

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 2024.

The transition to higher interest rates has had the impact intended by policymakers of subduing activity and Big Yellow has not been immune, although it has again proved itself to be resilient with a healthy revenue increase and EBITDA growth of 7%. The driver of this performance has been an increase in net rents, partially offset by a decline in occupancy. As usual we caution that we have limited visibility beyond a few weeks, but the period since the year end has seen an encouraging pick-up in occupancy growth, closing the gap with the prior year like-for-like occupancy to 0.7 ppts, and we expect occupancy to continue to grow into our seasonally stronger summer trading period.

The increase in revenue and EBITDA did not translate into a commensurate growth in earnings as we absorbed a significant increase in interest expense, but we believe that this impact is now behind us and indeed may well turn from a head to a tailwind.

When we first conceived this business, now over 25 years ago, we were clear that we would piece together a store portfolio of unparalleled quality, largely focused on London and the South East. The performance of our recently opened Kings Cross store, which has achieved 40,000 sq ft of occupancy growth and was cashflow positive after four months, exemplifies the benefit of this strategy.

Financial results

Revenue for the year was £199.6 million (2023: £188.8 million), an increase of 6%. Like-for-like store revenue growth (see note 33) was 4% driven by improvements in average net rent. Like-for-like store revenue excludes new store openings and acquired stores. Store EBITDA was £143.0 million, an increase of 7% from the prior year (2023: £134.0 million).

Store revenue for the fourth quarter was £48.9 million, an increase of 5.4% from £46.4 million for the same quarter last year, with one additional day's trading.

The Group's cash flow from operating activities (after net finance costs and pre-working capital movements) increased by £0.9 million (1%) to £110.1 million for the year (2023: £109.2 million). The adjusted profit before tax in the year was £107.3 million up 1% from £106.0 million in 2023. Adjusted earnings per share decreased by 1% to 55.9p (2023: 56.5p).

The Group's statutory profit before tax was £241.0 million, an increase from £75.3 million in the prior year. There was a revaluation surplus for the current year of £131.2 million, compared to a deficit of £29.9 million in the prior year. The surplus in the current year arises from an improvement in cap rates, reflecting recent transactions in the sector, and operating cash flow growth. The prior year deficit was due to a £57.5 million reduction in the value of our industrial property and land without self storage planning in the development pipeline, reflective of changed financing conditions and the wider market environment for land.



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Development pipeline

The pursuit of building first rate stores in first rate locations, particularly in London, is a long and complex process. It has required a good deal of persistence and patience and of course has created a significant drag on earnings as we have held land for redevelopment sometimes for many years. We now have planning consents for eight stores and have started the construction process on seven of those. We have four large London sites in the later stages of planning (including two at appeal) and although the vagaries of the planning system mean we cannot be certain of positive outcomes, we expect clarity by the autumn.

In May 2022, we suspended construction on all projects that were not already on site because conditions in the construction market were unfavourable. Those conditions have improved considerably with steelwork and cladding prices falling, and other material prices stabilising. In addition, we are seeing on recent tenders that main contractors and specialist sub-contractors are pricing new projects more competitively.

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Although we are not out of risk both in terms of planning and construction on the existing pipeline, we will increasingly turn our attention to acquiring new sites and to that end have purchased in May 2024 for £3 million a first-class property in Leamington Spa, that will also serve the university town of Warwick.

In June, the Group acquired a 0.8 acre property for development on Belgrave Gate, central Leicester for £1.85 million. We will be seeking planning permission for a 58,000 sq ft self storage centre on the site.

Capital structure

It is our view that elevated levels of debt over cycles destroys value and so it remains our long-term strategy to keep debt at modest levels. We believe it is therefore optimal that future capital expenditure on new sites and the £224 million of construction spend should be funded from cash flow, surplus property sales and equity.

In October 2023 we raised £107 million (net of expenses) by way of a placing of 6.3% of the Company's share capital. The net proceeds will be used to expand capacity in London, our strongest market, and monetise land that we already own. The placing has been marginally accretive to earnings in the short term, and we expect it to be significantly so over the medium to long term.

Net debt was £385.4 million at 31 March 2024 (2023: £486.6 million), and the Group has undrawn committed facilities of £181 million. Approximately 50% of our debt is fixed, with the balance floating, in line with our hedging policy, and our current average cost of drawn debt is 5.4%.

The Group's interest cover for the year (expressed as the ratio of cash generated from operations pre-working capital movements against interest paid) was 5.6 times (2023: 7.7 times). This is currently approximately 6 times, and the Group's net debt to EBITDA ratio is currently 3 times.

The Group owns its assets largely freehold, representing some 99% by value of our portfolio which has shielded us from the significant rise in industrial and warehouse rents that has occurred over the last decade or more. We view rent liabilities as quasi-debt. Following the relocation of Farnham Road, Slough this summer and Staples Corner in due course (subject to planning) to new freehold stores we expect our total rent liability to fall to approximately £1 million per annum.

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 22.6 pence per share. This brings the total distribution declared for the year to 45.2 pence per share in line with the prior year.

Our people

Adrian Lee, who joined the business soon after its founding in early 1999, retired from Big Yellow at the end of March. We had limited knowledge of operational businesses at that time, and Adrian was key in establishing what over the years has become a market-leading self storage platform in the UK. After 25 years, any statement is insufficient, but we are grateful for all his efforts and successes over the last quarter of a century, and we have no doubt he will remain in the Big Yellow orbit in the years to come.

We commenced a search to replace Adrian last year, and I am delighted to announce that John Hunter has recently joined the business as our new Chief Operating Officer. John started out in finance, and then moved into more commercial roles, most recently as COO at Homeserve plc. Prior to that he spent several years in operational roles at Dixons Carphone plc. We all look forward to working with John and feel sure that he will make a positive contribution to the continued success of Big Yellow.

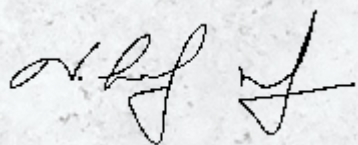
Any successful business requires a fully engaged workforce, and our recent engagement survey, with an average score of 88% across the business was very pleasing, although improvement is a perpetual quest.

I would like to thank all of our people for their dedication and support in what for many has been a personally difficult year with the impact of rises in the cost of living and higher interest rates.

Outlook

The successful placing last October has given us the balance sheet strength to commit to building out our pipeline. We now have an opportunity to additionally generate in excess of £50 million of net operating income from a combination of delivering the income from our pipeline stores and leasing up the existing fully built 1.4 million sq ft of vacant space to previously achieved levels of occupancy, the majority of which would flow through to earnings.

We are entirely cognisant that delivering this growth will take time and is to some degree subject to external forces, but we believe that it is achievable and will be our predominant focus over the next few years.



Nicholas Vetch CBE
Executive Chairman

20 May 2024