

Second Quarter of 2023 Earnings Call

H World Group Limited

(NASDAQ: HTHT and HKEX: 1179)



August 25, 2023

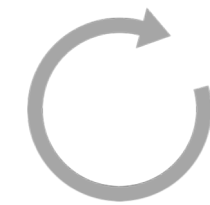
AGENDA

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**23Q2 Business
Update**

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**23Q2 Operational
and Financial
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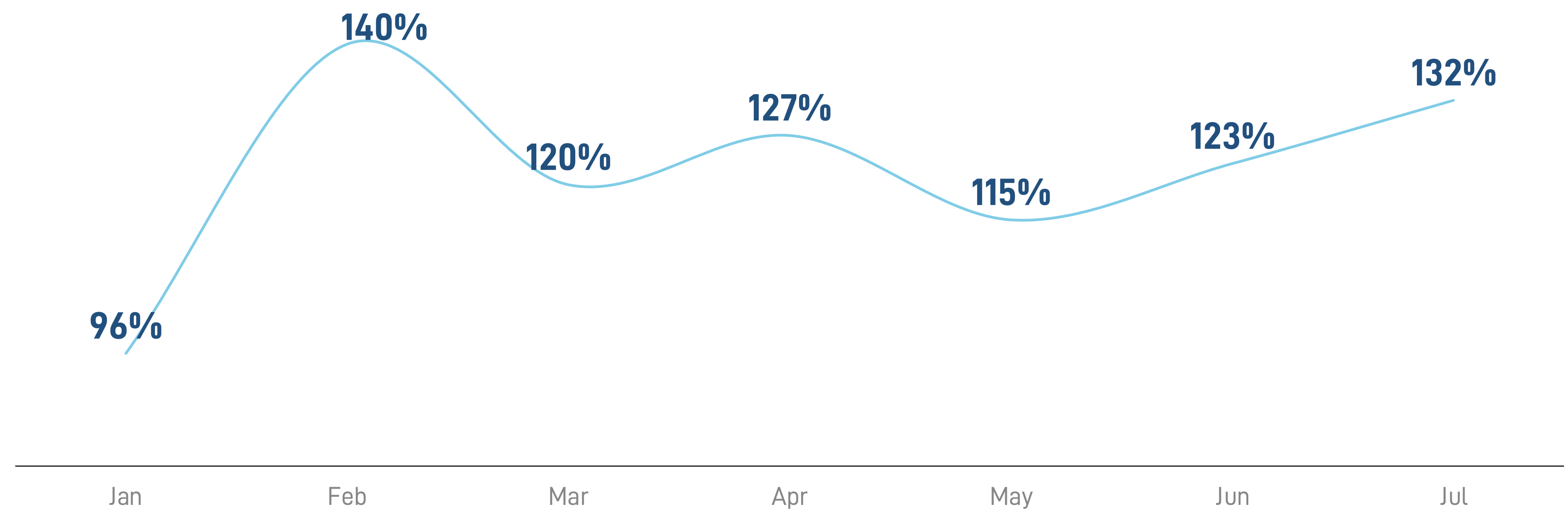
Appendix

Solid RevPAR Recovery in China Sustained

中国二季度RevPAR保持良好的恢复态势

Blended RevPAR in 2023 compared to 2019

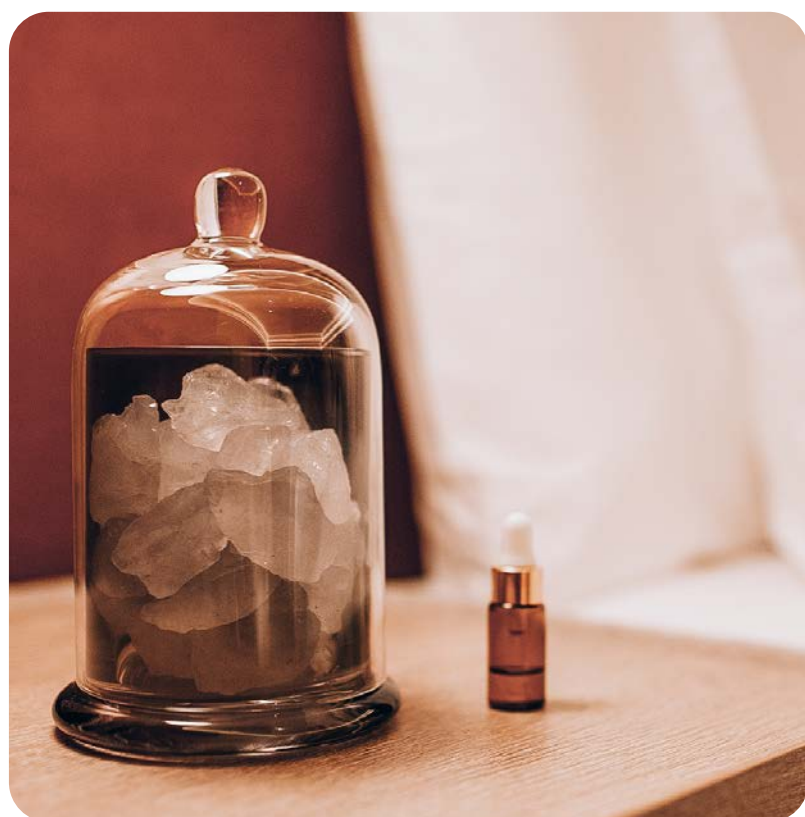
—RevPAR Recovery in 2023



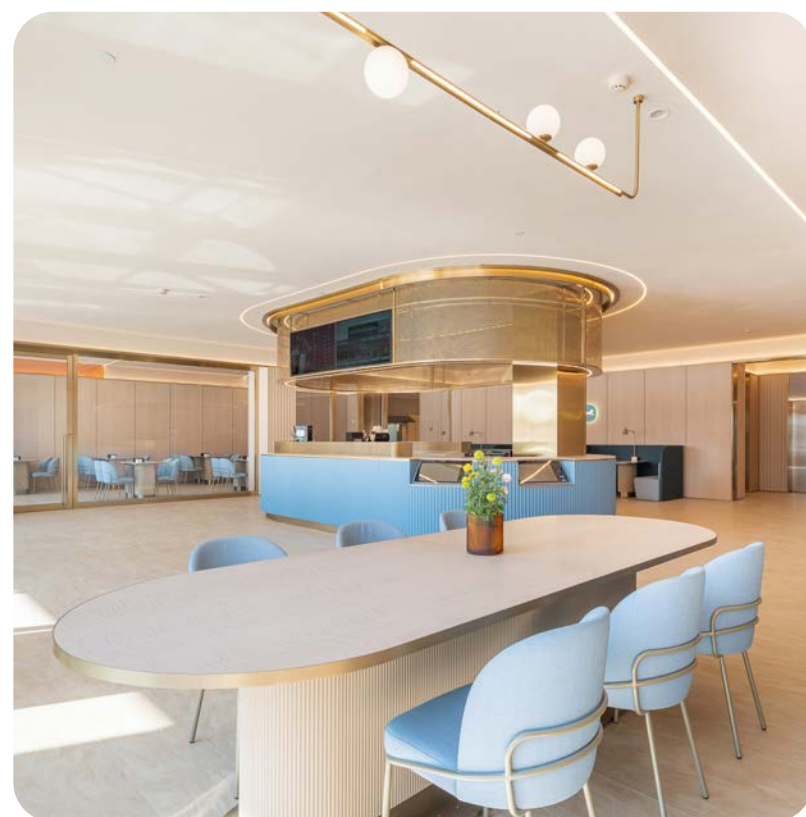
* Numbers in this page refers to Legacy-Huazhu business

Sustainable RevPAR Recovery Driven by...

可持续的RevPAR恢复来源于...



