

Third Quarter of 2023 Earnings Call

H World Group Limited

(NASDAQ: HTHT and HKEX: 1179)



November 27, 2023

AGENDA

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23Q3 Business Update

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23Q3 Operational and Financial Review

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Q and A

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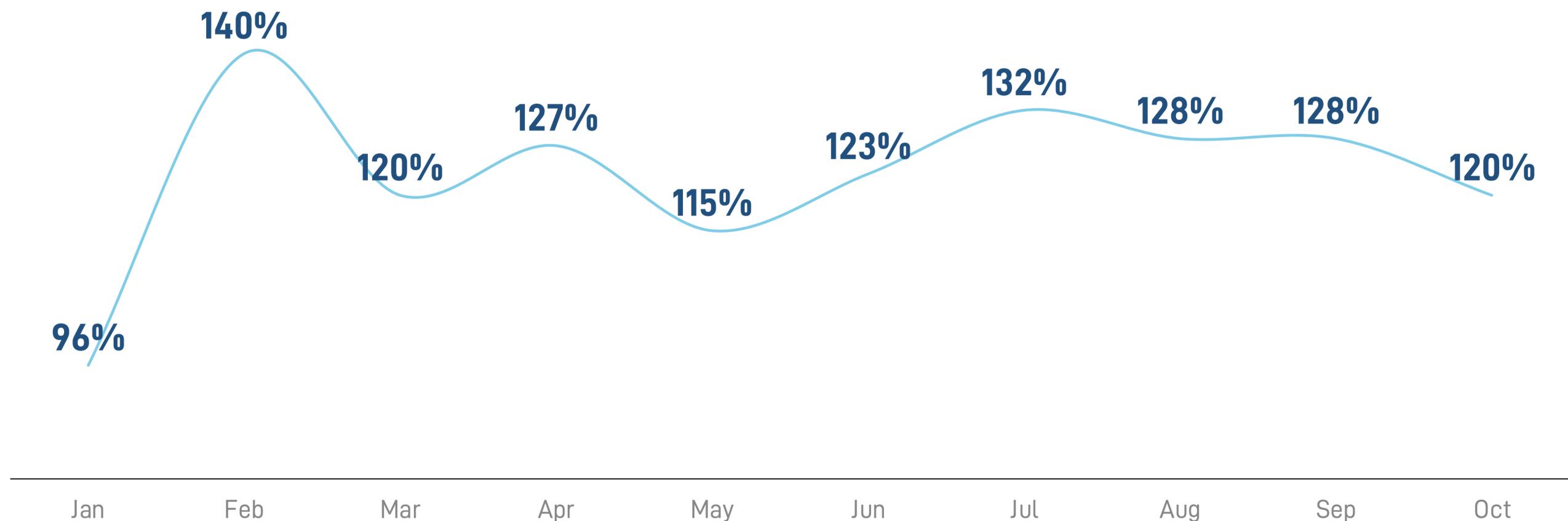
Appendix

Strong RevPAR Recovery in China

中国三季度RevPAR呈现出强劲的恢复态势

Blended RevPAR in 2023 compared to 2019

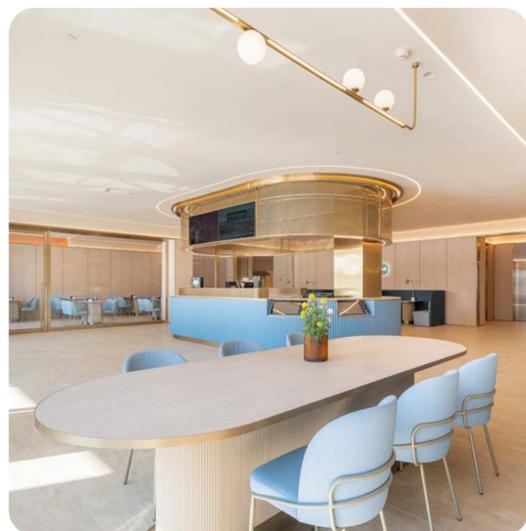
— RevPAR Recovery in 2023



* Numbers in this page refers to Legacy-Huazhu business

Sustainable RevPAR Recovery Driven by...

可持续的RevPAR恢复来源于...



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



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



**Continuous
Product & Service
Upgrade**

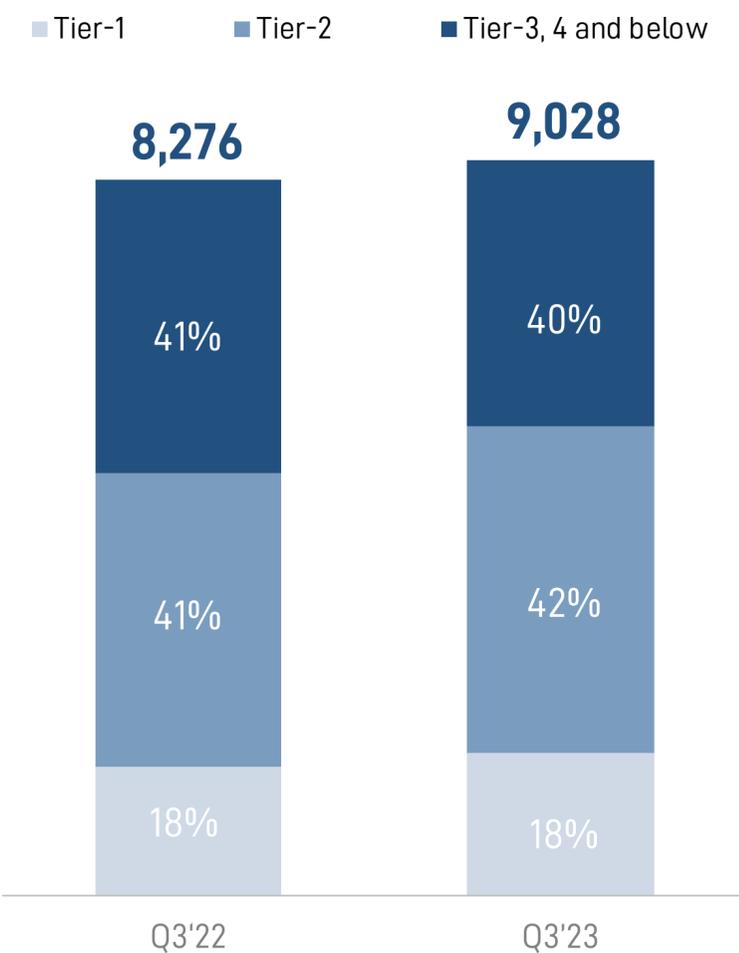


**Upper-midscale
Segment
Development**

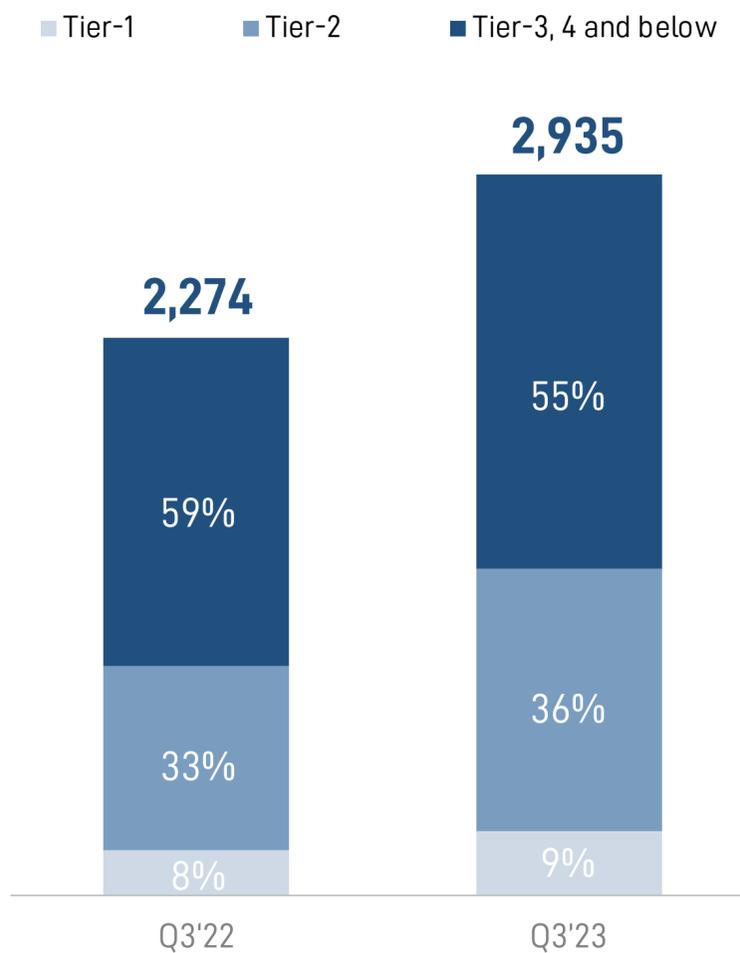
Further Penetration to Lower Tier Cities in China

