IWG

Financial results for the full year ending 31.12.2023

5 March 2024

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Results presented in accordance with IFRS except in certain circumstances (as footnoted) where accounting standards pre application of IFRS 16 are presented.

All percentages are at constant currency unless otherwise stated.

Mark Dixon
Founder & Chief
Executive Officer

Investment Case

1

Market leader in a future mega industry – Hybrid work / Platform work

2

Fast capital light growth

3

Significant cash generation whilst growing

4

Global network and coverage advantage

5

50% US

6

Structural cost advantage

7

Most tenured and experienced management team

Hybrid working: the new normal

90%
of employees want flexibility in when and where they work[1]

89%
of companies report better retention thanks to flexible working options[2]

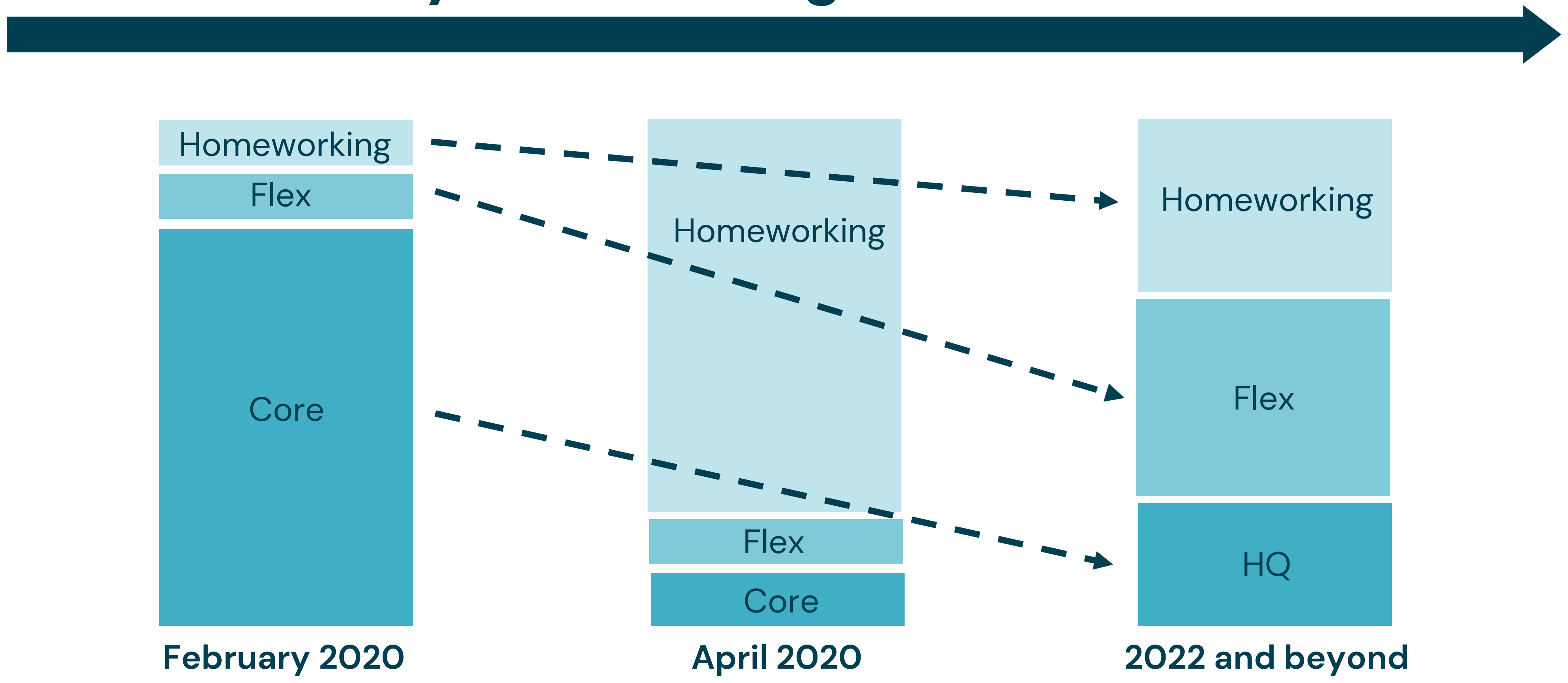
88%
of companies are planning a full shift to flexible working[3]

Traditional approach to real estate procurement

Real Estate teams set the agenda

Employers have the power to decide where work is carried out

Evolution of hybrid working



Digital-first approach to real estate procurement

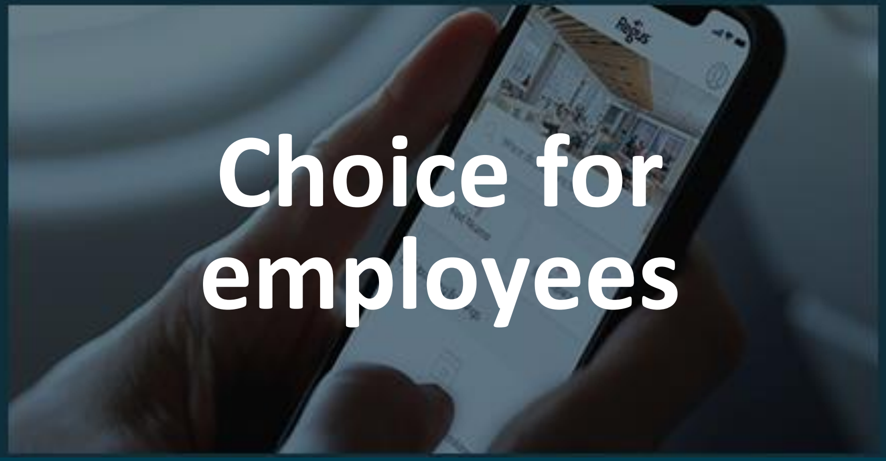
CEOs set the agenda

Employees have the power to decide where work is carried out

55% of employees are **hybrid working** vs. 26% exclusively in the office[4]

1. HR Report, 90% Of Office Workers Say They Want More Flexibility, August 2012
2. CompareCamp, 45 Flexible Working Statistics: 2020/2021 Data, Trends & Predictions, May 2020
3. Microsoft, New Future of Work Report, May 2022
4. JLL Workforce Preferences Barometer, June 2022

