

## **IHG Annual General Meeting**

**7<sup>th</sup> May 2020**

### **IHG, Chair, Patrick Cescau**

Good morning and thank you for joining us today on this conference call and for listening in to IHG's Annual General Meeting.

I am speaking to you from IHG's Global Headquarters in Denham – a change from our usual location of the InterContinental London Park Lane, as outlined in my recent shareholder letter to you.

Now, in normal circumstances, I would start proceedings by thanking everyone for attending. It has always been a pleasure to see so many familiar faces at our AGM, and to have the opportunity to talk to you and respond to your questions in person.

However, as we all understand, we find ourselves in anything but normal circumstances at the moment, with Covid-19 bringing significant disruption to everyone's lives.

It is undoubtedly the biggest challenge IHG, our hotel owners and our industry has faced, and as we work through it, the health, safety and wellbeing of all those we are connected with is of paramount importance.

As you know, I recently wrote to ask that you did not attend this AGM in person, in line with the UK Government's travel restrictions and "Stay at Home" advice. We thank you for following this guidance and joining remotely today - and for voting ahead of the meeting.

In light of similar advice on travel restrictions from governments globally, our Board members are also not in attendance today.

Our Chief Executive Officer, Keith Barr; Chief Financial Officer & Group Head of Strategy, Paul Edgecliffe-Johnson; Ian Dyson, Independent Non-Executive Director and Chair of the Audit Committee; Jo Harlow, Independent Non-Executive Director and Chair of the Remuneration Committee; and Jill McDonald, Independent Non-Executive Director

and Chair of the Responsible Business Committee, are however with me on the line. Other Board members and colleagues from the business are also listening into the call, and Nicolette Henfrey, IHG's Executive Vice President, General Counsel and Company Secretary, is with me in the office.

Ladies and Gentlemen, today we will turn first to the formal business of this meeting, which you will find set out in the Notice of Meeting.

As usual, we have taken the Notice of the Meeting as read. I now propose Resolutions 1 to 9 as Ordinary Resolutions, and 10 to 14 as Special Resolutions, as set out in the Notice of Meeting.

The results of the polls on Ordinary Resolutions 1 to 9 and Special Resolutions 10 to 14 will be declared later today, and we will announce these to the London and New York Stock Exchanges and place them on our Company website.

Thank you to those of you listening in today for voting in advance of today's proceedings. I now ask the three members of the Company, who are physically with me in the office, and form the required quorum as per our Articles of Association, to cast their vote.

Thank you, that concludes the formal part of the business - but before we move on to other remarks, I did want to pause for a moment to provide some more context on two of today's resolutions in particular. The first is the updated Directors' Remuneration Policy, which we have today put to a binding shareholder vote. The proposed areas of change were informed by extensive shareholder consultation and will be effective immediately after the conclusion of the AGM. They will then be subject to a binding shareholder vote by ordinary resolution at least every three years.

We are, however, very cognisant of the current circumstances. Although the Remuneration Policy has been designed to be fit for purpose for the three-year life of the Policy, and we consider that the

rationale for the changes will continue to apply during that time, the Remuneration Committee has considered how the Policy will be implemented in 2020, in light of the impact of Covid-19. More information on this was provided in the Notice of AGM.

The second item I wanted to highlight is that this year we proposed a few amendments to the Company's Articles of Association, which will bring them in line with best practice and latest regulations. In particular, we recommended provisions to allow shareholders who may be unable to attend shareholder meetings in person, to fully participate in those meetings online.

In the context of Covid-19, we consider it prudent to introduce this flexibility for future meeting arrangements. That said, our intention remains to continue to hold physical meetings, given the opportunity this provides to engage with our shareholders.

Now, in usual circumstances we would have included a Q&A session in today's event, but sadly that was impractical on this occasion.

In the run up to the AGM, we did however receive a number of letters and emails from investors and shareholder groups, which we have acknowledged and responded to directly. The topics raised included the impact of Covid-19 on IHG; our plans for running the AGM; executive remuneration and our proposed Directors' Remuneration Policy. We have also had a few questions on our Annual Report, which we would typically receive at our AGM, and will respond directly to the shareholders concerned.

IHG welcomes the engagement and we remain committed to open dialogue with our shareholders and other stakeholders. As a Board, we highly value the opportunity to meet shareholders in person and exchange views; and given the impact of Covid-19 on this meeting, we will consider holding an alternative event later in the year, if circumstances permit.

