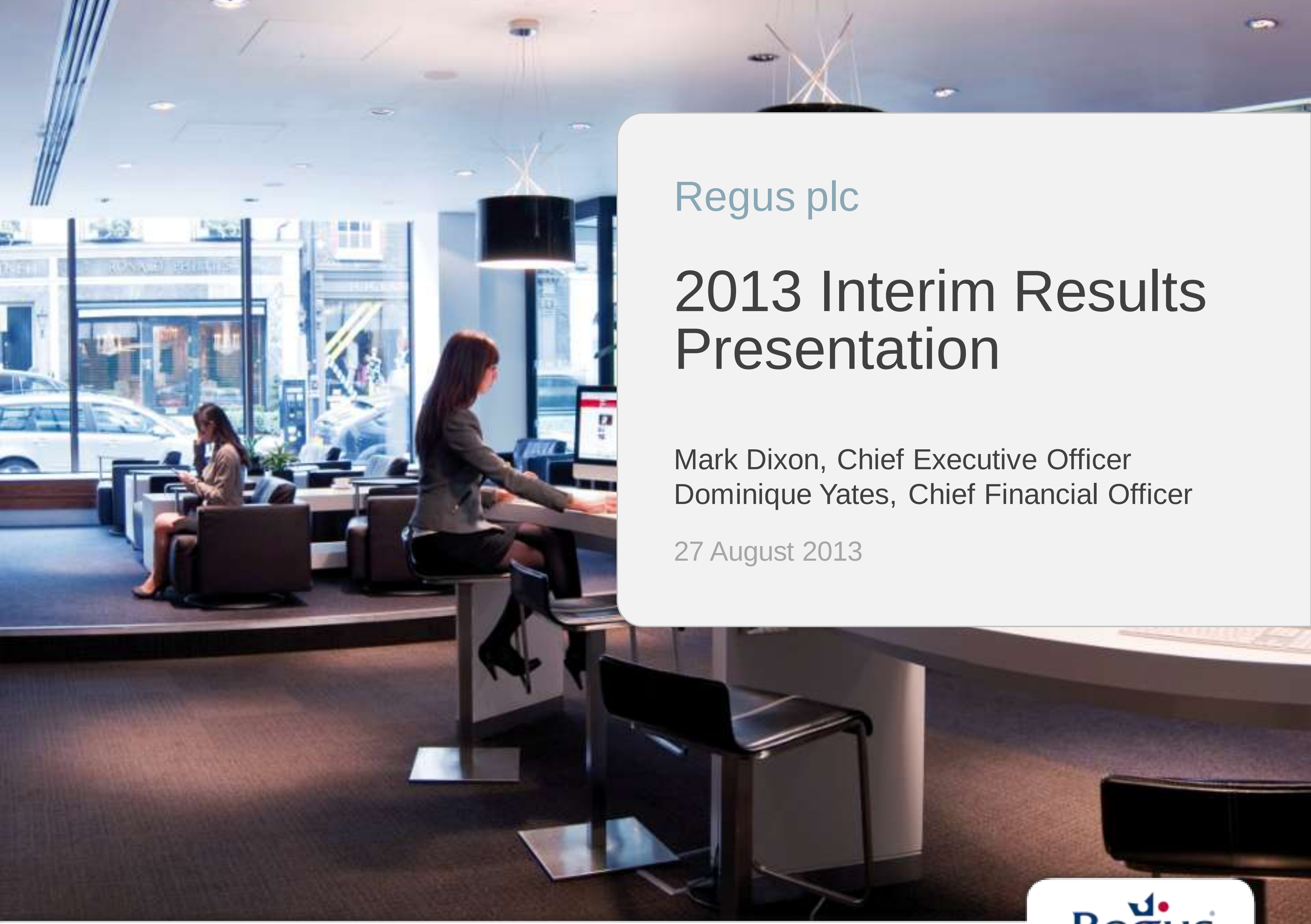

Regus plc

# 2013 Interim Results Presentation

Mark Dixon, Chief Executive Officer
Dominique Yates, Chief Financial Officer

27 August 2013

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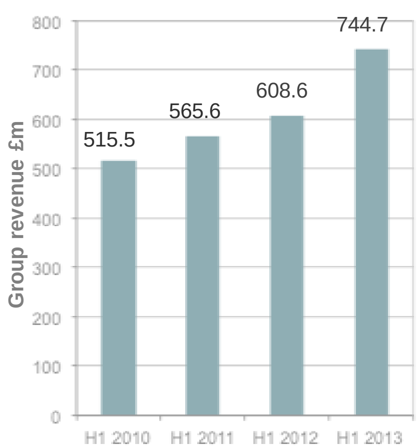
# Strong progress on delivering our strategy

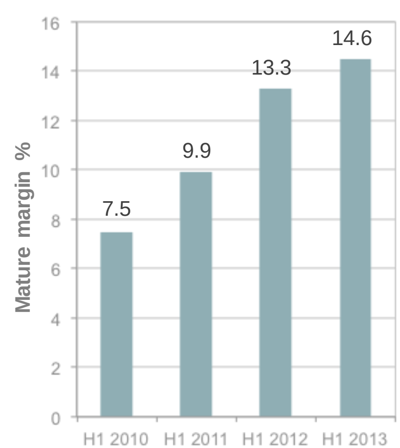
### Demand led revenue growth

- Revenue up 22.4% to £744.7m
- 203 new centres added
- Continue to benefit from structural shift to flexible working