Client drivers to transition to Hybrid



80%
of CFOs say hybrid working is a significant cost saver

95%
of HR professionals agree hybrid working is an effective recruitment tool

$11,000
savings per employee per year

82%
of employees say hybrid has made them happier and more motivated

50%
Hybrid can reduce office costs by up to 50%

50%
of employees believe hybrid working has increased their productivity

Source: IWG Whitepaper, Global Workspace Analytics study

IWG – Global market leader in the Hybrid work market

3,514
locations

867
pipeline deals signed

120/44
countries/languages

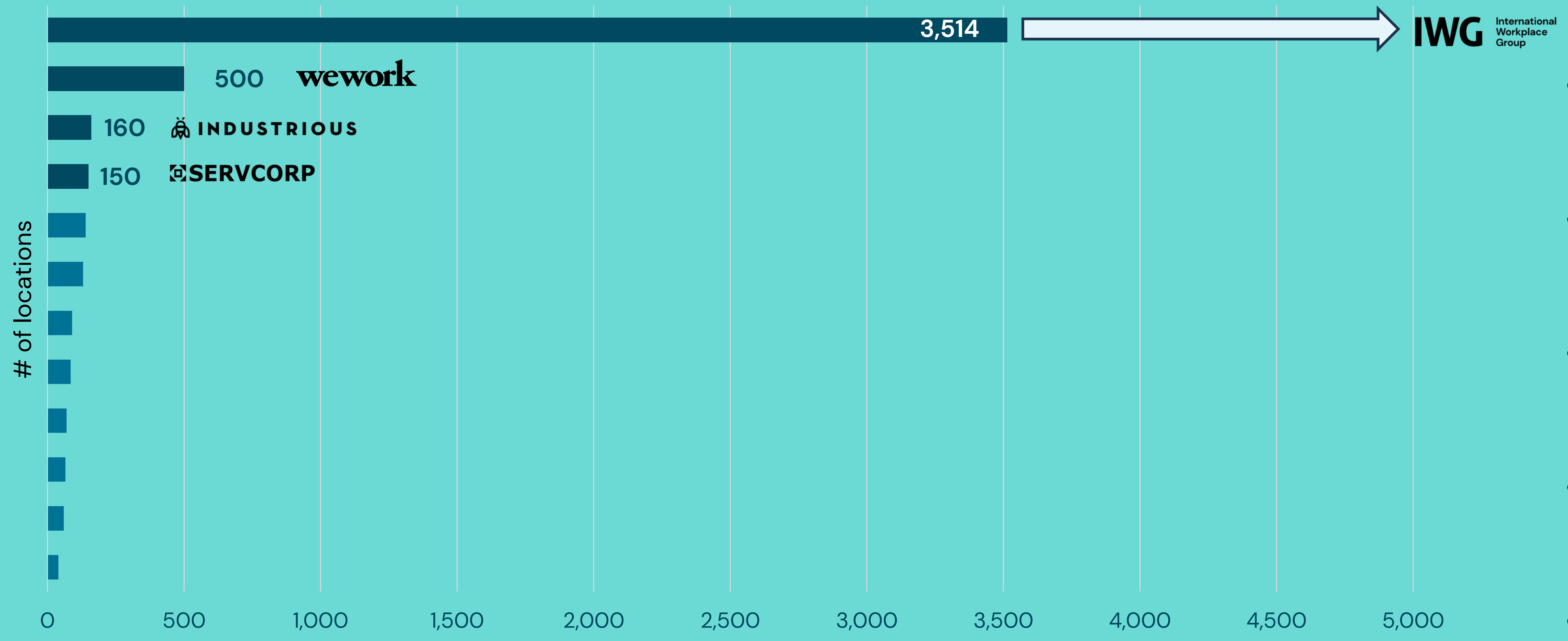
895k
rooms

8m
users

500,000
companies

Market leader, only global platform

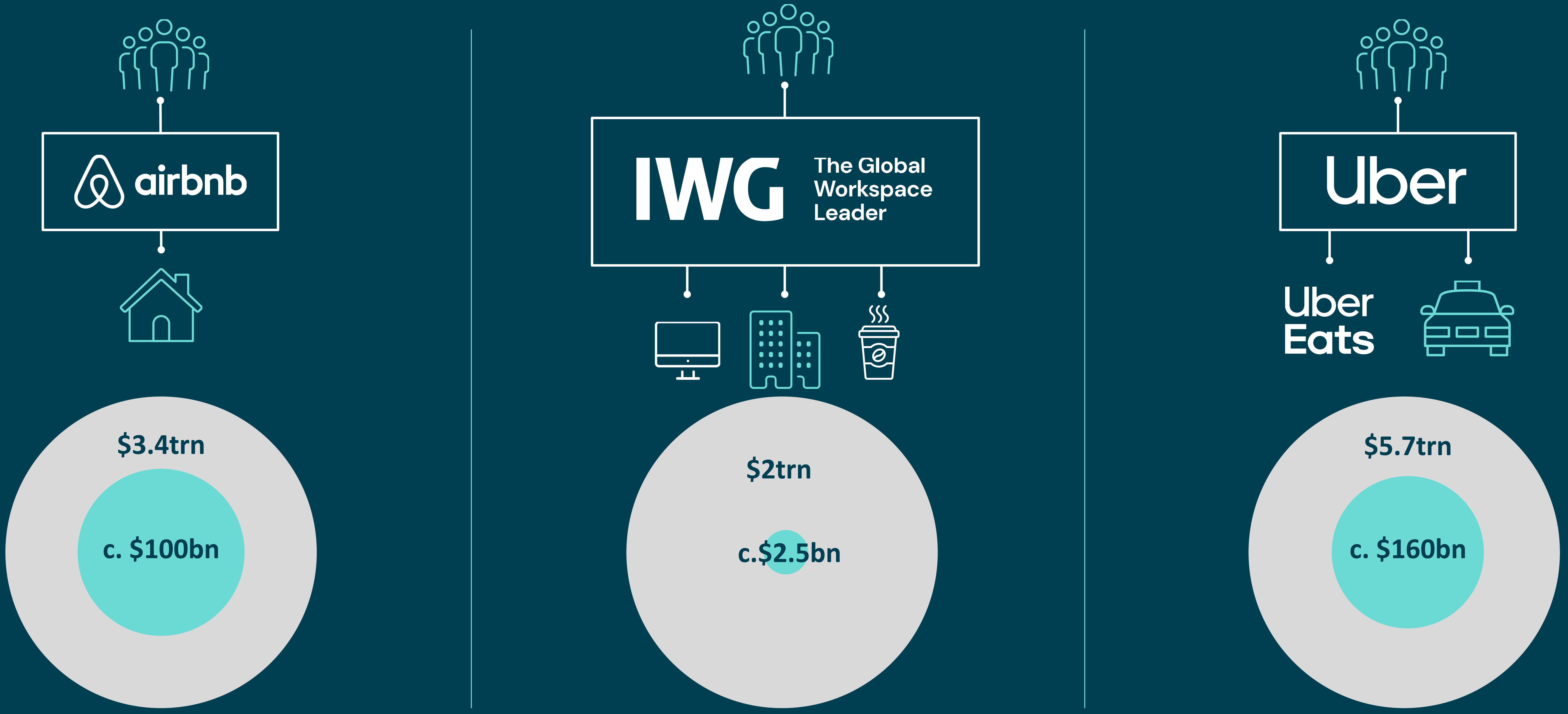
Hugely fragmented market



- Lead the market on innovation
- Multiple products developed
- Well established R&D team
- Data-rich history of activity
- IWG growth plans

Source: WeWork estimated post-restructuring footprint

The growth opportunity



Total addressable market   Market Cap.

