

THOMSON REUTERS

EDITED TRANSCRIPT

Q4 2018 Ctrip.Com International Ltd Earnings Call

EVENT DATE/TIME: MARCH 05, 2019 / 12:00AM GMT



CORPORATE PARTICIPANTS

Jane Jie Sun *Ctrip.com International, Ltd. - CEO & Director*
Jianzhang Liang *Ctrip.com International, Ltd. - Co-Founder & Executive Chairman*
Michelle Qi
Xiaofan Wang *Ctrip.com International, Ltd. - CFO & Executive VP*

CONFERENCE CALL PARTICIPANTS

Eileen Deng *Deutsche Bank AG, Research Division - Research Associate*
James Lee *Mizuho Securities USA LLC, Research Division - MD of Americas Research & Senior Internet Sector Analyst*
Juan Lin *86Research Limited - Research Analyst*
Ka Wai Leung *Haitong International Research Limited - VP & Sector Coordinator*
Ronald Keung *Goldman Sachs Group Inc., Research Division - Executive Director*
Tianxiao Hou *T.H. Capital, LLC - Founder, CEO & Senior Analyst*
Wai Yan Wong *HSBC, Research Division - Head of Internet Research of Asia Pacific & Analyst*
Wendy Huang *Macquarie Research - Head of Asian Internet and Media*
Xiaoguang Zhao *Barclays Bank PLC, Research Division - VP*
Yuan Liu *UBS Investment Bank, Research Division - Co Head of HK and China Internet Research*
Yue Wu *China International Capital Corporation Limited, Research Division - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, welcome to the Fourth Quarter 2018 Ctrip.com International, Ltd. Earnings Conference Call. My name is Aaron, I will be the moderator for today. (Operator Instructions) As a reminder, this conference is being recorded for replay purposes.

Now I will hand the call to Senior IR Director, Michelle Qi. Please begin.

Michelle Qi

Thank you, Aaron. Good morning, everyone. Welcome to Ctrip's fourth quarter 2018 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 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 Ctrip's public filings with the Securities and Exchange Commission. Ctrip 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 fourth quarter and full year of 2018 as well as the outlook for the first quarter of 2019. After their prepared remarks, we will have a Q&A session.

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

Jianzhang Liang *Ctrip.com International, Ltd. - Co-Founder & Executive Chairman*

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

We are very pleased with Ctrip's overall performance in 2018 with our teams continuing to execute well. We strengthened our core competencies in pricing product and service while at the same time improving customer satisfaction through our efforts in enhancing backend service protocols, building new product channels, further automating our operation and implementing innovative new technologies. We also improved our market share during the past year, with GMV reaching RMB 725 billion excluding Skyscanner, up 30% from 2017. Today I would like to update you with Ctrip's strategies on customer-centric initiatives and platform improvements as well as the outlook for 2019 and beyond.



First, updates on customer centricity. At the beginning of 2018, we emphasized our customer-centric principles of transparency, optionality, consistency and impartiality, and promised to incorporate such principles throughout our entire operation. Over the course of 2018, we updated our service commitments across all product lines. We have also invested in backend technologies and systems to streamline products and service protocols.

By the end of the year, our Net Promotion Score (sic) [Net Promoter Score] or NPS, an indicator for customer satisfaction levels with our products and services, improved around 35% year-over-year on average in all our major business units as we demonstrated the product reliability, proactive and comprehensive customer service and strong customer guarantee. As a result, user engagement has increased, and our brand image has been strengthened providing a boost to our new customer acquisition efforts.

Second, our platform empowerment strategy. In December last year, we enhanced our platform strategy with the unveiling of the open platform 3.0 strategy. The new expanded platform helps to connect us with hard-to-reach suppliers, particularly small and medium tour operators and individual trip planners and tour guides, which account for 80% of the in-destination travel supply. Our open platform has and will continue to empower these providers with our traffic and platform data, operation training, backend tools and finance products. For instance in 2018, Ctrip brought over 2 million customers to over 9,000 local tour guides across the globe, which registered -- who registered on our platform.

Lastly, on outlook. Looking to 2019 and the longer term, we are confident of continued growth. From a macro perspective, it is projected that the urbanization rate in China will increase to 70% to 80% from the current 50% within 10 to 20 years, reaching the level of most middle-income countries. This translates to 10 million to 20 million predominantly young people moving to cities to live and work each year, and indicates that there is a huge consumption capacity still to be unlocked.

Even if there's the short-term macro turbulence ahead, such times have proven to be our best opportunity to strengthen our industry leadership and outpace industry growth. Based on the foundation we laid in 2018 and previous years, we'll continue to outpace the industry growth in GMV going forward and leverage operational improvement at the same time.

