

Trip.com (Q1 2025 Earnings)
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Corporate Speakers:

- Michelle Qi; Trip.com Group; Senior IR Director
- James Liang; Trip.com Group; Co-Founder & Executive Chairman
- Jane Sun; Trip.com Group; CEO
- Cindy Wang; Trip.com Group; CFO

Participants:

- Thomas Chong; Jefferies; Analyst
- Yang Liu; Morgan Stanley; Analyst
- Simon Cheung; Goldman Sachs; Analyst
- Brian Gong; Citi; Analyst
- Alex Yao; JPMorgan; Analyst
- Ellie Jiang; Macquarie; Analyst
- Joyce Ju; Bank of America; Analyst
- Wei Xiong; UBS; Analyst
- Parash Jain; HSBC; Analyst
- Wei Fang; Mizuho Securities; Analyst
- John Choi; Daiwa; Analyst
- Jiong Shao; Barclays; Analyst

PRESENTATION

Operator^ Good day and thank you for standing by. Welcome to the Trip.com Group First Quarter 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be question-and-answer session. (Operator Instructions) Please be advised that today's conference is being recorded.

I'd now like to hand the conference over to your first speaker today, Michelle Qi, Senior IR Director. Please go ahead.

Michelle Qi^ Thank you. Thank you all. Good morning. Welcome to Trip.com Group's First Quarter of 2025 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 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 our strategy and business updates, operating highlights and financial performance for the first quarter of 2025 and the outlook for the second 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. The travel industry continues to show strong growth in 2025 driven by high consumer confidence, resilient demand and favorable policies. Trip.com continues to deliver outstanding performance, benefiting from our diversified market presence. With operations spanning both mature and emerging markets, we've built a balanced portfolio that mitigates risks associated with regional economic fluctuations and reduces dependency on any single market.

Following China's strategic push to attract international visitors, inbound travel has become our fastest-growing segment. A combination of visa-free policies and increased visibility through global social media has made China a more accessible and attractive destination. In Q1, our inbound travel bookings surged by approximately 100% year-over-year with South Korea, Thailand, Malaysia and Indonesia emerged at some of the fastest-growing source markets.

Trip.com Group offers the most comprehensive China travel inventory covering accommodations, transportation, attractions and local experiences. We have actively enriched our content and services to better engage international travelers. Backed by our robust service capabilities, such as multilingual support and personalized itinerary, we are confident to become the go-to platform for those visiting China. As global interest continues to rise, we will continue to enhance our offerings and user experience to fully capture this growing opportunity.

AI remains a cornerstone of our long-term strategy. As we deepen our investments in AI, we view it as a critical tool for enhancing user experience and streamlining the travel booking process. Our AI capabilities span the entire customer journey from trip planning to post-sale support. By leveraging advanced language models, we deliver personalized recommendations, generate tailored itineraries with actionable links and respond to user queries with greater precision. This AI-driven approach seamlessly integrate historical booking data with real-time travel trends, allowing for dynamic updates that better align with evolving user needs.

In the planning phase, our AI agent, TripGenie, has seen around a 50% increase in average user session duration, reflecting the growing interest in AI-driven travel assistance. In the post-sales phase, our AI chatbots and self-service tools handle over 80% of inquiries, offering 24/7 support, improving response times and boosting customer satisfaction.

Our strong Q1 results underscore the resilience of our business model and the effectiveness of our strategic initiatives. With a continued focus on innovation, customer experience and operational excellence, we are well positioned to navigate dynamic economic environments and capture future growth opportunities.

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

Jane Sun^ Thank you, James. Good morning, everyone. We are pleased to report a strong start to 2025. In the first quarter, our net revenue increased by 16% year-over-year, reflecting solid momentum across our business. Adjusted EBITDA grew by 7% year-over-year, demonstrating continued operational efficiency improvement. We are encouraged to see that travel has become an increasingly essential part of people's daily lives, driving sustained interest across markets.

