



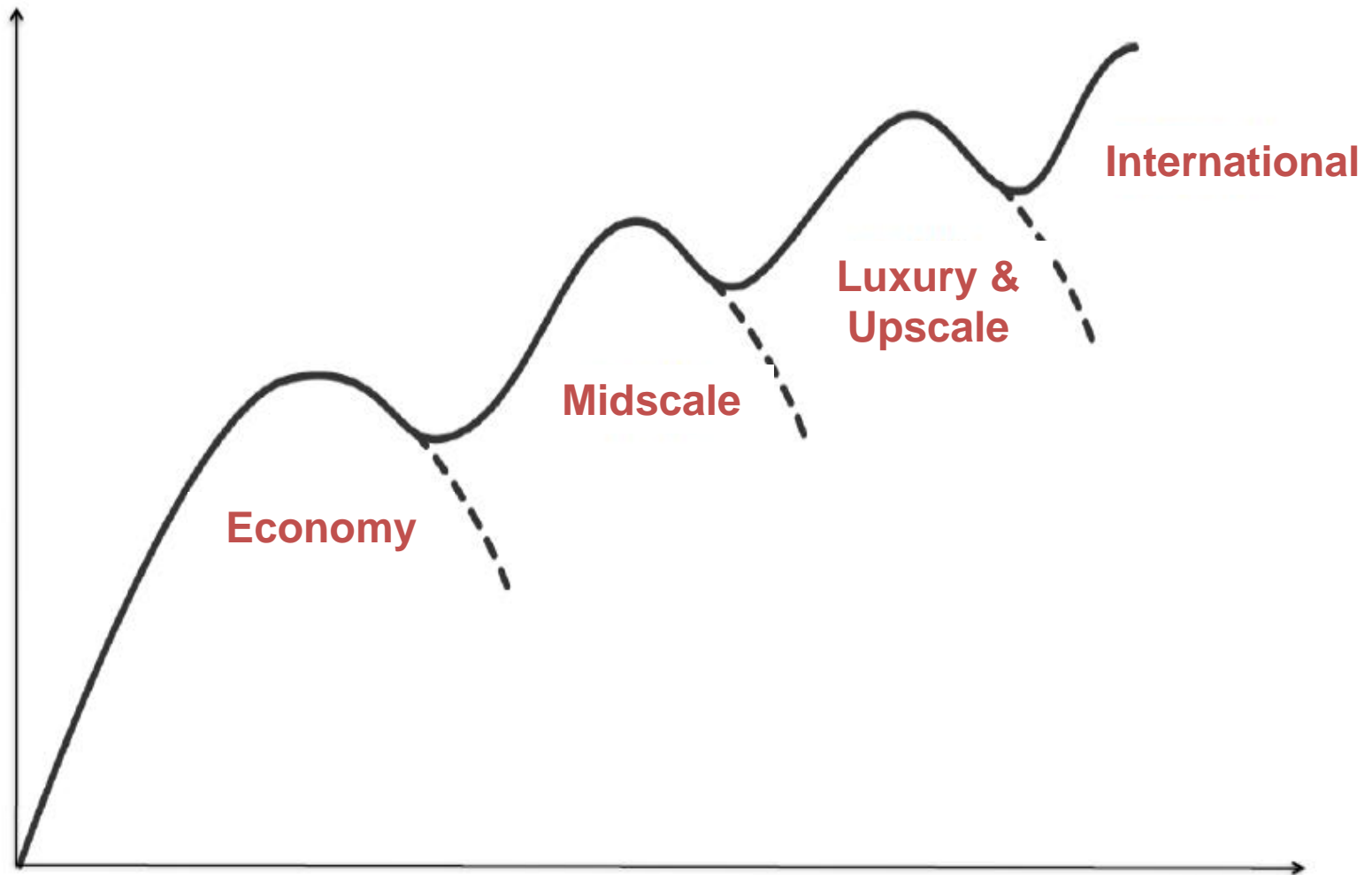
Huazhu Group Limited (NASDAQ: HTHT)

Q3 2019 Earnings Call
November 12, 2019

Agenda

- **Accelerated Growth Plan**
- Strategy Review
- Operational and Financial Review
- Q and A
- Appendix

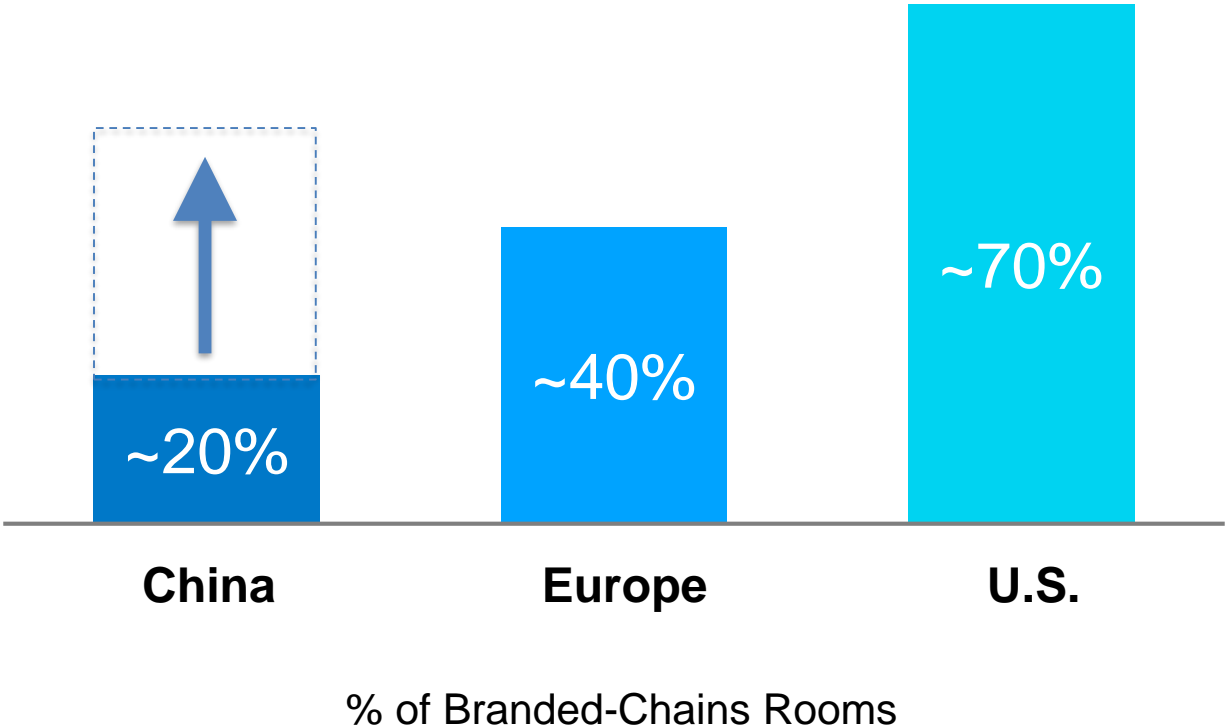
Accelerated Growth Goal to Build a Global Hotel Network



