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## PRESENTATION

### Operator

Ladies and gentlemen, welcome to the First Quarter 2019 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.

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### **Michelle Qi** *Ctrip.com International, Ltd. - Senior IR Director*

Thank you, Aaron. Good morning, everyone, and welcome to Ctrip's first quarter of 2019 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 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 first quarter of 2019 as well as outlook for the second quarter of 2019. After the prepared remarks, we will have a Q&A session.

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

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

Thank you, Michelle. Thank you, everyone, for joining us on the call today. We are happy to report that our first quarter results reflect our continued confidence in China's travel industry as well as in our own ability to execute and embrace any change. We delivered a solid year-over-year result. Revenue growth of 21% reaching RMB 8.2 billion. Our operating profit grew 50% year-over-year. In April, we announced the share exchange transaction with Naspers for MakeMyTrip. Today, I would like to share with everyone the strategies that we'll use to drive our business expansion as well as to reiterate our view on MakeMyTrip investment.

First, our major growth drivers looking forward, we will continue to create long-term value for our shareholders, primarily through organic expansion, with focuses on expanding our customer base and deepening user engagement. First, we still have a long way ahead to unlock the full potential of our China customer base. Overall, travel demand remains strong, especially from lower-tier cities. So far, we have only reached just 25% to 30% of the population in the first-tier cities and much less than 10% in lower-tier cities. Second, we will



work hard to enhance engagement with our existing customers. Our 5-year cohort data shows average spending per user on our platform continue to increase with around 10% CAGR regardless of which tier city our customers are from. Thirdly, we are well prepared to offer high-quality services to customers outside of China. Trip.com is one of our rising stars. The team capitalized on our experience and resource accumulated from serving the large China market and works hard on building brand awareness in the global travel market. To capture these opportunities, we will continue to invest organically in the following areas: technology, product innovation and global service capabilities. We are confident in driving both revenue growth and margin expansion by leveraging large market scale.

Focusing on our own advantages allow us to maximize synergies without external investments. While investee companies operates largely independently, our scale, resources and technologies have brought significant benefits to both parties. For example, we are on travel -- our Hong Kong travel agencies generally maintained a 20-plus -- 20%-plus year-on-year growth since our investment in 2010 even in very mature markets. It has also developed its own online arm in unison with its off-line model. Another good example is Skyscanner, which over the past 2.5 years has advanced to the metasearch industry with a direct booking model.

Second, on the MakeMyTrip investment. India is one of the fastest-growing emerging economies and the world's second-largest population and the youngest among the major economies. In addition, India's middle-class is expected to grow rapidly, along with increases in Internet and smartphone penetration. In the foreseeable future, we believe India will emerge as one of the fastest-growing travel markets while China continue to lead the scale. Being the leader in the Chinese market, we are delighted to gain exposure in the Indian travel market through an investment in MakeMyTrip. We added our existing presence in Europe through Skyscanner. We have reached a strong position in countries that consist half of the global population. Looking forward, we are confident that MakeMyTrip will continue their success. Two companies will work together to generate greater value in our respective markets.

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

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

Thank you, James for sharing our major growth drivers and our rationale behind MakeMyTrip investment. Over the last 20 years, we worked extremely hard to attain Ctrip's position in the industry as one of the largest global OTAs. In addition to being attentive and adaptive to our customers' feedbacks, we also invested heavily to capitalize new emerging opportunities.

I will now share with you the progress our team has made in strengthening our position across all our -- all the business lines. First, I will give an overview of our customer base. Our group-level MAU reached 210 million in the first quarter, thanks to robust CapEx growth from the core Ctrip brand and our global platforms.

This quarter, we had continuously impressive traffic acquisition and conversion along the subsequent increases in ROI, largely due to our efficient product-driven marketing campaigns and our ever-improving service quality. In addition, we are continuing and open more off-line stores in our targeted cities nationwide. We are also expanding these stores' product coverage from packaged tour to include in-destination functions offering currency exchange and local attraction tickets as among other examples. By combining our online and off-line channels, we have been able to further penetrate into the targeted cities where we continue to see around 30% user growth of Ctrip brand.

