



# Third Quarter of 2022 Earnings Call

**H World Group Limited**

(NASDAQ: HTHT and HKEX: 1179)

November 29, 2022

# AGENDA

- **3Q2022 Business Update**
- 3Q2022 Operational and Financial Review
- Liquidity and Guidance
- Q and A
- Appendix

# Highlights of Q3'22 Achievements

## 22年第三季度业务亮点

1

RevPAR recovery in China despite continuous COVID

2

Continued network expansion with a focus on Sustainable Quality Growth

3

On track for development of upper-midscale and upscale segments

4

Successful launch of new H World App with enhanced features

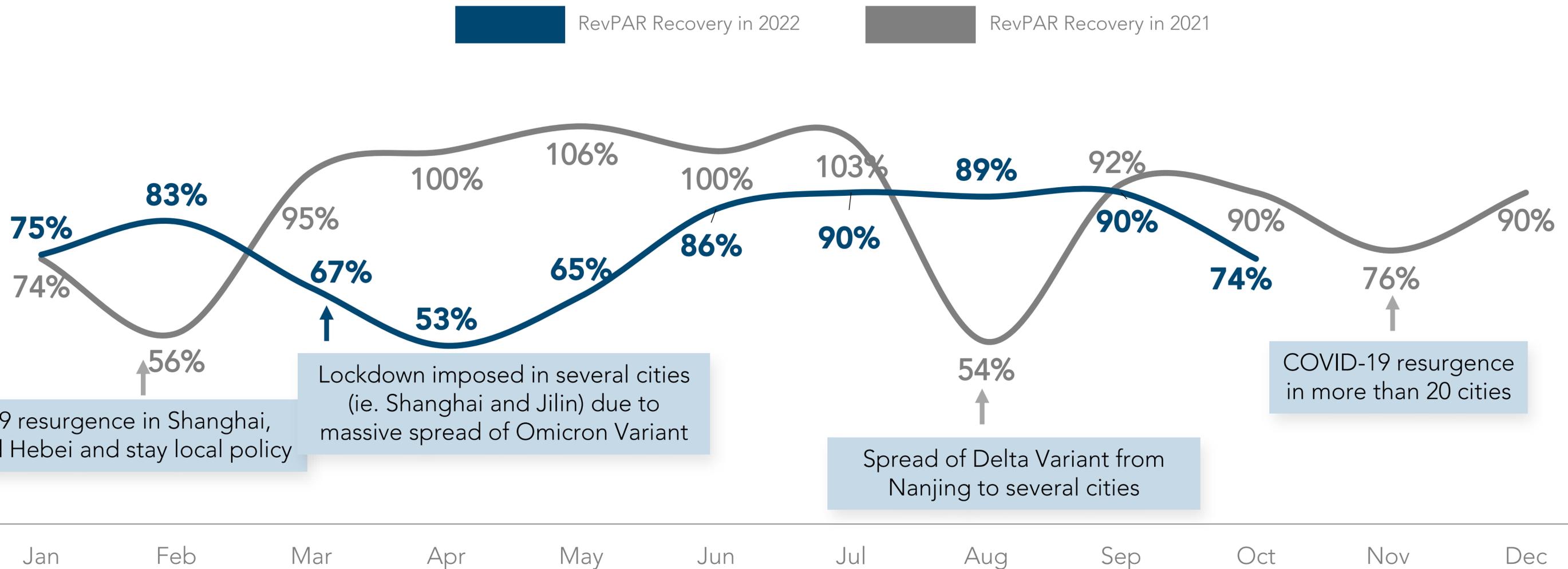
5

DH on recovery path

# Solid RevPAR Recovery in Q3'22

2022年第三季度RevPAR恢复趋势良好

## Blended RevPAR in 2021 and 2022 compared to 2019



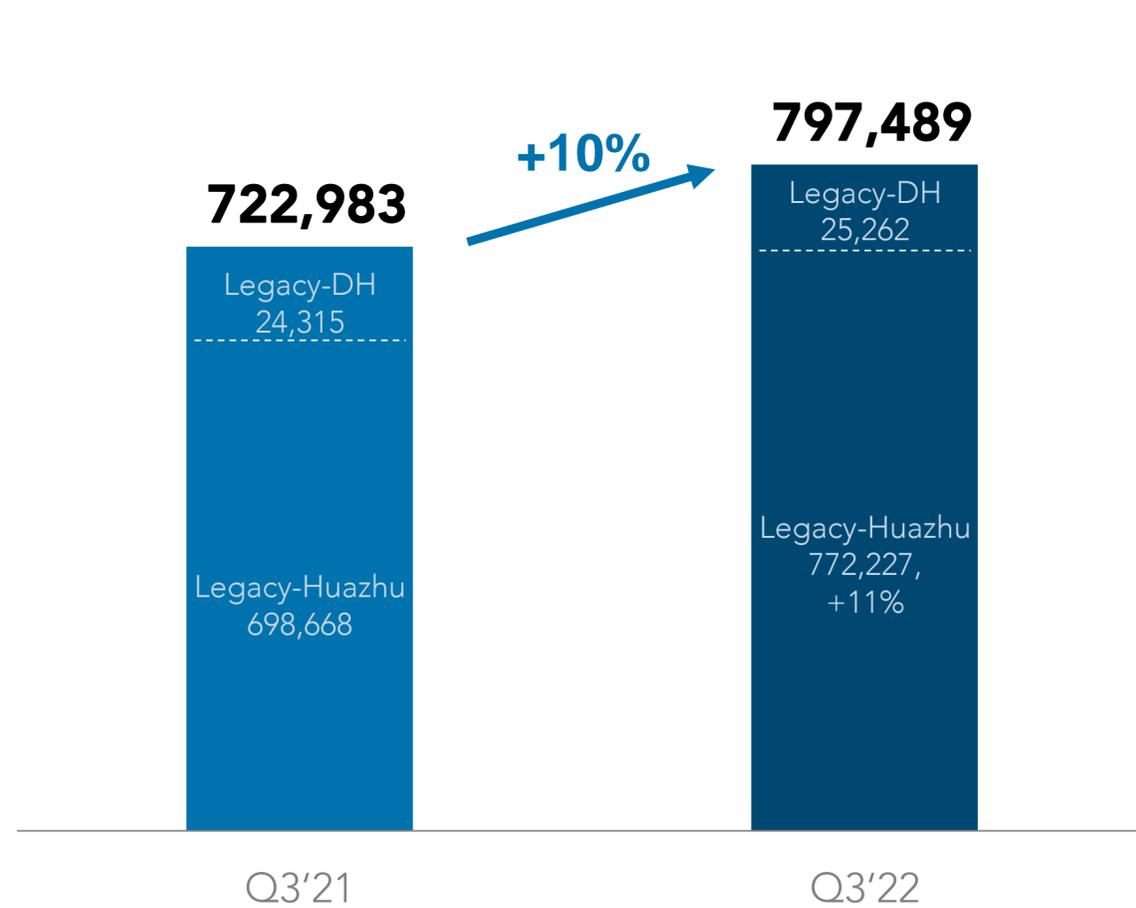
\* Numbers in this page refers to Legacy-Huazhu business

