China Lodging Group (HTHT.US)

Q3 2017 Earnings Call

November 28, 2017

Agenda

Strategy Review

Operational and Financial Review

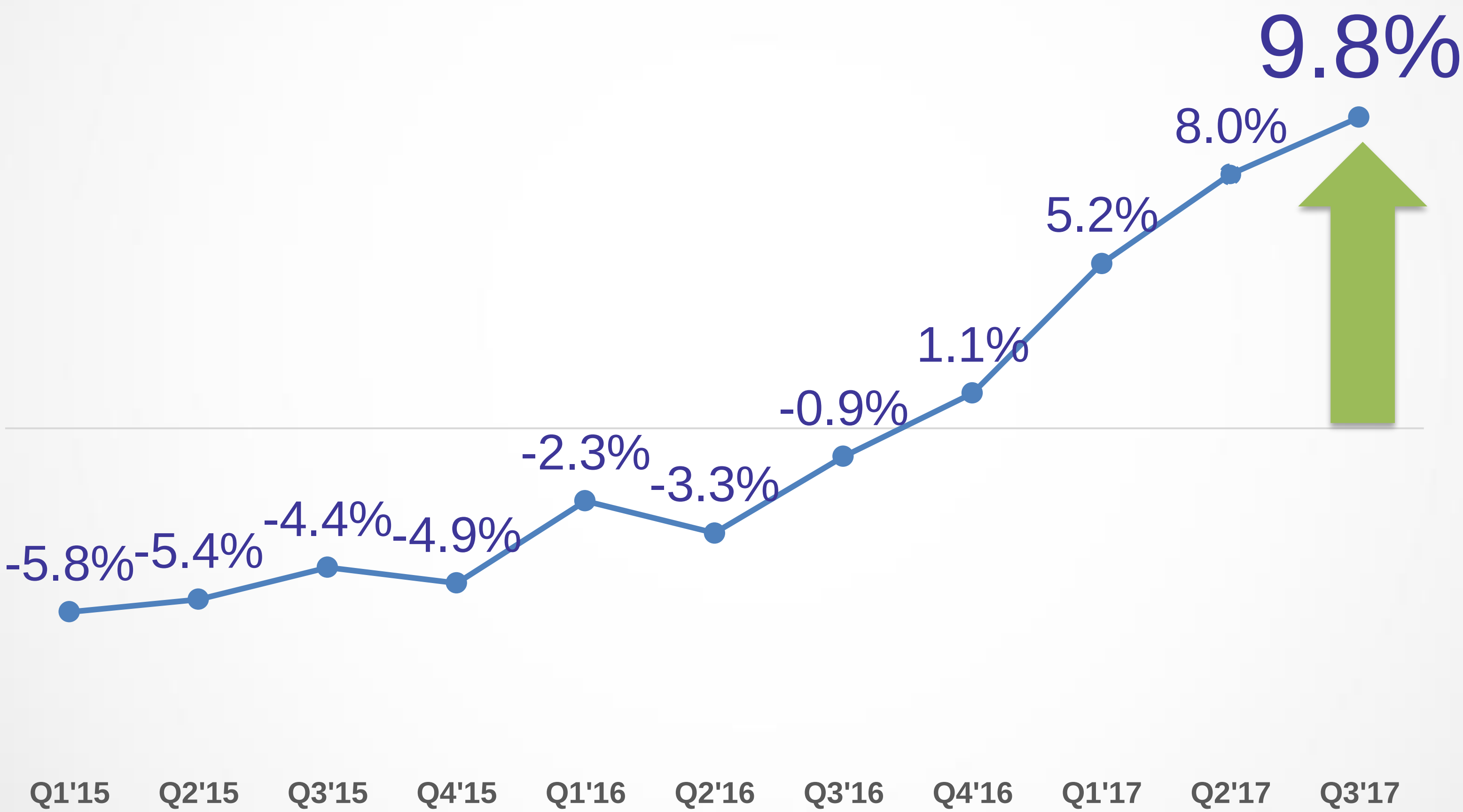
Q & A

Appendix

Strategic Focus for 2017

- Upgrade for Economy Hotels
- Multi-brand Strategy - Fast Expansion of Midscale Hotels
- Continuous Growth in Same-hotel RevPAR

HanTing Same-hotel RevPAR Growth Accelerated to 9.8%



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First HanTing Plus Open in Shanghai this October

汉庭优佳
HOTEL

New and refreshed layout of lobby: Niiice Café + Self Check-in/-out

A wider choice of pillows for customers' needs

24 hours self storage and laundry

Simplified and functional layout of room

Photos from HanTing Plus Hotel, South Xizang Road, Shanghai, upgrade from HanTing Hotel

- **RevPAR of RMB358** in the first operational month
- ↑ **40%** year-over-year after upgrade
- **23 hotels** in pipeline

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Roll-out of Elan 1.0 – Smart Renovation

elan 怡莱

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Roll-out of Hi Inn 4.0 – Optimized Space Utilization

Well-covered Brand Portfolio in Midscale Segment

	Standardized In Core Elements	Standardized In Styles	Standardized
Upper Midscale	Mercure HOTELS	桔子水晶酒店 Crystal Orange Hotel; 漫心酒店	NOVOTEL HOTELS & RESORTS
Midscale	STARWAY HOTEL 星程酒店	ibis STYLES HOTELS; 桔子酒店·精选	CitiGO; 全季酒店 JI HOTEL
Entry Level Midscale			汉庭优佳 HOTEL; ibis HOTELS*

* Note: The newer version of ibis brand hotels is positioned as entry level midscale brands. However, the ibis hotels continued to be classified as economy hotel in the reported hotel operating statistics because majority of the current hotels are of the older versions.

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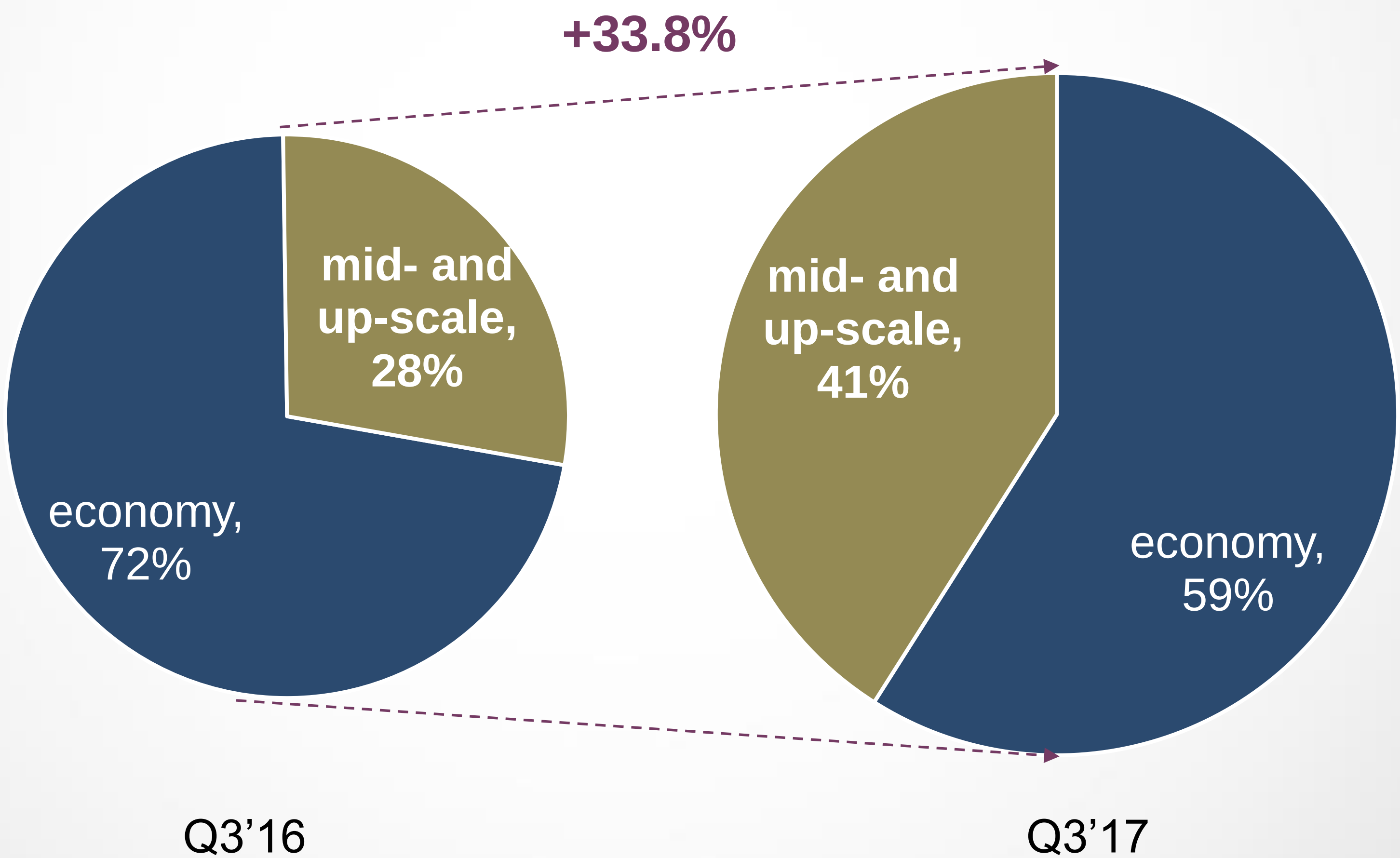
Increasing Revenue Contribution from Mid- and Up-Scale Hotels

Net Revenues Grew by 33.8% YOY;
Revenue Contribution from Mid-and-Upscale Hotels Increased by 13 percentage points



