



Second Quarter of 2022 Earnings Call

H World Group Limited

(NASDAQ: HTHT and HKEX: 1179)

August 30, 2022

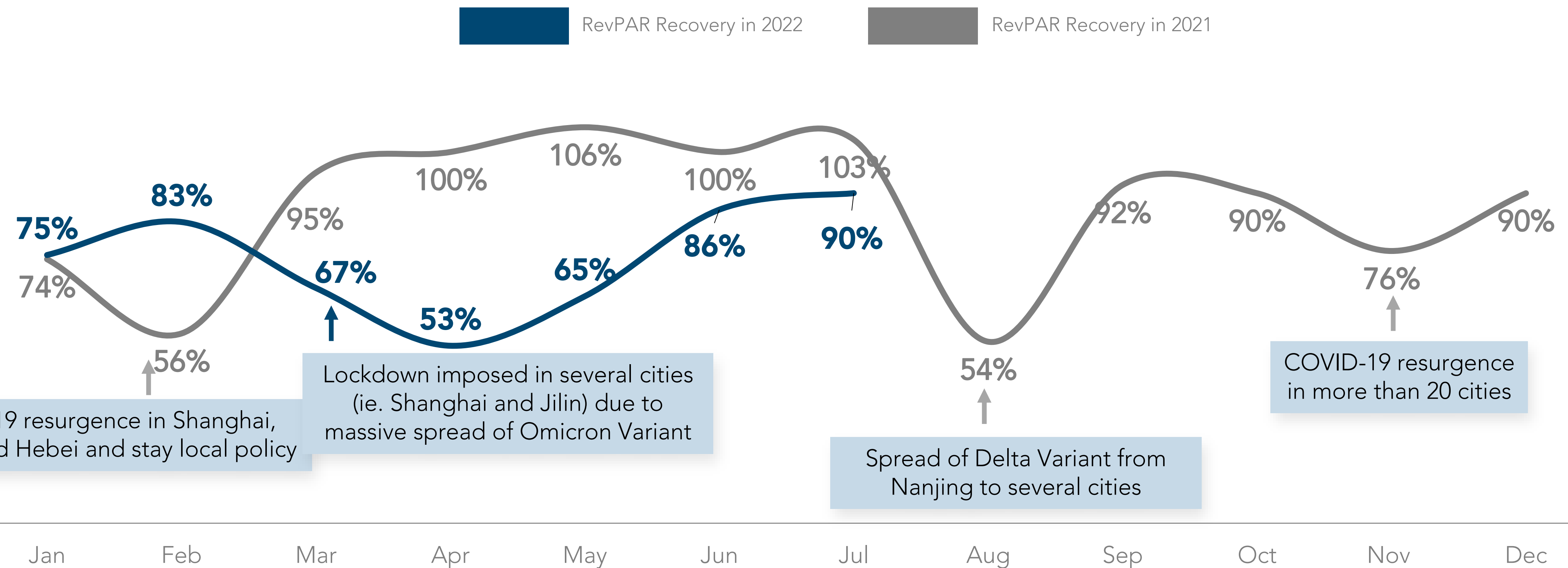
AGENDA

- **2Q2022 Business Update**
- 2Q2022 Operational and Financial Review
- Liquidity and Guidance
- Q and A
- Appendix

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

Key Achievements in Q2 for Legacy-Huazhu

华住中国二季度主要成就

1. Cost Control

- Achieved rental reduction of **RMB60m+** in Q2
- Streamlined headquarter headcount in Q2 by **~10%**

2. Franchisees Support

- Waived franchisees' management fee payment of **~RMB120m** in Q2

3. Sustainable Quality Growth

- Completed organizational restructuring to support long term sustainable quality growth
- Continued to remove inferior hotels from our network

Established Six Regional Headquarters to Support Sustainable Quality Growth

建立六大区域分公司支撑未来精益增长



- Shifted from brand-based to regional-based organizational structure for economy and midscale brands
- Localized team could have better understanding of local customers, franchisees' preference, and faster reaction to local market changes
- Localized regional offices could achieve more synergy in sales and marketing, higher operational efficiency, and shorter decision-making process
- Such change would accelerate our lower tier cities penetration and development in weak regions to achieve our long term sustainable quality growth target

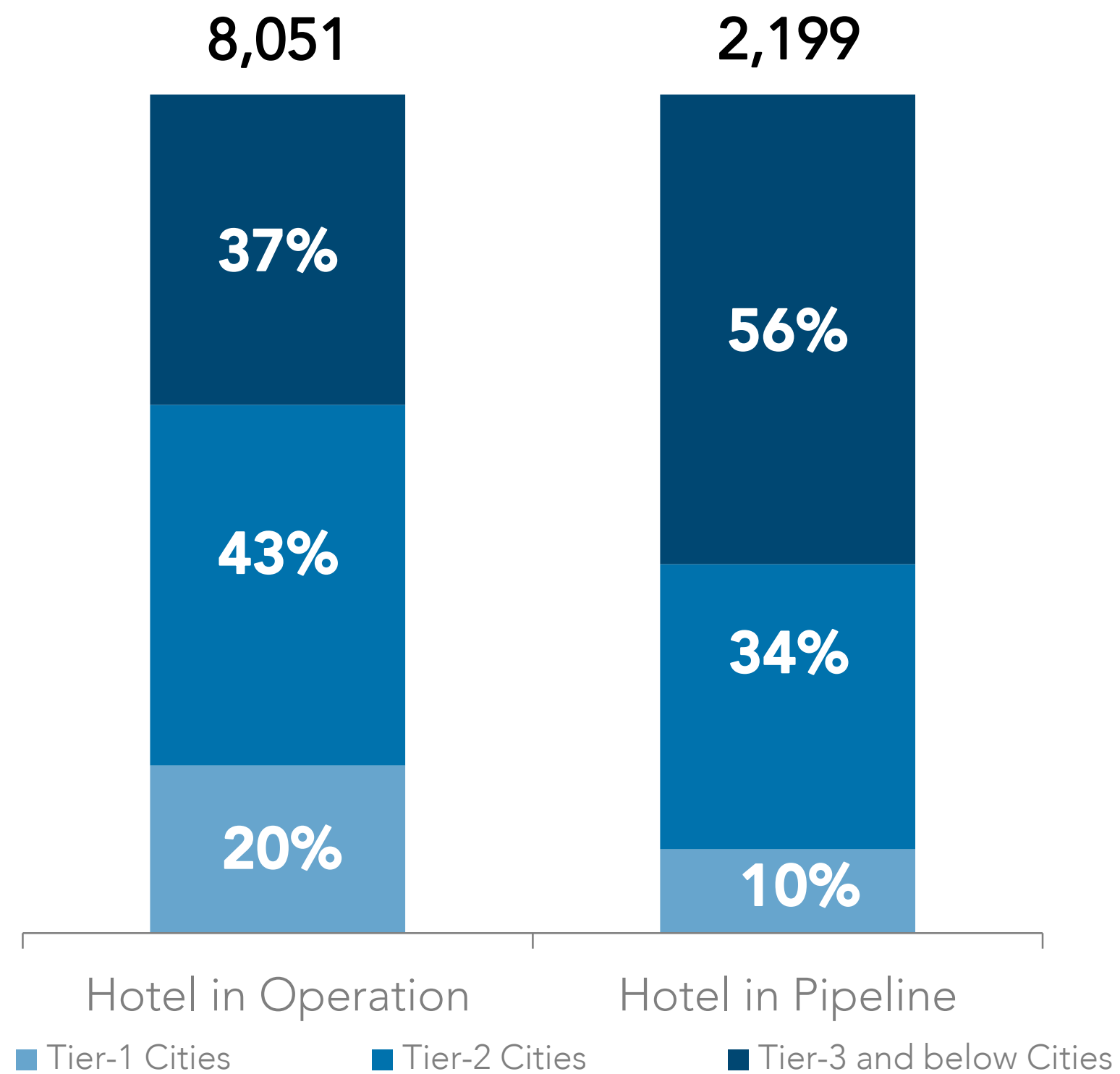
**Accelerate Exit from Economy Soft Brand Hotel
Market in Next 1-2 Years**