Whilst this is of course an unusual format this year, we did want to take the opportunity to provide our shareholders with our perspective on the Covid-19 crisis – and so both myself and Keith will offer our thoughts today.

The key role of our Board remains to effectively challenge and support the business on its corporate decision making, and to assess our performance and plans against the changes and challenges that exist in an evolving competitive, economic and societal landscape.

As we know, this is especially pertinent right now, as we meet a range of new pressures in our industry and society as a whole. Strong and clear governance is absolutely vital. As a Board and with respect to the committees we represent, we are working closely with senior leadership to ensure this crisis is managed effectively from people, safety, risk and financial perspectives; and that robust and realistic recovery plans are developed and implemented appropriately.

Further, we want to ensure that all decisions we take as a company are reflective of our values and culture, and that they are in keeping with our core purpose of providing True Hospitality for everyone, which includes the thousands of communities we are a part of.

I would like to take this opportunity to thank each member of our Board for their engagement and support during this difficult start to 2020, and of course, for their invaluable contribution during 2019.

The Board's collective experience has, and will continue to be, of great benefit to IHG as we navigate through today's challenges. As ever, we continuously assess our composition to ensure there is a deep range of perspectives, backgrounds and diversity needed to consistently add value.

To that end, we are delighted that Arthur de Haast joined the Board at the start of the year as a Non-Executive Director. Arthur is



currently Chair of JLL's Capital Markets Advisory Council and brings with him more than 30 years of experience in capital markets and the hotel and hospitality sectors. Arthur, who has today offered himself for election, is serving on our Remuneration and Responsible Business Committees.

From June 1, Sharon Rothstein, former Global Chief Marketing Officer, and subsequently Global Chief Product Officer for Starbucks, will be adding her experience to our Board as a Non-Executive Director.

Sharon has held senior positions in global companies for more than 25 years, including in the hotel industry, and she has Board-level experience in several consumer-focused businesses, which will be of great value to IHG.

She will serve on our Audit and Responsible Business Committees, and will be subject to election at next year's AGM.

Now, as we welcome two new members, we are also bidding farewell to Malina Ngai, who will retire from our Board at the close of this AGM. On behalf of everyone at IHG, I would like to thank Malina for her valuable contribution in her more than three years with us.

In a few moments, Keith will give an overview of our response to Covid-19 and the impact this outbreak has had on first-quarter trading. However, before I handover to him, I think it is important that we briefly reflect on the achievements of 2019, which have again strengthened the company and our ability to grow successfully over the long-term.

2019 was a year in which we showed how a sharper and more agile execution of our strategy can deliver excellent results. Having achieved Net System Size Growth of 3% a couple of years ago, we reached 5.6% in 2019 – the highest in more than a decade. This is a clear reflection of the focus and investment we have placed on

enhancing our brands, expanding our portfolio, and strengthening our owner offer.

During the year we opened more rooms than ever before, and added another two strong brands to our portfolio, with the acquisition of world-renowned luxury and wellness brand, Six Senses, and the launch of Atwell Suites in the US.

More broadly, we enriched the type of company we want IHG to be – whether through strengthening our focus on sustainability, diversity and inclusion, or the continual development of our talented people.

The progress we have made culturally, and in terms of our ability to grow at pace with attractive brands, a compelling owner offer, and a highly cash-generative business model, will stand IHG in good stead when our industry returns to more normal times.

On behalf of the Board, I would like to pay tribute to Keith for instigating such as step-change in IHG's growth in 2019, and of course, in very different circumstances, for the way he continues to lead the business through this global crisis. Together with his leadership team, they are acting decisively at pace and with great integrity, running the business and responding to this challenge with the very best intentions for all stakeholders.

Our thanks also go out more broadly to all IHG colleagues for their spirit, dedication and hard work in the face of challenges including reduced salaries and working remotely at a corporate level; and dealing with immense pressure and uncertainty at a hotel level.

We do not underestimate how difficult this is, on top of the broader hardship and disruption this crisis is bringing to everyone's lives, and we are incredibly proud of how we are responding as one team.

We are committed to doing all we can to help them, our owners and communities come through this, whilst ensuring we take all necessary steps to protect the long-term future of this company.

Turning now to shareholder returns.

We place a high importance on our track record in this regard and our decision in March to not pay our 2019 final dividend was an extremely difficult, but albeit necessary one.