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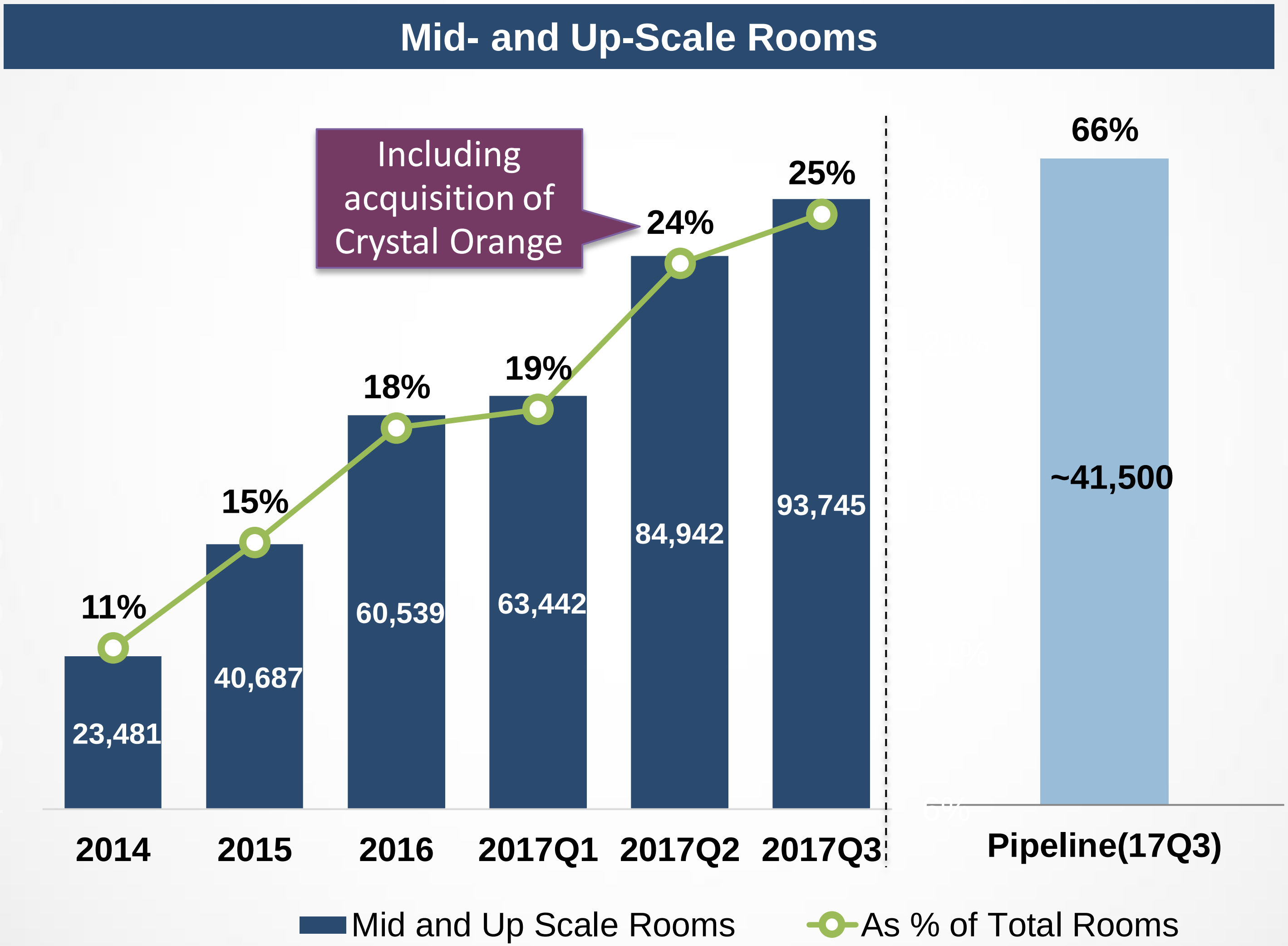
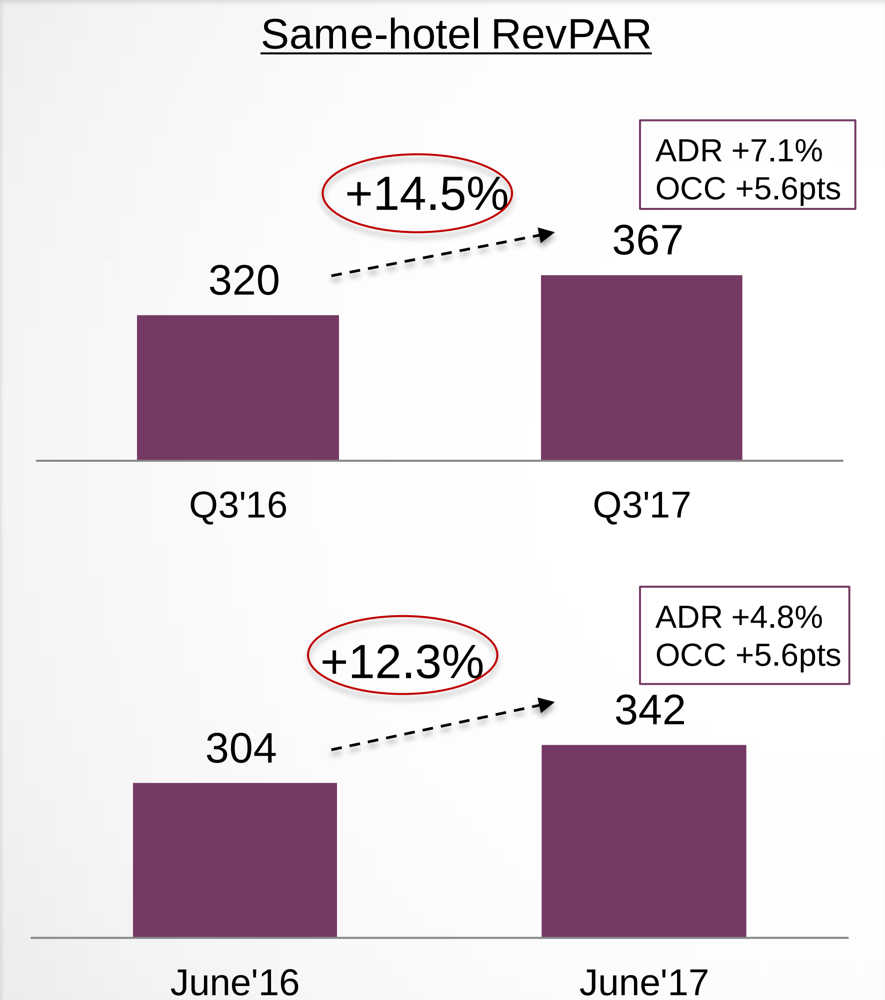
Increasing Proportion of Mid- and Up-Scale Room Inventory



Update on Crystal Orange

Strong and Accelerated RevPAR Growth



Accomplishments

- ✓ Integration of operational and booking systems
- ✓ Loyalty program
- ✓ Back-office supports – Finance, HR, Call Centre

Note: The RevPar for Crystal Orange hotels above are not included in the reported company-wide same hotel RevPar statistics until they have been in the Company's system for more than 18 months.

Enhancing Huazhu Loyalty Program and App

Huazhu Club Displayed on High-speed Train Shanghai-Beijing Route	Hello, Huazhu - New Feature on App to Bridge Communication with Guests



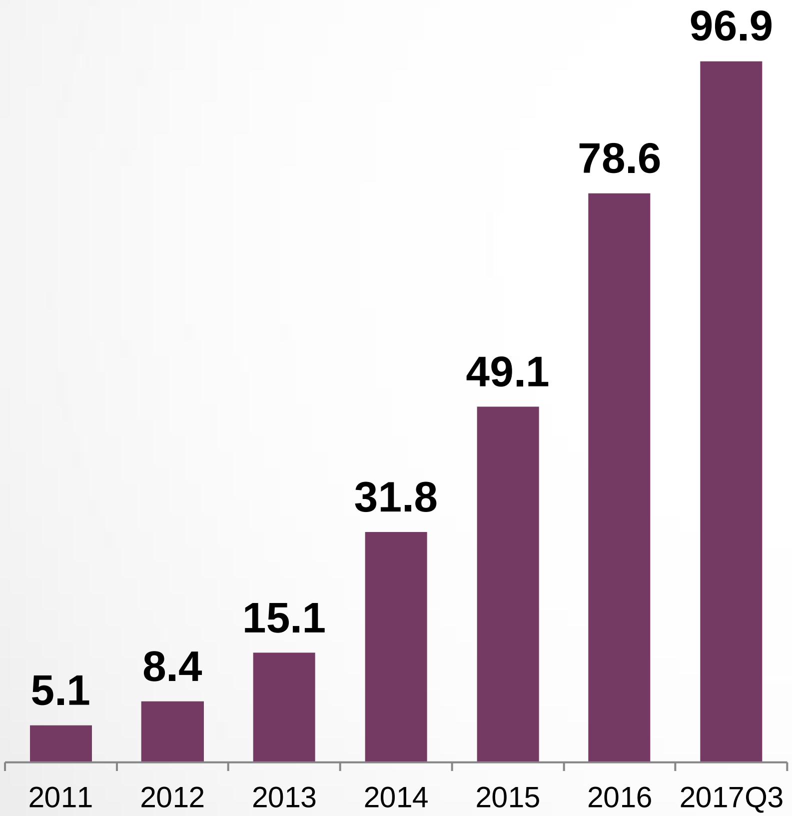
- Convenient and customized digital booking
- Lowest price from Huazhu's direct online channels
- First hotel booking app to incorporate communication feature with guests

Fast-growing Membership Program and Strong Direct Channels

Rapid Growth in Membership Program

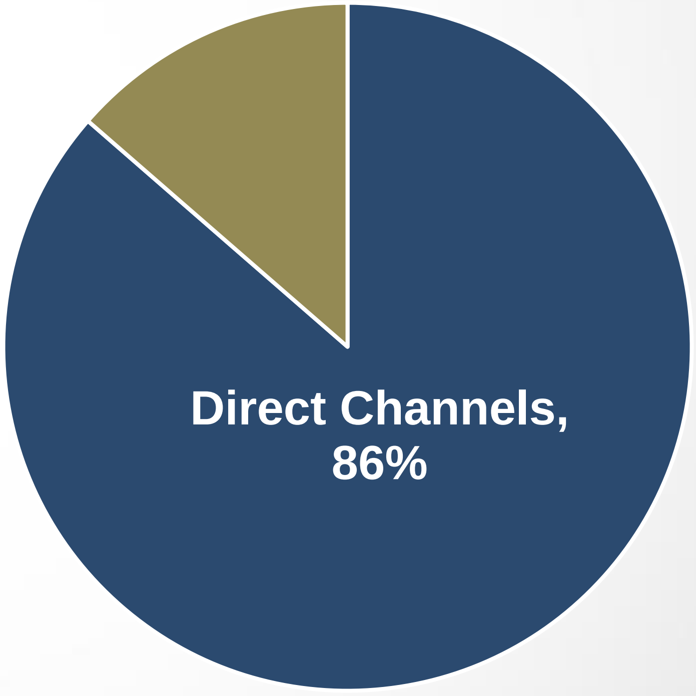
(in millions)

