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PRESENTATION

Operator

Thank you for standing by, and welcome to the Trip.com Group Limited Q1 2020 Earnings Conference Call. (Operator Instructions)

I would now like to hand the conference over to Ms. Michelle Qi, Head of Investor Relations. Please go ahead.

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

Thank you, Ashley. Thank you, everyone, for joining on the call today. Good morning, and welcome to Trip.com Group's 2020 Q1 Earnings Conference Call. Joining me today on the call are Mr. James Liang, Chief 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 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, Jane and Cindy will share now strategy and business updates, operating highlights and financial performance for the first quarter of 2020 as well as outlook for second 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. 2020 thus far has been a challenging year for all of us. COVID-19 made its way across the world, affecting global economy and social orders and is hitting the travel industry especially hard. In China, we are glad to see continued recovery of domestic travel in the past few months. However, international demand plummeted as more and more country adopted home quarantine and border control policies.

In the past quarter, our first priority was to provide maximum protection for our customers. Between January and April, the company extended coverage and scope of cancellation provisions multiple times in response to the global development of coronavirus, to the greatest extent possible, securing refunds for travelers. Our direct expense related to the customer refunds topped RMB 1.2 billion at first quarter. At the same time, we extended the membership status for affected customers worldwide. In addition, Trip.com launched COVID-19 international travelers guide to help customers navigate the travel restrictions and access the latest refund and cancellation policies.



As a result of all our efforts, our NPS score reached a new high in Q1, demonstrating customer satisfaction and confidence in our service quality. We believe the accumulated customer goodwill translates into long-term loyalty and increasing lifetime value.

By now, cancellation rate has stabilized in most of our markets, and we are seeing increasing new orders in many areas. Given the level of uncertainties outside of China, we will focus our attention on China's domestic business in the near term. So far, we have seen recovery coming back fastest in the short-haul segment and lower-tier cities due to travel restrictions' impact to customer confidence, which disproportionately affect top-tier cities.

As of recently, reservations for short-haul travel bookings have almost fully recovered compared to last year as more and more regions lift travel restrictions. Long-haul business and leisure travel demands are gradually increasing as well.

Our product and marketing teams have been working closely with industry partners to launch products which catered to new customer needs in the COVID-19 new normality. For example, in the past 2 months, I've been spending 1 hour every week on live streaming platforms to promote our presale products, featuring attractive discounts and flexible cancellations.

In addition to bookings, we have gained new customers, reactivating existing ones and increased exposure of our high-end products through the live streaming channels. It is worth noting that more than half the presales in the past months or so have been concentrated in high-star hotel products.

Meanwhile, our international business are still under pressure from COVID-19 given the uneven approaches adopted by different regions. It may take longer for international travelers to come back in full. Despite the challenges, we're glad to see in the recent weeks local travel has started to show signs of recovery in certain international markets.

Our operation will continue to be flexible and ready to adapt as the pandemic continues to develop across the world. The team will also take advantage of the business downtime to focus on internal improvements such as enhancing our technology infrastructure.

In the end, I would like to say thank you to our entire team again for their tireless efforts in working together and getting through this difficult time period with the company. With everyone's heart into it, we have been able to achieve new goals and reach new milestones despite the challenging external environment. I'd like to reiterate my sincere appreciation to our global partners who have worked with us along the way to protect customer interest and now promote industry recovery.

We firmly believe that COVID-19 will eventually pass and travel demand will persist. In the meantime, we will continue to focus on improving our product competitiveness and service quality in order to best position ourselves for the coming recovery.

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

Hello, everyone. This is Jane. I would like to update you with the previous quarter. The first quarter of 2020 was hit hard by COVID-19. Total net revenue in Q1 decreased by 42% year-over-year, reflecting COVID-19 impact on China-related travel from late January and overseas activities from the second half of the quarter.

The company took immediate actions to ensure that we protect our customers' interests, support industry partners and make appropriate internal adjustments in response to the pandemic. In the first quarter, we achieved breakeven on operating income excluding expenses related to customer refunds. Although Q2 may present an even further decline with full quarter impact from COVID-19 especially on international business, we have already seen improving results across the board in recent weeks.

First of all, let me walk you through the domestic travel. We have seen the recovery is well on track. As James mentioned, China domestic travel has been on the track of consistent recovery since hitting a low in February. During the May Labor Day holiday, tourist number in China doubled compared to the previous Qingming Festival in April. Recently, new reservation for domestic hotel and air have rebounded to more than 70% of previous level. All of these are encouraging trends we believe will continue in the coming months.

