals are either weekly or monthly, we are able to react to market demand very quickly. Our objective is to maximize NOI through revenue, by increasing rent per square foot first and maximizing occupancy second.



### Competition

New development in a market impacts the occupancy and the ability to raise rates at existing stores until the market absorbs the new space. New entrants tend to offer significant move-in specials to achieve more rapid occupancy gains. Once the space has leased up, promotions are reduced or eliminated and the focus switches to maximizing revenue through price increases. This can result in short term fluctuations in occupancy and revenue per square foot at existing stores.

### Seasonality

The storage business is subject to seasonality. There is naturally more activity in the warmer months and less activity in the colder months. As a result, occupancies and revenue per square foot tend to be highest in Q2 and Q3 and lowest in Q1 and Q4. This trend is consistent with what is experienced in the Northern US. This seasonality is more significant in the portable storage business as all of our portable units are non-climate controlled. Also, operating costs tend to be higher during the winter months in Canada due to heating and snow removal costs resulting in lower NOI margins in Q1 and Q4 versus Q2 and Q3.

## **BUSINESS AND GENERAL CORPORATE STRATEGY**

SVI owns and manages storage locations offering both self storage and portable storage for rent on a weekly or monthly basis, for personal and commercial use. We are focused on owning and operating locations in the top markets in Canada with a plan to have multiple stores, where possible, in each market we operate.

### **Growth Strategies**

Our growth strategy is described in the following four segments: acquisitions, organic growth through improved performance of existing stores, expansion of our existing stores to meet pent up demand and expansion of our portable storage business.

### Acquisitions

The combination of our corporate platform, our track record of closing transactions, our industry relationships and our storage experience provides SVI with a unique advantage in the Canadian market place. This advantage allows us to identify accretive and strategic purchasing opportunities at attractive prices that provide synergies in operations, marketing and revenue maximization.

We intend to be a disciplined purchaser, with a focus on Canada's top markets. As there is more competition to acquire existing stores, especially from US purchasers, we may not be able to find acquisitions that meet our criteria.

### Organic Growth

Scale is important and the increased size of SVI provides a significant advantage in negotiating better rates on: marketing, insurance, software, office supplies, resale retail products, merchant services, technical support and long distance transport of portable units. These economies translate into improved margins and better results.

Efficiencies are also gained through cross promotion and marketing of the self storage and portable storage platforms due to our national footprint, offering different but complementary product choices at various price points to our customers.

The most significant evolution in the storage industry has been in the area of revenue management. Revenue management is the principle of achieving optimal revenue through a combination of rental rate

increases on existing customers (increases the existing revenue base and rent per square foot) and dynamic pricing of available inventory so we are selling the right product, to the right customer at the right time, for the right price. With a focus on revenue management, stores are able to achieve significant top and bottom line growth even when occupancies are stable.

#### Existing Store Expansion

There is over 1,000,000 square feet of development potential on excess land currently owned and operated by SVI. When the market conditions are suitable and high occupancies and leads indicate pent up demand, we expect to expand a number of our existing locations. In 2018, we completed 73,500 square feet of expansion and currently have another 50,000 square feet under construction expected to be completed in 2020.

#### Expansion of Portable Storage Business

The portable storage business is where the self storage business was 20 years ago and has significant growth potential. This belief is supported by Canada's largest pension plan purchasing the world's largest portable storage business in one of their long-term funds in February 2015 for over \$1 billion. While margins in the portable storage business are not as high as they are in the self storage business, they are still very attractive. With a larger geographic and operating footprint achieved through our growth strategy, we believe the margins will continue to improve.

#### Expansion of Information and Records Management Business

The records management business is a complementary vertical in the storage space, much like portable storage, and fills up excess space, and delivers strong "sticky" cash flows. By virtue of consolidation in the records management industry, RecordXpress has become one of the largest Canadian records management companies in Canada and as part of SVI, it is the only company that can provide a national platform. This is a significant competitive advantage as government organizations such as hospitals and charities do not want their confidential information in foreign hands.

#### **Financing Strategy**

We anticipate funding the capital requirements of our growth strategy through excess operating cash flow, utilization of suitable leverage and from the issuance of equity and debt securities.

#### Financing With Secured Debt and Lines of Credit

The Corporation will partially fund the purchase of storage assets with debt. A number of factors are considered when evaluating the level of debt in our capital structure, as well as the amount of debt that will be fixed or variable rate. In making financing decisions, the factors that we consider include, but are not limited to interest rate, amortization period, covenants and restrictions, security requirements, prepayment rights and costs, overall debt level, maturity date in relation to existing debt, overall percentage of fixed and variable rate debt and expected store performance.

#### Issuance of Common Shares

The Corporation will, from time to time, issue common shares to the public or to vendors to fund the purchase of storage assets or pay down debt. SVI will consider issuances of additional common shares for cash proceeds or as consideration in the purchase of storage assets in the upcoming fiscal year if accretive to shareholders. Future issuances will be dependent upon financing needs, acquisitions and expansion, equity market conditions at the time and transaction pricing.

## OUTLOOK

The Corporation's outlook for acquisitions, share capital, results from operations and subsequent events are:

### Acquisitions

In 2020 we expect to acquire \$50 to \$75 million of assets.

To date, we have been successful in meeting or exceeding our acquisition targets; however, as there is more competition to acquire existing stores, especially from foreign purchasers, we may not be able to find acquisitions that meet our criteria.

### Share Capital

The Corporation will from time to time issue common shares to the public or to vendors to fund the purchase of storage assets. Future issuances will be dependent upon financing needs, acquisition opportunities, expansion plans, equity market conditions at the time and transaction pricing.

### Results from Operations

We expect growth in revenue and NOI in 2020 resulting from the timing of 2019 and 2020 acquisitions and as we continue to streamline and integrate operations, implement our revenue management systems and continue to control costs on the \$1.3 billion of assets purchased in the past five years.

The Corporation may use discounts in select markets to match competitive forces and retain its customer base as a result of new competitors trying to jump-start their lease up periods by offering significant discounts to new customers. This can result in short term fluctuations in occupancy and rent per square foot at existing stores. The effect on overall revenues is not expected to be significant, but it may be enough to slow the rate of growth in revenues experienced in past years.

## DESCRIPTION OF OUR OPERATIONS

As at December 31, 2019, the Corporation owned the following self storage and portable storage operations:

Location	Acres	Number of Stores	Units	Rentable Square Feet
British Columbia	43	18	9,514	935,574
Alberta	109	30	15,939	1,847,990
Saskatchewan	26	8	1,766	238,201
Manitoba	25	9	4,145	408,248
Ontario	232	68	28,977	3,349,217
Quebec	30	14	7,110	674,784
Nova Scotia	15	4	1,568	157,483
Portable Storage Units			4,613	565,563
<b>Total</b>	<b>480</b>	<b>151</b>	<b>73,632</b>	<b>8,177,060</b>

Management is focused on increasing value and increasing NOI as follows:

### Revenue Management

In today's competitive climate, revenue per square foot is the greatest driver in increasing NOI and creating value. Our management platform has intelligent software, supported by dedicated personnel, that understands the nuances of each local market. Our in-depth knowledge of our customer base and the competition allows us to implement strategic rate increases and optimize proven promotions to attract clientele that will be long-term customers, repeat renters and strong referral sources.

