

# Chief Executive's Statement

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## Trading

We are pleased to have delivered a set of results that are testament to the underlying resilience of our business. The significant increase in interest rates to tackle higher inflation and tighter mortgage borrowing conditions following the Russian invasion of Ukraine, added to by the negative headlines and volatility around the UK economy last Autumn, does, as we've said in the past, have an impact on our demand at the margin, particularly for those making bigger ticket decisions.

Over the year there has been a significant increase in the cost of living, driven by energy, fuel and food inflation, which is having a disproportionate impact on those with lower incomes. However, we have not seen that distress come through to our customer base, where bad debts have not increased from last year, and our aged debtors remain below their pre-Covid levels. Unemployment remains at very low levels and our customers on the whole are storing goods or individual possessions that are of value to them, and our customer base is largely comprised of those from higher income groups.

Self storage is not immune to these external shocks and resultant uncertainty, but this performance alongside our track record since the Global Financial Crisis, demonstrates our ability to navigate these headwinds. Finally, as with last year, we are seeing a return to occupancy growth in May, with an improving demand picture.

## People

As ever, our progress reflects the steadfast commitment of our people who have worked extremely hard this year.

After seeing elevated levels of staff turnover post-Covid in the second half of 2021 and the first half of 2022, we have seen a consistent improvement and overall our levels of staff turnover are now in line with the pre-Covid period. Very pleasingly, the level of vacancies in the business is at historic lows, with a significant drop in leavers in the final quarter.

Salary increases last year were on average 5.3%, with average bonuses of 10%, and we have recently awarded an average salary increase from 1 April of 5.6%. Recognising that our employees at the lower end of our pay scales have seen a disproportionate impact from rising prices, we made two cost of living payments over the Winter, principally in Customer Service and the stores. This was very well received.

Given the investment we have made in recent years in the automation of our store operations, particularly in relation to interaction with prospects and customers, we continue to review every vacancy before making a decision to recruit with a view to achieving savings this year through the salary line. Automation is also relevant to many other aspects of our business, including head office functions and we currently have a moratorium in place on any further recruitment with the bias being towards technological advance. As with the stores, we will continue to review staffing levels at our Bagshot headquarters.

Our brand is now our biggest recruitment tool, with direct recruitment through various digital channels now representing 80%, with 20% through more traditional agencies.

In addition to gender, we have made significant improvements to our culture and practices in respect of diversity, and these are set out in our Gender and Inclusivity Report, which is available on our corporate website, and has been formally filed for 2022. Inclusivity and Diversity in our business is very much driven by a committee of colleagues from throughout the business and is something that will remain a focus, as we believe diversity has a positive impact on culture and performance.

We continue to invest in development, as this has benefits, not just around performance, but also around retention. We moved much of our training to a new learning and development platform over the Covid period and this has had significant improvements to efficiency of delivery, monitoring, and control and hence outcomes. Other new initiatives such as "Meet our Experts" using internal talent, and a new updated mystery shopping programme following feedback from the stores are further examples. In addition, following our 2021 engagement survey, we have taken 19 actions covering areas such as rotas, store bonus metrics, internal communication, store cover, store feedback, development, training, benefits, and others. The next survey is taking place currently and hopefully this response will result in continued high levels of engagement with the survey.

## Investment in our operating platform and systems

The march of automation in business continues, and we have focused on investing in technology to improve efficiency right from when Big Yellow was founded. We have always invested in the security and automation of our stores, allowing access out of opening hours, and this is something we continue to upgrade and improve as security is always very high up in the considerations of anyone looking to use self storage.

The arrival of search and smartphones, along with investments we have made in software development and external SaaS programmes means that our prospect and customer interactions and experience are unrecognisable from twenty years ago. Our stores have been paperless since 2020 and we continue to invest in automating certain repetitive tasks to improve productivity in our day-to-day store operations. Examples of this currently in process are credit card payments and prospect handling, the latter to allow our digital platforms to do more around prospect and customer interaction.

The improvements to our Big Yellow mobile and desktop platforms are incremental and continuous and now allow a prospect to determine the unit size required, get a quote, and reserve a room in a matter of minutes. Customers can now check-in online before arriving at the store, and this process has reduced significantly the time taken to process a move-in, with a simple ID check, discussion around contents cover, and then payment. As previously mentioned, we will always look to optimise the use of our resource at stores, however, we will always need someone on site for a certain number of hours in the day principally to carry out key tasks, one of the most important being the security and protection of our assets, which cannot be done just by using CCTV cameras, particularly in large, busy stores. At the same time, when on site, our store team members provide customer service, particularly to our business customers who are more regular visitors; carry out the necessary due diligence around security and health and safety; keep the stores clean and presentable; drive ancillary sales; and follow up on prospects, particularly for those who have reserved. Although IDs are uploaded during the check-in online process, it is our policy to see the original and ensure the customer moving-in is the same person. This is not just about the security of our assets, it is also important for our customers when visiting our stores, often alone, that those in the building have been vetted in some way.

