



17 November 2020

Big Yellow Group PLC
 (“Big Yellow”, “the Group” or “the Company”)
Results for the Six Months ended 30 September 2020

	Six months ended 30 September 2020	Six months ended 30 September 2019	Change
Financial metrics			
Revenue	£65.8 million	£64.3 million	2.3%
Store revenue ⁽¹⁾	£64.4 million	£62.7 million	2.7%
Like-for-like store revenue ⁽¹⁾	£64.1 million	£62.6 million	2.4%
Store EBITDA ⁽¹⁾	£44.5 million	£44.0 million	1.1%
Adjusted profit before tax ⁽¹⁾	£36.5 million	£35.3 million	3.4%
EPRA earnings per share ⁽¹⁾	20.9 pence	21.0 pence	(0.5%)
Interim dividend per share	17.0 pence	17.1 pence	(0.6%)
Statutory metrics			
Profit before tax	£59.9 million	£95.8 million	(37%)
Cash flow from operating activities (after net finance costs)	£42.3 million	£36.0 million	17.5%
Basic earnings per share	34.4 pence	57.6 pence	(40%)
Store metrics			
Store Maximum Lettable Area (“MLA”) ⁽¹⁾	4,822,000	4,688,000	3%
Closing occupancy (sq ft) ⁽¹⁾	4,106,000	3,910,000	5%
Occupancy growth in the period (sq ft) ⁽¹⁾	325,000	100,000	225,000 sq ft
Closing occupancy ⁽¹⁾	85.2%	83.4%	1.8 ppts
Occupancy – like-for-like stores ⁽¹⁾	87.3%	83.4%	3.9 ppts
Average achieved net rent per sq ft ⁽¹⁾	£28.01	£27.40	2.2%
Closing net rent per sq ft ⁽¹⁾	£27.75	£27.73	0.1%

¹ See note 19 for glossary of terms

First Half Highlights

- Like-for-like occupancy increase of 6.6 ppts from 1 April 2020 and up 3.9 ppts from same time last year to 87.3% (September 2019: 83.4%)
- Average achieved net rent per sq ft increased by 2.2% period on period, closing net rent up by 0.1% from September 2019
- Revenue growth for the period was 2.3%, with like-for-like store revenue up by 2.4%, driven principally by average rate growth, with average occupied space slightly up on the same period last year. Occupancy expected to be the main driver of year-on-year revenue growth in the second half
- Cash flow from operating activities (after net finance costs) increased by 17.5% to £42.3 million, benefiting from favourable working capital movements (see Financial Review)
- Adjusted profit before tax up 3.4% to £36.5 million, with earnings per share down slightly, impacted by the dilutive effect of the April 2020 placing
- 17.0 pence per share interim dividend declared
- Opening of new stores in Camberwell (July), Bracknell (September) and Battersea (November) since 1 April, adding 205,000 sq ft of MLA. All three expected to make a positive contribution to earnings next year
- Acquisition of new development site in Wapping taking pipeline to 11 development sites of approximately 780,000 sq ft (16% of current MLA)

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- Planning consent granted for new stores in Hayes, North Kingston, Wembley, Harrow and Kings Cross (all in London). Eight of the 11 sites in the pipeline now have planning consent
- Placing of 8.3 million shares in April 2020 raising £79.9 million (net of expenses) to grow our development pipeline, current net debt £290.3 million with available liquidity of £135.9 million

Commenting, Nicholas Vetch, Executive Chairman, said:

“This pandemic has accelerated many structural changes that were already occurring, such as the move to online retailing and an increase in working from home facilitated by technological advances. These developments combined with the shortage of quality flexible mini-warehousing space, particularly in London, is helping to drive our demand, and we believe these are long-term trends.

If we look back on our trading over the last six months, and indeed since the period end, it is reasonable to say that to date the structural tailwinds have been significantly stronger than the headwinds generated by the pandemic.

The current outlook for both the economy and the pandemic remain uncertain, and as a management team we are constantly alert to the threats and challenges generated by this crisis. The momentum we have seen from June relative to last year is continuing, however our visibility of future demand is limited to two to four weeks.

Further challenges will no doubt present themselves, but Big Yellow is relatively well placed to meet them. Our stores are approaching 90% occupancy, which gives us pricing power. We have the potential for further external growth with a significant pipeline, which has largely been de-risked by the securing of planning consents. Our capital structure is conservative, with interest cover of just under 10 times, providing both downside protection and upside opportunity to acquire new development sites.

I would like to thank all of our Big Yellow team for their continued loyalty and efforts to tackle all the challenges that have faced us since the onset of the pandemic.”

- Ends -

ABOUT US

Big Yellow is the UK’s brand leader in self storage. Big Yellow now operates from a platform of 103 stores, including 25 stores branded as Armadillo Self Storage, in which the Group has a 20% interest. We own a further 11 Big Yellow self storage development sites, of which eight have planning consent. The current maximum lettable area of the existing platform (including Armadillo) is 6.0 million sq ft. When fully built out the portfolio will provide approximately 6.8 million sq ft of flexible storage space. Of the Big Yellow stores and sites, 98% 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 in high profile, accessible, main road locations. Our focus on the location and visibility of our Big Yellow stores, coupled with our excellent customer service and our market leading online platform, has created the most recognised brand name in the UK self storage industry.

For further information, please contact:

Big Yellow Group PLC

Nicholas Vetch, Executive Chairman
James Gibson, Chief Executive Officer
John Trotman, Chief Financial Officer

01276 477811

Teneo

Ben Foster
Matthew Denham

020 7260 2700

BIG YELLOW GROUP PLC

Big Yellow Group PLC ("Big Yellow", "the Group" or "the Company") Results for the Six Months ended 30 September 2020

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 2020. As we reported in July, after an initial reduction in activity following the introduction of the full lockdown on 23 March, leading to some net occupancy loss, we saw a recovery in demand in line with the gradual re-opening of the economy from mid-May. That momentum has continued, with significant occupancy growth of 325,000 sq ft in the period, more than three times that of the comparable six months last year.

Move-in activity levels for the business since August have been ahead of last year, driven by businesses and a recovery in domestic demand. Move-out activity throughout the period has remained lower than last year, although we have seen this normalise since October.

This pandemic has accelerated many structural changes that were already occurring, such as the move to online retailing and an increase in working from home facilitated by technological advances. These developments combined with the shortage of quality flexible mini-warehousing space, particularly in London, is helping to drive our demand, and we believe these are long-term trends.

Domestic demand has recovered strongly with the re-opening of the housing market, moving in the rental sector, improving and renovating homes, and decluttering to create additional space, being the key drivers. Although the demand picture so far is encouraging, we fully expect to see our seasonal net loss in occupancy this quarter, with increasing move-outs. Demand may also be impacted over the winter months by an economic slowdown given increased Covid-19 related restrictions, the current partial lockdown, and the uncertainty around the tail end of Brexit trade negotiations.

Financial results

Like-for-like occupancy increased to 87.3% (up 3.9 percentage points from 83.4% at 30 September 2019, and up 6.6 ppts from 1 April 2020). This is certainly a strong performance ahead of our expectations, and we continue to believe that our high quality portfolio can achieve 90% occupancy, our long-held target.

Revenue for the period was £65.8 million (2019: £64.3 million), an increase of 2.3%, with like-for-like store revenue up 2.4%, driven in the main by average rate growth over the period of 2.2%. We have seen growth in cash flow from operating activities (after net finance costs) of 17.5% to £42.3 million for the period (2019: £36.0 million), benefiting from favourable working capital movements (see Financial Review).

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 £36.5 million, up 3.4% from £35.3 million for the same period last year (see note 6).

Adjusted diluted EPRA earnings per share were 20.9 pence (2019: 21.0 pence), a decrease of 0.5% with the adjusted profit growth diluted following the placing of 8.3 million shares in April 2020, raising £79.9 million to fund the development of new stores. The Group's statutory profit before tax for the period was £59.9 million, a decrease of 37% from £95.8 million for the same period last year, due to a lower revaluation gain in the period.

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 9.7 times (2019: 7.8 times). This is comfortably ahead of our internal minimum interest cover requirement of five times.

Dividends

The Group's dividend policy is to distribute 80% of full year adjusted earnings per share. We have declared an interim dividend of 17.0 pence per share, which is a decrease of 0.6% on the prior period, broadly in line with adjusted earnings per share. This has all been declared as Property Income Distribution ("PID"). The total dividend for the full year will be determined in line with our stated policy.