在未来1-2年加速退出经济型软品牌酒店市场

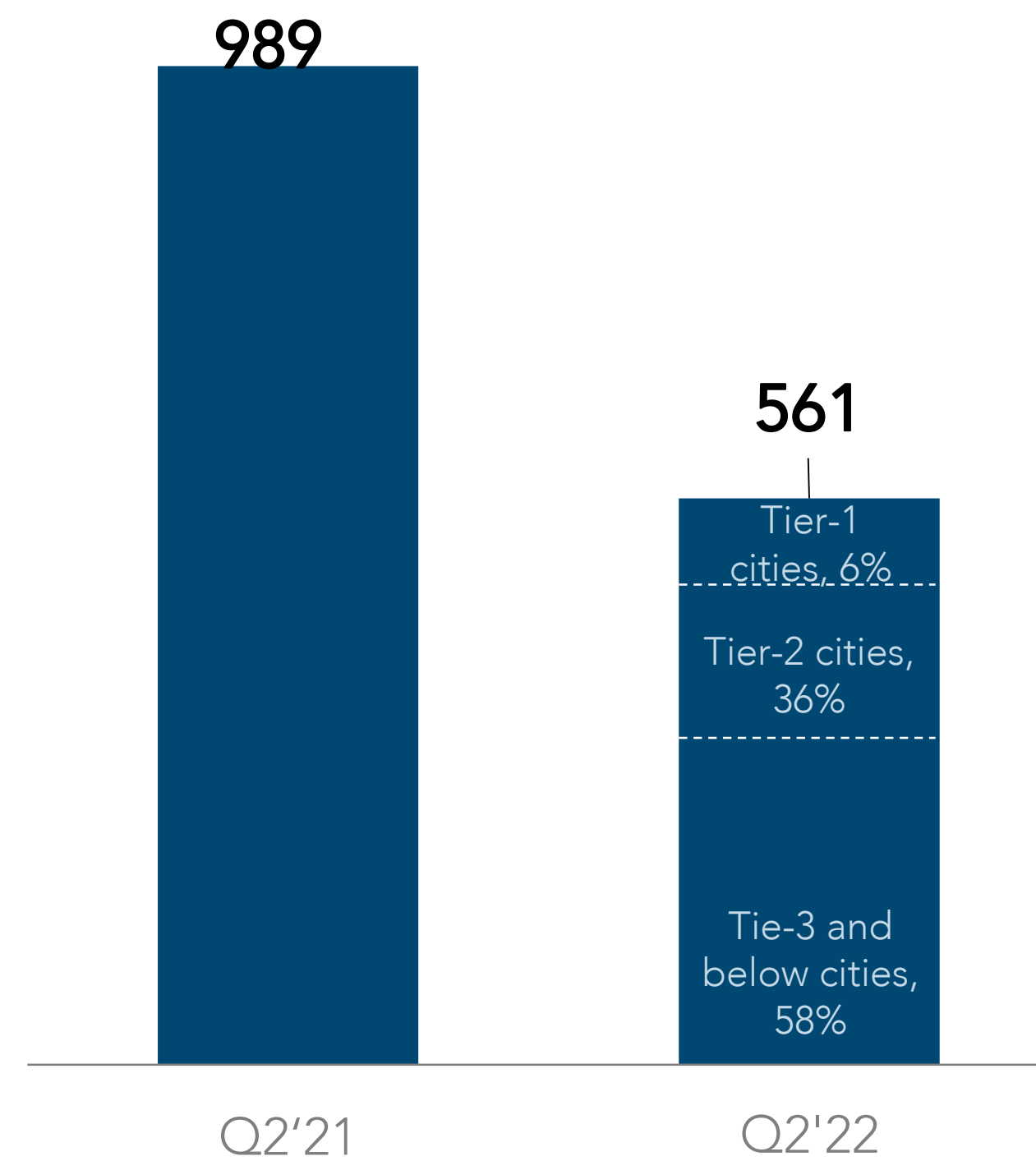
Further Penetrating to Lower Tier Cities 低线城市持续渗透

Hotels Breakdown

(as of June 30)

