



# Huazhu Group Limited (HTHT.US)

Q4 and full year 2018 Earnings Call  
March 14, 2019

## Strategy Review

Operational and Financial Review

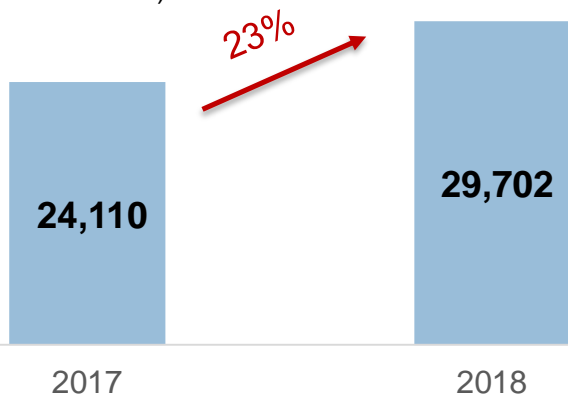
Q & A

Appendix

# Revenue Growth Beat Guidance; Profit Margin Expansion Continued in 2018

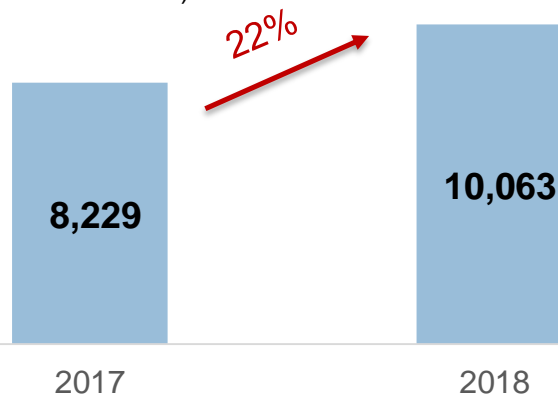
## Hotel Turnover

(in RMB millions)



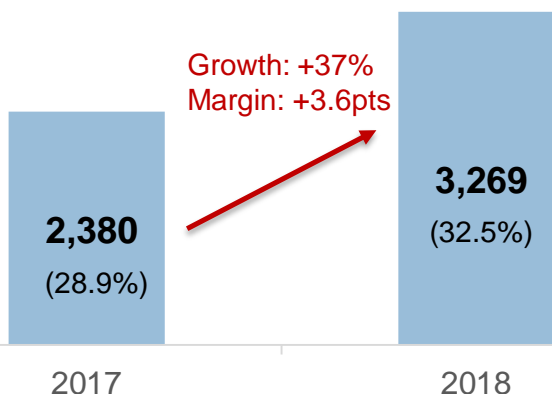
## Net Revenues and Growth

(in RMB millions)



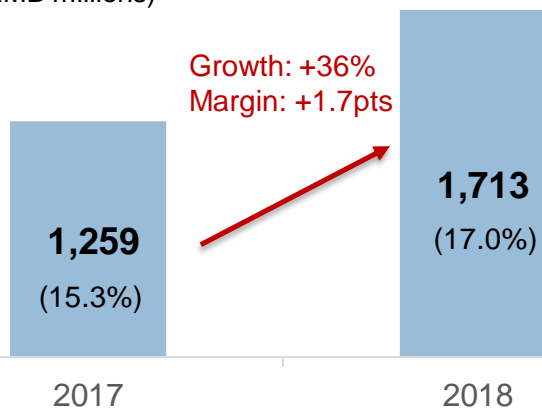
## Adjusted EBITDA\* and Margin

(in RMB millions)



## Adjusted Net Income\* and Margin

(in RMB millions)

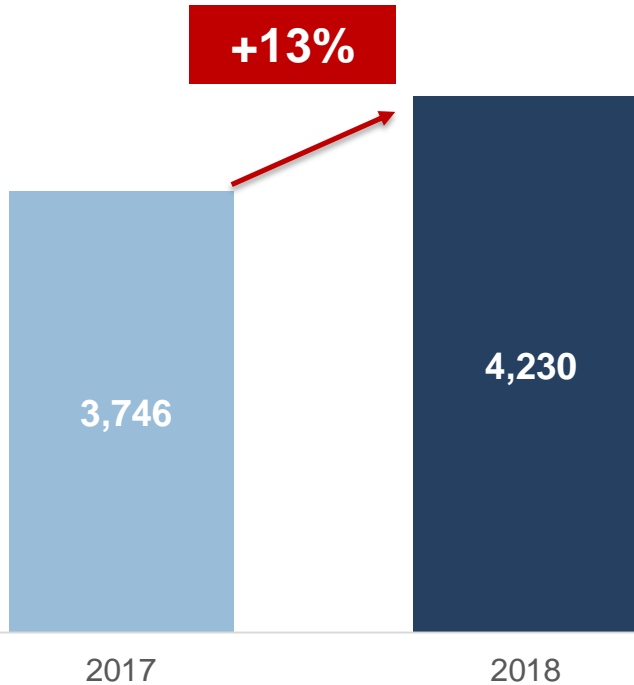


\* Excluding unrealized loss from fair value changes of equity securities of RMB914 million and share-based compensation expenses in 2018

# Revenue Growth Driven by both Hotel Network Expansion and RevPAR Growth

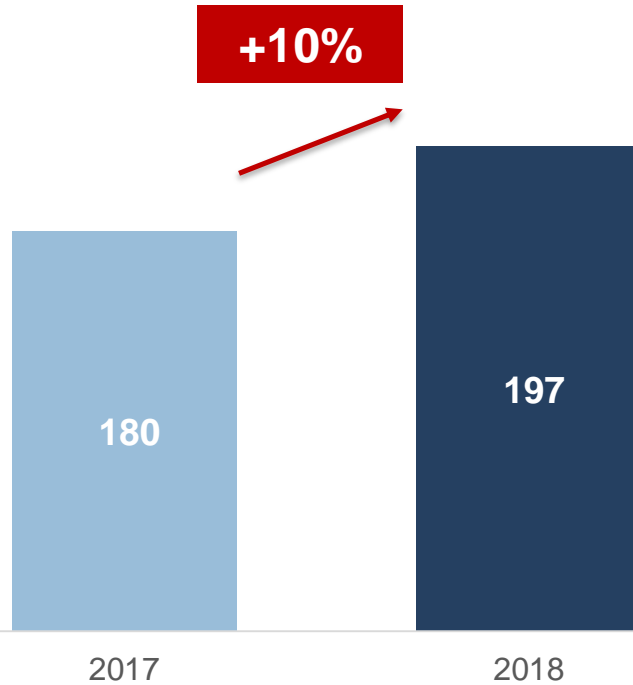
## Hotel Network Expansion

(Number of hotels in operation)



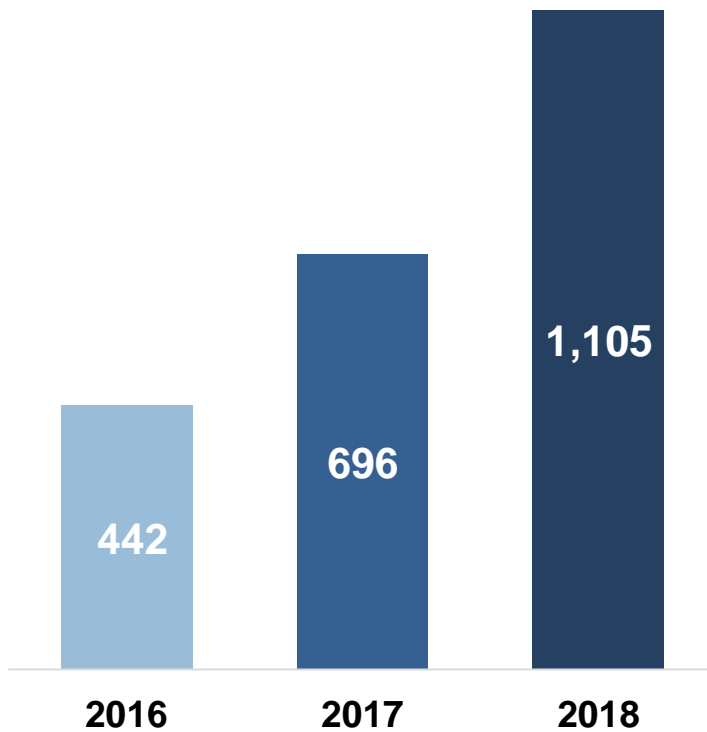
## Group Blended RevPAR

(in RMB)

