

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

Third Quarter 2014
Earnings Conference Call
November 11, 2014



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云上四季

Safe Harbor Language

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 presentation 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 brands; 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 presentation 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 Third Quarter 2014

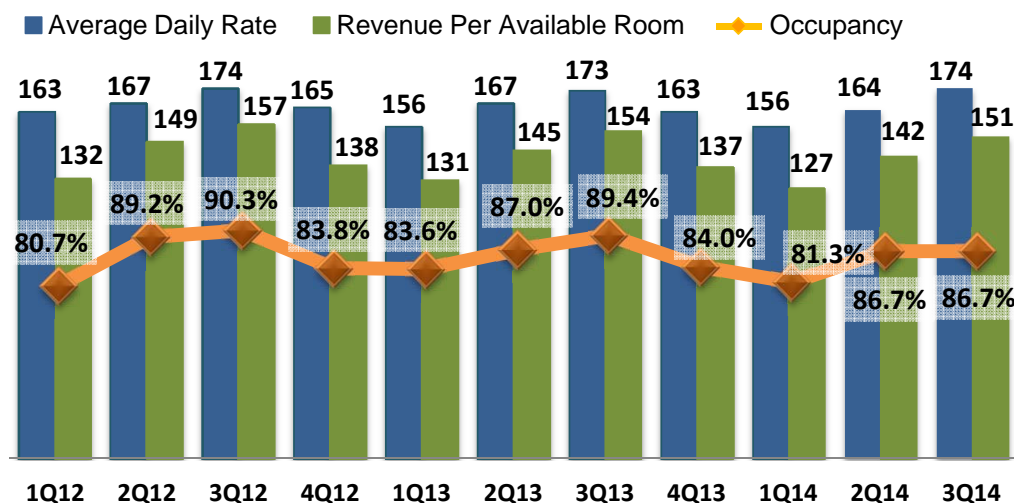
- ❑ Total revenues in line with guidance, reaching RMB 1.88 billion in 3Q14
- ❑ Sustained YoY margin expansions for the seventh consecutive quarter
- ❑ Added a net of 122 hotels in 3Q14 and had 2,496 hotels across 315 cities in China at the end of 3Q14
- ❑ Same-hotel performance slightly impacted by the soft market environment but relatively stable and in line with industry performance
- ❑ Earnings and profitability continued to improve YoY and the main drivers were:
 - ❑ Increased contributions from franchised-and-managed (FM) operations
 - ❑ Effective cost control initiatives and improvements in overall productivity
 - ❑ Less pre-opening costs due to fewer new leased-and-operated (LO) hotels
- ❑ Cash flow remained strong with RMB 476.4 million operating cash flow in 3Q14
- ❑ Continued softness in macroeconomic environment but remain optimistic about the long-term prospects of the travel and lodging market in China



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Relatively Stable Group and Same-Hotel Performance YoY

Group Operating Metrics



Same-Hotel LFL

| | Group | |
|---------------------|-------|-------|
| Number of Hotels | 1813 | |
| Quarter End | 3Q | 3Q |
| | 2013 | 2014 |
| Occupancy Rate | 91.2% | 89.1% |
| ADR (RMB) | 174 | 175 |
| RevPAR (RMB) | 159 | 156 |
| RevPAR change (YoY) | -3 | |

For group hotels in operations for 18 months or longer

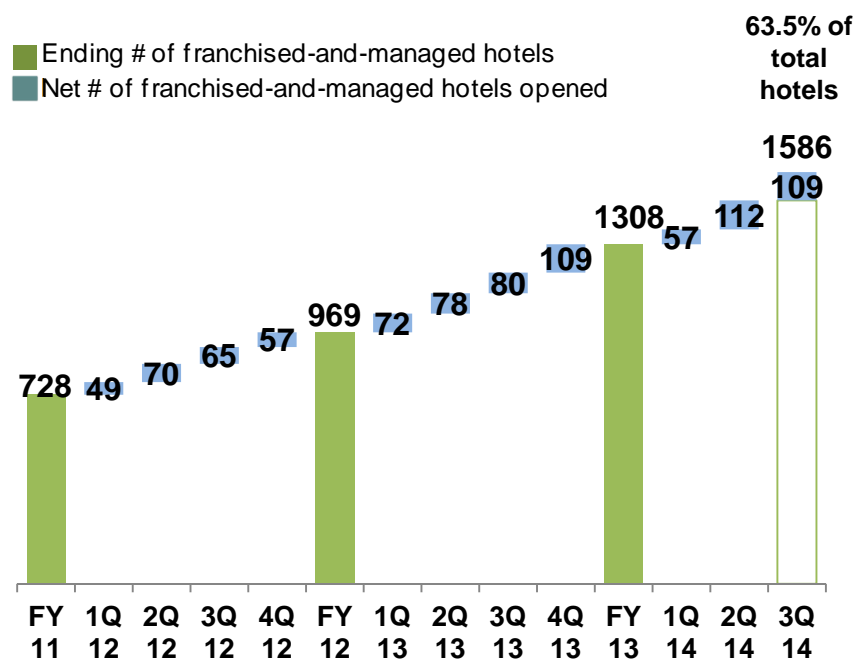
- Same-hotel LFL performance remained relatively stable; Slightly decreased occupancy rate and RevPAR but increased ADR despite the soft market conditions
- Stable geographic distribution with 20% of the portfolio operating in large tier-1 markets and 34% in smaller tier-3 or below markets