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Investment in new capacity

The development process is lengthy and often complicated, but the prize is in our view, significant. With our recent store openings, we are now beginning to benefit from six years of hard work building up the development pipeline and successfully gaining planning consents. It has always been difficult to acquire sites by dint of their scarcity with competition principally coming from other uses. Historically this has been from residential, and other uses such as car showrooms and offices, however, whilst the latter two have weakened, we are now seeing increased competition from the urban industrial and logistics sector. The planning system remains complex and has successfully adapted to Covid-19 restrictions, with applications being processed. Thanks to the efforts of our property team we have made significant progress with planning consents granted for our new stores in Hayes, North Kingston, Wembley, Harrow and Kings Cross (all in London). Kings Cross has been a very complex planning process given its location, including the acquisition of additional land, and I am delighted that we now have a resolution to grant planning after five years of hard work.

The availability of sites for our use will remain limited despite the current economic dislocation, but we continue to actively seek land to add to our development pipeline to sustain external growth. Our focus remains to acquire development sites in London, its commuter towns and certain regional cities.

We have opened three stores since the start of the financial year, Camberwell (July), Bracknell (September) and Battersea (November), with a combined MLA of 205,000 sq ft. The opening of these stores was delayed as a result of the Spring full lockdown by a few months, and our construction team has done an excellent job adapting to the Covid-19 regulations. Initial trading has been encouraging, with Camberwell at 24% occupancy after four months of trading and Bracknell at 16% occupancy after two months. Battersea opened this week.

We announced in July that we had exchanged contracts to acquire a site at 60-70 The Highway, Wapping, London adjacent to our existing store for £18.6 million. We will be seeking planning permission for a mixed-use scheme across both sites to comprise approximately 125,000 sq ft of self storage and ancillary space together with approximately 150 residential units. The intention will be to construct a Big Yellow store on the newly acquired land. When this is complete consideration will be given to the future of the existing property.

Big Yellow now has a pipeline comprising 11 development sites with a cost to complete of approximately £120 million. These store openings are expected to add approximately 780,000 sq ft of storage space to the portfolio, an increase of 16% from the current maximum lettable area of the Group's portfolio.

Our current estimate of net operating income at stabilisation, at today's prices, for this increase in capacity is £20.2 million. The total development cost, including cost incurred to date of £107.6 million, and cost to complete of approximately £120 million, is estimated to be approximately £227.6 million implying an 8.9% net operating income return on cost.

In order to fund the acquisition of further development sites, the Group raised £79.9 million (net of expenses), through the issue of 8.3 million shares in April 2020. Net debt is £290.3 million at 30 September 2020, and we have available liquidity of approximately £136 million and the business continues to generate positive post-dividend cash flow.

Our team

The last several months have been a very challenging period for the nation, with a combination of a health and an economic crisis. Throughout this period, we have made significant investment to make our workplaces safe and Covid-secure for our employees and customers. We have also increased our focus on wellbeing to heighten our responsiveness during what has been a very stressful time.

We have worked hard over many years to create an inclusive culture with a highly engaged and motivated team. I would like to thank all of our Big Yellow team for their continued loyalty and efforts to tackle all the challenges that have faced us since the onset of the pandemic.

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Outlook

If we look back on our trading over the last six months, and indeed since the period end, it is reasonable to say that to date the structural tailwinds have been significantly stronger than the headwinds generated by the pandemic.

The current outlook for both the economy and the pandemic remain uncertain, and as a management team we are constantly alert to the threats and challenges generated by this crisis. The momentum we have seen from June relative to last year is continuing, however our visibility of future demand is limited to two to four weeks.

Further challenges will no doubt present themselves, but Big Yellow is relatively well placed to meet them. Our stores are approaching 90% occupancy, which gives us pricing power. We have the potential for further external growth with a significant pipeline, which has largely been de-risked by the securing of planning consents. Our capital structure is conservative, with interest cover of just under 10 times, providing both downside protection and upside opportunity to acquire new development sites.

Nicholas Vetch

Executive Chairman
16 November 2020

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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 storage facilities are large buildings, are not crowded places and have a relatively low intensity of use. We have reviewed the Government's advice and carried out risk assessments to confirm our stores remain Covid-19 compliant with appropriate measures, including providing Perspex barriers, intensified cleaning, floor distancing markers and hand sanitisers. Our staff wear face coverings in all customer interactions, and we have limited the numbers of customers allowed into our reception areas at any one time. For existing customers our stores allow automated access and we have a check-in process online that allows for minimal face-to-face contact in store. During the early Summer we implemented paperless move-ins throughout the business with the introduction of digital signature pads.

Store occupancy

Like-for-like occupancy increased by 6.6 ppts from 1 April 2020, and like-for-like store revenue growth for the half year was 2.4%.

The table below shows the monthly move-in and move-out activity over the half year:

	Move-ins period ended 30 September 2020	Move-ins period ended 30 September 2019	%	Move-outs period ended 30 September 2020	Move-outs period ended 30 September 2019	%
April	2,578	5,016	(49)	2,693	4,982	(46)
May	4,121	5,798	(29)	3,194	4,870	(34)
June	6,861	8,136	(16)	4,160	4,890	(15)
July	6,689	6,883	(3)	5,363	6,366	(16)
August	7,213	7,143	1	5,815	6,579	(12)
September	6,965	6,544	6	7,950	9,575	(17)
Total	34,427	39,520	(13)	29,175	37,262	(22)
October	6,339	5,356	18	6,789	6,714	1
November to date	2,608	2,332	12	2,907	2,882	1

As previously reported, activity levels dropped significantly in the business during the Spring full lockdown. As the lockdown eased from mid-May, we saw increased activity from both businesses and individuals.

The table below shows the change in occupancy by customer type over the six-month period:

Customer type	Net sq ft change in period ended 30 September 2020	Net sq ft change in period ended 30 September 2019	Change
Domestic	193,000 sq ft	94,000 sq ft	99,000 sq ft
Business	108,000 sq ft	(14,000 sq ft)	122,000 sq ft
Student	24,000 sq ft	20,000 sq ft	4,000 sq ft
Total	325,000 sq ft	100,000 sq ft	225,000 sq ft

The increase in business demand following the gradual reopening of the economy is being 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. Business move-ins in since 1 July are up 25% year-on-year. This has resulted in an increase in the average size of our move-ins during the period (excluding students) from 65.9 sq ft to 68.3 sq ft.

The average space occupied by business customers at the period end has increased slightly to 180 sq ft. Domestic customers occupy on average 57 sq ft and pay on average 21% more in rent per sq ft, however business customers do stay longer and take more space, so represent around 31% of revenue.

Domestic demand was impacted by the "stay at home message" and the freezing of the housing market. The phased relaxation of lockdown from mid-May and reopening of the housing market, assisted by the stamp duty holiday until March 2021, has led to an improvement in all aspects of short stay and longer stay domestic demand. Domestic move-ins since 1 July are up 7% year-on-year.

Student activity was distorted by a spike in emergency move-ins in March as the lockdown was announced, whilst others were allowed to leave their belongings in their accommodation over the summer term. We have an additional 24,000 sq ft of approximately 1,100 students currently in the business who moved in after 1 March compared to last year. This is after seasonal student move-outs which we saw in September and October. The remaining students are likely to be those who have not yet returned to their universities, many of whom will have remained overseas.

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Move-outs showed a similar decline to move-ins over the first quarter. Since July move-outs have continued to be lower than the prior year, whilst move-ins have recovered. As can be seen from the table above, in October move-outs have broadly normalised and were up 1% compared to the prior year, with two additional stores open.

