



华住酒店集团

成就美好生活



Huazhu Group Limited (HTHT.US)

Q3 2018 Earnings Call

November 15, 2018

Strategy Review

Operational and Financial Review

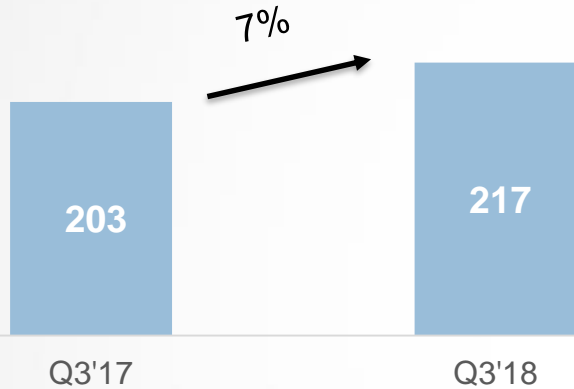
Q & A

Appendix

RevPAR, Revenues and Profits Growth Trends Continued with Further Margin Expansion in Q3 2018

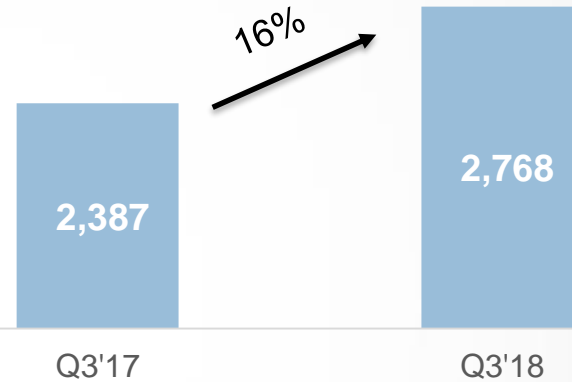
Group Blended RevPAR

(in RMB)



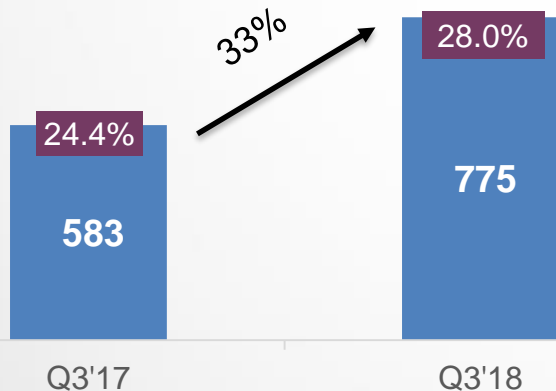
Net Revenues and Growth

(in RMB millions)



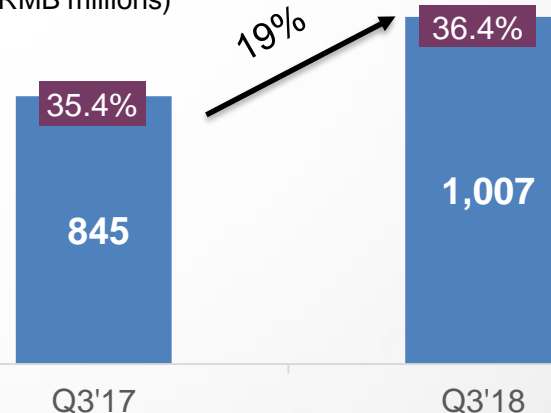
Operating Income and Margin

(in RMB millions)



Adjusted EBITDA * and Margin

(in RMB millions)

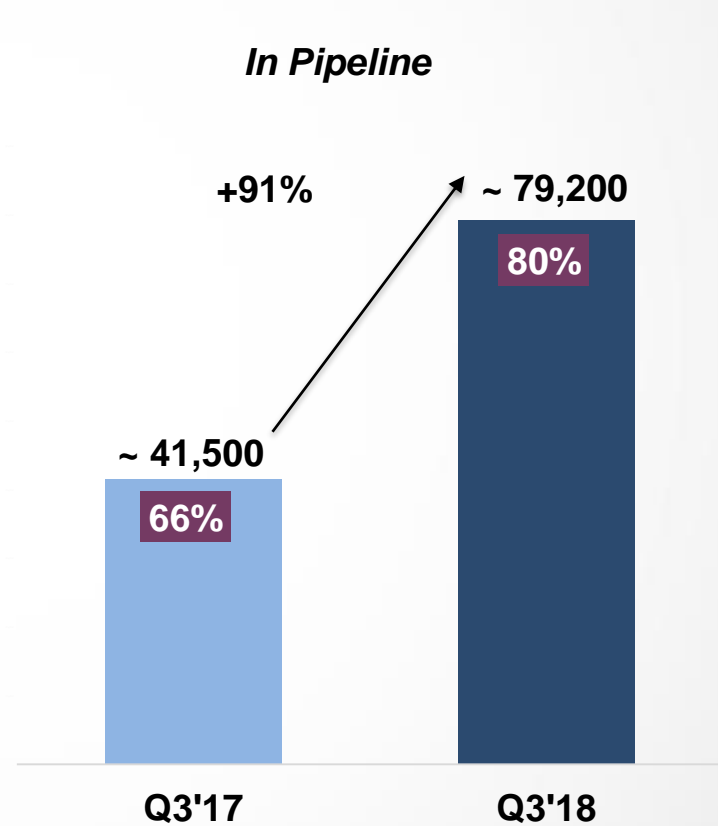
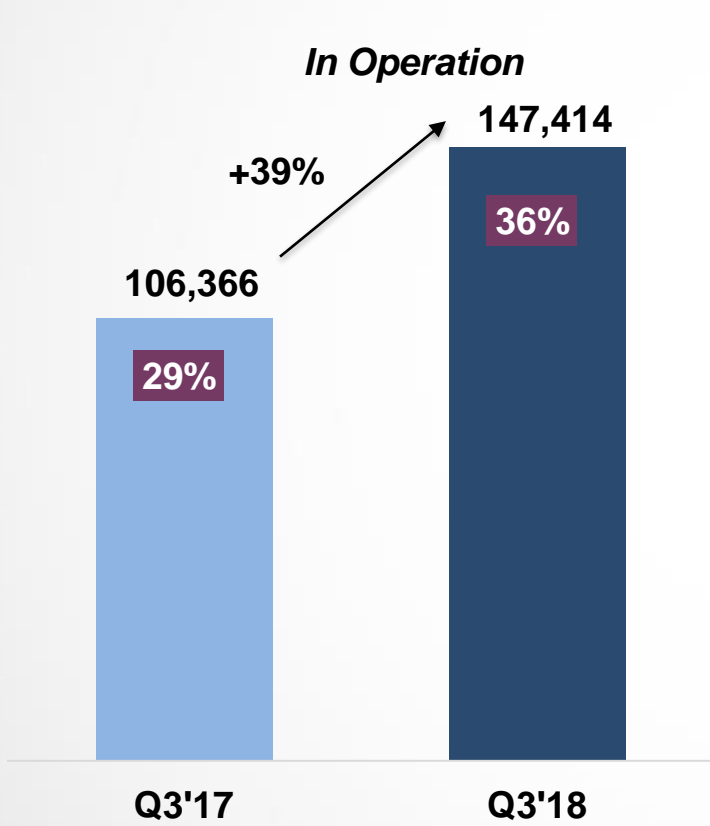


* Excluding unrealized gain from fair value changes of equity securities of RMB179 million and share-based compensation expenses in Q3 2018

- 1. Fast Expansion of Midscale Hotels**
- 2. Continuous Growth in Same-hotel RevPAR through Quality Improvements**
- 3. Innovation in Upscale Segment**

Mid and Upscale Rooms: 39% YoY increase in Q3; 36% Rooms in Operations; 80% Rooms in Pipeline

