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Q1 2026 INTERCONTINENTAL HOTELS GROUP PLC TRADING STATEMENT CALL-LIVE Q&A

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PRESENTATION

Operator

Good morning, ladies, and gentlemen, and welcome to InterContinental Hotels Group PLC Q1 trading update conference call. (Operator Instructions) I would like to remind all participants that this call is being recorded. I want to hand over to Stuart Ford of IHG Hotel and Resorts. Please go ahead.

Stuart Ford *InterContinental Hotels Group PLC – Senior Vice President, Head - Investor Relations*

Thank you, Gavin, and good morning, everyone from me. As Gavin said, welcome to IHG Hotels and Resorts conference call covering the 2026 first quarter trading update. So 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 by Michael Glover, our Chief Financial Officer.

Just to remind listeners on the call that in discussion 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 filing for factors that could lead actual results to differ materially from those expressed in or implied by any such forward-looking statement. 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 2 of this morning's RNF release.

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The release, together with the usual supplementary data pack for the first quarter, can be downloaded from the Results and Presentation section under the Investors tab on ihgplc.com.

Now, over to Elie.

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer, Executive Director*

Thanks, 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 first quarter, as well as some other operational highlights. I will then hand over to Michael to go through each of the three regions and their respective growth drivers in more detail. I'll provide some concluding remarks, and then we'll open up a call for Q&A.

Let me start by thanking our teams across the business for delivering a very strong trading performance in the first quarter of the year, demonstrating yet again the strategic advantage and resilience of our globally diverse footprint.

I would also like to sincerely thank our colleagues in the Middle East. Their unwavering commitment and dedication to supporting guests and owners during these challenging times demonstrates what true hospitality means at IHG, and we continue to do all we can to support them. We remain confident in the enduring appeal of the region for both business and leisure travel, and we expect trading activity to bounce back when the conflict ends and flight capacity is restored.

Turning to Q1 trading, global RevPAR grew by 4.4%, driven by strong performance in all three regions and across all brands. ADR grew by 2% and demand was robust with occupancy increasing by 1.5 percentage points. All three drivers of stay occasions contributed to the RevPAR growth. Rooms revenue on a comparable hotels basis for groups was strongest, up 7%, followed by business up 6% and leisure up 1%.

Looking ahead, while many of you know that our booking window is short, we are pleased that our comparable on-the-books global revenue for Q2 indicates continued growth. With the impact of the Middle East conflict and some wider disruption to international travel flows, expect it to be more than offset by increases in demand elsewhere.

Importantly, in the US, which is by far our largest market, the underlying fundamentals for the industry remain robust. With record employment levels, continued real wage growth, wealth creation, and the unprecedented levels of investment into areas like infrastructure, data centers, and artificial intelligence.

Turning to our global development activity, we opened 14,900 rooms across 82 hotels in the quarter, including six brands launching in new countries. Highlights include opening Six Senses London. An incredible hotel that is redefining the ultra-luxury experience in the key city.

Our first hotel integral property opened in the Turks and Caicos Islands, expanding our luxury and lifestyle presence in the Caribbean, and it will soon be followed by InterContinental and Kimpton. And our Essentials conversion brand Garner also made its debut in Greater China with the opening of Garner Beijing Art District. This hotel opened just one month after signing, highlighting the speed at which conversion deals can move from signing to opening.

Together, our global openings exceeded last year's very strong first quarter and took our global estate to more than 7,000 hotels. This led to 6.6% gross growth year-on-year and 5% net growth. Year-to-date net system growth was 0.9%, 20 basis points higher than the equivalent this time last year. We also added 21,400 rooms into our pipeline in the quarter, an increase of 6% year-over-year when excluding the Ruby brand acquisition in 2025.

Signings included our first new premium brand - Noted Collection - in the UK, our first Ruby hotel in the US, and debut signings for Six Senses and Kimpton in Beijing. This led to a closing pipeline of 343,000 rooms, which is 3% higher than a year ago and equivalent to 33% growth on our current system size. Conversions represented 53% of signings reflecting the breadth and attractiveness of our brands and the benefit to owners of joining IHG's enterprise.

And we are very pleased with the progress of Garner, which has reached almost 200 open and pipeline hotels globally in 17 countries, less than three years since launch and already exceeds 100 hotels in the Americas. We have released the latest episode of IHG Checks In On today. This features brand milestones, including the rapid progress of Garner, the success of internationalizing the Hotel Indigo brand, and the incredible heights that the InterContinental Hotel Resorts brand itself has reached as we celebrate its 80th anniversary this year.

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Turning briefly to some updates on our co-brand business. We announced back at our results in February that a new co-brand debit card agreement with Revolut and Visa in the UK. And those card products are on track to launch in the coming months. We also said we are looking at further co-brand priority growth markets, with Japan being one.

We're delighted to announce a new agreement with Sumitomo Mitsui Card Company, one of the largest credit card issuers in Japan, along with Visa. These new co-brand card products in Japan will launch in 2027 and mark further progress in our priority growth market, where we already have around 60 hotels and more than 20 in the pipeline and millions of IHG One Rewards members.

Finally, a quick update on the great strides we're making on the technology front. At full year results, we laid out our approach to AI, which we group into three distinct areas. The first is guest acquisition and loyalty. The second is hotel commercial optimization, and the third is corporate cost efficiency. In the guest acquisition and loyalty area, we have made excellent progress in developing an AI-powered conversational search tool that will be launched on our website and mobile app in the coming months.

Guests and loyalty members will be able to use natural language search capabilities to describe, in their own way and own words, where they want to go and no-tell features and local attractions that are important to them. This is a significant development that will transform how guests discover and book stays across our 7,000 hotels, while also attracting more direct bookings.

We are also on track to begin deploying our new AI-powered content management platform this year. This new platform will ensure the right hotel information shows up in the right channels at the right time, while making it easier for AI-powered assistants to understand, recommend, and prioritize IHG hotels as travel search patterns evolve.

