

Chairman's Statement

Big Yellow Group PLC ("Big Yellow", "the Group" or "the Company"), the UK's brand leader in self storage, is pleased to announce its results for the year ended 31 March 2021.

The Group has delivered continued growth in all metrics over what has been a very challenging year.

The trading momentum we referred to when announcing our half year results has continued in the second half, and the increase in occupied space we have achieved this year has been one of the strongest for many years. This growth has been driven by both domestic and business demand, broadly in proportion to the space they occupy within the business. We are also pleased to have delivered growth in adjusted profit, cash flow and earnings per share over the year.

Awareness of self storage has increased over the year and we have seen that through a significant step-up in visits to our digital platforms and prospect growth.

This pandemic has accelerated many structural changes that were already occurring, such as the move to online retailing and an increase in working from home facilitated by technological advances. These developments, combined with the shortage of quality flexible mini-warehousing space, from which to operate small scale storage and e-fulfilment is helping to drive our demand. We believe these are long-term trends.

Financial results

Revenue for the year was £135.2 million (2020: £129.3 million), an increase of 4.6%. Like-for-like store revenue growth (see note 33) was 4.9%.

Store revenue for the fourth quarter was £33.8 million, an increase of 9.7% from £30.8 million for the same quarter last year.

At 31 March 2021 like-for-like occupancy was 87.4%, an increase of 6.7 ppts from the same time last year. Average rental growth was up 1.1% year-on-year compared to 2.7% last year.

Operating cash flow increased by £3.1 million (4.2%) to £76.7 million for the year (2020: £73.6 million). During the year we spent £73.0 million on growth capital expenditure, compared to £63.7 million in 2020.

Given that our central overhead and operating expense is largely embedded in the business, this revenue growth has delivered an increase of 5.1% in the adjusted profit before tax in the year of £74.6 million (2020: £71.0 million). EPRA earnings per share increased by 0.7% to 42.4p (2020: 42.1p) with an equivalent 0.6% increase in the dividend per share for the year. The increase in earnings per share is lower than that reported for adjusted profit before tax due to the dilutive effect of the equity placing in April 2020.

The Group's statutory profit before tax was £265.8 million, an increase of 185% from £93.4 million in the prior year with a higher revaluation gain on our investment properties in the year.

Net debt was £325.0 million at 31 March 2021, we have available liquidity of approximately £100 million and the business continues to generate positive post-dividend cash flow.



Investment in new capacity

We were able to successfully open three stores in the year, albeit with delays caused by the Spring 2020 lockdown and the requirement to operate thereafter with strict Covid protocols, adding 204,000 sq ft to our platform. Initial trading has been encouraging, with Camberwell (opened July 2020) at 38% occupancy at the year end, Bracknell (opened September 2020) at 40% occupancy and Battersea (opened November 2020) at 26% occupancy, and all three stores are now making a positive contribution to earnings. We expect to continue opening our pipeline stores and are therefore seeing the benefit of six years of hard work building up the development pipeline and successfully gaining planning consents.

Site acquisitions

It has always been difficult to acquire sites by dint of their scarcity with competition principally coming from other uses. Historically this has been from residential, and other uses such as car showrooms and offices, however, whilst the latter two have weakened, we are now seeing increased competition from the urban industrial and logistics sector.

We announced in July that we had exchanged contracts to acquire a site at 60-70 The Highway, Wapping, London adjacent to our existing store for £18.6 million. We will be seeking planning permission for a mixed-use scheme across both sites to comprise approximately 125,000 sq ft of self storage and ancillary space together with approximately 150 residential units. The intention will be to construct a Big Yellow store on the newly acquired land. When this is complete consideration will be given to the future of the existing property.

In December, the Group acquired a 5.6 acre site at the Causeway, Staines. The £44.6 million development will, subject to planning, comprise a 65,400 sq ft self storage centre including 5,400 sq ft of external access units and 98,500 sq ft of warehousing and logistical space which the Group will develop itself. This is a strategic site with excellent access to the M25 motorway and Heathrow Airport and fills a gap in our London store network.

