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# EDITED TRANSCRIPT

Q4 2020 Trip.com Group Ltd Earnings Call

EVENT DATE/TIME: MARCH 04, 2021 / 12:00AM GMT

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## PRESENTATION

### Operator

Thank you for standing by, and welcome to the Trip.com Group 2020 Q4 Earnings Conference Call. (Operator Instructions)

I would now like to hand the conference over to Michelle Qi, Senior Director. Please go ahead.

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### Michelle Qi *Trip.com Group Limited - Senior IR Director*

Thank you. Good morning, and welcome to Trip.com Group's 2020 Q4 Earnings Conference Call. Joining me today on the call are Mr. James Liang, Executive Chairman of the Board; Ms. Jane Sun, Chief Executive Officer; and Ms. Cindy Wang, Chief Financial Officer.

During this call, we will discuss our future outlook and performance, which are forward-looking statements made under the safe harbor provision of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, our results may be materially different from the views expressed today. A number of potential risks and uncertainties are outlined in Trip.com Group's public filings with the Securities and Exchange Commission. Trip.com Group does not undertake any obligation to update any forward-looking statements except as required under applicable law.

James, Jane and Cindy will share our strategy and business update, operating highlights and financial performance for the fourth quarter of 2020 as well as outlook for the first quarter of 2021. After the prepared remarks, we will have a Q&A session.

With that, I will turn the call over to James. James, please.

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### Jianzhang Liang *Trip.com Group Limited - Co-Founder & Executive Chairman*

Thank you, Michelle. Thank you, everyone, for joining us on the call today.

Looking back at 2020, it was a year filled with both challenges and opportunities. Despite the negative impact of the pandemic, we have continued to innovate our products, improve our service and strengthening collaboration with our partners. Such results demonstrated our strong resilience and helped to make us stronger as a company. As a result, we further gained market share across our product lines as domestic China maintained a strong recovery momentum throughout the year. We are fully prepared to take additional market share in upcoming global recovery.

Going forward, we'll continue to focus on the domestic market in terms of supply chain, product innovation, content capabilities, quality and technology. At the same time, we are pushing ahead with our global ambition for international travel recovery and seeking for opportunities in the long run. Our focused efforts have not only in our products gained additional market share during the pandemic, but also laid solid foundation for new growth drivers beyond COVID.

Today, I would like to shed some light on the latter. First of all, product supply chain is our core competence which have built over the decades of operation. Therefore, we are best positioned to expand the breadth and depth of our product offerings to capture users involving demand such as the unique and in-depth experiences as alternative for outbound travel and short-haul and the staycation trips, which are incremental to the typical long-haul plans. This is a near-term goal that has already started to bear fruit. We are glad to see reservation for short haul travel and in-destination activities achieved strong year-over-year growth despite industry fluctuation in the past winter. Secondly, we are working hard to strengthen our content capability, which is highly synergistic with our core product business and can bring meaningful revenue sources in the years to come.

We expect to follow a 3-step strategy in developing our content road map. First, we will continue to enrich content selections in terms of category and formats. We believe comprehensive content offering will help attract new users and improve engagement in terms of frequency and time spent with our apps.

Next, we will strengthen the integration of content generation, effective recommendation and product innovation to improve conversion rates, especially for the short-haul products. A complete loop from content to transactions will form a virtuous cycle to benefit our sustained growth.

Third, the deep integration of content capabilities, products and our quality, user base and extensive marketing network enables us to serve as a tourism marketing hub for branding, promotion and other marketing activities, leading to incremental revenue opportunity in tourism and the pan-industry advertising and marketing.

Last but not least, we continue to upgrade our service quality and technology capability. In order to safeguard a smooth and effortless delivery of our products to our end users, we remain our core competencies and we'll continue to invest and further our leadership compared with peers in the travel space.

Finally, looking beyond COVID, we remain deeply excited by the global travel opportunities. We believe that the international markets present an attractive long-term growth potential for a one-stop travel platform, one that could be multiple of China's domestic market. Particularly for international travel partners, Trip.com Group is uniquely positioned to reach a truly global audience through our brand portfolio from a marketing perspective.

With that, I will turn the call over to Jane for our operating highlights.

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**Jie Sun *Trip.com Group Limited - CEO & Director***

Thanks, James. Good morning, everyone. I would like to start with a quick overview of Q4 and full year of 2020.

