

Second Quarter of 2024 Earnings Call

H World Group Limited

(NASDAQ: HTHT and HKEX: 1179)



August 21, 2024

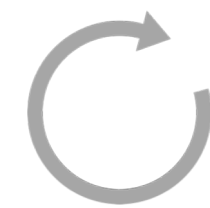
AGENDA

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**24Q2 Business
Update**

02



**24Q2 Operational
and Financial
Review**

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Appendix

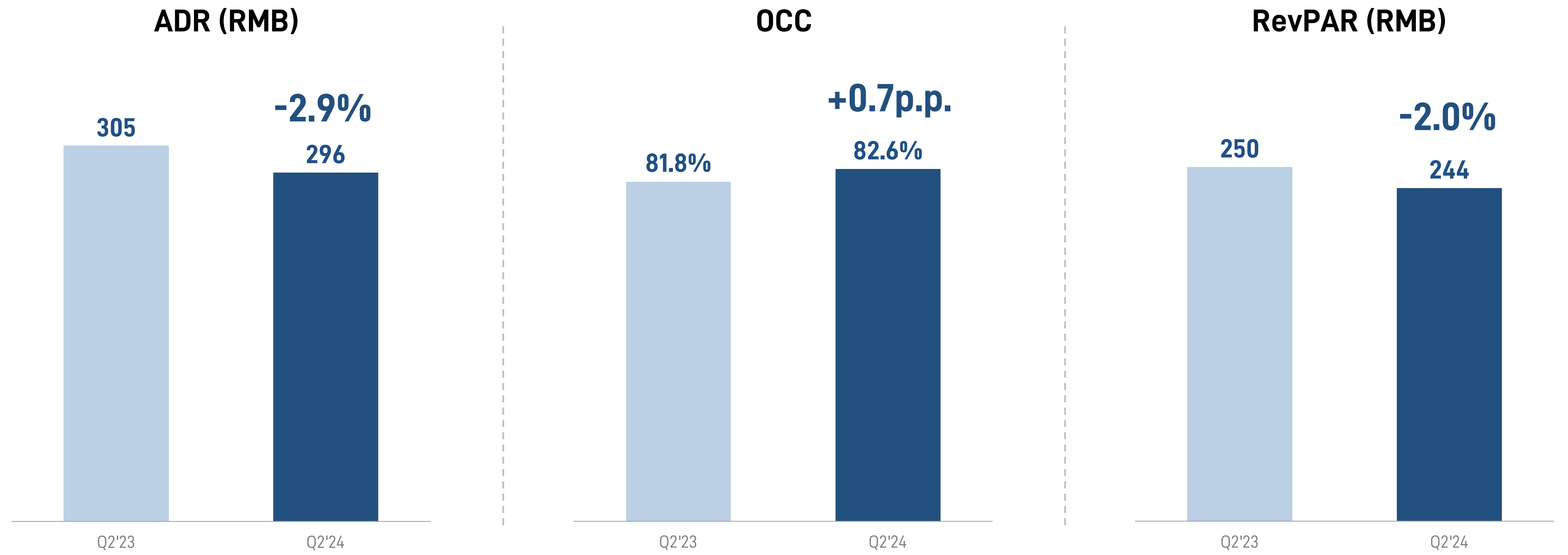
Legacy-Huazhu Reached 10,000-Hotel Milestone