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

Jane Jie Sun Ctrip.com International, Ltd. - CEO & Director

Thanks, James. Hello, everyone. We achieved strong results in the fourth quarter. By delivering differentiated innovation and a renewed focus on strong execution, we saw increased engagement, usage and ultimately, increased conversion. We took significant steps this quarter to make sure we are well-positioned to gain further market share. Against this backdrop, I would like to highlight some key areas of innovation, development and growth across our different businesses.

First, on our customer base. As of the end of Q4 2018, our group level MAU was 200 million, despite weaker seasonality. Transacting users of Ctrip and Qunar brands totaled 135 million, increasing 25% CAGR over the past 2 years. In addition, our user base is getting younger. Customers under the age 30 make up 50% of our user base, up significantly from 1/3 in 2013. We have continued to make strides in expanding into the lower-tier cities through localized products and service offerings as well as launching targeted marketing initiatives in the cities with the biggest growth potential due to rapid urbanization. For example, we now have over 7,000 franchised off-line stores in over 200 cities in China. The majority of which are located in lower-tier cities. With an increasing mix of new customers from lower-tier cities, we saw a consistent positive ROI for our customer acquisition investment. Increases in average spending per customer saw similar growth across various city tiers as we gradually improved customer engagement and increased wallet share.

Second, on user engagement. On top of looking for opportunities from expansion of our customer base, we have also worked to -- on revitalizing our existing customer base by offering better services and stimulating more travel demands through our platform. Our relentless effort in providing the best services for our clients is the foundation for every initiative and run deep through the Ctrip DNA. Every day, our service center handles customer requests via more than 1 million phone calls and 10 million instant messages, with over 90% of the requests answered within 20 seconds and close to 90% of the requests solved on the first contact. Throughout the year, we have continued to invest heavily in technology to improve our backend system. Over the past 3 years, our GMV has more than doubled while the overall headcount of our call center has remained flat.



We added a new transportation plus accommodation section in order to maximize our potential to cross sell. Given the size of our platform and technology capabilities, the dynamic packages can save customers up to 30% of the original price. Just months after launching, this function has effectively increased the conversion rate and overall cross-sell levels. As a result of initiatives to drive platform usage and engagement, we already have 40% to 50% of the customers repurchasing within 1 year, and 70% to 80% of the customer coming back within 3 years.

In the current age, a lot of travel demands are stimulated by blog posts and videos. Our new content in social platform, Trip Moments, is another initiative we took on to enhance user stickiness. We are still in initial stage having it just launched in December, but our user have already generated close to 1 million posts covering over 6,000 destinations around the world, making us extremely optimistic about its development going forward. With all these innovations contributing to improve the customer's engagement, and -- our overall GMV, excluding Skyscanner, grew 30% in 2018.

Third, expanding our supply network and strengthening partnerships. Today, I will dive deeper into how we empower supplies on our platform. Firstly, we are expanding our supply network to new vendors across all product categories, ranging from the large global and the regional players to smaller enterprises or even individual professionals. Our new mobile app enables sale sign up for small travel vendors with a combined automatic plus human review process. With that, this new feature will expand our local supply network significantly.

Secondly, our new marketing channel like same tours or transportation plus accommodation packages not only better address customers' differentiated preference but also help suppliers to identify their suitable customers effectively.

Thirdly, once suppliers join Ctrip's partnership program, they will also enjoy the access to our online and off-line training courses on how to better leverage Ctrip's platform and resources. In 2018, Ctrip's Hotel University launched more than 150 training courses, with over 100,000 hotels attending. The results showed that those hotels are outperforming their comparable peers by approximately 20%. We are also bringing the courses to overseas hotel partners, having just last month launched our first global training camp from Ctrip Hotel University in Thailand. We have also collaborated with EHL in Switzerland, one of the world's top hospitality management schools, to provide exclusive training to our suppliers.

Lastly, by leveraging our internal technology capabilities, we help the suppliers better contact with -- better connect with the end customers by building mini apps, e-ticketing systems and backend proxy management software.

Fourth, our international expansion. We also want to highlight another growth lever, our international expansion. In the fourth quarter of 2018, revenue generated from the international business makes up 30% to 35% of the group-level total revenue. Our international hotel and air ticketing business units both expanded at about 3x the industry growth rate. Such strong volume growth allows us to strengthen our industry position and gain price competitiveness, particularly in regions where Chinese are most frequently travel to. This has allowed us to quickly build a good foundation for our international business. Skyscanner has sustained MAU growth in the middle 20s over the past quarter. Direct bookings has increased by about 200% year-over-year for Skyscanner.

