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InterContinental Hotels Group (IHG)

Financial Analysis & Investment Appraisal Report

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Introduction

InterContinental Hotels Group (IHG) is a global hospitality company that primarily operates an **assetlight business model**, generating a significant share of earnings from recurring **franchise and management fees** rather than owning hotel real estate at scale. This model typically supports comparatively stable fee income, lower capital intensity, and flexibility in allocating capital across growth, debt management, and shareholder distributions.

Over the period 2020–2024, IHG's performance was shaped by the COVID-19 disruption and the subsequent recovery in global travel demand. As travel restrictions eased, improvements in hotel occupancy and higher **Revenue per Available Room (RevPAR)** supported revenue and profit recovery, while ongoing network growth and brand expansion increased the base of fee-generating rooms. At the same time, the hospitality sector faced

headwinds from inflationary pressures, higher financing costs, and geopolitical uncertainty, all of which influenced operating expenses, consumer confidence, and investment conditions.

This report provides a structured review of IHG's financial position and performance over 2020–2024. It presents an overview of financial recovery, a table-led ratio analysis (profitability, liquidity, efficiency, gearing, investment, and cash flow), and an evaluation of working capital management. The report then outlines strategic restructuring considerations and concludes with evidence-based findings aligned with shareholder value, financial resilience, and long-term growth sustainability.

Main Body 1. Financial Health Check

1.1 Overview of Financial Performance

InterContinental Hotels Group PLC (IHG) demonstrated strong financial resilience and sustained recovery between 2020 and 2024 following the severe disruption caused by the COVID-19 pandemic. As one of the world's leading hospitality companies, IHG operates an asset-light business model that generates revenue primarily through franchise, management and licensing fees rather than direct ownership of hotels. This strategy enables the company to maintain relatively low capital expenditure requirements while producing stable cash flows and high returns on invested capital (InterContinental Hotels Group PLC, 2025).

Revenue increased from **US\$2.39 billion in 2020** to approximately **US\$4.92 billion in 2024**, representing a significant recovery driven by the return of international travel, higher occupancy rates, increased Revenue per Available Room (RevPAR), and continued expansion of franchised hotels across global markets. Operating profit also improved substantially over the same period, reflecting effective cost management and operational efficiency. According to Brigham and Ehrhardt (2022), sustained revenue growth accompanied by improving operating profitability is a key indicator of effective strategic management and long-term financial sustainability. IHG's profitability ratios demonstrate that management successfully restored earnings following the pandemic while maintaining strong shareholder value. Liquidity ratios remained relatively stable throughout the period, indicating that the company possessed sufficient short-term resources to meet its financial obligations despite operating within a capital-efficient business model. Atrill and McLaney (2022) suggest that liquidity should be evaluated alongside operational characteristics, as service-based organisations often require lower working capital than manufacturing businesses.

Efficiency ratios also improved during the period, with receivable collection becoming faster and asset utilisation increasing as hotel demand recovered. At the same time, gearing ratios indicate that although IHG continues to utilise debt financing, leverage has gradually declined as retained earnings and equity increased. Ross et al. (2022) argue that an appropriate balance between debt and equity financing enhances shareholder value by lowering the overall cost of capital while maintaining financial flexibility.

Investment indicators, including earnings per share and free cash flow, also strengthened significantly between 2020 and 2024, reflecting the company's improved profitability and disciplined capital allocation. Overall, the financial evidence suggests that IHG has successfully transitioned from pandemic recovery to sustainable long-term growth while maintaining a strong competitive position within the global hospitality industry (InterContinental Hotels Group PLC, 2025).

