



华住酒店集团

成就美好生活



**China Lodging Group (HTHT.US)**

Investor Presentation

March 2016

**Our Vision**

**Who We Are**

**Company Highlights**

**Strategic Focus**

**Operational and Financial Review**

**Q & A**



**We will build a world-class, great enterprise**

**Big**

**Good  
Quality**

**Profitable**

Founded in **2005**

**12** brands

**2,763** hotels

**278,843** rooms

**352** cities



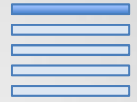
**Market consolidator in a huge, fragmented market**

**Superior performance**

**Manachise and franchise model**

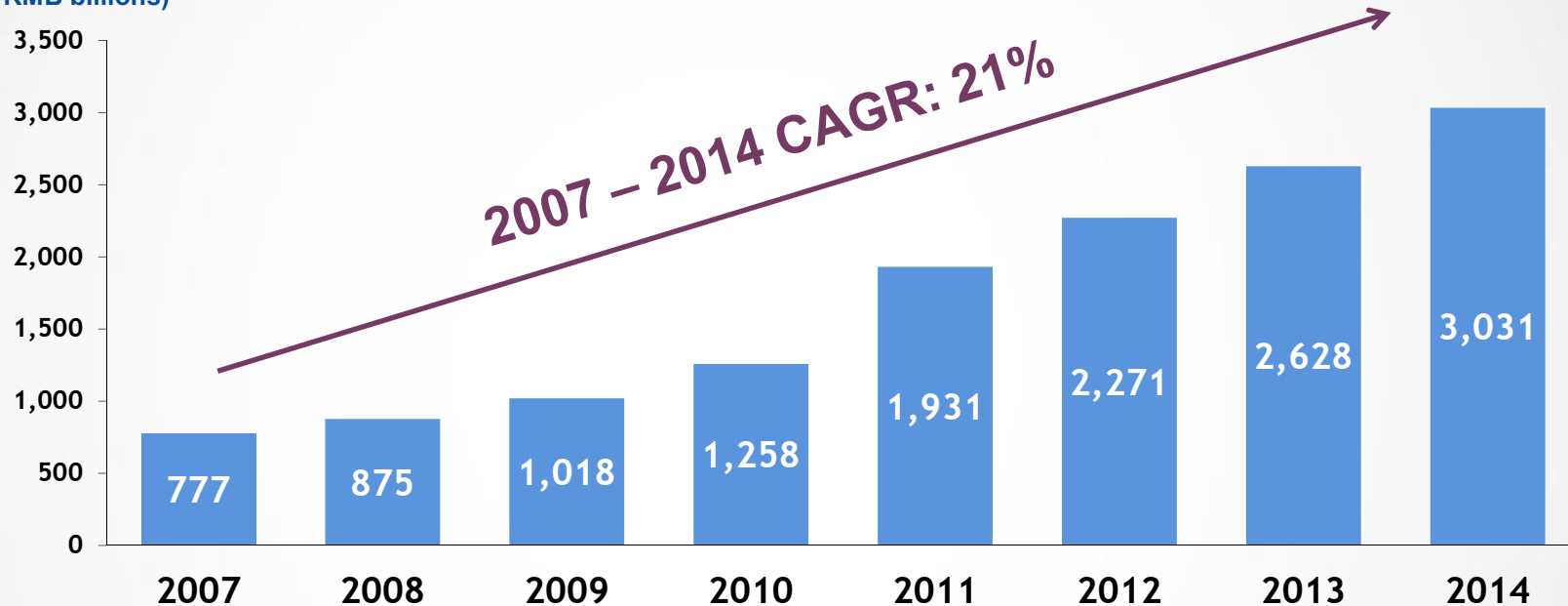
**Proven capability in building new brands**

**Visionary and experienced leadership team**



## Domestic Travel Expenditures Growth (2007-2014)

(in RMB billions)

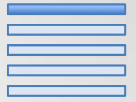


Future growth drivers:

- Consumption upgrade
- Increasing adoption of annual leave system: <50% entitled holiday consumed currently
- Short distance leisure trip is a key driver for domestic travel market
- Shanghai Disney will be a milestone event for 2016 and Shanghai

Source: China National Tourism Administration, US Travel Association, Morgan Stanley Research

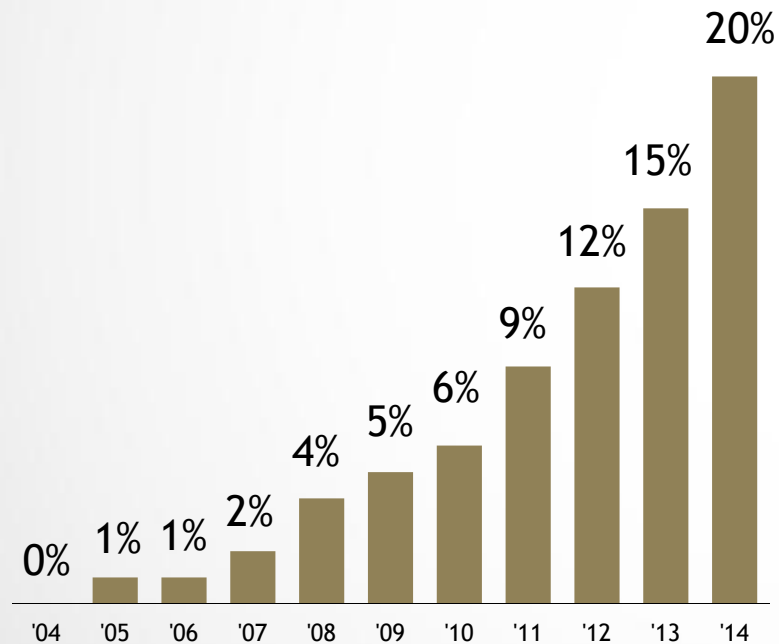
# Economy Segment: Significant Room for Consolidation in a Fragmented Market



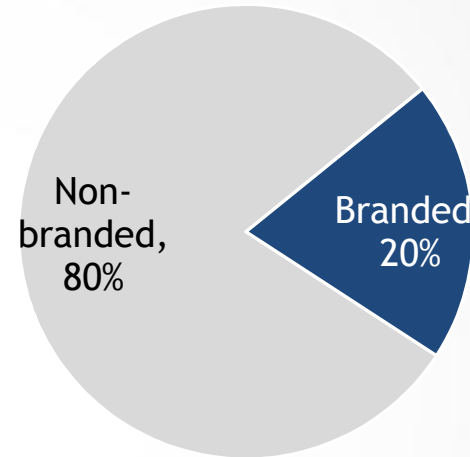
Consolidation has been accelerating...

... but market is still highly fragmented

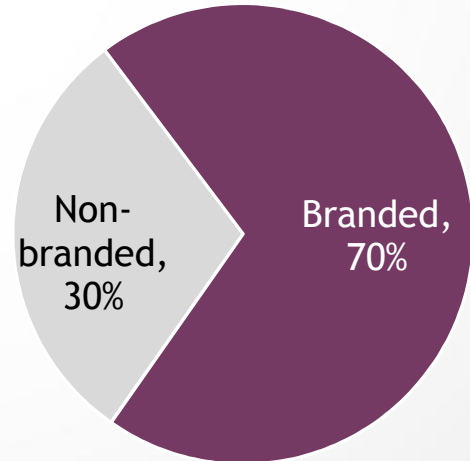
Branded as % of total market

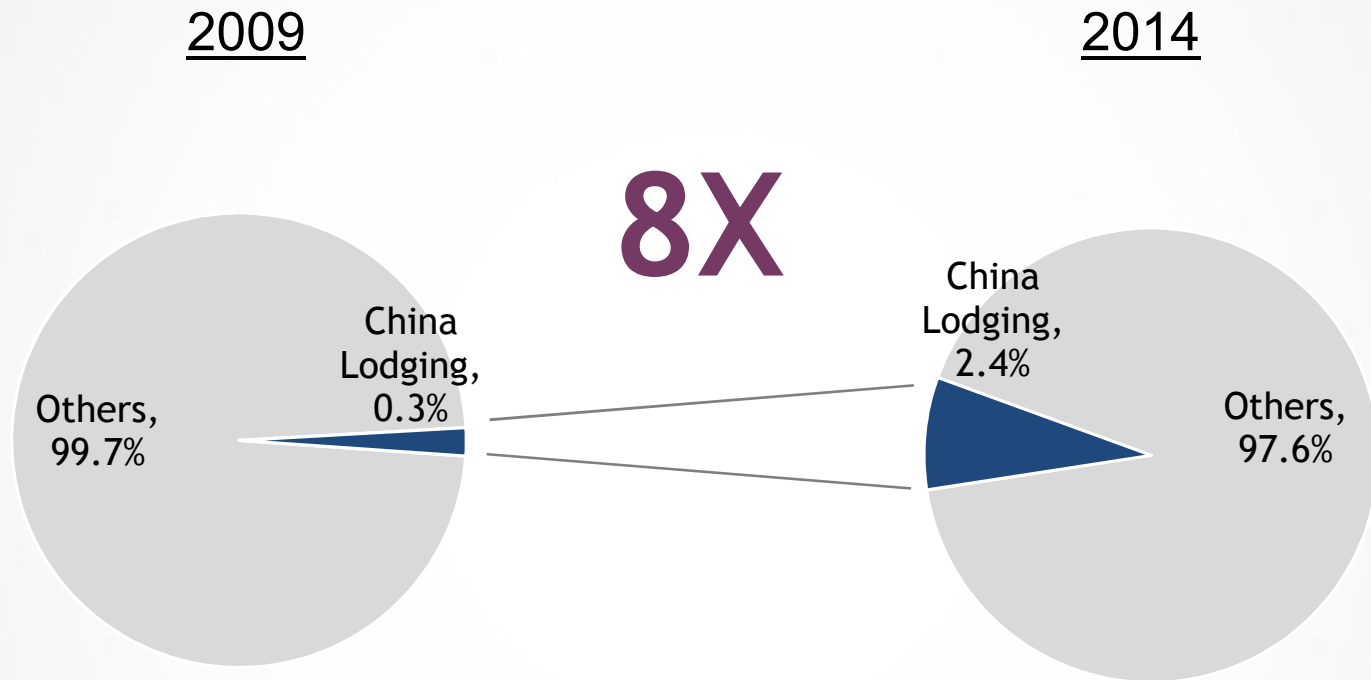
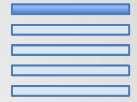


China



U.S.