Occupancy growth over the six-month period was 325,000 sq ft (2019: 100,000 sq ft). The table below shows the monthly net sq ft performance:

	Net sq ft period ended 30 September 2020	Net sq ft period ended 30 September 2019	Net move-ins period ended 30 September 2020	Net move-ins period ended 30 September 2019
April	(40,000)	(13,000)	(115)	34
May	43,000	25,000	927	928
June	135,000	113,000	2,701	3,246
July	73,000	3,000	1,326	517
August	109,000	42,000	1,398	564
September	5,000	(70,000)	(985)	(3,031)
Total	325,000	100,000	5,252	2,258
October	1,000	(55,000)	(450)	(1,358)
November to date	(17,000)	(20,000)	(299)	(550)

Our third quarter is historically the weakest trading quarter and in recent years, we have typically lost two to three percentage points of occupancy before a return to growth in the fourth quarter. In the current year, we have lost 16,000 sq ft (0.3% of maximum lettable area “MLA”) since the end of September, compared to a loss of 75,000 sq ft (1.6% of MLA) at the same stage last year, and a loss of 56,000 sq ft (1.2% of MLA) in 2018. Since the period end, we have continued to benefit from move-in momentum across our business and domestic customer base.

The 70 mature stores are 88.1% occupied compared to 84.8% at the same time last year. The 2 established stores have increased their occupancy to 87.9% compared to 81.5% at the same time last year. The 5 developing stores added 39,000 sq ft of occupancy in the past six months to reach closing occupancy of 37.1%.

Overall like-for-like store occupancy has increased over the 12 months by 3.9 ppts to 87.3%, and by 6.6 ppts from 1 April 2020.

	Occupancy 30 September 2020 %	Occupancy growth from March 2020 000 sq ft	Occupancy 30 September 2020 000 sq ft	Occupancy 31 March 2020 000 sq ft	Occupancy 30 September 2019 000 sq ft
70 mature stores	88.1%	268	3,895	3,627	3,750
2 established stores	87.9%	18	109	91	101
5 developing stores	37.1%	39	102	63	59
Total – all 77 stores	85.2%	325	4,106	3,781	3,910

Cash collection

A key focus throughout the period has been our cash management and this forms part of our bonus structure. Over 80% of our customers pay by direct debit, and as of the date of these results, the Group has collected 99.6% of its revenue for the first half of the financial year, which compares to 99.6% at this time last year.

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.

The Group’s net rent increased in April and May with fewer move-ins causing the level of opening offer discounts in the business to reduce. As activity levels increased, the level of opening offer discounts increased, leading to a fall in net rent. Additionally, the Group suspended price increases to existing customers from the start of lockdown. This process was restarted in July, albeit with capped levels of increases, which started to take effect from the end of that month. In the half year we have consequently only had two months of rent increases to in-place customers and as you can see from the table below, this has impacted storage rate growth.

The Group’s average net achieved rent grew by 2.2% compared to the same period last year. The closing net rent at 30 September 2020 fell by 1.4% from 31 March 2020 but was up 0.1% from 30 September 2019.

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

Average occupancy in the six months	Number of stores	Net rent per sq ft change from 1 April to 30 September 2020	Net rent per sq ft change from 1 April to 30 September 2019
0 to 75%	4	(5.6%)	(1.6%)
75 to 85%	52	(0.6%)	1.4%
Above 85%	19	0.2%	3.4%

Security of income

Our principal financial aims remain to grow cash flow, earnings and dividend. 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 2020 the average length of stay for existing customers was 27 months (2019: 26 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 8.8 months (2019: 8.6 months). Most notably, we have seen a significant increase in the length of stay of customers who moved out over the six months, which increased to 9.6 months from 8.0 months for the same period last year. This is likely to have been the result of customers delaying move-outs during the Spring full lockdown, albeit our stores continued to operate throughout.

34% of our customers by occupied space have been storing with us for over two years (2019: 33%), and a further 17% of customers have been in the business for between one and two years (2019: 18%).

We have a diverse base of 62,000 customers and this together with the location and quality of our stores, brand, digital operating systems and customer service, 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 focus on 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 two store openings in London in 2019, and we anticipate five new facilities in London in 2020, including our Camberwell and Battersea stores.

Revenue

Total revenue for the six-month period was £65.8 million, an increase of £1.5 million (2.3%) from £64.3 million in the prior period. Like-for-like store revenue (see glossary in note 19) was £64.1 million, an increase of 2.4% from the prior period figure of £62.6 million.

In the first quarter, the Group's store revenue increased by 2.0%, with average net rent achieved per sq ft up 3.7% compared to the same period last year, and average occupancy down 1.0%, coupled with a reduction in packing material sales (see below). In the second quarter, the Group's store revenue increased by 3.1%, with average net achieved rent per sq ft up 0.8% compared to the same period last year and average occupancy up 2.2%. At 30 September 2020, occupied space was up 5.0% compared to last year and closing net rent per sq ft was up 0.1%, so we would expect year-on-year revenue growth in the second half of the year to be largely driven by occupancy.

Other sales, comprising the selling of packing materials, insurance and storage related charges, represented 14.0% of total store revenue for the period (2019: 14.2%) and generated revenue of £9.0 million for the period, up 1.4% from £8.9 million in 2019 (see Portfolio Summary). The Group's packing material sales were down 44% year-on-year in April and May during the lockdown period, which explains the decline in the proportion of other sales. This recovered in September with packing material sales up 23% compared to last year.

The other revenue earned is management fee income from the Armadillo Partnerships and tenant income on sites where we have not started development.

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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 breakdown of the portfolio's operating costs compared to the prior period is shown in the table below:

Category	Period ended 30 September	Period ended 30 September	%	% of store operating costs in period
	2020 £000	2019 £000		
Cost of sales (insurance and packing materials)	1,476	1,459	1%	8%
Staff costs	5,020	4,716	6%	27%
General & Admin	565	586	(4%)	3%
Utilities	732	664	10%	4%
Property Rates	6,132	5,984	2%	32%
Marketing	2,746	2,964	(7%)	14%
Repairs and maintenance	1,423	1,443	(1%)	8%
Insurance	440	361	22%	2%
Computer Costs	337	321	5%	2%
Total before one-off items	18,871	18,498	2%	
One-off items	-	(792)	(100%)	-
Total per portfolio summary	18,871	17,706	7%	

Store operating costs have increased by £1.2 million (7%). There were two one-off items in the prior year; a rates rebate on a store, and a significant backdated utilities recharge to our telecom mast provider, totalling £0.8 million. Store operating costs pre these one-off items have increased by £0.4 million (2%) compared to the same period last year.

Our new stores at Camberwell and Bracknell carry an incremental cost of £0.2 million. Our marketing expenditure has decreased by £0.2 million with lower search costs and traffic levels during the lockdown contributing to the reduction. General and admin expenses have reduced due to less travel during the period, partly offset by expenditure on PPE for our stores and head office. Insurance has increased due to a lower rebate during the period compared to the same period last year. Utilities expenditure has increased following energy price increases in the market as a whole. The Group moved to a 100% renewable energy provider in October 2019. The other increases in store operating costs are mainly inflationary.

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

	Period ended 30 September 2020 £000	Period ended 30 September 2019 £000
Direct store operating costs per portfolio summary (excluding rent)	18,871	17,706
Rent included in cost of sales (total rent payable is included in portfolio summary)	636	650
Depreciation charged to cost of sales	195	157
Head office operational management costs charged to cost of sales	357	537
Cost of sales per income statement	20,059	19,050

Store EBITDA

Store EBITDA for the period was £44.5 million, an increase of £0.5 million (1.1%) from £44.0 million for the period ended 30 September 2019 (see Portfolio Summary). The overall EBITDA margin for all Big Yellow stores during the period was 69.2%, down from 70.2% in 2019. The fall in EBITDA margin is partly due to the one-off credit items in cost of sales in the prior period, and the opening of two new stores.

75 stores are currently trading profitably at the Store EBITDA level, with our new stores at Camberwell and Bracknell expected to break even within six to nine months of opening.

Administrative expenses

Administrative expenses in the income statement have increased by £0.2 million. The increase is partly inflationary and partly due to national insurance charges on the exercise of share options. The non-cash share-based payments charge represents £1.2 million of the overall £5.7 million expense.

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Interest

Interest on bank borrowings during the period was £4.7 million, £0.5 million lower than the same period last year. Average debt levels were lower than the prior period following the placing in April 2020, and the Group benefited from the reduction in the base rate in March 2020.

Interest capitalised in the period amounted to £1.0 million (2019: £0.6 million), principally arising on the construction of our Camberwell, Battersea and Bracknell stores.

Results

The Group's statutory profit before tax for the period was £59.9 million, a decrease of 37% from £95.8 million for the same period last year. The decrease is due to a lower 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 £36.5 million, up 3.4% from £35.3 million in 2019.