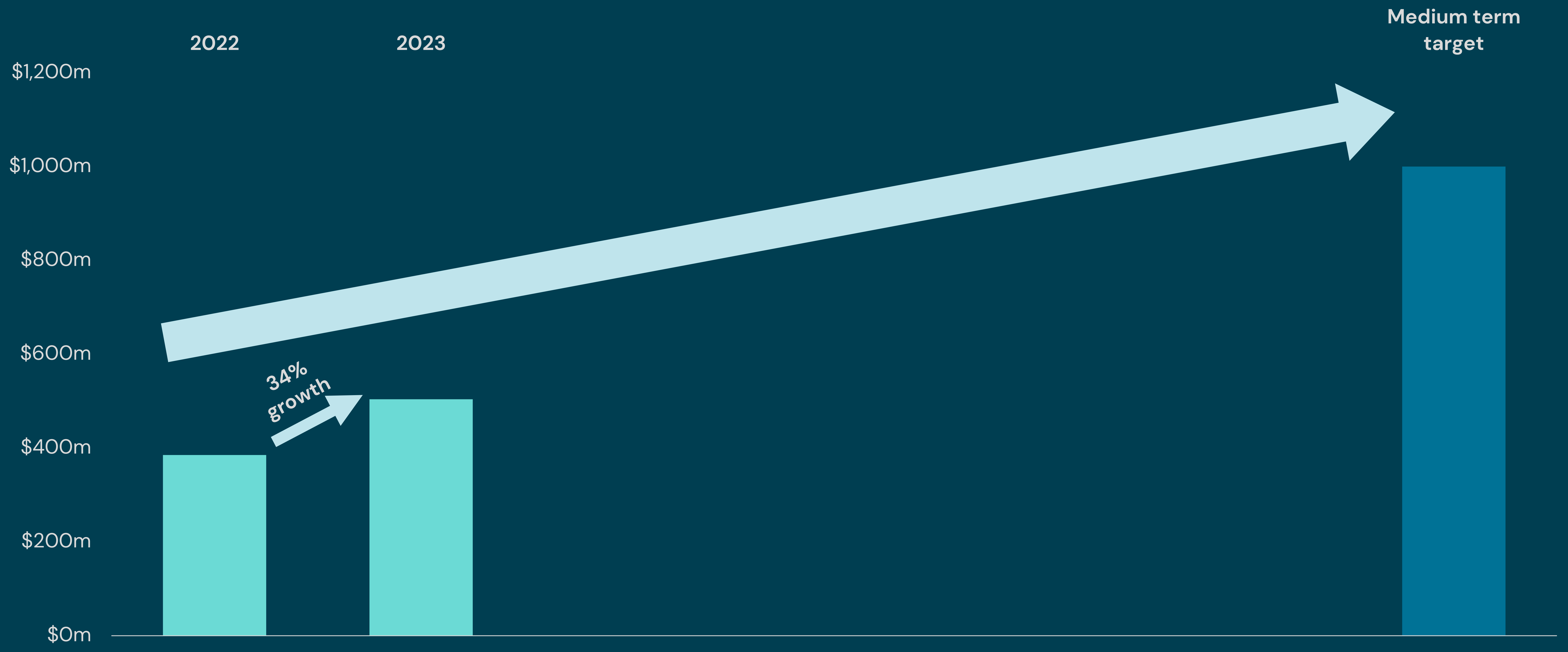
Sources: Bloomberg, *airbnb* S-1 Filing, *Uber* S-1 Filing

IWG delivers: growth, revenue, cash, dividend

- **Highest-ever revenue** with 10%[1] growth in system-wide revenue to £3.34bn
- **Increasing footprint globally –** c2x increase in the opening rate during 2023 from 2022
- **Capital light pipeline** strong with 839 locations signed during 2023 up 99% vs 2022
- **Continued cost discipline** with revenue growth higher than cost growth despite continued global inflationary pressure
- **Cashflow generation improving** and continued paydown in financial net debt
- **All delivered profitably with EBITDA of £403m[2]**
- **Dividend resumed with progressive policy**

1. Constant currency
2. Adjusted EBITDA pre IFRS

On track to $1bn EBITDA target



Sources: Based on pre-IFRS EBITDA; GBP to USD FX: 1.25

Charlie Steel

Chief Financial Officer

Financial performance

2023 Highlights

Delivering the plan

- Cashflow is building and will continue to grow across our three business units – Company Owned & Leased, Managed & Franchised, Worka - £207m cash generation before growth capex

- Capex has reduced and will continue to decline

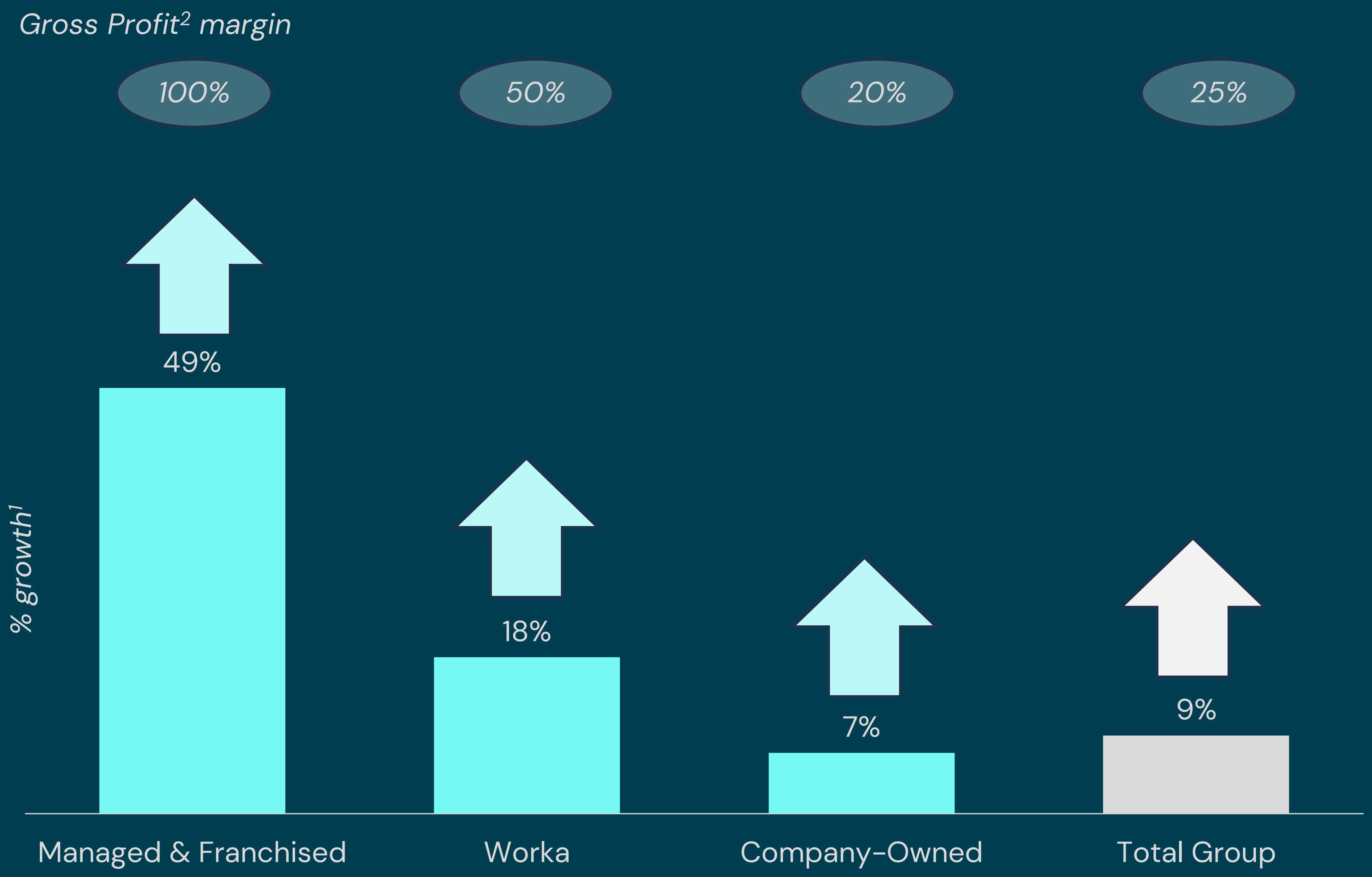
- Net debt reduced by £104m through the year to c.1.5x net debt / EBITDA

