

Fourth Quarter and Full Year of 2022 Earnings Call

H World Group Limited

(NASDAQ: HTHT and HKEX: 1179)



March 28, 2023

AGENDA

- **2022 Review and 2023 Focus**

- 2022 Operational and Financial Review
- Q and A
- Appendix



Our Achievements in 2022 - Legacy-Huazhu

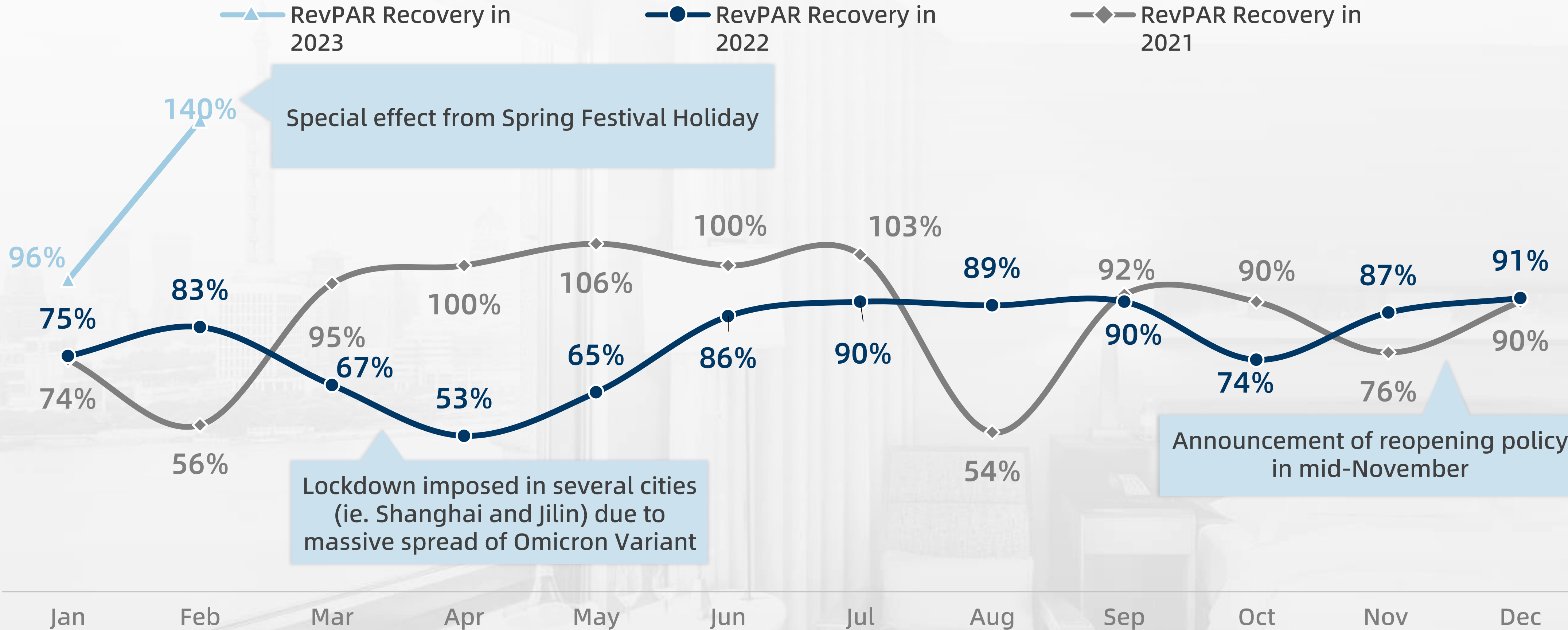
2022年华住中国主要成就

	Key priorities	Achievements
01	Sustainable Quality Growth	<ul style="list-style-type: none"> Opened 1,244 hotels in 2022 Continued to remove inferior hotels from our network Continued to upgrade hotel products across all brands
02	Organizational Restructuring	<ul style="list-style-type: none"> Completed organizational restructuring and established six regional headquarters to market penetration
03	Cost Control	<ul style="list-style-type: none"> Achieved rental reduction of ~RMB300m+ in 2022 Streamlined headquarter headcount in 2022 by ~15%
04	Franchisees Support	<ul style="list-style-type: none"> Waived franchisees' management fee payment of ~RMB300m in 2022

Solid RevPAR Recovery after Re-opening

放开政策之后RevPAR恢复趋势良好

Blended RevPAR in 2021/2022/2023 compared to 2019



Special effect from Spring Festival Holiday

Lockdown imposed in several cities (ie. Shanghai and Jilin) due to massive spread of Omicron Variant

Announcement of reopening policy in mid-November

* Numbers in this page refers to Legacy-Huazhu business

Strategic Focus of 2023

2023年战略重点


**Sustainable
Quality Growth**



High Quality Expansion of Hotel Network



Further Development of Midscale and Upper Midscale Segment



Further Strengthening Organizational and Operational Capability

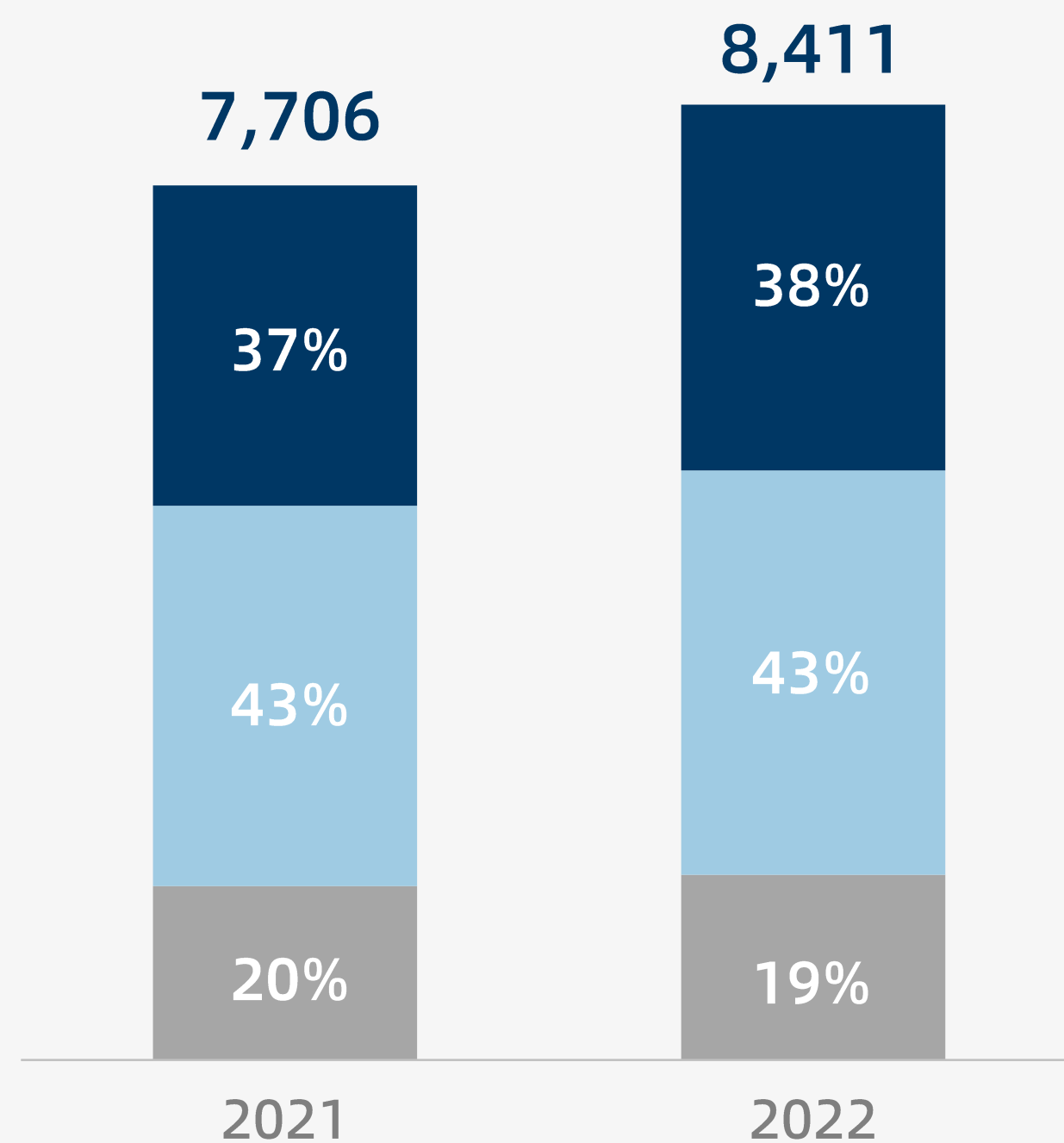
Further Penetration to Lower Tier Cities

持续渗透低线城市

Number of Hotels in Operation

(as of Dec 31)

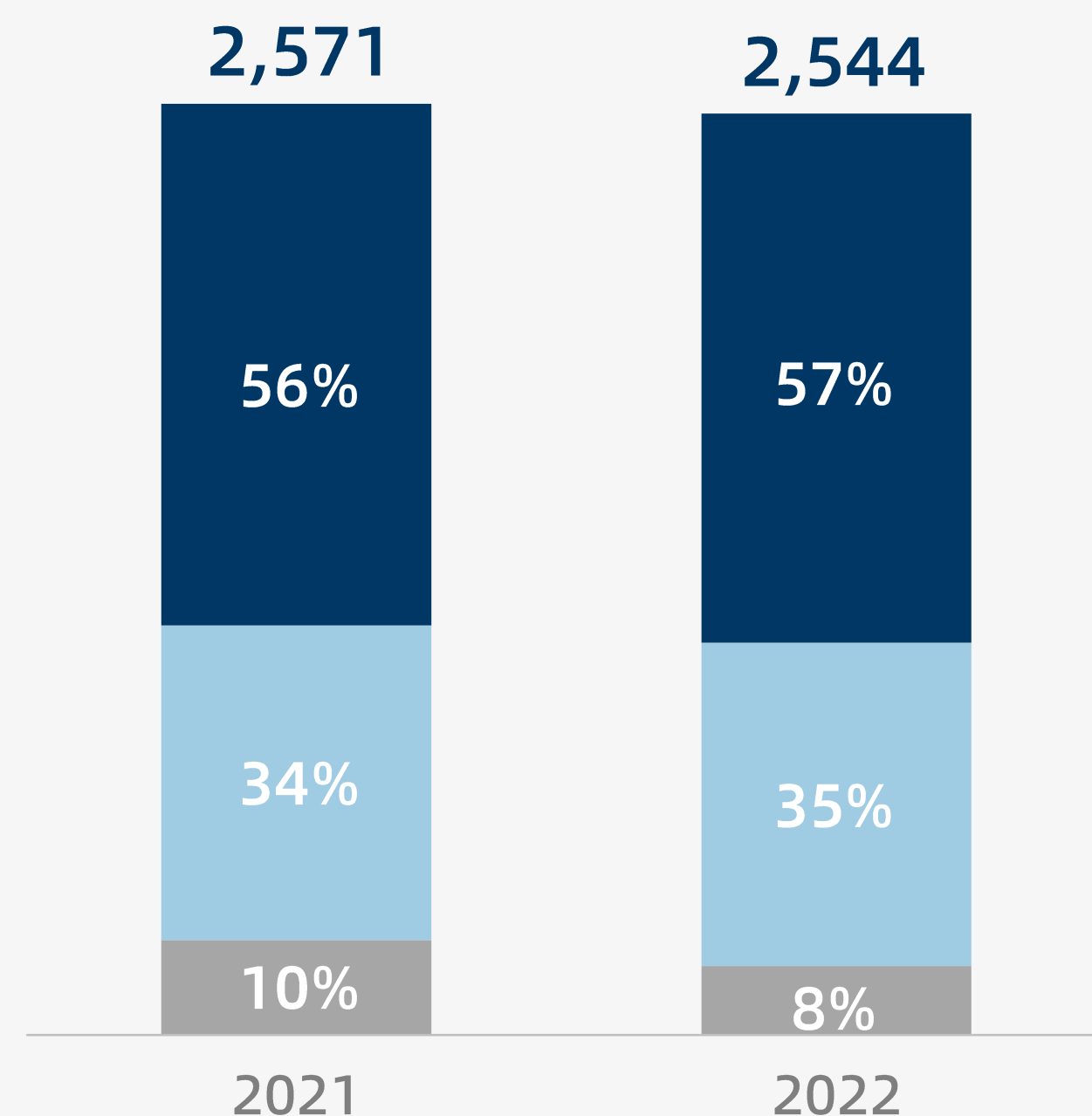
■ Tier-1 Cities ■ Tier-2 Cities ■ Tier-3 and below Cities



