

CEO introduction

When we reported our results at the interim stage and in January for the third quarter, we were looking forward to a normalisation of our trading as the economy fully reopened with Covid risks receding.

The 24th of February Russian invasion of Ukraine and the tragic events that have been unfolding are not only a humanitarian crisis, but have also increased uncertainty and stoked inflation. Once again, I was impressed by how our teams around the country responded to requests from local community groups for packing materials and storage to support their collection of vital goods prior to being transported to Poland and other EU border countries. The support for local charities through the provision of free storage space is something we have done for many years and there are currently over 200 local charities across the business receiving free or discounted storage. In the year ended 31 March 2022, the total cost of free or discounted storage and packing materials was over £300,000.

Nick Vetch has recently, with others, founded a charity called Ukrainian Sponsorship Pathway UK ("USPUK") to help Ukrainians displaced by the war to travel to the UK as part of the "Homes for Ukraine" scheme. The charity has set up offices in Warsaw and Krakow and is one of the few that has been recognised for this purpose by the UK Government. We are proud to be financial supporters of this new charity and the Board approved a donation in May 2022 of £50,000. Nick, Richard Cotton and myself have all made personal donations and Heather Savory has kindly volunteered as a Trustee of the charity.

Over the two year pandemic period, we have remained open for trading thanks to the loyalty, determination, and conscientiousness of our teams, providing our services to businesses, individuals, and charities. Furthermore, we have made significant progress on a number of fronts in developing and growing our business.

In response to feedback from our colleagues and some of the learnings of trading through the pandemic, we have increased our investment in, and focus on, inclusivity, diversity, and wellbeing. We do believe that we have a highly engaged and positive culture. We carry out externally facilitated surveys of our colleagues every two years and responded to last Autumn's with some key changes to improve work/life balance as follows:

- we have a fairer flexible working policy for all employees at our Bagshot head office – employees have the option to work from home two days a week;
- we have reduced our store reception opening hours across the week by five and a half hours, which we were able to do as our stores are fully automated to existing customers; and
- there are times when our stores have only one team member working on a given day, and in recognition of that we have increased pay for any such lone trading.

Our Foundation continues to grow and over the last two years we have donated some £345,000 to our seven charity partners, St Giles Trust, Bounce Back, Back-up Trust, Street League, Down's Syndrome Association, Breaking Barriers, and Hire a Hero, all of whom are focussed on the rehabilitation of those needing specialist support back into work.

Over the pandemic period, we continued to innovate and invest in our business to improve efficiency. Examples include a significantly improved check-in online system which was launched in the Spring of last year; our Learn digital training platform; paperless interaction with customers at stores; and a new digital facilities management system, which was launched recently. In addition, we have made further investment into our digital infrastructure, comms, and cyber security. We have always, and will continue to, invest in technology which can improve the customer experience and productivity and efficiency of all aspects of our business.

Since the first lockdown in the Spring of 2020, we have seen the benefit of the hard work our property team put into building our store pipeline, with the opening of six stores with a total storage space of 389,000 sq ft. All are performing well and making an increasing contribution to our growth in cash flow and earnings. This is illustrated in our portfolio summary on page 34, with the Big Yellow stores which are less than three years old increasing their EBITDA by £3.0 million during the year to £3.7 million, with their EBITDA margin increasing from 28.0% to 51.9%. Having opened these stores it is important that we continue to acquire new sites, and in the last year we have acquired two development sites in Kentish Town and West Kensington in addition to the three acquired the year before. Our current pipeline consists of 12 development sites with the potential to add 1.0 million sq ft. Seven of these have planning consents, following the grant of planning consents for Slough and Newcastle during the year, with the planning applications on Wapping and Staines currently submitted pending a decision this Summer.