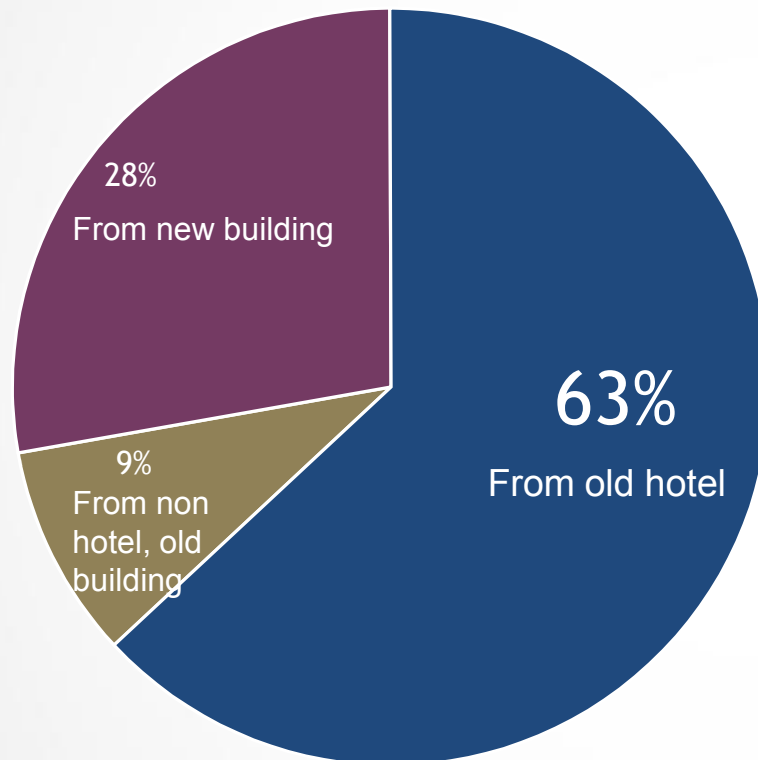
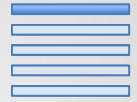




(Number of Company's economy hotels as % of total economy hotels)



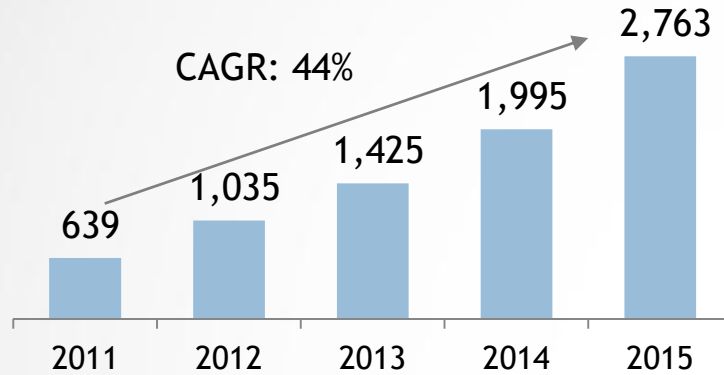
## 63% of HTHT's Newly Opened Hotels are Converted from Other Hotels



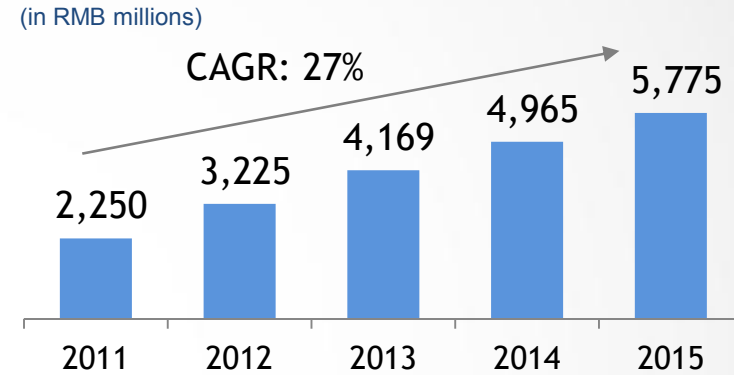
- Taking shares from others rather than adding new capacity



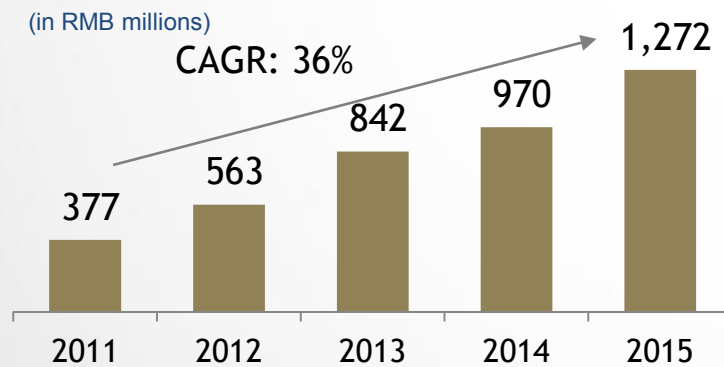
## Growth in Hotel Count



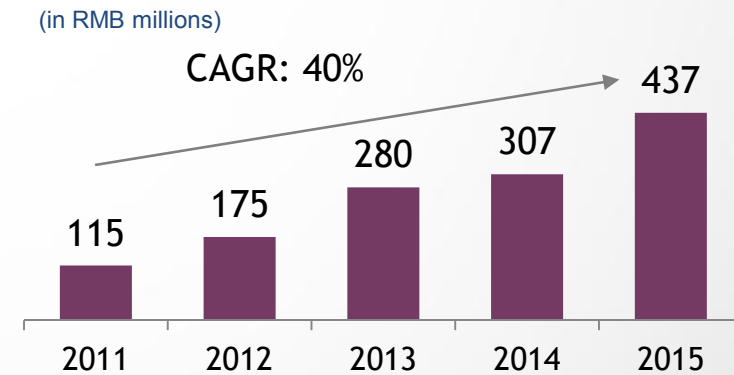
## Growth in Net Revenues



## Growth in EBITDA



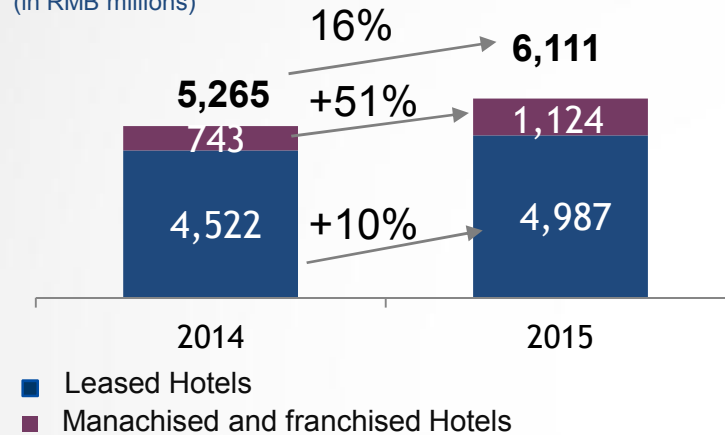
## Growth in Net Income





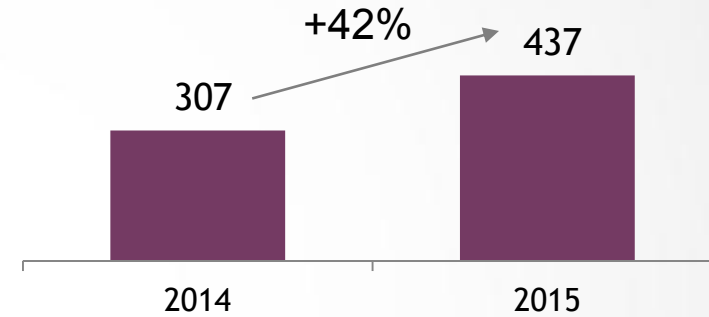
## Total Revenues

(in RMB millions)



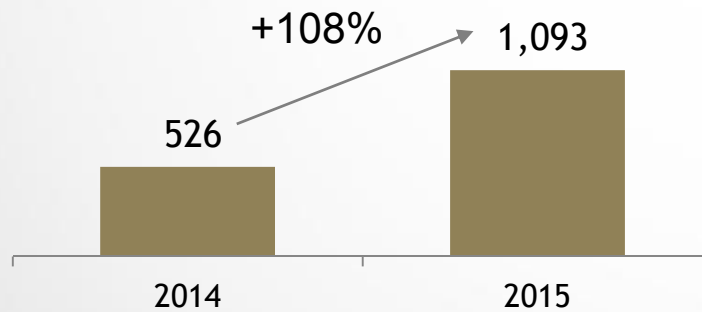
## Net Profit

(in RMB millions)

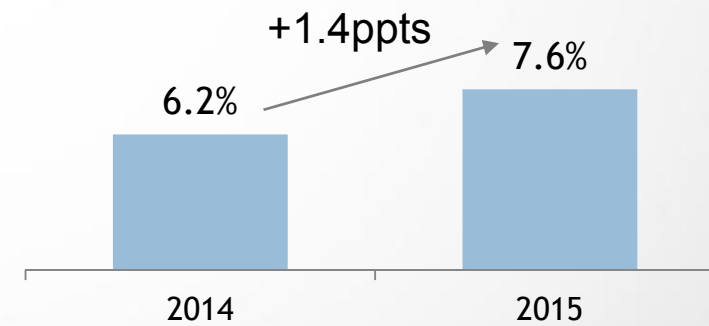


## Free Cash Flow <sup>1</sup>

(in RMB millions)

