



22 November 2021

Big Yellow Group PLC
 (“Big Yellow”, “the Group” or “the Company”)
Results for the Six Months ended 30 September 2021

Strong first half results driven by a combination of occupancy and rate growth

Financial metrics	Six months ended 30 September 2021	Six months ended 30 September 2020	Change
Revenue	£81.8 million	£65.8 million	24%
Store revenue ⁽¹⁾	£80.8 million	£64.4 million	25%
Like-for-like store revenue ^(1,2)	£73.7 million	£64.3 million	15%
Store EBITDA ⁽¹⁾	£57.7 million	£44.5 million	30%
Adjusted profit before tax ⁽¹⁾	£46.9 million	£36.5 million	28%
EPRA earnings per share ⁽¹⁾	25.7 pence	20.9 pence	23%
Interim dividend per share	20.6 pence	17.0 pence	21%
Statutory metrics			
Profit before tax	£254.9 million	£59.9 million	326%
Cash flow from operating activities (after net finance costs)	£51.8 million	£42.3 million	22%
Basic earnings per share	142.0 pence	34.4 pence	313%
Store metrics – Big Yellow stores			
Store Maximum Lettable Area (“MLA”) ⁽¹⁾	4,984,000	4,822,000	3%
Closing occupancy (sq ft) ⁽¹⁾	4,472,000	4,106,000	9%
Occupancy growth in the period (sq ft) ⁽¹⁾	271,000	325,000	(54,000 sq ft)
Closing occupancy ⁽¹⁾	89.7%	85.2%	4.5 ppts
Occupancy – like-for-like stores ^(1,2)	91.3%	87.3%	4.0 ppts
Average achieved net rent per sq ft ⁽¹⁾	£29.52	£28.01	5.4%
Closing net rent per sq ft ⁽¹⁾	£30.43	£27.75	9.7%
Store metrics – Armadillo stores			
Store Maximum Lettable Area (“MLA”) ⁽¹⁾	1,078,000	1,081,000	-
Closing occupancy (sq ft) ⁽¹⁾	955,000	868,000	10%
Occupancy growth in the period (sq ft) ⁽¹⁾	47,000	69,000	(22,000 sq ft)
Closing occupancy ⁽¹⁾	88.6%	80.3%	8.3 ppts
Average achieved net rent per sq ft ⁽¹⁾	£19.14	£17.71	8.1%
Closing net rent per sq ft ⁽¹⁾	£19.85	£17.50	13.4%

¹ See note 19 for glossary of terms

² The like-for-like metrics exclude stores opened in the current and preceding financial years, and the Armadillo stores

First Half Highlights

- Like-for-like occupancy increase of 3.9 ppts from 1 April 2021 and up 4.0 ppts from same time last year to 91.3% (September 2020: 87.3%)
- Big Yellow stores average achieved net rent per sq ft increased by 5.4% period on period, closing net rent up by 9.7% from September 2020
- Revenue growth for the period was 24%, with like-for-like store revenue up by 15%, driven by gains in occupancy and the improvement in average rate
- Cash flow from operating activities (after net finance costs) increased by 22% to £51.8 million
- Adjusted profit before tax up 28% to £46.9 million, with EPRA earnings per share up 23%

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- 20.6 pence per share interim dividend declared, an increase of 21%
- Our 54,000 sq ft MLA Uxbridge store opened at the end of June 2021, and has had a strong start with current occupancy of 52%
- Acquisition of new development sites in Kentish Town and West Kensington taking pipeline to 14 development sites of approximately 1.12 million sq ft (18.5% of current MLA)
- Planning consent granted for new stores in Slough (90,000 sq ft MLA) and Newcastle (60,000 sq ft MLA). Nine of the 14 sites now have planning, representing approximately 60% of the storage capacity of the pipeline
- Placing of 7.8 million shares in June 2021 raising £97.6 million (net of expenses) to fund strategic acquisitions of remaining interest in Armadillo and development site in West Kensington. The combined transactions are earnings accretive
- Increase of £100 million in Aviva and M&G loans, increasing our total debt capacity to £576.1 million. Current net debt is £397.4 million, with available headroom of £178.7 million

Commenting, Nicholas Vetch, Executive Chairman, said:

“This first half performance has been very strong, which should flow through into the full year results, absent any material external factors. The self storage sector more generally, and Big Yellow specifically, has benefited from significant occupancy growth since the end of the first lockdown in late May 2020, with the sector now at historically high levels of occupancy. These levels of occupancy have been a key factor in driving earnings and increasing growth in net achieved rents. As we look towards our next financial year, we expect the market to return to a more normalised trading environment.

The increased capacity from the development programme is having a tangible positive impact on profitability, which we expect will continue as we grow our platform.”

- Ends -

ABOUT US

Big Yellow is the UK’s brand leader in self storage. Big Yellow now operates from a platform of 104 stores, including 25 stores branded as Armadillo Self Storage. We own a further 14 Big Yellow self storage development sites of which nine have planning consent. The current maximum lettable area of the existing platform (including Armadillo) is 6.1 million sq ft. When fully built out the portfolio will provide approximately 7.2 million sq ft of flexible storage space. 98% of our stores and sites by value are held freehold and long leasehold, with the remaining 2% short leasehold.

The Group has pioneered the development of the latest generation of self storage facilities, which utilise state of the art technology and are located in high profile, accessible, main road locations. Our focus on the location and visibility of our stores, with excellent customer service, a market-leading online platform, and significant and increasing investment in sustainability, has created in Big Yellow the most recognised brand name in the UK self storage industry.

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BIG YELLOW GROUP PLC

Big Yellow Group PLC ("Big Yellow", "the Group" or "the Company") Results for the Six Months ended 30 September 2021

Chairman's Statement

Big Yellow Group PLC, the UK's brand leader in self storage, is pleased to announce its results for the six months ended 30 September 2021.

This first half has seen strong revenue growth, driving earnings growth from a combination of occupancy and improvements in average net rent driven by our yield management systems.

In the quarter to June, we saw excellent occupancy increases, with a record performance in the month of June, attributable in part to the stamp duty holiday. The second quarter and in to October was mixed with short-term customers exiting the business. We expect to see the historical pattern of seasonal occupancy losses in the third quarter, driven by domestic and student short-term customers moving out, before we see a return to growth in the final quarter of the year.

We acquired the 80% of Armadillo that we did not previously own on 1 July 2021, and these results therefore benefit from consolidating the Armadillo business in the second quarter. The Armadillo portfolio has also had a strong performance over the six months in all key metrics. In these results we have separated out the Armadillo performance in the portfolio summary and in the highlights and will also do so at the year end to provide a transparent understanding of the underlying performance of the business.

Financial results

Like-for-like occupancy increased to 91.3% (up 4.0 percentage points from 87.3% at 30 September 2020, and up 3.9 ppts from 1 April 2021). We are pleased to have achieved our long-held target of 90% occupancy.

Revenue for the period was £81.8 million (2020: £65.8 million), an increase of 24%, with like-for-like store revenue up 15%, driven by a combination of increases in occupancy and average net rent. Like-for-like store revenue excludes new store openings, and the impact of the acquisition of the remaining interest in Armadillo. Armadillo was previously equity accounted as an associate, and from 1 July 2021 is consolidated, as we now own 100%.

We have seen growth in cash flow from operating activities (after net finance costs) of 22% to £51.8 million for the period (2020: £42.3 million).

The Group's central overhead and operating expense is largely embedded in the business, and therefore increases in revenue should deliver higher growth in earnings. The Group made an adjusted profit before tax in the period of £46.9 million, up 28% from £36.5 million for the same period last year (see note 6).

Adjusted diluted EPRA earnings per share were 25.7 pence (2020: 20.9 pence), an increase of 23%. The Group's statutory profit before tax for the period was £254.9 million, an increase of 326% from £59.9 million for the same period last year, due to a higher revaluation gain in the period, reflecting the strong operating performance of the stores.

Dividends

The Group's dividend policy is to distribute 80% of full year adjusted earnings per share. We have declared an interim dividend of 20.6 pence per share, which is an increase of 21% on last year. This has all been declared as Property Income Distribution ("PID").

Acquisition of Armadillo

On 1 July, the Group acquired the remaining 80% interest in Armadillo which it did not previously own from its JV partners. The total consideration was £119 million, including underlying debt of £50.9 million for a Year One net operating income ("NOI") yield of 7.7% (based on a projected NOI of £10.9 million).

The Armadillo portfolio is more regional and as a result the proportion of our revenue derived from London and the South East reduced from 82% to 74%, albeit we expect this weighting to revert over the medium term to over 80%, given our development pipeline is focused largely on London and the South East.

The Armadillo Self Storage brand has been part of the Big Yellow family since 2009 and has 25 stores and 1.1 million sq ft of maximum lettable area. The portfolio is 93% freehold by valuation with an average capacity of 43,000 sq ft (lower than the 63,000 sq ft average for Big Yellow stores). We invested significantly with our joint venture partners in upgrading these stores and improving their day-to-day operations.

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We intend to continue to acquire existing freehold regional stores which are of the appropriate quality and size to add to this brand alongside our development of new build Big Yellow stores.

Investment in new capacity

In April, the Group acquired a prime Zone 2 0.9 acre site on Regis Road in Kentish Town, North London for £16.5 million. We will be seeking planning permission for a 68,000 sq ft self storage centre on the site.

In June the Group acquired 66 Hammersmith Road, West Kensington, in London for £26 million. This is a strategic acquisition adjacent to the Olympia conference centre, a short distance from one of the wealthiest and densest enclaves in London. Subject to planning, the store is currently estimated to open in early 2025, and will provide approximately 175,000 sq ft of space, including 7,000 sq ft of SME space. The total development cost, including land acquisition, is estimated to be £73 million, with an expected NOI at stabilisation of £5.8 million or 7.9% on cost. West Kensington, when fully constructed and opened, will represent our largest capital investment in an individual store to date.

We opened our 54,000 sq ft store in Uxbridge at the end of June, and initial trading has been strong, with the store's occupancy 52% at the date of these results.

The Group is currently on site at Hayes (anticipated opening January 2022), Hove (Spring 2022), North Kingston (Summer 2022), Harrow (Summer 2022) and Kings Cross (Summer 2023). At Harrow, in addition to the Big Yellow store, we are constructing 115,000 sq ft across 11 industrial units.

Big Yellow now has a pipeline of 14 development sites, nine of which have planning consent. These store openings are expected to add approximately 1.1 million sq ft of storage space to the portfolio, an increased capacity of 18.5%.

The total development cost of these new stores is £354 million, including cost incurred to date of £182 million, and cost to complete of approximately £172 million, with an expected net operating income of £31 million, or 8.8% on cost.

Capital structure

The Group's interest cover for the period (expressed as the ratio of cash generated from operations pre working capital movements against interest paid) was 10.6 times (2020: 9.7 times). This is comfortably ahead of our internal minimum interest cover requirement of five times.

Net debt is £397.4 million at 30 September 2021, and we have available liquidity of £178.7 million and the business continues to generate positive post-dividend cash flow both of which we will use to fund future growth. In addition, the Group has land surplus to its needs which will be realised over the medium term, generating net cash proceeds estimated currently at over £100 million. The average cost of debt on drawn facilities is now 2.8% and the marginal cost of RCF bank debt is currently 1.35%.