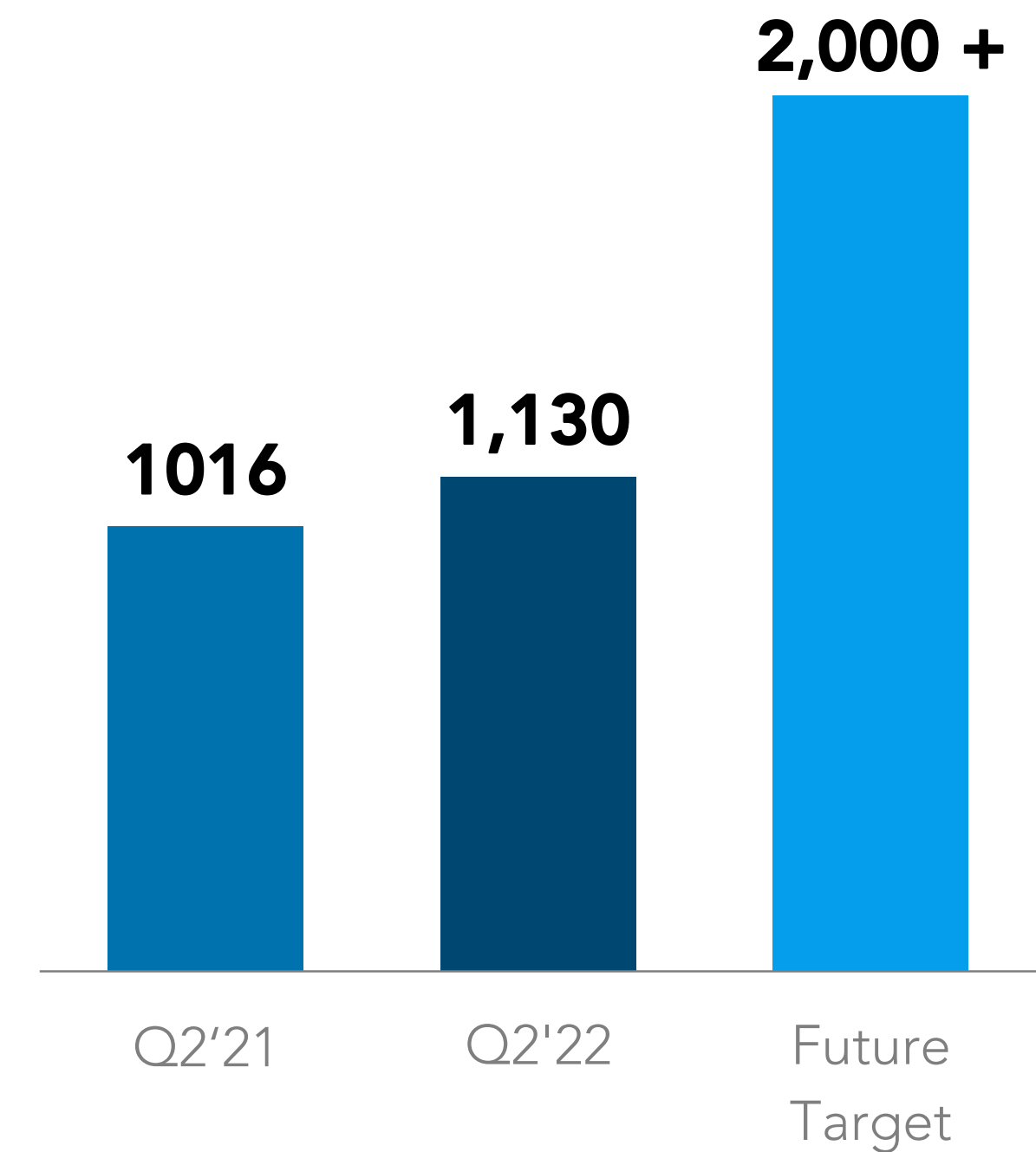


Number of New Signings



City Coverage

(hotels in operation and in pipeline)



* Numbers in this page refers to Legacy-Huazhu business

Progress in Upper Midscale and Upscale Segment

中高档市场发展有序推进

Brand-based Structure Unchanged

- We keep organization structure for our upper midscale and upscale segments unchanged due to the importance of **unique brand positioning** and **customer experience** for each brand.

Upper Midscale is Ready to Harvest

- As of June 2022, we have **445** upper midscale hotels in operation and **229** in pipeline in China.
- Manxin achieved its **100th** hotel openings milestone recently.
- Further seeking conversion opportunities by using **Madison** brand.

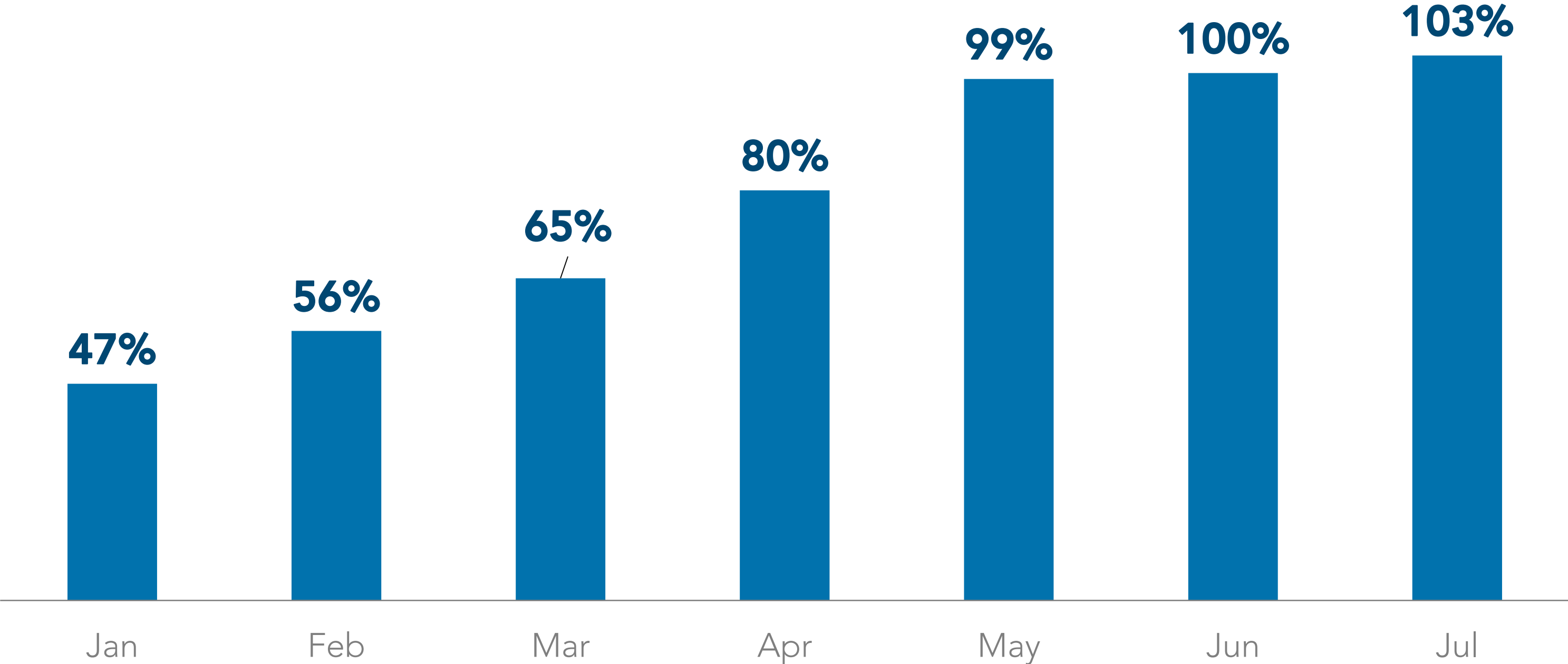
Upscale Remains Taking Time

- Signing of newly-built upscale hotels are impacted by recent weak property market.
- Switch our focus to local governments cooperation and conversion opportunities.
- Blossom House and Blossom House Series are ready to further tap into the leisure market.

Legacy-DH Achieved Robust RevPAR Recovery Trend in 2022

DH的RevPAR在2022年恢复势头良好

Blended RevPAR in 2022 as % of 2019



* Numbers in this page refers to Legacy-DH business

Solid Recovery Continuous with Positive Recurring EBITDA Expected in 2022

DH 2022年将EBITDA有望转正

Business Recovery Continues

- Blended RevPAR recovered to **93%** of 2019 level in 2Q, mainly driven by **10%** increase in ADR
- Demand was driven by transient leisure and supported by pent-up corporate group demand
- ADR uptrend continues in 3Q.

