

# 2016 FULL YEAR RESULTS PRESENTATION



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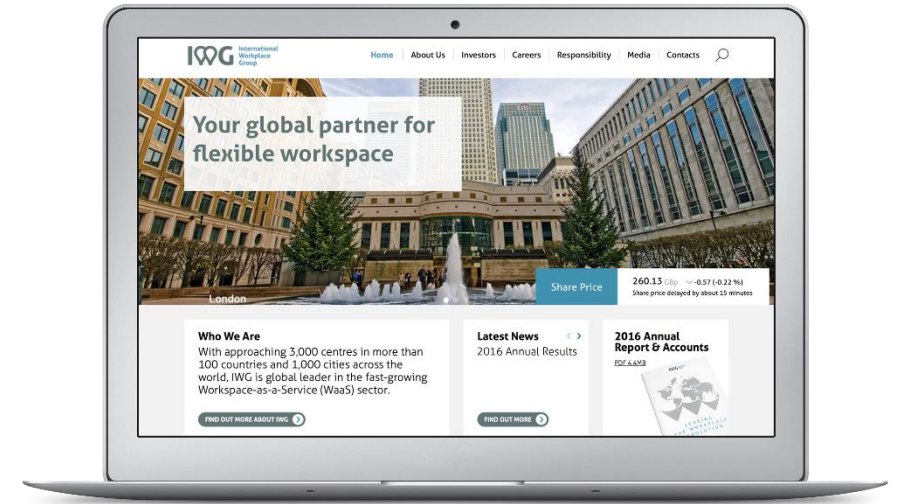
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# IWG – Strong market position

- Global market leader in the fast growing Workspace as a Service (WaaS) sector with a highly diversified business
- Unrivalled global and national networks
  - Operating 2,926 centres
  - Across over 1,000 towns and cities
  - In over 100 countries
- Wide range of service offerings
  - Office
  - Home
  - Mobile
  - Workplace recovery
- Broad range of brands, playing to distinct market segments
- IWG enables its customers to work where, when and how they want and grow with flexibility