Secondly, I will give an overview on the quarter's users' engagement. As one-stop travel platform, we continue to innovate and strengthen our product offerings to meet the ever-evolving needs from our customers. We currently offer over 60 products and services, yielding our outstanding results for the quarter. The new product we launched the last year are beginning to yield fruit. TripMoment, which is similar to travel Instagram, continued to gain traction among travelers with over 1 million daily active users during Q1. With a solid base now established, we are currently -- concurrently working to add booking functionality into the users' posts to convert content-driven users to transaction-driven users.

The new tab, transportation plus accommodation section, on our mobile app homepage has not only helped our customers to save up to 30% of their travel cost, but also brought them a more seamless experience. For example, customers who placed order -- an order from this section can enjoy free hotel cancellation and flexible airport transfer services in case of flight schedule changes.

Additionally, our prime member program is another initiative to enhance our customers' travel experience to increase loyalty. The paid program offers a range of premium service worth of RMB 3,500, providing extra assistance and convenience in every step of a journey. Its current benefit package includes free domestic hotel cancellation, room upgrade, free breakfast, domestic air ticket cancellation insurance, airport VIP lounge access, express security check, upgrade of airport's pickup vehicles, promotional price on selected products and more. Since its launch in late 2017, over 2 million customers have already signed up for this program, with their spending and purchase frequency rising significantly.

Lastly, customer service also placed a key role in engaging with our customers, especially during the emergencies. For instance, after the recent Sri Lanka bombing incident, our Global SOS system allowed us to evacuate our customers within 1 day and efficiently synchronize all the systems for our travelers who are both in that country as well as about to depart.

Third, I will give an overview on the supply network. We are entering into an era where travel is becoming more tailor-made and specialized. Our growth will hinge progressively more on our ability to provide a sustainable ecosystem for our suppliers. This includes traffic, scalability, technology and services, coupled with our deep understanding of our customer base. Therefore, we have been making persistent efforts to empower our suppliers in an easy, intelligent and comprehensive manner.

Recently, our hotel business rolled out a service market platform, a one-stop marketplace to link hotel-ees with various third party vendors for property and operation management system, content improvement, procurement, design and decoration, financing and other relevant services.

Following the Ctrip's Global Partners Summit in December last year, we officially launched the packaged tour open platform 3.0 and have already had 7,000 suppliers on-board. In addition to an easy supply sign-up process and a more in-depth big data analysis, the platform gives suppliers more opportunities to participate in marketing campaign and provide services to Ctrip users.

Moreover, we extended our training programs to more travel suppliers. And recently, we launched the Ctrip Institute for Tourism Studies. This institute provides a number of certified training programs for partners, including trip planners, local tour guides and more. We believe nurturing suppliers to offer high level of the products and services is a virtuous circle that provides enduring results for us.

Fourth, an overview on our progress in international expansion. In the first quarter, revenue generated from international business continued to increase, making up approximately 35% of the group revenue. International hotel and air ticket businesses both sustained rapid growth rate that more than doubled the industry outbound travel growth rate. This is vital as we acquire more overseas resources into our platform and expand our partnerships globally.

Skyscanner continued to grow its MAU by 20% year-over-year without heavy advertisement efforts in the first quarter. Its direct booking business also capped up strong growth momentum of approximately 258% year-over-year. The excellent performance of Trip.com this quarter continued to strong -- continued with strong air ticketing volume growth as a result of strengthened product coverage, price and excellent services. Specifically, Skyscanner's contribution to Trip.com's flight booking resulted in explosive growth, reflecting in Trip.com's increasing price competitiveness.

