

Third Quarter of 2024 Earnings Call

H World Group Limited

(NASDAQ: HTHT and HKEX: 1179)



November 27, 2024

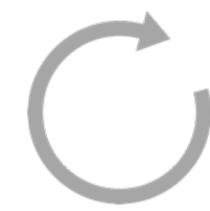
AGENDA

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**24Q3 Business
Update**

02



**24Q3 Operational
and Financial
Review**

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Q and A

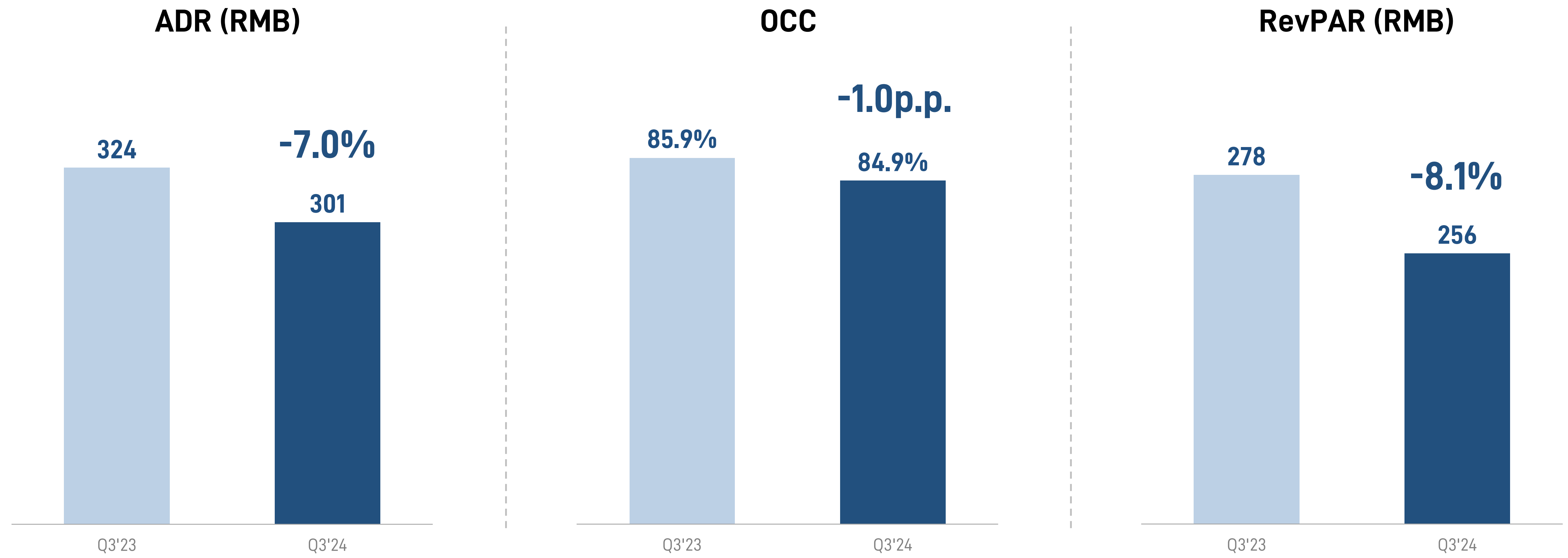
04



Appendix

Legacy-Huazhu - Blended RevPAR Decreased 8.1% YoY

华住中国 - 2024年三季度混合RevPAR同比下降8.1%

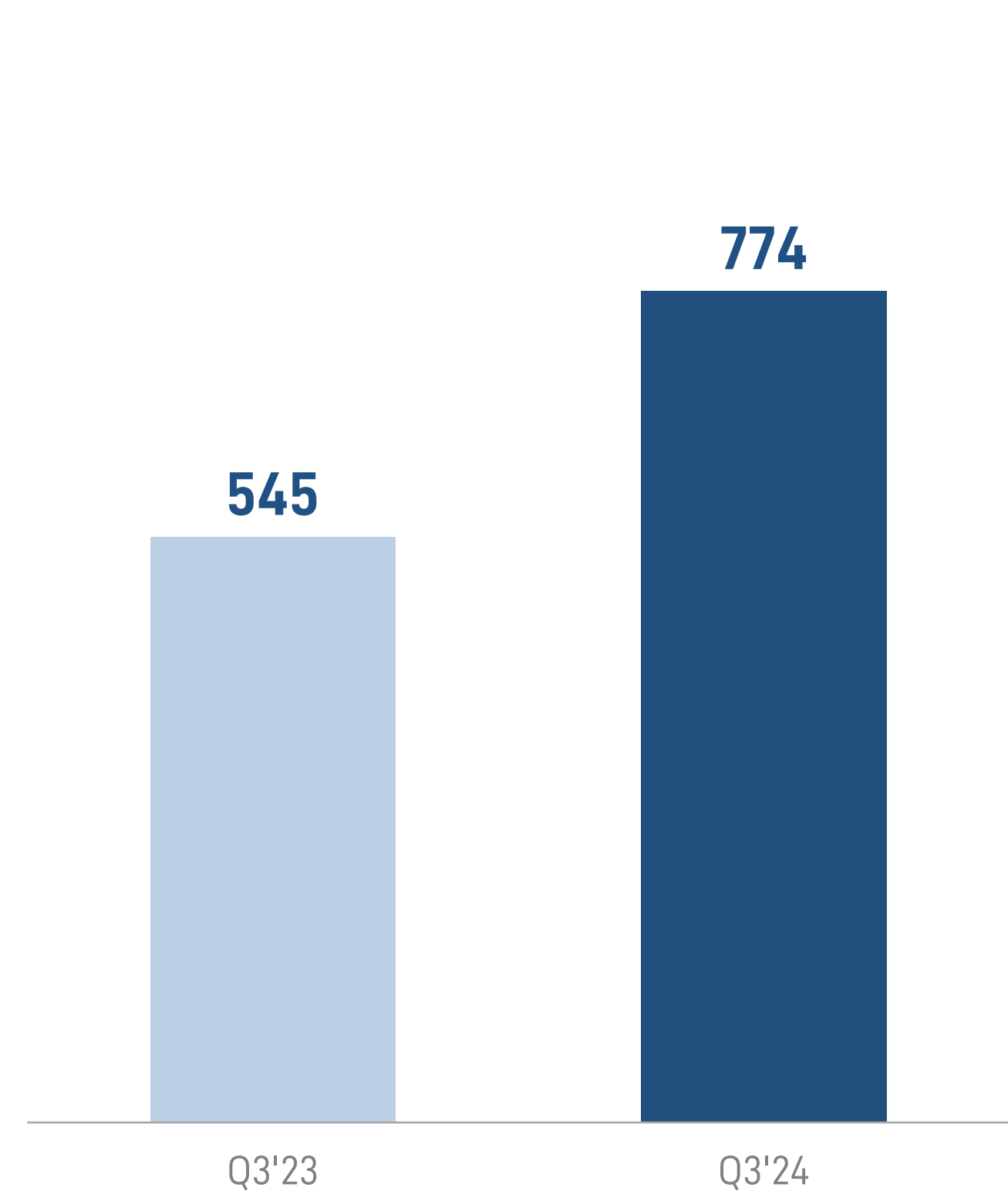


* Numbers in this page refers to Legacy-Huazhu business

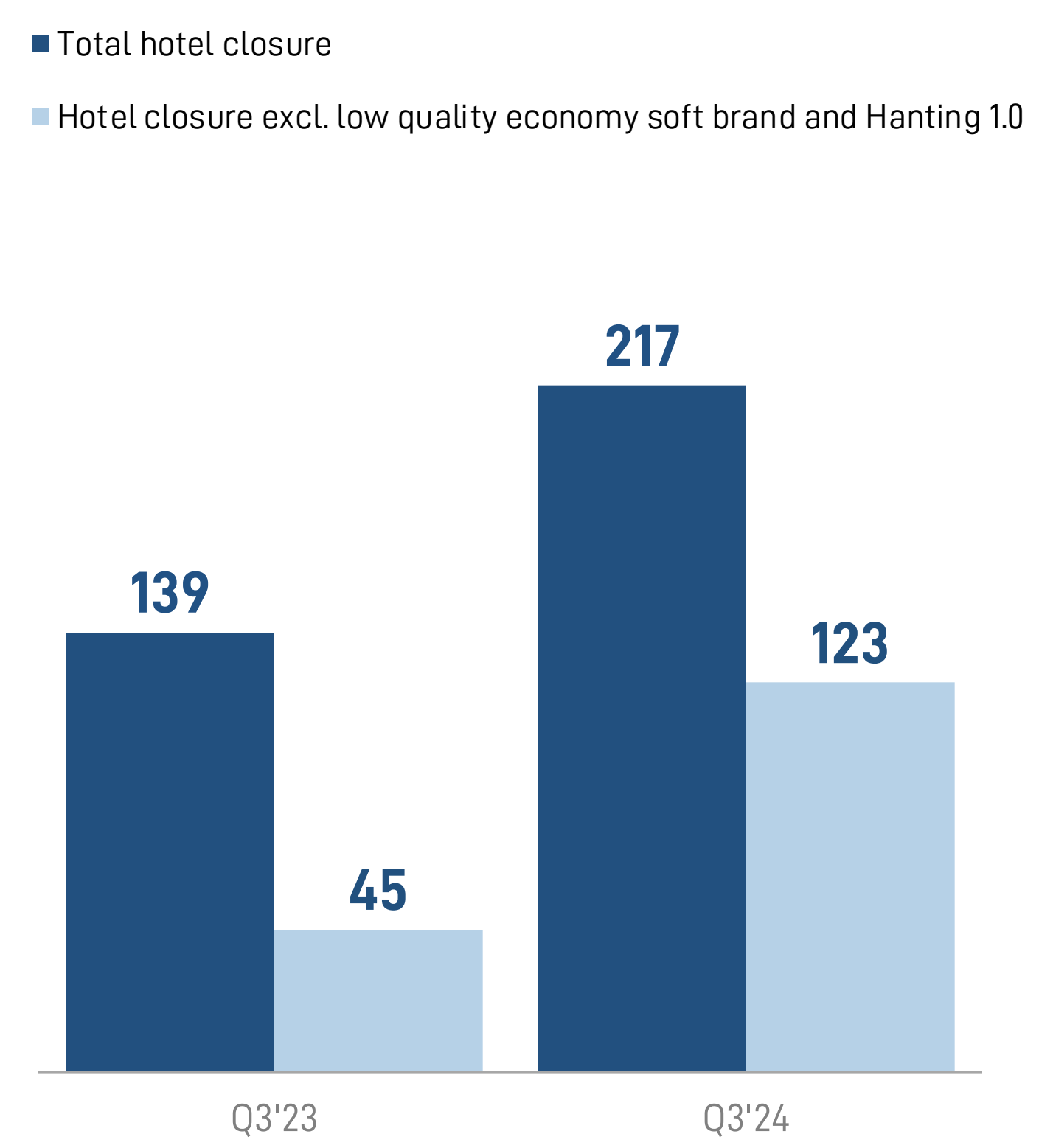
Accelerated Network Expansion in China

酒店网络加速扩张

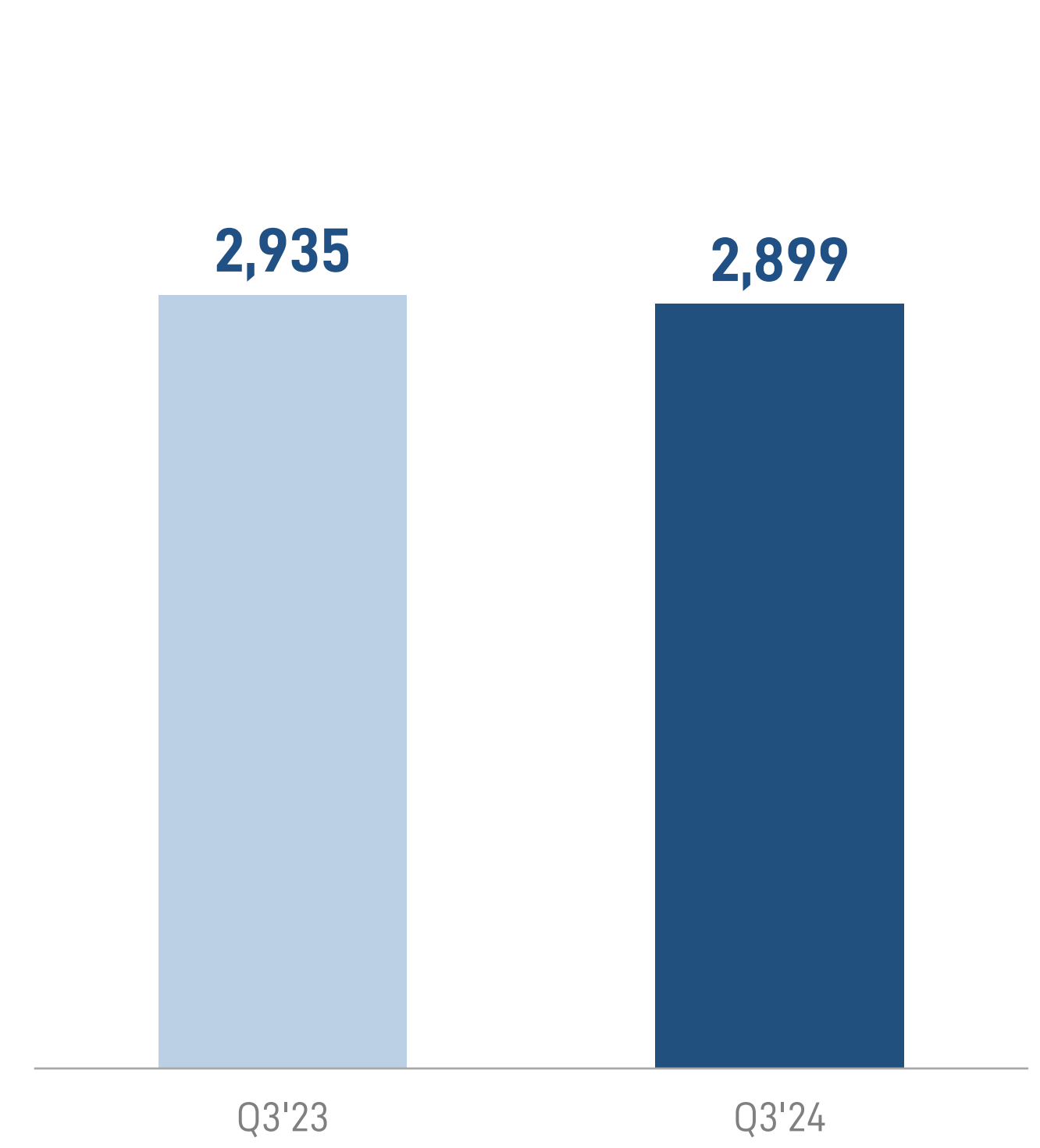
Number of Hotel Opening



Number of Hotel Closure



Number of Hotel in Pipeline (as of Sep 30)