Short-haul travel activities are the first to recover in China. To date, reservations for short-haul travel products, such as hotel within same

provinces and some cities, attraction tickets and car rental services are approaching a full recovery. Long-haul business and the leisure activities are lagging due to certain regional travel restrictions and customers' concerns. However, we have seen a combination of China's effective containment measures, local government lifting travel restrictions and our team's efforts in developing new products to enhance our customers' confidence in travel. As a result, long-haul travel activities have also begin to catch up after the Labor Day holiday on May 1.

Second, for the international travel, activities are still at a low level due to global spread of COVID-19 with early signs of recovery in certain markets. The outbound travel activities has been at a low level since late January due to tight international travel restrictions across countries and jurisdictions. We believe part of China's outbound travel demand will convert to high-end domestic travel activities if such situation continues.

Our overseas business has also been under pressure since March for the same reason. However, on the positive note, we did start to see certain small but positive sign of recovery in markets where the virus is being well contained. For example, in the past 2 weeks, for Korean market, the domestic hotel bookings have regained positive year-over-year growth.

We are focusing on improving the product and services, strengthening our partnership and increasing operation efficiencies. As pandemic continues to evolve, we will make sure our team remain vigilant and quick to adjust to the situation.

Throughout the crisis, we are extremely proud of our employees for their exceptional hard work to protect our customers' interest. At the beginning of the outbreak in China, our service, product and technology team all pooled in together and worked overnight to respond promptly to customers' cancellation and refund requests which came in more than 10x of regular volume. In addition, we quickly launched the international travel guide, providing easy access to the most updated information to our international travelers.

In the past month, our team came up with new products, catering to specific consumers' needs arising from the pandemic. For example, together with our hotel partners, we launched health guardian alliance safety standard in order to boost consumers' travel confidence. We also worked with partners to put together attractive deals. Through creative marketing tools, such as live streaming, we are able to reach out to a wide audience and enhance our customers' interest for long-haul and for high-end travel packages. As a result, in the recent week, our high-end hotel recovered meaningfully and outpaced the other segments.

Our collaboration with the industry partners have further strengthened our strength in this tough environment. Since our announcement of tourism revival V plan in March, with V standing for victory, we have received participations from 10,000 hotel operators, 500 airlines and hundreds of attractions. As of today, we have facilitated more than 17,000 loans through our financing platform, offering more than RMB 10 billion loans to our suppliers to cope with the economic hardship brought by the COVID-19.

Just 2 weeks ago, InterContinental Hotel Group also launched inaugural flagship stores on our platform. At this collaboration, the 2 companies agreed to a membership matching program that recognize each other's membership benefits, which will be providing our customers with the best interests as well as the collaboration for our partners.

In addition, to show our support to our global partners, we have also donated more than 3 million surgical masks to more than 25 countries around the world. Due to the uncertainty in international markets, we were well prepared for all possibilities including a potential prolonged crisis overseas.

As of March 31, our company had USD 9.6 billion on hand in capital reserve. To ensure maximum financial flexibility, we further announced a revolving credit facility of up to USD 1.5 billion in early April. The company also taken measures, such as reducing discretionary spending and voluntary management pay cuts to ensure our organization are lean and efficient in response to the pandemic. The combined efforts will provide ample liquidity for the company to be able to emerge as a stronger player for the future.

During this challenging time, we will work hard with our employees, customers, business partners and all stakeholders to streamline our organization and increase our efficiency. We want to thank everyone for their hard work and contribution.



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

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

Thank you, Jane. Thanks, everyone. The company's results for the first quarter of 2020 have been significantly and negatively impacted due to COVID-19. The pandemic drove a significant decline in travel demand, resulting in customer cancellation and reduced new orders. The impact also included the increase in bad debt provisions and impairments of long-term investments. Because the COVID-19 is still evolving, we may also need to continuously assess the amount of impairments and bad debt provisions in the following periods.

For the first quarter of 2020, Trip.com Group reported net revenue of RMB 4.7 billion, representing a 42% decrease from the same period in 2019 and a 43% decrease from the previous quarter. Accommodation reservation revenue for the first quarter of 2020 was RMB 1.2 billion, representing a 62% decrease from the same period in 2019 and a 61% decrease from the previous quarter.