Mid and Upscale Rooms

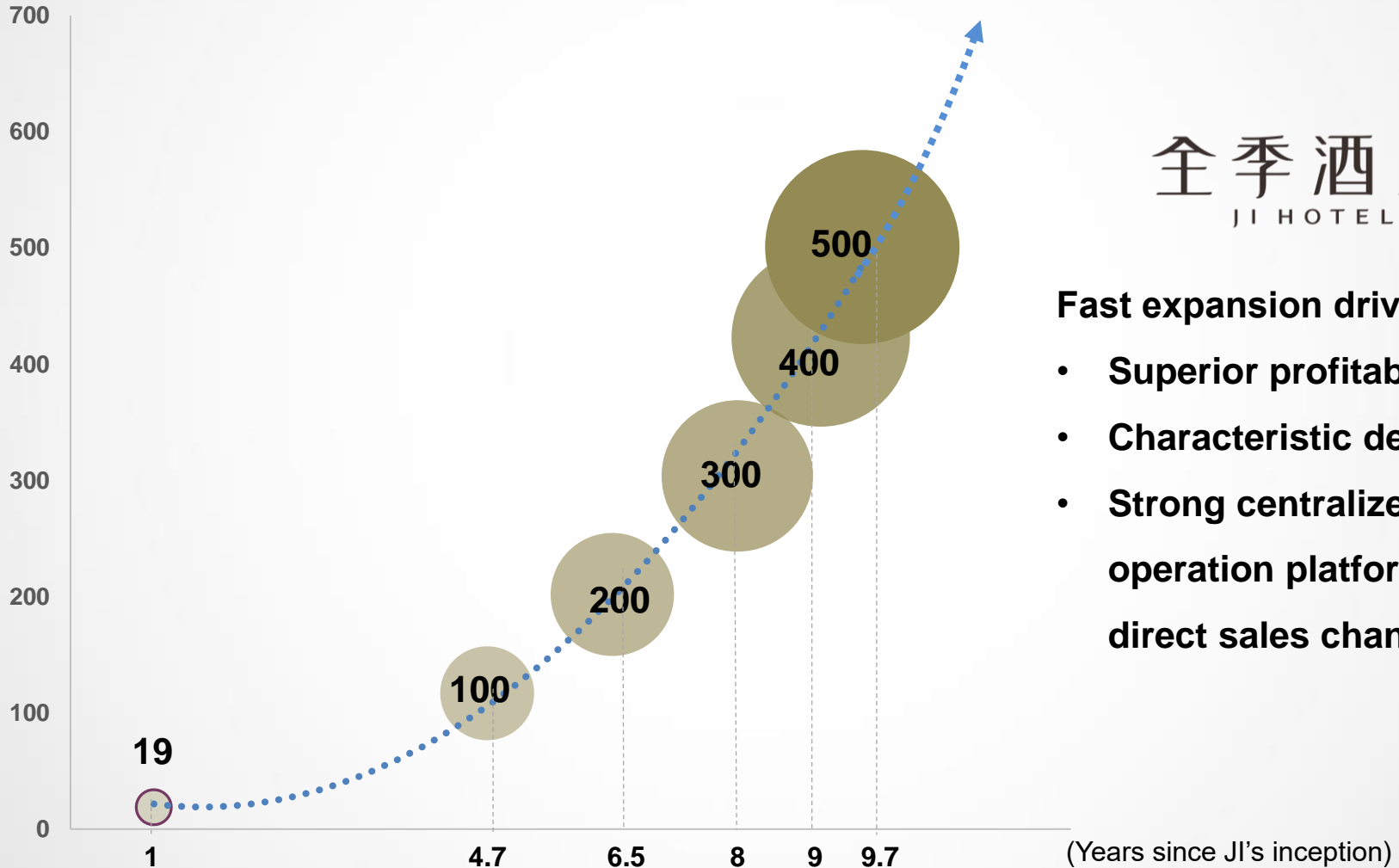


■ Mid and Upscale Rooms

■ As % of Total Rooms

JI exceeds 500-hotel Milestone and Expansion Accelerates

(Number of hotels in operation)

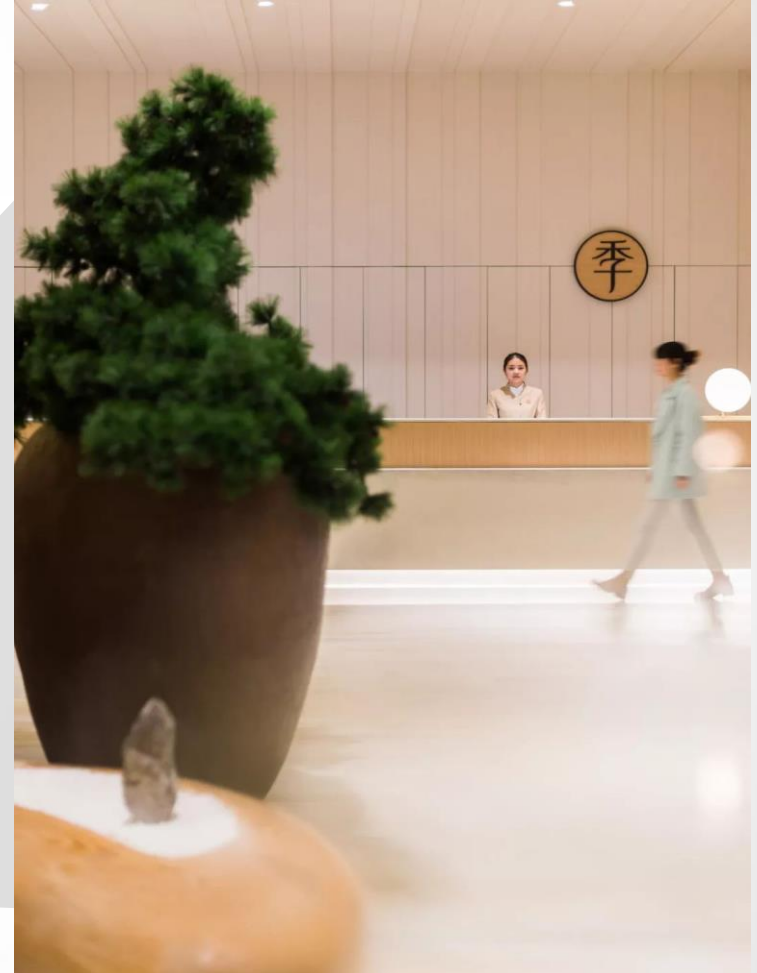
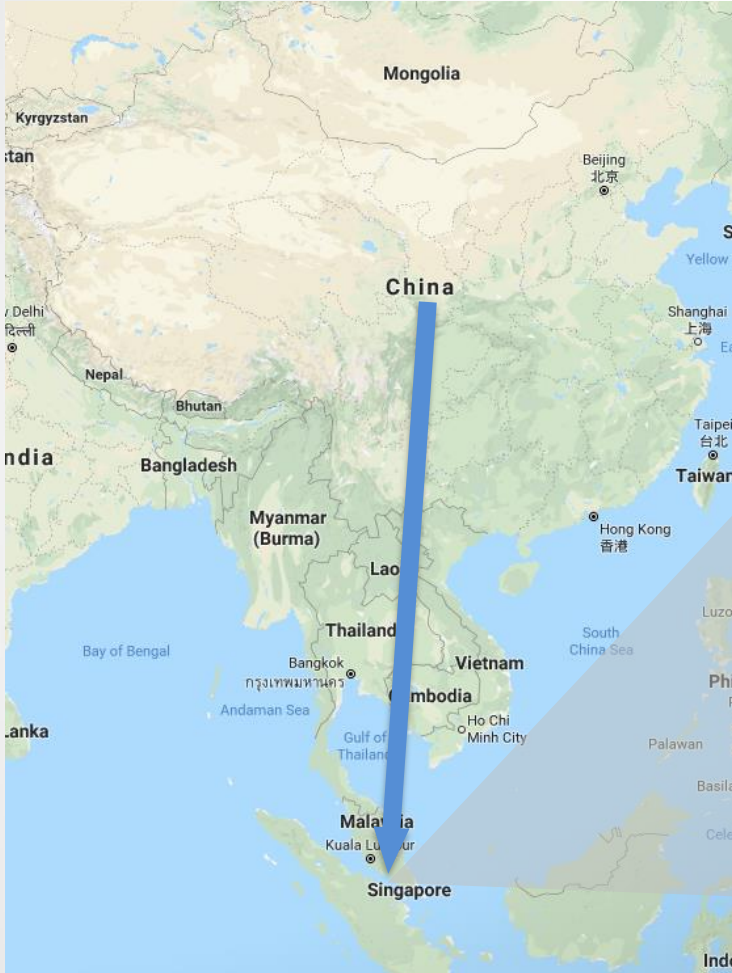


全季酒店
JI HOTEL

Fast expansion driven by...

