

IHG Half Year 2023 Results

Tuesday, 8th August 2023

Introduction

Stuart Ford

VP, Head of Investor Relations, IHG

Welcome

Good morning, everyone, and welcome to IHG's conference call for the 2023 half year results. I am Stuart Ford, Head of Investor Relations at IHG, and I am joined this morning by Elie Maalouf, our Group Chief Executive, and Michael Glover, our Chief Financial Officer.

Disclaimer

Just to remind listeners on the call that in discussions today, the company may make certain forward-looking statements as defined under US law. Do 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, can I remind you that in order to ask questions, you will need to dial in using the details on page two of this morning's RNS release. The release, together with the accompanying presentation and the usual supplementary data pack can be downloaded from the Results and Presentations section under the Investors tab on ihgplc.com.

Overview

Elie Maalouf

CEO, IHG

Thanks Stuart, and good morning, everyone. After leading our Americas business for the past eight years. I am honoured to take over as Group CEO and excited to look ahead with our talented teams and owners to an important next chapter growth for IHG.

In a moment, Michael will talk you through our financials for the half. But first, let me share some key lights.

We had a strong first half across our financial results, hotel openings and signings, which were all significantly above last year. Trading continues to be very healthy. RevPAR improved year-on-year across all our markets and has now exceeded 2019 pre-pandemic peaks for four consecutive quarters.

H1 global RevPAR was up 24% year-on-year and up 8.7% versus 2019. Q2 RevPAR was up 17% year-on-year and up 9.9% versus 2019.

Looking at system size. Our gross growth was 6.3% and net growth was 4.8%. We opened 108 hotels, 40% more rooms than H1 last year, and we signed 239 hotels, that is 11% more rooms than last year.

We continued to successfully capture conversion opportunities, which represented around 40% of signings and openings. And our pipeline increased 3% year-on-year to more than 286,000 rooms, representing 31% of today's system size. With our fee margin expanding by 3.3 percentage points, this led to an operating profit of \$479 million, up 27% year-on-year.

We are confident in the strength and continued growth of our highly cash generative business. Our current \$750 million share buyback programme, announced in February, was 47% complete, and we are pleased to declare an interim dividend 10% higher than 2022. In recent years, we have strengthened our enterprise platform through:

- Significant investments in our master brand;
- Loyalty programme;
- Technology; and
- Distribution channels.

Our brand portfolio has expanded and diversified through organic launches and acquisitions of seven brands since 2017. We continue to invest in all our brands by optimising and elevating their format, design, service and quality and by increasing their scale.

We continually assess our brand portfolio for further growth opportunities that address clear long-term trends and sizable market demand from guests, loyalty members and our owners. In line with that approach, we are very excited to announce today that we will be launching a new best-in-class mid-scale conversion brand with opportunity for considerable scale. I will talk more about this later in the presentation.

But first, let me hand over to Michael, who will take you through the details of our financial results for the half.

HY 2023 Financial Review

Michael Glover

CFO, IHG

Thank you, Elie, and good morning, everyone. I will start with our headline report results from reportable segments.

Revenue of \$1 billion and operating profit of \$479 million represented growth of 23% and 27% against 2022, respectively. Revenue from the fee business increased by 21% to \$799 million or by 24% on an underlying basis, which is at constant currency and excludes the small amount of liquidated damages received in the prior year.

Operating profit from the fee business increased by 27% to \$470 million or by 30% on an underlying basis. Fee margin once again made considerable progress, improving by 330 basis points to 58.8%, and I will touch on this more later in the presentation.

Adjusted interest decreased to \$58 million. However, for the full year, we would still expect this increase to be between \$130 million and \$140 million, which is the same as our previous indications. Our effective tax rate was 25%, down 3 percentage points from half year 2022. We received around a 2 percentage point benefit from the one-off impact of legislation change in the Middle East during the half, which will subsequently blend out to a 1 percentage point benefit for the year as a whole. We, therefore, anticipate a full year effective tax rate of around 26% rather than the 27% previously indicated.

Taken all together, along with the 6% reduction in our share count, as a result of the share buybacks, earnings per share increased by 50% to \$1.827.

Overall, these results demonstrate strong financial performance in the first half of the year, with it being particularly pleasing to see progress ahead of 2019 levels across all of our headline metrics.

Moving on to our RevPAR performance by region. In the Americas, there was no let-up in demand or pricing through the half, with RevPAR maintaining strong levels of outperformance versus 2019. Q2 RevPAR was up 12% on 2019, following Q1, which was up 11%.

In EMEAA, strong performances in the UK and Continental Europe and the continued recovery of markets such as Japan, Korea and Vietnam meant that the exit rate of index RevPAR hit a new high with June showing growth of 17% on 2019. Greater China continued its rapid recovery since COVID restrictions were relaxed at the end of 2022. Q2 RevPAR was down only 0.5% versus 2019, marking clear progress from Q1 when RevPAR was down 9.1% and even further improvement from Q4 2022 when RevPAR was down 42%.

It is worth noting, however, that we would still expect Greater China to experience RevPAR down in the middle single digits versus 2019 in the second half of the year, given the lag of international inbound travel return. On a year-on-year basis, Greater China RevPAR will be up very slowly.

Looking at the composition of US revenue in more detail. It is clear there are positive readings across all demand drivers. Leisure remained buoyant with elevated rates showing no sign of weakening. As you can see on the chart on the right-hand side, despite the exceptional performance seen in the first half of 2022, both room nights and ADR have improved further in 2023.

Business demand has continued to strengthen, both in terms of occupancy and pricing. We mentioned at the start of the year that corporate rates had recently been renegotiated for the first time since the onset of the pandemic. And this was demonstrated in the half with ADR up 6% versus 2019 compared to tracking slightly down on pre-COVID levels a year ago.

Groups, which has been the slowest demand driver to recover, continues to advance, and forward booking data suggest that there will be further progressive improvement to come. As we noted in today's statement, meetings and events bookings have been ahead of 2019 levels for six months now. And what is on the books is 36% ahead of 2019 levels for meetings and events globally.

As I previously mentioned, we have seen further expansion of our fee margin, which at 58.8% increased 330 basis points ahead of half year 2022. This improvement was led by our EMEAA and Greater China regions, which saw margins increase significantly versus the first half of last year as trading performance continued to accelerate.

The Americas region saw margins slightly dip, down 90 basis points to 81.9%. As you will remember, we had previously signalled the cost would be added back to this part of the business to ensure full investment in order to achieve our future growth targets and margins are still sustainably ahead of 2019 levels and sustainably so.

