InterContinental Hotels Group PLC Q3 Trading Update Live Q&A
October 22, 2026

Call Moderator:

Good morning, ladies and gentlemen, and welcome to InterContinental Hotels Group PLC Q3 Trading Update Conference Call. At this time, all participants are in listen-only mode. Later, we will conduct a question and answer session through the phone lines and instructions will follow at that time. I would like to remind all participants that this call is being recorded. I will now hand over to Stuart Ford of IHG Hotels and Resorts. Please go ahead.

Stuart Ford:

Thank you. And good morning, everyone. Welcome to IHG Hotels and Resorts conference call covering the 2026 third quarter trading update. I'm Stuart Ford, Senior Vice President and 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. 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 on 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 have registered 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 and presentations' section under the investors tab on ihgplc.com. Now over to Elie.

Elie Maalouf:

Thank you, Stuart, and good morning everyone. I will begin today's call by providing a brief overview of our global trading and development performance in the third quarter. I will then hand over to Michael to go through the performance in each of our three regions in more detail, and he will also cover the share buyback and financing updates. I will then provide some brief concluding remarks and we will open up the call for Q&A in about 15 minutes or so.

Let me start by thanking our teams around the world for their hard work and dedication. We have delivered another strong performance with RevPAR growth accelerating in the third quarter and our development momentum continuing. The quarter once again demonstrated the benefits of IHG strategic diversification across geographies, brands, and stay occasions. Turning first to trading, global RevPAR grew by 5.3% in the third quarter, taking growth for the year to date to 4.6%.

The US performance was very strong with growth across every brand, every demand driver, and every location type. This reflects the ongoing strength and breadth of the US economy and of IHG's enterprise platform. The ENEA region also saw very good growth overall, particularly in Europe and Asia Pacific. The wider Middle East sub-region improved to broadly flat, though there were still declines in the GCC countries.

And in recent weeks, there have been escalations of the conflict in the Kingdom of Saudi Arabia, and we hope for a speedy and lasting resolution right across the region. In greater China, RevPAR eased in this last quarter, impacted by adverse weather and changes to public holiday timings. RevPAR growth

remains positive year to date, and we remain confident in the strength of the outlook. At a global level, both rate and occupancy contributed to the 5.3% RevPAR growth with average daily rate of 3.9% and occupancy increasing by 0.9 percentage points.

By demand driver, room's revenue on a comparable hotels basis was up 10% for groups, up 5% for leisure, and up 4% for business, further demonstrating the benefit of strategic diversification. Turning to development activity, we expect 2026 to be another record year and the fifth straight year of accelerating net system growth. In the quarter, we opened 12,900 rooms across 92 hotels, taking our year-to-date total to almost 300 and expanding our global system to 7,200 hotels.

Net system growth was 4.9% year-on-year. Among openings in the quarter, we celebrated our 1,000th opening in Europe and globally our 200th for Hotel Indigo and our 150th for voco. And there were plenty more opening debuts to new countries. For example, the first Vignette Collection hotels into each of Spain, Germany, and the Dominican Republic. We signed 21,100 rooms across 164 hotels in the quarter, almost twice the number of hotels we opened. With that momentum, year to date, signings have already topped 500 hotels.

Our pipeline is more than 3% bigger than a year ago and equivalent to growth of 33% on our current system size. Development is split roughly evenly between new builds and conversions, the latter of course moving more quickly through the pipeline. Each of our collection and conversion focused brands, voco, Vignette, Garner, and Noted Collection continue to expand around the world, demonstrating the breadth and attractiveness of our brand portfolio.

With that, let me now hand over to Michael to run through the regions in more detail for you.

Michael Glover:

Thanks, Elie. Starting with the Americas where RevPAR growth accelerated to 6.8% in the third quarter, taking year-to-date growth to 5.6%, rate grew by 3.9% and occupancy increased by 2.1 percentage points to 73.9%. You have to go all the way back to 2017 for a higher level of occupancy. In the US, RevPAR grew by 6.9% in the quarter and 5.4% year to date. The tail end of the FIFA World Cup in July added 40 basis points to the region's RevPAR growth in the third quarter.

The quarter also had within it a small benefit from the timing of public holidays and events, which supported a further uptick in travel rather than any sort of shift from the prior or following quarter. So, aside from those small benefits, the vast majority of the strength of the performance in the US is a reflection of the ongoing strength and breadth of the US economy as we noted. That is also reflected in the growth of all three demand drivers.

Groups was strongest with comparable rooms up 12% compared with 2025, followed by leisure up 7% and business up 6%. Turning to development in the region, gross system growth was 3.6% year-on-year and net system growth was 2.1%. We opened 4,000 rooms across 39 hotels in the quarter, 1,300 rooms more than the same period last year. Notable openings included the InterContinental Presidente Mexico City Miyana, the new flagship Crowne Plaza in Times Square, New York, 11 Holiday Inn Expresses and eight more Garner properties. Moving to signings in the quarter, we signed 5,700 rooms across 65 hotels. These included 24 hotels for the Holiday Inn brand family, 22 across our extended stay brands, and 14 across our conversion focused brands. Highlights included signing InterContinental Bogota, further expanding the brand's presence to one of Latin America's most important gateway cities, as well as signings to take the voco brand into additional markets in Central America and the Caribbean.

Moving on now to Europe, Middle East, Asia and Africa region, where RevPAR grew by 5% in the third quarter, a significant improvement on the 0.6% growth in the prior quarter. This takes the region to 3.9% for the year to date. In Q3, rate grew by 4.1% and occupancy increased by 0.6 percentage points to

75.5%. Looking at the major geographic sub-markets, RevPAR increased by 3% in the UK, 4% in continental Europe, and grew 8% in East Asia and Pacific.

A number of other markets were even stronger, for example, India and Africa both growing in the mid-teens. The Middle East improved to be broadly flat in Q3, having been 19% lower in Q2. Within this Q3 improvement, Egypt and Turkey performed strongly, though countries closest to the ongoing conflict continued to experience declines. Across the six GCC countries of KSA, the UAE, Qatar, Kuwait, Bahrain, and Oman, there was a RevPAR decline of 12% in Q3.

