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Ticker SAFE (LSE)

Price GBp 654.00

Sector Real Estate, Self-storage

Website <https://corporate.safestore.com>

Safestore (LSE: SAFE) is a UK-based leading self-storage company with 209 stores across the UK, France, Netherlands, Belgium and Spain.

H1 2025 earnings

	H1 2025	H1 2024
Revenue	£113m	£109m
Operating income	£63m	£65m
Net income	£79m	£157m
FCF	£36m	£41m
Gain on revaluation of property	£50m	£122m
LTV	27.4%	25.7%
Maximum lettable area (m sqft)	9.14	8.23
Closing occupancy	74.4%	76.2%
Average rate per sqft	29.98	30.16
Net assets per share	£10.38	£9.35

Highlights:

- Overall, the results were very much in line with our expectations. Maximum lettable area (MLA) grew 11%, a little ahead of expectations with 10 new stores and 1 extension being added. The geography was mixed with 2 new stores in the UK, 2 in Paris, 4 in Spain and 2 in the Netherlands. We expect the bulk of the growth to continue in Safestore's "expansion markets" which consist of Netherlands, Spain, Belgium, Germany and Italy.
- MLA guidance is for an additional 4 stores with combined 200k sqft of space to be added in H2.
- The average storage rate looks down on the headline figure but was generally up about 2% across the business. The reason for the drop in headline rates is that most of the growth is coming from Spain and the Netherlands which have lower average rates than London and Paris.
- Safestore recognised a £50m (unaudited) gain on the revaluation of properties, which represents a 1.49% (3% annualized) increase in the value of property.
- Average occupancy hovered around the 74% mark, a level we consider to be a reasonable long-run average estimate of Safestore and the broader storage business.
- LTV rose slightly to 27.4% as Safestore continues its expansion into Europe. Safestore raised £90m of debt to fund £66m of net property additions and a £37m 50/50 JV with Nuveen to acquire EasyBox, a storage company in Italy with 11 stores.
- Interest on debt was £16m in H1 vs operating income of £63m. Approximately 58% of Safestore's debt is fixed interest so there is exposure to higher rates. This naturally represents a risk to the business, but we feel that the debt level is sufficiently low at 27% LTV and operating cash flow is sufficiently strong (4x interest payments) to manage higher rates.

Ben Jones Investments outlook:

- The share price rallied 6% on the day following the earnings announcement. Overall, we felt earnings were very much in line with expectations and that the rally was more a reflection of repricing an undervalued business.
- Safestore's expansion is progressing well with 11% growth in MLA. Despite the storage business being price competitive, there is sufficient undersupply to keep average rates rising modestly at +2%.
- Safestore has net assets of £10.38 per share, so with a share price at £6.54, investors are essentially purchasing £1 of UK and European real estate for 63p. This real estate also comes with a 4% operating yield, and 2% net yield.
- As the second largest European (inc UK) self-storage company after Shurgard, Safestore has both the capital and the expertise to continue its expansion across European markets. The capital allows them to purchase smaller rivals and prime locations, while the scale allows them to run more efficient operations that can be extremely competitive on pricing.
- We believe their debt is low enough to be comfortably manageable, but we do watch it closely to ensure that higher rate shocks would not be detrimental to the business.
- Safestore must pay 90% of their real estate income from the UK to shareholders as dividends to maintain their REIT tax status that exempts them from corporation tax and capital gains tax. However, we would like to see dividends kept to the lowest possible level, with as much cash as possible directed towards new property acquisitions, keeping reliance on debt to a minimum. This allows for the quickest possible expansion.
- The storage market in Europe is relatively underdeveloped and leaves plenty of growth runway. For example, the US has 9.39 sqft of storage space per capita, while the UK has 0.91 sqft per capita, Netherlands 0.73, Spain 0.43, France 0.41 and Italy 0.03.