

Our strategy for high-quality growth

We have a clearly defined strategy which will continue to drive superior shareholder returns. Our focus is on delivering high-quality growth, which for us means consistent, sustained growth in cash flows and profits over the long term.

Overview of strategy

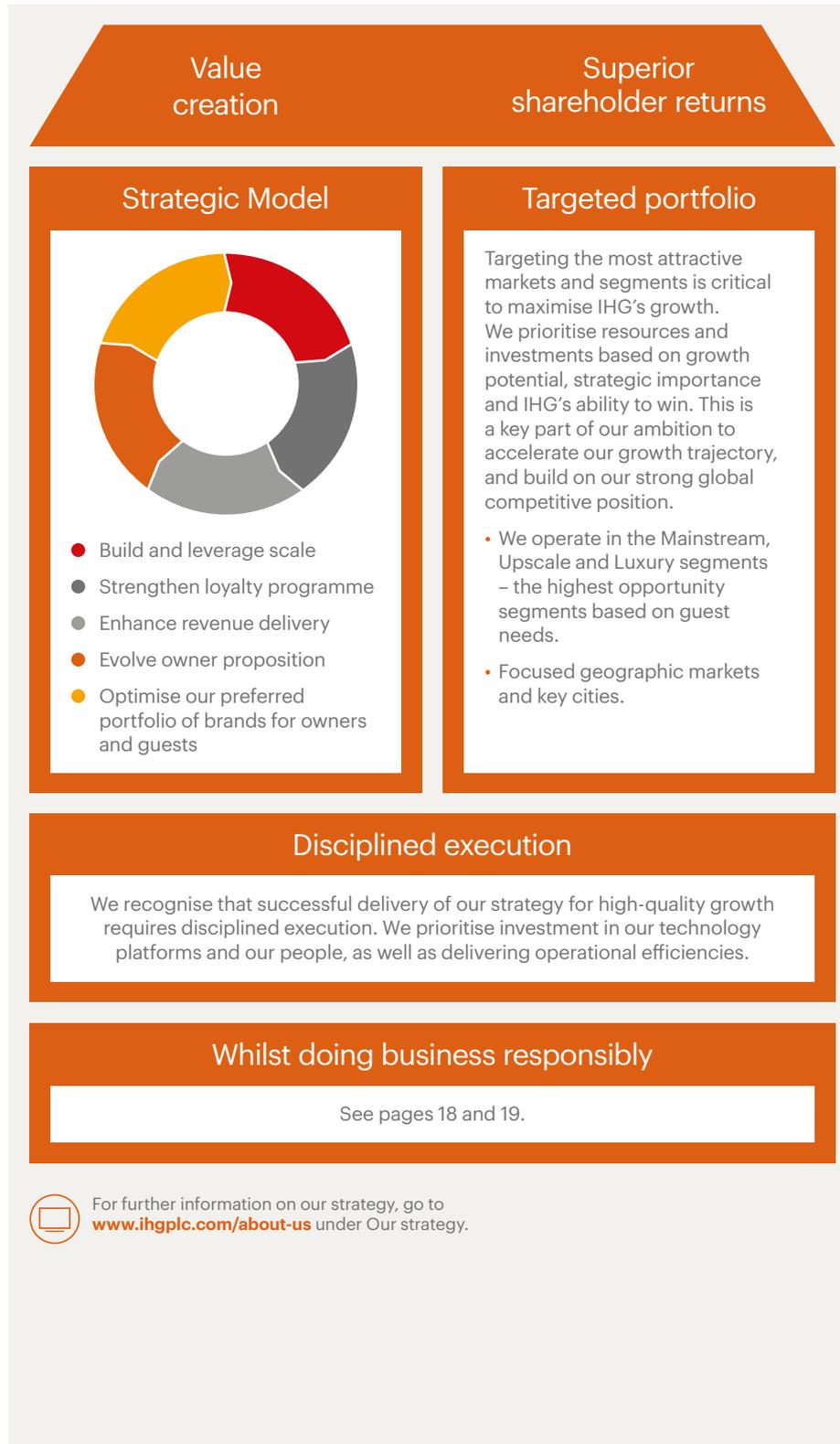
IHG has an established and successful strategy. Our focus is on unlocking ways to execute this strategy at a faster pace, and accelerate growth. Our Strategic Model sets out our approach and remains central to our commitment to delivering high-quality, sustainable growth in cash flows and profits over the long term.

Through our Strategic Model, we focus on value-creation by building preferred brands, delivering a superior owner proposition, leveraging scale and generating revenue through the lowest-cost, direct channels. We concentrate on a targeted portfolio that, together with disciplined execution of our strategy and a commitment to doing business responsibly, will drive superior shareholder returns.

In an increasingly competitive environment, IHG is well placed to accelerate the growth of our core business, as well as maximise returns on new initiatives. This includes our new brand, avid hotels, launched in 2017, which had 75 hotels in the pipeline as at 9 February 2018 – of which 44 hotels were signed at 31 December 2017 – see page 16 for more information.



We measure our performance with a set of carefully selected key performance indicators (KPIs), which monitor our success in achieving our strategy, see pages 23-25 for more details.



