

FY23 RESULTS PRE-RECORDED PRESENTATION

Hello and welcome to IHG's 2023 full year results presentation.

I'm Stuart Ford, Head of Investor Relations at IHG Hotels & Resorts, and shortly you will be hearing from Elie Maalouf, our Chief Executive Officer, and Michael Glover, our Chief Financial Officer.

Before we proceed, I am obliged to remind all viewers that the company may make certain forward-looking statements as defined under US law. Please refer to the accompanying full 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 this webcast, can all be downloaded from the 'results and presentations' section under the investors tab on [IHGplc.com](https://www.ihgplc.com).

Now over to Elie.

Hello and welcome to IHG's 2023 full-year results presentation. I'm Elie Maalouf, Chief Executive Officer of IHG Hotels & Resorts. I was honoured to take on this role in July 2023, and to now be presenting my first set of annual results.

Our results presentation follows a slightly different format this year, as we are holding a separate live webcast and Q&A session to talk about IHG's update on strategic priorities. All material background for that update is contained in the full year results announcement that we have released.

This webcast that you are currently watching is specifically to cover the performance in 2023. In a moment, Michael Glover will talk you through our financial results, but before that, let me share some key highlights.

We saw excellent progress in 2023, with key metrics for our trading performance, hotel openings and signings, profit and earnings all significantly ahead of last year.

RevPAR improved significantly, up 16 percent vs 2022, and up 11 percent vs 2019. Despite tougher comparables as we progressed through the year, Q4 RevPAR still finished up 8 percent year-on-year, and up 13 percent vs 2019.

Looking at system size, our gross growth was 5.3 percent, and net growth was 3.8 percent. We added 275 hotels to our system, delivering 16 percent more room openings than 2022 after adjusting for Iberostar. Signings were up 26 percent on last year, driven by one of IHG's best ever quarterly signings performances in Q4. We continue to successfully capture conversion opportunities, which represented over 35 percent of both openings and signings. Our Essentials and Suites brands had another strong year, and Luxury & Lifestyle is a rising proportion of our future growth. IHG's overall pipeline increased 6 percent year-on-year to almost 300,000 rooms, representing secured growth equivalent to more than 30 percent of today's system.

Our fee margin continued to expand, growing by 3.4 percentage points in the year and helping to drive operating profit to just over one billion dollars, up 23 percent on 2022.

Earnings per share grew 33 percent year-on-year, and is 24 percent ahead of where earnings were back in 2019.

2023 saw another record year of cash generation, with free cash flow totalling 819 million dollars.

We are pleased to propose a final dividend of 104 cents, contributing to total dividend growth of 10 percent for the year to 152.3 cents.

After completing buyback programmes in each of 2022 and 2023, and while continuing to invest in our business, we have announced a further 800-million dollar buyback programme for 2024, demonstrating our commitment to routinely return surplus capital to shareholders.

Let me now handover to Michael who will take you through the details of our financial results for the year.

Thanks Elie.

I'm Michael Glover, Chief Financial Officer for IHG Hotels & Resorts. Let me take you through some more detail of the strong financial performance that we delivered in 2023.

I'll start as usual with our headline results from reportable segments.

Revenue of 2.2 billion dollars and operating profit of one billion and 19 million dollars represented growth of 17 percent and 23 percent against 2022, respectively.

Revenue from the fee business increased by 17 percent to 1.7 billion dollars, while operating profit from the fee business increased by 23 percent to 992 million dollars, or by 25 percent on an underlying basis.

Fee margin once again made considerable progress, improving by 340 basis points to 59.3 percent - and I'll touch on this in more detail shortly.

Adjusted interest increased to 131 million dollars, while our full year effective tax rate was 28 percent. Later in the presentation I'll give a view on outlook for these line items to help with modelling.

Earnings per share includes the benefit of accretion from the 750 million dollar share buyback programme completed in 2023, as well as the annualization of the previous 500 million dollar buyback that was conducted in the second half of 2022.