# Hotel Network Continues to Expand

## 酒店网络持续扩张

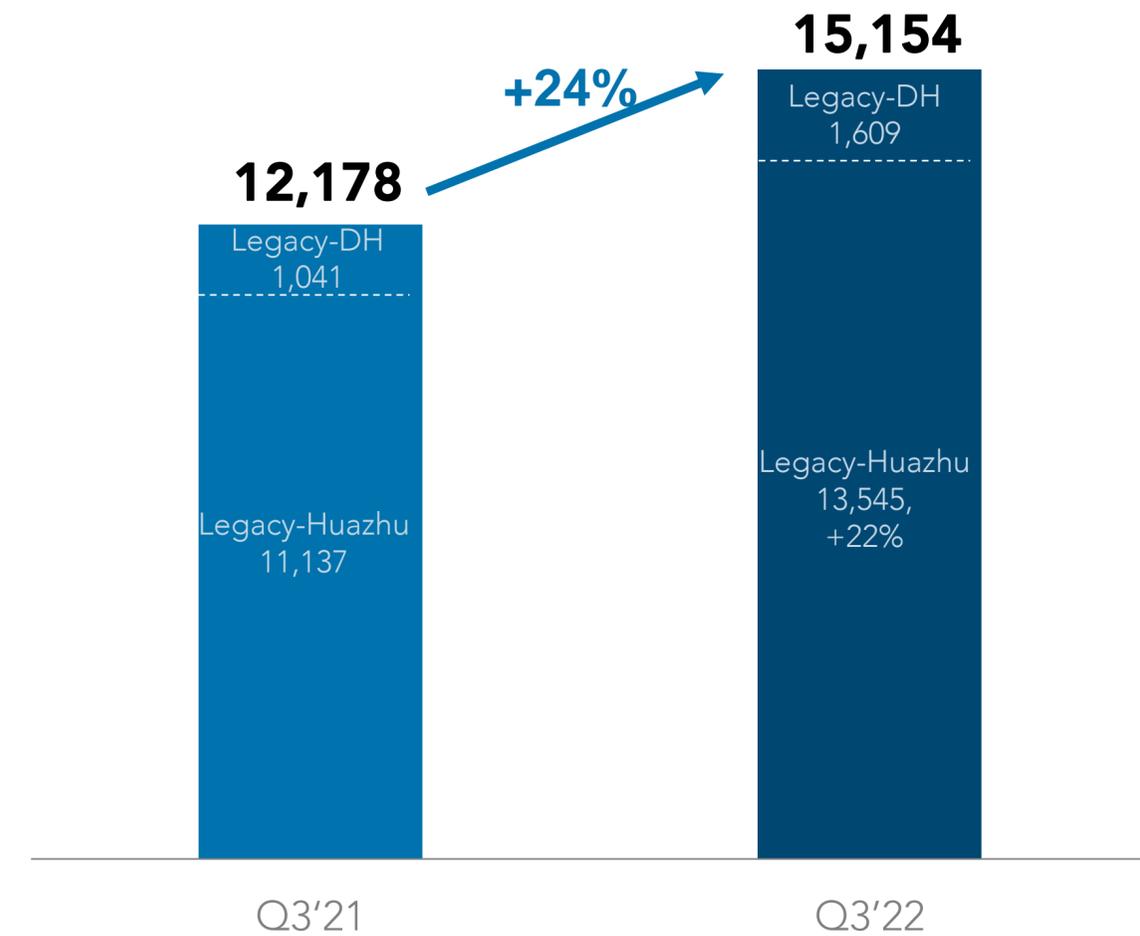
### Hotel Network Expansion

(Number of rooms in operation)



### Hotel Turnover

(in RMB millions)

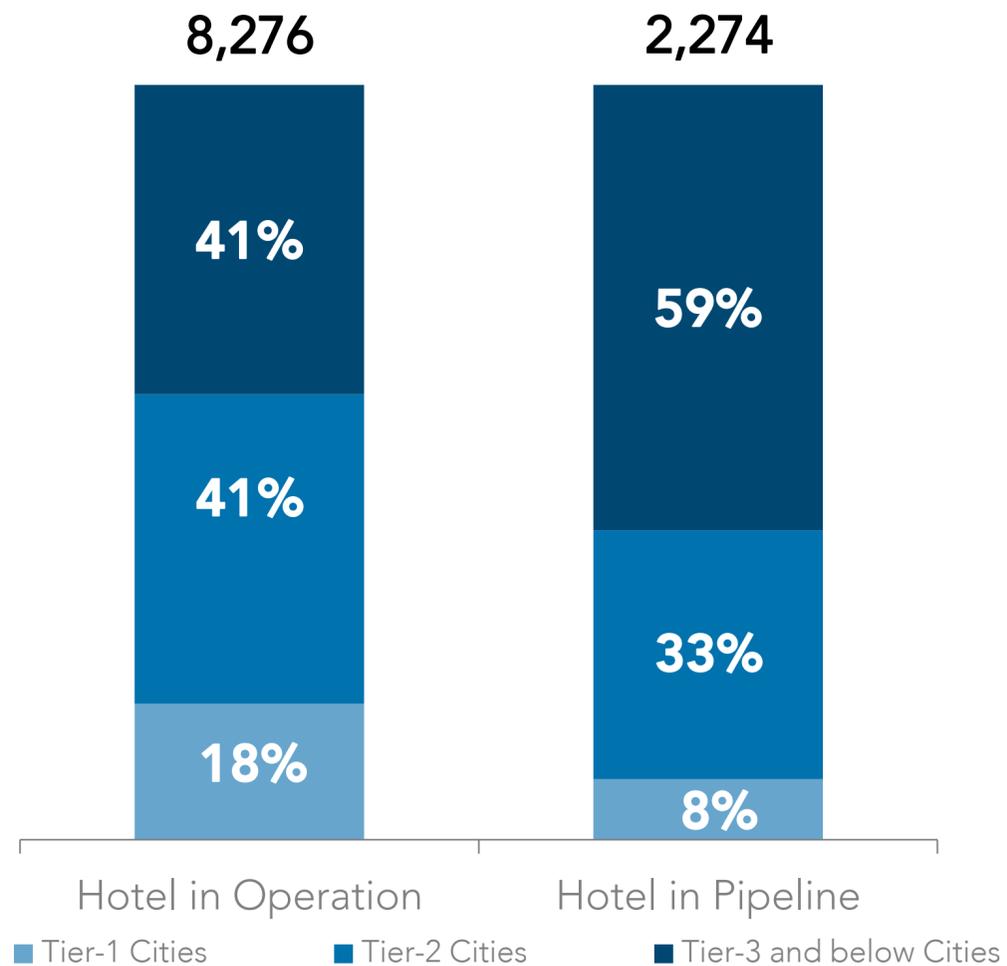


# Further Penetration to Lower Tier Cities

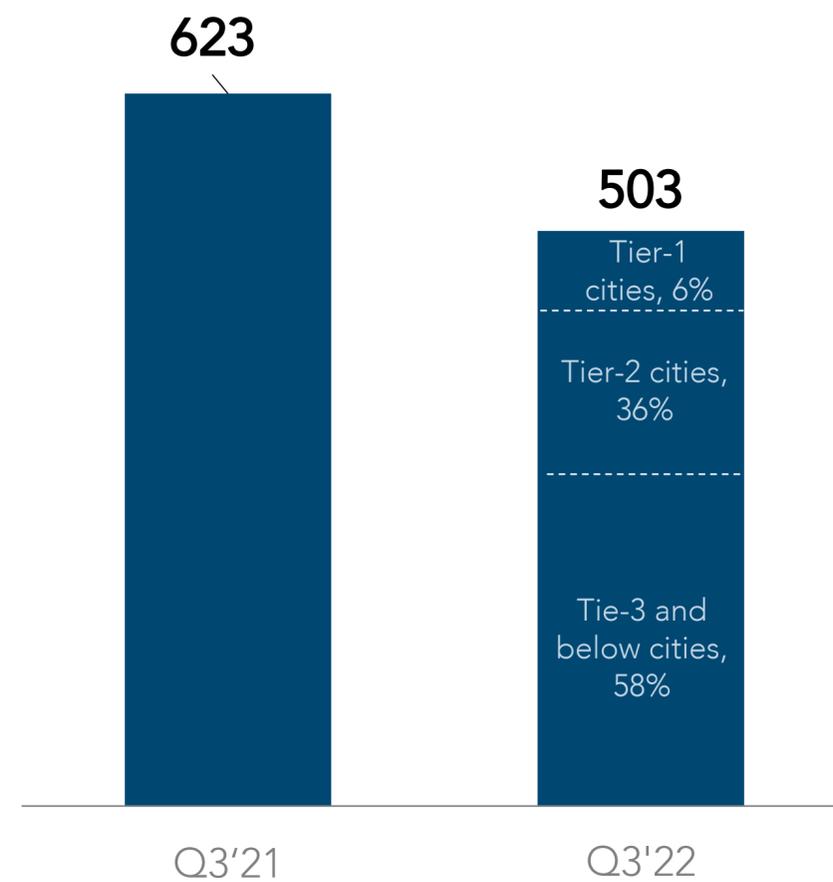
## 持续渗透低线城市

### Number of Hotels

(as of Sep 30)

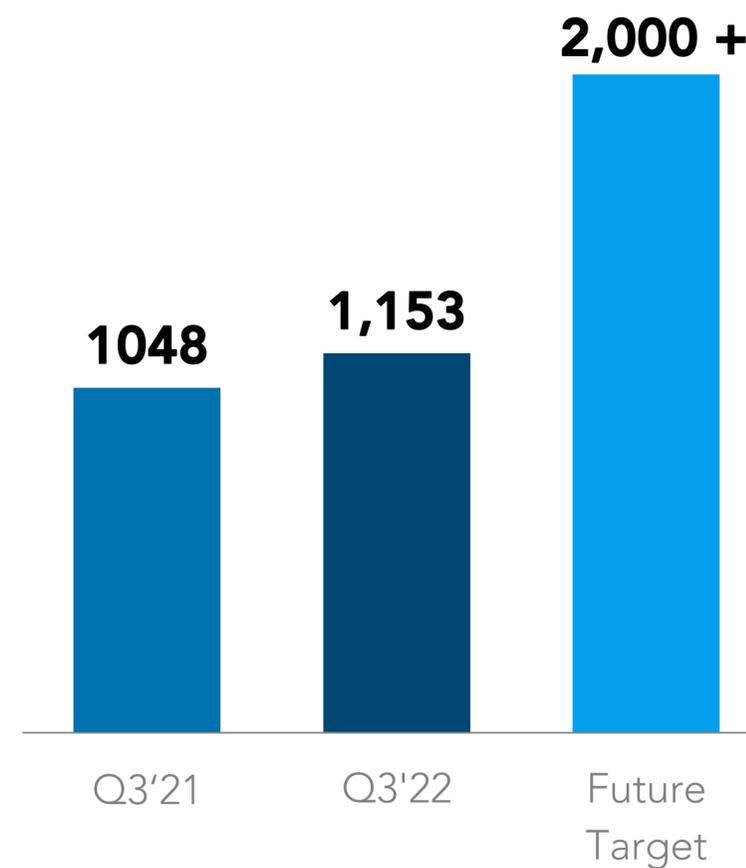


### Number of New Signings



### City Coverage

(hotels in operation and in pipeline)