Outlook

This first half performance has been very strong, which should flow through into the full year results, absent any material external factors. The self storage sector more generally, and Big Yellow specifically, has benefited from significant occupancy growth since the end of the first lockdown in late May 2020, with the sector now at historically high levels of occupancy. These levels of occupancy have been a key factor in driving earnings and increasing growth in net achieved rents. As we look towards our next financial year, we expect the market to return to a more normalised trading environment.

The increased capacity from the development programme is having a tangible positive impact on profitability, which we expect will continue as we grow our platform.

Nicholas Vetch

Executive Chairman
22 November 2021

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Business and Financial Review

Operations under Covid-19

At Big Yellow, the health and safety of our team members and customers is our principal priority. Our stores have continued to trade during the pandemic and following the full re-opening in July, we made the decision to retain our protocols around physical barriers, sanitiser use and cleaning in our stores and at head office. Our approach to vaccination has been one of encouragement, particularly given the relatively small teams that we have in our stores, and we believe that a significant proportion of our people are double vaccinated. We are not currently seeing a significant incidence of positive tests within the business, although we were impacted for a short period during the first quarter by the so-called “Pingdemic”. We will continue to remain vigilant over the winter months.

Armadillo

As explained above, the Group acquired the remaining interest in Armadillo which it did not previously own on 1 July 2021. Armadillo consists of 25 stores with a maximum lettable area of 1.08 million sq ft. The occupancy of the Armadillo stores on acquisition was 974,000 sq ft (90.2% of MLA).

Store occupancy

Like-for-like occupancy increased by 3.9 ppts from 1 April 2021, and like-for-like store revenue growth for the half year was 15%.

The tables below show the monthly move-in and move-out activity over the half year for the 79 Big Yellow stores:

	Move-ins period ended 30 September 2021	Move-ins period ended 30 September 2020	%	Move-ins period ended 30 September 2019	%
April	4,821	2,578	87	5,016	(4)
May	5,698	4,121	38	5,798	(2)
June	9,900	6,861	44	8,136	22
July	6,897	6,689	3	6,883	0
August	7,212	7,213	-	7,143	1
September	7,416	6,965	6	6,544	13
Total	41,944	34,427	22	39,520	6
October	6,153	6,339	(3)	5,356	15
	Move-outs period ended 30 September 2021	Move-outs period ended 30 September 2020	%	Move-outs period ended 30 September 2019	%
April	5,082	2,693	89	4,982	2
May	4,901	3,194	53	4,870	1
June	5,243	4,160	26	4,890	7
July	7,118	5,363	33	6,366	12
August	6,684	5,815	15	6,579	2
September	9,112	7,950	15	9,575	(5)
Total	38,140	29,175	31	37,262	2
October	7,830	6,789	15	6,714	17

The first quarter last year saw a significant decrease in the usual level of activity caused by the Spring 2020 lockdown. Move-ins and move-outs are therefore showing a significant increase on last year, with a more normalised move-in picture in the second quarter. In 2020, move-outs took longer to normalise, hence we are showing an increase in move-outs in the second quarter compared to the prior year. We have included the data for 2019 as well, which shows more normalised levels of move-in and move-out growth this year compared to that year.

We saw strong demand from domestic customers in the first quarter in part due to the stamp duty holiday tapering off from 1 July. This resulted in an acceleration of housing-related demand in June. We also saw the return of student demand in June as universities looked to re-open their campuses for conferences. Some of this occupancy growth from both the housing and student sectors was relatively short-term, impacting occupancy performance in the second quarter.

The above table shows an increase in move-outs in July and October, some of which must be related to the gradual tapering off of the stamp duty holiday with key dates being 30 June and 30 September when it ended.

Move-ins for the 25 Armadillo stores for the six months were up 31% on the same period last year, and up 4% on 2019, with move-outs up 40% on 2020, and up 11% on 2019.

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The Big Yellow stores grew in occupancy over the six months by 271,000 sq ft. The table below shows the change in occupancy by customer type over the six-month period for the Big Yellow stores:

Customer type	Net sq ft change in period ended 30 September 2021	Net sq ft change in period ended 30 September 2020	Net sq ft change in period ended 30 September 2019
Domestic	158,000 sq ft	193,000 sq ft	94,000 sq ft
Business	99,000 sq ft	108,000 sq ft	(14,000 sq ft)
Student	14,000 sq ft	24,000 sq ft	20,000 sq ft
Total	271,000 sq ft	325,000 sq ft	100,000 sq ft

We started the period from a higher occupancy level, and whilst the growth in occupancy for the six months is lower than last year, which was a record six months, it is significantly ahead of 2019, a period affected by political uncertainty around Brexit.

Our business demand has remained robust, driven by online retailers, B2B traders looking for flexible mini-warehousing for e-fulfilment, the shortening of supply chains, and businesses looking to rationalise their other fixed costs of accommodation. Domestic demand has been more volatile, impacted by the stamp duty holiday as already discussed.

Over the six months to 30 September 2021, the Armadillo stores grew in occupancy by 47,000 sq ft, of which 44,000 sq ft of growth was from domestic customers, with small increases in both business and student occupancy.

The average space occupied by business customers at the period end has increased to 185 sq ft (2020: 180 sq ft). Domestic customers occupy on average 60 sq ft (2020: 57 sq ft) and pay on average 22% more in rent per sq ft, however business customers do stay longer and take more space, so represent around 32% of revenue.

The Group's like-for-like store revenue increased by 15% compared to the same period last year, driven by a combination of gains in occupancy and average net rent growth.

Our third quarter is historically the weakest trading quarter where we see a loss in occupancy with a return to growth in the fourth quarter. In the current year, we have lost 149,000 sq ft (2.5% of maximum lettable area "MLA", including Armadillo) since the end of September, compared to a loss of 16,000 sq ft (0.3% of MLA) at the same stage last year, which was unusual and impacted by the timing of Covid lockdowns, and we are now returning to more normal seasonal trading activity.

The 73 established Big Yellow stores are 91.5% occupied compared to 87.7% at the same time last year. The 6 developing Big Yellow stores added 94,000 sq ft of occupancy in the past six months to reach closing occupancy of 66.1%. The 25 Armadillo stores are 88.6% occupied, compared to 80.3% at this time last year. Overall store occupancy was 89.5%.

	Occupancy 30 September 2021 %	Occupancy growth from 31 March 2021 000 sq ft	Occupancy growth from 30 September 2020 000 sq ft	Occupancy 30 September 2021 000 sq ft	Occupancy 31 March 2021 000 sq ft	Occupancy 30 September 2020 000 sq ft
73 established Big Yellow stores	91.5%	177	207	4,242	4,065	4,035
6 developing Big Yellow stores	66.1%	94	159	230	136	71
All 79 Big Yellow stores	89.7%	271	366	4,472	4,201	4,106
25 Armadillo stores	88.6%	47	87	955	908	868
All 104 stores	89.5%	318	453	5,427	5,109	4,974

Cash collection

Over 80% of our customers pay by direct debit, and as of the date of these results, the Group has collected 99.8% of its revenue for the first half of the financial year, which compares to 99.6% at this time last year. The bad debt write-off (including costs of disposal) in the period was 0.2% of revenue (2020: 0.2%).

Pricing and rental yield

We offer a headline opening promotion of 50% off for up to the first 8 weeks, and we continue to manage pricing dynamically, taking account of room availability, customer demand and local competition. Our pricing model reduces promotions and increases asking prices where individual units are in scarce supply. This lowering of promotions, coupled with price increases to existing and new customers, leads to an increase in net achieved rents.

As the stores are now at higher levels of occupancy, we are seeing improving growth in net rent per sq ft. The average achieved net rent per sq ft increased for Big Yellow stores by 5.4% compared to the same period last year, with closing net rent up 9.7% compared to 30 September 2020, and up 6.0% from 31 March 2021. The achieved

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net rent per sq ft grew by 8.1% from last year in the Armadillo stores and closing net rent per sq ft increased by 13.4% from 30 September 2020 and by 8.0% from 31 March 2021.

The table below shows the change in net rent per sq ft for the combined Big Yellow and Armadillo portfolio by average occupancy over the six months (on a non-weighted basis). The analysis excludes our most recent store openings in Camberwell, Bracknell, Battersea, and Uxbridge.

Average occupancy in the six months	Number of stores	Net rent per sq ft change from 1 April to 30 September 2021	Net rent per sq ft change from 1 April to 30 September 2020
75% to 85%	19	6.3%	(3.3%)
85 to 90%	37	6.9%	(1.1%)
Above 90%	44	8.4%	0.2%

Security of income

We believe that self storage income is essentially evergreen income with highly defensive characteristics driven from buildings with very low obsolescence risk. Although our contract with our customers is in theory as short as a week, we do not need to rely on contracts for our income security. At 30 September 2021 the average length of stay for existing customers was 27 months (2020: 27 months). For all customers, including those who have moved out of the business throughout the life of the portfolio, the average length of stay increased to 8.9 months (2020: 8.8 months). Most notably, we have seen a significant decrease in the length of stay of customers who moved out over the six months, which decreased to 7.6 months from 9.6 months for the same period last year. This is likely to have been the result of customers delaying move-outs during the prior year Spring full lockdown, amplified by short-term users in the current period as a result of the stamp duty changes. This clearly illustrates some normalisation of our activity which has started to occur in this six month period, and the 7.6 months is more in line with pre-pandemic levels.

35% of our customers by occupied space have been storing with us for over two years (2020: 34%), and a further 18% of customers have been in the business for between one and two years (2020: 17%).

We have a diverse base of domestic and business customers currently occupying 77,000 rooms. This, together with the location and quality of our stores, limited growth in new supply, digital operating systems, customer service, and brand recognition, all contribute to the resilience and security of our income.

Supply

New supply and competition is a key risk to our business model, hence our weighting to London and its commuter towns, where barriers to entry in terms of competition for land and difficulty around obtaining planning are highest. Growth in new self storage centre openings, excluding container operators, over the last five years has averaged 2% to 3% of total capacity per annum, down significantly from the previous decade. We continue to see limited new supply growth in our key areas of operation, with only six store openings in London in 2021 (including our Uxbridge store), and we anticipate seven new facilities in London in 2022 (including our planned stores at Hayes, Harrow, and North Kingston).

Revenue

Total revenue for the six-month period was £81.8 million, an increase of £16.0 million (24%) from £65.8 million in the same period last year. Of the total store revenue of £80.8 million in the period, like-for-like store revenue (see glossary in note 19) was £73.7 million, an increase of 15% from the 2020 figure of £64.3 million. The revenue from the Armadillo stores for the three months from acquisition of the remaining interest on 1 July 2021 to 30 September 2021 was £5.6 million.

Other sales comprise the selling of packing materials, insurance, and storage related charges. We saw strong growth in packing material sales during the period, with 2020's sales impacted by the Spring lockdown. Insurance sales have also seen strong year-on-year growth, with improvements made to the average value insured and higher customer numbers.

