



**Huazhu Group Limited**  
**(NASDAQ: HTHT and HKEX: 1179)**  
**Fourth Quarter and Full Year of 2020 Earnings Call**

March 25, 2021

# Agenda

- **Huazhu Strategy**
- 2020 Strategy Review and 2021 Strategy Focus
- 2020 Operational and Financial Review
- Financial Impacts and Guidance
- Q and A
- Appendix

# **中国双循环经济发展格局**

## **China's "Dual Circulation" Strategy**

# 华住发展战略

## Huazhu's Strategy



**重仓中国**  
**China-Focus Strategy**



**创新力战略**  
**Innovation Strategy**



**组织力战略**  
**Organizational Capability Upgrade Strategy**

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# Our Achievements in 2020

## Key priorities

01

### Accelerated Quality Hotel Expansion

- Gross opened 1,649 hotels even with the impact of COVID-19 pandemic.
- Pipeline grew to 2,449 (Q4'20) from 2,262 (Q4'19)
- Redefining soft brand to serve as reservoir for standardized brand
- Hotel product upgrade from Hanting, Hi Inn, Orange and Crystal Orange

02

### Multi-Dimensional Direct Sales

- Multiple touch-points such as Wi-Fi portal, Room TV projection, Laundry service, etc. to attract new members
- Local sales – most of hotels have delegated hotel staff responsible for local sales
- Corporate sales – corporate member room nights contribution increased from 8% in 2019 to 10% in 2020

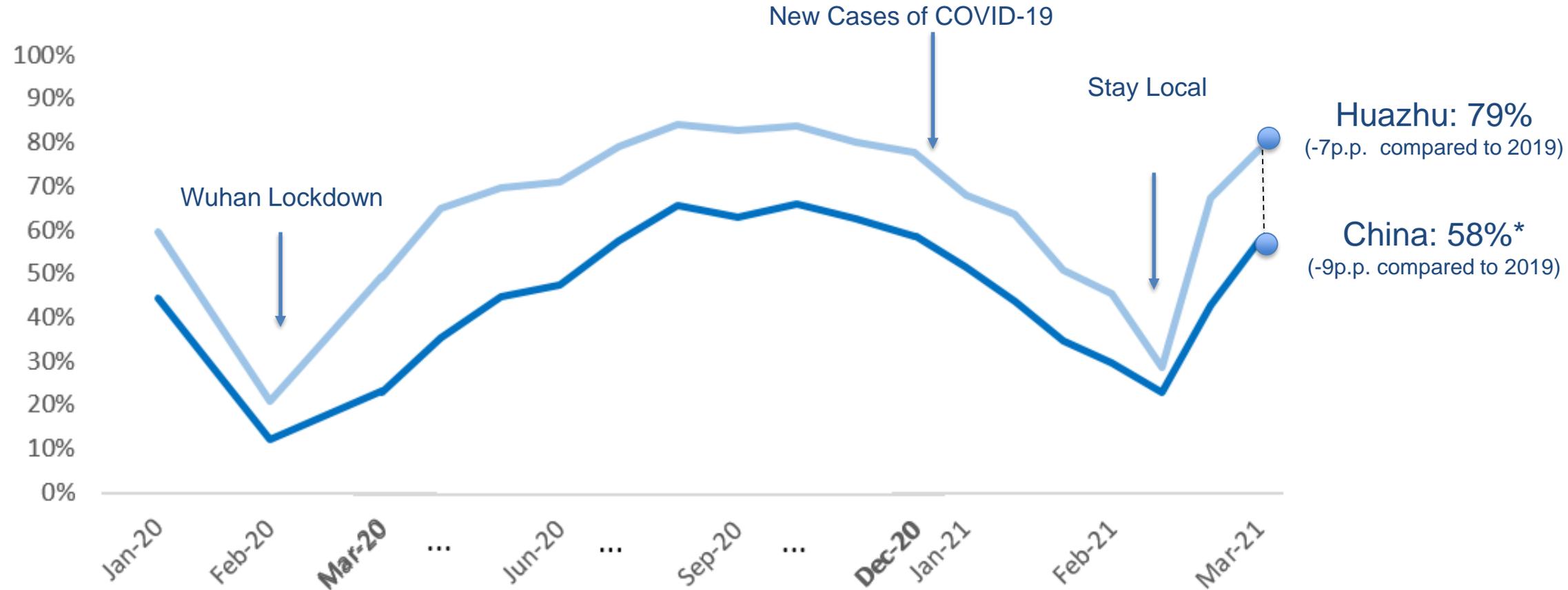
03

### Global Technology-based Shared Service Platform

- Upgrade technology infrastructure (e.g. PMS 2020)
- Tech enabler drove the digital transformation of Deutsche Hospitality

