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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Trip.com Group 2024 Q1 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand the conference over to Michelle Qi, Head of Investor Relations. Please go ahead.

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

Thank you. Thank you, everyone. Good morning. Welcome to Trip.com's First Quarter of 2024 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 2024, as well as the color for the second quarter of 2024. 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, and thanks, everyone, for joining us on the call today. The Chinese travel market has experienced remarkable growth over the last year, and 2024 continues to be a strong year for travel. Positioned at the front of this striving sector, Trip.com Group has achieved significant advancements across all business lines in this quarter. In 2024, outbound travel continues to be a pivotal force propelling the Chinese travel market forward. With international flight capacity roughly doubling compared to last year and the visa-free policies further facilitating trips in the APAC region.

Outbound travel is becoming increasingly appealing and accessible. Ultimately, outbound hotel and air ticket bookings on our platform fully recovered to 2019 levels during the major holiday periods, indicating a strong rebound in demand. In addition to outbound travel, the China domestic travel market continued to exhibit strong performance in the first quarter, in response to growing interest of Chinese travelers in exploring their homeland. We are also catering to the increasing travel demands of silver generation. This demographic were known for their level of leisure travel and cultural experiences, as well as their tendency to travel during off-peak seasons, represents a substantial growth opportunity within the domestic landscape.

To address the unique travel preference, we have already introduced the Old Friends Club initiative, which is designed to empower this cohort to fulfill their travel aspirations. This initiative also has the potential to bridge the gap between peak and off-peak seasons in China travel market.

On the international front, our global business is experiencing rapid expansion. Particularly in the APAC region, with revenue growing at an impressive rate of around 80% year-over-year. Additionally, we have witnessed significant growth in inbound travel to China, with a remarkable increase of 400% compared to last year, driven by the benefits of visa-free policies. In response to this flourishing trend, we initiated a program in April, aimed at providing free city tours to international travelers with layovers exceeding 8 hours at Shanghai Pudong International Airport. This initiative aims to transform the brief stopovers into many vacations, thereby offering new avenues for international travelers to explore China.

We can conclude travel remains a resilient and promising business with great opportunities and the possibilities in 2024. As we journey forward, we remain committed to creating value for both customers and shareholders, and we are poised to navigate this evolving landscape and achieve new heights of success.

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

Jie Sun Trip.com Group Limited - CEO & Director

Thank you, James. Good morning, everyone. As a quick overview, our net revenue in Q1 grew by 29% year-over-year. Our adjusted EBITDA margin for this quarter was 33%. We're delighted to observe the sustainable growth in travel momentum in this quarter as it occurs, amidst a transition from a pent-up demand to a more normalized demand environment. This shift indicates a maturing market condition further contributing to our confidence with sustainability of strong performance for the rest of 2024.

Trip.com Group continues to identify opportunities across different market segments. First, for China domestic market. In Q1, the China domestic market continue to demonstrate robust growth. Our domestic hotel and air ticket bookings increased by 20% to 30% year-over-year. Notably, Chinese consumers are changing their spending habits, placing great emphasis on quality, experience and emotional fulfillment. This evolving mindset is prompting travelers to pursue personalized and high-quality travel experience tailored to their unique preferences, presenting a considerable advantage for travel industry. Moreover, it is noteworthy for both government attention and social interest in the travel industry have reached unprecedented levels this year, intensifying marketing efforts in many provinces effectively encourage travelers to explore diverse destinations, largely contributing to the enduring popularity of the domestic travel.

Second, outbound travel. The outbound travel market emerged as a driving force behind the travel market recovery last year and its significance persists into 2024. In Q1, the international flight capacity across the industry rebounded to about 70% of the pre-pandemic level compared to 2019. Our platform witnessed outbound travel bookings consistently outpacing the market by 20% to 30%. During the Chinese New Year period, our outbound bookings fully recovered to the pre-pandemic 2019 level. On a year-over-year basis, our outbound hotel and air ticket bookings surged by more than 100%. Alongside a notable increase in the market sentiment and a notable -- stabilized supply, relaxed visa requirement in Southeast Asia has further capitalized the attention of Chinese outbound travelers. According to CAAC estimate, China outbound travel is anticipated to rebound to 80% of pre-pandemic levels by the end of this year.