**Continuous
Product & Service
Upgrade**



**Uncovering Opportunities
in Lower Tier Cities
With High Resilience**



**Higher Market Penetration
and Synergy through
Regional Headquarters**



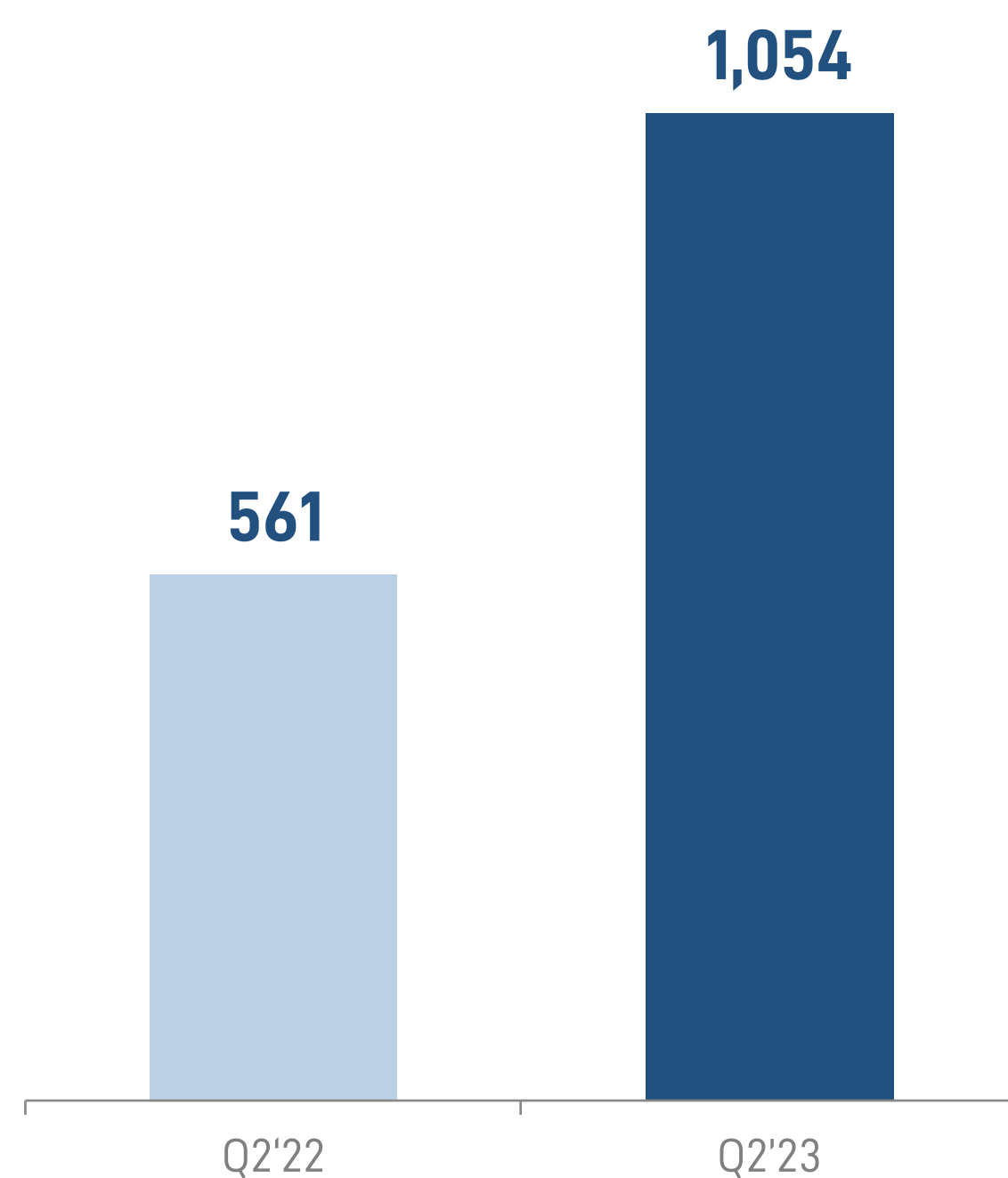
**Upper-midscale
Segment
Development**

Continued Network Expansion in China

酒店网络持续扩张

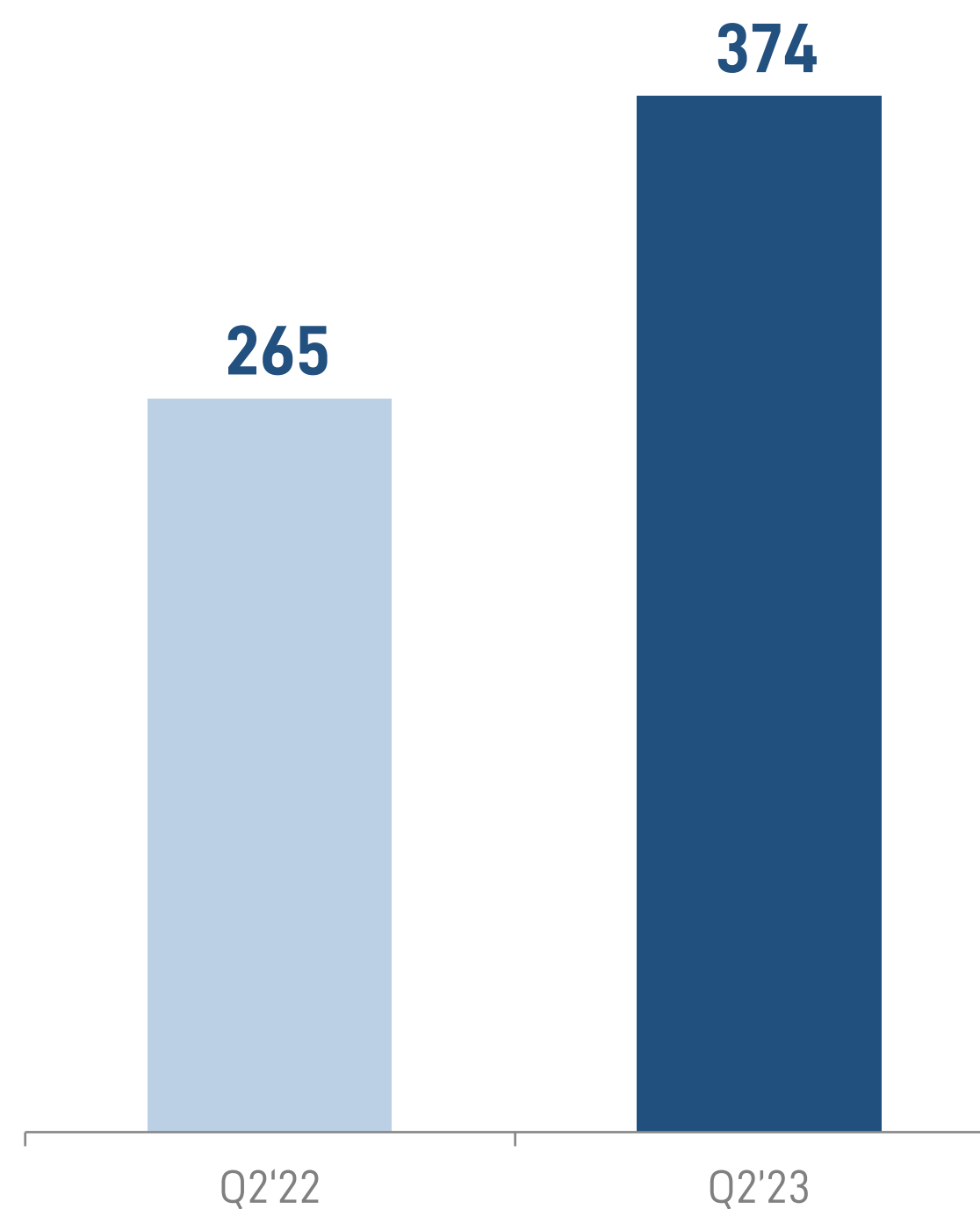
Number of New Signing

Legacy-Huazhu excl. economy soft brand



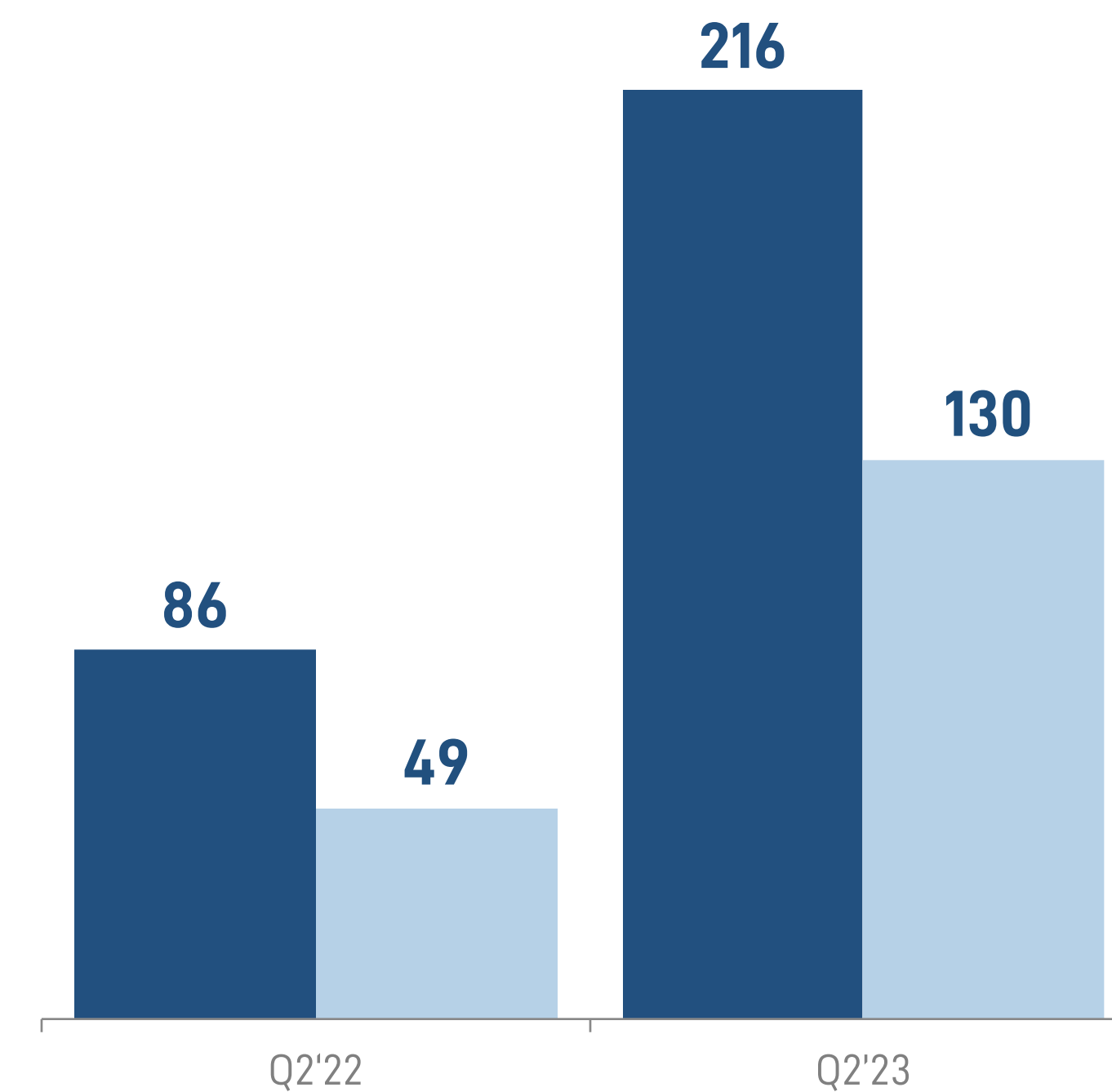
Number of Hotel Opening

