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TCOM - Q4 2019 Trip.com Group Ltd Earnings Call

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PRESENTATION

Operator

Thank you for standing by, and welcome to the Trip.com Group 2019 Q4 Earnings Conference Call. (Operator Instructions)

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

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

Thank you, Ben. Thank you, everyone. Good morning. Welcome to Trip.com Group's 2019 Q4 and full year earnings conference call. Joining me today on the call are Mr. James Liang, Chief Executive Chairman of the Board; with Jie 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 safe harbor provisions 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, Jie and Cindy will share on our strategy and business updates, operating highlights and financial performance for fourth quarter and full year 2019 as well as the outlook for the first quarter of 2020.

After the prepared remarks, we will have a Q&A session. With that, I will turn the call over to James. James, please.

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

Thank you, Michelle. Thank you, everyone, for joining us on the call today. 2019 was a formative year for us. We celebrated our 20th birthday and announced the rebranding into Trip.com Group.

Looking back, we are pleased with the solid performance of our team in 2019. Total operating income increased to 94% year-over-year, reaching RMB 5 billion. First, each (inaudible) non-GAAP operating margin reached 19%, right on track to our original targets.



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The continued marketing expansion coincided with our team's rigorous execution expand our share across markets that we operate in. In China, we further listed the multiples of our core business growth rates against the industry, seeing particularly strong user growth from third and second-tier cities. Outside of China, our Trip.com brand has made solid progress entering new markets and gaining market share in APAC region.

By the end of 2019, brand Trip.com is operating in 27 markets and supporting 20 languages. For the full year 2019, our core OTA brands achieved a total GMV of RMB 865 billion or USD 124 billion, up 19% year-over-year. I'd like to thank our team again for delivering excellent results despite certain industry headwinds. The beginning of 2020 has been challenging for the travel industry worldwide due to the novel coronavirus.

Initial outbreak brought tens of millions of cancellations during the Chinese New Year and restrained travel activities after the holiday. Recently, we are encouraged to see signs of the successful containment of the virus container and initial recovery of domestic travel activity. Trip.com Group was the first in the industry to respond to the pandemic with a set of comprehensive protection measures, including safeguard cancellation guarantee policy and our partnership to go forward. As the outbreak evolves over time, we have expanded our guarantee to increase effective the customers worldwide. We are extremely proud of our team, especially customer services for what they were able to achieve during this special time.

Many of them worked over the holidays and after hours in order to handle the sudden spike in customer requests. I'd like to thank all of our teams for their top-quality services and efforts in the joint fight against the impact of coronavirus on our customers and on the company. This further illustrates our belief that people are our most important asset and retaining and motivating talent will always be a top priority. During this period, we received many customer praises on our timely and professional service.

We believe the customer goodwill will translate into long-term engagement and retention, which will support our sustainable growth in the future. We also continue to appreciate the support from our value to partners and have announced a set of measures to help them manage through this difficult period. Along with our partners, we look forward to providing the best travel services -- and products once this outbreak is contained.

Last but not least, we would like to give our highest gratitude to healthcare professionals all over the world, which have been fighting tirelessly to keep everyone safe during the crisis.

I'm pleased to announce that the company will donate 1 million surgical masks to affected countries worldwide and will provide our VIP benefits to healthcare workers in China. Despite near-term challenges, we believe the impact from the novel coronavirus is going to be one-off. We remain confident for the long-term prospects of both the travel industry and our business fundamentals. In the past two decades, the travel industry has witnessed a serious of global health crisis, each time, global travel demand proved its resilience and rebounded strongly after successful containment of the virus. In recent weeks, we are encouraged to see the domestic travel starting to pick up as China continues on its path to recoveries. While the country is still on alert, many local municipalities are rolling out measures to bolster recovery of tourism industry. Nowadays, traveling has become a necessity for more and more people in China and abroad. We believe the coronavirus has not dented the healthy fundamentals of China's travel market, rather it will accelerate industry consolidation and online penetration into lower-tier cities. Similarly, for international markets, we believe that underlying travel demand remains promising, and we expect to see strong recovery once the outbreak is behind us.

With that, I will turn to Jie for our operating highlights.

