



BJI view: buy

Description

Safestore (LSE: SAFE) is a UK-based leading self-storage company with stores across the UK, France, Netherlands, Belgium and Spain. They have 193 stores across prime metropolitan locations with a property value of £3.3bn with 25% LTV. Safestore is currently trading at 0.6x net property value. They run 60% operating margins, generating an operating yield of 4%. Storage facility space in Europe is very low, from 0.2-0.9 sqft per person vs 9 sqft per person in the US. Safestore is continuing to expand in the European market with acquisitions in Italy and Germany. In short, you're buying £1 of UK and European real estate for 60p with additional earnings power from storage rental.

Strengths

- Second largest storage company in Europe with strong existing footprint
- Existing European storage space is very low compared to other developed markets
- Safestore has considerable runway ahead of it in Europe
- REIT status in UK allows tax exemption on rental income and capital gains
- Debt levels sufficiently low that we don't expect Safestore to be distressed or need to sell property in any downturn

Risks

- Higher for longer rates may make debt service more expensive
- A downturn in European property could result in revaluation losses on property portfolio
- REIT status requires 90% of UK rental income to be paid to shareholders, limiting capital allocation options

Competitive advantages

Safestore are the second-largest self-storage company in Europe after Shurgard. They have the scale and financial resources to acquire new storage companies or available properties. The relatively low levels of existing self-storage space in Europe offers plenty of room to grow.

Why does this opportunity exist?

We think higher rates have raised worries over a downturn in the property market. That said, occupancy levels have been solid, and an investor would already be purchasing the property with a 40% discount to their audited valuation, placating concerns over a property downturn.

Management

CEO Frederic Vecchioli founded a self-storage business in 1998 which was acquired by Safestore in 2004. He has been the CEO of Safestore since 2013. We see it as a founder-operator business. Frederic owns 1.5% of the business and bought more shares personally in the open market in January 2025.

Share Price GBP	£5.93
Market Cap	£1.3 bn
Revenue 2024	£223m
Operating profit (loss) 2024	£134m
Profit (loss) after tax 2024	£373m
Dividend yield	5.0%
Average Daily Trading Volume	669,463
Inside ownership	2.2%
Number of stores	193
Property value	£3.3 bn

CAGR since IPO	5.2%
P/E (TTM)	3.6
P/E (FWD)	14.5
Operating margin 2024	60%
FCF yield	6.4%
Capex / sales	4.5%
ROE	16.7%
ROIC	11.3%
P/B	0.60

Store sqft CAGR (5yr)	4.6%
Revenue CAGR (5yr)	6.6%

Debt LTV	25.1%
OCF / interest coverage	2.5



Source: tradingview.com