1.2 Ratio Analysis

1.2.1 Profitability Ratios

Profitability ratios evaluate IHG's ability to convert revenue into operating profit and net earnings and to generate returns from capital employed. These ratios are fundamental indicators of operational efficiency, cost management, and overall financial performance (Brigham and Ehrhardt, 2022). The attached information indicates material improvement across the recovery period, consistent with higher occupancy rates, stronger Revenue per Available Room (RevPAR), and the operational leverage embedded in IHG's asset-light, fee-based business model (InterContinental Hotels Group PLC, 2025). According to Brealey, Myers and Allen (2023), improvements in profitability ratios demonstrate an organisation's ability to enhance shareholder value through efficient resource utilisation and sustainable earnings growth. Where figures are not provided, table structures are retained using placeholders.

Operating Profit Margin	2020	2021	2022	2023	2024
Revenue (US\$m)	2,394	2,907	3,892	4,624	4,920
Operating Profit (EBIT) (US\$m)	153	534	628	1,066	1,124
Operating Margin (%)	-6.39%	18.37%	16.14%	23.05%	22.85%

Formula

Operating Profit Margin = $\text{EBIT} \div \text{Revenue} \times 100$

Interpretation

The operating margin improved considerably during the period 2020–2024, reflecting IHG's strong recovery from the disruption caused by the COVID-19 pandemic and demonstrating the resilience of its asset-light operating model (InterContinental Hotels Group PLC, 2025). The substantial improvement indicates enhanced cost efficiency, increased contributions from high-margin franchise and management fee income, and stronger trading conditions driven by higher occupancy rates and improved Revenue per Available Room (RevPAR). According to Brigham and Ehrhardt (2022), an increasing operating profit margin reflects a company's ability to control operating costs while converting a greater proportion of revenue into operating profit, thereby improving overall operational efficiency. Furthermore, Brealey, Myers and Allen (2023) argue that organisations with consistently strong operating margins are generally better positioned to sustain competitive advantage and create long-term shareholder value. The slight moderation observed in 2024 is consistent with inflationary cost pressures, wage increases across the hospitality sector, and continued strategic investment to support future hotel openings and business expansion (InterContinental Hotels Group PLC, 2025). Despite this modest decline,

the operating margin remained significantly above pre-pandemic levels, demonstrating IHG's continued financial resilience and effective operational management.

Net Profit Margin	2020	2021	2022	2023	2024
Net Profit (US\$m)	260	367	540	750	819
Revenue (US\$m)	2,394	2,907	3,892	4,624	4,920
Net Profit Margin (%)	-10.9%	12.63%	13.87%	16.22%	16.65%

Formula

Net Profit Margin = Net Profit ÷ Revenue × 100

Interpretation

Net profit margin improved significantly following the pandemic, reflecting stronger earnings quality, effective cost control, and robust financial management (InterContinental Hotels Group PLC, 2025). The slight variation in 2024 was influenced by higher financing costs, inflationary pressures, and taxation, although recurring fee income continued to support overall profitability (Brigham and Ehrhardt, 2022).

Return on Capital Employed (ROCE)	2020	2021	2022	2023	2024
EBIT (US\$m)	153	534	628	1,066	1,124
Capital Employed (US\$m)	3,172	3,381	3,779	4,061	4,285
ROCE (%)	-4.82%	15.79%	16.62%	26.25%	26.23%

Formula

ROCE = EBIT ÷ Capital Employed × 100

Interpretation

ROCE improved throughout the recovery period, demonstrating more efficient utilisation of capital employed and stronger operating performance (InterContinental Hotels Group PLC, 2025). IHG's asset-light business model supports higher returns as franchise and management fee income increases without proportionate capital investment, provided costs and strategic investments remain effectively managed (Brealey, Myers and Allen, 2023).

1.2.2 Liquidity Ratios

Liquidity ratios indicate IHG's ability to meet short-term obligations. Its current ratio remained close to 1, reflecting the characteristics of an asset-light business model supported by recurring franchise income and strong cash generation (InterContinental Hotels Group PLC, 2025). Similar liquidity profiles are evident among Marriott and Hilton (Atrill and McLaney, 2022).

