



华住酒店集团

成就美好生活



Huazhu Group Limited (HTHT.US)

Q2 2018 Earnings Call

August 22, 2018

Strategy Review

Operational and Financial Review

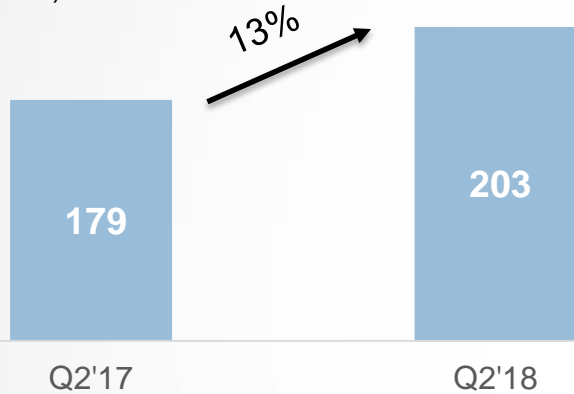
Q & A

Appendix

RevPAR, Revenues and Profits Growth Trends Continued with Further Margin Expansion in 2018 Q2

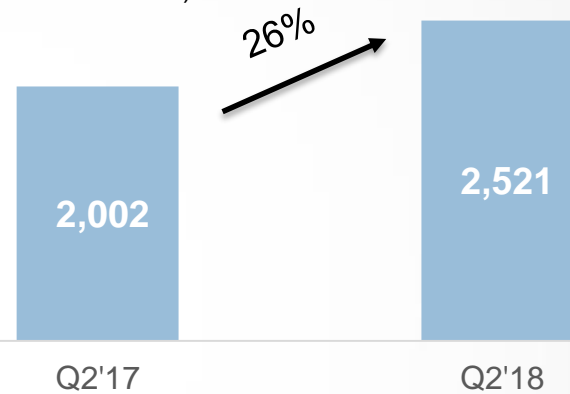
Group Blended RevPAR

(in RMB)



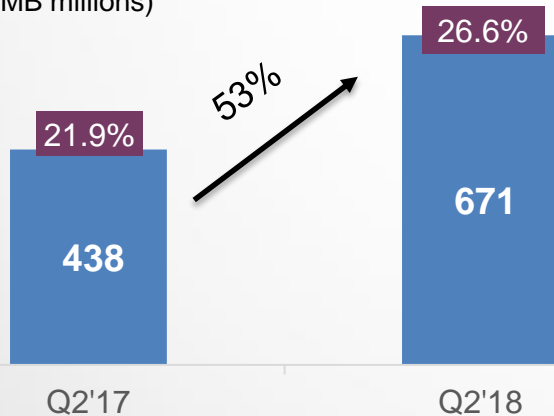
Net Revenues and Growth

(in RMB millions)



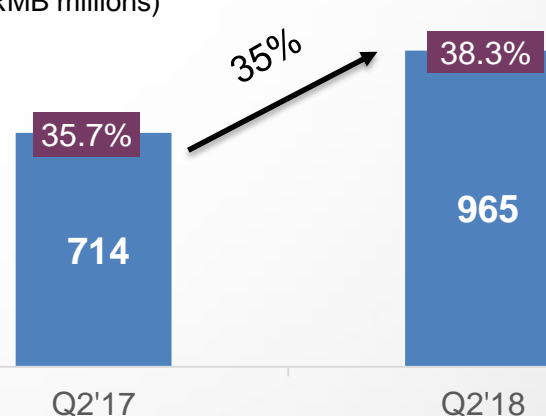
Operating Income and Margin

(in RMB millions)



Adjusted EBITDA and Margin

(in RMB millions)

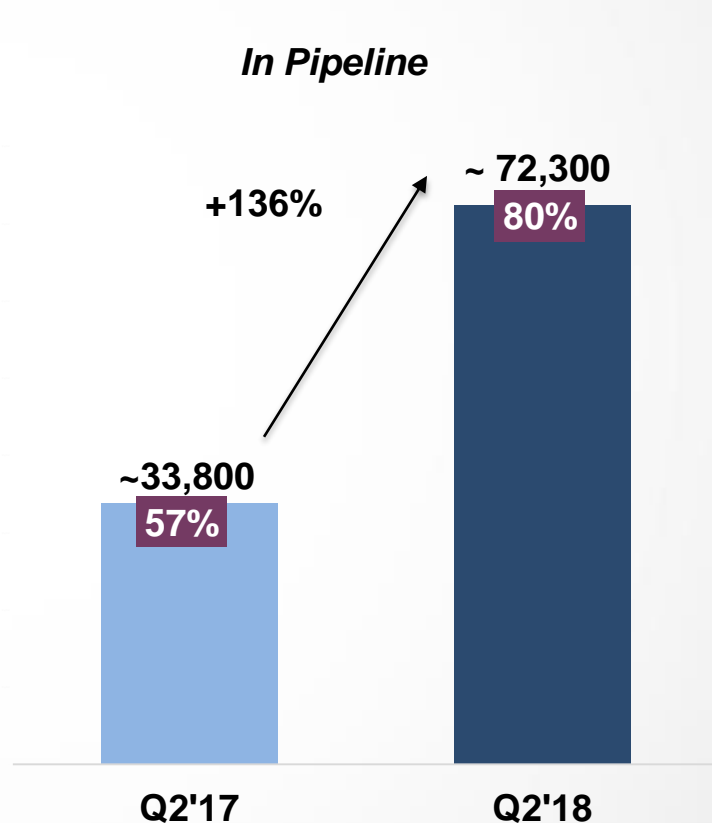
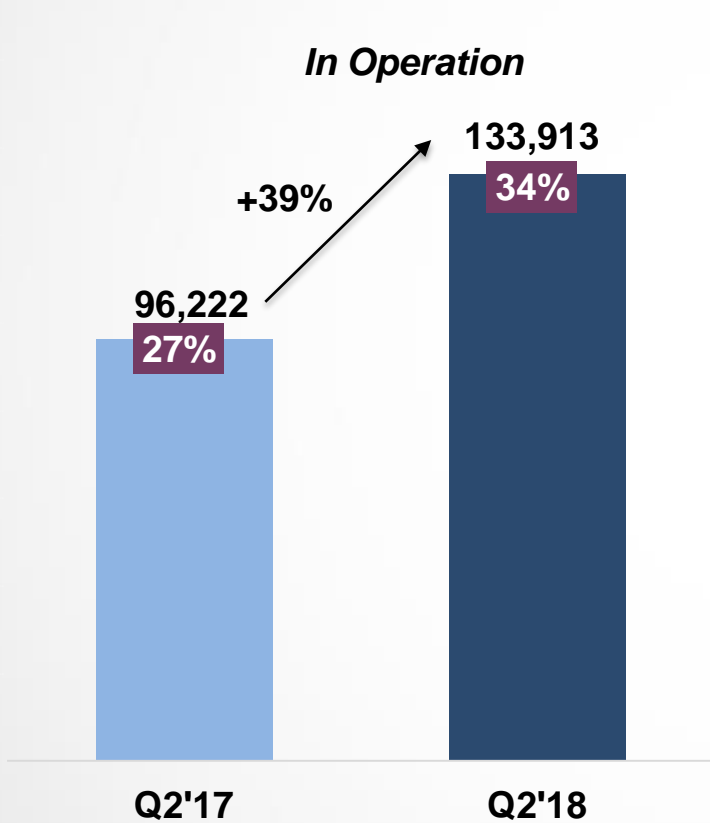


Note: Financial results for 2017 were restated under new revenue recognition guidance

- 1. Fast Expansion of Midscale Hotels**
- 2. Continuous Growth in Same-hotel RevPAR through Quality Improvements**
- 3. Innovation in Upscale Segment**

Mid and Upscale Rooms: 39% YoY increase in Q2; 34% Rooms in Operations; 80% Rooms in Pipeline

