



Huazhu Group Limited (HTHT.US)

Q1 2019 Earnings Call
May 22, 2019

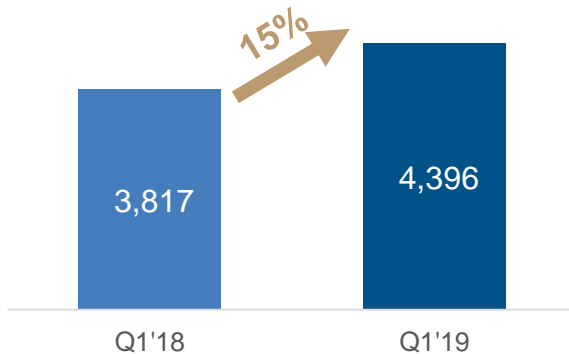
Agenda

- **Strategy Review**
- Operational and Financial Review
- Q and A
- Appendix

Fast Hotel Expansion to Drive Revenue Growth; Reinvest for Future Growth

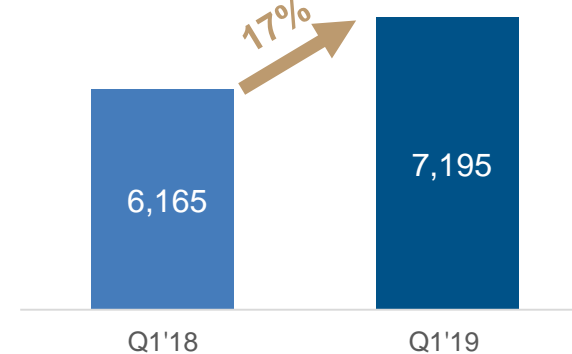
Hotel Network Expansion

(Number of hotels in operation)



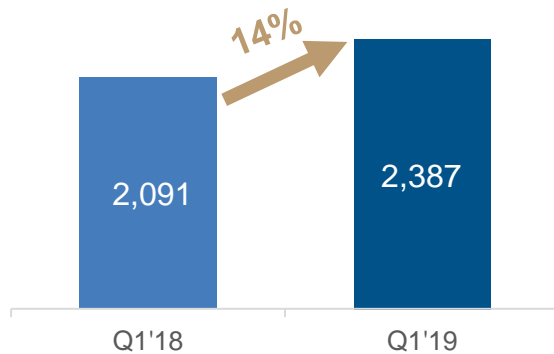
Hotel Turnover

(in RMB millions)



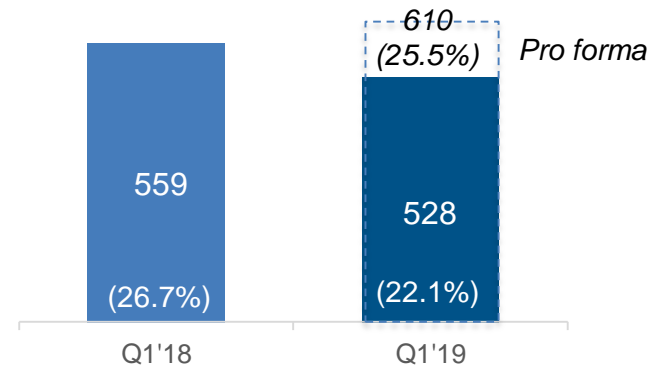
Net Revenues

(in RMB millions)



Adjusted EBITDA* and Margin

(in RMB millions)



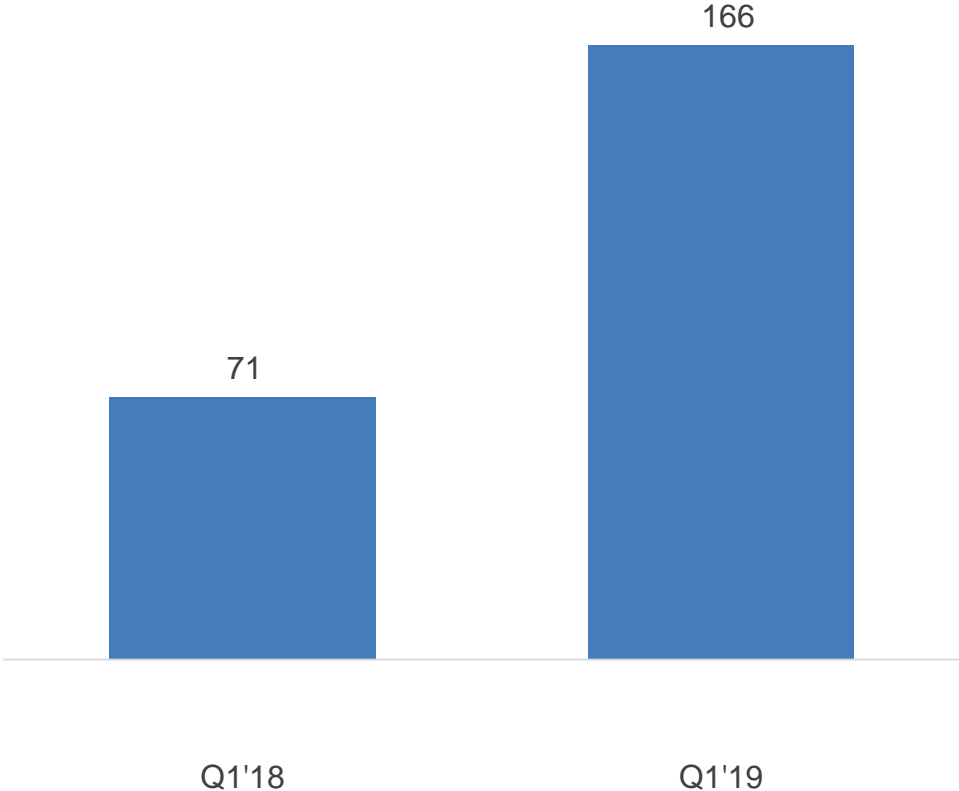
* Adjusted EBITDA excludes unrealized loss from fair value changes of equity securities and share-based compensation expenses. Pro forma adjusted EBITDA excludes investments in development teams, upscale brands hotel and IT capabilities in Q1'19.