# Full year highlights

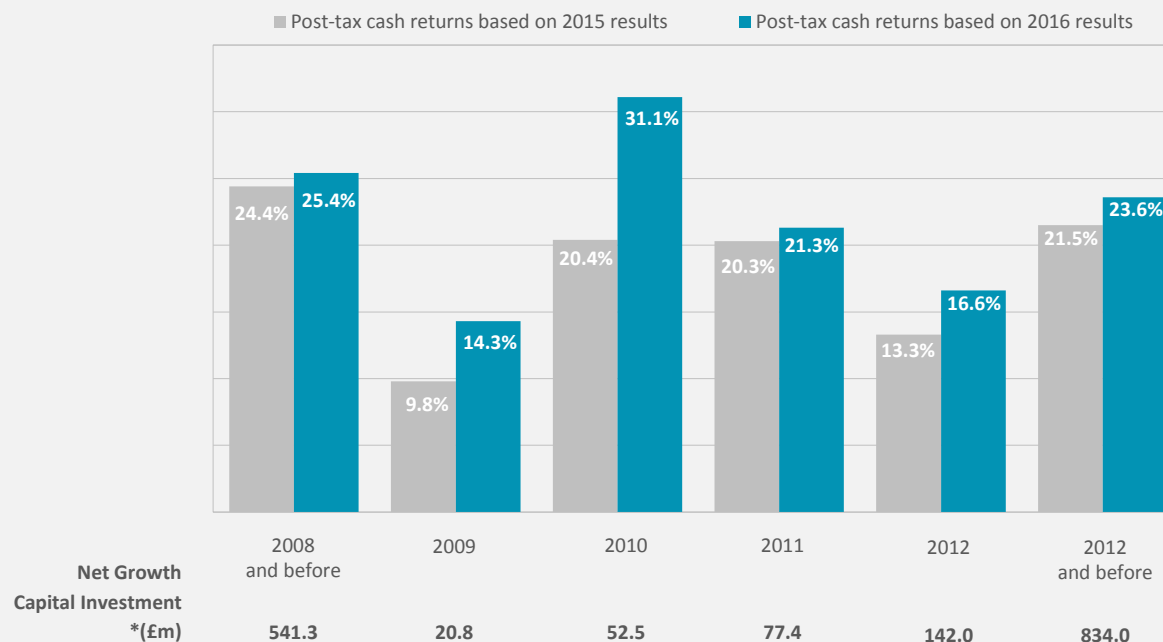
## Transformational year

- Improved returns on investment
  - Post-tax ROI on pre-12 net investment of 25.1% (up 200bp)
- Strong growth in profitability and cash generation
  - Underlying operating profit up 14%\* to £186.2m
  - Underlying cash flow before net growth investment up 33% to £286.1m
    - Equivalent to 30.8p per share
- Proactive actions delivering a more streamlined and scalable business model
  - Re-engineered field structure using city clustering approach
  - Streamlined our business and processes to enhance scalability
  - Overheads reduced 13%\* to £261.8m, 300bp reduction as a % of revenue to 11.7%, despite 6% growth in locations
- Selective growth with increased traction on partnering deals
  - Net growth capital expenditure of £162.3m – 231 locations
  - Over a third of new leases signed were variable in nature



# Generating attractive returns

- 25.1% post-tax cash return on all locations opened on or before 31 December 2011, up 200bp
- 23.6% post-tax cash return on all locations opened on or before 31 December 2012, up 210bp
- Improved returns across all year group investments
- Recent year group investments are developing well and expected to achieve similarly attractive returns



\*Net investment represents the Growth Capital Expenditure relating to locations opened in the period only

## Definition

Post-tax cash return on net investment =

EBITDA less amortisation of partner contribution  
less tax on EBIT, less maintenance capex

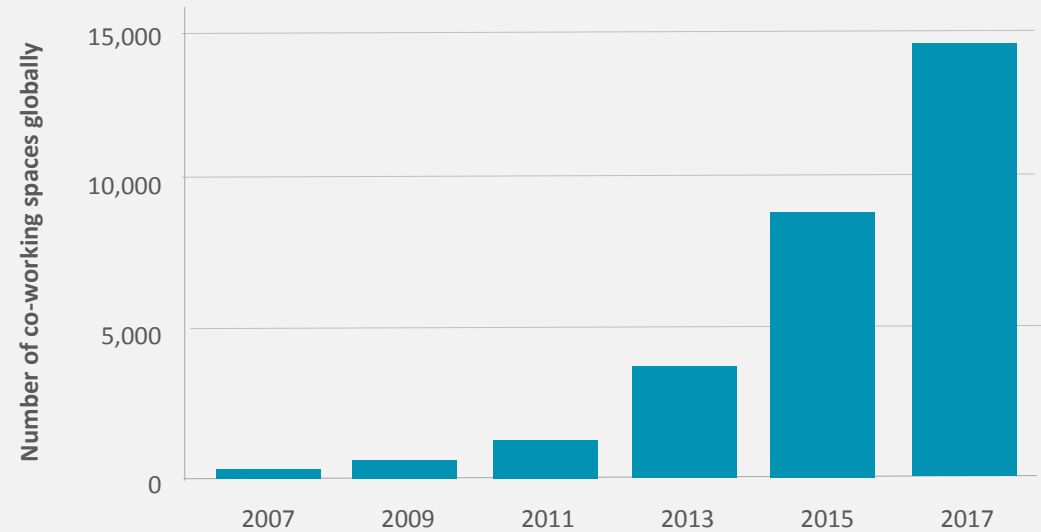
Growth capital expenditure less partner contribution

# World of work is changing

**Structural changes are driving our industry globally.**

Businesses and individuals have changed the way they work and use office space.

**Growth in demand for flexible working <sup>1</sup>**



*“Growth in the number of open office workstations/sq ft will approach an exponential scale, in line with wider technological trends.”*

**J.P.Morgan**

*“The swift rise in popularity of the co-working format has re-energised the flexible workspace sector.”*



*“The sector is expected to grow, as businesses take advantage of the flexible working format.”*

**Deloitte.**

*“64% of companies see enabling their people to achieve more effective mobile working as a priority.”*



<sup>1</sup> Deskmag Global Co-working Survey 2017

# *IWG's growth strategy*

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- Driving a higher return, through less capital intensive expansion
- Our focus remains on developing national networks offering a range of brands, products and price points
- Streamlined and more efficient business model to effectively scale
- 2016 net growth capital expenditure of £162.3m – 231 locations, with over one third of the leases signed being variable in nature
- Current pipeline visibility – £120m of net capex and approximately 250 locations
  - Strong investment discipline
  - More partnering deals
  - Strong pipeline for the Spaces format
  - Remain selective and flexible in the current environment