进一步渗透低线城市

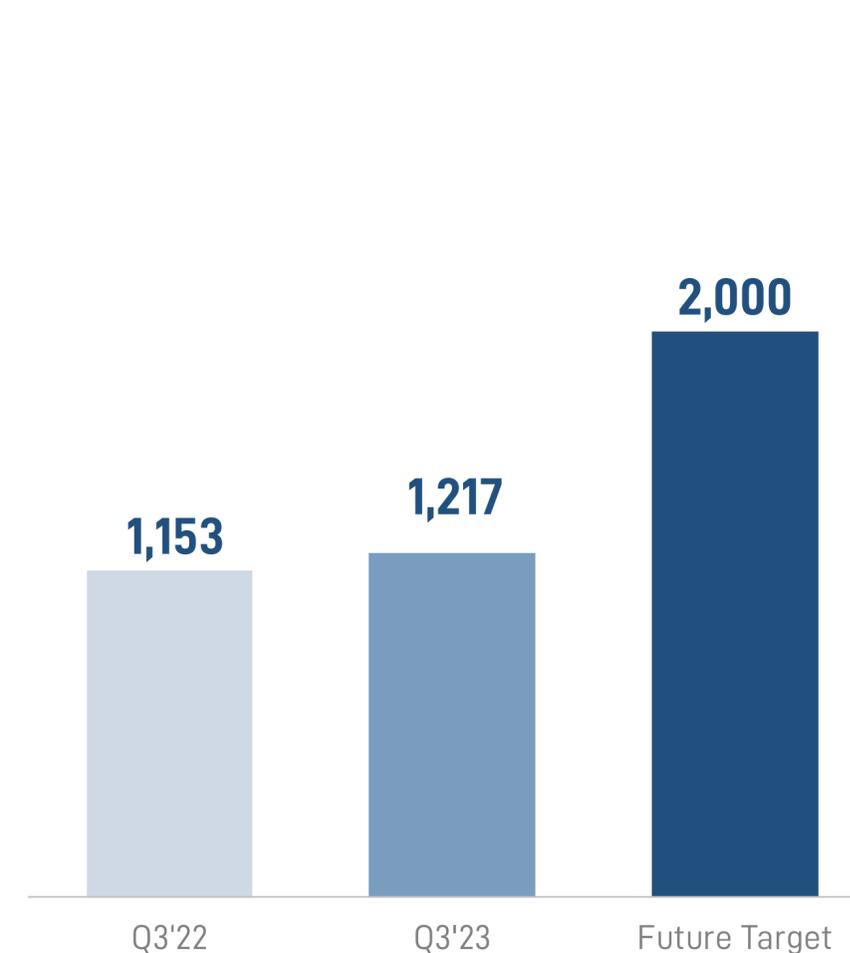
Number of Hotels in Operation
(as of Sep 30)



Number of Hotels in Pipeline
(as of Sep 30)



City Coverage
(hotels in operation and in pipeline)



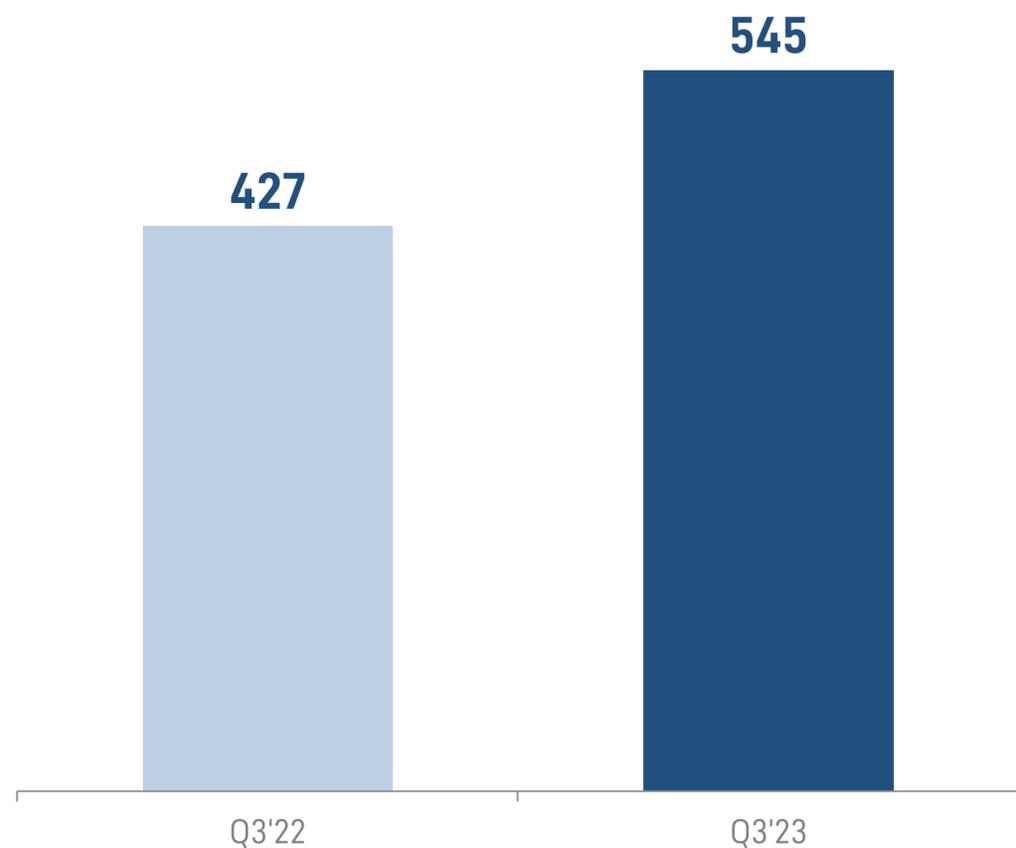
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Continued Network Expansion in China

