IHG
Third Quarter Trading Update

Tuesday, 22nd October 2024

Introduction

Stuart Ford

Head of Investor Relations

Welcome

Good morning everyone, and welcome to IHG Hotels & Resorts' conference call covering the 2024 Third Quarter Trading Update. I'm Stuart Ford, Head of Investor Relations at IHG, and I'm joined this morning by Elie Maalouf, our Chief Executive Officer, and Michael Glover, our Chief Financial Officer.

Disclaimer

Just to remind listeners on the call that, in discussions today, the company may make certain forward-looking statements as defined under US law. Please refer to this morning's announcement and the company's SEC filings for factors that could lead actual results to differ materially from those expressed in, or implied by, any such forward-looking statements.

For those analysts or institutional investors who are listening via our website, may I remind you that, in order to ask questions, you will need to dial-in using the details on page two of this morning's RNS release. The release, together with the usual supplementary data pack for the third quarter, can be downloaded from the 'Results & Presentations' section under the 'Investors' tab on ihgplc.com.

Now, over to Elie…

Overview

Elie Maalouf

CEO

Highlights

Thanks Stuart, and good morning everyone.

As Stuart said, I'm here this morning with Michael. I will pass over to him in just a moment, and he will review each of the regions for you in more detail. Before that, I would like to cover some of the highlights for the group overall. We are certainly pleased with the latest trading performance, and it's been another strong period of development activity. And we are on track to finish 2024 in line with market expectations and our growth algorithm.

RevPAR continued to grow, driven by our globally diverse footprint. It was up 1.5 percent for the third quarter, and the year-to-date performance is up 2.4 percent. There was continued pricing power, with third quarter ADR up 1.7 percent. Occupancy was pretty much unchanged in Q3, and was up 0.4 percentage points for the year-to-date. Michael will provide more detail, but within this global performance the RevPAR for Greater China was down as expected, which reflected the unusually strong comps a year ago. These comps of course get easier in the fourth quarter.

In terms of performance by demand driver, Groups showed further strong growth, with revenue up 6 percent in the quarter globally. Business revenue also grew, up 2 percent. Leisure revenue was broadly flat, down less than 1 percent, despite the particularly strong comparatives as Leisure was already 34 percent above 2019 levels this time last year.

Going back to Groups activity for a moment, Q3 was a record period for bookings taken by our Global Sales Organisation. Pace looks strong through the rest of 2024 and into 2025, and we're pleased to see corporate travel organisations like Amex saying that two-thirds of meeting planners expect to spend more on meetings in 2025.

What's on-the-books for Groups & Meetings cumulatively for all future time periods is about 25 percent ahead of this time last year, and what's on-the-books across all demand drivers – so including Leisure and Business as well as Groups & Meetings – is 7.7 percent ahead of this time last year. While you all appreciate that the overall booking window is relatively short for all the major global hotel operators, these on-the-books statistics will still give confidence of future total revenue growth to come.

In terms of system growth, we opened more than 17,500 rooms across 98 hotels in the quarter, well over double the same period last year, which was in part due to the next six thousand rooms of the NOVUM Hospitality agreement joining IHG's system. This contributed to year-on-year gross growth of 5.9 percent and net system growth of 4.1 percent.

It is worth reminding that we typically experience seasonality in our system growth, with a greater proportion of openings occurring in the last quarter of each calendar year. Year-to-date net system growth of 2.3 percent, which is ahead of the 2023 Q3 year-to-date of 2.0 percent, is therefore expected to significantly ramp up through the final quarter of 2024, just as it did last year, and as reflected in net growth being 4.1 percent for the rolling 12 months.

Turning to signings, we added over nineteen thousand rooms into our pipeline in the quarter, which was an increase of 14 percent on the same period last year. Our global pipeline, which now stands at 327 thousand rooms, representing future growth equivalent to over a third of our current system size, finished the quarter 12 percent larger than at the same point last year.

So, we've got good momentum heading into Q4 and 2025, and with that, let me now hand it over to Michael.

Financial Review

Michael Glover

CFO

Americas

Thanks Elie. Let me start with some further detail on each region.

For the Americas, RevPAR was up 1.7 percent year-on-year, with the US up 1.2 percent. It has been encouraging to see the economy hold up well, and demonstrate both stability and normalisation, as expected. Across Canada, Latin America and the Caribbean, RevPAR was up 6.2 percent. Occupancy for the region, which had already normalised quite some time ago, was unchanged for the quarter, and pricing remained robust, with rate growing by 1.7 percent.

If we take a closer look at the stay occasion drivers, Groups demand was the strongest, with comparable rooms revenue up year-on-year by 7 percent. Business revenue was ahead by 3 percent, while Leisure revenue was only slightly lower than the same period in the previous year.

In terms of development progress in the Americas, three and a half thousand rooms were opened in the quarter. In the first three quarters of this year we have opened almost the same number of rooms as we did for the whole of 2023, and we still expect further acceleration of this run-rate as we head into Q4.

