

IHG 2022 Half Year Results

Tuesday, 9th August 2022

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Introduction

Stuart Ford

Head of Investor Relations, IHG

Welcome

Welcome everyone from me. To refer to our stock exchange announcement on page two is the usual cautionary note regarding forward looking statements in regards to anything that may be said on this morning's call. That statement as well as the presentation and our supplementary information can be downloaded from the Investor Relations section of IHG's plc website. With that let me hand over to Keith.

2022 Key Highlights

Keith Barr

Chief Executive Officer, IHG

HY 2022: strong trading; accelerating returns

RevPAR & Rooms

Thanks Stuart and good morning everyone. In a moment Paul will talk you through our financial performance for the half but first let me share some key highlights. We are well on the path to recovery and are edging ever closer to 2019 overall performance levels. We saw continued strong trading in the first half of 2022 with an increased demand in most of our markets. Global RevPAR for the half was up 51% versus 2021 and we saw a strong momentum build in Q2 with RevPAR just 4.5% behind pre-pandemic levels. Looking around the world the Americas region has already surpassed 2019 performance with RevPAR up 3.5% in the second quarter. Our EMEAA region saw excellent sequential improvement as travel restrictions have been lifted and leisure business came through strongly. By contrast Greater China had a challenging period due to Covid-19 restrictions, although we have seen a strong recovery in recent trading as those restrictions have lifted. In terms of growth, our adjusted year-on-year net system size growth was 3%, with gross growth of 4.8%. In total 15,000 rooms were opened across nearly 100 hotels, and we passed the 6,000-hotel milestone globally. 31,000 rooms were added to our pipeline across 210 hotels.

Profit & Returns

Our operating profit more than doubled versus last year which puts it just 8% behind 2019 levels. And with net debt coming down further, together with the confidence we have in the strength and positioning of our business, we are pleased to reinstate an interim dividend 10% higher than the interim payment in 2019, alongside launching a share buyback programme that will additionally return \$500 million of capital to our shareholders.

Laying the foundations for future growth

Our performance reflects a continued focus on our strategy to build a stronger business for our guests and owners around the world while we continue to strengthen the foundations for future growth. I will come back and talk more about these areas later in the presentation - but let me first hand over to Paul to take you through more of the details of our financial results.

HY 2022 Financial Review

Paul Edgecliffe-Johnson

Chief Financial Officer & Group Head of Strategy, IHG

Financial performance overview

Thank you Keith and good morning everyone. Starting as usual with our headline results from reportable segments, revenue of \$840 million and operating profit of \$377 million increased 49% and 101% respectively against 2021. Revenue from the fee business increased 33% on an underlying basis and operating profit by 67%. Adjusted interest including charges relating to the system fund decreased to \$64 million. Our effective tax rate was 28% down eight percentage points. Taken together this resulted in adjusted earnings per share of 121.7 cents.

Fee-based business model shows strength as demand continues to return

Turning to our drivers of performance. The increased demand in most of our markets led to overall occupancy ten percentage points higher than 2021. Increased pricing power saw rate improve by 24%. This resulted in Group RevPAR up by 51% on a comparable basis. This RevPAR performance compared to total fee business revenue that was up 33% on an underlying basis. The difference is driven by non-RevPAR related revenue streams such as central fee income being broadly flat. When looking at 2022 versus 2019 the two measures are closely aligned - RevPAR down 10.5% and fee business revenue down 10%.

In terms of net system size we had year-on-year gross growth of 4.8% which includes opening 15,000 rooms in the first half of this year. Our underlying removals rate was 1.8% making our net systems growth 3.0% on an adjusted basis. That underlying removals rate excludes the impact of the Holiday Inn and Crowne Plaza quality review completed last year, and 6,500 rooms related to ceasing operations in Russia. I have talked before about targeting for this year net system size growth of 4.0% noting that doing so will be stretching. That remains our ambition so given at the half year stage we are at 3.0%, this does require a challenging acceleration of openings in the second half of the year.

Regional variations in RevPAR with strong ADR recovery in all regions

Looking at monthly RevPAR performance since the start of 2021 there continued to be variances in the shape of recovery across our regions. After momentum was briefly interrupted by the Omicron variant at the start of the year both Americas and EMEAA saw sequential monthly RevPAR progress through the half. Our Greater China business had a tough start the year as Covid restrictions were tightened. We have seen these bumps before, and pleasingly we have seen improvement in trading in May and June, and this has continued in July.

Americas

Record rates: RevPAR exceeded 2019 throughout Q2

I will now take you through our regional performance in more detail starting with the Americas where comparable RevPAR for the half was up 45% on 2021, resulting in a deficit of less than 2.0% versus 2019. By the second quarter each month saw revPAR exceed 2019 levels resulting in the quarter being up 4.0% overall. Across our US franchise estate which is weighted to domestic demand in upper-midscale hotels, Q2 revPAR increased by 5.0% versus

2019. The US managed estate, weighted to upscale and luxury hotels in urban locations declined by just 2.0%. This spread of seven points compares to a gap of 35 points this time last year. Underlying fee business revenue increased 40% on 2021, a deficit of only 1.0% on 2019. Meanwhile underlying fee operating profit exceeded 2019 by 6.0% which includes the benefit of our sustainable cost savings. Our owned, leased, and managed lease portfolio generated operating profit of \$9 million, compared to a loss of \$12 million in 2021. During the half we opened 42 hotels or over 4,000 rooms across the Americas, of which more than half were for the Holiday Inn brand family. It was also a strong period for our extended stay brands. And we signed over 100 hotels taking our Americas pipeline to over 100,000 rooms.

US Leisure strength of demand has sustained; recovery of Business demand has continued

Looking at our US business and leisure mix in more detail, the momentum behind leisure travel has continued, with occupancy, and particularly rate exceeding 2019 levels. We have not seen any indicators that demand momentum is waning. Business travel has continued on its trajectory of recovery with revenue in June at a deficit of only 1.0% to 2019 levels.

US Business ADR now exceeds pre-Covid levels, occupancy

Let me break this down further for you. Business rate in the US has exceeded 2019 in every month since March while the demand has also steadily increased. There remains further potential for business travel recovery especially within the meetings, incentives, conferences, and exhibitions segment. And, as with leisure demand, we see no indicators that the recovery trajectory is abating.

