



2022 Full Year Results

Tuesday, 21 February 2023

Introduction

Stuart Ford

VP, Head of Investor Relations, IHG

Welcome

Good morning, everyone, from me. And welcome to IHG's conference call for the 2022 full year results.

I am Stuart Ford, Head of Investor Relations at IHG, and I am joined this morning by Keith Barr, our Group Chief Executive, and Paul Edgecliffe-Johnson, our Chief Financial Officer and Group Head of Strategy.

Cautionary note

Just to remind listeners on the call, that in the discussions today, the company may make certain forward-looking statements as defined under US law. Please refer to this morning's announcement and the company's SEC filings for factors that could lead actual results to differ materially from those expressed in, or implied by, any such forward-looking statements.

For those analysts or institutional investors who are listening via our website, may I remind you that, in order to ask questions, you will need to dial in using the details on page two of the RNS release. The release, together with the presentation and the usual supplementary data pack, can be downloaded from the results and presentations section under the investors tab on ihgplc.com.

I will now hand the call over to Keith.

Business Overview

Keith Barr

CEO, IHG

Welcome

Thanks Stuart, and good morning, everyone. In a moment, Paul will talk you through our financial performance, but first let me share some key highlights.

FY 2022

Strong trading, profitability and returns; excellent further progress strengthening our enterprise platform

2022 was another year of strong trading and our teams continued to make significant enhancements across our enterprise platform to drive performance and future growth. We delivered on our strategy, working closely with our hotel owners to grow their business and capture demand. I was particularly pleased that the strong momentum continued in the second half of the year, leading to RevPAR and profitability exceeding 2019 levels.

Looking at our performance around the world, the Americas region surpassed 2019 levels in the second quarter, with RevPAR up 9% by the fourth quarter. Our EMEAA region also saw excellent sequential improvement following the lifting of travel restrictions, and caught up with the Americas to also be 9% ahead in Q4.

Trading in Greater China was more difficult, due to the COVID restrictions still in place throughout most of 2022. Following the recent lifting of these, the inherent desire to travel both for business and leisure has been clear to see. During the Chinese New Year break in January, 300 million trips were made in China, representing close to 90% of 2019 levels.

In terms of system size, our adjusted net growth was 4.3%, with gross growth of 5.6%. We opened 269 hotels and signed 467, leading to our pipeline increasing 4% year-on-year and being equivalent to 31% of today's system size.

Reflecting the strength of our enterprise platform, we added our 18th brand, Iberostar Beachfront Resorts. This significantly expands our resorts and all-inclusive offer, widening the choice for our guests and loyalty members. With this new type of long-term commercial agreement, we have created a new Exclusive Partners category, and we continue to explore similar opportunities to drive further system growth and high-quality fee streams.

Our operating profit for the year grew by 55% and net debt has come down further. Together with the confidence we have in the strength and continued growth of the business, we are pleased to propose a final dividend 10% higher than 2021. We are also announcing a further share buyback programme to return an additional \$750 million of capital to shareholders which will reset our leverage back into our target range.

Our strategy over the last five years has significantly strengthened our brand portfolio and seen substantial investments to innovate our technology, loyalty and distribution platforms. Our performance reflects the focused delivery of that strategy, which has enabled both our growth and our sustained competitive advantage.

I will talk more about this later in the presentation. But let me first handover to Paul to take you through the details of our financial results.

Financial Overview

Paul Edgecliffe-Johnson

CFI, IHG

Welcome

Thank you, Keith, and good morning, everyone.

Financial performance overview

Results from reportable segments

Starting, as usual, with our headline results from reportable segments. Revenue of \$1.8 billion and operating profit of \$828 million increased 33% and 55% against 2021, respectively. The operating profit of \$828 million was held back by the strength of the dollar, which as detailed in the Appendix on a year-over-year basis was a \$17 million headwind.

The operating profit result also included \$5 million of costs related to the Iberostar agreement. There is expected to be a further \$10 million to \$15 million of integration costs in 2023.

Underlying revenue from the fee business increased 28%, and operating profit by 43%.

Our adjusted interest expense reduced to \$122 million. For 2023, we expect it to revert to between \$130 million and \$140 million. Our effective tax rate was 27%, down 4 percentage points, which predominantly reflects how our Group profit base has returned back to pre-COVID levels. Going forward, we would expect our effective tax rate to stay around this level.

Taken together, this performance resulted in an adjusted EPS almost doubling to 282.3 cents. And as I will come on to show in a moment, once again we converted over 100% of these earnings into free cash flow.

Fee-based business model shows strength as demand recovers

Turning now to our drivers of performance. The strong return of demand in most of our markets led to overall occupancy 8.5 percentage points higher than 2021, while sustained pricing power throughout the year saw rate improve by nearly 18%.

This resulted in Group RevPAR increasing by 37% on a comparable basis. Total underlying fee business revenue grew by 28%, with the difference in performance primarily due to 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 3% and fee business revenue down 5%.

We achieved gross system growth of 5.6%, through the addition of over 49,000. Our underlying removals rate was 1.3%. Our net system size growth was therefore 4.3%, adjusting for the impact of ceasing operations in Russia.

Regional variations in RevPAR; strong and stable ADR recovery

Looking at our RevPAR performance over the year, you can see the differing trends in monthly RevPAR by region. Both Americas and EMEAA saw no let-up in the strength of pricing power through the year. After a summer that was boosted by strong leisure demand, both regions sustained their RevPAR performances throughout the second half.

Greater China saw significant volatility in trading during 2022. But the recent relaxation of travel restrictions is leading to a rapid return of demand, and we expect to see a much stronger performance in 2023.

I will now take you through our regional performance in more detail.

Americas

Record rates; sequential improvement in RevPAR throughout 2022

Starting with the Americas, where record rates drove comparable RevPAR up 29% on 2021, and up 3.3% on 2019. After headwinds from the Omicron variant in the first quarter, RevPAR exceeded 2019 levels from April onwards, demonstrating sequential improvements in performance each quarter through the year.

Fourth quarter RevPAR in the US was up 13% against 2021, and up 8% versus 2019. As expected, the performance gap narrowed significantly between our franchised estate and the managed estate.

During the year, we added more than 20,000 rooms across the Americas. 4,000 rooms exited the system, representing a removal rate of just 0.8%, which in the future would likely revert to the historic underlying average of around 1.5%.

Underlying fee business revenue increased 27% on 2021, exceeding 2019's performance by 3%. Similarly, underlying fee operating profit was 12% ahead of 2019, demonstrating the continued benefits of our sustainable cost savings.

Our owned, leased and managed lease portfolio generated operating profit of \$20 million, compared to a loss of \$9 million in the prior year.

Looking at our future growth, we signed 32,000 rooms, taking our Americas pipeline beyond 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 not subsided, with both occupancy and rate outperforming 2019 in the fourth quarter. We have not seen any indication that demand or pricing power is waning. As shown in the appendix where we break down the leisure performance for you, there have been 18 months of rate ahead of 2019 levels, and with occupancy that has fully recovered.

Business demand continued to pick up steadily through the year. While rate has been above 2019 levels since March, occupancy recovered to within 98% of 2019 levels in the fourth quarter. Again, as shown in the appendix where we break down the business performance for you, this shows the sustained ADR above pre-COVID levels since March 2022 and occupancy has seen a near-full recovery, which is in line with what we have forecast since the start of the pandemic, despite some predictions, business travel is alive and well.

