

Our business model

What we do

We provide an enterprise platform for hotel owners to join the IHG system through a family of 20 hotel brands and IHG One Rewards, one of the world’s largest hotel loyalty programmes. Our overall enterprise, including our brands and technology, meets clear guest needs and generates strong returns for our hotel owners. This in turn attracts further new-build hotel investment and existing hotels to convert to IHG’s brands, which grows our system size. We predominantly franchise our brands and manage hotels on behalf of third-party hotel owners, with the decision largely driven by market maturity, segment complexity and owner preference.

The growth of our business relies on two fundamental drivers:

– increasing revenue per available room (RevPAR); and

– expanding the number of rooms in our system.

RevPAR indicates the value guests ascribe to a given hotel brand or market, and grows when they stay more often or pay higher prices. Room supply and the size of our system also reflect capturing structural growth drivers of increasing demand to travel and experience, as well as the attractiveness of the hotel industry, and IHG, as an investment opportunity from a hotel owner’s perspective.

IHG is an asset-light business, with a focus on growing fee revenues and fee margins, which we can do with limited capital requirements. This enables us to grow and invest in our business while generating high returns on invested capital and strong cash flow.

Hotels in the Essentials category tend to be franchised, while Luxury & Lifestyle hotels are predominantly managed. Our broad geographic spread and weighting towards essential business and domestic leisure drives comparative resilience during times of economic downturn.

We have made excellent progress in expanding our presence in the Luxury & Lifestyle segment, which generally generates higher fees per room. This category is currently 14% of IHG’s system size and comprises 22% of the future growth pipeline.

We do not employ colleagues in franchise hotels, nor do we control their day-to-day operations, policies or procedures. That being said, IHG and our franchise hotels are committed to delivering a consistent brand experience and conducting business responsibly and sustainably.

Total system size

1,026,177

rooms



Franchised ^a	73%
Managed	27%
Owned & Leased	<1%



Americas	52%
EMEAA	28%
Greater China	20%

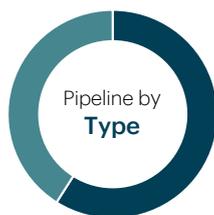


Luxury & Lifestyle	14%
Premium	15%
Essentials	60%
Suites	9%
Exclusive Partners	2%

Total development pipeline

339,526

rooms



Franchised ^a	59%
Managed	41%
Owned & Leased	0%



Americas	31%
EMEAA	34%
Greater China	35%



Luxury & Lifestyle	22%
Premium	22%
Essentials	44%
Suites	11%
Exclusive Partners	1%

a. Includes Iberostar Beachfront Resorts, which joined IHG’s system and pipeline as part of a long-term commercial agreement.

b. Adjusts for the small number of hotels currently categorised as ‘Other’ for example where these are prior to conversion).

How we generate revenue

As an asset-light business, revenue attributable to IHG is predominantly the fees charged to third-party hotel owners, rather than the entire revenue base of the hotels themselves. IHG also receives various ancillary fee streams.

In 2025, IHG's revenue from fee business was \$1,897m (which generated an operating profit of \$1,231m^a). Revenue from the small number of owned & leased hotels, which is entirely attributable to IHG, was \$544m in 2025 (generating an operating profit of \$43m). Total revenue reported for IHG in 2025 was \$5,189m, which additionally includes \$1,717m of System Fund revenue, \$1,004m of reimbursable revenue, and \$27m of insurance activities revenue.

Third-party hotel owners pay...

Fees to IHG in relation to the licensing of our brands and, if applicable, hotel management services.

Franchised hotels

We receive franchise fees based upon a fixed percentage of rooms revenue when a guest stays at one of our hotels.

RevPAR X rooms X royalty rate

Managed hotels

We generate revenue through base management fees and incentive management fees.

Fixed % of total hotel revenue as a management fee, and typically a share of hotel gross operating profit after deduction of management fees

Exclusive Partners

We receive marketing, distribution, technology and other fees for providing access to our enterprise platform.