酒店网络持续扩张

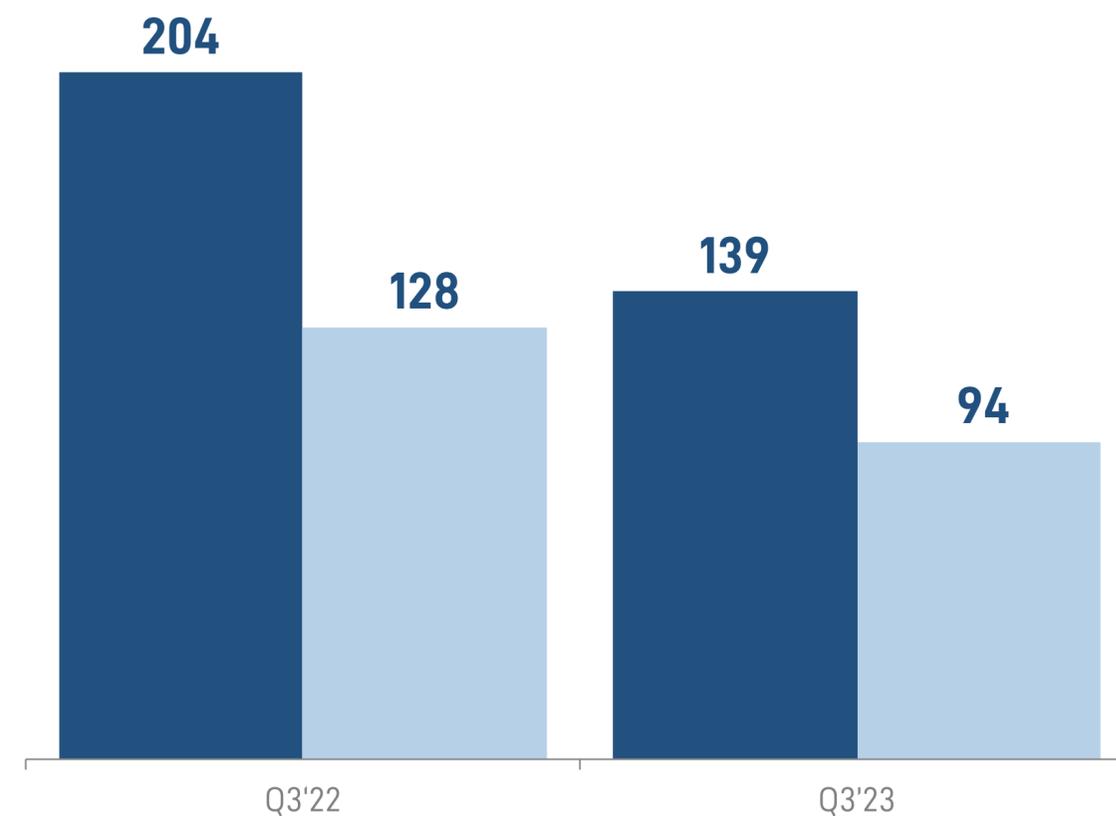
Number of Hotel Opening

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

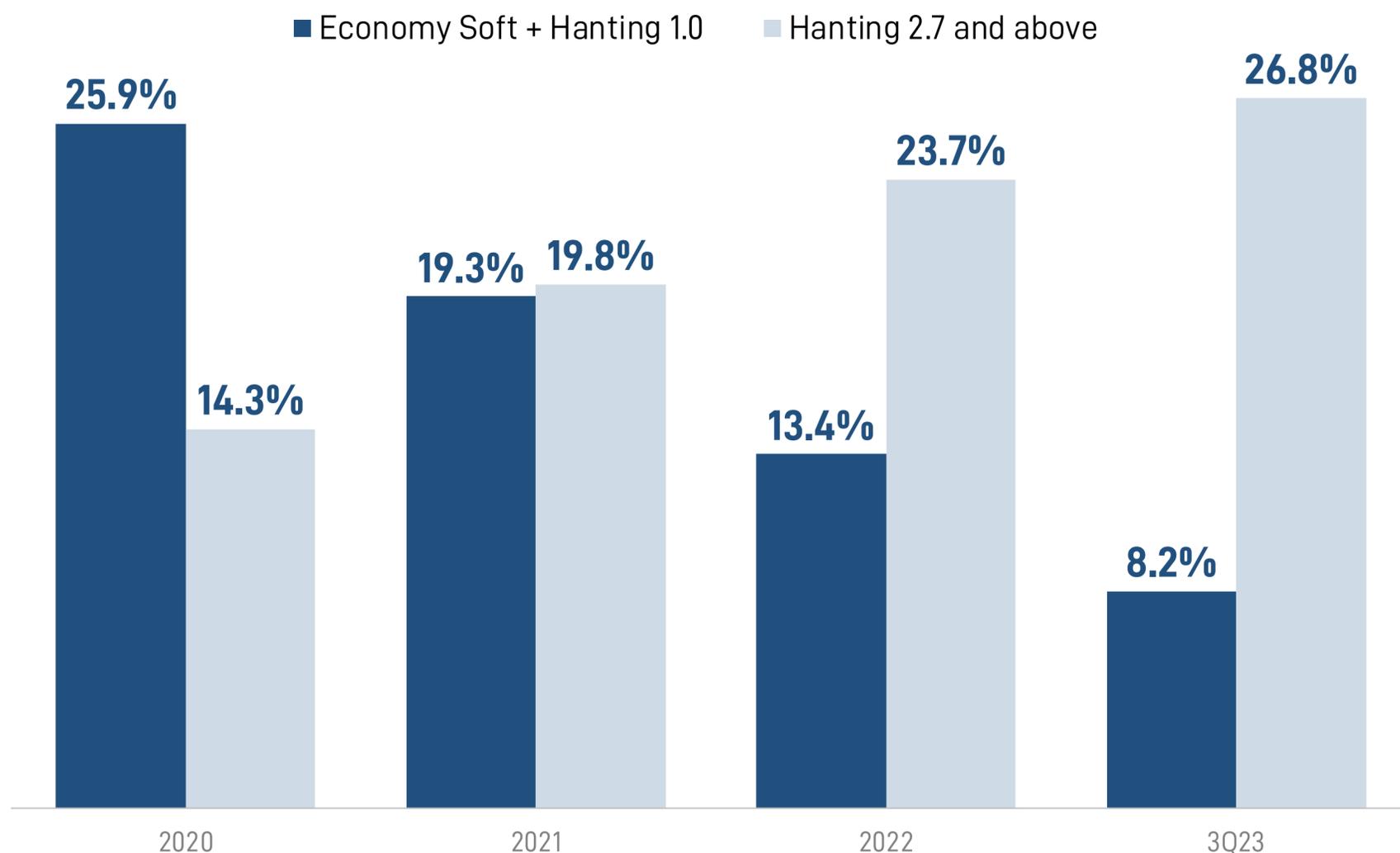


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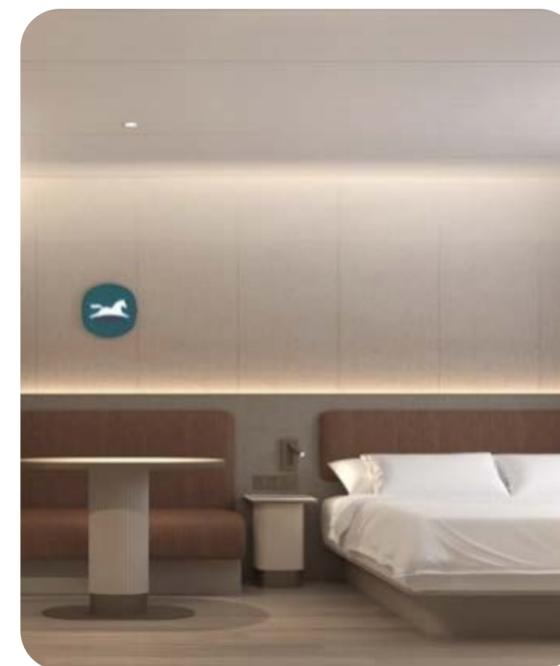
Further Enhancement of Our Hotel Quality

持续提升集团整体酒店质量

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



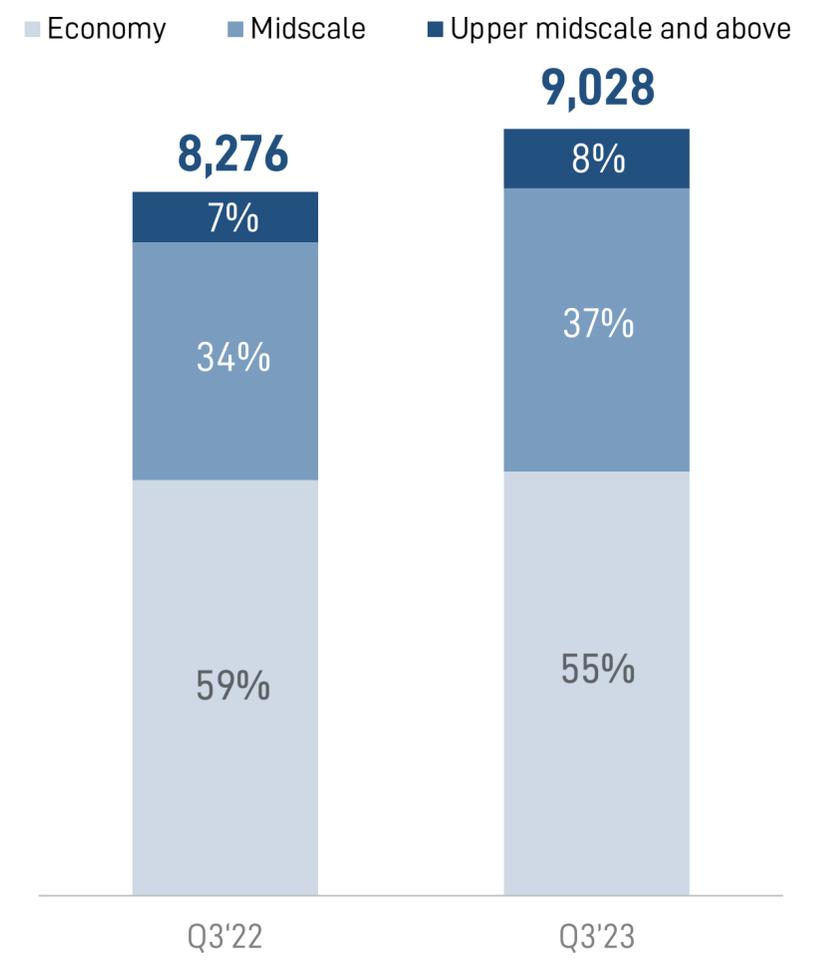
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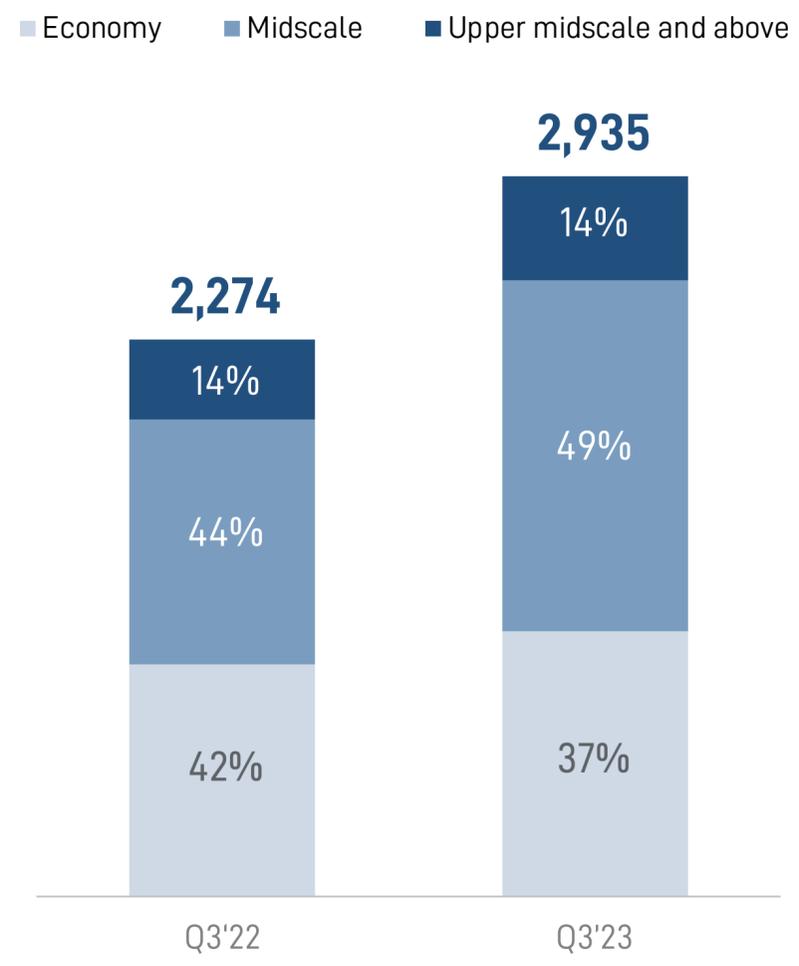
Economy and Midscale as the Core Products Serving the Mass Market