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

Thank you, James. Good morning, everyone. I would like to start with a quick recap of the last quarter of 2019. Despite the market headwinds around certain destinations, we are glad to see Trip.com Group delivered a solid execution on our strategy. First, for domestic travel market, we continued to expand our market share, especially in targeted second and third tier cities, which accounted for more than 60% of Ctrip's new users. Lower end hotels and transportation products have proven to be effective gateway product for new customers. Ctrip branded low end hotel grew about 50% year-over-year in the fourth quarter. In addition, our offline store continues to act as part of our core strategy to increase our influence in low tier cities. In the markets where we enjoy clear advantages, we have been working to further improve service quality thereby enhancing our competitiveness. For example, over 50,000 hotels have agreed to provide outstanding benefits to our transportation cross-sell customers. The participating hotels have seen significant incremental volume through these programs. Second, for the outbound travel market, certain China

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outbound destinations continued to be impacted by macro headwinds, while others saw growth at even faster pace. In Q4, revenue growth for hotels excluding Greater China destination reached 51% year-over-year. For our overseas brand, Skyscanner made additional progress in increasing its direct booking ratio. Trip.com brand recorded another strong quarter with triple-digit year-over-year growth in international air ticketing volume. As James mentioned, the beginning of 2020 has been challenging with the outbreak of the coronavirus. However, the strong operational efficiencies and the financial resources we have built over the years have prepared us well for times like this. To date, tens of millions of travel orders have been canceled due to the outbreak, totaling over RMB 31 billion in GMV terms. The company was the first in the industry to announce a set of customer protection measures upon initial outbreak, which subsequently extended to become the most comprehensive amongst peers, providing strong backing for our customers. Our safeguard cancellation guarantee policies covers customers in China and abroad who are unable to travel due to the travel restrictions or diagnosis, as well as those who work so hard at the medical front line in the fight against the virus. The outbreak of the virus is unfortunate -- is an unfortunate global development that has affected many families and lives directly and indirectly. We strongly believe it is our responsibility to protect effected customers to the best of our abilities.

The company will take on one-time financial hit as a result. But we believe it is the right thing for us to do for our customers, for our industry and for our shareholders in the long run.

The accumulated customer goodwill will deliver a long-lasting sustainable growth [in the long run] (corrected by company after the call).

Next, I would like to spend a minute to thank our team for their contribution during this special time. Whether remote or on-site, our customer service team worked tirelessly day and night to assist our customers with changes in their travel plans. Many of them sacrificed the holidays and worked for extended hours so our customers could be well taken care of as quickly as possible. New records and milestones were reached which we are extremely appreciative -- which we are extremely appreciative and products. During the Chinese New Year, even though peak core volume was over 10x of regular capacity, our customer satisfaction rate increased significantly.

In addition, our technology and product team also responded with great speed. We're able to launch auto cancellation for certain qualified products with new policies issued. This greatly shortened the waiting time for our customers. As approximately 90% of accommodation transportation cancellation request was sales completed online. Such speed and responses expenses reflected Trip.com's highly dedication to service quality, especially during the times of need for our customers.

We also would like to thank our most valued hotels, airlines and other travel partners for their timely assistance during this difficult situation. As of now, more than 1 million global hotels have joined us for safe cancellation guarantee initiatives. And over 110 domestic and international airlines have agreed to provide free cancellation for qualified products. In response to help our customers through this period of economic hardship, we also announced a set of measures to alleviate their burden. These include campaign and marketing assistance for participating hotels in our safeguard cancellation guarantee initiatives, including waiving and reducing marketing costs and offering additional campaign resources, waiving of nonrefundable costs that package suppliers incurred during the recent cancellations. Capital assistance for our hotels and other travel suppliers. Including RMB 1 billion fund and loans assistant program with our banking partners and over 2,000 free online courses for our business partners. And 2 weeks ago, we launched Tourism Revival V Plan. V stands for victory Ctrip has contributed over RMB 1 billion of resources to work with over more than 100 local destinations travel bureaus, industry partners and other organizations to prepare for the recovery in China, and we will take the lead in the recovery efforts.

