

Chief Executive's Statement

We are pleased to have delivered another year of revenue and EBITDA growth against a weaker demand environment, demonstrating the resilience of our business model.

Trading

Although activity levels were subdued in the first three quarters of the year, we have seen a recovery in the fourth quarter, which has continued into the current year.

Given this weaker demand environment, we continued to use rental growth, both to new and existing customers, to drive revenue, and over the year our average rate growth was 7.5% down from 9.8% in 2023. In addition, we have also reduced our increases to existing customers in the fourth quarter, reflective of a moderating inflationary environment.

Our principal objective in the current year, in an improving demand environment, is to drive occupancy and have it make a meaningful contribution to revenue growth which has not been the case over the last two years. Since the year end, we have seen continued growth in occupancy, and our total occupied space today is now broadly in line with last year, with current like-for-like occupancy now down 0.7 ppts compared to the same period last year.

The main driver in this current improvement in demand is from domestic customers, who currently represent 68% of revenue and 63% of occupied space. We believe this to be from a combination of improving consumer confidence in a lower inflationary environment with real wage growth and improving activity levels in the housing market since the new year; one barometer being mortgage approvals to the owner-occupied market, which have recovered; in essence more decisions are being made. Our business occupancy is largely flat since the half year, but again we are beginning to see more demand, with prospects largely flat, but move-ins up 2% since the start of January. Demand from national customers (4% of our total revenue) continues to be robust, with revenue growth year-on-year of 13%. Businesses currently occupy 37% of space, unchanged from last year.

Over the year, revenue growth from our London and South East stores (75% of our business) has outperformed the regions, however we saw an improved performance in the regions in the fourth quarter which has continued into the current year.

Investment in our operating platform and systems

Self storage operators are providers of secure storage, and in adopting automation it is important not to lose sight of keeping our customers and their possessions safe and secure. This requires an investment in technology and automation, physical security, and in our view most importantly having team members present in the centre during normal retail hours.

We will continue to invest in the security of our stores through providing individually alarmed rooms/24 hours CCTV, monitoring of our stores overnight and most importantly restricting which of our customers have access to our stores when there are no team members present. About 15% of our customers – typically businesses providing services and online traders – use and pay for out of hours access, the balance of our customers are happy to use the centres during normal trading hours, and all our feedback indicates that they appreciate having team members present at the store.

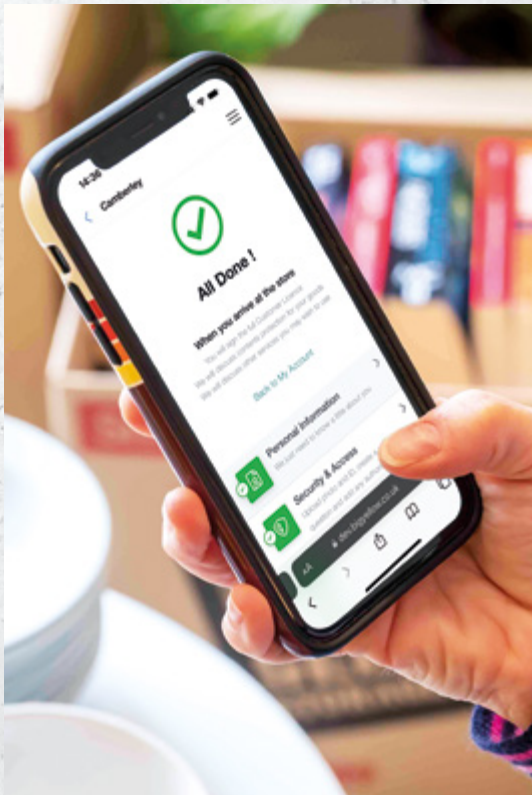
Our store operating model is analogous to the car rental market. New customers can select and reserve rooms and check-in online, including uploading ID, all prior to arriving at a store. In essence the onboarding process is online, however, our team members double check the customer ID, review insurance, and take payment in store. In addition to dealing with any issues and providing customer service, store team members are also required to carry out due diligence tasks, prepare vacated rooms for new customers, accept deliveries for our business customers, optimise contents cover and packing material sales, follow up on prospects and reservations, and importantly to identify and refuse custom to suspicious prospects.

AI is a technology that enables machines to learn from data and perform tasks that normally require human intelligence. AI can be classified into two types: rules-based and machine learning systems. The rules-based manipulation of data to, for example, manage our dynamic pricing, is something that we have done for several years in our business and will continue to invest in and improve. Other examples would include the manipulation of data to provide reporting and alerts to speed up and improve decision making, leading to efficiencies, and we use this across the business. An example in the stores is the automatic tracking of competitor pricing using an external data supplier providing alerts to both stores and operational management. We are also using the significant data from customer use of stores to provide alerts to us on unusual behaviours that require attention to our overnight monitoring centre and store teams, so improving security.

Generative AI is used throughout the business, particularly in relation to content and ideas creation, examples being in marketing or the development of procedures and training modules. What always must be remembered is that those using these models are still required to be the editor to achieve optimal results, but of no doubt there is the potential for significant and continuing efficiency gains. A more detailed summary of how AI is used within the business is included in the Operating Review.

