IHG Third Quarter 2023 Trading Update

Friday, 20th October 2023

Introduction

Stuart Ford

VP, Head of Investor Relations, IHG Hotels & Resorts

Welcome

Good morning everyone from me and welcome to IHG's conference call covering the third quarter of 2023 trading update. 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. Just to remind listeners on the call that in 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 this morning's RNS release. The release, together with the usual supplementary data pack for the third quarter, can be downloaded from the Results & Presentations section under the Investors tab on ihgplc.com. I will now hand the call over to Elie.

IHG Third Quarter 2023 Trading Update

Elie Maalouf

Group Chief Executive, IHG Hotels & Resorts

Thank you, Stuart, and good morning everyone. As Stuart said, I am here this morning with Michael. I will pass over to him in just a moment, and he will review each of the regions for you in more detail. However, before that, I would like to thank our teams and colleagues for all their support in delivering what has been another strong trading performance. You will have seen that we are still providing monthly RevPAR data in our release as well as giving you both the year-on-year movements and the performance relative to 2019 given the impact that Covid was still having particularly in Greater China at this time last year.

RevPAR

On a Group-wide basis, RevPAR was up 10.5% on last year and up 12.8% versus 2019 levels. You will recall that we first saw Group RevPAR exceed 2019 in the third quarter last year. The 12.8% we are reporting today therefore marks the fifth quarter of sequential improvement ahead of pre-pandemic highs. Our Americas region was already ahead of 2019 from April last year with EMEAA also moving ahead a year ago. In this last quarter, the excellent rebound in Greater China means that it too has now completed its post-Covid recovery. In terms of the component parts of Group RevPAR for the quarter, pricing remained very robust with average daily rate up 4% versus last year and up 15% on 2019. Occupancy of 72% was four percentage points better than last year and at just one percentage point lower than 2019 is a further reflection of the near-complete return to pre-Covid levels of demand.

Stay Occasion Types

In terms of the split of stay occasions between leisure, business and groups, each of these saw rooms revenue ahead of last year. Leisure was already well up on 2019 levels in the third quarter of last year so it was very pleasing to see that this year we have exceeded that high benchmark. Business revenue is also above 2019 levels and the further normalisation of global working habits has seen the return of more meetings, conferences and events. Groups revenue, which lags bookings, is up 16% on last year and is just now 2% below that 2019 level. More importantly, the forward indicator of booked revenue for groups and meetings globally has accelerated to be 37% ahead of 2019, so we have got very good visibility of a more than full recovery of this activity.

Net System Size

Now, turning to net system size, nearly 8,000 rooms are open in the quarter which is similar to the same quarter last year. Year-to-date we have opened 29,000 rooms which is 25% more than last year. This has led to net system size growth of 4.7% year-on-year. Iberostar has contributed 1.8% of it so our net growth excluding Iberostar is 2.9% year-on-year. Net system size growth year-to-date is 2%. The fourth quarter is seasonally our biggest for delivering net growth and we have good visibility of the hotels that are due to open in the next three months which should get us close to 4% for the year.

Signings

Turning to signings, we added 17,000 rooms into our pipeline in the quarter. That is 27% more signings than the third quarter last year and is the same amount of rooms signed as in each of the last two quarters. Year-to-date this means signings are ahead by 16% and it takes the total pipeline to 292,000 rooms, which is an increase of 5.1% year-on-year. We are making good development progress across our brands and categories of Suites, Essentials, Premium and Luxury & Lifestyle. For the latter, our six Luxury & Lifestyle brands continue to grow to be a larger proportion of our business. They are now 14% of the current system, 22% of the pipeline and 26% of all signings year-to-date. Our investor relations team have released the next episode of the "IHG Checks In On…" today and this latest teach-in is all about IHG's presence in Luxury & Lifestyle across more than 800 open and pipeline hotels. You can find it on the Investors section of our website.

Development Activity

Now, coming back to the bigger picture for development activity for a moment, despite some economic uncertainties and challenges to financing across the wider commercial real estate sector that are holding back new developments in the short term, our industry is fully expected to return back to prior levels of new supply growth as it has always done in past cycles. The combination of higher room rates and a period of lower supply are stimulants to new development further down the line. In the meantime, IHG's ability to increasingly capture conversion opportunities is an important highlight. Conversions are obviously quicker to market in terms of delivering system growth and they have increased this year to represent over a third of both openings and signings. As well as being a higher proportion, the 125 conversion signings so far this year represent a record level in absolute terms and almost double the level over the last decade. In September our new midscale conversion brand Garner became ready for franchising, and we are very excited about the levels of owner interest we are receiving and its growth prospects and further accelerating the number of conversion deals for IHG. We expect the first Garner hotel to open by the end of 2023.

