Regus plc

2013 full year results presentation

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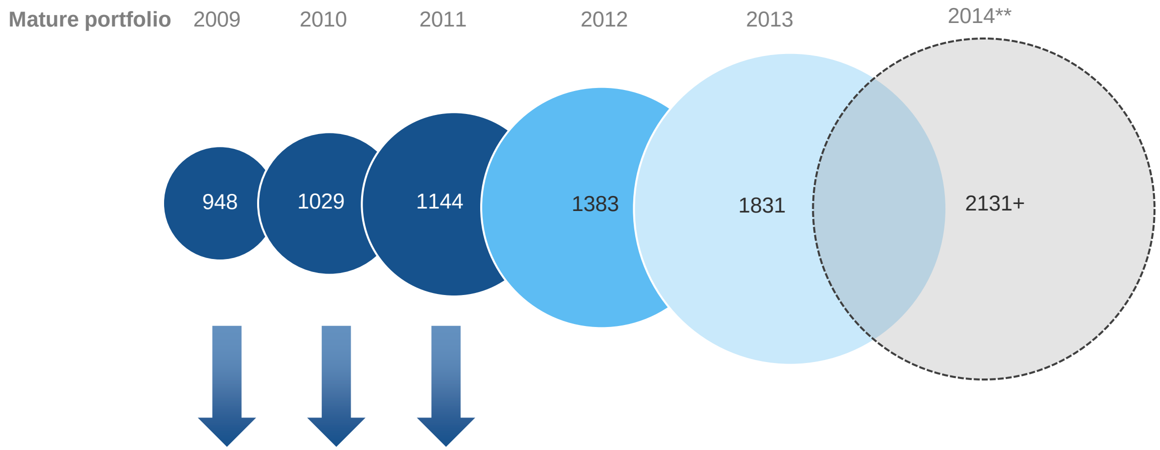
Results overview – strong performance

- Strong mature performance; net margin up to 16.7%
- Firm control over cost – overheads (ex R&D) down 3.8% per available workstation
- Record network growth of 30% to 1,831 business centre locations
- Group revenue increased 23.3% to £1,533.5m
- 13% increase in full year dividend to 3.6p

Grow, mature, return - the potential of our network



Mature EPS Y/E 31 Dec*	2011	2012	2013
Half year	3.8p	6.2p	7.6p
Full year	8.6p	14.0p	17.0p

- Mature group expands as each year group graduates
- Manage all centres to achieve mature margin potential
- Scale benefit on overheads drives improvements to operating margin
- Increasing EPS and mature free cash flow
- Re-investment drives additional growth and further benefits

* These figures are prepared on a consistent basis ie. 2012 mature centres are those that were opened on or before 31 December 2010

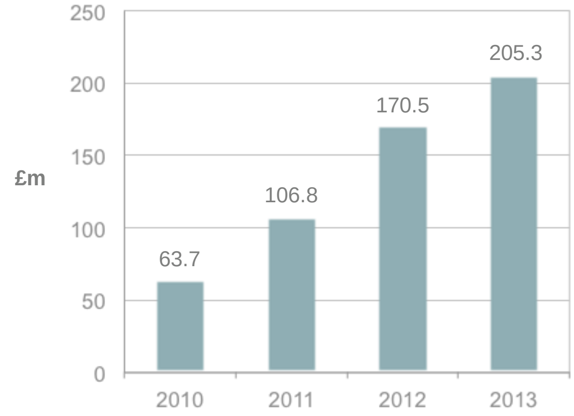
** Illustrative based on guidance of at least 300 new centre openings in 2014

Strong mature performance

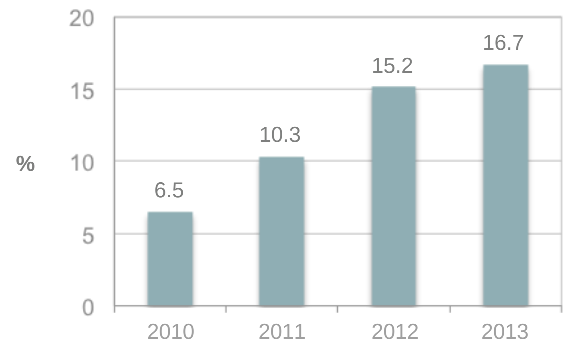
MATURE – improving performance

- Continued strong momentum
- Operating profit up 33% to £205.3m
- Mature EPS increased 34% to 17.0p (2012: 12.7p)
- Gross profit up 9% as a result of better yield management
- Strong operating margin of 16.7%, underpinned by overhead efficiencies and scale benefits
- Mature free cash flow increased 5% to £156.5m – 16.6p per share (2012: 15.9p)

Mature operating profit*



Mature operating margin*

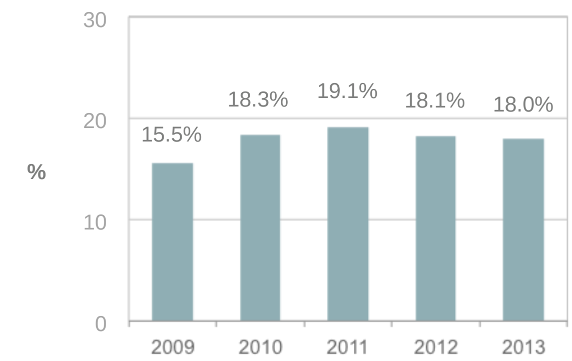


* These figures are prepared on a consistent basis ie. 2012 mature centres are those that were opened on or before 31 December 2010

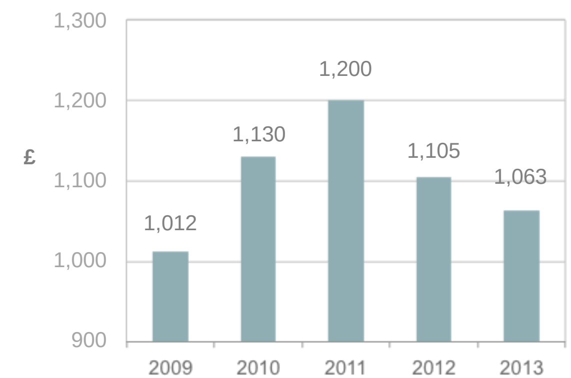
Progress on overhead efficiency

- Group overheads (ex R&D) per available workstation reduced by 3.8%
- Achieved through:
  - Scale advantages of a larger network
  - Further automation of back office
  - Management delayering and strengthening

