# Chief Financial Officer's review

## "Strong trading recovery in 2021 demonstrating attractive industry fundamentals."

**Paul Edgecliffe-Johnson** Chief Financial Officer & Group Head of Strategy

**Trading recovered significantly in 2021, with RevPAR ahead of 2020, and trending closer to pre-pandemic levels by the fourth quarter. We saw demand return at pace in markets where Covid-19 restrictions were lifted, driven primarily by domestic leisure and essential business travel. The strong recovery in trading demonstrates the attractive long-term fundamentals that underpin our industry, including the inherent desire for travel and new experiences.**

### Trading performance

Through the challenges of the pandemic, we remained committed to take actions to drive demand to our hotels and support our owners by maximising their revenues. This, combined with our weighting towards essential business and domestic leisure demand, particularly in the midscale segments, resulted in RevPAR recovering to 70% of 2019 levels.

Encouragingly in the fourth quarter, rate was almost in line with 2019 and occupancy around 85% of 2019 levels. There were also signs of more discretionary business travel, and group bookings and international trips starting to return.

Regional performance was subject to local Covid-19 related restrictions. The recovery was strongest in the Americas, driven by our weighting towards non-urban markets that are less reliant on international inbound travel and large groups and events. The recovery in the US was boosted by strong domestic leisure demand and resilient essential business demand.

Trading in EMEAA was led by Europe, which is less reliant on international travel, and the Middle East, with both markets benefitting from the lifting of restrictions.

Greater China recovered in the second quarter although the second half of the year saw restrictions reimposed and increased trading volatility.

### System growth

Gross system growth of 5.0% was ahead of 2020, although remained below pre-pandemic levels.

Net system size declined by 0.6% as our focus on the long-term health and quality of our established brands resulted in the removal of 49,667 rooms, 70% of which related to our review of the Holiday Inn and Crowne Plaza estate. We anticipate a lower overall removal rate going forwards, supporting our ambition to achieve industry-leading net rooms growth.

### Focused cost management

We delivered sustainable fee business cost savings of $75m compared to 2019. At the same time, we maintained our investment in growth opportunities, such as the launch of our newest brand, the Vignette Collection.

Operating profit of $494m improved from an operating loss of $(153)m in 2020. Operating profit from reportable segments[a] recovered to $534m. The recovery in revenue combined with our sustainable cost management and a decrease in corporate trade receivables, resulted in fee margin[a] improving to 49.6%, 4.5ppts below 2019.

### Cash generation and liquidity

The resilience of our business model was demonstrated throughout the year. Our strong cash conversion, combined with our ongoing focus on cost savings, has helped generate net cash from operating activities of $636m and $571m of adjusted free cash flow[a]. This has contributed to substantial progress in returning leverage levels measured as a ratio of net debt: adjusted EBITDA to 3.0x and within the 2.5-3.0x range we aim to maintain, supporting the Board's decision to propose a final dividend of 85.9¢ in respect of 2021.

Our uses of cash remain unchanged: ensuring the business is appropriately invested in to optimise growth; funding a sustainably growing dividend; and then returning excess funds to shareholders.

### Future growth and 2022 priorities

Looking to the future, we are encouraged by the signs of recovery, although trading in some markets remains volatile. The acceleration in development activity through 2021 contributed to a pipeline that is over 30% of our existing system size, and will support our ambition to return to industry-leading levels of net system size growth.

Importantly, we have continued to prioritise investment to support long-term sustainable growth. Many of these are multi-year in nature with further investments planned for 2022 behind our brand portfolio, loyalty programme and digital channels. We remain focused on improving returns for owners through investments in revenue management, operational efficiencies and procurement programmes.

Our asset-light business model is proven to be highly cash generative. As we look to future growth, with attractive industry RevPAR characteristics and a substantial pipeline of hotels to open, we will focus on growing our fee revenues and fee margins. With limited requirements for capital, this will enable us to grow the business whilst generating high returns on invested capital.

**Paul Edgecliffe-Johnson**
Chief Financial Officer
& Group Head of Strategy

[a] Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on pages 73 to 77 and reconciliations to IFRS figures, where they have been adjusted, are on pages 218 to 223.

# Performance

## Group

### Group Income Statement summary

| | 2021 $m | 2020 $m | 2021 vs 2020 % change | 2019 $m | 2020 vs 2019 % change |
|---|---|---|---|---|---|
| | | | | 12 months ended 31 December | |
| **Revenue**[a] | | | | | |
| Americas | 774 | 512 | 51.2 | 1,040 | (50.8) |
| EMEAA | 303 | 221 | 37.1 | 723 | (69.4) |
| Greater China | 116 | 77 | 50.6 | 135 | (43.0) |
| Central | 197 | 182 | 8.2 | 185 | (1.6) |
| Revenue from reportable segments[b] | 1,390 | 992 | 40.1 | 2,083 | (52.4) |
| System Fund revenues | 928 | 765 | 21.3 | 1,373 | (44.3) |
| Reimbursement of costs | 589 | 637 | (7.5) | 1,171 | (45.6) |
| **Total revenue** | 2,907 | 2,394 | 21.4 | 4,627 | (48.3) |
| **Operating profit**[a] | | | | | |
| Americas | 559 | 296 | 88.9 | 700 | (57.7) |
| EMEAA | 5 | (50) | NM[c] | 217 | NM[c] |
| Greater China | 58 | 35 | 65.7 | 73 | (52.1) |
| Central | (88) | (62) | 41.9 | (125) | (50.4) |
| Operating profit from reportable segments[b] | 534 | 219 | 143.8 | 865 | (74.7) |
| Analysed as: | | | | | |
| Fee Business excluding central | 658 | 340 | 93.5 | 938 | (63.8) |
| Owned, leased and managed lease | (36) | (59) | (39.0) | 52 | NM[c] |
| Central | (88) | (62) | 41.9 | (125) | (50.4) |
| System Fund result | (11) | (102) | (89.2) | (49) | 108.2 |
| Operating profit before exceptional items | 523 | 117 | 347.0 | 816 | (85.7) |
| Operating exceptional items | (29) | (270) | (89.3) | (186) | 45.2 |
| **Operating profit/(loss)** | 494 | (153) | NM[c] | 630 | NM[c] |
| Net financial expenses | (139) | (140) | (0.7) | (115) | 21.7 |
| Analysed as: | | | | | |
| Adjusted interest expense[b] | (142) | (130) | 9.2 | (133) | (2.3) |
| System Fund interest | 3 | 4 | (25.0) | 18 | (77.8) |
| Exceptional financial expenses | – | (14) | – | – | – |
| Fair value gains on contingent purchase consideration | 6 | 13 | (53.8) | 27 | (51.9) |
| **Profit/(loss) before tax** | 361 | (280) | NM[c] | 542 | NM[c] |
| Tax | (96) | 20 | NM[c] | (156) | NM[c] |
| Analysed as: | | | | | |
| Tax before exceptional items and System Fund[b] | (125) | (32) | 290.6 | (176) | (81.8) |
| Tax on exceptional items | 3 | 52 | (94.2) | 20 | 160.0 |
| Exceptional tax | 26 | – | – | – | – |
| **Profit/(loss)** | 265 | (260) | NM[c] | 386 | NM[c] |
| Adjusted earnings[d] | 269 | 57 | 371.9 | 555 | (89.7) |
| Basic weighted average number of ordinary shares (millions) | 183 | 182 | 0.5 | 183 | (0.5) |
| **Earnings/(loss) per ordinary share** | | | | | |
| Basic | 145.4¢ | (142.9)¢ | NM[c] | 210.4¢ | NM[c] |
| Adjusted[b] | 147.0¢ | 31.3¢ | 369.6 | 303.3¢ | (89.7) |
| **Dividend per share** | 85.9¢ | – | NM[c] | 296.2¢ | NM[c] |
| **Average US dollar to sterling exchange rate** | $1: £0.73 | $1: £0.78 | (6.4) | $1: £0.78 | – |

[a] Americas and EMEAA include revenue and operating profit before exceptional items from both fee business and owned, leased and managed lease hotels. Greater China includes revenue and operating profit before exceptional items from fee business.

[b] Definitions for Non-GAAP measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

[c] Percentage change considered not meaningful, such as where a positive balance in the latest period is comparable to a negative or zero balance in the prior period.

[d] Adjusted earnings as used with adjusted earnings per share, a non-GAAP measure.

# Performance continued
## Group continued

### Highlights for the year ended 31 December 2021

Trading improved significantly during the year, with Group comparable RevPAR[a] getting closer to pre-pandemic levels. More travel demand returned as vaccines rolled out, government-mandated restrictions eased and economic activity started to rebuild. Through the summer months, many markets, including the US and UK, saw significant improvements, driven by domestic leisure travel. Whilst the ability of travellers to freely move between and within countries continued to vary significantly, the second half of the year saw a gradual further improvement in overall trading conditions.

**Revenue**

Overall, when comparing to 2020, Group comparable RevPAR[a] declined 34% in the first quarter, then grew 151% in the second quarter, 66% in the third quarter, 71% in the fourth quarter and 46% in the full year. When compared to the pre-pandemic levels of 2019, Group comparable RevPAR[a] declined 51% in the first quarter, 36% in the second quarter, 21% in the third quarter, 17% in the fourth quarter and 30% in the full year.

Our other key driver of revenue, net system size, decreased by 0.6% year-on-year to 880,327 rooms, impacted by 34.3k Holiday Inn and Crowne Plaza removals as we concluded our quality review of these brands.

During the year ended 31 December 2021, total revenue increased by $513m (21.4%) to $2,907m including a $48m reduction in cost reimbursement revenue. Revenue from reportable segments[b] increased by $398m (40.1%) to $1,390m, driven by improved trading conditions. Underlying revenue[b] increased by $387m to $1,373m, with underlying fee revenue[b] increasing by $314m. Owned, leased and managed lease revenue increased by $68m.

**Operating profit and margin**

Operating profit improved by $647m from a loss of $153m to a profit of $494m, including a $241m net reduction in operating exceptional items, a $91m improvement in the System Fund result, from a $102m deficit to an $11m deficit, and a $36m decrease in the charge for expected credit losses on corporate trade receivables.

Operating profit from reportable segments[b] increased by $315m (143.8%) to $534m, driven by improved demand and the delivery of sustainable fee business cost savings. Underlying operating profit[b] increased $308m to $531m.

Fee margin[b] increased by 15.5ppts to 49.6%, benefitting from the improvement in trading and focused cost management.

**System Fund**

The Group operates a System Fund to collect and administer cash assessments from hotel owners for the specific purpose of use in marketing, reservations, and the hotel loyalty programme, IHG Rewards. The System Fund also benefits from proceeds from the sale of loyalty points under third-party co-branding arrangements. The Fund is not managed to generate a profit or loss for IHG over the longer term, although an in-year surplus or deficit can arise, but is managed for the benefit of hotels in the IHG System with the objective of driving revenues for the hotels.