# Robust OCC Recovery after Chinese New Year

## Occupancy of operational hotels, monthly & weekly data

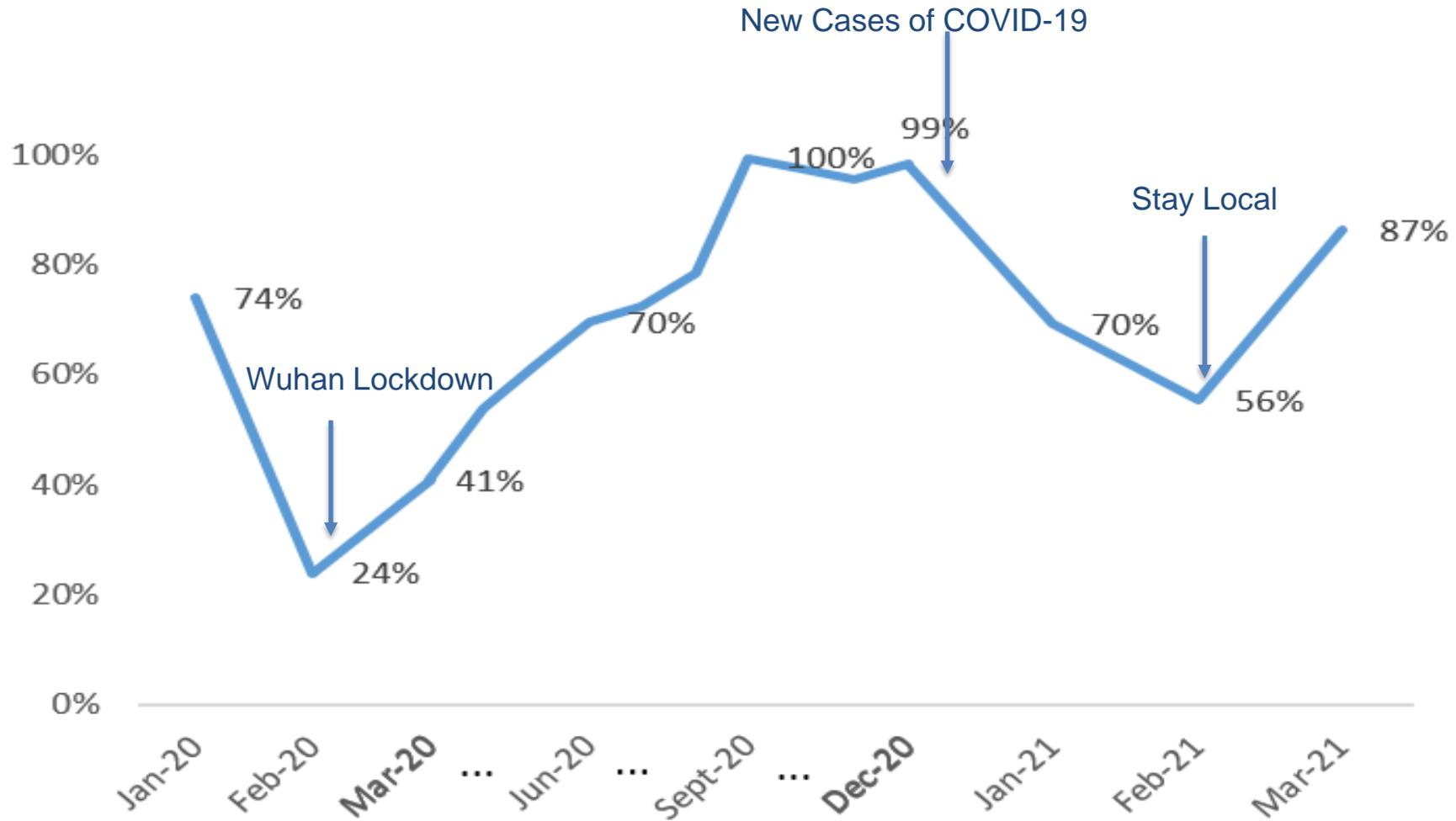


\* STR China hotels, monthly and weekly data, as of March 13, 2021

Huazhu's data refers to Legacy-Huazhu monthly and weekly average occupancy

# RevPAR Continuously Recovering

## Blended RevPAR in 2020 and 2021 as % of 2019



# Strategic Focus for 2021

**1**

**Rapid Expansion of Quality Hotel Network**

**2**

**Multi-Dimensional Direct Sales**

**3**

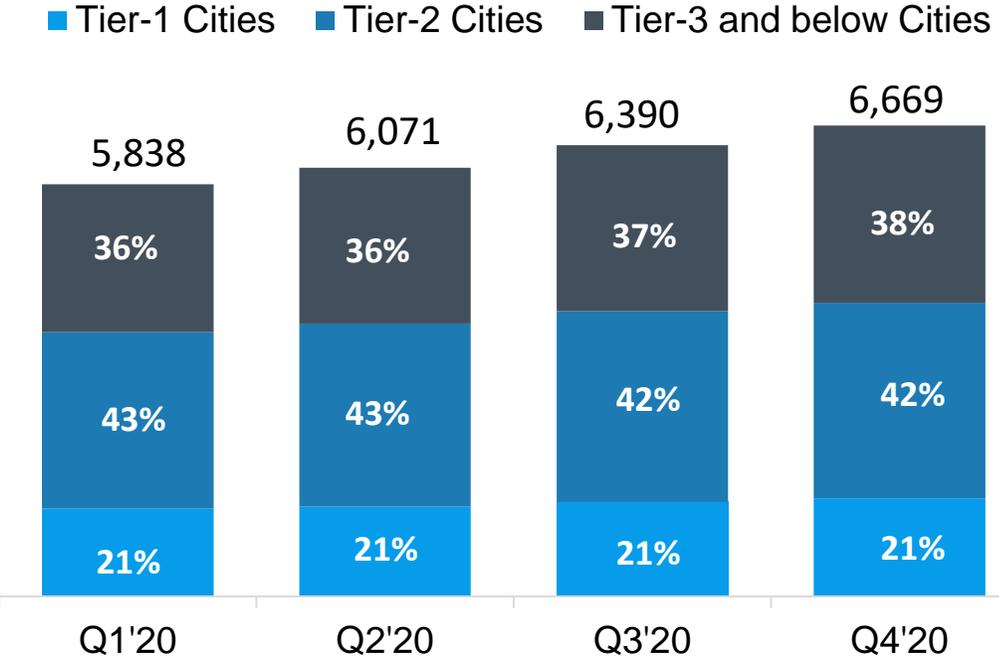
**Global Technology Platform**

# Quality Hotels - 4 Dimensions

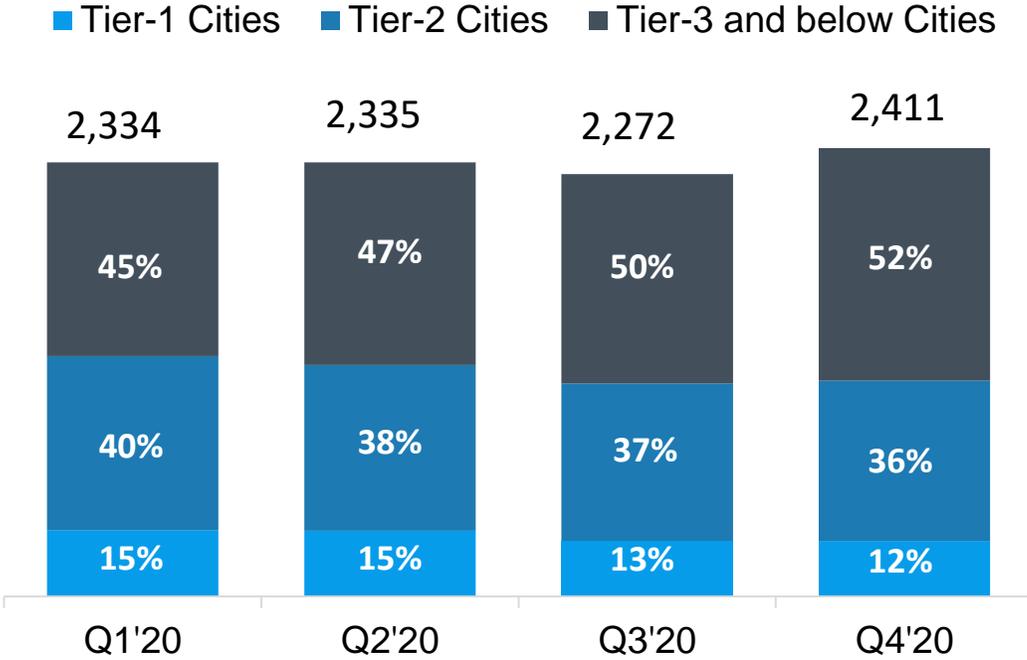


# Further Penetrating into Low-tier Cities

## Hotels Breakdown

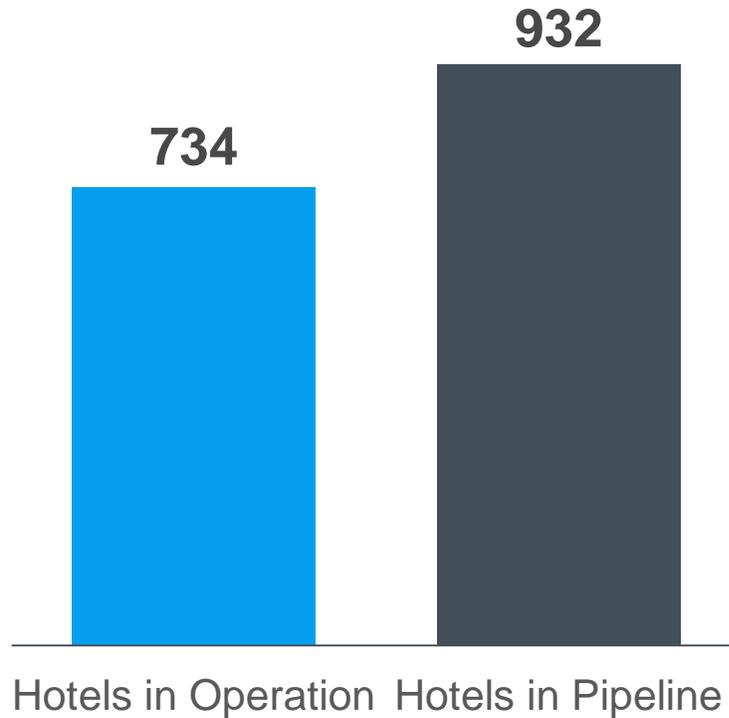


## Pipeline Breakdown

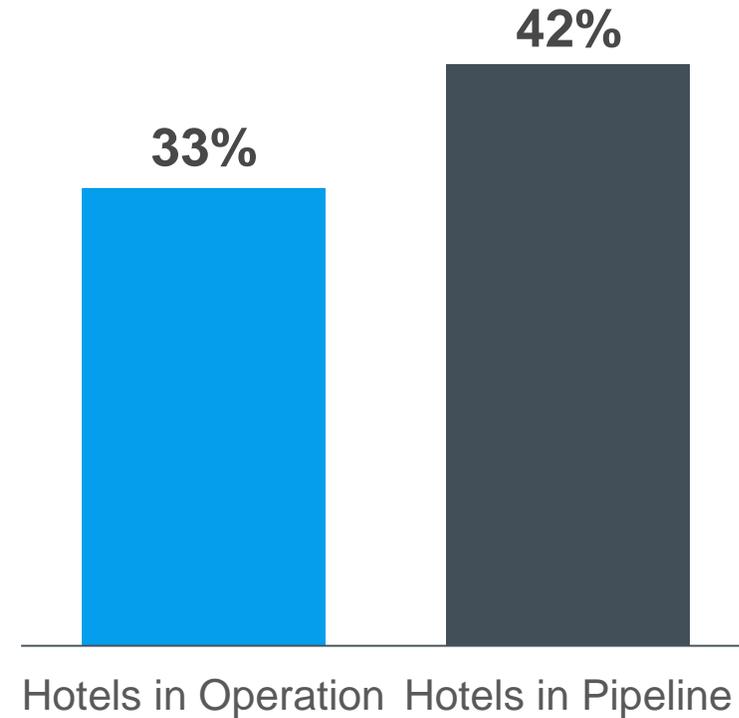


# Huge Potential for Penetration

## Number of Cities



## City Coverage Ratio<sup>(1)</sup>



(1) A total of 2,200 cities in China in our definition



## André Witschi

### Chairman of the Supervisory Board

- Ex-CEO of Accor Germany & Managing Director Europe/ Member of the Board of Directors Accor SA
- Ex-CEO of Deutsche Hospitality
- Non-Executive Director Scandic, B&B Hotels, Lindner Hotels
- Former Chairman of the Board of Trustees of the Ecole hôtelière de Lausanne
- MBA from GSBA Zürich and New York State University



## Marcus Bernhardt

### CEO

- Joined in Huazhu in Nov 2020.
- Over 24 years experience in travel management
  - CCO & MD, Europcar Mobility Group
  - CSO, Gulf Air
  - COO and CCO, Steigenberger Hotel Group
  - COO, Carlson Rezidor/Radisson Blu Hotels
- MBA GSAB Zurich and Berkley University CA



## Ulrich Johannwille

### CFO

- Joined in Huazhu in Nov 2020.
- 11 years as CFO at Condor Flugdienst GmbH
- Associate Principal at McKinsey.
- Doctorate from University of Münster

# DH Brand Development in China

5 pipeline hotels of InterCity Hotel (城际酒店) & 3 pipeline hotels of MAXX by Steigenberger (美仑美奂酒店)



InterCity Hotel, Shanghai



InterCity Hotel, Zhengzhou

And...