Internally, we have taken this opportunity to exam ourselves and improve our core competencies in order to prepare for the business recovery when the virus is contained. First, we are combining through products and services in more detail to improve our experience. Our customer satisfaction rate, has kept a record high in past months. We are confident that the improved customer satisfaction rate will translate into long-term customer retention and engagement. Second, we are working on streamlining and optimizing our operating processes and invest in technology and data platform to improve our infrastructure. Third, we will speed up our globalization of the product and backend technology infrastructure in order to bring focus on products and services to our global users. As we have started to see the early signs of recovery in China, the virus continues to spread with subsequent decline in travel activities in the overseas market.

Therefore, we are preparing for a domestic industry rebound, while also getting ready for a prolonged battle against the potential weak international demand. As a result, we are executing on the ways to conserving resources and adopting to the challenges around the world.



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Last week, we announced that senior management team will take a voluntary pay cut up to 50%, with James and I taking 0 salary until the situation improves. We believe every challenge brings risk and opportunity. While the virus represents a challenge for the entire world, we also give ourselves the opportunity to show our strength and extend our leadership. With strong financial reserves to weather the storm, we will continue to elevate our services, products, technology and brand.

Together with our employees and valued partners, we will not only overcome the challenge but also lead the recovery of the travel industry, starting in China. With that, I now will turn the call to our CFO, Cindy.

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

Thank you, Jie. For the fourth quarter of 2019, Trip.com Group reported net revenue of RMB 8.3 billion representing a 10% increase from the same period in 2018. Despite a full quarter impact by certain destinations, such as Hong Kong and Taiwan, we delivered solid performance in other destinations and lifted the multiple of our core business growth rate against the industry.

For the full year ended December 31, 2019, net revenue was RMB 35.7 billion, representing a 15% increase from 2018. Accommodation reservation revenue for the fourth quarter of 2019 was RMB 3 billion or USD 426 million representing a 12% increase from the same period in 2018. During the fourth quarter, low end hotels sustained strong room night growth for the Ctrip brand, reaching around 50% year-on-year. It has become one of the most important getaway products for us to acquire new users, which reflects the effectiveness of our dynamic pricing strategy. In the domestic mid- to high-end hotel segment, we also saw accelerated growth momentum.

We have raised our competitive moat as an increasing portion of mid- to high-end hotels joined our Trip Plus program. And accommodation plus transportation dynamic package program, providing extra discount to end users while gaining incremental volume. The recent macro and industry headwinds in destinations, such as Hong Kong have put pressure on related travel demand and hotel prices. However, in other overseas non-Greater China destinations, we were glad to see hotel revenue growth over 50% year-on-year in the fourth quarter.

For the full year ended December 31, 2019, accommodation reservation revenue was RMB 13.5 billion or USD 1.9 billion, representing a 17% increase from 2018. Transportation ticketing revenue for the fourth quarter of 2019 was RMB 3.5 billion or USD 498 million representing a 2% increase from the same period in 2018. Headwinds in certain international destinations continued to put pressure on related travel demand and prices in the fourth quarter. Beside these destinations, growth rates for both domestic and international air ticket business achieved higher multiples against the industry. Trip.com brands recorded another strong quarter of triple-digit year-on-year growth in international air ticketing volume. For the full year ended December 31, 2019, transportation ticketing revenue was RMB 14 billion or USD 2 billion representing an 8% increase from 2018. Packaged total revenue for the fourth quarter of 2019 was RMB 800 million or USD 115 million, representing an 11% increase from the same period in 2018. For the full year ended December 31, 2019, packaged tour revenue was RMB 4.5 billion or USD 651 million representing a 20% increase from 2018.

By the end of the year, Trip.com Group has around 8,000 off-line franchise stores in operation and in the pipeline, covering over 290 prefecture level cities and over 500 county level cities. Our online customized tour platform attracted more than 1,800 travel planning agencies and 6,000 planners, servicing millions of customers. Corporate travel revenue for the fourth quarter of 2019 was RMB 373 million or USD 54 million representing a 33% increase from the same period in 2018. Corporate travel saw sequential growth acceleration in the fourth quarter primarily driven by expansion in corporate customer base and optimized the product mix trend.