Now I will hand it over to Michael to provide more detail at a regional level.

Regional Update

Michael Glover

Chief Financial Officer, IHG Hotels & Resorts

Americas

Thank you Elie. Starting with the Americas RevPAR was up 4.1% year-on-year and was up 13.8% versus 2019. For the US RevPAR grew 3.1% year-on-year and was up by 11.8% on 2019 levels. Occupancy of 72% was 0.7 percentage points up on last year and just 0.6 percentage points away from 2019 levels. Pricing power remained robust with average daily rate exceeding last year by 3% and up 15% on 2019. Leisure room revenue in total was up 3% year-on-year driven in part by another strong summer vacation period. The pricing power of our hotels was already robust in this segment a year ago and it continues to be so. Business revenue was up 6% year-on-year whilst Groups demand, which has been the final area to recover, has shown an even more marked improvement, up 8% on 2022. If you look at this performance on a 2019 basis, Groups revenue still lags but now just by 9%, whilst Business revenue is up 3% and Leisure revenue is ahead by 22%. In terms of system size, 2,000 rooms were opened in Q3. This included 13 more Holiday Inn Express properties whilst the most recent Avid openings included its first in New York. As with all regions, we expect a significant step up in openings in the fourth quarter.

We have signed over 5,000 rooms across the Americas. Mexico, Latin America, the Caribbean and Canada had another strong quarter, demonstrating our growing appeal beyond the US core market and our increased development efforts in these locations. Year-to-date they represent a quarter of the signings in the region compared to just about 7% last year. Signings for the region as a whole included eight Avid hotels, 16 across the Holiday Inn brand family and another particularly strong quarter for our extended stay brands with 26 signings. In Luxury & Lifestyle, another two fantastic properties were signed for Six Senses, one at a private island and harbour resort location in coastal Carolina and the other at an exclusive beach location in Mexico. Year-to-date total signings for the Americas region are up by nearly 10% on last year.

EMEAA

Moving on now to our Europe, Middle East, Asia and Africa region where RevPAR exceeded last year by 15.9%. Compared to 2019 RevPAR was up 17.5% as the region now pushes on past the level of recovery already achieved by the Americas, which is a reflection of the greater amount of rate uplift. Whilst occupancy is still four percentage points behind 2019 levels, rate is up by 24%. There is a greater amount of inflationary pressure in a number of the EMEAA markets when compared to the Americas but there is also a mix effect given how our growing estate of Luxury & Lifestyle hotels have achieved the highest increases in average daily rate. 2,000 rooms were opened in EMEAA during the quarter, a seasonably low period which is expected to be considerably exceeded in the fourth quarter. Signings in the region added almost 5,000 rooms to the pipeline with conversions representing around 40% of these. Luxury & Lifestyle also accounted for 40% and included three InterContinentals and three Six Senses properties. In what is proving a strong year overall for the EMEAA pipeline, signings are up by almost 40% year-to-date on 2022.

Before we move away from the EMEAA region, just to note to say that all of us at IHG are deeply saddened by the tragic loss of life in the Israeli/Gaza conflict and our thoughts are with those affected. Of the EMEAA's just over 1,200 hotels we have five that are in Israel, three of which remain open, and we are monitoring the situation closely, alongside our hotel owners. Our colleagues and guests are safe and accounted for. We continue to prioritise their safety and have increased security measures in and around our hotels.

Greater China

Finally, moving on to Greater China. Since the lifting of Covid restrictions at the end of 2022, trading has significantly improved. This latest quarter, as Elie mentioned, is the first that we have seen in the region exceed 2019 levels with growth of 9.3%. Year-on-year RevPAR was up 43%. Occupancy was 67% which was up 14 percentage points on last year and was up two percentage points on 2019 levels. Rate was up 13% on last year and 6% on 2019. There was particularly strong domestic leisure demand which is also reflected in July being the strongest monthly performance in the quarter, easing back to more modest RevPAR growth by September. This is also a factor of why the strongest RevPAR performance was across the Tier 2-4 cities which saw RevPAR up 13% versus 2019. Tier 1 cities were still down 3% due to the more gradual return of international travel which has a stronger bearing on performance in these locations. The start of October is also an important leisure period in China given the national holidays. Recently published data has shown that domestic travel volumes were ahead of 2019 while the hotel industry saw domestic tourism revenues even further ahead of pre-Covid levels. Aligned with this, IHG saw RevPAR strongly ahead of 2019 through the eight-day holiday period.

