

CHAIRMAN'S LETTER

I am pleased to report that Stor-Age delivered another resilient performance, driven by ongoing gains in occupancy and rental rates, strong organic growth, the successful integration of acquisitions and the further expansion of the portfolio through new developments.

A RESILIENT PERFORMANCE

The past year was once again characterised by geopolitical instability and tough trading and operating conditions, which included surging inflation, rapidly rising interest rates and an ongoing energy crisis. While self storage is not immune to these events and the resultant economic uncertainty, our performance during the year, alongside throughout the COVID-19 pandemic and the sector's resilience throughout the global financial crisis, demonstrates our ability to navigate the current challenges. Self storage remains a specialist asset class that is needs-based and recession-resilient.

The sector benefits from a broad mix of historical demand drivers and longer-term structural changes accelerated by the pandemic, which gave rise to new drivers of demand. These include, for example, the hybrid working model, greater levels of mobility, micro-living and the growth of online retailers, which continue to underpin demand. These trends are particularly prevalent in high-density urban areas where the majority of Stor-Age's properties are located. We also continued to benefit during the year from the trends of an increasing length of stay for those tenants still storing with us, as well as a significantly lower level of churn relative to pre-pandemic levels.

“ Self storage is also one of the few commercial property sub-sectors that is well-placed to navigate a high inflationary environment. ”

The short-term nature of the leasing model provides the opportunity to pass on inflationary cost pressures and adjust pricing in near real-time. For operators with a sophisticated and dynamic revenue management model such as Stor-Age, it also provides an opportunity to be defensive relative to peers across the broader commercial property market.

Underpinned by Stor-Age's deep sector specialisation, highly sophisticated operating platform and industry-leading digital capability, we are pleased to have delivered a full year dividend of 118.14 cents per share, representing an increase of 5.6% against the prior year. The growth in dividend further supported the total return for the year of 16.9%¹.

ENVIRONMENTAL AND SOCIAL PERFORMANCE

In line with our ESG strategy and implementation framework, and on the back of our resilient financial and operational performance, Stor-Age continued to embed responsible and sustainable business practices throughout the organisation.

To date, we have invested more than R21.0 million in renewable energy infrastructure across South Africa and the UK (FY22 R11.6 million). During the period we installed solar PV systems at nine additional properties across both markets, bringing the total number of properties with solar PV systems to 34, representing 37% of our portfolio. These properties have generated over 4.3 million kWh in solar energy to date. An additional 12 properties have been identified for solar investment in FY24.

On the back of multi-year efforts to optimise our electricity consumption and reduce our carbon footprint, it was pleasing to see the outcomes of our most recent Carbon Footprint Report. Key takeaways include avoiding an estimated 2 771 tonnes of CO₂ equivalent emissions since FY18, a downward trend in emissions generated through municipal electricity consumption since FY21, and an estimated 15% year-on-year reduction in our total Scope 1, 2 and 3 emissions in FY23 (FY22 13%). These insights are being used to inform the ongoing development of our Group-wide net zero energy strategy.

Following the finalisation of our UK debt restructuring and the entering into of a 7-year Sustainability-Linked Loan with Aviva plc, we made progress during the year in achieving the environmental KPIs that will trigger a reduction in loan margin. This includes completing solar installations at our Dartford, Derby and Gloucester properties.

We further launched a pilot recycling project at one of our South African properties during the year, which we believe will have a broad positive environmental and social impact in the communities in which we operate. Customers can recycle paper and cardboard products at the property, with these items then collected by the non-profit organisation Oasis Recycling as part of a community initiative to create sustainable employment for people with intellectual disabilities. Following the trial, we will consider rolling this initiative out at multiple locations across the country.

The board also continued to oversee the Group's efforts to improve compliance with the amended Property Sector Codes. We are pleased to report that Stor-Age's share register reflected 44.65% black ownership at the time of conducting our 2023 empowerment scorecard review. We continue to investigate further opportunities to meaningfully support the transformation of the property sector.

GOVERNANCE PERFORMANCE

We remain steadfast in our view that effective corporate governance is critically important to preserve value over the long term on behalf of all stakeholders.

In recent years the business has grown significantly, strengthening its sector leading position in South Africa and successfully executing its growth plan in the UK. Entering into strategic partnerships in the form of joint ventures with multiple partners in South Africa and the UK has been a key part of the growth strategy. Given the natural increase in risk as the business has grown, to strengthen internal controls and reduce overall levels of risk, during the year the board oversaw the finalisation of an internal audit charter, as well as the selection and appointment of an independent external assurance provider, GRIPP Advisory, to perform internal audit work.

“ The board continued to exercise oversight of the Group's growth strategy, which provides a clear framework to guide decision-making and capital allocation. ”

The board further reviewed the investment committee's terms of reference and approved an increase in the committee's authority level. It remains critical that key investment hurdles are met when considering new acquisition and development opportunities.

Seeking to further strengthen the board's skill set, expertise, diversity and independence, we welcomed Alan Menigo to our board this year as an independent non-executive director. Alan also took up a position on the investment committee. He brings with him a set of complementary skills as well as a wealth of knowledge and experience in both the financial and property arenas and we look forward to his contribution.

Another key focus area for the board was overseeing Stor-Age's secondary listing on A2X, which complements our primary listing on the JSE. In addition to providing our shareholders with another platform on which to trade the Company's shares, the secondary listing brings the benefits of added liquidity, narrower spreads and lower exchange fees.

The board continues to work towards the transparent and fair implementation of our remuneration policy and welcomed shareholders' improved support of this policy at our 2022 AGM.

OUTLOOK AND THANKS

We are moving from another challenging year into an even more uncertain future. In such trying times, we look back on the financial and operational performance delivered by our teams in South Africa and the UK with pride. We know that to continue delivering robust operating performances over multiple years requires our employees to be engaged, committed and motivated.

To the entire Stor-Age team, I thank you for your exceptional dedication and commitment to the business which gave rise to another set of stellar results. I would like to commend our executive management team for their leadership and ongoing efforts in executing the Group's growth strategy and inspiring our teams. Thanks also to my fellow non-executive directors for bringing their formidable knowledge and experience to bear on the strategic direction and governance of Stor-Age. Thank you for the energy, commitment, skill and competence you bring to our business.

Guided by our well-articulated Vision and Mission and supported by our high-quality property portfolios in both markets, we remain confident in our business model, which has proved its resilience through multiple economic crises. Accordingly, I remain confident about the Group's future prospects, to the benefit of all stakeholders.

Graham Blackshaw
Chairman
31 July 2023



¹ Calculated as distributable income per share for the year plus increase in tangible net asset value (TNAV) per share as a percentage of TNAV at start of the year.