



Huazhu Group Limited (NASDAQ: HTHT)

Q1 2020 Earnings Call

July 1, 2020

Agenda

- **Lodging Industry Outlook**
- 2020 Strategy Review
- Q1'20 Operational and Financial Review
- Financial Impacts and Guidance
- Q and A
- Appendix

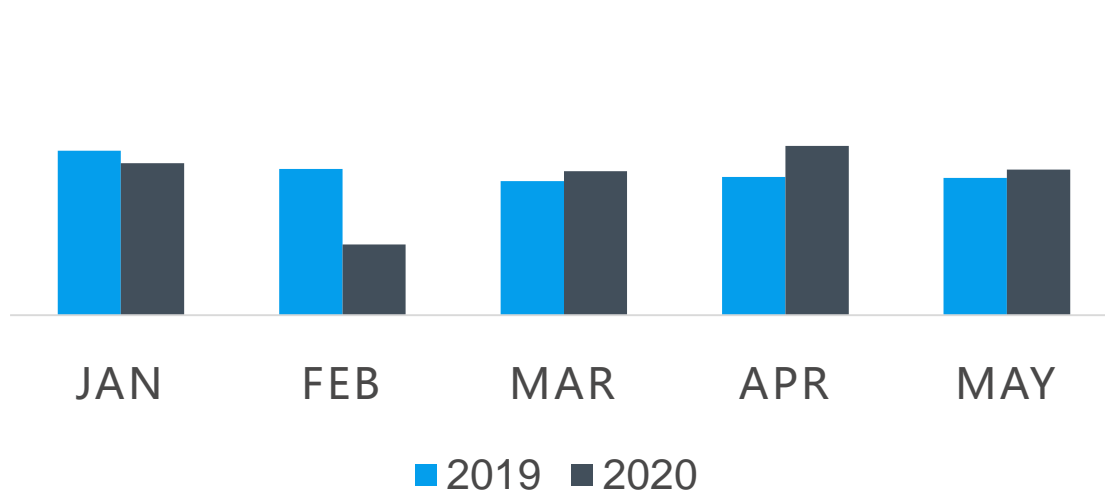
✓ 型复苏

Tick-shaped Recovery

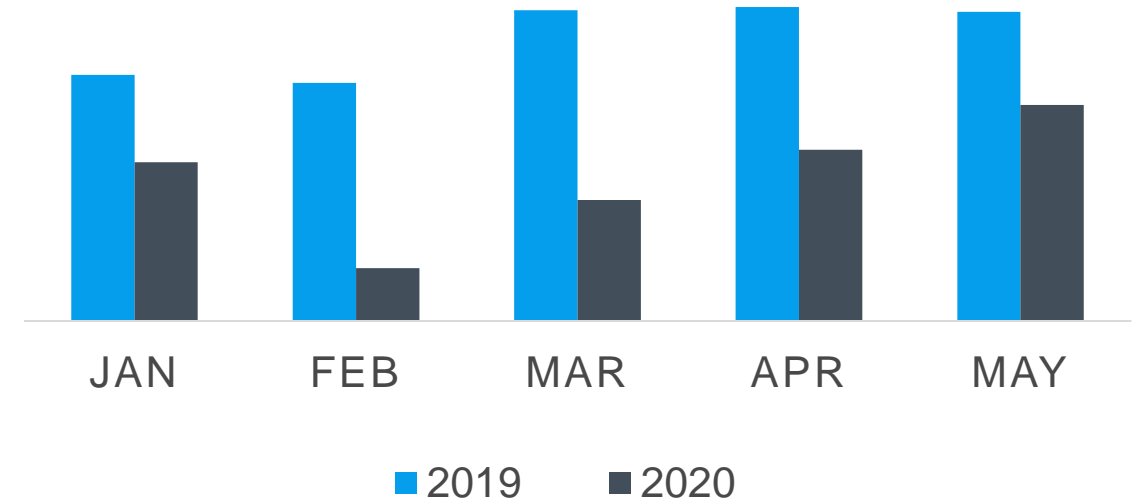
本地市场的快速恢复

Fast Recovery of Local Market

Room Nights Sold to Local Market as % of Room Nights Available



Room Nights Sold to Non-Local Market as % of Room Nights Available



* Ratio refers to Huazhu's number

* Local market refers to customers traveling within the cities they live in

新模式公司和国际品牌受到冲击
New Model and International Operators
Heavily Impacted

头部企业迎来变革和调整的时机
Time for Leaders to Reform

华住组织架构调整

Organizational Restructuring

大部制&冗余减员
Streamline Head Office

组织下沉
Decentralization

人才梯队
Talent Program

华住中国&全球布局
Huazhu China &
Huazhu International

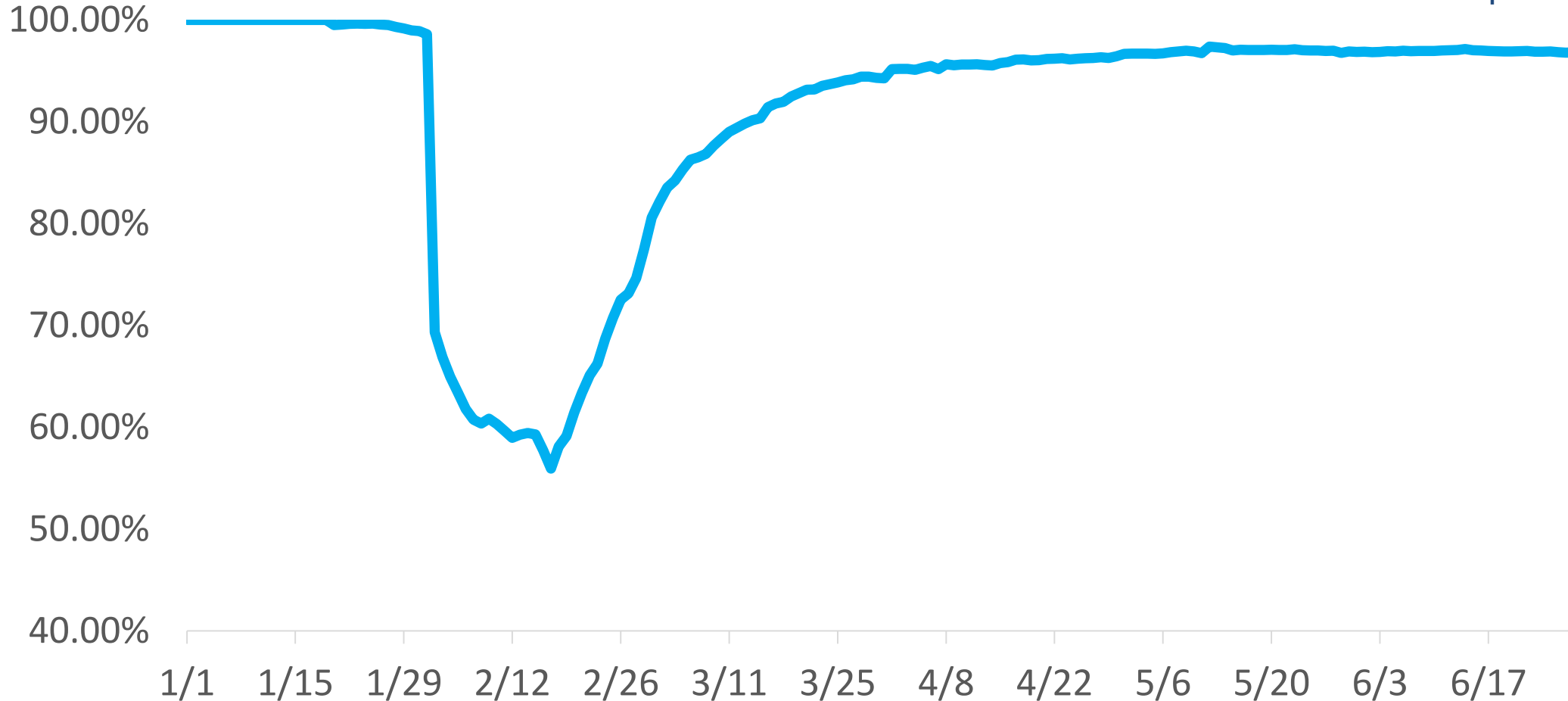
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97% Hotels Resumed Operation in Q2'20