In closing, our results speak to the strength of our platform and services for both customers and suppliers. We will continue to innovate, increase product offering, improve all off-line store coverages and elevate service quality. With the tremendous opportunity ahead, our goal is to continue to grow at multiple times of the industry growth and improve our operational efficiency.

With that, I will turn the call over to Cindy. She will walk you through the details of the financial results.

Xiaofan Wang *Ctrip.com International, Ltd. - CFO & Executive VP*

Thanks, Jane. Thanks, everyone. For the fourth quarter of 2018, Ctrip reported net revenue of RMB 7.6 billion, representing a 22% increase from the same period in 2017. For the full year ended December 31, 2018, net revenue was RMB 31 billion, representing a 16% increase from 2017. Accommodation reservation revenue for the fourth quarter of 2018 was RMB 2.7 billion, representing a 22% increase from the same period in 2017, primarily driven by increase in accommodation reservation volume.



In the fourth quarter, room nights in the low-end hotel segment maintained a year-over-year growth rate of over 50% for the Ctrip brand, while the average room rate in the segment was steady at around RMB 200. In the mid- to high-end hotel segment, we continued to gain market share by doubling the industry growth rate. International hotels delivered another strong growth, about doubling the industry growth rate. For the full year ended December 31, 2018, accommodation reservation revenue was RMB 11.6 billion, representing a 21% increase from 2017.

Transportation ticketing revenue for the fourth quarter of 2018 was RMB 3.4 billion, representing a 17% increase from the same period in 2017, primarily driven by increase in ticketing volume. In the fourth quarter, air ticketing continued strong volume growth while revenue growth is catching up with comparatively normalized comps on a per air ticket revenue basis. International air ticket business growth tripled the industry growth rate, and Trip.com delivered triple-digit year-on-year growth in air ticketing volumes for the ninth consecutive quarter. Ground transportation continued to impress our customers with strong and reliable services. For example, more than 50% of bus ticketing users will come back for a second purchase within 6 months. For the full year ended December 31, 2018, transportation ticketing revenue was RMB 12.9 billion, representing a 6% increase from 2017.

Packaged tour revenue for the fourth quarter of 2018 was RMB 721 million, representing a 31% increase from the same period in 2017, primarily driven by increase in volume growth of organized tours and self-guided tours. In the fourth quarter, GMV through our off-line franchise stores delivered triple-digit growth year-over-year. Customized tours continued its exceptional performance, with GMV growth above 90% year-over-year for the fourth quarter and the full year of 2018. Currently, we have more than 1,500 suppliers and more than 5,000 trip planners who have joined our customized tour platform, and that number is still increasing.

For the full year ended December 31, 2018, packaged tour revenue was RMB 3.8 billion, representing a 27% increase from 2017. Corporate travel revenue for the fourth quarter of 2018 was RMB 279 million, representing a 35% increase from the same period in 2017, primarily driven by expansion in travel product coverage.

For the full year ended December 31, 2018, corporate travel revenue was RMB 981 million, representing a 30% increase from 2017. Our investments in expansion and innovation of products and services for corporate users not only yield increased spending per client but also helped us grow our client base at a very healthy pace.

Other businesses, including advertisement, financial services and others, increased by 45% year-on-year in the fourth quarter of 2018 reaching RMB 515 million. The acceleration of growth compared to previous quarters mainly related to the low advertisement revenue base in the fourth quarter of 2017. For the full year ended December 31, 2018, revenue from other businesses was RMB 1.8 billion, representing a 20% increase from 2017.

Gross margin was 79% for the fourth quarter of 2018 compared to 83% in the same period in 2017 and remained consistent with the previous quarter. For the full year ended December 31, 2018, gross margin was 80% compared to 83% in 2017. The year-over-year decrease in gross margins was mainly due to the decrease of per air ticket revenue as a result of operating adjustment we discussed in previous quarters, our investments in service upgrades in domestic and international markets and change in the revenue mix of different business segments. Excluding share-based compensation charges, total non-GAAP operating expenses grew 29% year-on-year and 4% quarter-over-quarter in the fourth quarter of 2018.

In the fourth quarter, the total headcount in product and development as well as administration function was generally consistent with the level of the third quarter. The sequential increase to operating expenses as percentage of net revenue in the fourth quarter was primarily due to weaker seasonality and increased personnel costs.

