



Huazhu Group Limited (NASDAQ: HTHT)

Fourth Quarter and Full Year of 2019 Earnings Call

March 26, 2020

Agenda

- **2019 Strategy Review**
- COVID-19 Outbreak
- 2019 Operational and Financial Review
- Financial Impacts and Guidance
- Q and A
- Appendix

Our Achievements in 2019

Key priorities

Achievements

01

Fast Expansion in Hotel Network

- Gross opening of 1,715 hotels VS planned gross opening of 1,100-1,200
- Pipeline grew to 2,262 (2019 year-end) VS 1,105 (2018 year-end)

02

Innovative Technology Applications to Improve Guest Experience and Operational Efficiency

- Online booking increased to 40% from 35% in 2018
- Online payment increased to 53% from 47% in 2018
- Huazhu online procurement GMV RMB 3.8 billion (+72% vs 2018)

03

Strategic Deployment in Upscale Segment

- Blossom Hill – 4 hotels opened in 2019
- Joya – 2 hotels opened in January 2020
- Deutsche Hospitality- acquisition completed in January 2020

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疫情对行业影响

Industry Impact

华住的坚守

Huazhu Persistence

一线员工保留、不减薪

No layoff, No pay cut on hotel staff

坚持开店、提供安心房

Keep hotels open for customers

加盟商

Our franchisees

继续奋斗
Keep striving

Huazhu Co-Presidents



Hui Jin
Co-President

- President of Huazhu Group since 2016.
- Served as Chairman and CEO of Cjia Apartments (a member of Huazhu Group), Chief Development Officer of Huazhu and various other roles in development and engineering
- Joined the company since its inception in 2005
- EMBA from CEIBS



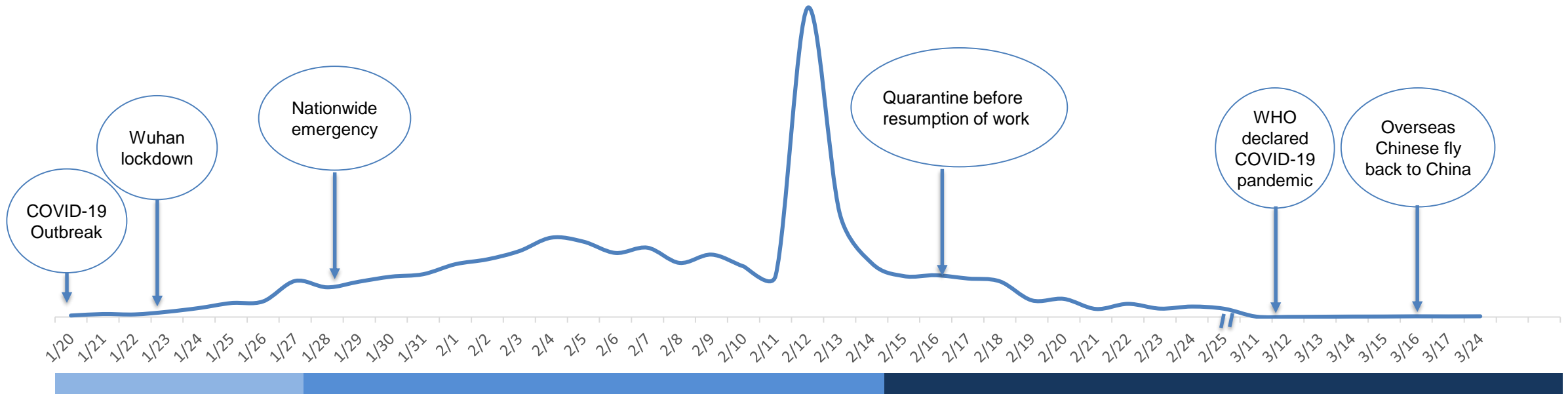
Xinxin Liu
Co-President

- Co-President of Huazhu Group since 2019.
- Joined Huazhu in 2012 and served as Chief Information Officer and Chief Digitalization Officer. Founded H World, an IT company incubated by Huazhu, and served as CEO.
- Winner of 2019 Global Top CIO 100 Award
- Master from Fudan University



Huazhu's Battle against COVID-19

— new confirmed cases in China



Stage 1: Swift response

- 18 command centers
- Procure emergency hotel safety supplies and deliver to hotels
- Get hotel managers back to hotels
- Staff training on SOP for prevention

Stage 2: Mobilized on-site efforts

- Hotels for medical staff, suspicious quarantine, emergency-related response teams, logistics, etc
- Sales package of “安心住”:
 - ✓ 26-steps cleaning process
 - ✓ Intelligent non-contact services
 - ✓ COVID-19 health insurance for staff and customers

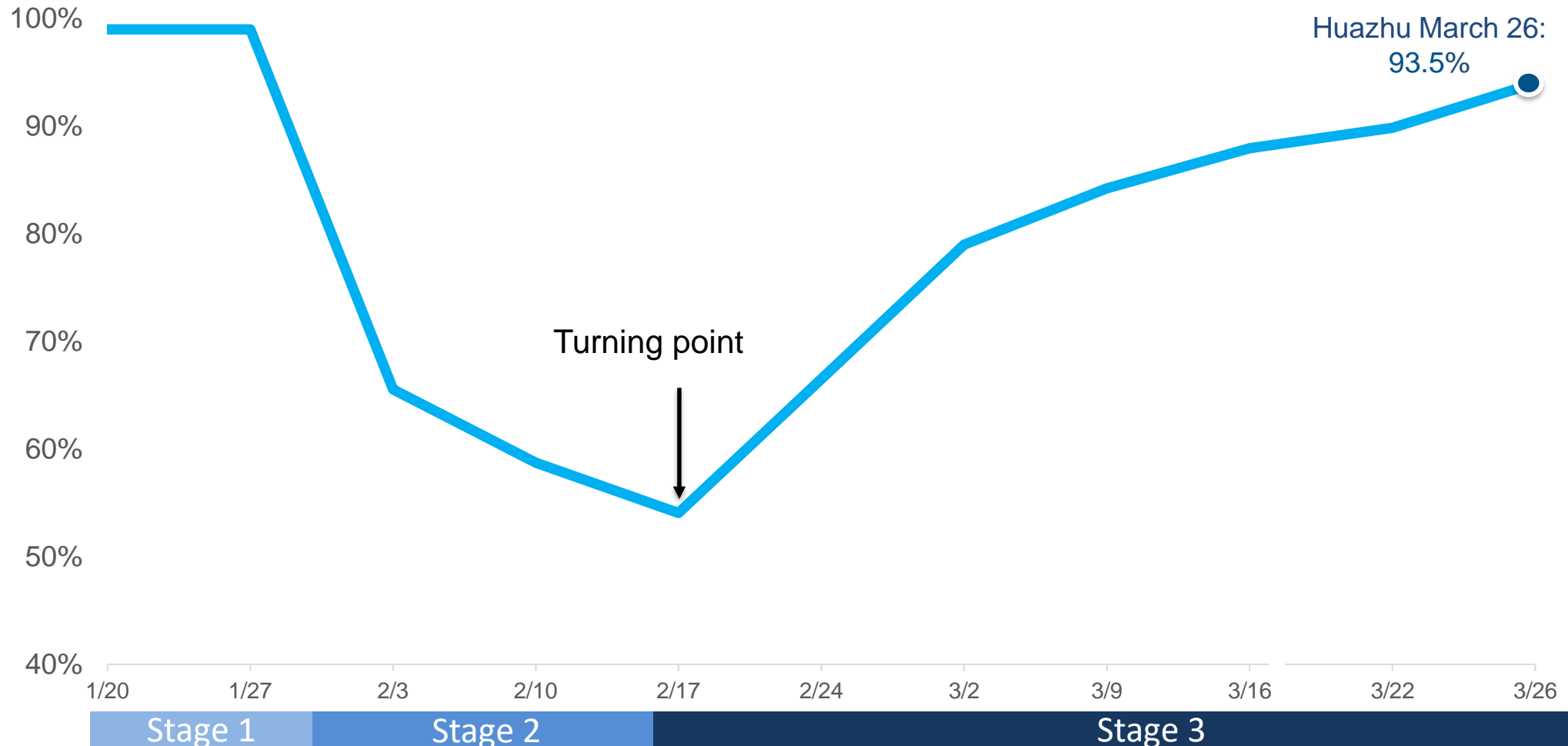
Stage 3: Multi-channel sales and hotel re-opening