Surpassed 100 million in November, 2017



Strong Direct Channels

(in room nights, Q3'17)



Favorable Supply-Demand Relationship Drives Same-hotel RevPAR Growth

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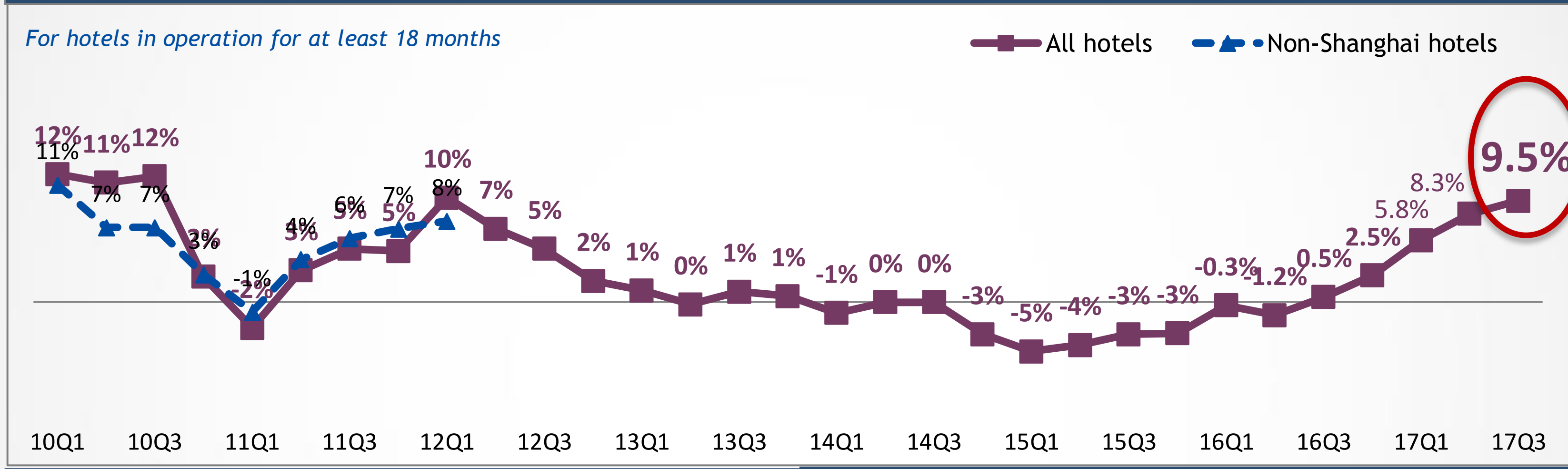
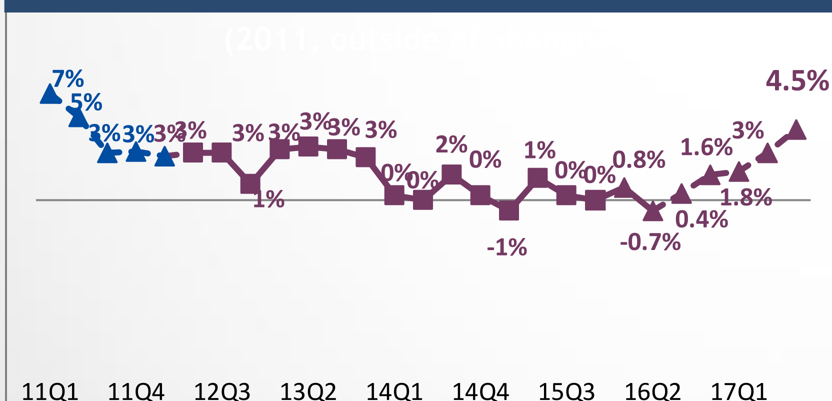
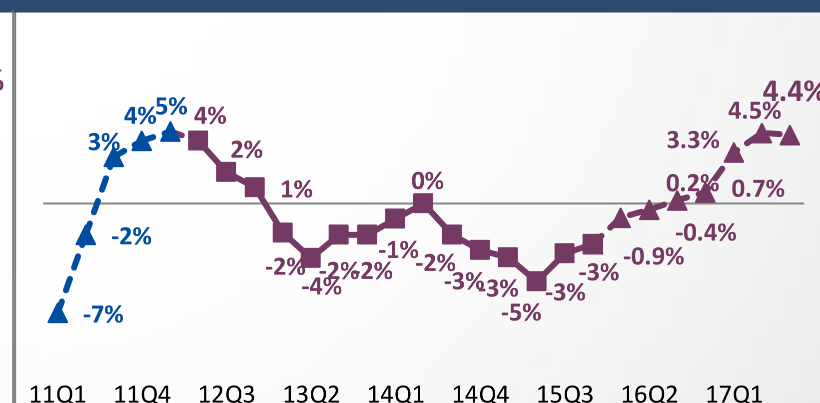
Same-hotel RevPAR Growth



Same-hotel ADR Growth



Same-hotel Occupancy Change



Note: Crystal Orange hotels RevPAR are not included in our reported same-hotel RevPAR statistics until they have been in Huazhu ‘s system for more than 18 months..

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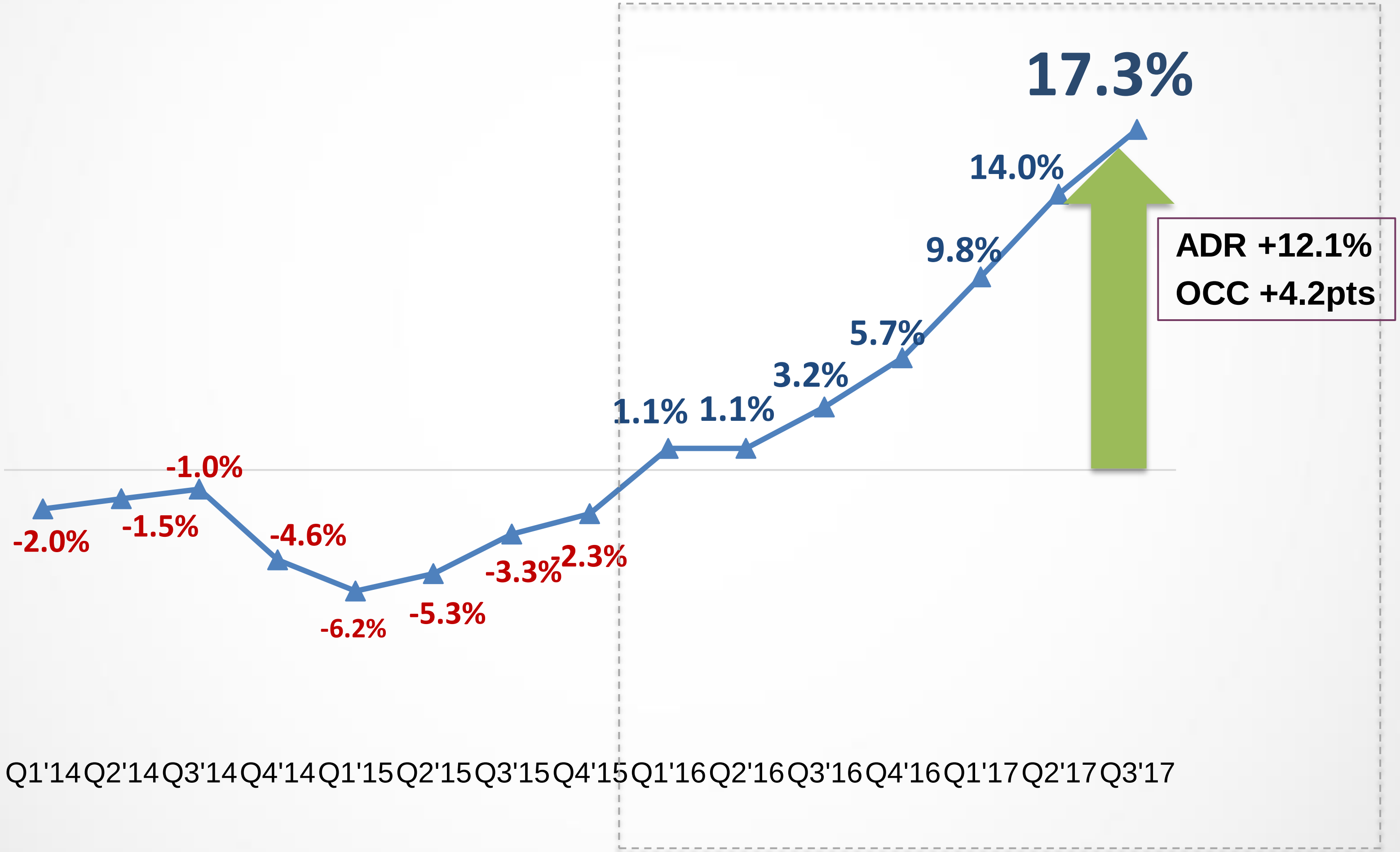
Strong Blended RevPAR Growth Driven by ADR+Occupancy Growth and Mix Upgrade

Quarterly Blended RevPAR Year-over-Year Growth (Q1'14-Q3'17)



