

# 2015 Interim Results Presentation.



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#### First Half Financial Highlights.



- Improved returns on investment to 23.1%<sup>1</sup>
- Revenues increased 16.4%<sup>2</sup> to £937.0m
- Underlying operating profit up 62%<sup>2</sup> to £65.0m
- Operating margin<sup>3</sup> increased from 5.0% to 6.9%
- EPS<sup>3</sup> increased 81%<sup>2</sup> from 2.6p to 4.9p
- Underlying cash generated before net growth investment increased to £79.9m<sup>4</sup> from £45.6m
- 12% increase in interim dividend to 1.4p





<sup>&</sup>lt;sup>1</sup> LTM 2015 post-tax cash return on net investment made up to December 2011

<sup>&</sup>lt;sup>2</sup> At constant currency

Before exceptional profit of £21.3m

<sup>&</sup>lt;sup>4</sup> Before disposal proceeds of £80m after costs

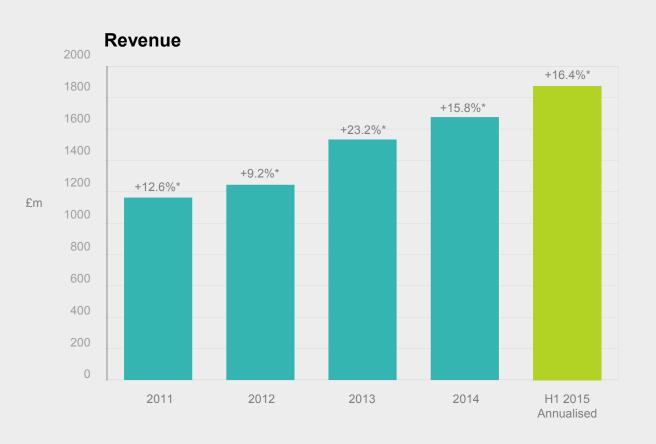
#### Growth company in a growing industry.



- Doubled revenue over the last 5 years
- Invested £120m, adding 231 new locations in H1- visibility for full year 2015 of c£230m net investment and c600 locations added
- 24% growth in locations over the last
  12 months to 2,481
- On track to deliver consistent or improved revenue growth over the next 5 years

#### Outlook for today's network

- Centres opened to 30 June 2015 expected to deliver revenue of approximately £2.1bn when mature
- Scope for further overhead leverage



<sup>\*</sup> Revenue growth at constant currency

## Fast developing market demand.

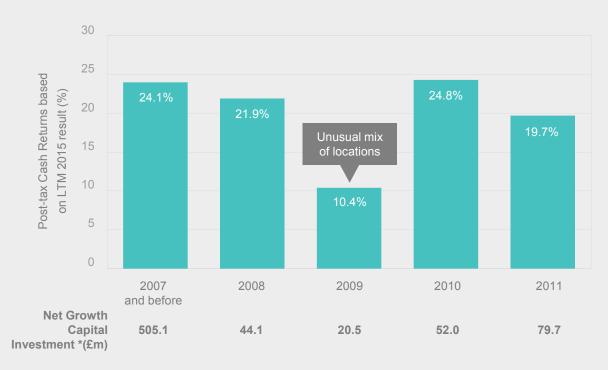




#### Generating attractive returns.



- 23.1% post-tax cash returns on all locations opened on or before 31 December 2011 (2015 LTM basis)
- Recent year group investments are progressing well and should achieve similarly attractive returns
- Significant performance improvement in the '11 year group (FY 2014: 15.3%)
- Improved returns for '08 group (FY 2014: 18.0%)



\*Net investment represents the Growth Capital Expenditure relating to locations opened in the period only

# Post-tax cash return on net investment = EBITDA less amortisation of partner contribution less tax on EBIT, less maintenance capex Growth capital expenditure less partner contribution

