Holiday Inn owner InterContinental Hotels to launch new luxury brand in bid to grow as travel demand returns

I
nterContinental Hotel Group, owner of Holiday Inn and Crowne Plaza, revealed plans for a new luxury brand on Tuesday as it reported swinging back to profit.

The FTSE 100 firm already owns high-end hotel chains Six Senses and Kimpton, which account for nearly a third of group sales. IHG now hopes to boost growth through the new “luxury and lifestyle collection brand”, about which more details will be shared in the coming weeks, by recruiting independent hoteliers to sign up.

Finance chief Paul Edgecliffe-Johnson told the Standard: “It’s a brand for really good existing hotels who want to come in and take the benefit of our enterprise delivery… We think at least 100 hotels will join this new brand and it will be a great new growth engine for us.”

Earlier this year IHG announced plans to reduce costs by $75 million while continuing to invest in growth. The firm is actively recruiting, having faced similar staffing challenges to the rest of the leisure sector.

The company, one of the world’s largest hotel operators, plunged to a $280 million (£201 million) 2020 pre-tax loss after its “toughest” year ever. On Tuesday it reported an $138 million (£99 million) operating profit for the six months to July, from a $233 million (£168 million) operating loss in the same period a year earlier.

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IHG said nearly half of its hotels achieved revenue per available room – a key industry metric – above 2019 levels in July as travel demand rebounded. Occupancy reached nearly 70% in the US, the group's largest market, in June.

But group revenue was down 5.5% to $1.2 billion (£866 million), as improved performances in the US and China were outweighed by a slowdown in Europe, the Middle East and Africa.

Edgecliffe-Johnson said UK revpar was still down at around half of 2019 levels in June, with incremental improvement in July. The group's UK leisure destination sites are seeing "huge amounts of demand", but those aimed at other travel, including business, are seeing a slower recovery.

A total of 90% of IHG's London sites are now open and seeing events business "on the up", with more weddings, he said.

"People really want to travel," he said. "We're well positioned with everything that we've been doing through the course of the pandemic to exceed our pre-pandemic levels of profitability and our pre-pandemic levels of growth.

“While we are still mindful of what’s happening in various markets around the world where there are short term implications, like in China and Australia, what we are seeing is that when lockdowns are lifted people are going back to travelling very quickly. We’re getting back to normal.”

AJ Bell financial analyst, Danni Hewson, pointed to IHG’s slower expansion than rivals Marriott and Hilton in the first half. In a note titled “ahead in the marathon, pull up for a breather”, Peel Hunt’s Douglas Jack said that although there are “tentative signs of recovery” IHG’s “share price has run ahead of events”.

Hargreaves Lansdowne’s Laura Hoy said the results were “pleasantly positive”, but that if China locks down further “it could be a bleak forecast for other regions, which would chip away at IHG’s already precarious recovery”.

IHG shares were down 3.3%, or 156p, to 4578p, on Tuesday morning.