We continued to improve sales and marketing efficiencies in the fourth quarter of 2018 with our average new user acquisition cost slightly decreased from the previous quarter. For the full year ended December 31, 2018, total non-GAAP operating expenses grew 17% from 2017. Non-GAAP operating profit in the quarter was RMB 261 million compared to RMB 703 million in the same period in 2017 and RMB 1.9 billion in the previous quarter. Non-GAAP operating profit for 2018 was RMB 4.3 billion compared to RMB 4.8 billion in 2017. Non-GAAP operating margins for the fourth quarter was 3%, decreased from 20% in the previous quarter. The decrease has resulted



from the change in revenue due to seasonality. Non-GAAP operating margin for 2018 was 14% compared to 18% in 2017.

The company adopted the new financial instrument accounting standard from January 1, 2018, and measures its available-for-sale equity securities at fair value with gains or losses recorded through the income statement. The impact of applying this new standard for the fourth quarter of 2018 resulted in a loss of approximately RMB 1.3 billion in net income, net of tax. The impact of applying this new standard for the full year 2018 resulted in a loss of approximately RMB 2.7 billion in net income, net of tax.

Diluted loss per ADS were RMB 2.17, or USD 0.32. For the fourth quarter of 2018, excluding share-based compensation charges and fair value changes of equity security investments, non-GAAP diluted earnings per ADS were RMB 0.90, or USD 0.13, for the fourth quarter of 2018. For the full year ended December 31, 2018, diluted earnings per ADS were RMB 1.96, or USD 0.29. Excluding share-based compensation charges and fair value change of equity security investments, non-GAAP diluted earnings per ADS were RMB 9.22, or USD 1.34. As of December 31, 2018, the balance of cash and cash equivalents, restricted cash and short-term investments was RMB 62.5 billion, or USD 9.1 billion.

Now turning to the outlook. For the first quarter of 2019, the company expects net revenue growth to continue at a year-over-year rate of approximately 18% to 23%. Excluding share-based compensation, the company expects the non-GAAP operating income will be around RMB 1 billion to RMB 1.1 billion. For 2019, the company expects to continue to outperform the market while delivering operating leverage from the previous year. This forecast reflects Ctrip's current and preliminary view which is subject to change.

That concludes our prepared remarks. Operator, now please open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question, Gregory Zhao from Barclays.

Xiaoguang Zhao Barclays Bank PLC, Research Division - VP

So in addition to the faster growth in January, would you please share more colors of that top line growth outlook in 2019 and the key growth driver behind. And it will be great if you can help us understand the growth trends by business segments like hotel and air ticketing.

Jianzhang Liang Ctrip.com International, Ltd. - Co-Founder & Executive Chairman

Yes. We continue to be very optimistic about the overall growth trends of the industry and for our company. What -- we talked about there's still a lot of room for growth in terms of urbanization. But on top of that, the Chinese economy is continuing to move from necessity goods to experience goods from manufacturing to service and from, yes, investment to consumption, particularly high-end consumption. So that trend bodes very well for the overall industry growth and for Ctrip. Ctrip, as being the leading company in the travel industry, particularly high-end travel industry, including outbound and high-end domestic travel, Ctrip is very well-positioned to take advantage of that. And Ctrip will grow at least twice the industry growth, which is close to double digits. So Ctrip will continue to be one of the fastest-growing Internet companies in China. In terms of product line, yes, I think the growth will be across the board.

Transportation continues to grow. Air tickets, particularly international air tickets will continue to grow very well. And high-speed rail will continue to grow as China builds more high-speed railways. And all these will drive accommodation growth, which is the bulk of our -- we'll be taking increasing share of our overall revenue and profit. And we are very optimistic over the growth prospect of all our product lines. Thank you.

Operator

Our next question Ronald from Goldman Sachs.



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

So my question will be more on '19 and maybe could you provide some 2020 margin targets. I'm just thinking about the first quarter EBITDA you've just provided. And how do you think of '19 and into 2020 versus your long-term margin target, can you share a bit more color and what are the drivers behind that 2020 potential target from a by-segment basis?

Xiaofan Wang Ctrip.com International, Ltd. - CFO & Executive VP

Thank you, Ronald. So in terms of the guidance because given the very short booking window we have, actually normally over 70% of our orders is actually made within 5 days prior to travel, so we usually have a pretty limited visibility on the full year performance for the 2019 as well as for 2020. But as Jane said, we are on the right track to achieve our original 2020 guidance. And Ctrip already laid a very solid foundation in the service, very comprehensive product offerings and precision marketing in the last 2 years. So we have the full confidence to continue to outpace the industry growth going forward. And at the same time, we can also achieve the leverage on the operational improvement. So we think in China markets going forward, given the foundation we've built throughout the year, we expect continuous efficiency gaining on a full year basis, including the China outbound business. But as always, the magnitude of the margin expansion also relates to our marketing situation. For international markets, it's still in the pretty early stage, so we will continuously make investments. And I think our midterm -- given the operational efficiencies gaining on the domestic market, we think the midterm margin guidance is still very achievable. Thank you, Ronald.

