



Fourth Quarter and Full Year of 2021 Earnings Call

Huazhu Group Limited

(NASDAQ: HTHT and HKEX: 1179)

Mar 24, 2022

Sustainable Quality Growth

精益增长

AGENDA

- **2021 Strategic Review and 2022 Strategic Focus**
- 2021 Operational and Financial Review
- COVID-19 Updates and Guidance
- Q and A
- Appendix

Our Achievements in 2021

2021年主要成就

Key priorities

01 Rapid Expansion of Quality Hotel

- Defining standards of 'Comfort 360' and quality hotel
- Hotel in operation achieved to 7,830, with net openings of 1,041 in 2021
- Continued penetrating into lower-tier cities, added ~200 new cities in 2021
- Successfully introduced and opened Intercity and Maxx brand hotels in China
- Opened 14 Steigenberger brand hotel in 2021 through JV with Sunac
- Blossom House to tap into booming domestic leisure travelling market

02 Multi-Dimensional Direct Sales

- Member base further increased by 14% YoY to 193m in 2021
- Launched H-world 3.0 to integrate customer service from online to offline
- Corporate members room nights contribution increased to 11% in 4Q21
- CRS contribution further increased to ~62% in 4Q21

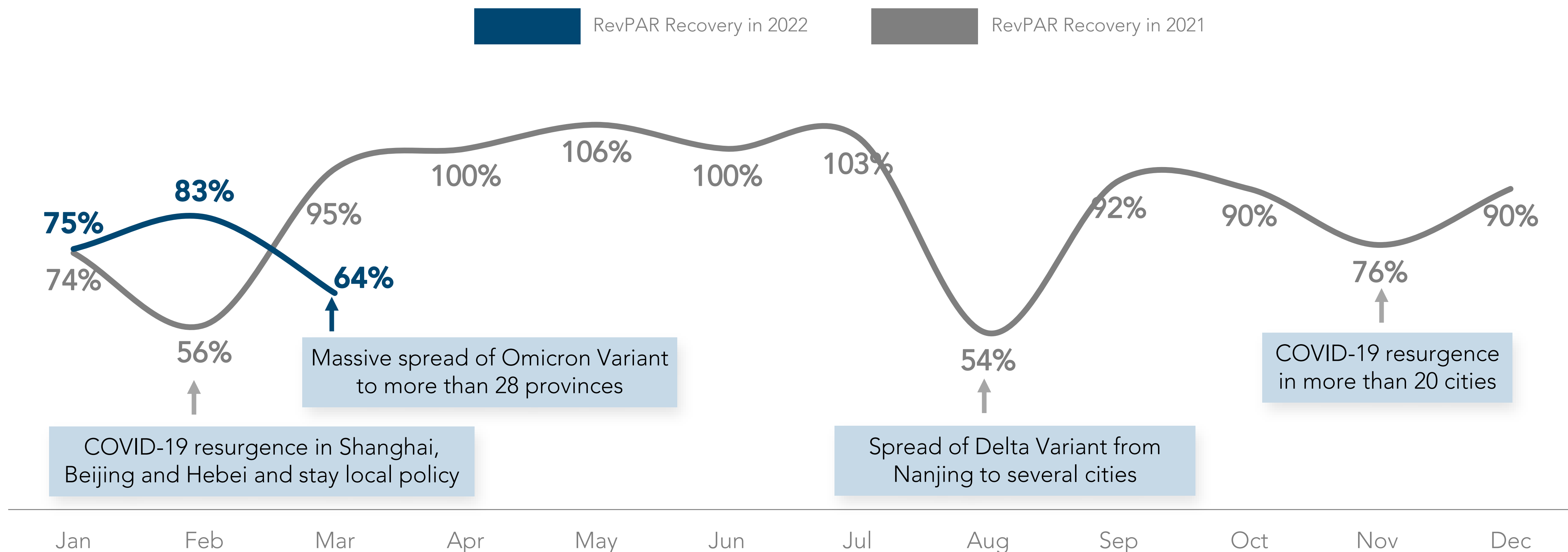
03 Global Technology Platform

- Gradual rollout of One Global Digital Platform in DH

COVID-19 Resurgence Constantly Impact RevPAR Recovery

疫情不断反复持续影响RevPAR的恢复

Blended RevPAR in 2021 and 2022 as % of 2019



* Numbers in this page refers to Legacy-Huazhu business

Strategic Focus for 2022

2022年战略重点

1

Growth Strategy 增长战略

2

Brand Strategy 品牌战略

3

Membership Strategy 用户战略

4

Digitalization Strategy 数字化战略

Growth Strategy

增长战略

1

China Focus with Further Lower Tier Cities Penetration
重仓中国，下沉三四线

2

Breakthrough in Less-penetrated Market
突破薄弱市场

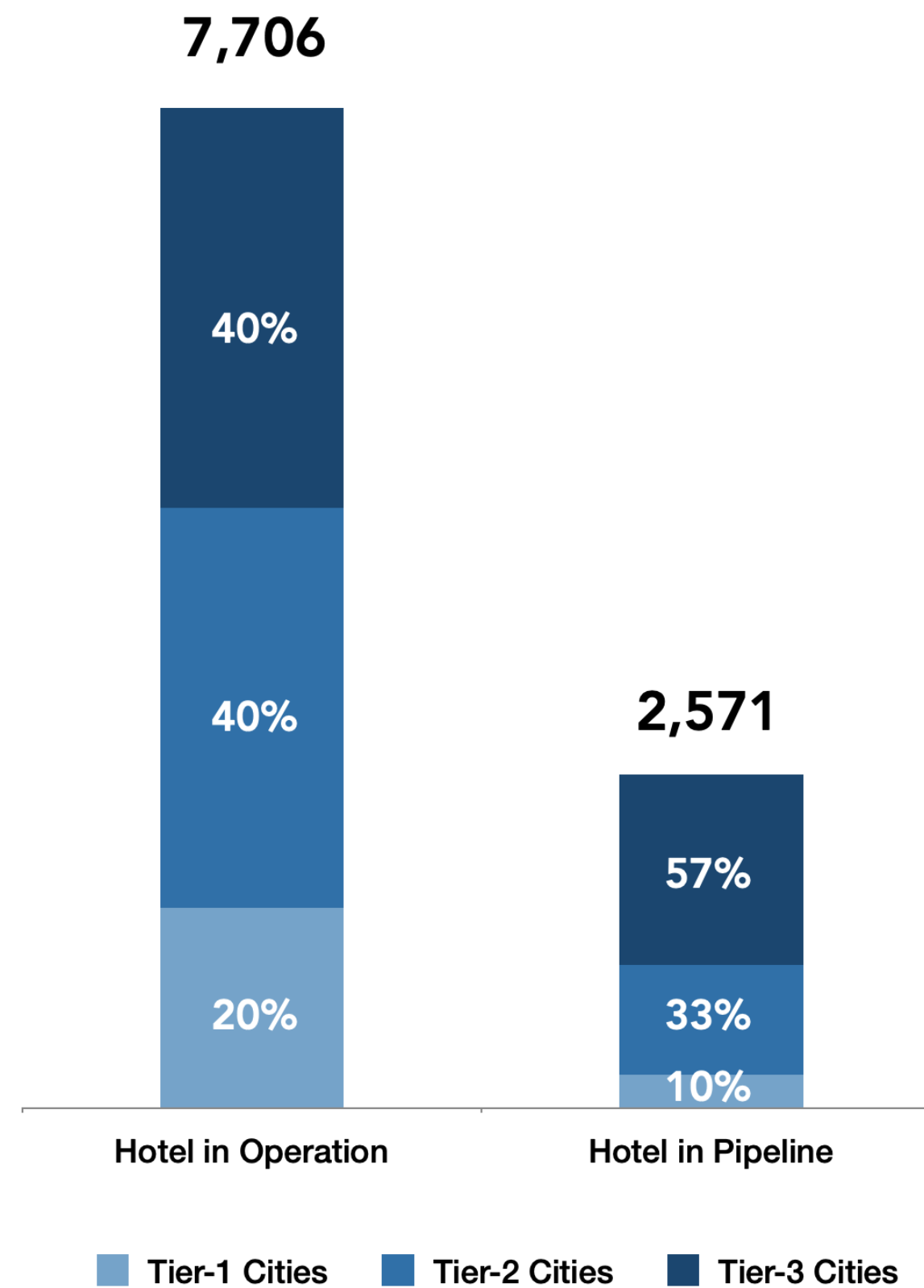
3

Accelerating Development in Upper-mid and Upscale Segment
加速发展中高档及高档酒店

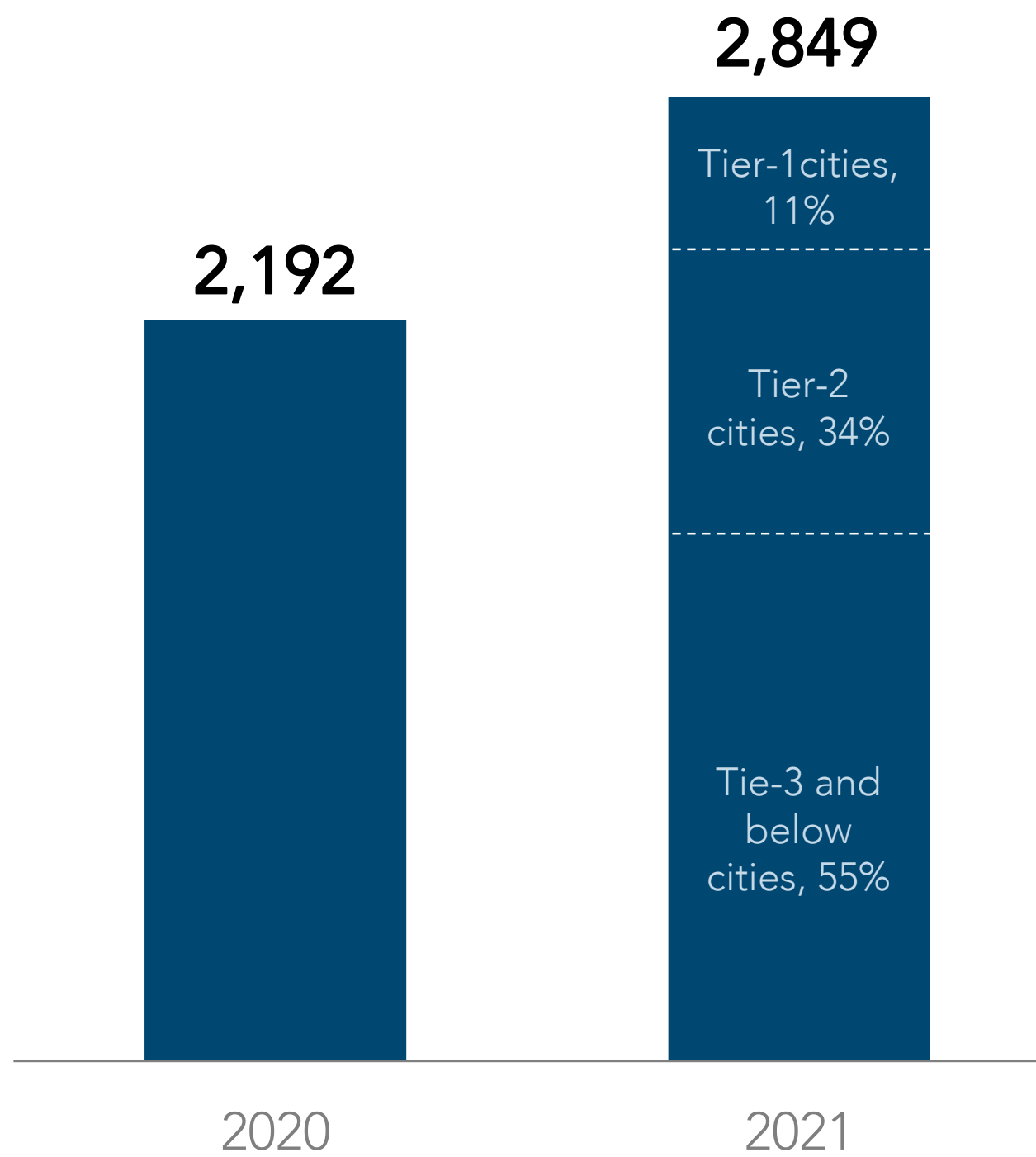
Further Penetrating to Lower Tier Cities 低线城市持续渗透

Hotels Breakdown

(as of December 31)

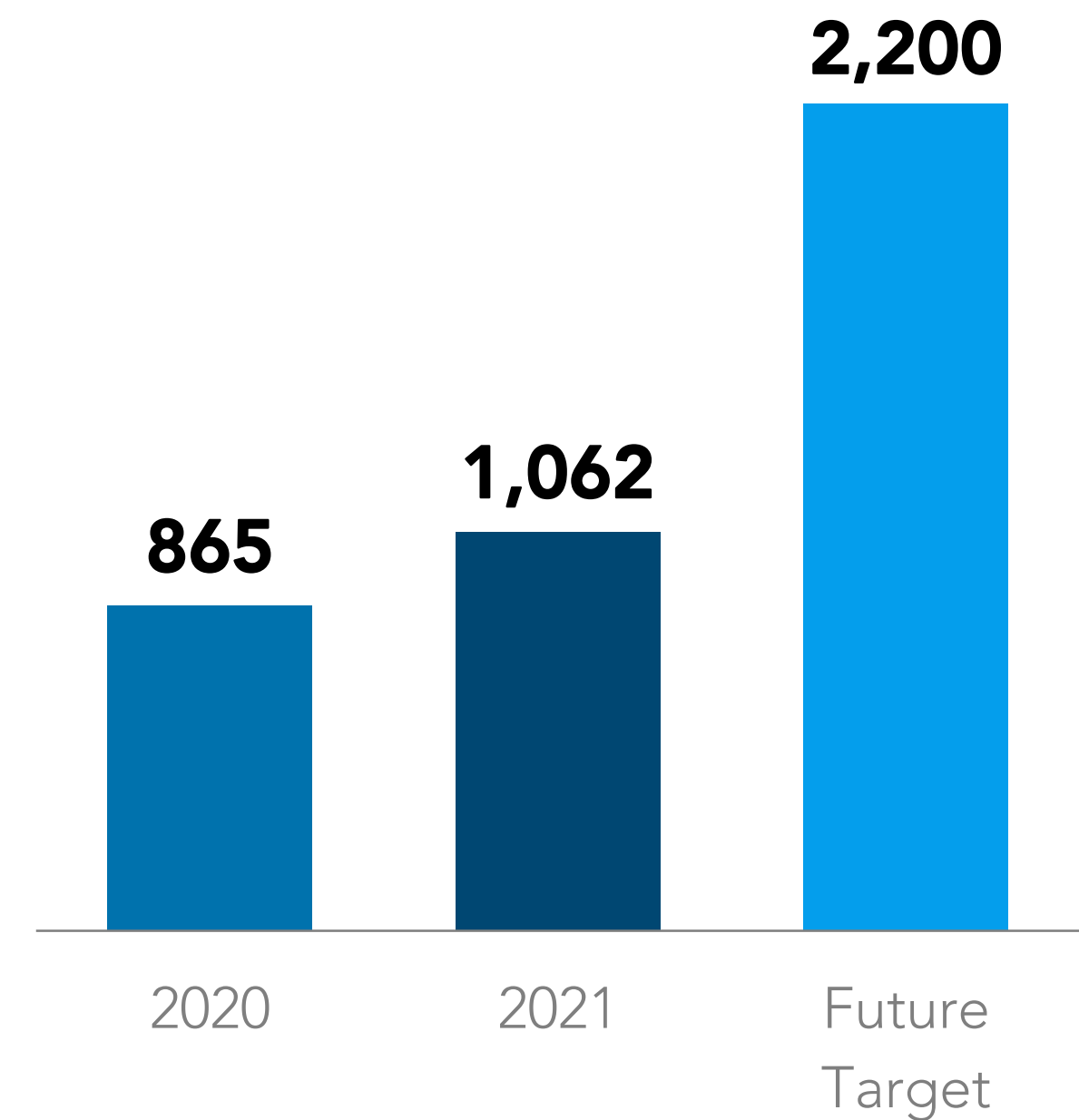


Number of New Signings



City Coverage

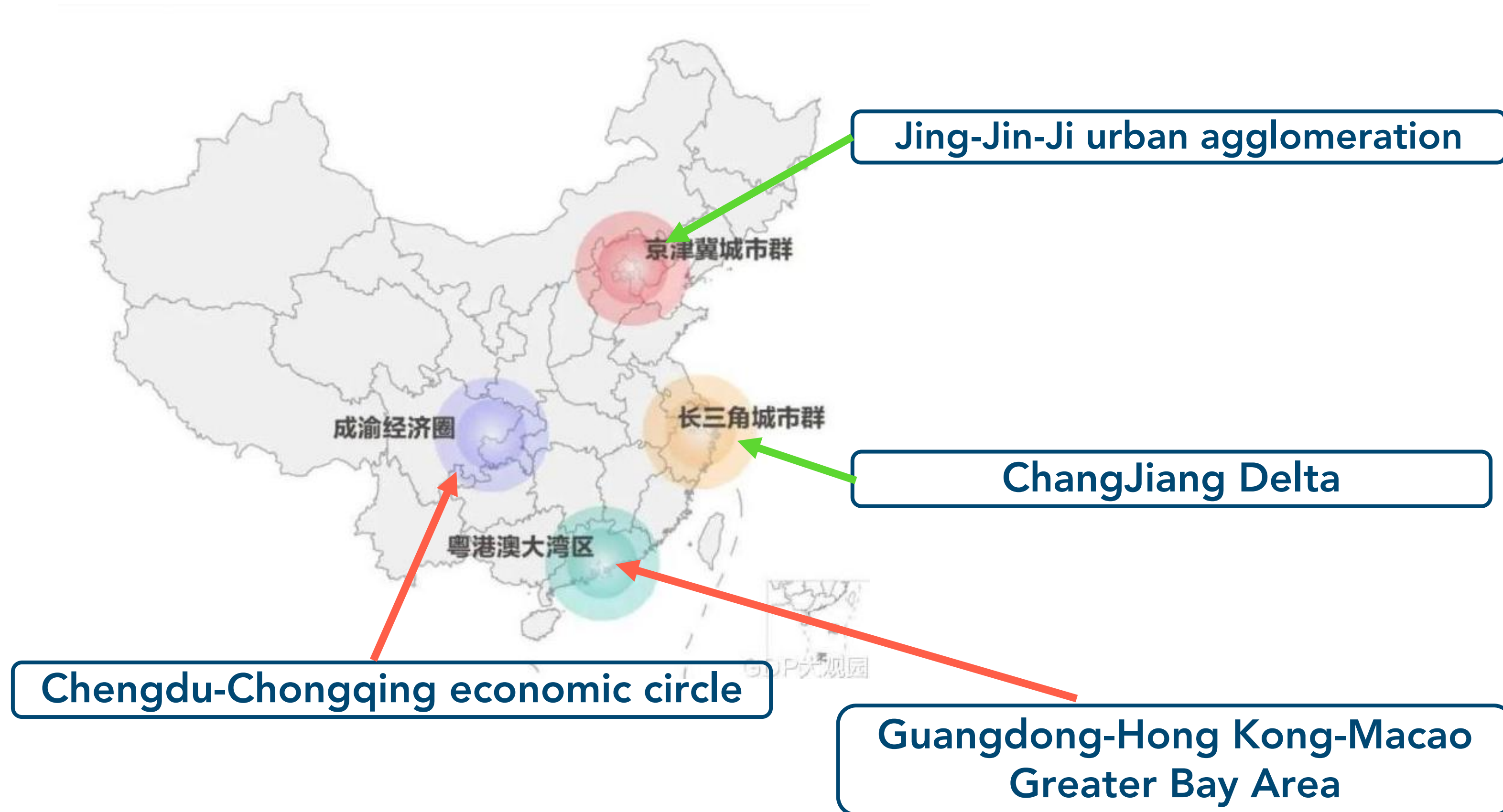
(hotels in operation and in pipeline)