Mid and Upscale Rooms



■ Mid and Upscale Rooms

■ As % of Total Rooms

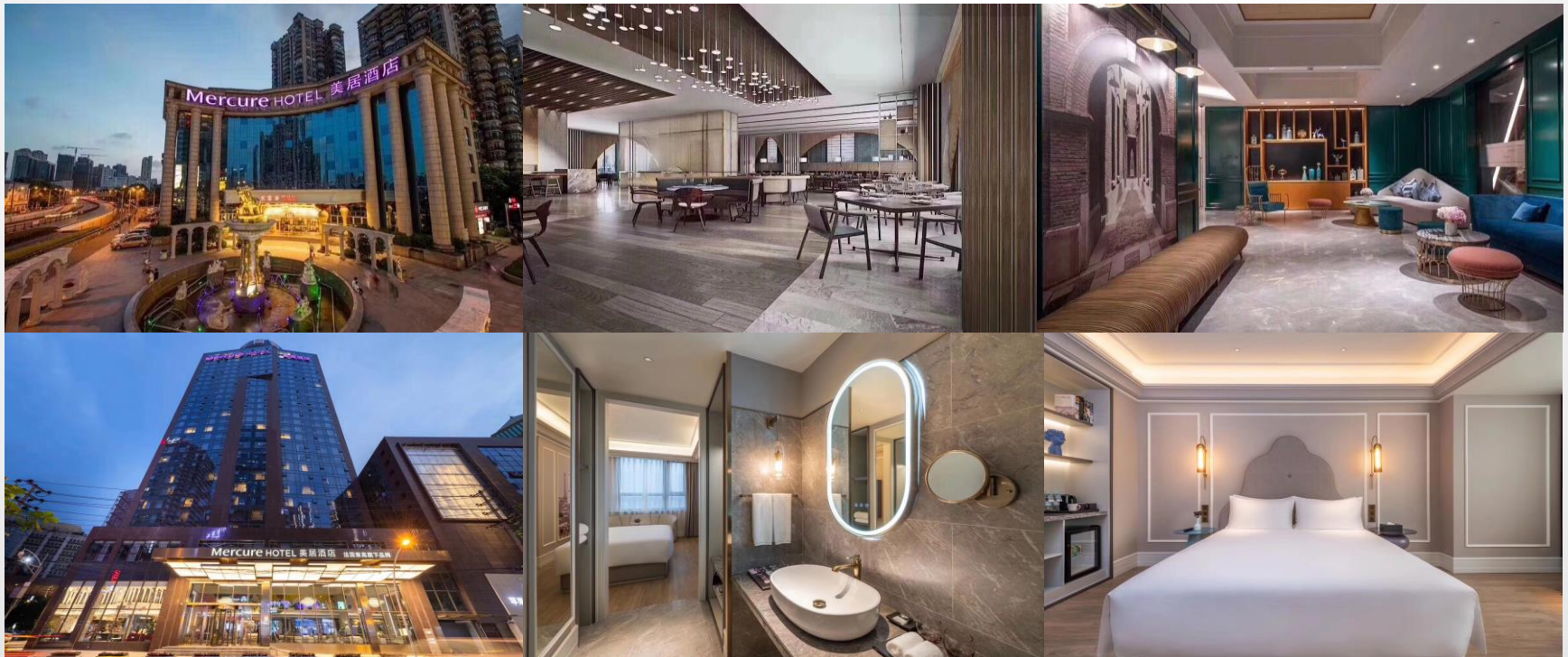
Mercure: Improved Operating Model Ready for Expansion

28 hotels / **5,874** rooms in operation

44 hotels in pipeline (6 to be open in **Aug'18**)

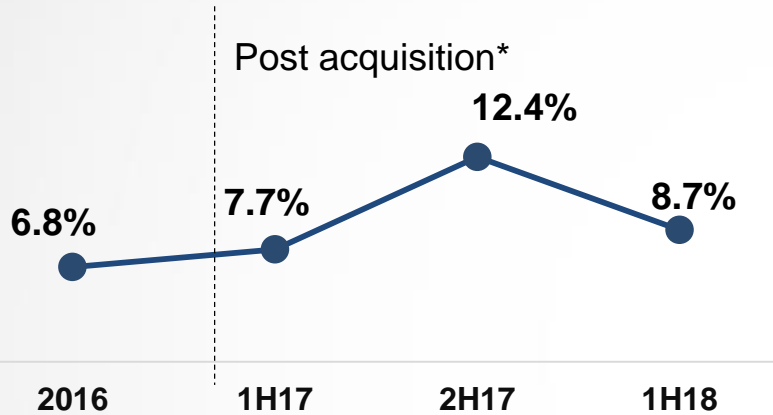
10.2% year-over-year growth in same-hotel RevPAR for first half of 2018

Staff-to-room ratio decreased to **0.20**



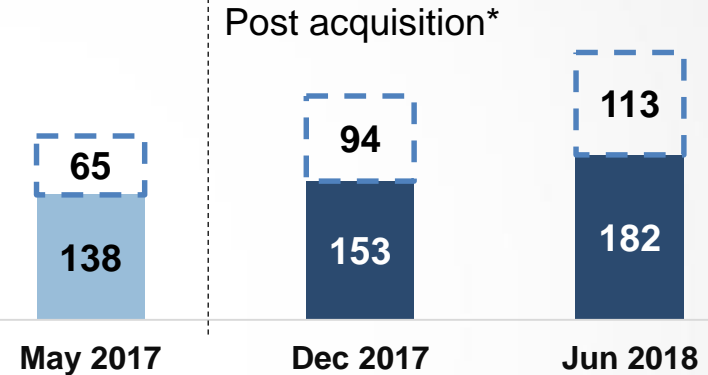
Photos from newly-opened Mercure hotels in Shanghai and Chengdu

FASTER Same-hotel RevPAR Growth



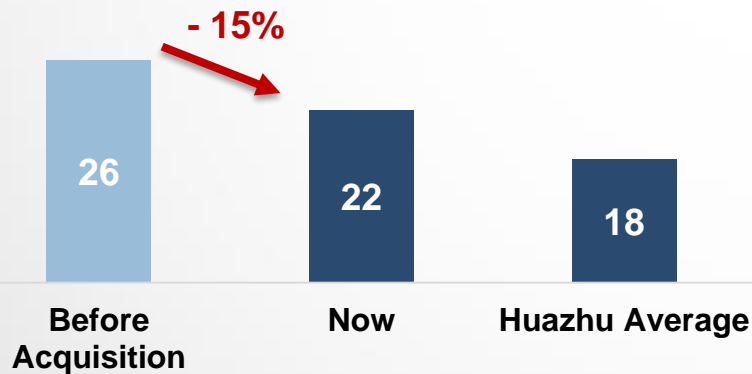
FASTER Hotel Development

Number of hotels in operation and in pipeline as end of period

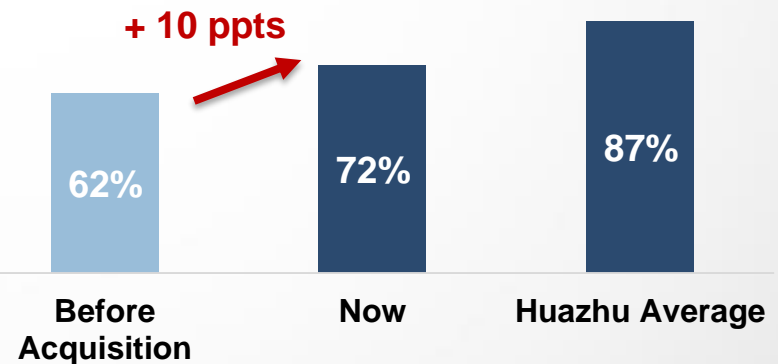


LOWER Staff to Room Ratio

Number of staff per 100 rooms



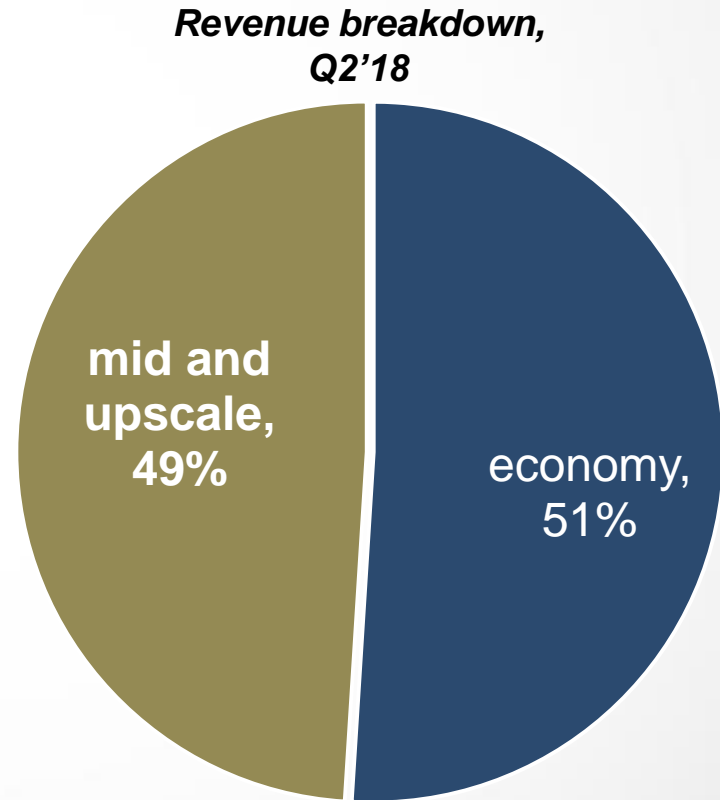
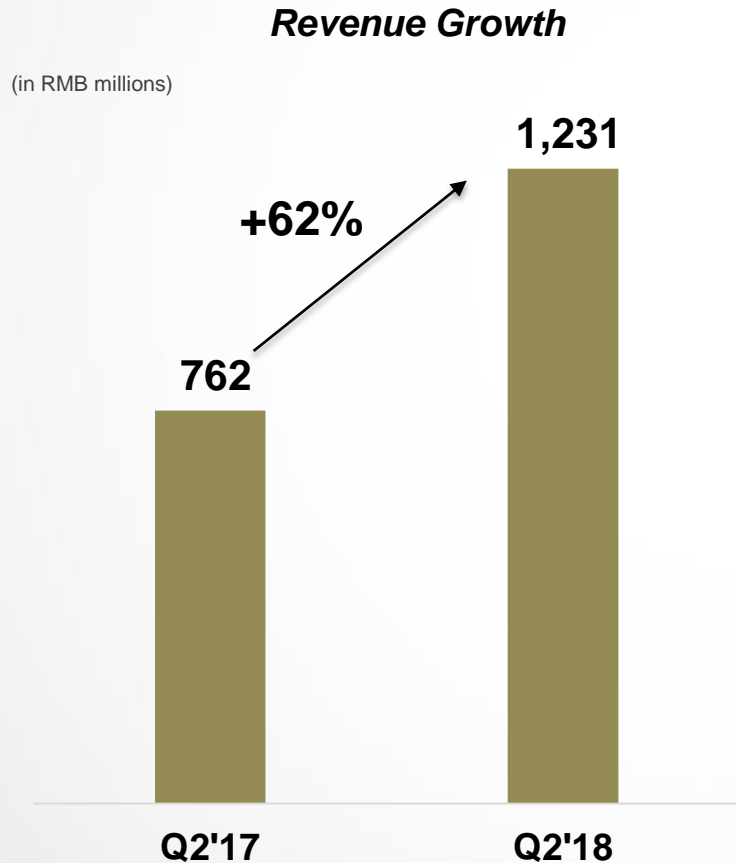
INCREASED Direct Channel Booking