To conclude, our team's efforts not only collectively drive remarkable results, but also demonstrates our determination and perseverance to accomplish our mission, which is to provide the best travel experience in the world through our one-stop shop travel platform. As always, I want to take this opportunity to thank our customers, our business partners, our employees and shareholders for your continued support.

With that, I will turn the call to Cindy.

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

Thank you, Jane. Thanks, everyone. For the first quarter of 2019, Ctrip reported net revenue of RMB 8.2 billion, representing a 21% increase from the same period in 2018. Accommodation reservation revenue for the first quarter of 2019 was RMB 3 billion, representing a 21% increase from the same period in 2018, primarily driven by increase in accommodation reservation volume.

Ctrip-branded low-star hotel room nights increased about 60% year-on-year. In domestic mid- to high-end hotel segment, we continued to outperform the industry with double the industry growth rate. International hotels growth more than doubled the industry growth rate.

Transportation ticketing revenue for the first quarter of 2019 was RMB 3.4 billion, representing a 16% increase from the same period in 2018, primarily driven by increase in ticketing volume. Air ticketing business continued to maintain very strong volume growth, mainly driven by fast-growing outbound travel demand and the robust growth in Skyscanner and Trip.com. Trip.com's air ticketing volume recorded triple-digit growth for the 10th consecutive quarter. Ground transportations, including train ticketing, bus ticketing, ferry ticketing, and car services registered very healthy volume growth in this quarter.

Packaged tour revenue for the first quarter of 2019 was RMB 1 billion, representing a 25% increase from the same period in 2018, primarily driven by increase in volume of organized tours and customized tours. In the first quarter, [GMV] through our off-line franchise stores continued to deliver triple-digit growth year-on-year. Customized tours also delivered high double-digit growth rate this quarter as demand shifts to more personalized product. In addition, to better address the demand of high-end customers, we officially launched a premium customized tour platform in March, with products covering more than 80 countries and regions across the world.

Corporate travel revenue for the first quarter of 2019 was RMB 238 million, representing a 32% increase from the same period in 2018. We have seen a continued expansion in corporate customer base and a healthy product mix trend with fast-growing non-air products such as hotel and ground transportation.

Other businesses, including advertisement, financial services and others, increased by 37% year-on-year in the first quarter of 2019, reaching RMB 517 million, primarily driven by the strong growth in advertisement business and our financial service business.

Gross margin was 79% for the first quarter of 2019 compared to 82% in the same period in 2018 and remained consistent with the previous quarter. Excluding share-based compensation charges, total non-GAAP operating expenses grew 13% year-on-year and decreased 10% quarter-over-quarter in the first quarter of 2019.

Total head count in product development was largely consistent with previous quarter. Marketing efficiency improved significantly, thanks to our online-based marketing investment strategy and our previous efforts to improve brand image, product innovation as well as better travel-related content. Despite the sequential decrease on marketing investment, we were able to maintain a stable MAU traffic growth and a stable momentum of new transacting customer acquisition. Ctrip brand users in our targeted cities maintained an approximately 30% year-on-year growth in the first quarter.

Non-GAAP operating profit in the quarter was RMB 1.4 billion, grew 42% year-on-year and 427% quarter-over-quarter. Non-GAAP operating margin for the first quarter was 17%, increased from 14% in the same period of 2018 and 3% in the previous quarter. The increase mainly resulted from operation efficiency improvement.

Diluted earnings per ADS were RMB 7.45, or USD 1.11, for the first quarter of 2019. Excluding share-based compensation charges and fair value changes of equity security investments, non-GAAP diluted earnings per ADS were RMB 2.93, or USD 0.44, for the first quarter of 2019. As of March 31, 2019, the balance of cash and cash equivalents, restricted cash and short-term investment was RMB 61.6 billion, or USD 9.2 billion.

Now turning to our outlook. For the second quarter of 2019, the company expects net revenue growth to continue at a year-over-year rate of approximately 16% to 21%. Excluding share-based compensation charges, the company expects the non-GAAP operating income will be in the range of RMB 1.5 billion to RMB 1.7 billion. For the rest of the year, 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, Alex Poon from Morgan Stanley.