# Meeting the needs of a changing world

## Cloud Based

Workspace where, when and however you need it



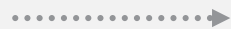
## Outsourced

100% managed and maintained



## On demand

Instant access to workspace by the hour, day, month or year



## Employee Centric

Empowers people to work where they want, when they want



## Flexible

Ability to expand, contract or move at any time

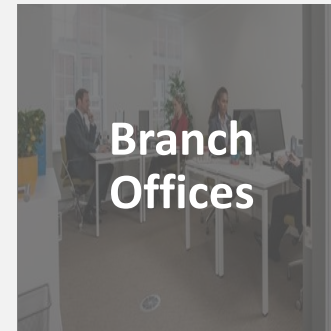


## Cost Effective

Simple, transparent, cost-effective pricing – no waste



Co-work and Community



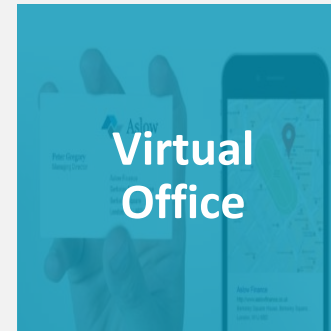
Branch Offices



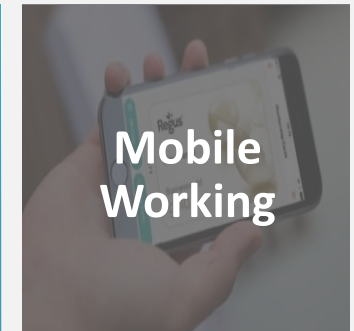
Project Space



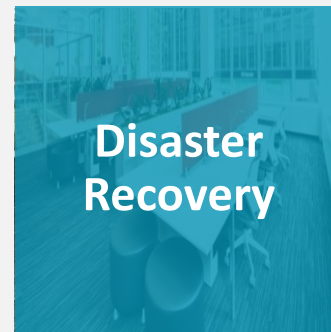
Meeting Space



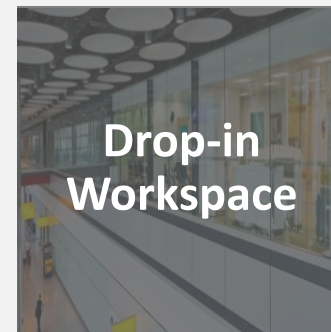
Virtual Office



Mobile Working



Disaster Recovery



Drop-in Workspace



Headquarters

# *Developing national networks and formats globally*



Regus Express, Prague Airport



Spaces Otemachi, Tokyo



Open Office, Kyoto



Spaces Denver



Regus London Bridge



Regus La Grande Arche, Paris

# FINANCIAL REVIEW



# Returns developing as expected

## Gross profit margin\*

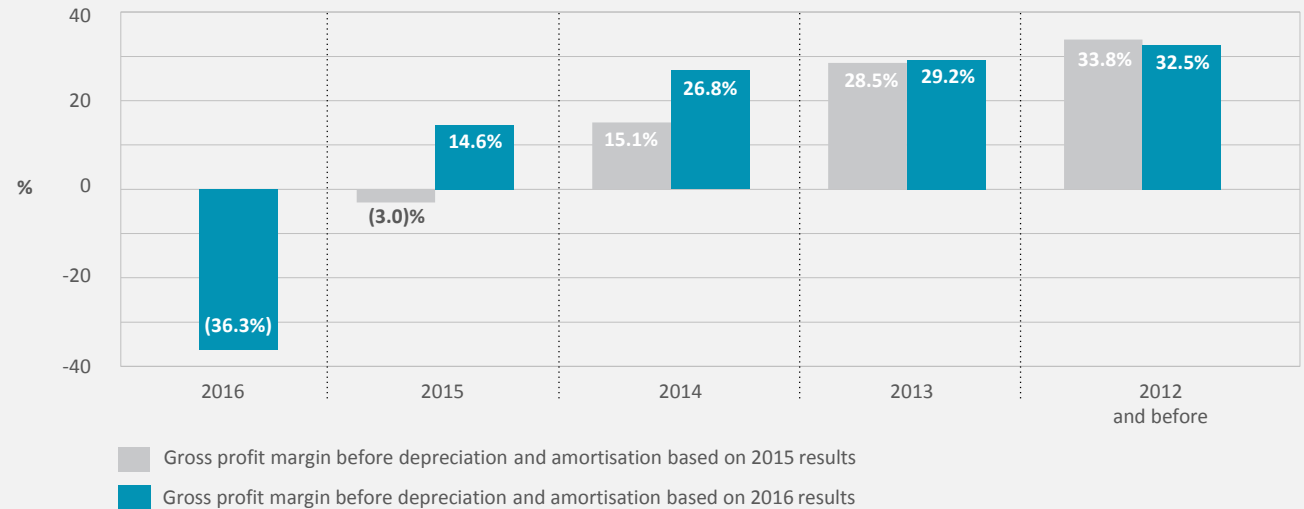
- 2013, 2014 and 2015 additions showing continued improvement
- 2016 locations predominately organic additions