Operator

Our next question, James Lee from Mizuho.

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

Jane, maybe can you talk about maybe competition with Meituan at this point. Are you seeing them continue to be very aggressive providing a very high -- higher subsidy in low-star or even high-star hotels? And maybe help us understand, did you have the -- did you need to lower your discount rate in 4Q as well? And also, it seems like your call center has done really well gaining leverage. Obviously, that's a big asset for you in terms of driving the business in general. Are you also seeing your key competitor, Meituan, also building call center assets going to 2019?

Jane Jie Sun Ctrip.com International, Ltd. - CEO & Director

Thanks, James. First of all, you are right, I think Ctrip competes on service and technology. So every year, we put a tremendous effort hiring engineers to strengthen our service capability. And as we discussed before, about 90% of the phone calls are addressed within 20 seconds and about 90% of the requests are handled on the first contact. And going forward, we will continuously to invest in our service level to make sure our customers are satisfied and we deliver beyond the expectation service to our customers. In terms of our competition, I think every year, we have seen some newcomers. And we -- the focus for us had always been focus on our product offering, technology and services. If we listen to our customers, understanding their trend, I think Ctrip will be in a very good position to capitalize on the upgrade on the services. So hardly we initiate the price war, but based on our earnings ability, if there is one, we will relentlessly make sure we leave no room for other players. But I think based on our focus, I think our earnings ability and service level will enable us to make further investments in the service and technology. And that's our strength for the past 20 years.

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

All right, great. Just a follow-up question for Cindy here. Your operating guidance implies your total expense level will actually decline about 4% or so from 4Q to 1Q. I think if I look at your financial for 1Q '18, your actual total expense level increased by 3% or so. And maybe help us understand where are you seeing leverage in first quarter 2019 in terms of expenses?

Xiaofan Wang Ctrip.com International, Ltd. - CFO & Executive VP

Yes. We think we have the leverage in each expenses line items. But for the fourth quarter because there's some onetime like the year-end bonus, et cetera, so there's some onetime impact on the fourth quarter expense line item. And going forward, we will continuously to make investment in, for example, technology, service capabilities. But we also can -- especially on the China business, we can achieve operational efficiency gaining across all the expense line items.

Operator

Our next question, Wendy from Macquarie.

Wendy Huang *Macquarie Research - Head of Asian Internet and Media*

First, I wonder if you can share any color on the margin difference between the international business versus domestic, especially given that the international is already becoming 1/3 of your revenue. If you cannot really quantify the operating margin difference, I think can you at least give us some idea at gross margin level, what's the difference would be like for the 2 segments? And also, what would be the different cost components be for the 2 different types of business. And also if you can share the same color on the high-end hotel versus low-end and top-tier cities versus low-tier cities, that would be even better. And secondly, at a high level, if we actually looking back 2018, obviously, there has been a lot of uncertainties at macro level as there is -- company level caused some, I would say, underperformance in the earnings slide. So what would be the uncertainties you are foreseeing for 2019 at this point of time?

Xiaofan Wang *Ctrip.com International, Ltd. - CFO & Executive VP*

Thank you, Wendy. So in terms of the operating margins for different product line items, I think -- because there are a couple of components within the international business, one -- biggest one actually is the outbound business. For that product -- for that segment, because it is still towards the mid to high end, actually it brings us a pretty -- or higher-than-average operating margin compared with others. In terms of the international expansion, for example, the Trip.com business because it's still in the quite early stage so we have a plan to continue to make investments and grow that business in a faster way. And for the Skyscanner, they have a different -- slightly different margin compared with Ctrip overall. So even within the international, we have a different operating margin for different brand and market segments. In terms of the uncertainties ahead of us, as always, Ctrip has been in the travel industry in the last close to 20 years. We have experienced the peak season, slow season. But what we observed, and we have the confidence, is that if there's any, for example, macro uncertainties, it always will become the best opportunity as the leader to be more aggressively outpace the industry growth. We did, we achieved in the last year and we have the full confidence we can continue.

Operator

Our next question, Eileen from Deutsche.