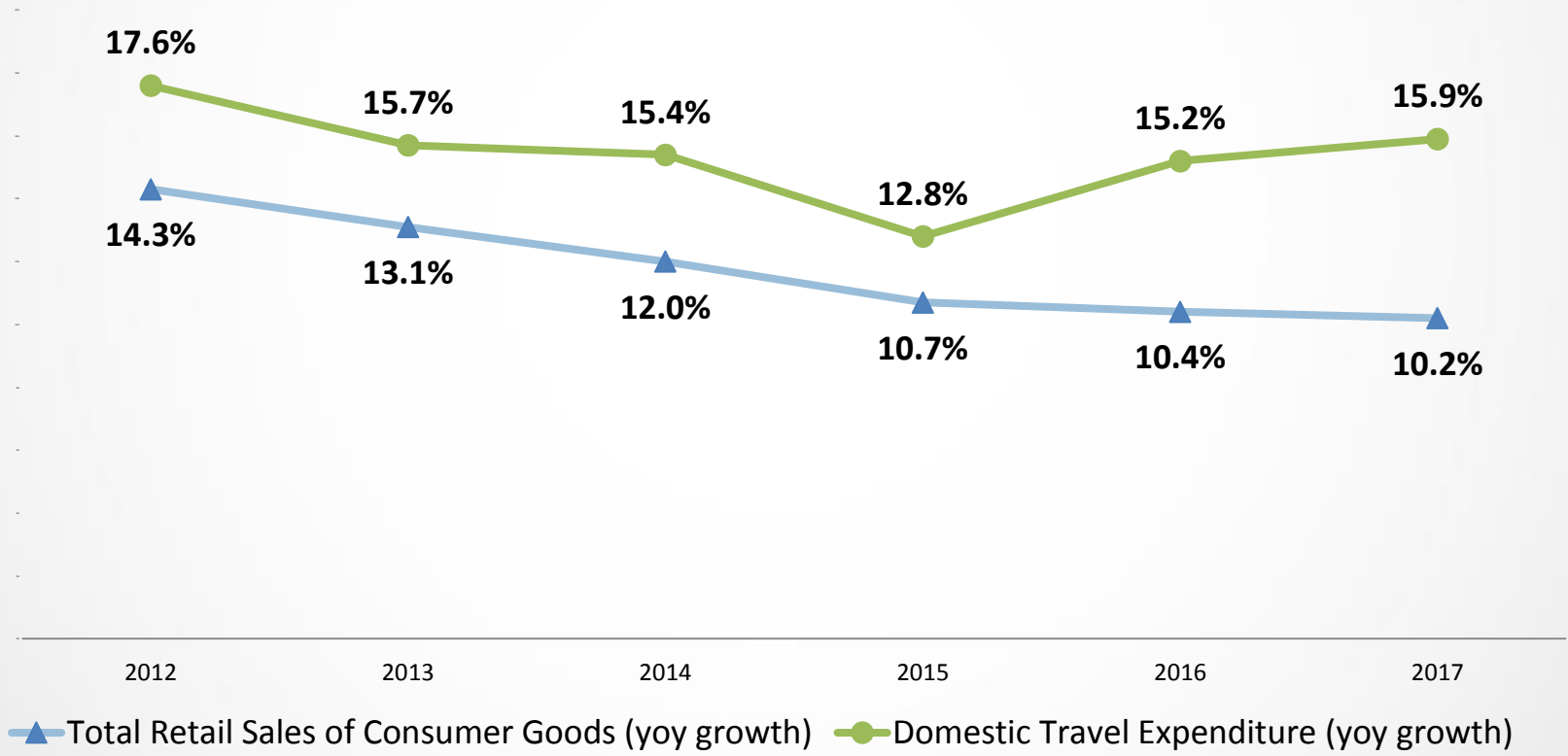
* The Crystal Orange hotels were consolidated to HTHT at the end of May 2017.

Increasing Revenue Contribution from Mid and Upscale Hotels

Revenues from Mid and Upscale Hotels Grew by 62%;
Mid and Upscale Hotels Revenues Contribution Increased by 10pts to 49%



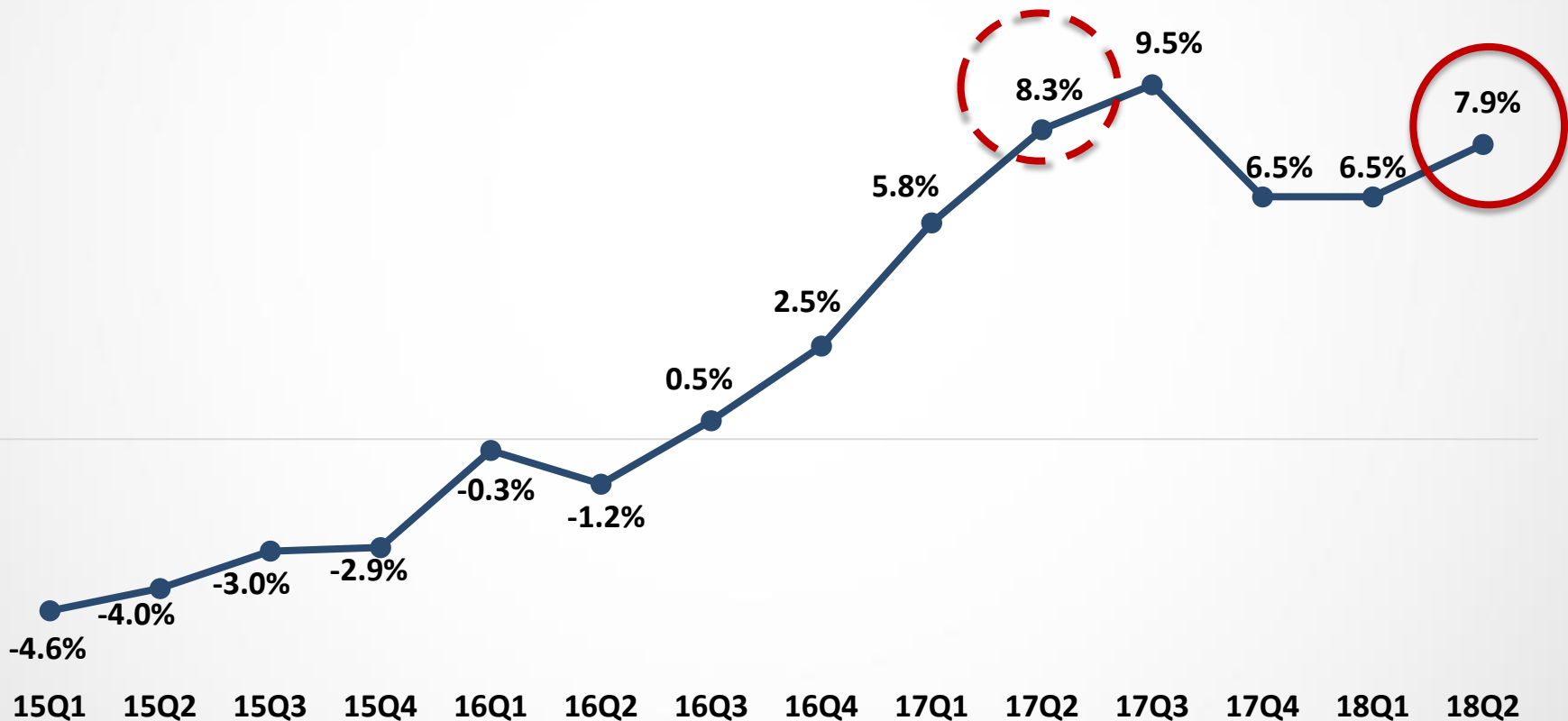
Domestic Travel Expenditure Growth Consistently Outperformed Consumer Retail Sales Growth



Source: National Bureau of Statistics

In spite of a High Comparison Base in Q2'17 Huazhu Same-hotel RevPAR Growth Reached 7.9% in Q2'18