For the full year ended December 31, 2019, corporate travel revenue was RMB 1.3 billion or USD 180 million, representing a 28% increase from 2018. Revenues for our other business increased by 42% year-on-year in the fourth quarter of 2019 and 35% for the full year 2019.

This was primarily driven by strong growth in our advertisement and financial service business. Gross margin was 79% for the fourth quarter of 2019, consistent with that for the same period in 2018 and the previous quarter. For the full year ended December 31, 2019, gross margin was 79% compared to 80% in 2018. Product development expenses for the fourth quarter of 2019 increased by 1% year-on-year and by 3% quarter-over-quarter. Cost savings in product development in the fourth quarter (inaudible) effort streamlining operating process and improving efficiency across brand and entities in the past year. For the full year ended December 31, 2019, product development expenses increased by 11% from 2018 excluding



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share-based compensation charges, non-GAAP product development expenses for the full year 2019 accounted for 27% of the net revenue compared to 28% in 2018. Sales and marketing expenses for the fourth quarter of 2019 decreased by 5% year-on-year and remains consistent with that for the previous quarter. For the full year ended December 31, 2019, sales and marketing expenses decreased by 3% from 2018. Excluding share-based compensation charges, non-GAAP sales and marketing expenses accounted for 26% of the net revenue, which decreased from 30% in 2018. The decrease in sales and marketing expenses was due to the continued ROI driven marketing strategy. Despite it, our main brands maintain stable traffic growth and consistent amount of new customers, reflecting the continual improvement in marketing efficiency. Conversion and cross-sell ratio also increased steadily thanks to the enhanced competitiveness of products and services.

G&A expenses for the fourth quarter of 2019 increased by 5% year-on-year and by 5% quarter-over-quarter primarily due to an increase in G&A personnel-related expenses. For the full year ended December 31, 2019, G&A expenses increased by 17% from 2018. Excluding share-based compensation charges, non-GAAP G&A expenses accounted for 7% of the net revenue, which remained consistent with 2018. The headcount for GMV staff was largely stable throughout the year. Excluding share-based compensation charges, non-GAAP operating margin was 12% for the fourth quarter of 2019 compared to 3% in the same period in 2018. For the full year ended December 31, 2019, non-GAAP operating margin was 19% compared to 14% in 2018. Diluted earnings per ADS was RMB 3.23 or USD 0.46 for the fourth quarter of 2019. Excluding share-based compensation charges and fair value changes of equity security investments. Non-GAAP diluted earnings per ADS were RMB 1.94 or USD 0.28 for the fourth quarter of 2019.

For the full year ended December 31, 2019, diluted earnings per ADS were RMB 11.5 or USD 1.65. Excluding share-based compensation charges and fair value changes on equity securities non-GAAP diluted earnings per ADS was RMB 10.75 or USD 1.45 (sic) [1.54]. As of December 31, 2019, the balance of cash and cash equivalents, restricted cash, shorter investment, held-to-maturity time deposits and financial products was RMB 59.9 billion or USD 8.6 billion.

Now turning to the first quarter of 2020. Our original outlook reflected a continuation of the momentum last year, which includes sustained top line growth, penetration into lower-tier cities, overseas expansion and margin improvement. We were delighted to see January bookings up to the 20s, grew at double digits year-on-year. Obviously, the development of the coronavirus has since caused significant disruption in China and the global travel industry. Thus, for the first quarter of 2020, the company currently expect net revenue to decrease by 45% to 50% year-on-year. Excluding share-based compensation, but including onetime expenses related to our customer protection measures, especially during the Chinese New Year holiday, the company expects non-GAAP operating net loss will be in the range of RMB 1.75 billion to RMB 1.85 billion.

This forecast reflects Trip.com Group's current and preliminary view, which is subject to change. The increase in uncertainty due to the coronavirus outbreak further restricted our visibility. We will continue to monitor the market and provide more color to investors in time.

With that, we will open up for Q&A. Operator, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Ronald Keung of Goldman Sachs.

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

Thanks for the very useful sharing. My question would be more on the demand side, on the macro side. So the assumption that you talked about domestic travel may recover faster than international, just could you share strategies and priorities during these times? And is there any forward booking trend that you could also share if you help us gauge how things are going at this point?



