# 2018 INTERIM RESULTS

August 2018

IWG International Workplace Group

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Percentage movements in this presentation are stated at constant currency unless otherwise indicated.

# Offer approaches

**Termination of discussions**

- Starwood, Terra Firma and TDR were informed on 5 August that IWG did not intend to continue discussions regarding their possible offers
- The Board of Directors believe that none of the interested parties is currently capable of delivering an executable transaction at a recommendable price
- The Board is confident that IWG has an exciting future as an independent public company

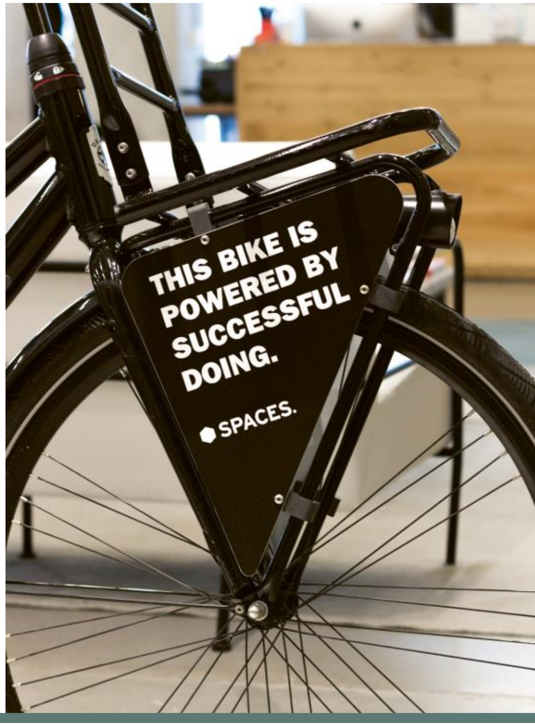
# Interim highlights

**Increased investment in growth and infrastructure, improving sales momentum and strong cash conversion**

- Revenue from open centres increased 9.8% to £1,194.1m.
  Group revenue increased 7.1% to £1,204.0m
- Mature revenue growth of 2.4% to £1,104.4m
- Mature gross profit margin increased 60bp to 19.7%
- Group operating profit of £60.0m after increased investment in people, incremental marketing and other growth related costs, as well as a transitional year for the UK
- Cash generation of £75.7m*
- 11% increase in interim dividend to 1.95p (H1 2017: 1.75p) and Share buyback programme announced

*Before net growth capex, share repurchases and dividends.

Note: All percentage movements are stated at constant currency



# Actions being taken to improve UK performance

- Continued focus on upgrading and new openings
  - 2017 & 2018 openings developing strongly
  - Recently refurbished locations gaining momentum
  - 11 locations currently under major refurbishment
- Significant investment into centre team members
- Enhancements to the sales organisation
- Increasing corporate account resources

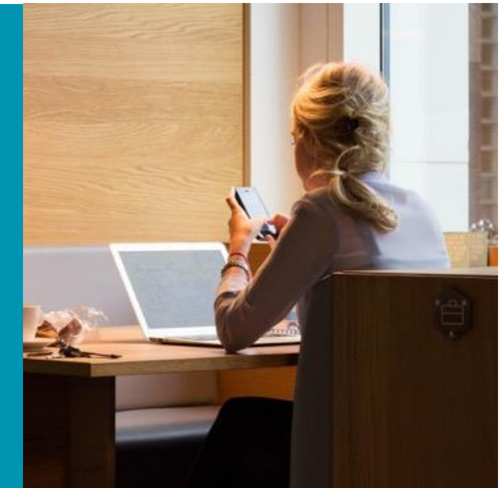

# 18,000 business leaders, in 96 countries said…

**91%**

Flexible workspace enables employees in their company to be **MORE PRODUCTIVE** while on the move