Turning to development in the EMEAA region, gross system growth was 7.1% year-on-year and net system growth was 6%. We opened 3,600 rooms across 23 hotels in the quarter. We also signed 7,000 rooms across 47 hotels. These included 21 conversion deals and further signings for Noted Collection, which has already secured hotels in five countries since its launch in February. Elsewhere, we signed two further Vignette collection properties in France, additional Kimpton hotels in Thailand and Italy, and a Ruby in Greece.

Finally, moving on to Greater China, year-to-date RevPAR has grown by 1%, although the third quarter it eased by 3% with rate down 0.8% and occupancy decreasing by 1.6 percentage points to 62.3%. A number of adverse weather events impacted domestic travel during the first two months of the quarter while changes to public holiday timings supported more international outbound leisure travel in late September. However, we did capture the benefit of that outbound travel in EMEAA during the quarter.

So, these factors contributed to RevPAR declining by 7.5% in tier two to four cities, while tier one cities grew by 0.2%. There was very strong growth in Hong Kong and Taiwan. We continue to remain confident in the attractive long-term fundamentals of the Greater China market underpinned by strong economic development, a growing middle class, and the continued under penetration of hotel rooms per capita. Because of these strong fundamentals, development activity in the region remains excellent.

Gross system growth was 12.1% year-on-year and net system growth was 10.3%. We opened 5,300 rooms across 30 hotels in the quarter, taking year-to-date openings to 20,500 rooms. A particular highlight was the opening of Holiday Inn Shanghai in the ECC, which brought the new Holiday Inn design to Shanghai and became our 90th hotel open in a city with a population of some 25 million. We signed 8,300 rooms across 52 hotels in the quarter, including 20 Holiday Inn Express and 14 Holiday Inn properties.

Increasing demand for conversions comprising both hotel rebranding and adaptive reuse projects have grown to represent approximately 40% of openings and signings in the year to date. A notable conversion example was the Hari Hotel in Hong Kong, which was both a signing and an opening within the quarter and is part of a portfolio of three luxury hotels joining our Vignette collection. Moving on next to update you on the share buyback.

We are currently 74% of the way through this year's $950 million program with $707 million spent to date and 4.7 million shares repurchased. This has reduced the total number of voting rights in the company by a further 3.1% to 147 million. Together with the $285 million of ordinary dividend payments, the program will take total shareholder returns in 2026 to more than $1.2 billion, which is equivalent to 5.8% of IHG's market capitalization at the start of the year.

As previously stated, leverage at the end of 2026 is expected to remain within our net debt to adjusted EBIT target range of two and a half to three times. And finishing with a quick update on financing. In September, we issued 850 million euros of bond across two tranches and following the maturity of a 350 million pound bond in the prior month, we now have $4.6 billion of bonds outstanding and a blended cost of 5.1%. The next schedule maturity is the 500 million euro bond in May 2027.

As previously described, our expected range for adjusted interest expense for 2026 remains $230 million to $240 million. Given the increase in our gross debt, as well as the modest increase in our blended borrowing rate following this year's refinancing activity, the adjusted interest expense expected to increase $40 to $60 million pre-tax in 2027.

This is an expected feature of our operating our growth algorithm, which includes returning surplus capital to shareholders and maintaining leverage within our target range as part of targeting EPS growth of 12% to 15% annually on average over the medium to long term.

To conclude then with some comments on consensus for this year, our strong performance for the year to date and the continued positive outlook for demand gives us confidence in achieving consensus expectations for 2026. We would expect consensus to increase modestly further given the successful Q3 we are reporting today. Consensus as it currently stands for the 2026 full year is global RevPAR of 3.5% and the stronger than expected Q3 would flow through to EBIT accordingly.

For net system growth, consensus for the current year is 4.8% and our continued development and momentum underpins that view. You can find the full detail of our current consensus on our corporate website. With that, I'll hand back to Elie for closing comment.

Elie Maalouf:

Thank you, Michael. And to wrap up, RevPAR growth accelerated in the third quarter to 5.3%. Net system growth was 4.9%. We expect 2026 to be another record year for development activity in our fifth straight year of accelerating net system growth, and we are confident of achieving consensus expectations for the year, which would mark the third consecutive year of delivering adjusted EPS growth around the top end of our growth algorithm of 12% to 15% annually on average over the medium to long term.

This once again shows the power of IHG's enterprise platform and the benefit of our scale and strategic diversification around the world. And with that, Michael and I would be happy to take your questions. Operator, can we open up the lines and take the first question?

Call Moderator:

Ladies and gentlemen, we will now begin the question and answer session. If you're dialed into the call and would like to ask a question, please signal by pressing star one. We'll pause for a moment to assemble the queue. And your first question comes to the line of Jamie Rollo from Morgan Stanley. Your line is open.

Jamie Rollo:

Thanks. Morning everyone. Three questions on net system growth, please. First, just on China, a very strong figure again, 10%, but that was a bit of a slowdown from the 12% at the first half, some rounding in there of course, but do you see that slowdown continuing or is 10% a fair run rate for the next year or two? Secondly, on the America's signings down a quarter in the first quarter, I know it's only one quarter and there's probably some phasing, but anything you would call out in particular there.

And then finally, looking into 2027, I know don't guide, but consensus I think is on 4.8% again for net system growth. I think DAF is not in that number. That should add about 70 basis points. So, do you think somewhere in the mid 5% is right for next year or is there any risk from that China question or indeed from the Middle East situation? Thank you.

Elie Maalouf:

Okay. Thank you, Jamie. So, on China, we're very confident that we're going to keep building upon the record year upon record year of signings and openings that we have and strong mid-system size growth. We don't give guidance on exactly what the number will be for next year, but we don't see any indication that there's a slowdown in development. Our brands are in strong favor. Our signings are strong. Our hotels are performing. The market is expanding. We're delivering for owners over there. And our team is optimistic about continuing the current trend. We're not going to give you a number, but it's going to continue to be a very strong contributor, not just to our net unit growth, but also to our profitability. I mean, you saw at the half year, our profitability was up 25%. So these are not just keys, but they're keys with fees in China, and we are confident continuing that trajectory. So we don't see a slowdown coming.