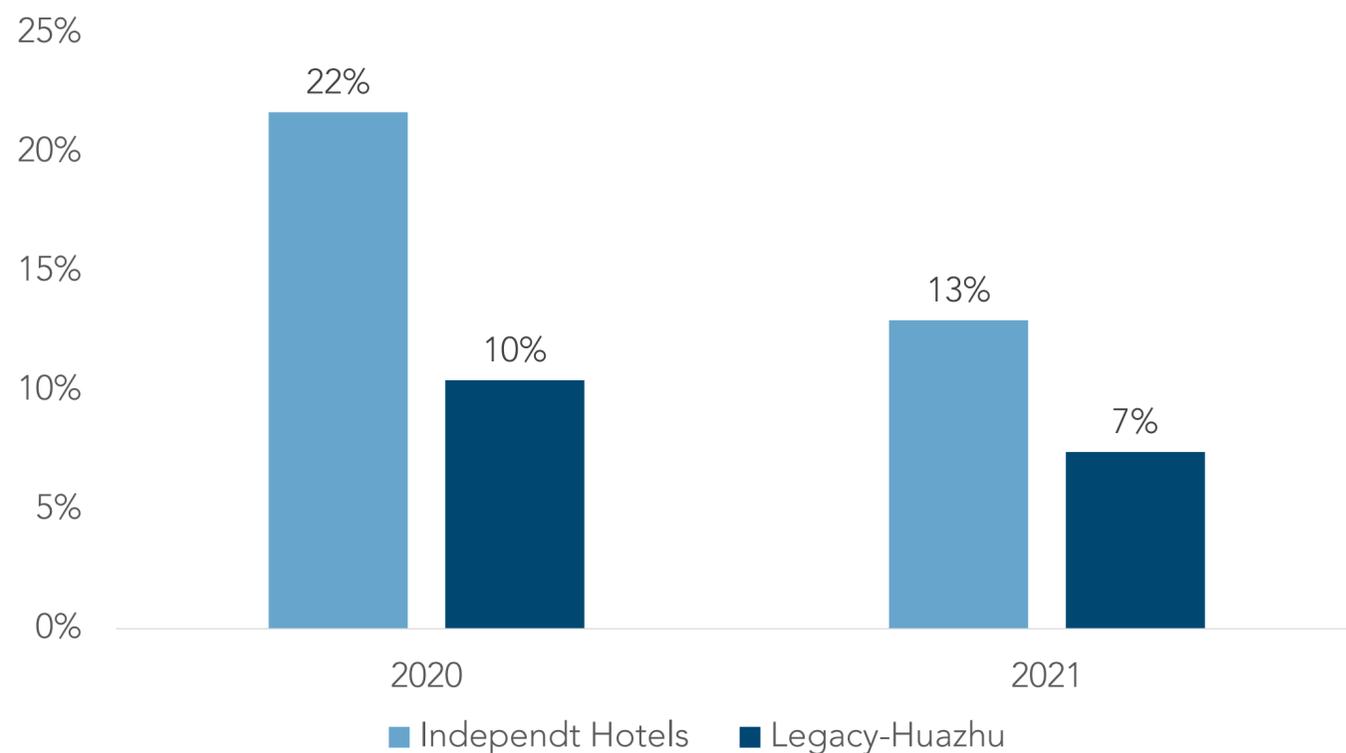


\* Numbers in this page refers to Legacy-Huazhu business

# Independent Hotels Continue to Exit from the Market Chain Hotels Continue to Gain Market Share

单体酒店数量持续减少，连锁化率持续提升

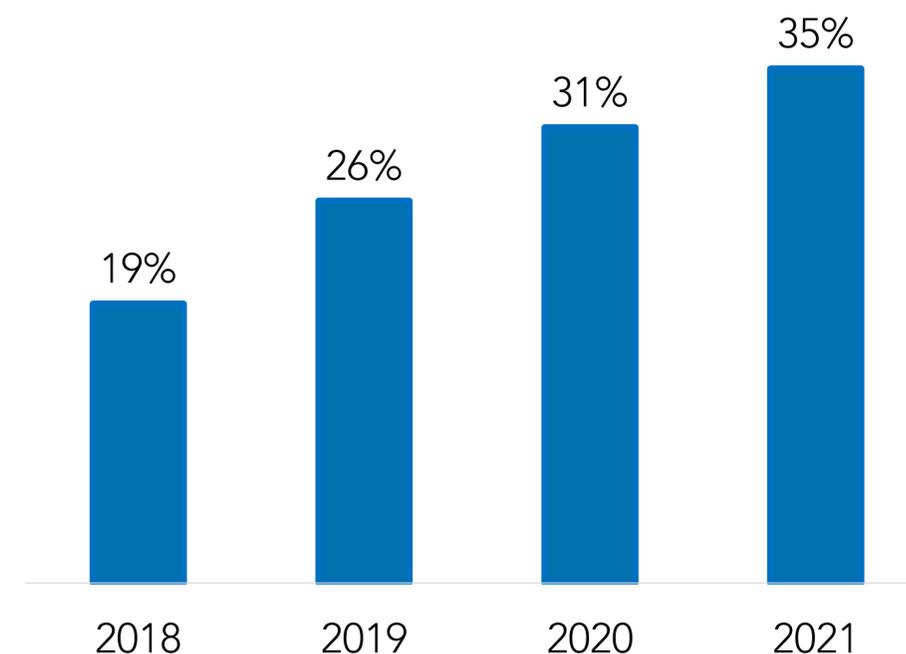
## Hotel Closure Rate\* of Independent Hotels and Legacy-Huazhu



- Closure rate for independent hotels = net closure of hotels/ number of total hotels;
- Closure rate for Legacy-Huazhu = gross closure of hotels/ number of total hotels