The other revenue earned is management fee income from the Armadillo Partnerships and tenant income on sites where we have not started development. Following the acquisition of the remaining interest in the Armadillo Partnerships in July, the Group is not entitled to any further management fee income from Armadillo.

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Operating costs

Cost of sales comprises principally direct store operating costs, including store staff salaries, utilities, business rates, insurance, a full allocation of the central marketing budget, and repairs and maintenance.

The table below shows the breakdown of both Big Yellow's and Armadillo's store operating costs compared to the same period last year, with Armadillo's costs included in full in both periods:

Category	Period ended 30 September	Period ended 30 September	%	% of store operating costs in period
	2021 £000	2020 £000		
Cost of sales (insurance and packing materials)	2,034	1,692	20%	8%
Staff costs	7,283	6,591	10%	30%
General & Admin	921	762	21%	4%
Utilities	1,044	985	6%	4%
Property Rates	6,642	6,574	1%	27%
Marketing	3,393	3,170	7%	14%
Repairs and maintenance	2,200	1,763	25%	9%
Insurance	480	454	6%	2%
Computer Costs	324	287	13%	2%
Total before one-off items	24,321	22,278	9%	
One-off items	(423)	-		
Total per portfolio summary	23,898	22,278	7%	

Store operating costs have increased by £1.6 million (7%). The one-off items in the current year relate to rates rebate on three stores, totalling £0.4 million, following appeals of the 2017 rating list assessment. Store operating costs pre these one-off items have increased by £2.0 million (9%) compared to the same period last year, of which £0.9 million is in relation to recently opened stores. The remaining increase of £1.1 million (5%) can be explained as follows:

- Cost of sales have increased in line with the proportionate increase in ancillary sales in the period.
- Staff costs have increased partly due to the increase in store numbers, but also due to higher store bonuses being paid over the six months compared to the same period last year due to the strong operating performance of the business.
- The repairs and maintenance expenditure has increased by £0.4 million, partly due to the increase in store numbers, increased investment in CCTV monitoring security overnight, and we carried out less maintenance work during the 2020 Spring lockdown.
- Marketing has increased by £0.2 million, returning to 2019's level, with the 2020 cost reflecting lower search costs and traffic levels during the Spring lockdown.
- General and admin expenses have increased as 2020 had significantly less travel expense during the lockdown period.

The table below reconciles store operating costs per the portfolio summary to cost of sales in the income statement:

	Period ended 30 September 2021 £000	Period ended 30 September 2020 £000
Direct store operating costs per portfolio summary (excluding rent)	23,898	22,278
Rent included in cost of sales (total rent payable is included in portfolio summary)	1,047	636
Depreciation charged to cost of sales	188	195
Head office operational management costs charged to cost of sales	543	357
Armadillo cost of sales pre acquisition of remaining interest	(1,908)	(3,407)
Cost of sales per income statement	23,768	20,059

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Store EBITDA

Store EBITDA for the Big Yellow stores for the period was £54.0 million, an increase of £9.5 million (21%) from £44.5 million for the period ended 30 September 2020 (see Portfolio Summary). The overall EBITDA margin for all Big Yellow stores during the period was 71.8%, up from 69.2% in 2020.

The EBITDA for the Armadillo stores for the period was £6.7 million, an increase of £1.7 million (34%) from £5.0 million in 2020, with the margin increasing to 62.8% from 57.4%.

The store EBITDA in the six months for Big Yellow stores and for the Armadillo stores from 1 July 2021 to 30 September was £57.7 million.

All stores are currently trading profitably at the Store EBITDA level, with our new store at Uxbridge breaking even in September 2021, three months after opening.

Administrative expenses

Administrative expenses in the income statement have increased by £1.7 million. £0.4 million of this increase is due to the write-off of acquisition costs in relation to the purchase of the remaining interest in Armadillo in accordance with IFRS 3. This is an adjusting item in the calculation of the Group's adjusted profit before tax.

The remaining increase of £1.3 million is due to a £0.5 million increase in the IFRS 2 share based payments charge, national insurance charges on the exercise of share options (both up due to the increase in the Company's share price), with the balance inflationary. The non-cash share-based payments charge represents £1.7 million of the overall £7.3 million expense.

Interest

Interest on bank borrowings during the period was £5.2 million, £0.5 million higher than the same period last year, due to higher average debt levels in the period.

Interest capitalised in the period amounted to £1.0 million (2020: £1.0 million), arising on the Group's construction programme.

Results

The Group's statutory profit before tax for the period was £254.9 million, an increase of 326% from £59.9 million for the same period last year. The increase is principally due to a higher revaluation surplus in the period, which is discussed further below.

After adjusting for the gain on the revaluation of investment properties and other matters shown in the table below, the Group made an adjusted profit before tax in the period of £46.9 million, up 28% from £36.5 million in 2020.

	Six months ended 30 September 2021	Six months ended 30 September 2020
	£m	£m
Profit before tax analysis		
Profit before tax	254.9	59.9
Gain on revaluation of investment properties	(204.6)	(23.5)
Change in fair value of interest rate derivatives	(0.5)	0.5
Acquisition costs written off	0.4	-
Share of non-recurring gains in associates	(3.3)	(0.4)
Adjusted profit before tax	46.9	36.5
Tax	(0.8)	(0.2)
Adjusted profit after tax	46.1	36.3

The movement in the adjusted profit before tax from the prior year is shown in the table below:

Movement in adjusted profit before tax	£m
Adjusted profit before tax for the six months to 30 September 2020	36.5
Increase in gross profit	12.3
Increase in administrative expenses	(1.3)
Increase in net interest payable	(0.5)
Reduction in share of associates' recurring profit	(0.1)
Adjusted profit before tax for the six months to 30 September 2021	46.9

Diluted EPRA earnings per share was 25.7 pence (2020: 20.9 pence), an increase of 23% from the same period last year.

BIG YELLOW GROUP PLC

Cash flow

Cash flows from operating activities (after net finance costs) have increased by 22% to £51.8 million for the period (2020: £42.3 million).

These operating cash flows are after the ongoing maintenance costs of the stores, which for this first half were on average approximately £20,000 per store. The Group's net debt has increased over the period to £397.4 million (March 2021: £325.0 million), with the majority of the increase due to the debt within Armadillo now being consolidated.

	Six months ended 30 September 2021	Six months ended 30 September 2020
	£m	£m
Cash generated from operations	57.9	47.6
Net finance costs	(5.0)	(4.4)
Interest on obligations under lease liabilities	(0.4)	(0.4)
Tax	(0.7)	(0.5)
Cash flow from operating activities	51.8	42.3
Acquisition of Armadillo	(66.7)	-
Capital expenditure	(74.3)	(34.0)
Receipt from Capital Goods Scheme	0.4	0.7
Dividend received from associates	0.4	0.3
Cash flow after investing activities	(88.4)	9.3
Dividends	(31.0)	(29.1)
Payment of finance lease liabilities	(0.6)	(0.5)
Issue of share capital	98.5	80.6
Debt acquired with Armadillo	(50.9)	-
Increase/(decrease) in borrowings	70.0	(105.3)
Net cash outflow	(2.4)	(45.0)

The Group's interest cover for the period (expressed as the ratio of cash generated from operations pre-working capital movements against interest paid) was 10.6 times (2020: 9.7 times).

Of the capital expenditure in the period £51 million related to site acquisitions of Epsom, Kentish Town and West Kensington, with the balance of £23.3 million principally construction capital expenditure.

Taxation

The Group is a Real Estate Investment Trust ("REIT"). We benefit from a zero tax rate on our qualifying self storage earnings. We only pay corporation tax on the profits attributable to our residual business, comprising primarily of the sale of packing materials and insurance, and management fees earned by the Group. The Armadillo stores joined the Big Yellow REIT group on acquisition in July 2021.

There is a £0.8 million tax charge in the residual business for the period ended 30 September 2021 (six months to 30 September 2020: £0.2 million). The increase in the tax charge in the period is due to the increase in taxable profits in the period following our recent strong trading, coupled with an increase in the period in disallowable expenses.

Dividends

REIT regulatory requirements determine the level of Property Income Distribution ("PID") payable by the Group. A PID of 20.6 pence per share is proposed as the total interim dividend, an increase of 21% from 17.0 pence per share for the same period last year.

The interim dividend will be paid on 7 January 2022. The ex-div date is 2 December 2021 and the record date is 3 December 2021.

Financing and treasury

Our financing policy is to fund our current needs through a mix of debt, equity and cash flow to allow us to build out, and add to, our development pipeline and achieve our strategic growth objectives, which we believe improve returns for shareholders. We aim to ensure that there are sufficient medium-term facilities in place to finance our committed development programme, secured against the freehold portfolio, with debt serviced by our strong operational cash flows. We maintain a keen watch on medium and long-term rates and the Group's policy in respect of interest rates is to maintain a balance between flexibility and hedging of interest rate risk.

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During the period, the Group signed an additional £50 million seven year debt facility with Aviva. As part of this refinancing the expiry of the existing loan has been extended from April 2027 to September 2028. This has reduced the fixed cost of the total Aviva loan facility from 4.0% to 3.5%.

Sustainability KPIs have been incorporated into this additional borrowing. These include the continued installation of solar panels across the security stores which will reduce emissions and running costs, and the business being on-track to achieve 'Net Renewable Energy Positive' status by 2030. The Group will benefit from a margin reduction on the new £50 million loan, conditional on achieving these targets.

The total debt facilities from Aviva are now £163.4 million of which £18.4 million amortises to nil by April 2027.

The Group has also increased the facilities of its M&G loan by £50 million to a total facility of £120 million. £35 million of the total M&G loan is fixed by a way of swap, with the balance floating. The average cost of the M&G loan is now 2.4%, with the loan expiring in June 2023. The Group intends to commence discussions on refinancing this loan next year.

These two new loans were funded in October 2021 and used to repay revolving bank debt. The table below shows the Group's proforma debt position at 30 September 2021 with these new loans in place:

Debt	Expiry	Facility	Drawn	Cost
Aviva Loan	September 2028	£163.4m	£163.4m	3.5%
M&G loan	June 2023	£120m	£120m	2.4%
Revolving bank facility (Lloyds, HSBC and Bank of Ireland)	October 2024	£240m	£76.0m	1.4%
Armadillo bank loans (Lloyds)	April 2023	£52.7m	£47.9m	2.9%
Total	Average term 3.9 years	£576.1m	£407.3m	2.8%

The Group has undrawn committed bank facilities of £168.8 million, which if drawn would carry a current marginal cost of debt of approximately 1.35%.

The Group was comfortably in compliance with its banking covenants at 30 September 2021.

The net debt to gross property assets ratio is 18% (2020: 18%) and the net debt to adjusted net assets ratio (see net asset value section below) is 21% (2020: 21%). Our net debt to the Group's market capitalisation at 30 September 2021 was 15% (2020: 16%). Our balance sheet capital gearing ratios post the acquisition of Armadillo remain broadly in line with the prior year, albeit with higher absolute levels of debt.

Property

Investment property

The Group's investment properties are carried at the half year at Directors' valuation. They are valued externally by CBRE LLP ("CBRE") and Jones Lang Lasalle ("JLL") at the year end. The Directors' valuations reflect the latest cash flows derived from each of the stores at the end of September.

