

Operating Review

We now have a portfolio of 109 open and trading stores, with a current maximum lettable area of 6.4 million sq ft (2023: 108 stores, MLA of 6.3 million sq ft).

The store platform and demand

Self storage demand is spread across a diverse set of drivers, and is largely driven by need, with security, convenience, quality of product, service and location being key factors. Awareness remains relatively low compared to commoditised products, such as hotel rooms or airline seats, albeit it is increasing slowly year-on-year with increased supply, marketing expenditure and customer use. Over 70% of our domestic customers are in the top 3 ACORN categories: Affluent Achievers, Rising Prosperity, and Comfortable Communities. The largest element of demand into our business each year is customers who use us for relatively short periods driven by a need.

Of our move-ins during the year:

- customers renting storage space whilst moving represented 41% of move-ins during the year (2023: 41%), with homeowners representing 26% and renters 15%. The proportion of renters increased during the year, offsetting some of the slowdown in the owner-occupied market;
- 12% of our customers who moved in took storage space as a spare room for decluttering (2023: 11%);
- 36% of our customers used the product because some event had occurred in their lives generating the need for storage; they may be moving abroad for a job, have inherited possessions, are getting together, or separating, are students who need storage during the holidays, or homeowners developing into their lofts or basements (2023: 37%);
- the balance of 11% of our new customer demand during the year came from businesses (2023: 11%), who stay longer and represent around 20% of our customers in store at any one time, occupying 37% of the space at 31 March 2024.

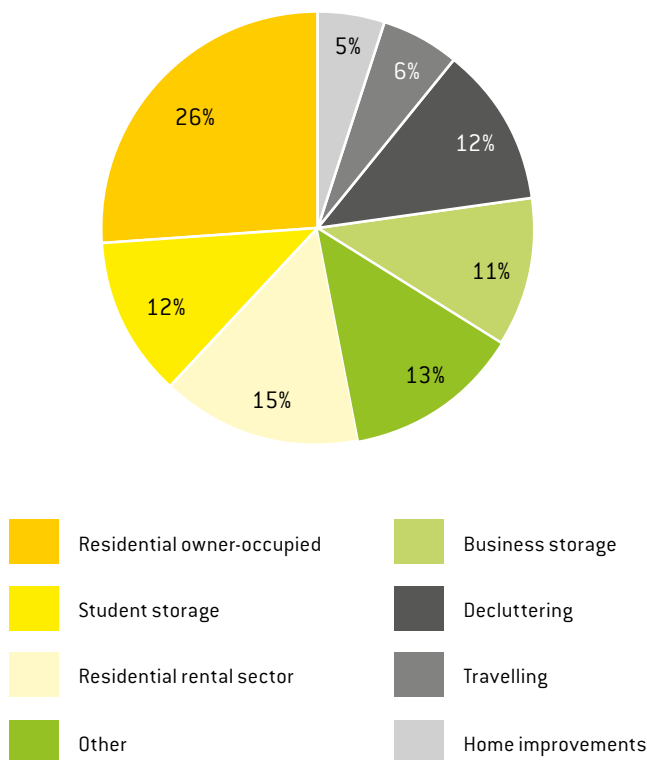
Of our overall occupied space today, customers who are longer stay lifestyle users, decluttering into small rooms as an extension to their accommodation, occupy 10% to 15% of our space; approximately 50% of the space is customers using it for less than 12 months, for reasons which are largely event driven, which could be inheritance, moving in the owner-occupied or rental sector, home improvements, travelling; the balance of 37% of our space is businesses.

Our business customer base is comprised of online retailers, B2B traders looking for flexible mini-warehousing for e-fulfilment, service providers, those looking to shorten supply chains, and businesses looking to rationalise their other fixed costs of accommodation. For these customers, who typically are looking for rooms which could be from 50 sq ft to 500 sq ft in facilities that meet their operational requirements, the only supply in big cities is from self storage providers. The average space occupied by business customers at the year-end is 177 sq ft (2023: 179 sq ft).

Domestic customers occupy on average 58 sq ft (2023: 59 sq ft) and pay on average 17% more in rent per sq ft (2023: 18%), however business customers do stay longer, take more space and represent around 32% of revenue (2023: 33%).

The pandemic accelerated many structural changes that were already occurring, such as the move to online retailing and an increase in working from home facilitated by technological advances. The deindustrialisation of big cities with the conversion of commercial space into residential and other uses, has led to a shortage of suitable flexible mini-warehouse space from which to operate small scale storage and e-fulfilment, particularly in London. These developments, along with businesses increasingly seeking flexible office and storage space rather than longer inflexible leases, have been driving our demand. We believe these are long-term structural trends, which will benefit our business going forward.