Fee streams similar to our asset-light model

The above fee streams drive the fee revenue that IHG recognises in its three reporting regions. Certain other fees paid by third-party hotel owners, such as technology fees, are additionally recognised in Central revenue.

Assessments and contributions that are collected for specific use within the System Fund, as well as reimbursable revenues.

System Fund

IHG manages a System Fund for the benefit of hotels within the IHG system and their third-party owners, who pay assessments into it for certain hotel services. This includes a marketing and reservation assessment and a loyalty assessment.

Revenue recognised by the System Fund also includes a portion of revenue on consumption of IHG One Rewards loyalty points. Given the significant scale of the System Fund, IHG can make substantial investments in marketing brands, creating a leading loyalty programme and developing powerful technology systems, thereby strengthening the whole IHG enterprise for the benefit of all our hotel owners.

The System Fund is not managed to surplus or deficit for IHG over the longer term, but for the benefit of hotels in the IHG system.

Reimbursable revenues

In a managed property, the Group typically acts as employer of the general manager and, in some cases, other employees at the hotel, and is entitled to reimbursement of these costs. The performance obligation is satisfied over time as the employees perform their duties, consistent with when reimbursement is received.

+ More on pages 185 and 186.

Ancillary fee streams

Aside from fees paid to IHG from third-party hotel owners, IHG also receives ancillary fee streams. These include fees related to co-branded credit cards, a portion of proceeds from the sale of loyalty points to consumers, and other fees related to branded residential properties. For more details, see page 28.

Owned & leased hotels

For the small number of hotels that we own or lease (representing less than 1% of our system size), we record the entire revenue and profit of the hotel in our financial statements.

a. Definitions for Non-GAAP revenue and operating profit measures can be found on pages 107 to 112. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 250 to 256.

Our business model continued

How we drive operating profit

Our asset-light business model requires a limited increase in IHG’s own operating expenditure to support our revenue growth, which delivers operating profit and fee margin growth.

The benefit of operational efficiencies, along with brands and markets becoming more mature, supported fee margin expansion that averaged around 130bps a year between 2009 and 2019 in total for IHG.

In 2025, our fee margin increased by 360bps, driven by operating leverage and our ongoing actions to drive cost efficiency, together with step-ups in ancillary fee streams. This was ahead of the 100–150bps average annual improvement that is expected on a medium- to long-term basis.

For franchised hotels, the flow-through of revenue to operating profit is higher than it is at managed hotels, given the fee model and our well-invested scale platform, where limited resources are required to support the addition of an incremental hotel.

This is most evident in our Americas region, where fee margins are the highest, reflecting our scale, and more than 90% of our hotels operating under our franchised model.

Across our managed hotels, the flow-through of revenue to profit can be slightly lower, given some additional operating expenditure on operations teams supporting the hotel network.

Our owned & leased hotels tend to have significantly lower margins than our fee business. This is because we not only record the entire revenue of the hotel, but also the entire cost base, which includes staff, supplies and maintenance costs of the hotel.

Fee margin by region

Americas

FY2025	83.4%
FY2024	81.2%
FY2023	82.2%

EMEA

FY2025	67.4%
FY2024	65.3%
FY2023	60.5%

Greater China

FY2025	60.0%
FY2024	60.9%
FY2023	59.6%

Total IHG

FY2025	64.8%
FY2024	61.2%
FY2023	59.3%

Capital allocation

Our priorities for the uses of the cash flow that IHG generates are consistent with previous years and comprise three pillars:

1

Invest in the business to drive growth

We look to strategically drive growth, while maintaining strict control on investments and our day-to-day capital expenditures.