经济型及中档酒店为核心，服务大众市场

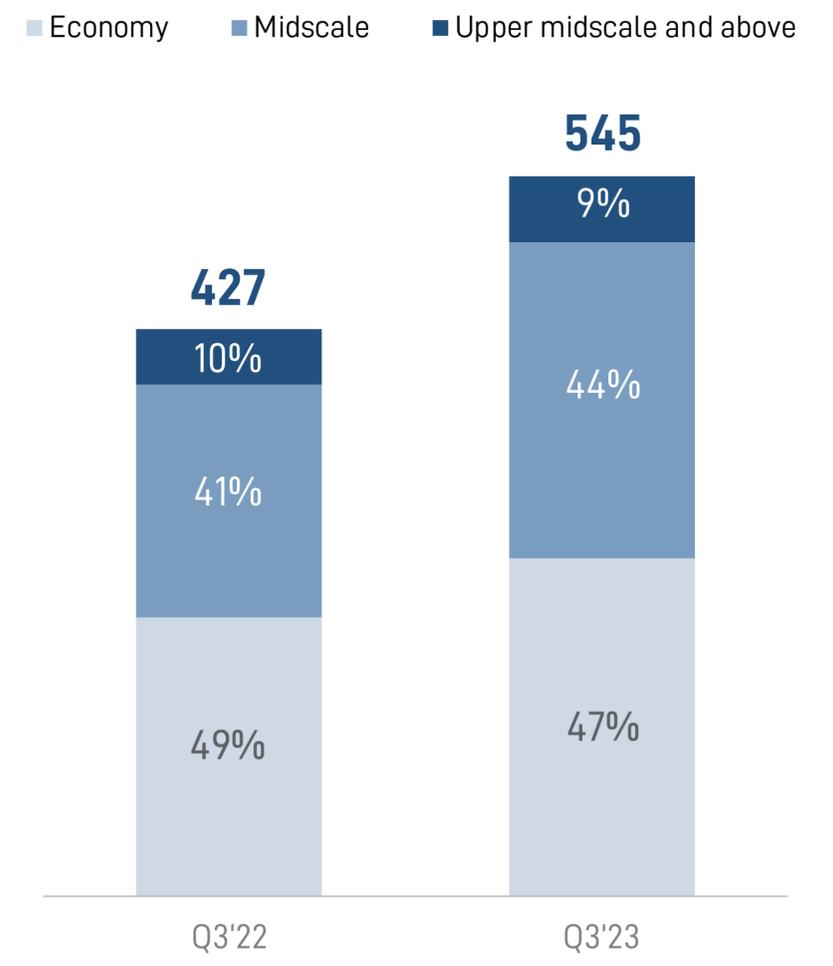
Number of Hotels in Operation
(as of Sep 30)



Number of Hotels in Pipeline
(as of Sep 30)