In the year to 31 December 2021, System Fund revenues increased $163m (21%) to $928m, primarily driven by the recovery in travel demand yielding higher assessment revenues.

The System Fund income statement deficit reduced by $91m to $11m, primarily due to the rebound in travel demand and associated assessment income, partially offset by the reversal of temporary savings realised in 2020.

**Reimbursement of costs**

Cost reimbursement revenue represents reimbursements of expenses incurred on behalf of managed and franchised properties and relates, predominantly, to payroll costs at managed properties where we are the employer. As we record cost reimbursements based upon costs incurred with no added mark up, this revenue and related expenses have no impact on either our operating profit or net profit for the year.

In the year to 31 December 2021, reimbursable revenue decreased by $48m (7.5%) to $589m. The reduction reflects the impact of the prior year termination of the SVC portfolio in the Americas estate, meaning the overall scale of reimbursements fell.

**Operating exceptional items**

Exceptional items are identified by virtue of their size, nature, or incidence and are excluded from the calculation of adjusted earnings per ordinary share as well as other Non-GAAP measures (see Use of Non-GAAP measures, pages 218 to 223) in order to provide a more meaningful comparison of performance and can include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals, the costs of individually significant legal cases or commercial disputes and reorganisation costs.

Operating exceptional items totalled $29m, comprising the $25m provisionally agreed costs to settle two commercial disputes in the Americas and EMEAA, and the reversal of a $4m fair value gain recorded in 2020 on the put option over part of the Group's investment in the InterContinental Barclay hotel. Further information on exceptional items can be found in note 6 to the Group Financial Statements.

**Net financial expenses**

Net financial expenses decreased by $1m to $139m. Adjusted interest[b], as reconciled on page 223, and which excludes exceptional finance expenses, and adds back interest relating to the System Fund, increased by $12m to an expense of $142m. The increase in adjusted interest[b] was primarily driven by increased average bond debt.

Financial expenses include $91m (2020: $69m excluding exceptional financial expenses) of total interest costs on public bonds, which are fixed rate debt. Interest expense on lease liabilities was $29m (2020: $37m).

[a] Comparable RevPAR includes the impact of hotels temporarily closed as a result of Covid-19.

[b] Definitions for Non-GAAP revenue and operating profit measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

**Fair value gains on contingent purchase consideration**
Contingent purchase consideration arose on the acquisitions of Regent, the UK portfolio and Six Senses (see note 25 to the Group Financial Statements). The net gain of $6m (2020: $13m) primarily arises from the conditions related to the Six Senses contingent purchase consideration no longer being met. The total contingent purchase consideration liability at 31 December 2021 is $73m (2020: $79m).

**Taxation**
The effective rate of tax on profit before exceptional items and System Fund[a] was 31% (2020: 38%); this was lower than 2020 largely due to the improved profit base. In May 2021, a change to the UK rate of Corporation Tax was enacted which led to a $30m credit; $26m was recoded as an exceptional credit within the Income Statement and $4m within the Statement of Other Comprehensive Income. A net credit of $3m arose on other accounting exceptional items (2020: $52m). Further information on tax within exceptional items can be found in note 6 to the Group Financial Statements. Net tax paid in 2021 totalled $86m (2020: $41m), and included refunds in the US of $15m (2020: $24m). No more significant refunds are expected.

IHG pursues an approach to tax that is consistent with its business strategy and its overall business conduct principles. The approach seeks to ensure full compliance with all tax filing, payment and reporting obligations on the basis of communicative and transparent relationships with tax authorities. The IHG Audit Committee reviews IHG's approach to tax annually, including consideration of the Group's current tax profile. Further information on tax can be found in note 8 to the Group Financial Statements.

IHG's Approach to Tax policy is available at **www.ihgplc.com/responsible-business** under policies

**Earnings per ordinary share**
The Group's basic earnings per ordinary share is 145.4¢ (2020: basic loss per ordinary share: 142.9¢). Adjusted earnings per ordinary share[a] increased by 115.7¢ to 147.0¢.

**Dividends**
The Board is proposing a final dividend of 85.9¢ in respect of 2021, an amount equivalent to the withdrawn final payment in respect of 2019. No interim dividend was paid in respect of 2021. Going forward, dividend payments will be reflective of IHG's prior approach to sustainably grow the ordinary dividend, whilst targeting a level of leverage that maintains an investment grade credit rating and ensuring careful consideration of our responsibilities to all stakeholders. The Board will also continue to actively assess the opportunity for any surplus capital to be additionally returned through special dividends or share buybacks.

**Share price and market capitalisation**
The IHG share price closed at £47.81 on 31 December 2021, up from £46.90 on 31 December 2020. The market capitalisation of the Group at the year-end was £8.8bn.

For discussion of 2020 results, and the changes compared to 2019, refer to the 2020 Annual Report and Form 20-F.

**www.ihgplc.com/investors** under Annual Report

[a] Definitions for Non-GAAP revenue and operating profit measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

**Accounting principles**
The Group results are prepared under International Financial Reporting Standards (IFRS). The application of IFRS requires management to make judgements, estimates and assumptions, and those considered critical to the preparation of the Group results are set out on page 150 of the Group Financial Statements.

The Group discloses certain financial information both including and excluding exceptional items. For comparability of the periods presented, some of the performance indicators in this performance review are calculated after eliminating these exceptional items. An analysis of exceptional items is included in note 6 on page 165 of the Group Financial Statements.

# Performance continued
# Group continued

## Group Cash Flow summary

| | 2021 $m | 2020 $m | 2021 vs 2020 $m change | 2019 $m | 2020 vs 2019 $m change |
|---|---|---|---|---|---|
| | | | | 12 months ended 31 December | |
| **GAAP cash flow summary** | | | | | |
| Net cash from operating activities | **636** | 137 | 499 | 653 | (516) |
| Net cash from investing activities | **(12)** | (61) | 49 | (493) | 432 |
| Net cash from financing activities | **(860)** | 1,354 | (2,214) | (660) | 2,014 |
| **Net movement in cash and cash equivalents in the year** | **(236)** | 1,430 | (1,666) | (500) | 1,930 |

| | 2021 $m | 2020 $m | 2021 vs 2020 $m change | 2019 $m | 2020 vs 2019 $m change |
|---|---|---|---|---|---|
| | | | | 12 months ended 31 December | |
| **Summary of cash flow and net debt** | | | | | |
| Operating profit from reportable segments | **534** | 219 | | 865 | |
| Depreciation and amortisation | **98** | 110 | | 116 | |
| **Adjusted EBITDA[a]** | **632** | 329 | 303 | 981 | (652) |
| Working capital and other adjustments | **110** | (27) | | (77) | |
| Impairment loss on financial assets | **–** | 40 | | 8 | |
| Other non-cash adjustments to operating profit/loss[b] | **71** | 60 | | 54 | |
| System Fund result | **(11)** | (102) | | (49) | |
| System Fund depreciation and amortisation | **94** | 62 | | 54 | |
| Other non-cash adjustments to System Fund result | **6** | 97 | | 52 | |
| Capital expenditure: contract acquisition costs (key money) net of repayments | **(42)** | (64) | | (61) | |
| Capital expenditure: maintenance | **(33)** | (43) | | (86) | |
| Cash flows relating to exceptional items | **(12)** | (87) | | (55) | |
| Net interest paid | **(126)** | (130) | | (107) | |
| Tax paid | **(86)** | (41) | | (141) | |
| Principal element of lease payments | **(32)** | (65) | | (59) | |
| Purchase of shares | – | – | | (5) | |
| **Adjusted free cash flow[a]** | **571** | 29 | 542 | 509 | (480) |
| Capital expenditure: gross recyclable investments | **(5)** | (6) | | (19) | |
| Capital expenditure: gross System Fund capital investments | **(19)** | (35) | | (98) | |
| Acquisitions of businesses, net of cash acquired | **–** | – | | (292) | |
| Deferred and contingent purchase consideration paid | **(13)** | – | | (8) | |
| Disposals and repayments, including other financial assets | **58** | 18 | | 4 | |
| Distributions from associates and joint ventures | **–** | 5 | | – | |
| Other items | **–** | 3 | | – | |
| Dividends and shareholder returns | **–** | – | | (723) | |
| **Net cash flow before other net debt movements** | **592** | 14 | 578 | (627) | 641 |
| Add back principal element of lease repayments | **32** | 65 | | 59 | |
| Exchange and other non-cash adjustments | **24** | 57 | | (132) | |
| **Decrease in net debt** | **648** | 136 | 512 | (700) | 836 |
| Net debt at the beginning of the year | **(2,529)** | (2,665) | | (1,965) | |
| **Net debt at the end of the year** | **(1,881)** | (2,529) | 648 | (2,665) | 136 |

[a] Definitions for Non-GAAP measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

[b] 2020 Excludes $48m related to trade deposits and loans which were recognised as exceptional items.

### Cash from operating activities

For the year ended 31 December 2021 net cash from operating activities totalled $636m, an increase of $499m on the previous year, primarily reflecting the increase in operating profit and improvement in working capital and other adjustments.

Cash flow from operations is the principal source of cash used to fund the ongoing operating expenses, interest payments, maintenance capital expenditure and normal dividend payments of the Group.

The Group believes that the requirements of its existing business and future investment can be met from cash generated internally, disposition of assets, and external finance expected to be available to it.

### Cash from investing activities

Net cash outflows from investing activities decreased by $49m to $12m, driven by $44m net proceeds from the sale of three hotels in the Americas region. There was an overall decrease in purchases of property, plant and equipment and intangible assets of $24m. Deferred consideration paid of $13m related to the acquisition of the Regent brand (2020: $nil). The Group had committed contractual capital expenditure of $17m at 31 December 2021 (2020: $19m).

### Cash used in financing activities

Net cash outflows from financing activities totalled $860m (2020: $1,354m inflow). This was primarily due to the repayment of the £600m commercial paper under the UK Covid Corporate Financing Facility (CCFF).

### Adjusted free cash flow

Adjusted free cash flow[a] was an inflow of $571m, an increase of $542m on 2020, driven by an improvement in operating profit from reportable segments[a] partially offset by related tax payments, coupled with a $137m improvement in working capital as explained below. Exceptional cash costs of $12m decreased by $75m due to lower restructuring expenses and the timing of litigation payments.

### Working capital

On the Group statement of financial position, trade and other receivables increased by $60m, from $514m to $574m, primarily due to the significant increase in RevPAR in the fourth quarter compared to 2020. Trade and other payables increased by $108m, from $560m to $668m, primarily due to an increase in bonus accruals compared to prior year. Deferred revenue increased by $44m, from $1,569m to $1,613m, reflecting an increase in the future redeemable points balance related to the loyalty programme.

[a] Definitions for Non-GAAP measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

### Sources of liquidity

As at 31 December 2021 the Group had total liquidity of $2,655m (31 December 2020: $2,925m), comprising $1,350m of undrawn bank facilities and $1,305m of cash and cash equivalents (net of overdrafts and restricted cash). The reduction in total liquidity from December 2020 is due to the repayment of the £600m CCFF in March 2021, largely offset by the net cash flow before other net debt movements of $592m.