### Mature operating margin growth

- Achieved 14.6% in H1
- Economies of scale and overhead efficiencies
- REVPOW up 3.7% at constant currency
- Strong occupancy of 84.2%

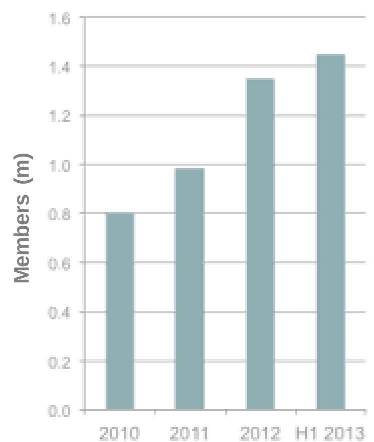



### New developments and Third Place

- Continued product & service innovation
- Third place locations complementary to core network

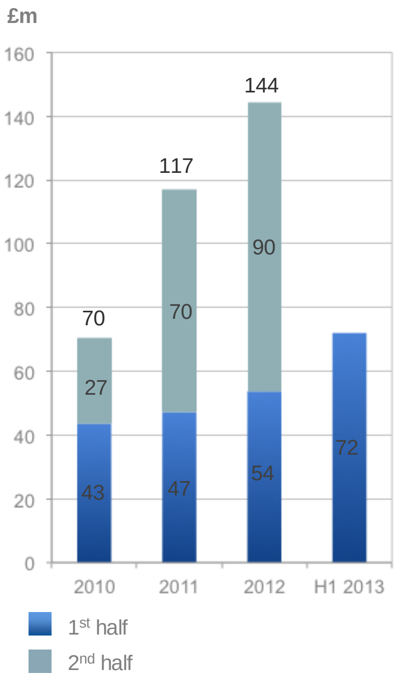
### Grow customer base

- Currently 1.45 million members
- Good progress with third party partnerships and large corporates

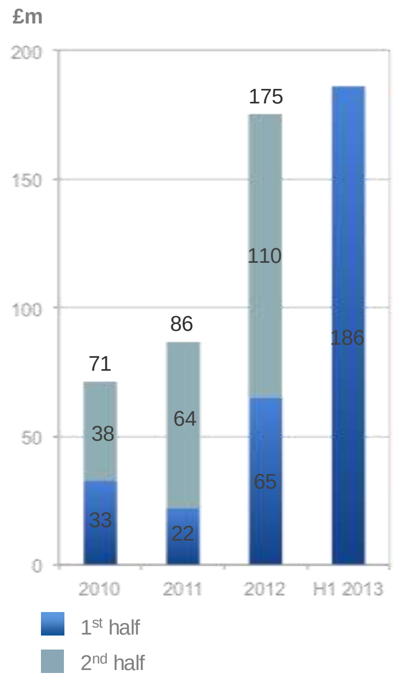
# Strong cash generation funding growth and dividend distribution

## Strong mature free cash flow



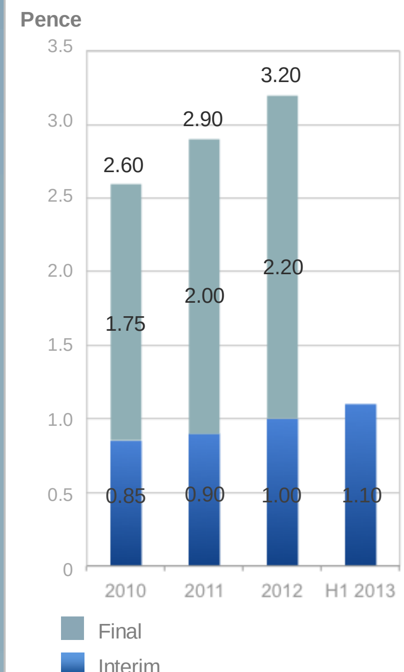

NB: these figures are prepared on a consistent basis ie. 2012 mature centres are those that were opened on or before 31 December 2010

## Increased net investment in growth

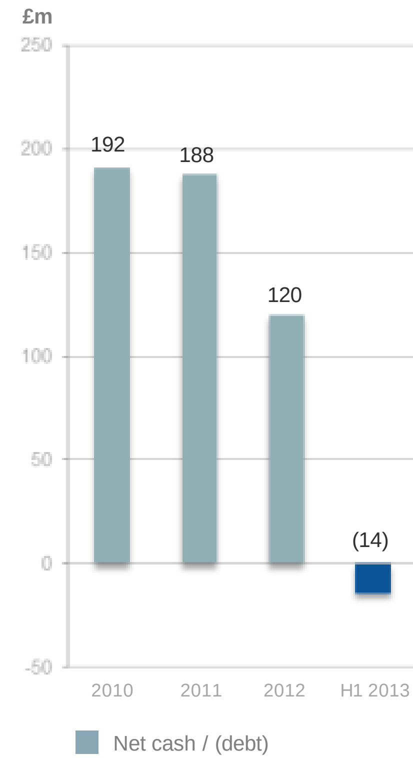



NB: these figures are prepared on a consistent basis ie. 2012 new centres are those that were opened between 1 January 2011 and 31 December 2012