Development activity is also coming back as the region moves on from the prior Covid-related restrictions. There were 37 hotels signed into the pipeline or nearly 7,000 rooms, which is the highest quarterly signings performance since 2021. In terms of openings, there were 21 hotels added in the quarter but reflecting the seasonal step-up we expect a considerably greater number to open in the final quarter of the year. Going back to the pipeline, it was another strong quarter for Holiday Inn Express with 16 hotels signed as well as for Holiday Inn with a further eight. There were also eight new signings across our Luxury & Lifestyle brands. The opportunity for conversions continued to grow in the region with these representing over 30% of the hotels signed so far this year compared to less than 20% in previous years.

Share Buyback

Finally, just to update you on the share buyback, we are currently 94% of the way through the $750 million programme for 2023. To date, this has reduced our share count by 5.7% on top of the 5% share count reduction from the 2022 programme. As we have stated in this morning's announcement, our priority uses for cash generation remain the same, as does our target range for leverage, which is 2.5-3.0x net debt to EBITDA. Because of the strong growth in profitability and strong cash generation in 2023, leverage at 31st December 2023 is likely to be below 2.5x. The Board will continue to evaluate the potential for future returns, doing so next in early 2024. What is important to note here is that our highly cash-generative model should enable regular annual returns of surplus capital, such as through annual share buyback programmes. Having already returned $500 million of surplus capital in 2022 and $750 million in 2023, we expect to have significant ongoing capacity to return further surplus capital to shareholders, both in the ordinary course and as we look to move leverage into our target range over time. We would expect consensus to routinely model the return of surplus capital in future years aligned to our capital allocation approach. The 2023 share buyback programme of $750 million combined with the ordinary dividend will have returned $1 billion to shareholders in 2023, equivalent to 10% of our market cap at the start of the year and equivalent to more than 8% of our current market cap. Now back to you, Elie.

Closing Remarks

Elie Maalouf

Group Chief Executive, IHG Hotels & Resorts

Third Quarter 2023 Summary

Thank you Michael. To summarise the third quarter, strong trading has driven continued improvement in our Group-wide RevPAR performance with China demonstrating an excellent rebound in trading and both the Americas and EMEAA regions showing no signs of weakening. Net system size growth was 4.7% year-on-year, and we expect close to 4% for the year. And with good development progress across our categories we are pleased that we continue to see Luxury & Lifestyle becoming an increasing proportion of our business, as well as strong growth in conversions across the brand portfolio.

Outlook

As we said in this morning's announcement, we expect to close out 2023 with very strong financial performance. I am excited about the future for IHG and the attractive, long-term demand drivers in our markets. As such we are confident in the strength of our business model, scale and strategy to capture sustainable, profitable growth. In February, we will talk more about the evolution of our strategic priorities but the core components of creating value for our shareholders will remain unchanged. First, growing our fees through the combination of both RevPAR and net system size growth. Next, this in turn contributes to driving further margin expansion. And then, with our typically strong cash conversion, this allows IHG to both reinvest in the business and to consistently return surplus capital to shareholders, which further enhances earnings growth. With that, I will now pass it back to the operator and open up the call for questions.

Q&A

Richard Clarke (Bernstein): Hi, good morning everybody, three questions if I may. Maybe just starting off with net unit growth. You are talking about further challenges. Is there any sort of sign of a light at the end of the tunnel there? You are beginning to see construction start to accelerate, when do you think you can get back to north of 5% net unit growth at this stage? Then the second question, obviously in the news this week we have heard about the Choice bid for Wyndham. It may or may not happen. I do not expect you to comment particularly on that deal, but would you see consolidation in the industry as broadly good for IHG? When Marriott bought Starwood, you talked about some opportunities for IHG to grab some of the peripheral hotels. Would you be seeing that as a positive boost overall for IHG? Maybe just lastly, again topical, you made the comments about Israel hotels and two of the hotels being closed. In the wider region are you seeing any particular weakness in demand into any of the neighbouring countries to Israel and the wider Middle East?