Openings in the quarter included 11 hotels across the Holiday Inn brand family. One of these is an Express that is dual-branded with Candlewood Suites, which was completed in 16 months from ground break to open, an example of the speed of which new builds can be done in a more normal environment. There were also two more voco properties that opened in the quarter, two for Kimpton and two for InterContinental as well. And on October 1st, the Regent at Santa Monica Beach officially opened, the first hotel for this legendary luxury brand in the region, and which will drive further progress at the very top end of Luxury with this flagship property.

We signed close to seven thousand rooms across the region, an increase of more than 30 percent on the same period last year. It was another great quarter for Garner, with 7 more hotels signed which now takes the brand to 92 hotels across open and pipeline just one year on since launch. There were 19 Holiday Inn brand family signings and 17 across our extended stay brands, showing their continued strong appeal to owners. And within 7 signings across our Luxury & Lifestyle brands, there is a 700-key InterContinental in Orlando, another flagship for this leading global brand.

EMEAA

Moving on now to our Europe, Middle East, Asia & Africa region, where RevPAR was up an impressive 4.9 percent. Pleasingly, this was driven by both pricing and demand, with rate up 3.6 percent, and occupancy up 0.9 percentage points.

In a region as broad and diverse as EMEAA, there will be a range of trading performances observed across individual sub-markets. Continental Europe saw Q3 RevPAR increase by 7 percent, with benefits including the Olympics in France, as well as very strong Groups & Events demand in Germany. The Asia Pacific region saw RevPAR growth of 6.5 percent, with the continued uplift in outbound Chinese travel boosting demand; within this sub-region, growth was up high single digits in Japan and well into double digits in popular leisure destinations like Vietnam and Thailand, but growth was modest in locations like Australia.

The UK saw RevPAR increase by over 2 percent, with both London and the regions driving this growth. The Middle East saw RevPAR decline year-on-year by 3 percent, having been up by 9 percent in the first half of the year. There were some impacts from the timing of religious tourism events and the ongoing conflicts in the wider region. It is worth remembering the geographic breadth of IHG's portfolio, with the whole of the Middle East region representing less than 5 percent of IHG's global system.

Over 8,500 rooms were opened in the quarter, including 6 thousand related to the NOVUM agreement we signed earlier this year. 31 further NOVUM hotels were opened in Q3, bringing the overall total to 37. As a reminder, 119 hotels were signed as part of the original agreement, and therefore this portfolio will continue to contribute to our overall system growth in the next 12-to-18 months. There will be a smaller number of openings in the next quarter, as we move into the next tranche of hotels that have more extensive PIPs required for them to convert to our system, and then further openings next year.

Gross growth for EMEAA was 8.2 percent year-on-year, while net system growth was 6.6 percent.

5,800 rooms were signed to the pipeline in the quarter, over 20 percent more than a year earlier. These signings were well-dispersed across all segments, demonstrating IHG's ability to compete and win deals all through the chain scales. It was great to see Vignette perform particularly well, with 8 signings in the quarter, clearly reflective of the traction the brand has already established. There were also two Garner signings as it ramps up development activity in the region, and conversions overall represented 56 percent of all rooms signed in the quarter.

Great China

Finally, moving on to Greater China, where RevPAR was down 10.3 percent year-on-year, against very strong comparatives on the back of resurgent domestic travel this time last year. To remind you, in Q3 of 2023, RevPAR leapt up to be 9.3 percent ahead of 2019 levels, and so, a year on from that, we are back to being broadly in line with 2019.

Rate was down 7.4 percent, reflecting a pricing environment that has been normalising and the effect of high-end Chinese leisure travel heading outbound. In Q3 last year we witnessed what was in effect a captive market in Greater China – with limited outbound capacity driving up domestic rates, particularly in Tier 4 resort locations. Chinese leisure travellers now have more optionality with most short-haul flight capacity fully back to pre-pandemic levels, and so they have trended towards international destinations through the summer – which, as I have already mentioned, has provided uplift to other locations, particularly our business in Asia Pacific.

It is also worth noting that in September there were two typhoons that passed through numerous Chinese provinces, and trading in September was also adversely impacted from the shifts in the timing of public holidays compared to the prior year.

Coming on to development activity in the region, whilst short-term trading performance has been impacted particularly by the unusually strong comparatives a year ago, we remain very encouraged by the longer term demand drivers for the region and the continued supportive government policies towards Travel & Tourism, infrastructure investment and economic development. And this is reflected in the excellent levels of hotel development activity we've been seeing.

In terms of system size, 5,500 rooms were opened in the quarter, an increase of over 50 percent on the same period last year. This has driven gross growth of 11.9 percent year-on-year, while net system size growth was 9.6 percent. Highlights for the quarter included the opening of a dual-brand voco Suites and EVEN Hotel in Shanghai, representing the second examples for each of these brands in the city, and further demonstrating the growing popularity of these more recently introduced brands.

A further 6,700 rooms were added to the pipeline, as development momentum continues to build following the extended period of Covid-related restrictions. Cumulative signings to date in 2024 are up by over 20 percent on last year. Notable signings included another stunning representation of the Kimpton brand in Shanghai. Elsewhere, the Holiday Inn brand family also performed particularly well, with 24 signings in the quarter.