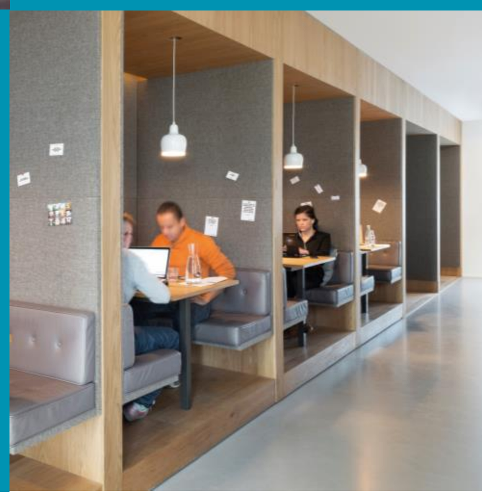
**89%**

Flexible working helps their business **GROW**



**87%**

Flexible working helps their business stay **COMPETITIVE**



**87%**

Flexible working helps **MAXIMIZE PROFITS**

**87%**

Enabling their company's employees to work from anywhere helped them **RECRUIT AND RETAIN TOP TALENT**

Source: IWG data 2018

# IWG is uniquely positioned to service this demand

- The world's leading physical platform with 3,211 locations in 1,090 towns and cities
- Multi-brand product to cater for all customer requirements
- The world's leading digital platform for delivering all the services and capabilities that customers are seeking
- The industry's most cost-efficient operating model
- The right people and the right infrastructure to deliver industry-leading levels of customer service
- Unique global scale providing greater investment opportunities
- We are in the right place at the right time - at the forefront of a highly attractive growth market

Regus™

*Places to work for everyone, worldwide*

SPACES.

*Creative workspaces with a unique entrepreneurial spirit*

No18

*The home for a rewarding business lifestyle*

Openoffice

*Form and function creating the best results*

BASEPOINT

*Unique and flexible workspace for everyone*

Signature

*Luxurious workspaces with status and privacy*

# Accelerated network growth

**Increased investment in network growth**

- Net growth capital expenditure of £130.1m
- Added 132 locations (2.8m sq. ft.)
- Strong focus on organic growth (126 openings)
- Approximately 40% of organic openings were partnership deals
- Strong roll out of Spaces – 45 new locations, 1.5m sq. ft. 124 Spaces locations at 30 June 2018
- Network now 3,211 locations (54.2m sq. ft.) globally
- Significant overhead investment in people and marketing to support growth

# Growth outlook

**Strong pipeline for 2018**

- Confidence in investment programme underpinned by structural growth drivers and returns being achieved
- Current visibility
  - c. 275 locations
  - c. 6.7m sq. ft.
  - c. 22% more space than added in 2017
  - c. 45% more organic growth added
  - c. £230m net investment

# Financial review

# Performance in line

## Group income statement

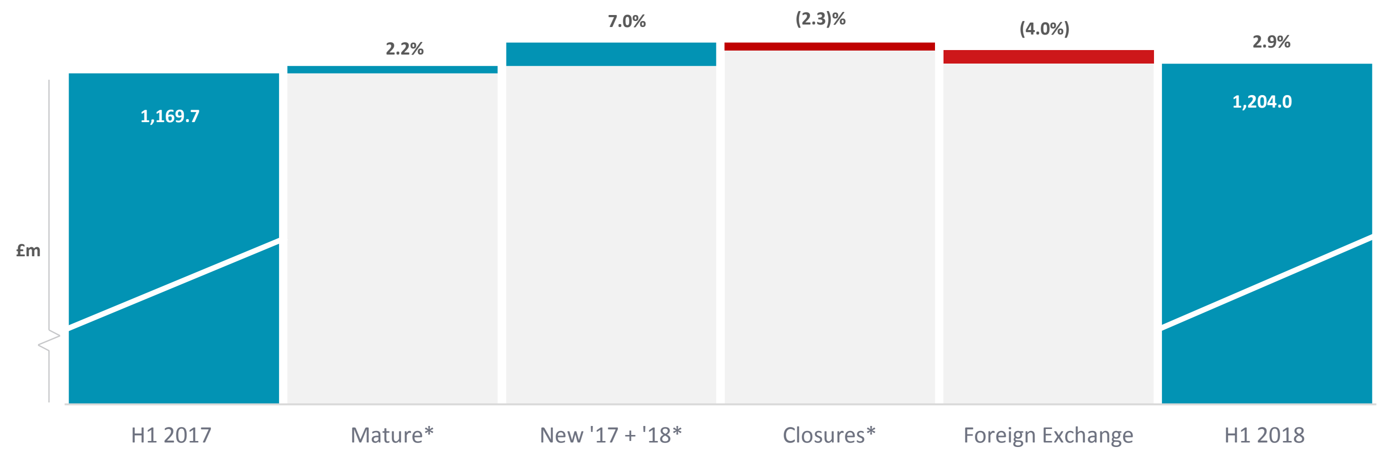
| £ million | H1 2018 | H1 2017 | % change actual currency | % change constant currency |
|---|---|---|---|---|
| **Revenue** | **1,204.0** | **1,169.7** | **2.9%** | **7.1%** |
| Gross profit (centre contribution) | 195.1 | 211.3 | (8)% | (5)% |
| *Gross profit margin* | *16.2%* | *18.1%* | | |
| Overheads | (134.1) | (124.3) | 8% | 11% |
| *Overheads as a % of revenue* | *11.1%* | *10.6%* | | |
| **Operating profit**** | **60.0** | **87.0** | **(31)%** | **(29)%** |
| *Operating profit margin* | *5.0%* | *7.4%* | | |
| Net finance expense | (5.7) | (6.2) | | |
| **Profit before tax** | **54.3** | **80.8** | **(33)%** | |
| Taxation | (10.9) | (17.5) | | |
| **Profit after tax** | **43.4** | **63.3** | **(31)%** | |
| **EPS (p)** | **4.8** | **6.9** | **(30)%** | |
| **Dividend per share (p)** | **1.95** | **1.75** | **11%** | |