Europe, Middle East, Asia & Africa

Trading has recovered strongly as travel restrictions lifted

Moving now to Europe, Middle East, Asia and Africa, where RevPAR has recovered very rapidly, and was up 93% year-on-year. While RevPAR for the year was 8% down on 2019, quarter four was 9% up, catching up with the scale of recovery seen in the Americas.

In the UK, RevPAR sequentially improved quarter-on-quarter through the year, culminating in being 12% ahead of 2019 in quarter four. The more leisure orientated provinces were the primary driver behind this, although London, which is more reliant on corporate demand, was still 6% up.

In Continental Europe, restrictions were generally slower to be lifted at the start of the year, however demand returned quickly throughout the summer, and by quarter four RevPAR exceeded 2019 by 8%. Japan only fully reopened to international travel in mid-October, and despite RevPAR accelerating from 64% of 2019 levels in the third quarter to 87% in the fourth, there remains significant potential for further improvement in 2023. Year-on-year underlying fee revenue increased 102% to \$277 million, and underlying fee operating profit to \$146 million.

Looking briefly at the development environment, we added more than 16,000 rooms during the year. 11,000 rooms were removed from the system, though 6,500 of these were due to the exit from our Russian business, meaning that the underlying removal rate was 2%. We signed 26,000 rooms in the year, with conversions representing 40% of signings in the region.

Greater China

Travel substantially impacted by Covid restrictions

Turning now to Greater China, where travel restrictions severely impacted the trading environment through 2022. At times during the year, around one-third of IHG's estate was either repurposed for quarantine hotels or temporarily closed. Monthly RevPAR was weakest between March and May when it was down by more than 50% compared to 2019.

With some loosening of restrictions, the summer months saw a marked improvement, with July and August down only 15% and 18%, respectively. This was short-lived, however, and restrictions were re-introduced in September. As already noted, with restrictions now lifted, we have seen a strong return of demand in January. Underlying fee revenue was down 18% against the prior year, a decline of 40% on 2019, delivering \$23 million of underlying fee operating profit.

We opened 13,000 rooms in what was a very challenging development environment, but which still meant gross growth of over 8% and net growth of 6%. We signed 22,000 rooms. The momentum behind our Crowne Plaza brand continued, with 23 signings, and we added a further 34 Holiday Inn Express hotels to the pipeline.

Fee margin 210bps ahead of FY 2019, driven by Americas

We have continued our focus on balancing investing for growth and driving efficiency. Our Group fee margin improved by 6.6 percentage points to 56.2%, which means it now exceeds 2019's margin by 2.1 percentage points. This has been driven by the Americas region. There is further improvement still to come as the EMEA and Greater China regions complete their recovery.

Net system size growth delivered through strength of brands and enterprise platform

We delivered on our 2022 net system size growth aspiration, with 4.3% growth. Our removal rate of 1.3% was our lowest for many years, and we expect it to broadly average around 1.5% going forward. It was pleasing to see the success of our strategic focus on expansion through working with Exclusive Partners, with the addition of the class-leading Iberostar all inclusive resorts business onto IHG's platform. This will yield significantly above average fees per room once integrated and further enhances our reputation in the leisure segment. Keith will talk more about this shortly.

Targeting capital expenditure to drive growth

Turning now to capital expenditure. We spent gross CapEx of \$161 million, and net CapEx was an outflow of \$59 million after proceeds from disposals and system fund inflows. Key money of \$64 million, up from \$42 million in 2021, is indicative of our increased development activity, but also of our discipline in only deploying funds, where the returns justify the investment.

Maintenance CapEx was up \$11 million, reflecting our continued emphasis on investing in the long-term health and stability of our core business infrastructure and systems, to ensure they can support our growth.

Turning to the System Fund, we continue to benefit from depreciation levels exceeding CapEx, with the major investment in our Global Reservations Systems complete.

Our medium-term capital expenditure guidance remains unchanged, at up to \$350 million gross per annum. We expect our recyclable investments and system fund capital investments to net to zero over the medium term, resulting in net CapEx of up to \$150 million per annum.

Cash flow*FY 2022*

Moving now to cash flow. During the year, our adjusted free cash flow saw an inflow of \$565 million, demonstrating once again the highly cash-generative nature of our business model as we converted over 100% of our adjusted earnings to cash. The free cash flow included cash tax outflows, which increased by \$120 million compared to 2021, reflecting improved trading performance.

After payment of our dividend and most of the previously announced \$500 million share buyback programme, there would have been an increase in net debt. However, with favourable foreign exchange movements, the closing position was a net debt decrease of \$30 million dollars.

Having returned \$14.3bn to shareholders since 2003, our strategy for uses of cash remains unchanged

After investing behind long-term growth, which remains the foremost priority, we look to sustainably grow the ordinary dividend. We are proposing an increase in our final dividend of 10% to \$0.945 cents. An interim dividend of \$0.439 was resumed and paid in October, therefore the total dividend is 138.4 cents, or totalling close to \$250 million dollars, which comes on top of the \$500 million share buyback programme that completed in January.

Our strong growth in profitability and our decrease in net debt meant that our leverage at 31st December 2022 was 2.1 times, well below our target range of 2.5 to 3 times. Therefore, we have announced today a further \$750 million buyback programme, which we expect to complete this calendar year, and which would reset leverage back into our target range.

With that, let me now hand back to Keith.

Update on Industry & IHG's Position

Keith Barr

CEO, IHG

Current industry forces

Thanks Paul. On many occasions in the past, and most recently during the pandemic, our industry has shown both its resiliency and its enduring growth characteristics. The industry has come a long way since COVID-19 brought global travel to a standstill, but there is still further recovery in international, corporate, and Group travel ahead, giving us the benefit of more demand still to return.

The re-opening of China is a significant tailwind, which will greatly benefit domestic, inbound and outbound travel. While domestic travel in China has already begun to bounce back rapidly, the recovery of inbound and outbound travel is likely to be more gradual.

In broad economic terms, employment levels remain high, the majority of household balance sheets remain healthy, and inflation is fading in most key markets, all of which supports our confidence in the outlook.

In terms of headwinds, on the demand side, the industry remains challenged by reduced air travel capacity and ticket prices. In China, for example, international flight capacity remains at less than 5% of 2019 levels and is likely to remain low for some time. There is no escaping that there are macro-economic uncertainties, and these may impact corporate travel budgets and leisure spending at some point. However, economists' latest views support more of a soft landing, and we shouldn't forget that, for our industry, the timing is such that we will benefit from many areas of demand still returning.

On the supply side, for hotel owners, the availability and costs of financing is impacting new hotel development, limiting new supply growth in some key markets. Some labour challenges also continue, although there are signs of these easing.

So, while both the industry and IHG cannot be immune to economic cycles, we are confident that the current industry tailwinds outweigh the headwinds both in number and magnitude.

Attractive long-term industry growth drivers

If we look at the health of the industry's long-term growth drivers, demand resiliency is well proven, with industry revenue growing at a CAGR of 3.3%, outpacing global economic growth in 18 of the last 23 years. New hotel supply grew by a CAGR of 2% over the last decade, supported by both healthy returns on asset investment and structural growth drivers, with leading global hotel brands expected to continue their long-term trend of taking market share.

Within this, IHG has 4% of the industry's open rooms globally, and with over 10% of the pipeline, we are in a strong position to increase our scale and take further share. In addition, STR expects improvements in demand volumes and pricing to be sustained. They forecast US industry RevPAR to be 12% ahead of 2019 levels in 2023 and 25% ahead by 2025.