Elie Maalouf: Okay, I think I will take these questions. Michael will just jump in wherever, Richard. We are not seeing anything different, negative in the development market. The growth of our signings, 27% year-on-year for the quarter, 16% year-to-date over last year, is a positive indicator of the confidence of owners, not just in our brands and in our system delivery but also in the wider development market. They see strong RevPAR, strong rate, occupancy basically back to 2019, strong consumer confidence, therefore they are encouraged to build more hotels. The supply environment has been low which is a precursor to supply growth. We do see this accelerating going forward. We do not know how more interest rate increases are out there, but I think we all agree we are getting closer and closer to the end of those. If you heard the Chairman of the Federal Reserve yesterday, I think he feels like we are getting closer and we are feeling like we are getting closer to flattening of inflation. All those are positive indicators and I think our owners and investors feel that confidence. That is reflective in the growth of our signings and the acceleration of our growth. So yes, we definitely see the light at the end of the tunnel, and we are getting closer and closer to that light every time. Meanwhile, I do not think we are waiting for the end of the tunnel. We are growing both in signings and in system size growth. We are growing our conversions in the meantime, which leads me to your second question.

Obviously, we will not comment on any speculation around M&A, but we have a very sound strategy globally across our brand portfolio, across our enterprise delivery in our markets. We are very confident that it is the right strategy to deliver shareholder value. We launched Garner Hotels at the half-year with an intent of converting independent hotels first in the Americas and then beyond. Also those of, let us say, lesser delivery systems. That is still the case, let me just leave it at that for the second question.

On your third question it is very distressing, tragic to see what is happening in Gaza and Israel. We hope for an immediate cease of the hostilities. Our first priority is the safety of our colleagues and our guests in the area of conflict. Clearly our five hotels in Israel have been impacted in terms of bookings and cancellations, as anything travel-related has. It is too early to reflect and too early to assess a wider impact. Clearly at a system level we are not seeing anything at this point, but it is a fast-moving situation, and we are watching it very closely, as is anybody in the travel industry.

Richard Clarke: Thanks very much.

Vicki Stern (Barclays): Morning, just coming back on the unit growth, I know you talked there in your prepared remarks about a good visibility on openings coming through in Q4, but could you elaborate on your confidence in reaching that 4% net unit growth for the year? That obviously does leave quite a lot to be done in Q4. Then with that I think consensus is right now modelling about 4% for next year also. At this stage does that seem reasonable to you as well? Related, are you expecting to sign any other deals similar to Iberostar? Is there anything you are working on there right now? The second one is on China. RevPAR data has obviously come through much better than you expected back at H1. I think you had suggested back then something more like -5% versus 2019 in the back half. Where for you has the biggest surprise come from and where does that leave you in terms of expectations now for the back half? Then finally on the credit card opportunity, Elie, I know you have been talking quite a bit recently on that and the renegotiation that will come through I think in 2025. Just a few words on how big the opportunity could be there for IHG in terms of uplift. Thanks.

Elie Maalouf: Okay, a lot in there but let us try to unpack it. I will start with Q4 net unit growth and then turn it over to Michael or Stuart on next year, and then move back in. We have very good visibility and confidence in the openings for Q4 to get to close to 4%. The fourth quarter is typically always our largest quarter for openings and also signings. The proportional amount that we will be opening in the fourth quarter is in the range of what we have opened over multiple years. That is where our confidence comes from. I will just skip over the next one. Regarding partnerships we are always working on things. The Iberostar partnership is giving us the platform to work on similar opportunities. We obviously will not comment on anything that may or may not be under discussion, but it is a long-term strategy that we have. We have been in partnerships for well over a decade, starting with the LVS partnership in Las Vegas. Then we expanded to Macau and now with Iberostar. There is more opportunity there over time.