It is worth noting that in the appendices is further detail on the components of our revenue, our overheads and our operating profit.

In terms of fee business overheads, these increased by 13% in the first half of the year. For the year as a whole, we would expect around 10% increase. The underlying inflation rate on our overheads is around 5%. On top of that, we have the integration cost for Iberostar, and we have some further areas to spend as we develop our systems and invest in opportunities like the launch of our new midscale conversion brand.

Our efficient cost base and operating model enables investment for growth as well as expecting a continuation of operating leverage that should drive the same 100 to 150 basis points a year margin expansion that IHG has delivered on prior decades.

Turning to system growth. In the first six months of 2023, we opened 21,000 rooms representing a gross addition rate of 6.3% year-on-year, or 2.3% year-to-date. 7,000 exited the system in the half, equivalent to a 1.5% removal rate year-on-year or at 0.8% rate year-to-date. Taken together, net system size growth over the last 12 months is 4.8%, while year-to-date growth has accelerated from 0.4% in the first quarter to 1.5% at the half.

Year-on-year, net system size growth benefits from the addition of just over 12,00 Iberostar rooms in Q4 2022, which will lap out of our full year calculation. We still remain confident of achieving consensus expectations of around 4% growth for the year.

Quickly touching on development. Over 34,000 rooms were signed in the half, an increase of 11% over the same period last year. In the Americas regions, signings were up almost 16% compared to the first half of 2022, with a particularly strong second quarter.

The strength of IHG's brands and enterprise system has meant that we have continued to develop the pipeline in spite of current challenges to commercial real estate financing. And as Elie will talk about, we have had strong signings across our brands. And it was very pleasing to see our six luxury and lifestyle brands account for 26% of the signings as part of this brand portfolio increases in the mix.

Turning now to capital expenditure. We spent gross CapEx of \$113 million and net CapEx was an outflow of \$65 million after proceeds from disposal and system fund inflows. Key money of \$64 million was up from \$35 million in 2022 and is indicative of our increased development activity back to pre-Covid levels and also a mark of our growth in the luxury and lifestyle segment. Importantly, it is also a reflection of our discipline in only deploying funds where the returns justify the investment.

Maintenance CapEx was \$16 million, given our emphasis on investing in the long-term health and stability of our core brand business infrastructure and systems to ensure they support our growth.

Turning to the System Fund. We continue to benefit from depreciation levels exceeding CapEx, which follows the completion of our major investment in the Global Reservation System.

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 around \$150 million per annum.

Moving now to cash flow. During the half, adjusted free cash flow saw an inflow of \$277 million, nearly double the \$142 million this time last year, demonstrating once again the highly cash generative nature of our business model.

Within free cash flow was the usual seasonal working capital outflow, the \$158 million outflow that you see here in the first half of 2023 compared to the \$103 million this time last year and for the 2022 year as a whole this turned to become an inflow. Net cash outflow after the payment of dividends and our share buyback programme was just under \$300 million.

Together with adverse foreign exchange movement, this meant that our closing net debt position increased by just over \$400 million.

Our strategy for the uses of cash remains unchanged. After investing behind long-term growth, which remains our foremost priority, we look to sustainably grow the ordinary dividend. In this regard, we are pleased to announce the interim dividend will be 48.3c, representing 10% growth on last year's.

In February, we announced a \$750 million buyback programme with the aim of resetting our leverage ratio to within the targeted 2.5 to 3 times. Having repurchased shares to the value of approximately \$350 million during the half, leverage increased to 2.3 times, which also reflects our strong growth in profitability and continued highly efficient cash generation.

As we look at the calendar 2023, the combination of ordinary dividends of around \$250 million and the buyback programme of \$750 million were equivalent to over 8% of IHG's current market capitalisation.

The Board will continue to closely monitor and access the quantum of capital returns.

With that, let me now hand back to Elie.

Update on Strategic Priorities

Elie Maalouf

CEO, IHG

Thank you, Michael. We operate in a very attractive industry, benefiting from long-term structural growth drivers of expanding GDP, growing populations, rising middle class and wealth and people's fundamental desire to travel and physically interact for both business and leisure.

These structural drivers have led the industry's global revenue CAGR to outpace global economic growth. This attractive demand also supports hotel supply growth and healthy asset returns for hotel investors.

Leading global hotel brand businesses like IHG continue their long-term trend of taking market share of both demand and supply. And this trend has accelerated in recent years. IHG has 4% of the global industry's open rooms, but we have over 10% of the pipeline. This puts us in a strong position to continue increasing our scale and capturing market share.

Our well-invested portfolio of 18 brands forms a powerful network of 925,000 rooms across more than 6,200 hotels. We have geographic reach across more than 100 countries and a full

range of product segment diversification from mid-scale to upper luxury. Our pipeline of 286,000 rooms represent secured multiyear growth of over 30% of today's system size.

We have a well-proven ability to successfully drive long-term growth in both demand and supply, with RevPAR and net system size CAGRs over the prior decade growing around 4%, 3%, respectively.

And our asset light model has also delivered fee margin expansion averaging 130 basis points a year, contributing to earnings growth at a CAGR of more than 11%. Being highly cash generative supports our capital allocation strategy, which has returned \$15 billion to shareholders since 2003 through ordinary dividends and additional returns, most recently with our shift to rolling share buybacks.

Critically, we have built a high barrier-to-entry global business through the investments we have made over many decades to grow our scale, strengthen our enterprise platform and deliver a high-margin, high-earnings growth business.

And all of this did not change with the pandemic. IHG is a stronger and more resilient company today. There are short-term macro pressures, but you have seen and heard about the strength of demand. And while the current financing environment for commercial property puts some temporary constraint on new-build hotel development, strong demand is increasing, room rates and RevPAR also because new supply is lower. And we are confident that the underlying strong demand fundamentals will once again stimulate increased new development as they have in prior cycles.

So accordingly, we still expect progress in growing our net system size, given the strength of IHG's enterprise platform and portfolio brands and particularly, our geographic reach and increasing ability to capture conversion.

Now let us turn to look at the progress we are making on our four strategic priorities. First, how are we developing our portfolio of loved and trusted brands?

Our Essentials and Suites collection consists of midscale, upper midscale and extended stay brands. These represent around two-thirds of our system size and have always been, and remain a core growth engine, representing close to 60% of our pipeline. In recent years, you have seen how IHG has evolved our brands in both these segments, and that continues today.

Both our Essentials and Suites collections have significant runway for growth. Despite our scale in both segments encompassing over 625,000 rooms across more than 5,000 hotels, none of these brands within these two collections are close to plateauing or reaching a point of saturation.

