

**IHG Checks In On... The Greater China Region**

*Interviews with Daniel Aylmer, CEO – Greater China, and Kent Sun, CDO – Greater China*

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**Joe Simpson, Director Investor Relations (JS)**

- Hello, I'm Joe Simpson, Investor Relations Director at IHG Hotels & Resorts. Welcome to IHG 'Checks In On...', a series of videos, webinars and fireside chats for investors, analysts and other stakeholders looking to learn more about how IHG operates and how we drive value for our shareholders.
- Today's episode will be focussing on IHG's Greater China business. Having found myself in Hong Kong to attend an investor conference, I'm delighted today to be joined by regional CEO Daniel Aylmer to discuss IHG's history in Greater China, the progress the region has made against the Strategic Priorities announced last February, and the current macroeconomic conditions in the country.
- I'll then be catching up with Kent Sun, Senior Vice President and Chief Development Officer for the Greater China region, to discuss IHG's record-breaking signings and openings performance in 2024, as well as opportunities to further accelerate growth in the near term.
- So, let's kick off!
- Good morning, Daniel!

**Daniel Aylmer, Greater China CEO (DA)**

- Good morning, Joe, I am delighted to welcome you back to Hong Kong and to talk about the Greater China business at IHG.

**JS**

- And Daniel – we're not just in any hotel in Hong Kong, are we?

**DA**

- No, you are right. Not just Hong Kong, you are today at where it all began for IHG and where we first entered the Greater China market back in 1975 with the Holiday Inn Golden Mile.

**JS**

- So that's fifty years of operations in the region?

**DA**

- That's right – an important year for the hotel but an even more important year for IHG. We have already kicked off a wave of celebrations to mark this milestone back in January. Fifty years of continuous operations is something we're extremely proud of, but what's even more exciting is how fast we've grown alongside the region's economic rise.
- I've been part of IHG's Greater China business for almost a decade now and the pace of acceleration in scale has been phenomenal. Back in 2008, when China and the world were celebrating the Beijing Olympics, we reached our 100th hotel—33 years after opening our first. But since then, we've shifted into another gear. We went from adding 100 hotels every 18 months and even now approaching that same pace in almost a year.
- So, from one hotel in 1975 to 100 in 2008, and now 800 in 2025—that's China Speed in action.

- Greater China is a very significant region for IHG, it is our growth engine – it makes up 20 percent of global room count and delivers a little over 10 percent of non-Central fee revenue. This alone is impressive, but the real story is ahead. With 550 hotels under development, it is responsible for 35 percent of IHG's pipeline, outpacing our 2 other regions, EMEAA and the Americas
- And there's still so much potential. Now, whilst today there is a gap between the proportion of Greater China rooms in IHG's total system and the contribution the region makes, this will only narrow as GDP growth in China continues to lead much of the rest of the world.
- We have all seen that China has undergone an economic transformation over the past five decades, but the hotel industry has grown even faster—and we are extremely confident that the momentum will continue, if not accelerate. With hotel penetration per capita in China still just a fifth of the U.S., there is massive opportunity ahead, and we are ready to capture it.

**JS**

- That confidence in future growth outlook is certainly something I want to come back to, Daniel, but can we first talk a little more about IHG's scale in Greater China. How has IHG – if perceived as a Western hotel operator – delivered such growth in the region?

**DA**

- Sure. IHG has Western heritage—Holiday Inn, for example, was founded in the U.S.—but more specifically, we are a company with British roots, headquartered in the UK, where our shares are primarily listed.
- That said, IHG is truly a global company, and in Greater China, we are deeply woven into the market. Having operated here for 50 years, we are not seen as an outsider but as an integral part of the region's hospitality landscape and success of the country.
- At the heart of how we operate is our commitment to True Hospitality for Good. We don't just run hotels; we create value that stays in the market. This is key to our strong positioning and long-term sustainability here.
- Our success is built on our "In China, For China" approach, ensuring we operate as a truly local business. We introduced Franchise Plus, a model designed for local owners; built the IHG Greater China Design & Innovation Lab to accelerate product development; and tailored our digital and commercial strategies to stay ahead of the fast-changing customer landscape.
- Our presence in the market for almost half a century has allowed us to truly embed ourselves and built deep-rooted relationships with all key stakeholders—guests, owners, and policymakers—creating the foundation for IHG to thrive as the largest globally distributed hotel operator in the region.
- And all that without talking about the incredible team and talent we have leading and running the business.

**JS**

- Can you explain a little more about how the value and wealth creation stays in the market?