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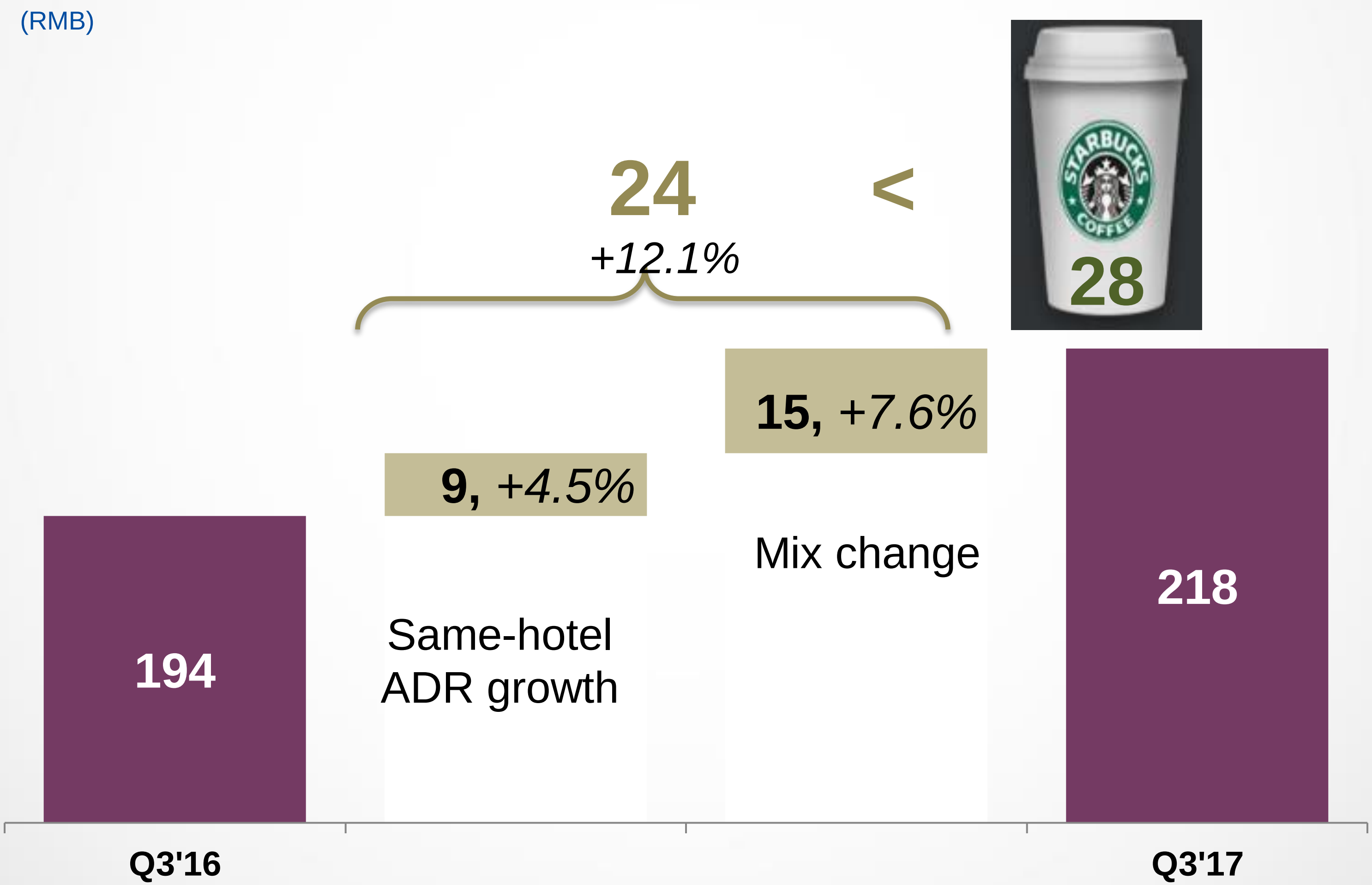
The Room Rate Increase is Affordable to the Chinese Consumers with their Consumption Upgrade

Blended ADR increased by RMB24 year-over-year in Q3’17



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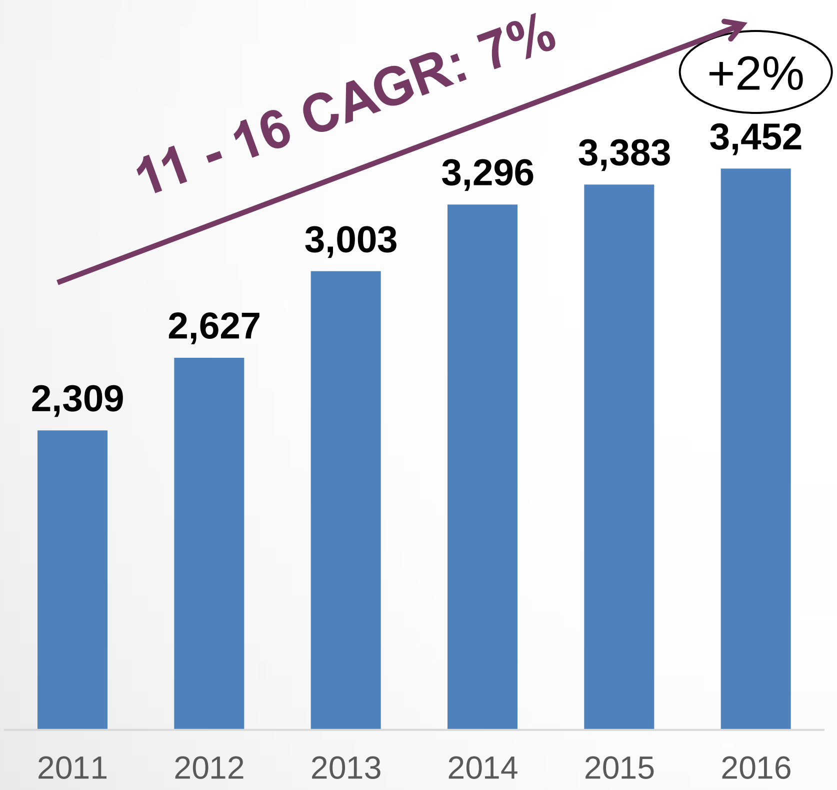
Same-hotel RevPAR will Continue to Grow due to Sustaining Strong Demand

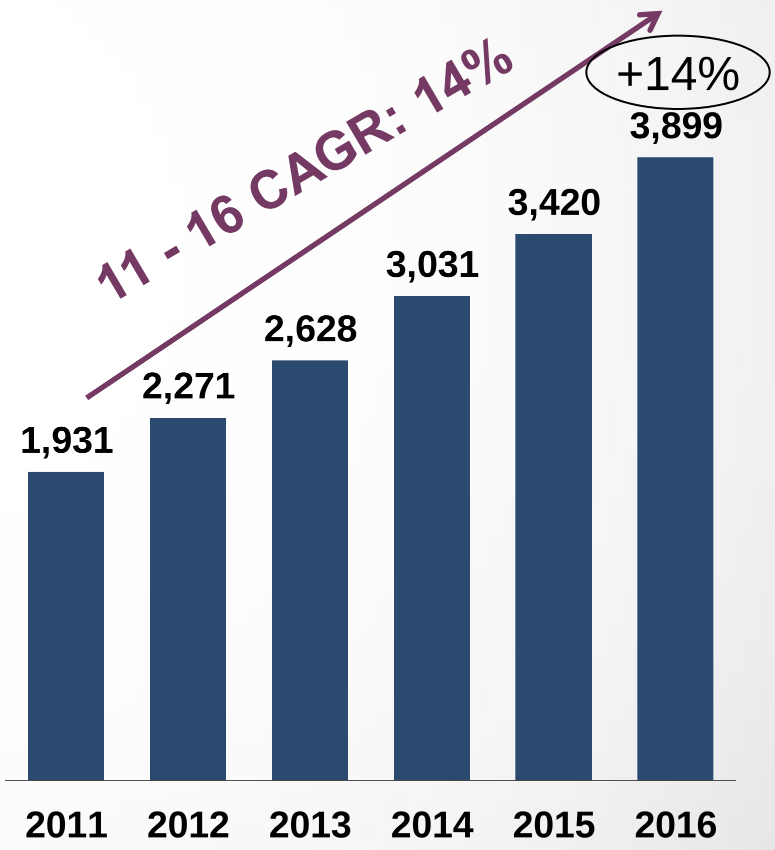
Disposable Income per capita

(USD)



Domestic Travel Expenditures

(in RMB billions)



Source: China National Tourism Administration

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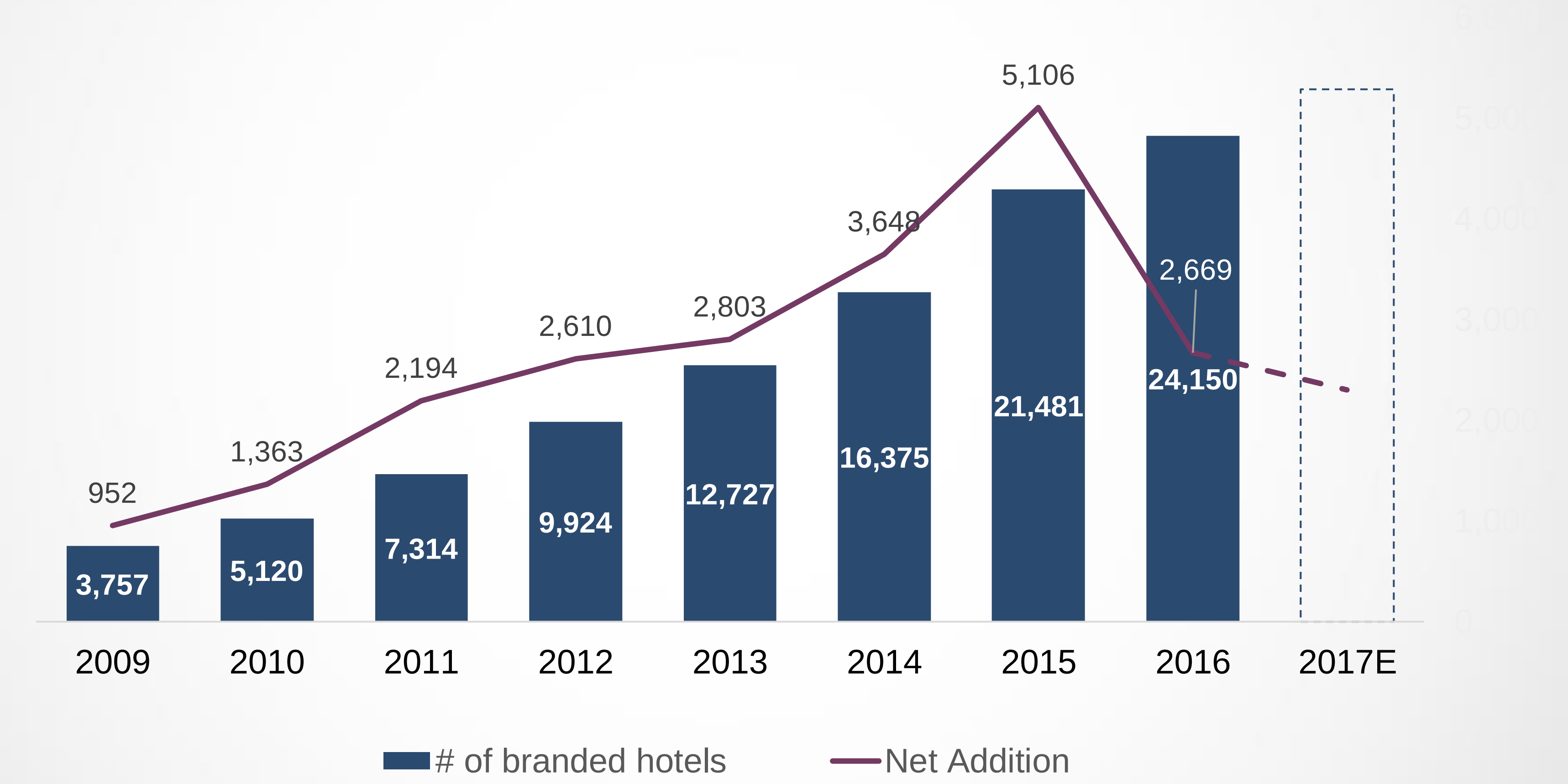
… And the Slow-down in the Net Addition of Branded Hotel Supply Growth Since 2016