On the global front, overall travel bookings on our international OTA platform grew by over 60% year-over-year. APAC remains a major growth engine. We drove this momentum by capturing rising demand from both leisure and business travelers and by strengthening our brand and local presence. Our mobile platform now contributes 70% of international bookings, reflecting growing user preference for app-based travel planning and increasing brand recognition. These achievements reflect the success of our localized operations and strategic partnerships.

Our joint venture with JTB in Japan, for example, has strengthened and expanded our product offerings, helping us better serve local travelers. By broadening our international reach, we continue to respond quickly to changing market dynamics and build long-term growth momentum.

China is also emerging as an increasingly popular destination among global travelers with inbound travel gaining strong momentum. In Q1, inbound arrivals at the national level grew by 40% year-over-year with 75% coming from visa-free regions. On our platform, inbound bookings increased by around 100% year-over-year with hotel bookings from key visa-free countries in APAC surge by over 240%. These trends reflect the strength and competitiveness of our inbound offerings, which outperformed other segments in both conversion rates and cross-selling ratios. This momentum has been supported by favorable policy changes.

The 240-hour visa-free transit policy introduced in December allows travelers from 54 countries to stay in China for up to 10 days and expands eligible entry and exit ports to 60 across 24 provinces, significantly enhancing accessibility. Meanwhile, the new refund upon purchase policy enables travelers to instantly claim VAT rebates at designated stores and reuse the funds, making China increasingly attractive to global visitors.

To further enhance visitor experience, Trip.com Group has launched free city tours for transit travelers in Shanghai and Beijing. We are also upgrading our offline stores into

multilingual service centers, offering international visitors customized travel consultations, payment support and a wide range of localized services.

Outbound travel from China also sustained steady growth during the quarter. In Q1, cross-border flight capacity recovered to 83% of pre-pandemic level. Our outbound hotel and air bookings have returned to more than 120% of 2019 levels, outperforming the market by 30% to 40%. Despite short-term disruptions in Thailand, the expanding travel radius of Chinese travelers continues to support recovery with long-haul destinations such as Europe seeing particularly strong growth.

Domestically, travel demand remained robust with hotel bookings in China continuing to see double-digit growth year-over-year. This underscores consumers' strong appetite for local exploration and travel experiences.

The silver generation is rapidly becoming a vibrant force in the travel market with strong demand and growing enthusiasm for exploration. In Q1, both the number of Old Friends Club users and their GMV grew by 100% year-over-year. With both time and spending power on their side, this group is emerging as a key driver of long-term growth.

To better serve this growing segment, we carefully select and adapt travel products to meet the needs of senior travelers, ensuring suitability, quality and competitive pricing. Our offerings now include over 7,000 travel products, 2,000 partner hotels and 4,000 hotel packages tailored specifically for the silver generation. We also provide one-on-one customer support throughout the entire journey to ensure a seamless and reassuring experience.

To connect with this audience in new ways, we are producing short-form drama series that resonate with them to promote travel offerings. Favorable policies are encouraging more suppliers to develop senior-friendly products. As the supply of tailored offerings grows, we are increasingly well positioned to meet evolving demands and capture long-term growth in this market.

Among younger travelers, we are seeing strong demand for entertainment plus travel experiences such as music festivals, themed tours and destination events. In Q1, revenue for these products rose by more than 400% year-over-year, reflecting a clear shift to an immersive experience-led travel. This generation is increasingly prioritizing unique, interest-driven itineraries that blend leisure with lifestyle and self-expression.

To capture this trend, we are curating more niche offerings across popular themes such as concerts, anime and sports events, delivering greater personalization and cultural relevance. As younger users continue to drive the growth of experiential travel, we see strong potential to further engage this segment through innovative product design and digital storytelling.

Beyond business performance, we remain committed to creating long-term value for society. As part of our efforts to support rural revitalization, we have built 34 country

retreats to promote sustainable travel and stimulate local economies. In times of crisis, we act swiftly. Following the March earthquake in Myanmar, we launched a Global SOS initiative to assist affected travelers with cancellations and offer timely support and reassurance.

Internally, we continue to care for our people, offering employees with children under 18 an additional three days of paid leave. This policy not only supports work-life balance but also encourages family travel, contributing further to the travel economy.

