

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

Second Quarter 2014  
Earnings Conference Call  
August 12, 2014



如家酒店集团



如家酒店



莫泰酒店



和颐酒店

## Safe Harbor Language

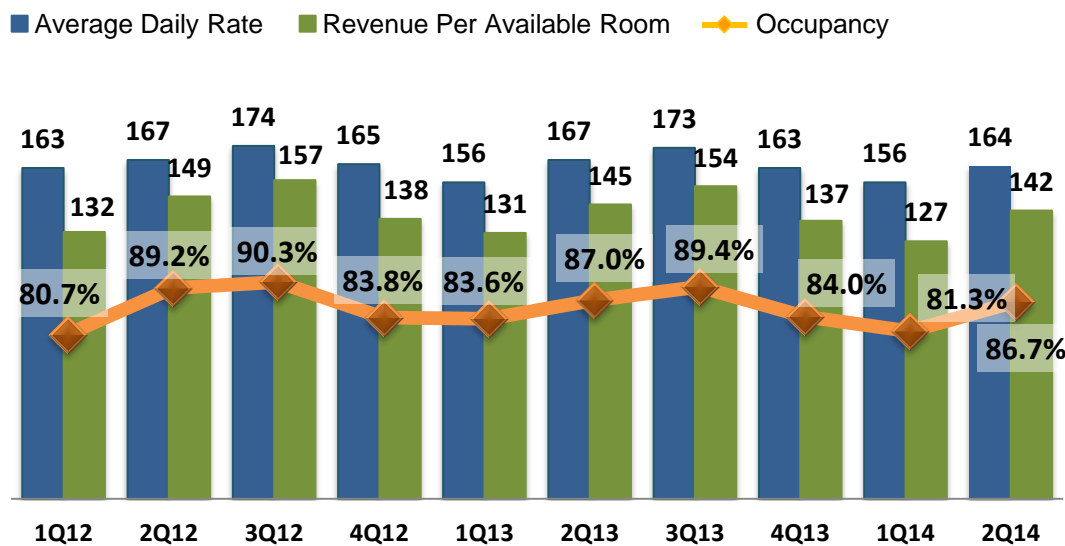
Statements in this presentation contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “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; our expected successful consolidation and integration of Motel 168 with our existing operations; 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 Second Quarter 2014

- ❑ Total revenues in line with guidance, reaching RMB 1.7 billion in 2Q14
- ❑ Sustained margin improvement YoY for the sixth consecutive quarter
- ❑ Added a net of 133 hotels in 2Q14 including 31 hotels from the acquisition of Yunshang Siji and had 2,374 hotels across 306 cities in China at the end of 2Q14
- ❑ Same-hotel performance relatively stable and in line with industry performance
- ❑ Yunshang Siji acquisition brings a portfolio of differentiated hotels in the Southwestern part of China, as part of the multi-brand strategy
- ❑ Earnings and profitability continued to improve YoY and the main drivers were:
  - ❑ Increased contributions from franchised-and-managed operations
  - ❑ Relatively stable performance at core mature hotels
  - ❑ Successful execution of Motel 168 and Yitel development plan
  - ❑ Effective cost control initiatives and improvements in overall productivity
- ❑ Continued softness in macroeconomic environment but showing early signs of market stabilization

# Relatively Stable Group and Same-Hotel Performance YoY

## Group Operating Metrics



## Same-Hotel LFL

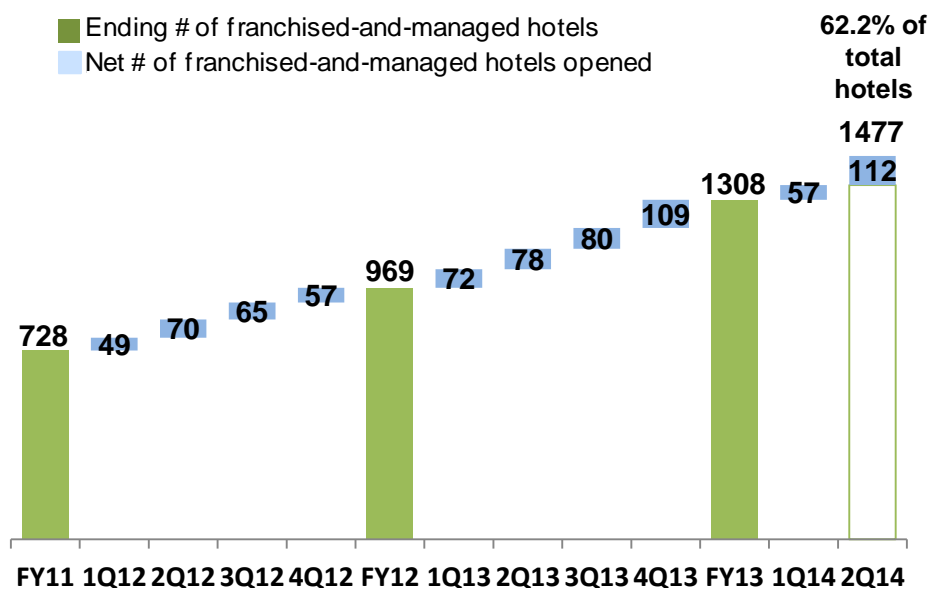
	Group	
Number of Hotels	1732	
Quarter End	2Q	2Q
	2013	2014
Occupancy	89.0%	88.9%
ADR (RMB)	168	166
RevPAR (RMB)	150	148
RevPAR change (YoY)	-2	