Legacy-Huazhu operational hotels %*

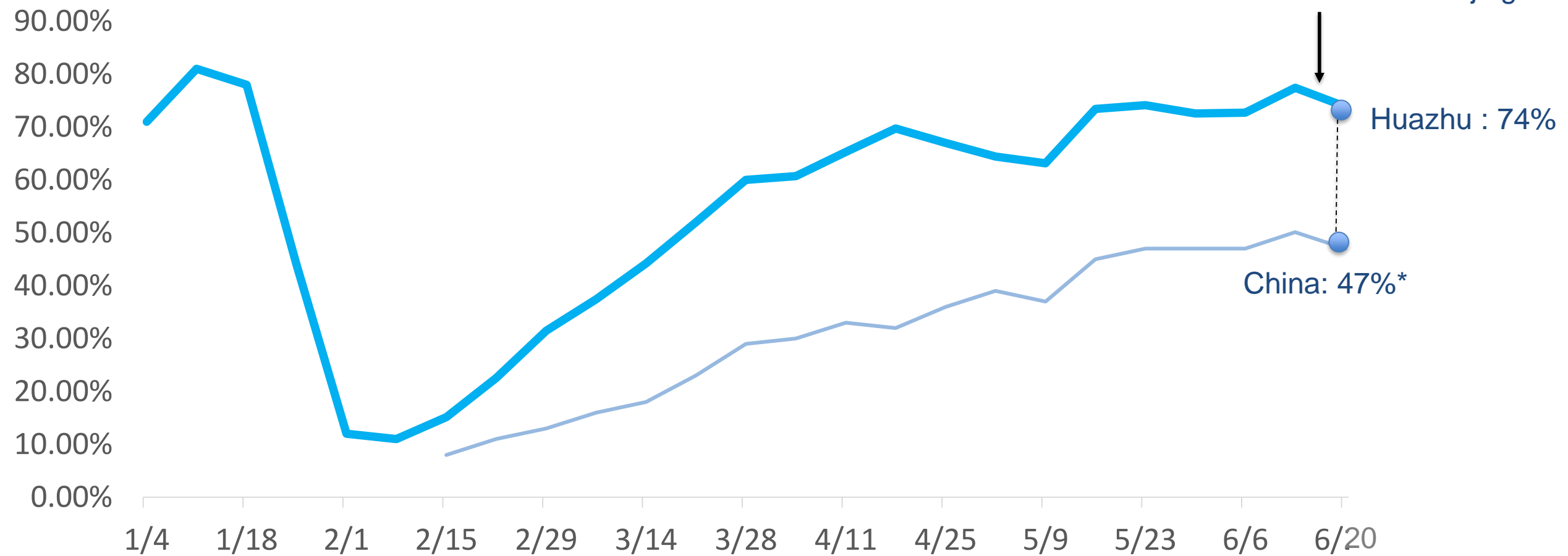
As of June 29:
157 hotels under requisition



* Operational hotels % = number of hotels in operation excluding requisitioned hotels / number of hotels in total

Occupancy is Recovering

Occupancy of operational hotels, weekly data

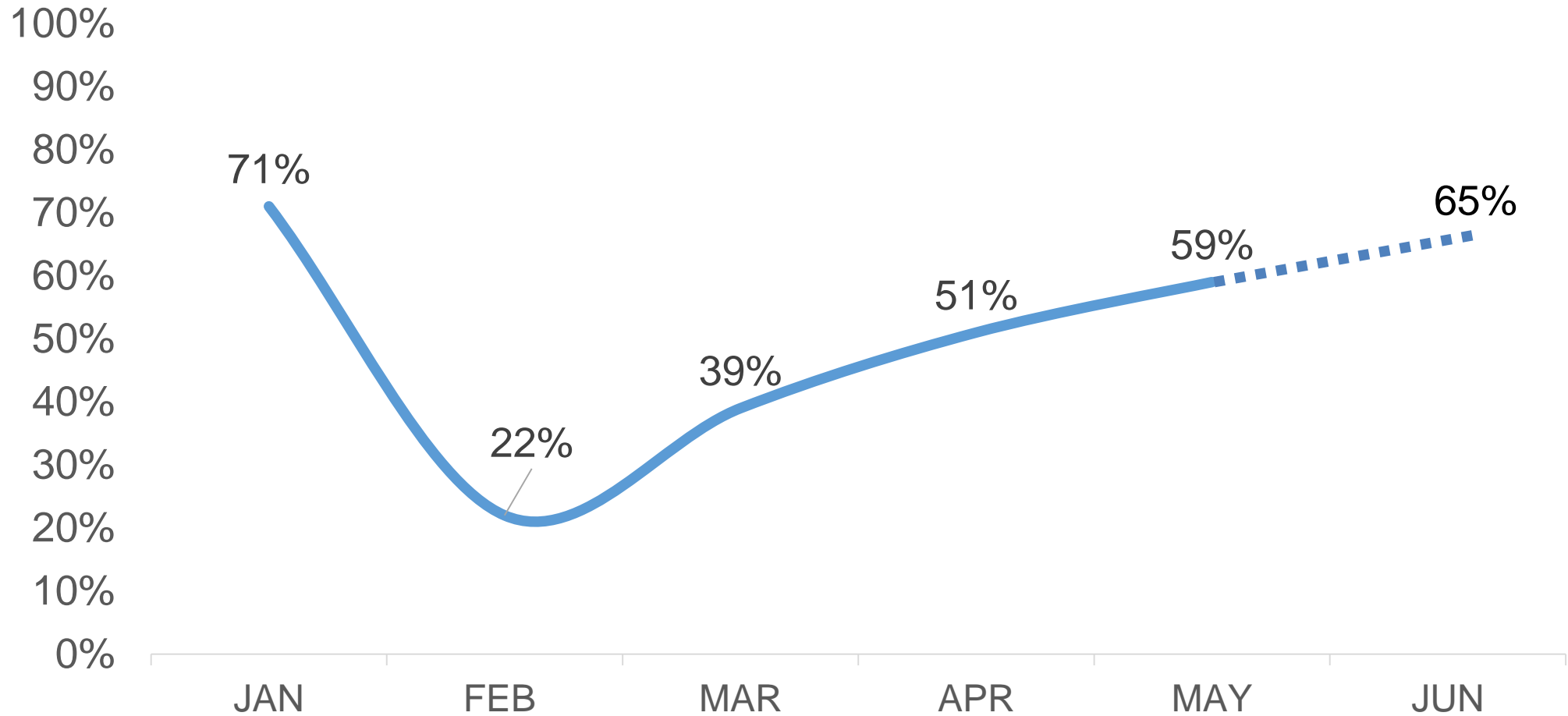


* STR China hotels, weekly data

Huazhu's data refers to Legacy-Huazhu weekly average occupancy

RevPAR is Improving

Same-Hotel RevPAR in 2020 as % of 2019



Data in JUN 2020 as of June 28, 2020

Strategic Focus for 2020

1

Accelerated Quality Hotel Expansion

2

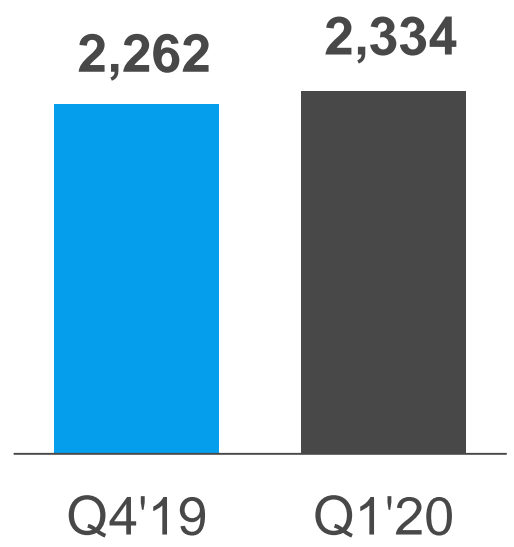
Multi-Dimensional Direct Sales

3

Global Technology-based Shared Service Platform

Pipeline Remained Robust

Number of Pipeline Hotels



Pipeline Breakdown (As of March 31, 2020)

Tier-1 cities	Tier-2 cities	Tier-3 cities
15%	40%	45%

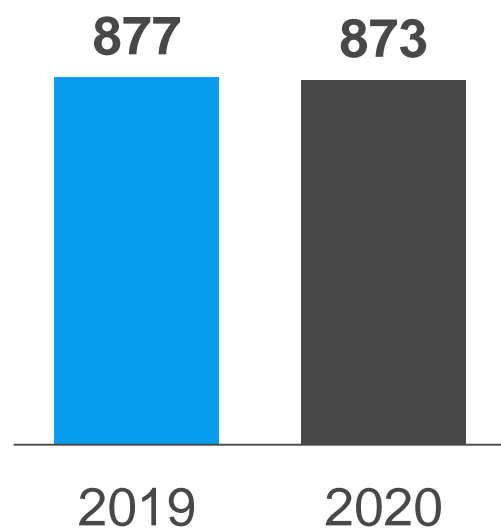
Economy hotels	Midscale hotels	Upper Midscale hotels	Upscale hotels
50%	39%	9%	2%

Soft brands	Standardized brands
37%	63%

Pipeline in this page refers to the pipeline of Legacy-Huazhu

New Signings of Hotels Remained Stable

New Signings of Hotels (Jan to May)