Despite the industry fluctuation and a weaker seasonality in the winter in Q4, we are glad to see that Trip.com Group delivered solid performance and consistently outgrow the industry average across the product lines. Total net revenue saw a further narrowed year-over-year decline in Q4 to 40% as domestic accommodation reservation, air ticketing business, ground transportation and other domestic travel products recovered nicely in Q4. In addition, we achieved positive non-GAAP profit margin of 10% in the fourth quarter. On a full year basis, our core OTA brands delivered GMV of RMB 395 billion or USD 61 billion, again, leading the industry worldwide. For full year 2020, thanks to our efficiency improvements and a strong cost control, we were able to achieve 2% non-GAAP operating profit margin.

Today, I would like to share some operating highlights in 4 areas. First, mid- to high-end travel market. Second, lower-tier city penetration. Third, our new strength in higher frequency categories. And fourth, improvements of our content capabilities.

First, we continue to improve our product competitiveness and increased market share in the fourth quarter, especially in the mid-to-high-end market. Our mid-to-high-end hotel bookings reached double-digit growth year-over-year, far exceeding the industry average by 15% to 20%. In addition, high-quality niche and boutique travel has become an important alternative for our previously outbound customers. We saw an average spending on domestic packaged-tours grew significantly year-over-year in the fourth quarter,

especially for our mobile users.

Second, we gained further market share in the lower-tier markets. In 2020, more than 40% of our new customers came from third-tier cities and below. Transportation products has become important channels to acquire new users with whom we can cross-sell other product.

Third, as James mentioned, we worked hard to unlock our new strength in highly frequent categories such as short-haul and staycation. We attracted more diverse and high-quality partners to our platform to expand our product offerings and also broaden the scope of collaboration with existing partners. The number of our in-destination activity suppliers increased by over 25% year-over-year by the end of last year.

As a result, short-haul and local travel has become a key contributor to our recovery. In the fourth quarter, our hotel GMV for the same province stays increased by over 20% year-over-year and reservation for attraction and activities increased almost 100%. Such strong performance for short-haul and local travel extended into the past Chinese New Year holiday. Compared to the same period in 2019, our hotel GMV for the same province stays achieved 20% year-over-year growth and reservation for local attractions and activities more than tripled.

Over the past year, we focused on improving our content offering. We achieved -- we believe the content will generate unique and long-term, long-lasting value in user engagement as well as the new earnings power. By the end of 2020, our content channels contribution to the total app traffic more than doubled compared to the beginning of the year and the visit time of our information feeds more than tripled during the year. Our livestreaming and special deals channel have now become a place where people come to find attractive deals, which contribute approximately 5 billion GMV during the past year.

We are also glad to see the initial development in advertisement revenue opportunities. Our domestic advertising and marketing revenue increased significantly year-over-year in the fourth quarter and maintained an overall positive growth throughout the year. In the future, we will continue to build our content ecosystem with concerted efforts. The ecosystem will enable our users' engagement and make our platform a comprehensive marketplace.

Turning to the year of 2021, the domestic travel demand remained resilient despite industry headwinds due to the small outbreaks and tightened travel restrictions during the Chinese New Year holiday. Our domestic hotel and air reservation quickly rebounded post the holiday and reached full recovery recently compared to the same period in 2019. We are fully confident that the domestic market will come back with the growth trajectory in the year of 2021 due to the effective pandemic control and wide distribution of vaccines.

Around the world, cross-border travel is still under pressure. However, the domestic travel under Trip.com has started its recovery. According to China Tourism Academy, an increased distribution of effective COVID-19 vaccine worldwide, global travel will resume orderly in the new year. We are optimistic and will be fully prepared to take advantage of upcoming recovery in the international travel.

Finally, I would like to thank our team again for their dedicated efforts and commitment in maintaining quality service during this challenging time. As always, we are committed to leading the best-in-industry practice for all our stakeholders, including our customers, business partners, employees, shareholders and communities.

Last year, we released our first ESG report which covered our approaches and efforts in developing an inclusive workplace, promoting responsible travel and providing quality user experience. Going forward, we will continue to improve our efforts in ESG to lead our sustainable growth in the long term.

With that, I will now turn the call over to Cindy.

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**Xiaofan Wang *Trip.com Group Limited - CFO & Executive VP***

Thanks, Jane. Thanks, everyone.

