



# Huazhu Group Limited (NASDAQ: HTHT)

Q2 2019 Earnings Call  
August 21, 2019

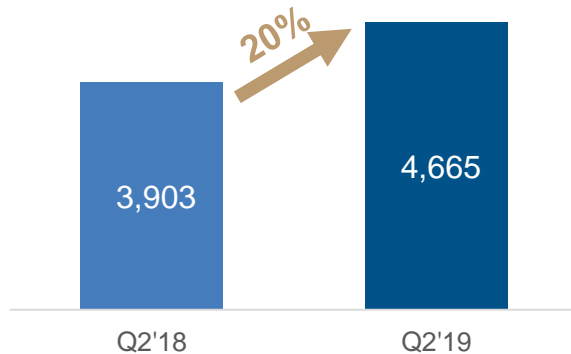
# Agenda

- **Strategy Review**
- Operational and Financial Review
- Q and A
- Appendix

# Rapid Expansion Accompanied by Strategic Investments for Future Growth

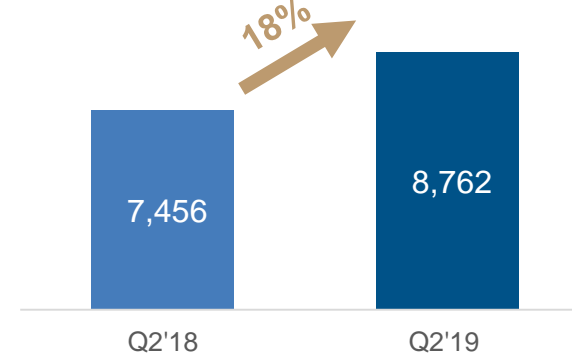
## Hotel Network Expansion

(Number of hotels in operation)



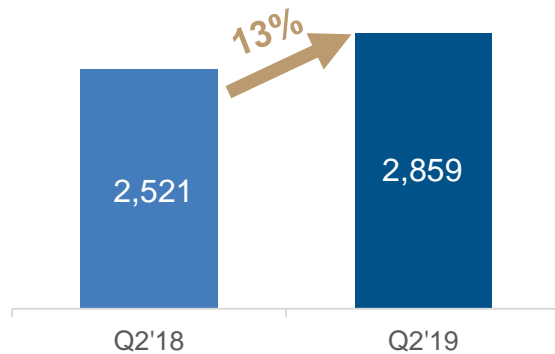
## Hotel Turnover

(in RMB millions)



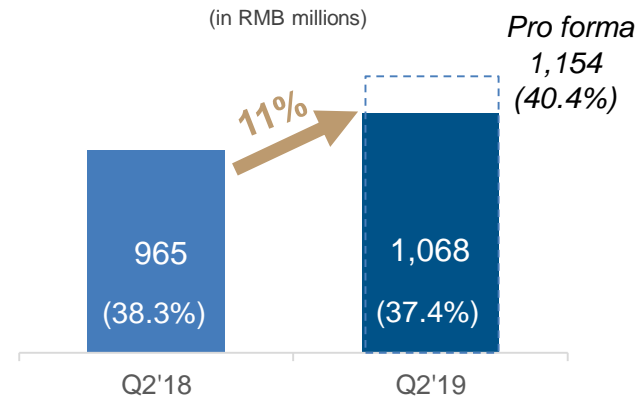
## Net Revenues

(in RMB millions)



## Adjusted EBITDA\* and Margin

(in RMB millions)

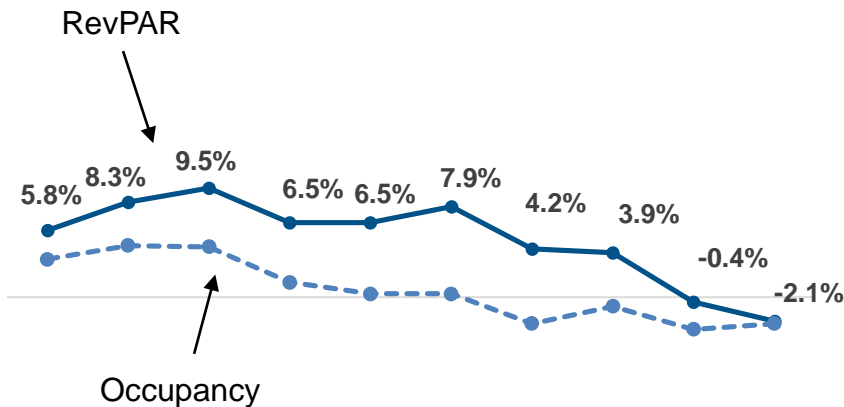


• Adjusted EBITDA excludes unrealized gain/ (loss) from fair value changes of equity securities and share-based compensation expenses. Pro forma adjusted EBITDA excludes investments in development teams, upscale brand hotels and IT capabilities during Q2 2019.