For group hotels in operations for 18 months or longer

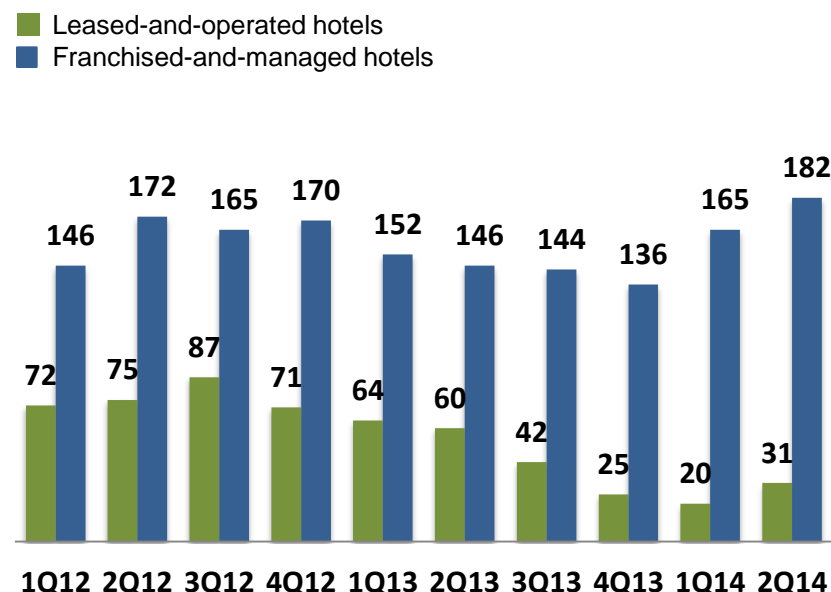
- Same-hotel LFL performance remained relatively stable
- Maintained stable occupancy rate and narrowed gap of RevPAR despite the challenges in the macro environment
- Stable geographic distribution with 20% of the portfolio operating in large tier-1 markets and 34% in smaller tier-3 or below markets

# Strong Franchised-and-Managed Pipeline Given Increasing Demand

## Franchised-and-Managed Hotels Growth



## Contracted and/or Under Construction

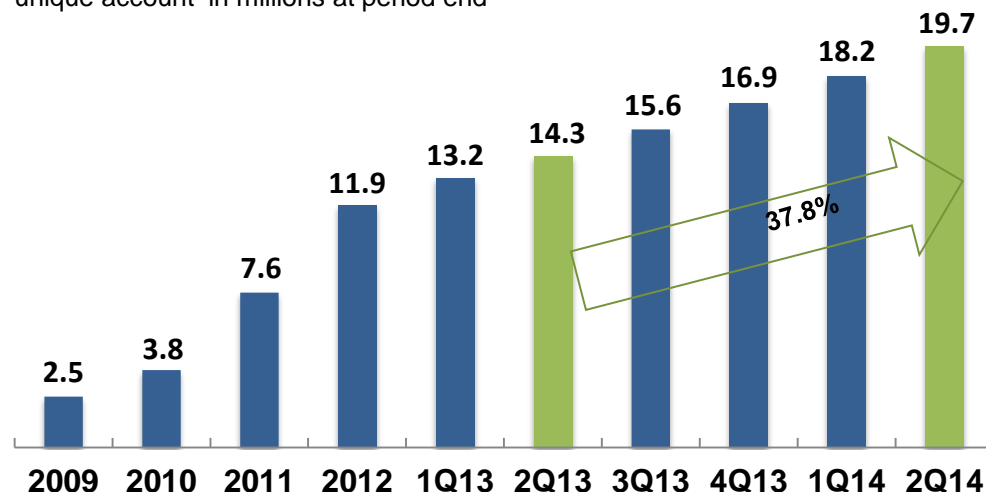


- ❑ Franchise operation contributed 14.1% of total group revenues in 2Q14
- ❑ 472 hotel projects in pipeline as of June 30, 2014 (213 contracted or under construction and 259 under due diligence)
- ❑ Strong interest and demand from existing and new franchisee partners given increasing value of our brand recognition and proven execution

