



华住酒店集团

成就美好生活



China Lodging Group (HTHT.US)

Q4 and full year 2017 Earnings Call

March 13, 2018

Strategy Review

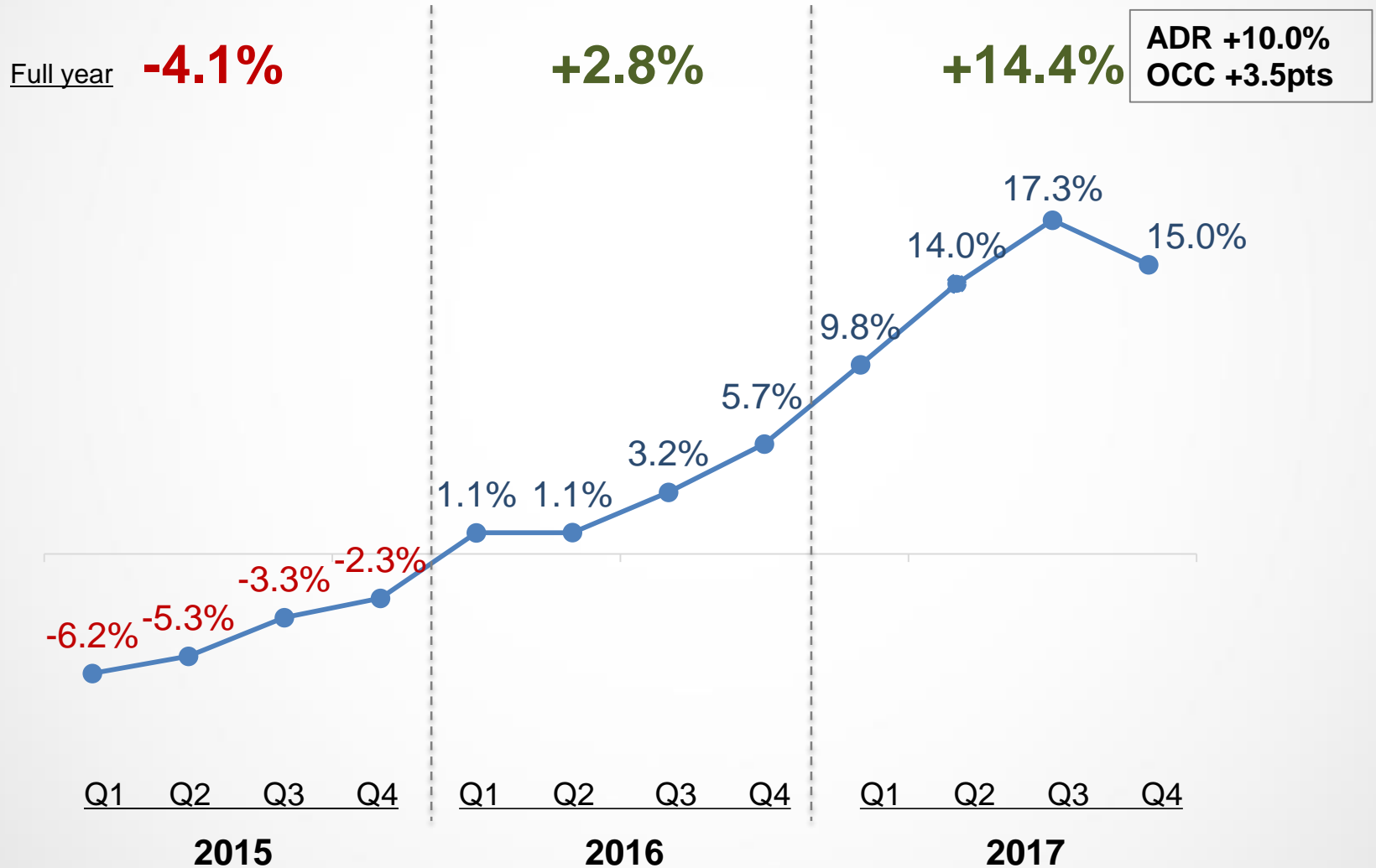
Operational and Financial Review

Q & A

Appendix

Strong RevPAR Growth Driven by ADR + Occupancy Increase and Mix Upgrade

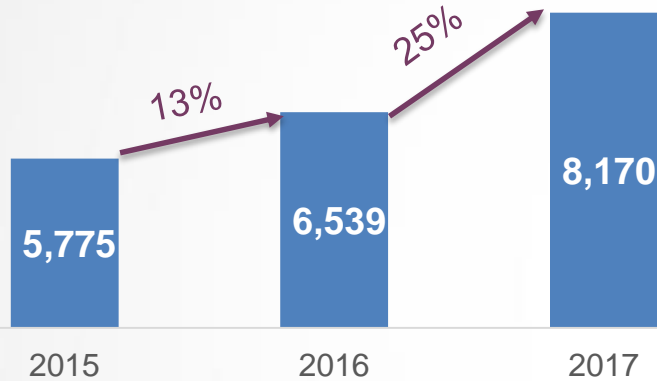
Quarterly and Full Year Blended RevPAR Growth



Accelerated Growth in Revenues and Expanded Profit Margin

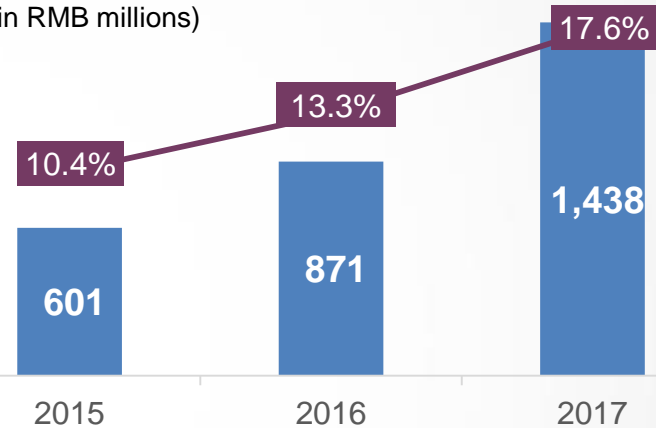
Net Revenues and Growth

(in RMB millions)



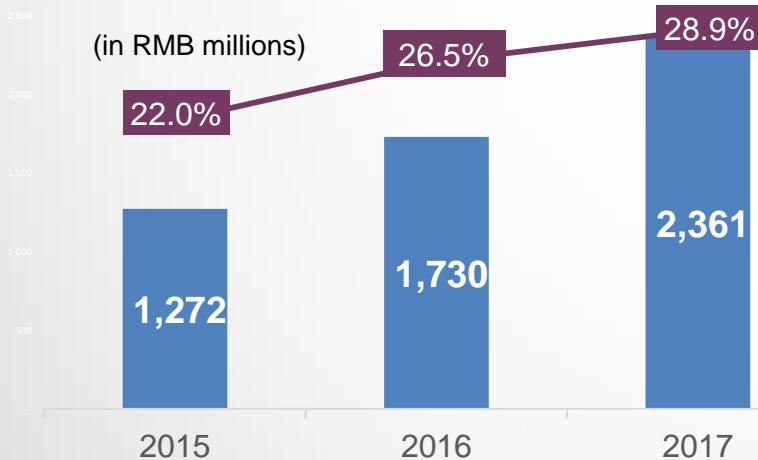
Operating Income and Margin

(in RMB millions)



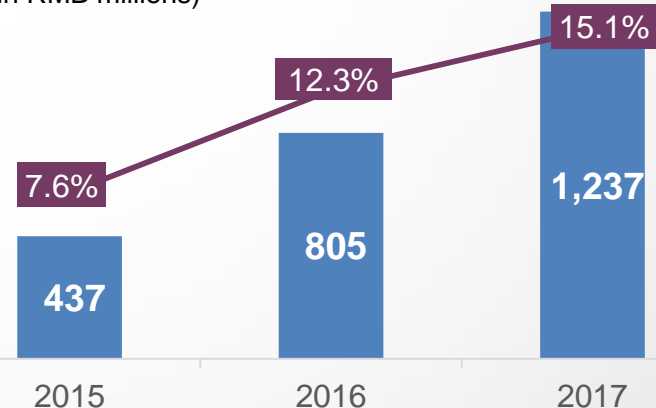
EBITDA and Margin

(in RMB millions)