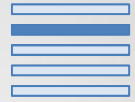


## Net Margin <sup>2</sup>

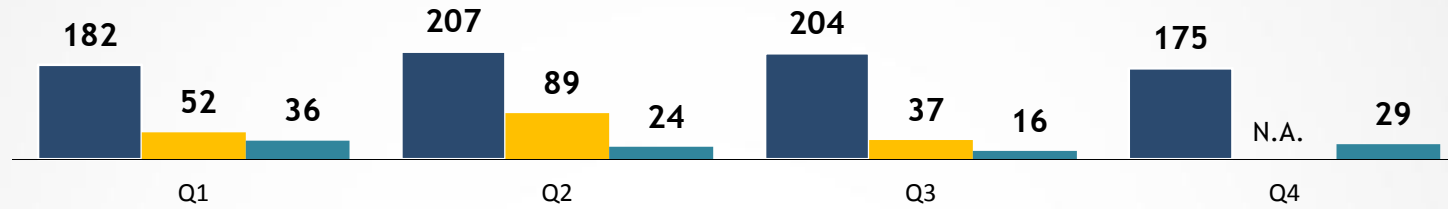


1. Free cash flow = Net cash from operation – CAPEX for maintenance and new development

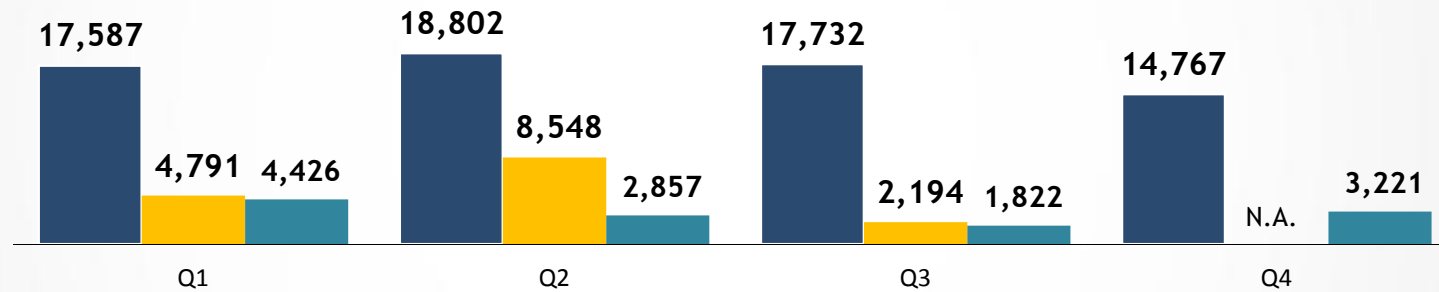
2. Net margin = Net income/ net revenues



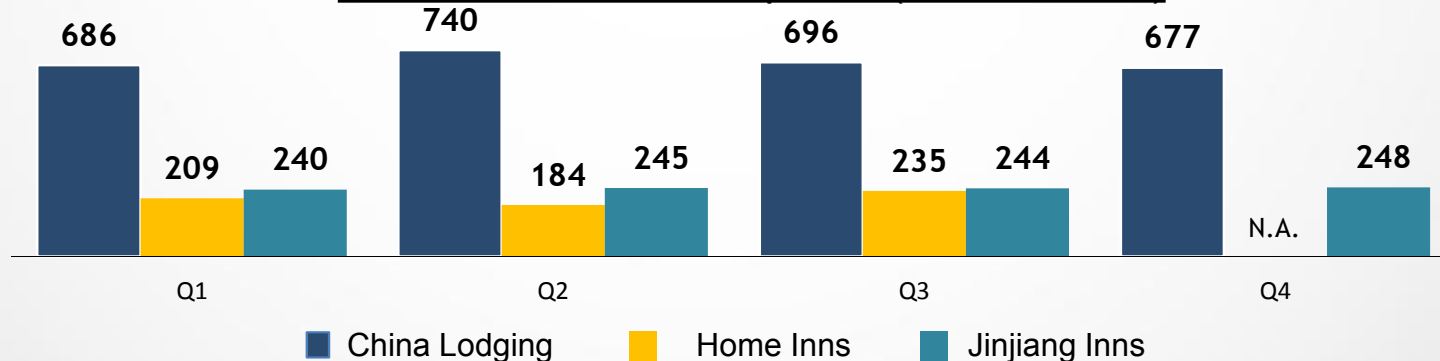
Number of Hotels Newly Net-Added (Q1-Q4, 2015)



Number of Rooms Newly Net-Added (Q1-Q4, 2015)



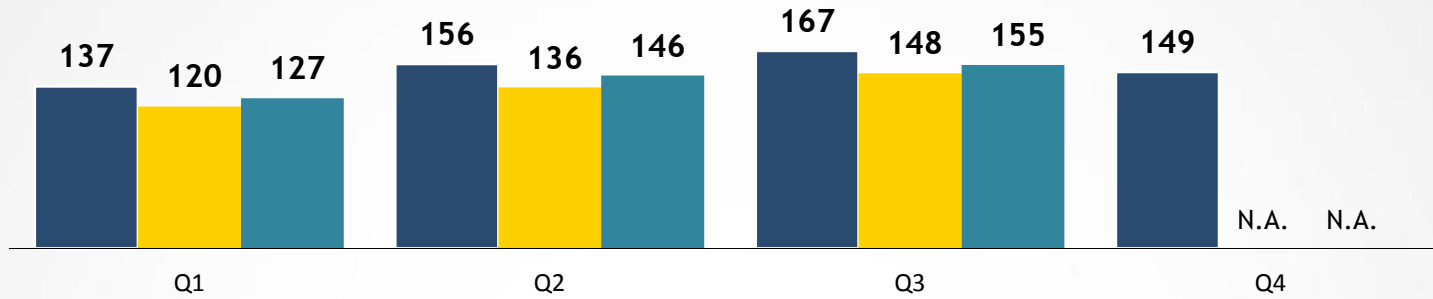
Number of Hotels in Pipeline (Q1-Q4, 2015)



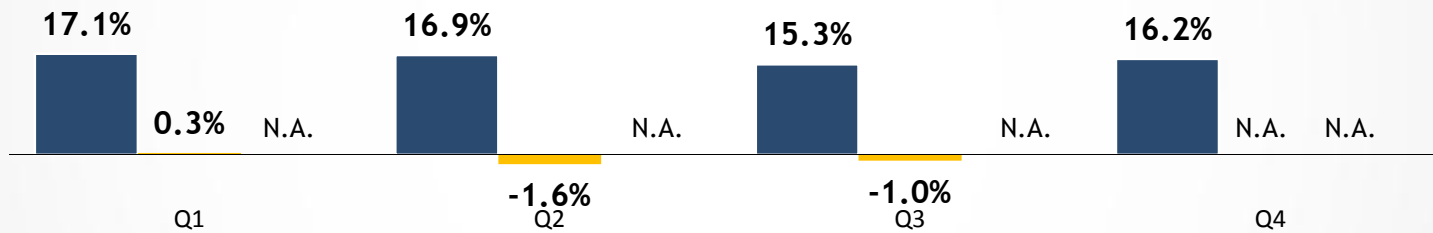
Note: Jin Jiang Inns refers to limited service hotels under Jin Jiang Group in China. Jin Jiang acquired Plateno Hotel Group in late 2015 and the deal was closed in January 2016. Hotel count for Plateno hotel group is not included because the latest number is not available.



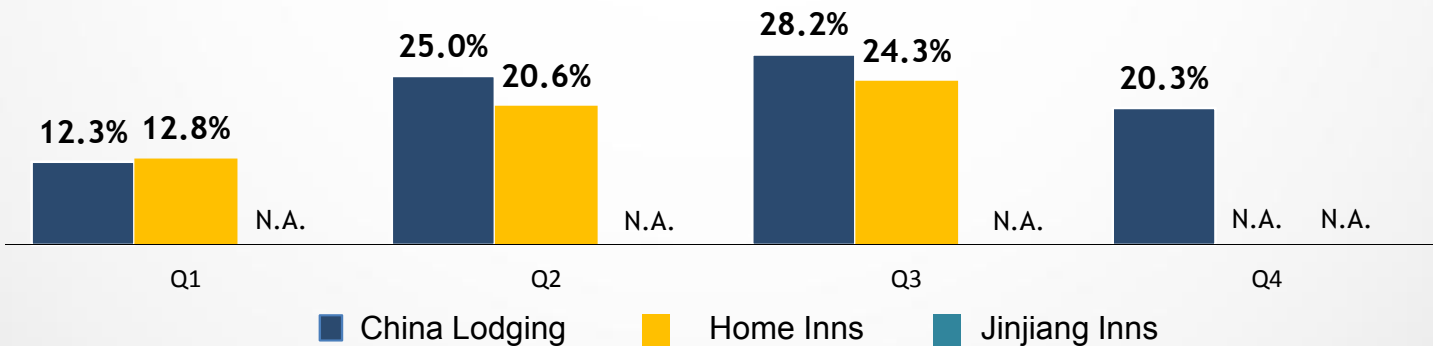
Highest RevPAR (RMB, Q1-Q4, 2015)



Highest YoY Revenue Growth (Q1-Q4, 2015)



EBITDA Margin (Q1-Q4, 2015)



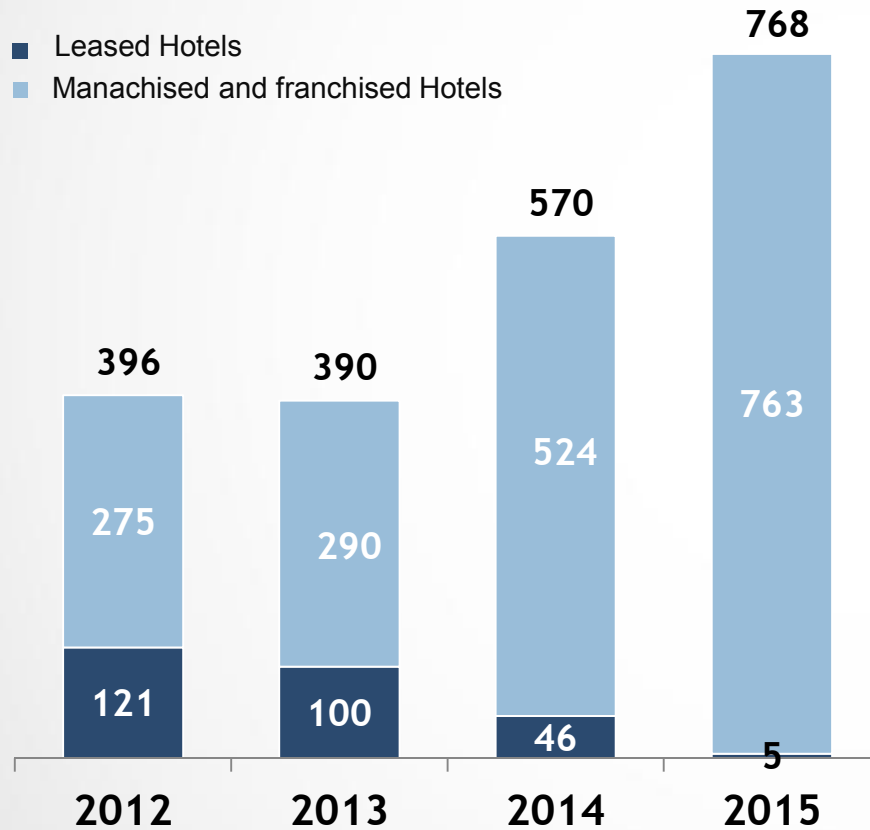
■ China Lodging   ■ Home Inns   ■ Jinjiang Inns

Note: Quarterly financials for Jin Jiang Inns are not available due to the company's reporting policy.

