

Trip.com
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Corporate Speakers

- Michelle Qi; Trip.com Group Limited; Senior IR Director
- James Liang; Trip.com Group Limited; Co-Founder, Executive Chairman of the Board
- Jane Sun; Trip.com Group Limited; Chief Executive Officer, Director
- Cindy Wang; Trip.com Group Limited; Chief Financial Officer, Executive Vice President

Participants

- Brian Gong; Citi; Analyst
- Alex Yao; J.P. Morgan; Analyst
- Yang Liu; Morgan Stanley; Analyst
- Joyce Ju; Bank of America; Analyst
- Wei Xiong; UBS Equities; Analyst
- Simon Cheung; Goldman Sachs; Analyst
- James Lee; Mizuho Securities; Analyst
- Jiong Shao; Barclays; Analyst

PRESENTATION

Operator^ Good day and thank you for standing by. Welcome to the Trip.com Group 2024 Q4 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question and answer session.

(Operator Instructions)

Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Michelle Qi, Senior IR Director. Please go ahead.

Michelle Qi^ Thank you. Thank you, everyone. Good morning and welcome to Trip.com Group's fourth quarter of 2024 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 Security Litigation Reform Act of 1995. Forward-looking statements involving 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 Security 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 now strategy and business updates, operating highlights, and financial performance for the fourth quarter of 2024 and full year of 2024, as well as outlook for the first quarter of 2025. After the prepared remarks, we will have a Q&A session.

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

James Liang^ Thank you, Michelle, and thanks, everyone, for joining us on this call today.

Over the past year, the travel market has proven to be resilient with people's desire to explore the world and create unforgettable experiences growing stronger. This shift highlights a broader trend. Consumers are increasingly prioritizing experiences that bring joy and fulfillment over material goods. In 2024, our core OTA businesses achieved a GMV of over RMB1.2 trillion or \$169 billion.

At Trip.com Group, we focus on AI innovation as one of our key priorities. Our suite of AI tools is designed to make travel more accessible and personalized.

From the planning phase, we inspire users with tailored recommendations and exclusive deals. Trip best curates, top rated hotels, restaurants, and activities based on millions of user reviews, Trip trends, Trip deals, and Trip events dynamically adjust in real time to reflect the latest traveler preferences.

Itinerary helps users generate travel plans with interactive routes and daily overviews, which can be easily shared with friends and family. Users can also rely on TripGenie for seamless assistance via voice and text commands in multiple languages throughout their journey. Additionally, they receive intelligent updates for hotels, airport transfers, and activities according to their existing itinerary.

In 2024, TripGenie saw traffic surge by 200%, browsing time increased by nearly 100%, and the total number of conversations rise by 200%.

Our international business continues to show robust growth representing 14% of group revenue in Q4 and 10% in 2024. We are also committed to promoting inbound travel as it fosters cultural exchange and creates job opportunities. Every new visitor creates a ripple effect across industries from hotels and restaurants to tour operators, reinforcing the travel ecosystem by investing in initiatives to position our country as an attractive destination. We contribute to sustainable growth that benefits the sector in the long term.

Our commitment to rural revitalization is a key part of our sustainability initiatives by developing country retreats in rural areas. We support local economies by creating jobs and fostering small businesses. By incorporating renewable energy, sustainable

construction practices, and eco-friendly materials, we aim to make our retreats green and sustainable, helping to safeguard the planet for future generations.

Looking ahead, we're excited about the opportunities in the evolving travel market. We remain committed to driving innovation and enhancing the traveler experience, and we look forward to another year of growth and success alongside our partners.

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

Jane Sun^ Thank you, James. Good morning, everyone.

As a quick overview, our net revenue in Q4 grew by 23% year-over-year, reflecting the continued strength of travel demand. For the full year of 2024, our total net revenue saw a year-over-year growth of 20%.

Outbound travel continues to show robust growth, maintaining the positive momentum we observed in previous quarters. The easing of visa application processes and the increasing availability of international flights have further fueled this upward trajectory.