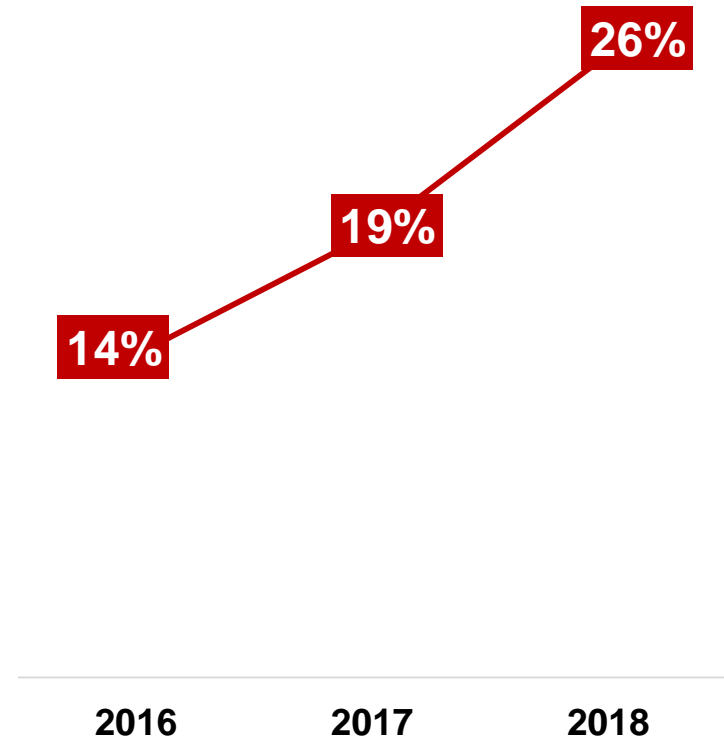


# And We Expect Future Hotel Expansion to Accelerate

Increasing Number of Hotels in Pipeline



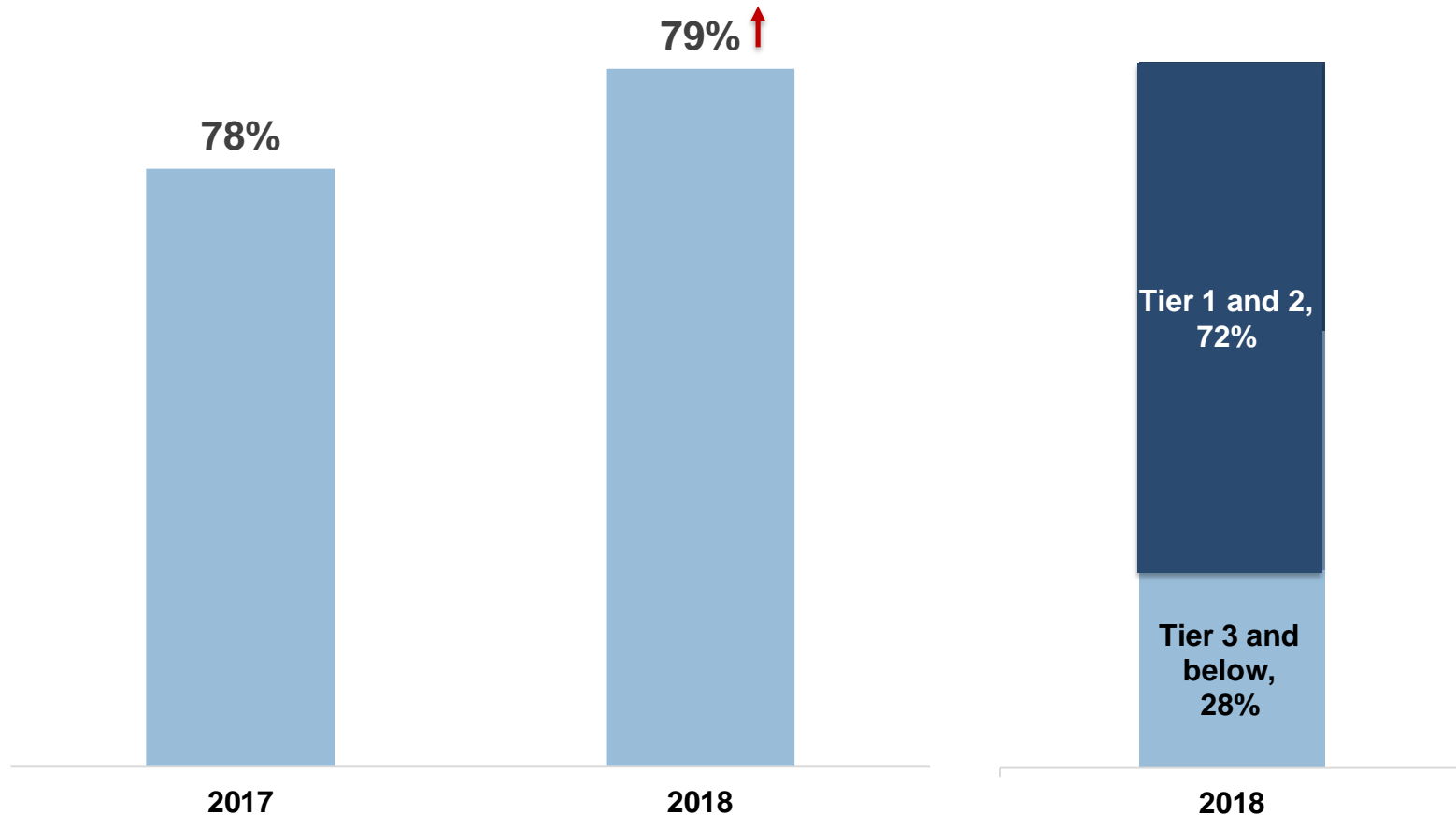
Increasing Pipeline as % of Hotels in Operation



# Increasing Mix of Manachised and Franchised Hotels with Significant Presence in Higher-tier Cities

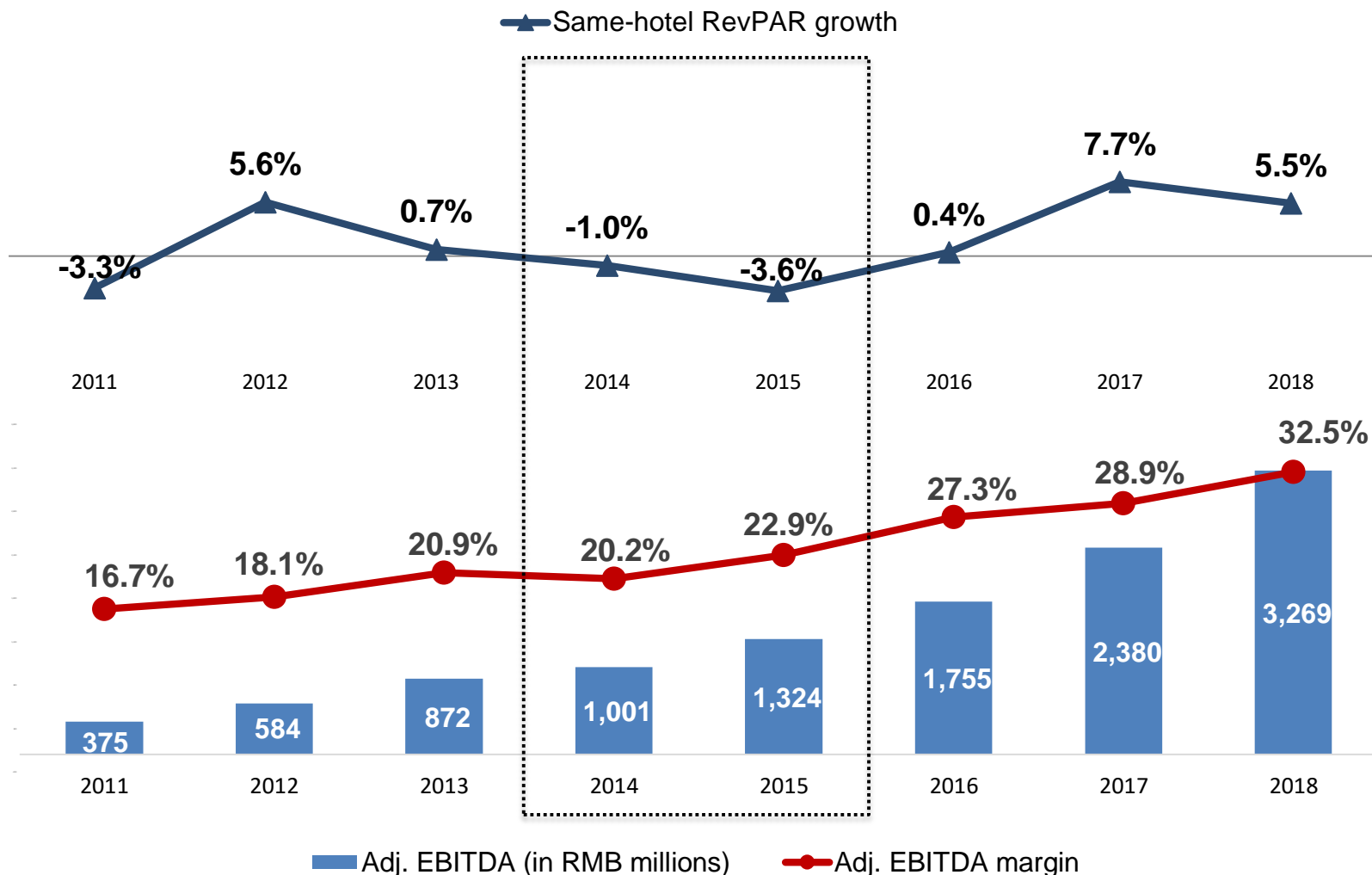
% of Rooms under Manachised and Franchised Models

% M/F Rooms by City Tier



# Solid Financial Performance under Various Economic Environments

In spite of the volatility in same-hotel RevPAR growth, limited impact in Adj. EBITDA and margin



\* Adjusted EBITDA = EBITDA + SBC + Unrealized gain (loss) from fair value changes of equity securities

## Priorities in 2018

## Achievements

1 **Fast Expansion** for  
Midscale Hotels

- Mid-and-upscale room count increased by 42.4% (as 38.3% of total room count)
- Mid-and-upscale hotels: 1,338 in operation; 831 in pipeline
- “Younger” brands are poised to take off

2 **Continuous Growth** in Same-hotel RevPAR through Quality Improvements

- Same-hotel RevPAR growth of 5.5% in 2018 (economy: 5.6%; mid-and-upscale: 5.2%) mainly driven by ADR growth
- ~50% of HanTing hotel rooms upgraded