Legacy-Huazhu excl. economy soft brand



Number of Hotel Closure

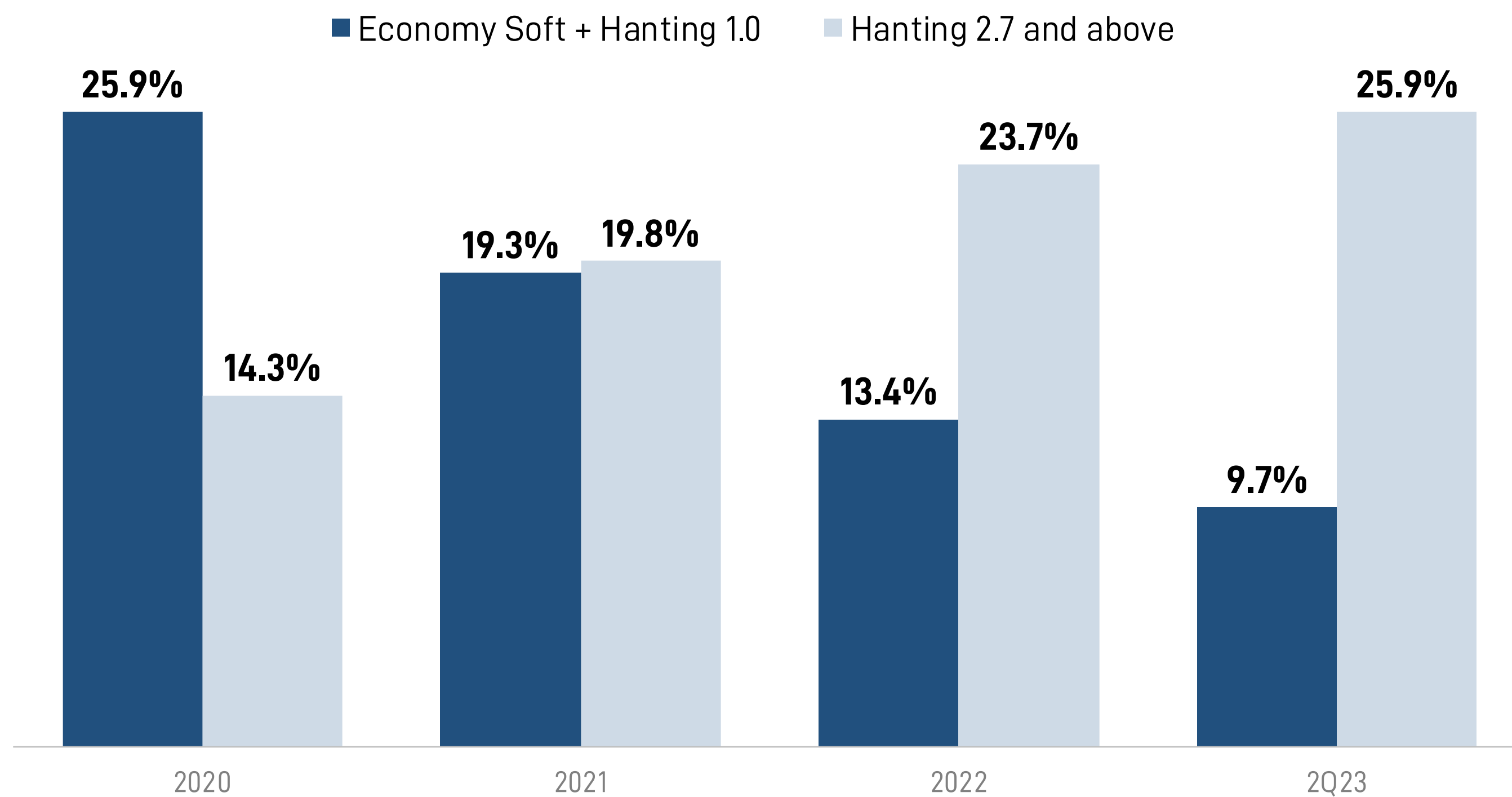
■ Total hotel closure
■ Hotel closure of low quality economy soft brand and Hanting 1.0



Further Enhancement of Our Hotel Quality

持续提升集团整体酒店质量

Proportion of Low Quality Economy Soft Brand and Hanting 1.0 Continue to Decrease



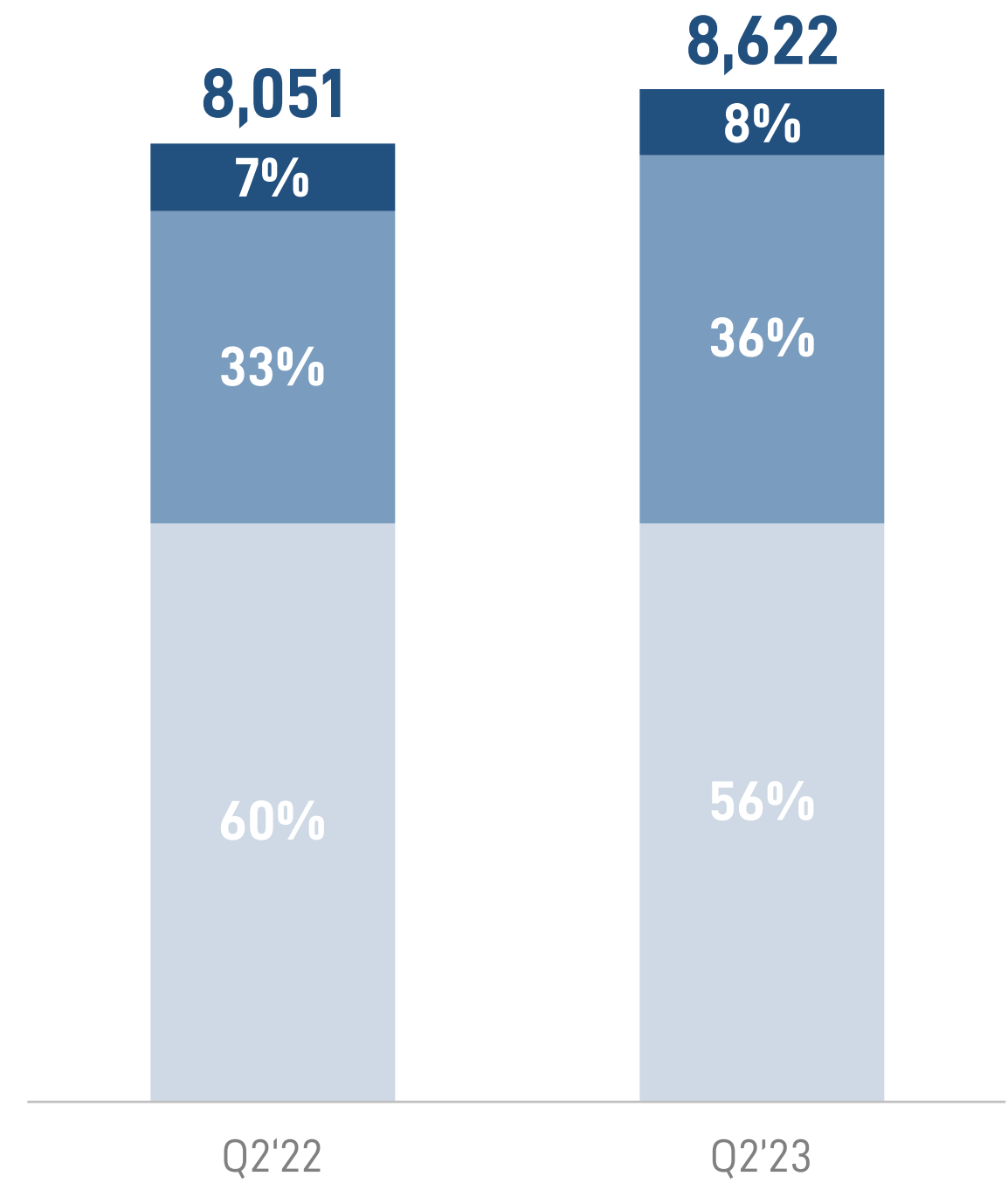
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Economy and Midscale as the Core Products Serving the Mass Market