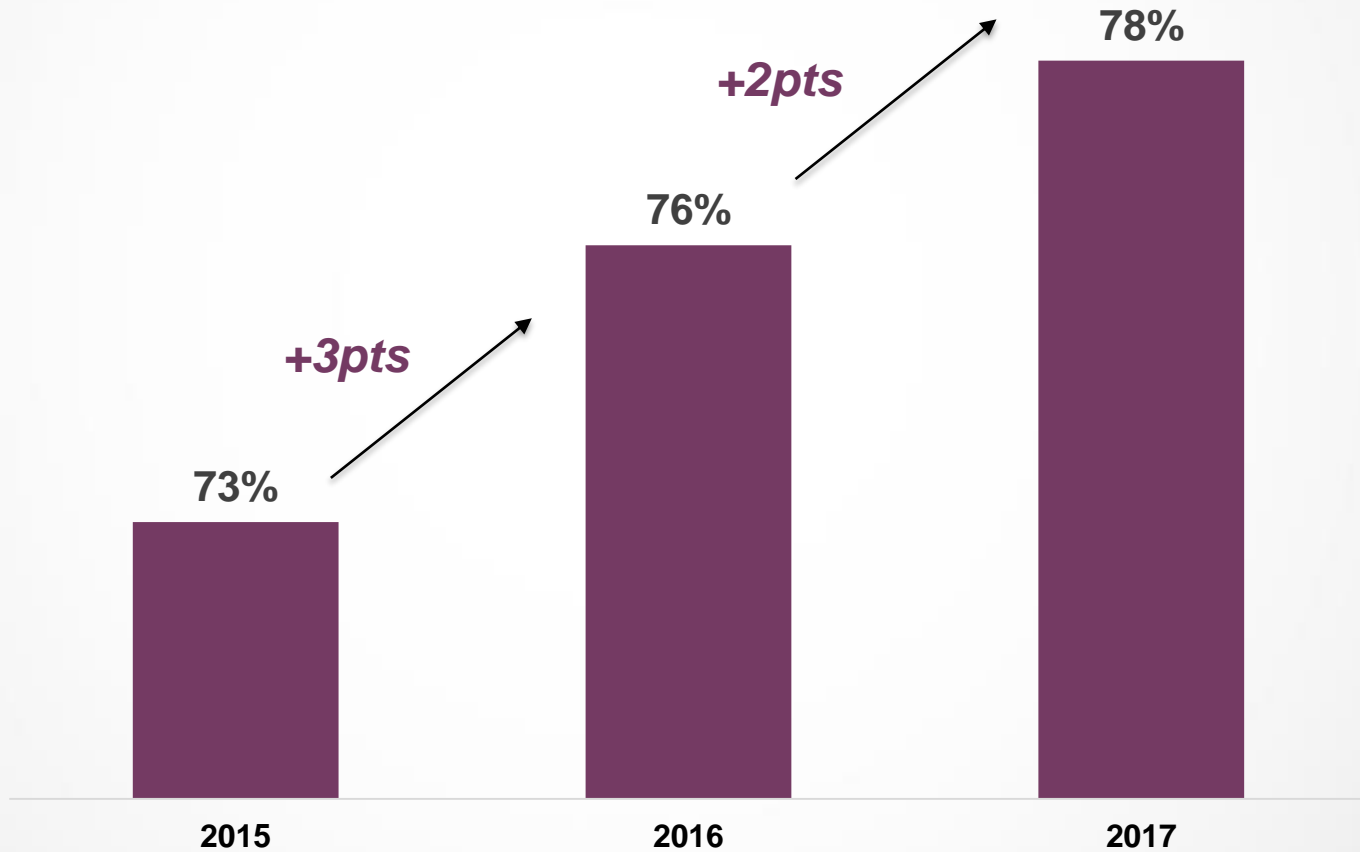


Net Income and Margin

(in RMB millions)

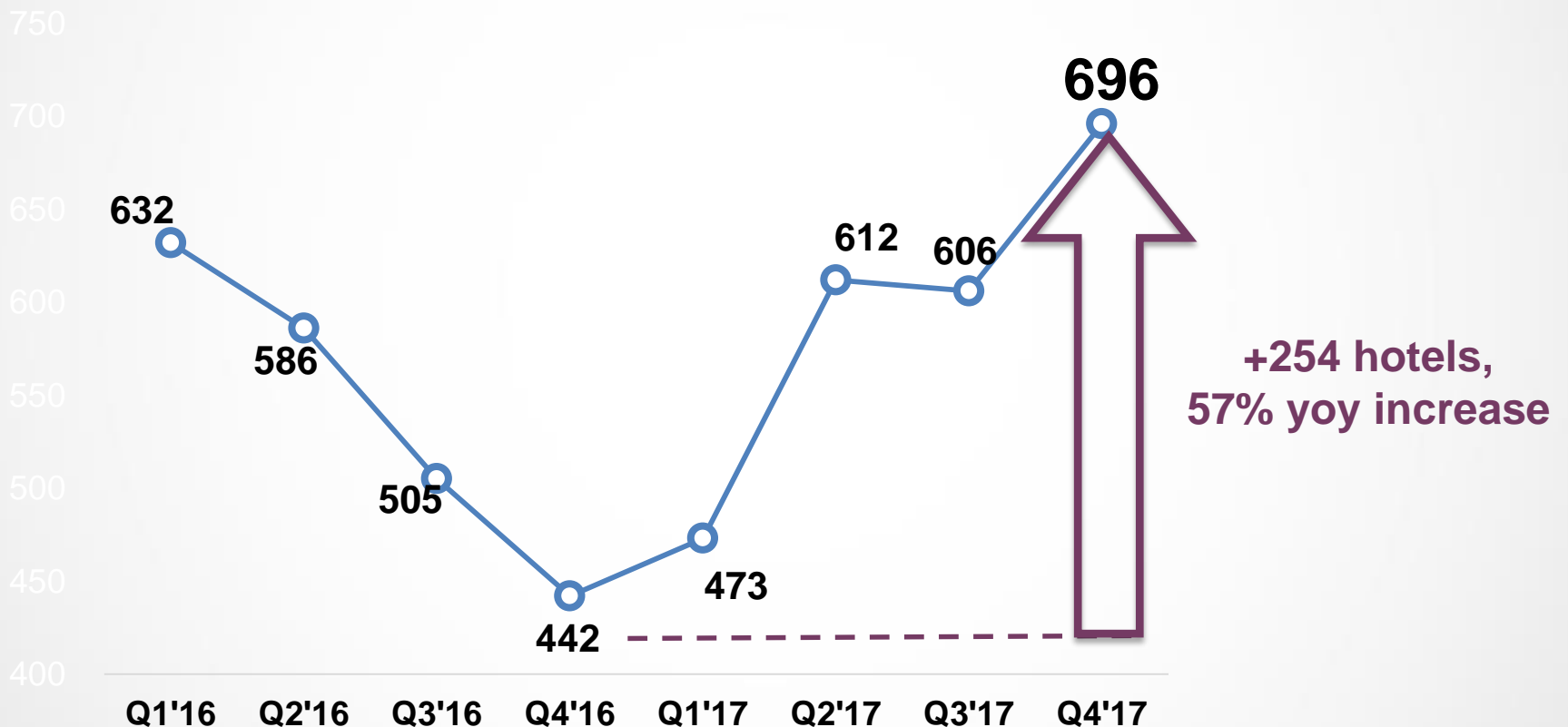


% of Rooms under Manachised and Franchised Models



Robust Hotel Pipeline to Support Fast and Quality Expansion

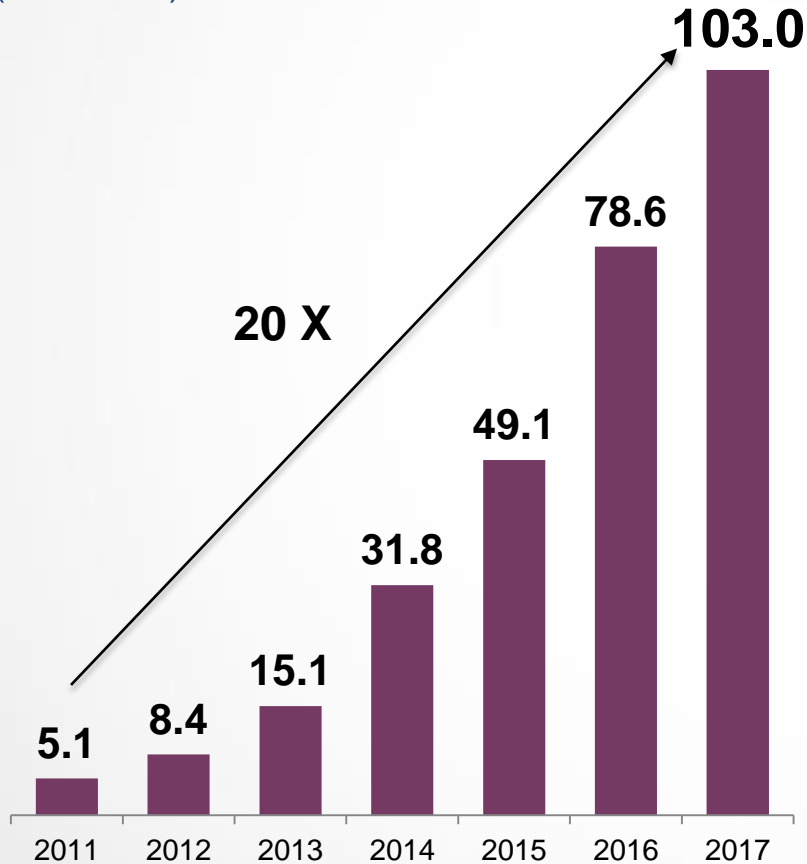
Number of Hotels in Pipeline (Q1'16-Q4'17)



* At the end of 2017, Pipeline included 112 hotels under Accor's brands and 94 hotels under Crystal Orange brands