Further Cost Management

- Lean Headquarters: Execution of overhead cost reductions well under way
- Lean Operations: cost reduction and efficiency improvement through implementing regional operational structure
- Continued strict control on all non-essential CAPEX
- Energy Efficiency: Usage reduction initiatives in place to prepare for winter months

Enhance Organization Capability

- Integration of H World digital/distribution capabilities for efficiency & direct channel performance
- Re-launch of digital guest experience suite based on H-Rewards membership & new mobile/websites
- InterCity & Zleep investment and growth plan to capture limited service share

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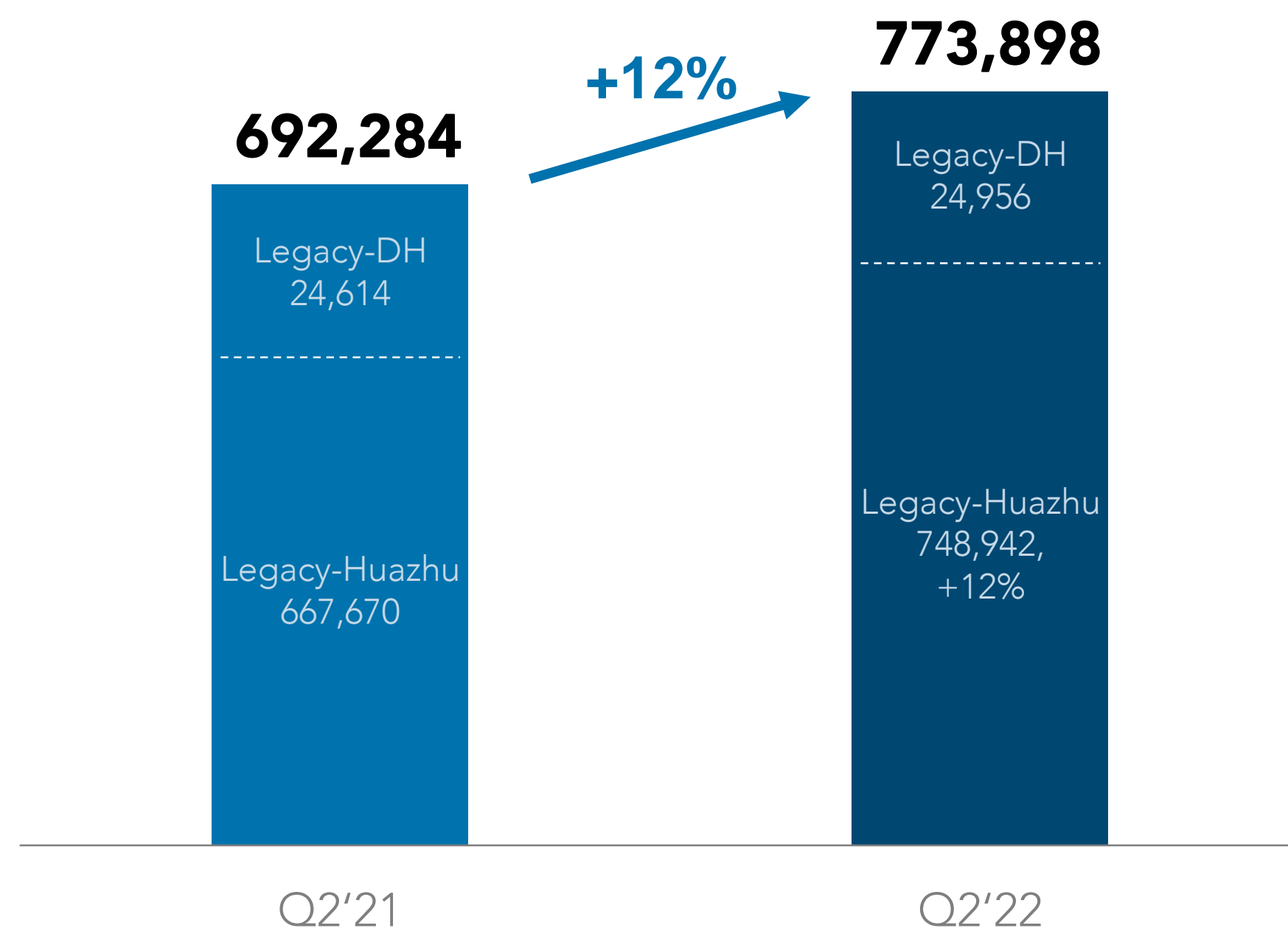
Hotel Network Continued to Expand

酒店网络持续扩张

Hotel Network Expansion

(Number of rooms in operation)

