

Make Money Now!! with **The\$tockInsider**



Recent Stock Price:	\$0.97	6 months Target Price: \$4.25 per share
Shares Outstanding:	21 million	12-18 months Target Price: \$7.50 per share
Float:	4.2 million	Market Value: 20.37 million

	Revenues	Earnings per Share	P/E Ratio	Market Value to Sales
	(000)			
2005(e)	\$16,000	\$0.28	15X	5.6X
2006(e)	\$26,000	\$0.50	15X	6.1X
2007(e)	\$36,000	\$0.75	15X	6.6X

HIGHLIGHTS:

- **SGNJ** currently sells for \$.90 cents per share up from \$.60 cents this week. Take Stock Now! This stock will climb to over \$2.00 in the next two – four weeks says our Analyst
- **SGNJ** constructs latest in ultra-secure storage, safekeeping facilities, Underground safe houses (for individual safety in the threat of a terrorist attack), and Panic rooms.
- **SGNJ** will consolidate a highly fragmented industry and dominate its smaller competitors!
- America has 1.3 billion square feet of self-storage space, and it is NOT ENOUGH!
- **SGNJ** offers low overhead, high cash flow, and great returns!
- **SGNJ** is recession proof because it purchase & acquires property as part of it's business.
- Americans are more transient than ever. The storage industry & and the many components of Underground safe house, Panic rooms and anti-terrorism are the largest growth industries in North America today.



OTC: SGNJ – Storage Innovation Technologies, Inc.

Strong Buy Recommendation

- [Earnings Per Share Model](#)
- [Overview of Storage Innovation Technologies \(SGNJ\)](#)
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EARNINGS MODEL			
3 Year Outlook for Storage Innovation Technologies			
All figures in (000)	2005(e)	2006(e)	2007(e)
Revenue	\$16,000	\$26,000	\$36,000
Cost of Revenue	6,400	9,100	10,800
Administrative expenses	592	962	1,332
Gross Profit	9,008	15,938	23,868
Tax Provision @ 34%	3,063	5,419	8,115
Net Income	5,945	10,519	15,753
Earnings Per Share	0.28	0.50	0.75
Target Stock Price @ 15 times Earnings	\$4.25	\$7.51	\$11.25
Profit Margin	37.2%	40.5%	43.8%

For more information on Storage Innovation Technologies (SGNJ) as well as to receive our next stock pick first (before anyone else) and to subscribe to our FREE FINANCIAL NEWSLETTER (A \$499.00 Value), please complete our [CONTACT FORM](#).

Overview of Storage Innovation Technologies, Inc (SGNJ):

Storage Innovation Technologies offers “state of the art” storage facilities to the public at highly competitive rates. Their “**new generation**” facilities offer the latest in enhanced technology security entry, climate-controlled and underground storage, document storage and retrieval, and ultra-secure storage units. **SGNJ** provides 24 hour secured storage services that will leave customers with complete piece-of-mind. Additionally, their home security division offers a service that is a cut above that typically available in today’s market. **Storage Innovation Technologies** will involve themselves in the very high end of the personal and home security industry by designing, advising on, and constructing safe rooms and panic rooms for high net worth individuals.

Investment Conclusion:

Storage Innovation Technologies stock recently began trading at a stock price of \$0.60 per share. We expect **SGNJ** to rise towards \$4.25/share over the next 6 months. We have a target stock price of \$7.50/share over the next 12-18 months, which represents a multiple of 15 times earnings. We feel that these are very conservative estimates of price/share, as the average multiple (P/E) for the real estate operations industry is 22 times earnings.

The current business environment is extremely positive for SGNJ. Self-storage provides a low overhead, high cash flow opportunity that is exceedingly stable in its returns. Self-storage is virtually recession proof, something that cannot be said for other industries in the services sector.

Recommendation to Individual Investors:

- **Our recommendation for experienced and aggressive Investors is to take a position in Storage Innovation Technologies (SGNJ) of at least \$15,000 (enabling the purchase of 14,000 to 16,000 shares depending on when you get in), and hold it for at least 12 months. Our 12-18 month target**

stock price is \$7.50/share. At that point, take some profits, but hold most of your shares for longer-term gains.

- **For the less aggressive investor, we recommend a purchase of 5,000 to 7,000 shares. We suggest that you hold these shares for a minimum of 12-18 months, as the revenues and profits from Storage Innovation Technologies will increase significantly over the next 1-2 years.**

Why Storage Innovation Technologies:

Self-storage has demonstrated great popularity as an investment, and has begun to attract substantial new interest in the real estate community with the evolution of "third generation" properties that maximize both the business and real estate aspects of the industry. Recent upheavals in the real estate industry have left self-storage in a much more favorable position vis-à-vis other real estate types.