Number of Hotels in Pipeline

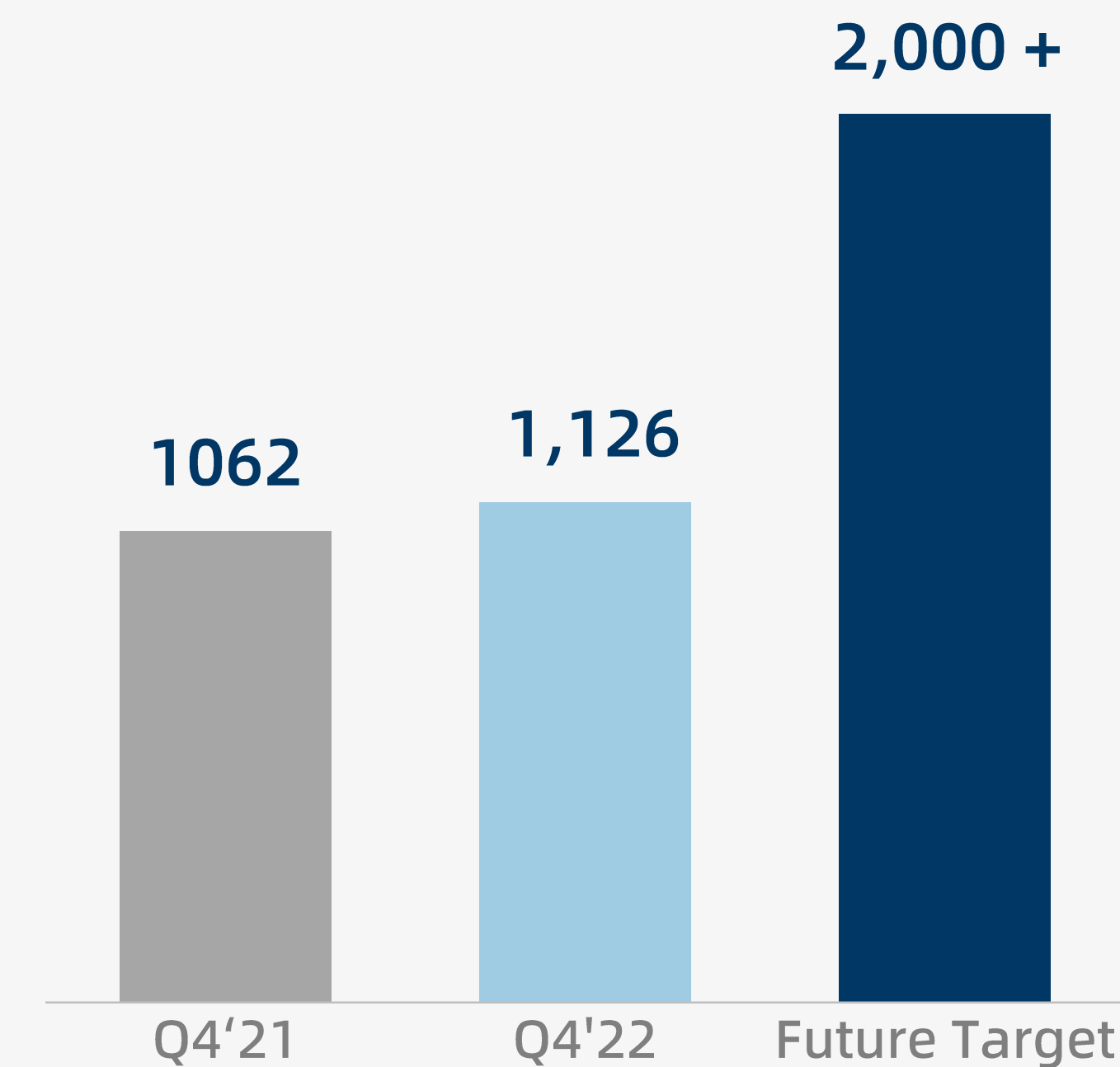
(as of Dec 31)

■ Tier-1 Cities ■ Tier-2 Cities ■ Tier-3 and below Cities



City Coverage

(hotels in operation and in pipeline)



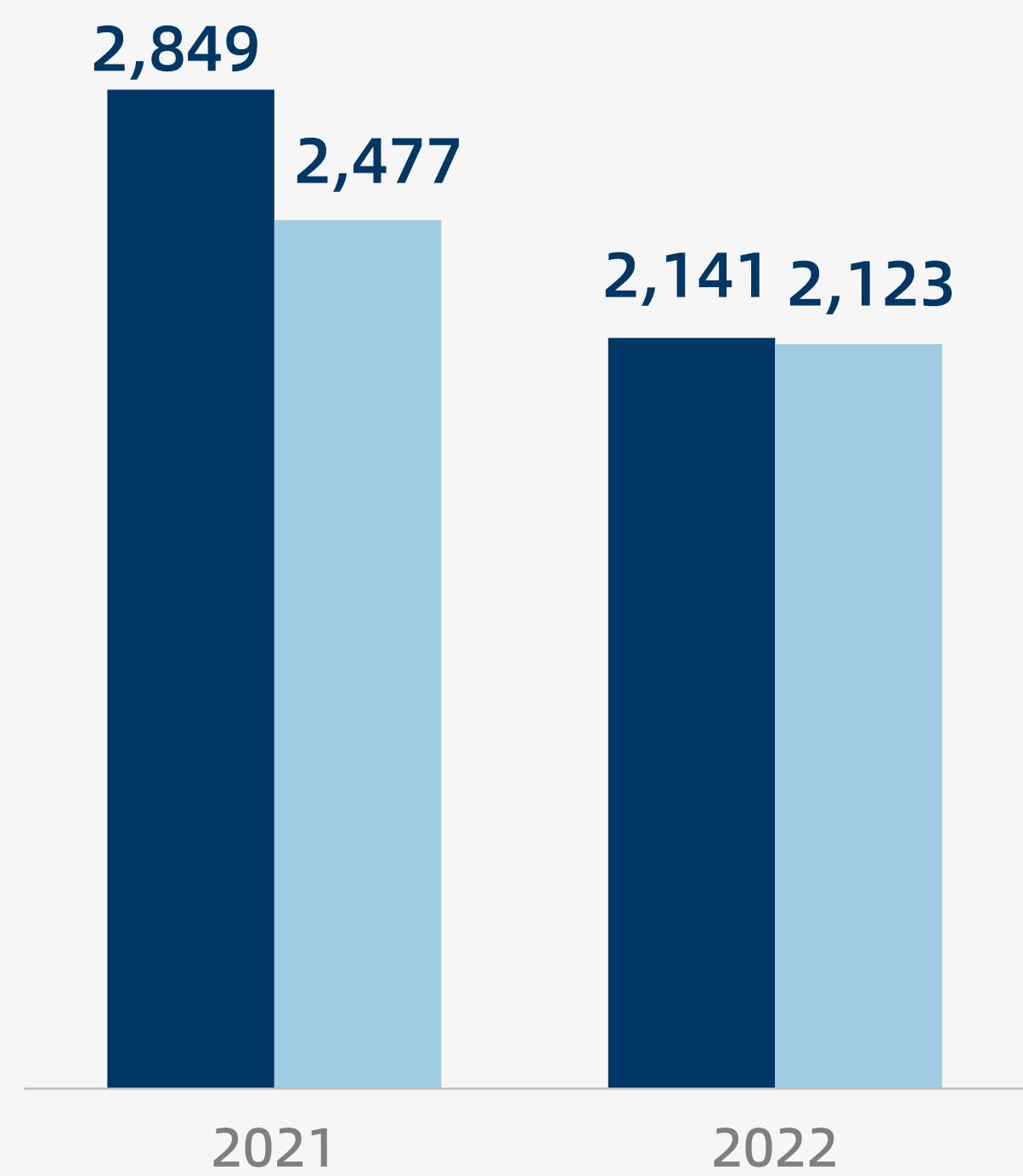
• Numbers in this page refers to Legacy-Huazhu business