Strongly positioned to drive growth and shareholder value

If we turn to focus more specifically on IHG, we are strongly positioned to drive growth and shareholder value. Our asset-light, fee-based, and mainly franchised business model, gives us geographic reach across more than 100 countries and chain scale diversification in both resilient and high growth segments.

Our well-invested portfolio of 18 brands forms an enterprise platform of more than 900,000 rooms. Our pipeline of a further 280,000 rooms represents secured multi-year growth of over 30% of today's system size. We have demonstrated our ability to successfully drive long-term growth in both demand and supply, with RevPAR and net system size growing at annual average growth rates of 3.9% and 3.2%, respectively.

We have a very efficient cost base that has delivered fee margin expansion averaging 130 basis points a year, contributing to earnings growth at a CAGR of more than 11%. This business model allows high levels of cash generation. You have seen us remain cash flow positive even in the depths of COVID, with a history of cumulatively converting more than 100% of our earnings into free cash flow. This has supported returning more than \$14 billion to shareholders since 2003 through ordinary dividends and additional returns.

And importantly, we operate in a high barrier-to-entry environment. Our brand portfolio has decades of heritage and our System Fund and award-winning loyalty programme leverage immense scale and skills on behalf of our owners.

In addition, our leading technology, procurement solutions, and global sales operations help our hotels and owners drive revenue and efficiencies, reduce costs and yield return on investment. These barriers make it incredibly challenging for others to replicate the scale and strength of the enterprise platform we have built over many decades.

Investing for performance, growth and competitive advantage

Enabling us to deliver on our strategic priorities

We have invested materially in our business over the years. As well as the System Fund receiving and spending over a \$1 billion a year on behalf of our owners, \$300 million of capital has also been invested through the System Fund on critical projects such as our industry-leading Global Reservations System.

It has been central to:

- Funding the transformation of the loyalty programme;
- Launching our new mobile app;
- Revamping our web presence; and
- Scaling up our global media campaigns.

IHG also invests up to \$150 million a year on key money and Maintenance CapEx, and operates a highly efficient overhead base of around \$600 million per year within which we fund further OpEx investments.

We have:

- Launched and refreshed brands;
- Modernised our tech infrastructure; and
- Developed advanced data analytics capabilities.

These excellent foundations for future growth enable us to:

- Drive owner performance and returns;
- Deepen our relationship with our customers; and
- Innovate our technology and distribution platforms.

Update on Strategic Priorities

Let us turn to look at the progress we're making on our four strategic priorities. First, customers, and being customer-centric in all that we do.

IHG Hotels & Resorts

Strengthening the bond between our masterbrand and our individual hotel brands

In 2021, we refreshed our IHG Hotels & Resorts Masterbrand to make it more relevant and appealing to consumers, setting out to our guests and owners the strength of our brand portfolio. Since then, we have reinforced the bond between the masterbrand and our hotel

brands, as well as promoting IHG One Rewards as a critical part of why people choose to stay with us. Both brand awareness and brand favourability metrics have improved as a result of the changes we have made.

In summer 2022, we launched our largest marketing campaign for more than a decade to showcase our brands, IHG One Rewards and the many ways we deliver True Hospitality for Good across our hotels around the world. The Guest How You Guest campaign, showed up across TV ads, social media, magazines, airports, subways, sporting events and more.

The investments we have made behind our masterbrand ultimately help to drive more revenue to our hotels for our owners and more brand affinity among our guests and loyalty members.

IHG One Rewards

Our biggest transformation; delivering significant improvements across key metrics

IHG One Rewards has over 115 million members. Loyalty members account for around half of all room nights booked. They are nine times more likely to book direct and spend 20% more than non-members. Our transformation of the programme in 2022 gave members more tailored experiences and more options to earn and redeem points across our brands.

For our owners, it drives higher volumes of more engaged and profitable guests to their hotels. We have seen some fantastic progress on our loyalty KPIs in 2022, with 11% more points redeemed; 16% more reward nights booked versus 2019; and more than one million Milestone Rewards redeemed since we introduced them. Enrolments are up 27%, adding 12 million more members, all of which is a significant attraction for our hotel owners, both current and prospective.

Lowering costs and driving efficiencies for our owners

Supporting performance and returns

Our owners around the world rely heavily on IHG to help them run an efficient business, as well as capture demand. With 2022 seeing staffing pressures and ongoing supply cost and supply chain challenges, we have continued to expand the benefits for our owners of being part of the IHG system, whilst also improving the guest experience.

We deployed value engineering and mitigated inflation-driven increases of 10-20% across furniture, fixtures and equipment categories, or FF&E. We have lowered build costs for our brands, with Atwell, Candlewood and Staybridge Suites seeing savings of between 3% and 5% by increasing floor plan efficiency and updating FF&E standards.

In the Americas region, 20% more hotels joined our Food & Beverage purchasing programme, now covering 4,100 properties and generating savings of up to 15%. We have helped to offset energy cost increases and shifted to cleaner fuels by developing more energy efficient formats, launching community solar projects, and helping secure green energy tariffs and other savings through scale buying.

These are just some examples of the way in which we have lowered costs and driven efficiencies for our owners across the stages of the hotel lifecycle.

IHG strategic priorities: Brands

Moving on to building loved and trusted brands.

18 hotel brands | 6,000+ destinations| One loyalty programme

We have strengthened and diversified our brand portfolio by filling in white spaces through organic launches and acquisitions of brands that address clear long term consumer trends and capitalise on notable growth opportunities. We have also continued to refresh our existing brands through the development of new formats and updated design and service standards.

And we are growing in new ways too, with excellent, high-quality brands. As I mentioned, in November, we added an Exclusive Partners category, demonstrating the strength of IHG's enterprise platform and desire for more owners to join the IHG system. So far, we have added Iberostar Beachfront Resorts, a family-run business with more than 65 years of experience in the industry, an excellent reputation for operating resorts and all-inclusive properties in stand-out locations, with a strong commitment to quality and sustainability.

Iberostar Beachfront Resorts

Long term-commercial agreement for up to 70 hotels (24.3k rooms)

Iberostar Beachfront Resorts adds up to 70 open hotels in locations including the Caribbean, Americas, Southern Europe and North Africa. The first 43 were signed into the pipeline in December, 33 of these were added to the IHG system. The remaining 27 open hotels require additional third-party approvals to join our system. There are also five new build hotels in our pipeline, which will open in subsequent years, and we are working closely with the Iberostar team to grow the brand's footprint further.

Based on the current 70 hotels, the agreement is expected to deliver over \$40 million of annual fee revenue by 2027 and a broadly similar amount into the System Fund. The fees per key will be more than 10% higher than the IHG average, reflecting the nature of these resort hotels in much sought-after destinations. So commercial agreements in the Exclusive Partners category drive high-quality fee streams and additional system growth for IHG, while providing more choice for our owners, guests and loyalty members.

We continue to look at similar opportunities to leverage the scale and the performance of our enterprise platform.

Luxury & Lifestyle

An industry-leading collection, now 13% of our system and 20% of our pipeline

Let me now share some other highlights from across our brands. Starting off with our Luxury & Lifestyle estate, which now represents 13% of our system and 20% of our pipeline. Six Senses has more than doubled its pipeline in the four years since we acquired it. Building on a strong presence across EMEAA, the pipeline now includes six hotels in the Americas and four in Greater China.

Since acquiring Regent, we have opened three hotels and more than tripled its pipeline. 2023 will be a landmark year for the brand, with the opening of Regent Carlton Cannes after a two-year major redevelopment. There is also the much-anticipated full reopening of Regent Hong Kong this year, while Regent Shanghai on The Bund and Shenzhen Bay are two further notable signings in our Greater China region.

