FIRST QUARTER TRADING STATEMENT – 2 May 2018

IWG plc, the global operator of leading workspace companies, today issues its trading statement for the three months ended 31 March 2018.

Highlights

- Overall open centre revenue growth of 9.0% at constant currency
- Mature revenue growth of 2.3% at constant currency, with improvement in gross margin
- LTM post-tax cash return on pre-2014 investment of 17.8%
- Net debt at £347.2m after net growth investment of £63.4m
- Visibility on 2018 net growth capital expenditure of £200m, representing 5.7m sq. ft. of new space and 11% growth

Group performance

In the three months ended 31 March 2018, revenue growth across all our open centres increased by 9.0% at constant currency. Group revenue increased 6.7% at constant currency to £583.9m from £580.7m in the corresponding period last year. The constant currency improvement was led by double-digit growth in EMEA and high single-digit growth in the Americas (driven by the US and Canada) and Asia Pacific. The UK, as anticipated, was broadly flat.

At actual rates, group revenue increased 0.6%, reflecting currency headwinds, primarily from the US dollar and some currencies in Asia Pacific.

Mature performance

As anticipated, mature revenue increased 2.3% at constant currency to £544.1m (Q1 2017: £564.4m) (down 3.6% at actual rates). The constant currency improvement is driven by the continued improvement in the pre-2016 estate and the maturation of the 2016 year-group additions. Both cohorts are reflecting the improvement in sales activity and revenue growth previously observed which is translating into an improvement in the mature gross margin.

Key regional drivers to the improvement in constant currency revenue were the Americas and Asia Pacific, both delivering mid single-digit growth. The Americas performance was driven by a strong performance in the US and a very strong performance in Canada. Accelerating revenue growth in Japan and a good recovery in Hong Kong and China delivered a strong performance in Asia Pacific. EMEA also contributed with low single-digit growth. As anticipated, the UK mature revenue decline was similar to the fourth quarter of 2017.

Year-on-year mature occupancy for the three months ended 31 March 2018 increased 0.5 percentage points on a like-for-like basis to 73.5%, reflecting the strong improvement in the occupancy of the 2016 additions.

Strong returns on investment

We remain focused on generating long-term shareholder value through delivering attractive returns from our existing business and continuing with disciplined investment in new locations. Returns on a 12-month rolling basis, for those locations open on or before 31 December 2013 were 17.8%, and remain well above our weighted average cost of capital.

Cash generation

Underlying cash generation[1] for the three months ended 31 March 2018 was £9.5m, a reduction of £23.7m on the corresponding period in the prior year. The first quarter is always a seasonally weaker quarter, and this first quarter has also had additional timing effects around the quarter end date coinciding with Easter, as well as the settlement of some one-off items and non-centre related capital investment.

The group had net debt at 31 March 2018 of £347.2m, (31 December 2017: £296.4m) reflecting the underlying cash generation and the increased net investment in growth.

Network development

During the first quarter, we added 46 new locations to our global network. Net growth capital investment[2] in the first quarter was £63.4m. These 46 new locations represent approximately 0.9m sq. ft. of additional space, taking the total network at 31 March 2018 to over 52.4m sq. ft. and 3,144 locations globally. These new locations were predominately organic openings and approximately 40% were partnering deals with property-owners.

At the end of April 2018, we had visibility on net growth capital expenditure for 2018 of approximately £200m, 230 locations and 5.7m sq. ft. of new space, representing 11% growth.

27 locations were closed in the first quarter, representing a space reduction of approximately 0.5m sq. ft., approximately 1% of our network. This resulted in approximately a 2% reduction in revenues year-on-year in the first quarter.

Summary

We remain very confident in the structural, long-term growth in the flexible workspace market and IWG's leading position within it.

Sales activity levels continue to be good and accelerated towards the end of the quarter, which is encouraging. Whilst we have seen the anticipated improvement in constant currency revenue, and believe this will gradually improve throughout the course of the year, the current weakness of some important trading currencies against Sterling is continuing to provide a headwind for the translation of our results.

Given the significant growth our industry is experiencing we will continue to invest in our national networks to maintain our clear industry leadership. Underlying trading for the year to date has been good and continues to improve. We now anticipate a modest increase in sales and marketing investment in the year to support our strong growth pipeline, alongside our network optimisation activity. Our approach to growth will remain disciplined, flexible and focused on delivering attractive returns, as we seek to best monetise the unrivalled network we have built over the last 30 years.

[1] Underlying cash generation is cash generated before the investment in growth capital expenditure, dividend payments and the purchase of shares

[2]Net capital expenditure in new locations equals gross capital expenditure less any contributions received towards fit-out costs

Capital Expenditure (£m)	**Q1 2018 New Locations**	**Q1 2018 Maintenance**	**Q1 2018 Total**
Gross Capital Expenditure	91.2	17.7	108.9
Net Capital Expenditure	63.4	12.7	76.1

[3]Consolidated co-working seats / workstations as at 31 March 2018 were 522,607 (31 December 2017: 501,033) Total co-working / workstations (including non-consolidated) increased to 543,218, (31 December 2017: 520,274).

Conference call details

IWG plc will be hosting a call for analysts and investors at 08.30 BST this morning. Details are set out below:

Dial in number:	+44 (0) 1452 555 566
Conference ID:	2175317

There will also be a replay facility available for 7 days after the call (until 9 May, 11.30am):

Dial in number:	+44 (0) 1452 550 000
Playback ID:	2175317

For further information, please contact:

IWG plc Tel: + 41 (0) 41 723 2353
Mark Dixon, Chief Executive Officer
Dominik de Daniel, Chief Financial Officer & Chief Operating Officer
Wayne Gerry, Group Investor Relations Director

Brunswick Tel: + 44 (0) 20 7404 5959
Nick Cosgrove
Simone Selzer