In fact, our Essentials portfolio has a further 25% growth already secured in the pipeline, and our Suites collection is a further 45%.

And Holiday Inn and Holiday Inn Express delivered over a third of our signings and a quarter of our openings in the first half. Holiday Inn Express extended its market-leading scale with 38 openings and 77 signings. Express has now reached over 3,100 open hotels in 50 countries and a pipeline for further 640 representing future system growth of 24%. And Holiday Inn opened seven hotels and signed 19.

The brand now is close to 1,200 open hotels in 80 countries with its pipeline equivalent to 20% of its current system size.

Avid now has over 200 open and pipeline properties across the US, Mexico and Canada. The brand is delivering great guest satisfaction, strong revenue share. And a growing amount of asset transaction data is showing how hotel developers can capitalise on the strong return on investment of a new-build avid hotel.

And we have seen even more opportunity in this segment. So we will soon be launching a new best-in-class midscale conversion brand. The brand has considerable opportunity to build substantial scale. In the US alone, existing supply in the midscale space is over 700,000 rooms across 9,500 hotels, representing \$14 billion in annual hotel revenue, which is projected to grow by about 30% by 2030.

Conversions continue to rise in importance globally and present an increasing share of system growth. In this latest half year, conversions grew to represent around 40% of our signings and openings, reflecting the desire for more hotel owners to join IHG's enterprise platform.

Midscale segment is currently characterized by unrenovated, lower brand strength product, but with customers eager to travel and experience consistent quality stays. So it is a space ripe for share gains through the conversion to the brand we will be introducing.

Our brand will target both existing branded and independent supply, which today is split roughly 70:30 in the US. We expect conversions to the new brand to cost around 25% less than the cost of a Holiday Inn Express conversion.

The brand will attract a new segment of guests to IHG and to our One Rewards loyalty programme, and will provide them with a high-quality product and experience, with clear design intent and standards that consistently deliver on guest expectations.

This compelling proposition will also attract new hotel owner groups to IHG, who can then further grow with us. Owners will leverage the scale and skills of IHG's enterprise platform, including our distribution channels and the loyalty programme to drive performance, increase efficiency and earn superior returns at a lower capital cost to convert.

More than 100 hotels have already expressed definitive interest in our new brand with this representing over 80 different owners. We project the brand to reach an estate of over 500 hotels over the next 10 years and more than 1,000 hotels over the next 20 years, and that is just in the United States alone.

I would like to now touch on a few recent highlights from the Suites collections. The strength and attractiveness of Staybridge Suites and Candlewood Suites continues. We opened 12 properties in the half and signed 34 more. With nearly 700 hotels open and another 300 in their pipelines, their growth outlook remains very strong.

Positioned between these two brands is our newest Atwell Suites brand, which has grown its pipeline to 35 properties and has a great runway for future growth. And the Holiday Inn Club Vacations timeshare company signed a portfolio conversion of four prominent beachfront resorts in Cancun, Mexico to expand on its current 28 resorts. This marks the brand's first properties outside of the US, further broadening IHG's resort footprint and providing guests with increased choice in leisure destinations.

Now, moving from our brands driving volume growth, to our collection of Luxury & Lifestyle brands, which are driving high value growth. These brands accounted for 26% of our signings in the half. Luxury & Lifestyle today represents 13% of our system, but is now 21% of our pipeline, around twice the size from five years earlier, demonstrating a clear expansion of our state mix to higher chain scales with higher fees per key.

Our Luxury & Lifestyle pipeline represents around 60% growth of the current system size of EMEAA and Greater China. And for the Americas, it represents growth of nearly 30%. This means that, at a Group level, our Luxury & Lifestyle collection has almost 50% growth secured in the pipeline today, taking the total number of open and pipeline rooms to over 180,000 across more than 800 hotels. And we are still in the early stages of reaching the full growth potential of this exceptional brand collection.

Now, briefly sharing some further highlights by brand.

Six Senses and Regent are examples of IHG's success in accelerating the growth and internationalisation of acquired brands. Six Senses has grown to 23 open properties and its pipeline of 39 has more than doubled in size since acquisition. InterContinental has grown to 215 properties across more than 60 countries with a pipeline of 93 more, representing growth of 33% of its current system size. This brand with 75-plus years of heritage, still has very impressive growth ahead.

Vignette Collection, our Luxury & Lifestyle conversion brand, signed and opened its first hotel in the US and has now secured 25 properties globally. This means it is well on track to deliver its ambition of securing more than 100 properties in 10 years.

And Kimpton signed a further nine properties, including its first in Saudi Arabia, a market with tremendous growth opportunity that is aspiring to welcome 100 million visitors annually. Kimpton's global pipeline is now approaching 50 properties on top of the 75 currently open, representing future system growth of over 70%.

Moving on to our next two strategic priorities:

- Being customer-centric; and
- Digital advantage.

It is now one year since our biggest transformation and investment in our loyalty programme. IHG One Rewards is a critical part of why our guests choose to stay with us, and it is absolutely key to driving performance and future growth.

The transformation in 2022 gave members more tailored experiences and more options to earn and redeem points across our brands. For our owners, the programme means higher volumes of more engaged and profitable guests to their hotels with over half of room nights coming from over 115 million loyalty members who are nine times more likely to book direct and spend 20% more than non-members.

Enrolments in the first half were up by a remarkable 60% on last year. And reward nights were also up by more than 40% compared to 2019 levels. And with more than 1.7 million milestone rewards have been chosen since launch. There is also a strategic synergy between IHG One Rewards and our credit card offers. The investments we have made in both have strengthened these important revenue-generating engines and fee streams.

The relaunched US co-brand credit cards are proving highly attractive to customers, driving increased usage, loyalty and net promoter scores. New accounts have increased more than 80% year-on-year and are more than double 2019 levels. US cardholders represent an increasing proportion of reward night stays, and there is a strong double-digit growth in overall co-brand credit card spend, both year-on-year and versus 2019.

We have made significant investments over recent years to innovate our technology and distribution channels.

Our cloud-based industry-leading Global Reservation System now allows us to feature attribute upsell in over 5,000 hotels. This offer guests more options, such as bigger rooms and better views. It therefore increases guest choice while generating maximum value for owners from selling the unique attributes of their room inventory.

Our digital direct booking channels are seeing around a 1% revenue uplift from the upsell opportunities. And the value for upsell booking is averaging an additional \$23 across the estate. We are continuing to beta test and roll out further attributes and opportunities to capture upsell.