### Professional Management

The management team at SVI has extensive experience in all aspects of the storage industry including:

- delivering results
- management of over 200 storage locations throughout Canada
- acquisition, development and management of over 15 million square feet of storage space
- over 200 years of combined experience in the storage industry by senior management

### Marketing

We implement specific marketing plans for the different localities, stages and seasons of our business with emphasis on maximizing return on investment for every dollar spent. Our strategies to attract customers include strong search engine marketing, user friendly online presence, community connection programs and development of large national accounts to fulfill their last mile storage needs. We conduct specific store and market analysis to determine how, when and where to focus our marketing dollars with the goal of efficiently and consistently increasing the value of our stores.

### Costco Supplier

Our storage business is the exclusive supplier to Costco Wholesale Canada Ltd. (Costco) members across Canada. This relationship provides exclusive access to Costco's vast membership base as a marketing channel.

### **Reservation Centre**

Our management platform includes a Reservation Centre (call centre) that provides call management services designed to increase reservations and move-ins, increase productivity at the store level and improve our corporate image through professionalism, consistency of messaging and willingness to resolve issues. Our Reservation Centre agents have training in the storage business and understand the need to introduce and greet professionally, establish rapport with customers, build trust, ask the right questions, listen, ask for the business and close the sale. The overall result is an increased close rate leading to improved financial performance.

### **Technology and Software**

SVI stores utilize modern and intelligent software, technology and security systems. We work with vendors and developers, who have knowledge of the storage business, to take advantage of developing trends, including: (i) exception reports that allow management to monitor key performance and fraud indicators ensuring that management time is more effectively spent preventing and resolving issues than identifying them; and (ii) web-based software reporting that allows authorized individuals to view specific store information in real time. The user can choose to see daily rental rates achieved and the number of customers moving-in or moving-out. This tool allows us to adjust quickly to opportunities and threats in each marketplace.

### **Economies of Scale**

The size and scope of our management platform, combined with the growing size of our own operations translates into higher gross margins through the centralization of many functions such as revenue management, property management, employee compensation and benefits programs, as well as the development and documentation of standardized operating procedures and best practices.

## FINANCIAL RESULTS OVERVIEW

In fiscal 2019, SVI acquired 46 stores and an information and records management business for \$372.7 million. In fiscal 2018, SVI completed \$161.4 million of acquisitions. The comparative results are impacted by the timing of these acquisitions.

### Selected Financial Information

	<i>(unaudited)</i>				<i>(audited)</i>			
	Three Months Ended December 31				Fiscal			
	2019	2018	Change		2019	2018	Change	
\$			%	\$			%	
Storage revenue and related services	\$ 36,712,435	\$ 26,094,031	\$ 10,618,404	40.7%	\$ 133,212,736	\$ 94,666,808	\$ 38,545,928	40.7%
Management fees	461,930	468,398	(6,468)	-1.4%	1,750,304	1,716,791	33,513	2.0%
	<b>37,174,365</b>	<b>26,562,429</b>	<b>10,611,936</b>	<b>40.0%</b>	<b>134,963,040</b>	<b>96,383,599</b>	<b>38,579,441</b>	<b>40.0%</b>
Operating costs	12,493,978	8,272,355	4,221,623	51.0%	44,865,099	30,523,949	14,341,150	47.0%
Net operating income <sup>1</sup>	<b>24,680,387</b>	<b>18,290,074</b>	<b>6,390,313</b>	<b>34.9%</b>	<b>90,097,941</b>	<b>65,859,650</b>	<b>24,238,291</b>	<b>36.8%</b>
Less:								
Acquisition and integration costs	687,286	877,302	(190,016)	-21.7%	6,982,983	2,248,751	4,734,232	210.5%
Selling, general and administrative	3,788,657	2,054,325	1,734,332	84.4%	11,214,718	6,192,383	5,022,335	81.1%
Interest	11,502,474	8,233,488	3,268,986	39.7%	42,189,684	28,875,906	13,313,778	46.1%
Stock based compensation	-	-	-	-	3,593,638	1,901,631	1,692,007	89.0%
Unrealized loss on interest rate swap contracts	9,291,210	-	9,291,210	-	9,291,210	-	9,291,210	-
Depreciation and amortization	22,602,353	16,033,627	6,568,726	41.0%	79,206,355	58,857,132	20,349,223	34.6%
	<b>47,871,980</b>	<b>27,198,742</b>	<b>20,673,238</b>	<b>76.0%</b>	<b>152,478,588</b>	<b>98,075,803</b>	<b>54,402,785</b>	<b>55.5%</b>
Net Income (Loss) before taxes	(23,191,593)	(8,908,668)	(14,282,925)	160.3%	(62,380,647)	(32,216,153)	(30,164,494)	93.6%
Deferred tax recovery	11,627,715	8,064,858	3,562,857	44.2%	16,262,178	8,064,858	8,197,320	101.6%
Net Income (Loss)	<b>\$ (11,563,878)</b>	<b>\$ (843,810)</b>	<b>\$ (10,720,068)</b>	<b>1270.4%</b>	<b>\$ (46,118,469)</b>	<b>\$ (24,151,295)</b>	<b>\$ (21,967,174)</b>	<b>91.0%</b>
Weighted average number of common shares outstanding								
Basic	362,759,780	355,429,257	7,330,523	2.1%	360,468,060	351,893,667	8,574,393	2.4%
Diluted	362,759,780	355,429,257	7,330,523	2.1%	360,468,060	351,893,667	8,574,393	2.4%
Net income (loss) per common share								
Basic	\$ (0.032)	\$ (0.002)			\$ (0.128)	\$ (0.069)		
Diluted	\$ (0.032)	\$ (0.002)			\$ (0.128)	\$ (0.069)		

<sup>1</sup> Non-IFRS Measure.

### Storage revenue and related services

For the three months ended December 31, 2019, the Corporation had revenues of \$36.7 million (December 31, 2018 - \$26.1 million), an increase of 40.7%. The revenues for the fiscal year ended December 31, 2019, increased by \$38.6 million or 40.7%, to \$133.2 million. This increase is attributable to incremental revenue from the stores acquired in the current and prior fiscal years and from organic revenue growth. For additional information, see "Segmented, Existing and New Self Storage and Portable Storage Results."

### Management fees

The three months ended December 31, 2019 results changed by 1.4% compared to the same prior year period as a result of the Corporation acquiring managed stores reducing the number of stores in our third party management platform.

### Operating costs

Operating costs for the three months and fiscal year ended December 31, 2019 were \$12.5 million and \$44.9 million (December 31, 2018 - \$8.3 million and \$30.5 million). The increase relates to stores acquired in 2018 and 2019 and increases in advertising, property taxes and wages. These increases were slightly muted by the adoption of IFRS 16 - Leases for leasing costs. The Corporation has elected to apply the modified retrospective approach where comparative figures were not restated. For the three months and fiscal year ended December 31, 2018, leasing expense included in operating costs equaled \$270,727 and \$1,102,024, respectively.

