IHG Hotels & Resorts
2024 Half Year Results

Tuesday 6 August 2024

Introduction

Stuart Ford

Senior Vice President, Head of Investor Relations, IHG PLC

Hello and welcome to IHG's 2024 half year results presentation.

I'm Stuart Ford, Senior Vice President and Head of Investor Relations at IHG Hotels & Resorts, and after a short video reel, I will pass over to Elie Maalouf, our Chief Executive Officer.

Before we proceed, I am obliged to remind the audience that the company may make certain forward-looking statements as defined under US law. Please refer to the accompanying half year results 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.

The results release, together with the usual supplementary data pack, as well as the presentation slides accompanying the results, can all be downloaded from the 'results and presentations' section under the investors tab on IHGplc.com.

Overview

Elie Maalouf

Chief Executive Officer, IHG PLC

Hello and welcome to IHG's 2024 half-year results presentation. I'm Elie Maalouf, Chief Executive Officer of IHG Hotels & Resorts.

I will kick things off in a moment by sharing highlights from the first half, a period of strong financial performance and excellent development activity.

Michael Glover, our Chief Financial Officer, will then provide a financial review, after which I will share areas of progress we are making on our strategic priorities.

We then have Heather Balsley, our Chief Commercial & Marketing Officer, who will provide an update on the great work we are doing in critical areas such as the IHG Hotels & Resorts masterbrand, our IHG One Rewards Loyalty programme, and ancillary revenues.

We saw strong progress in the first half of 2024, with key metrics for our trading performance, signings, profit and earnings all ahead year-over-year.

RevPAR accelerated in Q2 to 3.2 percent, reflecting a strong rebound in the US and the breadth of our global footprint, leading to H1 up 3.0 percent.

Looking at system size, our gross growth was 4.9 percent, and net growth was 3.2 percent. We added 126 hotels to our system, taking our total estate to 955,000 rooms across more than 6,400 hotels.

We delivered record-breaking signings of over 57,000 rooms, up 67 percent on last year, driven by strong momentum across our brand portfolio and the NOVUM Hospitality agreement signed in April. We continue to successfully capture conversion opportunities, which represented over half of all signings.

Our fee margin continued to expand, growing 180 basis points, and helped drive operating profit to over half a billion dollars, up 12 percent. EPS also grew 12 percent.

We are pleased to declare an interim dividend of 53.2 cents, consistent with our 10 percent growth rate in each of the last two years. Dividend payments, along with the 800-million-dollar share buyback programme, are expected to return over 1 billion dollars to shareholders in 2024, representing over 7 percent of our market cap at the start of the year.

Now, let me handover to Michael who will take you through the details of our financial results for the half.

Financial Performance Review

Michael Glover

Chief Financial Officer, IHG PLC

Thanks Elie.

I'm Michael Glover, Chief Financial Officer for IHG Hotels & Resorts. Let me take you through some more detail on the strong financial performance that we have delivered in the first half of 2024.

For our reportable segments, which is the fee business together with the Owned & Leased portfolio of 17 hotels, revenue was 1.1 billion dollars and EBIT was 535 million dollars, representing growth of 7 percent and 12 percent, respectively.

Within this, fee business revenue increased by 6 percent to 850 million dollars, while fee business operating profit increased by 10 percent to 517 million dollars. On an underlying basis, which adjusts for a 4 million dollar LD receipt and to measure growth at constant currency, fee revenues were up 7 percent and profit was up 11 percent.

Fee margin increased by 180 basis points to 60.6 percent - and I'll touch on this in more detail shortly.

Adjusted interest increased to 79 million dollars, as expected, which reflects the higher level of net debt, and a higher interest rate on the bond that was refinanced towards the end of 2023, and also the larger System Fund cash position and the increased charge on this balance which is linked to higher base rates.

The effective tax rate was 27 percent, which is also in line with the guidance we gave, but the rate in the first half of 2023 was lower at 25 percent as that benefitted from a non-recurring deferred tax credit related to a tax law change in the Middle East. The rate for the whole of 2023 was 28 percent.

At the end of the presentation I'll remind you of our full year outlook for interest and tax to help with modelling, but the key point is that these have not changed from 6 months ago.

Earnings per share includes the benefit of accretion from the 800 million dollar share buyback programme we are part-way through in 2024, as well as the annualization of the previous 750 million dollar buyback completed in 2023. The combination of these reduced the average share count by 5.6 percent.

With our strong growth in profit, coupled with the interest, tax rate and share count movements, Earnings per Share increased by 12 percent to 203.9 cents.

For the full year of 2024, the interest cost percentage increase will be less pronounced than it was for the first half, and the tax rate is expected to be around one percentage point lower rather than two percentage points higher which was the case in the first half. Therefore EPS growth for the full year is expected to be higher than the EBIT growth, and in line with consensus expectations.

Moving on to a summary view of RevPAR performance by region.

The Americas improved strongly in Q2 with RevPAR growth of 3.3 percent. While this included a benefit in April from the shift in the timing of Easter which had impacted the end of Q1, all three months of the second quarter were positive and saw more normalised levels of demand which was encouraging. US RevPAR in Q2 was up 2.5 percent, whilst across Canada, Latin America and the Caribbean it was up 9.4 percent.

In the EMEAA region, we delivered another strong quarter of RevPAR with growth of 6.3 percent in Q2, after 8.9 percent in Q1. For the first half overall, the UK was up 2.5 percent, Continental Europe 4.8 percent, and the Middle East saw 9 percent growth. Markets in Asia Pacific were particularly strong and up double digits, partly driven by the benefits of outbound tourism from China.

Turning then to Greater China, the 2.5 percent growth in RevPAR in Q1 eased to a reduction of 7 percent in Q2. You will recall that the comps got significantly tougher in Q2 last year – the region was close to flat versus 2019 levels in Q2 2023, having been down nine percent in Q1 last year. As you know, the industry has experienced shifting patterns of demand mix, including an expansion of outbound Leisure travel to other markets, particularly elsewhere in Asia Pacific as seen benefiting demand in our EMEAA region. Yet, given how successfully we are expanding supply in the region, we achieved total room nights sold and total hotel rooms revenue in Q2 that were both still up by over 5 percent, and for half one that were up by around 10 percent.

With that said, and even though comps get tougher in Q3 as this time last year there was incredibly strong domestic demand, we are clear in our view that the short term trading 'bumps' are not some kind of 'new norm'. We are very confident in the highly attractive medium and long term growth outlook, which is also reflected in our very strong openings and signings performance in H1, which I will come to in a moment. As we've set out before, China is expected to grow at premium rate of GDP expansion compared to many other economies, the number of middle income households is expected to double over the next decade, their spend on travel and tourism will grow at an even faster rate, and more hotel new supply will of course be needed to meet this demand and close the under-penetration of rooms per capita.

So, taking the three regions together, our global RevPAR improved to growth of 3.2 percent in Q2, and growth of 3.0 percent for the first half.

Here, we are showing you our rooms revenue performance split by the different demand drivers of Business, Leisure and Groups, and this is split into the room nights and rate progress.

Groups has been strongest, globally up 7 percent year-on-year in the first half, which as expected is the lag effect of this area of demand fully recovering and getting good rate traction post Covid. For Leisure, it is pleasing to see this continuing to grow in all three regions, and it was up 4 percent globally. And Business revenue was up 1 percent year-on-year.

So, globally, all three demand areas showed positive rooms revenue growth.

Turning to system growth.

Gross openings produced 4.9 percent growth year-on-year as we added 18,000 rooms in the first half of 2024. This was broadly similar to the same period last year if you exclude Iberostar and the first NOVUM hotels that we've added to the system in June of this year.

9,000 rooms exited the system in the half, equivalent to a 1.7 percent removal rate over the last 12 months, which is broadly in-line with the historic underlying average.

Taken together, net system growth is therefore 3.2 percent year-on-year, and it is 0.9 percent year-to-date. There's a lot to do in the second half of the year, but we remain confident of achieving consensus which is around 4 percent for the year as a whole. This would include the NOVUM rooms, which we have said in today's statement we expect to contribute approximately 0.8 percent of the system growth expected for 2024.

We signed a record-breaking 57,000 rooms in the half, a huge increase of 67 percent on 2023 in total, and still up 15 percent if you back out Iberostar and the NOVUM signings. In Q2, the growth rate was even higher – clearly that's the quarter with the NOVUM agreement in it, but excluding that, the signings were still up a very impressive 23 percent on last year.

What's also very pleasing to see is that new build signings are up 23 percent, which reflects developer confidence improving, as well as the strength of our brands and enterprise.

Moving on now to give some further brief highlights for each of the three regions. I've already covered RevPAR, so let me touch on profit as well as openings and signings for each region, starting with the Americas.

Operating profit for the Americas was 413 million dollars, up 5 percent, which very closely matched the growth in revenue. Fee margin was up slightly to 82 percent, and as we've said before, there is still further for the Americas fee margin to go.

Turning to gross system growth, this was 2.5 percent year-on-year, and openings in the half were up some 65 percent on last year.

There were over 10,000 rooms signed in the half, which was down on the first half of last year, but we see this as timing and therefore expect a good pick-up in signings in the second half.

It's worth noting the traction we are getting with the Garner brand, which as Elie will touch on, added a further 15 signings.

The Americas pipeline is up 3.5 percent compared to this time last year, which represents future growth of 21 percent of the current system size in the region.

In our EMEAA region, operating profit jumped 34 percent to 119 million dollars, outstripping the 12 percent growth in revenue. IMFs increasing by 12 million to 55 million dollars is clearly a driver of this. It is also worth noting that the Owned & Leased portfolio was loss-making in the first half of last year and is now back to breakeven. For the fee business, the margin is up over 700 basis points – this increase is a sustainable move up and clearly has further to go, but it was already moving up strongly in the second half of last year, so the increase won't be quite as pronounced for the year as a whole.

Gross system growth was 5.5 percent year-on-year with the opening of 4,400 rooms in the region in the first half. While this is fewer than the first half of last year, there should be no particular concern over that. In the first half of 2023 there were nearly 4,000 openings which came from Iberostar, and there were also a small number of very large hotel conversions in the first half of last year which added a lot of rooms. We are confident in the full year outlook for EMEAA openings.

When it comes to signings, at nearly 32,000 rooms, these were more than triple what we signed in the first half of last year. There were seventeen and a half thousand rooms that came with the NOVUM agreement within this, but excluding these there was still signings growth of a very strong 40 percent. Aside from the excellent growth that we've achieved in the priority market of Germany, there were nine signings in India, eight in Japan and seven in Saudi Arabia.