- Revenue from open centres increased 9.8%*
- Group revenue up 7.1%*, Mature revenue growth of 2.4%*
- Strong sales activity trends continue
- Increased investment in overheads – 11.1% as a percentage of revenue (11.7% on underlying overheads)
- Operating profit of £60.0m
- Effective tax rate of 20.1%. Anticipate full year tax rate at c. 20%
- EPS of 4.8p
- Interim dividend up 11%

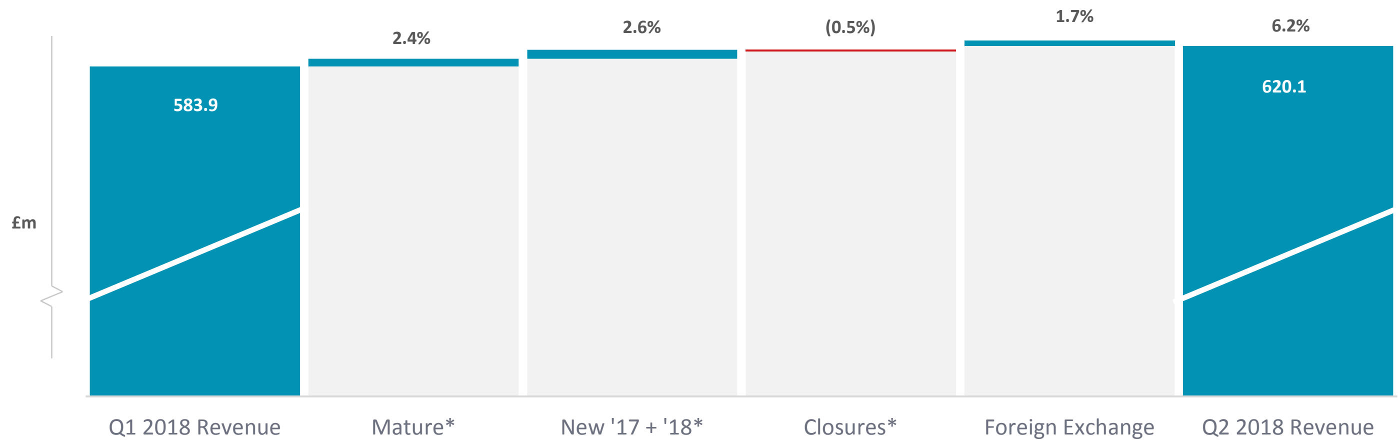
* At constant currency ** Including contribution from joint ventures