## Formation of Joint Venture with Sunac China



## How could this cooperation benefit us?

- Quickly build our presence and brand reputation in upscale hotel segment for Blossom House and Steigenberger Brands;
- The JV targets to sign up no less than 200 hotels in the pipeline in five years

**We've just begun...**

# Steigenberger Hotel in Changsha

01

Steigenberger Hotels in Changsha with ~1,000 rooms and 170,000 m<sup>2</sup> Exhibition Center



# Further Strengthen Multi-Dimensional Direct Sales



**In-House  
Sales**



**H-World**



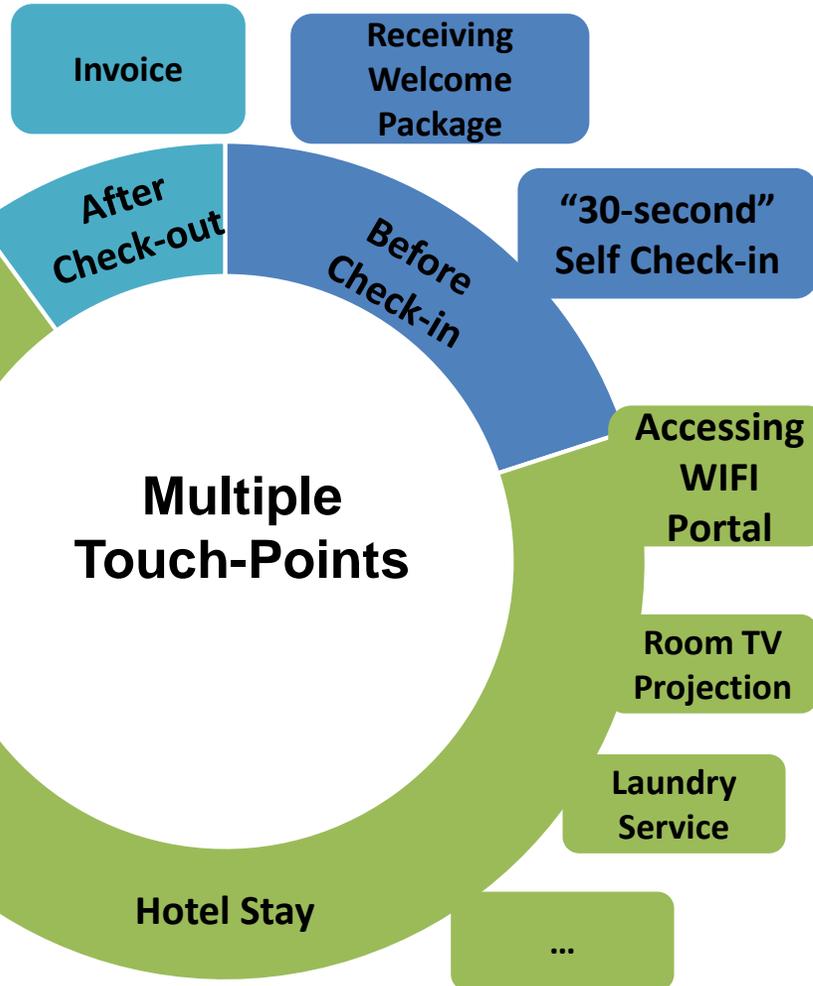
**Corporate  
Customers**



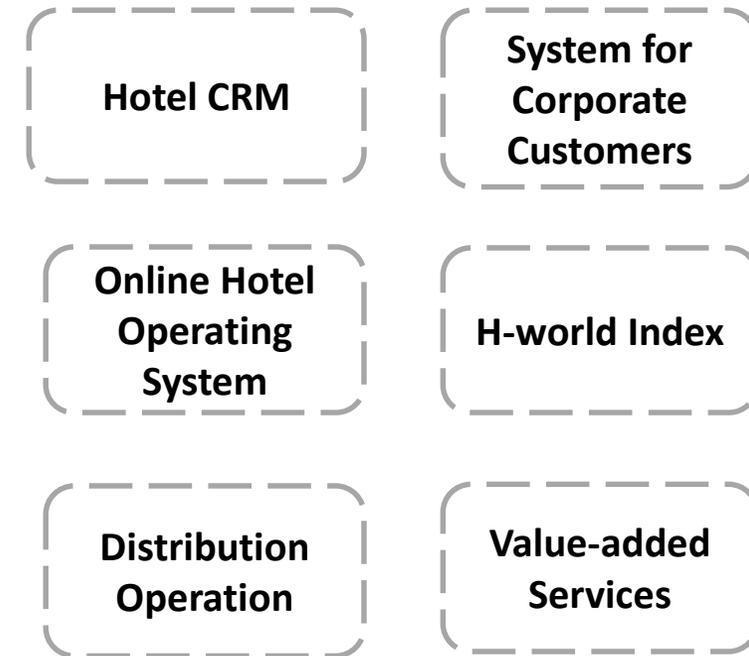
**Cross-industry  
Alliance**

# Multiple Tools to Attract New Members

QR Code Screening for...

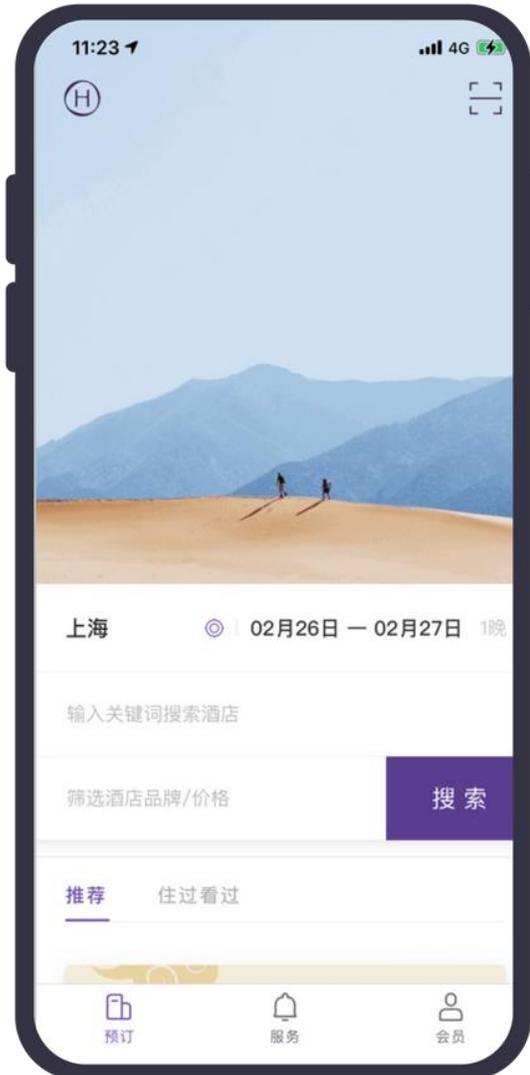


## Hotel Tool Box



# H-World 3.0 – Coming soon...

## New Interface



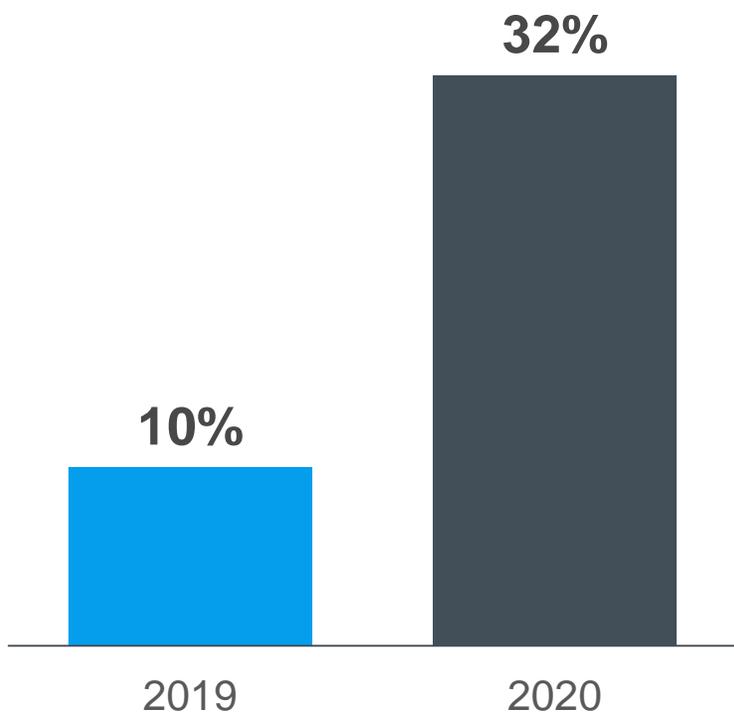
More member privileges...

More efficient service through embedding innovative functions...

Better customer experience through value-added services...

# Corporate Members Continue to Expand

## Penetration Rate of Top 3,000 Public Listed Companies



## Selected New Corporate Members



...

# Attempting B2B2X Alliance for New Traffic

## B2B2B



## B2B2C



# DH Digitalization Continues Progressing

DH digitalization in stable progress, with more strategy features designed in the systems

## One Platform

1. Seamless Guest Journey
2. Efficiency-driven hotel operation
3. Centralized business model globally

One Infrastructure	One Channel	One CRS	One ERP	One CRM	One Backbone
Unified Technology and Operation	One Identity Strong Direct Sales	Central Distribution Cost Savings	High Efficiency Foundation for Growth	Customer Insights Touchpoints	Central Data Central Reporting

## % of completion

60%

60%

80%

50%

40%

30%

## Achievements

Enhanced local setup for Rollout

H-Portal in rollout progress; App in strategical features development

More connectivity developed

Basic feature setup and in fast development

Loyalty functions already in progress

Begin to rollout HR etc.