**DA**

- Of course, firstly we have currently a predominantly managed estate with roughly two thirds of rooms under this model, and the remainder being franchised.

- I'm sure most viewers will understand the mechanics of these business models, but needless to say, they are both asset light, and ultimately IHG is taking a small proportion of the operating economics via franchise fees or base and incentive management fees.
- Crucially, almost of the hotels in IHG's Greater China portfolio are Chinese-owned – whether by individuals, private or state-owned enterprises - ensuring that the economic benefits, from operational revenue to job creation, stay within China.
- And besides generating profit for their Chinese owners, the hotels are also creating jobs, boosting tourism and domestic consumption, and of course, driving demand for local suppliers.
- In return for the fees which IHG receives, it is providing a cutting-edge enterprise platform which delivers an array of benefits including an industry-leading tech stack and a loyalty programme of over 145 million members worldwide.
- This enables our Chinese hotel owners to operate with world-class quality, maximizing revenue and performance while remaining locally embedded.
- This is a relationship which benefits all, our owners, the Chinese economy and IHG.

**JS**

- I think this is a message which is really important for those investors and portfolio managers who might have a broader consumer focus where this sometimes may not be the case, and even more so in what has recently been a noisier geopolitical environment.
- So moving on Daniel, can we revisit IHG's Strategic Priorities? It's been just over a year now since you, and the other regional CEOs, updated the market on medium-to-long term focus areas – what has changed since then?

**DA**

- In short, very little. Our strategic priorities remain unchanged, and our confidence in long-term growth is as strong as ever. But before I get into what's driving that confidence, let's first address last year's trading performance.
- RevPAR was down 4.8 percent in 2024, but this shouldn't have come as a huge surprise given the exceptionally strong comparatives from 2023. That year saw an abnormal surge in domestic travel, driven by pent-up demand following the lifting of zero-Covid policies in December 2022.
- Throughout 2023, outbound travel was still heavily constrained—limited international airline capacity, visa restrictions and a backlog of expired travel documents meant that demand remained largely domestic, particularly benefiting Tier 4 leisure destinations, where rates climbed significantly.
- Fast forward a year, and in 2024 that airline capacity came back, whilst the government announced a raft of policies to ease visa restrictions. Put very simply, it was far easier to visit foreign locations for Chinese guests, and therefore rates eased domestically.
- This was particularly apparent in Q3, when year-on-year RevPAR was down 10 percent, lapping the exceptionally strong summer leisure season of 2023. The EMEAA region was certainly a beneficiary of this, and several Southeast Asian countries saw double digit RevPAR growth thanks to Chinese outbound travel.
- China is currently the third largest outbound tourist market after the US and Germany – and will soon be number one. So it is very pleasing that our strong brand loyalty and presence both domestically and internationally allow us to capture demand wherever Chinese travellers go.
- Normalisation then occurred as we progressed through the remainder of the year, with RevPAR easing to 2.8 percent down in Q4.

- Occupancy was actually up in the fourth quarter, and for the year as a whole was pretty much flat – it was the rate decline due to higher rate leisure activity in 2023 moving outbound in 2024 that drove the RevPAR performance. And of course, whilst RevPAR was down a little year-on-year, it had already fully recovered to pre-pandemic levels in 2023, to be ahead of 2019 levels in both rate and occupancy.

**JS**

- And how about margin performance?

**DA**

- Well I think it speaks to the incredible strength of IHG's business model that even with RevPAR being down 4.8 percent in the year, our Greater China margins actually improved 130 basis points to 60.9%.

**JS**

- Incredible performance – how was that delivered? Surely there must have been cost cutting to generate a result like that?

**DA**

- Not really – the reality is that our cost base was a touch down on 2023, but more or less in line. The key factor was our ability to sustain fee revenue, with overall growth in our system offsetting the year-on-year RevPAR decline.

**JS**

- Got it – And the development picture is something which I will be speaking to Kent in a lot more detail on, but you've got to be proud of your region's performance in that regard in 2024?

**DA**

- Absolutely – year-on-year openings were up 14 percent, signings were up 13 percent, and our pipeline grew by 7 percent. Perhaps more impressively, in 2024 we signed more hotels than in any other year, and we opened more hotels than in any other year too. It was an absolutely fantastic performance from our development teams – but I'll let Kent take you through that in detail.

**JS**

- Excellent. So, putting this altogether Daniel – where do we go from here? Sure, I understand your reasoning around the weaker RevPAR environment in 2024 – but we can't deny that there are some challenging macroeconomic conditions in Greater China. This is arguably being compounded by harder-line US foreign policy – so is the growth we've seen coming out of the pandemic going to grind to a halt now?

