

21st October 2016

Hotels

InterContinental Hotels

Price 3,225p

IMS Q3: RevPAR growth continues to slow

Fair Value 2950p (-9%)

SELL

Bloomberg	IHG LN
Reuters	IHG.L
12-month High / Low (p)	3,365 / 2,192
Market Cap (GBPm)	6,370
Avg. 6m daily volume (000)	778.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.7%	9.9%	11.8%	21.3%
Travel&Leisure	-3.2%	-2.7%	-8.8%	-17.1%
DJ Stoxx 600	1.0%	1.0%	-1.8%	-5.9%

	2014	2015e	2016e	2017e
P/E	24.9x	22.6x	20.7x	17.7x
Div yield (%)	2.0%	2.2%	2.4%	2.8%

ANALYSIS

- **RevPAR is still growing but at a slower pace:** Q3 RevPAR was up 1.3% after 2.0% at the end of H1, bringing the YTD rise to 1.8%. In Q3, all geographies reported lower RevPAR growth vs. previous quarters: **Americas** (64.3% of total number of rooms) was up 1.9% in Q3 and 2.2% YTD particularly still impacted by the group's concentration in oil producing markets, **Europe** (14.2%) reported flat RevPAR and was up 1.3% YTD vs. 2% in H1, **AMEA** (9.8%) was again slightly down 0.1% in Q3 and YTD -0.2% and **Greater China** (11.6%) was up 0.9% in Q3 and 1.8% YTD continuing to be affected by HK, Macau. Note that mainland China RevPAR was up 2.2% in Q3 after 4.7% in Q2 and 6.2% in Q1.
- **Sustained increase of system size and pipeline:** Net System size growth was sustained in Q3 and up 3.8% yoy (+3.6% in Q2 yoy), while the group also announced the signature of 19k rooms in Q3 (highest Q3 since 2008...) bringing the total pipeline to 230k rooms (4% share of industry room supply, 14% share of active industry room pipeline).

VALUATION

- At the current share price, the stock is trading at 13.1x EV/EBITDA 2016e and 12.3x 2017e which compares with the 10y median historical of 11.6x. The average EV/EBIT 2016e and 2017e for European are respectively 10.3x and 9.3x and 11.6x and 10.3x for US hoteliers.

NEXT CATALYSTS

- Conference call at 09.00am London time

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