### Net income (loss)

Our net loss of \$46.1 million for fiscal year ended December 31, 2019 results from non-cash items of \$79.2 million of depreciation and amortization, \$9.3 million of unrealized loss on interest rate swap contracts and \$3.6 million in stock based compensation, and which are offset by deferred tax recovery of \$16.3 million.

### Net operating income

For the three months ended December 31, 2019, the Corporation had net operating income (NOI), a non-IFRS measure, of \$24.7 million (December 31, 2018 - \$18.3 million), an increase of 34.9%. The NOI for the fiscal year ended December 31, 2019, increased by \$24.2 million or 36.8%, to \$90.1 million. The increase was due to the NOI from assets purchased throughout fiscal 2018 and 2019, streamlining and integration of operations, increased occupancy, increased rates through our revenue management systems and controlling costs.

### Acquisition and integration costs

Acquisition and integration costs include costs and professional fees incurred to identify, qualify, close and integrate the assets purchased and pending. SVI has closed \$372.7 million of acquisitions in fiscal 2019, following closing \$161.4 million of acquisitions in fiscal 2018 and \$485.4 million in fiscal 2017.

### Selling, general and administrative

Selling, general and administrative expenses include all expenses not related to the stores including corporate office overhead and payroll, operational management platform development and professional fees. These costs have increased as a result of increased activity associated with the growth and anticipated future growth of the business.

### Interest

Interest expense increased as the total amount of debt outstanding increased with current and prior year acquisitions. As at December 31, 2019, our total debt was \$1.0 billion compared to \$702.4 million at December 31, 2018.

### Unrealized loss on interest rate swap contracts

The Corporation entered into interest rate swap contracts to fix the interest rate on its debt. Based on market rates as at December 31, 2019, the interest rate swaps had unrealized losses of \$9.3 million. Of this, \$8.5 million relates to fixed long term debt with a weighted years to maturity of 9.24.

### Depreciation and amortization

The increase in depreciation and amortization expense is primarily due to depreciating the additional assets acquired throughout fiscal 2018 and 2019.



## Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)

FFO and AFFO are non-IFRS measures. It allows management and investors to evaluate the financial results of an entity without taking into consideration the impact of non-cash items and non-recurring acquisition and integration costs on the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss). Net income (loss) assumes that the values of our assets diminish over time through depreciation and amortization, irrespective of the value of our real estate assets in the open market. Other non-cash and non-recurring capital items include stock based compensation costs, deferred income tax expenses (recoveries), unrealized loss on swap contracts and acquisition and integration costs, if any. Acquisition and integration costs, adjusted for in our AFFO, are one time in nature to the specific assets purchased or pending. While the specific acquisition and integration costs may vary from period to period, given that the Corporation is planning to continue to complete acquisitions as part of its growth strategy, these costs will continue to be included as an adjustment in determining AFFO (i.e. the amount of the costs are "non-recurring" but the actual adjustment for these type of costs is "recurring").

FFO for the three months and fiscal year ended December 31, 2019 was \$8.7 million and \$29.7 million versus \$7.1 million and \$28.5 million, respectively for the same period in 2018. The FFO increase has been impacted by the acquisition and integration costs incurred (\$7.0 million for the fiscal year ended December 31, 2019 versus \$2.2 million for the same period in 2018) for the \$372.7 million of acquisitions closed in fiscal 2019 (\$161.4 million in 2018).

AFFO for the three months and fiscal year ended December 31, 2019 was \$9.4 million and \$36.7 million versus \$8.0 million and \$30.8 million, respectively for the same period in 2018. These increases are the result of contributions from the assets purchased and strong operational performance.

The FFO and AFFO for the three months and fiscal year ended December 31, 2019 and 2018 are:

	<i>(unaudited)</i>				<i>(audited)</i>			
	Three Months Ended December 31				Fiscal			
	<u>2019</u>	<u>2018</u>	Change		<u>2019</u>	<u>2018</u>	Change	
		\$	%			\$	%	
Net Income (loss)	\$ (11,563,878)	\$ (843,810)	\$ (10,720,068)	1270.4%	\$ (46,118,469)	\$ (24,151,295)	\$ (21,967,174)	91.0%
Adjustments:								
Stock based compensation	-	-	-	-	3,593,638	1,901,631	1,692,007	89.0%
Unrealized loss on interest rate swap contracts	9,291,210	-	9,291,210	-	9,291,210	-	9,291,210	-
Deferred tax recovery	(11,627,715)	(8,064,858)	(3,562,857)	44.2%	(16,262,178)	(8,064,858)	(8,197,320)	101.6%
Depreciation and amortization	22,602,353	16,033,627	6,568,726	41.0%	79,206,355	58,857,132	20,349,223	34.6%
	<u>20,265,848</u>	<u>7,968,769</u>	<u>12,297,079</u>	<u>154.3%</u>	<u>75,829,025</u>	<u>52,693,905</u>	<u>23,135,120</u>	<u>43.9%</u>
FFO <sup>1</sup>	\$ 8,701,970	\$ 7,124,959	\$ 1,577,011	22.1%	\$ 29,710,556	\$ 28,542,610	\$ 1,167,946	4.1%
Adjustments:								
Acquisition and integrations costs	687,286	877,302	(190,016)	-21.7%	6,982,983	2,248,751	4,734,232	210.5%
AFFO <sup>1</sup>	\$ 9,389,256	\$ 8,002,261	\$ 1,386,995	17.3%	\$ 36,693,539	\$ 30,791,361	\$ 5,902,178	19.2%

<sup>1</sup> Non-IFRS Measure.

## Annualized Net Operating Income and Funds from Operations

The Company completed the purchase of 46 stores and an information and records management business during fiscal 2019 and the revenues and operating expenses from each acquisition are reflected in the statements from the date of acquisition forward for these stores. In order to understand a full year of operations with the acquired assets, utilizing historical data, we have prepared an annualized NOI, FFO and AFFO (all non-IFRS measures) statement annualizing the revenues and expenses as if the stores purchased in fiscal 2019, were purchased as of January 1, 2019 and owned for the entire 12 month period.

The results of this annualized statement show that NOI, FFO and AFFO would be higher by \$6.7 million, \$3.6 million and \$3.6 million, respectively. NOI would have been \$96.8 million, FFO would be \$33.3 million and the AFFO would be \$40.3 million. The Corporation expects to realize the full benefit of these acquisitions in fiscal 2019.