Number of Hotel Opening
Legacy-Huazhu excl. soft economy hotels

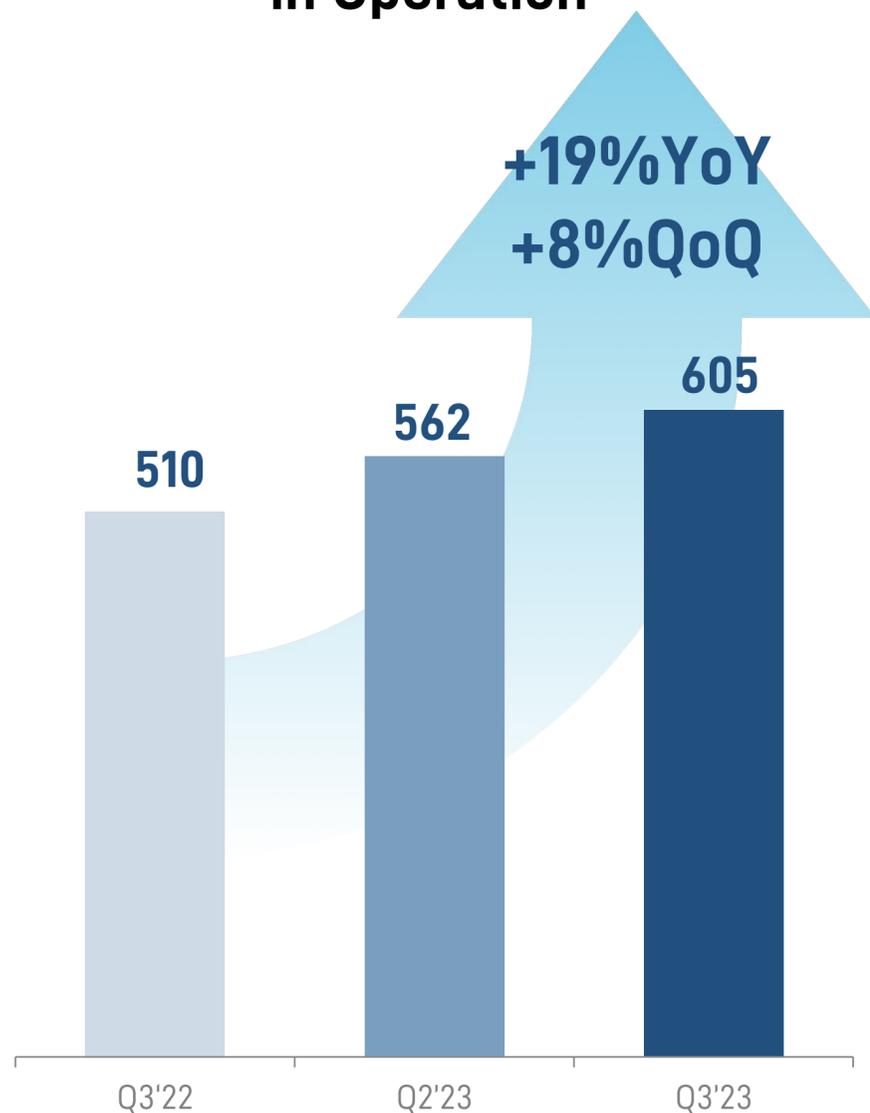


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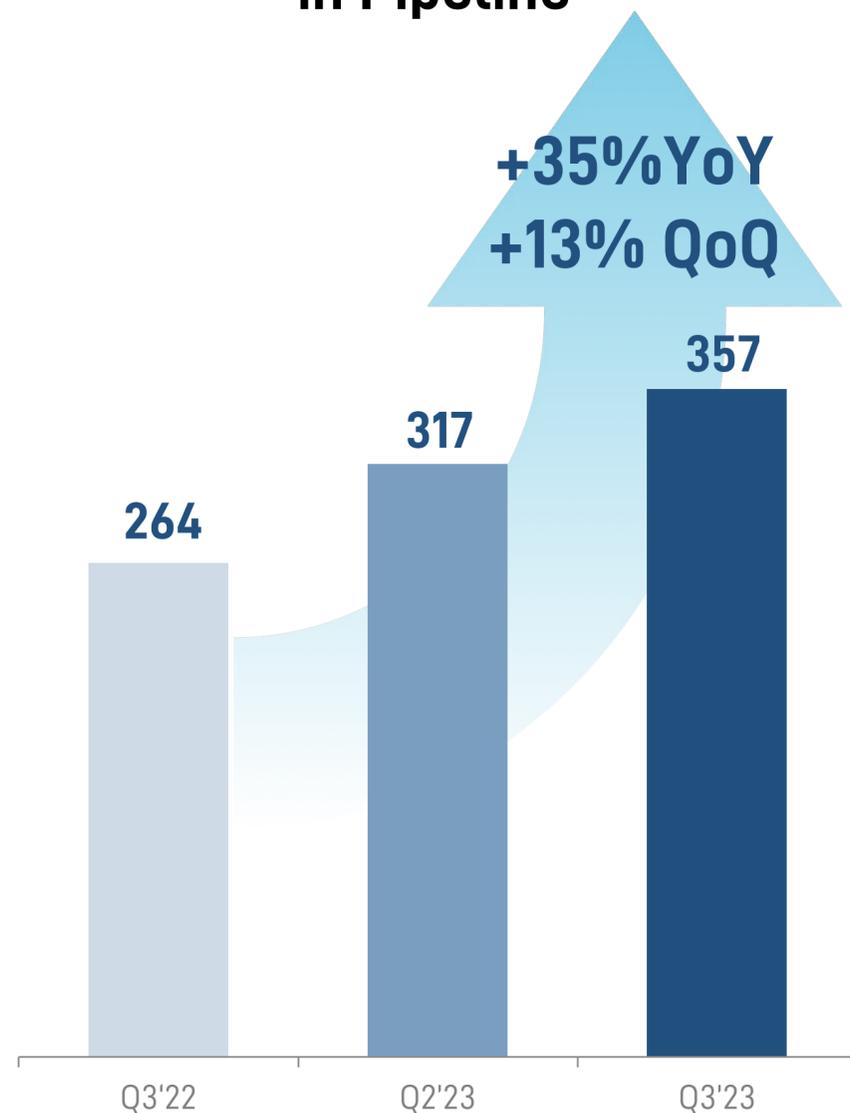
Further Development of Upper-midscale Segment

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

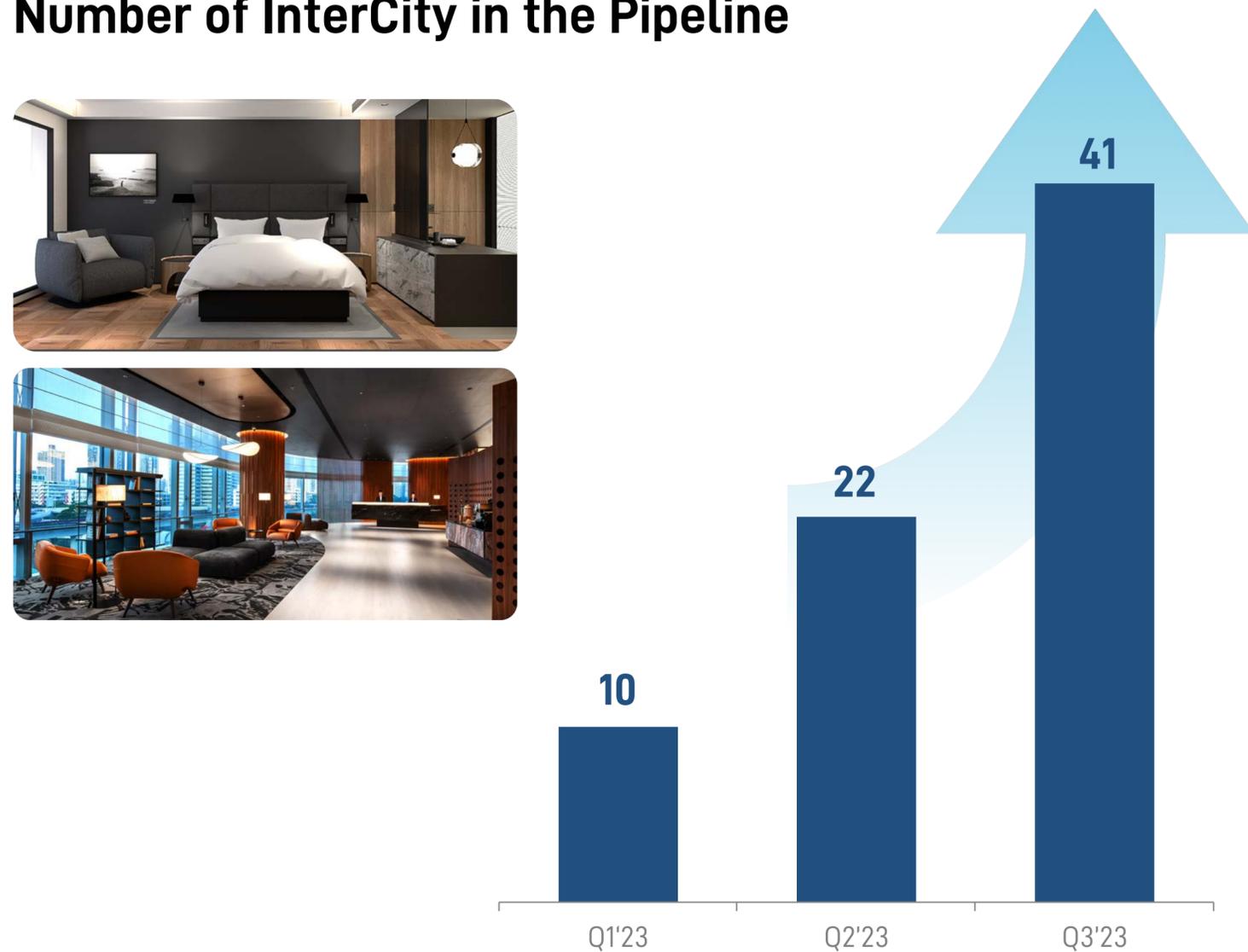


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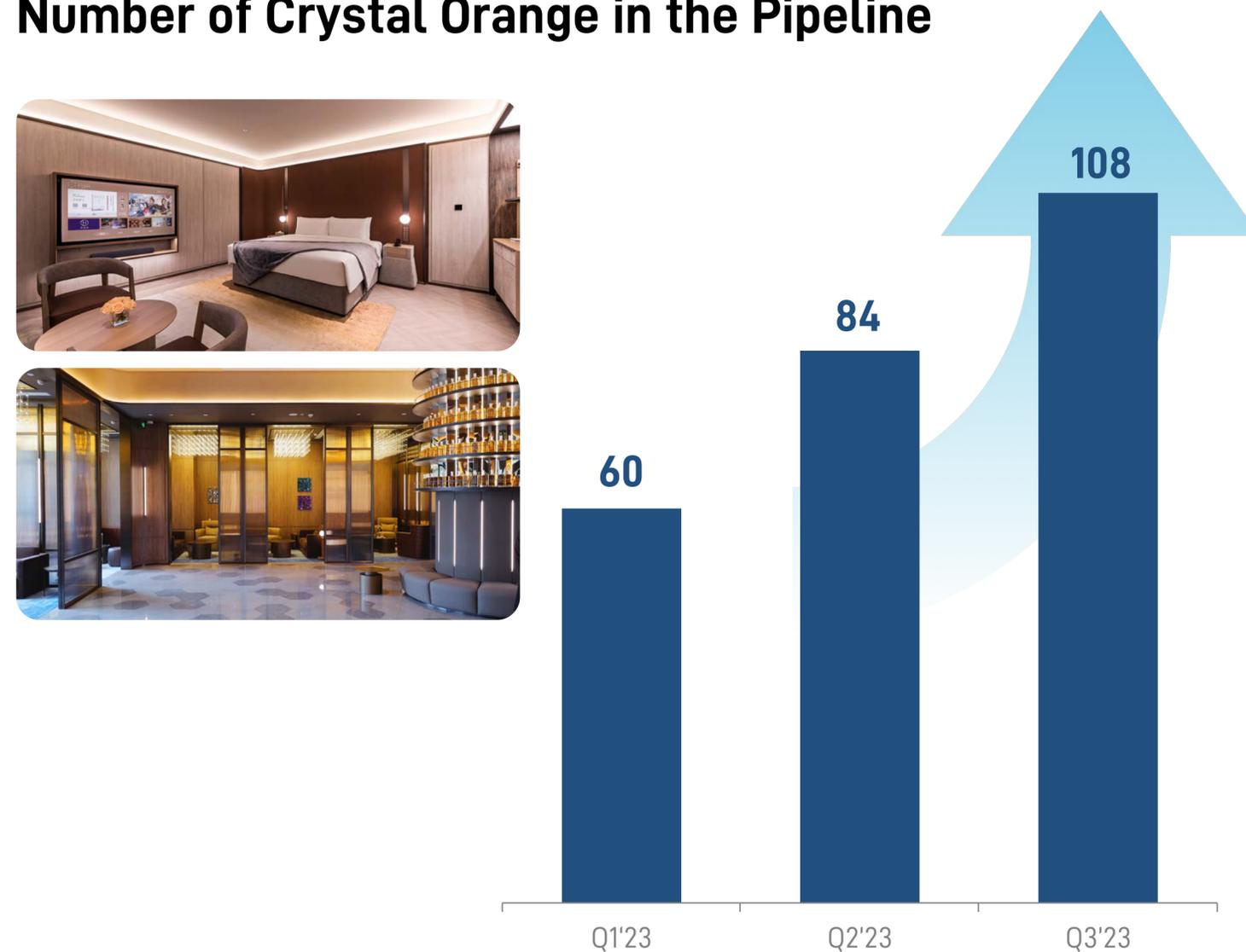
InterCity and Crystal Orange Gained Traction Among Franchisees