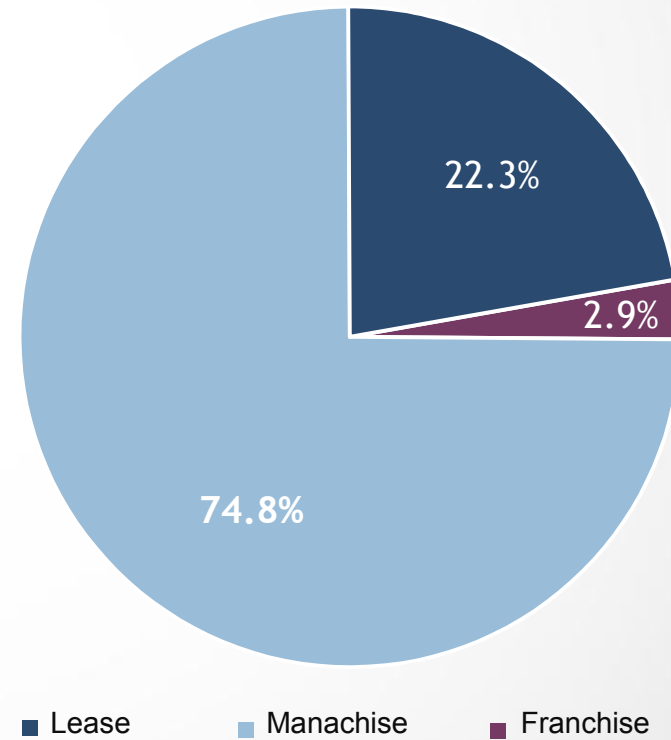
# Manachise and Franchise Models Become Dominant



**Number of Newly Net-Added Hotels by Business Model**



**HTHT Hotel Network Breakdown by Models (as of 12/31/2015)**



*Note: Lease is short for "leased-and-operated" model and manachise for "managed-and-franchised" model.*



**Launch of new brands**

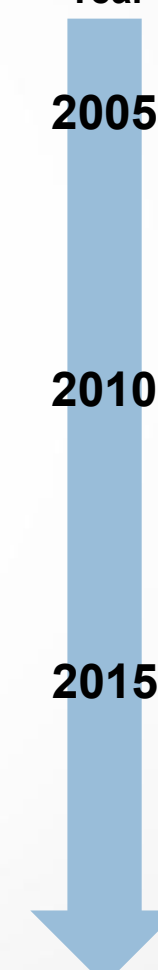
**Year**

**Acquisition**

**Launch of new brands**

**Year**

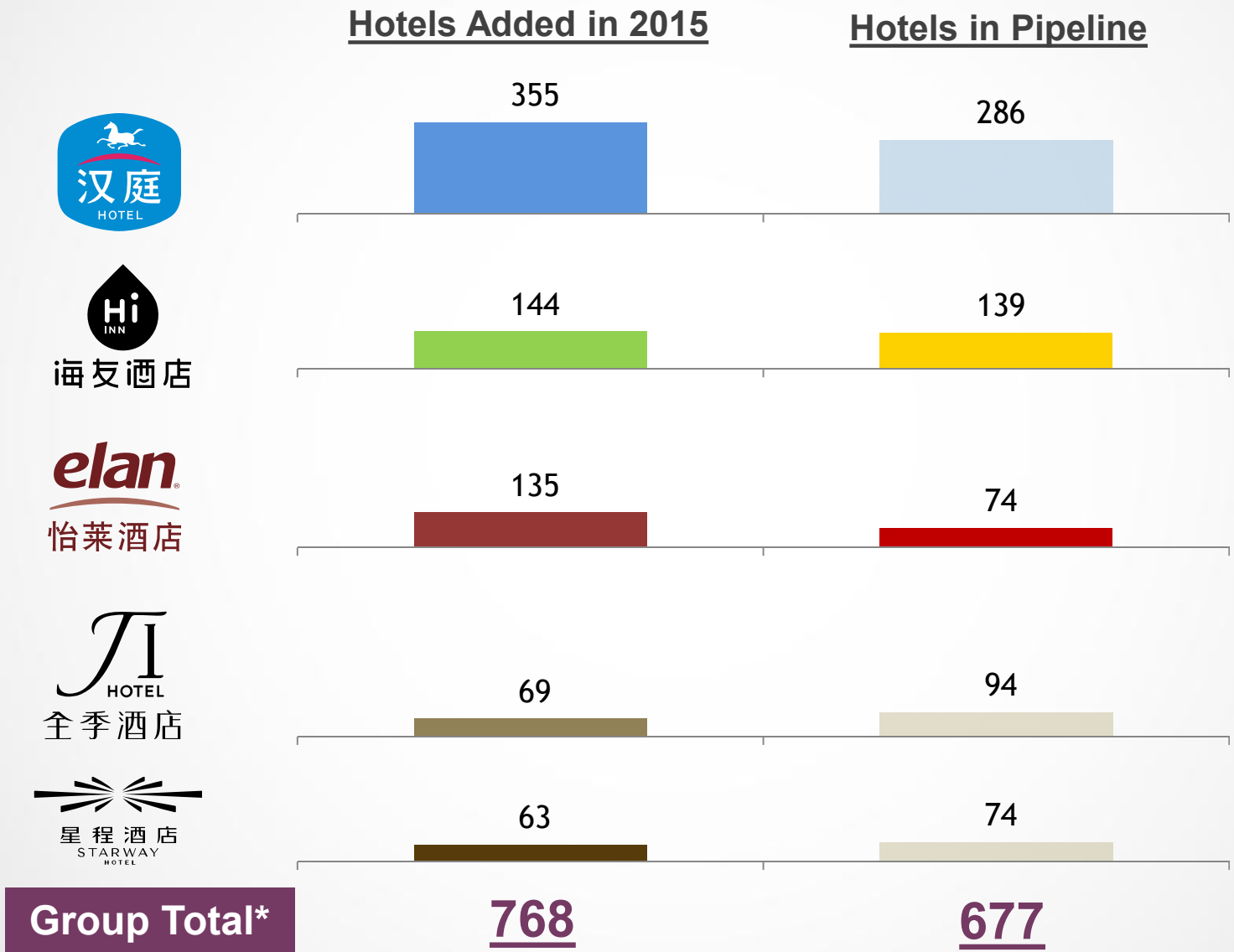
**Acquisition & Alliance**



Year	Acquisition
1950	Marriott
1980	American Resorts Group The Residence Inn
1990	Ritz-Carlton Renaissance
2000	JV with AC Hotels
2010	Gaylord Hotels Protea Hospitality Delta Hotels Starwood

Year	Acquisition & Alliance
2005	HanTing Hotel
2010	Hi Inn JI Hotel
2015	Joya Hotel Manxin Hotel
	Starway Hotel Elan Hotel
	Strategic alliance with AccorHotels – ibis, ibis Styles, Mercure, Novotel, Grand Mercure

# Rapid Development of Both Internal and Acquired Brands



\* Including the rest of brands not mentioned above





Qi Ji  
Founder,  
Executive Chairman

- Successful serial entrepreneur
  - Founder, Executive Chairman of China Lodging Group (“HTHT”)
  - Co-founder and former CEO of Home Inns (“HMIN”)
  - Co-founder, former CEO and President of Ctrip.com (“CTRP”)
- M.S. and B.S. from Shanghai Jiao Tong University
- Ownership: ~ 27% of outstanding shares



Jenny Zhang  
CEO

- Joined the Company in 2007, served as President, CFO, CSO
- Over 15 years of finance and consulting experience, serving as Thailand CFO for Eli Lilly before joining
- M.B.A from Harvard Business School



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- Strengthen and differentiate HANTING
- Continue FAST expansion
- Further boost DIRECT sales

# HanTing 1.0 vs. HanTing 2.0

HanTing 1.0



HanTing 2.0



HanTing Upgrade

To open **750~800** Hotels

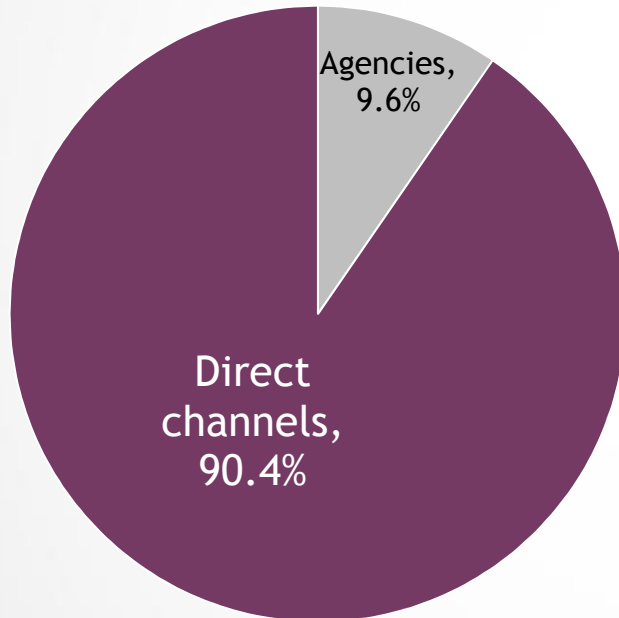
**80%** for economy hotels, **20%** for midscale and upscale hotels