In conclusion, our first quarter performance reflects the strength of our platform. The resilience of travel demand and our ability to capture growth opportunities across diverse markets. We remain focused on delivering innovative, localized and customer-centric travel solutions to meet evolving traveler needs. Looking ahead, we are confident in our ability to drive sustainable growth and create long-term value for our customers, partners and shareholders.

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

Cindy Wang^ Thanks, Jane. Good morning, everyone. For the first quarter of 2025, Trip.com Group reported a net revenue of RMB 13.8 billion, representing a 16% increase from the same period last year and a 9% increase from the previous quarter, primarily due to strong travel consumption and resilient travel demand across segments.

Accommodation reservation revenue for the first quarter was RMB 5.5 billion, representing a 23% increase year-over-year and a 7% increase quarter-over-quarter. Outbound and international hotel bookings continued to deliver strong growth. Domestic hotel bookings also remained resilient and outperformed the overall market. Transportation ticketing revenue for the first quarter was RMB 5.4 billion, representing an 8% increase year-over-year and a 13% increase quarter-over-quarter. Outbound air bookings continued to grow strongly and outpacing the broader market. Our international air business has also witnessed rapid expansion.

Packaged tour revenue for the first quarter was RMB 947 million, representing a 7% increase year-over-year and a 9% increase quarter-over-quarter. The year-over-year growth was mainly driven by our international businesses.

Corporate travel revenue for the first quarter was RMB 573 million, representing a 12% increase year-over-year and an 18% decrease quarter-over-quarter. The sequential decrease was in line with normal seasonality.

Excluding share-based compensation charges, adjusted product development expenses for the first quarter increased by 14% year-over-year. Adjusted G&A expenses for the first quarter increased by 12% year-over-year. These are mainly due to increase in personnel-related expenses.

Adjusted sales and marketing expenses for the first quarter decreased by 11% from the previous quarter and increased by 30% from the same period last year. The sequential decrease was in line with seasonality, while year-over-year increase was mainly driven by heightened marketing efforts aligned with our business expansion.

Adjusted EBITDA was RMB 4.2 billion for the first quarter compared with RMB 4.0 billion in the same period last year and RMB 3.0 billion in the previous quarter.

Diluted earnings per ordinary share and per ADS were RMB 6.09 or \$0.84 for the first quarter of 2025. Excluding share-based compensation charges and fair value changes of equity securities investments and exchangeable senior notes, non-GAAP diluted earnings per ordinary share and per ADS were RMB 5.96 or \$0.82 for the first quarter.

As of March 31st, 2025, the balance of cash and cash equivalents, restricted cash, short-term investment, held-to-maturity time deposit and financial products was RMB 92.9 billion or \$12.8 billion.

As of the earnings announcement date, the company has repurchased approximately \$84 million of its shares. This action underscores our commitment to delivering value to our shareholders. We remain dedicated to this strategy, and we'll continue to evaluate opportunities for additional buybacks throughout the remainder of the year.

In conclusion, travel demand remains resilient across markets, supported by strong consumer confidence and continued recovery momentum. With our solid foundation and focused strategy, we remain confident in our business outlook and long-term growth potential.

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

QUESTIONS AND ANSWERS

Operator^ Thank you. (Operator Instructions) We will now take our first question from the line of Thomas Chong from Jefferies. Please go ahead, Thomas.

Thomas Chong^ Hi, good morning. Thanks management for taking my questions. My question is about AI Could you share your perspective on how vertical AI agents compare to general AI agents within the travel industry? Additionally, as Trip.com has been operating the AI-powered functions for a few years now, how do you ambition the future development of these technologies? Thank you.

James Liang^ Thank you for your question. Vertical AI agents and general AI agents each bring unique strengths to the travel industry. Vertical agents excel at providing real-time proprietary travel data and seamlessly integrating products and services that enhance the travel experience.

General agents, on the other hand, offer a broader range of information beyond specific verticals. However, they still rely on vertical OTAs to complete the booking phase. AI plays a crucial role in Trip.com's development road map.