Overheads* as a % of sales



Overheads* per available workstation

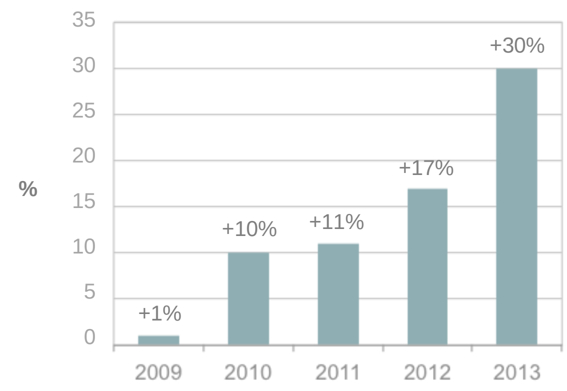


* Excluding R&D costs

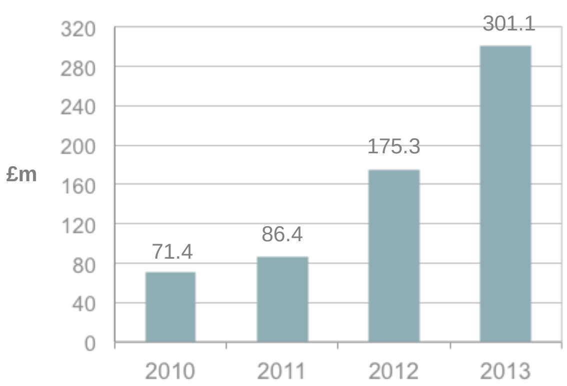
Record network growth

- 448 new centres – 30% growth of centre network (2012: 17%)
- 76 new third place locations – total network now stands at 98
- Opportune time to invest in broadening and deepening our network – growing customer demand and attractive returns
- New centres performing in line with expectations
- MWB fully integrated and on track to add at least £15m to group EBIT in line with expectations

Net annual growth of network



Investment in growth*



* These figures are prepared on a consistent basis ie. 2012 new centres are those that were opened between 1 January 2011 and 31 December 2012

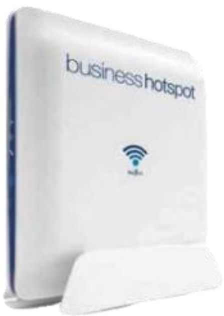
Innovation

- £7.2m invested in Research & Development – up 60%
- Ability to innovate crucial to driving long-term growth
- Examples of customer focussed innovation
    - Business Workbox – self contained workspace
    - DocStation – cloud printing platform
    - Cloud Voice Platform
    - Global Single Sign-on
    - Driver-Less OfficeCar

1

2

3



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5

1. Workbox
2. Driver-Less OfficeCar
3. Business Station
4. Business Hotspot
5. DocStation

Working with partners globally


1.

3.

5.


2.

4.

1. Railway – Amersfoort
2. Community centre – Laren

3. Roadside – Cambridge
4. Airport – Schiphol

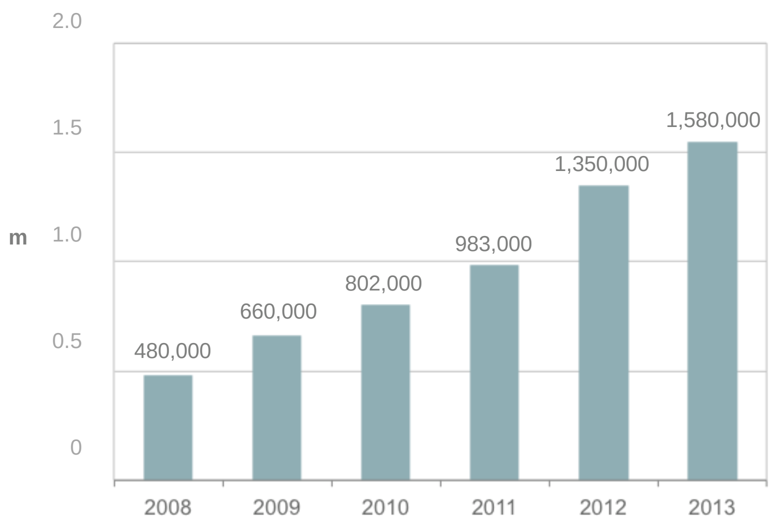
5. Retail – Reading

British Land | SBB | Brookfield | SNCF | NLB National Library Board Singapore | STAPLES
WELCOMEBREAK | station2station | EXTRA | Heathrow | Gatwick

Strong and growing customer demand

- Strong customer demand across all sectors
- Increasing customer diversity
- Penetration of new markets – more companies looking to outsource
- Success with large global corporates