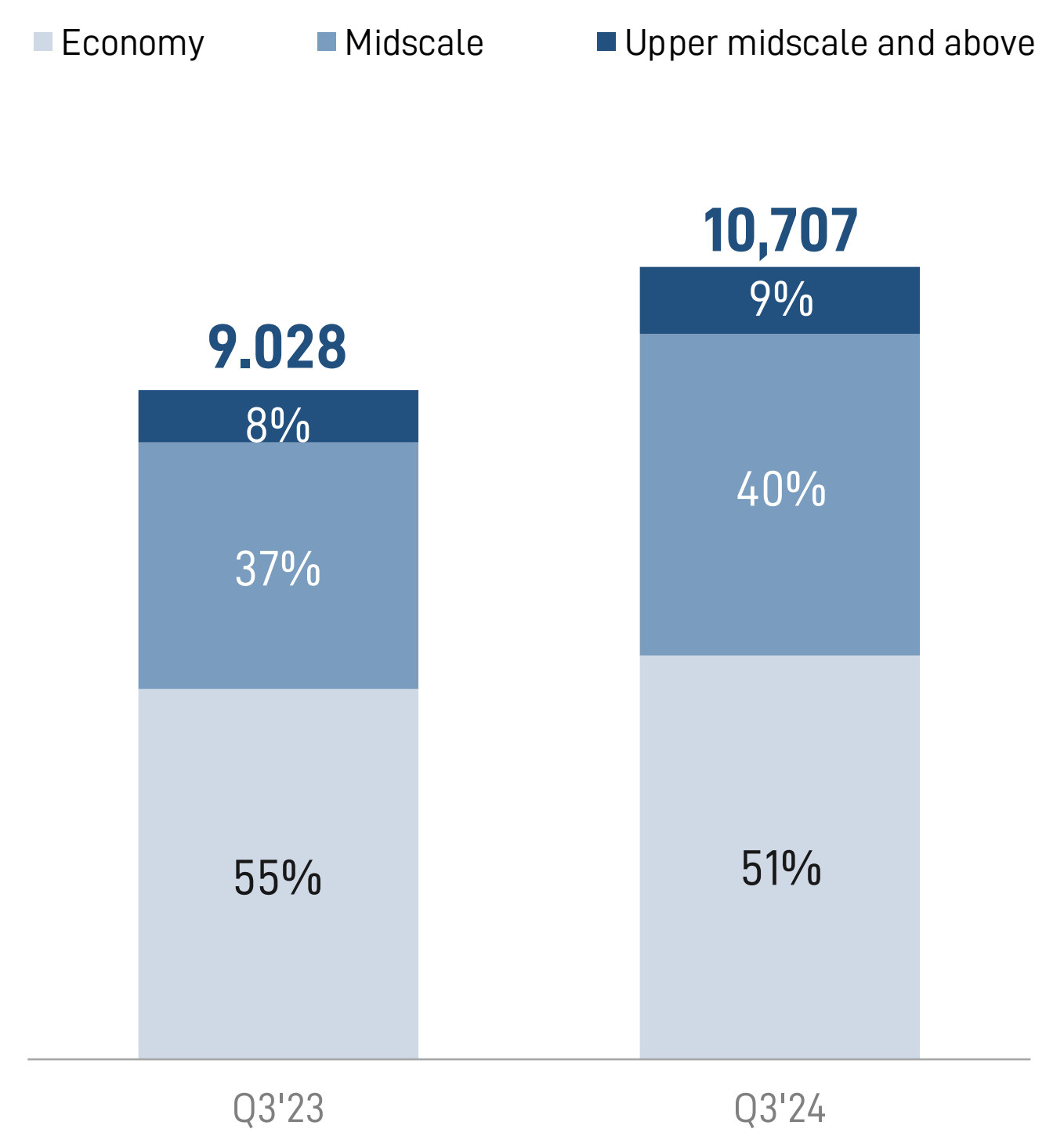


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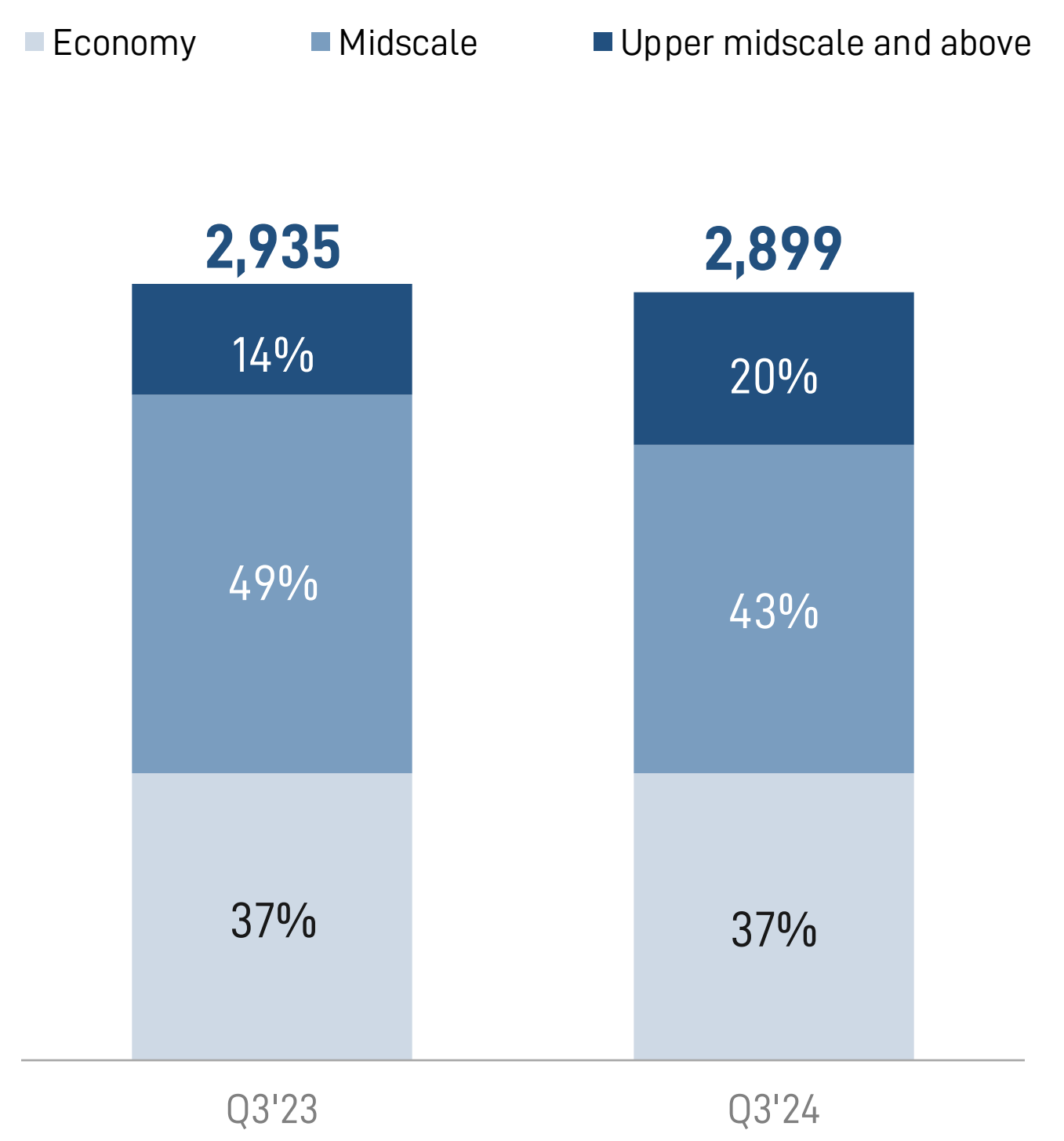
Economy and Midscale as the Core Products Serving the Mass Market

经济型及中档酒店为核心，服务大众市场

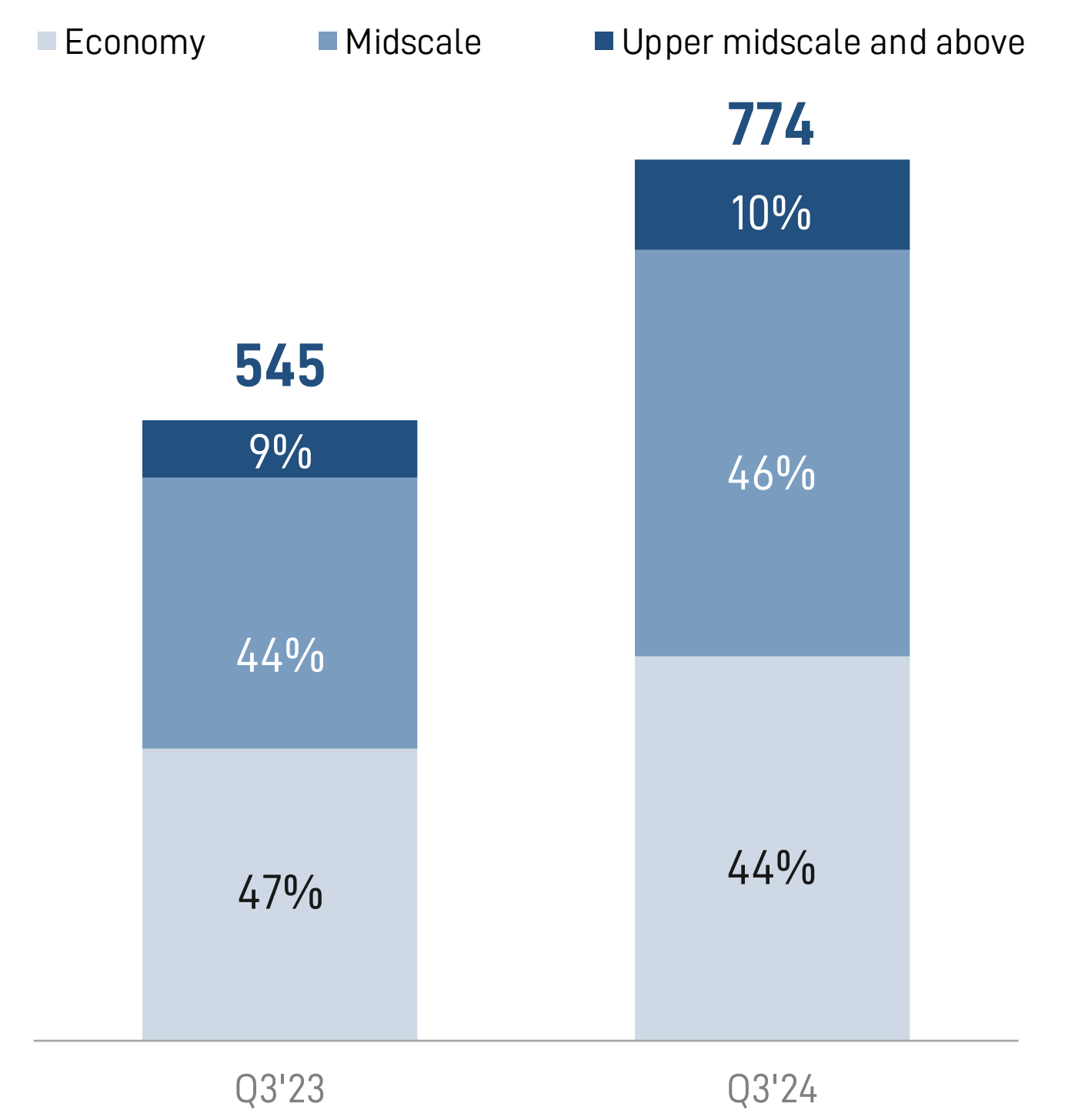
Number of Hotels in Operation
(as of Sep 30)



Number of Hotels in Pipeline
(as of Sep 30)