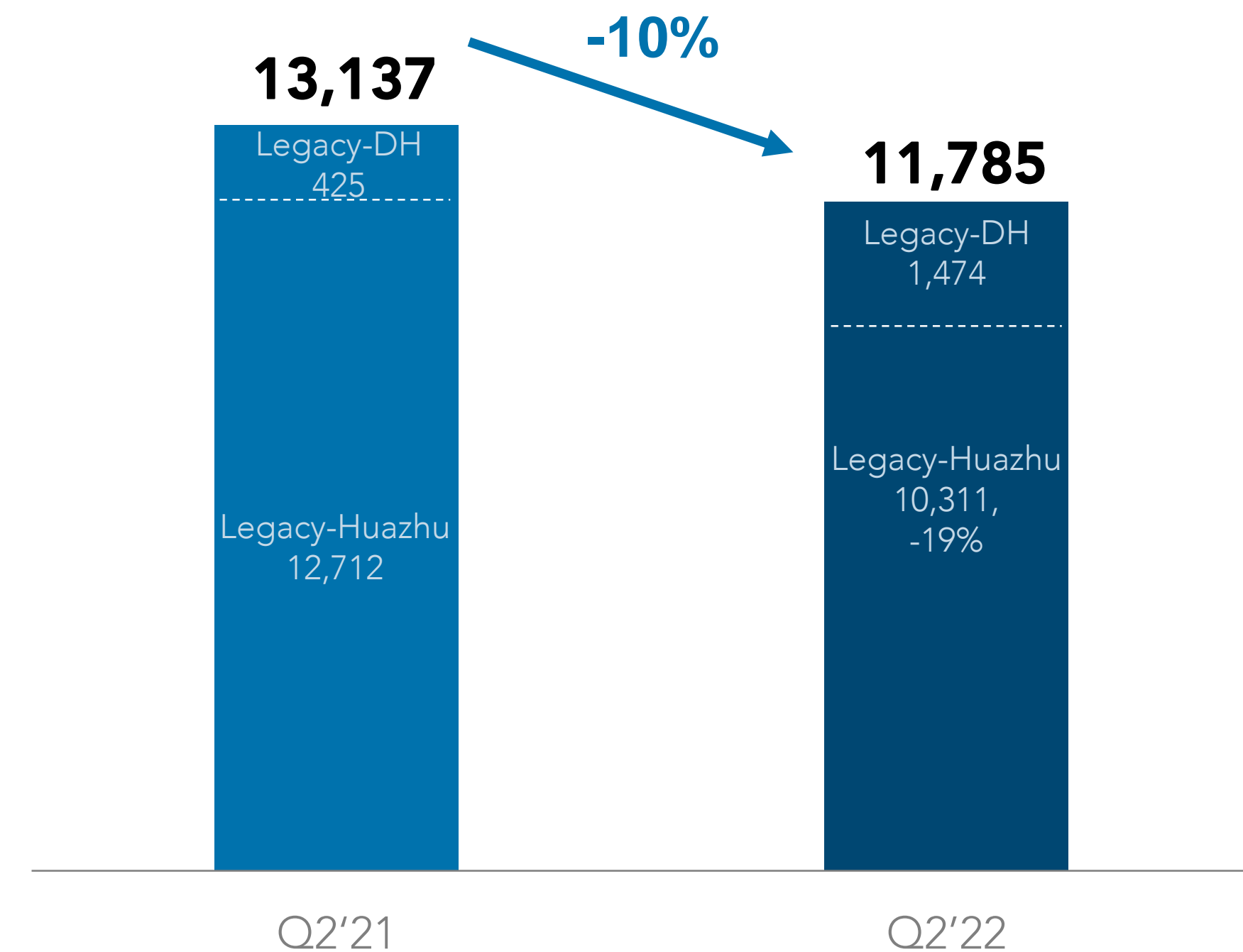
hotels in operation



Hotel Turnover

(in RMB millions)

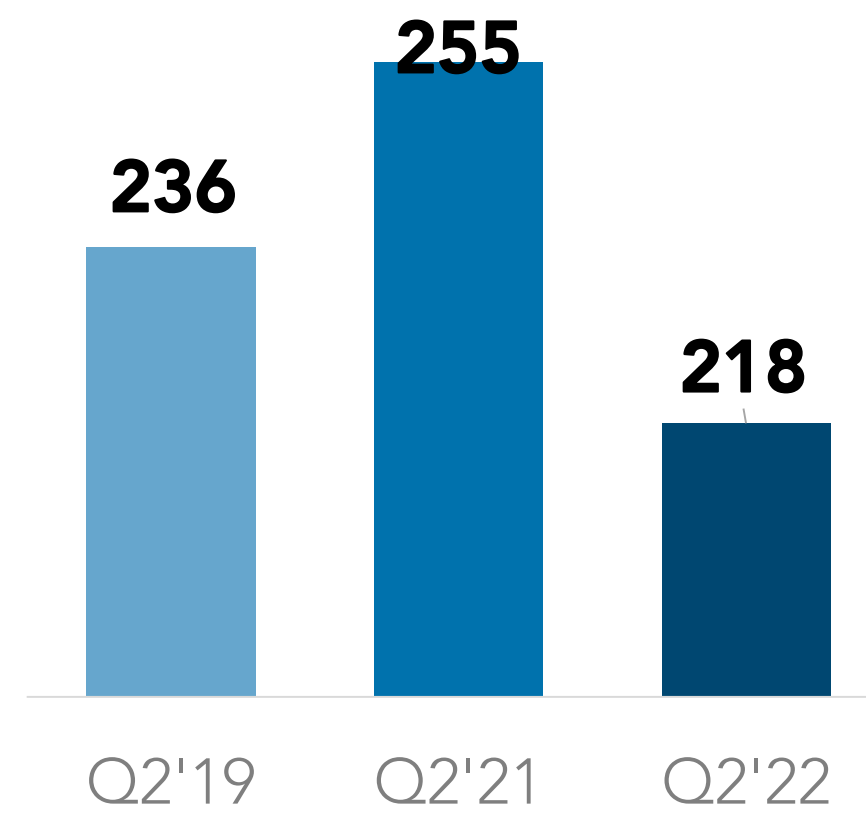
hotel turnover



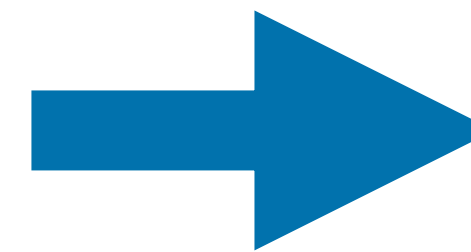
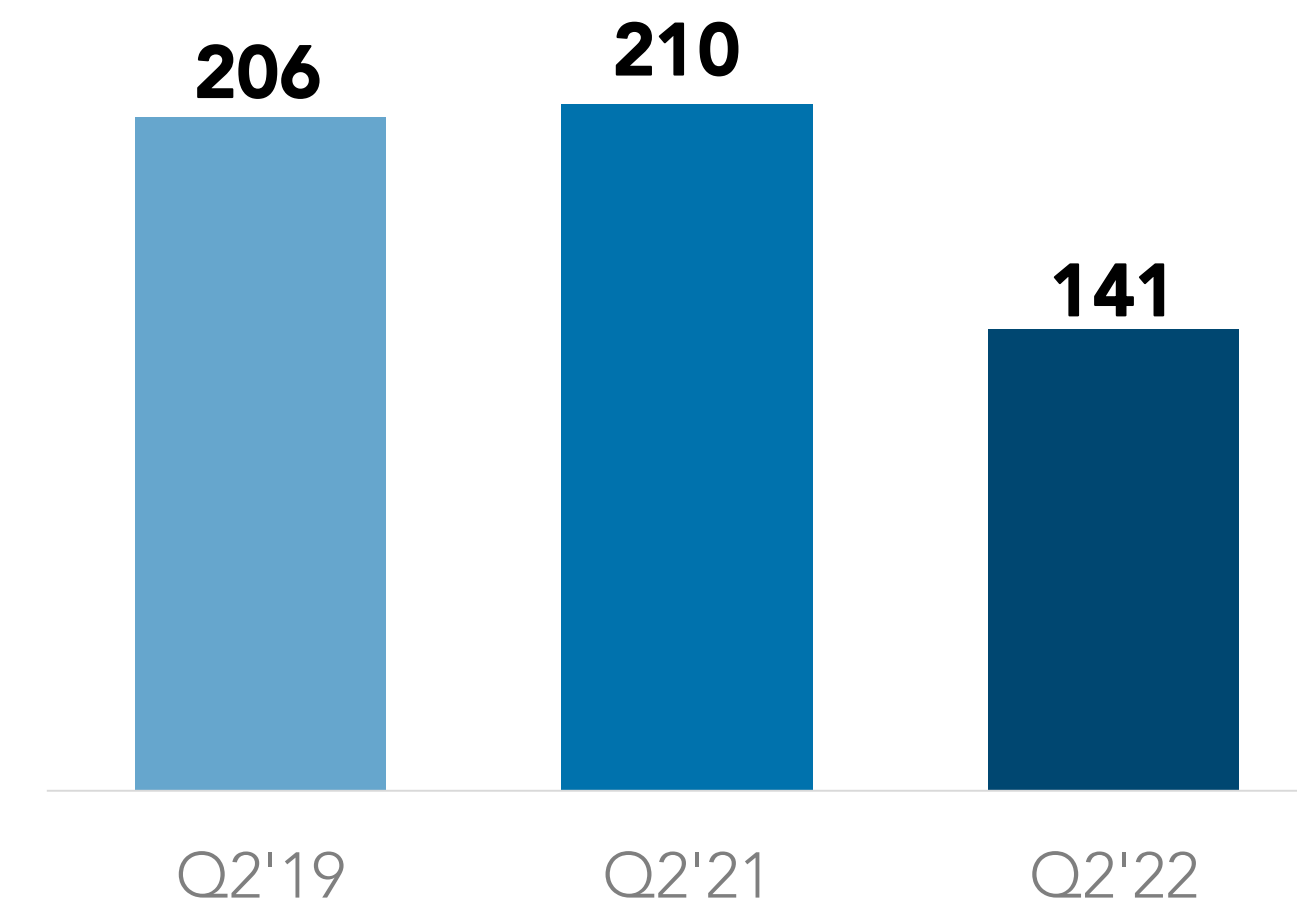
Legacy-Huazhu – Including Requisitioned Hotels, Blended RevPAR Recovered to 75% of 2019 in Q2'22