The pipeline for the region has also jumped nearly 40 percent year-on-year, and now at over 100,000 rooms represents 43 percent growth on the current system size for the region.

Moving on to Greater China, where the operating profit was held flat at 43 million dollars, with the 3 million dollar increase in revenue offset by a similar increase in costs. As a result, fee margin slipped back to just under 56 percent from 58 percent this time last year. We remain very clear on the medium to long term potential to continue to grow margins in China, particularly from the positive operating leverage as we capture both demand and supply growth.

Reflecting that future potential, gross growth accelerated back into double digits at 10.9 percent year-on-year, and after removals net system size growth was 8.6 percent.

With 6,700 rooms opened in the first half, this was up nearly 50 percent on last year, and signings of 15,000 rooms was growth of nearly 40 percent. Our progress is both strong and broad – 51 signings for the Holiday Inn brand family, 12 for Crowne Plaza, while the signings across Luxury & Lifestyle see these brands representing 20 percent of both system size and pipeline in the region.

The total pipeline for the region is up nine percent year-on-year, and is equivalent to 61 percent growth on the current system size.

Just bringing together then the picture on fee margin.

This is up 180 basis points year-on-year. Positive operating leverage from the trading performance has in total driven 130 basis points of this. It comes with clear progress on cost control – our fee business revenue is up by over 6 percent, while our fee business cost base is up by just 1 percent.

The ancillary fee streams benefit comes from the System Fund changes we announced back in May. We said that these were expected to deliver around 25 million dollars of incremental revenue and operating profit to our reportable segments. We are on track with that, with the first half EBIT performance including around half of that 25 million and therefore it has contributed around 50 basis points to the margin uplift.

These ancillary fee streams come through the Central segment, which is why they are non-regional. That's the same approach with our share of co-branded credit card fees which also come through Central, rather than being a part of the regional performances.

The total IHG fee margin is the aggregate of these three regions as well as Central. As usual, the appendix has further detailed tables on the components of our revenue, our overheads and our operating profit.

Moving on now to cash flow.

You will recall that in 2023 we had a record free cash flow of 819 million dollars for the year, which was a conversion rate of 129 percent. The first half free cash flow last year was 277 million dollars, and this year it is 132 million dollars. Let me take you through the key changes – which are quite specific to this year – and they don't change the highly cash generative nature of our business model and our track record of this.

The key driver is related to the spending down of the System Fund cumulative surplus and how that also impacts working capital balances. We came into the start of 2024 with a clear position of funding strength in the System Fund – it had a cumulative surplus approaching 100 million dollars. As you know, the System Fund is run to a breakeven position over the long term, and this year, like others in the past, will see us spend down the prior surplus.

There is normally a working capital outflow in the first half of the year, and this has been increased this time, with around 100 million of incremental movements on the System Fund related balances. Excluding those, cash conversion would have been around 70 percent. Conversion is typically lower in the first half – in 2023 for example, even though the year as a whole saw record cash generation, cash conversion was 88 percent in the first half.

For the 2024 year as a whole, cash conversion will likely be under our typical conversion of around 100 percent. That's because there will still be the impact for the full year of spending down the prior surplus of the System Fund. And additionally, key money outflows will be higher this year, which I will come on to in just a moment.

But the key point here, is that 2024 is a rebalancing year for the System Fund, and we expect to resume in the future to our typical level of around 100 percent cash conversion on average.

As for other movements within free cash flow, these are all as expected. Interest and tax at 169 million dollars was 31 million dollars more outflow than last year. Our dividend per share is growing, but the incremental cash outflow from that is offset by buying back shares. The outflow of 172 million dollars for dividend payments and 367 million dollars for the progress on this year's buyback is driving the increase in net debt, in full alignment with our capital allocation strategy and our target leverage range.

Turning then to further analyse capital expenditure for you.

We spent gross capex of 151 million dollars, and net capex was 103 million dollars.

Key money of 86 million dollars, which was up from 64 million dollars in 2023, is indicative of our increased development activity back to pre-Covid levels, and as we've said before is a mark of our growth in the Luxury & Lifestyle segment. Importantly, it is also a reflection of investing in the business being our number one capital allocation priority, and of our discipline in only deploying funds where the returns justify the investment.

Maintenance capex was 15 million dollars, in-line with prior spend as we continue to ensure that our business and enterprise platform is fully invested.

As we guided to previously, key money and maintenance capex annually would be around 150 to 200 million dollars, but this year it will be around the top end of that range or potentially a bit higher, which will depend on the timing of various Luxury & Lifestyle hotels getting opened and where we get to on the phases of the NOVUM hotels being added.

Moving to remind you then that our strategy for uses of cash remains unchanged. After investing behind long-term growth, which is the foremost priority, we look to sustainably grow the ordinary dividend. In this regard, we are pleased to announce the interim dividend will increase to 53.2 cents, representing ten percent growth on last year. That rate of growth has been consistent for each of our dividend payments over the last couple of years.

This year's 800 million dollar buyback programme is 47 percent complete, which has repurchased a further 3.7 million shares or 2.2 percent of the share count. That is the driver of leverage increasing to 2.4 times, and we still expect to be around the bottom of our 2.5 to 3 times leverage range at the end of the year given the growth in EBITDA and the cash generation that is expected in the second half of the year.

The dividend payments to shareholders in 2024 together with the buyback programme will have returned close to 1.1 billion dollars, which is equivalent to 7.1 percent of IHG's market capitalisation at the start of 2024.

Concluding then with a wrap-up of points for those who maintain forecast models of IHG's performance.

Interest costs will rise from 2023's 131 million dollars to between 160 and 170 million dollars, which is a slight narrowing of the prior range I gave six months ago.

Also, the same as guided 6 months ago, our adjusted effective tax rate is expected to be around 27 percent, compared with the 28 percent rate in 2023. This is also a rate that could be applied in years beyond, based on current geographic mix of profits and current tax legislation.

We still advise that our normal course gross capex spend could total up to 350 million dollars, and our normal course net capital expenditure is likely to be between 150 and 200 million dollars. This year will be higher than average and around the top end of that range or potentially above, as I already mentioned given the timing of Luxury & Lifestyle openings and the NOVUM outflows.

A reminder of our growth ambitions over the medium to long term are also outlined here for you, and to echo Elie's words, we are very pleased with progress being made on this growth algorithm that we set out at the time of our capital markets event back in February.

With that, let me now hand back to Elie.

Progress on Strategic Priorities

Elie Maalouf

Chief Executive Officer, IHG PLC

Thank you, Michael. I will now share an update on some of the key areas of progress we are making on our evolved strategic priorities.

But before I do, allow me to provide a brief reminder of two key takeaways from our Update on Strategic Priorities on 20 February. For anyone new to following IHG, I would encourage you to view the recording of the event which can be found on the investors section of our website.

First, a recap on our medium to long term growth algorithm. On average, we expect to deliver high single digit fee revenue growth, through a combination of compounding RevPAR growth and net system size growth.

We have a proven history of driving strong margin accretion. Through revenue growth and cost base efficiency, we expect our operational leverage to drive fee margin expansion of between 100 and 150 basis points per year, leading to EBIT growth of approximately 10 percent.

We expect to maintain our strong cash generation which will support our three capital allocation priorities.

This strong revenue growth, margin expansion, and resulting EBIT growth, plus our expectation for regular share buyback programmes, is expected to deliver compound growth in adjusted EPS annually on average over the medium to long term of 12 to 15 percent.

Second, is how we deliver that growth algorithm, which is all underpinned by our clear purpose, ambition and strategic pillars that we evolved to further strengthen our ability to drive the growth levels we anticipate.

I will use the four pillars to cover my update.

So let’s turn to the progress we’re making on each of those four strategic pillars.

First – our relentless focus on growth, which brings a targeted approach to expanding our brands in high-value and high-growth markets. We are very intentional about our focus on growth and its importance.

We are extremely pleased with the record-breaking signings of more than 57,000 rooms across 384 hotels in the first half. This is up 67 percent, and includes the agreement with NOVUM Hospitality in April, which doubles IHG’s hotel presence in Germany – more on this in just a moment.

The strong momentum we are seeing in signings has been made possible by the strengthening and diversification of our industry-leading brand portfolio and the power of our commercial engine for owners, which both Heather and I will discuss more later.

We have also continued to invest in, and refresh, our existing brands through the development of new formats and updated designs and service standards.

Our established brands continue to drive strong signings today, with over 40,000 rooms representing 72 percent of signings in H1.

Meanwhile, our nine newer brands are accelerating our growth. They collectively represent 7 percent of the system today but 19 percent of the pipeline. These new brands accounted for 28 percent of signings in the first half, and their pipeline is set to almost double their current system size, which is clear evidence of their strong growth trajectory.

Now, let’s touch on the progress we are making with our newest brand, Garner.

We launched this best-in-class midscale conversion brand in the second half of last year. The brand has considerable opportunity to build substantial scale. We project Garner to reach an estate of over 500 hotels over the next 10 years and more than 1,000 hotels over the next 20.

Garner became franchise-ready in the US in September. We have since signed over 80 Garner properties across key markets including the United States, Germany, UK, Japan, Austria and Turkey.

We are pleased with the progress Garner has made since launch and look forward to much more.

In April, we announced the signing of an agreement with NOVUM Hospitality to convert 119 hotels to IHG brands. This doubles IHG’s hotel presence in Germany, one of Europe’s largest hotel markets, with strong domestic consumption, inbound travel, and it is also one of the largest sources of international outbound travellers globally.

The agreement launches a collaboration between Holiday Inn and NOVUM's 'the niu' brand, and introduces our Garner and Candlewood Suites brands to Europe, demonstrating our success in globalising our existing brand portfolio.

The agreement also includes an exclusivity arrangement for future NOVUM Hospitality hotels to join IHG's leading brands, and the first signing in addition to the initial 119 was already achieved in the second quarter.

Conversions continue to rise in importance globally and present an increasing share of system growth. Both the progress we are making with Garner and the agreement with NOVUM Hospitality, that I just spoke about, are testament to this.

Conversion signings increased from 17 percent of hotels signed in 2017, to 36 percent in 2023. In the first half of 2024, conversions represented over half of all signings. We have developed the brands, enterprise platform and excellent capabilities needed to successfully attract conversion opportunities, and have them open in short time frames, generating more revenue for owners and fee income for IHG, more rapidly.

And while we have launched conversion-focused brands such as voco, Vignette Collection and Garner, which represent over a quarter of conversion signings in recent years, we continue to sign conversion deals across most of our portfolio if the brand fit is right and the owner is prepared to invest the capital required.