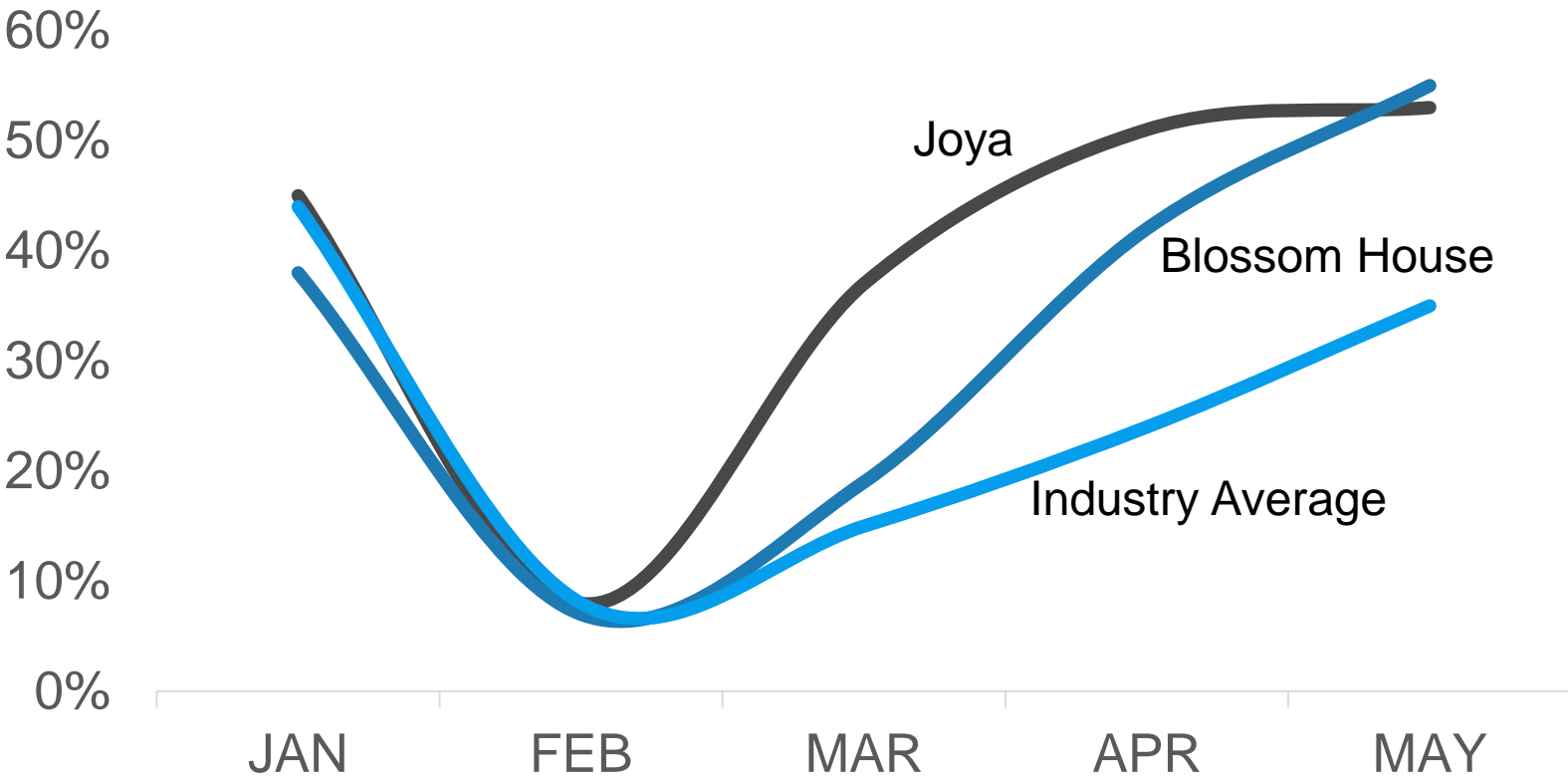
Why Franchisees Choose Us

- Franchise network resilient to market risks
- Higher efficiency and lower cost structure
- Membership driven direct sales channel
- Agile and responsive organization

New signings in this page refers to the new signings of Legacy-Huazhu

Huazhu Upscale Hotels Outperformed Industry Average

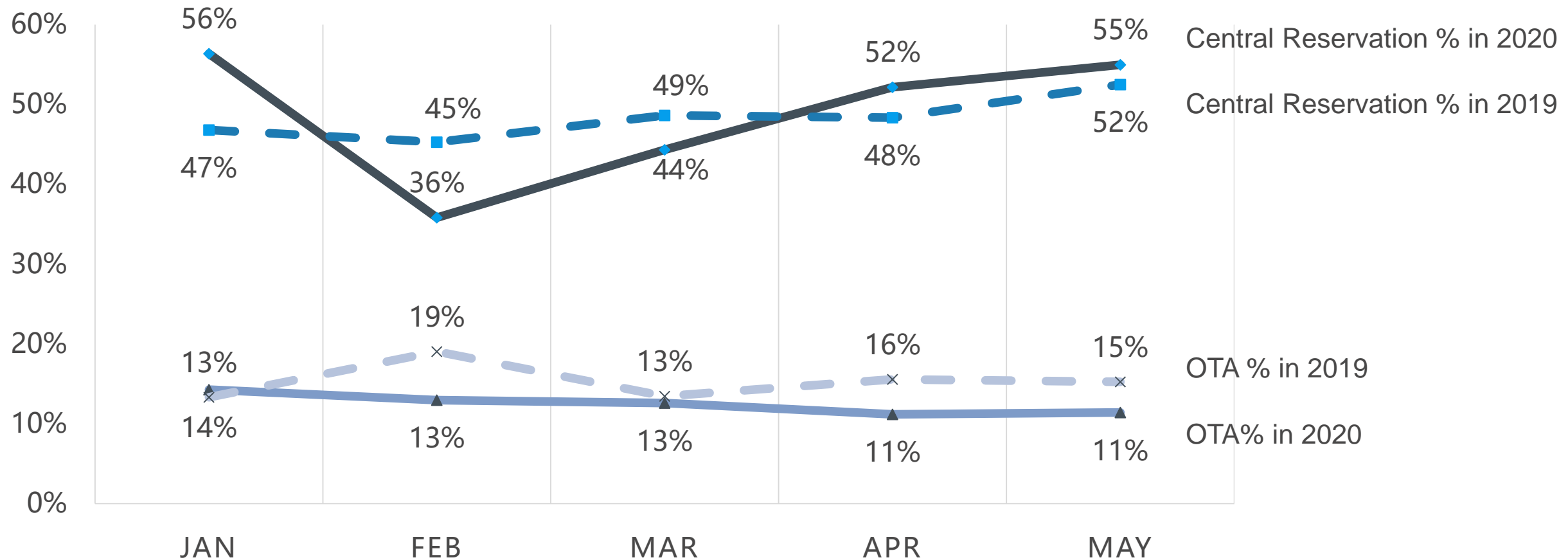
Occupancy in 2020



- Huazhu upscale brand hotel's occupancy was ~20 pct above industry average in May 2020
- China's staycation and travelling nearby trend drives Blossom House popularity
- Introduce DH brands (Steigenberger and Intercity) to China

The industry average refers to the STR China upscale hotels

Central Reservation Rebounded Stronger than OTAs



Central reservation % in this page including booking within 15mins



Local Sales

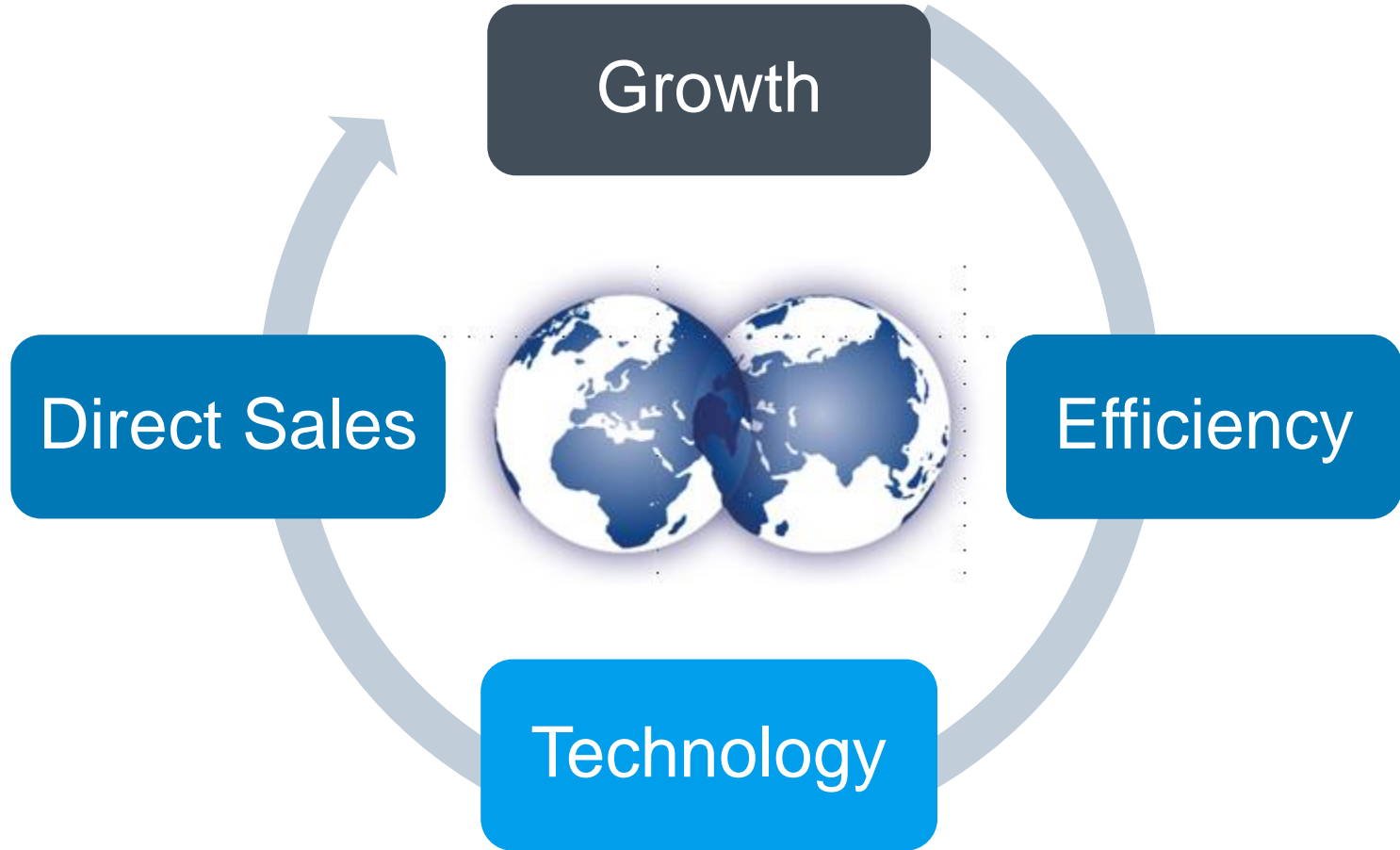
- 17% of hotels have sales team, ~90% of hotels have delegated hotel staff responsible for local sales
- Local sales focus on driving sales from local community, local government and local enterprises