Michael, I will turn it over to you on China. On 2024 we are not giving guidance, as you know, but we are comfortable with consensus where it is at right now for 2024 on net unit growth. On the credit card it is clearly an opportunity for us, and we are working towards that. There is a lot that we are doing beyond a renegotiation or rebid of our credit card agreement. It is really strengthening our loyalty plan which continues to perform very well and to attract more guests, more customers and more spend. The new cards we have already launched continue the strong trajectory that we have announced. In fact the accelerated trajectory that we announced at the half year of new customers and new spend. That is really just building the momentum along with the expansion and growth of our Luxury & Lifestyle portfolio. The more Luxury & Lifestyle portfolio we have, which we just discussed acceleration of it here in the third quarter, the more attractive we are for higher spending credit card customers. It is really a total system approach, a total company approach, to put us in the right position in 2025 for more monetisation of our customer and our credit card opportunity. Yes, it is a big opportunity for us. Michael, why do I not turn it over to you on the China question of where the strength came from?

Michael Glover: Sure. If you look at what happened over the summer period, July was the strongest month over the summer period, and you started to see it come back in August and September. That is because of the really strong leisure activity we are seeing in the region. Again, we saw really strong leisure activity over the Mid-Autumn Festival holiday in early October. We would expect to see that come back to normal levels. We still do not have the airlift back in China. It is now 45% of 2019. That has moved up by 10% at the half so it is starting to come back but not all the way back there. I think that will still affect our Tier 1 cities as they benefit mostly from that international travel and airlift coming back. I think that is what I would say on China.

Then from a net unit growth for next year obviously we do not give out guidance of what we are going to do next year but what I would say is that there are some great indications with signings being up 16% year-to-date and up 27% in the quarter that there is still a lot of confidence in our brands. The conversion activity being almost 40% of our openings and signings is also very helpful as those tend to have a shorter burn to get into the system. We feel good about our brands. The launch of Garner, as Elie mentioned, is going well. I think we believe in our brands and what we have got going. Hopefully next year will be a good year.

Elie Maalouf: Just back on China, Michael and I spent a full week there a couple of weeks ago and came back very encouraged. Yes, the macro that you read at a very high level is different but really the travel industry has a lot of energy and a lot of dynamism. 1.8 billion trips were taken during the Mid-Autumn Festival between air, rail and car. We believe that China is a tailwind for us, unlike a lot of the commentary.

Vicki Stern: Very helpful, thanks very much.

Jamie Rollo (Morgan Stanley): Morning everyone, three questions please. First of all just back on Iberostar can you remind us how many of the hotels still have to join the system and the timing of that and when is it going to hit your reported net unit growth? Secondly, what percent of your hotel guests in Europe come from North America generally, and if you have got it for this year even better? Then finally on the buyback, that $750 million is due to be completed by the end of the year. You stepped up the pace quite a lot recently. It is now mostly done. I am just wondering why that was accelerated if the next cash return is not going to be starting till mid-late February. Thank you.

Elie Maalouf: I will let Michael take the first question on Iberostar and we will dig up the answer for you on guests from North America. I guess I do not count as a guest anymore. I have now got residence here in London, so I do not count anymore. Michael will take the buyback question too.

Michael Glover: Yes, Jamie, on Iberostar we have 27 of the 70 hotels remaining to be brought into the system. I think we have said all along those would take a little longer as those tend to be third-party owners. I think we would look to see that come in over the next 12-18 months as we work with those owners to get the deal in. Then from a buyback perspective what I would say on that is we actually use an enhanced agency model and so we go out and agree with a broker to deliver and do the buybacks. We do not control the timing of that. They guarantee us a pricing discount to VWAP and so they have been making the decisions on when to buy back. Within whatever algorithm they use they have determined that was the best period to accelerate.

Stuart Ford: Jamie, just in terms of US travellers into the EMEAA region, it averages around 10% across the whole of the EMEAA region. There are some locations that are higher and others that are lower so locations like Ireland, for example, is a higher proportion but it blends to around 10%. That is data that is based on our loyalty customers because obviously we are able to analyse that with greater precision and that is around half of stay occasions. It is not something that you can collect with precision from every single guest stay but it is pretty well-informed data.

Jamie Rollo: Thanks and Michael, those 27 remaining third-party-owned Iberostar are similar in size to the other 40-odd, are they?

Michael Glover: Yes, that is right.

Jamie Rollo: Okay, thank you very much.

Stuart Ford: Jamie, those 27 are all in the EMEAA region, that is the only difference with those 27.

Jamie Rollo: Okay, thanks a lot.