of Branded Hotels



Source: Inntie, China National Tourism Administration

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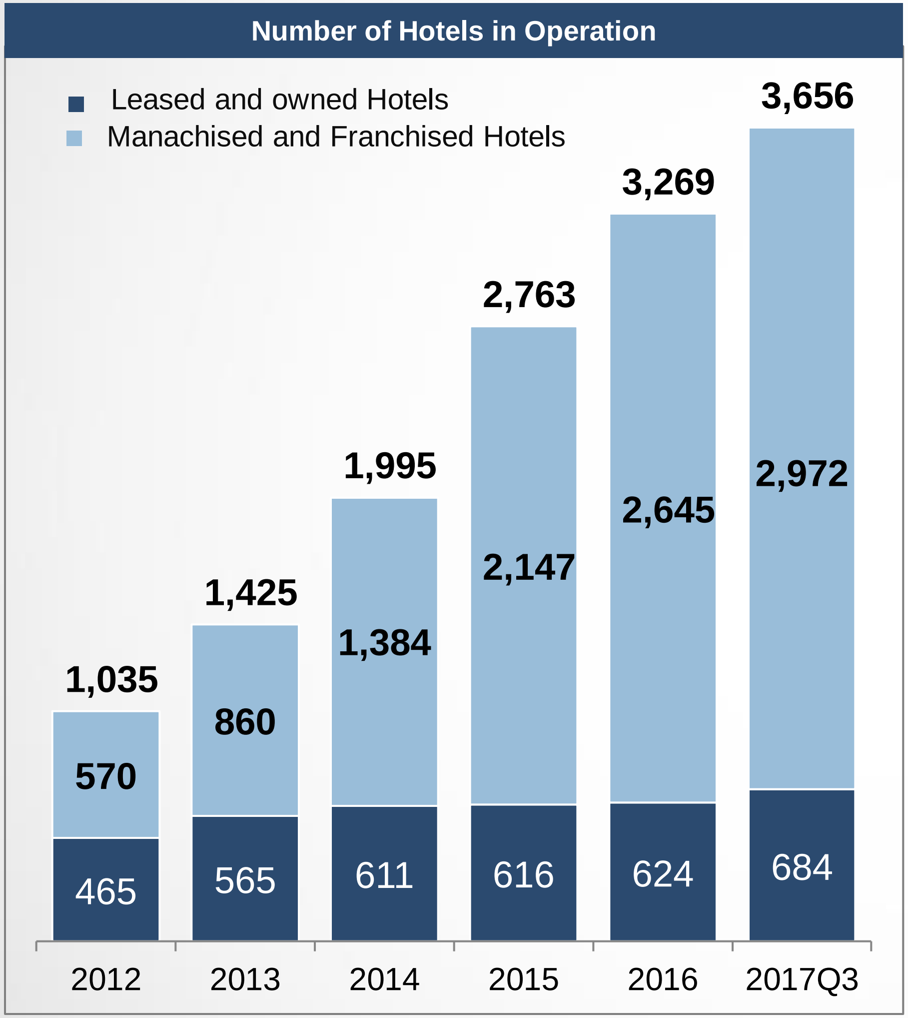
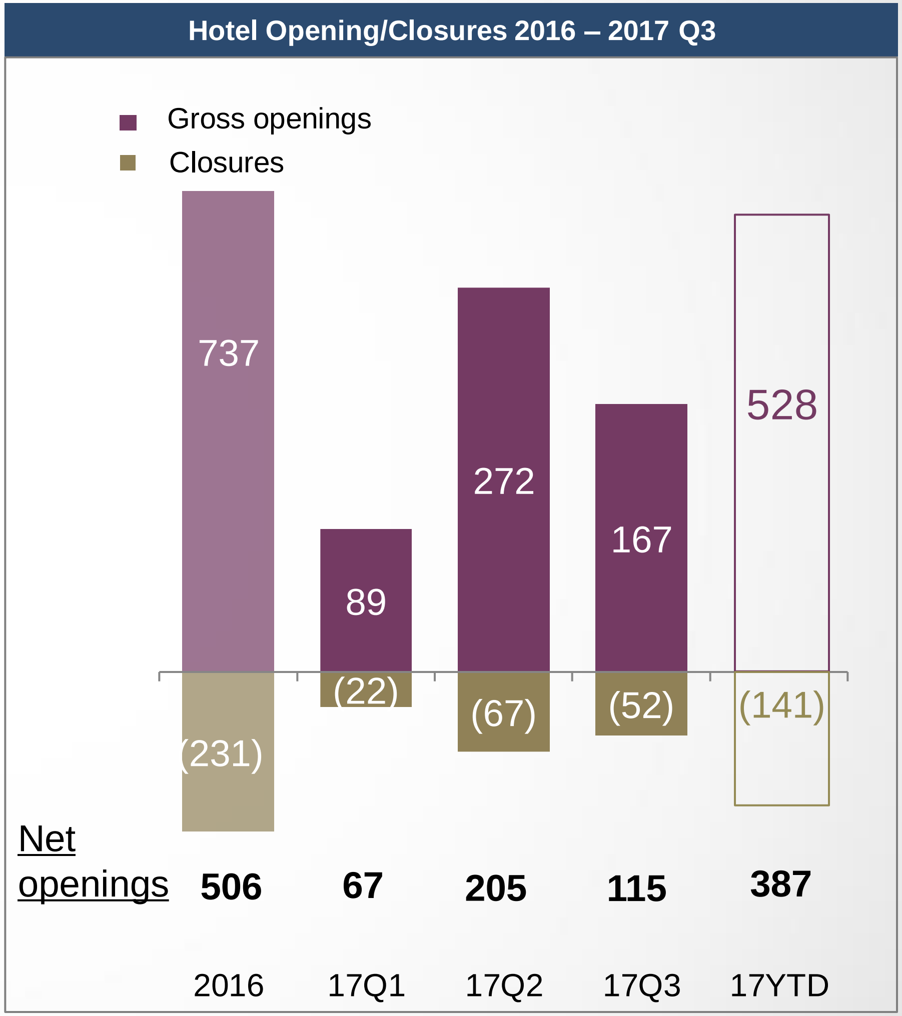
Continue Fast Expansion with Increasing Focus on Quality