Number of Hotel Opening

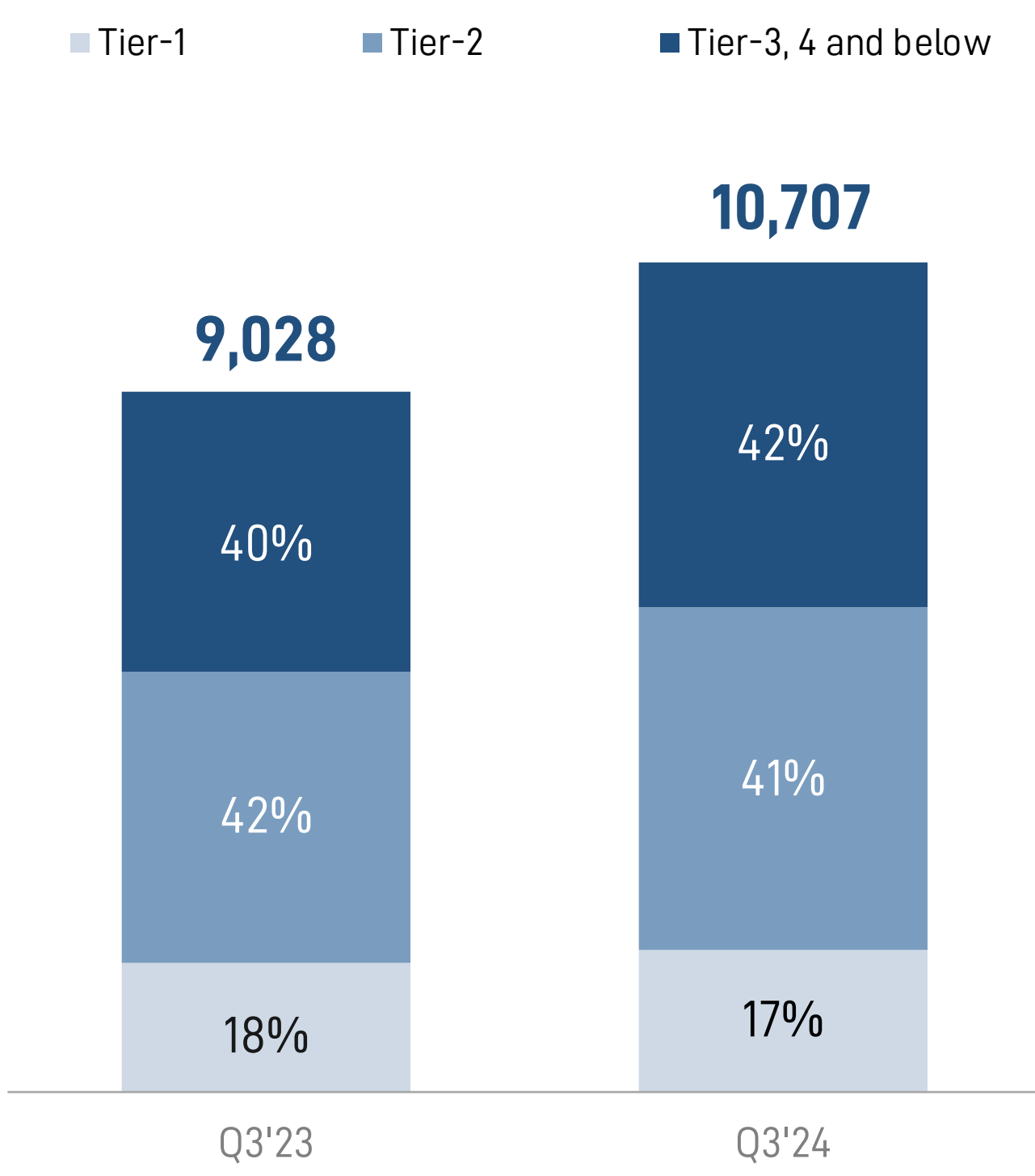


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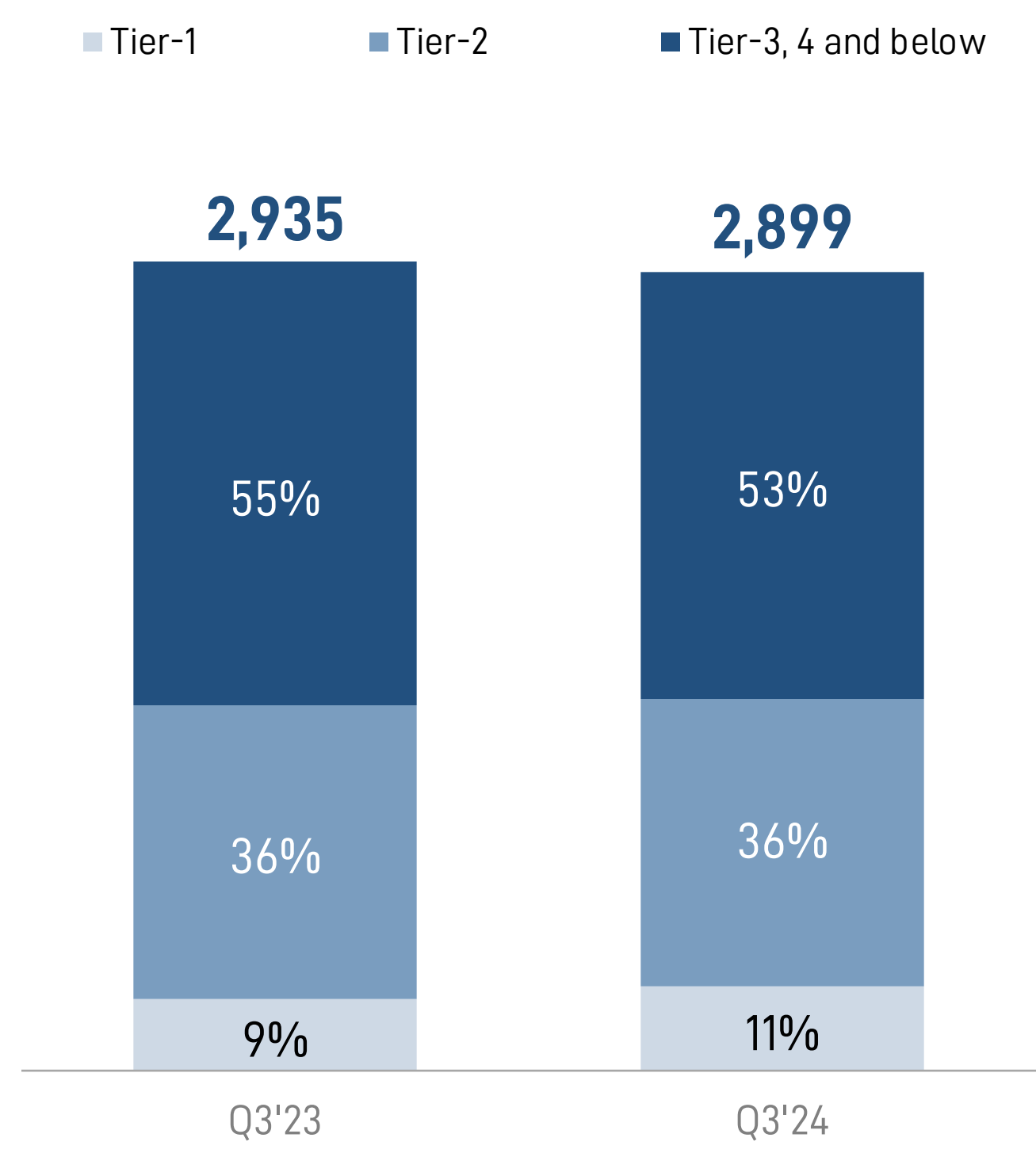
Continuous Penetration in Lower Tier Cities in China

持续渗透低线城市

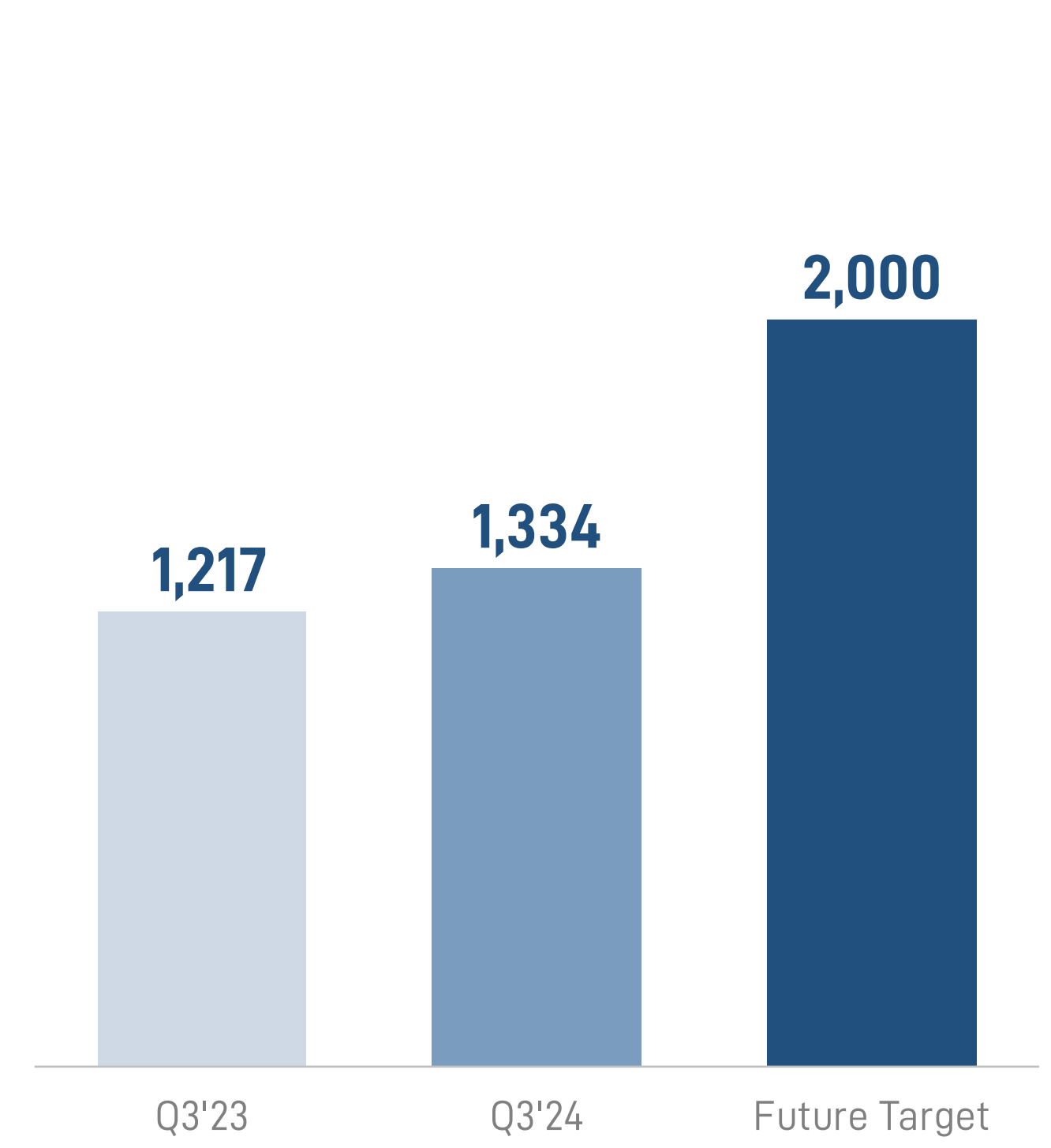
Number of Hotels in Operation (as of Sep 30)



Number of Hotels in Pipeline (as of Sep 30)



City Coverage (hotels in operation and in pipeline)