This was the first time in our history we've had to do something like this, and as Board, we were unanimous in the need to take a series of cost saving measures, including this one, to help preserve cash immediately and protect the business for the longer term.

We are grateful that this has been viewed favourably by many of our shareholders, who recognise the importance of protecting liquidity at such a challenging time for our industry.

We have worked hard in the past few years to shape a culture and enterprise offer that puts IHG in the best possible position to deliver high-quality growth and in turn create long-term value for all our stakeholders. This remains our objective.

Nobody knows when this crisis will be behind us, but we are focused on doing everything we can to emerge in the strongest possible position and help our hotels, our industry and our communities recover and adjust to a new normal, market by market.

As ever, we will do this in a responsible way, in keeping with the expectations of all IHG stakeholders, during what continues to be an incredibly challenging time for our colleagues, hotels and owners.

With that, I would like to handover to our Chief Executive Officer, Keith Barr.

**Keith Barr, IHG CEO**

Thank you, Patrick.

Good morning everyone, and may I just add my thanks to you for listening in from home – we really do appreciate you taking the time to do that today.

As Patrick has said, this is an incredibly difficult time for us all, with the outbreak of Covid-19 impacting the everyday lives of billions of people around the world.

As a company, we continue to act quickly and thoughtfully to ensure that we are providing as much support as possible to all our stakeholders, whilst protecting the long-term health of our business.

I am so proud of the manner of our response, and thankful to our colleagues and owners around the world. They have stepped up and selflessly responded at the frontline, or worked tirelessly to give our guests and hotel teams the support they need during these very difficult circumstances.

Our purpose of True Hospitality for everyone sits at the heart of our business and I'll talk more about our broader response in a moment, but first let me update you on our first quarter trading performance, which we announced this morning.

Our global RevPAR declined 25 percent in the first quarter and 55 percent in March.

By late March, demand for hotels had fallen to the lowest levels ever seen as more governments around the world began to impose social distancing measures and travel restrictions. These restrictions remain in place in most of our key markets, and we estimate our April RevPAR decline at around 80 percent.

In the first quarter, we opened six thousand rooms and removed a further eight thousand – two thousand of which relate to a previously announced portfolio of hotels in Germany, for which we have received liquidated damages.



Our total net system size now stands at 882 thousand rooms, up 4.6 percent since this time last year.

So we can see quite clearly the impact this crisis is having on our trading – we can't control that, but we can do everything in our power to help mitigate the effect it has on our business and our owners' businesses; and also shift some of our focus onto the broader role we are able to play in relief efforts around the world.

I wanted to spend a few moments just talking through how we are doing that in three different ways.

Firstly, caring for our communities. We're working with governments around the world to help provide hotel accommodation to those who need it the most, including thousands of frontline workers leading the relief efforts, as well as some of the most vulnerable in society, such as the homeless. Around 290 hotels across our business are currently operating in this way.

We've also continued to work with our humanitarian aid partners to fund disaster relief efforts, such as helping food banks and charities in

more than 70 countries get vital supplies out to those most in need during the crisis.

Our own colleagues continue to inspire us too - volunteering their time; cooking and delivering meals; and donating vital supplies to hospitals.

The second area is around how we support our guests, owners and hotel colleagues.

For our guests, health and safety are paramount and we want them to feel confident in booking an IHG hotel, knowing that we consistently deliver a safe, healthy, and clean stay. Our IHG Way of Clean program is already a key part of how we operate and we're extending this to become a global brand standard. We continue to follow the advice from the World Health Organization and Centers for Disease Control & Prevention to ensure that we have the most up to date safety and security procedures in place for our guests and colleagues.

We understand that not everyone wants to travel right now, so we have waived cancellation fees and created book-now-pay-later

options for the rest of 2020. We're also protecting loyalty points and status for our IHG Rewards Club members by extending membership status and deferring the expiration date of points.

For our owners – it's important to recognise many of them run small businesses and so they are currently facing real challenges – either temporarily closing their doors or running at the lowest levels of occupancy they've ever seen.

We are standing beside them to help get through this - hosting webinars on how to flex operations to stay open and reduce costs, or how to secure government financial support that may be available to them. Furthermore, we're giving our owners an opportunity to pause all renovation work; and offering fee relief options and increased payment flexibility, so that they can reduce their cash pressures and manage through this time.