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Breakthrough in Southern and Western China

华南华西市场突破



- Guangdong-Hong Kong-Macao Greater Bay Area and the Chengdu-Chongqing economic circle development are part of China National Strategy
- Huazhu established regional headquarters in Shenzhen and Chengdu

Multi-Brand Strategy in Upper Midscale Segment

多品牌探索中高档酒店市场机会



• As of Q4'21:

454 hotels in operation

264 hotels in pipeline

• Target:

1,000+ Hotels in 2023

(in operation and in pipeline)

Solid Progress in Upscale Segment

高档市场发展有序推进

Fast Expansion in Upscale Segment

- Achieved the first milestone of **100** hotels in operation and pipeline through JV with Sunac

Tapping into Leisure Segment

- Blossom House are well prepared to capture the booming domestic leisure travel market with **35** hotels signed during 2021

Conversion Opportunities

- Maxx brand is set for conversion opportunities of existing upscale hotels in China, e.g., **Maxx and Les Suites Orient, Bund Shanghai**

Brand Strategy

品牌战略

Product Upgrade

- Consistently upgrade products to enhance product quality and brand recognition

Flagship Hotels

- Selectively investing in flagship hotels in key cities and regions to improve brand awareness
- Opened Crystal Orange 2.0 flagship hotel in Shanghai during 2021

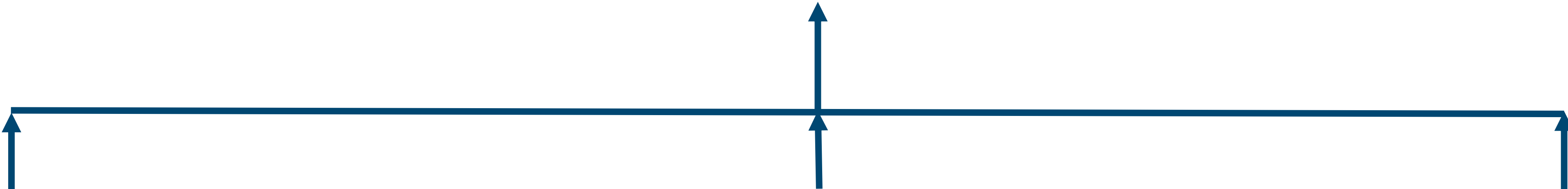
Brand Positioning

- Sharpen brand positioning by offering differentiated products and services to target customer groups