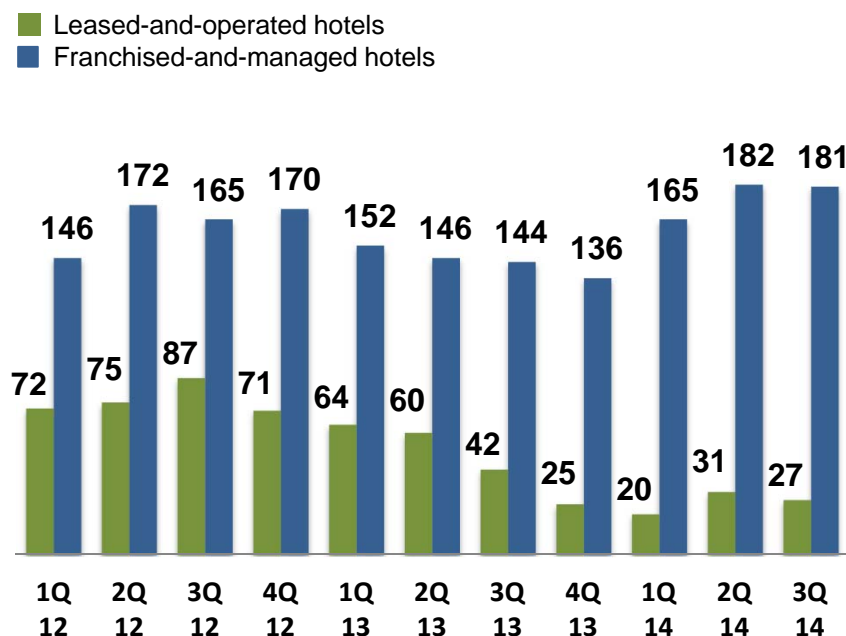
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Strong Franchised-and-Managed Pipeline Given Increasing Demand

Franchised-and-Managed Hotels Growth



Contracted and/or Under Construction

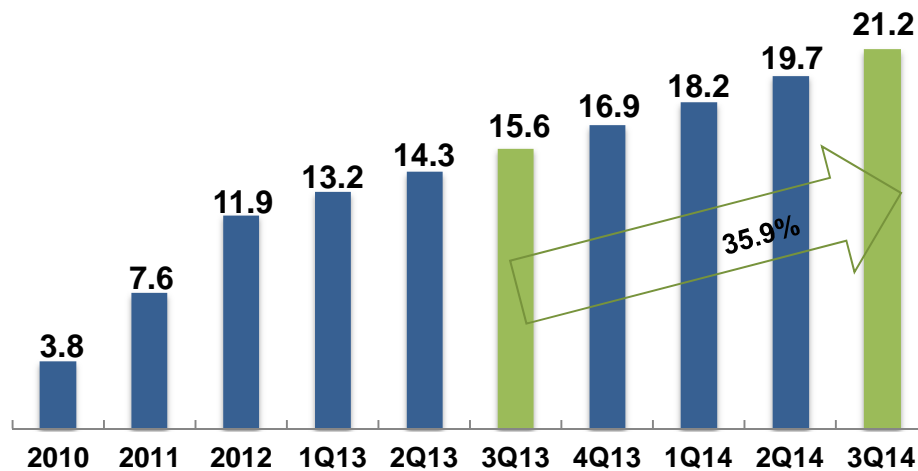


- ❑ Franchise operation contributed 14.1% of total group revenues in 3Q14
- ❑ 435 hotel projects in pipeline as of September 30, 2014 (208 contracted or under construction and 227 under due diligence)
- ❑ Continued strong interest and demand from existing and new franchisee partners given increasing value of our brand recognition and proven execution

Continued Increases in Customer Loyalty Program and Strengthened Mobile Solutions

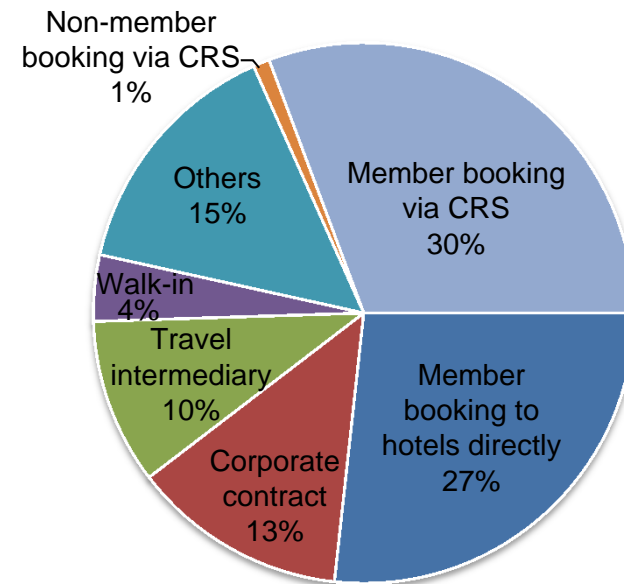
Active Individual Membership Growth

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

- ❑ 35.9% increase in membership YoY at the end of 3Q14
- ❑ Individual members combined with corporate contracts generated 71% of room nights sold
- ❑ Mobile APPs booking accounted for 18% of total bookings in 3Q14