# Group revenue development

## Half year 2018 year-on-year revenue development




## 2018 Sequential quarterly revenue development




* At constant currency

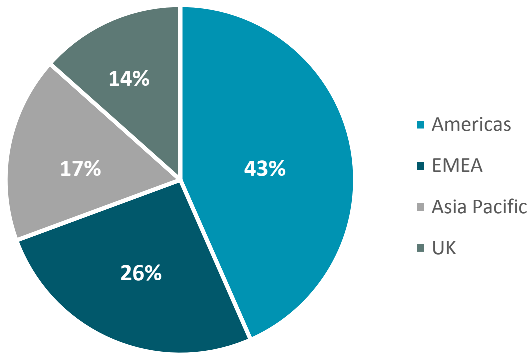
# Mature gross margin and investment into the business

- Improving mature gross margin +60bp
- Incremental start up costs of £6.4m, which is an important investment
- Year-on-year negative impact from closures of £12.9m which should improve profitability in the future
    - Leading to a reduction in gross profit margin from 18.1% to 16.2%

# Mature performance by geography

- Mature* revenue growth of 2.4% in H1
- Primarily driven by the Americas and Asia Pacific
- Improving sales momentum a positive trend for second half Mature revenue growth outside of the UK
- Mature gross profit margin improved to 19.7% (+60bp)

Centre contribution H1 2018



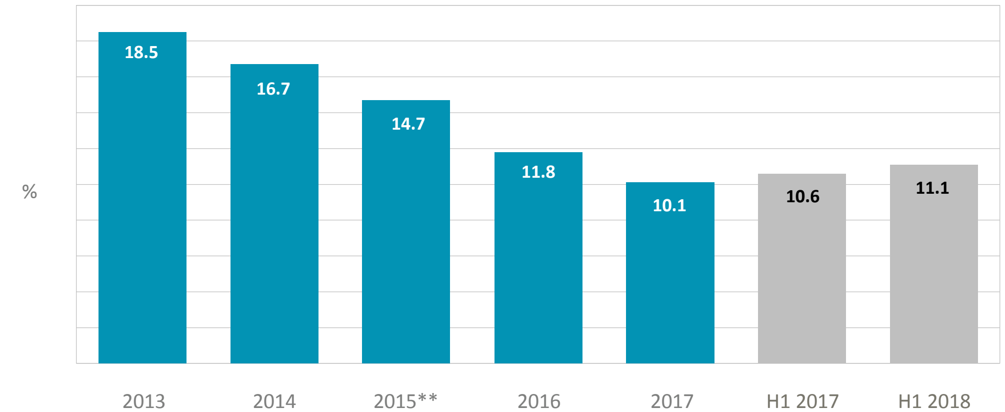

| | Revenue | | | | Centre Contribution | | Gross profit Margin (%) | |
|---|---|---|---|---|---|---|---|---|
| | | | % Change at Actual Currency | % Change at Constant Currency | | | | |
| **£m** | **H1 2018** | **H1 2017** | | | **H1 2018** | **H1 2017** | **H1 2018** | **H1 2017** |
| Americas | 464.1 | 476.9 | (2.7)% | 5.2% | 94.1 | 83.7 | 20.3% | 17.6% |
| EMEA | 259.8 | 253.7 | 2.4% | 2.3% | 56.3 | 53.5 | 21.7% | 21.1% |
| Asia Pacific | 183.7 | 184.8 | (0.6)% | 4.0% | 37.3 | 34.1 | 20.3% | 18.5% |
| UK | 194.6 | 205.3 | (5.2)% | (5.2)% | 29.1 | 42.4 | 15.0% | 20.7% |
| Other | 2.2 | 1.8 | | | 0.4 | 0.4 | | |
| **Total** | **1,104.4** | **1,122.5** | **(1.6)%** | **2.4%** | **217.2** | **214.1** | **19.7%** | **19.1%** |