# Softer Same-hotel RevPAR and Occupancy due to Macro Weakness

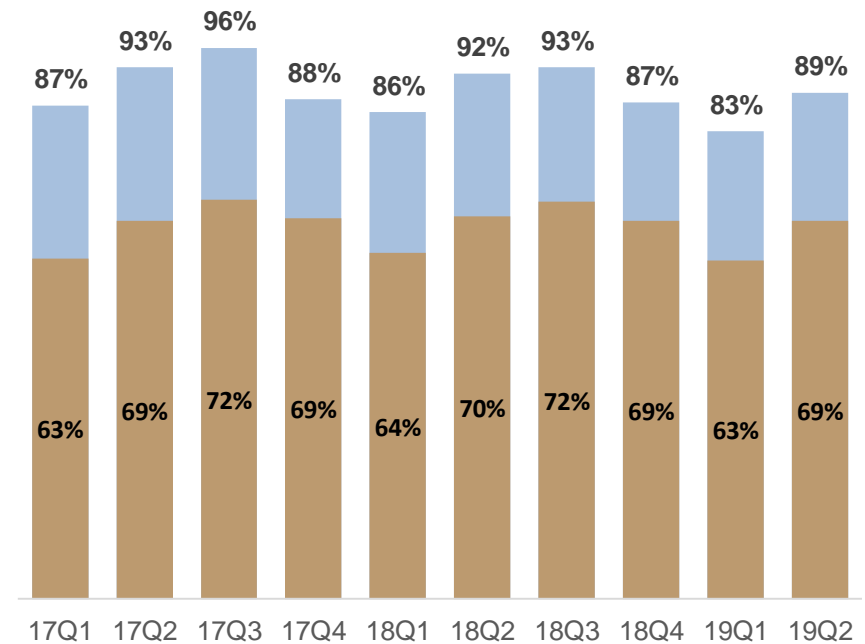
## Mature Hotel Occupancy Outperformed Industry Average by 20 pp

### Same-hotel RevPAR and Occupancy Decline



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

### Mature Hotel Occupancy Remains High



■ Huazhu mature hotels occupancy ■ China industry average occupancy

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

# Strategic Focus for 2019

01

Fast Expansion in Hotel Network

02

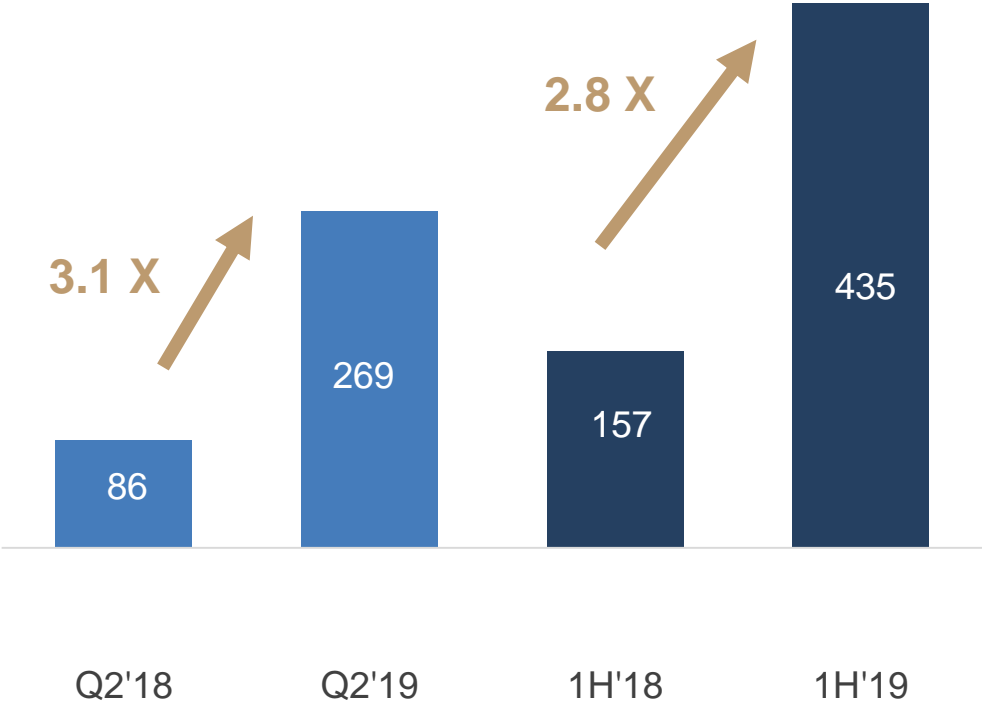
Innovative Technology Applications to Improve Guest Experience and Operational Efficiency

