

# Chief Executive Officer's review

## Q&A

We talk to Elie Maalouf, Chief Executive Officer, about the Company's performance and outlook



**Elie Maalouf**  
Chief Executive Officer

### Key highlights in 2023

**275**

Hotels opened  
(269 in 2022)



**556**

Hotels signed  
(467 in 2022)



**38%**

Of total openings and signings were for our Holiday Inn® Brand Family



**22%**

Of our pipeline now represented by Luxury & Lifestyle brands



**>\$1bn**

Record operating profit



**Garner**

becomes IHG's

**19th** brand

**Q What have been the highlights since becoming Group CEO in July 2023?**

**A** It is an honour to lead this iconic company and one of many highlights so far has been getting even closer to our markets. I've really valued time spent meeting colleagues, owners and shareholders on visits across the world, seeing the relationships we have built, hearing first-hand what we are doing well, where we need to go further and how we can best work together to achieve shared success.

IHG has enormous growth potential and I'm inspired by the passion of our teams and the power of their collaboration to drive performance and returns using the strong enterprise platform we have built in recent years. My predecessor, Keith Barr, played a major role in laying the foundation for an exciting chapter ahead, and I would like to take the opportunity to thank him on behalf of everyone at IHG.

**Q How did the Company perform in 2023?**

**A** Testament to the strength and scale of our brands and wider enterprise platform, I am proud to say we delivered an excellent financial performance alongside strong system size and pipeline growth. Very healthy average daily rate and occupancy pushed global RevPAR ahead of both 2022 and 2019 levels, with leisure leading

the way, and business travel and group activity improving steadily. The Americas continued its upward trajectory with RevPAR up 7.0% year-on-year, EMEAA was up by +23.7% following a strong performance in Continental Europe and the reopening of Japan, and Greater China increased by 71.7%, reflecting a strong rebound in demand following the lifting of pandemic restrictions.

That performance, coupled with fee margin growth and disciplined cost management, helped drive operating profit to more than \$1bn for the first time. We returned \$1bn to shareholders through ordinary dividend payments and a \$750m share buyback programme, and a new \$800m share buyback programme for 2024 has been approved.

Our brands continued to grow around the world, too. We opened 275 hotels, contributing to net system size growth of 3.8%, and signed another 556 properties into our global pipeline, which now stands at 2,016 hotels – or 32% of today's system size. Notably, our openings and signings performance in Q4 was one of our biggest ever for development activity.

We can be proud of this performance alongside all we have done to strengthen our business further on multiple fronts for guests and owners. On behalf of the Executive Committee, I would like to thank all our hotel and corporate teams for delivering this excellent performance, and our owners for their continued commitment to IHG.

#### **Q How has IHG's strategy changed since you became Group CEO?**

**A** Our strategy needs to constantly evolve in this dynamic industry. Having added eight brands to our portfolio in the past six years and made big investments in the enterprise platform that supports them, it was important to reassess how IHG capitalises on what we have built to unlock and drive growth in a competitive landscape.

Our purpose of True Hospitality for Good remains unchanged and is something that resonates strongly across the organisation, in our communities and with those we work with. However, our strategy has evolved, starting with a simpler ambition that sharpens our focus on what is central to accelerating growth: being the hotel company of choice for guests and owners. We have also refreshed our strategic pillars and looked carefully at the behaviours we need to deliver them successfully. Relentless Focus on Growth establishes a targeted approach to expanding our brands in high-value markets; Brands Guests and Owners Love shows our explicit intention to deliver for both; Leading Commercial Engine recognises the importance of investing in the technology and tools that

drive commercial success and make the biggest difference to guests, owners and hotel teams; and Care for our People, Communities and Planet remains unchanged and in step with our Journey to Tomorrow plan. These elements combined are designed to drive us further and faster towards realising IHG's full growth potential.

#### **Q What strategic progress was made in 2023?**

**A** We advanced on multiple fronts, strengthening our ability to capture guest demand, deepening loyalty, and driving returns and new growth opportunities with our owners.

Our Holiday Inn Brand Family's enduring appeal saw it generate 38% of openings and signings in the year. We continued to diversify our exposure to different segments, with our Luxury & Lifestyle brands now representing 14% of our system size and 22% of our pipeline – around twice the size it was five years ago. Almost a quarter of signings globally were in this high-fee segment, and flagship openings included the Regent® Hotels Carlton Cannes and Shanghai on The Bund.

We also continued to expand our offer in other areas where we see strong demand and growth opportunities. We launched our conversion brand Garner in the midscale segment – worth \$14bn today in the US alone. Our first two hotel openings and seven signings were achieved within months of launch in the US, and the brand is already now heading for Japan and Mexico. All our newer brands are gaining traction, with the seven launched or acquired in recent years – not including Garner or our commercial agreement with Iberostar – now accounting for 16% of our pipeline. Conversions also remain an important focus for us across all segments, reaching record levels of 37% of openings and signings combined.

Looking across the enterprise more broadly, IHG One Rewards members booked more than 55% of our room nights globally in 2023, and in what was a record year for enrolments, the programme has now grown to more than 130 million members. Our mobile app generated 38% more revenue in 2023 on the back of fresh updates to personalise the guest experience and grew downloads by 60% year-on-year. Collectively, the impact of these investments and more are creating increasing value for our owners, with enterprise contribution rising from 72% to almost 80% in the past three years. At the same time, we have kept guest satisfaction at a four-year high and we remain focused on working closely with our owners to reduce the cost to build, open and operate our hotels.

As we strengthen the business, it is important we do so responsibly for our people and the world around us. Maintaining an inclusive, engaging culture is vital to our success, so seeing IHG once again named a Kincentric Global Best Employer was a special moment. We continued to support our communities by responding to natural disasters, creating opportunities for people to learn new skills in our industry, and making a positive difference to thousands of people during Giving for Good month. We also took further steps to reduce our environmental impact in several areas, including incorporating more energy conservation measures into brand standards, educating colleagues on food waste and delivering more sustainable events for corporate clients.

#### **Q How do you see the future of the hotel industry?**

**A** The long-term prospects for our industry are very attractive when you consider global population growth, rising middle classes and prosperity in emerging markets, and people's inherent desire to travel. Oxford Economics is forecasting the number of global hotel room nights consumed to grow annually at an average rate of +4.0% from 2023 through to 2033.

In the Americas, the world's biggest tourism market, where IHG has almost 4,500 hotels, industry forecasts expect room nights to increase from 2.3 billion to 3.0 billion by 2033. In Greater China, where we strengthened our position as the leading international hotel company this year with the opening of our 700th hotel, an extra 660 million room nights are forecast over the same period. Meanwhile, across EMEAA, there is growing travel demand across key markets, from Asia and the Middle East to Europe. This landscape underpins global net new supply growth for our industry. Over the past decade, supply has grown annually at an average rate of 2.4% and it is expected to continue at a similar rate into the future.

These fundamentals and the outlook have remained strong through varying economic cycles, and so while as a global business we must always remain agile in an evolving macro-economic landscape, we look forward to an important next chapter of growth for IHG and value creation for our owners and shareholders.



**Elie Maalouf**  
Chief Executive Officer