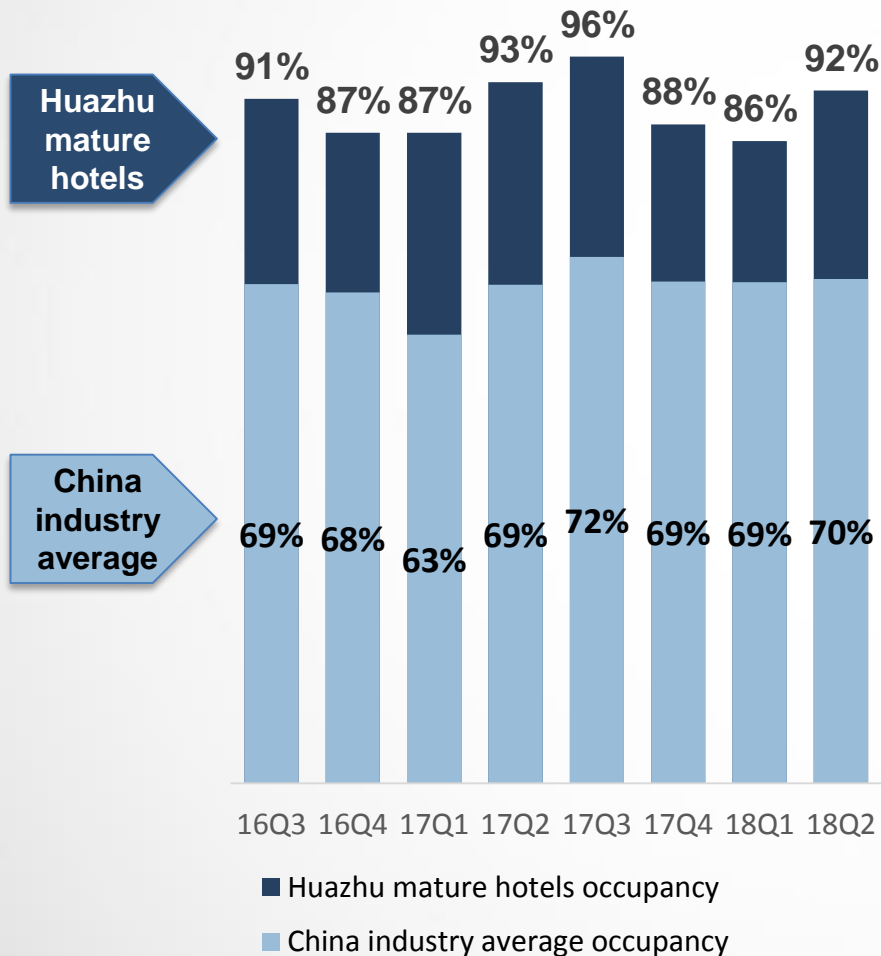
Quarterly Group Same-hotel RevPAR Growth



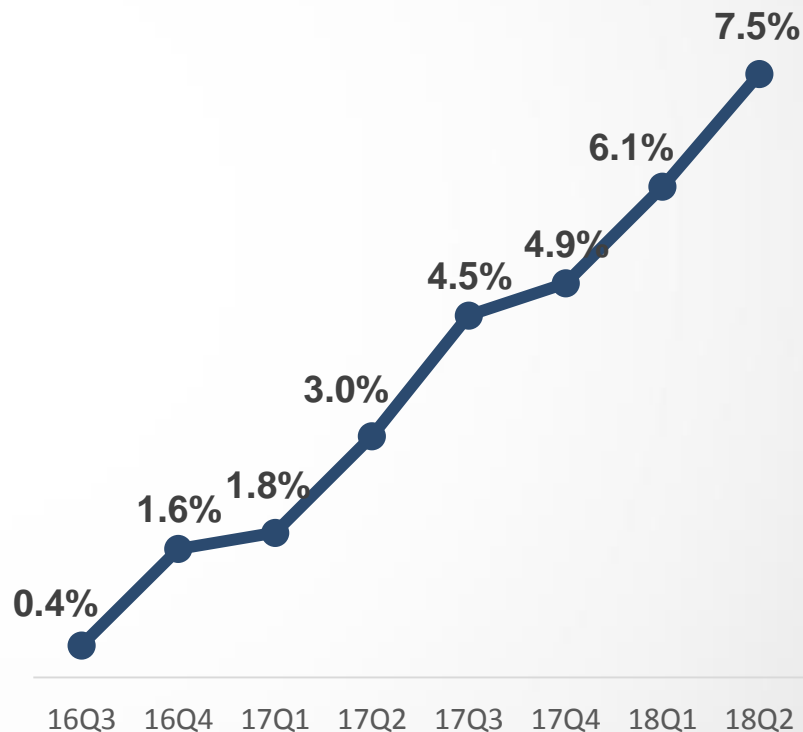
Note: Crystal Orange hotels RevPAR are not included in our reported same-hotel RevPAR statistics until they have been in Huazhu 's system for more than 18 months.

Huazhu's Occupancy Remains High While ADR Continues to Grow

Mature Hotels Occupancy



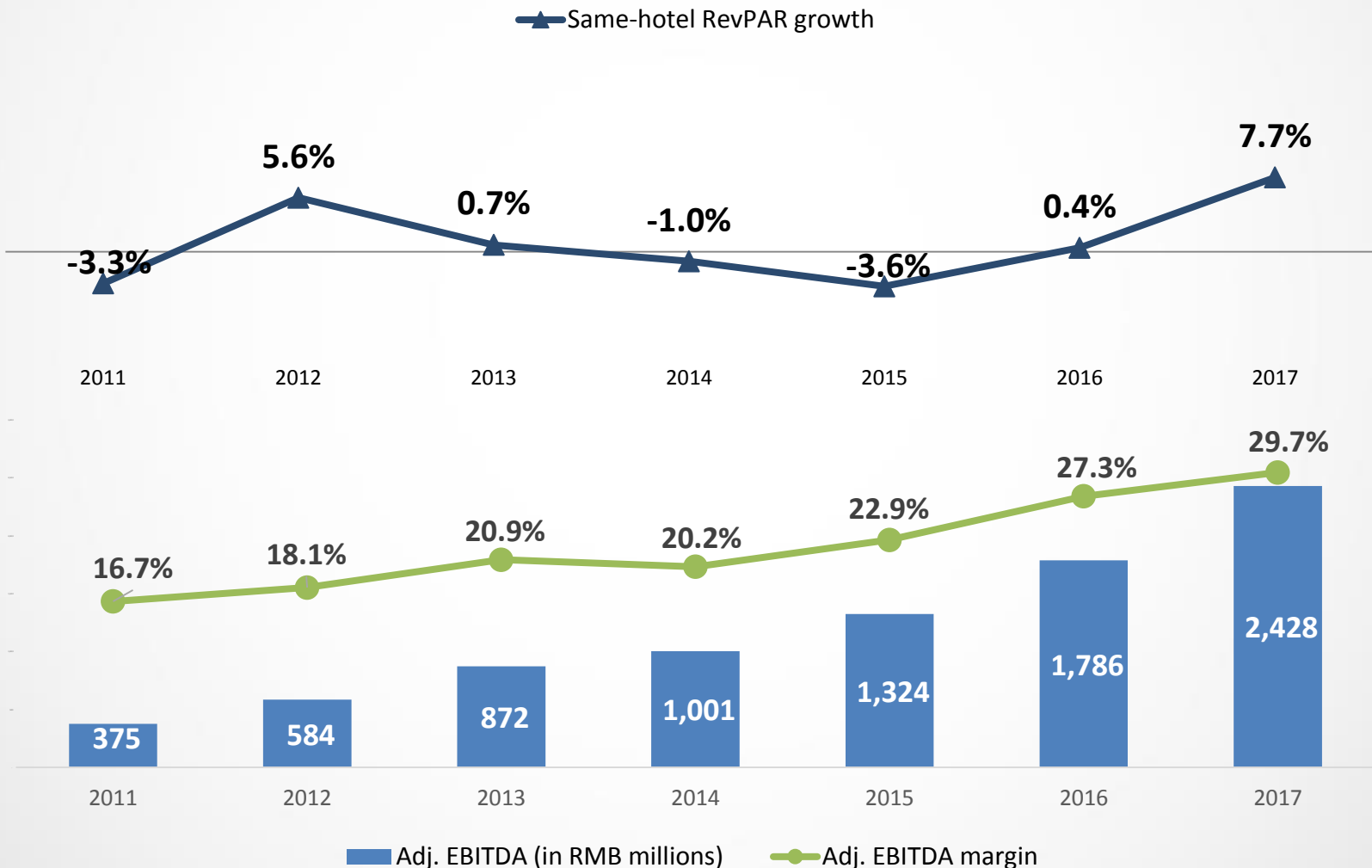
Same-hotel ADR Growth



Source: STR China, quarterly data based on average of monthly data

Solid Financial Performance under Various Economic Environments

In spite of the volatility in same-hotel RevPAR growth, limited impact in Adj. EBITDA and margin



* Adjusted EBITDA = EBITDA +SBC

Strategic Acquisition of Blossom Hill Hotels and Resorts



Brand positioning and synergy

- Positioned as an **upscale holiday and resort** brand
- Expect to **increase occupancy** by leveraging Huazhu's 100m+ members' loyalty program
- Expect to **improve efficiency** through Huazhu's centralized operating platform



