



8 January 2019

**Safestore Holdings plc**  
**(“Safestore”, “the Company” or “the Group”)**  
 Results for the year ended 31 October 2018

***A fifth consecutive year of double-digit EPS<sup>6</sup> and dividend growth and continued strategic progress***

**Key measures**

	Year Ended 31 October 2018	Year Ended 31 October 2017	Change	Change-CER <sup>1</sup>
<b>Underlying and Operating Metrics- total</b>				
Revenue	£143.9m	£129.9m	10.8%	10.4%
Underlying EBITDA <sup>2</sup>	£82.9m	£74.4m	11.4%	11.0%
Closing Occupancy (let sq ft- million) <sup>3</sup>	4.69	4.14	13.3%	n/a
Closing Occupancy (% of MLA) <sup>4</sup>	73.6%	72.6%	+1.0ppts	n/a
Average Storage Rate <sup>5</sup>	£25.90	£26.67	(2.9%)	(3.3%)
Adjusted Diluted EPRA Earnings per Share <sup>6</sup>	26.8p	23.2p	15.5%	n/a
Free Cash Flow <sup>7</sup>	£55.4m	£50.3m	10.1%	n/a
EPRA Basic NAV per Share	£4.02	£3.29	22.2%	n/a
<b>Underlying and Operating Metrics- like-for-like<sup>8</sup></b>				
Revenue	£134.0m	£126.9m	5.6%	5.2%
Underlying EBITDA <sup>2</sup>	£77.6m	£72.6m	6.9%	6.5%
Closing Occupancy (let sq ft- million) <sup>3</sup>	4.25	4.09	3.9%	n/a
Closing Occupancy (% of MLA) <sup>4</sup>	76.6%	73.9%	+2.7ppts	n/a
Average Occupancy (let sq ft- million) <sup>3</sup>	4.14	3.95	4.8%	n/a
Average Storage Rate <sup>5</sup>	£26.71	£26.55	0.6%	0.2%
<b>Statutory Metrics</b>				
Profit before tax <sup>9</sup>	£185.3m	£78.9m	134.9%	n/a
Basic Earnings per Share	84.4p	37.4p	125.7%	n/a
Dividend per Share	16.25p	14.0p	16.1%	n/a
Cash inflow from operating activities	£60.6m	£55.6m	9.0%	n/a

**Highlights**

**Strong Financial Performance**

- Group revenue for the year up 10.8% (10.4% in CER<sup>1</sup>)
- Like-for-like<sup>8</sup> Group revenue for the year in CER<sup>1</sup> up 5.2%
  - UK up 5.2%
  - Paris up 5.1%
- Underlying EBITDA<sup>2</sup> up 11.0% in CER<sup>1</sup> which, combined with a gain on investment properties of £122.1m (FY2017: £39.2m), drove an increase in Profit before tax<sup>9</sup> of 134.9%
- Adjusted Diluted EPRA Earnings per Share<sup>6</sup> up 15.5% at 26.8 pence; 13.8% increase in the final dividend to 11.15 pence (FY2017: 9.8 pence) giving a total for the year of 16.25 pence (FY2017: 14.0 pence)

## Operational Focus

- Continued balanced approach to revenue management drives returns
  - Like-for-like<sup>8</sup> closing occupancy of 76.6% (up 2.7ppts on 2017)
  - Like-for-like<sup>8</sup> average occupancy for the year up 4.8%
  - Like-for-like<sup>8</sup> average storage rate<sup>5</sup> for the year up 0.2% in CER<sup>1</sup> with improving momentum as the year progressed (Q4 +1.8% in CER<sup>1</sup>) underpinned by continuing improvements in marketing and pricing analytics
  - Total average storage rate<sup>5</sup> down 3.3% in CER<sup>1</sup> reflecting dilutive impact of Alligator acquisition and new store openings
- Alligator and new stores trading well and in line with business plans

## Strategic Progress

- Twelve Alligator stores acquired on 1 November 2017 for £55.9m<sup>10</sup> now integrated into the business
- Three new stores opened in the year at London Paddington Marble Arch, London Mitcham and Paris Poissy
- Four new stores in the pipeline with 210,000 sq ft of new space scheduled to open in London Carshalton, Birmingham Merry Hill, Paris Pontoise and Paris Magenta

## Strong and Flexible Balance Sheet

- Bank Facilities extended to June 2023
- 20.9% increase in property valuation in CER<sup>1</sup> driven by the Alligator acquisition, reduced exit cap rates and revised stabilised occupancy assumptions
- Group loan-to-value ratio ("LTV"<sup>11</sup>) at 31 October 2018 at 30% and interest cover ratio ("ICR"<sup>12</sup>) at 8.6x

## Succession

- After nearly ten years with the Group, in accordance with good governance recommendations, Chairman Alan Lewis announces intention to retire from the Board

**Frederic Vecchioli**, Safestore's Chief Executive Officer, commented:

*"We have delivered another successful year of growth characterised by strong organic performance, efficient integration of our recent acquisitions and good performances from our recently opened new stores. The fully integrated Alligator portfolio of twelve stores, acquired at the beginning of the financial year, is performing well. We have continued to seek high quality sites to open new stores and have successfully added four new stores to the pipeline which means we plan to open new stores in London-Carshalton, Paris-Pontoise, and Birmingham-Merry Hill during 2019, and subject to planning, Paris-Magenta in 2020.*

*Our strong balance sheet continues to provide the flexibility to target selected development and acquisition opportunities as they arise.*

*Over the last five years, the like-for-like occupancy has increased on average by 2.7ppts per year, moving from 63.1% to 76.6%. The Company is in an excellent position and, as ever, our top priority remains the significant organic growth opportunity represented by the 1.7m square feet of currently unlet space in our existing fully invested estate.*

*The start to the current financial year has been encouraging in all our geographies and our leading market positions in the UK and Paris, combined with our resilient business model, enable us to look forward to the future with confidence."*

## Notes

1 – CER is Constant Exchange Rates (Euro denominated results for the current period have been retranslated at the exchange rate effective for the comparative period, in order to present the reported results on a more comparable basis).

2 – Underlying EBITDA is defined as Operating Profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation. Underlying profit before tax is defined as underlying EBITDA less leasehold rent, depreciation charged on property, plant and equipment and net finance charges relating to bank loans and cash.

3 – Occupancy excludes offices but includes bulk tenancy. As at 31 October 2018, closing occupancy includes 26,000 sq ft of bulk tenancy (31 October 2017: 27,000 sq ft). The Group full year average occupancy figures (+4.4%) on page 1 of our Q4 trading update of 15 November 2018 were in fact the figures for the quarter ended 31 October 2018 and were described as full year in error. The full year average occupancy figures were up 4.8%.

4 – MLA is Maximum Lettable Area. At 31 October 2018, Group MLA was 6.37m sq ft (FY2017: 5.71m sq ft).

5 – Average Storage Rate is calculated as the revenue generated from self-storage revenues divided by the average square footage occupied during the period in question.

6 – Adjusted Diluted EPRA EPS is based on the European Public Real Estate Association's definition of Earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items, and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore neither the company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements will disclose earnings both on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest.

7 – Free cash flow is defined as cash flow before investing and financing activities but after leasehold rent payments.

8 – Like-for-like like adjustments have been made to remove the impact of Alligator, 2017 opening of Combs-la-Ville, 2018 openings of Mitcham, Paddington Marble Arch and Poissy, 2017 closure of Deptford and 2018 closures of Leeds Central, Merton and Paddington.

9 – Profit before tax increased by £106.4m to £185.3m (FY2017: £78.9m) principally as a result of an increase in the gain on Investment properties of £82.9m to £122.1m (FY2017: £39.2m), complemented by an increase of £8.5m or 11.4% in Underlying EBITDA as a result of stronger trading performance.

10 – The consideration paid for Alligator on 1 November 2017 was £55.9m, net of cash acquired.

11 – LTV ratio is Loan-to-Value ratio, which is defined as gross debt (excluding finance leases) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases).

12 – ICR is interest cover ratio, and is calculated as the ratio of underlying EBITDA after leasehold rent to underlying finance charges.

13 – Source: Self-Storage Association ("SSA") Annual Survey (May 2018).

## Summary

In 2018, Safestore has delivered a fifth year of double digit growth in Adjusted Diluted EPRA earnings per share characterised by a combination of organic and acquisitive growth. Total Group revenue increased by 10.8% (10.4% at CER<sup>1</sup>) with a strong performance across the UK (+11.8%) and continued strength in Paris (+5.9%). On a like-for-like<sup>8</sup> basis in CER<sup>1</sup>, Group revenue increased by 5.2% with the UK up 5.2% and Paris up 5.1%. The Group's like-for-like<sup>8</sup> closing occupancy increased by 2.7 percentage points ("ppts") to 76.6% with the average storage rate<sup>5</sup> up 0.2% at CER<sup>1</sup>.

Our operational performance across the UK has been strong this year. Robust enquiry conversion, driven by our ongoing commitment to investing in and supporting our people, has resulted in like-for-like<sup>8</sup> closing occupancy in the UK growing by 2.9ppts to 74.7%. Growth in occupancy across the UK has been healthy with the UK regions performing slightly more strongly than London and the South East.

In the UK, we completed the acquisition of the twelve store Alligator Self-Storage portfolio on 1 November 2017 for £55.9m<sup>10</sup>. The portfolio was successfully integrated during the year. In addition, two new stores in London-Mitcham and London-Paddington Marble Arch were opened on time and on budget.

In Paris, our performance has also been strong with like-for-like<sup>8</sup> revenue growing by 5.1%. Average occupancy growth was 6.0% whilst average rate declined by 0.9% impacted, as expected, by the dilutive effect of our recent suburban opening at Emerainville. Like-for-like<sup>8</sup> closing occupancy ended the year at 84.1% (FY2017: 82.6%). This is the twentieth consecutive year of revenue growth in Paris with average growth over the last six years of circa 5%. We opened a new store in Poissy in August 2018 which is trading in line with its business plan.

Group underlying EBITDA<sup>2</sup> of £82.9m increased by 11.0% at CER<sup>1</sup> on the prior year and by 11.4% on a reported basis reflecting the impact of the strengthening Euro on the profit earned from our Paris business. The Group's EBITDA<sup>2</sup> performance, combined with reduced finance costs arising from the annualisation of the refinancing of the Group's USPP Notes and amendment and extension of the bank facilities completed in May 2017, resulted in a 15.5% increase in Adjusted Diluted EPRA EPS<sup>6</sup> in the period to 26.8 pence (FY2017: 23.2 pence).

Our property portfolio valuation, including investment properties under construction, increased in the year by 20.9% on a constant currency basis, driven by the acquisition of Alligator and revisions to exit cap rates and stabilised occupancy assumptions. After exchange rate movements, the portfolio valuation increased by 21.2% to £1,220.9m with the UK portfolio up £176.7m to a total UK value of £921.1m and the French portfolio increasing by €38.6m to €337.2m.

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 13.8% increase in the final dividend to 11.15 pence per share (FY2017: 9.8 pence) resulting in a full year dividend up 16.1% to 16.25 pence per share (FY2017: 14.0 pence).

## Outlook

In the last two financial years, Safestore has further strengthened its market positions in both the UK and Paris with the acquisitions of Space Maker and Alligator, the opening of nine new stores and the establishment of a pipeline of a further four new stores. The Group has 1.7m square feet of fully invested unlet space available, offering significant operational upside in the existing portfolio. We remain focused on further optimising the Group's operational performance whilst our balance sheet strength and flexibility provides us with the opportunity to actively consider further selective development and acquisition opportunities in our key markets.

The strong performance of the final quarter of 2017/18 has continued into the new financial year with LFL group revenue (CER) up 6.4% for the two months to December 2018. Our strong market positions, operational platform and geographical diversity enables the group to look forward with confidence to the 2018/19 financial year.

## **Enquiries**

### **Safestore Holdings plc**

020 8732 1500

Frederic Vecchioli, Chief Executive Officer

Andy Jones, Chief Financial Officer

**[www.safestore.com](http://www.safestore.com)**

### **Instinctif Partners**

020 7457 2020

Guy Scarborough

Catherine Wickman

A presentation for analysts will be held at 9.30am today at:

Instinctif Partners, 65 Gresham Street, London EC2V 7NQ

For dial-in details of the presentation please contact:

Guy Scarborough ([guy.scarborough@instinctif.com](mailto:guy.scarborough@instinctif.com) or telephone on 020 7457 2020).

### **Notes to editors:**

- Safestore is the UK's largest self-storage group with 146 stores at 31 October 2018, comprising 119 wholly owned stores in the UK (including 67 in London and the South East with the remainder in key metropolitan areas such as Manchester, Birmingham, Glasgow, Edinburgh, Liverpool and Bristol) and 27 wholly owned stores in the Paris region.
- Safestore operates more self-storage sites inside the M25 and in central Paris than any competitor providing more proximity to customers in the wealthiest and densest UK and French markets.
- Safestore was founded in the UK in 1998. It acquired the French business "Une Pièce en Plus" ("UPP") in 2004 which was founded in 1998 by the current Safestore Group CEO Frederic Vecchioli.
- Safestore has been listed on the London Stock Exchange since 2007. It entered the FTSE 250 index in October 2015.
- The Group provides storage to around 64,000 personal and business customers.
- As at 31 October 2018, Safestore had a maximum lettable area ("MLA") of 6.37 million sq ft (excluding the expansion pipeline stores) of which 4.69 million sq ft was occupied.
- Safestore employs around 650 people in the UK and France.

## Chairman's Statement

I am pleased to announce, on behalf of the Board of Safestore, another strong set of results for the year ended 31 October 2018.

Our purpose is simple, to add stakeholder value by being a market leader in self-storage, providing effective solutions for our customers and development opportunities for our colleagues. This, supported by our Strategy and underpinned by our Values has helped create real value for all our stakeholders.

Over the past year we have made good strategic progress. The nine new stores opened over the last two years are all performing at least in line with their business plans. Alligator Self Storage, acquired on 1 November 2017, is now fully integrated into the business and we have a pipeline of four new sites, adding 210,000 sq ft of capacity, opening over the next circa eighteen months.

Management's focus remains on the existing store portfolio and filling the 1.7m sq ft of available capacity, building on the operational improvements made over the previous five years.

During the year, our Remuneration Committee has, for the second year, spent a significant amount of time engaging with our shareholders around our remuneration policy, which was implemented in 2017. This resulted in a number of changes to our policy which are detailed in the Directors' Remuneration Report in our annual report. Like the Remuneration Committee, I continue to believe strongly that the remuneration structure, which is designed to break away from the conventional model and drive exceptional corporate performance from our talented management team over a five year period, is in the best interests of all stakeholders. I would like to take this opportunity to thank all the shareholders who have supported our proposals as well as all of those who have engaged with us, and put considerable time and effort into analysing and providing feedback on our proposals.

In addition, corporate and social responsibility ("CSR") is important to Safestore's business processes and operations. Our CSR agenda has developed in the year and is covered in our annual report.

## Financial Results

Revenue for the year was £143.9m, 10.8% ahead of last year (FY2017: £129.9m) and was up 10.4% on a constant currency basis. Like-for-like<sup>8</sup> revenue was up 5.2% in constant currency. This result was driven by a strong performance in the UK which grew like-for-like<sup>8</sup> revenue by 5.2%, combined with another good performance by Une Pièce en Plus, our Parisian business, which grew like-for-like<sup>8</sup> revenue by 5.1%. In addition, the November 2017 acquisition of Alligator contributed to the revenue growth.

Underlying EBITDA<sup>2</sup> increased by 11.4% to £82.9m (FY2017: £74.4m) and 11.0% on a constant currency basis. Underlying EBITDA<sup>2</sup> after rental costs increased by 11.9% to £71.7m (FY2017: £64.1m).

The annualisation of the benefit of the refinancing of our bank debt and US Private Placement Notes in May 2017 drove a reduction in the year in the underlying finance charge of £1.0m or 10.6% to £8.4m (FY2017: £9.4m). Over the last five years we have reduced our finance charges by 54% or £10.0m.

As a result of the above factors, Adjusted Diluted EPRA earnings per share<sup>6</sup> grew by 15.5% to 26.8 pence (FY2017: 23.2 pence). Adjusted Diluted EPRA earnings per share<sup>6</sup> has grown by 16.1 pence or 150% over the last five years. Statutory basic earnings per share increased to 84.4 pence (FY2017: 37.4 pence), the increase in Adjusted Diluted EPRA earnings per share<sup>6</sup> combining with a significant gain on valuation of investment properties.

## Capital Structure

The Group's balance sheet remains robust with a Group LTV<sup>11</sup> ratio of 30% and an ICR<sup>12</sup> of 8.6x. This represents a level of gearing we consider appropriate for the business to enable the Group to increase returns on equity, maintain financial flexibility and to achieve our medium-term strategic objectives.

## **Dividend**

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 13.8% increase in the final dividend to 11.15 pence per share (FY2017: 9.8 pence per share) resulting in an increase of 16.1% in the total dividend to 16.25 pence per share for the year (FY2017: 14.0 pence per share). The total dividend for the year is covered 1.65 times by Adjusted EPRA diluted earnings (1.66 times in 2017). The Group's dividend has increased by 183% in the last five years during which period the Group has returned to shareholders a total of 59 pence per share. Shareholders will be asked to approve the dividend at the Company's Annual General Meeting on 20 March 2019 and, if approved, the final dividend will be payable on 10 April 2019 to Shareholders on the register at close of business on 8 March 2019.

