

## Our strategy for high-quality growth

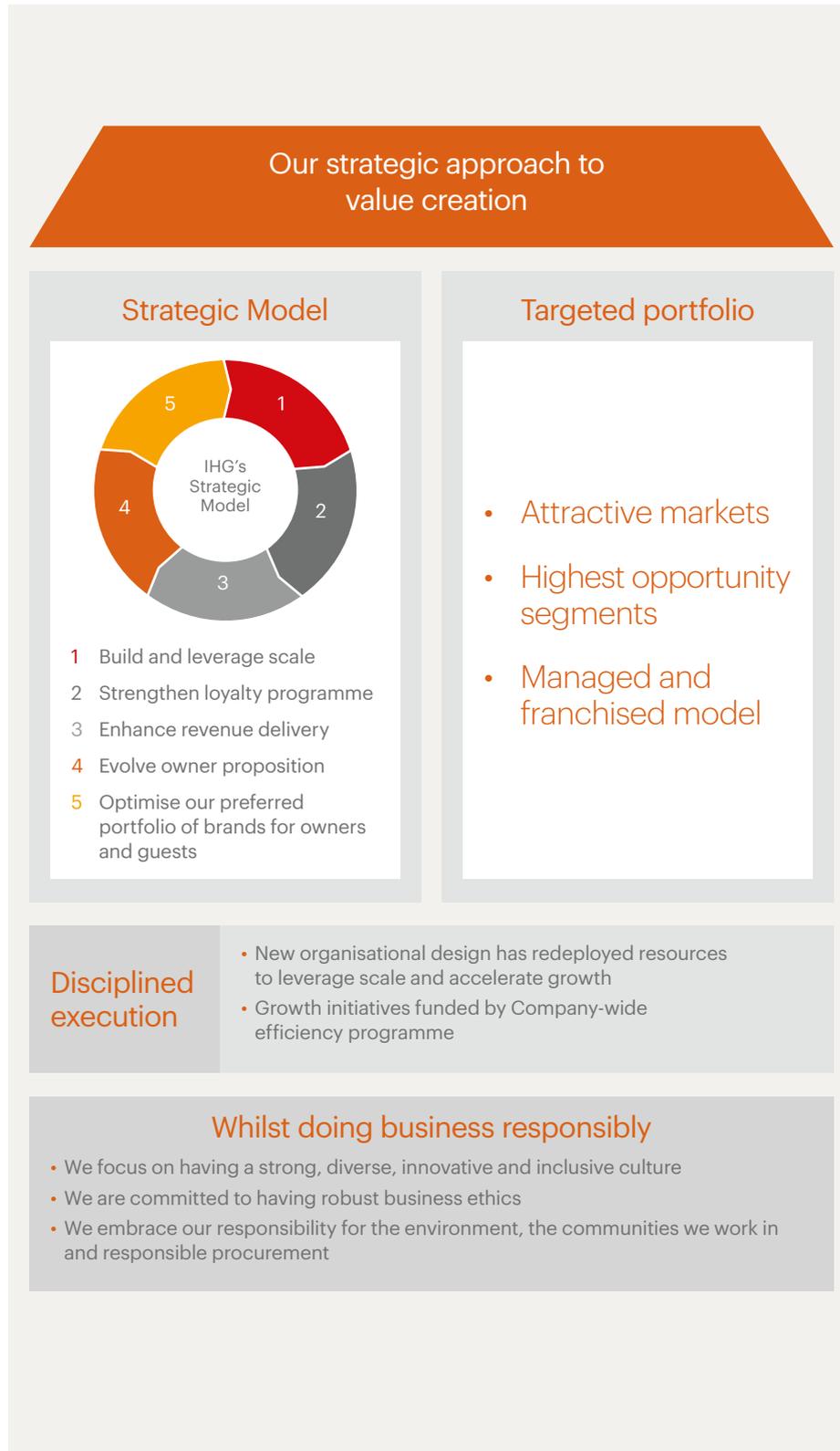
We have a clearly defined strategy designed to drive superior shareholder returns. Our focus is on delivering high-quality growth, which means consistent, sustained growth in cash flows and profits over the long-term. The execution of our strategy is underpinned by a strong culture, talented people and a commitment to the environment and our stakeholders.