华住中国-二季度混合RevPAR (含征用店) 恢复到2019年的75%

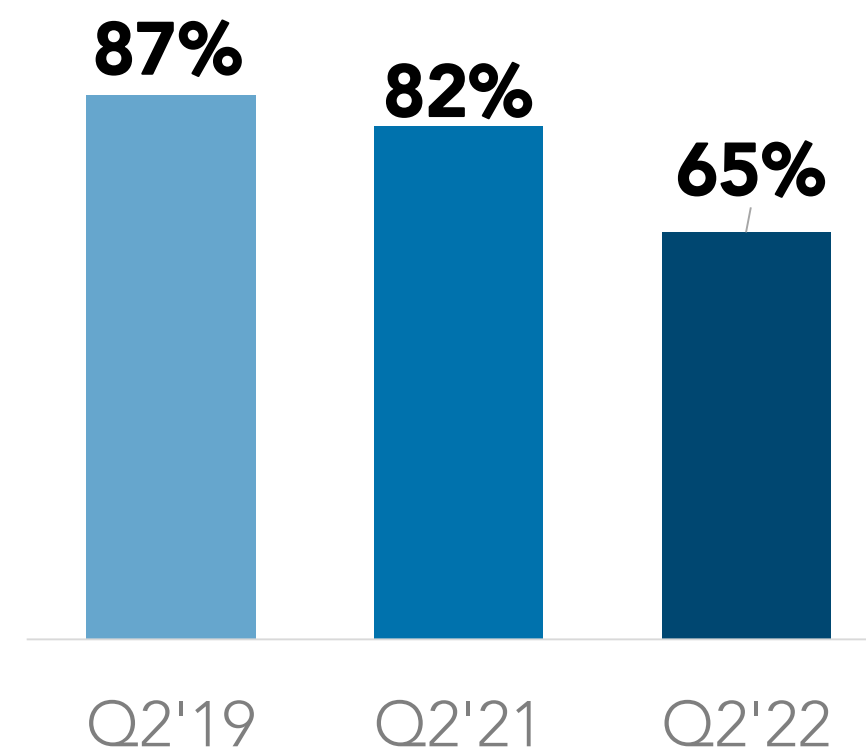
ADR -14.5% yoy and -7.8% Compared to 2019
(RMB)



RevPAR -32.9% yoy and -31.4% Compared to 2019
(RMB)



OCC -17.7 p.p. yoy and -22.3 p.p. Compared to 2019

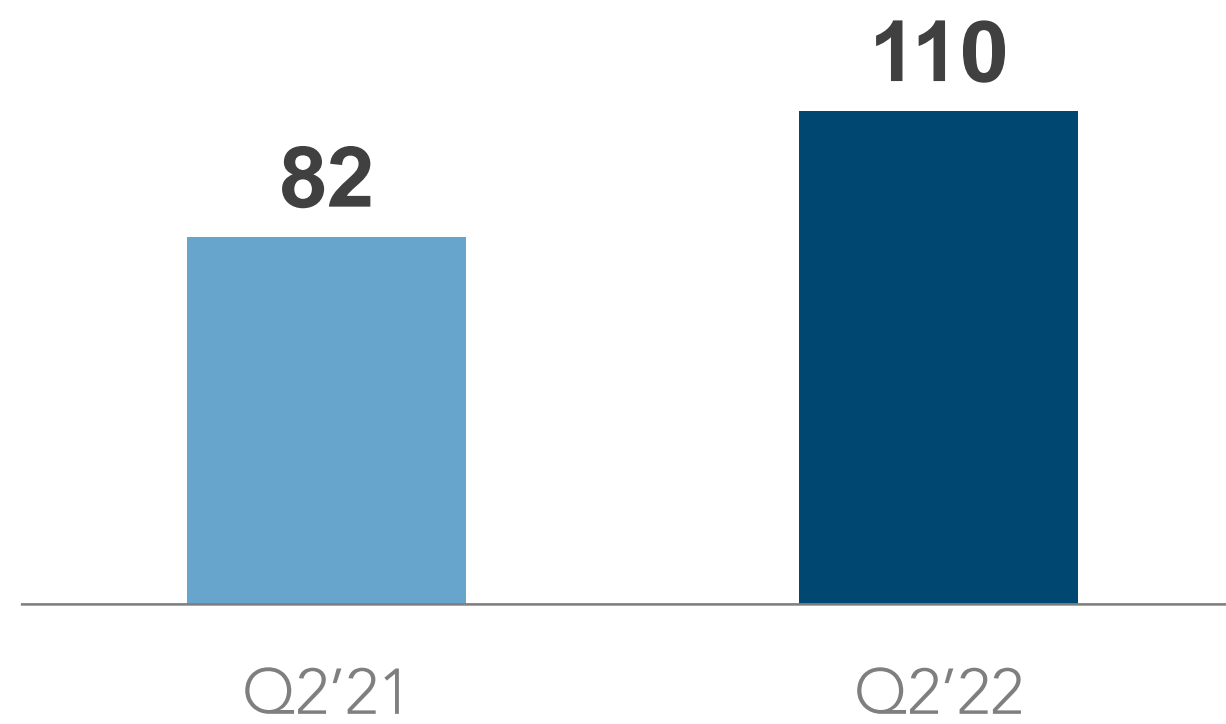


If including hotels under requisition, RevPAR in Q2 2022 would have been 75% of the 2019 level