- All staff sales
- Support to hotel reopening
- Assisting franchisees in obtaining bank loans
- Legal support and counselling

A Battle to Revive - Getting Through the Lowest Point

93.5% hotels in operation...

Operational hotels %*

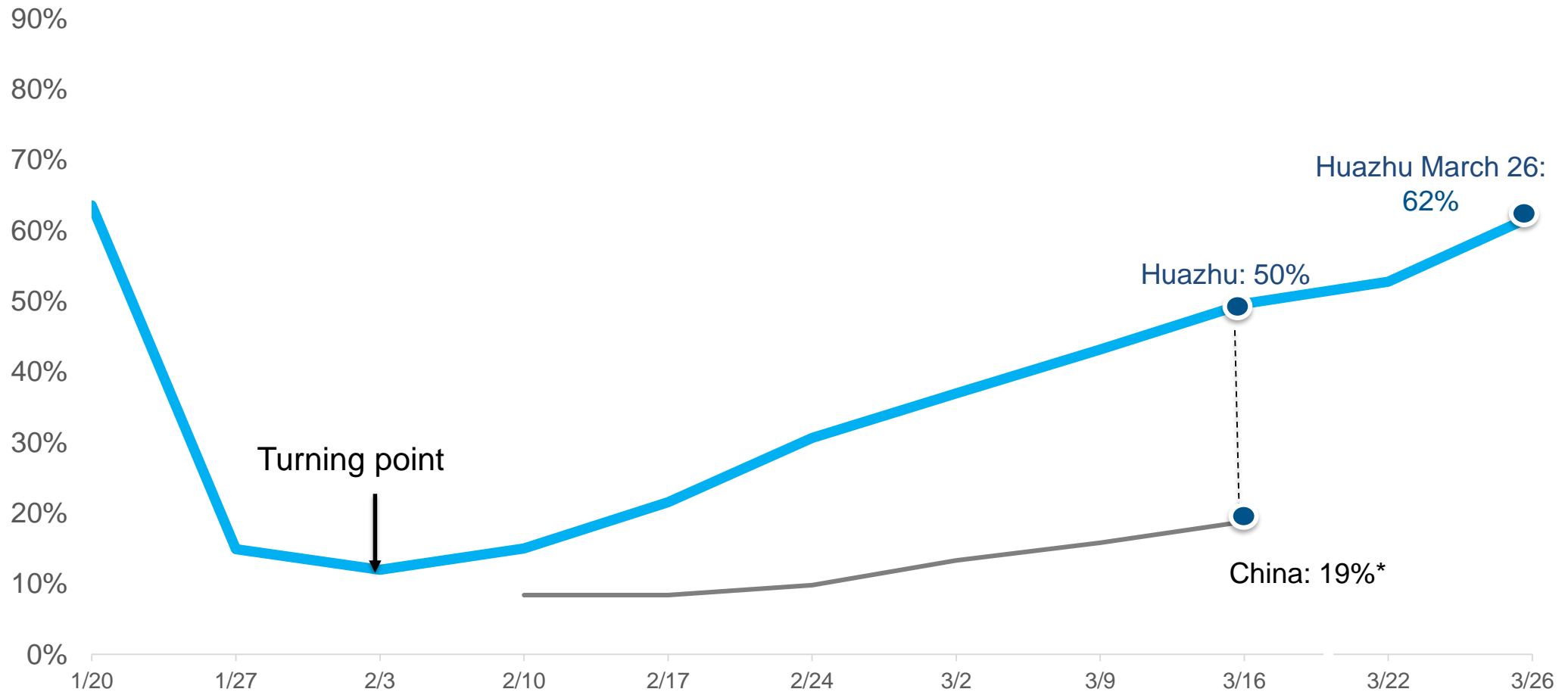


* Operational hotels % = number of hotels in operation excluding requisitioned hotels / number of hotels in total.