So, taken all together, along with the reduction in our share count as a result of the share buyback programmes, EPS increased by 33 percent to 375.7 cents.

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

In the Americas and EMEAA regions, you can see the sustained recovery of RevPAR versus 2019 levels over the last 12 to 18 months.

As had become well known, trading in Greater China was bumpy in 2022, but in 2023 there was a sharp and sustained improvement and full recovery in RevPAR, with the year as a whole up 1 percent vs 2019. Q3 RevPAR was particularly strong, up 9 percent vs 2019, driven by a better-than-anticipated uptick in domestic leisure trips. Q4 RevPAR dipped back down to a percentage point behind 2019 levels, but this was expected given the seasonally higher business demand in that quarter, which still lags leisure demand given the delayed return of international airlift capacity.

I will come back to each of the three regions in more detail in a moment.

Looking at RevPAR performance on a vs 2022 basis, substantial improvements were seen in the first half of the year due to a lower base in 2022 as a result of the residual Covid impact on trading in that prior year. As we moved through 2023 we lapped much stronger comps and so the growth rate decelerated – which was always the expectation – and you can see how it stabilised still significantly ahead of the prior year.

It is worth pointing out that as we move into 2024, we will no longer report trading metrics on a vs 2019 basis given the full recovery of nearly all of our markets.

Here, we are showing our global demand split between Leisure, Business and Groups, and the component drivers of revenue split between room nights and rate progress.

We've previously shown this to you for the US, and now we are showing the global picture as this is now instructive given the pattern of full recovery.

Leisure demand as we previously knew recovered first, but what you can see from the top charts is how that strength of demand has been sustained.

Business demand continued to strengthen, both in terms of occupancy and pricing. We returned to regular renegotiation of corporate rates on an annual basis, which continues to drive ADR. Meanwhile, the ongoing return of international airlift capacity into and out of China has supported demand throughout Asia, and this will remain a tailwind into 2024.

Groups, which had been the slowest demand driver to recover, continues to advance, and whilst for 2023 as a whole it was still 5 percent behind 2019 revenues, it turned positive for the final quarter. What's on-the-books for Groups is 17 percent ahead of this time last year, which would more than complete the recovery of this category.

As I mentioned at the start of the presentation, we have seen further expansion of our fee margin, which, at 59.3 percent, increased 340 basis points ahead of 2022.

This improvement was led by our EMEAA and Greater China regions, which saw margins increase significantly as trading performance continued to accelerate. Both regions have seen margins restored to above pre-Covid levels.

The Americas region saw margins slightly dip, down 210 basis points to 82.2 percent. As you will remember, we had previously signalled that there was cost investment in 2023 to support various growth initiatives. Margins are still substantially ahead of 2019 levels and sustainably so.

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

Our fee business overheads increased by 8.5 percent year-on-year, though the underlying overheads inflation rate was only around 5 percent. The integration costs for Iberostar, the launch of Garner, and other investment in systems and growth initiatives meant that overheads grew by more than we'd expect in a typical year.

But the outlook and fee margin opportunity remain the same. Our efficient cost base and operating model enables investing for growth as well as expanding margin at an expected average of 100 to 150 basis points a year – just as IHG has delivered over the prior decade.

This is a topic that I will cover in our separate presentation updating on our strategic priorities.

Turning to system growth.

Gross additions were 5.3 percent as we opened 48,000 rooms in 2023, equivalent to 16 percent more openings than the prior year when excluding Iberostar.

13,000 rooms exited the system during the year, equivalent to a 1.5 percent removal rate, in-line with the historic underlying average.

Taken together, net system growth over the last twelve months was 3.8 percent, matching our expectations of achieving close to 4 percent growth for the year.

Conversions grew strongly, representing 39 percent of openings in the year. The number of conversion room openings increased by 21 percent year-on-year, and pleasingly the number of new-build openings also grew by 12 percent year-on-year.