Reach 10,000 Hotels

In 3~5 years

China Lodging Market has Huge Room for Further Consolidation

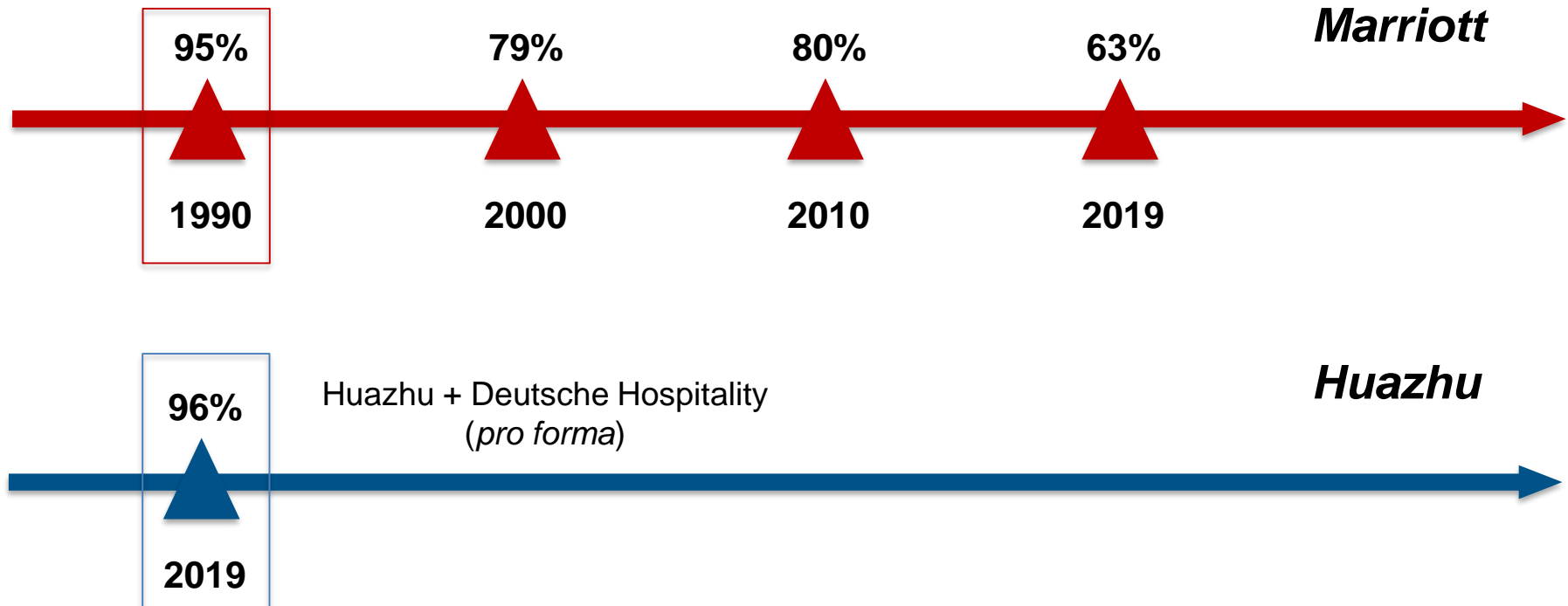


Huazhu Brand Portfolio to Consolidate Full Spectrum of China Lodging Industry



We Aim to Become a Global Hotel Group with Major Presence in Home Country

% of Global Rooms in Home Country



Source: company annual/quarterly reports, 1990, 2000, 2010 and 2019Q3

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Strategic Focus for 2019

01

Fast Expansion in Hotel Network

02

Innovative Technology Applications to Improve Guest Experience and Operational Efficiency