The Board remains confident in the prospects for the Group and will continue its progressive dividend policy in 2019 and beyond. In the medium-term it is anticipated that the Group's dividend will grow at least in line with Adjusted Diluted EPRA Earnings per Share<sup>6</sup>.

Over the last five years, the management and store teams have delivered a Total Shareholder Return of 317.6%, ranking at number one in the property sector and number five in the FTSE 250, significantly ahead of any other listed self-storage operators. Since flotation in 2007, Safestore has also delivered the highest Total Shareholder Return of any UK listed self-storage operator.

## **People**

Of course, this set of strong results would not have been possible without having the best people, fully trained and highly motivated. During the last year Safestore was awarded the Gold accreditation under the 'Investors In People' (IIP) programme, a significant improvement from the Bronze accreditation awarded in 2015. This places Safestore as one of the top employers of 14,000 IIP accredited companies across 75 countries. In addition, Safestore was subsequently shortlisted as a finalist for the IIP Gold Employer of the year 250+ category. This is a great testament to our colleagues across the business who continue to be the key to the success of the business and demonstrates our commitment to developing our people.

IIP recognised that the business continues to undergo significant self-review in order to create a sustainable organisation with an unwavering commitment to improve performance through people. It also recognised that the levels of pride in the company are high and what sets the company apart is its culture of being friendly, supportive and showing a genuine interest in the individual.

I would like to take this opportunity to thank all my colleagues throughout the group for their hard work and dedication this year.

## **Succession**

After nearly ten years as a Director of the Group, five years of which have been as Chairman, I have decided that the time is right to seek my successor. This also accords with latest governance recommendations. A recruitment process, managed by our Senior Independent Director Ian Krieger, will be launched imminently and I will step down in due course once that successor has been appointed. A further announcement will be made at an appropriate time.

**Alan Lewis**  
**7 January 2019**

## Our Strategy

The Group's proven strategy remains unchanged. We believe that the Group has a well located asset base, management expertise, infrastructure, scale and balance sheet strength to exploit the current healthy industry dynamics. As we look forward, we consider that the Group has the potential to significantly further increase its earnings per share by:

- Optimising the trading performance of the existing portfolio;
- Maintaining a strong and flexible capital structure; and
- Taking advantage of selective portfolio management and expansion opportunities.

## Optimisation of Existing Portfolio

With the opening of nine new stores since August 2016, and the acquisitions of Space Maker in July 2016 and Alligator in November 2017, we have further strengthened our market leading portfolio. We have a high quality, fully invested estate in both the UK and Paris. Of our 146 stores, 94 are in London and the South East of England or in Paris with 52 in the other major UK cities. We now operate 44 stores within the M25 which represents a higher number of stores than any other competitor.

With the aforementioned new store openings, our MLA<sup>4</sup> has increased to 6.37m sq ft at 31 October 2018. At the current occupancy level of 73.6% we have 1.7m sq ft of unoccupied space, of which 1.4m sq ft is in our UK stores and 0.3m sq ft in Paris. In total this unlet space is the equivalent of circa 40 empty stores located across the estate. This available space is fully invested and the related operating costs are essentially fixed and already included in the Group cost base. Our continued focus will be on ensuring that we drive occupancy to utilise this capacity at carefully managed rates. Over the last five years, the like-for-like occupancy has increased from 63.1% to 76.6% i.e. an average of 2.7% per year. As of 31 December 2018, the like-for-like closing occupancy is up 2.7ppts year-on-year.

There are three elements that are critical to the optimisation of our existing portfolio.

- Enquiry generation through an effective and efficient marketing operation;
- Strong conversion of enquiries into new lets; and
- Disciplined central revenue management and cost control.

### **Digital Marketing Expertise**

Awareness of self-storage is increasing each year but still remains relatively low with 54% (FY2017: 58%) of the UK population either knowing very little or nothing about self-storage (source: 2018 SSA Annual Report). In the UK around 75% of our new customers are using self-storage for the first time. It is largely a brand blind purchase with only 12% of respondents in the Self Storage Association Annual Survey stating that a brand would influence their purchase decision. Only 3% of respondents in the same survey associated any particular features or benefits with a certain brand. Typically, customers requiring storage start their journey by conducting online research using generic keywords in their locality (e.g. "storage in Borehamwood", "self-storage near me").

We believe there is a clear benefit of scale in the generation of customer enquiries. The Group has continued to invest in its consumer website as well as in-house expertise which has resulted in the development of a leading digital marketing platform that has generated over 40% enquiry growth over the last five years. Our digital marketing team has been enhanced with the recruitment and on-boarding of a Digital and Marketing Director. Our increasing in-house expertise and significant annual budget has enabled us to deliver strong results.

Online enquiries now represent 83% of our enquiries in the UK (FY2017: 82%) and 74% in France (FY2017: 72%). Nearly 50% of our online enquiries in the UK now originate from a mobile device (excluding tablets), compared to just over 45% last year, highlighting the need for continual investment in our responsive web platform for a "mobile-first" world.



During 2018, the Group successfully completed the integration of the Alligator Self Storage marketing platform (core website, hosting, paid advertising, social media and analytics) and CRM system with full realisation of cost synergies as planned. Now within the Safestore platform, the search engine visibility of former Alligator stores has been improving, which should provide the foundation for future enquiry and occupancy growth.

We will continue to invest in activities that promote a strong search engine presence to grow enquiry volume whilst managing efficiency in terms of the overall cost per enquiry.

In 2018, Safestore once again achieved a Feefo customer service rating of 96% based on the customers who rated their experience as “Excellent” or “Good”. Having achieved this service level online, in the store and on the phone, Safestore was again recognised with a “Gold Trusted Merchant” award – given to businesses achieving over 95% – for the fifth year running. In addition to using Feefo, Safestore now invites customers to leave a review of their service on a number of review platforms, including Google, to ensure that customers can confidently choose Safestore wherever they look for trust and reputational signals in the brand. In France, Une Pièce en Plus continues to use Trustpilot to obtain independent customer reviews. More than 93% of customers are satisfied with their customer service experience, rating it 4 stars and above.

### ***Motivated and effective store teams benefiting from improved training and coaching***

Our enthusiastic, well-trained and customer-centric sales team remains a key differentiator and a strength of our business. Understanding the needs of our customer and using this knowledge to develop in-store trusted advisers is a fundamental part of driving revenue growth and market share.

On 1 November 2017, we acquired the Alligator Self Storage portfolio of twelve stores. Drawing on the experience gained from the successful integration of the Space Maker brand in 2016, we implemented enhancements to our leadership structure and successfully and efficiently integrated the stores into our geographical regional structure. Our dedicated on-line learning platform allows our new colleagues to take part in our industry leading training and development programmes. The Alligator internal and external rebrand to Safestore commenced in June 2018 and is exceeding its projected completion programme timescales.

November 2016 saw the launch of our internal Store Manager Development programme designed to provide the business with its future store managers. The first group of trainees graduated in November 2017 and the second intake of sales consultants at the end of October 2018. We are proud to announce that our intake 3 programme delegates have the opportunity to gain a nationally recognised qualification from ILM (Institute of Leadership & Management) at Level 3.

As with our new Alligator colleagues, all new recruits to the business benefit from enhanced induction and training tools which have been developed in-house and enable us to quickly identify high potential individuals and increase their speed to competency. Our Store Manager Development programme demonstrates the effectiveness of our learning tools. In a spirit of constant improvement our content and delivery process is dynamically enhanced through our 360 degree feedback process utilising the learnings from not only the candidates but also our training store managers. This allows our people to be trained with the knowledge and skills to sell effectively in today’s market place.

All new recruits receive individual performance targets within four weeks of joining the business and are placed on the ‘pay-for-skills’ programme which allows accelerated basic pay increases dependent on success in demonstrating specific and defined skills. The key target of our programme, to ensure that close to 100% of our store manager appointments are from within the business, still remains and we are pleased with our progress to date.

The training and development of our store and customer facing colleagues is an essential part of our daily routines. In 2018, we delivered a further 29,000 hours of training through face-to-face sessions and via our internally developed online learning tool. This Learning Management System also provides the opportunity for team members to receive rigorously enforced health and safety, fire and compliance training, ensuring that our staff are up-to-date in relation to their technical knowledge and continue to operate a safe environment for both our colleagues and customers. These modules are continually updated to target the areas of most opportunity and maintain colleague engagement. These tools,

systems and resources have allowed us to effectively communicate changes quickly and manage compliance robustly, allowing our colleagues to complete the training on an annual basis.

To further support our Cyber security and GDPR compliance we have introduced further enhanced online training modules. All colleagues are required to complete this training.

Our performance dashboard allows our store and field teams to focus on the key operating metrics of the business providing an appropriate level of management information to enable swift decision making. Reporting performance down to individual employee level enhances our competitive approach to team and individual performance. We continue to reward our people for their performances with bonuses of up to 50% of basic salary based on their achievements against individual new lets, occupancy, ancillary sales and pricing targets. In addition, a Values and Behaviours framework is overlaid on individuals' financial performance in order to assess team members' performance and development needs on a quarterly basis.

Customers continue to be at the heart of everything we do. Whether it be in store, online or in their communities. Our Gold standard Feefo customer service score, currently at 96%, reflects our ongoing commitment to their satisfaction.

In what is still a relatively immature and poorly understood product, customer service and selling skills at the point of sale remain essential in earning the trust of the customer and in driving the appropriate balance of volumes and unit price in order to optimise revenue growth in each store.

Safestore has been an "Investors in People" (IIP) organisation since 2003 and our aim is to be an employer of choice in our sector as we passionately believe that our continued success is dependent on our highly motivated and well trained colleagues. In April 2018, Safestore was awarded the Gold accreditation under the IIP programme, a significant improvement from the Bronze accreditation awarded in 2015. This puts Safestore as one of the top employers of 14,000 IIP accredited companies. In addition, Safestore was subsequently shortlisted as a finalist for the IIP Gold Employer of the year 250+ category, putting us in the top ten of all companies that have achieved Gold accreditation. IIP is the international standard for people management, defining what it takes to lead, support and manage people effectively to achieve sustainable results. Underpinning the Standard is the Investors in People framework, reflecting the latest workplace trends, essential skills and effective structures required to outperform in any industry. Investors in People enables organisations to benchmark against the best in the business on an international scale. We are proud to have our colleagues recognised to such a high standard not only in our industry but across 14,000 organisations in 75 countries.

### ***Central Revenue Management and Cost Control***

We continue to pursue a balanced approach to revenue management. We aim to optimise revenue by improving the utilisation of the available space in our portfolio at carefully managed rates. Our central pricing team is responsible for the management of our dynamic pricing policy, the implementation of promotional offers and the identification of additional ancillary revenue opportunities. Whilst price lists are managed centrally and can be adjusted on a real-time basis when needed, the store sales teams have the ability, in selected stores, to offer a Lowest Price Guarantee in the event that a local competitor is offering a lower price. The reduction in the level of discount offered over the last four years is linked to store team variable incentives and is monitored closely by the central pricing team.

Average rates are predominantly influenced by:

- The store location and catchment area;
- The volume of enquiries generated online;
- The store team skills at converting these enquiries into new lets at the expected price; and
- The pricing policy and the confidence provided by analytical capabilities that smaller players may lack.

We believe that Safestore has a very strong proposition in each of these areas.

Costs are managed centrally with a lean structure maintained at the Head Office. Enhancements to cost control are continually considered and the cost base is challenged on an ongoing basis.

## Strong and Flexible Capital Structure

Since 2014 we have refinanced the business on three occasions, each time on improved terms, and believe we now have a capital structure that is appropriate for our business and which provides us with the flexibility to take advantage of carefully evaluated development and acquisition opportunities.

In 2017, we completed the refinancing of the Group's US Private Placement Notes ("USPP") and an amendment and extension of its existing bank facilities to extend the average maturity and lower the cost of the Group's debt financing. The terms of the Amendment and Extension of the bank facilities allowed for an option to extend the facilities by a further year. We have recently completed this extension. From the £250m UK revolving bank facility, £26m matures in June 2022 and £224m matures in June 2023. €13.3m of the €70m France revolving facility matures in June 2022 and €56.7m matures in June 2023.

During the year we hedged a further £35m of our Sterling revolving credit facility drawings at a rate of 1.2915%. Currently, 87% of our debt facilities are either fixed rate or hedged until June 2022.

At 31 October 2018, based on the current level of borrowings and interest swap rates, the Group's weighted average cost of debt is 2.28%. The weighted average maturity of the Group's drawn debt is 6.3 years at the current period end and the Group's LTV<sup>11</sup> ratio under the new financing arrangements is 30.3% as at 31 October 2018.

This LTV<sup>11</sup> and ICR<sup>12</sup> of 8.6x for the rolling twelve month period ended 31 October 2018 provide us with significant headroom compared to our banking covenants. We have £103m of available bank facilities at 31 October 2018.

Taking into account the improvements we have made in the performance of the business and the reduction in underlying finance charges of c.£10m over the last five years, the Group is now capable of generating free cash after dividends sufficient to fund the building of 2-3 new stores per annum depending on location and availability of land.

The Group evaluates development and acquisition opportunities in a careful and disciplined manner against rigorous investment criteria. Our investment policy requires certain Board-approved hurdle rates to be considered achievable prior to progressing an investment opportunity. In addition, the Group aims to maintain a Group LTV<sup>11</sup> ratio of between 30% and 40% which the Board considers to be appropriate for the Group.

## Portfolio Management

As ever, our approach to store development and acquisition in the UK and Paris will continue to be pragmatic, flexible and focused on the return on capital.

Our property teams in both the UK and Paris are continually seeking investment opportunities in new sites to add to the store pipeline. However, investments will only be made if they comply with our disciplined and strict investment criteria.

Since we relaunched our Store Opening strategy in Summer 2016 we have opened six new stores in the UK in Chiswick, Wandsworth, Paddington Marble Arch and Mitcham in London, Birmingham, Altrincham and three stores in Paris at Emerainville, Combs-la-Ville and Poissy as well as completing the extension and refurbishment of our Acton and Longpont (Paris) stores. All of these stores are performing in line with or ahead of their business plans.

In addition, we have a pipeline of 210,000 sq feet of space across four new stores to be opened in 2019 in the UK in Carshalton in South London and Merry Hill in Birmingham and in Paris in Pontoise and Magenta.

Further details of the last twelve month's activity are as follows;

In April 2018, we opened a new c.54,000 sq ft freehold store in Mitcham, in South West London. The site was acquired in December 2016 with the planning and building process taking just 16 months.

At the end of July 2018, we closed our leasehold Merton store and consolidated the majority of customers into our new Mitcham store. The closed Merton store had an MLA of 19,000 sq ft and an annual EBITDA<sup>2</sup> of c.£0.1m.

In June 2018, we opened a new 37,000 sq ft leasehold store located between Paddington and Marble Arch in central London. The lease is for a period of 20 years, with an option to extend for a further 10 years. Our former 15,000 sq ft Paddington store closed in July 2018 with a significant proportion of its customers transferred to the new store.

In October 2017, we completed the acquisition of a 1.34 acre industrial site at Merry Hill, around ten miles west of the centre of Birmingham, in a very prominent location close to Merry Hill regional shopping centre. We have now received planning consent and commenced building and we expect to open a purpose-built freehold 55,000 sq ft store in the second half of 2019.

In our Interim Results this year, we announced that we had exchanged contracts to acquire a freehold site in Carshalton in South London subject to planning permission. We have now received planning permission and have completed the acquisition of the site. We anticipate opening the c.40,000 sq ft store in 2019.

In Paris, where regulatory barriers are likely to continue to restrict meaningful new development inside the city, we will continue our policy of segmenting our demand and encouraging the customers who wish to reduce their storage costs to utilise the second belt stores. We will also manage occupancy and rates upwards in the more central stores and ensure that pricing recognises the value customers place on the convenience of physical proximity. The strong selling organisation and store network established by Une Pièce en Plus in Paris uniquely enables it to implement this commercial policy to complement the strong second belt markets in which we operate.

In June 2018, we exchanged contracts on a freehold 4.2 acre site in Pontoise, north west of Paris and have now received planning permission and completed the acquisition of the site in December 2018. We anticipate converting the existing building into a 65,000 sq ft store and that opening will be in 2019.

In April 2018, we agreed a lease on a site at Magenta in central Paris. Subject to planning, we aim to open a 50,000 sq ft store here in the 2019/20 financial year.

In November 2017, we exchanged contracts on a site at Poissy, in the West of Paris, an area where we previously had no stores. We have since completed the acquisition of the site and opened the freehold 80,000 sq ft store in summer 2018.

We believe there will be further opportunities to develop new stores in the outer suburbs of Paris and are actively reviewing the market for new opportunities.

Following the year-end, we extended the lease on our Edinburgh Gyle store by ten years. The lease now has eighteen years remaining and expires in 2036. In addition, a six month rent free period was agreed.

We have now extended the leases on 19 stores or 53% of our leased store portfolio in the UK since 2012 and our average lease length remaining now stands at 12.5 years as compared to 13.3 years at FY2017.

In the UK we plan to redevelop a small number of our older stores. Currently, our Leeds store is closed as part of this programme and most of the store's customers have been relocated to other sites. In addition, our Newcastle store is undergoing a full refurbishment and remains open during the course of the works. Finally, options for the refurbishment of our Sheldon store, as anticipated on acquisition of the Alligator portfolio, are being considered.