Furthermore, we are refreshing our loyalty platforms and rolling out a new cloud-based CRM tool powered by Salesforce, so that our hotels can deliver more personalized experiences, offer more relevant promotions, and extend loyalty rewards faster and more effectively. Each of these initiatives within Guest Acquisitions and Loyalty are designed to elevate the guest experience when searching, discovering, booking, and staying at our IHG hotels, and more importantly, to keep guests coming back.

There are, of course, many other initiatives underway in this fast-moving space that keep advancing our leading technology platforms, and we will provide further detail on these areas with happier results. So the year has seen a great start for trading performance and development activity, and we are delivering on our strategic priorities and growth algorithm.

With that, let me now hand over to Michael, who will provide more colour by regent. He will also detail for you that, while still early in the year, we are confident in achieving full-year consensus growth forecasts and profit expectations, underpinned by the strength of our performance year-to-date.

Michael Glover *InterContinental Hotels Group PLC - Chief Financial Officer, Executive Director*

Thanks, Elie. Let me start with the Americas, where RevPAR was up 3.6%. This growth rate is particularly notable as it came on top of strong comparatives this time last year and momentum is expected to continue through the remainder of the year. Occupancy in the region was up 0.9-percentage-points and rate grew by 2%.

In terms of demand types, groups were strongest, with comparable rooms revenue up year on year by 9%. Business also grew strongly, increasing by 6%, driven by broad-based growth across industries. Pleasingly, ledger was broadly flat compared with 2025 on a high base. In the US, which accounts for around 85% of the region's system size, RevPAR grew 3.4% and drove the Americas' overall performance. Outside of the US, Mexico was down 2%, Canada grew in line with the overall region and growth was very strong in Central America and the Caribbean.

Good trading momentum in the Americas has continued in the second quarter to date. Looking at the rolling eight weeks to Saturday, May 2 in aggregate this indicated a further improvement in RevPAR growth to the 3.6% reported in the first quarter. This combined period normalizes for timing shifts of the holiday periods within March and April.

In terms of system size and pipeline, growth system growth was 3.5% year-over-year, and net system growth accelerated for another consecutive quarter to 1.8%. In total, we signed 5,900 rooms across the Americas, representing a 32% increase on the comparable period last year. Overall, we are very pleased with a strong performance in the US and Americas in Q1, and we are confident in the industry fundamentals going forward.

Moving on now to our Europe, Middle East, Asia, and Africa region, which had another strong quarter. RevPAR increased 5.6%, driven by a 2.1-percentage-point rise in occupancy and 2.2% rate growth. Looking at the sub-regions, Q1 RevPAR grew by 11% in East Asia and Pacific, 5% in continental Europe, and 3% in the UK. Our business in the Middle East, which accounts for 19% of EMEAA's system size and only 5% of IHG globally, saw significant disruptions to operations from the start of March.

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Here, performance moved from growth of 9% in the first two months to a decline of 26% in March, resulting in a decrease of 2% for Q1 overall. In April, RevPAR in the Middle East declined closer to 50%, leading to a RevPAR decline of approximately 7% for EMEAA overall in the month.

However, we expect performance to improve in May with travel for the Hajj pilgrimage and religious tourism in Saudi Arabia has proven highly resilient. And more broadly, we are encouraged that comparable revenue on the books for EMEAA overall indicates an improvement in trading for May and June, which again reflects the breadth and diversity of this region.

Turning to development, 3,900 rooms were opened in the quarter across EMEAA, following a very strong performance this time last year, which included 13 hotels from the Novum hospitality agreement. Gross system growth was 8% year-over-year, and net system growth was 7.1%. 7,100 rooms were signed into the pipeline in the quarter similar to the comparable period when excluding the Ruby brand acquisition in 2025.

Finally, moving on to Greater China, as we had anticipated, the improving trend over the course of 2025 led to RevPAR growth in the final quarter last year. In Q1 this year, RevPAR growth accelerated to 5.7%, supported by strong leisure demand over the Chinese New Year festive period and improvement in business travel. Occupancy increased 2-percentage-points and rate was up 1.8%. RevPAR in Tier 1 cities increased by 6.4%, supported by increased international inbound, and Hong Kong and Taiwan also performed strongly. RevPAR in Tier 2 to 4 cities was up 2.9%.

In this latest quarter, there were year-on-year increases in both domestic and international outbound travel. The latter was a driver of growth in our East Asian and Pacific sub-region within EMEAA. In the near term, fuel price increases, which are currently leading to some flight cancellations, will slow some international outbound travel, but that would once again lead to more domestic demand in China. We would expect outbound growth to quickly resume when flight schedules are restored, and we would still anticipate continued growth in domestic travel, given the many structural drivers to growth in the country.

Turning to development activity in Greater China, a record-breaking momentum continued in Q1, with the opening of 7,500 rooms. This was 73% more than the same quarter last year and included the milestone of surpassing 900 open hotels in the region. Gross growth was 12.9% year over year, and net system growth was 10.4%. There were 8,400 rooms signed in the quarter, similar to the strong first quarter last year.

We remain very confident in the attractiveness of the long-term fundamentals across the vast China market, which are underpinned by a rapidly growing middle class, broad-based economic growth, and an under-penetration of hotels per capita. Government policy to boost domestic consumption is also leading to nationwide longer school holidays and flexible local guidance, which are additionally enabling more travel.

Now, touching briefly on the share buyback, we are currently 25% of the way through the $950 million program announced in February. To date, this has reduced our share count this year by a further 1.1%. In concluding with some comments on consensus, as we said in the statement, while we are still at an early stage in the financial year, we are confident in achieving full-year consensus growth forecasts and profit expectations, underpinned by the strength of our performance year-to-date.

We publish details of consensus on our website based upon the Visible Alpha Data Service. This currently sees consensus net system size growth at 4.5%. We continue to see more upside opportunity than downside risk to that figure, consistent with our message at full-year results. Consensus operating profit from reportable segments stands at one billion, three hundred and eighty million dollars. The profit consensus implies growth of 9% on 2025's results. And the adjusted earnings per share consensus, which is 566 cents, implies growth of 13%. This was a result in another year of IHG delivering on our growth algorithm.

With that, I'll hand back to Elie for closing comments.

