

CHAIRMAN'S LETTER

Notwithstanding the challenging and uncertain economic conditions, I am pleased to report that Stor-Age delivered another strong set of trading results.

A RESILIENT PERFORMANCE

The past year continued to present challenges. Again, we experienced global macroeconomic and geopolitical instability, resulting in constrained trading conditions. In South Africa and the UK, the environment was characterised by higher interest rates and inflationary pressures. We also saw a slight easing of some pandemic-related demand drivers.

Despite the volatility, the self storage sector continued to demonstrate remarkable resilience – as evidenced during the Global Financial Crisis and the COVID-19 pandemic – cementing its position as a specialist asset class that is needs-based and recession-resilient.

The sector benefits from diverse demand drivers underpinned by life-changing events and dislocation that persist across economic cycles. Other trends, such as the hybrid working model, new customer adoption, greater levels of mobility and the growth of online retailers, continue to further underpin demand. These trends are particularly prominent in high-density urban areas where the majority of our properties are located. Across both markets, we continued to benefit from a higher average length of stay and a significantly lower level of churn relative to the pre-pandemic period.

Leveraging the sector's defensive strengths and underpinned by our high-quality property portfolio, sector specialisation, sophisticated operating platform and industry-leading digital capability, we delivered a full-year dividend of 118.17 cents per share and a total return for the year of 13.3%¹.

A niche asset class uncorrelated to traditional drivers of property, the Company has significantly outperformed the SAPY since its listing in 2015. Read more about this outperformance on page 12.

ENVIRONMENTAL AND SOCIAL PERFORMANCE

Guided by its ESG strategy and implementation framework, Stor-Age continued to embed environmentally and socially sustainable business practices throughout its operations in both markets.

Environmental sustainability is a critical component of our ESG strategy. While we focus on energy efficiency, rainwater harvesting, stormwater management and wastewater management, renewable energy generation is a key area of attention as we recognise climate change as a defining challenge of our time.

Stor-Age also benefits from self storage being one of the least carbon-intensive sectors compared to other real estate sub-sectors. According to a 2023 report by KPMG and the European Public Real Estate Association, self storage generates the lowest greenhouse gas emissions intensity (4kg/m² for scope 1 and 2) for all European real estate sub-sectors².

At the end of FY24, Stor-Age had invested R63.5 million in renewable energy infrastructure across South Africa and the UK. Locally, these investments have enabled the Group to avoid an estimated 3 836 tonnes of CO₂ equivalent emissions since FY18. Using renewable electricity has further resulted in an estimated 19% reduction in our Scope 1, 2 and 3 emissions across both markets.

During the year, we installed solar PV systems at 21 additional properties, bringing the total number of properties with solar PV systems to 57 (South Africa: 34; UK: 23). We have identified an additional 17 properties for solar investment in FY25. To provide an optimised solution in the event of a power outage and reduce our reliance on generators, we are further integrating existing solar PV systems with battery energy storage systems (BESS) across the South African portfolio. At the end of FY24, we had installed 20 BESS. We plan to install these systems alongside any new solar PV installations and retrofit all existing solar PV infrastructure at an estimated total cost of R45 million to R50 million over the three-year period (FY24 to FY26).

In the UK, we continue to see the potential to fund developments through sustainability-linked financing, which helps drive positive environmental outcomes while delivering a loan margin benefit.

For example, four properties in our Moorfield JV are included in a Sustainability-Linked Loan facility with Aviva plc and achieved an average carbon reduction of 75% – 100% against the FY22 baseline, depending on the size of the PV system installed. This decrease resulted in a loan margin reduction of 5bps. The Moorfield JV is also utilising a green loan from HSBC Bank (HSBC) to finance the development of five properties, which have met BREEAM requirements³. BREEAM is a sustainable building certification and third-party accreditation that will ensure our buildings meet the necessary environmental targets and perform optimally over time. We have agreed terms to enter into a similar green loan with HSBC to fund the development of a new property in Leyton, London, held in our Nuveen JV. Read more about our commitment to environmental sustainability on page 60.

Closer to home, we recognise the need for businesses to play a part in uplifting and empowering South Africa's communities, and we continue to find opportunities to utilise our resources for good.

We partner with numerous charities and non-profit organisations (NPOs), including the South African Red Cross Society, Kolisi Foundation, Gary Kirsten Foundation, Helping Hands South Africa, Volunteer Wildfire Services, The Atlas Foundation, JOG Trust, JAG Foundation, Ed Bham Foundation and Santa Shoebox Project, among others. We support these organisations by providing them with complimentary self storage space or utilising our digital marketing capability to increase their reach. Our community investment in FY24 was approximately R2 million.

The Company has also entered into an agreement with the Gift of the Givers Foundation to support various community initiatives. Gift of the Givers is the largest African-origin disaster response, non-governmental organisation on the continent. Read more about this partnership on page 65.

In partnership with the Skills Development Corporation, we provide a 12-month Business Administration Services learnership programme to 12 unemployed learners from previously disadvantaged backgrounds each year. In 2023, 11 candidates completed this programme, and we are supporting a further group of 12 learners in 2024. Overall, 36 learners have benefitted since we launched this initiative in 2021, enabling Stor-Age to sustainably support local economic transformation.

We remain particularly proud of the Stor-Age Business Hub, which provides our commercial customers and NPOs with a complimentary platform to showcase their products and services. We believe this is a powerful initiative as over 50% of our commercial customers classify themselves as SMMEs, vital for job creation and economic development. Stor-Age supports their daily operations and growth strategies, often acting as a business incubator and facilitating a transition to larger-scale operations. Proprietary data shows that, on average, each commercial customer has created more than eight new jobs since beginning to store with Stor-Age. At the end of FY24, we had over 8 800 commercial tenants, indirectly contributing significantly to job creation across South Africa.