And we're confident in America's signings continuing to power our business. This will be, I think the third year in a row of America's net system size growth accelerating from beyond the pandemic. We had a strong first half of the year. I think signings can be lumpy from time to time. We think we'll finish the year with good momentum. So we're confident in that momentum over there.

Michael Glover:

And year to date, we're up 7% on signings in the Americas. So as Elie said, there can sometimes be some lumpiness there.

Elie Maalouf:

And for '27, you rightly include the Air Force deal. But setting that aside, I think we have good momentum going forward. We're doing better. This is our 50 in a row accelerating net system size growth. We think that momentum continues and Air Force will build on that. We're not putting a number out there for next year, but yes, we're very confident in consensus next year. We'd say that at that 4.8 number for next year, there's definitely more upside than downside.

Jamie Rollo:

Very helpful. Thank you.

Operator:

Your next question comes to line of Jarrod Castle from UBS. Your line is open.

Jarrod Castle:

Good morning everyone. I'll go for three as well. You've just announced you've got over a thousand rooms [*correction: should be 'hotels' not 'rooms'*] in Europe, so just want to get any views on what's been happening in Europe with the riots and how you see that impacting your business. It looks like potential for further protests, et cetera, coming up. So any color there, if you do have any color.

Secondly, just again, I don't know if you want to say anything on fee triangulation between NUG and RevPAR. I guess Q3 would've again seen a bit of lag there. So just if there is any comments on the triangulation, I think probably we've spoken about it too much, but I'll ask that anyway.

And then Elie, Michael, just one looking a bit forward. I mean, it's a kind of time of year where you're talking to corporates about their travel plans for next year.

Just getting an idea if you've got any color on what they're saying about volumes of corporate travel and your indications potentially of what room rates will do across your network. Again, I don't know if you've got anything to add there. Thanks.

Elie Maalouf:

Sure. Thank you, Jarrod. Yeah, we're very proud of our teams growing our business in Europe. I mean, the broader definition of Europe, including UK, is roughly 25% of global GDP. It's over 50% of global inbound travel. It punches way above its weight in inbound international travel and will continue to do so. It has unequal destinations, culture, gastronomy, climate, geography, history, art, all the things that people come to Europe for. This year, it's going to be another record of Americans traveling to Europe despite higher airfares and higher temperatures and whatever. It's just a long-term trend of people, especially the more affluent wanting to travel and wanting to travel to Europe. I think Europe is four out of the top six destinations in the world with the highest inbound travel. So that's not changing. And of course we're growing with that trend and we're growing a lot in Southern Europe, which is Portugal, Spain, Italy, Greece, all the way over to Turkey.

There's a lot of demand for the enterprise strength that we bring for our brands, for the international travelers, especially US travelers that we bring. I personally meet with a lot of the investors and owners in Europe that are delighted to see the performance. I just walked over with our board this week to our new voco in Bloomsbury, conversion from another global brand, and how delighted the owner and general manager were about the immediate and significant improvement in performance, rate, occupancy, IHG One rewards, visitors, travelers, decrease in OTA, and we've already done multiple hotels, so we're going to do more. So this is the trend in Europe, one of continued strong inbound travel, international travel. Number two, opportunity for conversion of not just independent, but other branded hotels to our brands and expansion mostly I would say in Southern Europe. So we're very pleased with that.

Look, we're of course disappointed with everybody to see some of the tensions in some cities, particularly in France. France is only 1% of our system size. So we hope and we think it'll pass as it has passed before, by the way. It's not the first time there've been disturbances in France. We hope it's the last time, but it's not the first time. And it's passed before and France continues to be one of the strongest, I think, number two destinations in the world for inbound tourism. And we're confident it will continue to be so.

Michael Glover:

In terms of fee triangulation, if you want me to take that one, Elie, as you know, as this is a trading update, we don't get into the finer details of the fee revenue triangulation. But as that said, as our review remains unchanged from the half year results, and we should still expect the triangulation gap to narrow over time. And the main driver of that is the increase in our system growth as we discussed at half year. There's always going to be a slight lag when you're accelerating net system growth as we have really since 2021. Newly opened hotels take some time to reach stabilized occupancy, room rates and overall hotel revenue levels. And most agreements also have some fee structures that step up over the first few years of the operation. And so as a result of all that, the full fee revenue contribution from recent openings only partially reflected initially, but builds up over time as the hotel matures and the fee structures move up.

There'll also always be some noise in any given period. This include differences in liquidated damages, hotel renovations or hotel closures. Of course, at the half year, the triangulation included the impact of the war in the Middle East and the impact on our incentive management fees and things of that time. As

we said at the time, neither of these should be viewed as permanent as recently hotels mature and contribute to a greater proportion in the period. And so I think we still feel very comfortable that it's going to continue to narrow over time.

Elie Maalouf:

It's driven mostly by our accelerating the system size growth fifth year in a row, which is a good thing to have. And I'm not eager for that to discontinue by the way. So your question about business travel, look, it's been strong. Strong globally at 4%, stronger even in the Americas at 6%. That's a reflection on the strength of the US economy. Look, what's happening in the US, you have strong corporate profits. S&P profits have been very strong, double digit year to date. GDP growth over 2%, employment's still at record levels, corporate investment, not leaving aside government investment, but corporate investment in technology, data centers, energy, pharmaceuticals, manufacturing, construction. And then you have government investment, the defence. All those sectors are growing and we're very exposed to the industrial segments, travel segments in the US.

I would also look at our group business, which is up double digit, 10% globally, 12% in the Americas. Half of that business is also corporate travel, meetings, events, conferences. Your own research, I think at UBS we looked at recently shows that 2027 expectations are nearly double digit higher for travel budgets. I think it was 9.9%, right Jarrod? 9.9% expected growth year over year for corporate travel budget.

Jarrod Castle:

That's correct. Yep.

Elie Maalouf:

So, we do read your material and remember it. So there's a general positive sentiment around corporate travel and we're benefiting from it.