	For the Year Ended December 31, 2019			Notes
	Actual	Annualized Results	Incremental	
Storage revenue and related services	\$ 133,212,736	\$ 141,106,483	\$ 7,893,747	1
Management fees	1,750,304	1,750,304	-	
	<u>134,963,040</u>	<u>142,856,787</u>	<u>7,893,747</u>	
Property operating costs	44,865,099	46,030,057	1,164,958	1
<b>Net operating income</b>	<u>90,097,941</u>	<u>96,826,730</u>	<u>6,728,789</u>	
Adjustments:				
Acquisition and integration costs	6,982,983	6,982,983	-	2
Selling, general and administrative	11,214,718	12,004,093	789,375	3
Interest	42,189,684	44,524,908	2,335,224	4
	<u>60,387,385</u>	<u>63,511,984</u>	<u>3,124,599</u>	
<b>Funds from Operations</b>	<u>29,710,556</u>	<u>33,314,746</u>	<u>3,604,190</u>	
Adjustment:				
Acquisition and integration costs	6,982,983	6,982,983	-	2
<b>Adjusted Funds from Operations</b>	<u>36,693,539</u>	<u>40,297,729</u>	<u>3,604,190</u>	

Note 1 - the results from all stores acquired in fiscal 2019, have been adjusted as if the purchase occurred on January 1, 2019. For revenues, we assumed achieved occupancies and rent per square foot were repeated from the period prior to acquisition. Information regarding expenses incurred during 2019 and prior to acquisition, has been sourced from due diligence materials received during the acquisition process to determine a full year of operating costs.

Note 2 – these costs are one time in nature and do not change based on acquisition date.

Note 3 – based on existing scale and management infrastructure.

Note 4 – annualized amount determined based on interest rate and debt outstanding at December 31, 2019.

## Segmented, Existing and New Self Storage and Portable Storage Results

The Corporation operates three reportable business segments - self storage, portable storage and management fees. Self storage involves customers renting space at the Corporation's property for short or long term storage. Portable storage involves delivering a storage unit to the customer. The customer can choose to keep the portable storage unit at their location or have it moved to one of our location. Management fees are revenues generated from the management of stores owned by third parties.

### Revenue, operating costs and net operating income

	<i>(unaudited)</i>				<i>(audited)</i>				
	Three Months Ended December 31				Fiscal				
	2019	2018	Change		2019	2018	Change		
			\$	%			\$	%	
<b>Revenue</b>									
Existing Self Storage <sup>1</sup>	\$ 22,114,626	\$ 20,721,821	\$ 1,392,805	6.7%	\$ 86,351,490	\$ 80,614,463	\$ 5,737,027	7.1%	
New Self Storage <sup>1</sup>	12,803,869	3,817,754	8,986,115	235.4%	39,413,349	7,587,545	31,825,804	419.4%	
Total Self Storage	34,918,495	24,539,575	10,378,920	42.3%	125,764,839	88,202,008	37,562,831	42.6%	
Portable Storage	1,793,940	1,554,456	239,484	15.4%	7,447,897	6,464,800	983,097	15.2%	
Management fees	461,930	468,398	(6,468)	-1.4%	1,750,304	1,716,791	33,513	2.0%	
Combined	37,174,365	26,562,429	10,611,936	40.0%	134,963,040	96,383,599	38,579,441	40.0%	
<b>Operating Costs</b>									
Existing Self Storage	6,036,315	5,704,129	332,186	5.8%	24,160,064	22,662,188	1,497,876	6.6%	
Impact of IFRS 16 on Costs <sup>2</sup>	-	270,727	(270,727)	-	-	1,102,024	(1,102,024)	-	
New Self Storage	5,168,539	1,188,659	3,979,880	334.8%	15,570,045	2,505,523	13,064,522	521.4%	
Total Self Storage	11,204,854	7,163,515	4,041,339	56.4%	39,730,109	26,269,735	13,460,374	51.2%	
Portable Storage	1,289,124	1,108,840	180,284	16.3%	5,134,990	4,254,214	880,776	20.7%	
Combined	12,493,978	8,272,355	4,221,623	51.0%	44,865,099	30,523,949	14,341,150	47.0%	
<b>Net Operating Income<sup>1</sup></b>									
Existing Self Storage	16,078,311	15,017,692	1,060,619	7.1%	62,191,426	57,952,275	4,239,151	7.3%	
Impact of IFRS 16 on NOI <sup>2</sup>	-	(270,727)	270,727	-	-	(1,102,024)	1,102,024	-	
New Self Storage	7,635,330	2,629,095	5,006,235	190.4%	23,843,304	5,082,022	18,761,282	369.2%	
Total Self Storage	23,713,641	17,376,060	6,337,581	36.5%	86,034,730	61,932,273	24,102,457	38.9%	
Portable Storage	504,816	445,616	59,200	13.3%	2,312,907	2,210,586	102,321	4.6%	
Management fees	461,930	468,398	(6,468)	-1.4%	1,750,304	1,716,791	33,513	2.0%	
Combined	\$ 24,680,387	\$ 18,290,074	\$ 6,390,313	34.9%	\$ 90,097,941	\$ 65,859,650	\$ 24,238,291	36.8%	

<sup>1</sup> Non -IFRS Measure.

<sup>2</sup> For comparative purposes, due to the Corporation applying IFRS 16 - Leases on a modified retrospective basis where the Corporation will not restate comparative figures, the Corporation has separated out the leasing expense incurred for the three months and fiscal year ended December 31, 2018.

### Existing Self Storage

For the three months ended December 31, 2019, revenue and NOI increased by 6.7% and 7.1%, respectively, over the same prior year period, resulting in revenue and NOI increasing by 7.1% and 7.3% for the full year. The revenue increase was driven by continued execution of our revenue management program and increased occupancy. While controlling costs through operational efficiencies continues to be a priority, we experienced increases in advertising, property taxes and wages.

### *New Self Storage*

Increase is a result of acquiring stores throughout 2018 and 2019 resulting in NOI growth quarter over quarter as we commenced reporting results.

### *Portable Storage*

Increase in revenue per unit rented and occupancy resulted in revenue and NOI growth over the same prior year period.

### Quarterly net operating income

The Corporation's quarterly results are affected by the timing of acquisitions, both in the current year and prior year. SVI also incurs non-recurring initial expenses when a new location is acquired. These costs may include labor, severance, training, travel, advertising and or office expenses.

The storage business is subject to seasonality. There is naturally more activity in the warmer months and less activity in the colder months. Operating costs are higher during the winter months due to heating and snow removal costs resulting in lower NOI margins in Q1 and Q4, versus Q2 and Q3. This is consistent with results experienced in the Northern US.

	Fiscal 2019 ('000)					Fiscal 2018 ('000)				
	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total
<b>NOI <sup>1</sup></b>										
Existing Self Storage	\$ 16,078	\$ 16,561	\$ 15,718	\$ 13,835	\$ 62,191	\$ 14,747	\$ 15,193	\$ 14,378	\$ 12,532	\$ 56,850
New Self Storage	7,635	7,019	6,389	2,800	23,843	2,629	1,608	505	340	5,082
Total Self Storage	23,714	23,580	22,106	16,635	86,035	17,376	16,802	14,883	12,872	61,932
Portable Storage	505	779	642	387	2,313	446	760	627	377	2,211
Management Fees	462	469	400	419	1,750	468	442	417	389	1,716
	\$ 24,680	\$ 24,828	\$ 23,148	\$ 17,441	\$ 90,098	\$ 18,290	\$ 18,004	\$ 15,927	\$ 13,638	\$ 65,859

<sup>1</sup> Non-IFRS Measure

### *Existing Self Storage*

The increase in Q4 2019 over Q4 2018 was substantially driven from continued execution of our revenue management program, occupancy increase and controlling costs through operational efficiencies.