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

Congratulations on a very good result. I have a question regarding the recent trade tension. Can you share with us what do you think about the possible scenarios in terms of the impact on your domestic business and also your international business separately? And regarding the international strategy, does this trade tension affect any of your strategy in future or in the near term? I see that revenue guidance of 16% to 21% year-over-year is a slightly slower than first quarter revenue growth. Is that already factored in some of the concerns that you have for the trade tension?

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

Yes. Thanks for the question. Yes, there will be uncertainty in the macro environment and especially on the business sentiment. But compared to other industries, travel is relatively robust. I think we observed the domestic travel businesses in China is still growing very -- at a very robust rate. And outbound is still doing well, and the non-Chinese business, Trip.com, is doing very well. I think the trade tension will force a lot of the Chinese companies and other companies that's serving the Chinese market to have closer integration with Asia, Europe and those countries. And I actually can increase the activities, cross-country activities, including travel, between those countries. So on one hand, there -- the China to U.S. travel might have some negative impact, but that's only a small part of the overall international tourism market. And most of the market are -- our market are within Asia, and within Asia, will probably be -- we see more activities because the companies in China and those companies need to have closer, more tight integration with other Asian countries. So I think overall, we feel very optimistic in the long run about the growth prospect both domestically and internationally.

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

Yes, in terms of the guidance. As James explained, macro uncertainty definitely will impact all companies. And at Ctrip, we always tend to be more prudent given some short-term uncertainties related to the status of the recent trade war. And we did observe some slowdowns in the industry data. Nevertheless, what we always focus is to maintain or even increase our growth multiples compared with the international -- with the industry growth rate in general. And given the current very low penetration rate across all targeted markets, especially in the second and comparatively lower-tier city users in China, we strongly believe that we have the potential to at least double our existing targeted customer for in-China market.

And for example, in the first quarter, we actually intentionally increased our ROI threshold in certain channels, and we continue to see very stable growth of our MAU and new transacting -- and adding more new transacting customers. And at the same time, on top of acquiring new customers, we also have many projects internally to prove -- to improve our user engagement as explained by James. So in summary, our growth rate might be impacted due to industry slowdown, but we will make sure that we will be more effectively gaining more market share in a profitable way during the period. Thank you.

### Operator

Our next question, Alicia Yap from Citigroup.

### **Alicia Yap *Citigroup Inc, Research Division - MD and Head of Pan-Asia Internet Research***

Congrats on the solid result. My questions is related to your current and future globalization strategy. So can you help us frame your priority among the various stages and progress of your global travel initiative? For example, you have expanded successfully to acquire a number of Asian countries through the Trip.com brand, and it seems like Trip.com is also thinking about expanding to more European cities this year. And given your recent transaction on MakeMyTrip.com in India, could you perhaps help us frame your investment priority and business expansion for your international strategy? What other countries that you decide to further expand to the Trip.com, whereas something like you would strike a deal similar to MakeMyTrip.com in other countries. So any color that you can provide on the international expansion strategy will be helpful.



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

Sure. Thanks, Alicia. I will cover your question from different perspective. First of all, organic growth is always our focus. We strongly believe that only when we grow very strongly internally, then our opportunity will unfold. So we invest heavily in building a very robust technology platform to make sure it can extend not only in China but in Greater China, Asia and later on. So we focus quite a lot in our technology and open platform and also services.

And secondly, with regard to geographic location, I think we started as a Chinese company hosting Chinese customers travel within China. And gradually, we take our customers to Greater China area and then further expand into Asia. And our customers with their GDP per capita is increasing, they travel further to Europe to Australia, New Zealand, and et cetera. So with our strengthened coverage in different products, we are offering more and more products to help our customers to reach different travel destinations.