## Further dividend progression




## Strong mature cash flow and £200m facility underpin future growth



# Mature centres performing strongly

- Operating profit up 50% to £91.4m
- Revenue growth of 4.5% at constant currency to £626.0m
  - Occupancy remains strong at 84.2% (H1 2012: 83.9%)
  - REVPOW of £3,913 up 3.7% at constant currency
- Gross margin up to 28.5% (H1 2012: 26.7%)
- Improved performance across all regions
- 2011 centres operating profit positive, in line with expectations

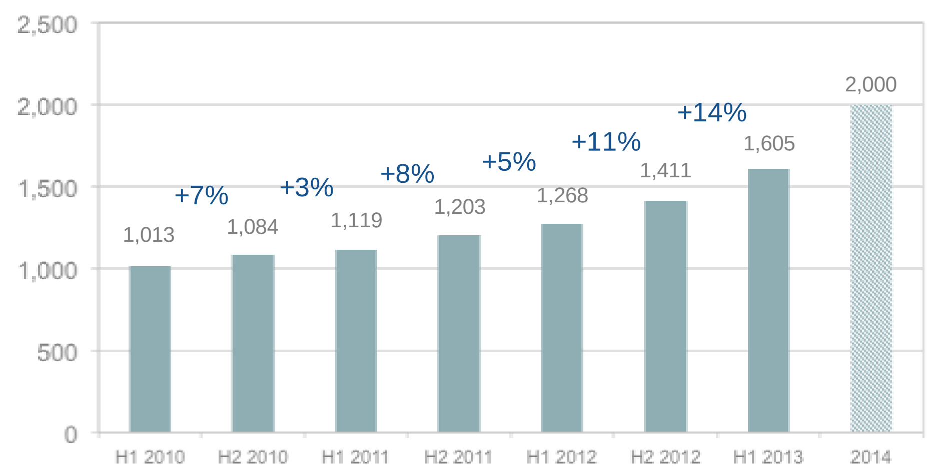
# Network growth on track

- Further strengthening of the network – broader and deeper
- Continued customer demand
- Substantial opportunities to invest above our hurdle rate
- Scale drives reduction in overheads per centre

## What have we delivered?

- 1,605 centres, 600 cities, 100 countries
- Investment across all regions
  - Scale growth in UK with MWB
  - Further strong growth in Americas and APAC
- 14% growth of centre network over the first half, with 203 new centres added

### Strong network growth



# Third Place building momentum

- Highly complimentary to core business centre network
- Enables us to reach a far greater target audience
- Strong demand from major organisations across multiple industry sectors demonstrates market opportunity
- Strong returns discipline

## Key developments

- 69 third place locations open across Berlin
- Welcome Break open; deal signed with Moto
- Continue to develop new concepts





1. Shell, Berlin
2. Extra, Beaconsfield
3. Welcome Break, Membury
4. Shell, Berlin

# Innovation is a major differentiator

- A major differentiator; sets us apart from competition
- Investment in the future of the business
- Fast moving environment

## Key developments

- Launched contactless card and smartphone technologies to improve access to network
- Cloud based printing
- Callstream VoIP service
- Expanded range of Third Place products including Workbox, Hotspot and Corner


1.


2.


3.

4.

1. Business Workbox
2. Document station
3. Retail Business station
4. Business Hotspot

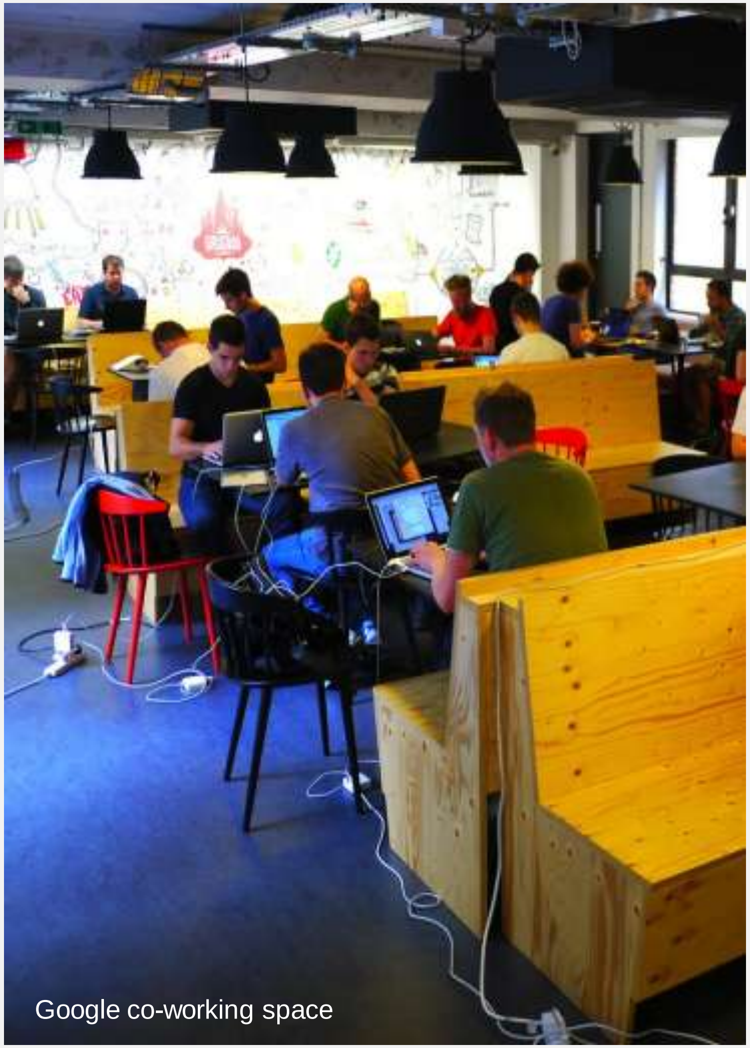
# Flexible working is becoming mainstream