经济型及中档酒店为核心，服务大众市场

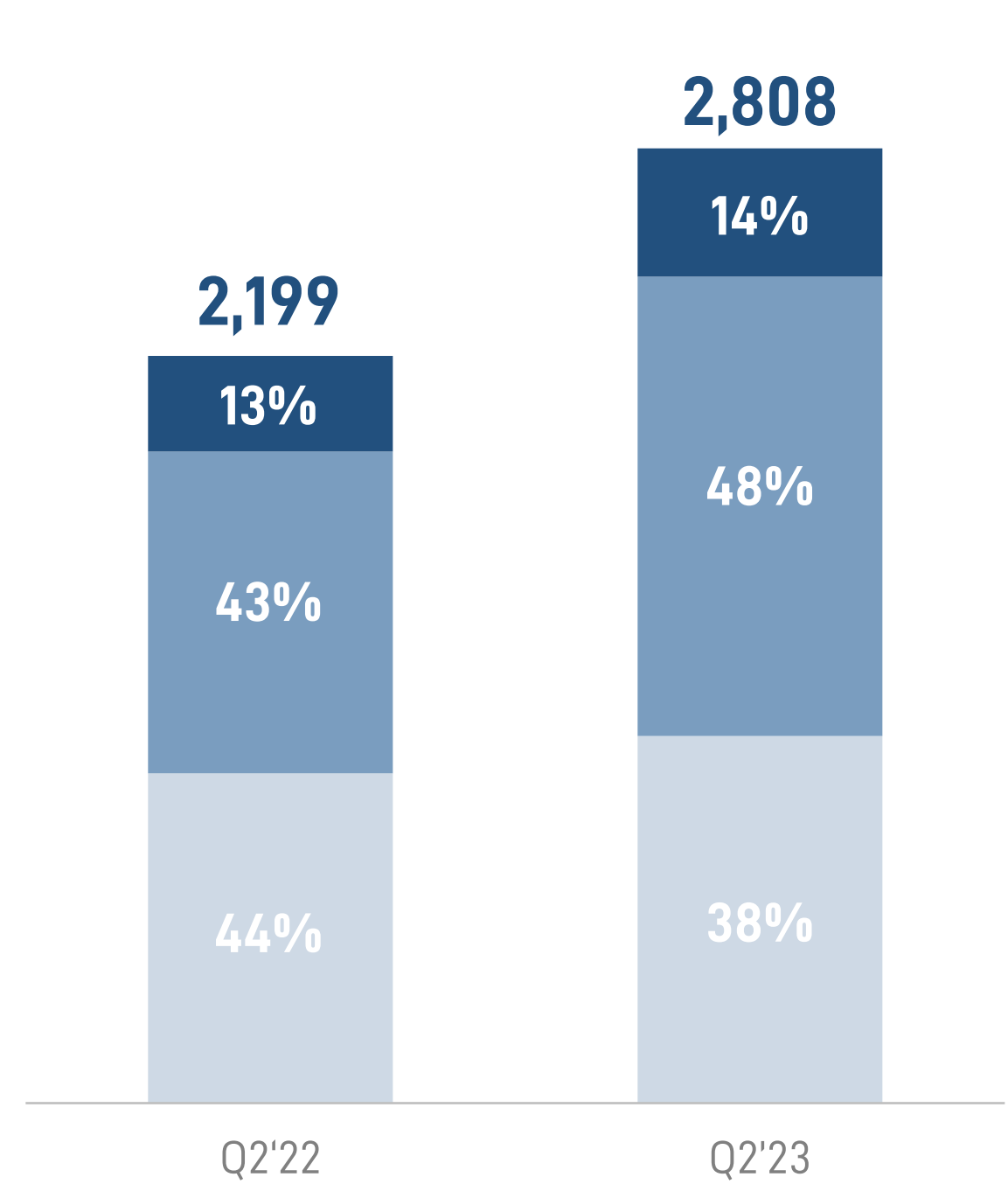
Number of Hotels in Operation (as of Jun 30)

■ Economy ■ Midscale ■ Upper midscale and above



Number of Hotels in Pipeline (as of Jun 30)

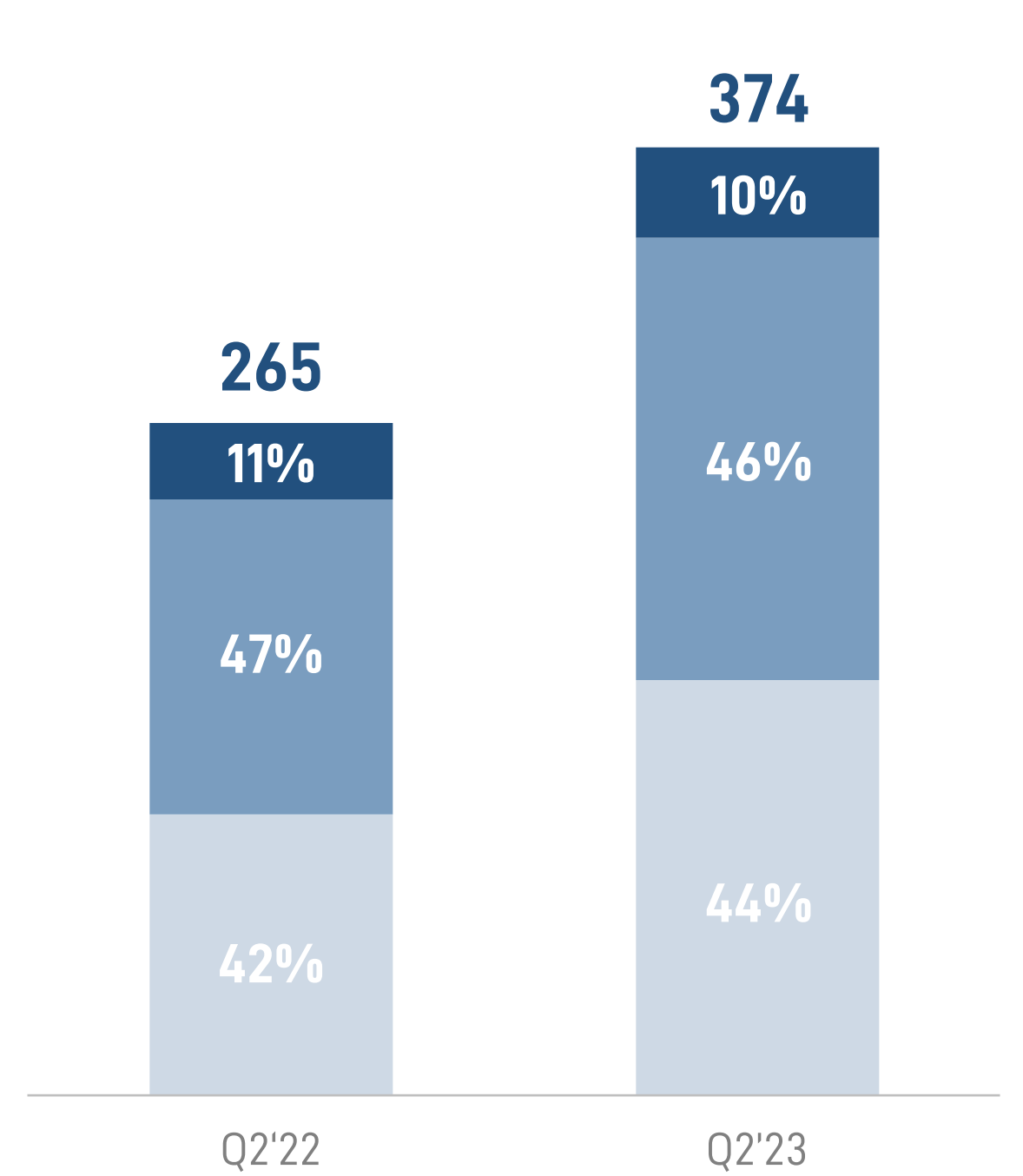
■ Economy ■ Midscale ■ Upper midscale and above



Number of Hotel Opening

Legacy-Huazhu excl. soft economy hotels

■ Economy ■ Midscale ■ Upper midscale and above



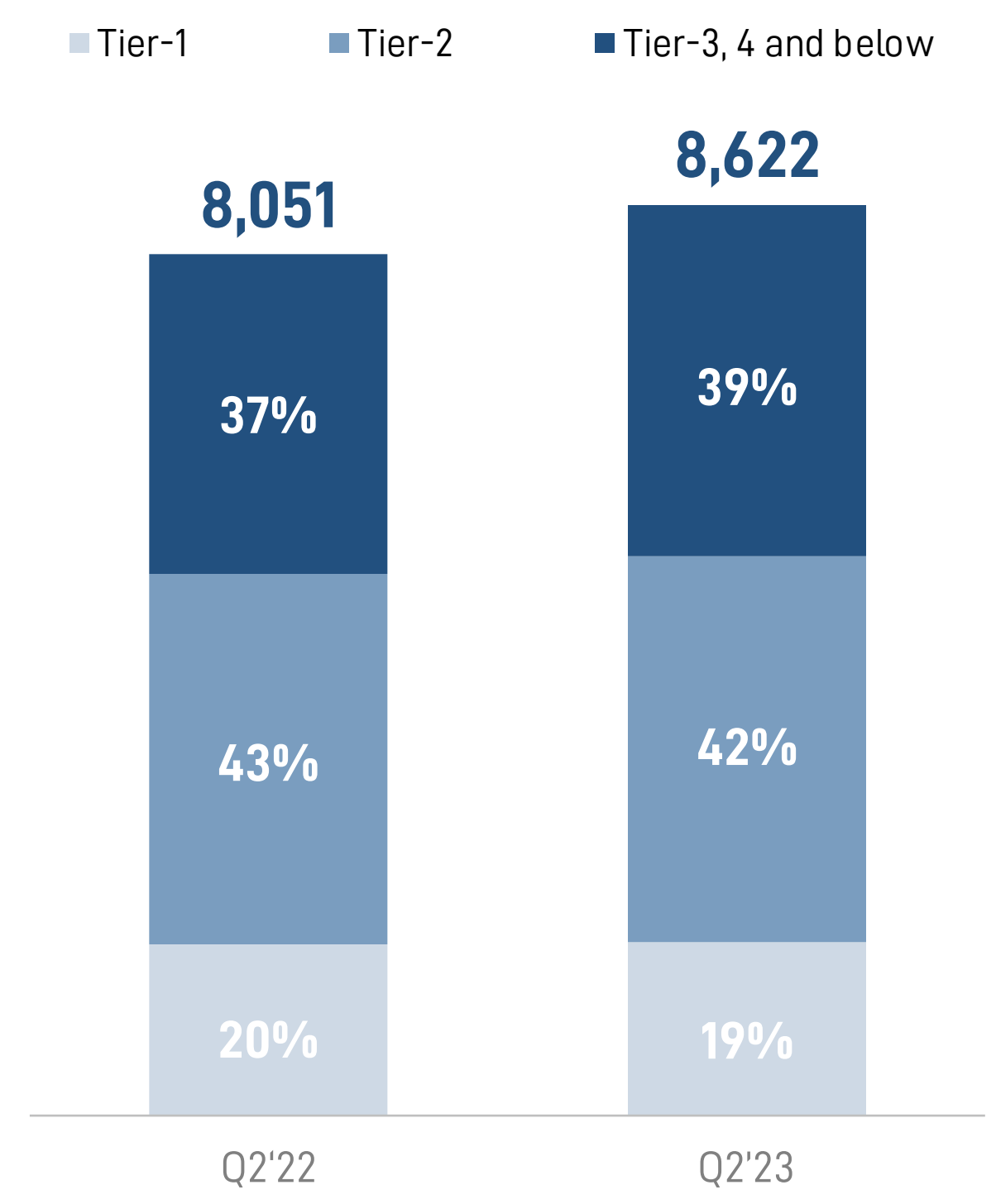
* Numbers in this page refers to Legacy-Huazhu business