Third, global market. Expanded beyond China borders, we have diligently strengthened our product and services offerings in global market, particularly witnessing steady growth in Asia Pacific region. Our core competence lies in delivering a superior user experience through our one-stop shopping platform, customer service and offering a value -- strong value for our travelers, providing top-notch service via our mobile app and customer support, and furnishing comprehensive information to inspire and aid travelers in making informed decision. We made enhanced collaboration with our global partners to provide hassle-free travel experience for travelers around the world. In Q1, the total revenue of our overseas OTA platform, Trip.com surged by about 80% year-over-year. We remain committed to becoming a go-to platform in Asia within the coming 3 to 5 years.

Now I would like to give some strategic highlights in a couple of areas. First, inbound market. While our other segments continue to

thrive, the growing potential for inbound travel to China is becoming increasingly evident. China has taken proactive steps to bolster its inbound travel sector by implementing visa-free entry for citizens for more than 15 countries, such as France, Germany, Italy, Netherlands, Spain, Switzerland, et cetera. This strategic move has already yield promising results.

Our platform has witnessed a significant 400% year-over-year increase in inbound travel booking with notable search in arrivals from key markets such as Singapore, which has searched handful followed by Malaysia with 9 folds increased and France, Spain and Thailand each increased by 4 fold. The future of inbound travel to China holds immerse promise. With visa-free policies and innovative payment solutions positioned further to enhance appeal of our visiting to China. As we addressed the pinpoints and implement solution, traveling to China will become increasingly enticing, offering exciting opportunities for growth and development for the inbound market.

Second, the silver generation, which is the senior population. As we explore new market opportunity within China, another integrating aspect rises the growing travel demand from the senior citizens, known as the silver generation. While the young generation remains a key demographic for travel, a rapid growing in senior population is emerging as a significant market segment. With longer and healthier life spans as well as financial sustainability, many seniors, particularly those in urban areas are willing to invest more leisure activities such as travel. Moreover, today's seniors are more active and adventurous than the preceding generations, demonstrating a key interest in exploring new destinations and immersing themselves in diverse cultures.

Our [inclination force] off-peak travel seasons also has a potential to bridge the gap between peak and off-peak travel periods in China. According to the estimate from China Tourism Research Institute, by 2025, a number of healthy senior citizens with frequent travel habits and higher spending is projected to exceed \$100 million with an estimated market size of over RMB 1 trillion. It's noteworthy that in 2023, our silver generation cohort accounted for 10% of our total user base. In response to the unique needs and the preference of the senior travelers, we introduced Old Friends Club initiative this year. This program aims to provide senior travelers with high-quality, one-stop travel offerings complemented by our exceptional customer service and personalized assistance with an initial launch of over 700 exclusive products covering more than 40% as -- popular the destinations national-wide. Our goal is to collaborate with more partners to develop travel products, tailored specifically to preferences of silver generation, thereby infusing new energy into the domestic travel market.

Third, young generation capturing the attention of the young demographic is also important for success in travel market. In China, entertainment events such as concerts, music festivals, sports stations and cultural events, holds significant appeal for the youth. This interest have evolved from traditional site seeing to immersive experiences, lending, recreational activities with broader travel adventures. This trend is not only found by seasons and the young travelers are eager to embark on journeys at any time. Currently, more than 80% of our customers who were born after 1980, and more than 50% of our users were born after 1990. We are committed to capturing trips that -- we are committed to curating trips to seamless integrating entertainment and cultural exploration are staying attuned to the evolving preference of our young travelers. Our goal is not only to attract them for individual trips, but also to forge lasting connection. This strategic approach, ensuring our continued relevance and growth within the dynamic travel market.

Fourth, social responsibility. Our company continues to thrive and we firmly believe in the importance of giving back to society. Alongside our growth, we actively support and collaborate with various stakeholders in our travel ecosystem, including hotels, airlines, destinations, airports, small agencies, chauffeur drivers, et cetera. By assisting them in seizing the market opportunities and expanding their businesses, we aim to foster a vibrant and interconnect travel community.

Furthermore, we are committed to creating more job opportunities and filling rural development through strategic investments. For instance, our Trip.com country [receive] initiatives have started a significant increase in number of local lodging facilities, with reservation increasing by 80%. This initiative has not only created 20,000 new jobs but also contributed to an incremental income of RMB 40,000 per person in these specific regions. Through these efforts, we are dedicating to making a positive and long lasting impact on both of the travel industry and the community we serve.

