

2020 Full year results

9 March 2021



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2020 the most challenging year in our history

- Very strong Q1 performance – best ever
- Swiftly implemented protocols for physical distancing and hygiene
- Immediate and continuous action taken on costs
- Sales sustained at a remarkably good level
- Occupancy reduction moderated over the year
- Service revenue significantly impacted
- Operated cash positive for most of the year at centre level
- Significant restructuring resets our business for the future



Actions taken to mitigate impact of COVID-19

- Swiftly implemented protocols for physical distancing and hygiene
- Significant customer support provided – c. £100m
- Took early and decisive actions to reduce costs, improve cash flow and liquidity
 - Annualised cost savings in the range of £325m to £375m
 - Estimated cumulative benefit of c. £2.4bn
 - Charge of £379.5m resulting from COVID-19
- Reduced growth and maintenance capital expenditures



Key financial highlights

- Resilient revenue performance despite COVID-19
 - Strong sales in H2 but lockdowns affecting service revenues and leading to more churn
 - Open centre revenue up 0.5% to £2,393.4m
 - Total revenue down 5.3% to £2,480.2m
- Adjusted operating loss of £173.8m
- Generated cash at centre level
- Raised £670m through issue of new equity and convertible bond
- Ended the year in a strong financial position
 - Net debt of £351.1m at year-end



Group results

Revenue and profit impacted by COVID-19

£m	2020*	2019
Revenue	2,480.2	2,648.9
Open centre revenue	2,393.4	2,408.1
Adjusted gross profit	153.2	414.1
Adjusted operating (loss)/profit	(173.8)	136.8
Adjusting operating items	(379.5)	-
Operating (loss)/profit	(553.3)	136.8
Taxation	(43.3)	15.5
(Loss)/profit for the period	(604.4)	503.1**
Basic EPS (p) - Adjusted	(24.0)	56.4
Basic EPS (p) - Statutory	(63.5)	56.4
Adjusted EBITDA	133.8	428.3
Pre-2019 EBITDA	255.9	435.3

- Open centre revenue up 0.5% to £2,393.4m
- Pre-2019 EBITDA of £255.9m despite COVID-19
- Adjusted operating loss of £173.8m, in line with management's expectations, impacted by COVID-19
 - Includes earnings drag of £175.3m
- COVID-19 related adjusting items of £379.5m
 - Network rationalisation £312.0m
 - Provision for expected credit losses £17.5m
 - Transaction costs for deferred deals £8.2m
 - Impairment of goodwill £4.9m
 - Other one-off restructuring items £36.9m

* Results presented in accordance with previous IAS17 accounting standard – before the implementation of IFRS 16

** Including the profit from Japan, Taiwan and Switzerland

Group cash flow

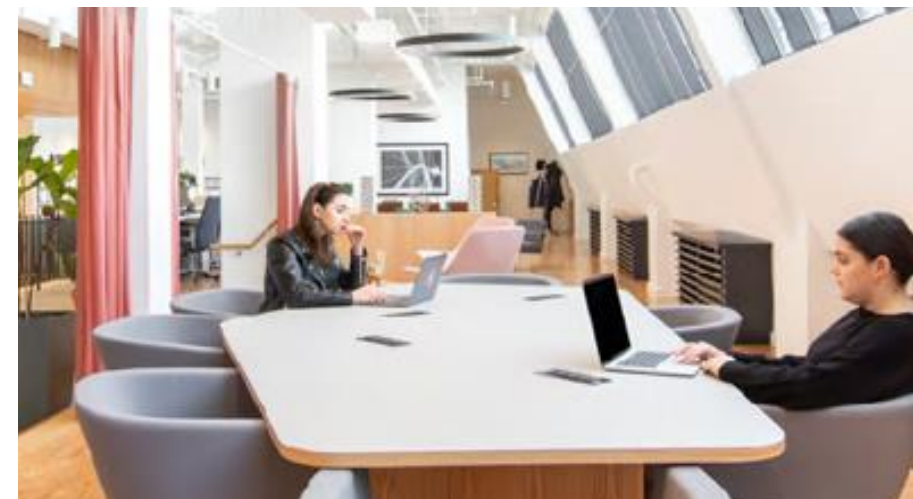
Despite COVID-19, cash generated and sound balance sheet