Membership Strategy 用户战略



H-World



In-House Sales



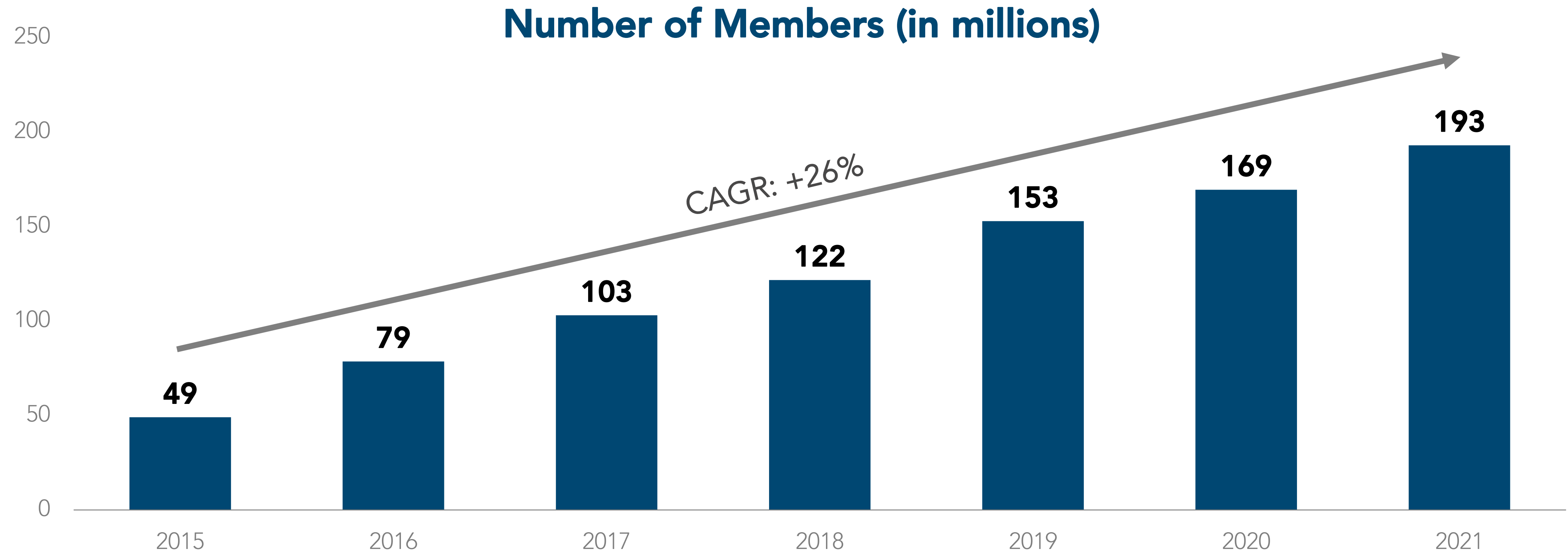
Corporate Customers



Cross-industry Alliance

Solid Growth of Huazhu Members

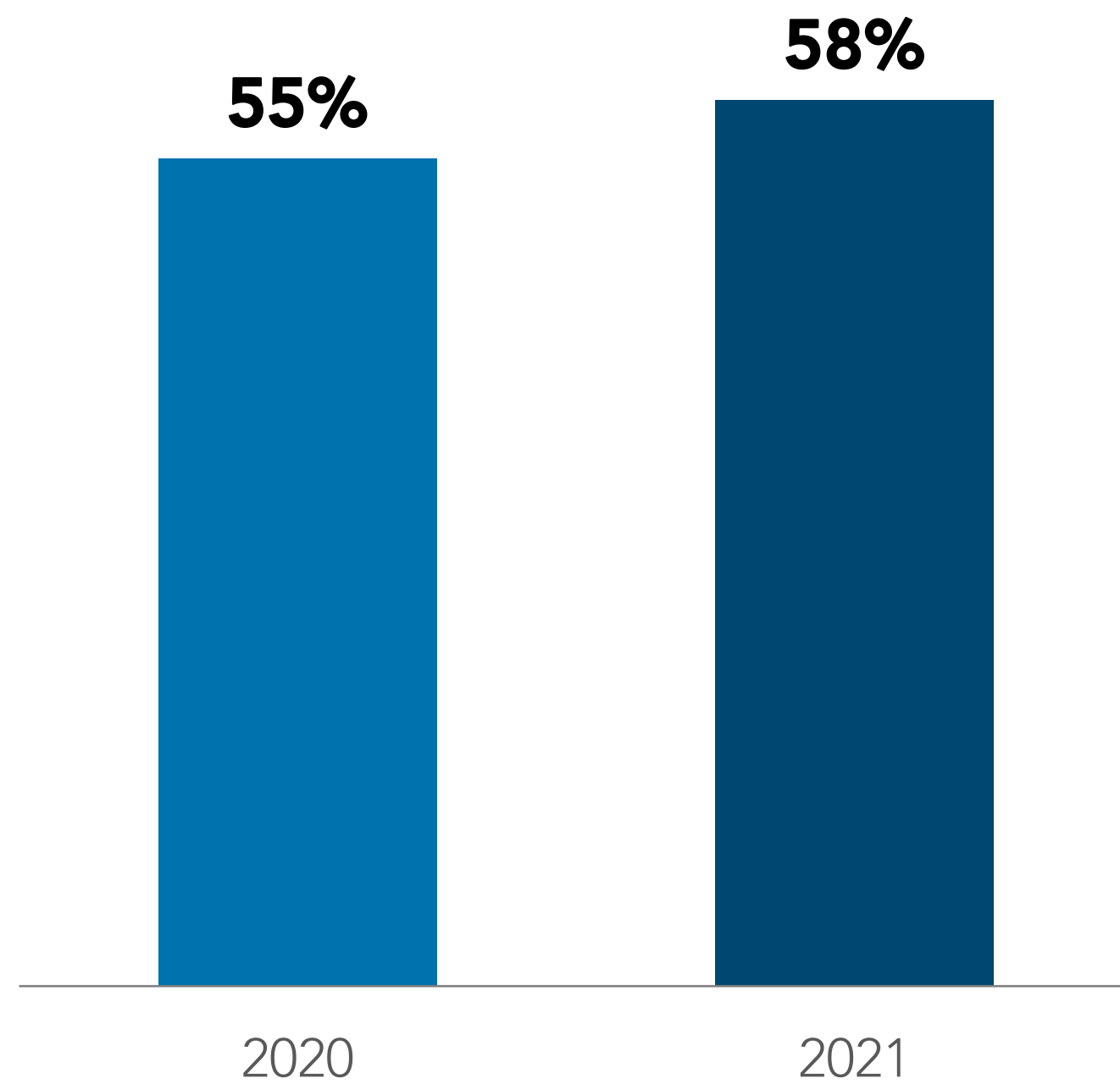
会员数量稳健增长



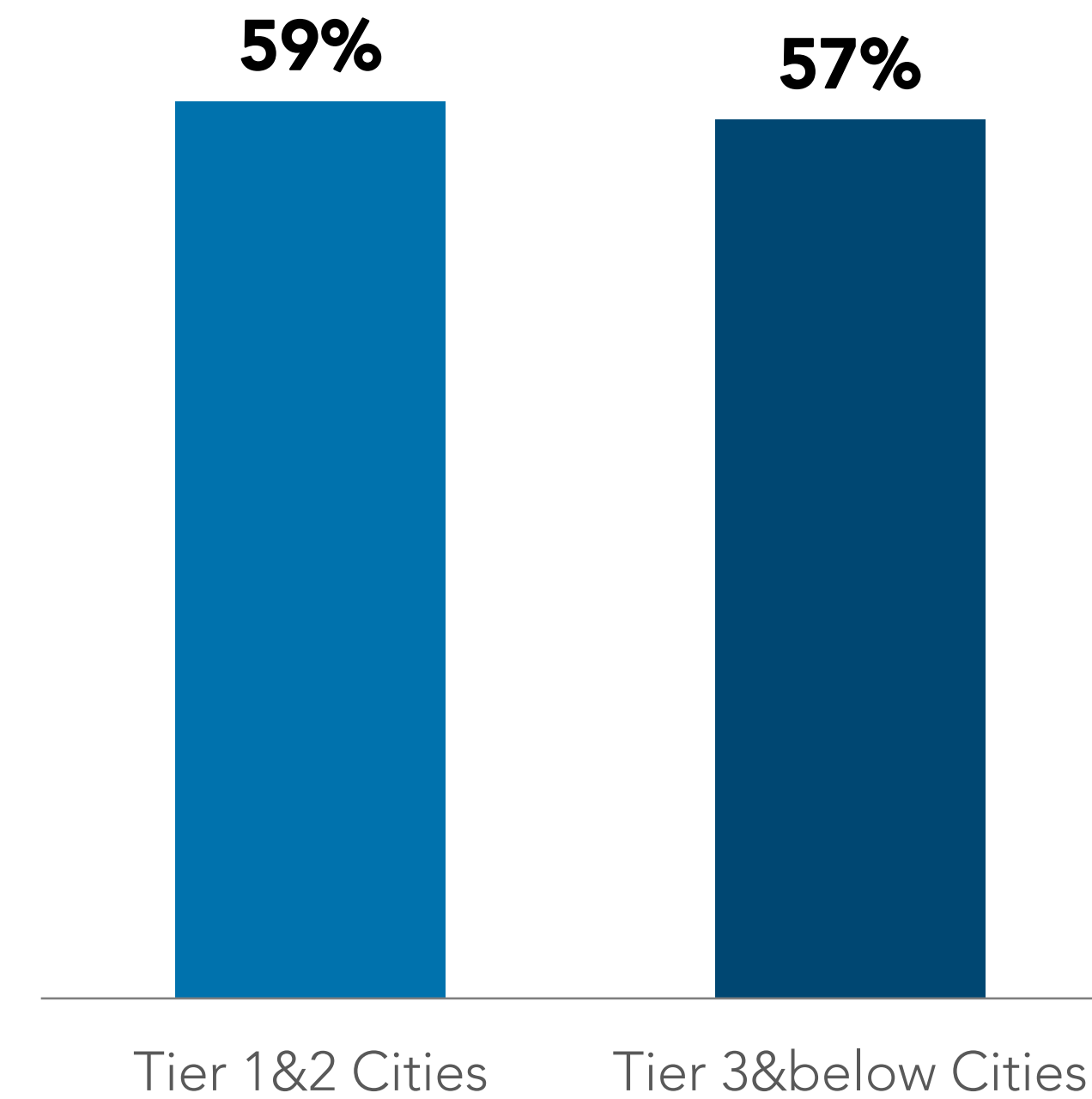
CRS Contribution Increased Across All City Tiers

中央预定贡献占比持续增加

CRS Contribution Increased YoY



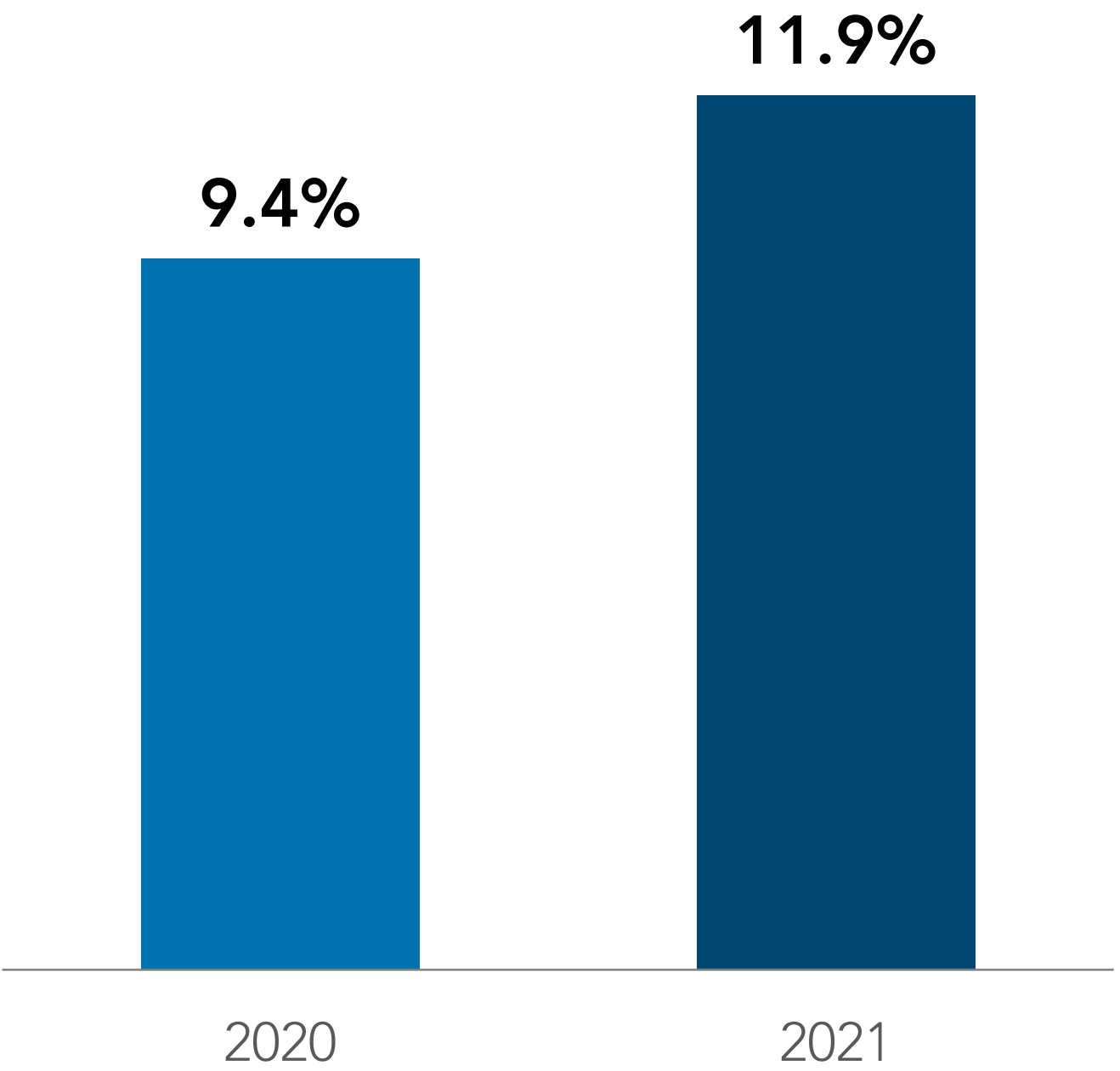
CRS Contribution by City Tier in 2021



Corporate Members Contribution Increased

企业客户贡献占比持续增加

Corporate Members Contribution



Corporate Members Contribution of Upper Midscale and Upscale Hotels

	2020	2021
Upper Midscale Hotels	24.4%	28.9%
Upscale Hotels	31.0%	31.2%

* Numbers in this page refers to Legacy-Huazhu business

Digitalization Strategy

数字化战略

1

Comprehensive Digitalization for Limited Service Hotels
有限服务酒店单店全面数字化

2

Experimenting Shared Service for Full Service Hotels
全服务酒店共享服务创新和突破

Comprehensive Digitalization at Hotel Level

单店全面数字化

More Functions to Be Digitalized

Digital Sales

Online Guest
Experience

Quality
Management

GOP Management

Franchisee Services

AI Enabler

Shared Service for Full Service Hotels

全服务高档酒店共享服务突破

From Single Hotel Management to Cloud-based Digital Chain Hotel Management

Human Resource

- Human resource system
- Work attendance system
- Salary and compensation system
- Training system

Accounting & Finance

- Bookkeeping system
- Settlement system
- Financial reporting system
- Finance shared service center

Supply Chain

- Procurement system
- Purchase sales and inventory system
- Supplier management system

Incorporate ESG into Long-term Strategic Planning

ESG将成为长远战略规划制定的重要一环



- Released first ESG report since listed in 2021
- To align with China's "Carbon Neutralization" target as well as the increasing concern on sustainable growth globally
- Huazhu has started a comprehensive internal assessment to seek the potential of improvement in ESG related matters