Jaina Mistry (Jefferies): Hi, it is Jaina Mistry. Thanks for taking my questions. I have got three if I may. My first question is around the macro environment, and I am really interested to hear your thoughts on the health of the US consumer. Obviously, the RevPAR data that you have reported for the Americas is really strong. Have you seen any changes to spending behaviour since student loan repayments came back in this month? Then my second question is around growth. Macro aside, I thought it was really interesting to see Marriott's new growth algorithm. Are you thinking about growth in a similar way for IHG or is there any reason why IHG's growth trajectory would be different to Marriott's over the next one or two years? Then my last question is around NUG. You have stated that you are happy with consensus. It seems like consensus is on 4% NUG for next year. To what extent is you being happy with 4% contingent on China coming back so openings in China coming back to a more normal level next year? Thank you.

Elie Maalouf: Okay, I will take the macro question and turn over the algorithm question to Michael and Stuart and also the 2024 NUG question, Michael. On the macro before I even talk about the consumer itself, on the one hand, we have been living now even post-pandemic in two years where there always seems to be something very significant to worry about. We have been waiting for a recession for two years now that has not happened. We have been waiting for a consumer to slow down or for travel to slow down and that has not happened. We have been waiting for broader impacts from the conflict in Ukraine that have not happened. We have been waiting for energy prices to create more disruption which has not happened. I am not happy about those things but the adverse or severe adverse consequences that everybody predicted just have not happened and our travel industry, our company and our performance have powered through it. We are not ignorant of what we still see and the new challenges that appear, but we are staying on our strategy and confident that executing it will deliver value in the long term and even in the mid-term. We are powering through it.

The US consumer has been surprising most predictions including the Federal Reserve's predictions which is almost looking for the US consumer to soften and yet they do not. Unemployment does not go up and that is really the underpinning of the strength of the consumer. If people have jobs they have pay. If they have pay, they are happy and they spend. That is also the situation in China. Employment is good, people have income, and they are travelling. I think to look at the leading indicator of consumer confidence you have to look at employment. Wage gains have been good. Employment has been good. Job growth has been good. Mostly surprising to the upside and so that is why the health of the US consumer at the moment is good. We are not seeing any cracks in their desire to travel and not on the business side of it either where groups and meetings have been recovering.

Before I turn it over on the growth angle, on our total shareholder value algorithm we have been very clear what it is like. The RevPAR growth, the net unit growth required to deliver the mid-to-high teens revenue growth and the margin, which then allows us to drive margin growth in the 100-150 basis points range, which then drives EBIT in the 10-12% range. Then with surplus capital that we return in the form of share buybacks we end up in the 13-15% EPS growth. I think that algorithm is holistic and investment class.

Michael Glover: Yes, I would not add anything else to that other than we just cannot comment on what Marriott's doing and their view. If you look at our asset-light model and our strong cash conversion, that allows us to deliver that algorithm, as Elie just laid out. I do not know that there is much more to say there. On the NUG versus consensus I think we have gone through that a couple of times and Elie's mentioned that we were happy with where consensus was. As I mentioned earlier, I think given our brand portfolio, the impact of conversions and the launch of some of our new brands like Garner we really feel confident in our teams and what they can deliver, continuing to grow our system growth.

Elie Maalouf: Your question was how much of it is relying on China. It is an all-region play. We expect and we are seeing momentum in all regions, not just in one region.

Jaina Mistry: Do you need China to start to recover next year or openings to start to recover next year in China?

Elie Maalouf: Well, they are. China signings and openings have been recovering sequentially every quarter and well above 2022 and in the direction of 2019. We are seeing that happen. It is not a hope, it is a reality that we are seeing.

Jaina Mistry: Very clear, thank you.

Muneeba Kayani (Bank of America): Good morning. Just on conversions, which is over a third right now, can you talk about how you see that mix evolving next year and do you think it will remain around those levels? Secondly, can you remind us, where you are on your Leisure versus Business, Group mix now compared with pre-pandemic? How should we be thinking about that impacting in the fourth quarter, which is typically more of a business quarter than a leisure quarter? Then just on share buybacks, why did you not announce one today given you are at the end of the current one? Could you give us some guidelines on how to think about the size of share buybacks into next year? Thank you.

Elie Maalouf: Okay. Let me take the first question and turn it over to Michael for the revenue mix and share buyback. Yes, our share of signings and openings in conversions year-to-date is 35% signings, 39% openings. We think that is going to stay at an aggregate level strong and now with Garner coming in it adds to it. We would not be surprised, in fact we would be pleased, if the proportion went down as new construction accelerated. We are less focused on the proportion as much as the aggregate. We want both to increase in the aggregate and the proportion may change as new construction accelerates. That is just fine with us as long as the aggregate continues to grow, and they both continue to grow. We do not target a certain proportion and try to limit it. We want more of both and I think that lately we have seen conversions go faster in the current environment. We are firmly convinced that new construction will accelerate. Michael?