**DA**

- We certainly don't see it that way.
- Let's take a step back and look at the underlying key industry drivers which are still absolutely relevant for the country.
- Despite all of the recent noise, China's GDP is estimated to grow at a CAGR of around 4 percent over the next decade.

- Now, there are just over 75 million middle income households in China. In the next decade, that number is set to double to 150 million. For context, this would result in 22 percent more middle-income households than the US is projected to have by then.
- On a number of individuals basis, with an average household size of just under three, this is an additional 200 million middle class consumers—the very segment that drives demand for hotels.
- And it's not just about domestic demand—China's expanded visa-free policies have driven a surge in inbound travel, with foreign arrivals more than doubling in 2024. This renewed international traffic is adding fresh momentum to the hospitality sector.
- And remember our penetration versus the US? We have currently just over 800 hotels versus over 4000 in the US. Now just imagine the potential.

**JS**

- And how does that reconcile with the recent headwinds we've seen in the Chinese economy?

**DA**

- In an economy like China's, many things can be true at once. No one denies that the residential real estate sector has faced challenges over the last couple of years. The collapse of some large residential developers reverberated through the economy, and confidence in that sector still hasn't fully recovered.
- And sure, sales of new cars and certain luxury goods have softened recently.
- But that doesn't give the whole picture. As I mentioned earlier, occupancy in Greater China was effectively flat year-on-year in 2024. People are still travelling—just without the elevated rates seen in 2023.
- And why is this? Significantly, the perceived weakness of the Chinese consumer is arguably a misconception.
- Aside from parts of the Middle East and India, the Chinese consumer is among the most optimistic globally – far more so than those in the US, UK, and Europe.
- Furthermore, the Chinese consumer is still spending. We often hear about weaker luxury goods sales in Greater China, but Chinese consumers are still making purchases – just increasingly outside of the country when they travel.
- IHG's brand positioning is one of strength from the midscale upwards - that's what aspirational guests around the world want, and the Chinese consumer is no different in their appetite for the benefits that internationally recognised brands bring in these segments.
- On a like-for-like basis, tax free spending abroad by Chinese consumers is 20 to 30 percent up on 2019 levels.
- And interestingly, the real estate downturn is actually fueling travel demand. For a long time that sector was a place for individuals to invest and save wealth. But with confidence in residential real estate still recovering, less capital is being tied up in new property purchases, furnishings, and upkeep. Instead, more discretionary income is being directed toward travel—the preferred lifestyle investment for many Chinese consumers.

**JS**

- And can they spend it? Is the infrastructure back in place to facilitate Chinese travel both domestically and internationally?

**DA**

- For the most part, yes.
- In 2024, China's real GDP growth was 5 percent. Retail sales were up around 3 percent – a slower pace than previous years— but air passenger spend increased by 17.9 percent.
- Domestically, seat capacity is now well above 2019 levels, with the latest data showing a nearly 20 percent increase. And this momentum continues—capacity is expected to rise another 5% this year,
- This is scheduled to grow by around five percent this year, reflecting sustained domestic demand.
- International flights have not yet fully recovered, but they're getting close—capacity is now only 15–20% below pre-pandemic levels.
- 2024 saw a surge in international capacity returning, with the number of seats flown up 75 percent year-on-year, fuelling the outbound shift I previously mentioned.
- There is expectation for this to improve by another 14 percent in 2025 as more and more routes are reinstated.
- Of course, not every international route is back to pre-pandemic levels just yet. Seats flown between the US and China are still down 70 percent, and this is likely to continue throughout 2025. The situation is similar for Canada too.
- But the takeaway is that Chinese consumers are travelling more within the regions than they ever were pre-pandemic.
- This is clear evidence of the continual rise of the Chinese middle class – something which will only accelerate from here on out, regardless of the short-term headwinds that the economy has been facing.
- Meanwhile, international travel is steadily returning, with business travel picking up, especially in Tier 1 cities, and Chinese travellers continuing to spend more overseas. All of this underpins sustained demand across our portfolio.

JS

- Thank you, Daniel – that's incredibly helpful. And that leads us very nicely into development, and IHG's future ambitions in Greater China. I'm now going to link in with Kent Sun, Senior Vice President and Chief Development Officer for Greater China region, to talk more about the development environment in the region.

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JS

- Good afternoon, Kent, and thanks so much for joining me today. Can you please share with our viewers where you are today?