Europe, Middle East, Asia & Africa

Improved trading in markets where travel restrictions have lifted

Moving now to Europe, Middle East, Asia & Africa, where RevPAR has also been recovering rapidly and was up 138% for the first half versus 2021. Compared to 2019 levels RevPAR in the half was 21% lower but the second quarter was down only 10%, indicative of the improving momentum through the period. In the UK revPAR for the half was only 8% behind 2019. There was continuous improvement throughout the period with the provinces up 3.0% by June, and London rapidly closing the performance gap. Continental Europe saw a similar recovery profile. Restrictions in these markets were generally slower to be lifted, resulting in first half revPAR performance down 22% versus 2019. However, as travel limitations were eased in the second quarter revPAR improved to a deficit of only 6.0%. Lifting restrictions has taken longer in a number of other markets in Asia, but strong improvements in trading have been seen there more recently too.

Year-on-year underlying fee revenue increased 124%. Underlying fee operating profit was \$56 million, compared to a loss of \$3 million in 2021. The owned, leased, and managed lease portfolio saw its operating losses narrow to just \$4 million in the first half of 2022. Looking briefly at the development environment we opened 7,000 rooms in the half. We removed 9,000 rooms from the system, the vast majority due to exiting 28 hotels in Russia. We signed 8,000 rooms in the half, with conversions accounting for around 45%.

Greater China

Travel substantially impacted by Covid restrictions

Finally moving to Greater China, where tightened Covid restrictions resulted in a challenging trading environment. RevPAR across the region was down 27% versus 2021, and 46% against 2019. Strict lockdowns affected demand across a number of tier 1 and neighbouring cities, and with these feeder markets effectively shut down tiers 2-4 and resort locations were also impacted. Underlying fee revenue was down 32% against the prior year, a decline of 48% on 2019. The business generated \$5 million of underlying fee operating profit for the half. We opened 19 hotels or 4,000 rooms in a challenging development environment. By comparison, 36 hotels were opened in the first half of last year. There were 53 hotels signed in the half. The momentum behind our Crowne Plaza brand in Greater China continued, with 16 signings across the region and Holiday Inn Express saw further success, with 15 hotels added to the pipeline.

Fee margin by region

In respect of fee margin our overall margin for the half grew 11.8 percentage points year-on-year. At 55.9%, this is ahead of 2019 despite the EMEAA region not yet being fully recovered and the challenges in Greater China. Margins are highest in our Americas region, where 90% of our hotels are franchised. The pace of demand recovery along with our focus on cost has meant that margins continued to grow, now at five percentage points ahead of pre-pandemic levels. Margins in the EMEAA region have improved, driven by the lifting of restrictions. Given that many markets only opened for travel later in the half, margin recovery will continue. In Greater China, our fee margin remained positive despite unfavourable trading conditions throughout the half.

Targeted capital expenditure to drive growth

Turning now to capital expenditure. We spent gross capex of \$72 million, while net capex was an outflow of just \$22 million after proceeds from disposals and System Fund inflows. Our key money of \$35 million was driven primarily by development activity in the US. Maintenance capex was up \$6 million, reflecting our continued emphasis on investing in the business. Turning to the System Fund, we continued to benefit from depreciation levels exceeding capex now that the investment in GRS is complete.

Cash flow

Turning to cash flow. Working capital saw an outflow, principally due to an increase in receivables driven by the stronger RevPAR and a reduction in payables after the payment of bonuses in respect of the prior year. Cash tax net outflows were \$77 million higher than the comparable period. Taking these and other movements into account, we generated an adjusted free cash inflow of \$142 million, broadly in line with the \$147 million generated in the first half of last year. After payment of the resumed dividend, net movement in cash for the half was an outflow of \$24 million. However, non-cash and foreign exchange movements resulted in net debt decreasing by \$163 million.

Our strategy for uses of cash remains unchanged

After investing in long term growth which remains our foremost priority we generated sufficient funds to reinstate and increase our interim dividend by 10% to 43.9 cents. Our growing profitability and decreasing net debt have resulted in a leverage of 2.1x, below our

target range. Given the strong balance sheet position we have announced today an initial \$500 million buyback programme, which we expect to complete in the next six months. This year's dividend payments to shareholders of around \$235 million, together with the \$500 million additional return of capital through the buyback, are equivalent to around 7% of IHG's current market capitalisation.

To conclude we have seen trading improve significantly during the first half of the year with RevPAR for the Group very close to pre-pandemic levels and our fee margin ahead of 2019. The proven highly cash generative nature of our business has allowed a 10% increase in the interim dividend and enabled us to restart returning surplus capital to shareholders. We have done this regularly since 2003, and with today's \$500 million, it takes the aggregate capital returned to over \$14 billion. With that, let me now hand back to Keith.

Update on Strategic Priorities

Keith Barr

Chief Executive Officer, IHG

Fundamental growth drivers of our industry remain strong

Thanks Paul. There is no question that the last two years have challenged our industry, but its fundamental growth drivers remains very strong and give us great confidence in the future for this business. People have an inherent desire to travel for both leisure and business. Whether for new experiences, to physically connect, interact or collaborate, people want to get out there and explore the world. The experience of this pandemic has possibly made that desire even stronger. While we understand there are uncertainties within the economic outlook, we are confident in our business model and the attractive industry fundamentals that will drive long-term growth. We have not seen signs of demand cooling. In fact, research shows that travel is among the most resilient areas of discretionary consumer spending, and we know there is also still further recovery of business travel and groups and events to come, with positive forward indicators on that front. The majority of our owners are looking at their investment over the long term as well, and while there will be cycles, both up and down, during the lifetime of a hotel, we know that owners remain confident in the long term cash generation and asset values this industry and our brands are able to offer. While this industry and IHG can of course not be entirely immune to economic cycles, our expectation is that the industry will continue its track record of growing ahead of global economic growth, and we will continue to drive industry-leading levels of performance.