Meanwhile InterContinental, the world's largest luxury hotel brand, has more than 200 hotels open today and an incredible pipeline of a further 90, which is more than 30% of its current system size.

Hotel Indigo goes from strength to strength. We had an excellent 18 openings and 30 signings during the year. The brand's system size is expected to grow to 200 hotels in the next three years, and we will have doubled its system in half the time it took to open the first 100 properties.

Our Vignette Collection brand launched in August 2021, is on track to deliver its ambition of securing more than 100 properties in 10 years. The first 17 hotels were secured by the end of 2022, and in early 2023, we saw the first signings in China, Japan and Germany, which will result in the brand's initial presence in more than a dozen countries.

Premium

Uniquely tailored to target upscale customer segments

Turning to our Premium portfolio, and picking up on Crowne Plaza. Following 2021's review, the consistency and quality of the refreshed estate strengthens the brand's position and perception around the world, driving an improvement in both reputation and experience.

Three-quarters of the Americas Crowne Plaza estate will have been updated by 2025 as a result of the review and our ongoing progress. We have 20 more renovations to be completed in 2023, and recent examples show our strong performance metrics across occupancy, room rate, revenue market share and guest satisfaction scores. Crowne Plaza has 110,000 rooms across more than 400 hotels, and a pipeline that will see it grow 26% from here.

Voco is our conversion-focused premium brand that was launched in 2018, initially in our EMEA region. It has achieved truly excellent growth there, and we have since taken the brand to both Greater China and the Americas. Voco now has over 10,000 rooms in 18 countries and a pipeline of a further 12,000 rooms, which will see the brand be in around 30 countries by 2025.

Essentials

Key drivers of growth with category-killer brands

Moving on to our Essentials segment, which includes Holiday Inn Express, Holiday Inn, and avid.

The Holiday Inn Brand Family, with its global leadership position, delivered around a third of our hotel signings and half of our openings in 2022. Holiday Inn Express grew to 3,091 hotels with a presence in over 50 countries. Despite its already market-leading global scale, there is a pipeline for over 20% further growth, and the brand achieved 110 signings in the year.

Holiday Inn also has a pipeline equivalent to 20% of its current system size, and we have a further 50 renovations being completed in the Americas estate in 2023.

avid

A brand of scale; an engine of future growth

Just expanding for a moment on Avid, which has over 200 open and pipeline properties across the US, Mexico, and most recently Canada. The brand is delivering great guest satisfaction,

with particularly high social review scores, as well as revenue share ahead of its competing brands. Eight properties have now been sold by the original developers, which helps to further demonstrate the strong return on investment that owners can achieve.

New hotel brands are known to show an acceleration in growth after establishing a base of open hotels, pipeline properties and transaction data. We continue to develop avid hotels to be our next brand of scale.

Suites

An expanding portfolio across chain scales, in a segment with notable growth potential

Our portfolio of Extended Stay and Suites brands is showing strong growth. The strength and attractiveness of Candlewood Suites and Staybridge Suites continues, with 70 more hotels signed in the year and both brands having sizeable pipelines. The first two Atwell Suites have opened, the prototype new build at Denver Airport and an adaptive re-use in Miami.

We will have another conversion site open early this year, demonstrating the flexibility and potential for this all-suites brand. With 11 more signings, Atwell Suites grew its pipeline to 30 properties.

Conversions

Growing in importance and future opportunity

Just concluding on brands for you, with a reminder of the growing importance of conversions. This has been a clear trend, rising from 17% of signings back in 2016 to 23% in 2022. The proportion of conversions was unusually elevated in 2020 due to the temporary impact of the pandemic on signings of new builds. But as new build signings recover, we still expect conversions to feature more strongly in our mix than in the past, due to the strengths of our expanded brand portfolio.

I have mentioned that we are extremely pleased with voco's incredibly successful global expansion and its contribution to securing conversions. In the past three years, just under a fifth of our conversion signings were under the voco brand. We also now have Vignette, which plays an important role in helping us secure further high-quality conversion opportunities in the Luxury & Lifestyle space.

With much of the global hotel supply still highly fragmented amongst independents and small chains, we have talked before about how these hotel owners look to benefit from our scale, revenue-generating systems, marketing and loyalty programmes to drive performance, efficiencies and returns. We see this as an increasing opportunity across all chainscales and brands, for example, almost half of recent conversion signings have come from our industry-leading Holiday Inn Brand Family.

IHG strategic priorities: Digital

Moving on to some highlights on our third strategic priority, creating digital advantage.

Innovating our technology and distribution platforms

Ongoing, agile and rapid development

We have invested significant capital to innovate our technology and distribution platforms in 2022. We introduced our new mobile app, with mobile device usage now accounting for 58% of all digital bookings and representing our fastest-growing revenue channel.

Mobile app revenue also grew by 30% in the year versus 2019. IHG One Rewards members get the most out of the new mobile app experience, with streamlined booking, faster check-in, ability to easily track progress towards their next status and Milestone Reward choice, and the opportunity to conveniently view loyalty benefits pre-stay.

The app is supporting further increases in:

- Direct bookings;
- loyalty engagement; and
- Incremental spend during stays.

We have also introduced new IHG.com and brand.com websites, which elevate the brands and provide guests with significantly enhanced content and functionality.

As a result, we have seen:

- Increased booking conversion;
- Revenue uplift; and
- An increase in web enrolments to our IHG One Rewards programme.

IHG strategic priorities: Care – Care for our people, communities, and planet

And concluding with our fourth strategic priority, Care.

Our 2030 Journey to Tomorrow plan

Our Journey to Tomorrow 2030 Responsible Business plan is focused on five critical areas:

- Our people;
- Communities;
- Carbon & energy;
- Waste; and
- Water.

We are making good advancements in all five areas. But just to pick out some highlights for you.

For our people, we have a gender-balanced all-employee population, and the proportion of female corporate leaders has increased to 34%. Our employee engagement score ranks IHG as a Global Best Employer by Kincentric, the leading specialist in culture and engagement.

Our Communities work has seen IHG expand the Skills Academy, set up more programmes to help those impacted by discrimination, poverty and other work barriers, and support a number of major relief efforts around the world including our response to the war in Ukraine.

In terms of carbon, we achieved a 5.8% reduction in Scope 1, 2 and 3 emissions on an occupied room basis, and rolled out many more tools and training, metrics and brand standards to help achieve our stretching commitments in this area.

Regarding Waste, our major initiatives to reduce plastic and food waste saw great strides in 2022. And in Water, we've completed our baseline dataset to inform our water strategy and reporting.

These are just a few highlights from another year of progress. For many more, and all the detail, I would encourage you to read through our 2022 Responsible Business Report and ESG Databook, which will be published very shortly. The report shares more detail on our approach, progress and plans to continue shaping the future of responsible travel.

Conclusions

A well-invested, high-performing business

So to sum it up:

- 2022 has been another very successful year for IHG.
- We have delivered a strong trading performance, with sequential improvements each quarter in global RevPAR.
- On top of RevPAR growth, our net system size grew 4.3% on an adjusted basis, with the opening of 269 hotels.
- With the signing of 467 hotels, our pipeline is 3.9% larger than a year earlier, and it represents future growth of 31% of today's system size.
- The Iberostar Beachfront Resorts agreement adds an 18th brand to our portfolio, and we continue to explore further opportunities for Exclusive Partners to drive additional system growth and fee streams.
- Our operating profit grew very substantially, our fee margin is already ahead of 2019, and our business model is expected to support further margin accretion in the future as it has done over many years in the past.
- And the model once again has shown the strength of cash generation.
- This enables IHG to fund investments in major strategic initiatives such as:
 - Undertaking the significant loyalty transformation with IHG One Rewards;
 - Launching our new mobile app; and
 - How we continue to work with our hotel owners to meet our responsible business commitments.