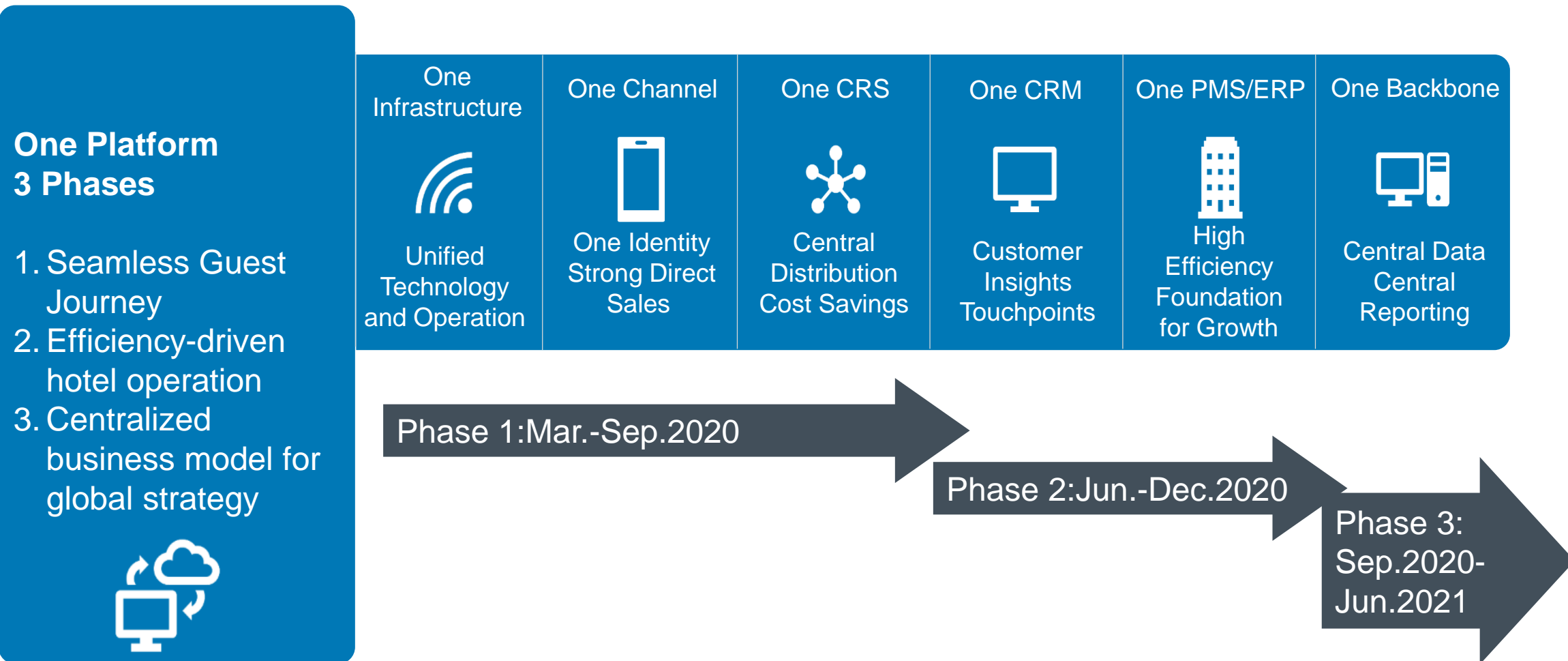
Corporate Sales

- As of May 31, room nights sold to corporate customers recovered to the same level as last year

Technology and Efficiency is the Key Business Enabler for Huazhu's Globalization



One System Strategy: 500 Days to Empower DH Digitalization



Integrated Solution with 42 In-House Products Deployed from China to Global



Mobile Loyalty App



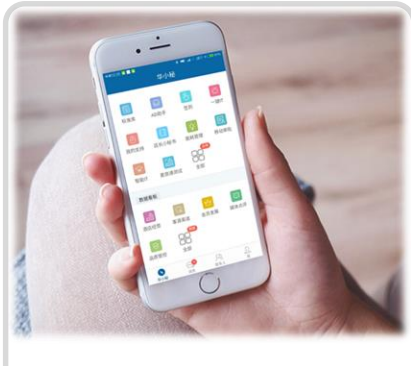
Huazhu PMS & Integrated ERP



HReward CRM+



HSIA/WIFI Portal



Employee Communication



Automated Check-In / Check Out



Mobile Housekeeping



Delivery Robot

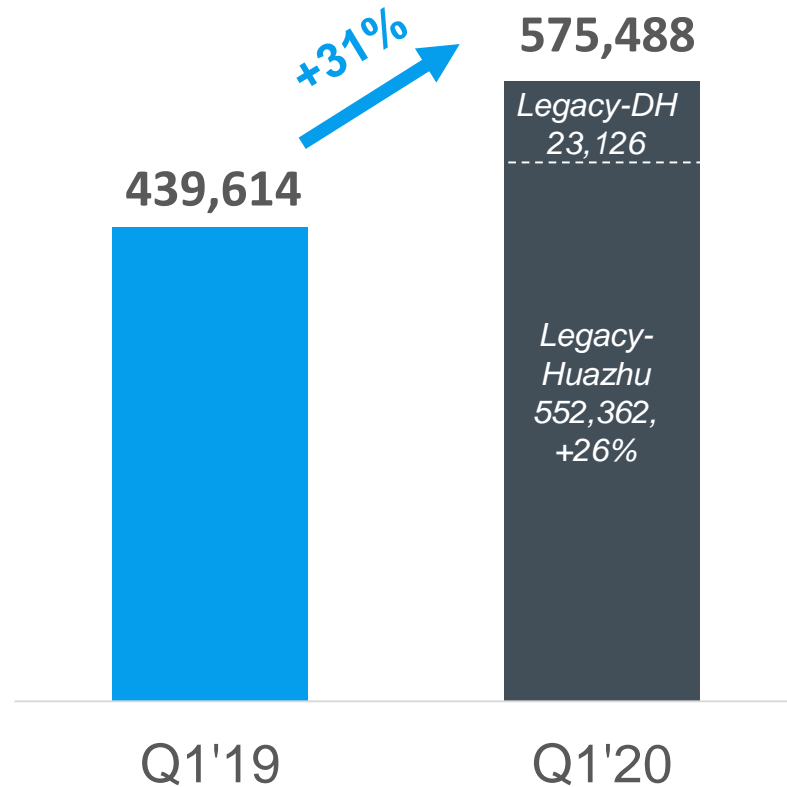
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Hotel Network Continue to Expand