We are also very pleased with the continued positive trajectory we have seen in new build signings, as shown in the chart on the left. While new build signings are not yet at pre-pandemic levels, owner confidence has clearly been improving, with 8 percent more new build hotels signed in the first half year-over-year, which is even more impressive at 23 percent more when looking on a number of rooms basis. This continued progress follows increase in new build signings in 2023 compared to 2020 lows.

Moving on to our next strategic pillar – brands guests and owners love, which defines our explicit intention to deliver for both groups, every time. This precision and simplicity places the success and perception of our brands at the forefront of what we do.

We are constantly evolving our brands to make sure they remain relevant in the market, drive high guest satisfaction, and generate superior owner returns. That continued investment in our established brands is critical in having brands guests and owners love.

The Holiday Inn brand was awarded the most trusted travel and hospitality brand in the United States this year. We've signed 200 Holiday Inn properties over the past thirty months and opened close to 90. We now have more Holiday Inn hotels and rooms than at the end of the 2021 Holiday Inn review. The strengthened estate is driving improvements in guest satisfaction, loyalty participation and enterprise contribution.

We recently unveiled a refreshed and modernised prototype in the Americas, introduced a sophisticated and bold new visual identity, and optimised service standards leading to improved guest satisfaction and lower hotel labour costs. The Holiday Inn brand never stands still.

Our owners continue to invest in the brand too – 72 percent of the Holiday Inn estate in the Americas will be new or recently refurbished with 80 renovations actively in progress.

Today, the Holiday Inn brand has over 1,200 hotels in over 80 countries and territories with another 300-plus hotels in the pipeline, representing a further 27 percent rooms growth. And If we expand that to look at the Holiday Inn brand family, including our category-leading Holiday Inn Express brand, the world's largest hotel chain, we have more than half a million rooms across 4,400 hotels globally and close to 140,000 rooms in the pipeline. We look forward to the next 70 years of this iconic brand.

Now moving on to highlight some of the other recent investments we have made in our brands.

Latest prototypes for each of our three extended stay or Suites brands have added additional options and flexibility for both new builds and conversions, to drive additional owner returns and system growth.

Following increased interest for a dual-branded avid and Candlewood Suites product, which combines our short stay and extended stay midscale brands, we have developed a dual-branded prototype with standardised, guest friendly, and ROI-focused common spaces. We signed 22 of these over the past 18 months and opened the first two in the second quarter of this year.

For Crowne Plaza, we have developed scalable design solutions to accommodate smaller footprints and reduced amenities such as F&B and meeting space. This lowers the build cost and creates flexibility for diverse property sizes and cost structures, creating increased opportunities for market expansion.

We remain extremely focused on driving efficiencies and lowering costs for our owners across the lifecycle of a hotel, including cost to build and renovate, cost to open, and cost to operate.

So moving on to our next strategic pillar – Leading Commercial Engine, which emphasises the importance of investing in the technology and tools that deliver commercial success and make the biggest difference to guests, owners and our hotel teams. It is focused on driving high-value, low-cost revenue to our hotels through superior data and insights that lead to strong owner ROI.

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

We kicked things off with the development of an industry-leading Guest Reservation System.

And then developed a best-in-class revenue management capability, which includes the active roll out of a new market-leading cloud-based Revenue Management System. More on this in a moment.

And this year, we have also begun work on our next-generation Property Management System to create greater value for owners. More on this to come in the future.

Our industry-leading guest reservation system has allowed us to monetise the unique attributes of each hotel's room inventory. We have deployed room attribute upsell in over 6,000 hotels. This offers guests more choice during the booking process, such as bigger rooms, better views, and higher floors, while generating maximum value for owners. The value per upsell night is averaging roughly 40 dollars across our Luxury & Lifestyle estate, and around 20 dollars across Essentials and Suites.

We continue to build on the success of room attribute upsell, as well as stay enhancements, to increase direct channel contribution, generate more revenue for our hotel owners, and increase fee income for IHG.

We are extremely focused on driving high-quality revenue through best-in-class platforms to maximise hotel owner returns. As part of this, our new Revenue Management System is a cloud-based innovation that brings together leading capabilities that reinvent the way hotels manage booking channel and pricing decisions.

The roll out of the new system reached 1,700 hotels by the end of June, covering all regions, sub-regions and brands. We are targeting to have the new system in 4,000 hotels in 2024. This highly sophisticated platform uses best-in-class data science, forecasting tools and artificial intelligence to deliver advanced insights and recommendations to hotels.

Initial results from pilots indicate encouraging uplifts in revenue performance.

In May we announced changes we have made to our System Fund arrangements. Let me remind you of those, and the scale advantages of the System Fund.

In terms of revenue sources, by far the biggest source is hotel owners, who are the main and traditional contributors, and all that revenue, 100 percent of it, stays in the System Fund. These contributions are deployed for marketing, for reservation services, for running the loyalty programme, and all other areas of brand and owner support. This all stays in the System Fund.

A secondary source of revenue is from consumers, who engage with the IHG Hotels & Resorts masterbrand, our hotel brands, and our IHG One Rewards loyalty programme, by buying points. These are IHG assets, and we had long ago chosen to place that revenue in the System Fund when it was much smaller.

Today the System Fund is much larger than it was then and it has grown nearly 30 percent over just the last 5 years alone – and continues to grow with RevPAR and system size growth. We have decided to now keep more of that direct-from-consumer revenue in our P&L. This is a natural evolution of the scale and efficiency of the System Fund and the choices we now have.

This change is consistent with the strategic priorities we shared in February, which drive value for owners through our leading commercial engine and grow ancillary fee revenue and drive margin improvements for IHG, as part of our growth algorithm.

The ability to make these changes – which include a lowering of the loyalty assessment owners pay into the System Fund and an increase in the reimbursements they receive back out of the Fund – are borne out of the strength of the funding position due to our growth.

Concluding with our fourth strategic pillar – care for our people, communities and planet, which underpins our 2030 Journey to Tomorrow plan.

This plan is focused on five critical areas: our people; communities; carbon & energy; waste; and water. And we are making positive progress across all five areas.

We recently introduced our Low Carbon Pioneers programme, a first of its kind initiative in our industry for hotels leading the way in sustainability.

The programme brings together a community of energy efficient hotels that have no fossil fuels combusted on-site and are backed by renewable energy.

The initiative is focused on testing, learning and sharing sustainable solutions to inspire other hotels to join the programme and encourage wider adoption of carbon reduction practices.

The programme will also aid guests and corporate clients seeking more sustainable stays. While for owners, the energy efficient, lower operational carbon hotels can also provide benefits such as greater alignment with environmental regulatory changes and better access to green finance for new projects.

We also recently announced a new global partnership with Action Against Hunger. The partnership is part of our pledge to improve the lives of 30 million people around the world by 2030 through skills training, disaster response and helping tackle food poverty.

IHG will support Action Against Hunger's lifesaving community outreach programme and will use our global scale to help grow awareness.

The initiative complements existing partnerships IHG and our hotels already have in many local markets that strengthen the food system in communities – from providing training and tools to reduce food waste, to diverting surplus food to those in need.

That concludes the progress update on our four strategic pillars, which together with our purpose and ambition, underpin the strength of our business model and how we look to compound growth and create sustainable shareholder value.

I will now hand you over to Heather Balsley, our Chief Commercial & Marketing Officer. Heather has been with IHG for 17 years. Prior to her current role, she was the SVP of Global Loyalty & Partnerships, responsible for our award-winning IHG One Rewards programme and our co-brand credit card business, including relaunches to both of these in 2022. Prior to that, she held a number of brand leadership and corporate strategy roles, developing and delivering brand strategies that enhance the guest experience and drive performance across all of IHG's markets globally.

Heather, over to you.

Commercial & Marketing

Heather Balsley

Chief Commercial & Marketing Officer, IHG PLC

Thank you, Elie.

Our Commercial & Marketing organisation is laser-focused on maximising revenue delivery and returns for hotels in our system, all while delivering exceptional customer experiences. This owner ROI mindset also helps drive further signings and system growth while ensuring our owners and operators are committed to delivering for our guests every day.

In recent years, we have expanded our brand portfolio and significantly strengthened our enterprise, including a refreshed masterbrand, the launch of IHG One Rewards, and our advanced technology and commercial engine.

The focus of the Commercial & Marketing organisation is broadly categorised into three areas. First, we are responsible for developing and strengthening IHG's masterbrand, IHG Hotels & Resorts, and each of our hotel brands. We drive growth via leading reputation, compelling guest experiences, and strong owner returns.

Second, we are responsible for our award-winning loyalty programme, IHG One Rewards, driving growth in members, encouraging their engagement and stickiness, and ensuring that these high-value, low cost of acquisition guests are helping maximise revenue and returns for our owners and also driving ancillary fee streams.

Third, Commercial & Marketing also orchestrates IHG's commercial engine to drive the over 30 billion dollars of total gross revenue to our hotels across the system, including a wide array of areas like marketing, data insights and analytics, customer relationship management, our distribution channels, and revenue management.

Today, I will talk you through the critical components that power our commercial engine. These interdependent elements include the IHG Hotels & Resorts masterbrand; our brand portfolio; and IHG One Rewards. The strength of our brands and IHG One Rewards powers our ancillary fee streams that deliver material incremental capacity for marketing investment and IHG P&L margin.

This fee stream – which is primarily from co-brand credit cards and the sale of points to consumers – is possible because of the scale of our IHG One Rewards member base of more than 130 million members and their deep engagement in our programme.

The final piece is that our commercial engine for hotels is ultimately enabled by our enterprise contribution – the percentage of room revenue that's booked through IHG-managed channels and sources.

These interdependent components work together to drive superior revenue performance at the lowest possible cost to hotels, and therefore supports future system growth.

Now, let's step through each of these elements, starting with our investment to build IHG's masterbrand.

Our ambition is to make IHG Hotels & Resorts a beloved household name. We refreshed the masterbrand in 2021 and have continued to strengthen its reputation with customers, its bond with our hotel brands, and to tighten the connection to our IHG One Rewards loyalty programme.

Building a powerful masterbrand with strong awareness and reputation is a core part of our strategy because the masterbrand is what ties together our hotel brands. A powerful masterbrand positively influences commercial delivery to our hotels, it inspires owner interest to invest in our brands which ultimately drives system growth, and it facilitates talent acquisition and employee retention.