- Superior profitability
- Characteristic design
- Strong centralized operation platform and direct sales channels

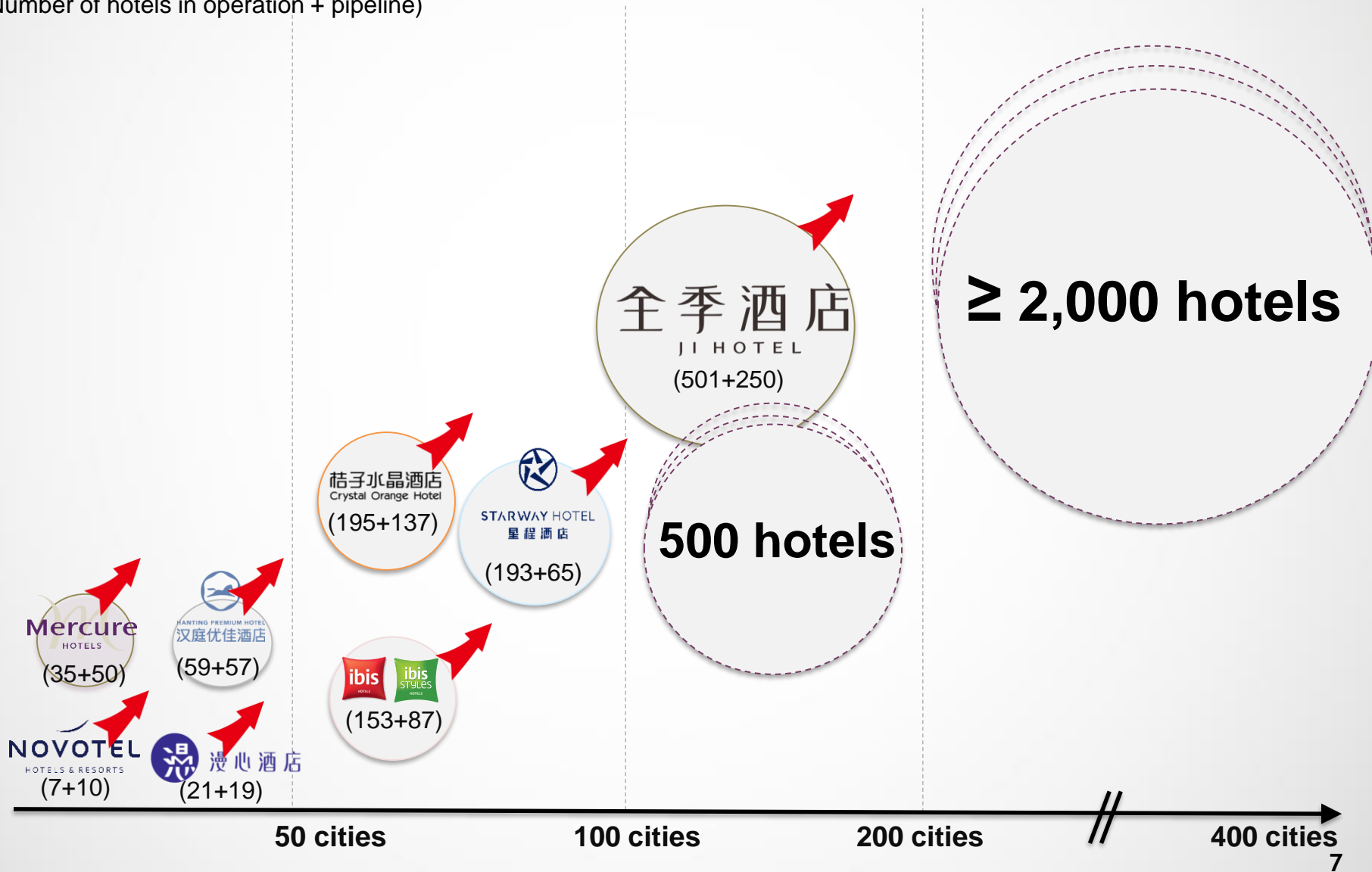
Size of Bubble = Number of Hotels in Operation at each period



11 Penang Lane,
Dhoby Ghaut, Singapore

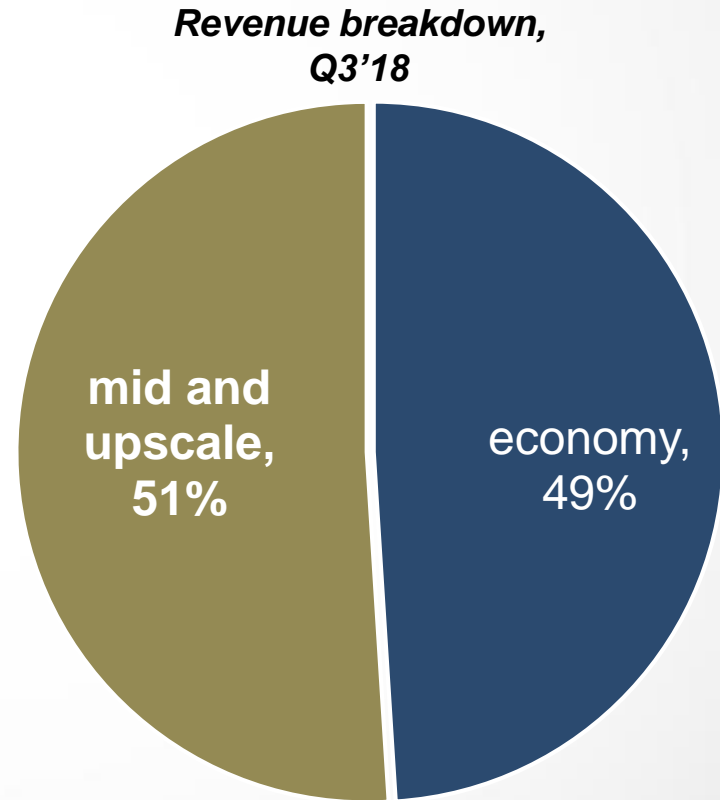
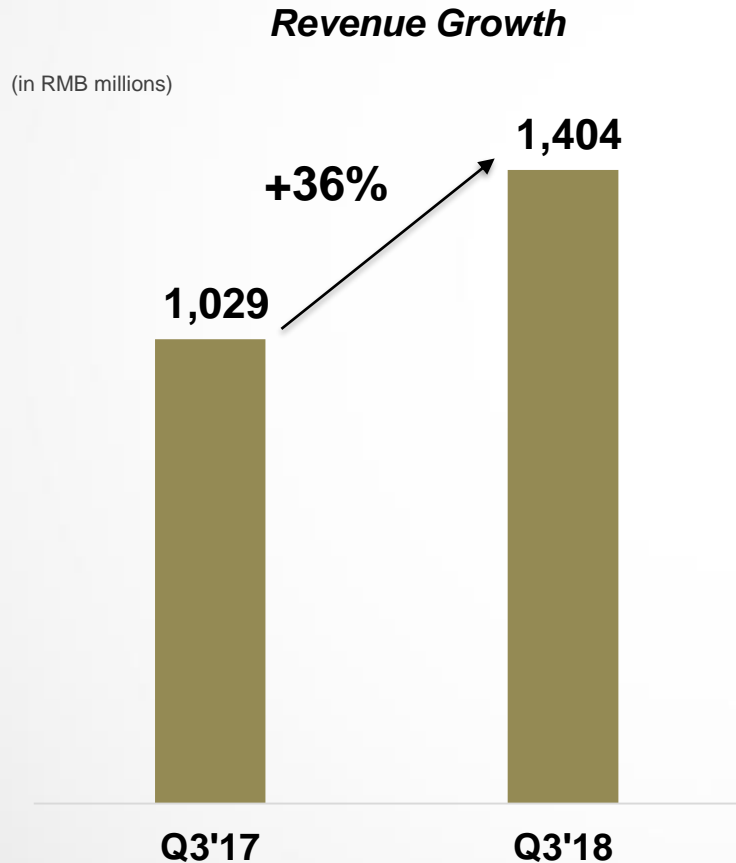
Midscale Brand Portfolio – Huge Growth Potential

(Number of hotels in operation + pipeline)