城际酒店和桔子水晶受到加盟商青睐

Number of InterCity in the Pipeline



Number of Crystal Orange in the Pipeline



* Numbers in this page refers to Legacy-Huazhu business

DH Continues to Drive Operating Efficiency & Strategic Growth

DH 持续推进高效运营及战略发展



- Despite Germany's slow economic recovery post Covid, DH's portfolio continues to outperform the overall market
- 3Q23 YoY cost growth in line with revenue growth despite inflationary pressure in Europe after excluding one-off adjustment (e.g. restructuring, etc)
- Priority to control and reduce cost through business restructuring and leveraging on technology
- Reposition current hotel product & design and focus on international growth

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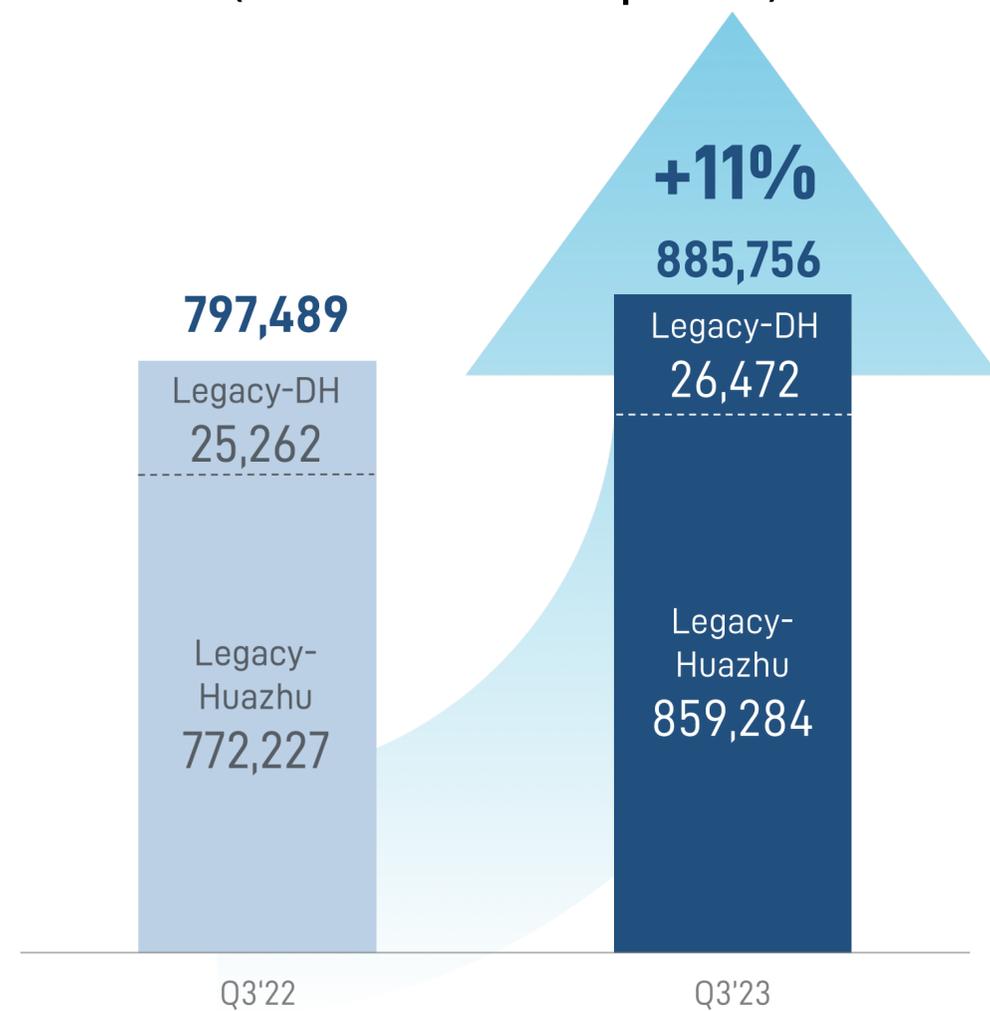
Appendix

Hotel Network Continues to Expand

酒店网络持续扩张

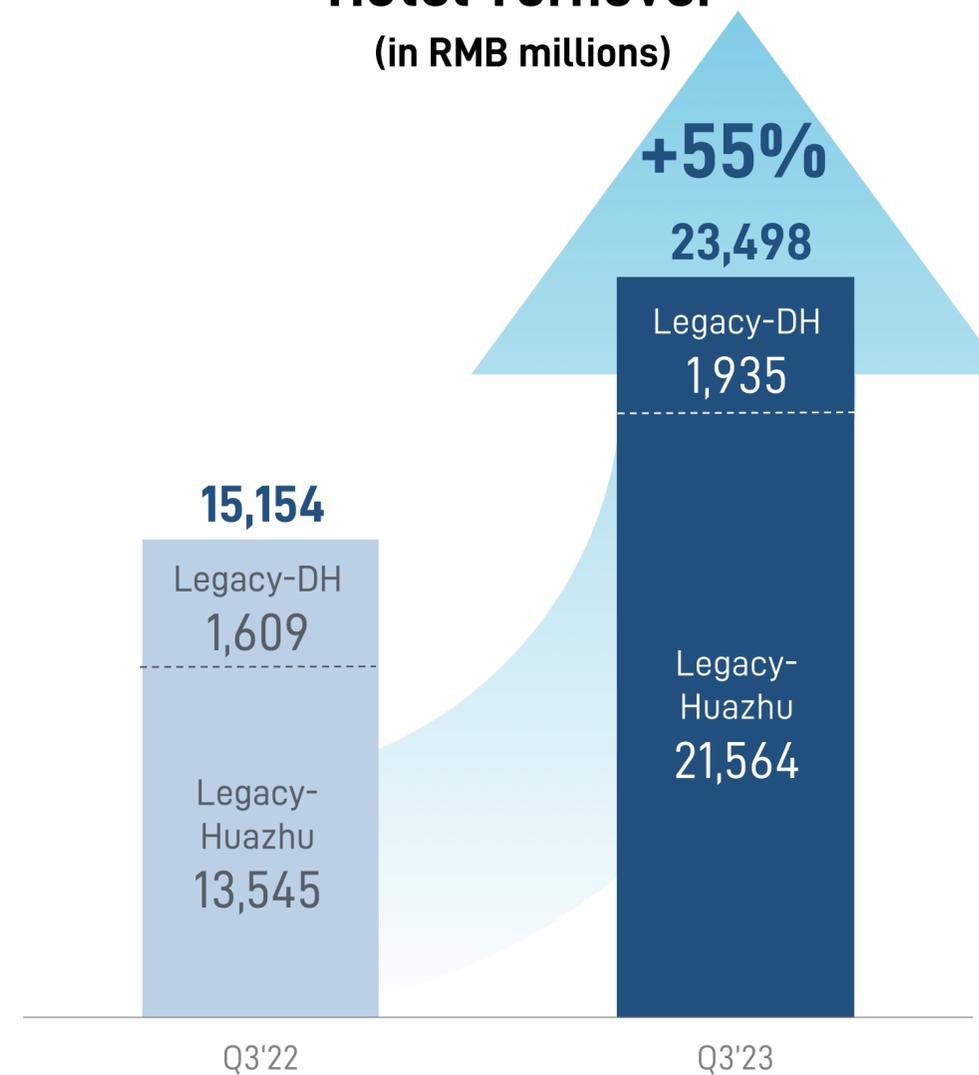
Hotel Network Expansion

(Number of rooms in operation)



Hotel Turnover

(in RMB millions)

