

Home Inns & Hotels Management Inc. (NASDAQ: HMIN)

First Quarter 2014
Earnings Conference Call
May 12, 2014



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Safe Harbor Language

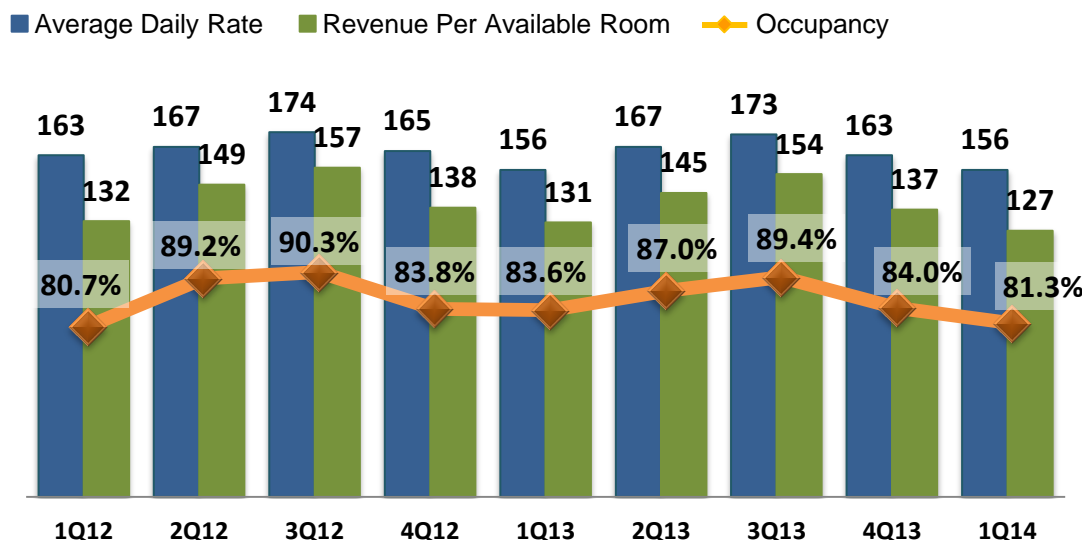
Statements in This presentation contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar statements. Any statements in this press release that are not historical facts are forward-looking statements that involve factors, risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such factors and risks include our anticipated growth strategies; our future results of operations and financial condition; the economic conditions of China; the regulatory environment in China; our ability to attract customers and leverage our brand; trends and competition in the lodging industry; the expected growth of the lodging market in China; and other factors and risks detailed in our filings with the Securities and Exchange Commission. This press release also contains statements or projections that are based upon information available to the public, as well as other information from sources which management believes to be reliable, but it is not guaranteed by us to be accurate, nor does it purport to be complete. We undertake no obligation to update or revise to the public any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

Summary of First Quarter 2014

- ❑ Total revenues within guidance, reaching RMB 1.47 billion in 1Q14
- ❑ Sustained margin expansion YoY for the fifth consecutive quarter
- ❑ Opened 69 new hotels in 1Q14 and had 2,241 hotels across 297 cities in China at the end of 1Q14
- ❑ Same-hotel performance relatively stable and in line with industry performance
- ❑ Earnings and profitability continued to improve YoY mainly due to:
 - ❑ Increased contributions from franchised-and-managed operations
 - ❑ Relatively stable performance at core mature hotels
 - ❑ Sustained operational enhancements at Motel 168
 - ❑ Continued effective cost control and efficient operations
- ❑ Free cash flow positive for the first quarter
- ❑ Continued softness in macro environment

Stable Group Performance YoY and In Line Same-Hotel RevPAR

Group Operating Metrics



Same-Hotel LFL

	Group	
Number of Hotels	1654	
Quarter End	1Q	1Q
	2013	2014
Occupancy	86.0%	83.9%
ADR (RMB)	157	157
RevPAR (RMB)	135	132
RevPAR change (YoY)	-3	