\*before depreciation and amortisation

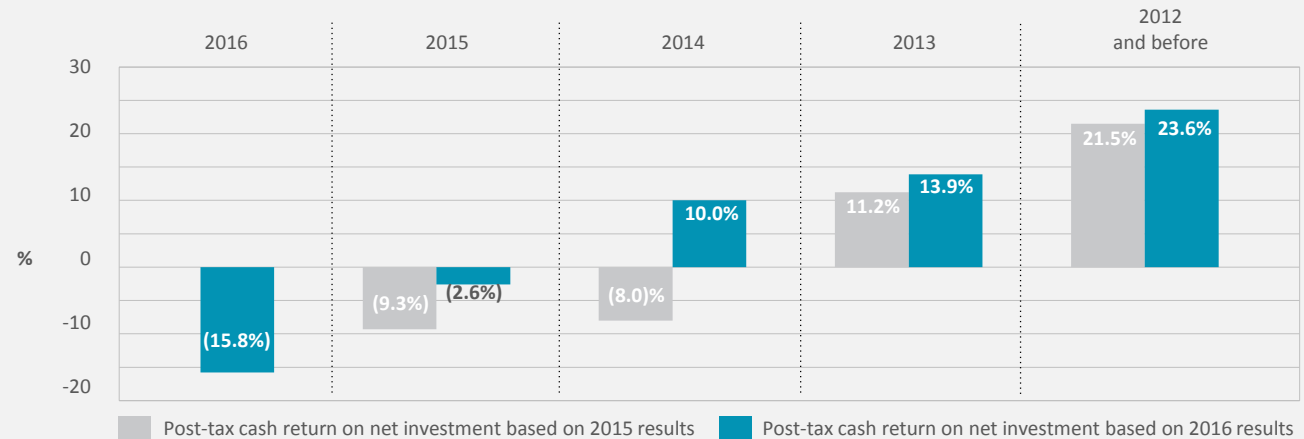
## Post-tax return on net investment

- We continue to make attractive returns
- Benefiting from operational leverage and capital efficiency

NCO year group



NCO year group



# A strong performance

## Group income statement (excluding non-recurring items\*)

| £ million                          | 2016           | 2015           | % change actual currency | % change constant currency |
|------------------------------------|----------------|----------------|--------------------------|----------------------------|
| <b>Revenue</b>                     | <b>2,233.4</b> | <b>1,927.0</b> | <b>15.9%</b>             | <b>5.5%</b>                |
| Gross profit (centre contribution) | 448.8          | 428.4          | 5%                       | (4)%                       |
| <i>Gross profit margin</i>         | <i>20.1%</i>   | <i>22.2%</i>   |                          |                            |
| Overheads                          | (261.8)        | (283.9)        | (8%)                     | (13%)                      |
| <i>Overheads as a % of Revenue</i> | <i>11.7%</i>   | <i>14.7%</i>   |                          |                            |
| <b>Operating profit**</b>          | <b>186.2</b>   | <b>144.8</b>   | <b>29%</b>               | <b>14%</b>                 |
| <i>Operating profit margin</i>     | <i>8.3%</i>    | <i>7.5%</i>    |                          |                            |
| Net finance expense                | (11.5)         | (14.4)         |                          |                            |
| <b>Profit before tax</b>           | <b>174.7</b>   | <b>130.4</b>   | <b>34%</b>               |                            |
| Taxation                           | (34.9)         | (25.9)         |                          |                            |
| <b>Profit for the period</b>       | <b>139.8</b>   | <b>104.5</b>   | <b>34%</b>               |                            |
| <b>EPS (p)</b>                     | <b>15.0</b>    | <b>11.2</b>    | <b>34%</b>               |                            |
| <b>Dividend per share (p)</b>      | <b>5.1</b>     | <b>4.5</b>     | <b>13%</b>               |                            |
| EBITDA                             | 380.7          | 290.0          | 31%                      | 18%                        |