The board continued to oversee the Group's efforts to improve compliance with the amended Property Sector Codes, and we are pleased to report that Stor-Age is a Level 4 contributor. We continue to consider further opportunities to meaningfully support the transformation of the property sector.

KEY BOARD FOCUS AREAS

Effective corporate governance is critical to preserve value over the long term for all our stakeholders. The board continues to oversee the Group's growth strategy, which provides a clear framework to guide decision-making and capital allocation.

During the year, the board oversaw the workstreams to classify the Storage King group of companies as a UK REIT, with the process being finalised after year end. While we do not envisage an immediate reduction in the effective tax payable in the UK, the classification will support the most optimal economic outcome in the medium term.

Another key focus area for the board was overseeing the successful launch of a domestic medium-term note (DMTN) programme in April 2024. Stor-Age successfully issued R500 million under the new programme. Pleasingly, as part of this process, Global Credit Ratings assigned Stor-Age an initial national scale long and short-term issuer rating of A+(ZA) and A1(ZA), respectively. The DMTN programme has allowed Stor-Age to diversify its sources of debt funding, ultimately contributing to the Group's ability to sustainably implement its growth strategies in South Africa and the UK. We provide more detail on this in the Financial Review from page 46.

In line with the increasing maturity of our business and our commitment to continuously strengthen our corporate governance structures, the board established and constituted a nominations committee this year. With duly approved and independent terms of reference, the nominations committee will assist the board with ensuring that its composition remains appropriate, that directors continue to be formally nominated and appointed, and that the induction, training and development of directors continues to take place in a structured manner. The formalisation of this committee will contribute to the board's ongoing improved sustainability and effectiveness in the years to come.



¹ Dividend per share plus the increase in net tangible asset value (NTAV) per share (for the 12-month period) as a percentage of NTAV at the start of the 12-month period.

² Source: "Deep dive on extra-financial performance: Real Estate companies across Europe", KPMG and EPRA, November 2023.

³ BREEAM (Building Research Establishment Environmental Assessment Methodology).

CHAIRMAN'S LETTER (continued)

Last 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. During the year, GRIPP Advisory performed several audits on key processes within the business. Going forward, the board will continue to prioritise ongoing, positive engagement with GRIPP to evolve and strengthen the Company's internal controls in line with the ever-changing inherent economic and technological risks in our operating environment. Further to this, we introduced an updated Information Security Policy this year, as well as an updated risk register and control framework in accordance with ISO 27001¹.

The board also undertook a detailed self-evaluation during the year, which was managed and coordinated by our independent auditors. Board members were given the opportunity to provide feedback on the performance of their peers and the functioning of the board across relevant categories. Several helpful insights emerged from this process, which will assist in strengthening the board's performance and competence.

Phakama Mbikwana resigned as an independent non-executive director, member of the audit and risk committee and chair of the social and ethics committee in March 2024. Since joining us in 2018, Phakama served the board with distinction, carrying out her duties with care and dedication. We will miss her balanced and often innovative approach to all matters and wish her well in her future endeavours.

Following Phakama's resignation, Alan Menigo was appointed as a member of the audit and risk committee. John Chapman was further appointed as a member of the social and ethics committee, and I will assume the responsibility of chairing the committee. We are also pleased to have recently welcomed Akua Koranteng to our board as an independent, non-executive director on 15 May 2024. She brings a set of complementary skills and a wealth of knowledge and experience. We look forward to her contribution to the board.

DIVIDEND POLICY

As a board, we are cognisant of the current elevated cost of equity and debt capital for most REITs globally. Stor-Age is fortunate to benefit from an exceptionally healthy balance sheet and highly attractive underlying operating metrics, which we have consistently delivered over multiple periods. The business also operates in a sector which is growing globally, and Stor-Age is undoubtedly well-positioned to continue capitalising on future growth opportunities.

Together, with the compounding benefits over multiple periods of reinvesting retained capital into higher-yielding future opportunities, these factors informed the board's decision to consider amending the Group's dividend policy. Feedback from key shareholders on their views on the merits of a reduced payout ratio were also overwhelmingly supportive. Accordingly, the board is considering lowering the payout ratio to 90% – 95% of distributable income for FY25. This amendment would bring us more in line with our UK and European self storage REIT peers and sustainably contribute to enhanced returns for shareholders over the medium to long term.

OUTLOOK AND THANKS

Guided by our Vision and Mission, and supported by our high-quality property portfolio, the board believes that Stor-Age is well positioned to withstand the ongoing volatile macro environment and continue making strategic and operational progress in both markets in the year ahead.

In May 2024, South Africa held general elections for national and provincial government. These elections marked 30 years of electoral democracy and, for the first time since 1994, the ruling African National Congress lost its parliamentary majority. This loss ushered in a new era of coalition government and gave rise to the formation of a Government of National Unity. Given the natural uncertainty around policy direction, this may impact business and consumer confidence, asset prices and investment returns in the year ahead. As a business, we will continue to closely monitor local and global political developments and respond to potential impacts accordingly.

In the face of these challenging and unpredictable times, the board thanks the Stor-Age team for their ongoing high levels of motivation and exceptional dedication to the business and for helping us deliver a robust operating performance year after year. On behalf of the board, thank you to Gavin and our executive management team for guiding the Group through another eventful year while taking decisive action to maintain and enhance Stor-Age's sector-leading position. Thanks also to my fellow non-executive directors for your unwavering commitment and constructive approach to ensuring we continue achieving our strategic objectives.

The board remains confident in Stor-Age's future growth prospects, to the benefit of all stakeholders.



Graham Blackshaw

Chairman

31 July 2024



¹ ISO27001 is the world's best-known standard for information security management systems.