In summary, 2024 is shaping up to be a good year for travel, benefiting from a notable shift in consumption pattern across all of our business segments, we observed resilience in travel demand and anticipated exciting development opportunities on the horizon. Looking forward, we remain optimistic about the market performance in the upcoming quarter and are dedicated to working closely with partners

to capitalize on the opportunities and continue the growth for the travel industry.

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

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

Thanks, Jane. Good morning, everyone. For the first quarter of 2024, Trip.com Group reported a net revenue of RMB 11.9 billion, representing a 29% increase from the same period last year, and a 15% increase from the previous quarter, primarily due to strong recovery in the travel market.

Accommodation reservation revenue for the first quarter was RMB 4.5 billion, representing a 29% increase year-over-year and a 15% increase quarter-over-quarter. Domestic and outbound hotels have seen robust growth and outpaced the industry.

Transportation ticketing revenue for the first quarter was RMB 5 billion, representing a 20% increase year-over-year and a 22% increase quarter-over-quarter. This is mainly due to robust recovery of outbound air and strong growth in domestic and global air business.

Packaged-tour revenue for the first quarter was RMB 883 million, representing a 129% increase year-over-year, and a 25% increase quarter-over-quarter. Domestic package tour has already surpassed the 2019 level. The year-over-year growth was mainly driven by outbound revenue, which increased by multifold.

Corporate travel revenue for the first quarter was RMB 511 million, representing a 15% increase year-over-year and a 19% decrease quarter-over-quarter. The sequential decrease was in line with normal seasonality. Excluding share-based compensation charges, our total adjusted operating expenses was 6% higher than the previous quarter and was 24% higher than the same period last year.

Adjusted product development expenses for the first quarter increased by 7% from the previous quarter. Adjusted G&A expenses for the first quarter increased by 9% from the previous quarter. This is mainly due to increase in personnel-related expenses.

Adjusted sales and marketing expenses for the first quarter decreased by 1% from the previous quarter and increased by 32% from the same period last year. The year-over-year increase was mainly -- was primarily due to increased marketing promotion activities in line with business growth.

Adjusted EBITDA was RMB 4 billion for the first quarter compared with RMB 2.8 billion in the same period last year and RMB 2.9 billion in the previous quarter. Adjusted EBITDA margin was 33% for the first quarter compared with 31% in the same period last year and 28% in the previous quarter.

Diluted earnings per ordinary share and per ADS were RMB 6.38 or USD 0.88 for the first quarter of 2024. Excluding share-based compensation charges and fair value changes of equity security investments and exchangeable senior notes, non-GAAP diluted earnings per ordinary share and per ADS were RMB 6 or USD 0.83 for the first quarter.

As of March 31, 2024, the balance of cash and cash equivalents, restricted cash, short-term investment, held to maturity time deposits and financial products was RMB 81.9 billion, or USD 11.3 billion.

The strong recovery in the first quarter of 2024 across market segment is encouraging. As we venture into the second quarter, we are delighted to see persistent strong demand on our platform. This demand continues to drive substantial growth across travel segments. Even in the face of challenging comparisons, we have noticed a decline in hotel and air prices, which could potentially affect our revenue growth. Nevertheless, we anticipate this will have a limited impact on our net earnings due to our strong management on operational efficiency.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is going to come from the line of Brian Gong with Citi.

Dapeng Gong Citigroup Inc., Research Division - Assistant VP & Equity Research Analyst

James, Jane, Cindy and Michelle, and congratulations on solid results. So my question is regarding our group has -- our group has successfully captured as a pent-up demand and continue to demonstrate strong growth in the first quarter for domestic, outbound and international platform or business line. So looking ahead, what growth drivers on new initiatives for the investors pay attention to in management's view?

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

Thank you very much for the question. In China, we will focus on steadily expanding our user base in the second- and third-tier cities, improving user acquisition and cross-selling ratios. Additionally, we expect to benefit from the growth of outbound travel in the upcoming years. On the international front, Trip.com will maintain its focus in Asia and strive to become a regional and global leading player. As for new initiatives, we are actively really pursuing opportunities in China's inbound travel market, which has a great market size at this multitrillion RMB level.