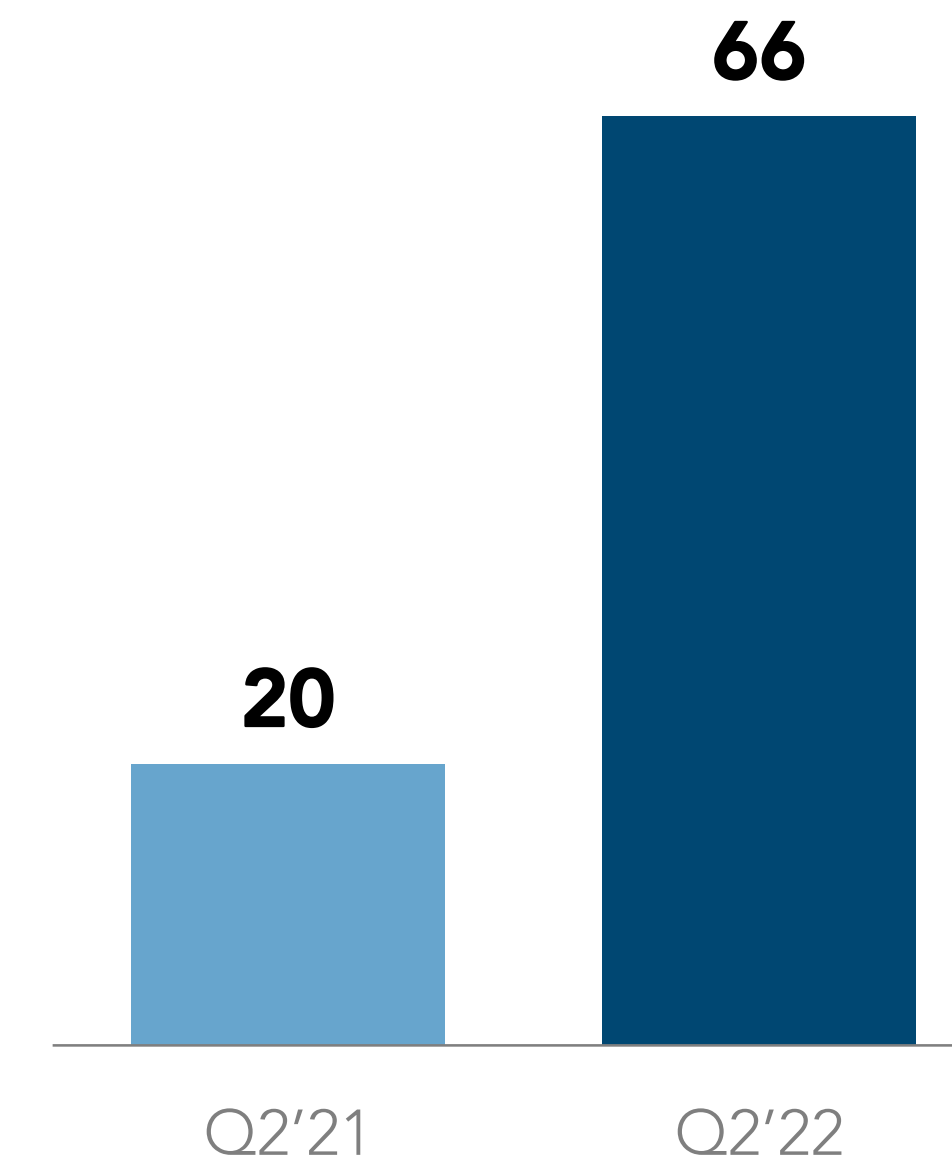
Legacy-DH - Blended RevPAR Increased in Q2'22 YoY

DH-二季度混合RevPAR同比增长

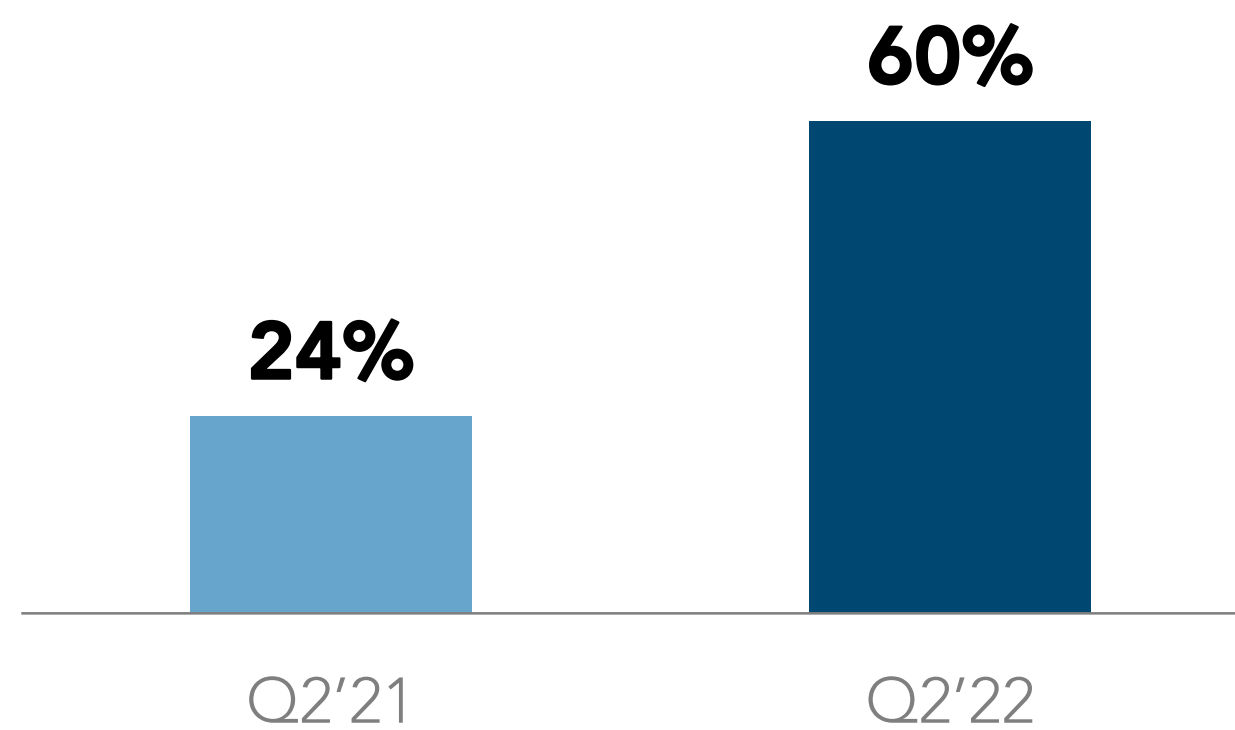
ADR +35.5% in Q2'22
(EUR)



RevPAR +233.3% in Q2'22
(EUR)



Occupancy +35.4 p.p. in Q2'22



Revenue: Q2'22 Decreased 5.7% YoY

二季度营收同比下滑5.7%

In million RMB	2Q22	2Q21	YoY	1Q22	QoQ
Revenue from Legacy - Huazhu	2,461	3,363	-26.8%	2,275	8.2%
- Leased & Owned Hotels	1,475	2,070	-28.7%	1,258	17.2%
- Manachised & Franchised Hotels	929	1,267	-26.7%	974	-4.6%
- Others	57	26	119.2%	43	32.6%
Revenue from Legacy - DH	921	224	311.2%	406	126.8%
- Leased & Owned Hotels	886	212	317.9%	384	130.7%
- Manachised & Franchised Hotels	16	8	100.0%	15	6.7%
- Others	19	4	375.0%	7	171.4%
Revenue	3,382	3,587	-5.7%	2,681	26.1%