Strategic Focus for 2019

- Fast Expansion in Hotel Network
- Innovative Technology Applications to Improve Guest Experience and Operational Efficiency
- Strategic Deployment in Upscale Segment

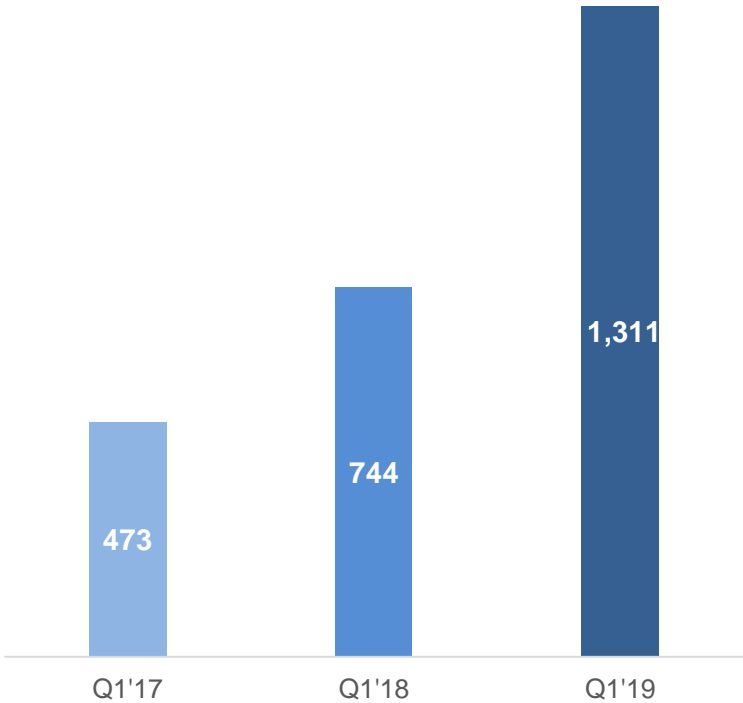
Strong Hotel Openings – 2 Hotels Net Added per Day in Q1'19

Hotel Openings (net)