Dominantly, manachised and franchised hotels

# Direct Channels Provide Best Customer Benefits and Operator's Economics

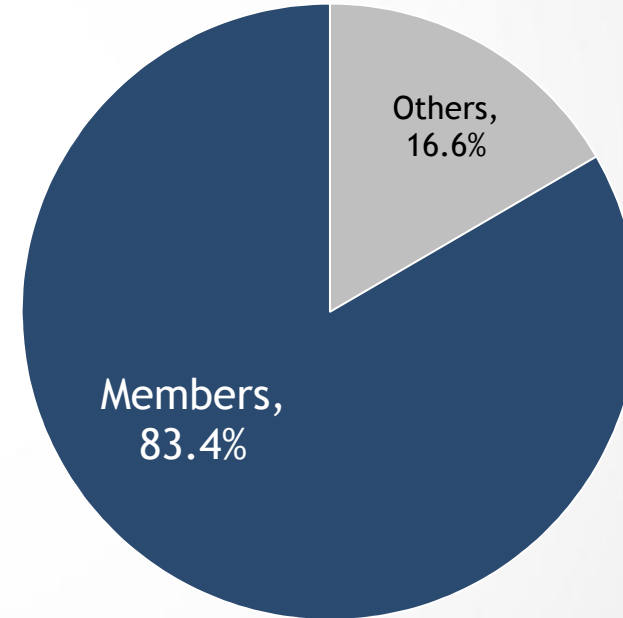
**Direct Channels > 90%**

*By room nights, 2015*



**Room Nights by Members > 80%**

*By room nights, 2015*



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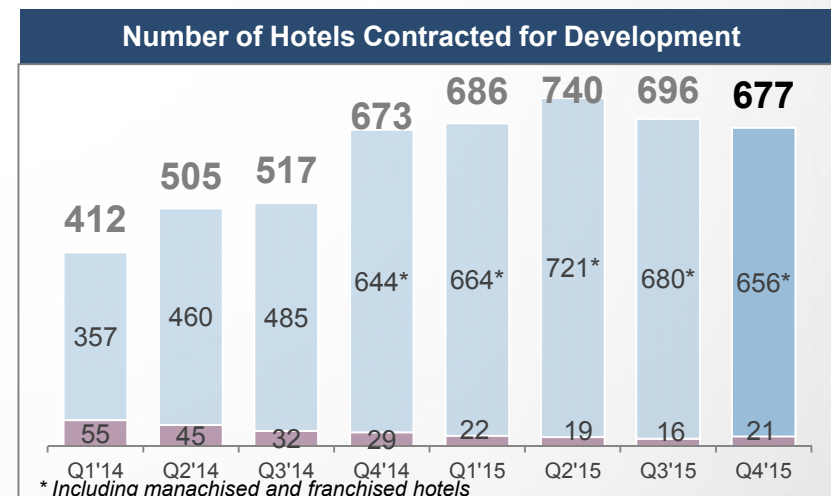
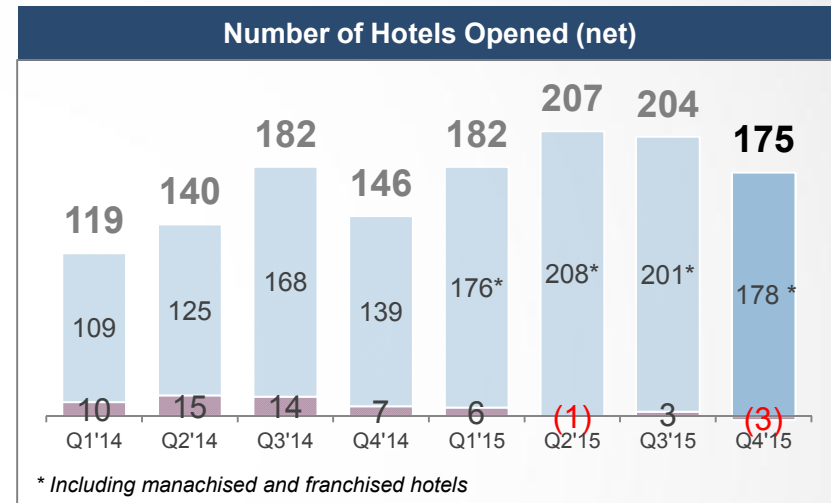
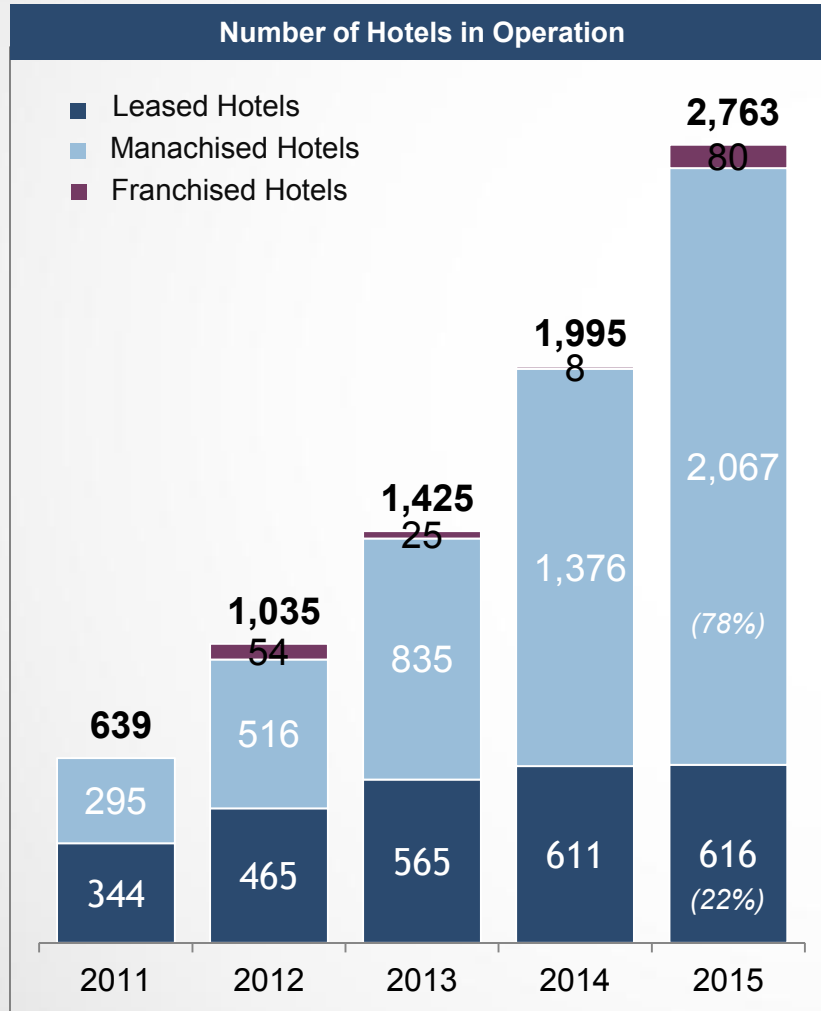
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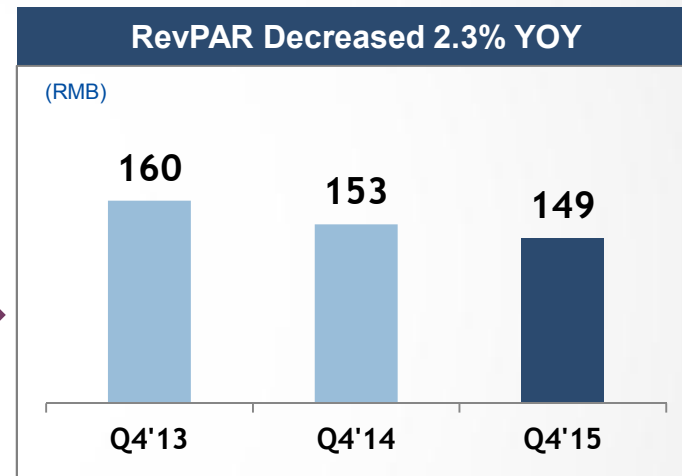
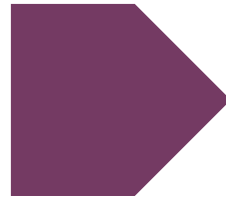
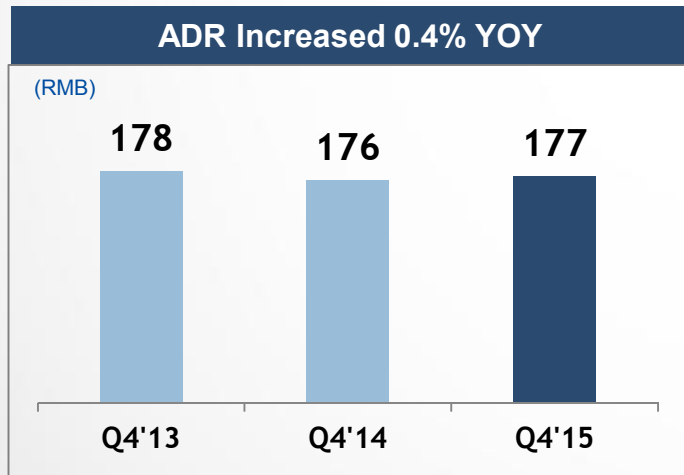
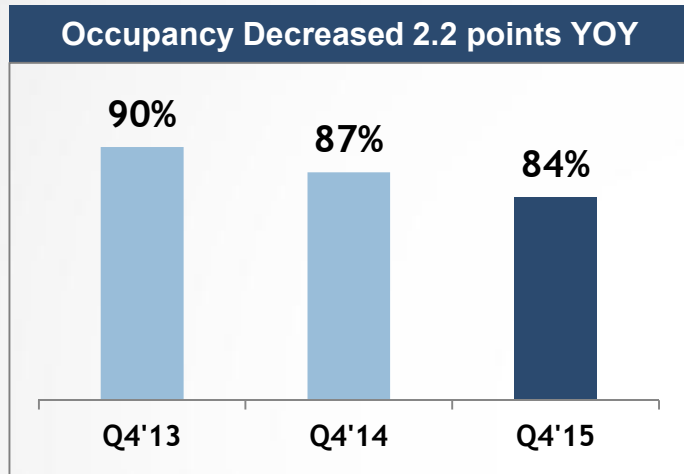
**Q & A**