华住中国第一万家酒店开业



Legacy-Huazhu - Blended RevPAR Decreased 2.0% YoY

华住中国-2024年二季度混合RevPAR同比下降2.0%



* Numbers in this page refers to Legacy-Huazhu business

RevPAR Outperformance and Future Growth Drivers

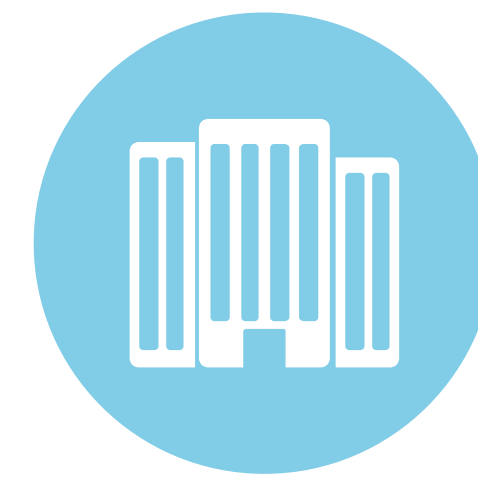
优于行业的RevPAR表现及未来可持续增长



Product Upgrade



Service Excellence

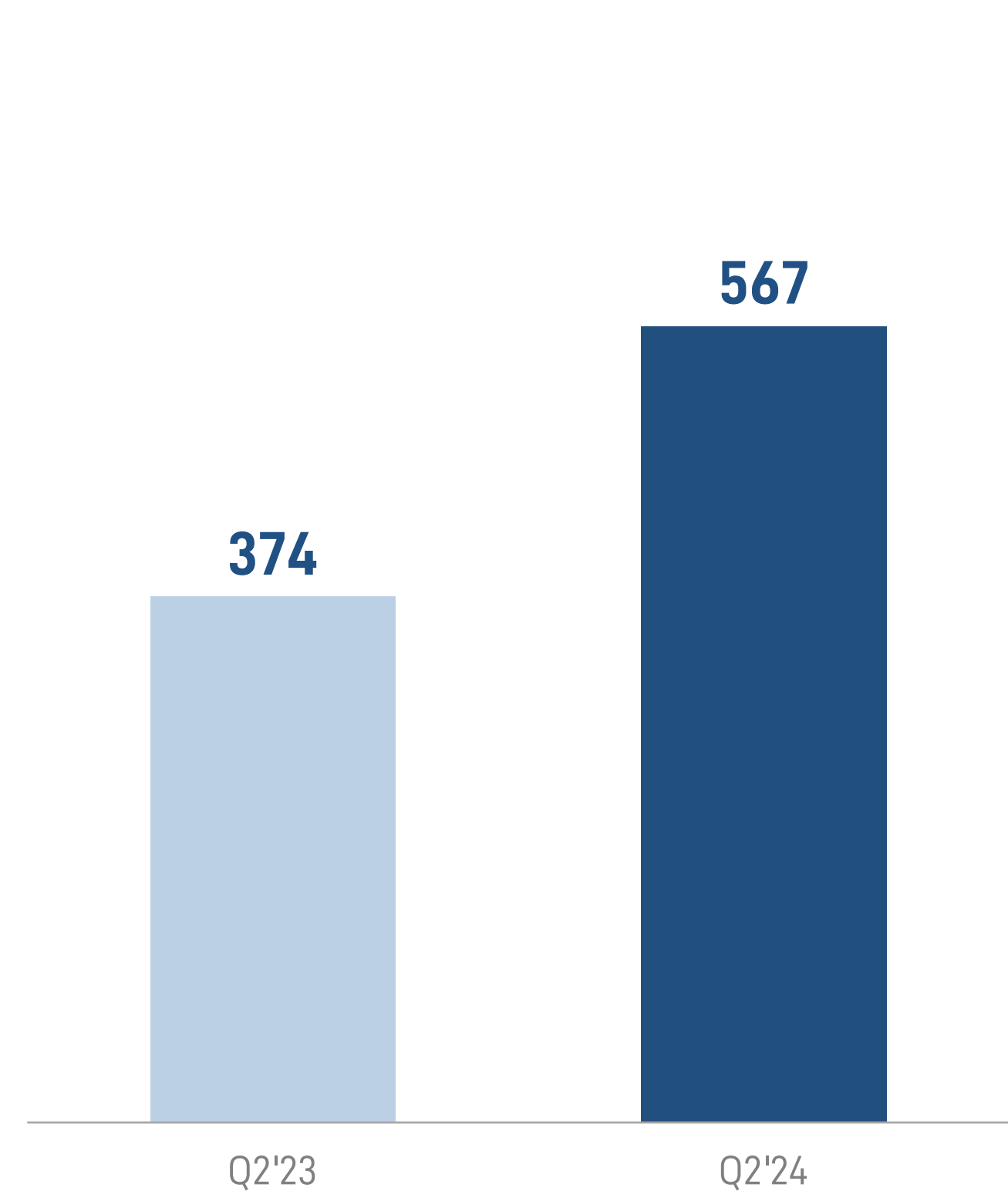


Membership Program

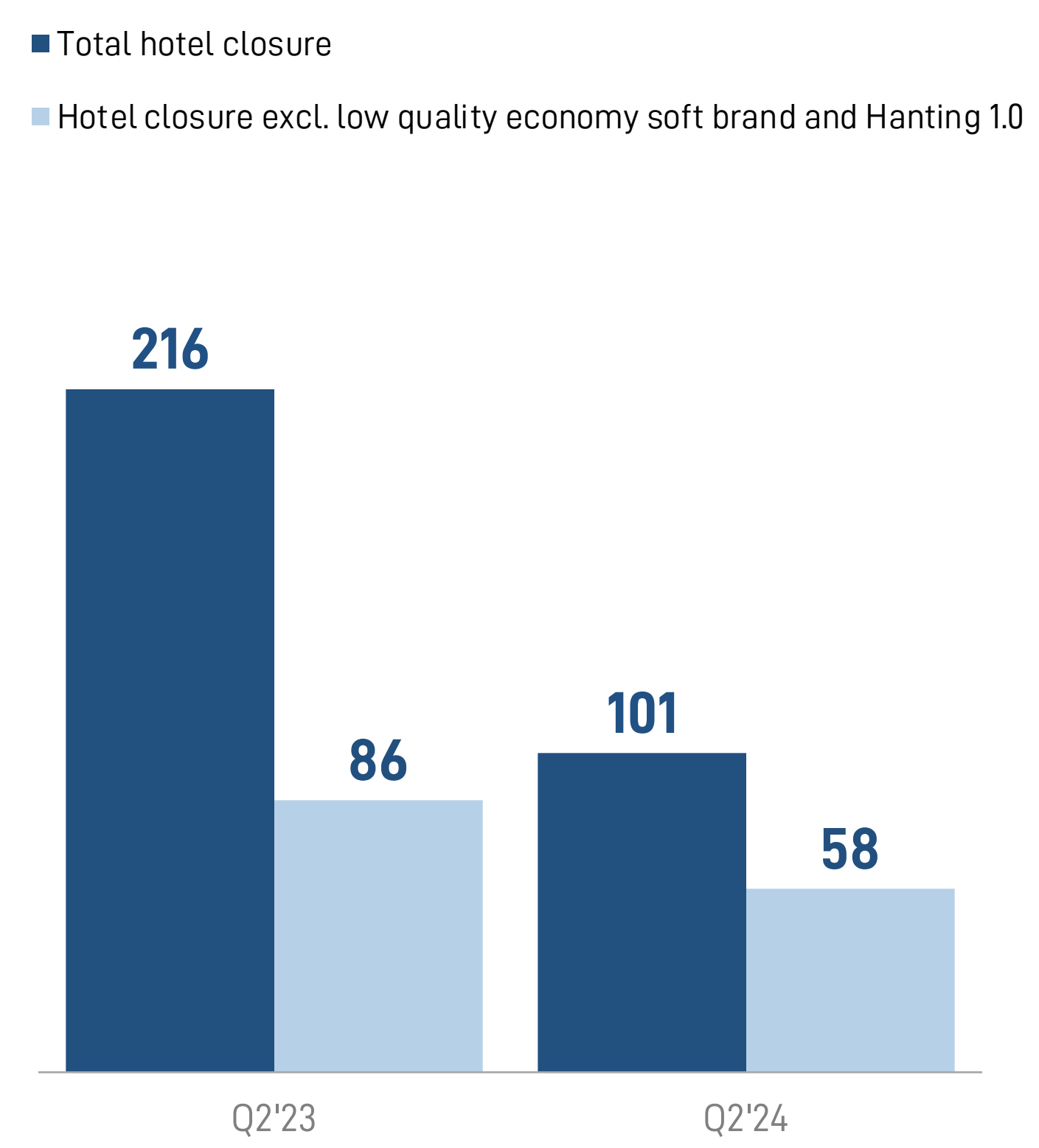
Accelerated Network Expansion in China

酒店网络加速扩张

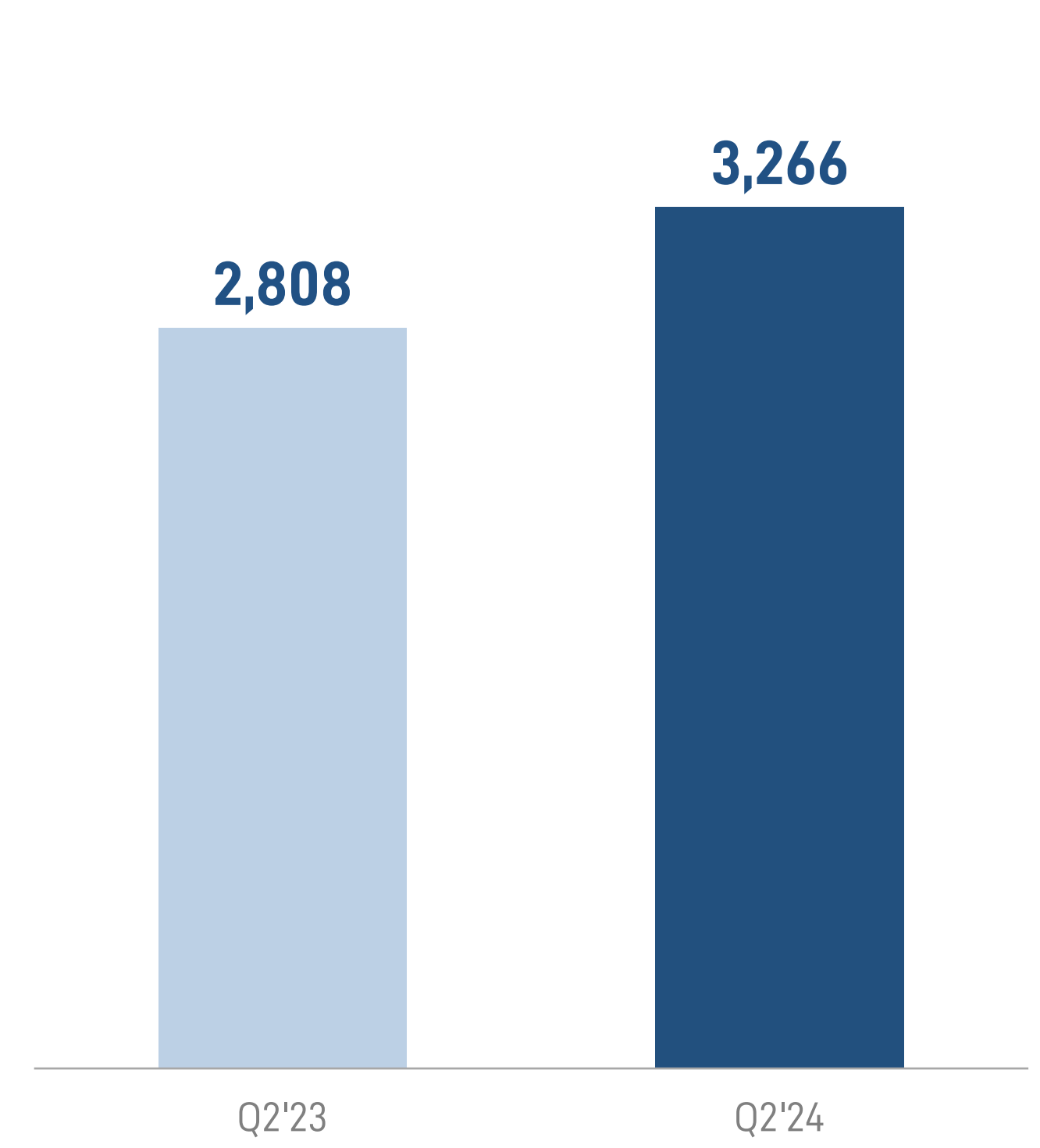
Number of Hotel Opening



Number of Hotel Closure



Number of Hotel in Pipeline (as of Jun 30)

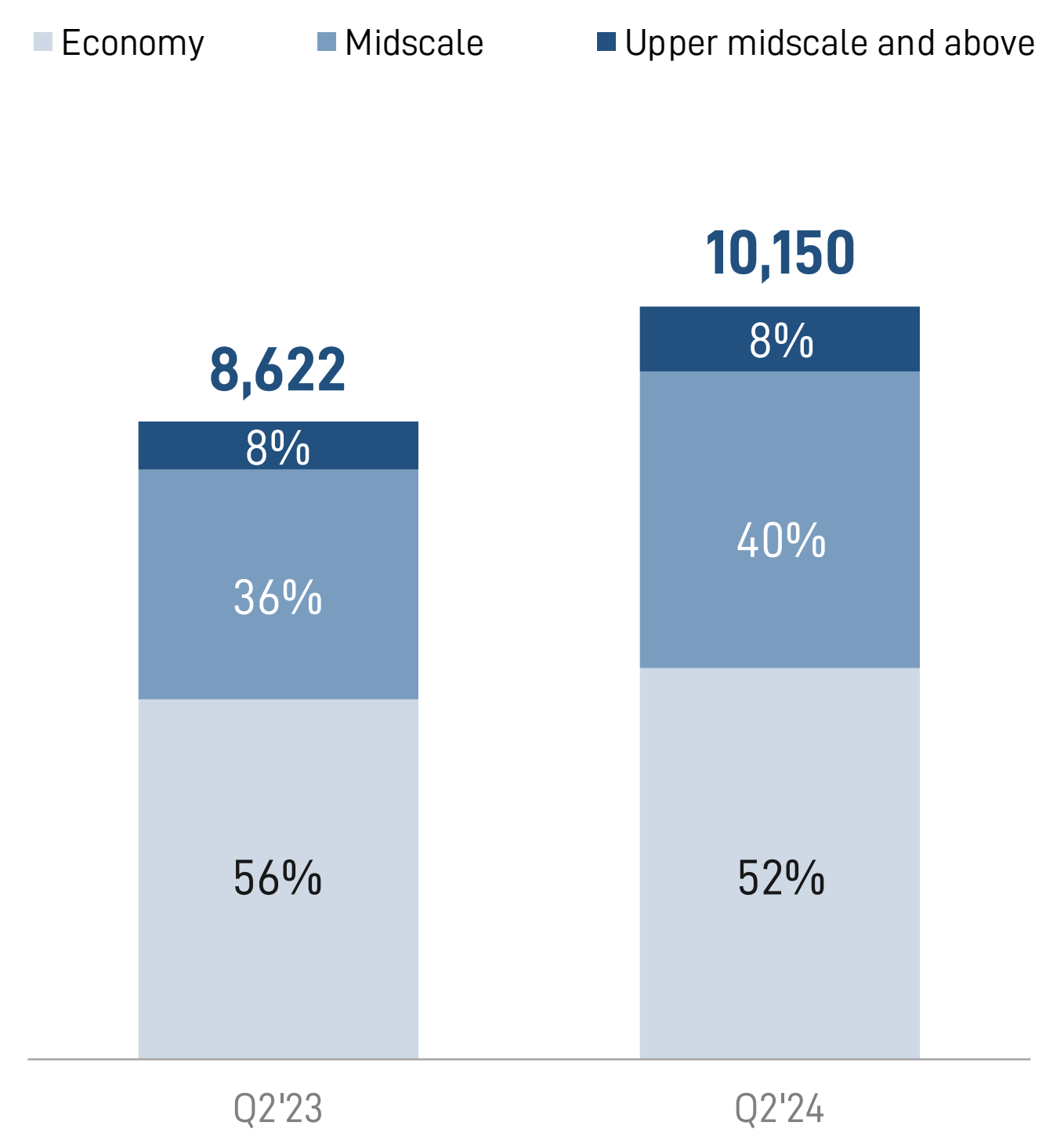


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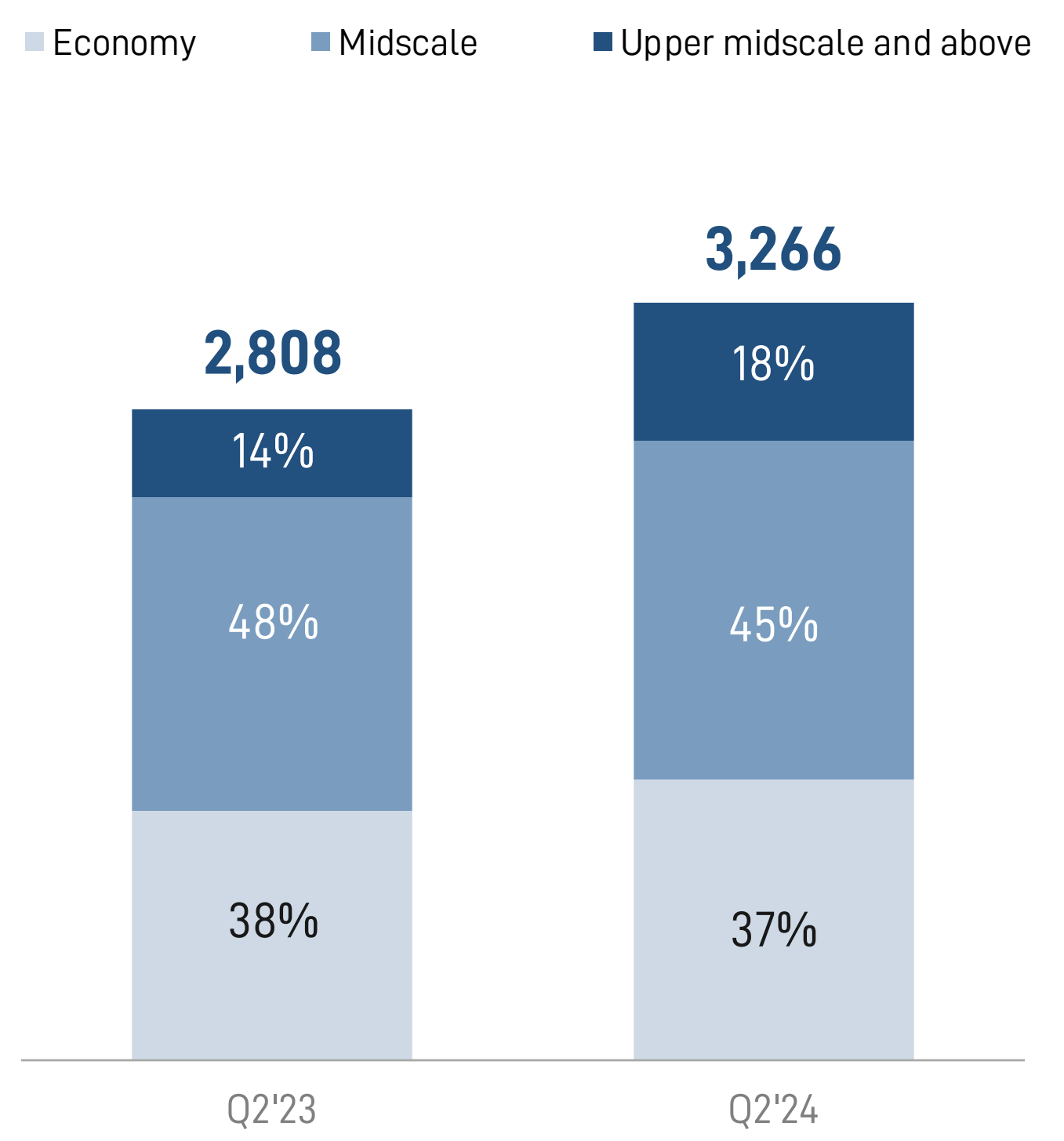
Economy and Midscale as the Core Products Serving the Mass Market