# Continued Increases in Customer Loyalty Program Members and Enhanced Mobile Solutions

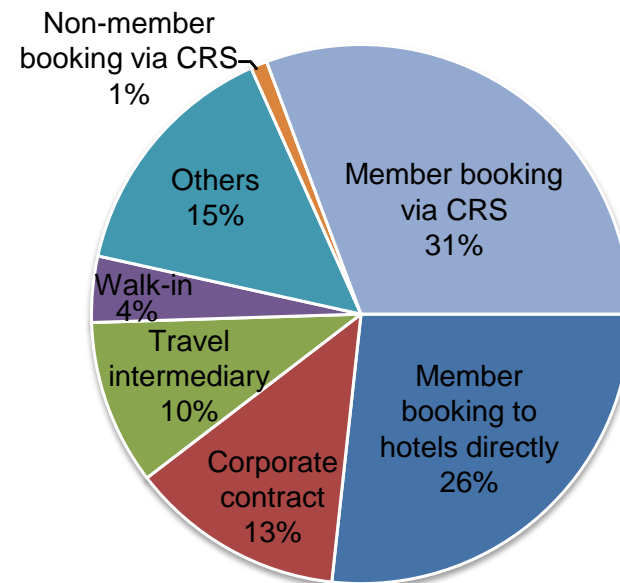
## Active Individual Membership Growth

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

- ❑ 37.8% growth in membership YoY at the end of 2Q14
- ❑ Individual members combined with corporate contracts generated 71% of room nights sold
- ❑ Mobile APPs booking grew dramatically and accounted for 21% of total bookings in 2Q14

## Sensible Expansion Pace with Sustained Margin Expansion

- ❑ Remained focused on franchise expansion strategy and have built a strong pipeline for the rest of 2014
  - ❑ 62.2% FM hotels at the end of 2Q14 and 93.4% of pipeline were FM projects
  - ❑ Continued to be a key driver for sustained margin expansion
- ❑ Multi-brand strategy to drive the development across all four of our brands
  - ❑ Rolled out certain updated corporate branding initiatives in 2Q14 which will form the foundation for future brand positioning and help attract new and diversified customers
- ❑ Continued efforts to grow social media and mobile APPs that will meet the increasing customer demand and improve customer experience
- ❑ Renewed focus on execution in the challenging macro environment
  - ❑ Improve management efficiencies and effectiveness and maintain cost control

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

## Total Operating Costs and Expenses / Total Operating Income

(RMB in Millions)

	Second 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	1,216.7	-2.5pts ↓	3.2	1,213.5	-2.2pts ↓	
Franchised-and-Managed Hotel Personnel Costs	57.3	0.8pts	3.2	54.1	0.7pts	
Sales and Marketing Expenses	30.7	0.7pts	0.2	30.5	0.7pts	
General and Administrative Expenses	<u>82.0</u>	<u>0.0pts</u>	<u>18.6</u>	<u>63.4</u>	<u>0.1pts</u>	
Total Operating Costs and Expenses	1,386.7	-1.0pts	25.1	1,361.6	-0.7pts	
Total Operating Income	<u>211.3</u>	<u>1.2pts</u> ↑	<u>25.1</u>	<u>236.4</u>	<u>0.9pts</u> ↑	

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

- ❑ Continued productivity gains at hotel operational level
- ❑ Commitment to cost control initiatives and productivity improvements



## Sixth Consecutive Quarterly Margin Expansion YoY with Positive Cash Flow

(RMB in Millions except RMB earnings per ADS)	<u>2Q13</u>	<u>2Q14</u>	
GAAP Net Income	94.8	108.2	↑
Adjusted Net Income (Non-GAAP)*	139.7	168.4	↑
<i>Adjusted Net Income Margin %*</i>	8.7%	9.9%	↑
EBITDA (Non-GAAP)	348.7	380.4	↑
Adjusted EBITDA (Non-GAAP)*	393.6	440.7	↑
<i>Adjusted EBITDA Margin %*</i>	24.6%	25.9%	↑
Adjusted Diluted Earnings per ADS (Non-GAAP)*	2.89	3.38	↑
Operating Cash Flow	388.8	365.8	
Total Capital Expenditures	202.6	194.6	
Cash Paid for Capital Expenditure	188.8	85.1	

\* 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.

## 3Q14 Guidance

- ❑ Gross revenues expectations
  - ❑ 3Q14: RMB 1,875 million to RMB 1,895 million, representing a growth of 7.8% to 9.0% year over year.
- ❑ New hotel opening expectations
  - ❑ Continue to target opening no fewer than 450 new hotels in 2014, reflecting approximately 50 new leased-and-operated hotels, including the recently acquired Yunshang Siji hotels, and the balance is expected to consist of no fewer than 400 new franchised-and-managed hotels.



# Q&A