RNS Number : 8913K
International Workplace Group PLC
05 November 2024

**5 November 2024**

**THIRD QUARTER TRADING STATEMENT**

International Workplace Group plc, the world's largest hybrid workspace platform with a network in over 120 countries through flexible workspace brands such as Regus, Spaces, HQ, Signature and Worka, issues its third quarter trading statement for the three months ended 30 September 2024.

**SOLID NETWORK EXPANSION AND MARGIN IMPROVEMENT CONTINUE IN Q3 2024**

- Quarterly system-wide revenue growth of 2% on a year-over-year constant currency basis
- Managed and Franchised system revenue up 19% on a year-over-year constant currency basis. Net centre openings continue to accelerate, up 52% (100 in Q3 2024 vs 66 in Q3 2023)
- Segmental Performance:
    - Managed & Franchised: robust fee revenue growth of 46% in the quarter on a year-over-year constant currency basis
    - Company Owned & Leased: 4% revenue growth from open centres with contribution margin increasing to 25.2% for the quarter, representing +330bps
    - Worka: revenue flat, continuing platform investment to support improved future revenue trajectory
- Overhead: 21m increase year-over-year on a constant currency basis for the nine months to September 2024, supporting marketing, systems and managed partnership growth investment
- Net financial debt reduced to 734m (H1 2024: 768m)
- 2024 Interim dividend of 4m (0.43c/share) was paid in October 2024
- No change to financial outlook from the interim results statement on 6 August 2024

**Mark Dixon, Chief Executive of International Workplace Group plc, said:**

"This has been a good quarter for us with strong fee revenue growth of 46% in the Managed & Franchised segment, margin expansion in the Company-Owned & Leased segment and further cashflow production which has reduced net debt. We are delivering on our plan and have good visibility to our medium-term 1bn EBITDA target. We remain committed to our strategy of growing our network coverage and giving our customers a great day at work."

**SUMMARY FINANCIALS**

**Group**

| ( m) | **Q3 2024** | Q3 2023 | Constant currency | Actual currency | **9m 2024** | 9m2023 | Constant currency | Actual currency |
|---|---|---|---|---|---|---|---|---|
| System-wide revenue | **1,065** | 1,040 | 2% | 3% | **3,153** | 3,100 | 2% | 2% |
| Managed & Franchised | **157** | 136 | 19% | 17% | **444** | 388 | 17% | 14% |
| Company Owned & Leased | **809** | 808 | (1%) | 0% | **2,422** | 2,427 | 0% | 0% |
| Worka | **99** | 96 | 0% | 2% | **287** | 285 | (1%) | 1% |
| Group revenue | **931** | 919 | 0% | 1% | **2,767** | 2,755 | 0% | 0% |
| Net financial (debt)[1] | **(734)** | (775) | | | **(734)** | (775) | | |

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

**Managed & Franchised**

Managed & Franchised system revenue is developing positively (up 19% year-over-year on a constant currency basis) as previously signed rooms evolve into openings, delivering strong growth in fee revenue of 46% year-over-year for Q3. At the end of the quarter, we have 169,000 rooms open with a pipeline of 173,000 rooms signed but not yet opened.

The evolution of signings into openings is accelerating with an increase of net centre openings of 52% year-over-year with 15,000 rooms opened (net) in Q3 2024, and more total openings in the 9 months to the end of Q3 than in the whole of 2023.

Revenue Per Available Room ("RevPAR") continues to evolve as expected. RevPAR across all open rooms was 412 during the period, with an estimated blended RevPAR of c. 315 once all open rooms have matured, and signed rooms have opened and reached maturity. As we have previously disclosed, RevPAR on these additional Managed Partnerships rooms is targeted to be 250 at maturity. Once all rooms currently open and signed reach maturity, this is estimated to produce a system revenue of c. 320m per quarter.

| ( m) | **Q3 2024** | Q3 2023 | Constant currency | Actual currency | **9m 2024** | 9m2023 | Constant currency | Actual currency |
|---|---|---|---|---|---|---|---|---|
| System (Partner) revenue ( m) | **157** | 136 | 19% | 17% | **444** | 388 | 17% | 14% |
| RevPAR ( )[2] | **412** | 496 | (15%) | (17%) | **397** | 476 | (15%) | (17%) |
| Fee revenue ( m) | **23** | 16 | 46% | 47% | **58** | 44 | 28% | 32% |
| Rooms open | **169,000** | 110,000 | | 54% | **169,000** | 110,000 | | 54% |
| Centres open | **1,001** | 607 | | 65% | **1,001** | 607 | | 65% |
| Rooms opened in the period (net)[3] | **15,000** | 9,000 | | 67% | **46,000** | 18,000 | | 156% |
| Centres opened in the period (net)[3] | **100** | 66 | | 52% | **319** | 122 | | 161% |
| Rooms in pipeline | **173,000** | 110,000 | | 57% | **173,000** | 110,000 | | 57% |
| New centre deals signed | **181** | 190 | | (5%) | **568** | 515 | | 10% |

2. RevPAR (revenue per available room) and related growth is on a comparable basis, based on comparability as at 30 September 2024 and includes rooms that were open during the last 12 months in both the current and the prior year. The principal exclusions in deriving these measures are new openings and closures
3. 18 centres (3,000 rooms) in Q3 2024 were reclassified from Managed & Franchised into the Company-Owned & Leased segment

**Company-Owned & Leased**

In line with our goal to increase margins in this segment, contribution margin has improved to 25.2% at Q3 2024 producing a contribution of 204m for the quarter, and 584m in the 9 months to the end of Q3. Company-Owned & Leased continues to produce increasing cash flow as a result of both cost control and 4% revenue growth from open centres. We signed 53 new locations and opened 10 in the period (net); the vast majority being capital-light. Net growth capex continues to fall year-over-year in line with our strategy to grow via our capital-light operating model.