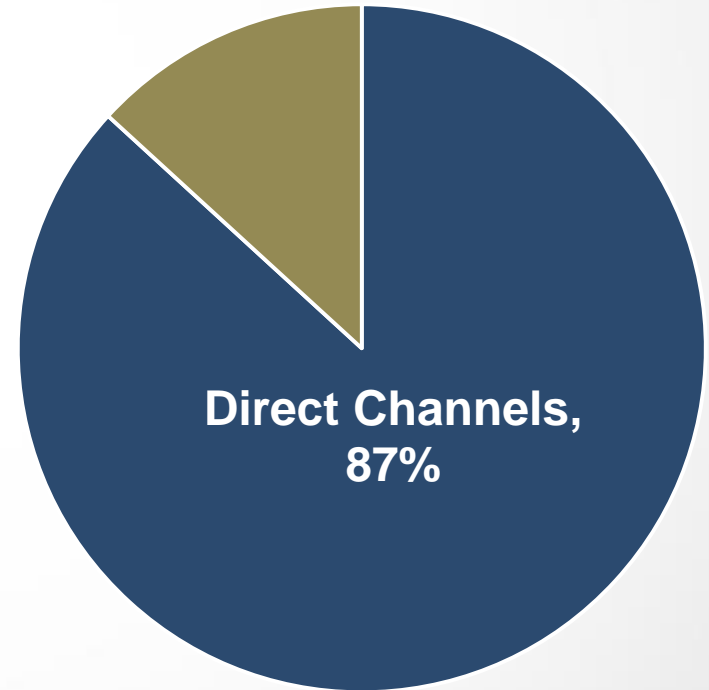
Rapid Growth in Membership Program

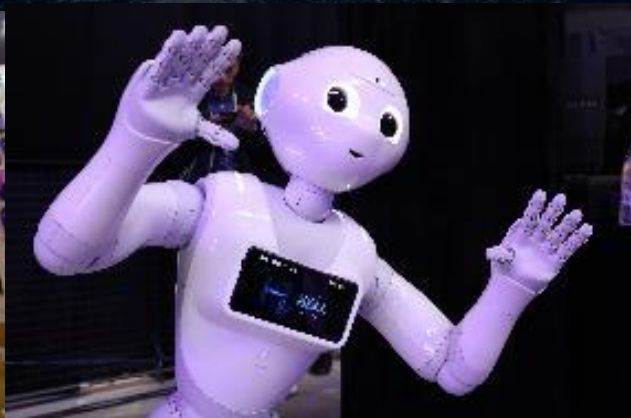
(in millions)



Strong Direct Channels

(in room nights, 2017)





- 2,000 participants, including:
 - 900 franchisees
 - 550 business partners
 - 40 media journalists
 - 30 investors and analysts

- Showcase Hua Zhu's brands and innovative digital solutions
 - 18 hotel brands
 - Hua Zhu E-purchase
 - H-World

Priorities in 2017

1 Upgrade for Economy
Hotels

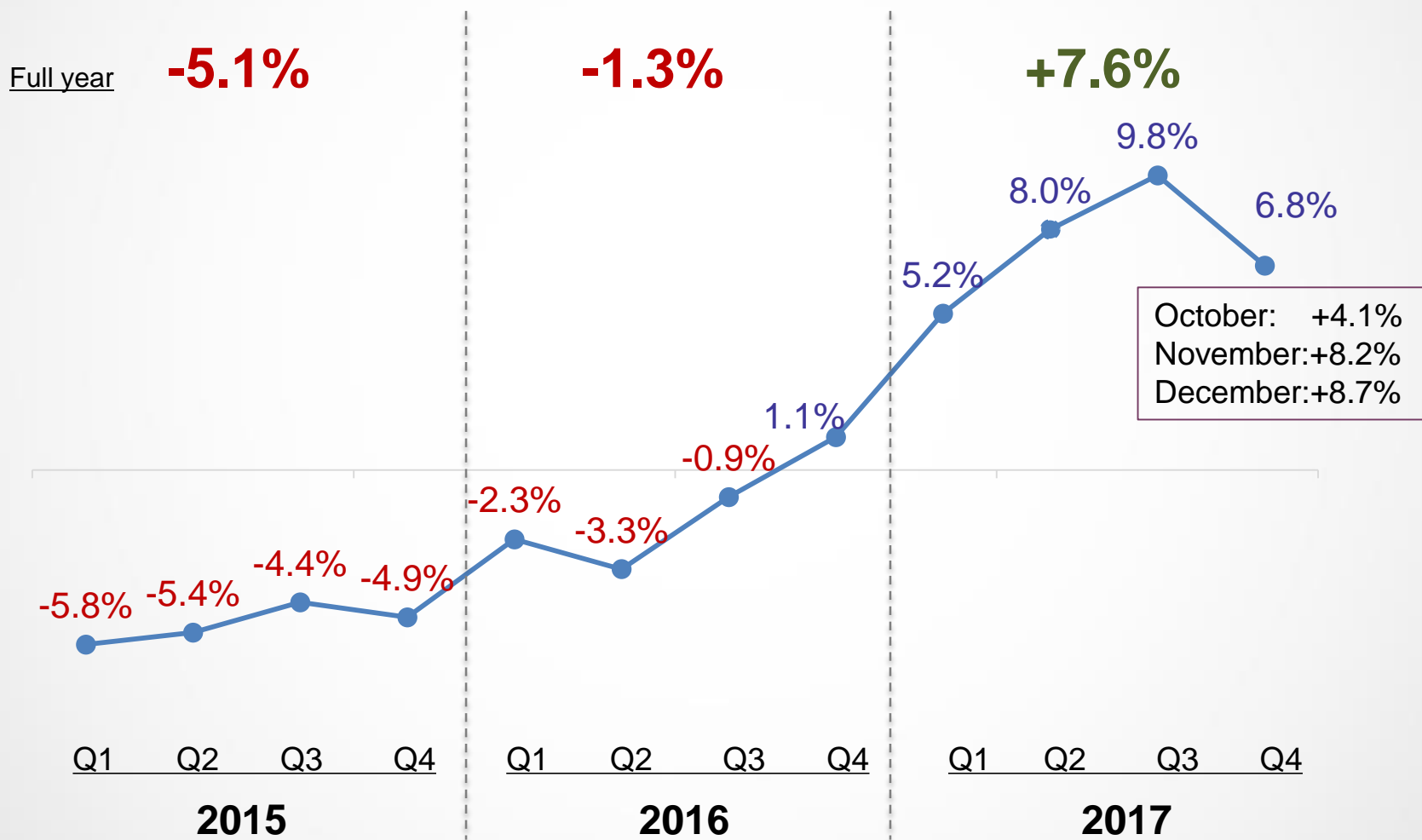
2 Multi-brand Strategy - Fast
Expansion of Midscale
Hotels

3 Continuous Growth in Same-
hotel RevPAR

Achievements

- 38% of HanTing rooms upgraded
- HanTing same hotel RevPAR grew by 7.6%
- Roll out new design for Elan and Hi Inn
- JI grew to 390 hotels in operation
- Acquisition of Crystal Orange
- Launched CitiGO, urban Manxin and HanTing Premium; Re-launched Starway
- 316 mid-and-upscale hotels net added, ~82% of total net rooms added in 2017
- Same-hotel RevPAR growth of 7.7% in 2017 (economy: 7.4%; mid-and-up scale: 8.2%)

HanTing Same-hotel RevPAR Increased by 7.6% in 2017



HanTing



- 38% rooms upgraded;
- 7.6% yoy growth in same-hotel RevPAR
- Introduction of HanTing 2S



Elan



- Roll-out new model;
- 226 hotels in operation;
- 5.2% yoy growth in same-hotel RevPAR