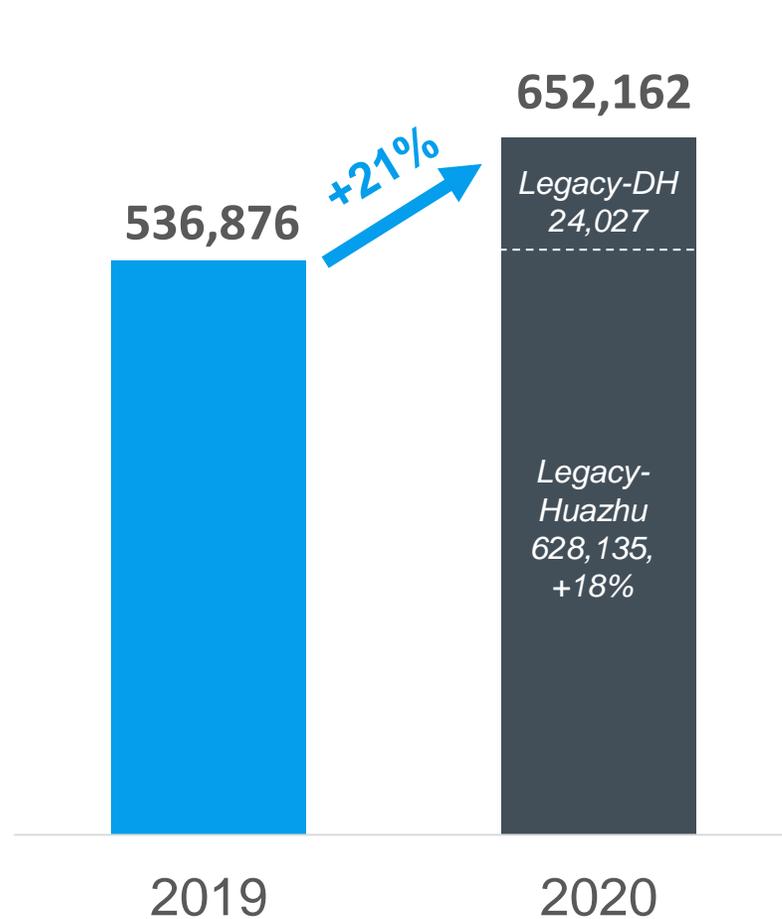
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# Hotel Network Continue to Expand

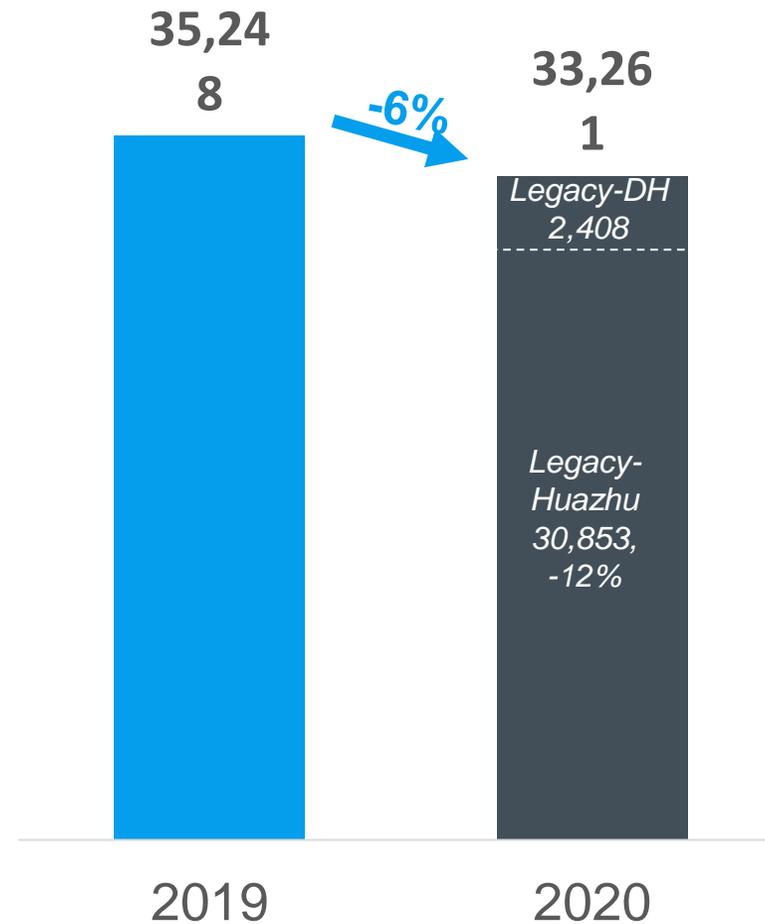
## Hotel Network Expansion

(Number of rooms in operation)



## Hotel Turnover

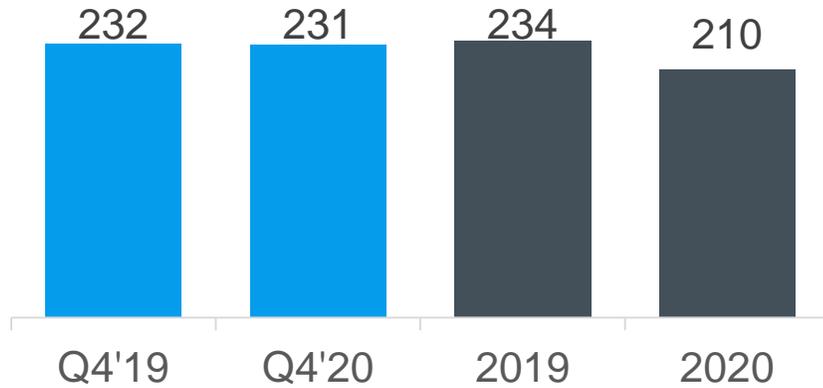
(in RMB millions)



# Legacy-Huazhu - Blended RevPAR Declined in 2020

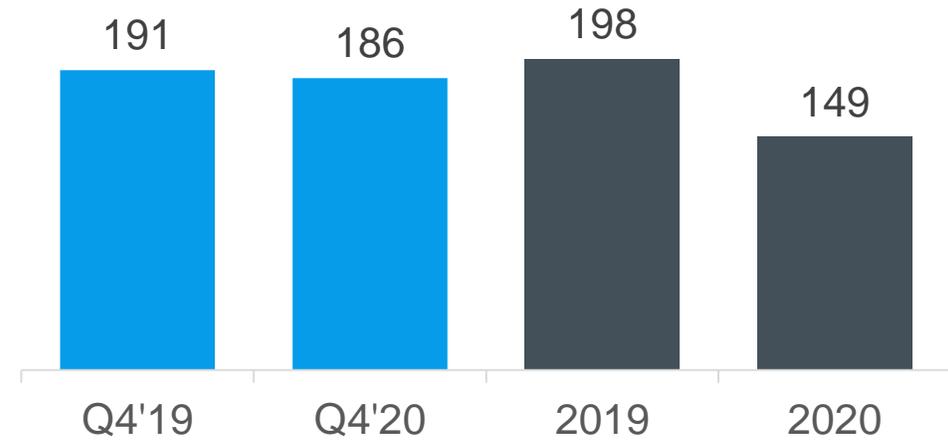
**ADR Dropped 0.5% in Q4'20 and 10.3% in 2020**

(RMB)

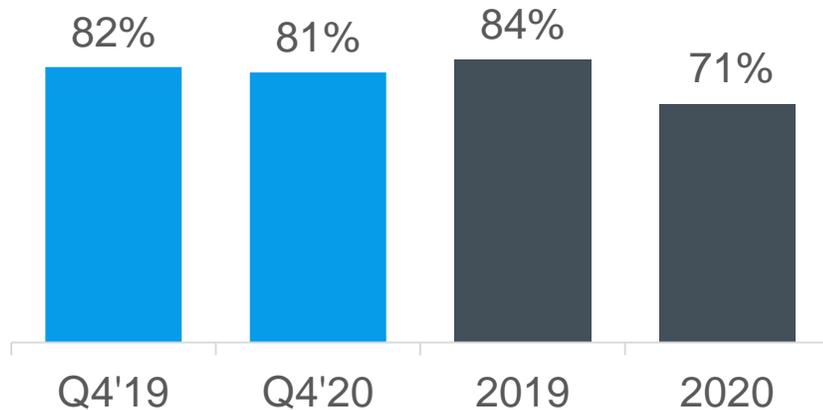


**RevPAR Dropped 2.4% in Q4'20 and Dropped 24.5% in 2020**

(RMB)



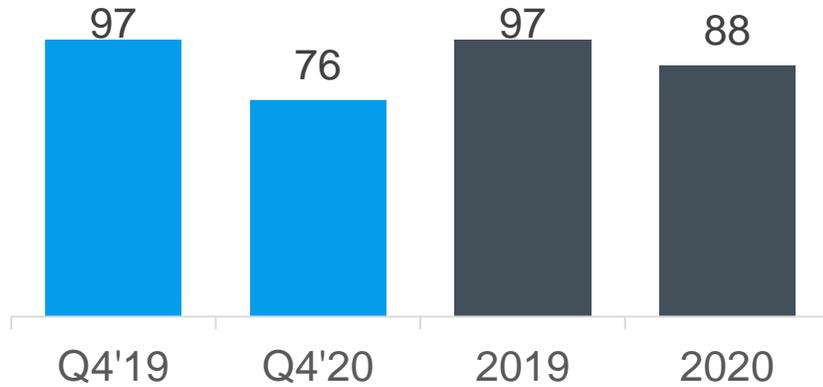
**Occupancy Dropped 1.6 pp in Q4'20 and 13.4 pp in 2020**



# Legacy-DH - Blended RevPAR Declined in 2020

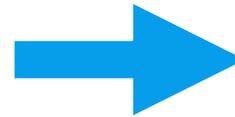
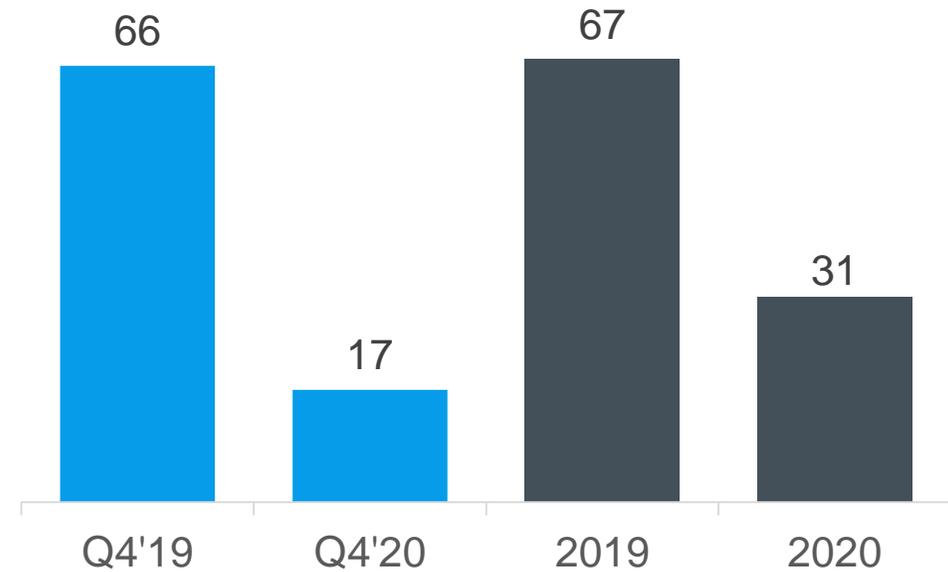
**ADR Dropped 21.5% in Q4'20 and 9.9% in 2020**