Consensus currently shows an expectation of 4 percent net system size growth in 2024, and at this early stage in the year that aligns with our internal expectations.

We signed 79,000 rooms in the year, an increase of 26 percent on 2022 when adjusted for Iberostar.

In Q4 alone, we signed over 28,000 rooms, up 50 percent on the same period in the prior year, representing one of the strongest quarters of development activity on record. This reinforces our future growth potential and clearly demonstrates the continued attractiveness of our brands and enterprise system.

We had strong performance across all segments, but it was very pleasing to see our six Luxury & Lifestyle brands account for 23 percent of signings, further increasing this part of the portfolio in our pipeline mix. Accelerating system growth and fee income further, one in two Luxury & Lifestyle development deals now comprises a branded residences component.

In terms of signings by type, conversion signings more than doubled on 2022, but it was great to see that new build signings were also up on the prior year.

Moving on now to give some brief highlights for each of the three regions, starting with the Americas.

RevPAR was up seven percent vs 2022, and 13 percent vs 2019. Occupancy was up 1.5 percentage points year-on-year, and rate up 4.6 percent.

Trading in the first quarter of 2022 saw travel volumes impacted as a result of the Omicron variant of Covid-19, with comparatives becoming tougher from April onwards. RevPAR growth in the fourth quarter was up 1.5 percent vs 2022, which still represented further sequential improvement vs 2019, up 14 percent. For the US, RevPAR growth was +0.1% given it was up against tough comps with resurgent demand in Q4 of 2022. That compares to the US industry that saw RevPAR in slight negative territory for midscale and upper midscale in Q4. Industry forecasts for 2024, such as from S-T-R, are for RevPAR for all chainscales to be positive low-to-mid single digits year-on-year.

Turning to gross system growth, which was 2 percent. Momentum picked up later in the year, with 40 percent of openings occurring in the fourth quarter.

We were delighted to see the first two Garner conversions open by the end of the year, within just three months of the brand becoming franchise-ready in September. It was also very pleasing to see an acceleration in the pace of openings for avid, with eight new properties added in the year, and a further 18 already under construction.

At the other end of the chain scale, our Luxury & Lifestyle category saw the first Vignette open in the region, a new entry into Dominica with the InterContinental Cabrits Resort & Spa, as well as three new Kimpton properties.

We signed 100 deals across the Holiday Inn and Holiday Inn Express brands, indicative of the enduring attractiveness of these brands, as well as the untapped growth potential they still hold. We signed a portfolio including three Holiday Inn Club Vacations hotels in Mexico, marking the first steps for the brand outside of the US.

In the Luxury & Lifestyle segment, we had 29 signings, which was a 58 percent increase in rooms compared to 2022. Many of these were in high barrier to entry markets such as New York, Napa, DC, Turks & Caicos and Hawaii. In the Premium segment, signings tripled, with strong increases at both voco and Crowne Plaza.

And as we strengthened development activity outside of the US, we achieved 51 signings or nearly 20% across Canada, Mexico, Latin America and the Caribbean.

Signings in total for the year were over 28,000 rooms, which, excluding Iberostar, was 34 percent more signings than in 2022.

In our EMEAA region, RevPAR was up 23.7 percent vs 2022, and is up 15.4 percent vs 2019. Occupancy improved year-on-year by 7.9 percentage points, while rate was up 9.8 percent.

The UK, which experienced a comparatively earlier easing of restrictions, saw RevPAR up 14 percent for the year vs 2022, and up five percent in Q4, despite tough comps. Elsewhere, variances in performance largely reflected timing of recovery following the easing of travel restrictions, with fourth quarter year-on-year RevPAR in Australia up seven percent, Continental Europe up eight percent, South East Asia & Korea also up eight percent, and Japan up 20 percent. RevPAR in the Middle East was down 1 percent in Q4 predominantly due to tough comps from the FIFA World Cup held a year prior, but was still up 24 percent on a vs 2019 basis.