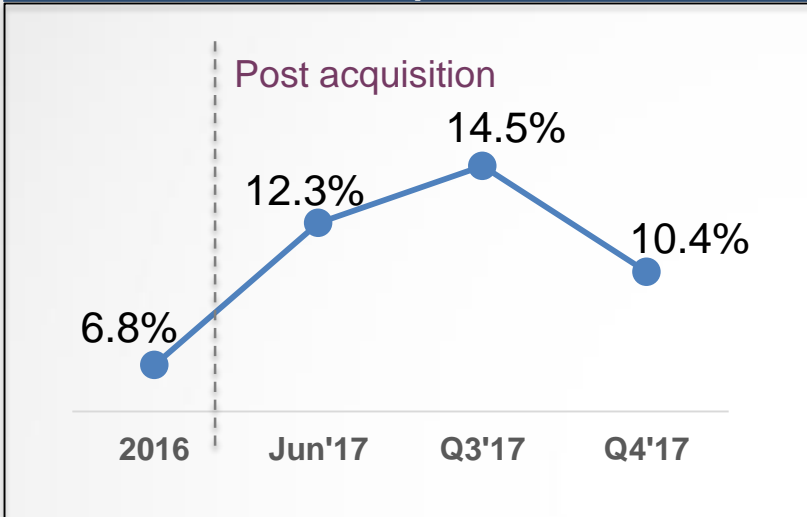
Hi Inn



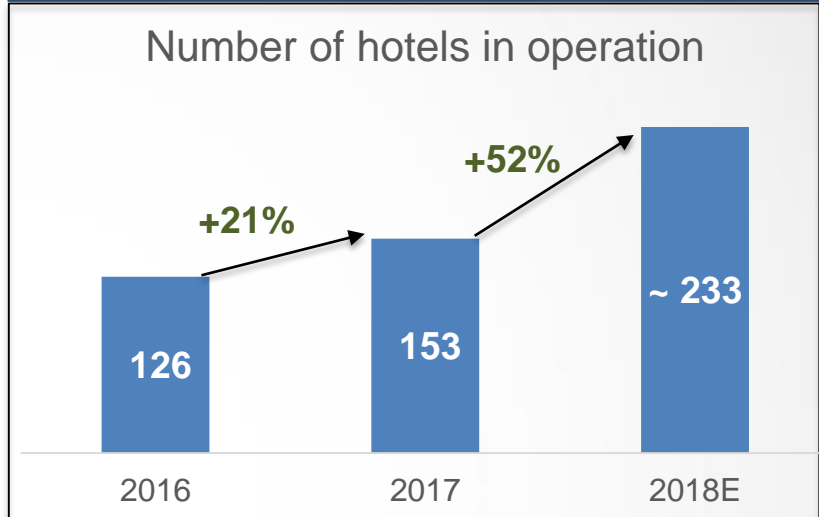
- Roll-out new model;
- 396 hotels in operation;
- 5.1% yoy growth in same-hotel RevPAR



Double-digit Growth in Same-hotel RevPAR Post Acquisition



Accelerated Development



Enriched Talent Pool

- Mr. Wu Hai's new role as EVP of High-End Product Innovation, executive Chairman of Crystal Orange
- Ms. Juan Cao appointed as CEO of Crystal Orange
- Amy Liao, the Chief Architect / Designer of Crystal Orange, expanded her responsibilities to cover more high-end brands

Cost Synergies

- Completed integration of operational and booking systems, loyalty program and back-office supports
- Further improvements in hotel operational efficiency

We Launched 3 “New” Midscale Hotel Products

CitiGO



6 in operation; 11 in pipeline



Manxin



11 in operation; 16 in pipeline



HanTing Premium



5 in operation; 39 in pipeline

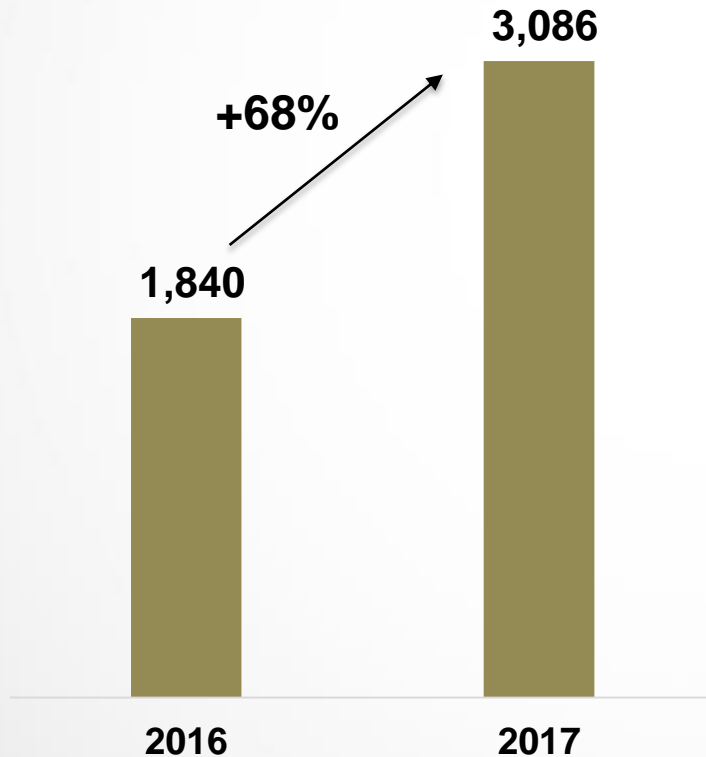


Increasing Revenue Contribution from Mid- and Up-Scale Hotels

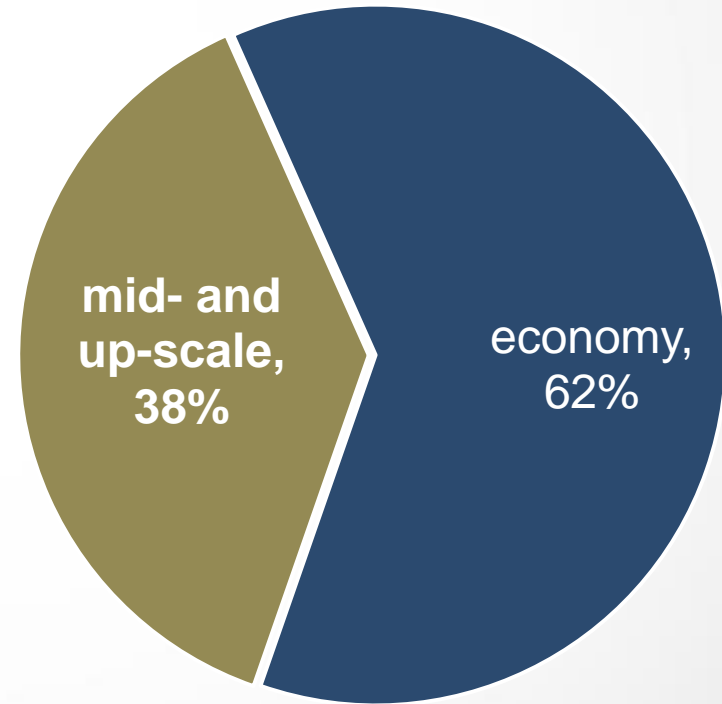
Revenues from Mid- and Up-Scale Hotels Grew by 68%;
Mid- and Up-scale Hotels Revenues Contribution Increased by 9pts to 38%

Revenue Growth, 2016-2017

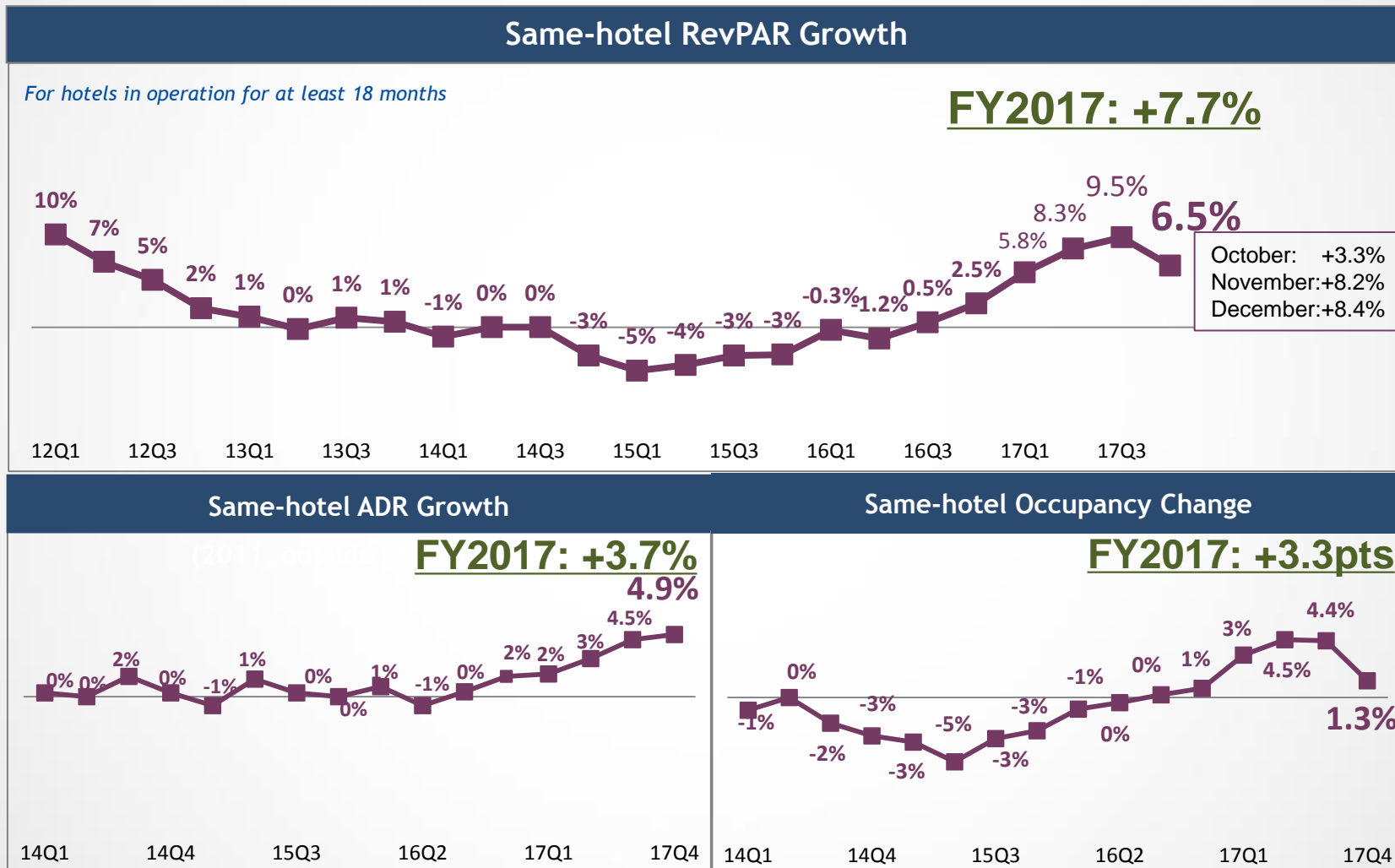
(in RMB millions)



Revenue breakdown, 2017



Group Same-hotel RevPAR Growth Reached 6.5% in Q4'17 and 7.7% in FY 2017, Accelerating Same-hotel ADR Growth



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..