Domestically, we are introducing tailor-made products for the silver generation, which represents another RMB 1 trillion market opportunity. Furthermore, we are introducing new product combinations such as entertainment activities plus travel, proceeded to the evolving market demands of the younger generation. We remain dedicated to investing in our content strategy and AI development, which are integral to our one-stop business model. These investments aim to enhance users business engagement and operating efficiency.

Operator

Our next question is going to come from the line of Thomas Chong with Jefferies.

Thomas Chong Jefferies LLC, Research Division - Equity Analyst

Our recent new [taglines] and industry data suggest a notable decrease in hotel ADR and slowdown of hotel RevPAR. Have you also observed this trend? Does this indicate a weakening or downgrade in consumer spending? Additionally, what are the price trends for outbound hotel and flights?

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

Thank you, Thomas. Yes, we also observed a decline in domestic ADR in recent months, which was largely influenced by the shift in travel preference towards outbound destinations and as well as the lower-tier cities -- and the increased availability -- at the same time, the increased availability of the hotels and flights. Firstly, as we think that outbound travel has notably increased this year, attracting a lot of submit to high-end travelers away from our domestic options. Secondly, the lower-tier cities now offer excellent value as transportations and accommodation infrastructure have significantly improved over the past few years. Additionally, the increase in hotel and air supply has put pressure on short-term prices across the board, particularly when compared to the high benchmark established during last year's peak season. Overall, we believe the expansion and diversity of travel supplier capacity will greatly contribute to the overall growth and stability of OTAs as a distributor as well as the travel industry as a whole.

With regard to the outbound, the outbound air ticket price has been normalizing as flight capacity continues to recover. And the current level stays around about 115% of the 2019 level compared to over 130% of the 2019 level during the same period last year. Average outbound hotel price has been quite stable compared with last year.

Operator

Our next question is going to come from the line of Joyce Ju with Bank of America.

Lixin Ju BofA Securities, Research Division - VP in Equity Research & Research Analyst

James, Jane, Cindy and Michelle. Congrats on another set of -- strong set of results. I would like to ask if management could elaborate more on the company's recent business performance, especially colors during and following the Labor Day holiday. As we are now moving into summer, could management also share your expectations on business momentum for the third quarter and beyond?

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

Sure. Our domestic and outbound travel bookings reached a new high records during the recent Labor Day holiday, specifically outbound air and hotel bookings surpassed 120% of the 2019 level. This achievement is particularly significant, considering the tough comparison to the same period last year, which was the first major holiday with strong pent-up demand for the leisure travels.

With regard to the quarter-to-date, the domestic travel bookings achieved double-digit growth with hotels leading the search. Outbound hotel and air bookings have fully rebounded to the pre-pandemic level. Such robust growth has significantly outperformed the market in terms of booking volumes. For instance, the market level domestic hotel occupancy rate and flight passenger volumes were roughly on par with 2023. Outbound flight capacity was slightly over 70% of the 2019 level.

In terms of average pricing, our numbers were generally in line with the market. As I explained before, recently, we noticed the hotel ADR and average air ticket price have both seen a year-over-year decrease. Trip.com has maintained robust growth in the mid- to high double-digit percentage range. And the inbound travel to China has also experienced a multi-fold increase.

Now moving to the summer part. It's still quite early to observe the early booking towards the summer given the short booking windows in China. However, we remain confident about the travel momentum in the summer holiday and beyond. In particular, we anticipate significant growth in the outbound travel sector, driven by ongoing recovery of flight capacity as well as the revolution of the Visa backlog.

With regard to the global markets, we anticipate Trip.com to continue its robust growth while Skyscanner and other overseas brands are also expected to maintain a very healthy growth trajectory.

Operator

And our next question is going to come from the line of James Lee with Mizuho.

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

Also, let me add to my congratulations to you on the quarter as well. And let me follow up maybe a little bit on outbound question. I think, Jane, you spoke about outbound getting back to 80% of FY '19 by year-end. I was wondering what factors that we should think about that will either speed up or slowdown that process? And also in terms of destination, I guess, where do you see most recovery, especially I think a lot of investors are interested in finding out recovery in the western -- especially in the western part of the world, especially European market.