Source: Inntie

## Chain Hotel Ratio in China



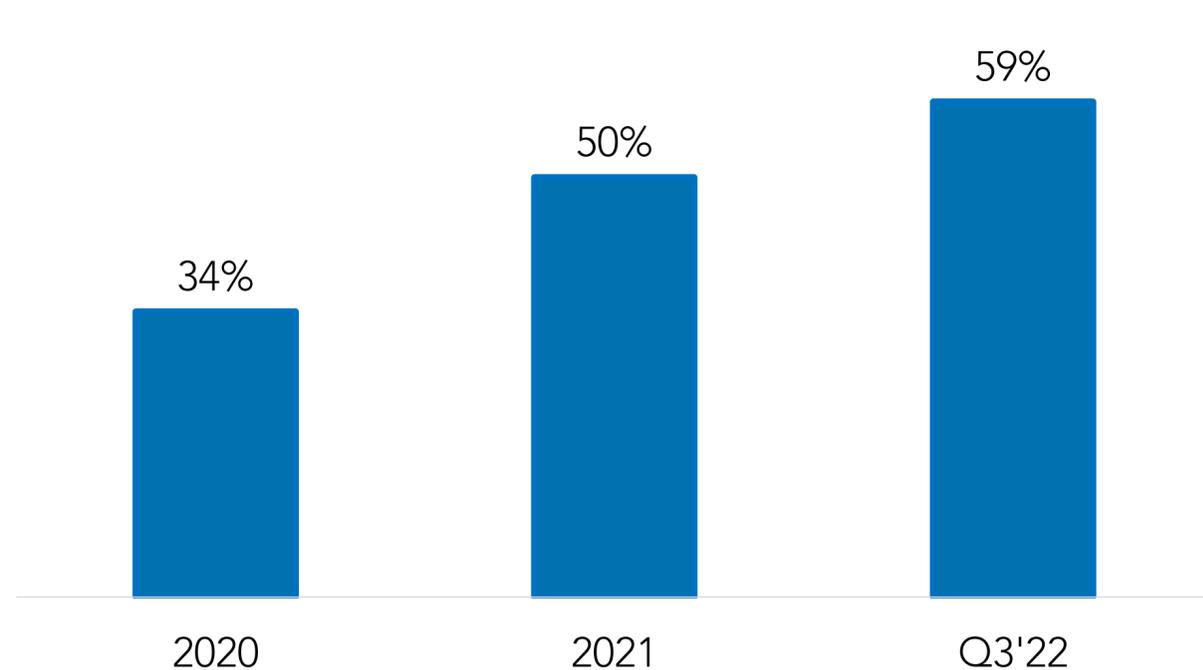
Source: Inntie

# Focus on Sustainable Quality Growth

## 坚持精益求精

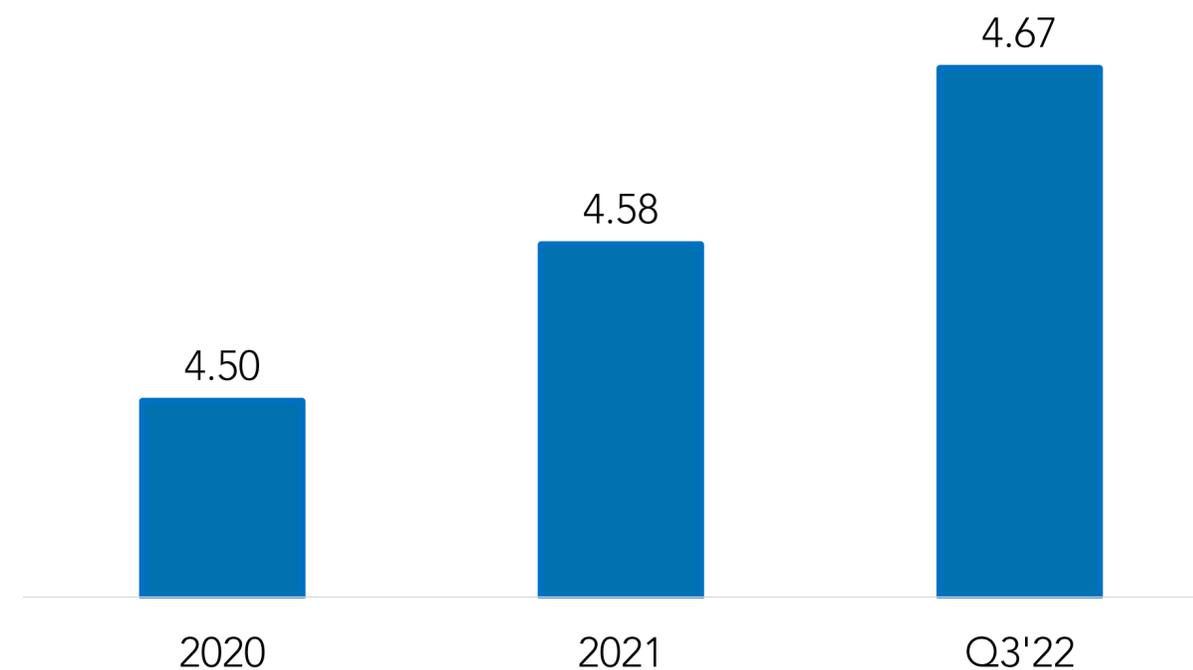
After upgrade, the RevPAR of Hanting Hotel will increase by ~20% in average.

### Proportion of Upgraded Hanting Hotels\* Continue to Increase



\* Upgraded Hanting Hotels refers Hanting Hotel 2.7/3.0/3.5 versions

### Customer Satisfactions\* of Hanting Hotels Continue to Improve

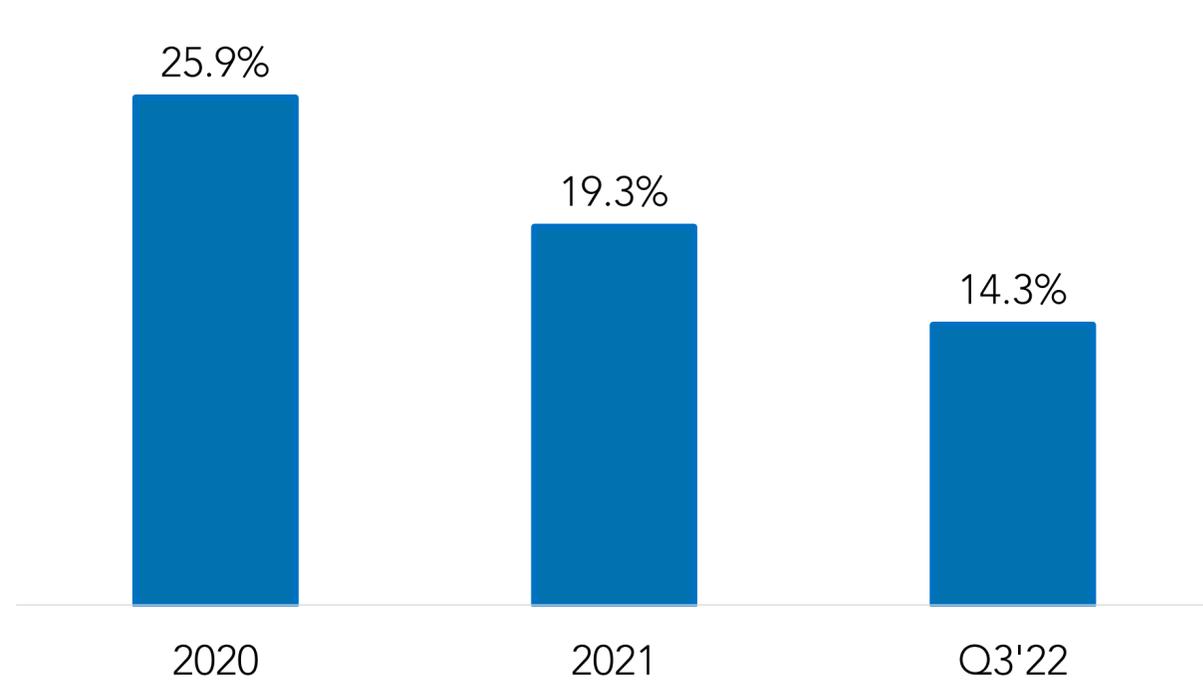


\* Measured as average score of Hanting Hotels from the customer reviews on the OTA sites

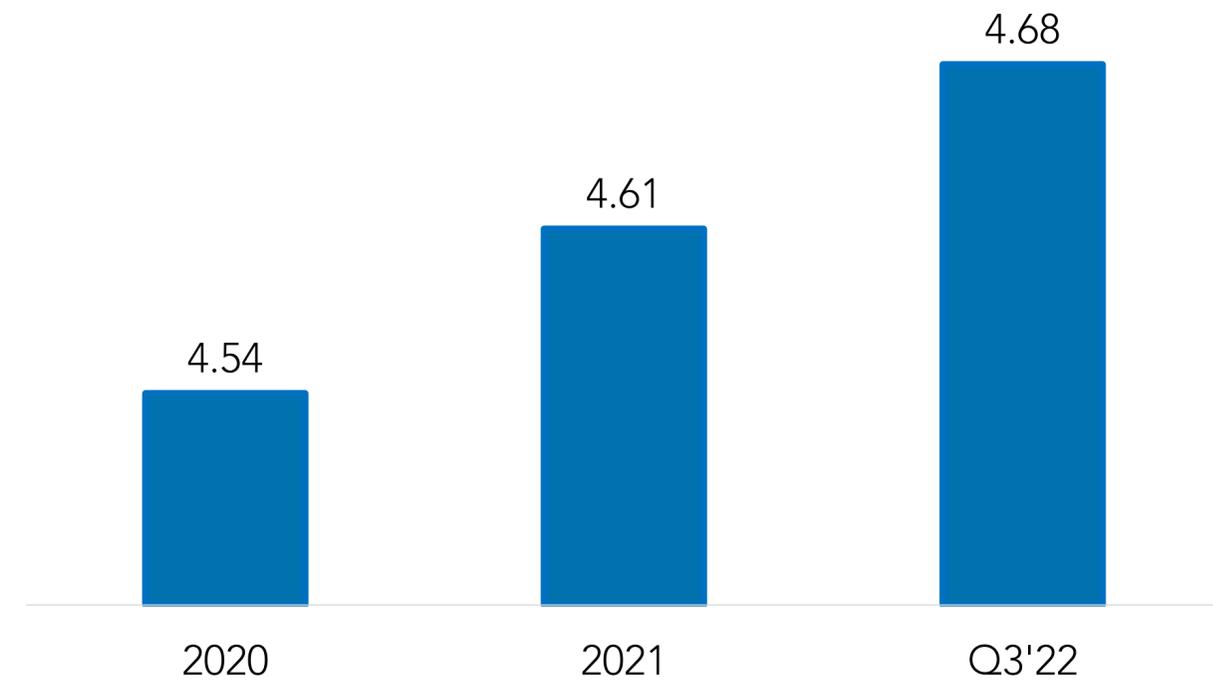
# Continue to Improve the Overall Quality of Our Hotel Portfolio

## 持续提升集团整体的酒店质量

### Proportion of Low Quality Economic Soft Brand Hotel and Hanting 1.0 Continue to Decrease



### Customer Satisfaction\* of All Brands Continue to Improve



\* Measured as the average score of all the hotel brands from customer reviews on the OTA sites