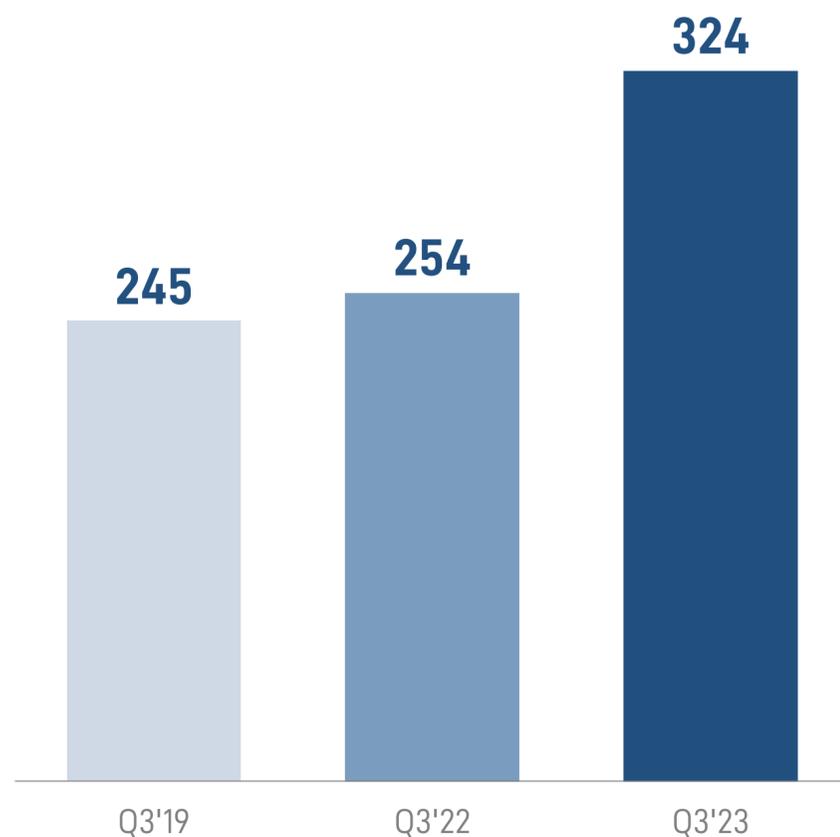


Legacy-Huazhu - Blended RevPAR Recovered to 129% of Q3'19

华住中国-2023年三季度混合RevPAR恢复到2019年第三季度的129%

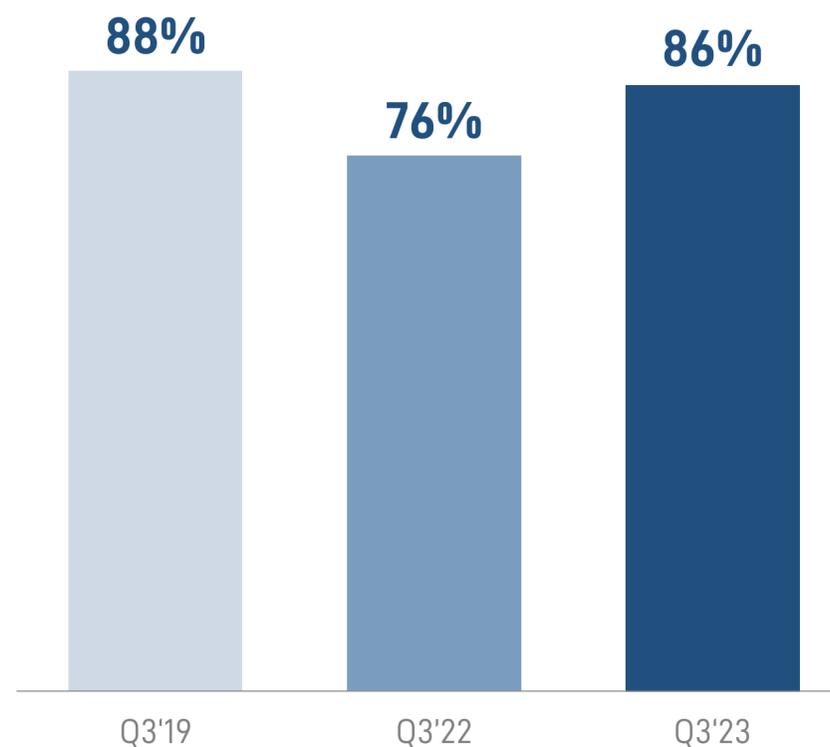
ADR (RMB)

Compare to Q3'19 **+32.1%**
Compare to Q3'22 **+27.7%**



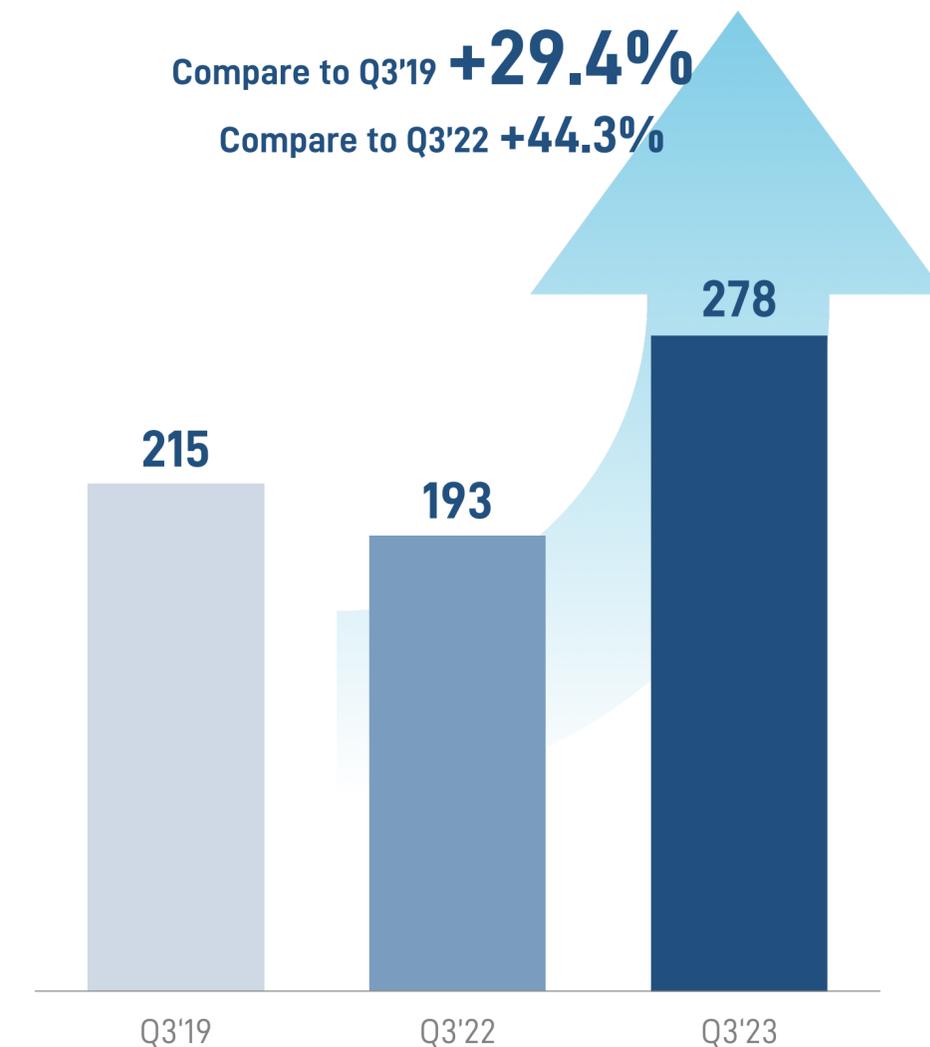
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Compare to Q3'19 **-1.8p.p.**
Compare to Q3'22 **+9.8p.p.**