As we've noted in the statement out today, for both hotel openings and hotel signings, 2024 is heading to be one of our biggest years ever in the region, which is very exciting.

Share buyback progress

Just to update you on the share buyback. We are currently 77 percent of the way through the 800 million dollar programme we announced in February. To date, this has reduced our share count by a further 3.7 percent.

This year's buyback, along with ordinary dividend payments, will have returned over one billion dollars to shareholders in 2024, equivalent to 7.1 percent of our market cap at the start of the year.

Financing update

I'd also note to you that last month we issued a new 750 million Eurobond, which we swapped into dollars, and then repaid a bond that matured earlier this month. This results in the blended borrowing cost across our six bond maturities being just a touch over 4 percent.

As we set out back in August, leverage continues to be expected around the lower end of our net debt to adjusted EBITDA target range of 2.5 to 3.0 times at December 31st 2024.

InterContinental Alliance Resorts – The Venetian Las Vegas

And then finally a brief update to note that IHG's license agreement to affiliate The Venetian and Palazzo hotels in Las Vegas with the InterContinental Hotels & Resorts brand will come to an end on January 1st 2025 after 15 years.

This will mean the removal of just over 7,000 rooms or approximately 0.7 percent of IHG's overall system in 2025. However, the unique nature of the fee structure under this particular licensing agreement means it contributed less than one million dollars to our fee business revenue last year, and it made a net nil contribution to operating profit from reportable segments, or 'EBIT'. The impact on the System Fund is also not material – in fact, the agreement created a small loss to the System Fund. Other agreements in the InterContinental Alliance, which are the three resorts of The Venetian Macao, The Parisian Macao and The Londoner Macao, remain unchanged.

I will now hand back to Elie.

Conclusion

Elie Maalouf

CEO

Summary

Thank you, Michael. So, to summarise the third quarter:

- Global RevPAR has increased by 1.5 percent, driven by our globally diverse footprint and the strong demand for Groups and Business travel, while Leisure has also sustained.
- Gross system growth was 5.9 percent year-on-year, and net system growth was 4.1 percent, with openings more than double and signings up by 14 percent on the same quarter last year.

Our teams delivered a performance over the last quarter that reaffirms our confidence in advancing the strategic priorities that we laid out for IHG to drive the core components of shareholder value creation. As a reminder, these are:

- growing our fee revenues through the combination of RevPAR, system size expansion and ancillary fee streams;
- which in turn will drive further margin accretion;
- and, with our typical strong cash conversion, this allows IHG to both re-invest in the business and to return surplus capital to shareholders.

You may have questions regarding an update on co-branded credit cards. We remain in a process that, as we've previously said, is evaluating the opportunities to further grow this important ancillary fee stream. And of course in the meantime, we've explained how these cards are already driving further loyalty contribution and revenue. We look forward to giving you an update on the review at the appropriate time in the future, and are confident in the strong future growth of our co-brand business.

As I said at the opening of the call, we are on track to finish 2024 in line with market expectations and our growth algorithm, and we remain confident in our abilities to capitalise further on our scale, leading positions and the attractive, long-term demand drivers of our markets.

With that, I will now pass back to the operator to open up the call for questions.

Q&A

Jamie Rollo (Morgan Stanley): Thanks. Good morning, everyone. Three questions, please. First two, on China. You said your RevPAR is now broadly back to 2019 levels. It was broadly also there in Q4 last year. Should we expect Q4 RevPAR to be sort of broadly flat year-on-year? Secondly, on the very good momentum you are seeing there on signings and openings, has anything changed in terms of the fee structure or key money and what sort of confidence level in sustaining this circa 10% net unit growth going forwards? And then finally just on the Venetian, I appreciate that that is an immaterial contract for revenues, but are there any other sort of licenced deals coming up for renewal? And when do those three Macau hotels come up for renewal, please? Thank you.

Elie Maalouf: All right, thank you, Jamie. I will take a crack at all three, and Michael will support me and help me where I need that.

So, on China RevPAR, yes, you are right. It has been bumping along at 2019 levels now for three or four quarters. We do not know for sure what the fourth quarter will be, but the comps get easier. We think it could easily continue that same 2019 trend. Our belief, as we said at the half, is that the situation is bottoming out in China after two to three years of digesting the residential real estate overhang. It takes time to digest it, as it took time in the US to digest it.

Meanwhile, the economy is still growing. GDP came in at 4.7%, which slightly exceeded expectations. Consumer spending slightly exceeded expectations. It is going to take time to turn, but we think it is turning. And travel continues to be strong, especially when you look at the outbound Chinese travel to Southeast Asia, to Japan, the nearby markets, flight capacity outbound, is still back almost to where it was in 2019. Inbound is not. So that is coming back more slowly, but that is a tailwind whenever and however it does come back over time.

So we do acknowledge that there are other sectors of the Chinese economy that are slower, that have different fundamentals. The travel sector continues to move ahead. Most of the decline in RevPAR, as you could tell from the figures, was rate, not occupancy. A lot of that was due to the upper-end traveller going outside of China. Last year they were all trapped in China. So next year maybe, or in this fourth quarter, they may split their time between domestic and international. So I think that would not be a surprising outcome if Q4 stayed in line with 2019. I also would not be surprised if it starts improving in the next few quarters on a comparable basis.

