

7 May 2024

FIRST QUARTER TRADING STATEMENT

IWG plc, the world's largest hybrid workspace platform with a network in over 120 countries through flexible workspace brands such as Regus and Spaces, and the digital services business Worka, issues its first quarter trading statement for the three months ended 31 March 2024.

STRONG Q1 2024 WITH CONTINUING MARGIN GROWTH AND NETWORK EXPANSION

- Underlying quarterly system-wide revenue growth of 2% year-on-year on a constant currency basis
- All three divisions continue to perform:
 - Managed & Franchised: growth in new centres with both signings and openings accelerating
 - Company Owned & Leased: strong margin expansion
 - Worka: moderate growth as previously guided, with visibility on improvement during the year
- Net debt flat, due to the one-off impact of a system change as guided at the full-year results on 5 March 2024, with net debt reduction expected to continue during 2024
- No change to financial outlook from the statement at Full Year 2023 results on 5 March 2024

Mark Dixon, Chief Executive of IWG plc, said:

"The first quarter of 2024 produced good year-on-year underlying revenue growth showing that the move to hybrid working continues. We are delivering on our plan to grow in a capital-light way, and the momentum in signings, and importantly openings, continues to accelerate. We remain committed to our strategy of growing our network coverage and giving our customers a great day at work."

SUMMARY FINANCIALS

(\$m)	Q1 2024	Q1 2023 ¹	Constant currency	Actual currency
System-wide revenue	1,035	1,021	2%	1%
Managed & Franchised	139	124	15%	12%
Company Owned & Leased	799	803	0%	0%
Worka	97	94	2%	4%
Group revenue	912	911	0%	0%
Net financial (debt) ²	(791)	(862)		

1. Excludes the impact of the previously disclosed one-off franchise fee revenue item in Q1 2023

2. Before the application of IFRS 16 as defined in the Alternative Performance measures section of the 2023 Annual Report and Accounts

Managed & Franchised: momentum continues

The Managed & Franchised business system revenue is increasing (up 15% year-on-year on a constant currency basis) as previously signed rooms evolve into openings delivering fee income in-line with expectations. At the end of the quarter, we have 141,000 rooms open with a pipeline of 138,000 rooms signed but not yet opened.

Signings up 37% year-over-year with 179 Managed & Franchised locations signed during Q1 2024. The evolution of signings into openings is accelerating with an increase of openings of 265% year-over-year with 19,000 rooms opened in Q1 2024.

Revenue Per Available Room (“RevPAR”) evolving as expected – RevPAR of all open rooms was \$367 per month during the period, with an estimated RevPAR of c.\$315 once all 279,000 rooms have opened and matured. This would produce a system revenue of c.\$260m per quarter, nearly 2x this quarter’s system revenue. It is worth noting that as we expand our network coverage a significant proportion of new rooms opening are in more rural and suburban locations, which generally deliver lower RevPAR on a like-for-like basis.

	Q1 2024	Q1 2023 ¹	Constant currency	Actual currency
System (Partner) revenue (\$m)	139	124	15%	12%
RevPAR (\$)	367	447	-16%	-18%
Fee revenue (\$m)	16	14	14%	16%
Rooms open	141,000	94,000		50%
Centres open	800	503		59%
Rooms opened in the period	19,000	7,000		171%
Centres opened in the period	124	34		265%
Rooms in pipeline	138,000	59,000		134%
New centre deals signed	179	131		37%

Company-Owned & Leased: margin expansion delivering cash flow

Strong margin progression of 3.0ppt to 23.9% producing a contribution of \$191m. The division continues to produce increasing cash flow as a result of both cost control and 3% revenue growth from open centres. We signed 33 new locations and opened 18 in the period; the vast majority of these are capital-light in nature. Net growth capex continues to fall year-on-year in line with our strategy to grow via our capital-light operating model.

	Q1 2024	Q1 2023	Constant currency	Actual currency
Revenue (\$m) ³	799	803	0%	0%
RevPAR (\$)	345	347	0%	0%
Contribution ⁴ (\$m)	191	168	13%	14%
Contribution margin ⁴	23.9%	20.9%		3.0ppt
Rooms open	769,000	777,000		-1%
Centres open	2,826	2,872		-2%
Rooms opened in the period	5,000	7,000		-29%
Centres opened in the period	18	24		-25%

³ Network rationalization has had an impact on revenue growth while contributing to the strong margin expansion

⁴ Gross Profit excluding depreciation before the application of IFRS 16 and pre-rationalization cost, as defined in the Alternative performance measures section in the 2023 Annual Report

Worka: visibility to organic revenue growth

Worka is focused on capturing the full value chain from the structural growth market of hybrid working through continued investment in and development of the platform through adding new services and geographies to its operations. As previously guided, revenue growth at the start of the year has been moderate with anticipated improvement as the year progresses.

(\$m)	Q1 2024	Q1 2023	Constant currency	Actual currency
Revenue	97	94	2%	4%

Outlook and guidance

We remain focused on improving the margin in Company Owned & Leased, growing fees in the Managed & Franchised business, and controlling overheads across the Group. This is expected to be achieved by increasing both coverage and system-wide revenue in a capital-light manner. As a result, we are confident that both 2024 EBITDA and net financial debt will be in-line with management's expectations which have not changed since the full-year results on 5 March 2024.

Capital allocation will continue as guided during December's investor day, with net debt reduction expected during the year as we progress towards our target of 1x Net Debt / EBITDA. As previously announced, dividend payments have restarted with a progressive policy.

Looking forwards, management will continue monitoring market conditions for opportunities to manage the maturity profile of its capital structure. Additionally, adopting US GAAP remains under evaluation, with a decision to be taken in the coming months. The transition to USD reporting has been successfully completed.

Financial calendar

31 May 2024	Final 2023 dividend payment date
6 August 2024	Interim 2024 results
5 November 2024	Third quarter 2024 trading update

Details of results presentation

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

Please pre-register through PC, Mac, iOS or Android, using this [link](#) to attend the conference call

Further information

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