经济型及中档酒店为核心，服务大众市场

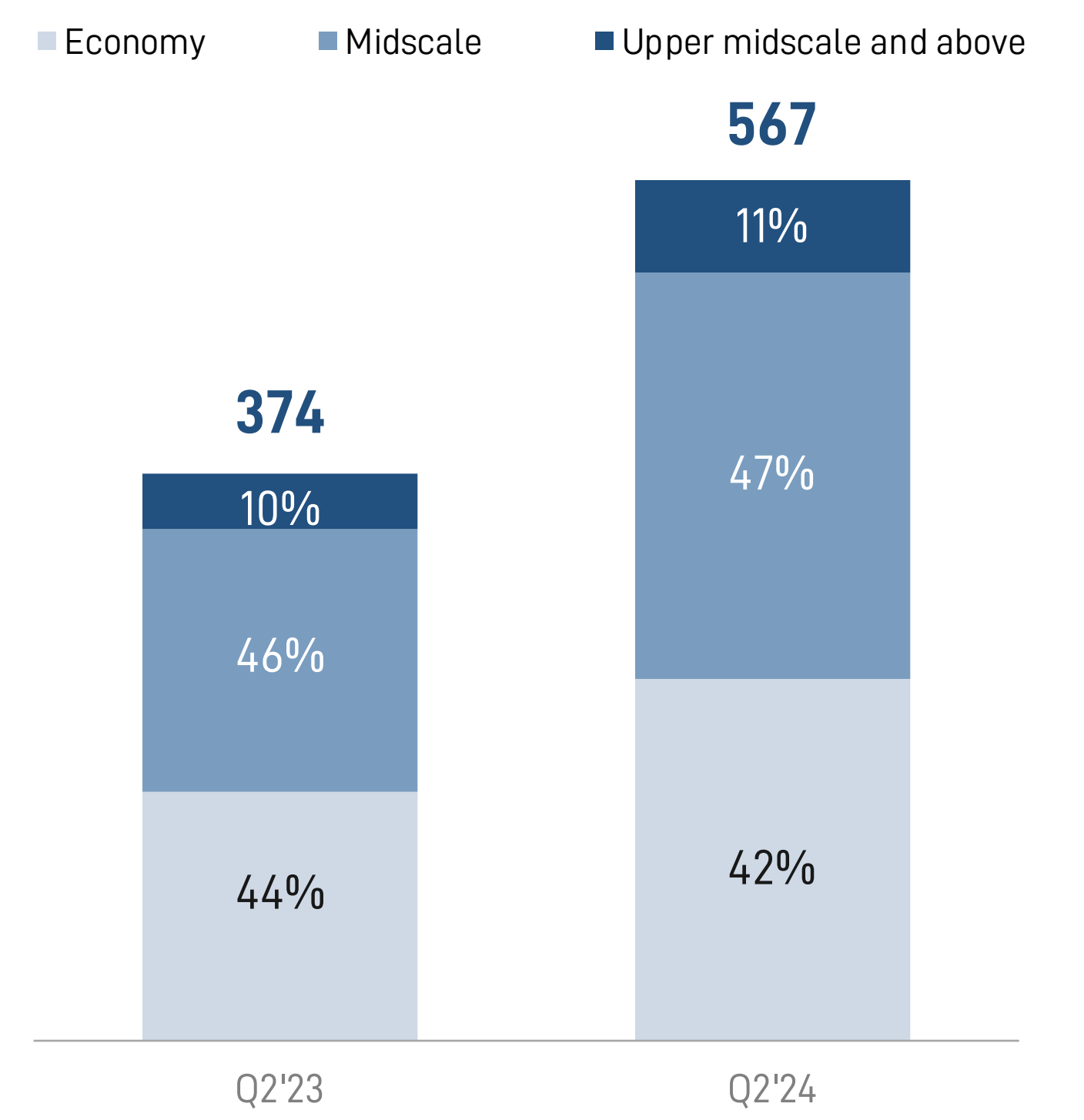
Number of Hotels in Operation
(as of Jun 30)



Number of Hotels in Pipeline
(as of Jun 30)



Number of Hotel Opening



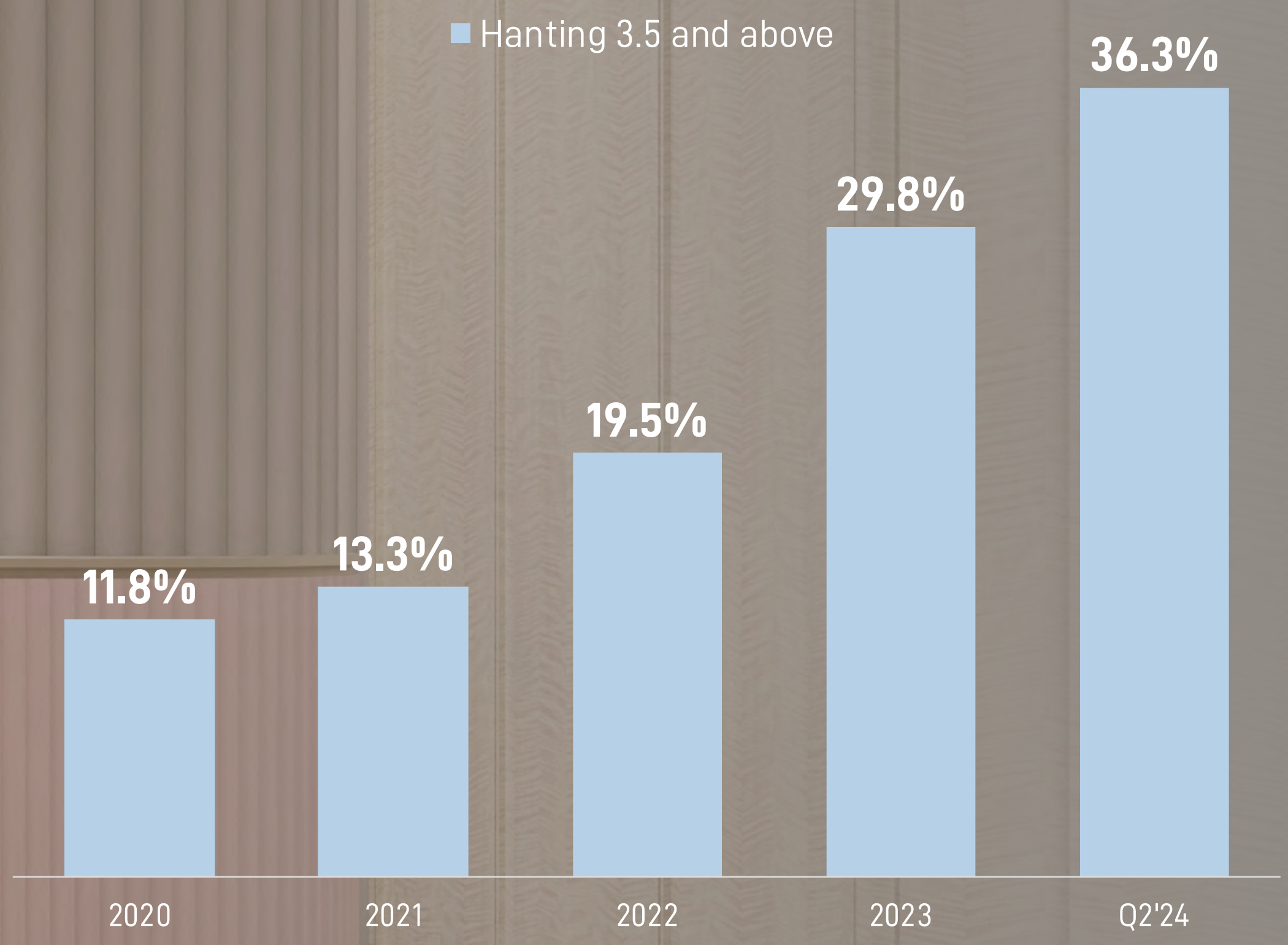
* Numbers in this page refers to Legacy-Huazhu business