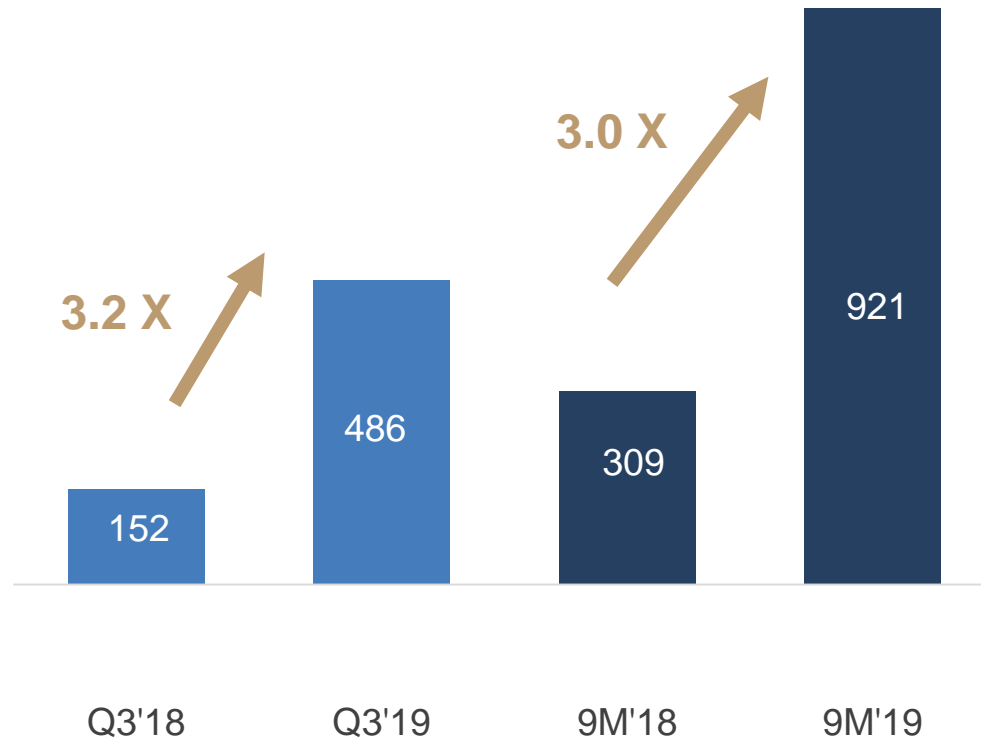
03

Strategic Deployment in Upscale Segment

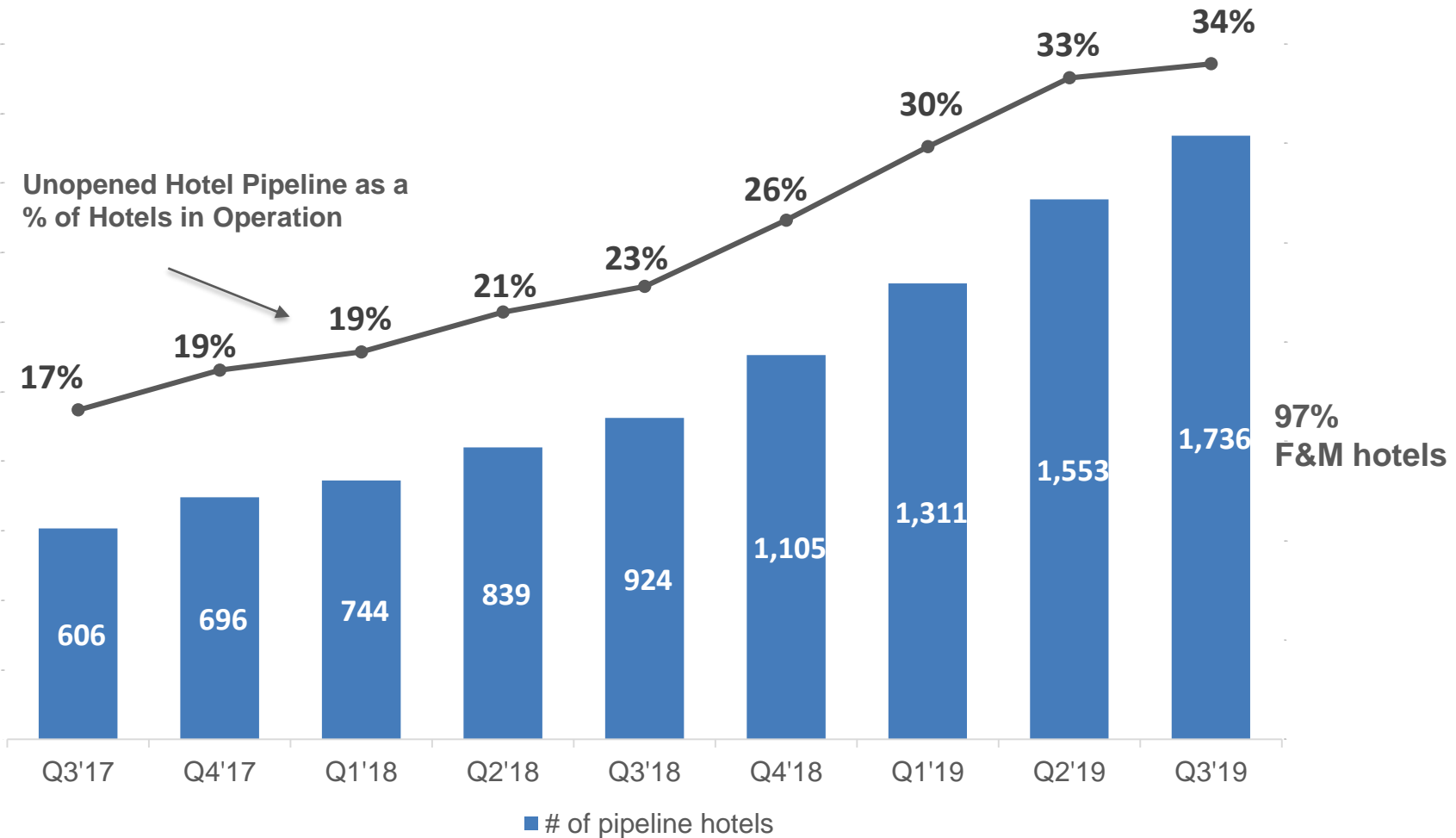
Strong Hotel Openings – Further Accelerated in Q3 2019

01

Hotel Openings (net)

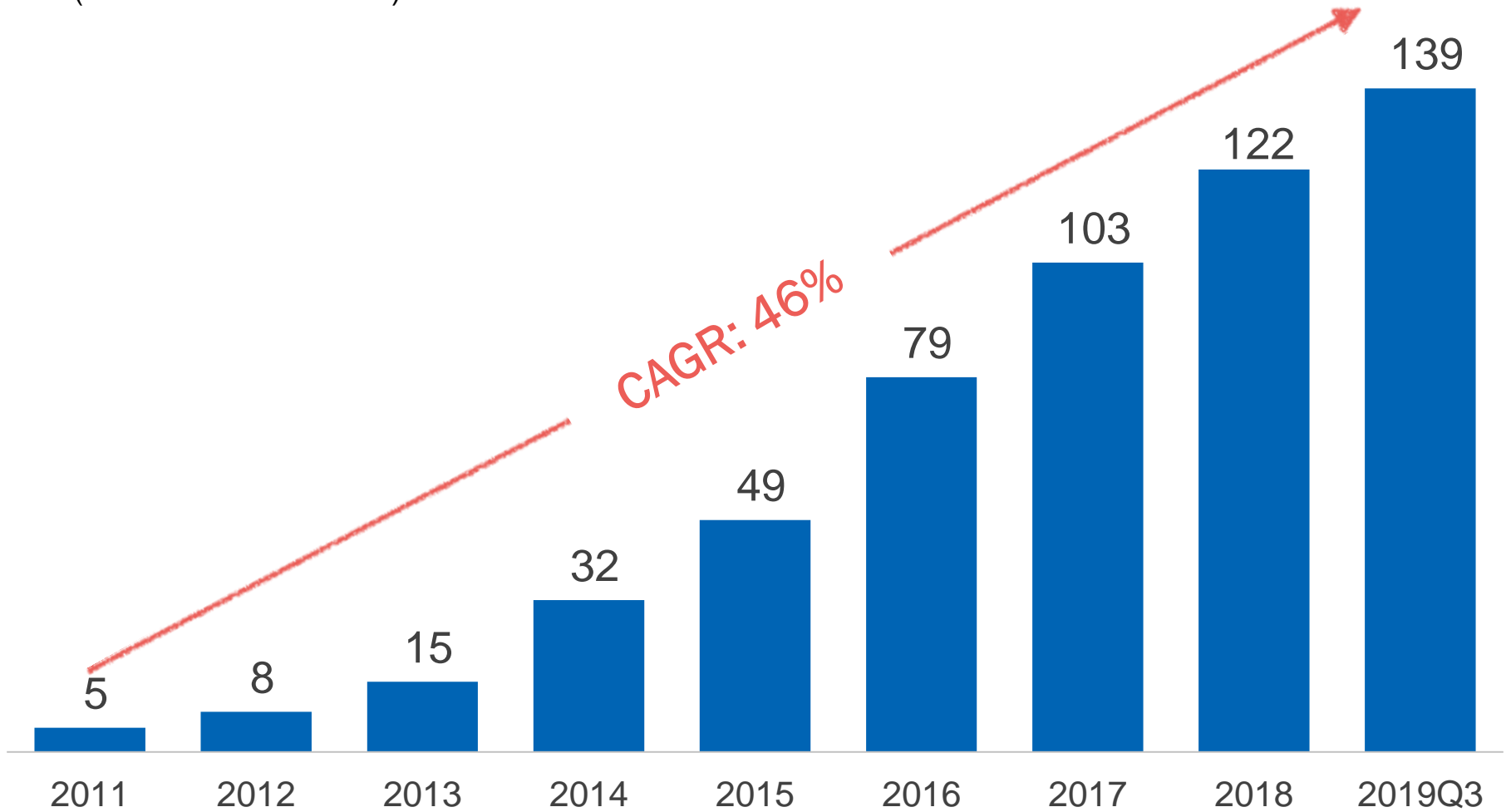


Growing Hotel Pipeline Mainly Comprised of Franchised & Manachised (“F&M”) Hotels



Technology Drives Fast Growth in Loyalty Program Membership

(in millions of members)



40%

Advance Booking through
Central Reservation



45M+ Huazhu APP downloads



25M+ WeChat followers

53%

Online Payments



禧玥酒店
JOYA HOTEL

Soft Opening of Joya Hotel Taikoo Li in Chengdu by end of 2019

03



Acquisition of Deutsche Hospitality (“DH”)

Snapshot and Competitive advantages

- Leading German operator with **rich heritage since 1930**
- Reputable **luxury and upscale brands** in Germany
- 5 brands, 118 hotels and 36 unopened hotels in 19 countries
- **Multi-national experience** for development and operation

Key transaction metrics

- Consideration of **EUR 700 million** for 100% stake in DH
- **17.5 x EV/EBITDA** based on 2019 forecast

Closing

- **Expected: January 2020**

Financial Metrics - 2019 Full year Forecast

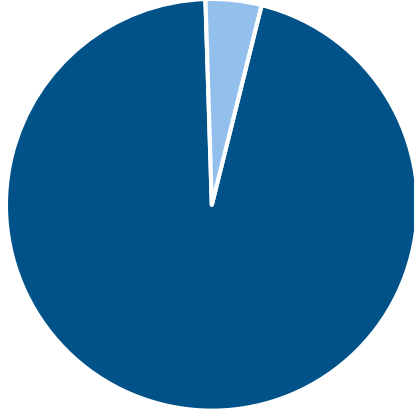
- **Revenue: ~ EUR 490M**
- **EBITDA: ~ EUR 40M**
- Interest and amortization expenses related to the acquisition have yet to be determined subject to the timing of Closing and valuation of intangibles

The share purchase price, taking into consideration of the base cash, cash balance, net working capital and other adjustments at closing is estimated to be approximately €720 million.