A Battle to Revive - Getting Through the Lowest Point

...Occupancy of 62%

Occupancy for operational hotels



* STR China hotels, weekly data

Letters from Our Franchisees

*“... In spite of the difficulties in logistics during lockdown, Huazhu’s **timely provision of emergency hotel safety supplies** made it possible to keep my hotel open for my guests ...”*

Mr. DUAN Yiping
Hotel owner of HanTing Hotel, Yizhuang Development Zone, Beijing

Letters from Our Franchisees

*“... I am grateful to Huazhu’s **on-site sales team**. They went all-out to help fill my rooms when the OTA traffic slowed. Now, my hotel **occupancy hits 75%**, about **30% higher** than the branded chain hotel next door. Joining Huazhu is my smartest choice ...”*

Mr. LIU Huanghui
Hotel owner of HanTing Hotel, Huizhou Ancient Town, Huangshan

Sales Package to Capture Evolving Needs



搜索您要入住的酒店

商城 签到 商旅

安心住
华住会疫情保障服务

- 26-steps cleaning process
- Intelligent non-contact services
- COVID-19 insurance for members



返工房安心住

需要住多天? 我们为您提供“多项疫情服务保障和连续入住优惠”

[了解详情>](#)

Rooms for Returning Workers



华住会

游子思乡归安心住好店

关爱险、消毒包、折上85折净新房全力守护健康

华住会为您提供以下服务

- 连住优惠
- 净新房
- 无接触服务
- 关爱包
- 关爱险
- 在线问诊

Rooms for Inbound Travelers

Intelligent Non-contact Services

Online payment & room selection



> **6 million** online payment orders
1.7 million times of online room selection

Self-service check in/out



> **1 million** times of self-service check in

Food and supplies delivery by robots



~**240,000** times of robot delivery

Technology-enabled Efficient Administration Platform



H-Tone (华通)
Huazhu Work App



- **Timely and complete** Epidemic Prevention SOP Guidelines
- **100,000** staff health and travel online reports for quick identification
- **24-hour hotline** employee psychological counseling
- **Twice a day** hotel reports **x ~6,000** hotels

Customers and Staff Cross Infection at Our Hotels

0

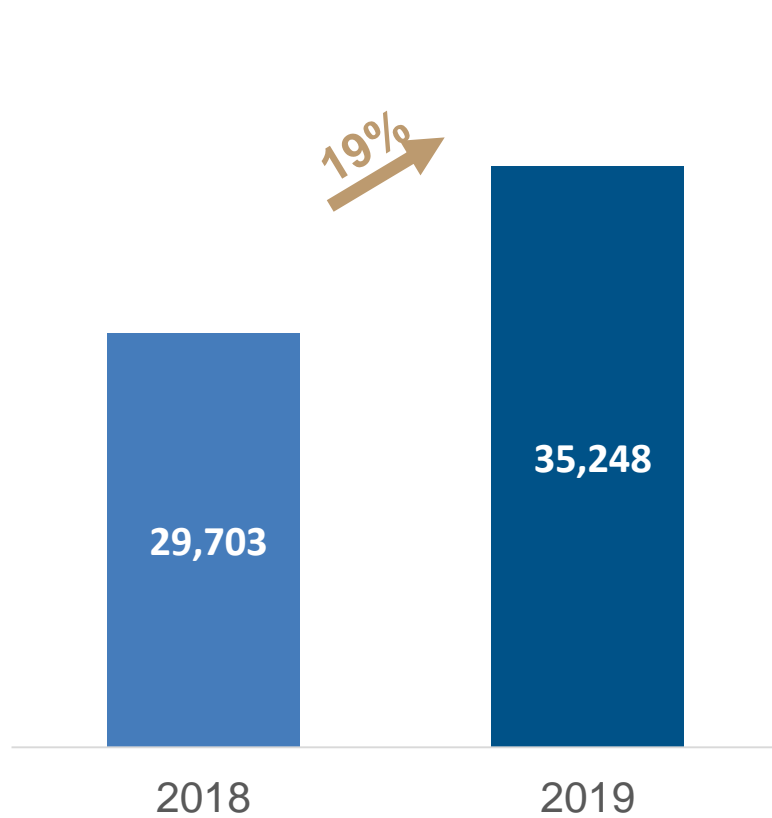
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Hotel Turnover Growth Driven mainly by Hotel Network Expansion

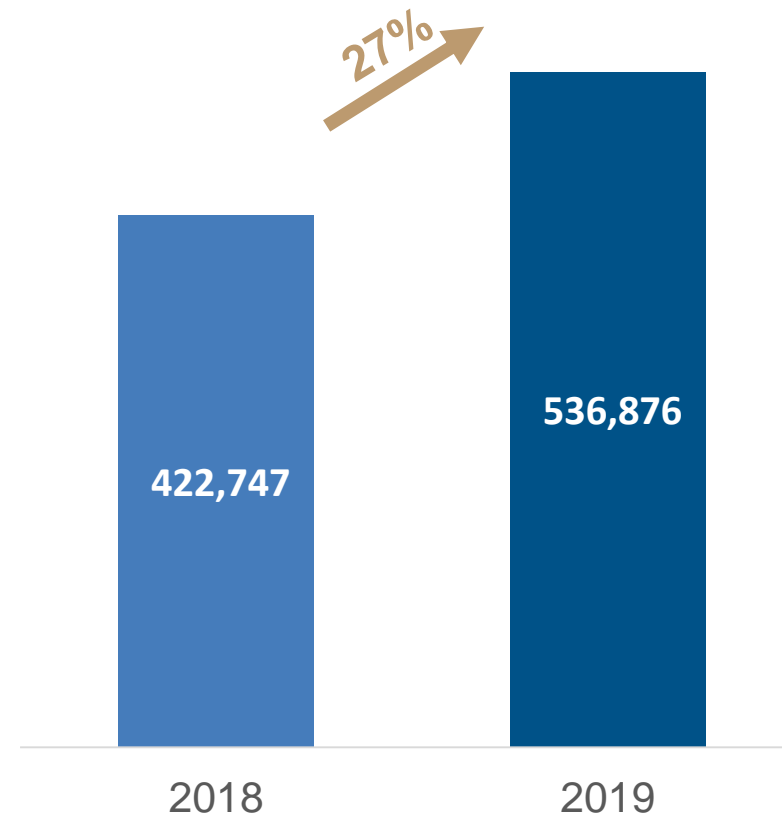
Hotel Turnover

(in RMB millions)



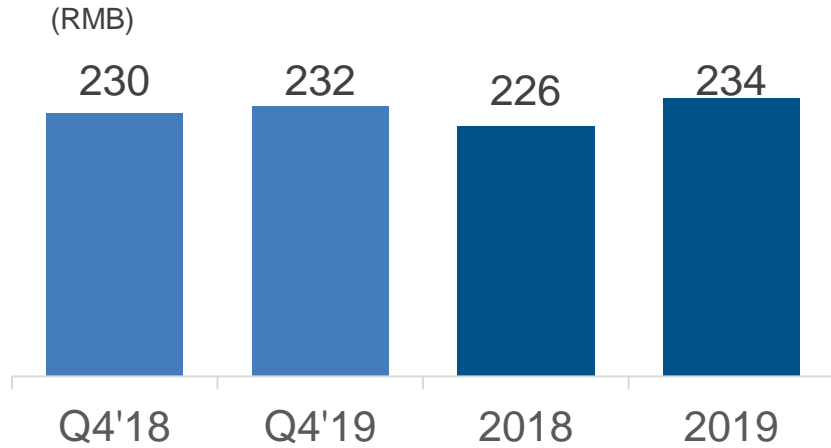
Hotel Network Expansion

(Number of rooms in operation)