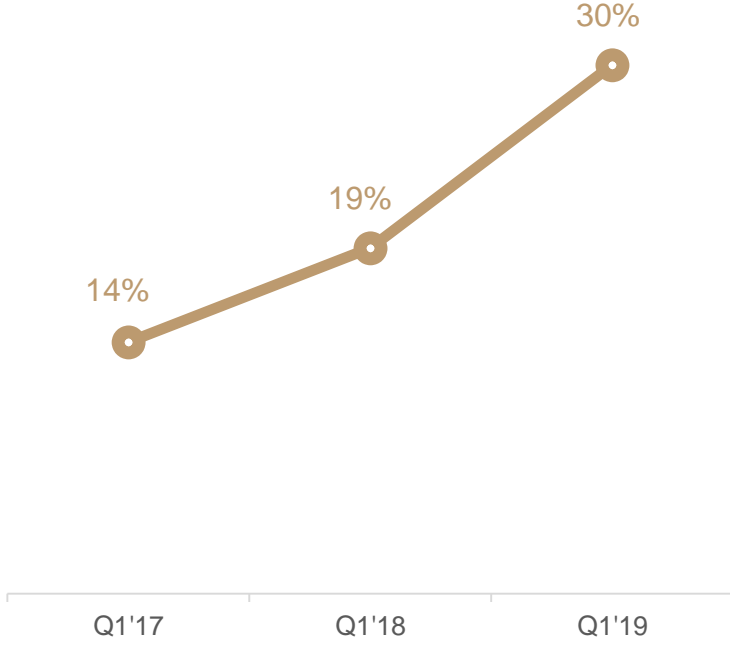


We Expect Future Hotel Expansion to Accelerate given Strong Growing Pipeline

Increasing Number of Hotels in Pipeline



Increasing Pipeline as % of Hotels in Operation



Strengthened Development Team



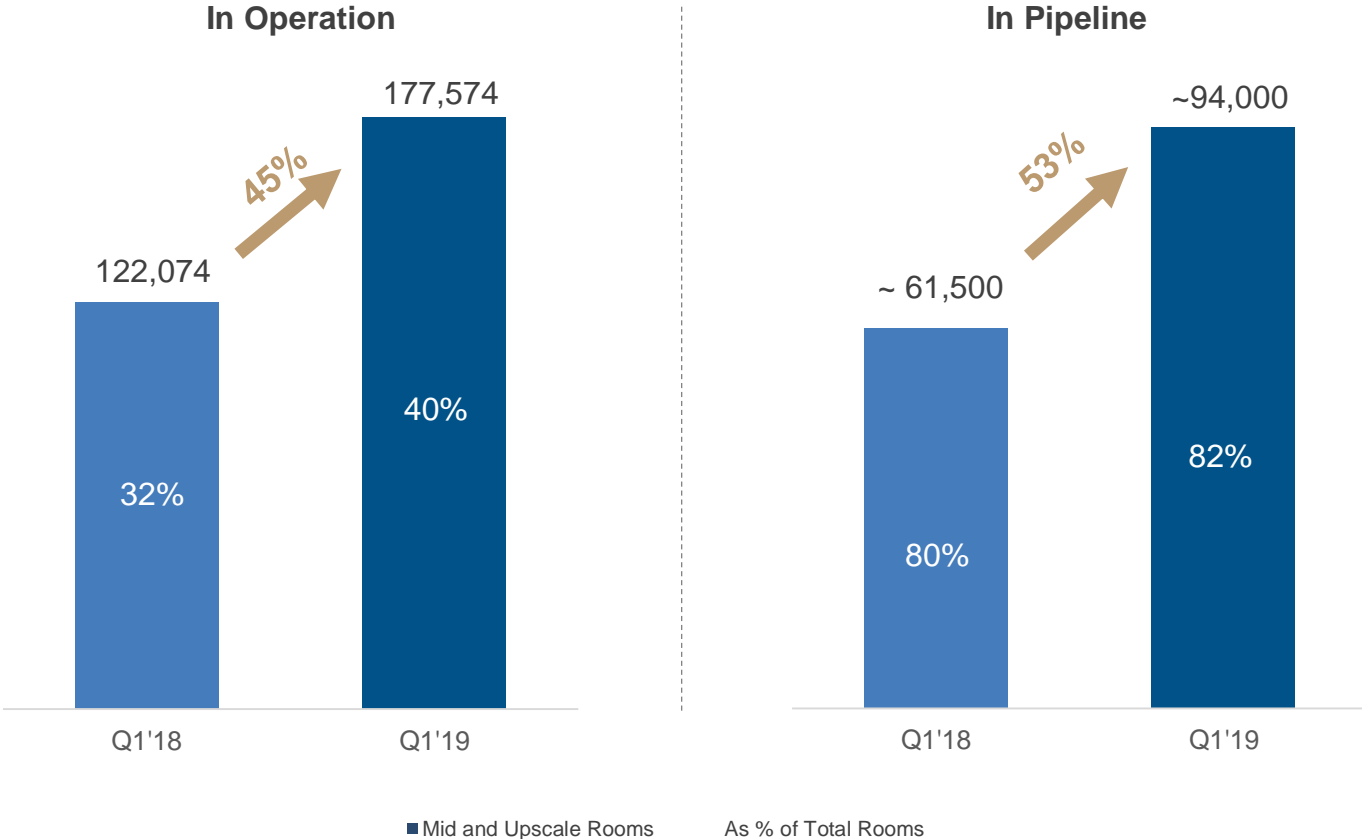
SUN Wu (孙武)

Global CDO

Group EVP

- Over 25 years in hospitality industry
- Joined Huazhu in 2016, served as Group EVP and CEO of Upscale Hotel Division. Previously served as General Manager of China Travel Service (Holdings) Hong Kong Limited
- Promoted to Global Chief Development Officer in April 2019
- M.S. and B.S. from The Hong Kong Polytechnic University

Fast Expansion in Midscale and Upscale Segments



Fragmented China's Lodging Market with 80% Independent Hotels; Re-accelerate Soft Brands to Consolidate Independent Hotels

- Brands – Hi Inn (海友), Elan (怡莱), Starway (星程), Madison (美仑, *new*)
- Supplement to Huazhu's core brands, soft brands are designed to consolidate independent hotels
- Expect to open 300-400 hotels in 2019



Innovative Technology Applications to Enhance Customer Interactions



Huazhu Rewards

- 126 million members, 76% room nights,
 - Huazhu App 36+ million total downloads, with over 500K DAU
 - 18+ million Wechat followers and 12+ million WeChat Mini Program users
- Breakdown Full-cycle Guest Experience into 16 Mobile Touch Points
 - “Online room selection” - 92% of customers praise, 20+ million customers used
 - AI chatbot: Over 15 million times of usage

Innovative Technology Applications to Enhance Customer Experiences and Operational Efficiency



Automatic Check In/Out

- 10 Seconds Speedy Check-In and Check-Out
- Facial Recognition and allows direct link to Public Security Bureau database
- 1500+ Hotel Coverage
- Every 2 machines replace 1 staff

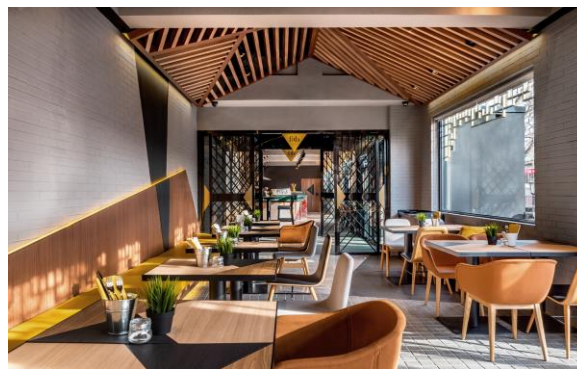
Innovative Technology Applications to Drive Cost Efficiency and Quality Consistency