The Group currently has $2,786m of sterling and euro bonds outstanding. The current bonds mature in November 2022 (£173m), October 2024 (€500m), August 2025 (£300m), August 2026 (£350m), May 2027 (€500m) and October 2028 (£400m). There are currency swaps in place on both the euro bonds, fixing the October 2024 bond at £454m and the May 2027 bond at £436m.

The Group currently has a senior unsecured long-term credit rating of BBB- from Standard and Poor's. In the event this rating was downgraded below BBB- there would be an additional step-up of 125bps payable on the bonds which would result in an additional interest cost of approximately $35m per year.

The $1,275m revolving syndicated bank facility (the Syndicated Facility) and the $75m revolving bilateral facility (the Bilateral Facility) mature in September 2023. The facilities were undrawn at 31 December 2021. The Syndicated and Bilateral Facilities contain the same terms and two financial covenants: interest cover and a leverage ratio. Covenants are monitored on a 'frozen GAAP' basis excluding the impact of IFRS 16 and are tested at half year and full year on a trailing 12-month basis. The interest cover covenant requires a ratio of Covenant EBITDA to Covenant interest payable above 3.5:1 and the leverage ratio requires Covenant net debt to Covenant EBITDA of below 3.5:1. Covenant EBITDA is calculated (on a frozen GAAP basis) as operating profit before exceptional items, depreciation and amortisation and System Fund revenues and expenses. See note 24 to the Group Financial Statements for further information.

These covenants have been amended for test dates in 2022. A minimum liquidity covenant of $400m has been introduced which will be tested at each test date up to and including 31 December 2022. The amended leverage ratio and interest cover covenant test levels for the facilities are as follows:

| | June 2022 | December 2022 |
|---|---|---|
| Leverage ratio | Less than 7.5x | Less than 6.5x |
| Interest cover | Greater than 1.5x | Greater than 2.0x |

At 31 December 2021 the leverage ratio was 3.0x and the interest cover ratio was 4.5x. See note 24 to the Group Financial Statements for further information.

The Group is in compliance with all of the applicable financial covenants in its loan documents, none of which are expected to present a material restriction on funding in the near future.

In the Group's opinion, the available facilities are sufficient for the Group's present liquidity requirements. However, the Group continues to assess its liquidity position and financing options and will take further actions as necessary.

The Group has taken certain actions during 2021 regarding the discontinuation of LIBOR. The Group's main exposure to LIBOR is the underlying reference rate in the Syndicated and Bilateral Facilities. The terms of these agreements will need to be renegotiated to address the discontinuation of LIBOR. The replacement of LIBOR with alternative reference rates is not expected to have a material impact on the Group at this stage.

The Group had net liabilities of $1,474m at 31 December 2021 ($1,849m at 31 December 2020).

### Net debt

Net debt of $1,881m (2020: $2,529m) is analysed by currency as follows:

| | 2021 $m | 2020 $m |
|---|---|---|
| **Borrowings** | | |
| Sterling* | 2,860 | 3,716 |
| US dollar | 431 | 416 |
| Euros | 5 | 20 |
| Other | 35 | 52 |
| **Cash and cash equivalents** | | |
| Sterling | (532) | (1,305) |
| US dollar | (756) | (261) |
| Euros | (18) | (12) |
| Canadian dollar | (7) | (8) |
| Chinese renminbi | (105) | (60) |
| Other | (32) | (29) |
| **Net debt** | 1,881 | 2,529 |
| **Average net debt level** | 2,334 | 2,554 |

* Including the impact of currency swaps.

Cash and cash equivalents includes $77m (2020: $44m) that is not available for use by the Group due to local exchange controls and $9m (2020: $5m) which is restricted for use on capital expenditure under hotel lease agreements.

Information on the maturity profile and interest structure of borrowings is included in notes 22 and 24 to the Group Financial Statements.

# Performance continued
## Group continued

Borrowings included bank overdrafts of $59m (2020: $51m), which were matched by an equivalent amount of cash and cash equivalents under the Group's cash pooling arrangements. Under these arrangements, each pool contains a number of bank accounts with the same financial institution, and the Group pays interest on net overdraft balances within each pool. The cash pools are used for day-to-day cash management purposes and are managed daily as closely as possible to a zero balance on a net basis for each pool. Overseas subsidiaries are typically in a cash-positive position, with the most significant balances in the US, and the matching overdrafts are held by the Group's central treasury company in the UK.

Information on the Group's approach to allocation of capital resources can be found on pages 12 and 13.

### Off-balance sheet arrangements
At 31 December 2021, the Group had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Group's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### Contingent liabilities
Contingent liabilities include guarantees over loans made to facilitate third-party ownership of hotels of up to $69m and outstanding letters of credit of $45m. The Group may also be exposed to additional liabilities resulting from litigation and security incidents. See note 31 to the Group Financial Statements for further details.

### Future cash requirements from contractual obligations
The Group's future cash flows arising from contractual commitments relating to long term debt obligations (including interest payable), derivatives, lease liabilities and other financial liabilities are analysed in note 24 to the Group Financial Statements.

Other cash requirements relate to future pension scheme contributions (see note 27 to the Group Financial Statements) and capital commitments (see note 30 to the Group Financial Statements).

The Group also has future commitments for key money payments which are contingent upon future events and may reverse.

### Total gross revenue[a] in IHG's System

| | 12 months ended 31 December | | |
|---|---|---|---|
| | **2021 $bn** | 2020 $bn | % change[b] |
| **Analysed by brand** | | | |
| InterContinental | **2.7** | 2.0 | 31.6 |
| Kimpton | **0.7** | 0.4 | 83.9 |
| HUALUXE | **0.1** | 0.1 | 36.5 |
| Crowne Plaza | **2.3** | 1.8 | 25.7 |
| Hotel Indigo | **0.4** | 0.3 | 73.9 |
| EVEN Hotels | **0.1** | 0.0 | 127.0 |
| Holiday Inn | **4.0** | 2.8 | 42.7 |
| Holiday Inn Express | **6.5** | 4.2 | 54.2 |
| Staybridge Suites | **1.0** | 0.7 | 38.2 |
| Candlewood Suites | **0.7** | 0.7 | 11.5 |
| Other | **0.9** | 0.5 | 51.9 |
| **Total** | **19.4** | 13.5 | 42.8 |
| **Analysed by ownership type** | | | |
| Fee business | **19.2** | 13.3 | 42.8 |
| Owned, leased and managed lease | **0.2** | 0.2 | 40.3 |
| **Total** | **19.4** | 13.5 | 42.8 |

[a] Definitions for Non-GAAP measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

[b] Year-on-year percentage movement calculated from source figures, to provide better illustration of relative impact of Covid-19 on brands and on fee business and owned, leased and managed lease hotels.

Total gross revenue in IHG's System increased by 42.8% (40.5% increase at constant currency) to $19.4bn (70% of 2019 levels), driven by the improvement in trading conditions in many markets, particularly through the second half of 2021.

## Group hotel and room count

| At 31 December | Hotels 2021 | Hotels Change over 2020 | Rooms 2021 | Rooms Change over 2020 |
|---|---|---|---|---|
| **Analysed by brand** | | | | |
| Six Senses | **21** | 5 | **1,412** | 283 |
| Regent | **7** | – | **2,190** | – |
| InterContinental | **204** | (1) | **69,402** | (539) |
| Vignette Collection | **1** | 1 | **146** | 146 |
| Kimpton | **75** | 2 | **13,283** | 198 |
| HUALUXE | **16** | 4 | **4,603** | 1,170 |
| Crowne Plaza | **404** | (25) | **111,178** | (7,701) |
| Hotel Indigo | **130** | 5 | **16,343** | 739 |
| EVEN Hotels | **21** | 5 | **2,994** | 584 |
| voco | **31** | 13 | **7,445** | 2,368 |
| Holiday Inn[a] | **1,218** | (58) | **224,684** | (11,870) |
| Holiday Inn Express | **3,016** | 50 | **317,329** | 7,842 |
| avid hotels | **48** | 24 | **4,280** | 2,124 |
| Staybridge Suites | **315** | 12 | **34,306** | 1,411 |
| Candlewood Suites | **361** | (5) | **32,025** | (410) |
| Other[b] | **123** | (5) | **38,707** | (2,054) |
| **Total** | **5,991** | 27 | **880,327** | (5,709) |
| **Analysed by ownership type** | | | | |
| Franchised | **5,033** | 28 | **626,115** | (1,233) |
| Managed | **939** | 3 | **249,591** | (3,697) |
| Owned, leased and managed lease | **19** | (4) | **4,621** | (779) |
| **Total** | **5,991** | 27 | **880,327** | (5,709) |

During 2021, the global IHG System (the number of hotels and rooms which are franchised, managed, owned, leased or managed lease) increased by 27 hotels (decreased by 5,709 rooms) to 5,991 hotels (880,327 rooms).

Openings of 291 hotels (43,958 rooms) was 11.6% higher than in 2020. 151 hotels (15,739 rooms) were opened in the Americas, including 85 hotels (9,016 rooms) in the Holiday Inn Brand Family. 52 hotels (10,162 rooms) were opened in EMEAA, with the Greater China region contributing openings of 88 hotels (18,057 rooms).

264 hotels (49,667 rooms) left the IHG System in 2021, including 151 Holiday Inn and Crowne Plaza hotels (34,345 rooms) as we concluded our review of these brands. In 2020, 224 hotels (36,919 rooms) left the IHG System, of which 102 hotels (16,655 rooms) related to the termination of the SVC portfolio in the Americas estate.

[a] Includes 41 Holiday Inn Resort properties (10,454 rooms) and 28 Holiday Inn Club Vacations properties (8,679 rooms) (2020: 47 Holiday Inn Resort properties (11,446 rooms) and 28 Holiday Inn Club Vacations properties (8,679 rooms)).

[b] Includes three open hotels that will be re-branded to voco and one hotel that will be re-branded to Vignette Collection.