03

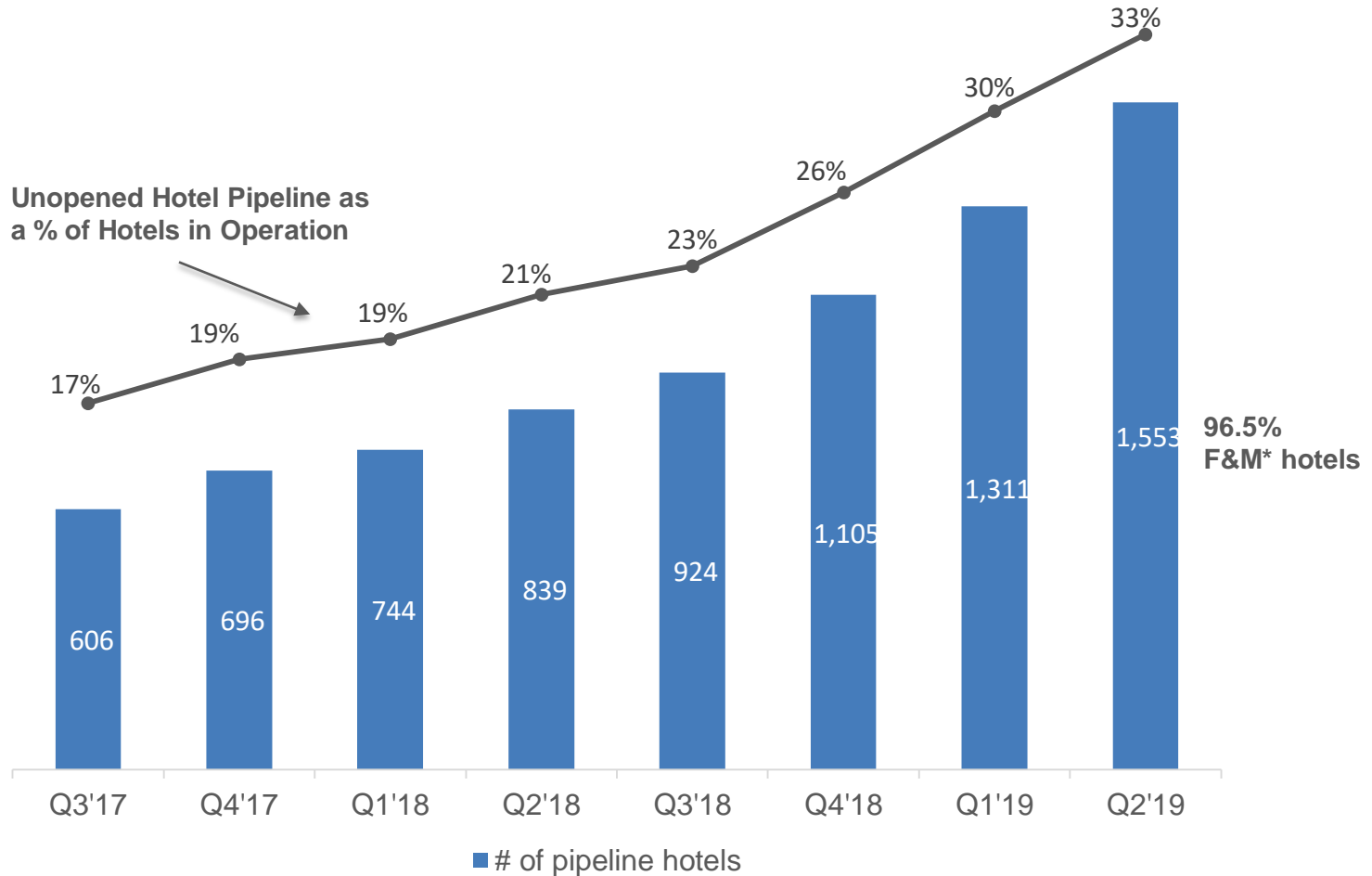
Strategic Deployment in Upscale Segment

# Strong Hotel Openings – Accelerated in Q2 2019

## Hotel Openings (net)



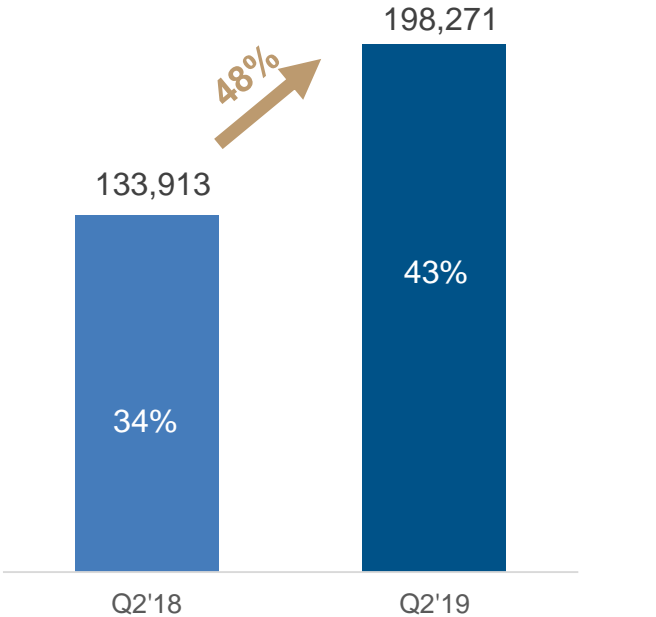
# Growing Hotel Pipeline Mainly Contributed by F&M Hotels



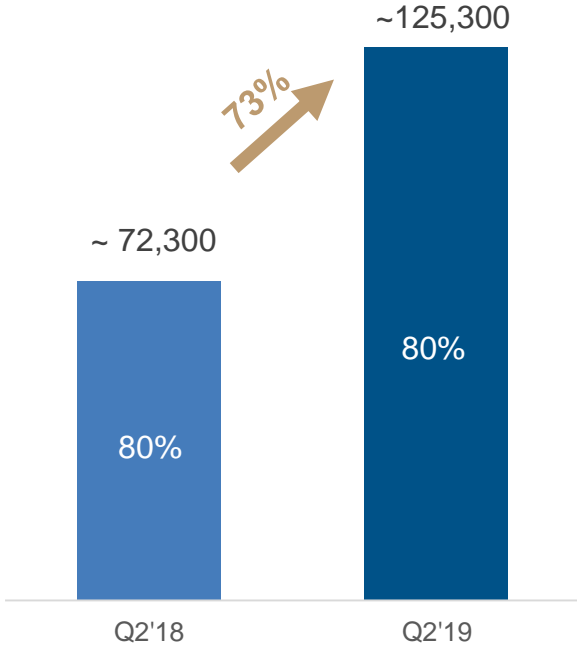
\*F&M represents franchised and manachised