Jarrod Castle:

Great. Thanks very much.

Operator:

Your next question comes from line of Jaina Mistry from Barclays. The line is open.

Jaina Mistry:

Good morning, Elie and Michael. I had three questions as well. The first one is on FY27 and your interest guidance. It's very helpful that you quantified that. From where you sit today, does the wider algo of high single digit fee growth, 10% EBIT growth and 12 to 15% EPS growth still hold for next year despite the increase in interest costs?

Second question is around Q4 specifically. I mean the news flow around geopolitics and Saudi Arabia, France, the risk of protests in the wider European region, are you seeing any cracks in demand there or is the booking curve slowing in any way in Q4?

And then very last question on net unit growth, really helpful comments earlier from Jamie's question. I guess one of your peers last night lowered their net unit growth guide for this year. It sounded like they were flagging higher interest rates, fewer transactions and that kind of impacting conversions. Can you

say a few words on why you at IHG feel so confident this year and next year and maybe why you are less impacted from the higher rates business than maybe some of your peers? Thank you.

Elie Maalouf:

Alright, Michael will take the first question on interest but the quick answer is yes, the algo still holds. Over to you, Michael.

Michael Glover:

Yeah. I mean, well, let's just take a step back and remember that the growth algo we laid out in February of 2024, and as Elie said, there is no change to the 12 to 15% earnings person guidance in the algo. Through this algo, we aim to deliver a high single digit fee revenue growth per annum on average over the medium to long term. And we do this through a combination of RevPAR and system growth. Given the highly scalable nature of our business model, we expect this high single digit fee revenue growth to translate into 10%, approximately 10% EBIT growth per annum on average. As our business continues to grow and compound, we generate more and more cash each year, which we then allocate first towards reinvesting in the business and driving future growth, then second towards sustainably growing the ordinary dividend, and then third, returning surplus cash to shareholders in the form of buybacks. And importantly, while maintaining net debt to EBITDA in our two and a half to three times leverage range.

So as a business, we continue to grow and as we continue to lever on our growth algorithm and as we aim to keep leverage in the target range, our overall debt balance and interest will grow each year. This is more than offset, however, by increasing in debt and cash flow and then returning capital to shareholders via the share buyback as we replace higher cost equity with lower cost debt. So while we've said in the stock exchange this morning that we expect our adjusted net interest expense to increase between 40 and 60 million pre-tax next year, it is also important to remember that this assumes another year of growing the business and executing on our growth algorithm, which aims to deliver that 12 to 15% adjusted earnings per share growth per annum on average over the medium to long term.

While most analysts have appropriately noted an expectation of further buyback in 2027, I think consensus as it sits today is around 980 million, which is in line with our growth algorithm and balance sheet targets. Consensus also needs to reflect the interest costs and the assumed reduction in the share count in order for this to be appropriately reflected in the algo. And that's why we gave out that interest expense number today. But I think it's important to put it in the context of everything else that's going on. And as we said, there is no change to that 12 to 15% earnings per share guidance in the algo.

Elie Maalouf:

No. I mean RevPAR grows, fees grow, EBIT grows, cash flow grows. That allows us to invest in the business, also do more buybacks. That has to also keep us within, we're staying within our leverage ratio also means leverage grows, therefore interest grows, but it's all within the algo of 12 to 15%. Your second question on Q4, well, we're in Q4. We don't give guidance. What we did say and what we're saying clearly today is we're confident in consensus and that we can see consensus moving up a little bit given the strong performance we've had year to date and especially in Q3 with the strong RevPAR. And we're comfortable with that too. So that's about all the guidance we're going to give about Q4.

Sure, look, there are disturbances around the world. Of course, the Middle East conflict hasn't resolved yet. It is not at the level of tension that it was in March or April, but it's not resolved yet. If it gets resolved sooner, that's better, but it's only 5% of our business. And if it doesn't get resolved that soon, we're still happy that the 95% of our business is doing very well and making up for that in the near term.

We're highly confident that as soon as there's a resolution, the Middle East will continue, go back to its trajectory of growth and success. It bounces back very quickly. You already saw that in this year, in the third quarter, as soon as there's a little bit of resolution, the business bounces back very quickly and we're confident that will happen.

You might've seen the news in the last day or two that there's already more oil coming out of the Gulf now than there was before the conflict. So while there is still some tension, there are ways to also continue the economy around the world despite the tension. So I think there are workarounds that are resolving some of the issues. So we are confident in the fourth quarter globally, despite there are some tensions in some parts of the world.

And on Q4, we are not by any means a read across to what you might've heard last night from some other hotel company. And it's not always a read across, right? There are other hotel companies early this year that downgraded their net unit growth and we've actually been upgrading it. We started, I think consensus was 4.2 at the beginning of the year and now it's 4.8. So maybe others have been downgrading, ours has been upgrading and we're confident in where consensus is today. We feel underpinned at that consensus and we're not putting a ceiling on it. We feel like our teams are working very hard through the end of the year to open up every one of the many hotels we have in pipeline, so we're not putting a ceiling on it.

Michael Glover:

The otherside as we go into 2027, we have great visibility into the progression of our pipeline, and especially now that you have more conversions in that pipeline. So that gives us confidence that '27 can continue to accelerate, but that's also then underpinned by the Air Force and what we're doing with the Air Force. Now, we don't know exactly how all those are going to come in and when they're going to come in and all those rooms and how many rooms that's going to be, which is why we haven't given you the clear numbers on that, but we will when all that gets finalised. So that's what gives us confidence on where we sit today, both on '26 and '27.

Elie Maalouf:

On your point about interest rates and interest rates are a bit higher. Historically, if you go back long term, they're not at rates at levels that they haven't been before. In fact, the 10 years probably where the 30, 40 year average is plus or minus, and the industry's had many good years before. But what you start to see when interest rates do rise in some cases, you start to see some selectivity. Owners start to move to the stronger performing brands like ours. That's why you see our conversions continue to increase. Now, roughly half of our openings and half of our signings around the world and more than half of our openings in the US are from conversions. We're converting from independent, we're converting from other brands. So there are winners and losers in these times and we're definitely feeling on the winner side of it. We have more conversion brands, we're assigning more conversions, we're opening up more conversions. Most of them are coming from other brands in the US and around the world. You can call it a flight to quality in these times, but we think we're benefiting from it.

