

Chief Executive Officer's review

Keith Barr Chief Executive Officer



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We arrived in 2020 on the back of a record year of openings and real momentum behind the growth of our brands in a thriving industry. Our clear strategy and the changes made in recent years were enabling us to move faster, accelerate our growth and take advantage of new opportunities. The arrival of the Covid-19 pandemic has since presented enormous challenges for travel and tourism, and for IHG. Yet, in spite of this, the thoughtful, swift and decisive actions of so many dedicated colleagues have helped us emerge a stronger company.

The enormity of this crisis means very little has escaped its impact. From socioeconomic challenges to mental and physical health, it has touched everyone’s life, and as a company, it has shifted how we’ve worked together, partnered with our owners, and looked after our guests and communities.

Globally, we’ve worked as a team with such speed and compassion – leading, learning and listening to help keep colleagues, guests and communities feeling safe, protect IHG and our owners, and support our industry. We’ve seen past the barriers of remote working and physical distancing to find ways to work together closer than ever before. I am immensely proud of how everyone from our leadership, corporate teams and reservation offices, to our owners and hotel colleagues have helped IHG and those around us through such difficult times, including our frontline workers and people in need. Collectively, we provided not just hospitality but True Hospitality for Good.

Our 2020 journey

People’s appetite to explore, rest or work on their travels hasn’t changed, but understandably their confidence in when it’s safe to do so has, and we’ve had to respond. To help keep colleagues and guests feeling safe, we quickly aligned new training and operating procedures with guidance from world health bodies. We further enhanced our IHG Way of Clean programme with new science-led protocols, backed by an IHG Clean Promise and Meet with Confidence offer. We also accelerated the rollout of technology enhancements such as digital check-in, introduced flexible cancellation and booking options, and protected points and status for our loyalty members.

Working with governments and authorities, some of our hotels switched focus to accommodate nurses, doctors and other frontline workers. Others supported the

homeless, and many have provided meals and care packages for the vulnerable in their communities.

Our hotels have also needed IHG's care. Many are small businesses, whose owners have faced real hardship as occupancies have fallen and created significant cost and cash flow pressures. We've supported them by reducing operating costs, redefining brand standards, renegotiating with suppliers, temporarily reducing fees and offering flexible payment terms. Knowing a recovery will take time, much of that work continues, in partnership with the IHG Owners Association and individual owners. In parallel, we're collaborating with peers and governments to ensure continued financial support for our industry and to increase the pace at which travel safely resumes and plays its vital part in economic growth.

Ensuring there is business continuity amid so much change has been crucial, requiring both the right technology and a commitment to work with greater agility and decisiveness. As many of our corporate and reservation teams have worked remotely, we've supported them with mental health and wellbeing resources, flexible working arrangements and regular communication. Speaking more often to all employees and in smaller virtual circles has allowed me to answer questions and understand challenges in a way that's brought us closer as an organisation and must be maintained.

In an environment where RevPAR more than halved in the year, IHG's financial health has been a key focus too, balancing what's needed to protect the business, while continuing to invest in future growth. We moved quickly to adjust existing debt agreements, access increased liquidity and protect our cash flow by suspending dividend payments, controlling capital expenditure and reducing fee business costs by \$150m. It is a measure of the resilience of IHG's business model that we were able to generate positive cash flows in this most challenging of years. Looking ahead, around half of the cost savings are expected to be sustained into 2021.

While we prioritised savings in non job-related areas, difficult choices were also made to reduce teams and operations in line with demand. Support sites and a hardship fund were set up for employees who unfortunately had their hours reduced or went on furlough, and we launched an alumni network with access to like-minded employers for employees sadly leaving us.

There have been some hard moments, but we've tried to ensure we can look back on our decisions knowing we had the best intentions. It means so much that in our November survey, 88% of corporate employees felt we had made responsible choices in our response to the pandemic, and 86% felt we've looked after their wellbeing. Equally, many owners have told me how much they've valued the way in which we've stood beside them.

Business strength

The shape of recovery continues to differ by market. Structurally, we've benefitted from several factors, including being principally domestic focused in key markets like the US; having less exposure to heavily hit groups and meetings business; and having leading brands like our Holiday Inn Brand Family in the upper midscale segment, where demand has historically been more resilient during a downturn. With this foundation, we've used data and analytics to target pockets of ongoing leisure and business demand, and worked closely with our hotels to deliver safe and consistent experiences, which has led to industry outperformance in key markets.

We've worked hard to drive performance, however, the impact of such a significant fall in demand is reflected in operating profit from reportable segments declining 75% to \$219m. After taking into account the System Fund result and exceptional items, we reported an operating loss of \$153m. Looking longer-term, the confidence we share with our owners is illustrated in another 285 hotel openings in 2020 and an average of almost one signing a day into our pipeline, with an increasing number of conversions. Our Holiday Inn® Brand Family remains a growth engine, accounting for half of all signings and ~60% of openings in the year. More broadly, our global pipeline of 1,815 hotels represents an 11% share of the total industry, showing the significant growth potential ahead. Other achievements include taking voco™ to the US and Greater China, our first Atwell Suites™ property breaking ground, and bringing avid® to Mexico and Canada.

Evolving our strategy

Prior to 2020, we had step-changed the pace of our growth and, with a recovery in mind, we must resume what was working successfully, retain valuable lessons from this period, and ensure our future growth plans reflect what's important to our stakeholders and brands. To this end, we've refreshed both our corporate and responsible business strategies.

From how we build demand for our brands and deliver seamless digital experiences, to always putting ourselves in the shoes of a guest or owner, or the way we care for our people, communities and planet – our refreshed strategy puts a sharper focus on our services, products, returns and reputation. In a competitive marketplace, it's vital we operate with this clarity and ensure that what we prioritise helps better leverage our scale and systems to grow our customer base, increase signings and in turn drive high-quality, industry-leading net rooms growth.

Critical to the work we do to care for our people, communities and planet will be ambitious 10-year targets in our new responsible business plan, Journey to Tomorrow. This builds on our achievements from our 2018-2020 programme and will push us further as an employer, within our communities and in minimising our environmental impact.

The future

The rollout of vaccines is extremely encouraging for everyone and of course vital to our industry's recovery, but we know it will take time. I'm confident that our business model and strategy, which builds on the investments made in recent years to expand our brand portfolio and enhance our ways of working, puts IHG in a strong position to outperform the industry as it returns to full strength.

In my more than 20 years with IHG, I cannot recall a time of such togetherness, which is all the more remarkable when considering the pressure everyone has been under. On behalf of the Executive Committee and myself, I want to express our sincere gratitude to all our corporate and hotel colleagues for their hard work, energy and understanding, and to our owners for their partnership and commitment.

I know everyone at IHG passionately believes the world is there to be explored, and as a company and alongside our owners, we will continue to work hard towards better times.



Keith Barr
Chief Executive Officer