

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 2023.

We are pleased to have delivered these results despite an increasingly familiar year of macroeconomic, political and geopolitical volatility. Our pricing models to new and existing customers have successfully mitigated the impacts of higher inflation, delivering improved average achieved rents, which have been the main driver of revenue growth. Underpinning our resilience is our core strategy to invest significantly in the London market, which has seen the strongest performance, driven by both domestic and business customers, over the last year. We have also been successful in controlling overall increases in store operating expenses to 4% on a like-for-like basis, resulting in improved operating margins.

We have also continued to invest in our business with the acquisition of an operating store in Aberdeen, a property in a strategic location on the Old Kent Road, London, and have opened a further two stores in Harrow and North Kingston. Since the onset of the pandemic, the Group has opened eight new stores, which, coupled with the acquisitions of Aberdeen and the remaining 80% interest in Armadillo have increased the Group's MLA by 1.6 million sq ft, or 34%. These new stores have been an important contributor to our overall revenue growth of 10% for the year and we have 1.2 million sq ft of fully built unlet space in the existing portfolio.

Financial results

Revenue for the year was £188.8 million (2022: £171.3 million), an increase of 10%. Like-for-like store revenue growth (see note 33) was 7% driven by improvements in average net rent. Like-for-like store revenue excludes new store openings and acquired stores (including the remaining interest of Armadillo portfolio which we acquired in July 2021, and Aberdeen acquired in June 2022).

Store revenue for the fourth quarter was £46.1 million, an increase of 6% from £43.6 million for the same quarter last year.

The business continues to be highly cash generative, with operating cash flow (after net finance costs and pre-working capital movements) increasing by £9.9 million (10%) to £109.2 million for the year (2022: £99.3 million).

We are very proud to have delivered adjusted profits in excess of £100 million for the first time since the business was founded nearly 25 years ago. The adjusted profit before tax in the year was £106.0 million up 10% from £96.8 million in 2022. EPRA earnings per share increased by 8% to 56.5p (2022: 52.5p) with an equivalent 8% increase in the dividend per share for the year.

The Group's statutory profit before tax was £75.3 million, a decrease of 89% from £698.9 million in the prior year. There was a very significant increase in the valuation of our investment portfolio last year, and this year the valuations have remained relatively flat, with an increase of 1% on the open store portfolio. However, the overall portfolio valuation is down by £30 million, as a result of a £57.5 million reduction in the value of our industrial property and land without self storage planning in the development pipeline, reflective of the new financing conditions and wider market environment for land. The Financial Review and note 15 contains further details on the Group's investment property valuation.

Investment in new capacity

In June 2022 the Group acquired an existing self storage centre in Aberdeen for £10 million, and this together with the new stores opened in Harrow and Kingston North (both in London) added 191,000 sq ft to the Group's capacity.

A key aspect of the Big Yellow strategy is that our portfolio is to build or acquire high quality freehold stores to drive higher operating margins, with the business not subject to continual increases in industrial rent liabilities, and to have control of all aspects of our estate. We are therefore pleased to have continued this with the following three additional investments in the last year as follows:

- we acquired a prime site on Farnham Road in Slough, which now has planning for a 62,000 sq ft self storage centre. As part of this transaction, the Group has also agreed to the surrender of the lease on its existing similar capacity Slough store. We are currently out to tender, and expect to start construction this Summer, with an opening in 2024, at which point customers from the existing store will be transferred and the lease surrendered;
- in December we acquired a 2.1 acre freehold site in Staples Corner, London for £13.25 million. The site is located close to our existing leasehold 112,000 sq ft store at Staples Corner and is currently let on a short-term basis. Our intention is to seek planning consent for a 130,000 sq ft store on the new site. Following construction of the new store, we will transfer the customers from the existing store to the new location, and then seek to assign the lease; and
- we acquired the freehold of our Oxford store for £13.5 million in September. The 1.8 acre site includes two small industrial trade units, which will provide vacant possession in 2030 and the opportunity to intensify the use.

After a 15 year search, the Group acquired a freehold property on Old Kent Road, London. The property, currently let to Iceland Foods, has a passing rent of £388,000 with six years remaining on their lease. We will be seeking planning consent for a 75,000 sq ft self storage centre on the site. This is a medium-term strategic opportunity in an area of London going through significant regeneration. The timing of construction and opening is dependent on planning and vacant possession.