DH: A Deal of Right Size

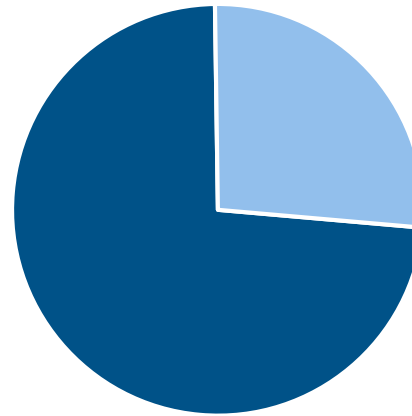
ROOMS

4%



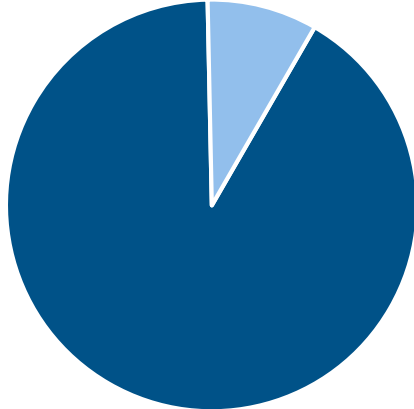
REVENUES

27%



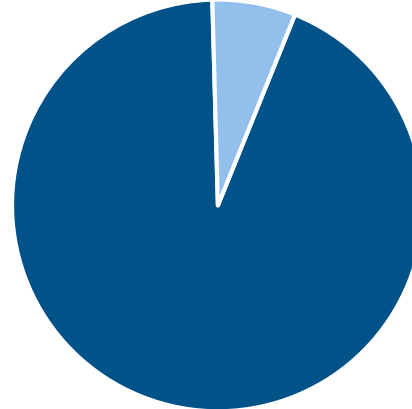
EBITDA

9%



MARKET CAP

7%



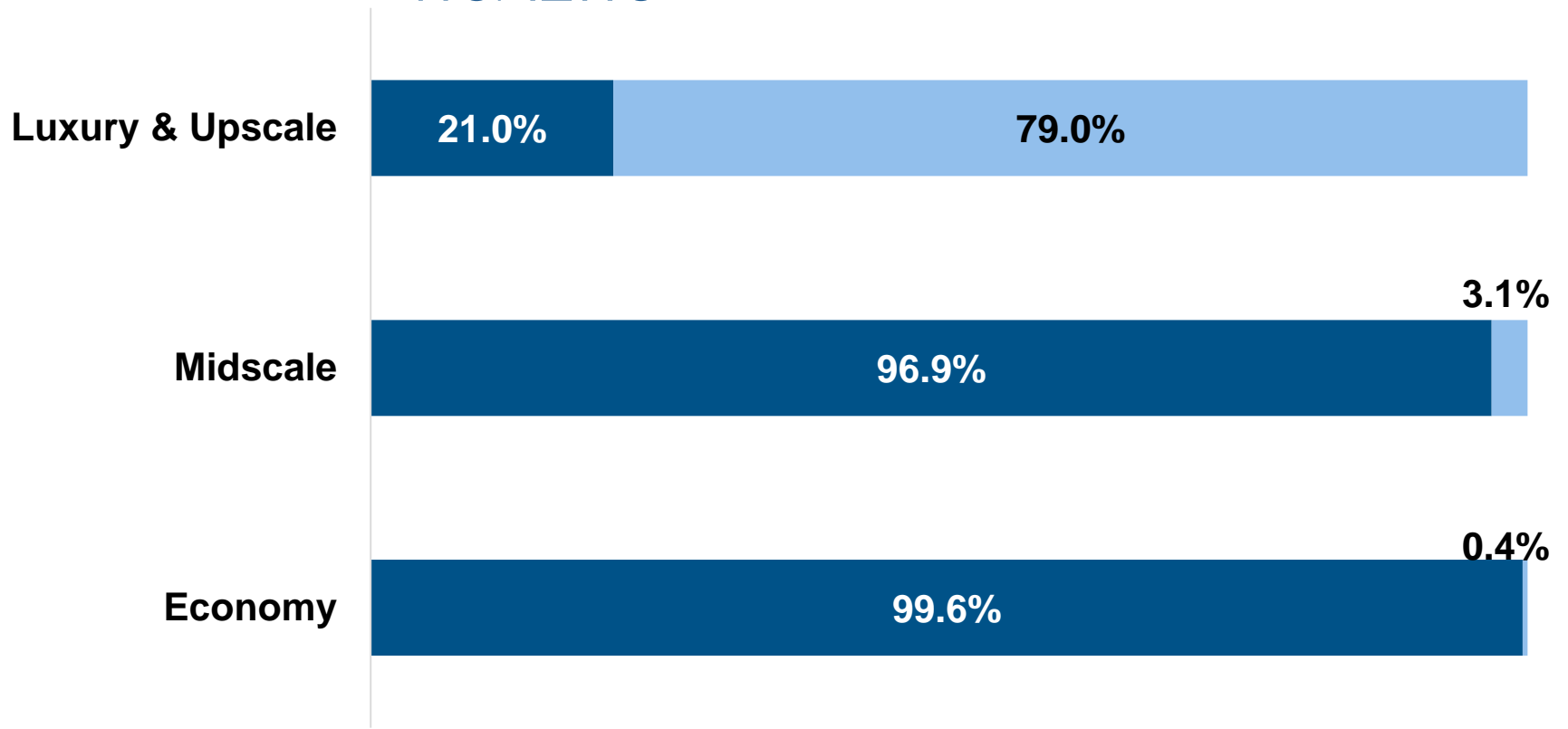
Complementary Brand Portfolio



HUAZHU



DEUTSCHE
HOSPITALITY



% of rooms post-acquisition

Geographic Footprint Expansion



East Asia	<input checked="" type="checkbox"/>	
Europe		<input checked="" type="checkbox"/>
Middle East		<input checked="" type="checkbox"/>
Africa		<input checked="" type="checkbox"/>

Synergies Generated After Acquisition



East Asia

- Growth of DH's Luxury and Upscale brands in East Asia, mainly in China, through Huazhu's strong platform

Europe

Middle East

Africa

- Enrich product and geographic offering to customers and franchisees

- Share Huazhu's expertise and resources in loyalty program and direct sales to enhance DH's competitive position
- Leading technology to support future expansion



STEIGENBERGER

GRAND
HOTELS





STEIGENBERGER



RESORTS









ECONOMY BRAND



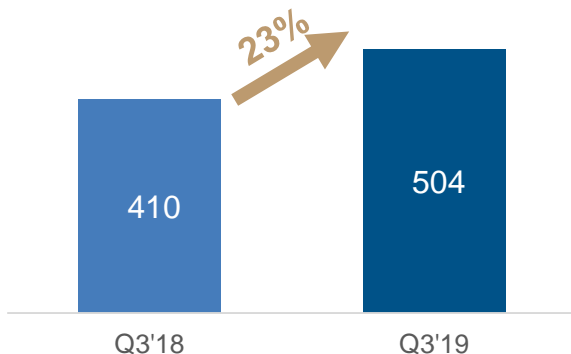
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Rapid Expansion Accompanied by Strategic Investments for Future Growth