Customer numbers



twitter

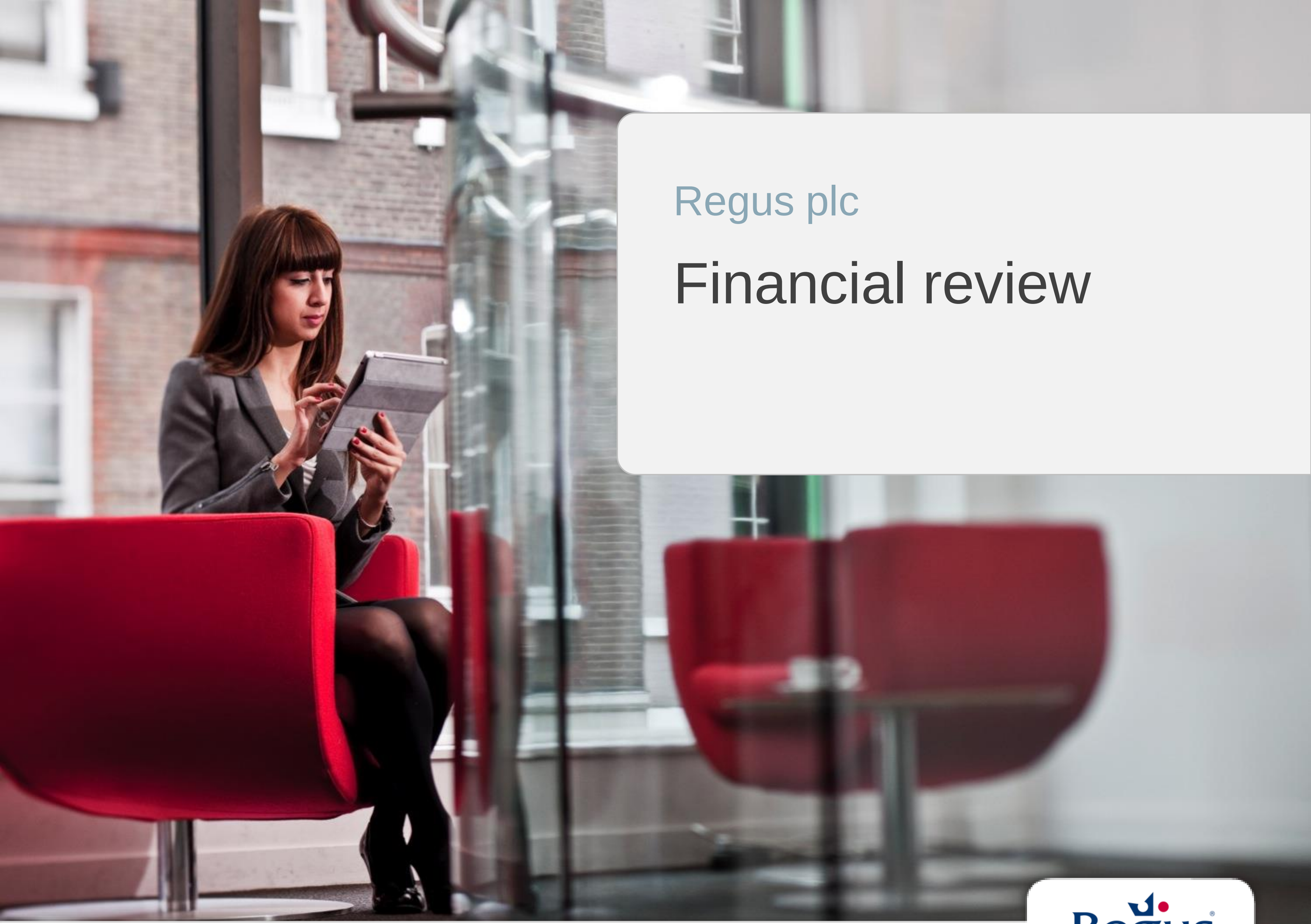
- Support across 12 countries in last year – fixed and flexible
- Convenient and affordable
- Speed of set up key

TOSHIBA
Leading Innovation

- Supporting 1,000+ workers across 14 countries
- Mix of Office, Virtual Office and Businessworld
- Speed and convenience

Summary

- Strong mature performance
- Record growth of network
- New centres performing in line with expectations
- Continue to lead industry innovation
- Positive progress on overhead control



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Financial review

Income statement – mature centres

£ million	2013	2012	Change
Revenue	1,226.3	1,182.0	**3.7%**
Gross profit (centre contribution)	359.0	328.3	**9%**
Gross margin	*29.3%*	*27.8%*	
Overheads	(153.8)	(173.4)	**11%**
Overheads as % of sales	*12.5%*	*14.7%*	
Operating profit*	205.3	154.5	**33%**
Operating margin	***16.7%***	***13.1%***	
EBITDA	272.1	216.8	**26%**
EBITDA margin	*22.2%*	*18.3%*	
Mature EPS (p)	***17.0***	***12.7***	**34%**

*After contribution from joint ventures

- 34% mature EPS growth to 17.0p (2012: 12.7p)
- Revenue growth of 3.7%
  - REVPOW growth of 4.3% to £7,750, up £321
  - Occupancy strong at 83.8% (2012: 84.5%)
- Gross profit increased 9% to £359.0m
  - Further maturation of 2011 additions
  - Strong cost discipline
- Mature overheads decreased 11% and reduced as a % of sales from 14.7% to 12.5% due to economies of scale and greater efficiency

Regional performance – mature centres

£ million	Revenue		Contribution		Mature margin (%)	
	2013	2012	2013	2012	2013	2012
Americas	534.0	509.6	168.9	153.4	31.6	30.1
EMEA	298.3	283.5	82.5	78.3	27.7	27.6
Asia Pacific	181.6	184.7	58.7	57.7	32.3	31.2
UK	210.7	202.9	50.3	37.6	23.9	18.5
Other	1.7	1.3	(1.4)	1.3	-	-
Total	**1,226.3**	**1,182.0**	**359.0**	**328.3**	**29.3**	**27.8**

- Good performance – margin progression across all regions
- Asia result impacted by weakening yen

Cash flow – mature centres

£ million	2013	2012
EBITDA	**272.1**	**216.8**
Working capital	(21.3)	20.5
Maintenance capital expenditure	(53.2)	(58.0)
Other items	3.1	3.0
Net finance costs	(5.2)	(4.5)
Taxation	(39.0)	(28.3)
Mature free cash flow	**156.5**	**149.5**
Mature free cash flow per share (p)	**16.6**	**15.9**
Free cash flow margin	***12.8%***	***12.6%***

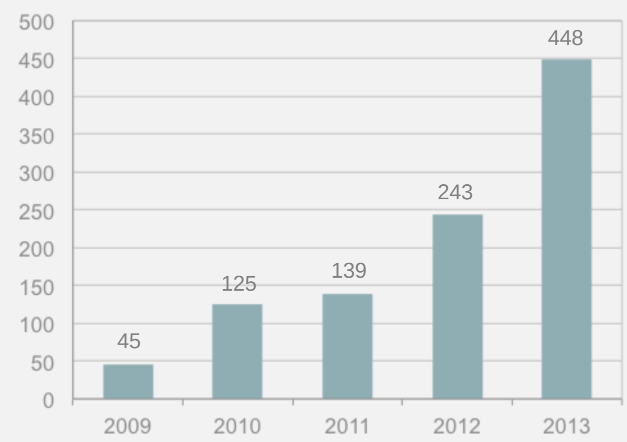
- Mature free cash flow per share of 16.6p
- Small outflow of working capital due to timing differences - represents 1.6% of gross Group working capital
- Maintenance capex remains in the 4-5% of mature revenues guidance range

Net investment - new centres

£ million	2013	2012
EBITDA	**(83.7)**	**(56.8)**
Working capital	85.4	25.9
Growth capital expenditure	(320.6)	(161.3)
Finance costs	(4.1)	(0.6)
Taxation	21.9	14.4
Net investment in new centres	**(301.1)**	**(178.4)**