Further Penetration to Lower Tier Cities in China

进一步渗透低线城市

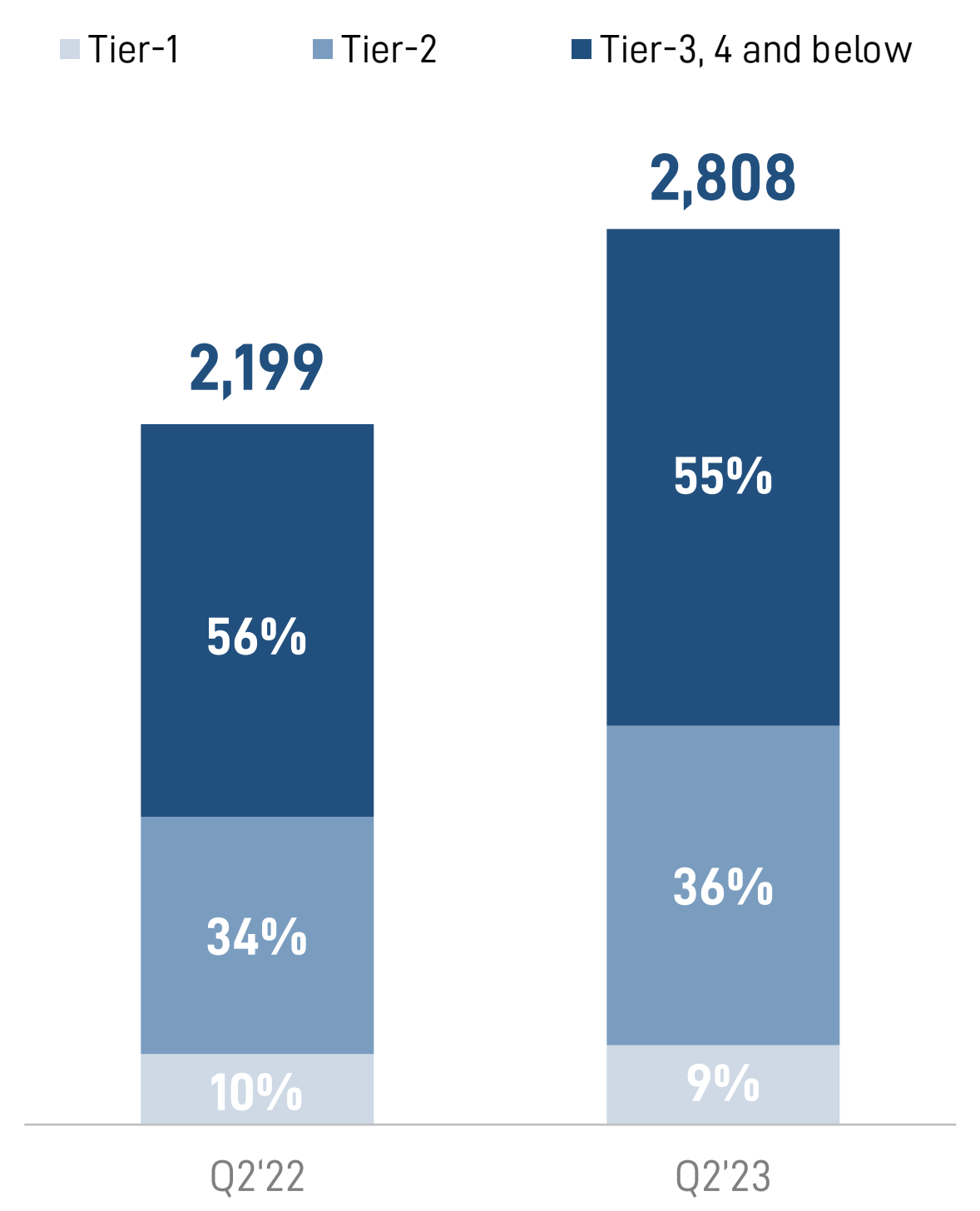
Number of Hotels in Operation

(as of Jun 30)



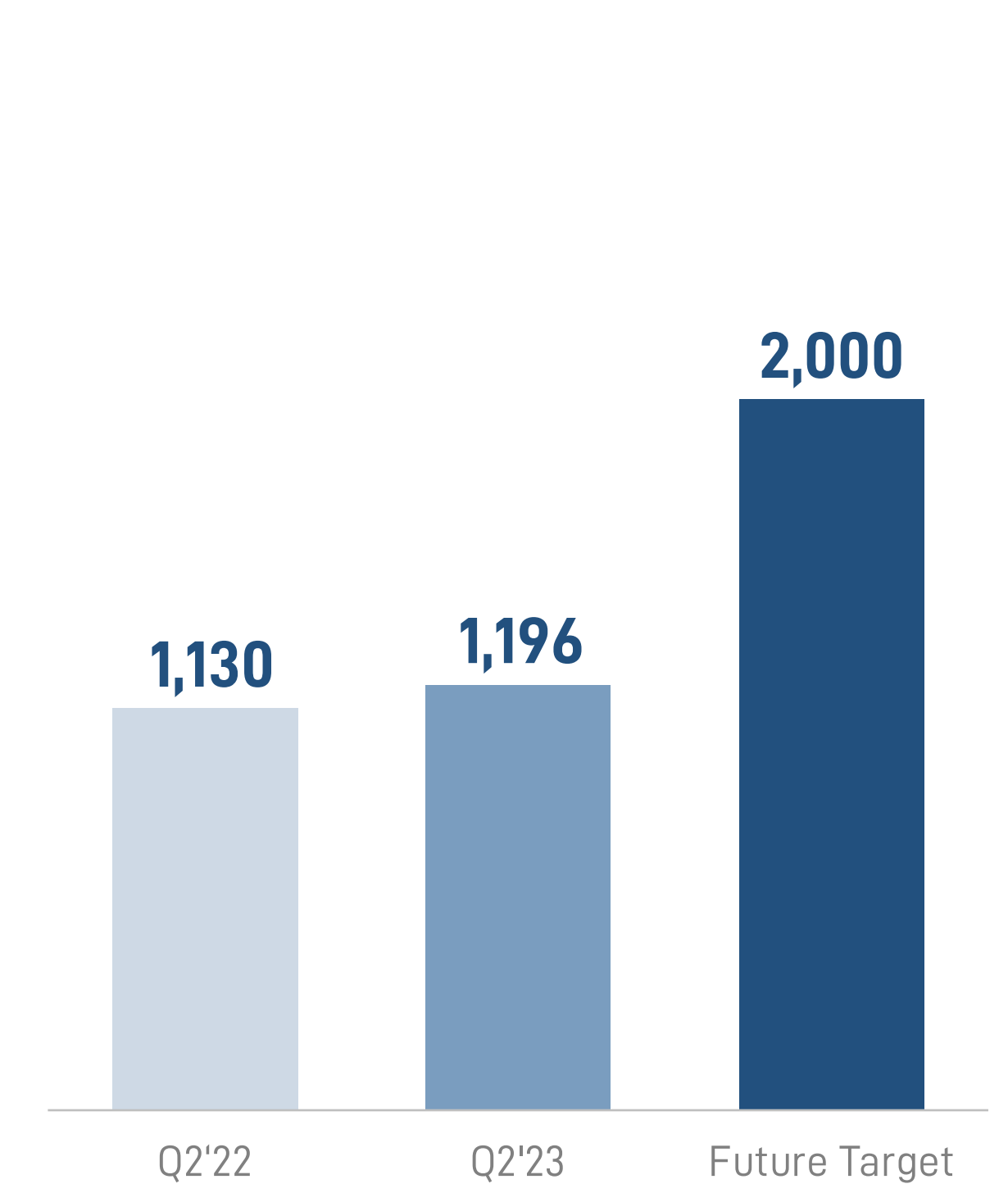
Number of Hotels in Pipeline

(as of Jun 30)



City Coverage

(hotels in operation and in pipeline)