	Six months ended 30 September 2020	Six months ended 30 September 2019
	£m	£m
Profit before tax analysis		
Profit before tax	59.9	95.8
Gain on revaluation of investment properties	(23.5)	(60.9)
Gain on disposal of investment property	-	(0.1)
Change in fair value of interest rate derivatives	0.5	0.8
Share of non-recurring gains in associates	(0.4)	(0.3)
Adjusted profit before tax	36.5	35.3
Tax	(0.2)	(0.4)
Adjusted profit after tax	36.3	34.9

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

	£m
Movement in adjusted profit before tax	
Adjusted profit before tax for the six months to 30 September 2019	35.3
Increase in gross profit	0.5
Increase in administrative expenses	(0.2)
Reduction in net interest payable	0.5
Increase in capitalised interest	0.4
Adjusted profit before tax for the six months to 30 September 2020	36.5

Diluted EPRA earnings per share was 20.9 pence (2019: 21.0 pence), a decrease of 0.5% from the same period last year, with the adjusted profit growth diluted following the placing of 8.3 million shares in April 2020, raising £79.9 million to fund the development of new stores.

BIG YELLOW GROUP PLC

Cash flow

Cash flows from operating activities (after net finance costs) have increased by 17.5% to £42.3 million for the period (2019: £36.0 million). The operating cash flow benefited from a deferral of the Group's quarterly VAT payment, due in April 2020 of £4.2 million, in line with the government announced scheme to defer that quarter's VAT payments for businesses. This amount will be paid in March 2021. The growth in cash flow from operating activities excluding this deferral is 5.8%.

These operating cash flows are after the ongoing maintenance costs of the stores, which are on average £38,000 per store per annum. The Group's net debt has reduced over the period to £290.3 million (March 2020: £350.6 million), following the placing in April 2020.

	Six months ended 30 September 2020	Six months ended 30 September 2019
	£m	£m
Cash generated from operations	47.6	41.9
Net finance costs	(4.4)	(5.3)
Interest on obligations under lease liabilities	(0.4)	(0.4)
Tax	(0.5)	(0.2)
Cash flow from operating activities	42.3	36.0
Disposal of assets	-	14.1
Capital expenditure	(34.0)	(49.5)
Receipt from Capital Goods Scheme	0.7	0.9
Dividend received from associates	0.3	0.3
Cash flow after investing activities	9.3	1.8
Dividends	(29.1)	(27.3)
Payment of finance lease liabilities	(0.5)	(0.5)
Issue of share capital	80.6	0.9
(Decrease)/increase in borrowings	(105.3)	12.7
Net cash outflow	(45.0)	(12.4)

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 9.7 times (2019: 7.8 times).

Of the capital expenditure in the period £21.8 million is for the acquisition of Wapping (including acquisition costs) and an additional parcel of land at Kings Cross, with £12.2 million relating to build costs of the new stores.

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.

There is a £0.2 million tax charge in the residual business for the period ended 30 September 2020 (six months to 30 September 2019: £0.4 million).

Dividends

REIT regulatory requirements determine the level of Property Income Distribution ("PID") payable by the Group. A PID of 17.0 pence per share is proposed as the total interim dividend, a decrease of 0.6% from 17.1 pence per share PID for the same period last year.

The interim dividend will be paid on 8 January 2021. The ex-div date is 3 December 2020 and the record date is 4 December 2020.

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.

BIG YELLOW GROUP PLC

The table below summarises the Group's debt facilities at 30 September 2020:

Debt	Expiry	Facility	Drawn	Cost
Aviva Loan	April 2027	£116.2m	£116.2m	4.0%
M&G loan	June 2023	£70m	£70m	2.6%
Bank loan (Lloyds, HSBC and Bank of Ireland)	October 2024	£240m	£110.5m	2.0%
Total	Average 4.6 years	£426.2m	£296.7m	2.9%

The Group has committed undrawn bank facilities of £129.5 million, which if drawn would carry a current marginal cost of debt of approximately 1.35%. The Group also has an option to increase the amount of revolving loan by a further £30 million during the loan's term.

In March 2020, the Group agreed a seven-year debt facility with Aviva of £35 million at an all-in cost of 1.96%, secured over the existing Aviva security pool of 15 stores. The all-in cost of this loan has subsequently reduced to 1.91% following the installation of 50 kWh capacity solar panels at three of the stores, as agreed with Aviva on drawing the loan.

The Group was comfortably in compliance with its banking covenants at 30 September 2020.

The net debt to gross property assets ratio is 18% (2019: 22%) and the net debt to adjusted net assets ratio (see net asset value section below) is 21% (2019: 27%). Our net debt to the Group's market capitalisation at 30 September 2020 was 16% (2019: 20%).

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") 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 on the capitalisation rates used in the valuations. The Directors, as advised by CBRE, consider that the capitalisation rates are unchanged since the start of the financial year.

The Directors have made some minor amends to a couple of the valuation assumptions, namely the removal of certain Spring full lockdown specific adjustments that had been made by the valuers at the 31 March 2020 valuation date, and the adjustment of stable occupancy levels on certain stores that are consistently trading ahead of the previously used assumptions. Other than the above, the Directors believe the core assumptions used by CBRE in the March 2020 valuations are still appropriate at the September valuation date. See the Group's annual report for the year ended 31 March 2020 for the full detail of the valuation methodology.

At 30 September 2020 the total value of the Group's properties is shown in the table below:

Analysis of property portfolio	Value at 30 September 2020 £m	Revaluation movement in the period £m
Investment property	1,450.6	25.4
Investment property under construction	128.0	(1.8)
Investment property total	1,578.6	23.6

The revaluation surplus for the open stores in the period was £25.4 million, driven by cash flow improvements, with cap rates unchanged. There is a revaluation deficit of £1.8 million on the investment property under construction, due to an increase in projected development costs on a couple of schemes.

The initial yield on the portfolio before administration expenses and assuming no rental growth, is 6.2% rising to a stabilised yield of 6.8% (31 March 2020: 6.1% rising to 6.8%).

BIG YELLOW GROUP PLC

Development pipeline

The Group has opened three stores during the financial year to date, adding 205,000 sq ft of capacity, in Camberwell, London, Bracknell and Battersea, London. The Group acquired a development site in Wapping during the period. This acquisition takes the total pipeline to approximately 780,000 sq ft, representing 16% of current MLA, with an estimated future cost to complete of approximately £120 million. The status of the Group's development pipeline is summarised in the table below:

Site	Location	Status	Anticipated capacity
Uxbridge, London	Prominent location on Oxford Road	Planning consent granted in July 2019. Construction started in June 2020 with a view to opening in Summer 2021.	53,000 sq ft
Hayes, London	Prominent location on Hayes Road	Planning consent granted in July 2020. Construction to commence in January with a view to opening in December 2021.	73,000 sq ft
Harrow, London	Prominent location on Harrow View	Planning consent granted in November 2020. Construction to commence in February 2021 with a view to opening in Spring 2022.	82,000 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
North Kingston, London	Prominent location on Richmond Road, Ham	Planning consent granted in September 2020. Construction to commence in Summer 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 will start in January 2021 with a view to opening in Spring 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.	58,000 sq ft
Slough	Prominent location on Bath Road	Site acquired in April 2019. Planning application to be submitted early 2021.	65,000 to 70,000 sq ft
Wapping, London	Prominent location on the Highway, adjacent to existing Big Yellow store	Site acquired in July 2020. Planning application to be submitted in Spring 2021.	Additional 95,000 sq ft
Newcastle	Prominent location on Scotswood Road	Planning application to be submitted November 2020.	60,000 sq ft
Total			776,000 sq ft to 781,000 sq ft

The capital expenditure forecast for the remainder of the financial year (excluding any new site acquisitions) is approximately £14 million, which principally relates to construction costs on Battersea, Uxbridge, Hove, Kings Cross and Hayes.

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.