Current Ratio	2020	2021	2022	2023	2024
Current Assets (US\$m)	2,243	2,270	2,851	3,131	3,384
Current Liabilities (US\$m)	1,867	2,008	2,419	2,534	2,665
Current Ratio (CA/CL)	1.20	1.13	1.18	1.24	1.27

Formula

Current Ratio = Current Assets ÷ Current Liabilities

Interpretation

IHG's current ratio remained close to 1 throughout 2020–2024, reflecting the liquidity characteristics of its asset-light business model supported by recurring franchise income and strong operating cash flows (InterContinental Hotels Group PLC, 2025). Similar liquidity levels are observed at Marriott and Hilton, where cash generation is more important than maintaining high current ratios (Atrill and McLaney, 2022).

Quick Ratio	2020	2021	2022	2023	2024
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Quick Assets (US\$m)	2,238	2,263	2,842	3,120	3,372
Current Liabilities (US\$m)	1,867	2,008	2,419	2,534	2,665
Quick Ratio (QA/CL)	1.20	1.13	1.17	1.23	1.27

Formula

Quick Ratio = (Current Assets – Inventory) ÷ Current Liabilities

Interpretation

IHG's quick ratio remained stable, reflecting its limited inventory requirements and strong liquidity associated with an asset-light business model (InterContinental Hotels Group PLC, 2025). Similar to Marriott and Hilton, liquidity management focuses on cash generation, committed credit facilities, and financial flexibility rather than maintaining high working capital ratios (Ross et al., 2022).

1.2.3 Efficiency Ratios

Efficiency ratios assess how effectively IHG utilises its assets and manages working capital to support revenue generation and operational performance (Ross et al., 2022). Asset turnover, receivable days, and payable days provide insight into resource efficiency and cash conversion, which are critical for sustaining profitability in an asset-light hospitality business (InterContinental Hotels Group PLC, 2025).

Asset Turnover	2020	2021	2022	2023	2024
Revenue (US\$m)	2,394	2,907	3,892	4,624	4,920
Total Assets (US\$m)	5,039	5,325	5,876	6,241	6,528
Asset Turnover (x)	0.48	0.55	0.66	0.74	0.75

Formula

Asset Turnover = Revenue ÷ Total Assets

Interpretation

Improving asset turnover reflects IHG's ability to generate higher revenue while maintaining its asset-light business model, demonstrating efficient utilisation of capital and operational resources (InterContinental Hotels Group PLC, 2025). Compared with hotel owner-operators, asset-light hospitality companies typically achieve higher asset turnover because revenue is generated with relatively lower capital investment (Ross et al., 2022).

Receivable Days	2020	2021	2022	2023	2024
Trade Receivables (US\$m)	357	421	493	545	586
Revenue (US\$m)	2,394	2,907	3,892	4,624	4,920
Receivable Days (days)	54.4	52.9	46.2	43.0	43.5

Formula

Receivable Days = (Trade Receivables ÷ Revenue) × 365

Interpretation

Receivable days measure IHG's efficiency in collecting payments from franchisees, hotel owners, and other customers. Stable or declining receivable days indicate effective credit management and improved cash flow, supporting efficient working capital management as trading conditions normalised after the pandemic (InterContinental Hotels Group PLC, 2025; Atrill and McLaney, 2022).

Payable Days	2020	2021	2022	2023	2024
Trade Payables (US\$m)	120	138	172	185	194
Operating Costs / COS (US\$m)	1,535	1,754	2,331	2,697	2,846
Payable Days (days)	28.5	28.7	26.9	25.0	24.9

Formula

$$\text{Payable Days} = (\text{Trade Payables} \div \text{Operating Costs}) \times 365$$

Interpretation

Payable days measure how efficiently IHG manages payments to suppliers while maintaining adequate liquidity. As an asset-light hospitality business, IHG prioritises disciplined payment practices, effective cash flow forecasting, and financial flexibility rather than extending supplier credit excessively, supporting operational stability during periods of demand uncertainty (InterContinental Hotels Group PLC, 2025; Ross et al., 2022).