## Key to delivering the growth opportunity.



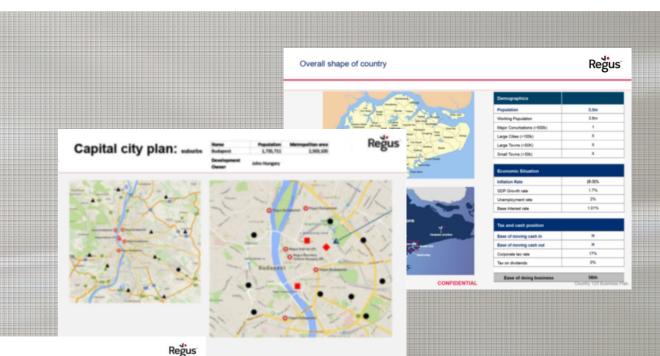


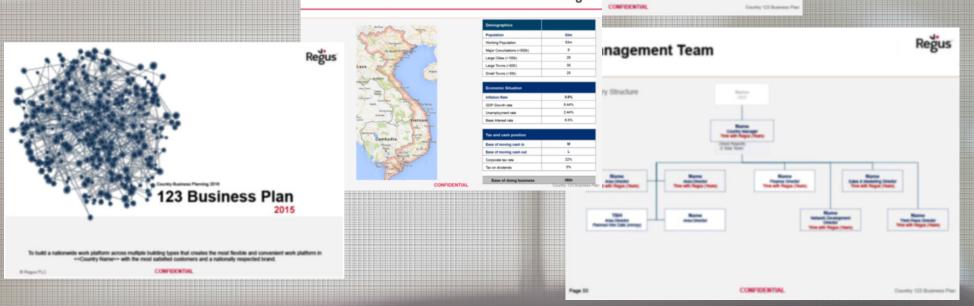
## 1. Detailed country plans.



## A clear strategy to deliver profitable growth

- Detailed and comprehensive country plans
- Investment in strong local management to deliver these plans





Overall shape of country

## Significant runway for growth.

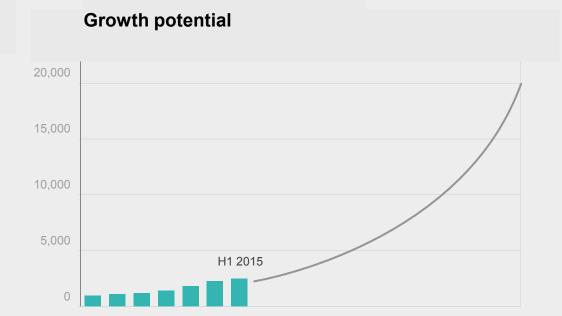


- Exciting growth market, with significant customer demand
- Potential for 20,000+ Regus locations
- Pace of investment will be driven by ability to generate strong returns

#### **Benchmarks**



- STARBUCKS\*
- >21,000 locations
- 65 countries



• 119 countries

>36,000 restaurants

Source: Company reports and presentations

## Diversity of partnering methods.



- Dependent on geographic demographics and inherent risks, we will employ different partnering methods as we develop our national networks
  - Franchising / Licensing
  - Joint Ventures
  - Management contracts
  - Variable rent deals
  - Conventional lease deals
  - Occasionally and tactically, property purchases will also make sense

Management agreement.

Payment waterfall - Cumulative



#### 2. Formats & innovation.











#### Spaces.



- Established business with significant potential
- Creative working environments with a unique entrepreneurial spirit
- Inspirational space with community events to help people think, create and collaborate







#### Kora.



- A network of entrepreneurial workspaces connecting the worlds of education and enterprise
- Unique environments that provide the space, inspiration, knowledge and contacts needed to bring ideas to life
- On-site team offering mentoring, support and regular networking events







## Regus Express.



- Drop-in workspace in the most convenient and accessible locations
- Helps workers stay connected when on the move
- Airports, railway stations, service stations, shopping malls and hotels
- Flexible terms to suit all businesses







#### Other innovations.



#### Regus app

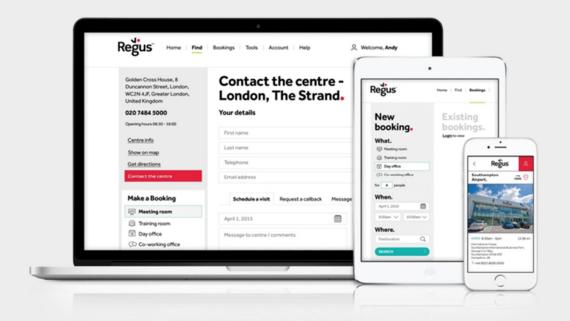
- The world of flexible working in the palm of your hand
- Search for locations, check availability and make bookings on the move

#### **Global WiFi access**

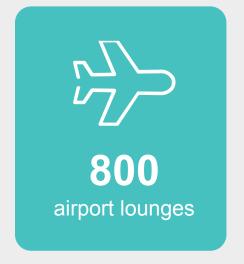
 18 million WiFi hotspots in hotels, restaurants and airports around the world

#### Airport lounge access

 Preferential rates in 800 airport lounges, irrespective of the airline you're flying with