# Robustly Growing Hotel Network, Mainly Driven by Manachise Business





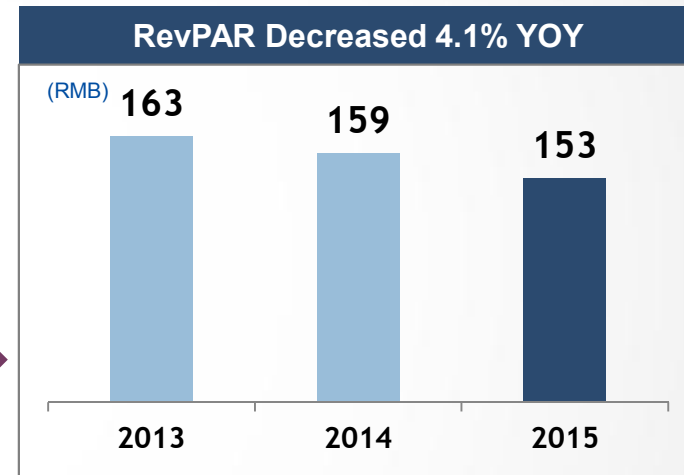
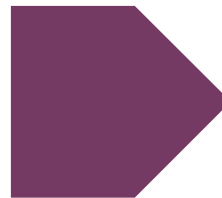
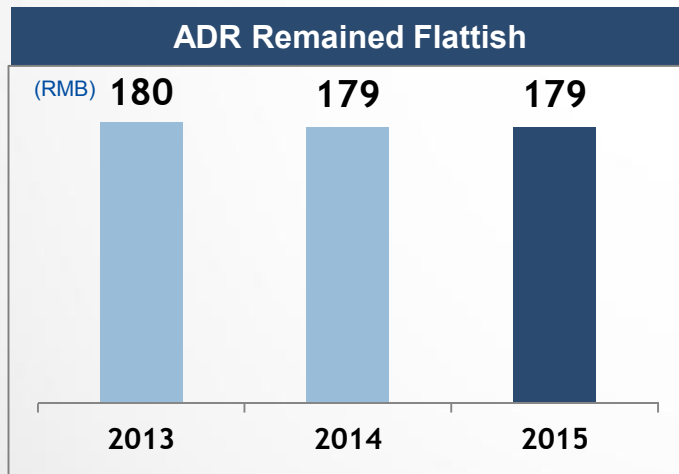
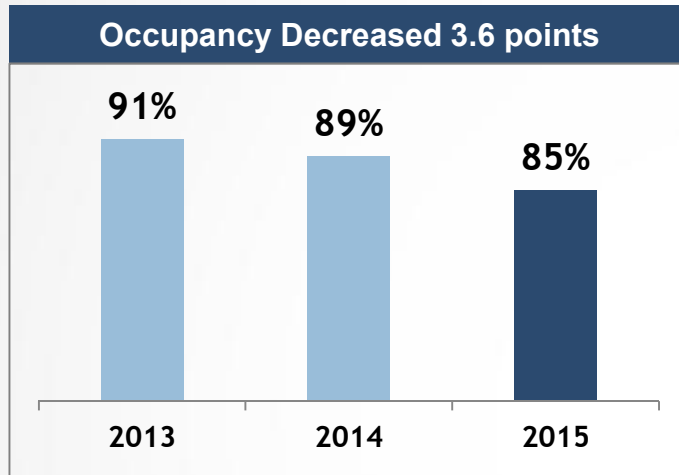
# Q4 RevPAR Decreased 2.3% YOY



Weight of hotel rooms in the cities of 3<sup>rd</sup> tier and below

Q4'13	Q4'14	Q4'15
22.1%	23.1%	23.4%

# Full Year RevPAR Decreased 4.1% YOY, Mainly due to Softened Macro Economy and Mix Shift to Lower-Tier Cities

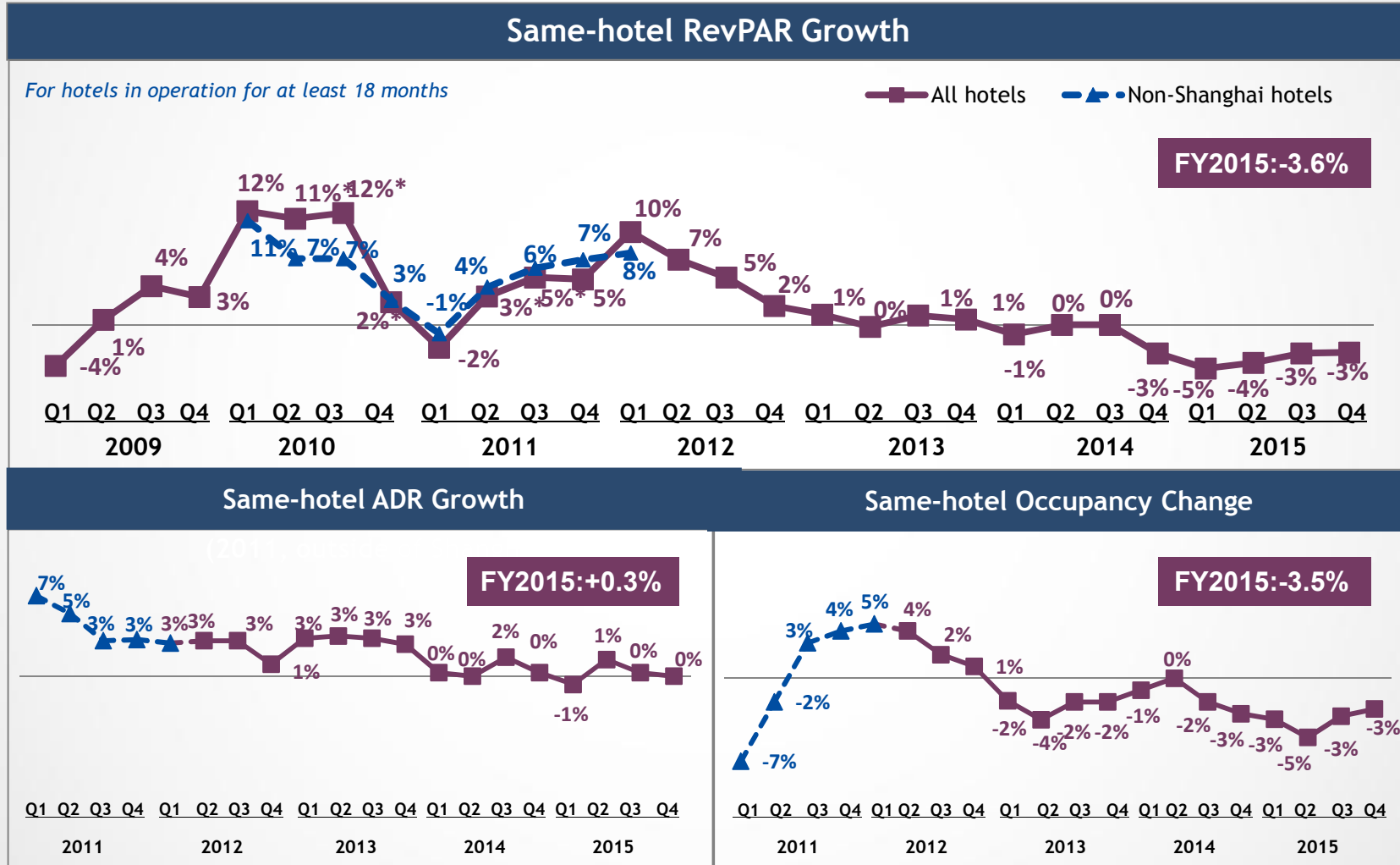


Weight of hotel rooms in the cities of 3<sup>rd</sup> tier and below

2013	2014	2015
22.1%	23.1%	23.4%

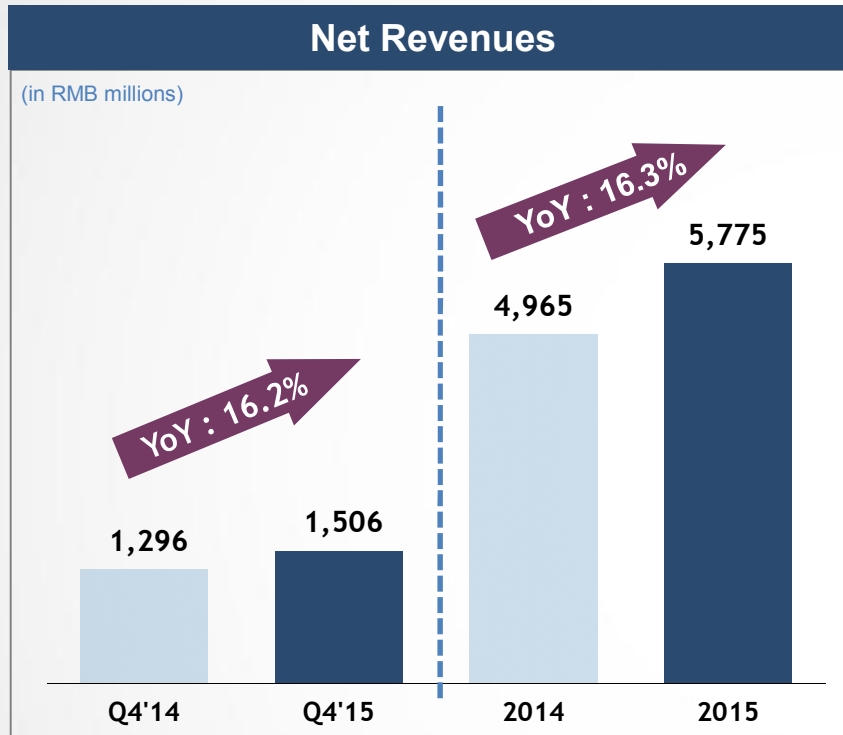
Figures excluding franchised Starway hotels

# Same-hotel RevPAR: -2.9% in Q4; -3.6% in FY2015



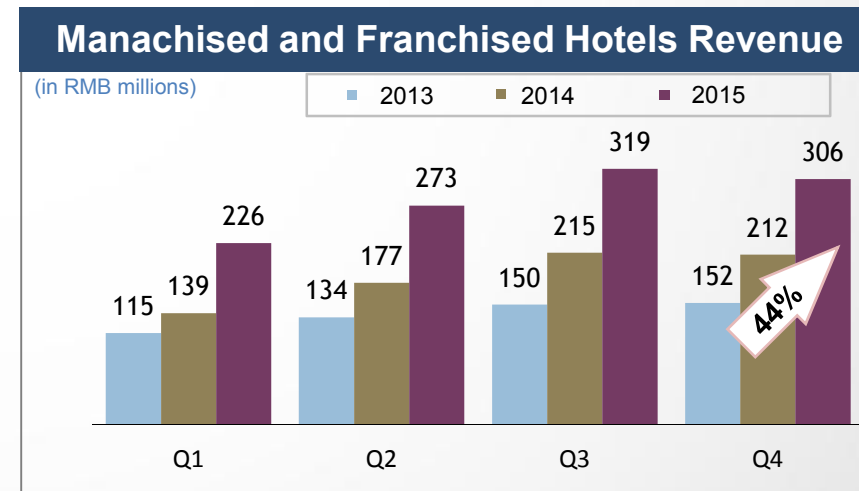
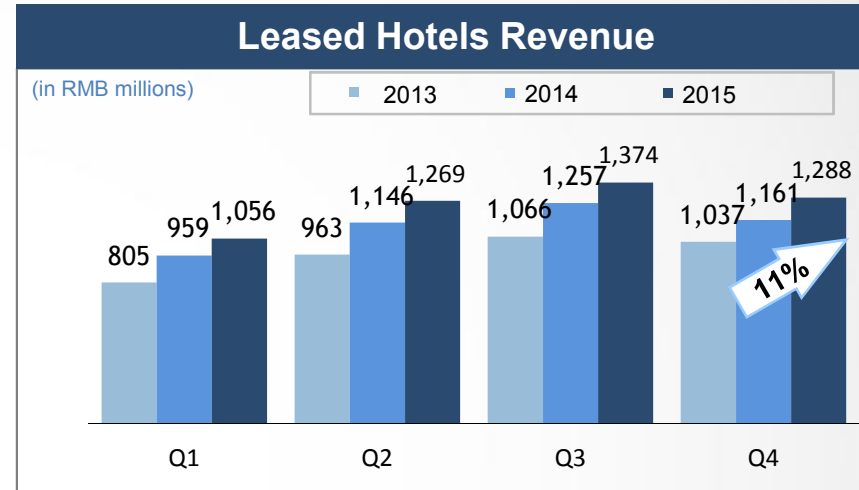
\* Normalized for Shanghai Expo