Expansion Pace on Track with Steady Revenue Growth and Sustained Margin Expansion

- ❑ Remained focused on franchise expansion strategy and have built a strong pipeline for the rest of 2014
 - ❑ Continued to be a key driver for sustained margin expansion
 - ❑ Less pre-opening costs with decreased mix of LO hotels
- ❑ Multi-brand strategy to drive the development across all four of our brands
 - ❑ Aim to accelerate the development of Yitel hotels
 - ❑ Plan to roll out a new brand, “Homeinn Plus,” to complement to the Company’s existing brand portfolio
- ❑ Continued efforts to grow social media and mobile APPs that will meet the increasing customer demand for online options and improve customer experience
- ❑ Launched an online retail platform as a business extension and revenue building initiative and plan to roll out Home Alliance, a B2B service fee-based platform starting in the fourth quarter
- ❑ Focused on strong execution in the challenging macro environment
 - ❑ Continue to improve management efficiencies and effectiveness and maintain cost control

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

Total Operating Costs and Expenses / Total Operating Income

(RMB in Millions)

| (RMB in Millions) | Third 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 | 1,296.1 | -2.3pts | ↓ | 3.0 | 1,293.2 | -2.3pts | ↓ |
| Franchised-and-Managed Hotel Personnel Costs | 71.1 | 0.7pts | | 2.7 | 68.5 | 0.7pts | |
| Sales and Marketing Expenses | 31.4 | 0.3pts | | 0.2 | 31.1 | 0.3pts | |
| General and Administrative Expenses | <u>81.5</u> | <u>-0.7pts</u> | | <u>14.0</u> | <u>67.5</u> | <u>-0.4pts</u> | |
| Total Operating Costs and Expenses | 1,480.1 | -2.0pts | | 19.9 | 1,460.2 | -1.7pts | |
| Total Operating Income | <u>284.5</u> | <u>2.2pts</u> | ↑ | <u>19.9</u> | <u>304.3</u> | <u>1.8pts</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 and productivity improvements

Seventh Consecutive Quarterly Margin Expansion YoY with Positive Cash Flow

| (RMB in Millions except RMB earnings per ADS) | <u>3Q13</u> | <u>3Q14</u> | <u>Movement</u> |
|---|-------------|-------------|-----------------|
| GAAP Net Income | 108.0 | 245.5 | 127.3% ↑ |
| Adjusted Net Income (Non-GAAP)* | 180.9 | 224.3 | 24.0% ↑ |
| <i>Adjusted Net Income Margin %*</i> | 10.4% | 12.0% | 160 bps ↑ |
| EBITDA (Non-GAAP) | 374.7 | 536.2 | 43.1% ↑ |
| Adjusted EBITDA (Non-GAAP)* | 447.6 | 515.0 | 15.0% ↑ |
| <i>Adjusted EBITDA Margin %*</i> | 25.7% | 27.4% | 170 bps ↑ |
| Adjusted Diluted Earnings per ADS (Non-GAAP)* | 3.70 | 4.47 | 20.6% ↑ |
| Operating Cash Flow | 456.9 | 476.4 | |
| Total Capital Expenditures | 214.2 | 121.2 | |
| Cash Paid for Capital Expenditure | 199.7 | 171.8 | |

* Indicates a non-GAAP financial measure which excludes share-based compensation expenses, integration expenses, gain or loss on change in fair value of convertible notes, acquisition expenses, gain on waived liability related with Motel acquisition, gain on buy-back of convertible notes and net foreign exchange gain.



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4Q and FY2014 Guidance

- ❑ Gross revenues expectations
 - ❑ 4Q14: RMB 1,625 million to RMB 1,675 million, representing a growth of 0.95% to 4.06% year over year.
 - ❑ FY2014: Lowered to RMB 6,675 million to RMB 6,725 million due to the continued soft market environment, fewer new leased-and-operated hotels planned for the year, and a lower than expected RevPAR in mature hotels' performance.
 - ❑ Nevertheless, the Company expects to deliver year-over-year profitability improvement in the fourth quarter of 2014.
- ❑ New hotel opening expectations
 - ❑ Continue to plan to open no fewer than 450 new hotels in 2014, reflecting approximately 50 new leased-and-operated hotels, including the acquired Fairyland hotels (formally known as Yunshang Siji). The balance is expected to consist of no fewer than 400 new franchised-and-managed hotels.



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Q&A