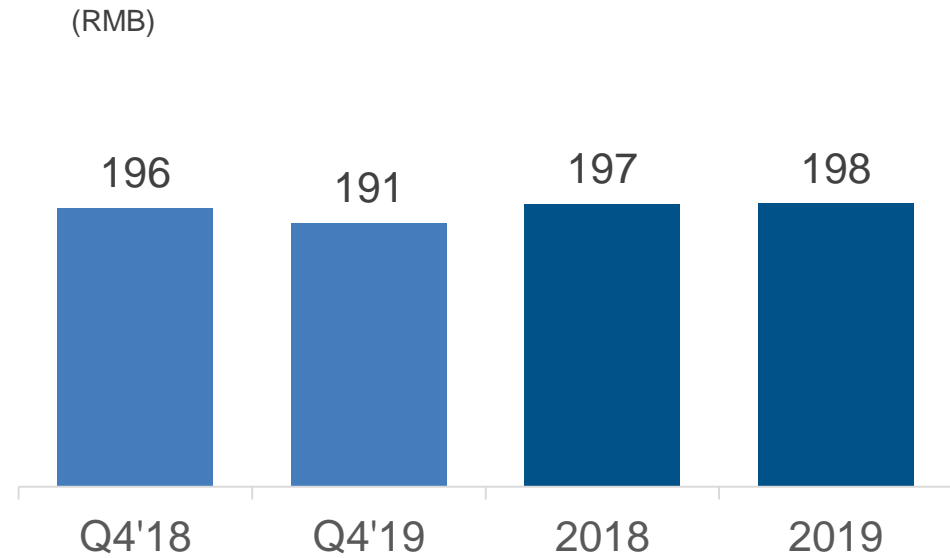


Blended RevPAR Stable in 2019

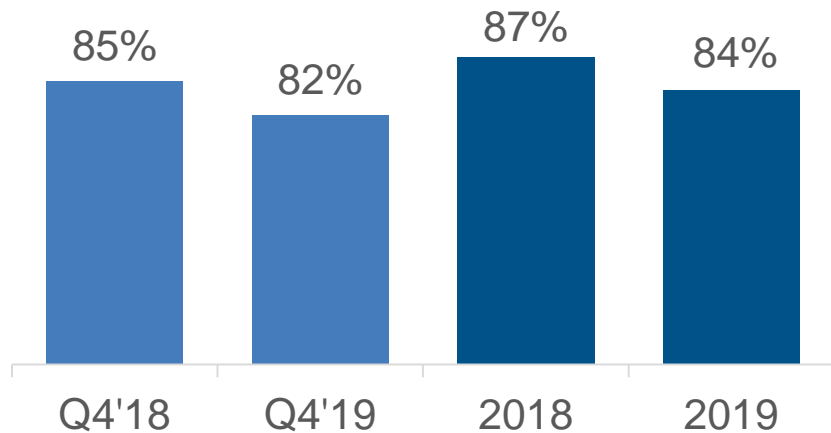
ADR Grew 0.9% in Q4'19 and 3.6% in 2019



RevPAR Dropped 2.7% in Q4'19 and Increased 0.1% in 2019

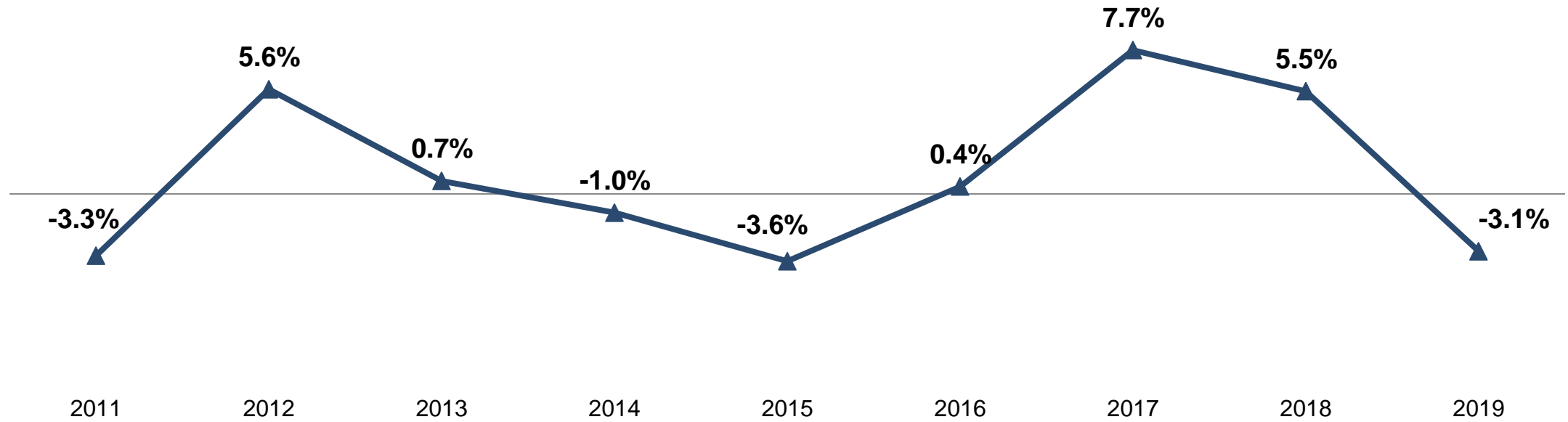


Occupancy Dropped 3.0 pp in Q4'19 and 3.0 pp in 2019

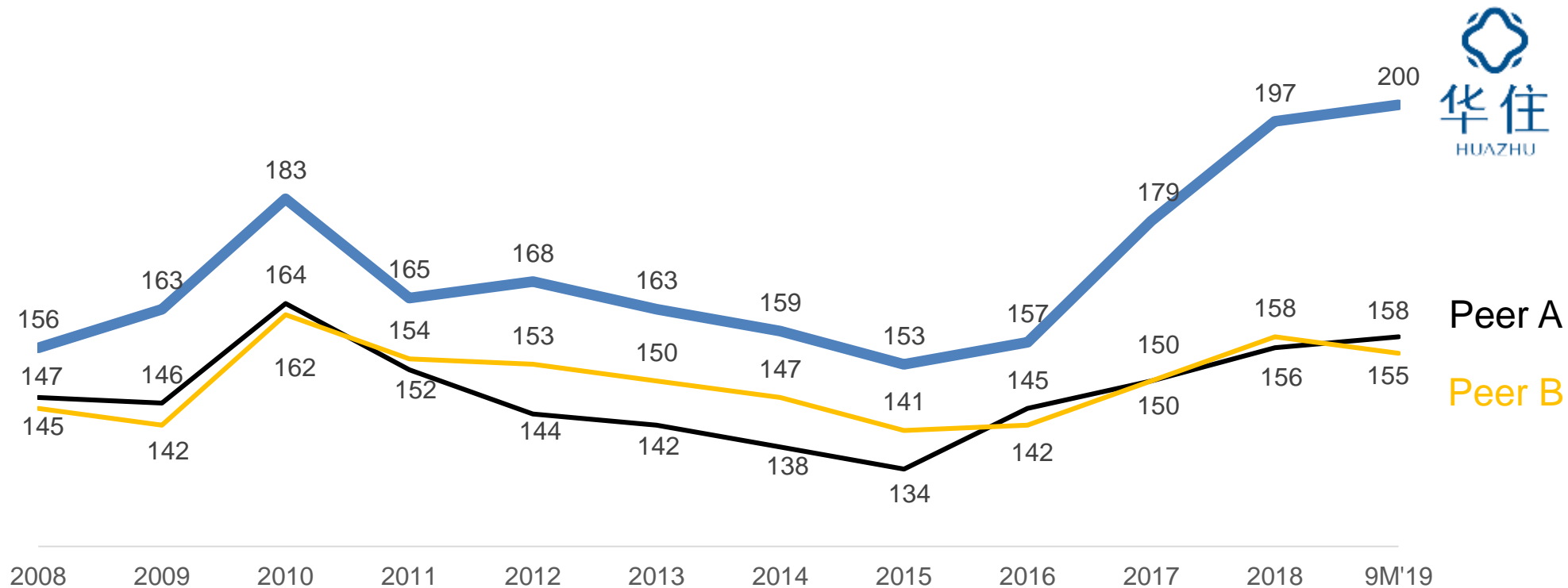


Excluding our soft brands, RevPAR dropped 0.5% in Q4'19 and increased 0.8% in 2019