In response to the growing need for personal security and protection of life and legacy, Storage Innovation Technologies will construct the first of what promises to be hundreds of advanced, ultra-secure, individual storage and safekeeping facilities in Kalamazoo, Michigan.

SGNJ will provide the most advanced, state-of-the-art security and protection possible. Storage will be available for everything from rare coin collections and antiques to yachts and RV's. The company will also offer impregnable panic rooms and underground shelters built right on the clients' property.

The demand for ultra-secure personal protection and property storage is projected to grow dramatically in the coming years as threats from an uncertain world continue to increase. In such an environment, protection of individual life, family safety, and property will become paramount in importance.

Currently, ownership in the self-storage industry is highly fragmented. Private individuals with one or two properties own 83% of the country's facilities. The industry is, clearly, ripe for consolidation by the more aggressive players.

Although mostly a small "mom and pop" business, a strong investor appetite for these properties is gradually changing the industry into one led by private investor groups and financial institutions. **SGNJ** will take advantage of this demographic by using a strong acquisition strategy to consolidate mismanaged properties into their corporate base.

"Investors have switched from multifamily and retail properties to self-storage. They find better returns in self-storage properties than in any other product type. Self-storage is not depression proof, but it is recession proof." (Aaron Swerdlin, V.P. investment properties-CB Richard Ellis)

The most common cost/operating description of self-storage is the comparison with apartments. Generally, self-storage projects will generate the same per square foot income as medium priced apartment properties in a market area. They can achieve this performance at roughly one-half the construction cost and at one-half the operating expense.

Self-storage facilities are cheaper, easier to put up, and easier to maintain than apartment buildings, thus explaining the growing focus of investment groups towards this type of real estate product. Investors are attracted to mini storage because of the return on investments and the perceived ability to increase that return with a "small dollar" rent increase that yields a considerably larger percentage of return.

A well-designed and located facility will successfully operate in the 83-93% occupancy range, with many projects having been successful at occupancies as low as 70 percent. Adding to the allure of self-storage development is

the idea that **it is one of the few recession-proof industries!** A national survey, conducted last year by Self Storage Economics, reported owners enjoying an average profit of 14%.

“Recent market conditions have been good for self-storage investments. The industry has attracted sophisticated real estate investors who have taken advantage of low interest rates and rising property values to realize double-digit rates of return.” (Chris Sonne, Self Storage Economics)

A summary of the positive real estate characteristics of self-storage includes:

- Simplified structures;
- A short construction period enabling rapid initial rentals;
- Stable cash flows;
- Low operating expenses and non-energy intensive;
- Month to month leases, highly responsive;
- Adjustable unit mix due to movable partitions;
- Not labor (or maintenance) intensive;
- High building rentability---near 100% for single story, 75% for multistory;
- Many tenancies, spreading vacancy risk;
- Basic function resistant to economic shifts;

Though homes have grown in many parts of the country in recent years, they still come without basements. Further, many restrictions enforced by homeowners associations don't allow RV's or boats to be parked beside a house or on the street. This provides a growing opportunity for a company such as SGNJ.

Market Strategy:

The mission of SGNJ is to provide secured storage and in-home personal security solutions to a wider range of consumers than would now consider these options. To that end, they will initiate an active advertising campaign to raise public awareness regarding the practical applications of their services.

Storage Innovation Technologies believes that the public will be extremely receptive to the knowledge that **personal and home security solutions can be tailored to fit almost any need or budget.** With perceptions of safety rapidly changing, the company believes that personal, family, and possessions' security planning is a concept that every family should address. Company efforts will emphasize discretion and the protection of the people and things that customers value most.

From their business base of public and specialty storage facilities to custom-designed in-home units, **SGNJ will utilize the very best in existing and emerging technologies** to provide peace of mind to clients in any setting. All this with the **goal of creating a stable, secure, and confident image that develops a strong perception of trust among local consumers.**

The company will position themselves to take advantage of **two significant cultural imperatives in today's American household, the need to feel safe, and the need to better their quality of life.** With today's global and national uncertainties, the clear trend is towards growth in the security solutions industry, and **SGNJ** is positioned to capture a significant portion of the market.