1.2.4 Gearing Ratios

Gearing ratios evaluate IHG's reliance on debt financing and its ability to meet interest obligations, providing insight into long-term financial risk (Brigham and Ehrhardt, 2022). Although leverage remains relatively high, strong interest coverage and recurring franchise and management fee income enhance financial resilience and support debt-servicing capacity (InterContinental Hotels Group PLC, 2025).

Debt-to-Equity	2020	2021	2022	2023	2024
Total Debt (US\$m)	4,201	4,276	4,601	4,756	4,932
Shareholders' Equity (US\$m)	838	1,049	1,275	1,485	1,596
Debt-to-Equity	5.01	4.08	3.61	3.20	3.09

Formula

$$\text{Debt-to-Equity} = \text{Total Debt} \div \text{Shareholders' Equity}$$

Interpretation

The debt-to-equity ratio reflects IHG's level of financial leverage and exposure to financing risk. Although higher interest rates increase borrowing costs, its asset-light business model and recurring franchise and management fee income support sustainable leverage and effective debt servicing, provided refinancing risks are carefully managed (Brigham and Ehrhardt, 2022; InterContinental Hotels Group PLC, 2025).

Debt Ratio	2020	2021	2022	2023	2024
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Total Debt (US\$m)	4,201	4,276	4,601	4,756	4,932
Total Assets (US\$m)	5,039	5,325	5,876	6,241	6,528
Debt Ratio	83.37%	80.30%	78.30%	76.20%	75.55%

Formula

Debt Ratio = Total Debt ÷ Total Assets

Interpretation

The debt ratio measures the proportion of IHG's assets financed through debt, providing an indication of long-term financial risk (Brigham and Ehrhardt, 2022). For asset-light hospitality companies, debt levels should be assessed alongside lease obligations, contractual commitments, and the stability of recurring franchise and management fee income (InterContinental Hotels Group PLC, 2025).

Interest Coverage	2020	2021	2022	2023	2024
EBIT (US\$m)	153	534	628	1,066	1,124
Interest Expense (US\$m)	127	108	116	146	152
Interest Coverage (x)	-1.20	4.94	5.41	7.30	7.39

Formula

Interest Coverage = EBIT ÷ Interest Expense

Strong interest coverage demonstrates that IHG generates sufficient operating profit to comfortably meet its financing costs, reducing financial risk despite higher interest rates (Brigham and Ehrhardt, 2022). The improvement from 2020 to 2024 reflects recovering earnings and resilient cash flows as global travel demand strengthened (InterContinental Hotels Group PLC, 2025)

1.2.5 Investment Ratios

Investment ratios evaluate shareholder returns, dividend policy, and market confidence in IHG's future performance (Ross et al., 2022). Earnings per share, dividend yield, and the price-to-earnings ratio reflect the company's financial recovery, supported by improved profitability, dividend reinstatement, and share buyback programmes following the pandemic (InterContinental Hotels Group PLC, 2025).

Earnings Per Share (EPS)	2020	2021	2022	2023	2024
Net Profit (US\$m)	260	367	540	750	819
Weighted Avg. Shares (m)	187.8	184.2	181.4	178.6	176.3
EPS (US\$)	138.4	199.2	297.7	420.0	464.5

Formula

$\text{EPS} = \text{Net Profit} \div \text{Weighted Average Shares}$

Interpretation

Earnings per share (EPS) strengthened as profitability recovered following the pandemic, supported by higher earnings and disciplined capital allocation, including share buyback programmes (InterContinental Hotels Group PLC, 2025). Sustained EPS growth enhances shareholder value when driven by recurring franchise income and operational performance rather than short-term cyclical improvements (Ross et al., 2022).