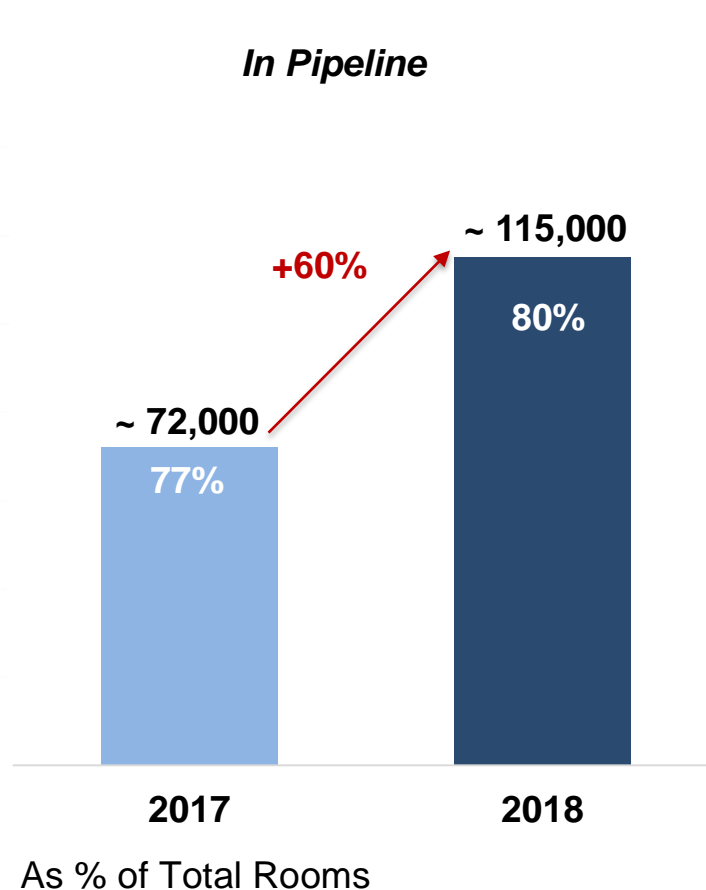
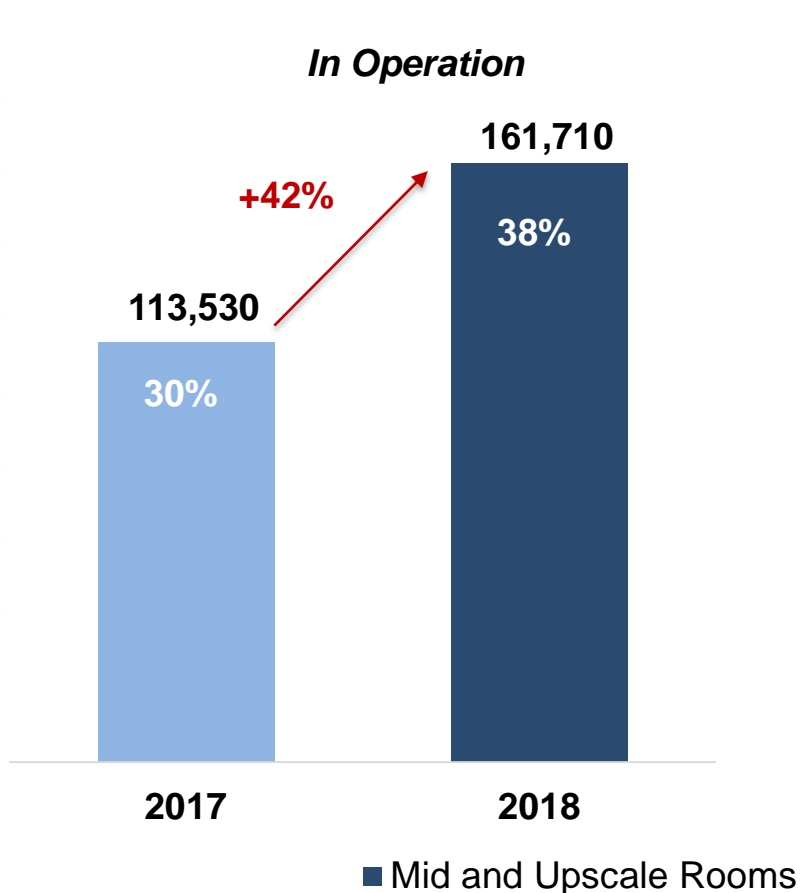
3 **Innovation** in Upscale Segment

- Acquisition of Blossom Hill, expanding footprint for leisure hospitality
- Signing another 3 prime locations for Joya



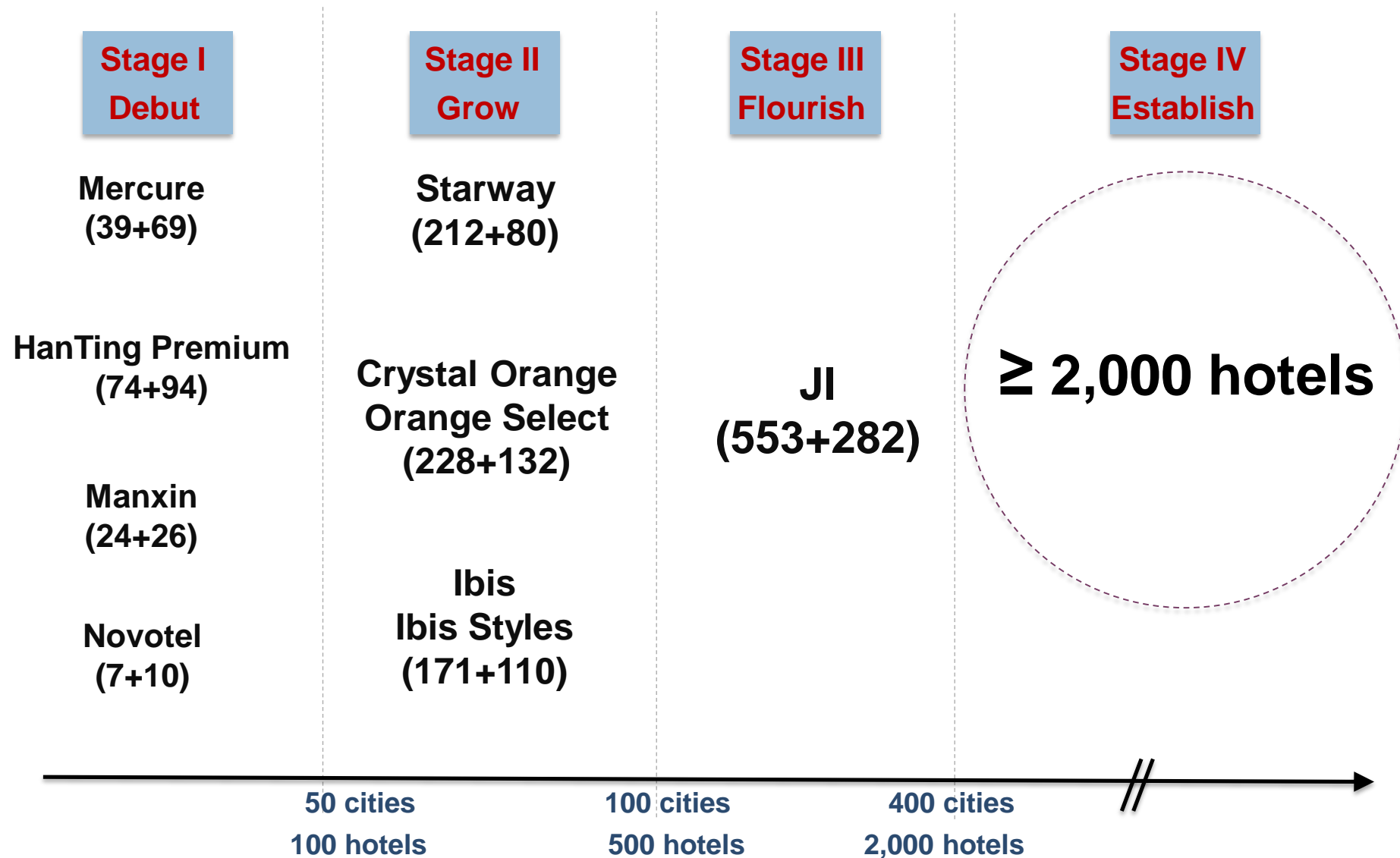
# Mid and Upscale Rooms: 42% YoY increase in 2018; 38% Rooms in Operations; 80% Rooms in Pipeline

## Mid and Upscale Rooms



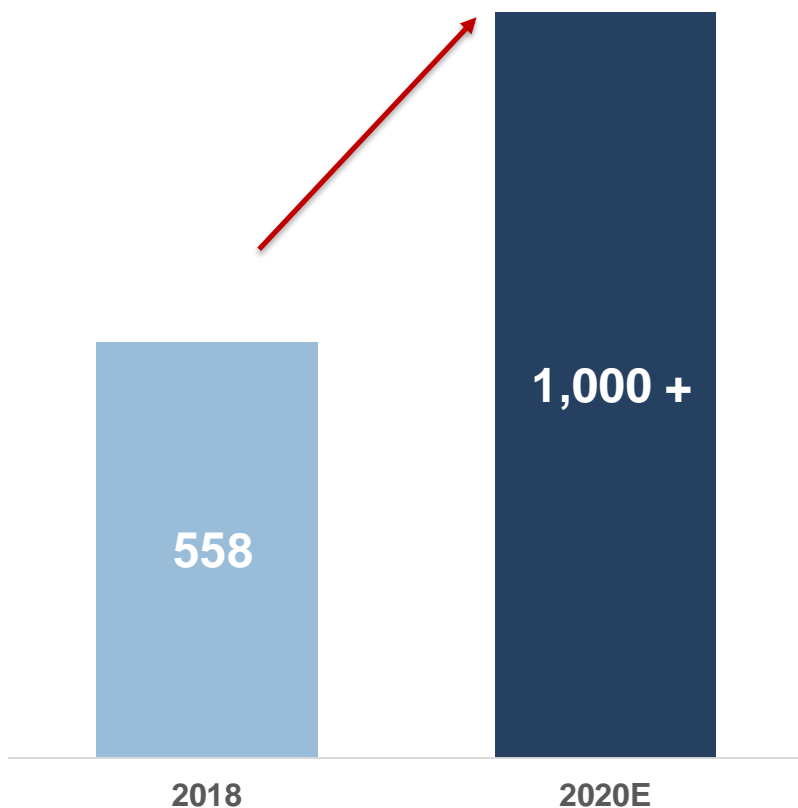
# Midscale Brand Portfolio – Huge Growth Potential

(Number of hotels in operation + pipeline)