**Total number of hotels**

5,991

**Total number of rooms**

880,327

# Performance continued
## Group continued

### Group pipeline

| At 31 December | Hotels 2021 | Hotels Change over 2020 | Rooms 2021 | Rooms Change over 2020 |
|---|---|---|---|---|
| **Analysed by brand** | | | | |
| Six Senses | 33 | 2 | 2,424 | 185 |
| Regent | 8 | 2 | 1,938 | 403 |
| InterContinental | 79 | 10 | 19,679 | 1,905 |
| Kimpton | 35 | 3 | 6,852 | 587 |
| HUALUXE | 23 | (2) | 6,045 | (862) |
| Crowne Plaza | 96 | 7 | 25,261 | 1,033 |
| Hotel Indigo | 114 | 10 | 18,452 | 2,748 |
| EVEN Hotels | 29 | (2) | 4,907 | (139) |
| voco | 38 | 9 | 10,090 | 1,911 |
| Holiday Inn[a] | 244 | (18) | 48,078 | (3,085) |
| Holiday Inn Express | 645 | (38) | 83,026 | (4,126) |
| avid hotels | 164 | (28) | 14,495 | (3,031) |
| Staybridge Suites | 156 | 1 | 16,843 | (647) |
| Candlewood Suites | 93 | 20 | 7,765 | 1,396 |
| Atwell Suites | 23 | 4 | 2,275 | 426 |
| Other[b] | 17 | 2 | 2,830 | 199 |
| **Total** | 1,797 | (18) | 270,960 | (1,097) |
| **Analysed by ownership type** | | | | |
| Franchised | 1,290 | (20) | 157,832 | (1,236) |
| Managed | 506 | 2 | 112,973 | 139 |
| Owned, leased and managed lease | 1 | – | 155 | – |
| **Total** | 1,797 | (18) | 270,960 | (1,097) |

At the end of 2021, the global pipeline totalled 1,797 hotels (270,960 rooms), a decrease of 18 hotels (1,097 rooms), as the increase in signings to 68,870 rooms was more than offset by strong openings pace out of the pipeline and a normal level of terminations from the pipeline.

The IHG pipeline represents hotels where a contract has been signed and the appropriate fees paid.

Group signings increased from 360 hotels in 2020 to 437 hotels, and rooms increased from 56,146 in 2020 to 68,870 rooms. Signings in 2021 included 205 hotels (31,169 rooms) signed for the Holiday Inn Brand Family, almost half of which were contributed by Greater China (89 hotels, 16,260 rooms). Conversions represented 22% of Group signings in 2021, including six for our newest brand, Vignette Collection.

Active management of the pipeline to remove deals that have become dormant or no longer viable reduced the pipeline by 164 hotels (26,009 rooms), compared to 178 hotels (27,740 rooms) in 2020.

[a] Includes 35 Holiday Inn Resort properties (8,219 rooms) (2020: 34 Holiday Inn Resort properties (7,251 rooms)).

[b] Includes four Vignette Collection pipeline hotels.

**Total number of hotels in the pipeline**

1,797

**Total number of rooms in the pipeline**

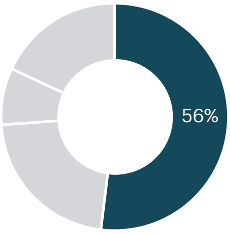
270,960

# Americas

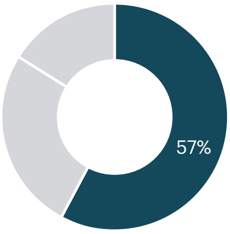
"In 2021 as we welcomed guests back, we met their evolving needs, supported our owners as the pace of recovery increased and executed our strategy to drive growth for the years to come. We've continued to see confidence in our established brands and reached new growth milestones for our newest brands: avid® hotels, Atwell Suites™, and voco™."

**Elie Maalouf** Chief Executive Officer, Americas

**Americas revenue 2021** ($774m)




**Americas number of rooms** (499,089)




**Comparable RevPAR[a] movement on previous year**
(12 months ended 31 December 2021)

| Fee business | |
|---|---|
| InterContinental | **73.0%** |
| Kimpton | **90.1%** |
| Crowne Plaza | **54.4%** |
| Hotel Indigo | **82.4%** |
| EVEN Hotels | **112.4%** |
| Holiday Inn | **56.8%** |
| Holiday Inn Express | **53.3%** |
| avid hotels | **115.4%** |
| Staybridge Suites | **40.4%** |
| Candlewood Suites | **30.5%** |
| All brands | **53.8%** |

| Owned, leased and managed lease | |
|---|---|
| All brands | **91.6%** |

**Industry performance in 2021**
Industry RevPAR in the Americas increased by 63.4% compared to 2020 (declined by 20.7% against 2019), driven by a 19.5% increase in average daily rate and a 14.6ppt increase in occupancy. Many markets across the Americas started to recover during 2021, led by improving occupancy levels, although remained behind pre-pandemic levels. Overall demand for hotel rooms increased by 38.4% and supply increased by 1.2%.

The US lodging industry showed the earliest and strongest recovery in the region, compared against pre-pandemic levels. US industry RevPAR increased by 63.9% compared to 2020 (declined by 18.2% against 2019), driven by increases in both occupancy and average daily rate. RevPAR in the US upper midscale chain scale, where the Holiday Inn and Holiday Inn Express brands operate, increased by 59.3%.

Industry RevPAR increased by 46.9% in Canada and 81.3% in Mexico, driven by increases in both occupancy and average daily rate.

**IHG's regional performance in 2021**
IHG's comparable RevPAR[a] in the Americas increased by 54.0% compared to 2020 (declined by 19.8% against 2019), driven by a 15.9ppt increase in occupancy coupled with a 12.2% increase in average daily rate. The region is predominantly represented by the US, where comparable RevPAR[a] increased by 54.4% compared to 2020 (declined by 17.0% against 2019), and where we are most represented by our upper midscale brands Holiday Inn and Holiday Inn Express. US RevPAR[a] for the Holiday Inn brand increased by 58.2% whilst the Holiday Inn Express brand increased by 53.5%.

RevPAR[a] in Canada increased by 46.0%, whilst Mexico increased by 55.2%.

[a] Comparable RevPAR and occupancy include the impact of hotels temporarily closed as a result of Covid-19.

voco™ St. James Hotel, New Orleans, US

# Performance continued
## Americas continued

### Americas results

| | 2021 $m | 2020 $m | 2021 vs 2020 % change | 2019 $m | 2020 vs 2019 % change |
|---|---|---|---|---|---|
| | 12 months ended 31 December | | | | |
| **Revenue from the reportable segment[a]** | | | | | |
| Fee business | 691 | 457 | 51.2 | 853 | (46.4) |
| Owned, leased and managed lease | 83 | 55 | 50.9 | 187 | (70.6) |
| **Total** | 774 | 512 | 51.2 | 1,040 | (50.8) |
| **Operating profit from the reportable segment[a]** | | | | | |
| Fee business | 568 | 323 | 75.9 | 663 | (51.3) |
| Owned, leased and managed lease | (9) | (27) | (66.7) | 37 | NM[c] |
| | 559 | 296 | 88.9 | 700 | (57.7) |
| Operating exceptional items | (22) | (118) | (81.4) | (62) | 90.3 |
| **Operating profit** | 537 | 178 | 201.7 | 638 | (72.1) |

**Review of the year ended 31 December 2021**

With 4,268 hotels (499,089 rooms), the Americas represents 57% of the Group's room count. The key profit-generating region is the US, and the Group is also represented in Latin America, Canada, Mexico and the Caribbean. 92% of rooms in the region are operated under the franchise business model, primarily under our brands in the midscale segments (including the Holiday Inn Brand Family). In the upscale market segment, Crowne Plaza is predominantly franchised whereas, in the luxury market segment, InterContinental branded hotels are operated under both franchise and management agreements, whilst Kimpton is predominantly managed. 14 of the Group's 17 hotel brands are represented in the Americas.

The impact of travel restrictions continued to impact the first two months of 2021, before we saw a notable pick-up in demand in March, benefitting from domestic leisure trips around the spring break period.

As the second quarter progressed, demand continued to grow particularly in non-urban and resort destinations. Over the summer months, leisure demand recovered rapidly. Demand from essential business travellers remained resilient and we saw signs of corporate demand and group meetings start to return. By the end of the second quarter, 13 states in the US saw RevPAR[b] ahead of 2019 levels and a further 17 were at least 90% of 2019 RevPAR[b].

The recovery continued into the third quarter, led by the US franchised estate, which benefits from a weighting towards hotels in the midscale segments. Leisure demand remained strong, driving rate. We also saw an increase in discretionary business travel demand and group demand.

The recovery continued into the fourth quarter, with occupancy of 60% (down 5ppts compared to 2019 with rate 1% higher than 2019).

Americas comparable RevPAR[b] declined 28% in the first quarter, then grew 154% in the second quarter, 76% in the third quarter, 80% in the fourth quarter and 54% in the full year, all when compared to 2020. When comparing to 2019, prior to the pandemic, Americas comparable RevPAR[b] declined 43% in the first quarter, 26% in the second quarter, 10% in the third quarter, 6% in the fourth quarter and 20% in the full year.

Revenue from the reportable segment[a] increased by $262m (51%) to $774m, (a decrease of $266m compared to 2019). Operating profit increased by $359m to $537m driven by the increase in revenue and a $96m decrease in operating exceptional charges. Operating profit from the reportable segment[a] increased by $263m (89%) to $559m (a decrease of $141m compared to 2019). On an underlying[a] basis, revenue increased by $268m (54%), whilst underlying[a] profit increased by $257m (84%).

Revenue and operating profit from the reportable segment[a] are further analysed by fee business and owned, leased and managed lease hotels.

Fee business revenue[a] increased by $234m (51%) to $691m. Fee business operating profit[a] increased by $245m (76%) to $568m, benefitting from the improvement in demand, along with the delivery of sustainable fee business cost savings. Operating profit from the reportable segment[a] also included the benefit of $11m payroll tax credits, which relates to the Group corporate office presence in certain countries.

Owned, leased and managed lease revenue increased by $28m to $83m, with comparable RevPAR[b] up 92% compared to 2020, (down 41% compared to 2019), leading to an owned, leased and managed lease operating loss of $9m compared to a $27m loss in the prior year.

Excluding the results of three owned EVEN hotels which were disposed and retained under franchise contracts in November 2021, and the impact of one leased hotel that exited in December 2020, revenue increased by $34m and operating profit improved by $14m.

For discussion of 2020 results, and the changes compared to 2019, refer to the 2020 Annual Report and Form 20-F.

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[a] Definitions for Non-GAAP revenue and operating profit measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

[b] Comparable RevPAR and occupancy include the impact of hotels temporarily closed as a result of Covid-19.

[c] Percentage change considered not meaningful, such as where a positive balance in the latest period is comparable to a negative or zero balance in the prior period.

