Strategic Report

Our Investment Case

Annual compound adjusted eps growth of 15% since 2004/5.

In the nineteen years since flotation in May 2000, Big Yellow has delivered a Total Shareholder Return ("TSR"), including dividends reinvested, of 15.3% per annum, in aggregate 1,380% at the closing price of 991.5p on 31 March 2019. This compares to 6.1% per annum for the FTSE Real Estate Index and 5.1% per annum for the FTSE All Share index over the same period. We feel this illustrates the power of compounding of consistent incremental returns over the longer term.

OUR VALUES

Leading by example
We are the leaders in the UK self storage industry with the strongest brand and the best people.

Customer focussed
We put the customer at the heart of our business.

A culture based on personality
We think brilliant customer service starts with a warm and friendly personality, which is what we look for when recruiting.

A sustainable focus
We recognise the most important space is the environment that surrounds us and are committed to operating sustainably.

Investing in community
Helping support the communities and charities in the areas we operate in and through the Big Yellow Foundation.

HOW WE DO IT

1 Attractive market dynamics
- UK self storage penetration in key urban conurbations remains relatively low
- Limited new supply coming onto the market
- Resilient through the downturn
- Sector growth is positive, with increasing domestic awareness and demand

2 Our competitive advantage
- UK industry's most recognised brand with 90% of enquiries now online
- Prominent stores on arterial or main roads, with extensive frontage and high visibility
- Continuous innovation and investment into our mobile and desktop digital channels
- Strong customer satisfaction and NPS scores reflecting excellent customer service
- 5.7 million sq ft UK footprint (Big Yellow and Armadillo combined)
- Primarily freehold estate concentrated in London and South East and other large metropolitan cities
- Larger average store capacity – economies of scale, higher operating margins
- Secure financing structure with strong balance sheet

3 Evergreen income streams
- 56,000 customers from a diverse base – individuals, SMEs and national accounts
- Average length of stay for existing customers of 25 months
- 33% of customers in stores greater than two year length of stay
- Low bad debt expense (0.2% of revenue in the year)

4 Strong growth opportunities
- Opportunities to drive further occupancy growth
- Yield management as occupancy increases
- Densification of living and scarcity of flexible business space drives demand
- Growth in national accounts and business customer base
- Increasing the platform with a conservative capital structure
- Growth in our Armadillo joint venture platform

5 Conversion into quality returns
- Freehold assets for high operating margins and operational advantage
- Low technology and obsolescence product, maintenance capex fully expensed
- Annual compound adjusted eps growth of 15% since 2004/5
- Annual compound cash flow growth of 15% since 2004/5
- Dividend pay-out ratio of 80% of adjusted eps