For the fourth quarter of 2020, Trip.com Group reported net revenue of RMB 5 billion, representing a 40% decrease from the same period in 2019. The further narrowed decline reflects a continued recovery of our China domestic market, especially for short haul and staycations.

I'd like to first go through some business highlights that drives the recovery of our domestic revenues. Accommodation reservations for China domestic market sustained positive growth in Q4 with mid- to high-end hotel reservations growing at double digits and intra-province hotel GMV grew by more than 20%. Domestic air revenue maintained positive year-over-year growth in Q4 despite the higher base in the previous year with transportation bookings for early Chinese New Year holiday. Reservations for domestic in-destination activities achieved a strong growth during the quarter, mainly driven by short-haul trips. Recovery for domestic packaged product was lower due to industry fluctuations with small outbreaks of COVID cases in this quarter.

International business is still under pressure. However, similar to what we experienced in China, our brand, Trip.com, also saw strong growth for domestic hotel reservations in many markets.

Gross margin was 82% for the fourth quarter of 2020, increased from 79% for the same period in 2019 and 81% for the previous quarter. The increase of gross margin was mainly helped by favorable change in product mix and continued improvement in service efficiency. In the mid to long term, we still expect the gross margin to be around 75% to 80%.

Total non-GAAP operating expenses decreased by 36% from the same period in 2019 and increased by 14% from the previous quarter, thanks to our largely flexible cost expense structure and efficient operating management. During the past year, we have further streamlined our operations across business lines in addition to certain adjustments related to COVID. In addition, our improvement on content and cross-selling have further lifted the marketing efficiencies.

Product development expenses for the fourth quarter decreased by 20% to RMB 2.2 billion from the same period in 2019 and increased by 8% from the previous quarter. The sequential increase was mainly due to the normalization of our personnel arrangement.

Sales and marketing expenses for the fourth quarter decreased by 50% to RMB 1.2 billion from the same period in 2019 and increased by 9% from the previous quarter. The sequential increase was mainly due to the increased marketing spending in response to continued travel demand recovery.

Excluding share-based compensation charges, non-GAAP operating margin was 10% for the fourth quarter of 2020 compared to 12% in the same period in 2019.

Diluted earnings per ADS were RMB 1.65 or USD 0.25 for the fourth quarter of 2020. Excluding share-based compensation charges and fair value changes of equity security investments and exchangeable senior notes, non-GAAP diluted earnings per ADS were RMB 1.75 or USD 0.27 for the fourth quarter of 2020.

As of December 31, 2020, the balance of cash and cash equivalents, restricted cash, short-term investment held to maturity time deposit and financial products was RMB 59.6 billion or USD 9.1 billion.

Now turning to the first quarter of 2021. As James shared early, we saw significant variability in the booking trend in the first 2 months of 2021, mostly due to COVID-related travel restrictions during the Chinese New Year. Our visibility for the full quarter is still very limited as of today due to the ongoing volatility of the recovery pace and the short booking window. Therefore, we will not provide a full quarter guidance this time. Instead, I'd like to share some color on our recent performance.

We have sustained better-than-industry performance across major business lines. And in the first quarter of Q1 -- in the first half of Q1, the recovery of our domestic hotel reservation led the industry average performance by around 15% against the same period of 2019. In particular, hotel reservations for intra-province travel and in-destination activity reservations maintained solid growth.

After the holiday, we've seen that travel demand quickly rebounded and our hotel and air ticketing achieved a full recovery recently

compared with the same period in 2019. We remain fully confident on the general trend that the domestic market is getting back to the growth trajectory and increasingly more positive on the potential reopening of international travel, encouraged by the wide availability of vaccines and relaxation of travel restrictions. We are fully prepared to continue gaining market share, capturing the opportunities during the recovery domestically and internationally.

With that, operator, please open the line for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question comes Alex Yao from JPMorgan.

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#### **Alex C. Yao JPMorgan Chase & Co, Research Division - Head of Asia Internet and New Media Research**

So I have a question on the content strategy. James, you talked briefly on your content strategy in the prepared remarks. Can you elaborate a bit more on the strategy? Particularly from a competition perspective, how do you plan to compete against the more established content platforms with exposure to travel such as Xiaohongshu and Douyin?