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer, Executive Director*

Thank you, Michael. To wrap up for you, we've achieved a very strong trading performance in Q1 with global RevPAR 4.4% driven by better-than-expected demand [in most of the] world and by the benefits of our diverse global footprint. Our development momentum also continued at pace with growth system growth of 6.6% and net system growth of 5%. We are proud to have reached the milestone of more than 7,000 hotels in our system. We're excited about the strong pipeline of growth that will add to this.

Also, as noted in today's statement, we are confident of continuing to deliver on our strategic priorities and growth algorithm, which capitalizes on the scale and capabilities of IHG's platform, our leading positions, and the attractive long-term structural growth drivers for both demand and supply across our markets.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jamie Rollo, Morgan Stanley.

Jamie Rollo *Morgan Stanley & Co Ltd - Equity Analyst*

Thanks. Good morning, everyone. I've got a couple of questions on the Middle East and then on China. So the Middle East is 5% of your global system, but could you please quantify what percent of group IMS it represents and also what percent of the group pipeline and how we think about any sort of downside to those two?

And then on China, obviously a very strong quarter, openings up 70%, but as you said, Michael, signings similar to last year. So is there anything there in terms of phasing and timing of openings or do you still think you can do 10% net unit growth for the year? And then, sorry, just sticking with China, with over half the openings now in the region, how should we think about the sort of fee algorithm and the mixed impact from those?

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer – Executive Director*

Thank you Jamie. I'll take a crack at your questions, and Michael, please, can build up on those. So look, in the Middle East, yes, it's 5% of our rooms. Actually, in the area of conflict, it's a little bit less than that, but let's just go with the 5%. And in terms of the IMFs and -- we don't disclose IMFs by region or sub-region. But what we've said is that in our EMEA region in total, which includes the Middle East, we are more skewed to managed hotels. Therefore, more of our IMFs come from EMEA than, say, the Americas on a proportional basis.

But you're talking about 5% of our distribution. And so, yes, it's down, but it's a small number from a small number. And we've said that it's more than offset by better performance in the 95% of our business. That's the first thing. In terms of pipeline, the Middle East is 9% of our pipeline, but importantly, most of that pipeline is in the Kingdom of Saudi Arabia which has been less affected than other parts of the GCC. It's a very strong domestic market. It's got a strong religious travel. And as Michael said, the Haj travel is expected to be just right up to our expectations here. We already have all sort of the bookings in for May, and it's trending very well. It didn't go down as much, as say, the UAE and has bounced back well.

But if you look at that pipeline, 90% of our pipeline in the Middle East is actually in three countries, Kingdom of Saudi Arabia, Egypt, and Turkey. So Egypt and Turkey are not impacted right now by the conflict and unlikely to be. And our pipeline is progressing well in all three of those countries. So while 9% of our pipeline, 90% of that is really outside of the most impacted part of the conflict.

Now to China. There was nothing unusual in our system growth for the first quarter. And we're confident that we can continue to post strong signings and system growth. It looks like it could be another year of record signings and system growth in China. And, when it comes down to the mix, I think the same framework on mix applies still that, yes, China is growing at a lower than average RevPAR for IHG, but by the way, we're happy to see that RevPAR grow again. We've been saying for a couple of years that China would bottom out. It did bottom out in the second-half of last year. It turned positive in the first quarter in RevPAR. It's now even more positive in the first quarter of 2026, and we expect that positive performance to continue for the rest of the year.

So now we have a bigger estate in China. We have a positive RevPAR on top of that, so we're compounding our benefit from a bigger estate. And so, yes, it comes in at a lower than average RevPAR while growing than the group, but that's compensated by higher RevPAR in other parts of the system and our growth and luxury lifestyle. So it's net neutral to our mix.

Jamie Rollo *Morgan Stanley & Co Ltd - Equity Analyst*

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Just back on the incentive, yeah, thanks, Elie. Just back on the [RMS], obviously, you give $134 million, so two-thirds is an EMEAA. So maybe to ask that another way, that $134 million last year, could that still -- that should have still grow this year, right?

Michael Glover *InterContinental Hotels Group PLC - Chief Financial Officer, Executive Director*

I mean, Jamie, that is the right number that we gave last year. Obviously, we're early in the year, and this Middle East will have a big impact on that. We don't disclose how much it is by sub-region, as Elie mentioned. But as you can see, we've had good RevPAR outside of the Middle East and East Asia Pacific and in Europe, in the UK, we still see positive growth there.

We won't get into projecting and forecasting out IMF for the whole region, but you can kind of see, I mean, really, you kind of can put the Middle East in a box and other parts of the world are still doing well. So that's why we feel confident in kind of underpinning where consensus is on our profit expectations.

And we've talked about kind of the growth in RevPAR and we've seen and we've talked about that driving, if you look at our kind of fee and our base management fees and sensitivity to RevPAR, you're talking about one point being $12 to $13 million, there will be a bit of offset of incentive management fees from the Middle East, offsetting that a little bit, but kind of a little bit better as you go through as you think about that.

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer - Executive Director*

I mean, the overall point is that, once again, the strategic design of our business, geographically diversified, brand diversified, segment diversified, fee stream diversified, now even more, is very well structured to absorb inevitable disruptions that happen every year. Last year, the US wasn't as strong and China wasn't as strong, but the rest of the world was strong and our ancillary fees were strong, and we had a strong year delivering on our algorithm.

This year, 95% of our business is doing very well. We have a little disruption in the Middle East in one quarter, and we'll see how long that goes. But the rest of the business does enough to not just offset it, but more than offset it. So we're not getting into exactly what each fee will be for what quarter, but overall for the year, we're very confident in consensus. And as Michael said, there's some flow through if RevPAR is better.

Operator

Jaina Mistry, Barclays.

Jaina Mistry *Barclays Services Corp - Equity Analyst*

Good morning Elie and Michael. Congratulations on a very strong Q1. Three questions from me as well. Just following up on that previous question, you're happy with consensus but what kind of macro or geopolitical assumptions underpin this? Are you saying that even if the Middle East is soft for the rest of the year, we could still hit consensus expectations.

Second question is around the US consumer. I noted that you said that US momentum will continue through the rest of the year. How do you kind of square this with the impact of higher oil prices and whether that has an impact on RevPAR for US corporates or leisure?