- Our commitment to grow a strong balance sheet and increased returns to equity holders over the medium term

- Final dividend of 1.0p/share

9% revenue growth

With all divisions contributing



1. All constant currency growth rates
2. Gross Profit before rationalisation impact

- 25% Gross Profit margin[2]
- Managed & Franchised growth driven by existing centres maturing and new centres being added to the network
- Company-owned revenue driven by a 6% increase in RevPAR
- Worka continuing to acquire bolt-ons for new products and services combined with platform expansion leading to all segments performing strongly
- Combined group revenues +9% year-on-year

RevPAR

Why it’s appropriate for IWG

- RevPAR is a well-understood measure used across many industries – such as hotels.
- It is particularly relevant to IWG as it incorporates all revenues received across IWG’s expansive product portfolio and is a far more representative way of analysing the business and how IWG works day-to-day
- RevPAR is a monthly average KPI, defined as the system revenue of the IWG Network (excluding Worka and excluding centres opened and closed during the year), divided by the corresponding number of available rooms
- Solely using Occupancy or Price is not representative – given such a vast portion of our revenue comes from ancillary services – RevPAR captures all of these drivers

RevPAR

Growth across IWG network

Preliminary results	System RevPAR (£)		
£ / % change	2023	2022	Constant currency
Managed & Franchised system-wide	381	392	+1%
Company-owned	280	269	+7%
Worka	-	-	n/a
IWG Network	291	280	+6%

- Group RevPAR +6% year-over-year to £291
- Company-owned RevPAR +6% to £280
- RevPAR in Managed and Franchised increased 1% to £381

IWG network

Signings now evolving into openings

Centres signed	2023	2022	YoY change	YoY change in %
Total new centre deals signed	**867**	**462**	405	+88%
Of which capital light[1]	839	421	418	+99%
In %	97%	91%		
Centres opened				
Number of centres open	**3,514**	**3,345**	169	+5%
Centre openings	**328**	152	176	+116%
Of which capital light[1]	301	113	188	+166%
In %	92%	74%		

1. Includes locations signed/opened in Managed & Franchised and Variable rent areas

- Number of signings grew strongly year-over-year
- Total number of deals signed +88% and number of capital light deals signed up 99% year-over-year
- Signings evolving into openings – opened 328 locations in 2023, of which 301 were capital-light – this is expected to accelerate during 2024

IWG network

Becoming more capital light

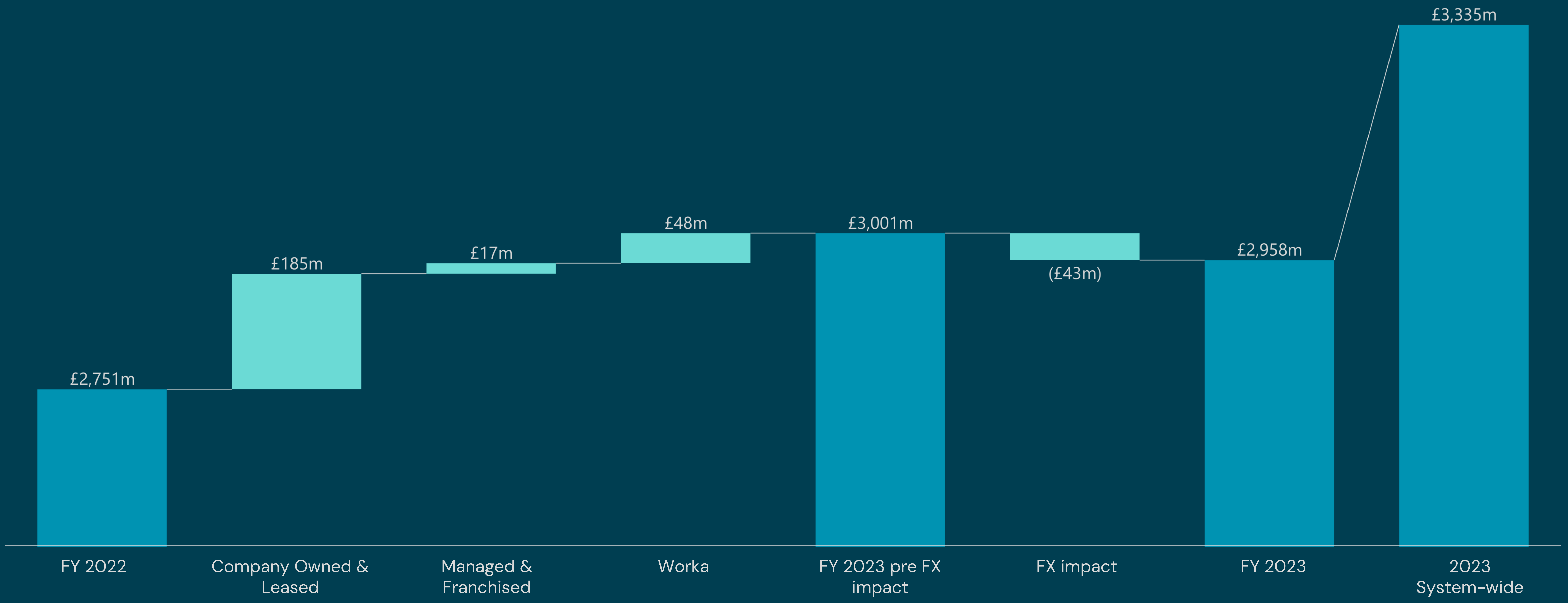
2023 System location movements by type (k rooms)	Dec-2022	Rooms Opened	Rooms Rationalised	Changed	Dec-2023[1]
Conventional	566	+9	(21)	+4	**558**
Variable rent (capital light)	206	+20	(10)	(2)	**214**
Company-owned	**772**	+29	(31)	+2	**772**
Managed & Franchised (capital light)	**92**	+37	(4)	(2)	**123**
Total	**864**	+66	(35)	0	**895**