## Americas hotel and room count

| At 31 December | Hotels 2021 | Hotels Change over 2020 | Rooms 2021 | Rooms Change over 2020 |
|---|---|---|---|---|
| **Analysed by brand** | | | | |
| Six Senses | 1 | 1 | 20 | 20 |
| InterContinental | 43 | (3) | 15,651 | (1,138) |
| Kimpton | 64 | – | 11,008 | (89) |
| Crowne Plaza | 112 | (24) | 27,930 | (7,475) |
| Hotel Indigo | 66 | (1) | 8,745 | (48) |
| EVEN Hotels | 19 | 4 | 2,743 | 504 |
| voco | 5 | 4 | 469 | 420 |
| Holiday Inn[a] | 716 | (50) | 120,850 | (10,092) |
| Holiday Inn Express | 2,436 | 11 | 221,727 | 1,385 |
| avid hotels | 48 | 24 | 4,280 | 2,124 |
| Staybridge Suites | 296 | 11 | 31,097 | 1,040 |
| Candlewood Suites | 361 | (5) | 32,025 | (410) |
| Other[b] | 101 | (2) | 22,544 | (1,164) |
| **Total** | 4,268 | (30) | 499,089 | (14,923) |
| **Analysed by ownership type** | | | | |
| Franchised | 4,087 | (18) | 460,257 | (11,545) |
| Managed | 178 | (9) | 37,505 | (2,886) |
| Owned, leased and managed lease | 3 | (3) | 1,327 | (492) |
| **Total** | 4,268 | (30) | 499,089 | (14,923) |

[a] Includes 19 Holiday Inn Resort properties (5,334 rooms) and 28 Holiday Inn Club Vacations properties (8,679 rooms) (2020: 22 Holiday Inn Resort properties (6,003 rooms) and 28 Holiday Inn Club Vacations properties (8,679 rooms)).

[b] Includes one open hotel that will be re-branded to voco.

**Total number of hotels**

4,268

**Total number of rooms**

499,089

Americas system size decreased by 30 hotels (14,923 rooms) to 4,268 hotels, a reduction of 2.9% year-on-year. 151 hotels (15,739 rooms) opened in the year, compared to 167 hotels (16,746 rooms) in 2020. Openings included 85 hotels (9,016 rooms) in the Holiday Inn Brand Family, a further 24 avid hotels and the voco Times Square South in New York.

181 hotels (30,662 rooms) were removed from the Americas system in 2021, including 92 Holiday Inn and Crowne Plaza hotels (20,127 rooms), driven by the conclusion of our quality review. This compares to 176 hotels (27,381 rooms) that left the Americas system in 2020, of which 102 hotels (16,655 rooms) related to the termination of the SVC portfolio in the Americas estate.

## Americas pipeline

| At 31 December | Hotels 2021 | Hotels Change over 2020 | Rooms 2021 | Rooms Change over 2020 |
|---|---|---|---|---|
| **Analysed by brand** | | | | |
| Six Senses | 6 | (1) | 471 | (48) |
| InterContinental | 9 | 2 | 2,252 | 528 |
| Kimpton | 19 | (1) | 3,431 | (52) |
| Crowne Plaza | 8 | 2 | 1,643 | 393 |
| Hotel Indigo | 29 | (2) | 4,070 | (85) |
| EVEN Hotels | 10 | (6) | 1,166 | (809) |
| voco | 5 | 3 | 1,045 | 771 |
| Holiday Inn[c] | 74 | (6) | 9,468 | (978) |
| Holiday Inn Express | 338 | (48) | 32,701 | (4,654) |
| avid hotels | 164 | (27) | 14,495 | (2,816) |
| Staybridge Suites | 137 | 2 | 14,050 | (11) |
| Candlewood Suites | 93 | 20 | 7,765 | 1,396 |
| Atwell Suites | 23 | 4 | 2,275 | 426 |
| Other | 11 | (2) | 1,771 | (215) |
| **Total** | 926 | (60) | 96,603 | (6,154) |
| **Analysed by ownership type** | | | | |
| Franchised | 889 | (55) | 90,732 | (5,796) |
| Managed | 37 | (5) | 5,871 | (358) |
| **Total** | 926 | (60) | 96,603 | (6,154) |

[c] Includes one Holiday Inn Resort property (165 rooms) (2020: three Holiday Inn Resort properties (490 rooms)).

**Total number of hotels in the pipeline**

926

**Total number of rooms in the pipeline**

96,603

At 31 December 2021, the Americas pipeline totalled 926 hotels (96,603 rooms), representing a decrease of 60 hotels (6,154 rooms) over the prior year. Signings of 175 hotels (17,647 rooms) were ahead of last year by 38 hotels (3,608 rooms). The majority of 2021 signings were within our midscale and upper midscale brands including the Holiday Inn Brand Family (75 hotels, 7,493 rooms) and avid hotels (13 hotels, 892 rooms). Signings in our Suites brands (Staybridge Suites, Candlewood Suites and Atwell Suites) amounted to 64 hotels (5,669 rooms).

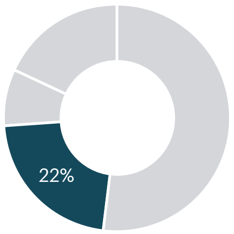
84 hotels (8,062 rooms) were removed from the pipeline in 2021 compared to 105 hotels (11,398 rooms) in 2020.

# Performance continued
## EMEAA

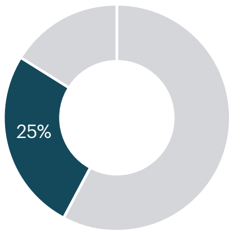
"Although Covid-19 continued to impact travel, our focus remained on supporting our colleagues, guests and owners, while leveraging our model to support sustainable long-term growth. We launched and signed deals for our new Luxury & Lifestyle brand, Vignette™ Collection, sustained strong interest in our established brands and made meaningful progress to improve the quality of our estate."

**Kenneth Macpherson** Chief Executive Officer, EMEAA

**EMEAA revenue 2021** ($303m)




**EMEAA number of rooms** (224,200)




**Comparable RevPAR[a] movement on previous year**
(12 months ended 31 December 2021)

| Fee business | |
|---|---|
| Six Senses | **32.7%** |
| InterContinental | **26.9%** |
| Kimpton | **(8.4)%** |
| Crowne Plaza | **34.3%** |
| Hotel Indigo | **62.6%** |
| voco | **24.1%** |
| Holiday Inn | **34.4%** |
| Holiday Inn Express | **46.2%** |
| Staybridge Suites | **46.2%** |
| All brands | **34.8%** |

| Owned, leased and managed lease | |
|---|---|
| InterContinental | **0.1%** |
| Kimpton | **111.1%** |
| voco | **136.6%** |
| All brands | **46.6%** |

**Industry performance in 2021**
Industry RevPAR in EMEAA increased by 44.0% compared to 2020 (declined by 49.9% against 2019). An occupancy increase of 8.9ppts was coupled with a 10.5% increase in average daily rate. In Europe, RevPAR increased by 64.7% compared to 2020 (declined by 49.2% against 2019) driven by both occupancy and average daily rate. In the UK, industry RevPAR increased by 90.3% compared to 2020 (declined by 40.4% against 2019). UK room demand increased by 54.4% whilst supply growth remained suppressed at 0.8% partly due to construction delays from supply chain issues. In Germany RevPAR increased by 9.3%, whilst RevPAR in France increased by 68.7%.

RevPAR increased by 61.5% in the Middle East, driven by both occupancy and average daily rates, as restrictions eased, and demand started to return. India saw RevPAR increase by 30.4%.

Elsewhere in EMEAA, RevPAR in Australia increased by 33.6%, whilst Japan and Thailand declined by 11.5% and 41.2% respectively, driven primarily by large reductions in average daily rate.

**IHG's regional performance in 2021**
EMEAA comparable RevPAR[a] increased by 35.0% compared to 2020 (declined 51.8% against 2019), driven by a 9.1ppt increase in occupancy coupled with a 5.3% increase in average daily rate. In the UK, where IHG has the largest regional presence, RevPAR[a] increased by 70.4% compared to 2020 (declined by 41.0% against 2019), led by the Provinces (76.4%), reflecting lower weighting to inbound international travel. Germany saw a RevPAR[a] increase of 1.2% and France increased by 55.2%.

RevPAR[a] in the Middle East increased by 34.9%, with the fourth quarter up 109.7% reflecting the Expo 2020 demand in Dubai. India RevPAR[a] increased by 38.6%.

Elsewhere in EMEAA, RevPAR[a] increased in Australia by 17.6%, whilst travel restrictions resulted in occupancy led declines in Japan (9.1%) and Thailand (44.7%).

[a] Comparable RevPAR and occupancy include the impact of hotels temporarily closed as a result of Covid-19.

Holiday Inn Dublin Airport, Ireland

## EMEAA results

| | 12 months ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2021 $m | 2020 $m | 2021 vs 2020 % change | 2019 $m | 2020 vs 2019 % change |
| **Revenue from the reportable segment[a]** | | | | | |
| Fee business | 149 | 107 | 39.3 | 337 | (68.2) |
| Owned, leased and managed lease | 154 | 114 | 35.1 | 386 | (70.5) |
| **Total** | 303 | 221 | 37.1 | 723 | (69.4) |
| **Operating profit/(loss) from the reportable segment[a]** | | | | | |
| Fee business | 32 | (18) | NM[c] | 202 | NM[c] |
| Owned, leased and managed lease | (27) | (32) | (15.6) | 15 | NM[c] |
| | 5 | (50) | NM[c] | 217 | NM[c] |
| Operating exceptional items | (7) | (128) | (94.5) | (109) | 17.4 |
| **Operating (loss)/profit** | (2) | (178) | (98.9) | 108 | NM[c] |

### Review of the year ended 31 December 2021

Comprising 1,137 hotels (224,200 rooms) at the end of 2021, EMEAA represented 25% of the Group's room count. Revenues are primarily generated from hotels in the UK and gateway cities in continental Europe, the Middle East and Asia. The largest proportion of rooms in the UK and continental Europe are operated under the franchise business model, primarily under our upper midscale brands (Holiday Inn and Holiday Inn Express). In the upscale market segment, Crowne Plaza is evenly proportioned between the franchised and managed operating models, whereas in the luxury market segment, the majority of InterContinental branded hotels are operated under management agreements. The majority of hotels in markets outside of Europe are operated under the managed business model.

Performance in the region continued to reflect the differing levels of government-mandated closures and restrictions.

Performance in the first quarter was impacted by travel restrictions in a number of markets. The second quarter saw modest improvements in trading as the UK permitted leisure travel towards the end of May, whilst government mandated restrictions remained in much of continental Europe, and South East Asia continued to be impacted by lower levels of international demand.

Through the second half of the year, RevPAR continued to improve before restrictions were reinstated in certain markets following increased cases from the Omicron variant in December.

Hotels continued to reopen, with only 21 hotels remaining temporarily closed at the end of the year, compared to 215 at the start of the year; all 16 of the owned, leased and managed lease hotels were open.

EMEAA comparable RevPAR[b] declined 62% in the first quarter, then grew 179% in the second quarter, 86% in the third quarter, 118% in the fourth quarter and 35% in the full year when comparing to 2020. When comparing to 2019, prior to the pandemic, EMEAA comparable RevPAR[b] declined 71% in the first quarter, 65% in the second quarter, 43% in the third quarter, 33% in the fourth quarter and 52% in the full year.

Revenue from the reportable segment[a] increased by $82m (37%) to $303m (a decrease of 58% compared to 2019). The operating loss decreased by $176m to a loss of $2m, driven by an increase in revenue and a $121m decrease in operating exceptional charges. Operating profit from the reportable segment[a] increased by $55m to $5m (a decline of $212m compared to 2019). On an underlying[a] basis, revenue increased by $79m (35%), whilst underlying[a] profit increased by $59m, from a $54m loss to a $5m profit.