£m	2020	2019
Adjusted EBITDA	133.8	428.3
Working capital	242.3	267.2
Growth related partner contributions	(106.6)	(263.0)
Cash generation before investment	269.5	432.5
Maintenance capital expenditure – Gross	(96.9)	(147.8)
Taxation & finance costs	(38.9)	(69.5)
Other items	7.0	9.4
Cash flow before net growth capital expenditure, investments, share repurchases, dividends & adjusting items	140.7	224.6
Cash flow before growth capex per share (p)	14.8	25.2
Net growth capital expenditure	(250.9)	(389.0)
Share issue and Convertible Bond proceeds (Net)	657.1	-
Less: debt element of convertible bond	(291.4)	-
Investment in loan receivables	(276.2)	-
Master franchise proceeds	3.3	424.6
Dividends & share repurchases	(43.7)	(107.7)
Closing net debt	(351.1)	(294.1)

- Cash flow before investment down, in line with management's expectations, impacted by COVID-19
 - H1: £241.0m and H2: £28.5m
- Capex decisively reduced
 - Net growth capex down 36% to £250.9m
 - Gross maintenance capex down 34% to £96.9m
- Net debt of £351.1m
 - Gross cash proceeds from capital raises of £670.0m
 - Net debt to EBITDA ratio of 2.7x
 - Adjusted for December investment: 0.5x (2019: 0.7x)
- Clear focus on
 - Continued cost savings
 - Maximising cash flows

Future vision

- Shape of recovery
- Exciting market changes
- Sea change in the way corporate clients are engaging
- Best corporate sales in our history
- Growth moving apace, almost all capital light
- Attractive M&A additions



Likely recovery shape

- Clearly visible inflexion point February/March
- Poor Q1, slowly strengthening Q2
- Real improvements expected in Q3 and more in Q4
- Multiple positive trends expected to impact
 - occupancy improves
 - services return
 - price follows
 - substantially enlarged corporate customer group converts to new **additional** revenue
- So a tough recovering H1 followed by a rapidly improving H2



Hybrid working becomes the norm!

- Permanent shift in our direction
- Workplace is anywhere businesses and workers want it to be
- IWG best placed to convert this demand:
 - Leading enabler
 - Leading flex inventory coverage
 - Multiple service offerings
 - Significant growth opportunities



Hybrid work – everyone’s talking about it

Bloomberg



Lloyds to axe a fifth of office space

Profits tumble to £1.2bn after a year scarred by the pandemic, but the bank restores its dividend

theguardian

HSBC to slash post-Covid office space by 40% as profits drop by a third



UK CEOs signal shift to hybrid home-office models and de-urbanisation

UK towns and cities will undergo an inevitable transformation as a result of COVID-19 with 66% of UK CEOs believing there will be an enduring shift towards low density office usage and 35% expecting a similar move towards de-urbanisation according to

The Economist

'We trust our staff': how to make flexible working work for your business

Flexible working has become the norm for many - but can it stay that way, and how can companies ensure that everyone gets the most out of it?



Lloyds Banking Group
Lloyds embraces hybrid working with 20% cut in office space



HSBC plans 40% office space cut as Covid shifts bank to flexible working
Banks that are undertaking big transformations have seized on potential cost-savings presented by the Covid-19 pandemic



How to make the hybrid workforce model work
While a mix of working from home and the office allows employees more flexibility, it has major challenges



Hybrid work – what employers are saying

Return to work survey shows six major ‘resets’ in key areas of work experience



1. Real estate footprint

51% Redesigning offices/ re-evaluating policies on shared spaces and meeting rooms

74% Employers are planning moderate to extensive changes in real estate

2. Business travel and mobility

59% Significantly reducing the amount of internal travel for company meetings and training

47% Remixing the amount of in-person vs. remote visits that employees can make to customers

3. Learning and culture

64% Enhancing the approach to online/virtual learning

41% Amending competency frameworks and developing remote leader and manager capability

6. Flexibility and wellbeing policies

78% Employers are planning moderate and extensive change to remote work strategies with associated policy changes

5. Remote work enablement & tech

56% Enhancing technology for remote work, idea sharing, communication and knowledge sharing

59% Expanding implementation of Microsoft 365/Teams/ other tools for work and collaboration