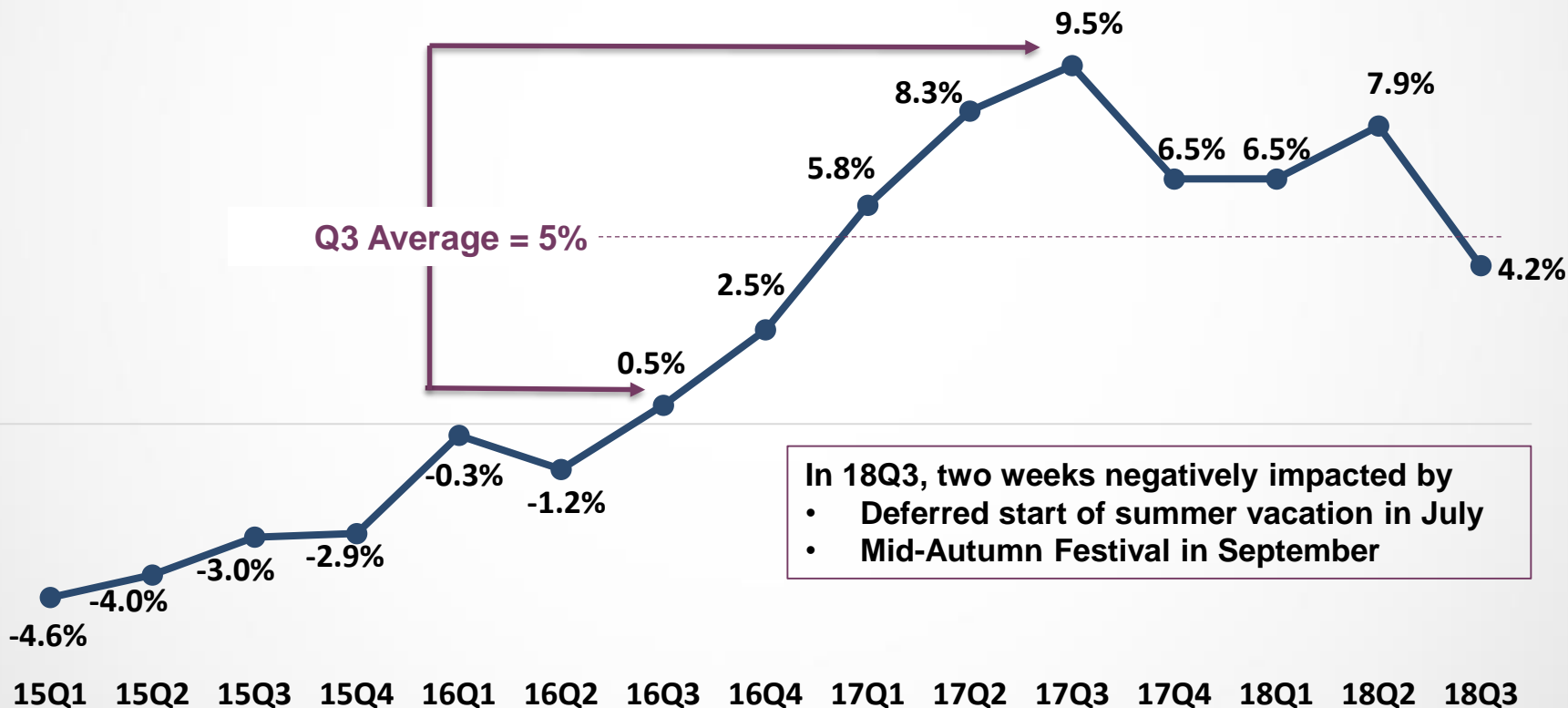
Increasing Revenue Contribution from Mid and Upscale Hotels

Revenues from Mid and Upscale Hotels Grew by 36%;
Mid and Upscale Hotels Revenues Contribution Increased by 8pts to 51%



In spite of a High Comparison Base in Q3'17 Huazhu Same-hotel RevPAR Growth Reached 4.2% in Q3'18

Quarterly Group Same-hotel RevPAR Growth



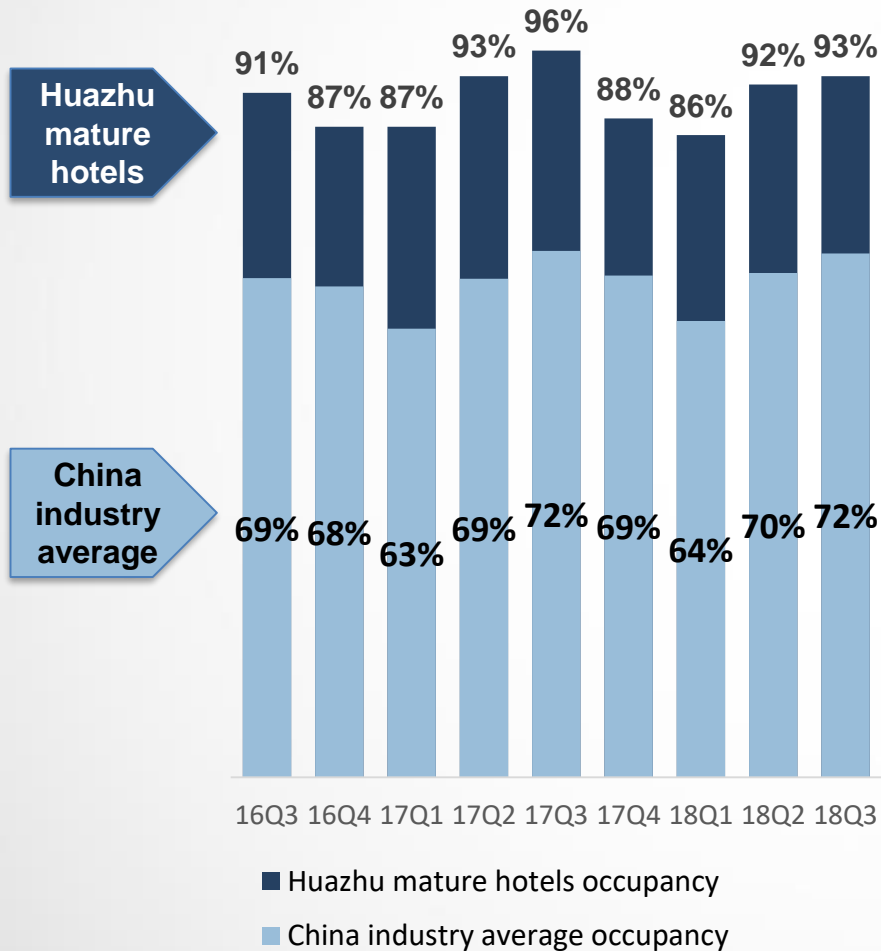
In 18Q3, two weeks negatively impacted by

- Deferred start of summer vacation in July
- Mid-Autumn Festival in September

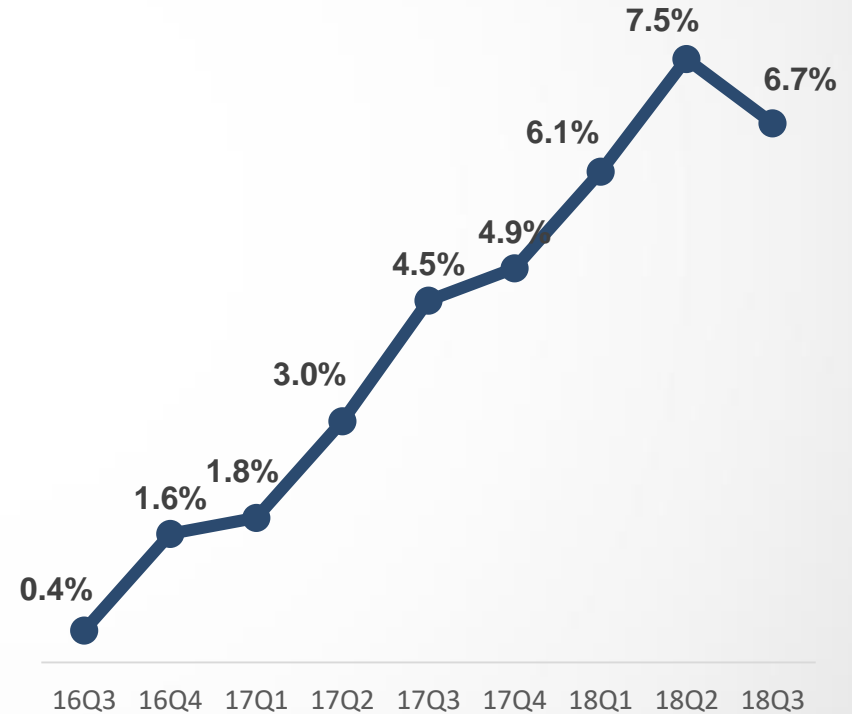
Note: Crystal Orange hotels RevPAR are not included in our reported same-hotel RevPAR statistics until they have been in Huazhu 's system for more than 18 months.

Huazhu's Occupancy Remains High While ADR Continues to Grow

Mature Hotels Occupancy



Same-hotel ADR Growth



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

Upscale Brand Innovation Case Study: Joya Hotel Chengdu



禧玥酒店

JOYA HOTEL



RevPAR = **RMB363**

Occupancy = **82%**

GOP % = **73%**

EBIT % = **34%**

*Photos from Joya Hotel High-Tech Industrial
Development Zone, Chengdu
Opened in December 2016*