Continued Network Expansion

酒店网络持续扩张

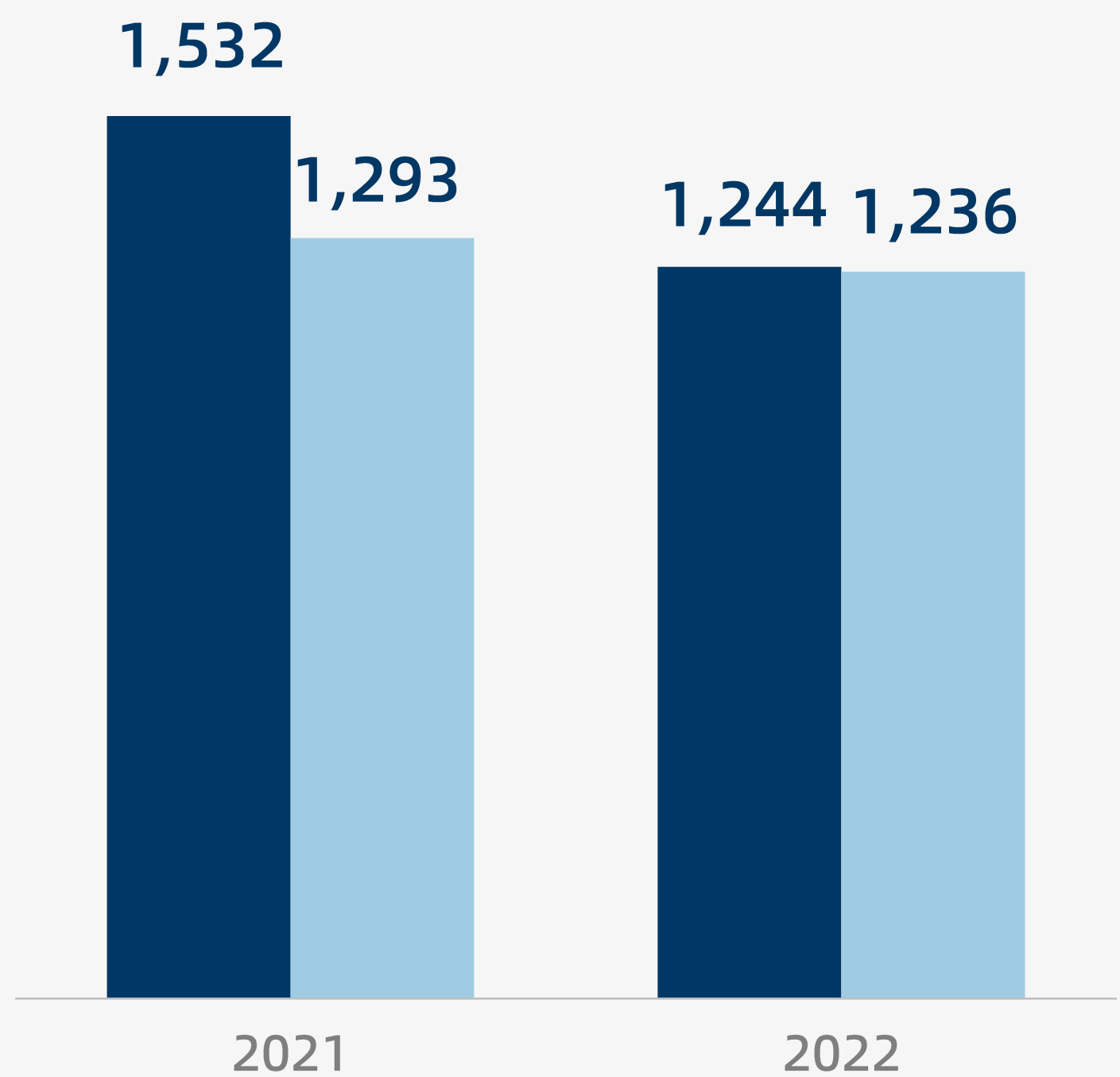
Number of New Signing

- Legacy-Huazhu
- Legacy-Huazhu excl. soft economy hotels



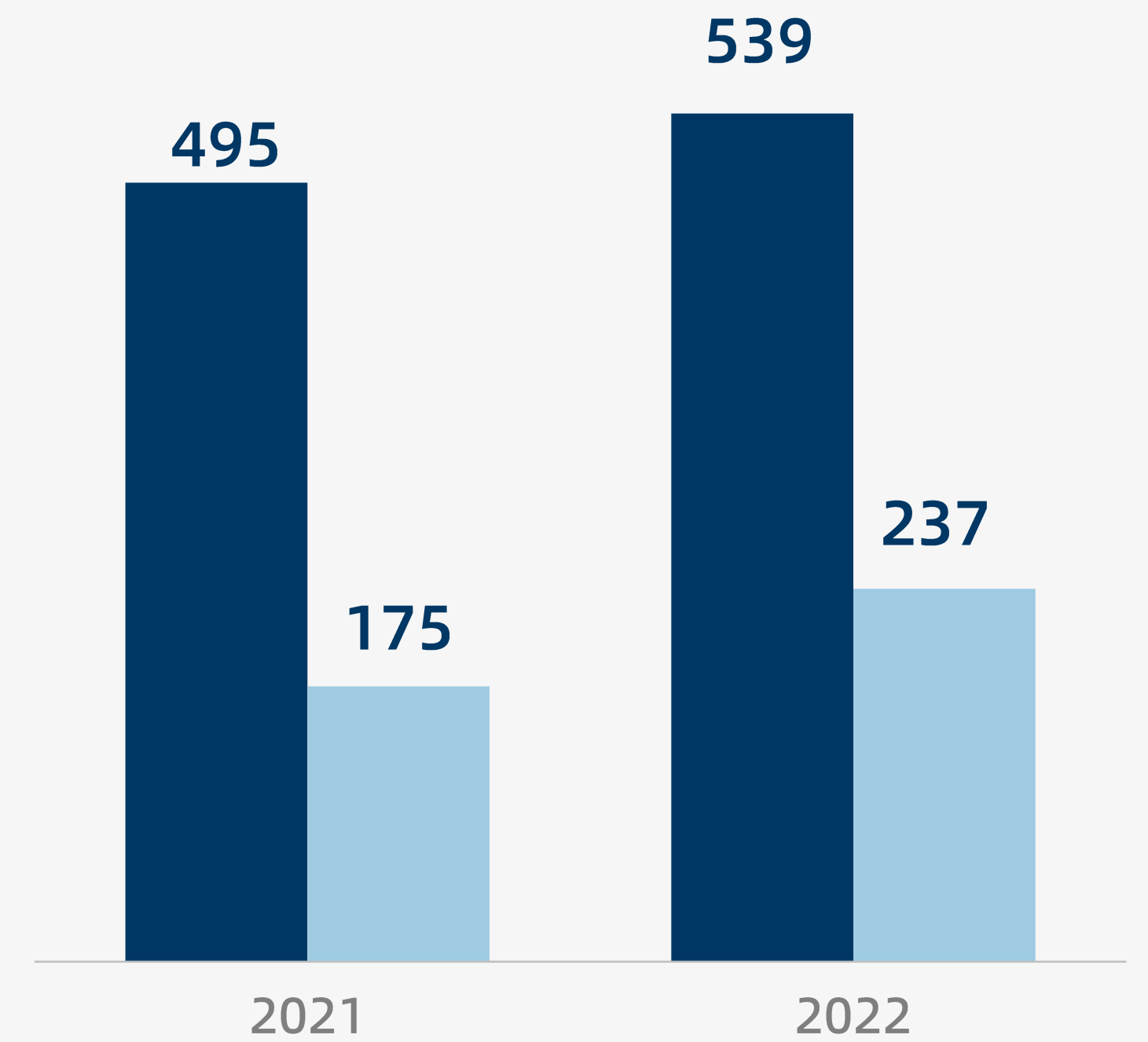
Number of Hotel Opening

- Legacy-Huazhu
- Legacy-Huazhu excl. soft economy hotels



Number of Hotel Closure

- Legacy-Huazhu
- Legacy-Huazhu excl. soft economy hotels and Hanting 1.0

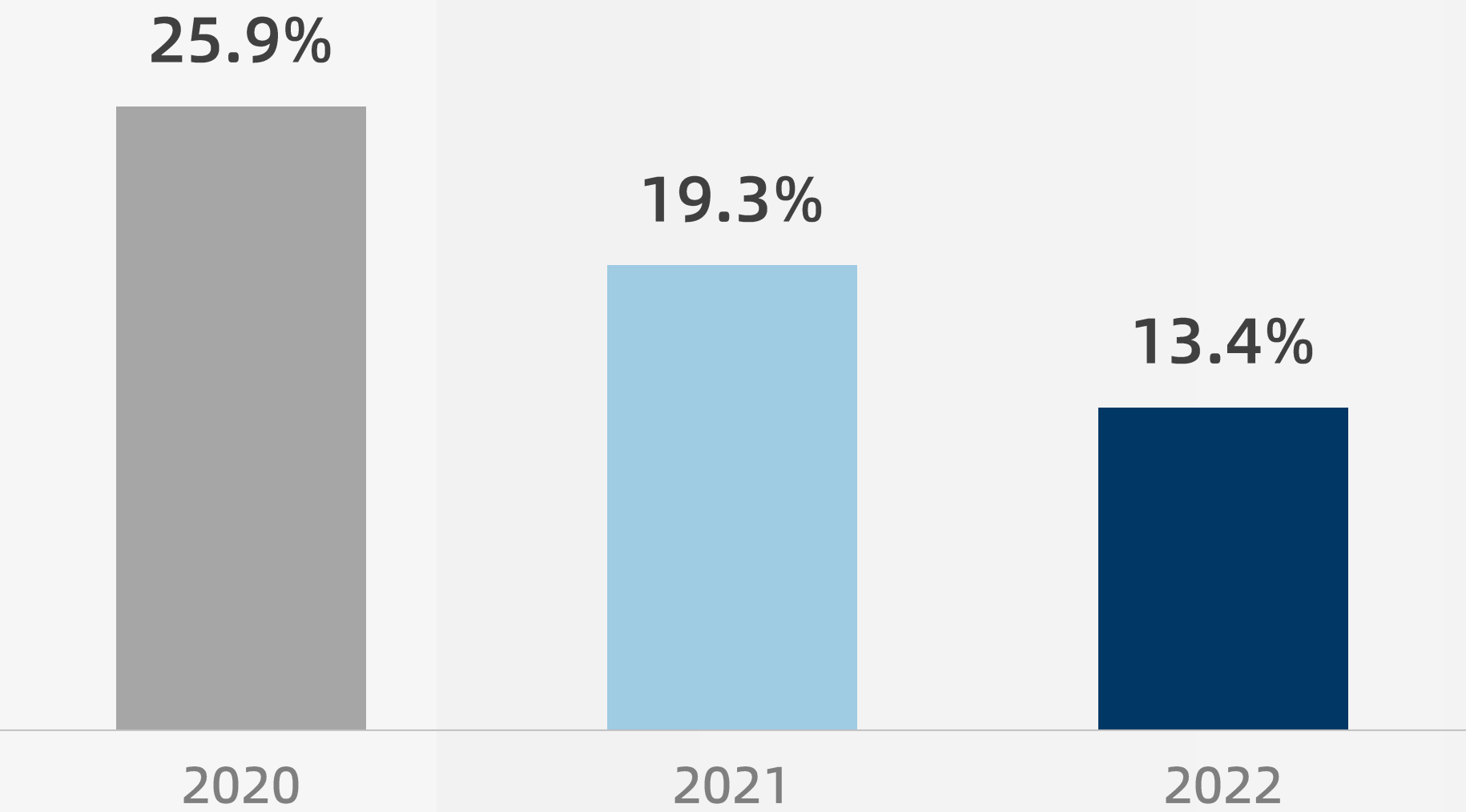