And we are pleased to be proposing 10% growth in the final dividend today. That takes the total dividend payment to around \$250 million. Our further share buyback programme which begins today will return an additional \$750 million dollars on top of the ordinary dividend.

So IHG is a high performing, stronger and more resilient company than ever before, made possible by the substantial investments we have made in our enterprise platform and to deliver our strategic priorities and ambition.

With that, Paul and I are happy to take your questions.

Q&A

Jamie Rollo (Morgan Stanley): Three questions, please. First, could you talk a bit about the US performance in fourth quarter RevPAR up 8%. That is sort of 5 points to 7 points weaker than the market and the upper mid-scale segment despite churning off the weaker hotels a year earlier.

Secondly, is the company still formally targeting industry-leading net unit growth this year? I guess that would be 5%, 5.5% as per Hilton. But could you talk a bit about that? And maybe you touched on the development environment in China. So what do you mean by that?

And then, thirdly, on the Systems Fund, \$100 million EBIT loss, which is all in the second half. The statement talks about the re-launch of the loyalty scheme, but it seems to be a revenue shortfall because revenues were down 5% on the second half of 2019 despite RevPAR being up mid-single digits. So what is causing that revenue drop, please? And any indications on System Fund for this year?

Paul Edgecliffe-Johnson: Yes. So I mean the US performance, you have got to look on multiyear basis to see quarter-by-quarter what is happening. And of course, the challenge of comparing us to the industry is that our hotels are not necessarily in exactly the same locations. But as we look at it on a brand-by-brand basis and compare our brands against our competitors' top brands, another very strong year with no underperformance visible. So we are very pleased with the performance in the Americas in 2022.

Keith Barr: Jamie, it is Keith. I will pick up growth. So when we talked about 2022 and getting to our growth of over 4%, we said that was going to be stretching and that is when we started the year. And then clearly, there were more headwinds that developed during the year, whether that could be what happened in the lending environment, what has happened with interest rates. And clearly, the lockdowns in China because China has been a significant portion of our net unit growth over years, often in the 10%, 11%, 12% range, came in at 6%.

So it was going to be challenging to get there. We did get there, though, because we focused on different ways of growing this business, Iberostar Beachfront Resorts being a great opportunity for us to bring in an asset-light partnership, which we will be getting significant fees over time. So I think going forward, we still aspire to be in that industry-leading range of growth.

We have always said that is in the 4% to 5% range when you look at what the peer set is. Again, a lot is going to depend upon what happens in China. And we will talk more later on probably about the demand side of China has come back strong. Now it is going to be the construction side and the pipeline side, which will come at a slower pace as things are reopening as construction crews are starting back up, projects are kicking off and so forth, too. So we still believe the industry being in that 4-5% range, and we will be aiming to be probably at the lower end of that in 2023.

But again, it will always be lumpy for us potentially because of the opportunity to do strategic deals. So if we did another exclusive partnership, we could be higher up in the range. And again, but I think we aimed at the lower end of that for 2023, but we are going to keep

pushing ahead because fundamentally China will get back to growth, which will be a significant tailwind for us.

Paul Edgecliffe-Johnson: And then in terms of the system fund, Jamie, I think there is a couple of things there. One, when the accounting changed a few years ago, as I know you will remember, we used to effectively do it on a cash accounting basis because the system fund is either a profit nor a loss for us. It is just how much cash it generates and when we deploy that. And we try to match the cash ins and the cash outs so that we are not basically just taking owners money that they have given us to spend on their behalf.

And so if revenues, as recognised, are lower than the cash that we received, we are okay with that. Remember, revenues are recognised when points are consumed, not necessarily when points are created under the revenue recognition rules there. So you can get a delay there. But over time, we run the system fund to a breakeven basis, certainly on a cash basis.

Vicki Stern (Barclays): Firstly, on the US RevPAR. I guess the industry data we see has been a little bit softer just in the last few weeks. Anything to fact that you are seeing by way of any slowdown, be it leisure, business travel and just more broadly your thoughts specifically on the US outlook?

Related to that, just thinking more globally, I guess your US peers have guided for RevPAR year-on-year 6% at one and 8.5% at the middle of the other. I guess your mix is more similar to Hilton, it's a bit higher, I think, in fee contribution from China. But how would you frame your RevPAR outlook, given what your peers have commented on so far?

And then just finally on the share buyback, how are you landing on the \$750 million, obviously, I guess, at the top end of your leverage range or upper end of your leverage range on a trading basis? But more broadly, how are you thinking about cash returns going forward in the context, obviously, of a higher interest rate environment from here and what is the right leverage given that?

Paul Edgecliffe-Johnson: Great. Thanks, Vicki. So in terms of US RevPAR and what we are seeing in current demand levels, as I think Keith mentioned, we are not seeing any signs of slowdown in demand or the rate environment. And it is always a little difficult comparing it against prior years. But when we look at forward bookings, when we look what is on the books and we look at our indications of corporate negotiated rates, bookings further out, it still looks very, very strong. Of course, we continue to monitor it to see if there are any signs or anything, but still a very strong environment.

In terms of guidance for 2023, yes, obviously, we do not have formal guidance. But we typically perform very close to what Hilton and Marriott do. And as you say, our business mix is closer to Hilton. So that seems a reasonable proxy. And China will come back strongly. And I think, again, as Keith mentioned, we have seen very strong demand there with the Spring Festival seeing demand at 90% of the 2019 level. So a lot of recovery to come, but very encouraging signs so far.

Keith Barr: Thanks, Vicki. In terms of the share buyback, I mean it was a conversation at the Board level, how do we utilise cash, right, to invest in the business, grow the ordinary dividend and return surplus cash to shareholders. And based upon where you look at where

consensus is today, how the trading outlook is and the tailwinds that we have, we were quite comfortable that the \$750 million put us right in the range.

Now it is a reset to make sure that we got back in the range because we were lower than we were expected to be. And we will continue to make sure that we look at future performance to continue to return surplus cash to shareholders as well, too. But effectively, I mean this is how, as Paul and team and I have been kind of rebuilding and reengineering this business, so over the last five years, this is the outcome that we were expecting to achieve. Grow the ordinary dividend every year and consistently from free cash flow, return capital to shareholders, not through asset sales, but through the operating performance and free cash flow generation of the company, and we are quite confident that is going to be the way moving forward.

Vicki Lee: And just circling back on that, any different view then on the absolute level of leverage, just given higher interest rates currently?

Keith Barr: No, we are quite happy with that range that we previously provided.

Richard Clarke (Bernstein): Three, if I may. First one just following up really on what Vicki asked there. If I look forward to where you will be in a year's time and you even just repeat your free cash flow and EBITDA, you achieved in 2022. It looks to me like you would be slightly below your 2.5 to 3 times leverage target. So is there scope to do further investment, any working capital outflows, CapEx, anything we should think about? Or could that buyback actually even be accelerated as the year goes on?

Second question, you obviously hinted on the call that Iberostar could be the first of a few partnership deals. Is this a new venture for you? Why do you prefer that way to grow rather than M&A or organic growth? Is there some scope there as well? And what deals might you look at in that space?