- In line with our Strategy to pivot toward capital-light assets – 92% of centres opened in 2023 were capital-light
- Meaning the overall portfolio is increasingly tilting toward capital-light locations

1. Room count is as of the period end

Revenue growth driven by all segments

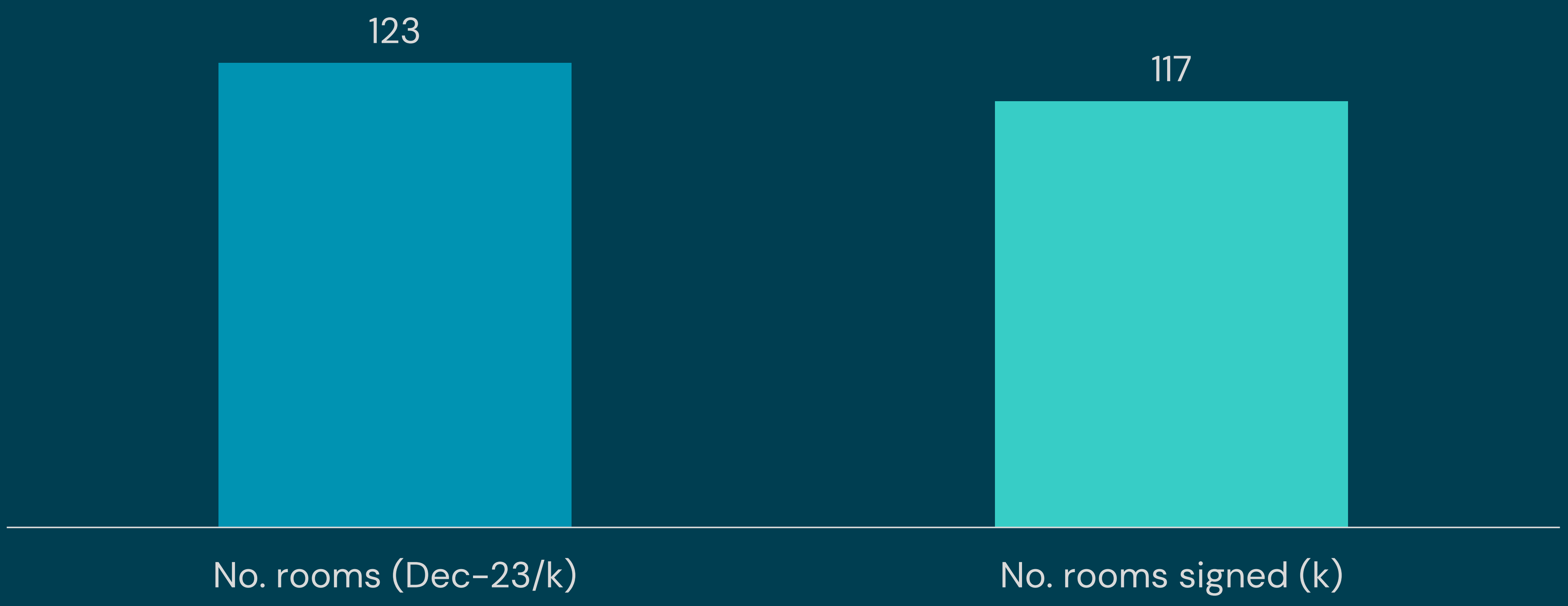
Managed & Franchised fastest system revenue growth



Managed & Franchised

Strong growth and great pipeline

	FY 2023 (£m)	Year-on-Year Growth
System revenue	427	20%
Gross profit	50	49%

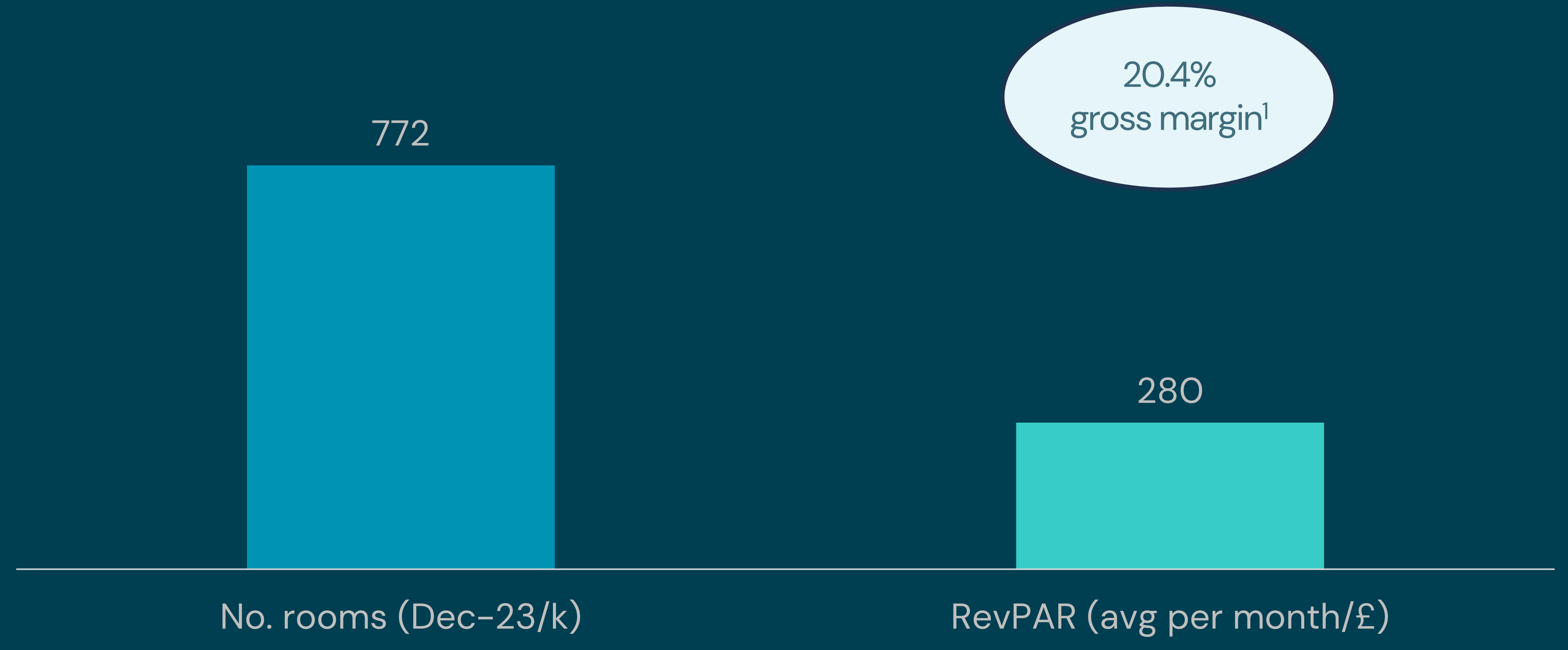


- Fee income up 49% to £50m on £427m of System revenue
- Record 117,000 rooms signed during 2023 up 129% vs 2022
- Signings now evolving into openings at pace with 37k rooms opened in 2023 – up 2.5x the 2022 rate
- RevPAR of £381 in 2023 with an estimated RevPAR of c£250 once all rooms in the pipeline have opened and matured