Same-hotel RevPAR Declined in 2019



Huazhu's Blended RevPAR Outperformed Peers

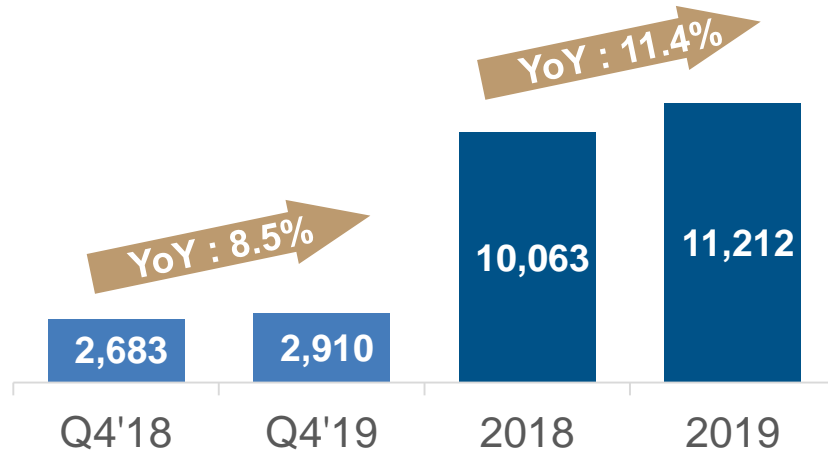


Peer A and B have not released RevPAR for Q4 2019.

Net Revenues: Q4 +8.5%, FY +11.4%

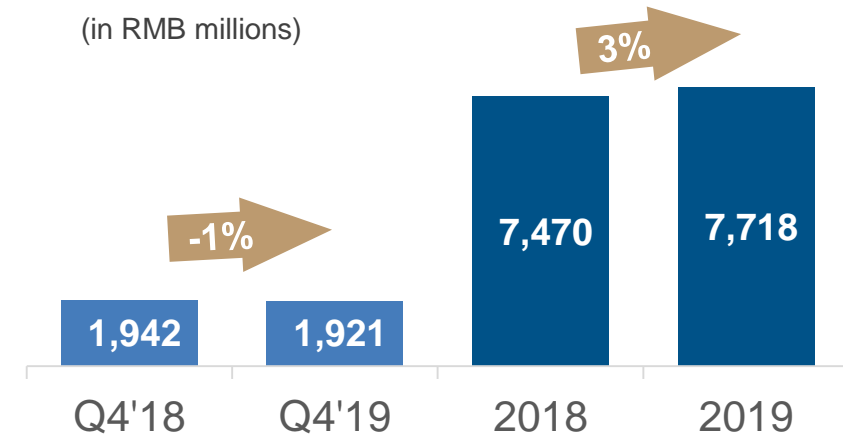
Net Revenues

(in RMB millions)



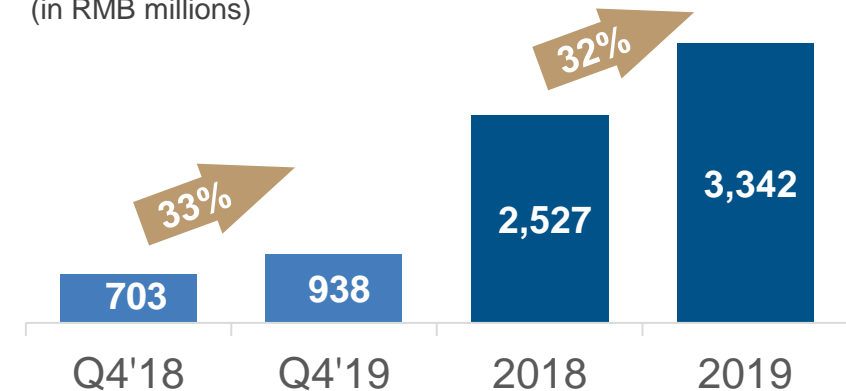
Net Revenues from Leased and Owned Hotels

(in RMB millions)



Net Revenues from Manachised and Franchised Hotels

(in RMB millions)