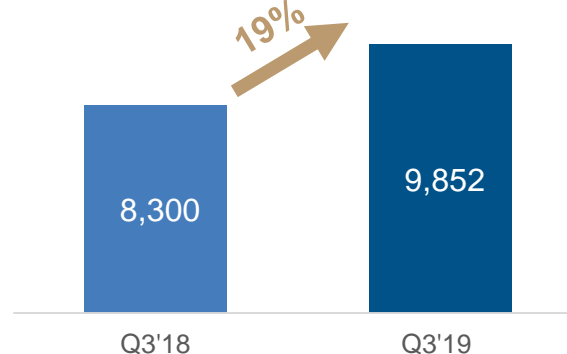
Hotel Network Expansion

(Number of rooms in operation, in thousands)



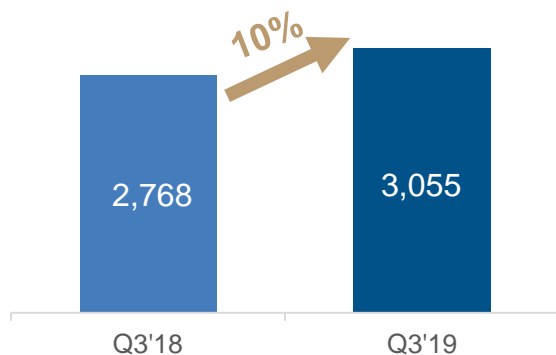
Hotel Turnover

(in RMB millions)



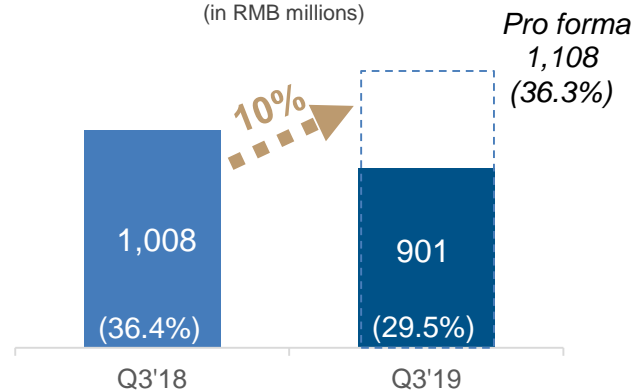
Net Revenues

(in RMB millions)



Adjusted EBITDA* and Margin

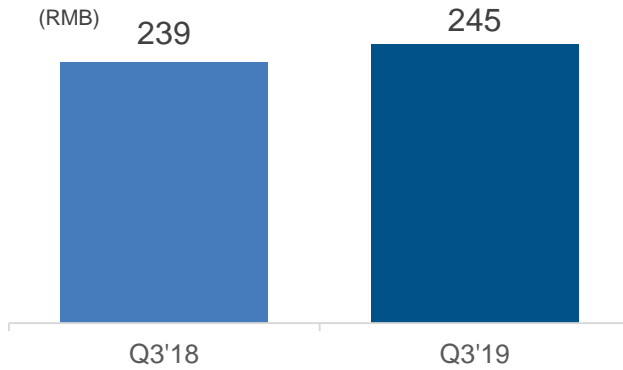
(in RMB millions)



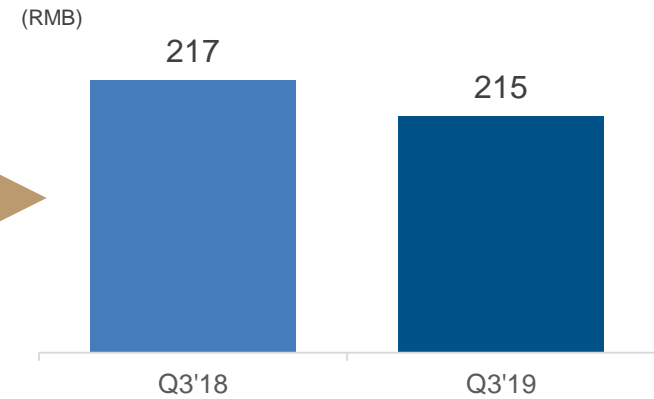
* Adjusted EBITDA excludes unrealized gain/ (loss) from fair value changes of equity securities and share-based compensation expenses. Pro forma adjusted EBITDA excludes investments in development teams, upscale brand hotels, IT capabilities and foreign exchange loss during Q3 2019.

Blended RevPAR Decreased by 0.8%

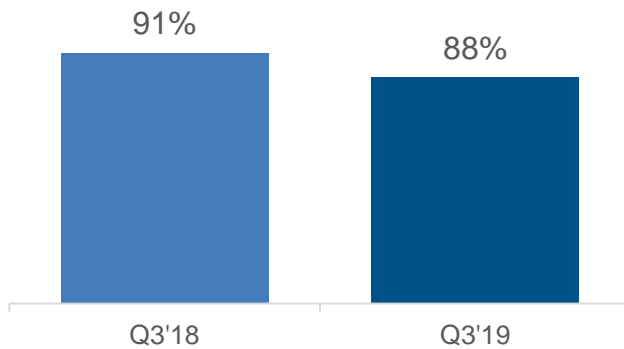
ADR Grew 2.6% in Q3'19



RevPAR Decreased 0.8% in Q3'19



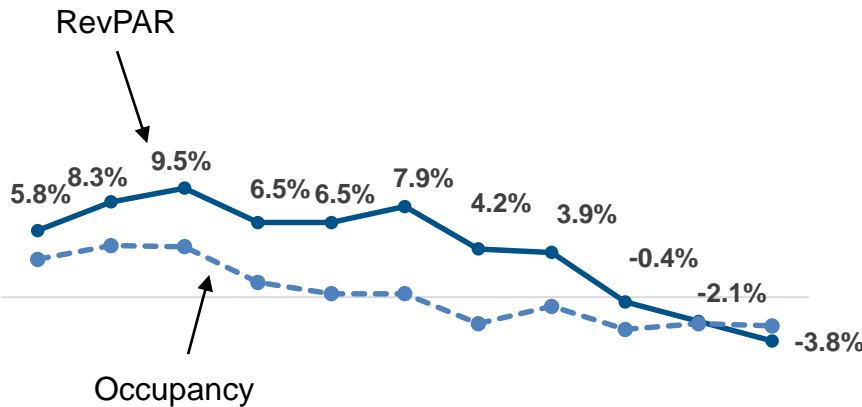
Occupancy Dropped 3.1 pp in Q3'19



Softer Same-Hotel RevPAR and Occupancy due to Macro Weakness

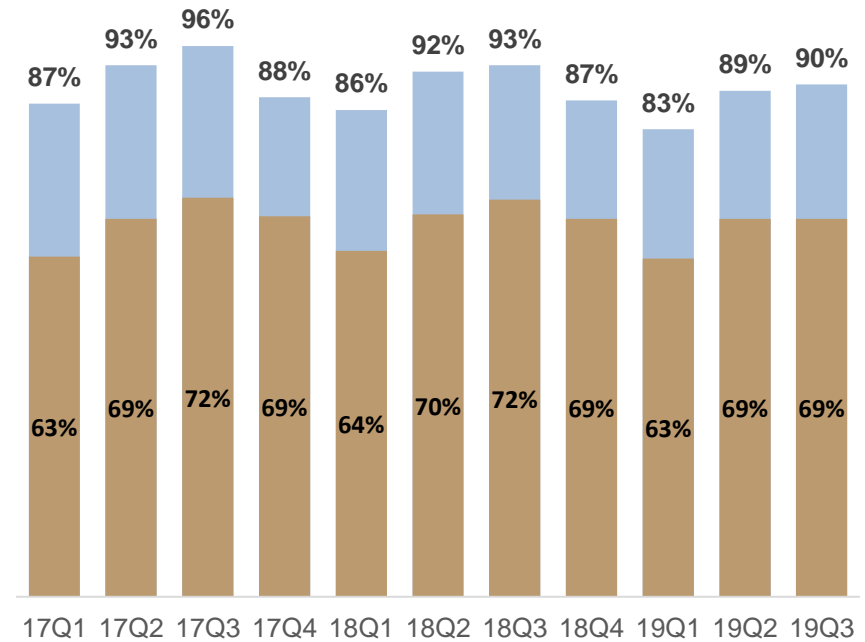
Mature Hotel Occupancy Outperformed Industry Average by 20 p.p.