Company-Owned & Leased

Margin focus delivering results

	FY 2023 (£m)	Year-on-Year Growth
Revenue	2,589	7%
Gross profit	528	41%



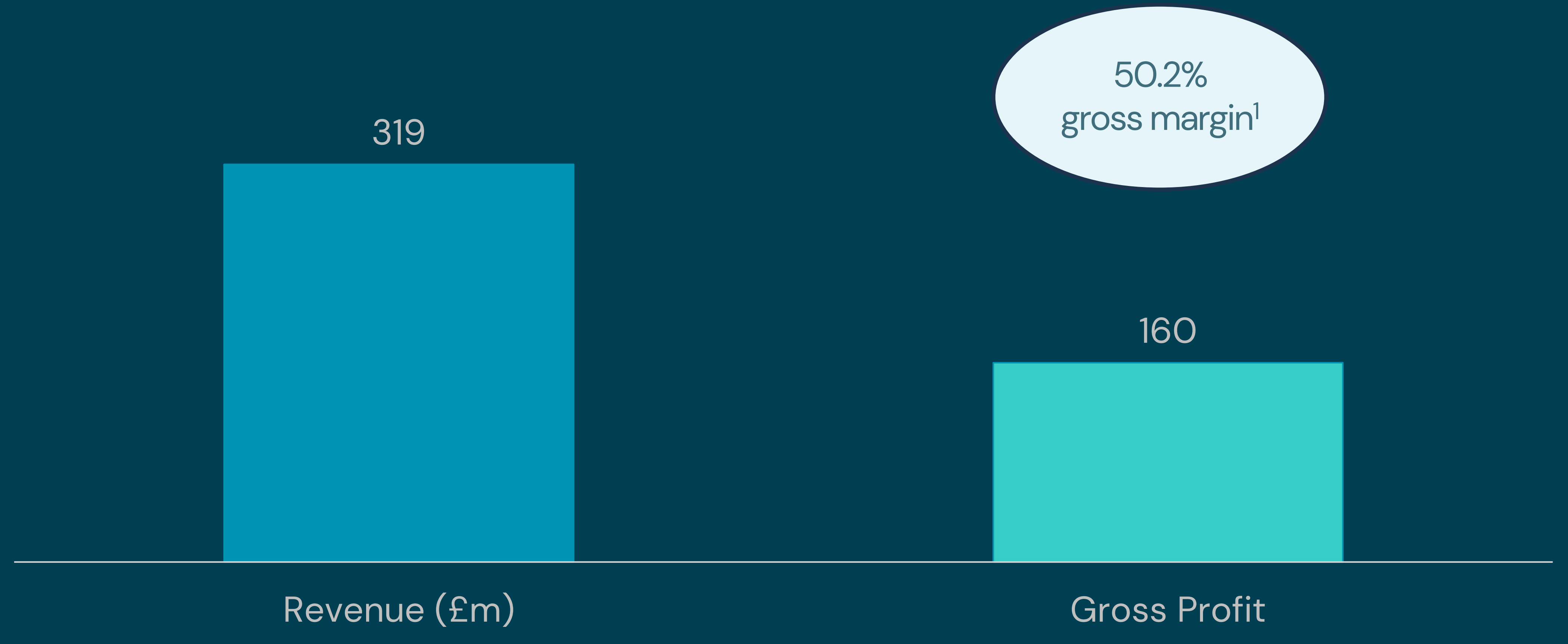
- Gross profit pre-rationalisations[1] margin increased by > 400 bps to 20.4%
- RevPAR increased 6% to £280, delivering revenue growth of 7% to £2.59bn
- Costs, including centre net maintenance capex, held below inflation driven by improving efficiencies, despite the high inflationary backdrop
- Centre net maintenance capex of £41m during 2023 which is a fraction of previous capex

1. Adjusted gross profit before depreciation on a pre-IFRS 16 basis

Worka

Strong margin delivery

	FY 2023 (£m)	Year-on-Year Growth
Revenue	319	18%
Gross profit	160	16%



- Investment continuing in the market-leading hybrid working platform
- Continued progress with multiple bolt-on acquisitions and platform expansion, in line with strategy
- Revenue increased by 18% to £319m delivering gross profit growth of 16% to £160m
- Some headwinds as legacy contracts roll off forecast; expectation of flat revenues during 2024

1. Adjusted gross profit before depreciation on a pre-IFRS 16 basis

Investments

Higher non-centre investments

£m	Centre Maintenance Capex (net)	Centre Fitout Capex (net)	Other Capex (incl. M&A)
Managed & Franchised	0	0	0
Company Owned & Franchised	(41)	(55)	(58)
Worka	0	0	(24)
2023	**(41)**	**(55)**	**(82)**
2022	(58)	(104)	(376)[1]

- Controlling centre maintenance capex as we continue to drive efficiencies throughout the business
- Net spend on centre fitouts continues to fall as we pivot further into our Managed & Franchised, capital-light strategy
- Spend on non-centre capex increased as we invest in technology to better automate our business to drive further efficiency across the Group

1. £36m excluding Worka

Bringing the divisions together

Strength across the board

£m	System Revenue	Revenue	Contribution[1]	Overhead[2]	Pre-IFRS Adjusted EBITDA[3]
Managed & Franchised	427	50	50	(70)	(20)
Company Owned & Leased	2,589	2,589	569	(272)	297
Worka	319	319	164	(38)	126
2023	**3,335**	**2,958**	**783**	**(380)**	**403**

1. Gross profit before depreciation
2. SG&A before depreciation
3. Adjusted EBITDA before the application of IFRS 16

- All divisions performing strongly
- Managed & Franchised driving revenues – cost investment in the partnerships team is now done and EBITDA from this division will grow strongly from here as fees continue to build
- Company Owned & Leased business delivering efficiency gains leading to margin expansion
- Worka delivering in line with the plan
- Leading to Adjusted EBITDA for the group of £403m

