

TRADING STATEMENT

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FIRST QUARTER TRADING STATEMENT - 1 May 2019

IWG plc, the global operator of leading co-work and workspace brands, today issues its trading statement for the three months ended 31 March 2019.

Highlights

Strong growth trend continues

- Open centre revenue growth of 15.1% at constant currency, all regions contributing
- Group revenue increased 10.6% at constant currency, continuing the positive trend
- Pre-2018¹ revenue growth of 6.3% at constant currency
- Pre-2018 occupancy up 4.2ppt to 75.4% from 71.2% in Q1 2018
- 55 new locations added, taking total to 3,311
- Net debt £534.1m after net growth investment of £43.3m, £320m from Japan divestment to come
- Strong partnering and franchise momentum; first strategic partnership signed, good future pipeline

Group performance

Sales activity across the Group remains strong and has delivered the anticipated continued revenue growth. In the three months ended 31 March 2019, revenue growth across all our open centres increased strongly by 15.1% at constant currency. Group revenue increased to £658.3m from £583.9m in the corresponding period last year. An increase at constant currency of 10.6%.

This constant currency improvement was driven by double digit revenue growth in the Americas, Asia Pacific and EMEA. Particularly pleasing in EMEA was the performance of larger countries, including France, Germany and Spain, which contributed very strongly. Whilst the UK experienced a small decline in total revenue due to the annualised impact of network rationalisation, like-for-like revenue from open centres has continued the positive improvement noted in Q4 2018.

At actual rates, Group revenue increased 12.7% in the first quarter, reflecting currency tailwinds, primarily from the US dollar and some currencies in Asia Pacific.

Pre-2018 performance

As anticipated, the improvement in pre-2018 (formerly known as mature) revenue growth has continued. The Americas and EMEA both delivered high single-digit growth and were the main drivers behind the 6.3% improvement in constant currency revenue to £603.0m (Q1 2018: £555.9m) and up 8.5% at actual rates. The constant currency increase is being seen across the more established and the newer centres, reflecting the improvement in sales activity.

Pre-2018 occupancy also improved year-on-year, up 4.2 percentage points on a like-for-like basis to 75.4%.

Network development

During the first quarter, we added 55 new locations to our global network, with net growth capital investment² of £43.3m. This is lower than the £63.4m net investment for 46 new locations in the comparative period of 2018. The main reason for this is a higher level of growth-related partner contributions, which were £56.7m in the three-months to 31 March 2019 compared with £27.8m in Q1 2018, principally reflecting the timing difference on the receipt of contributions.

These 55 new locations represent approximately 1.5m sq. ft. of additional space, taking the total network at 31 March 2019 to approximately 57.9m sq. ft. and 3,311 locations globally. The 55 new locations were entirely organic openings, which is positive for the future growth profile of this investment, and approximately one third were various forms of partnering deals.

At the end of April 2019, we had visibility on net growth capital expenditure for the whole of 2019 of approximately £230m, 220 locations and 6.0m sq. ft. of new space, representing approximately 11% growth.

Strong momentum in our partnering approach

On 15 April 2019 we announced that we had entered into a strategic partnership with TKP Corporation in Japan, which will involve the divestment of our Japanese operations to TKP and entering into an exclusive master franchise agreement for the country.

We will receive a gross consideration of approximately £320m, payable in cash on completion, which is expected to occur this month, for our Japanese operations comprising of 130 flexible co-work centres as at 31 December 2018. The divested business

contributed £94.4m to Group revenue and generated EBITDA of £20.6m in 2018.

The master franchise agreement provides TKP with exclusive rights to use IWG's brands in Japan and TKP has committed to a development plan which will add significantly to IWG's centre network in Japan. IWG will provide services and support to TKP in return for an on-going platform fee linked to system-wide revenues in Japan.

This is a landmark transaction for IWG that validates our focus on franchising as a key growth driver. As previously reported, we are experiencing strong momentum in this strategy, with counterparties wanting to operate IWG's brands across a wide geographic spectrum. We anticipate further deals in the future to continue to unlock value for our shareholders.

Financial position

The Group had net debt at 31 March 2019 of £534.1m (31 December 2018: £460.8m). This is before the gross proceeds of £320m from the divestment of Japan, which we expect to receive later this month. In addition, the Group has approximately £150m of freehold property investments on the balance sheet.

Summary

This first quarter performance provides a good start to the year and is in line with our expectations. The strong sales activity has translated into improved occupancy, driving good constant currency pre-2018 revenue growth and increased gross profit margin. The new 2018 and 2019 location openings are developing in line with expectations.

We continue to invest in growth to position our business to benefit from the rapidly developing market for co-working and flexible working. We want to significantly accelerate this growth by complementing our traditional group-owned growth with an increasing focus on partnering and franchising, as evidenced by the strategic partnership we recently agreed with TKP for our business in Japan, which is expected to complete later this month. This is an important aspect of our strategy to deliver capital efficient growth in our global network.

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

¹Pre-2018 refers to the performance in the reported period for all operations opened on or before 31 December 2017 and were open throughout the period. Previously referred to as the mature performance.

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

Capital Expenditure (£m)	Q1 2019 Growth	Q1 2019 Maintenance	Q1 2019 Total	Q1 2018 Growth	Q1 2018 Maintenance	Q1 2018 Total
Gross Capital Expenditure	100.0	30.1	130.1	91.2	17.7	108.9
Net Capital Expenditure	43.3	22.8	66.1	63.4	12.7	76.1

Consolidated co-working seats / workstations as at 31 March 2019 were 605,316 (31 December 2018: 590,483) Total co-working / workstations (including non-consolidated) increased to 626,505, (31 December 2018: 611,763).

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) 20 7192 8000
Conference ID: 4971208

There will also be a replay facility available from 1.30pm BST on Wednesday 1 May 2019 until 1.30pm BST on Wednesday 8 May 2019:

Dial in number: +44 (0) 33 3300 9785
Playback ID: 4971208

This announcement contains inside information.

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This trading update contains certain forward looking statements with respect to the operations of IWG plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

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