# Orange Hotel Achieved Milestone of 500+ hotels

桔子酒店店数超500家

## Product Upgrade

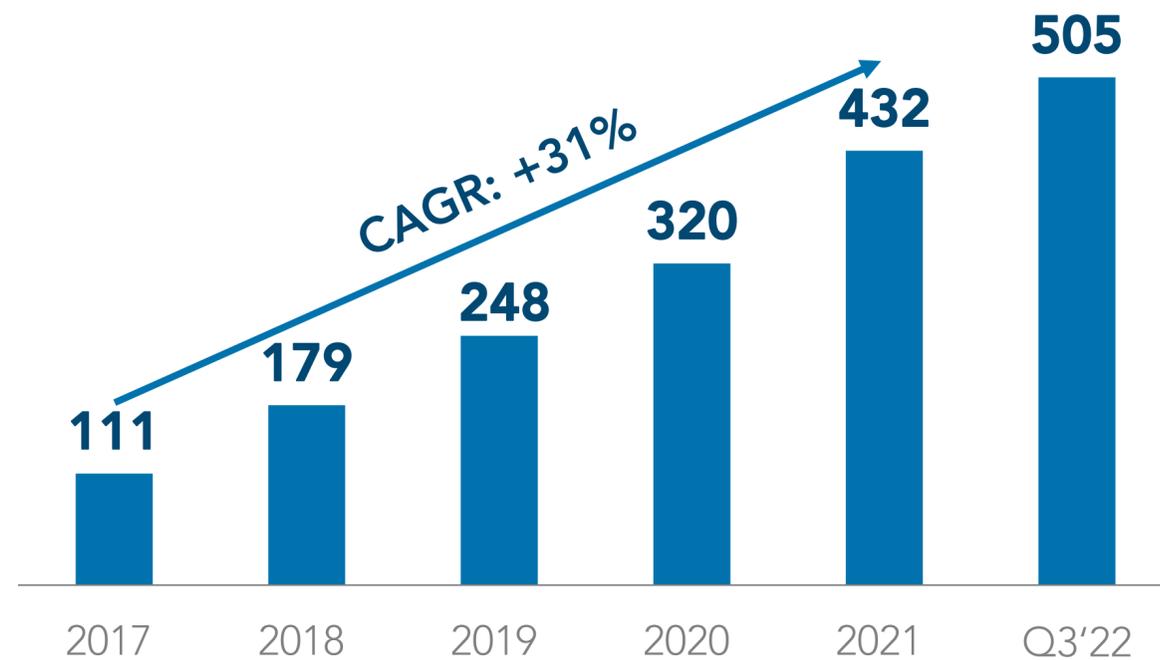
### Pre-acquisition



### Orange Hotel 2.0

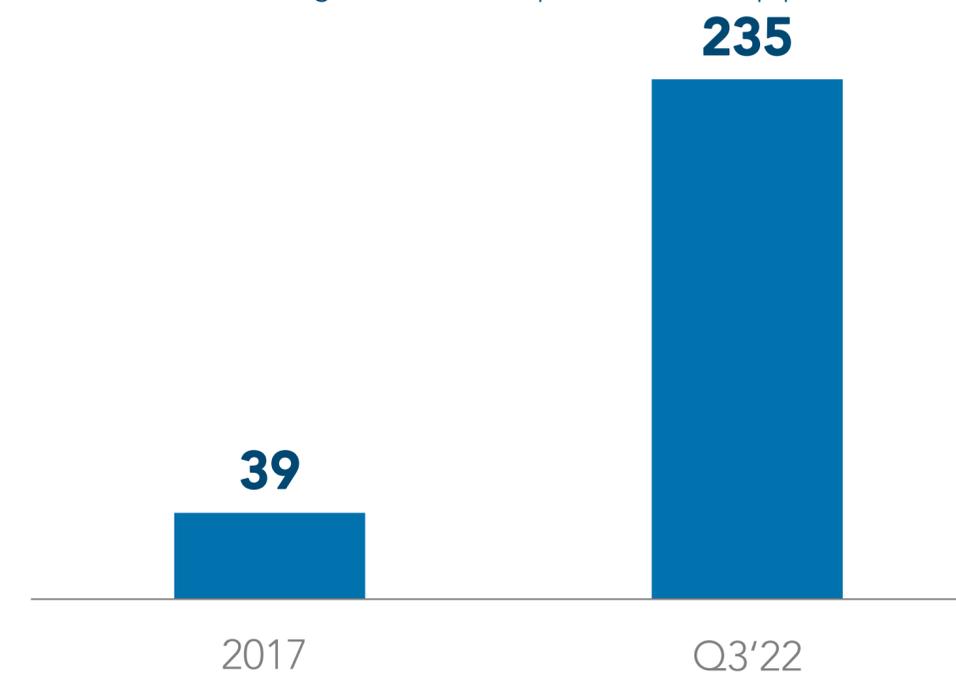


### No. of Orange Hotels



### Coverage of Cities

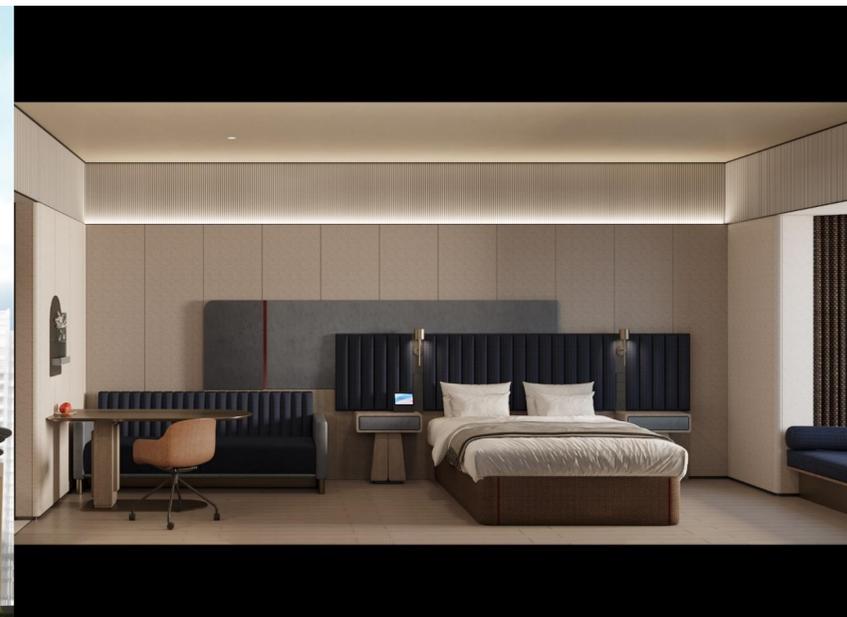
(Cities coverage of hotels in operation and in pipeline)



# Launch of New Version of InterCity Hotel

## 推出城际新产品

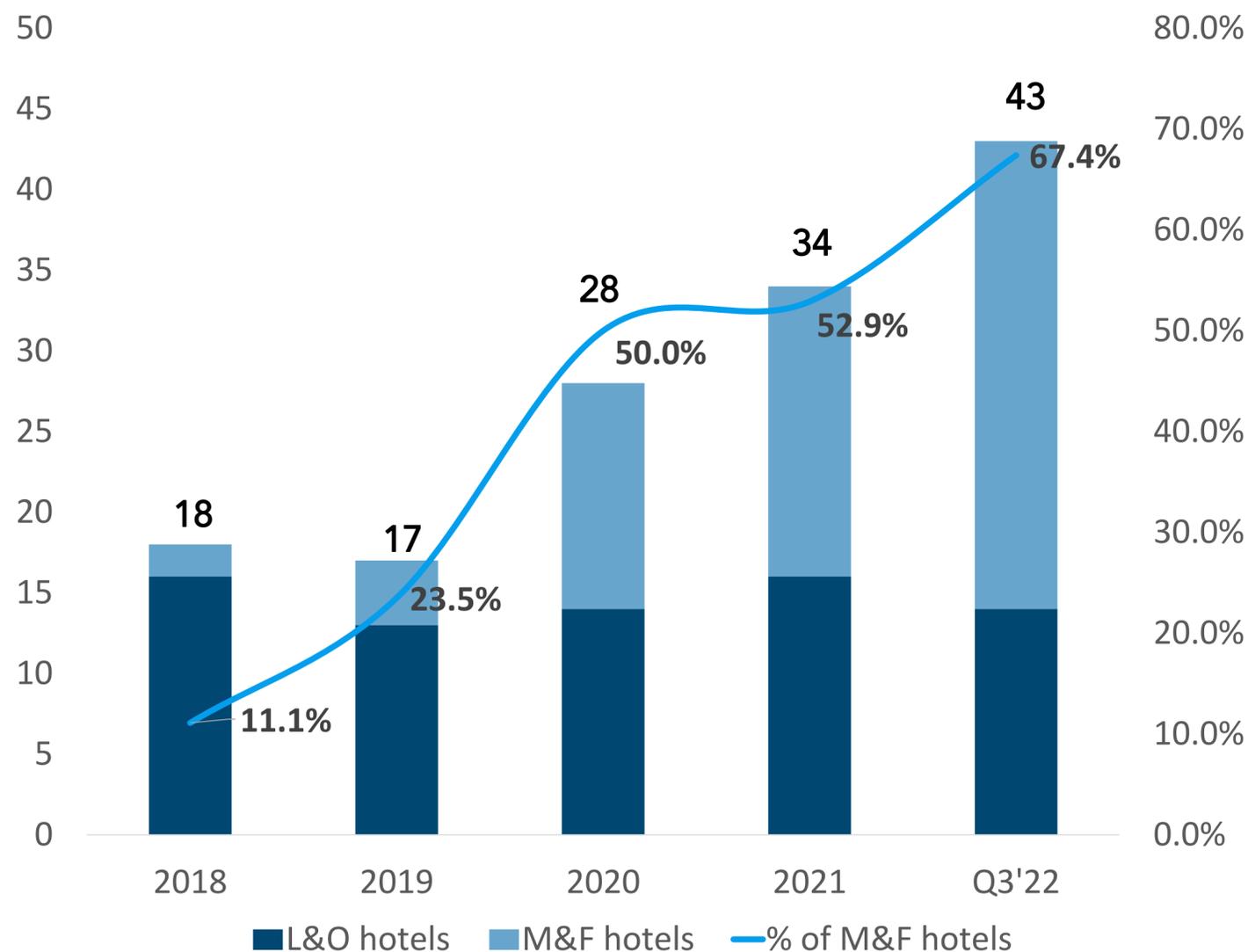
- **Located in main traffic hub or commercial centers**
- **New hotels launched in Shenzhen and Wuhan**
- **Brings in German simplicity and pragmatism to hotels in China**
- **Focus on business customers, provide efficiency and service to guests**