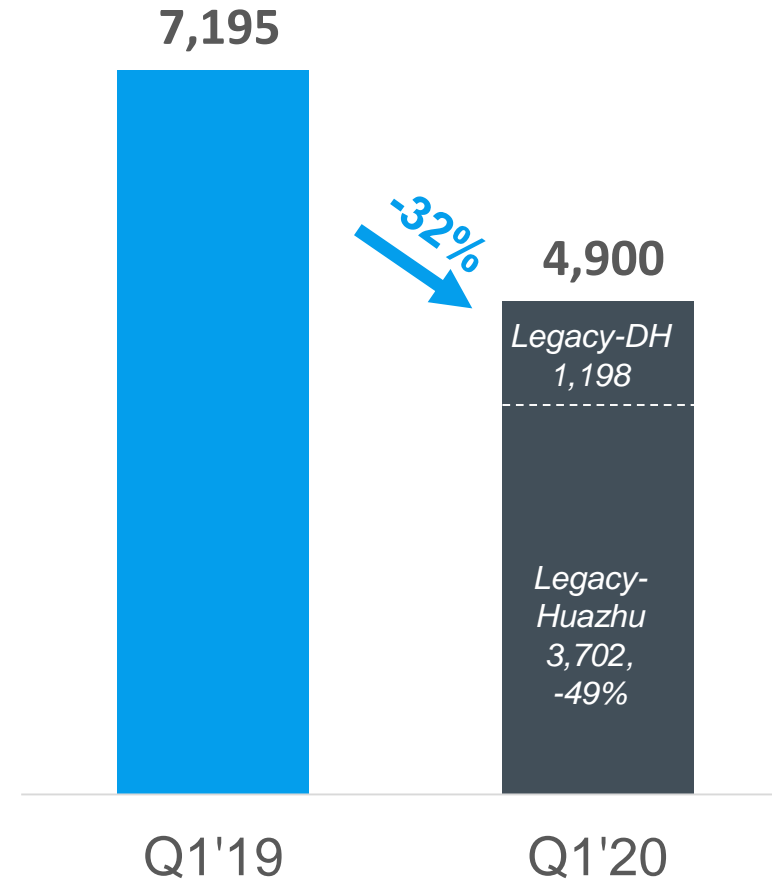
Hotel Network Expansion

(Number of rooms in operation)



Hotel Turnover

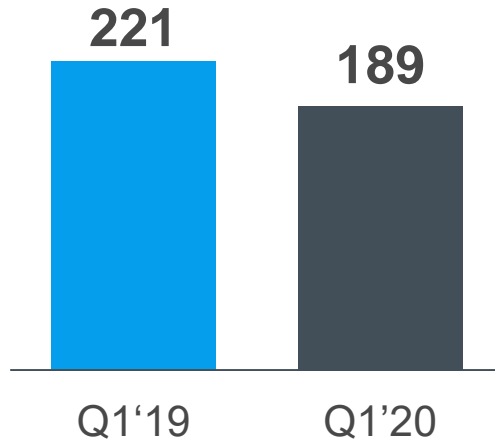
(in RMB millions)



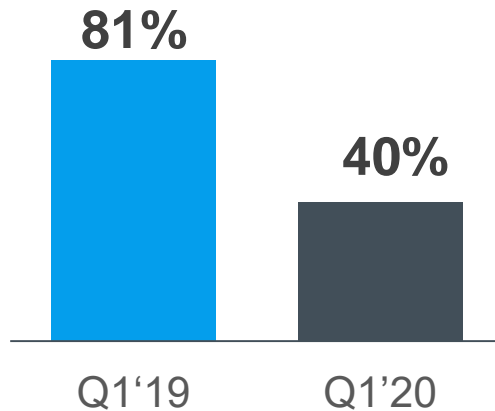
Legacy-Huazhu - Blended RevPAR Declined in Q1'20

ADR -15% in Q1'20

(RMB)

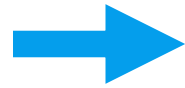
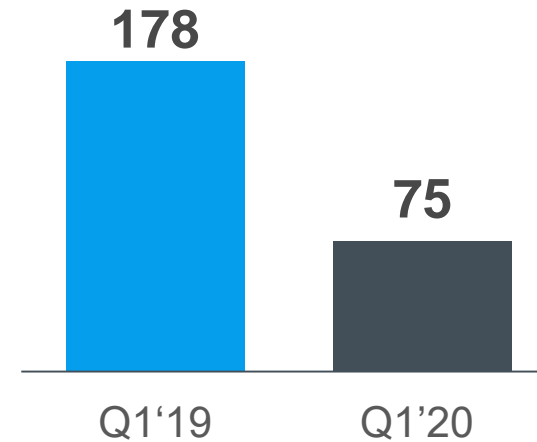


Occupancy -41 pct in Q1'20
(excluding hotels under requisition)



RevPAR -58% in Q1'20
(excluding hotels under requisition)

(RMB)

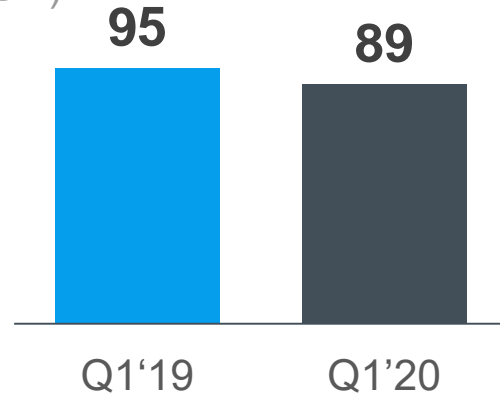


Excluding ①hotels under requisition, ②hotels temporarily closed, occupancy dropped 34 pct to 47%, RevPAR dropped 51% to 88 in Q1'20.

DH - Blended RevPAR Declined in Q1'20 starting from March 2020

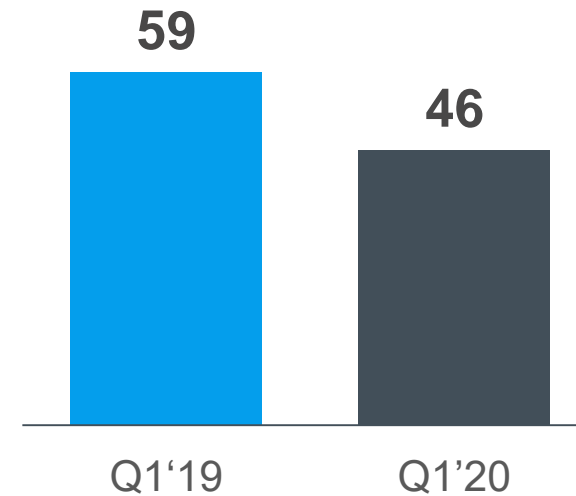
ADR -6% in Q1'20

(EUR)

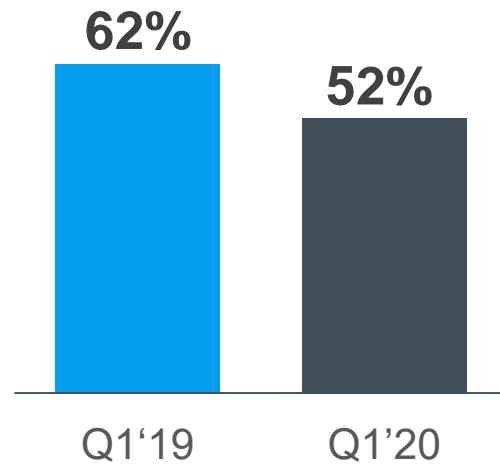


RevPAR -22% in Q1'20

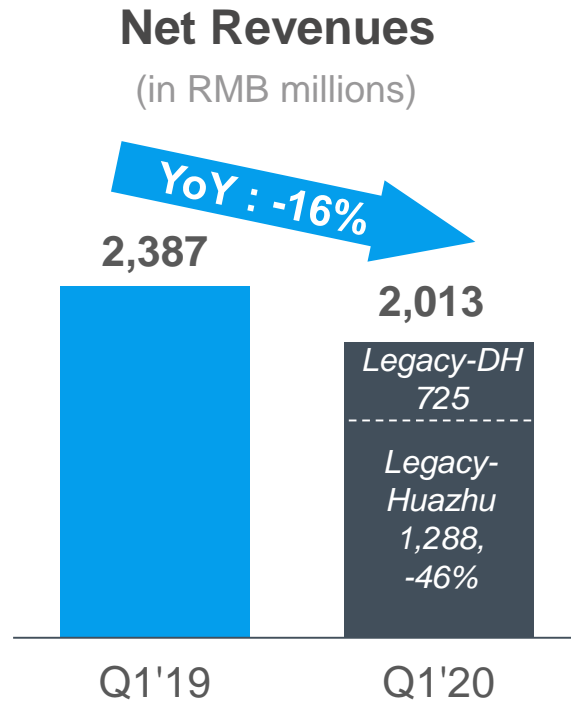
(EUR)



Occupancy -10 pct in Q1'20

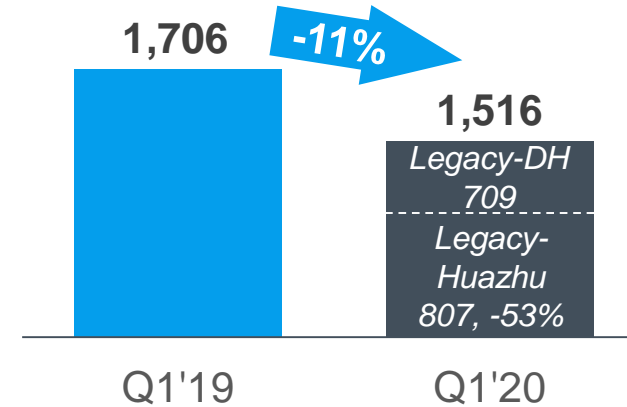


Q1'20 Net Revenues Decreased by 16%



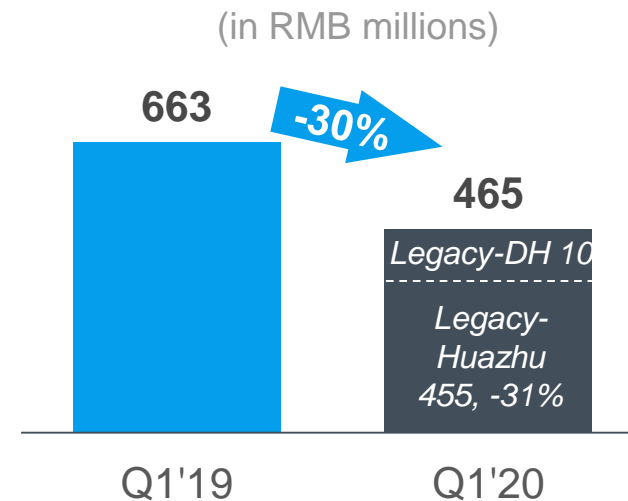
Net Revenues from Leased and Owned Hotels