In performing the valuations, the Directors consulted with CBRE and JLL on the capitalisation rates used in the valuations. The Directors, as advised by the valuers, consider that the prime capitalisation rates have reduced by 12.5 bps since the start of the financial year.

The Directors have also made some minor amendments to a couple of the valuation assumptions, namely the adjustment of stable occupancy levels on certain stores that are consistently trading ahead of the previously used assumptions and to certain assumptions on net achieved rents within the valuations. Other than the above, the Directors believe the core assumptions used by CBRE and JLL in the March 2021 valuations are still appropriate at the September valuation date. See the Group's annual report for the year ended 31 March 2021 for the full detail of the valuation methodology.

At 30 September 2021 the total value of the Group's properties is shown in the table below:

Analysis of property portfolio	Value at 30 September 2021 £m	Revaluation movement in the period £m
Investment property – Big Yellow stores	1,827.6	192.3
Investment property – Armadillo stores	142.1	3.4
Investment property – Big Yellow and Armadillo stores	1,969.7	195.7
Investment property under construction	234.5	8.9
Investment property total	2,204.2	204.6

The revaluation surplus for the open stores in the period was £195.7 million, reflecting significant operating cash flow growth, and a reduction of 12.5bps in prime cap rates. There is a revaluation surplus of £8.9 million on the

BIG YELLOW GROUP PLC

investment property under construction, due to an increase in the projected net rents on the stores, partly offset by increased development costs on a couple of schemes.

The revaluation gain for the Armadillo stores shown above is only from 1 July – the date the Group acquired the remaining interest it did not previously own. The revaluation gain in the three months to 30 June 2021 for Armadillo was £7.7 million, giving a total gain of £11.1 million for the six months.

The initial yield on the Big Yellow stores before administration expenses and assuming no rental growth, is 5.9% rising to a stabilised yield of 6.1% (31 March 2021: 5.9% rising to 6.2%). For the Armadillo stores, the initial yield on this basis is 9.5%, rising to a stabilised yield of 10.3%.

Development pipeline

The Group has opened Uxbridge during the financial year to date, adding 54,000 sq ft of capacity. The Group acquired development sites in Kentish Town and West Kensington during the period. These acquisitions take the total pipeline to approximately 1.12 million sq ft, representing 18.5% of current MLA, with an estimated future cost to complete of approximately £172 million.

The status of the Group's development pipeline is summarised in the table below:

Site	Location	Status	Anticipated capacity
Hayes, London	Prominent location on Hayes Road	Planning consent granted in July 2020. Construction commenced in January 2021 with a view to opening in January 2022.	73,000 sq ft
Hove	Prominent location on Old Shoreham Road	Planning consent granted in October 2019. Construction commenced in Autumn 2020 with a view to opening in Spring 2022.	58,000 sq ft
Harrow, London	Prominent location on Harrow View	Planning consent granted in November 2020. Construction commenced in May 2021 with a view to opening in Summer 2022.	82,000 sq ft
North Kingston, London	Prominent location on Richmond Road, Ham	Planning consent granted in September 2020. Construction commenced in June 2021 with a view to opening in Summer 2022.	56,000 sq ft
Kings Cross, London	Prominent location on York Way	Planning consent granted in October 2020. Demolition commenced in January 2021 with a view to opening in Summer 2023.	106,000 sq ft
Wembley, London	Prominent location on Towers Business Park	Planning consent granted in August 2020. Discussions ongoing to secure vacant possession.	70,000 sq ft
Queensbury, London	Prominent location off Honeypot Lane	Site acquired in November 2018. Planning consent granted in November 2019 for 58,000 sq ft store. Planning application submitted in 2021 to increase floor area by 12,000 sq ft. Decision anticipated Q1 2022.	70,000 sq ft
Slough	Prominent location on Bath Road	Site acquired in April 2019. Planning consent granted in October 2021. Construction to commence in Summer 2022 with a view to the store opening in Winter 2023.	90,000 sq ft
Wapping, London	Prominent location on the Highway, adjacent to existing Big Yellow	Site acquired in July 2020. Planning application submitted in November 2021.	Additional 95,000 sq ft
Staines, London	Prominent location on the Causeway	Site acquired in December 2020. Planning application to be submitted in December 2021.	65,000 sq ft
Epsom, London	Prominent location on East Street	Site acquired in March 2021. Planning application to be submitted in Q1 2022.	56,000 sq ft
Kentish Town, London	Prominent location on Regis Road	Site acquired in April 2021. Planning application to be submitted in Spring 2022.	68,000 sq ft

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West Kensington, London	Prominent location on Hammersmith Road	Site acquired in June 2021. Planning application to be submitted in Summer 2022.	175,000 sq ft
Newcastle	Prominent location on Scotswood Road	Planning consent granted in October 2021.	60,000 sq ft
Total			1,124,000 sq ft

The capital expenditure forecast for the remainder of the financial year (excluding any new site acquisitions) is approximately £29 million, which principally relates to construction costs on our development sites at Hayes, North Kingston, Hove, Harrow and Kings Cross.

The Group manages the construction and fit-out of its stores in-house, as we believe it provides both better control and quality, and we have an excellent record of building stores on time and within budget. As a result of the well-documented supply chain and Covid-related issues, we are experiencing higher than normal inflation in construction costs, notably in the availability of labour and certain materials. We have reflected this in the projected costing of our pipeline and would anticipate seeing some moderation over the next 12 to 18 months.

Net asset value

The adjusted net asset value per share is 1,034.6 pence (see note 13), up 14% from 904.7 pence per share at 31 March 2021 (after adjusting the opening NAV for the June 2021 placing). The table below reconciles the movement from 31 March 2021:

	Equity shareholders' funds £m	EPRA adjusted NAV pence per share
Movement in adjusted net asset value		
31 March 2021	1,566.6	889.2
Share placing	97.6	15.5
31 March 2021 (rebased)	1,664.2	904.7
Adjusted profit after tax	46.1	25.0
Equity dividends paid	(31.0)	(16.9)
Revaluation movements (including share of associates to 30 June 2021)	206.2	112.1
Movement in purchaser's cost adjustment	19.1	10.4
Other movements (e.g. share schemes)	2.2	(0.7)
30 September 2021	1,906.8	1,034.6

Jim Gibson
Chief Executive Officer

John Trotman
Chief Financial Officer

22 November 2021

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PORTFOLIO SUMMARY

	September 2021					September 2020				
	Big Yellow Established ⁽¹⁾	Big Yellow Developing	Total Big Yellow	Armadillo	Total	Big Yellow Established	Big Yellow Developing	Total Big Yellow	Armadillo	Total
Number of stores	73	6	79	25	104	73	4	77	25	102
At 30 September:										
Total capacity (sq ft)	4,636,000	348,000	4,984,000	1,078,000	6,062,000	4,599,000	223,000	4,822,000	1,081,000	5,903,000
Occupied space (sq ft)	4,242,000	230,000	4,472,000	955,000	5,427,000	4,035,000	71,000	4,106,000	868,000	4,974,000
Percentage occupied	91.5%	66.1%	89.7%	88.6%	89.5%	87.7%	31.8%	85.2%	80.3%	84.3%
Net rent per sq ft	£30.63	£26.62	£30.43	£19.85	£28.46	£27.77	£24.69	£27.75	£17.50	£25.97
For the period:										
REVPAF ⁽²⁾	£31.10	£18.17	£30.27	£19.61	£28.36	£27.54	£12.93	£27.11	£16.20	£25.10
Average occupancy	90.0%	52.9%	87.6%	87.0%	87.5%	84.1%	36.0%	82.7%	77.6%	81.7%
Average annual net rent psf	£29.67	£26.02	£29.52	£19.14	£27.73	£28.10	£27.35	£28.01	£17.71	£26.07
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Self storage income	62,055	2,317	64,372	9,003	73,375	54,305	685	54,990	7,335	62,325
Other storage related income ⁽²⁾	9,893	530	10,423	1,585	12,008	8,851	180	9,031	1,288	10,319
Ancillary store rental Income	348	81	429	10	439	317	36	353	21	374
Total store revenue	72,296	2,928	75,224	10,598	85,822	63,473	901	64,374	8,644	73,018
Direct store operating costs (excluding depreciation)	(18,607)	(1,648)	(20,255)	(3,643)	(23,898)	(18,283)	(588)	(18,871)	(3,407)	(22,278)
Short and long leasehold rent ⁽³⁾	(955)	-	(955)	(301)	(1,256)	(978)	-	(978)	(279)	(1,257)
Store EBITDA ^(2,4)	52,734	1,280	54,014	6,654	60,668	44,212	313	44,525	4,958	49,483
Store EBITDA margin	72.9%	43.7%	71.8%	62.8%	70.7%	69.7%	34.7%	69.2%	57.4%	67.8%
Deemed cost	£m	£m	£m	£m	£m					
To 30 September 2021	616.5	82.9	699.4	138.4	837.8					
Capex to complete	0.6	0.6	0.6	3.8	4.4					
Total	616.5	83.5	700.0	142.2	842.2					

- (1) The Big Yellow established stores have been open for more than three years at 1 April 2021, and the developing stores have been open for fewer than three years at 1 April 2021.
- (2) See glossary in note 19.
- (3) The Group acquired the 80% of the Armadillo Partnerships that it did not previously own on 1 July 2021. The results of the stores in the Partnerships have been included in the results above for both years to give a clearer understanding of the underlying performance of all stores. The table below shows the results excluding the period when the stores were not wholly owned:

	2021 Armadillo results as an associate			2020 Armadillo results as an associate		
	Per above £000	Statutory £000	Statutory £000	Per above £000	Statutory £000	Statutory £000
Store revenue	85,822	(5,046)	80,776	73,018	(8,644)	64,374
Direct store operating costs	(23,898)	1,908	(21,990)	(22,278)	3,407	(18,871)
Rent	(1,256)	150	(1,106)	(1,257)	279	(978)
Store EBITDA	60,668	(2,988)	57,680	49,483	(4,958)	44,525

- (4) Rent under IFRS 16 for eight short leasehold properties accounted for as investment properties and finance leases under IFRS. The EBITDA margin for the 96 freehold stores is 72.3%, and 51.4% for the eight short leasehold stores.

BIG YELLOW GROUP PLC
PORTFOLIO SUMMARY (continued)

(5) The table below reconciles Store EBITDA to gross profit in the income statement:

	Period ended 30 September 2021			Period ended 30 September 2020		
	£000			£000		
	Store EBITDA (per note (3))	Reconciling items	Gross profit per income statement	Store EBITDA (per note (3))	Reconciling items	Gross profit per income statement
Store revenue/Revenue ⁽¹⁾	80,776	1,025	81,801	64,374	1,439	65,813
Cost of sales ⁽²⁾	(21,990)	(1,778)	(23,768)	(18,871)	(1,188)	(20,059)
Rent ⁽³⁾	(1,106)	1,106	-	(978)	978	-
	<u>57,680</u>	<u>353</u>	<u>58,033</u>	<u>44,525</u>	<u>1,229</u>	<u>45,754</u>

(1) See note 2 of the interim statement, reconciling items are management fees and non-storage income.