2

Target sustainable growth in the ordinary dividend

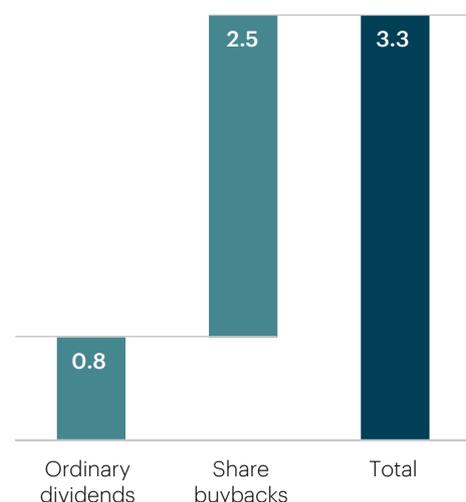
IHG has a dividend policy where we would look to grow the ordinary dividend each year, while balancing all our stakeholder interests and ensuring our long-term success.

3

Return surplus capital to shareholders

The Board expects our asset-light model to provide the opportunity to routinely return additional capital to shareholders such as through share buybacks.

Shareholder returns 2023–25 (\$bn)



Capital expenditure

Spend incurred by IHG can be summarised as follows:

Type	What is it?	Recent examples
Key money and maintenance capital expenditure	<p>Key money is expenditure used to access strategic opportunities, particularly in high-quality and sought-after locations, when returns are financially and/or strategically attractive.</p> <p>Maintenance capital expenditure is devoted to the maintenance of our systems and corporate offices, along with our owned & leased hotels.</p>	<p>Examples of key money include investments to secure representation for our brands in prime locations.</p> <p>Examples of maintenance spend include investment in corporate technology and software, as well as office refurbishment and maintenance. Across our owned & leased hotels, we invest in refurbishment of public spaces and guest rooms.</p>
Recyclable investments to drive the growth of our brands and our expansion in priority markets	<p>Recyclable investments are capital used to acquire real estate or investment through joint ventures, equity capital, or loans to facilitate third-party ownership of hotel assets. This expenditure is strategic to help build brand presence.</p> <p>We would look to divest these investments at an appropriate time and reinvest the proceeds across the business.</p>	<p>Examples include recyclable investments where we used our capital to develop initial properties for a previous new brand to showcase the concept, and we then subsequently sold the hotels and now operate them under franchise agreements.</p> <p>Other examples include the initial purchasing of sites or temporary investment in the partial financing of flagship hotels in key markets.</p>
System Fund capital investments for strategic investment to drive growth at hotel level	<p>The development of tools and systems that hotels use to drive performance. This is charged back to the System Fund over the life of the asset.</p>	<p>We continue to invest in a range of upgraded technology solutions, including the ongoing development of IHG's mobile app and IHG One Rewards loyalty evolution.</p>

Dividend policy and shareholder returns

The Board consistently reviews the Group's approach to capital allocation and seeks to maintain an efficient balance sheet and investment grade credit rating.

IHG has an excellent track record of returning funds to shareholders through ordinary and special dividends, and share buybacks. The ordinary dividend paid to shareholders increased at an 11% CAGR between 2004 and 2019, and at a 10% CAGR after resuming dividend payments at the end of 2021.

Our asset-light business model is highly cash generative through the cycle and enables us to invest in our brands and strengthen our enterprise. When reviewing dividend recommendations, the Board looks to ensure that any recommendation does not harm the sustainable success of the Company and that there are sufficient distributable reserves to pay any recommended dividend. The Board assesses the Group's ability to pay a dividend bearing in mind its responsibilities to its stakeholders and its objective of maintaining an investment grade credit rating.

One of the measures we use to monitor this is net debt:adjusted EBITDA, where we aim for a ratio of 2.5–3.0x.

Surplus capital was returned via a \$500m buyback programme announced in August 2022, a \$750m programme announced in February 2023, an \$800m programme announced in February 2024, and then a further \$900m programme in 2025. The highly cash generative nature of our business model means we expect to have substantial ongoing capacity to return further surplus capital to shareholders, such as through share buybacks, as we look to maintain leverage within our target range.

The Board intends to continue sustainably growing the ordinary dividend and to typically pay dividends weighted approximately one-third to the interim and two-thirds to the final payment. In February 2025, IHG's Board proposed a final dividend of 114.4¢ in respect of 2024, representing growth of 10% on that for 2023.