This same GRS platform and the changes we have implemented to booking flows are also generating cross-sell opportunities for non-room extras at a 2% conversion rate, leading to further incremental revenue per booking for add-ons such as F&B credits, lounge access and other stay enhancements.

And our new mobile app, launched just over a year ago, has seen the number of downloads, users, bookings and revenue, all increase by 40% to 50% on 2022 levels. IHG's direct digital channels have grown to contribute around one quarter of hotel revenue globally. And our mobile channels now account for more than half of all digital bookings. 80% of our most valuable guests are Diamond status IHG One Rewards members, have the app and engage with it multiple times a week.

And concluding with our fourth strategic priority, CARE.

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 sustaining positive progress across all five pillars. And today, I would like to highlight an initiative, which is supporting our growth to significantly reduce greenhouse gas emissions.

We are pleased to be the first hotel company to provide owners with a community solar offering in the US, currently across the states of Illinois, Maine and Maryland, with plans to expand to more states soon.

This offering:

- Advances the development of clean energy;

- Supports our owners to reduce their greenhouse gas emissions;
- Lowers owner cost through the credits they receive on their electricity bills; and
- Promotes the guests that their stay is powered by clean energy.

The programme also helps IHG make progress towards our 2030 Journey to Tomorrow targets.

So in summary:

- We had a strong first half.
- We delivered a robust trading performance with healthy demand across leisure, business and groups.
- H1 global RevPAR was up 24% on last year and up 8.7% versus pre-pandemic levels.
- Our net system size grew 4.8% with the opening of 21,000 rooms, 40% more than the first half last year.
- Our operating profit grew 27% year-on-year, with our fee margin continuing to expand.
- And our model has once again shown its highly cash generative nature, supporting our capital allocation strategy.
- Our priorities remain to fund growth, investments, sustainable dividend and return additional surplus capital to shareholders through rolling share buybacks.
- We are pleased to declare a 10% increase in the interim dividend and our current \$750 million share buyback programme, together with the ordinary dividend, means that in total, \$1 billion of capital is being returned to shareholders in calendar 2023, equivalent to over 8% of our current market cap.
- Finally, we are very excited to soon launch the new midscale conversion brand with great growth potential.

As I step back and reflect on these strong results, the strength of our business and our incredibly talented teams, I am excited for what lies ahead. We will be further articulating our strategic priorities at the full year results stage as we build upon the next chapter of this great journey. And I am confident in the strength of our enterprise platform and our attractive long-term growth outlook.

And with that, Michael and I are happy to take your questions.

Q&A

Jamie Rollo (Morgan Stanley): Three questions, please. Just the first one, you both presented a set of results since the senior changes. Any changes to strategy or anything you

might be doing differently going forward? It does not sound like it, but just wondering what your thoughts are there?

Secondly, no signs of a slowdown. But on the Americas, the charts are showing, you can see the RevPAR flatlined for six months now versus 2019. And on your US charts, room nights, it looks like leisure, business and groups are all sequentially weaker in Q2. I am just wondering, I mean, are you concerned about that? Do you think that is all displacement to international markets? And also, I do not think the company has given your actual US performance in Q2 to help us track it versus the market. So if you could touch on that as well.

And then finally, your views on net unit growth. It sounds like from the statement, you are happy with that 4% soft guidance number. But some of your US peers walked down their underlying numbers a little bit, and you are seeing a higher conversion mix. You talked about some constraints. Any thoughts on the 4% for this year and what that might mean for next year as well?

Elie Maalouf: Thank you, Jamie. I look forward to seeing you in person later in the week. Since joining IHG in 2015 on the Executive Committee and then a few years later on the Board, I have been talking about our strategy, integral to its execution, not just in our largest market but also on an enterprise level. We have built a very strong foundation, an expanded powerful brand portfolio, stronger enterprise systems through loyalty technology, commercial systems and a global distribution, really in the best, strongest, fastest-growing markets that have great domestic potential but also great outbound and inbound potential.

So we are building on a very strong foundation. I did start 1st July. We will be very focused on sharpening execution, accelerating our growth, but also evolving because this is a dynamic industry. It is a great, wonderful dynamic industry with strong secular tailwind growth, structural benefits, but you have to evolve over time. When I joined the company in 2015, I think we had 10 brands. Today, 18. We are announcing a 19th coming along. So part of our strategy is to evolve our strategies.

They are relevant to our guests, relevant to our owners, relevant to our local markets. So as we go forward, things will evolve, just like we announced today with our new midscale conversion brand, and we will keep everybody updated on.

Michael Glover: Let me maybe address the US performance or America's performance question. Of course, I think if you look in the SEA, it is on page 17 of the SEA. But in terms of RevPAR performance for the US versus Q2 versus 2023 was at 4.4%. That follows a Q1 that was at 14.8%.

But as we mentioned in the Q1 announcement, we were lapping some COVID periods, and we expected that to get covered. To give you an idea of what that looks like against 2019, Q1 2023 versus 2019 was at 10 percentage points versus Q2 at 10.6 points versus 2019. So overall, and as we look at the overall industry in the US, it still remains strong and feel comfortable with how it is going to progress in the future.

We see strong unemployment numbers and improving consumer sentiment. So we feel like that is a good tailwind for us as we move forward into third quarter.

In terms of system growth, yes, we are comfortable with the 4%. As we talked about, we have done 4.8% year-over-year. And in the first quarter, we were at 0.4% and at 1.5% year-to-date. So we feel comfortable with the projections and the guidance that we gave of around 4%.

Jamie Rollo: And any early thoughts on next year, that 4% accelerate or decelerate do you think?

Elie Maalouf: Look, I think we are pleased with the progress we are making across the full enterprise. I think we had strong signings in the first half of the year. That builds good momentum. Our new brand launch will be also accretive to our growth. Our markets are still recovering very well. So we are confident in our ability to continue to grow our system at competitive rates.

Vicki Stern (Barclays): Just firstly, I want to turn to China. So you mentioned that you are expecting a slightly softer back half trend with that lack of international travel. Question is just firstly on the near-term outlook for demand. Generally, what you are seeing on the ground from a domestic standpoint and also the unit growth pace of recovery that you are seeing. But just stepping back from that, your longer-term perspective now on China, obviously, that has been sort of key second leg. As you look forward to the medium term, are you thinking of that is as attractive an opportunity for you, given obviously some developments there in the last few years?

Second one, I think you talked when you were doing the Iberostar deal about looking at other similar deals like that. Just wondering on progress there. Is that something you are still expecting?