Strategy Review

Operational and Financial Review

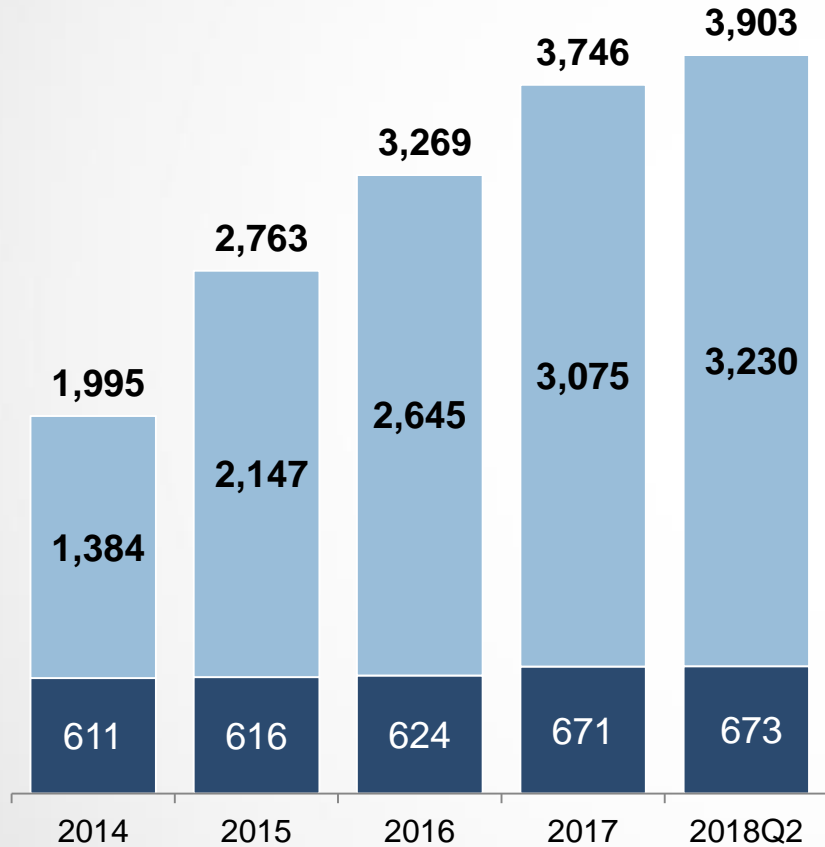
Q & A

Appendix

Continue Fast Expansion with Increasing Focus on Quality

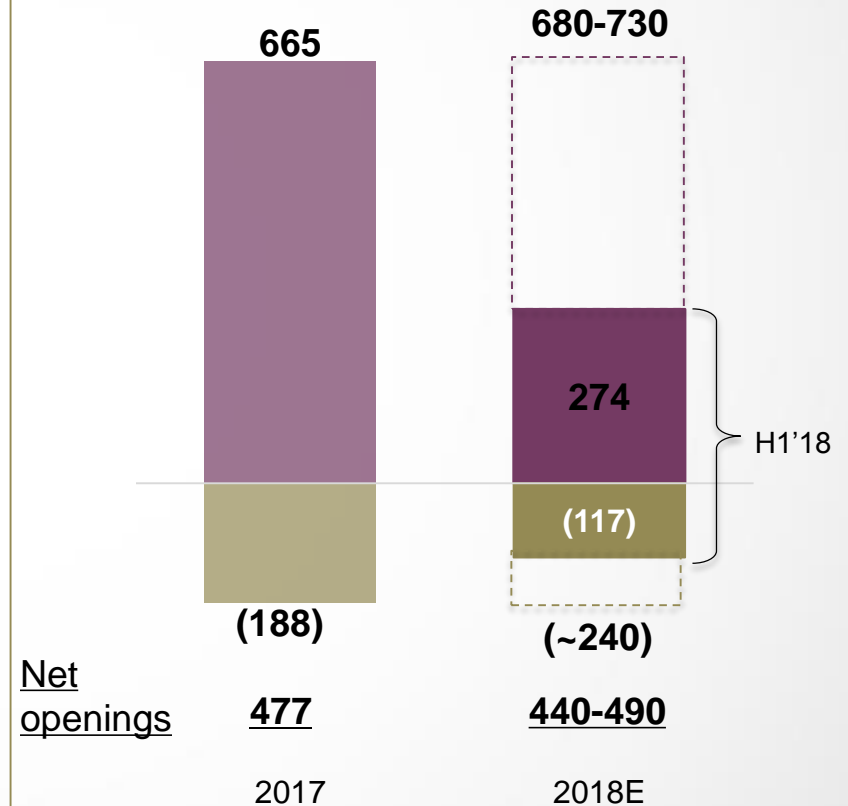
Number of Hotels in Operation

- Leased and owned Hotels
- Manachised and Franchised Hotels



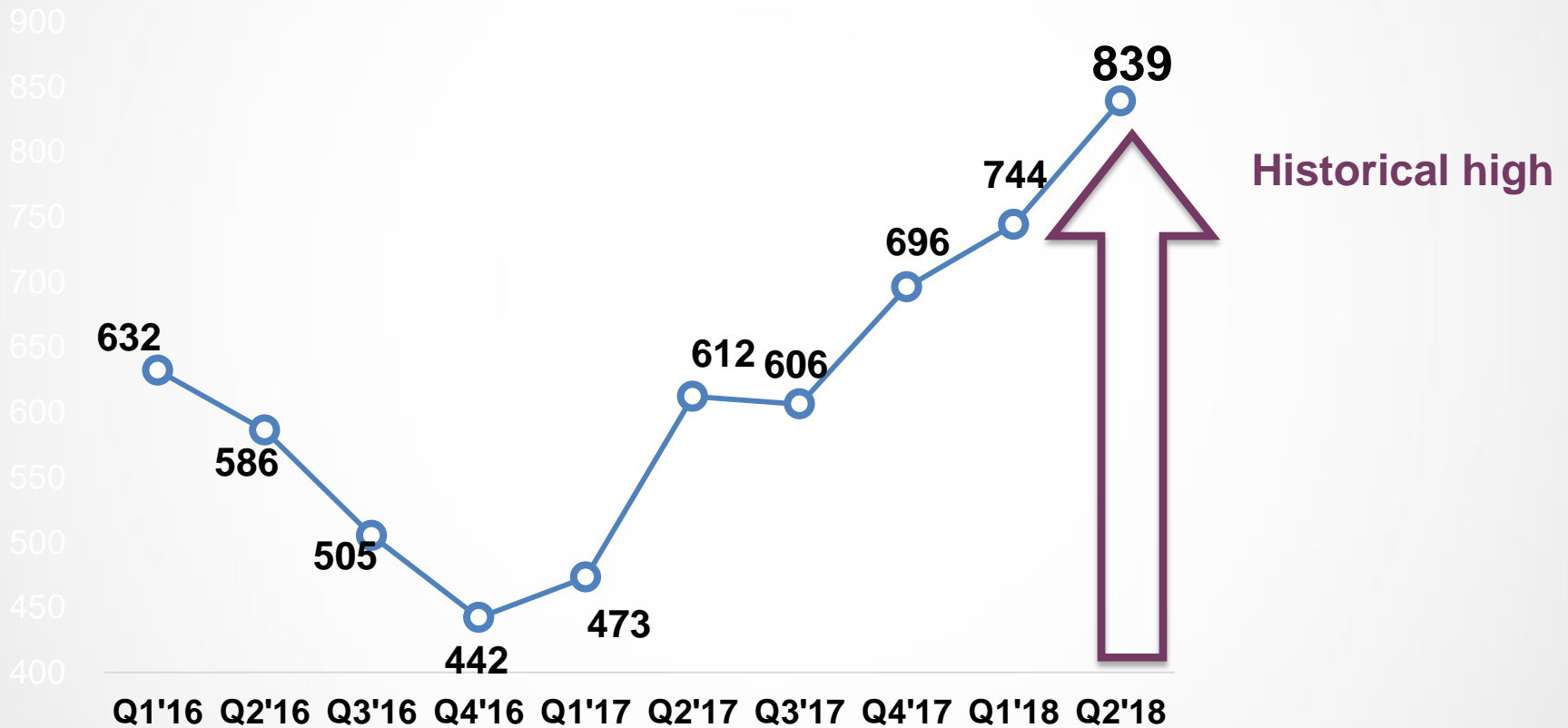
Hotel Openings/Closures

- Gross openings
- Closures



Robust Hotel Pipeline to Support Fast and Quality Expansion

Number of Hotels in Pipeline (Q1'16-Q2'18)



RevPAR Growth Driven by ADR Growth

ADR Grew 13.8% YoY

(RMB)

199

226

Q2'17

Q2'18

Occupancy Decreased 0.5 pts YoY

90.1%

89.6%

Q2'17

Q2'18

RevPAR Increased 13.2% YoY

(RMB)