Eileen Deng *Deutsche Bank AG, Research Division - Research Associate*

I'm wondering what's the strategy on the low-tier cities. As management just mentioned on the local products and services, can we get more color on specifically what kind of these services and products to -- it is offering to cater that demand? And what kind of investment should we expect the economy? And likewise, can we get a roughly idea on the user contribution and the revenue contribution to the overall growth? And how much upside do we see in the next, for example, 2 years?

Jane Jie Sun *Ctrip.com International, Ltd. - CEO & Director*

Yes. For the lower-tier cities, first of all, in terms of product offering, not only we offer the hotel rooms in the first-tier cities. In the past couple of years, our coverage into the lower-tier cities have significantly increased. Secondly in transportation, many smaller cities are opening up the airports, and high-speed railway also reached the low-tier cities. We also added rental cars, buses, et cetera, to reach the last miles for our customers. So these products enable us to give the best product offering to the customers in the lower-tier cities. In terms of the marketing tools, not only we offer the online platform in mobile app, et cetera, we also extended our presence by opening up the off-line stores, which covers the 200 cities in China and with the 7,000 off-line stores to cover more and more low-tier cities. And thirdly, I -- we believe that with the increased GDP per capita, customers from some cities will enable to travel to the first-tier cities and later to the global places. So Ctrip's product in the domestic coverages will enable them to develop loyalties to our brands. Thank you.

Operator

Our next question, Billy from Haitong International.



Ka Wai Leung *Haitong International Research Limited - VP & Sector Coordinator*

Just one quick question for me. I just wanted to understand our international business, which has done really well and it contributed 1/3 of our revenue now. I'm just wondering if this was just the low-hanging fruits and that the international expansion will get incrementally harder going forward as it gets harder to penetrate? That said, how do we look at overseas growth? And what are really our competitive advantages in the overseas market?

Jane Jie Sun *Ctrip.com International, Ltd. - CEO & Director*

Yes. International business represents a very strong growth driver for our overall business. First of all, as we discussed, the GDP per capita is increasing quite significantly over the past couple of years. And secondly, Chinese people are very curious in exploring different parts of the world. And the large population enable us to talk with our partners to get the best deals for our customers. And thirdly, when we developed the infrastructure to help Chinese customers to go abroad, for example, international air tickets, the infrastructure is large enough so that we can offer to the global customers. And fourthly, because of our investment in Skyscanner, which enable us also to reach to the customers in the global spaces utilizing their brand. So all these factors combined together represent a very strong price for our international growth. And if we look at the market share, we are still very, very small. The percent for international business probably is below 1%. So I think as long as we work hard, understand the customers' needs, we'll continuously to drive that business.

Operator

Our next question, Jerry from UBS.

Yuan Liu *UBS Investment Bank, Research Division - Co Head of HK and China Internet Research*

My question is really just around near-term trends. First, could we get a breakdown roughly of the growth rates for the major business units in the first quarter. And also, just given the strong results and guidance, are we seeing a near term maybe improvement in sentiment for travelers? I understand there's tremendous long-term opportunity, but it seems like near term things are improving as well, so just wanted to get the views there.

Xiaofan Wang *Ctrip.com International, Ltd. - CFO & Executive VP*

So each of the -- for each of the business line items for the first quarter 2019, accommodation reservation revenues, we forecast to have -- continue to have a 20% to 25% growth. And on the transportation revenues, we forecast it will have 15% to 20% year-over-year growth. And the packaged tour will continue with 25% to 30% year-on-year growth. Corporate travel revenues will grow about 25% to 30% year-on-year, and other revenues will grow about 15% to 20%. So the net revenue will grow at about 18% to 23% year-over-year. In the near term, in terms of the uncertainties or macro slowdowns, yes, we do observe this macro slowdown, especially if you compare first half of 2018 toward the end of 2018, there's some industry data slowdown, but we also noticed that we are actually gaining market share in a much faster way, for example, in the first half of 2018, we probably doubled the industry growth when the industry growth's at a pretty high level. But toward the end of the year, the industry growth slowed down but we almost tripled the industry growth, for example, the outbound travel business, which prove that Ctrip as a leader, we have a very resilient business model. And if there's any uncertainty, it's always the best opportunity for us to outpace the industry growth in a much faster way.

Operator

Our next question, Natalie from CICC.

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

Actually, I want to ask you about the Trip Moments that launched last December. It's quite a good function, I think. Can you help us understand how does that help your user engagement, stickiness, et cetera? Any operating metric you can share with us to better understand the improvement brought by that feature? And secondly, the transportation business is actually picking up much faster than expected. Just wondering what's the major driving force behind. Is there any improvement you've observed on airline tickets take rates? Or it is more about the -- more because of the effect from ground transportation?