Michael Glover: Yes, sure. In terms of the revenue mix if we look at Q3 versus 2019 Leisure was up 34% versus 2019, Business was up 5% versus 2019 and Groups were down just -2% versus 2019. However, what I would say on groups, bookings are 37%. Forward bookings are 37% ahead of 2019. That is even a step up from Q2. What we see is that group business in groups coming back. Obviously, leisure has continued to be strong. We expect that to continue as we move forward into the fourth quarter. We are not seeing any cracks right now, so we feel comfortable with that.

In terms of the buyback, we feel we are in a great place. We have seen really, as you saw at the half-year, strong profit growth. We have seen strong cash conversion and exchange rates have moved with us. This puts us in a really good place and means likely at the end of the year we will be below our net debt to EBITDA target of 2.5-3.0x. As you think about that and you think about the opportunity, I feel like there is a greater opportunity to continue to return cash to shareholders such as through share buybacks. The Board feels the right time to look at that is really at the half-year and the full year so that is when we are going to do it.

Muneeba Kayani: Thank you.

Jarrod Castle (UBS): Good morning Elie and Michael, thanks. Just revisiting some questions I guess; you mentioned five hotels in Israel, but can you give the broader landscape in terms of Middle East and North Africa for us please? Then I did notice in 3Q the Middle East was slightly down in RevPAR, if you could just give some colour on that. Then you spoke a little bit about international travel into China and I guess Europe as well. Can you give some colour in terms of international travel how you see it coming into the US at the moment? It seems like there is a lot of capacity restriction, for instance, between China and the US at the moment. Then at the 2Q stage you spoke about I think it was 100 hotels potential interest had been expressed for Garner. How has that interest evolved since announced, the name, etc? Thanks.

Michael Glover: Yes, this is Michael. I will take the first question on Israel. Just to give you an idea, in Lebanon we have four hotels, in Egypt we have seven hotels, across the broader Middle East we have about 114 hotels, so less than 5% of our global system size. In terms of the Middle East RevPAR being down 1%, that was mainly driven by the timing of some religious holidays and so we would look for that to come back. Then in terms of China and the US, we have seen China into the US is less than 1% of our guest stays in 2019 so it is not a huge impact. But, then you also heard of agreements with the US government and China increasing the airlift back and forth between the countries. So, it is not a huge impact to us right now. Elie, anything you would want to add on that?

Elie Maalouf: Yes, it is going to be incremental to the good business trading that we have already in the US and even in Europe I think it was 2% in 2019. China to Europe was 2%. Yes, more concentrated in cities like London and Paris but overall our business was 2%. It is not all back yet but it will come back. It is coming back faster to Europe than it has to the US. It is an even bigger percentage of Southeast Asia where let us not forget we have a good presence there too and we are starting to benefit from it. It is really all incremental. We see it as a tailwind going forward.

Your question about Garner, yes, we had 100 hotels interested in converting. That is proceeding. Those interests are manifesting themselves into what we call applications, eventually approvals, eventually signings and eventually openings. More people are calling in and we are reaching out to more people, so it is building from there.

Jarrod Castle: Okay, thanks very much.

Andre Juillard (Deutsche Bank): Morning gentlemen, a few questions if I may. The first one is about the pipeline. Can you give us some more colour, if possible, about the financing of the pipeline in general, the origin of the funds and the feedback you have from banks and financing in general? Second question is about distribution. Could you update us on your partnership with Amadeus and where things evolve between direct distribution, OTAs and partnerships in general? Also, an update on the loyalty programme. Thank you very much.

Elie Maalouf: Okay. On the pipeline we said at the half-year that about 40% of our pipeline is under construction. That is still the case. As hotels open more start under construction so it is a recycling, revolving situation. But, our pipeline has grown over 5% year-over-year, which is a pleasing thing, despite the fact we have been opening hotels, but we are signing more into it. As I said at the top of the call, the financing environment has not gone backwards since the half-year or since the beginning of the year. Our owners are encouraged by signing more hotels. We have got more hotels under construction and more hotels opening. That is just a gradual return to normality. As interest rates flatten out and as inflation flattens out, we are going to see more financing available for hotels. Certain sectors of commercial real estate like office are not recovering and in China residential is not but those are really disaggregated from the strength that we are seeing in travel and leisure, the strength we are seeing in the industry and the return of financing to our industry.

