

Chairman's Statement

This has been another year of revenue, cash flow and adjusted earnings growth, driven by a combination of improvements in occupancy and rate.

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 2019.

This has been another year of revenue, cash flow and adjusted earnings growth, driven by a combination of improvements in occupancy and rate. Following our seasonally weaker third quarter, we continued to grow occupancy in the final quarter, but this growth was more muted than in recent years, with prospect numbers and move-ins slightly lower year-on-year. This in some ways was not surprising given the heightened uncertainty in the run up to 29 March, the UK's original proposed exit date from the EU, which has now been delayed until 31 October. Since the year end our book of reservations has grown to similar levels seen last year and we anticipate further growth in occupancy over our seasonally stronger summer period.

Like-for-like closing Group occupancy is up 2.2 percentage points to 82.7% compared to 80.5% at 31 March 2018. Average rental growth was up 2.9% year-on-year compared to 0.8% last year. Although our closing occupancy was at the lower end of our expectations at the start of the year, we delivered better than anticipated rate growth.

We expect to see occupancy growth over our seasonally stronger summer trading period, providing there are no significant external shocks, and we should peak at over 85%. The key risk to our business is supply, and this remains constrained, particularly in London and the South East, with four store openings in the year offset by three store closures. We remain focussed on our core objective of 90% occupancy across the portfolio, and as we further reduce vacant capacity, our pricing model will continue to deliver improved rental growth.

Financial results

Revenue for the year was £125.4 million (2018: £116.7 million), an increase of 7%. Like-for-like revenue growth (see note 33) was 7%.

Operating cash flow increased by £8.8 million (14%) to £71.8 million for the year (2018: £63.0 million). During the year we spent £83.0 million on growth capital expenditure, compared to £42.0 million in 2018. The Group's operating profit before property revaluations increased by £5.7 million (8%) to £76.7 million. The Group's statutory profit before tax was £126.9 million, a decrease of 5% from £134.1 million in the prior year with the increase in operating profit offset by a slightly lower revaluation gain on our investment properties in the year.

Given that our central overhead and operating expense is largely embedded in the business, this revenue growth has delivered an increase of 10% in the adjusted profit before tax in the year of £67.5 million (2018: £61.4 million). Adjusted earnings per share increased by 8% to 41.4p (2018: 38.5p) with an equivalent 8% increase in the dividend per share for the year. The increase in earnings per share is lower than that reported for adjusted profit before tax as a result of the dilution from the equity placing in September 2018.

The Group has net debt of £319.7 million at 31 March 2019 (2018: £323.7 million). This represents approximately 22% (2018: 25%) of the Group's gross property assets totalling £1,445.5 million (2018: £1,303.3 million) and 26% (2018: 31%) of the adjusted net assets of £1,209.8 million (2018: £1,059.1 million). The Group's interest cover for the year, expressed as the ratio of cash generated from operations against interest paid was 8.2 times (2018: 7.6 times). This is comfortably ahead of our internal minimum interest cover of 5 times.

Investment in new capacity

In September, the Group issued 7.2 million shares (4.5% of the issued share capital prior to the placing) at a price of 930 pence per share, raising £65.3 million (net of expenses). The proceeds are being used to acquire new development sites in attractive locations that will allow the Company to continue to deliver a contribution to earnings from external growth whilst maintaining a strong capital structure.

We are therefore pleased to report progress in this regard with the acquisition of seven high quality development sites since March 2018. Five of the sites were in London, in Uxbridge (West London), Queensbury (North West London), Hayes (West London), Wembley (North West London), and North Kingston (South West London). The remaining two were in Slough (just outside the M25, west of London) and Hove (west of Brighton).

The 25,000 sq ft extension to our Wandsworth store completed in May 2018, we opened a 25,000 sq ft store in Wapping in July 2018, and in May 2019 we opened our 60,000 sq ft store on Water Street, central Manchester.

We have commenced construction of our Camberwell store which we anticipate will open in Spring 2020. We also received planning consent for our Battersea scheme which will provide a new 72,000 sq ft net Big Yellow store, 168 flats and 18,500 sq ft of offices, retail and artists' studios. Our existing 34,000 sq ft Battersea store was closed in March 2019 for demolition, and we anticipate the new store will re-open in Summer 2020. The 57,000 sq ft proposed store at Bracknell received planning consent in January 2019, and we hope to be on site shortly, with a view to opening in Summer 2020.

After lengthy consultations, we submitted a planning application on our Kings Cross development in July 2018, which is now the subject of an appeal due to be determined this summer. We have commenced our planning discussions on the recently acquired sites and will report back on our progress in due course.

Big Yellow now has a pipeline comprising 12 development sites with a cost to complete of approximately £109 million. These store openings are expected to add approximately 820,000 sq ft of storage space to the portfolio, an increase of 18% from the current maximum lettable area of the Group's portfolio.

Our current estimate of net operating income at stabilisation, at today's prices, for this increase in capacity is in excess of £19 million per annum. The total development cost including cost incurred to date is estimated to be approximately £212 million implying a 9.0% net operating income return on cost.

During the year, the Group acquired the Wyvern Industrial Estate in New Malden, London for £28 million excluding purchaser's costs. Big Yellow occupies approximately half of the estate, with an 81,000 sq ft net lettable area store, on an occupational lease which expired in 2026. The acquisition removed two material risks; there was no certainty that the lease would have been renewed at its expiry, and the liability of future rent increases on this property could have been significant given its prime location in London. We intend to sell the remainder of the estate in due course.

We continue to look for land and existing storage centres in large urban conurbations, focussing as previously stated on London and the South East. Should the current uncertainties throw up new opportunities, we will continue as we have been to pursue them aggressively. However, developing stores in these target areas remains challenging given the competition for land and the pressure to produce more housing.

Dividends

The Group's dividend policy is to distribute 80% of full year adjusted earnings per share. The final dividend declared is 16.5 pence per share. The dividend declared for the year of 33.2 pence per share represents an increase of 8% from 30.8 pence per share last year.

Our people

We continue to believe that any successful business requires a motivated and engaged workforce, and the creation of a fully engaged culture has always been a key focus within Big Yellow. An increasingly important aspect of this is social responsibility, particularly as it relates to local communities around our stores. This has been the first full year of operation of The Big Yellow Foundation, supporting six charities which focus on the rehabilitation of vulnerable adults into work. I am delighted that in its first year we have succeeded in raising some £160,000, with the strong support and help of our employees.

In February 2019, we were named as one of the Sunday Times 100 Best Companies to Work For, which is a pleasing testament to the culture of the business given that it is based entirely on the views of our employees.

In addition, we focus on customer service and engagement, measuring and responding to their feedback. Our customer net promoter scores ("NPS") were an average of 79.1 over the year (2018: 80.1). Although marginally lower than last year, NPS scores at these levels are highly unusual and reflect our efforts to deliver excellent and consistent customer service.

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

Outlook

It has taken us time to build a sustainable pipeline of new stores. That is now accomplished and will provide a steady increase in capacity over the next few years. We will continue to add to this as sites become available but the supply of appropriate property is limited. These new stores will make a significant contribution to future revenue growth, enhancing the performance we anticipate being generated by the existing operating platform.

Looking ahead, we remain focussed on our core objective of increasing occupancy to 90%, which in turn should drive traction on pricing and further rate growth. We have a proven strategy and remain confident about the long-term prospects for the Group.



Nicholas Vetch
Executive Chairman
20 May 2019