BIG YELLOW GROUP PLC

Net asset value

The adjusted net asset value per share is 780.2 pence (see note 13), up 2.4% from 761.7 pence per share at 31 March 2020 (after adjusting the opening NAV for the April 2020 placing). The table below reconciles the movement from 31 March 2020:

	Equity shareholders' funds £m	EPRA adjusted NAV pence per share
Movement in adjusted net asset value		
31 March 2020	1,258.6	751.9
Share placing	79.9	9.8
31 March 2020 (rebased)	1,338.5	761.7
Adjusted profit after tax	36.3	20.6
Equity dividends paid	(29.1)	(16.6)
Revaluation movements (including share of associate)	24.1	13.7
Movement in purchaser's cost adjustment	3.0	1.7
Other movements (e.g. share schemes)	2.0	(0.9)
30 September 2020	1,374.8	780.2

Armadillo Self Storage

The Group has a 20% investment in Armadillo Storage Holding Company Limited and a 20% investment in Armadillo Storage Holding Company 2 Limited. In the consolidated accounts of Big Yellow Group PLC, our investments in the vehicles are treated as associates using the equity accounting method.

The occupancy of the portfolios at 30 September 2020 is 868,000 sq ft, against a total capacity of 1,081,000 sq ft representing occupancy at 30 September 2020 of 80.3% (31 March 2020: 73.9%). Occupancy increased by 69,000 sq ft over the six months.

The revenue of the portfolio increased by 4.5% to £8.6 million for the six months to 30 September 2020 (2019: £8.3 million). On a like-for-like basis, excluding three stores acquired in the prior year, the increase was 2.2%.

The Armadillo Partnerships made a combined operating profit of £4.1 million in the period, of which Big Yellow's share is £0.8 million. After net interest costs, the revaluation of investment properties, deferred tax on the revaluation surplus and interest rate derivatives, the profit for the period was £4.4 million, of which the Group's share was £0.9 million.

Big Yellow receives a management fee from Armadillo, which for the period to 30 September 2020 amounted to £0.7 million. The Group's share of the interim dividend declared for the period is £0.3 million, representing a 7.5% yield on our equity invested for the six months.

James Gibson
Chief Executive Officer

John Trotman
Chief Financial Officer

16 November 2020

BIG YELLOW GROUP PLC

PORTFOLIO SUMMARY – BIG YELLOW STORES

	2020				2019			
	Mature ⁽¹⁾	Established	Developing	Total	Mature	Established	Developing	Total
Number of stores	70	2	5	77	70	2	3	75
At 30 September:								
Total capacity (sq ft)	4,423,000	124,000	275,000	4,822,000	4,423,000	124,000	141,000	4,688,000
Occupied space (sq ft)	3,895,000	109,000	102,000	4,106,000	3,750,000	101,000	59,000	3,910,000
Percentage occupied	88.1%	87.9%	37.1%	85.2%	84.8%	81.5%	41.8%	83.4%
Net rent per sq ft	£27.97	£23.91	£23.57	£27.75	£27.92	£22.93	£24.09	£27.73
For the period:								
REVPAF ⁽²⁾	£27.82	£22.23	£13.75	£27.11	£27.34	£21.22	£11.45	£26.74
Average occupancy	84.5%	80.6%	41.9%	82.7%	84.7%	81.5%	33.1%	83.2%
Average annual net rent psf	£28.19	£23.29	£25.22	£28.01	£27.58	£21.83	£25.22	£27.40
	£000	£000	£000	£000	£000	£000	£000	£000
Self storage income	52,825	1,165	1,000	54,990	51,780	1,108	573	53,461
Other storage related income ⁽²⁾	8,570	213	248	9,031	8,548	206	152	8,906
Ancillary store rental Income	298	4	51	353	291	5	56	352
Total store revenue	61,693	1,382	1,299	64,374	60,619	1,319	781	62,719
Direct store operating costs (excluding depreciation)	(17,595)	(497)	(779)	(18,871)	(16,594)	(480)	(632)	(17,706)
Short and long leasehold rent ⁽³⁾	(973)	-	(5)	(978)	(998)	-	(4)	(1,002)
Store EBITDA ^(2,4)	43,125	885	515	44,525	43,027	839	145	44,011
Store EBITDA margin	69.9%	64.0%	39.6%	69.2%	71.0%	63.6%	18.6%	70.2%
Deemed cost								
	£m	£m	£m	£m				
To 30 September 2020	589.1	21.2	73.9	684.2				
Capex to complete	-	-	0.4	0.4				
Total	589.1	21.2	74.3	684.6				

(1) The mature stores have been open for more than six years at 1 April 2020. The established stores have been open for between three and six years at 1 April 2020 and the developing stores have been open for fewer than three years at 1 April 2020.

(2) See glossary in note 19.

(3) Rent under IFRS 16 for six mature short leasehold properties accounted for as investment properties and finance leases under IFRS with total self storage capacity of 339,000 sq ft, a long leasehold mature store with a capacity of 64,000 sq ft, and a long leasehold developing store with a capacity of 60,000 sq ft. The EBITDA margin for the 64 freehold mature stores is 71.7%, and 47.1% for the six short leasehold mature stores.

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

	Period ended 30 September 2020			Period ended 30 September 2019		
	Store EBITDA	Reconciling items	Gross profit per income statement	Store EBITDA	Reconciling items	Gross profit per income statement
Store revenue/Revenue ⁽¹⁾	64,374	1,439	65,813	62,719	1,551	64,270
Cost of sales ⁽²⁾	(18,871)	(1,188)	(20,059)	(17,706)	(1,344)	(19,050)
Rent ⁽³⁾	(978)	978	-	(1,002)	1,002	-
	44,525	1,229	45,754	44,011	1,209	45,220

(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.

BIG YELLOW GROUP PLC

PORTFOLIO SUMMARY – ARMADILLO STORES

	2020	2019
Number of stores	25	25
At 30 September:		
Total capacity (sq ft)	1,081,000	1,062,000
Occupied space (sq ft)	868,000	836,000
Percentage occupied	80.3%	78.7%
Net rent per sq ft	£17.50	£17.33
For the period:		
REVPAF	£16.20	£16.06
Average occupancy	77.6%	78.1%
Average annual net rent psf	£17.71	£17.30
	£000	£000
Self storage income	7,335	6,959
Other storage related income	1,288	1,292
Ancillary store rental income	21	21
Total store revenue	8,644	8,272
Direct store operating costs (excluding depreciation)	(3,407)	(3,283)
Short leasehold rent	(279)	(258)
Store EBITDA	4,958	4,731
Store EBITDA margin	57.4%	57.2%
Cumulative capital expenditure		
	£m	
To 30 September 2020	84.7	
To complete	-	
Total capital expenditure	84.7	

BIG YELLOW GROUP PLC

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

James Gibson
Chief Executive Officer

John Trotman
Chief Financial Officer

16 November 2020

BIG YELLOW GROUP PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Six months ended 30 September 2020

	Six months ended 30 September 2020 (unaudited) £000	Six months ended 30 September 2019 (unaudited) £000	Year ended 31 March 2020 (audited) £000
Note			
Revenue	2	65,813	129,313
Cost of sales		(20,059)	(38,873)
Gross profit		<u>45,754</u>	<u>90,440</u>
Administrative expenses		(5,683)	(10,462)
Operating profit before gains and losses on property assets		<u>40,071</u>	<u>79,978</u>
Gain on the revaluation of investment properties	9a	23,554	23,193
Gain on disposal of investment property		-	57
Operating profit		<u>63,625</u>	<u>103,228</u>
Share of profit of associates	9d	888	856
Investment income – interest receivable	3	54	114
Finance costs – interest payable	4	(4,149)	(9,843)
– fair value movement of derivatives	4	(502)	(908)
Profit before taxation		<u>59,916</u>	<u>93,447</u>
Taxation	5	(180)	(871)
Profit for the period (attributable to equity shareholders)		<u>59,736</u>	<u>92,576</u>
Total comprehensive income for the period attributable to equity shareholders		<u>59,736</u>	<u>92,576</u>
Basic earnings per share	8	34.4p	55.8p
Diluted earnings per share	8	34.3p	55.6p

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 22 to 37 are an integral part of these condensed consolidated interim financial statements.