Strength and resiliency of IHG's business model

Much of our confidence comes from the great strength and resiliency of our business model, as shown by our results over the last two years. Our system is formed of over 6,000 hotels, across 17 brands, in more than 100 countries. This geographic and chain scale diversity reduces overall risk and means that we can benefit from different markets and segments being at varying points in economic cycles. Our asset light model, in which we franchise or manage 99% of the hotels in our estate, allows us to grow at a pace with low capital requirements. Our income is based upon high quality long-term fee streams, typically around 90% of which is directly linked to the revenue of hotels. This business model allows high levels of cash generation – you've seen us remain cash flow positive even in the deepest

depths of Covid, and cumulatively between 2015 and 2021, more than 100% of our earnings converted into free cash flow. Our pipeline of 278,000 rooms is more than 30% of our current systems size, and locked in multiple years of growth. And very importantly, we operate in a high barrier to entry environment, one where it is very challenging to replicate the scale and strength of the enterprise platform we have built over many decades.

It is enterprise that has a strong portfolio of 17 brands with irreplaceable heritage and resonance with our customers. Our system fund receives and spends over \$1 billion a year on behalf of our owners, achieving massive scale advantage for them. This includes our recently transformed loyalty programme, IHG One Rewards, which has over one million members and industry-leading technology which we have heavily invested behind. We also have highly effective procurement solutions that provide invaluable support to owners through all stages of the hotel life cycle, something that is critically important in today's world in terms of helping them access quicker solutions and manage costs. It is for all of these reasons, coupled with the long term growth drivers of this industry, that we have real confidence in the future. And to make sure that we continue to build our capabilities and capitalise on growth, we continue to put all of our focus and investments into our four strategy priorities. Let me spend a few moments on each.

Growing our brand family

We have added six brands to our portfolio since 2017

First building loved and trusted brands. Back in 2017 we identified white spaces in our portfolio where we could see a clear path to address long-term consumer trends and capitalise on notable sustainable growth opportunities. Fast forward to today and through either organic development or acquisition we have added six brands to our portfolio across our four segments of suites, essentials, premium and luxury and lifestyle. We started in 2017 with the launch of avid, a large-scale opportunity driving high owner returns in the midscale segment. The following year, we launched voco our conversion-focused premium brand which was recently named the "World's Leading Premium Hotel Brand" by the World Travel Awards. In 2018 we acquired Regent, a brand with a rich history in the upper luxury segment. A year later we acquired Six Senses, our high-end luxury resort-focused brand with wellness and sustainability at its core. Six Senses was recently voted "Best Luxury Hotel Brand" by Luxury Travel Intelligence. That same year in 2019 we launched Atwell Suites our upper midscale extended stay brand in the US. And most recently we launched Vignette Collection in August last year, our luxury and lifestyle conversion brand, which is off to a great start.

Accelerating the growth curve

Hotel Indigo and Six Senses

While lots of work goes into expanding a brand portfolio, we of course remain focused on ensuring that we are driving the growth of all 17 individual brands, investing, and developing our existing brands; and integrating and scaling up our newer additions. Examples include Hotel Indigo, which we launched in 2004, and Six Senses, which we bought in 2019. Hotel Indigo, our premium lifestyle brand reached its first 100 hotels open after 14 years. Thanks to all the work going on into the brand, we expect to open the next 100 in less than half that time. We are already at 134 properties and we have a very strong pipeline of a further 120.

During the half, we secured a further 16 signings and we are on track for a record year of openings.

On the right-hand side, you can see how we have accelerated Six Senses growth. On acquisition, there were 16 open hotels and 18 in the pipeline. In the three years since we have opened another five and nearly doubled the pipeline to 35 which is a direct benefit of putting the brand within the strength, scale, and sophistication of IHG's enterprise platform.

voco

The industry's fastest-ever global rollout

The next two slides put a spotlight on the power of our global platform to grow brands internationally. We launched voco in June 2018 initially in EMEAA. We then took the brand to both Greater China and the Americas. It now has a presence in 17 countries, with more than 9,000 open rooms. It has another 9,000 rooms in the pipeline, which will see the brand enter a further ten new countries by 2025.

Kimpton

Highly successful internalisation

When we acquired Kimpton in 2015 it was a leading boutique hotel brand that was solely based in the US. In the seven years since, we have taken Kimpton to 12 countries and its pipeline of 8,000 rooms across 40 hotels will extend that to 19 countries by 2025. There were six Kimpton signings in the half and as we continue to add stunning flagship properties in prime locations and resort destinations, this will help further accelerate the brand's international expansion in the years to come.

Conversions

~25% of signings and expected to grow further, reflecting broad appeal for owners to access IHG's enterprise platform

Against the backdrop of a fragmented global hotel supply we have talked before about the increased importance of conversions as hotel owners look to benefit from our scale, revenue-generating systems, marketing, and loyalty programmes to drive performance, efficiencies and returns. With voco and Vignette Collection we have added two brands that play primarily in the conversion space. Expanding our brand portfolio has also enabled us to sign more portfolio deals with owners with assets across multiple segments. For example, we had another three portfolio deals in EMEAA in the first half that added ten hotels across six brands. Importantly, when you look at conversions over the past two and a half years, they have grown to represent 25% of our signings and there is a spread of opportunity across our brands with half coming from our essential segment and the other half split across Suites, Premium and Luxury and Lifestyle. We are focused on securing high quality conversions across our brand portfolio and owners are making significant investments to access IHG's brands and enterprise platform.

Recent conversions

Just to highlight some of our recent conversions, and going beyond those of voco and Vignette, you can see we can use conversion for flagship properties and to both help enter new markets and expand in existing ones. Some examples here include our first Atwell Suites in Miami, our first Kimpton in Australia, and expanding Staybridge Suites in Saudi Arabia, and Hotel Indigo in the United States.

Holiday Inn

Evolution of an iconic brand

I have talked a fair amount about our newer brands, but we are not standing still with our more established ones, such as Holiday Inn and Crowne Plaza. You will know that in 2021 we carried out a thorough portfolio review of these two brands resulting in the removal of 151 hotels from our system. Let me update you further on where we stand. Since Kemmons Wilson opened the first Holiday Inn in 1952 in Memphis, Tennessee this iconic brand has never stood still. Be that its expansion to 220,000 rooms across 1,200 hotels today, its design and service or the work done to maximise owner returns. And that continues today. Two-thirds of our Holiday Inn estate in the Americas has either recently been updated or has committed to renovations.