We started managing the first ten Armadillo stores in 2009 and were successful in acquiring them in joint venture with our Australian partners five years later when they were put up for sale. Our strategy at the time was to grow this regional brand through acquisition of existing stores that met key requirements for us around the location, the quality of the building and a minimum size. We would then rebrand these new stores and add them seamlessly to our digital platforms alongside the Big Yellow store portfolio. They are managed in exactly the same way and have allowed us to expand our store network into parts of the country where we were unlikely to build a Big Yellow but were still reasonably sized urban conurbations. This network has allowed us to improve the efficiency of our central overhead, particularly marketing, service our national customers more efficiently, and also to provide an opportunity for our people to move around the business with more opportunity for promotion. Following discussions with our JV partner, we successfully acquired the 80% of the Partnership we did not own, funded by a placing and the assimilation onto our balance sheet of the existing bank debt.

This transaction is earnings enhancing and very importantly has been well received by all the staff within Armadillo who are now firmly part of the Big Yellow family. There are no changes into how the portfolio has been operated since the acquisition and we will run it as a regional brand alongside Big Yellow. We intend to make existing store acquisitions in the future, alongside our new-build development programme, however finding product of the right quality, particularly around environmental standards, remains difficult.

Sustainability remains a key focus and during the year we were pleased to publish our Net Renewable Energy Positive and Net Zero Strategy. We have installed solar PVs on all new stores since 2008 and will continue to do so. However, we have commenced a £10 million programme to retro-fit solar PV across 36 existing Big Yellow stores to maximise their solar energy generation, with the first 12 completing by this Autumn. We also in the process of reviewing the Armadillo portfolio with a view to increasing this investment and adding them to the programme.

The Sustainability Committee has approved stretching science-based targets which will be published as part of our full 2022 CSR report. I am fully aware that getting to Net Zero is a challenge for all businesses and we as a Board are committed to meeting that challenge in the coming years. Battery technology will be a key aspect of any carbon reduction strategy and we have recently commenced a battery pilot study at our Guildford Central store, the aim being to improve our energy management at stores. Battery technology will doubtless develop further, and I am excited at the possibility of retaining self-generated electricity for use at our stores rather than sending it to the grid.

Turning to our results, this has been a strong performance and over the last year reflecting a significant increase in occupancy over the summer and consequent increase in average rents. Self storage has a very broad and diverse customer base with demand largely driven by need, with the average customer moving out in a year staying some 8 months with over half of our customers staying more than 12 months and some 40% more than two years. Our customer licence provides flexibility to the customer in that they stay for as long as they need the space and can leave with a week's notice, but it does allow us to move pricing regularly with 30 days' notice. As a consequence, we can deploy strategies to increase our pricing in a higher inflationary environment, so as to protect our operating margins. In October last year we increased our scheduled rents to reflect projected levels of inflation and our yield management systems have been adjusted to deliver higher levels of rental growth. Our aim is to achieve sustainable rental growth over the long term.

From mid-April we are seeing an improvement in demand after the initial shock of the Ukraine conflict. We remain confident in our business model and are looking forward to our seasonally stronger summer trading period in an economy that has fully reopened.

Jim Gibson
Chief Executive Officer

23 May 2022



UK's brand leader in self storage

Self storage is a consumer facing product. Done right, brand sits at the heart of a business and drives its performance. Self storage is an immature market with 70% first time users so the interaction at the prospect stage, through all brand communications, is therefore critical. Location is important, as are all other touchpoints such as our digital platform, written and verbal communication and the consistency of our product and service throughout all our stores.

An unknown new operator can achieve a certain level of operational performance, as can a gym or hotel. However to drive higher performance with occupancy levels to 90% plus and sustainable rental growth requires a strong brand to drive more market share online and more enquiries.

The brand experience leads to an emotive response from customers – it builds trust, aids conversion, encourages repeat use and recommendation to others.

31 of the top 100 search terms driving traffic to self storage operator websites feature brands and 35% of these branded terms are Big Yellow variations.

A YouGov commissioned survey by the UK Self Storage Association in January 2022 measures unprompted brand awareness and showed once again, Big Yellow has the highest unprompted brand awareness, five times higher than the next operator. This is partly driven 24/7 by our highly visible, prominent stores.