# Fast Expansion in Midscale & Upscale Segments

### Number of Rooms in Operation



### Number of Unopened Rooms in Pipeline



■ Mid and Upscale Rooms      As % of Total Rooms





汉庭酒店  
HANTING HOTEL

# HanTing 3.0 - Intelligent and Affordable

01



Self-service check-in

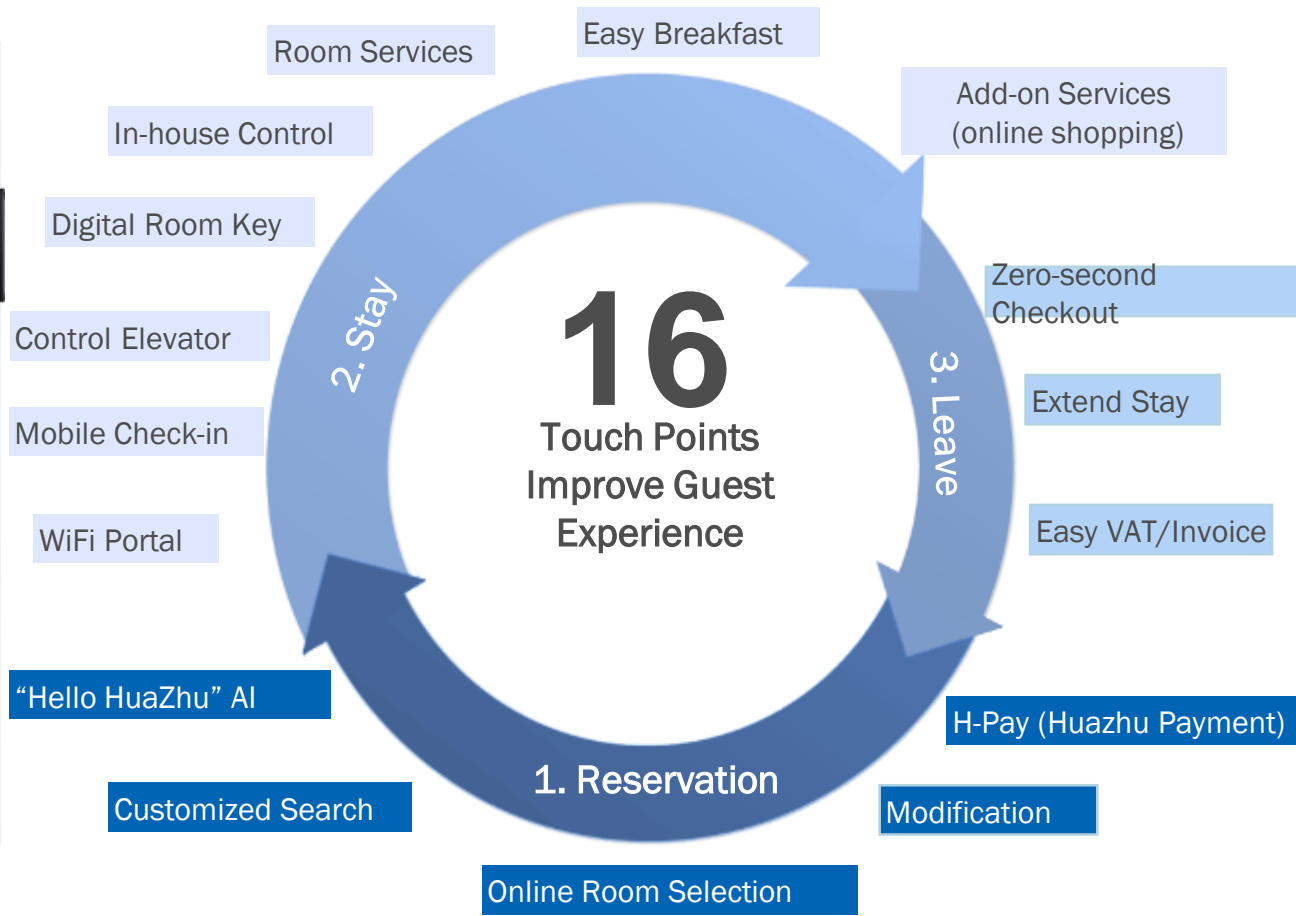


Robot delivery



“Hello Huazhu” AI -Voice control of lights, TV, air-conditioning, window shades, etc.  
-Voice-activated two-way communication

# Huazhu App to Optimize Seamless Stay Experience



# Technology to Drive Corporate Direct Sales



## Direct Booking

---

- Direct bookings vs. various booking channels (e.g., Travel agents, Walk-in, etc.)
- Lowest price guaranteed
- Benefits guaranteed – Breakfasts, loyalty points



## B2B Settlement

---

- Direct monthly settlement with corporate clients
- No more reliance on staffs personal credit card limits
- No more back-office headaches on employee expense reports



## Corporate Compliance

- Ensures authentic hotel stays
- Prevents falsified invoices for employee expense reimbursement
- Consistent with corporate customer travel guidelines



禧玥酒店  
JOYA HOTEL

# Joya - Oriental Upscale Business Hotel



1. Taikoo Li, Chengdu



2. Qianjiang CBD, Hangzhou



3. Gubei SOHO, Shanghai



4. Lujiazui, Shanghai

# New Mid and Upscale Soft brands - Madison and Grand Madison to Convert 4 and 5 Star Hotels



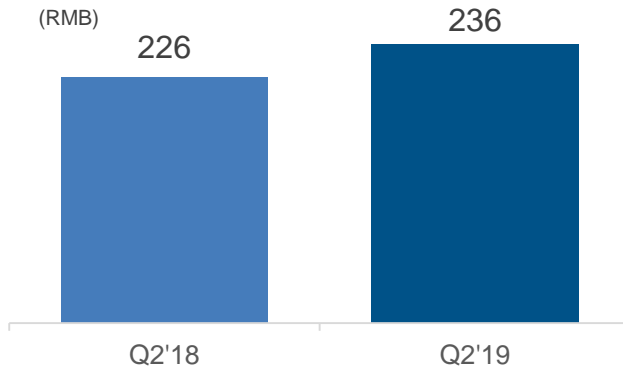
- To be officially launched in September 2019
- Hotels with non-standardized design to benefit from Huazhu's operating platform (e.g., technology platform, procurements, sales channels)
- 12 hotels in pipeline as of June 30, 2019