Hotel bookings maintained double-digit growth in the first 20 days of January. Demand started to fall as the outbreak spread in China, hitting bottom in the following weeks. Since then, we have seen domestic bookings gradually recover month-over-month while international demand remain at low level.

Transportation ticketing revenue for the first quarter of 2020 was RMB 2.4 billion, representing a 29% decrease from the same period in 2019 and a 31% decrease previous quarter. Compared to other travel segments, total transportation ticketing revenue was less impacted by the COVID-19 during the first quarter of 2019, mainly due to a higher revenue mix from international business. International transportation sustained solid growth in the first half of the quarter and benefited from an increase in ticketing price.

Packaged tour revenue for the first quarter of 2020 was RMB 523 million, representing a 50% decrease from the same period in 2019 and a 35% decrease from the previous quarter. Group and dynamic package products delivered strong results for travel activities made before Chinese New Year. Cross-region and outbound packaged tour business have been on restricted list since late January while travel activities such as attraction tickets gradually resumed in the second half of the quarter.

Corporate travel revenue for the first quarter of 2020 was RMB 126 million, representing a 47% decrease from the same period in 2019 and a 66% decrease from the previous quarter. Revenues from other business sustained growth by 4% year-on-year for the first quarter of 2020, primarily driven by a strong performance of travel financial services.

Gross margin was 74% for the first quarter of 2020, which decreased from 79% for the same period in 2019 and the previous quarter.

Product development expenses for the first quarter of 2020 decreased by 33% to RMB 1.7 billion from the same period in 2019 and decreased by 37% from the previous quarter.

Cost savings in product development in the first quarter was mainly driven by a decrease of performance-based bonus due to the pandemic. Headcount in product and development was stable on a year-over-year basis.

Sales and marketing expenses for the first quarter of 2020 decreased by 38% to RMB 1.4 billion from the same period in 2019 and decreased by 44% from the previous quarter. Cost savings in sales and marketing expenses in the first quarter was mainly driven by decrease of variable and discretionary spending across marketing channels.

G&A expenses for the first quarter of 2020 increased by 136% to RMB 1.9 billion from the same period in 2019 and increased by 130% from the previous quarter. G&A expenses in the first quarter of 2020 included bad debt provision of RMB 1.2 billion for the increased receivables, mainly due to the refunds for reservation cancellations we paid on behalf of our travel suppliers and the increased credit risk as a result of the COVID-19 pandemic.

Excluding the bad debt provisions, G&A expenses for the first quarter of 2020 decreased by 9% from the same period in 2019 and 3% from the previous quarter. Excluding share-based compensation charges, non-GAAP loss from operation was RMB 1.2 billion. Adjusting for expenses related to customer refunds, our non-GAAP operating income reached breakeven level.

Other expenses for the first quarter of 2020 was RMB 3.8 billion, mainly related to fair value changes of equity security investments and impairment of certain long-term investments due to the COVID-19.

Diluted losses per ADS were RMB 8.98 or USD 1.27 for the first quarter of 2020. Excluding share-based compensation charges and fair value change of equity security investments, non-GAAP diluted loss per ADS were RMB 3.73 or USD 0.53 for the first quarter of 2020.

As of March 31, 2020, the balance of cash and cash equivalents, restricted cash, short-term investment, held-to-maturity time deposits and financial products was RMB 68.2 billion or USD 9.6 billion.

To ensure maximum financial flexibility, in April, the company entered into a facility agreement with certain financial institutions for up to USD 1 billion transferable term and revolving loan facility with an incremental facility of up to USD 500 million. In which, USD 1 billion has been successfully drawn down in May 2020, with effective interest rate between 1.15% to 1.25%.

In addition, by today, we have repaid USD 250 million of convertible notes and plan to settle additional convertible notes worth USD 700 million, maturing in July and USD 400 million with puttable date in July should investors choose to exercise such rights, which altogether potentially reduce fully diluted ordinary share count by up to 3.15 million.

The outbreak of COVID-19 has negatively impacted on our cash flow during the first quarter of 2020, which could continue into subsequent periods depending on the speed of recovery, both domestically and internationally. We frequently assess our liquidity position, and the company is confident to conclude that the combination of our existing cash reserves, cash flow from operations and financing sources are sufficient to meet our anticipated cash needs, including working capital, capital expenditures and repayment of financial obligations for the foreseeable future.