If they are in the unfortunate position of having to furlough hotel staff, or worse still, let people go, we're also supporting these people with a dedicated website for temporary vacancies, with hiring companies like Amazon and Walmart.

Alongside this, whether at the White House or Number 10, we are working on behalf of our owners with the highest levels of government in key markets globally to secure invaluable stimulus packages for the hospitality industry that will further protect our owners and jobs.

And the third area is that we have to manage sensitively through what is a very challenging time at a corporate level.

Outside of Greater China, we are effectively operating the entire business remotely today, having swiftly put in place all necessary organisational process changes and strengthening of our IT systems. It's vital that we recognise the pressure of that and stay focused on ensuring our colleagues feel properly supported during this time and able to adjust to such a unique environment both professionally and personally.

We're encouraging our colleagues to take part in leadership Q&As and have invested in a range of digital resources designed to offer personal development and help create as much of a work/life balance as is possible.

All of our time and resource is being focused on responding to this crisis in the here and now, and also ensuring that we proactively plan for what a recovery will look like market by market, and to some degree hotel by hotel.

Crucial to any action we take now is to work to tight cost controls and protect cash. Alongside withdrawing our 2019 final dividend, which Patrick spoke about earlier, we're making up to 150-million dollars of cost savings through steps such as temporary scaled payroll reductions across the entire organisation, along with cuts to travel and other discretionary costs across the business. We will implement further cost reductions as necessary to manage the business appropriately through the evolving trading environment.

In addition, we have made cuts to marketing spend across the System Fund and reduced our gross capital expenditure, in order to pass savings on to our owners, preserve our liquidity and give us the capacity to manage our business through this time.

In terms of the financial funding arrangements of the Group, IHG remains well capitalised, and we have around two billion dollars of available liquidity. We have a staggered bond maturity profile and

access to a 1.275-billion-dollar syndicated revolving credit facility, of which 850 million dollars is currently undrawn.

Furthermore, we recently issued 600 million pounds, or around 750 million dollars, of commercial paper from the Bank of England's Covid Corporate Financing Facility.

If we look across our portfolio of almost 5,900 hotels, around a thousand are closed, and occupancy levels at open properties are low. Given the level of cancellation activity we have seen for the second quarter, we expect that these challenging conditions will persist for some time.

However, it is important to underline the strength of our business model, and why it positions us well to withstand this pressure:

- Firstly, we're an asset light business, with most of our revenues tied to hotel revenues, not profits;
- Secondly, we're skewed towards transient and leisure demand, as opposed to large group or corporate bookings, which are

more impacted by social distancing measures and reduced travel budgets;

- Thirdly, our broad geographical distribution is weighted towards domestic demand, mostly in non-urban markets – both of which are expected to lead the recovery in our industry if international travel restrictions persist.
- And the fourth point is that we have a market-leading position within the Upper Midscale segment, which has historically outperformed during downturns.

In our Greater China region, we're seeing some signs of modest improvement in occupancy levels and development activity, where only 10 hotels were closed at the end of April, compared to around 180 at the peak. Domestic travel is picking up, people have returned to work and construction crews are back on site, with work resuming on around 95 percent of hotels that were under construction prior to the outbreak of Covid-19.

In April, we signed the Regent Shanghai Pudong, which will become our first opening for the brand since its acquisition. In the same month, the InterContinental Hong Kong also started its biggest

renovation in 30 years, as we prepare to reopen it under the Regent brand in 2022.

Development activity also continues across our other regions, albeit at a much slower pace. For instance, in April, 10 hotels broke ground in the US and our signings included an InterContinental hotel in Rome. Progress also continues around the world to build upon our new brand launches such as avid, Atwell Suites and voco.

So, in summary:

Our top priorities remain the health and safety of our stakeholders; ensuring we stay true to our purpose, culture and values; and protecting the long-term future of our business.

We anticipate continued disruption in travel for the months ahead, and forward visibility remains very limited. We are focused on taking the necessary actions to reduce costs, preserve cash and further strengthen our liquidity position. Our strategy remains unchanged, and we will continue to build on the relative resilience of our business model.



With that, I'll now hand you back to Patrick.

**IHG Chair, Patrick Cescau**

Thank you, Keith.

The results of the polls will be declared later today, and we will announce these to the London and New York Stock Exchanges and place them on our Company website.

Ladies and Gentlemen, that now concludes our call. We're delighted to have had so many of you join us remotely— thank you for taking the time to do so. Please continue to stay safe.