### Overview of strategy

Our Strategic Model focuses on value-creation by building preferred brands, delivering a superior owner proposition, strengthening our loyalty programme, leveraging scale and generating revenue through the lowest-cost direct channels. Our targeted portfolio, together with disciplined execution of our strategy and a commitment to doing business responsibly, are designed to achieve industry-leading net rooms growth over the medium term.

Whilst executing our strategy we target the most attractive markets and segments, prioritising our resources and investments based on growth potential, strategic importance and IHG's ability to build scale. This reflects our ambition to accelerate our growth trajectory and build on our strong global competitive position. Our brands operate in the mainstream, upscale and luxury segments which in our view are the highest opportunity segments based on guest needs. In addition, we focus on key countries and cities in markets where there is high growth potential, and look to invest ahead of demand.

Our strategy is executed through a strong set of values, business behaviours and talented people.



Our strategy should be read together with our culture, key stakeholders and doing business responsibly (pages 22 to 25), and our principal risks and uncertainties (pages 26 to 30).

For further information on our strategy, go to [www.ihgplc.com/about-us](http://www.ihgplc.com/about-us) under Our strategy.

## Strategic Model

Since becoming a stand-alone company 16 years ago our Strategic Model has delivered superior shareholder returns. Our ambition is to accelerate our growth further, delivering industry-leading net rooms growth over the medium term, whilst doing business responsibly and delivering True Hospitality for all.

The individual components of IHG's Strategic Model are at the heart of our success and continue to align our organisation to focus on the most important strategic initiatives and deliver our commitment to True Hospitality. This approach helps us create value for our stakeholders and deliver high-quality growth for our shareholders.

### Build and leverage scale



Scale provides significant advantages in the hospitality industry at both global and national level. IHG uses the breadth of its portfolio, combined with our depth in attractive markets and focus on the highest opportunity segments, to drive significant efficiencies, leading to increased operating leverage and ultimately higher margins.

- We achieved 4.8% net system size growth in 2018.
- In 2018 signings grew by 18% to 98,814 rooms, the highest in a decade.
- We have built a strategic position in Greater China with a domestic business that has continued to outperform the market.



For further information see our accelerating our growth case study on page 20.

### Strengthen loyalty programme



Having an attractive, differentiated loyalty offering tailored to our guests' needs is critical to IHG's continuing success. We are continually innovating IHG Rewards Club to build lifetime relationships with our guests. This creates a sustainable long-term revenue source and transforms previously unaffiliated travellers into powerful advocates for our brands.

- Over the past four years we have increased our loyalty contribution by 4%ppts to 43%.



For further information on loyalty and IHG Rewards Club see page 13.

### Enhance revenue delivery



By striving to drive business through our direct channels, IHG maximises returns for our owners, as these channels are less costly than alternatives such as third-party intermediaries. Digital and technological innovation, alongside strong brands and compelling loyalty, is key in ensuring IHG continues to manage revenue delivery effectively.

- 13% growth in room revenues delivered through digital (web and mobile) channels to \$5.3bn.
- Successful roll out of IHG Concerto™, including the Guest Reservation System.



For further information on IHG Concerto see page 21.

### Evolve owner proposition



Within our asset-light business model, maintaining positive relationships with long-standing owners and constantly forging new owner relationships is vital for IHG. Our outstanding operational support, preferred brands, industry-leading franchise offer and continued investment in innovation delivers a compelling owner proposition and strong returns.

- We invest in our hotel lifecycle capabilities, providing strong support for our owners from signing to opening a hotel, to future refurbishments.