## Early adopters – SMEs and growing companies

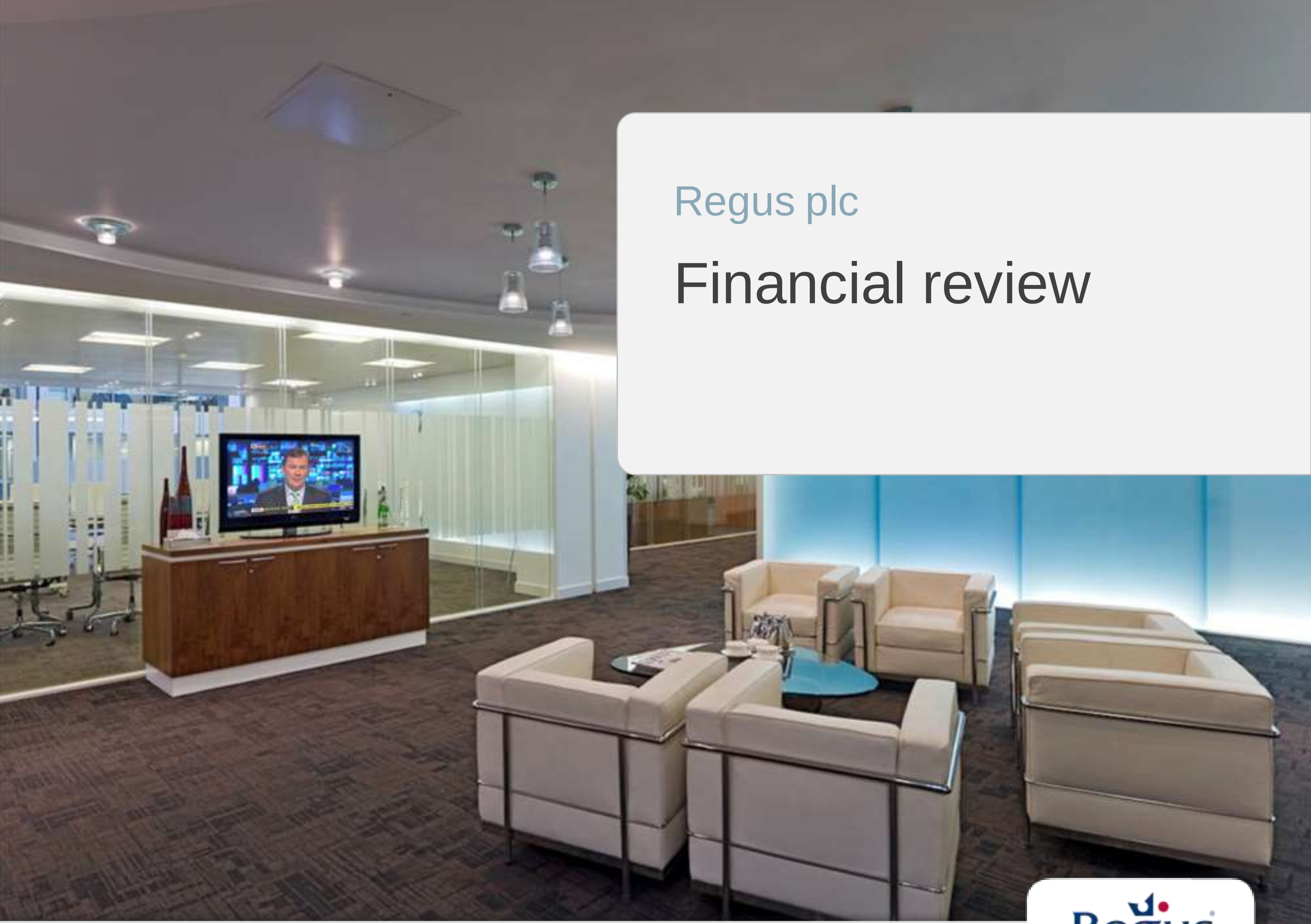
Google
CISCO
LinkedIn
twitter

## Mainstream adopters – large corporates

NOKIA Connecting People
TOSHIBA Leading Innovation
MERCK



Google co-working space



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# Financial review

# Income statement – mature centres

| £ million | H1 2013 | H1 2012 | Change |
| --- | --- | --- | --- |
| Revenue | 626.0 | 591.1 | **5.9%** |
| Gross profit (centre contribution) | 178.7 | 158.1 | **13%** |
| *Gross margin* | *28.5%* | *26.7%* | |
| Overheads | (87.6) | (96.7) | **9%** |
| *Overheads as % of sales* | *14.0%* | *16.4%* | |
| Operating profit* | 91.4 | 61.1 | **50%** |
| ***Operating margin*** | ***14.6%*** | ***10.3%*** | |
| EBITDA | 125.2 | 91.3 | **37%** |
| *EBITDA margin* | *20.0%* | *15.4%* | |
| ***Mature EPS (p)*** | ***7.6*** | ***5.0*** | **52%** |