Meeting guests' and owners' needs through innovative new design

In our most evolution of our upper midscale, full service brand, we are focusing on three critical areas to meet both guest and owner needs through innovative design. Firstly, we relooked at our guest rooms to ensure that they are more attractive and suitable for both corporate travellers and leisure customers. Secondly, we reimagined the lobby layout based upon consumer and owner feedback to make it more social and drive improved guest satisfaction, while also reducing staffing levels - a key area of focus for owners given labour pressure in many markets. And thirdly, we have evolved our guest-preferred breakfast buffet again leading to increased guest satisfaction, whilst also achieving significant reductions in food waste and further lower food costs for owners.

Revitalising our Crowne Plaza estate

If I turn to Crowne Plaza, having launched in 1983, the brand today has 110,000 rooms across more than 400 hotels - and we have around 115 hotels representing just under 30,000 rooms in the pipeline, equivalent to 27% of our existing estate. We know how important consistency and quality is to both reputation and experience, and as part of last year's review we took the decision to remove 43 hotels from the estate and have been working with owners on transformational renovations. In fact around 75% of our Americas estate has either recently opened, is under renovation, or committed to renovate. This year, 28 renovations are expected to be completed, which is the equivalent to the last four years combined. This is really important work and will ensure that our existing estate is competing strongly and supporting future brand growth.

Driving growth

Holiday Inn Express, avid and Atwell Suites

I am not going to provide an update on all 17 brands today but I would like to briefly touch on Holiday Inn Express, avid, and Atwell Suites before I move on to our next strategic pillar. Holiday Inn Express, our category killer in the upper midscale segment, continues its leadership and strong growth. Having reached 3,000 hotels in its 30th year the pipeline remains very robust with more than 80,000 rooms or growth of 26% on its current size. Avid now has 210 open and pipeline properties, and is delivering great guest satisfaction scores versus peers and strong owner returns. This has been further reinforced by the first properties now being sold at premiums to their build cost, which can help demonstrate to other prospective owners the total returns that can be made from this great brand. During

the half Atwell Suites opened its first new build prototype property in Denver and an adaptive reuse in Miami. We will have another conversion site open early next year demonstrating the flexibility and potential of this new extended stay brand. We have 23 hotels in the pipeline.

Driving customer centricity and digital advantage

Moving to our second and third strategic priorities, which are very much interlinked - being customer centric in all we do; and creating digital advantage. When we refreshed our strategy several years ago, we set out a phased approach on how we can drive customer centricity for guests and owners. We first strengthened our brand portfolio by filling in the white spaces through organic launches and acquisitions. We then continued to improve the quality across our existing estate which included the Holiday Inn and Crowne Plaza review, the evolution of both brands that has followed, and the introduction of new prototypes across our brands. We were then able to focus on transforming our loyalty programme, elevating our mobile app experience, and innovating our digital channels. One without the other does not work. You cannot expect to achieve results until you provide a stronger holistic experience and that is what we are now seeing.

IHG One Rewards

Our biggest transformation

If we look at loyalty, we have more than 100 million members enrolled in our IHG One Rewards programme. IHG was actually the first hotel company to launch a loyalty programme, but while we were the pioneers in this space we recognise the need to transform our offer and move it substantially forward versus peers. Our loyalty members are our most valuable guests. They account for half our room nights, spend 20% more than non-members, and are nine times more likely to book direct which is the most profitable channel for our owners. We knew we had to invest behind them to be able to remain the preferred choice for our members. So, we transformed IHG One Rewards, supported by our largest marketing campaign in more than a decade to help raise awareness and drive more profitable hotel revenues for our owners along with new, more compelling credit card offerings.

For our members, the transformed loyalty programme is all about faster earn, exceptional choice, and richer benefits. Faster earn includes improving the value of our currency with the launch of dynamic rewards pricing, revamping our tiers, and giving members the ability to earn more bonus points as they move up tiers. In terms of exceptional choice, we are putting members in full control. The programme empowers them to choose the perks that matter most to them with Milestone Rewards - where members are offered a choice from a selection of rewards every ten nights. These include points, confirmable suite upgrades, and annual lounge membership. Within a month of launching Milestone Rewards 800,000 rewards were earned and with richer benefits we have introduced enhancements like free breakfast for Diamond Elite members and access to reward night discounts and upgrades, additions that our loyalty members prefer, value, and want to use. We have seen some fantastic progress on our loyalty KPIs. There have been 14% more points redeemed and 18% more reward nights booked. And enrolments are up 30%, with 11 million more members added.

IHG One Rewards mobile app

In addition to all the programme changes, we have also invested to put loyalty in the palm of our guests' hands with the all-new IHG One Rewards mobile app. Although the app is

designed for convenience of all customers, IHG One Rewards members will get the most out of the experience with the ability to easily track progress towards their next status and Milestone Reward choices. It offers them exclusive upgrades, add-ons and packages tailored to their preference. The app allows guests to book stays more quickly and easily than ever before and includes better access to property information. With the new “QuickBook” feature members can rebook a stay in a few simple steps. The app also offers a digital concierge, a chat-based experience giving members more seamless access to customer service. Other key functional benefits include easy stay management, digital check-in and check-out, adding rewards to upcoming stays and viewing hotel bills. The mobile app is our fastest-growing revenue channel. We are expecting it to drive further direct bookings, loyalty engagement, and incremental spend during stays. Since its relaunch, revenue driven by our mobile app from the Americas and the EMEAA regions has been at 30% higher levels than 2019.

Let me play a short video to capture the key functions and attractions of the IHG One Rewards mobile app.

Booking experience redesigned to create a better customer journey

Clearly our direct digital channels are very important to us, to our owners and to our loyalty members and so we are innovating our technology and distribution channels to drive improvement in guest experience and owner returns. We are on a journey to ensure how customers book with us is intuitive, easy, and streamlined, helping maximise guest conversion rates and drive higher revenues to our hotels. While there are multiple pieces and phases to the innovation being implemented by our teams over the coming years, I wanted to highlight some of the most recent developments that have gone live. From moving our booking module from the middle of the page to the top of the page, initial testing has indicated that this simple redesign leads to higher booking conversion rates.

