

## T. H. Data Flash – China Lodging Group, Ltd. – 1Q18

April 13, 2018

**Expect Better 1Q18 Performance on Higher RevPAR and Hotel Room Volume; Maintain BUY**

**HTHT: BUY**  
**Price: \$131.00**  
**Target Price: \$175.00**

HTHT's 1Q18 performance is likely to be better than consensus driven by both the growth in hotel room volume as well as average ADRs. Based on our proprietary data and calculations, we believe total revenue is likely to grow 30.8% Y/Y to reach RMB2,083.0M in 1Q18, higher than topline consensus at RMB2,001.4M (25.6% Y/Y growth). We maintain our BUY rating.

**52 Week Range:** \$58.56 - \$166.19  
**Market Cap:** \$9.2B  
**Avg. Daily Vol. (100 day):** 570,242  
**3-Yr. Est. Rev. CAGR:** 19%

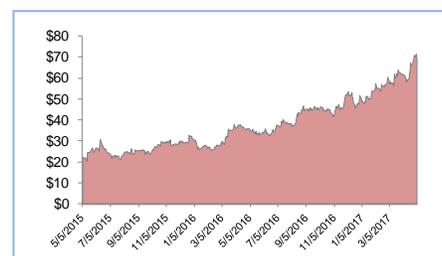
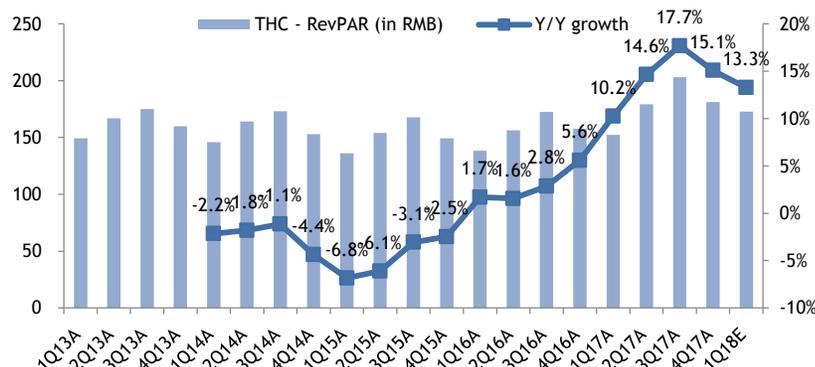
- **Expect better 1Q18 results on higher RevPAR** – According to our data and model, total revenue is likely to grow 30.8% Y/Y to reach RMB2,083.0M in 1Q18, higher than topline consensus at RMB2,001.4M (25.6% Y/Y growth) and tops the high end of its guidance range of 27% - 29% growth, driven by the increase in RevPAR as well as the increase in hotels/hotel rooms in HTHT's network.
- **RevPAR up Y/Y driven by ADR growth** – RevPAR is likely to be RMB173 in 1Q18, up 13.6% Y/Y from RMB152 in 1Q17 (Figure 1), driven by ADR growth from RMB182 in 1Q17 to RMB208 in 1Q18 (Figure 2), while occupancy rate is likely to be at about 83.0% in 1Q18, largely flat with 83.9% in 1Q17 (Figure 3). For the month of March, RevPAR is likely to increase 17.5% Y/Y, occupancy rate is likely to increase 4.4% Y/Y and ADR is likely to increase 12.5% Y/Y.
- **Number of hotels available for booking on Huazhu official website** is likely to be about 3,841 in 1Q18, up 25.9% Y/Y (Figure 4).
- **Please see page 2 for a discussion of valuation and risks.**

FY (Dec)	2017A	2018E	2019E
Q1	1,593A	2,034E	2,357E
Q2	1,989A	2,434E	2,846E
Q3	2,373A	2,764E	3,254E
Q4	<u>2,215A</u>	<u>2,521E</u>	<u>2,954E</u>
FY Net Rev.	8,170A	9,754E	11,411E
Q1	2.06A	3.41E	3.27E
Q2	5.41A	6.27E	7.59E
Q3	6.50A	8.38E	10.01E
Q4	<u>3.13A</u>	<u>4.43E</u>	<u>6.32E</u>
GAAP EPS	17.10A	22.49E	27.20E
PE	56.3x	47.3x	47.3x
EBITDA	\$362.9A	\$467.5E	\$561.3E
EV/EBITDA	24.4x	18.4x	15.3x

\*GAAP EPS  
 All figures in millions unless otherwise noted

For the full version of this report, please contact TH Capital.

Figure 1: RevPAR of HTHT, 1Q13 - 1Q18E



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Source: T.H. Data ([www.thdata.com](http://www.thdata.com))

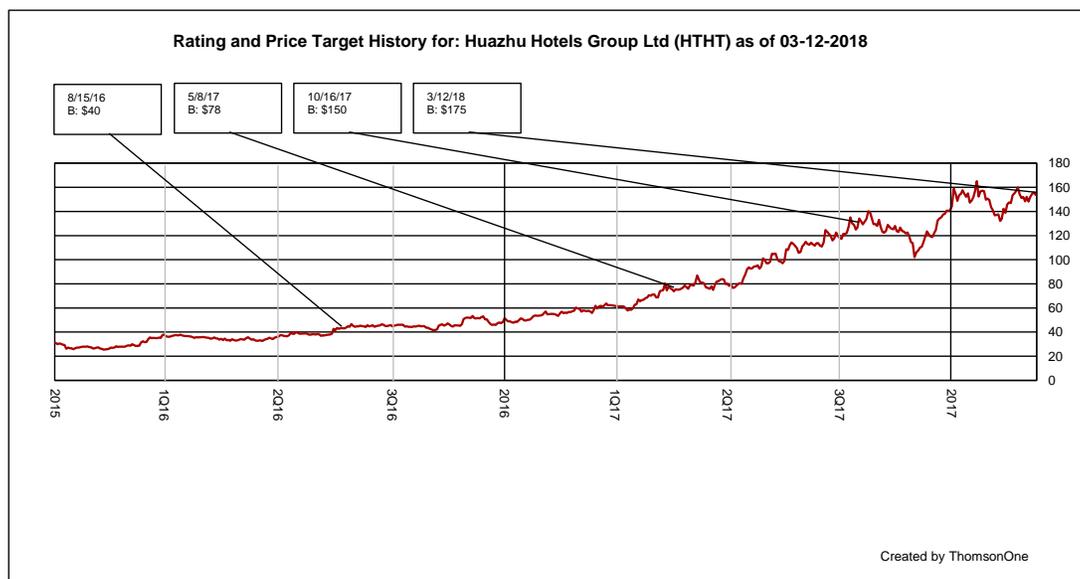
- **Valuation and price target** – We maintain our BUY rating and price target of \$175.00. Our price target of \$175.00 is based on a forward EV/EBITDA multiple of 21.8X our 2019E non-GAAP EBITDA projection at \$561.3M (or \$7.51 per share).
- **Risks** – Beside the risks mentioned in its annual filing, we also want to point out the following: 1) given the price increase in China's commercial property market, the inability to renew property leases may become reality; 2) failure of new acquisitions, 3) failure to integrate acquisitions; and 4) increasing labor and rental cost.

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