- Revenue growth of 4.5% at constant currency
  - Occupancy strong at 84.2%
  - REVPOW up 3.7% to £3,913 at constant currency (5.2% at actual rates)
- Gross margin improved from 26.7% to 28.5%
- Mature overheads down 9% and reduced as a % of sales from 16.4% to 14.0% due to business efficiencies and scale benefits
- 2011 centres contributed positively to group operating profit in H1 – in line with our 16-18 month guidance

*After contribution from joint ventures

# Regional performance – mature centres

| £ million | Mature revenue | | Mature contribution | | Mature margin (%) | |
|---|---|---|---|---|---|---|
| | H1 2013 | H1 2012 | H1 2013 | H1 2012 | H1 2013 | H1 2012 |
| Americas | 273.9 | 253.0 | 87.7 | 73.3 | 32.0% | 29.0% |
| EMEA | 154.2 | 145.2 | 41.5 | 38.7 | 26.9% | 26.7% |
| Asia Pacific | 93.5 | 90.6 | 29.4 | 28.4 | 31.4% | 31.3% |
| UK | 103.5 | 101.6 | 20.5 | 16.6 | 19.8% | 16.3% |
| Other | 0.9 | 0.7 | (0.4) | 1.1 | - | - |
| **Total** | **626.0** | **591.1** | **178.7** | **158.1** | **28.5%** | **26.7%** |

- Revenue and contribution improvement across all regions
- UK continues to improve

# Cash flow – mature centres

| £ million | H1 2013 | H1 2012 |
|---|---|---|
| **EBITDA** | **125.2** | **91.3** |
| Working capital | (3.9) | 9.0 |
| Maintenance capital expenditure | (30.6) | (24.7) |
| Other items | 1.4 | (2.9) |
| Net finance costs | (1.9) | 0.4 |
| Taxation | (17.9) | (11.9) |
| **Mature free cash flow** | **72.3** | **61.2** |
| **Mature free cash flow per share (p)** | **7.7** | **6.5** |
| ***Free cash flow margin*** | ***11.5%*** | ***10.4%*** |

- Maintenance capex remains in the 4-5% guidance range of mature revenue
- Tax based on 20% of profit before tax, the anticipated long term effective tax rate
- Mature free cash flow of 7.7p per share

# Net investment in new centres

| £ million | H1 2013 | H1 2012 |
|---|---|---|
| **EBITDA** | **(44.8)** | **(24.6)** |
| Working capital | 15.0 | 7.0 |
| Growth capital expenditure | (166.6) | (64.5) |
| Other items | 2.2 | - |
| Finance costs | (1.3) | (0.2) |
| Taxation | 9.1 | 7.0 |
| **Net investment in new centres** | **(186.4)** | **(75.3)** |

- 203 new centres added in period (H1 2012: 76)
- New centres continue to have a positive impact on working capital
- Currently on track for 350 new centres for the full year

# Income statement – new centres

| £ million | H1 2013 | H1 2012 |
|---|---|---|
| **New centres 2012** | | |
| Revenues | 66.4 | 6.6 |
| Gross profit | (1.6) | (5.4) |
| Growth overheads | (19.4) | (20.6) |
| **Operating loss** | **(21.0)** | **(26.0)** |
| | | |
| **New centres 2013** | | |
| Revenues | 51.6 | - |
| Gross profit | 4.1 | - |
| Growth overheads | (32.1) | - |
| MWB transaction and restructuring related costs | (7.4) | - |
| **Operating loss** | **(35.4)** | - |
| | | |
| **New centre operating loss** | **(56.4)** | **(26.0)** |

## New centres - 2012

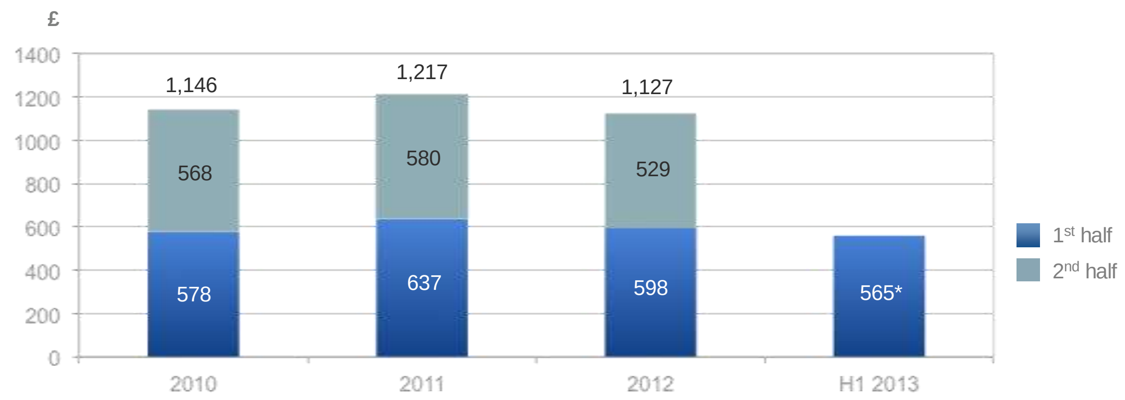
- Progressing to maturity as expected
- Timing of openings in 2012 has impacted profitability in H1 2013. Expect further progress in H2