# Blossom House is Ready for Tapping into Leisure Market

## 花间堂突破旅游度假市场

### Successful Transition to Asset-light Model



### From Single Brand to Blossom Lifestyle Community and Blossom Collection



An upscale, full-service holiday brand

A community of several Blossom Houses and Blossom collections

A collection of select-service holiday brands

# Successfully Launched H-World 4.0 with Enhanced Features

## 成功发布华住会4.0

### H-World 4.0



Service 2.0



Intelligent Laundry

- Focus on services with multiple touch points
- Closed-loop online-to-offline service process to improve customers' experience

**FY2021**

~27mn

Person-time for  
the usage of  
online services

**Q1-Q3 2022**

~99mn

Person-time for  
the usage of  
online services

**FY2021**

21%

Usage of online  
services

**Oct 2022**

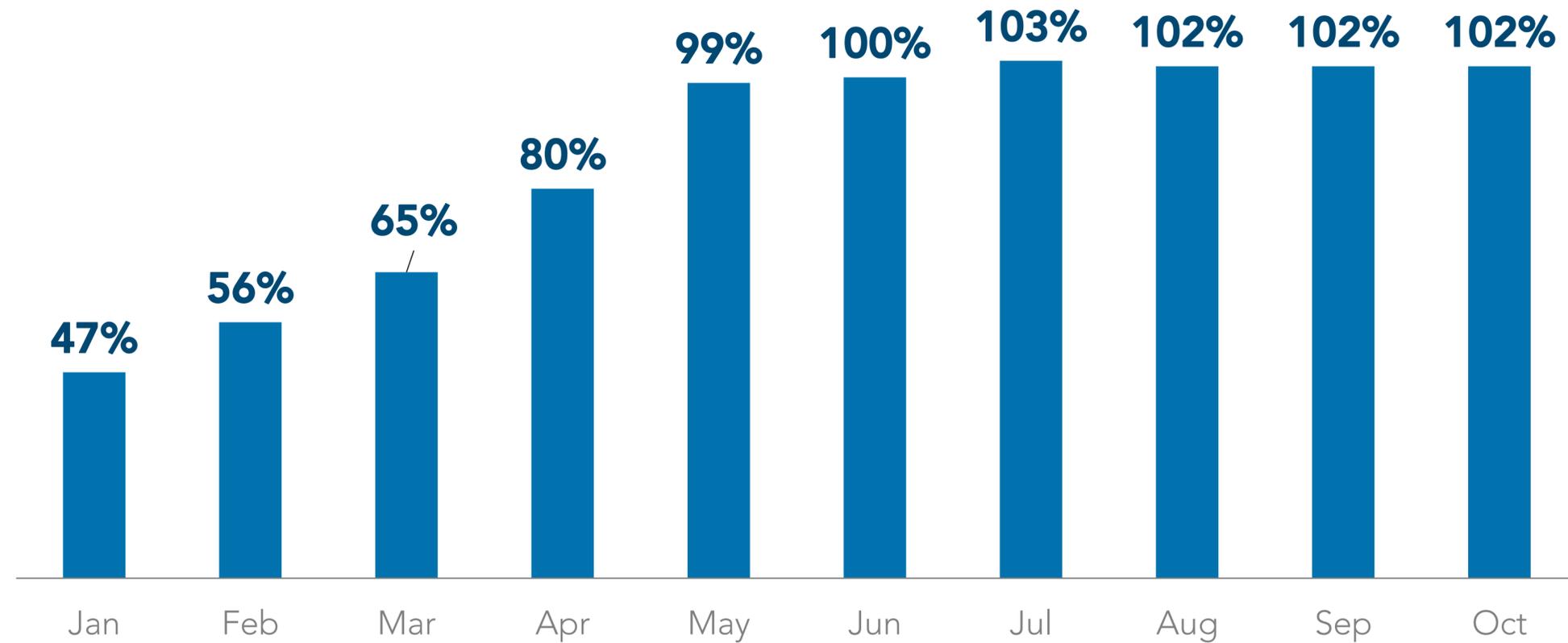
71%

Usage of online  
services

# Legacy-DH Achieved Robust RevPAR Recovery in 2022

DH的RevPAR在2022年恢复势头良好

## Blended RevPAR in 2022 as % of 2019



# Execution of Strategy Delivers Strong Q3 Results

持续的战略执行让DH三季度业绩强劲

## Business Recovery Continues

- Blended RevPAR recovered to **102%** of 2019
- ADR increased by 17% compared to 2019
- Revenue of Q3'22 surpassed Q3'19
- Demand continues to be driven by transient leisure travel and pent-up corporate group business

## Cost Management and Margin Improvement

- Q3'22 EBITDA at RMB94 million, significant improvement vs. -RMB115 million in 3Q'21 and **213%** increase vs. 2Q'22
- Margin improvement driven by HQ overhead reductions, operational efficiency and RevPAR growth
- Energy Efficiency: Usage reduction initiatives in execution to offset cost increases

## Enhance Organization Capability

- Focus on openings: delivered 23% system size growth of hotel rooms compared to Q3'19
- Focus on loyalty development New H Rewards and all-brands website launched
- Digital Zleep to improve efficiency

# AGENDA

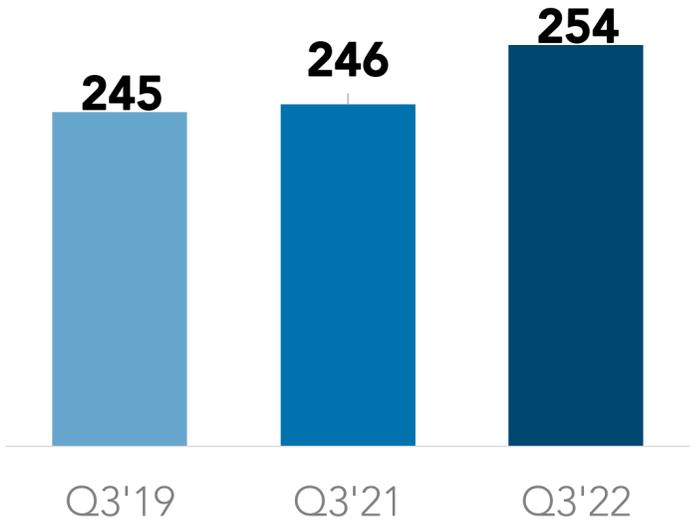
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# Legacy-Huazhu –Blended RevPAR in Q3'22 Increased by 9.1% YoY and Recovered to 90% of Q3'19

华住中国-三季度混合RevPAR同比增长9.1%并恢复到19年的90%

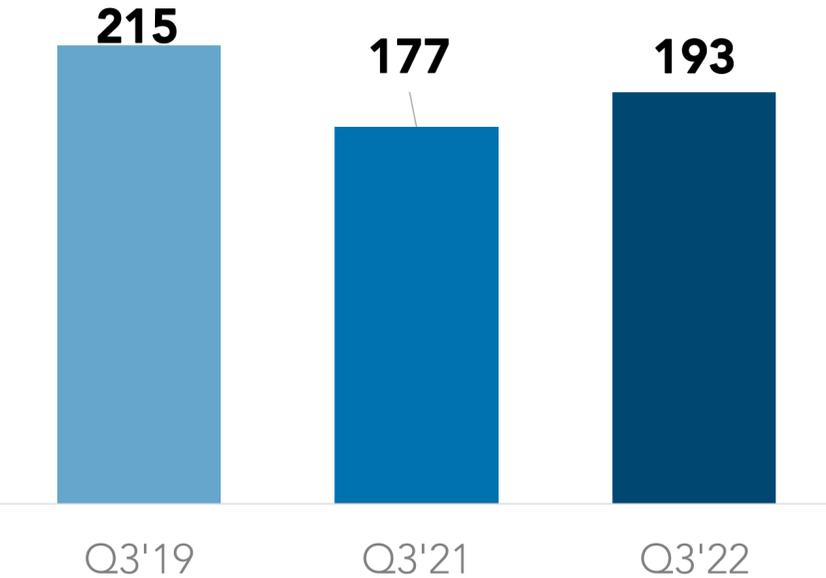
**ADR +3.1% yoy and +3.4% Compared to 2019**

(RMB)