Jaina Mistry:

Very clear. Thank you.

Call Moderator:

Your next question comes from the line of Leo Carrington from Citi. Your line is open.

Leo Carrington:

Good morning. Thank you. If I could first ask, just on the Americas region, you highlighted the strong growth in groups. I mean, given your visibility for this demand type is potentially a bit better than others, is there any reason to expect that this outperformance won't persist into the rest of Q4 and also Q1? Secondly, in the quarter, I noted in the trade press a few larger signings or a few findings of hotel groups like in Australia and Japan for you and a smaller one for Vignette too. Is this a normal tempo that I've just picked up on or has there been an acceleration in these kind of opportunities? And then lastly, away from the quarter, can you just give an update on how the Noted Collection brand has been received among owners? I can see it now in your pipeline, and I suppose you've had almost a year out in the market with this. Thank you.

Elie Maalouf:

I'm going to start from your last question. Yeah, we're very pleased with the reception for Noted Collection. We're getting the first signings. We've got a lot of interest. I don't think it's been a year. We launched it this year. I don't think it's been anywhere near a year and we're pleased with the momentum that it's having.

Look, all of our conversion brands have really reached rapid success. I mean, you look at Noted's already got half a dozen signings and a couple of openings. You look at Vignette, we've got over 88 hotels open and under development in just a few years. Garner is over 230 hotels open under development way ahead of our projections in over a dozen countries. voco, nearly 300 hotels open under development around the world, well ahead of our projections when we launched it. So our collection and conversion brands have been successful and that's given us the confidence and following owner demand to launch Noted.

So we haven't taken it to the US yet. It will be there at some point, but it's in Europe and it's moving east from Europe where there are even greater conversion opportunities. So we feel confident about the trajectory that it will have, consistent with the success of our previous and successful collection and conversion brands.

On our signings, look, yeah, we're pleased that year to date, it's another year of signings acceleration year to date. We're ahead of last year when you adjust for the Ruby deal that we did last year and it's pretty broad based. We're pleased with the success we're having in Asia, in Europe, and in the Americas. We've got a broader portfolio brands, a stronger enterprise, a loyalty plan that's delivering 67% of room nights around the world, 73% in the US, great technology ecosystem that we reviewed at the half year. All of those are value proposition for owners that they appreciate.

And by the way, strong RevPAR performance is something they really appreciate too. That's driven by the strength of our enterprise. Yes, our markets have been favorable in general except for a few that we discussed, but I think we're outperforming the market and delivering strong revenues at low cost of distribution to our owners that they benefit from. So our whole enterprise is creating value for owners and they respond by partnering more with us for growth.

Michael Glover:

If you want me, I can maybe just talk a little bit about groups. As we look at groups, obviously we've had an incredible performance and I think over our periods we've talked about how group performance on the books has been really strong. As we sit here today, we really look on a total basis for revenue on the books, we do have a little more visibility with groups. It's still up mid-single digits. So still looks like groups are going to continue to come in, feel really good around that. And really that's across the board and across all regions. So yeah, we're feeling really good around how groups are coming in.

Leo Carrington:

Thank you, Michael. Thank you, Elie.

Call Moderator:

Your next question comes from the line of Alex Brignall from Rothschild & Co Redburn. Your line is open.

Alex Brignall:

Morning. Thanks so much for taking the questions. I'll do three. So the first one I'll do is Muse just because I'm astonished no one's asked it so far. A few travel companies and other wider companies have blocked it on fears of the idea that it goes and just tries to find you the cheapest option and keeps checking for you. How would you think about agents that self book out and how you might work with them? Thank you.

And then the second two on similar topics have been mentioned already. In terms of key money expectations so you don't give full quarterly results. So is there any change in where you are for this year, and then for next year, how should we think about modeling key money? And then in terms of what you've talked about in terms of this ramp up in contract signings and NUG, can you just talk to us about the proportion of contracts or new signings on which you've offered ratcheting contracts? Because I think that's the piece where the royalty rate change is coming from. If you can talk about what proportion of contracts had ratchets in them previously and where that is now because that might help with the modeling. Thank you.

Elie Maalouf:

Okay. On Muse, look, we're in conversations with all the platforms, the hyperscalers, the frontier models, and we have our own, of course, artificial intelligence strategy and models and agents and on our website and our app, we already have conversational search. So we're in conversations with everybody. We're in conversations with Meta. We haven't come to any conclusions on what an eventual collaboration could look like, if any. I think what others have decided to do is really down to them, but we don't have really an update on that. But I'll tell you one thing is we're very confident in our artificial intelligence strategy to make sure that our channels are the preferred ones for our travelers, for our guests, for our IHG One Rewards members that we continue to take share of bookings for our direct channels while working with other players, other distribution partners, because we've always said that for the hundreds of millions of bookings that we need every year to drive the best RevPAR and the best yield for our properties, we need multiple distribution partners while always favoring and strengthening our direct channels.

On key money, no, there's no change either in the outlook for this year nor in the capital guidance for next year. We're comfortable that our capital allocation is the right one to make us competitive and also drive the shareholder returns that we aim to do in our growth algorithm.

Michael Glover:

Just to be clear on those numbers, Alex, I mean we've said 200 to 250 for this year and we'll continue that guidance for 2027 and up to 350 million in capital. And as Elie says, no change to that for either year.

Elie Maalouf:

On the ratchets, as you call them, it's not a term I was familiar with, but let's use that one. There's nothing new there. I joined the company in 2015. We did these fee ramps as for new opening hotels so that there'd be some glide path as occupancy starts from zero and builds up for a couple years. There's nothing new there. And so we will not disclose for competitive reasons, I'm sure you'll understand exactly how many deals we do in what form, it would be inappropriate for us to do so, but it's no more no less than what it used to be and there's nothing new there.