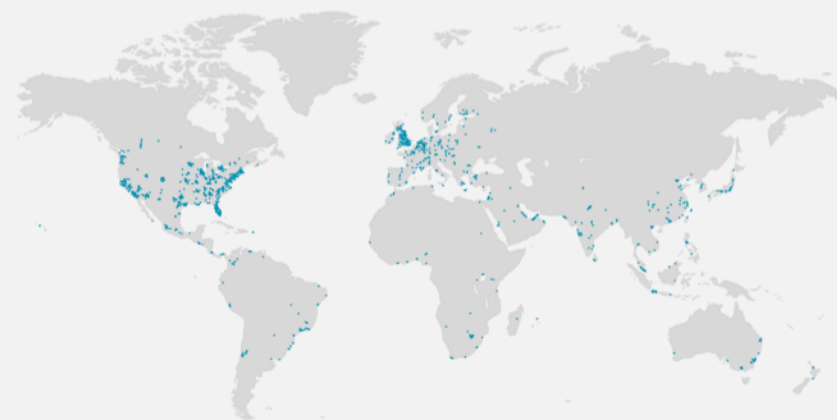
- Revenue up 5.5% with growth in all regions at constant currency driven by new locations
- Deceleration of revenue growth through 2016
- Strong overhead performance – 13% reduction at constant currency
- Overheads as % of revenue now 11.7%
- Operating profit up 14% at constant currency
- Effective underlying tax rate of 20.0%
- Underlying EPS increased 34% to 15.0p
- Full year dividend up 13%

\* Non-recurring loss of £1.0m in 2016 and profit of £15.3m in 2015

\*\* Including contribution from joint ventures

# Mature centre\* performance: by geography

- Select markets have experienced challenges (e.g. Latam, Russia, China)
- Impact from field structure change
- Improving sales momentum
- Robust mature gross margin of 24.1%