And then very finally, just on net unit growth. You mentioned more upside than downside risk to full-year consensus. But it feels like the risks versus full-year results have kind of increased. And we're looking at the Middle East and also the risks from private credit. Are you seeing any changes to the financing environment as a result of private credit withdrawals in the wider environment?

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer - Executive Director*

Thank you Jaina. I'll take a crack at your questions. Michael can support too. I love your third question. This is the first time we hear about private credit, but I actually have some experience to share with you. Anyway, on the macro geopolitical, we're not sort of geopolitical experts, but obviously being in 100 countries for decades, following events closely, having dealt with so many conflicts

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and disruptions and even like personal experience from the Middle East, I can tell you that we have a lot of experience dealing with disruptions, we make assumptions.

I'd say the only assumption that we shared with you is that we think the worst of the conflict is behind us. How long some continued disruption goes on, we're obviously not sure. It changes day by day, and the news is breaking all the time, as you can tell, even yesterday evening.

But the trend right now looks towards de-escalation and looks towards some level of normalization. And, I just want to go back and say it's 5% of our business, of our rooms, less than 5% when you look at the area of conflict. And so with the 95% doing very well, we're not that exposed to how much longer it goes or how much longer it doesn't go.

Sure, can somebody design a scenario where the conflict gets to a stage and oil prices get to a stage and there's therefore collateral damage to global economies? I'm sure you can design a scenario and you've read about them, but it doesn't seem that that's not what's happening today. It doesn't seem like that's the direction of travel. So we're not seeing broader propagation of that right now beyond what Michael said, which is some flight cancellations, some disruptions in the immediate area, but all contained within the better performance we're seeing in the rest of our group.

Coming to the US consumer, look, the US consumer -- actually, in their surveys, we know what the consumer sentiment surveys say, and they don't sound too good. The consumer spending is good. And it's a significant driver of GDP growth, along with the capital investment and AI investment and data center investment and greater complex investment.

So I think it's been quite some time that consumer sentiment surveys have disaggregated from consumer actual spending. And that's because employment is strong. That's because GDP growth is strong, real wage growth is there. Financial markets are strong.

Over 60% of US Households own equities, and 30% of US Household net worth is in equities. So when equity markets are strong, there is a wealth effect, and it's been going on. Others will argue whether it's sustainable or not. All I can say is that despite the energy impact that the world's feeling, you've got US Markets at a record, actually European markets not far off. That's healthy for consumers. So could there be an impact to consumer behavior, let's set aside sentiment, but behavior from higher oil prices. You could paint that scenario. We're actually not seeing that today. We're not seeing that in our numbers. All of our segments grew healthy RevPAR in Q1, luxury, premium, mainstream, all more brands [inaudible] in the US grew and as Michael said, in the eight weeks, the May 2, we saw even further improvement. That's well after the conflict. So, yeah, I mean, there is -- someone can paint a scenario, but it's not what's happening today.

Michael Glover *InterContinental Hotels Group PLC - Chief Financial Officer, Executive Director*

Can I just add into that, Elie? I mean, I think if you can think about -- and we talked about this post the full-year results announcement. If you look at the consumer and look at where gas prices are, you're talking about around $1 a gallon more as we sit today. That could change, of course. But as you sit today, if you think about an average tank of gas, it's probably costing you $20 more.

If you look at the travel around the US, we're very heavily aligned to not just air travel, but drive-to travel. And if you're going on a vacation, you're driving 600, 700 miles. I mean, I think all in, round trip, you're talking maybe extra $100 of additional fuel costs is associated with that.

We don't think, and we're not seeing an indication that that is someone who's making a decision not to do a trip because of an extra bit of $100 or more of gas prices. So we're not necessarily seeing that come through. And quite conversely, we're seeing -- and you've seen business profits do well in the first quarter. We're selling really strong business travel, as you can see in our demand drivers in the Americas.

And if we talk to bookers of travel, corporates, we're not seeing any slowdown in that or any indication that they're going to slow down. There's also all the infrastructure work that's going on. That's very supportive for demand in the US. And then you also have these groups that have picked up as well. And I think it's important to remember that within group, there's a lot of leisure group as well. And we're seeing good growth in leisure group as well.

So I think that environment gives us the confidence. And certainly, what we saw in April is we talked about the momentum continuing to increase. And then, as we go through the year, there's more easier comparables. We also have the World Cup coming. So there's a lot of positive things that give us confidence that the US can continue.

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Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer - Executive Director*

Look, one last thing on energy crisis is, yes, the relative increase in energy and gas prices in the US is about $1 since the start of the war, but that is not a historic high. That is what the level was in 2022. So it isn't as if this is a historic high. Yes, people don't like it, but it's clearly within the range of what they have tolerated when the business was still doing very well.

The more important thing for US consumers is that their other energy costs have really not gone up. The US is much more dependent on natural gas for energy, for heating, for cooling, for electricity. And actually, natural gas prices are down in the US from the start of the war. Not down by a lot, but they have not moved up. Europe and the rest of the world is not as in the same situation.

So the US consumer is not seeing a very big energy bill so far. And there's other factors of the economy, GDP growth, strong employment, the infrastructure build out, the AI build out, the strong equity markets, the tax relief that's coming from the tax bill of 2025 that now is paying consumers higher tax rebates and lower tax assessments, and there are lower corporate assessments. That's actually adding more fuel to the economy. All that said, we think that the positives of Q1 have every reason right now, everything else being equal, to continue.

Michael Glover *InterContinental Hotels Group PLC - Chief Financial Officer, Executive Director*

On your third question regarding NUG and the Middle East, actually if you look at our plan for this year, the Middle East, and the openings we were planning for this year was roughly 5% of those overall openings within our kind of target or budget. We're not seeing anything that would suggest that is going to be massively disrupted. There may be a few hotels here and there that move and have a delay. But right now, as things are under construction and moving, they're continuing to be under construction and moving.