By combining rooms and rates onto a single page, testing across our Holiday Inn Express portfolio has shown a 2-3% increase in revenue and a 10 percentage point improvement in loyalty enrolments. And we have introduced an Add Extras page to support the cross-selling of non-room extras such as purchasing loyalty points, parking, food and beverage vouchers and other unique experiences. This sets us up for the next phase of upsell, or in other words our full attribute pricing rollout, which will enable owners to generate maximum value from the unique attributes of their room inventories. These are just three points in the booking experience that are being redesigned to improve the digital guest journey and drive superior booking conversions and revenue to our hotels, and there is more to come.

Care for our people, communities, and planet

Our 2030 Journey to Tomorrow plan

Moving on to our fourth strategic priority, this pillar is all about ensuring our growth ambitions are achieved in the right way, taking care of our people, communities, and planet. Our Journey to Tomorrow 2030 responsible business plan is focused on five critical areas: our people; communities; carbon and energy; waste; and water. We are making good advancements in all five areas but today I am going to touch on two - our people. and reducing waste.

Diversity, Equity & Inclusion

We are driving changes that champion a diverse culture where everyone can thrive

Diversity, equity, and inclusion remains a key focus of ours. It is critical to our future success that we cultivate a culture of inclusion where everyone feels welcome, valued, and able to thrive. This is a vital part of our ability to attract, develop and retain a more diverse range of talent with different experiences and backgrounds. Driving gender balance is a big focus for us. 58% of all employees are female and 30% of our leaders at Vice President level and above are female. Amongst a number of initiatives to drive further improvement we are identifying and removing potential barriers to increase the female General Manager population across our estate. Another key area is our commitment to double under-represented groups across our leadership. We are focused on increasing the ethnic and racial diversity of corporate leaders across our markets. To help support this we have several initiatives including unconscious bias training, new diverse hiring approaches and fresh talent and leadership development programmes.

Removing waste with removal of single-use bathroom miniature

First global hotel company to commit to replace bathroom miniatures with full-size amenities

Turning now to waste, we were the first global hotel company to commit to replacing bathroom miniatures with full-size amenities, as part of our goal to eliminate single-use items, or move to reusable or recyclable alternatives across the guest stay by 2030. Last December we announced the InterContinental brand's partnership with Byredo and more recently we announced our global collaboration with Unilever to replace single-use bathroom amenities in over 4,000 of our hotels. Unilever's largest brand, Dove, will supply bulk size bathroom amenities to IHG essentials and suites brands, which account for around 80% of our global portfolio. The switch is expected to save at least 850 tonnes of plastic annually in the IHG Americas region alone, and the scale of our buying will provide hotels with savings of up to 30% versus current costs. All IHG's markets are now covered by bulk bathroom amenities contracts, and we continue to push forward on other aspects of waste, as well as the rest of our Journey to Tomorrow commitments.

Conclusions

Our strategic priorities and the investments we have made put us in a strong position for the long term

To sum it up we have seen strong trading in the first half of 2022 with increased demand in most of our markets. We opened nearly 100 properties and signed more than 200, with our pipeline growing 3.0% year-to-date to more than 1,850 hotels. We have undertaken a significant loyalty transformation with IHG One Rewards, and are already seeing an excellent impact from both the programme and our new mobile app. The work and investments against each of our strategic priorities is helping create a stronger and more resilient company. And we are delighted to be announcing an interim dividend and a share buyback programme today. Whilst there are uncertainties in the economic outlook, we are very confident in the industry fundamentals, the strength of our business model and our ability to drive long-term, sustainable growth. With that, Paul and I are happy to take your questions.

Q&A

Vicki Stern (Barclays): Morning, firstly can we start with the 4% unit growth objective? You referenced there Paul in the prepared remarks that it is clearly a stretch target now given the required acceleration in H2. Could you flesh out for us the puts and takes there? Then secondly wherever this year does land, how are you feeling about the sequential improvement in unit growth into next year? You have previously been targeting about 1% higher unit growth next year - is that still realistic to expect a further acceleration given the current signings pace and obviously construction headwinds that you are seeing? Then finally on the signings outlook, what will it take to see the business back above 20,000 a quarter, and in the nearer term what is the outlook you are seeing there? I guess you have the lead on the pipeline, referencing obviously the 14,000 based in Q2, how do you see that evolving as we get into the second half? Thank you.

Paul Edgecliffe-Johnson: Thank you Vicki. Obviously very important indicators for us. In terms of our net growth, as you rightly say, I am targeting for us to get to 4% and obviously with the first half at 3% it does become more challenging. I am pleased with the openings we have achieved at 4.8% and I am also pleased with the direction of travel on the removals. You will remember that I have said before that with the Holiday Inn and Crowne Plaza removals programme that we went through last year we should be able to get our removals down to on average 1.5% a year. To get to 4.0% that means that we have got to do 5.5% gross growth. That means we have got to get more hotels opened in the second half than the first half. It has been held back somewhat in the first half by China. There were hotels that would definitely have opened in the first half had it not been for the lockdowns, and the question is going to be how many of those plus the ones that might be a bit delayed in the second half can we get through the system. However, we are pushing hard on that.

There are also quite a few portfolios that we are looking at where now with our 17 brands and our strengthened platform delivering revenue owners are talking about bringing all of their hotels into IHG, which is going to be an interesting increment for us in terms of growth. We have seen a few of those earlier this year in Vietnam and Europe, and there are a few others that we are working on. Overall, I am optimistic of getting to the 4% but it is not assured.

How do I feel about looking forward? I think this business can certainly do more than 4% net growth and it is just getting the hotels that are signed up and our owners really want to get opened with us as quickly as they can. China typically does double-digit growth and EMEAA 6%+ and the Americas does a good contribution as well. It is getting that Americas number up and then that is balanced up by EMEAA and China.

In terms of the signings outlook, again, a lot of owners want to sign up hotels with us across our many brands. We have got industry-leading propositions in all the categories that we operate in. It is just getting those through the system as quickly as we can and out as open hotels.

Vicki Stern: To follow up on that one, based on what you can see so far if we are looking into at least the back half of that 14,000 base that we saw in Q2?