# Net Revenues: Q4 +16.2% YOY, FY +16.3% In line with Guidance

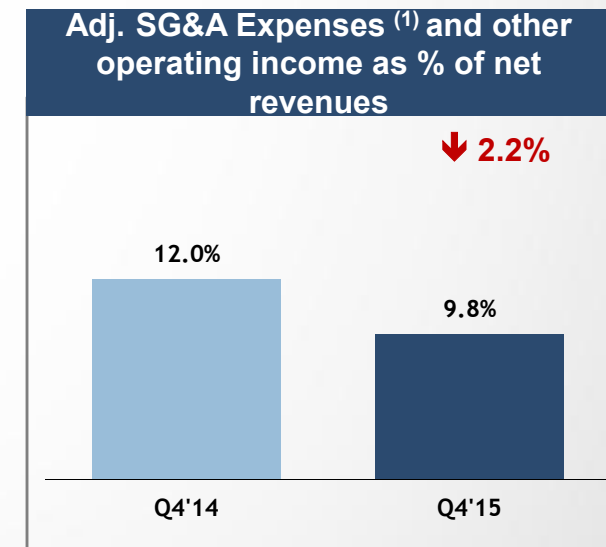
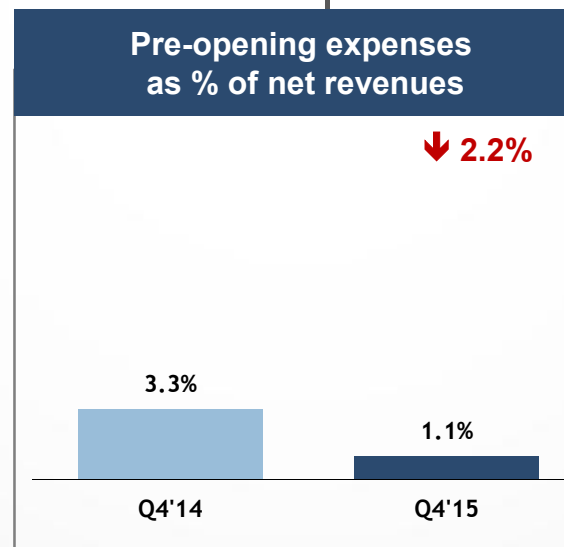
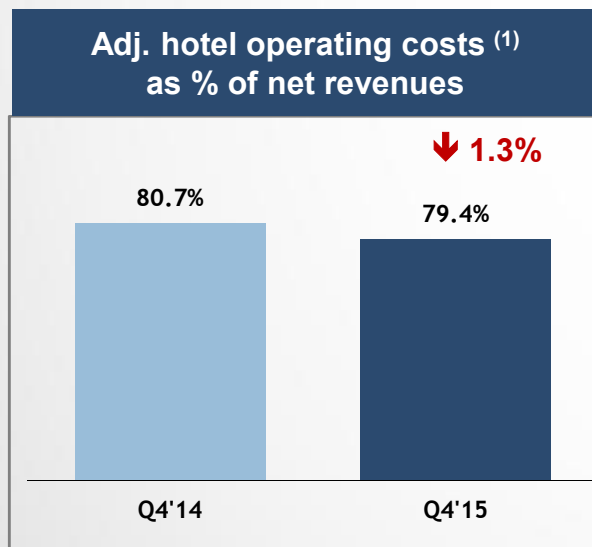
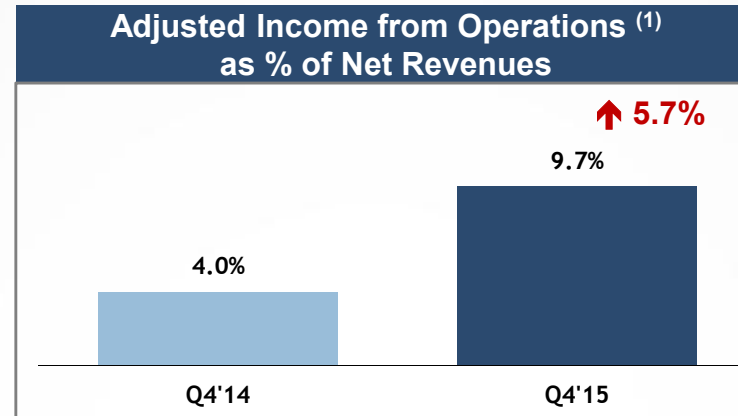


Manachised and Franchised Hotels Revenue  
as % of Total Revenues

Q4'14	Q4'15	2014	2015
15%	19%	14%	18%

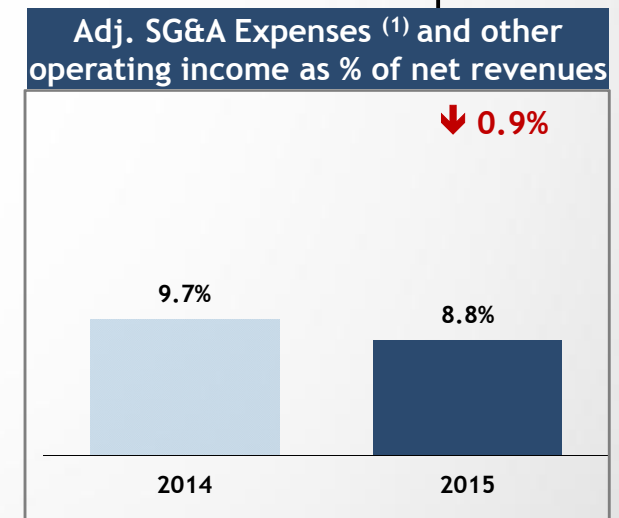
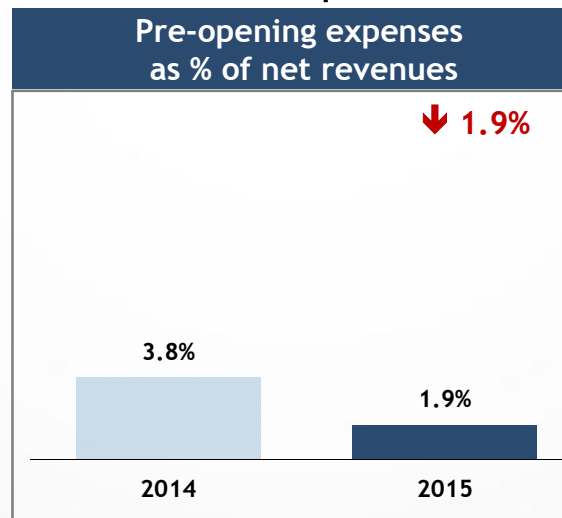
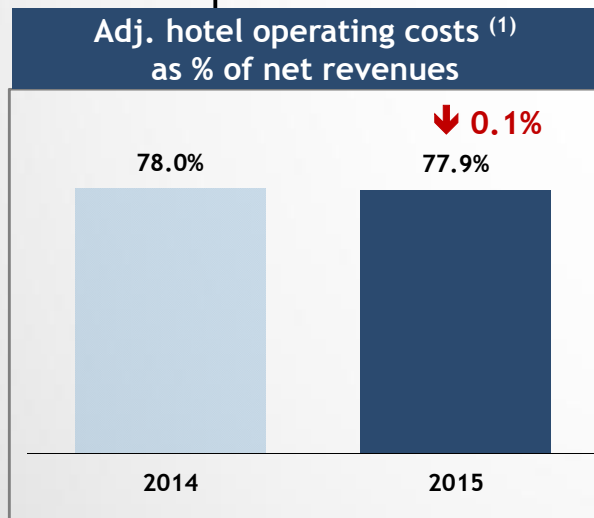
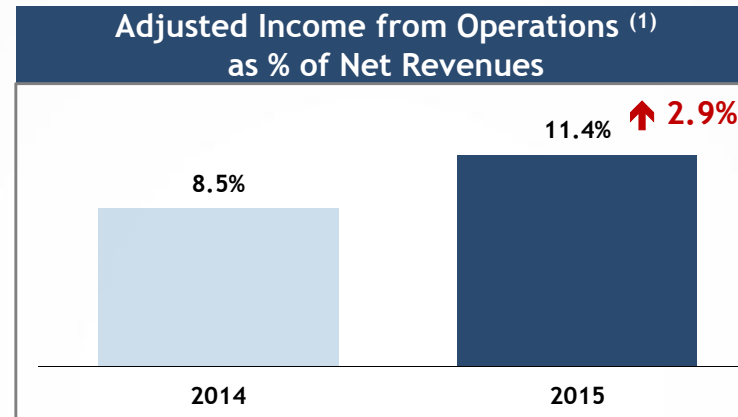


# Q4 Adjusted Operating Margin Increased 5.7 Pts



(1) Excluding share-based compensation expenses.