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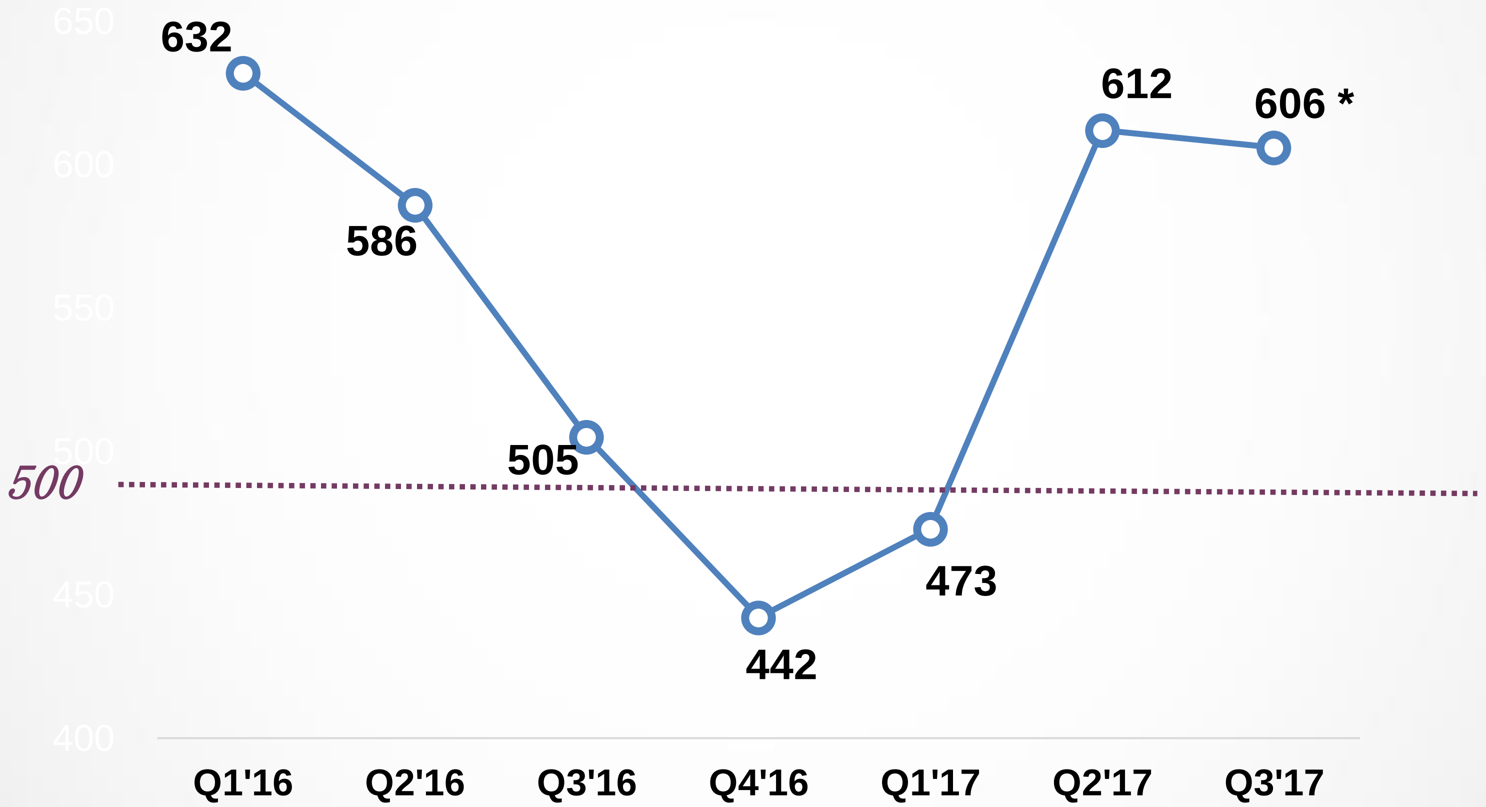
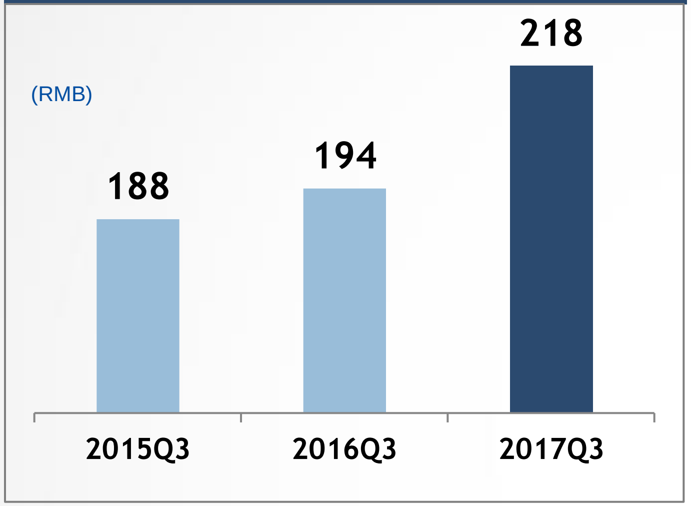
Number of Hotels in Pipeline (Q1'16-Q3'17)



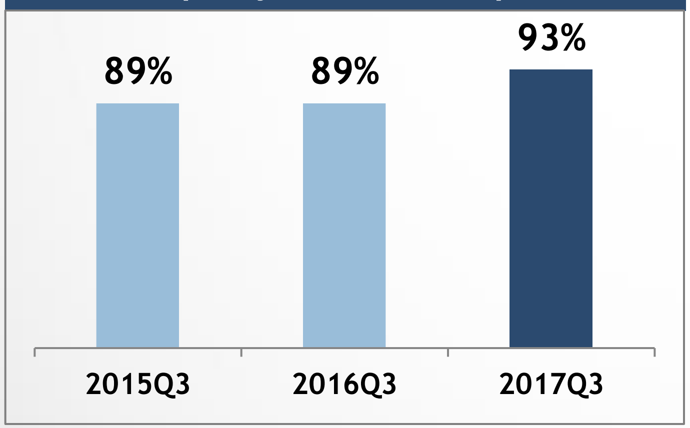
* Includes 98 Accor's brands and 73 Crystal Orange brands

RevPAR Growth Driven by Both ADR + Occupancy Growth

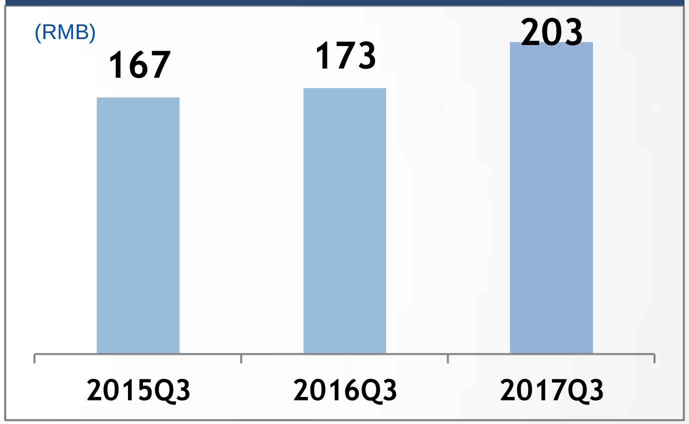
ADR Increased 12.1%



Occupancy Increased 4.2 points



RevPAR Increased 17.3% YOY



Weight of hotel rooms in midscale and upscale segment

Q3’15	Q3’16	Q3’17
14%	17%	25%

Weight of hotel rooms in 1st- and 2nd-tier cities

Q3’15	Q3’16	Q3’17
77%	77%	77%

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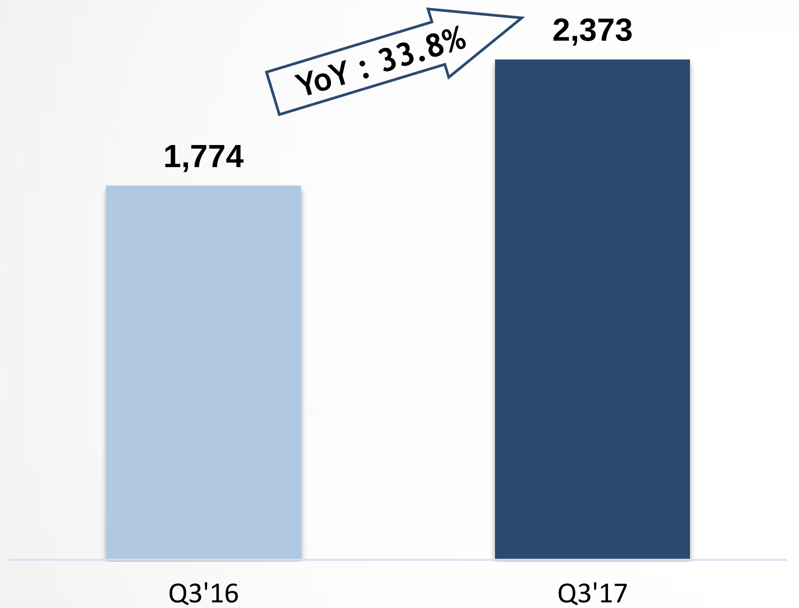
Net Revenues Increased 33.8% in 17Q3, at High-end of Guidance

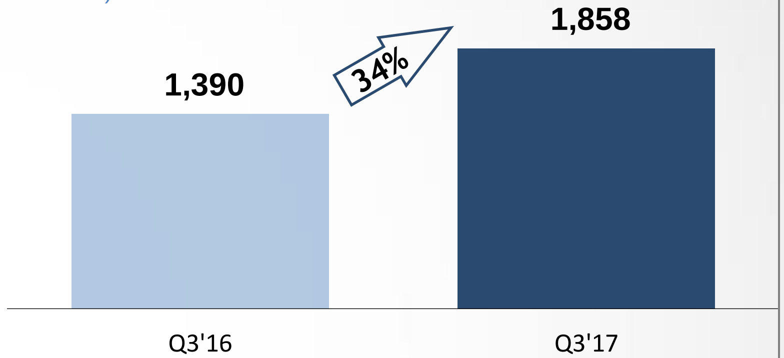
Net Revenues

(in RMB millions)



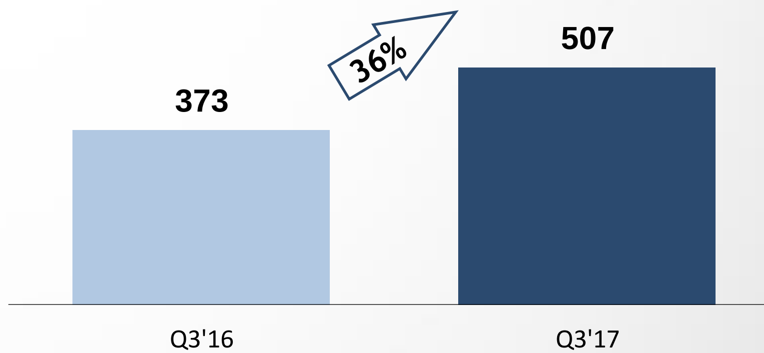
Net Revenues from Leased and Owned Hotels

(in RMB millions)



Net Revenues from Manachised and Franchised Hotels

(in RMB millions)



Net Manachised and Franchised Hotels Revenue as % of Net Revenues

Q3’16	Q3’17
21.0%	21.4%

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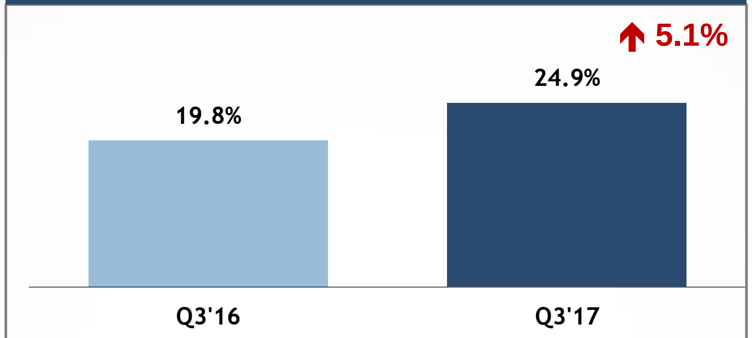
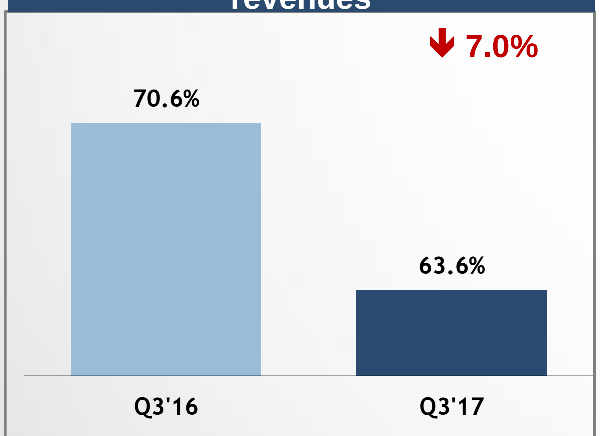
Operating Margin Expanded by 5.1 Pts