*For trailing 12 months
(October 2017 to September 2018)*

Grand Mercure Flagship Hotel in CBD Guangzhou to Open in Q1 2019



Strategy Review

Operational and Financial Review

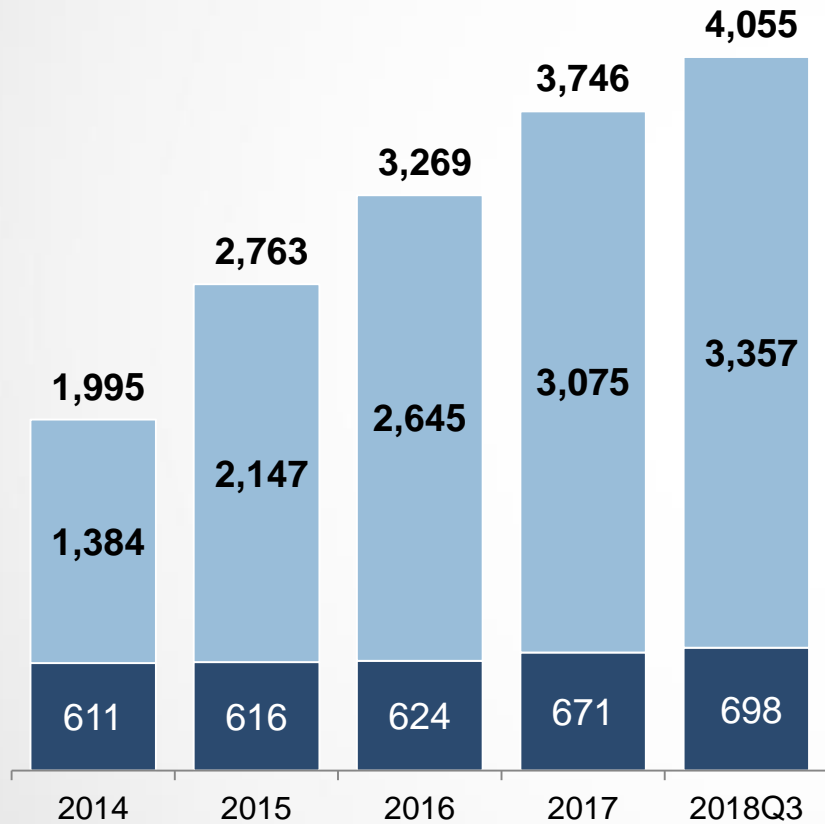
Q & A

Appendix

Continue Fast Expansion with Increasing Focus on Quality

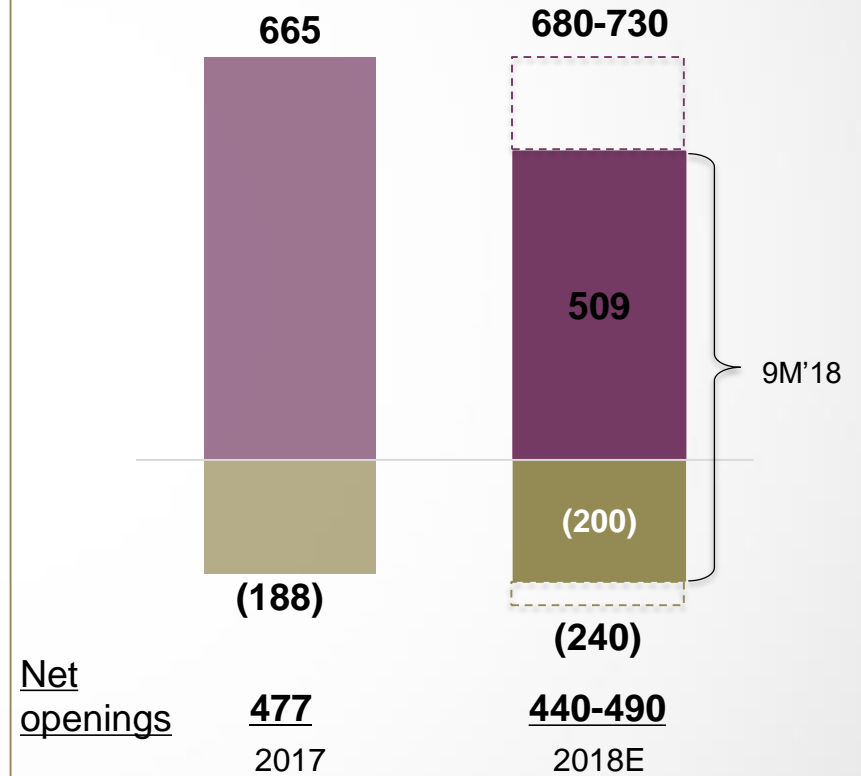
Number of Hotels in Operation

- Leased and owned Hotels
- Manachised and Franchised Hotels



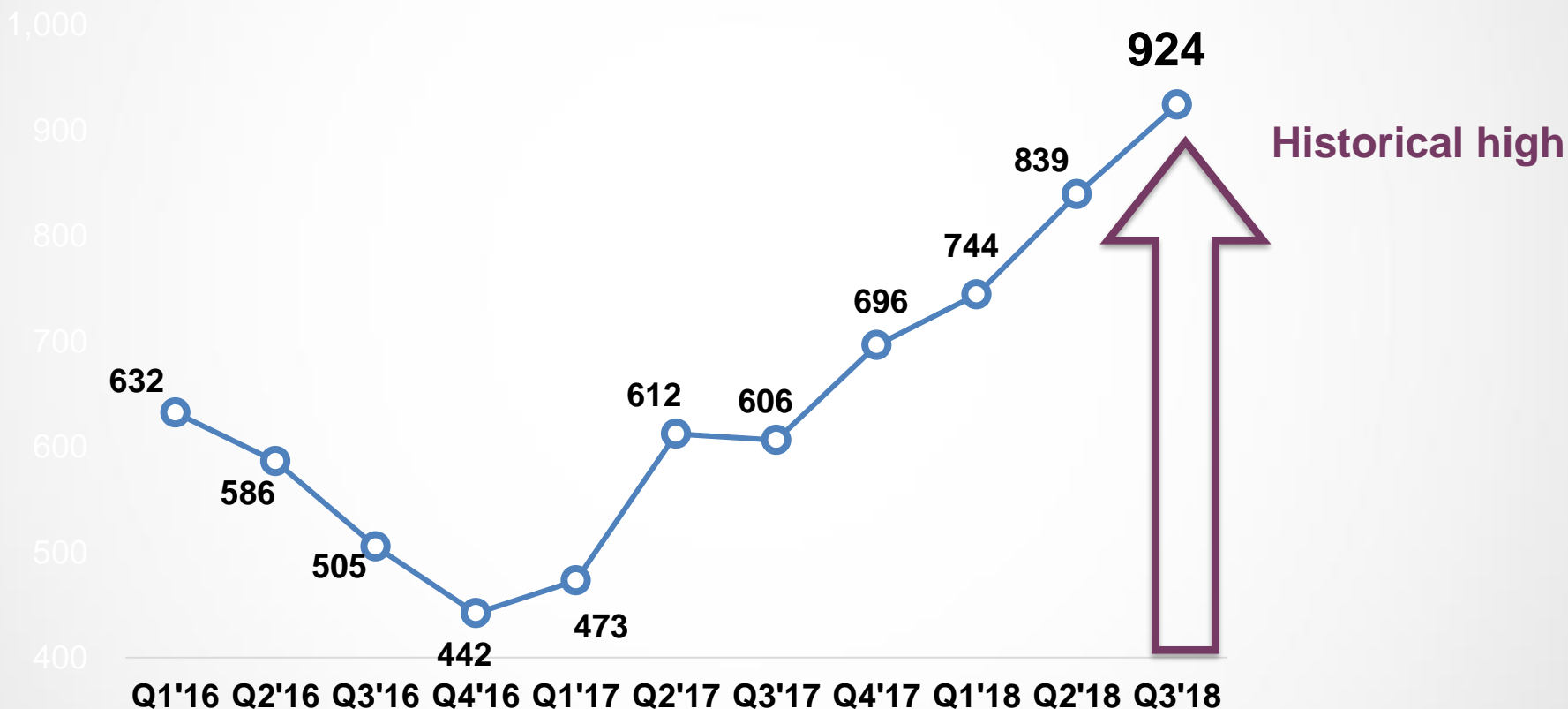
Hotel Openings/Closures

- Gross openings
- Closures



Robust Hotel Pipeline to Support Fast and Quality Expansion

Number of Hotels in Pipeline (Q1'16-Q3'18)



RevPAR Growth Driven by ADR Growth

ADR Grew 9.8% YoY

(RMB)

218

239

Q3'17

Q3'18

Occupancy Decreased 2.3 pts YoY

93.1%

90.7%

Q3'17

Q3'18

RevPAR Increased 7.1% YoY

(RMB)