# Agenda

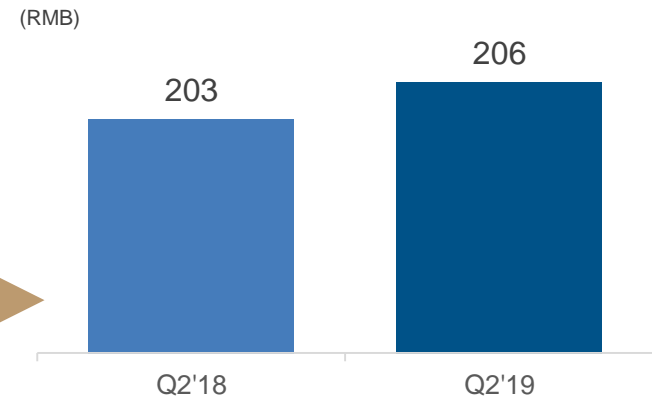
- Strategy Review
- **Operational and Financial Review**
- Q and A
- Appendix

# Blended RevPAR Increased by 1.3% Driven by ADR Growth

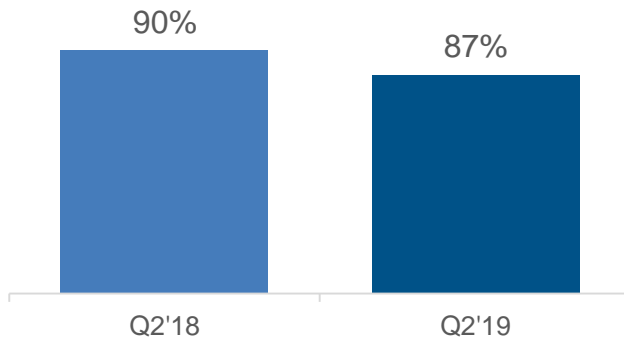
## ADR Grew 4.4% in Q2'19



## RevPAR Increased 1.3% in Q2'19

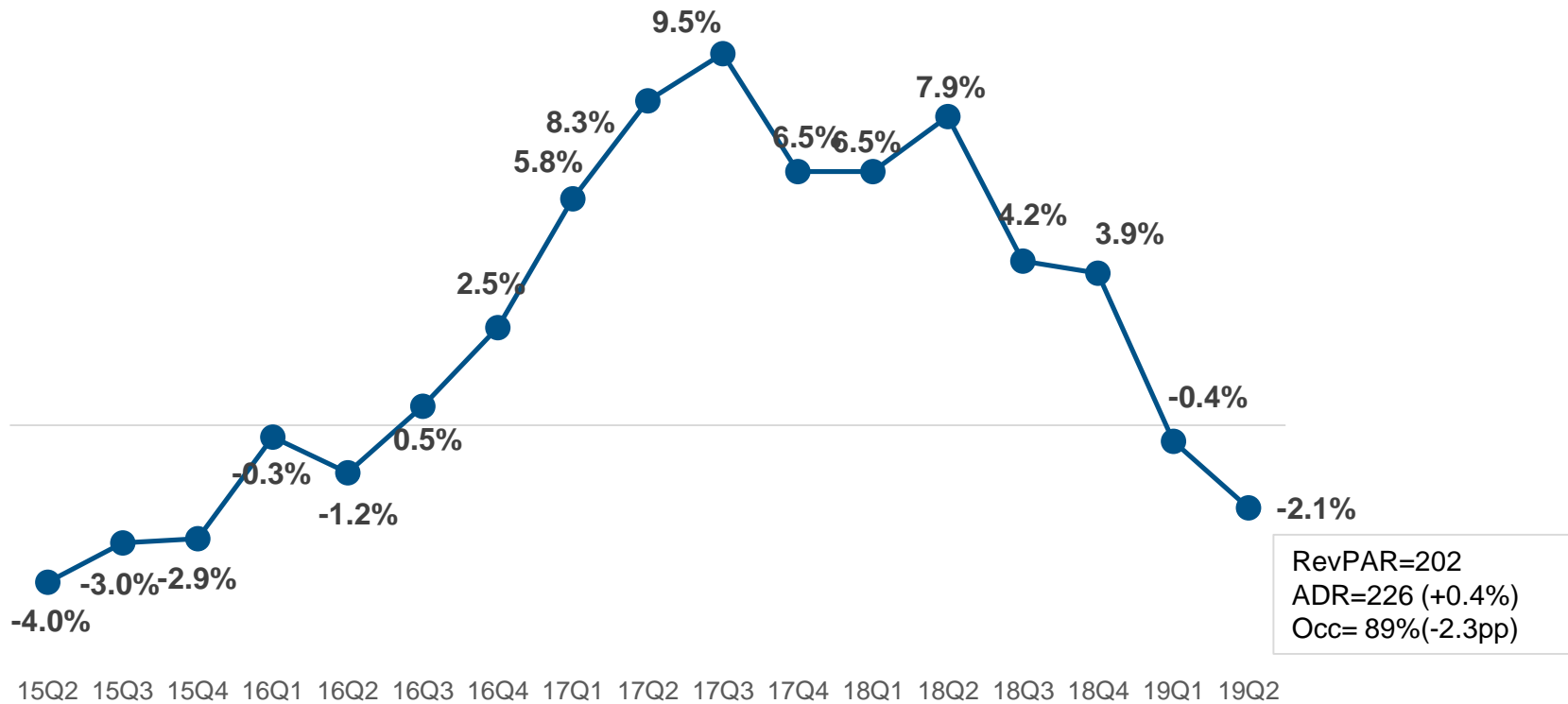


## Occupancy Dropped 2.7 pp in Q2'19



# Group Same-hotel ADR Growth Continued while Occupancy Rate Fell due to Softness in Business Travel Demand

## Quarterly Group Same-hotel RevPAR Growth

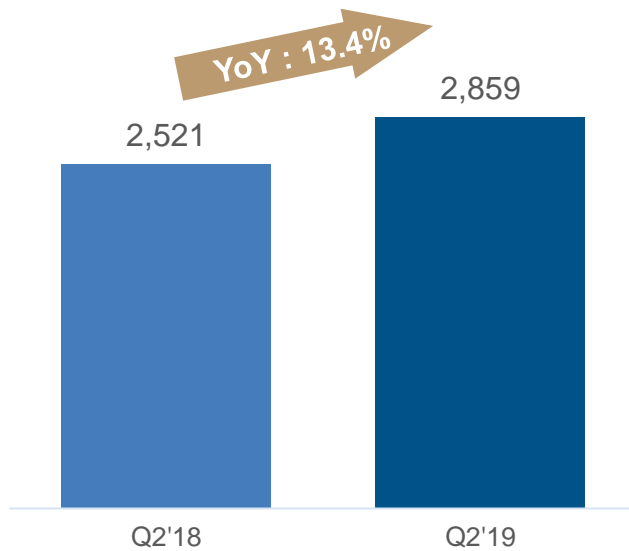




# Q2 Net Revenues Increased 13.4%, in line with Guidance (13%-15%)

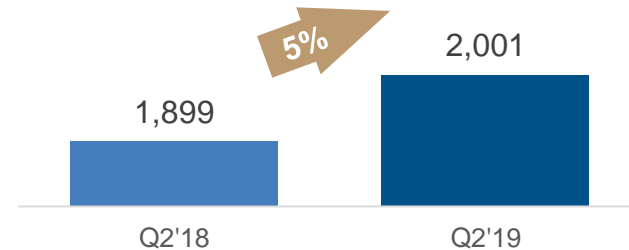