Strategic Model

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.



To see how we build and leverage scale, go to:

- Expanding our Upscale and Luxury portfolio on page 32

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.



To see how we strengthen our loyalty programme, go to:

- Driving digital growth on page 17

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.



To see how we enhance revenue delivery, go to:

- IHG Concerto on page 17
- Driving digital growth on page 17

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.



To see how we evolve our owner proposition, go to:

- Franchise Plus in Greater China, on page 32

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.



To see how we are optimising our portfolio of preferred brands, go to:

- avid hotels on page 16
- Crowne Plaza Accelerate programme on page 32
- Transforming Holiday Inn brand family on page 32

Our Strategic Model in action

We are focused on delivering across all components of our Strategic Model and in 2017 made progress with several important global initiatives.



To see our regional highlights, please go to the Performance section on page 32.



avid™ hotels

Launched in 2017, avid hotels is our new, US Mainstream brand, which we developed in collaboration with an owner advisory board.

The brand has been created to target over 14 million currently underserved travellers, who together make up an estimated \$20 billion segment. It will feature all-new build construction and is designed for travellers who want a hotel stay that meets their expectations. That includes the basics done exceptionally well at a price point expected about \$10-15 less than IHG's industry-leading Holiday Inn Express brand.

The avid hotels guest experience is designed around these key hallmarks:

- Sound sleep from premium bedding and noise reducing construction.
- Technological enablement through IHG Connect Wi-Fi and smart TVs.
- High-quality breakfast, including premium coffee and branded grab n' go options.

The brand was developed with an owner advisory board, and, with a leaner operating model and 10-15% lower forecasted cost per key than Holiday Inn Express, it further enhances our proposition for owners. Leveraging our scale, experience and leading position in the Mainstream segment, we expect our avid hotels brand to be a key driver of IHG's future System size growth.

75

signings as at 9 February 2018 – of which 44 hotels were signed at 31 December 2017.

\$20bn

size of target guest segment.

InterContinental Danang Sun Peninsula Resort, Vietnam



IHG Concerto™

Technology is an increasingly important element of the guest experience and offers huge potential to deliver stronger owner returns.

IHG Concerto represents the next step in our ambitious technology roadmap. Connected through the cloud, IHG Concerto is a user-friendly hotel platform, combining an industry-leading Guest Reservations System (GRS), enhanced Revenue Management System (RMS) and will include other capabilities such as property management and sales and catering systems. Our pilots to hotels began in 2017, and our ambition is for roll-out to hotels to be completed by late 2018 to early 2019. IHG Concerto will bring several benefits:

- Guests can customise their stay based on features they find important – made possible by new ways of classifying and selling room inventory.
- Hotel staff have more time to devote to delivering True Hospitality to guests – enabled by a more efficient hotel management system.
- Owners benefit from smarter revenue management tools.

IHG Concerto provides our hotels with advanced digital agility, aligning with our strategy to leverage innovation for real competitive advantage.

5,000⁺

targeted IHG hotels using IHG Concerto by 2019.

19

different countries where IHG Concerto was in use in 2017.



Driving digital growth

Digital is IHG's preferred channel. It represents the lowest cost for owners and allows us to interact with guests at every stage of their journey.

The IHG® App and *Your Rate* by IHG® Rewards Club are both key elements to ensuring the continued growth and vitality of our direct digital channels.

Mobile is IHG's primary digital growth driver, spearheaded by our award-winning App, offering guests real convenience and industry-leading loyalty redemption options:

- 34% of overall IHG revenue growth is driven by direct digital.
- 72% of direct digital revenue growth came from IHG's App in 2017, which saw a 27% year-on-year increase in visits.
- Mobile visits have now surpassed their desktop equivalents.

Your Rate was launched in 2016 and offers loyalty members the lowest rate available when booking direct with us, compared with other channels. It not only helps build and strengthen lifetime relationships with guests, but it also helps reduce cost of sale and increase long-term sustainable revenue growth for our third-party hotel owners.

>\$1bn

IHG App revenue in 2017.

72%

2017 IHG digital bookings through mobile in China.



Accelerate growth

Having built a powerful and effective global enterprise, we are now focused on executing our proven and well-established strategy at a faster pace to deliver industry-leading net rooms growth over the medium term.

This will involve us redeploying and refocusing resources to leverage our scale; strengthening our loyalty programme; continuing to prioritise digital and technological innovation; expanding our industry-leading franchise proposition; strengthening our existing brands; and adding new brands where we see the greatest potential for growth.

We made good initial progress in 2017, which involved:

- Establishing a new regional operating structure whereby, effective 1 January 2018, we now have three regions instead of four – Americas, Greater China and the new region of EMEA (Europe, Middle East, Asia and Africa).
- Combining our Commercial and Technology operations into one function to oversee technology, revenue management, channels and sales, along with the many inter-dependencies between these areas.
- Creating one global Marketing function focused on fully integrated brand, marketing and loyalty activities.
- Outsourcing our Central Reservation Office (call-centre) capabilities in the UK.

3

operating regions.

\$125m

targeted annual savings by 2020 for reinvestment to drive growth.