* Numbers in this page refers to Legacy-Huazhu business

Continue to Improve the Overall Quality of Our Hotels

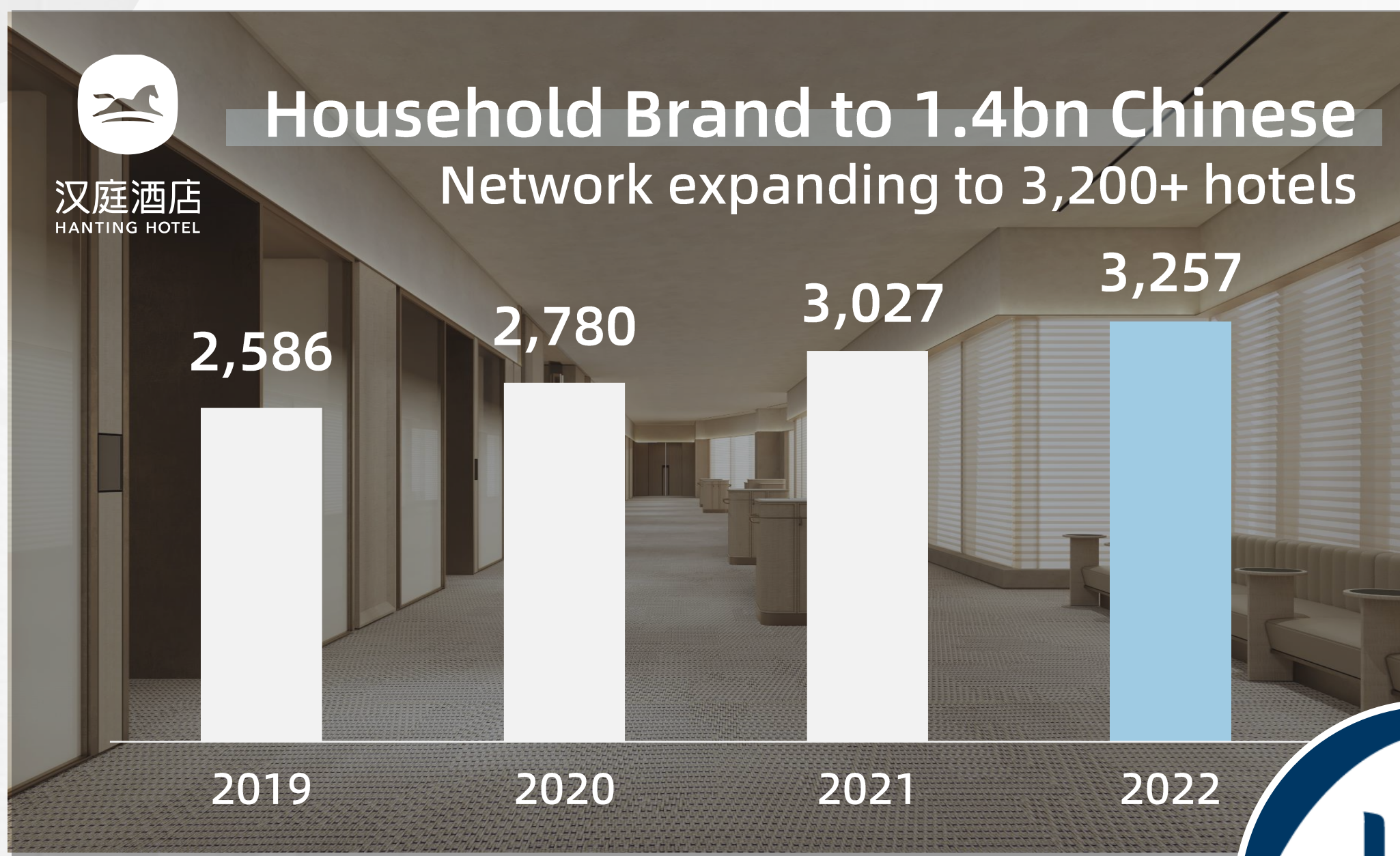
持续提升集团整体的酒店质量

Proportion of Low Quality Economic Soft Brand Hotel and Hanting 1.0 Continue to Decrease



Reinforce Core Brands Portfolio

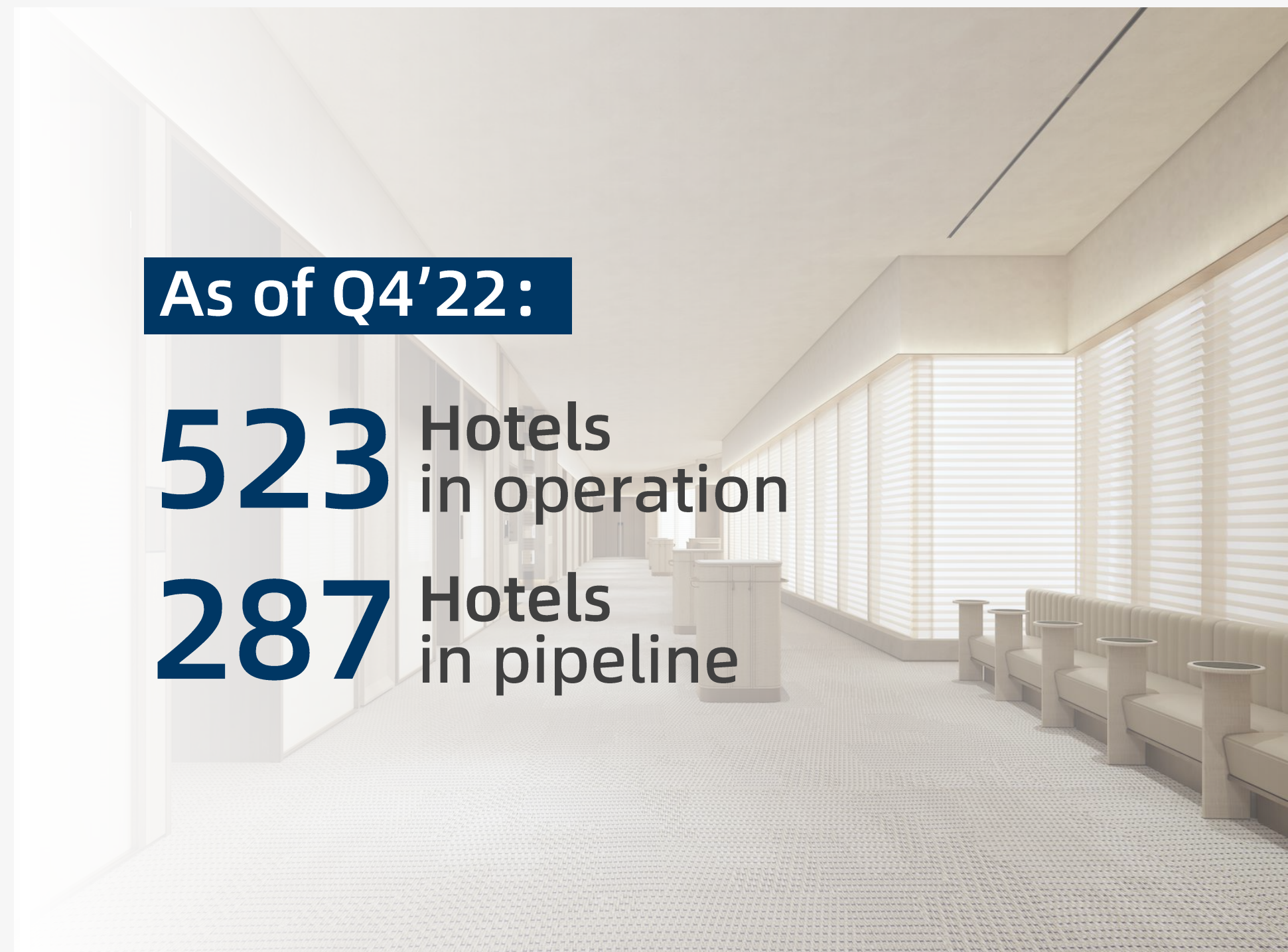
进一步夯实主力品牌矩阵



Further Development of Upper-midscale Segment

持续发展高档品牌

Multi-brand Strategy for Upper-midscale Segment



As of Q4'22:

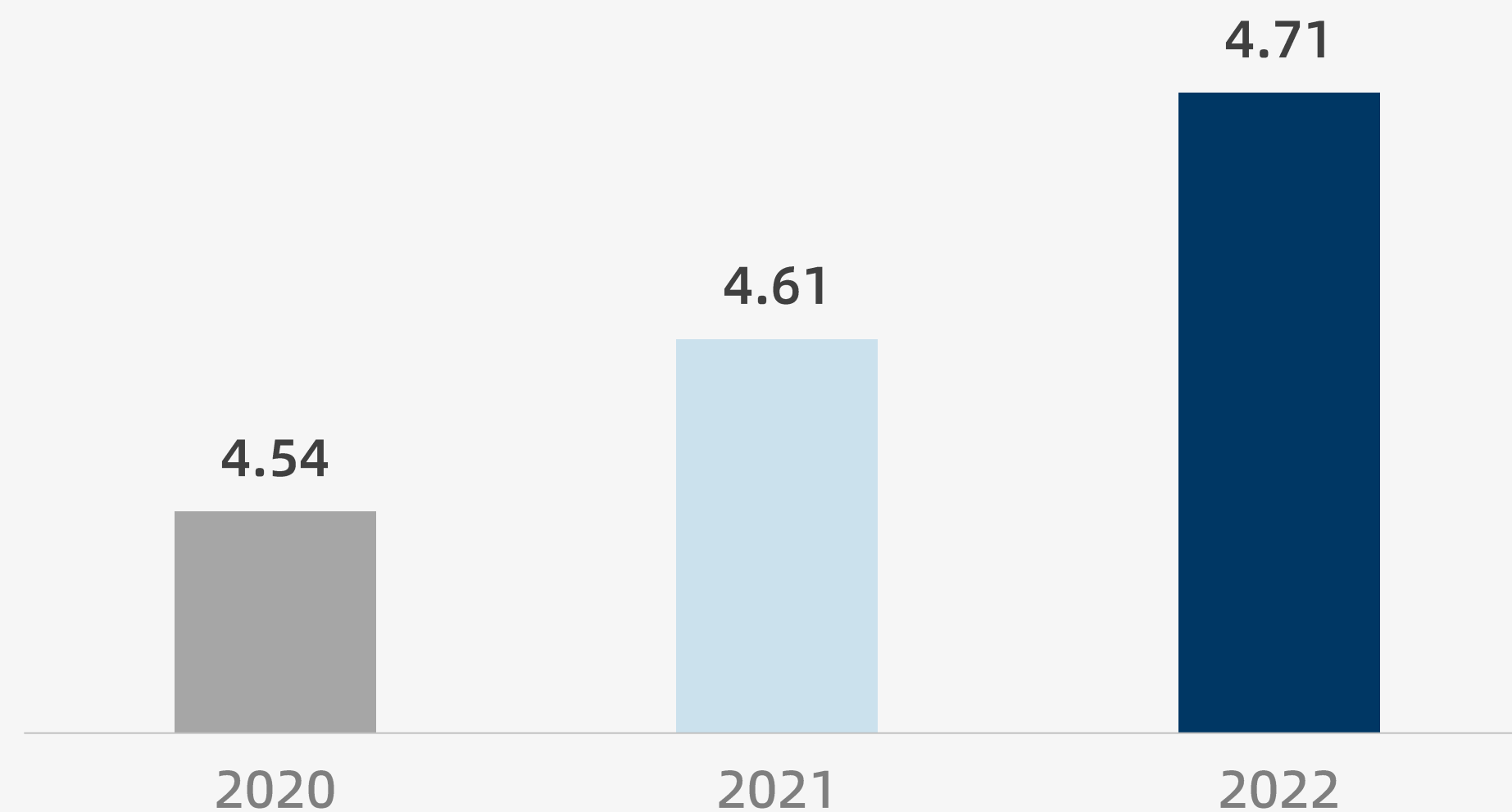
523 Hotels in operation

287 Hotels in pipeline

Provide Better Service to Guests

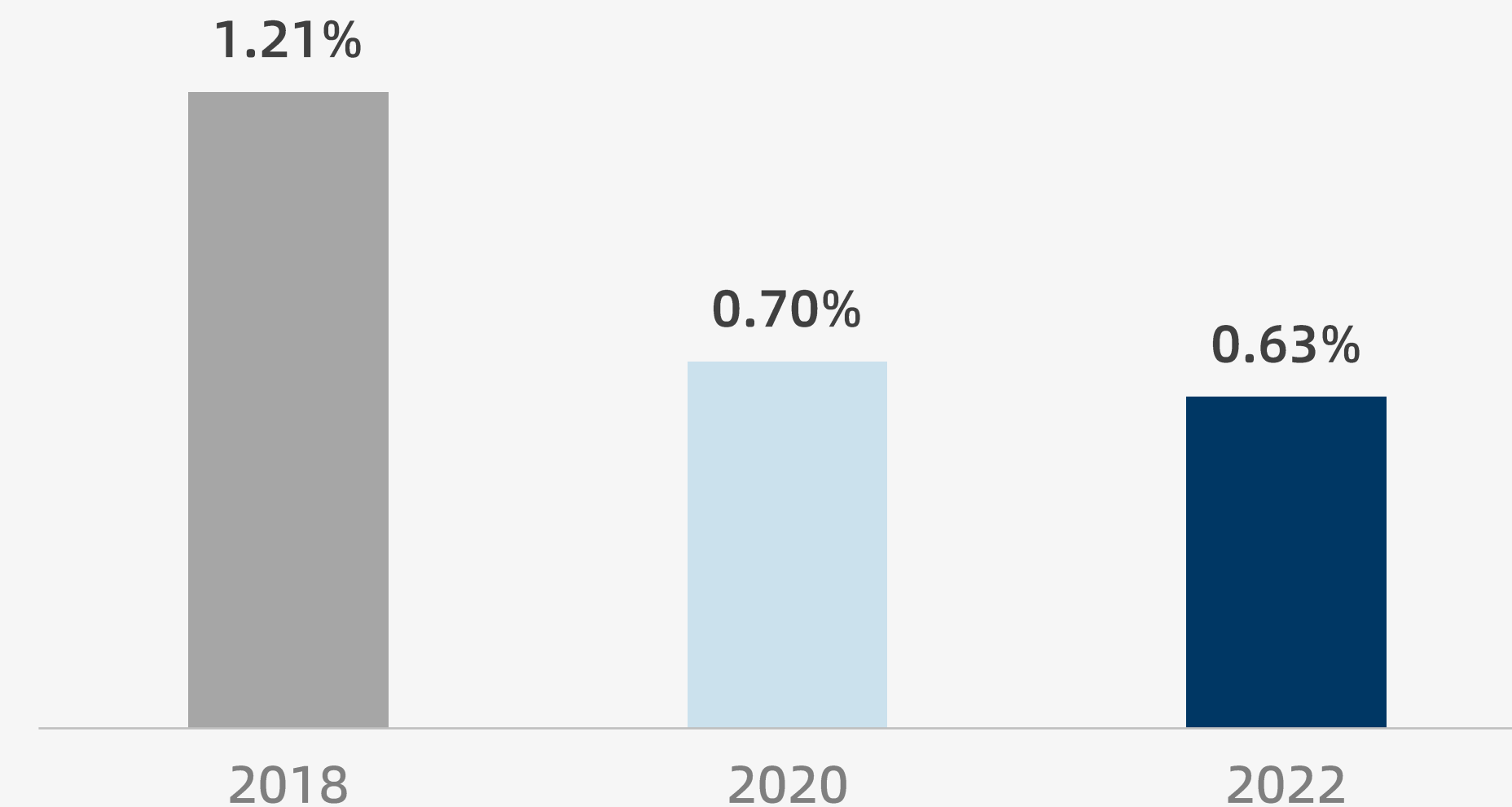
客户体验保障与提升

Customer Satisfaction* of All Brands Continue to Improve



* Measured as the average score of all the hotel brands from customer reviews on the OTA sites

Customer Dissatisfactions* of All Brands Continue to Decrease



* Measured as the dissatisfaction rates of all the hotel brands from customer reviews on the OTA sites

Reinforce Sales & Marketing and Loyalty Program

进一步强化营销及会员体系能力



ADR Optimization



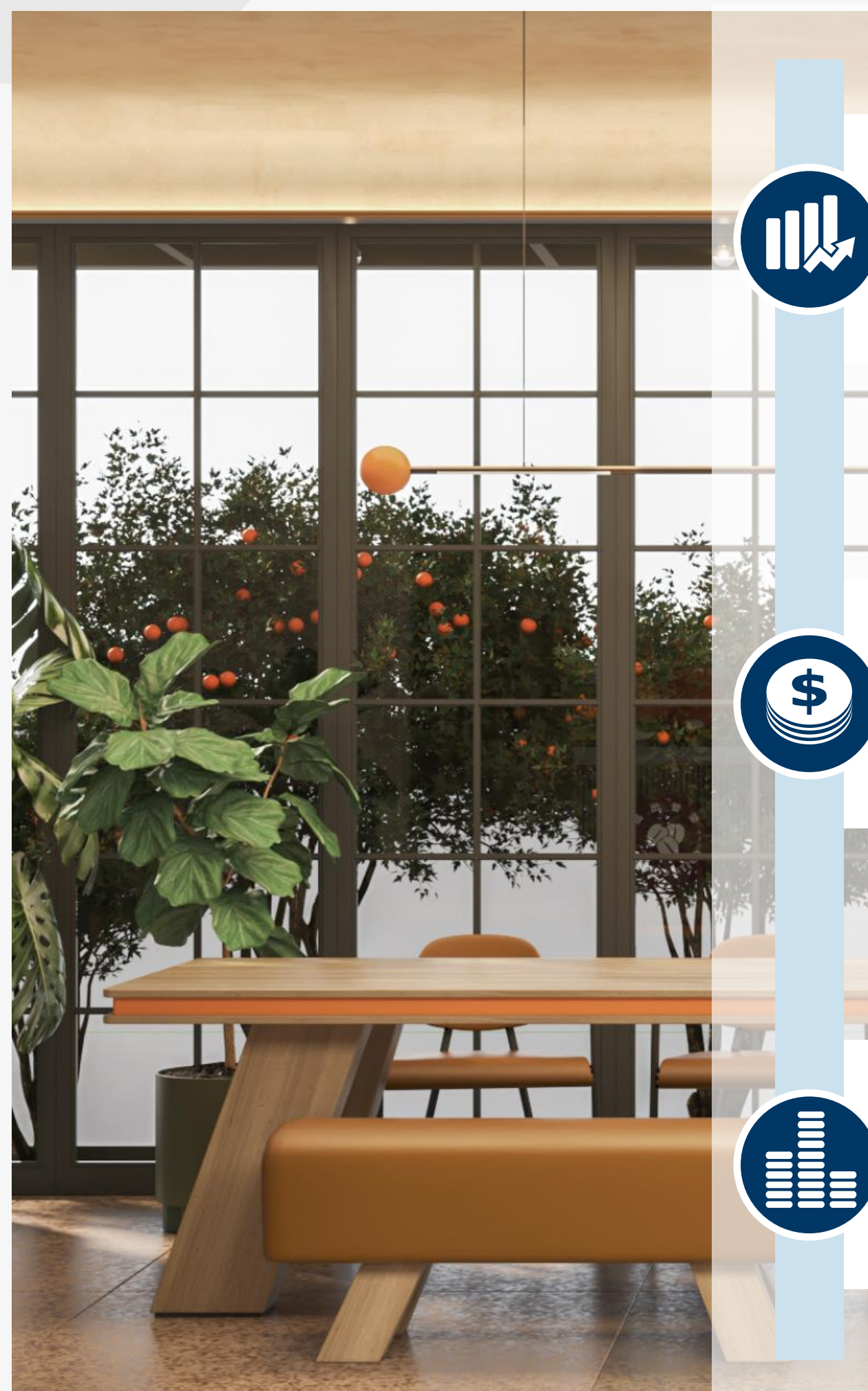
**Enhancement of
H World &
Loyalty Program**



**Further Increase
Of Contribution from
Corporate Members**

Improve the Efficiency of Leased & Owned Hotels

直营店效率提升



Constantly optimize the current leased & owned hotel portfolio



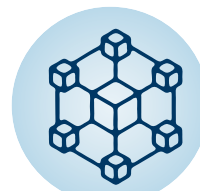
Further improve operational efficiency to improve profitability



Disciplined new leased hotel investment determined by return & strategic considerations

Further Strengthen Supply Chain Capability

进一步强化供应链能力打造



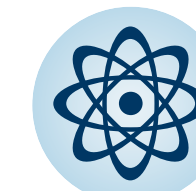
End-to-end Capability



Industry Best Practice



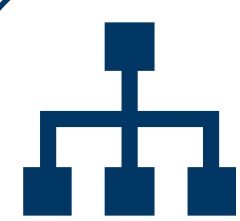
Advanced Operation Support



Continuous Product Upgrade

Enhance Commitment to ESG

提升ESG承诺



Continue to optimize ESG database



Further improve energy and water consumption



Initiate more 'Green Projects' (eg. Green Supplier, 'Green Living')

Our Achievements in 2022 - Legacy-DH

2022年DH主要成就

	Key priorities	Achievements
01	Turnaround of DH Business	<ul style="list-style-type: none"> Achieved robust RevPAR recovery in 2022, 93% compared to 2019 Achieved financial turnaround with RMB134 million normalized adj. EBITDA
02	Cost Control	<ul style="list-style-type: none"> Completed headquarter cost restructure and cost reduction
03	Organizational Restructuring	<ul style="list-style-type: none"> Completed regionalised/cross brand operating structure creating basis for synergies across all support functions
04	Further Digitalization	<ul style="list-style-type: none"> Rolled out proprietary Digital Infrastructure. Kiosks, Reservation system, New Mobile/Web booking platforms to all hotels
05	Loyalty Program	<ul style="list-style-type: none"> H Rewards International Program re-design/enhanced benefits
06	Brand Upgrade	<ul style="list-style-type: none"> New InterCity Hotels & Zleep Hotels refreshed brand positioning and product as set up for international growth
07	Management Efficiency	<ul style="list-style-type: none"> Implementation of HR REXX workplace automation, recruitment, HR process management across all hotels & headquarter