## Acquisitions

On 1 November 2017, the Group completed the acquisition of Stork Self Storage (Holdings) Limited ("SSSHL"), trading as Alligator Self Storage. The consideration paid was £55.9m, net of cash acquired with the business.

SSSHL was the eleventh largest self-storage portfolio in the UK with twelve stores and a maximum lettable area estimated at c.569,000 sq ft. SSSHL's stores, which are geographically complementary to the existing estate, are located in London (Camden), the South East of the UK (Fareham, Farnham, Luton and Winchester), Birmingham (three stores), Southampton, Bolton, Bristol and Nottingham. Ten of the SSSHL stores are freehold or long leasehold and two are leasehold stores with an average remaining lease length of 14.3 years as at 31 October 2018.

The Alligator stores have now been fully integrated into the Safestore portfolio from an operational and back office perspective and the rebranding of the portfolio will be completed during the course of the current financial year. Trading of the Alligator portfolio during the year was in line with our expectations.

## Portfolio Summary

The self-storage market has been growing consistently in the last 20 years across many European countries but few regions offer the unique characteristic of London and Paris, both of which consist of large, wealthy and densely populated markets. In the London region, the population is 13 million inhabitants with a density of 5,200 inhabitants per square mile in the region, 11,000 per square mile in central London and up to 32,000 in the densest boroughs.

The population of the Paris urban area is 10.7 million inhabitants with a density of 9,300 inhabitants per square mile in the urban area but 54,000 per square mile in the City of Paris and first belt, where 69% of our French stores are located and which has one of the highest population densities in the western world. 85% of the Paris region population live in central parts of the city versus the rest of the urban area, which compares with 60% in the London region. There are currently circa 245 storage centres within the M25 as compared to only circa 90 in the Paris urban area.

In addition, barriers to entry in these two important city markets are high, due to land values and limited availability of sites as well as planning regulation. This is the case for Paris and its first belt in particular, which inhibits new development possibilities.

Our combined operations in London and Paris, with 71 stores, contribute £83.4m of revenue and £57.7m of Store EBITDA offer a unique exposure to the two most attractive European self-storage markets.

<b>Owned Store Portfolio by Region</b>	<b>London &amp; South East</b>	<b>Rest of UK</b>	<b>UK Total</b>	<b>Paris</b>	<b>Group Total</b>
Number of Stores	67	52	119	27	146
Let Square Feet (m sq ft)	1.96	1.78	3.74	0.95	4.69
Maximum Lettable Area (m sq ft)	2.63	2.49	5.12	1.25	6.37
Average Let Square Feet per store (k sq ft)	29	34	31	35	32
Average Store Capacity (k sq ft)	39	48	43	46	44
Closing Occupancy %	74.4 %	71.4%	72.9%	76.5%	73.6%
Average Rate (£ per sq ft)	28.63	18.08	23.66	34.87	25.90
Revenue (£'m)	68.9	40.1	109.0	34.9	143.9
Average Revenue per Store (£'m)	1.03	0.77	0.92	1.29	0.99
The reported totals have not been adjusted for the impact of rounding					

We have a strong position in both the UK and Paris markets operating 119 stores in the UK, 67 of which are in London and the South East, and 27 stores in Paris.

In the UK, 63% of our revenue is generated by our stores in London and the South East. On average, our stores in London and the South East are smaller than in the rest of the UK but the rental rates achieved are materially higher enabling these stores to typically achieve similar or better margins than the larger stores. In London we operate 44 stores within the M25, more than any other competitor.

In France, we have a leading position in the heart of the affluent City of Paris market with eight stores branded as Une Pièce en Plus (“UPP”) (“A spare room”) with more than twice the number of stores of our two major competitors combined. 69% of the UPP stores are located in a cluster within a five-mile radius of the city centre, which facilitates strong operational and marketing synergies as well as options to differentiate and channel customers to the right store subject to their preference for convenience or price affordability. The Parisian market has attractive socio-demographic characteristics for self-storage and we believe that UPP enjoys unique strategic strength in such an attractive market.

Together, as at 31 October 2018 London, the South-East and Paris represent 64% of our stores, 72% of our revenues, as well as 58% of our available capacity.

In addition, Safestore has the benefit of a leading national presence in the UK regions where the stores are predominantly located in the centre of key metropolitan areas such as Birmingham, Manchester, Liverpool, Bristol, Glasgow and Edinburgh.

## Market

The self-storage market in the UK and France remains relatively immature compared to geographies such as the USA and Australia. The Self-Storage Association (“SSA”) Annual Survey (May 2018) confirmed that self-storage capacity stands at 0.67 square feet per head of population in the UK and 0.16 square feet per capita in France. Whilst the Paris market density is greater than France, we estimate it to be significantly lower than the UK at around 0.36 square feet per inhabitant. This compares with 7.3 square feet per inhabitant in the USA and 2.0 square feet in Australia. In the UK, in order to reach the US density of supply would require the addition of around another circa 12,000 stores as compared to circa 1,150 currently operating. In the Paris region, it would require circa 1,800 new facilities versus circa 90 currently opened.

While capacity increased significantly between 2007 and 2010 with respondents to the survey opening an average of 32 stores per annum, new additions have been limited to an average of 19 stores per annum between 2011 and 2016 (including container storage openings).

The SSA 2018 Survey reported 70 stores as having been opened across the industry in 2017. However, our own analysis of these openings shows that many were container-based operators and only c.30 of the sites represent self-storage sites that are comparable with Safestore’s own portfolio. Of those sites, only around half are in catchments where Safestore has a presence. The 30 comparable sites represent around 2.6% of the traditional self-storage industry in the UK.

The SSA 2018 Survey also reported that operators have become more conservative since 2017 in terms of new store openings and site acquisitions. For 2019, operators have revised their new store predictions down from 52 to 47 and their site acquisitions down from 46 to 31. Traditionally, operators have opened or acquired far fewer stores than originally estimated. For 2017, the survey group had predicted in the previous year that it would open 47 stores and only 26 were in fact opened by the operators in the survey group. For 2020, around 42 new developments are predicted. Based on these estimates, and adjusting for historical inaccuracy, we estimate that around 30 stores per annum will be developed over the coming years.

New supply in London and Paris is likely to continue to be limited in the short and medium term as a result of planning restrictions and the availability of suitable land.

The supply in the UK market, according to the SSA survey, remains relatively fragmented. Safestore is the leader by number of stores with 119 wholly owned sites, followed by Big Yellow with 74 wholly owned stores, Access with 57 stores, Lok’n Store with 29 stores, Shurgard with 28 stores and Storage King with 26 stores. In aggregate, the top ten leading operators account for 28% of the UK store portfolio. The remaining circa 1,100 self-storage outlets (including 345 container based operations) are independently owned in small chains or single units. In total there are 723 storage businesses operating in the UK.

Safestore’s French Business, UPP, is mainly present in the core wealthier and more densely populated inner Paris and first belt areas, whereas our two main competitors, Shurgard and Homebox, have a greater presence in the outskirts and second belt of Paris.

Consumer awareness of self-storage is increasing but remains relatively low, providing an opportunity for future industry growth. The SSA survey indicated that 54% (58% in 2017) of consumers either knew nothing about the service offered by self-storage operators or had not heard of self-storage at all. The opportunity to grow awareness, combined with limited new industry supply makes for an attractive industry backdrop.

Self-storage is a brand-blind product. 61% of respondents were unable to name a self-storage business in their local area. The lack of relevance of brand in the process of purchasing a self-storage product emphasises the need for operators to have a strong online presence. This requirement for a strong online presence was also reiterated by the SSA survey where 67% of those surveyed (71% in 2017) confirmed that an internet search would be their chosen means of finding a self-storage unit to contact, whilst knowledge of a physical location of a store as reason for enquiry was c.23% of respondents (c.23% in 2017).

There are numerous drivers of self-storage growth. Most private and business customers need storage either temporarily or permanently for different reasons at any point in the economic cycle, resulting in a market depth that is, in our view, the reason for its exceptional resilience. The growth of the market is

driven both by the fluctuation of economic conditions, which has an impact on the mix of demand, and by growing awareness of the product.

Safestore's domestic customers' need for storage is often driven by life events such as births, marriages, bereavements, divorces or by the housing market, including house moves and developments and moves between rental properties. Safestore has estimated that UK owner-occupied housing transactions drive around 10-15% of the Group's new lets. This is consistent with the SSA 2018 Survey which reported that only 22.5% of the industry's customer base use self-storage as temporary storage whilst moving house which includes both the rental and the owner occupier market.

The Group's business customer base includes a range of businesses from start-up online retailers through to multi-national corporates utilising our national coverage to store in multiple locations while maintaining flexibility in their cost base.

<b>Business and Personal Customers</b>	<b>UK</b>	<b>Paris</b>
<b>Personal Customers</b>		
Numbers (% of total)	74%	83%
Square feet occupied (% of total)	53%	66%
Average Length of Stay (months)	20.2	26.4
<b>Business Customers</b>		
Numbers (% of total)	26%	17%
Square feet occupied (% of total)	47%	34%
Average Length of Stay (months)	30.5	32.2

Safestore's customer base is resilient and diverse and consists of around 64,000 domestic, business and National Accounts customers across London, Paris and the UK regions.

### **Business Model**

Safestore's proven business model remains unchanged.

The Group operates in a market with relatively low consumer awareness. It is anticipated that this will increase over time as the industry matures. To date, despite the financial crisis in 2007/08 and the implementation of VAT on self-storage in 2012, the industry has been exceptionally resilient. In the context of uncertain economic conditions as the UK approaches Brexit, the industry remains well positioned with limited new supply coming into the self-storage market.

With more stores inside London's M25 than any other operator and a strong position in central Paris, Safestore has leading positions in the two most important and demographically favourable markets in Europe. In addition, our regional presence in the UK is unsurpassed and contributes to the success of our industry leading National Accounts business. In the UK, Safestore is the leading operator by number of wholly owned stores.

The Group's capital-efficient portfolio of 146 wholly owned stores in the UK and Paris consists of a mix of freehold and leasehold stores. In order to grow the business and secure the best locations for our facilities we have maintained a flexible approach to leasehold and freehold developments.



Currently, around 30% of our stores in the UK are leaseholds with an average remaining lease length at 31 October 2018 of 12.5 years (FY2017: 13.3 years). Although our property valuation for leaseholds is conservatively based on future cash flows until the next contractual lease renewal date, Safestore has a demonstrable track record of successfully re-gearing leases several years before renewal whilst at the same time achieving concessions from landlords.

In England, we benefit from the Landlord and Tenant Act that protects our rights for renewal except in case of redevelopment. The vast majority of our leasehold stores have building characteristics or locations in retail parks that make current usage either the optimal and best use of the property or the only one authorised by planning. We observe that our Landlords, who are property investors, value the quality of Safestore as a tenant and typically prefer to extend the length of the leases that they have in their portfolio, enabling Safestore to maintain favourable terms.

In Paris, where 41% of stores are leaseholds, our leases typically benefit from the well-enshrined Commercial Lease statute that provides that tenants own the commercial property of the premises and that they are entitled to renew their lease at a rent that is indexed to the National Construction Index published by the state. Taking into account this context, the valuer values the French leaseholds based on an indefinite property tenure, similar to freeholds but at a significantly higher exit cap rate.

Our experience is that being flexible in its approach has enabled Safestore to operate from properties that would have been otherwise unavailable and to generate strong returns on capital invested.

Safestore excels in the generation of customer enquiries which are received through a variety of channels including the internet, telephone and 'walk-ins'. In the early days of the industry, local directories and store visibility were key drivers of enquiries.

The internet is now by far the dominant channel, accounting for 83% (FY2017: 82%) of our enquiries in the UK and 75% (FY2017: 72%) in France. Telephone enquiries comprise 11% of the total (17% in France) and 'walk-ins' amount to only 6% (8% in France). This dynamic is a clear benefit to the leading national operators that possess the budget and the management skills necessary to generate a commanding presence in the major search engines. Safestore has developed a leading digital marketing platform that has generated 40% enquiry growth over the last five years (excluding Alligator). Towards the end of 2015 the Group launched a new dynamic and mobile-friendly UK website, which has achieved its aim of providing the customer with an even clearer, more efficient experience. A similar website was launched in our Paris business at the end of 2016.

Although mostly generated online, our enquiries are predominantly handled directly by the stores and, in the UK, we have a Customer Support Centre ("CSC") which now handles 14% of all enquiries, in particular when the store staff are busy handling calls or outside of normal store opening hours.

Our pricing platform provides the store and CSC staff with system-generated real-time prices managed by our centrally based yield-management team. Local staff have certain levels of discretion to flex the system-generated prices but this is continually monitored.

Customer service standards are high and customer satisfaction feedback is consistently very positive. Over the last twelve months we have achieved over 96% customer satisfaction, based on ratings as collected by Feefo via our customer website.

The key drivers of sales success are the capacity to generate enquiries in a digital world, the capacity to provide storage locations that are conveniently located close to the customers' requirements and the ability to maintain a consistently high quality, motivated retail team that is able to secure customer sales at an appropriate storage rate, all of which can be better provided by larger, more efficient organisations.

We remain focused on business as well as domestic customers. Our national network means that we are uniquely placed to further grow the business customer market and in particular National Accounts. Business customers in the UK now constitute 47% of our total space let and have an average length of stay of 30 months. Within our business customer category, our National Accounts business represents around 445k sq ft of occupied space (around 12% of the UK's occupancy). Approximately two-thirds of the space occupied by National Accounts customers is outside London, demonstrating the importance and quality of our well invested national estate.

The business now has 64,000 business and domestic customers with an average length of stay of 31 months and 22 months respectively.

The cost base of the business is relatively fixed. Each store typically employs three staff. Our Group Head Office comprises business support functions such as Yield-Management, Property, Marketing, HR, IT and Finance.

Since the completion of the rebalancing of our capital structure in early 2014, the subsequent amendment and extension of our banking facilities in Summer 2015 and the refinancing of all facilities in May 2017, Safestore has secure financing, a strong balance sheet and significant covenant headroom. This provides the Group with financial flexibility and the ability to grow organically and via carefully selected new developments or acquisition opportunities.

At 31 October 2018 we had 1.4m sq ft of unoccupied space in the UK and 0.3m sq ft in France, equivalent to circa 40 full new stores. Our main focus is on filling the spare capacity in our stores at optimally yield-managed rates. The operational leverage of our business model will ensure that the bulk of the incremental revenue converts to profit given the relatively fixed nature of our cost base.

## Trading Performance

UK – strong like-for-like<sup>8</sup> growth supplemented by acquisition of Alligator

<b>UK Operating Performance- total</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Revenue (£'m)	109.0	97.5	11.8%
Underlying EBITDA (£'m) <sup>2</sup>	61.1	54.3	12.5%
Underlying EBITDA (after leasehold costs) (£'m)	54.4	48.1	13.1%
Closing Occupancy (let sq ft- million) <sup>3</sup>	3.74	3.25	15.1%
Maximum Lettable Area (MLA) <sup>4</sup>	5.12	4.54	12.8%
Closing Occupancy (% of MLA)	72.9%	71.6%	+1.3ppts
Average Storage Rate (£) <sup>5</sup>	23.66	24.42	(3.1%)

  

<b>UK Operating Performance- like-for-like<sup>8</sup></b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Revenue (£'m)	99.5	94.6	5.2%
Underlying EBITDA (£'m) <sup>2</sup>	55.6	52.4	6.1%
Closing Occupancy (let sq ft- million) <sup>3</sup>	3.33	3.21	3.7%
Closing Occupancy (% of MLA)	74.7%	71.8%	+2.9ppts
Average Occupancy (let sq ft- million) <sup>3</sup>	3.25	3.11	4.5%
Average Storage Rate (£) <sup>5</sup>	24.33	24.20	0.5%

The UK's revenue performance was strong with the business growing revenue by 11.8% and like-for-like<sup>8</sup> revenue by 5.2%. Performance was strong across all of the UK with London and the South East up 4.1% and regional UK up 7.4%.

Over the year, the business added occupancy of 132,000 sq ft on a like-for-like<sup>8</sup> basis (FY2017: 123,000). As a result, like-for-like<sup>8</sup> closing occupancy, at 74.7%, increased by 2.9 percentage points compared to the prior year. Like-for-like<sup>8</sup> average occupancy for the year grew by 4.5%.

Average like-for-like<sup>8</sup> rate has showed improving momentum as the year has progressed and finished the year up 0.5% with Q4 rate up 2.6%.

The positive trends of Q4 2018 have continued into the first quarter of the new financial year.

When the impact of the acquisition of Alligator, combined with new store openings in Mitcham and Paddington Marble Arch offset by closures in Deptford, Merton, Leeds and Paddington is taken into consideration, revenue grew by 11.8% for the full year. New stores, in the initial period after opening, are dilutive to occupancy and rate. However, all new stores and Alligator are trading in line or ahead of our business plans.

We remain focused on our cost base. During the year, our cost base, on a like-for-like<sup>8</sup> basis, increased by just 4.0% or £1.7m. Aside from a 13% or £0.8m increase in our marketing investment in the year, our cost base grew by just over 3% on a like-for-like<sup>8</sup> basis. Our total reported cost base grew by £4.7m reflecting the acquisition of Alligator and the cost bases relating to the recently opened stores.