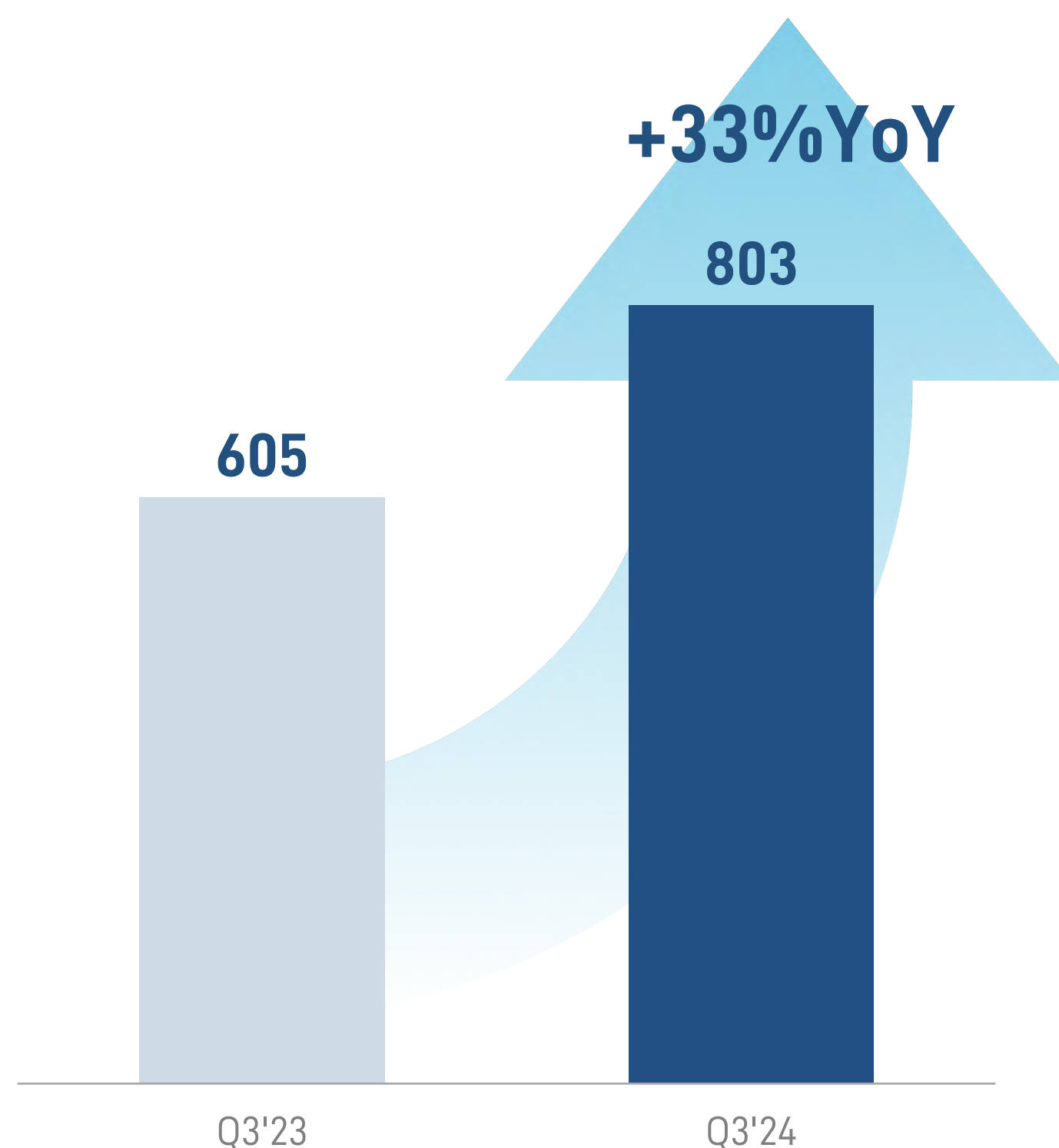


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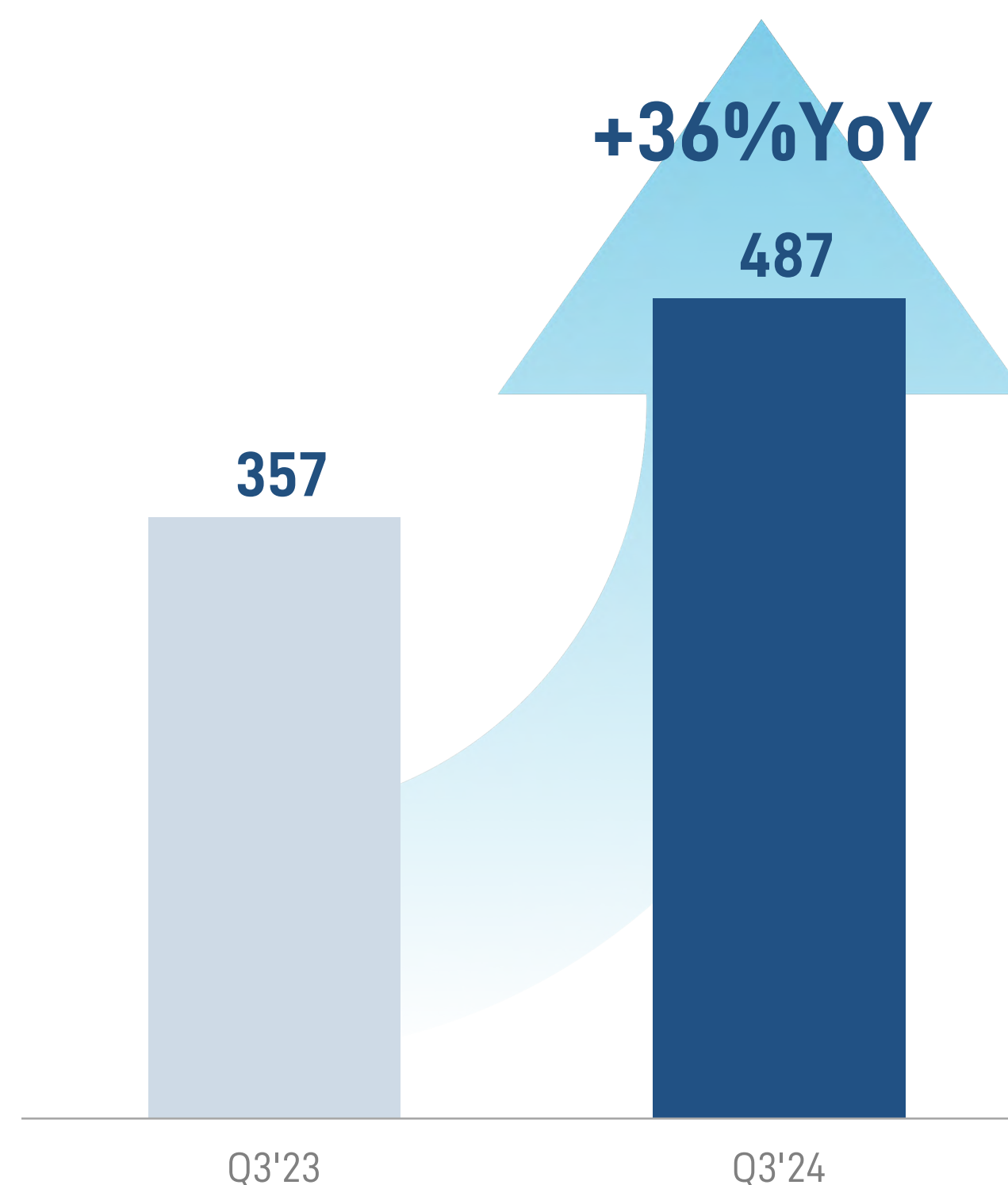
Further Development of Upper-Midscale Segment