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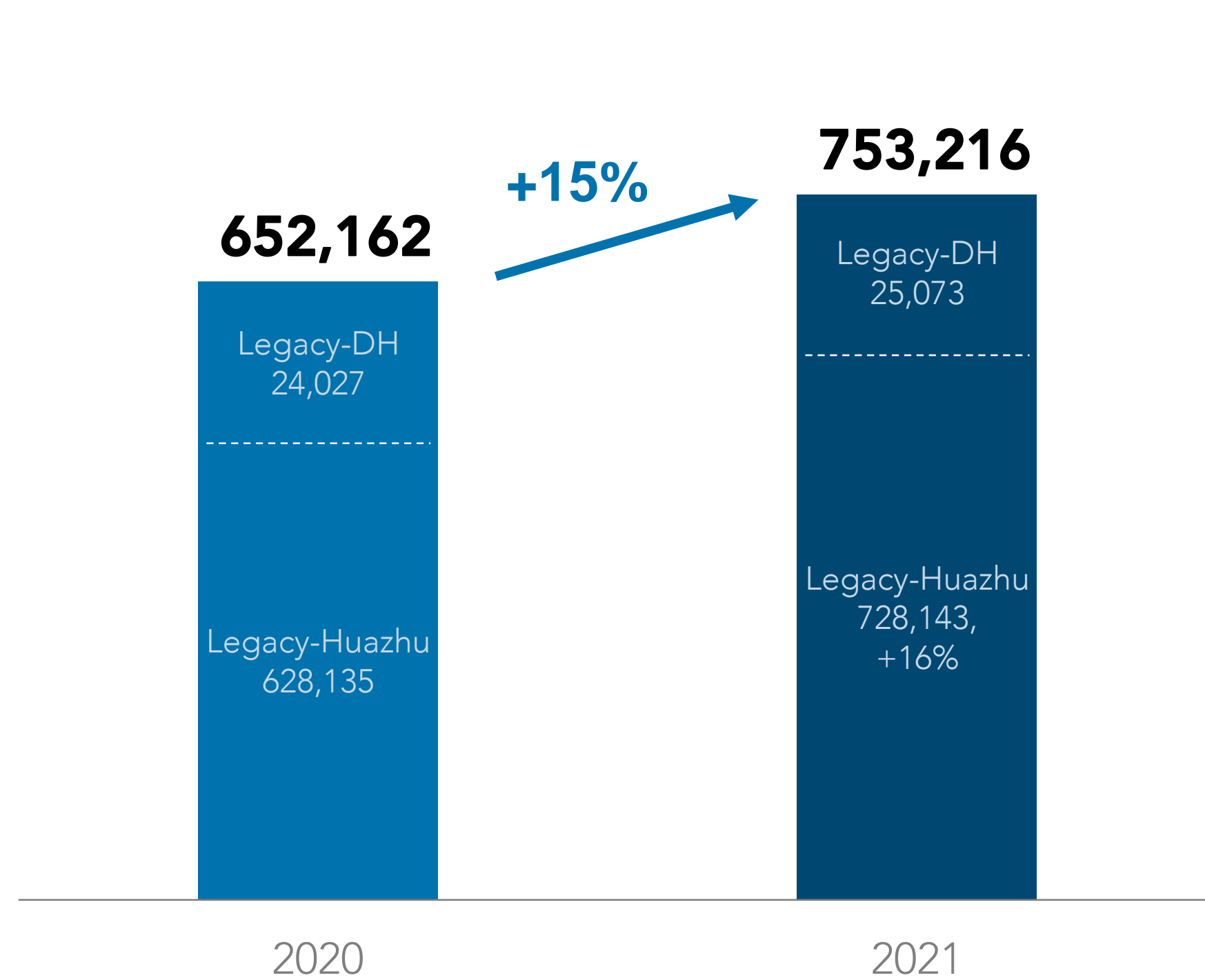
Hotel Network Continued to Expand

酒店网络持续扩张

Hotel Network Expansion

(Number of rooms in operation)

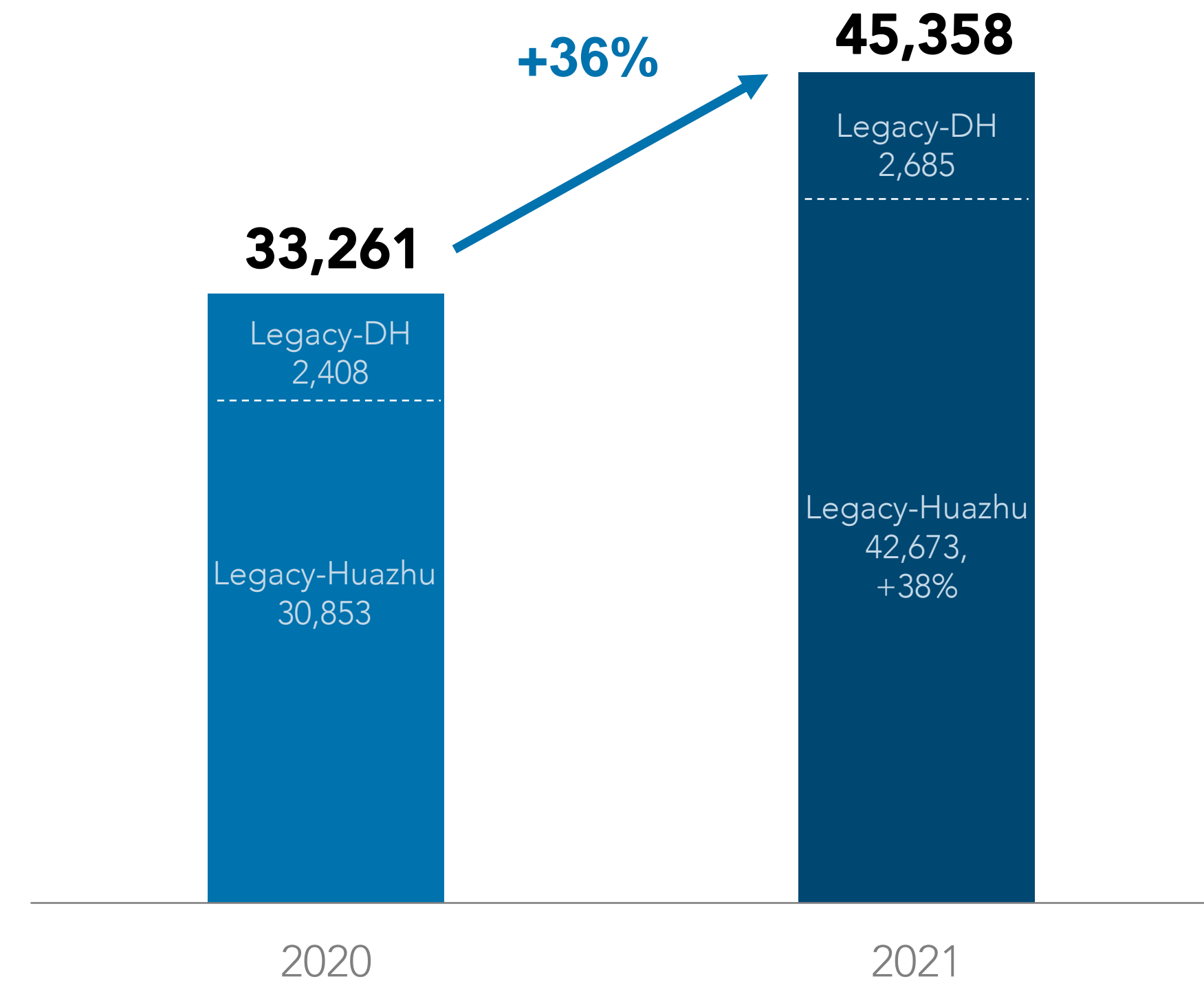
hotels in operation



Hotel Turnover

(in RMB millions)

