

25 April 2023

FIRST QUARTER TRADING STATEMENT

IWG plc, the largest provider of hybrid workspace globally including its Regus and Spaces brands and an unrivalled network of 3,375 buildings across 120 countries, issues its first quarter trading statement for the three months ended 31 March 2023.

RECORD REVENUE DELIVERY AND CONTINUING DEBT REDUCTION

- Record quarterly revenue of £760m with growth of 25% year-on-year
- Group achieved carbon neutrality for the entire quarter and expects to be carbon neutral for all of 2023 and beyond
- Rapid momentum in capital-light centre growth with 170 new centre contracts signed during the quarter
- Pro-forma¹ net financial debt reduced by £29m, with revenue growth driving cash generation
- Instant Group acquisition bridge financing reduced from initial balance of £330m to £199m as of today
- Continued pricing strength and focus on cost and efficiencies largely mitigating inflationary pressure
- No change in Group's financial outlook from statement at FY results on 7 March 2023

SUMMARY FINANCIALS

£m	3 months to March 2023	3 months to March 2022	Constant currency	Actual currency
System-wide revenue ²	847	692	+18%	+22%
Group revenue	760	609	+20%	+25%
Net financial debt/(cash) ^{1,3}	683	764		

1. Net debt at 31 March 2023 of £683m includes £13m cash collected in April 2023 which is usually collected in March. This was late due to system maintenance. Normal collection timetable resumed in April 2023 and is expected to continue hereafter.
2. System-wide revenue represents the total of all revenue made by both non-consolidated and consolidated locations globally.
3. Before the application of IFRS 16 (primarily relating to operating leases) as defined in the Alternative performance measures section of the 2022 Annual Report and Accounts.

Record quarterly revenue

System-wide revenue increased by 22% to a record quarterly revenue of £847m in the quarter driven by continuing global demand for hybrid working solutions, and the acquisition of The Instant Group in March 2022. Group revenue increased by 25% to £760m (from £739m in Q4 2022, an increase of 4% at constant FX) and illustrates the benefits of improved pricing, ahead of inflation, and improving occupancy.

Carbon neutrality

The Group has achieved carbon neutrality for all of Q1 2023 as expected. Growth is clearly a priority for IWG, but we are determined only to expand as a carbon-neutral organisation. Not only is this important for the Group, but also clients, who can reduce the significant administrative burden of evaluating carbon neutrality themselves by simply using our buildings. After being upgraded by MSCI to a AA rating in 2022 we are now targeting to achieve a AAA rating. We expect to remain carbon neutral for the remainder of 2023 and beyond.

Continuing network growth and increasing occupancy and pricing

In Q1 2023 we signed a total of 170 new centre deals (2022: 51 deals signed) which will be added to our global and widely distributed network in the future. 95% (161) of these were capital-light. We would expect most of these to open through the course of 2023 and to then contribute to EBITDA gradually as centre revenues build. The increased growth with capital-light centres will result in reduced net growth capital expenditure investments going forward and improve the quality of our centres simultaneously. In the first quarter of 2023 we opened 58 centres (2022: 36) and closed 28 (2022: 22). During 2023 we continue to focus on the reduction of loss-making centres as a key lever to drive group profitability.

	3 months to March 2023	3 months to March 2022	YoY change
Number of centres	3,375	3,328	+47
Centre openings	58	36	
Centre rationalisations	(28)	(22)	
Number of SQFT	65.7m	64.4m	+2%
Total new centre deals signed	170	51	+233%
Of which capital light	161	40	
Average total occupancy	73.7%	73.0%	+70 bps
Embedded price, indexed*	102	91	+12%

* Price per square foot, Q1 2020 = 100

Worka growing strongly

Worka, the separate entity which holds IWG's digital assets and 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. Including the acquisition of The Instant Group during 2022, Worka revenue continued to grow strongly, increasing by 76% in the first quarter of 2023.

Continuing net debt reduction

As the Group continues to perform strongly and generate increasing levels of cash, we continue our strategy of reducing both net and gross financial debt.

The non-recourse bridge facility with an initial balance of £330m when we acquired The Instant Group was further reduced to £199m as of today. The Group is currently evaluating options regarding refinancing or repaying the balance of this non-recourse debt before its maturity in September, for which there are multiple options available. In the meantime, further payments are expected to be made to reduce the balance further.

Mark Dixon, Chief Executive of IWG plc, said:

"In the first quarter of 2023 we continued to deliver record levels of revenue. I'm pleased to see that we are combining this with margin expansion, enhanced cash flow generation, and building on our capital-light growth strategy. At the same time we managed to achieve carbon neutrality in the quarter and expect to remain carbon neutral during all of 2023. Importantly, we also continued to build on the world's largest digital workspace platform which is growing strongly and delivering cash flow."

Outlook and guidance

Whilst we continue to see higher demand for hybrid working solutions globally with companies reducing their real estate costs and responding to the needs of their employees, there are also macroeconomic headwinds which can impact demand. The Group continues to see pressure from inflation and interest rates which impact costs and cash flow. In particular, the strengthening in Sterling, the Group's reporting currency, during Q1 2023 will negatively impact financial performance at the Group level.

We remain cautiously optimistic about the outlook for 2023 and do not change our financial outlook from our statement at the full-year results on 7 March 2023. We are confident that EBITDA will remain in line with management's expectations with net debt falling during the year.

Financial calendar

8 th August 2023	Interim 2023 results
7 th November 2023	Third quarter 2023 trading update

Details of conference call

Mark Dixon, Chief Executive Officer, and Charlie Steel, Chief Financial Officer, will host a conference call for analysts and investors at 8:30am UK time.

Conference call dials (for the live call, no PIN or password is required; callers just need to state they are dialling in for the IWG call):

UK & International	+44 (0) 33 0551 200
UK Toll Free	0808 109 0700

Replay (available for 7 days) after the LIVE call:

UK & International	+44 (0) 203451 9993
Replay PIN:	0928107#

Further information

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