In Q4, the industry-level cross-border flight capacity reached over 80% of the pre-pandemic level. Concurrently, our outbound hotel and air ticket bookings have recovered to more than 120% compared to 2019, consistently outperforming the industry by 30% to 40%.

In 2024, China saw a remarkable surge in domestic travel, with 5.6 billion trips taken. This growth highlights travel's increasingly essential role in Chinese daily lives. As the sector becomes an economic cornerstone, initiatives such as consumption vouchers are expected to further stimulate travel spending and fuel domestic travel. China's inbound travel sector is emerging as a key driver of economic and cultural vibrancy.

The extension of the transit visa to 240 hours and the expansion of visa-free arrangements have led to a remarkable surge in international arrivals. Official data shows that, in 2024, visa applications rose by 20% year-over-year and visa-free entries increased by an impressive 112% from the previous year. This influx is fueled by strong demand from diverse source markets.

In Q4 and full year of 2024, inbound travel bookings on our platforms increased by over 100% year-over-year, with those from visa-free countries rising by over 150%. In response, Trip.com Group introduced free city tours for international travelers transiting via Shanghai in early 2024.

In December, we launched a complementary half-day Beijing tour, offering free shuttle transfers, multi-lingual guided commentary, attraction tickets, and Wi-Fi. Travelers can sign up for the tour at the Terminal 3 of Beijing Capital International Airport. To date, travelers from nearly 50 countries, including Australia, the United Kingdom, Germany, France, and Singapore have participated.

With its rich cultural heritage, stunning landscapes, and favorable travel policies, China's inbound travel market holds immense potential. As global connectivity strengthens, China is well-positioned to become one of the world's most cost-effective and safe tourist destinations.

On the international front, we have strengthened our presence in key APAC markets and successfully expanded into new regions. By leveraging our one-stop-shop model, high-quality service and advanced mobile technology, we have significantly increased our global reach. In Q4, air ticket and hotel bookings on our international OTA platform grew by over 70% year-over-year, with APAC bookings rising by around 80%.

To build on this momentum, we are making strategic investments in technology and talent acquisition. Our 16 global call centers solidify our commitment to maintaining high service standards worldwide. Our workforce has also grown to include thousands of travel professionals across 28 countries, with consistently improving customer service and a global customer satisfaction rate of nearly 90%.

Trip.com has earned multiple accolades, including Contact Center of the Year and Global Support Services of the Year at the International Customer Relations Excellence Awards, as well as Asia's leading online travel agency 2024 at the World Travel Awards. This recognition underscores our commitment to putting customers first, offering 24/7 global support and service to international travelers at every stage of their journey.

The Silver Generation presents another exciting opportunity. With over 100 million active and healthy seniors projected in the coming years, the senior travel market is poised to exceed RMB1 trillion in value. In early 2024, we launched the Old Friends Club initiative to cater to travelers age 50 and above, who now represent 10% of our user base and have 30% higher purchasing power than average. We offer excellent value for money to customers and help suppliers balance demand during off-peak seasons, creating a win-win solution.

Currently, users can choose from over 7,000 travel products across more than 50 trending destinations on our Old Friends Club channel, featuring boutique hotels, hot springs, cruises, and more. We plan to expand our selection to meet growing demands.

In addition to serving the Silver Generation, we are excited about trends among younger travelers. Their increased travel spending is evident in the growing demand for experiences such as live concerts, music festivals, exhibitions, and sporting events. To capitalize on this trend, we have introduced our entertainment plus travel offerings, which integrate entertainment with travel, providing young travelers with unique opportunities for dynamic, culture-rich experiences. Through this initiative, we aim to satisfy their desire for excitement, social connection, and immersive experiences beyond traditional tourism.

Committed to serving diverse travelers with innovative offerings, we align our business practices with a broader sense of purpose. Beyond developing country retreats to create jobs and support local economies, we are dedicated to establishing a comprehensive development framework for the industry, ensuring long-term ecological and social benefits. These efforts elevated our MSCI rating by two levels to an A, and the United Nations Global Compact highlighted our country retreats as a case study.