(EUR)

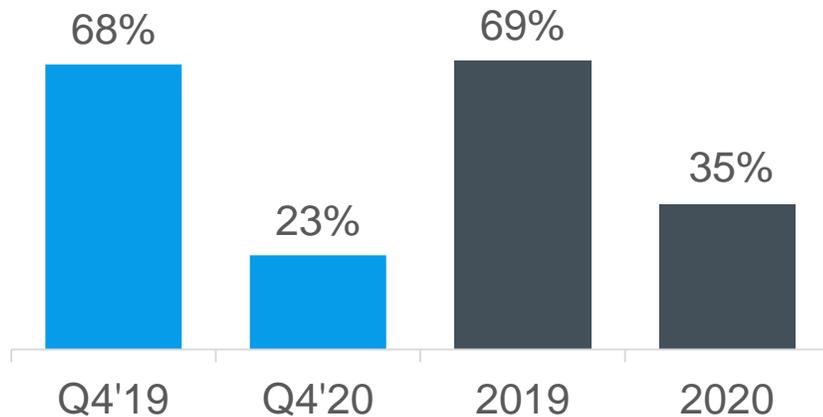


**RevPAR Dropped 74.0% in Q4'20 and Dropped 54.6% in 2020**

(EUR)



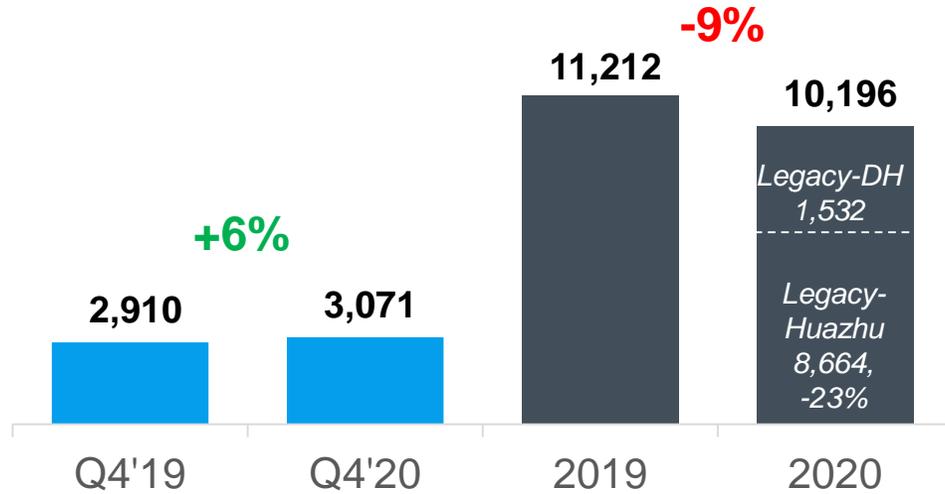
**Occupancy Dropped 45.5 pp in Q4'20 and 34.3 pp in 2020**



# Net Revenues: Q4 +6%, FY -9%

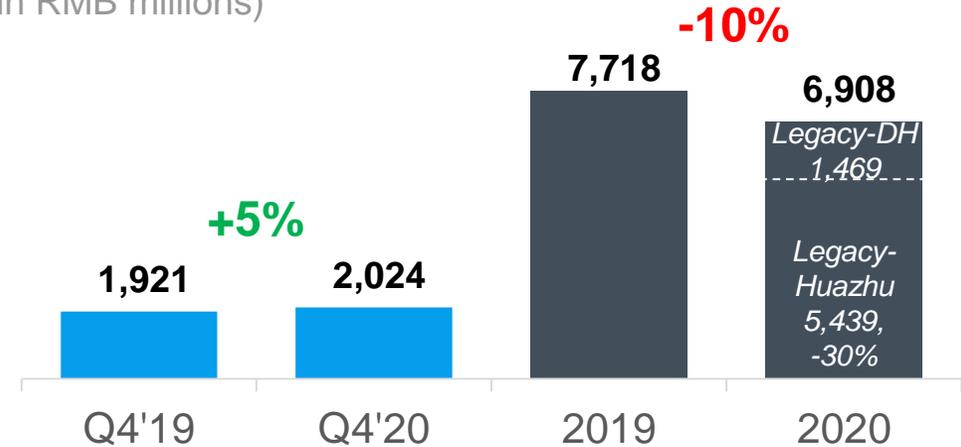
## Net Revenues

(in RMB millions)



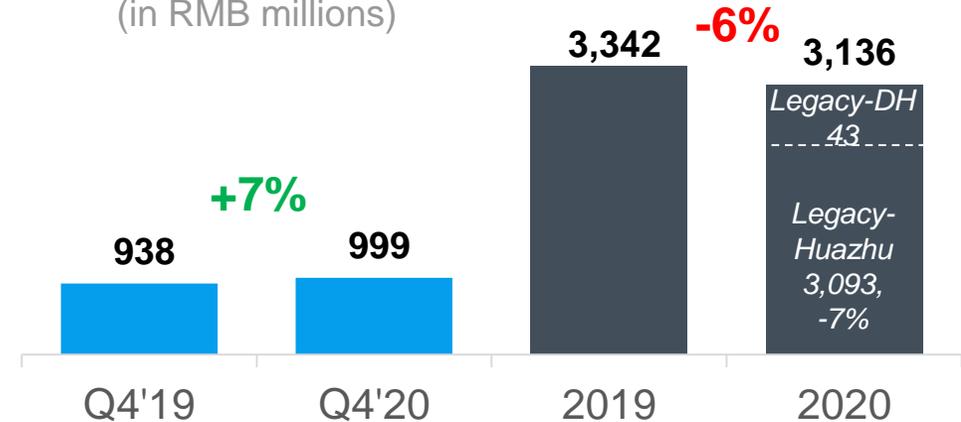
## Net Revenues from Leased and Owned Hotels

(in RMB millions)



## Net Revenues from Manachised and Franchised Hotels

(in RMB millions)



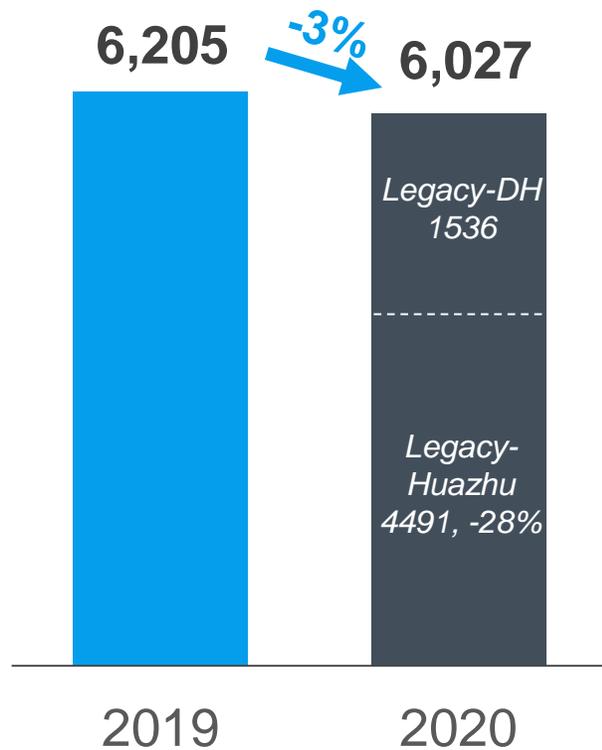
## Manachised and Franchised Hotels Revenue as % of Net Revenues

	Q4'19	Q4'20	2019	2020
Huazhu Group	32.2%	32.5%	29.8%	30.8%
Legacy-Huazhu	32.2%	35.1%	29.8%	35.7%

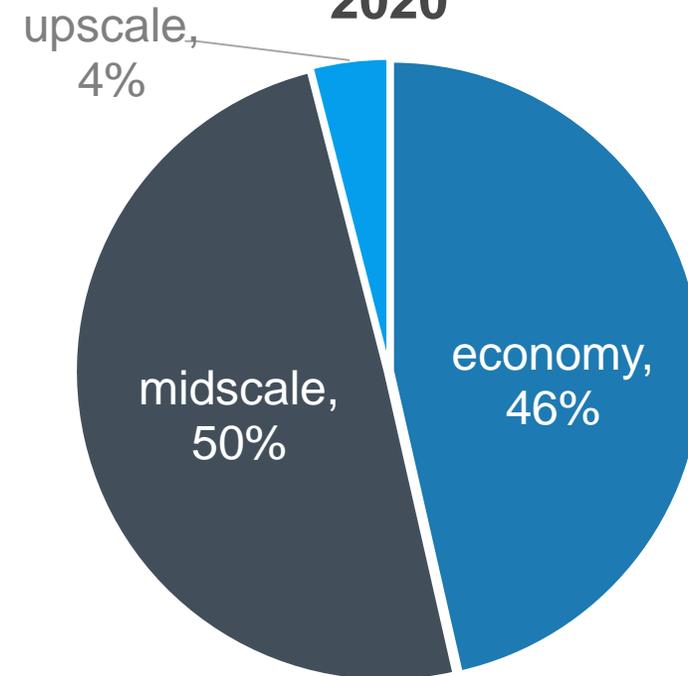
# DH Acquisition Accelerated Revenue Contribution from Mid and Upscale Hotels

## Revenue from Mid and Upscale Hotels

(in RMB millions)