And then finally, on the US development backdrop. Just what you are seeing on the ground now? Obviously, there has been a lot of chat going around slower development on openings and issues within higher interest rates and so on. Just it does not sound as if that is materialising in terms of any incremental weakness in your signings pace and your openings, but a bit of colour as to what you are really seeing and expecting. And with that, if you can give any sense on the under construction percentage of your pipeline, please?

Elie Maalouf: Thank you, Vicki. So look, in China, we have been there for over 40 years. We have over 550 hotels opened, another nearly 600 in the pipeline. If you just look at the long-term, the penetration of hotel rooms, per capita of the penetration of travel in China is just a fraction of what it is in more developed markets like Europe and the US. So there is really multiples of business potential opportunity.

We have been there over 40 years. We take a long-term view. We think it is going to be a great long-term potential for us. So our outlook is unchanged and very positive.

I mean in the short-term, domestic travel has actually recovered very well. If you look at our business in China, it had slightly exceeded 2019 in domestic business. Clearly, the air capacity constraints inbound and outbound are out of our control. They are recovering. It is a matter for airlines and aircraft manufacturers to resolve. But there is actually a lot of optimism on that.

You might have noted at the Paris Air Show, there were just record orders for aircraft. So you have airlines and aircraft manufacturers very positive about the global outlook for

international travel. That is why they are ordering billions of dollars. And so we think that the long-term outlook, yes, they will have to recover to that international inbound and outbound capacity, but that is going to develop over time, and we are optimistic about that.

So partnerships, yes, we are very pleased to have entered into this long-term exclusive partnership with Iberostar, making very good progress on hotel openings, on bringing benefits to our loyalty members who can now stay and earn benefits and earn points there, moving ahead successfully on integration of our channels and of our joint technology.

And look, at the same time, what we are doing is actually building an enterprise platform that is compatible for other partnerships. And as those develop, we will be pleased to update you and others on it.

US development was your third question. So look, it is a public knowledge that the pipeline of construction, the industry's pipeline of what was under construction in the United States coming out of the pandemic slowed down. Those are public statistics. Then we had interest rates increase and inflation and supply chain issues. We see a lot of that starting to resolve. Supply chain issues are mostly in the rearview mirror. More expert people would comment on interest rates, but it seems that general consensus is we are closer to the end of interest rate increases, not sure exactly when, but we are closer to the end and the middle or the beginning.

And inflation statistics continue up until now to moderate. So that seems to be a little more of a constructive environment. I think that is sensed by our owners who are increasing signing and showing confidence in building and opening IHG Hotels. So we think the trajectory is going in the right direction.

Michael Glover: I think I would add there, Elie, as well is that conversions have picked up, and that is really supporting our development activity in the system growth. We mentioned in the scripts that 40% of our openings and signings were conversion brands. And we are launching a new brand to further support that with our new midscale conversion brand.

We are really excited about what that brings. It creates a great opportunity for owners at a lower price point to get into and take advantage of our leading systems and technology and tools and enterprise delivery. So we are really excited about what that can bring and help support that as the construction environment continues and lending environment continues to get better over time.

Elie Maalouf: I mean, keep in mind that as the industry in the US is projected to have low supply growth, I think STR last said, 0.5%, which frankly when you include exits from obsolescence is basically not much. On the other hand, that is very supportive of continued RevPAR growth through rate growth, which we have experienced. And we think that there is more there because really in real terms, rate has only kept up with inflation, in fact only this year got off with inflation.

That rate growth and RevPAR growth fuels a solid hotel cash flow performance, which then encourages owners to finance the hotels, which encourages lenders as they recover from the turbulence this year and the higher interest rates to then finance hotel growth. So that cycle, we are confident will restart because hotels are performing well. And actually, the lower supply today will encourage future supply growth.

Michael Glover: And just to finalise that question, we have about 40% of our pipeline under construction.

Jaina Mistry (Jefferies): If we could go back to net unit growth again for 2024, it looks like consensus is on 4% growth. Now I appreciate you do not want to give guidance for next year. But how has your confidence changed in hitting consensus 4% growth for next year? How has it changed over the last three months?

And then secondly, around share buybacks. I see that your net debt to EBITDA is at the midpoint of the 2.5 times to 3 times leverage range. Do you see any scope for upside there, given that it appears trading is still strong, and there is still scope for you to move to the upper end of your net debt to EBITDA range?

And then lastly, I just wondered about your outlook on the US business. Thank you very much for putting in commentary around STR recoveries over the next two years. But it feels like next year, we should see the first year of normalised growth for the US. And how do you expect the market to grow next year? Is it a low single-digit type of growth in terms of first half next year? Anything you can give there would be very helpful.

Elie Maalouf: Okay. I will take your first and last question, and Michael will talk to you about the balance sheet and capital returns. We have not provided guidance for next year, neither we expect to. Our net unit growth, we are confident, as Michael said about the progress we are making this year around the expectations that are out there.

We are pleased with the progress of our signings of our pipeline, maintaining 40% under construction. We are very pleased with the progress we are making in conversions, which have a higher visibility and quicker execution of conversion from pipeline to open. So we think things are going in the right direction, and we are optimistic that we are able with our portfolio, with our strong enterprise and with the progress we are making with owners to continue to achieve competitive rates of growth.

On the US market, I mean, we know and see, just like you do, the industry forecast for next year. I mean, forecast is not a pure science. It has a lot of art to it. But I think as Michael said earlier, we are not feeling any softening in demand in any of the segments that we operate. So on the leisure side, it has been very strong, continue to be strong. We think there has been some structural changes in how people are traveling for leisure. They are staying longer because they are mixing in work. So Thursday used to be check-out day, Thursday now is check-in day, and that is extending the week for us, which actually healthy for our hotels.

And so there may be some fewer air trips but people are staying longer. We are getting the same or more room nights out of it. On the business side, globally, we got back to 2019 in terms of business revenue a little more on rate, a little less on occupancy, but I think we are only 4% down on occupancy. So there is still some room to come back on business travel and good for meetings.

I mean, yes, from a consumer point of view, we are still behind 2019 because there is a long lead of booking for consumption. But our bookings, as I think Michael shared, are 36% ahead year-to-date from 2019, which is very healthy. Whole industry is seeing strong groups and

meetings as people realise that virtual does not quite cut it for groups and for entertainment, for recognition for product launches, etc.

In fact, I was in Las Vegas a couple of weeks ago at a 5,000 person conference speaking back. And everybody I talked among the leaders of the major hospitality firms in Vegas just said they are having record years. So groups and meetings still has a long potential. That does not yet include the benefit we should see as more international inbound returns.