Now turning to the second quarter of 2020. We expect a full quarter impact of COVID-19 despite sequential improvement across the board in recent weeks. For the second quarter of 2020, the company currently expects net revenue to decrease by 67% to 77% year-over-year.

Excluding share-based compensation, the company expects non-GAAP operating net loss will be in the range of RMB 1.1 billion to RMB 1.3 billion. This forecast reflects Trip.com Group's current and preliminary view, which is subject to change.

The increasing 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 Gregory Zhao with Barclays.

Xiaoguang Zhao Barclays Bank PLC, Research Division - VP

So I just want to understand how do you think about the COVID-19 will reshape the long-term travel industry demand and user behavior? As we see some of the business-driven travel demand has been replaced by some virtual technologies like during the past pandemic period, so how shall we think about the long-term dynamic about this?

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

In the short or midterm, we believe business travel demand is generally resilient and a strong correlation with economic prosperity. For example, according to the recent survey for corporate travel clients, more than 80% of the corporate clients believe their travel budgets will recover and grow once the pandemic is over. In the long run, how will technology reshape business travel demand is still to be

watched. In the past decades, business travel activity have enjoyed continued growth despite the fast-evolving telecom technologies. For leisure travel demand, as I have shared many times, the only ever-green and ever-growing industries are the ones that fulfill people's spiritual needs rather than materialistic needs. In many parts of the world, including China, tourism is one of the most resilient industry. We believe the disruption caused by the pandemic will eventually disappear and the travel demand will come back stronger after the pandemic.

Operator

Your next question comes from Thomas Chong with Jefferies.

Thomas Chong Jefferies LLC, Research Division - Equity Analyst

I have a question about the Q2 revenue guidance as well as the second half outlook. Can management provide some guidance about how the performance across different segments in accommodation, transportation, corporate travel and others were trending in Q2 as well as second half?

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

Sure, Thomas. We expect -- so Q2 reflected the full quarter due to the COVID-19 especially for the international travel activities, which accounted for about 35% to 40% of our group's total revenue in the second quarter last year. Therefore, we expect total revenue to decrease 67% to 77% year-on-year. For different segment, we expect revenue for the accommodation reservation to decrease 67% to 77% year-on-year. Within the accommodation reservation business, our domestic travel activities continued to recover in the past 3 to 4 months. To date, the new reservations for the domestic hotel reached over -- reached over 70% compared with last year, while the price still is heavily discounted. The new reservation for our international travel activities is back to close to almost 0 for the full quarter due to the strict international travel restrictions, especially for the China outbound business. However, in some countries and markets, we noticed the early signs of recoveries in their domestic travel segment.

Just for your information, our international hotel revenue accounted for 20% to 25% of the total accommodation reservation in the second quarter last year.

On the -- with regard to the transportation reservation revenues, we expect it will decrease 70% to 80% year-over-year. The domestic travel activities continued to recover in the past 3 to 4 months. To date, the reservations for our domestic air also recovered over 70% compared with last year. But the new reservations for our international activities is back to close to 0 due to strict international travel restrictions for both China outbound as well as international travel.

And for your information, international transportation accounted for close to half of our total transportation revenue in the second half -- in the second quarter last year, which mainly includes our outbound air ticket as well as our air revenues from our international brands.

We expect revenue for packaged tour business to decrease 80% to 90% year-on-year. Although the cross-region and international travel package are still on the restriction list, we are happy to see reservations for our short-haul activities in China, such as attraction ticket, have been fully recovered and even recorded positive growth in recent weeks.

With regard to our corporate travel business, we forecast it will decrease about 65% to 75% year-over-year. Many large operations only resume travel activities in recent months. We expect our revenue from other business to decrease about 15% to 25% year-over-year.

Operator

Your next question comes from Binnie Wong with HSBC.

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

I think it's very understandable in terms of the pandemic hit to the travel business and here. So with that, I just want to understand better following on James comment in terms of the opening remarks, saying that there will be improvement in the technology side, improvement in the efficiencies. And then should we expect like down the road, right, the improvement at the end, right, should be able to help us to preserve the potential stable or maybe flattish earnings growth despite a hit to the top line, maybe towards on the latter



part of the year?

And then also, can you also comment on -- because 3Q upcoming third quarter would be the seasonally the strongest quarter. So I guess with the focus shifting more in the domestic business, how is Ctrip positioning differently to gain better market share in the domestic market?