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

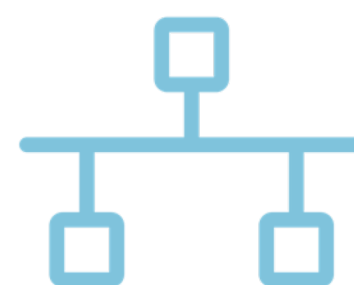
Launching Crystal Orange 2.5

发布桔子水晶2.5



Strengthening Direct B2B Sales Capability

华住商旅的不断加强



**Direct Room Nights
Booked via B2B**

7.5mn+
+41% YoY
+19% QoQ



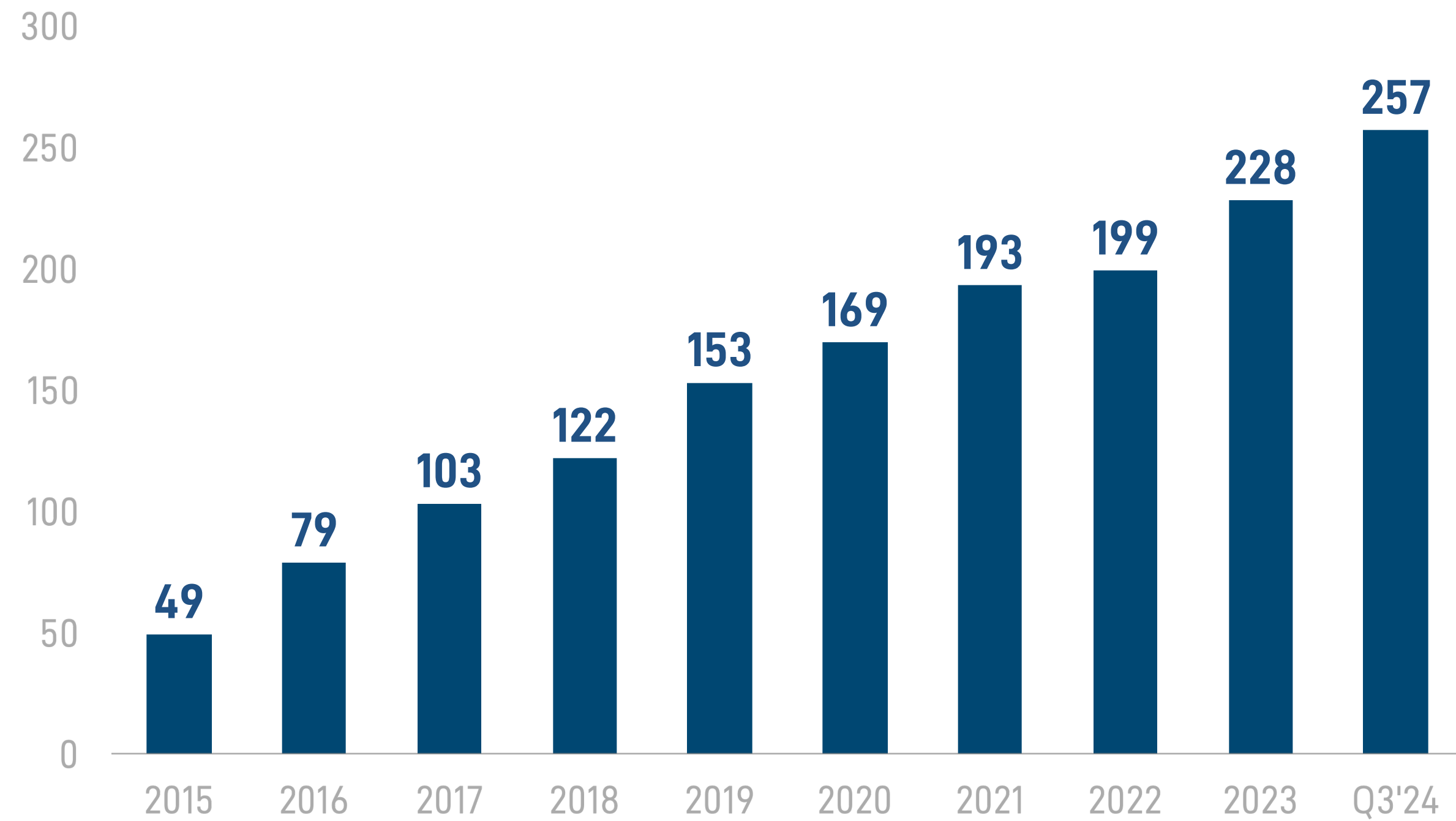
**Number of Active
Corporate Clients**

4,500+
+45% YoY
+23% QoQ

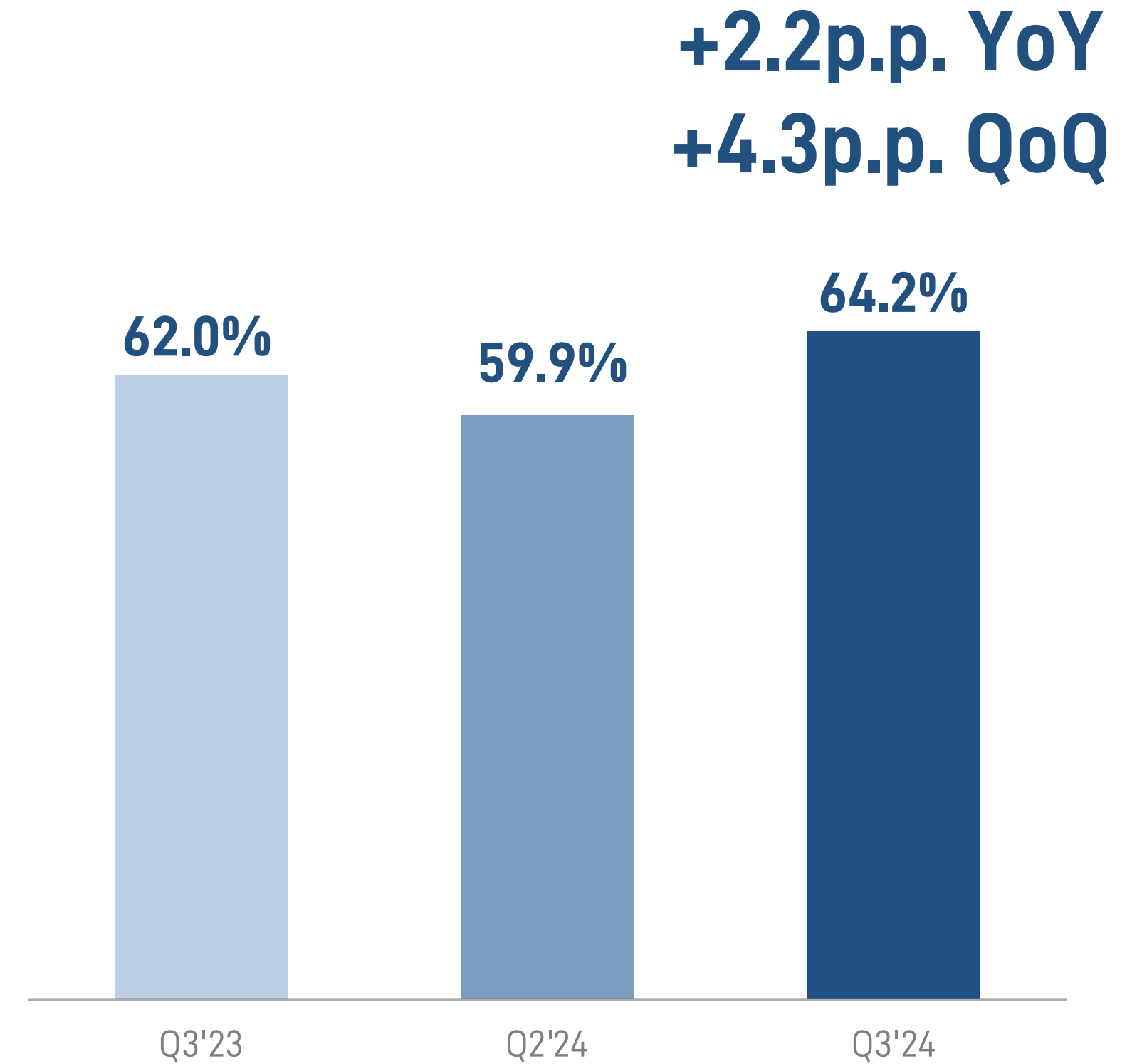
Membership and CRS Contribution Rising

会员规模及中央预定占比提升

Number of Members Continue Increasing



Direct Booking through H World CRS

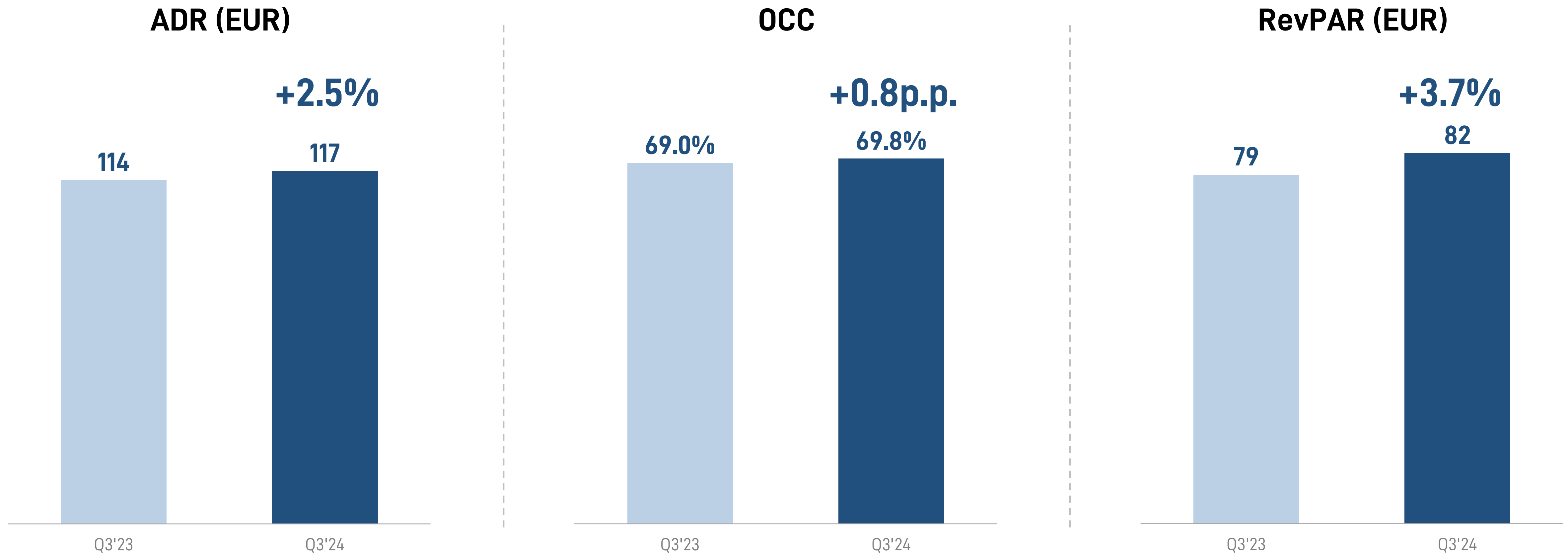


* Numbers in this page refers to Legacy-Huazhu business

* Includes bookings from H World's own online channels only, excludes OTAs and other third party distribution platforms

Legacy-DH - Blended RevPAR Increased 3.7% YoY

DH - 2024年三季度混合RevPAR同比增长3.7%