And I think as you look about it and what gives us confidence to underpin and say there's more opportunity to where consensus is at 4.5% and there is risk, risk is there other regions are doing really well. And so I think anything kind of disruption we may see in the Middle East, we can offset elsewhere in the world and that growth. So I think, as we said at the full-year results announcement, and we say today, we really feel very confident about where we're headed and the ability and there's more opportunity above where consensus is that there is risk to the downside.

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer - Executive Director*

Yeah, your question about private credit, we've not seen a read across or a radiation of the private credit issues into hotel development. Actually, if we look at the US, our signings in the first quarter are up 30% year over year. Our ground breaks are up 30% year over year. And I think private credit is invested maybe in other asset classes. A lot of software I read and understand and hear from people on Wall Street. But it is not really translated into any effect on hotel development financing.

Operator

Estelle Weingrod, JPMorgan.

Estelle Weingrod *JPMorgan Chase & Co - Analyst*

I've got two questions. The first one is on the World Cup. There was some articles referring to softer demand and some sort of group cancellations ahead of the event. Yet your competitors who have reported appeared comfortable on that front. Anything you can share with us on trading around the World Cup? Also, should we expect a softer momentum just before or after the event, as we sometimes see in these events or not necessarily?

And I've got another question on co-brand credit cards. I mean, you've signed an agreement in the UK with Revolut, you just talked about Japan. Could these drive upside to your guidance to triple your credit card revenue by '28?

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer - Executive Director*

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Thank you Estelle. So on the World Cup, first of all, looking forward to the start in a few weeks and enjoying a few matches. France looks like it's in a good position. We'll see what happens. Now look, we're pleased with the bookings that we're seeing on World Cup, whether it's in the US, Mexico, or Canada, against the expectations we had. I don't know what other people's expectations were, but our expectations are being met so far.

When you read about the other narratives in the market, it's mostly because of big FIFA bookings and big cities that then get released, that's not what we're seeing in our properties. So we had a level of expectation, we haven't said how much, but if you read sort of where most analyst expectations or other company expectations were, somewhere people talked about somewhere between 30 and 80 basis points. If you look at the most markers, we're somewhere in between and for the annual impact to our America's business and that's being met.

So it was never really our biggest source of optimism for the Americas. It was the fundamentals I talked about for the US Americas that are driving our business. This is a nice thing on top, we're not seeing any impact on the shoulders of it, really. We think that the rest of the year has momentum, continuing the first quarter momentum. The World Cup is just something on top, it's going to affect the latter part of May, June, and hopefully everybody will enjoy that.

On your second question on the co-brand, we're pleased that we are moving ahead with our agreement here in the UK with Revolut, Visa, with Sumitomo Mitsui credit card company in Japan, these card agreements are accretive outside of the US. They're nowhere near the profitability of the US market. I don't think they would move our 28 targets by anything meaningful.

Operator

Jarrod Castle, UBS.

Jarrod Castle *UBS AG - Analyst*

Thanks very much. Good morning everyone. I think, Elie, you mentioned the use of Salesforce tool, as related to clients, and if I'm not mistaken, Wyndham's also using Salesforce CRM and I think they announced last year about 10% of their client-facing people were made redundant and ambitions to do another 30% in terms of redundancies this year in terms of the efficiencies the Salesforce tool provides. So just any colour in terms of how you'll be using it and how you're thinking, I guess, about what it means for headcount?

Secondly, I guess related, it sounds like, maybe some of these tools are going to drive cost control and efficiency at a greater rate. How are you thinking in terms of margin development and I am not talking necessarily about this year, but over the medium term in terms of what these tools might provide for you.

And then just lastly, in terms of alternative forms of distribution, and I'm thinking OTAs in particular, are they trying to get closer to you, maybe offer you more preferential treatment than before potentially they take rate, just give them the challenges that they face in this new AI world? Thanks.

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer -Executive Director*

Thank you Jarrod. So, I'm not familiar with what other people are doing with Salesforce on CRM. I know that we are in the process of launching really an industry-leading platform with Salesforce. But the purpose of it is much broader than and really much more important than cost containment.

It's about getting much closer to 160 million IHG One rewards members to deliver more personalized experience to them, so that we can really understand their guest preferences, track them better, have a single view across the whole organization from front desk, all the way to the loyalty plan, all the way to our sales teams, all the way to the booking channels, a single view of our customer with all of their information that they share with us so we can customize experiences and offers to them.

Deepen our loyalty, where we've reached 160 million loyalty members around the world, the 65% -- 60% of our bookings every night are from IHG One rewards, 73% in the US. So we want to go deeper and further, and this industry-leading tool will allow us to do it. It will bolster our top of funnel visibility and so make us even readier for Gen AI booking and searching and driving more customers through our channels.

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It'll strengthen our direct channels, strengthen our relationship with our customers, and strengthen our performance. In the scheme of things, making our colleagues more productive is a good thing for the company. Making them more efficient is a good thing for the company, AI clearly is a powerful tool for that. In general, what you've seen on cost containment efficiency at IHG is very good control.

Last year, our costs were down 3%, the year before they were up 1%, we've guided to very low single-digit growth in our overheads and part of that is driven by applying new technology, new processes, global centers of excellence. It's a total enterprise approach to making sure that our revenue growth is at a very high level and that our cost growth is nowhere near that.

And so we're opening up the jaws of what you've mentioned then as our margin expansion. We're not saying that our margin expansion guidance has increased, but we certainly have more confidence, it's more underpinned by these initiatives to 100 to 150 basis points on an annual run rate basis is further underpinned by the investments we're making in technology and process fees and increasing the productivity and efficiency of our teams.

We have very productive, constructive relationships with the global OTAs, and we continue to have constructive relationships. We're evolving our booking platforms, our content platforms, our CRM platforms that make them AI-forward, AI-first, I think they're doing the same thing. I think this will benefit the industry and benefit our guests.

But we think we're on the right side of this equation, I think we stand to benefit more from artificial intelligence through our digital booking channels, through our new content platform, through the new conversational search tools that we're mentioning. We're going to get closer to our guests and we'll continue to have productive dialogue and relationships with the OTAs.

Operator

Richard Clarke, Bernstein.