Easy
Procurement

- Centralized procurement system
- Higher quality, lower cost
- More than 200 suppliers and 5000 SKU
- RMB400 million gross sales in 2019/Q1

Blossom Hill First Urban Hotel in Beijing Hou Hai in March 2019



- First urban hotel under Blossom Hill brand, converted from VUE brand
- Price range **RMB1,000-1,500/room night**
- RevPAR improved by **6.8%** year-over-year in April

Enhanced Leadership for Upscale Hotel Segment



XIA Nong (夏农)

Global CEO of Upscale Hotel Division

Group EVP

- Joined the Company in April 2019
- Over 20 years of international hospitality and travel management experience. Previously:
 - President and CEO, China, Groupe Pierre & Vacances et Center Pacs
 - Senior Vice President, Starwood Hotels and Resorts Worldwide - Greater China Region
 - Chief Vice President, Real Estate and Development, Hyatt Hotels

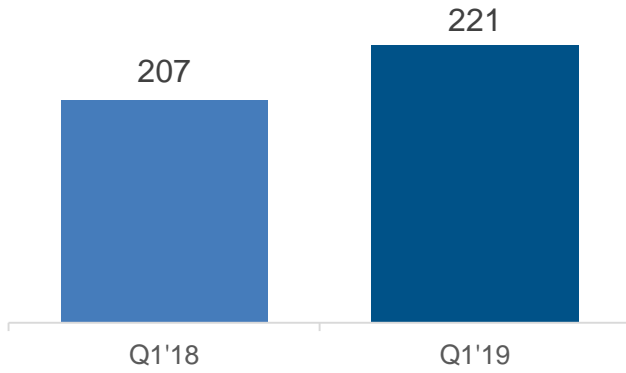
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Blended RevPAR Increased by 2.9% Driven by ADR Growth

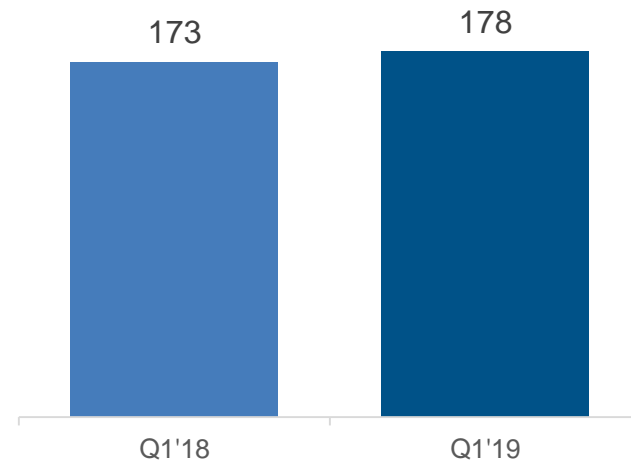
ADR Grew 6.9% in Q1'19

(RMB)

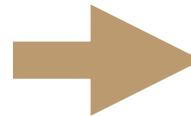
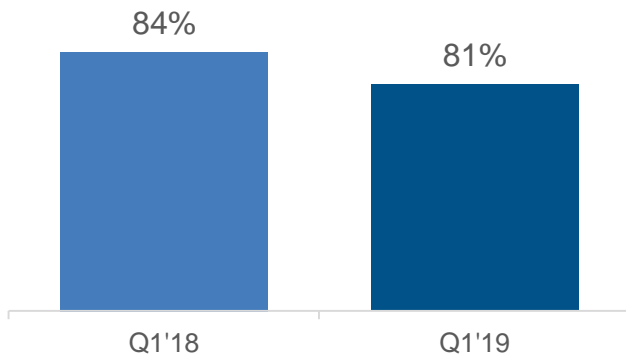


RevPAR Increased 2.9% in Q1'19

(RMB)