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#### **Jianzhang Liang Trip.com Group Limited - Co-Founder & Executive Chairman**

Yes. First, we are the largest travel transaction platform in China, so many of our users are already used to writing authentic reviews and travel journals on the platform. But more importantly, our strong product and transaction capability allows to make content-to-transaction conversion easy and frictionless. For example, our livestream channels delivered the highest conversion rate in travel industry last year. So for these reasons, we are confident to see that we will be one of the go-to platforms for users that seek both travel inspirations and values for care in the short-haul and long-haul travel demand.

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### Operator

Your next question comes from Thomas Chong from Jefferies.

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#### **Thomas Chong Jefferies LLC, Research Division - Equity Analyst**

Congratulations on the recovery after Chinese New Year. My question is more about the competitive landscape in lower-tier cities. Can management talk about the pricing trend in lower-tier cities as well as our strategy in lower-tier cities this year?

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#### **Jie Sun Trip.com Group Limited - CEO & Director**

Yes. For the lower-tier cities, we are putting a lot of efforts fully utilizing the comprehensiveness of our platform. First of all, our transportation products offer the leads for us to further penetrate into the lower-tier cities and our cross-sell capability enable us to cross-sell all the products on our platform.

Secondly, not only we have online platform, we also have thousands of the lower-tier cities offline stores, which enable us also to sell products in these cities. We will be able to input even more products, including hotel, transportation products, packaged tours, local activities into these offline stores as well to enable us to further penetrate into these cities.

And thirdly, because of the upcoming trend, we are also making sure our product is very competitive in terms of coverage as well as the pricing to make sure the people in these cities get the best deal when they select products from different product lines. So our efforts for the lower-tier cities is going to be strengthened.

And also, we have special teams to look at specific markets such as for people who are retired, et cetera. These segments also present different opportunities for our new businesses.

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### Operator

Your next question comes from Ronald Keung from Goldman Sachs.

**Ronald Keung Goldman Sachs Group, Inc., Research Division - Executive Director**

I guess my question kind of follows on the competitive landscape. Particularly, I want to hear about the hotel. Given a very good performance, you mentioned 15 percentage points above the industry. I see that should be the overall industry. How do we see that amongst the online players? With more booking online I see, so [that way] online penetration for hotel for the overall industry now for online penetration. And between, say, ourselves plus our associate, Kaohsiung, how do we see ourselves doing amongst -- within the online trend maybe versus other players, including the Meituan and other players in -- within the online space?

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**Jie Sun Trip.com Group Limited - CEO & Director**

For the hotel business, the majority of the hotel booking still is offline. So with the concerted efforts by every player, there are more volumes moving online, and we are gaining a lot of shares through these movements. As we discussed from lower-tier -- from mid- to high-end, we are outpacing the industry growth by 15%, gaining market share in that segment. In the lower-tier cities, we are also putting concerted efforts to make sure our price is the best, penetrating into the lower-tier cities. And thirdly, we also offer a comprehensive one-stop shopping platform to everyone who are interested in using our platform to travel. So all these efforts give us the advantage leading the industry growth.

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**Operator**

Your next question comes from Binnie Wong from HSBC.

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**Wai Yan Wong HSBC, Research Division - Head of Internet Research of Asia Pacific & Analyst**

I have 2 questions here, 2 short questions. One is also a follow-up on the competitive landscape in the domestic market. We understand that some of your peers are stepping up subsidies, right, and especially even like to the hotel, right, on the hotel side. So how do we see that would trend in terms of like on the subsidies side? Do you have to step up on that? Especially, you also see sales and marketing step-up in the fourth quarter.

And then also, I guess, your thoughts in terms of our cross-selling efforts, right? In terms of like when you get like a retention and also the cross-selling, any metrics that you can share with us for us to see in terms of our user retention and also cross-selling? That will be very helpful for us to better understand our strategy for the year.

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**Xiaofan Wang Trip.com Group Limited - CFO & Executive VP**

Yes. With regard to the competition, I think our strategy is, as Jane explained, our strategy is quite consistent and also time-proven.

For the high-end hotels, price subsidy have been proved ineffective. We keep focusing on strengthening our core competence in the inventory service as well as the content. Especially during the pandemic, we not only strengthened our collaborations with our hotel partners by launching a broader range of room and non-room offerings at very attractive prices, but also developed preorder offerings, which allow our users to lock in a competitive pricing while enjoying great flexibilities in determining the actual travel date. We also launched the channels like short-haul holidays and fresh sales to help hotels run targeted marketing.