2023 Strategic Focus of Legacy-DH

DH 2023年战略重点



**Continued
Margin
Improvement**



**Investment in
Direct Channel
Sales**



**Growth of Hotel
Network**



**Further
Digitalization**

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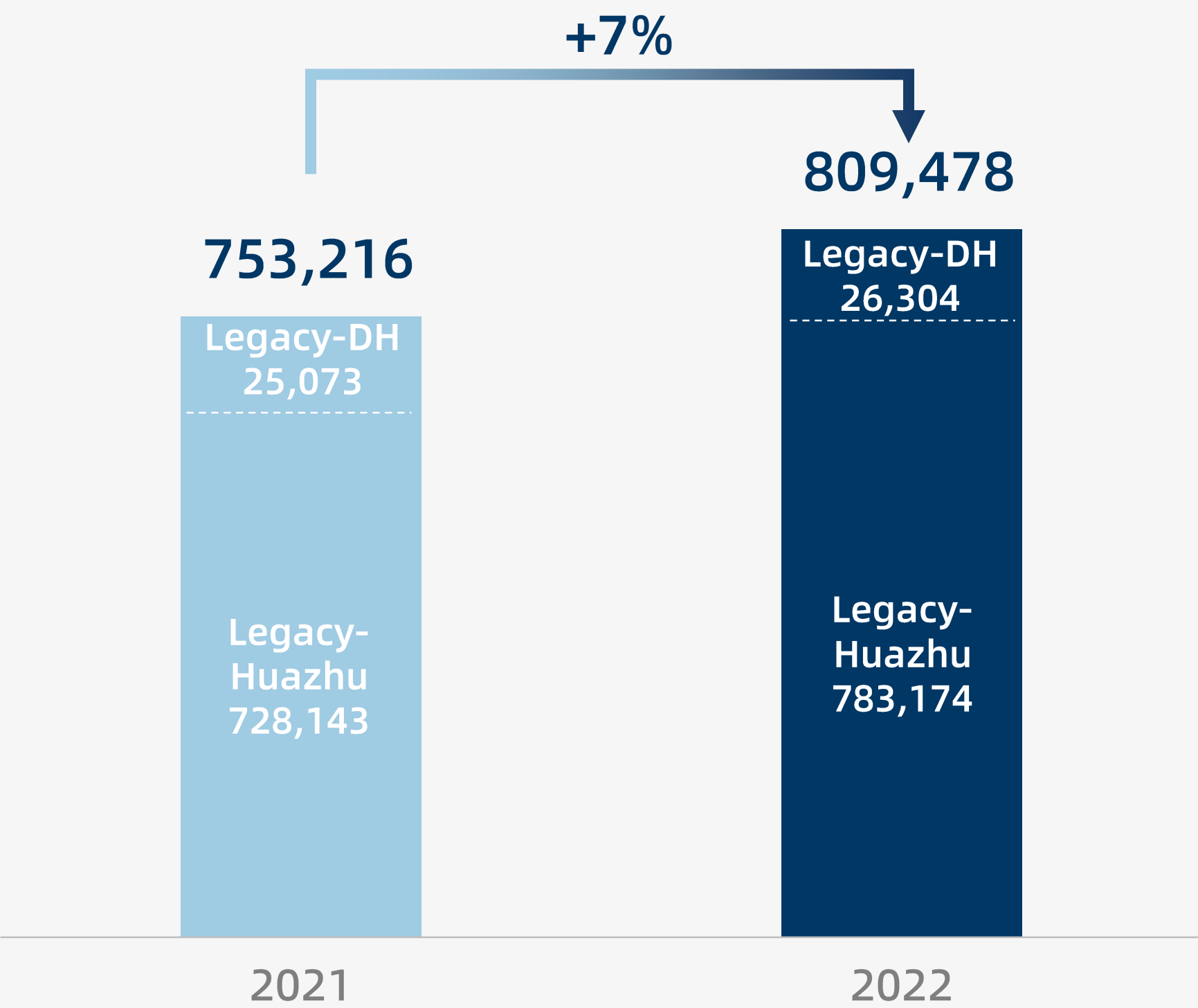


Hotel Network Continues to Expand

酒店网络持续扩张

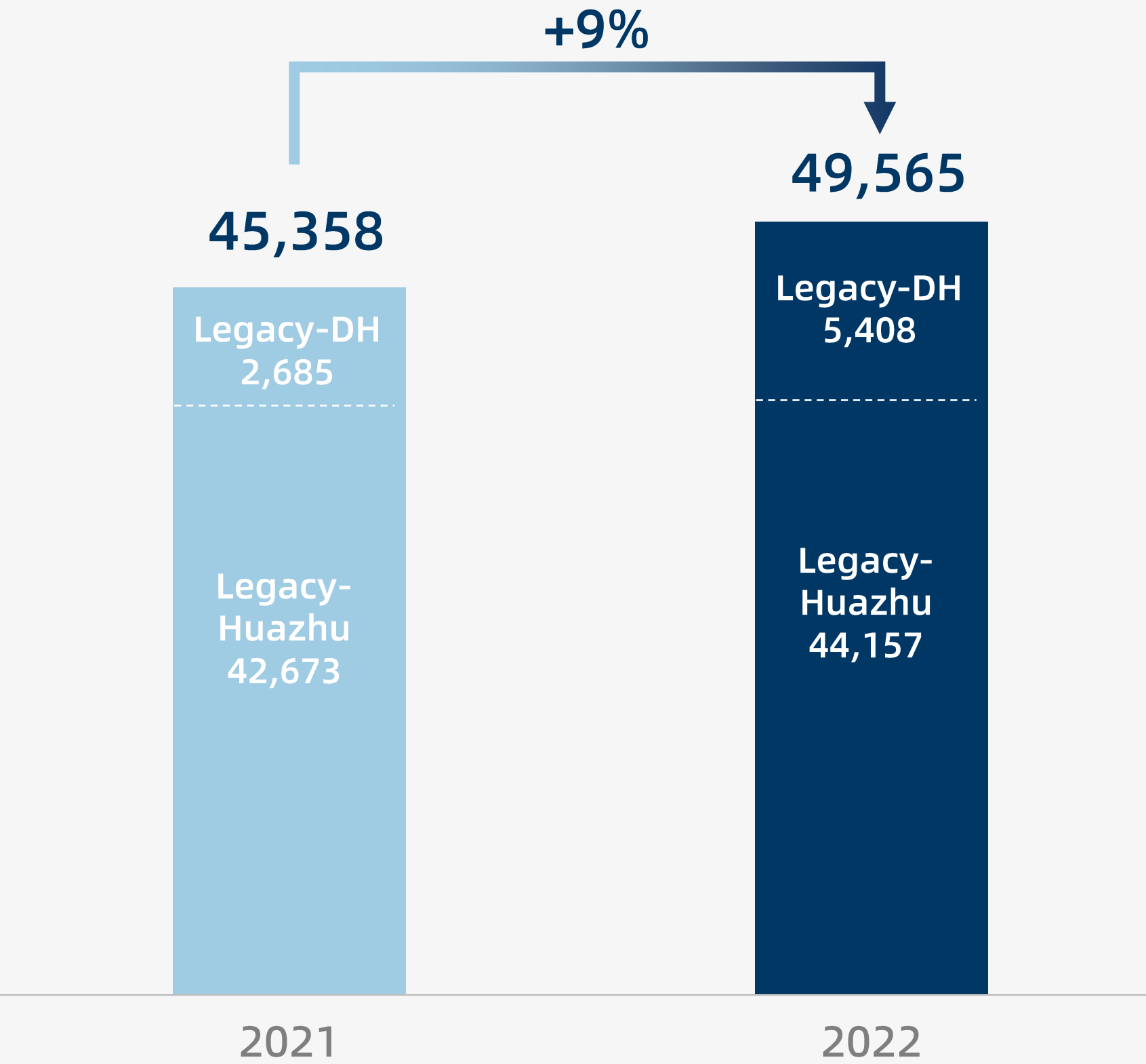
Hotel Network Expansion

(Number of rooms in operation)



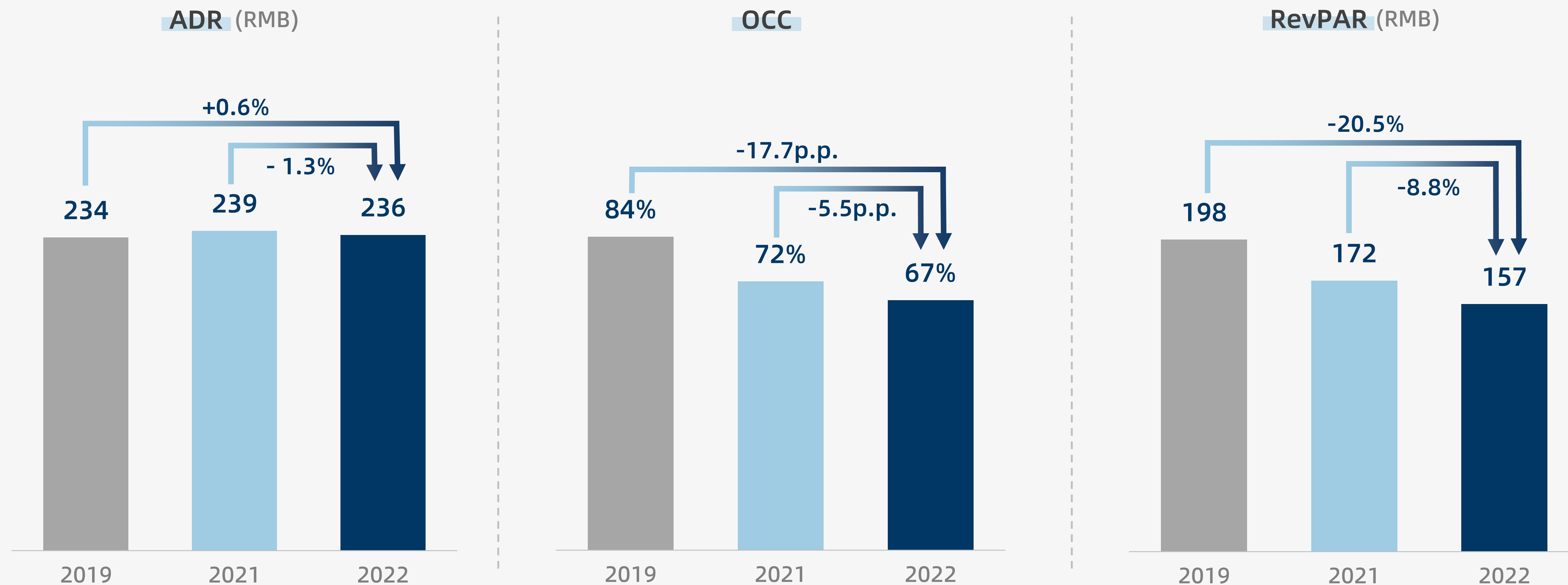
Hotel Turnover

(in RMB millions)



