

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 2020.

The Brexit process and the run up to the General Election led to softer demand for our business for much of the year. However, following the decisive result of that election and perceived increased clarity about the timing of the UK's exit from the European Union, we saw a significant increase in visits and enquiries with prospects up 12% in January and February compared to last year. Growth in occupancy was also up year-on-year for January and February. Unsurprisingly, this all changed in March with the onset of the Covid-19 pandemic, and the lockdown policy measures implemented.

Forming part of the storage and distribution network, and therefore considered to be an 'essential' business, we have remained open throughout the lockdown. The necessary protocols and provisioning of equipment required to keep our staff and customers safe were rapidly and effectively implemented following the lockdown, greatly facilitated by work previously carried out in partially automating our processes. Further detail is set out later in this statement and on our website bigyellow.co.uk/coronavirus/.

Following the imposition of the lockdown we experienced an immediate impact with heightened activity both in and out of the business, resulting in a net occupancy loss of 23,000 sq ft in the last two weeks of March, at a time when we would normally grow occupancy by a similar amount.

Demand from businesses has been relatively resilient over the lockdown period, however demand from short stay domestic event driven customers has been more affected. In the immediate aftermath of the lockdown both customer move-ins and move-outs were down approximately 50% and although the net impact on occupancy was negative it was modestly so given the external environment. More recently as some visibility has emerged regarding the exit from the lockdown we have and are seeing an increase in prospects and move-ins and move-outs. As of 8 June the net occupancy gain for the quarter to date is 38,000 sq ft (2019: gain of 24,000 sq ft). Prospect numbers have recovered and for the first week of June were up 20% on the equivalent period last year.

Net rent per sq ft has grown by 1.4% since 1 April 2020. A key focus over this period has been our cash management. Over 80% of our customers pay by direct debit, and as of 8 June, we have collected 96.7% of our April and May revenue, which compares to 97.3% over the same period last year.

Financial results

Revenue for the year was £129.3 million (2019: £125.4 million), an increase of 3.1%. Like-for-like revenue growth (see note 33) was 3.8%.

At 31 March 2020 like-for-like occupancy was 81.3%, a decrease of 1.1 ppts from the same time last year, having been in line with last year at the end of February. Average rental growth was up 2.7% year-on-year compared to 2.9% last year.

Operating cash flow increased by £1.4 million (1.9%) to £73.6 million for the year (2019: £72.2 million). During the year we spent £63.7 million on growth capital expenditure, compared to £83.0 million in 2019. The Group's operating profit before gains on property assets increased by £3.3 million (4.3%) to £80.0 million. The Group's statutory profit before tax was £93.4 million, a decrease of 26% from £126.9 million in the prior year with the increase in operating profit offset by a 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 5.2% in the adjusted profit before tax in the year of £71.0 million (2019: £67.5 million). EPRA earnings per share increased by 1.7% to 42.1p (2019: 41.4p) with an equivalent 1.8% 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.

Investment in new capacity

Following the placing in November 2014 your Board embarked on a strategy of growing the Company and its earnings in the medium-term by acquiring and developing sites of the very highest quality with a focus on London and the South East. Since then, we have purchased 15 development sites and two trading freehold stores. We have secured 8 planning consents, opened two and have a further three under construction. We have also opened three other stores where the sites had been acquired prior to November 2014. Although, we are always subject to the vagaries of the planning system, at the time of writing, we see no significant impediment to building and opening the remaining stores in the development pipeline. In doing so we have or will deploy a total of £235 million.

The development process is lengthy and often complicated, but the prize is in our view, significant. It has always been difficult to acquire sites by dint of their scarcity with competition principally coming from other uses, and a planning system which remains complex and unpredictable. The availability of sites for our use will remain limited despite the current economic dislocation, but we believe that this environment will provide some increased opportunity.

During the year the Group acquired a 6.4 acre site in Harrow, London for £20 million. The land has the benefit of an outline planning consent and Big Yellow will therefore make a reserved matters planning application for a 75,000 to 80,000 sq ft self storage centre and for approximately 110,000 sq ft of warehouse space. Upon receipt of planning permission, the Group will decide how to deal with the five acres of land which will be surplus to requirement. The Group also completed the acquisition of sites in Hayes, West London and Slough during the year.

We opened our landmark 60,000 sq ft store in central Manchester in May 2019. The store was 37% occupied at the end of May and is now generating a positive EBITDA.

The construction of our 77,000 sq ft store in Camberwell, London, our 57,000 sq ft store in Bracknell, and our 71,000 sq ft Battersea store, was delayed by the Covid-19 lockdown. We are now back on site at all three locations, and anticipate the stores opening in July 2020, September 2020 and November 2020 respectively.