Summary P&L

Margin delivery pre-rationalisations

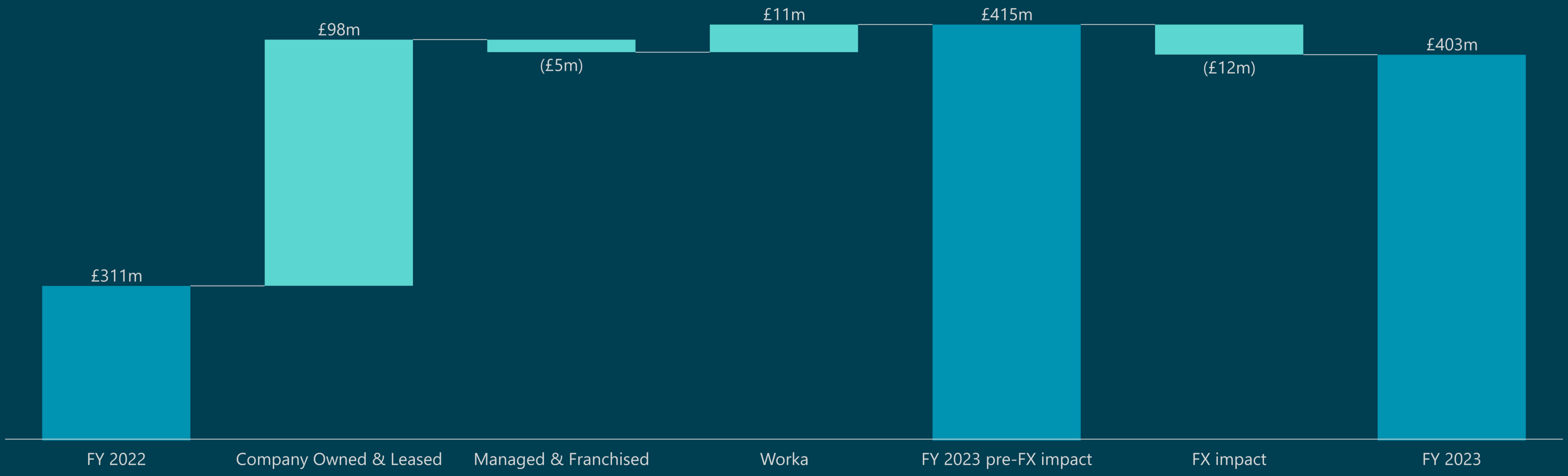
Preliminary results – £m	2023	2022	Constant currency	Actual currency
System-wide revenue	**3,335**	3,088	10%	8%
Group revenue	**2,958**	**2,751**	**9%**	**8%**
Gross profit before impact of rationalisations[1]	**738**	**559**	**35%**	**32%**
Margin	*24.9%*	*20.3%*		*4.6ppt*
Gross profit	**589**	**575**	**5%**	**2%**
Overheads & Joint ventures	**(444)**	(428)	5%	4%
Operating profit before impact of rationalisations[1]	**290**	**159**	**91%**	**81%**
Operating profit/(loss)	**145**	**147**	**7%**	**-2%**
Net finance cost	**(334)**	(252)		32%
Loss before tax from continuing operations	**(189)**	**(105)**		
Taxation	**(27)**	32		
Loss after tax from continuing operations	**(216)**	**(73)**		
Basic EPS (p)	(21.4)	(7.0)		
Adjusted EBITDA before application of IFRS 16	**403**	**311**		

1. Rationalisations include charges related to closures, one off impairments and other one-off items

- Record revenue combined with cost discipline led to strong growth in gross profit before the impact of rationalisations
- Overheads grew by less than inflation and less than revenue leading to margin expansion
- P&L profitability impacted by non-cash costs:
  - Rationalisations of £145m, not expected to continue at same level in 2024
  - Financing costs – only £55m is cash, remaining £280m is non-cash lease liability interest
- Adjusted EBITDA, pre application of IFRS, up 34% to £403m

34% increase in EBITDA[1]

Expanding margins from Managed and Franchised expected



1. Adjusted EBITDA before application of IFRS 16

However, focus is cash

Cash delivery increasing

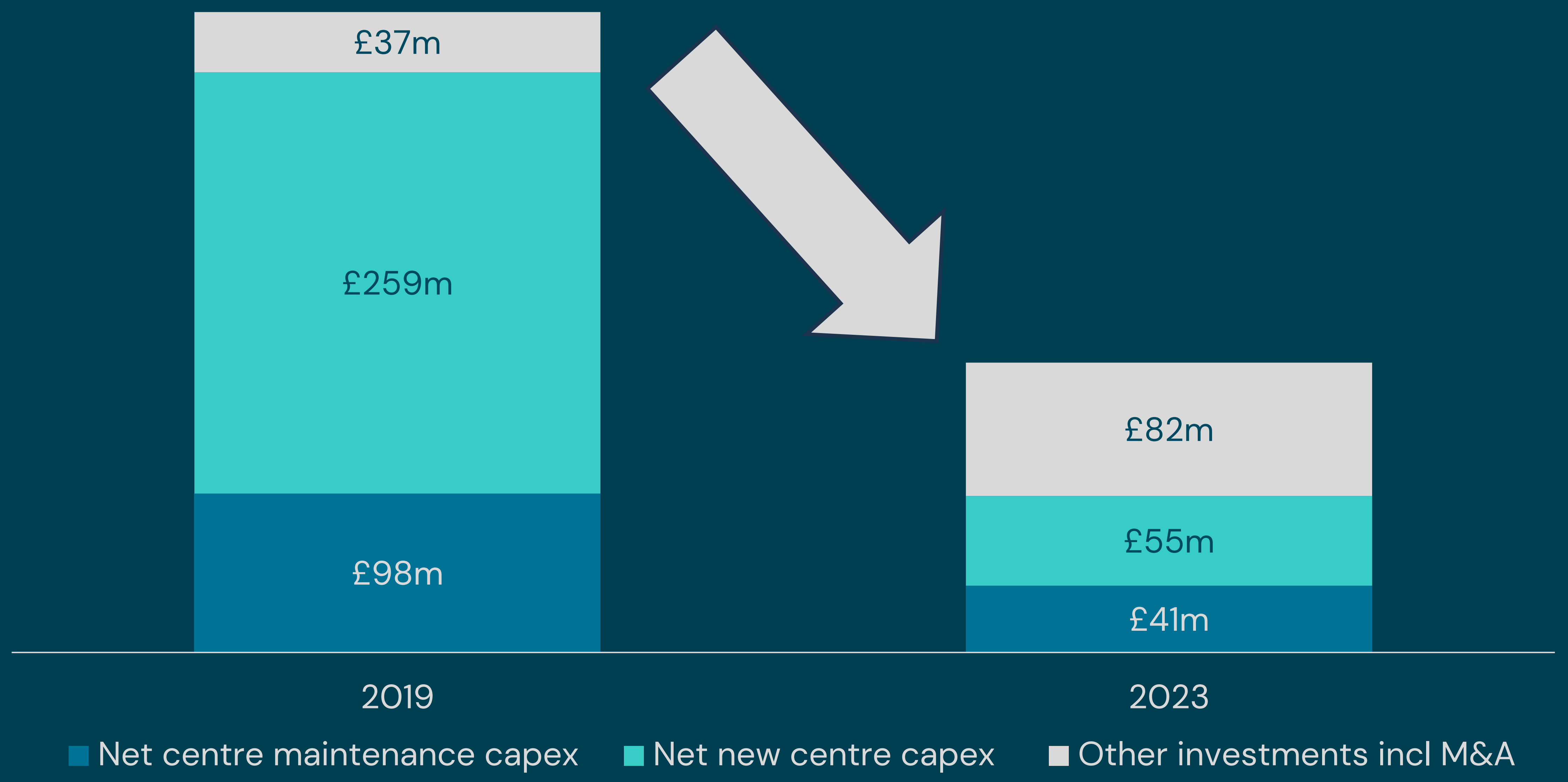
Preliminary results – £m	2023	2022
Operating profit/(loss)	145	147
Depreciation & amortisation	1,182	1,189
Rationalisation impact	145	12
Rent income	60	50
Rent expense	(1,106)	(1,059)
Other costs	(8)	(10)
Pre IFRS additional rationalisation impact differences	(15)	(18)
EBITDA adjusted before application of IFRS 16	403	311
Working capital (excl. amortisation of partner contributions)	92	22
Working capital related to the amortisation of partner contributions	(95)	(104)
Maintenance capital expenditure (net)	(93)	(90)
Other items[1]	(10)	12
Cash inflow/(outflow) from business activities[2]	297	151
Tax paid	(35)	(24)
Finance costs on bank & other facilities	(55)	(37)
Cash inflow/(outflow) before growth capex and corporate activities	207	90
Net growth capital expenditure	(75)	(141)
Purchase of subsidiary undertakings (net of cash)	(10)	(307)
Cash outflow before corporate activities	122	(358)
Purchase of shares & other corporate items	(1)	(5)
Net proceeds on transactions	(0)	54
Net proceeds from loans	(164)	386
Net cash inflow for the year	(43)	77
Opening net cash	161	78
FX movements	(8)	6
Closing cash	110	161