Examples of using AI to drive operational efficiencies

- Manage our dynamic pricing
- Improve data reporting and decision making
- Tracking and alerting of competitor pricing changes
- Provide security alerts on unusual customer behaviour
- Assist in the creation of customer facing content
- Improve internal communications and training
- Improve the effectiveness of our digital marketing
- Automation of customer communications
- AI is embedded in our cyber security and defense tools
- Improving the onboarding of customers and new employees
- Measuring our call centre performance and improving call quality



We continue to invest in improving our web journey, with more automation of prospect handling through to reservation and check-in, with regular communication both by email and text. 93% of our prospects come through our digital channels (we still have customers whose first contact is at the store or over the phone). 66% of visits are from mobile devices, and the balance is portable and desktop computers. Interestingly, this has remained stable in recent years, and we have not seen the continued drive to smart phones as was expected, which is possibly a reflection of prospects searching using desktop computers or portables either while working from home or during the day while at work.

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

People

Our progress this year once again reflects the steadfast commitment and hard work of our people.

Since January 2023, the level of staff turnover and vacancies in the business started to decline, with a reduction in leavers. Our current staff turnover and level of vacancies continues to be at relatively low levels, which is encouraging.

We have also carried out a review of our store staffing structure and have not been replacing certain positions, reducing our average headcount in stores, with an annualised saving including on-costs of £0.4 million – a benefit of the improved automation in the business. As mentioned above, the delivery of customer service and the security of our stores is paramount, and hence having team members in our stores for part of the day will always be required.

We carried out an employee engagement survey using external consultants last summer and were very pleased with the results. The engagement score across the business was a record 88%, with a significantly improved participation rate of 92% from the previous survey in 2021. This was an excellent result, reflective of a key priority for the business, which is its culture.

Chief Executive's Statement continued



We continue to believe that the customer experience and the service delivered by our store teams is a critical and differentiating success factor, particularly with those customers who are regular users of our facilities. A retail measure is a net promoter score, and our average over the year for move-ins and move-outs was 80.5 (2023: 78.9), a very creditable result.

We continue to make 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 2023. We formalised a Diversity and Inclusivity Committee in 2020, with representation from colleagues from throughout the business, and I am also a standing member of the Committee, as I believe diversity has a positive impact on our culture and performance.

ESG

The Big Yellow Foundation, which was launched in 2018 is our principal vehicle for delivering social good, with the cause being the rehabilitation of vulnerable people into work. The Company matches all money raised from customers at move-in and move-out and from fundraising from our team members. In the year we have raised a record £298,000 for the Foundation, and we provided £256,000 of funding to our seven charity partners, with the total to date now over £1.0 million.

We have an initiative of providing 12 week work placements to candidates from some of our partner charities, and over the year 12 placements were carried out at several of our stores. This can be life changing for some in improving their confidence and work chances, and we have also found it to be particularly rewarding to our store teams.

We have also over the years provided space to local charities and community groups in each of our stores; at present we support on average two charities per store this way. The recent refinancing of our bank facility is aligned with this strategy and includes social targets for both the Foundation and the provision of space to local charities.

I mentioned the solar retrofit programme last year, which is a £25 million investment, of which £13.6 million has been spent to date. Progress has been very good, and as of now we have completed the retrofit of 35 stores. Our current installed solar capacity is 6.6 Megawatts, an increase of 47% over the year. We estimate that this is currently saving the business £0.6 million per year. This will continue to increase as we make further progress towards our objective of being self-sufficient in renewable energy.

We will be trialling a new battery at our Slough Farnham Road store, using the electricity that we generate at our stores more efficiently, with less being sold to the grid. If this is successful we will then look to adopt this in new stores, which will see further battery improvement and reduction in costs. We will also be looking at how we can retrofit it into existing stores, all designed to improve the efficiency of our energy usage. Energy costs represent 5% of operating costs (c. £25,000 per store), and we aim to continue to reduce this.



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Our business model, market-leading brand and operating platform has delivered a resilient performance over recent years, and we remain confident that it will continue to deliver attractive and sustainable returns over the medium to long term.

The investment in solar improves the EPC rating in our stores. There is a requirement to have all stores with an EPC rating of A to C by 2025 and A to B by 2030. At present all but one of our stores is A to C, and we have plans in place to install solar at that store to meet the 2025 requirement. For the 2030 requirement, the majority of stores already meet it, and there are plans for all stores to be A or B rated by 2028. Much of the improvement is being driven by the investment in solar and also through removing gas boilers.

Further detail, including progress on our Science Based Targets, is included in the ESG Report.

Summary

Our business model, market-leading brand and operating platform has delivered a resilient performance over recent years, and we remain confident that it will continue to deliver attractive and sustainable returns over the medium to long term. As we enter our historically stronger summer trading period, we are looking forward to another year of growth.

Jim Gibson
Chief Executive Officer

20 May 2024