Xiaofan Wang *Ctrip.com International, Ltd. - CFO & Executive VP*

Thank you, Natalie. For the Trip Moments because we just launched very recently, and it's a pretty new kind of a path internally, so -- because it's too early to share a very detailed operating data. But we see a very encouraging momentum on that product. People



like to share their shot videos on Ctrip's platform for their destinations. So we think going forward, it will help us to increase the user engagement on Ctrip's one-stop shopping platform. In terms of the transportation ticketing business, as always, there's a -- this revenue stream is mainly growth -- it's mainly driven by the volume growth. We think for this revenue segment, it actually was negatively impacted in the first 3 quarters of 2018 just because of the operational adjustment on the air tickets business, especially the domestic air tickets business. But given the comparatively lower comp base towards the fourth quarter of 2017, so the growth recovered a little bit on the per air ticket revenue basis. But again, even though there is some -- there was some negative impact on the revenue side, but we also always see a very healthy volume growth across all the product line items within that category. Thank you.

Operator

Our next question, Juan Lin from 86Research. My apologies, our next question, Tian Hou from T.H. Capital.

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

So I've got questions related to one of your business strategy. If we go back to 2018 and management is adopting the strategy to go lower-tier cities and you guys said a lot in lower-tier cities you guys actually doesn't have brand recognition for Ctrip. They thought that Ctrip is more of a shop for shoes. So as what James said, the population actually moving from the lower-tier cities to higher-tier cities and the travel itself is locked really from consumption you can activate frequently experienced by the really lower-tier city people. So I wonder how you can see your strategy this year? Are you going to be focusing more on urban people? And also, are you going to be focusing on more, the overseas travel? So what is the strategy here in 2019?

Jane Jie Sun Ctrip.com International, Ltd. - CEO & Director

Yes. Thanks. I think if we look at the growth, domestic China in terms of GDP growth is around 6% to 6.5%. It is still the fastest compared to the rest of the world. So domestic market for us, as it always going to be very important, and that's what Ctrip is good at. So we have our team focusing on the expansion domestically as well as internationally. For domestic market, as we discussed, first, our product line needs to cover all the cities that has growth potential. Secondly, our marketing campaign needs to reach to the customers who has never used Ctrip before. And so far, we have seen very positive ROI in both fronts. Secondly, regarding the first-tier cities customers, in the past couple of years, they have already been going through the major travel destinations within China. And naturally, as their income level is increasing, they will join the people in the global spaces to travel outside of China. And that also represents a great potential for us. So our international team also needs to develop a strong infrastructure in terms of international air ticket, international transportation, et cetera, and packaged tour, et cetera, to make sure our customers who are interested in going abroad have the product and the service to help them. So our investment in the call center around the world will enable us to provide 24 x 7 nonstop services. Our infrastructure for international air ticket, et cetera, also provides our customers with the connections in the global places. So both fronts represents huge opportunities for Ctrip, and we need to work very hard to build our infrastructure and service team to handle both fronts.

Operator

Our next question, Juan Lin from 86Research.

Juan Lin 86Research Limited - Research Analyst

My first question is on your international expansion. Could you please share some color on the international expansion this year as to what are the key goals you would like to achieve. And how does this growth link to financial performance, specifically what spending look like for the new initiatives of the international business this year versus last year? And the second question is related to mini programs. Could you please share some color on your current business development related to the the Beijing mini program operations in terms GMV or revenue contribution and growth? Do you consider mini program as a new threat or more of a new growth opportunity? And any colors on the strategy on mini program would be helpful.

Jane Jie Sun Ctrip.com International, Ltd. - CEO & Director

Sure. So first of all, for international business, as we discussed, we saw a very positive potential when we talk with our customers. So our team, the first layer should be international flights because based on our observation, customers normally makes their reservation on air tickets first. Secondly, that air ticketing infrastructure is very scalable to an extent that Chinese customers can use that infrastructure, it can also be expanded to the global places. And thirdly, our investment in Skyscanner also enable us to rapidly grow our scalability because they have a very strong brand in the international air tickets. So the international air tickets are the frontier of our expansion.