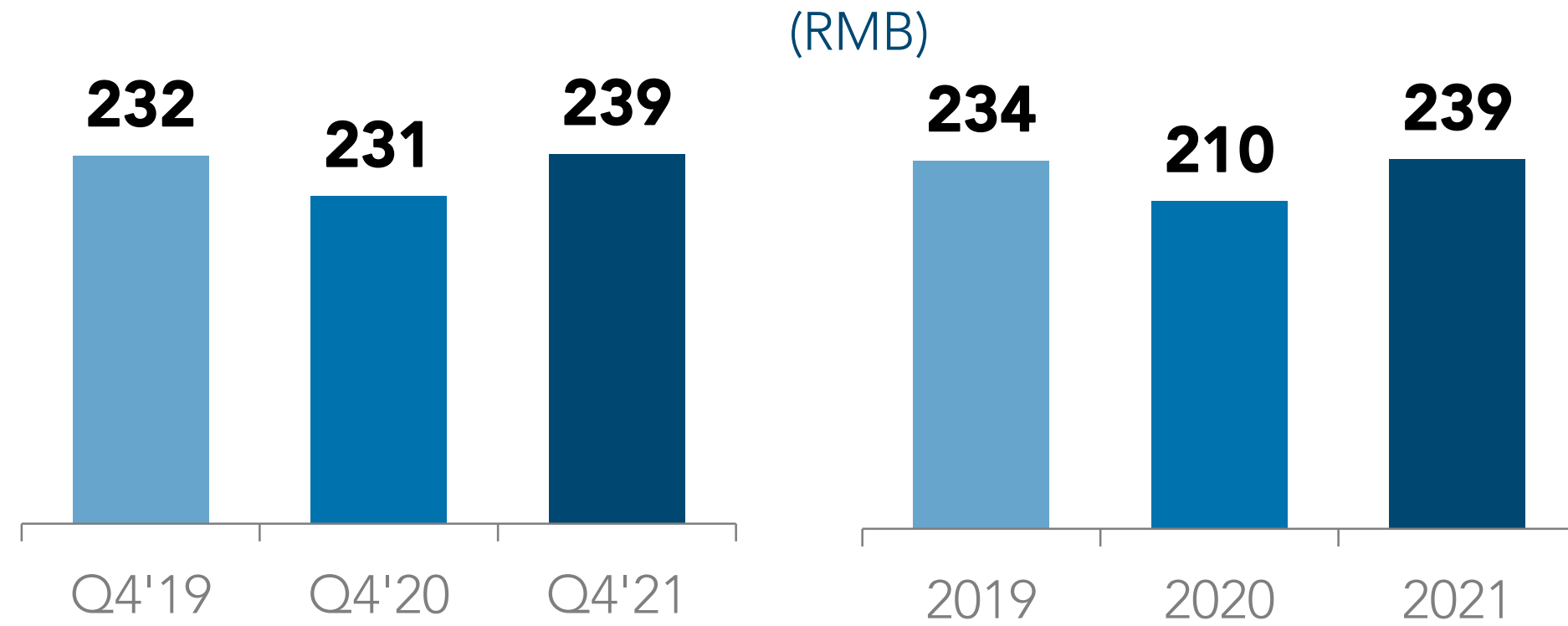
hotel turnover



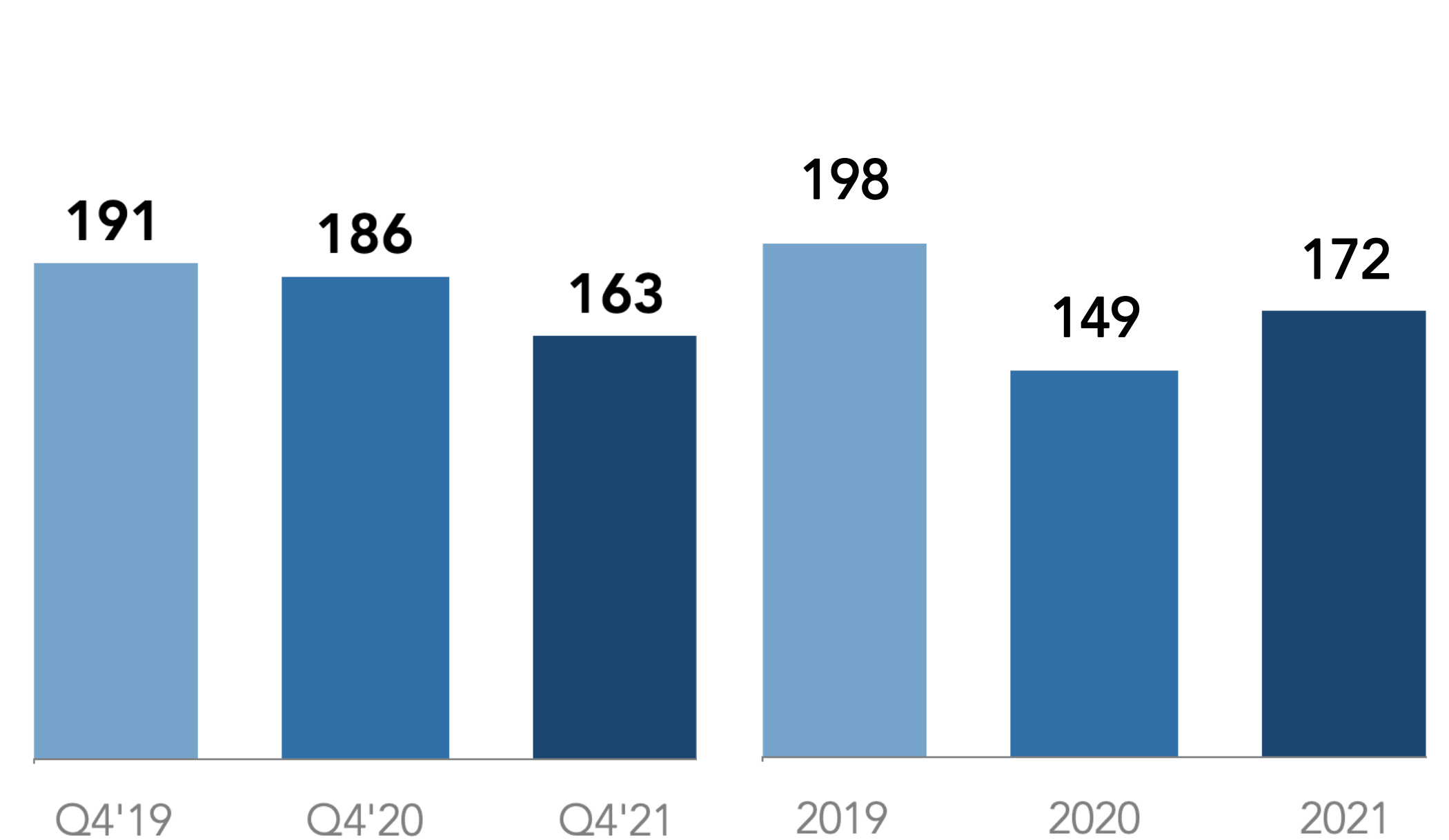
Legacy-Huazhu - Blended RevPAR recovered to 85% & 87% of 2019 in Q4'21 & FY21

华住中国-四季度和全年分别恢复到2019年的85%和87%

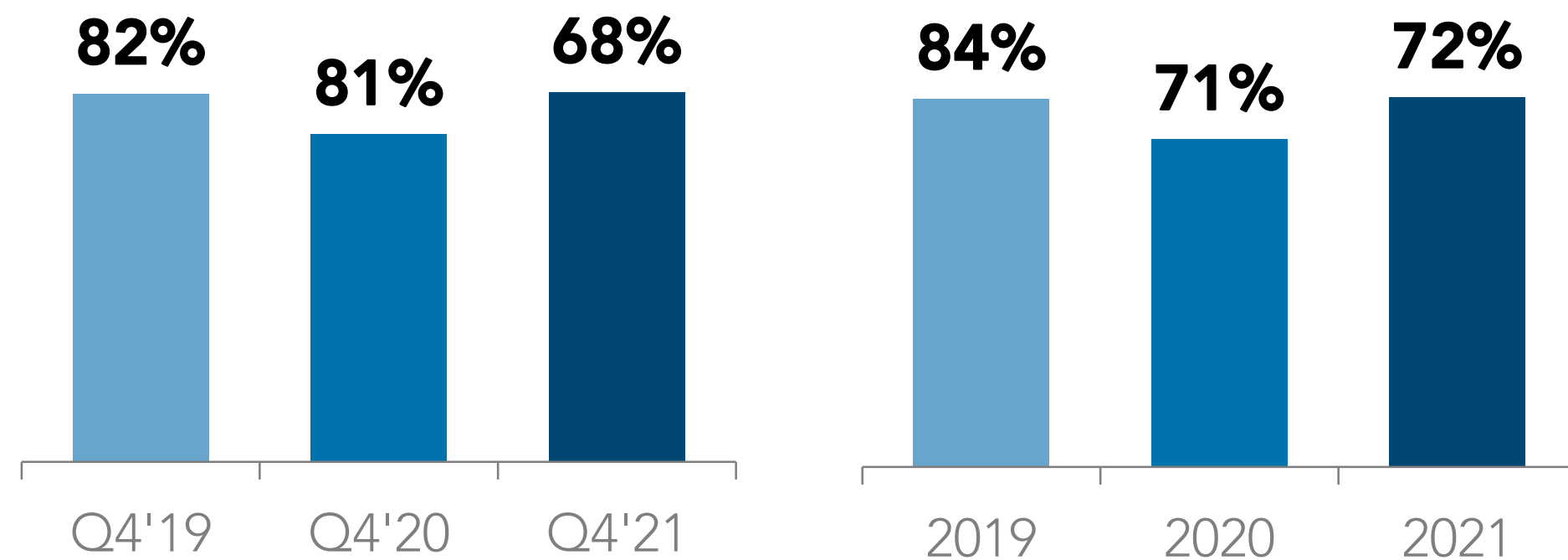
Q4: ADR +3.7% yoy and +3.1% Compared to 2019
FY: ADR +13.8% yoy and +2.0% Compared to 2019



Q4: RevPAR -12.2% yoy and -14.4% Compared to 2019
FY: RevPAR +15.6% yoy and -12.7% Compared to 2019