As a result, underlying EBITDA<sup>2</sup> for the UK business was £61.1m (FY2017: £54.3m), an increase of £6.8m or 12.5%.

*Paris – twentieth year of revenue growth driven by improving occupancy*

<b>Paris Operating Performance- total</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Revenue (€'m)	39.4	37.2	5.9%
Underlying EBITDA (€'m) <sup>2</sup>	24.6	23.1	6.5%
Underlying EBITDA (after leasehold costs) (€'m)	19.5	18.5	5.4%
Closing Occupancy (let sq ft- million) <sup>3</sup>	0.95	0.89	6.7%
Maximum Lettable Area (MLA) <sup>4</sup>	1.25	1.17	6.8%
Closing Occupancy (% of MLA)	76.5%	76.6%	(0.1ppts)
Average Storage Rate (€) <sup>5</sup>	39.44	40.28	(2.1%)
Revenue (£'m)	34.9	32.4	7.7%

  

<b>Paris Operating Performance- like-for-like<sup>8</sup></b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Revenue (€'m)	39.0	37.1	5.1%
Underlying EBITDA (€'m) <sup>2</sup>	24.8	23.2	6.9%
Closing Occupancy (let sq ft- million) <sup>3</sup>	0.92	0.88	4.5%
Closing Occupancy (% of MLA)	84.1%	82.6%	+1.5ppts
Average Occupancy (let sq ft- million) <sup>3</sup>	0.89	0.84	6.0%
Average Storage Rate (€) <sup>5</sup>	39.96	40.34	(0.9%)

On a like-for-like<sup>8</sup> basis the business grew revenue by 5.1% for the full year. This was driven by average occupancy growth of 6.0% for the year.

Like-for-like<sup>8</sup> occupancy grew by 36,000 sq ft for the year (FY2017: 68,000 sq ft) resulting in closing occupancy of 84.1%, up 1.5 percentage points compared to the prior year.

Like-for-like<sup>8</sup> average rate in Paris was down 0.9% for the year but has, like the UK, shown improving momentum as the year has progressed. Excluding the mix effect of our lower priced suburban Emerainville store, which opened in September 2016, from the like-for-like<sup>8</sup> stores the average rate was flat over the year.

The positive trading trends of Q4 2018 have continued into the first quarter of the new financial year.

The impact of the new stores opened in June 2017 at Combs-la-Ville (73,500 sq ft of MLA and circa 10,000 sq ft of office space) and August 2018 at Poissy (80,000 sq ft of MLA), in the west of Paris, is to dilute rate and occupancy in the initial period after trading commences. These stores, however, are trading ahead of our business plan.

The impact of the 1.5% weakening of Sterling over the year also contributed to the Sterling equivalent total revenue increasing 7.7% on the prior year.

The cost base in Paris remained well controlled during the year with like-for-like<sup>8</sup> costs growing by 2.2% or €0.3m. The total cost base grew by 5.0% or €0.7m reflecting the new store openings which typically make a loss in the first full year of operations. As a result, like-for-like<sup>8</sup> underlying EBITDA<sup>2</sup> in Paris grew by €1.6m and underlying EBITDA<sup>2</sup> grew by €1.5m to €24.6m (FY2017: €23.1m).

**Frederic Vecchioli**  
**7 January 2019**

## Financial Review

### Underlying Income Statement

The table below sets out the Group's underlying results of operations for the year ended 31 October 2018 and the year ended 31 October 2017. To calculate underlying performance metrics, adjustments are made for the impact of exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain or loss on investment properties and the associated tax impacts as well as exceptional tax items and deferred tax charges. Management considers this presentation of earnings to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges.

	2018 £'m	2017 £'m	Mvmt %
Revenue	143.9	129.9	10.8%
Underlying costs	<u>(61.0)</u>	<u>(55.5)</u>	9.9%
<b>Underlying EBITDA</b>	<b>82.9</b>	<b>74.4</b>	<b>11.4%</b>
Leasehold rent	<u>(11.2)</u>	<u>(10.3)</u>	8.7%
<b>Underlying EBITDA after leasehold rent</b>	<b>71.7</b>	<b>64.1</b>	<b>11.9%</b>
Depreciation	(0.6)	(0.5)	20.0%
Finance charges	<u>(8.4)</u>	<u>(9.4)</u>	(10.6%)
<b>Underlying profit before tax</b>	<b>62.7</b>	<b>54.2</b>	<b>15.7%</b>
Current tax	<u>(4.7)</u>	<u>(4.0)</u>	17.5%
<b>Adjusted EPRA earnings</b>	<b>58.0</b>	<b>50.2</b>	<b>15.5%</b>
Share-based payments charge	<u>(5.3)</u>	<u>(1.5)</u>	253.3%
<b>EPRA basic earnings</b>	<b>52.7</b>	<b>48.7</b>	<b>8.2%</b>
Average shares in issue (m)	209.9	209.2	
Diluted shares (for ADE EPS) (m)	216.7	216.7	
<b>Adjusted diluted EPRA EPS (p)</b>	<b>26.8</b>	<b>23.2</b>	<b>15.5%</b>

#### Notes:

- Adjusted Diluted EPRA EPS is defined in note 2 to the financial statements.
- Adjusted EPRA earnings excludes share-based payment charges and, accordingly, the underlying EBITDA, underlying EBITDA after leasehold rent and underlying profit before tax measures have been restated to exclude share-based payment charges for consistency.

Underlying EBITDA increased by 11.4% to £82.9m (FY2017: £74.4m), reflecting a 10.8% increase in revenue and a 9.9% increase to the underlying cost base. This performance reflects the contribution from the acquisition of Alligator in November 2017, as well as the impact of the four new stores opened since June 2017, offset by the closures of Deptford, Merton, Leeds and Paddington.

Leasehold rent increased by 8.7% from £10.3m to £11.2m, principally due to an additional two leases in respect of the Alligator business and our new leasehold store at Paddington Marble Arch.

Underlying finance charges reduced by 10.6% from £9.4m to £8.4m. This reflects the benefit of the annualisation of our May 2017 refinancing of our borrowing arrangements as well as the restructuring of our hedging arrangements undertaken during the prior year.

As a result, we achieved a 15.7% increase in underlying profit before tax to £62.7m (FY2017: £54.2m).

Given the Group's REIT status in the UK, tax is normally only payable in France. The underlying tax charge for the year was £4.7m (FY2017: £4.0m), calculated by applying the French statutory income tax rate of 33.33% on the taxable profits earned by our Paris business, which results in an effective underlying tax rate of 28%. The Group's share-based payment charge increased £3.8m to £5.3m (FY2017: £1.5m), representing the impact of the new remuneration policy and Long Term Incentive Plan.

Management considers that the most representative earnings per share ("EPS") measure is Adjusted Diluted EPRA EPS which has increased by 15.5% to 26.8 pence (FY2017: 23.2 pence).

### Reconciliation of Underlying EBITDA

The table below reconciles the operating profit included in the income statement to underlying EBITDA.

	<b>2018</b>	<b>2017</b>
	<b>£'m</b>	<b>£'m</b>
Operating profit	197.6	109.6
Adjusted for		
- gain on investment properties	(122.1)	(39.2)
- depreciation	0.6	0.5
- contingent rent	1.5	0.6
- share-based payments	5.3	1.5
Exceptional items		
- costs incurred relating to corporate transactions	-	1.4
Underlying EBITDA	<u>82.9</u>	<u>74.4</u>

The main reconciling items between operating profit and underlying EBITDA are the gain on investment properties as well as adjustments for depreciation, contingent rent and share-based payment charges. The gain on investment properties was £122.1m, as compared to £39.2m in 2017. The Group's approach to the valuation of its investment property portfolio at 31 October 2018 is discussed below.

## Underlying Profit by geographical region

The Group is organised and managed in two operating segments based on geographical region. The table below details the underlying profitability of each region.

	2018			2017		
	UK £'m	Paris €'m	Total (CER) £'m	UK £'m	Paris €'m	Total (CER) £'m
Revenue	109.0	39.4	143.4	97.5	37.2	129.9
Underlying cost of sales	(39.6)	(11.3)	(49.4)	(35.6)	(10.4)	(44.6)
Store EBITDA	69.4	28.1	94.0	61.9	26.8	85.3
<i>Store EBITDA margin</i>	63.7%	71.3%	65.6%	63.5%	72.0%	65.7%
<i>LFL Store EBITDA margin</i>	64.3%	72.6%	66.4%	63.4%	72.2%	65.7%
Underlying administrative expenses	(8.3)	(3.5)	(11.4)	(7.6)	(3.7)	(10.9)
Underlying EBITDA	61.1	24.6	82.6	54.3	23.1	74.4
<i>EBITDA margin</i>	56.1%	62.4%	57.6%	55.7%	62.1%	57.3%
<i>LFL EBITDA margin</i>	55.9%	63.6%	57.9%	55.4%	62.5%	57.2%
Leasehold rent	(6.7)	(5.1)	(11.2)	(6.2)	(4.6)	(10.3)
Underlying EBITDA after leasehold rent	54.4	19.5	71.4	48.1	18.5	64.1
<i>EBITDA after leasehold rent margin</i>	49.9%	49.5%	49.8%	49.3%	49.7%	49.3%
	<b>UK</b> <b>£'m</b>	<b>Paris</b> <b>£'m</b>	<b>Total</b> <b>£'m</b>	<b>UK</b> <b>£'m</b>	<b>Paris</b> <b>£'m</b>	<b>Total</b> <b>£'m</b>
Underlying EBITDA after leasehold rent (CER)	54.4	17.0	71.4	48.1	16.0	64.1
Adjustment to actual exchange rate	-	0.3	0.3	-	-	-
Reported underlying EBITDA after leasehold rent	54.4	17.3	71.7	48.1	16.0	64.1

Note: CER is Constant Exchange Rates (Euro denominated results for the current period have been retranslated at the exchange rate effective for the comparative period in order to present the reported results on a more comparable basis).

Underlying EBITDA in the UK increased by £6.8m, or 12.5%, to £61.1m (FY2017: £54.3m), underpinned by an 11.8% or £11.5m increase in revenue, which was driven primarily by a full year contribution from the acquisition of Alligator in November 2017 as well as the impact of the new stores opened in Mitcham and Paddington Marble Arch offset by the closures of Leeds Central, Merton, Paddington and Deptford. Underlying UK EBITDA after leasehold rent increased by 13.1% to £54.4m (FY2017: £48.1m).

In Paris, underlying EBITDA increased by €1.5m, or 6.5%, to €24.6m (FY2017: €23.1m), driven by a €2.2m increase in revenue. Underlying EBITDA after leasehold rent in Paris increased by 5.4% to €19.5m (FY2017: €18.5m)

Recently opened or immature stores have a dilutive effect on the Group's reported performance. On a like-for-like basis, adjusting for the dilutive impact of immature stores, Store EBITDA margin in the UK was 64.3% (FY2017: 63.4%) and in France it was 72.6% (FY2017: 72.2%).

The combined results of the UK and Paris delivered an 11.4% increase in underlying EBITDA after leasehold rent at constant exchange rates at Group level. Adjusting for a favourable exchange impact

of £0.3m, the Group's reported underlying EBITDA after leasehold rent also increased by 11.9% or £7.6m to £71.7m (FY2017: £64.1m).

## Revenue

Revenue for the Group is primarily derived from the rental of self-storage space and the sale of ancillary products such as insurance and merchandise (e.g. packing materials and padlocks) in both the UK and Paris.

The split of the Group's revenues by geographical segment is set out below for 2018 and 2017.

		2018	% of total	2017	% of total	% change
UK	£'m	109.0	76%	97.5	75%	11.8%
<u>Paris</u>						
Local currency	€'m	39.4		37.2		5.9%
Average exchange rate	€:£	1.131		1.148		1.5%
Paris in Sterling	£'m	34.9	24%	32.4	25%	7.7%
Total revenue		<u>143.9</u>	<u>100%</u>	<u>129.9</u>	<u>100%</u>	<u>10.8%</u>

The Group's revenue increased by 10.8% or £14.0m in the year. The Group's occupied space was 550,000 sq ft higher at 31 October 2018 (4.69 million sq ft) than at 31 October 2017 (4.14 million sq ft), and the average rental rate per square foot for the Group, affected in the year by the dilutive impact of our lower priced new stores and acquired Alligator stores, was 2.9% lower in 2018 at £25.90 than in 2017 (£26.67).

Adjusting the Group's revenue to a like-for-like basis (to reflect the Alligator acquisition, the opening of two new stores in the UK and two in Paris, and the closures of four stores in the UK), revenue has increased by 5.6%. Adjusting further for the strengthening of the Euro during the year, Group like-for-like revenue at constant exchange rates has increased by 5.2%.

In the UK, revenue grew by £11.5m or 11.8%, and on a like-for-like basis it increased by 5.2%. Occupancy was 490,000 sq ft higher at 31 October 2018 than at 31 October 2017, at 3.74 million sq ft (3.25 million sq ft) largely reflecting the acquisition of the Alligator portfolio. The average rental rate for the year fell 3.1%, from £24.42 in 2017 to £23.66 in 2018, due to the dilutive impact of acquired Alligator stores. On a like-for-like basis, the average rental rate in the UK increased by 0.5% to £24.33 (FY2017: £24.20).

In Paris, revenue increased by 5.1% to €39.0m on a like-for-like basis (FY2017: €37.1m). However, the 1.5% strengthening of the Euro during the financial year had a favourable currency impact of approximately £0.5m on translation, which contributed to a 7.7% increase when reported in Sterling. Closing occupancy grew to 0.95 million sq ft (FY2017: 0.89 million sq ft), and the average rental rate fell by 2.1% to €39.44 for the year (FY2017: €40.28). Adjusting for the impact of immature stores, on a like-for-like basis the average rental rate in France fell 0.9% to €39.96 (FY2017: €40.34) and removing the dilutive mix effect of our lower priced suburban Emerainville store, average rate remained flat year on year.



## Analysis of Cost Base

### Cost of sales

The table below details the key movements in cost of sales between 2017 and 2018.

<b>Cost of sales</b>	<b>2018 £'m</b>	<b>2017 £'m</b>
Reported cost of sales	(51.7)	(45.7)
Adjusted for:		
Depreciation	0.6	0.5
Contingent rent	1.5	0.6
Underlying cost of sales	<u>(49.6)</u>	<u>(44.6)</u>
Underlying cost of sales for 2017		(44.6)
Closed and new store cost of sales		1.1
Underlying cost of sales for 2017 (Like-for-like)		<u>(43.5)</u>
Enquiry generation spend		(0.8)
Employee costs, business rates and other cost of sales		(0.5)
Underlying cost of sales for 2018 (Like-for-like; CER)		<u>(44.8)</u>
Alligator, closed and new store cost of sales		(4.6)
Underlying cost of sales for 2018 (CER)		<u>(49.4)</u>
Foreign exchange		(0.2)
Underlying cost of sales for 2018		<u><u>(49.6)</u></u>

In order to arrive at underlying cost of sales, adjustments are made to remove the impact of depreciation, which does not form part of underlying EBITDA, and contingent rent, which forms part of our leasehold rent costs in the presentation of our underlying income statement.

Cost of sales increased by £5.0m in the year, from £44.6m in 2017 to £49.6m in 2018. Adjusting for a £0.2m adverse currency impact, in constant currency underlying cost of sales grew by £4.8m, which is largely attributable to a £3.5m increase in costs of sales arising from the twelve Alligator stores, two new stores in the UK and two in Paris, offset by four store closures in the UK. On a like-for-like basis, at constant exchange rates, cost of sales increased by £1.3m or 3.0%, with £0.5m from business rates, store maintenance and store employee remuneration and £0.8m of additional enquiry generation investment. The cost of our marketing efforts during the year represented 5.4% of revenue.

## Administrative Expenses

The table below reconciles reported administrative expenses to underlying administrative expenses and details the key movements in underlying administrative expenses between 2017 and 2018.

Administrative expenses	2018 £'m	2017 £'m
Reported administrative expenses	(16.7)	(13.8)
Adjusted for:		
Exceptional items	-	1.4
Share-based payments	5.3	1.5
Underlying administrative expenses	(11.4)	(10.9)
Underlying administrative expenses for 2017		(10.9)
Closed and new store administrative expenses		0.1
Underlying administrative expenses for 2017 (Like-for-like)		(10.8)
Employee remuneration		(0.4)
Professional fees and administration costs		(0.2)
Underlying administrative expenses for 2018 (Like-for-like; CER)		(11.4)
Alligator, closed and new store administrative expenses		-
Underlying administrative expenses for 2018 (CER)		(11.4)
Foreign exchange		-
Underlying administrative expenses for 2018		(11.4)

In order to arrive at underlying administrative expenses, adjustments are made to remove the impact of exceptional items, share-based payments and other non-underlying items.

Administrative expenses increased by £0.5m or 4.6% in the year, from £10.9m in 2017 to £11.4m in 2018 through a £0.4m increase in employee remuneration and net £0.1m increase in other professional fees and administration costs.

Total costs (cost of sales plus administrative expenses) on a like-for-like basis in constant currency have grown by £1.9m, or 3.5%, to £56.2m (FY2017: £54.3m), principally as a result of the increase in cost of sales explained above.

## Exceptional items

A net exceptional cost of zero was incurred in the year. However, in France, exceptional income of £0.5m relating to compensation was received from a landlord in respect of water damage and was offset by £0.5m of legal and employment related costs in the UK. In the prior year, the Group incurred exceptional transaction related costs totalling £1.4m which arose on the acquisition of Stork Self Storage (Holdings) Limited (which trades as Alligator Self Storage).