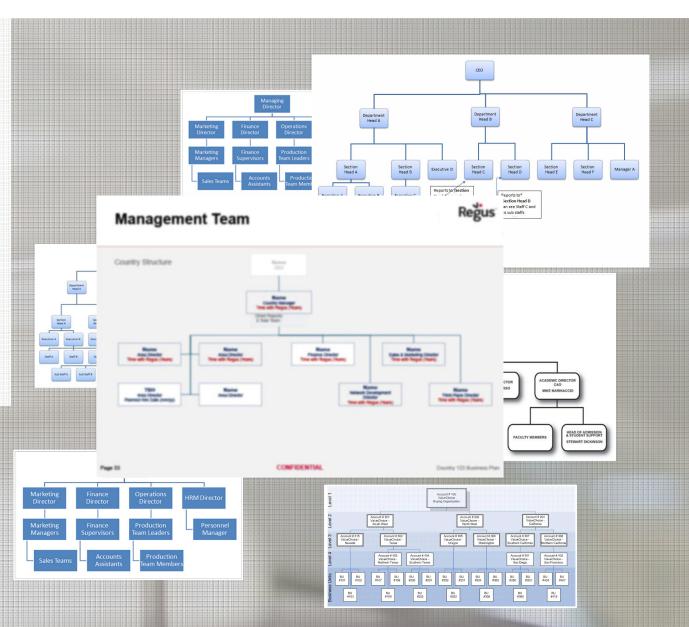




#### 3. Rigorous management of the business.

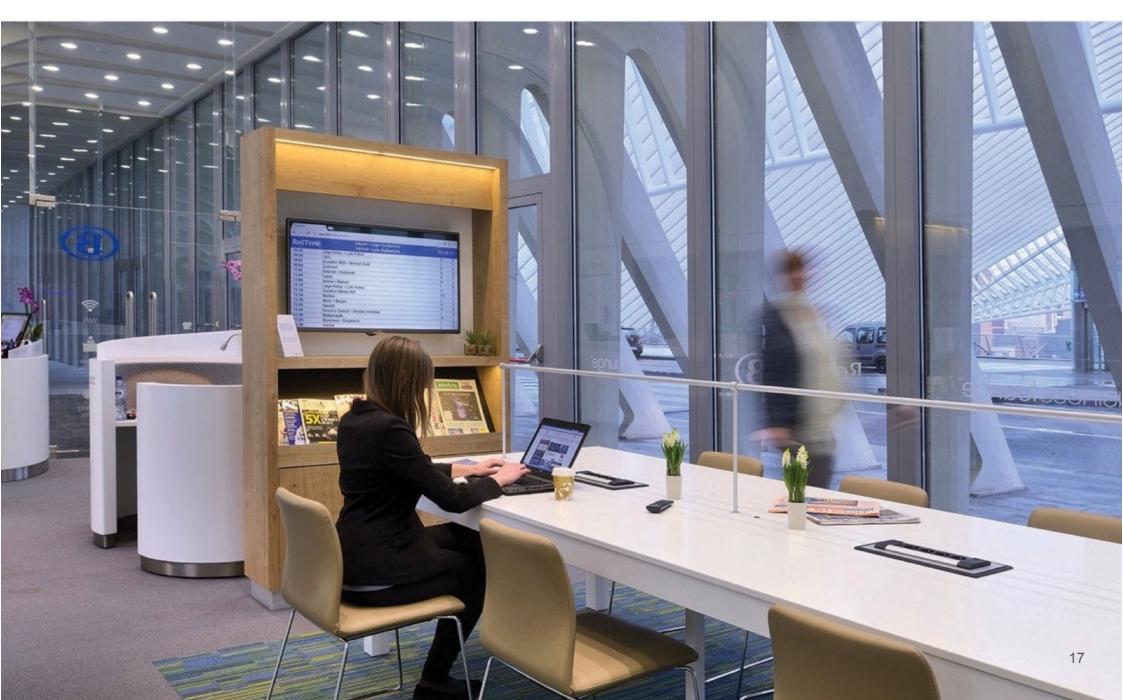


- Continued drive to improve overall rigour and efficiency in the business
- Investing in key management
- Improving software & systems
- Further improvement in operating model
- Expect further reduction of overheads as a % of revenues in second half



## Financial Review.





#### Recent year groups maturing as expected.



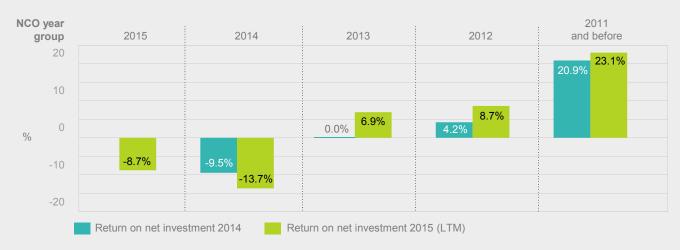
#### Post-tax return on net investment

- We continue to make attractive returns
- Benefiting from operational leverage and capital efficiency