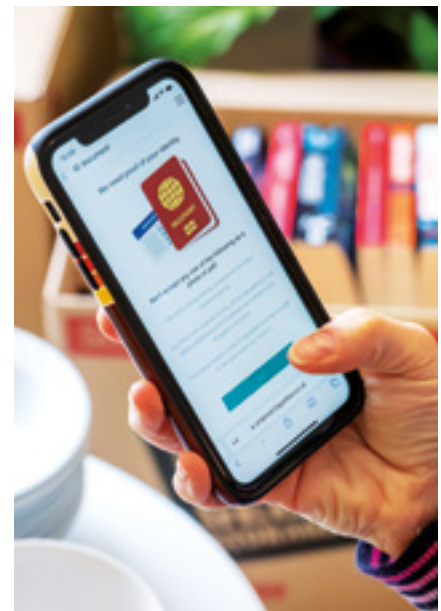
Automation and the use of SaaS programmes are also something we invest in to improve efficiency of many of our centralised functions, and by way of example, the progress we have made in our finance function has allowed us to maintain control of headcount, despite the significant increase in the size of the business.

Generative AI is the current hot topic, and we are reviewing how it can help us improve efficiency, particularly in relation to some of our head office functions, such as people and development and, marketing. We will continue to monitor, review and adopt where it makes commercial sense and improves efficiency within the business.

The cyber threat remains, and we continue to invest in our digital security, and review the effectiveness of all the tools we deploy.

In relation to our estate, we have invested around £3 million over the last two to three years upgrading the security across the portfolio, including improving monitoring of our stores centrally overnight. We consider security to be fundamental to our customer offering both to the customer and in relation to their goods, equipment or personal possessions. Maintaining our estate is something we also believe strongly in and have invested £4.7 million this year on the repair and maintenance of our stores, all of which is expensed through the Income Statement.

**“ Over 90% of our customers use check-in online.**



## Thinking ahead

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## Chief Executive's Statement continued

### ESG

One of our key strategic objectives is around sustainability and the ESG framework. As part of this, a key objective is to be Net Renewable Energy Positive by 2030. This will be achieved through the investment in solar across our estate and we have completed 23 of the initial 36 retrofit solar installations to date with a total of 53 stores now having solar. In addition, we are looking to put solar on our Armadillo stores with surveys currently taking place. The investment in solar, not only being good for the planet, is reducing our reliance on external energy supply. Our current installed solar capacity is 4.5 Megawatts, an increase of 94% over the year. We estimate that this is currently saving the business £0.5 million per year. This will continue to increase as we make further progress towards our objective of being self-sufficient in energy.

We have completed a rigorous process with the Science Based Targets initiative to have our targets certified by them, and these are reported in more detail in the ESG section. Our focus will now be working towards achieving these over the coming seven years. Scope 1 and Scope 2 are within our control, and for the Scope 3 targets, we will need to engage significantly with our supplier network.

There is an important requirement in relation to the energy efficiency of commercial real estate with a deadline in 2027 for all buildings to have A to C EPC certification. This is increasingly becoming relevant for valuers and indeed purchasers of existing self storage centres. We have recently had all of our buildings assessed and 98% comply, with two Armadillo stores rated D. We have planned investment in these stores, including solar, which we believe will improve their energy efficiency ratings. This is a pleasing result, and reflective of the fact that most of our portfolio is developed from scratch and is largely purpose-built.

Given the human rights concerns we had around the supplier of our solar panels, with a move to a new Norwegian supplier at the end of 2021, we have this year carried out a Supply Chain Risk assessment and engaged with the top 80% of our value chain. Key areas for consideration were around slavery and human rights more generally. We believe that it is important to have a like-minded supply change consistent with the Big Yellow culture, and this is something we will continue to progress over the coming years.

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I am delighted to be able to announce that since its formation in 2017, the Big Yellow Foundation has made grants to our charity partners of £762,000, all of whom focus on the rehabilitation of vulnerable people into work. Following a review, our relationship with two of these seven charities has come to an end after five years and we are in the process of replacing them. Working Chance is the first of our new charity partners and is the only UK charity working to help women with convictions find employment. We are also in discussions with Supporting Wounded Veterans, a charity focussing on those who are physically and mentally wounded to move forward with rehabilitation into employment. We continue to run work placements and were very pleased over the year to have candidates coming into our business for job experience recommended by Street League, Breaking Barriers, and the Down's Syndrome Association.

Finally, and very importantly, we have always tried to provide free and discounted space to charities serving local communities to our stores, and our community investment over the last year has been approximately £271,000.





## Summary

Our investment case remains to provide consistent compounding returns from both income and growth from a secure capital structure, and the key constituents of our business model developed over the last twenty plus years are set out below:

- a high quality and growing portfolio of freehold properties delivering higher operating margins;
- a focus on London and the South East and other large urban conurbations, where the drivers in the self storage market are at their strongest and the barriers to competition are at their highest;
- continuing innovation and automation;
- an inclusive and non-hierarchical culture with a highly engaged team;
- a focus on delivering the highest levels of customer service;
- delivering on our strong ESG commitments;
- the UK's leading self storage brand, with high and growing public awareness and online strength; and
- strong cash flow generation from a secure capital structure.

**Jim Gibson**  
Chief Executive Officer

22 May 2023