## Gain on Investment Properties

The gain on investment properties consists of the revaluation gains and losses with respect to investment properties under IAS 40 and finance lease depreciation for the interests in leaseholds and other items as detailed below.

	2018 £'m	2017 £'m
Revaluation of investment properties	124.8	43.6
Revaluation of investment properties under construction	2.5	0.9
Depreciation on leasehold properties	(5.2)	(5.3)
Gain on investment properties	<u>122.1</u>	<u>39.2</u>

In the current financial year, including investment properties under construction, the UK business contributed £101.4m to the positive valuation movement and the Paris business contributed £25.9m. The gain on investment properties principally reflects the continuing progress in the performance of both businesses, which has further driven positive changes in the cash flow metrics that are used to assess the value of the store portfolio.

## Operating Profit

Operating profit increased by £88.0m from £109.6m in 2017 to £197.6m in 2018, comprising an £8.5m increase in underlying EBITDA, an £82.9m higher investment property gain and non-repeating exceptional transactional costs of £1.4m recognised in the prior year, offset by a £1.0m increase in depreciation and contingent rent and a £3.8m increase in share-based payment charges.

## Net finance costs

Net finance costs includes interest payable, interest on obligations under finance leases, fair value movements on derivatives, exchange gains or losses, unwinding of discounts and exceptional refinancing costs. Net finance costs decreased by £18.4m in 2018, to £12.3m from £30.7m in 2017, principally due to the non-repeat of £16.3m of exceptional refinancing costs incurred in 2017.

	2018 £'m	2017 £'m
Net bank interest payable	(8.4)	(9.4)
Interest on obligations under finance leases	(4.5)	(4.4)
Fair value movement on derivatives	0.5	(5.2)
Net exchange gains	-	4.5
Unwinding of discount on Capital Goods Scheme receivable	0.1	0.1
Exceptional finance expenses	-	(16.3)
	<hr/>	<hr/>
Net finance costs	<u>(12.3)</u>	<u>(30.7)</u>

## Underlying finance charge

The underlying finance charge (net bank interest payable) reduced by £1.0m to £8.4m, principally reflecting a full year of interest savings arising from the refinancing of our borrowing arrangements undertaken in May 2017, as well as the restructuring of our hedging arrangements in August 2017. Net bank interest payable also includes the amortisation of debt issue costs, which decreased to £0.1m (FY2017: £0.3m).

Based on the year-end drawn debt position the effective interest rate is analysed as follows:

	Facility £/€'m	Drawn £'m	Hedged £'m	Hedged %	Bank Margin	Hedged Rate	Floating Rate	Total Rate
UK Revolver	£250.0	£171.0	£135.0	79%	1.25%	0.94%	0.82%	2.16%
UK Revolver- non-utilisation	£79.0	-	-	-	0.50%	-	-	0.50%
Euro Revolver	€70.0	£38.2	£26.7	70%	1.25%	0.16%	(0.32%)	1.27%
Euro Revolver- non-utilisation	€27.0	-	-	-	0.50%	-	-	0.50%
US Private Placement 2024	€50.9	£45.3	£45.3	100%	1.59%	-	-	1.59%
US Private Placement 2027	€74.1	£65.9	£65.9	100%	2.00%	-	-	2.00%
US Private Placement 2029	£50.5	£50.5	£50.5	100%	2.92%	-	-	2.92%
Unamortised finance costs	-	(£1.0)	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>£473.9</u>	<u>£369.9</u>	<u>£323.4</u>	<u>87%</u>	<hr/>	<hr/>	<hr/>	<u>2.28%</u>

As at 31 October 2018, £171m of the £250m UK revolver and €43m (£38.2m) of the €70m Euro revolver were drawn. The drawn amounts attract a bank margin of 1.25%, and the Group pays a non-utilisation fee of 0.50% on the undrawn balances of £79m and €27m.

The Group has interest rate hedge agreements in place to June 2022, swapping LIBOR on £135m at a weighted average effective rate of 0.94% and EURIBOR on €30m at an effective rate of 0.16%.

The 2024 and 2027 US Private Placement Notes are denominated in Euros and attract fixed interest rates of 1.59% (on €50.9m) and 2.00% (on €74.1m) respectively. The Euro denominated borrowings provide a natural hedge against the Group's investment in the Paris business.

The £50.5m 2029 US Private Placement Notes are denominated in Sterling and attract a fixed interest rate of 2.92%.

87% of the Group's drawn debt is effectively at fixed rates of interest, as a result of the hedging arrangements and fixed interest loan notes. Overall, the Group has an effective interest rate on its borrowings of 2.28% at 31 October 2018, compared to 2.14% at the previous year end, as a result of a combination of increasing UK interest rates on the unhedged portion of the UK revolver and the rate impact of the Group's additional £35m hedging arrangements.

### ***Non-underlying finance charge***

Interest on finance leases was £4.5m (FY2017: £4.4m) and reflects part of the leasehold rental payment. The balance of the leasehold payment is charged through the gain or loss on investment properties line and contingent rent in the income statement. Overall, the leasehold rent charge increased from £10.3m in 2017 to £11.2m in 2018, principally reflecting the addition of two new leases through the acquisition of the Alligator business, our new leasehold store at Paddington Marble Arch, and the non-repeat of favourable rent settlements in Paris in 2017.

Net finance costs includes no exchange gain or loss (FY2017: £4.5m of net exchange gains). The gain in the prior period arose primarily on retranslation of the Group's US dollar denominated borrowings.

A net gain of £0.5m was recognised on fair valuation of derivatives (FY2017: net loss of £5.2m). The loss in the prior period principally comprised a loss of £6.5m arising on the US dollar cross currency swaps, less a net gain of £1.3m arising on our interest rate hedging arrangements.

Since our refinancing in May 2017, the Group is no longer exposed to exchange movements on US dollar denominated borrowings, and the US dollar cross currency swaps were broken as part of the refinancing. The Group undertakes net investment hedge accounting for its new Euro denominated loan notes, so the income statement is not exposed to fluctuations in the Euro exchange rate.

## Tax

The tax charge for the year is analysed below:

<b>Tax charge</b>	<b>2018</b>	<b>2017</b>
	<b>£'m</b>	<b>£'m</b>
Underlying current tax	<u>(4.7)</u>	<u>(4.0)</u>
Current tax charge	<u>(4.7)</u>	<u>(4.0)</u>
Tax on investment properties movement	(7.6)	(5.4)
Tax on revaluation of interest rate swaps	(0.1)	(0.1)
Impact of tax rate change in France	4.0	8.8
Adjustment in respect of prior years	0.2	-
Other	<u>0.1</u>	<u>0.1</u>
Deferred tax (charge)/credit	<u>(3.4)</u>	<u>3.4</u>
Net tax charge	<u><u>(8.1)</u></u>	<u><u>(0.6)</u></u>

The net income tax charge for the year is £8.1m (FY2017: £0.6m). In the UK, the Group is a REIT, so the tax charge relates solely to the Paris business. The underlying current tax charge relating to Paris amounted to £4.7m (FY2017: £4.0m), calculated by applying the French statutory income tax rate of 33.33% to its taxable profits, which results in an effective underlying tax rate of 28%.

Deferred tax was a £3.4m charge (FY2017: £3.4m credit). In France, the 2018 Finance Bill, which was adopted in December 2017, introduced a reduction in the standard rate of corporate income tax from 33.33% to 25.0%, applicable progressively from 2017 to 2022, extending reductions previously adopted following the 2017 Finance Bill. These reductions are applicable to all companies. As a result of this change, a non-recurring deferred tax credit of £4.0m (FY2017: £8.8m) has been recognised.

All other deferred tax movements are non-underlying, and relate to Paris. The deferred tax impact of the revaluation gain on investment properties was a charge of £7.6m (FY2017: £5.4m).

## Earnings per share

As a result of the movements explained above, profit after tax for 2018 was £177.2m as compared with £78.3m in 2017. Basic EPS was 84.4 pence (FY2017: 37.4 pence) and diluted EPS was 84.2 pence (FY2017: 37.3 pence).

Adjusted Diluted EPRA EPS is based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items, and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore neither the Company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements disclose earnings on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any Long-Term Incentive Plan ("LTIP") awards may vest.

Management introduced Adjusted Diluted EPRA EPS as a new measure of EPS following the implementation of the Group's new LTIP scheme in 2017. Management considers that the real cost to existing shareholders is the dilution that they will experience from the new LTIP scheme, therefore earnings has been adjusted for the IFRS 2 share-based payment charge, and the number of shares used in the EPS calculation has been adjusted for the dilutive effect of the new LTIP scheme.

Adjusted Diluted EPRA EPS for the year was 26.8 pence (FY2017: 23.2 pence), calculated on a pro forma basis, as if the dilutive LTIP shares were in issue throughout both the current and prior years, as follows:

	2018			2017		
	Earnings	Shares	Pence	Earnings	Shares	Pence
	£m	million	per share	£m	million	per share
<b>Basic earnings</b>	177.2	209.9	84.4	78.3	209.2	37.4
<b>Adjustments:</b>						
Gain on investment properties	(122.1)	-	(58.2)	(39.2)	-	(18.8)
Exceptional items	-	-	-	1.4	-	0.7
Exceptional finance costs	-	-	-	16.3	-	7.8
Unwinding of discount on CGS receivable	(0.1)	-	-	(0.1)	-	-
Net exchange (gain)/loss	-	-	-	(4.5)	-	(2.2)
Change in fair value of derivatives	(0.5)	-	(0.2)	5.2	-	2.5
Tax on adjustments	2.4	-	1.1	(4.4)	-	(2.1)
<b>Adjusted</b>	<b>56.9</b>	<b>209.9</b>	<b>27.1</b>	<b>53.0</b>	<b>209.2</b>	<b>25.3</b>
EPRA adjusted:						
Depreciation of leasehold properties	(5.2)	-	(2.5)	(5.3)	-	(2.5)
Tax on leasehold depreciation adjustment	1.0	-	0.5	1.0	-	0.5
EPRA basic EPS	52.7	209.9	25.1	48.7	209.2	23.3
Share-based payments charge	5.3	-	2.5	1.5	-	0.7
Dilutive shares	-	6.8	(0.8)	-	7.5	(0.8)
<b>Adjusted Diluted EPRA EPS</b>	<b>58.0</b>	<b>216.7</b>	<b>26.8</b>	<b>50.2</b>	<b>216.7</b>	<b>23.2</b>

## Dividends

The Directors are recommending a final dividend of 11.15 pence (FY2017: 9.80 pence) which Shareholders will be asked to approve at the Company's Annual General Meeting on 20 March 2019. If approved by Shareholders, the final dividend will be payable on 10 April 2019 to Shareholders on the register at close of business on 8 March 2019.

Reflective of the Group's improved performance, the Group's full year dividend of 16.25 pence is 16.1% up on the prior year dividend of 14.0 pence. The Property Income Dividend ("PID") element of the full year dividend is 13.7 pence (FY2017: 11.9 pence).

## Property valuation and net asset value ("NAV")

Cushman & Wakefield Debenham Tie Leung Limited LLP has valued the Group's property portfolio. As at 31 October 2018, the total value of the Group's property portfolio was £1,216.2m (excluding investment properties under construction of £4.7m). This represents an increase of £217.0m compared with the £999.2m valuation as at 31 October 2017. A reconciliation of the movement is set out below:

	UK £'m	Paris £'m	Total £'m	Paris €'m
Value as at 1 November 2017	736.6	262.6	999.2	298.6
Currency translation movement	-	3.1	3.1	-
Additions	14.4	3.7	18.1	4.2
On acquisition of subsidiary	56.6		56.6	-
Disposals	-	-	-	-
Reclassifications	9.9	4.5	14.4	5.1
Revaluation	98.9	25.9	124.8	29.3
Value at 31 October 2018	<u>916.4</u>	<u>299.8</u>	<u>1,216.2</u>	<u>337.2</u>

The exchange rate at 31 October 2018 was €1.12:£1 compared with €1.14:£1 at 31 October 2017. This movement in the foreign exchange rate has resulted in a £3.1m favourable currency translation movement in the year. This has impacted Group net asset value ("NAV") but had no impact on the loan to value ("LTV") covenant as the assets in Paris are tested in Euros.

The value of the UK property portfolio has increased by £179.8m compared with 31 October 2017, including a £98.9m valuation gain, £56.6m from the acquisition of the Alligator portfolio and capital additions (including reclassifications from investment properties under construction) of £24.3m.

Our pipeline of expansion stores in the UK, comprising sites at Birmingham Merry Hill and Carshalton, is valued at £4.7m.

In Paris, the value of the property portfolio increased by €38.6m, of which €29.3m was valuation gain and capital additions (including reclassifications from investment properties under construction) were €9.3m. However, the net increase in Sterling amounted to £37.2m, reflecting the foreign exchange impact described above.

The Group's freehold exit yield for the valuation at 31 October 2018 reduced to 6.74%, from 7.06% at 31 October 2017, and the weighted average annual discount rate for the whole portfolio has reduced from 10.56% at 31 October 2017 to 10.17% at 31 October 2018. The improvement in the capitalisation rates used in the valuation arose from positive adjustments to certain risk factors such as cash flow and specific building locations, in particular for the London and Paris portfolio..

The adjusted EPRA NAV per share was 402 pence at 31 October 2018, up 22.2% since 31 October 2017, and reported NAV per share was 376 pence (FY2017: 304 pence), reflecting a £150.9m increase in reported net assets during the year.



## **Gearing and Capital Structure**

The Group's borrowings comprise revolving bank borrowing facilities in the UK and France and a US Private Placement.

Net debt (including finance leases and cash) stood at £415.5 at 31 October 2018, an increase of £61.3m from the 2017 position of £354.2m, reflecting funding for the acquisition of Alligator in November 2017. Total capital (net debt plus equity) increased from £991.9m at 31 October 2017 to £1,204.1m at 31 October 2018. The net impact is that the gearing ratio has decreased from 36% to 35% in the year.

Management also measures gearing with reference to its loan to value ("LTV") ratio defined as gross debt (excluding finance leases) as a proportion of the valuation of investment properties and investment properties under construction (excluding finance leases). At 31 October 2018 the Group LTV ratio was 30% as compared to 36% at 31 October 2017. The Board considers the current level of gearing is appropriate for the business to enable the Group to increase returns on equity, maintain financial flexibility and to achieve our medium-term strategic objectives.

### ***Borrowings at 31 October 2018***

As at 31 October 2018, £171m of the £250m UK revolver and €43m (£38.2m) of the €70m Euro revolver were drawn. Including the US Private Placement debt of €125m (£111.2m) and £50.5m, the Group's borrowings totalled £370.9m (before adjustment for unamortised finance costs).

In July 2018, the Group exercised an option to extend some UK and Euro revolving credit facilities by one year from June 2022 to June 2023. As at 31 October 2018, the weighted average remaining term for the Group's committed borrowing facilities is 5.8 years.

Borrowings under the existing loan facilities are subject to certain financial covenants. The UK bank facilities and the US Private Placement share interest cover and LTV covenants. The interest cover requirement of EBITDA:interest is 2.4:1, where it will remain until the end of the facilities' terms. Interest cover for the year ended 31 October 2018 is 8.6x.

The LTV covenant is 60% in both the UK and France, where it will remain until the end of the facilities' terms. As at 31 October 2018, there is significant headroom in both the UK LTV and the French LTV covenant calculations.

The Group is in compliance with its covenants at 31 October 2018 and, based on forecast projections, is expected to be in compliance for a period in excess of twelve months from the date of this report.

## Cash flow

The table below sets out the underlying cash flow of the business in 2018 and 2017. For statutory reporting purposes, leasehold rent cash flows are allocated between finance costs, principal repayments and contingent rent, however management considers a presentation of cash flows that reflects leasehold rent as a single line item to be representative of the underlying cash flow performance of the business.

	2018 £'m	2017 £'m
Underlying EBITDA	82.9	74.4
Working capital/exceptionals/other	(1.2)	(0.8)
<b>Operating cash inflow</b>	<b>81.7</b>	<b>73.6</b>
Interest payments	(8.7)	(10.4)
Leasehold rent payments	(11.2)	(10.3)
Tax payments	(6.4)	(2.6)
<b>Free cash flow (before investing and financing activities)</b>	<b>55.4</b>	<b>50.3</b>
Acquisition of subsidiary, net of cash acquired	(55.9)	-
Capital expenditure - investment properties	(27.7)	(21.7)
Capital expenditure - property, plant and equipment	(0.8)	(0.6)
Capital Goods Scheme receipt	1.1	1.4
Proceeds from disposal - investment properties	-	8.1
<b>Net cash flow after investing activities</b>	<b>(27.9)</b>	<b>37.5</b>
Issue of share capital	0.1	0.3
Dividends paid	(31.3)	(25.6)
Net drawdown of borrowings	5.0	38.9
Debt issuance costs	(1.1)	(2.0)
Net hedge breakage receipt	-	11.3
<b>Net (decrease)/increase in cash</b>	<b>(55.2)</b>	<b>60.4</b>

Operating cash flow increased by £8.1m in the year, principally due to the £8.5m improvement in underlying EBITDA. Working capital, exceptional items and other movements resulted in a net £1.2m outflow (FY2017: £0.8m), principally due to the payment of transaction costs related to the acquisition of Alligator.