## Net Revenues

(in RMB millions)



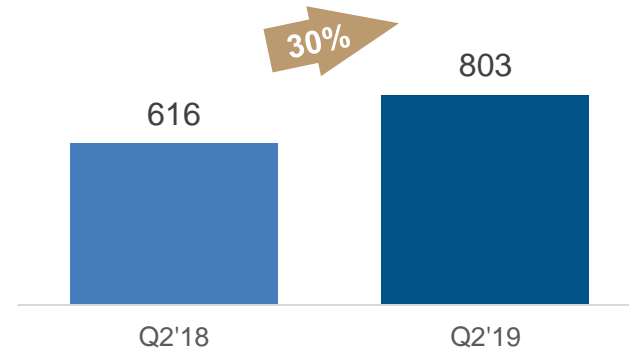
## Net Revenues from Leased and Owned Hotels

(in RMB millions)



## Net Revenues from Manachised and Franchised Hotels

(in RMB millions)



Manachised and Franchised Hotels Revenue  
as % of Net Revenues

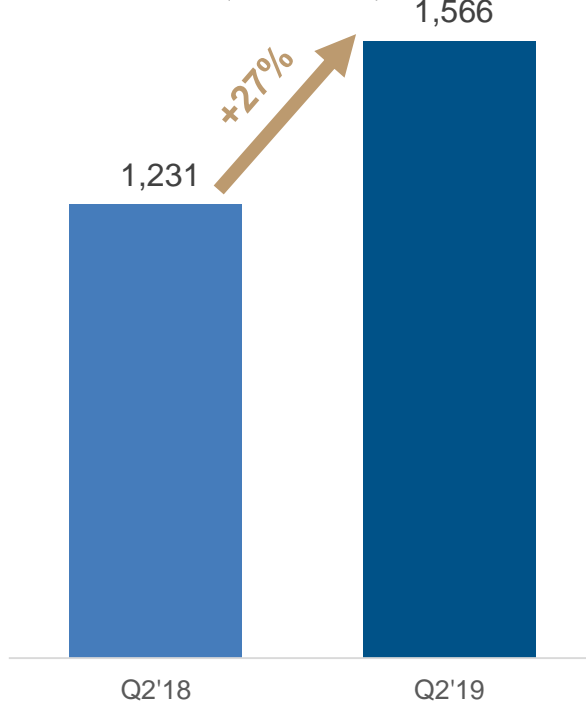
Q2'18	Q2'19
24.4%	28.1%

# Increasing Revenue Contribution from Mid and Upscale Hotels

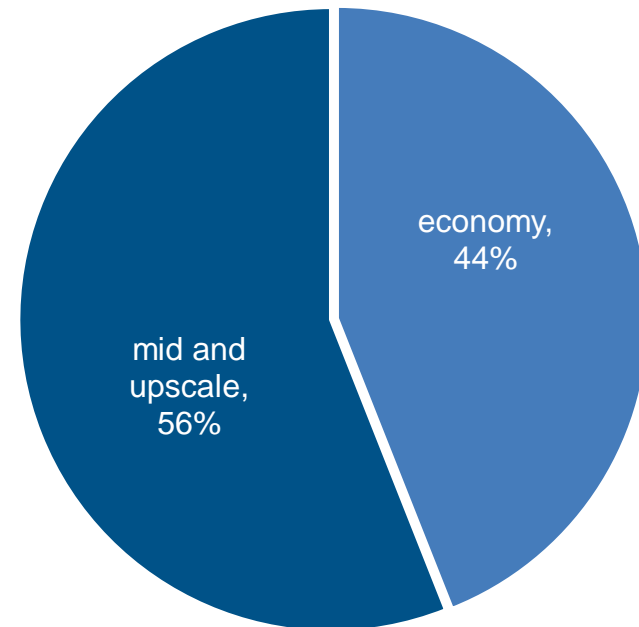
Revenues from Mid and Upscale Hotels Grew by 27%;  
Mid and Upscale Hotels Revenues Contribution Increased by 7pp to 56%

### Revenue Growth Continued

(in RMB millions)