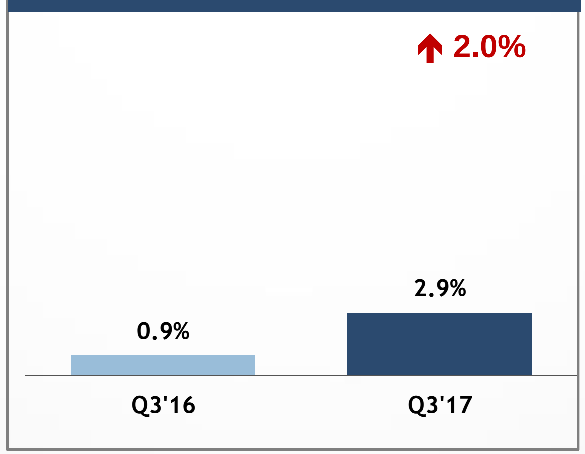
Income from Operations as % of Net Revenues



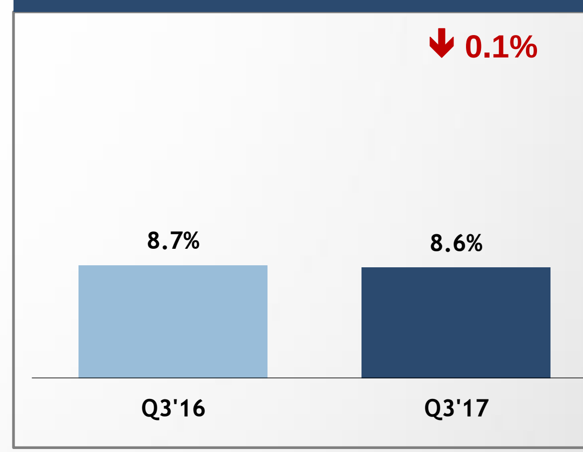
Hotel operating costs and other operating costs as % of net revenues



Pre-opening expenses as % of net revenues



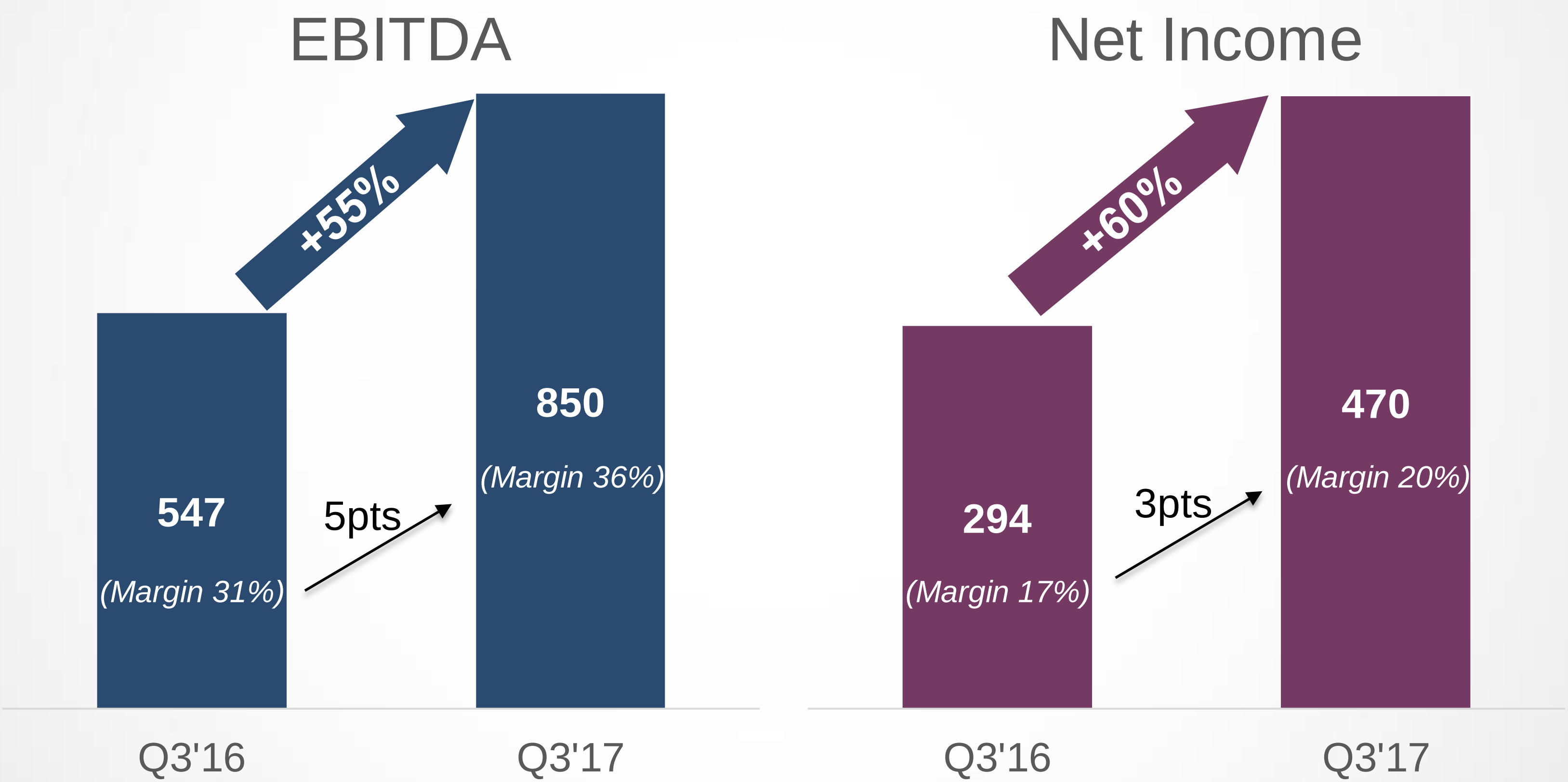
SG&A Expenses and other operating income as % of net revenues



Profit Growth Remains Strong

Profit Growth

(in RMB millions)



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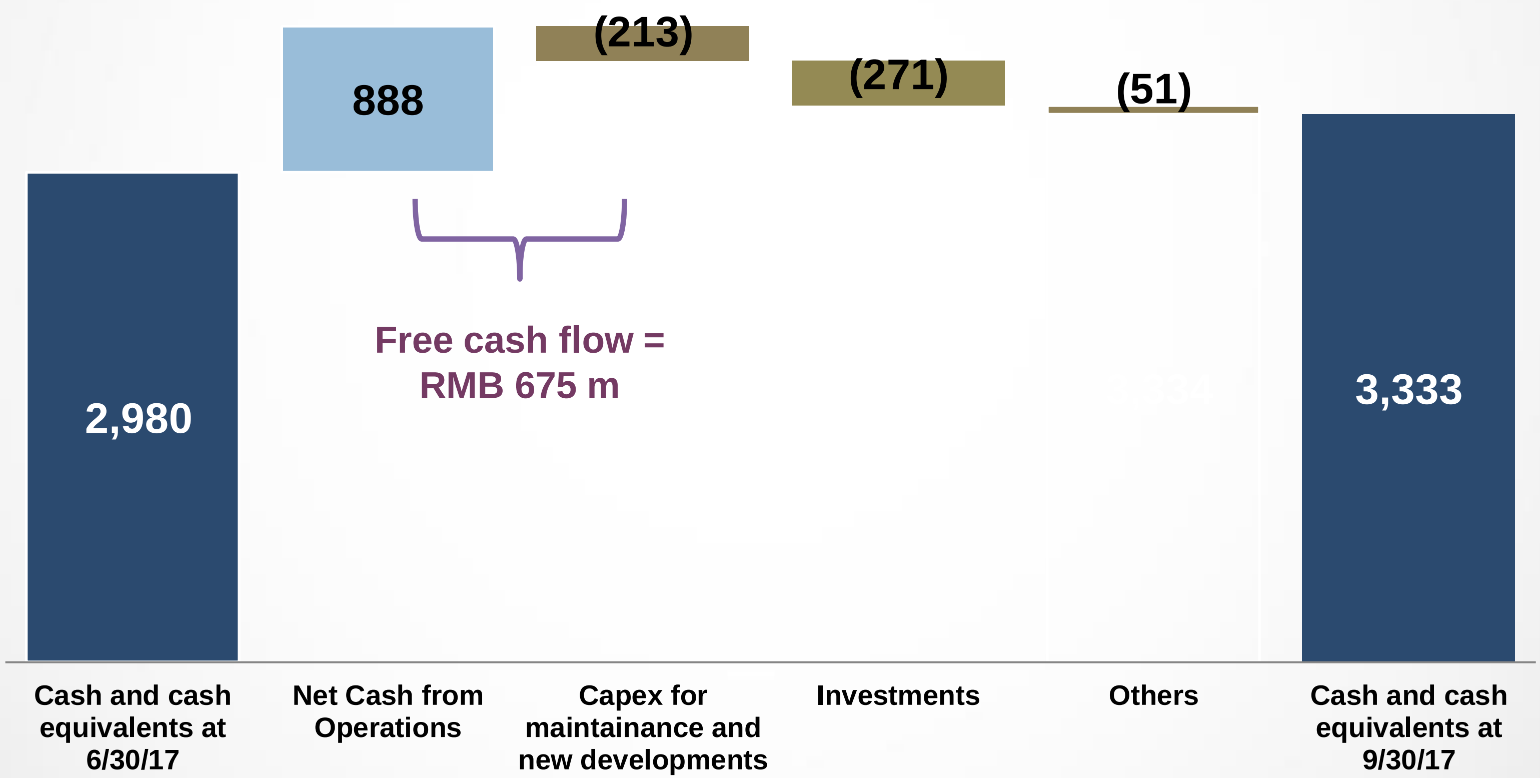
Strong Cash Balances Support Hotel Expansion and Capital Investments