Richard Clarke *Bernstein - Analyst*

Thank you very much. Three questions if I may. Just the first one on the US, an update on government travel within the US, how much of that was an ongoing headwind or tailwind in the first quarter? And is that a tailwind we can maybe expect that supported through the rest of the year, sort of hearing that's coming back quite strongly.

Secondly, your press release you put out, I think on the 22nd or 23rd April, announcing 11 hotels signed in Europe, had a sort of quite pointed long paragraph about a new third-party management company that's been formed by a joint venture that's going to work with world-renowned brands. Just why was that in the release? And is third-party management a big unlock in your regions? Maybe are you expecting these new management companies to sort of drive some extra consolidation within Europe?

And then lastly, I guess missing from your AI announcement that everyone else has done is the sort of ubiquitous ChatGPT app. Is that still coming, or do you have some kind of objection to that mode of distribution?

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer - Executive Director*

So government travel in the US has bottomed out last year, of course. So this is -- it's a tailwind in this year in the sense that we're comping against that negative and then it has started to inch up. I wouldn't say soar up, but it has started to inch up and as we look at April, it was turning positive. And then our outlook beyond that for Q2 and Q3 is even more positive.

So it's bottoming up and turning up, we're not expecting it to get back to pre-cutback levels this year. I think, yes, over time, just it'll build up, government has a way of just creeping up and government spending has a way of creeping up. Whether you appreciate that or not, this seems to be the reality.

So it has become a tailwind of sorts. I wouldn't say a major one because government business is not a very big part of our business to begin with less than 5%. But I mean, total government business for us in the US, federal state, and local is 5%. So the federal is less than that. And it bottomed out, it's picking up, so it is part of the tailwind. The strongest tailwind in the US though, Richard, are the economic fundamentals, GDP growth that leads to corporate.

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I mean, you saw the corporate profits so far with as many companies that have reported in the S&P 500, I think over 80% beat expectations, strong financial markets, strong employment, wage growth, huge infrastructure investment that isn't just going to the likes of Nvidia that are selling chips or Cisco that's selling servers, it goes to plumbing companies, electrician companies, goes to roofers, goes to concrete, goes to caterpillar, goes to a lot of what was considered all the economy businesses that hire a lot of people and we as IHG are actually more indexed towards the hinterlands of the country, towards industrial clients, manufacturing, technology, construction, not just the professional services in the key cities on the coast.

So that is the real engine of the US economy today and all of this is the comping against the negatives, the tailwinds, the World Cup, all those are nice little sprinkles on top and we're happy to take it. On your questions about the third-party management agreement, there's nothing new about third-party management agreements in Europe with us. We've done it before, this is a portfolio that's being -- this is a portfolio that's being acquired by an entity that is forming a management company to operate these hotels, but part of that formation is assuming the management company of the seller.

So, I mean, it's a joint press release that we put out. There's a lot of contexts behind it, we're very pleased to have this edition of these hotels in key cities in Europe, and we look forward to them joining our system as they renovate and as they get through it. It's a franchise deal to be clear, we're not involved in the joint venture, we're not involved in the management. They're the ones that have a joint venture, and they're the ones that are setting up the management company, and they're the ones that are going to do the operation. It's a straight, I think, 25-year management agreement for us.

Michael Glover *InterContinental Hotels Group PLC - Chief Financial Officer, Executive Director*

Yeah, maybe just to give a little more colour on it. It's a great long-term franchise agreement for 11 hotels covering Germany, Belgium, France, it's more than 1800 rooms. It is asset light in nature. We're not acquiring those hotels. It consists of 11 Penta hotel properties today. They're all converting and rebranding into Holiday Inn, Voco, Garner, and really key city center and airport locations around the regions.

It will be actually marked the debut of our Garner in Belgium, which is exciting to see and will take Garner close to 50 open hotels in Germany. And so we're excited about that and we expect that to kind of enter into IHG's system in the first half of 2027.

And it's a real strategic deal. And I think it goes back to the power of our brands, the power of our loyalty program. We've talked about conversions in Europe, it's a good way, this created a great way to do that where we don't have to do leases, we can do it in an asset-light way.

And again, it just continues that, what we've seen over the last few years of owners wanting to get into our brand to drive up their rates, drive up their occupancies, and deliver better profit. And so we think we can do that, and you've seen us do that over the last few years with several different major conversions. This is another one.

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer - Executive Director*

On your last question about working with AI platforms and apps, as we've said before, we're talking to all and working with all the major platforms, whether it's Google, whether it's OpenAI, Anthropic, we're working with everybody. If and when we launch tools and partnerships and products with them, we will disclose that.

I think the most important thing, though, is getting your system and getting your content ready and getting your technology platform ready so that when people do AI searches on these apps or on these tools that you're showing up and getting the right visibility with the right content.

That's why we went into great detail. I'm not sure how many are discussing, we went into great detail about the new content platform that is already being launched, showing new features from every hotel, making it translatable in 20 languages instantly with video, with 3D, with floor plans, with visual reality and that's actually the most important thing.

So then launching an app store was actually pretty easy, but what is the content that it's pulling? Is your content in the cloud, is the data structured in the right way to respond? Do you have the new images? Do you have the information? Have you structured it the right way? That's the real work that is advancing, and we're very proud to be launching it right now. And yeah, we'll have all these features in the end, including our own, but that is really the end point of the preparation.

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Operator

Leo Carrington, Citi.

Leo Carrington *Citibank - Analyst*

Good morning. Thank you. Can I just ask a couple of follow-ups on the system growth and then change tack and ask on demand. Firstly, on the system growth, your conversions were, I think, 35% of openings and 50% plus of signings. Do you expect a further acceleration of conversion openings this year? Or is this Q1 something to do with timing impact?

And then thinking about the US specifically, is that mix of conversions similar to the headline level? Just picking up on some of your comments. Signings and groundbreaks up 30%, I think, in Americas, your peers have indicated new build activity is improving. I wonder if you have any comments there.

And then separately in the quarter you managed to significantly out-perform the industry across all the key regions. Can you just elaborate, I mean, beyond the general strengths of the IHG system, are there any brand or mixed factors that are especially helpful, the out-performance of business travel in the quarter, anything that might help understand that quarter and extrapolate forwards?