On the development environment, it continues strong. We are not seeing any change to the financial competitive structure, if that is what is your question is. No key money. We are not having to discount fees any more, we are not having to provide different incentives or really, frankly, any incentives. I think it is a factor of two things. First, the investors in China are seeing resilience in travel versus other real estate sectors, which are more under pressure. And so capital is moving towards hospitality and our brands are in a very strong position in China. We are in almost every category, the leading brand.

So you put that together, we are headed towards a record year in China of hotel unit signings and openings. It is a lot of credit to our team and to the position of our brands, and I think the resilience of the Chinese industry and Chinese market. So we are confident, as we have said on multiple calls, in the mid- to long-term in China.

Now, on the Venetian, we have, to your question, three other properties in Macau that are now part of a different entity. If you remember, there used to be just one entity called Las Vegas Sands. They broke up years ago, so it is now two different entities. And those arrangements are not affected at all by what we are doing in Las Vegas. And those have a few more years to go under contract, but they are not affected at this time.

So when you think about that, that was a legacy agreement from over 15 years ago. We were a different company 15 years ago with only InterContinental in the luxury lifestyle category. There was this concept of the InterContinental Alliance, one that we are not taking forward. We now have what I consider the strongest luxury lifestyle portfolio in the world with InterContinental, Six Senses, Regent, Kimpton, Vignette, Hotel Indigo, with over 550 hotels open, over 400 under development. So it is just a different strategy in Luxury & Lifestyle, different position that we have. And so we are very confident in our growth in that area. And as you noted, no impact to P&L and actually slightly favourable to System Fund. Thank you, Jamie.

Jamie Rollo: And there are no other licence agreements coming up? I mean, that US Army deal, that is someway away. And confidence level on 10% unit growth in China going forwards.

Elie Maalouf: We are confident in high rates of growth in China. Whether it is 10%, whether it is a little more, whether it is a little less. Keep in mind that our base is growing significantly. We closed last year a little over 700 hotels in China. We will probably close this year over 800 hotels in China. So when you think of the denominator, the denominator keeps getting bigger. So, you know, high single-digit, which is still going to be even more fees and more units because it is on a bigger base. We would not be surprised if it is in a high single-digit number going forward.

Jamie Rollo: Thank you.

Vicki Stern (Barclays): Yes, morning. Thank you. Just firstly, coming back to your comments, Michael, on the balance sheet. As you say, your leverage is hovering around the bottom end of that 2.5 to 3x target range. I think the Group used to be quite happy having leverage in the upper part of that range. Just any reason now to believe that you have shifted from that? Or should we think about cash returns potentially going forward next year, leaving you in the upper part of that 2.5 to 3x?

Second one is just on the RevPAR outlook. So I think consensus for the year has 2.5 or 2.4%. That does obviously require a bit of a positive inflection in Q4 versus Q3, which makes a lot of sense in China, obviously, given that comp. However, just how are you feeling about any possible positive inflection in the Americas and EMEAA? Your comments there on the booking outlook seem quite upbeat for Americas in particular. Just curious what you are seeing.

And then just lastly, as we look at net unit growth into next year, obviously, I appreciate those Vegas rooms are pretty negligible in profit terms. But, how are you thinking about net unit growth into next year, given that 70 bps headwind? I think consensus is around 4%. Can you still do that sort of level, or should we now think something more in the low threes?

Michael Glover: Let me start with the balance sheet. Yes, there is no stated change to where we believe we could be within there. I think we are comfortable being at the middle of the top end of that range right now. I think, I would not say we would look to change anything there. So, yes, we will finish around the low end of that range. And I think as we think about returns to investors through share buybacks, we have been pretty clear around what we will do there, and that we plan to continue to do that. Obviously, the Board will look at that as we get into the full-year results, and we will make an announcement on that at that point.

We are still seeing strong cash conversion and I think at the half-year we said we would still be at around the 80% range. I think actually we will be a little bit above that, maybe all the way back to 100%. So still seeing strong cash conversion. So I think everything looks really good from a balance sheet perspective to continue on with that progress.

I will maybe take RevPAR outlook real quick, and then let Elie add to that.

Yes, certainly, Elie just talked about China and the Q3 and Q4 and how that is improving. But also if you look at the Americas, back at the half-year, there was a lot of concern I think around the US consumer and the US economy, and it was going to turn into recession. I think a lot of that has been alleviated now. Certainly, the Fed reducing rates, if you look at unemployment, we made the point that job growth was still happening. We actually happen to be at kind of all-time highs or almost all-time highs. I think we are a couple thousand jobs off of all-time highs in the US. You look at some of the data, lay-offs are relatively flat, not moving. You see real personal expenditure up almost 3% versus last year. So the economy overall feels really strong and really good.