We also support our employees with various measures. Call center staff can work from home during Chinese New Year to enjoy family reunions. Additionally, we provide global employees with children under 18 an extra three days of paid leave to balance family and career. These initiatives have strengthened our reputation as an exemplary employer, earning us numerous best employer awards for our inclusive and nurturing workplace culture.

In conclusion, the market outlook is promising with significant growth potential. We are well positioned to deliver high-quality travel services globally and remain dedicated to forging partnerships within the travel ecosystem. Together, we aim to achieve mutual success and make a meaningful contribution to the economy.

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

Cindy Wang^ Thanks, Jane. Good morning, everyone. For the fourth quarter of 2024, Trip.com Group reported a net revenue of RMB12.7 billion, representing a 23% increase from the same period last year, and a 20% decrease from the previous quarter. For the full year of 2024, net revenue was RMB53.3 billion, representing a 20% increase year over year. This is primarily due to the resilient travel demand and consumption throughout the year.

Accommodation reservation revenue for the fourth quarter was RMB5.2 billion, representing a 33% increase year over year and a 24% decrease quarter over quarter. We have observed robust growth across our domestic, outbound and international segments. For the full year of 2024, accommodation reservation revenue was RMB21.6 billion, representing a 25% increase year over year.

Transportation ticketing revenue for the fourth quarter was RMB4.8 billion, representing a 16% increase year over year and a 15% decrease quarter over quarter. Our domestic and outbound air bookings continue to exceed market growth. While our international air business also demonstrates strong expansion, for the full year of 2024, transportation ticketing revenue was RMB20.3 billion, representing a 10% increase year over year.

Package tour revenue for the fourth quarter was RMB870 million, representing a 24% increase year over year and a 44% decrease quarter over quarter. The year over year growth was mainly driven by international business, which has increased by around 100%. For the full year of 2024, packaged tour revenue was RMB4.3 billion, representing a 38% increase year over year.

Corporate travel revenue for the fourth quarter was RMB702 million, representing an 11% increase year over year and a 7% increase quarter over quarter. This was driven by more companies adopting our managed corporate travel services.

For the full year of 2024, corporate revenue was RMB2.5 billion, representing an 11% increase year over year. Excluding share-based compensation charges, adjusted product development expenses for the fourth quarter increased by 18% year over year. Adjusted G&A expenses for the fourth quarter increased by 24% year over year. These are mainly due to increase in personnel related expenses.

For the full year of 2024, the combined total of adjusted product development expenses and adjusted G&A expenses increased by 8% year over year. Adjusted sales and marketing expenses for the fourth quarter remained flattish compared to the previous quarter and increased by 45% from the same period last year.

For the full year of 2024, adjusted sales and marketing expenses as percentage of net revenue was 22% compared to 20% last year. The increase was primarily driven by enhanced marketing efforts, particularly focused on strengthening our global business and brand awareness.

Adjusted EBITDA was RMB3.0 billion for the fourth quarter, compared with RMB2.9 billion in the same period last year and RMB5.7 billion in the previous quarter. For the full year of 2024, adjusted EBITDA was RMB17.1 billion, representing a growth of 22% year over year.

Diluted earnings per ordinary share and per ADS were RMB3.09 or \$0.42 for the fourth quarter of 2024, excluding share-based compensation charges and fair value changes of equity securities investments and exchangeable senior notes. Long GAAP diluted earnings per ordinary share and per ADS were RMB4.35 or \$0.6 for the fourth quarter.

For the full year of 2024, diluted earnings per ordinary share and per ADS were RMB24.78 or \$3.39 dollars, excluding share-based compensation charges and fair value changes of equity securities investments and exchangeable senior notes. Long GAAP diluted earnings per ordinary share and per ADS were RMB26.20 or \$3.59. As of December 31st, 2024, the balance of cash and cash equivalents, restricted cash, short-term investment held to maturity time deposit and financial products was RMB90 billion or \$12.3 billion.

