

InterContinental Hotels

Price 2,454p

FY 2015 results in line, with higher cash returns

Fair Value 2650p (+8%)

NEUTRAL

Bloomberg	IHG LN
Reuters	IHG.L
12-month High / Low (p)	2,880 / 2,184
Market Cap (GBP)	5,794
Avg. 6m daily volume (000)	898.0

	1 M	3 M	6 M	31/12/15
Absolute perf.	7.2%	-1.9%	3.2%	-7.7%
Travel&Leisure	-0.1%	-6.6%	1.5%	-8.6%
DJ Stoxx 600	-1.9%	-13.1%	-8.2%	-9.3%
	2014	2015e	2016e	2017e
P/E	21.9x	18.9x	19.2x	17.7x
Div yield (%)	2.2%	2.5%	2.6%	2.8%

ANALYSIS

- **Results in line with expectations:** Although total revenue was slightly lower than the consensus figure at USD1.803bn (consensus USD1.840bn), **adjusted operating profit** was perfectly in line with expectations at USD680m, up 4% vs. last year. Note that due to currency impacts, operating profit was dented by USD25m. Adjusted EPS reached USD174.9cents up 10%, slightly higher than the consensus. Ordinary dividend was up 10% at USD85cents.
- **Sustained RevPAR growth but a slower pace quarter after quarter:** Full year RevPAR was up 4.4%, led by a rate up 3.1%. Nevertheless quarter after quarter RevPAR growth was lower with Q4 up 2.4% after Q3 rose 4.8%, Q2 4.4% and Q1 5.9%. All regions reported the same trend notably the **Americas** (65% of IHG offer in number of rooms) with RevPAR up 2.9% after 4.3% in Q3, 4.7% in Q2 and 6.2% in Q1. In **Greater China** (11% of IHG offer), RevPAR in Q4 was again down 0.9% after -0.7% in Q3. Part of that situation was due to the strong USD, which impacted RevPAR growth by 4.6%pts. Of course, **Europe** and **AMEA** were the two regions the most affected with foreign exchange reducing RevPAR growth by 13.6%pts and 8%pts respectively.

VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBITDA multiples of 12.2x and 11.2x, which compare with the 10y median historical level of 11x. Average 2016e EV/EBITDA stands at 8.3x for Europe and 11.2x for the US.
- Finally, as stated after the sale of the InterContinental Hong Kong for a total amount of USD929m, management announced a significant cash return to shareholders of USD1.5bn equating to USD632.9cents per share with share consolidation. Our anticipation was between USD900m and USD1.300bn based on financial leverage of 2-2.5x guided by the group. A special dividend is to be paid in Q2 2016.

NEXT CATALYSTS

- Webcast at 10.30am (Paris time)
- Q1 IMS on 6th May 2016

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