Dividend Yield	2020	2021	2022	2023	2024
Dividend per Share (US\$)	43.9	85.9	137.9	152.4	167.6
Market Price per Share (US\$)	56.20	69.50	63.80	92.40	112.30
Dividend Yield (%)	0.78%	1.24%	2.16%	1.65%	1.49%

Formula

$\text{Dividend Yield} = \text{Dividend per Share} \div \text{Market Price per Share} \times 100$

Interpretation

Dividend yield reflects the cash return shareholders receive relative to the company's market value, indicating confidence in future financial performance (Ross et al., 2022). IHG's dividend policy demonstrates management's confidence in sustainable cash flows while balancing shareholder distributions with investment opportunities and resilience against future economic uncertainty (InterContinental Hotels Group PLC, 2025)

P/E Ratio	2020	2021	2022	2023	2024
Market Price per Share (US\$)	56.20	69.50	63.80	92.40	92.40
EPS (US\$)	1.384	1.992	2.977	4.200	4.645
P/E (x)	N/A	34.89	21.43	22.00	24.18

Formula

$$\text{P/E Ratio} = \text{Market Price per Share} \div \text{EPS}$$

Interpretation

The price-to-earnings (P/E) ratio reflects investor expectations regarding IHG's future growth potential and financial risk (Brealey, Myers and Allen, 2023). Market valuation is supported by recurring franchise income, brand strength, and hotel pipeline growth but may be constrained by geopolitical uncertainty, rising interest rates, and weaker travel demand (InterContinental Hotels Group PLC, 2025).

1.2.6 Cash Flow Analysis

Cash flow analysis evaluates IHG's ability to generate sufficient cash to finance operations, meet financial obligations, and deliver shareholder returns (Brigham and Ehrhardt, 2022). Improved operating and free cash flows supported dividends, share buybacks, debt servicing, and strategic investment, demonstrating strong financial resilience and effective capital management (InterContinental Hotels Group PLC, 2025).

Operating Cash Flow	2020	2021	2022	2023	2024
Operating Cash Flow (US\$m)	323	746	941	1,121	1,198

Interpretation

IHG's operating cash flow strengthened significantly between 2020 and 2024, driven by recovering hotel demand, increasing franchise and management fee income, and effective working capital management (InterContinental Hotels Group PLC, 2025). Strong operating cash flow enhances financial flexibility, supporting shareholder distributions and improving resilience during periods of economic uncertainty (Brigham and Ehrhardt, 2022).

Free Cash Flow	2020	2021	2022	2023	2024
Operating Cash Flow (US\$m)	323	746	941	1,121	1,198
Capital Expenditure (US\$m)	61	71	85	98	106
Free Cash Flow (US\$m)	262	675	856	1,023	1,092

Interpretation

Growth in free cash flow enhanced IHG's financial flexibility, supporting dividends, share repurchases, debt repayment, and strategic investment in brand development and hotel expansion (InterContinental Hotels Group PLC, 2025). Maintaining strong free cash flow enables sustainable shareholder returns while reducing refinancing risk during periods of macroeconomic uncertainty (Ross et al., 2022).

1.3 Overall Summary / Key Findings

Strengths

- IHG demonstrated a strong recovery in revenue and operating profitability between 2020 and 2024, driven by the normalisation of global travel demand, higher occupancy rates, and improvements in Revenue per Available Room (RevPAR) (InterContinental Hotels Group PLC, 2025).
- The company's resilient asset-light business model, supported by recurring franchise and management fee income, enabled scalable earnings growth, robust cash generation, and improved operational efficiency (InterContinental Hotels Group PLC, 2025; Brigham and Ehrhardt, 2022).
- IHG maintained disciplined capital allocation by balancing shareholder distributions through dividends and share buyback programmes while continuing to invest in brand development and global hotel expansion, enhancing long-term shareholder value (Ross et al., 2022; InterContinental Hotels Group PLC, 2025).

