

Flexible workspace giant IWG eyes £800m deal for digital platform Worka

IWG, the serviced offices giant, is exploring the sale of a major stake in its digital operation in a deal that could generate proceeds of about £800m.

Sky News has learnt that IWG, run by founder Mark Dixon, has opened a data room for potential buyers of a 50% shareholding in Worka.

The process, which is being run by bankers at Wells Fargo, is at an early stage but is expected to attract interest from a range of financial investors.

IWG, formerly known as Regus, has said publicly that it would combine its digital assets with those of The Instant Group as part of a transaction which saw the London-listed company injecting £270m of cash into the combined entity.

The merged entity has been rebranded as Worka, with the division accounting for revenue of £271m and earnings before interest, tax, depreciation and amortisation of £112m in 2022.

Earlier this month, IWG said it would “evaluate reducing its ownership stake” in Worka without providing further details.

Tim Rodber, chief executive of the division, held talks with a number of private equity firms last year following a string of unsolicited approaches for it.

If a deal materialised at an overall valuation for Worka of around £1.5bn, that would be only slightly smaller than the current market value of IWG, which has seen its shares nearly halve during the last 12 months.

That slump has reflected investors' concerns about demand for offices during an economic downturn.

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IWG competes with the likes of WeWork, the New York-listed company.

Mr Dixon, the architect of IWG's growth into what it describes as the world's largest provider of hybrid workspace, has been contemplating options for taking the company private or breaking it up for years.

Its component parts include Signature, a premium city centre brand, Regus and Basepoint, which operates across England and Wales.

In total, IWG trades from more than 3,300 locations in 120 countries.

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Mr Dixon is said to believe that the company is severely undervalued by public market investors, and has considered deals including a combination with a US-listed special purpose acquisition company for Worka, an app that helps IWG clients to compare and book places to work at thousands of sites globally.

On Friday morning, IWG shares were trading at around 144.5p, giving the company a market capitalisation of £1.6bn.

In 2021, IWG held tentative talks with CC Capital, a New York-based private equity firm, about a sale of part or all of the company.

Mr Dixon has adopted a franchise model which has seen it sell assets in countries including Japan and license its brands to

new operators.

He is IWG's single-largest shareholder, and discussed taking the group private in 2019 when he held talks with Lone Star Funds, Starwood Capital, TDR Capital and Terra Firma Capital Partners.

Earlier that year, IWG rejected a takeover bid from Brookfield Asset Management and Onex which valued the company at 280p-a-share.

IWG declined to comment.

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