Consistent Product Upgrade - Hanting

品牌的持续升级 - 汉庭



Proportion of Hanting 3.5 and Above in Operation

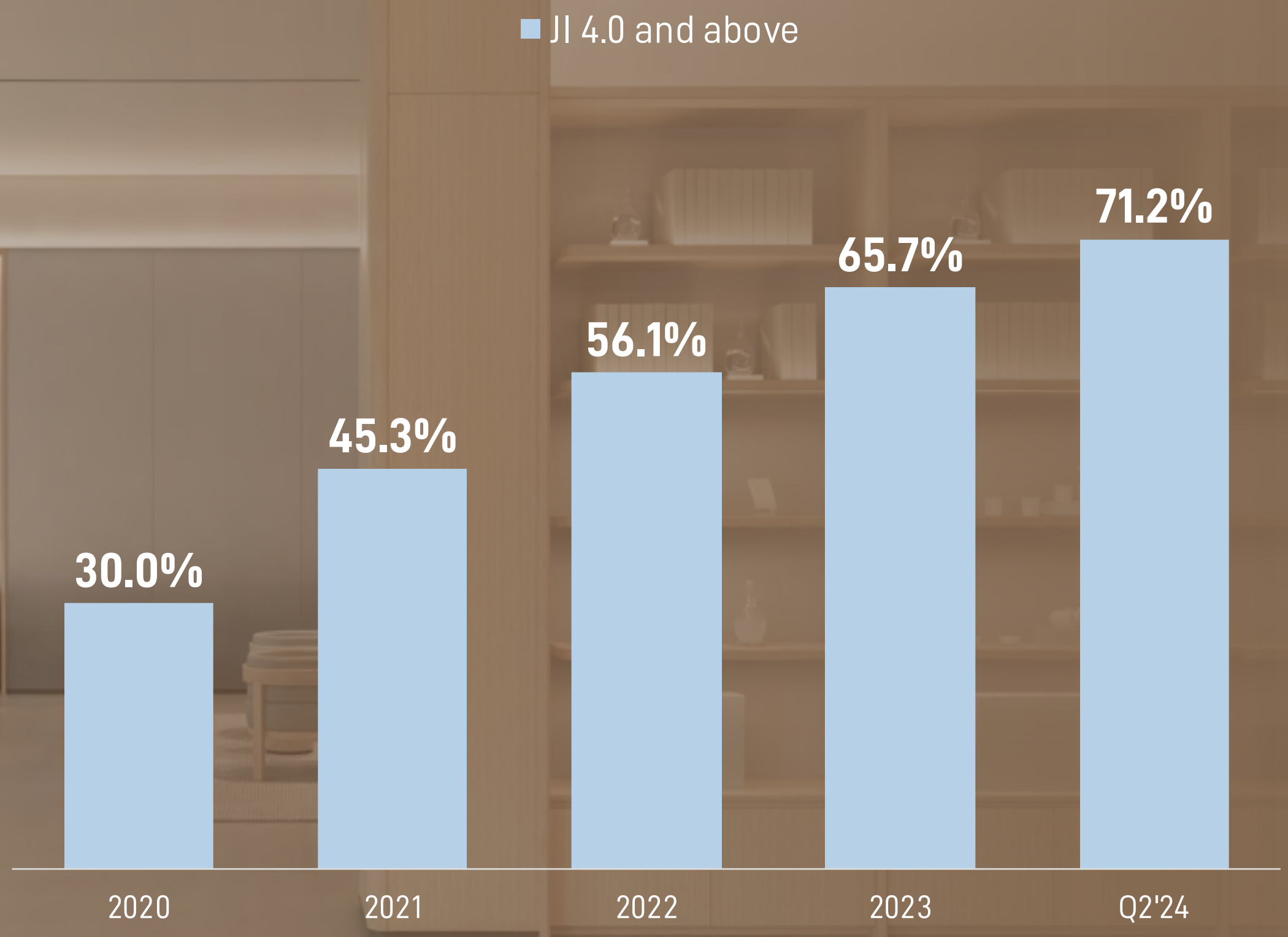


* Numbers in this page refers to Legacy-Huazhu business

Consistent Product Upgrade - JI

品牌的持续升级 - 全季

Proportion of JI 4.0 and Above in Operation



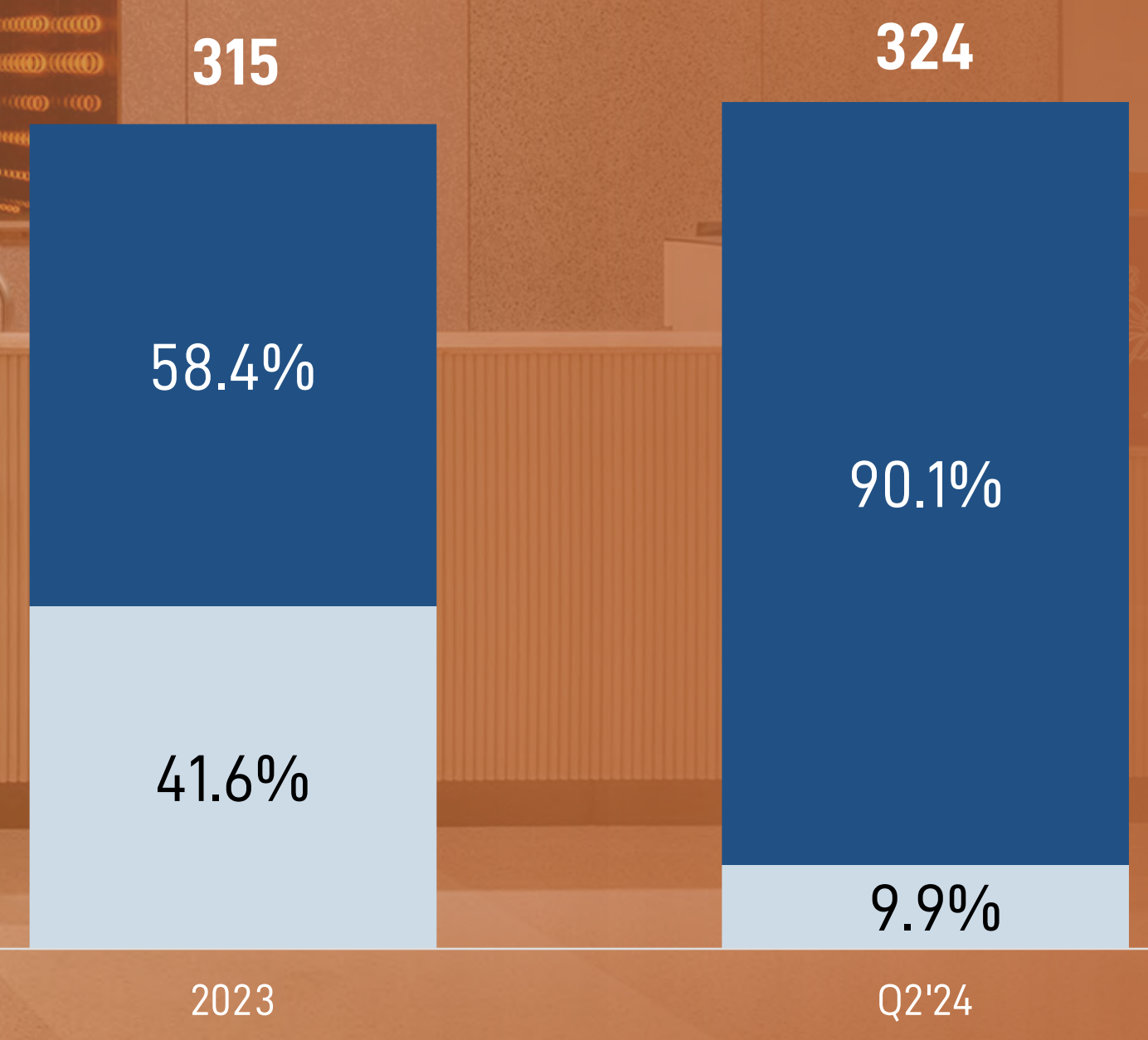
* Numbers in this page refers to Legacy-Huazhu business

Consistent Product Upgrade - Orange

品牌的持续升级 - 桔子

Proportion of Orange LOHAS in Pipeline

Others LOHAS



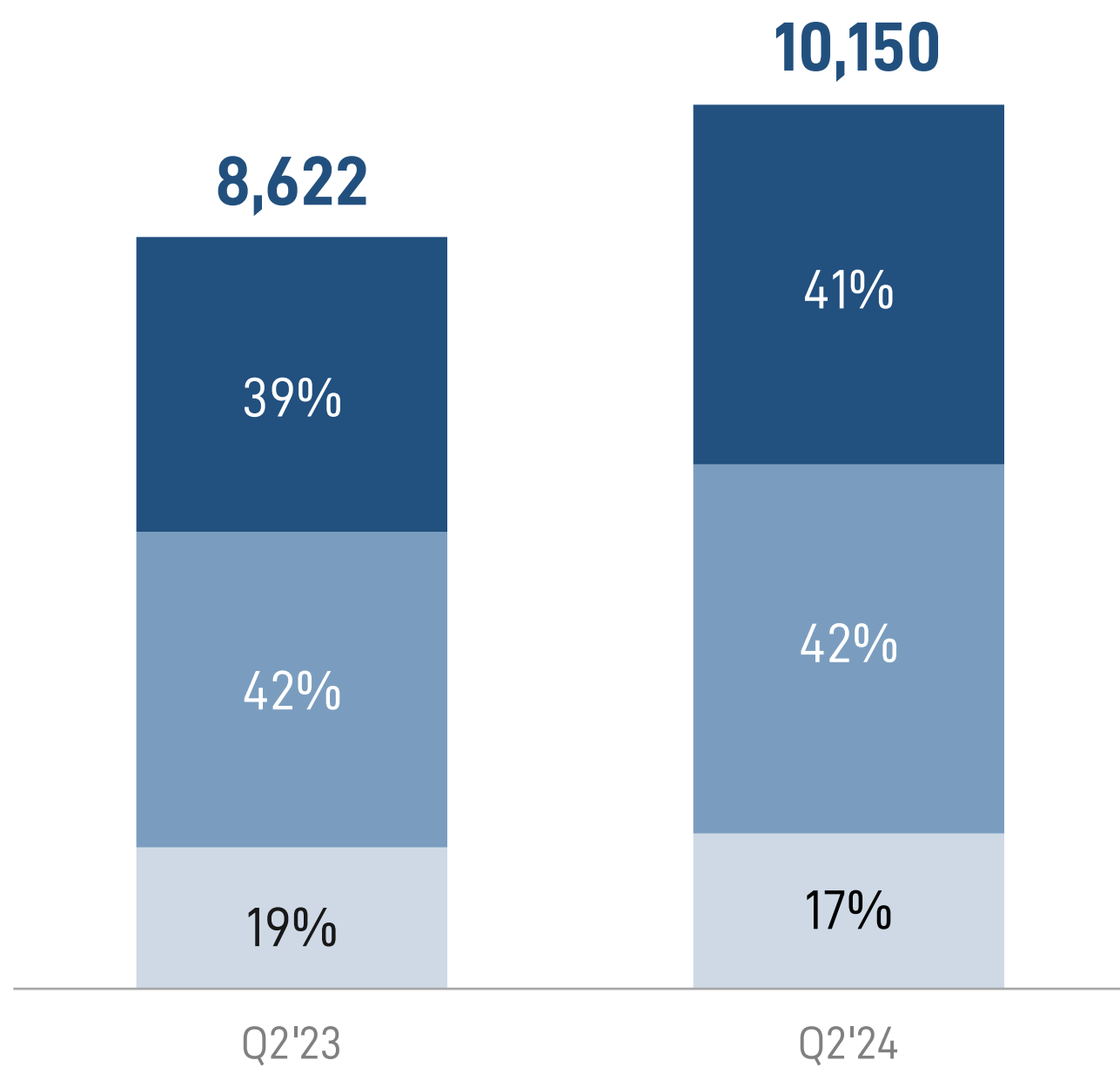
* Numbers in this page refers to Legacy-Huazhu business

Continuous Penetration in Lower Tier Cities in China

持续渗透低线城市

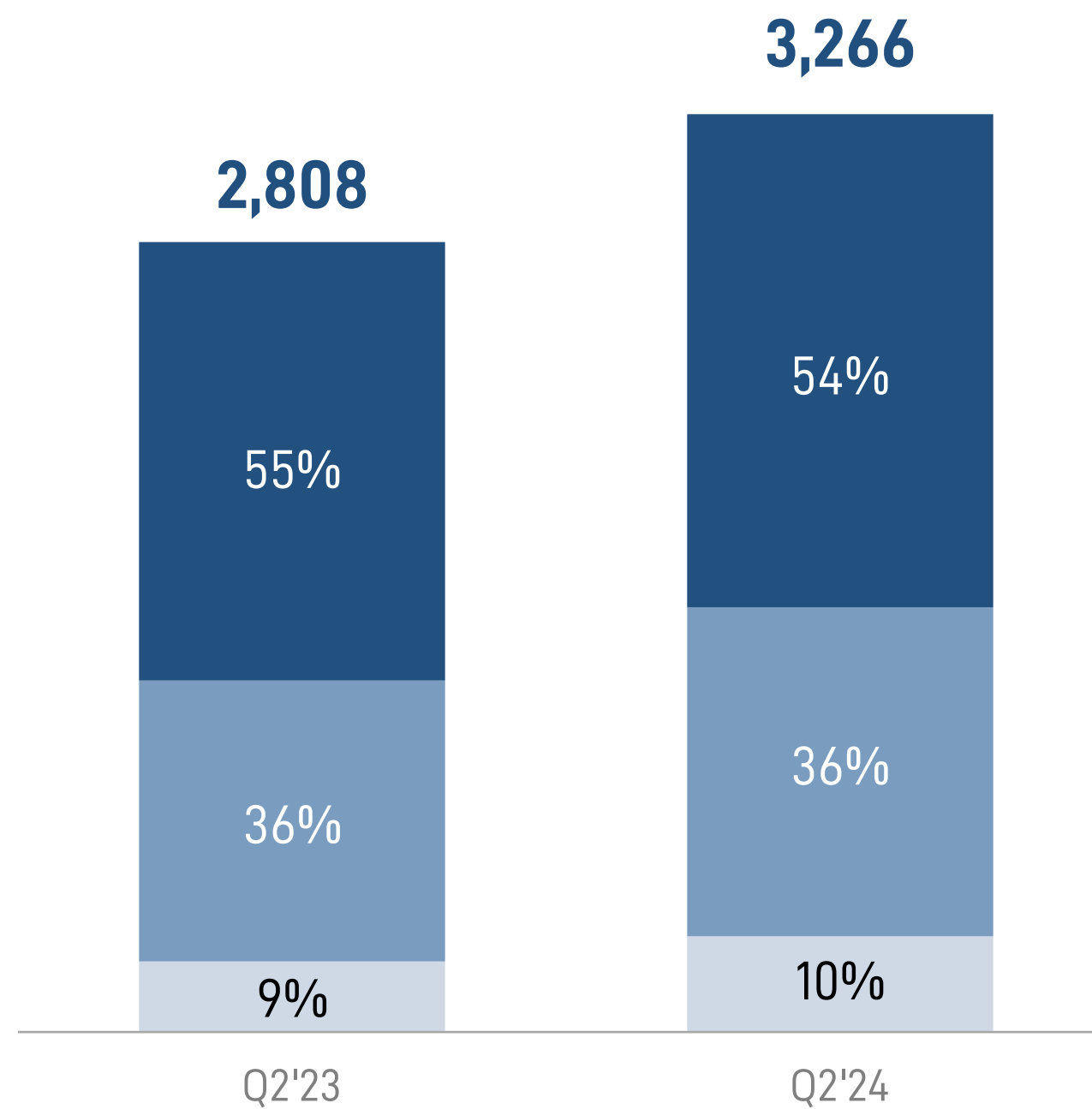
Number of Hotels in Operation
(as of Jun 30)