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

Yes, we are reasonably optimistic about the recovery of the domestic travel. The -- big cities like Shanghai, government has removed some of the restrictions of restaurants and other businesses, for example, requiring (inaudible) that probably will be just limited to certain types of businesses. And we received many requests from different governments tourist definitions to help them to promote their travel products. And I'm going to trip to a few destinations or destinations to this coming week, and it looks like the interest is very strong, and the government is really -- the next phase of the task will be to accelerate the recovery of the overall economy. So unless there's another outbreak or something I expected of the containment effort. But I think given the general trends, given the trends we're seeing today that we expect a very quick and strong recovery of the domestic travel. And we're certainly in a very good position to capture that demand. So overall, we are quite optimistic about the net travel.

Operator

Your next question comes from Thomas Chong of Jefferies.

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

Can you comment about the volume, pricing and the tick rate in accommodation and air ticketing in domestic and international travel and in Q1 as well as the trend that we should expect going into Q2 and the following quarters? And my second question, is also about the trend in operating expenses. Given the fact that we are facing the coronavirus headwinds, and we are seeing the recovery in domestic business, while outbound probably, there are still some headwinds going on. How should we think about our spending and the margin outlook in Q2 and beyond? Any qualitative color would be great.

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

Sure. The trend we have seen is a V shaped. So the first month of January, the volume growth for us is very strong. As Cindy said, it's more than 10% higher year-over-year growth both domestic and outbound and in international places. But when the virus hit, all the sudden travel is not allowed in many places. So we saw a decline during -- starting from the Chinese New Year, and it lasted for the past 2 months. So the trend is the left side of the V shape however, as of now, we already seeing positively probably in the China domestic travel business. We saw airlines, hotels and also the travel destination have put great efforts to resume the business. So at the beginning, there were only very few airlines taking specific routes within China. Now we have seen more than 50% of the airlines routes are within it. And then we saw, at the beginning, the price was very cheap because I think all the business partners wanted to make sure consumers have confidence for the recovery. Now the price is climbing up, not to the full price yet, but it's on a good trend, climbing up. So we -- as James said, I think we have got a lot of requests from all over the country for the (inaudible) try to participate in our Tourism Revival V Plan, V stands for victory. So everyone wants to put their efforts, attract the customers. So our expectation is for the people maybe in big cities, they probably thought with travel in the nearby city by taking one-day tour, weekend tour. And gradually, it can be expensed into a trip to Suanya or some popular travel destinations. So what we have done, first of all, is to initiate the leadership in the revival plan. More than 100 destinations have participated in this plan by giving more than 50% or 80% discount, so the customers can prepurchase lots of products. The reaction from the market is very strong, and the reaction from our partners is very strong. So we are hopeful that with the concerted efforts by the government to continuously contain the virus with the continuous efforts by Trip.com and our business partner, we will be able to bring the demand to our business partners in different travel destinations within China.

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

And regarding the cost side, excluding onetime expenses related to our customer protection margins, especially during the Chinese New Year, our regular non-GAAP operating expenses in the first quarter are expect to decrease 15% to 20% year-over-year. Actually, a large portion in our, for example, the cost of service as well as marketing expenses, either variable cost or purely discretionary costs such as performance-based and marketing expenses. So these 2 items account for more than half of our total cost and non-GAAP operating expenses.



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Operator

Your next question comes from Binnie Wong of HSBC.

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

Good morning, management. And first of all, I wish everyone safe and healthy in this time. So a quick question here is that given the slower top line you're seeing, where are the areas that you think your investment or your spending can be optimized to protect your margins in this quarter or maybe in first half of the year? And then second, a follow-up on your recovery, the areas that you see recovery signs. Can you just comment on in terms of whether like hotel or air? Maybe which segment you think the recovery signs are more visible? And do you think like [SAS] is because when you look at the travel trends, say, the air passengers, the training passengers, is a sharp rebound, right? Do you think it's realistic for seeing so?