Revenue and operating profit from the reportable segment[a] are further analysed by fee business and owned, leased and managed lease hotels.

Fee business revenue[a] increased by $42m (39%) to $149m. Fee business operating profit[a] improved by $50m to $32m, benefiting from the improvement in trading and the delivery of sustainable fee business cost savings. Results included $29m of incentive management fees recorded (2020: $14m; 2019: $90m), driven by an improvement in trading, particularly in the Middle East.

Owned, leased and managed lease revenue increased by $40m to $154m, with RevPAR[b] up 47% compared to 2020 (down 69% compared to 2019), leading to an owned, leased and managed lease operating loss of $27m compared to a $32m loss in the prior year, as the lifting of travel restrictions, predominantly in the UK, began to ease the trading challenges on this largely urban-centred portfolio.

For discussion of 2020 results, and the changes compared to 2019, refer to the 2020 Annual Report and Form 20-F.

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[a] Definitions for Non-GAAP revenue and operating profit measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

[b] Comparable RevPAR and occupancy include the impact of hotels temporarily closed as a result of Covid-19.

[c] Percentage change considered not meaningful, such as where a positive balance in the latest period is comparable to a negative or zero balance in the prior period.

# Performance continued
## EMEAA continued

### EMEAA hotel and room count

| At 31 December | Hotels 2021 | Hotels Change over 2020 | Rooms 2021 | Rooms Change over 2020 |
|---|---|---|---|---|
| **Analysed by brand** | | | | |
| Six Senses | 19 | 4 | 1,270 | 263 |
| Regent | 3 | – | 771 | – |
| InterContinental | 108 | – | 32,561 | 87 |
| Vignette Collection | 1 | 1 | 146 | 146 |
| Kimpton | 10 | 2 | 2,146 | 287 |
| Crowne Plaza | 182 | (6) | 44,828 | (1,696) |
| Hotel Indigo | 48 | 2 | 5,183 | 117 |
| voco | 21 | 5 | 5,882 | 1,002 |
| Holiday Inn[a] | 380 | (21) | 70,824 | (4,160) |
| Holiday Inn Express | 333 | 4 | 48,548 | 1,192 |
| Staybridge Suites | 19 | 1 | 3,209 | 371 |
| Other[b] | 13 | (4) | 8,832 | (1,258) |
| **Total** | 1,137 | (12) | 224,200 | (3,649) |
| **Analysed by ownership type** | | | | |
| Franchised | 767 | (7) | 125,707 | (13) |
| Managed | 354 | (4) | 95,199 | (3,349) |
| Owned, leased and managed lease | 16 | (1) | 3,294 | (287) |
| **Total** | 1,137 | (12) | 224,200 | (3,649) |

[a] Includes 14 Holiday Inn Resort properties (3,229 rooms) (2020: 17 Holiday Inn Resort properties (3,330 rooms)).

[b] Includes two open hotels that will be re-branded to voco and Vignette Collection.

**Total number of hotels**

1,137

**Total number of rooms**

224,200

EMEAA system size decreased by 12 hotels (3,649 rooms) to 1,137 hotels (224,200 rooms) during 2021, a reduction of 1.6% year-on-year. 52 hotels (10,162 rooms) opened in the year, compared to 61 hotels (11,288 rooms) in 2020, including Hotel X Brisbane Fortitude Valley, Australia, as part of the Vignette Collection.

64 hotels (13,811 rooms) were removed from the EMEAA system in 2021, including 48 Holiday Inn and Crowne Plaza hotels (10,741 rooms), driven by the completion of the quality review. This compared to 38 hotels (6,809 rooms) that left the EMEAA system in 2020.

### EMEAA pipeline

| At 31 December | Hotels 2021 | Hotels Change over 2020 | Rooms 2021 | Rooms Change over 2020 |
|---|---|---|---|---|
| **Analysed by brand** | | | | |
| Six Senses | 23 | 2 | 1,720 | 169 |
| Regent | 6 | 1 | 1,341 | 86 |
| InterContinental | 43 | 10 | 9,520 | 2,035 |
| Kimpton | 9 | 3 | 1,674 | 546 |
| Crowne Plaza | 40 | 5 | 10,461 | 1,360 |
| Hotel Indigo | 44 | 3 | 7,004 | 957 |
| voco | 31 | 5 | 8,753 | 979 |
| Holiday Inn[a] | 98 | (10) | 21,014 | (1,540) |
| Holiday Inn Express | 99 | 7 | 15,593 | 360 |
| avid hotels | – | (1) | – | (215) |
| Staybridge Suites | 19 | (1) | 2,793 | (636) |
| Other[b] | 6 | 5 | 1,059 | 711 |
| **Total** | 418 | 29 | 80,932 | 4,812 |
| **Analysed by ownership type** | | | | |
| Franchised | 175 | 20 | 27,045 | 1,393 |
| Managed | 242 | 9 | 53,732 | 3,419 |
| Owned, leased and managed lease | 1 | – | 155 | – |
| **Total** | 418 | 29 | 80,932 | 4,812 |

[a] Includes 20 Holiday Inn Resort properties (4,849 rooms) (2020: 18 Holiday Inn Resort properties (3,553 rooms)).

[b] Includes four hotels that will be re-branded to Vignette Collection.

**Total number of hotels in the pipeline**

418

**Total number of rooms in the pipeline**

80,932

At 31 December 2021, the EMEAA pipeline totalled 418 hotels (80,932 rooms), representing an increase of 29 hotels (4,812 rooms) over the prior year. Signings of 109 hotels (20,376 rooms) were ahead of last year by 27 hotels (6,473 rooms), including a multi-property deal which encompassed a new property for voco in Algarve, Portugal and three hotels signed to the Vignette Collection in Austria and Portugal.

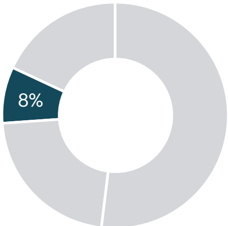
28 hotels (5,402 rooms) were removed from the pipeline in 2021 compared to 36 hotels (7,601 rooms) in 2020.

# Greater China

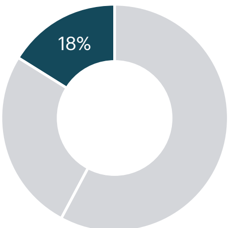
"Domestic travel demand showed steady recovery amidst sporadic Covid-19 outbreaks and travel restrictions. We deployed an agile business recovery plan to capture our share of demand, drive owner returns and ensure the safety of our guests, colleagues and communities. In line with the growth strategy, our new deal signings and hotel openings exceeded 2019 levels."

**Jolyon Bulley** Chief Executive Officer, Greater China

**Greater China revenue 2021** ($116m)




**Greater China number of rooms** (157,038)




**Comparable RevPAR[a] movement on previous year**
(12 months ended 31 December 2021)

| Fee business | |
|---|---|
| Regent | 9.6% |
| InterContinental | 20.8% |
| HUALUXE | 13.1% |
| Crowne Plaza | 20.4% |
| Hotel Indigo | 33.4% |
| Holiday Inn | 21.8% |
| Holiday Inn Express | 20.9% |
| All brands | 20.6% |

## Industry performance in 2021

The industry performance across Greater China fluctuated in 2021, impacted by the reintroduction of temporary localised lockdowns. Industry RevPAR in Greater China increased by 27.8% compared to 2020 (decreased by 26.9% against 2019). Supply grew by 3.8% and demand by 16.9%.

Increases in RevPAR were achieved across all of Mainland China against 2020, however, cities in the upper tiers remained further behind 2019. RevPAR In Tier 1 cities increased by 31.3%, driven by an occupancy increase of 8.3ppts and average daily rate growth of 12.5%. Tier 2 cities saw a similar recovery profile with RevPAR increasing by 27.3%, again driven by both occupancy and rate, whilst growth in Tier 3 cities was more limited at 12.6%. Tier 4 continued to benefit from strong domestic demand with RevPAR increasing by 23.5%.

Hong Kong SAR increased by 56.6% compared to 2020 (decrease of 55.0% against 2019), with a 17.4ppt improvement in occupancy and a 7.5% increase in average daily rate. Macau SAR improved against 2020 by 26.6% (decrease of 76.7% against 2019), driven by occupancy, but remains significantly behind 2019 due to its reliance towards travel from Mainland China.

## IHG's regional performance in 2021

IHG's regional comparable RevPAR[a] in Greater China increased by 20.6% compared to 2020 (decreased by 28.7% against 2019), driven by a 6.9ppt increase in occupancy and a 3.6% increase in average daily rate.

In Mainland China, RevPAR[a] increased by 19.7%, with the greatest increase in Tier 1 cities, up 25.6%, whilst Tier 2-4 cities increased by 17.3%.

RevPAR[a] in Hong Kong SAR increased by 81.0% whilst RevPAR[a] in Macau SAR increased by 3.2%.

[a] Comparable RevPAR and occupancy include the impact of hotels temporarily closed as a result of Covid-19.

InterContinental® Kaohsiung, China

# Performance continued
## Greater China continued

### Greater China results

| | 12 months ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2021 $m** | 2020 $m | 2021 vs 2020 % change | 2019 $m | 2020 vs 2019 % change |
| **Revenue from the reportable segment[a]** | | | | | |
| Fee business | **116** | 77 | 50.6 | 135 | (43.0) |
| **Total** | **116** | 77 | 50.6 | 135 | (43.0) |
| **Operating profit from the reportable segment[a]** | | | | | |
| Fee business | **58** | 35 | 65.7 | 73 | (52.1) |
| Operating exceptional items | **–** | (5) | – | – | – |
| **Operating profit** | **58** | 30 | 93.3 | 73 | (58.9) |

**Review of the year ended 31 December 2021**

Comprising 586 hotels (157,038 rooms) at 31 December 2021, Greater China represented approximately 18% of the Group's room count. The majority of rooms in Greater China operate under the managed business model.

Increases in Covid-19 cases and the reintroduction of temporary restrictions impacted trading in January and February, though the recovery resumed in March with demand returning at pace as restrictions eased.

The recovery continued into April and May before local restrictions were reinstated across south, east and west cities in June. In July, RevPAR[b] was just 6% lower than 2019 levels, driven by strong domestic leisure demand. The reintroduction of temporary restrictions meant that August weakened to more than 50% lower than 2019.

The fourth quarter saw volatile trading, impacted by the reintroduction of temporary restrictions.

Greater China comparable RevPAR[b] grew 78% in the first quarter and 107% in the second quarter, then declined 8% in the third quarter and 17% in the fourth quarter. Full year growth was 21% when compared to 2020. When comparing to 2019, prior to the pandemic, Greater China comparable RevPAR[b] declined 38% in the first quarter, 16% in the second quarter, 30% in the third quarter, 33% in the fourth quarter and 29% in the full year.