For further information on how we evolve our owner proposition see our accelerating our growth case study on page 20.

### Optimise our preferred portfolio of brands for owners and guests



As competition intensifies, distribution channels proliferate and consumers become more demanding, actively building a strong portfolio of distinctive, preferred brands for both our owners and guests is fundamental to IHG's success and future growth.

- We have successfully launched two new brands, avid and voco, during the last two years, and acquired Regent Hotels.
- Continuing this momentum, in February 2019 we announced the \$300 million acquisition of Six Senses Hotels Resorts Spas, which will sit at the top tier of our luxury offer, and our plans to launch a new all-suites upper midscale brand into the US later this year.



For further information on our brands see pages 10 to 13.

## Our Strategic Model in action

In 2018, we took important steps to ensure our business is best placed to execute our strategy at pace, and we made progress on executing against our strategic initiatives.



To see our regional highlights, please go to pages 40, 43 and 46.

## Accelerating our growth

We have consistently executed a clearly defined strategy and delivered market outperformance over the past 16 years, whilst returning \$13.6bn to shareholders. To continue to outperform in a changing and competitive environment, we set out a series of strategic initiatives in 2018.

These initiatives redirected our focus and resources to areas where we can enhance our proven business model, and deliver industry-leading net rooms growth over the medium term.

To capitalise on the opportunities ahead, we initiated a comprehensive efficiency programme to realise ~\$125m in annual savings by 2020, for reinvestment to drive growth.

### Build and leverage scale

From January 2018, we adopted a new organisational structure, which redeployed our resources to better leverage our scale and accelerate our growth. We made these main changes:

### New regional operating structure:

Our Europe and Asia, Middle East and Africa regions have merged to become Europe, Middle East, Asia and Africa (EMEA), allowing us to leverage scale to share best practice and increase investment in markets with the highest growth potential.

### Integrating Commercial and Technology:

The combination of our Commercial and Technology functions brings together our sales, channels, revenue management and technology capabilities, allowing us to maximise revenue delivery and bring new products and services to market faster.

### Global Marketing organisation:

A new global function brings together our brand, loyalty and marketing capabilities to drive greater agility and efficiencies. Brands are organised globally by mainstream, upscale and luxury to drive clear accountability for brand performance and growth.

### Outsourcing:

Following the outsourcing of our Central Reservation Office in the UK in 2017, we have now also completed the outsource of our call-centre capabilities in the US. IHG continues to leverage opportunities with strategic supplier relationships to accelerate our technology roadmap.

### Strengthen loyalty programme

Our IHG Rewards Club loyalty programme is well positioned as one of the industry leaders but we are focused on creating a more personalised and differentiated offer, leveraging the right partnerships for our members. See page 13 for more information.

### Enhance revenue delivery

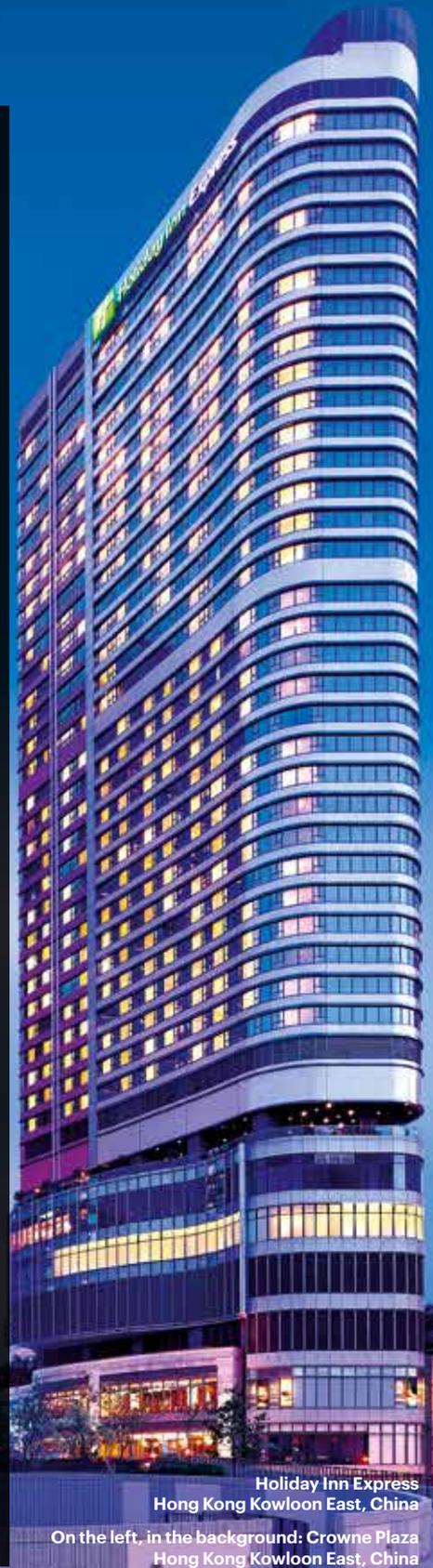
To further enhance our strong digital and technology platform, we are prioritising innovations that increase direct revenues. See our IHG Concerto case study for more information.