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

Thank you, Binnie. Maybe I'll provide a breakdown of each business law items -- the growth rates of each business line item to give you a sense. In the first quarter of 2020, we expect accommodation reservation revenue to decrease about 50% to 65% year-on-year. Our transportation regulation to decrease about 35% to 40% year-on-year. Packaged tour business will decrease about 50% to 60% year-on-year with corporate travel business to decrease about 50% to 60% year-on-year. As Jie mentioned earlier, we delivered solid double-digit growth in January up to the 20s. Booking volume quickly -- booking volume quickly dropped to about 10% to 20% of previous year's level during the holiday and the following weeks across product segments. But in recent weeks, we have observed the volume rebound to over 30% of previous year's level in the domestic transportation sector, but with certain [netting] for the accommodation activities. The restriction for packaged tour business is still not yet listed, and corporate travel activities remain quite weak. [Alba] and overseas business continue -- will continue to be covered by the outbreak rate situation abroad. Therefore, actually, it's very difficult for us to provide a reliable prediction for, for example, the second quarter or the full year due to the fast involvement of the pandemic situation and related travel restrictions. But in general, as Jie said, we expect that domestic accommodation and transportation will continue on track towards recovery from current level while the outbound and international remains weak until maybe global situation improves. We think it, for example, if the outbreak, is vastly contained by the summer for most regions in the world, we can be cautiously optimistic about the recovery in the second half of -- across all our business lines, but if the outbreak expands into (inaudible) later, we may be looking at a full year impact given the seasonality. We will monitor the situation and update our investors from a timely basis. Despite this near-term challenges, as James explained, we believe the impact will be one-off, and we remain very confident for the long-term prospects of both the travel industry and our business fundamentals. On the cost side, as I explained, a large portion in our cost and service and marketing expenses either variable cost or truly discretionary costs. So if you look at the Q1 costs -- if we look at the Q1 non-GAAP operating expenses, excluding one-time expenses related to customer care measurement, actually, our costs were down about 15% to 20% year-on-year.

Operator

The next question comes from Alex Poon from Morgan Stanley.

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

Management. First of all, wish everyone good health and stay safe. My question is about the opportunities in future. So the virus has a severe damage to the travel industry. So can you give us an assessment of the whole tourism value chain, upstream, downstream with your better infrastructure resources, market leadership, your Recovery V Plan, et cetera, where are the opportunities, you think, you can strengthen your most in future and gain market share, for example, you mentioned about mid- to high-end hotel segments. And how about the low to mid-star hotels? After this, when are we getting back to normal, is it possible to grow -- even grow faster than before with your market share gain over this period.



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

Thank you, Alex. We are very positive about the growth in the long-term for travel industry. During this time, we have seen a couple of things mainly from three fronts. First of all, to gain the heart from our customers during the most challenging time. When the virus hit and the travel ban was involved, they come to us asking for help. And that was the moment we really put customers' interest in the center of our business. Our tech team worked overnight to launch products that allows our customers to auto-cancel their orders. Our customer service team was day and night, 24 hours nonstop, although the volume increased to 10x. So as I said in the opening comments, the customer satisfaction rate during this challenging time reached all-time high. So we believe the investment we put in the customer service and technology and infrastructure will benefit us in the long run. And it helps us to accelerate a lot of technology products as well as the infrastructure and put it in the front line. So our development actually was accelerated during this challenging time. The second thing is also listen to our partners. Right now, the occupant rate for hotels and the loading rate for airlines is all-time low so we listen to our partners and really worked with them to come up with the revival plan. The Tourism Revival V Plan was a joint effort by industry players and Ctrip team. So we asked them to come together with the innovative products by giving very good deals to the customers. And our customers are able to prepay for these -- for these products. So it's a winning situation. Where our partners will be able to get some cash flow during this challenging time, but our customers will also get very good deals if they have indicated their orders. And thirdly, is our team, even during this very challenging time, our team is highly motivated. So we want to make sure, going forward, we will work very hard with our global team to make sure we stand together with our customers and partners together to lead the efforts for recovery starting from China. So China market and the markets overseas are in the different stage of the ship. For China, we already see the bottom-up with effective measures by the government. We expect we can lead the recovery of the domestic travel market within the next few months. For the market outside of China, I think they are starting the process of taking care of the cancellation putting care of the customers' need. We already see the similar trends in Korea and Japan, but now Korea and Japan are stabilizing. So we are confident that with the experience we accumulated in the China market, we will be able to help our global customers as well. And also, during this time, I think it's good for us to take the responsibility to help our global customers. So we, as James said, we are donating 1 million masks to the countries that are badly impacted by this virus. I think not only we will take care of Trip.com's customers, partners and employees, we also want to make sure we take the responsibility, help global communities. During this challenging time.

