

# Our strategy

### Brand, platform, and customer service

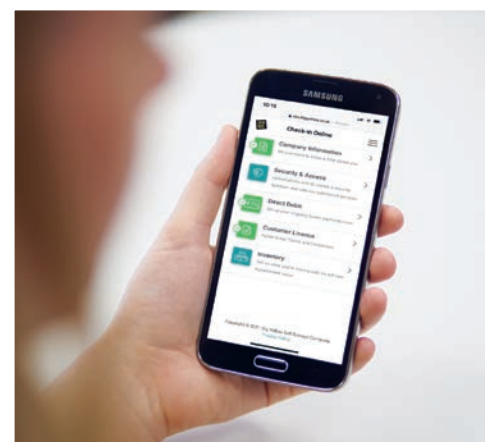
Our strategy from the outset has been to develop Big Yellow into the market-leading self storage brand, delivering excellent customer service, investing in sustainability and our market-leading operating platform and digital channels, with a great culture and highly motivated employees. We concentrate on developing our stores in main road locations with high visibility, where our distinctive branding generates high awareness of Big Yellow.

### Creating shareholder value

We continue to believe that the medium-term opportunity to create shareholder value consists of driving revenue and cash flow from our existing portfolio through continued investment in sustainability, our people, culture, and digital operating and marketing platforms. In addition, we aim to deliver external growth as new stores open through continued investment in our development pipeline. As a REIT our key financial objective is to produce sustainable returns for shareholders through a relatively low leverage, low volatility, high distribution business. In addition, any successful business must have an effective sustainability strategy, particularly around climate change, and this continues to be a key strategic focus for our business.

We focus on the following key areas:

- leveraging our market-leading brand position to generate new prospects, principally from our digital, mobile and desktop platforms;
- focusing on training, selling skills, and customer satisfaction to maximise prospect conversion and referrals;
- growing occupancy and net rent to drive revenue optimally at each store;
- maintaining a focus on cost control, so revenue growth is transmitted through to earnings growth;
- increasing the footprint of the Big Yellow platform principally through new site development and where possible existing prime freehold stores that meet our quality criteria;
- selectively acquiring existing self storage assets into the Armadillo platform;
- through our corporate social responsibility initiatives, aim to create a more sustainable business which will increase shareholder and customer value in both the medium and long-term;
- maintaining Big Yellow's culture as an accessible, apolitical, inclusive, non-hierarchical, socially responsible, and enjoyable place to work; and
- maintaining a conservative capital structure in the business with Group interest cover of a minimum of five times.



### Real estate

The other main plank of our strategy has been to build a portfolio of large purpose-built freehold self storage centres, focussed on London, the South East and large metropolitan cities. We believe that by owning a predominantly freehold estate we are insulating ourselves against: economic downturns as we operate at higher margins; adverse rent reviews; and in the long-term possible redevelopment of key stores by the landlord. It also provides us financing flexibility as rent is a form of gearing.

Approximately two thirds of our current annualised store revenue derives from within the M25; for London and the South East, the proportion of current annualised store revenue is 82%. Our store development pipeline is largely in London and the South East, so we expect to maintain this geographic focus over the medium term.

New supply and competition is a key risk to our business model, hence our focus on London and its commuter towns, where barriers to entry in terms of competition for land and difficulty around obtaining planning are highest. We continue to see limited new supply growth in our key areas of operation. Looking back over the last five years, we estimate capacity growth in London of approximately 1.5% per annum. In 2020, there have been only five store openings in London (including two Big Yellow stores), and we anticipate four new stores in London in 2021, including one Big Yellow store opening in Uxbridge.

Since April 2020, we have acquired four development sites in Wapping, Staines, Epsom, and Kentish Town (all London), with a total estimated self storage development cost of £106 million. This increases our pipeline to 14 freehold development opportunities, totalling approximately 1.0 million sq ft (20% of MLA).