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

Strategy Review

Operational and Financial Review

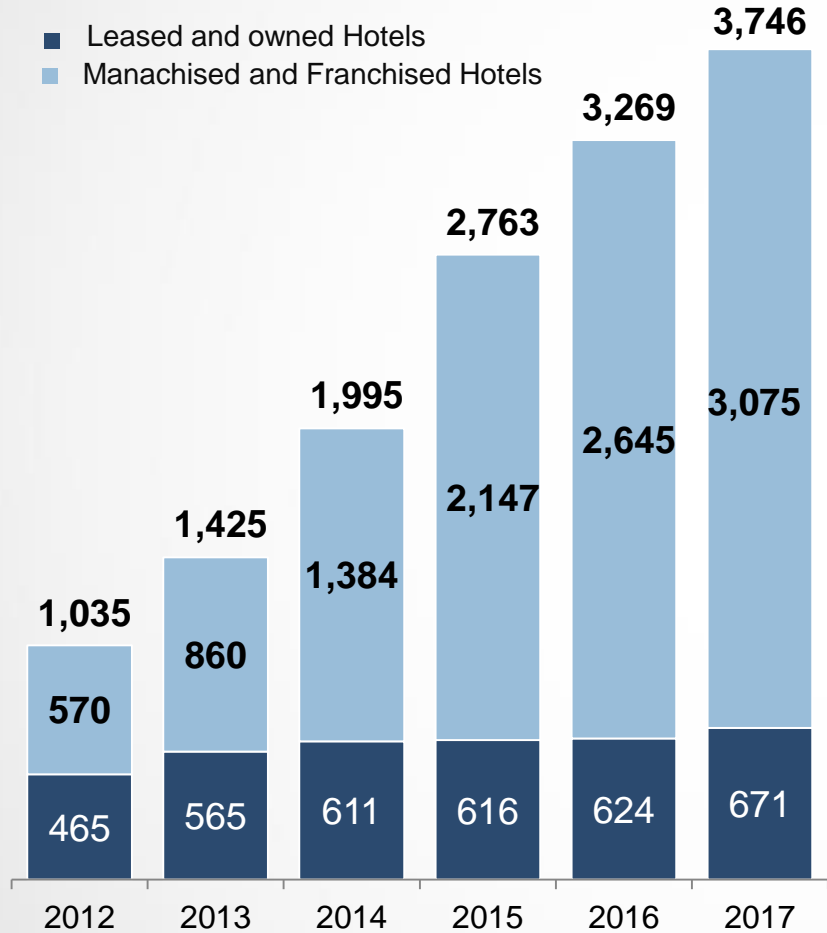
Q & A

Appendix

Continue Fast Expansion with Increasing Focus on Quality

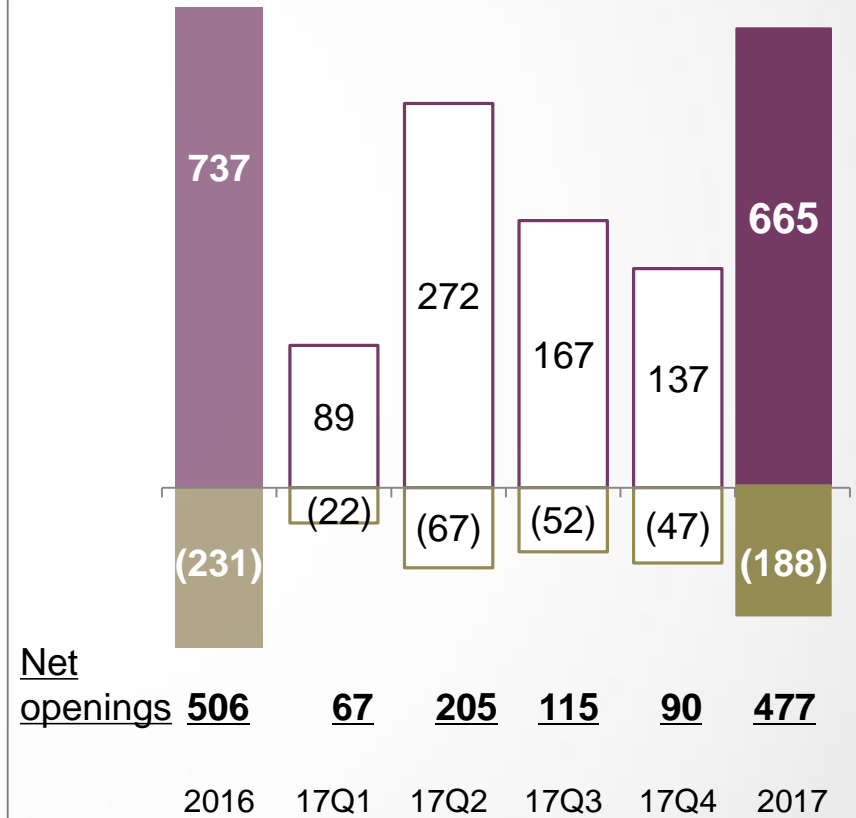
Number of Hotels in Operation

- Leased and owned Hotels
- Manachised and Franchised Hotels



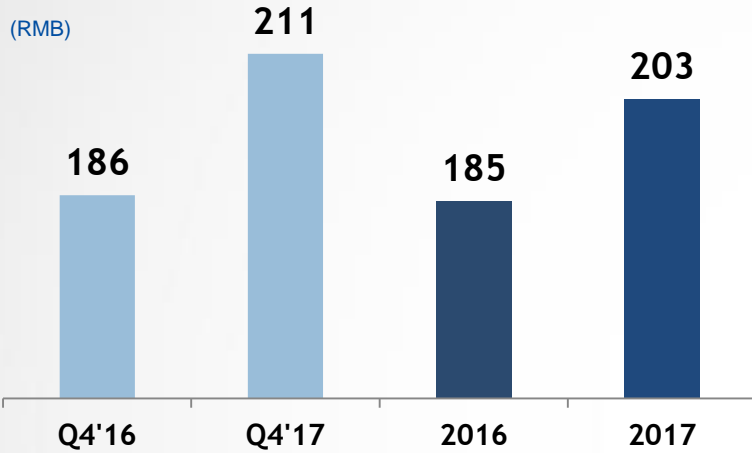
Hotel Openings/Closures

- Gross openings
- Closures

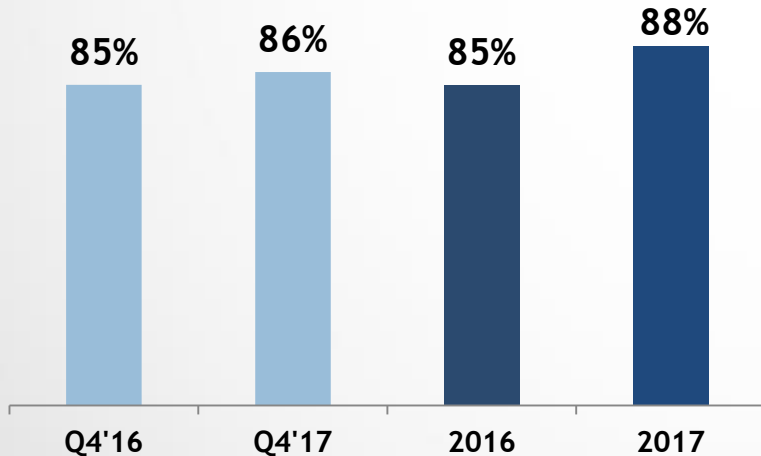


RevPAR Growth Driven by Both ADR + Occupancy Growth

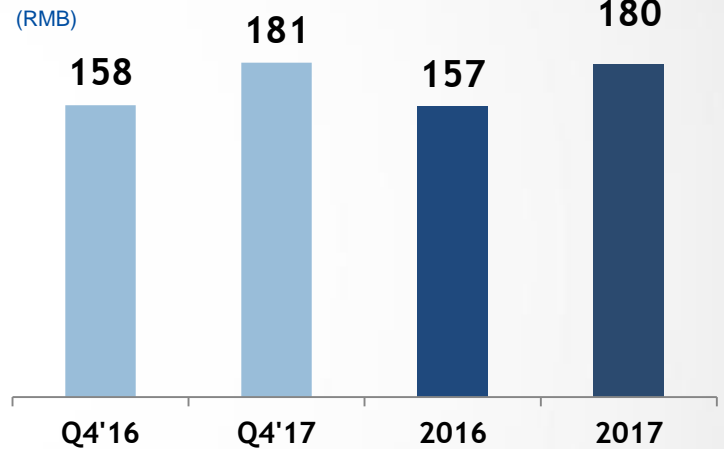
ADR Grew 13.1% in Q4'17 and 10.0% in '17