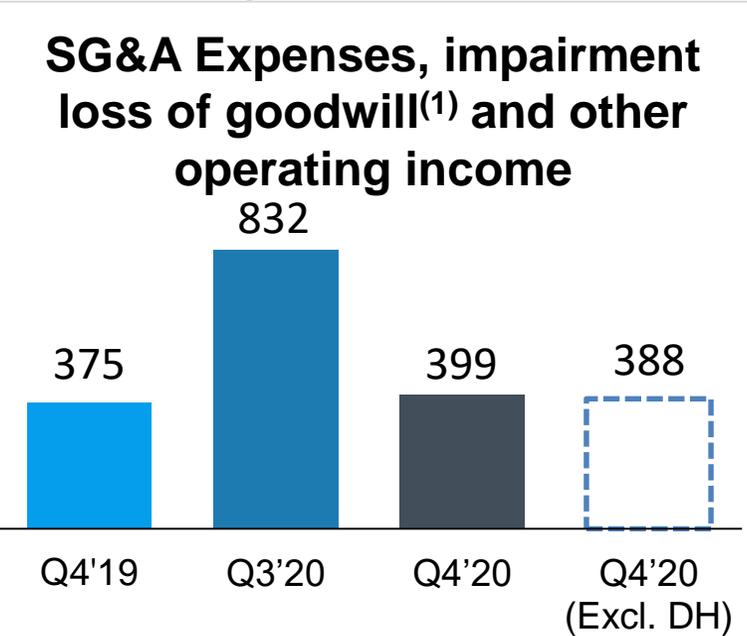
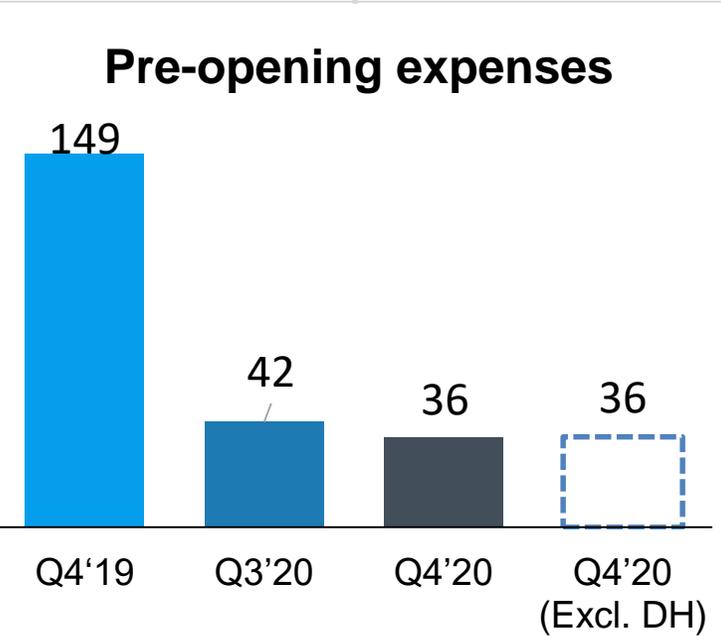
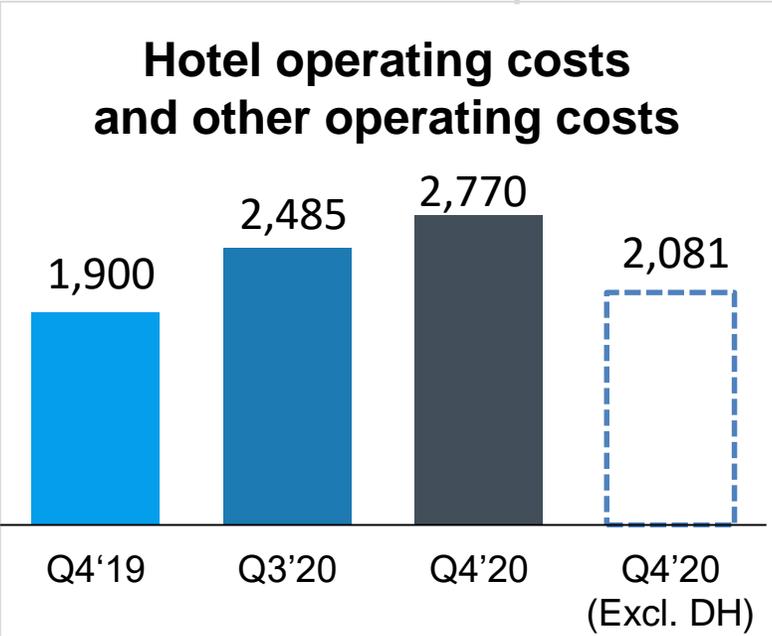
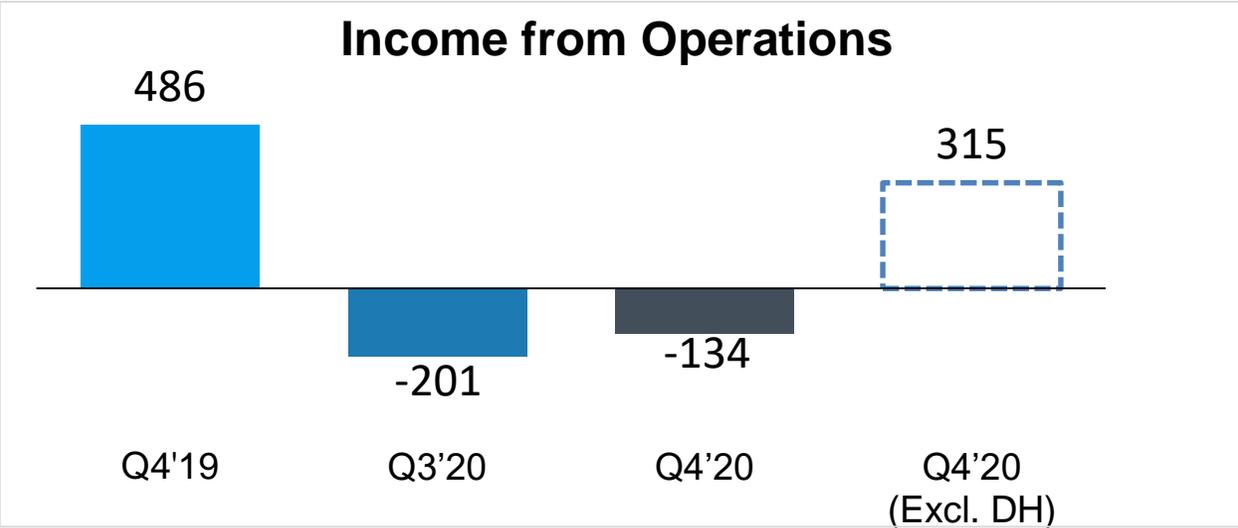


## Legacy-Huazhu Revenue Split by Segment 2020



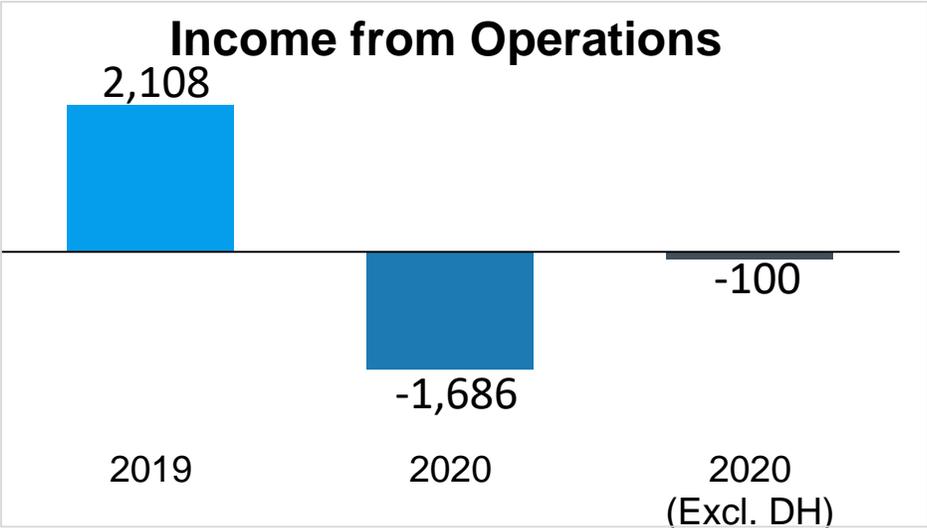
The revenue split of Huazhu group between economy, midscale and upscale would have been 39%, 47% and 13% respectively.