The proposal was subsequently approved at the AGM and paid to shareholders on 14 May 2025.

In August 2025, IHG's Board declared an interim dividend of 58.6¢ per share, representing growth of 10% on 2024's interim dividend. This was paid to shareholders on 2 October 2025.

The Board is proposing a final dividend of 125.9¢ in respect of 2025, representing growth of 10% on that for 2024. The proposed total dividend for the year is therefore 184.5¢. Further, the Board has approved a share buyback programme for 2026 to return an additional \$950m of surplus capital. Given expectations for growth and EBITDA in 2026, leverage is expected to remain within our target range of 2.5–3.0x.

Our business model continued

Driving ancillary fee streams

Ancillary fee streams further leverage the strength of IHG's brands and our powerful enterprise platform. As well as additional fee revenue, they typically flow through to operating profit at a high incremental margin, therefore contributing to overall fee margin accretion.

Loyalty points sales to consumers

Our loyalty programme, IHG One Rewards, allows members to earn points through qualifying stays and through third-party partnerships and programmes. Points revenue is generated through hotel assessments from qualifying stays, third-party points purchases to support partnership arrangements and points purchased by members. Further points revenue growth from selling loyalty points to consumers is expected in future years, driven by the growth in the attraction and scale of the IHG One Rewards programme. In 2025, the programme grew to over 160 million members who are responsible for 66% of room nights consumed globally.



Co-brand credit cards

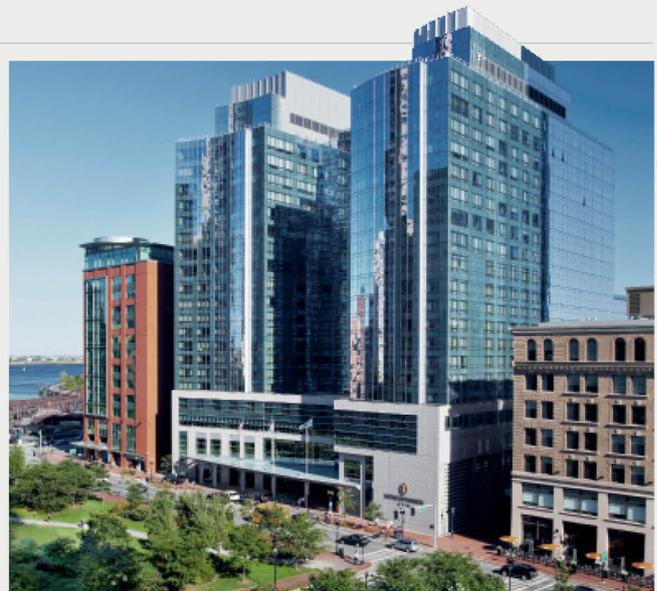
Co-brand credit cards drive further membership and loyalty to our IHG One Rewards programme, deepening guest relationships and delivering more business to our hotels. Co-brand credit card partners pay fees to IHG for:

- access to our loyalty programme and customer base and the rights to use IHG brands;
- arranging for the provision of future benefits to members who have earned points or free night certificates; and
- performing marketing services.

IHG One Rewards co-brand credit card holders stay even more frequently and spend more in IHG hotels. 2025 was a record-breaking year for new account applications; driving further growth in total card customers and total card spend.

Branded residential properties

A further example of driving ancillary fees through the strength of IHG's brands is their use to generate increased sales of residential property, typically alongside a hotel development with shared services and facilities. This industry segment has tripled in number of branded residential developments over the past decade. IHG has 30+ branded residential projects open or selling properties across 15+ countries, and more in the pipeline. Fees earned by IHG from branded residences increased in 2025, benefitting from strong sales at Six Senses® Dubai Marina, which have added to the success of the previously fully sold development at Six Senses The Palm, Dubai, and growth in this latest year also from the near-complete sale of residences at Six Senses, London.



Why hotel owners choose to work with IHG

Hotel owners choose to work with IHG because of the trust they have in our brands, the strength of our wider enterprise and our track record in delivering strong returns.