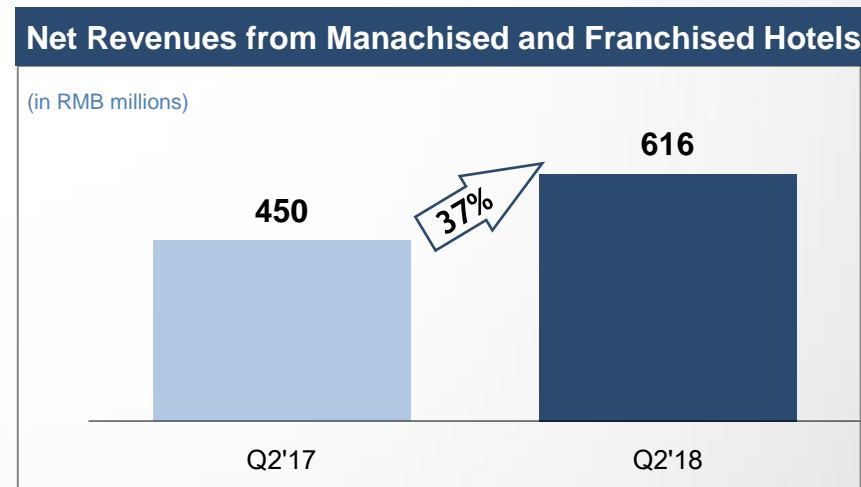
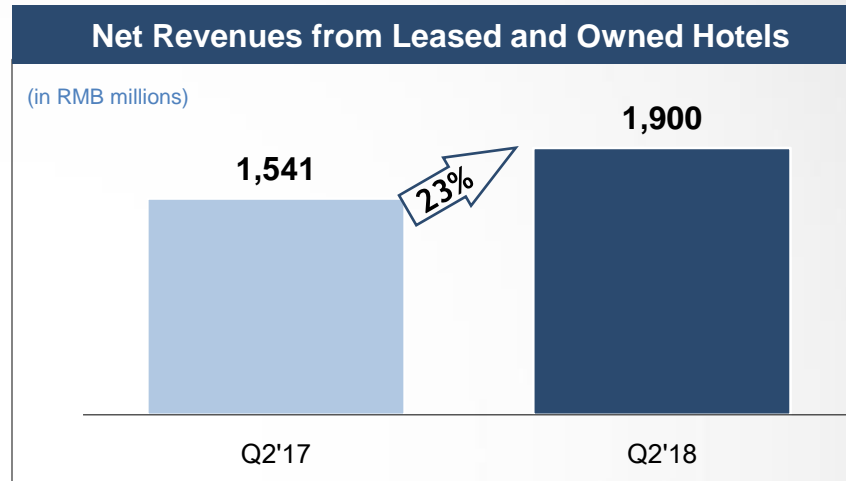
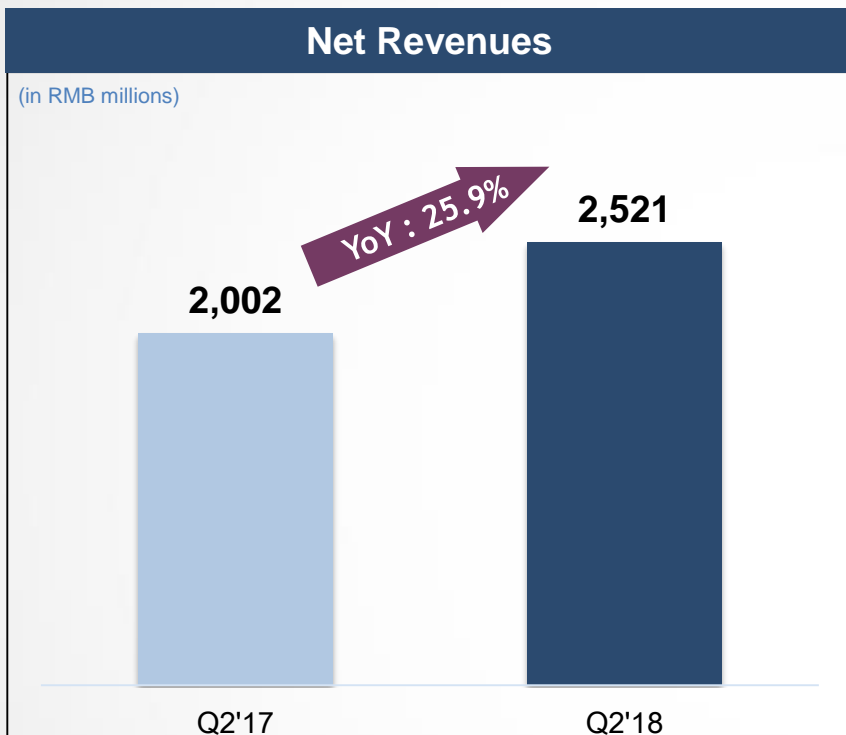
179

203

Q2'17

Q2'18

Q2 Net Revenues Grew by 25.9%, Hitting High-end of Guidance

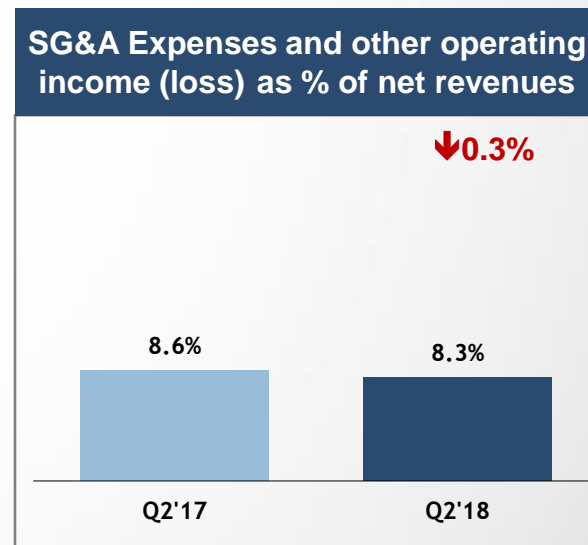
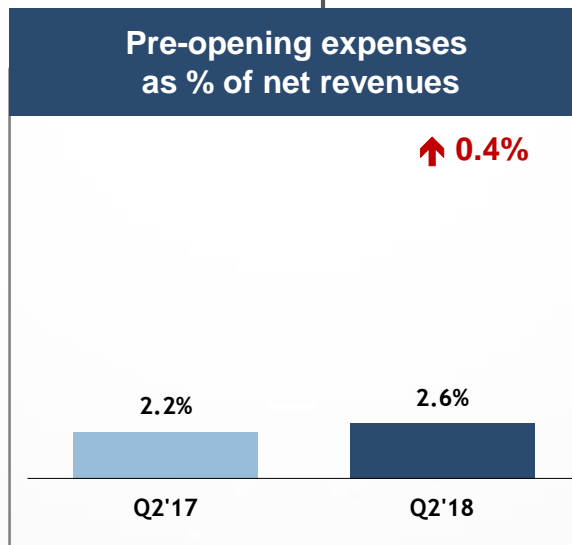
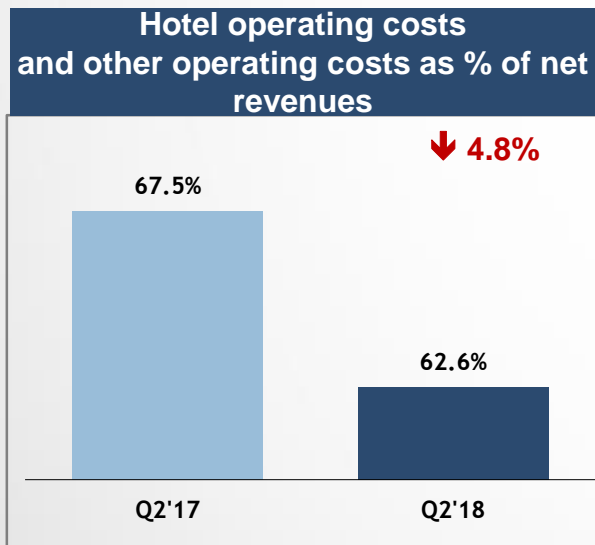
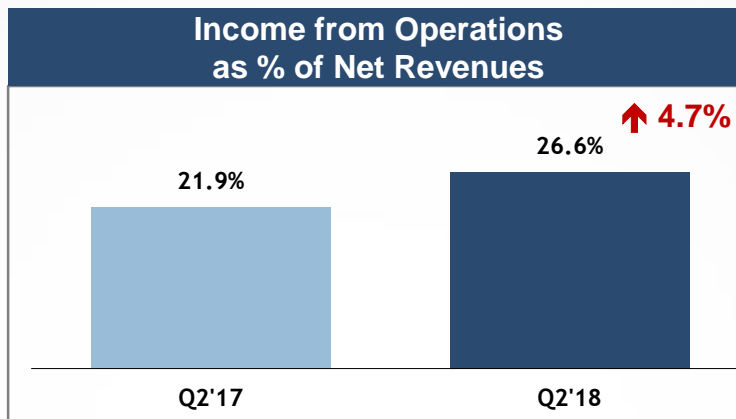


Net Manachised and Franchised Hotels Revenue as % of Net Revenues

Q2'17	Q2'18
22.5%	24.3%

• Note: Figures for Q2'17 was recast according to Accounting Standards on Revenue Recognition - ASC 606

