Building

on a proven model

Big Yellow Group PLC ("Big Yellow", "the Group" or "the Company"), the UK's brand leader in self storage, is pleased to announce its results for the year ended 31 March 2018.

We have delivered another year of occupancy, revenue and earnings growth. In May 2017, along with our year end results, we set out our ambition to see material growth in occupancy towards our long held target of 85%. In November, with our interim results, we adjusted our occupancy target for the business as a whole to 90%. We are therefore pleased to be reporting significant progress in occupancy with these results. Like-for-like closing Group occupancy is up 3.9 percentage points to 81.9% compared to 78.0% at 31 March 2017. Closing net rent was £26.74, an increase of 2.7% from the same time last year. Average rental growth was up 0.8% year-on-year and up 1.5% in the second half.

We would expect to see further growth in occupancy over the summer, peaking at or above 85%, providing there are no significant external shocks. It remains our firm belief that occupancy gains are hard won and are of significant value to drive long term increases in average rent. As our occupancy rises, rate growth will come through driven by our yield management systems, and we have seen that in the second half of the year, and expect to see more of a contribution to revenue from rate growth in the current year.

Financial results

Revenue for the year was £116.7 million (2017: £109.1 million), an increase of 7%. Like-for-like revenue growth (excluding Nine Elms and Twickenham 2 acquired in April 2016 and Guildford Central opened in March 2018) was 7%.

Operating cash flow increased by £7.0 million (13%) to £63.0 million for the year (2017: £56.0 million). During the year we spent £42.0 million on growth capital expenditure, more than double the £20.6 million in 2017. The Group's operating profit before property revaluations increased by £5.6 million (9%) to £70.9 million. The Group's statutory profit before tax was £134.1 million, an increase of 34% from £99.8 million in the prior year due to the increase in operating profit and an increased revaluation gain on our investment properties in the year.

Given that our central overhead and operating expense is largely embedded in the business, this revenue growth has delivered an increase of 12% in the adjusted profit before tax in the year of £61.4 million (2017: £54.6 million). Adjusted earnings per share increased by 12% to 38.5p (2017: 34.5p) with an equivalent 12% increase in the dividend per share for the year.

The Group has net debt of £323.7 million at 31 March 2018 (2017: £298.0 million). This represents approximately 25% (2017: 25%) of the Group's gross property assets totalling £1,303.3 million (2017: £1,190.5 million) and 31% (2017: 31%) of the adjusted net assets of £1,059.1 million (2017: £963.4 million). The Group's interest cover for the year, expressed as the ratio of cash generated from operations against interest paid was 7.6 times (2017: 6.1 times). This is comfortably ahead of our internal minimum interest cover target of 5 times.

Investment in new capacity

Our 55,000 sq ft Guildford Central store on Woodbridge Meadows opened in March 2018, and after its first two months it is 12% occupied. The 25,000 sq ft extension to our Wandsworth store has just opened.

We have acquired five freehold development sites since 1 April 2017, increasing our pipeline to nine new stores and one extension, with a total capacity (subject to planning) of approximately 640,000 sq ft (14% of current MLA). The acquisitions in Wapping (just east of Tower Bridge), Uxbridge (West London), Hove, Bath Road in Slough, and Bracknell are all in London and the South East, and we believe when developed will be quality additions to the portfolio.

We continue to look for land and existing storage centres in large urban conurbations, with a focus on London and the South East, and should the current uncertainties throw up new opportunities, we will pursue them aggressively. That said, developing stores in these areas remains challenging given the competition for land, an increasingly long, expensive and complex planning process and the understandable pressure to produce more housing.

We have successfully acquired four of the six long leasehold interests within the Wapping building and are currently fitting out the available vacant space to create a self storage centre of approximately 25,000 sq ft, which will open in late summer.

As reported in our interims, we have obtained planning consent for a landmark Manchester city centre store of 60,000 sq ft on Water Street, which is currently under construction with a scheduled opening in spring 2019. We have also recently obtained planning consent for a 72,000 sq ft store in Camberwell, London, with the store scheduled to open in spring 2020. After lengthy consultations, we have made good progress on planning at Kings Cross and Battersea and anticipate submitting applications for both schemes later this year.

WE REMAIN FOCUSSED ON OUR CORE OBJECTIVE OF INCREASING OCCUPANCY TO 90%.

We are working up the planning applications on the recently acquired schemes in Bracknell, Slough, Hove and Uxbridge and will submit them in due course following negotiations with the relevant councils. As always, this process is subject to the vagaries of the planning system. At 31 March 2018, the future cost of the current pipeline of ten development sites and extensions, seven of which are subject to planning, is estimated to be £110 million.

Dividends

The Group's dividend policy is to distribute 80% of full year adjusted earnings per share. The final dividend declared is 15.5 pence per share. The dividend declared for the year of 30.8 pence per share represents an increase of 12% from 27.6 pence per share last year.

Our people

A business will only succeed if it has a fully motivated and engaged team. From the start we have always aimed to create a culture which is accessible, apolitical, non-hierarchical, socially responsible, and very importantly, a fun and enjoyable place to work. Some of you may have seen that we formally launched The Big Yellow Foundation in February, supporting six charities who focus on the rehabilitation of adults through work. This is a further step in the evolution of Big Yellow as a business, which has received very positive feedback and support from our people and customers. More details on the Foundation can be found online and in the CSR report.

In addition, we focus on customer service and engagement, measuring and responding to their feedback. There has been a further improvement in our customer net promoter scores ("NPS") to an average of 80.1 over the year. NPS scores at these levels are highly unusual and a good reflection of the culture of this business.

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

Board

Tim Clark has announced that he is stepping down as a Non-Executive Director at the Group's next AGM. He joined the Company in 2008 and over the past ten years has been a valuable Senior Independent Director, and Chair of the Remuneration and Nomination Committees. I will miss his sound advice, judgement, and considerable brainpower and along with the Board, would like to thank him for his significant contribution to Big Yellow's success.

Vince Niblett joined the Board as a Non-Executive Director and Chairman of the Audit Committee in June 2017. Vince was previously the Global Managing Partner Audit for Deloitte, and held a number of senior leadership roles there before his retirement in May 2015.

Anna Keay joined the Board as a Non-Executive Director in March 2018. Anna has been the CEO of the Landmark Trust since 2012, having started her career at Historic Royal Palaces, and then from 2002 to 2012 she was Curatorial Director of English Heritage.

I am delighted to welcome Vince and Anna. I consider it a plaudit that we can attract such high quality people to our Board.

Outlook

We remain focussed on our core objective of increasing occupancy to 90%. As we have previously indicated, higher levels of occupancy deliver more traction on pricing and drive rate growth and indeed we have seen that materialise in the second half of the year.

As our vacant capacity has reduced we have been more aggressively pursuing an expansion strategy. There are very few existing stores that are of sufficient quality available to purchase and brand as Big Yellow. We continue therefore to acquire raw land and develop our own stores, and are pleased to have secured a number of quality sites during the year. The development process however, of which we have unparalleled experience, remains long, does carry risk, and is increasingly complex.

Risks external to our business remain, and there will no doubt be setbacks in economic growth. It is for that reason that we keep the business very conservatively financed thus enabling us to plan and execute the next phase of growth.

Nicholas Vetch
Executive Chairman
21 May 2018