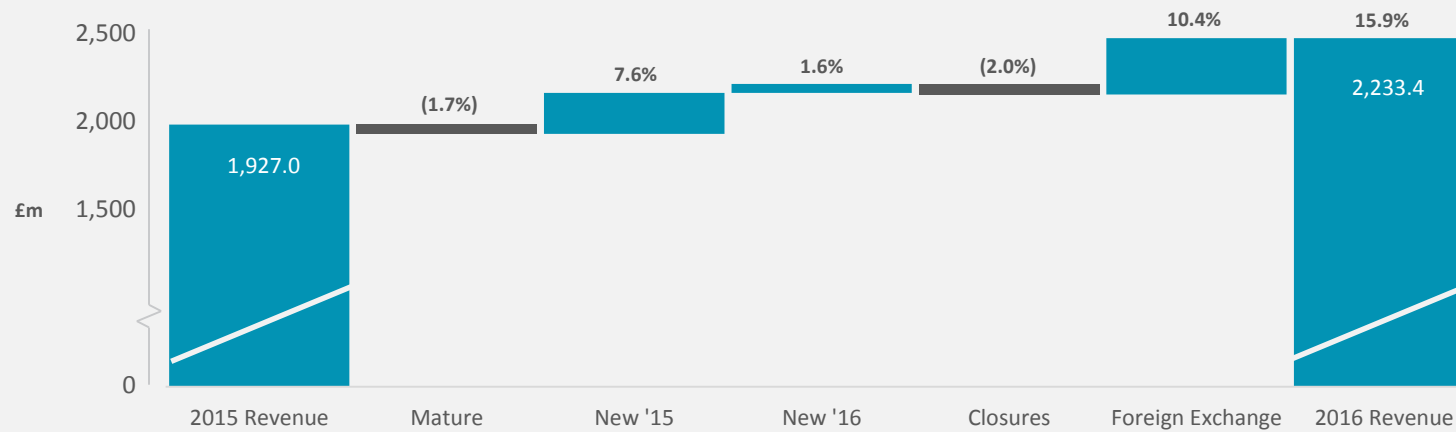


| £m           | Revenue        |                | Revenue Growth at Actual Currency | Revenue Growth at Constant Currency | Contribution |              | Mature Gross Margin (%) |              |
|--------------|----------------|----------------|-----------------------------------|-------------------------------------|--------------|--------------|-------------------------|--------------|
|              | 2016           | 2015           |                                   |                                     | 2016         | 2015         | 2016                    | 2015         |
| Americas     | 826.2          | 747.8          | 10.5%                             | (2.2)%                              | 188.0        | 181.9        | 22.8%                   | 24.3%        |
| EMEA         | 406.9          | 372.7          | 9.2%                              | (2.2)%                              | 104.1        | 91.8         | 25.6%                   | 24.6%        |
| Asia Pacific | 293.2          | 265.5          | 10.4%                             | (2.7)%                              | 72.9         | 66.2         | 24.9%                   | 24.9%        |
| UK           | 358.5          | 361.2          | (0.7)%                            | (0.7)%                              | 83.9         | 84.3         | 23.4%                   | 23.3%        |
| Other        | 6.8            | 2.9            |                                   |                                     | 6.8          | 1.0          |                         |              |
| <b>Total</b> | <b>1,891.6</b> | <b>1,750.1</b> | <b>8.1%</b>                       | <b>(1.7)%</b>                       | <b>455.7</b> | <b>425.2</b> | <b>24.1%</b>            | <b>24.3%</b> |

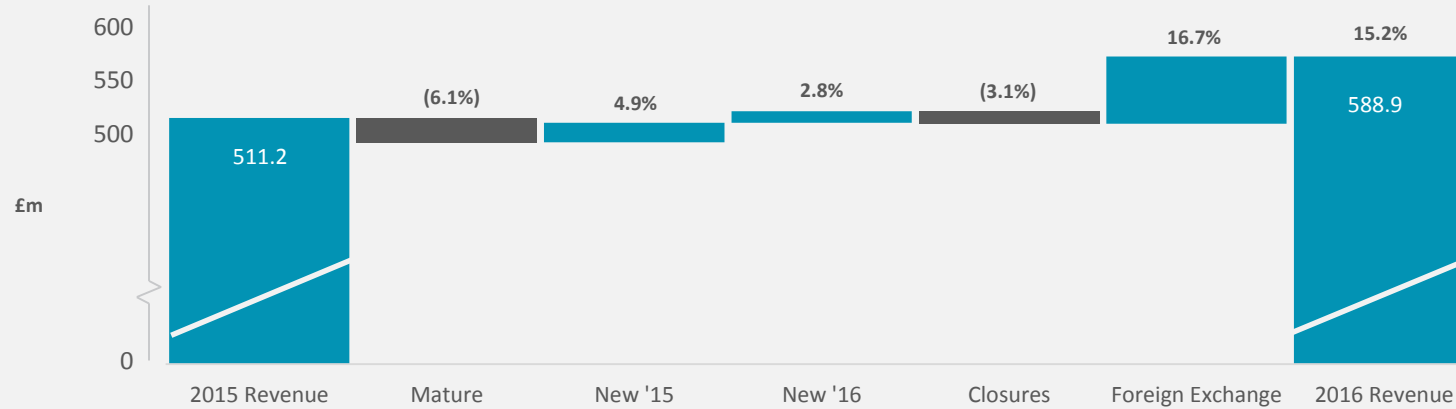
\* Mature centres open on or before 31 December 2014