China reopens its international outbound. So there are some structural benefits that can still come even as the comps. As you correctly state, the comps will get more difficult, but not surging past the pandemic anymore, but were more normal growth and normal growth environment. We are confident in taking share in growing our business.

Michael, over to you on third question.

Michael Glover: Thank you. And on share buybacks, if we look at what we are doing this year, we are looking at returning greater than 8% of our share capital to shareholders. So we feel like we are in a great position right there. Obviously, we are very comfortable sitting in the 2.5 times to 3 times net debt to EBITDA. And we are also being more overt about the fact that our model is highly cash generative, and we will be looking at doing rolling share buybacks going forward.

Obviously, it is a decision for the Board, and the Board will continue to evaluate that as we move forward.

Jaina Mistry: If I could just follow-up on net unit growth. It sounds like sentiment might trust and things are moving in the right direction. Do you expect to see gain share, or in fact, in the data that you are seeing, are you gaining share of the pipeline at the pace that you expected?

Elie Maalouf: Well, we have been constantly gaining share globally from independents and other competitors. It is visible. 4% of open hotels, 10% of pipeline, so embedded already, we have a share gain before we even sign more hotels and I think take share further in the market. So that is not just in the United States, but that is really globally across all of our major markets.

Jarrold Castle (UBS): I do not know how much you can say, but just your new conversion brand. Just interested in any thoughts in terms of how you think it is going to be better positioned or at least compete with other new conversion brands like Hilton Spark. Is it going to be on cost or the type of product or distribution or everything? So any colour you can give now. I know it is early stages. But that would be interesting.

Secondly, just interested in any of your thoughts. The fee margin, I guess, mathematically should keep going up. Is there any, I guess, cap on where you think it could get to? I mean, obviously, materially above 2019 levels. But just any thoughts as if ever, do you think there is like a roof to that?

And then thirdly, I guess, something you do not spend too much time on. But just interested on any thoughts on IHG Residences. How you see the development of those banks?

Elie Maalouf: Let me take the first and third one, and then Michael will talk about fee margin.

Look, we are very excited about the soon to be announced launch of our new midscale conversion brand. It is a very big market, over 700,000 rooms, over 9,500 hotels. And we have just heard from guests that they want a more trusted brand, an IHG brand in the space, and we have heard from owners that they would like to be part of the IHG system while maintaining a lot of the elements of their current product, which may be in very good condition, very new, but needs to have the trust and strength of an IHG system.

So that is what we are targeting in the space. It is really different than what we already offer in our portfolio, new, does not really overlap much with what we have, which is the philosophy we have in all of our brand launches. We look for distinct spaces that are accretive, that have great growth potential. Our guests want to stay and owners want to invest.

We have heard loudly from our owners and our guests about it. We have 100 owners with definitive interest, and we think it is going to be an incremental growth driver for IHG.

On Residences, yes, we absolutely feel like we have an opportunity in residences, especially now that we have really broadened our luxury and lifestyle portfolio with Six Senses, with Regent, with Vignette and even Kimpton and Intercontinental are getting interest for residences. But I think over half of our Six Senses' deals in the pipeline have a residences aspect attached to them.

Many of our Regent properties in the pipeline have residences project attached to them. And that just shows you the strength of our portfolio, the additions we have made that take us into the new fields of profitable fee growth.

Michael Glover: Yes. And in terms of margin, I do not think we see a cap on that right now. We have a really strong model in which we say we are going to grow 100 basis points to 150 basis points of margin every year. We have got a lot of room in EMEAA and Greater China as they move to a more franchise model over time. You can see kind of what that does for the Americas.

So I think, certainly, in the short and midterm, and even longer term, we feel great at delivering that 100 basis points to 150 basis points of margin expansion and continuing to invest in the business as part of that.

Richard Clarke (Bernstein): A couple of questions on China, if I may. First of all, you said RevPAR is still a bit below 2019. I think we have had Marriott and Hyatt say their RevPARs were covered above 2019. I would have thought you have a higher domestic mix. But just anything that is separating you from those, is it more new builds in your chain scales?

On the other side, your margin in China has recovered a lot, drove probably the beat of the half year. Anything one-off in that? Or is that exit the pandemic as a 60% plus fee margin business? Is that just growing faster?

And then maybe just one on Holiday Inn. It looks like Crowne Plaza back to decent growth now adding some hotels, but another 27 Holiday Inns have left the system quarter-on-quarter. Is that still you taking those out of the system? Or are these the owners exiting? Is there any sign that Holiday Inn is beginning to bottom out in terms of its drag on unit growth?

Michael Glover: Yes. So Richard, thank you. Let me first start with the question on China. I think as you think about China and how the recovery is happening, certainly in the first half

of 2023, you have seen really strong growth in your tier four markets, particularly resort locations. As you know, we are highly distributed across tier one, tier two and tier three. Certainly, as we move into more franchise model with Holiday Inn Express in some of those markets as you go into the tier three and tier four having recovered, certainly to the level that we saw in the tier four and resort locations.

So overall, we are very pleased with our performance, and we see very strong growth year-over-year and continued growth moving forward.

Elie Maalouf: Okay. I think you had a question about Holiday Inn. Before that, you had another question, Richard, right?

Richard Clarke: Yes. So you suggest you have seen another 27 Holiday Inns I think exit quarter-on-quarter.

Elie Maalouf: Yes. Look, we are very pleased with the progress we are making with both Crowne Plaza and Holiday Inn. We are signing more hotels, opening up really great either fully renovated or new builds in both brands.

Now the exits from half year to sometimes in the quarters can be lumpy across the year, but we are confident that we're on the right track to deliver a stronger estate, growing estate and a higher quality estate. And one that, over the long term, will have structurally lower exits.

Richard Clarke: And then just a question on the China, fee margin has jumped up. Is there anything one-off in that? Or are we now at 60% margin business in China?

Michael Glover: There is nothing one-off in that, Richard. We would expect, again, as we move the franchise in China and that is over-time as RevPAR continues to grow in the middle class grows, as demand grows within the region, we would see that continue to grow.

Jaafar Mestari (Exane BNP Paribas): Just one from me, please, circling back on openings. How much of your expected 4% net openings this year will be from the known Iberostar additions? Because obviously, the big additions of Q4 last year will not be in the 12-month figure. But if I remember correctly, you are still bringing in some additional Iberostar properties this year. So what is 4% ex-Iberostar, please, if you have got that number?