## New centres - 2013

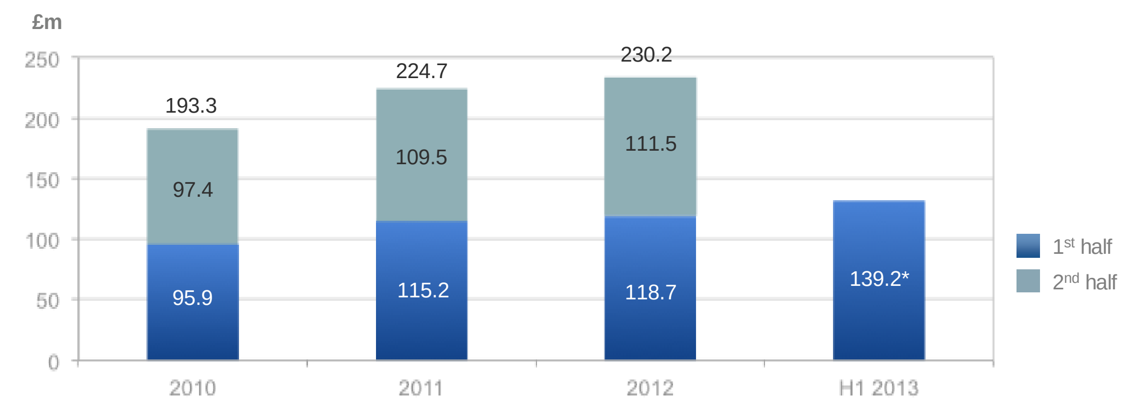
- 203 centres added
- MWB contributes to positive gross profit
- MWB actual overheads included in growth overheads

# Group overheads (including R&D)

## Overheads per available workstation




## Total Group overheads

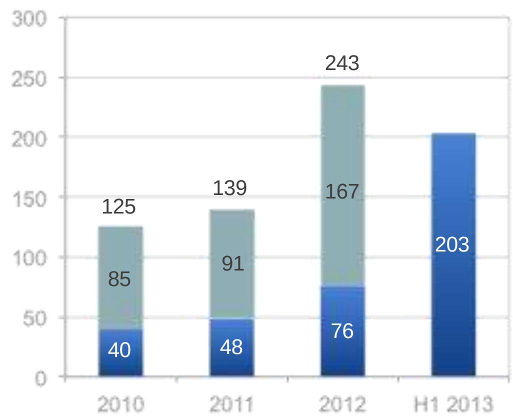



- 17%* annual increase in overheads against a 24% increase in workstations
- Overheads per available workstation down 7%* at constant currency (5.5% at actual rates) despite accelerated growth
- Group overheads as % of sales down from 19.5% to 18.7%*

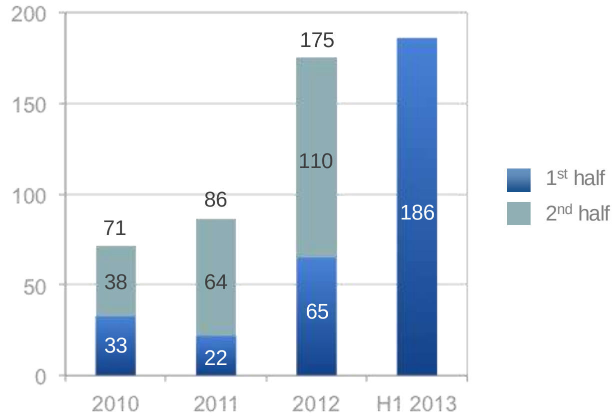
*Excludes MWB transaction and restructuring related costs

# Funding increased investment

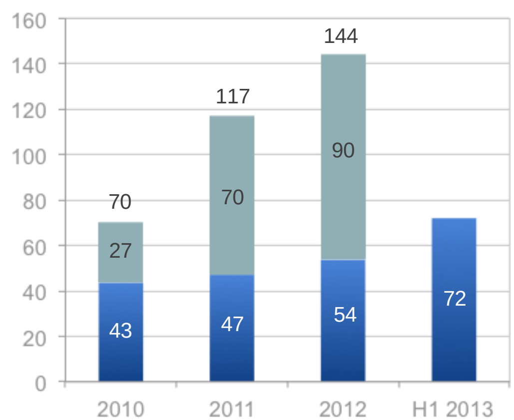
## New centre openings



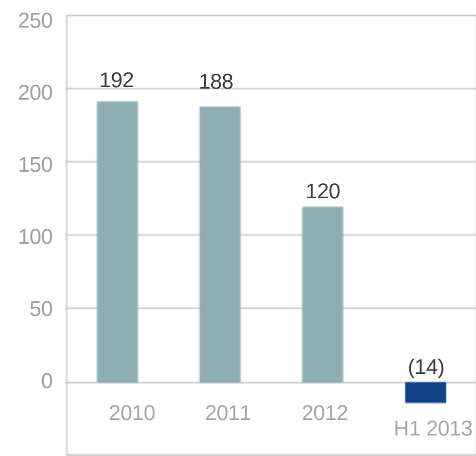

## £m Investment in growth*




## £m Mature free cash flow**




## £m Net cash / (debt)




- Significant growth in network
- Returns support continued investment
- Conservative balance sheet approach - £200m revolving credit facility