We've invested to raise the profile of our masterbrand by executing on a fully integrated investment in media, partnerships and public relations. Our 'masterbrand everywhere' strategy is delivering global and targeted marketing across all guest touchpoints and we will continue to amplify our focus and investment behind this strategy going forward.

We are really proud to see IHG Hotels & Resorts everywhere, including on television, social media, airports, music festivals, sporting events, and more. And this strategy goes beyond marketing to include a deliberate approach to how we connect our hotel brands with our masterbrand across every customer touchpoint and how we amplify this connection by leveraging the 'billboard effect' of our 6,400+ hotels globally. And we know that this is resonating really well with guests.

The investments we have made into our masterbrand are driving strong improvements in brand power, engagement, and reputation. IHG Hotels & Resorts was ranked first in our industry's global share of voice in the first half of 2024.

We have also grown our social media engagement by an impressive 65 percent in the first six months of this year and this is also supporting an uplift in our average global social review score to 4.37, which is ahead of our global peers. This last point is essential, because a compelling Masterbrand is both the awareness of our brand and our reputation with customers. And industry-leading social review scores mean our commitment to elevating our customer experiences on property are successfully elevating our masterbrand reputation.

We are really pleased with the journey the IHG Hotels & Resorts masterbrand has been on over the last three years. The investments we've made behind the masterbrand ultimately help deliver more revenue to our hotels for our owners and more brand affinity among our guests and loyalty members. And there's a lot of further potential ahead.

Now, let's shift to discuss our portfolio of 19 hotel brands.

We've added nine brands to our portfolio since 2015, from midscale to upper luxury. As I mentioned earlier, it's our masterbrand that connects the individual hotel brands within our strengthened and diversified brand portfolio, across our five brand categories of Luxury & Lifestyle, Premium, Essentials, Suites, and Exclusive Partners.

The power of our commercial engine requires that we have strong and compelling brands within each of these segments – because we know that the vast majority of customers stay within just one or two price segments. But we also know that there is an important and really valuable segment of guests who stay across price tiers and for whom a compelling loyalty programme, together with great hotel brand options across all price segments, is essential to inspire their stickiness to IHG. This is why we've invested to add fantastic new brands to our portfolio, while staying focused on innovation and the 'ground game' delivery on property to keep our established brands fresh and relevant in every market.

The IHG Masterbrand connects these brands to one another for all guests, while IHG One Rewards programme ultimately builds that deep 'stickiness' to motivate customers to choose our brands by offering incremental value, benefits and experiences when they stay with an IHG brand.

This stronger and broader brand portfolio also encourages hotel owners to join and to stay within the IHG ecosystem, by providing increased investment opportunities within and across brand segments and enhanced returns on their investment.

And so now, let's move to loyalty and the importance of IHG One Rewards and why we continue to be really focused on loyalty. We know IHG One Rewards is a critical part of why guests choose to stay at our hotels and return more frequently, and so this programme is key to driving performance and growth.

Our loyalty members are our most valuable guests. They are 10 times more likely to book direct using channels such as our mobile app and IHG.com, they spend 20 percent more per stay than non-members, and they return to our hotels more frequently, plus they engage with ancillary revenue streams by purchasing points and being holders of our co-brand credit cards.

Let's take a minute to reinforce this profitability point, and compare an IHG One Rewards member to the typical OTA guest staying at an IHG hotel, as an example to illustrate how loyalty members drive higher spend at a lower cost, resulting in more profit for our hotel owners.

An IHG One Rewards member on average spends 10 percent more, given their booking choices, than a guest booking through an OTA. The cost of a loyalty member booking for a hotel, including loyalty assessments and marketing programme fees, is about 50 percent lower than that of an OTA guest. This therefore means that the loyalty member is roughly 20 percent more profitable to a hotel owner than a typical OTA guest staying at that hotel. And because we know who our Loyalty members are and how they behave they are also much lower cost to market to. And we use our advanced data and analytics capabilities to target these guests directly with the right offer at the right time to motivate that next booking at a very strong marketing ROI. And this is why the continued growth of our member base is an essential priority.

As you know. we reimagined our loyalty programme in 2022 with the launch of IHG One Rewards, our biggest ever transformation and investment in the loyalty programme.

This evolution included the introduction of new membership tiers, with faster earn of more valuable points and more bonus points across tiers. This point earning structure is now industry-leading. We also introduced exceptional choice for our members, with unique options to personalise benefits that puts the member in control. And we added richer benefits, with new, customer-preferred options like room upgrades, food & beverage credits, reward night discounts and Club Lounge access that members really value.

The new loyalty programme was accompanied by the launch of our new and very popular mobile app, our fastest growing distribution channel. This channel is also really important for our highest value members and drives deep engagement and more personalised options. And so launching an industry-leading mobile app at the same time that we relaunched IHG One Rewards has really helped grow our member base and increase member engagement with our programme and with IHG hotels.

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

Lastly, we launched new co-brand credit card products in the US, which have been a catalyst for a strong improvement in new credit card accounts and total credit card spend – I'll talk about that in a moment.

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 has meant higher volumes of more engaged and profitable guests to their hotels.

We've seen leading indicators of growing member stickiness. Our members are happier, they are more engaged, and they are returning more frequently.

These investments and the innovative approach have successfully developed a powerful and engaging programme that has rapidly grown to over 130 million loyalty members. Since the launch of IHG One Rewards we have accelerated enrolments of members into this programme. We had record enrolment pace in the first half of this year – and that pace is 50 percent higher than the pre-pandemic peak and a further 10 percent improvement from last year's record enrolment levels.

Member penetration, the number of room nights booked by members, continues to grow, and now exceeds 60 percent of room nights globally. This is roughly 10 points higher than prior to the IHG One Rewards launch two years ago. The Americas region continues to lead member penetration, approaching 70 percent, and we are seeing strong improvements across all three of our regions.

The benefits of a large and powerful loyalty programme, that continues to strengthen each year, go beyond a satisfied guest and owner. Member scale is also a critical enabler of success that helps drive commercial performance and therefore future system growth. It also attracts partners that want to collaborate with the IHG Hotels & Resorts masterbrand and our individual hotel brands, and importantly it drives ancillary revenue opportunities which creates further capacity for growth investment.

There is a key synergy between IHG One Rewards, the purchase of points, and co-brand credit cards.

I explained earlier how our IHG One Rewards members are our most valuable guests. Within that growing pool of 130 million-plus members, our credit cardholders are among the most valuable and engaged of all loyalty members.

US cardholders stay 85 percent more than non-cardholding loyalty members; they deliver 55 percent more room nights; and they spend 35 percent more. IHG One Rewards members that are co-brand credit card holders are therefore extremely valuable to us and to our hotel owners.

The investments that we have made in both our loyalty programme and the US co-brand credit card products have strengthened these important revenue generating engines and fee streams.

Our relaunched US credit cards continue to prove highly attractive to customers. Since launching the new US co-brand credit card products in March 2022, we've seen really strong performance. This momentum has continued during the first half of 2024 with new credit card account activations up 60 percent vs. 2022 and total credit card spend up 30 percent. As a result of this momentum, we now have 25 percent more co-brand credit card customers vs. 2 years ago.

We believe there is material upside to the revenue from co-brand credit cards through ongoing innovation of our credit card products, data-driven marketing, portfolio optimisation, as well as the potential for global expansion outside the US. The potential for growth should see co-brand credit card revenue increase significantly over time.

And we look forward to updating you further on this as we deliver on these important ancillary fee streams going forward.

The various components of our commercial engine that I walked you through today, including the IHG Hotels & Resorts masterbrand, our hotel brand portfolio, IHG One Rewards loyalty programme, and ancillary fee streams, all support and influence our strengthened enterprise contribution.

Our enterprise contribution continues to grow and reflect how we add value by supplying higher-value guests at a lower cost of customer acquisition to our hotel owners. The percentage of room revenue booked through IHG-managed channels and sources has reached a high of 80 percent for the first time, up 3 percentage points over the last two years.

Importantly, Digital channel contribution continues to lead this growth, while OTA contribution has remained flat in recent years. Digital contribution includes our IHG mobile app and web channels, which have benefited from the investments we have made in recent years, and our strengthened masterbrand and loyalty programme. Growth in contribution from our mobile app is especially important because this channel is preferred by high frequency guests and it also allows us to communicate with our IHG One Rewards members much more frequently including while they are in stay. This opens up more opportunity to drive repeat stays and offer compelling benefits, services and experiences when it’s most relevant for our guests.

To wrap up, we are really proud of everything we have achieved over the last few years in strengthening our brands and commercial engine. IHG’s commercial engine drives high value, low-cost revenue for hotels that complement our brand formats to optimise cost to build and operate, which together maximize hotel owner ROI.

The Commercial & Marketing organisation powers IHG’s growth as an essential part of this owner value proposition. We drive revenue, optimise customer acquisition cost and accelerate hotel ramp-up to ‘steady state’ performance.

Our customers are more connected and engaged than ever before across the masterbrand, our brand portfolio, and the loyalty programme.

And we've made really good progress on increasing ancillary revenue streams, with notable growth potential ahead.

Thank you so much for your attention today.

And, with that, I will hand it back to Elie.

Conclusions

Elie Maalouf

Chief Executive Officer, IHG PLC

Thank you, Heather. Let me summarise our strong performance in the first half of 2024.

- Our RevPAR grew by 3 percent, accelerating in Q2.
- We delivered gross system growth of 4.9 percent and net system growth of 3.2 percent and are confident in delivering full year growth expectations.
- We secured record-breaking signings of over 57,000 rooms, up 67 percent year-over-year and our pipeline grew by 15 percent.
- We expanded our fee margin by 180 basis points, supporting operating profit growth and EPS growth of 12 percent.
- Our cash generation is funding growth investment, and we expect to return over 1 billion dollars to shareholders in 2024, representing over 7 percent of our market cap at the start of the year.
- And we are making excellent progress on our strategic priorities and are confident in the strengths of our enterprise platform and the attractive long-term growth outlook.

And with that, we thank thank you for listening to our 2024 Half Year Results presentation.

Q&A

Vicki Stern (Barclays): First one was just on unit growth. So I think if we strip back NOVUM from this year, it looks like you will be around the 3.5% range in terms of net unit growth. Is that the right underlying rate to have in mind for you going forward, or can you see that accelerating without any larger deal signings like NOVUM? And related to that, I noticed that exits were just a nudge higher than your 1.5% in the first half. Just checking that 1.5% is still the right level of exits that you have got in mind going forward?