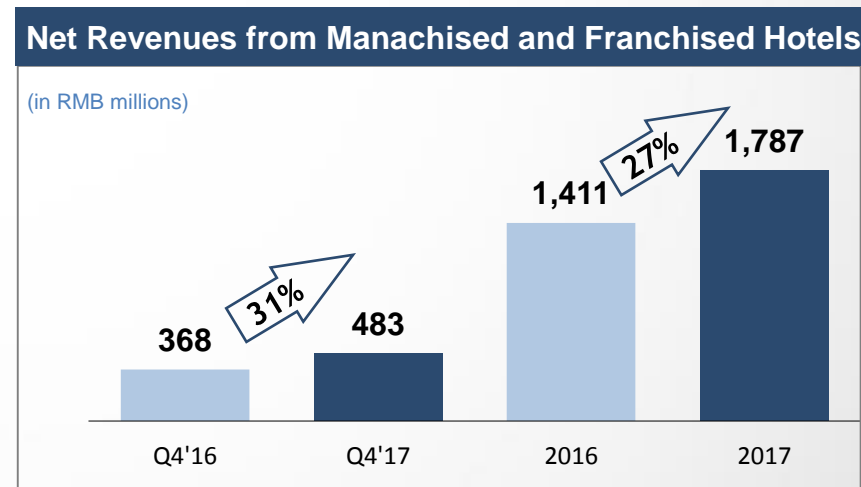
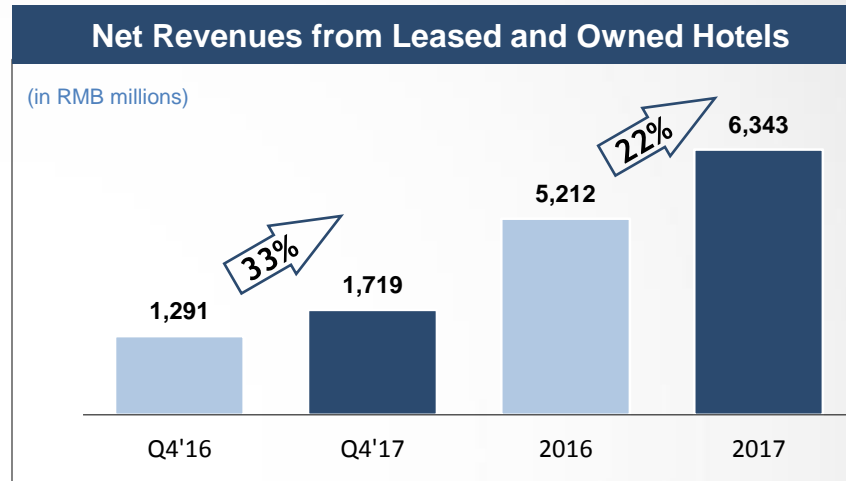
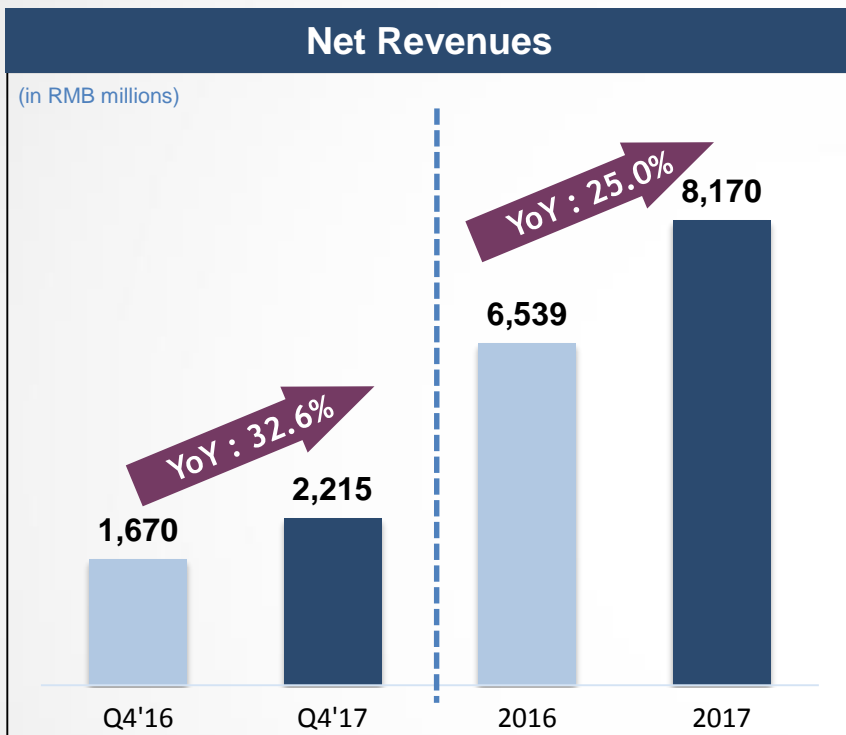
Occupancy Grew 1.4 pts in Q4'17 and 3.5 pts in '17



RevPAR Increased 15.0% in Q4'17 and 14.4% in '17



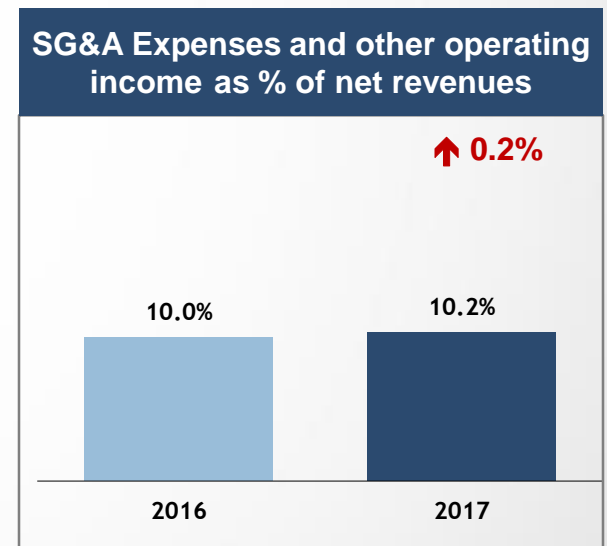
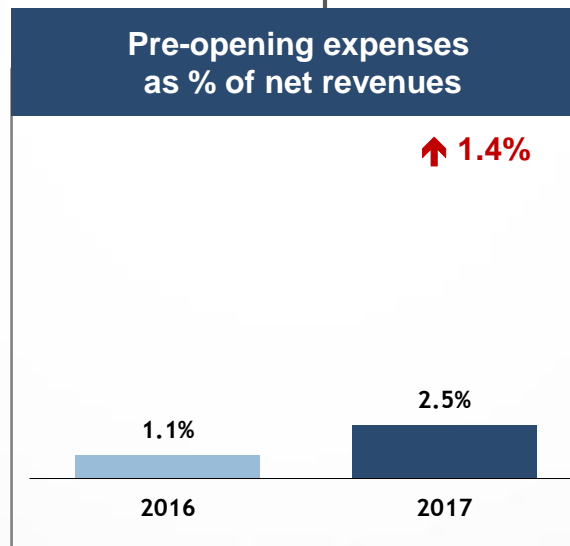
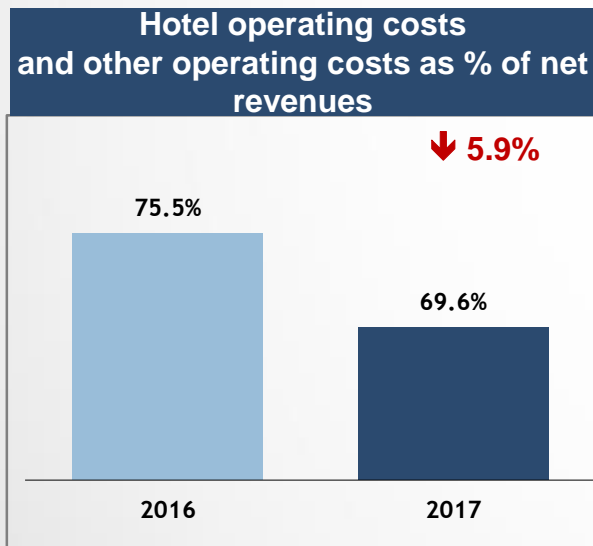
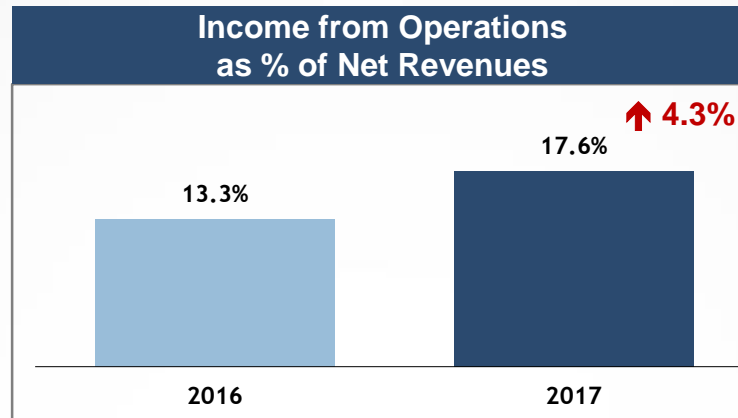
Net Revenues: Q4 +32.6%, FY +25.0%, at High-end of Guidance