In March, the Group acquired a 0.8 acre prime site in Epsom, South West London for £6.5 million. We will be seeking planning permission for a 56,000 sq ft self storage centre on the site. We acquired our fourth site post year end in April, a prominent site in Kentish Town, North London for £16.5 million. We will be seeking planning permission for a 68,000 sq ft self storage centre.

The availability of sites for our use will remain limited despite the current economic dislocation, but we continue to actively seek land to add to our development pipeline to sustain external growth. Our focus remains to acquire development sites in London, its commuter towns, and certain regional cities.

Chairman's Statement (continued)

Planning

The planning system remains complex and has successfully adapted to Covid-19 restrictions, with applications being processed. Thanks to the efforts of our property team we have made significant progress with planning consents granted for our new stores in Hayes, North Kingston, Wembley, Harrow, and Kings Cross (all in London). Kings Cross has been a very complex planning process given its location, including the acquisition of additional land, and we were very pleased to receive a resolution to grant planning in October after five years of hard work.

Development pipeline

To fund the acquisition of further development sites, the Group raised £79.9 million (net of expenses), through the issue of 8.3 million shares in April 2020.

Big Yellow now has a pipeline comprising 14 development sites with a cost to complete of approximately £165 million, which will be phased over the next five years as we build out stores. These store openings are expected to add approximately 1.0 million sq ft of storage space to the portfolio, an increase of 20% from the current maximum lettable area of the Group's portfolio.

Our current estimate of net operating income at stabilisation, at today's prices, for this increase in capacity is £25.8 million. The total development cost is estimated to be approximately £294 million implying an 8.8% net operating income return on cost.

Within the figures above, the total self storage development cost of the four sites acquired since April 2020 amounts to approximately £106 million.

Dividends

The Group's dividend policy is to distribute 80% of full year adjusted earnings per share. The final distribution of PID and ordinary dividend declared is 17.0 pence per share. This brings the total distribution declared for the year to 34.0 pence per share representing an increase of 0.6% from 33.8 pence per share last year.

Our people

This has been a very challenging year for everyone with the combined effects of a health and an economic crisis. Throughout the year, we made significant investment to make our workplaces safe and Covid-secure for our employees, customers, and suppliers. We have also increased our focus on wellbeing to heighten our responsiveness during what has been a very stressful time.

We have worked hard over many years to create an inclusive culture with high levels of engagement, and this has been reflected in the outstanding efforts of our people over the last year. I would like to thank them all for their continued loyalty and efforts to tackle all the challenges that have faced us since the onset of the pandemic.

Board

Over the last 12 months we have made further appointments as Non-Executives rotate off the Board. As of today, we have two new Non-Executives who were appointed during the year, one of whom has been appointed since the publication of our last annual report.

Heather Savory joined the Board in March 2021 as a Non-Executive Director. Heather has a wealth of experience in the private and public sectors, and a special interest in the use of data. Heather has been appointed as the Chair of the Group's Sustainability Committee.

Additionally, Michael O'Donnell will join the Board as a Non-Executive Director with effect from 1 September 2021. Michael has significant private equity experience. Richard Cotton will be stepping down from the Board in July 2022, after serving his full term as a Non-Executive.

I have no doubt that they will make a significant contribution to Big Yellow in the coming years.



“ Our investment case remains to provide consistent compounding returns from both income and growth from a **secure capital structure** ”

Outlook

We can have no complaint as to the performance of the business over the last year. Risks remain and therefore, as always, we remain cautious. There are, however, reasonable grounds to have confidence in our business model having navigated two external crises of considerable proportion since the Global Financial Crisis.

The structural need for self storage is now firmly embedded and so, put simply, we are building more of it focussed on our core areas of London, its commuter towns, and major cities where the barriers to new supply remain high. This increase in capacity, combined with the cash flow growth we can derive from our existing portfolio, given its increased pricing power, will drive performance over the next few years.

The stores are approaching our target of 90% occupancy, we have fourteen sites in development, representing 20% growth to the existing capacity and we have ten times interest cover. Our investment case remains to provide consistent compounding returns from both income and growth from a secure capital structure.

Nicholas Vetch
Executive Chairman

24 May 2021