■ Tier-1 ■ Tier-2 ■ Tier-3, 4 and below

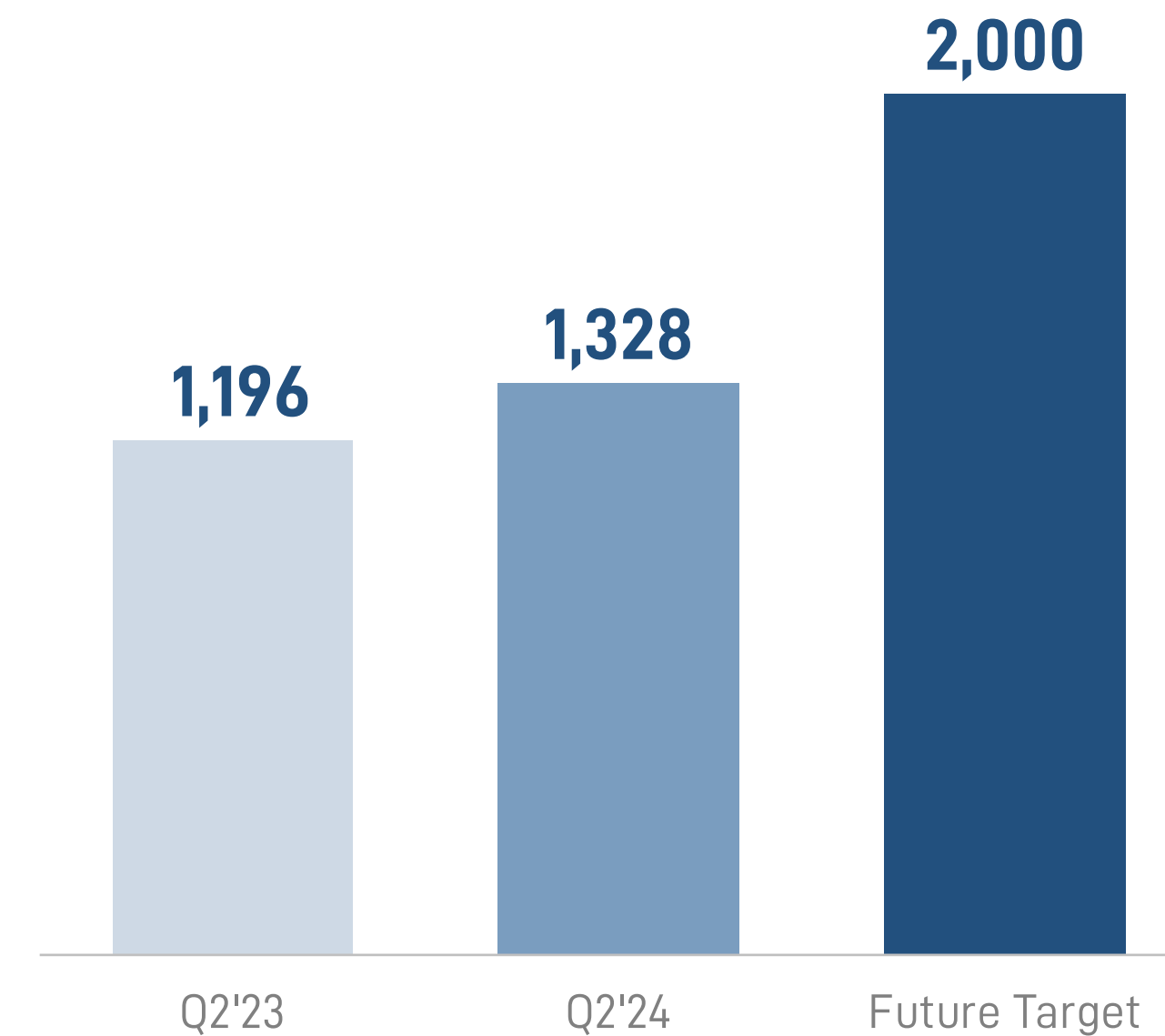


Number of Hotels in Pipeline
(as of Jun 30)

■ Tier-1 ■ Tier-2 ■ Tier-3, 4 and below



City Coverage
(hotels in operation and in pipeline)



* Numbers in this page refers to Legacy-Huazhu business

Hi Inn 6.0 Sleep Well & Spend Less

海友6.0 睡得好 花得少

Hi! 海友酒店

朋友
欢迎来到海友酒店，
开启你的自助旅程!

本酒店尊享会员权益
为住店客人提供更多便捷服务:

- 自助入住
- 自助退房
- 自助续住
- 自助洗衣
- 自助早餐
- 自助洗衣
- 自助洗衣
- 自助洗衣

四海皆朋友



加入华住会
立享会员专属特权，解锁尊享之旅

- 预订更优惠
- 积分多一倍
- 权益更丰富
- 权益更丰富

海友上海江桥封浜地铁站酒店

房型	银会员	银会员	金会员	门市价
大床房	205元	192元	184元	209元
高级大床房	225元	210元	201元	229元
双床房	225元	210元	201元	229元
高级双床房	245元	229元	219元	249元

时租2小时 门市价 69元/2小时; 银会员及以上立减20元

如无法顺利办理入住请点击这里

海友酒店

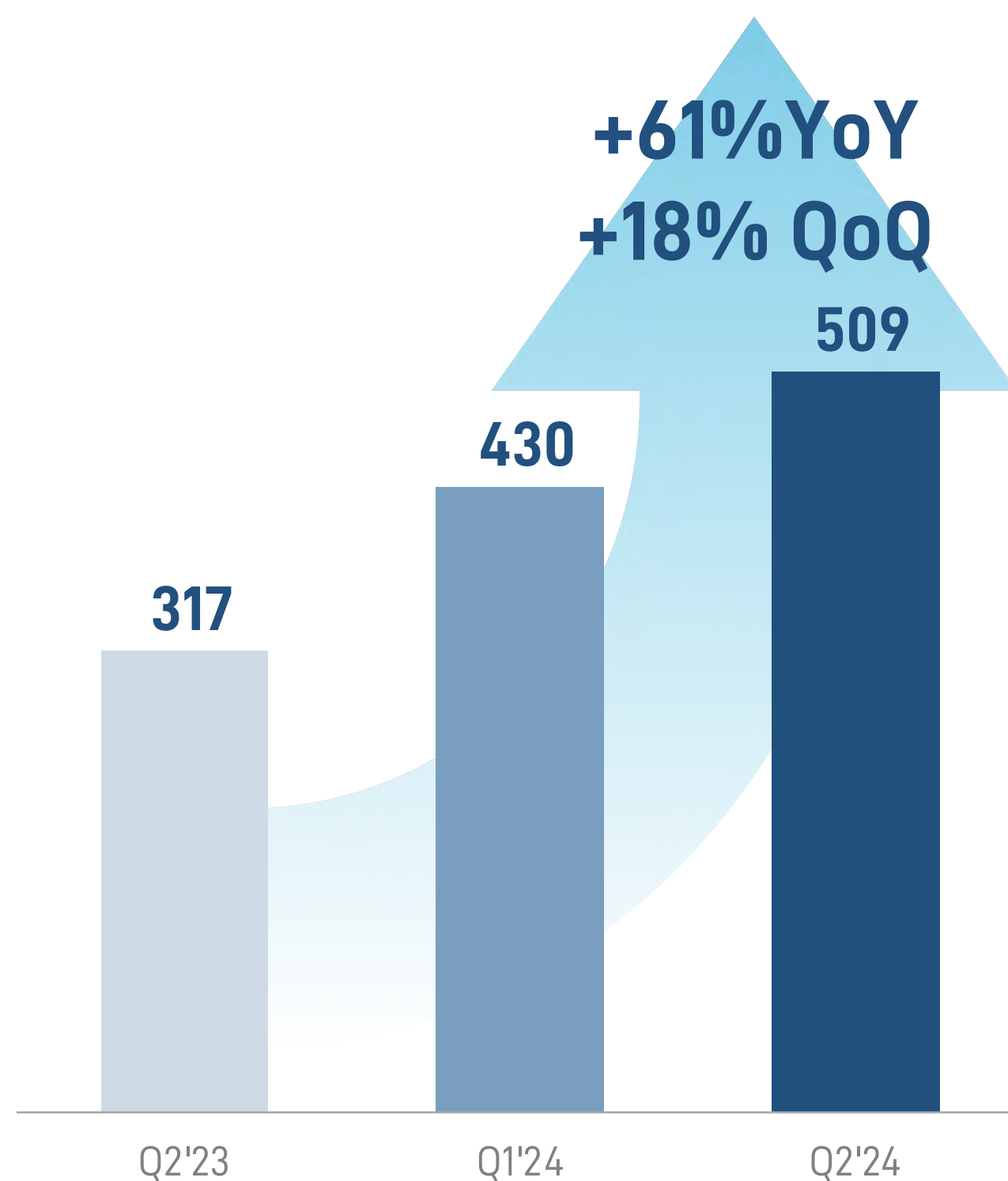
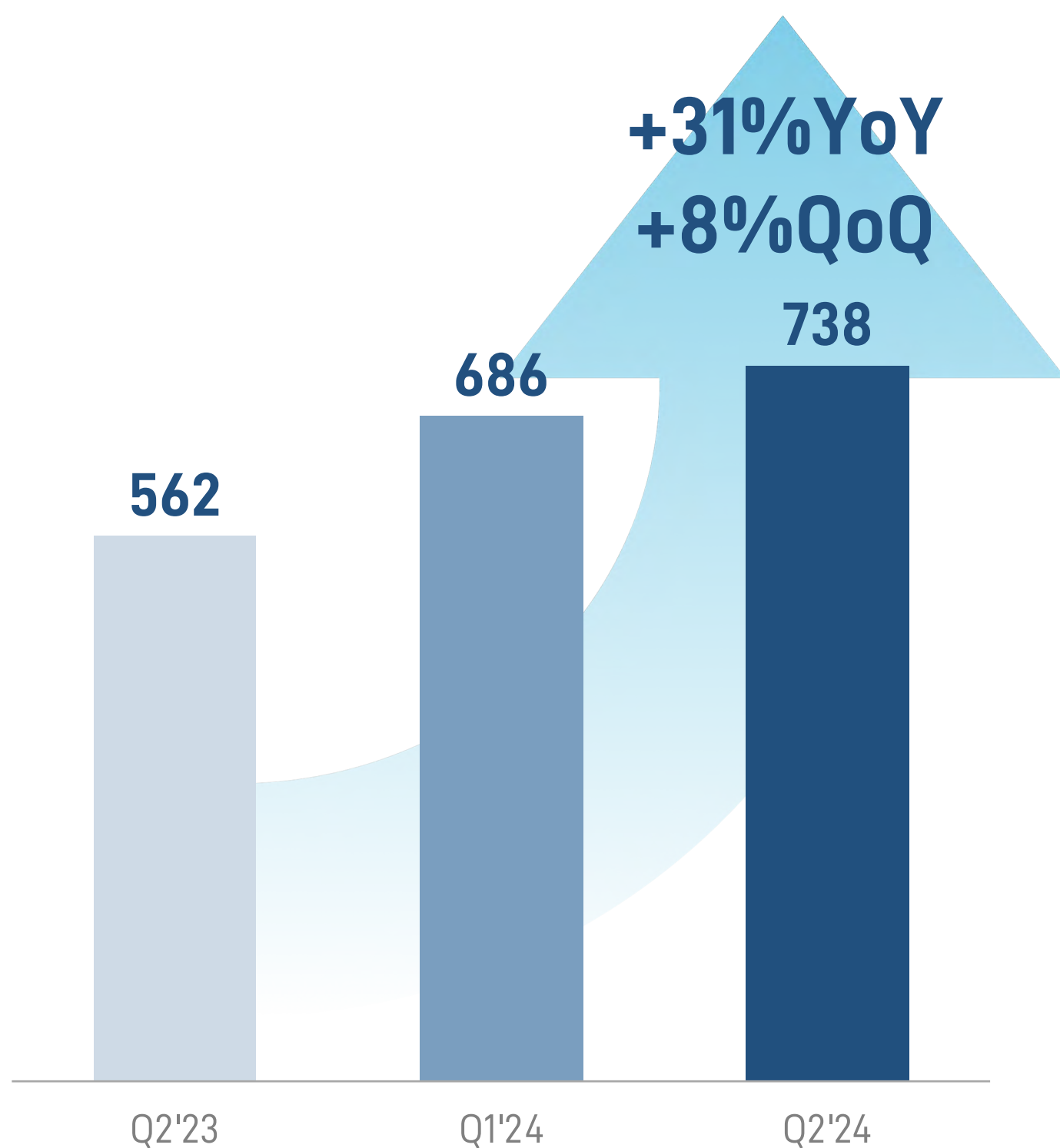
Further Development of Upper-Midscale Segment