As part of our ongoing commitment to delivering value to our shareholders and in line with our regular capital return policy, the board of directors has recently authorized the implementation of strategic capital return initiatives for 2025. These initiatives will include a share repurchase program of up to \$400 million and a cash dividend totaling approximately \$200 million. The cash dividend will be 30 cents per ordinary share and per ADS payable to holders of ordinary shares and ADS of record as of March 17, 2025. Dividends to holders of ordinary shares are expected to be paid on for around March 27,

2025, and dividends to holders of ADS are expected to be paid on or around April 4, 2025.

We believe these initiatives reflect our strong financial position and our continued focus on delivering attractive returns to shareholders.

In conclusion, the continued strength across key business segments underscores our ability to execute effectively and adapt to market dynamics. As we advance into 2025, our enhanced capital return program reaffirms our commitment to delivering value to our shareholders. We remain confident in our strategic direction and are dedicated to fostering sustainable growth and long-term success.

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

QUESTIONS AND ANSWERS

Operator^ Thank you. (Operator Instructions)

One moment as we move to our first question.

Our first question is going to come from the line of Brian Gong with Citi. Your line is open, please go ahead.

Brian Gong^ Good morning, James, Jane, Cindy, and Michelle. Congratulations on these first quarter results. I have a very good question on recent hot topic, AI. You know, with the rise of AI agents and the new large language models, could management share your thoughts? I mean, how do you think all recent exciting development could impact OTAs like Trip.com? Thank you.

James Liang^ Thank you for your question. We focus on the deployment of AI technology throughout our business operations. New AI models present great potential to enhance our services by making travel planning more personalized and efficient.

We believe AI agents will not replace OTAs. Instead, it will complement us. They are likely to replace traditional search engines as primary entry points for traffic, opening new customer acquisition channels for OTAs.

Trip.com provides value that AI alone cannot replicate, particularly in two areas. Firstly, our extensive real-time proprietary travel insights are key to delivering accurate and personalized travel recommendations. Secondly, our end-to-end service model and open platform approach enable us to offer competitive service standards and pricing tailored to diverse customer preferences.

We recognize the vast potential of generative AI in the travel industry and are committed to furthering our investment in this field. We are eager to introduce more user-friendly and valuable features in the future.

Operator^ Thank you. And one moment as we move on to our next question.

And our next question comes from the line of Alex Yao with J.P. Morgan. Your line is open. Please go ahead.

Alex Yao^ Thank you, management, for taking my question and congrats on the quarter. So my question is how do you view the current leisure and business travel demand? How do you view the growth trajectory for 2025? And lastly, what are the primary drivers that's going to support the revenue growth? Thank you.

Jane Sunr^ Thank you, Alex. We have seen hotel industry is very resilient, particularly after COVID is over. The search of the travel demand is really strong. In particular, there are a couple of segments we're targeting in. The first one is the massive travel market. We have seen young people have shown great enthusiasm to travel around the world to visit different sites. Event plus travel is really a trend for young people.

The second traveling force is for the early retired generation. This is the generation which has money, is energetic, and is very curious to explore the world. We have a special package for silver generation. The third driving force is the further opening up of the borders. We have seen many countries offer relaxed visa restrictions to Chinese travelers. That gives another engine for us to bring people around the world.

We also see the recovery of direct flights based on the official data. By the end of this year, direct flights will recover to approximately 90% to 95% of pre-COVID level. All these factors give us a very strong engine for the travel industry's growth.

Going forward, for the next three to five years, we'll make strong investment to further provide excellent services and comprehensive products for our customers around the world. If you look at the Asian market, it's out 150% compared to the China market. It's a huge potential. Our results have shown that we grow in the Asian market outside of China at a rate of more than 80% year over year. We'll keep up with this strong investment to make sure we offer services for the global customers. Thank you.

Operator^ Thank you. One moment as we move on to our next question.

Our next question comes from the line of Yang Liu with Morgan Stanley. Your line is open. Please go ahead.

Yang Liu^ Thanks for the opportunity and congrats on the solid results. My question is that your operating margin reached a record high in 2024 over the past decades. How do you expect the margin to trend in 2025 and beyond? Thank you.