Revenue from the reportable segment[a] increased by $39m (51%) to $116m (a decrease of 14% compared to 2019). Operating profit improved by $28m, driven by the increase in revenue and a $5m decrease in operating exceptional charges. Operating profit from the reportable segment[a] increased by $23m to $58m (a decline of 21% compared to 2019). The improvement in demand at our managed hotels led to $25m recognition of incentive management fees compared to $16m in 2020 (2019: $48m). Revenue and operating profit from the reportable segment[a] also included the benefit of a $6m individually significant liquidated damages settlement.

For discussion of 2020 results, and the changes compared to 2019, refer to the 2020 Annual Report and Form 20-F.

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[a] Definitions for Non-GAAP revenue and operating profit measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

[b] Comparable RevPAR and occupancy include the impact of hotels temporarily closed as a result of Covid-19.

## Greater China hotel and room count

| At 31 December | Hotels 2021 | Hotels Change over 2020 | Rooms 2021 | Rooms Change over 2020 |
|---|---|---|---|---|
| **Analysed by brand** | | | | |
| Six Senses | 1 | – | 122 | – |
| Regent | 4 | – | 1,419 | – |
| InterContinental | 53 | 2 | 21,190 | 512 |
| Kimpton | 1 | – | 129 | – |
| HUALUXE | 16 | 4 | 4,603 | 1,170 |
| Crowne Plaza | 110 | 5 | 38,420 | 1,470 |
| Hotel Indigo | 16 | 4 | 2,415 | 670 |
| EVEN Hotels | 2 | 1 | 251 | 80 |
| voco | 5 | 4 | 1,094 | 946 |
| Holiday Inn[a] | 122 | 13 | 33,010 | 2,382 |
| Holiday Inn Express | 247 | 35 | 47,054 | 5,265 |
| Other[b] | 9 | 1 | 7,331 | 368 |
| **Total** | 586 | 69 | 157,038 | 12,863 |
| **Analysed by ownership type** | | | | |
| Franchised | 179 | 53 | 40,151 | 10,325 |
| Managed | 407 | 16 | 116,887 | 2,538 |
| **Total** | 586 | 69 | 157,038 | 12,863 |

[a] Includes eight Holiday Inn Resort properties (1,891 rooms) (2020: eight Holiday Inn Resort properties (2,113 rooms)).

[b] Includes one open hotel that will be re-branded to voco.

**Total number of hotels**

586

**Total number of rooms**

157,038

The Greater China system size increased by 69 hotels (12,863 rooms) in 2021 to 586 hotels (157,038 rooms), an increase of 8.9% year-on-year. 88 hotels (18,057 rooms) opened, including the first InterContinental hotel in Taiwan, voco Wuhan Xinhua and the Crowne Plaza Chongli resort, compared to 57 hotels (11,358 rooms) in 2020.

19 hotels (5,194 rooms) were removed in 2021 compared to 10 hotels (2,729 rooms) in 2020.

## Greater China pipeline

| At 31 December | Hotels 2021 | Hotels Change over 2020 | Rooms 2021 | Rooms Change over 2020 |
|---|---|---|---|---|
| **Analysed by brand** | | | | |
| Six Senses | 4 | 1 | 233 | 64 |
| Regent | 2 | 1 | 597 | 317 |
| InterContinental | 27 | (2) | 7,907 | (658) |
| Kimpton | 7 | 1 | 1,747 | 93 |
| HUALUXE | 23 | (2) | 6,045 | (862) |
| Crowne Plaza | 48 | – | 13,157 | (720) |
| Hotel Indigo | 41 | 9 | 7,378 | 1,876 |
| EVEN Hotels | 19 | 4 | 3,741 | 670 |
| voco | 2 | 1 | 292 | 161 |
| Holiday Inn[a] | 72 | (2) | 17,596 | (567) |
| Holiday Inn Express | 208 | 3 | 34,732 | 168 |
| Other | – | (1) | – | (297) |
| **Total** | 453 | 13 | 93,425 | 245 |
| **Analysed by ownership type** | | | | |
| Franchised | 226 | 15 | 40,055 | 3,167 |
| Managed | 227 | (2) | 53,370 | (2,922) |
| **Total** | 453 | 13 | 93,425 | 245 |

[a] Includes 14 Holiday Inn Resort properties (3,205 rooms) (2020: 12 Holiday Inn Resort properties (3,208 rooms)).

**Total number of hotels in the pipeline**

453

**Total number of rooms in the pipeline**

93,425

At 31 December 2021, the Greater China pipeline totalled 453 hotels (93,425 rooms), compared to 440 hotels (93,180 rooms) at 31 December 2020. Signings of 153 hotels (30,847 rooms) were ahead of last year by 12 hotels (2,643 rooms). 89 hotels (16,260 rooms) were signed for the Holiday Inn Brand Family. Other notable signings included Regent Sanya Haitang Bay and Hotel Indigo Sanya Haitang Bay as part of a combined complex, and the InterContinental Taipei.

52 hotels (12,545 rooms) were removed from the pipeline in 2021 compared to 37 hotels (8,741 rooms) in 2020.

# Performance continued
# Central

## Central results

| | 12 months ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2021 $m | 2020 $m | 2021 vs 2020 % change | 2019 $m | 2020 vs 2019 % change |
| Revenue | **197** | 182 | 8.2 | 185 | (1.6) |
| Gross costs | **(285)** | (244) | 16.8 | (310) | (21.3) |
| | **(88)** | (62) | 41.9 | (125) | (50.4) |
| Operating exceptional items | **–** | (19) | – | (15) | 26.7 |
| **Operating loss** | **(88)** | (81) | 8.6 | (140) | (42.1) |

**Review of the year ended 31 December 2021**

Central revenue, which mainly comprises technology fee income, increased by $15m (8.2%) to $197m, driven by the temporary discounts on technology fees in 2020 no longer being applicable.

Gross costs increased by $41m (16.8%) year-on-year, as temporary cost saving measures were introduced from the second quarter of 2020, which were not repeated in 2021. When comparing to 2019, gross costs decreased by 8.1%, which includes sustainable cost savings achieved in 2021.

The operating loss before exceptional items increased by $26m, a decrease of $37m compared to 2019.

Holiday Inn Queenstown Remarkables Park, New Zealand

# Key performance measures

## Key performance measures (including Non-GAAP measures) used by management

The Annual Report and Form 20-F presents certain financial measures when discussing the Group's performance which are not measures of financial performance or liquidity under International Financial Reporting Standards (IFRS). In management's view these measures provide investors and other stakeholders with an enhanced understanding of IHG's operating performance, profitability, financial strength and funding requirements. These measures do not have standardised meanings under IFRS, and companies do not necessarily calculate these in the same way. As these measures exclude certain items (for example impairment and the costs of individually significant legal cases or commercial disputes) these financial measures may be materially different to the measures prescribed by IFRS and may result in a more favourable view of performance. Accordingly, they should be viewed as complementary to, and not as a substitute for, the measures prescribed by IFRS and as included in the Group Financial Statements (see pages 142 to 148).

**Linkage of performance measures to Directors' remuneration and KPIs**

A The Annual Performance Plan | LT The Long Term Incentive Plan | KPI Key Performance Indicators

See pages 104 to 125 for more information on Directors' remuneration and pages 50 to 53 for more information on KPIs.

| Measure | Commentary |
|---|---|
| **Global revenue per available room (RevPAR) growth**<br>KPI<br>RevPAR, average daily rate and occupancy statistics are disclosed on pages 224 and 225. | RevPAR is the primary metric used by management to track hotel performance across regions and brands. RevPAR is also a commonly used performance measure in the hotel industry.<br><br>RevPAR comprises IHG's System (see Glossary, page 256) rooms revenue divided by the number of room nights available and can be derived from occupancy rate multiplied by average daily rate (ADR). ADR is rooms revenue divided by the number of room nights sold.<br><br>References to RevPAR, occupancy and ADR are presented on a comparable basis, comprising groupings of hotels that have traded in all months in both the current and prior year. The principal exclusions in deriving this measure are new hotels (including those acquired), hotels closed for major refurbishment and hotels sold in either of the two years. These measures include the impact of hotels temporarily closed as a result of Covid-19.<br><br>RevPAR and ADR are quoted at a constant US$ conversion rate, in order to allow a better understanding of the comparable year-on-year trading performance excluding distortions created by fluctuations in exchange rates. |
| **Total gross revenue from hotels in IHG's System**<br>A LT KPI<br>Owned, leased and managed lease revenue as recorded in the Group Financial Statements is reconciled to total gross revenue on page 60. | Total gross revenue is revenue not wholly attributable to IHG, however, management believes this measure is meaningful to investors and other stakeholders as it provides a measure of System performance, giving an indication of the strength of IHG's brands and the combined impact of IHG's growth strategy and RevPAR performance.<br><br>Total gross revenue refers to revenue which IHG has a role in driving and from which IHG derives an income stream. IHG's business model is described on pages 10 to 13. Total gross revenue comprises:<br>• total rooms revenue from franchised hotels;<br>• total hotel revenue from managed hotels including food and beverage, meetings and other revenues and reflects the value IHG drives to managed hotel owners by optimising the performance of their hotels; and<br>• total hotel revenue from owned, leased and managed lease hotels.<br><br>Other than total hotel revenue from owned, leased and managed lease hotels, total gross hotel revenue is not revenue attributable to IHG as these managed and franchised hotels are owned by third parties. |
| **Revenue and operating profit measures**<br>The reconciliation of the most directly comparable line item within the Group Financial Statements (i.e. total revenue and operating profit, accordingly) to the non-IFRS revenue and operating profit measures is included on pages 218 to 223. | Revenue and operating profit from (1) fee business and (2) owned, leased and managed lease hotels, are described as 'revenue from reportable segments' and 'operating profit from reportable segments', respectively, within note 2 to the Group Financial Statements. These measures are presented for each of the Group's regions.<br><br>Management believes revenue and operating profit from reportable segments is meaningful to investors and other stakeholders as it excludes the following elements and reflects how management monitors the business:<br>• System Fund – the Fund is not managed to generate a profit or loss for IHG over the longer term, but is managed for the benefit of the hotels within the IHG System. As described within the Group's accounting policies (page 149), the System Fund is operated to collect and administer cash assessments from hotel owners for the specific purpose of use in marketing, the Guest Reservation System and hotel loyalty programme. |