- Record investment in growth driven by strong demand across all markets – 448 new centres added
- Strong positive working capital from new additions
- Investment supported by mature free cash flow and external funding

New centre additions



Income statement – new centres

£ million	2013	2012
New centres 2012		
Revenues	139.4	39.0
Gross profit	6.9	(8.7)
Growth overheads	(35.7)	(53.9)
Operating loss	**(28.8)**	**(62.6)**
New centres 2013		
Revenues	159.4	-
Gross profit	7.3	-
Growth overheads	(92.5)	-
Operating loss	**(85.2)**	-
Total new centre operating loss	**(114.0)**	**(62.6)**

New centres - 2012

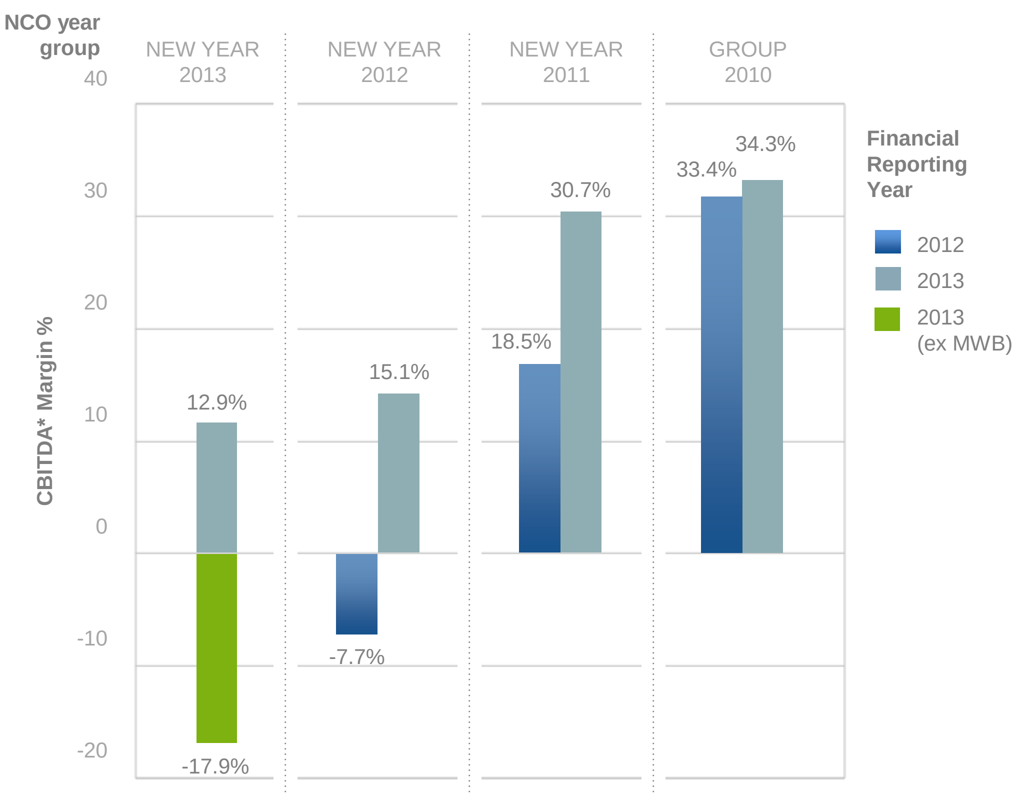
- Progressing in line to maturity
- Occupancy up to 70%

New centres 2013

- Record growth – 448 centres
- Successful integration of MWB - positive contribution to gross profit

2013 – similar progression to last year

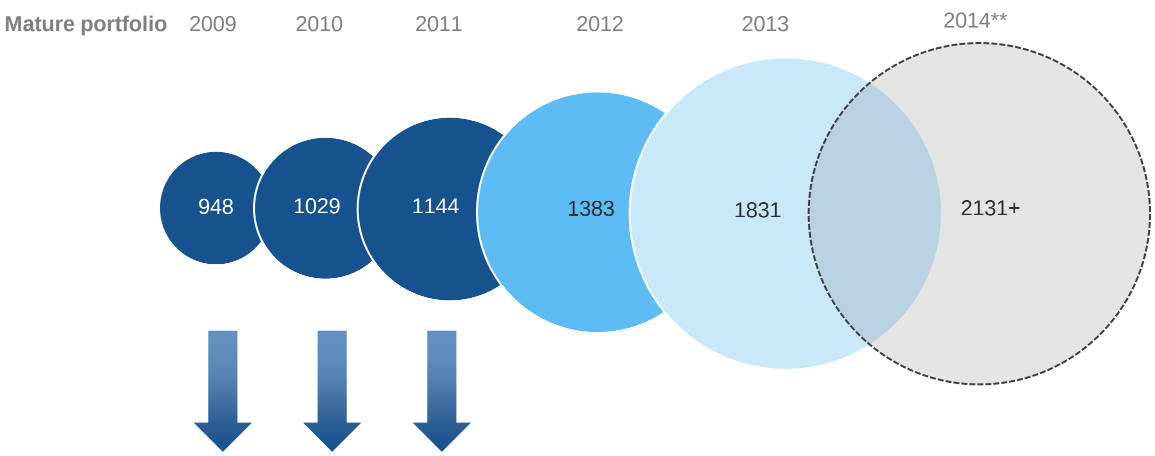
Margin progression by year of opening



*Gross profit (centre contribution) before Interest, tax, depreciation and amortisation

- Maturation progressing as expected
  - 2011s narrowed margin gap
  - 2012 and 2013 centres tracking as anticipated

Grow, mature, return - the potential of our network



Mature EPS Y/E 31 Dec*	2011	2012	2013
Half year	3.8p	6.2p	7.6p
Full year	8.6p	14.0p	17.0p