Elie Maalouf: Well, I think we brought in so far 10 properties this year at 3,700 rooms, and there are another 17 that were not owned by Iberostar, where we are in conversations with the owners is to convert to the IHG system, but conversations are going very well. It was part of our plan along.

We are on track to get there. So I do not have for you what exactly that percentage of that 4% it would be, but we can get back to you that. But we have opened 10 and it is another 27. Sorry, I said 17. We opened 10. It is another 27 that we expect to open for the year.

Michael Glover: Year-to-date at 4.8%, if you take out Iberostar out of that, we are 3% growth ex-Iberostar year-to-date.

Jaafar Mestari: Yes. Because over the last 12 months, that is a very severe adjustment because there is a really big group of joins in Q4 that is still in that number. So 4% for the full year, I am not going to be adjusting by 1.8 points to get to an ex-Iberostar number. It is going to be a little bit less than that, but it is still going to be part of the 4%.

Michael Glover: Yes. It will depend on how many of the additional hotels come in. As we said, we have got 10 in the number this year and 3,700 rooms, and it will just depend on the negotiation and work with the Iberostar teams on the next ones that come in and how many of those come in.

Tim Barrett (Numis): I had just two things left on coming back to the topic of leisure demand, if that is okay. You have alluded to the fact that there was some lumpiness in quite big vacation markets. I wondered how that looks in Q3 and what you would expect in terms of the next few months?

And then secondly, longer term, you mentioned some really interesting things about how people travel. I guess that is occupancy neutral, but can you say what impact you would expect on rates as people change their behaviour.

Elie Maalouf: I think on the lumpiness, in general, we are so broadly distributed across so many markets, so many countries and so many segments. Yes, we are pleased to be in many resorts and more coming, but that is really not the biggest part of our business, where all over the domestic markets where we are big in the United States, where all 50 states and across the whole patch. Same thing in China, we are a big domestic player.

So we are not really concentrated resort or urban player. We are across those and many other places. So it would be unusual, although it can happen there, where one particular market can make a difference to our Group results. It is just we are not as concentrated as, say, some other operators or real estate investment trusts or players of that nature.

Second, in terms of leisure, yes, there has been, we think, a structural change in how people are experiencing leisure. First of all, they want to experience more of it. They are going to more places. They are willing to prioritise travel spend versus other spending. We are seeing some other sectors not recover as quickly as ours has. We do not think it has an adverse effect on rate. We have seen rates just increase rapidly, although we think there is more headroom because on an inflation-adjusted basis, we are just reaching parity with inflation.

So we do not think we have over-extended that. We think there is more room. And I think the fact that people may be staying longer on their trips is not a driver of adverse rate reaction at all. So we think we have tailwinds both in total stays and in rate ahead of us.

Leo Carrington (Citi): Three questions, please. In terms of the new midscale brand and how this fits into your existing conversion activity, you referenced the conversion costs versus Holiday Inn Express. Does that imply you are targeting owners who might be currently considering Holiday Inn Express conversion? Or was that just to give us an indication of the costs? And on this brand, maybe you will, but why did not it make sense to just launch it now as an avid derivative? What steps up apart from avid aside from the conversion piece?

And then secondly, just briefly on Iberostar openings. Are the Q2 openings in line with what your expectations were for the start of the year? And in terms of the run rate and the openings for the rest of the year of Q2 quarter openings are a sensible assumption for the rest of the year?

And then lastly, just to follow-up on margins. In terms of thinking about the progression, is there an argument that the lower development activity might be flattering margins? Is there

less sales activity, but differently would you expect an acceleration in development at some point to weigh on margins?

Elie Maalouf: Michael, why do not you take the margin question first?

Michael Glover: Okay. In terms of development activity weighing on margins, no, I would not expect that to weigh on margins. Actually, as you think about how we are moving forward here and if you see the more we franchise hotels around the world and we grow, actually that should help contribute. And as we expand our brand portfolio, I feel like I think we are very confident we can continue to grow margins and I do not believe it will be a drag on margins.

Elie Maalouf: I mean, beyond our more limited service franchise expansion around the world, our Luxury & Lifestyle expansion, where we have 13% of our distribution today but 21% of our pipeline, those come at higher fees, substantially higher fees per key, which is also accretive to margins. So we think we have a fair amount of runway.

In terms of the Iberostar openings, I think we are on-track. It is what we expected. I mean sometimes things happen sooner, sometimes things happen later, but generally, we expect it for the year. We are in ongoing conversations with the owners for the rest of the year. And so I think, yes, it has been very good progress in generally what we expected.

Your third question was with regard to our new midscale brand. Had two parts. The owner value proposition is pretty clear. They have good assets today. Now they are in various configurations. Some could be 80 rooms, some could be 200 rooms. Some could have room sizes of 250 square feet, some can have room size of 350 square feet. There are going to be various dimensions and varying levels of service, but we are going to narrow, say, midscale limited service structure. And it makes less sense for them to convert to Holiday Inn Express for which we have very clear criteria, very strict and defined design criteria, service criteria.

It is the most successful retail brand in the world, the largest brand in the world, and it has a very clear pattern versus this allows an owner to join IHG system, stay and become a high-quality hotel but maintain some of their own physical characteristics that are actually proving to be pretty successful.

But they want the lower distribution costs, stronger loyalty programme that we have, better OTA contracts that we have, strong global sales team that we have and all the enterprise strength that we have. So it is really different. And they are not generally considering you being one of our, say, established hard brands versus a more soft conversion brand like what we are launching.

And so therefore, at least to your last question is why will this not be an extension of avid? Well, avid is actually a very defined product, a room that is 30% smaller than Holiday Inn Express and about 200 square feet, a grab-and-go breakfast, while this product that we are launching will have a hot breakfast, could have meeting space while avid has no meeting space, a great gym, but it is a very efficient, simple product. The basic has done exceptionally well, exclusively new build. So it is really a different product. And this would not be competing either with avid or Holiday Inn Express. We will be targeting a large market of its own that we have not heard before entered.

Alex Brignall (Redburn): For 2024, our net unit growth, obviously, as Jaafar alluded to a proportion of your growth this year is from Iberostar. And you have obviously said that there are other mass conversion deals that you can do. So I am just wondering if we are looking forward, should we think of the base or the comparative for 2024 being the 4%, which includes a big, lumpy mass conversion deal or the lower number of probably something like 3% that would be for want of a better word, the organic net unit growth figure. I guess the reason I ask is because as you alluded to at the time that the Iberostar deal comes a different lesser economics than an organic pipeline opening or signing. And so, as it relates to modelling that is, I guess, an important consideration.