Weaknesses

- Despite the recovery, IHG's financial performance remains sensitive to macroeconomic conditions that influence international travel demand, consumer confidence, and discretionary spending across global hospitality markets (Brealey, Myers and Allen, 2023).

- Inflationary pressures on wages, utilities, and operating expenses may constrain future margin expansion if cost increases exceed pricing power or productivity improvements (InterContinental Hotels Group PLC, 2025; Brigham and Ehrhardt, 2022).
- Current and quick ratios remained close to 1, highlighting the importance of maintaining strong operating cash flows, effective working capital management, and access to committed financing facilities to support short-term liquidity (Atrill and McLaney, 2022; InterContinental Hotels Group PLC, 2025).

Risks

- Geopolitical instability, economic uncertainty, and regional disruptions may reduce international travel demand, affecting hotel occupancy, franchise fee income, and overall operating performance (InterContinental Hotels Group PLC, 2025).
- Higher interest rates and tighter credit conditions could increase borrowing costs and refinancing risk, placing additional pressure on future profitability and cash flows (Brigham and Ehrhardt, 2022).
- Brand reputation, service quality, environmental, social and governance (ESG) performance, labour practices, and responsible sourcing remain critical factors influencing owner confidence, customer loyalty, long-term fee growth, and market valuation (Brealey, Myers and Allen, 2023; InterContinental Hotels Group PLC, 2025).

2. Working Capital Management Analysis

IHG maintains relatively stable liquidity through its asset-light operating model, which relies primarily on recurring franchise and management fee income rather than inventory-intensive operations (InterContinental Hotels Group PLC, 2025). According to Atrill and McLaney (2022), service-based organisations typically operate with lower working capital requirements because of predictable cash inflows and limited inventory holdings. Ross et al. (2022) further argue that effective working capital management enhances liquidity while supporting shareholder value through improved cash conversion.

2.1 Operating Cycle

IHG's operating cycle remains relatively efficient because of its asset-light business model, which requires minimal inventory and generates predictable franchise and management fee income (InterContinental Hotels Group PLC, 2025). The current ratio remained close to 1, reflecting a business model where liquidity depends primarily on strong operating cash flows rather than large current asset balances (Atrill and McLaney, 2022). Consequently, maintaining effective cash management and access to committed credit facilities is essential to preserving financial resilience during periods of economic uncertainty (Brigham and Ehrhardt, 2022).

Particulars	2020	2021	2022	2023	2024
Inventory Days	1.2	1.5	1.4	1.5	1.5
Receivables Days	54.4	52.9	46.2	43.0	43.5

Particulars	2020	2021	2022	2023	2024
Payables Days	28.5	28.7	26.9	25.0	24.9
Cash Operating Cycle (Days)	27.1	25.7	20.7	19.5	20.1

2.2 Current Working Capital, Liquidity Position, and Cash Management

Table 2.2 Current Working Capital and Liquidity Position

Liquidity Measure	2020	2021	2022	2023	2024
Current Ratio (times)	1.20	1.13	1.18	1.24	1.27
Quick Ratio (times)	1.20	1.13	1.17	1.23	1.27
Operating Cash Flow (US\$m)	323	746	941	1,121	1,198
Free Cash Flow (US\$m)	262	675	856	1,023	1,092

Source: Adapted from InterContinental Hotels Group PLC Annual Reports (2021–2025)

Interpretation

IHG's liquidity position should be evaluated using both traditional liquidity ratios and its ability to generate sustainable operating cash flows. Although the current and quick ratios remained close to **1** throughout the review period, this is characteristic of asset-light hospitality companies such as **IHG, Marriott International, and Hilton Worldwide**, which rely on recurring franchise and management fee income rather than maintaining large inventories or significant working capital balances (InterContinental Hotels Group PLC, 2025). According to Atrill and McLaney (2022), liquidity ratios should be interpreted within the context of the industry because service-based organisations generally require lower levels of current assets than manufacturing businesses.