Same-hotel RevPAR and Occupancy Decline



17Q1 17Q2 17Q3 17Q4 18Q1 18Q2 18Q3 18Q4 19Q1 19Q2 19Q3

Mature Hotel Occupancy Remains High



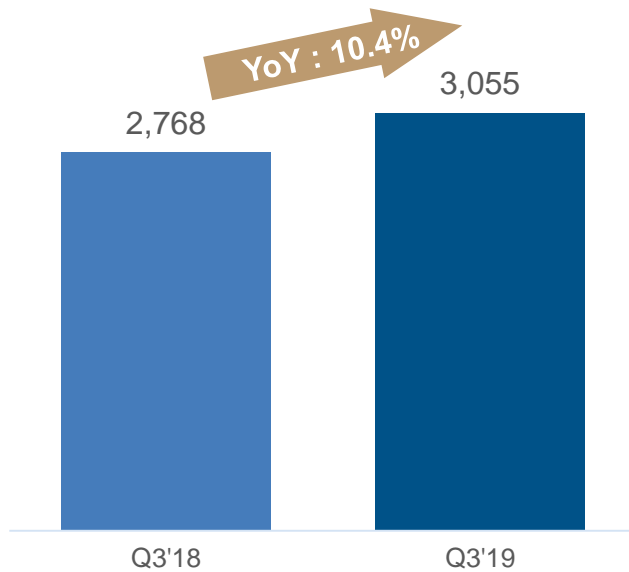
■ Huazhu mature hotels occupancy ■ China industry average occupancy

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

Q3 Net Revenues Increased 10.4%, in line with Guidance (9%-11%)

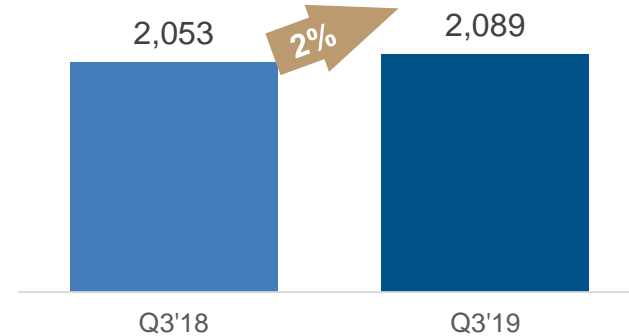
Net Revenues

(in RMB millions)



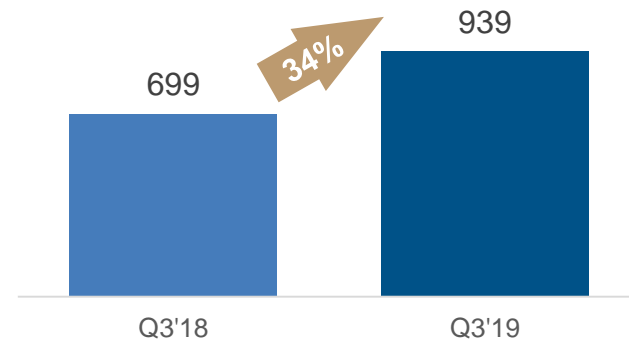
Net Revenues from Leased and Owned Hotels

(in RMB millions)



Net Revenues from Manachised and Franchised Hotels

(in RMB millions)



Manachised and Franchised Hotels Revenue
as % of Net Revenues

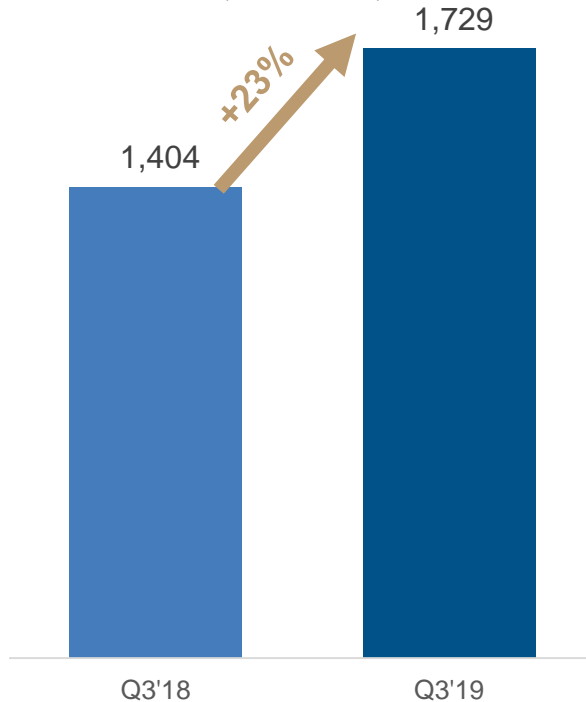
Q3'18	Q3'19
25.3%	30.7%

Increasing Revenue Contribution from Mid and Upscale Hotels

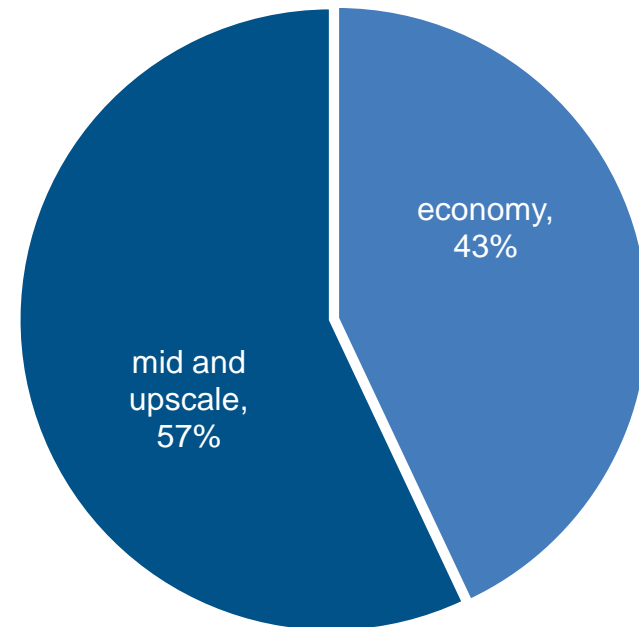
Revenues from Mid and Upscale Hotels Grew by 23%;
Mid and Upscale Hotels Revenues Contribution Increased by 6pp to 57%

Revenue Growth Continued

(in RMB millions)