203

217

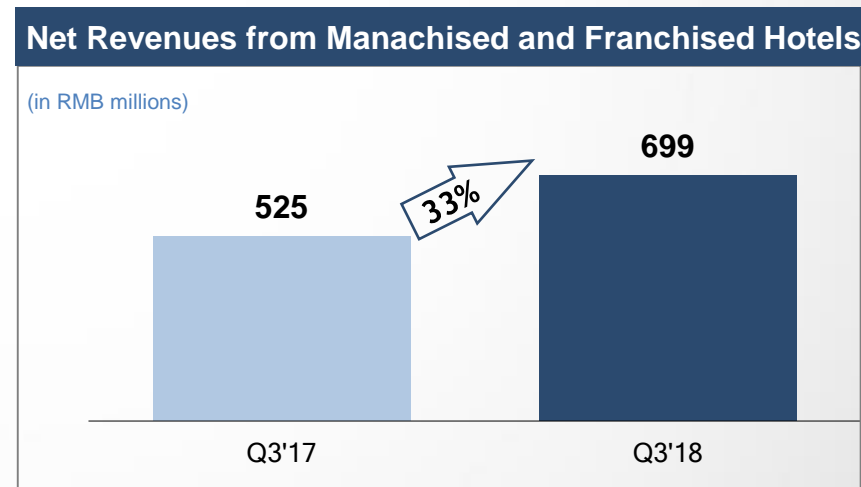
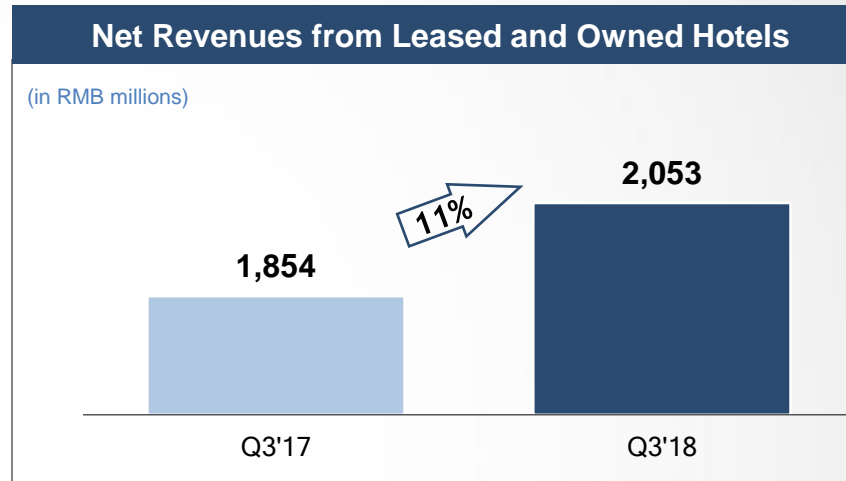
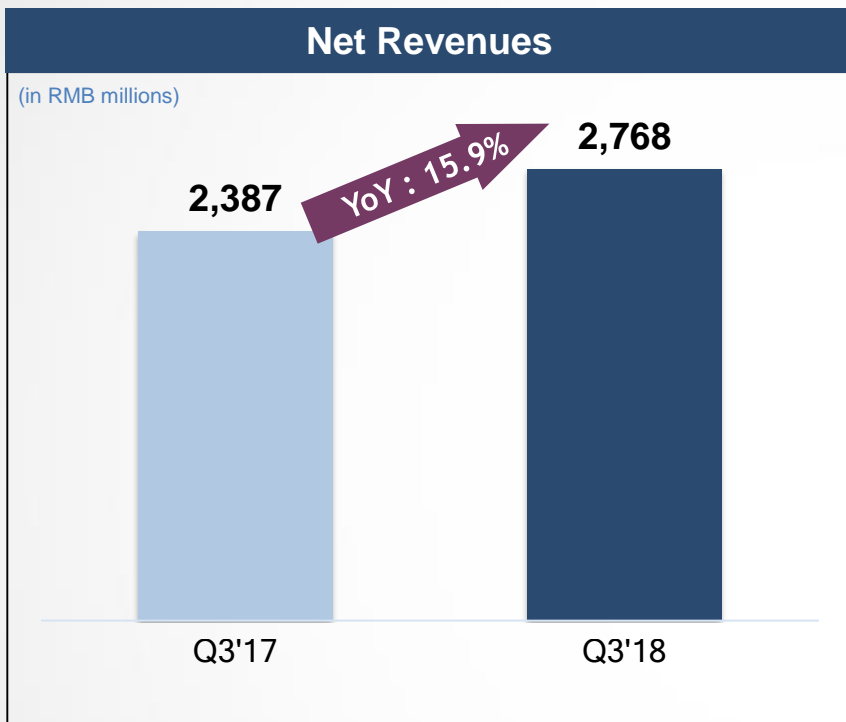
Q3'17

Q3'18

Blended RevPAR yoy growth was impacted by the consolidation of Crystal Orange Hotels since May 2017

	Q1'18	Q2'18	Q3'18
As reported	13.7%	13.2%	7.1%
Excl. Crystal Orange	9.8%	10.7%	7.5%

Q3 Net Revenues Grew by 15.9%, above High-end of Guidance by 3.4pts

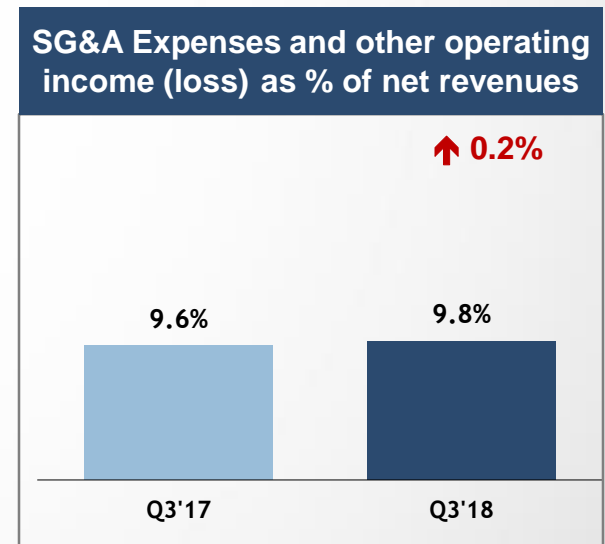
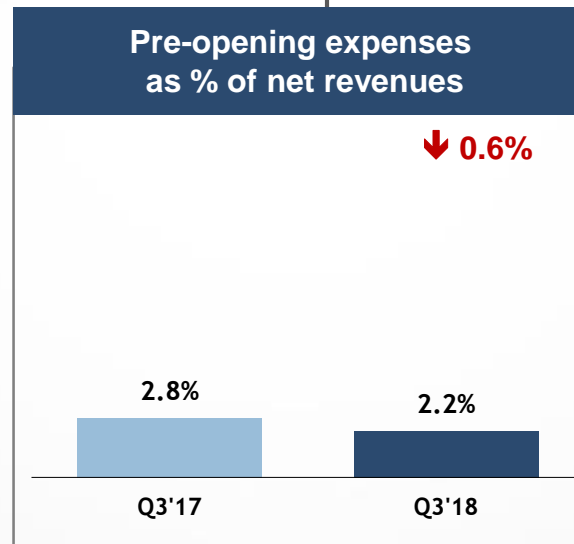
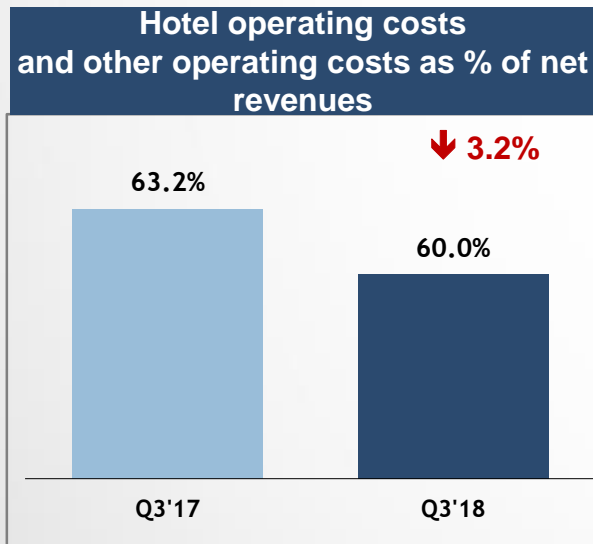
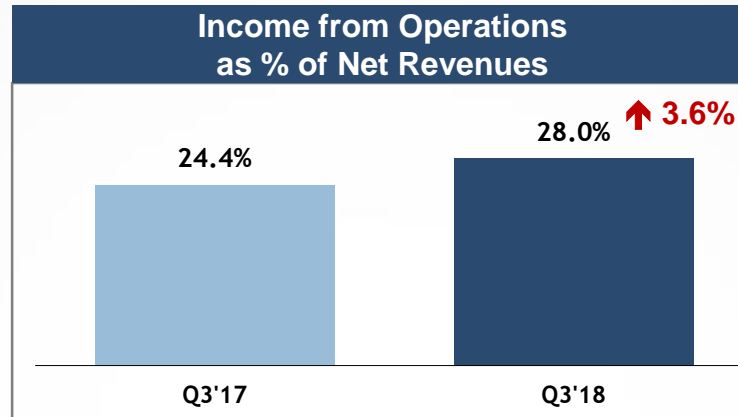


Net Manachised and Franchised Hotels Revenue as % of Net Revenues

Q3'17	Q3'18
22.0%	25.3%

• Note: Figures for Q3'17 was recast according to Accounting Standards on Revenue Recognition - ASC 606