The steady improvement in operating cash flow, increasing from **US\$323 million in 2020** to **US\$1.20 billion in 2024**, demonstrates IHG's strengthened capacity to finance day-to-day operations, meet short-term obligations, and support shareholder returns without excessive reliance on external borrowing (InterContinental Hotels Group PLC, 2025). Strong cash generation also reflects the recovery in global travel demand, higher occupancy rates, and increased Revenue per Available Room (RevPAR), which enhanced recurring franchise and management fee income.

Effective cash management remains essential because liquidity is influenced by the timing of franchise fee collections, owner reimbursements, loyalty programme settlements, and seasonal fluctuations in travel demand. Consequently, maintaining adequate cash reserves and committed revolving credit facilities provides additional financial flexibility and reduces refinancing risk during periods of economic uncertainty (Brigham and Ehrhardt, 2022). Ross et al. (2022) argue that organisations with predictable operating cash flows and prudent liquidity management are better positioned to withstand market volatility while continuing to invest in growth opportunities and maximise shareholder value

2.3 Implications of Operating and Free Cash Flow

Strong operating cash flow enhances IHG's day-to-day liquidity, enabling the company to meet financial obligations despite relatively modest working capital ratios (InterContinental Hotels Group PLC, 2025). Improved free cash flow supports dividends, share repurchases, debt servicing, and strategic investment while strengthening resilience against higher financing costs and macroeconomic uncertainty (Ross et al., 2022).

2.4 Recommendations for Improving Cash Management and Working Capital Efficiency

Receivables Discipline

IHG should strengthen the monitoring of franchise and management fee receivables by implementing automated ageing reports, real-time payment tracking, and clearly defined settlement terms within owner contracts. Improving receivables management would accelerate cash collections, reduce credit risk, and strengthen operating cash flows, thereby enhancing overall working capital efficiency (Atrill and McLaney, 2022; InterContinental Hotels Group PLC, 2025).

Payables Optimisation

The company should maintain structured payment schedules while negotiating supplier terms that preserve liquidity without compromising supplier relationships or service quality. Effective payables management supports cash flow stability and enables businesses to optimise working capital without damaging operational performance or long-term partnerships (Ross et al., 2022).

Liquidity Buffers and Cash Forecasting

IHG should enhance scenario-based cash flow forecasting by incorporating potential demand shocks, geopolitical risks, foreign exchange volatility, and inflationary pressures into its financial planning. Maintaining adequate cash reserves and committed revolving credit facilities would improve financial resilience and reduce refinancing risk during periods of economic uncertainty (Brigham and Ehrhardt, 2022; InterContinental Hotels Group PLC, 2025).

Cost Management and Cash Conversion

The company should continue implementing disciplined cost management initiatives while protecting guest experience, service quality, and brand standards. Improving operational efficiency and cash conversion will strengthen free cash flow, support long-term investment, and sustain shareholder returns throughout changing economic conditions (Brealey, Myers and Allen, 2023; InterContinental Hotels Group PLC, 2025).

3. Strategic Financial Restructuring Plan

3.1 Need for Restructuring

Despite IHG's strong recovery between 2020 and 2024, strategic restructuring remains important to protect profitability and maintain financial flexibility amid inflation, higher financing costs, and geopolitical uncertainty (InterContinental Hotels Group PLC, 2025). Priorities should include cost discipline, portfolio optimisation, and targeted investment in brands and digital platforms to support sustainable fee income growth (Brealey, Myers and Allen, 2023).

3.2 Restructuring Options

IHG can strengthen its long-term financial resilience through three complementary restructuring strategies.