# Group revenue development

## Full year 2016 year-on-year revenue development



## Q4 2016 year-on-year revenue development



# Further overhead efficiency

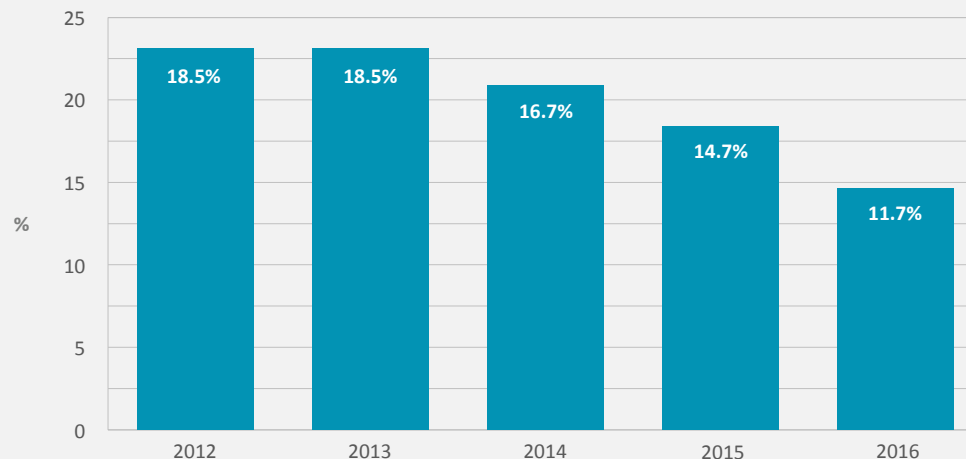
## What happened

- Overall overheads declined 13% at constant currency, compared to a 6% increase in the number of locations over the last 12 months
- New cluster based field structure embedded
- Overheads include costs of restructuring and Scheme of Arrangement
- Capacity available to support further growth

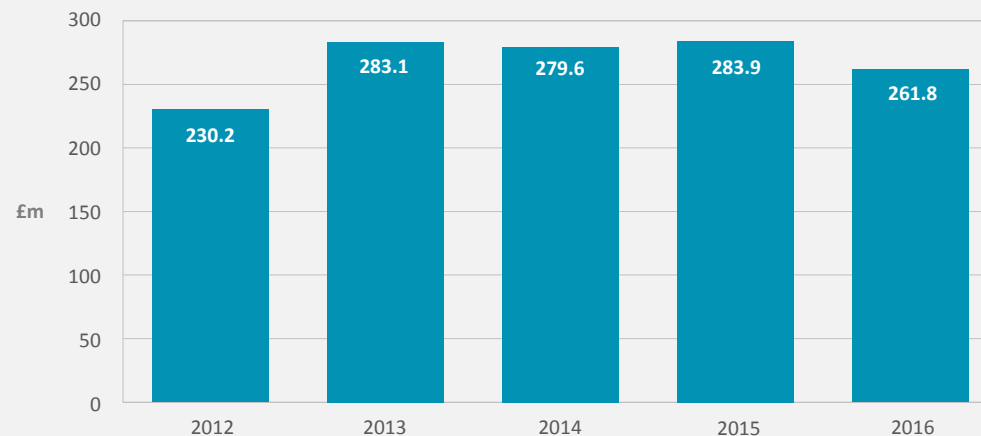
## How we achieved it

- Streamlining the business and administration processes
- More efficient sales and organisational structure
- More efficiency through use of technology

Total overheads as a % of revenue



Total overheads (£m at actual rates)