* 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

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

# Group results – overview

| £ million | H1 2013 | H1 2012 |
|---|---|---|
| Revenue | 744.7 | 608.6 |
| **Gross profit (centre contribution)** | **180.6** | **153.2** |
| Gross margin | *24.3%* | *25.2%* |
| Overheads | (143.4) | (116.6) |
| Investment in R&D | (3.2) | (2.1) |
| Joint ventures | 0.3 | (0.3) |
| Operating profit | 34.3 | 34.2 |
| Operating margin | 4.6% | 5.6% |
| | | |
| **Underlying operating profit*** | **41.7** | **34.2** |
| *Underlying operating margin* | *5.6%* | *5.6%* |
| | | |
| Net finance | (3.2) | (2.0) |
| Profit before tax | 31.1 | 32.2 |
| Taxation | (4.9) | (5.1) |
| Profit for the period | 26.2 | 27.1 |
| EPS (p) | 2.8 | 2.9 |
| Dividend per share (p) | 1.1 | 1.0 |
| **EBITDA** | **79.6** | **66.5** |

- Underlying Group operating profit up 22%
- 15.8% effective tax rate still benefiting from accounting changes and resolution of an outstanding tax enquiry
- Long term tax rate is expected to be c. 20%
- Increased spend on R&D by 52%
- Dividend up 10%

*Excludes MWB transaction and restructuring related costs of £7.4m

# Financial summary

## Mature business delivers pleasing performance

- Strong occupancy and REVPOW gains driving margin improvement
- 2011 centres continue to mature

## Significant investment in new centre growth

- 2012 centres and 2013 centres performing in line with expectations
- Integration of MWB proceeding as planned

## Third place interest continues to grow

- Stringent investment criteria

## Overheads as % of sales down

- Reduction on a per workstation basis despite accelerated growth
- Growth will continue to improve operational leverage

## Sound balance sheet

- Growing ability to self-fund
- £200m revolving credit facility

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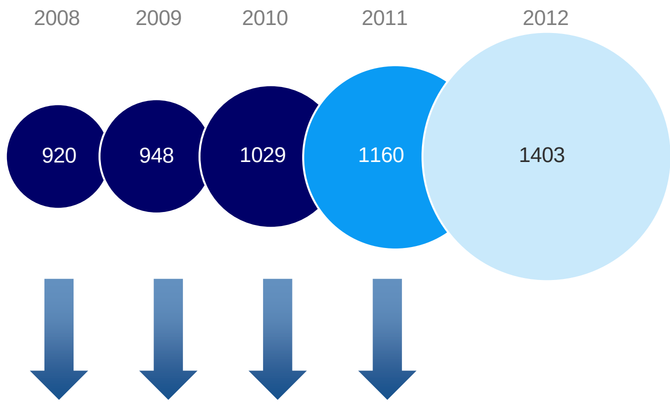
# Prospects

# The potential of our maturing network

## Growth of mature network and earnings potential

**Mature portfolio**




| **Mature EPS Y/E 31 Dec*** | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| **Half year** | **3.1p** | **3.8p** | **6.2p** | **7.6p** |
| **Full year** | **5.4p** | **8.6p** | **14.0p** | |

- Gradually improving gross margin performance
- Scale benefit on overheads drives operating margin
- Mature group getting bigger through annual addition of centres

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

# Prospects

### Demand led revenue growth

- On track to deliver full year numbers
- Significant end user market growth
- Currently expect to open at least 350 centres