- Cashflow from business activities almost doubled year-over-year to £297m
- Working capital inflow due to higher customer deposits, controlled supplier payments and other non-cash expenses recognised in P&L
- Net growth capex down nearly 50% year-over-year in line with guidance
- Net financial debt level enables dividend resumption

1. Includes capitalised rent related to centre openings (gross growth capital expenditure) of £(2)m (2022: £(12)m)
2. Cash flow before growth capex, corporate activities, tax and finance cost on bank & other facilities

Falling capex

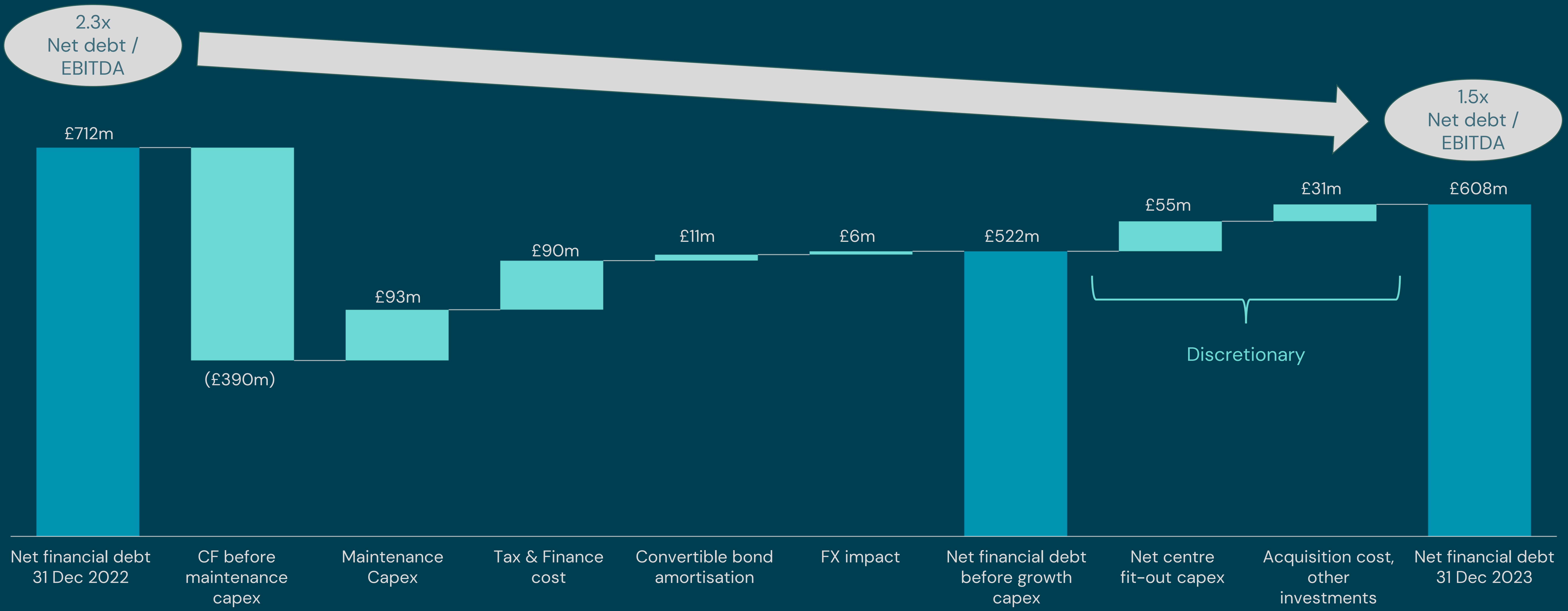
Lower centre capex, increasing investment



- Managed & Franchise expansion has enabled us to grow whilst significantly reducing our centre-related capex
- Total capex has fallen by over 50% from 2019 peak
- New centre capex expected to continue to decline
- Other investments predominantly relating to technology and Worka

Net Debt / EBITDA fallen to 1.5x

Continue to target 1x



ESG is important to both us and our customers

- IWG empowers businesses and people everywhere to work more sustainably
- As a solution to global workforces, and as a business, we are committed to ensuring our business activities achieve the highest level of environmental sustainability
- IWG benefits as our customers adopt hybrid work, and the environment benefits from substantially lower commuting
- We sell ESG solutions and products to our customers
- IWG is AA rated by MSCI
- 100% of IWG workspaces are now carbon neutral

MSCI

2024 and beyond

No change to expectations

- No change to expectations
- Medium term EBITDA run rate target of $1bn, including strong cashflow production – requires just over 10% CAGR from today
- Successful transition to US$ as functional currency and the Board plans to update on US GAAP in H1. Future reporting will be in USD.
- Dividend of 1.0p/share and progressive policy going forward