These are -- these kind of efforts, to some extent, further strengthening our strategic partnership with almost all the major mid- to high-end hotels in the China market. Therefore, our market share increased significantly against peer players. And we are very confident that we will continue to leading the edge.

For the low-end hotel, well, in this segment, we did notice that customers tend to be more price-sensitive. Therefore, we will continue to lead the price competitiveness in the targeted market and acquire new users with competitive lower-end hotels. We also work very closely with our third-party partners, especially in the Tier 4 and Tier 5 cities, to help our inventory grow market share against the peers in this segment. As our low-end hotel business has very limited contribution to our total revenue as well as the net profit, any competition in this area have limited impact to group level financial performance.

In the long run, our value proposition is much more sustainable for hotels as we focus on bringing new customers and incremental demand from other places instead of serving as just inserted paid channel to bring hotels' existing local demand online.

**Wai Yan Wong HSBC, Research Division - Head of Internet Research of Asia Pacific & Analyst**

Okay. May I just have a quick follow-up also on the margin side? If we think about like the margin, because 3Q, we see very good margins and I think 4Q is because of seasonality and also our high investments, any structural positive drivers we should expect in 2021 on the margin side?

**Xiaofan Wang Trip.com Group Limited - CFO & Executive VP**

Yes. The total non-GAAP cost and operating expenses decreased around 39% year-over-year in Q4 largely -- thanks to our largely flexible cost expenses structure and very efficient operating management.

During the past year, we have further streamlined our operation across business lines in addition to certain adjustments related to COVID. In addition, our improvement on content and cross-selling has further lifted the marketing efficiency. Our non-GAAP sales and marketing expenses increased -- now in the Q -- looking forward in 2021, we expect a modest increase in our personnel expenses in 2021 while we did expect that the total head count will largely be stable, especially for our core businesses.

Sales and marketing expenses are largely discretionary and we adjusted in accordance with our business recovery. And we will continue to adopt an ROI-driven strategy. We believe our improvement on content and cross-selling will help improve our marketing efficiency, but at the same time, we will also reserve certain budgets in the short term to develop our strategic -- long-term strategic project, for example, the content ecosystem and to prepare for the recovery and our potential growth in the international market.

**Operator**

(Operator Instructions) Your next question comes from Jed Kelly from Oppenheimer.

**Jed Kelly Oppenheimer & Co. Inc., Research Division - Director & Senior Analyst**

Just sort of looking at like big picture, the global OTAs and online travel, there's a lot of investor enthusiasm that these companies are going to emerge from the pandemic with structurally higher margins. Do you see that's the case for you? Do you think you can come out of this with higher margins?

**Xiaofan Wang Trip.com Group Limited - CFO & Executive VP**

Yes. As I explained, I think that the -- in terms of the long-term margins, we still think -- although in the very short term, because of the volatility on the top line, we -- especially for the Q1 as well as the 2021, we probably cannot provide at this moment a clearer guidance in terms of the margin. But in the long run, we still think the original 20% to 30% margin is very achievable for us.

Compared with the international peers in terms of sales and marketing efficiencies, Trip.com probably is the most efficient player in the market because we -- as always, we focus on gaining market share by growing our own customer, especially the mobile app customers. And we will continue to focus on this. And in addition, this year, because of the pandemic, we also noticed the content product will help significantly improve our conversion rate as well as the stickiness of our users. Therefore, we think we can have some leverage, especially compared with the global peers on the sales and marketing side.

**Operator**

Your next question comes from James Lee from Mizuho.

**James Lee Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Internet Sector Analyst**

Jane, maybe can -- is there any way you can help us understand maybe some of the policy support for the travel industry that's coming up this year? And what kind of signs should we look for, for a possible lifting and restriction for outbound travel? Should we think about those signs as widely available vaccine in Asian countries? Or would the government kind of consider reestablishment of the green channel that we talked about earlier?

And also, kind of as we look beyond the pandemic right now, do you have a sense, when you talk to hotel partners in general, they'll rely more on the OTAs? Certainly, we saw that trend in the U.S. as OTA gained market share post the financial crisis. Just curious what you're thinking there.