Reasons people use Big Yellow





From research we have previously carried out, a typical small business using storage employs around three people and 60% of them are early-stage businesses and for 50% of them this is their only space.

In addition, we have a dedicated national customers team for businesses who wish to occupy space in multiple stores. These customers on average occupy approximately 1,000 sq ft, paying £30,000 per annum, and are billed and managed centrally. This area has performed strongly in the year with revenue up 13% compared to the prior year, making up 5% of occupied space.

Activity

Prospect numbers are more in-line with the pre-Covid period on a like-for-like basis, and activity levels within the business have consequently been a little bit slower than last year, with move-ins down 6%, and move-outs also down 6% over the year, reflecting less churn. Our conversion rates over the period have increased, which is indicative of more needs-driven demand. Since the year end we have seen an increase in move-in activity, with move-ins up 5% compared to the same period last year.

Occupancy across all 109 stores fell over the year by 59,000 sq ft (2023: fall of 58,000 sq ft, with an additional 39,000 sq ft of occupancy acquired with Aberdeen in June 2022). Business occupancy dropped by 2.6% or 50,000 sq ft on 1.9 million sq ft occupied at the beginning of the year. Our larger rooms, which are occupied in the main by businesses, remain highly occupied, particularly in London. Domestic occupied space was in line with the prior year.

As we have experienced over the years, there are businesses who outgrow us and move to their own accommodation, others cease operations, some are seasonal, and we continue to replace any vacated space with new move-ins from online traders, e-tailers and service providers. We are not seeing any noticeable further softening in demand from businesses, particularly in London.

The 76 established Big Yellow stores are 81.6% occupied compared to 84.2% at the same time last year. The nine developing Big Yellow stores added 73,000 sq ft of occupancy over the year to reach closing occupancy of 59.8%. The 24 Armadillo stores, representing 10% of the Group's revenue are 74.3% occupied, compared to 76.9% at this time last year (including an additional 20,000 sq ft of capacity added during the year at Stockton South). Overall store occupancy was 78.3% (2023: 80.9%).

	Occupancy 31 March 2024 %	Occupancy change in year 000 sq ft	Occupancy 31 March 2024 000 sq ft	Occupancy 31 March 2023 000 sq ft
76 established Big Yellow stores	81.6%	(124)	3,905	4,029
9 developing Big Yellow stores	59.8%	73	375	302
All 85 Big Yellow stores	79.1%	(51)	4,280	4,331
24 Armadillo stores	74.3%	(8)	749	757
All 109 stores	78.3%	(59)	5,029	5,088

All stores are trading profitably at the EBITDA level, with our most recent opening in Kings Cross reaching break even in September 2023, four months after opening.

Operating Review continued

Rental growth

We continue to manage pricing dynamically, taking account of room availability, customer demand and local competition, with our pricing model reducing promotions and increasing asking prices where individual units are in scarce supply.

We continue to price competitively to win new customers and have moderated our existing customer price increases over the year with the fall in inflation. It must be remembered that some 60% to 70% of our customers move-out within six months, and therefore do not receive any price increases.

The average achieved net rent per sq ft increased by 7.5% compared to the prior year, with closing net rent up 5.1% compared to 31 March 2023. The table below shows the change in net rent per sq ft for the portfolio by average occupancy over the year (on a non-weighted basis). The analysis excludes our most recent store openings.

Average occupancy in the year	Net rent per sq ft growth from April 2023 to March 2024	Net rent per sq ft growth from April 2022 to March 2023
70% to 85%	5.4%	8.3%
85% to 90%	5.5%	8.7%
Above 90%	6.9%	9.7%

The self storage market

In the recently published 2024 Self Storage Association UK Survey, only 43% of those surveyed had a reasonable or good awareness of self storage. Furthermore, only 12% of the 2,076 adults surveyed were currently using self storage or were thinking of using self storage in the next year, which was an improvement from 9% in the survey last year. Self storage is therefore not a commoditised product, such as hotels, taxis, cinemas etc, and it will take many years of use and growing awareness before it becomes so, particularly given the subdued growth in new supply.

Growth in new facilities across the industry has been largely in regional areas of the UK and particularly in smaller towns. Historically, new supply creation in our core markets in London and the South East, has been difficult, with high land values driven by competing uses such as residential and urban industrial. In London in the year to 31 December 2023, there were eight new store openings, including one Big Yellow store. We are aware of four planned store openings in London in calendar year 2024.