Legacy-DH - Transformation of Asset Light is in Progress

DH - 轻资产化转型



- Exited the Zleep A/S Joint Venture
- 100% ownership of the Zleep brand now, and remain committed to brand's future growth
- As part of our asset light strategy with 14 L&O hotels removed from our portfolio
- Minimum impacts on our financial statements

Legacy-DH - Major Restructuring Started in 3Q

DH - 进行重大重组



Streamlining of the headquarters, and reduction of administration staff by **30%+**



Continue to reduce G&A non-personnel costs



Scrutiny of hotel performance and optimization of hotel operations



Occurred **RMB 81mn** one-off restructuring expense in 3Q which have negative financial impact, with full year saving starting in 2025

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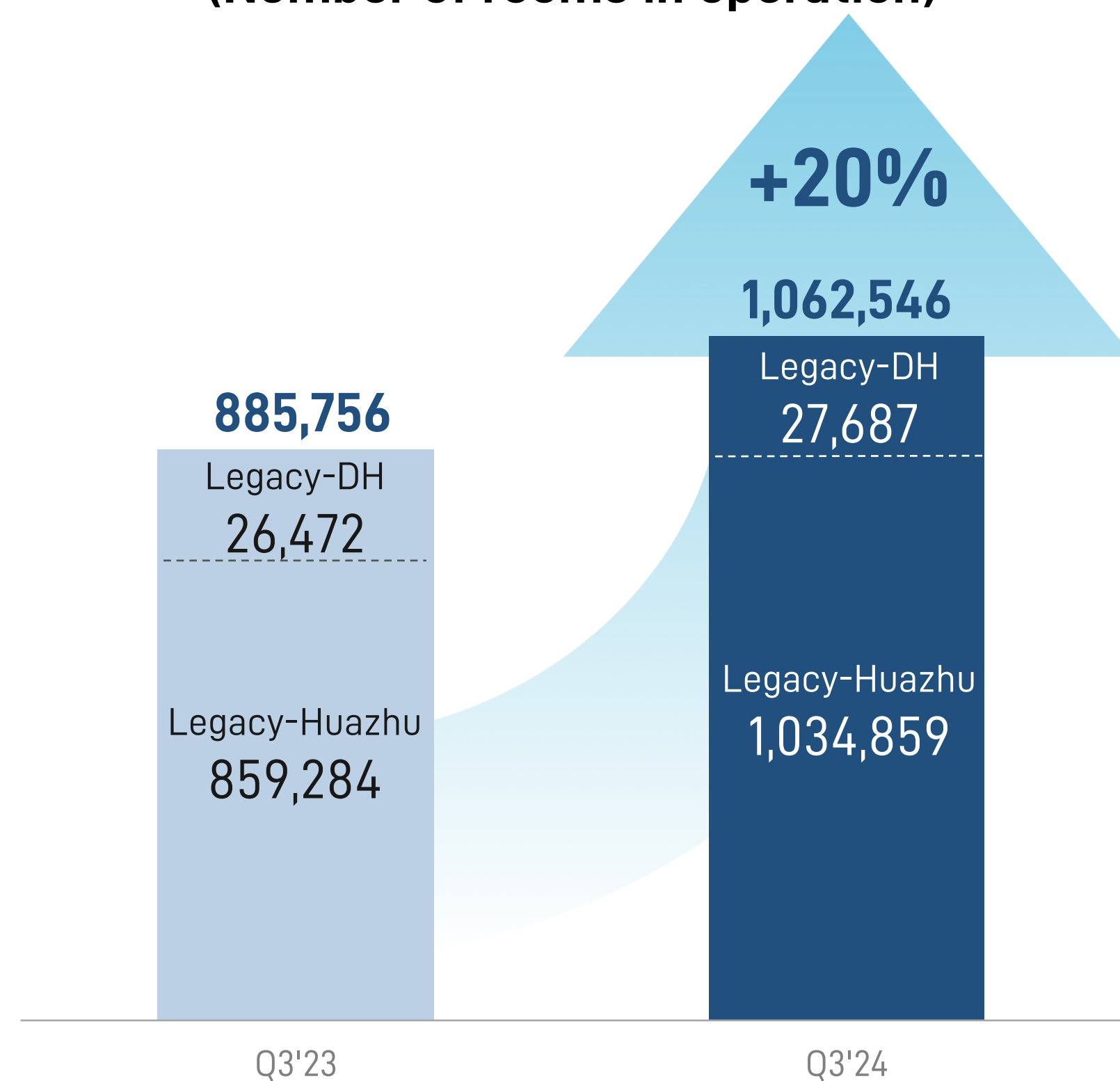