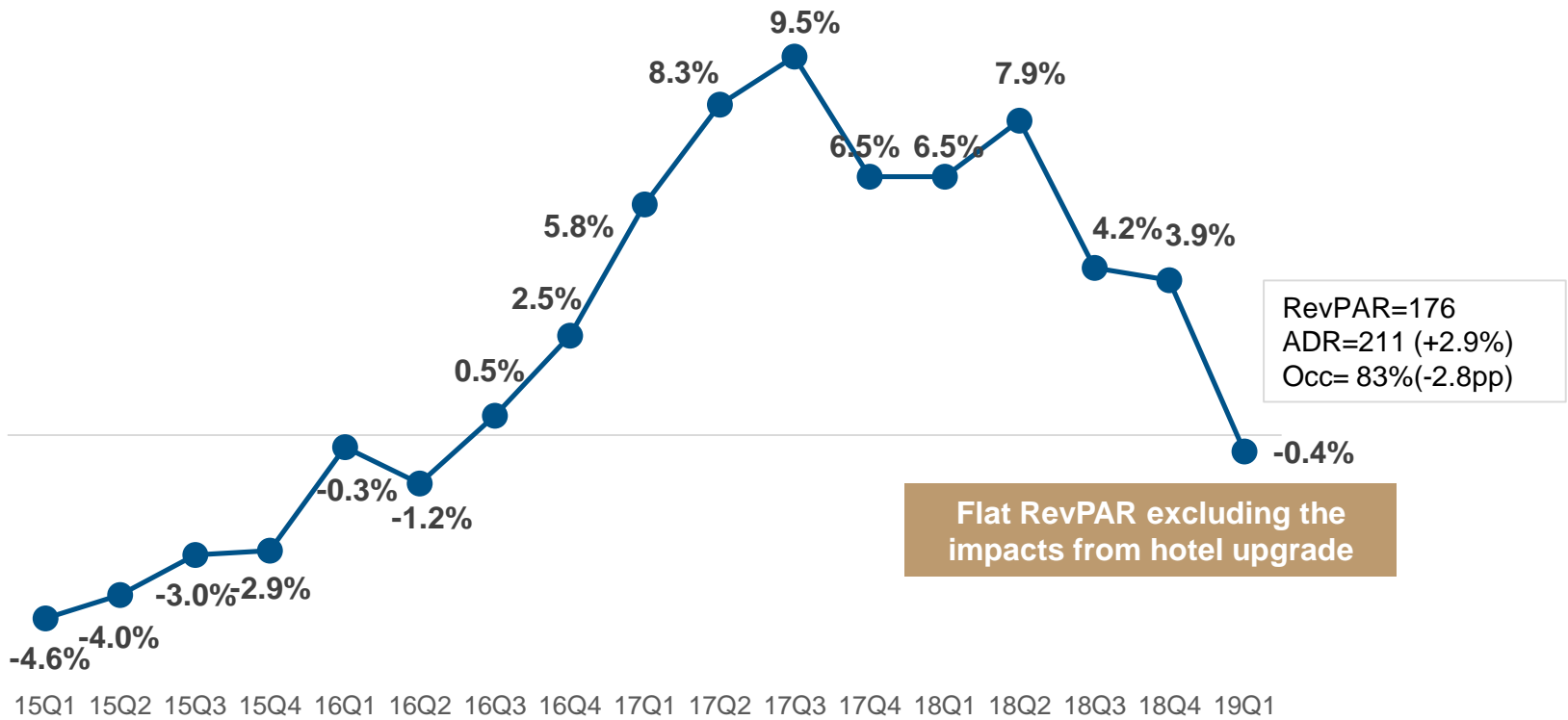


Occupancy Dropped 3.1 pp in Q1'19



Group Same-hotel RevPAR Growth Remained Flat in Q1'19

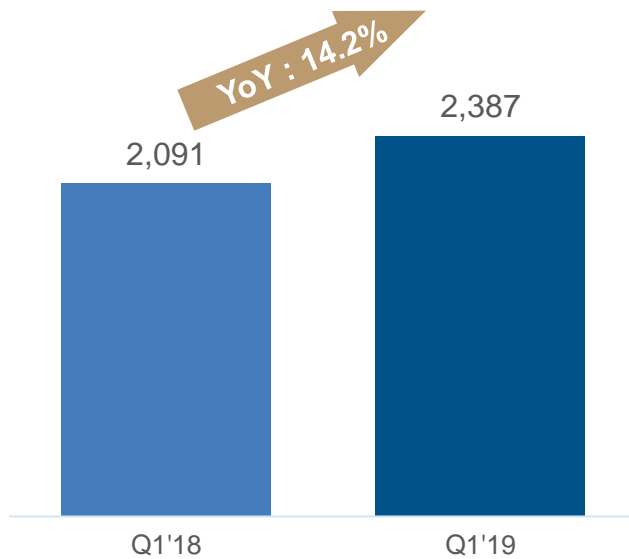
Quarterly Group Same-hotel RevPAR Growth



Q1 Net Revenues Increased 14.2%, in line with Guidance (13%-15%)

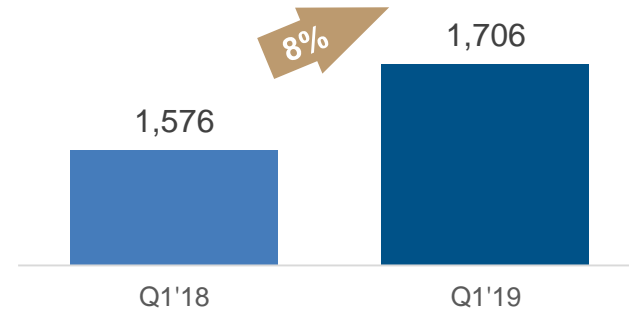
Net Revenues

(in RMB millions)



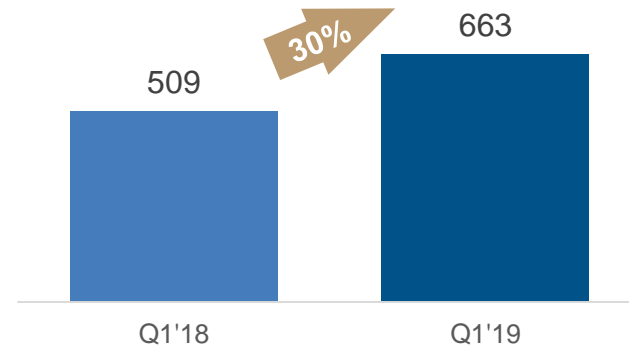
Net Revenues from Leased and Owned Hotels