### Evolve owner proposition

IHG's enterprise is designed to deliver an industry-leading owner proposition, and optimising owner returns remains at the heart of our strategy. To unlock further growth, we are enhancing our offer by increasing investment in development and owner support, and extending our leading franchise offer in key markets with specific brands.

### Optimise our preferred portfolio of brands for owners and guests

We are focused on delivering high-impact enhancements to our existing brands and using a targeted, insight-driven approach to further broaden our portfolio for guests and owners. See our brand portfolio case study, on the next page, for more information.



Holiday Inn Express  
Hong Kong Kowloon East, China

On the left, in the background: Crowne Plaza  
Hong Kong Kowloon East, China

## IHG Concerto™

IHG Concerto provides our hotels with the most sophisticated cloud-based technology platform in the industry.

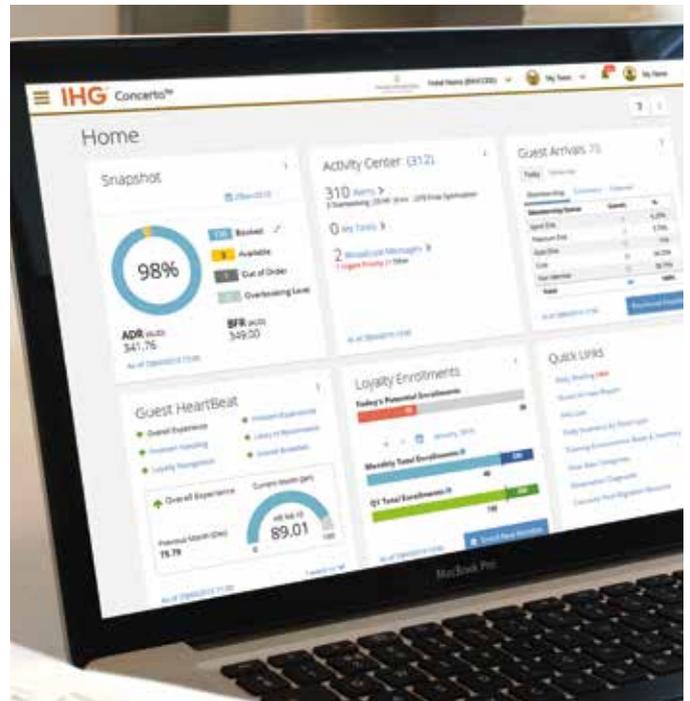
A pivotal point in IHG's ambitious technology roadmap, the global roll out of IHG Concerto was completed in 2018, with additional functionality set to be introduced in a phased launch later in 2019.