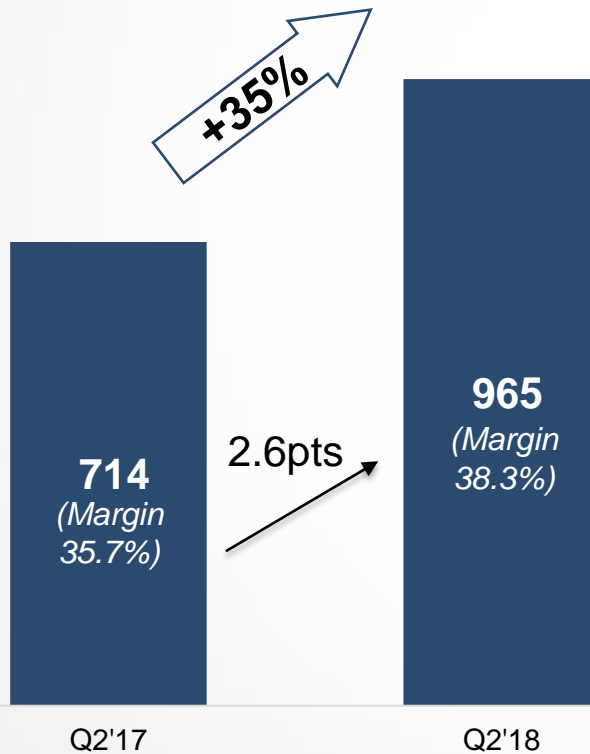
Q2 Operating Profit Grew by 53.2% with Margin Expansion of 4.7 Percentage Points



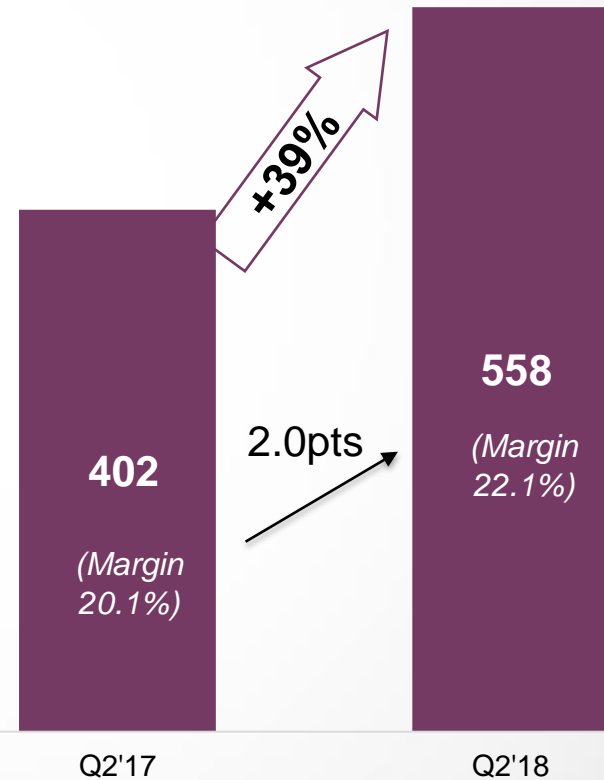
Profit Growth

(in RMB millions)

Adjusted EBITDA*



Adjusted Net Income*

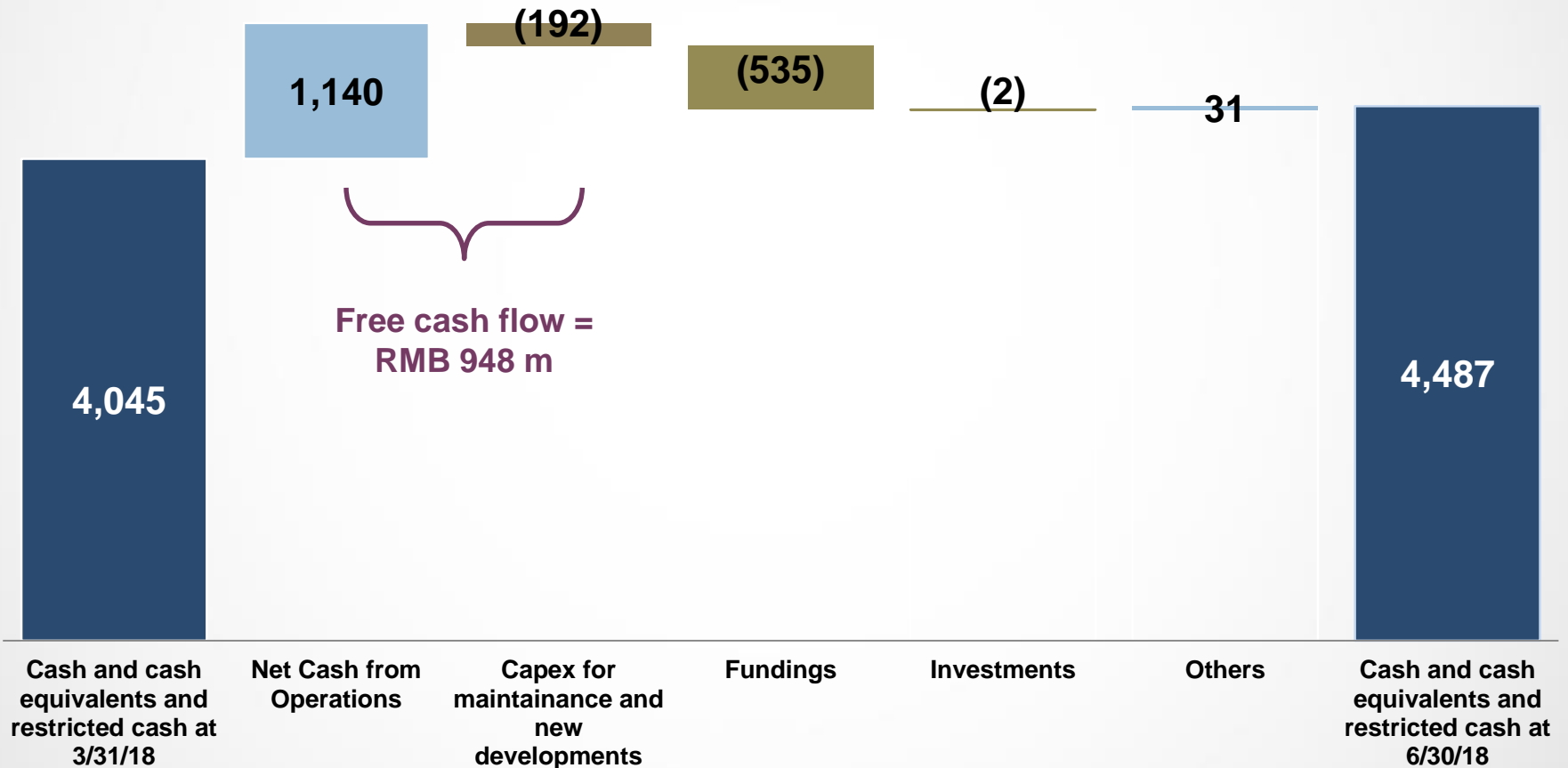


* Excluding unrealized loss from fair value changes of equity securities of RMB201m and share-based compensation expenses, but have NOT excluded the impacts of foreign exchange loss and dividend received, both of which were related to our investment in AccorHotels.

Strong Cash Balances Support Hotel Expansion and Capital Investments

Abundant Funding Resource for Expansion

(in RMB millions)



- Expect Q3'18 net revenues to grow 10.5%-12.5%
- Maintain 2018 Full Year Net Revenue Growth 18%-22%
- Increase 2018 Full Year Gross Hotel Openings to 680-730

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Same-Hotel Operational Data by Segment

	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, 2016	September 30, 2017	September 30, 2016	September 30, 2017	yoy growth	September 30, 2016	September 30, 2017	yoy growth	September 30, 2016	September 30, 2017	yoy growth
Economy hotels	2,316	2,316	162	177	9.4%	176	183	4.3%	92%	96%	4.5%
Leased and owned hotels	498	498	169	185	9.6%	186	196	5.3%	91%	94%	3.6%
Manachised and franchised hotels	1,818	1,818	159	174	9.3%	172	179	3.9%	92%	97%	4.8%
Midscale and upscale hotels	287	287	265	290	9.5%	303	319	5.2%	87%	91%	3.6%
Leased hotels	81	81	320	344	7.5%	346	365	5.4%	92%	94%	1.8%
Manachised and franchised hotels	206	206	233	259	11.0%	276	291	5.3%	84%	89%	4.6%
Total	2,603	2,603	177	193	9.5%	194	202	4.5%	91%	96%	4.4%

	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		
	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	yoy change	December 31, 2016	December 31, 2017	yoy change	December 31, 2016	December 31, 2017	yoy change
Economy hotels	2,406	2,406	146	156	6.9%	167	175	5.1%	87%	89%	2.4%
Leased and owned hotels	492	492	152	166	9.2%	178	189	6.3%	85%	88%	2.4%
Manachised and franchised hotels	1,914	1,914	144	152	6.1%	163	171	4.6%	88%	89%	1.2%
Midscale and upscale hotels	323	323	249	261	4.8%	300	313	4.4%	83%	83%	0.3%
Leased hotels	81	81	314	321	2.4%	348	364	4.5%	90%	88%	-1.9%
Manachised and franchised hotels	242	242	217	231	6.5%	273	286	4.7%	79%	81%	1.4%
Total	2,729	2,729	162	172	6.5%	187	196	4.9%	87%	88%	1.3%