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer - Executive Director*

Let me start with the last question, and then we can work our way back. I'll start with the RevPAR performance, and then we can get into system growth, conversions, America's signings. Michael and I will give you as much colour as we can.

I've said before that we're, on the one hand, we're pleased with our RevPAR performance and if it's out-performance, we're happy with that too. But we don't attribute it to one single factor. I think RevPAR performance, unless there's sort of an event right, is on a consistent basis, as we've been delivering for some time comes from a full enterprise strategy and execution across many different things.

Strengthening our brands, the quality of our brands, the innovation and renovation of our brands, the service delivery, our technology platform that we talked about a bit earlier, we talked about a full year, strengthening our loyalty plan, that's now delivering 60% of our room nights globally, is delivering 73% of our room nights in the Americas that has grown faster than other loyalty plans to 165 million members, strengthening our distribution, strengthening our relationships with our owners, our operations.

It comes across many different things in any given quarter. We're not really quantifying how much came from each, but it's a long effort to make sure every aspect of performance, strengthening our revenue management with the best in the industry, AI-driven machine learning revenue management system out there that we have now in all of our hotels.

Our new PMS system that's going to be in 4,000 hotels by the end of this year, and it's already in thousands around the world. All these features improve hotel performance by basis points here and basis points there, and it starts that up.

The nice thing about it, because it's not just one thing, it doesn't sort of unwind either. It's not just a single factor in a single quarter. We think it has momentum, we think it is structural, and we're going to continue to invest in our business properly to strengthen all the aspects of its performance. Michael, why don't you start on the system growth conversions.

Michael Glover *InterContinental Hotels Group PLC - Chief Financial Officer, Executive Director*

Yeah, sure. Let me just give you some of the numbers just to make sure we've got the right numbers. Globally, on rooms openings in the first quarter, we opened newbuild were 64% of the openings and conversions were 35%. In terms of signings globally, newbuild were 47% of our signings and conversions were 53%.

I think that's a great, healthy balance there. We don't necessarily have a target of new build versus conversion. I think we're really excited about what we're seeing with our conversion brands, whether that's Voco, Vignette, Garner, and actually we signed our first Noted in the quarter as well as, what we're getting in conversions with our existing brands, like whether that be Holiday Express or Holiday Inn.

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And so I think it's encouraging to see the conversions come in, but it's also even more encouraging to see all the new builds being built, especially as we've had over the last few years and even today, some questions around the financing environment, it really goes to show and actually as you go into the Americas, in the first quarter, 72% of our openings were new build.

And so that again, tells you that financing is available people believe in the long-term structural drivers of the industry and that they can make a profit on this. And so seeing that come through is really great conversely, we had 28% of our openings were conversion. If you look at our signing, roughly 42% of those were new build and 58% were conversions.

And so you see a great mix there and really, we're going after every deal. We don't have a preference for new build or conversions. We've introduced and had a new set of brands that really allow us to go after all of those opportunities that are available to us. And that's really how we think about it. Elie, did you want to add?

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer - Executive Director*

I mean, we've been -- we've said consistently about conversions and about new builds is we want more of both. We're not targeting the proportion, and we're seeing more of both. Our signings were up in Q1. Our signing, our openings were up, they were up in '25, they're up again in this quarter. And so we want more of both, and wherever the proportion falls, so be it.

But we're pleased to see both advancing new builds and conversions because one shows that financing is becoming more available and people have the confidence and the courage to break new ground. On the other hand, the strength and conversion shows the strength of our enterprise, strength of the IHG brand, strength of the IHG platforms, and that people who already own hotels and have different brands are looking at the performance of our system and saying they would prefer to be with IHG and get that performance and get that relationship and get that support.

And we believe that continues, especially now that we have more conversion brands, including Noted Collection, which got its first signing here in the UK. And we know that there's more coming, you look at the success of Garner, 200 hotels open under development around the world, and 100 in the US already. So we're just thrilled with that in less than three years.

And so we have more conversion brands, we have more conversion capabilities and to answer your question, it's been sort of a theme out there is, do we see conversions traveling at a structurally higher level than they used to four or five years ago? Yes, we do. Do we want the proportion to decline or increase? We just want more of both. But in aggregate numbers, we think conversions will travel at a higher level than they did before.

Operator

Alex Brignall, Rothschild & Co Redburn.

Alexander Brignall *Redburn Partners LLP - Equity Analyst*

Following on from Jamie's question earlier, just looking at the consensus that you have on EBIT, I think Michael, you said 8%. So if we sort of work backwards with the margin expansion, I think that's still a little bit of sort of fees lagging your NUG and RevPAR, and you just said that the room mix and China offset each other. I think that's likely to be sort of lag as the NUG grows or accelerates, but if you could give anything more there that would be very helpful.

And then secondly, just I didn't see it in the release, but often it's not the course, but leverage expectations for the full year. And if you have seen any changes into the cash conversion expectations. Thank you very much.

Michael Glover *InterContinental Hotels Group PLC - Chief Financial Officer, Executive Director*

Alex, I'll take those and Elie can jump in. I think if you look at certainly where consensus is today at 1380 against last year at 1265, you're talking about a 9% increase in the EBIT based on where consensus is today. I think what you're trying to get back to is that fee triangulation question, and obviously we don't give full P&L results now including kind of fee revenue and profit for the first quarter.

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But what I would say is if you go back to a lot of what we talked about last year and some of the main drivers of why the fee triangulation was happening and why there was a difference between the combination of RevPAR and system size and then growth, a lot of those dynamics have continued.

We're continuing, as you see our system growth is improving and continuing to grow. Therefore, we do have more hotels in ramp-up you do still have the fact that as hotels come into the system, there is also fee ramp-ups that happen as part of that as well. And so a lot of those things are still present. We do have a few hotels under renovation, particularly around EMEAA and so I would say it's improving and getting better.

But again, I would go back to fundamentally, we are not discounting our pricing. We are not changing our royalty rates and so as we said last year, we don't and full-year results announcement, we don't see this as a long-term issue for us. And it's more a dynamic of the current environment.