Cindy Wang ^ We actually never set a specific margin target. Instead, we consider margin as a natural outcome of a dynamic business mix and continuous improvement in our operational efficiency across each business unit.

In the near term, we will continue to prioritize our overseas business extension, which are strategic essential for unlocking significant long growth opportunities as well. Additionally, we are also very excited about the transformative potential of AI-driven solutions, which will play a key role in enhancing our operational efficiency, streamlining our operations, and mitigating cost pressures over time.

In the longer term period, we see no structure limitation to our profit margins. It could be comparable to those of our international peers supported by our innovative strategy, global extension, as well as forward-looking investments. Thank you. Thank you.

Operator^ Thank you. One moment as we move on to our next question.

Our next question comes from the line of Joyce Ju with Bank of America. Your line is open. Please go ahead.

Joyce Ju^ Good morning, James, Jane, Cindy, and Michelle. Congrats for the strong results, and thanks for taking my question. My question is recent business trend related. Could management share updates of your performance during the Chinese New Year and post-holiday trend with us? How did hotel apply, such as ADR or take great trends recently? What is the outlook for 2025? Appreciate any colors.

Cindy Wang ^ Thank you. During the Chinese New Year, we observed several encouraging trends. Firstly, the overall travel demand remained very healthy. Many travelers choose to leave earlier or return late to avoid peak traffic, resulting in a more even distribution of demand during and around official public holidays.

And second, travelers expanded their travel radius to more distant destinations, partly thanks to the longer period of the public holiday period, with cross-border trips being particularly popular despite headwinds in certain areas. And our outbound travel booking increased by over 20% year-over-year, while inbound travel maintained triple-digit growth during the Chinese New Year holidays. After the holiday, what we observed is the travel activities maintain a healthy momentum. Thank you.

Cindy Wang r^ For the hotel prices and outlook for 2025, the industry data shows that hotel prices are still below last year's level, but are gradually approaching them. The hotel supply increased to high single-digit percentage year-over-year, reflecting continued market confidence in the travel industry. And we believe the ongoing improvement in the travel infrastructure will further benefit the industry in the longer-term period.

And looking ahead to the year 2025, we anticipate that the growing travel demand and normalizing supply of growth will stabilize the hotel price. Thank you.

Joyce Ju^ Thank you. Cool. Thank you.

Operator^ Thank you. One moment as we move on to our next question.

And our next question comes to the line of Wei Xiong with UBS. Your line is open. Please go ahead.

Wei Xiong^ Good morning, management. Thank you for taking my question and congrats on the very good growth this quarter. My question is about the outbound travel. So could you please update on the outlook for outbound flight capacity improvement this year? Have we seen any impact on outbound travel demand from the recent incident in Thailand, also the higher prices due to FX changes? Also, for our group, our outbound travel growth has consistently been outperforming the industry. How do we keep this performance going forward? Thank you.

Cindy Wang ^ Thank you. Our outbound flight capacity reached over 80% of 2019's level in the fourth quarter and increased further during the Chinese New Year holiday. And according to the CAAC, total international flag capacity could recover to more than 90% by 2025, indicating a double-digit year-over-year growth.

Despite headwinds in certain major destinations, our total outbound booking grew by 20% to 30% during the Chinese New Year holiday. We believe that some travelers just simply switched their destinations. And with regard to the impact from forex changes, as far as today, we see no significant correlation between the forex rates and the international air price so far.

For the continuous outperformed industry growth, what we focus is just by continuously enhancing our product offering, as well as the service quality. And with the continuous investment in the Trip.com business, we are able to further enhancing our international product offerings. To some extent, it will also benefit and fuel our growth for the outbound business travel. Thank you.

Wei Xiong^ Thank you.

Operator^ Thank you. And one moment as we move on to our next question. Our next question is going to come from the line of Simon Cheung with Goldman Sachs. Your line is open. Please go ahead.