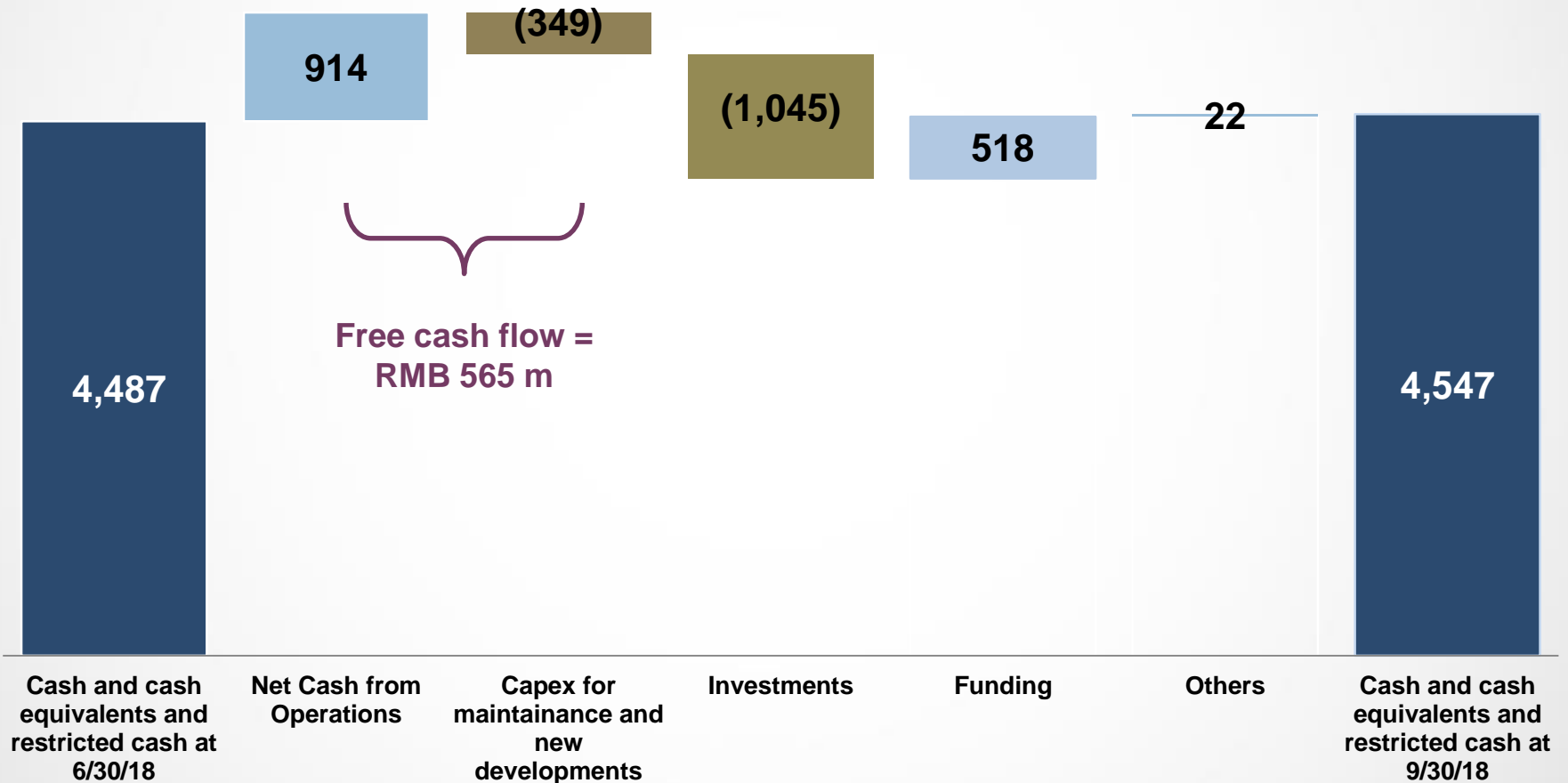
Q3 Operating Profit Grew by 32.9% with Margin Expansion of 3.6 Percentage Points



Strong Cash Balances Support Hotel Expansion and Capital Investments

Abundant Funding Resource for Expansion

(in RMB millions)



2018

- Expect Q4'18 net revenues to grow 17%-19%
- Expect the full year net revenues to grow close to high-end of previous guidance (18%-22%)

2019

- Gross Opening of 800-900 hotels, 75%-80% mid and upscale hotels
- To close 150-200 hotels

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Same-Hotel Operational Data by Segment

	<u>Number of hotels in operation</u>		<u>Same-hotel RevPAR</u>			<u>Same-hotel ADR</u>			<u>Same-hotel Occupancy</u>		
	As of		For the quarter ended			For the quarter ended			For the quarter ended		
	December 31, 2016	2017	December 31, 2016	2017	yoy change	December 31, 2016	2017	yoy change	December 31, 2016	2017	yoy change
Economy hotels	2,406	2,406	146	156	6.9%	167	175	5.1%	87%	89%	1.5%
Leased and owned hotels	492	492	152	166	9.2%	178	189	6.3%	85%	88%	2.4%
Manachised and franchised hotels	1,914	1,914	144	152	6.1%	163	171	4.6%	88%	89%	1.2%
Midscale and upscale hotels	323	323	249	261	4.8%	300	313	4.4%	83%	83%	0.3%
Leased hotels	81	81	314	321	2.4%	348	364	4.5%	90%	88%	-1.9%
Manachised and franchised hotels	242	242	217	231	6.5%	273	286	4.7%	79%	81%	1.4%
Total	2,729	2,729	162	172	6.5%	187	196	4.9%	87%	88%	1.3%

	<u>Number of hotels in operation</u>		<u>Same-hotel RevPAR</u>			<u>Same-hotel ADR</u>			<u>Same-hotel Occupancy</u>		
	As of		For the quarter ended			For the quarter ended			For the quarter ended		
	March 31, 2017	2018	March 31, 2017	2018	yoy change	March 31, 2017	2018	yoy change	March 31, 2017	2018	yoy change
Economy hotels	2,406	2,406	141	150	6.4%	160	170	6.1%	88.0%	88.2%	0.2%
Leased and owned hotels	477	477	147	160	8.7%	169	182	7.6%	87.3%	88.1%	0.9%
Manachised and franchised hotels	1,929	1,929	139	147	5.6%	157	166	5.6%	88.3%	88.2%	0.0%
Midscale and upscale hotels	407	407	215	229	6.5%	279	293	5.0%	76.9%	78.0%	1.0%
Leased hotels	94	94	264	281	6.3%	320	335	4.9%	82.6%	83.7%	1.1%
Manachised and franchised hotels	313	313	193	205	6.4%	259	272	5.0%	74.4%	75.4%	1.0%
Total	2,813	2,813	155	165	6.5%	181	192	6.1%	85.9%	86.2%	0.3%

	<u>Number of hotels in operation</u>		<u>Same-hotel RevPAR</u>			<u>Same-hotel ADR</u>			<u>Same-hotel Occupancy</u>		
	As of		For the quarter ended			For the quarter ended			For the quarter ended		
	June 30, 2017	2018	June 30, 2017	2018	yoy change	June 30, 2017	2018	yoy change	June 30, 2017	2018	yoy change
Economy hotels	2,406	2,406	161	174	8.0%	172	186	8.1%	94%	94%	-0.1%
Leased hotels	459	459	168	189	12.2%	182	201	10.3%	92%	94%	1.7%
Manachised and franchised hotels	1,947	1,947	159	170	6.6%	168	181	7.4%	95%	94%	-0.7%
Midscale and upscale hotels	460	460	251	269	7.2%	297	312	4.8%	84%	86%	2.0%
Leased and owned hotels	100	100	313	332	6.1%	345	365	5.5%	91%	91%	0.5%
Manachised and franchised hotels	360	360	226	243	7.8%	276	289	4.5%	82%	84%	2.5%
Total	2,866	2,866	180	194	7.9%	196	210	7.5%	92%	92%	0.3%

	<u>Number of hotels in operation</u>		<u>Same-hotel RevPAR</u>			<u>Same-hotel ADR</u>			<u>Same-hotel Occupancy</u>		
	As of		For the quarter ended			For the quarter ended			For the quarter ended		
	September 30, 2017	2018	September 30, 2017	2018	yoy change	September 30, 2017	2018	yoy change	September 30, 2017	2018	yoy change
Economy hotels	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%
Midscale and upscale hotels	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%
Total	2,908	2,908	199	207	4.2%	208	222	6.7%	96%	93%	-2.3%