In terms of cash conversion, there has been no change to cash conversion at all. We still feel very comfortable that we'll be in the 2.5 to 3 times range, as we said, at full year. There's been no change to that and feel very comfortable with continuing on in that range.

Operator

André Juillard, Deutsche Bank.

André Juillard *Deutsche Bank - Analyst*

Good morning. Congratulations to this solid start to the year. Just follow-up question on the segmentation. You showed that groups were particularly strong. Could you give us some more colour about the components, business, leisure, and the regions where they perform especially well?

Second question also about segmentation, could you give us some more detail about the performance of the different brands or segments if you really outperform on the upscale and luxury versus mid-scale or is this relatively equal?

Michael Glover *InterContinental Hotels Group PLC - Chief Financial Officer, Executive Director*

Well, I can start with maybe some of the RevPAR, start with your second question. If you look at how we would look at IHG results and how we really look at our luxury, upper upscale portfolio, they have performed really strong in Q1. But that doesn't also mean we haven't seen good RevPAR growth in our mid-scale and upper mid-scale areas as well.

So, across all of those, and we said every brand had improved in RevPAR and across all the segments that we had seen improvement. So really, the RevPAR growth that we've seen has been quite broad-braced across everything.

However, luxury up or upscale has performed better, as has been the continuation of the trend, particularly in the US, if you look at that we've also seen urban markets do very well, we tend to do well in suburban markets, that has been kind of in line with what we had expected. But all of those markets, whether it airport, interstate, small metro result, have all been positive in the US and so what we see is the RevPAR being quite positive there.

And then in terms of kind of demand drivers and how we've looked at it. We did talk about globally business up 6% in Q1 2026, groups up 7%, leisure up 1%. We did discuss earlier about the Americas being business up 6%, groups up 9%, and leisure flat in the Americas.

And I think it's important to remember that across that group portfolio, there's also leisure within those groups. So if you add all that together, you're really seeing strong growth across all demand drivers there. And as we look forward to our forward bookings, everything still remains a solid subject to the Middle East, which lets kind of put that in a box, obviously, there's an impact there. And we do know that we'll be recovering, as we've said earlier in the call. But across all the other areas, we're really still seeing strong growth in RevPAR across business, leisure, and groups.

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer - Executive Director*

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I think, André, when the fundamentals are strong in GDP growth and employment growth, in financial market strength, in private capital investment, in tax policy across our major markets, then it becomes broad-based. And I think that's what we saw in the first quarter. And we started to see some of that in the fourth quarter, actually, last year, building up. But definitely see it here in the first quarter. It is broad-based, it's all segments.

Keep in mind that the mainstream segment is a very large segment. So when you're growing at 2%, 3% RevPAR in a very large segment, that's substantial. And we have a lot of exposure to that, which is very beneficial. So we see it. And even across our corporate transient travel, it was really broad-based across industries, it was broad-based across regions, and it was broad-based also even though leisure looks like it grew less than transient than group, 60% of our group is leisure. And so leisure can be 100 people, going to a wedding. It can be six guys going on a golf trip. And that's all group, but it's actually leisure group.

Operator

(Operator Instruction)

Kate Xiao, Bank of America.

Kate Xiao *Bank of America - Analyst*

I have two questions. The first one just on unit growth, I guess that 5% in Q1, how should we think about this as a reference for the cadence and shape for remainder of the year into the next quarter or so? Anything to call out in terms of openings and removals, puts and takes around there for people to think about how to budget and model for the rest of the year.

Second question on Garner, which you've launched into China, can you tell us a little bit about this format, how it compares with your other mid-scale offerings in the region? In particular, how does it compare to some of the local offers, which has been a competitive strength from the local brands in China?

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer - Executive Director*

So we're pleased with our progress in that system growth, we're pleased with the strength of our signing, strength of our openings, strength of our pipeline under construction, which led to strong openings in Q1. And what we've said is consensus for the year is 4.5%, we're confident in that consensus we see more upside than downside.

And we're not giving any more colour on the shape of the remaining quarters, but we're confident in the full year. More importantly, we're confident in the continued progression over years of our signings, of our openings, of the growth of our system. We're not saying that we're putting a ceiling on where we can -- what we can reach we're not saying that we want to reach a certain number and then stop.

But we're doing it in a thoughtful, gradual, sustainable way. And you've heard me say all along that we want to do it with keys with fees -- keys that have fees. We could be 6% this year, we could have been 6% last year and I don't say that just an exaggeration.

There was enough there for us to do it in a certain way, but we don't think it would have met our requirements, our standards of either quality or capital density or keys of fees or quality of agreement or all those things that we think create true sustainable shareholder value in an asset-like business with the right fee take. So we believe we're on the right trajectory and we're confident in the consensus for the year and we think there's more upside than downside.

In China, we're pleased to have launched Garner to open up our first property in record time. It's actually a very new asset that was going to be a local brand, but the owner felt that they had such a high-quality asset and in a good location that they wanted a stronger system.

So we don't believe that we're competing directly with the local, say more budget brands. We are positioning Garner in China at a similar level from an ADR point of view to Holiday Express, which is much more new build in China, but Garner is going to be conversion.

So they're going to be similar in terms of positioning of rate and positioning of customer -- say customer income, but one more conversion, one more newbuild and as you may know in China, a lot of structures for hotels get built before they're branded.

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In the US and in Europe, you generally don't start a hotel project until you have a brand because you need to have a brand before you get the financing or before you can even get equity participation. In China, it's just different. We've been there 51 years, we kind of know how it works. A lot of developers will start a hotel and then find a brand along the way, sometimes just a few months before opening.

And so that was sometimes wasn't an easy fit for Holiday Inn Express because we have a certain pretty prototypical format for Express. So Garner is more targeted to buildings that are either open already as hotels or on the way to become hotels, but don't really fit a Holiday Inn Express. So it gives us an additional vector of growth, but the same positioning of Express so not directly competitive but more budget local competitors.

Operator

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

Elie Maalouf *InterContinental Hotels Group PLC - Chief Executive Officer - Executive Director*

Many thanks to everybody on the call today. I just want to remind you that our second quarter update and financial results for the first half of 2026 will be announced on Tuesday, the 11th August. Thank you all and goodbye.

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