Our Big Yellow stores are on average 63,000 sq ft, compared to an industry average of approximately 44,000 sq ft (source: UK Self Storage Association 2021 Annual Survey). The upside from filling our larger than average sized stores is, in our view, only possible in large metropolitan markets. As our operating costs are relatively fixed, larger stores in bigger urban conurbations, particularly London, drive higher revenues and higher operating margins.

## Capital structure

Following the Global Financial Crisis and the ensuing economic recession, we have materially reduced the financial risk within the business and diversified our sources of debt, whilst at the same time, increasing our store platform by deploying significant capital investment. We measure leverage by looking at our interest cover and that has increased from 1.9 times in 2008 to 9.9 times for the year ended 31 March 2021. Our objective is to not let this fall below 5 times, compared to the consolidated EBITDA covenant of 1.5 times. We manage this business on the basis that an external economic shock could potentially happen at any time. This is reinforced by the performance of the business through the current crisis, where we have delivered a strong trading performance whilst at the same time continuing to invest and expand.

## Self storage demand drivers

Economic activity and change are key drivers of self storage demand and are greatest in the larger urban conurbations, and in particular London and the South East. The structural changes consisting of the conversion of ex-industrial brownfield land to other uses, in particular residential; the reduction in home ownership and increased proportion of those choosing to rent; increasing density of living with new properties being built with optimised living space and very little provision for storage; will continue and are resulting in increased demand for our product. These changes have resulted in a significant shortage of available warehousing space, particularly in London, which has been accentuated by the current crisis. Self storage provides a convenient flexible solution to businesses such as online retailers, importers and exporters, service providers, the public sector, and marketing companies looking for mini-warehousing space.

In addition to domestic customers taking space to declutter their homes, our largest customer base is those using us short-term around an event, such as moving home, refurbishment, inheritance, household formation, separation, relocation, and students.

## Resilience

The location of our stores, brand, security, and most importantly customer service, together with the diversity of our 62,000 customers, serve better than any lease contract in providing income security.

The business proved to be relatively resilient, but not immune during the Global Financial Crisis and recession of 2007 to 2009, with London and the South East proving to be less volatile. During the current crisis the business has performed strongly with like-for-like occupancy growth of 6.7 ppts during the financial year ended 31 March 2021.

Over 80% of our customers pay by direct debit, and our cash collection has remained robust throughout the pandemic, with 98.9% of our April revenue collected as of 24 May.

## Total shareholder return

In the twenty one years since flotation in May 2000, Big Yellow has delivered a Total Shareholder Return ("TSR"), including dividends reinvested, of 14.7% per annum, in aggregate 1,671% at the closing price of 1,115p on 31 March 2021. This compares to 5.6% per annum for the FTSE Real Estate Index and 4.7% per annum for the FTSE All Share index over the same period. We feel this illustrates the power of compounding of consistent incremental returns over the longer term.

We continue to believe that the medium-term opportunity to create shareholder value consists of driving revenue and cash flow from our existing portfolio through continued investment in sustainability, our people, culture, and digital operating and marketing platforms.

We focus on the following key areas:

### New prospects

leveraging our market-leading brand position to generate new prospects, principally from our digital, mobile and desktop platforms;

### Customer satisfaction

focusing on training, selling skills, and customer satisfaction to maximise prospect conversion and referrals;

### Driving revenue

growing occupancy and net rent to drive revenue optimally at each store;

### Cost control

maintaining a focus on cost control, so revenue growth is transmitted through to earnings growth;

### Increasing footprint

increasing the footprint of the Big Yellow platform principally through new site development and where possible existing prime freehold stores that meet our quality criteria;

### Expanding Armadillo

selectively acquiring existing self storage assets into the Armadillo platform;

### Sustainability

through our corporate social responsibility initiatives, aim to create a more sustainable business which will increase shareholder and customer value in both the medium and long-term;

### Culture

maintaining Big Yellow's culture as an accessible, apolitical, inclusive, non-hierarchical, socially responsible, and enjoyable place to work; and

### Capital

maintaining a conservative capital structure in the business with Group interest cover of a minimum of five times.