不断发展中高档品牌

Number of Upper-Midscale Hotels in Operation

Number of Upper-Midscale Hotels in Pipeline

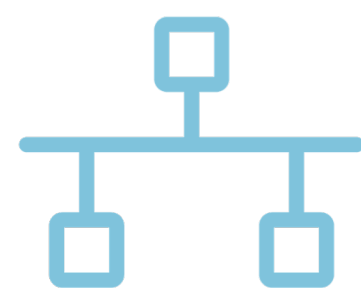
Multi-Brand Strategy for Upper-Midscale Segment



* Numbers in this page refers to Legacy-Huazhu business

Strengthening Direct B2B Sales Capability

华住商旅的不断加强



**Direct Room Nights
Booked via B2B**

6mn+

+31% YoY

+26% QoQ



**Number of Active
Corporate Clients**

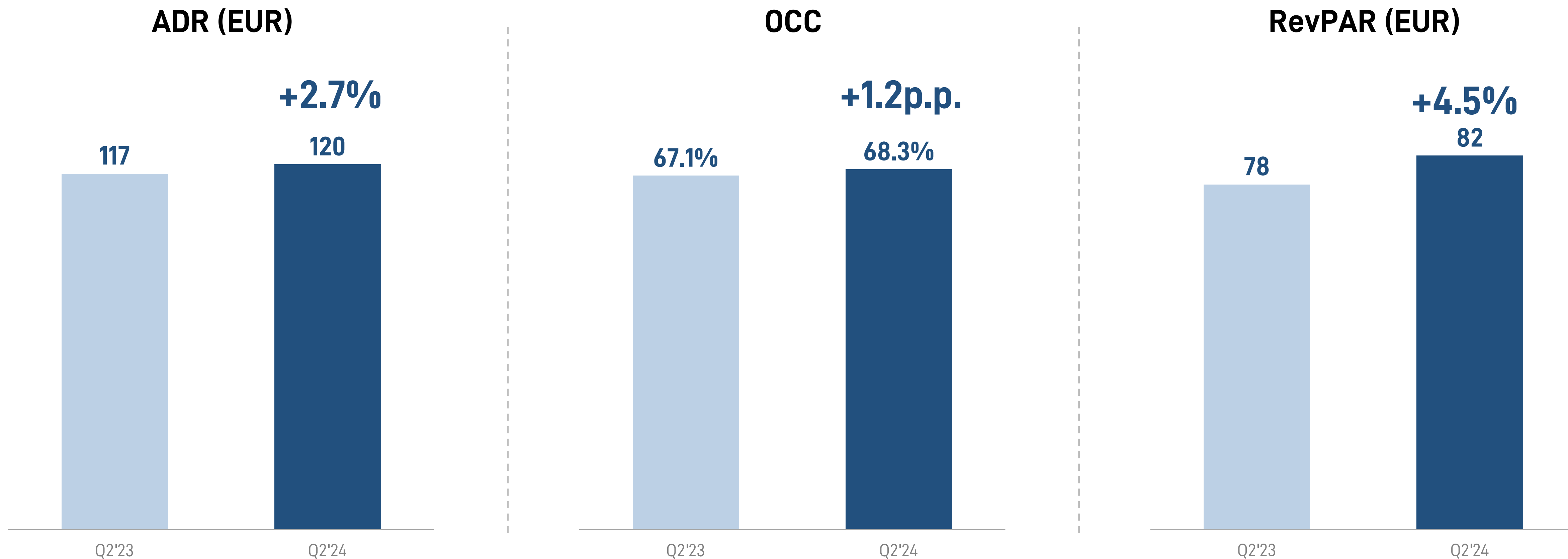
3,600+

+47% YoY

+36% QoQ

Legacy-DH - Blended RevPAR Increased 4.5% YoY

DH-2024年二季度混合RevPAR同比增长4.5%

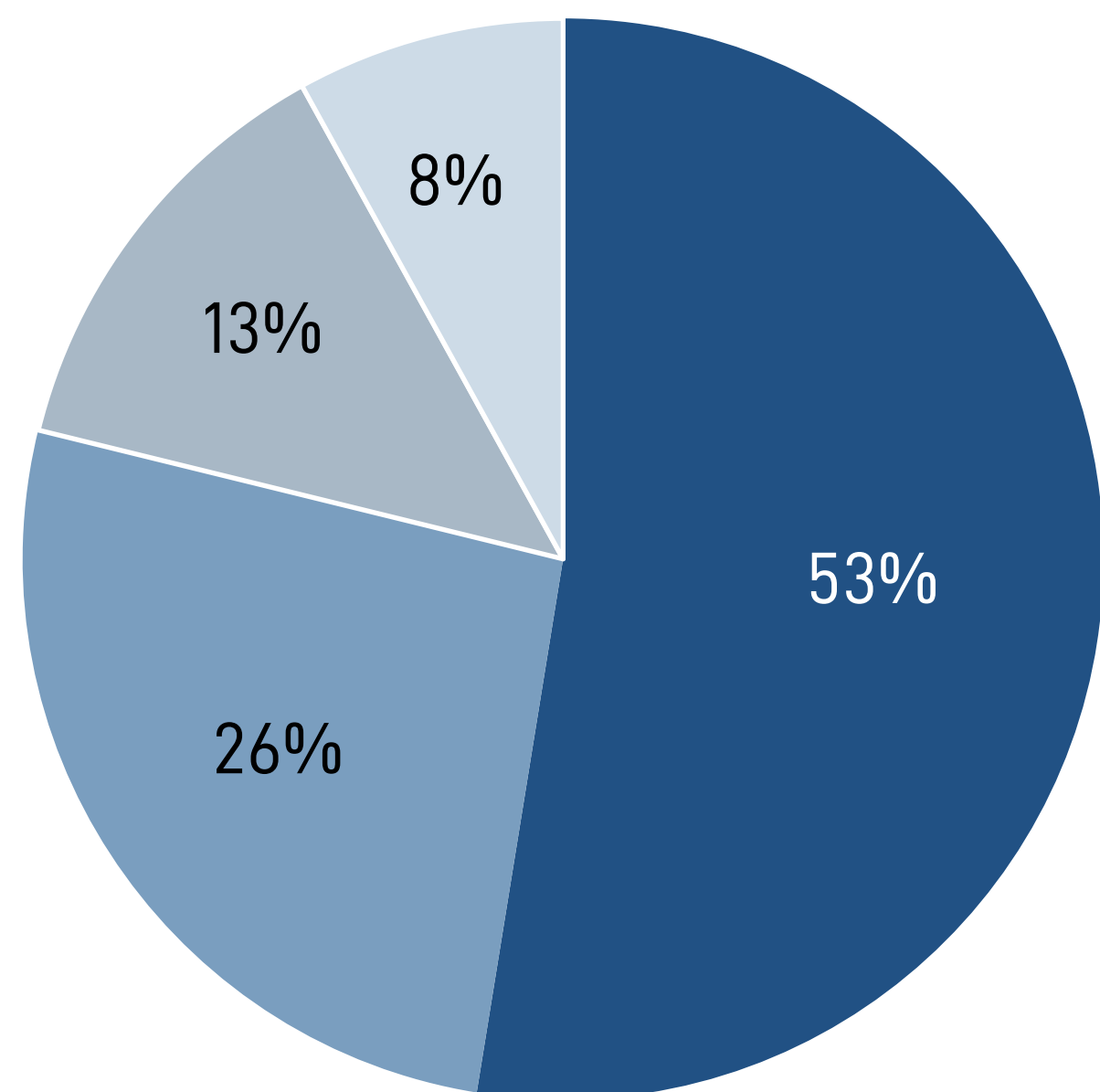


Legacy-DH - Uncovering Global Opportunities

DH - 积极推进国际化发展

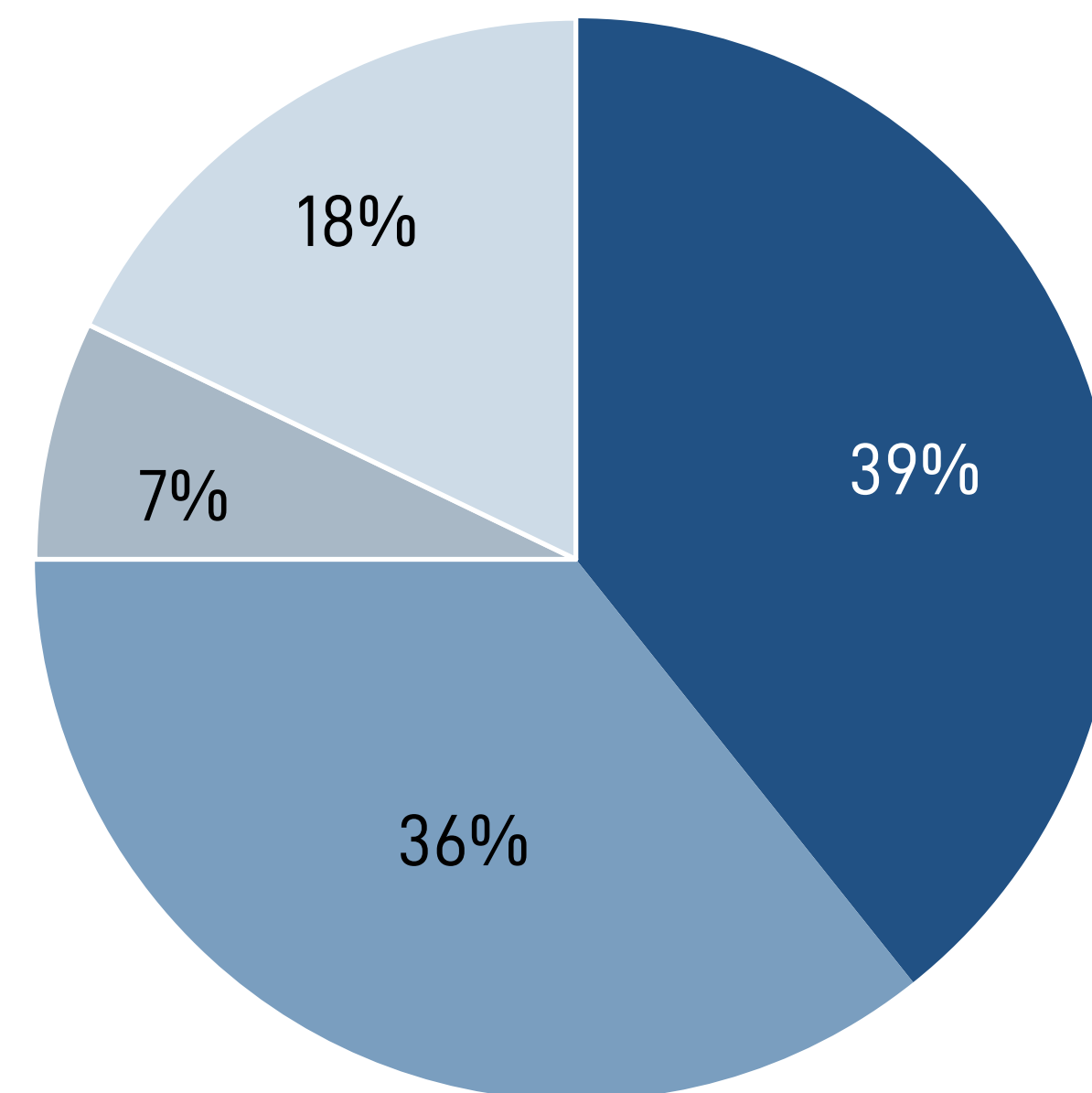
Hotels in Operation, by region (as of Jun 30 2024)

■ Germany ■ Europe (excl. Germany) ■ Africa ■ Asia



Hotels in Pipeline, by region (as of Jun 30 2024)