Manachised and Franchised Hotels
Revenue as % of Net Revenues

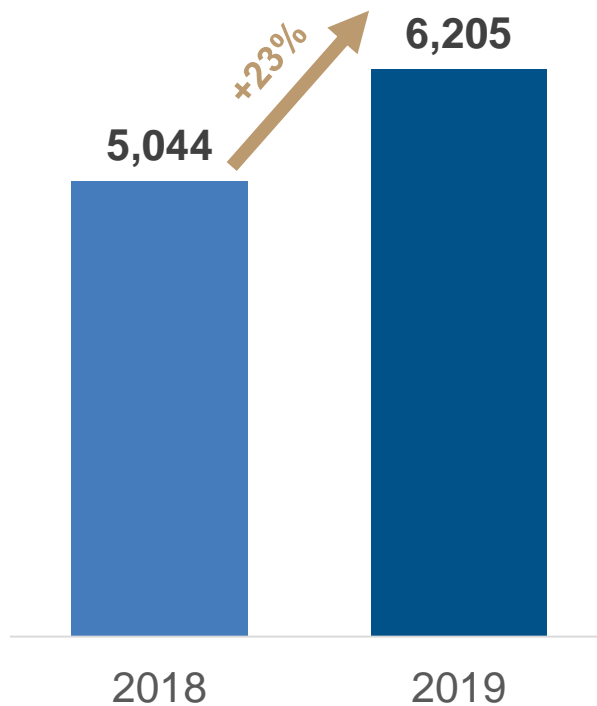
Q4'18	Q4'19	FY 18	FY 19
26.2%	32.2%	25.1%	29.8%

Increasing Revenue Contribution from Mid and Upscale Hotels

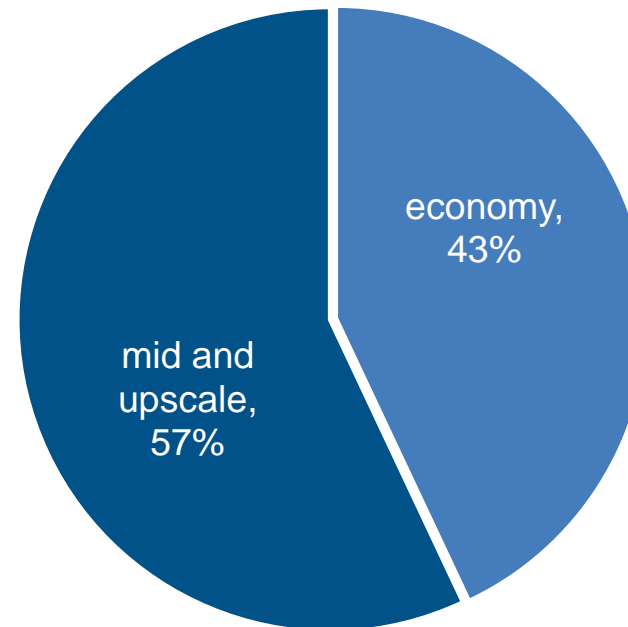
Revenues from Mid and Upscale Hotels Grew by 23%;
Mid and Upscale Hotels Revenues Contribution Increased by 7pp to 57%

Revenue Growth Continued

(in RMB millions)

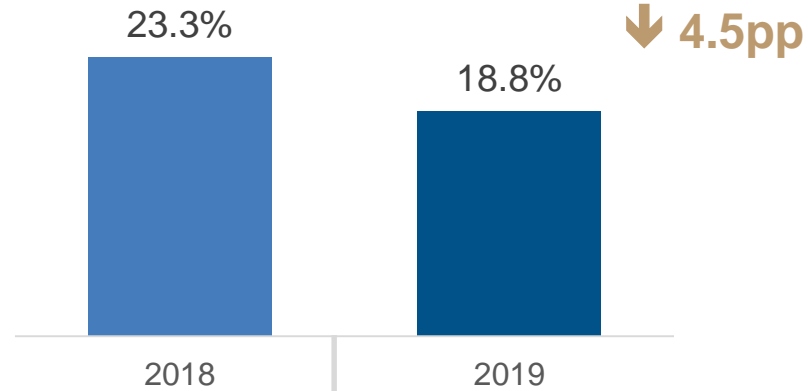


Revenue split by Segment
2019

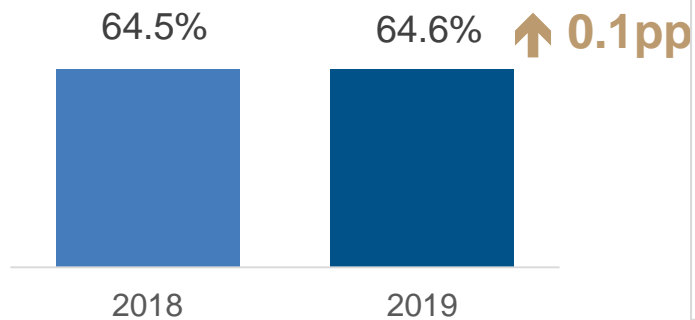


2019 Operating Margin Decreased by 4.5pp

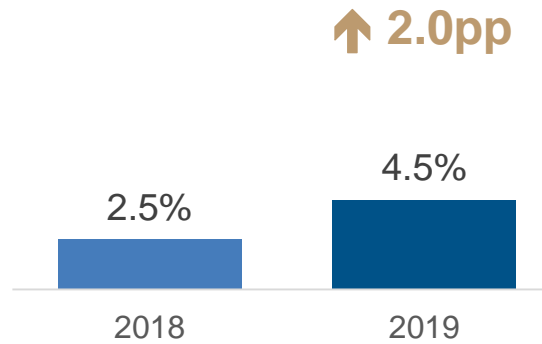
Income from Operations as % of Net Revenues



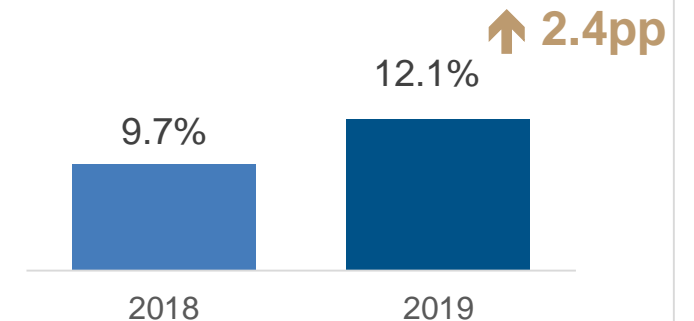
Hotel operating costs and other operating costs as % of net revenues