**Jie Sun *Trip.com Group Limited - CEO & Director***

Let me illustrate the answers in a couple of layers. First of all, for domestic travel, during the January and February time frame during the winter season, there were small outbreaks of the virus. So we stay put for the whole country, very quickly contained the small outbreaks. And after the Chinese New Year, we have seen very good recovery for domestic travel. So we expect the Chinese domestic travel will have a very strong rebound this year. And our team is very well prepared in terms of service capability, content generation, our technology investment. So we are very positive in full recovery for the Chinese domestic travel.

Secondly, with the vaccine is being adopted by more and more countries, there are a couple of things we would like to see. First of all, for medical experts across the world, they need to form a consensus in terms of -- for the people who have taken medicines -- taken vaccines, how long do they need to be quarantined when they return to their home country or when they enter into another country, if any. Secondly, with the consensus built by the global medical experts, every country will form their policy in terms of opening up green lanes, opening up special channels for travelers. And thirdly, once the countries, every country has their policies ready, OTAs with a strong investment in technology, we will make sure the cross-borders information as well as the service capability is coupled with the policy imposed by every country and make sure all the information and services is very well supporting our customers when they go across. So our team is making the right investment in terms of information assimilation, in terms of the technology capability to support our customers.

Now looking into different continents, we believe China, in most nation, controlled the virus very well. So the domestic travel is leading the recovery among all the global players. And secondly, many countries in Asia have also demonstrated their abilities to well control the virus. Countries such as Singapore, Japan, Korea have them very well. So we expect this country in domestic will recover very well and we are hopeful that with the effectiveness of the vaccine, we will be able to see some kind of recovery in green lanes in limited travel as the test of the water, leading the recovery for cross-border transactions.

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**Operator**

Your next question comes from Natalie Wu from Haitong International.

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**Yue Wu *Haitong International Research Limited - Research Analyst***

Just some follow-up with the sales and marketing question. I want to get a rough sense of your propelled sales and marketing plan in the first half of this year given your full recovery of domestic business post the Chinese New Year. And wondering if there's any change of sales and marketing spending ROI-related criteria loosening or tightening across different channels during the pandemic.

Also wondering if you can give us an update of your app MAU last year, and how much of that is really a cloud first-time user and if you have observed any new demographic features and cohorts, that would be grateful -- that will be great.

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**Xiaofan Wang *Trip.com Group Limited - CFO & Executive VP***

Thank you, Natalie. The sales and marketing expenses for us are largely discretionary. And we will continue to monitor our returns based on our ROI. And the criteria is pretty consistent, not losing -- or tightening our ROI threshold, but we will swiftly adjusted our sales and marketing budget based purely on the return.

And starting -- as we explained, starting from last year, we did notice that the content as well as the content, including the, for example, the livestreaming as well as the fresh sell, significantly helped us to improve our conversion rate. Therefore, our overall marketing efficiencies has been improved.

And moving into 2021, we will continuously to make investment in our content product. And hopefully, our marketing efficiencies will continuously improving.

Sorry, what's your second question?

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**Yue Wu Haitong International Research Limited - Research Analyst**

About new users. Firstly is about your MAU. Just wondering if you can give us an update of your MAU last year. And how much of that is the like newly acquired first-time new user. And also the -- if there's any new demographic figure or user cohorts related with the new users?

**Xiaofan Wang Trip.com Group Limited - CFO & Executive VP**

Yes, our app MAU has been quite consistently increasing, especially with more and more content in our app. We did see -- we did notice the timing -- the stickiness of our users increased significantly.

In terms of new users, we did notice that more and more percentage of our new users coming from the lower-tier cities, especially coming from the third, fourth as well as 5-tier cities. They may not make a booking at the first time, but they will spend some time looking at the content that we provide on the app at the beginning.

**Operator**

Your next question comes from Alex Poon from Morgan Stanley.

**Chun Man Poon Morgan Stanley, Research Division - Equity Analyst**

My question is mainly related to the overall new revenue opportunities coming out of COVID. In the post-COVID world, you mentioned actually many things, particularly I want to understand the content strategies and how this new content strategy can drive up the long-term conversion -- paying user conversion? And also, you talk about many other things, actually like advertising, short haul, location, local attraction, cross-selling, lower-tier city, efficient marketing, higher online penetration. So trying to understand on an overall basis, not just domestic market and also the international opportunities, how much -- how should we quantify all these new revenue opportunities as we go out of COVID?