Gross system growth was 9.2 percent year-on-year with the opening of over 21,000 rooms in the region, of which nearly a third were added in the fourth quarter. Openings for the year included 16 further Iberostar Beachfront Resorts that were added as part of the long-term commercial agreement established in November 2022, and 26 openings across the Holiday Inn Brand Family.

It was also a particularly strong year for the InterContinental brand, with eight openings including Jaipur, Bucharest, Durrat Al Riyadh and Rome.

We signed nearly 25,000 rooms in the region during the year, including 10,000 in the fourth quarter. As we look to rapidly expand in Saudi Arabia - a key growth market for IHG - 14 new properties were added to the pipeline, including the Regent Jeddah which will be the debut of the brand in the Middle East region.

Overall for EMEAA, when looking at development activity levels excluding Iberostar in both 2023 and 2022, it was very pleasing to see openings up 25 percent year-on-year and signings up 24 percent.

Moving on to Greater China, where RevPAR was up 71.7 percent year-on-year. With Covid restrictions only being relaxed at the very end of 2022, rapid recovery in the region meant that 2023 was the first year in which we saw RevPAR exceed pre-pandemic levels, delivering growth of 0.7 percent vs 2019. Occupancy of 61.1 percent was up 19.1 percentage points vs 2022, while rate grew by 18 percent.

Q3 RevPAR, which was strongly driven by domestic leisure trips, was up 43 percent vs 2022, an outstanding increase of 9.3 percent vs 2019. Q4 RevPAR was subsequently up 72 percent vs 2022 due to a comparable period in which the industry was substantially impacted by localised travel restrictions a year prior, but Q4 saw RevPAR slip just below 2019 levels. It is important to reiterate that RevPAR has recovered in Greater China at a much faster rate than what we have seen across the rest of our global business, and the slight regression in Q4 vs 2019 is simply a product of the demand mix being more weighted to Business whereas Q3 was heavily weighted to incredibly strong domestic leisure demand.

Gross system size growth was 9.8 percent year-on-year with the opening of 16,000 rooms in the region, of which just over half opened in a particularly busy final quarter of the year.

Openings over the course of 2023 included 51 for the Holiday Inn Brand Family with Express reaching over 300 properties in the region, and 14 more Crowne Plaza hotels opening for this category-leading brand which now has an estate of 124 hotels in Greater China.

We welcomed the first three Vignette Collection hotels in the region, all of which opened within two months of signing, demonstrating the agility of the brand. The addition of another four voco hotels also helped to drive the proportion of conversion openings to 32 percent for the year.

Across Luxury & Lifestyle brands there were 15 openings, including a further flagship for Regent with Shanghai On The Bund, and six openings for InterContinental.

All of these additions combined to help us reach the milestone of 700 open hotels in Greater China, which is a fantastic achievement for our regional team.

We signed over 26,000 rooms to the pipeline during the year. This included 20 Luxury & Lifestyle hotels with the segment now representing 20 percent of both the existing system size and the pipeline in the region.

Overall for the year, openings in the region were 29 percent up on 2022 and signings were 19 percent ahead.

Turning now to capital expenditure.

We spent gross capex of 253 million dollars, and net capex was 157 million dollars after proceeds from recyclable investment disposals and system fund inflows.

Key money of 101 million, which was up from 64 million in 2022, is indicative of our increased development activity back to pre-Covid levels, and also a mark of our growth in the Luxury & Lifestyle segment. Importantly, it is also a reflection of our discipline in only deploying funds where the returns justify the investment.

Maintenance capex was 38 million, in-line with prior spend as we continue to ensure that our business and enterprise platform is fully invested.

Turning to the System Fund, we continue to benefit from depreciation levels exceeding capex, which follows the completion of our major investment in the Global Reservations System.

Moving now to cash flow.