(2) See reconciliation in cost of sales section in Business and Financial Review.

(3) The rent shown above is the cost associated with leasehold stores, only part of which is recognised within gross profit in line with finance lease accounting principles. The amount included in gross profit is shown in the reconciling items in cost of sales.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Jim Gibson
 Chief Executive Officer

John Trotman
 Chief Financial Officer

22 November 2021

BIG YELLOW GROUP PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Six months ended 30 September 2021

	Note	Six months ended 30 September 2021 (unaudited) £000	Six months ended 30 September 2020 (unaudited) £000	Year ended 31 March 2021 (audited) £000
Revenue	2	81,801	65,813	135,241
Cost of sales		(23,768)	(20,059)	(41,589)
Gross profit		58,033	45,754	93,652
Administrative expenses		(7,341)	(5,683)	(12,159)
Operating profit before gains and losses on property assets		50,692	40,071	81,493
Gain on the revaluation of investment properties	9a	204,662	23,554	189,277
Operating profit		255,354	63,625	270,770
Share of profit of associates	9e	3,677	888	3,148
Investment income – interest receivable	3	15	54	69
– fair value movement of derivatives	3	477	-	-
Finance costs – interest payable	4	(4,655)	(4,149)	(8,017)
– fair value movement of derivatives	4	-	(502)	(148)
Profit before taxation		254,868	59,916	265,822
Taxation	5	(794)	(180)	(636)
Profit for the period (attributable to equity shareholders)		254,074	59,736	265,186
Total comprehensive income for the period attributable to equity shareholders		254,074	59,736	265,186
Basic earnings per share	8	142.0p	34.4p	152.3p
Diluted earnings per share	8	141.6p	34.3p	151.8p

Adjusted profit before taxation is shown in note 6 and EPRA earnings per share is shown in note 8.

All items in the income statement relate to continuing operations.

The notes on pages 20 to 36 are an integral part of these condensed consolidated interim financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEET 30 September 2021

		30 September 2021 (unaudited) £000	30 September 2020 (unaudited) £000	31 March 2021 (audited) £000
Non-current assets	Note			
Investment property	9a	1,969,730	1,450,580	1,621,990
Investment property under construction	9a	234,542	128,047	163,537
Right-of-use assets	9a	20,804	17,240	16,644
Plant, equipment and owner-occupied property	9b	4,011	4,137	3,910
Intangible assets	9c	1,433	1,433	1,433
Investment	9d	450	-	450
Investment in associates	9e	-	11,804	13,720
Capital Goods Scheme receivable	10	-	159	163
		<hr/> 2,230,970	<hr/> 1,613,400	<hr/> 1,821,847
Current assets				
Inventories		404	381	366
Trade and other receivables	10	8,994	7,568	7,764
Cash and cash equivalents		9,911	6,417	12,322
		<hr/> 19,309	<hr/> 14,366	<hr/> 20,452
Total assets		<hr/> 2,250,279	<hr/> 1,627,766	<hr/> 1,842,299
Current liabilities				
Trade and other payables	11	(45,572)	(37,638)	(34,563)
Borrowings	12	(2,935)	(2,795)	(2,865)
Obligations under lease liabilities		(2,298)	(1,751)	(1,751)
		<hr/> (50,805)	<hr/> (42,184)	<hr/> (39,179)
Non-current liabilities				
Borrowings	12	(402,362)	(291,787)	(332,573)
Obligations under lease liabilities		(20,009)	(16,688)	(16,177)
Derivative financial instruments	12	(27)	(829)	(475)
		<hr/> (422,398)	<hr/> (309,304)	<hr/> (349,225)
Total liabilities		<hr/> (473,203)	<hr/> (351,488)	<hr/> (388,404)
Net assets		<hr/> 1,777,076	<hr/> 1,276,278	<hr/> 1,453,895
Equity				
Called up share capital		18,397	17,578	17,588
Share premium account		289,885	192,064	192,218
Reserves		1,468,794	1,066,636	1,244,089
Equity shareholders' funds		<hr/> 1,777,076	<hr/> 1,276,278	<hr/> 1,453,895

The notes on pages 20 to 36 are an integral part of these condensed consolidated interim financial statements.

BIG YELLOW GROUP PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2021 (unaudited)

	Share capital £000	Share premium account £000	Other non- distributable reserve £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 1 April 2021	17,588	192,218	74,950	1,795	1,168,363	(1,019)	1,453,895
Total comprehensive income for the period	-	-	-	-	254,074	-	254,074
Issue of share capital	809	97,667	-	-	-	-	98,476
Credit to equity for equity- settled share-based payments	-	-	-	-	1,670	-	1,670
Dividends	-	-	-	-	(31,039)	-	(31,039)
At 30 September 2021	18,397	289,885	74,950	1,795	1,393,068	(1,019)	1,777,076

Six months ended 30 September 2020 (unaudited)

	Share capital £000	Share premium account £000	Other non- distributable reserve £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 1 April 2020	16,714	112,320	74,950	1,795	959,116	(1,019)	1,163,876
Total comprehensive income for the period	-	-	-	-	59,736	-	59,736
Issue of share capital	864	79,744	-	-	-	-	80,608
Credit to equity for equity- settled share-based payments	-	-	-	-	1,182	-	1,182
Dividends	-	-	-	-	(29,124)	-	(29,124)
At 30 September 2020	17,578	192,064	74,950	1,795	990,910	(1,019)	1,276,278

Year ended 31 March 2021 (audited)

	Share capital £000	Share premium account £000	Other non- distributable reserve £000	Capital redemption reserve £000	Retained earnings £000	Own shares £000	Total £000
At 1 April 2020	16,714	112,320	74,950	1,795	959,116	(1,019)	1,163,876
Total comprehensive income for the year	-	-	-	-	265,186	-	265,186
Issue of share capital	874	79,898	-	-	-	-	80,772
Credit to equity for equity- settled share-based payments	-	-	-	-	2,869	-	2,869
Dividend	-	-	-	-	(58,808)	-	(58,808)
At 31 March 2021	17,588	192,218	74,950	1,795	1,168,363	(1,019)	1,453,895

The notes on pages 20 to 36 are an integral part of these condensed consolidated interim financial statements.

BIG YELLOW GROUP PLC

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 September 2021

	Six months ended 30 September 2021 (unaudited) £000	Six months ended 30 September 2020 (unaudited) £000	Year ended 31 March 2021 (audited) £000	
Cash generated from operations	17	57,863	47,560	87,131
Bank interest paid		(5,042)	(4,382)	(8,850)
Interest on obligations under lease liabilities		(413)	(391)	(772)
Interest received		1	25	26
Tax paid		(655)	(481)	(823)
Cash flows from operating activities		51,754	42,331	76,712
Investing activities				
Purchase of non-current assets		(74,260)	(34,052)	(73,010)
Acquisition of Armadillo (net of cash acquired)		(66,679)	-	-
Investment		-	-	(450)
Receipt from Capital Goods Scheme		381	738	737
Dividend received from associates	9e	435	344	688
Cash flows from investing activities		(140,123)	(32,970)	(72,035)
Financing activities				
Issue of share capital		98,476	80,608	80,772
Payment of finance lease liabilities		(614)	(498)	(1,009)
Equity dividends paid		(31,039)	(29,124)	(58,808)
Drawing of Armadillo loans		(50,900)	-	-
Increase/(decrease) in borrowings		70,035	(105,348)	(64,728)
Cash flows from financing activities		85,958	(54,362)	(43,773)
Net decrease in cash and cash equivalents		(2,411)	(45,001)	(39,096)
Opening cash and cash equivalents		12,322	51,418	51,418
Closing cash and cash equivalents		9,911	6,417	12,322

The notes on pages 20 to 36 are an integral part of these condensed consolidated interim financial statements.

BIG YELLOW GROUP PLC

Notes to the Interim Review

1. ACCOUNTING POLICIES

Basis of preparation

The results for the period ended 30 September 2021 are unaudited and were approved by the Board on 22 November 2021. The financial information contained in this report in respect of the year ended 31 March 2021 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of Big Yellow Group PLC are prepared in accordance with International Financial Reporting Standards as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting", as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as were applied in the Group's latest annual audited financial statements.

Valuation of assets and liabilities held at fair value

For those financial instruments held at fair value, the Group has categorised them into a three-level fair value hierarchy based on the priority of the inputs to the valuation technique in accordance with IFRS 13. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety. The fair value of the Group's outstanding interest rate derivatives has been estimated by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 13. Investment Property and Investment Property under Construction have been classified as Level 3. This is discussed further in note 14.

Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Chairman's Statement and the Business and Financial Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes to the interim statement. Further information concerning the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found in the Strategic Report within the Group's Annual Report for the year ended 31 March 2021.

At 30 September 2021 the Group had available liquidity of £178.7 million, from a combination of cash and undrawn bank debt facilities. The Group is cash generative and for the six months ended 30 September 2021, had operational cash flow of £51.8 million, with capital commitments at the balance sheet date of £19.1 million.

The Directors have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements, taking into account the Group's operating plan and budget for the year ending 31 March 2022 and projections contained in the longer-term business plan which covers the period to March 2025. After reviewing these projected cash flows together with the Group's and Company's cash balances, borrowing facilities and covenant requirements, and potential property valuation movements over that period, the Directors believe that, taking account of severe but plausible downsides, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period.

In making their assessment, the Directors have carefully considered the outlook for the Group's trading performance and cash flows as a result of the dislocations to the economy caused by the Covid-19 pandemic, taking into account the trading performance of the Group from the onset of the pandemic to the date of this statement. The Directors have also taken into account the performance of the business during the Global Financial Crisis. The Directors modelled a number of different scenarios, including material reductions in the Group's occupancy rates and property valuations, and assessed the impact of these scenarios against the Group's liquidity and the Group's banking covenants. The scenarios considered did not lead to breaching any of the banking covenants, and the Group retained sufficient liquidity to meet its financial obligations as they fall due.

Consequently, the Directors continue to adopt the going concern basis in preparing the half year report.

BIG YELLOW GROUP PLC

Notes to the Interim Review

2. SEGMENTAL INFORMATION

Revenue represents amounts derived from the provision of self storage accommodation and related services which fall within the Group's ordinary activities after deduction of trade discounts and value added tax. The Group's net assets, revenue and profit before tax are attributable to one activity, the provision of self storage accommodation and related services. These all arise in the United Kingdom.

	Six months ended 30 September 2021 (unaudited) £000	Six months ended 30 September 2020 (unaudited) £000	Year ended 31 March 2021 (audited) £000
Open stores			
Self storage income	69,091	54,990	113,119
Insurance income	8,681	7,099	14,517
Packing materials income	1,708	1,298	2,771
Other income from storage customers	863	634	1,275
Ancillary store rental income	433	353	786
	<hr/> 80,776	<hr/> 64,374	<hr/> 132,468
Other revenue			
Non-storage income	700	750	1,420
Management fees	325	689	1,353
Total revenue	<hr/> 81,801	<hr/> 65,813	<hr/> 135,241

Non-storage income derives principally from rental income earned from tenants of properties awaiting development.