# Performance continued

## Key performance measures continued

| Measure | Commentary |
|---|---|
| **Revenue and operating profit measures** continued | • Revenues related to the reimbursement of costs – as described within the Group's accounting policies (page 149), there is a cost equal to these revenues so there is no profit impact. Cost reimbursements are not applicable to all hotels and growth in these revenues is not reflective of growth in the performance of the Group. As such, management do not include these revenues in their analysis of results.<br>• Exceptional items – these are identified by virtue of either their size, nature, or incidence and can include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals, the costs of individually significant legal cases or commercial disputes and reorganisation costs. As each item is different in nature and scope, there will be little continuity in the detailed composition and size of the reported amounts which affect performance in successive periods. Separate disclosure of these amounts facilitates the understanding of performance including and excluding such items. The Group's accounting policy for exceptional items and further detail of those items presented as such are included in the Group Financial Statements (see pages 152 and 165 to 167).<br>In further discussing the Group's performance in respect of revenue and operating profit, additional non-IFRS measures are used and explained further below:<br>• Underlying revenue;<br>• Underlying operating profit;<br>• Underlying fee revenue; and<br>• Fee margin.<br>Operating profit measures are, by their nature, before interest and tax. Management believes such measures are useful for investors and other stakeholders when comparing performance across different companies as interest and tax can vary widely across different industries or among companies within the same industry. For example, interest expense can be highly dependent on a company's capital structure, debt levels and credit ratings. In addition, the tax positions of companies can vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the various jurisdictions in which they operate.<br>Although management believes these measures are useful to investors and other stakeholders in assessing the Group's ongoing financial performance and provide improved comparability between periods, there are limitations in their use as compared to measures of financial performance under IFRS. As such, they should not be considered in isolation or viewed as a substitute for IFRS measures. In addition, these measures may not necessarily be comparable to other similarly titled measures of other companies due to potential inconsistencies in the methods of calculation. |
| **Underlying revenue and underlying operating profit** | These measures adjust revenue from reportable segments and operating profit from reportable segments, respectively, to exclude revenue and operating profit generated by owned, leased and managed lease hotels which have been disposed, and significant liquidated damages, which are not comparable year-on-year and are not indicative of the Group's ongoing profitability. The revenue and operating profit of current year acquisitions are also excluded as these obscure underlying business results and trends when comparing to the prior year. In addition, in order to remove the impact of fluctuations in foreign exchange, which would distort the comparability of the Group's operating performance, prior year measures are restated at constant currency using current year exchange rates.<br>Management believes these are meaningful to investors and other stakeholders to better understand comparable year-on-year trading and enable assessment of the underlying trends in the Group's financial performance. |
| **Underlying fee revenue growth**<br>KPI | Underlying fee revenue is used to calculate underlying fee revenue growth. Underlying fee revenue is calculated on the same basis as underlying revenue as described above but for the fee business only.<br>Management believes underlying fee revenue is meaningful to investors and other stakeholders as an indicator of IHG's ability to grow the core fee-based business, aligned to IHG's asset-light strategy. |

| Measure | Commentary |
|---|---|
| **Fee margin**<br>A KPI | Fee margin is presented at actual exchange rates and is a measure of the profit arising from fee revenue. Fee margin is calculated by dividing 'fee operating profit' by 'fee revenue'. Fee revenue and fee operating profit are calculated from revenue from reportable segments and operating profit from reportable segments, as defined above, adjusted to exclude revenue and operating profit from the Group's owned, leased and managed lease hotels and significant liquidated damages.<br><br>In addition, fee margin is adjusted for the results of the Group's captive insurance company, where premiums are intended to match the expected claims over the longer term (see page 186 in the Group Financial Statements), and as such these amounts are adjusted from the fee margin to better depict the profitability of the fee business.<br><br>Management believes fee margin is meaningful to investors and other stakeholders as an indicator of the sustainable long-term growth in the profitability of IHG's core fee-based business, as the scale of IHG's operations increases with growth in IHG's System size. |
| **Adjusted interest**<br>Financial income and financial expenses as recorded in the Group Financial Statements is reconciled to adjusted interest on page 223. | Adjusted interest is presented before exceptional items and excludes the following items of interest which are recorded within the System Fund:<br>• IHG records an interest charge on the outstanding cash balance relating to the IHG Rewards programme. These interest payments are recognised as interest income for the Fund and interest expense for IHG.<br>• The System Fund also benefits from the capitalisation of interest related to the development of the next-generation Guest Reservation System.<br>• Other components of System Fund interest income and expense, including lease interest expense and interest income on overdue receivables.<br><br>As the Fund is included on the Group income statement, these amounts are included in the reported net Group financial expenses, reducing the Group's effective interest cost. Given results related to the System Fund are excluded from adjusted measures used by management, these are excluded from adjusted interest and adjusted earnings per ordinary share (see below).<br><br>Management believes adjusted interest is a meaningful measure for investors and other stakeholders as it provides an indication of the comparable year-on-year expense associated with financing the business including the interest on any balance held on behalf of the System Fund. |
| **Tax excluding the impact of exceptional items and System Fund**<br>A reconciliation of the tax charge as recorded in the Group Financial Statements to tax excluding the impact of exceptional items and System Fund can be found in note 8 to the Group Financial Statements on page 169. | As outlined above, exceptional items can vary year-on-year and, where subject to tax at a different rate than the Group as a whole, they can impact the current year's tax charge. The System Fund is not managed to a profit or loss for IHG over the longer term and is, in general, not subject to tax either.<br><br>Management believes removing these provides a better view of the Group's underlying tax rate on ordinary operations and aids comparability year-on-year, thus providing a more meaningful understanding of the Group's ongoing tax charge. |
| **Adjusted earnings per ordinary share**<br>Basic earnings per ordinary share as recorded in the Group Financial Statements is reconciled to adjusted earnings per ordinary share in note 10 to the Group Financial Statements on page 174. | Adjusted earnings per ordinary share adjusts the profit available for equity holders used in the calculation of basic earnings per share to remove System Fund revenue and expenses, the items of interest related to the System Fund as excluded in adjusted interest (above), change in fair value of contingent purchase consideration, exceptional items, and the related tax impacts of such adjustments.<br><br>Management believes that adjusted earnings per share is a meaningful measure for investors and other stakeholders as it provides a more comparable earnings per share measure aligned with how management monitors the business. |
| **Net debt**<br>Net debt is included in note 23 to the Group Financial Statements. | Net debt is used in the monitoring of the Group's liquidity and capital structure and is used by management in the calculation of the key ratios attached to the Group's bank covenants and with the objective of maintaining an investment grade credit rating (see page 12 for further discussion). Net debt is used by investors and other stakeholders to evaluate the financial strength of the business.<br><br>Net debt comprises loans and other borrowings, lease liabilities, the exchange element of the fair value of derivatives hedging debt values, less cash and cash equivalents. |

# Performance continued
## Key performance measures continued

| Measure | Commentary |
|---|---|
| **Adjusted EBITDA**<br>Operating profit recorded in the Group Financial Statements is reconciled to adjusted EBITDA on page 223. | One of the key measures used by the Group in monitoring its debt and capital structure is the net debt: adjusted EBITDA ratio, which is managed with the objective of maintaining an investment grade credit rating. The Group has a stated aim of maintaining this ratio at 2.5-3.0x. Adjusted EBITDA is defined as operating profit, excluding System Fund revenues and expenses, exceptional items and depreciation and amortisation.<br><br>Adjusted EBITDA is useful to investors and other stakeholders for comparing the performance of different companies as depreciation, amortisation and exceptional items are eliminated. It can also be used as an approximation of operational cash flow generation. This measure is relevant to the Group's banking covenants, which have been amended for test dates in 2022. Details of covenant levels and performance against these is provided in note 24 to the Group Financial Statements. The leverage ratio uses a Covenant EBITDA measure which is calculated on a 'frozen GAAP' basis, excluding the effect of IFRS 16. |
| **Gross capital expenditure, net capital expenditure, adjusted free cash flow**<br>The reconciliation of the Group's statement of cash flows (i.e. net cash from investing activities, net cash from operating activities, accordingly) to the non-IFRS capital expenditure and cash flow measures are included on page 222. | These measures have limitations as they omit certain components of the overall cash flow statement. They are not intended to represent IHG's residual cash flow available for discretionary expenditures, nor do they reflect the Group's future capital commitments. These measures are used by many companies, but there can be differences in how each company defines the terms, limiting their usefulness as a comparative measure. Therefore, it is important to view these measures only as a complement to the Group statement of cash flows. |
| **Gross capital expenditure** | Gross capital expenditure represents the consolidated capital expenditure of IHG inclusive of System Fund capital investments (see page 13 for a description of System Fund capital investments and recent examples).<br><br>Gross capital expenditure is defined as net cash from investing activities, adjusted to include contract acquisition costs (key money). In order to demonstrate the capital outflow of the Group, cash flows arising from any disposals or distributions from associates and joint ventures are excluded. The measure also excludes any material investments made in acquiring businesses, including any subsequent payments of deferred or contingent purchase consideration included within investing activities, which represent ongoing payments for acquisitions.<br><br>Gross capital expenditure is reported as either maintenance, recyclable, or System Fund. This disaggregation provides useful information as it enables users to distinguish between:<br>• System Fund capital investments which are strategic investments to drive growth at hotel level;<br>• Recyclable investments (such as investments in associates and joint ventures), which are intended to be recoverable in the medium term and are to drive the growth of the Group's brands and expansion in priority markets; and<br>• Maintenance capital expenditure (including contract acquisition costs), which represents a permanent cash outflow.<br><br>Management believes gross capital expenditure is a useful measure as it illustrates how the Group continues to invest in the business to drive growth. It also allows for comparison year-on-year. |

| Measure | Commentary |
|---|---|
| **Net capital expenditure** | Net capital expenditure provides an indicator of the capital intensity of IHG's business model. Net capital expenditure is derived from net cash from investing activities, adjusted to include contract acquisition costs (net of repayments) and to exclude any material investments made in acquiring businesses, including any subsequent payments of deferred or contingent purchase consideration included within investing activities, which represent ongoing payments for acquisitions. Net capital expenditure includes the inflows arising from any disposal receipts, or distributions from associates and joint ventures.<br><br>In addition, System Fund depreciation and amortisation relating to property, plant and equipment and intangible assets, respectively, is added back, reducing the overall cash outflow. This reflects the way in which System Funded capital investments are recharged to the System Fund, over the life of the asset (see page 13).<br><br>Management believes net capital expenditure is a useful measure as it illustrates the net capital investment by IHG, after taking into account capital recycling through asset disposal and the funding of strategic investments by the System Fund. It provides investors and other stakeholders with visibility of the cash flows which are allocated to long-term investments to drive the Group's strategy. |
| **Adjusted free cash flow**<br>LT KPI | Adjusted free cash flow is net cash from operating activities adjusted for: (1) the inclusion of the cash outflow arising from the purchase of shares by employee share trusts reflecting the requirement to satisfy incentive schemes which are linked to operating performance; (2) the inclusion of maintenance capital expenditure (excluding contract acquisition costs); (3) the inclusion of the principal element of lease payments; and (4) the exclusion of payments of deferred or contingent purchase consideration included within net cash from operating activities.<br><br>Management believes adjusted free cash flow is a useful measure for investors and other stakeholders, as it represents the cash available to invest back into the business to drive future growth and pay the ordinary dividend, with any surplus being available for additional returns to shareholders. |

The performance review should be read in conjunction with the Non-GAAP reconciliations on pages 218 to 223 and the Glossary on pages 255 to 256.