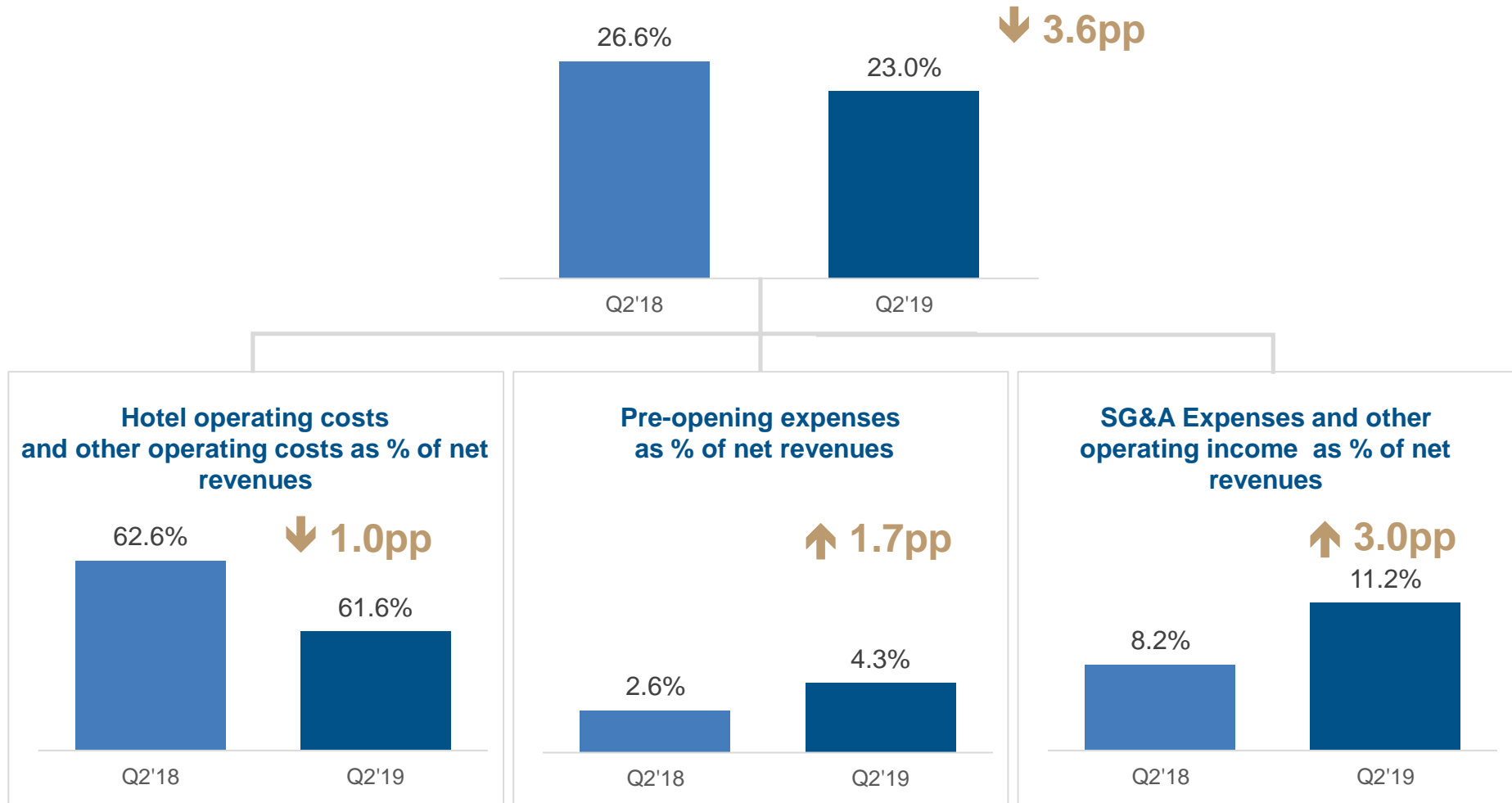


### Revenue split by Segment Q2'19



# Lower Operating Margin in Q2 2019 Due to Investment in Hotel Development Team, Upscale Hotels and IT Capabilities

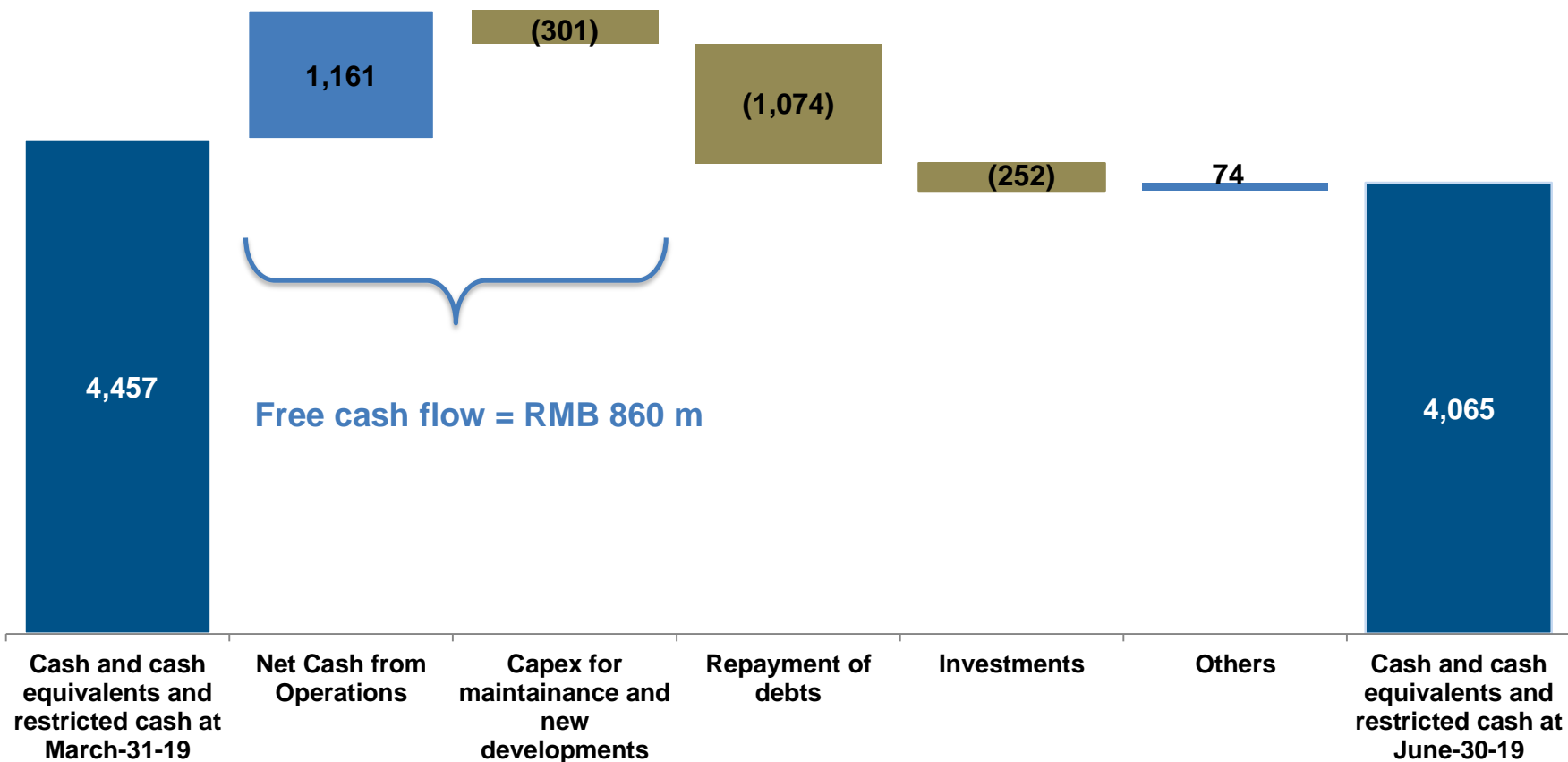
Income from Operations as % of Net Revenues



# Strong Cash Balances Support Hotel Expansion and Capital Investments

## Abundant Funding Resource for Expansion

(in RMB millions)



# Q3 2019 Guidance

## Hotel Openings

- Maintain gross opening target of 1,100-1,200 hotels
- To close about 200-250 hotels

## Revenue Guidance

- Q3'19 net revenues to grow 9%-11%
- FY19 net revenues to grow 10%-12%

# Share Repurchase Program

- Board of Directors has approved a share repurchase program of up to US\$750 million, effective for five years
- Authorized to repurchase in open market or privately negotiated transactions its own outstanding American Depositary Shares (“ADSs”) with an aggregate value of up to US\$750 million
- No obligation to make repurchases at any specific time.

# Agenda

- Strategy Review
- Operational and Financial Review
- **Q and 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		yoy change	For the quarter ended		yoy change	For the quarter ended		yoy change	(P.P.)		
	2017	2018	September 30, 2017	September 30, 2018		September 30, 2017	September 30, 2018		September 30, 2017	September 30, 2018				
<b>Economy hotels</b>	2,425	2,425	178	185	4.1%	182	196	7.2%	98%	95%	-2.8			
Leased hotels	450	450	182	197	8.3%	192	208	8.5%	95%	94%	-0.2			
Manachised and franchised hotels	1,975	1,975	177	182	2.9%	180	192	6.7%	98%	95%	-3.5			
<b>Midscale and upscale hotels</b>	483	483	272	284	4.3%	308	323	5.0%	88%	88%	-0.5			
Leased and owned hotels	101	101	326	339	4.1%	356	374	5.1%	92%	91%	-0.9			
Manachised and franchised hotels	382	382	250	262	4.4%	288	302	4.9%	87%	87%	-0.4			