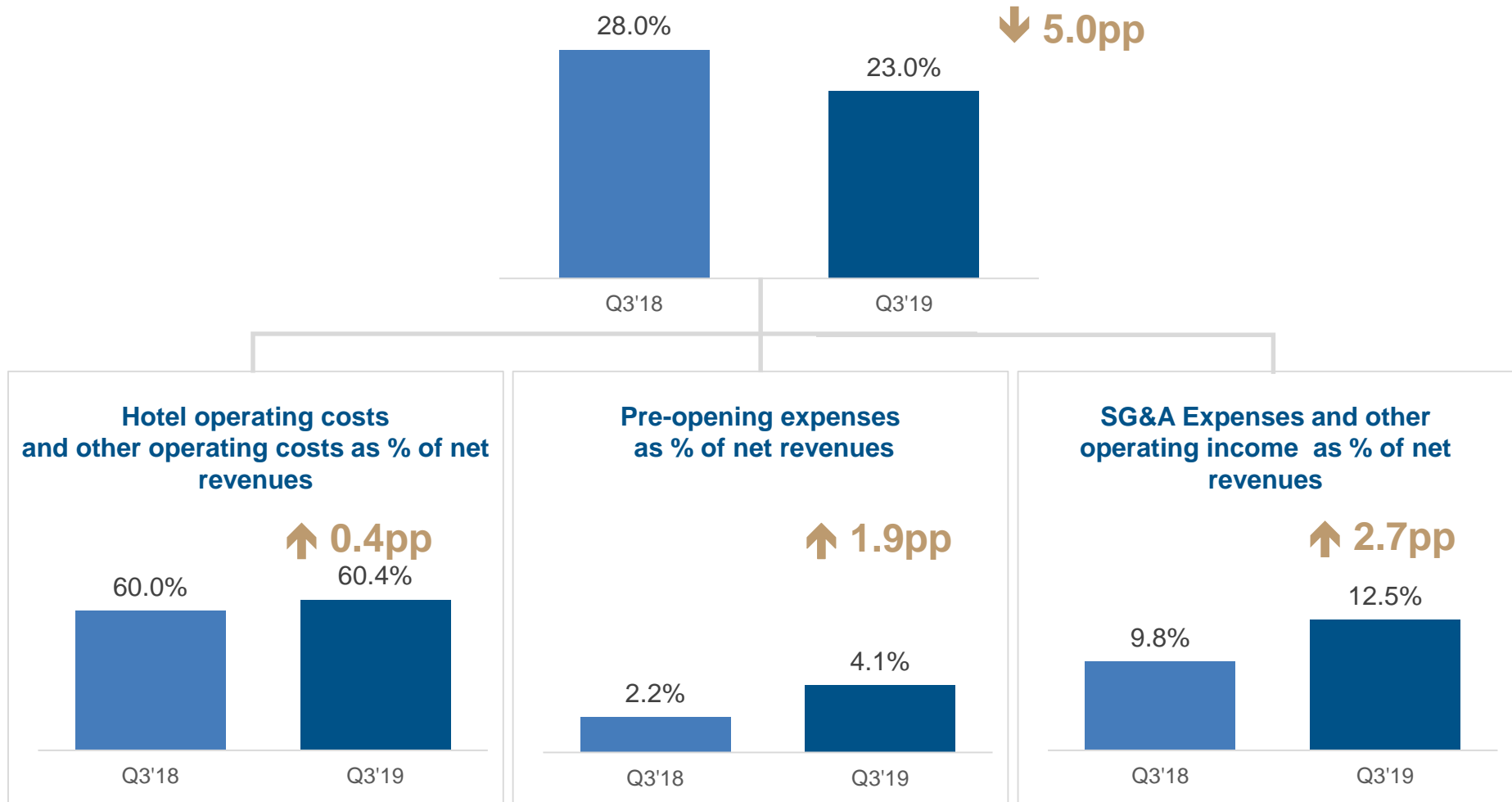


Revenue split by Segment Q3'19



Lower Operating Margin in Q3 2019 Due to Investment in Hotel Development Teams, Upscale Hotels and IT Capabilities

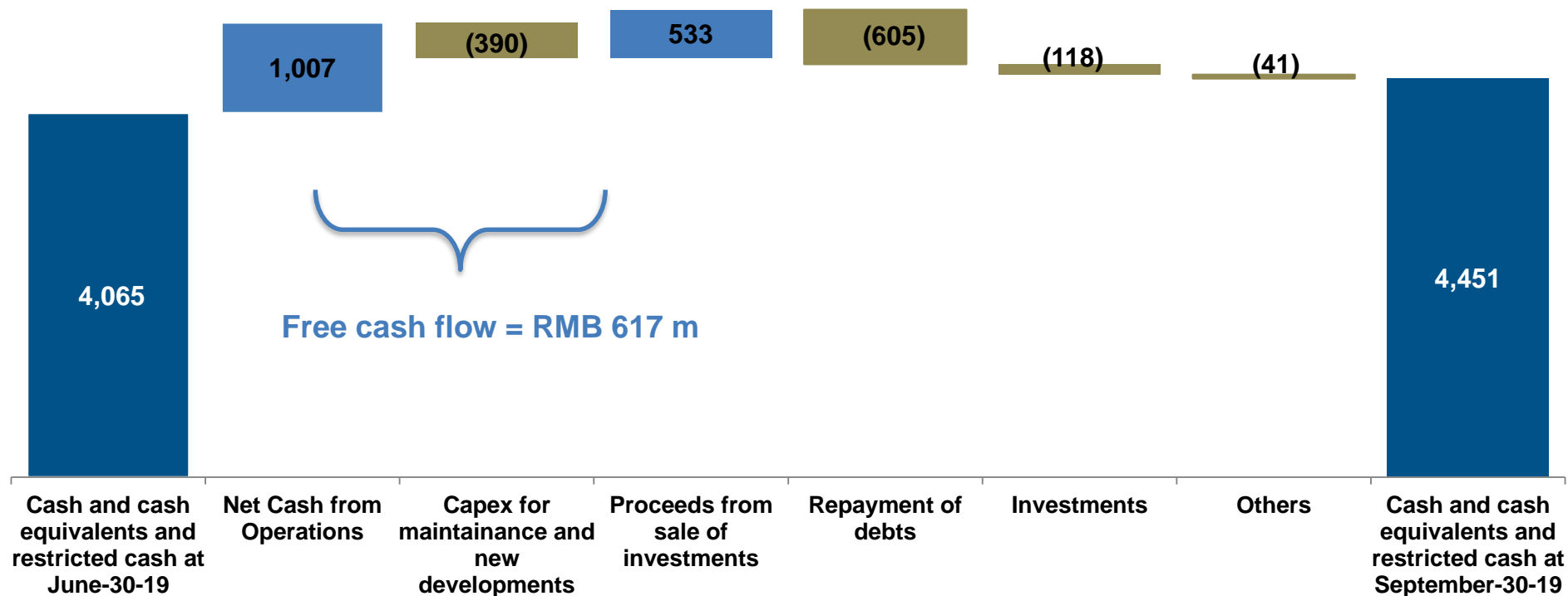
Income from Operations as % of Net Revenues



Strong Cash Balances Support Hotel Expansion and Capital Investments

Abundant Funding Resource for Expansion

(in RMB millions)



Funding Plan for DH Acquisition

- An all-cash transaction;
- Syndication bank loan funding of EUR440 million and balance by Huazhu offshore cash;
- Post-transaction net debt/EBITDA multiple estimated to be 2.89x
- Plan to pay down borrowings using cash from operations and proceeds from disposal of investments