And secondly, we also see the customers have used our different products such as packaged tour. And originally, they go to probably Southeast Asia. And as their income level is increasing, the customers are making more trips to -- such as Japan, Korea, Australia, New Zealand, Europe, et cetera. And thirdly, visa restrictions for Chinese customers also become -- are being lifted as well. So the -- a lot of countries, in order to attract Chinese customers, are lifting their restrictions on their visas. So we have seen very positive boost for the countries that make visa application very easy. And lastly, we are also working with our partners to develop certain programs so to make sure our Chinese customers feels comfortable when they travel into these countries such as signs, language capabilities, et cetera. So in terms of the international expansion, we will invest in these in this area to make sure our customers' requests are very well fulfilled. And secondly, our mini programs. Yes, we see it as a good potential for us to reach to our customers. So our technology team and product team and also marketing team also spend a lot of time making sure the mini program is well utilized by our customers.

Juan Lin 86Research Limited - Research Analyst

Just a quick follow-up for international spending. So as we compare spending this year versus last year from the new initiatives, is there any way to quantify that?

Xiaofan Wang Ctrip.com International, Ltd. - CFO & Executive VP

Yes. In -- because for the international business, there's the different product and brand within that category, for example, we have the outbound business, which grew almost triple the industry -- outbound industry growth just because our positioning, our best-in-class services. And the second is the Trip.com, as Jane explained, the air ticket is the growth driver for that business but also leverage our existing very powerful international air ticket platform we've built to serve both the outbound travel business as well as the international demand under the Trip.com brand. And the second is Skyscanner, they have a very healthy growth pace. And Trip.com and Skyscanner also work very closely how to better utilize the Skyscanner's huge traffic outside of China. For Skyscanner, they have over 80 million MAUs internationally which help us a lot in terms of user acquisition.

Operator

Our next question, Binnie from HSBC.

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

So 2 questions here. So in terms of the diversification journey, we see that we have been expanding into different travel products to be a more comprehensive platform in order to drive that cross-selling. Is there any way you can help us to quantify in terms of the percentage of traffic you see are coming from different sources of revenue and then by multiple products on our platform? And then just very lastly, in terms of -- because we see better-than-expected top line and margins delivered in 4Q, in 2019, how will you balance between market share gains and profitability? Because we also see, James, in your opening remarks, talk about this expansion into market shares. So how will you balance between profitability and market share gains? And apologies for my voice.

Jane Jie Sun Ctrip.com International, Ltd. - CEO & Director

Thanks, Binnie. Yes, I think the international business definitely give us a very strong trajectory for the future growth. So we will continuously listen to our customers, understand the popular travel destinations where they want to go. And our infrastructure is built upon our customers' requests, so we will fully leverage the infrastructure we have built and expand based on the customers' demand. And secondly, I think in terms of ROI. Yes, continuously we -- always, we are very careful in terms of how we balance our ROI and business growth. But our investment in technology, product branding and service has never slowed down. And if we look at the past 20 years where Ctrip invest our money and our resources during the slow time, normally, that is the best time for us to make the investment. The ROI, if you're looking to the future return, will be very high. So we will continuously make the investment to extend our leadership in the travel business.

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

And how about on my first question, in terms of like percentage of customers that are using multiple products. Because I think that's one of our strategy that being able to be a comprehensive platform, diversification into more products to drive cross-selling profit in the bottom line. So any trend we see so we know. Yes.

Jane Jie Sun Ctrip.com International, Ltd. - CEO & Director

Yes. So the trend is very clear and we -- as we discussed, so we also added a lot of sections which encourage customers to cross-buy many products such as accommodation plus transportation section. So to drive the convenience and also the cross-sell. So right now, I think if you look at our customers by year -- in a couple -- from the time they make the first purchase through the next few years, their purchase can reach 20 purchase a year. And normally, they will buy multiple products, probably starting from air ticket, transportation first and gradually, they will understand Ctrip offers a comprehensive product offering. So probably more than 50% of the customers will know more about the new products. And every year, we are also adding more and more new products and by innovating ourselves, so the majority of the customers will see a comprehensive product offering in their booking.

Operator

Thank you. Due to time constraints, I will now hand the session back to Michelle Qi for closing remarks. Please go ahead, Michelle.

Michelle Qi

Thank you. Thank you, everyone, for joining us today. You can find the transcript and webcast of today's call on ir.ctrip.com. We look forward to speaking with you on our first quarter 2019 earnings call. Thank you, and have a good day.

Jane Jie Sun Ctrip.com International, Ltd. - CEO & Director

Thank you so much.

Xiaofan Wang Ctrip.com International, Ltd. - CFO & Executive VP

Thank you.

Jianzhang Liang Ctrip.com International, Ltd. - Co-Founder & Executive Chairman

Thank you.

Operator

Thank you. Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Briefs are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT BRIEFS REFLECTS THOMSON REUTERS'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT BRIEF. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2019 Thomson Reuters. All Rights Reserved.