We brought it forward in the last few periods of discussions to explain how when we are opening up more hotels, when our net system size growth is accelerating for the fifth year in a row, that is one feature, not the biggest feature. The biggest feature is the revenue ramp up in hotel, but that is another feature that can create that deferral of fees in what's called the triangulation. They're not fees that are lost or anything, it's just a deferral as the hotels ramps up. But the introduction and deployment of these ratchets or fee ramps as we call them are nothing new, nothing greater, nothing less than they've been for over a decade and probably longer because I only joined 11 years ago. Thank you, Alex.

Alex Brignall:

Brilliant. Thank you so much guys.

Elie Maalouf:

Look forward to having you join us with our senior leaders meeting here next week.

Alex Brignall:

I'm looking forward to it.

Call Moderator:

Your next question comes from the line of Kate Xiao from Bank of America. Your line is open.

Kate Xiao:

Good morning. Thank you very much for taking my questions. I also have three. The first one, can I just confirm on your commentary on EPS? Obviously you said you're very confident in achieving this year's consensus EPS. You also mentioned that the better RevPAR should lead to a bit of uptick in EBIT numbers flow through. Can I just confirm that that should also flow through to EPS, hence there could be a bit of upside to consensus EPS numbers as well. Is that understanding correct?

The second question is on NUG. Obviously you've done 3.3% year to date, which is 20 basis points better than last year. Any seasonality in particular for this year you could share with us, especially into 4Q, anything that could be positive or negative on a year-to-year basis, any color there would be appreciated.

Question number three is on credit cards. A couple weeks ago we saw the announcement from Chase that they're launching a new card with you guys and I think that's the highest annual fee card. And if I'm not mistaken, they're raising the annual fee for your existing cards as well. I just wonder if that's something that's already in your plan, in your tenure agreement with them or was that based on your performance, hence could be incremental to your guide of 120 million by 2028. And what's your expectation of the first year ramp of these cards and programs and spending? Thank you very much.

Elie Maalouf:

Alright, Kate. Thank you for your questions. I'll turn it over to Michael for your EPS questions and I'll take NUG and credit card.

Michael Glover:

Okay. So yeah, sorry, I thought you were going to do the credit card first. On the earnings per share question, yes, absolutely. We've actually talked about where consensus sits today and we've gotten an indication that we could see in my prepared remarks, some improvement in that given where full year RevPAR consensus sits and what we've delivered today. If you look at where consensus for profit sits, it's at what, $1.403 billion. Obviously there was a Q3 RevPAR beat. We feel like that will continue to flow through. And then of course that flows through into earnings per share as well as we could see that tick a little bit higher. And certainly we've talked about 2027 and the interest cost, but also remember as we plan for that and we look at what interest cost comes into, it also assumes some rolling share buybacks and of course therefore your WANOS will also continue to reduce and earning per share will accrete on top of that.

And remember importantly, leverage stays the same. We're not re-levering this business to do that. It stays in that two and a half to three times range.

Elie Maalouf:

Thank you, Michael. So your question on net unit growth for this fourth quarter in this year, let me first start by saying, look, we're very pleased that this year, 2026 will be another record year of development and the fifth straight year of accelerating our net system size growth. That's what we're trying to do is be consistent, grow our system growth sustainably, keys with fees, and do the right deals to get the right growth that drives the algorithm. It's keys with fees that drive the algorithm, so they're driving EBIT and eventually driving EPS. At Q3, we were at 4.9 as you know, 3.3 year to date. So last year at the same time we were at 3.1. So we're growing faster and we're already on a stronger track. Consensus, as I mentioned earlier, has already moved from 4.2 to 4.8. So we're going upwards in expectation, not downwards as others may have been noting.

Q4 is always our biggest openings quarter proportionally, and this year is headed for another typical strong quarter of openings. We don't need to do anything extraordinary in Q4 to reach a consensus or even go ahead of consensus. It just needs to be, and it's shaping up as a strong quarter of openings proportionally similar to other years. So we're confident that this underpins the current consensus and we're not placing a ceiling on it, as I said earlier. Our teams are out there pushing for every hotel, for every room, working with every owner to get quality hotels open by December 31st, and we feel very good about it. Underpinning the future also are strong signings that are ahead of last year, strong openings that are ahead of last year, and that gives us continued confidence in our momentum to accelerate net system size growth.

On the credit card, it's been a successful launch altogether since we entered into new agreement with Chase and Mastercard a couple of years ago. Expanding our credit card portfolio has been on our roadmap and not just in tiers of cards as this new Select card is, but also across countries. We're now in the UK with a debit card. We announced a deal in Japan with a credit card. There'll be other launches in other countries.

Yeah, the new IHG One Rewards Premier Select credit card has gotten off to a great start. It's a $350 annual fee. It is already getting strong initial customer interest. It's performing much better than we expected in the proportion of card selection among people who are signing up for IHG One Rewards co-brand cards. I personally just got approved yesterday. It was probably a close call, but I got through and I

would not characterize this as anything new in our strategy. We always plan to expand the credit card portfolio geographically and by tier, but as we premiumize IHG One Rewards, as our portfolio goes further into luxury and lifestyle, as we enroll more high spending customers, there's more demand for higher benefit cards that also sometimes come with a higher fee and we're very pleased with its initial uptake.

Thank you, Kate.

Kate Xiao:

Thank you very much.

Elie Maalouf:

We can go to the next question.

Call Moderator:

Your next question comes from the line of Estelle Weingrod from JPM. Your line is open.

Estelle Weingrod:

Hi, good morning. I got two questions. The first one, are you worried about where airfares are heading, which in the context of all the geopolitical tensions and inflation not easing could weigh on the consumer going forward? And just another question on China, talking about RevPAR, you mentioned weather and holiday timing. I guess it's not easy to quantify, but should we expect RevPAR to return to a more flattish to slightly positive territory in Q4? And how do you see China evolving into next year? Thank you.