■ Germany ■ Europe (excl. Germany) ■ Africa ■ Asia



* Numbers in this page refers to Legacy-DH business

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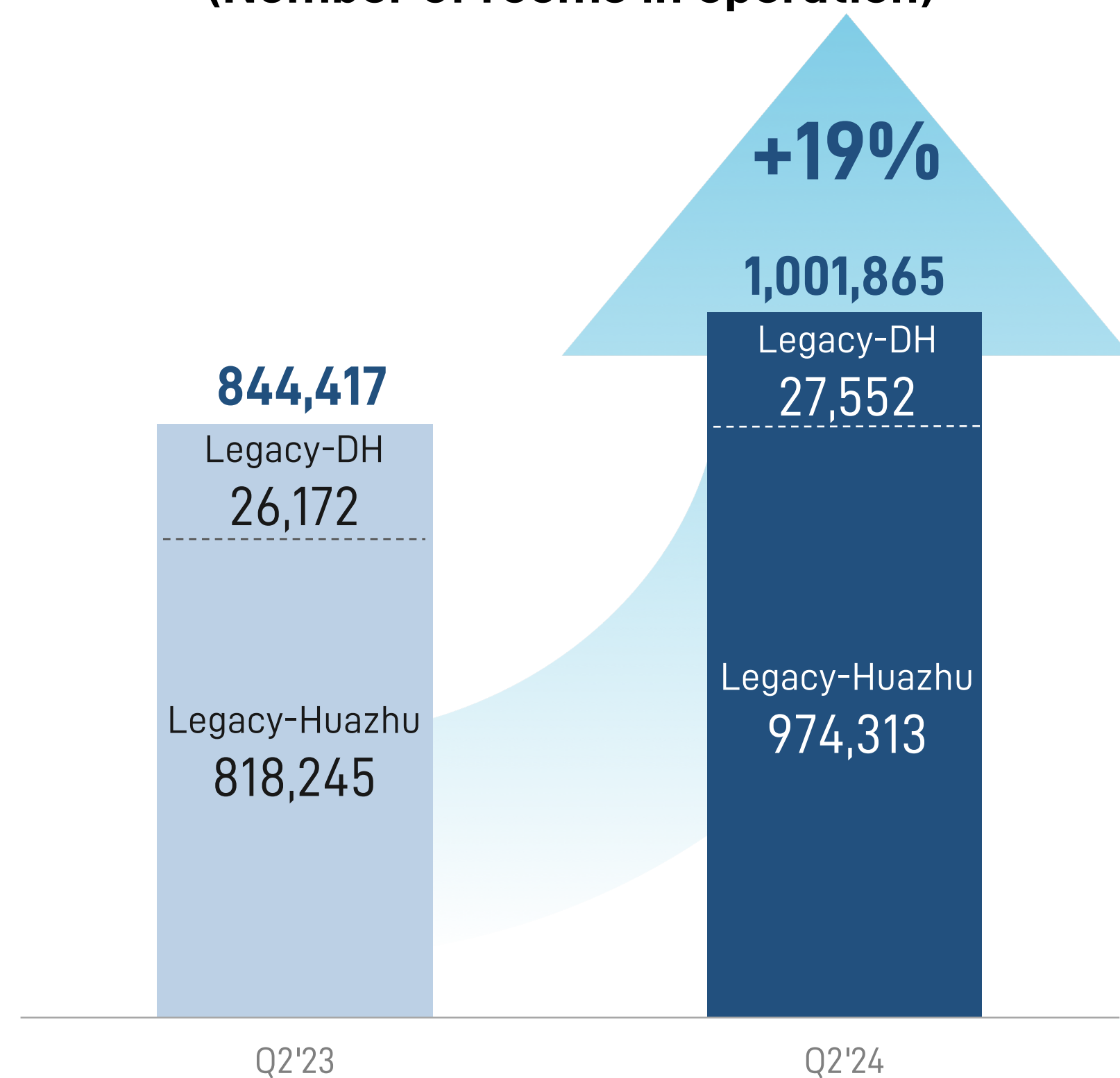


Appendix

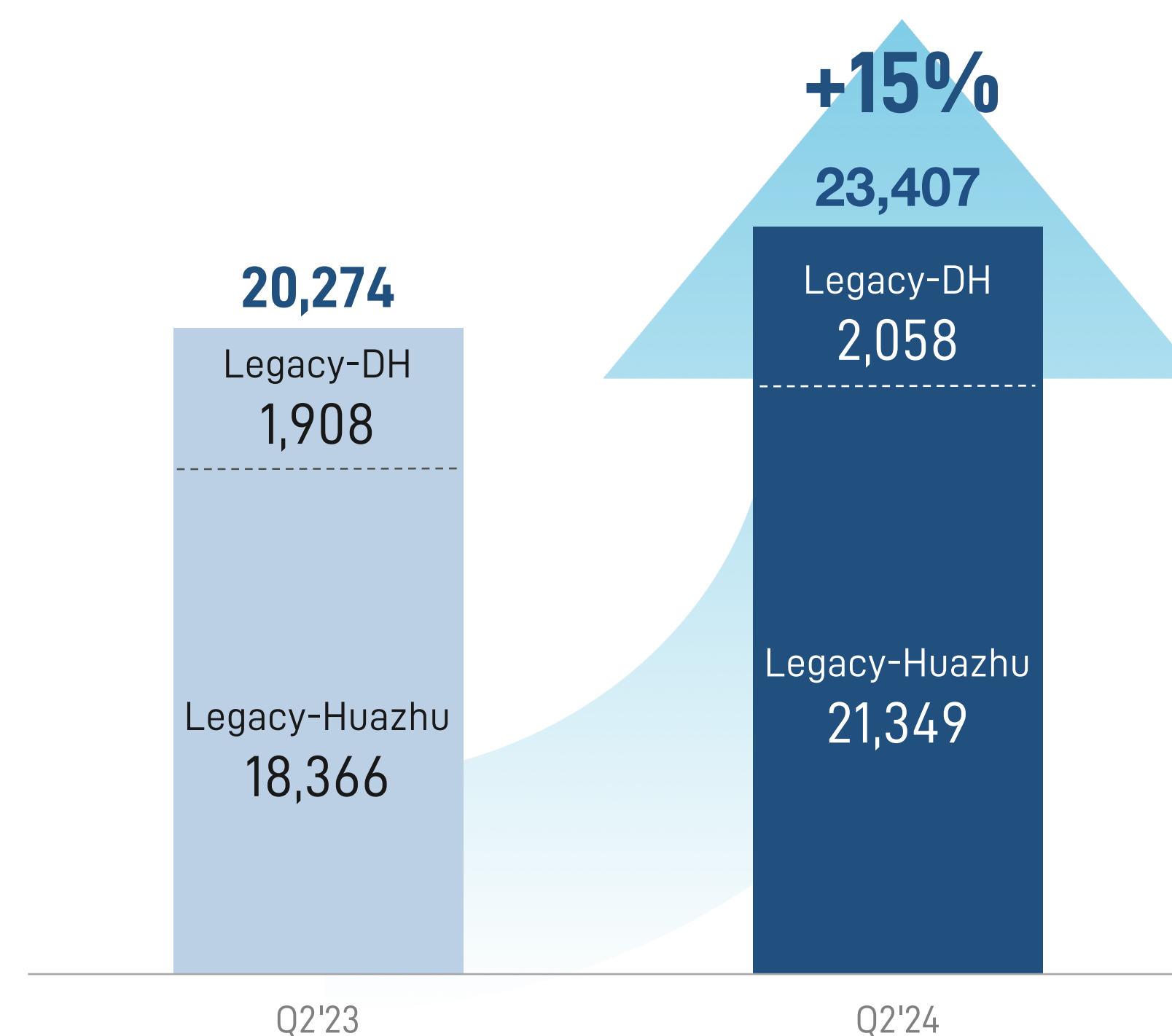
Hotel Network Continues to Expand

酒店网络持续扩张

Hotel Network Expansion
(Number of rooms in operation)



Hotel Turnover
(in RMB millions)



Revenue: Q2'24 Increased 11%, At the High-End of Guidance

营收二季度同比增长11%，位于指引上限

In million RMB	2Q24	2Q23	YoY	1Q24	QoQ
Revenue from Legacy - Huazhu	4,828	4,347	11.1%	4,245	13.7%
- Leased & Owned Hotels	2,395	2,466	-2.9%	2,112	13.4%
- Manachised & Franchised Hotels	2,305	1,830	26.0%	2,042	12.9%
- Others	128	51	151.0%	91	40.7%
Revenue from Legacy - DH	1,320	1,183	11.6%	1,033	27.8%
- Leased & Owned Hotels	1,286	1,126	14.2%	987	30.3%
- Manachised & Franchised Hotels	29	26	11.5%	21	38.1%
- Others	5	31	-83.9%	25	-80.0%
Revenue	6,148	5,530	11.2%	5,278	16.5%

- Legacy-Huazhu revenue increased 11% YoY, at the high-end of our guidance, driven primarily by higher-than-expected hotel openings.

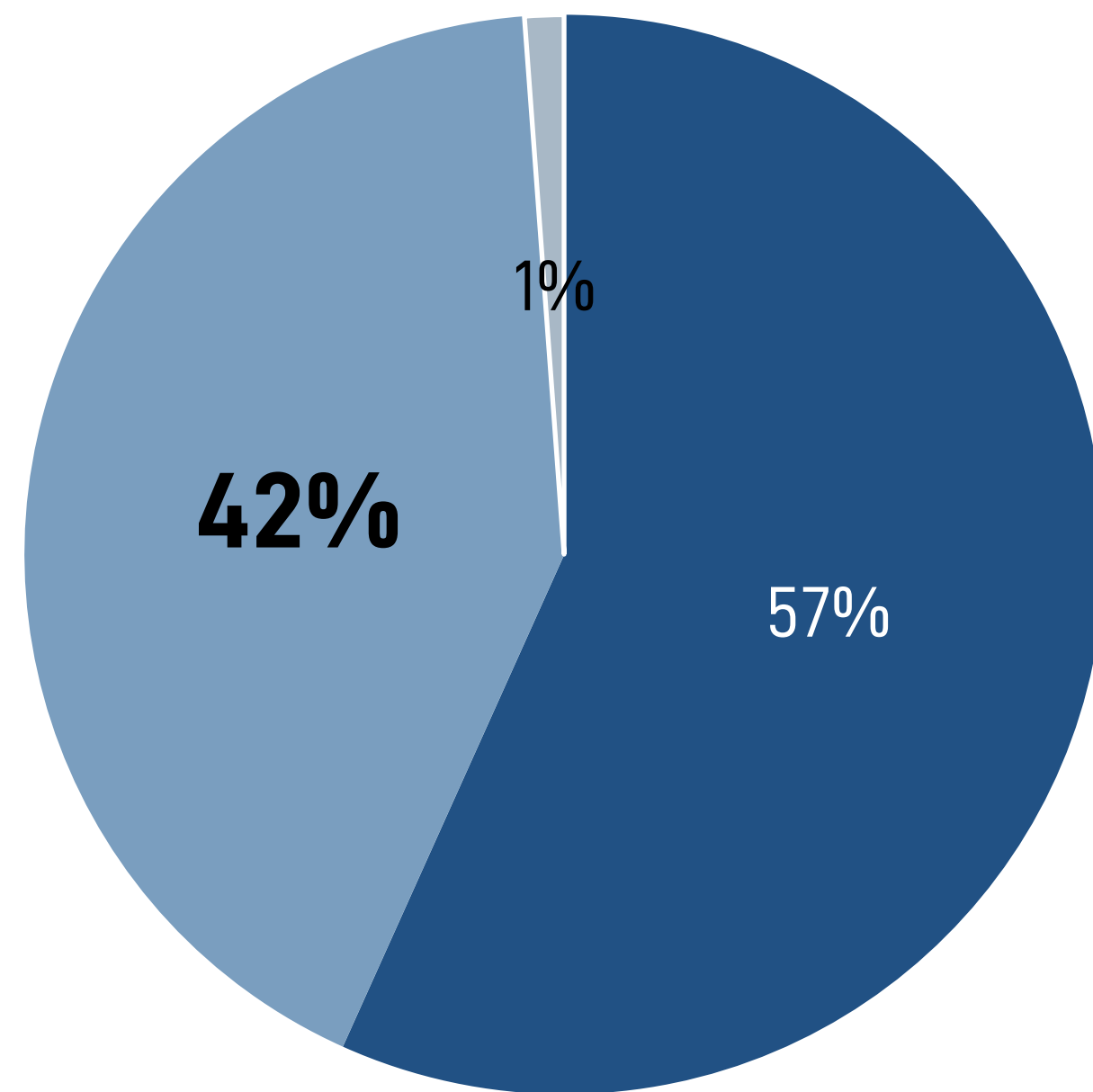
- Legacy-DH revenue increased 12% YoY, driven by business recovery and hotel network expansion