And I think the other thing you are starting to see a bit also is a bit of impact from the hurricanes coming in, positive impact in the quarter. You are certainly seeing that. We are seeing that come through. And if you look at hurricanes, what typically happens is you have people fleeing and moving away from the affected areas. Then you have the government to come in, you have the army, FEMA, things like that coming in to look at and maintain the areas and look at the damage. You have insurance companies come in. And then as the repair process happens, people have to be put into temporary housing. You see the contractors come in, the big suppliers come in like a Home Depot or Lowe's. And we are seeing that start to happen and come in. And in the US in particular, that tends to be a bit of positive. So we are seeing that come through.

But I think more importantly, we feel like the underlying economy is going well. And as we go through our corporate rate negotiations, we are seeing really strong demand. We talked about corporates still travelling. Most of our corporates are saying they are going to increase travel overall. They are going to spend more on trade shows and events, customer outreach and building their customer base and then also still connecting with employees. And so, as you do not have return to work yet completely done and completely back, there is still a need to connect with employees. So we are really seeing strong growth there.

Then you are also seeing small-medium enterprises are up 8% year-to-date, still strong demand. Nothing there that would suggest a slowdown. I think we feel comfortable with Q4 being a little better than where Q3 was, and that gives us confidence in that saying we will be around that consensus number for the half.

And I will turn it over to Elie for NUG and any other comments he might add on it.

Elie Maalouf: Just a little more on Q4. October started well. We are well into it by now, so we can say it is in line with what we expect and what we would need to do globally and in the US. So we are comfortable with that. The economy is in good shape and supply growth is still low, which is supportive of rate. And when you combine a strong economy, consumers on average in total still feeling good and consumer spending strong, then with low supply that supports rate going forward. So that I think also makes us feel good about Q4 and next year for RevPAR in our largest market. Europe is stable, China comps get better. And you put that together where we are already at 2.4% year-to-date. So it is not as if we need a Olympic leap here to get to expectations,

On 2024 NUG, we are comfortable with expectations, which, I think, are in the four range. The way we look at Venetian, to your question, and to build on what I said to Jamie earlier, I think you are referring 2020. I said 2024. 2025 NUG, we are comfortable with the expectations. Also, comfortable with 2024 expectations at 4.2%. So with both. The way we look at Venetian is it has really not been part of the algorithm, a legacy deal. Happy to have had the relationship, but it has not contributed to the growth algorithm, which is what really informs all of our business strategies and all of our shareholder value creation strategies, as we articulated in February. It has not contributed to it, it would not contribute to it going forward. Frankly, Vicki, if we came today and said the opposite, which is, oh, we have this new agreement for 7, 10, 20, 30,000 keys in some part in the world with no contribution to fees to the algorithm but our NUG goes up 1%, 2%, 3% next year, I think we would not expect that to be an underlying increase in projections for IHG's growth, nor would you allow that. And so I think I would not consider it part of our base going forward. And we look at our 4%, our 4.2% this year and our 4% next year, really exclusive of that.

I think that wraps up your three questions. Thank you.

Vicki Stern: Thanks very much.

Jaina Mistry (Jefferies): Hi. Morning, Elie. Morning, Michael.

Elie Maalouf: Hello, Jaina.

Jaina Mistry: I wanted to spend a moment on the importance of the keys with fees rhetoric. The first question is, is this a shift in the way the business operates? And looking forward, how much of your portfolio is under earning or not earning fees, say? And then the second part of the question is, how do you balance the benefit of the larger system size on the attractiveness on your loyalty scheme versus the P&L impact, the cash impact of, let us say, potentially fee-dilutive rooms? Thank you.

Elie Maalouf: Okay. I would not call it a strategy shift. I think it is an emphasis that we have, and I think IHG has always been focused on shareholder value creation. However, I think the environment changes, it is a dynamic industry, and there are probably a lot of opportunities today that were not as numerous in the past to enter into arrangements that are not as accretive as they used to be.

This one was not. In the past, again, I want to emphasise we had a great relationship with that ownership group, with that property, and it is a legacy deal. But, I think today, as you have seen in the industry, there are more opportunities to enter into lower or almost no value arrangements. And we are very selective about those, very discriminatory about those, and discerning about them. So that is the first thing.

I would not call it a shift. It has really an emphasis, but it is driven by a change in the external context. There is just not a prevalence of these arrangements at IHG. I can tell you, we know our portfolio extremely well, and we have really no prevalence of these in our system.

Now, to your second part of the question is, how do we think about these properties and their value to the loyalty plan? We have been very clear about our strategy to drive our loyalty, which is growing extremely well. And that, of course, drives our ancillary fees, which are growing very well. And focusing at the top of our portfolio on our Luxury & Lifestyle portfolio, which has grown from just one brand to six brands now, and over 500 open properties, another 400 under development in all major markets, and a lot of it in resorts, the most attractive resorts in the world. I mean, there is no brand out there today that has the cachet, that has the traction, the buzz that Six Senses has. None. Everywhere we go, people are just, you are either wanting to build it, or are wanting to visit it and build their experiences around it. So that is just an example.