Net Manachised and Franchised Hotels Revenue as % of Net Revenues

Q4'16	Q4'17	2016	2017
22.0%	21.8%	21.2%	21.9%

Full Year Operating Margin Expanded by 4.3 Pts

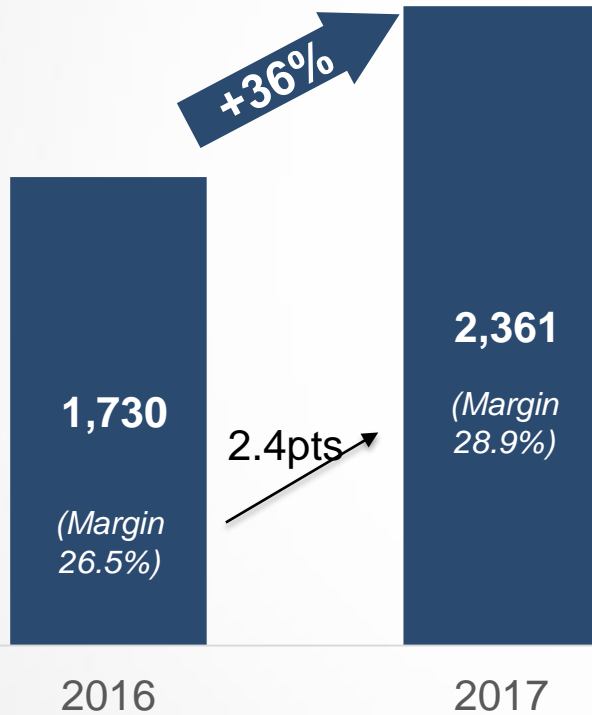


Note: The Company booked impairment loss in other hotel operating costs totaling RMB92 million in Q4 2017, and RMB169 million for the full year 2017. These were related to leased hotels assets that were loss-making, early termination of leases due to rezoning, military properties as ordered by the authorities, and others.

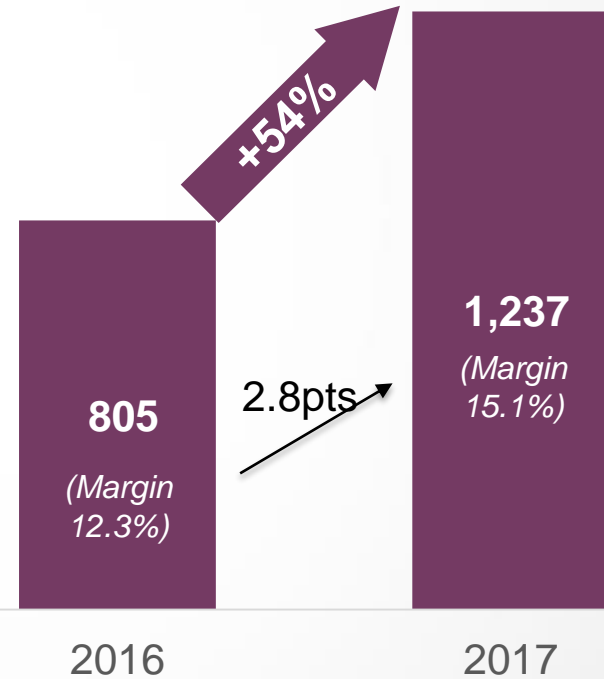
Profit Growth

(in RMB millions)

EBITDA



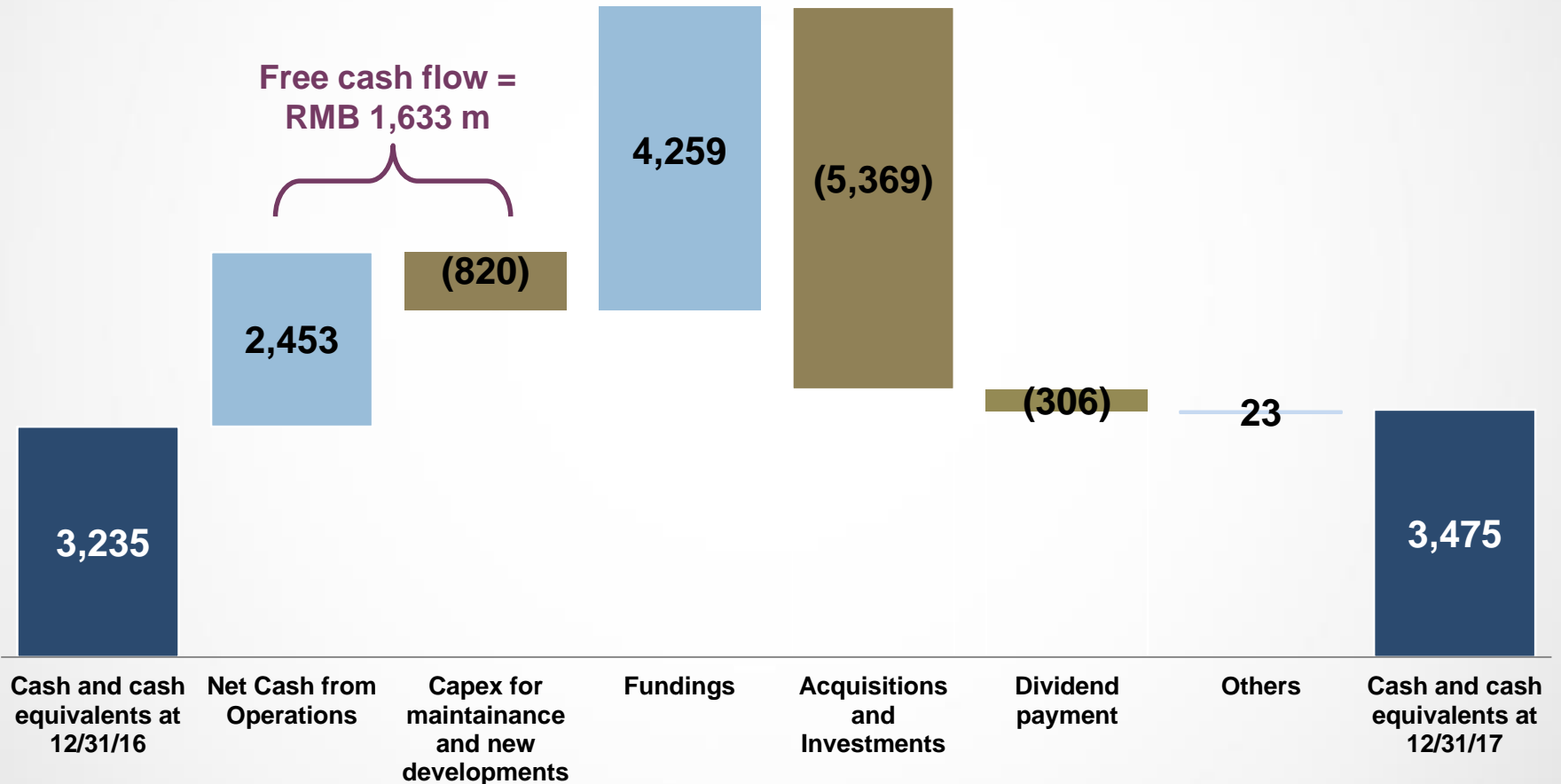
Net Income



Strong Cash Balances Support Hotel Expansion and Capital Investments

Abundant Funding Resource for Expansion

(in RMB millions)



New Rules on Revenue Recognition

Item	New Rule	Old Rule	Impact
Initial Franchise Fee	Deferred and recognized over the initial term of franchise agreement	Recognized as revenue upon hotel opening	Reduce net revenues by approximately RMB10 million for 2017
Loyalty Program Award Points	Revenue is deferred upon point issuance. Recognized as REVENUES upon point redemption, net of any reward reimbursement paid to the franchisees and other third parties	Recognized as OPERATING COSTS and SELLING EXPENSES upon point issuance, net of the reimbursement received from the franchisees	Increase net revenues by approximately RMB73 million, and increase operating costs and selling expenses by approximately RMB63 million for 2017

- Adoption of new Accounting Standards on Revenue Recognition - ASC 606
- Effect from January 1, 2018 on a retrospective basis – prior years comparative revenue to be adjusted in 2018 financials
- No impact on cash flow