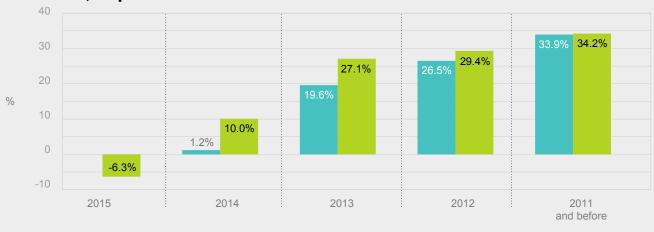
## Gross profit margin before interest, tax, depreciation and amortisation

- 2012 and 2013 additions showing continued improvement
- 2014 locations progressing as planned

#### Post-tax cash return on net investment



#### Gross profit margin before interest, tax, depreciation and amortisation



Gross profit margin before interest, tax depreciation and amortisation 2014

Gross profit margin before interest, tax depreciation and amortisation H1 2015

## A strong performance.



#### **Group income statement (excluding exceptional profit)**

£ million	H1 2015	H1 2014	% change (actual currency)	% change (constant currency)
Revenue	937.0	804.7	16.4%	16.4%
Gross profit (centre contribution)	209.0	178.8	17%	16%
Overheads	(139.3)	(135.0)	(3%)	(3%)
Investment in R&D	(5.1)	(4.3)	(19%)	(19%)
Operating profit*	65.0	39.9	63%	62%
Net finance	(7.2)	(8.9)		
Profit before tax	57.8	31.0	86%	82%
Taxation	(11.9)	(6.2)		
Profit for the period	45.9	24.8	85%	79%
EPS (p)	4.9	2.6	88%	81%
Dividend per share (p)	1.4	1.25	12%	
EBITDA	136.3	96.4	41%	40%

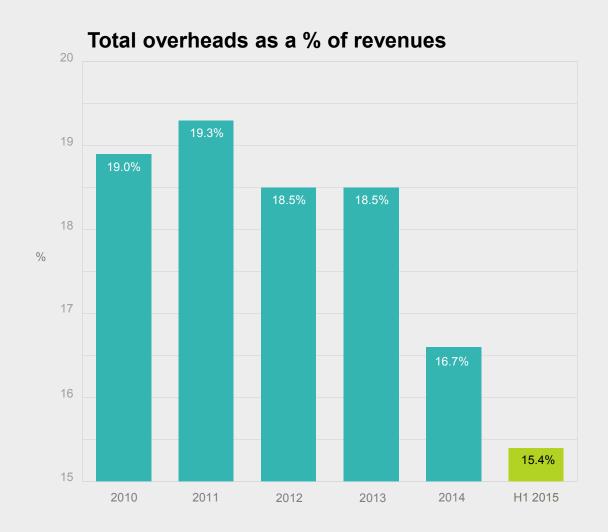
- Revenue up 16.4% with growth in all regions
- Overall, limited impact from FX in H1, mild headwind anticipated in H2
- Further overhead efficiency achieved
- R&D spend up 19%
- Effective tax rate of 20.6%.
- Statutory EPS increased 177% to 7.2p (includes £21.3m profit from exceptional disposal)
- Interim dividend up 12%

<sup>\*</sup> Including contribution from joint ventures

#### Improved overhead efficiency.



- Continued focus on overhead efficiency
- Overall up only 3% at constant currency compared to 24% increase in network in the 12 months to June 2015
- Benefit from historic investment in systems, processes and management to support growth
- Expect further % reduction for the full year



## Strong cash flow.



£ million	H1 2015	H1 2014
Group EBITDA	136.3	96.4
Working capital	16.7	6.2
Less growth related partner contributions	(24.5)	(15.2)
Maintenance capital	(32.8)	(28.0)
Taxation	(9.8)	(9.3)
Finance costs	(6.3)	(4.6)
Other items	0.3	0.1
Underlying cash flow	79.9	45.6
Disposal proceeds after costs	80.0	-
Cash flow before growth expenditure	159.9	45.6

- Group EBITDA increased by 40% at constant currency
- Cash generated before net growth investment and disposal proceeds increased to £79.9m, or 8.5p per share in H1 (£209.9m, or 22.4p per share over the last 12 months)
- Sale of property portfolios for £80m – exceptional profit of £21m