* Mature centres open on or before 31 December 2016

# Overhead efficiency a competitive advantage

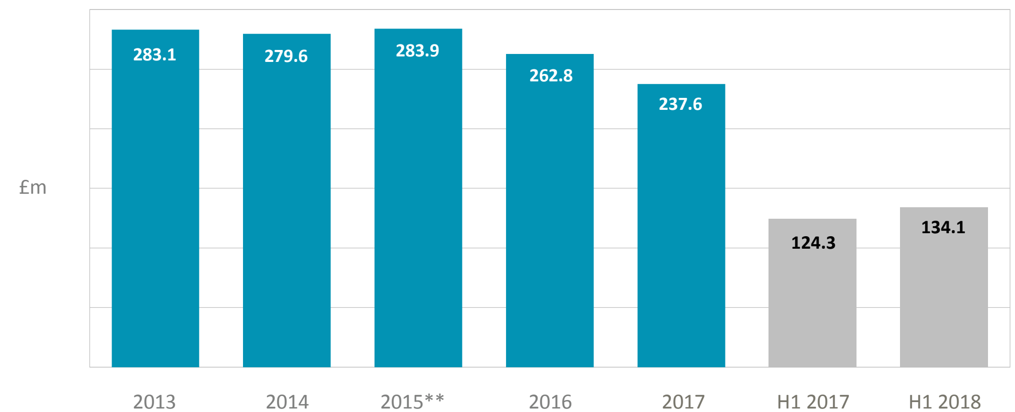
- Cost leadership a significant competitive advantage
- Increased investment to build capacity to support further growth
- Overall first half 2018 overheads increased 11%* after significant growth-related investments
- Reported overheads as a percentage of revenue in the first half was 11.1%
- £6.2m benefit from recognition of negative goodwill, underlying overheads as a percentage of revenue 11.7%
- Increased scale expected to deliver further efficiency gains