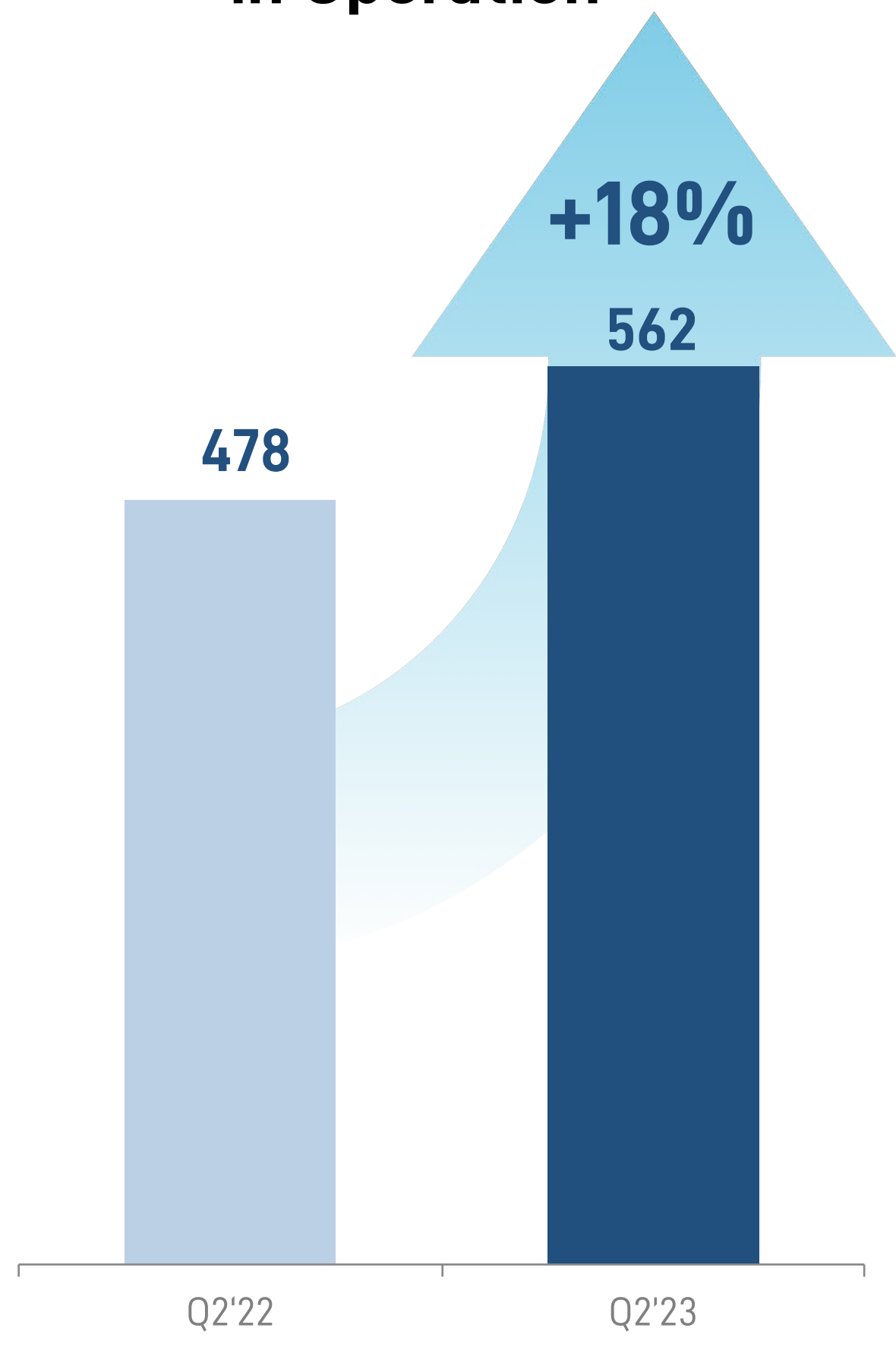


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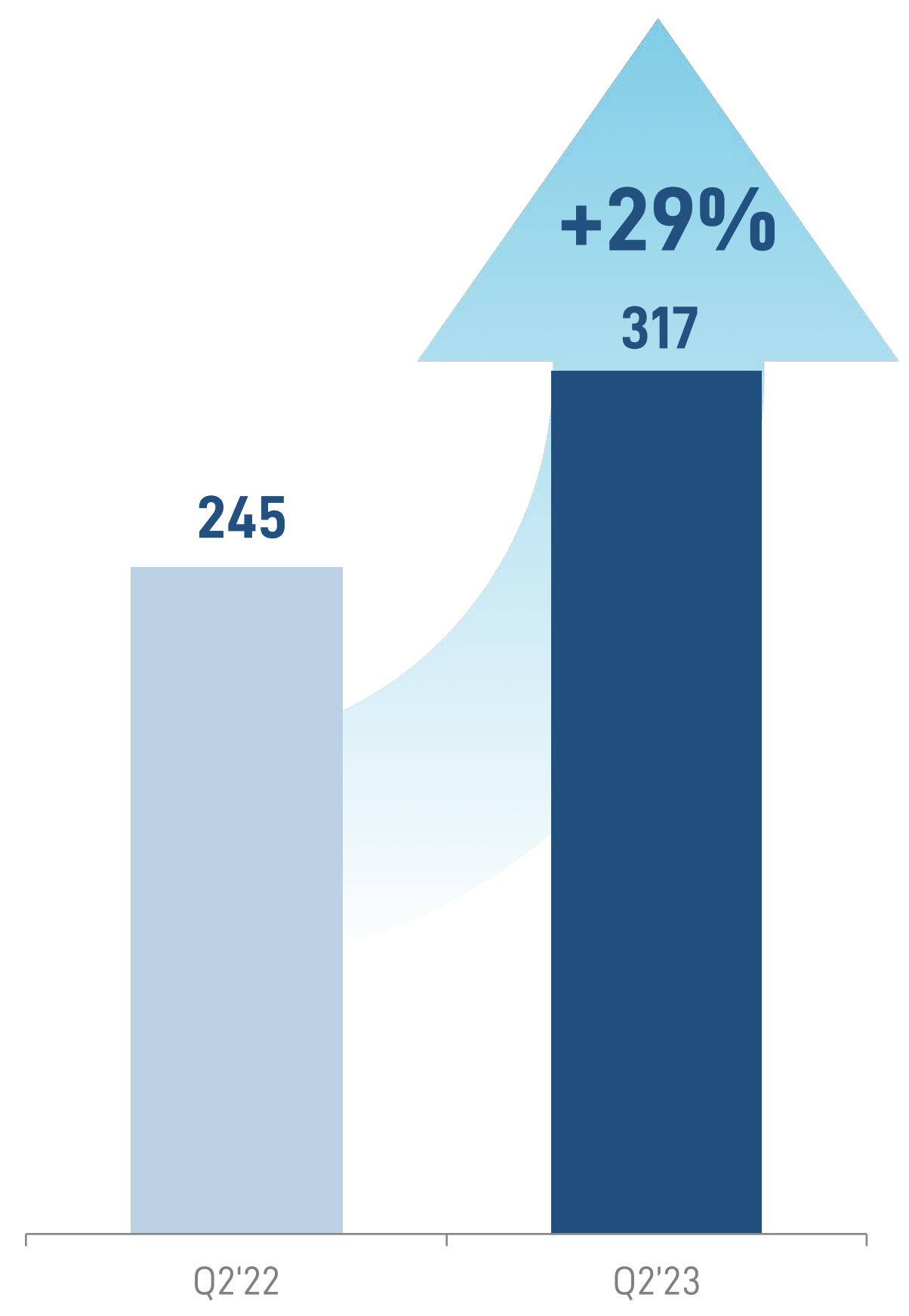
Further Development of Upper-midscale Segment

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

Revamp of H Rewards

华住会品牌重塑

From serving mainly business travel to capturing multi-purpose travel

- Redesign the homepage of H Rewards App
- Introduce Leisure Travel Channel
- Launch Content Channel 2.0



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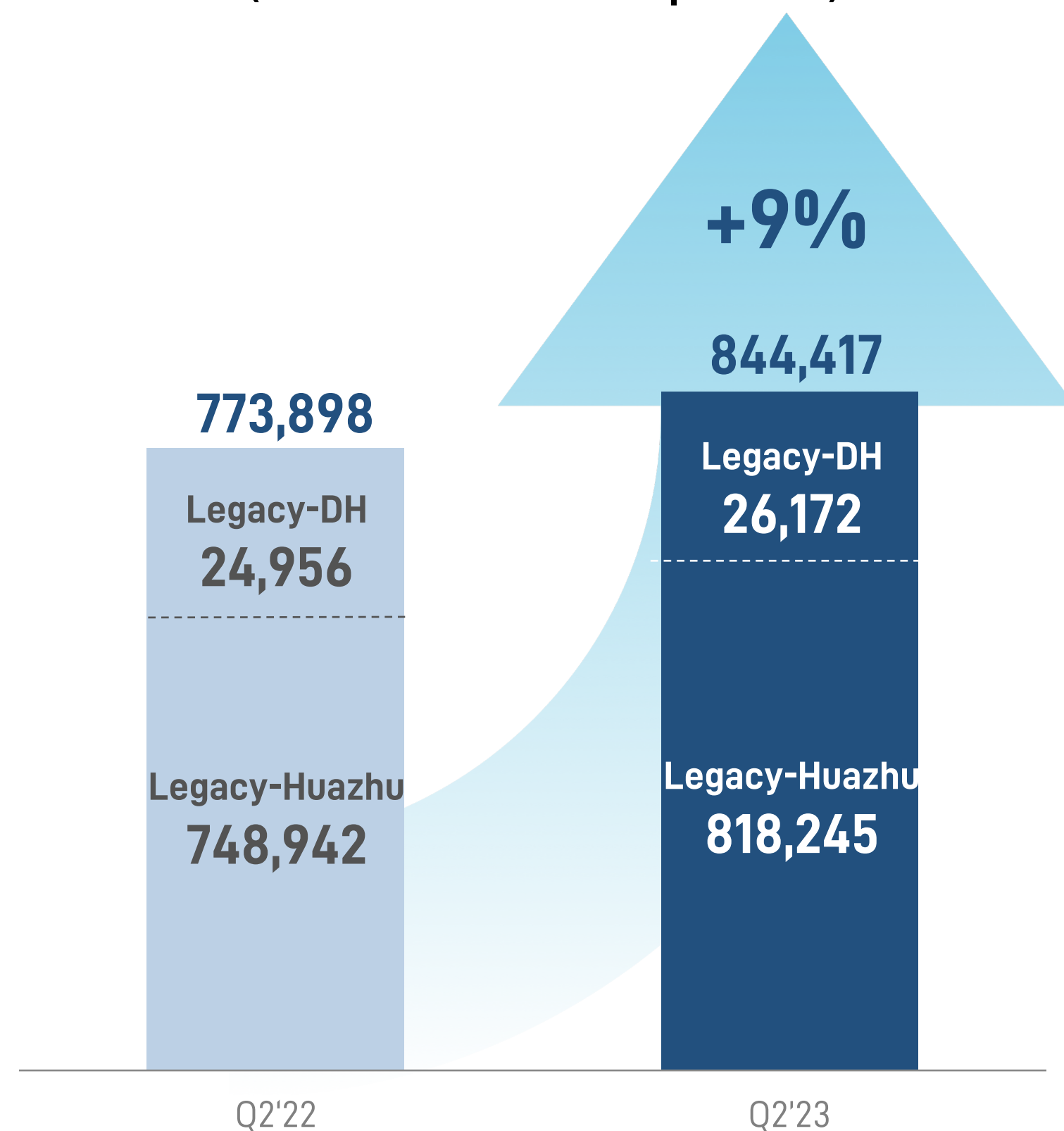
Appendix