BIG YELLOW GROUP PLC

CONDENSED CONSOLIDATED BALANCE SHEET 30 September 2020

		30 September 2020 (unaudited) £000	30 September 2019 (unaudited) £000	31 March 2020 (audited) £000
	Note			
Non-current assets				
Investment property	9a	1,450,580	1,412,175	1,385,120
Investment property under construction	9a	128,047	130,870	136,299
Right-of-use assets	9a	17,240	18,365	17,829
Plant, equipment and owner-occupied property	9b	4,137	3,968	4,008
Intangible assets	9c	1,433	1,433	1,433
Investment in associates	9d	11,804	11,651	11,260
Capital Goods Scheme receivable	10	159	646	660
		<hr/> 1,613,400	<hr/> 1,579,108	<hr/> 1,556,609
Current assets				
Inventories		381	304	412
Trade and other receivables	10	7,568	13,644	7,882
Cash and cash equivalents		6,417	5,548	51,418
		<hr/> 14,366	<hr/> 19,496	<hr/> 59,712
Total assets		<hr/> 1,627,766	<hr/> 1,598,604	<hr/> 1,616,321
Current liabilities				
Trade and other payables	11	(37,638)	(36,398)	(33,446)
Borrowings	12	(2,795)	(2,662)	(2,728)
Obligations under lease liabilities		(1,751)	(1,751)	(1,751)
		<hr/> (42,184)	<hr/> (40,811)	<hr/> (37,925)
Non-current liabilities				
Borrowings	12	(291,787)	(345,869)	(397,007)
Obligations under lease liabilities		(16,688)	(17,642)	(17,186)
Derivative financial instruments		(829)	(228)	(327)
		<hr/> (309,304)	<hr/> (363,739)	<hr/> (414,520)
Total liabilities		<hr/> (351,488)	<hr/> (404,550)	<hr/> (452,445)
Net assets		<hr/> 1,276,278	<hr/> 1,194,054	<hr/> 1,163,876
Equity				
Called up share capital		17,578	16,713	16,714
Share premium account		192,064	112,335	112,320
Reserves		1,066,636	1,065,006	1,034,842
Equity shareholders' funds		<hr/> 1,276,278	<hr/> 1,194,054	<hr/> 1,163,876

The notes on pages 22 to 37 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 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

Six months ended 30 September 2019 (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 2019	16,667	111,514	74,950	1,795	919,990	(1,019)	1,123,897
Total comprehensive income for the period	-	-	-	-	95,450	-	95,450
Issue of share capital	46	821	-	-	-	-	867
Credit to equity for equity- settled share-based payments	-	-	-	-	1,159	-	1,159
Dividends	-	-	-	-	(27,319)	-	(27,319)
At 30 September 2019	16,713	112,335	74,950	1,795	989,280	(1,019)	1,194,054

Year ended 31 March 2020 (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 2019	16,667	111,514	74,950	1,795	919,990	(1,019)	1,123,897
Total comprehensive income for the year	-	-	-	-	92,576	-	92,576
Issue of share capital	47	806	-	-	-	-	853
Credit to equity for equity- settled share-based payments	-	-	-	-	2,256	-	2,256
Dividend	-	-	-	-	(55,706)	-	(55,706)
At 31 March 2020	16,714	112,320	74,950	1,795	959,116	(1,019)	1,163,876

The notes on pages 22 to 37 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 2020

	Six months ended 30 September 2020 (unaudited) £000	Six months ended 30 September 2019 (unaudited) £000	Year ended 31 March 2020 (audited) £000	
Cash generated from operations	17	47,560	41,943	85,074
Bank interest paid		(4,382)	(5,344)	(10,211)
Interest on obligations under lease liabilities		(391)	(411)	(820)
Interest received		25	19	33
Tax paid		(481)	(178)	(461)
Cash flows from operating activities		42,331	36,029	73,615
Investing activities				
Purchase of non-current assets		(34,052)	(49,506)	(63,748)
Proceeds on disposal of investment property		-	14,105	14,105
Receipt from Capital Goods Scheme		738	933	1,226
Dividend received from associates	9d	344	305	649
Cash flows from investing activities		(32,970)	(34,163)	(47,768)
Financing activities				
Issue of share capital		80,608	867	853
Payment of finance lease liabilities		(498)	(485)	(962)
Equity dividends paid		(29,124)	(27,319)	(55,706)
Loan arrangement fees paid		-	-	(919)
Drawing of new Aviva loan		-	-	35,000
(Decrease)/increase in borrowings		(105,348)	12,717	29,403
Cash flows from financing activities		(54,362)	(14,220)	7,669
Net (decrease)/increase in cash and cash equivalents		(45,001)	(12,354)	33,516
Opening cash and cash equivalents		51,418	17,902	17,902
Closing cash and cash equivalents		6,417	5,548	51,418

The notes on pages 22 to 37 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 2020 are unaudited and were approved by the Board on 16 November 2020. The financial information contained in this report in respect of the year ended 31 March 2020 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 but did contain an emphasis of matter paragraph regarding uncertain valuation of investment property without qualifying the report.

The annual financial statements of Big Yellow Group PLC are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. 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 2020.

At 30 September 2020 the Group had available liquidity of £135.9 million, from a combination of cash and undrawn bank debt facilities. The Group is cash generative and for the six months ended 30 September 2020, had operational cash flow of £42.3 million, with capital commitments at the balance sheet date of £4.5 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 2021 and projections contained in the longer-term business plan which covers the period to March 2024. 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 economic shock brought on 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 2020 (unaudited) £000	Six months ended 30 September 2019 (unaudited) £000	Year ended 31 March 2020 (audited) £000
Open stores			
Self storage income	54,990	53,461	107,293
Insurance income	7,099	6,816	13,432
Packing materials income	1,298	1,371	2,505
Other income from storage customers	634	719	1,434
Ancillary store rental income	353	352	710
	<hr/> 64,374	<hr/> 62,719	<hr/> 125,374
Other revenue			
Non-storage income	750	922	1,706
Management fees	689	629	2,233
Total revenue	<hr/> 65,813	<hr/> 64,270	<hr/> 129,313

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 2020 (unaudited) £000	Six months ended 30 September 2019 (unaudited) £000	Year ended 31 March 2020 (audited) £000
Bank interest receivable	25	20	33
Unwinding of discount on Capital Goods Scheme receivable	29	53	81
Total investment income	<hr/> 54	<hr/> 73	<hr/> 114

4. FINANCE COSTS

	Six months ended 30 September 2020 (unaudited) £000	Six months ended 30 September 2019 (unaudited) £000	Year ended 31 March 2020 (audited) £000
Interest on bank borrowings	4,747	5,225	10,579
Capitalised interest	(989)	(626)	(1,556)
Interest on finance lease obligations	391	411	820
Total interest payable	<hr/> 4,149	<hr/> 5,010	<hr/> 9,843
Change in fair value of interest rate derivatives	502	809	908
Total finance costs	<hr/> 4,651	<hr/> 5,819	<hr/> 10,751

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 2020 (unaudited) £000	Six months ended 30 September 2019 (unaudited) £000	Year ended 31 March 2020 (audited) £000
Current tax:			
- Current year	345	370	940
- Prior year	(165)	-	(69)
	<u>180</u>	<u>370</u>	<u>871</u>

6. ADJUSTED PROFIT

	Six months ended 30 September 2020 (unaudited) £000	Six months ended 30 September 2019 (unaudited) £000	Year ended 31 March 2020 (audited) £000
Profit before tax	59,916	95,820	93,447
Gain on revaluation of investment properties – Group	(23,554)	(60,884)	(23,193)
– associates (net of deferred tax)	(411)	(366)	(100)
Change in fair value of interest rate derivatives – Group	502	809	908
– associates	32	(4)	(7)
Gain on disposal of investment property	-	(57)	(57)
Adjusted profit before tax	<u>36,485</u>	<u>35,318</u>	<u>70,998</u>
Tax	(180)	(370)	(871)
Adjusted profit after tax (EPRA earnings)	<u>36,305</u>	<u>34,948</u>	<u>70,127</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 2020 (unaudited) £000	Six months ended 30 September 2019 (unaudited) £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2020 of 16.7p (2019: 16.5p) per share	29,124	27,319
Proposed interim dividend for the year ending 31 March 2021 of 17.0p (2020: 17.1p) per share	29,692	28,387