Guidance

2019 Revenue Guidance

- FY19 net revenues to grow 10%-12%

2020 Hotel Openings

- Gross opening target of about 1,700 hotels

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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 quarter ended			For the quarter ended			For the quarter ended		
	2017	2018	2017	2018	yoy change	2017	2018	yoy change	2017	2018	yoy change (P.P.)
Economy hotels	2,454	2,454	157	164	4.1%	174	183	5.3%	90%	89%	-1.1
Leased and owned hotels	440	440	165	177	7.7%	186	198	6.7%	89%	89%	0.8
Manachised and franchised hotels	2,014	2,014	155	160	3.0%	171	179	4.8%	91%	89%	-1.6
Midscale and upscale hotels	526	526	255	264	3.7%	311	322	3.9%	82%	82%	-0.1
Leased and owned hotels	105	105	316	325	3.0%	367	384	4.4%	86%	85%	-1.2
Manachised and franchised hotels	421	421	229	238	4.2%	284	295	3.7%	80%	81%	0.3
Total	2,980	2,980	182	189	3.9%	206	216	4.9%	88%	87%	-0.8

	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		
	2018	2019	2018	2019	yoy change	2018	2019	yoy change	2018	2019	yoy change (P.P.)
Economy hotels	2,481	2,481	152	152	0.1%	170	176	3.7%	89%	86%	-3.1
Leased and owned hotels	439	439	161	167	4.0%	181	191	5.4%	89%	88%	-1.1
Manachised and franchised hotels	2,042	2,042	149	148	-1.1%	167	172	3.1%	89%	86%	-3.6
Midscale and upscale hotels	708	708	240	237	-1.1%	306	310	1.3%	78%	76%	-1.9
Leased and owned hotels	169	169	295	287	-2.8%	360	362	0.4%	82%	79%	-2.6
Manachised and franchised hotels	539	539	216	216	-0.1%	281	286	2.0%	77%	75%	-1.6
Total	3,189	3,189	176	176	-0.4%	205	211	2.9%	86%	83%	-2.8

	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		
	2018	2019	2018	2019	yoy change	2018	2019	yoy change	2018	2019	yoy change (P.P.)
Economy hotels	2,489	2,489	175	171	-2.0%	185	187	0.9%	94%	92%	-2.7
Leased and owned hotels	424	424	189	191	0.6%	202	206	2.1%	94%	93%	-1.4
Manachised and franchised hotels	2,065	2,065	171	166	-2.7%	181	182	0.6%	94%	91%	-3.0
Midscale and upscale hotels	788	788	278	272	-2.4%	325	323	-0.7%	86%	84%	-1.4
Leased and owned hotels	179	179	346	334	-3.5%	392	383	-2.2%	88%	87%	-1.2
Manachised and franchised hotels	609	609	251	247	-1.8%	298	298	0.0%	84%	83%	-1.5
Total	3,277	3,277	206	202	-2.1%	225	226	0.4%	92%	89%	-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		
	2018	2019	2018	2019	yoy change	2018	2019	yoy change	2018	2019	yoy change (P.P.)
Economy hotels	2,500	2,500	186	179	-3.7%	196	194	-0.7%	95%	92%	-3.0
Leased and owned hotels	414	414	200	197	-1.6%	211	212	0.6%	95%	93%	-2.0
Manachised and franchised hotels	2,086	2,086	182	175	-4.3%	192	190	-1.0%	95%	92%	-3.2
Midscale and upscale hotels	861	861	289	278	-3.9%	332	325	-2.2%	87%	86%	-1.5
Leased and owned hotels	184	184	355	337	-5.3%	396	382	-3.5%	90%	88%	-1.7
Manachised and franchised hotels	677	677	265	257	-3.2%	308	303	-1.5%	86%	85%	-1.5
Total	3,361	3,361	219	211	-3.8%	236	234	-1.1%	93%	90%	-2.5

Number of Hotels in Operation

	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	As of 3/31/2019	As of 6/30/2019	As of 9/30/2019
Economy hotels	1,819	2,453	2,741	2,874	2,892	2,916	2,990	3,204
HanTing Hotel	1,648	2,003	2,181	2,244	2,283	2,303	2,331	2,381
Hi Inn	158	302	375	396	402	399	415	450
Elan Hotel	13	148	185	226	200	207	244	373
Orange Hotel				8	7	7	-	-
Midscale hotels and upscale hotels	176	310	528	872	1,338	1,480	1,675	1,947
HanTing Premium Hotel				5	74	91	129	180
ibis Hotel			72	100	137	149	159	179
ibis Styles Hotel			10	13	34	37	44	50
Starway Hotel	55	118	136	174	212	230	265	317
Ji Hotel	117	186	284	390	553	611	666	759
Orange Select Hotel				103	172	189	216	233
Crystal Orange Hotel				42	56	60	66	77
Manxin Hotels & Resorts	1	2	2	11	24	28	35	39
Madison Hotel								5
Mercure Hotel		1	15	20	39	45	52	63
Novotel Hotel			2	4	7	7	9	9
Grand Madison Hotel								1
Joya Hotel	3	3	6	6	6	6	6	6
Blossom Hill Hotels & Resorts					18	20	20	21
Grand Mercure Hotel			1	4	6	7	8	8
Total	1,995	2,763	3,269	3,746	4,230	4,396	4,665	5,151
Economy hotels	91.2%	88.8%	83.8%	76.7%	68.4%	66.3%	64.1%	62.2%
Mid-upscale hotels	8.8%	11.2%	16.2%	23.3%	31.6%	33.7%	35.9%	37.8%

Number of Rooms in Operation

	As of 12/31/2015	As of 12/31/2016	As of 12/31/2017	As of 12/31/2018	As of 3/31/2019	As of 6/30/2019	As of 9/30/2019
Economy hotels	238,156	260,557	266,145	261,037	262,040	265,025	278,142
HanTing Hotel	205,577	221,157	223,121	220,646	221,825	222,983	227,925
Hi Inn	21,340	25,600	26,063	25,403	25,218	25,535	27,282
Elan Hotel	11,239	13,800	16,120	14,266	14,275	16,507	22,935
Orange Hotel			841	722	722	-	-
Midscale hotels and upscale hotels	40,687	70,790	113,530	161,710	177,574	198,271	226,272
HanTing Premium Hotel			446	6,656	8,410	11,861	16,385
ibis Hotel		10,251	13,474	16,575	17,653	18,698	20,061
ibis Styles Hotel		1,614	1,841	4,279	4,732	5,318	6,132
Starway Hotel	12,138	13,206	16,914	18,878	20,189	23,314	27,264
Jl Hotel	27,559	39,664	53,054	72,370	79,024	85,385	96,232
Orange Select Hotel			12,648	19,863	22,576	25,561	27,311
Crystal Orange Hotel			5,629	7,150	7,618	8,377	10,207
Manxin Hotels & Resorts	236	78	1,150	1,901	2,199	2,873	3,308
Madison Hotel							536
Mercure Hotel	239	4,026	4,664	8,510	9,356	10,444	11,972
Novotel Hotel		629	1,697	2,512	2,512	2,928	2,928
Grand Madison Hotel							203
Joya Hotel	515	1,131	1,131	1,250	1,250	1,250	1,250
Blossom Hill Hotels & Resorts				462	603	640	727
Grand Mercure Hotel		191	882	1,304	1,452	1,622	1,756
Total	278,843	331,347	379,675	422,747	439,614	463,296	504,414
Economy rooms	<i>85.4%</i>	<i>78.6%</i>	<i>70.1%</i>	<i>61.7%</i>	<i>59.6%</i>	<i>57.2%</i>	<i>55.1%</i>
Mid-upscale rooms	<i>14.6%</i>	<i>21.4%</i>	<i>29.9%</i>	<i>38.3%</i>	<i>40.4%</i>	<i>42.8%</i>	<i>44.9%</i>



华住

成就美好生活