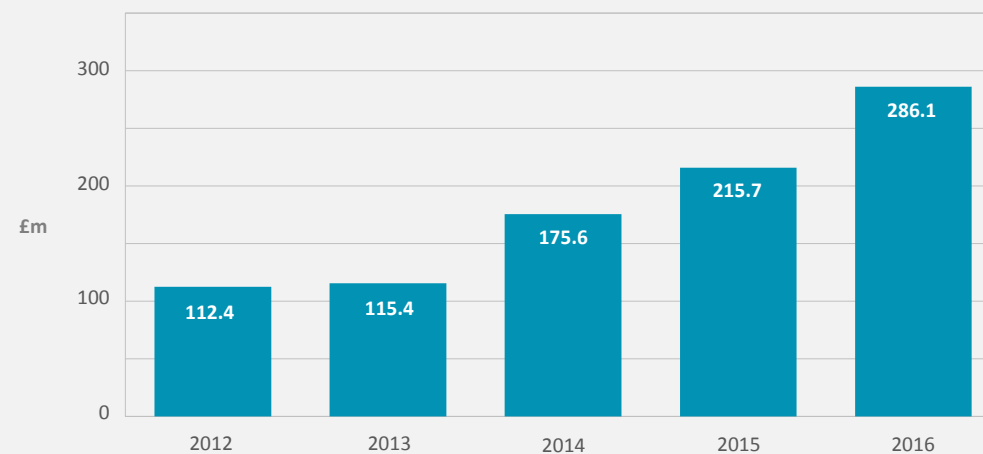


# Strong cash flow

| £ million   | 2016         | 2015         |
|---|--------------|--------------|
| <b>Group EBITDA</b>                                       | <b>380.7</b> | <b>290.0</b> |
| Working capital   | 104.2        | 103.5        |
| Less growth related partner contributions                 | (66.1)       | (59.8)       |
| Maintenance capital                                       | (86.7)       | (74.9)       |
| Taxation  | (31.5)       | (29.1)       |
| Finance costs   | (16.1)       | (13.2)       |
| Other items   | 1.6          | (0.8)        |
| <b>Underlying cash flow before net growth expenditure</b> | <b>286.1</b> | <b>215.7</b> |
| Disposal proceeds after costs                             | -            | 80.0         |
| <b>Cash flow before net growth expenditure</b>            | <b>286.1</b> | <b>295.7</b> |

- Very strong cash performance
- Group EBITDA increased by 18% at constant currency to £380.7m
- Major focus on working capital management
- Underlying cash flow before net growth investment increased 33% to £286.1m, or 30.8p per share

**Underlying cash flow before net growth capital expenditure (£m)**



# A healthy balance sheet

| £ million                                  | 2016         | 2015        |
|--|--------------|-------------|
| Cash flow before net growth expenditure    | 286.1        | 295.7       |
| Net growth capital expenditure             | (162.3)      | (284.9)     |
| <b>Total net cash flow from operations</b> | <b>123.8</b> | <b>10.8</b> |

| £ million                                  | 2016           | 2015           |
|--|----------------|----------------|
| <b>Total net cash flow from operations</b> | <b>123.8</b>   | <b>10.8</b>    |
| Corporate finance / Share repurchase       | (38.6)         | (32.0)         |
| Dividends                                  | (43.3)         | (38.8)         |
| Opening net debt                           | (190.6)        | (138.0)        |
| Exchange movements                         | (2.6)          | 7.4            |
| <b>Closing net debt</b>                    | <b>(151.3)</b> | <b>(190.6)</b> |
| <b>Net Debt : EBITDA ratio</b>             | <b>0.40x</b>   | <b>0.66x</b>   |

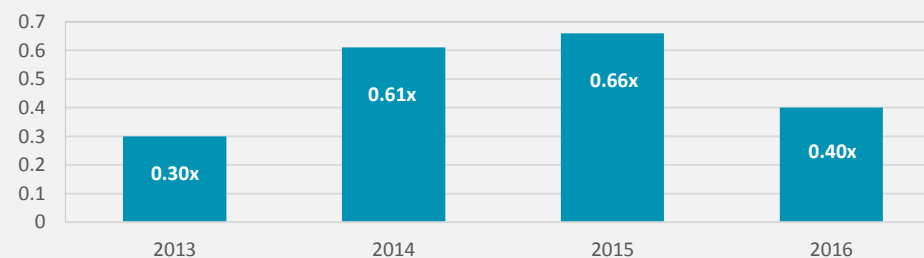
## Balance Sheet

- Maintained prudent approach to balance sheet management
- Net debt to EBITDA ratio lower at 0.4x

## Financial Headroom

- Key banking facility increased to £550m
- Facility now committed until 2021 with option to extend until 2023
- Denominated in sterling but can be drawn in several major currencies
- Provided by a broad base of international banks

## Net Debt: EBITDA ratio



# *Financial summary*

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- Good profit growth and cash generation
- Improved overhead and operational efficiency
- Strong post-tax cash return on net investment
- Disciplined approach to growth with more partnership deals
- Current pipeline visibility of c.£120m of net growth capital expenditure, representing c250 locations
- Strong balance sheet
- Improved maturity profile of funding and significant available headroom
- Dividend increase of 13% for the full year



# *Outlook and summary*

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## **Transformational year**

- Proactive actions delivering a more streamlined and scalable business model
- Improved returns on investment
- Strong growth in profitability and cash generation
- Selective growth with increased traction on partnering deals

## **Outlook for 2017**

- Maintain disciplined approach to growth
- Well placed to take advantage of growth in the WaaS sector
- Experiencing upturn in sales activity in some key markets
- Full year profit anticipated to be in line with our expectations





QUESTIONS

# Contact details

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