Planning permission was granted last July for a 55,000 sq ft store on our site in Uxbridge, West London. Construction is expected to commence shortly, with the store scheduled to open in Summer 2021. We also received planning permission in October for a new 58,000 sq ft store in Hove, and construction will commence during this Autumn, with a view to the store opening in Spring 2022. In addition, we obtained planning permission in November for a 58,000 sq ft store in Queensbury, North West London.

The joint application at Kings Cross with the adjoining landowner, which was subject to an appeal in July 2019, was unsuccessful. We have therefore now submitted a standalone application for a slightly smaller store of approximately 105,000 sq ft based on our detailed discussions with the London Borough of Islington and the appeal determination notice.

We have also submitted planning applications on our Hayes, North Kingston and Wembley stores, and although these applications are being progressed, the recent disruption has slowed that process.

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 thirteen development sites with a cost to complete of approximately £95 million in addition to the £63.7 million of capital expenditure deployed in the year. These store openings are expected to add approximately 880,000 sq ft of storage space to the portfolio, an increase of 19% 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 £20.7 million. The total development cost, including cost incurred to date of £140 million, and cost to complete of £95 million, is estimated to be approximately £235 million implying an 8.8% net operating income return on cost.

The current uncertainties may present opportunities for the Group to grow its development pipeline and we believe that we are in a relatively strong position to exploit these opportunities, given the strength of our balance sheet, available headroom on our debt facilities, and our proven property development expertise. This will allow a continued focus on expansion primarily in London and its commuter towns whilst maintaining a conservative capital structure.

In order to fund the acquisition of further development sites, in April 2020 the Group raised £79.9 million (net of expenses), through the issue of 8.3 million shares. This has reduced our net debt to £265 million at 8 June 2020, we are continuing to generate positive operating cash flow and have available liquidity of approximately £162 million.

Dividends

The Group's dividend policy is to distribute 80% of full year adjusted earnings per share. Given the relative resilience of our trading since the introduction of the lockdown, we have not furloughed any employees, nor have we participated in any of the government's loan support schemes. It is also a requirement as a REIT to pay a Property Income Distribution ("PID"). The final total distribution of PID and ordinary dividend declared is 16.7 pence per share. This brings the total distribution declared for the year to 33.8 pence per share representing an increase of 1.8% from 33.2 pence per share last year.

Our people

As we have frequently stated, one of our key objectives when Big Yellow was founded was to create a culture which fostered a highly motivated and engaged team.

It is at times like this that you reap the reward for prioritising an inclusive culture and it has been so heartening and pleasing to see the energetic positive response of everyone in the business to tackle the day-to-day challenges we have faced in recent weeks. I cannot thank them enough for their continued efforts and dedication.

Board

Georgina Harvey and Steve Johnson, Non-Executive Directors, have informed the Board that they will not be seeking re-election to the Board at the forthcoming Annual General Meeting after seven and ten years of service respectively.

Georgina has made a significant and valuable contribution to the Board, in particular in respect of her expertise around Remuneration and Governance. Steve brought a wealth of knowledge from his extensive retail and business experience. I would like to thank them both for their respective contributions to the Board over the years.

Julia Hailes MBE, joined as Non-Executive Director with effect from 1 March 2020. With over 30 years' experience in the sustainability sector, Julia is

a leading opinion former, consultant and speaker on sustainability issues. Julia will chair the Group's newly formed Sustainability Committee.

Laela Pakpour Tabrizi, will be joining the Board as a Non-Executive Director with effect from 1 July 2020. Laela has significant corporate and financial experience in high growth businesses, adds to the diversity of the Board and will bring her own perspective to our discussions.

I would like to welcome both Julia and Laela to the Board and I have no doubt that they will make a significant contribution to Big Yellow in the coming years.

Outlook

We, together with every other business, have experienced two seismic external shocks in twelve years. As was the case with the global financial crisis, the COVID-19 pandemic will most likely accelerate and accentuate pre-existing structural trends, challenges and opportunities and no doubt catalyse some that are currently unforeseen.

For this business there will be some negatives but a good deal of positives which we believe give us grounds for reasonable optimism. It will take time for those competing forces to play out and some clarity to emerge which will become evident in the performance of the business over the next few years.

Layered on to these powerful undercurrents will be cyclical challenges, the magnitude of which it is probably too early to judge. The events of the last few months have doubled down on our strongly held conviction that no management team in any business can confidently predict the timing of these momentous events, all we can assume and know with certainty is that they will happen again. It therefore leaves us in no doubt that this business should be financed conservatively with a modest amount of debt.

Although it has only been a couple of months, the business has so far proved to be relatively resilient through the initial lockdown phase, but as always, we caution that we have limited visibility as to future trading patterns.

In light of the above we will continue with our long-held strategy of building new stores in our core area of activity in London and its commuter towns, where we may see more opportunity in the next few years. We are actively continuing to pursue this external growth strategy, whilst maintaining a conservative capital structure.



Nicholas Vetch
Executive Chairman

8 June 2020