On distribution we have had a long-term relationship now with Amadeus. We are into the second stage of the rollout of the features in our guest reservation system, which is best-in-class – best in the industry. We have now got attribute selling. We have got feature selling for guests on our site. It is an integral part of how we go to market with our guests and with our owners and it is proceeding very well. I do not know if you had a specific question about it, but it is ongoing and proceeding very well.

Loyalty has continued to grow. Michael, I think you have some specific statistics, but our contribution has grown quarter-over-quarter, year-over-year from the high levels that we announced at half-year. The programme continues to perform very well.

Michael Glover: Yes, if you just look at our Elite members they are returning more often and staying more nights year-over-year. Our Reward Nights bookings are up 40% in Q3 versus 2019 and members redeemed 44% more points in Q3 2023 versus 2019. Just a reminder, we launched the programme in April of 2022 with a faster way to earn and a new tier system, exceptional choice rewards and much richer benefits. We are seeing strong demand for that programme and strong growth in that programme.

Elie Maalouf: I think it’s important to recall that over 50% of our room nights globally come through IHG One Rewards. You should not disconnect that from the fact that our conversions are growing as owners appreciate the strength of a high-revenue, low-distribution system.

Andre Juillard: Okay, so 50% of the room nights are coming from this programme, is that right?

Elie Maalouf: Globally, yes.

Michael Glover: Yes.

Andre Juillard: Okay.

Elie Maalouf: And growing.

Andre Juillard: Okay, thank you.

Leo Carrington (Citi): Good morning, thank you. If I might, I have got three questions please. If I might firstly follow up on the questions around the financing environment. In terms of what to expect, would we see the quarterly signings accelerate fast and then openings to follow or are there pent-up openings that you would expect? I ask because I take the point around the signings growth, but absolute signings have been quite steady Q1-3. In terms of the regions, is the US where the dynamic is the most challenging with America's system size being flat year-to-date? Secondly, if I could ask on the big picture around occupancy progression in Europe versus 2019 going forward, do you see a recovery like you have seen in the Americas or is there something structural about the EMEAA portfolio that gives more of an occupancy challenge? Then last question is a very quick follow-up on Garner. Do you have any guidance for us or help for us in terms of how this might ramp over 2024 in terms of openings? Thank you.

Elie Maalouf: Okay. I will take the financing question, pipeline question and Garner ramp up and turn over the EMEAA occupancy question to Michael or Stuart. The funnel is signings then openings, but we have a very healthy pipeline with nearly 2,000 hotels in it. We feel confident that openings will come from the existing pipeline already, of which 40% is under construction. But, with the increase in conversions a higher proportion of openings is also coming from very recent signings because they tend to sign and open in many cases within the same year. Therefore, you will not see it in the pipeline on a year-over-year basis in some cases. Yes, signings when we are doing so much in conversions can contribute at a higher level to in-the-year openings but most of our openings are always going to come from existing pipeline that is getting financed and well under construction. Quarter-to-quarter signings and openings can be a bit lumpy. What we look at is how we are comparing year-over-year. We are 27% in Q3 over last year. We are 16% year-to-date over last year. We see that as an acceleration and good momentum, not as being flat. That is building really momentum for future years.

In terms of Garner, it is going to be a contributor in 2024. We are not giving guidance on exactly how much, but it is going to be a contributor in 2024. Initially, we are starting it in the US, but we see it expanding further.

Michael Glover: In terms of occupancy going into Europe, if you look at EMEAA total being down 4% most of that is impacted by your Asia countries in the Asia region as that has been slower to recover because the lifting of Covid restrictions was later. Actually when you look at it in total Europe has got back to occupancy much faster. So, we would not expect to see something structural there where we would not see, and we would expect it to return to occupancy levels we have seen pre-Covid.

Elie Maalouf: I want to thank everybody for joining us today for the call. We had a very good third quarter. I want to thank our teams for delivering it. I want to remind you that our financial results for the year along with the trading in the fourth quarter will be announced on Tuesday, 20th February. I look forward to speaking then again. Goodbye.

[END OF TRANSCRIPT]