Free cash flow (before investing and financing activities) grew by 10.1% to £55.4m (FY2017: £50.3m). The free cash flow benefitted from the increase in operating cash flow, as well as a £1.7m decrease in

interest payments, arising from the prior year's refinancing, offset by a £0.9m increase in leasehold rental payments, reflecting an equivalent increase in the rent charge, and a £3.8m increase in tax.

Investing activities experienced a net outflow of £83.3m (FY2017: £12.8m), which included £55.9m relating to the acquisition of Stork Self Storage Holdings Limited (which trades as Alligator Self Storage), £27.7m (FY2017: £21.7m) of capital expenditure on our investment property portfolio, of which £11.3m was in respect of our new stores at Combs-la-Ville, Poissy, Mitcham and Paddington Marble Arch and our two new pipeline sites at Carshalton and Merry Hill in Birmingham. The prior year included £8.1m generated from the sales of Deptford and our old Birmingham Central store.

Financing activities generated a net cash outflow of £27.3m (FY2017: £22.9m inflow). Dividend payments totalled £31.3m (FY2017: £25.6m). The net drawdown of borrowings was £5.0m (FY2017: £38.9m), which in the prior year included £56.0m in anticipation of the Alligator acquisition, which completed immediately after the year end on 1 November 2017 (and which is the principal reason for the £60.4m net increase in cash in the prior year), less a £12.4m 'make-whole' payment on cancellation of US Private Placement loan notes. In addition, financing activities in the prior year included a net inflow of £11.3m (FY2018: £nil) comprising a receipt of £13.9m on breaking the Sterling/Dollar cross currency swap relating to the cancelled loan notes less a cash outflow of £2.6m on restructuring of our interest rate hedge arrangements.

**Andy Jones**  
**7 January 2019**

# Consolidated income statement

for the year ended 31 October 2018

	Notes	Group	
		2018 £'m	2017 £'m
<b>Revenue</b>			
Cost of sales	2	<b>143.9</b>	129.9
		<b>(51.7)</b>	(45.7)
Gross profit		<b>92.2</b>	84.2
Administrative expenses		<b>(16.7)</b>	(13.8)
Underlying EBITDA		<b>82.9</b>	74.4
Exceptional items	3	—	(1.4)
Share-based payments		<b>(5.3)</b>	(1.5)
Depreciation and contingent rent		<b>(2.1)</b>	(1.1)
<b>Operating profit before gains on investment properties</b>		<b>75.5</b>	70.4
Gain on investment properties	8	<b>122.1</b>	39.2
<b>Operating profit</b>	2	<b>197.6</b>	109.6
Finance income	4	<b>0.7</b>	6.1
Finance expense	4	<b>(13.0)</b>	(36.8)
<b>Profit before income tax</b>		<b>185.3</b>	78.9
Income tax charge	5	<b>(8.1)</b>	(0.6)
<b>Profit for the year</b>		<b>177.2</b>	78.3
<b>Earnings per share for profit attributable to the equity holders</b>			
– basic (pence)	7	<b>84.4</b>	37.4
– diluted (pence)	7	<b>84.2</b>	37.3

The financial results for both years relate to continuing operations.

Underlying EBITDA is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation.

# Consolidated statement of comprehensive income

for the year ended 31 October 2018

	Group	
	2018 £'m	2017 £'m
<b>Profit for the year</b>	<b>177.2</b>	78.3
<b>Other comprehensive income/(expense)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<b>2.0</b>	(3.0)
Net investment hedge	<b>(1.2)</b>	(0.9)
<b>Other comprehensive income/(expense), net of tax</b>	<b>0.8</b>	(3.9)
<b>Total comprehensive income for the year</b>	<b>178.0</b>	74.4

# Consolidated balance sheet

as at 31 October 2018

	Notes	Group	
		2018 £'m	2017 £'m
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	8	1,216.2	999.2
Interests in leasehold properties	8	56.1	56.2
Investment properties under construction	8	4.7	7.8
Property, plant and equipment		2.2	2.0
Derivative financial instruments	12	1.4	0.9
Deferred income tax assets		0.2	0.1
Other receivables		0.5	1.1
		<b>1,281.3</b>	<b>1,067.3</b>
<b>Current assets</b>			
Inventories		0.2	0.2
Trade and other receivables		22.5	23.5
Cash and cash equivalents	10,16	10.5	65.6
		<b>33.2</b>	<b>89.3</b>
<b>Total assets</b>		<b>1,314.5</b>	<b>1,156.6</b>
<b>Current liabilities</b>			
Trade and other payables		(40.3)	(42.1)
Current income tax liabilities		(3.0)	(4.5)
Obligations under finance leases	13	(8.9)	(9.0)
		<b>(52.2)</b>	<b>(55.6)</b>
<b>Non-current liabilities</b>			
Financial liabilities			
– bank borrowings	11	(369.9)	(363.6)
– derivative financial instruments	12	(0.2)	(0.2)
Deferred income tax liabilities		(56.4)	(52.3)
Obligations under finance leases	13	(47.2)	(47.2)
		<b>(473.7)</b>	<b>(463.3)</b>
<b>Total liabilities</b>		<b>(525.9)</b>	<b>(518.9)</b>
<b>Net assets</b>		<b>788.6</b>	<b>637.7</b>
<b>Equity</b>			
Ordinary shares	14	2.1	2.1
Share premium		60.5	60.4
Translation reserve		13.5	12.7
Retained earnings		712.5	562.5
<b>Total equity</b>		<b>788.6</b>	<b>637.7</b>

# Consolidated statement of changes in shareholders' equity

for the year ended 31 October 2018

	Group				
	Share capital £'m	Share premium £'m	Translation reserve £'m	Retained earnings £'m	Total £'m
<b>Balance at 1 November 2016</b>	2.1	60.1	16.6	508.6	587.4
<b>Comprehensive income</b>					
Profit for the year	—	—	—	78.3	78.3
<b>Other comprehensive income/(expense)</b>					
Currency translation differences	—	—	(3.0)	—	(3.0)
Net investment hedge	—	—	(0.9)	—	(0.9)
Total other comprehensive expense	—	—	(3.9)	—	(3.9)
<b>Total comprehensive (expense)/income</b>	—	—	(3.9)	78.3	74.4
<b>Transactions with owners</b>					
Dividends (note 6)	—	—	—	(25.6)	(25.6)
Increase in share capital	—	0.3	—	—	0.3
Employee share options	—	—	—	1.2	1.2
<b>Transactions with owners</b>	—	0.3	—	(24.4)	(24.1)
<b>Balance at 1 November 2017</b>	2.1	60.4	12.7	562.5	637.7
<b>Comprehensive income</b>					
Profit for the year	—	—	—	177.2	177.2
<b>Other comprehensive income</b>					
Currency translation differences	—	—	2.0	—	2.0
Net investment hedge	—	—	(1.2)	—	(1.2)
Total other comprehensive income	—	—	0.8	—	0.8
<b>Total comprehensive income</b>	—	—	0.8	177.2	178.0
<b>Transactions with owners</b>					
Dividends (note 6)	—	—	—	(31.3)	(31.3)
Increase in share capital	—	0.1	—	—	0.1
Employee share options	—	—	—	4.1	4.1
<b>Transactions with owners</b>	—	0.1	—	(27.2)	(27.1)
<b>Balance at 31 October 2018</b>	<b>2.1</b>	<b>60.5</b>	<b>13.5</b>	<b>712.5</b>	<b>788.6</b>

# Consolidated cash flow statement

for the year ended 31 October 2018

	Notes	Group	
		2018 £'m	2017 £'m
<b>Cash flows from operating activities</b>			
Cash generated from operations	15	80.2	73.0
Interest paid		(13.2)	(14.8)
Tax paid		(6.4)	(2.6)
<b>Net cash inflow from operating activities</b>		<b>60.6</b>	<b>55.6</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash acquired	20	(55.9)	—
Expenditure on investment properties and development properties		(27.7)	(21.7)
Proceeds in respect of Capital Goods Scheme		1.1	1.4
Purchase of property, plant and equipment		(0.8)	(0.6)
Proceeds from disposal of investment properties		—	8.1
<b>Net cash outflow from investing activities</b>		<b>(83.3)</b>	<b>(12.8)</b>
<b>Cash flows from financing activities</b>			
Issue of share capital		0.1	0.3
Equity dividends paid	6	(31.3)	(25.6)
Proceeds from borrowings		24.0	238.0
Repayment of borrowings		(19.0)	(199.1)
Debt issuance costs		(1.1)	(2.0)
Hedge breakage receipts		—	13.9
Hedge breakage costs		—	(2.6)
Finance lease principal payments		(5.2)	(5.3)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(32.5)</b>	<b>17.6</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(55.2)</b>	<b>60.4</b>
Exchange gain/(loss) on cash and cash equivalents		0.1	(0.2)
Cash and cash equivalents at 1 November		65.6	5.4
<b>Cash and cash equivalents at 31 October</b>	10, 16	<b>10.5</b>	<b>65.6</b>

# Notes to the financial statements

for the year ended 31 October 2018

## 1. Basis of preparation

The Board approved this preliminary announcement on 7 January 2019.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 31 October 2017 or 31 October 2018. Statutory accounts for the year ended 31 October 2017 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 October 2018 will be delivered to the Registrar of Companies following the Company's annual general meeting.

The auditor has reported on the 2018 and 2017 accounts; their report was unqualified, did not include any references to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These financial statements for the year ended 31 October 2018 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at their fair value: investment property, derivative financial instruments and financial interest in property assets. The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 31 October 2017. All amounts are presented in Sterling and are rounded to the nearest £0.1m, unless otherwise stated.

The financial information included in this preliminary announcement has been prepared in accordance with EU endorsed International Financial Standards ("IFRS"), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Directors of Safestore have assessed the viability of the Group over a three-year period to October 2021 and are confident that, on the basis of current financial projections and facilities available, it is appropriate to prepare the financial statements on a going concern basis.

### **Standards, amendments to standards and interpretations issued and applied**

The following new or revised accounting standards or IFRIC interpretations are applicable for the first time in the year ended 31 October 2018:

- IAS 7 Amendments to cash flows relating to the Disclosure Initiative;
- IAS 12 Amendments relating to recognition of deferred tax assets for unrealised losses; and
- Annual improvements to IFRSs 2014–2016 Cycle.

Their adoption has not had any material impact on the disclosures or amounts reported in these financial statements.

### **New and revised IFRSs in issue but not yet effective**

At the date of authorisation of these financial statements, a number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. Except as set out below, none of these standards is expected to have a significant impact on the Financial Statements of the Group or Company.

The new standards which could be expected to have an impact on the Financial Statements of the Group are discussed in further detail below:

#### *IFRS 9 – Financial instruments*

The new standard addresses the classification, measurement and de-recognition of financial assets and liabilities and replaces IAS 39. The standard is applicable for financial years commencing on or after 1 January 2018 and therefore it will be effective for the year ending 31 October 2019 for the Safestore Group.

IFRS 9 will have no impact on the Group's financial liabilities. With the exception of derivative financial instruments, all trade and other payables are currently carried at amortised cost using the effective interest rate method, and will continue to be so under IFRS 9. Derivative financial instruments are measured at fair value, and changes in fair value will continue to be recognised in profit or loss under IFRS 9.

The new standard requires impairment provisions for receivables to be recognised using the expected credit losses ("ECL") model rather than the incurred loss basis, as currently under IAS 39. The significant financial assets held by the Group that will be impacted by the impairment losses recognised under IFRS 9 are trade receivables.

The balance sheet as at 31 October 2018 has £15.5 million of trade receivables with an impairment provision of £2.0 million recognised under IAS 39. The Group's exposure to credit risk is considered low, given the large number of customers. The Directors have carried out an assessment of the impact of impairment losses recognised for trade receivables under IFRS 9. Following this assessment, the impact on impairment losses recognised under IFRS 9 is estimated to be up to £0.1 million higher and therefore not material to the Group. However, some presentational changes will be required.



### *IFRS 15 – Revenue recognition*

This standard replaces IAS 18 and governs revenue recognition. The standard is based on the principle that revenue is recognised on the fulfilment of performance obligations and hence when control of a good or service is transferred to the customer. This standard is applicable to companies for financial years commencing on or after 1 January 2018, and hence the year ending 31 October 2019 will be the first applicable year for the Group.

As per the Group's assessment of the implications of the new standard, IFRS15 will apply to all of its revenue streams. However, the financial impact will be immaterial on the amounts and timing of revenue recognised following transition to the new standard. Each customer contract contains discrete performance obligations and revenue is recognised over the period of the contract. The opening discount offers provided were also assessed under IFRS15 and the Group has concluded that the accounting for this will be unchanged, that is to spread it evenly over the period of the opening offer discount. Some enhanced presentational changes will be required, for both the annual report and interim statements.

### *IFRS 16 – Leases*

IFRS 16 is the new standard which will replace IAS 17 and is applicable for financial years commencing on or after 1 January 2019, and hence this will first apply to the Group for its financial year ending 31 October 2020.

The standard requires substantially all leases to be recognised on the balance sheet for a lessee, as the distinction between operating and finance leases is removed. The exceptions are for short-term and low value leases. For the Group, substantially all leases are already recognised on the Balance sheet.

The impact on the income statement charge for the leases in the year and the estimated impact on the rent charge in the first year of adoption will be considered in the October 2019 Annual report.

### **Non-GAAP financial information**

The Directors have identified certain measures that they believe will assist the understanding of the performance of the business. The measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but they have been included as the Directors consider them to be important comparables and key measures used within the business for assessing performance. The following are the key non-GAAP measures identified by the Group:

- The Group defines exceptional items to be those that warrant, by virtue of their nature, size or frequency, separate disclosure on the face of the income statement where, in the opinion of the Directors, this enhances the understanding of the Group's financial performance.
- Underlying EBITDA is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation. Management considers this presentation to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges. A reconciliation of statutory operating profit to underlying EBITDA can be found in the financial review.
- Adjusted Diluted EPRA EPS is based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore neither the Company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements disclose earnings both on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest. A reconciliation of statutory basic earnings per share to Adjusted Diluted EPRA EPS can be found in note 7.
- EPRA basic net assets per share is an industry standard measure recommended by the European Public Real Estate Association ("EPRA"). The basis of calculation, including a reconciliation to reported net assets, is set out in note 9.

### **Forward-looking statements**

Certain statements in this preliminary announcement are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct.

Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

## 2. Segmental analysis

The segmental information presented has been prepared in accordance with the requirements of IFRS 8. The Group's revenue, profit before income tax and net assets are attributable to one activity: the provision of self-storage accommodation and related services. Segmental information is presented in respect of the Group's geographical segments. This is based on the Group's management and internal reporting structure.

Safestore is organised and managed in two operating segments, based on geographical areas, being the United Kingdom and Paris in France.

The chief operating decision maker, being the Executive Directors, identified in accordance with the requirements of IFRS 8, assesses the performance of the operating segments on the basis of underlying EBITDA, which is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, contingent rent and depreciation.

The operating profits and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Year ended 31 October 2018	UK £'m	Paris £'m	Group £'m
<b>Continuing operations</b>			
Revenue	109.0	34.9	143.9
Underlying EBITDA	61.1	21.8	82.9
Exceptional items	(0.5)	0.5	—
Share-based payments	(4.8)	(0.5)	(5.3)
Contingent rent and depreciation	(1.6)	(0.5)	(2.1)
<b>Operating profit before gain on investment properties</b>	<b>54.2</b>	<b>21.3</b>	<b>75.5</b>
Gain on investment properties	99.3	22.8	122.1
<b>Operating profit</b>	<b>153.5</b>	<b>44.1</b>	<b>197.6</b>
Net finance expense	(10.8)	(1.5)	(12.3)
<b>Profit before tax</b>	<b>142.7</b>	<b>42.6</b>	<b>185.3</b>
<b>Total assets</b>	<b>991.5</b>	<b>323.0</b>	<b>1,314.5</b>

Year ended 31 October 2017	UK £'m	Paris £'m	Group £'m
<b>Continuing operations</b>			
Revenue	97.5	32.4	129.9
Underlying EBITDA	54.3	20.1	74.4
Exceptional items	(1.4)	—	(1.4)
Share-based payments	(1.5)	—	(1.5)
Contingent rent and depreciation	(1.0)	(0.1)	(1.1)
<b>Operating profit before gain on investment properties</b>	<b>50.4</b>	<b>20.0</b>	<b>70.4</b>
Gain on investment properties	26.3	12.9	39.2
<b>Operating profit</b>	<b>76.7</b>	<b>32.9</b>	<b>109.6</b>
Net finance expense	(28.1)	(2.6)	(30.7)
<b>Profit before tax</b>	<b>48.6</b>	<b>30.3</b>	<b>78.9</b>
<b>Total assets</b>	<b>869.8</b>	<b>286.8</b>	<b>1,156.6</b>

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. There is no material impact from inter-segment transactions on the Group's results.

The prior year underlying EBITDA figures have been restated to exclude share-based payments, consistent with its definition in the 2018 Annual report.

## 3. Exceptional items

	2018 £'m	2017 £'m
Costs relating to corporate transactions	—	(1.4)
<b>Net exceptional cost</b>	<b>—</b>	<b>(1.4)</b>

A net exceptional cost of £nil was incurred in the year. However, in France, exceptional income of £0.5million relating to compensation was received from a landlord in respect of water damage and was offset by £0.5m of legal and employment related costs in the UK. In the prior year, costs relating to corporate transactions of £1.4 million were incurred in relation to the acquisition of Stork Self Storage (Holdings) Limited (trading as Alligator Self Storage).