And thirdly, with following our customers' footstep, we are able to build a network that not only will be utilized by Chinese customers, but also our customers from Greater China area, et cetera. And in terms of the brand, I think our investment in Skyscanner has enabled us now to do a direct booking on another search program and it has been very successful. And recently, we also announced a share exchange on the MakeMyTrip because we believe that market, in the future, will involve lots of opportunities since it has the second-largest economy and very young population, so we are positive on that.

With our own brand, the Trip.com, it's growing at a 3-digit growth and leading by our strong product in air tickets, et cetera. So our strategy in the global place is, first of all, following our customers' needs from China to the rest of the world. Secondly, to leveraging the scale we have to build a network that not only can serve the Chinese customer but also is helpful for other people to use. And thirdly, in the branded strategy right now, we have a Skyscanner and Ctrip parallel in different markets covering different customers in different continents. Thank you.

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**Operator**

Our next question, Binnie Wong from HSBC.

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

My first question is actually on the improvement in the operating margin. It has been better-than-expected if you look at the non-GAAP operating margin here. Can you remind us in terms of the sales and marketing or maybe in your product development, what are some of the key efficiencies you have been seeing? Because I think in the opening remarks, Jane mentioned about more effective user acquisitions. So if you can give us more color on that would be very helpful. And how should we think about our margin target down the road since we have been achieving better-than-expected operating margins here? And then very quickly is just on our 2Q outlook. How should we expect that across the different product lines?

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

Thank you, Binnie. We actually achieved the operational efficiency -- increased our operational efficiency across all business line items. For example, we closely monitored our marketing investments based on the ROI of every single channel. And despite the sequential decrease on the marketing investment level, actually, we were able to maintain a very stable MAU traffic growth and momentum of new transacting users -- new transacting user acquisitions. And Ctrip brand user growth in our targeted cities maintained at around 30% year-on-year. And this prove that thanks to our investment in technology in the very comprehensive product platform as well as the vast service platform we've built, we are able to prove that we are -- that we have a very resilient and scalable business model. And hopefully, the most profitable travel business model.

And in terms of the guidance for each of the business line items, for the accommodation reservation business, in the second quarter, we expect that it will increase around 19% to 24%. And the transportation revenues will continue to grow at around 12% to 17% year-on-year, and the packaged tour business will grow about 20% to 25% and corporate travel will grow about 15% to 20%. Thank you.

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**Operator**

Our next question, Wendy Huang from Macquarie.



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

First, management, can you give us a sense of the margin profile between your domestic and also international business? And also, for your different things such as transportation, hotel, et cetera. So how should we think about this geographic mix impact on your ARPU and also take rate in the longer run?

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

Wendy, sorry. Can you repeat your first question?

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

First question is different margin profile of your international and the domestic business.

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

Okay. Yes. So in terms of the -- within the international business, actually, there are different buckets. And so far, the largest one is still the outbound business. Our average outbound business is -- the selling price -- the ADR or the selling price on average is much higher than our domestic product. And at the same time, the service and as well as the product investment is at a similar level compared with the domestic. So generally, the -- our international business is more profitable than the domestic business, thanks to the outbound business.

And in terms of the Trip.com, it's still at a very early stage. And they have a very disciplined sales and marketing strategy, but we are still in the early stage and in the early stage of the investment cycle. And your second question is about the hotel.

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

My second question is about the ARPU and also the take rate change across the different business, transportation, hotel and packaged tour?

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

Oh, yes. Our take rate, I think, is quite consistent in the past couple of quarters across all the business line items. And in terms of the selling price of the ADRs, with more contribution from the outbound business, our average selling price will trend up a little bit, but it will also offset it by our further penetration into the lower-tier cities because our lower end -- our targeted lower end of the business is also growing very robustly.

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

Maybe a follow-up on that. Actually, I just want to get a sense about the commission per city, and further, commission per hotel room night. How will this change with all the different dynamics going on? So what's the change for this year and also next year?

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

It has been quite stable and consistent in the last couple of quarters, and we don't expect -- so far, we don't expect any significant increase or decrease on the take rate.

