

Chief Executive Officer's review

Emerging as a stronger IHG

Key highlights in 2021

291

Hotels opened
(285 in 2020)

437

Hotels signed
(360 in 2020)

47%

Of full-year signings were for
our Holiday Inn Brand Family

42%

Of our pipeline now represented
by upscale and luxury brands

In the past year, the resilience of our business model and enduring importance of travel and hospitality for millions globally has shone through strongly. Crucially, while demonstrating our ability to effectively manage the impact of an evolving pandemic, we have not wavered in our focus to build an even stronger IHG, by growing our brands, enhancing our guest and owner offer, supporting our people and communities, and protecting our planet.

While 2021 global RevPAR was at 70% of pre-pandemic 2019 levels and operating profit has yet to fully recover, both improved significantly during the year as vaccinations increased, restrictions lifted and guests travelled again. Encouragingly, in Q4, almost half of our hotels were back to pre-pandemic RevPAR levels, and our Guest Satisfaction Index continued to improve during 2021, outperforming competitors as we worked thoughtfully to evolve the stay experience and manage demand.

As owners look to future growth with us, development activity was also well ahead of 2020, with some fantastic openings and signings, alongside continued investment in the quality of our existing estate.

Growing sense of recovery

Looking back to the height of the pandemic in 2020, with many hotels closed and occupancy at historic lows, reaching this much-improved point has required such hard work and collaboration among our teams, owners and partners. We've met challenges in thoughtful and innovative ways, quickly seized opportunities to grow and improve, and while we know our industry is not yet back to normal, we take confidence from a growing sense of recovery.

We do still have markets where restrictions are creating challenges, and the pandemic's impact on labour and supply chains

remains tough for our hotels, but travel is consistently returning quickly as restrictions lift. Our approach has been to stay focused on organising operations and investments around what matters most to guests and owners, and ensuring IHG can grow at pace, in the right way.

For colleagues, we have improved processes and introduced new tools to both attract and retain talent in what is a competitive jobs market, and we've placed a greater emphasis on mental health and wellbeing. Corporate and reservation teams have been supported with shifts to hybrid working, interactive sessions have brought employees closer to our strategy, and hotel teams have received training and support needed to adapt to evolving operations and brand standards.

For guests, we have used AI technology in our reservation centres to improve customer service, enhanced our award-winning Meet with Confidence programme, and offered loyalty members point expiry extensions and new promotions. We saw Reward Night bookings largely recover to pre-pandemic levels during the year and welcomed another nine million members to IHG® Rewards.

Working closely with the IHG Owners Association and operators, we have strived to anticipate owners' needs, carefully focusing on costs, and delivering training and action plans to address performance opportunities and guest feedback. Staffing and supply chain challenges have been met with new recruitment solutions and increased procurement options that have delivered key products at lower cost, despite inflationary pressures. Commercially, we have increased marketing and introduced new tools to identify and capture demand, and we continued our work with trade bodies and governments to advocate for industry support in recognition of the vital economic role hospitality plays globally.



Keith Barr Chief Executive Officer

Strengthened performance

Our actions, alongside our business being principally domestic focused in key markets such as the US, led to improved trading throughout 2021. On top of good essential business demand, domestic leisure bookings at times hit 2019 occupancy and rate levels in several markets, with signs of more discretionary business travel, group bookings and international trips beginning to return.

Operating profit of \$494m improved from a loss of \$153m in 2020. Our ability to capture demand through our strong brands, enterprise and scale, coupled with careful cost control, led to operating profit from reportable segments more than doubling to \$534m versus 2020, with sustainable savings successfully achieved alongside continued investment to support growth. Strong cash generation led to a reduction in net debt of almost \$650m year-on-year.

While a higher-than-average removals rate, linked in part to our Holiday Inn® and Crowne Plaza® Hotel & Resorts quality review, meant our net system size declined slightly, the opening of 291 hotels, including our 3,000th for Holiday Inn Express®, represented 5.0% gross growth and underlines the long-term confidence owners have in IHG and our brands. We also added 437 hotels to our pipeline, with the almost 24,000 rooms signed in Q4 much closer to the levels seen in 2019. In total, our global pipeline of almost 1,800 hotels represents more than 30% of our current system size, with more than 40% under construction.

Focus on growth

Our focus in recent years has been to improve the quality of our existing hotels for guests and the returns our brands generate for owners, and in parallel increase the scale of those brands, the breadth of our portfolio, and the value of our technology and loyalty offer. In spite of a pandemic, I am proud of

the progress against our strategic priorities in 2021 and the impact this will have on how we operate and grow with owners as the industry strengthens.

Key highlights include the Holiday Inn and Crowne Plaza quality review, which has driven significant owner investment in 83 properties and the removal of 151 hotels. With excellent future growth prospects, this work is not just critical to protecting the performance and reputation of these brands, but also to our ability to reduce our future group average removals rate and help achieve our ambition of industry-leading net rooms growth.

The importance of our established brands was reflected in our Holiday Inn® Brand Family representing almost half of all signings in 2021, while the addition of new brands across more segments increases our attractiveness to owners and opens up further growth opportunities. Within Essentials, avid® hotels is now our second largest contributor to system size and outperforming peers in guest satisfaction, and voco™ hotels has already expanded to 25 countries within Premium. In Luxury & Lifestyle, progress included Six Senses® now having grown its open and pipeline estate by more than half since acquisition in 2019, and our new Vignette Collection brand already at six signings and a first opening since launch in August.

As we use our IHG® Hotels & Resorts masterbrand to showcase the breadth of our portfolio, we continue to enhance the enterprise that supports it. This includes developing our next-generation mobile app, and preparing thousands of hotels to allow guests to choose specific room characteristics and add stay enhancements when booking with us, and in parallel enable our owners to generate maximum value from their hotel's unique features.

Transformational work also took place in loyalty ahead of a relaunch in 2022 that will offer members more rewarding tiers and points value, provide richer benefits and exceptional choice, and attract more next-generation travellers. In the first year of our 2030 Journey to Tomorrow responsible business plan, key progress included upgrading our science-based target to help limit global warming to 1.5°C, launching our virtual IHG Skills Academy platform, corporate employees completing more than 10,000 hours of conscious inclusion training, and supporting charities responding to natural disasters.

Thank you

I would like to thank the Board for their guidance, and ahead of his retirement as Chair, recognise the invaluable contribution Patrick Cescau has made in his nine years with IHG. He is a hugely respected figure and on a personal note I am grateful for his counsel and support. Though he will be missed, we look forward to welcoming Deanna Oppenheimer.

On behalf of the Executive Committee, I would also like to thank our owners for their partnership and commitment, and our inspiring colleagues for bringing our brands and purpose of True Hospitality for Good to life, and making IHG a stronger business. To see IHG again named a Kincentric Global Best Employer in 2021 was a proud moment and it has meant a lot to reconnect with colleagues in person this year, as well as our owners, knowing that together we look to the future with confidence.

Keith Barr
Chief Executive Officer