Regent, the same. InterContinental, still remains the largest and fastest-growing traditional luxury brand in the world and so forth. Kimpton Hotels & Restaurants is the global standard of boutique lifestyle. So we are just in a very different place than we were 15 years ago, and we are very pleased with the progress we are making. And those make a very strong contribution to loyalty while making also very strong contribution to fees. So we believe we can do both. We do not have to sacrifice fees for growth and loyalty for growth and ancillaries, for growth in our masterbrand. Now, clearly in Luxury & Lifestyle the fee arrangements are different. You have much higher RevPARs, so the percentages may be different, but the total take is very large. You know, it is a different equation with very high fees. So we believe we can and are doing both through our Luxury & Lifestyle and loyalty strategy, which reflects the decisions and actions we are taking today.

Michael Glover: Yes, I think just like you can look at some recent examples of what we have done with, for example, Iberostar. Iberostar was a gap, addressed a gap that we had around resort locations and all-inclusive resorts. You know, great loyalty play there, but also we are earning fees from that. And so, as Elie says, we are in a lot different position than what we used to be. And so as we look at those, we want to really look at how do we make win-win arrangements for our shareholders, but for our guests and for the owners. And so we look across all three.

Elie Maalouf: Let me just give you a macro statistic and an anecdote. Today in Luxury & Lifestyle, we have over 900 hotels, I think nearing 1,000 open and under development. Over 500 open, over 400 under development, nearing 1,000 hotels out of our 6,500 in the world under development, earning high fees and contributing to loyalty and contributing to our master brand that eventually drives ancillaries. On the other hand, on a micro sort of anecdote, here in London, we are nearing the opening next year of our Six Senses. That property is going to be nearly 1,000 ADR and the residences have been selling. We have sold over 60% of the residents. They are selling from a minimum of 3-5 million to up to 25 million for the penthouses, on which we earn fees. So we believe in driving Luxury & Lifestyle with high fees, not a discrimination between one or the other. Thank you, Jaina.

Jaina Mistry: Thank you.

Leo Carrington (Citi): Good morning. Thank you. If I could just ask a couple of follow-ups on the demand points and then separately on Garner?

First of all, in the Americas, the hurricane impact in Q3, is there any way you can quantify that for your business specifically, just to help us get the trajectory for Q4 right? And then secondly, on China, the point about outbound travel is well-made, but in terms of the impact on ADRs, given the strong supply growth, is that a major factor that you are seeing, or is that diluted by the demand levels?

The other question on Garner, if I just say that now, with the European expansion that we have seen in the quarter and in October, to what extent has this been a function of the brand launch plans itself versus a demand pull from owners that has emerged subsequent to launch? Thank you.

Michael Glover: Elie, if you want, I will take the demand in the Americas hurricane one there.

In the quarter, we had about a 30-basis point positive from the hurricane impacts that happened early in the quarter. However, you also need to remember that you had late in the quarter some impact from the two hurricanes that happened in the Fall. So it will be a little bit muted relative to what it would have been had there been no other hurricanes.

In terms of China and supply growth, actually, if you look at China's supply growth, it is interesting. I know there is a report that shows that STR has growth of roughly 17%. What has happened there is you have had some players come into that reporting sample. So large brands like Home Inns Group and H World have increased participation. However, they have only been added to 2024 data, but not the historic data. And so, if you exclude this, the overall supply growth is actually lower, roughly 12-13%. And so when you, when you think about that, I think that may have been causing some confusion around what is happening in China around supply growth.

I think what we are really seeing, actually, if you look at that occupancy growth, that or occupancy movement we had in China, we were only down two points in the third quarter, coming off a very strong third quarter last year. So most of it was around rate, and it was really around that China outbound travel happening. You had the high-end consumers that were buying up the big sweeps in the tier-four locations, moving out of the domestic locations and moving into some of the destinations around Asia. And actually, if you look, and you see some of the stats come through Golden Week, actually, there were 765 million domestic travellers, up 6% year-over-year. That is up 10% from COVID. You had tourism revenue up 6%, up 8% from COVID. You had outbound travel out of China, up 33% year-over-year. And so I think that just speaks to what we are seeing there.

It has not dissimilar to what we saw in Florida, in the US, when everyone was contained to the US, Florida RevPAR jumped through the roof. And then the next year, as everything opened up, Europe became a key destination for American travellers and RevPAR in Florida went down. And so I think that is kind of what we are seeing there.

I will go over to Elie on the rest.

Elie Maalouf: Sure. On Garner, I think it is a great question. We had always planned to take the brand globally. When we design our plans, our brands to have global potential, rarely do we design them just to be concentrated on market, unless it is really US, which is our biggest market, and then most brands we do take global eventually. I think we were pleased to then get a lot of interest from owners sooner than we had anticipated. Whether it was in Germany, in Europe, and other countries in Europe where we already signed, in the UK and Austria or in Turkey, we have announced, and I am sure I am missing a country or two already in Europe, but it has also gone beyond Europe and Asia. We have signed and are opening in Japan. We have signed in, and I think we are going into Southeast Asia with Garner soon. And we have plans to expand it further into Asia. We are already, I think, over 85 hotels in pipeline in Garner. We have opened four that are performing very well, so we are well on track. We said we wanted to be 500 open hotels in ten years, with 85 in the pipeline in about a year. I think we are well on track to do that or exceed it. Thank you, Leo.