And then the third one, just I think there's a little bit of confusion out there sometimes about what the competitive landscape looks like in China with regarding the wider industry, what are you seeing in terms of the number of rooms that have come out of that market aside from yourselves and the other branded players? Has that market noticeably shrunk in terms of room numbers over the last few years? Or do you just see that as a temporary effect?

Paul Edgecliffe-Johnson: Thanks, Richard. I will take the first and then Keith will comment on the other two.

In terms of where the buyback would take us to, I mean, it requires a prediction of what the EBITDA in 2023 is going to be, does not it? But we think the \$750 million announced now which would add to 0.8 times out of the 2.1 that we end up with the 2022 numbers, is a sensible place to start. And it does give us capacity to continue to invest in the business, which we have always said is the most important thing.

I think as you listen to Keith and I talk about how we think about the business, we need to make sure this is a strongly invested business that can continue to support the growth that we generate. So we do invest back into the business, but then we continue to have significant amounts of spare cash and we return that.

If there was more as we went through the year, yes, we will continue to monitor as we always do. But I think this will take us most of the year to get through based on the level of liquidity in the stock anyway. So I hope that helps, Richard.

Keith Barr: Richard, good to talk with you. It is hard to remember what has happened over the last five years, as lot has happened. But I remember, I was sitting in a room with many of you and Paul talking about how we were going to transform IHG through launching some brands organically through acquiring some brands, strengthening our technology platform and our loyalty programme and so forth. That was the strategy we were executing on, and the team did a brilliant job on that. Had a little thing called COVID come in the middle of it, but we came out of it even stronger.

And that is still our strategy effectively is leveraging our enterprise platform to organically launch brands and segments where we see, selectively do M&A if it is appropriate, where we think it is the right way to access the customer segment and opportunity. And now because of all the investments we have made in technology and in loyalty and distribution in the platform, we can now grow through exclusive partners as well, too. People want to join IHG because you are seeing the scale and the strength. We have a 77% enterprise contribution. We have a loyalty contribution over 50% of room nights and it is accelerating, bringing in 12 new million members a year.

It is things that smaller companies just cannot do and we can come up with some very creative solutions in an asset-light approach. Again, at Iberostar, a bit of OpEx last year, a bit of OpEx this year. And by 2027, it is going to be producing \$40 million of fees to the P&L and a similar amount coming into the system fund to help support it too. And so it is a great way to grow the business and leverage the investments that we have made. But we are going to look at all the different levers that we can do to continue to grow the business, too.

And then in China, I think we are in a really strong position in China. Right now, we have 650 open hotels, I think, 450 in development. I was on the talk with the team today. And I mean, they have come out of a really tough time, but they are quite confident. Just to give you a data point, we talked about Chinese New Year. It was last Wednesday for our Greater China business, we are running 70% occupancy. I mean, that just shows you how quickly this business can bounce back. That is going to lead itself or lend itself to more investment in hotels.

It will take time to get pipeline ramping back up again for the industry and projects under construction. So it is not going to directly correlate to the demand recovery, but it will come back and grow. We are seeing some hotels that are unbranded want to coming into the IHG system now. We have got great relationships with the SOEs where we are seeing some of the private hotel companies, real estate companies sell to the SOEs we work with, too. So we are seeing our business continue to grow. Again, it was growing kind of 10%, 12% system size previously, 6% last year. It will ramp itself back up over time and it will take a bit of time, but we are very, very confident about it going forward.

Richard Clarke: And just a follow up on the last question there. So are you seeing lots of independent exits in the Chinese market, either converting to yourselves or just closing?

Keith Barr: There are some hotels that have closed. We have not seen it being on that yet, and we are seeing definitely conversions into our brands. I think we signed Vignette, a couple

of Vignettes potentially in China into that play. We have a great new signing. We mentioned it early on.

The Regent Shanghai on the Bund will be one of the most iconic locations in all of China. A couple of other regions we have signed are going to be in some of the most iconic architectural designs in all of China. So that is got great momentum. There is definitely going to be some supply that comes out. I think it will be a question of hotels that were alternate use and maybe local brands or independents, what happens with those products when they come back into the markets overall. But the great news is we are seeing demand come back, which is good for everyone.

Jarrold Castle (UBS): Just coming to your churn rate on hotels. It was 1.3% versus historic 1.5%, and you are now talking 1.5% going forward on this call. You have obviously undertaken quite a big cleanup of the portfolio. So is there room for it to be below 1.5%? So why we are going back to historic rates, I guess.

Just on kind of the Iberostar kind of deals, I mean, I am just trying to get an idea of what the competitive landscape when you put yourselves forward to sign such a deal? And what is, I guess, your unique selling point compared to others if you might be talking to those organizations?

And then just lastly, fee margin. Should we still be thinking in the historic guidance range for fee margin for 2023?

Paul Edgecliffe-Johnson: Yes. So churn rate, 1.3% removals this year, lowest certainly than I can remember in my last 19 years. And we have said that on an underlying basis, so i.e., when you take out the Holiday Inns and Crowne Plazas, which was a higher rate as we were cleaning up that portfolio for a long time, it has actually been the 1.5%.

I think 1.5% is probably the right level going forward, and that will be an average. So some years, you might see it a little higher, in some years, it might be marginally lower. So it will blend out over time to around that 1.5%. What is important is having a healthy estate. And 1.5% gives us the capacity to take out hotels that we do not think are representing the brand as we would like it to be represented or perhaps the owner has got an alternative use for the land, etc. So I think that is about the right rate of exits.

And on fee margins, obviously, higher now, and the Americas had a very strong performance on fee margin in 2022. EMEAA and China will grow back, probably would not be pushing the Americas margin in 2023. I think we need to make sure that business is well invested into. But I would expect to see margin accretion in EMEAA and China. And then going forward, this business is run to generate margin. It is a scaled platform business. So it will naturally accrete margin over the last 19 years, on average, it is about 125 basis points. And I would expect that we will continue to accrete margin as we move forwards.

Keith Barr: Great. And then I guess, what is IHG's unique value proposition to be able to attract groups like Iberostar? I mean, we have talked about it for a while about the enterprise platform we have built. It is one of the most powerful in this industry, and it has got materially stronger over the last five years. And so wanting to be part of that enterprise platform.

Additionally, I think we are more international than some of our competitors. And the fact that we actually have probably some deeper relationships internationally and closer to the market because most of these exclusive partnership relationships will be international. They will not be necessarily US focused because of the denture in the marketplace overall, too. So I think it is the relationship.

And I think it is just IHG's reputation and how we work and how we partner. The way we have done M&A, whether it was with Kimpton or whether with Six Senses or Regent, in the way we treated those brands and protected them, we are seen as being a very good steward of brands and a very good company to partner with. And that is very important when a company like Iberostar, it is a 65-year-old family-run business. They are making a long-term commitment. They want to make sure they are working with the company who respects their values, understands their commitment to sustainability and can be a really, really good partner too.

So I think it is a combination of enterprise platform. We are more global and focus in nature and also the reputation we have built out there to be a great partner.

Alex Brignall (Redburn): Just two, please. So signings, I think we hope to be a little better in Q4 than they ended up when we strip out the Iberostar and still on a net basis, not near to where they were pre-COVID. So if you could just talk about that a little bit where that might go, obviously would be very helpful.

And the second one, just kind of coming back to Iberostar, and I guess, the bolt-on piece. Iberostar's royalty rate is obviously quite a lot lower than the Group average. And I wonder whether that is a negotiating point when you are trying to look at these future deals and whether when we think about future deals, they will come at lower royalty rates as Iberostar has, therefore, how we need to model that, if that is going to be a building block of your net unit growth in the future?