Hotel Network Continues to Expand

酒店网络持续扩张

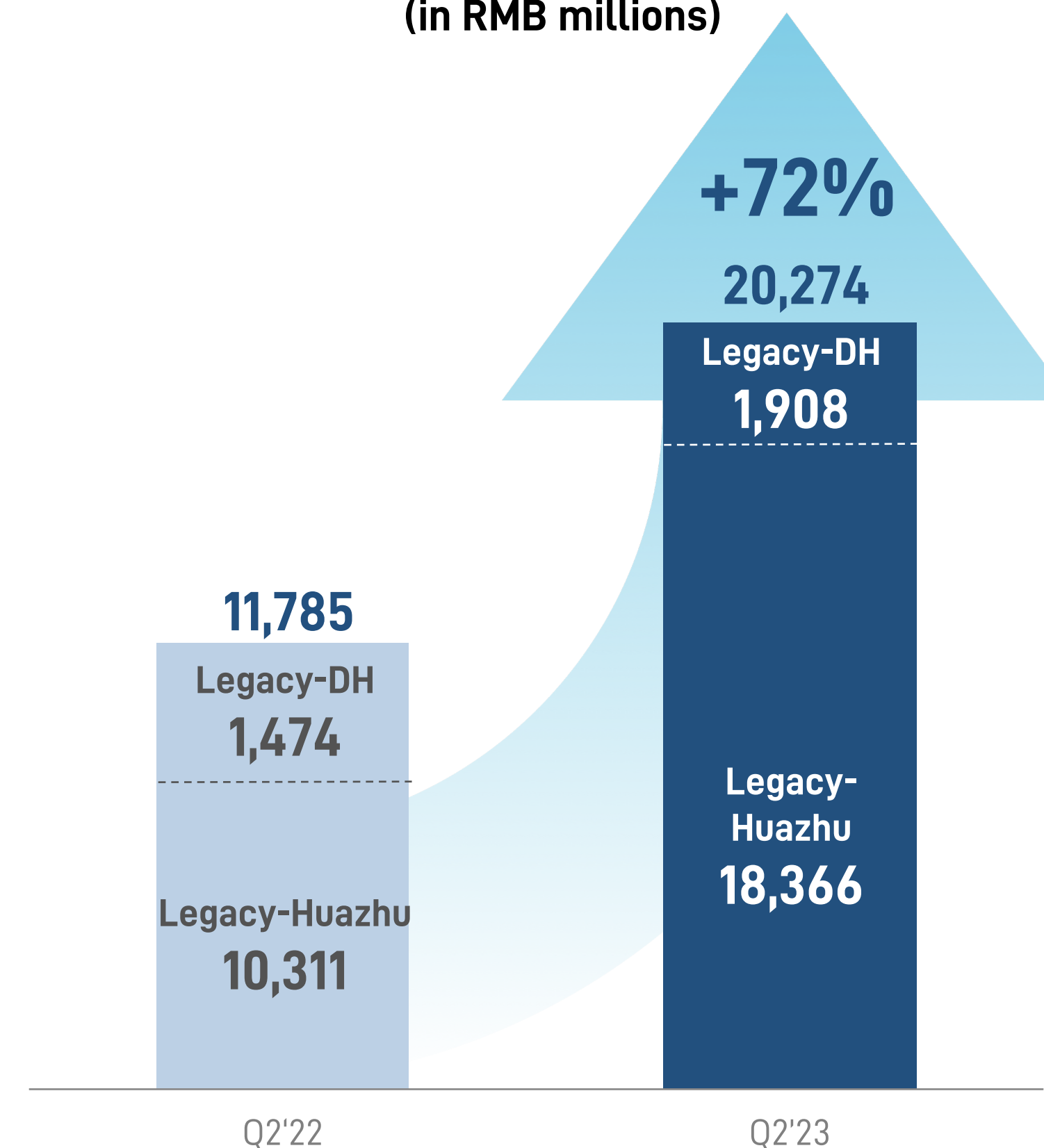
Hotel Network Expansion

(Number of rooms in operation)



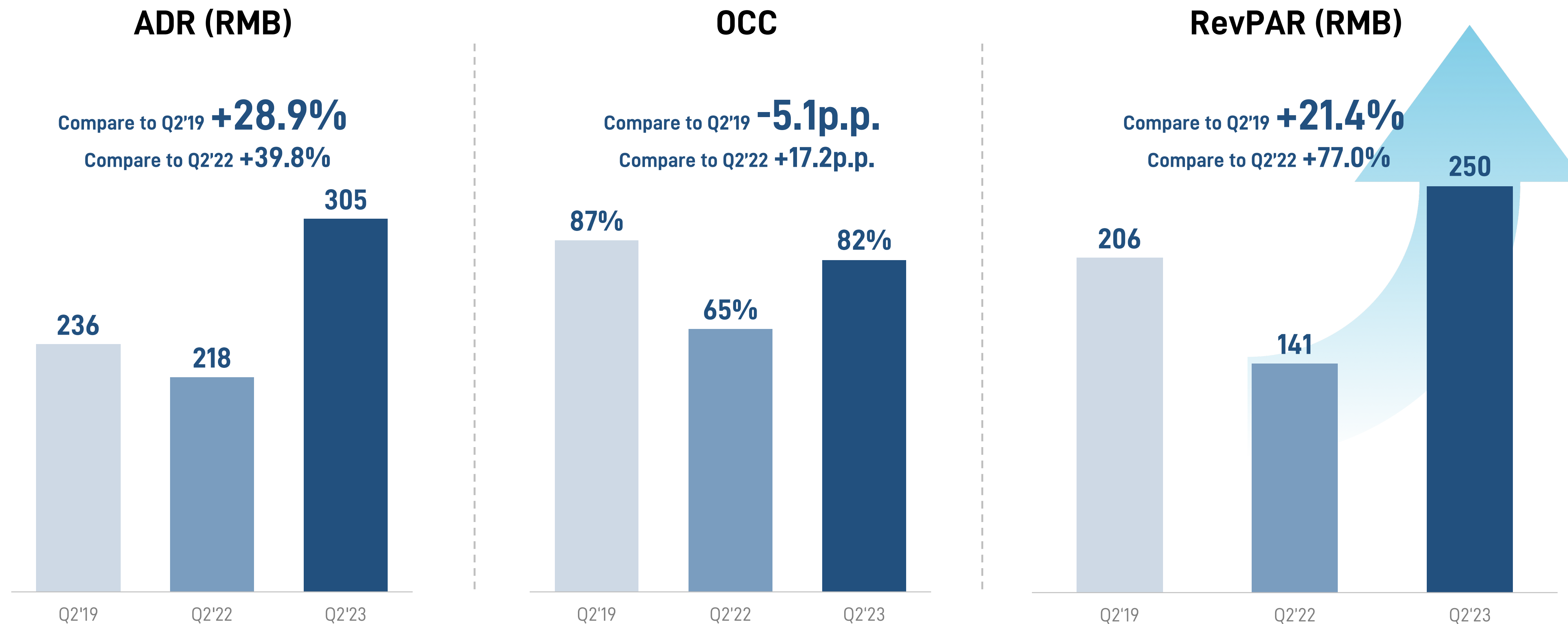
Hotel Turnover

(in RMB millions)



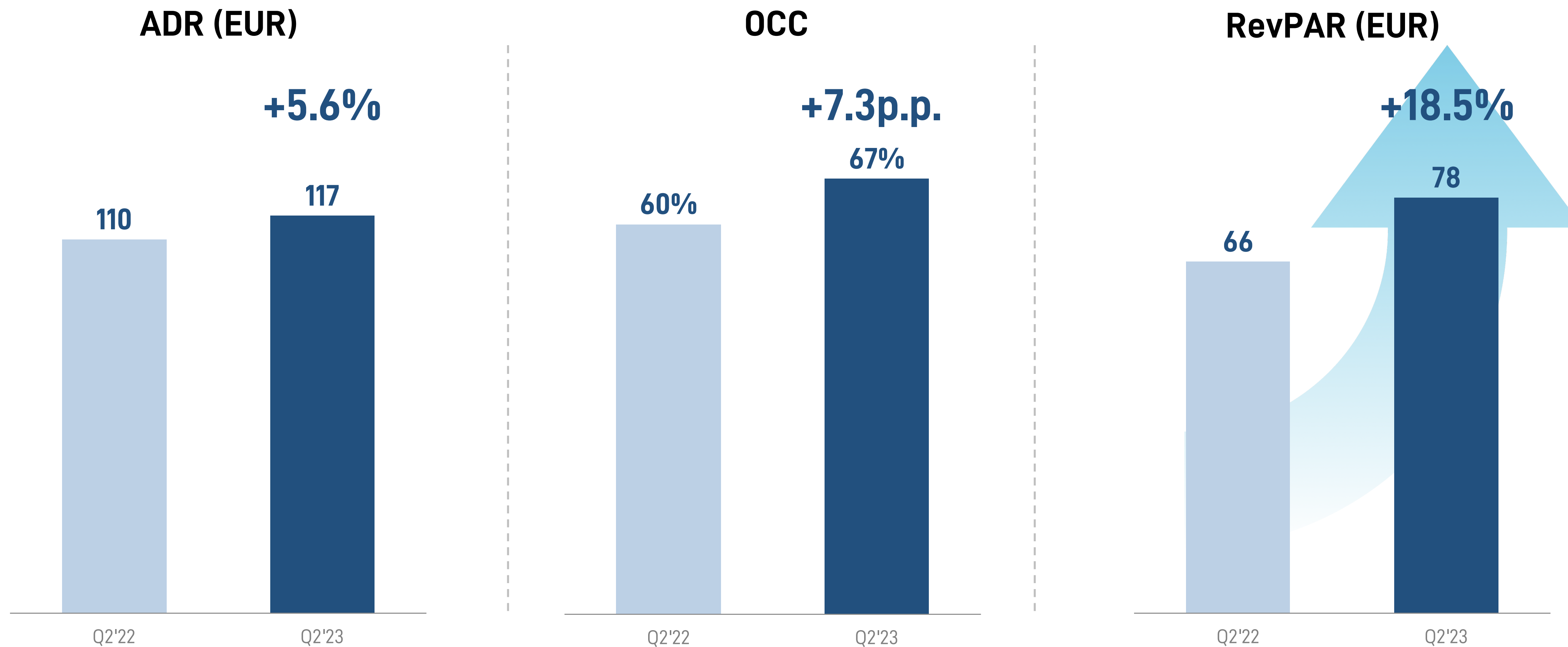
Legacy-Huazhu - Blended RevPAR Recovered to 121% of Q2'19