The Self Storage Association (“SSA”) estimates that the UK industry is made up of approximately 1,700 self storage facilities and 1,000 purely container operations, providing 60 million sq ft of self storage space, equating to 0.9 sq ft per person in the UK. This compares to 12 sq ft per person in the US, 2.2 sq ft per person in Australia and 0.2 sq ft for mainland Europe, where the roll-out of self storage is a more recent phenomenon [sources: UK Self Storage Association Survey May 2024 and FEDESSA European Self Storage Annual Survey 2023].

Marketing and operations

Our marketing strategy focuses on building our market-leading brand awareness further and using it to maximise the cost-efficient generation of enquiries, customer move-ins and user satisfaction through our digital platforms. Our strong brand and continued digital investment and innovation has helped us create a market-leading website which delivers over 90% of our enquiries.

Our annual YouGov survey (published May 2024) again confirmed that the brand awareness of Big Yellow remained significantly ahead of other UK operators in the sector. The survey shows our unprompted brand awareness to be 4.1 times higher than our nearest competitor across the UK (2023: 4.4 times higher).

The Big Yellow website allows users to browse different room sizes, obtain a price, reserve online and check-in online prior to arriving at the stores which are automated in terms of access once a customer moves-in.

The online customer experience also allows customers to communicate with us in real-time via Live Chat, WhatsApp, or Facebook Messenger. The comprehensive online FAQs provide our users with another way to ask questions they may have about the service without needing to call us directly. This is critical because approximately 60% of our new prospects have not used self storage before.

The seamless digital experience continues with our online check-in platform. This allows customers to complete the majority of their move-in process remotely. They can upload their photo and identity documents, sign the full customer licence, set up authorised persons, complete their storage inventory and set up a paperless Direct Debit – all done remotely. This check-in online capability has significantly cut down the time our customers need to spend in our receptions when they move-in. The process is completed with our in-store digital signature pads.

We also offer the ability to purchase boxes and packing materials through our online BoxShop store. These items can be home delivered or made available for our Click and Collect service from stores, which represents 80% of BoxShop transactions.

Driving online traffic

Self storage is a consumer-facing business, and the development of a strong and sustainable brand is multi-layered and requires a consistency of product, customer service and interaction at all touch points, particularly online.

Search engines are the most important acquisition tool for us, accounting for the majority of traffic to our website. Our focus for a competitive advantage on search continues and search engine optimisation (“SEO”) work has helped us to maintain high organic listings for popular generic and local self storage related search terms. This in turn drives the growth and cost efficiencies of acquiring new prospects.

Brand search terms are also a valuable driver of enquiries for Big Yellow and help improve the efficiencies of our cost per enquiry. 41% of all traffic generated from search engines to our website originated from “Big Yellow” brand searches in the year. This clearly indicates that brand is important in driving higher levels of prospects and customer referrals, leading to improved operational efficiencies. We have demonstrated this through significant improvements in the performance of existing storage centres following their acquisition, re-branding, and assimilation into our business.

Search engine marketing remains our largest source of paid for web traffic. Ongoing website optimisation and an engaging user experience through our digital platforms helps ensure we maximise the conversion of these web visits into enquiries and then customers. Digital display advertising enables us to regionally target audiences in the market for self storage, raising consideration of the service and the Big Yellow brand through engaging creatives.

Online customer reviews and social media

Supporting our values of putting the customer at the heart of our business, our online customer reviews generate real-time feedback from customers and provide positive word of mouth referral to our website visitors. Through our 'Big Impressions' customer feedback programme, we ask our new customers to rate our service. With the users' permission, we then publish these independent customer reviews on the Big Yellow website which currently total over 52,000 averaging 4.7 out of 5.

The Big Impressions programme also generates customer feedback on their move-in and move-out experience. These customer reviews and mystery shop results are transparently accessible across the business and helps reinforce our focus on outstanding customer service. Over the year, we have achieved an average net promoter score of 80.5 which is a very strong consumer-facing benchmark result.

We also gain real-time customer feedback from over 23,500 Google Reviews averaging 4.7 out of 5. These help to enhance our visibility within local search listings conveying trust in the Big Yellow brand. Additionally, we have over 4,200 reviews from the independent review site TrustPilot. These reviews average 4.8 out of 5-star rating, labelled as "Excellent" on the TrustPilot ratings scale. We monitor our customer reviews and respond where necessary for customer service reasons or to manage our online reputation and improve our service offering.