# Q4'20 Operating Margin Recovered Significantly

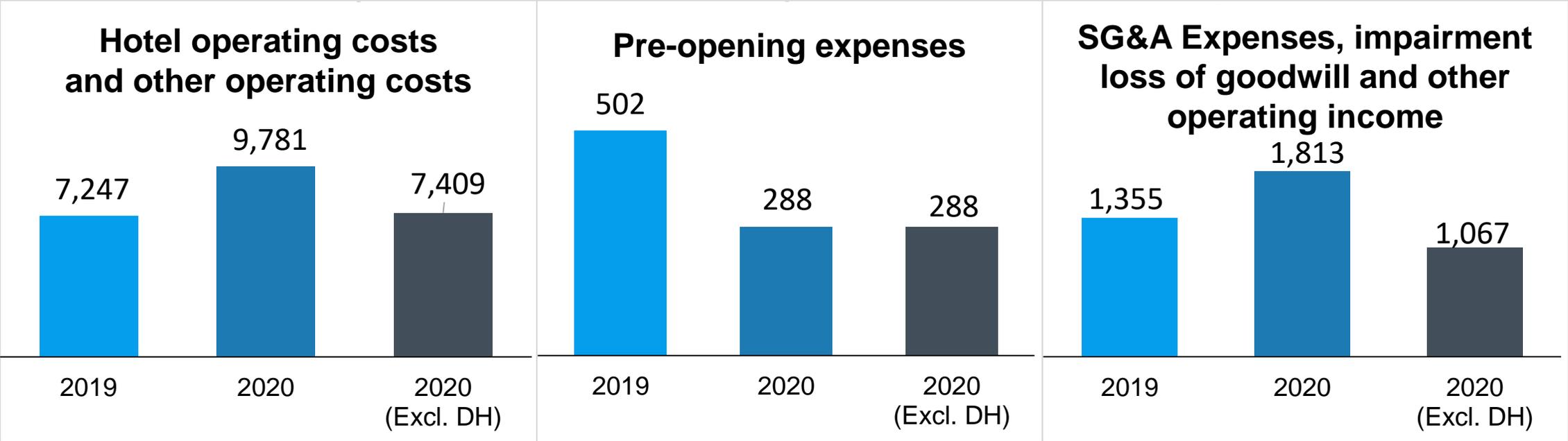


(1) Occurred only in Q3'20

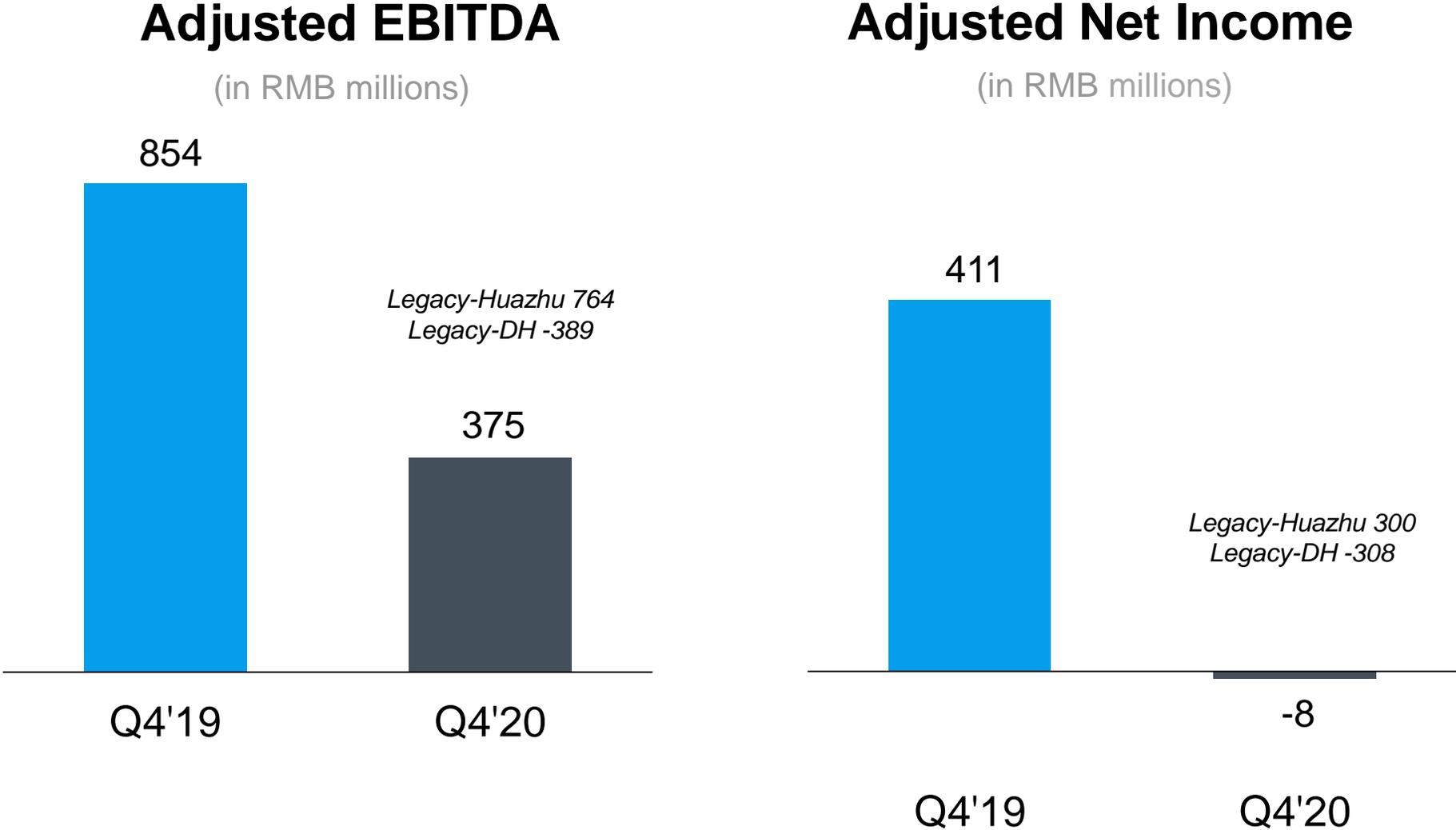
# FY20 Operating Margin Dropped



(in RMB millions)

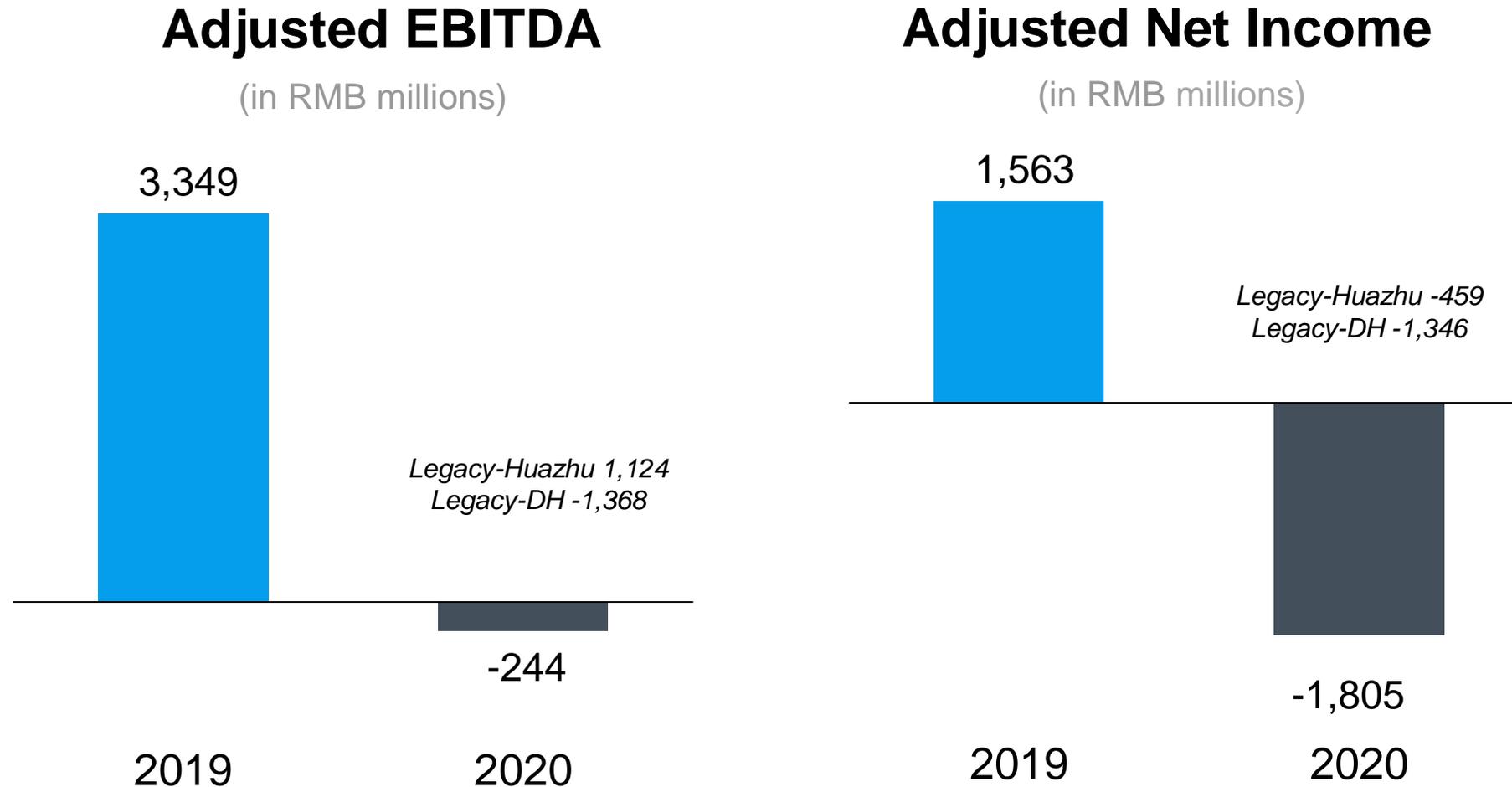


# Adjusted EBITDA and Adjusted Net Income in Q4'20



• Adjusted EBITDA and adjusted net income excludes unrealized gains/ (losses) from fair value changes of equity securities and share-based compensation expenses.