Jie Sun Trip.com Group Limited - CEO & Director

Sure. Thank you very much for your question, James. We see a strong rebound in outbound business by the estimate is by the end of the year, the industry should recover 80% compared to pre-dynamic level. Our company can outpace the market by about 20% to 30%. There are a couple of major factors impacting the outbound business. The first one is the visa application. Many countries have offered free-Visa to Chinese travelers, such as Singapore, Malaysia, Thailand and the GCC countries such as UAE, a par and also Saudi. So we have seen a very strong pickup for the countries which offer free visas.

The second factors are the flight capacity. So we have seen a very strong rebound in the flight capacity into Singapore, Malaysia, Thailand and the GCC countries. So we sent a lot of people to these countries.

And during the Chinese New Year, a long haul travel destinations, the top 3 are Australia, New Zealand and South Africa. So we have seen a very strong demand and interest when customers have free-Visa when we see a recovery in the flight capacity, and also when customers have time and availability.

In the summer, during the summer break, we are excited that our customers will have a longer period to take their children to travel around the world, in countries which have exhibited their hospitality, will be able to capitalize on this upcoming trends for the outbound recovery. However, certain countries still are lagging behind -- the flight capacity is yet to recover. So we are eager to work with these regions to make sure that these applications are being processed timely, and also the flight capacity is being added before the summer holiday comes.

Operator

And our next question comes from the line of Alex Poon with Morgan Stanley.

Alex Poon Morgan Stanley, Research Division - Equity Analyst

And congratulations management on very strong results. My question is regarding the opportunity of China inbound travel market and how Trip.com plans to capture this market and additionally, can you talk about the contribution of inbound travel to Trip.com business?

Jie Sun Trip.com Group Limited - CEO & Director

Sure. Inbound business is new opportunity for China travel industry. China can offer so much to the world. It has very rich history. It also have beautiful infrastructure, high-speed railway station connects the country. And every province is very unique. So we are very excited to invite our friends over the world to come and visit China. There are a lot of good offering being extended. First of all, free-Visa has been extended to many countries such as France, Germany, Netherlands, Italy, Spain, Switzerland, Ireland, Singapore, Malaysia, Thailand, et cetera. And going forward, as we move forward, we hope there will be more opportunities to invite people around the world to come to China.

Secondly, for Trip.com, we also offer a one-stop shopping platform. Our inventory within China is excellent. We can offer tickets, flight ticket, high-speed railway tickets, we offer very nice tool packages. We also offer free 1-day tour for customers who transit in Shanghai. So hopefully, through the concerted efforts between Trip.com and local community, will be able to show the hospitality to our global travelers.

And thirdly, for Trip.com, we also offer more than 30 languages on our APP, more than 30 languages in our call center around the world, offering 24/7 services. If a customer needs to reach our customer service within 30 seconds, we'll be able to pick up the phone, address in the language that is familiar to our customers. So we are very excited for this opportunity to exhibit the beautiful history, the hospitality, variety of the food to our global friends. So hopefully, inbound travel will become a significant contribution to our business going forward.

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

Yes. And the contribution of the inbound travel to the Trip.com business has improved from the teens level to over 20% of the overall revenues in the first quarter of 2024. Thank you.

Operator

And our next question comes from the line of Jiong Shao with Barclays.

Jiong Shao Barclays Bank PLC, Research Division - Analyst

I think you just mentioned that Trip.com contribution is now over 20% of the revenue. I just want to follow up on that. I was hoping you can elaborate a bit on your Trip.com business. Could you talk about, for example, the regional breakdown or product line breakdown for that business? And in terms of the take rate and average room rate for that pure international Trip.com business. And as you compete in Southeast Asia and in other parts of the world, clearly, they are already existing players. Could you talk about sort of what you're bringing as a differentiation to obviously grow your market share? What are you doing differently or better than some of the existing players?

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

Thank you. Firstly, a clarification on the contribution. Actually, contribution -- a 20% contribution actually is the inbound contribution to the overall Trip.com business rather than the Trip.com's revenue contribution to the total group. With regard to the Trip.com revenue,

contribution to the total group, which is around 10% in the first quarter of 2024 -- in which over 70% or around 70% actually coming from the Asia markets. And with an increased cross-selling ratios, our mobile hotel bookings, now -- hotel bookings now contribute to more than 35% of the total revenues of the Trip.com business. And the take rate for the hotel and the air reservations on the Trip.com are similar to those of our outbound business. While we have recently turned profitable on the contribution margins for the Trip.com business, and we expect the Trip.com to achieve a healthy margin as it scale further increase in the longer-term period.

