THIRD QUARTER TRADING STATEMENT – 2 November 2021

IWG plc, the leading global provider of workspace brands, today issues its trading update for the period ended 30 September 2021.

Trading continues to strengthen during Q3
Positive cash-flow from operations
Review of digital and platform strategy underway
Accelerating run-rate into 2022

Key Highlights

- Total Group system-wide revenue of £620.7m
- Open centre revenue increased by 5.2% from Q2 to Q3; Q3 up 5.2% year-on-year
- On track to achieve targeted annualised run rate cost savings of approximately £320m by year-end
- Accelerating new customer wins with over 1,100 new enterprise customers signed in Q3
- Good momentum in franchising, with new growth commitments totalling 102 locations
- Preliminary strategic review validating the feasibility of separating the Group's digital, technology and property assets is underway

£m	**Q3 2021**	**Q3 2020**	% change constant currency	% change actual currency	**YTD 2021**	YTD 2020	% change constant currency	% change actual currency
System-wide revenue	**620.7**	642.7	0.3%	(3.4)%	**1,798.2**	2,094.0	(9.9)%	(14.1)%
Open centre revenue	**544.6**	535.7	5.2%	1.7%	**1,562.8**	1,727.5	(5.4)%	(9.5)%
Group revenue	**550.8**	571.8	(0.3)%	(3.7)%	**1,595.6**	1,868.2	(10.8)%	(14.6)%
Pre-2020 revenue	**504.2**	521.9	0.0%	(3.4)%	**1,461.7**	1,702.7	(10.3)%	(14.2)%
Pre-2020 occupancy	**71.2%**	70.1%		1.1ppts	**69.4%**	73.6%		(4.2)ppts
Pre-IFRS 16 net (debt) / cash	**(412.0)**	10.9						
Number of locations	**3,308**	3,359						

Market leadership

The Group remains the leading global provider of workspace brands with a network of locations more than four times larger than the largest competitor. Coverage is unrivalled with 3,308 locations covering 1,133 towns and cities globally at 30 September 2021.

Improved third quarter performance

The momentum in trading performance has accelerated during the third quarter, with demonstrable progress in all major territories and the outlook for the remainder of the year remains encouraging. The order book for 2022 is building and, if market conditions remain favourable, continued progress is expected.

Enterprise client demand continues to grow at unprecedented levels with over 1,100 new clients signed in Q3 and more than 670 existing customers expanding their workplace commitments. The Group now has a business relationship with c. 83% of the Fortune 500.

The structural change to workplace practices resulting from the pandemic has accelerated demand for hybrid working solutions across all our markets, driving increases in physical occupancy, yield and the consumption of ancillary services.

In the three months ended 30 September 2021, total Group system-wide revenue, which includes the total of all revenue made by both non-consolidated and consolidated locations globally, increased 0.3% to £620.7m. Revenue across our open centres increased 5.2% at constant currency, with all four regions recording positive revenue growth year-on-year. Total revenue for the Group (including closed centres) was £550.8m compared with £571.8m in the same period last year, a decrease of 0.3% at constant currency. Pre-2020 revenue in the three months ended 30 September 2021 was broadly flat on a constant currency basis and decreased to £504.2m from £521.9m on a reported basis. Occupancy in the pre-2020 estate increased to 71.2% in Q3, up 110bps year-on-year and sequentially Q3 was 210bps up on Q2.

On all measures, September saw the best monthly performance to date in 2021.

Year-to-date performance

For the nine months ended 30 September 2021, total Group system-wide revenue was £1,798.2m, with a low point in revenues in Q1 and momentum building through the remainder of the year towards more normal levels. Revenue across all our open centres declined 5.4% at constant currency to £1,562.8m (30 September 2020: £1,727.5m), reflecting the impact of COVID-19 on the first quarter relative to the same period in 2020. Total Group revenue decreased to £1,595.6m compared with £1,868.2m for the same period last year, a decrease of 10.8% at constant currency.

Cost savings on track

The Group's cost optimisation programme is on track to deliver an underlying annualised run rate cost reduction of approximately £320m by year-end, incorporating c £130m of costs previously associated with centres that have been closed, but prior to the costs associated with new locations.

Strong financial position maintained

The Group has maintained a strong financial position with net debt on a pre-IFRS basis at 30 September of £412.0m, (30 June 2021: £414.6m). The Group is expecting that operating cash flow will fund the cash cost of investments in new centres for the remainder of the year.

Further improvement in network capital efficiency

Our pivot towards capital-light growth through management agreements, franchising and joint ventures is delivering. Linking up with partners and the property industry enables us to open more centres, at greater speed and with less capital to meet the increasing structural demand in the market. The pipeline of new opportunities remains attractive with market disruption bringing many new deals.

We have continued to see further improvement in the momentum of our franchising activities in the quarter, signing agreements across six countries with a total commitment of 102 new locations (with a total of 162 locations committed year to date). As at 30 September 2021 we had 61 franchise agreements in place with committed development plans for 814 locations, of which 320 are open.

During the third quarter, c. 70% of the 25 newly added locations involved partnering or franchisee structures. In the nine months ended 30 September 2021 the Group has added 109 new locations with 114 closures in less profitable locations. The total net cash investment in growth in the nine months to 30 September 2021 was £141.5m, including £78.3m relating to the net investment in construction.

The Group's total network at 30 September 2021 was 3,308 locations worldwide comprising 63.7m sq.ft. of space.

For the nine months ended 30 September 2021 maintenance capital expenditure was £68.0m, down materially on the £101.8m invested in the comparable period in 2020.

Review of Group structure

To effectively operate the largest global workspace physical network, the Group has used its experience gained over more than thirty years to invest in and develop digital capabilities and platform assets which provide industry leading systems and processes to originate sales demand, manage inventory and deliver services in an efficient and cost-effective manner.

Accordingly, the Board has undertaken a preliminary review to assess the strategic and commercial rationale for separating the digital and technology assets of the Group into a separately identified and constituted business. Similarly, the potential to more broadly leverage the intellectual property of the Group, together with the ownership structure of the property portfolio, is the subject of further review to fully assess the options available to reorganise the assets of the Group.

Detailed work to determine the feasibility of, and timescale for, such a reorganisation is continuing, and the Board expects to be able to update on progress in the first half of 2022.

Outlook

The rapid adoption of hybrid working, both for enterprises and smaller businesses, is increasing the demand for the Group's services and improving performance in all major markets. This seismic change in how businesses and employees plan their work is, we believe, significant, irreversible and transformational for our business.

Although we remain suitably cautious during this period of heightened macro-economic uncertainty, the occupancy and pricing run-rate achieved in the third quarter and in September in particular, underpin our confidence in delivering results for 2021 in line with management's expectations. Similarly, the acceleration of trading, together with a growing forward order book and ongoing cost reduction, set the direction for a stronger recovery in 2022.

The strategic opportunities afforded by the Group's market leadership and strengthening performance have never been greater, and the Board and management look forward to 2022 with confidence.

Notes

Percentages at constant currency unless stated otherwise.

Presented in accordance with pre-IFRS 16 accounting standards.

System-wide revenue represents the total of all revenue made by both non-consolidated and consolidated locations globally.

Pre-2020 refers to the performance in the reported period for all operations opened on or before 31 December 2019 and were open throughout the period.

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

Conference call details

IWG plc will be hosting a call for analysts and investors at 08.30 GMT this morning. You must pre-register to gain access to the call. Please contact IWG@brunswickgroup.com for the link if you have not already received it.

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

Replay dial-in number: 08445718951
Access PIN: 9595984

This announcement contains inside information.

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