#### 4. Finance income and costs

	2018 £'m	2017 £'m
<b>Finance income</b>		
Fair value movement of derivatives	0.6	1.5
Unwinding of discount on Capital Goods Scheme ("CGS") receivable	0.1	0.1
Net exchange gains	—	4.5
<b>Total finance income</b>	<b>0.7</b>	<b>6.1</b>
<b>Finance costs</b>		
Interest payable on bank loans and overdraft	(8.3)	(9.1)
Amortisation of debt issuance costs on bank loan	(0.1)	(0.3)
Underlying finance charges	(8.4)	(9.4)
Interest on obligations under finance leases	(4.5)	(4.4)
Fair value movement of derivatives	(0.1)	(6.7)
Exceptional finance expense	—	(16.3)
<b>Total finance costs</b>	<b>(13.0)</b>	<b>(36.8)</b>
<b>Net finance costs</b>	<b>(12.3)</b>	<b>(30.7)</b>

Included within interest payable of £8.3 million (FY2017: £9.1 million) is £0.4 million (FY2017: £1.0 million) of interest relating to derivative financial instruments that are economically hedging the Group's borrowings. The total change in fair value of derivatives reported within net finance costs for the year is a £0.5 million net gain (FY2017: £5.2 million net loss).

No exceptional finance costs were incurred in FY2018. In FY2017, £16.3 million was incurred as a result of the May 2017 refinancing and comprised a £12.4 million "make-whole" payment to holders of the cancelled US Dollar loan notes, with the balance relating to fees and the write off of previous unamortised issue costs.

#### 5. Income tax charge

Analysis of tax charge in the year:

	Note	2018 £'m	2017 £'m
Current tax:			
– tax in respect of overseas subsidiaries		4.7	4.0
		4.7	4.0
Deferred tax:			
– current year		7.6	5.4
– prior year		(0.2)	—
– impact of tax rate change		(4.0)	(8.8)
		3.4	(3.4)
<b>Tax charge</b>		<b>8.1</b>	<b>0.6</b>

#### Reconciliation of income tax charge

The tax for the period is lower (FY2017: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 October 2018 of 19.0% (FY2017: 19.4%). The differences are explained below:

	2018 £'m	2017 £'m
Profit before tax	185.3	78.9
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (FY2017: 19.4%)	35.2	15.3
Effect of:		
– permanent differences	—	0.1
– profits from the tax exempt business	(27.0)	(9.4)
– difference from overseas tax rates	3.9	3.4
– impact of tax rate change in France	(4.0)	(8.8)
<b>Tax charge</b>	<b>8.1</b>	<b>0.6</b>

The Group is a real estate investment trust ("REIT"). As a result the Group is exempt from UK corporation tax on the profits and gains from its qualifying rental business in the UK provided that it meets certain conditions. Non-qualifying profits and gains of the Group remain 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.

The main rate of corporation tax in the UK is 19.0%. Accordingly the Group's results for this accounting period are taxed at an effective rate of 19.0% (FY2017: 19.4%). Finance (No.2) Act 2015 provides that the rate of corporation tax from 1 April 2020 will be 17%. There will be no deferred taxation impact in respect of the changes in taxation rates.

In France, the 2018 Finance Bill, which was adopted in December 2017, introduced a reduction in the standard rate of corporate income tax from 33.33% to 25.0%, applicable progressively from 2017 to 2022, extending reductions previously adopted following the 2017 Finance Bill. These reductions are applicable to all companies. As a result, the deferred tax charge includes a non-recurring deferred tax credit of £4.0 million (FY2017: £8.8 million) relating to this change.

## 6. Dividends per share

The dividend paid in 2018 was £31.3 million (14.9 pence per share) (FY2017: £25.6 million (12.25 pence per share)). A final dividend in respect of the year ended 31 October 2018 of 11.15 pence (FY2017: 9.8 pence) per share, amounting to a total final dividend of £23.4 million (FY2017: £20.5 million), is to be proposed at the AGM on 20 March 2019. The ex-dividend date will be 7 March 2019 and the record date will be 8 March 2019 with an intended payment date of 10 April 2019. The final dividend has not been included as a liability at 31 October 2018.

The property income distribution ("PID") element of the final dividend is 11.15 pence (FY2017: 9.8 pence), making the PID payable for the year 13.7 pence (FY2017: 11.9 pence) per share.

## 7. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 October 2018			Year ended 31 October 2017		
	Earnings £'m	Shares million	Pence per share	Earnings £'m	Shares million	Pence per share
Basic	177.2	209.9	84.4	78.3	209.2	37.4
Dilutive securities	—	0.6	(0.2)	—	1.0	(0.1)
Diluted	177.2	210.5	84.2	78.3	210.2	37.3

### Adjusted earnings per share

Explanations related to the adjusted earnings measures adopted by the Group are set out in note 1 under the heading Non-GAAP financial information. Adjusted earnings per share represents profit after tax adjusted for the valuation movement on investment properties, exceptional items, change in fair value of derivatives, exchange gains/losses, unwinding of the discount on the CGS receivable and the associated tax thereon. The Directors consider that these alternative measures provide useful information on the performance of the Group.

EPRA earnings and earnings per share before non-recurring items, movements on revaluations of investment properties and changes in the fair value of derivatives have been disclosed to give a clearer understanding of the Group's underlying trading performance.

	Year ended 31 October 2018			Year ended 31 October 2017		
	Earnings £'m	Shares million	Pence per share	Earnings £'m	Shares million	Pence per share
Basic	177.2	209.9	84.4	78.3	209.2	37.4
Adjustments:						
Gain on investment properties	(122.1)	—	(58.2)	(39.2)	—	(18.8)
Exceptional items	—	—	—	1.4	—	0.7
Exceptional finance costs	—	—	—	16.3	—	7.8
Unwinding of discount on CGS receivable	(0.1)	—	—	(0.1)	—	—
Net exchange (gain)/loss	—	—	—	(4.5)	—	(2.2)
Change in fair value of derivatives	(0.5)	—	(0.2)	5.2	—	2.5
Tax on adjustments	2.4	—	1.1	(4.4)	—	(2.1)
Adjusted	56.9	209.9	27.1	53.0	209.2	25.3
EPRA adjusted:						
Depreciation of leasehold properties	(5.2)	—	(2.5)	(5.3)	—	(2.5)
Tax on leasehold depreciation adjustment	1.0	—	0.5	1.0	—	0.5
EPRA basic EPS	52.7	209.9	25.1	48.7	209.2	23.3
Share-based payments charge	5.3	—	2.5	1.5	—	0.7
Dilutive shares	—	6.8	(0.8)	—	7.5	(0.8)
Adjusted Diluted EPRA EPS <sup>1</sup>	58.0	216.7	26.8	50.2	216.7	23.2

### Note

1 Adjusted Diluted EPRA EPS is based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share based payment charges, exceptional tax items, and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore neither the company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements disclose earnings both on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest

Gain on investment properties includes depreciation on leasehold properties of £5.2 million (FY2017: £5.3 million) and the related tax thereon of £1.0 million (FY2017: £1.0 million). As an industry standard measure, EPRA earnings is presented. EPRA earnings of £52.7 million (FY2017: £48.7 million) and EPRA earnings per share of 25.1 pence (FY2017: 23.3 pence) are calculated after further adjusting for these items.

EPRA adjusted income statement (non-statutory)	2018 £'m	2017 £'m	Movement %
<b>Revenue</b>	<b>143.9</b>	129.9	10.8
Underlying operating expenses (excluding depreciation and contingent rent)	<b>(61.0)</b>	(55.5)	9.9
<b>Underlying EBITDA before contingent rent</b>	<b>82.9</b>	74.4	11.4
Share-based payments charge	<b>(5.3)</b>	(1.5)	253.3
Depreciation and contingent rent	<b>(2.1)</b>	(1.1)	90.9
<b>Operating profit before depreciation on leasehold properties</b>	<b>75.5</b>	71.8	5.2
Depreciation on leasehold properties	<b>(5.2)</b>	(5.3)	(1.9)
<b>Operating profit</b>	<b>70.3</b>	66.5	5.7
Net financing costs	<b>(12.9)</b>	(13.8)	(6.5)
<b>Profit before income tax</b>	<b>57.4</b>	52.7	8.9
Income tax	<b>(4.7)</b>	(4.0)	17.5
<b>Profit for the year ("EPRA earnings")</b>	<b>52.7</b>	48.7	8.2
<b>EPRA basic earnings per share</b>	<b>25.1 pence</b>	23.3 pence	7.7
<b>Final dividend per share</b>	<b>11.15 pence</b>	9.8 pence	13.8

## 8. Investment properties, investment properties under construction and interests in leasehold properties

	Investment property £'m	Interests in leasehold properties £'m	Investment property under construction £'m	Total investment properties £'m
As at 1 November 2017	<b>999.2</b>	<b>56.2</b>	<b>7.8</b>	<b>1,063.2</b>
Additions	<b>18.1</b>	<b>3.5</b>	<b>8.8</b>	<b>30.4</b>
Acquisition of subsidiary	<b>56.6</b>	<b>1.4</b>	—	<b>58.0</b>
Reclassifications	<b>14.4</b>	—	<b>(14.4)</b>	—
Revaluations	<b>124.8</b>	—	<b>2.5</b>	<b>127.3</b>
Depreciation	—	<b>(5.2)</b>	—	<b>(5.2)</b>
Exchange movements	<b>3.1</b>	<b>0.2</b>	—	<b>3.3</b>
<b>As at 31 October 2018</b>	<b>1,216.2</b>	<b>56.1</b>	<b>4.7</b>	<b>1,277.0</b>

	Investment property £'m	Interests in leasehold properties £'m	Investment property under construction £'m	Total investment properties £'m
As at 1 November 2016	943.3	58.9	10.9	1,013.1
Additions	9.1	5.0	12.4	26.5
Disposals	(8.1)	(2.0)	—	(10.1)
Reclassifications	16.4	—	(16.4)	—
Revaluations	43.6	—	0.9	44.5
Depreciation	—	(5.3)	—	(5.3)
Exchange movements	(5.1)	(0.4)	—	(5.5)
<b>As at 31 October 2017</b>	<b>999.2</b>	<b>56.2</b>	<b>7.8</b>	<b>1,063.2</b>

The gain on investment properties comprises:

	2018 £'m	2017 £'m
Revaluations	<b>127.3</b>	44.5
Depreciation	<b>(5.2)</b>	(5.3)
	<b>122.1</b>	39.2

	Cost £'m	Revaluation on cost £'m	Valuation £'m
<b>Freehold stores</b>			
As at 1 November 2017	451.7	358.8	810.5
Movement in year	77.5	114.2	191.7
<b>As at 31 October 2018</b>	<b>529.2</b>	<b>473.0</b>	<b>1,002.2</b>
<b>Leasehold stores</b>			
As at 1 November 2017	90.8	97.9	188.7
Movement in year	8.4	16.9	25.3
<b>As at 31 October 2018</b>	<b>99.2</b>	<b>114.8</b>	<b>214.0</b>
<b>All stores</b>			
As at 1 November 2017	542.5	456.7	999.2
Movement in year	85.9	131.1	217.0
<b>As at 31 October 2018</b>	<b>628.4</b>	<b>587.8</b>	<b>1,216.2</b>

The valuation of £1,216.2 million (FY2017: £999.2 million) excludes £0.6 million in respect of owner-occupied property, which is included within property, plant and equipment. Rental income earned from investment properties for the year ended 31 October 2018 was £118.9 million (FY2017: £107.4 million).

The Group has classified the investment property and investment property under construction, held at fair value, within Level 3 of the fair value hierarchy. There were no transfers to or from Level 3 during the year.

The freehold and leasehold investment properties have been valued as at 31 October 2018 by external valuers, Cushman & Wakefield Debenham Tie Leung Limited ("C&W"). The valuation has been carried out in accordance with the current edition of the RICS Valuation – Global Standards, which incorporate the International Valuation Standards and the RICS UK Valuation Standards (the "RICS Red Book"). The valuation of each of the investment properties has been prepared on the basis of fair value as a fully equipped operational entity, having regard to trading potential. Two non-trading properties were valued on the basis of fair value. The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the Red Book. In compliance with the disclosure requirements of the Red Book, C&W has confirmed that:

- the member of the RICS who has been the signatory to the valuations provided to the Group for the same purposes as this valuation has done so since October 2006. The valuations have been reviewed by an internal investment committee comprising two valuation partners and an investment partner, all unconnected with the assignment;
- C&W has been carrying out regular valuations for the same purpose as this valuation on behalf of the Group since October 2006;
- C&W does not provide other significant professional or agency services to the Group;
- in relation to the preceding financial year of C&W, the proportion of total fees payable by the Group to the total fee income of the firm is less than 5%; and
- the fee payable to C&W is a fixed amount per property and is not contingent on the appraised value.

#### **Market uncertainty**

C&W's valuation report comments on valuation uncertainty resulting from low liquidity in the market for self-storage property. C&W notes that in the UK since the start of 2014 there have only been 17 transactions involving multiple assets and 15 single asset transactions, and C&W is aware of only one comparable transaction in the Paris market. C&W states that due to the lack of comparable market information in the self-storage sector, there is greater uncertainty attached to its opinion of value than would be anticipated during more active market conditions.

#### **Portfolio premium**

C&W's valuation report confirms that the properties have been valued individually but that if the portfolio was to be sold as a single lot or in selected groups of properties, the total value could be different. C&W states that in current market conditions it is of the view that there could be a material portfolio premium.

#### **Valuation method and assumptions**

The valuation of the operational self-storage facilities has been prepared having regard to trading potential. Cash flow projections have been prepared for all of the properties reflecting estimated absorption, revenue growth and expense inflation. A discounted cash flow method of valuation based on these cash flow projections has been used by C&W to arrive at its opinion of fair value for these properties.

C&W has adopted different approaches for the valuation of the leasehold and freehold assets as follows:

##### *Freehold and long leasehold (UK and Paris)*

The valuation is based on a discounted cash flow of the net operating income over a ten-year period and a notional sale of the asset at the end of the tenth year.

Assumptions:

- Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue, subject to a cap and collar. The initial net operating income is calculated by estimating the net operating income in the first twelve months following the valuation date.
- The net operating income in future years is calculated assuming either straight line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the trading stores (both freeholds and all leaseholds) open at 31 October 2018 averages 85.31% (31 October 2017: 80.91%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for stores to trade at their maturity levels is 27.23 months (31 October 2017: 23.10 months).
- The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as purpose-built student housing and hotels, bank base rates, ten-year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre-administration expenses for mature stores (i.e. excluding those stores categorised as "developing") is 7.54% (31 October 2017: 7.84%), rising to a stabilised net yield pre-administration expenses of 8.47% (31 October 2017: 8.80%).
- The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and all leaseholds) is 10.17% (31 October 2017: 10.55%).

- Purchaser's costs in the range of approximately 3.3% to 6.8% for the UK and 7.5% for Paris have been assumed initially, reflecting the progressive SDLT rates brought into force in March 2016 in the UK, and sales plus purchaser's costs totalling approximately 5.3% to 8.8% (UK) and 9.5% (Paris) are assumed on the notional sales in the tenth year in relation to freehold and long leasehold stores.

#### *Short leaseholds (UK)*

The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's UK short-term leasehold properties is 12.5 years (31 October 2017: 13.3 years). The average unexpired term excludes the commercial leases in Paris.

#### *Short leaseholds (Paris)*

In relation to the commercial leases in Paris, C&W has valued the cash flow projections in perpetuity due to the security of tenure arrangements in that market and the potential compensation arrangements in the event of the landlord wishing to take possession. The valuation treatment is therefore the same as for the freehold properties. The capitalisation rates on these stores reflect the risk of the landlord terminating the lease arrangements.

#### *Investment properties under construction*

C&W has valued the stores in development adopting the same methodology as set out above but on the basis of the cash flow projection expected for the store at opening and allowing for the outstanding costs to take each store from its current state to completion and full fit out. C&W has allowed for carry costs and construction contingency, as appropriate.

#### *Immature stores: value uncertainty*

C&W has assessed the value of each property individually. However, six of the stores in the portfolio are relatively immature and have low initial cash flow. C&W has endeavoured to reflect the nature of the cash flow profile for these properties in its valuation, and the higher associated risks relating to the as yet unproven future cash flow, by adjustment to the capitalisation rates and discount rates adopted. However, immature low cash flow stores of this nature are rarely, if ever, traded individually in the market, unless as part of a distressed sale or similar situation. Although, there is more evidence of immature low cash flow stores being traded as part of a group or portfolio transaction.

C&W considers there to be market uncertainty in the self-storage sector due to the lack of comparable market transactions and information. The degree of uncertainty relating to the six immature stores is greater than in relation to the balance of the properties due to there being even less market evidence than might be available for more mature properties and portfolios.

C&W states that in practice, if an actual sale of the properties were to be contemplated then any immature low cash flow stores would normally be presented to the market for sale lotted or grouped with other more mature assets owned by the same entity, in order to alleviate the issue of negative or low short-term cash flow. This approach would enhance the marketability of the group of assets and assist in achieving the best price available in the market by diluting the cash flow risk.