	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		
	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	yoy change	March 31, 2017	March 31, 2018	yoy change	March 31, 2017	March 31, 2018	yoy change
Economy hotels	2,406	2,406	141	150	6.4%	160	170	6.1%	88.0%	88.2%	0.2%
Leased and owned hotels	477	477	147	160	8.7%	169	182	7.6%	87.3%	88.1%	0.9%
Manachised and franchised hotels	1,929	1,929	139	147	5.6%	157	166	5.6%	88.3%	88.2%	0.0%
Midscale and upscale hotels	407	407	215	229	6.5%	279	293	5.0%	76.9%	78.0%	1.0%
Leased hotels	94	94	264	281	6.3%	320	335	4.9%	82.6%	83.7%	1.1%
Manachised and franchised hotels	313	313	193	205	6.4%	259	272	5.0%	74.4%	75.4%	1.0%
Total	2,813	2,813	155	165	6.5%	181	192	6.1%	85.9%	86.2%	0.3%

	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		
	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	yoy change	June 30, 2017	June 30, 2018	yoy change	June 30, 2017	June 30, 2018	yoy change
Economy hotels	2,406	2,406	161	174	8.0%	172	186	8.1%	94%	94%	-0.1%
Leased hotels	459	459	168	189	12.2%	182	201	10.3%	92%	94%	1.7%
Manachised and franchised hotels	1,947	1,947	159	170	6.6%	168	181	7.4%	95%	94%	-0.7%
Midscale and upscale hotels	460	460	251	269	7.2%	297	312	4.8%	84%	86%	2.0%
Leased and owned hotels	100	100	313	332	6.1%	345	365	5.5%	91%	91%	0.5%
Manachised and franchised hotels	360	360	226	243	7.8%	276	289	4.5%	82%	84%	2.5%
Total	2,866	2,866	180	194	7.9%	196	210	7.5%	92%	92%	0.3%

Hotel Breakdown by Brands

	Number of Hotels in Operation							
	As of 12/31/2013	As of 12/31/2014	As of 12/31/2015	As of 12/31/2016	As of 12/31/2017	As of 3/31/2018	As of 6/30/2018	
Economy hotels	1,309	1,819	2,453	2,741	2,874	2,864	2,857	
HanTing Hotel	1,226	1,648	2,003	2,181	2,244	2,245	2,236	
Leased hotels	473	502	495	486	454	440	428	
Manachised hotels	753	1,146	1,508	1,694	1,786	1,801	1,804	
Franchised hotels				1	4	4	4	
Hi Inn	83	158	302	375	396	391	395	
Leased hotels	41	41	38	36	30	30	29	
Manachised hotels	42	117	251	294	321	315	317	
Franchised hotels			13	45	45	46	49	
Elan Hotel		13	148	185	226	220	218	
Manachised hotels		13	128	149	193	188	188	
Franchised hotels			20	36	33	32	30	
Orange Hotel					8	8	8	
Leased hotels					6	6	6	
Manachised hotels					1	1	1	
Franchised hotels					1	1	1	
Midscale hotels and upscale hotels	116	176	310	528	872	953	1,046	
Ji Hotel	68	117	186	284	390	423	452	
Leased hotels	48	62	75	81	91	91	91	
Manachised hotels	20	55	111	201	296	330	359	
Franchised hotels				2	3	2	2	
Starway Hotel	46	55	118	136	174	173	177	
Leased hotels	1	3	4	2	2	2	2	
Manachised hotels	20	44	67	96	141	141	145	
Franchised hotels	25	8	47	38	31	30	30	
Joya Hotel	1	3	3	6	6	7	7	
Leased hotels	1	2	2	3	3	4	4	
Manachised hotels		1	1	3	3	2	2	
Franchised hotels						1	1	
Manxin Hotels & Resorts	1	1	2	2	11	15	17	
Leased hotels	1	1	1		2	3	3	
Manachised hotels			1	2	6	9	11	
Franchised hotels					3	3	3	
HanTing Premium Hotel					5	28	45	
Leased hotels					1	11	17	
Manachised hotels					4	17	28	
ibis Hotel				72	100	105	112	
Leased and owned hotels				14	16	17	19	
Manachised hotels				12	38	44	51	
Franchised hotels				46	46	44	42	
ibis Styles Hotel				10	13	16	23	
Leased hotels							1	
Manachised hotels				7	10	13	20	
Franchised hotels				3	3	3	2	
Mercur Hotel			1	15	20	19	28	
Leased hotels			1	2	2	2	4	
Manachised hotels				12	15	12	19	
Franchised hotels				1	3	5	5	
Novotel Hotel				2	4	4	5	
Manachised hotels				1	3	3	4	
Franchised hotels				1	1	1	1	
Grand Mercure Hotel				1	4	5	6	
Leased hotels					1	1	1	
Manachised hotels					1	2	3	
Franchised hotels				1	2	2	2	
Orange Select					103	114	127	
Leased hotels					44	46	48	
Manachised hotels					41	49	54	
Franchised hotels					18	19	25	
Crystal Orange					42	44	47	
Leased hotels					19	20	20	
Manachised hotels					15	16	18	
Franchised hotels					8	8	9	
Total	1,425	1,995	2,763	3,269	3,746	3,817	3,903	
economy hotels	91.9%	91.2%	88.8%	83.8%	76.7%	75.0%	73.2%	
mid-upscale hotels	8.1%	8.8%	11.2%	16.2%	23.3%	25.0%	26.8%	

Note: ibis brand was repositioned as an entry-level midscale brand since January 2018.

Room Breakdown by Brands

	Number of rooms in operation						
	As of 12/31/2013	As of 12/31/2014	As of 12/31/2015	As of 12/31/2016	As of 12/31/2017	As of 3/31/2018	As of 6/30/2018
Economy hotels	138,576	185,959	238,156	260,557	266,145	262,885	259,504
HanTing Hotel	130,747	172,341	205,577	221,157	223,121	220,877	218,124
Leased hotels	54,154	57,306	57,277	56,491	52,300	50,637	49,474
Manachised hotels	76,593	115,035	148,300	164,602	170,443	169,862	168,272
Franchised hotels				64		378	378
Hi Inn	7,829	12,551	21,340	25,600	26,063	25,753	25,262
Leased hotels	4,422	3,895	3,698	3,411	2,727	2,837	2,661
Manachised hotels	3,407	8,656	16,725	19,361	20,466	20,160	19,717
Franchised hotels			917	2,828	2,870	2,756	2,884
Elan Hotel		1,067	11,239	13,800	16,120	15,414	15,277
Manachised hotels		1,067	9,837	11,121	13,963	13,433	13,381
Franchised hotels			1,402	2,679	2,157	1,981	1,896
Orange Hotel					841	841	841
Leased hotels					678	678	678
Manachised hotels					85	85	85
Franchised hotels					78	78	78
Midscale hotels and upscale hotels	14,303	23,996	40,687	70,790	113,530	122,074	133,913
Ji Hotel	9,106	17,052	27,559	39,664	53,054	57,192	61,033
Leased hotels	6,891	10,260	13,195	14,314	15,868	16,078	16,230
Manachised hotels	2,215	6,792	14,364	25,201	36,912	40,912	44,601
Franchised hotels				149	274	202	202
Starway Hotel	4,959	6,321	12,138	13,206	16,914	16,550	16,884
Leased hotels	131	451	604	386	386	386	386
Manachised hotels	2,222	4,939	7,183	9,577	13,677	13,415	13,814
Franchised hotels	2,606	931	4,351	3,243	2,851	2,749	2,684
Joya Hotel	141	515	515	1,131	1,131	1,197	1,207
Leased hotels	141	315	315	523	523	589	677
Manachised hotels		200	200	608	608	452	374
Franchised hotels						156	156
Manxin Hotels & Resorts	97	108	236	78	1,150	1,473	1,594
Leased hotels	97	108	108	-	277	447	447
Manachised hotels			128	78	769	922	1,043
Franchised hotels					104	104	104
HanTing Premium Hotel					446	2,493	4,255
Leased hotels					98	1,068	1,819
Manachised hotels					348	1,425	2,436
ibis Hotel				10,251	13,474	13,810	14,588
Leased and owned hotels					2,887	3,124	3,423
Manachised hotels					4,522	4,914	5,589
Franchised hotels					6,065	5,772	5,576
ibis Styles Hotel				1,614	1,841	2,238	3,235
Leased hotels							102
Manachised hotels					1,425	1,821	2,811
Franchised hotels					416	417	322
Mercure Hotel			239	4,026	4,664	4,345	5,874
Leased hotels			239		496	496	910
Manachised hotels					3,546	3,007	4,123
Franchised hotels					622	842	841
Novotel Hotel				629	1,697	1,697	2,064
Manachised hotels					1,374	1,374	1,741
Franchised hotels					323	323	323
Grand Mercure Hotel				191	882	1,293	1,306
Leased hotels					360	360	317
Manachised hotels					151	562	618
Franchised hotels				191	371	371	371
Orange Selected					12,648	13,963	15,645
Leased hotels					5,732	5,990	6,289
Manachised hotels					4,817	5,768	6,487
Franchised hotels					2,099	2,205	2,869
Crystal Orange					5,629	5,823	6,228
Leased hotels					2,686	2,818	2,818
Manachised hotels					1,959	2,021	2,306
Franchised hotels					984	984	1,104
Total	152,879	209,955	278,843	331,347	379,675	384,959	393,417
economy rooms	90.6%	88.6%	85.4%	78.6%	70.1%	68.3%	66.0%
mid-upscale rooms	9.4%	11.4%	14.6%	21.4%	29.9%	31.7%	34.0%

Note: ibis brand was repositioned as an entry-level midscale brand since January 2018.



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