Adjusted free cash flow reached a record high of 819 million dollars in 2023, once again demonstrating the highly cash generative nature of our business model. Adjusted earnings converted 129 percent into free cash flow for the year.

Net cash outflow, after the payment of just over 1 billion dollars across dividends and share buybacks, was just over 300 million dollars. Together with adverse foreign exchange movements, this meant that the closing net debt position increased by 421 million dollars.

Our strategy for uses of cash remains unchanged. After investing behind long-term growth, which remains the foremost priority, we look to sustainably grow the ordinary dividend. In this regard, we are pleased to propose the final dividend will be 104 cents, representing ten percent growth on last year's.

A year ago, we announced a seven hundred and fifty million dollar buyback programme, which completed in December. This repurchased 10.6 million shares at an average price of 55 pounds and 88 pence per share, and reduced the share count by 6.1 percent. The 2023 programme, together with ordinary dividend payments, returned one billion dollars to shareholders during the year, which was equivalent to 10 percent of IHG's 10 billion dollar market capitalisation at the start of 2023.

We are pleased to announce that a new share buyback programme will commence immediately, targeted to return 800 million dollars over the course of 2024. On a prospective basis, given expectations for growth in EBITDA and cash generation in 2024, we would expect this to result in leverage around the lower end of our target range of 2.5 to 3 times at the end of 2024.

It is worth mentioning a few housekeeping points for those who maintain forecast models of IHG's performance.

Interest costs will rise from 2023's 131 million dollars. This is due to higher net debt and our blended bond interest cost increasing to 3.7 percent following the recent issuance of a new bond. Our adjusted interest expense also includes the charge on System Fund balances, which increased in 2023 given the rise in the SOFR benchmark rate that is used for this charge. Where the SOFR rate ends up in 2024 will impact the charge this year. So, at this stage, our expectation is adjusted interest expense to increase to between 155 and 170 million dollars for 2024.

Our adjusted effective tax rate is expected to be around 27 percent in 2024, compared with 28 percent 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. However, given our increased development activity and growing focus on the Luxury & Lifestyle segment, our normal course net capital expenditure is likely to be up to 200 million dollars, an increase to our previous direction of around 150 million dollars.

Elie, the regional leadership of IHG, and I will be talking a lot more about our growth ambitions in the separate webcast that provides an update on our strategic priorities. But as a quick reminder, and as included in our results announcement, the baseline drivers for IHG's value creation are as follows:

- Fee revenue growth of high-single digit percent on average in the medium to long term, through the combination of RevPAR and net system growth...
- Those should also drive annual fee margin accretion of 100-150 basis points...
- Which taken together should result in EBIT growth of around 10 percent.
- We expect to continue converting around 100 percent of earnings into free cash flow...
- ... and that should enable routinely returning additional capital to shareholders, such as through annual share buyback programmes, which further enhances earnings growth.
- The resulting opportunity is for compound growth in EPS of 12-15 percent annually on average over the medium to long term, driven by the combination of the above.

With that, let me now hand back to Elie.

Thank you, Michael.

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

IHG has a well proven ability to successfully drive long-term growth in both demand and supply, with full year RevPAR growth of 16 percent and net system growth of 3.8 percent once again demonstrating this.

Our well-invested portfolio of 19 brands forms a powerful network of nearly 950,000 rooms across more than 6,300 hotels. We have geographic reach across more than 100 countries and a full range of product segment diversification from midscale to upper luxury.

Our pipeline of nearly 300,000 rooms represents secured multi-year growth of over 30 percent of today's system size.

With year-on-year growth of 23 percent, our operating profit exceeded a billion dollars for the first time, and helped drive earnings per share growth by an outstanding 33 percent.

We are highly cash generative which supports our capital allocation strategy. We returned a billion dollars to shareholders last year through ordinary dividends and share buybacks, and will exceed that total in 2024.

And with that, we thank you for listening to our 2023 full year results presentation, and very much hope that you will also join us for the separate update on our strategic priorities and future growth ambitions later today.