We have introduced a suite of AI tools to deliver efficient and reliable travel services. Our travel assistant, TripGenie, leverage advanced models to address user inquiries. The Trip.Best recommendations inspire users and help them make informed travel choices based on authentic booking data and user reviews. We are pleased with the increasing user engagement with our AI tools, and we'll continue to enhance them based on user feedback and technological advancements.

As our platform evolves, our goal remains to be the most efficient and reliable one-stop travel service platform.

Operator^ Thank you. We will now take our next question from the line of Yang Liu from Morgan Stanley. Please go ahead, Yang.

Yang Liu^ Thank you for the opportunity. Could management provide some color about your performance during the Labor Day holiday and the quarter-to-date? Thank you.

Cindy Wang^ Thank you, Yang. We are very pleased with our very strong performance during the Labor Day holiday. Our domestic hotel bookings increased by over 20% compared to last year. And cross-border bookings saw a growth of around 30%, in which inbound bookings surged by approximately 150% year-over-year.

The domestic air prices have increased year-over-year, and domestic hotel prices are nearing last year's level, both demonstrating significant improvement since the first quarter. This strong performance suggests a very resilient demand for the leisure travel. Thank you.

Operator^ Thank you. We will now take our next question from Simon Cheung from Goldman Sachs. Please go ahead, Simon.

Simon Cheung^ Thanks for taking my questions. Just a bit more on the outbound travel trend. Can you perhaps just share with us the industry trend and also your company's performance? And what is your expectation for the full year? And given, obviously, the current uncertain environment with all the tariff news and also a lot of volatility on the FOREX, how are you thinking all these factors going to be affecting your overall trend? Thank you.

Cindy Wang^ Thank you, Simon. In the first quarter, cross-border flights from Mainland China steadily recovered to 83% to 84% of the 2019 level. And the CAAC forecasts that the number will exceed 90% at the end of 2025, up from around 80% at the end of 2024, indicating double-digit annual growth.

Our platform has seen outbound bookings consistently outperform the industry with particularly strong growth in the long-haul destinations such as Europe. At a group level, our inbound and outbound operations create a natural hedge where major FOREX changes could positively affect one segment. Thank you.

Operator^ Thank you. We will now take our next question from Brian Gong from Citi. Please go ahead, Brian.

Brian Gong^ Good morning, James, Jane, Cindy and Michelle. Thanks for taking my question. And congratulations on decent results. My question is on hotel ADR, which hotel industry -- hotel ADR industry performance was muted in the first four months. How are hotel prices trending recently? And how is the outlook for the full year in your view? Thank you.

Cindy Wang^ In the first quarter, hotel ADR in general decreased by high single digits compared with last year. As we move into the second quarter, we saw the decline narrowed and prices stabilized. Hotel prices only dropped by low single digits during the recent Labor Day holiday.

In terms of supplier, overall hotel availability increased by high single digits year-over-year. Mid to upper range hotels showed significant growth, where we also saw the furthest growth -- the furthest increase on the demand side.

Looking ahead, we expect that increasing travel demand and normalizing supplier growth was able -- will help to stabilize hotel price. Thank you.

Operator^ Thank you. The next question comes from the line of Alex Yao from JPMorgan. Please go ahead, Alex.

Alex Yao^ Thank you for management for taking my question, and congrats on strong quarter. My question is about consumer sentiment. Can you share with us insights with regard to consumer sentiment in the context of dynamic macro environment and also the geopolitical tension at the current stage? Thank you.

Cindy Wang^ We are seeing quite resilient travel demand across the different markets where we operate in. Although travelers' preference for destinations are consistently changing, the most important factor for us is the ongoing growth in the overall demand. Leisure travel demand remains strong with per capita spending comparable to last year's level for the first quarter and the recent Labor Day holiday on our platform.

Business travel trends are more closely tied to the macro environment, and we currently see a stable demand. In the first quarter, corporate users' average spending on business travel was steady year-over-year. And the recent survey indicates that over 90% of corporate users, they expect their domestic and international travel budget to grow or remain unchanged by 2025. Thank you.

Operator^ Thank you. We will now take our next question from Ellie Jiang from Macquarie. Please go ahead, Ellie.