**Kent Sun, SVP, Greater China Chief Development Officer (KS)**

- Hello Joe – I'm currently in our Shanghai regional headquarters.

JS

- Now Kent, 2024 saw record levels of development for IHG in the Greater China region – can you talk me through what your team achieved?

KS

- That's right. Let's start with signings. We signed 160 new deals in 2024 – almost one every other day – the most we've ever signed in a year.

- This success was through our chain scales – now sure, the highest proportion of our signings came from essentials – with nearly one hundred signings across the Holiday Inn Brand Family – but we saw another great year for Crowne Plaza, as well as one of the strongest performances seen across our Luxury & Lifestyle segment.
- In terms of our openings, well this again was an all-time record with 97 hotels. The most we had previously ever achieved in one year was 88 – so ten percent up on the former record.
- And like all regions, conversions have become more important, representing a quarter of openings and a third of signings in 2024, such is the attraction of our brands and enterprise platform.
- So all-in-all we currently have a pipeline of 550 hotels – that’s 60 percent growth on our current system of 800 hotels – so years and years of future growth locked in. But we’re not stopping there - the pipeline, which was up 7 percent in 2024, is only growing.

JS

- Fantastic performance Kent – and perhaps even more impressively – you’re not doing this with the whole IHG brand portfolio at your disposal?

KS

- That’s right. As things stand, we have 13 of IHG’s brands in Greater China.
- All of IHG’s Premium and Luxury & Lifestyle brands are in this region, and we’ve seen incredible success with those six brands. It would take me all day to list out the milestones we’ve achieved, but we’re delighted to have our first Six Senses in the region, Six Senses Qing Cheng Mountain resort in Chengdu, right at the gateway to the UNESCO World Heritage & Natural Cultural site in nearby Dujiangyan.
- On top of that, there are now six Regent hotels in Greater China including Regent Hong Kong and Regent Shanghai on the Bund. These are flagship properties for the brand not just in China, but globally for IHG.
- And then we have 60 InterContinental hotels with another 30 more in the pipeline – numbers like this are only possible in a region like Greater China, where there are over a hundred cities with populations greater than a million.
- Beyond these brilliant luxury brands, however, Holiday Inn and Holiday Inn Express, the brands that brought us into the region are the only Essentials brands for now.

JS

- And why is that Kent? Garner, helped by the recent NOVUM portfolio deal, has been growing at a rate of knots in both the US and Europe, while we’ve seen great success from the avid brand too. IHG’s other essential brands and even suites meanwhile, also contribute fantastic growth to the other regions. Why are they not currently present in Greater China?

KS

- It’s important to get these brands right when you bring them to Greater China.
- Let’s take Holiday Inn, for example. Now you’ve spent time with Daniel in the Holiday Inn Golden Mile. That hotel is a great representation of the brand, and its hallmarks are instantly recognisable.
- But look a little closer and you’ll see there are subtle differences to what you might be used to in the West.



- With the scale that IHG's brands achieve in Greater China, and the fact that well over 80 percent of stays are from domestic travellers, it makes sense to ensure that the needs of the Chinese consumer are appropriate met.
- Its small things – breakfast menus for example – but this is what you have to get right to succeed in the country.
- We take our time to ensure that when we bring a brand to Greater China, it is appropriately localised to meet the needs of our guests and ensure success for our owners.
- This is what being 'in China, for China' means.

JS

- That makes a lot of sense. And over time, you're expecting more of IHG's brands to come to the region?

KS

- Absolutely. We actually signed our first Atwell in 2024, so we'll see openings from that soon.
- And this, of course, is on top of the brands we have already successfully internationalised into the region - there are already three open Kimptons with another 16 more in the pipeline, while voco has made extraordinarily rapid progress in conversions with 17 hotels already open and the same again in the pipeline.

JS

- Very exciting. So, tell me Kent – was the last year a one off? After seeing record hotel signings and openings in 2024, what should we expect in 2025? Much of the West, including the US in particular, are seeing industry-wide low supply growth. What makes China different – especially in the face of current macro uncertainty?

KS

- Well to address your first question – no, it wasn't a one off. The owner confidence we saw in 2024 has continued into 2025 and all signs are pointing to a very strong year once again.
- You need to appreciate that it is a very different development environment in China. Sure, its competitive, with both local and international operators playing very hard in the region, but some of the structural constraints you've seen in the West don't apply here.
- As an example, financing has never really been an issue. While the interest rate environment in the US and Europe has slowed new build development across the industry, capital is more readily available here. Further, while the West has seen constraints on labour availability, the slowdown in the residential real estate sector has ensured that there is capacity to complete hotel developments.
- And while I'm on that point, its important for me to remind that the issues we have seen in residential real estate in Greater China are very particular to just that sector. Aside from one or two major developers which IHG had little involvement with, we have not seen overspill into the hotel space.
- Taken together, confidence in hotel development remains high in Greater China. IHG's brands and the enterprise platform behind them remain very popular with owners, and as we bring more brands into the region, particularly in Essentials and Suites, I can only see further opportunity to accelerate growth.