Abundant Funding Resource for Expansion

(in RMB millions)



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Issuance of Convertible Senior Notes

Key transaction metrics

- US$475 million in aggregate principal amount of convertible senior notes due 2022
- Coupon rate of 0.375%, payable semi-annually
- Conversion price at $221.31/ADS after capped call at 70% premium

Use of proceeds

- Repaid the principal and interest of the loans borrowed from a US$250 million revolving credit facility in November
- Make investments in related businesses
- Fund other general corporate purposes

Financial impact

- Saving on interest expense
- Shares dilution: ~3%
- EPS accretion

Guidances

2017

- Expect Group's **Q4'17** net revenues to grow **29% to 32%** year-over-year, and full year 2017 net revenues to grow **24% to 25%**
- Maintain Gross Opening of **500** hotels in **2017**, on top of the **138** hotels consolidated from Crystal Orange acquisition

2018

- Expect to accelerate gross opening to **650-700** hotels in **2018**, **60% to 65%** are mid- and up-scale

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Same-Hotel Operational Data by Segment

	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	December 31,		yoy	December 31,		yoy
	2015	2016	2015	2016	change	2015	2016	change	2015	2016	change
Economy hotels	1,999	1,999	148	147	-1.2%	169	167	-0.7%	88%	88%	-0.4%
Leased hotels	511	511	154	151	-1.6%	176	175	-0.5%	87%	86%	-1.0%
Manachised and franchised hotels	1,488	1,488	146	145	-0.9%	165	164	-0.8%	88%	88%	-0.1%
Midscale and upscale hotels	206	206	229	248	8.3%	275	290	5.4%	83%	86%	2.3%
Leased hotels	72	72	264	291	10.0%	304	324	6.5%	87%	90%	2.8%
Manachised and franchised hotels	134	134	195	207	5.9%	245	253	3.5%	80%	82%	1.8%
Total	2,205	2,205	157	158	0.4%	180	181	0.5%	87%	87%	-0.1%

	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		
	March 31,		March 31,		yoy	March 31,		yoy	March 31,		yoy
	2016	2017	2016	2017	change	2016	2017	change	2016	2017	change
Economy hotels	2,144	2,144	133	139	5.0%	159	160	0.8%	84%	87%	3.5%
Leased hotels	503	503	139	147	5.7%	167	169	0.9%	83%	87%	3.9%
Manachised and franchised hotels	1,641	1,641	130	137	4.7%	155	156	0.8%	84%	87%	3.3%
Midscale and upscale hotels	236	236	214	233	9.2%	265	284	6.9%	81%	82%	1.7%
Leased hotels	76	76	257	279	8.9%	298	324	8.8%	86%	86%	0.1%
Manachised and franchised hotels	160	160	182	200	9.5%	239	252	5.4%	76%	79%	3.0%
Total	2,380	2,380	143	151	5.8%	172	175	1.8%	83%	87%	3.3%

	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		
	June 30,		June 30,		yoy change	June 30,		yoy change	June 30,		yoy change
	2016	2017	2016	2017		2016	2017		2016	2017	
Economy hotels	2,250	2,250	148	160	7.7%	168	172	2.2%	88%	93%	4.8%
Leased hotels	498	498	156	170	8.5%	180	184	2.7%	87%	92%	4.9%
Manachised and franchised hotels	1,752	1,752	146	156	7.5%	164	167	2.1%	89%	94%	4.7%
Midscale and upscale hotels	263	263	247	272	9.9%	288	306	6.1%	86%	89%	3.1%
Leased hotels	79	79	304	332	9.0%	333	357	7.3%	91%	93%	1.4%
Manachised and franchised hotels	184	184	207	230	10.9%	253	267	5.4%	82%	86%	4.2%
Total	2,513	2,513	162	175	8.3%	183	189	3.0%	88%	93%	4.5%

	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		
	September 30,		September 30,		*yoy*	September 30,		*yoy*	September 30,		*yoy*
	2016	2017	2016	2017	*growth*	2016	2017	*growth*	2016	2017	*growth*
Economy hotels	2,316	2,316	162	177	*9.4%*	176	183	*4.3%*	92%	96%	*4.5%*
Leased and owned hotels	498	498	169	185	*9.6%*	186	196	*5.3%*	91%	94%	*3.6%*
Manachised and franchised hotels	1,818	1,818	159	174	*9.3%*	172	179	*3.9%*	92%	97%	*4.8%*
Midscale and upscale hotels	287	287	265	290	*9.5%*	303	319	*5.2%*	87%	91%	*3.6%*
Leased hotels	81	81	320	344	*7.5%*	346	365	*5.4%*	92%	94%	*1.8%*
Manachised and franchised hotels	206	206	233	259	*11.0%*	276	291	*5.3%*	84%	89%	*4.6%*
Total	2,603	2,603	177	193	*9.5%*	194	202	*4.5%*	91%	96%	*4.4%*

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Hotel Breakdown by Brands

Hotel breakdown by brand

	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 9/30/2017
Economy hotels	**1,309**	**1,819**	**2,453**	**2,813**	**2,939**
HanTing Hotel	1,226	1,648	2,003	2,181	2,232
Leased hotels	473	502	495	486	465
Manachised hotels	753	1,146	1,508	1,694	1,763
Franchised hotels				1	4
Hi Inn	83	158	302	375	394
Leased hotels	41	41	38	36	32
Manachised hotels	42	117	251	294	316
Franchised hotels			13	45	46
Elan Hotel		13	148	185	213
Manachised hotels		13	128	149	180
Franchised hotels			20	36	33
ibis Hotel				72	91
Leased and owned hotels				14	16
Manachised hotels				12	29
Franchised hotels				46	46
Orange Hotel					9
Leased hotels					7
Manachised hotels					1
Franchised hotels					1
Midscale hotels and upscale hotels	**116**	**176**	**310**	**456**	**717**
JI Hotel	68	117	186	284	364
Leased hotels	48	62	75	81	91
Manachised hotels	20	55	111	201	270
Franchised hotels				2	3
Starway Hotel	46	55	118	136	162
Leased hotels	1	3	4	2	2
Manachised hotels	20	44	67	96	126
Franchised hotels	25	8	47	38	34
Joya Hotel	1	3	3	6	6
Leased hotels	1	2	2	3	3
Manachised hotels		1	1	3	3
Manxin Hotels & Resorts	1	1	2	2	8
Leased hotels	1	1	1		2
Manachised hotels			1	2	3
Franchised hotels					3
HanTing Plus Hotel					1
Manachised hotels					1
ibis Styles Hotel				10	11
Manachised hotels				7	7
Franchised hotels				3	4
Mercure Hotel			1	15	19
Leased hotels			1	2	2
Manachised hotels				12	14
Franchised hotels				1	3
Novotel Hotel				2	4
Manachised hotels				1	3
Franchised hotels				1	1
Grand Mercure Hotel				1	3
Leased hotels					1
Franchised hotels				1	2
Orange Selected					97
Leased hotels					44
Manachised hotels					35
Franchised hotels					18
Crystal Orange					42
Leased hotels					19
Manachised hotels					15
Franchised hotels					8
Total	**1,425**	**1,995**	**2,763**	**3,269**	**3,656**

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Room Breakdown by Brands

Hotel breakdown by brand

	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 9/30/2017
Economy hotels	**138,576**	**185,959**	**238,156**	**270,808**	**278,719**
HanTing Hotel	130,747	172,341	205,577	221,157	223,165
Leased hotels	54,154	57,306	57,277	56,491	53,713
Manachised hotels	76,593	115,035	148,300	164,602	169,074
Franchised hotels				64	378
Hi Inn	7,829	12,551	21,340	25,600	26,232
Leased hotels	4,422	3,895	3,698	3,411	2,930
Manachised hotels	3,407	8,656	16,725	19,361	20,394
Franchised hotels			917	2,828	2,908
Elan Hotel		1,067	11,239	13,800	15,734
Manachised hotels		1,067	9,837	11,121	13,345
Franchised hotels			1,402	2,679	2,389
ibis Hotel				10,251	12,621
Leased and owned hotels					2,959
Manachised hotels					3,592
Franchised hotels					6,070
Orange Hotel					967
Leased hotels					804
Manachised hotels					85
Franchised hotels					78
Midscale hotels and upscale hotels	**14,303**	**23,996**	**40,687**	**60,539**	**93,745**
JI Hotel	9,106	17,052	27,559	39,664	49,944
Leased hotels	6,891	10,260	13,195	14,314	15,699
Manachised hotels	2,215	6,792	14,364	25,201	33,971
Franchised hotels				149	274
Starway Hotel	4,959	6,321	12,138	13,206	15,540
Leased hotels	131	451	604	386	386
Manachised hotels	2,222	4,939	7,183	9,577	12,103
Franchised hotels	2,606	931	4,351	3,243	3,051
Joya Hotel	141	515	515	1,131	1,131
Leased hotels	141	315	315	523	523
Manachised hotels		200	200	608	608
Manxin Hotels & Resorts	97	108	236	78	770
Leased hotels	97	108	108	-	277
Manachised hotels			128	78	389
Franchised hotels					104
HanTing Plus Hotel					96
Manachised hotels					96
ibis Styles Hotel				1,614	1,724
Manachised hotels					1,216
Franchised hotels					508
Mercure Hotel			239	4,026	4,543
Leased hotels			239		496
Manachised hotels					3,389
Franchised hotels					658
Novotel Hotel				629	1,699
Manachised hotels					1,376
Franchised hotels					323
Grand Mercure Hotel				191	731
Leased hotels					360
Franchised hotels				191	371
Orange Selected					11,948
Leased hotels					5,735
Manachised hotels					4,114
Franchised hotels					2,099
Crystal Orange					5,619
Leased hotels					2,686
Manachised hotels					1,949
Franchised hotels					984
Total	**152,879**	**209,955**	**278,843**	**331,347**	**372,464**

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