**Total overheads as a % of revenue**




** Excluding non-recurring items

**Total overheads (£m at actual rates)**

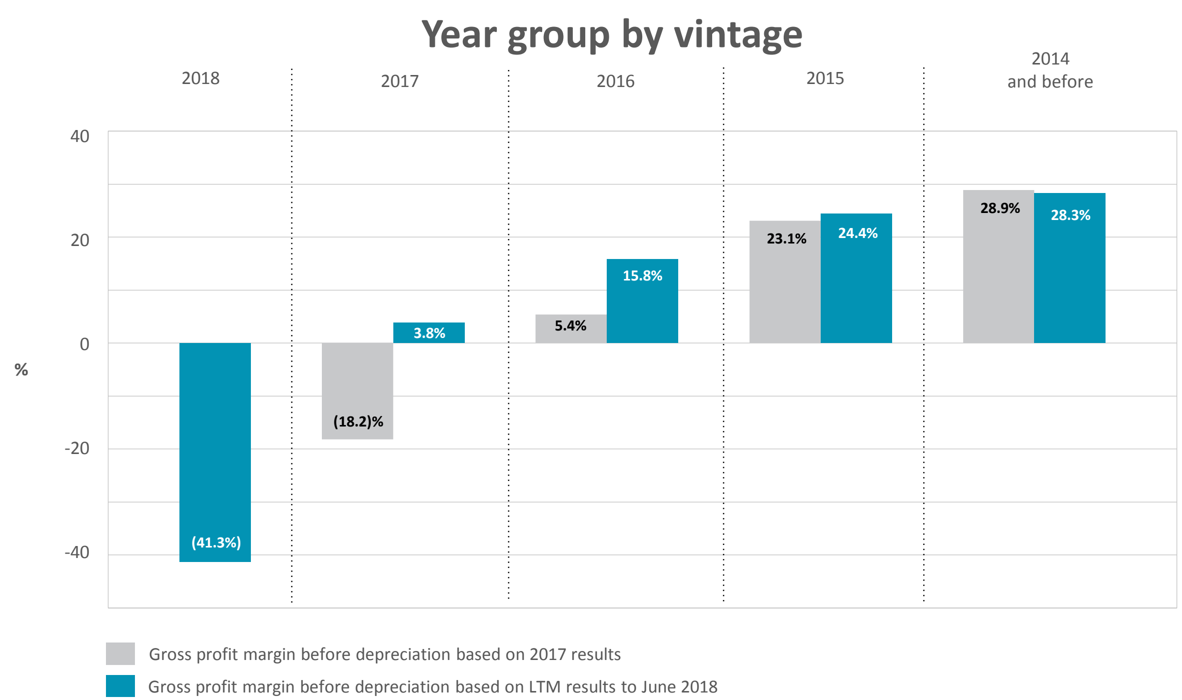



** Excluding non-recurring items

*At constant currency

# Gross profit margin before depreciation

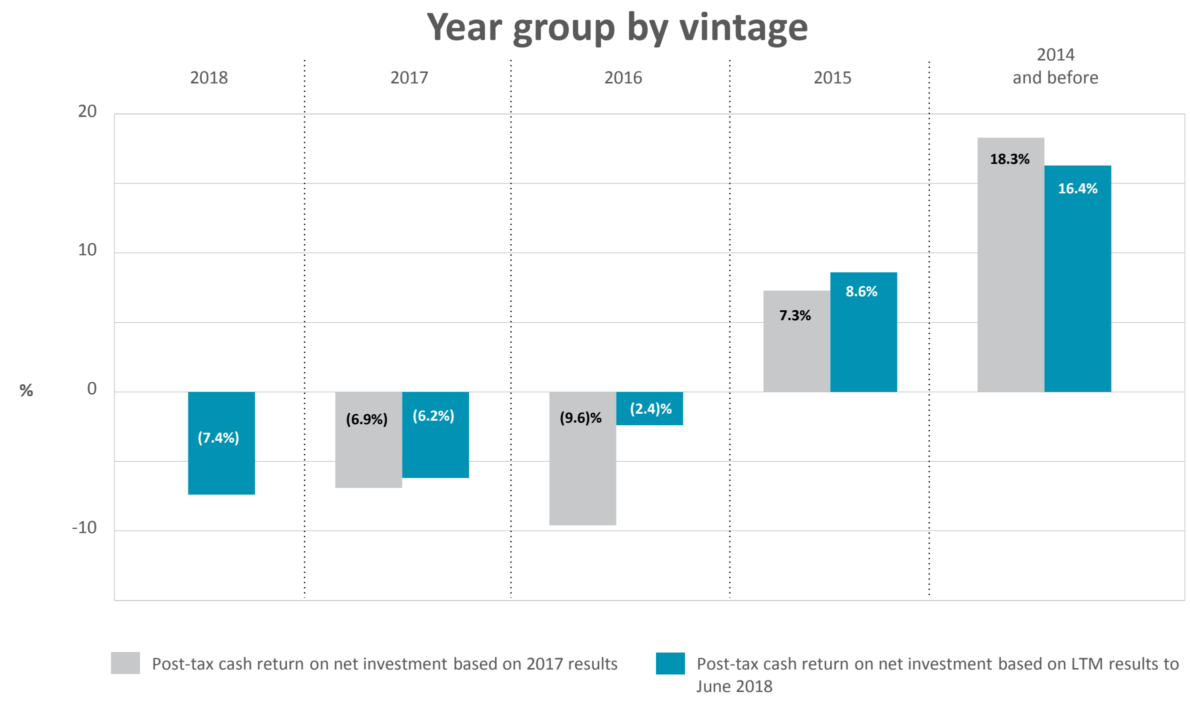
- First half openings predominately organic locations
- Excellent 2016 year group performance
- Good 2017, 2016 and 2015 year group progression
- 2014 and before reflects the modest revenue growth (+0.2%), however, the sales activity points to an improving trend



# Post-tax cash return on net growth investment

**We continue to make attractive returns**

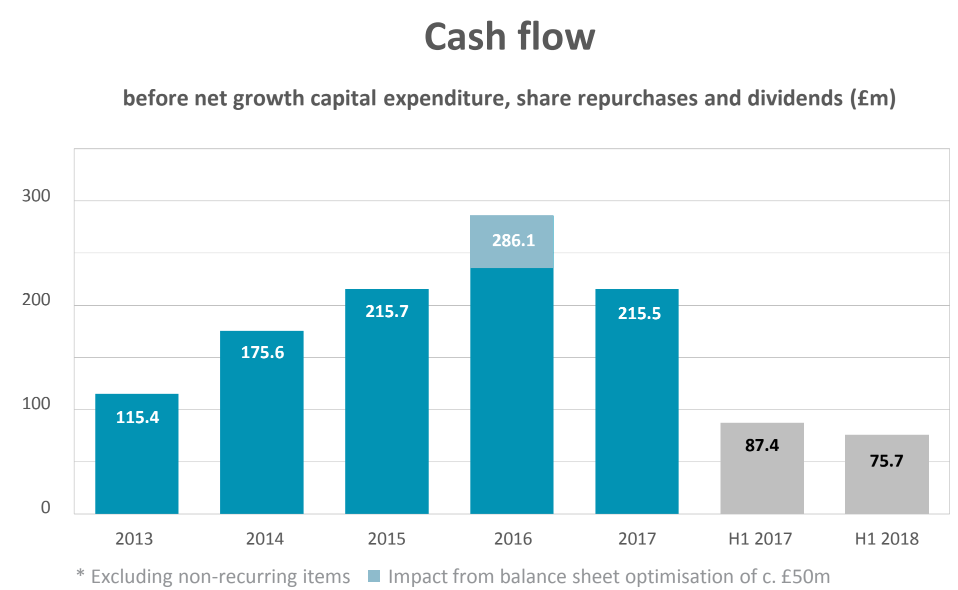
- Benefiting from operational leverage and capital efficiency
- After increased investment in maintenance capital expenditure