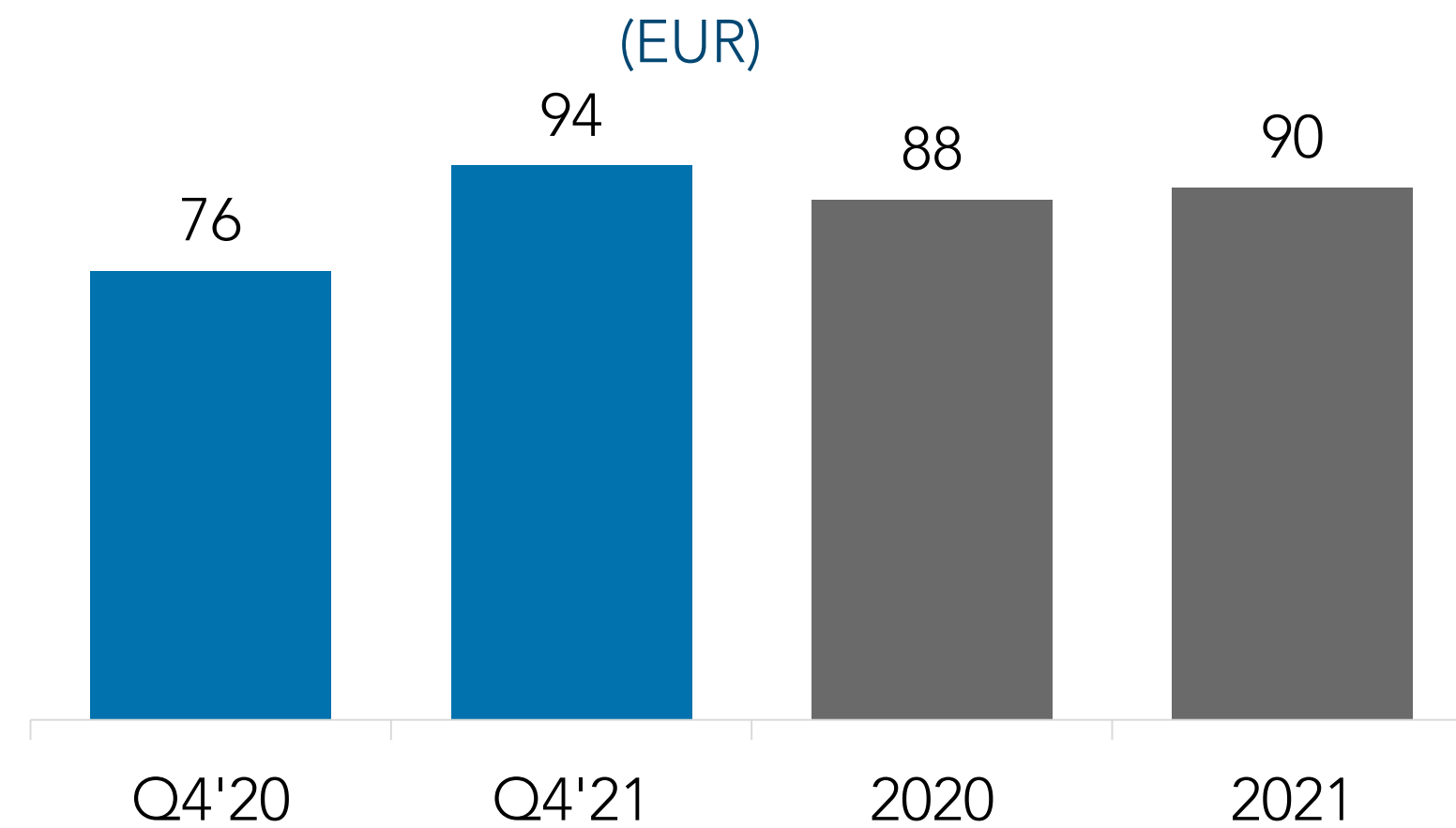
Q4: OCC -12.4 p.p. yoy and -13.9 p.p. Compared to 2019
FY: OCC +1.2p.p. yoy and -12.2 p.p. Compared to 2019



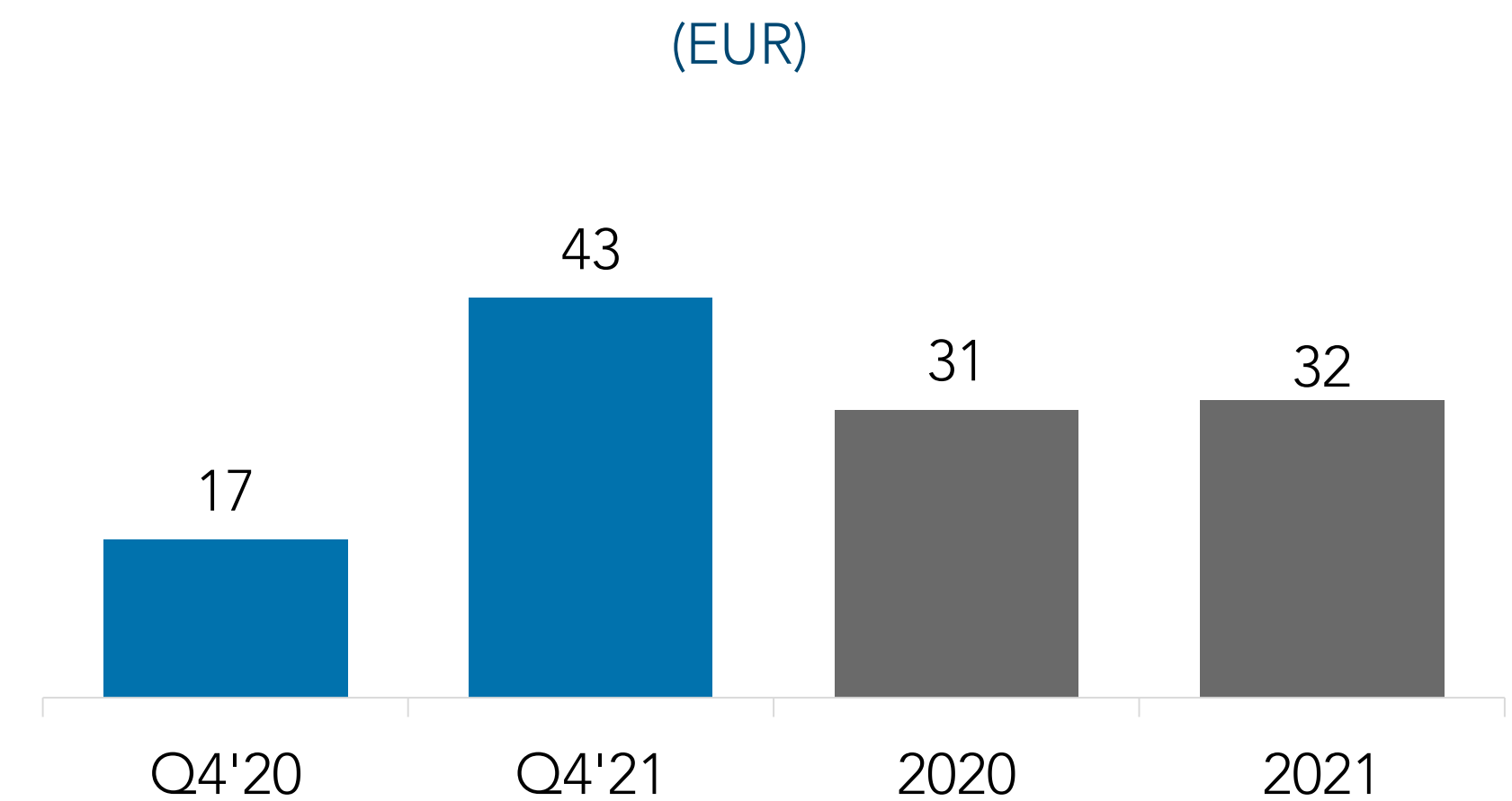
Legacy-DH - Blended RevPAR Increased in Q4'21 and FY21 YoY