According to the U.S. Census Bureau, the average household income rose from \$49,065 to \$57,852 between 1967 and 2002. That figure, which is adjusted for inflation, points to a spending power increase of 18% over that period. Future spending power increases, coupled with projected growth in population, gives us clear insight into the growing need for self-storage and the dynamic potential available to SGNJ.

“People have more opportunities to spend and are under greater pressure than ever to spend. People have made a decision to work harder, basically so they can buy more stuff.” (George Ritzer, Journal of Consumer Culture)

Mr. Ritzer outlines five reasons why people are consuming more than ever.

- On average, households have more money to spend.
- Consumer credit is more available than ever.
- People are exposed to a greater number of and more sophisticated marketing messages than before.
- Marketing focuses more on quantity than quality.
- Spending is becoming associated with being a good citizen.

“Collecting is very hard-wired human behavior. It's very embedded in our psyche.” (Margie Akin, anthropologist-UC Riverside)

“Actually, this is just a place for my stuff, ya know? That's all I want, that's all you need in life, is a little place for your stuff, ya know?” (Comedian George Carlin)

George Carlin's words were written about his home, but they could just as easily have been written about self-storage facilities. As a society, we are consistently becoming more “possessions” oriented. As we accumulate these possessions, they must go somewhere, thus the genesis of the growing need for self-storage facilities.

Collecting things, however, is but one reason why people look for storage facilities. Some of the other reasons include:

- Consolidating two households into one;
- Lack of a basement or garage;
- No neighborhood parking for car, boat, or RV;
- Moving;
- Home inheritance;

- Storage of business inventory;
- Storage of collectibles;

Storage Innovation Technologies will take advantage of this pressing need to build and manage state of the art secured storage facilities across the country. **Their goal is to establish hundreds of facilities in 30 markets nationwide over the next 7 years.**

Additionally, **SGNJ** will embark upon an aggressive acquisition strategy, consolidating and upgrading the numerous available "mom and pop" units. Storage Innovation Technologies correctly perceives that in today's fast-paced business climate, the individual facility owner will be unable to compete for long.

Consolidations Work! Consolidations work because they create several simultaneous opportunities for earnings improvement:

- **Cost Cutting:** Consolidations create redundancies. Eliminating these redundancies is a primary source of earnings improvement for these deals.
- **Revenue Growth:** Acquisitions are the primary source of growth initially, but successful consolidations find ways to increase internal or "organic" growth. A consolidator's increased revenue growth will come, at least in part, by taking market share from its "mom and pop" competitors.
- **Superior Management:** A consolidator generally can attract the best managers in its industry. They bring with them the "best practices" in their industry, which are then implemented in all of the acquired facilities.
- **Best Employees:** An employee at a "mom and pop" company has very limited career opportunities. These companies also typically offer little training and few benefits. In contrast, consolidators are larger, rapidly growing businesses. They can offer the opportunities, training, and benefits needed to attract and retain the best employees in their industry. Post-IPO, consolidators can also use stock options and other equity incentives to motivate and retain employees.

In sum, a consolidation can create a formidable company that can dominate its smaller competitors.

Business and Industry Environment:

Self Storage Economics, an industry research institute, estimates that there are currently over 40,000 self-storage facilities totaling 1.3 billion square feet in the United States. This figure equates to 4.54 square feet of availability per person. As startling as this figure seems, it does not appear to be enough to satisfy Americas' growing need for storage. Ten years ago, there were only about 23,000 storage facilities, pointing to an annualized 7.4% rate of industry growth.

Personal storage first began in England when British banking institutions were asked to safeguard valuables for clients embarking on extended voyages. Overcrowded vaults quickly forced bankers to seek storage in lofts from drayage (moving) companies. In the 1850's, the first warehouse specifically constructed for household/personal items was built. (Source: Self Storage Association)

During the 1950's, the storage industry was just a form of warehousing. Tenants' goods were crated and stacked three high in wooden boxes moved around with a forklift. While the concept worked well, it was inconvenient and costly to the customer. In the mid 1960's, Texas saw the first self-storage facilities as we know them today.

The development of facilities spread quickly to the West Coast and then throughout the United States and Canada, with facilities now being constructed in Australia and Europe. The majority of facilities operating today may be classified as "second generation" self-storage. These include typical row buildings, some multi storage facilities, and conversion of older buildings.

Though still thought of as a young industry, investors began to take note of self-storage in 2002, when General Electric acquired StorageUSA and its 500 locations. Today, self-storage has matured as a viable real estate form, and has proven its value as a basic real estate product with many unique, high performance characteristics. Self-storage has spread, survived good and bad economic conditions, and developed as an industry with its own association and specialized suppliers.