Leo Carrington: Thank you very much.

Alex Brignall (Redburn Atlantic): Good morning. Thank you very much. Just one from me, really.

Just the signings number, if we take out NOVUM, is still about 70% of where you were in 2018-19 just year-to-date. Obviously, you already answered a question about these sort of incremental deals that sometimes have inferior economics to organic signings. And lots of your peers are talking about them. And it seems a little bit like it is a seller's market to be a small brand that might be converted to a big brand. So what is your hope for organic signings getting back to previous levels? Because obviously the denominator is significantly bigger, as you already alluded to. So the organic net unit growth number seems to require a pickup in organic signings if that is not to be a reliance on these deals with inferior economics. Thank you very much.

Elie Maalouf: Sure. I think we are moving in that direction, Alex. It is a development. I think I have said this before, it does not move in spikes. It moves in trends. Right? In trends, because there are a lot of processes, you have to come to place. You have to buy the land and get the design and get the equity and go get the financing and all those things. And there has been quite a bit of friction along the way, especially in the United States where the total industry pipeline has recovered, but total industry under construction has not. These are just industry data. And so we are kind of in the same situation, following an upward trend. Our signings are trending up, our under construction is trending up. Our openings year-to-date through the third quarter are 66% in the Americas, higher than they were last year. So we are getting that machine going. However, there is just a trend line. And we think that the stabilisation of interest rates, the stabilisation of inflation both contribute, but they do not create a V-shape trend right after.

Fortunately, the economy is still strong, which is supportive of demand, and we think over time the supply will recover. That has probably been the biggest gap to getting back to 2018-19 has been the US new construction market. But, in the meantime, we have picked up conversions quite a bit. And as part of conversions, I would include NOVUM. NOVUM is neither a partnership, it is not an alliance, it is a full fee 119 individual franchises for 20 years each. It has just they all happen at once. The unusual part of NOVUM is that they all happen at once. But, it is in our base figures because we consider it organic because it is individual franchises for 20 years with full fees. Now, do we have to provide some key money incentive for it? Of course, because it is not typical to find such an attractive quantum all at once. And we had like to find more if we could. But, we consider that organically. Yes, there is opportunity to still increase our organic growth, and that is why we are optimistic about the future here. Thank you, Alex.

Alex Brignall: Fantastic. Thank you.

Jaafar Mestari (Exane BNP Paribas): Hi, good morning. I have got a couple, if that is all right.

Just on the Middle East, it is not huge for you. It's 5% of the global system. It is negative. I think operators who report negative in the Middle East this quarter may just be tempted to say, yes, it is the timing of the religious pilgrimage, -3% move on. But I just wanted to give you an opportunity to discuss any other trends you are seeing. And you refer to the geopolitical uncertainty in the region, which is quite obvious. But do you have more exposure to oil and gas? Do you have more exposure to specific countries or end markets in the region that is worth keeping in mind, please?

And then on co-branded credit cards. No update? Will we have an update in due time? Of course, just in terms of what is on the table there, could you maybe mention a few options you are looking at in the next two years? Is consolidating your products with fewer suppliers an option? Is launching a lot more products with more suppliers an option? Is the geographical expansion in some key markets outside the US a big part of the upside? Just keen to have a list of things in mind there, please.

Elie Maalouf: Sure. Thank you. On the Middle East, a relevant topic. I am going there Sunday for a week's visit to Dubai, Doha and Riyadh. I am not going to Beirut as I was supposed to go a month ago, so that has been postponed. Well, look, realistically, two things are at play. Yes, there was some movement in religious holidays, but while we cannot measure it at this time, we think there was some impact from the conflict on the Mediterranean side of the Middle East. However, it is hard to measure how much it happened, how much it contributed. It has hard to predict if it is going to contribute anything in Q4. So we are not seeing anything that we can measure yet, but it could happen, of course, given the nature of the conflict and the volatility.

So two things I would say about that. First, as you correctly said, it is a small part of our business, 5% of our rooms. Second, we believe if there is any impact, it will be short-lived, as previous impacts have been short-lived. Unfortunately, the region has experienced conflict over 50 of my years of memory at least, and it is habituated to it. There are impacts, they are short-lived. We are actually very optimistic about the long-term growth of our Gulf region business. It is mostly concentrated in the Kingdom of Saudi Arabia, the Emirates, Qatar, Oman, but mostly, I would say the first two are the Kingdom and the Emirates.

We are broadly distributed in across many industries. We are not concentrated on oil and gas or any particular end markets. We are in the major cities, but also in resorts. There is no particular concentration. We are not the most exposed there relative to other global hotel companies, but I would say we are gladly exposed to the growth that we are certain will continue to occur in those Gulf countries.