Social media continues to be complementary to our existing marketing channels. Big Yellow actively posts content across Twitter, Facebook and Instagram which help to raise awareness of our services and ESG activities. These social channels are also used by customers to connect with us and are monitored in real-time, enabling us to respond promptly to any enquiries. The Big Yellow LinkedIn platform is used to communicate company achievements, ESG initiatives and our company culture and the Big Yellow YouTube channel is used to allow web prospects to experience our stores online through our video guides to self storage.

We will continue to invest in improving the customer experience and user journey across all our digital marketing channels and also in-store operations to achieve higher levels of automation and hence efficiencies in the business.

Market-leading brand awareness

Our YouGov survey (published May 2024) again confirmed Big Yellow's brand awareness remains significantly ahead of our competitors.



Our brand awareness is over four times higher than our nearest competitor.

Operating Review continued

AI

Generative AI is now used throughout the business and has been adopted quickly since its launch. We have a variety of tools available including Canva, ChatGPT, Google Gemini and Microsoft 365 CoPilot. These are used to generate content and ideas across social media, SEO, responses to customer reviews, drafting emails, developing training modules, policies, procedures and creating visuals in our communications. We see these large language models continuing to improve and allowing us to increase our productivity and efficiency, particularly at our head office.

Rules-based data manipulation and automation is also something that we have used within Big Yellow for some time and continue to improve. Examples of this include our dynamic pricing system, prospect management, check-in online, digital automation of all customer communications, access control reporting and alerts based on the significant data we have at stores, exception reporting for our store audit processes. Other examples in marketing would be translation AI, optimisation of paid search and targeting of prospects. Although provided by third parties, machine learning AI is the core of all our cyber security and defence, across anti-malware, firewalls, email management, vulnerability testing and Security Information and Event Monitoring. A further example is that we have just invested in a SaaS recruitment platform, which manages the workflow for all recruitment and interaction with candidates through automation. Our CAFM platform in facilities which was implemented three years ago to manage all our interactions between the stores, the facilities team and the various contractors has made a significant difference to productivity and control in that area.

The above is by no means a complete summary of how AI is making a difference to our business, but hopefully provides an insight and it is something that we will continue to invest in.

Cyber security and IT infrastructure

Cyber security and IT infrastructure are vital for the Group's strategy and operations. The Group has a robust cyber security and IT infrastructure framework that covers risk, security, compliance, innovation, and efficiency. The Group has achieved significant results and progress in the past year, but also faces challenges and opportunities in the future. The Group is committed to investing and improving its cyber security and IT infrastructure capabilities, and to maintaining its competitive edge.

We regularly evaluate cyber risk and security status with the help of both internal experts and external consultants and conduct frequent tests on our systems and people, such as penetration tests and phishing simulations. The Group's systems underwent an external audit during the year and retained the IASME Gold certification which includes Cyber Essentials. The Group has cyber insurance in place should a breach occur.

Our Data Compliance Officer oversees our ongoing compliance with GDPR and PCI DSS. The role also includes Business Continuity and Crisis Communication management. Policies and procedures are under regular review and are benchmarked against industry best practice. There are mandatory courses for all staff to complete both for Information Security and Data Protection. Our Infrastructure and Development teams continue to drive innovation and efficiencies throughout the Group.

ESG

We have a long-term strategy to become Net Renewable Energy Positive and deliver Net Zero Scope 1 and 2 Emissions targets, which will be funded with significant investment from the Group over the next few years. The main delivery vehicle for this new strategy will be the installation of solar generation capacity onto our existing store estate.

By 2025, we expect to have completed a multi-million pound investment in renewable energy generation both on the roofs of our estate and also at other locations. We published in 2022 our Strategy document that sets out our Commitments, Actions and Timelines to become 100% Renewable Energy Positive and Net Zero Scope 1 and 2 Emissions by 2030.

The sustainability performance highlights for the year are:

- we have invested £6 million in our solar programme over the year and now have 68 stores with solar and have expanded the programme to all stores. Our current peak capacity has increased over the past three years from 0.9 Megawatts to 6.6 Megawatts;
- we have donated £796,000 in Community Investment. This consists of a combination of free and discounted space to worthy local charitable organisations and not-for-profits and we house different organisations, from foodbanks to small community groups to NHS partners and also BoxShop products donated;
- £298,000 has been raised for the Foundation from customer donations and employee fundraising including the matched contributions from the Company. These funds allowed us to make grants of £256,000 to our partner charities in the year;
- we have delivered 12 successful and all-round enriching work placements with Breaking Barriers, Street League and the Down's Syndrome Association;
- increased our GRESB Green Star rating from 4 to 5, improved from a B to an A- award from CDP and maintained our ISS indices; and
- we obtained our third EPRA sBPR Gold Award.