### Improve mature margins

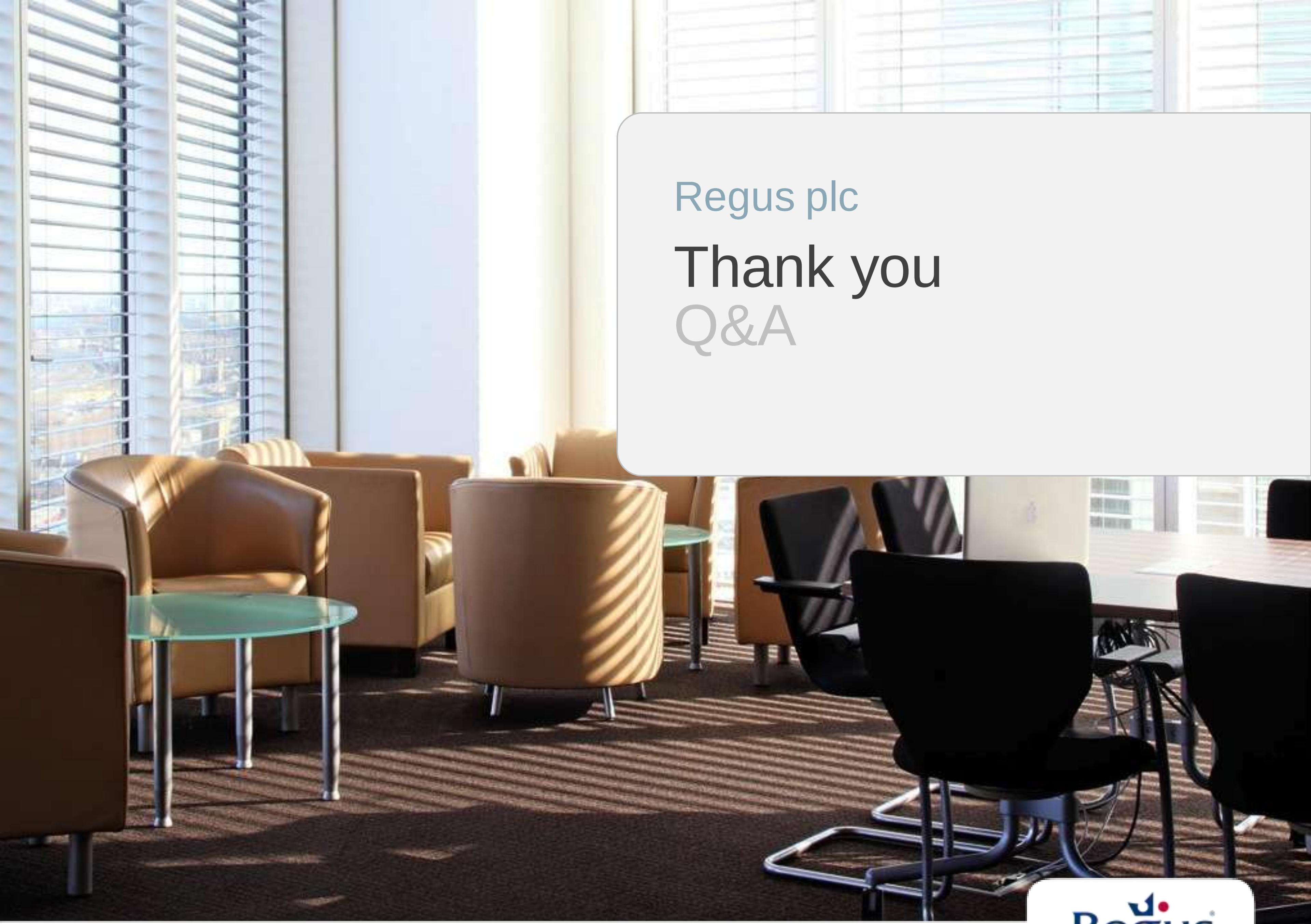
- Measured progress on gross margin
- Further efficiencies on overhead

### Drive innovation

- Continue to lead market innovation
- Increases differentiation; creates compelling reasons to choose Regus
- Opportunity to develop incremental revenue streams
- Third place continues to develop

### Grow customer base

- Strong demand across all geographies
- New channels and larger network increases addressable audience



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# Thank you

## Q&A

# Appendices

1. Financial performance by maturity
2. Consolidated cash flow
3. Investor relations contact details

# Financial performance by maturity

| £m | H1 2013 Mature centres | H1 2013 New centres | H1 2013 Closed centres | H1 2013 Total | H1 2012 Mature centres | H1 2012 New centres | H1 2012 Closed centres | H1 2012 Total |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **626.0** | **118.0** | **0.7** | **744.7** | **591.1** | **6.6** | **10.9** | **608.6** |
| Cost of sales | (447.3) | (115.5) | (1.3) | (564.1) | (433.0) | (12.0) | (10.4) | (455.4) |
| **Gross Profit (centre contribution)** | **178.7** | **2.5** | **(0.6)** | **180.6** | **158.1** | **(5.4)** | **0.5** | **153.2** |
| Overheads | (87.6) | (58.9)* | (0.1) | (146.6) | (96.7) | (20.6) | (1.4) | (118.7) |
| Share of profit on joint venture | 0.3 | - | - | 0.3 | (0.3) | - | - | (0.3) |
| **Operating profit** | **91.4** | **(56.4)** | **(0.7)** | **34.3** | **61.1** | **(26.0)** | **(0.9)** | **34.2** |
| **EBITDA** | **125.2** | **(44.8)** | **(0.8)** | **79.6** | **91.3** | **(24.6)** | **(0.2)** | **66.5** |

*Includes MWB transaction and restructuring related costs of £7.4m

# Consolidated cash flow

| £m | H1 2013 | H1 2012 |
|---|---|---|
| **Mature free cash flow** | **72.3** | **61.2** |
| **New investment in new centres** | **(186.4)** | **(75.3)** |
| Closed centres cash flow | (0.9) | (0.3) |
| Exceptional items | - | - |
| **Total net cash flow from operations** | **(115.0)** | **(14.4)** |
| Dividends | (20.8) | (18.8) |
| Corporate financing activities | (0.2) | (0.7) |
| **Change in net cash** | **(136.0)** | **(33.9)** |
| Opening net cash | 120.0 | 188.3 |
| Exchange movements | 2.0 | (1.1) |
| **Closing net cash/(debt)** | **(14.0)** | **153.3** |

# Investor relations contact details

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