Elie Maalouf: Yes. Just to your last point about modelling and profitability, what we actually said is that the fee take is, yes, as a percentage lower, but gross revenues, not just room revenues and package revenues, which in this all-inclusive resort business, include food and beverage and other services. And so the actual gross room rate is much higher. And we believe that in the net, it is either equivalent if you modelled it to this equivalent room revenue or it nets out to a similar fee take.

So we did not indicate that it would be lower profitability. We said it is a different fee structure, but equivalent to our current franchise arrangements. So I just want to make sure that is understood.

I think, look, we have opportunities for conversion, and we are showing that in our signings and our openings that are either, say, more portfolio as you have with Iberostar or more an addition of smaller portfolios or individual hotels. So we think that the opportunity for some conversions is not limited just to partnerships like Iberostar, although we are always looking for more similar accretive profitable ones, but also we can build a trajectory from smaller portfolio of owners that want to join our system or individual tails of owners that want to join our system.

And that is visible in our figures this year where we might have a much higher proportion of openings and signings coming from conversion.

Alex Brignall: I was exclusively thinking of it in terms of the fee margin that we model rather than adjusting first to ADRs.

Andre Juillard (Deutsche Bank): Two questions, if I may. First one about development and the branded market share. When we look at the US market, as you mentioned, it is branded at around 70%. In Europe, it is almost a contrary. Do you have visibility on what could be the market in the next few years? And what do you expect the branded market share to be in the main market in the next few years, just to try to have a better visibility on how things could go down.

Second question about return to shareholders. You have been announcing \$750 million share buyback programme, down at 47%. And we see that you still got a margin of another on that side. If you had to announce some new returns, would you more focus on share buyback or on dividend?

Elie Maalouf: I will take first question about branded market shares US versus Europe. I mean, you correctly observed that there is a large unbranded, independent market in Europe, and that is a clear opportunity for us. Our brand portfolio today is really geared towards that.

The addition of Kimpton, the addition of the Vignette or voco, and now with our new midscale conversion brand, it gives us more ability to have conversations with owners that have good quality, high-quality independent brands.

But even so seeing their costs increase and seeing the desire to benefit from reach of global corporate customers, reach of global leisure customers and access to our 115 million loyalty members around the world, I mean these are irreplaceable platforms that an independent hotel, no matter how successful they are, how great the reputation is in local market, cannot construct an app like we have that is leading in the industry today, increasing bookings 50% year-over-year through the app.

I mean those are platforms that are highly attractive independent hotels, and I think that will continue to progress our share. How the rest of the industry progresses? Well, we are focused on our trajectory in this market and see good opportunity.

Michael Glover: Andre, on the dividend question, we really have three uses of cash. First, use of that cash is to invest in the business for growth. And then the second use is to grow our ordinary dividend and then to return surplus cash to shareholders.

We have a target range roughly 2, 2.5 maybe cover. So we would look at that and with earnings per share growth, grow the dividend accordingly and then excess cash go to shareholders. And so we do prefer share buybacks when we return cash to shareholders. So I would look for us to continue to do that as our model will generate great cash returns as we move forward.

Andre Juillard: Just a follow-up on my first question. I do not want to go too much in detail, but the particularity of Europe is that the average size of the hotel is relatively small. And that is one of the reasons why branded groups had more difficulties to develop in Europe compared to the US, where it is very well standardised. Do not you think that you will probably have to consider some smaller hotels or different ways to accelerate growth in Europe?

Elie Maalouf: I think the path is less related to size than the brand portfolio. Traditionally, branded portfolios were much more prescriptive, the brands were what we call hardware brands that had very defined design criteria, size criteria, service criteria. And therefore, it is much harder to adapt a very successful, even smaller independent hotel in Europe, and therefore, the gap was too far to reach a neutral win-win.

But now with a more adaptable brand portfolio, voco, Vignette, Kimpton, our new midscale conversion brand, now we can meet owners' desires to maintain what is a very attractive hotel, which, albeit may have fuel rooms, but at higher rates. So really what matters is what is the total opportunity? What is the total profitability of the hotel?

So 50, 60 rooms in a nice part of Europe can be equivalent gross room turnover of 120 rooms in some other parts of the world, even in the United States. So I think the opportunity is there. It just was having the brand portfolio that unlocks that opportunity. Today, I think we are in a better position to do that.

Ali Naqvi (HSBC): Just a couple of questions from me, please. Are you seeing any improvement in the booking curve or visibility? And then is there any normalisation there versus prior pandemic booking trends?

Second question, just on your contract negotiations with corporates. How much of your room inventory or room nights does that cover in terms of pricing? And how much percentage is left off the table since your last set of negotiations versus where ADR is trending now?

Michael Glover: Sure, Ali. Let me take the first one on booking trends and the booking window. I think we are still seeing really pretty short booking windows. In fact, in half one, 62% of our bookings occurred within one week and only 15% were greater than 31 days. So as you can see, the booking windows still remain short. But as we said, we do still have confidence in moving forward with RevPAR.

Elie Maalouf: I mean, to also add on the booking window. Part of it may be just the different way people are traveling, their comfort in using our technology to find the inventory and find the rooms by making our technology more accessible, easier to use. And that is not necessarily an unwelcome thing, because, frankly, as the booking window tightens, it gives hotels stronger rate opportunity. Sometimes those long-dated bookings came at substantial discounts.

So it is not necessarily an adverse development. You just have to adapt your revenue management systems and your revenue management philosophy to take advantage of it. And I think we have been very nimble in that respect.

Your second question was corporate negotiations. We concluded those corporate negotiations last year, we are actually about to go into the next phase of those. It is about a four-month process that starts right here towards the end of August. I think we benefited from those. We reached substantial negotiated increases for our owners, hotels in those. I think we benefited from those, and you are starting to see that display itself in the rate growth that we have shown in corporate this year, which has been higher than the room and the occupancy growth.

So I think that will continue to be headroom for us. And it is also not just the actual negotiations. It is the mix. We have the opportunity right now at higher occupancies, that strong demand travel. The change of the mix of our customers and choose preferred ones that are willing to pay higher rates and stay for longer stays.

Well, thank you, everyone. It has been great to connect with you today. I look forward to seeing many of you in person over the next few days here in London. We are pleased with the first half we have had. Our teams have done an excellent job to position us for success ahead. And we look forward to the important next chapter of growth. Our next market communication will be our third quarter trading on Friday, 20th October.

Thanks for your time and interest in IHG, and I look forward to catching up with you soon.

[END OF TRANSCRIPT]