Second one is on incentive management fees in China. So we saw H1 IMFs were down a few million to $19 million in the first half. Can you just talk about your expectations there for the full year? Obviously, one of your competitors has been flagging the weakness there. And then just more broadly, your outlook for China as you see it over the next 6 to 12 months?

And then just finally on the credit card opportunity. That was helpful colour from Heather in the pre-recorded presentation. Just curious when you think you might be in a position to give any clearer guidance on the quantum of that material revenue upside that was mentioned there. Obviously, any indications today on how we should be framing that materiality would be great.

Elie Maalouf: Okay. Hello, Vicki. How are you? Thank you, everybody, for joining our call today. I was supposed to give an intro, but I guess we are jumping right into the questions, which is fine. I might as well get right to it.

So on your question about net system size growth expectations and NOVUM, a couple of things. We are exactly today where we said we would be at the first quarter when we announced the NOVUM deal and discussed it. We said that we were comfortable with system size expectations and consensus before. And we said that included NOVUM and we said that NOVUM gave us greater confidence in reaching that system size expectations this year and actually beyond this year. And so where we are today is a consensus moved up to 4.2%.

We are saying that we are comfortable with that, confident in that, and that still includes NOVUM. Now we have visibility of how many rooms are going to open this year. We have over 7,000 rooms are going to open this year. In the year, we have already opened 1,000.

And also, there is probably a little bit more that will likely open next year and maybe some even into 2026. So it is not just a one and done. It is a multiyear thing. So no, I would say that your expectation going forward should be closer to what the expectation was for this year, because every year we do organic conversion deals that sometimes we are aware of going into the year, sometimes we are not aware of.

This is an organic conversion deal. Yes, it is a big one, but it is individual licences. It is an individual 119 individual 20-year licenses. It is not a partnership. It is not an acquisition. It is a fee-paying deal. So it is very accretive to us. And we will do other in the year conversions this year that we are not calling out, and we will do more next year and the year beyond. So we are comfortable with consensus where it is today and actually have very good visibility to it. And we are comfortable with next year, maintaining a similar trajectory, given not just all the in-year conversions that we are doing, but also the spill-over of the NOVUM rooms next year.

And the acceleration of our pipeline. You have seen our signings increase. Even if you took out NOVUM, 23% globally, new builds and conversion signings increased in a healthy manner in the first half. That gives us some fuel going into the future. So that is your first question. Michael, do you want to add on to that?

Michael Glover: Do you want to grab the exits first.

Elie Maalouf: Yes. Let us just touch on exits. No, we are comfortable with the 1.5%. In the first half of the year, we always have more exits than in the second half of the year, maybe not always, but traditionally. If you look at our pattern over the years, the first quarter has more exits and the second quarter a little more, but then it is fewer usually in the second half. So we are comfortable with the 1.5% long-term objective, and we have been roughly around that.

IMFs in China, I will turn it over to Michael, but I think it is a decent story there, too.

Michael Glover: Yes. Vicki, as you can imagine, we do not give guidance or break out where we sit on IMFs. So it will be a little limited about what I can say on the full year. But I will say that, really as you step back and you look at IMFs, it starts with the RevPAR story. And certainly, in China, you can see that half year this year we were at $19 million in incentive management fees against the $23 million last year. We did $46 million in the full year in 2023.

But if you look at the story on what is going on in China, you are seeing a significant amount of outbound travel as the market has opened up. Last year, we were heavily domestic. Most of the travel was within China. We saw that. You saw the tier four resort city is doing really well. Now that has moved out of China, and we have had more airlift and visa restrictions cut. So you are seeing that.

In fact, our Asia Pacific region is up 15.4% in some key markets. Within there, Vietnam is up 30% RevPAR in the half. Korea is up 20%, Indonesia is up 18%, Thailand up 25%. And remember, we get incentive management fees for hotels we have there.

And so if you then go back and look and see what has happened in the EMEAA, we have actually delivered $55 million of incentive management fees against $43 million last year.

And then you will also remember that we had been fully recovered in terms of incentive management fees from a 2019 level in EMEAA. So that is really strong growth. So if you look at that, yes, we did not deliver as many incentive management fees in China. But

EMEAA is capturing a lot of that demand that comes out, and we have seen increasing incentive management fees in the EMEAA. That is not one for one, but I think what you are seeing is a bit of that coming through.

Elie Maalouf: I think it speaks to more broadly the strength of our globally diversified business model, which intentionally places us in 100 countries and many of the most attractive ones around the world to where we know that not every market, every quarter is going to be at full speed. But enough of them will keep growing and we capture outbound business when domestic business is strong. So there is a method to our strategy, which continues to deliver as we saw in the first half, even when not all markets are at full speed.

Okay. To the China outlook that you were asking about, we can talk about the mid-term and then a little bit about the long term. In the mid-term, Michael covered the fact that, yes, there was less domestic travel, but then a lot of it went into Asia Pacific and we benefit from that as a group anyway.

Number two, we were comping against a very strong second quarter last year when the restrictions were lifted. We did say that the comps do get tougher in Q3 when we were up 9% last year over 2019, but then they get easier in Q4. When the comps last year, we were at zero compared to 2019. So it goes up in toughness, comes down in toughness. That is the near-term outlook.

But fundamentally, if you look mid-term to long term, we are still very confident in China. You see our owners are very confident. Our signings are up nearly 40% in the half. Our openings are up nearly 50%. Our total rooms revenue actually grew 10% in the half because of system growth. And ultimately, that is one of the key measures of our growth and success.

And nothing has really changed in the fundamentals there. The middle class is still projected to grow 80 million households over the next 10 years. The rooms penetration is still only one-seventh. We have said, and I remember if you remember in February, I will repeat, this industry, even in our major markets, makes highs and lows. It is not just straight highs, but it makes higher highs and higher lows and the trend line for China is upwards in travel. It is still going to become one of the largest travel markets in the world. It is quickly regaining its place as the largest outbound market in the world and being strong in China is important for being strong in the rest of the world as we saw in Asia Pacific.

Okay. Question number four. I never thought you would ask about the credit card. On the credit card, as Heather took you through in her excellent presentation, we are already making very good progress organically with the credit card, with new accounts, with growing spend, with great satisfaction with the new cards that we have launched on the back of a very strong IHG One Rewards on the back of our strong luxury lifestyle portfolio.

So all that is working. And then we do know, and we have talked about that there could be an optimisation of the partnership. That is under review right now. So please be patient with us as we cannot discuss it in any detail. But as we have said and we repeat, we are very confident in the growth trajectory of our credit card and what it can contribute to IHG's P&L that it will grow significantly. It is growing already that it will be multiples of what it is today over time.

And the partnership review is one aspect of it, but I have said, and I repeat the organic growth and the strategy we are deploying for the credit card is the underlying power behind it. We will, at the right time in the right order, bring more information and share more details for you when we conclude some of this review. I think that covers your questions, Vicki. Who is next?

Jamie Rollo (Morgan Stanley): Three questions as well, please. Just on the US data. Your US listed peers have pretty well all flagged the slowdown in July, talking about weak domestic leisure demand, trimming guidance. What is your view on what is happening in the domestic leisure market? And also to hit full year consensus Group RevPAR growth of around 3%, you need a pretty similar second half performance to the first half, and that looks perhaps optimistic given the July data in the US and indeed in China.

Secondly, on central revenues, they look like they were up about $11 million, which looks pretty equal to half the annual $25 million loyalty points fee revenues. It looks like the underlying central revenues did not go anywhere at all despite your positive comments on your existing credit card growth. Just wondering what is happening underlying ancillaries?

And then finally, also slight modelling question. In EMEAA, your fee business operating costs fell by about 7%, which drove a lot of that margin growth. Any phasing or one-offs we need to be aware of there, please?

Elie Maalouf: Thank you, Jamie. I will take your first, second and fourth question and turn over the central revenue to Michael. So look, on US data, we listened to the headlines of others in the industry. Of course, we are watching the current very recent data that is coming out on the US economy. But we are not seeing anything in our numbers right now. We certainly did not see it in Q2, and we saw an acceleration.

Looking into July, we see a broad continuation of that pattern, where we were up three months in a row in Q2 and even early into August, it seems to be the same. Now when you talk about others taking down their guidance, I think it is important to look at where they were starting with, right? Because we do not give guidance. We are just working with consensus. And so I do not know where they were starting with. Whether they came down from something that was higher, I think you will look at that in more detail yourself.

But we are not seeing anything that is of a concern right now. But of course, as you know, our booking window is short as any in this industry, and we can only look so far. I will say that for the rest of the year for the Group, if you think about we did 3% in the half with the US doing minus 1.9% in the first quarter, which is clearly the biggest part of our business, and we are not seeing that repeating in the rest of the year, then that is probably a bit of a tailwind into the second half. And our comps in the Americas in total do not get harder in the second half, they get a little bit easier.

China, we have said gets harder in this third quarter, but then gets easier in the fourth quarter; EMEAA seems to be steady going well. And so, all of that puts us in a place we are comfortable with consensus where it is today for RevPAR. The others may be starting from a different altitude that they set out in guidance, I do not know.

Number two or actually to your third question because I think I answered the second question there. I will come back to central revenue for Michael.

On EMEAA margin growth, there is no one-off in there. That is actually what we have been saying, a lot of it happened quickly. But we have been saying it: as our Asian markets and as the East recovers and grows, we will get margin accretion. There is no one-off in there. It is the recovery of many of our Asian markets that we are not quite recovered in the first half of last year. It is the strong outbound out of China into Southeast Asia, where APAC, Asia Pacific, for us was up 15%.

So yes, it is not all leakage. If it is not happening in China, it is maybe happening somewhere else, good for us. And that drops to the bottom line favourably with that 700 basis point accretion. I think it answers that. Michael, over to you on central.

Michael Glover: Yes. So on central revenue, there is a lot of moving parts within there, Jamie. Certainly, the new spend points or the consumer points coming in that we are taking in. You have got other things that move with RevPAR like technology fees, particularly in China. You have also got some movements that we have done where we have looked, and this is a technical term, ring-fence some things that are more just we do on the behalf of the owners, and that has moved. So there is just some moving pieces in there.

But overall, we are strong. We feel comfortable with where we are going to be with the credit card growing and the point of sales coming into there in the long term.

Elie Maalouf: Yes. We just want to go back also to your general sense on the economy in the US. I know we are going to get a lot of questions, so let me just head it off on that, is we are watching the data. We are listening to the commentators as everybody is obviously. We are also not going to come to immediate conclusions from a few days or one month of data. Yes, the unemployment ticked up to 4.3%.