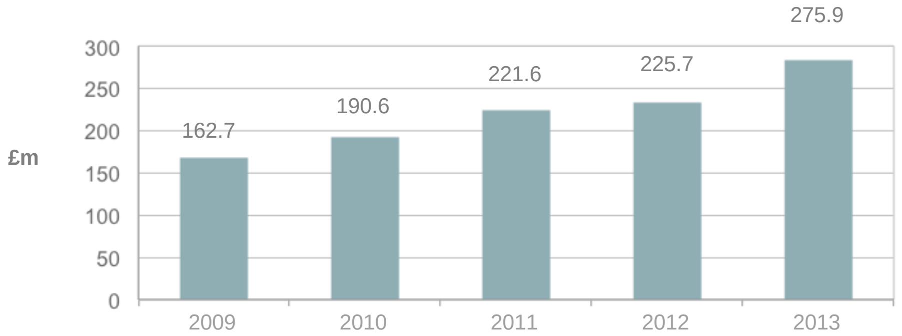
- Mature group expands through
  annual addition of centres
- Mature network increased by 21% on 1 January 2014
- Provides good forward visibility on the network and its revenue potential
- Scale benefit on overheads expected to continue to drive operating margin

* These figures are prepared on a consistent basis ie. 2012 mature centres are those that were opened on or before 31 December 2010

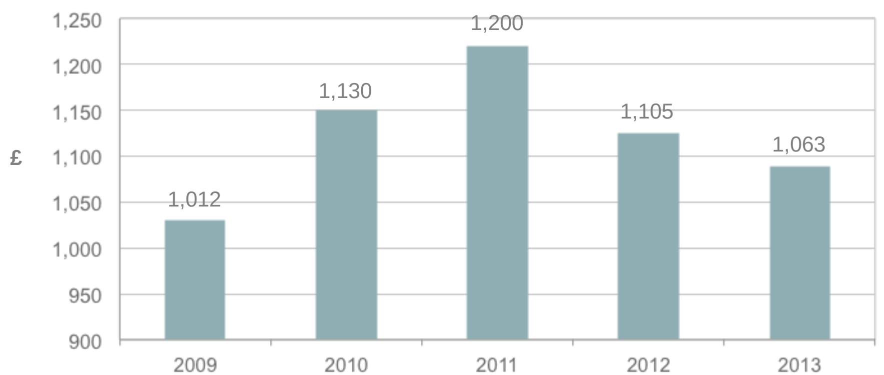
** Illustrative based on guidance of at least 300 new centre openings in 2014

Group overheads (ex. R&D)

Total Group overheads*



Overheads* per available workstation

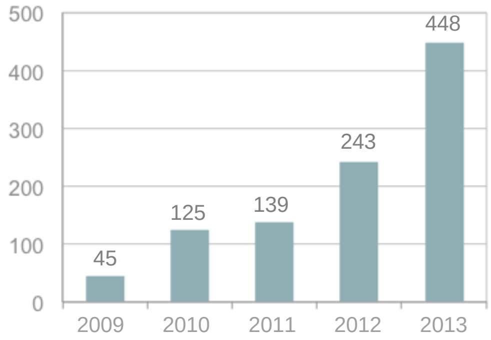


* Excluding R&D costs

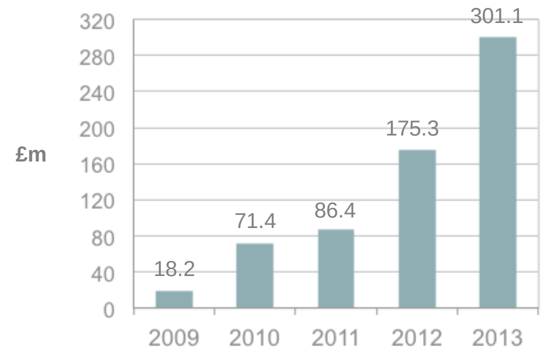
- Investing to support growth whilst maintaining strong cost discipline
- Improving overhead efficiency with overheads (ex R&D) per available workstation reducing by 3.8% - in spite of more growth, MWB transaction related costs and MWB overhead base
- Group overheads (ex R&D) as % of sales reduced to 18.0% (2012: 18.1%)
- Expect further progress in 2014
- Significant increase in R&D investment - £7.2m, up 60%

Funding increased investment

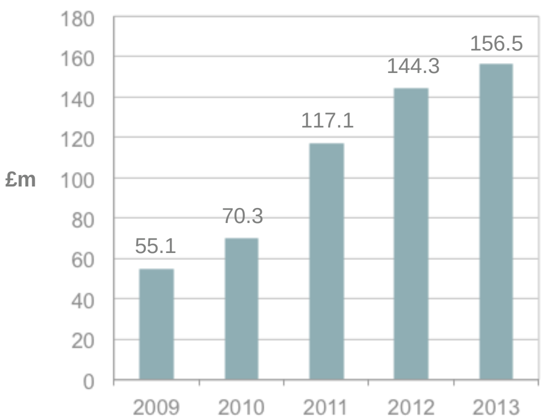
New centre additions



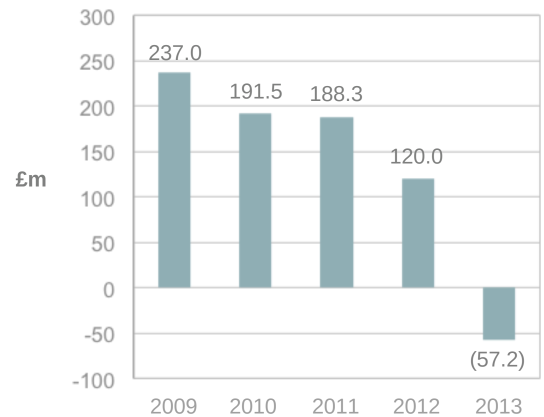
Investment in growth*



Mature free cash flow**



Net cash/(debt)



- Record growth in network
- New centre returns support continued investment
- Mature cash flow capable of supporting approximately 15% centre growth per annum
- Robust balance sheet to support growth
- Revolving Credit Facility amended and extended by £120m to £320m

** These figures are prepared on a consistent basis ie. 2012 mature centres are those that were opened on or before 31 December 2010

* These figures are prepared on a consistent basis – i.e. 2012 new centres are those that were opened between 1 January 2011 and 31 December 2012

Group results – overview

£ million	**2013**	**2012**
Revenue	1,533.5	1,244.1
Gross profit (centre contribution)	373.8	320.7
Gross margin	*24.4%*	*25.8%*
Overheads	(275.9)	(225.7)
Investment in R&D	(7.2)	(4.5)
Joint ventures	0.1	(0.3)
Operating profit	90.8	90.2
Operating margin	*5.9%*	*7.3%*
Net finance	(9.3)	(5.1)
Profit before tax	81.5	85.1
Taxation	(14.6)	(14.2)
Profit for the period	66.9	70.9
EPS (p)	**7.1**	**7.5**
Dividend per share (p)	**3.6**	**3.2**