Paul Edgecliffe-Johnson: We signed 31,000 rooms in the first half and 210 hotels. With 17 brands there is no reason why it cannot get up to 80,000 again in due course. Obviously, I

cannot tell exactly how many of those are going to come through in the second half of the year but certainly a lot of demand from owners out there. We are encouraged for the future.

Vicki Stern: Thank you and just one last follow-up. Obviously, conversion activity is particularly important in EMEAA. Any incremental colour there on the conversion piece?

Paul Edgecliffe-Johnson: Yes, conversions as you say are very important because they get the hotels through the pipeline faster and we are really pleased with the new conversion brands. Nearly 50% of our openings in EMEAA are from conversion brands and similarly with signings. A lot of pickup for voco, for Vignette and a lot of other brands that are converting into our system. Again it is that enterprise platform that is delivering very strong revenues for owners and they are saying they want to be part of it. They want to be on the IHG platform. So we have got some great conversion brands and I think that will continue to contribute for us. In the second half they are going to need to because we need to get as many hotels as possible open. Thanks very much Vicki.

Vicki Stern: Thanks very much.

Jamie Rollo (Morgan Stanley): Morning everyone, three questions please. The first two following on from Vicki, on that 4% net unit growth to be absolutely clear on the definition that is now adjusting for Russia obviously which was not announced when you originally gave the target. That is adjusting for the 70 basis points but you are not adjusting for any other factors, are you? The review would have rolled off by the end of the year. Just to double-check that. Then secondly digging a bit into the Americas rooms data, Q2 signings look particularly weak. They are running at half 2019 levels, half Q1 levels and also the openings in the Americas are a record low. Avid is going backwards. Is there anything timing-wise going on there or was it something else? Then finally on cost, a comment on overheads being contained but on that \$600 million for the fee based overhead what sort of inflation should we be modelling going forwards? Thanks.

Paul Edgecliffe-Johnson: In terms of the net unit growth, yes, we are adjusting for Russia. We effectively closed our business there. We talked about that and there is no other adjustments because as you say the Holiday Inn and Crowne Plaza removals were all going out last year. It is clean for that. In terms of the Americas, we had a very strong first quarter of signings and we have a month every year where we have to basically resubmit our franchise contracts to local states for them to reauthorise them. It is what we call a dark period and April was a dark period so we could not effectively sign any franchises in April. That did hold back some signings getting into the system but there is a lot of demand, a lot of letters of intent signed, etc.

In terms of the openings again it does tend to be back half weighted so I think we will see more openings coming through in the second half of the year in the Americas. In terms of cost the \$75 million of sustainable cost savings that we have talked about before those are locked in. We delivered those last year and they are continuing into this year. Then on the rest of our cost base about 70% of it is people related. 15% or so is D&A and 15% is other costs. In terms of the people-related, generally 3-4% is what we have seen historically and it is linked to the wage increases in the business. Allowing for approximately that on the 70% will get you to about the right place.

Jamie Rollo: Okay, plus an FX benefit this year, I guess?

Paul Edgecliffe-Johnson: Yes.

Jamie Rollo: Thank you. Then back on the openings and stuff, is anything happening with avid? That is still the brand with the most potential of all the new brands, but it was not really mentioned much in the presentation. Are you happy with the performance there?

Paul Edgecliffe-Johnson: Avid is actually doing really well. It is getting to the scale that it needs for owners to be familiar with it. As I think Keith mentioned we are now seeing a number of changing hands and owners making very good returns on their investment which is really important both for owner confidence and also for lenders seeing that there is a strong secondary market for avid. Really pleased with the trajectory and as openings accelerate then we will see a lot more auids getting out into the market.

Jamie Rollo: Okay, thank you very much.

Paul Edgecliffe-Johnson: Thanks Jamie.

Leo Carrington (Citi): Good morning, thank you. I have got two questions please. Firstly to follow up on Paul's comments on the demand recovery in corporate travel, summer ADRs are obviously very strong with the leisure demand. Do you have a view on how winter ADRs will hold up as the leisure demand fades with normal seasonality? Asking the same question a different way, occupancy versus RevPAR gap in regions that have seen a RevPAR recovery is the lagging occupancy just business travel or are there pockets of unrecovered leisure travel too that can still come through? On a different topic to follow up quickly on Jamie's question on inflation when you referred to being able to find incremental efficiencies to offset inflation does this essentially mean that when it comes to margins for EMEA and Greater China should we just expect the margins to recover slightly ahead of revenues as we have seen in the Americas?

Keith Barr: Great, thank you Leo. I will take the conversation around demand and then I will let Paul talk about inflation and margin growth. As you saw in the presentation we have had sequential improvement in RevPAR every month as the year has progressed and then with real strength coming around business. If you break it into three different areas you are looking at leisure travel where demand is up and rates are up versus 2019 levels too. We are seeing that strength of leisure as you highlighted. We saw sequential improvement in business revenues as the year has progressed. Demand is somewhat behind 2019 but rates are up. In June we were just 1% behind in terms of revenue for business. You are seeing that trend continue. Groups and events are what are furthest behind but has the biggest room for improvement but rates are still up. What you are seeing is leisure demand up versus 2019, business demand getting closer to 2019 and groups lagging but still getting sequentially better with rates going up across the board. We are not seeing any signs of demand cooling across any one of the segments right now and we would expect that to continue on into the remainder of the year. Overall I think what we have shown as an industry and as a company with the advancements we have made on our revenue management technology is that even as demand was still low we were able to get pricing up. I have been very, very focused about leveraging our new technology systems and revenue demand forecasting to make sure we are well positioned too. We are quite confident.

The other tailwind we have which you have highlighted is the Americas is very recovered. Europe is in the middle of that recovery. A lot of Asia is just entering into the recovery as

markets begin to open up and travel restrictions. China clearly has had a lot of volatility but when you think about our 2023 revenue demand profile you have got tailwinds because China will reopen and we have seen China when restrictions are lifted demand comes back incredibly quickly to levels very close to 2019 or above. Similar things are going to happen across Asia Pacific so even if there is a little bit of demand cooling in some other markets we are going to have that tailwind. Again we still think ADR is going to be a part of the recovery because our pricing actually has not kept pace with inflation so there is still more upside there overall.