# 全季酒店

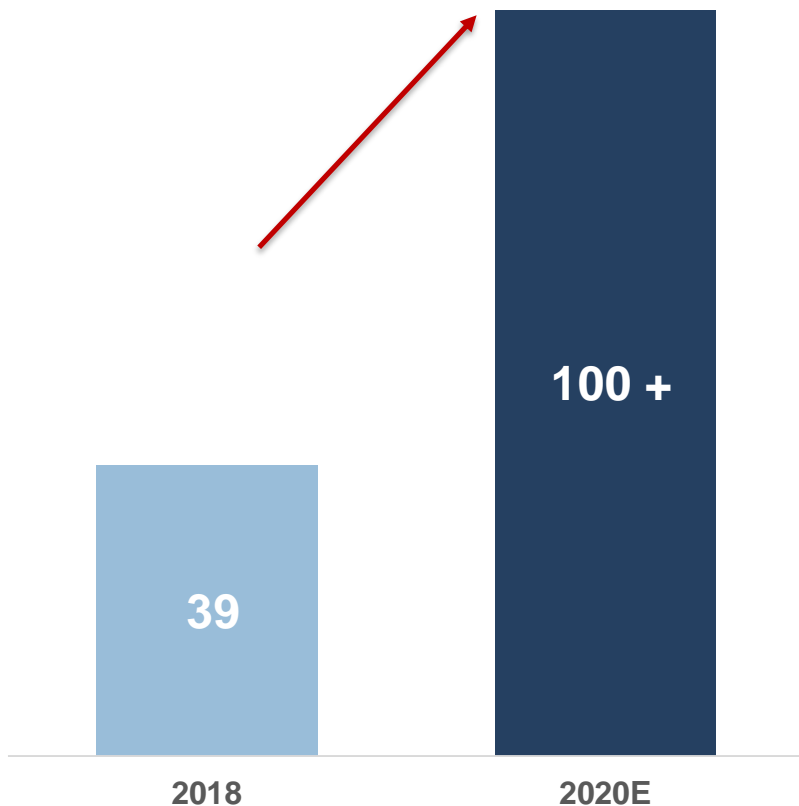
J I H O T E L



**558** hotels

**282** hotels in pipeline

**5%** year-over-year growth in same-hotel RevPAR for 2018



**39** hotels

**69** hotels in pipeline

**9.6%** year-over-year growth in same-hotel RevPAR for 2018

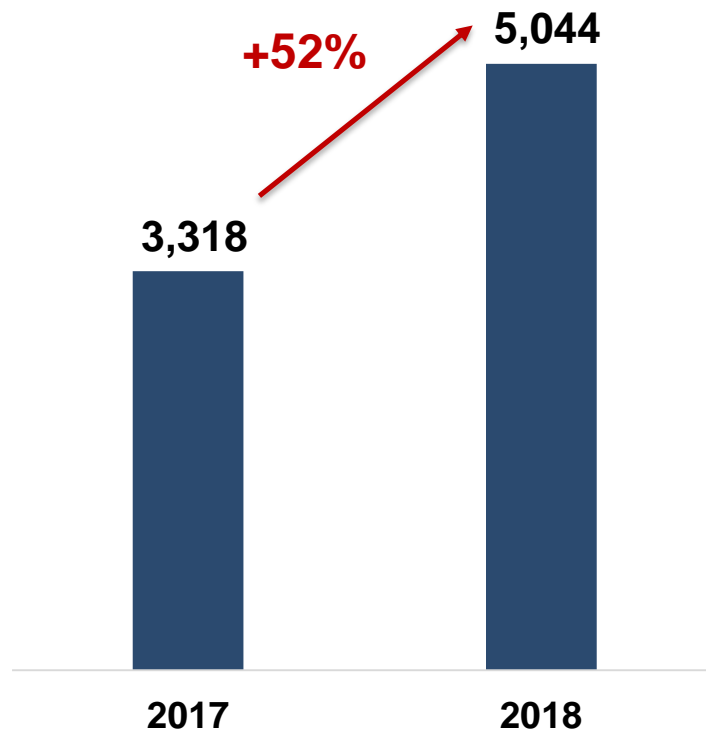
Staff-to-room ratio decreased to **0.20**

# Increasing Revenue Contribution from Mid and Upscale Hotels

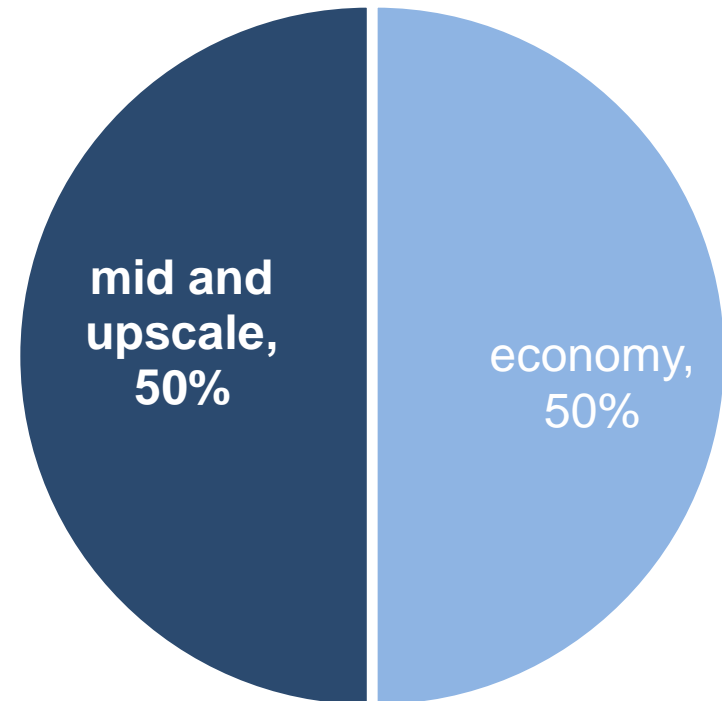
Revenues from Mid and Upscale Hotels Grew by 52%;  
Mid and Upscale Hotels Revenues Contribution Increased by 9pts to 50%

*Revenue Growth, 2017-2018*

(in RMB millions)