JS

- And that growth - can you just remind whether we should expect it to be via franchise or managed contracts?



KS

- Sure – firstly, we’re always going to make sure we select the right business model for the segment and geography of the hotel we’re opening.
- Its always far more likely that you’ll see managed contracts higher up the chain scale, and that isn’t about to change.
- But as viewers might be aware, until relatively recently, the Greater China region was an almost wholly managed estate.
- We then introduced the Franchise Plus model in 2016 and have since seen a rapid acceleration of both franchise and Franchise Plus developments since then.
- Our current system is roughly a third franchise, while its closer to an equal split between franchise and managed contracts in the pipeline.
- So over time, gradually, you’ll see a shift in the region to a higher proportion of the franchise model – just don’t expect us to get anywhere near to the 90 percent plus level it is in the Americas any time soon, but it will come, just as overtaking the scale of that market is expected to come over the longer term!

JS

- How about geography? If I look at system size right now, the estate is weighted towards Tier 2 cities, with almost half of room count in those locales. I was also surprised that we have more hotels in Tier 4 cities than in Tier 1. Is this where the future growth is?

KS

- Well the concentration of Tier 2 locations is simply a product of human geography. If you’re only including 4 or 5 mega-cities in Tier 1, then you’ll find the roughly half of China’s urban population lives in Tier 2 cities.
- As I’ve already mentioned, IHG is ‘in China, for China’. Sure, we want to capture international inbound travel, and we do that very effectively in Tier 1 cities. But over 80 percent of business is domestic, and a high proportion of that business is happening in Tier 2 cities.
- IHG might have first come to China via Hong Kong fifty years ago - and while we have some wonderful properties in that city – the vast majority of our hotels, and our future growth, is in the heartland of mainland China.

JS

- Understood. So clearly, Kent, there are a lot of tailwinds driving gross growth in the region. But what about the other side of the coin, and hotel removals? IHG’s Greater China region had a removals rate of 3 percent in 2024, notably above both the Americas and EMEAA. What has caused this, and is this a structural trend going forward?

KS

- You’re absolute right – we saw slightly elevated removals in Greater China in 2024.
- The predominant reason for this was post-Covid churn.
- Pleasingly, the majority of hotels in our system in Greater China were able to weather the Covid pandemic, and hopefully, most have come out even stronger due to the efficiencies made during those tough years.

- However, unfortunately there were some hotels which never returned back to full strength, and ultimately ceased as a going concern for their owners.
- Just as in the Americas and EMEAA, there was a little delay from the pandemic to these hotels shutting their doors, and what we've seen in 2024 is that lag effect. There could be a small number more that drop out in 2025 as well, but this is by no means a structural issue.

**JS**

- Super clear.
- Well Kent, I know you're super busy delivering this growth for IHG, so I'm going to thank you for your time and let you get back to signing those deals!

**KS**

- Thank you!

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**JS**

- Well Daniel, we've heard about IHG's long and storied history in Greater China, touched on recent trading and macro-economic conditions, and Kent has given us a detailed picture of the future development landscape for the region. Are there any last thoughts you'd like to leave us with?

**DA**

- Thanks Joe.
- If there's one takeaway today, it's this: despite the noise, the fundamentals for long-term growth in Greater China remain incredibly strong, and IHG is uniquely positioned to capture this opportunity.
- Yes, maybe GDP growth isn't quite as high as it was half a decade ago – but the 4 to 5 percent expansion per annum, that we will see here in the medium term is well above nearly every other major economy.
- China's economy is worth a staggering 20 trillion dollars – and as it continues to grow, and more and more families reach the middle class, travel – both for leisure and business – will continue to accelerate.
- IHG has spent 50 years embedding itself into this market, and our "In China, For China" approach ensures we remain the preferred choice for both owners and guests. As a result, Greater China will continue to drive strong RevPAR, net system growth, and long-term shareholder value.
- Having just celebrated half a century here, we look forward to the next 50 years, where Greater China will continue to be at the forefront of IHG's growth.

**JS**

- Thanks Daniel, really appreciate your time today.