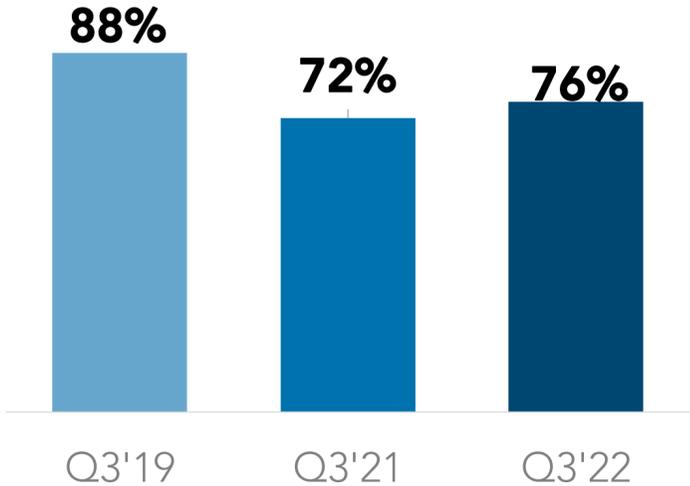


**RevPAR +9.1% yoy and -10.3% Compared to 2019**

(RMB)



**OCC +4.2p.p. yoy and -11.7 p.p. Compared to 2019**

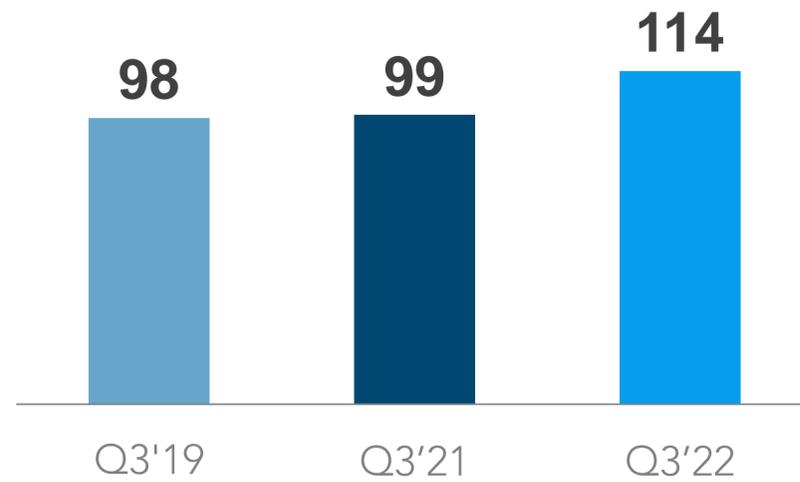


If including hotels under requisition, RevPAR in Q3 2022 would have been 90% of the 2019 level

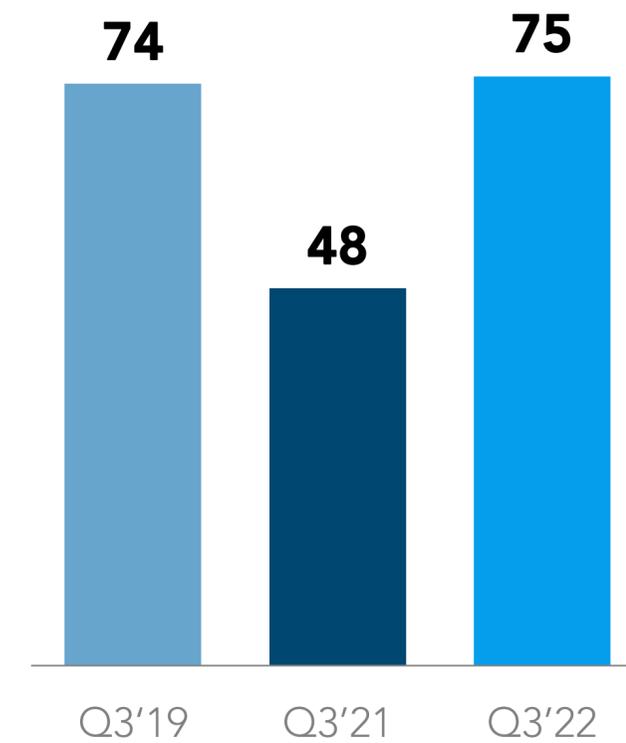
# Legacy-DH - Blended RevPAR in Q3'22 Increased by 57.2% YoY and Recovered to 102% of Q3'19

DH-三季度混合RevPAR同比增长57.2%并恢复到19年的102%

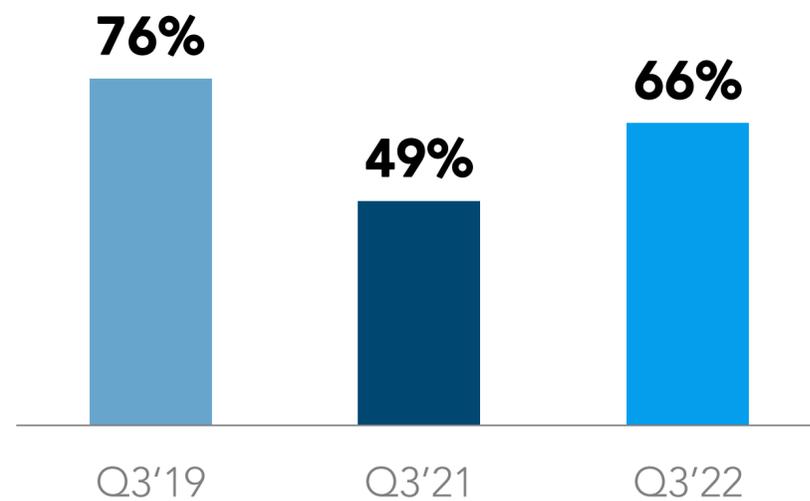
**ADR +15.5% yoy and +16.8% Compared to 2019**  
(EUR)



**RevPAR +57.2% yoy and +2.0% Compared to 2019**  
(EUR)



**Occupancy +17.5 p.p. yoy and -9.6p.p Compared to 2019**



# Revenue: Q3'22 Increased 16.2% YoY

## 三季度营收同比增长16.2%

In million RMB	3Q22	3Q21	YoY	2Q22	QoQ
<b>Revenue from Legacy - Huazhu</b>	<b>3,161</b>	<b>2,934</b>	<b>7.7%</b>	<b>2,461</b>	<b>28.4%</b>
- Leased & Owned Hotels	1,793	1,784	0.5%	1,475	21.6%
- Manachised & Franchised Hotels	1,291	1,110	16.3%	929	39.0%
- Others	77	40	92.5%	57	35.1%
<b>Revenue from Legacy - DH</b>	<b>932</b>	<b>589</b>	<b>58.2%</b>	<b>921</b>	<b>1.2%</b>
- Leased & Owned Hotels	902	561	60.8%	886	1.8%
- Manachised & Franchised Hotels	22	18	22.2%	16	37.5%
- Others	8	10	-20.0%	19	-57.9%
<b>Revenue</b>	<b>4,093</b>	<b>3,523</b>	<b>16.2%</b>	<b>3,382</b>	<b>21.0%</b>

### Manachised and Franchised Hotels Revenue as % of Revenue

	Q3'21	Q3'22
H World Group	32.0%	32.1%
Legacy-Huazhu	37.8%	40.8%

- **China business was supported by pent-up leisure demand in the summer holiday during July and August 2022, as well as gradual recovery of business travel in September 2022**
- **Revenue in line with our guidance despite franchisees' management fee waiver of RMB120 million**
- **The improvement of DH business accelerated in 3Q22**

# Q3'22 Operating Income Improved Significantly YoY

## 三季度经营利润同比大幅增长

In million RMB	3Q22	3Q21	YoY	2Q22	QoQ
<b>Hotel operating costs</b>	<b>3,045</b>	<b>2,885</b>	<b>5.5%</b>	<b>2,972</b>	<b>2.5%</b>
- Legacy-Huazhu	2,301	2,255	2.0%	2,168	6.1%
- Legacy-DH	744	630	18.1%	804	-7.5%
<b>Pre-opening expenses</b>	<b>25</b>	<b>15</b>	<b>66.7%</b>	<b>31</b>	<b>-19.4%</b>
- Legacy-Huazhu	25	15	66.7%	31	-19.4%
- Legacy-DH	-	-	Nm	-	Nm
<b>SG&amp;A expenses</b>	<b>586</b>	<b>577</b>	<b>1.6%</b>	<b>510</b>	<b>14.9%</b>
- Legacy-Huazhu	435	435	0.0%	332	31.0%
- Legacy-DH	151	142	6.3%	178	-15.2%
<b>Income from operations</b>	<b>500</b>	<b>72</b>	<b>594.4%</b>	<b>8</b>	<b>6150.0%</b>
- Legacy-Huazhu	449	239	87.9%	21	2038.1%
- Legacy-DH	51	-167	Nm	-13	Nm

- Legacy-Huazhu saw a slight increase in hotel operating cost mainly due to increase in personnel costs, offset by rental reduction of roughly RMB132 million
- Legacy-Huazhu saw a QoQ increase in G&A expenses mainly due to resumption of normal operations in Shanghai HQ
- DH's costs increased as business recovered but brought better efficiency