# Adjusted EBITDA and Adjusted Net Income in 2020



- 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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# COVID-19 Update

- Improved liquidity :
  1. Net debt decreased to ~**RMB5.0 billion** in Q4 vs. RMB10.0 billion in Q2
  2. Legacy-Huazhu 2020 2H adjusted EBITDA of **RMB1.6 billion** vs. Debt Waiver Condition of **RMB1.0 billion**
- Increased available cash and bank facilities at December 31, 2020
  1. Cash balance – **RMB7.0 billion**
  2. Legacy-Huazhu Banks facilities – Unutilized bank facilities of **RMB6.5 billion**

# COVID-19 Update - Deutsche Hospitality

DH occupancy remains ~15% since second and third wave of COVID-19 outbreak

86% or 105 of the hotels remained opened at beginning of March 2021

German government further extended the lockdown to April 18, 2021. The impact will be offset by extension of the government subsidy, and continuous mitigation measures taken by management

- Short-time worker compensation of 2020 amounted to EUR 30M while the policy officially extended to December 31, 2021
- Lease waiver achieved 5.4M in 2020 while the change of Law ( § 313) in Germany makes the environment more flexible to further rent negotiation
- Postponement of all major costs, such as rental, capital expenditure to relief the liquidity pressure

Available bank credit lines totaling EUR12 million at December 31, 2020

# Guidance

## Q1 2021

- Net revenues vs. Q1 2020
  - **Grow 8%-10%**
  - Excluding DH - **Grow 61-63%**
- Net revenue vs. Q1 2019
  - **Decline 7%-9%**
  - Excluding DH - **Decline 12-14%**
- **Excl. Jan & Feb, Net revenue vs. Q1 2019**
  - **Grow 7%-9%**
  - **Excluding DH – Grow 1%-3%**

## Full year 2021

- Net revenue vs.2020
  - **Grow 50%-54%**
  - Excluding DH - **Grow 50-54%**
- Net revenue vs. 2019
  - **Grow 36%-40%**
  - Excluding DH - **Grow 15-19%**
- **Excl. Jan & Feb, Net revenue vs. 2019**
  - **Grow 45%-49%**
  - **Excluding DH - Grow 36-40%**
- Gross opening target: 1,800-2,000 hotels
- Closure of 500-550 hotels

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# Same-Hotel Operational Data by Segment

Leagcy-Huazhu 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		
	December 31,		December 31,		yoy change	December 31,		yoy change	December 31,		yoy change (p.p.)
	2019	2020	2019	2020		2019	2020		2019	2020	
<b>Economy hotels</b>	2,651	2,651	162	151	-6.7%	185	178	-3.7%	87.6%	84.9%	-2.7
Leased and owned hotels	412	412	184	167	-8.9%	210	199	-5.2%	87.7%	84.3%	-3.4
Manachised and franchised hotels	2,239	2,239	157	147	-6.1%	179	173	-3.3%	87.5%	85.0%	-2.5
<b>Midscale and upscale hotels</b>	1,225	1,225	266	243	-8.5%	322	311	-3.4%	82.5%	78.2%	-4.3
Leased and owned hotels	190	190	327	272	-16.7%	392	365	-6.8%	83.4%	74.5%	-8.8
Manachised and franchised hotels	1,035	1,035	250	236	-5.6%	303	298	-1.9%	82.3%	79.2%	-3.1
<b>Total</b>	3,876	3,876	201	186	-7.6%	235	225	-3.9%	85.7%	82.4%	-3.3

Leagcy-Huazhu 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.)
	2019	2020	2019	2020		2019	2020		2019	2020	
<b>Economy hotels</b>	2,651	2,651	169	121	-28.8%	189	162	-14.1%	89.7%	74.3%	-15.4
Leased and owned hotels	412	412	191	128	-32.8%	211	176	-16.4%	90.5%	72.8%	-17.7
Manachised and franchised hotels	2,239	2,239	164	118	-27.7%	183	159	-13.4%	89.4%	74.7%	-14.8
<b>Midscale and upscale hotels</b>	1,225	1,225	272	198	-27.0%	328	287	-12.4%	82.8%	69.0%	-13.8
Leased and owned hotels	190	190	332	211	-36.4%	395	328	-17.0%	84.1%	64.5%	-19.7
Manachised and franchised hotels	1,035	1,035	254	194	-23.4%	308	276	-10.3%	82.5%	70.4%	-12.1
<b>Total</b>	3,876	3,876	205	148	-27.9%	234	204	-13.1%	87.3%	72.5%	-14.8

# Number of Hotels and Rooms

	As of December 31, 2020		
	Hotels	Rooms	Unopened hotels
	in operation		in pipeline
<b>Economy hotels</b>	<b>4,376</b>	<b>361,435</b>	<b>1,192</b>
HanTing Hotel	2,780	254,106	597
Hi Inn	439	25,282	91
Elan Hotel *	938	58,753	448
Ibis Hotel	205	21,633	47
Zleep Hotel	14	1,661	9
<b>Midscale and upscale hotels</b>	<b>2,413</b>	<b>290,727</b>	<b>1,257</b>
Ibis Styles Hotel	69	7,992	22
Starway Hotel	455	38,657	252
Ji Hotel	1,105	135,737	512
Orange Hotel	320	36,167	174
Crystal Orange Hotel	114	15,400	66
Manxin Hotel	61	6,009	47
Madison Hotel	22	2,950	42
Mercure Hotel	104	17,486	61
Novotel Hotel	12	3,387	14
Joya Hotel	10	1,842	-
Blossom House	28	1,249	23
Grand Mercure Hotel	7	1,485	7
Steigenberger Hotels & Resorts	49	11,574	7
IntercityHotel	45	8,056	23
Maxx by Steigenberger	5	777	4
Jaz in the City	2	424	2
Other partner hotels	5	1,535	1
<b>Total</b>	<b>6,789</b>	<b>652,162</b>	<b>2,449</b>

# 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	As of 12/31/2020
<b>Economy hotels</b>	<b>1,309</b>	<b>1,819</b>	<b>2,453</b>	<b>2,741</b>	<b>2,874</b>	<b>2,892</b>	<b>3,485</b>	<b>4,376</b>
HanTing Hotel	1,226	1,648	2,003	2,181	2,244	2,283	2,372	2,780
Hi Inn	83	158	302	375	396	402	465	439
Elan Hotel		13	148	185	226	200	648	938
Orange Hotel					8	7		
Ibis Hotel								205
Zleep Hotel								14
<b>Midscale and upscale hotels</b>	<b>116</b>	<b>176</b>	<b>310</b>	<b>528</b>	<b>872</b>	<b>1,338</b>	<b>2,133</b>	<b>2,413</b>
HanTing Premium Hotel					5	74	214	
Ibis Hotel				72	100	137	185	
Ibis Styles Hotel				10	13	34	55	69
Starway Hotel	46	55	118	136	174	212	350	455
Ji Hotel	68	117	186	284	390	553	831	1,105
Orange Hotel					103	172	248	320
Crystal Orange Hotel					42	56	85	114
Manxin Hotel	1	1	2	2	11	24	46	61
Madison Hotel							9	22
Mercure Hotel			1	15	20	39	68	104
Novotel Hotel				2	4	7	9	12
Grand Madison Hotel							4	
Joya Hotel	1	3	3	6	6	6	6	10
Blossom House						18	17	28
Grand Mercure Hotel				1	4	6	6	7
Steigenberger Hotels & Resorts								49
IntercityHotel								45
Maxx by Steigenberger								5
Jaz in the City								2
Other partner hotels								5
<b>Total</b>	<b>1,425</b>	<b>1,995</b>	<b>2,763</b>	<b>3,269</b>	<b>3,746</b>	<b>4,230</b>	<b>5,618</b>	<b>6,789</b>
<b>Economy hotels</b>	<b>91.9%</b>	<b>91.2%</b>	<b>88.8%</b>	<b>83.8%</b>	<b>76.7%</b>	<b>68.4%</b>	<b>62.0%</b>	<b>64.5%</b>
<b>Mid-upscale hotels</b>	<b>8.1%</b>	<b>8.8%</b>	<b>11.2%</b>	<b>16.2%</b>	<b>23.3%</b>	<b>31.6%</b>	<b>38.0%</b>	<b>35.5%</b>

# 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	As of 12/31/2020
<b>Economy hotels</b>	<b>138,576</b>	<b>185,959</b>	<b>238,156</b>	<b>260,557</b>	<b>266,145</b>	<b>261,037</b>	<b>290,615</b>	<b>361,435</b>
HanTing Hotel	130,747	172,341	205,577	221,157	223,121	220,646	224,626	254,106
Hi Inn	7,829	12,551	21,340	25,600	26,063	25,403	28,153	25,282
Elan Hotel		1,067	11,239	13,800	16,120	14,266	37,836	58,753
Orange Hotel					841	722		
Ibis Hotel								21,633
Zleep Hotel								1,661
<b>Midscale and upscale hotels</b>	<b>14,303</b>	<b>23,996</b>	<b>40,687</b>	<b>70,790</b>	<b>113,530</b>	<b>161,710</b>	<b>246,261</b>	<b>290,727</b>
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	7,992
Starway Hotel	4,959	6,321	12,138	13,206	16,914	18,878	30,363	38,657
Ji Hotel	9,106	17,052	27,559	39,664	53,054	72,370	104,521	135,737
Orange Hotel					12,648	19,863	28,821	36,167
Crystal Orange Hotel					5,629	7,150	11,182	15,400
Manxin Hotel	97	108	236	78	1,150	1,901	4,133	6,009
Madison Hotel							883	2,950
Mercure Hotel			239	4,026	4,664	8,510	12,502	17,486
Novotel Hotel				629	1,697	2,512	2,928	3,387
Grand Madison Hotel							772	
Joya Hotel	141	515	515	1,131	1,131	1,250	1,250	1,842
Blossom House						462	648	1,249
Grand Mercure Hotel				191	882	1,304	1,296	1,485
Steigenberger Hotel								11,574
IntercityHotel								8,056
Maxx by Steigenberger								777
Jaz in the City								424
Other partner hotels								1,535
<b>Total</b>	<b>152,879</b>	<b>209,955</b>	<b>278,843</b>	<b>331,347</b>	<b>379,675</b>	<b>422,747</b>	<b>536,876</b>	<b>652,162</b>
<b>Economy rooms</b>	<b>90.6%</b>	<b>88.6%</b>	<b>85.4%</b>	<b>78.6%</b>	<b>70.1%</b>	<b>61.7%</b>	<b>54.1%</b>	<b>55.4%</b>
<b>Mid-upscale rooms</b>	<b>9.4%</b>	<b>11.4%</b>	<b>14.6%</b>	<b>21.4%</b>	<b>29.9%</b>	<b>38.3%</b>	<b>45.9%</b>	<b>44.6%</b>