# Cash flow

- Strong cash conversion
- Group EBITDA of £170.9m
- Increased investment in maintenance capital expenditure
- Higher tax paid reflecting timing differences
- Cash flow before net growth investment of £75.7m

| £ million | H1 2018 | H1 2017 |
|---|---|---|
| **Group EBITDA** | **170.9** | **190.5** |
| Working capital | 49.6 | (11.7) |
| Less growth related partner contributions | (61.7) | (30.6) |
| Maintenance capital expenditure | (49.7) | (44.8) |
| Tax paid | (20.4) | (11.6) |
| Interest paid, net | (6.9) | (5.8) |
| Other items | (6.1) | 1.4 |
| **Cash flow before net growth capital expenditure, share repurchases and dividends** | **75.7** | **87.4** |



# A healthy balance sheet

## Balance sheet

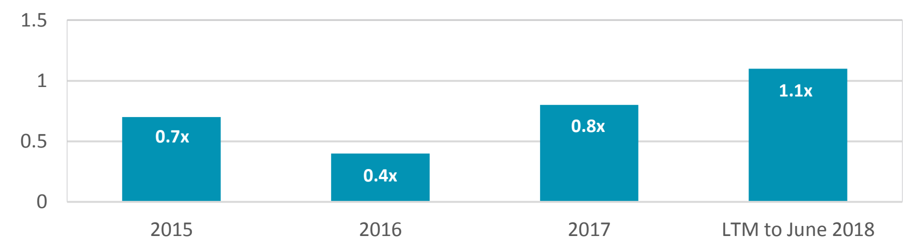
- Maintained prudent approach to balance sheet management
- Net debt to LTM - EBITDA ratio of 1.1x
- Property on balance sheet of c. £140m

## Financial headroom

- RCF increased from £550m to £750m
- Headroom to execute strategy
- Facility extended to 2023 (previously 2022)

| £ million | H1 2018 | H1 2017 |
|---|---|---|
| **Cash flow before net growth capital expenditure, share repurchases and dividends** | **75.7** | **87.4** |
| Net growth capital expenditure | (130.1) | (179.7) |
| **Total net cash flow from operations** | **(54.4)** | **(92.3)** |
| Purchase of shares | - | (36.0) |
| Dividend | (36.0) | (32.5) |
| Other financing activities | 1.6 | 3.7 |
| Opening net debt | (296.4) | (151.3) |
| Exchange movements | 2.0 | 1.9 |
| **Closing net debt** | **(383.2)** | **(306.5)** |

**Net Debt: EBITDA ratio**



# First half summary

- Good revenue growth in Americas, Asia Pacific and EMEA
- Strengthening order book
- Actions to improve UK performance well underway
- Good cash conversion
- Dividend increase of 11%, reflecting confidence in long-term outlook

# Outlook

- Current sales activity trends are strengthening the order book, providing an encouraging outlook
- Continue to invest in our network in a disciplined manner
- Strong pipeline visibility
- Well placed to take advantage of growth in our industry
- Focused on delivering attractive returns and monetising our leading network
- Announcement of share buyback programme

# QUESTIONS?

# Contact details

**Wayne Gerry**

- Group Investor Relations Director
- +44 (0) 7584 376533
- wayne.gerry@iwgplc.com

# Thank you

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iwgplc.com