With regard to the core competence of our Trip.com business, yes, there's a lot of players in the international market as well as in the Asia market. However, Trip.com has a lot of unique selling point for our users. Firstly, Trip.com's mobile app offers a smooth and user-friendly search and booking experience and complemented by the AI tools for the personalized recommendations and special offers, which further enhancing our user engagement. For example, the Trip.com's global mobile app order share has increased to around 65% in the first quarter. With several key markets, the number has reached over 75%.

Secondly, we have a comprehensive one-stop model caters to nearly -- of nearly all travel needs, which is particularly appealing to mobile app users and our extensive experience in China further enhance our expertise in these areas.

Third, we provide 24 hours and 7 days customer service via the phone call, online chat or the e-mails, ensuring our users have reliable support for any issues that they encounter.

Fourth, the Trip.com offers highly competitive offerings, leveraging the group's strong market presence and well-established supplier relationship. Last but not least, with particularly strong product and service in China, a surge in inbound travel presents an excellent opportunity for our Trip.com business to capitalize on its unique advantages. Thank you.

Operator

And our next question is going to come from the line of Alex Yao with JPMorgan.

Alex C. Yao JPMorgan Chase & Co, Research Division - Head of Asia Internet & New Media Research

Congratulations on a solid quarter. So Trip.com has been growing very rapidly in the past few years. Can you talk about Trip.com's addressable market size and the competitive landscape in Asia?

Jie Sun Trip.com Group Limited - CEO & Director

Sure. When we look at the market size, outside of China, the total Asia is equivalent to 1.5x China's market. So it's quite significant. Secondly, we feel we have a couple of advantages. First of all, we offer one-stop shopping platform, which is really convenient for our consumers. Secondly, our users' experience on mobile is excellent. In China, more than 90% of our customers use mobile. So we'll be able to amplify our experience into the global places. Thirdly is our excellent customer services. And we want to make sure that we serve our customers outside of China as well as the customers within China. And lastly, we also have very strong outbound business, which enable our team to negotiate a very good deal for our global customers. So these are the strengths we have. We will make sure that we provide excellent products and excellent services to our global customers.

Operator

Our next question comes from the line of Simon Cheung with Goldman Sachs.

K. Y. Cheung Goldman Sachs Group, Inc., Research Division - MD

I just have 1 small question. Again, in relation to the margins, which has consistently, I guess, bidden market expectations. I've been receiving a lot of inbound inquiry asking the different margin profile for your Trip.com business, your outbound business, and your domestic business. Perhaps maybe you can share with us if you have any data you can share by the respective business, the relative margin profile, maybe the take rates? And secondly, how should we think about the margin trend? We have seen your sales and marketing as a percentage of revenue consistently trending lower. In this particular quarter, we also see product development were actually trending lower on a year-on-year basis. Any color would be appreciated.

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

Yes, we have achieved a healthy margin level for our domestic business, thanks to the large scale and scalability that we achieved. And the outbound business normally have a slightly higher margin, thanks to the average higher selling price. And at the same time, related to the cost, including the service cost, the product development cost, as well as sales and marketing costs are quite similar to the -- compared with the domestic business. So therefore, outbound travel normally is the higher-margin business for us.

With regard to the Trip.com business, as I said before, we closely -- although the Trip.com business has (inaudible) in the investment period, however, we closely monitor the contribution margin of the Trip.com business. And recently, our Trip.com business as a whole has achieved at least a breakeven level in terms of the contribution margin. And in the longer-term period, we strongly believe that the Trip.com business will also become a profitable, healthy growth business in the future.

So in summary, we expect our margins to align with -- will be aligned with the typical seasonal patterns, reflecting the strong business growth and disciplined cost management. And looking ahead, our margin expansion will primarily stem from operational scalability and approve the sales and marketing efficiencies. However, this may be partly offset by additional expenses associated with expanding our international operations. Thank you.

Operator

I would now like to hand the conference back over to Michelle Qi for any closing remarks.

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

Thank you. Thanks to everyone for joining us today. You can find the transcript and the webcast of today's call on investors.trip.com. We look forward to speaking with you on our second quarter of 2024 earnings call. Thank you and have a good day.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.

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