The proposed interim dividend of 17.0 pence per ordinary share will be paid to shareholders on 8 January 2021. The ex-div date is 3 December 2020 and the record date is 4 December 2020. 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 2020 (unaudited)			Six months ended 30 September 2019 (unaudited)			Year ended 31 March 2020 (audited)		
	Earnings £000	Shares million	Pence per share	Earnings £000	Shares million	Pence per share	Earnings £000	Shares million	Pence per share
Basic	59,736	173.4	34.4	95,450	165.7	57.6	92,576	165.8	55.8
Dilutive share options	-	0.7	(0.1)	-	0.6	(0.2)	-	0.7	(0.2)
Diluted	59,736	174.1	34.3	95,450	166.3	57.4	92,576	166.5	55.6
<i>Adjustments:</i>									
Gain on revaluation of investment properties	(23,554)	-	(13.5)	(60,884)	-	(36.7)	(23,193)	-	(13.9)
Gain on disposal of investment property	-	-	-	(57)	-	(0.0)	(57)	-	(0.0)
Change in fair value of interest rate derivatives	502	-	0.3	809	-	0.5	908	-	0.5
Share of associates’ non-recurring gains and losses	(379)	-	(0.2)	(370)	-	(0.2)	(107)	-	(0.1)
EPRA - diluted	36,305	174.1	20.9	34,948	166.3	21.0	70,127	166.5	42.1
EPRA – basic	36,305	173.4	20.9	34,948	165.7	21.1	70,127	165.8	42.3

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 2020	1,385,120	136,299	17,829	1,539,248
Additions	3,993	29,661	-	33,654
Reclassification	36,070	(36,070)	-	-
Revaluation	25,397	(1,843)	-	23,554
Depreciation	-	-	(589)	(589)
At 30 September 2020	1,450,580	128,047	17,240	1,595,867

Capital commitments at 30 September 2020 were £4.5 million (31 March 2020: £10.0 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	IFRS 16 leases £000	Total £000
Cost							
At 1 April 2020	2,275	77	490	32	1,170	872	4,916
Additions	131	-	68	-	386	-	585
Retirement of fully depreciated assets	-	-	(48)	-	(162)	-	(210)
At 30 September 2020	2,406	77	510	32	1,394	872	5,291
Accumulated depreciation							
At 1 April 2020	(536)	(26)	(180)	(28)	(32)	(106)	(908)
Charge for the period	(34)	(2)	(59)	(4)	(305)	(52)	(456)
Retirement of fully depreciated assets	-	-	48	-	162	-	210
At 30 September 2020	(570)	(28)	(191)	(32)	(175)	(158)	(1,154)
Net book value							
At 30 September 2020	1,836	49	319	-	1,219	714	4,137
At 31 March 2020	1,739	51	310	4	1,138	766	4,008

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 in associates

Armadillo Partnerships

The Group has 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 are accounted for as associates, using the equity method of accounting.

	Armadillo 1			Armadillo 2		
	30 September 2020 (unaudited) £000	30 September 2019 (unaudited) £000	31 March 2020 (audited) £000	30 September 2020 (unaudited) £000	30 September 2019 (unaudited) £000	31 March 2020 (audited) £000
At the beginning of the period	7,027	6,804	6,804	4,233	4,249	4,249
Share of results (see below)	529	696	549	359	207	307
Dividends	(171)	(155)	(326)	(173)	(150)	(323)
At the end of the period	7,385	7,345	7,027	4,419	4,306	4,233

The Group’s total subscription for partnership capital and advances in Armadillo 1 is £1,920,000 and £2,689,000 in Armadillo 2.

BIG YELLOW GROUP PLC

Notes to the Interim Review

9. NON-CURRENT ASSETS (continued)

d) Investment in associates (continued)

The figures below show the trading results of the Armadillo Partnerships, and the Group's share of the results and the net assets.

	Armadillo 1			Armadillo 2		
	Six months ended 30 September 2020 (unaudited) £000	Six months ended 30 September 2019 (unaudited) £000	Year ended 31 March 2020 (audited) £000	Six months ended 30 September 2020 (unaudited) £000	Six months ended 30 September 2019 (unaudited) £000	Year ended 31 March 2020 (audited) £000
Income statement (100%)						
Revenue	5,477	5,209	10,525	3,167	3,063	6,212
Cost of sales	(2,834)	(2,677)	(5,608)	(1,441)	(1,422)	(2,940)
Administrative expenses	(205)	(126)	(395)	(66)	(65)	(1,133)
Operating profit	2,438	2,406	4,522	1,660	1,576	2,139
Gain on the revaluation of investment properties	1,510	2,078	749	1,025	124	812
Net interest payable	(616)	(604)	(1,295)	(387)	(486)	(923)
Fair value movement of interest rate derivatives	(97)	4	4	(63)	16	32
Current and deferred tax	(587)	(403)	(1,236)	(441)	(194)	(520)
Profit attributable to shareholders	2,648	3,481	2,744	1,794	1,036	1,540
Dividends paid	(854)	(776)	(1,630)	(865)	(750)	(1,615)
Retained profit	1,794	2,705	1,114	929	286	(75)
Balance sheet (100%)						
Investment property	73,416	71,278	70,825	44,960	42,922	43,825
Interest in leasehold properties	1,927	1,370	1,950	2,396	2,761	2,574
Other non-current assets	1,213	1,198	1,219	2,021	2,040	2,029
Current assets	1,195	1,227	3,621	605	1,009	3,100
Current liabilities	(3,175)	(32,237)	(35,122)	(1,934)	(21,467)	(24,583)
Derivative financial instruments	(97)	-	-	(63)	(13)	-
Non-current liabilities	(37,553)	(6,113)	(7,361)	(25,889)	(5,724)	(5,778)
Net assets (100%)	36,926	36,723	35,132	22,096	21,528	21,167
Group share (20%)						
Operating profit	488	481	904	332	315	428
Gain on the revaluation of investment properties	302	416	150	205	25	162
Net interest payable	(124)	(121)	(259)	(77)	(97)	(185)
Fair value movement of interest rate derivatives	(19)	1	1	(13)	3	6
Current and deferred tax	(118)	(81)	(247)	(88)	(39)	(104)
Profit attributable to shareholders	529	696	549	359	207	307
Dividends paid	(171)	(155)	(326)	(173)	(150)	(323)
Retained profit	358	541	223	186	57	(16)
Associates' net assets	7,385	7,345	7,027	4,419	4,306	4,233

BIG YELLOW GROUP PLC

Notes to the Interim Review

10. TRADE AND OTHER RECEIVABLES

	30 September 2020 (unaudited) £000	30 September 2019 (unaudited) £000	31 March 2020 (audited) £000
Current			
Trade receivables	4,173	4,536	4,399
Capital Goods Scheme receivable	514	1,001	722
Other receivables	662	340	602
Prepayments and accrued income	2,219	7,767	2,159
	<hr/>	<hr/>	<hr/>
	7,568	13,644	7,882
Non-current			
Capital Goods Scheme receivable	159	646	660

Historically the Group has recognised a liability at 30 September within trade creditors in respect of rates invoices received and dated prior 30 September relating to future periods, with an equivalent amount recognised as a prepayment asset. Having reassessed this treatment at 31 March 2020, the Directors have determined that no liability exists as at 30 September for these costs and have therefore not recognised a liability or a corresponding prepayment as at 30 September 2020 for these costs. The comparative amounts as at 30 September 2019 have not been restated as the Directors have determined that the impact on the prior year balance sheet amounts (£5.7 million) would not influence the economic decisions of the users of the interim statement. There was no impact on the Group's Income Statement or net assets in either the current or prior period, and no impact on the Group's performance metrics or loan covenants on an actual or forecast basis. Accordingly, the Directors have concluded that the effect was not material and that prior period would not be restated.

11. TRADE AND OTHER PAYABLES

	30 September 2020 (unaudited) £000	30 September 2019 (unaudited) £000	31 March 2020 (audited) £000
Current			
Trade payables	4,177	9,966	4,748
Other payables	14,408	10,096	10,734
Accruals and deferred income	19,053	16,336	17,964
	<hr/>	<hr/>	<hr/>
	37,638	36,398	33,446

Please see Note 10 above with respect to the liability at 30 September 2019.