Keith Barr: Thank you. So signings. I think, Q4 signings, we were very focused on getting the Iberostar deal across the line. And we were lighter in two markets, I would say, then for slightly different reasons. We were lighter in EMEAA than we expected to be because there were some fairly large deals that have been moved from Q4 last year into Q1 this year. So you will see a step-up in the EMEAA region in signings. That is just a question of timing. We are trying to get it done before year end and now they are happening in Q1.

And then China has been a significant portion of growth. Now we have grown market share in China. So we continue to have the leading position in China from an operating platform and from a share of signings platform. There just were fewer hotels signed in China last year overall. So again, those are two areas we would expect to see an acceleration coming into 2023 to drive further growth.

And then in terms of the royalty rate, these are very complicated partnership deals because they are distribution relationships. There is a royalty rate to it as well. And each one is going to be slightly unique. I think we will be transparent with you as we announce them as how you think about them overall because I think some could be more lucrative, some could be very, very similar to this overall.

Paul might have another comment or two.

Paul Edgecliffe-Johnson: Yes. I think the point I would make is that the fees per room we are getting on this are higher than average. I mean, if you think about the nature of a franchise contract is that we have created a brand and then we charge a fee to someone to use the brand. That is not the case here. Iberostar have the brand. They are now working as an exclusive partner with us. So you would not expect exactly the same nature of contract. But I think the key thing is that we are getting a fair payment for what we will deliver to them and making fees greater than our average fees is very pleasing. And we will generate, as Keith said earlier, more than \$40 million on the P&L and growing a similar amount on the system fund. So very, very pleased with the deal.

Alex Brignall: Thank you very much for that detail. Maybe just one follow-on to that. On conversions in general, it seems like a lot of the conversions and Iberostar will be an example, are sort of smaller, less-known brands to larger groups, franchise or groups. So that is what they are continuing the trend with the bigger groups taking a bigger share of the total pie rather more so than independent conversions. When you think about these bolt-on deals, is that the way that you think about it? It is effectively some mass conversion deal of an existing smaller brand that just sort of joins your group and becomes another brand of yours?

Paul Edgecliffe-Johnson: Well, if you think about the nature of the industry and what it takes to succeed, you have got to have very strong technological capabilities. You have got to have a very strong loyalty programme, etc. So this platform that we have and only a few others really have this scale is what differentiates the majors. So I think you will see more of these smaller brands wanting to work together with the majors because then they get the benefit of that platform.

So yes, I mean, I think we have seen that for many years, and it makes sense that it would continue to be the direction of travel.

Jaafar Mestari (Exane BNP Paribas): I have got two, if that is okay. Just firstly, going back on the system fund comments. I appreciate the high-level view is there is timing differences and accounting differences and revenue EBIT matters less than cash flow. All that is very clear. Still keen to understand the swing in the headline EBIT a bit more. And just to clarify, for the last couple of statements now, you have been saying there is increased investments in consumer marketing, loyalty and direct channels. Are we just actually describing what is happening, system funds growing, taking more revenue, and as a result, spending more in those as it should? Or are you in any way saying that there is extra investments into consumer marketing, loyalty and direct channels? Just to clarify on that.

And then secondly, on the brand momentum at avid. The openings are happening, there really doesn't seem to be much momentum in the signings in the last couple of quarters outside of the property, your opening. It looks like the pipeline is actually dropping by a couple of properties. What is the plan here to reaccelerate avid? You mentioned that transaction history would help. But what evidence do we have right now to make a strong point that avid is more than a niche brand that has plateaued early?

Keith Barr: Great. Well, thank you. On the technical accounting piece, I might have Paul chime in, if he needs to. But philosophically, what the amazing part of our business, as you know, is the system fund is grows every year as revenues grow, and that gives us increased capacity to invest into the business. And when COVID hit, we took a significant amount of

cost out of the business, as you would expect. And then we were quite thoughtful about how does that cost come back in?

Strategically, you could kind of just sprinkle it a bit of everywhere and bring things back up. And we said, actually, let us try to figure out what are the big things we can lean into. So the capacity we saved during COVID enabled us to transform the loyalty programme with significantly more investment, lean more into technology, lean into more into consumer-facing marketing campaigns. And so it was basically finding those efficiencies and then leveraging the system fund to drive performance and drive transformation.

And then as the system fund continues to grow, we will continue to look for efficiencies to continue to reinvest back into the business, too. But we are very, very well positioned today than ever before in terms of the system fund.

Paul Edgecliffe-Johnson: And in terms of avid, look, we remain very confident on the future of avid. Keith talked about the number of owners who have now built and then sold on their avid for very good profits and they are the best advocates for us because they talk about what a great deal it is. It is relatively inexpensive to build and it is quick to build on a small land parcel. It is preferred by guests. The economics for an owner are very good to operate it. And then there is a very good cap rate when it is sold.

We just need the US construction market overall to step up again, and that will come when more debt capital gets made available in the US because it is a great proposition. And it is something that a lot of our historic owners of Holiday Inn Expresses are very interested in. So you have got the right owner base. It will just take a little longer.

Keith Barr: And just a quick build on there and why do you have confidence. I mean, A, we came out very, very strong with the brand. Owner demand, customer and the performance are great. The comps on these asset sales are amazing in terms of the levels of return owners are getting and that is just going to make it more attractive.

If you look at some of our competitors who launched brands during the financial crisis, they just bumped along for a period of time. And then as lending came back because the strong customer proposition, strong owner proposition, they then accelerate and scale. So that is what will happen with avid and Atwell over time. It may not be this year or next year. But again, you are going to see that acceleration. And long term, they are an incredibly big segments with strong returns for owners and they are great brands.

And so it is just a question of when did lending come back, and you can look at our competitors and see when they launch brands and how they did not move for a while because of the lending environment, then the lending environment comes back up, new builds happen and they take off. So we would expect the same to happen.

Jaina Mistry (Jefferies): I have got three. My first question is on the pricing environment for 2023. If I am thinking about the key moving parts, let us take Americas, it feels like there is more scope to push rates in business and potentially in groups. And if the leisure pricing is flat, it could mean pricing up mid-single digits, perhaps? And then in other regions where there has been a slower recovery, we could see stronger pricing there, such as Asia and China. I mean how are you thinking about pricing for 2023? That is my first question.

My second question is around OpEx inflation. How are you thinking about the moving parts to OpEx inflation? And is 4% to 5% still a good anchor for 2023?

And then my last question is on net unit growth. I think in a previous investor presentation, perhaps the one at Q3, the slide has spoken to net unit growth, even reaching around 5.5%. What is holding you back from reaching 5.5% this year? And has anything changed in January and February so far? If you could run through each region, that would be really helpful.

Keith Barr: Yes. Well, thank you. I mean in terms of pricing, so if you look at the US estate for like Q4, you had leisure up in room nights and 14% ahead in average rate. Business just slightly behind room nights for the first 2019 and 7% ahead in rate, and groups are about 10%, 12% off, 30% off in demand, but 7% ahead in rate. So you are right, there has been significantly pushing rate in leisure, probably not going to be replicated moving forward, but it can be maintained.

We are definitely seeing that there is pricing power in both groups, meetings and events and in business travel. And so in our corporate negotiated rates, which is what we do centrally, we are seeing kind of mid to high single-digit pricing movement in 2023, and that is a good portion of our overall business, too. So you would expect to see further pricing power in groups, meetings and events and in business, probably it is coming off in leisure to some degree, not going backwards, but not seeing the same level of growth. So overall, strong pricing.