Increasing Revenue Contribution from Asset-Light Model

轻资产收入占比持续提升

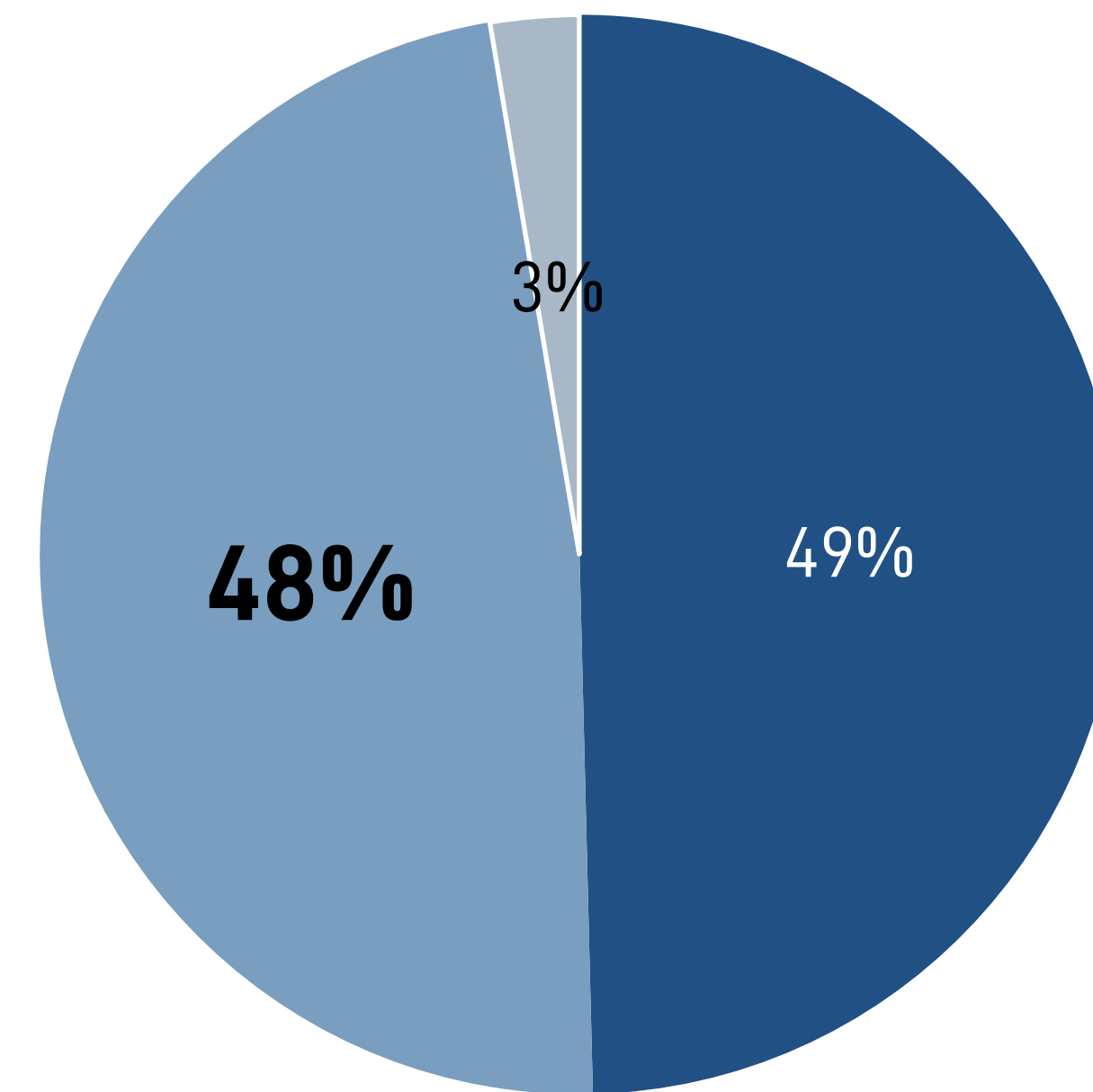
Legacy-Huazhu Revenue Breakdown in Q2' 23

■ Leased and owned hotels ■ Manachised and franchised hotels ■ Others



Legacy-Huazhu Revenue Breakdown in Q2' 24

■ Leased and owned hotels ■ Manachised and franchised hotels ■ Others



Operating Income Achieved RMB1.6 Billion in Q2'24

二季度经营利润达到人民币16亿元

In million RMB	2Q24	2Q23	YoY	1Q24	QoQ
Hotel operating costs	3,731	3,482	7.2%	3,565	4.7%
- Legacy-Huazhu	2,736	2,559	6.9%	2,615	4.6%
- Legacy-DH	995	923	7.8%	950	4.7%
Pre-opening expenses	19	12	58.3%	8	137.5%
- Legacy-Huazhu	19	11	72.7%	8	137.5%
- Legacy-DH	-	1	-100.0%	-	Nm
SG&A expenses	919	739	24.4%	769	19.5%
- Legacy-Huazhu	676	505	33.9%	554	22.0%
- Legacy-DH	243	234	3.8%	215	13.0%
Income from operations	1,572	1,385	13.5%	1,003	56.7%
- Legacy-Huazhu	1,499	1,350	11.0%	1,131	32.5%
- Legacy-DH	73	35	108.6%	-128	Nm

- The YoY increase of hotel operating cost was mainly due to our hotel network expansion, as well as less rental reduction.

- Pre-opening costs maintained at a low level as we continue moving towards asset-light model and stay selective on opening leased and owned hotels.

- Legacy-Huazhu SG&A expenses increased YoY mainly due to headcount normalization as well as rise in share-based compensation to secure and reward core employees for supporting long-term business development.

- Operating income improved both YoY and QoQ, driven primarily by the strong network expansion of our manachised and franchised hotels, as well as further business recovery of DH.

Adjusted EBITDA, Adjusted Net Income and Operating Cash Flow

经调整后的EBITDA，净利润以及经营性净现金流情况

In million RMB	2Q24	2Q23	YoY	1Q24	QoQ
Adjusted EBITDA*	2,040	1,772	15.1%	1,421	43.6%
- Legacy-Huazhu	1,909	1,675	14.0%	1,487	28.4%
- Legacy-DH	131	97	35.1%	-66	Nm
Adjusted Net Income*	1,254	1,073	16.9%	771	62.6%
- Legacy-Huazhu	1,221	1,066	14.5%	938	30.2%
- Legacy-DH	33	7	371.4%	-167	Nm
Operating Cash Inflow	2,235	2,238	-0.1%	886	152.3%

- Legacy-Huazhu's adj. EBITDA and adj. net income improved both YoY and QoQ, thanks to continued business growth and our asset-light strategy, as well as our cost saving initiatives on non-personnel-related expenses.

- Legacy-DH's achieved positive adj. EBITDA in the quarter and in 1H24.

* Adjusted EBITDA and adjusted net income have been redefined and restated. Adjusted EBITDA and adjusted net income excludes gains (losses) from fair value changes of equity securities, foreign exchange gain (loss), gain (loss) on disposal of investments, and share-based compensation expenses

Liquidity Position Update

流动性情况更新



**Cash Balance
(incl. Time Deposits)**

RMB9.9 bn



**Net Cash
(incl. Time Deposits)**

RMB4.3 bn



**Unutilized
Bank Facilities**

RMB3.1 bn

* As of June 30, 2024

* Cash balance and net cash position includes RMB1.7 bn time deposits and financial products

Shareholders Return Plan

股东回报计划

Up to **US\$2bn**
in the next 3 years

- **Ordinary Dividends**
 - Semi-annually
 - No less than 60% of the net income each year
- **Special Dividends**
- **Share Repurchase**
 - Five-year repurchase program
 - Aggregate amount of up to US\$1bn

January-July 2024 Shareholder Return

2024年1-7月股东回报情况



**2024 Interim
Cash Dividend
~USD200 mn**



**Share Repurchase
~USD143 mn**

Guidance

业绩指引

Q3
2024

Revenue vs. Q3 2023

- **Grow 2%-5%**
- **Excluding DH - Grow 1-4%**

Revised up our gross opening target
from **~1,800** to **2,200+** for the year

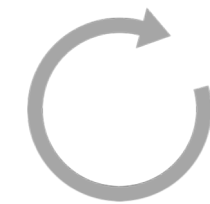
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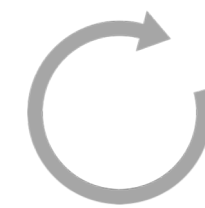
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Appendix

Same-Hotel Operational Data by Segment

同店经营数据

	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,		June 30,			June 30,			June 30,		
	2023	2024	2023	2024	yoy change	2023	2024	yoy change	2023	2024	yoy change (p.p.)
Economy hotels	3,751	3,751	198	190	-4.2%	235	225	-4.1%	84.4%	84.3%	-0.1
Leased and owned hotels	299	299	241	235	-2.6%	281	268	-4.6%	85.8%	87.5%	+1.7
Manachised and franchised hotels	3,452	3,452	193	184	-4.5%	229	219	-4.1%	84.3%	83.9%	-0.3
Midscale and Upper midscale hotels	3,169	3,169	308	299	-3.2%	377	361	-4.2%	81.7%	82.6%	+0.9
Leased and owned hotels	260	260	397	390	-1.9%	481	461	-4.3%	82.5%	84.6%	+2.1
Manachised and franchised hotels	2,909	2,909	296	286	-3.3%	363	348	-4.2%	81.6%	82.4%	+0.7
Total	6,920	6,920	257	248	-3.6%	310	297	-4.1%	83.0%	83.4%	+0.4

* Numbers in this page refers to Legacy-Huazhu business

Number of Hotels and Rooms

酒店数量和房间数量

As of June 30, 2024

	Hotels		Rooms		Unopened hotels	
			in operation		in pipeline	Total
Economy hotels	5,288		433,604			1,220
HanTing Hotel	3,883		341,015			816
Hi Inn	512		26,183			234
NiHao Hotel	348		25,935			148
Elan Hotel	299		15,734			-
Ibis Hotel	228		22,582			11
Zleep Hotels	18		2,155			11
Midscale hotels	4,028		430,320			1,465
Ibis Styles Hotel	108		10,679			19
Starway Hotel	712		58,791			168
JJ Hotel	2,472		282,926			954
Orange Hotel	736		77,924			324
Upper midscale hotels	801		110,897			515
Crystal Orange Hotel	206		26,181			147
CitiGO Hotel	35		5,248			7
Manxin Hotel	147		13,441			87
Madison Hotel	110		13,658			87
Mercure Hotel	182		29,082			65
Novotel Hotel	30		6,740			16
IntercityHotel	81		14,802			101
MAXX	10		1,745			5
Upscale hotels	143		21,337			86
Jaz in the City	3		587			1
Joya Hotel	7		1,237			-
Blossom House	69		3,031			71
Grand Mercure Hotel	9		1,796			2
Steigenberger Hotels & Resorts	55		14,686			12
Luxury hotels	15		2,234			3
Steigenberger Icon	8		1,721			2
Song Hotels	7		513			1
Others	11		3,473			5
Other hotels	11		3,473			5
Total	10,286		1,001,865			3,294