(in RMB millions)



Net Revenues from Manachised and Franchised Hotels

(in RMB millions)



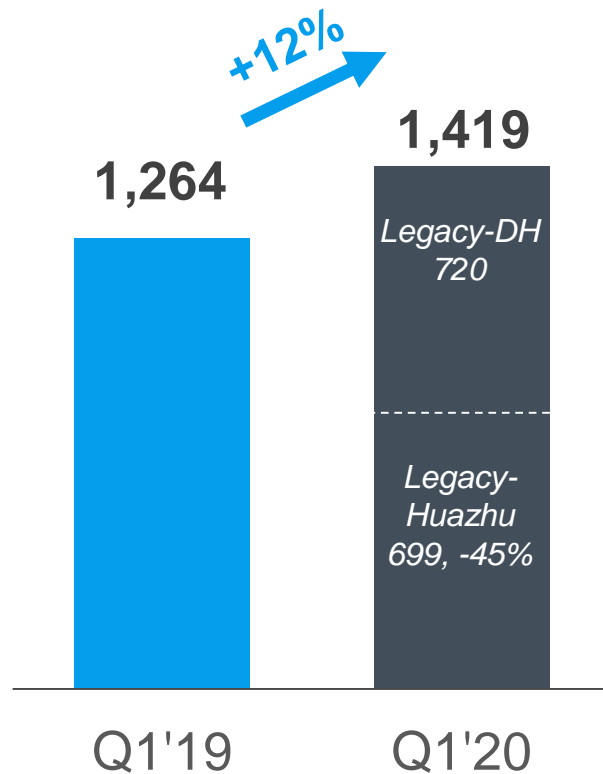
Manachised and Franchised Hotels Revenue as % of Net Revenues

	Q1'19	Q1'20
Huazhu Group	28%	23%
Legacy-Huazhu	28%	35%

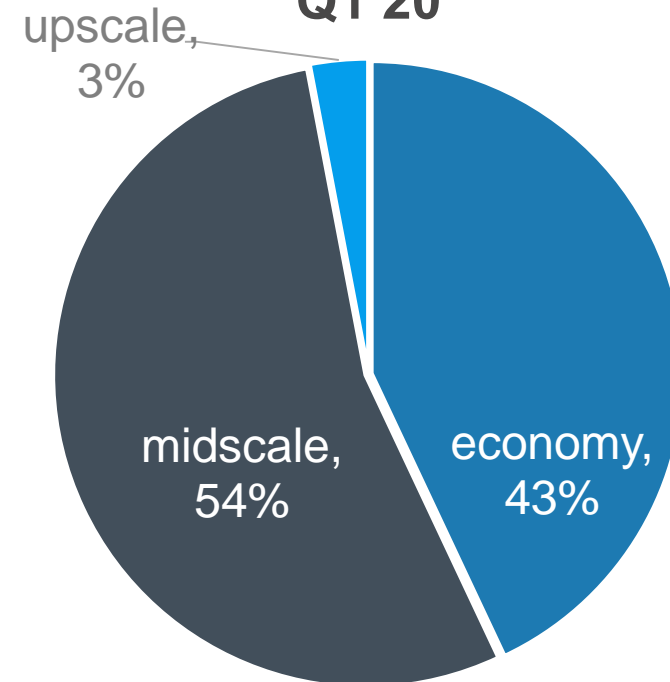
DH Acquisition Accelerated Revenue Contribution from Mid and Upscale Hotels

Revenue from Mid and Upscale Hotels

(in RMB millions)

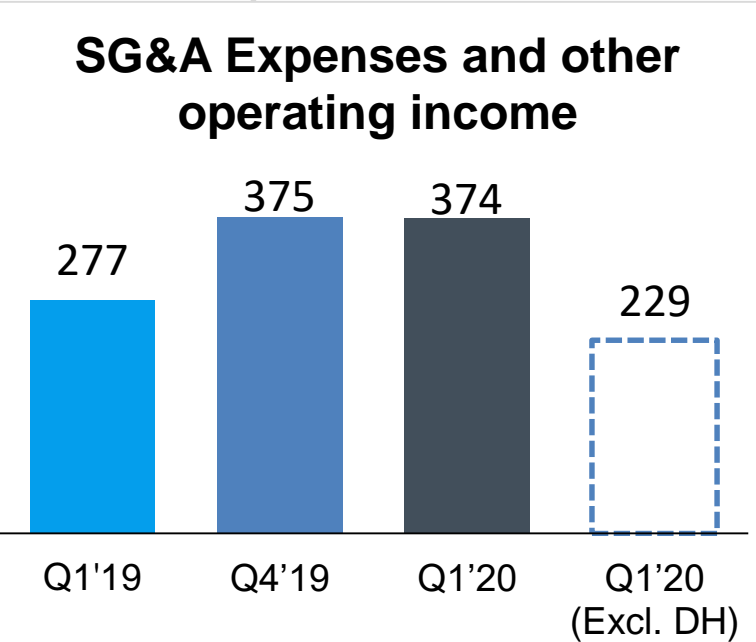
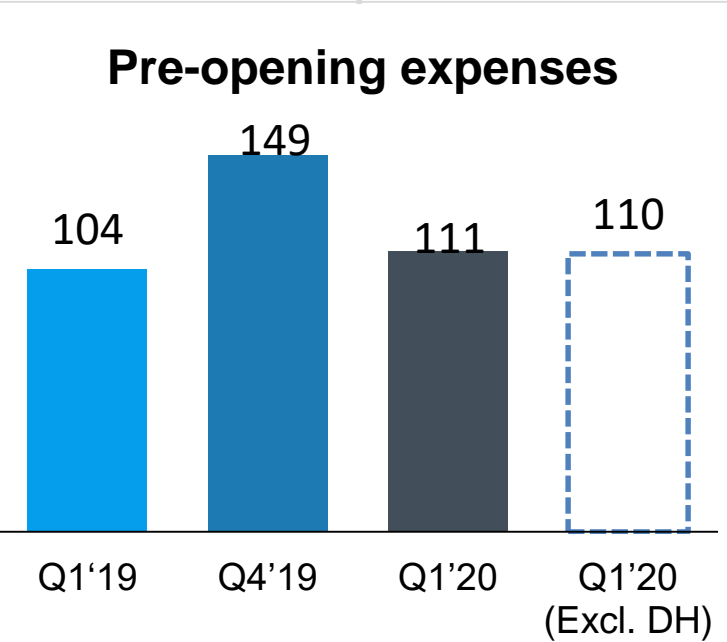
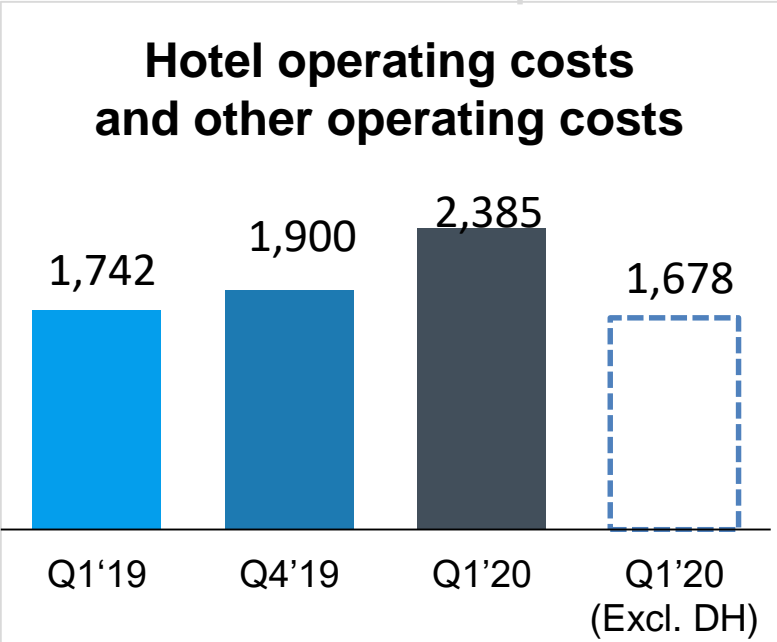
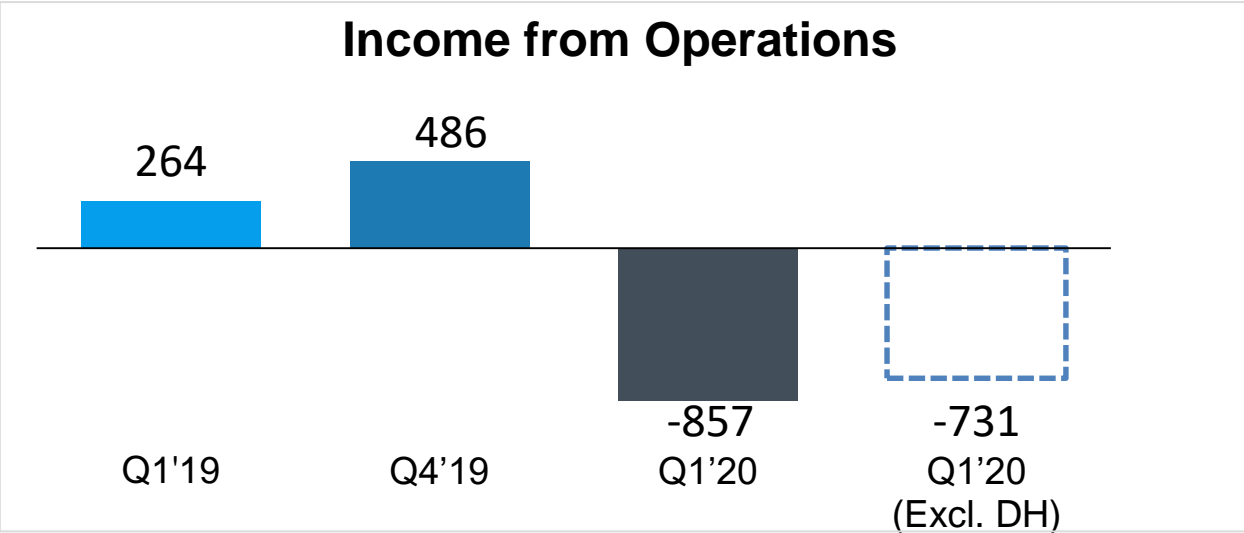