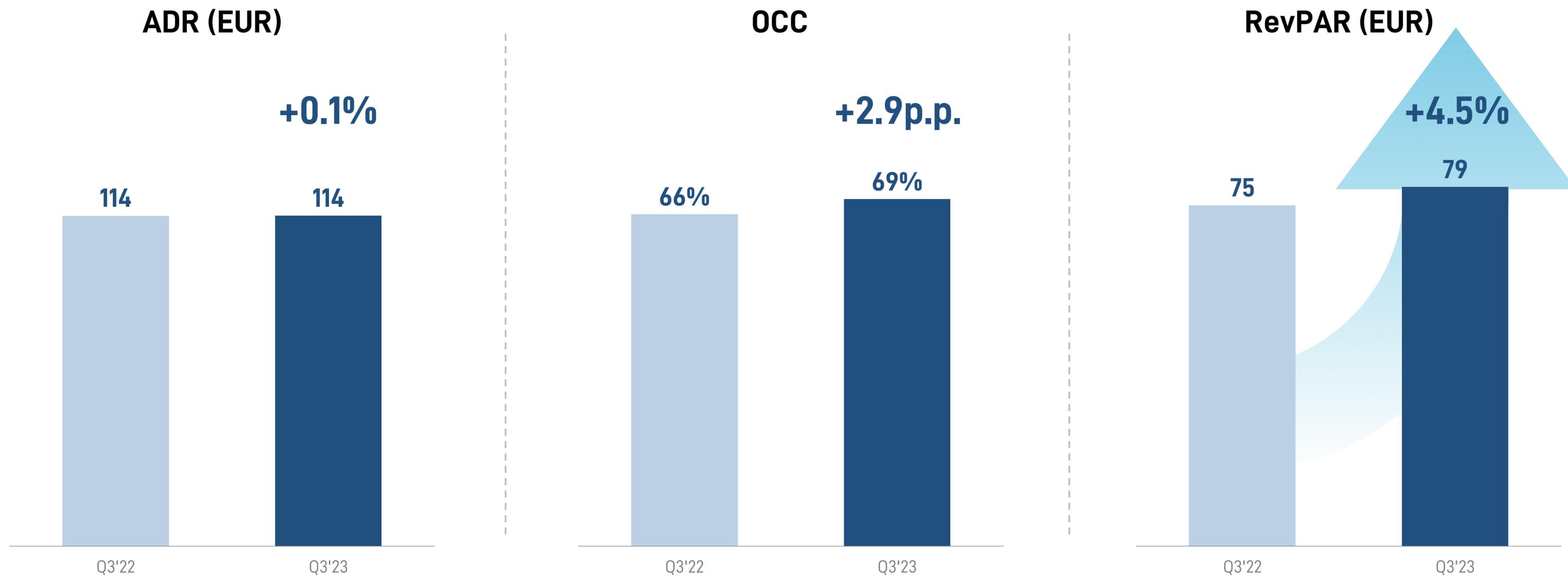
RevPAR (RMB)

Compare to Q3'19 **+29.4%**
Compare to Q3'22 **+44.3%**



Legacy-DH - Blended RevPAR Increased 4.5% YoY

DH-2023年三季度混合RevPAR同比增长4.5%



Revenue in Q3'23 Increased 54% YoY

营收同比增长54%

<i>In million RMB</i>	3Q23	3Q22	YoY	2Q23	QoQ
Revenue from Legacy - Huazhu	5,113	3,161	61.8%	4,347	17.6%
- Leased & Owned Hotels	2,748	1,793	53.3%	2,466	11.4%
- Manachised & Franchised Hotels	2,238	1,291	73.4%	1,830	22.3%
- Others	127	77	64.9%	51	149.0%
Revenue from Legacy - DH	1,175	932	26.1%	1,183	-0.7%
- Leased & Owned Hotels	1,130	902	25.3%	1,126	0.4%
- Manachised & Franchised Hotels	30	22	36.4%	26	15.4%
- Others	15	8	87.5%	31	-51.6%
Revenue	6,288	4,093	53.6%	5,530	13.7%

- 3Q23 revenue of Legacy-Huazhu increased significantly YoY, thanks to
 1. strong travel demand, especially during the summer holiday;
 2. continued product upgrade; and
 3. market penetration and synergy through regional offices.
- DH revenue improved compared to 3Q22, and remained on similar level as 2Q23.

Operating Income Achieved RMB1.9 Billion in Q3'23

经营利润达到人民币19亿元

<i>In million RMB</i>	3Q23	3Q22	YoY	2Q23	QoQ
Hotel operating costs	3,613	3,045	18.7%	3,482	3.8%
- Legacy-Huazhu	2,660	2,301	15.6%	2,559	3.9%
- Legacy-DH	953	744	28.1%	923	3.3%
Pre-opening expenses	11	25	-56.0%	12	-8.3%
- Legacy-Huazhu	11	25	-56.0%	11	0.0%
- Legacy-DH	-	-	Nm	1	-100.0%
SG&A expenses	828	586	41.3%	739	12.0%
- Legacy-Huazhu	594	435	36.6%	505	17.6%
- Legacy-DH	234	151	55.0%	234	0.0%
Income from operations	1,909	500	281.8%	1,385	37.8%
- Legacy-Huazhu	1,906	449	324.5%	1,350	41.2%
- Legacy-DH	3	51	-94.1%	35	-91.4%

- Hotel operating cost increased YoY in 3Q23 mainly due to continuous business recovery.
- Pre-opening costs maintained at a low level as we continue to move towards asset-light model.
- Legacy-Huazhu SG&A expenses increased YoY and QoQ along with business recovery, while Legacy-DH SG&A expenses increased YoY mainly due to impact from reversal of one-off expenses in 3Q22, such as severance and restructuring expenses.
- Operating income improved significantly over 3Q22 and 2Q23.

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>	3Q23	3Q22	YoY	2Q23	QoQ
Adjusted EBITDA	2,186	491	345.2%	1,767	23.7%
- Legacy-Huazhu	2,131	397	436.8%	1,655	28.8%
- Legacy-DH	55	94	-41.5%	112	-50.9%
Adjusted Net Income	1,390	-375	Nm	1,068	30.1%
- Legacy-Huazhu	1,427	-389	Nm	1,047	36.3%
- Legacy-DH	-37	14	Nm	21	Nm
Operating Cash Inflow	1,181	452	161.3%	2,238	-47.2%

- 3Q23 Legacy-Huazhu's adj. EBITDA and adj. net income continued to improve both YoY and QoQ.
- 3Q23 Legacy-DH's adj. EBITDA was lower on YoY and QoQ basis due to restructuring and one-off items, but maintained in positive territory.
- 3Q operating cash flow improved on a YoY basis. The reported RMB1.2bn was due to a change of timing of franchise fee payment at the end of September.

* 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



Cash Balance

RMB6.3 bn



**Net Cash (incl.
Time Deposits)**

RMB3.9 bn



**Unutilized
Bank Facilities**

RMB2.7 bn

* As of September 30, 2023

* Net cash position includes RMB2.8bn time deposits and financial products

Guidance

业绩指引

Q4
2023

Revenue vs. Q4 2022

- **Grow 41%-45%**
- **Excluding DH - Grow 48%-52%**

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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 year ended			For the year ended			For the year ended		
	Septmeber 30,		Septmeber 30,			Septmeber 30,			Septmeber 30,		
	2022	2023	2022	2023	yoy change	2022	2023	yoy change	2022	2023	yoy change (p.p.)
Economy hotels	3,669	3,669	154	216	40.1%	192	247	28.8%	80.3%	87.3%	+7.1
Leased and owned hotels	322	322	167	263	57.7%	213	295	38.9%	78.4%	89.0%	+10.6
Manachised and franchised hotels	3,347	3,347	152	209	37.3%	189	240	26.9%	80.5%	87.1%	+6.6
Midscale and Upper midscale hotels	2,797	2,797	244	343	41.0%	325	399	22.5%	74.8%	86.1%	+11.3
Leased and owned hotels	254	254	270	439	62.5%	390	504	29.1%	69.2%	87.1%	+17.9
Manachised and franchised hotels	2,543	2,543	240	329	37.3%	317	383	20.8%	75.7%	86.0%	+10.3
Total	6,466	6,466	199	281	41.1%	257	324	26.2%	77.5%	86.7%	+9.2

Number of Hotels and Rooms

酒店数量和房间数量

As of September 30, 2023

	Hotels	Rooms in operation	Unopened hotels	
			Total	
			in pipeline	
Economy hotels	5,007	405,226	1,097	
HanTing Hotel	3,500	311,067	700	
Hi Inn	461	24,272	180	
NiHao Hotel	247	18,369	181	
Elan Hotel	561	27,244	1	
Ibis Hotel	223	22,541	22	
Zleep Hotels	15	1,733	13	
Midscale hotels	3,329	359,600	1,432	
Ibis Styles Hotel	98	9,893	29	
Starway Hotel	636	54,705	229	
Ji Hotel	1,980	229,990	890	
Orange Hotel	615	65,012	284	
Upper midscale hotels	663	94,523	369	
Crystal Orange Hotel	175	22,876	108	
CitiGO Hotel	35	5,301	3	
Manxin Hotel	127	11,994	70	
Madison Hotel	80	10,447	57	
Mercure Hotel	157	25,907	56	
Novotel Hotel	21	5,415	18	
IntercityHotel	59	11,326	53	
MAXX	9	1,257	4	
Upscale hotels	132	20,789	64	
Jaz in the City	3	587	1	
Joya Hotel	7	1,234	-	
Blossom House	59	2,750	51	
Grand Mercure Hotel	9	1,823	3	
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	10	3,258	6	
Other hotels	10	3,258	6	
Total	9,157	885,756	2,970	