**Jianzhang Liang Trip.com Group Limited - Co-Founder & Executive Chairman**

Yes. I think this is a new space for us. We traditionally only made most of our money from commission. So it's really coming out of the sales budgets of airlines and destinations and hotels. Of course, as we know, they also have a marketing budget and branding budget, probably just as large and the same order magnitude, and it's just as large as the sales budget. So this is the area that we hope to, through our marketing and platform and our content capability, be able to tap into in the near future.

**Jie Sun Trip.com Group Limited - CEO & Director**

Yes. In addition, as we have seen, China's infrastructure has been developed quite significantly, penetrating into many areas. And China is a very big country. So during the lockdown period, James and I and our team have been visiting different provinces. And there are great potential, leading our customers not only to the most famous attractions, but also many, many other newly developed attractions. So the staycation, local attractions represent new opportunities for us to gain market share.

And lastly, I think we are also be very prepared to further taking market share when the cross-border transaction opens. I think this is a great opportunity. Almost every country, all the travel industry-related job opportunities being depressed during this pandemic. So there is a thirst of the demand for us to drive the volume into this area. So we are working very closely with players in the global places to make sure once the vaccine is adopted, once the cross-border transaction take place, we'll be very well prepared to bring the Chinese customers into these areas.

**Operator**

Your next question comes from Brian Gong from Citigroup.

**Brian Gong Citigroup Inc. Exchange Research - Research Analyst**

So my question is regarding the margins. So we have done a lot of cost-saving measures in secondary (inaudible) 2, which are also reflected in our financials. So my question is, if we assume full recovery of outbound and international travel and a decent growth on domestic travel, say, in 2022 or 2023, what would our operating margin be under that scenario compared to pre-COVID-19 level?

**Xiaofan Wang *Trip.com Group Limited - CFO & Executive VP***

Yes. We -- although there are some fluctuate -- volatilities in the margin due to the COVID, but in general, we're still targeting at 20% to 30% non-GAAP operating margin, which we think is very achievable if everything resumed as normal.

**Operator**

Your next question comes from Tian Hou from T.H. Capital.

Apologies that questioner has disconnected. That does conclude our time for questions. I would now like to hand the conference back to Senior Director, Michelle Qi.

**Tianxiao Hou *T.H. Capital, LLC - Founder, CEO & Senior Analyst***

Hello? Hello? Hello?

**Operator**

She's back.

**Jie Sun *Trip.com Group Limited - CEO & Director***

Hi, Tian.

**Xiaofan Wang *Trip.com Group Limited - CFO & Executive VP***

Hi, Tian.

**Tianxiao Hou *T.H. Capital, LLC - Founder, CEO & Senior Analyst***

I was muted. Okay, this is the question. So first, I'd say congratulations on Q4. It's really not easy to bring back the top line, bottom line back to almost normal.

So as the company refocus the business to domestic -- and then I do believe domestic is going to be really great in 2021. So the company did mention a lot of possibilities. So in the short-haul and the high-frequency product in the travel market, what's the company's plan to develop into it? And what is our advantage? That is my question. So I'm very excited for these 2 products, so I want to know more details about it.

**Xiaofan Wang *Trip.com Group Limited - CFO & Executive VP***

Thank you, Tian. First of all, I think we -- as we, yes, are very focused on the travel verticals, all the content will be more relevant for our customers look for their, for example, their weekend getaway of staycations and scene tours. And secondly, thanks to our very strong product team, our short-haul and staycation product, especially the hotel and hotel-related packages, are very competitive in terms of both pricing as well as the coverage. Our livestreaming and special deals channels have become the go-to platform for travelers that seek value-for-money deals. The travel market is immense and we are confident that our growth potential will be further unlocked, especially in the quality travel market segment.

**Operator**

That does conclude our time for questions. I would now like to hand the conference back to Senior Director, Michelle Qi.

**Michelle Qi *Trip.com Group Limited - Senior IR Director***

Thank you. Thanks, everyone, for joining us today. You can find the transcript and webcast of today's call on investors.trip.com.

We look forward to speaking with you on the second quarter 2021 earnings call. Thank you, and have a good day.

**Jie Sun *Trip.com Group Limited - CEO & Director***

Thank you very much.

**Xiaofan Wang** *Trip.com Group Limited - CFO & Executive VP*

Thank you.

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**Jianzhang Liang** *Trip.com Group Limited - Co-Founder & Executive Chairman*

Thank you.

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**Operator**

That does conclude our conference for today. Thank you for participating. You may now disconnect.

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