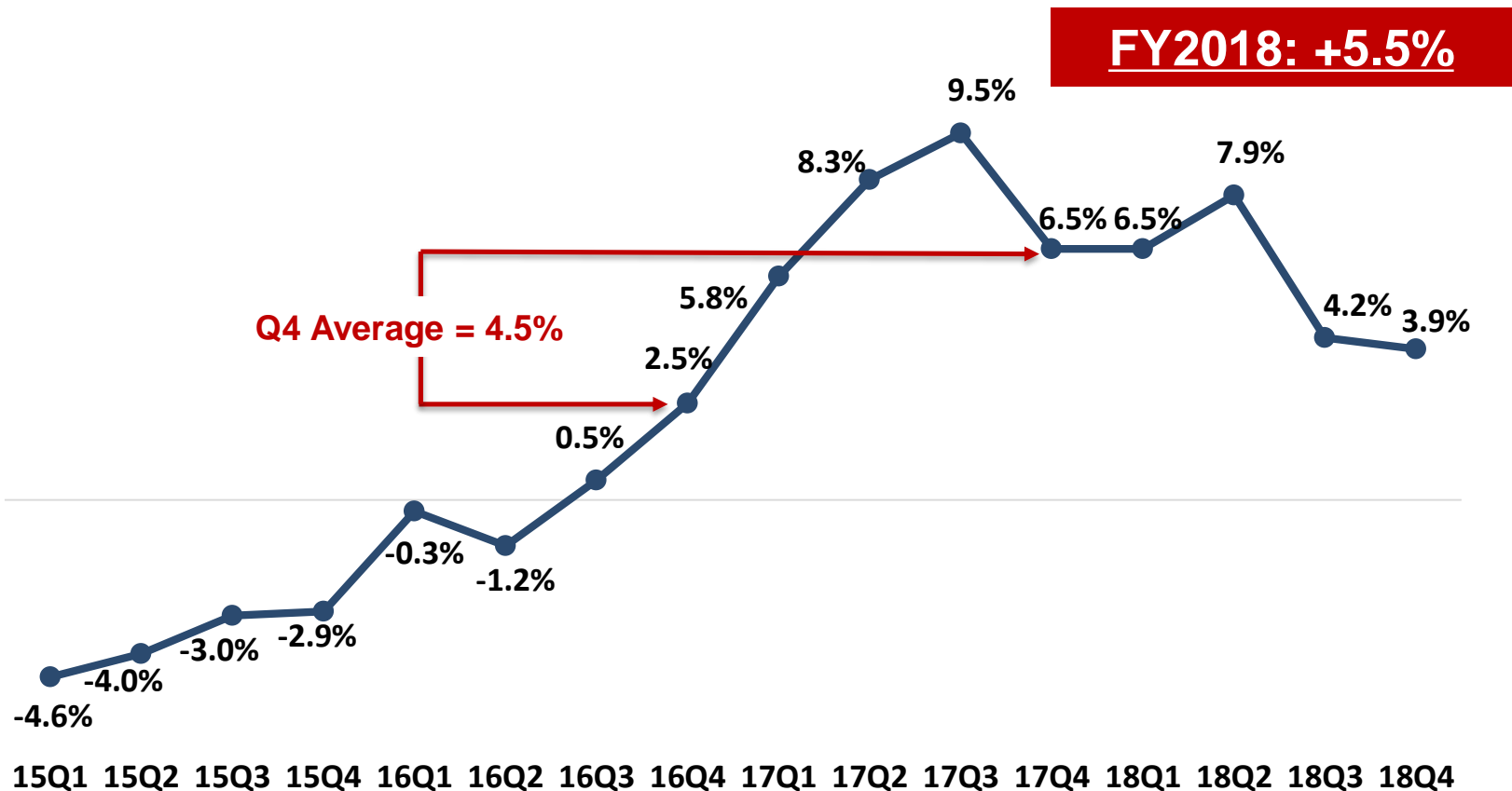


*Revenue breakdown, 2018*



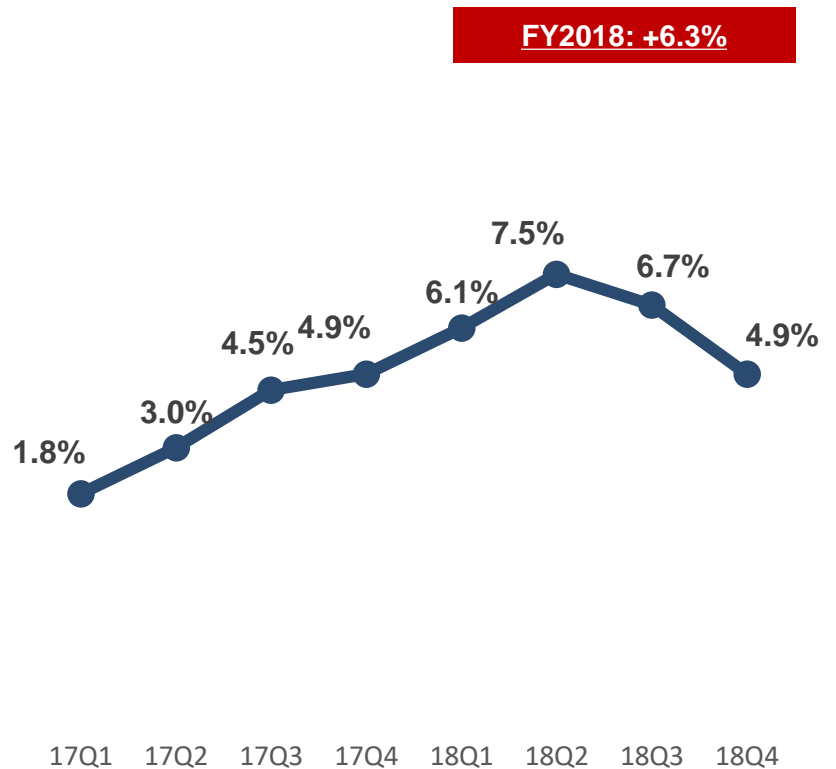
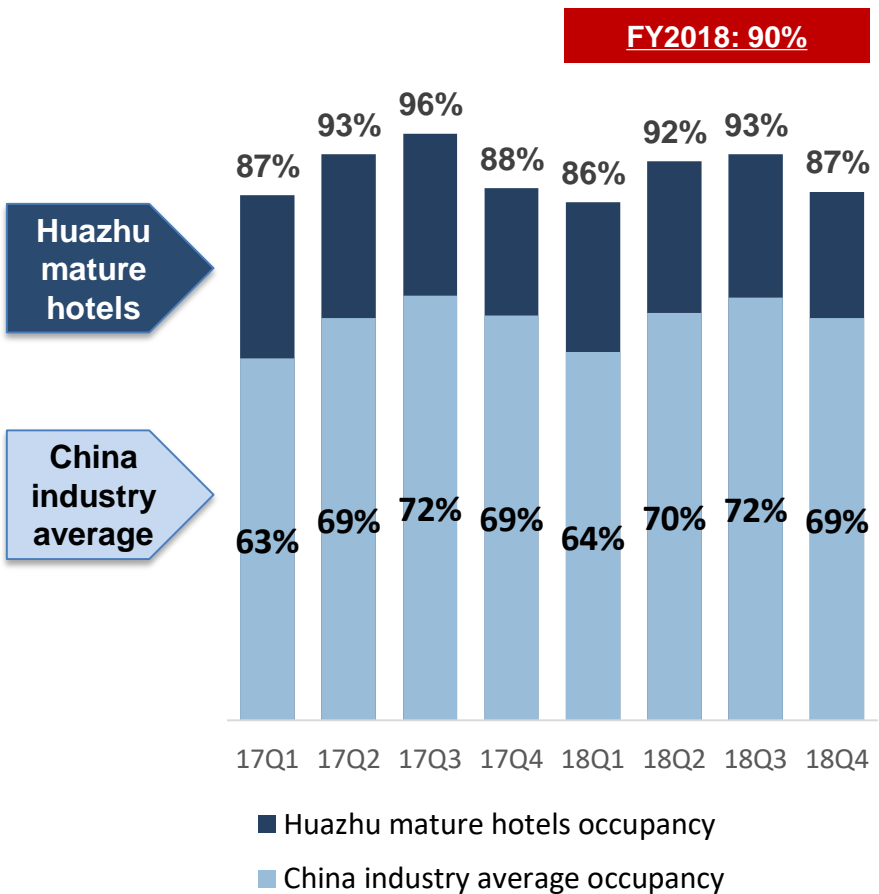
# Group Same-hotel RevPAR Growth Reached 3.9% in Q4'18 and 5.5% in FY 2018

## Quarterly Group Same-hotel RevPAR Growth



## Mature Hotels Occupancy

## Same-hotel ADR Growth

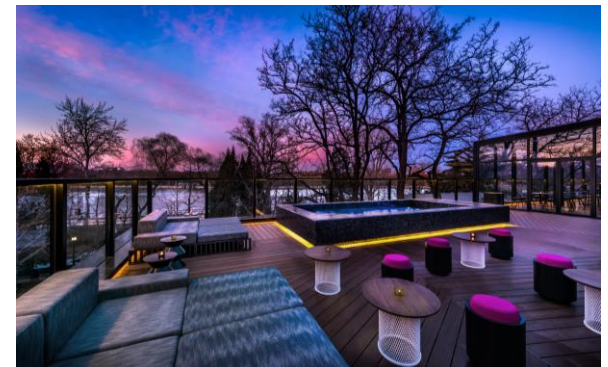


Source: STR China, quarterly data based on average of monthly data

# Strategic Acquisition of Blossom Hill Hotels and Resorts



- Positioned as an **upscale lifestyle and resort** brand
- To showcase new urban hotels at **downtown landmark in Shanghai and Beijing** in 2019
- To convert VUE Hotel, Beijing Hou Hai to Blossom Hill





- **Fast Expansion in Hotel Network**
- **Innovative Application of Technologies to Improve Guest Experience and Operational Efficiency**
- **Steady Progress in Upscale Segment**

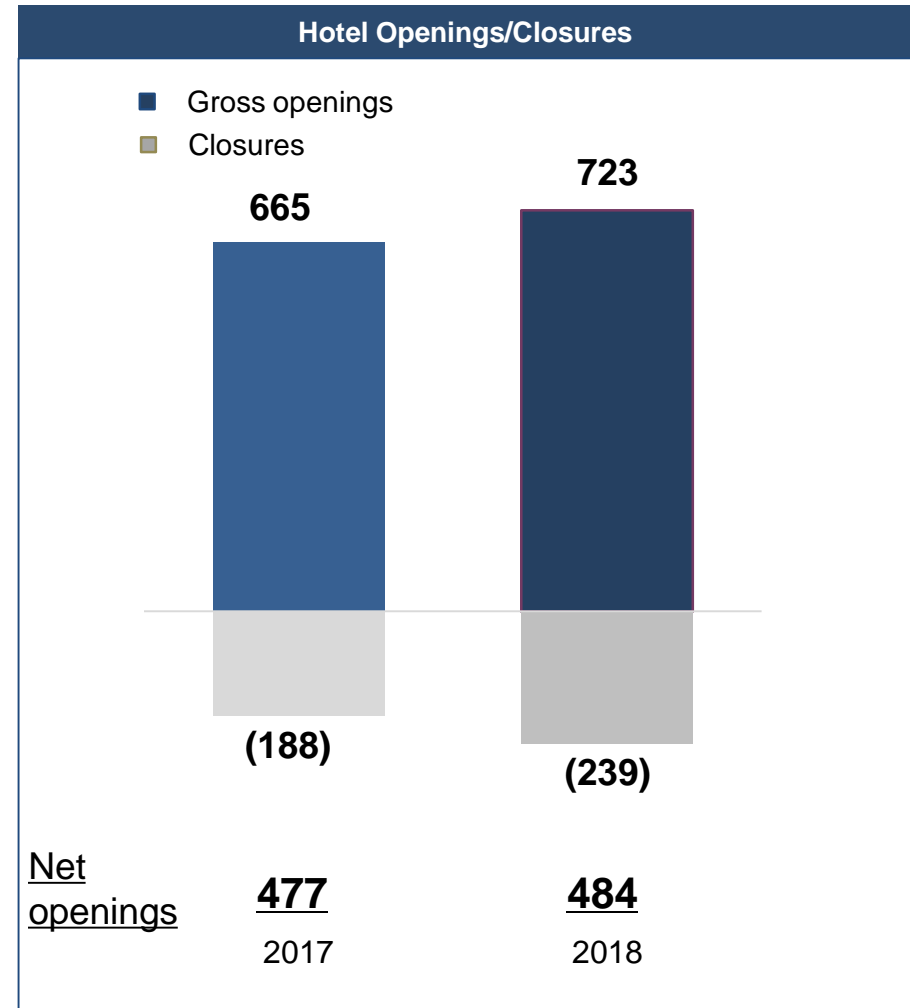
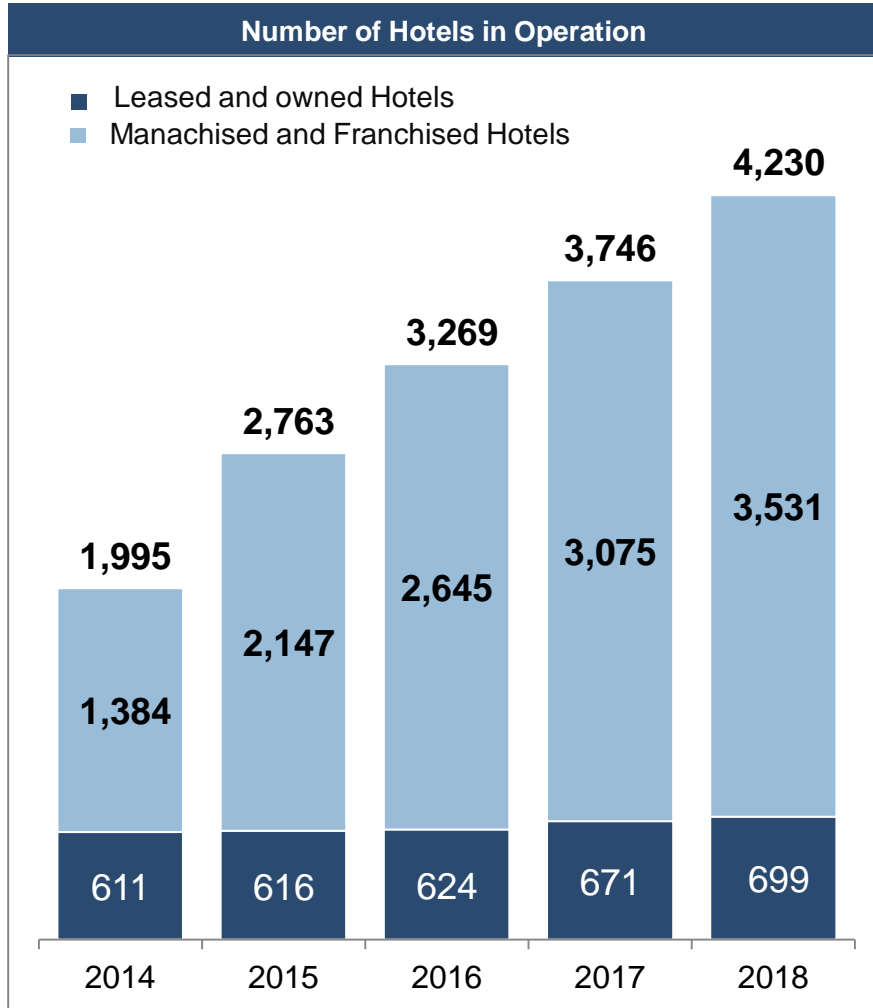
Strategy Review