For group hotels in operations for 18 months or longer

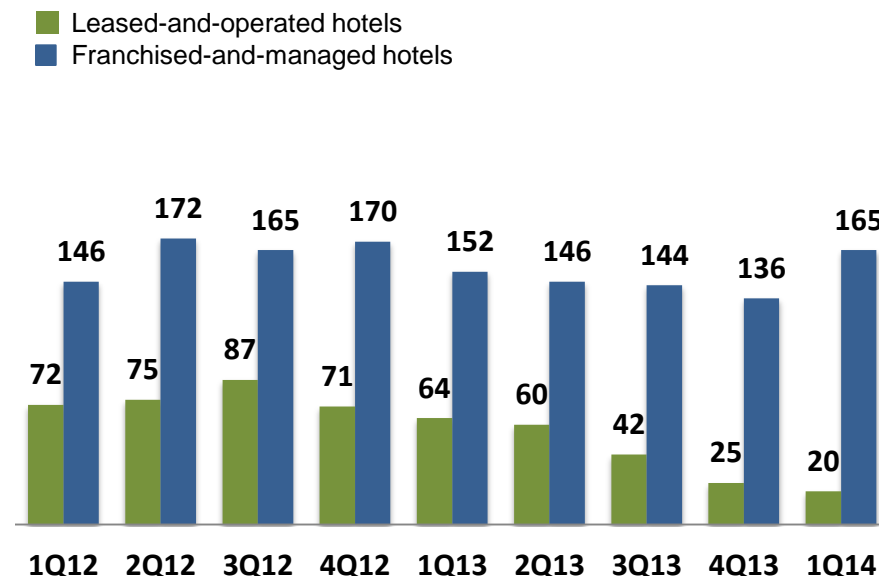
- Same-hotel LFL performance remained relatively resilient
- Maintained stable ADR with slight occupancy rate drop due to soft market conditions
- Stable geographic distribution with 21% of the portfolio operating in large tier-1 markets and 33% in smaller tier-3 or below markets

Strong Franchised-and-Managed Pipeline Given Continued Demand

Franchised-and-Managed Hotels Growth



Contracted and/or Under Construction



- ❑ Franchise operation contributed ~13% of total group revenues in 1Q14
- ❑ 448 hotel projects in pipeline as of 1Q14 (185 contracted or under construction and 263 under due diligence)
- ❑ Strong interest and demand from existing and new franchisee partners given increasing value of our brand recognition and proven execution

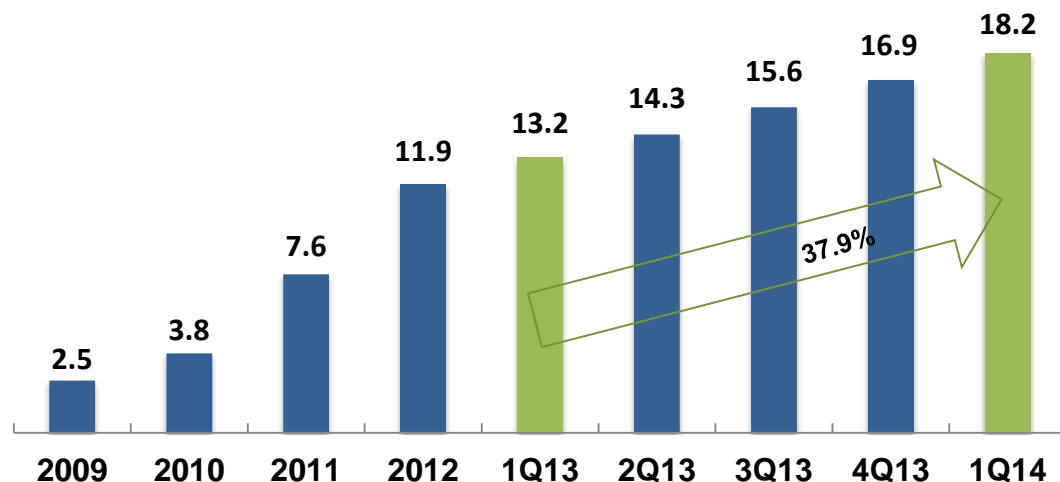


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Continued Rapid Increases in Customer Loyalty Program Members, Stable Revenue Base and Enhanced Mobile Solutions

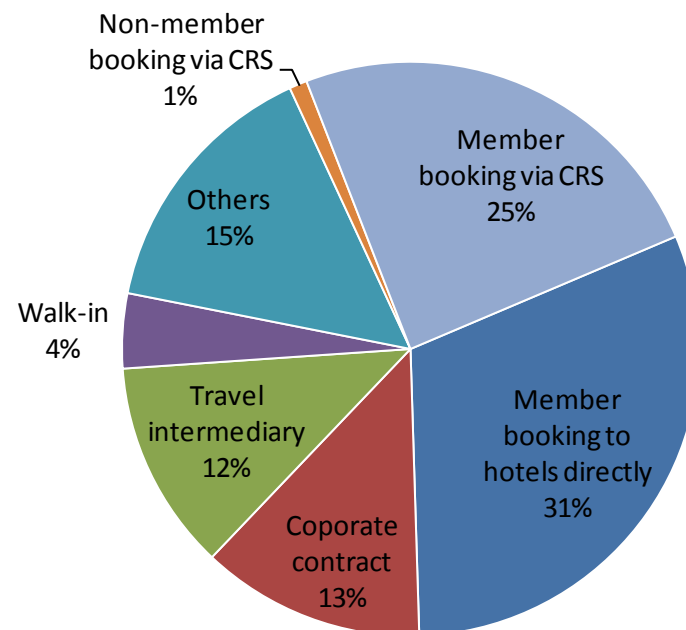
Active Individual Membership Growth

unique account in millions at period end



"Active" means paid members staying at least once within the last 24-month period