Manachised and Franchised Hotels Revenue as % of Revenue

	Q2'21	Q2'22
H World Group	35.5%	27.9%
Legacy-Huazhu	37.7%	37.7%

- **China business recovery was seriously interrupted by lockdown in several major cities due to the massive spread of Omicron variant since March**
- **The improvement of DH business was accelerated in 2Q22**

Q2'22 Operating Income Turn Positive

二季度经营利润环比转正

In million RMB	2Q22	2Q21	YoY	1Q22	QoQ
Hotel operating costs	2,972	2,739	8.5%	2,813	5.7%
- Legacy-Huazhu	2,168	2,202	-1.5%	2,255	-3.9%
- Legacy-DH	804	537	49.7%	558	44.1%
Pre-opening expenses	31	16	93.8%	26	19.2%
- Legacy-Huazhu	31	16	93.8%	26	19.2%
- Legacy-DH	-	-	Nm	-	Nm
SG&A expenses	510	553	-7.8%	584	-12.7%
- Legacy-Huazhu	332	423	-21.5%	424	-21.7%
- Legacy-DH	178	130	36.9%	160	11.3%
Income from operations	8	629	-98.7%	-708	Nm
- Legacy-Huazhu	21	763	-97.2%	-416	Nm
- Legacy-DH	-13	-134	90.3%	-292	95.5%

- **Hotel operating cost increased YoY mainly due to strong business recovery of Legacy-DH, while, Legacy-Huazhu saw a decrease in hotel operating cost due to lower variable costs caused by operational disruption.**
- **Legacy-Huazhu also recorded QoQ decrease in operating cost due to rental cost reduction.**
- **Legacy-Huazhu saw a decrease in SG&A expenses mainly due to our efforts on streamlining headquarter headcounts and expenses**

Adjusted EBITDA and Adjusted Net Income in Q2'22

二季度经调整后的EBITDA和净利润情况

In million RMB	2Q22	2Q21	YoY	1Q22	QoQ
Adjusted EBITDA	53	1,043	-94.9%	-333	Nm
- Legacy-Huazhu	23	1,115	-97.9%	-93	Nm
- Legacy-DH	30	-72	Nm	-240	Nm
Adjusted Net Income	-84	464	Nm	-662	87.3%
- Legacy-Huazhu	-32	579	Nm	-339	90.6%
- Legacy-DH	-52	-115	54.8%	-323	83.9%

- **Legacy-Huazhu's Adj. EBITDA decrease in QoQ due to the impact of Omicron variant outbreak and foreign exchange loss of RMB380 million**
- **The Legacy-DH's Adj. EBITDA turned positive for the first time since the pandemic due to the accelerated RevPAR recovery in Q2'22**

• 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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Liquidity Position Update
流动性情况更新

Net Debt

RMB 5.7bn

Cash Balance

RMB 4.7bn

**Unutilized Bank
Facilities**

RMB 3.0bn

Recently, we have successfully refinanced our syndication loan with a total amount of **EUR340 million.**

• As of June 30, 2022

Guidance

业绩指引

Q3 2022

Revenue vs. Q3 2021

- **Increase 13%-17%**
- Excluding DH - **Increase 5%-9%**

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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 quarter ended			For the quarter ended			For the quarter ended		
	June 30,		June 30,		yoy change	June 30,		yoy change	June 30,		yoy change (p.p.)
	2021	2022	2021	2022		2021	2022		2021	2022	
Economy hotels	3127	3127	172	112	-34.8%	197	166	-16.0%	87.2%	67.7%	-19.5
Leased and owned hotels	350	350	193	121	-37.3%	229	177	-22.7%	84.3%	68.4%	-15.9
Manachised and franchised hotels	2777	2777	168	110	-34.3%	191	163	-14.6%	87.7%	67.5%	-20.2
Midscale and upscale hotels	1785	1785	275	173	-37.2%	335	281	-16.4%	81.9%	61.5%	-20.4
Leased and owned hotels	203	203	323	190	-41.1%	414	332	-19.8%	78.0%	57.3%	-20.7
Manachised and franchised hotels	1582	1582	266	169	-36.3%	322	272	-15.6%	82.7%	62.3%	-20.3
Total	4912	4912	217	138	-36.2%	255	213	-16.7%	84.9%	65.0%	-19.9

	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,		yoy change	June 30,		yoy change	June 30,		yoy change (p.p.)
	2019	2022	2019	2022		2019	2022		2019	2022	
Economy hotels	1888	1888	182	110	-39.4%	195	164	-15.8%	93.1%	67.0%	-26.1
Leased and owned hotels	334	334	204	119	-41.8%	218	175	-20.0%	93.6%	68.1%	-25.5
Manachised and franchised hotels	1554	1554	176	108	-38.7%	189	161	-14.5%	93.0%	66.7%	-26.3
Midscale and upscale hotels	773	773	283	165	-41.5%	333	279	-16.3%	84.8%	59.3%	-25.5
Leased and owned hotels	155	155	348	170	-51.0%	401	312	-22.3%	86.6%	54.7%	-31.9
Manachised and franchised hotels	618	618	261	164	-37.3%	310	269	-13.2%	84.2%	60.8%	-23.4
Total	2661	2661	217	129	-40.4%	240	201	-16.3%	90.3%	64.3%	-25.9

Number of Hotels and Rooms

酒店数量和房间数量

As of June 30, 2022

	Hotels in operation	Total Rooms	Unopened hotels in pipeline
Economy hotels	4,874	384,177	985
HanTing Hotel	3,124	277,284	626
Hi Inn	458	24,036	120
NiHao Hotel	106	7,503	188
Elan Hotel	952	50,910	7
Ibis Hotel	219	22,734	33
Zleep Hotels	15	1,710	11
Midscale hotels	2,666	291,349	949
Ibis Styles Hotel	84	8,679	13
Starway Hotel	557	44,683	185
Ji Hotel	1,515	180,847	528
Orange Hotel	479	52,168	215
CitiGO Hotel	31	4,972	8
Upper midscale hotels	494	72,304	244
Crystal Orange Hotel	155	20,639	56
Manxin Hotel	99	9,432	52
Madison Hotel	43	6,346	55
Mercure Hotel	131	22,533	43
Novotel Hotel	15	4,032	14
IntercityHotel	51	9,322	24
Upscale hotels	118	20,367	51
Jaz in the City	3	587	1
Joya Hotel	8	1,386	-
Blossom House	39	1,888	28
Grand Mercure Hotel	7	1,485	5
Steigenberger Hotels & Resorts	53	13,710	9
MAXX	8	1,311	8
Luxury hotels	15	2,326	2
Steigenberger Icon	9	1,847	1
Song Hotels	6	479	1
Others	9	3,375	75
Other hotels	9	3,375	5
Total	8,176	773,898	2,236