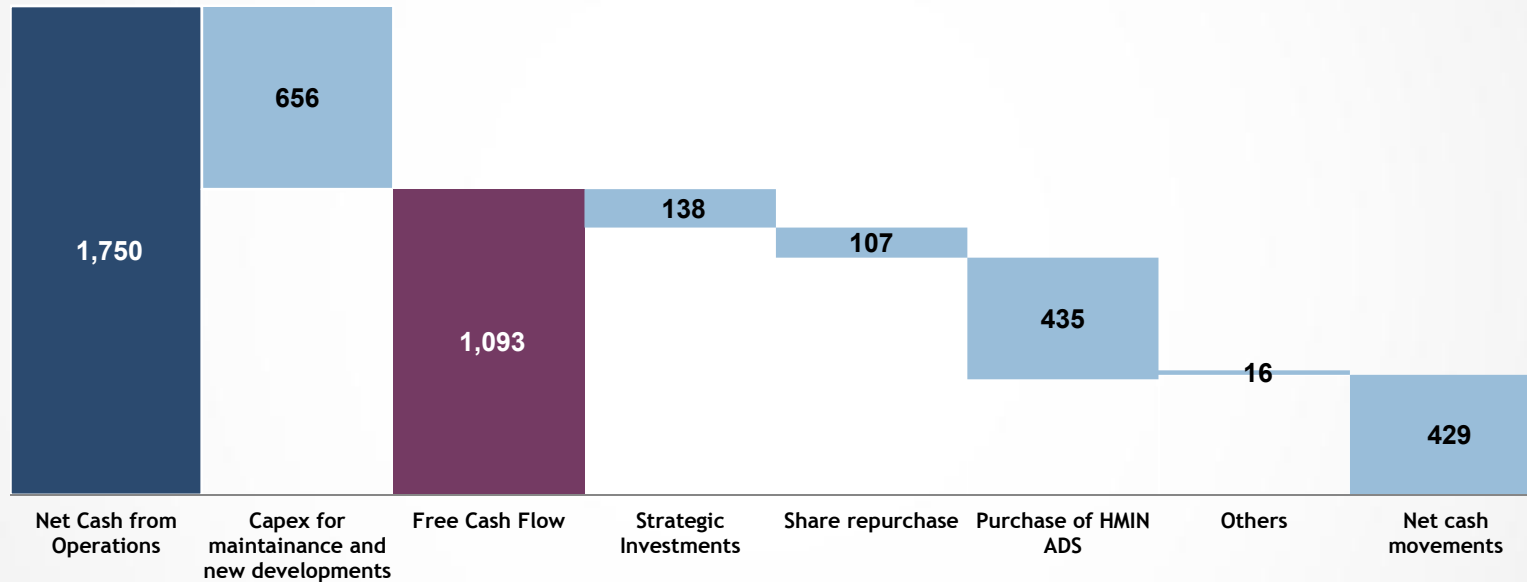
# FY Adjusted Operating Margin Increased 2.9 Pts, Resulted from Lower Pre-opening Expenses and Cost Control Efforts



(1) Excluding share-based compensation expenses.

## Abundant Funding Resource for Expansion

(in RMB millions)



- In 2015, HTHT announced a special cash dividend of US\$43 million, equivalent to US\$0.68 per American Depositary Share ("ADS") and dividend yield of 2.3%
- The actual payment of dividend was in Feb 2016

## Transaction summary

- Master franchisee for Mercure, ibis, ibis styles
- Co-development agreement for Grand Mercure and Novotel
- Non-controlling 29.3% stake in JV for AccorHotels luxury& upscale business in Greater China; 2 out of 5 seats on JV's BOD
- AccorHotels owns 10.8% in Huazhu (9% from new issuance + 1.8% purchased from open market); 1 seat on Huazhu's BOD

## Strategic benefits

- Access to a wider customer base of 75 million members combined
- Members benefit from expanded hotel choices with more than 6,500 hotels combined worldwide

## Financial impact and development plan

- Accredited to 2016 profit since Jan
- To develop 350-400 new hotels in China in 5 years



Q1'16 net revenues to grow

**14% to 15%** year-over-year

Full year 2016 net revenues to grow

**12% to 15%**

# 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		
	2014	2015	2014	2015	yoy change	2014	2015	yoy change	2014	2015	yoy change
<b>Economy hotels</b>	1,207	1,207	148	139	-6%	167	164	-2%	89%	85%	-4%
Leased hotels	488	488	149	141	-5%	170	167	-2%	87%	84%	-3%
Manachised and franchised hotels	719	719	147	137	-6%	164	161	-2%	89%	85%	-4%
<b>Midscale hotels</b>	73	73	214	225	5%	267	277	4%	80%	81%	1%
Leased hotels	39	39	233	245	5%	282	295	5%	83%	83%	0%
Manachised hotels	34	34	187	194	4%	243	249	2%	77%	78%	1%
<b>Total</b>	1,280	1,280	152	145	-5%	172	171	-1%	88%	85%	-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		
	2014	2015	2014	2015	yoy change	2014	2015	yoy change	2014	2015	yoy change
<b>Economy hotels</b>	1,293	1,293	165	157	-5%	175	176	0%	94%	89%	-5%
Leased hotels	505	505	168	161	-4%	179	181	1%	94%	89%	-5%
Manachised and franchised hotels	788	788	163	154	-6%	172	172	0%	95%	89%	-5%
<b>Midscale and upscale hotels</b>	87	87	240	254	6%	279	302	8%	86%	84%	-2%
Leased hotels	47	47	260	279	7%	296	325	10%	88%	86%	-2%
Manachised hotels	40	40	209	213	2%	249	261	4%	84%	82%	-2%
<b>Total</b>	1,380	1,380	171	164	-4%	182	185	1%	94%	89%	-5%

	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		
	2014	2015	2014	2015	yoy change	2014	2015	yoy change	2014	2015	yoy change
<b>Economy hotels</b>	1,391	1,391	173	165	-4%	181	180	-1%	95%	92%	-4%
Leased hotels	509	509	174	167	-4%	185	184	0%	94%	91%	-4%
Manachised and franchised hotels	882	882	171	164	-4%	179	177	-1%	96%	92%	-4%
<b>Midscale and upscale hotels</b>	102	102	247	263	6%	283	298	5%	87%	88%	1%
Leased hotels	52	52	272	296	9%	304	324	7%	90%	92%	2%
Manachised and franchised hotels	50	50	214	215	0%	252	258	2%	85%	83%	-2%
<b>Total</b>	1,493	1,493	179	173	-3%	189	190	0%	95%	91%	-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		
	2014	2015	2014	2015	yoy change	2014	2015	yoy change	2014	2015	yoy change
<b>Economy hotels</b>	1,491	1,491	152	145	-5%	169	167	-1%	90%	87%	-3%
Leased hotels	510	510	156	147	-5%	175	173	-1%	89%	85%	-4%
Manachised and franchised hotels	981	981	149	143	-4%	166	163	-1%	90%	87%	-2%
<b>Midscale and upscale hotels</b>	121	121	224	241	8%	270	282	5%	83%	85%	2%
Leased hotels	58	58	245	276	12%	291	308	6%	84%	90%	5%
Manachised and franchised hotels	63	63	195	196	0%	240	245	2%	81%	80%	-2%
<b>Total</b>	1,612	1,612	158	154	-3%	178	178	0%	89%	86%	-3%

# Hotel Breakdown by Brands

	Number of hotels in operation					
	As of 12/31/2013	As of 12/31/2014	As of 3/31/2015	As of 6/30/2015	As of 9/30/2015	As of 12/31/2015
<b>Economy hotels</b>	<b>1,309</b>	<b>1,819</b>	<b>1,973</b>	<b>2,148</b>	<b>2,317</b>	<b>2,453</b>
HanTing Hotel	1,226	1,648	1,738	1,836	1,934	2,003
Leased hotels	473	502	503	502	501	495
Manachised hotels	753	1,146	1,235	1,334	1,433	1,508
Hi Inn	83	158	189	231	267	302
Leased hotels	41	41	41	39	39	38
Manachised hotels	42	117	142	186	215	251
Franchised hotels			6	6	13	13
Elan Hotel		13	46	81	116	148
Manachised hotels		13	42	71	102	128
Franchised hotels			4	10	14	20
<b>Midscale hotels and upscale hotels</b>	<b>116</b>	<b>176</b>	<b>204</b>	<b>236</b>	<b>271</b>	<b>310</b>
Ji Hotel	68	117	130	145	165	186
Leased hotels	48	62	66	65	71	75
Manachised hotels	20	55	64	80	94	111
Starway Hotel	46	55	69	86	101	118
Leased hotels	1	3	4	7	5	4
Manachised hotels	20	44	48	58	53	67
Franchised hotels	25	8	17	21	43	47
Joya Hotel	1	3	3	3	3	3
Leased hotels	1	2	2	2	2	2
Manachised hotels		1	1	1	1	1
Manxin Hotels & Resorts	1	1	2	2	2	2
Leased hotels	1	1	1	1	1	1
Manachised hotels			1	1	1	1
Mercure Hotel						1
Leased hotels						1
<b>Total</b>	<b>1,425</b>	<b>1,995</b>	<b>2,177</b>	<b>2,384</b>	<b>2,588</b>	<b>2,763</b>

# Room Breakdown by Brands

	Number of rooms in operation					
	As of 12/31/2013	As of 12/31/2014	As of 3/31/2015	As of 6/30/2015	As of 9/30/2015	As of 12/31/2015
<b>Economy hotels</b>	<b>138,576</b>	<b>185,959</b>	<b>200,051</b>	<b>214,752</b>	<b>228,190</b>	<b>238,156</b>
HanTing Hotel	130,747	172,341	181,811	191,004	199,555	205,577
Leased hotels	54,154	57,306	58,266	58,262	58,056	57,277
Manachised hotels	76,593	115,035	123,545	132,742	141,499	148,300
Hi Inn	7,829	12,551	14,450	17,275	19,642	21,340
Leased hotels	4,422	3,895	3,895	3,849	3,839	3,698
Manachised hotels	3,407	8,656	10,213	13,084	14,886	16,725
Franchised hotels			342	342	917	917
Elan Hotel		1,067	3,790	6,473	8,993	11,239
Manachised hotels		1,067	3,427	5,648	7,977	9,837
Franchised hotels			363	825	1,016	1,402
<b>Midscale hotels and upscale hotels</b>	<b>14,303</b>	<b>23,996</b>	<b>27,491</b>	<b>31,592</b>	<b>35,886</b>	<b>40,687</b>
Ji Hotel	9,106	17,052	19,269	21,656	24,638	27,559
Leased hotels	6,891	10,260	10,934	11,252	12,328	13,195
Manachised hotels	2,215	6,792	8,335	10,404	12,310	14,364
Starway Hotel	4,959	6,321	7,471	9,185	10,497	12,138
Leased hotels	131	451	662	972	738	604
Manachised hotels	2,222	4,939	4,934	6,215	5,663	7,183
Franchised hotels	2,606	931	1,875	1,998	4,096	4,351
Joya Hotel	141	515	515	515	515	515
Leased hotels	141	315	315	315	315	315
Manachised hotels		200	200	200	200	200
Manxin Hotels & Resorts	97	108	236	236	236	236
Leased hotels	97	108	108	108	108	108
Manachised hotels			128	128	128	128
Mercure Hotel						239
Leased hotels						239
<b>Total</b>	<b>152,879</b>	<b>209,955</b>	<b>227,542</b>	<b>246,344</b>	<b>264,076</b>	<b>278,843</b>



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