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

Thanks, Binnie. Yes, I think during the crisis, our technology team and product team have been strengthened. A lot of projects was accelerated to handle the 10x volume due to the crisis for cancellation, orders, et cetera. So we took this opportunity to preserve and strengthen our technology and product team, and they build stronger scalability, so that we can handle the expansion of the business going forward.

In Q3, we are looking forward to the summer months based on a couple of observations. First of all, I think the government has done a very good job controlling the outbreak of the viruses, so we have seen consumers' confidence has been increasing. Secondly, during the recent quarter -- or recent weeks, we also have seen the fast recovery, particularly on the high end of the product has been gaining its momentum after May 1 Labor Day weekend. So we are hoping this trend will continue on into the Q3 summer week.

And thirdly, we expect certain outbound demand will be converted into the high end of the products and long-haul products in the summer months. So our team is working very hard to develop products that can satisfy the high-end customers' need because this year, they will not be able to go abroad as they do every year. So we would like to capitalize this demand and convert it in domestic demand for high-end product and long-haul product. So in technology front as well as a product innovation front, we are full force to be as innovative as possible. And our Chairman, James even leaded efforts. He is going to all the provinces with the promotion to encourage the consumers' confidence. So far, the result has been very positive.

Operator

Your next question comes from Jed Kelly with Oppenheimer.

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

Can you just talk about how as you begin to gradually recover into the second half of this year and into next year, how you're thinking sort of positioning your overall cost structure over the next 12 to 18 months?

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

Sure. We have a large portion in our cost structures, for example, cost of service and sales -- cost of service as well as the marketing expenses. They are variable cost or purely discretionary costs, such as performance-based marketing expenses. And these 2 items account for more than half of our total cost and non-GAAP operating expenses. So for personnel-related expense, a significant portion is variable, such as performance-based bonus. We are also executing on ways to conserve resources and adapt to the changing market demand, for example, our management -- management team have taken voluntary pay cut since the first quarter. And in response to the pandemic, we have swiftly adopted the cost-control measures to reflect a significant slowdown in consumer demand. Our total cost and operating expenses actually decreased about 31% year-over-year in the first quarter. And in the second quarter, we expect our total cost savings will be around 40% to 50% compared with last year.

Operator

Your next question comes from James Lee with Mizuho.

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

Two questions here. One is more policy related for Jane here. Anything coming out of National Congress specifically on the policy perspective that could be positive for travel going forward? I'm also wondering what's the status of summer vacation for students that could impact the travel during the summer season as well?

And a question for Cindy here, how should we think about the expense level for second quarter, given the revenue challenges that you provided in your guidance here?

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

Thanks, James. I think the government has put in very decisive policies first to contain the outbreak of the virus. So the whole country right now is very safe, and consumers' confidence in the control of the pandemic has been very positively enhancing.

Secondly, on economic front, the government also put in stimulus package to improve the employment level to increase the recovery of the economy, which is very positive for our travel industry, and we are hoping that city to city, state to state, travel will also be more open and more enhanced going forward. We have already seen positive recovery starting from May 1 Labor Day holiday, particularly on the high end of the product. So we are confident that going forward that we will see a recovery. And particularly, some of the demand from overseas will be converted into domestic demand. So our product team is working very hard to make sure we capitalize on this demand. Thank you, James.

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

Yes. On the cost control side, in the second quarter, we expect our total cost savings will be about 40% to 50% decrease compared with last year. And for the first quarter, actually, we already implemented a lot of cost-control measures, which resulted in instant significant decrease on the cost side. And excluding onetime bad debt provisions that we made in the first quarter in relation with our refund policy, actually, we achieved the breakeven level on the non-GAAP operating level.

Operator

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

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

Yes. So I have two questions. One is regarding Skyscanner. As Europeans start to go back to work, resume the business operations, I wonder how Skyscanner is recovering. And so what can management do there in terms of Skyscanner's business?

And also in terms of OTA penetration in China, I can imagine after the coronavirus, a lot of agencies, offline agencies are hard to survive. So is that a true statement that OTA penetration post the virus is going to be much higher than before? So that's the two questions.

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

Thank you. For our global team outside of China, we -- they are also reviewing their business and make adjustment for the cost structure very carefully, including our teams in Europe, in America, everywhere else, outside of China. So I'm sure the cost structure will also reflect their business recovery progress as we're monitoring the situation very carefully.

Second, on OTA. Yes, every time various crisis, it's always a good time for us to reexamine our technology team as well as product team and make sure we extend our leadership in the travel industry. Thank you.