### *New Self Storage*

SVI acquired 15 stores in 2018 and 46 stores in 2019. These additions have resulted in NOI growth quarter over quarter as we commenced reporting results.

### *Portable Storage*

Increase in revenue per unit and occupancy resulted in revenue and NOI growth over the same prior year period.

## Summary of Quarterly Results (unaudited)

Period	Revenue	Net Income / (Loss)	Net Income / (Loss) per share	Fully diluted Net Income / (Loss) per share	Total Assets	Total Liabilities	Dividends
2019- Q4	\$37,174,365	(\$11,563,878)	(\$0.032)	(\$0.032)	\$1,392,865,962	\$1,162,117,984	\$961,654
2019- Q3	\$37,310,765	(\$9,399,776)	(\$0.026)	(\$0.026)	\$1,377,237,690	\$1,134,721,033	\$958,230
2019- Q2	\$34,255,855	(\$16,310,988)	(\$0.045)	(\$0.045)	\$1,385,491,977	\$1,132,963,923	\$952,321
2019- Q1	\$26,222,055	(\$8,843,827)	(\$0.025)	(\$0.025)	\$1,044,914,091	\$794,584,280	\$930,288
<b>Total 2019</b>	<b>\$134,963,040</b>	<b>(\$46,118,469)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>\$3,802,493</b>
2018- Q4	\$26,562,429	(\$843,810)	(\$0.002)	(\$0.002)	\$1,022,791,417	\$761,864,860	\$925,235
2018- Q3	\$25,733,852	(\$6,355,654)	(\$0.018)	(\$0.018)	\$990,262,630	\$731,939,098	\$920,981
2018- Q2	\$23,173,856	(\$9,158,368)	(\$0.026)	(\$0.026)	\$959,256,102	\$694,025,713	\$920,562
2018- Q1	\$20,913,462	(\$7,793,463)	(\$0.022)	(\$0.022)	\$922,656,903	\$661,214,665	\$889,786
<b>Total 2018</b>	<b>\$96,383,599</b>	<b>(\$24,151,295)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>\$3,656,564</b>
2017- Q4	\$20,744,110	\$15,343,505	\$0.044	\$0.044	\$895,496,381	\$627,421,264	\$880,328
2017- Q3 <sup>1</sup>	\$18,453,960	(\$15,402,377)	(\$0.046)	(\$0.046)	\$839,525,204	\$585,777,091	\$879,376
2017- Q2	\$12,557,306	(\$2,995,895)	(\$0.010)	(\$0.010)	\$400,216,946	\$237,005,503	\$765,016
2017- Q1 <sup>1</sup>	\$10,133,138	(\$10,797,865)	(\$0.037)	(\$0.037)	\$404,743,767	\$238,025,850	\$749,946
<b>Total 2017</b>	<b>\$61,888,514</b>	<b>(\$13,852,632)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>\$3,274,666</b>
2016- Q4	\$8,900,182	(\$18,657,288)	(\$0.070)	(\$0.070)	\$342,803,581	\$187,115,587	\$724,931
2016- Q3	\$7,307,070	(\$537,379)	(\$0.022)	(\$0.022)	\$253,955,856	\$131,931,530	\$630,309
2016- Q2	\$6,320,322	(\$663,764)	(\$0.004)	(\$0.004)	\$179,885,223	\$118,343,352	\$440,398
2016- Q1	\$5,296,970	(\$1,331,005)	(\$0.008)	(\$0.008)	\$176,728,097	\$114,010,014	-
<b>Total 2016</b>	<b>\$27,824,544</b>	<b>(\$21,189,436)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>\$1,795,638</b>
2015- Q4	\$4,795,266	(\$2,702,281)	(\$0.026)	(\$0.026)	\$171,486,477	\$112,922,559	-
2015- Q3	\$3,137,527	(\$821,330)	(\$0.012)	(\$0.012)	\$108,865,822	\$85,594,955	-
2015- Q2	\$2,111,281	(\$677,127)	(\$0.012)	(\$0.012)	\$54,449,748	\$25,372,609	-
2015- Q1	\$1,096,513	(\$374,472)	(\$0.010)	(\$0.010)	\$27,910,360	\$25,033,929	-
<b>Total 2015</b>	<b>\$11,140,587</b>	<b>(\$4,575,210)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-</b>

### Note 1:

The Corporation reversed \$12,420,000 of goodwill impairment taken in Q1 2017 and Q3 2017.

The Q1 2017 goodwill impairment that was recorded was \$5,361,176, and as a result, Q1 2017 previously reported net loss of \$10,797,865, would have been \$5,436,689 without such goodwill impairment. The Q3 2017 goodwill impairment that was recorded was \$7,058,823 million, and as a result, Q3 2017 reported net loss of \$15,402,377 would have been \$8,343,553 without such goodwill impairment.

The previously reported Total Assets for Q1 2017 of \$404,743,767 would have been \$410,104,943. The previously reported Total Assets for Q2 2017 of \$400,216,946 would have been \$405,578,122. The previously reported Total Assets for Q3 2017 of \$839,525,204 would have been \$851,945,204.

## WORKING CAPITAL, LONG TERM DEBT AND SHARE CAPITAL

### Working Capital

Cash provided by operating activities was \$30.9 million for the fiscal year ended December 31, 2019, compared to \$29.3 million for the same prior year period. The current year's balance is muted as a result of acquisition and integration costs incurred (\$7.0 million for the fiscal year ended December 31, 2019 versus \$2.2 million for the same period in 2018) for the \$372.7 million of acquisitions closed in fiscal 2019 (\$161.4 million in fiscal 2018). These costs offset the increases in operational results achieved from increased rates through our revenue management systems, increased occupancy, controlling costs and continued streamlining and integration of operations.

As at December 31, 2019, the Corporation had \$24.4 million of cash compared to \$19.7 million at December 31, 2018. The cash will be used to pay down debt and fund future acquisitions. The Corporation expects its cash flow from operations to continue to increase as the full benefit of stores purchased are realized. In addition, the Corporation will borrow against existing assets to fund acquisitions and its expansion plans.