On co-brand, I hope you will be patient with us and appreciate that we cannot say much in this very delicate stage of discussions, but just factually, our business in the US, which is the majority of it by far, is already concentrated, is already with one issuer and one network. The issuer we are currently chasing, the network currently is Mastercard. Unlike others, we are not working with multiple parties. But to your reference on geographic expansion, yes, we see opportunity to expand geographically over the years into more markets in Europe, more markets in Asia. Not every country. There are peculiarities that make some countries more attractive for co-brand and debit card business and others not. But we think there is material opportunity, nowhere near, to be frank, as what the US has given the special nature of the credit card business in the US, but not irrelevant either. So, we are very optimistic about the growth of our card going forward. We are confident it will reach multiples of what it is today. And there will be, on top of that, some international opportunity too. Thank you.

Jaafar Mestari: Thank you very much.

Andre Juillard (Deutsche Bank): Good morning, gentlemen. Thank you for taking my question. Two questions, if I may.

First one about your brand portfolio. The fact that you are around 20 at the moment, do you see any potential development for new brands considering that your two main competitors, Marriott and Accor, have got quite more, but do you see any value in developing some new brands and eventually thinking about M&A on that subject?

Second question is very French, I should say. Do you see any issues about the tax level that you could have to pay in the future? Because France is talking a lot about improving taxes. Some other European countries as well. Do you have any visibility on that side, or is it too early?

Elie Maalouf: Thank you, Andre. We do not have anything against the French, honestly. Do not take it personally. We love France and French people. Brand portfolio, we actually have 19 brands, not 20, unless somebody did something recently, and I am not aware of it, which is always a possibility. But seriously, we have 19 brands today. When you count all of our brands, that includes Holiday Inn Club Vacations, that includes HUALUXE in China. So some of them are not really globally distributed in that way.

We do not believe that success is measured by a number of brands necessarily. That is not a measurement of industry success. Who has more brands is not necessarily the most successful. I do not think you could plot a correlation between valuation and number of brands. You might almost get an inverse correlation today if you did that. So in terms of multiple in valuation, so we do not think that is the key to success. What is the key to success is that based on your strategy for growth, in which markets you plan to grow and in which segments you plan to grow, do you have the right brands to address that at scale? So if you look at a company like IHG, we are global, so all major geographic markets, and we go from segments that are mid-scale to upper luxury. And therefore, our goal in our brand portfolio is to have the right number and more importantly, the right type of brands to address the greatest share of growth in those geographic markets and in those customer segments. And we have been on a journey since I joined the company ten years ago to go from 10 to 19 brands, not to have more, but to have the right brands to address those geographic and customer segments.

We think currently we are very well-positioned to drive our growth through the portfolio that we have. I have also said that this is a dynamic industry, not a static industry. Customer preferences are dynamic. Owner investment preferences are dynamic. So we stay close to those. And where we see a material desire for customer experiences and owner investment in those experiences, it would have to intersect. Owners have to be willing to build for that experience. And where we find that intersection, and we are not participating with a brand and none of our brands can address it materially, then we do launch a brand. That is why we acquired Six Senses and Regent. That is why we launched Atwell, avid and Garner, that is why we acquired Kimpton and, to enter beach front resorts at scale, that is why we did the agreement with Iberostar. So we have addressed brand opportunities with a strategic view to capitalise on the growth segments and growth geographies. We want to plan, but not to reach a certain number. We do not feel like we are disadvantaged because we have 19, somebody else has 35, and somebody has 50. In some cases, we think it is an advantage to stay focused on the brands that are successful.

Your question on M&A is partly answered by the first part, which is when we come to add to the portfolio, we look at which is the best way to do it. Is it organic through a brand launch? And we have done that mostly in limited service mainstream brands, or through acquisition, which we have done that too, mostly in upscale to luxury because it just takes longer to get distribution and name recognition. So acquisition tends to be not the only, but the most likely path. So we will continue to look at acquisition opportunities. We do not need them to grow our business, but we are always looking at them to see which are accretive.

We do follow material taxation level changes around the world. We cannot do anything about it fundamentally, it does not drive our strategy, really, and so we follow them, recognise them. There could be changes in UK taxation, there could be changes in US taxation after the upcoming election. Certainly, other countries like France and Europe are looking at their tax regime. It has never been a deterrent to the success of our strategy, but it is something obviously we manage in the interest of driving the greatest earnings per share and value to our shareholders, while doing it responsibly and fully compliant with all tax regulations.

Michael Glover: Let me just add, and thanks for taking the tax question, Elie. Let us just talk about this year, we are expecting our tax rate to be around 27%. I think we have been pretty clear on that. That is a little bit lower than it was last year at 28%. Also, some of the relative tax things that are going on, like OECD, global tax reform, we do not expect to be caught out by Pillar I. Pillar II will have some relevance for us. However, our current high-level view is that we do not anticipate any material tax charge related to that. Obviously, as we move further out, there could be tax changes, but as Elie said, we monitor those, and we will do what we have to do with those.

Andre Juillard: Okay, very clear. Thank you.

Elie Maalouf: All right, well, thank you, everyone. We are feeling confident going into Q4, into 2025, and we want to remind you that our financial results for the Full Year 2024, along with the trading in the fourth quarter, will be announced on Tuesday 18 February.

Thank you very much and have a good rest of your day.

[END OF TRANSCRIPT]