IHG Concerto brings together a comprehensive set of capabilities, including IHG's industry-leading Guest Reservation System and an enhanced Revenue Management System, into one single, seamless hotel management tool. In 2018, hotel feedback has been overwhelmingly positive with regards to the simplicity and ease of navigation of the new system, the modern intuitive interface, and the ease of the General Manager's dashboard, which enables them to better manage a hotel's performance.

As IHG Concerto enters the next phase of its development and we continue to evolve our industry-leading Guest Reservation System, we will deliver an even richer guest experience, with better presented content and attributes that guests value, such as views and room sizes, highlighted for ease.

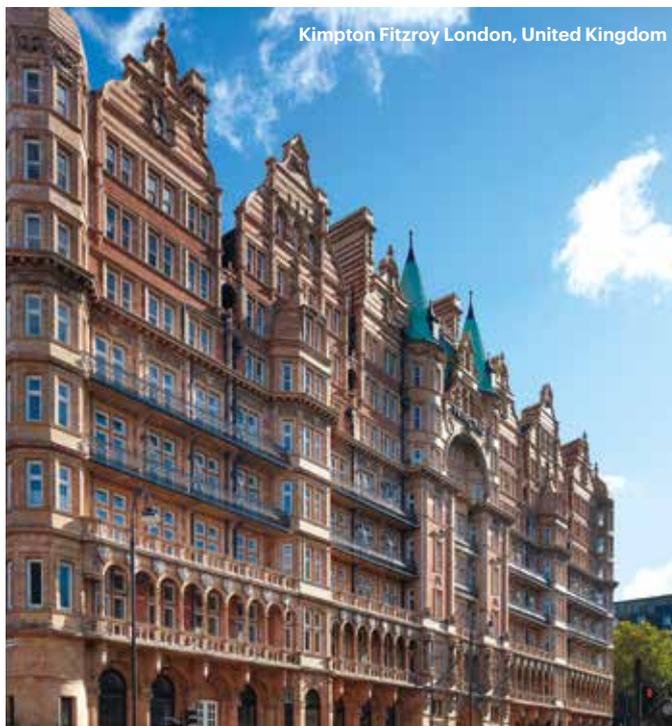
IHG Concerto adding value:

- Thanks to a more efficient management system, hotel colleagues have more time to deliver richer experiences to guests;
- Owners benefit from smarter revenue management tools; and
- In the future, guests will be able to customise their stay based on features they find important – made possible by new ways of classifying and selling room inventory.



## 5,603 hotels

Global roll out of IHG Concerto™ to all hotels



 For further information about our Brands see pages 10 to 13.

## Enhancing our brand portfolio

IHG's continued success relies on ensuring our existing brands remain fresh and relevant to changing guest and owner needs, and that we add new brands in areas of high demand.

We made significant progress in 2018, including:

- Continued roll out of new room and public space designs and service enhancements for our Holiday Inn and Holiday Inn Express brands.
- Extending our franchise offer in Greater China to our Holiday Inn and Crowne Plaza brands, following the rapid success of our tailored Holiday Inn Express Franchise Plus model.
- Continued international expansion of Kimpton Hotels & Restaurants in key destinations including Tokyo, Barcelona, Frankfurt and London.
- Agreement to rebrand and operate a collection of UK portfolio properties – a deal which made IHG the UK's leading luxury hotel operator.
- In mainstream: our first avid property is open in Oklahoma, US; we have 171 properties in our pipeline; and we've signed a Multi Development Agreement in Germany.
- In upscale we launched our voco brand in June, with two hotels already open and another eight in the pipeline across our EMEAA region.
- In the top tier of luxury we acquired a majority stake in the Regent Hotels & Resorts brand. Following a brand repositioning, we have signed three hotels since acquisition in Kuala Lumpur, Bali and Chengdu.
- Continuing this momentum, in February 2019 we announced the \$300 million acquisition of Six Senses Hotels Resorts Spas, which will sit at the top tier of our luxury offer, and our plans to launch a new all-suites upper midscale brand into the US later this year.