C&W has not adjusted its opinion of fair value to reflect such a grouping of the immature assets with other properties in the portfolio and all stores have been valued individually. However, C&W highlights the matter to alert the Group to the manner in which the properties might be grouped or lotted in order to maximise their attractiveness to the marketplace.

C&W considers this approach to be a valuation assumption but not a Special Assumption, the latter being an assumption that assumes facts that differ from the actual facts existing at the valuation date and which, if not adopted, could produce a material difference in value.

#### *Valuation assumption for purchaser's costs*

The Group's investment property assets have been valued for the purposes of the financial statements after adjusting for notional purchaser's costs in the range of approximately 3.3% to 6.8% (UK) and 7.5% (Paris), as if they were sold directly as property assets. The valuation is an asset valuation which is strongly linked to the operating performance of the business. They would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be 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 a deduction for operational cost and an allowance for central administration costs. A 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 circa 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 Group therefore instructed C&W to prepare additional valuation advice on the basis of purchaser's cost of 2.75% of gross value which are used for internal management purposes.

#### *Sensitivity of the valuation to assumptions*

All other factors being equal, higher net operating income would lead to an increase in the valuation of a store and an increase in the capitalisation rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilised occupancy, absorption rate, rental rate and other revenue, and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

There are inter-relationships between the valuation inputs, and they are primarily determined by market conditions. The effect of an increase in more than one input could be to magnify the impact on the valuation. However, the impact on the valuation could be mitigated by the inter-relationship of two inputs moving in opposite directions, e.g. an increase in rent may be offset by a decrease in occupancy, resulting in no net impact on the valuation.

## 9. Net assets per share

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

	2018 £'m	2017 £'m
Analysis of net asset value:		
Net assets	788.6	637.7
Adjustments to exclude:		
Fair value of derivative financial instruments (net of deferred tax)	(1.2)	(0.8)
Deferred tax liabilities on the revaluation of investment properties	56.0	51.8
Adjusted net asset value	843.4	688.7
Basic net assets per share (pence)	376	304
EPRA basic net assets per share (pence)	402	329
Diluted net assets per share (pence)	374	303
EPRA diluted net assets per share (pence)	400	327

	Number	Number
Shares in issue	210,008,901	209,466,956

Basic net assets per share is shareholders’ funds divided by the number of shares at the year end. Diluted net assets per share is shareholders’ funds divided by the number of shares at the year end, adjusted for dilutive share options of 630,784 shares (FY2017: 1,049,438 shares). EPRA diluted net assets per share exclude deferred tax liabilities arising on the revaluation of investment properties. The EPRA NAV, which further excludes fair value adjustments for debt and related derivatives net of deferred tax, was £843.4 million (FY2017: £688.7 million), giving EPRA net assets per share of 402 pence (FY2017: 329 pence). The Directors consider that these alternative measures provide useful information on the performance of the Group.

### EPRA adjusted balance sheet (non-statutory)

	2018 £'m	2017 £'m
<b>Assets</b>		
Non-current assets	1,279.9	1,066.3
Current assets	33.2	89.3
<b>Total assets</b>	1,313.1	1,155.6
<b>Liabilities</b>		
Current liabilities	(52.2)	(55.6)
Non-current liabilities	(417.5)	(411.3)
<b>Total liabilities</b>	(469.7)	(466.9)
<b>EPRA net asset value</b>	843.4	688.7
<b>EPRA net asset value per share</b>	402 pence	329 pence

## 10. Cash and cash equivalents

	2018 £'m	2017 £'m
Cash at bank and in hand	10.5	65.6

## 11. Financial liabilities – bank borrowings and secured notes

	2018 £'m	2017 £'m
Non-current		
<b>Bank loans and secured notes:</b>		
Secured	370.9	364.2
Debt issue costs	(1.0)	(0.6)
	369.9	363.6

The Group’s borrowings consist of bank facilities of £250 million and €70 million. Following a loan extension exercise whereby the majority of our facilities were extended by one year, £26 million of the £250 million facility still runs to June 2022 with £224 million now running to June 2023, and €13.3 million of the €70 million facility still runs to June 2022, with €56.7 million now running to June 2023. The US private placement notes of €125 million, with maturities extending to 2024 and 2027, and £50.5 million, maturing in 2029. The blended cost of interest on the overall debt is 2.28% per annum.

The bank facilities attract a margin over LIBOR/EURIBOR. The margin ratchets between 1.25% and 2.50%, by reference to the Group’s performance against its interest cover covenant. Approximately 87% of the drawn bank facilities have been hedged at an effective rate of 0.9382% (LIBOR) or 0.1635% (EURIBOR).

The Company also has in issue €50.9 million (FY2017: €50.9 million) 1.59% Series A Senior Secured Notes due 2024, €74.1 million (FY2017: €74.1 million) 2.00% Series B Senior Secured Notes due 2027 and £50.5 million (FY2017: £50.5 million) 2.91% Series C Senior Secured Notes due 2029. The €125.0 million of Euro-denominated borrowings provide a natural hedge against the Group’s investment in the Paris business, so the Group has applied net investment hedge accounting and the retranslation of these borrowings is recognised directly in the translation reserve.



The bank loans and overdrafts are secured by a fixed charge over the Group's investment property portfolio. As part of the Group's interest rate management strategy, the Group has entered into several interest rate swap contracts, details of which are shown in note 12.

Bank loans and secured notes are stated before unamortised issue costs of £1.0 million (FY2017: £0.6 million).

Bank loans and secured notes are repayable as follows:

	Group	
	2018 £'m	2017 £'m
Between two and five years	209.2	203.8
After more than five years	161.7	160.4
Bank loans and secured notes	370.9	364.2
Unamortised debt issue costs	(1.0)	(0.6)
	<b>369.9</b>	<b>363.6</b>

The effective interest rates at the balance sheet date were as follows:

	2018	2017
Bank loans (UK term loan)	<b>Quarterly or monthly LIBOR plus 1.25%</b>	Quarterly or monthly LIBOR plus 1.25%
Bank loans (Euro term loan)	<b>Quarterly EURIBOR plus 1.25%</b>	Quarterly EURIBOR plus 1.25%
Private placement notes (Euro)	<b>Weighted average rate of 1.83%</b>	Weighted average rate of 1.83%
Private placement notes (Sterling)	<b>2.92%</b>	2.92%

### **Borrowing facilities**

The Group has the following undrawn committed borrowing facilities available at 31 October in respect of which all conditions precedent had been met at that date:

	Floating rate	
	2018 £'m	2017 £'m
Expiring beyond one year	103.0	107.7

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2018 £'m	2017 £'m
Sterling	221.5	216.5
Euro	149.4	147.7
	<b>370.9</b>	<b>364.2</b>

## **12. Financial instruments**

Financial instruments disclosures are set out below:

	2018		2017	
	Asset £'m	Liability £'m	Asset £'m	Liability £'m
Interest rate swaps	1.4	(0.2)	0.9	(0.2)

The fair value of financial instruments that are not traded in an active market, such as over the counter derivatives, is determined using valuation techniques. The Group obtains such valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date.

The fair values of all financial instruments are equal to their book value, with the exception of bank loans which are set out below. The carrying value less impairment provision of trade receivables, other receivables and the carrying value of trade payables and other payables approximate their fair value.

The fair value of bank loans is calculated as:

	2018		2017	
	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m
Bank loans	369.9	376.5	363.6	364.7

### *Fair value hierarchy*

IFRS 13 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs for the asset or liability that are not based on observable market data.

The table below shows the level in the fair value hierarchy into which fair value measurements have been categorised:

	2018 £'m	2017 £'m
<b>Assets per the balance sheet</b>		
Derivative financial instruments – Level 2	<b>1.4</b>	0.9

	2018 £'m	2017 £'m
<b>Liabilities per the balance sheet</b>		
Derivative financial instruments – Level 2	<b>0.2</b>	0.2

There were no transfers between Levels 1, 2 and 3 fair value measurements during the current or prior year.

Over the life of the Group's derivative financial instruments, the cumulative fair value gain/loss on those instruments will be £nil as it is the Group's intention to hold them to maturity.

*Interest rate swaps not designated as part of a hedging arrangement*

The notional principal amounts of the outstanding interest rate swap contracts at 31 October 2018 were £135 million and €30 million (FY2017: £100 million and €30 million). At 31 October 2018 the weighted average fixed interest rates were Sterling at 0.9382% and Euro at 0.1635% (FY2017: Sterling at 0.8145% and Euro at 0.1635%) and floating rates are at quarterly LIBOR and quarterly EURIBOR. The LIBOR swaps and the EURIBOR swaps expire in June 2022. The movement in fair value recognised in the income statement was a net gain of £0.5 million (FY2017: £1.3 million net gain).

In addition, in the prior year, the Group held cross currency swaps, which were also not designated as part of a hedging arrangement, in respect of which the movement in fair value recognised in the income statement was a net loss of £6.5 million.

*Financial instruments by category*

	Loans and receivables £'m	Assets at fair value through profit and loss £'m	Total £'m
<b>Assets per the balance sheet</b>			
Trade receivables and other receivables excluding prepayments	16.4	—	16.4
Derivative financial instruments	—	1.4	1.4
Cash and cash equivalents	10.5	—	10.5
<b>As at 31 October 2018</b>	<b>26.9</b>	<b>1.4</b>	<b>28.3</b>

	Liabilities at fair value through profit and loss £'m	Other financial liabilities at amortised cost £'m	Total £'m
<b>Liabilities per the balance sheet</b>			
Borrowings (excluding finance lease liabilities)	—	369.9	369.9
Finance lease liabilities	—	56.1	56.1
Derivative financial instruments	0.2	—	0.2
Payables and accruals	—	26.3	26.3
<b>As at 31 October 2018</b>	<b>0.2</b>	<b>452.3</b>	<b>452.5</b>

	Loans and receivables £'m	Assets at fair value through profit and loss £'m	Total £'m
<b>Assets per the balance sheet</b>			
Trade receivables and other receivables excluding prepayments	17.3	—	17.3
Derivative financial instruments	—	0.9	0.9
Cash and cash equivalents	65.6	—	65.6
<b>As at 31 October 2017</b>	<b>82.9</b>	<b>0.9</b>	<b>83.8</b>

	Liabilities at fair value through profit and loss £'m	Other financial liabilities at amortised cost £'m	Total £'m
<b>Liabilities per the balance sheet</b>			
Borrowings (excluding finance lease liabilities)	—	363.6	363.6
Finance lease liabilities	—	56.2	56.2
Derivative financial instruments	0.2	—	0.2
Payables and accruals	—	29.1	29.1
<b>As at 31 October 2017</b>	<b>0.2</b>	<b>448.9</b>	<b>449.1</b>

The interest rate risk profile, after taking account of derivative financial instruments, was as follows:

	2018			2017		
	Floating rate £'m	Fixed rate £'m	Total £'m	Floating rate £'m	Fixed rate £'m	Total £'m
Borrowings	46.5	323.4	369.9	76.8	286.8	363.6

The weighted average interest rate of the fixed rate financial borrowing was 2.12% (FY2017: 1.90%) and the weighted average remaining period for which the rate is fixed was six years (FY2017: seven years).

#### Maturity analysis

The table below analyses the Group's financial liabilities and non-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one year £'m	One to two years £'m	Two to five years £'m	More than five years £'m
	<b>2018</b>			
Borrowings	7.9	7.9	231.6	176.5
Derivative financial instruments	1.6	1.6	2.6	—
Contractual interest payments and finance lease charges	9.4	8.3	23.5	48.2
Payables and accruals	26.3	—	—	—
	<b>45.2</b>	<b>17.8</b>	<b>257.7</b>	<b>224.7</b>
<b>2017</b>				
Borrowings	7.2	7.2	225.3	179.6
Derivative financial instruments	1.2	1.2	3.2	—
Contractual interest payments and finance lease charges	9.5	8.7	23.1	48.8
Payables and accruals	29.1	—	—	—
	<b>47.0</b>	<b>17.1</b>	<b>251.6</b>	<b>228.4</b>

### 13. Obligations under finance leases

The Group leases certain of its investment properties under finance leases. The average remaining lease term is 10.4 years (FY2017: 11.1 years).

	Minimum lease payments		Present value of minimum lease payments	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
Within one year	9.4	9.5	8.9	9.0
Within two to five years	31.8	31.8	25.3	25.3
Greater than five years	48.2	48.8	21.9	21.9
	<b>89.4</b>	<b>90.1</b>	<b>56.1</b>	<b>56.2</b>
Less: future finance charges on finance leases	(33.3)	(33.9)	—	—
Present value of finance lease obligations	<b>56.1</b>	<b>56.2</b>	<b>56.1</b>	<b>56.2</b>

	2018 £'m	2017 £'m
Current	8.9	9.0
Non-current	47.2	47.2
	<b>56.1</b>	<b>56.2</b>

### 14. Called up share capital

	2018 £'m	2017 £'m
<b>Called up, allotted and fully paid</b>		
210,011,217 (FY2017: 209,483,219) ordinary shares of 1 pence each	2.1	2.1

### 15. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	Notes	2018 £'m	2017 £'m
<b>Cash generated from continuing operations</b>			
Profit before income tax		185.3	78.9
Gain on investment properties	8	(122.1)	(39.2)
Depreciation		0.6	0.5
Net finance expense	4	12.3	30.7
Employee share options		4.1	1.2
Changes in working capital:			
Decrease/(increase) in trade and other receivables		1.5	(1.0)
(Decrease)/increase in trade and other payables		(1.5)	1.9
<b>Cash generated from continuing operations</b>		<b>80.2</b>	<b>73.0</b>

## 16. Analysis of movement in net debt

	2017 £'m	Cash flows £'m	Non-cash movements £'m	2018 £'m
<b>Cash in hand</b>	65.6	(55.2)	0.1	<b>10.5</b>
Debt due after one year	(363.6)	(3.9)	(2.4)	<b>(369.9)</b>
<b>Total net debt excluding finance leases</b>	<b>(298.0)</b>	<b>(59.1)</b>	<b>(2.3)</b>	<b>(359.4)</b>
Finance leases due within one year	(9.0)	5.2	(5.1)	<b>(8.9)</b>
Finance leases due after one year	(47.2)	—	—	<b>(47.2)</b>
<b>Total finance leases</b>	<b>(56.2)</b>	<b>5.2</b>	<b>(5.1)</b>	<b>(56.1)</b>
<b>Total net debt</b>	<b>(354.2)</b>	<b>(53.9)</b>	<b>(7.4)</b>	<b>(415.5)</b>

Non-cash movements relate to reclassification of non-current debt to current debt, amortisation of debt issue costs, foreign exchange movements and unwinding of discount.

## 17. Contingent liabilities

As part of the Group banking facility, the Company has guaranteed the borrowings totalling £370.9 million (FY2017: £364.2 million) of fellow Group undertakings by way of a charge over all of its property and assets. There are similar cross guarantees provided by the Group companies in respect of any bank borrowings which the Company may draw under a Group facility agreement. The financial liability associated with this guarantee is considered remote and therefore no provision has been recorded.

Following a tax audit carried out on the Group's operations in Paris, elements of tax were challenged by the French Tax Administration ("FTA") for financial years 2011 to 2013. Similar challenges from the FTA have also been made to other operators within the self-storage industry. The Company and its legal advisers are of the opinion that there are no valid grounds for these challenges and intend to strongly contest the findings of the FTA. The duration and outcome of this dispute cannot be anticipated at this stage of the proceedings. Based on our analysis of the relevant information, any potential exposure in relation to the tax audit issues is not likely to be material, and no provision for any potential exposure has been recorded in the consolidated financial statements. Bank guarantees to cover any potential additional tax assessment are currently being put in place, of which guarantees totalling £0.4 million have been put in place as at 31 October 2018.

## 18. Capital commitments

The Group had £11.1 million of capital commitments as at 31 October 2018 (FY2017: £61.6 million).

## 19. Related party transactions

The Group's shares are widely held.

During the year £nil (FY2017: £nil) transactions were carried out with related parties.

## 20. Business combination

On 1 November 2017, the Group completed the acquisition of Stork Self Storage Holdings Limited ("SSSHL") trading as Alligator Self Storage, a company controlled by funds managed or advised by York Capital Management, for cash consideration of £55.9 million. The acquisition has complemented the Group's strategy of strengthening its market leading portfolio. Following a provisional fair value exercise, final fair values of assets and liabilities have been determined following finalisation of working capital balances, resulting in no goodwill being recognised on acquisition due to the consideration paid being equal to the fair value of the identifiable net assets. £1.4 million of transaction related costs were reported as an exceptional item within administrative expenses for the year ended 31 October 2017.

The fair value of the assets and liabilities of SSSHL recognised at the date of acquisition is set out in the table below:

	£'m
<b>Assets</b>	
Investment properties	56.6
Interests in leasehold properties	1.4
Trade and other receivables	0.8
Cash	2.2
<b>Total assets</b>	<b>61.0</b>
<b>Liabilities</b>	
Trade and other payables	(1.5)
Obligations under finance leases	(1.4)
<b>Total liabilities</b>	<b>(2.9)</b>
<b>Net assets</b>	<b>58.1</b>
<b>Gross consideration</b>	<b>58.1</b>
<b>Less cash acquired</b>	<b>(2.2)</b>
<b>Net Consideration paid</b>	<b>55.9</b>

Since the date of the acquisition, SSSHL has contributed £7.9 million to the revenue of the Group and £4.5 million to the profit after tax for the Group.