Operator

Your next question comes from Ronald Keung with Goldman Sachs.

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

So my question is on the shift back to domestic. As we shift more focus to domestic travel in the near term, do we have different strategies for our Ctrip, Qunar brands and even your affiliate, Tongcheng eLong? Just between higher and lower-tier markets, and I'm thinking about, are you also reattracting your original outbound travelers to domestic? So what are the kind of strategies with this and the different brands?

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

Sure. We have different brands to cover different segments and penetrate into different tiers of the cities and the provinces. Ctrip brand is known for high quality for business travelers and high end of the products. So with the limitation of the outbound business, this brand



will be fully innovative to make sure we capitalize on the recovery of the business travelers as well as the international demand, which is being converted into the high end of the product into China. So our Chairman is leading the efforts for every province to open up more travel resources to be able to satisfy the high end of the needs, and there are lots of high end of the hotels and resorts being discovered through these efforts. And we have seen after the May holiday, the recovery of the high-end hotels have outpaced the other segments, which is very positive.

And secondly, we also think that in the summer, normally, our outbound travel will hit a new high during the summer break with families and children going abroad. This time, because of the COVID-19, this demand will be converted into the domestic need. So our team also are being very innovative and creative in order to convert this demand into the long-haul travel as well as the luxury products within China. We hope to capitalize on these conversions.

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

Yes. Just share some color on the recent development on each segment -- on different segments. We noticed that our short-haul travel activity is almost fully recovered in recent weeks. For example, our hotel reservations within the province and our car rental business are almost approaching fully recovered. And our renovations for the local attraction tickets resumed growth recently.

Operator

Your next question comes from Alex Poon with Morgan Stanley.

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

I have two questions, first is regarding your hotel business. How should we think about the balancing of like bargaining power between OTAs, hotels and offline suppliers? And looks like the pandemic is going to help OTA more because you have the most traffic. And so going forward, if I think about the next -- next year is would there be any changes to the take rates, advertising revenue coming from these hotels, helping your overall domestic margins?

And because the domestic business -- my second question is, is much more controllable and it's recovering, and assuming next year, can we expect the operating margin to go back to 20%?

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

The pandemic hit the global travel industry and no country and no industry have ever had the opportunity to rehearse for this kind of hit. So therefore, it's very important for us to team up with all our partners in the global places to make sure we bring demand to our hotel partners and support them as much as possible. So we'll reach out to our partners in the global spaces to make sure we understand their needs and their potential for the recovery. What we have done is launched our revival V plan in the travel industry, where hotels and attractions have idle and perishable inventory, we're able to link them up with the increased demand from our consumers. So at a very de minimis incremental costs, we're able to bring demand to us, which is tremendous for them to gradually reach the breakeven point. So we are very -- working very hard to make sure we understand our ecosystem and stimulate the demand from our consumer side and bring them to our partners which have idle, perishable inventory. So we'll work very hard to try to be very innovative to support our partners in the global places.

Operator

Your next question comes from Natalie Wu with CICC.

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

A couple of questions here. Firstly, have you noticed any take rate change during the outbreak given the travel inventory issues you just mentioned? And also, how should we see the competition landscape evolution especially in lower-tier cities due to the outbreak? And lastly, regarding live streaming, how does that contribute to your GMV users and financials? Would be great if management can share more colors on that.



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

For take rate, I think it's very much a dynamic equation. So we allow all kinds of hotels to be on our platform and depending on how much inventory they have, how much demand they need. It's a dynamic balancing, so we enable them to use any kind of method. For example, certain hotel will say we use a step-up model, the more revenue you bring, the more commission you will get. Some other hotels will say, "Okay, we give you a fixed rate." So as the volume increases, the total amount of the revenue increases as well. We are very open-minded and work with our hotel partners in any kind of mechanism that they feel comfortable to support them.

And in terms of the penetration into the local market, as we discussed, we have seen the short-haul packages and hotels and business recover fully already. Going forward, after May 1 holiday, we feel that state to state, city to city travel will enhance. And we already see across the line, including transportation, high-end hotels, et cetera, have seen positive recovery after the May holidays.

Operator

Thank you. That is all the questions we have time for today. I'll now hand back to Ms. Qi for closing remarks.

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

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 second quarter 2020 earnings call. Thank you, and have a good day.

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

Thank you.

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

Thank you.

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