### Debt

As at December 31, 2019 and December 31, 2018, the Corporation held the following debt:

	December 31, 2019			December 31, 2018		
	Rate	Weighted	Balance	Rate	Weighted	Balance
	Range	Average		Range	Average	
<b><u>Mortgages</u></b>						
Fixed/Variable	3.18% to 5.00%	4.21%	\$ 662,333,188	3.18% to 5.20%	4.24%	\$ 555,183,118
	<i>Maturity: Jul 2020 to Nov 2029</i>			<i>Maturity: Jan 2019 to Dec 2028</i>		
Deferred financing costs net of accretion of \$3,656,956 (Dec 31, 2018 - \$2,514,319)			<u>(3,856,505)</u>			<u>(2,505,296)</u>
			<u>658,476,683</u>			<u>552,677,822</u>
<b><u>Lines of Credit and Promissory Note</u></b>						
Variable		4.78%	72,413,656		4.47%	149,733,334
	<i>Maturity: Aug 2020 to Dec 2022</i>			<i>Maturity: Jul 2019 to Apr 2021</i>		
Fixed		4.00%	312,898,053			-
	<i>Maturity: Feb 2020 to Apr 2022</i>					
		4.12%	<u>385,311,709</u>		4.47%	<u>149,733,334</u>
		4.18%	<u>\$ 1,043,788,392</u>		4.29%	<u>\$ 702,411,156</u>

### Reconciliation of Debt

The following table reconciles the changes in cash flows from financing activities for the Corporation's debt:

	December 31, 2019	December 31, 2018
Debt, beginning of period	\$ 702,411,156	\$ 563,975,987
Advances from debt	536,106,032	420,840,336
Repayment of debt	(193,377,587)	(281,267,693)
Total cash flow from debt financing activities	342,728,445	139,572,643
Change in deferred financing costs	(1,351,209)	(1,137,474)
Debt, end of period	\$ 1,043,788,392	\$ 702,411,156

The bank prime rate at December 31, 2019 was 3.95% (December 31, 2018 - 3.95%). The weighted average cost of debt at December 31, 2019 is 4.18% (December 31, 2018 - 4.29%). The Corporation reduced its variable interest rate exposure by entering into fixed interest rate debt. The Corporation entered into interest rate swap contracts during the year in order to fix the interest rate on \$600 million of debt. The debt matures between April 2026 and November 2029. As at December 31, 2019, the swap had an unrealized fair value loss of \$9,291,210 (December 31, 2018 - \$nil).

The weighted years to maturity, excluding lines of credit, at December 31, 2019 is 5.72 years (December 31, 2018 – 6.18 years).

Mortgages are secured by a first mortgage charge on the real estate and equipment of the Corporation, general security agreements, assignment of rents and leases and assignments of insurance coverages. The Corporation must maintain certain financial ratios to comply with the facilities. These covenants include debt service coverage ratios, a tangible net worth ratio, and a loan to value ratio. As of December 31, 2019 and December 31, 2018, the Corporation is in compliance with all covenants.

The deferred financing costs are made up of fees and costs incurred to obtain the related mortgage financing, less accumulated amortization into income of these costs.

Principal repayments on debt and lines of credit in each of the next five years are estimated as follows:

Year 1	\$	455,965,637 (includes \$372.4 million lines of credit)
Year 2	\$	81,662,231
Year 3	\$	141,284,984
Year 4	\$	43,444,435
Year 5	\$	14,603,686
Thereafter	\$	310,683,924

Of the repayments shown in Year 1, \$14.0 million are required under our amortizing term debt mortgages, \$69.5 million relates to loans due in the upcoming twelve months that are expected to be refinanced and \$372.4 million relates to our lines of credit. Our lines of credit are covenant based (debt service coverage ratios, tangible net worth ratios, and loan to value ratios) and do not require repayment as long as the covenants are met. As of December 31, 2019 and December 31, 2018, the Corporation is in compliance with all covenants.



The Corporation terms out assets on our lines of credit when deemed appropriate, which includes determination that the Corporation has been able to implement its operating systems to increase the value of the assets and that the Corporation has an appropriate mix of assets supporting our lines of credit.

The Corporation's detailed debt maturity profile as at December 31, 2019 is:

Contractual Mortgage Maturities and Interest Rates						
Year of debt maturity	Mortgages Payable	Weighted Average Interest Rate	Lines of Credit	Weighted Average Interest Rate	Total Debt	Weighted Average Interest Rate
2020	\$ 69,509,937	4.48%	\$ 9,733,333	5.20%	\$ 79,243,270	4.57%
2021	69,498,730	4.31%	-	-	69,498,730	4.31%
2022	134,138,768	4.07%	362,680,324	4.09%	496,819,092	4.09%
2023	34,868,081	4.74%	-	-	34,868,081	4.74%
2024	4,060,804	4.95%	-	-	4,060,804	4.95%
Thereafter	363,154,923	4.14%	-	-	363,154,923	4.14%
	\$ 675,231,242	4.21%	\$ 372,413,657	4.12%	1,047,644,899	4.18%
Deferred financing costs net of accretion					(3,856,505)	
<b>Balance</b>					<b>\$ 1,043,788,394</b>	

## Share Capital

The common shares issued are:

	Number of Shares	Amount
Balance, December 31, 2017	345,226,934	\$ 319,571,781
Issued on asset acquisitions	6,313,955	15,661,727
Dividend reinvestment plan	613,694	1,497,892
Share option and warrant redemption	3,568,391	1,906,263
Share issuance costs	-	(84,962)
Balance, December 31, 2018	355,722,974	338,552,701
Issued on acquisitions	5,464,286	15,300,000
Dividend reinvestment plan	537,795	1,447,278
Share option redemption	1,080,000	350,350
Share issuance costs	-	(64,666)
Balance, December 31, 2019	362,805,055	\$ 355,585,663

## Dividend Reinvestment Plan

Represents common shares issued under the Corporation's dividend reinvestment plan ("DRIP") for holders of common shares approved on April 18, 2016. Under the terms of the DRIP, eligible registered holders of a minimum of 10,000 Common Shares (the "Shareholders") may elect to automatically reinvest

their cash dividends, payable in respect to the common shares, to acquire additional common shares, which will be issued from treasury or purchased on the open market. The Corporation may initially issue up to 5,000,000 common shares under the DRIP, which may be increased upon Board of Directors approval, acceptance of the increase by the Exchange, and upon public disclosure of the increase.

### Stock Options

A total of 18,442,450 options were outstanding as at December 31, 2019 (December 31, 2018 – 13,537,450). Of the outstanding amount, 18,442,450 options were exercisable (December 31, 2018 – 13,537,450). The details are as follows:

Exercise Price	Vesting Date	Expiry Date	December 31, 2019	December 31, 2018
\$ 0.23	May 6, 2009	May 6, 2019	-	990,000
\$ 0.33	June 19, 2014	June 19, 2024	140,000	180,000
\$ 0.41	April 28, 2015	April 28, 2025	2,122,450	2,122,450
\$ 0.50	Sept 14, 2015	Sept 14, 2025	1,570,000	1,570,000
\$ 1.36	Dec 21, 2016	Dec 21, 2026	2,810,000	2,825,000
\$ 1.78	Mar 16, 2017	Mar 16, 2027	2,850,000	2,850,000
\$ 2.52	May 4, 2018	May 4, 2028	3,000,000	3,000,000
\$ 2.90	May 28, 2019	May 28, 2029	5,950,000	-
Options exercisable and outstanding			18,442,450	13,537,450

The Board of Directors of the Corporation may from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Corporation, non-transferable options to purchase common shares.