Ellie Jiang^ Thank you. Good morning, management for taking my questions. Congrats on the strong results. I just have a question on the domestic competitive landscape. Could you help me understand, you know, what is the current landscape like? Have you noticed there are changes in competition, especially with competitors' aggressive membership programs? And what will be their impact on the businesses? Thank you.

Jane Sun^ Thank you for your question. Regarding the domestic market, the competition tends to be rationalized. We are very glad to see that we are focusing on our really strengths. Our membership has been always very strong. On the consumer side, we provide a strong loyalty program, which enable our customers to get the best coverage with the most competitive pricing.

On the partner side, because of our strong membership scheme, our partners are able to differentiate different customers and offer customized service at different levels. So as a result, 80% of our revenue are provided and driven by our existing customers, and we will continuously extend our leadership in this field. Thank you.

Operator^ Thank you. Our next question comes from Joyce Ju from Bank of America. Please go ahead, Joyce.

Joyce Ju^ Good morning, James, Jane, Cindy and Michelle. Congrats on the strong quarter and thanks for taking my question. My question is, could you provide some insights and more detailed colors into the first quarter performance, both operationally and also financially? Thank you.

Cindy Wang^ In the first quarter, Trip.com achieved a very strong growth despite a challenging comparison base with overall bookings increased by more than 60% year-over-year. APAC remains our top priority for the operations, marketing and growth driver. We are also expanding and growing rapidly in new markets such as the Middle East, which helped to diversify our market portfolio and strengthen our global presence.

As Trip.com continues to scale, our service and personnel-related cost efficiency is also improving. Our marketing ROI remain aligned with our requirements despite a slightly higher marketing ratio due to the intensified efforts. Thank you.

Operator^ Thank you. Our next question comes from the line of Wei Xiong from UBS. Please go ahead, Wei.

Wei Xiong^ Thank you. Good morning, management. Congrats on the solid results. I want to follow up on the international business. So as you mentioned, Trip.com overseas has stepped up the marketing efforts. Could you please share in which areas are we allocating more resources? And what kind of strategies have proven to be more

successful or less effective that needs improvement? And also what's the plan ahead for this year? Thank you.

Cindy Wang^ Thank you, Xiong Wei. Our product offerings and customer services are highly competitive, especially in Asia, helping us to intensify our marketing efforts in this region. We leverage all the marketing channels that meet our ROI requirements with direct app user acquisition proving most effective for the longer-term growth.

In the first quarter, our native mobile app accounted for approximately 70% of our orders with even stronger performance in the APAC region. Additionally, we have launched multiple campaigns to boost our brand awareness, both online and offline, in the key Asian markets.

Overall, we prioritize marketing ROI and maintain flexibility in our strategies. Our campaigns are currently delivering the desired outcomes with a rapid increase in our direct user and cross-selling opportunities, which is expected to further enhance our long-term marketing efficiency. Thank you.

Operator^ Thank you. Our next question comes from the line of Parash Jain from HSBC. Please go ahead, Parash.

Parash Jain^ Thank you, management. And I have two questions. The first one is following on your earlier comment. If you can elaborate on like the core competencies in some of the Asian and the other key markets as your pursuit of international expansion. How shall we see like which markets will lead in terms of bringing the underlying profit to your existing portfolio?

And my second question is, do the travel business in any shape or form has been disrupted because of all the trade tensions between U.S. and China in particular and globally in general? Thank you.

Jane Sun^ Thank you. When we established our strategy, we focus on a couple of areas. First of all, we offer one-stop shopping platform, which gives consumers a comprehensive product offering. Therefore, if a customer is making their hotel reservation or flight reservation, we immediately will use AI to recommend, attach the services, which they need during their trip. And so far, that works very conveniently for our travelers.

The second thing is our excellent customer services. We are very proud of our service team. The service level is, quote, very high at global level. At any time, if you want to call our call center, our team is always there for our customers timely to address any questions they might have.

Thirdly is the app usage is excellent. Because Asia is a very active community. So we developed the design that is very well established for app users. And we will continuously put these efforts in. And as we increase our volume, our competitiveness in

pricing and coverage also is enhanced. So these are the strengths we have seen when we extend our services from China to Asia and to the rest of the world. Thank you.