Further analysis of the Group's operating revenue and costs are in the Portfolio Summary and the Business and Financial Review. The seasonality of the business is discussed in note 18.

3. INVESTMENT INCOME

	Six months ended 30 September 2021 (unaudited) £000	Six months ended 30 September 2020 (unaudited) £000	Year ended 31 March 2021 (audited) £000
Bank interest receivable	1	25	26
Unwinding of discount on Capital Goods Scheme receivable	14	29	43
Total	<hr/> 15	<hr/> 54	<hr/> 69
Change in fair value of interest rate derivatives	477	-	-
Total investment income	<hr/> 492	<hr/> 54	<hr/> 69

4. FINANCE COSTS

	Six months ended 30 September 2021 (unaudited) £000	Six months ended 30 September 2020 (unaudited) £000	Year ended 31 March 2021 (audited) £000
Interest on bank borrowings	5,202	4,747	9,380
Capitalised interest	(960)	(989)	(2,135)
Interest on finance lease obligations	413	391	772
Total interest payable	<hr/> 4,655	<hr/> 4,149	<hr/> 8,017
Change in fair value of interest rate derivatives	-	502	148
Total finance costs	<hr/> 4,655	<hr/> 4,651	<hr/> 8,165

BIG YELLOW GROUP PLC

Notes to the Interim Review

5. TAXATION

The Group converted to a REIT in January 2007. As a result, the Group does not pay UK corporation tax on the profits and gains from its qualifying rental business in the UK if it meets certain conditions. Non-qualifying profits and gains of the Group are subject to corporation tax as normal. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

	Six months ended 30 September 2021 (unaudited) £000	Six months ended 30 September 2020 (unaudited) £000	Year ended 31 March 2021 (audited) £000
Current tax:			
- Current year	704	345	798
- Prior year	90	(165)	(162)
	<u>794</u>	<u>180</u>	<u>636</u>

6. ADJUSTED PROFIT

	Six months ended 30 September 2021 (unaudited) £000	Six months ended 30 September 2020 (unaudited) £000	Year ended 31 March 2021 (audited) £000
Profit before tax	254,868	59,916	265,822
Gain on revaluation of investment properties – Group	(204,662)	(23,554)	(189,277)
– associates (net of deferred tax) to 30 June 2021	(1,537)	(411)	(2,074)
Change in fair value of interest rate derivatives – Group	(477)	502	148
– associates	-	32	6
Armadillo fair value adjustments on acquisition	(1,756)	-	-
Acquisition costs written off	416	-	-
Adjusted profit before tax	<u>46,852</u>	<u>36,485</u>	<u>74,625</u>
Tax	(794)	(180)	(636)
Adjusted profit after tax (EPRA earnings)	<u>46,058</u>	<u>36,305</u>	<u>73,989</u>

Adjusted profit before tax which excludes gains and losses on the revaluation of investment properties, changes in fair value of interest rate derivatives, net gains and losses on disposal of investment property, and material non-recurring items of income and expenditure have been disclosed as, in the Board's view, this provides a clearer understanding of the Group's underlying trading performance.

BIG YELLOW GROUP PLC

Notes to the Interim Review

7. DIVIDENDS

	Six months ended 30 September 2021 (unaudited) £000	Six months ended 30 September 2020 (unaudited) £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2021 of 17.0p (2020: 16.7p) per share	31,039	29,124
Proposed interim dividend for the year ending 31 March 2022 of 20.6p (2021: 17.0p) per share	37,666	29,692

The proposed interim dividend of 20.6 pence per ordinary share will be paid to shareholders on 7 January 2022. The ex-div date is 2 December 2021 and the record date is 3 December 2021. The interim dividend is all Property Income Distribution.

8. EARNINGS PER ORDINARY SHARE

The European Public Real Estate Association (“EPRA”) has issued recommended bases for the calculation of certain per share information and these are included in the following table:

	Six months ended 30 September 2021 (unaudited)			Six months ended 30 September 2020 (unaudited)			Year ended 31 March 2021 (audited)		
	Earnings £000	Shares million	Pence per share	Earnings £000	Shares million	Pence per share	Earnings £000	Shares million	Pence per share
Basic	254,074	178.9	142.0	59,736	173.4	34.4	265,186	174.1	152.3
Dilutive share options	-	0.5	(0.4)	-	0.7	(0.1)	-	0.6	(0.5)
Diluted	254,074	179.4	141.6	59,736	174.1	34.3	265,186	174.7	151.8
<i>Adjustments:</i>									
Gain on revaluation of investment properties	(204,662)	-	(114.0)	(23,554)	-	(13.5)	(189,277)	-	(108.3)
Acquisition costs written off	416	-	0.2	-	-	-	-	-	-
Change in fair value of interest rate derivatives	(477)	-	(0.3)	502	-	0.3	148	-	0.1
Share of associates’ non-recurring gains and losses	(3,293)	-	(1.8)	(379)	-	(0.2)	(2,068)	-	(1.2)
EPRA - diluted	46,058	179.4	25.7	36,305	174.1	20.9	73,989	174.7	42.4
EPRA – basic	46,058	178.9	25.7	36,305	173.4	20.9	73,989	174.1	42.5

The calculation of basic earnings is based on profit after tax for the period. The weighted average number of shares used to calculate diluted earnings per share has been adjusted for the conversion of share options.

EPRA earnings and earnings per ordinary share have been disclosed to give a clearer understanding of the Group’s underlying trading performance.

BIG YELLOW GROUP PLC

Notes to the Interim Review

9. NON-CURRENT ASSETS

a) Investment property

	Investment property £000	Investment property under construction £000	Right-of-use assets £000	Total £000
At 1 April 2021	1,621,990	163,537	16,644	1,802,171
Additions	1,374	74,291	-	75,665
Acquisition of Armadillo	138,418	-	4,862	143,280
Reclassification	12,226	(12,226)	-	-
Revaluation	195,722	8,940	-	204,662
Depreciation	-	-	(702)	(702)
At 30 September 2021	1,969,730	234,542	20,804	2,225,076

Capital commitments at 30 September 2021 were £19.1 million (31 March 2021: £17.3 million).

b) Plant, equipment and owner-occupied property

	Freehold property £000	Leasehold improve- ments £000	Plant and machinery £000	Motor vehicles £000	Fixtures, fittings and office equipment £000	Right of use assets £000	Total £000
Cost							
At 1 April 2021	2,275	59	439	32	1,262	872	4,939
Additions	2	-	113	-	480	-	595
Retirement of fully depreciated assets	-	-	(55)	(32)	(151)	-	(238)
At 30 September 2021	2,277	59	497	-	1,591	872	5,296
Accumulated depreciation							
At 1 April 2021	(593)	(12)	(129)	(32)	(52)	(211)	(1,029)
Charge for the period	(23)	(2)	(86)	-	(330)	(53)	(494)
Retirement of fully depreciated assets	-	-	55	32	151	-	238
At 30 September 2021	(616)	(14)	(160)	-	(231)	(264)	(1,285)
Net book value							
At 30 September 2021	1,661	45	337	-	1,360	608	4,011
At 31 March 2021	1,682	47	310	-	1,210	661	3,910

c) Intangible assets

The intangible asset relates to the Big Yellow brand, which was acquired through the acquisition of Big Yellow Self Storage Company Limited in 1999. The carrying value of £1.4 million remains unchanged from the prior year as there is considered to be no impairment in the value of the asset. The asset has an indefinite life and is tested annually for impairment or more frequently if there are indicators of impairment.

BIG YELLOW GROUP PLC

Notes to the Interim Review

9. NON-CURRENT ASSETS (continued)

d) Investment

During the prior year, the Group invested £450,000 in DS Operations Centre Limited, a company which provides out-of-hours monitoring and alarm receiving services, including for the Group's stores. The investment is carried at cost and tested annually for impairment.

e) Investment in associates

Armadillo

The Group had a 20% interest in Armadillo Storage Holding Company Limited ("Armadillo 1") and a 20% interest in Armadillo Storage Holding Company 2 Limited ("Armadillo 2"). Both interests were accounted for as associates, using the equity method of accounting. On 1 July 2021 the Group acquired the remaining interest in Armadillo 1 and Armadillo 2 that it did not previously own. From this date, Armadillo 1 and Armadillo 2 are accounted for as a wholly owned subsidiaries of the Group. The results up to this date are equity accounted as shown in the note below:

	Armadillo 1			Armadillo 2		
	30 September 2021	30 September 2020	31 March 2021	30 September 2021	30 September 2020	31 March 2021
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
	£000	£000	£000	£000	£000	£000
At the beginning of the period	8,698	7,027	7,027	5,022	4,233	4,233
Share of results (see below)	2,413	529	2,013	1,264	359	1,135
Dividends	(211)	(171)	(342)	(224)	(173)	(346)
Acquisition of remaining interest	(10,900)	-	-	(6,062)	-	-
At the end of the period	-	7,385	8,698	-	4,419	5,022

BIG YELLOW GROUP PLC

Notes to the Interim Review

9. NON-CURRENT ASSETS (continued)

e) Investment in associates (continued)

The figures below show the trading results of Armadillo, and the Group's share of the results and the net assets up to the point of acquisition of the remaining interest in the Partnerships on 1 July 2021.

	Armadillo 1			Armadillo 2		
	1 April 2021 to 30 June 2021 (unaudited) £000	Six months ended 30 September 2020 (unaudited) £000	Year ended 31 March 2021 (audited) £000	1 April 2021 to 30 June 2021 (unaudited) £000	Six months ended 30 September 2020 (unaudited) £000	Year ended 31 March 2021 (audited) £000
Income statement (100%)						
Revenue	3,170	5,477	11,338	1,876	3,167	6,664
Cost of sales	(1,601)	(2,834)	(5,967)	(793)	(1,441)	(2,953)
Administrative expenses	(126)	(205)	(345)	(45)	(66)	(161)
Operating profit	1,443	2,438	5,026	1,038	1,660	3,550
Goodwill write-off	(982)	-	-	(1,849)	-	-
Gain on the revaluation of investment properties	4,888	1,510	8,565	2,795	1,025	4,235
Net interest payable	(274)	(616)	(1,177)	(183)	(387)	(752)
Fair value movement of interest rate derivatives	-	(97)	(18)	-	(63)	(11)
Current and deferred tax	6,988	(587)	(2,330)	4,519	(441)	(1,347)
Profit attributable to shareholders	12,063	2,648	10,066	6,320	1,794	5,675
Dividends paid	(1,054)	(854)	(1,708)	(1,120)	(865)	(1,730)
Retained profit	11,009	1,794	8,358	5,200	929	3,945
Group share (20%)						
Operating profit	289	488	1,005	208	332	710
Goodwill write-off	(196)	-	-	(370)	-	-
Gain on the revaluation of investment properties	978	302	1,713	559	205	847
Net interest payable	(55)	(124)	(235)	(37)	(77)	(150)
Fair value movement of interest rate derivatives	-	(19)	(4)	-	(13)	(2)
Current and deferred tax	1,397	(118)	(466)	904	(88)	(270)
Profit attributable to shareholders	2,413	529	2,013	1,264	359	1,135
Dividends paid	(211)	(171)	(342)	(224)	(173)	(346)
Retained profit	2,202	358	1,671	1,040	186	789
Associates' net assets	-	7,385	8,698	-	4,419	5,022
Balance sheet (100%)						
Investment property	-	73,416	81,075	-	44,960	48,425
Interest in leasehold properties	-	1,927	2,750	-	2,396	2,219
Other non-current assets	-	1,213	1,204	-	2,021	2,004
Current assets	-	1,195	1,169	-	605	339
Current liabilities	-	(3,175)	(2,923)	-	(1,934)	(1,946)
Derivative financial instruments	-	(97)	(18)	-	(63)	(11)
Non-current liabilities	-	(37,553)	(39,767)	-	(25,889)	(25,918)
Net assets (100%)	-	36,926	43,490	-	22,096	25,112

BIG YELLOW GROUP PLC

Notes to the Interim Review

9. NON-CURRENT ASSETS (continued)

e) Investment in associates (continued)

Accounting for the acquisition – Armadillo 1

The following provides a breakdown of the fair value of the assets and liabilities acquired. The investment properties have been valued by the Directors with regard to the March 2021 property valuations performed by JLL uplifted for the capital movement in the three month period to the Acquisition date.