Paul Edgecliffe-Johnson: And then in terms of OpEx and how we invest into the business because you have got a combination of what is inflation and then what choices we make to continue to build out the competencies of the business.

If you look at 2022, and then you think back to the prior year. So we added back in the \$25 million that we said we would of what have been saved, because effectively, we have saved more than we targeted. So that came in. And then you saw about a 4% increase in costs in the business, which was primarily wage inflation.

And in 2023, the vast majority of our costs in the business are people. So we will see increases due to wage inflation. And then beyond that, where we choose to invest for greater competencies, we will look at the trading environment and make decisions as to whether that makes sense, if there is anywhere that would give us a good return. And I think we have got a good track record of driving margin. And what we are trying to do is balance profit and investment for future growth.

In terms of the net unit growth, what we have talked about for a long time is our intention to be industry-leading. If you go back to 2019 on a gross growth basis, we led the industry. So we were the highest rate of openings in the industry. There is no reason why we cannot be doing that again, you just got to be back in the same industry environment. It is not going to be that same environment in 2023 because there are fewer new builds coming through.

So can you get back up to 5.5% at some point? Yes, absolutely. And with only 1.5% removals, it is actually easier than it would have been before. But we are certainly not saying that that is a 2023 aspiration.

Keith Barr: And just to build on my previous comments, too. I mean, again, we have a significant business in China, a fantastic business in China that was growing 10-12%, and it is

growing around 6% today. So as China ramps back up, so will the Group's net system size growth, too. And so again, we have a strong business in the Americas, great growing business in EMEAA and China is on its path to recovery. And so, when we were talking about 5%, that was a very different macro environment in China, where there were no lockdowns and the rest of the world was in recovery mode, and they were in normal that flipped around for 2022.

Jaina Mistry: If I could just follow up on pricing. I think you mentioned potentially a soft landing for this year or that is what we are expecting. Is it fair to say that given the tailwinds this year, low to mid single-digit pricing for the Group as a whole might be a floor?

Paul Edgecliffe-Johnson: I think that it really depends on the demand environment. So we have very strong revenue management tools. And as demand comes in, then we revenue manage that to the best outcome of rate and occupancy for us. So certainly, so far, it has been a very strong rate environment and looking at forward bookings and looking at level of leisure demand. So it certainly augurs well for the future.

Leo Carrington (Citigroup): Just two for me, please. Firstly, on the comments in the presentation on IMFs being still lower than 2019 in EMEAA. Can you give an indication of how they recovered in H2 or even Q4 in order to give an indication of the 2023 path, please?

And then secondly, a brief follow up on net unit growth, that 4-5% corridor for 2023. Does that include the Iberostar rooms being brought in this year?

Paul Edgecliffe-Johnson: Yes. Look, on the second, that is an easier one. Iberostar is as part of our organic business getting added in. It is not something we have acquired or anything. This is just part of what we do. So yes, exactly how many of the Iberostar rooms remaining coming in 2023. We have to wait and see. Probably be paced across 2023 and 2024.

And then in terms of the IMFs, yes, they are obviously down on where they were back in 2019. And that is principally in EMEAA and in China. So did not get a lot of IMFs in the Americas these days anyway, but it is actually ahead of the 2019 levels. So I am not going to give you the exact numbers, but there is certainly still room for recovery there in future profitability.

Leo Carrington: Okay. Maybe just a follow-up on that. Would 2023 be a 2019-like level for EMEAA hotel profitability, maybe we can put it that way without being more quantitative?

Paul Edgecliffe-Johnson: Yes, I think you can get there or thereabout. It partly depends on the cost environment. And so, obviously, I think revenues will be there. Owners are seeing higher wage costs and higher operating costs, which obviously does have an impact on IMF. But as long as the rate environment remains strong, then I think they are going to have a very good year in 2023.

Tim Barrett (Numis): My last question left is around demand. What you said on slide 10, what you showed there is really helpful in terms of the leisure and business recovery. And verbally, you said that Group is 13% below. Just wondering how you see that trending this year? Do you under-indexing Group versus the industry? But are you still as confident on Group as you are, say, on what your very bullish comments on business transient?

Keith Barr: Yes. Thank you. I mean we do index lower than our peer set in terms of percentage of Group, that is about 15% of our mix is groups. And just to give you a sense, though, for the exit rate, again, Group revenue in Q2 was down 16%, then down 11% in Q3, then down 7% in Q4. December's exit rate was down 4%. So you are seeing that progressive set of recovery in the Group segment, which gives you confidence and talking to the teams, we are seeing as restrictions have been lifted in China, groups meetings and events inquiries are coming in, seeing strong requests in the US, too. Cannot find conference and meeting space in many of the major markets right now.

And strangely enough hybrid working is actually a tailwind for groups because people are getting people together, too. So I think we are confident that you are going to see this continued progression in the recovery of Group business.

Ivor Jones (Peel Hunt): Just a couple of things. On the Iberostar deal, could I understand if the costs that you are talking about for last year, this year are eventually recovered? Are they Group costs or system fund cost? I am not sure I have understood that. And the revenue you are talking about, is that dependent on achieving a performance in excess of a budget? Are those fees performance-related, so that they could be zero if you do not hit target?

And then the second question is we are a little way away from it, but if the buyback continues, would you continue to buyback shares even if it took the company out of large cap indices? Is retaining index membership an important part of value? Or would you stop?

Paul Edgecliffe-Johnson: Well, certainly, on the second, Ivor. I think we are a long way to go before we would ever get close to falling out of the FTSE 100. I think we are about number 40 in the FTSE 100. So you would have to buyback an awful lot of stock.

Certainly, not something that is in current expectations or thinking. We want to return cash in the most sensible way to our shareholders. So I guess that is something we look at, but it would have to be some years down the line.

In terms of the Iberostar deal, our group costs, that is our cost of integration. There are some costs in the system fund as well, but that is separate to what we have talked about. And in terms of the deal economics, it is a mixture of components. And look, I am not going to give you exactly all the different ingredients in the recipe because that is commercially sensitive. But there is elements of it that will naturally flow and then elements that are more linked to delivery to our systems.

Keith Barr: Great. Thank you. I am just going to say a couple of things and I will close off the call. Again, great questions, everyone. Really appreciate the level of engagement on the call. And I mean, clearly, the industry is still seeing RevPAR recovery, and we have talked about ranges of what that could look like. But again, positive tailwinds there, particularly what is happening in Greater China, continued to be a growth business, too. So we are talking about where we can grow our system this year and continue to accelerate that.

We are going to continue to be disciplined in how we do our costs and grow our margin as a business and be judicious how we utilise our capital to continue to grow revenues, grow profits and really deliver on being able to return surplus cash to shareholders, too. So I think with the headwinds we faced in 2020 and 2021, we clearly have a lot of tailwinds and a lot of

exciting growth and very proud of what the team has done here to, again, make us a stronger, more resilient company going forward and to deliver on our model.

So it has been great to connect with you. Again, we are pleased with the year we have had and looking forward to the success we have going forward. Before I dial off, I would be remiss if I did not say thank you to Paul who will be leaving IHG next month after 19 years with the company. I have truly enjoyed working with him over the years. He has done a fantastic job as our CFO since 2014. He is a good friend, a great friend, a great partner. We have been through a lot together, but you have left the company better than you found it, which is what you hope to do. So wishing you all the best for your future.

Our next market communication will be our first quarter trading update on Friday, 5th May. Thanks for your time and interest in IHG, and look forward to catching up with you all soon. So that ends the call.

[END OF TRANSCRIPT]