

press release

22 November 2011

The Share Centre removes InterContinental Hotels Group from its 'buy' list

Sheridan Admans, investment research manager at The Share Centre, explains why InterContinental Hotels Group has been removed from our 'buy' list and downgraded to a 'hold'.

"The group's Q3 results were in line with analyst expectations and profits were supported by a favourable exchange rate. However, some will have been disappointed by the CEO's announcement that the group is unlikely to finalise a deal to sell InterContinental Hotel Barclay in New York by the end of the year - a sale that would raise capital of approximately \$350m.

"Investors may have been pleased to see China lead growth in the emerging markets. The group is also managing its balance sheet well and improving margins by controlling costs. We are happy with the management of the group and believe it will continue to operate in a conservative manner.

"However, we are concerned that continued deterioration in the European credit situation could see a swift change in the demand cycle for InterContinental Hotels Group. This is where planning assumptions and actual operating conditions could easily become misaligned. Although it is a constant risk that faces the business, we believe the potential is heightened by the fragility of market growth. We therefore have removed InterContinental Hotels Group from our 'buy' list and recommend investors 'hold' for now.

"Although we believe there is some potential for the share price to increase, it is not sufficient enough given the risk of a general global market slow down. In addition, the group's forward PE ratio looks expensive when compared to the estimated forward PE average for the sector."

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The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPP's are also available.

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