Elie Maalouf:

Thank you, Estelle. Okay. Airfares can be volatile. A lot of the airfare increases obviously are related to the oil price increases. And so the bad news is that the airfares are up for airlines and for travelers perhaps. But the good news is that it's from what we would consider a visible and temporary factor. When we see resolution to this conflict, and we'd hope that there will be resolutions to this conflict, you'll see the oil price come back down. There's already, as I mentioned earlier, improving oil supply. And then when the conflict subsides, you probably will see lower oil prices, which will lead to lower airfares. And so there's nothing structural about the higher oil prices, it's conflict caused. And so we think that that reverses at some point. The more important thing is that we are not as exposed to airfares as you would think. I mean, most of our travel at IHG is domestic travel, is drive-to travel. Most of our travel in the US, 95% of our travel in the US is domestic. Most of that is drive-to. A lot of our travel in Europe is drive-to travel. Over probably 90% of our travel in China is domestic. A lot of that is drive and train. So yeah, air travel is part of it, but it's not the majority part of it. The other thing is that the travelers have shown a lot of resilience to these higher airfares. Despite the fact that they've been higher, demand has been very strong. I was just talking to the CEO of a US airline, I won't name who, and many of them probably are in the same place, but this one CEO, one of the major four airlines was saying it's going to be a record year in demand, a record year in revenue. People are paying for the fares. It's the oil price that might affect their results differently. And that's what they're saying publicly, that demand is strong. Front cabin, back of cabin, demand is strong. We don't see that being a long-term issue because what's causing the higher airfares is a short-term issue with the conflict. And we're not as exposed to that as destinations and maybe groups that are much more indexed to air travel than we are. We're much more indexed to domestic and non-air travel customers.

On China, we are confident, one, not just in the long term in China, but also that some of the anomalies of Q3 will reverse in Q4. We're not giving guidance on what Q4 could be, but it's shaping up as a better quarter than Q3 was, definitely. And we see no scenario under which we're not in positive REVPAR territory for the full year in China. Beyond that, the fundamentals are strong in China. I know not all the headlines are as positive as they can be, but if you look at things in totality in China, it's still a GDP growing at 4-5%. They announced last week record exports again, strong technology industry, probably only rivaled by the U.S., whether it's in artificial intelligence, renewables, batteries, automotive, electric vehicles. Not every sector is doing very well in China, but many sectors are.

You have a growing middle class with a population that isn't growing, but GDP is growing. GDP per capita is growing. That means the middle class is growing and travel is growing. In China, we are double digits ahead in domestic travel in 2019 already by 2025, not even 2026. That's 2025. We are double digits ahead in international travel in 2025 and even more in 2026 than 2019. So travel has recovered and continues to increase.

What affected Q3 in part, we're not saying it's the only effect, was also the strong outbound travel, which we benefit from. There were double-digits growth in REVPAR in Vietnam, in South Korea, in most of our Southeast Asian countries where people are staying at IHG hotels at a strong rate. So we do benefit from the China outbound, which you have to see as part of our strong network and investment in the future. China will be the largest domestic and international travel market in the world at some point. It's already number two or three in international outbound and it feeds the rest of our network whether Southeast Asia, Middle East, Europe. Not so much the U.S. today, but the rest of the world, yes. So it is an important market for us, not just in China for China, but in China for the rest of the network.

Estelle Weingrod:

Thank you.

Call Moderator:

As a reminder, if you wish to ask a question, please press star followed by one on your telephone and wait for your name to be announced. That is star one to ask a question. And your next question comes from the line of Tim Barrett from Deutsche Bank. Your line is open.

Tim Barrett:

Hi both of you. I had a couple of things left please. Just going back to that refinancing balance sheet question, I guess what wasn't asked was the strategy behind the bond issue and your strategy. Clearly a bigger business means more net debt, but I guess why did you go so early on the refinancing and does that mean there's just some dual running in the new guidance? And then second question, Continental Europe, we haven't talked about very much. It looks like you've lagged STR a little bit in Continental Europe, so I just wondered if you could give some color on your exposure there. Thanks very much.

Michael Glover:

I'll take the refinancing question. We did refinance those bonds earlier this year. Now, we do that in advance to de-risk some of the payments as we go into 2027. We have done that as a practice for the past several years. We also look at where EBITDA is and the kind of leverage we want to maintain. And so we had really a great result, a great interest in the bonds and also pretty much a great timing. Our next bond comes due in May of 2027, which we'll obviously use the proceeds of the bond as we do that. The carrying cost in the short term is pretty narrow because you have the cash of course. And then of

course, as we go in, we use that in next year to fund all the different things we talked about, including share buybacks and repaying expiring bonds as well.

So we're well-placed. As we look at this year, we're heading to be in the low end of our net debt to EBITDA range. And then, as we get into 2027, we're in good shape as well. So I think we've done a good job there and our balance sheet is really strong at this point.

Elie Maalouf:

Thank you, Michael. On your question about Continental Europe. So look, we're very pleased about performance in Continental Europe. I mean, REVPAR up in Q3 at 3.8%, year to date at 3.7% reflecting the strength of international inbound into Europe. I think you may be comparing our results to STR Europe data, which I believe includes Turkey. Now, we did very well in Turkey, but for us Turkey is in Middle East. And so, when we look at our Middle East results, which we said improved to broadly flat, we did very well in Turkey, which helped improve to broadly flat in the Middle East despite the GCC being down double-digit. So we benefited from a strong season there, but that counted somewhere else. But I think like-for-like in Europe, we're very pleased with our performance and believe it's very competitive.

Tim Barrett:

Okay, makes sense. Thank you both.

Call Moderator:

Your next question comes line of Simon Lechipre from Jefferies. Your line is open.

Simon Lechipre:

Yes, good morning. Two questions please on Middle East. First of all, we are hearing that many hotels are cutting rates in order to protect volumes.

Elie Maalouf:

Excuse me. Sorry. Sorry. Sorry.

Simon Lechipre:

So how do you feel about that?

Elie Maalouf :

Excuse me. Simon, can you speak up and more closely? We're not picking up everything you're saying.