4. Workforce planning and analytics




48% Considering location mix and back-up workforce needs

49% Employers are looking to change how they measure productivity of work

EY – Physical return and work reimagined study, August 2020

Favourable tailwinds

Structural growth drivers

- 1 **Better for employees** 
- 2 **Better for companies** 
- 3 **Good for the environment** 

- Growing acceptance of remote and hybrid working during lockdown
- Increased focus on cost saving initiatives
- Opportunity to accelerate ESG strategies

2020 was transformational in accelerating the structural shift in the workplace

Better for people



- Supporting hybrid working
- Reduced commuting
 - Releases time
 - Saves money
 - Creates a better work/life balance
- It's what employees want!
 - Builds loyalty
 - Boosts productivity



Better for companies



- Significant cost efficiencies ~ 50% savings
- No capital expenditure requirement
- Creates a greater pool of available talent
- Improves productivity
- Our business offering helps our customers improve their own sustainability practices
 - Reduced commuting
 - Healthier work/life balance



Better for the environment



- COVID-19 has accelerated the increasing importance of ESG for companies
- Hybrid working reduces carbon emissions
- Multiple sustainability benefits
- More efficient use of space/less space built
- More distributed work reduces city concentrations



New Enterprise wins

More enterprises preparing for the new world of working



Standard Chartered signed a global deal to allow **95,000 of their employees access to IWG's 3,300+ offices**. This will give their employees the option to work in more convenient locations closer to home while benefiting from office facilities.



Shell Italia required **co-ordinated access to a centralised and custom workspace** with a reduction in capital expense. While **maintaining a hub corporate location, the company required flexible arrangements** for field team members.



International executive search firm started working with IWG in July 2020 to explore opportunities to **migrate its staff in 43 countries to a flex providers portfolio**. Over the past 6 months, the client has been successfully exiting its leases, surrendering traditional and flex offices to consolidate all under IWG.



EY required a solution for a permanent HQ while increasing flexible solutions to **support employees globally**. EY Norway is moving their HQ in Oslo in 2023 and is co-locating with a new Spaces to create a unique employee experience, as well as flexibility in giving them access to the full IWG platform.



Nestlé China signed an on-demand membership plan with IWG as their first trial to start exploring the flexible office solution in their corporate workplace strategy. They plan to expand the user base across Greater China.



Video sharing, social networking platform having occupied space across multiple locations, is experiencing fast-paced growth and expanding rapidly. **The company added 1,200 new seats across 10 new locations and expanded by 676 seats in 3 existing locations.**

Stop press!

- Unprecedented surge in new membership deals
- More than half a million new members added to the network
 - NTT – 300,000 colleagues
 - Cisco
 - Salesforce
 - Talentsoft
 - Staples
 - Citrix
- More than 1 million future members in the pipeline



Rapid evolution to new model

1

Pivot to capital light

Franchise

MFA

Refranchise

Management agreements

2

Rapidly growing service platform

Home and mobile worker support platform

CRE support packages

Digital and PropTech packages

Data/reporting services

Multi-brand ownership

3

Create flex property funds

Creation of new flex space funds

More efficiency, higher returns

Huge potential in this area today

Growth and Deployment of capital

Capital light expansion

- Organic network expansion in new and competitor locations
- Multiple WeWork & other competitor locations
- Many new franchise partners
- Many new management agreements
- Significant pipeline of further opportunities

M&A

- Compelling opportunities
 - The Wing
 - European company
 - Multiple service companies