	£000
Investment property	86,553
Other non-current assets	2,949
Current assets	1,981
Current liabilities	(3,825)
Bank borrowings	(30,444)
Other non-current liabilities	(2,717)
Net assets (100%)	<u>54,497</u>
	£000
Net assets acquired (80% of £54.5 million)	43,598
Satisfied by cash consideration	<u>(43,598)</u>
	<u>-</u>

From the date of acquisition of the Partnership on 1 July 2021 to 30 September 2021, the revenue of the Partnership was £3.5 million, and the statutory profit before tax was £4.7 million.

Accounting for the acquisition – Armadillo 2

The following provides a breakdown of the fair value of the assets and liabilities acquired. The investment properties have been valued by the Directors with regard to the March 2021 property valuations performed by JLL uplifted for the capital movement in the three month period to the Acquisition date.

	£000
Investment property	51,865
Other non-current assets	2,285
Current assets	961
Current liabilities	(2,969)
Bank borrowings	(20,116)
Other non-current liabilities	(1,707)
Net assets (100%)	<u>30,319</u>
	£000
Net assets acquired (80% of £30.3 million)	24,255
Satisfied by cash consideration	<u>(24,255)</u>
	<u>-</u>

From the date of acquisition of the Partnership on 1 July 2021 to 30 September 2021, the revenue of the Partnership was £2.1 million, and the statutory profit before tax was £1.5 million.

Fair value adjustments

On acquisition of the remaining interests in Armadillo, the Group made certain fair value adjustments to the Armadillo balance sheets. These were:

- an increase in the investment property valuation, reflecting the fair value of the assets at 30 June 2021;
- the write off of goodwill contained in the Armadillo balance sheets; and
- the write back of deferred tax (principally on revaluation surpluses) contained in the Armadillo balance sheets, with Armadillo joining the Big Yellow REIT on acquisition.

These fair value adjustments are shown in the share of profit of the associates in the period to 30 June 2021 and amounted to a gain of £3.3 million.

BIG YELLOW GROUP PLC

Notes to the Interim Review

9. NON-CURRENT ASSETS (continued)

e) Investment in associates (continued)

Acquisition costs

The Group incurred acquisition-related costs of £0.4 million on legal fees and stamp duty. These costs have been included in administrative expenses.

Proforma impact of acquisitions

For the three months ended 30 September 2021, the Armadillo Partnerships contributed revenue of £5.6 million and statutory profit before tax of £6.2 million. If the acquisition had occurred on 1 April 2021, management estimates that consolidated revenue would have been £86.5 million for the period and consolidated profit before tax for the period would have been £267.1 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 April 2021, other than for investment property, whereby the 30 June 2021 valuations were different compared to the valuations at 31 March 2021.

10. TRADE AND OTHER RECEIVABLES

	30 September 2021 (unaudited) £000	30 September 2020 (unaudited) £000	31 March 2021 (audited) £000
Current			
Trade receivables	4,767	4,173	3,562
Other receivables	646	1,176	1,999
Prepayments and accrued income	3,581	2,219	2,203
	<hr/>	<hr/>	<hr/>
	8,994	7,568	7,764
Non-current			
Capital Goods Scheme receivable	-	159	163

11. TRADE AND OTHER PAYABLES

	30 September 2021 (unaudited) £000	30 September 2020 (unaudited) £000	31 March 2021 (audited) £000
Current			
Trade payables	4,997	4,177	4,052
Other payables	12,812	14,408	8,036
Accruals and deferred income	27,763	19,053	22,475
	<hr/>	<hr/>	<hr/>
	45,572	37,638	34,563

BIG YELLOW GROUP PLC

Notes to the Interim Review

12. BORROWINGS

	30 September 2021 (unaudited) £000	30 September 2020 (unaudited) £000	31 March 2021 (audited) £000
Aviva loan	2,935	2,795	2,865
Current borrowings	2,935	2,795	2,865
Aviva loan	110,450	113,385	111,935
M&G loan	70,000	70,000	70,000
Armadillo bank loans	47,950	-	-
Bank borrowings	176,000	110,500	152,500
Unamortised debt arrangement costs	(2,038)	(2,098)	(1,862)
Non-current borrowings	402,362	291,787	332,573
Total borrowings	405,297	294,582	335,438

On 30 September 2021, the Group signed new loan facilities with Aviva and M&G, adding £50 million to each loan. These loans were funded in early October and used to repay revolving bank debt.

The Group does not hedge account for its interest rate swaps and states them at fair value, with changes in fair value included in the income statement. The gain in the income statement for the period of these interest rate swaps was £477,000 (2020: loss of £502,000). The reconciliation of the balance sheet position is shown below:

	£000
Creditor at 31 March 2021	(475)
Change in fair value of derivatives during the period	477
Fair value of Armadillo derivatives on acquisition of remaining interest	(29)
Creditor at 30 September 2021	(27)

At 30 September 2021 the Group was in compliance with all loan covenants. The movement in the Group's loans are shown net in the cash flow statement as the bank loan is a revolving facility and is repaid and redrawn each month.

BIG YELLOW GROUP PLC

Notes to the Interim Review

13. ADJUSTED NET ASSETS PER SHARE

EPRA's Best Practices Recommendations guidelines contain three Net Asset Value (NAV) metrics: EPRA Net Tangible Assets (NTA), EPRA Net Reinstatement Value (NRV) and EPRA Net Disposal Value (NDV).

EPRA NTA is considered to be most consistent with the nature of Big Yellow's business which provides sustainable long-term progressive returns. EPRA NTA is shown in the table below. This measure is further adjusted by the adjustment the Group makes for purchaser's costs, which is the Group's Adjusted Net Asset Value (or Adjusted NAV).

Basic net assets per share are shareholders' funds divided by the number of shares at the period end. Any shares currently held in the Group's Employee Benefit Trust are excluded from both net assets and the number of shares. Adjusted net assets per share include: the effect of those shares issuable under employee share option schemes and the effect of alternative valuation methodology assumptions (see note 14).

	Six months ended 30 September 2021			Six months ended 30 September 2020			Year ended 31 March 2021		
	Equity attributable to ordinary shareholders £000	Shares million	Pence per share	Equity attributable to ordinary shareholders £000	Shares million	Pence per share	Equity attributable to ordinary shareholders £000	Shares million	Pence per share
Basic NAV	1,777,076	182.8	972.1	1,276,278	174.7	730.6	1,453,895	174.8	831.9
Share and save as you earn schemes	1,660	1.5	(7.0)	1,453	1.5	(5.4)	1,451	1.4	(5.9)
Diluted NAV	1,778,736	184.3	965.1	1,277,731	176.2	725.2	1,455,346	176.2	826.0
Fair value of derivatives – Group	27	-	-	829	-	0.4	475	-	0.3
Fair value of derivatives – share of associate	-	-	-	32	-	-	6	-	-
Deferred tax in respect of valuation surpluses - associate	-	-	-	1,428	-	0.8	1,818	-	1.0
Intangible assets	(1,433)	-	(0.7)	(1,433)	-	(0.8)	(1,433)	-	(0.8)
EPRA NTA	1,777,330	184.3	964.4	1,278,587	176.2	725.6	1,456,212	176.2	826.5
Valuation methodology assumption (see note 15) (£000)	129,500	-	70.2	94,757	-	53.8	110,393	-	62.7
Adjusted NAV	1,906,830	184.3	1,034.6	1,373,344	176.2	779.4	1,566,605	176.2	889.2

BIG YELLOW GROUP PLC

Notes to the Interim Review

14. VALUATIONS OF INVESTMENT PROPERTY

The Group has classified the fair value investment property and the investment property under construction within Level 3 of the fair value hierarchy. There has been no transfer to or from Level 3 in the period.

The freehold and leasehold investment properties have been valued at 30 September 2021 by the Directors. The valuation has been carried out in accordance with the same methodology as the year end valuations prepared by CBRE LLP (“CBRE”) and Jones Lang Lasalle. Please see the accounts for the year ended 31 March 2021 for details of this methodology.

The Directors’ valuations reflect the latest cash flows derived from each of the stores at 30 September 2021. In performing the valuations, the Directors consulted with CBRE and JLL on the capitalisation rates used in the valuations. The Directors, as advised by CBRE and JLL, consider that the capitalisation rates for prime self storage stores have reduced by 12.5 bps since the start of the financial year.

The Directors have also made some minor amendments to a couple of the valuation assumptions, namely the adjustment of stable occupancy levels on certain stores that are consistently trading ahead of the previously used assumptions and to certain assumptions on net achieved rents within the valuations. Other than the above, the Directors believe the core assumptions used by CBRE and JLL in the March 2021 valuations are still appropriate at the September valuation date. See the Group’s annual report for the year ended 31 March 2021 for the full detail of the valuation methodology.

Sensitivities

Self storage valuations are complex, derived from data which is not widely publicly available and involve a degree of judgement. For these reasons we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. Inputs to the valuations, some of which are ‘unobservable’ as defined by IFRS 13, include capitalisation yields, stable occupancy rates, and rental growth rates. The existence of an increase of more than one unobservable input would augment the impact on valuation. The impact on the valuation would be mitigated by the inter-relationship between unobservable inputs moving in opposite directions. For example, an increase in stable occupancy may be offset by an increase in yield, resulting in no net impact on the valuation. A sensitivity analysis showing the impact on valuations of changes in yields and stable occupancy is shown below:

	Impact of a change in capitalisation rates		Impact of a change in stabilised occupancy assumption	
	25 bps decrease	25 bps increase	1% increase	1% decrease
Reported Group	£84.0 million	(£76.7 million)	£29.6 million	(£29.5 million)

A sensitivity analysis has not been provided for a change in the rental growth rate adopted as there is a relationship between this measure and the discount rate adopted. So, in theory, an increase in the rental growth rate would give rise to a corresponding increase in the discount rate and the resulting value impact would be limited.