Legacy-Huazhu Revenue Split by Segment Q1'20



The revenue split of Huazhu group between economy, midscale and upscale would have been 28%, 46% and 26% respectively.

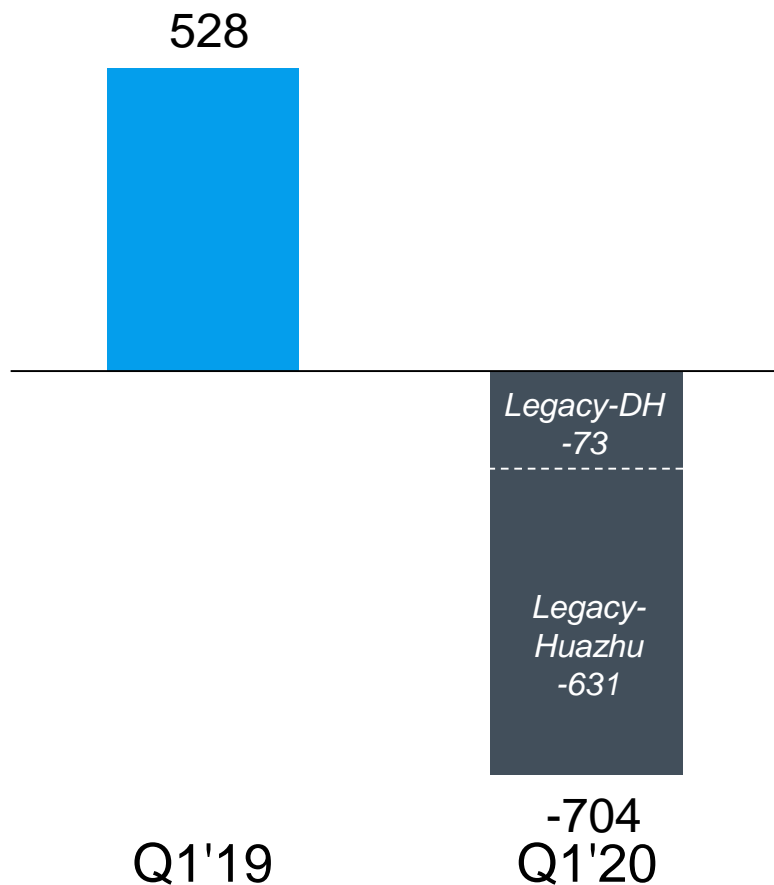
COVID-19 has Significant Impact on Q1'20 Operating Margin



and also on Adjusted EBITDA and Adjusted Net Income

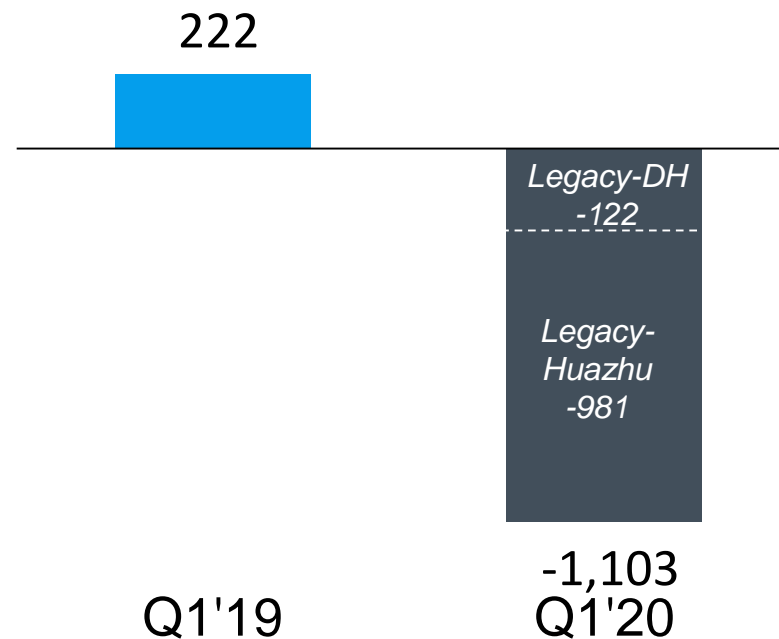
Adjusted EBITDA

(in RMB millions)



Adjusted Net Income

(in RMB millions)



- Adjusted EBITDA and adjusted net income excludes unrealized gain/ (loss) from fair value changes of equity securities and share-based compensation expenses.

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COVID-19 Update – China Business

- Q2 to Q3 revenue will still be lower compared to 2019
- Liquidity
 1. Obtained written amendment on financial covenants up to June 2021 for the US\$1 billion syndication loan
 2. Increased cash balance – **RMB4.8 billion** at June 27, 2020
 3. Banks increased support – lower interests rates, unutilized bank facilities of **RMB4.9 billion** at June 30, 2020
- Costs and Cash Flow Mitigation Measures
 1. Reduce rental payments - Not yet completed – **RMB137 million** year to-date
 2. Reduce/eliminate discretionary spending – **RMB163 million** in 2020
 3. Streamline head-office, adjust hotel staff to occupancy – **RMB403 million** in 2020

COVID-19 Update - Deutsche Hospitality

- 79% or 91 of the hotels opened at end June 2020 up from 27% at end March
- Occupancy recovered to 23% at end June, from the lowest point of 13% in April
- Costs and cash flow mitigation measure:
 1. Deferred rental payments
 2. Place staff on temporary furlough, freeze headcounts, etc.
 3. Reduce or eliminate discretionary corporate spending, and capital expenditures, etc.
 4. German government wage compensation for short-term contracted staff – Up to 40% of monthly payroll for temporary furlough
 5. Insurance compensation on business interruptions (~EUR17 million)
- Unutilized bank credit lines totaling **EUR45 million at June 30, 2020**

Guidance

Q2 2020

- Q2'20 net revenues to decline
- 32% to 34% or
- 35% to 37% if excluding the addition of Deutsche Hospitality

Full year 2020

- Maintain gross opening target of about 1,600-1,800 hotels
- Closure of 350-450 hotels, including planned closure of 300-350 hotels and special closure of 50-100 hotels impacted by COVID-19
- No full year revenue guidance given the uncertainties amid the pandemic

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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 June 30,		For the quarter ended June 30,		yoy change	For the quarter ended June 30,		yoy change	For the quarter ended June 30,		yoy change (p.p.)
	2018	2019	2018	2019		2018	2019		2018	2019	
Economy hotels	2,489	2,489	175	171	-2.0%	185	187	0.9%	94.3%	91.6%	-2.7
Leased hotels	424	424	189	191	0.6%	202	206	2.1%	94.0%	92.7%	-1.4
Manachised and franchised hotels	2,065	2,065	171	166	-2.7%	181	182	0.6%	94.4%	91.3%	-3.0
Midscale and upscale hotels	788	788	278	272	-2.4%	325	323	-0.7%	85.5%	84.1%	-1.4
Leased and owned hotels	179	179	346	334	-3.5%	392	383	-2.2%	88.5%	87.3%	-1.2
Manachised and franchised hotels	609	609	251	247	-1.8%	298	298	0.0%	84.3%	82.8%	-1.5
Total	3,277	3,277	206	202	-2.1%	225	226	0.4%	91.7%	89.3%	-2.3