At the same time, if you look underneath it, the actual total people employed still increased in July from June. There were more people coming into the labour force, which raised the unemployment rate. So what we really focus on are people employed the economy is not losing jobs yet. And I think that we would all agree that if unemployment settled in the low fours, and so there was some slack in the labour market. If interest rates, especially long-term rates come down and stay down as they have in the last couple of weeks, if inflation stays subdued, that is actually a favourable environment for GDP growth next year for the development aspect of our industry especially.

It is kind of what everybody has been waiting for, for the Fed to take the foot off the pedal. So we do not know if this is the beginning of a trend, but if things settle down where they are today, that would not be a bad outcome actually.

With that, next questions.

Richard Clarke (Bernstein): I have three, if I may. I guess, Booking Holdings on Thursday called out that they were seeing some trading down behaviour in the US market. I guess three of your brands in Americas have posted negative ADRs, and I think they are probably the most US focused brands. So just what is happening with US ADRs and outlook for the back half of the year. Are you seeing trading down?

Secondly, I know overall, your signings were pretty strong, but it looks to me like US signings down. And if I strip out Garner down quite fast, I mean Holiday Inn Express signings are down 36% year-on-year in the first half. So just what is the outlook there? What is slowing down the signings?

And then just following up, help me think about the flow-through of your overall signing growth? Maybe remind us of the definition of a signing? Is that just the contract signed? Does that mean financing is set up? And how quickly are signings, turning into construction starts, turning into openings. Is that speeding up at all?

Elie Maalouf: Okay. I will just make sure I got all your questions down. Okay. So I think we saw an acceleration of RevPAR in all of our brands in the US in the second quarter over the first quarter, except for one, except for Kimpton, which is a great brand but not our biggest. All of our brands have accelerated RevPAR in the second quarter over the first quarter. So we are not seeing a trading down or trading up trend yet that is discernible. I will have Michael give you a little more colour on that in a moment.

But I think that we have heard of a lot of sectors talk about trading down. We are not seeing that yet, but we are not seeing any discernible trading up either at this point.

Michael Glover: Maybe just to add on to that. Richard, in the three that you put out, or you call out there, they are really relatively small size. So Kimpton was one of those 50. That is really in the 50 hotels there, you have got Avid Hotels, which is 56 and you have got Even hotels, which is 19 hotels. Relatively small, geographic RevPAR growth in those will be really impacting that. So it depends on the market they are in.

But if you look at like a Holiday Inn Express, which is really broad geographic dispersion within the US, you saw rate up 1.7%. You saw Holiday Inn at another 560 hotels 1.5%. So as you look across the whole of the US, you have got really strong growth. Those smaller brands will be impacted by submarket and where they are at and things going on in those markets.

And so, I think, overall, we feel very comfortable with how we moved on rate, actually, with rate up in the Americas for the quarter at 1.8%.

Elie Maalouf: Yes. And then we had some upscale brands like Intercontinental, where rate moved up. So we are not seeing a pattern across our larger brands in the US right now.

Your question on US signings. So overall, year-over-year in the half, we actually signed almost similar number of deals but there was a mix shift to smaller key count in this first half. Last year, there were a handful of especially large deals signed in the first half. That could occur again in the second half. We have got a lot of activity going on.

But in terms of just activity, the number of deals was roughly similar. The key count mix was different. We are quite comfortable with the share of signings of Holiday Inn Express in the market. I think if you compare it in the half to its direct competitors from the other two largest brands, it was up. It was ahead of all of them. So we are comfortable with the share of signings of Holiday Inn Express.

Now sometimes industry signings will happen more in one quarter versus another. But if we look at total industry signings at how our main brands are performing against our direct competitors, we are quite comfortable with them. We have nearly 1,000 hotels in pipeline in the Americas. Our ground break base is significantly up versus last year. And last year was up on the year before. So we think the conversion is going to continue to support our system size growth.

When you are asking me about what is the definition of a signing in IHG, the definition of a signing is a contract signed and whatever, let us just say, commitments are acquired, sometimes we are requiring guarantees, sometimes there are payments required for, all that has to be in place and a form of control on the property, either you own the property, or you have a right to control the property that is exercisable, and we feel comfortable with it.

You may or may not have financing in place. I think that is industry standard, always require financing. There are some cases where we may require financing to be in place. But in most cases, in the industry financing is not a requirement to count it as a signing. We do not, like others do, talk about approvals or other things that are not a completed, executed, fully funded contract.

To your last questions about the conversion from signing to open, has that anything changed? Michael can give you some colour on it.

Michael Glover: Yes. Richard, if you look at our construction length, it continues to improve. If you look at the trailing 12 months average for new development and conversion projects, we are approximately 21 months for new development and seven months for conversions. That is actually a one-month improvement over where we were in 2023 at the full year. So obviously, a lot goes in there. There is a lot of variability based on brand, and in terms of conversions how good the property currently is and what needs to be done. But that is on average where it sits. So it is improving a bit.

Jaina Mistry (Jefferies): Three, if I may. The first one, we have spoken about US macro, but the other segment that has been called out by some of your peers and is the European consumer group. And I wondered if you have seen any signs of incremental weakness or push back against pricing from the European consumer?

And second question is around business rates. I saw in your slides that your rooms revenue in the Americas was flat in H1? Does it have any read on the US corporate environment? And do you have an early view on the business rate renegotiations for 2025?

And then my third question, the presentation from Heather was really helpful. In terms of the $100 million system funds surplus that you are planning to run down this year, are there any key areas such as segments or regions that you are planning on focusing on to reinvestment this year?

Elie Maalouf: Thank you, Jaina. I will take your first two questions and flip the third one to Michael.

So on European consumer pricing pushback, nothing that we have seen yet. I mean, as I said earlier, we are always mindful of the new information, watching data, watching trends. I think the summer got off to a pretty good start here in Europe. There are very different markets, but we are not sensing anything right now, not in June and not in July that gives us any indication.

But as I said earlier, different groups start from a different starting point. They might be in a different place in terms of their pricing already in a different industry, but we are very watchful of this, and we are not seeing anything yet.

On US business rooms revenue, what you might be referring to is that room nights in our business segment were down in the US year-over-year. But what I would call out also is that they are done marginally. But what I call it also is that Group was up significantly. And that is both our business travel. One is business transient. One is business group. Sometimes there is a little more of this or that. We are not seeing a trend there.

Our corporate rate negotiations were pretty successful at the end of last year. We are seeing them flow into this year. As you can see, rate was up for the half and business room nights were down a bit, but Group nights were up more, and Group rate was up too. So Group revenue more than made up for it.

We might be seeing corporations getting their people together more in groups in the first half of this year. But it is all business travel, and we are happy that it is all growing.

And the last question was on where we might be prioritising system fund spend this year. Heather, over to you.

Heather Balsley: Yes. So I mean, our focus and priorities really remain consistent first in maintaining our marketing investment to drive revenue for hotels. That continues and continues to grow year-over-year. And then there are other strategic investments in some of the platforms that we talked about in the presentation, whether that is the continued investment in optimising our channels and the mobile app, the launch of our new revenue management platform, and the continued investment in the loyalty programme. And so I would say those were some of the big investments that continue as we go into 2024.

Estelle Weingrod (JP Morgan): I have two questions. I mean on RevPAR, again, I mean, the 3.2% in Q2. You used to provide the monthly evolution. Can I ask how this evolves from April to June or at least give us some colour?

Then on margins, I mean I am trying to understand the fee margin upside potential for the second half of the year, especially as the margins did quite well in the second half of last year. I will say it differently, at the EBIT level, I think the EBIT growth was 9%, if you exclude the accounting change versus the guidance for the full year closer to 10%. So with some further normalisation out there, especially at the RevPAR level, is there room for H2 EBIT to grow by more than 10%?

Elie Maalouf: Thank you for your questions. I will take the first one, turn over the second one to Michael.

We are not providing monthly RevPAR since the pandemic, that was a pandemic specific thing where the turbulence was such that things did not change us by the month, it changed by the week and the day. We did say and we will repeat that, in the US, we saw a positive RevPAR for all three months, and we have added that we have seen a continuation of that in July and as far as we can see into August. So that is positive. It is, of course, on a short booking window, but it gives us confidence in the rest of the year.

And we saw nothing in the monthly evolution of our US RevPAR in Q2 that gave us any particular concern. We had said in Q1 that there was a shift of some Easter business or not business because of Easter that was going to go from March to April. We saw that in April, but then the trend continued in May and June.

On H2 margins, over to you, Michael.

Michael Glover: Yes. Well, as you know, we do not give guidance, but we have done $535 million here in the first half with EBIT up 12%, as you correctly point out. There was a 130 basis points. If you back out the system fund changes and the points from consumers, it was 130 basis points of margin.

We have said all along, we will deliver between 100 and 150 basis points. We are very confident that we will continue to do that with the point sales on top of that.

If you look at EBIT and where consensus is, it is at 10% on the full year, and earnings per share at around 15% growth. We are very comfortable with where that sits.

Muneeba Kayani (Bank of America): Just on the US, I did note that you talked about this earlier but one of the other things that came up from one of your competitors was weakness around the US elections in November. Are you seeing that?

Then secondly, just going back to your comments earlier, Elie, around how to think about net system growth beyond this year. I think you mentioned that new build is improving. So if new build is improving, conversions remain a big contributor. Then why not above 4%, especially given the pipeline growth?

And then a third question. Heather, in slide 48, you laid out the impact from the Masterbrand strategy in the last couple of years. As you look forward, where do you see additional contributions from the Masterbrand? Is it one of these growing further, or is there anything else?

Elie Maalouf: Okay. Just let me make sure I got your questions down. Let me tackle the first two. So on the commentary about US RevPAR for groups, somebody even got specific about November. I think you have to look at the fact that we have a certain distribution and mix of properties that may be different than others in the US.

Yes, we have some group business, some large hotels. We do not have the mega hotels of 4,000, 5,000, even 2,000 room properties. I think our biggest property in the US is not even 1,000 keys, where we have a decent urban distribution. It is not as large as some of the others, where they end up doing big conferences and big events, which a lot of times do not happen in some key cities like Washington, DC when you get to a presidential election year because nobody knows who is going to be there by January, and they just say, we will come back and meet who is here starting February.

And so it tends to be a low business season, definitely low group season in big markets like Washington DC. Some of our competitors are very heavily represented in that market. We have a decent representation. It is nowhere near theirs, and not the same group distribution across the country. So what could be true for others may not apply to us. We have looked at our forward bookings into November, which is quite a ways away. I mean, I will be hoenst with you, given the booking window, but we looked at our group booking window, which tends to be longer term into November, we do not see any dislocation at this point from the election or anything for that matter.