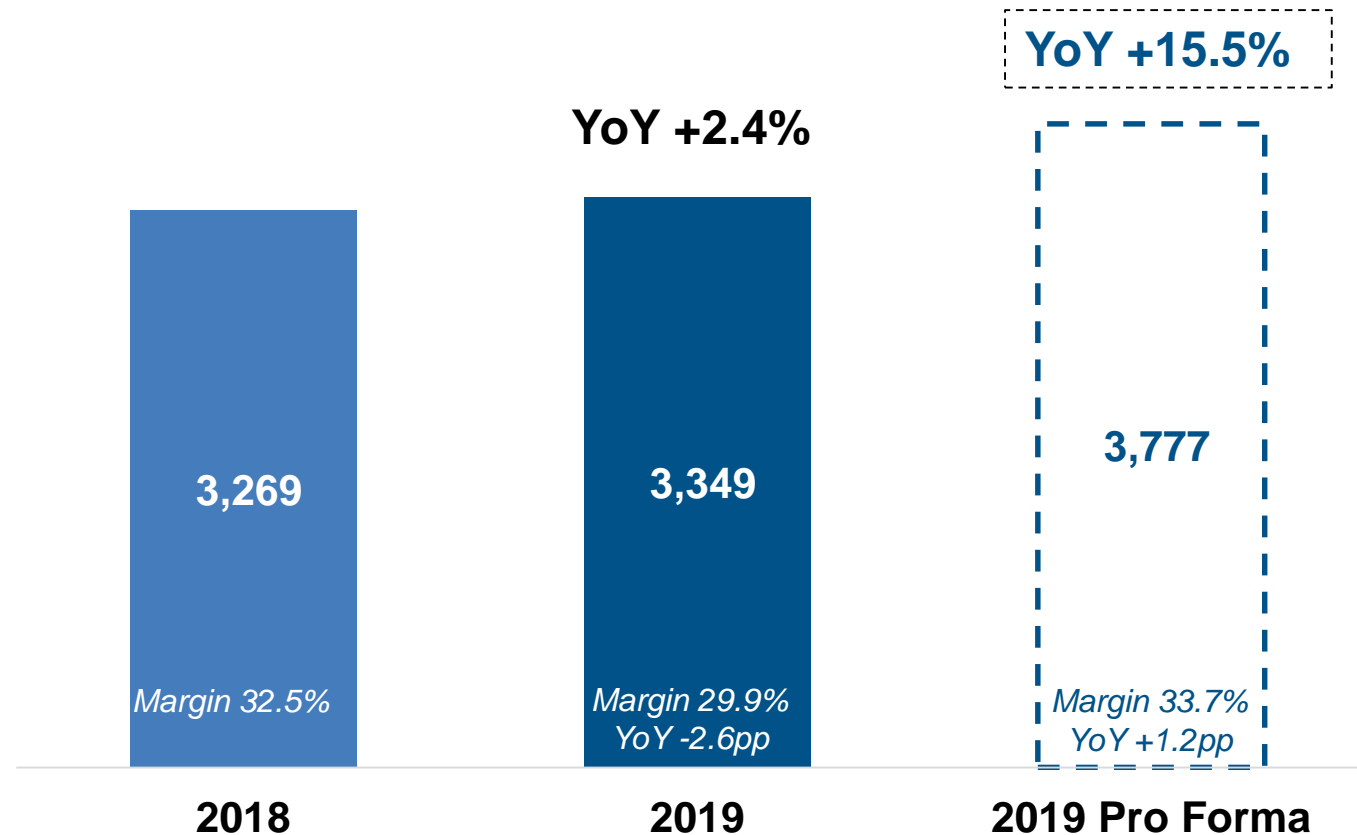
Pre-opening expenses as % of net revenues



SG&A Expenses and other operating income as % of net revenues



Pro Forma Adjusted EBITDA +15.5%, Margin +1.2pp



• Adjusted EBITDA excludes unrealized gain/ (loss) from fair value changes of equity securities and share-based compensation expenses. Pro forma adjusted EBITDA excludes investments in development teams, upscale brand hotels, IT capabilities during 2019.

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Financial Impact – China Business

- Expected to impact 2020 Q1 and Q2 revenue
- Costs and Cash Flow Mitigation Measures
 1. Reduce/defer rental payments;
 2. Reduce/eliminate discretionary spending
 3. Streamline head-office, adjust hotel staff to occupancy
 4. Reduce/postpone capital expenditures
- Liquidity
 1. Refinanced bank loan of US\$500 million due in May 2020 with new facility due in December 2022
 2. Obtained written waiver for the next 12 months from three arranger banks, proceeding to obtain waivers from participating banks in April 2020
 3. Banks increased support – lower interests rates, unutilized bank facilities of **RMB2.1 billion** at March 26, 2020

Financial Impact - Deutsche Hospitality

Impacts

- Exceeded monthly revenue budget in January and February, 2020
- Closed 73% hotels on government instructions
- Expect significant business decline in Q2

Mitigation

- Discuss with landlords to defer rental payments
- Place staff on temporary furlough, freeze headcounts, etc.
- Reduce or eliminate discretionary corporate spending, and capital expenditures, etc.
- German government wage compensation for short-term contracted staff
- Active discussion with banks to extend credit lines

Guidance

Q1 2020

- Q1'20 net revenues to decline
 - 15% to 20% or
 - 45% to 50% if excluding the addition of Deutsche Hospitality

Full year 2020

- Gross opening target of about 1,600-1,800 hotels
- Closure of 350-450 hotels, including planned closure of 300-350 hotels and special closure of 50-100 hotels impacted by COVID-19
- No full year revenue guidance given the uncertainties amid the pandemic

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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		yoy change	For the quarter ended		yoy change	For the quarter ended		yoy change (p.p.)
	March 31,		March 31,			March 31,			March 31,		
	2018	2019	2018	2019		2018	2019		2018	2019	
Economy hotels	2,481	2,481	152	152	0.1%	170	176	3.7%	89.0%	86.0%	-3.1%
Leased hotels	439	439	161	167	4.0%	181	191	5.4%	89.0%	88.0%	-1.1%
Manachised and franchised hotels	2,042	2,042	149	148	-1.1%	167	172	3.1%	89.0%	86.0%	-3.6%
Midscale and upscale hotels	708	708	240	237	-1.1%	306	310	1.3%	78.0%	76.0%	-1.9%
Leased and owned hotels	169	169	295	287	-2.8%	360	362	0.4%	82.0%	79.0%	-2.6%
Manachised and franchised hotels	539	539	216	216	-0.1%	281	286	2.0%	77.0%	75.0%	-1.6%
Total	3,189	3,189	176	176	-0.4%	205	211	2.9%	86.0%	83.0%	-2.8%