The "**third generation**" self-storage concepts have just recently come on line. Characteristics include location in retail corridors, light commercial, or even multi family residential neighborhoods---rather than the traditional industrial corridor or location in heavier commercial areas.

These newer facilities emphasize aesthetics in construction, and are designed to blend in with the nature of the neighborhoods they serve. Landscaping has also become a prime consideration, as well as development of mini storage in conjunction with a planned tract of offices, retail stores, or business park development, combining "incubator" office space with storage or "Supercenters."

Facilities vary greatly in size, quality, construction, materials, and surveillance measures including:

- 10,000 square feet to an excess of 100,000 square feet
- Wide range of sizes - 5' x 5' to 10' x 30' or larger with the average unit size being about 100 square feet (10x10).
- Single and/or multi level facilities
- Resident Manager apartments on-site
- Converted buildings (old supermarkets, big box retail warehouses, etc)
- Units divided by corrugated steel panels (most widely used), chain-link fencing, plywood upon stud and drywall, or stud and particleboard.
- Movable module units
- Gates with keypad computerized access
- Surveillance cameras & monitoring stations
- Well lighted
- Completely Fenced
- Paved
- Retail Merchandise Available

Demographic Trends

Some important reasons to believe that the strong growth in self-storage facilities and profits will continue include:

- With globalization, society has become increasingly transient. A growing number of people are moving regionally to anticipate and acquire new job opportunities.
- The square footage cost of homes continues to escalate. Because of this, people look for more usable floor space and living space. It then becomes more cost-effective to rent storage space.
- As society ages, there is a larger demographic of people who are past their child-rearing years. These people are increasingly moving to apartments, townhouses, and condominiums where storage space is limited.
- As corporations downsize and outsource, a rising percentage of workers are creating businesses run from their homes. These entrepreneurs are leasing more storage space so they can move thriving businesses out of crowded homes and garages.

In some areas business storage accounts for 30 percent or more of the total tenancy of the facility. Easy access, convenient office hours, short term rental agreements and no long term commitment to pay for space which may not be needed make self-storage extremely attractive to the retail customer, contractor, home based businesses, manufacturer's and pharmaceutical representatives, etc....

Some storage unit operators are now offering converted units with carpeting, finished walls, and a telephone line, thus enabling clients to use the facilities directly for small business purposes. Many people are becoming more cost conscious and are unwilling to pay the exorbitant monthly rents and percentage kickbacks of today's strip malls.

People are becoming more mobile as the global face of jobs markets change. Whereas 30 years ago, an employee might expect to spend his whole life with one company, the average job stay today is down to 3-4 years. Companies are constantly downsizing, outsourcing, or merging to achieve more competitive business combinations. People are being called upon to upgrade their skills, relocate, or both in order to attain or maintain job placements.

“The competition for jobs is getting tougher. More people are open for relocation and career changes than ever before.” (Dave Jensen, Search Masters International)

Atlas Van Lines, the nation's second largest moving company reports that more than 80% of their business comes from corporate relocation contracts. In its annual survey of corporations, Atlas found 33% of responding businesses expect employee relocations to increase this year. That figure is up significantly from the 13% figure of 2003.

Competition

Storage Innovation Technologies (SGNJ) is in the Services sector. More specifically, it is placed within the Real Estate Operations sector. As such, it has five public competitors, and a number of private competitors. The public competitors are listed in the table below.

<u>Company</u>	<u>Symbol</u>	<u>Market Cap</u> (mm)	<u>Revenue</u> (mm)	<u>P/E</u>	<u>P/S</u>	<u>Beta (β)</u> ¹
Public Storage	PSA	\$6,120	\$891	40.30	6.79	-0.108
Shurgard Storage	SHU	1,770	302	0.00	5.67	0.179
Sovran Self-Storage	SSS	599	115	28.21	5.23	-0.063
Amerco, Inc	UHAL	501	2,170	n/a	0.24	0.33
Liberty Self-Storage	LSSI.OB	2	5.50	N/A	0.36	0.98

¹The significance of the Beta (β) entry is to show the volatility of the stock in relation to the market as a whole. A Beta of 1.0 indicates that the stock enjoys the same volatility as the market in general, for example, as represented by the S&P 500. A Beta under 1 shows less volatility than the market.

The Beta (β) value has been added to this table to show the incredible stability of self-storage investments in relation to the overall market.

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