华住中国-2023年二季度混合RevPAR恢复到2019年二季度的121%



Legacy-DH - Blended RevPAR Increased 18.5% YoY

DH-2023年二季度混合RevPAR同比增长18.5%



Revenue in Q2'23 Increased 64%

营收增长64%

| <i>In million RMB</i> | 2Q23 | 2Q22 | YoY | 1Q23 | QoQ |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue from Legacy - Huazhu | 4,347 | 2,461 | 76.6% | 3,594 | 21.0% |
| - Leased & Owned Hotels | 2,466 | 1,475 | 67.2% | 2,020 | 22.1% |
| - Manachised & Franchised Hotels | 1,830 | 929 | 97.0% | 1,536 | 19.1% |
| - Others | 51 | 57 | -10.5% | 38 | 34.2% |
| Revenue from Legacy - DH | 1,183 | 921 | 28.4% | 886 | 33.5% |
| - Leased & Owned Hotels | 1,126 | 886 | 27.1% | 854 | 31.9% |
| - Manachised & Franchised Hotels | 26 | 16 | 62.5% | 18 | 44.4% |
| - Others | 31 | 19 | 63.2% | 14 | 121.4% |
| Revenue | 5,530 | 3,382 | 63.5% | 4,480 | 23.4% |

- 2Q23 revenue of Legacy-Huazhu increased significantly YoY, thanks to
 1. strong travel demand;
 2. continued product upgrade; and
 3. market penetration and synergy through regional offices.
- DH business improved compared to 2Q22, riding on further international market recovery

Operating Income Achieved RMB1.4 Billion in Q2'23

经营利润达到人民币14亿元

| <i>In million RMB</i> | 2Q23 | 2Q22 | YoY | 1Q23 | QoQ |
|-------------------------------|--------------|--------------|-----------------|--------------|---------------|
| Hotel operating costs | 3,482 | 2,972 | 17.2% | 3,250 | 7.1% |
| - Legacy-Huazhu | 2,559 | 2,168 | 18.0% | 2,383 | 7.4% |
| - Legacy-DH | 923 | 804 | 14.8% | 867 | 6.5% |
| Pre-opening expenses | 12 | 31 | -61.3% | 9 | 33.3% |
| - Legacy-Huazhu | 11 | 31 | -64.5% | 9 | 22.2% |
| - Legacy-DH | 1 | - | Nm | 0 | Nm |
| SG&A expenses | 739 | 510 | 44.9% | 620 | 19.2% |
| - Legacy-Huazhu | 505 | 332 | 52.1% | 429 | 17.7% |
| - Legacy-DH | 234 | 178 | 31.5% | 191 | 22.5% |
| Income from operations | 1,385 | 8 | 17212.5% | 664 | 108.6% |
| - Legacy-Huazhu | 1,350 | 21 | 6328.6% | 822 | 64.2% |
| - Legacy-DH | 35 | -13 | Nm | -158 | Nm |

- Hotel operating cost increased YoY in 2Q23 mainly due to business recovery.
- Pre-opening costs maintained at a low level mainly due to asset-light model.
- SG&A expense increased YoY as Legacy-Huazhu increased selling and marketing expenses along with business recovery.
- Operating income significantly improved over 2Q22 and 1Q23

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

| <i>In million RMB</i> | 2Q23 | 2Q22 | YoY | 1Q23 | QoQ |
|------------------------------|--------------|------------|----------------|--------------|--------------|
| Adjusted EBITDA | 1,767 | 53 | 3234.0% | 1,651 | 7.0% |
| - Legacy-Huazhu | 1,655 | 23 | 7095.7% | 1,730 | -4.3% |
| - Legacy-DH | 112 | 30 | 273.3% | -79 | Nm |
| Adjusted Net Income | 1,068 | -84 | Nm | 1,004 | 6.4% |
| - Legacy-Huazhu | 1,047 | -32 | Nm | 1,169 | -10.4% |
| - Legacy-DH | 21 | -52 | Nm | -165 | Nm |
| Operating Cash Inflow | 2,238 | 989 | 126.3% | 1,844 | 21.4% |

- 2Q23 Legacy-Huazhu's adj. EBITDA and adj. net income improved significantly YoY. The sequential decrease was due to lack of one-time gain as a result of liquidation of Accor's share in 1Q23.
- 2Q23 Legacy-DH's adj. EBITDA turned positive.
- 2Q23 operating cash flow continued to improve both YoY and sequentially.

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

Liquidity Position Update

流动性情况更新



Net Cash

RMB2.0 bn



Cash Balance

RMB7.8 bn



Unutilized Bank Facilities

RMB2.8 bn

Guidance

业绩指引

Q3 2023

Revenue vs. Q3 2022

- **Grow 43%-47%**
- **Excluding DH - Grow 49%-53%**

Full year 2023

Revenue vs. full year 2022

- **Grow 48%-52%**
(from previous 42%-46%)
- **Excluding DH - Grow 54%-58%**
(from previous 46%-50%)

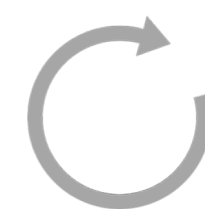
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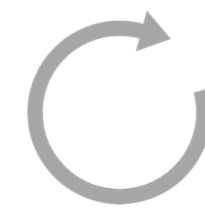
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Appendix

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 | | yoy change (p.p.) |
|---|-------------------------------|--------------|--------------------|------------|--------------|--------------------|------------|--------------|----------------------|--------------|-------------------|
| | As of | | For the year ended | | yoy change | For the year ended | | yoy change | For the year ended | | |
| | June 30, | | June 30, | | | June 30, | | | June 30, | | |
| | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | | | |
| Economy hotels | 3,567 | 3,567 | 118 | 192 | 63.1% | 168 | 231 | 37.3% | 70.1% | 83.3% | +13.2 |
| Leased and owned hotels | 325 | 325 | 124 | 237 | 90.4% | 178 | 277 | 55.2% | 69.7% | 85.5% | +15.8 |
| Manachised and franchised hotels | 3,242 | 3,242 | 117 | 186 | 58.8% | 167 | 224 | 34.3% | 70.2% | 83.0% | +12.8 |
| Midscale and Upper midscale hotels | 2,624 | 2,624 | 176 | 309 | 75.6% | 284 | 378 | 33.4% | 62.1% | 81.7% | +19.6 |
| Leased and owned hotels | 253 | 253 | 194 | 395 | 104.1% | 339 | 479 | 41.3% | 57.2% | 82.6% | +25.5 |
| Manachised and franchised hotels | 2,371 | 2,371 | 173 | 295 | 70.3% | 276 | 362 | 31.2% | 62.8% | 81.6% | +18.8 |
| Total | 6,191 | 6,191 | 146 | 251 | 71.8% | 221 | 304 | 37.9% | 66.2% | 82.5% | +16.3 |

Number of Hotels and Rooms

酒店数量和房间数量

As of June 30, 2023

Total

| | Hotels | Rooms | Unopened hotels |
|--------------------------------|--------------|----------------|-----------------|
| | in operation | | in pipeline |
| Economy hotels | 4,872 | 392,231 | 1,092 |
| HanTing Hotel | 3,340 | 297,682 | 700 |
| Hi Inn | 442 | 23,650 | 160 |
| NiHao Hotel | 213 | 15,583 | 188 |
| Elan Hotel | 642 | 31,102 | 1 |
| Ibis Hotel | 219 | 22,318 | 30 |
| Zleep Hotels | 16 | 1,896 | 13 |
| Midscale hotels | 3,106 | 337,349 | 1,354 |
| Ibis Styles Hotel | 92 | 9,390 | 32 |
| Starway Hotel | 598 | 51,888 | 225 |
| Ji Hotel | 1,839 | 214,630 | 838 |
| Orange Hotel | 577 | 61,441 | 259 |
| Upper midscale hotels | 618 | 88,649 | 331 |
| Crystal Orange Hotel | 167 | 21,748 | 84 |
| CitiGO Hotel | 34 | 5,326 | 5 |
| Manxin Hotel | 121 | 11,477 | 62 |
| Madison Hotel | 64 | 8,202 | 62 |
| Mercure Hotel | 148 | 24,667 | 62 |
| Novotel Hotel | 20 | 5,114 | 15 |
| IntercityHotel | 56 | 10,742 | 36 |
| MAXX | 8 | 1,373 | 5 |
| Upscale hotels | 129 | 20,644 | 60 |
| Jaz in the City | 3 | 587 | 1 |
| Joya Hotel | 7 | 1,234 | - |
| Blossom House | 56 | 2,605 | 46 |
| Grand Mercure Hotel | 9 | 1,823 | 4 |
| Steigenberger Hotels & Resorts | 54 | 14,395 | 9 |
| Luxury hotels | 16 | 2,360 | 2 |
| Steigenberger Icon | 9 | 1,847 | 1 |
| Song Hotels | 7 | 513 | 1 |
| Others | 9 | 3,184 | 6 |
| Other hotels | 9 | 3,184 | 6 |
| Total | 8,750 | 844,417 | 2,845 |