### Equity Incentive Plan

Under the Corporation's Equity Incentive Plan passed on May 30, 2018 (the "Plan"), directors, employees and consultants are eligible to receive awards, in the form of Restricted Share Units ("RSU's"), Deferred Share Units ("DSU's") and Named Executive Officer Restricted Share Units ("Neo RSU's"), as and when granted by the Board, in its sole discretion. The maximum number of awards that may be issued under the Plan is 17,545,677. The maximum number of shares that may be reserved for issuance under the Plan, together with any of the Corporation's other share-based compensation arrangements, may not exceed 10% of the issued shares of the Corporation.

The RSU's and DSU's that are granted vest in equal annual amounts over three years. The Neo RSU's vest three years after the date of grant. RSU's, DSU's and Neo RSU's are entitled to be credited with dividend equivalents in the form of additional RSU's, DSU's and Neo RSU's, respectively.

The Corporation entered into total return swaps ("TRS") as economic hedges of the Corporation's DSUs and RSUs. Under the terms of the TRS, a bank has the right to purchase the Corporation's shares in the marketplace as a hedge against the returns in the TRS. At December 31, 2019, 618,652 TRS units were outstanding. At December 31, 2019, 100% of the combined DSU and RSU exposures were economically hedged (December 31, 2018 - nil%). Hedge accounting is not applied for the DSU/RSU hedging program.

Under the Plan, 240,980 common shares at a value of \$894,038 have been issued as at December 31, 2019.

## CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

### Lease Liabilities

The Corporation leases buildings and lands in Kamloops, BC, Montreal, QC, Toronto, ON and Winnipeg, MB. The leases expire between 2023 and 2054, with the leases expiring in 2023 and 2027 having up to 15 years and 20 years of renewals, respectively, which are expected to be exercised by the Corporation.

The lease liabilities are measured at the present value of the lease payments that are not paid at the balance sheet date. Lease payments are apportioned between interest expense and a reduction of the lease liability using the Corporation's incremental borrowing rate to achieve a constant rate of interest on the remaining balances of the liability.

For the year ended December 31, 2019, the Corporation recognized \$1,019,236 (December 31, 2018 - \$nil) in interest expense related to its lease liabilities. As a result of the adoption of IFRS 16, the Corporation recognized \$nil and \$nil (December 31, 2018 - \$1,255,333) in operating lease payments.

A reconciliation of the lease liabilities from the date of adoption of IFRS 16 to December 31, 2019 is as follows:

	<b>Self Storage Properties</b>
Balance, January 1, 2019	\$ 19,381,391
Additions	6,508,967
Cash Payments	(1,418,534)
Interest	1,019,236
Balance, December 31, 2019	<u>\$ 25,491,060</u>

### Contingency

The Corporation has no legal contingency provisions at either December 31, 2019 or December 31, 2018.

### Off-Balance Sheet Arrangements

The Corporation is not party to any industry contracts or arrangements other than those disclosed in the consolidated financial statements.

## RELATED PARTY TRANSACTIONS

The Corporation holds a Master Franchise from Canadian PUPS Franchises Inc. (CPFI) which provides the Corporation with the exclusive Canadian franchise rights for the development and operation of portable storage throughout Canada. CPFI is a corporation related to Steven Scott and Iqbal Khan who are directors of the Corporation. The Corporation pays a monthly royalty of 3.5% on the gross sales. During the year ended December 31, 2019, the Corporation paid \$291,152 (December 31, 2018 - \$237,725) for royalties and \$82,585 (December 31, 2018 - \$920,071) for storage containers and other equipment under the Master Franchise Agreement.

Included in accounts payable and accrued liabilities, relating to the previously noted transactions, at December 31, 2019 was \$73,783 (December 31, 2018 - \$22,461) payable to CPFI.

The Corporation has management agreements with Access Self Storage Inc. and related companies (“Access Group”). These companies are related to Steven Scott and Iqbal Khan who are directors of the Corporation. The Corporation invoices the Access Group for management fees as well as additional services it provides as part of the management agreements. During the year ended December 31, 2019, the Corporation received \$7,559,825 (December 31, 2018 – \$6,103,873) in payments and reimbursements related to the management agreement.

Included in accounts payable and accrued liabilities was \$292,132 (December 31, 2018 - \$517,993) payable to the Access Group. Included in accounts receivable was \$671,452 (December 31, 2018 - \$1,206,855) receivable from the Access Group.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly and indirectly, and include directors. The remuneration of key management personnel for employment services rendered are as follows:

	<u>Year Ended December 31, 2019</u>	<u>Year Ended December 31, 2018</u>
Wages, management fees, bonuses and directors fees	\$ 539,196	\$ 390,194
Stock based compensation	<u>2,220,877</u>	<u>1,625,895</u>
	<u>\$ 2,760,073</u>	<u>\$ 2,016,089</u>

## ACQUISITION COMMITTEE AND ACQUISITION COMMITTEE MANDATE

The Corporation may, from time to time, purchase assets from parties related to the Corporation, and in particular, assets or shares owned or controlled by management of the Corporation or Access Self Storage Inc. (Access) or any of its subsidiaries or affiliates. To govern such potential related party transactions, the Corporation has established an Acquisition Committee and an Acquisition Committee Mandate.

The Acquisition Committee is comprised of eight voting members, six members being independently appointed and independent of management and two of which are appointed by Access. Acquisition Committee members who are deemed to be in a conflict of interest position with respect to related party transactions are required to abstain from voting on such related party transactions.

The mandate of the Corporation’s Acquisition Committee is to review, evaluate, and approve the terms of proposed acquisitions in the context of the current strategic direction of the Corporation. In particular, and with respect to related party property acquisitions, the Acquisition Committee has the authority to appoint appraisers, environmental consultants, and professional advisors to evaluate and report to the Acquisition Committee on the suitability of such transactions. Thereafter, the Acquisition Committee provides its recommendation as to whether the Board of Directors should approve an acquisition.

The Board of Directors of the Corporation must accept the recommendations that the Acquisition Committee makes with respect to any related party transaction, and in particular, an acquisition involving assets or shares of Access or any of its subsidiaries or affiliates.

## ACCOUNTING POLICIES

The Corporation's significant accounting policies are summarized in Note 3 to the December 31, 2019 annual audited consolidated financial statements. Except for the adoption of IFRS 16 – Leases, there has been no change in significant accounting policies from the Corporation's audited consolidated annual financial statements from December 31, 2018. In addition, there has been no change in the Company's financial instrument risks.

### Non-IFRS Financial Measures

Management uses both IFRS and Non-IFRS Measures to assess the Corporation's operating performance. In this MD&A, management uses the following terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other companies:

- i. Net Operating Income ("NOI") – NOI is defined as storage and related services less operating costs. NOI does not include interest expense or income, depreciation and amortization, selling, general and administrative costs, acquisition and integration 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, unrealized gains or losses from interest rate swaps, stock based compensation expenses, and deferred income taxes; and after adjustments for equity accounted entities and non-controlling interests. FFO should not be viewed as an alternative to cash from operating activities, net income, or other measures calculated in accordance with IFRS. 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 and New Self Storage performance – "Existing Self Storage" are defined as those that the Corporation has owned or leased since the beginning of the previous fiscal year. "New Self Storage" are those that have not been owned or leased continuously since the beginning of the previous fiscal year. We believe the use of this metric combined with primary IFRS measures is beneficial in understanding the full operating performance of our operations during a growth period. Comparative figures for the New Self Storage and Existing Self Storage categories may differ from amounts reported in previous MD&A reports.