Hotel Breakdown by Brands

	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 3/31/2018	As of 6/30/2018	As of 9/30/2018	As of 9/30/2018
Economy hotels	1,309	1,819	2,453	2,741	2,874	2,864	2,857	2,858	2,858
HanTing Hotel	1,226	1,648	2,003	2,181	2,244	2,245	2,236	2,255	2,255
Leased hotels	473	502	495	486	454	440	428	426	426
Manachised hotels	753	1,146	1,508	1,694	1,786	1,801	1,804	1,825	1,825
Franchised hotels				1	4	4	4	4	4
Hi Inn	83	158	302	375	396	391	395	392	392
Leased hotels	41	41	38	36	30	30	29	28	28
Manachised hotels	42	117	251	294	321	315	317	315	315
Franchised hotels			13	45	45	46	49	49	49
Elan Hotel		13	148	185	226	220	218	204	204
Manachised hotels		13	128	149	193	188	188	172	172
Franchised hotels			20	36	33	32	30	32	32
Orange Hotel					8	8	8	7	7
Leased hotels					6	6	6	5	5
Manachised hotels					1	1	1	1	1
Franchised hotels					1	1	1	1	1
Midscale hotels and upscale hotels	116	176	310	528	872	953	1,046	1,197	1,197
Ji Hotel	68	117	186	284	390	423	452	501	501
Leased hotels	48	62	75	81	91	91	91	91	91
Manachised hotels	20	55	111	201	296	330	359	407	407
Franchised hotels				2	3	2	2	3	3
Starway Hotel	46	55	118	136	174	173	177	193	193
Leased hotels	1	3	4	2	2	2	2	2	2
Manachised hotels	20	44	67	96	141	141	145	161	161
Franchised hotels	25	8	47	38	31	30	30	30	30
Joya Hotel	1	3	3	6	6	7	7	6	6
Leased hotels	1	2	2	3	3	4	4	4	4
Manachised hotels		1	1	3	3	2	2	1	1
Franchised hotels						1	1	1	1
Manxin Hotels & Resorts	1	1	2	2	11	15	17	21	21
Leased hotels	1	1	1		2	3	3	4	4
Manachised hotels			1	2	6	9	11	14	14
Franchised hotels					3	3	3	3	3
HanTing Premium Hotel					5	28	45	59	59
Leased hotels					1	11	17	19	19
Manachised hotels					4	17	28	40	40
ibis Hotel				72	100	105	112	125	125
Leased and owned hotels				14	16	17	19	19	19
Manachised hotels				12	38	44	51	67	67
Franchised hotels				46	46	44	42	39	39
ibis Styles Hotel				10	13	16	23	28	28
Leased hotels							1	1	1
Manachised hotels				7	10	13	20	25	25
Franchised hotels				3	3	3	2	2	2
Mercure Hotel				1	15	20	19	28	35
Leased hotels			1	2	2	2	4	9	9
Manachised hotels				12	15	12	19	21	21
Franchised hotels				1	3	5	5	5	5
Novotel Hotel				2	4	4	5	7	7
Leased hotels								1	1
Manachised hotels				1	3	3	4	4	4
Franchised hotels				1	1	1	1	2	2
Grand Mercure Hotel				1	4	5	6	6	6
Leased hotels					1	1	1	1	1
Manachised hotels					1	2	3	3	3
Franchised hotels				1	2	2	2	2	2
Orange Select					103	114	127	143	143
Leased hotels					44	46	48	50	50
Manachised hotels					41	49	54	61	61
Franchised hotels					18	19	25	32	32
Crystal Orange					42	44	47	52	52
Leased hotels					19	20	20	20	20
Manachised hotels					15	16	18	19	19
Franchised hotels					8	8	9	13	13
Blossom Hill								21	21
Leased hotels								18	18
Manachised hotels								3	3
Total	1,425	1,995	2,763	3,269	3,746	3,817	3,903	4,055	4,055
economy hotels	91.9%	91.2%	88.8%	83.8%	76.7%	75.0%	73.2%	70.5%	70.5%
mid-upscale hotels	8.1%	8.8%	11.2%	16.2%	23.3%	25.0%	26.8%	29.5%	29.5%

Note: ibis brand was repositioned as an entry-level midscale brand since January 2018.

Room Breakdown by Brands

	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 3/31/2018	As of 6/30/2018	As of 9/30/2018	
Economy hotels	138,576	185,959	238,156	260,557	266,145	262,885	259,504	262,102	
HanTing Hotel	130,747	172,341	205,577	221,157	223,121	220,877	218,124	221,468	
Leased hotels	54,154	57,306	57,277	56,491	52,300	50,637	49,474	49,101	
Manachised hotels	76,593	115,035	148,300	164,602	170,443	169,862	168,272	171,989	
Franchised hotels				64	378	378	378	378	
Hi Inn	7,829	12,551	21,340	25,600	26,063	25,753	25,262	25,197	
Leased hotels	4,422	3,895	3,698	3,411	2,727	2,837	2,661	2,483	
Manachised hotels	3,407	8,656	16,725	19,361	20,466	20,160	19,717	19,787	
Franchised hotels			917	2,828	2,870	2,756	2,884	2,927	
Elan Hotel		1,067	11,239	13,800	16,120	15,414	15,277	14,715	
Manachised hotels		1,067	9,837	11,121	13,963	13,433	13,381	12,727	
Franchised hotels			1,402	2,679	2,157	1,981	1,896	1,988	
Orange Hotel					841	841	841	722	
Leased hotels					678	678	678	559	
Manachised hotels					85	85	85	85	
Franchised hotels					78	78	78	78	
Midscale hotels and upscale hotels	14,303	23,996	40,687	70,790	113,530	122,074	133,913	147,414	
Ji Hotel	9,106	17,052	27,559	39,664	53,054	57,192	61,033	66,207	
Leased hotels	6,891	10,260	13,195	14,314	15,868	16,078	16,230	15,732	
Manachised hotels	2,215	6,792	14,364	25,201	36,912	40,912	44,601	50,091	
Franchised hotels				149	274	202	202	384	
Starway Hotel	4,959	6,321	12,138	13,206	16,914	16,550	16,884	17,945	
Leased hotels	131	451	604	386	386	386	386	385	
Manachised hotels	2,222	4,939	7,183	9,577	13,677	13,415	13,814	14,869	
Franchised hotels	2,606	931	4,351	3,243	2,851	2,749	2,684	2,691	
Joya Hotel	141	515	515	1,131	1,131	1,197	1,207	1,250	
Leased hotels	141	315	315	523	523	589	677	720	
Manachised hotels		200	200	608	608	452	374	374	
Franchised hotels						156	156	156	
Manxin Hotels & Resorts	97	108	236	78	1,150	1,473	1,594	1,949	
Leased hotels	97	108	108	-	277	447	447	577	
Manachised hotels			128	78	769	922	1,043	1,268	
Franchised hotels					104	104	104	104	
HanTing Premium Hotel					446	2,493	4,255	4,944	
Leased hotels					98	1,068	1,819	1,573	
Manachised hotels					348	1,425	2,436	3,371	
ibis Hotel				10,251	13,474	13,810	14,588	15,580	
Leased and owned hotels					2,887	3,124	3,423	3,417	
Manachised hotels					4,522	4,914	5,589	6,964	
Franchised hotels					6,065	5,772	5,576	5,199	
ibis Styles Hotel				1,614	1,841	2,238	3,235	3,696	
Leased hotels							102	102	
Manachised hotels						1,425	1,821	2,811	3,272
Franchised hotels						416	417	322	322
Mercure Hotel			239	4,026	4,664	4,345	5,874	7,422	
Leased hotels			239		496	496	910	2,164	
Manachised hotels					3,546	3,007	4,123	4,445	
Franchised hotels					622	842	841	813	
Novotel Hotel				629	1,697	1,697	2,064	2,411	
Leased hotels								101	
Manachised hotels						1,374	1,374	1,741	1,741
Franchised hotels						323	323	323	569
Grand Mercure Hotel				191	882	1,293	1,306	1,266	
Leased hotels					360	360	317	277	
Manachised hotels					151	562	618	618	
Franchised hotels				191	371	371	371	371	
Orange Selected					12,648	13,963	15,645	17,606	
Leased hotels					5,732	5,990	6,289	6,596	
Manachised hotels					4,817	5,768	6,487	7,250	
Franchised hotels					2,099	2,205	2,869	3,760	
Crystal Orange					5,629	5,823	6,228	6,613	
Leased hotels					2,686	2,818	2,818	2,642	
Manachised hotels					1,959	2,021	2,306	2,471	
Franchised hotels					984	984	1,104	1,500	
Blossom Hill								525	
Leased hotels								396	
Manachised hotels								129	
Total	152,879	209,955	278,843	331,347	379,675	384,959	393,417	409,516	
economy rooms	90.6%	88.6%	85.4%	78.6%	70.1%	68.3%	66.0%	64.0%	
mid-upscale rooms	9.4%	11.4%	14.6%	21.4%	29.9%	31.7%	34.0%	36.0%	

Note: IBIS brand was repositioned as an entry-level midscale brand since January 2018.



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