	Number of hotels in operation		Same-hotel RevPAR			Same-hotel ADR			Same-hotel Occupancy		
	As of		For the quarter ended		yoy change	For the quarter ended		yoy change	For the quarter ended		yoy change (p.p.)
	June 30,		June 30,			June 30,			June 30,		
	2018	2019	2018	2019		2018	2019		2018	2019	
Economy hotels	2,489	2,489	175	171	-2.0%	185	187	0.9%	94.3%	91.6%	-2.7
Leased hotels	424	424	189	191	0.6%	202	206	2.1%	94.0%	92.7%	-1.4
Manachised and franchised hotels	2,065	2,065	171	166	-2.7%	181	182	0.6%	94.4%	91.3%	-3.0
Midscale and upscale hotels	788	788	278	272	-2.4%	325	323	-0.7%	85.5%	84.1%	-1.4
Leased and owned hotels	179	179	346	334	-3.5%	392	383	-2.2%	88.5%	87.3%	-1.2
Manachised and franchised hotels	609	609	251	247	-1.8%	298	298	0.0%	84.3%	82.8%	-1.5
Total	3,277	3,277	206	202	-2.1%	225	226	0.4%	91.7%	89.3%	-2.3

	Number of hotels in operation		Same-hotel RevPAR			Same-hotel ADR			Same-hotel Occupancy		
	As of		For the quarter ended		yoy change	For the quarter ended		yoy change	For the quarter ended		yoy change (p.p.)
	September 30,		September 30,			September 30,			September 30,		
	2018	2019	2018	2019		2018	2019		2018	2019	
Economy hotels	2,500	2,500	186	179	-3.7%	196	194	-0.7%	95.2%	92.2%	-3.0%
Leased hotels	414	414	200	197	-1.6%	211	212	0.6%	95.0%	92.9%	-2.0%
Manachised and franchised hotels	2,086	2,086	182	175	-4.3%	192	190	-1.0%	95.3%	92.1%	-3.2%
Midscale and upscale hotels	861	861	289	278	-3.9%	332	325	-2.2%	87.1%	85.6%	-1.5%
Leased and owned hotels	184	184	355	337	-5.3%	396	382	-3.5%	89.8%	88.1%	-1.7%
Manachised and franchised hotels	677	677	265	257	-3.2%	308	303	-1.5%	86.1%	84.7%	-1.5%
Total	3,361	2,500	219	211	-3.8%	236	234	-1.1%	92.6%	90.1%	-2.5%

	Number of hotels in operation		Same-hotel RevPAR			Same-hotel ADR			Same-hotel Occupancy		
	As of		For the quarter ended		yoy change	For the quarter ended		yoy change	For the quarter ended		yoy change (p.p.)
	December 31,		December 31,			December 31,			December 31,		
	2018	2019	2018	2019		2018	2019		2018	2019	
Economy hotels	2,467	2,467	165	155	-6.2%	183	179	-2.4%	90.0%	86.5%	-3.5%
Leased and owned hotels	409	409	180	172	-4.4%	200	198	-0.7%	90.2%	86.9%	-3.3%
Manachised and franchised hotels	2,058	2,058	161	151	-6.7%	179	174	-2.9%	90.0%	86.4%	-3.6%
Midscale and upscale hotels	950	950	266	253	-4.7%	324	309	-4.4%	82.0%	81.8%	-0.2%
Leased and owned hotels	199	199	330	309	-6.3%	389	366	-5.9%	84.8%	84.4%	-0.3%
Manachised and franchised hotels	751	751	243	233	-4.1%	300	289	-3.8%	81.1%	80.9%	-0.2%
Total	3,417	3,417	199	188	-5.4%	228	222	-2.7%	87.3%	84.9%	-2.4%

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 12/31/2018	As of 12/31/2019
Economy hotels	1,309	1,819	2,453	2,741	2,874	2,892	3,485
HanTing Hotel	1,226	1,648	2,003	2,181	2,244	2,283	2,372
Hi Inn	83	158	302	375	396	402	465
Elan Hotel		13	148	185	226	200	648
Orange Hotel					8	7	
Midscale and upscale hotels	116	176	310	528	872	1,338	2,133
HanTing Premium Hotel					5	74	214
Ibis Hotel				72	100	137	185
Ibis Styles Hotel				10	13	34	55
Starway Hotel	46	55	118	136	174	212	350
Ji Hotel	68	117	186	284	390	553	831
Orange Select Hotel					103	172	248
Crystal Orange Hotel					42	56	85
Manxin Hotels & Resorts	1	1	2	2	11	24	46
Madison Hotel							9
Mercure Hotel			1	15	20	39	68
Novotel Hotel				2	4	7	9
Grand Madison Hotel							4
Joya Hotel	1	3	3	6	6	6	6
Blossom Hill						18	17
Grand Mercure Hotel				1	4	6	6
Total	1,425	1,995	2,763	3,269	3,746	4,230	5,618
Economy hotels	91.9%	91.2%	88.8%	83.8%	76.7%	68.4%	62.0%
Mid-upscale hotels	8.1%	8.8%	11.2%	16.2%	23.3%	31.6%	38.0%

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 12/31/2018	As of 12/31/2019
Economy hotels	138,576	185,959	238,156	260,557	266,145	261,037	290,615
HanTing Hotel	130,747	172,341	205,577	221,157	223,121	220,646	224,626
Hi Inn	7,829	12,551	21,340	25,600	26,063	25,403	28,153
Elan Hotel		1,067	11,239	13,800	16,120	14,266	37,836
Orange Hotel					841	722	
Midscale and upscale hotels	14,303	23,996	40,687	70,790	113,530	161,710	246,261
HanTing Premium Hotel					446	6,656	19,748
Ibis Hotel				10,251	13,474	16,575	20,533
Ibis Styles Hotel				1,614	1,841	4,279	6,681
Starway Hotel	4,959	6,321	12,138	13,206	16,914	18,878	30,363
Ji Hotel	9,106	17,052	27,559	39,664	53,054	72,370	104,521
Orange Selected					12,648	19,863	28,821
Crystal Orange					5,629	7,150	11,182
Manxin Hotels & Resorts	97	108	236	78	1,150	1,901	4,133
Madison Hotel							883
Mercure Hotel			239	4,026	4,664	8,510	12,502
Novotel Hotel				629	1,697	2,512	2,928
Grand Madison Hotel							772
Joya Hotel	141	515	515	1,131	1,131	1,250	1,250
Blossom Hill						462	648
Grand Mercure Hotel				191	882	1,304	1,296
Total	152,879	209,955	278,843	331,347	379,675	422,747	536,876
Economy rooms	90.6%	88.6%	85.4%	78.6%	70.1%	61.7%	54.1%
Mid-upscale rooms	9.4%	11.4%	14.6%	21.4%	29.9%	38.3%	45.9%