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TRIP.COM Q4 2019 EARNINGS

Mark Robertson, Attorney

Chinese online and offline travel company trip.com, in a delayed Fourth Quarter 2019 earnings call, reported a strong 2019 that was followed by a weak Q1, but is already reporting pick-ups in travel and prices. A technology push to facilitate customer cancellations led to significant customer satisfaction gains. Trip.com anticipates a quick recovery and mentioned strong capital reserves to help in the interim. Select notes from the trip.com earnings call:

James Liang, Executive Chairman:

2019 was the formative year for us. We celebrated our 20th birthday and announced rebranding into Trip.com Group. Looking back, we are pleased with the solid performance [in] 2019. Outside of China, our Trip.Com brand made a solid progress entering in the new markets and gaining market share in the APAC region. At the end of 2019, brand Trip.com is operating in the 27 markets and supporting 20 languages.

The beginning of 2020 has been challenging for the travel industry worldwide due to the novel coronavirus. Initially, of course, there are tens of millions cancellations in the Chinese New Year. We believe the customer good work will translate into long term engagement and retention which will support our sustainable growth in the future. Despite midterm challenges we believe that impact from the novel coronaviruses will be one-off. We remain confident for the long-term prospects of both the travel industry and our business fundamentals. In the past few decades, the travel industry has witnessed a series of global health crises; each time global travel demand proved its resilience and revived strongly after a successful containment by our provider.

In recent weeks we are encouraged to see the travel starting to pick up as China continues on its path to recovery. While the country is still on alert many local municipalities are rolling out measures to re-bolster recovery of the tourism industry. Nowadays traveling has become a necessity for more and more people in China and abroad. We believe the coronavirus has not dented healthy fundamentals of China's travel markets where we will accelerate the industry with current acceleration and online penetration into low tier cities. Similarly for international markets we believe that underlying travel demand remains promising and we expect to see strong recovery once the outbreak is behind us. We are reasonably optimistic about the recovery of the domestic travel. Unless there's another outbreak or something I expect it to contain the threat. But I think given the general trend we expect a very quick and strong recovery of the domestic travel.

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Trip.com Earnings cont.

Jane Sun, CEO

[In] the domestic travel market we continue to expand our market share especially in targeted second and third tier cities which accounted for more than 60% of future's new resource. Lower-end hotels and transportation products have proven to be effective takeaway products for new customer, each of the blended lower-end hotel grow about 50% year over year in the fourth quarter. In addition, our offline store continues to act as part of our core strategy to increase our influence in low tier cities.

During the Chinese New Year, even though peak call volume was over 10 times of regular capacity, our customer satisfaction rate increased significantly. Our tech team worked overnight to launch products that allows our customers to auto cancel their orders. This greatly shortened the waiting time for our customers. As approximately 90% of accommodation, transportation cancellation request were sales completed online. Our customer satisfaction rate has [reached] a record high in past months. We are confident that the improved customer satisfaction rate will translate into long term customer retention and enrichment. We believe the investment we put in the customer service and technology and infrastructure will benefit us in the long term. And it helps us to accelerate a lot of technology products as well as the infrastructure and put it in the front line. So our development actually was accelerated during this challenging time.

We already see positive recovery in the China domestic travel business. We saw airlines, hotels and also the travel destinations had put a great effort to resume the business. We saw at the beginning the price was very cheap because I think all the business partners wants to make sure consumers have confidence to the recovery. Now the price is climbing.

As we have started to see the early signs of recovery in China, the virus continued to spread with subsequent declines in travel activities inthe overseas market.Therefore, we are preparing for a domestic industry rebound, while also getting ready for a program battle against the potentially weak international demands. [The] China market and the market overseas are in the different stages of the [recovery]; China we're already seeing the bottom with effective measures by the government. We've already seen similar trends in Korea and Japan.

While the virus represents a challenge for the entire world, we also give ourselves the opportunity to show our strength and extend our leadership, with strong financial reserves to weather the storm we will continue to elevate our services, products, technology and the brand. We actually have a very strong capital reserve to weather through this tough situation. By the end of 2019 we have about RMB 20 billion in cash and cash equivalent or about RMB 50 billion if we include short-term investments and held to maturity deposits. In addition, we have a large low cost credit facility from multiple commercial banks, and therefore we have a very strong cash flow generation to support our business operations for maybe an even prolonged recovery timeline as well as pay back all debts.

As James said, right after this phone call, he personally will leave to the airport to go to different travel destinations and encourage people to travel within China. We believe the pent-up demand is there because lot of customers before Chinese New Year already booked their trips within China and overseas.

Cindy Wang, CFO:

At the end of the year, Trip.com Group had around 8,000 offline franchises in operation and in the pipeline, covering over 290 prefecture level cities and over 500 country level cities. For the first quarter of 2020 the company currently expects net revenue to decrease by 35% to 50% year-on-year excluding share-based compensation but including one-time expenses related to our customer protection measures especially during the Chinese New Year holiday. The company expects non-GAAP operating net loss will be in the range of RMD 1.75 billion to RMD 1.85 five billion.

In the third quarter of 2020, we expect our accommodation reservation revenue to decrease about 60% to 65% year-on-year. The potential reservation to decreased about 35% to 40% year-on-year. Packaged tour business will decrease about 50% to 60% year-over-year with corporate travel business to decrease about 50% to 60% year-over-year.

In recent weeks, we have observed the volume rebound to over 30% of previous year's level in the domestic transportation section, but was certainly negative for the accommodation activities. Outbound and overseas business continue – will continue to decline about evolving outbreak situations abroad.

Despite this near-term challenges, we believe the impact will be one-off and we remain very confident for the long-term prospects of growth there, travel industry and our business fundamentals.