**Operational and Financial Review**

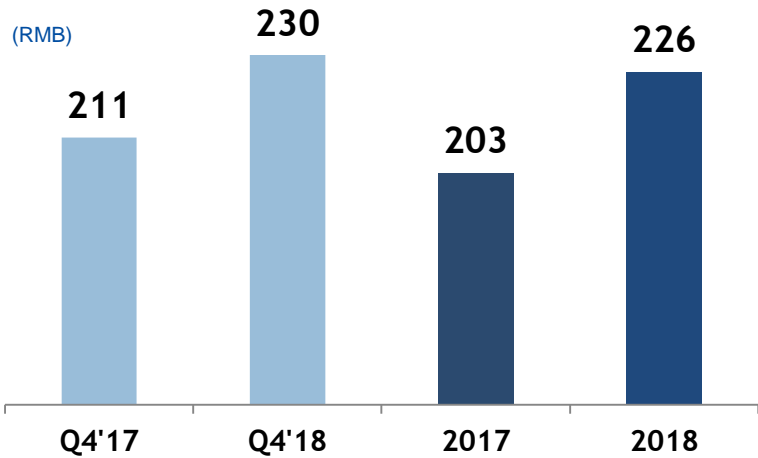
Q & A

Appendix

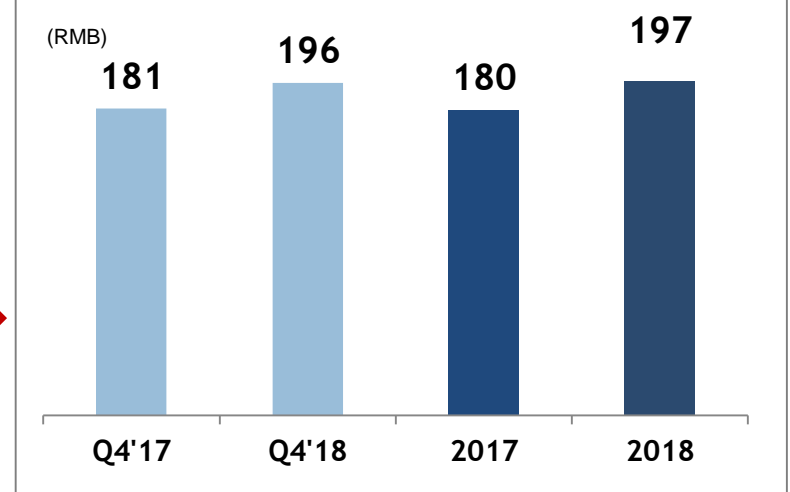
# New Hotel Openings - 2 Hotels per Day in 2018



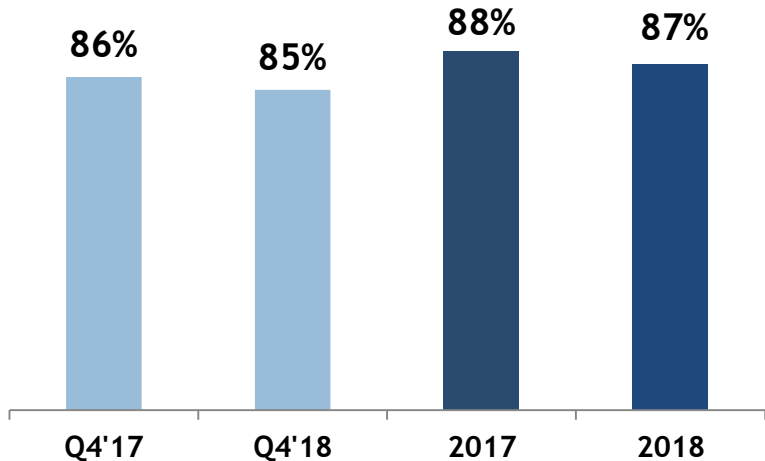
ADR Grew 9.2% in Q4'18 and 11.2% in '18



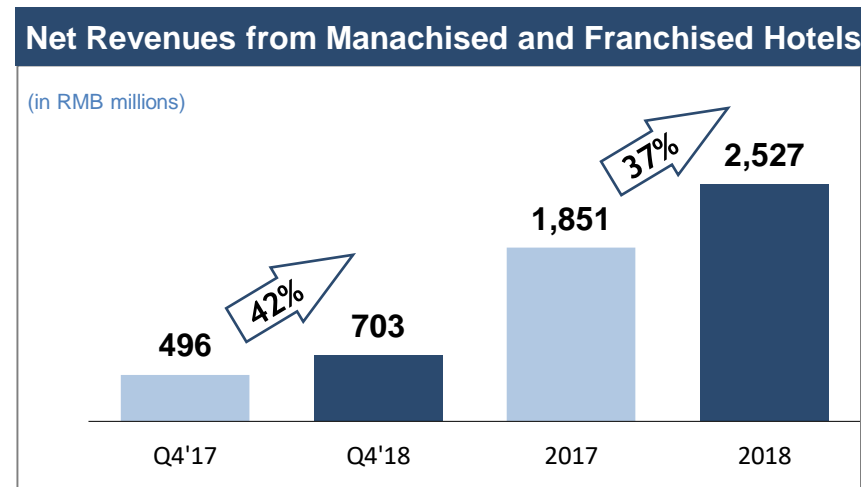
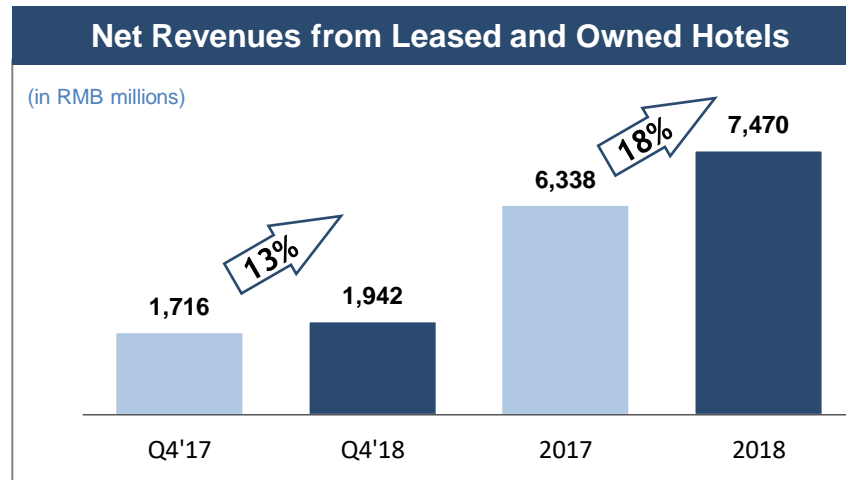
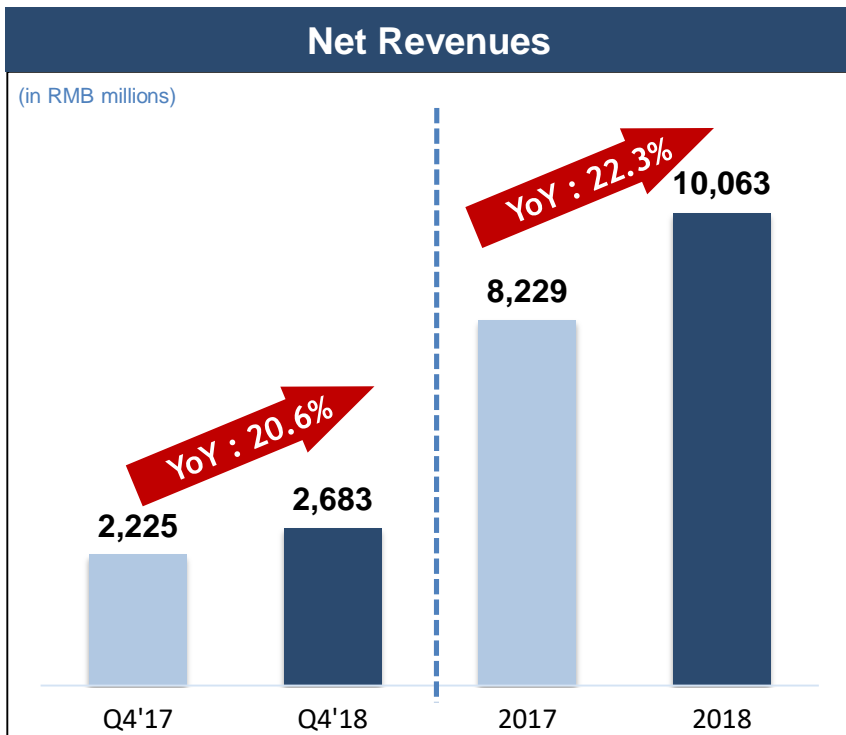
RevPAR Increased 8.1% in Q4'18 and 10.0% in '18