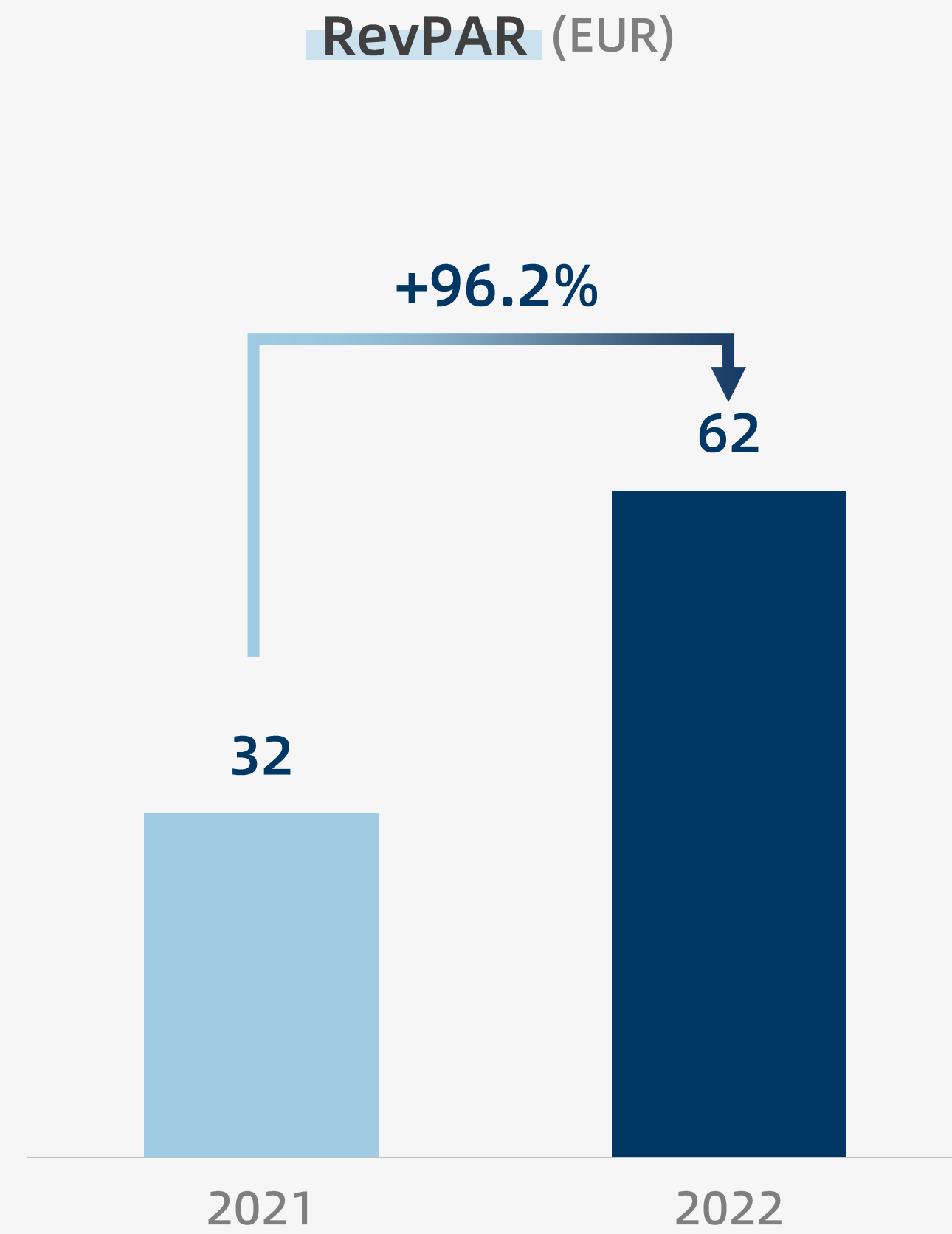
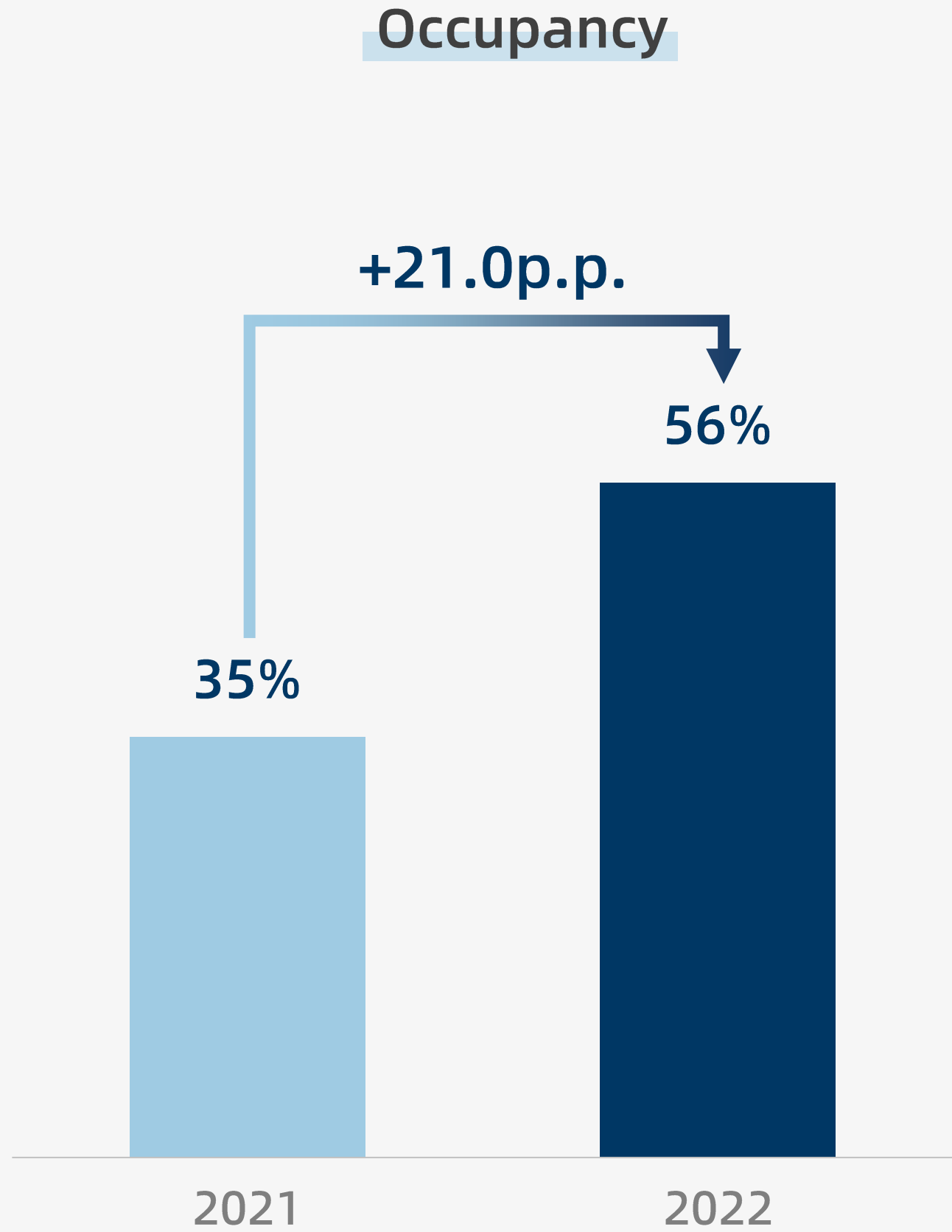
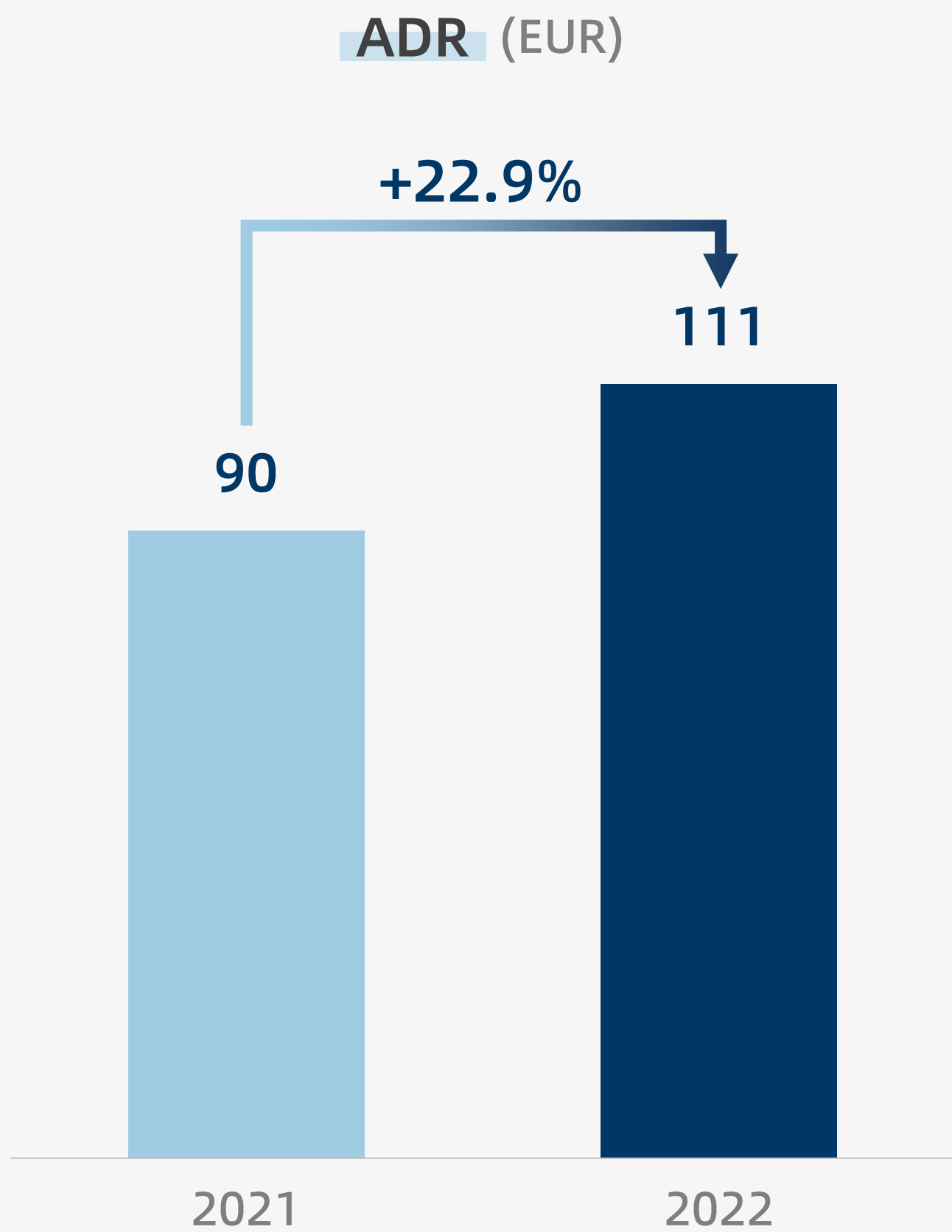
Legacy-Huazhu - Blended RevPAR recovered to 79% of 2019 in 2022