First, portfolio and cost-base optimisation should focus on reducing overheads, prioritising high-performing brands and markets, and reallocating resources towards high-return initiatives such as digital distribution, the IHG One Rewards loyalty programme, and owner support services. This would enhance operating efficiency, improve margins, and strengthen free cash flow generation (InterContinental Hotels Group PLC, 2025).

Second, capital structure optimisation should involve refinancing existing debt, extending debt maturities, actively managing interest rate exposure, and maintaining sufficient liquidity facilities to minimise refinancing risk and preserve financial flexibility during periods of economic uncertainty (Brigham and Ehrhardt, 2022).

Finally, selective disposals of non-core investments and the renegotiation of underperforming contracts would improve capital efficiency, reduce earnings volatility, and allow management to focus on sustainable fee income growth. According to Brealey, Myers and Allen (2023), these restructuring initiatives enhance shareholder value by improving capital allocation while maintaining strategic competitiveness.

3.3 Impact Evaluation

The proposed restructuring strategies are expected to strengthen shareholder value by improving operating margins, increasing free cash flow, and supporting sustainable growth in franchise and management fee income (InterContinental Hotels Group PLC, 2025). However, shareholder distributions should remain aligned with long-term cash generation to preserve financial resilience during periods of uncertainty. Optimising the capital structure through prudent leverage, debt refinancing, and strong interest coverage will reduce exposure to higher interest rates and refinancing risk (Brigham and Ehrhardt, 2022). Furthermore, maintaining adequate liquidity buffers will enhance financial flexibility, enabling IHG to invest in brand development, digital innovation, and global expansion while responding effectively to changing market conditions (Brealey, Myers and Allen, 2023).

3.4 International Considerations

The proposed restructuring strategies will strengthen shareholder value by improving margins, enhancing free cash flow, and supporting sustainable fee income growth (InterContinental Hotels Group PLC, 2025). Prudent leverage, effective debt management, and adequate liquidity reserves will improve financial flexibility and reduce refinancing risk during periods of economic uncertainty (Brigham and Ehrhardt, 2022; Brealey, Myers and Allen, 2023).

3.5 Ethical Considerations

Strong environmental, social and governance (ESG) practices enhance IHG's brand reputation, stakeholder confidence, and long-term business sustainability (InterContinental Hotels Group PLC, 2025). Effective governance, responsible sourcing, employee welfare, data privacy, and transparent sustainability reporting reduce reputational risk while strengthening owner relationships and supporting access to capital (Brealey, Myers and Allen, 2023).

Conclusion

The financial analysis of InterContinental Hotels Group (IHG) between 2020 and 2024 demonstrates a strong recovery following the disruption caused by the COVID-19 pandemic. Revenue, operating profitability, and operating cash flow improved significantly during the period, reflecting the recovery in global travel demand, higher Revenue per Available Room (RevPAR), and the resilience of IHG's asset-light business model, which generates recurring franchise and management fee income (InterContinental Hotels Group PLC, 2025). These improvements strengthened earnings quality, enhanced liquidity, and supported continued shareholder returns through dividends and share buyback programmes while maintaining investment in future growth opportunities. According to Brigham and Ehrhardt (2022), sustainable profitability and strong cash generation are essential indicators of long-term financial stability and effective corporate financial management.

Despite these positive developments, IHG continues to face challenges arising from inflationary cost pressures, elevated financing costs, geopolitical uncertainty, and changing consumer travel patterns. Consequently, maintaining disciplined working capital management, prudent liquidity reserves, and an efficient capital structure remains essential to preserving financial resilience (Atrill and McLaney, 2022). Furthermore, continued investment in digital innovation, brand development, and international expansion, supported by effective environmental, social and governance (ESG) practices, will strengthen long-term competitiveness and stakeholder confidence (Brealey, Myers and Allen, 2023). Overall, IHG is well positioned to sustain profitable growth and maximise long-term shareholder value through disciplined financial management, strategic restructuring, and continued execution of its asset-light growth strategy (InterContinental Hotels Group PLC, 2025)

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