Simon Cheung^ Hi, thanks for taking my question and also the presentations. Just one quick question on follow-up on the Trip.com platform. Noticed that you have accelerated growth for over 70% in the fourth quarter. Wondering what is the outlook for 2025, and what are some of the initiatives that you are planning to do? I remember that you did mention now you have coverage of over, I think, 30 countries globally, for example. And then secondly, I think whether you have started to see some response from some of your

local competitors or even some of the global competitors like a Agoda and Booking. Thanks for that. Thank you.

Jane Sun ^ Yes, so for the Trip.com business, it's growing very rapidly. I think we focus on our internal strengths, which includes providing one-stop shopping platform, which makes travel very convenient for our travelers. Secondly, the user's experience is excellent. And thirdly, we also focus on providing excellent customer service to the global customers. And lastly, we also invest heavily in AI. So with all these concerted efforts, we have seen very promising growth going forward. We'll keep up with our efforts.

Travel is a very robust industry. So ever since Trip.com was established, we have seen competition from different players. But our focus has always been to use our internal strengths to provide the best service and best product for our customers. And naturally, our footprint will grow. Thank you.

Simon Cheung^ Thank you.

Operator^ Thank you. And one moment as we move on to our next question.

Our next question is going to come from the line of Jack Yuan with Mizuho Securities. Your line is open. Please go ahead.

James Lee^ Great. This is James Lee at Mizuho. A quick question on inbound travel in general. Sounds like you guys are off to a great start. Just curious what the current contribution or inbound travel to your business and what is sort of expected growth rate going forward? And maybe a big picture question over a longer term several years from now, how should we think about the level of contribution for inbound travel? Thank you so much.

Jane Sun^ Yes, inbound travel has great potential. Globally, if you look at the countries which attracts lots of inbound customers, inbound travel can contribute anywhere between 2% to even 10% of their GDP depending on different countries. For China, we just started the inbound travel. We have given more than 40 countries free visa. We also extended in transit visa from 3 days to 10 days. So that makes the inbound travel very convenient.

Last year, we invited more than 2,000 global partners to Shanghai for a summit. And after that, we contacted four planes to take them from Shanghai to Zhangjiajie, where the movie Avatar was filmed. And the feedback we got was very positive. All the people told us that they were very pleasantly surprised by what they have seen. It's very clean, very safe. People are very friendly. The history is very rich, and the infrastructure is excellent. So we can see as long as we put concerted efforts to promote inbound travel, it can become trillion dollar contribution for this industry.

And Trip.com is very well positioned because our inventory is the most comprehensive. The service is outstanding. So we would like to welcome more friends from all over the world to come and visit us. So this is a very promising field for us to make our investment going forward in the next five to ten years.

James Lee^ Great. Thank you so much.

Cindy Wang ^ Thank you.

Operator^ Thank you. And one moment for our next question.

Our next question is going to come from the line of Jiong Shao with Barclays. Your line is open. Please go ahead.

Jiong Shao^ Thank you very much for taking my question. I'm glad you talked about the enhanced capital return program for '25 earlier. I was just wondering, could you firstly remind us when is the dividend payout date for that \$200 million and for your \$400 million buyback this year? Any updates so far? Have you bought any shares back? Could you also remind us sort of what's beyond this year if you have announced any other program beyond 2025? Thank you so much.

Cindy Wang ^ The dividend payout date for the Hong Kong shareholder is on the March 27th, sorry. And the U.S. shareholders, the payout date is on the April 4th. And in the year 2024, we fully executed the \$300 million share repurchase plan, which reduced approximately 1% of our outstanding shares. And for the year 2025, the board of directors authorized a new capital return program. And this includes a share repurchase program of up to \$400 million and a cash dividend totally approximately \$200 million, effectively doubling the size of our 2024 capital return program.

And looking ahead, we will remain committed to increase our shareholder returns through sustainable business growth while also actively seeking opportunities to further enhance the values through our capital return program. Thank you.

Jiong Shao^ Thank you very much.

Operator^ Thank you. And I would like to hand the conference back over to Ms. Qi for closing remarks.

Michelle Qi^ Thank you. Thank you, 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 our first quarter 2025 earnings call. Thank you. And have a good day.

Operator^ Thank you. This concludes today's conference call. Thank you for participating and you may now disconnect.