Operator

Your next question comes from Natalie Wu from CICC.

Yue Wu - *China International Capital Corporation Limited, Research Division - Analyst*

Wish everyone is safe and healthy. I just wanted to start with (inaudible) actually announced a (inaudible) date that it was deboning its share purchase program so that it can retain maximum flexibility (inaudible) during the epidemic. Given that we announced the free cancelation guarantee in end of January enabling ticket cancellation, which is quite nice for your (inaudible) products. But just curious, what's the financial implication of the (inaudible) guarantee policy? And how do you ensure your liquidity for healthy cash itself in such difficult times?

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

I think you see that the cumulative GMV for the canceled orders reached more than RMB 40 billion. Our product team work very closely with our supplier partners to reduce the potential loss caused by free cancellation policy. A large majority of our suppliers that were willing to raise relevant charges. We expect the onetime costs related to customer cancellation is manageable, and it's already being reflected in our Q1 guidance. The customer refund policy mostly temporary treat our cash flow. A large majority of the refund request can be paid by the company in advance, but I collect the refund. So we have collected the funds from our suppliers in weeks following the holiday. On the cash side, we actually have a very strong capital reserves to get us through this tough situation. By the end of 2019, we have about RMB 20 billion in cash and cash equivalents or about RMB 60 billion, if we include short-term investments and healthy maturity deposits. In addition, we have a large low-cost credit facilities from multiple commercial banks. And therefore, we have a very strong cash reserve to improve our business positions. For maybe an even prolonged recovery time line as well as paying back all that.

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Operator

Your final question comes from Gregory Zhao of Barclays.

Xiaoguang Zhao - Barclays Bank PLC, Research Division - VP

Best wishes to your health. So I have 2 quick questions. The first one to equally record the fast without break back to 2003, so I think it only took me about one quarter to fully recover to the level of pre the outbreak. So do please remind us what the kind of incentive policies you used at that moment to stimulate online booking demand? And what kind of policy you think you can use again at the current situation to recover the growth. So the second one I wanted to understand was the market competitive dynamics during the epidemic period. I think James mentioned, are almost a RMB 60 billion cash position. Can we assume a strong balance sheet is more defensive and taking more market share from other smaller players so during the market -- the travel market recovery?

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

Yes. Thank you for your question. The travel ban started with the Chinese New Year. And now we already saw the market shows early signs of recovery. And Ctrip will lead the efforts to encourage the consumers to protect themselves, meanwhile, also travel within the safe areas within China. And as James said, right after this phone call, he personally will lead the efforts to go to different travel destinations and encourage consumers to travel within China. We believe that principal demand is there because lots of customers before Chinese New Year already booked their trips within China and overseas. And because of the virus outbreak, the whole market took a very prudent view by isolating each family and individual to prevent the faster spread of the virus, which is the right thing to do. And I think Chinese government was very effective taking the right approach, getting the virus under control with a very rapid speed. So with that under control, we believe the market has already show the signs of recovery, and the consumers have the buying power to resume the travel. We just need to make sure the confidence is there, the infrastructure is there. And Ctrip is very well positioned to bring the demand to our business partners around the country. So we hope the recovery will be very well under the way. The second thing is the leadership. Yes, I think normally, during the difficult time is the best time for us to reach out to both our consumer side as well as our partner side. With the strong reserve on our balance sheet, we will be able to extend our leadership as we always do during the difficult times, and our team is very well positioned for that.

Operator

And that does conclude our Q&A session for today. I will now hand back to Michelle for closing remarks.

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

Thanks to everyone for joining us today. You can find the transcript and webcast of today's call on investor.trip.com. We look forward to speaking with you on the first quarter 2020 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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