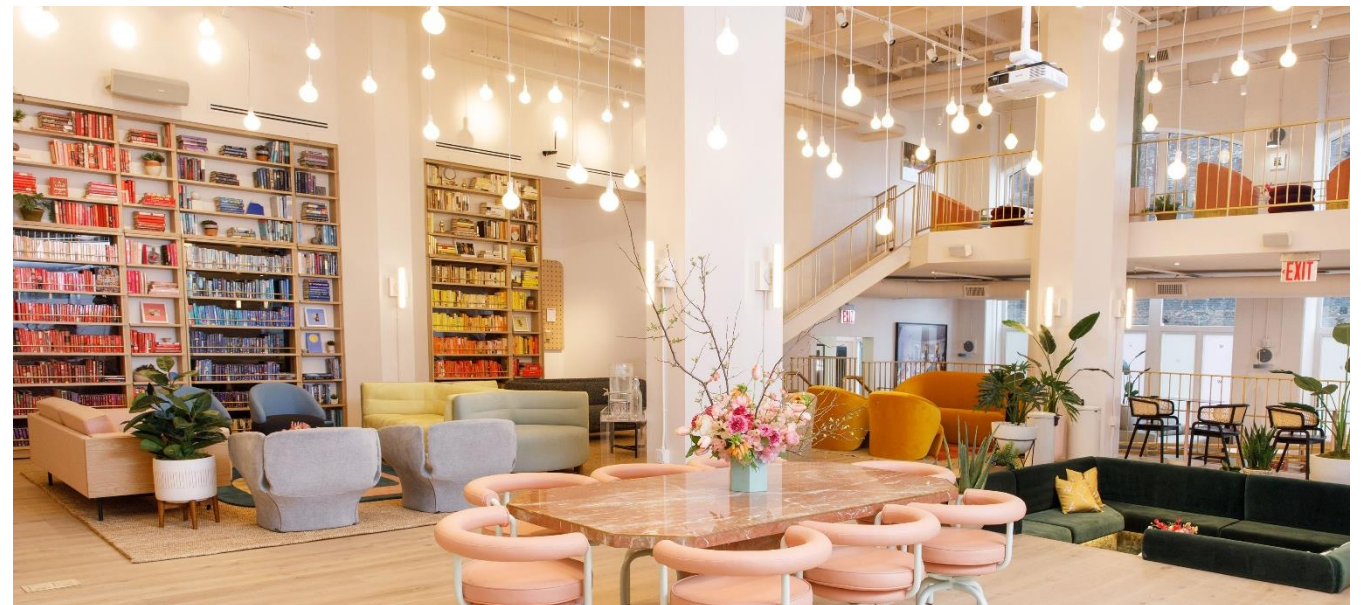
Strong pipeline of active opportunities but maintaining a cautious approach

Important brand addition



THE WING

- Leading community and co-working space company designed for women
- Networking membership club
- Founded in 2016
- Market leader
- Exciting opportunity to pursue substantial growth both in the US and internationally
- Joint venture with:
 - NEA
 - Google Ventures
 - Sequoia



Building our physical platform



Expanding our network of franchise partners



2020

- Added 15 franchise partners (2019: 9)
- Added 67 committed locations
- MFA in Gibraltar & Monaco
- Added Togo and Libya

2021

- First franchise agreements in USA
 - Detroit, Michigan
 - Dayton & Toledo, Ohio
 - Fort Wayne, Indiana
- Clear acceleration in interest happening

Sustainability



Oslo, Norway

- New Spaces centre renovated and extended
- Using recycled materials from 25 buildings
- Compared to using new, c.95% reduction in CO2 emissions
 - 45 tonnes of reused steel
 - 1.2km of reused brick



Napa Valley, California, USA

- New retail focused model
- New innovative centre design
- Sustainable design and construction

Outlook



- Now seeing daily positive improvement
- Lifting of lockdowns and easing of restrictions, now driving demand
- The uptake of new working practices has accelerated and here to stay
- Recent performance starting to indicate an inflexion point
- The market is coming towards us rapidly
- We are a key beneficiary of hybrid working
- Unprecedented surge in membership deals
- More enterprise deals in the pipeline
- Increasing interest in franchising and management contracts
- Capital light strategy manifests itself in lower capex guidance
- Current environment presenting significantly increased growth opportunities
- Significant opportunity to scale our services business

Q&A

APPENDIX

Adjusting items H1 2020 and FY 2020

Adjusting items	H1 2020 (£m)	H2 2020 (£m)	FY 2020 (£m)
Accelerated network rationalisation	134.5	177.5	312.0
Transaction costs in respect of Master Franchise Agreements not yet completed	5.8	2.4	8.2
Expected credit losses	9.4	8.1	17.5
Impairment of goodwill	4.9	-	4.9
Other one-off items	1.2	35.7	36.9
Total adjusting items	155.8	223.7	379.5

A modern office interior with a light-colored ceiling, blue pendant lights, and large windows. People are working at desks with computers. The scene is bright and professional.

Thank you

IWG International
Workplace
Group

IWGplc.com

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