TRADING UPDATE – 27 April 2021

IWG plc, the leading global operator of workspace brands, today issues its trading update for the three months ended 31 March 2021.

Q1 2021 provides a clear inflection point, with occupancy stabilising in February and improving in March. We expect this momentum to continue throughout Q2. We continue to experience increased demand for hybrid working and enterprise membership products as well as attractive franchising opportunities.

Financial Highlights for the three months ended 31 March 2021

Q1 2021 performance reflects the challenging business conditions of the ongoing pandemic and is a difficult comparison to Q1 2020, the best quarter in the Group's history.

- Open centre revenue down 16.1% (down 19.1% at actual rates)
- Pre-2020 revenue down 20.1% (down 22.8% at actual rates)
- Pre-2020 occupancy stabilised in February and occupancy growth resumed in March to 66.6%
- Net debt, on a pre-IFRS 16 basis, at 31 March 2021 of £293.8m
- Strong financial position, with liquidity of £811.6m at 31 March 2021

Business Highlights for the three months ended 31 March 2021

- Franchising remains a key focus for growth; Seven agreements and 32 committed locations added across all regions
- Master franchise agreement discussions continue, in final stages with several opportunities
- Strong growth in management agreements and other partnering deals
- Unprecedented demand for enterprise membership agreements; 54 deals signed in Q1
- Unrivalled national and global network coverage benefitting from strong demand for more hybrid working
- Substantial progress reducing costs in line with previously announced initiatives and related provisions
- Opened 43 locations, including 10 from an acquisition; 55 closures in the period
- Total global network as at 31 March 2021 was 3,301 locations and 63.3m sq. ft.

First quarter performance

As previously reported, Q1 2020 represented the strongest start to a new financial year the Group had ever experienced. In contrast, Q1 2021 has been the trough of the COVID-19 impacted performance and the most challenging quarter ever for the Group. Whilst trading conditions remain challenging with lockdown restrictions continuing in many parts of the world, other markets have recently begun to open up and we are beginning to see some positive underlying trends.

£m	**March 2021 YTD**	March 2020 YTD	% change constant currency	% change actual currency
Total revenue	**528.3**	691.9	(20.9)%	(23.6)%
Open centre revenue	**523.1**	646.3	(16.1)%	(19.1)%
Pre-2020 revenue	**496.1**	642.9	(20.1)%	(22.8)%
Pre-2020 occupancy	**66.4%**	74.6%		(820)bps
Net Debt (Pre-IFRS 16)	**293.8**	307.2		4.4%
Number of locations	**3,301**	3,403		(3.0)%
Total space (m. sq. ft.)	**63.3**	63.5		

The monthly sequential decline in occupancy, experienced throughout the global pandemic abated in February 2021 with occupancy stabilising and then improving modestly in March. So far in April, this positive momentum has continued, indicating signs that the Group has reached an inflection point. With both occupancy and retention improving, and service revenues slowly returning, we are now focused on moving price ahead gradually wherever possible.

We have seen an unprecedented demand for our flexible work products, which is a confirmation of the positive trend of continued demand for hybrid working. We have also experienced a surge in demand for our enterprise membership products. Our unrivalled national and international network coverage, spanning 1,129 towns and cities, means that we are uniquely positioned to address these positive demand trends.

The pace of recovery has varied across the regions, with those areas first affected, notably South East Asia, coming out of the crisis faster. Our business in China is also now ahead of pre-COVID-19 activity levels. The US, our largest market, is also showing signs of improvement, with markets like Texas and Florida seeing growth. Recovery has been slower in geographies where restrictions have been more prolonged.

Development of the network

During the three months to 31 March 2021 we added 43 new locations to the network, including 10 from the acquisition of the number two operator in Italy. As expected, we have undertaken further network rationalisation during the first quarter as we closed 55 locations. In total we grew the network by 0.4m sq. ft. in the quarter.

As at 31 March 2021 we had 3,301 geographically diverse locations and 63.3m sq. ft. of space in the network. Net maintenance capital investment in the network in the three months to 31 March 2021 was £17.9m (Q1 2020: £53.0m).

Excellent progress on franchising and other capital light deals

Franchising remains a key focus area for growth as we pivot to a capital light operating and platform business model. The Group continues to benefit from the investment made in establishing regional franchise teams. During the first quarter, seven new franchising agreements were signed, spanning all regions, including our first two agreements in the US. In total these agreements add a further 32 committed locations to the network. As at 31 March 2021 we had 53 franchise agreements, with a total commitment to open 645 locations. With 367 of these commitments still to open, this provides a strong underpinning to future capital light growth of our current global network.

With the favourable trends in the evolution of the workplace, including the adoption of hybrid working by many more enterprises, interest in partnering with IWG has strengthened significantly through the quarter and we have a very strong pipeline of potential partners. With the resumption of discussions, good progress is being made in relation to larger master franchise agreements, with several in the final stages of the process.

Capital deployment

Net growth investment in the first quarter reduced to £46.1m compared to £90.2m in the corresponding period last year as we make progress on our transition to a capital light business model. We only invested £12.4m of cash on organic openings in the quarter. The remaining £33.7m related to the acquisition in Italy, an investment in The Wing, the purchase of two regional UK properties and the acquisition of a bolt-on digital platform business.

Strong financial position maintained

As at 31 March 2021 net debt, on a pre-IFRS 16 basis, was £293.8m. This is an improvement on the 31 December 2020 position of net debt of £351.1m which reflects the return of the £283.7m investment on an unsuccessful potential acquisition, together with the normal outflows experienced in the first quarter of the year. In addition, this year, as anticipated, there were slightly higher cash outflows resulting from the completion of more deals with landlords, which triggered the release of rent payments.

At 31 March 2021, the Group had significant liquidity of £811.6m.

Outlook

As we leave the first quarter of 2021, we are well positioned for a world of work permanently altered by the pandemic. Changes to the geography of where work takes place and a new flexibility demanded by companies and workers provide an attractive dynamic marketplace for our future development.

We are the market leader globally in this arena, with more coverage and a world leading digital platform combined with millions of users. Accordingly, the Board is confident in the structural drivers of the global flexible workspace market and the Group's strategies to grow its leadership position.

Our business, although affected by the pandemic, was resilient throughout. Performance has now started to show improvements on multiple KPIs as we exit the quarter. Occupancy is improving, enquiries reached pre-Covid-19 levels, an increasing pipeline of corporate customers on network-wide deals and, most importantly, service revenues starting to improve. These early signs of improvement continue to take root in many parts of the business.

We expect continued progress in our growth strategy, with a healthy pipeline of franchise partners and various JVs and management deals with the real estate industry itself. Discussions have restarted on several master franchise deals. We are seeing increasing levels of openness and interest from partners wanting to work with us to grow the platform. Interest is at a level unseen in our history.

We look forward with cautious optimism to the coming quarters.

Conference call details

IWG plc will be hosting a call for analysts and investors at 08.30 BST this morning. Please register for the call via the following link to gain your unique access code:

https://www.speakservecloud.com/register-for-call/d6c92991-7b08-4ae6-a7a4-d89678bc3b8e

A replay facility will be available for 7 days following the call:

Replay dial-in number: +44 (0) 33 0606 1118
Access PIN: 446153

This announcement contains inside information.

For further information, please contact:

IWG plc Tel: + 41 (0) 41 723 2353
Mark Dixon, Chief Executive Officer
Glyn Hughes, Chief Financial Officer
Wayne Gerry, Group Investor Relations Director

Brunswick Tel: + 44 (0) 20 7404 5959
Nick Cosgrove
Peter Hesse

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.