Paul Edgecliffe-Johnson: In terms of the question on costs and how we are going to manage those Leo, you are absolutely right when you talk about EMEAA and China that they have not yet seen the full revenue recovery so there is further to go on the margin there. The Americas have seen a big increase on the margin we were running in 2019 which is driving the overall Group margin up. There is still further to go on that but more broadly stepping back a bit I have talked about how we manage inflation. If you go back over the last 20 years, the nature of this business whereby we grow without having to add significant additional costs into the business will continue. This is a business that actually if you run it well accretes margin and over the 20 years we have added on average 125 basis points of margin per annum. That will continue as we open up more hotels into the system around the world and we manage the cost base. That is what we continue to focus on strategically.

Leo Carrington: Okay, thank you Keith, thank you Paul.

Paul Edgecliffe-Johnson: Thank you.

Alex Brignall (Redburn): Morning, thank you very much. I will have three please. In terms of that long term growth number forgetting 2022 and 2023 where obviously things slip into Q4 from Q1, which does not really mean anything, in terms of the rate of signings at the moment and then this growth in the future, what would typically be the gestation time? We have seen a few years of growth being low, and you have had some one-offs but the outer years - what gives you the confidence of staying at the higher levels you have talked about given the rate of signings? The second one is on inflation. There have been very different commentaries from different hotels in terms of how to model inflation. From one extreme saying whatever you think is going to happen to inflation at the cost base just put it through on the ADR and we think it will get passed on and some saying not that. Obviously, it is very difficult and you do not have a crystal ball but what is your thinking of how that might work? Then in terms of the buyback it is obviously similar in size to the last special dividend that you did and that one did not take you to the top of your typical leverage guidance. This one similarly puts you not really anywhere near the top of that leverage. Should we imply from that that there might be more that you would do, and that for the time being you are still playing it a bit cautiously in terms of what the outlook might be on the recovery? Thank you very much.

Keith Barr: Thanks Alex, I think I will let Paul talk about long term growth, gestation times and so forth and I will let him clearly talk about the buyback. I will talk a little bit about how we manage owner returns and how we think about cost inflation from the owner perspective. Paul has already covered it from an IHG perspective. We are quite confident that inflation is not an issue in our cost base but it is really about how we drive on the returns.

Paul Edgecliffe-Johnson: Yes, in terms of our aspirations around long term growth we have said before we want to be industry-leading. If you remember back in 2019 on a gross basis we were. We opened more hotels as a percentage than anybody else in the industry. That is where we think that this business with 17 brands and with category leaders we will be. In terms of how long it takes to get a hotel open once you sign it, it does vary significantly by brand. In a normal environment where there is access to construction crews and there is access to building materials etc then at the fastest hotels, in avid and some Holiday Inn Express', you might be talking about two years. Others like a large InterContinental could take ten years to get all your planning, etc, etc. There is certainly a lead time for when you move forward and we have 40% of our pipeline already under construction so a lot of that is already baked in. That is the openings, and then we have talked before about the removals that we expect will come down around the 1.5% level on average. That gives us the confidence in being able to move forward at an industry-leading rate of growth.

In terms of the buyback you are right that when we get to the end of the year based on expectations it will not be the top of the 2.5-3.0x range but that is also probably about the maximum amount of shares that we could buy back in the next six months with the volume that we have in trading in the shares. We have not said that is the last buyback that we will do, and clearly if you look over the last 20 years we returned \$14 billion of capital to shareholders. I think our intention is pretty clear. With that, I will pass back to Keith.

Keith Barr: Great, thanks Paul. In terms of inflation I think this industry actually performs quite well in an inflationary environment. As I said earlier, because of our ability to price the product on a daily basis; and our brands are in such high demand as well, to both the leisure and to the corporate customers, given the range of the brand portfolio, the investments we have made in our loyalty programme - which make it significantly more compelling to that high frequency traveller too. We fundamentally believe we have pricing power in this industry that can continue to move forward because truthfully ADR growth has not kept pace with inflation and so we know that we have that ability to do it. We are very, very focused on leveraging low cost distribution channels, taking cost out for our owners. I mentioned about the new Holiday Inn breakfast lowering cost, new prototypes with cost to build being lower and GFA being lower too. In its entirety when you talk about being customer-centric we would say we have got guests and we have got owners. The critical thing for owners is to drive returns so we are constantly talking about it internally, cost to build, cost to operate, cost to renovate. How can we leverage our scale? Things like with Unilever, with Dove, taking down cost by 30% for bathroom amenities. It is a never ending journey though, and we have to make sure we are constantly focused on that and not standing still. We are seeing our owners are able to sell hotels today at significant premiums to what they were building them for and generating those returns on the assets. Our assets are in high demand too - so it is an inflationary environment, but we are well positioned for it and we will continue to make sure we are delivering high returns for our owners.

Alex Brignall: That was really helpful, thank you. I would like to come back to Paul on the growth. You have obviously talked a lot about conversions. I have slightly lost track of what the percentage conversions were pre-Covid. What I am trying to solve for is absolute conversions rather than a percentage of signings because obviously the signings number is

lower now. I am trying to see what conversions there are on an absolute basis pre-Covid to now.

Paul Edgecliffe-Johnson: Yes conversions have moved up from around the 17% level to up to about 25% now so a significant step up with our new conversion brands. We always had a good conversion offer with Holiday Inn and Holiday Inn Express because they were the best in those categories. If you had a good hotel and you were bringing it in from independent or one of the weaker brands you wanted those brands. But now having more conversion brands, so more opportunities, does allow more owners to bring in their product. I think we will see that continue into the future. Thanks Alex.

Alex Brignall: Thanks very much.

Richard Clarke (Bernstein): Hi, good morning both, thanks for taking my questions. Three if I may. Just a first one on the demand outlook. Both of you said you have not seen any negative impact on demand. If I look over at some of the online players in the US they refer to May being the peak in terms of booking demand. It slowed down June and July and then maybe picked up again a bit towards the back end of July. Are you not seeing that pattern at all and it has just consistently got better? What do you put that down to? Is that the business travel recovery that is offsetting maybe some of that weakness in leisure? Second question I heard one of your peers the other day say they prefer new builds. They said they would always rather have a new car than a second hand car and they would rather have a new hotel than a second hand hotel. Do you see better performance in new hotels or are you able to match performance with the conversions as well? Thirdly on your loyalty refresh it looks the loyalty contribution is up to 50% of room nights. How has that transitioned over the last couple of years? Are we in a normal environment? What is your ambition there? Again I heard one of your peers talk about the fact they think they can get that number up to 75-80%. Are you able? Is that with the new launch of the loyalty programme looking to get loyalty contribution up to those kinds of levels?