(in RMB millions)



Net Revenues from Manachised and Franchised Hotels

(in RMB millions)

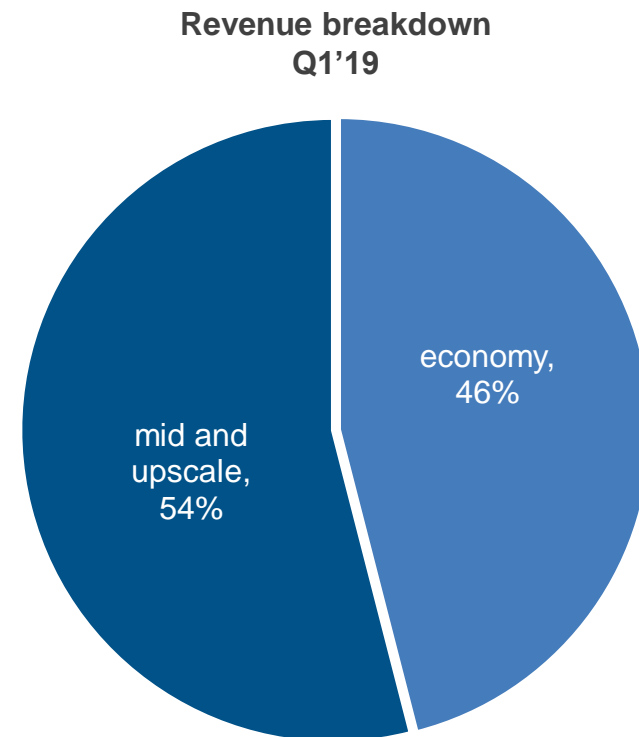
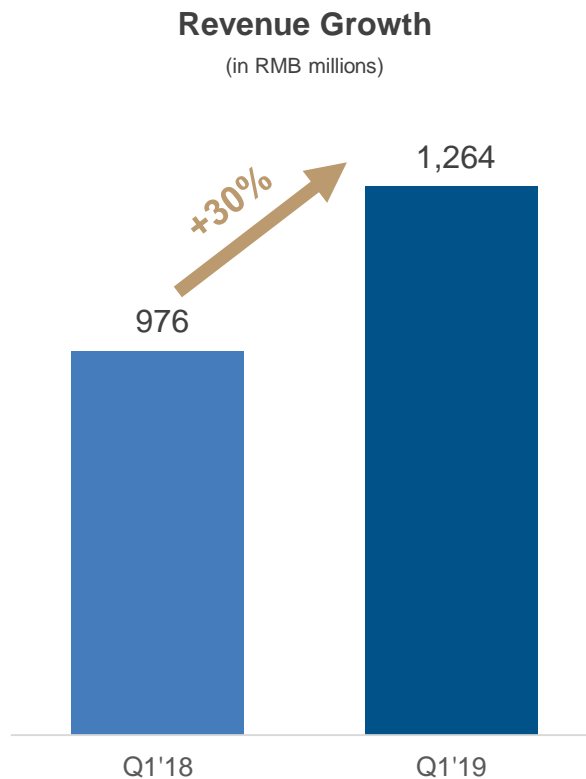