	Number of hotels in operation		Same-hotel RevPAR			Same-hotel ADR			Same-hotel Occupancy		
	As of September 30,		For the quarter ended September 30,		yoy change	For the quarter ended September 30,		yoy change	For the quarter ended September 30,		yoy change (p.p.)
	2018	2019	2018	2019		2018	2019		2018	2019	
Economy hotels	2,500	2,500	186	179	-3.7%	196	194	-0.7%	95.2%	92.2%	-3.0
Leased hotels	414	414	200	197	-1.6%	211	212	0.6%	95.0%	92.9%	-2.0
Manachised and franchised hotels	2,086	2,086	182	175	-4.3%	192	190	-1.0%	95.3%	92.1%	-3.2
Midscale and upscale hotels	861	861	289	278	-3.9%	332	325	-2.2%	87.1%	85.6%	-1.5
Leased and owned hotels	184	184	355	337	-5.3%	396	382	-3.5%	89.8%	88.1%	-1.7
Manachised and franchised hotels	677	677	265	257	-3.2%	308	303	-1.5%	86.1%	84.7%	-1.5
Total	3,361	3,361	219	211	-3.8%	236	234	-1.1%	92.6%	90.1%	-2.5

	Number of hotels in operation		Same-hotel RevPAR			Same-hotel ADR			Same-hotel Occupancy		
	As of December 31,		For the quarter ended December 31,		yoy change	For the quarter ended December 31,		yoy change	For the quarter ended December 31,		yoy change (p.p.)
	2018	2019	2018	2019		2018	2019		2018	2019	
Economy hotels	2,467	2,467	165	155	-6.2%	183	179	-2.4%	90.0%	86.5%	-3.5
Leased and owned hotels	409	409	180	172	-4.4%	200	198	-0.7%	90.2%	86.9%	-3.3
Manachised and franchised hotels	2,058	2,058	161	151	-6.7%	179	174	-2.9%	90.0%	86.4%	-3.6
Midscale and upscale hotels	950	950	266	253	-4.7%	324	309	-4.4%	82.0%	81.8%	-0.2
Leased and owned hotels	199	199	330	309	-6.3%	389	366	-5.9%	84.8%	84.4%	-0.3
Manachised and franchised hotels	751	751	243	233	-4.1%	300	289	-3.8%	81.1%	80.9%	-0.2
Total	3,417	3,417	199	188	-5.4%	228	222	-2.7%	87.3%	84.9%	-2.4

Legacy-Huazhu operational hotels excluding hotels under requisition											
	Number of hotels in operation		Same-hotel RevPAR			Same-hotel ADR			Same-hotel Occupancy		
	As of March 31,		For the quarter ended March 31,		yoy change	For the quarter ended March 31,		yoy change	For the quarter ended March 31,		yoy change (p.p.)
	2019	2020	2019	2020		2019	2020		2019	2020	
Economy hotels	2,421	2,421	155	76	-50.6%	179	150	-16.2%	86.3%	50.9%	-35.4
Leased and owned hotels	411	411	173	78	-55.2%	197	160	-18.8%	87.8%	48.5%	-39.3
Manachised and franchised hotels	2,010	2,010	150	76	-49.2%	174	147	-15.4%	85.9%	51.6%	-34.3
Midscale and upscale hotels	850	850	247	108	-56.2%	320	259	-18.9%	77.3%	41.7%	-35.5
Leased and owned hotels	173	173	299	112	-62.7%	378	291	-23.1%	79.1%	38.3%	-40.8
Manachised and franchised hotels	677	677	229	107	-53.4%	299	248	-17.0%	76.6%	43.0%	-33.6
Total	3,271	3,271	184	87	-52.8%	220	180	-17.9%	83.5%	48.0%	-35.5

Number of Hotels and Rooms

As of March 31, 2020

	Hotels in operation	Rooms	Unopened hotels in pipeline
Economy hotels	4,004	336,004	1,138
HanTing Hotel ⁽³⁾	2,630	245,171	503
Hi Inn	464	26,956	130
Elan Hotel	713	42,375	424
Ibis Hotel	185	20,254	71
Zleep Hotel	12	1,248	10
Midscale and upscale hotels	1,949	239,484	1,237
Ibis Styles Hotel	59	7,120	33
Starway Hotel	367	31,616	281
Ji Hotel	885	111,205	469
Orange Hotel	255	29,199	164
Crystal Orange Hotel	95	12,760	63
Manxin Hotel	52	4,702	35
Madison Hotel ⁽³⁾	15	1,933	28
Mercure Hotel	71	12,733	81
Novotel Hotel	9	2,818	13
Joya Hotel	8	1,407	4
Blossom House	24	832	25
Grand Mercure Hotel	6	1,281	10
Steigenberger Hotels & Resorts	50	11,909	8
Intercity Hotel	42	7,537	19
Maxx by Steigenberger	5	777	1
Jaz in the City	2	424	2
Other partner hotels	4	1,231	1
Total	5,953	575,488	2,375

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	As of 12/31/2019	As of 3/31/2020
Economy hotels	1,309	1,819	2,453	2,741	2,874	2,892	3,485	4,004
HanTing Hotel	1,226	1,648	2,003	2,181	2,244	2,283	2,372	2,630
Hi Inn	83	158	302	375	396	402	465	464
Elan Hotel		13	148	185	226	200	648	713
Orange Hotel					8	7		
Ibis Hotel								185
Zleep Hotel								12
Midscale and upscale hotels	116	176	310	528	872	1,338	2,133	1,949
HanTing Premium Hotel					5	74	214	
Ibis Hotel				72	100	137	185	
Ibis Styles Hotel				10	13	34	55	59
Starway Hotel	46	55	118	136	174	212	350	367
Ji Hotel	68	117	186	284	390	553	831	885
Orange Select Hotel					103	172	248	255
Crystal Orange Hotel					42	56	85	95
Manxin Hotel	1	1	2	2	11	24	46	52
Madison Hotel							9	15
Mercure Hotel			1	15	20	39	68	71
Novotel Hotel				2	4	7	9	9
Grand Madison Hotel							4	
Joya Hotel	1	3	3	6	6	6	6	8
Blossom House						18	17	24
Grand Mercure Hotel				1	4	6	6	6
Steigenberger Hotels & Resorts								50
IntercityHotel								42
Maxx by Steigenberger								5
Jaz in the City								2
Other partner hotels								4
Total	1,425	1,995	2,763	3,269	3,746	4,230	5,618	5,953
Economy hotels	91.9%	91.2%	88.8%	83.8%	76.7%	68.4%	62.0%	67.3%
Mid-upscale hotels	8.1%	8.8%	11.2%	16.2%	23.3%	31.6%	38.0%	32.7%

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	As of 12/31/2019	As of 3/31/2020
Economy hotels	138,576	185,959	238,156	260,557	266,145	261,037	290,615	336,004
HanTing Hotel	130,747	172,341	205,577	221,157	223,121	220,646	224,626	245,171
Hi Inn	7,829	12,551	21,340	25,600	26,063	25,403	28,153	26,956
Elan Hotel		1,067	11,239	13,800	16,120	14,266	37,836	42,375
Orange Hotel					841	722		
Ibis Hotel								20,254
Zleep Hotel								1,248
Midscale and upscale hotels	14,303	23,996	40,687	70,790	113,530	161,710	246,261	239,484
HanTing Premium Hotel					446	6,656	19,748	
Ibis Hotel				10,251	13,474	16,575	20,533	
Ibis Styles Hotel				1,614	1,841	4,279	6,681	7,120
Starway Hotel	4,959	6,321	12,138	13,206	16,914	18,878	30,363	31,616
Ji Hotel	9,106	17,052	27,559	39,664	53,054	72,370	104,521	111,205
Orange Selected					12,648	19,863	28,821	29,199
Crystal Orange					5,629	7,150	11,182	12,760
Manxin Hotel	97	108	236	78	1,150	1,901	4,133	4,702
Madison Hotel							883	1,933
Mercure Hotel			239	4,026	4,664	8,510	12,502	12,733
Novotel Hotel				629	1,697	2,512	2,928	2,818
Grand Madison Hotel							772	
Joya Hotel	141	515	515	1,131	1,131	1,250	1,250	1,407
Blossom House						462	648	832
Grand Mercure Hotel				191	882	1,304	1,296	1,281
Steigenberger Hotel								11,909
IntercityHotel								7,537
Maxx by Steigenberger								777
Jaz in the City								424
Other partner hotels								1,231
Total	152,879	209,955	278,843	331,347	379,675	422,747	536,876	575,488
Economy rooms	90.6%	88.6%	85.4%	78.6%	70.1%	61.7%	54.1%	58.4%
Mid-upscale rooms	9.4%	11.4%	14.6%	21.4%	29.9%	38.3%	45.9%	41.6%