DH-四季度和全年混合RevPAR同比增长

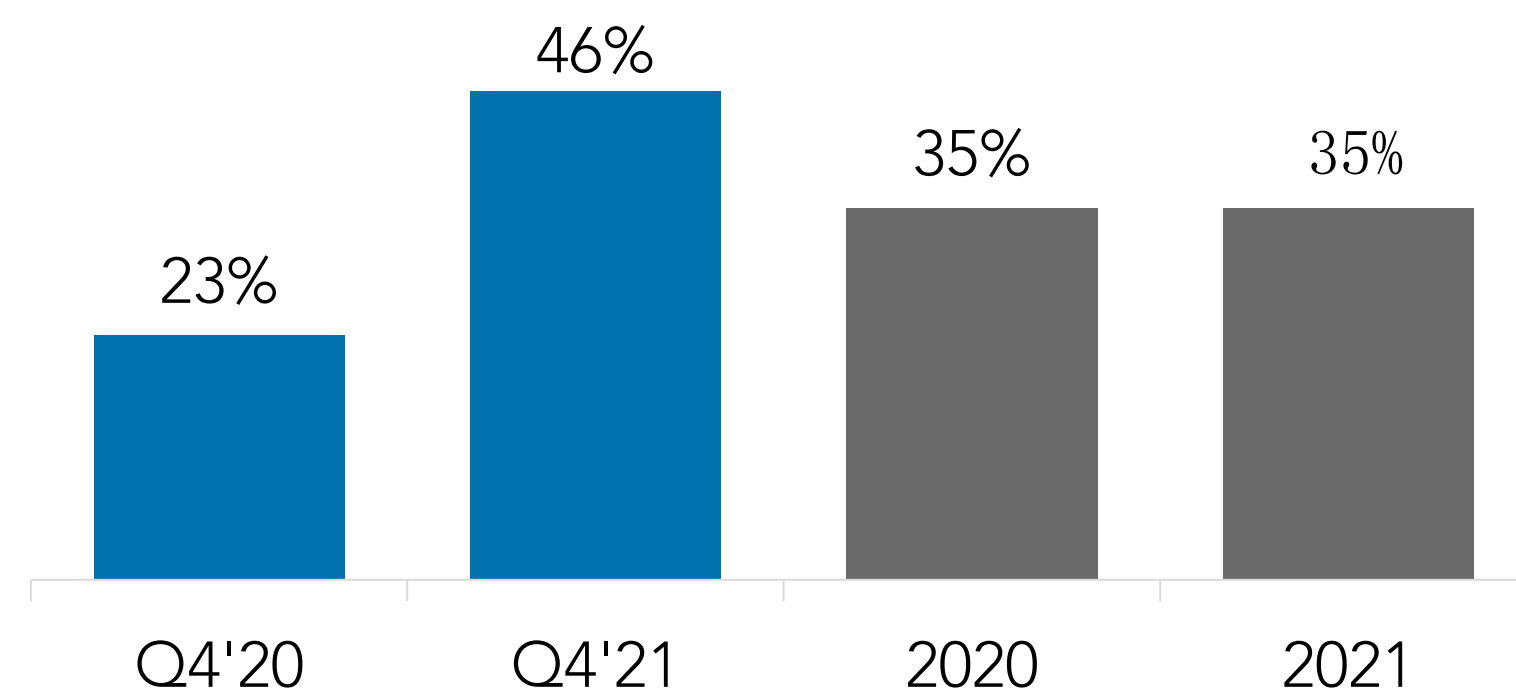
ADR +23.5% in Q4'21 and +3.0% in FY21



RevPAR +152.6% in Q4'21 and +4.0% in FY21



Occupancy +23.6 p.p. in Q4'21 and +0.3 p.p. in FY21



Net Revenues: Q4'21 Increased 9%, FY21 Increased 25%

营收四季度增长9%，全年增长25%

In million RMB	4Q21	4Q20	YoY	3Q21	QoQ	2021	2020	YoY
Net revenues from Legacy - Huazhu	2,776	2,821	-2%	2,934	-5%	11,247	8,664	30%
- Leased & Owned Hotels	1,565	1,790	-13%	1,784	-12%	6,674	5,439	23%
- Manachised & Franchised Hotels	1,073	990	8%	1,110	-3%	4,342	3,093	40%
Net revenues from Legacy - DH	574	250	130%	589	-3%	1,540	1,532	1%
- Leased & Owned Hotels	528	234	126%	561	-6%	1,444	1,469	-2%
- Manachised & Franchised Hotels	25	9	178%	18	39%	56	43	30%
Other revenues	159	48	231%	50	218%	271	152	78%
Net revenues	3,350	3,071	9%	3,523	-5%	12,787	10,196	25%

Manachised and Franchised Hotels Revenue as % of Net Revenues

	Q4' 20	Q4' 21	FY 20	FY 21
Huazhu Group	33%	33%	31%	34%
Legacy-Huazhu	35%	39%	36%	39%

- **China business was negatively impacted by COVID-19 resurgence in over 20 provinces since November**
- **DH's steady improvement was interrupted by new wave of COVID-19 since November**

Q4'21 and FY21 Operating Income Turned Positive YoY

四季度和全年经营利润同比转正

In million RMB	4Q21	4Q20	YoY	3Q21	QoQ	2021	2020	YoY
Hotel operating costs	3,197	2,748	16%	2,885	11%	11,286	9,729	16%
- Legacy-Huazhu	2,331	2,071	13%	2,255	3%	8,806	7,369	20%
- Legacy-DH	866	677	28%	630	37%	2,480	2,360	5%
Pre-opening expenses	30	36	-17%	15	100%	81	288	-72%
- Legacy-Huazhu	30	36	-17%	15	100%	81	288	-72%
- Legacy-DH	0	0	Nm	-	Nm	0	0	Nm
SG&A expenses	624	517	21%	577	8%	2,188	1,856	18%
- Legacy-Huazhu	437	406	8%	435	0%	1,624	1,281	27%
- Legacy-DH	187	111	68%	142	32%	564	575	-2%
Income from operations	39	-134	Nm	72	-46%	164	-1,686	Nm
- Legacy-Huazhu	60	315	-81%	239	-75%	891	-100	Nm
- Legacy-DH	-21	-449	95%	-167	87%	-727	-1,586	54%

- **Hotel operating cost increased mainly due to continuous hotel network expansion and RMB257 million impairment loss mainly due to DH**
- **Asset-light model resulted in lower pre-opening costs**
- **SG&A increased mainly due to increase in headcounts of BD team, upscale hotel division, IT and sales team**
- **Income from operation turned positive in 2021**

Adjusted EBITDA and Adjusted Net Income in Q4'21 and FY21

四季度及全年调整后的EBITDA和净利润情况

In million RMB	4Q21	4Q20	YoY	3Q21	QoQ	2021	2020	YoY
Adjusted EBITDA	278	375	-26%	385	-28%	1,571	-244	Nm
- Legacy-Huazhu	209	764	-73%	500	-58%	2,032	1,123	81%
- Legacy-DH	69	-389	Nm	-115	Nm	-461	-1,367	66%
Adjusted Net Income	-227	-8	-2738%	-46	-393%	-260	-1,805	86%
- Legacy-Huazhu	-187	300	Nm	117	Nm	358	-459	Nm
- Legacy-DH	-40	-308	87%	-163	75%	-618	-1,346	54%

- **Legacy-Huazhu's Adj. EBITDA in Q4 declined significantly due to the impact of COVID-19 resurgence. Full year Adj. EBITDA was up 81% YoY**
- **Despite a non-cash impairment loss, Legacy-DH's Adj. EBITDA turned positive in Q4, thanks to the Euro 60mn governmental subsidy received in this quarter. DH's full year Adj. EBITDA loss narrowed significantly by 66% YoY**

• 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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Healthy Liquidity Position
良好的流动性

Net Debt

RMB 4.7bn

Cash Balance

RMB 5.1bn

**Unutilized Bank
Facilities**

RMB 3.3bn

COVID-19 Update - Deutsche Hospitality

DH疫情近况

Business Recovery

- In year 2021, DH's occupancy improved consecutively from **19%** in Q1, to **49%** in Q3
- However, the occupancy dropped to **46%** in Q4 due to the Omicron variant's spread since Nov

Opening-up Plan

- Opening-up plan was initially unfolding since **mid-Feb**, 2022
- Restrictions for lodging industry was gradually easing since **March 4th**
- Recovery on the way

Mitigation Measures

- Short-time workers compensation continues until **June 30, 2022**
- Emphasis on efficiency improvements, negotiation of lease waivers, and personnel cost optimization
- Deferral of major capex

Guidance

业绩指引

Q1 2022

Net revenues vs. Q1 2021

- **Grow 11%-15%**
- Excluding DH - **Grow 1%-5%**

Full year 2022

Net revenue vs.2021

- **Grow 15%-20%**
- Excluding DH - **Grow 4%-9%**

Gross opening target: **~1,500** hotels

Closure of **500-550** hotels

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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 year ended			For the year ended			For the year ended		
	December 31,		December 31,		yoy change	December 31,		yoy change	December 31,		yoy change (p.p.)
	2020	2021	2020	2021		2020	2021		2020	2021	
Economy hotels	3,341	3,341	125	138	10.8%	164	182	10.8%	75.8%	75.8%	+0.0
Leased and owned hotels	388	388	131	153	17.3%	179	206	15.0%	73.0%	74.5%	+1.5
Manachised and franchised hotels	2,953	2,953	123	135	9.3%	161	177	9.7%	76.4%	76.1%	-0.3
Midscale and upscale hotels	1,734	1,734	202	221	9.3%	289	315	8.8%	69.8%	70.1%	+0.3
Leased and owned hotels	222	222	219	250	14.2%	338	378	11.7%	64.8%	66.2%	+1.4
Manachised and franchised hotels	1,512	1,512	198	214	8.1%	279	301	8.0%	70.9%	71.0%	+0.1
Total	5,075	5,075	156	172	10.2%	213	234	10.0%	73.3%	73.5%	+0.1

	Number of hotels in operation		Same-hotel RevPAR			Same-hotel ADR			Same-hotel Occupancy		
	As of		For the year ended			For the year ended			For the year ended		
	December 31,		December 31,		yoy change	December 31,		yoy change	December 31,		yoy change (p.p.)
	2019	2021	2019	2021		2019	2021		2019	2021	
Economy hotels	2,442	2,442	172	138	-19.8%	190	182	-4.7%	90.2%	75.9%	-14.3
Leased and owned hotels	380	380	193	151	-21.6%	213	203	-4.4%	90.7%	74.4%	-16.3
Manachised and franchised hotels	2,062	2,062	166	134	-19.3%	185	176	-4.7%	90.1%	76.3%	-13.7
Midscale and upscale hotels	1,160	1,160	275	218	-20.8%	331	315	-4.8%	83.0%	69.0%	-14.0
Leased and owned hotels	187	187	335	244	-26.9%	398	371	-6.8%	84.1%	65.9%	-18.2
Manachised and franchised hotels	973	973	256	209	-18.4%	310	299	-3.6%	82.7%	70.0%	-12.7
Total	3,602	3,602	209	167	-20.1%	238	227	-4.7%	87.6%	73.4%	-14.2

Number of Hotels and Rooms

酒店数量和房间数量

	As of December 31, 2021		
	in operation		in pipeline
	Hotels	Rooms	Unopened hotels
Economy hotels	4,786	387,895	1,206
HanTing Hotel	3,027	274,118	696
Hi Inn	443	24,674	117
Elan Hotel	1,083	64,606	353
Ibis Hotel	219	22,834	28
Zleep Hotels	14	1,663	12
Midscale hotels	2,450	271,421	1,072
Ibis Styles Hotel	79	8,404	21
Starway Hotel	528	44,016	252
Ji Hotel	1,381	166,836	575
Orange Hotel	432	47,393	217
CitiGO Hotel	30	4,772	7
Upper midscale hotels	454	67,068	264
Crystal Orange Hotel	144	19,190	58
Manxin Hotel	84	8,273	62
Madison Hotel	37	5,490	56
Mercure Hotel	125	21,217	50
Novotel Hotel	15	4,032	13
IntercityHotel	49	8,866	25
Upscale hotels	125	23,056	61
Jaz in the City	3	587	1
Joya Hotel	9	1,760	0
Blossom House	34	1,658	39
Grand Mercure Hotel	7	1,485	3
Steigenberger Hotels & Resorts	65	16,389	12
MAXX	7	1,177	6
Others	15	3,776	5
Other hotels	15	3,776	5
Total	7,830	753,216	2,608