Appendix

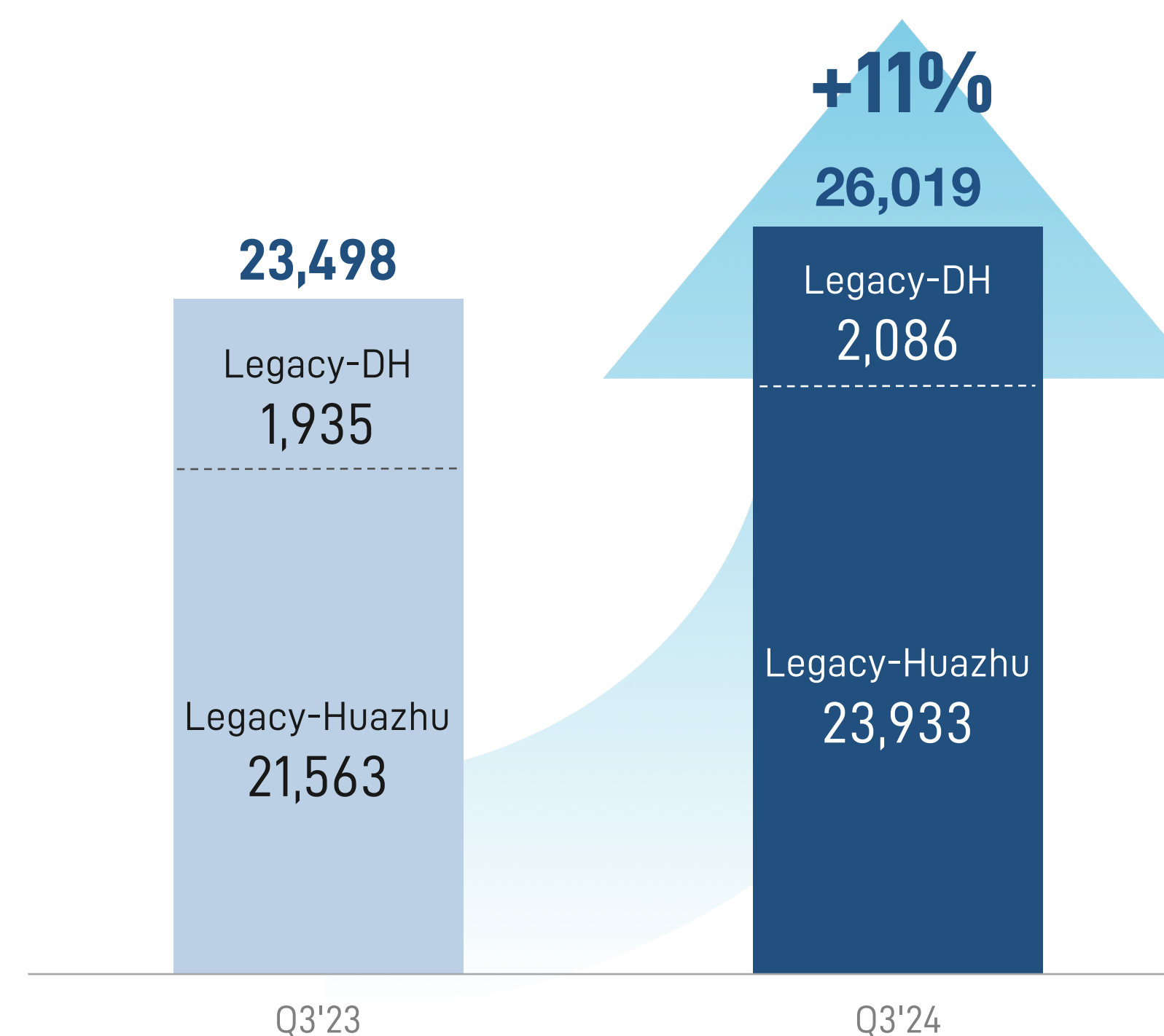
Hotel Network Continues to Expand

酒店网络持续扩张

Hotel Network Expansion
(Number of rooms in operation)



Hotel Turnover
(in RMB millions)



Revenue Increased 2.4% YoY

三季度营收同比增长2.4%

In million RMB	3Q24	3Q23	YoY	2Q24	QoQ
Revenue from Legacy - Huazhu	5,162	5,113	1.0%	4,828	6.9%
- Leased & Owned Hotels	2,461	2,748	-10.4%	2,395	2.8%
- Manachised & Franchised Hotels	2,568	2,238	14.7%	2,305	11.4%
- Others	133	127	4.7%	128	3.9%
Revenue from Legacy - DH	1,280	1,175	8.9%	1,320	-3.0%
- Leased & Owned Hotels	1,229	1,130	8.8%	1,286	-4.4%
- Manachised & Franchised Hotels	34	30	13.3%	29	17.2%
- Others	17	15	13.3%	5	240.0%
Revenue	6,442	6,288	2.4%	6,148	4.8%

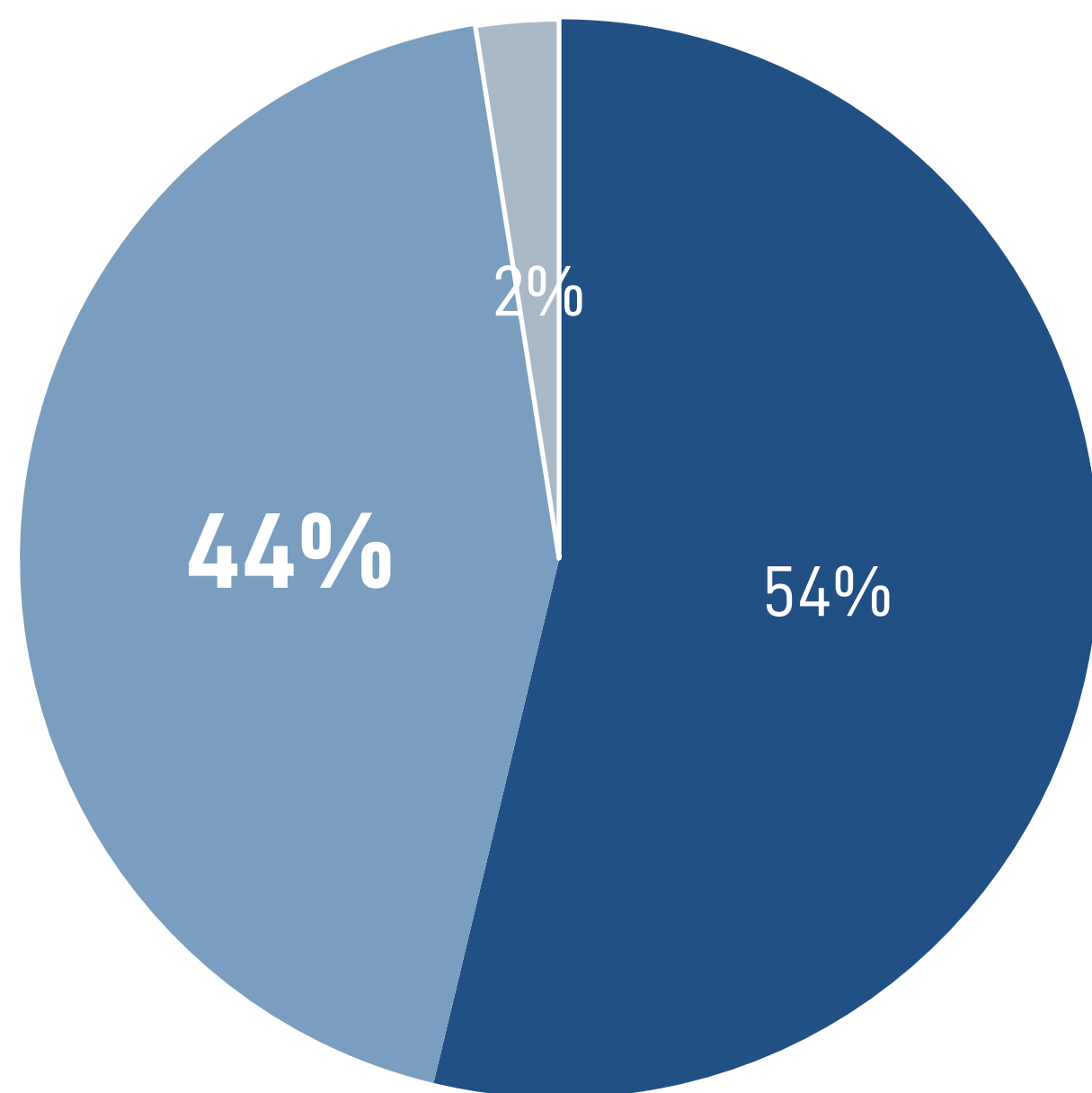
- **Legacy-Huazhu revenue increased 1% YoY, inline with our guidance. The year-over-year growth was driven primarily by strong openings of manachised & franchised hotels but was negatively affected by the closures of leased & owned hotels and the decline in RevPAR.**
- **Legacy-DH revenue increased 9% 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