- R&D spend increased 60% to £7.2m
- Dividend up 13%

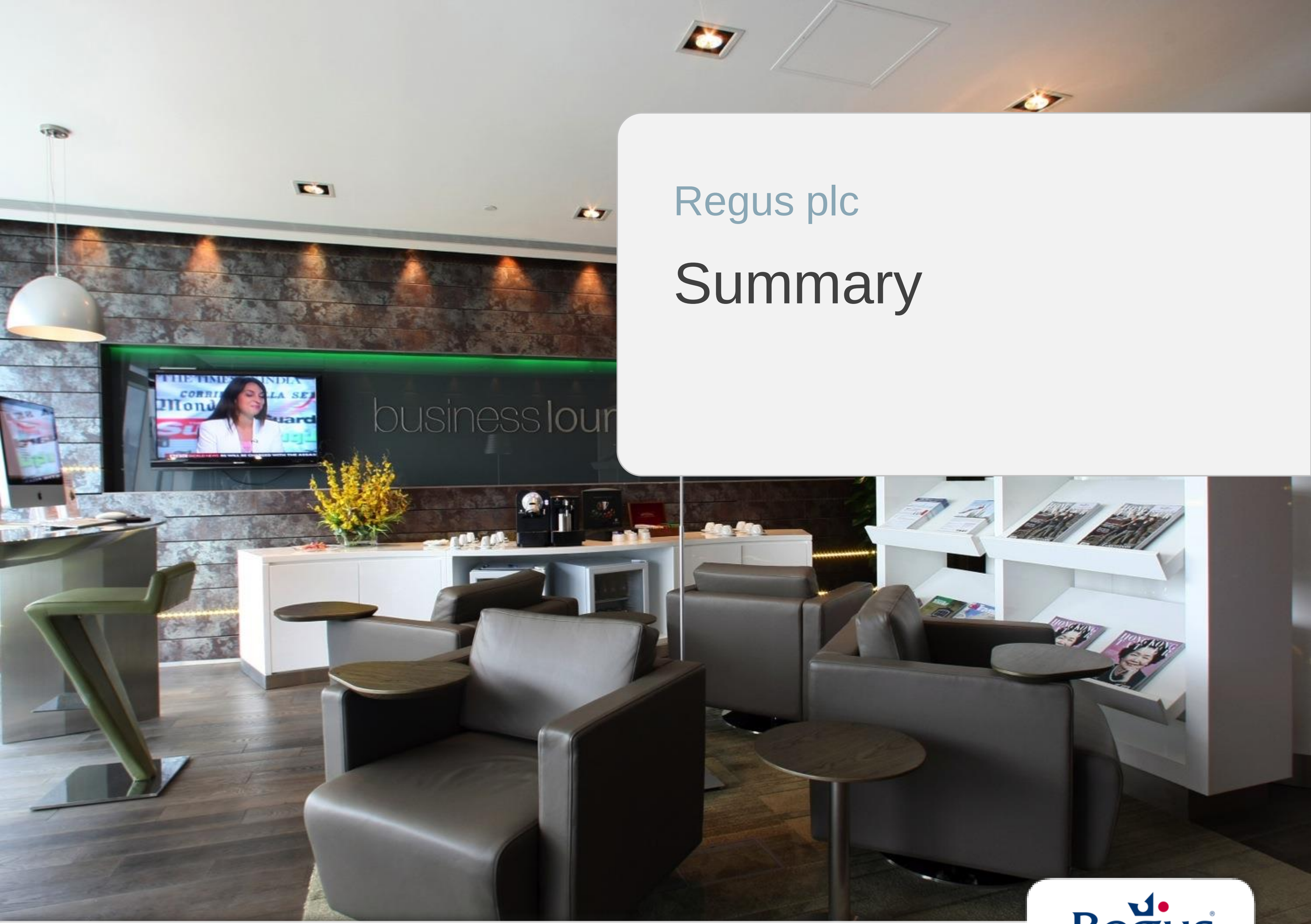
Financial summary

Strong performance

- Good profit and cash performance from Mature business
- Record level of new centre growth, with 12s and 13s performing in line with expectations
- Strong discipline on cost control maintained with 3.8% reduction in SG&A costs (ex R&D) per workstation
- Robust balance sheet maintained - net debt of £57m

Guidance

- Maintenance capital expenditure – c. 4-5% mature revenues
- 2014 new centre additions – anticipate at least 300
- Strength of sterling will affect translation of results