<b>Total</b>	2,908	2,908	199	207	4.2%	208	222	6.7%	96%	93%	-2.3			

	Number of hotels in operation		Same-hotel RevPAR				Same-hotel ADR				Same-hotel Occupancy			
	As of		For the quarter ended		yoy change	For the quarter ended		yoy change	For the quarter ended		yoy change	(P.P.)		
	2017	2018	December 31, 2017	December 31, 2018		December 31, 2017	December 31, 2018		December 31, 2017	December 31, 2018				
<b>Economy hotels</b>	2,454	2,454	157	164	4.1%	174	183	5.3%	90%	89%	-1.1			
Leased 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			
<b>Midscale and upscale hotels</b>	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			
<b>Total</b>	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		yoy change	For the quarter ended		yoy change	For the quarter ended		yoy change	(P.P.)		
	2018	2019	March 31, 2018	March 31, 2019		March 31, 2018	March 31, 2019		March 31, 2018	March 31, 2019				
<b>Economy hotels</b>	2,481	2,481	152	152	0.1%	170	176	3.7%	89%	86%	-3.1			
Leased 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			
<b>Midscale and upscale hotels</b>	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			
<b>Total</b>	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		yoy change	For the quarter ended		yoy change	For the quarter ended		yoy change	(P.P.)		
	2018	2019	June 30, 2018	June 30, 2019		June 30, 2018	June 30, 2019		June 30, 2018	June 30, 2019				
<b>Economy hotels</b>	2,489	2,489	175	171	-2.0%	185	187	0.9%	94%	92%	-2.7			
Leased 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			
<b>Midscale and upscale hotels</b>	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			
<b>Total</b>	3,277	3,277	206	202	-2.1%	225	226	0.4%	92%	89%	-2.3			



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

# Number of Rooms in Operation

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



华住

成就美好生活