## Underlying cash flow before net growth capital expenditure (£m)



## A healthy balance sheet.



£ million	H1 2015	H1 2014
Cash flow before growth expenditure	159.9	45.6
Net growth capital expenditure	(120.0)	(121.1)
Total net cash flow from operations	39.9	(75.5)

£ million	H1 2015	H1 2014
Total net cash flow from operations	39.9	(75.5)
Corporate finance / Share repurchase	(27.6)	(6.4)
Dividends	(25.8)	(23.7)
Opening net debt	(138.0)	(57.2)
Exchange movements	14.6	1.5
Closing net debt	(136.9)	(161.3)
Net Debt : LTM EBITDA ratio	0.5x	0.8x

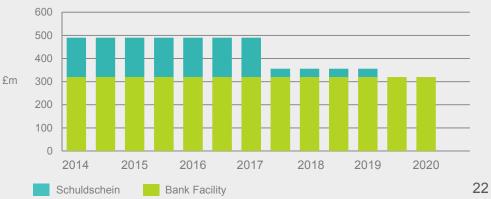
#### **Balance Sheet**

- Maintained prudent approach to balance sheet management
- Net debt to Group LTM EBITDA leverage ratio reduced to 0.5x
- Intention remains to maintain target ratio of less than 1.5x

#### **Financial Headroom**

- Extended maturity of £320m Revolving Credit Facility, now committed until 2020
- Total available funding of £484m with improved maturity profile

#### Maturity profile 30 June 2015



#### Financial summary.

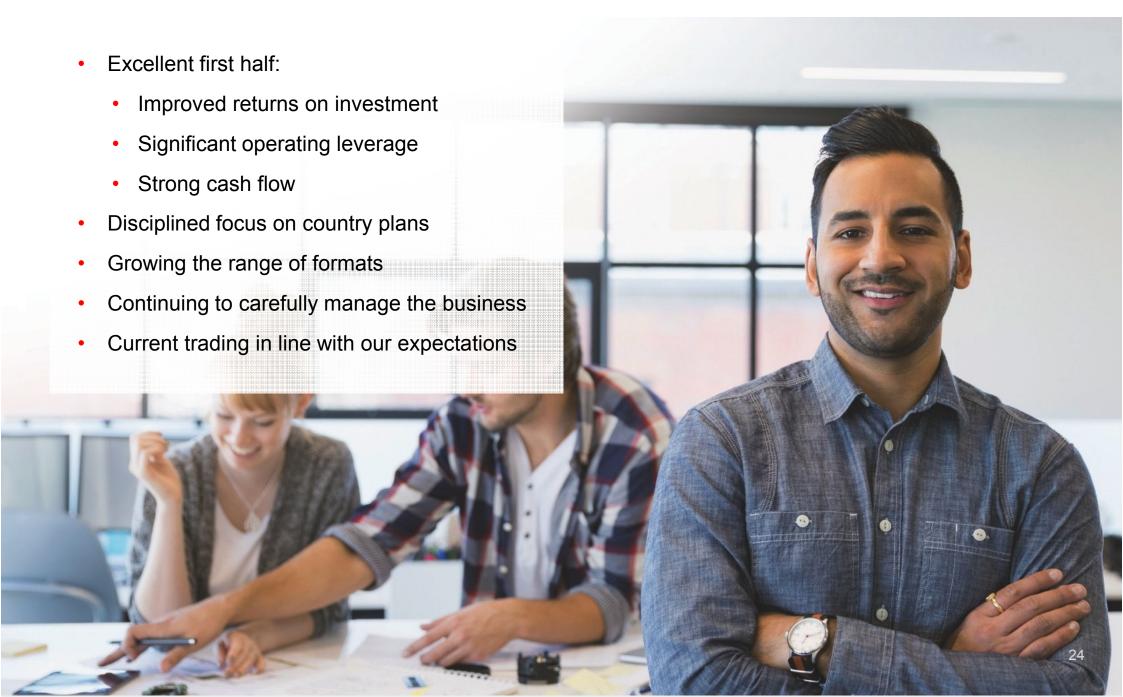


- A strong set of financial results
- Continued to deliver attractive returns
- Significant growth in profitability reflecting underlying progress in the business and economies of scale
- Neutral FX impact in H1 2015. Recent moves in key currencies will provide a slight headwind in the second half
- Maintained a prudent balance sheet with improved maturity profile of funding and significant available headroom
- Increased the dividend 12%



## Outlook & summary.





## **Questions**•



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