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Summary

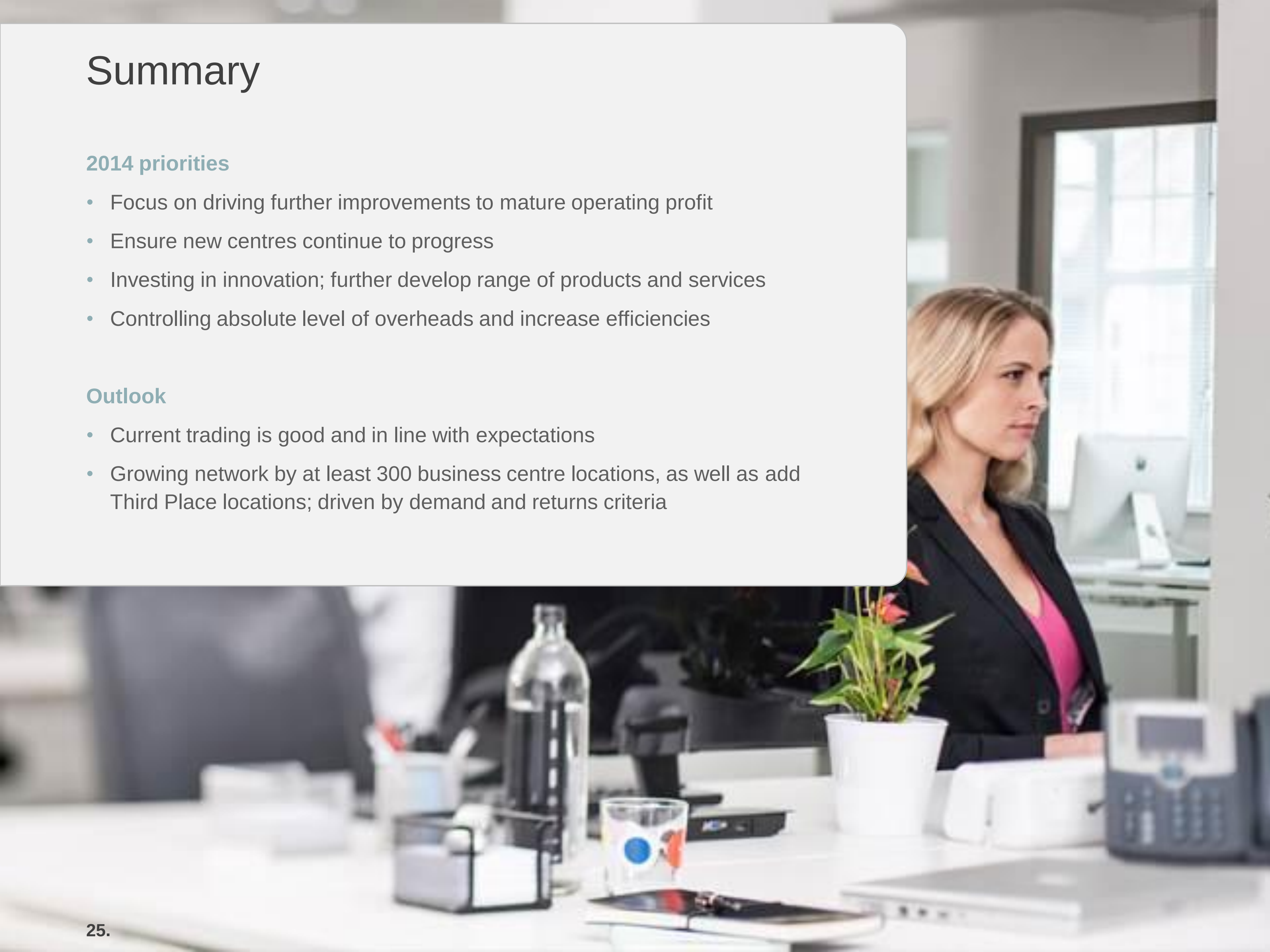
Summary

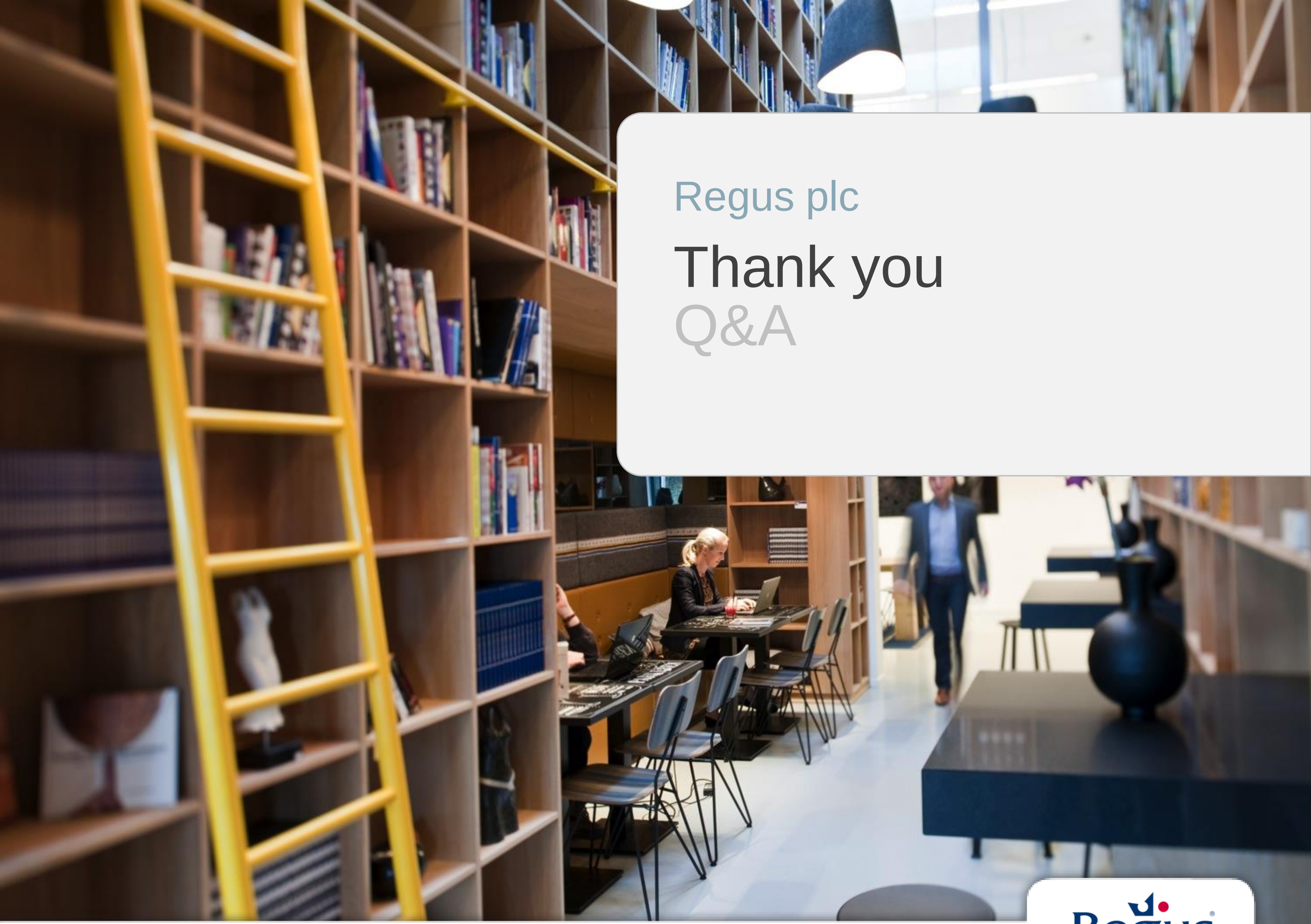
2014 priorities

- Focus on driving further improvements to mature operating profit
- Ensure new centres continue to progress
- Investing in innovation; further develop range of products and services
- Controlling absolute level of overheads and increase efficiencies

