

## Chief Executive Officer's review

Having worked in the hospitality industry for almost three decades, including nearly 18 years at IHG, it was a great honour to become CEO in 2017. With the support of our owners and hugely talented colleagues, I have worked all around the world helping IHG and our brands grow.



**Keith Barr**  
Chief Executive Officer

### Key highlights

**Total room signings**  
**83,000**  
The highest number since 2008

**Launch of avid hotels**  
**\$20bn**  
Market opportunity

**Total room openings**  
**48,000**  
The highest number since 2009

As a company, we are extremely grateful to my predecessor, Richard Solomons, whose legacy is a strong business, with a proven strategy built to deliver long-term sustainable growth.

Since my appointment in July, I have been clear that the right foundations for success have been carefully put in place, and that we must now build on this and execute our strategy at a faster pace, in order to deliver industry-leading net rooms growth over the medium term. Important changes to our structure and how we operate are underway, and with greater focus and agility we will deliver more for our owners and guests.

In 2017, we delivered another year of consistent, high-quality growth and strong financial and operational performance. We continued to expand and invest in our brands, entering exciting markets and introducing our newest brand, avid™ hotels. We also further enhanced our IHG® Rewards Club loyalty programme with new partnerships and benefits, and made important progress

with our next generation Guest Reservation System (GRS). Following successful hotel pilots, GRS will roll out in 2018 as part of IHG Concerto™, our new cloud-based platform, which over time will seamlessly bring together all our hotels' core systems.

### Financial and operational highlights

We delivered strong underlying profit growth and opened our highest number of hotels since 2009, including the most ever in both AMEA and Greater China. We finished the year with 5,348 properties in our portfolio and, supported by positive industry trends such as low-cost travel and growing middle classes, demand for our brands remains healthy. We are focused on targeting segments and markets with the greatest opportunities, and we made great progress in the year, signing our highest number of hotels since 2008. Underlining our organic growth potential, we closed 2017 with a pipeline of 244,146 rooms, which represents a 13% share of the active industry pipeline and is three times our share of current supply.

### Brands

In a world where consumers and our hotel owners have more choice, it has never been more important to focus on ensuring our brands are competitive and that we have a portfolio tailored to the highest growth markets and segments. IHG has a proud history of leading the way in service, design, technology and marketing, and we continue to ensure our actions are based on insights that deliver rich, relevant guest experiences and compelling propositions for our owners.

At the heart of our growth are our Holiday Inn® and Holiday Inn Express® brands, and working with our owners, we continued to introduce new services and vibrant designs that are increasing guest satisfaction scores and revenues. Holiday Inn Express has also been at the centre of our very successful Franchise Plus business model in Greater China, leading to the signing of 54 hotels in 2017. Due to its strong performance, we took the important step of extending our leading franchise offer to our Holiday Inn and Crowne Plaza® brands, which will help drive further growth in the region.

1. Artist's impression of avid brand hotel exterior

2. Holiday Inn Express Shanghai Puijiang, China



1.



2.

“The right foundations for success have been carefully put in place, and we must now build on this and execute our strategy at a faster pace.”

The launch of avid hotels was another significant milestone and represents a huge opportunity. Building on our long-standing successful track record in the Mainstream space, this brand will bring much-needed consistency and quality to a segment of 14 million people, worth an estimated \$20 billion in industry revenues. Since launching in September, we've seen significant owner interest, closing the year with 44 properties signed and one already under construction. In the first six weeks of 2018, signings further increased to 75 hotels.

Equally exciting as launching new brands, is taking others into new markets, and we made important progress in 2017 with the introduction of Kimpton® Hotels & Restaurants in China and Asia, and EVEN® Hotels into China and Australasia.

Making sure we have the right brands in markets and segments with the highest potential will remain a key focus for us. As part of this, we will be launching an Upscale conversion brand in 2018, leveraging the power of our system to capture share of this significant premium-priced market.

#### Technology

The role of technology increases in importance every year, from how we use and manage data, to the systems in place to support our hotels, and our IHG App, which both enhances guest experiences and serves as a key revenue driver. Digital revenue in 2017 was \$4.6 billion, including more than \$2 billion of mobile revenues, which have more than doubled over three years.

Another important area of technology is the development of IHG Concerto, which puts IHG at the very forefront of our industry and provides a major competitive advantage (see page 17 for more details). Hotel colleagues will have everything at their fingertips to provide more personal touches and manage reservations and revenues, and over time, guests will benefit from an unrivalled tailored booking experience. This is a long-term programme, which will see increasingly sophisticated functionality added in phases.

#### Accelerating growth

I strongly believe that our strategy remains the right one for IHG and our stakeholders, but moving with speed and focus is important when operating in an industry with both increasing opportunity as well as competition. To accelerate our growth, we will sharpen our focus on scale and how we invest resources in the highest opportunity markets and segments. We will also strengthen our brand portfolio and loyalty offer, enhance our marketing, and prioritise digital and technological innovations that drive hotel performance and stronger owner returns.

Our plans rely on the support of our passionate colleagues, who shape and deliver outstanding guest experiences every day, and our owners, whose trust in IHG and our brands remains paramount to our success. Linking us all is a commitment to a shared purpose of providing True Hospitality for everyone – guests, owners, colleagues and partners. This is a simple but powerful culture centred on recognising, respecting and understanding people, and making everyone feel welcome and cared for, wherever they are in the world.

Testament to everyone's efforts are the hundreds of awards once again received during the year. In particular, we were very proud to see IHG recognised as an Aon Global Best Employer, based on our excellent employee engagement scores.

I would like to thank everyone who helped make 2017 another great success for IHG and I look to 2018 with much optimism for another strong performance.

**Keith Barr**  
Chief Executive Officer