

IHG Checks In On... An Interview with Karin Sheppard, MD Europe

Stuart Ford, SVP, Head of Investor Relations

- Hello, I'm Stuart Ford, Senior Vice President and Head of Investor Relations 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 creation.
- This latest episode of 'Checks In On...' features Karin Sheppard, IHG's Managing Director for the Europe region, and Jamie Rollo who is Morgan Stanley's European Leisure and Hotels Analyst.
- During the Morgan Stanley London Hotel Field Trip which they host for investors each June, Jamie interviewed Karin at the Holiday Inn Bloomsbury which is currently undergoing an extensive refurbishment by the hotel owner, and which will see the property upgraded to the latest Holiday Inn brand designs and formats for both the public spaces and all guest rooms.
- Jamie and Karin discussed the trading environment in the UK, IHG's footprint in Europe and the agreement with NOVUM Hospitality for a major portfolio of hotels in Germany that are converting to IHG's brands – that agreement with NOVUM was a topic for one of our previous 'Checks In On...' episodes.
- And Karin also touches on our recent acquisition of Ruby, the premium urban lifestyle brand which becomes the 20th in IHG's portfolio of brands and has exciting growth opportunities ahead for many more hotels in popular city destinations.
- Over to Jamie and Karin...

Jamie Rollo, European Leisure and Hotels Analyst, Morgan Stanley (JR)

- Well, I'm here with Karin Sheppard IHG's Managing Director of Europe. Thank you very much, Karin. So, let's start with talking about just the trading environment in the UK and London is a little bit weak, but we talk a bit about that if you can.

Karin Sheppard, MD Europe (KS)

- Sure. So, our business here in the UK is 360 hotels, about 50,000 rooms spread across the country. And I guess in terms of trading, what we saw and reported in our Q1 results was that it was broadly flat. Some softness in London offset by growth elsewhere.
- And whilst we don't report on Q2 as yet. In terms of the industry data that we have line of sight of, that trend sort of seems to continue. It's important sometimes to wind back a little bit, to give perspective. And when we look at what has preceded that, I guess when you look at 2023 on 2019, we actually saw 17% growth. And then last year there were another 2.3% on top of that.
- So, I guess we're sort of coming off some very robust trading conditions for a number of years. And now we sort of see more and more normalised RevPAR trading environment.
- So that's the UK. The UK is about 5% of our global system. And within Europe, Middle East, Asia and Africa, which is the overall region that the UK belongs to, it's about 20%.
- And across EMEAA, we're really pleased to see 5% RevPAR lift in Q1. And that got us to about 3.3% globally.

JR

- And in terms of new expansion plans, both in the UK but also EMEAA and Europe, please talk a bit about that and the competitive environment too.

KS

- Sure. Well, growth is absolutely front and centre of our strategy. And we're seeing that play out here in the UK, already a scale market for us, as I said, where we have another 31 hotels in our pipeline, about 5,000 rooms and sort of 10% growth broadly.
- And there's a couple of interesting characteristics about that growth. First of all, it is very led by conversions, which means that we get rooms into the system faster. In fact, sometimes we might sign it and open it within the same year.
- There is, from a brand perspective, a skew towards more Luxury and Lifestyle, and Premium. So, today in the business, in the UK, it's only about a quarter of the existing estate, given we have such a strong Essentials portfolio with Holiday Inn, Holiday Inn Express.
- But as we look forward, actually Luxury and Lifestyle, and Premium is 60% of the pipeline. Now the relevance of that is they are higher RevPAR hotels, therefore higher fees per key, so a very solid business for us, looking ahead into the pipe.
- And then from a geographical distribution, today we have about a quarter of our rooms in London, while in the pipeline is about half skewing to London. So, again helping in terms of the robustness of that growth ahead.
- Just a little bit about the wider picture, because the UK is the single largest market in EMEAA and very important. But across Europe and EMEAA, we are seeing continued strong growth. EMEAA reported both in '23 and '24 8% net system size growth. That was mirrored in Europe, less in '23, more in '24 because of the deal we did with NOVUM Hospitality.
- And when we look at where we are now in terms of new signings into pipeline, we actually have a record pipeline, both in Europe, it's about 27% growth ahead and 40% in EMEAA. So, we are seeing continued strong growth trends across the key markets and in that wider region.

JR

- And then finally, you've led on the NOVUM conversions and the Ruby acquisition. What are the key highlights of those two?

KS

- Yeah, they are two very interesting and exciting deals for us and very different as well. So, what they have in common is they have strategic benefits for the business, and they give us great growth in the near term and for the future.
- NOVUM hospitality, we did the deal last year and it is a deal where we bring 119 hotels into the system. And through that we effectively double our size in Germany. Now, that is pretty important because Germany is a market that is in one of the predominant economies here in Europe, and it is a very large, and one of the largest, outbound travel markets as well for the world. So, important for us to boost our system size and get to know the German domestic customers and bringing them to our hotels around the world.

- It is also a deal where NOVUM Hospitality will grow exclusively with us for the future. And we've already signed another eight deals showing the potential that we have.
- Ruby is different. It is a brand acquisition, so we have acquired the Ruby brand and will be expanding, the brand globally.
- So, there are currently 20 hotels open and another 10 hotels in the pipeline as of the date of the deal. And we will continue to grow with Ruby Group and Michael Struck, the founder of Ruby, and they are on an expansion path.
- We've already signed another two deals since the inception of the deal and the partnership, and we will take the brand globally. So not just expanding in Europe, but also into the US and the rest of the world.
- So those partnerships give us strategic benefits in the near term and actually gives us platforms to grow and scale around the world, very much in line with our strategy as a company.

JR

- Wonderful. Thank you very much indeed.

KS

- You're welcome. Thank you.