Outlook

- Current trading is good and in line with expectations
- Growing network by at least 300 business centre locations, as well as add Third Place locations; driven by demand and returns criteria





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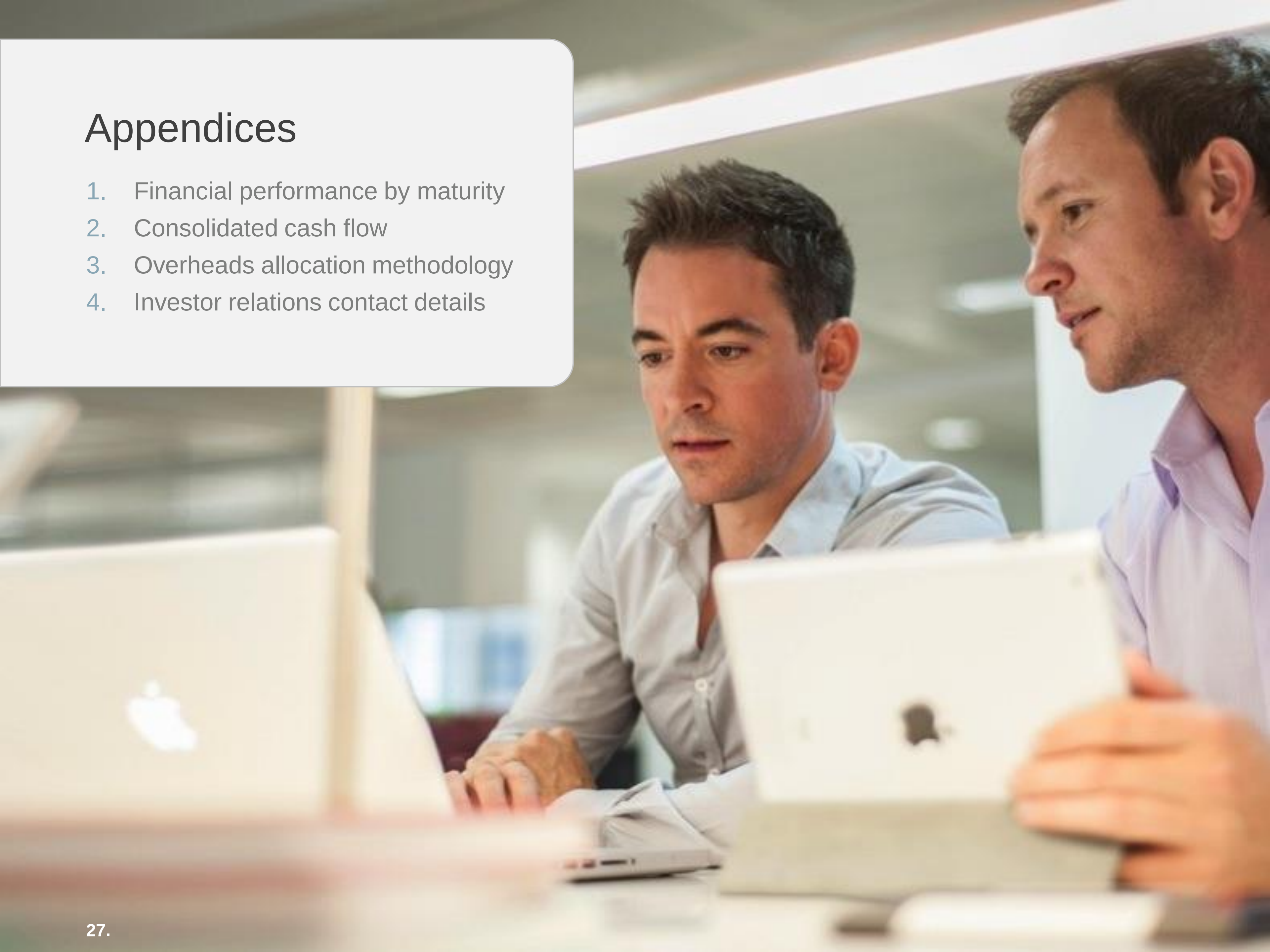
Thank you

Q&A

Appendices

1. Financial performance by maturity
2. Consolidated cash flow
3. Overheads allocation methodology
4. Investor relations contact details



Financial performance by maturity

£ millions	2013				2012			
	Mature centres	New centres	Closed centres	Total	Mature centres	New centres	Closed centres	Total
Revenue	1,226.3	298.8	8.4	1,533.5	1,182.0	39.0	23.1	1,244.1
Cost of sales	(867.3)	(284.6)	(7.8)	(1,159.7)	(853.7)	(47.7)	(22.0)	(923.4)
Gross profit (centre contribution)	359.0	14.2	0.6	373.8	328.3	(8.7)	1.1	320.7
Overheads	(153.8)	(128.2)	(1.1)	(283.1)	(173.4)	(53.9)	(2.9)	(230.2)
Share of profit on joint venture	0.1	–	–	0.1	(0.3)	–	–	(0.3)
Operating profit	**205.3**	**(114.0)**	**(0.5)**	**90.8**	**154.6**	**(62.6)**	**(1.8)**	**90.2**
EBITDA	**272.1**	**(83.7)**	**(0.1)**	**188.3**	**216.8**	**(56.8)**	**(0.7)**	**159.3**

Consolidated cash flow

£ millions	2013	2012
Mature free cash flow	**156.5**	**149.4**
New investment in new centres	**(301.1)**	**(178.4)**
Closed centres cash flow	-	(6.4)
Total net cash flow from operations	**(144.6)**	**(35.4)**
Dividends	(31.1)	(28.2)
Corporate financing activities	0.3	(2.3)
Change in net cash	**(175.4)**	**(65.9)**
Opening net cash	120.0	188.3
Exchange movements	(1.8)	(2.4)
Closing net cash	**(57.2)**	**120.0**

Overheads allocation methodology

Four key elements

1. New centre opening costs estimated at £110,000 per centre. Reflects the costs incurred to the point of opening.
2. Property team costs. It is estimated that 90% of the property teams' costs are spent on supporting the growth programme.
3. Sales and marketing costs. The principle is that the allocation is made on the basis of new workstation sales as the nature of the spend is to generate new enquiries and convert into new sales. Renewals are excluded, as these are handled by the centre staff, who form part of our cost of sales.
4. All other overhead costs are allocated pro rata by reference to available workstation numbers.

Investor relations contact details

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