Occupancy Dropped 0.9 pp in Q4'18 and 1.0 pp in '18

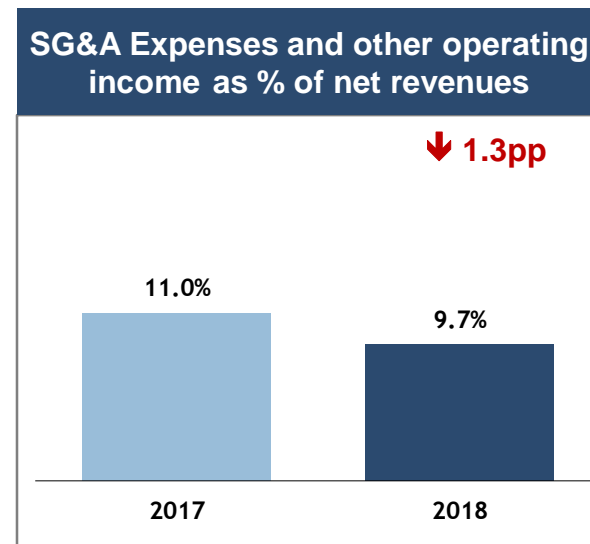
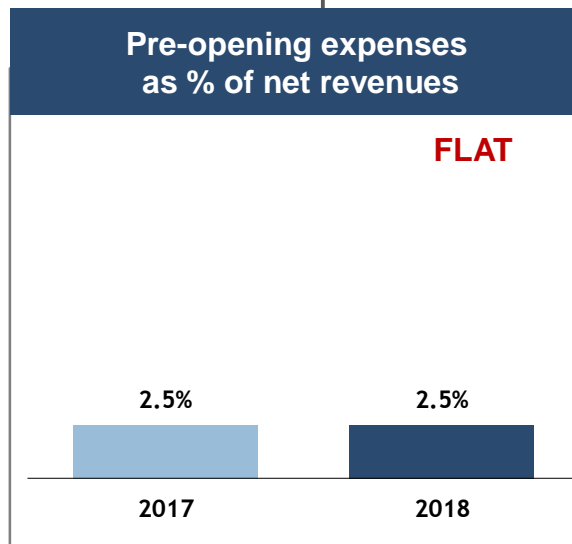
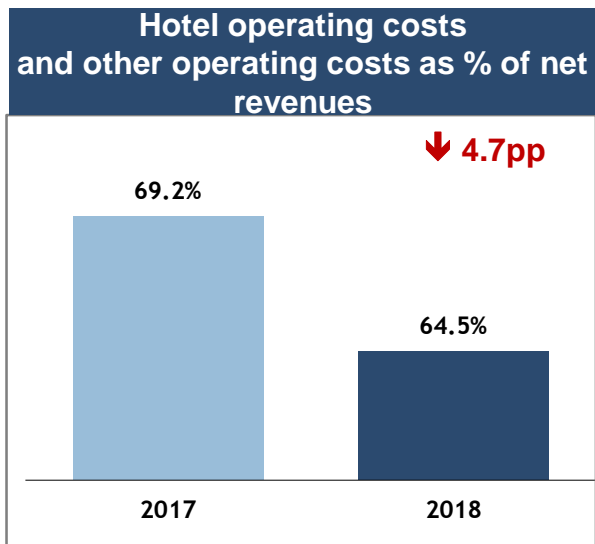
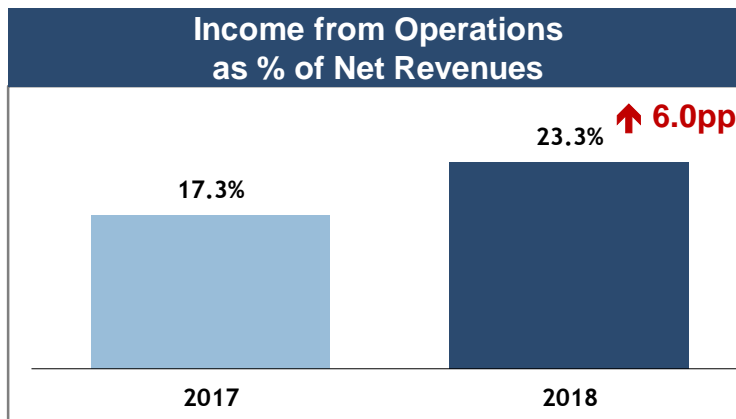


# Net Revenues: Q4 +20.6%, FY +22.3%, Exceeding High-end of Guidance (18%-22%)



Net Manachised and Franchised Hotels Revenue  
as % of Net Revenues

Q4'17	Q4'18	2017	2018
22.3%	26.2%	22.5%	25.1%

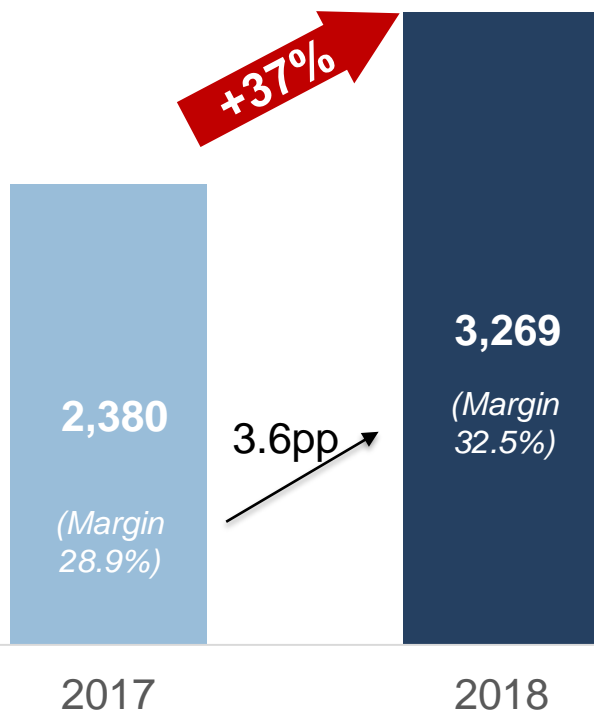


# Strong Core Earnings Growth and Margin Expansion

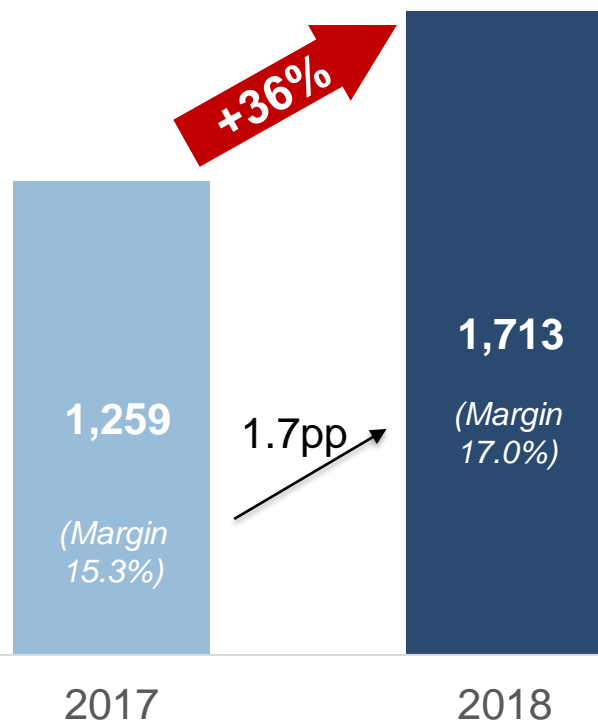
## Profit Growth

(in RMB millions)

### Adjusted EBITDA



### Adjusted Net Income



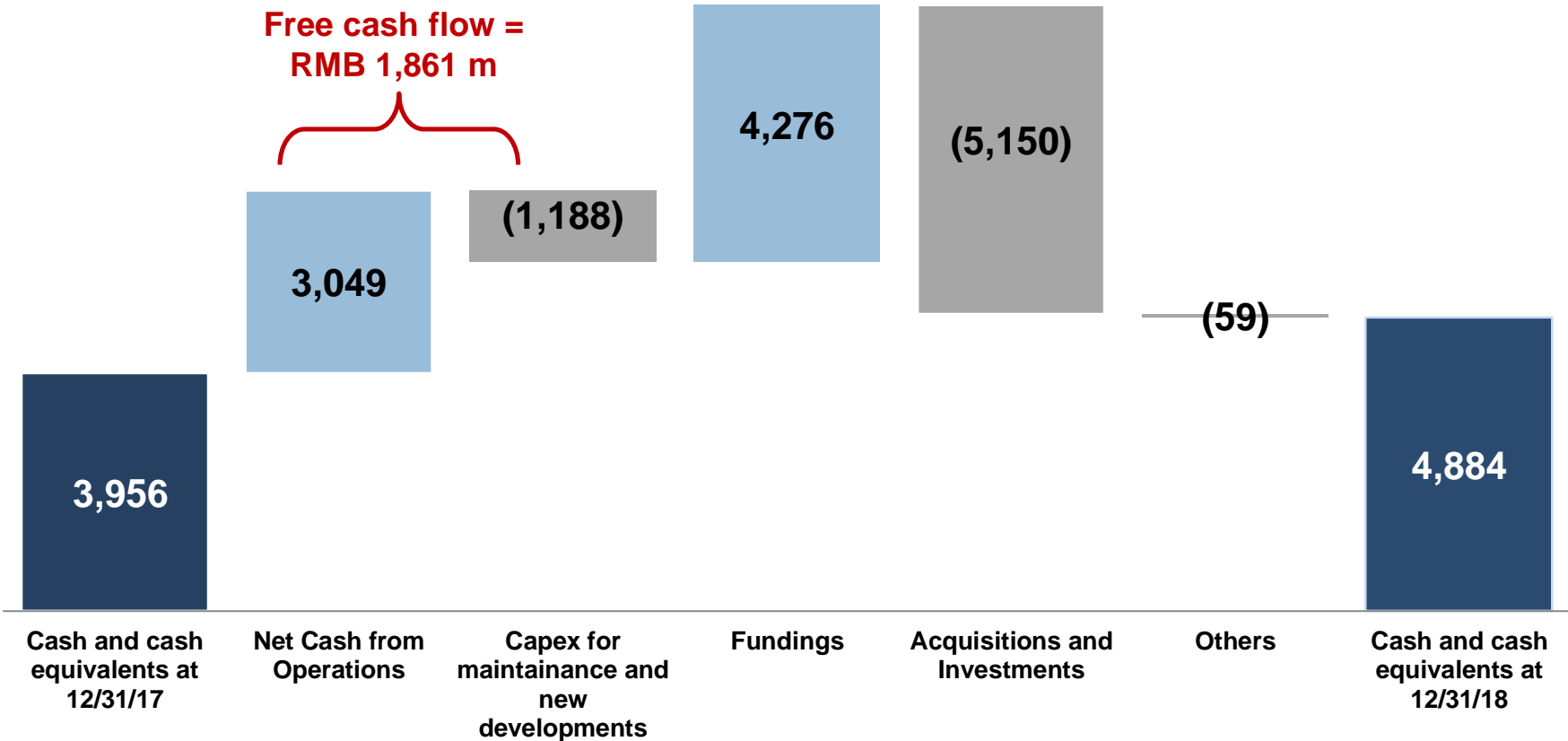
**Notes:**

The non-GAAP adjustment included the unrealized loss from the fair value changes in equity securities and share-based compensation.