Simon Lechipre:

Okay. Sorry. Hopefully that's much better now. We are hearing that many hotels in Middle East are cutting rates in order to protect volumes. So how do you feel about that and what would be your thoughts in terms of potential recovery and how long it can take for REVPAR to recover to [inaudible 01:04:14] given the rates being cut? And secondly, just on the pipeline in Saudi, can you remind us of your exposure basically to the country? I have 8% in mind, but if you can confirm or rectify. And given the recent attacks, do you see a risk in terms of opening but also signing off new projects for the coming quarters? Thank you.

Elie Maalouf:

Okay. Look, the market, as we said in the Middle East and the GCC, I think that's probably where you're most focused on, we said it was double-digit down in Q3. And given the recent escalations, probably could continue to be down until things get resolved, but it's very resilient. And I think the rates will just follow. When demand is down, you're going to see some hotels…and we don't set the rates for hotels as you know. We make rate recommendations, but every property sets its own rates. They're going to compete in the best way they can, but we're pleased with how our hotels are competing in the market.

Actually, looking at our market share, our revenue index, penetration index has been very strong in the region and we're competing very well, but you're going to see it's dynamic pricing. They'll price appropriately to draw in more demand when demand is softer as it is now and price up when demand comes back. It's what they need to be doing to capture the share that they need within a certain market environment. So we think that the market is behaving rationally and economically at this point in the region.

Our pipeline in Saudi is something we're very proud of. We've been growing our business in Saudi. I think it'll continue to grow. Of course, there are going to be probably some delays to some projects. We are not aware of any cancellations right now in the market. I'm going to be actually in the region later next week meeting with partners. And we are interestingly still in serious conversations on many new projects, many new deals that we hope to be announcing and concluding soon. So it really hasn't come to a standstill as some people would think. It continues to grow. There could be some delays in some projects, but we're confident that all of our projects in Saudi and in the broader Middle East will open.

Simon Lechipre:

Thank you.

Call Moderator:

As a reminder, if you wish to ask a question, please press star followed by one on your telephone and wait for your name to be announced. And your next question comes from Jaafar Mestari from BNP Paribas. The line is open.

Jaafar Mestari:

Hi, good morning. I have three, if that's all right. Sorry to labor the point on EPS, but I see EPS of 579 cents in your company compiled consensus, which is already above 15% growth. So just wanted to clarify when you say towards the top end of 12 to 15, do you mean 16.5, otherwise it seems in line.

Related to that... And I promise there's a more interesting question after that. Related to that, on the net finance cost guidance for '27, as you correctly said in your prepared remarks, this is a feature of the model. This is what you do every year, literally for the last three years in exactly the same format. You give us a number for the buyback, but you also tell us how much the finance costs are going to increase. The refinancing, if anything, has been exactly the same timing as in the previous three years. So I'm very curious what led you to do this ad hoc update in October, because you usually wait for February and give us both parts of the equation at the same time. How big is the buyback, but also where are the finance costs going? Do you think it's a bit bigger than usually? Do you think consensus is a bit ahead of itself this year, for example?

And lastly, just in terms of the room openings, the brands that the group has been launching organically have had very good traction started by your predecessor, but then more under the current team. If I take all of them together, about a third of your openings are Garner, voco, Vignette, et cetera. They're

less than 20% of your pipeline. And I know some of them are reliant on openings, so the pipeline may understate the growth potential, but just curious if those can continue to ramp up. Some of them would look like they are starting to plateau. Not the most recent ones, obviously. Do you need to launch more? Do you see new segments where you can fill the remaining gaps in your portfolio please?

Michael Glover:

Thanks Jaafar. I'll take the earnings per share question. Yeah, the current consensus sits at 579. And what we've been consistently saying is that should tick up a bit as REVPAR gets funneled through. All the models is most of consensus REVPAR is below where we feel like the full year will come in, certainly as folks put that through their models. And then we would expect EBIT to come down through that. And we haven't indicated a very large increase in earnings per share, but that additional earnings that come through would flow through into earnings per share.

And then, as we look at the timing of why we announced the additional interest expense, we probably were maybe a little late last year in doing that and we have visibility of how that's going to come in. If we look at where consensus sits today, it's for '27 almost at the same rate as what you have for 2026, just a slight uptick. So we wanted to make sure that folks had that. There's nothing really other reasons or meaning behind that. As you said, we've been very consistent. We just wanted to give you that new number as we know it today.

Jaafar Mestari:

Super. Thank you.

Elie Maalouf :

Thank you. For your question about the growth of our conversion brands, and I think what you have to keep in mind is, first, they're all doing very well. And I went through the statistics earlier, so I won't belabor them, but they all have very strong pipelines. But what happens with many conversion brands and conversion deals is they come in and come out of the pipeline very quickly. I mean, some, not many, but some don't ever hit the pipeline because we sign them and they're in such good condition, they'll open up in that quarter. I think the first Garner in Shanghai signed and opened in that quarter because they had just been opened as another brand. It just was a brand new hotel really. And so it never hit the pipeline. So you will see the opening, but you don't see it in the pipeline. And therefore, you might get that impression that there's not enough in pipeline.

But in general, many, many of them will open within the year. They will sign and open within the year. And so, from beginning year to end of year, they won't be reflected in the pipeline at the end of the year, but you'll see the opening. But that's actually not a bug, that's the feature. That's a feature of conversion and collection brands is they're quicker to open, and therefore, you won't get the same much higher pipeline than openings feature, which you do with new build. Now, yes, it's nice about new build because you see the pipeline growing, but it takes more years for them to open and more years for the fees to come through.

Conversions are solving for a different issue, for properties that are in very good condition that can join IHG One Rewards without having to adapt completely to one of our hard brands, to one of our much more prescriptive brands, but that can also open more quickly, require less investment and bring fees faster to us and performance quicker to the owner. So it is not sort of a distortion. It is more of a feature that you may not build up the same pipeline because they're opening up more quickly and not staying in the pipeline as long.

Jaafar Mestari:

Okay. Thank you.

Call Moderator:

There are no further questions on the conference line. I will now hand back to Elie Maalouf for closing remarks.

Elie Maalouf:

Well, thank you everybody. Many thanks to everybody on the call. And to remind you that our fourth quarter update in financial results for the 2026 financial year will be announced on Tuesday, 23rd of February 2027. Thank you all and goodbye.