On net system size growth, yes, we feel that while we are not yet at the levels of new build signings, ground breaks are openings of pre-pandemic and it is gradually improving, but gradually. We did see that gradual improvement. We saw our new build signings increase. We saw our new build openings increase. Our ground breaks increase. We hope that trend continues. We hope that the lower interest rates favour that going forward. And we would be happy to see our net system size continue to grow.

Our mix today has increased significantly towards conversions. We want more of both. We are not really targeting a percentage of either. We want more of both. We are comfortable with where we are this year with net system size consensus. We are comfortable that continues forward. If it is better, that is fine too. But we want to see that evolution continue.

Michael Glover: Yes. And if you look at 2025 consensus as it sits today, it is at 4.2%. As we look forward, obviously that is a long ways away, and there is a lot of water that needs to go under the bridge to point, but we do not look at that and say that is off. So certainly, with NOVUM, and as Elie mentioned earlier, the rooms that it is going to provide next year in terms of openings, that really underpins our system growth for next year. So we feel comfortable with where we sit.

Elie Maalouf: And the acceleration in signings we have had in the first half ex-NOVUM plus 23% year-to-date, that is also promising.

Now I just want to make sure we got your third question correctly. You are asking about are there other aspects of the Masterbrand that we can monetise? I just want to make sure we got it properly?

Muneeba Kayani: Well, yes. So are there more aspects of it that you can monetise? Is there more to it, or you are happy with what you have achieved so far?

Elie Maalouf: Well, let me just start off on that question and then turn it over to Heather for the real answer, actually. I mean our principal objective of the Masterbrand is to make IHG a household name and have it everywhere, which then powers each individual brand. So before ancillaries, we want IHG Hotels and Resorts to be a household name. So there is an affiliation with all of our brands so that there is strength in the loyalty programme, which powers room nights, but also powers owner returns and just drives the whole enterprise.

And then it helps ancillaries too, of course. It helps credit card. It helps point sales. But I just want to establish a premise that Masterbrand powers the hotel brands first. Over to you, Heather.

Heather Balsley: Yes. Just to build on that, Elie. And I think you may have been referring to the page in the presentation that calls out just some of the leading indicators of Masterbrand awareness, engagement, social review scores from our customers. I characterise those as leading indicators that suggest we are making progress. But to Elie's point, the investment in the Masterbrand is about powering the revenue for the system.

And as we continue to monitor that investment, we will also be looking at some of the revenue metrics, whether it is revenue for our hotels and how that compares to the competition, but also some of those loyalty metrics around paying more relative to non-members, increasing return rates and other indicators that that Masterbrand investment, together with the loyalty investment really powers the enterprise engine.

Elie Maalouf: I mean it does underpin IHG One Rewards, which then drives point sales, which then also drives credit card. But you got to be strong at the Masterbrand first, which is what we have been making very good progress on, and the rest flows from there. Thank you, Muneeba.

Jarrod Castle (UBS): Just coming back to [inaudible], obviously, Elie, you presented in your slide deck, where things were in 2017 versus a very strong delivery on the conversions [inaudible]. I mean if you think about the medium term, do you think the conversion momentum will remain very high over the medium term as the new build momentum grows, will that get you to, I guess a higher rate of net new. And then slightly related to that, I mean, when a conversions are, I guess, an RFP, is the signing process, do you think more competitive versus a new build, or it is pretty much the same?

Then secondly, also just linked to pipeline. Anything further on potential partnership deals like Iberostar, obviously NOVUM [inaudible].

Elie Maalouf: The line has not been great and has been getting worse. I think I got your first two questions. But I am sorry, I just do not want to misunderstand your questions, but it has been breaking up quite a bit. I apologise for that. Maybe you can come back later with a clearer line for the third question. Let me try to address your first question, if I understood it, which is conversions versus new builds.

We have made a lot of progress in conversions. How does that underpin and support our growth going forward? I think there have been a few things happening in conversions, as we said in our presentations.

First, we have actually built the brands that are more conversion friendly, like voco, Vignette collection, Avid. Second, we have accelerated and improved our capabilities to convert hotels more quickly, have them ramp up more quickly, which has seen the rest of our brands too increase their conversions even Holiday Inn, Crowne Plaza, Kimpton, Holiday Inn Express and so forth. So we have built brands that are conversion-driven. We have built capabilities that are conversion-driven.

And as our enterprise, which what Heather was talked about as IHG One Rewards gets stronger, as our Masterbrand gets stronger, as our revenue systems get stronger, it is attracting more owners with existing hotels that are branded or independent into our system. We hope and are confident that we will continue. We are confident that the new build environment will continue to gradually, and I underline, gradually improve. All that should sustain our system growth going forward.

I am not saying it would not be more in the future. I am saying that we are comfortable with where it is today. We are going to work hard to make it more. Yes, in I think 2019, we, as a Group, did 4.8% before we had all these brands, before we had conversion brands, but it was also a time where interest rates were much lower. And there was not a pandemic in between, which changed a few areas of momentum, which are gradually recovering. So we are comfortable where things are today. We think we have the ability to go further, but we are gradually getting there.

On your questions about RFPs and is it making it more competitive, I think there have always been RFPs. Not every conversion goes through an RFP. I will tell you, we do a lot of our conversions especially the smaller ones, smaller being individual hotels are two to three at a time, that are off market that are owners that we have relationships with or that are introduced by others to our system and that we negotiate with and reach an agreement.

It is overall a very competitive industry and very transparent, and we have always been in a competitive industry, but not every deal gets competed, whether new build or convergent because of our track record and our reputation.

I think the last question that you are getting to have something to do about our composition of our pipeline.

Michael Glover: Or other deals like Iberostar or NOVUM.

Elie Maalouf: Yes, the first thing I want to articulate is that they are different deals. They are both organic deals. They are both asset-light deals. But Iberostar is a commercial partnership that is full fee paying. Unlike others, they are full fee paying commercial partnership. But those hotels are not converting to our brands. We actually have a licence for the Iberostar brand versus them licensing our brand. So it is different in that way.

NOVUM deal is a straight franchise deal like any Holiday Inn Express or Holiday Inn out there. It just happened to be 119 of them at once, but they are all converting to IHG brands, whether it is Holiday Inn, whether it is Garner or whether it is Candlewood Suites and they are on straight franchise, full fee paying. So do we see more of those? We are in conversations always for multiple portfolios or different ideas. Those are pretty big ones.

Things like that would not come along every quarter and sometimes not every year. But it is pleasing to see that even without those, our individual signings increased 23% year-over-year in the half. So we have got good momentum even with that portfolio deals. I hope we got your question. Sorry for the imperfect line.

Jaafar Mestari (BNP Paribas Exane): I have got a couple if that is okay. Just firstly, are you able to quantify what you described as a lower free cash flow conversion you expect this year? How much lower than 100%? It looks like the system fund working capital is about $100 million. Key money was about $20 million higher than just in H1. So is it 15% lower: 85%? Is it a bit worse, a bit better?

And then on total fee revenue growth, based on your comments just now on RevPAR and on net openings, it can probably be around 7% for the full year, 3% plus 4%. Your medium-term guidance is high-single digits. Is there a potential to actually reach 8% or 9%? And what would be the levers to get there, please?

Elie Maalouf: Okay. Michael, why do not you go with the free cash flow question?

Michael Glover: Sure. So yes, thanks for the question. Really simple answer what is going on here this year as we started the year with a really large surplus within the system fund. And you will know that system fund is a pot of money that owners pay into, and we have to spend on their behalf, and generally breakeven over time. Now we have run a surplus. So we are spending that down that surplus down on some of the things that Heather mentioned earlier.

So this year, our free cash conversion will be a little lower than it normally is. So we would expect it in that 80%-ish range on the full year. But we fully expect it to get back to normal as we move into the future and still generate 100%. There is nothing changing in our model that would change that 100% free cash flow conversion definition. It is only just that we had this surplus and we are spending that down. So that is the primary reason.

The other thing I would say is even with that and you look at where we talk about our net debt-to-EBITDA getting to at the end of the year, we are still expecting that to be around the low end of the range. It was 2.4 times at the half we would still expect it to be around the low end of the 2.5 to 3 times range we talk about. So still plenty of capacity to continue on and invest in the business, grow our ordinary dividend, which we have done and shown at 10% here at the half and then also then return cash back to shareholders.

Elie Maalouf: Thank you, Michael. On your question about the algorithm and the fee revenue growth, yes, we did say, high-single digit. And I think we also articulated that 7% to 9%. Once you get to 10% double digit, in our view, high-single digit of 7% to 9%, I think we will be around there this year. More is better, of course. And in some years, we have done more and in some years, we will do more. And it is by the way, as you said, on average, over the mid-to long-term.

Our track record historically has delivered that, and we are confident we can deliver that on average over the mid-to long-term. So we are on track for that this year.

And the thing to focus on is, what does it deliver at the bottom? You have seen with good cost control with 180 basis points margin accretion, 130 of it being before the points sale, but that is going to be in the numbers and going forward anyway. We still delivered 12% underlying reportable segment EBIT growth and adjusted EPS of 12%.

So when we talked about how it would have flow through? We said 12% to 15% EPS growth. So it is. The model is working even when China is not at full speed. And even when the US had a negative first quarter but then recovered second. Even when all the pieces are not at full steam ahead, the algorithm is working and driving that EBIT and EPS growth that we said because of the strength of our global distribution and the asset-light strong operating model we have. Thank you for your questions.

Jaafar Mestari: If I can just follow up on free cash flow conversion. Am I reading it correctly? You put a lot of focus on the system fund element. So that is about $100 million, if I am correct. And presumably, that has now done. It has happened. So if it is going to be 80% on probably something like $1 billion plus. What are the other parts, please? And I think in particular, key money, you do flag in the release. If it is $100 million from system funds, that is not taking you down to 80% if the balance is all key money. That sounds like a lot of key money. So I am probably missing something here.

Michael Glover: Okay. Yes. Key money did go up as well. We highlighted that at the beginning of the year in that, one, our traditional guidance was about $150 million a year. We have moved from $150 million to $200 million as we move into the more luxury and lifestyle based area. So we do expect it to be at the high end of that range as we move forward. So a little bit more there.

And then, of course, in terms of the conversion on EBIT, it is on net earnings, and it is after tax and interest. And so we have also had, as you have seen in the first half, our tax rate is up a little bit. And that was mainly due to a tax credit that we had in a country in the Middle East, that was $9 million. And therefore, our tax rate is at 27%.