Hotel Openings

- Gross opening of 650-700 hotels
- 60%-65% hotels under mid- and up-scale brands

Revenue Guidance

- Q1'18 net revenues to grow 27%-29%, excluding adoption of new rules on revenue recognition
- Full year 2018 net revenues to grow 16%-19%, excluding adoption of new rules on revenue recognition

Strategy Review

Operational and Financial Review

Q & A

Appendix

Strategy Review

Operational and Financial Review

Q & A

Appendix

Minority Interest in Acquisition of Beijing Sanyuan Hotels

Novotel Sanyuan and Ibis Sanyuan



Prime location at CBD, Beijing



Transaction Highlights

- A total cash consideration of RMB1.18 bn; 20% by China Lodging and 80% by TPG Capital Asia; expected to be closed by June 30, 2018
- 703 hotel rooms in total; Ibis Sanyuan to be renovated to CitiGO
- Cash outflow ~ USD24 million. No significant impact on 2018 financials

Rationale

- Strengthen our mid-and-upscale brands by securing prime locations in tier-1 cities for flagship hotels – Novotel and CitiGO
- Enjoy asset value appreciation based on operational excellence
- Target to exit within 3-5 years
- The Company's capital engaged in real estate will be limited. Stick to asset-light model

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		
	2016	2017	2016	2017	yoy change	2016	2017	yoy change	2016	2017	yoy change
Economy hotels	2,144	2,144	133	139	5.0%	159	160	0.8%	84%	87%	3.5%
Leased hotels	503	503	139	147	5.7%	167	169	0.9%	83%	87%	3.9%
Manachised and franchised hotels	1,641	1,641	130	137	4.7%	155	156	0.8%	84%	87%	3.3%
Midscale and upscale hotels	236	236	214	233	9.2%	265	284	6.9%	81%	82%	1.7%
Leased hotels	76	76	257	279	8.9%	298	324	8.8%	86%	86%	0.1%
Manachised and franchised hotels	160	160	182	200	9.5%	239	252	5.4%	76%	79%	3.0%
Total	2,380	2,380	143	151	5.8%	172	175	1.8%	83%	87%	3.3%

	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		
	2016	2017	2016	2017	yoy change	2016	2017	yoy change	2016	2017	yoy change
Economy hotels	2,250	2,250	148	160	7.7%	168	172	2.2%	88%	93%	4.8%
Leased hotels	498	498	156	170	8.5%	180	184	2.7%	87%	92%	4.9%
Manachised and franchised hotels	1,752	1,752	146	156	7.5%	164	167	2.1%	89%	94%	4.7%
Midscale and upscale hotels	263	263	247	272	9.9%	288	306	6.1%	86%	89%	3.1%
Leased hotels	79	79	304	332	9.0%	333	357	7.3%	91%	93%	1.4%
Manachised and franchised hotels	184	184	207	230	10.9%	253	267	5.4%	82%	86%	4.2%
Total	2,513	2,513	162	175	8.3%	183	189	3.0%	88%	93%	4.5%

	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		
	2016	2017	2016	2017	yoy growth	2016	2017	yoy growth	2016	2017	yoy growth
Economy hotels	2,316	2,316	162	177	9.4%	176	183	4.3%	92%	96%	4.5%
Leased and owned hotels	498	498	169	185	9.6%	186	196	5.3%	91%	94%	3.6%
Manachised and franchised hotels	1,818	1,818	159	174	9.3%	172	179	3.9%	92%	97%	4.8%
Midscale and upscale hotels	287	287	265	290	9.5%	303	319	5.2%	87%	91%	3.6%
Leased hotels	81	81	320	344	7.5%	346	365	5.4%	92%	94%	1.8%
Manachised and franchised hotels	206	206	233	259	11.0%	276	291	5.3%	84%	89%	4.6%
Total	2,603	2,603	177	193	9.5%	194	202	4.5%	91%	96%	4.4%

	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		
	2016	2017	2016	2017	yoy change	2016	2017	yoy change	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%

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
Economy hotels	1,309	1,819	2,453	2,813	2,974
HanTing Hotel	1,226	1,648	2,003	2,181	2,244
Leased hotels	473	502	495	486	454
Manachised hotels	753	1,146	1,508	1,694	1,786
Franchised hotels				1	4
Hi Inn	83	158	302	375	396
Leased hotels	41	41	38	36	30
Manachised hotels	42	117	251	294	321
Franchised hotels			13	45	45
Elan Hotel		13	148	185	226
Manachised hotels		13	128	149	193
Franchised hotels			20	36	33
ibis Hotel				72	100
Leased and owned hotels				14	16
Manachised hotels				12	38
Franchised hotels				46	46
Orange Hotel					8
Leased hotels					6
Manachised hotels					1
Franchised hotels					1
Midscale hotels and upscale hotels	116	176	310	456	772
JI Hotel	68	117	186	284	390
Leased hotels	48	62	75	81	91
Manachised hotels	20	55	111	201	296
Franchised hotels				2	3
Starway Hotel	46	55	118	136	174
Leased hotels	1	3	4	2	2
Manachised hotels	20	44	67	96	141
Franchised hotels	25	8	47	38	31
Joya Hotel	1	3	3	6	6
Leased hotels	1	2	2	3	3
Manachised hotels		1	1	3	3
Manxin Hotels & Resorts	1	1	2	2	11
Leased hotels	1	1	1		2
Manachised hotels			1	2	6
Franchised hotels					3
HanTing Plus Hotel					5
Leased hotels					1
Manachised hotels					4
ibis Styles Hotel				10	13
Manachised hotels				7	10
Franchised hotels				3	3
Mercure Hotel			1	15	20
Leased hotels			1	2	2
Manachised hotels				12	15
Franchised hotels				1	3
Novotel Hotel				2	4
Manachised hotels				1	3
Franchised hotels				1	1
Grand Mercure Hotel				1	4
Leased hotels					1
Manachised hotels					1
Franchised hotels				1	2
Orange Selected					103
Leased hotels					44
Manachised hotels					41
Franchised hotels					18
Crystal Orange					42
Leased hotels					19
Manachised hotels					15
Franchised hotels					8
Total	1,425	1,995	2,763	3,269	3,746
economy hotels	91.9%	91.2%	88.8%	86.1%	79.4%
mid-upscale hotels	8.1%	8.8%	11.2%	13.9%	20.6%

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
Economy hotels	138,576	185,959	238,156	270,808	279,619
HanTing Hotel	130,747	172,341	205,577	221,157	223,121
Leased hotels	54,154	57,306	57,277	56,491	52,300
Manachised hotels	76,593	115,035	148,300	164,602	170,443
Franchised hotels				64	378
Hi Inn	7,829	12,551	21,340	25,600	26,063
Leased hotels	4,422	3,895	3,698	3,411	2,727
Manachised hotels	3,407	8,656	16,725	19,361	20,466
Franchised hotels			917	2,828	2,870
Elan Hotel		1,067	11,239	13,800	16,120
Manachised hotels		1,067	9,837	11,121	13,963
Franchised hotels			1,402	2,679	2,157
ibis Hotel				10,251	13,474
Leased and owned hotels					2,887
Manachised hotels					4,522
Franchised hotels					6,065
Orange Hotel					841
Leased hotels					678
Manachised hotels					85
Franchised hotels					78
Midscale hotels and upscale hotels	14,303	23,996	40,687	60,539	100,056
JI Hotel	9,106	17,052	27,559	39,664	53,054
Leased hotels	6,891	10,260	13,195	14,314	15,868
Manachised hotels	2,215	6,792	14,364	25,201	36,912
Franchised hotels				149	274
Starway Hotel	4,959	6,321	12,138	13,206	16,914
Leased hotels	131	451	604	386	386
Manachised hotels	2,222	4,939	7,183	9,577	13,677
Franchised hotels	2,606	931	4,351	3,243	2,851
Joya Hotel	141	515	515	1,131	1,131
Leased hotels	141	315	315	523	523
Manachised hotels		200	200	608	608
Manxin Hotels & Resorts	97	108	236	78	1,150
Leased hotels	97	108	108	-	277
Manachised hotels			128	78	769
Franchised hotels					104
HanTing Plus Hotel					446
Leased hotels					98
Manachised hotels					348
ibis Styles Hotel				1,614	1,841
Manachised hotels					1,425
Franchised hotels					416
Mercure Hotel			239	4,026	4,664
Leased hotels			239		496
Manachised hotels					3,546
Franchised hotels					622
Novotel Hotel				629	1,697
Manachised hotels					1,374
Franchised hotels					323
Grand Mercure Hotel				191	882
Leased hotels					360
Manachised hotels					151
Franchised hotels				191	371
Orange Selected					12,648
Leased hotels					5,732
Manachised hotels					4,817
Franchised hotels					2,099
Crystal Orange					5,629
Leased hotels					2,686
Manachised hotels					1,959
Franchised hotels					984
Total	152,879	209,955	278,843	331,347	379,675
economy rooms	90.6%	88.6%	85.4%	81.7%	73.6%
mid-upscale rooms	9.4%	11.4%	14.6%	18.3%	26.4%



华住酒店集团

成就美好生活