Keith Barr: Thanks Richard. I think I will take the loyalty programme and I will let Paul talk about new builds and the demand outlook.

Paul Edgecliffe-Johnson: Thanks Keith. In terms of the demand outlook and what we are seeing, clearly we have a relatively short window where bookings are on our books. People do not book many, many months out. However, from what we can see and what we observe in industry numbers we cannot see any slowdown. That is across all the different booking types whether leisure or business or group. Clearly business and group segment has some way to go back to normalisation. Leisure is up and that gives us confidence into the second half of the year. I remember perhaps we were talking about it at the first quarter – some of the peers had talked about whether March was the high water mark and that is just not what we are seeing in the business. That proved to be the case so I think there are still good tailwinds for us to drive further demand.

In terms of new build versus conversions I think what you really want is a great customer experience and a new build hotel for say an avid is going to be a new build because they are all new builds. Something like an InterContinental or a Regent - actually some of the locations that historic hotels are in are irreplaceable. Then you tend to have more conversions because people are not generally able to get hold of those spaces. If you think

about where the InterContinental is at Hyde Park Corner it is very, very difficult to get new locations there or 48th & Lexington for the Berkeley, etc. A well renovated hotel can offer a fantastic customer experience so either way as long as the customer is being well looked after we are happy. I will pass to Keith.

Keith Barr: Thanks Paul. Richard I am really excited about the transformation of the loyalty programme. Effectively we have increased the value of the currency. We have increased the ability for customers to quickly move up tiers. Given them more choice with milestone benefits and a lot more personalisation too. It is a much richer programme from a customer perspective and also make sure that it protects the cost for our owners as well. We make sure we balance both sides. It is a much stronger programme today six or seven weeks into the launch than it was previously. However, loyalty contribution is a complex issue because it is not just about the programme. It is about the brand portfolio. It is about the overall quality of your assets. It is about the geographic mix. I think we have been addressing all those things. Paul mentioned earlier about now having 17 brands. Having a complete brand portfolio from luxury and lifestyle, from the Six Senses to an InterContinental, through mainstream and premium makes you more compelling from a loyalty programme perspective. If you have got big gaps in your portfolio then you are less appealing to certain segments of customers. Fixing the brand portfolio, underpinning the quality of that brand portfolio with the work we did on Holiday Inn and Crowne Plaza, the investments we are making in technology - all those things come together to provide a stronger customer experience and a stronger loyalty programme. Our contribution is up year-over-year. Six, seven weeks into the programme we are seeing enrolments are going up and we would expect to see our contribution continue to grow each year moving forward as the programme becomes more embedded and as we get more resonance with customers. That is going to be the nature of this. This industry has historically been in the mid-50% to high-50%. We have some of our brands already there in some markets and so we aspire to see us continue to grow in that direction. 75% and 80% is probably a reaching ambition. I do not think anybody has ever achieved that, but I would expect us to drive higher contribution each year going forward. But it is going to be a 2-3 year journey until we see real step-change because you have to pull people out of other programmes because our programme is more valuable to them. Also see the continued recovery of business travel in the years to come.

Richard Clarke: Okay, thanks very much. Can I ask a quick follow-up to one of Jamie's questions about the definition of unit growth this year? You said the only adjustment was Russia. I just noticed in all of your regions the number of Holiday Inn hotels has come down again quarter-on-quarter. Those now stay in the underlying. Those are nothing to do with the removal programme. They will be included in the definition. Is that right?

Paul Edgecliffe-Johnson: Yes, thanks Richard. The only adjustment as we said is for Russia because by the end of this year we will have cycled off the 2021 Holiday Inn and Crowne Plaza programme. Thanks.

Richard Clarke: Okay, thank you.

Stuart Gordon (Berenberg): Good morning, a couple of things from me. First one is given the rapid change in the operational performance could you give us a flavour for the split in EBITDA operating profit between the first and second quarters? The second thing obviously you have spoken a lot this morning about the loyalty programme. Could you give us a sense

of what is happening with the credit card scheme and the other side obviously some of your peers use that very successfully? Are you using the loyalty to push that and if so have you got any ambitions in where you could get credit card revenues to from the current base? Thanks.

Keith Barr: I will let Paul talk about operational performance and I will talk a little bit about loyalty and the credit card.

Paul Edgecliffe-Johnson: We do not split the EBITDA as you know Stuart but the way to think about it is that the franchise business is broadly linear to revenues and you have got all the components of that. Then you get the incentive management fees coming through as the business recovers and similarly with owned and leased which is more operationally geared. The recovery was stronger in the second quarter so you would then expect that the EBITDA in the second quarter is going to be stronger than the first but principally just on those drivers.

In terms of the credit card I will pass that one back to Keith.

Keith Barr: Thank you Paul. We are excited. We have launched a number of new credit card offerings this year both for individuals, for business and so forth so much more compelling, higher value propositions. We would expect to see our credit card income continue to grow and it is actually intertwined with the strength of the programme. The bigger the programme the stronger the programme the stronger and more compelling your credit card offer is too. They are very symbiotic so we would expect to see our programme grow over time. Unlike our peers a significant portion of our income goes into the system fund to support marketing efforts and driving that. Some does come to the P&L as well though so both should continue to grow. We are really excited. The initial reaction on the credit cards has been great. The new business card has no fees to it, really attracting that small business spend which we have not historically had. The programme should continue to grow over time.

Stuart Gordon: Okay, thanks very much for the colour.

Paul Edgecliffe-Johnson: Thanks Stuart.

Keith Barr: Great, thanks everyone. It has been great to connect with you all again and we are really pleased with how the first half of the year has turned out. Our next market communication will be our third quarter trading update on 21st October. Thanks for your time and interest in IHG. I look forward to catching up with all of you soon. Take care.

[END OF TRANSCRIPT]