You may remember at the end of 2023, it was 28%. We would expect the full year to be 27%. And then if you look at where we sit in the half year in terms of interest growth, we are at about 36%, but we are not changing our guidance around that for the full year. So we would expect that to still be in the $160 million to $170 million range, and therefore, less pronounced at 26% in the full year.

Elie Maalouf: I would just add, on the key money point too, is as key money is higher, but that is by design as two things are occurring: one, we are signing and opening more premium and luxury and lifestyle hotels. In both categories, premium and luxury lifestyle, usually require a level of key money.

However, within that, our key money per hotel and key money per room is roughly the same as it has been over time. So it is not becoming more intensive per hotel per room, we are just doing more of it. So it is a mixed thing.

Second is, as we do more conversions, we open up the hotel sooner. Of course, Michael said earlier, on average, a conversion hotel's opening in seven months versus a new build in 2.1 years. But when we open, it is when we pay the key money. So yes, the opening and the fees move up in time, but the key money moves up in time, which is a good thing. So that is why we moved up our guidance from 150 to 150-200. We are going to be close to the top end this year.

Alex Brignall (Redburn Atlantic): Just on the RevPAR evolution through the year. I am trying to just work out the growth numbers that you are doing in the context of year-on-year and versus 2019. Because for China, you are attributing the slowdown to the 2019 comp, but when we asked about 2019 comps at Q1, you said that we are quite a long way past 2019 and not to think about it. But if I think about H2 versus H1, the comp versus 2019 is about 440 basis points harder, which is 550 basis points in Europe, slightly less in the US and 900 basis points in China. So I guess my question is, if the comp 2019, why would we not see a slowdown in RevPAR growth in H2 versus H1 if the comp versus 2019 is dramatically harder? And you just flagged that as the reason why China got weaker.

And then I guess that ties into the trading question. There has obviously been a lot of questions on this topic. But it seems like the fair conclusion on the trading is that you simply have not seen it yet because your booking window is very short. The OTAs bookings flagged this, but I guess that booking window is more like two to three months. So is it just that somebody with a booking window might have seen weakening or slowdown or whatever word they are using before you have?

And then my third question is on China. So there havw been lots of people asking about China and the consequence of weaker RevPAR on net unit growth. And for the most part, your peers have been saying you do not think it will have an impact on net unit growth in

China if RevPAR is lower. It seems unusual that if RevPAR really just stayed lower that there would not be any impact at all on openings. But could you just talk about the lag impact that there is between RevPAR being weaker and how that might then manifest in any kind of new development opportunities in China, but obviously, it would not happen yet. But when we might see that if RevPAR continues to be weak?

Elie Maalouf: Yes. I mean, the reason that we are looking at comps in China versus 2019 is because it did not really reopen until 2022, and you had some anomalously large and volatile numbers in 2023 and still in the first part of 2024. But the US was fully recovered in 2022. So were most of our EMEAA markets, and that is why the relevant comps for most of our business, which is US, and the Americas is really 2023.

And looking into the rest of the year, those comps do not get harder for the US and for the Americas and the rest of the year. And we started the year with the first quarter. We were negative in the US, -1.9%. We covered in Q2. Right now, we are not seeing a negative RevPAR for the rest of the year. And so that would be a tailwind for the rest of the year.

So overall, when we take all of our 100 countries and look at the trends, we are comfortable with the consensus RevPAR for the year. I would not take 2019 as the relevant point of start for 2024 in the US. China was in a different recovery situation.

On your trading window, look, I mean, yes, on your booking window for trading, all we can talk about is the data that we have, the information that we have, not just for the three months of Q2 but also July and looking into August.

And then looking into our group bookings well beyond that, our group bookings are significantly up year-over-year, and those consume over 2024, 2025 and beyond. We are not seeing a deceleration in group bookings. We are not saying that something couldn't happen, to create a deceleration. What we are telling you is our data that we published today and that we are seeing in our forward bookings, whether it is leisure, business or group are not indicating that today.

Now every business starts from a different starting point. So what they may be seeing may be actually correct, too, but because they have a different starting point, it is a deceleration from a different starting point versus we do not have guidance and we do not give guidance. And so therefore, our view is based on much more current information than some projection given last year by somebody else.

On your lag effect in China, I think that you are not incorrect, I would say, theoretically: that if there is a persistent decline, frankly, in any industry demand, then supply at some point does react, right? I do not care whether you are making shoes or room nights. But that is not our hypothesis or our experience in nearly 50 years in China that our experience has been that there are highs and lows. There are ebbs and flows, but the trend line is actually upwards in China and that right now, the softness that we have seen in RevPAR, a lot of it attributable to outbound travel, although we are not saying it is all of it. We have no way of measuring it. But definitely some of it attributable to outbound travel that that is not a persistent structural thing.

The middle class keeps growing. Travel is significantly underpenetrated. Rooms per capita are significantly underpenetrated. Every projection of where the global travel market is shows that China, and then, of course, India on its heels, are going to be among the largest, if not the largest travel markets going forward. So we do not think there is something structural.

And I think what is happening is smart investors in China are looking at the same information and are investing in this sector. I do not know if our openings and signings will continue to grow at 50% and 40%, respectively. But I do know that the long-term fundamentals of that market are strong, and that demand will continue to grow, and supply will continue to grow, and we are going to get a pretty good share of it. Thank you for your questions.

André Juillard (Deutsche Bank): Two main questions, if I may. First one about Middle East. Regarding the actual situation and tensions that we can see. Do you have any comment on the operating trend and potential fears we could have in the region?

Second question is about capital allocation. So you clearly said that you were ready to continue to return the excess cash to shareholders. But regarding your 19 brands and the creation of Garner last year, do you see any opportunity to continue to create brands or to buy some small ones to repeat what you have been doing with Kimpton or other brands in the past and to continue to develop your portfolio and better address the market like that?

And same question in terms of capital allocation. Do you see any new opportunity in terms of geographies?

Elie Maalouf: All right. Thank you for your questions. First, on the Middle East, of course, we are following all the events. Just to give you the facts and give you some colour. Right now, in the area of conflict, that is broadening a little bit, Israel and Lebanon, between the two countries, we have 10 hotels. Obviously, we have seen cancellations and lower occupancy, and that is natural. It is a very small part of our business, but we have seen it.

I will tell you personally. I am of Lebanese origin. I was going to travel there in October with my mother. We are probably not going right now under the circumstances. I am not sure you could get there if you wanted to. But where our main businesses in the Middle East, which is in the Gulf, United Arab Emirates, KSA, Qatar, the rest of that region. At this moment, we actually been checking; I have not seen any change in booking pattern. Does not mean something would not happen. If the situation further expands and escalates, it is clearly out of our control. But nothing has happened yet.

And we actually did not see that over the last year, almost one year now into the conflict in Gaza, and we have not seen an impact to our Gulf business. Probably what I will tell you is being from that region, the conflicts have been going on for 60 years, and right or wrong, people just become accustomed to it. Sad but true. So we hope that there is an end of the hostilities, but at this moment, in a material part of our business, which is the Gulf, we are not seeing anything.

In terms of capital allocation, new brands, whether launched or acquired, we are clear, and I will repeat our capital allocation policy, which is first invest in the business, which would be this. Second, maintain and increase our ordinary dividend, which we just did today again at 10%. And third, return surplus capital to shareholders, which we are doing this year at a higher level than last year.

We will create or acquire new brands if and when we see a strong consumer demand and owner demand to invest in a space of scale where we are not participating. If we are participating already, we do not need to add to it. If we are not, and it is a strong segment of demand and owner interest for capital investment, we will participate. That is why we have added nine brands in the last nine years or so not planned fully one per year, but because we found opportunities.

And that may happen again. I would say our balance sheet is in a strong place. Our cash flow generation is in a strong place. We do not need to change our capital allocation annually to do organic launches like Garner or before like Avid, Atwell, voco, Vignette. And sometimes even if there is a bolt-on acquisition, if there are larger ones, that would require rethinking in the short term, how we handle that. But all in the interest of the first priority of capital allocation, which is to invest in the business for higher returns to our shareholders.

We feel today we have a very strong portfolio to address all customer needs and a strong loyalty plan to address it. But consumer tastes do evolve, and we are always on the lookout for something.

In terms of geographies, we talked at the February strategy update about expanding our geographies. We highlighted Japan, India, Germany, Kingdom of Saudi Arabia. And I would tell you, six months later, we made very significant progress in each one of those markets. We have increased signings significantly in KSA. Our pipeline is more than double our open hotels and is likely to be our strongest or probably second strongest signings market this year after Germany because of the NOVUM deal.

In Germany, we have made a persistent approach to grow in that very hard-to-penetrate market. We have definitely broken through now doubling our presence in Japan. Our pipeline is increasing rapidly.

India, I was there in April, and our pipeline there now does double our 50 open hotels and we are making great strides in that market. So expanding the map, it is not requiring a lot of capital at this point. If certain opportunities come up, we'll address them in that order, but we are able to expand organically while maintaining good cost control.

Remember, a lot of our spending is on the system fund, not on the P&L, whether it is marketing or operation support people. Now if it is development, that is going to be on the P&L, but we are able to fund that organically so far. Excellent. Thank you for your questions.

Okay. Well, thank you for joining us today on this call. Let me just sum up where I was going to start, which I did not get a chance to.

We are pleased with the performance and trajectory in the first half. Our RevPAR grew 3%, accelerating in Q2. We delivered gross system growth of 4.9% and net system growth of 3.2% and are confident in delivering full year growth expectations.

We secured record breaking signings of over 57,000 rooms, up 67% year-over-year, and our pipeline grew 15%. And as we mentioned, it was 23% even excluding the NOVUM deal on signings. We expanded our fee margin by 180 basis points, supporting operating profit growth and EPS growth of 12% each.

Cash generation is funding growth investments, and we expect to return over $1 billion to our shareholders in 2024, representing over 7% of our market cap at the start of the year.

And as you heard from Heather and Michael and me in the recorded sessions, we are making excellent progress on all of our strategic priorities. We are confident in the strength of our enterprise system an attractive long-term growth outlook.

Thank you, everyone. It has been great to connect with you today to update you on our 2024 half year results. We are very pleased with the first half, and our teams have done an excellent job to position us for a successful year.

Our next market communication will be our third quarter trading update on Tuesday, 22nd October. Thanks for your time and interest in IHG, and look forward to catching up with you all soon.

[END OF TRANSCRIPT]