Favorable Customer Channel Mix



CRS = central reservation systems

- ❑ 38% growth in membership YoY at the end of 1Q14
- ❑ Individual members combined with corporate contracts generated ~70% of room nights sold
- ❑ Mobile APPs booking grew dramatically and accounted for ~16% of total bookings in 1Q14

Sensible Expansion Pace with Steady Revenue Growth and Sustained Margin Expansion

- ❑ Remained focus on franchise growth strategy and have built a strong pipeline for the rest of 2014
 - ❑ 61% FM hotels at the end of 1Q14 and 96% of pipeline were FM projects
 - ❑ Continued to contribute to margin expansion with modest but steady revenue growth
 - ❑ Stable CapEx planning with increasing free cash flow
- ❑ Renewed focus on execution during uncertain environment
 - ❑ Stay customer centric to meet changing consumer behavior and commerce landscape
 - ❑ Continue to invest into social media and mobile APPs that will improve customer experience
 - ❑ Improve management efficiencies and effectiveness and maintain cost control
- ❑ Multi-brand strategy to leverage Motel 168 for further penetration in economy sector and accelerate Yitel development
- ❑ Continued to explore overseas projects and acquisitions in key markets

Operating Margin Improved YoY and Hotel Level Operational Efficiencies Continue to Improve

Total Operating Costs and Expenses / Total Operating Income

(RMB in Millions)

(RMB in Millions)	First Quarter 2014						
	GAAP Results			Reconciliation		Adjusted Non-GAAP	
	<u>RMB</u>	<u>Vpts</u>		<u>RMB</u>	<u>RMB</u>	<u>Vpts</u>	
Leased-and-Operated Hotel Costs	1,211.7	-2.7pts	↓	4.2	1,207.5	-2.5pts	↓
Franchised-and-Managed Hotel Personnel Costs	38.5	0.6pts		3.8	34.7	0.5pts	
Sales and Marketing Expenses	25.0	0.2pts		0.3	24.8	0.2pts	
General and Administrative Expenses	<u>71.2</u>	<u>-0.1pts</u>	↓	<u>19.3</u>	<u>51.9</u>	<u>-0.1pts</u>	↓
Total Operating Costs and Expenses	1,346.4	-2.0pts		27.6	1,318.9	-1.9pts	
Total Operating Income	<u>42.4</u>	<u>2.0pts</u>	↑	<u>27.6</u>	<u>70.0</u>	<u>2.0pts</u>	↑

Note: "Vpts" represents year-over-year change in percentage points of total revenues

- ❑ Continued productivity gains at hotel operational level
- ❑ Cost control initiatives remained effective with leverage from economies of scale

Fifth Consecutive Quarterly Margin Expansion YoY with Positive Cash Flow

(RMB in Millions except RMB earnings per ADS)	<u>1Q13</u>	<u>1Q14</u>	
GAAP Net Income	-19.4	74.9	↑
Adjusted Net Income (Non-GAAP)*	10.3	32.1	↑
<i>Adjusted Net Income Margin %*</i>	<i>0.7%</i>	<i>2.2%</i>	↑
EBITDA (Non-GAAP)	187.4	296.8	↑
Adjusted EBITDA (Non-GAAP)*	216.1	254.1	↑
<i>Adjusted EBITDA Margin %*</i>	<i>15.4%</i>	<i>17.3%</i>	↑
Adjusted Diluted Earnings per ADS (Non-GAAP)*	0.22	0.67	↑
Operating Cash Flow	63.0	154.9	↑
Total Capital Expenditures	192.0	103.2	
Cash Paid for Capital Expenditure	231.1	174.8	

* Indicates a non-GAAP financial measure which excludes share-based compensation expenses, integration expenses, accelerated fee amortization on early extinguishment of Term Loan, gain or loss on change in fair value of convertible notes, gain on change in fair value of interest swap transaction and net foreign exchange gain.

2Q14 Guidance

- ❑ Gross revenues expectations

- ❑ FY 2014: RMB 6,800 million to RMB 7,000 million, representing a growth of 7.0% to 10.2% year over year.
- ❑ 2Q14: RMB 1,690 million to RMB 1,710 million, representing a growth of 5.5% to 6.7% year over year.



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Q&A