Manachised and Franchised Hotels Revenue
as % of Net Revenues

Q1'18	Q1'19
24.3%	27.8%

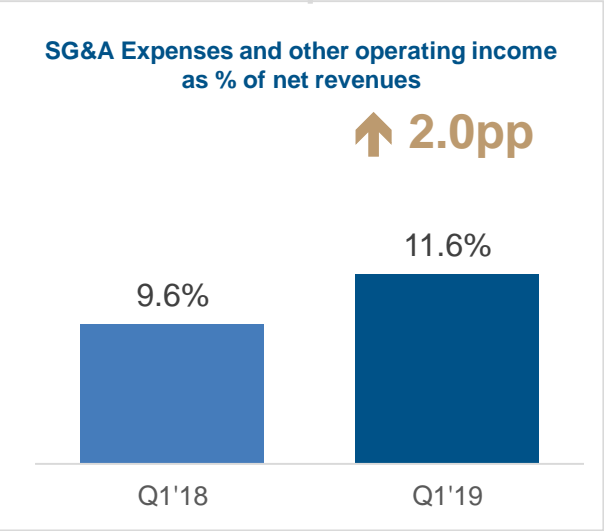
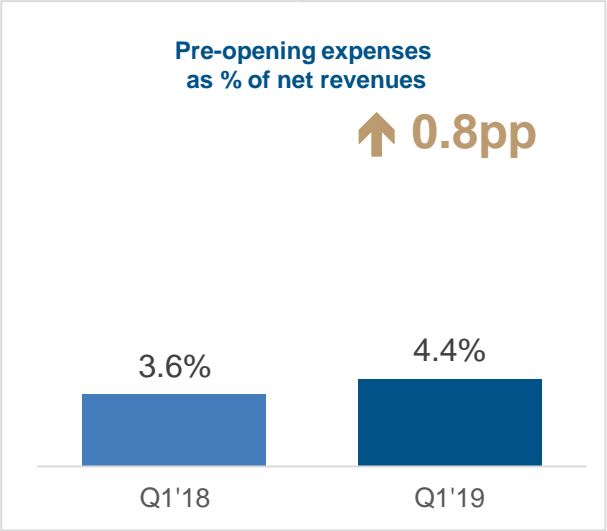
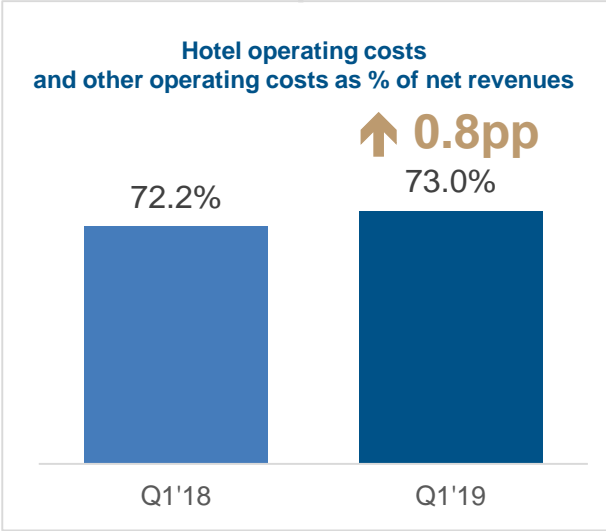
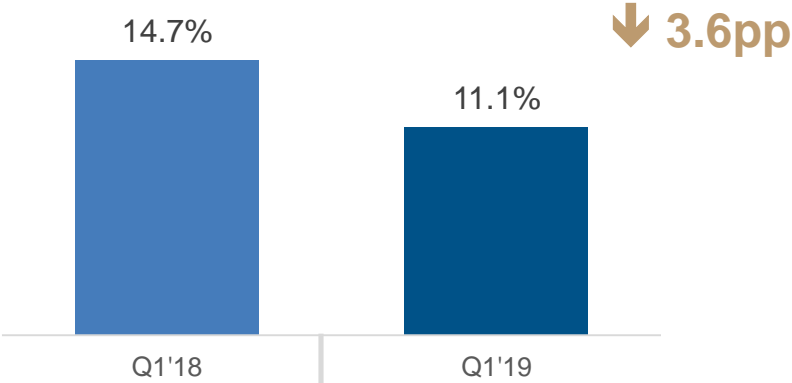
Increasing Revenue Contribution from Mid and Upscale Hotels

Revenues from Mid and Upscale Hotels Grew by 30%;
Mid and Upscale Hotels Revenues Contribution Increased by 7pp to 54%



Lower Operating Margin in Q1 2019 Due to Investment in Hotel Development Team, Upscale Hotels and IT Capabilities

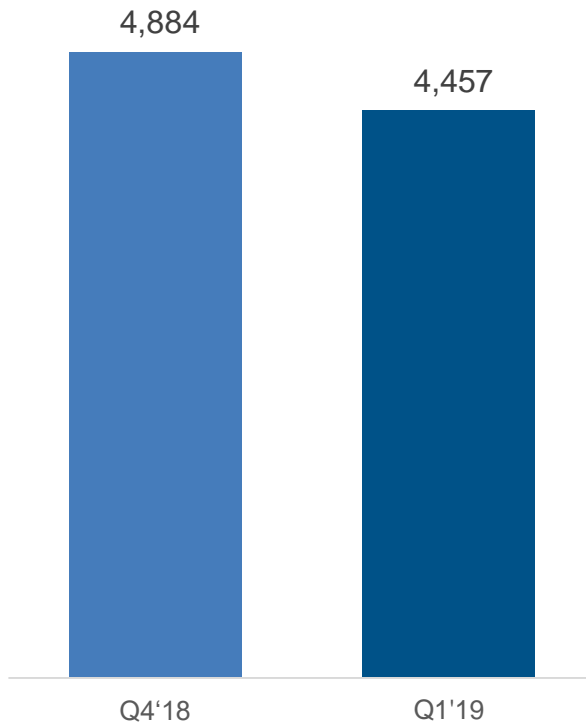
Income from Operations as % of Net Revenues



Strong Cash Balances Support Hotel Expansion and Capital Investments

Cash and Cash Equivalents

(in RMB millions)



- Cash dividend of RMB659 million paid to shareholders in Q1 2019
- Capital Expenditure RMB384 million in Q1 2019
- Use excess cash to repay RMB880 million bank borrowings subsequent to Q1 2019

Q2 2019 Guidance

Hotel Openings

- Raise gross opening target to 1,100-1,200 hotels
- To close about 200-250 hotels

Revenue Guidance

- Q2'19 net revenues to grow 13%-15%

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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		
	2017	2018	2017	2018	yoy change	2017	2018	yoy change	2017	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%

	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		
	2017	2018	2017	2018	yoy change	2017	2018	yoy change	2017	2018	yoy change
Economy hotels	2,425	2,425	178	185	4.1%	182	196	7.2%	98%	95%	-2.8%
Leased hotels	450	450	182	197	8.3%	192	208	8.5%	95%	94%	-0.2%
Manachised and franchised hotels	1,975	1,975	177	182	2.9%	180	192	6.7%	98%	95%	-3.5%
Midscale and upscale hotels	483	483	272	284	4.3%	308	323	5.0%	88%	88%	-0.5%
Leased and owned hotels	101	101	326	339	4.1%	356	374	5.1%	92%	91%	-0.9%
Manachised and franchised hotels	382	382	250	262	4.4%	288	302	4.9%	87%	87%	-0.4%
Total	2,908	2,908	199	207	4.2%	208	222	6.7%	96%	93%	-2.3%