华住中国-全年混合RevPAR恢复到2019年的79%



Legacy-DH - Blended RevPAR Increased 96.2% YoY in 2022

DH-全年混合RevPAR同比增长96.2%



Revenue: Q4'22 Increased 11%, FY22 Increased 8%

营收四季度增长11%，全年增长8%

<i>In million RMB</i>	4Q22	4Q21	YoY	3Q22	QoQ	2022	2021	YoY
Revenue from Legacy - Huazhu	2,757	2,776	-0.7%	3,161	-12.8%	10,655	11,247	-5.3%
- Leased & Owned Hotels	1,537	1,565	-1.8%	1,793	-14.3%	6,062	6,674	-9.2%
- Manachised & Franchised Hotels	1,130	1,073	5.3%	1,291	-12.5%	4,324	4,342	-0.4%
- Others	90	138	-34.8%	77	16.9%	269	231	16.5%
Revenue from Legacy - DH	949	572	65.9%	932	1.8%	3,207	1,538	108.5%
- Leased & Owned Hotels	913	528	72.9%	902	1.2%	3,086	1,444	113.7%
- Manachised & Franchised Hotels	28	30	-6.7%	22	27.3%	81	62	30.6%
- Others	8	14	-42.9%	8	0.0%	40	32	25.0%
Revenue	3,706	3,348	10.7%	4,093	-9.5%	13,862	12,785	8.4%

Manachised and Franchised Hotels Revenue as % of Revenue

	Q4' 21	Q4' 22	FY 21	FY 22
H World Group	33%	31%	34%	32%
Legacy-Huazhu	39%	41%	39%	41%

- The recovery of China business accelerated after Chinese government announced the reopening policy in mid-November
- 4Q22 revenue at the high end of our guidance despite franchisees' management fee waiver of RMB58 million
- The improvement of DH business continued in 4Q22

Q4'22 and FY22 Operating Income

四季度和全年经营利润情况

<i>In million RMB</i>	4Q22	4Q21	YoY	3Q22	QoQ	2022	2021	YoY
Hotel operating costs ⁽¹⁾	3,430	3,194	7.4%	3,045	12.6%	12,260	11,282	8.7%
- Legacy-Huazhu	2,446	2,331	4.9%	2,301	6.3%	9,170	8,806	4.1%
- Legacy-DH	984	863	14.0%	744	32.3%	3,090	2,476	24.8%
Impairment loss	364	257	41.6%	10	3540.0%	464	317	46.4%
Pre-opening expenses	14	30	-53.3%	25	-44.0%	95	81	17.3%
- Legacy-Huazhu	14	30	-53.3%	25	-44.0%	95	81	17.3%
- Legacy-DH	0	0	Nm	-	Nm	0	0	Nm
SG&A expenses	609	621	-1.9%	586	3.9%	2,288	2,186	4.7%
- Legacy-Huazhu	408	437	-6.6%	435	-6.2%	1,598	1,624	-1.6%
- Legacy-DH	201	184	9.2%	151	33.1%	690	562	22.8%
Income from operations	-93	39	Nm	500	Nm	-294	164	Nm
- Legacy-Huazhu	-3	60	Nm	449	Nm	51	891	-94.3%
- Legacy-DH	-90	-21	-328.6%	51	Nm	-345	-727	52.5%

(1) Hotel operating costs include impairment loss

- Hotel operating cost increased in 4Q22 mainly due to RMB195 million impairment loss of Legacy-Huazhu and RMB169 million impairment loss of Legacy-DH
- Pre-opening costs maintained at a low level mainly due to asset-light model
- Legacy-Huazhu saw a decrease in SG&A expenses mainly due to streamlining of headquarter since 2Q22

Reported Adjusted EBITDA and Adjusted Net Income in Q4'22 and FY22

四季度及全年经调整后的EBITDA和净利润情况

<i>In million RMB</i>	4Q22	4Q21	YoY	3Q22	QoQ	2022	2021	YoY
Reported Adjusted EBITDA	398	278	43.2%	491	-18.9%	610	1,571	-61.2%
- Legacy-Huazhu	397	209	90.0%	397	0.0%	728	2,032	-64.2%
- Legacy-DH	1	69	-98.6%	94	-98.9%	-118	-461	74.4%
Reported Adjusted Net Income	-255	-227	-12.3%	-375	32.0%	-1,375	-260	-428.8%
- Legacy-Huazhu	-215	-187	-15.0%	-389	44.7%	-974	358	Nm
- Legacy-DH	-40	-40	0.0%	14	Nm	-401	-618	35.1%

- The 4Q22 Legacy-Huazhu's reported adj. EBITDA increase in YoY due to foreign exchange gain but offset by impairment loss
- The 4Q22 Legacy-DH's reported adj. EBITDA decreased YoY mainly due to decrease in government subsidy

* Adjusted EBITDA and adjusted net income excludes unrealized gains/ (losses) from fair value changes of equity securities and share-based compensation expenses

Normalized Adjusted EBITDA and Adjusted Net Income in Q4'22 and FY22

四季度及全年经调整后的EBITDA和净利润情况

<i>In million RMB</i>	4Q22	4Q21	YoY	3Q22	QoQ	2022	2021	YoY
Normalized Adjusted EBITDA	607	710	-14.5%	860	-29.4%	1,742	2,268	-23.2%
- Legacy-Huazhu	464	406	14.3%	746	-37.8%	1,608	2,435	-34.0%
- Legacy-DH	143	304	-53.0%	114	25.4%	134	-167	Nm
Normalized Adjusted Net Income	-46	205	Nm	-6	-666.7%	-243	437	Nm
- Legacy-Huazhu	-148	10	Nm	-40	-270.0%	-94	761	Nm
- Legacy-DH	102	195	-47.7%	34	200.0%	-149	-324	54.0%

- Excluding the impact of foreign exchange gains (losses) and impairment loss, 4Q22 Legacy-Huazhu's normalized adj. EBITDA increase YoY due to better cost control measures such as rental reductions and streamlining of headquarter cost. 4Q22 Legacy-DH's normalized adj. EBITDA achieved RMB134 million thanks to strong operational recovery and cost control

* Normalized adjusted EBITDA and adjusted net income excludes unrealized gains/ (losses) from fair value changes of equity securities and share-based compensation expenses, and also excludes foreign exchange gains (losses) and impairment loss.

Liquidity Position Update

流动性情况更新



Net Debt

RMB4.8 bn



Cash Balance

RMB5.1 bn



**Unutilized Bank
Facilities**

RMB2.1 bn

In January, we successfully completed the public offering of **USD300 million**

In March, we liquidated Accor's share at **~EUR 300 million**

** As of December 31, 2022*

Guidance

业绩指引

Q1 2023

Revenue vs. Q1 2022

- **Grow 61%-65%**
- **Excluding DH - Grow 53%-57%**

Full year 2023

Revenue vs. 2022

- **Grow 42%-46%**
- **Excluding DH - Grow 46%-50%**

Gross opening target:

~1,400 hotels

Closure of **600-650 hotels**



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Same-Hotel Operational Data by Segment

同店经营数据

Operational hotels excluding hotels under requisition

	Number of hotels in operation		Same-hotel RevPAR			Same-hotel ADR			Same-hotel Occupancy		
	As of		For the year ended		yoy change	For the year ended		yoy change	For the year ended		yoy change (p.p.)
	December 31,		December 31,			December 31,			December 31,		
	2021	2022	2021	2022	2021	2022	2021	2022			
Economy hotels	3,199	3,199	142	123	-13.6%	183	176	-3.6%	77.5%	69.5%	-8.0
Leased and owned hotels	335	335	155	133	-14.1%	207	194	-6.3%	74.5%	68.3%	-6.2
Manachised and franchised hotels	2,864	2,864	139	121	-13.5%	179	173	-3.1%	78.0%	69.7%	-8.3
Midscale and upscale hotels	2,097	2,097	224	196	-12.4%	315	301	-4.4%	71.0%	65.0%	-6.0
Leased and owned hotels	227	227	255	219	-14.1%	386	362	-6.3%	66.1%	60.6%	-5.5
Manachised and franchised hotels	1,870	1,870	218	191	-12.0%	303	291	-3.9%	71.9%	65.8%	-6.1
Total	5,296	5,296	179	156	-13.0%	240	231	-3.8%	74.6%	67.5%	-7.1

	Number of hotels in operation		Same-hotel RevPAR			Same-hotel ADR			Same-hotel Occupancy		
	As of		For the year ended		yoy change	For the year ended		yoy change	For the year ended		yoy change (p.p.)
	December 31,		December 31,			December 31,			December 31,		
	2019	2022	2019	2022	2019	2022	2019	2022			
Economy hotels	1,969	1,969	174	121	-30.5%	192	176	-8.7%	90.7%	69.0%	-21.7
Leased and owned hotels	324	324	195	130	-33.3%	215	191	-10.9%	90.8%	68.0%	-22.8
Manachised and franchised hotels	1,645	1,645	169	119	-29.6%	186	171	-7.9%	90.6%	69.3%	-21.4
Midscale and upscale hotels	1,009	1,009	276	190	-31.2%	331	300	-9.5%	83.2%	63.3%	-19.9
Leased and owned hotels	166	166	334	200	-40.0%	396	338	-14.6%	84.2%	59.1%	-25.1
Manachised and franchised hotels	843	843	258	187	-27.6%	311	289	-7.1%	82.9%	64.6%	-18.3
Total	2,978	2,978	212	147	-30.8%	241	219	-9.0%	87.9%	66.9%	-21.0

Number of Hotels and Rooms

酒店数量和房间数量

As of December 31, 2022

Total

	Hotels	Rooms	Unopened hotels
	in operation		in pipeline
Economy hotels	4,948	389,383	1,066
HanTing Hotel	3,257	288,956	652
Hi Inn	456	23,998	170
NiHao Hotel	159	11,534	199
Elan Hotel	836	39,948	-
Ibis Hotel	222	22,826	32
Zleep Hotels	18	2,121	13
Midscale hotels	2,898	317,117	1,146
Ibis Styles Hotel	85	8,864	25
Starway Hotel	567	47,378	242
Ji Hotel	1,694	199,581	611
Orange Hotel	519	56,035	261
CitiGO Hotel	33	5,259	7
Upper midscale hotels	538	75,467	286
Crystal Orange Hotel	164	21,552	57
Manxin Hotel	112	10,601	59
Madison Hotel	52	7,195	64
Mercure Hotel	137	21,193	62
Novotel Hotel	17	4,424	19
IntercityHotel	56	10,502	25
Upscale hotels	134	21,609	72
Jaz in the City	3	587	1
Joya Hotel	8	1,368	1
Blossom House	53	2,326	49
Grand Mercure Hotel	7	1,726	5
Steigenberger Hotels & Resorts	54	14,040	8
MAXX	9	1,562	8
Luxury hotels	15	2,318	5
Steigenberger Icon	9	1,847	1
Song Hotels	6	471	4
Others	10	3,584	5
Other hotels	10	3,584	5
Total	8,543	809,478	2,580