# Adjusted EBITDA and Adjusted Net Income in Q3'22

## 三季度经调整后的EBITDA和净利润情况

In million RMB	3Q22	3Q21	YoY	2Q22	QoQ
<b>Adjusted EBITDA</b>	<b>491</b>	<b>385</b>	<b>27.5%</b>	<b>53</b>	<b>826.4%</b>
- Legacy-Huazhu	397	500	-20.6%	23	1626.1%
- Legacy-DH	94	-115	Nm	30	213.3%
<b>Adjusted Net Income</b>	<b>-375</b>	<b>-46</b>	<b>-715.2%</b>	<b>-84</b>	<b>-346.4%</b>
- Legacy-Huazhu	-389	118	Nm	-32	-1115.6%
- Legacy-DH	14	-164	Nm	-52	Nm

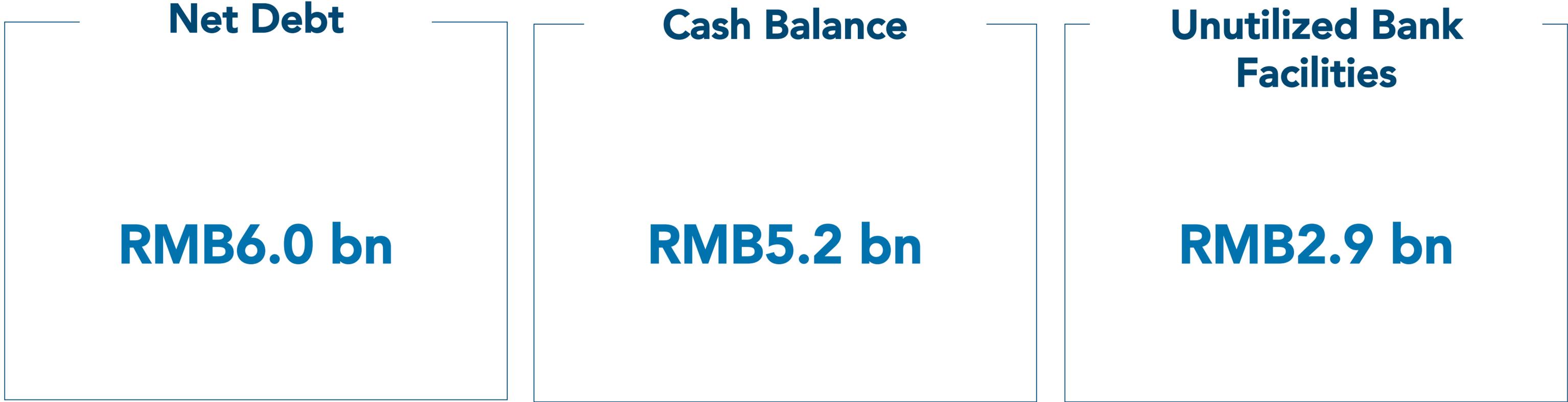
- **Legacy-Huazhu's Adj. EBITDA decrease in YoY mainly due to foreign exchange loss of RMB340 million**
- **The Legacy-DH's Adj. EBITDA achieved positive for the two consecutive quarters with continuous RevPAR recovery in Q3'22**

• Adjusted EBITDA and adjusted net income excludes unrealized gains/ (losses) from fair value changes of equity securities and share-based compensation expenses.

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- 3Q2022 Business Update
- 3Q2022 Operational and Financial Review
- **Liquidity and Guidance**
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Liquidity Position Update  
流动性情况更新



Recently, we have successfully redeemed our convertible note with a total amount of **USD475 million.**

• As of September 30, 2022

# Guidance

## 业绩指引

### Q4 2022

Revenue vs. Q4 2021

- **Increase 7%-11%**
- Excluding DH - **Decrease 1%-5%**

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# Same-Hotel Operational Data by Segment

## 同店经营数据

### Operational hotels excluding hotels under requisition

	Number of hotels in operation		Same-hotel RevPAR			Same-hotel ADR			Same-hotel Occupancy		
	As of		For the quarter ended			For the quarter ended			For the quarter ended		
	September 30, 2021	September 30, 2022	September 30, 2021	September 30, 2022	yoy change	September 30, 2021	September 30, 2022	yoy change	September 30, 2021	September 30, 2022	yoy change (p.p.)
<b>Economy hotels</b>	<b>3366</b>	<b>3366</b>	<b>146</b>	<b>148</b>	<b>1.4%</b>	<b>189</b>	<b>188</b>	<b>-0.7%</b>	<b>77.0%</b>	<b>78.6%</b>	<b>+1.6</b>
Leased and owned hotels	363	363	158	164	3.7%	215	211	-1.8%	73.5%	77.6%	+4.1
Manachised and franchised hotels	3003	3003	143	145	1.0%	185	184	-0.5%	77.6%	78.7%	+1.1
<b>Midscale and upscale hotels</b>	<b>2122</b>	<b>2122</b>	<b>228</b>	<b>242</b>	<b>6.2%</b>	<b>324</b>	<b>322</b>	<b>-0.5%</b>	<b>70.3%</b>	<b>75.0%</b>	<b>+4.7</b>
Leased and owned hotels	233	233	261	273	4.6%	398	389	-2.4%	65.5%	70.3%	+4.7
Manachised and franchised hotels	1889	1889	221	236	6.6%	311	311	0.0%	71.2%	75.8%	+4.7
<b>Total</b>	<b>5488</b>	<b>5488</b>	<b>183</b>	<b>190</b>	<b>3.9%</b>	<b>248</b>	<b>248</b>	<b>-0.2%</b>	<b>73.9%</b>	<b>76.9%</b>	<b>+3.0</b>

	Number of hotels in operation		Same-hotel RevPAR			Same-hotel ADR			Same-hotel Occupancy		
	As of		For the quarter ended			For the quarter ended			For the quarter ended		
	September 30, 2019	September 30, 2022	September 30, 2019	September 30, 2022	yoy change	September 30, 2019	September 30, 2022	yoy change	September 30, 2019	September 30, 2022	yoy change (p.p.)
<b>Economy hotels</b>	<b>2057</b>	<b>2057</b>	<b>189</b>	<b>147</b>	<b>-22.5%</b>	<b>203</b>	<b>187</b>	<b>-7.5%</b>	<b>93.5%</b>	<b>78.4%</b>	<b>-15.2</b>
Leased and owned hotels	346	346	211	161	-23.5%	226	208	-7.9%	93.4%	77.5%	-15.9
Manachised and franchised hotels	1711	1711	184	143	-22.1%	196	182	-7.3%	93.5%	78.6%	-14.9
<b>Midscale and upscale hotels</b>	<b>994</b>	<b>994</b>	<b>295</b>	<b>234</b>	<b>-20.7%</b>	<b>341</b>	<b>319</b>	<b>-6.3%</b>	<b>86.7%</b>	<b>73.4%</b>	<b>-13.2</b>
Leased and owned hotels	181	181	354	251	-29.2%	405	362	-10.5%	87.5%	69.2%	-18.2
Manachised and franchised hotels	813	813	277	229	-17.3%	321	307	-4.3%	86.4%	74.7%	-11.7
<b>Total</b>	<b>3051</b>	<b>3051</b>	<b>230</b>	<b>180</b>	<b>-21.6%</b>	<b>254</b>	<b>236</b>	<b>-6.9%</b>	<b>90.9%</b>	<b>76.5%</b>	<b>-14.4</b>

# Number of Hotels and Rooms

## 酒店数量和房间数量

As of September 30, 2022

	Hotels in operation	Total Rooms	Unopened hotels in pipeline
<b>Economy hotels</b>	<b>4,913</b>	<b>386,911</b>	<b>964</b>
HanTing Hotel	3,207	285,313	603
Hi Inn	460	24,128	127
NiHao Hotel	140	10,074	192
Elan Hotel	868	42,810	-
Ibis Hotel	223	22,876	28
Zleep Hotels	15	1,710	14
<b>Midscale hotels</b>	<b>2,816</b>	<b>308,164</b>	<b>1,001</b>
Ibis Styles Hotel	85	8,864	18
Starway Hotel	565	46,492	212
Ji Hotel	1,629	192,872	534
Orange Hotel	505	54,822	229
CitiGO Hotel	32	5,114	8
<b>Upper midscale hotels</b>	<b>525</b>	<b>75,500</b>	<b>263</b>
Crystal Orange Hotel	161	21,314	53
Manxin Hotel	111	10,443	52
Madison Hotel	50	7,276	62
Mercure Hotel	133	22,250	54
Novotel Hotel	17	4,424	18
IntercityHotel	53	9,793	24
<b>Upscale hotels</b>	<b>124</b>	<b>21,223</b>	<b>76</b>
Jaz in the City	3	587	1
Joya Hotel	8	1,368	1
Blossom House	43	2,055	52
Grand Mercure Hotel	8	1,897	5
Steigenberger Hotels & Resorts	53	13,754	10
MAXX	9	1,562	7
<b>Luxury hotels</b>	<b>15</b>	<b>2,326</b>	<b>4</b>
Steigenberger Icon	9	1,847	1
Song Hotels	6	479	3
<b>Others</b>	<b>9</b>	<b>3,365</b>	<b>5</b>
Other hotels	9	3,365	5
<b>Total</b>	<b>8,402</b>	<b>797,489</b>	<b>2,313</b>