	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		
	2017	2018	2017	2018	yoy change	2017	2018	yoy change	2017	2018	yoy change
Economy hotels	2,454	2,454	157	164	4.1%	174	183	5.3%	90%	89%	-1.1%
Leased hotels	440	440	165	177	7.7%	186	198	6.7%	89%	89%	0.8%
Manachised and franchised hotels	2,014	2,014	155	160	3.0%	171	179	4.8%	91%	89%	-1.6%
Midscale and upscale hotels	526	526	255	264	3.7%	311	322	3.9%	82%	82%	-0.1%
Leased and owned hotels	105	105	316	325	3.0%	367	384	4.4%	86%	85%	-1.2%
Manachised and franchised hotels	421	421	229	238	4.2%	284	295	3.7%	80%	81%	0.3%
Total	2,980	2,980	182	189	3.9%	206	216	4.9%	88%	87%	-0.8%

	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		
	2018	2019	2018	2019	yoy change	2018	2019	yoy change	2018	2019	yoy change
Economy hotels	2,481	2,481	152	152	0.1%	170	176	3.7%	89%	86%	-3.1%
Leased hotels	439	439	161	167	4.0%	181	191	5.4%	89%	88%	-1.1%
Manachised and franchised hotels	2,042	2,042	149	148	-1.1%	167	172	3.1%	89%	86%	-3.6%
Midscale and upscale hotels	708	708	240	237	-1.1%	306	310	1.3%	78%	76%	-1.9%
Leased and owned hotels	169	169	295	287	-2.8%	360	362	0.4%	82%	79%	-2.6%
Manachised and franchised hotels	539	539	216	216	-0.1%	281	286	2.0%	77%	75%	-1.6%
Total	3,189	3,189	176	176	-0.4%	205	211	2.9%	86%	83%	-2.8%

Number of Hotels in Operation Hotel Breakdown by Brands

	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 12/31/2018	As of 3/31/2019
Economy hotels	1,309	1,819	2,453	2,741	2,874	2,892	2,916
HanTing Hotel	1,226	1,648	2,003	2,181	2,244	2,283	2,303
Hi Inn	83	158	302	375	396	402	399
Elan Hotel		13	148	185	226	200	207
Orange Hotel					8	7	7
Midscale hotels and upscale hotels	116	176	310	528	872	1,338	1,480
Ji Hotel	68	117	186	284	390	553	611
Starway Hotel	46	55	118	136	174	212	230
Joya Hotel	1	3	3	6	6	6	6
Manxin Hotels & Resorts	1	1	2	2	11	24	28
HanTing Premium Hotel					5	74	91
ibis Hotel				72	100	137	149
ibis Styles Hotel				10	13	34	37
Mercure Hotel			1	15	20	39	45
Novotel Hotel				2	4	7	7
Grand Mercure Hotel				1	4	6	7
Orange Select					103	172	189
Crystal Orange					42	56	60
Blossom Hill						18	20
Total	1,425	1,995	2,763	3,269	3,746	4,230	4,396
Economy hotels	91.9%	91.2%	88.8%	83.8%	76.7%	68.4%	66.3%
Mid-upscale hotels	8.1%	8.8%	11.2%	16.2%	23.3%	31.6%	33.7%

Room Breakdown by Brands

	As of	As of	As of	As of	As of	As of
	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	3/31/2019
Economy hotels	185,959	238,156	260,557	266,145	261,037	262,040
HanTing Hotel	172,341	205,577	221,157	223,121	220,646	221,825
Hi Inn	12,551	21,340	25,600	26,063	25,403	25,218
Elan Hotel	1,067	11,239	13,800	16,120	14,266	14,275
Orange Hotel				841	722	722
Midscale hotels and upscale hotels	23,996	40,687	70,790	113,530	161,710	177,574
Ji Hotel	17,052	27,559	39,664	53,054	72,370	79,024
Starway Hotel	6,321	12,138	13,206	16,914	18,878	20,189
Joya Hotel	515	515	1,131	1,131	1,250	1,250
Manxin Hotels & Resorts	108	236	78	1,150	1,901	2,199
HanTing Premium Hotel				446	6,656	8,410
ibis Hotel			10,251	13,474	16,575	17,653
ibis Styles Hotel			1,614	1,841	4,279	4,732
Mercure Hotel		239	4,026	4,664	8,510	9,356
Novotel Hotel			629	1,697	2,512	2,512
Grand Mercure Hotel			191	882	1,304	1,452
Orange Selected				12,648	19,863	22,576
Crystal Orange				5,629	7,150	7,618
Blossom Hill					462	603
Total	209,955	278,843	331,347	379,675	422,747	439,614
Economy rooms	88.6%	85.4%	78.6%	70.1%	61.7%	59.6%
Mid-upscale rooms	11.4%	14.6%	21.4%	29.9%	38.3%	40.4%



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