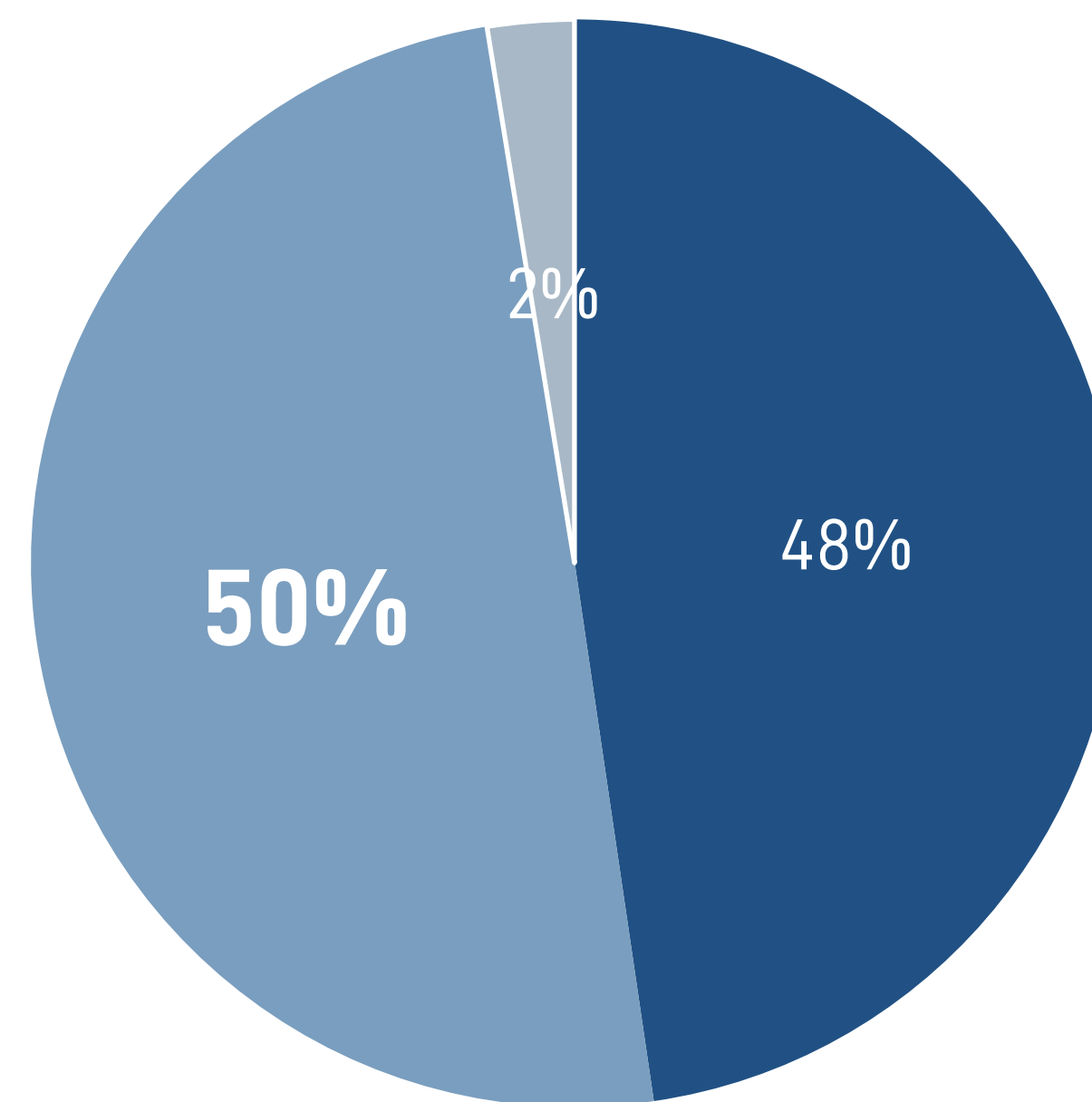
Legacy-Huazhu Revenue Breakdown in Q3'23

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



Legacy-Huazhu Revenue Breakdown in Q3'24

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



Operating Income Achieved RMB1.7 Billion in Q3'24

三季度经营利润达到人民币17亿元

In million RMB	3Q24	3Q23	YoY	2Q24	QoQ
Hotel operating costs	3,799	3,613	5.1%	3,731	1.8%
- Legacy-Huazhu	2,803	2,660	5.4%	2,736	2.4%
- Legacy-DH	996	953	4.5%	995	0.1%
Pre-opening expenses	19	11	72.7%	19	0.0%
- Legacy-Huazhu	19	11	72.7%	19	0.0%
- Legacy-DH	-	-	Nm	-	Nm
SG&A expenses	975	828	17.8%	919	6.1%
- Legacy-Huazhu	643	594	8.2%	676	-4.9%
- Legacy-DH	332	234	41.9%	243	36.6%
Income from operations	1,723	1,909	-9.7%	1,572	9.6%
- Legacy-Huazhu	1,763	1,906	-7.5%	1,499	17.6%
- Legacy-DH	(40)	3	Nm	73	Nm

- The YoY increase of hotel operating cost was due to an increase in personnel costs as we expand our hotel network.

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

- Legacy-Huazhu SG&A expenses increased YoY mainly due to an increase in share-based compensation to attract and retain core employees who are key to our sustainable long-term business growth. The increase in Legacy-DH SG&A expenses was due to a RMB81mn non-recurring restructuring costs.

- Operating income decreased YoY due to the RevPAR decline of Legacy-Huazhu from a high-base last year, as well as SG&A normalization.

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	3Q24	3Q23	YoY	2Q24	QoQ
Adjusted EBITDA*	2,113	2,334	-9.5%	2,040	3.6%
- Legacy-Huazhu	2,092	2,261	-7.5%	1,909	9.6%
- Legacy-DH	21	73	-71.2%	131	-84.0%
Adjusted Net Income*	1,372	1,538	-10.8%	1,254	9.4%
- Legacy-Huazhu	1,461	1,557	-6.2%	1,221	19.7%
- Legacy-DH	(89)	(19)	-368.4%	33	Nm
Operating Cash Inflow	1,693	1,181	43.4%	2,235	-24.3%

- Legacy-Huazhu's adj. EBITDA and adj. net income decreased YoY, due to the RevPAR decline from a high-base last year, and SG&A expenses normalization.
- Legacy-DH's adj. EBITDA decreased YoY and QoQ, mainly because of the RMB81mn non-recurring restructuring costs.

* 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)

RMB9.3 bn



Net Cash
(incl. Time Deposits)

RMB4.0bn



Unutilized
Bank Facilities

RMB3.6 bn

* As of September 30, 2024

* Cash balance and net cash position includes RMB1.4 bn time deposits and financial products

Shareholder Return – Continued Share Repurchase

股东回报 – 持续回购



**Share
Repurchase
YTD Q3'24**

~ USD270mn

Guidance

业绩指引

Q4
2024

Revenue vs. Q4 2023

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

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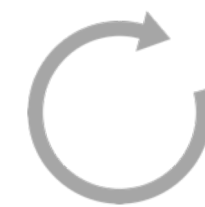
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Appendix

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		
	September 30,		September 30,			September 30,			September 30,		
	2023	2024	2023	2024	yoy change	2023	2024	yoy change	2023	2024	yoy change (p.p.)
Economy hotels	3,764	3,764	222	197	-11.0%	250	228	-8.8%	88.5%	86.4%	-2.1
Leased and owned hotels	283	283	271	242	-10.7%	302	271	-10.3%	89.8%	89.4%	-0.4
Manachised and franchised hotels	3,481	3,481	216	192	-11.0%	244	223	-8.6%	88.4%	86.0%	-2.4
Midscale and Upper midscale hotels	3,271	3,271	344	310	-9.9%	398	365	-8.3%	86.4%	84.9%	-1.5
Leased and owned hotels	257	257	440	402	-8.6%	506	465	-8.0%	87.0%	86.4%	-0.6
Manachised and franchised hotels	3,014	3,014	331	298	-10.1%	384	351	-8.4%	86.4%	84.7%	-1.6
Total	7,035	7,035	288	258	-10.3%	329	301	-8.4%	87.4%	85.6%	-1.8

* 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 September 30, 2024

	Hotels	Rooms	Unopened hotels	Total
	in operation		in pipeline	
Economy hotels	5,461	449,937		1,091
HanTing Hotel	4,057	355,690		695
Hi Inn	551	28,987		237
NiHao Hotel	393	29,712		135
Elan Hotel	215	11,290		-
Ibis Hotel	226	22,013		15
Zleep Hotels	19	2,245		9
Midscale hotels	4,344	465,743		1,238
Ibis Styles Hotel	107	10,456		10
Starway Hotel	723	60,381		125
JJ Hotel	2,708	309,659		827
Orange Hotel	806	85,247		276
Upper midscale hotels	866	119,356		493
Crystal Orange Hotel	224	28,288		152
CitiGO Hotel	34	5,283		5
Manxin Hotel	162	14,970		69
Madison Hotel	125	15,976		82
Mercure Hotel	190	30,093		61
Novotel Hotel	30	6,743		21
IntercityHotel	91	16,389		97
MAXX	10	1,614		6
Upscale hotels	147	21,693		95
Jaz in the City	3	587		1
Joya Hotel	7	1,234		1
Blossom House	73	3,455		80
Grand Mercure Hotel	9	1,796		1
Steigenberger Hotels & Resorts	55	14,621		12
Luxury hotels	16	2,368		3
Steigenberger Icon	9	1,847		2
Song Hotels	7	521		1
Others	11	3,449		5
Other hotels	11	3,449		5
Total	10,845	1,062,546		2,925