BIG YELLOW GROUP PLC

Notes to the Interim Review

12. BORROWINGS

	30 September 2020 (unaudited) £000	30 September 2019 (unaudited) £000	31 March 2020 (audited) £000
Aviva loan	2,795	2,662	2,728
Current borrowings	2,795	2,662	2,728
Aviva loan	113,385	81,180	114,800
M&G loan	70,000	70,000	70,000
Bank borrowings	110,500	196,500	214,500
Unamortised debt arrangement costs	(2,098)	(1,811)	(2,293)
Non-current borrowings	291,787	345,869	397,007
Total borrowings	294,582	348,531	399,735

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 loss in the income statement for the period of these interest rate swaps was £502,000 (2019: loss of £809,000). At 30 September 2020 the Group and the Armadillo Partnerships were 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

	30 September 2020 (unaudited) £000	30 September 2019 (unaudited) £000	31 March 2020 (audited) £000
Basic net asset value	1,276,278	1,194,054	1,163,876
Exercise of share options	1,453	1,343	1,262
EPRA NNNAV	<u>1,277,731</u>	<u>1,195,397</u>	<u>1,165,138</u>
Adjustments:			
Fair value of derivatives	829	228	327
Fair value of derivatives – share of associates	32	3	-
Share of deferred tax on revaluations in associates	1,428	1,195	1,332
EPRA NAV	<u>1,280,020</u>	<u>1,196,823</u>	<u>1,166,797</u>
Basic net assets per share (pence)	730.7	719.3	701.1
EPRA NNNAV per share (pence)	725.1	714.1	696.1
EPRA NAV per share (pence)	726.4	714.9	697.1
EPRA NAV (£000)	1,280,020	1,196,823	1,166,797
Valuation methodology assumption (£000) (see note 14)	94,757	92,915	91,789
Adjusted net asset value (£000)	<u>1,374,777</u>	<u>1,289,738</u>	<u>1,258,586</u>
Adjusted net assets per share (pence)	780.2	770.4	751.9
	No. of shares	No. of shares	No. of shares
Shares in issue	175,780,160	167,128,527	167,138,527
Own shares held in EBT	<u>(1,122,907)</u>	<u>(1,122,907)</u>	<u>(1,122,907)</u>
Basic shares in issue used for calculation	174,657,253	166,005,620	166,015,620
Exercise of share options	<u>1,550,443</u>	<u>1,395,015</u>	<u>1,371,985</u>
Diluted shares used for calculation	176,207,696	167,400,635	167,387,605

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).

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 2020 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”). Please see the accounts for the year ended 31 March 2020 for details of this methodology.

The Directors’ valuations reflect the latest cash flows derived from each of the stores at 30 September 2020. In performing the valuations, the Directors consulted with CBRE on the capitalisation rates used in the valuations. The Directors, as advised by CBRE, consider that the capitalisation rates for the store portfolio are unchanged since the start of the financial year.

The Directors have made some minor amendments to a couple of the valuation assumptions, namely the removal of certain Spring full lockdown specific adjustments that had been made by the valuers at the 31 March 2020 valuation date, and the adjustment of stable occupancy levels on certain stores that are consistently trading ahead of the previously used assumption. Other than the above, the Directors believe the core assumptions used by CBRE in the March 2020 valuations are still appropriate at the September valuation date.

Limited Comparable Market Evidence – Self Storage

The self storage properties have been valued on the basis of Fair Value as fully equipped operational entities, having regard to trading potential. Due to the specialised nature and use of the buildings the approach is to adopt a profits method of valuation and then consider the results in the context of recent comparable evidence of transactions in the sector.

The profits method requires an estimate of the future cash flow that can be generated from the use of the building as a self storage facility, assuming a reasonably efficient operator, and then applying a suitable multiple to the net operating profit. The comparison with recent transactions requires the evidence to be considered in terms of the multiple on net operating profit (or EBITDA/EBITDAR), value per square foot, yield profile etc and then adjusted to reflect differences in location, building factors, tenure, trading maturity and trading risk.

This mirrors the typical approach of purchasers in the self storage market. However, in view of the relatively limited availability of comparable market evidence this requires a degree of valuer judgment. In particular, most of the transactions have comprised share sales due to the nature of the asset class and the terms of those transactions have mostly been kept confidential between the parties.

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	£59.5m	(£54.6m)	£22.4m	(£22.5m)

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.

BIG YELLOW GROUP PLC

Notes to the Interim Review

14. VALUATIONS OF INVESTMENT PROPERTY (continued)

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 2020 of £1,671.9 million (£93.3 million higher than the value recorded in the financial statements). The valuations in the Armadillo Partnerships are £7.6 million higher than the value recorded in the financial statements, of which the Group's share is £1.5 million. The sum of these is £94.8 million and translates to 53.8 pence per share. We have included this revised valuation in the adjusted diluted net asset calculation (see note 13).

15. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES

The table below sets out the categorisation of the financial instruments held by the Group at 30 September 2020. 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.

	Valuation level	30 September 2020 (unaudited) £000
Interest rate derivatives	2	(829)

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

James 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 £11,000 (2019: £19,000).

Transactions with Armadillo

As described in note 9d, the Group has a 20% interest in Armadillo Storage Holding Company Limited and a 20% interest in Armadillo Storage Holding Company 2 Limited and entered into transactions with the Companies during the period on normal commercial terms as shown in the table below.

	30 September 2020 (unaudited) £000	30 September 2019 (unaudited) £000	31 March 2020 (audited) £000
Fees earned from Armadillo 1	506	446	839
Fees earned from Armadillo 2	183	183	1,394
Balance due from Armadillo 1	151	42	51
Balance due from Armadillo 2	24	29	1,018

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 2020 (unaudited) £000	Six months ended 30 September 2019 (unaudited) £000	Year ended 31 March 2020 (audited) £000
Profit after tax		59,736	95,450	92,576
Taxation		180	370	871
Share of profit of associates		(888)	(903)	(856)
Investment income		(54)	(73)	(114)
Finance costs		4,651	5,819	10,751
Operating profit		63,625	100,663	103,228
Gain on the revaluation of investment properties	9a, 14	(23,554)	(60,884)	(23,193)
Gain on disposal of investment property		-	(57)	(57)
Depreciation of plant, equipment and owner-occupied property	9b	404	377	677
Depreciation of finance lease capital obligations		641	597	1,198
Employee share options		1,182	1,159	2,256
Cash generated from operations pre working capital movements		42,298	41,855	84,109
Decrease/(increase) in inventories		31	(22)	(130)
Decrease in receivables		145	5,896	564
Increase/(decrease) in payables		5,086	(5,786)	531
Cash generated from operations		47,560	41,943	85,074

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

		Six months ended 30 September 2020 (unaudited) £000	Six months ended 30 September 2019 (unaudited) £000	Year ended 31 March 2020 (audited) £000
Net (decrease)/increase in cash and cash equivalents		(45,001)	(12,354)	33,516
Cash flow from movement in debt financing		105,348	(12,717)	(64,403)
Change in net debt resulting from cash flows		60,347	(25,071)	(30,887)
Movement in net debt in the period		60,347	(25,071)	(30,887)
Net debt at start of period		(350,610)	(319,723)	(319,723)
Net debt at end of period		(290,263)	(344,794)	(350,610)

BIG YELLOW GROUP PLC

Notes to the Interim Review

18. RISKS AND UNCERTAINTIES

The UK is leaving the European Union on 31 December 2020, with uncertainty as to whether a trade deal will be agreed before then. The Covid-19 pandemic continues to have a significant impact on economic activity, with England currently in lockdown. These events may create economic headwinds in the quarter to December 2020 and beyond, which may have an impact on the demand for self storage. That said, the Group is a UK-only business and self storage is a localised industry with a diverse customer base.

The operational 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 2020. The risk mitigating factors listed in the 2020 Annual Report are still appropriate.

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 over the last five years we have seen losses in occupancy of approximately 2 to 4 ppts 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 over the past few months following the onset of the pandemic. We have approximately 62,000 customers and this, coupled with the diversity of their 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 NAV adjusted for an investment property valuation carried out at purchasers' costs of 2.75%.
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 NAV per share	EPRA NAV divided by the diluted number of shares at the period end.
EPRA net asset value	IFRS net assets excluding the mark-to-market on interest rate derivatives effective cash flow as deferred taxation on property valuations where it arises. It is adjusted for the dilutive impact of share options.
EPRA NNNAV	The EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.
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 past 12 months in both the current financial year and comparative figures. In 2020 this excludes Camberwell (opened in July 2020) and Bracknell (opened in September 2020).
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 Manchester (opened in May 2019), Camberwell (opened in July 2020) and Bracknell (opened in September 2020).

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 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.
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.
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

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 2020 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 2020 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 annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. 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 by the EU.

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.

Steve Masters

for and on behalf of KPMG LLP

Chartered Accountants

Arlington Business Park

Theale

Reading

RG7 4SD

16 November 2020