### Recent and Future Accounting Pronouncements

The IASB and the International Financial Reporting Interpretations Committee have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Corporation. There have been no pronouncements in addition to those disclosed in the December 31, 2019 annual audited consolidated financial statements.

## **Disclosure Controls and Procedures**

Pursuant to National Instrument 52-109, which requires certification of disclosure in an issuer's annual and interim filings, the Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Corporation's internal disclosure controls and procedures for the three months and fiscal year ended December 31, 2019, including the design of internal controls over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting in accordance with IFRS. These officers have concluded that the Corporation's disclosure controls and procedures are designed effectively to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed and reported within the time specified in those rules.

There have been no changes in the Corporation's internal controls over financial reporting that have materially affected or are reasonably likely to affect the Corporation's internal controls over financial reporting for the three months and fiscal year ended December 31, 2019.

## **RISKS AND UNCERTAINTIES**

As our primary business consists of owning and operating storage real estate, we are exposed to risks related to such ownership and operations that can adversely impact our business and financial position. The following is a brief review of some of the potential risks and the potential impacts these risks and uncertainties may have on the operations of the Corporation:

### **Real Estate Industry**

Real estate investments are subject to varying degrees of risk depending on the nature of each property. Such investments are affected by general economic conditions, local real estate markets, supply and demand for rental space, competition from others with similar developments, the perceived "attractiveness" of a given property and various other factors.

### **Liquidity Risk**

Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation manages liquidity risk through cash flow forecasting and regular monitoring of cash requirements including anticipated investing and financing activities. Typically, the Corporation ensures that it has sufficient cash or liquid investments available to meet expected operating expenses for a period of 30 days, excluding the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. For the foreseeable future, the Corporation anticipates that cash flows from operations, working capital, and other sources of financing will be sufficient to meet its operating requirements, debt repayment obligations and will provide sufficient funding for anticipated capital expenditures.

### **Refinancing Risk**

There is no certainty that financing will be available upon the maturity of any existing mortgage at terms that are as favorable as the expiring mortgage, or at all. If the Corporation is unable to refinance an existing indebtedness on favorable terms, the Corporation may need to dispose of one or more properties on disadvantageous terms. Prevailing interest rates, limited availability of credit or other factors at the time of refinancing could increase interest expense and ultimately decrease the return to investors.

### **Interest Rate Risk**

Interest rate risk arises from changes in market interest rates that may affect the fair value of future cash flows from the Corporation's financial assets or liabilities. Interest rate risk may be partially mitigated by



holding both fixed and floating rate debt, or by staggering the maturities of fixed rate debt. The Corporation is exposed to interest rate risk primarily relating to its long term debt. The Corporation will manage interest rate risk by utilizing fixed interest rates on its mortgages where possible, entering into floating-to-fixed interest rate swaps, staggering maturities over a number of years to mitigate exposure to any single year, and by attempting to ensure access to diverse sources of funding.

### **Economic Conditions**

Even though storage is less susceptible to changes in the local economy, as storage space is often needed during times of both growth and recession, downturns in a local economy could negatively affect our revenues and NOI. A significant portion of storage customers use storage during periods of moving from one residence to another or when a residence is being renovated. In times of economic downturn, the level of activity in housing sales and housing renovation could decrease, thereby decreasing storage rental demand.

### **Environmental Risk**

Environmental risk is inherent in the ownership of property. Various municipal, provincial and federal regulations can result in penalties or potential liability for remediation, to the extent that hazardous materials enter the environment. The presence of hazardous substances could also impair the Corporation's ability to finance or sell the property, and might expose the Corporation to civil law suits. To mitigate such risk, the Corporation procures recent or updated environmental reports for all acquisitions to ascertain the risk, if any, that exist at a property. It also prohibits the storage of hazardous substances as a condition of the rental contract signed by customers.

### **Credit Risk**

Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their financial obligations to the Corporation. The risk of incurring bad debts often arises if storage customers relocate and cannot be found to enforce payment, or if storage customers abandon their possessions. The extent of bad debts can be mitigated by quickly following up on any unpaid amounts shortly after the due date, enforcing late fees, denying access to any customers with delinquent accounts, and ultimately seizing the possessions of the customer. Additionally, the Corporation typically rents to numerous customers, each of which constitutes significantly less than 5% of the Corporation's monthly revenue. This diversification in the customer base reduces credit risk from any given customer.

### **Other Self Storage Operators or Storage Alternatives**

The Corporation competes with other individuals, corporations and institutions which currently own, or are anticipating owning a similar property in a given region. Competitive forces could have a negative effect on occupancy levels, rental rates or operating costs such as marketing.

### **Acquisition of Future Locations**

Competition also exists when the Corporation attempts to grow through acquisitions of storage locations. An increase in the availability of investment funds in the general market, and a subsequent increase in demand for storage locations would have a tendency to increase the price for future acquisitions of storage locations and reduce the yields thereon.

### **Anticipated Results from New Acquisitions**

The realization of anticipated results and value from acquisitions can be jeopardized from unexpected circumstances in integrating stores into our existing operations, from situations we did not detect during our due diligence or from increased property tax following reassessment of newly acquired locations.



### **Increase in Operating Costs**

Our operating margins can be negatively impacted from increases in operating costs such as property tax, staffing costs, insurance premiums, repairs and maintenances costs, utility costs and others due to various factors such as the need for governments to raise funds, natural disasters, and energy prices.

### **Climate and Natural Disasters**

The storage industry in Canada can be cyclical. Due to the climate, demand for storage is generally weaker in winter months with an increase in operating costs resulting in potentially lower NOI during Q1 and Q4.

Natural disasters, such as floods, earthquakes or severe winter storms may result in damage and business interruption losses that are greater than the aggregate limits of our insurance coverage. We maintain a comprehensive insurance policy to cover such events, however some insurance coverage may be or become unavailable or cost prohibitive.

### **Litigation**

Legal claims may arise from the ordinary course of our business. Resolution of these claims would divert resources from the Corporation such cash to pay expenses and damages and the diversion of management's time and attention from the Corporation's business. The impact and results from litigation cannot be predicted with certainty and can have a material adverse effect on the business.

### **Use and Dependency on Information Technology Systems**

Our business is heavily dependent on the use of information technology, with the majority of our new customers communicating and transacting with us electronically or over the phone. Commerce over the internet and the nature of our business requires us to retain private information about our customers. Significant aspects of these systems are centrally managed, such as our financial information and some are managed by third party vendors. These systems may be subject to telecommunication failures, cyber-attack, computer worms and viruses and other disruptive security breaches. All of which could materially impact our operations, resulting in additional costs and or in legal action either by governments agencies or private individuals.

# StorageVault Canada Inc.

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Toronto, ON

Steven Scott  
Toronto, ON

Alan Simpson  
Regina, SK

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SVI

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Chief Executive Officer

Iqbal Khan  
Chief Financial Officer

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