| ( m) | **Q3 2024** | Q3 2023 | Constant currency | Actual currency | **9m 2024** | 9m2023 | Constant currency | Actual currency |
|---|---|---|---|---|---|---|---|---|
| Revenue ( m)[4] | **809** | 808 | (1%) | 0% | **2,422** | 2,427 | 0% | 0% |
| RevPAR ( )[2] | **358** | 353 | 0% | 1% | **355** | 351 | 1% | 1% |
| Contribution[5] ( m) | **204** | 177 | 13% | 15% | **584** | 517 | 12% | 13% |
| Contribution margin[5] | **25.2%** | 21.9% | | 330bps | **24.1%** | 21.3% | | 280bps |
| Rooms open | **772,000** | 776,000 | | (1%) | **772,000** | 776,000 | | (1%) |
| Centres open | **2,860** | 2,848 | | 0% | **2,860** | 2,848 | | 0% |
| Rooms opened in the period (net)[3] | **1,000** | (1,000) | | n.m. | **-** | 4,000 | | (100%) |
| Centres opened in the period (net)[3] | **10** | (9) | | n.m. | **28** | (12) | | n.m. |

2. RevPAR (revenue per available room) and related growth is on a comparable basis, based on comparability as at 30 September 2024 and includes rooms that were open during the last 12 months in both the current and the prior year. The principal exclusions in deriving these measures are new openings and closures
3. 18 centres (3,000 rooms) in Q3 2024 were reclassified from Managed & Franchised into the Company-Owned & Leased segment
4. Network rationalisation has had an impact on revenue growth while contributing to margin expansion
5. 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**

Underlying revenue growth has offset the impact of the roll-off of one legacy contract, however Worka has been impacted by digital product delays with revenue remaining flat year-over-year, as previously guided.

| ( m) | **Q3 2024** | Q3 2023 | Constant currency | Actual currency | **9m 2024** | 9m2023 | Constant currency | Actual currency |
|---|---|---|---|---|---|---|---|---|
| Revenue | **99** | 96 | 0% | 2% | **287** | 285 | (1%) | 1% |

**Financing and Net Debt**

We are pleased to have completed our refinancing in June 2024 including subsequent repurchases of the Convertible Bond, the face value of which has reduced by 51.7% as at 30 September 2024. The refinancing included a renewal of a 720m Revolving Credit Facility onto a 5-year term, issuance of a listed €625m corporate bond at 6.50% and an inaugural investment-grade credit rating of BBB (Stable) from Fitch. Combined, these give the company a high-quality, long-term debt capital structure from which to continue its growth trajectory.

| ( m) | **Sept 30 2024** | Jun 30 2024 | Change |
|---|---|---|---|
| Cash | **147** | 160 | (13) |
| 2027 0.5% Convertible Bond[6] | **(204)** | (279) | 75 |
| 2030 6.5% Corporate Bond[6] | **(658)** | (605) | (53) |
| Other | **(19)** | (44) | 25 |
| **Net Financial Debt** | **(734)** | (768) | 34 |

6. Corporate Bond and Convertible Bond principal are net of derivative hedges to remove USD FX volatility

Net financial debt reduced by 34m in the quarter, driven by:

- Improved cash flows from our revenue growth, cost control and continued focus on our capital-light operating model.
- 2027 0.50% Convertible Bond: repurchases in August 2024 and September 2024 of £37.2m (at a weighted average price of 92.9%, representing a total consideration of £34.6m) and £25.5m (at a weighted average price of 93.6% representing a total consideration of £23.9m) respectively.

Offset by:

- 2030 6.50% Corporate Bond: bond increase of €50m in September 2024 on the same terms as the existing bond, but priced at 102.846, implying a yield to maturity of 5.88%. This was swapped into USD. We currently have no plans to tap the bond further as a means of a debt capital raise.
- Foreign exchange impacts ( 8m) of a weakening USD against the Euro increasing the carrying amount of the unhedged portion of the 2030 6.50% Corporate Bond.

2024 Interim dividend of 4m (0.43c/share) was paid in October 2024.

Further £10.8m of the 2027 0.50% Convertible Bond was repurchased in October 2024.

**Outlook and guidance**

The Group is confident that both 2024 EBITDA and net financial debt will be in-line with management's expectations which have not changed during 2024, as previously confirmed at the interim results on 5 August 2024.

Full-year signings of capital-light centres remain on track to be higher than 2023, with the accelerated evolution into openings expected to continue.

We reiterate our 1bn medium-term EBITDA target communicated at the Investor Day in December 2023. Managed & Franchised is developing positively relative to expectations, Company-Owned & Leased is expected to grow in-line and Worka developing slower than previously expected.

Our capital allocation policy remains to pay down net debt as we progress toward our short-term target of 1x Net Debt / EBITDA.

As we continue to simplify the presentation of our business for investors and stakeholders, a data book showing segmental splits in USD is now available on the Investor Relations website.

US GAAP will be implemented for 2025, and the Group will host investor workshops to discuss the impact of these changes at the beginning of 2025. Further details will be provided in the new year.

**Financial calendar**

| | |
|---|---|
| 4 March 2025 | 2024 Full Year Results |
| 6 May 2025 | First Quarter 2025 Trading Update |

| | |
|---|---|
| 20 May 2025 | Annual General Meeting |
| 5 August 2025 | 2025 Interim Results |
| 4 November 2025 | Third Quarter 2025 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 9am GMT.

Please pre-register through PC, Mac, iOS or Android, using this link to attend the conference call.

**Further information**

**International Workplace Group plc**

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