On the planning front, we have secured a resolution to grant planning consent for an approximately 65,000 sq ft self storage centre and approximately 100,000 sq ft of capacity across nine industrial units, at our site in Staines.

We are currently on site constructing our new store in Kings Cross which opens in June 2023. In May 2022, we decided to put on hold any future construction commitments, given the uncertainties around pricing in the construction market and our need to secure fixed price contracts. That decision appears to have been opportune; conditions in the construction market are improving to our benefit, labour shortages persist, but steel, cladding and other materials are sharply down in cost (albeit from significant increases between 2020 and 2022). Preliminaries and contractor margins have additionally reduced. The recent tender on one of our Slough development sites is encouraging. The Slough store will commence on site this Summer and we will be restarting the roll-out of projects with planning, some of which are subject to vacant possession, later this year.

We now have a pipeline of 11 proposed self storage facilities. These store openings are expected to add approximately 0.9 million sq ft of storage space to the portfolio, an increased capacity of 15%.

The total development cost of these 11 new stores is £366 million, with costs incurred to date of £180 million, and cost to complete of approximately £186 million. We estimate they will generate net operating income at stabilisation of £31.5 million at today's prices, representing an 8.6% return on cost. The replacement stores for Slough and Staples Corner will cost a further £31 million, with Slough Farnham Road starting construction this year, and Staples Corner subject to planning.

Harrow

Much less helpfully, in May 2022 we announced the conditional sale of the industrial scheme at Harrow. The project has been plagued with setbacks including the main contractor falling into administration. The conditions necessary to effect the sale to the prospective purchaser have not been met and therefore the sale will not proceed.

We intend now to retain the asset, complete the outstanding construction works with a newly appointed contractor, with an anticipated completion in August of this year, and proceed with the lettings of the 11 industrial units ourselves. The project shows a healthy surplus value despite it having been a frustrating and costly process, but that said, newly built multi-let industrial unit schemes in London are relatively scarce and we are confident it will therefore generate further value over the next few years.

Capital structure

Net debt is £486.6 million at 31 March 2023, with an average of cost of 4.7%, and interest cover of 7.7 times (2022: 10.5 times). The clear strategy has been to have low relative levels of debt, and reflective of that, a flexible hedging structure, which we will continue.

Dividends

The Group's dividend policy is to distribute a minimum of 80% of full year adjusted earnings per share. The final distribution of PID declared is 22.9 pence per share. This brings the total distribution declared for the year to 45.2 pence per share representing an increase of 8% from 42.0 pence per share last year.

Our people

We continue to believe that any successful business requires the creation of a fully engaged employee culture and this has always been a key focus within Big Yellow. As mentioned earlier, this has been a challenging year, with continued uncertainty, and we know that to deliver such a resilient performance requires highly engaged and motivated people throughout the business.

Customer service and feedback is also a fundamental success factor. Our customer net promoter scores ("NPS") were an average of 78.9 over the year. NPS scores at these levels are highly unusual and a good reflection of the culture of this business.

I would like to thank all of our people for their efforts in contributing to another year of growth.

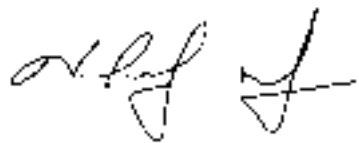
Outlook

The central question facing Boards, particularly in capital intensive businesses such as real estate, is: does the business model work in a higher interest rate environment? Big Yellow's business model has been built on the assumption of interest rates being higher than the very low levels that persisted following the Global Financial Crisis until last year.

The commitment to relatively low levels of debt and the established flexible debt management strategy remains precisely the same. The floating portion of our debt has proved more costly in recent months but has previously worked to our advantage. Over the cycle, we remain confident that it strikes the right balance.

We will create incremental income through the building of new stores to generate cash on cash returns of 8% or more and the acquisition of existing assets to generate returns of 9% or more.

As always, we make no comment on likely outcomes for the economy, we leave that to the experts. We are, however, confident that the existing platform of stores will continue to provide a resilient stream of income, with scope for increase including from the pipeline of new stores. Most importantly, we believe the business model is fit for purpose in this new environment.



Nicholas Vetch CBE
Executive Chairman

22 May 2023