Operator^ Thank you. (Operator Instructions) Our next question comes from the line of Wei Fang from Mizuho Securities. Please go ahead, Wei.

Wei Fang^ Hi, James, Jane, Cindy and Michelle, thanks for taking the question. And congrats on the solid print. I was wondering if you can elaborate on some of the -- hello? Can you hear me?

Jane Sun^ Yeah. Sure, clearly.

Wei Fang^ Sorry, yes. I was hoping you guys can help maybe elaborate a little bit on the latest developments in the inbound business, right? I remember it was like low single-digit group revenue and glad to see that continues to grow over 100% year-over-year. So maybe you guys can help update us on the current revenue contribution. Thank you very much.

Jane Sun^ Sure. I will highlight it on the policy level as well as what we have been so far as our team to strengthen the attractiveness of our products. At the policy level, more than 40 countries are given free visa. That makes the inbound travel much, much easier.

On top of it, the policy also extended to in-transit visa from three days in-transit period to 10 days for in-transit travelers. That also makes business travelers much easier to travel inbound. So we are very encouraged to see the change in policy.

The second thing is as the leading player in domestic market, we have the best coverage of all inventories with the most competitive pricing. And we also can cross-sell different products when consumers come to visit inbound.

So we have seen a strong momentum for inbound travel. And we're very glad we delivered three digits growth, again, in Q1. We'll keep up with the strong momentum going forward. Thank you.

Operator^ Thank you. Our next question comes from John Choi from Daiwa. Please go ahead, John.

John Choi^ Thank you. And thanks for taking my question. Just quickly on your sales and marketing expense. I noticed that this quarter compared to the prior expectations, the sales and marketing expenses seemed slightly lower than expected. How should we think about the full year outlook on this side? Thank you.

Cindy Wang^ Sure. The sequential decrease in the marketing cost ratio was primarily due to seasonal shifts in China. As previously mentioned, our marketing investments are highly focused on ROI tailored to individual markets and different type of channels. We adjust our marketing investment in real time based on changing marketing conditions.

Although our investment adhere to ROI criteria, variations in market and channel mixes can cause fluctuations in overall marketing expenses ratio.

In the short term, we will continue to enhance our overall marketing investment as planned. Each quarter, the marketing ratio may fluctuate due to seasonality and the varying mix of different markets. In the longer-term period, we aim to improve marketing efficiencies by increasing direct mobile traffic, enhancing cross-selling opportunities as well as strengthening our customer loyalty on our platform. Thank you.

Operator^ Thank you. Our next question comes from Jiong Shao from Barclays. Please go ahead, Jiong.

Jiong Shao^ Thank you very much for taking my question. I think in the prepared remarks, you talked about you repurchased about \$88 million of shares in Q1. I was hoping you can provide a bit of update on your capital return program. And should we expect you would step up to buy more shares per quarter in the coming quarters? Thank you very much.

Jane Sun^ Yes. We will step up with our efforts. For 2025, we have already given \$200 million cash dividends to our shareholders. And so far, we have bought back about \$84 million shares, and we'll continue with our efforts to buy back more shares when the market gives us more opportunities. Our board of directors has approved the total amount to be about \$600 million. So there is still room for us to purchase back our shares.

In addition to that, we also proposed to our shareholders to buy back shares in Hong Kong market. Upon approval, that will also increase our quota for buying back shares. Our commitment for capital return is firm. We will give our shareholders the opportunity on both cash dividends as well as stock buyback. Thank you.

Operator^ Thank you. We have now reached the end of the question-and-answer session. Thank you all very much for your questions. I'll now turn the call back to Michelle for her closing comments.

Michelle Qi^ Thank you. Thanks, everyone, for joining us today. You can find the transcript and webcast of today's call on investors.trip.com. We look forward to speaking with you on our second quarter 2025 earnings call. Thank you, and have a good day.

Jane Sun^ Thank you.

Cindy Wang^ Thank you.

Operator^ Thank you for your participation in today's conference. This does conclude the program. You may now disconnect your lines.