Valuation assumption for purchaser’s costs

The Group’s investment property assets have been valued for the purposes of the financial statements after deducting notional purchaser’s cost of circa 6.0% to 6.8% of gross value, as if they were sold directly as property assets. The valuation is an asset valuation that is entirely linked to the operating performance of the business. The assets would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be very difficult to achieve except in a corporate structure.

This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing for the deduction of operational costs and an allowance for central administration costs. Sale in a corporate structure would result in a reduction in the assumed Stamp Duty Land Tax but an increase in other transaction costs, reflecting additional due diligence, resulting in a reduced notional purchaser’s cost of 2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. The Directors have therefore carried out a valuation on the above basis, and this results in a higher property valuation at 30 September 2021 of £2,333.8 million (£129.5 million higher than the value recorded in the balance sheet which translates to 70.2 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation (see note 13).

BIG YELLOW GROUP PLC

Notes to the Interim Review

15. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES

The table below sets out the categorisation of the financial instruments held by the Group at 30 September 2021. Where the financial instruments are held at fair value the valuation level indicates the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuations categorised as Level 2 are obtained from third parties. If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety.

		30 September 2021 (unaudited) £000	30 September 2020 (unaudited) £000
Interest rate derivatives	2	27	475

16. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

AnyJunk Limited

Jim Gibson is a Non-Executive Director and shareholder in AnyJunk Limited, and Adrian Lee is a shareholder in AnyJunk Limited. During the period AnyJunk Limited provided waste disposal services to the Group on normal commercial terms amounting to £4,000 (2020: £11,000).

Transactions with Armadillo

As described in note 9e, the Group had a 20% interest in Armadillo Storage Holding Company Limited and a 20% interest in Armadillo Storage Holding Company 2 Limited. The Group acquired the remaining interest in both companies that it did not own on 1 July 2021. From this date, the Companies were wholly owned subsidiaries of the Group and hence the transactions subsequent to that date are not disclosable. Up to the date of acquisition, the Group entered into transactions with the Companies on normal commercial terms as shown in the table below:

	1 April 2021 to 30 June 2021 (unaudited) £000	30 September 2020 (unaudited) £000	31 March 2021 (audited) £000
Fees earned from Armadillo 1	238	506	977
Fees earned from Armadillo 2	87	183	376
Balance due from Armadillo 1	-	151	67
Balance due from Armadillo 2	-	24	27

London Children's Ballet

The Group signed a Section 106 agreement with Wandsworth Council relating to the development of our Battersea store, which required the Group to provide cultural space to Wandsworth Borough Council. During the period the Group granted a twenty year lease over this space to London Children's Ballet at a peppercorn rent, who in turn have agreed to enter into a Social Agreement with Wandsworth Borough Council coterminous with the lease. Jim Gibson is the Chairman of Trustees of the London Children's Ballet.

DS Operations Centre Limited

In December 2020, the Group invested £450,000 in DS Operations Centre Limited ("DSOC"). DSOC provided alarm and CCTV monitoring services to the Group under normal commercial terms during the period, amounting to £132,000 (2020: £nil).

Treepoints Limited

Jim Gibson is a Non-Executive Director and an investor in City Stasher Limited, which in turn has a minority investment in Treepoints Limited. Treepoints Limited provided offsetting tree planting services in respect of our online packing material sales, under normal commercial terms during the period, amounting to £2,000 (2020: £nil).

BIG YELLOW GROUP PLC

Notes to the Interim Review

17. CASH FLOW NOTES

a) Reconciliation of profit after tax to cash generated from operations

		Six months ended 30 September 2021 (unaudited) £000	Six months ended 30 September 2020 (unaudited) £000	Year ended 31 March 2021 (audited) £000
Profit after tax		254,074	59,736	265,186
Taxation		794	180	636
Share of profit of associates		(3,677)	(888)	(3,148)
Investment income		(492)	(54)	(69)
Finance costs		4,655	4,651	8,165
Operating profit		255,354	63,625	270,770
Gain on the revaluation of investment properties	9a, 14	(204,662)	(23,554)	(189,277)
Depreciation of plant, equipment and owner-occupied property	9b	441	404	803
Depreciation of finance lease capital obligations		755	641	1,290
Employee share options		1,670	1,182	2,869
Cash generated from operations pre working capital movements		53,558	42,298	86,455
Decrease in inventories		10	31	46
Decrease in receivables		369	145	841
Increase/(decrease) in payables		3,926	5,086	(211)
Cash generated from operations		57,863	47,560	87,131

b) Reconciliation of net cash flow to movement in net debt

		Six months ended 30 September 2021 (unaudited) £000	Six months ended 30 September 2020 (unaudited) £000	Year ended 31 March 2021 (audited) £000
Net decrease in cash and cash equivalents		(2,411)	(45,001)	(39,096)
Cash flow from movement in debt financing		(70,035)	105,348	64,728
Change in net debt resulting from cash flows		(72,446)	60,347	25,632
Movement in net debt in the period		(72,446)	60,347	25,632
Net debt at start of period		(324,978)	(350,610)	(350,610)
Net debt at end of period		(397,424)	(290,263)	(324,978)

BIG YELLOW GROUP PLC

Notes to the Interim Review

18. RISKS AND UNCERTAINTIES

The risks facing the Group for the remaining six months of the financial year are consistent with those outlined in the Annual Report for the year ended 31 March 2021. The risk mitigating factors listed in the 2021 Annual Report are still appropriate.

The Covid-19 pandemic continues to have an impact on economic activity, and the risk of new variants evading vaccines remains. This may create economic headwinds in the quarter to December 2021 and into 2022, which may have an impact on the demand for self storage.

The value of Big Yellow's property portfolio is affected by the conditions prevailing in the property investment market and the general economic environment. Accordingly, the Group's net asset value can rise and fall due to external factors beyond management's control. The pandemic and other uncertainties in the global economy look set to continue. We have a high-quality prime portfolio of assets that should help to mitigate the impact of this on the Group.

Self storage is a seasonal business, and we typically lose occupancy in the December quarter. The new year typically sees an increase in activity, occupancy and revenue growth. The visibility we have in the business is relatively limited at three to four weeks and is based on the net reservations we have in hand, which are currently in line with our expectations.

There is a risk that our customers may default on their rent payments, however we have not seen an increase in bad debts since the onset of the pandemic. We have approximately 77,000 occupied rooms and this, coupled with the diversity of our customers' reasons for using storage, mean the risk of individual tenant default to Big Yellow is low. Over 80% of our customers pay by direct debit and we take a deposit from all customers. Furthermore, we have a right of lien over customers' goods, so in the ultimate event of default, we are able to auction the goods to recover the debts.

BIG YELLOW GROUP PLC

Notes to the Interim Review

19. GLOSSARY

Adjusted earnings growth	The increase in adjusted eps period-on-period.
Adjusted eps	Adjusted profit after tax divided by the diluted weighted average number of shares in issue during the financial period.
Adjusted NAV	EPRA NTA adjusted for an investment property valuation carried out at purchasers' costs of 2.75%, see note 13.
Adjusted profit before tax	The Company's pre-tax EPRA earnings measure with additional Company adjustments.
Average net achieved rent per sq ft	Storage revenue divided by average occupied space over the period.
Average rental growth	The growth in average net achieved rent per sq ft period-on-period.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
Carbon intensity	Carbon emissions divided by the Group's average occupied space.
Closing net rent per sq ft	Annual storage revenue generated from in-place customers divided by occupied space at the balance sheet date.
Committed facilities	Available undrawn debt facilities plus cash and cash equivalents.
Debt	Long-term and short-term borrowings, as detailed in note 12, excluding finance leases and debt issue costs.
Earnings per share (eps)	Profit for the financial period attributable to equity shareholders divided by the average number of shares in issue during the financial period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
EPRA earnings	The IFRS profit after taxation attributable to shareholders of the Company excluding investment property revaluations, gains/losses on investment property disposals and changes in the fair value of financial instruments.
EPRA earnings per share	EPRA earnings divided by the average number of shares in issue during the period.
EPRA NTA per share	EPRA NTA divided by the diluted number of shares at the year end.
EPRA net tangible asset value (EPRA NTA)	IFRS net assets excluding the mark-to-market on interest rate derivatives, deferred taxation on property valuations where it arises, and intangible assets. It is adjusted for the dilutive impact of share options.
Equity	All capital and reserves of the Group attributable to equity holders of the Company.
Gross property assets	The sum of investment property and investment property under construction.
Gross value added	The measure of the value of goods and services produced in an area, industry or sector of an economy.
Interest cover	The ratio of operating cash flow divided by interest paid (before exceptional finance costs, capitalised interest and changes in fair value of interest rate derivatives). This metric is provided to give readers a clear view of the Group's financial position.
Like-for-like occupancy	Excludes the closing occupancy of new stores acquired, opened or closed in the current or preceding financial year in both the current financial year and comparative figures. This excludes Camberwell, Bracknell, Battersea, Uxbridge and the Armadillo stores.
Like-for-like store revenue	Excludes the impact of new stores acquired, opened or stores closed in the current or preceding financial year in both the current year and comparative figures. This excludes Camberwell, Bracknell, Battersea, Uxbridge and the Armadillo stores.

BIG YELLOW GROUP PLC

Notes to the Interim Review

19. GLOSSARY (CONTINUED)

LTV (loan to value)	Net debt expressed as a percentage of the external valuation of the Group's investment properties.
Maximum lettable area (MLA)	The total square foot (sq ft) available to rent to customers.
Move-ins	The number of customers taking a storage room in the defined period.
Move-outs	The number of customers vacating a storage room in the defined period.
NAV	Net asset value.
Net debt	Gross borrowings less cash and cash equivalents.
Net initial yield	The forthcoming year's net operating income expressed as a percentage of capital value, after adding notional purchaser's costs.
Net operating income	Store EBITDA after an allocation of central overhead
Net operating income on stabilisation	The projected net operating income delivered by a store when it reaches a stable level of occupancy.
Net promoter score (NPS)	The Net Promoter Score is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. The Company measures NPS based on surveys sent to all of its move-ins and move-outs.
Net rent per sq ft	Storage revenue generated from in place customers divided by occupancy.
Occupancy	The space occupied by customers divided by the MLA expressed as a %.
Occupied space	The space occupied by customers in sq ft.
Other storage related income	Packing materials, insurance and other storage related fees.
Pipeline	The Group's development sites.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
REGO	Renewable Energy Guarantees of Origin
REIT	Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain conditions.
REVPAF	Total store revenue divided by the average maximum lettable area in the period.
Store EBITDA	Store earnings before interest, tax, depreciation and amortisation.
TCFD	Task Force on Climate Related Financial Disclosure
Total shareholder return (TSR)	The growth in value of a shareholding over a specified period, assuming dividends are reinvested to purchase additional units of shares.

INDEPENDENT REVIEW REPORT TO BIG YELLOW GROUP PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 which comprises the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Cash Flow Statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the latest annual financial statements of the Group were prepared in accordance with International Financial Reporting Standards as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Anna Jones

for and on behalf of KPMG LLP

Chartered Accountants

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22 November 2021