THIRD QUARTER TRADING STATEMENT – 1 November 2022

IWG plc, the largest provider of hybrid workspace globally with an unrivalled network of 3,323 locations across 120 countries, issues its trading update for the period ended 30 September 2022.

Continued delivery of profitable and cash generative growth in line with strategic objectives

- 25% year-on-year growth in revenue during third quarter
- Rapid momentum in capital-light growth with 252 new centre contracts completed to date
- Revenue and EBITDA developing in line with plan, supporting outlook for the year
- Continued pricing strength and focus on cost and efficiencies largely mitigating inflationary pressure
- Strong revenue and margin momentum at Instant and integration proceeding to plan
- Continuing strong cash generation - c£45m before investment in growth - and £18m reduction in net debt

	3 months to September 30th				**9 months to September 30th**			
£m / % change	**2022**	2021	Constant ccy	Actual ccy	**2022**	2021	Constant ccy	Actual ccy
System-wide revenue[1,2]	**825**	619	+24%	+33%	**2,296**	1,793	+23%	+28%
Group revenue[1]	**737**	551	+25%	+34%	**2,047**	1,595	+24%	+28%
Net financial debt[1]	**723**	(H1 2022: 741)						

1. Pre-IFRS16 basis 2. System-wide revenue represents the total of all revenue made by both non-consolidated and consolidated locations globally

Increasing demand for hybrid driving strong revenue growth and improved EBITDA performance

Group revenue increased by 25% in the quarter (+16% excluding Instant), driven by continuing global demand for hybrid working solutions. Group revenue growth in the year to date illustrates the benefits of substantially improved pricing, ahead of inflation, and improving occupancy (+650bps year-on-year across the total estate). Ongoing inflationary pressures also continue to be mitigated through our strong focus on costs and efficiency.

This has translated into continued improvement in EBITDA performance across all regions, albeit weighted towards suburban and provincial centres, with some city-centre and Asia-Pac locations continuing to recover at a slightly slower pace.

Increasing traction in capital-light agreements

Capital-light contracts such as franchise agreements and management or partnership contracts typically involve a fee structure, no capex spend by IWG and no lease liabilities. We completed 252 capital-light contracts during the first nine months of the year, representing c90% of all new agreements. With nearly 60% of these signed during the third quarter and with the rate of monthly signings continuing to grow, we have strong line of sight to our year-end target of 500 agreements. We would expect most of these to open through the course of 2023 and to then contribute to EBITDA gradually as centre revenues build.

Instant growing strongly and integration of digital assets on track

The Instant Group is the world's largest independent marketplace for flexible working solutions for a smarter working world, with an innovative technology platform and award-winning digital marketing capabilities. Instant grew strongly during the quarter, showing strong year on year progress, accompanied by continuing growth in EBITDA. The integration of IWG's digital assets with the Instant platform is progressing as planned and we are seeing the EBITDA benefits of this coming through as expected.

Strong cashflow generation pre-growth investment is expected to drive lower net debt at year-end

Pre-growth investment, the business generated nearly £45m of cashflow during the quarter. As a result, we reduced net debt by £18m from the level at the end of June 2022. With improving EBITDA through the fourth quarter, we remain on track to further reduce net debt and the Group leverage ratio by the year-end.

Outlook

In an environment of economic and geopolitical uncertainty the demand for hybrid working solutions continues to grow as businesses seek to reduce their real estate costs and respond to the needs of their employees. We have strong visibility over our forward order book and revenues and are successfully mitigating the inflationary pressures on costs. Monthly profitability is continuing to grow, and we remain cautiously optimistic about the outlook for the full year, with adjusted EBITDA expected to be towards the lower end of the range of market estimates (£304m - £380m).

Mark Dixon, Group CEO commented:

"The significant move to hybrid working is driving strong demand for our flexible work products and creating a long-term tailwind for IWG as businesses all over the world respond to the twin effects of economic uncertainty and their employees' desire to work flexibly. To meet this demand, our innovative capital-light growth strategy allows us to capitalise on the growing pipeline of commercial property owners and landlords seeking to maximise their returns by partnering with IWG. The third quarter has shown continuing strong revenue growth, margin improvement and underlying cash generation. We are well placed to deliver the full year results and enter 2023 with a strong foundation for delivering further growth and reducing leverage."

Conference call details

There will be conference call for analysts and investors at **08.30 GMT** this morning.

Dial in numbers

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Replay (available for 7 days) dial-in number: +44 (0) 20 8196 1480 / 0800 633 8453 **Access PIN**: 9411844#

Further information

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