# Strong Cash Balances Support Hotel Expansion and Capital Investments

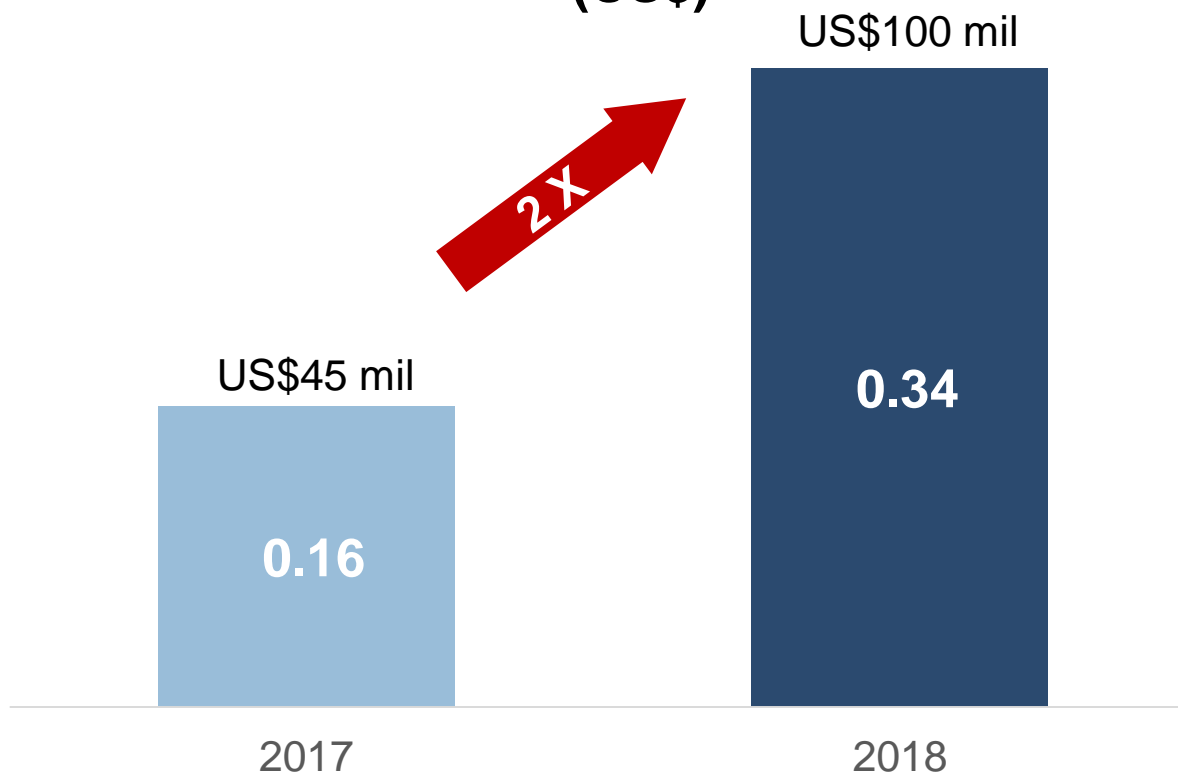
## Abundant Funding Resource for Expansion

(in RMB millions)





### Cash Dividend Per Ordinary Share (US\$)



Note: Dividend declared in 2018 was paid in January 2019

Item	Impacts
Balance Sheet	Material amount of lease liabilities and Right of Use (“ROU”) assets will be added to the balance sheets ROU assets: RMB19~22 billion Lease liabilities: RMB20~23 billion
Income Statement	No major change on recognition of expense on income statement
Cash Flow Statement	No change

- US GAAP new standards on lease accounting effective from January 1<sup>st</sup>, 2019
- Historical financial statements will not be restated
- $ROU \text{ assets} = \text{Lease liabilities} + \text{Prepaid Rental} - \text{Deferred Rent} - \text{Accrued Rental}$
- Lease liabilities is the net present value of all future lease payments

## Hotel Openings

- Gross opening of 800-900 hotels, about 75% of new hotels under mid- and up-scale brands
- To close about 200 hotels

## Revenue Guidance

- Q1'19 net revenues to grow 13%-15%
- Full year 2019 net revenues to grow 15%-17%

# Agenda

Strategy Review

Operational and Financial Review

Q & A

Appendix

Strategy Review

Operational and Financial Review

Q & A

Appendix

# 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		
	2017	2018	2017	2018	yoy change	2017	2018	yoy change	2017	2018	yoy change
<b>Economy hotels</b>	2,406	2,406	141	150	6.4%	160	170	6.1%	88.0%	88.2%	0.2%
Leased and owned hotels	477	477	147	160	8.7%	169	182	7.6%	87.3%	88.1%	0.9%
Manachised and franchised hotels	1,929	1,929	139	147	5.6%	157	166	5.6%	88.3%	88.2%	0.0%
<b>Midscale and upscale hotels</b>	407	407	215	229	6.5%	279	293	5.0%	76.9%	78.0%	1.0%
Leased hotels	94	94	264	281	6.3%	320	335	4.9%	82.6%	83.7%	1.1%
Manachised and franchised hotels	313	313	193	205	6.4%	259	272	5.0%	74.4%	75.4%	1.0%
<b>Total</b>	2,813	2,813	155	165	6.5%	181	192	6.1%	85.9%	86.2%	0.3%

	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		
	2017	2018	2017	2018	yoy change	2017	2018	yoy change	2017	2018	yoy change
<b>Economy hotels</b>	2,406	2,406	161	174	8.0%	172	186	8.1%	94.0%	93.8%	-0.1%
Leased hotels	459	459	168	189	12.2%	182	201	10.3%	92.2%	93.8%	1.7%
Manachised and franchised hotels	1,947	1,947	159	170	6.6%	168	181	7.4%	94.5%	93.8%	-0.7%
<b>Midscale and upscale hotels</b>	460	460	251	269	7.2%	297	312	4.8%	84.3%	86.3%	2.0%
Leased and owned hotels	100	100	313	332	6.1%	345	365	5.5%	90.6%	91.2%	0.5%
Manachised and franchised hotels	360	360	226	243	7.8%	276	289	4.5%	81.8%	84.3%	2.5%
<b>Total</b>	2,866	2,866	180	194	7.9%	196	210	7.5%	92.0%	92.2%	0.3%

	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		
	2017	2018	2017	2018	yoy change	2017	2018	yoy change	2017	2018	yoy change
<b>Economy hotels</b>	2,425	2,425	178	185	4.1%	182	196	7.2%	97.6%	94.8%	-2.8%
Leased hotels	450	450	182	197	8.3%	192	208	8.5%	94.6%	94.4%	-0.2%
Manachised and franchised hotels	1,975	1,975	177	182	2.9%	180	192	6.7%	98.4%	94.9%	-3.5%
<b>Midscale and upscale hotels</b>	483	483	272	284	4.3%	308	323	5.0%	88.4%	87.8%	-0.5%
Leased and owned hotels	101	101	326	339	4.1%	356	374	5.1%	91.7%	90.8%	-0.9%
Manachised and franchised hotels	382	382	250	262	4.4%	288	302	4.9%	87.1%	86.7%	-0.4%
<b>Total</b>	2,908	2,908	199	207	4.2%	208	222	6.7%	95.5%	93.2%	-2.3%

	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		
	2017	2018	2017	2018	yoy change	2017	2018	yoy change	2017	2018	yoy change
<b>Economy hotels</b>	2,454	2,454	157	164	4.1%	174	183	5.3%	90.5%	89.4%	-1.1%
Leased hotels	440	440	165	177	7.7%	186	198	6.7%	88.6%	89.4%	0.8%
Manachised and franchised hotels	2,014	2,014	155	160	3.0%	171	179	4.8%	91.0%	89.4%	-1.6%
<b>Midscale and upscale hotels</b>	526	526	255	264	3.7%	311	322	3.9%	82.1%	82.0%	-0.1%
Leased and owned hotels	105	105	316	325	3.0%	367	384	4.4%	86.0%	84.8%	-1.2%
Manachised and franchised hotels	421	421	229	238	4.2%	284	295	3.7%	80.4%	80.8%	0.3%
<b>Total</b>	2,980	2,980	182	189	3.9%	206	216	4.9%	88.3%	87.5%	-0.8%

# Hotel Breakdown by Brands

## 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
<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>
HanTing Hotel	1,226	1,648	2,003	2,181	2,244	2,283
Hi Inn	83	158	302	375	396	402
Elan Hotel		13	148	185	226	200
Orange Hotel					8	7
<b>Midscale hotels and upscale hotels</b>	<b>116</b>	<b>176</b>	<b>310</b>	<b>528</b>	<b>872</b>	<b>1,338</b>
Ji Hotel	68	117	186	284	390	553
Starway Hotel	46	55	118	136	174	212
Joya Hotel	1	3	3	6	6	6
Manxin Hotels & Resorts	1	1	2	2	11	24
HanTing Premium Hotel					5	74
ibis Hotel				72	100	137
ibis Styles Hotel				10	13	34
Mercure Hotel			1	15	20	39
Novotel Hotel				2	4	7
Grand Mercure Hotel				1	4	6
Orange Select					103	172
Crystal Orange					42	56
Blossom Hill						18
<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>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>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>

# Room Breakdown by Brands

## 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
<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>
HanTing Hotel	130,747	172,341	205,577	221,157	223,121	220,646
Hi Inn	7,829	12,551	21,340	25,600	26,063	25,403
Elan Hotel		1,067	11,239	13,800	16,120	14,266
Orange Hotel					841	722
<b>Midscale hotels 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>
Ji Hotel	9,106	17,052	27,559	39,664	53,054	72,370
Starway Hotel	4,959	6,321	12,138	13,206	16,914	18,878
Joya Hotel	141	515	515	1,131	1,131	1,250
Manxin Hotels & Resorts	97	108	236	78	1,150	1,901
HanTing Premium Hotel					446	6,656
ibis Hotel				10,251	13,474	16,575
ibis Styles Hotel				1,614	1,841	4,279
Mercure Hotel			239	4,026	4,664	8,510
Novotel Hotel				629	1,697	2,512
Grand Mercure Hotel				191	882	1,304
Orange Selected					12,648	19,863
Crystal Orange					5,629	7,150
Blossom Hill						462
<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>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>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>





华住酒店集团

成就美好生活