**Operator**

Our next question, Ronald from Goldman Sachs.

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

My question first is on just the revenue guidance based on different segments. So we see mostly the deceleration into the second quarter has been from transportation. Is that partly on when we see the airline numbers, April has been quite weak? And so how has the Labor Days of May been trending, and are we sort of more being conservative based on the April trends on that deceleration in transportation revenue guidance? And just follow on on that with our 17% EBIT margin, non-GAAP second quarter guidance above 18% -- at the midpoint, 18.4%. How are we seeing that sort of full year? And we mentioned about -- I think you mentioned about 20% for 2020 in the last call. So do we see this sort of mid-term margin tracking based on the very strong performance so far?





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

Thank you, Ronald. Yes, we did observe that the slowdown in the industry data. That's also one of the reasons why we tend to be more prudent in terms of giving guidance. But as I said, our key focus internally is just focusing on how much percentage we can outpace the industry growth and gaining market share. And given we already have the best products -- most comprehensive products in place as well as the highest service standards compared with other players in the market, Ctrip business model proved to be more resilient and to be more profitable. So we think the 2020 operating margin target so far is very achievable for us.

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**Operator**

Our next question, Natalie Wu from CICC.

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

You've mentioned that you've reached 210 million MAU this quarter. Last quarter was 200 million. And correct me if I'm wrong, I remember that you've mentioned that 200 million MAU level in several quarters last year already. So just curious, you actually become more prudent in terms of sales and marketing spending in the first quarter? How come the MAU started to grow on this juncture? Is there any shift of focus for your sales and marketing spending to enhance efficiency?

And also, for the newly acquired users, is there a major difference in terms of the demographic features compared with your existing users 1 or 2 years ago? Do you observe any difference in terms of the transaction pattern, frequency or dollar amount, et cetera?

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

So for MAU, rather than stressing on the numbers, we improved the quality of the customers. As we discussed, there are a couple of things that we have been done very successfully. First of all, we try to attract the customers through our innovation on the product. For example, TripMoment is very similar to travel Instagram, and we noticed the young people nowadays, rather than writing their travel journal, they prefer to use video or picture to express where they are, what they like. So we have established a very young group -- a young team led by a young CEO to establish this product. And so far, it's very successful. The DAU already have exceeded 1 million DAU after a couple months of the launch. And these customers have already expressed their interest in travel. And following the successful launch of the new product, we are going to add booking functionality to this -- to convert the content-driven customers into our transactional-driven customers. So we always believe rather than spending money in the low ROI channel, it's better for us to innovate our own product and make sure our platform is a closed loop one-stop shopping platform so the customers can see the content, plan their trips, book their trips and we serve them during the trips. And where they come back, they will be back to the content again. And so far, these efforts have paid very well. So going forward, we will continuously innovate our product mainly focusing on things that customer needs for their trip before, during and after their journey. So that's one thing we do.

And secondly, because the market has a little bit uncertainty, we also are very disciplined looking into different channels and make sure every dollar we spend generates very good return from a long-term perspective. So these are the things we have done so far, which demonstrated very strong return for us.

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

Yes. To answer your question on the exact number of the MAU. Because we have a seasonality -- travel, in general, have a very strong seasonality. First quarter is not the hyped season for the travel business. And we actually -- although we control the ROI very tightly on sales and marketing channels, but we did see very healthy growth on our users. For example, the Ctrip brand user growth in our targeted city is maintained at around 30% year-on-year and the Skyscanner, although majority of their business are still in the European countries, but their MAU continue to grow at around 20% year-on-year. Thank you.

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**Operator**

Our next question, James Lee from Mizuho Securities.

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

Jane, I was wondering maybe you can address competitive activities here. It looks like in low-star hotel, you guys did really well at 60% year-over-year growth. And maybe help us understand from a competitive point of view, is your key competitor kind of become less



competitive in the market that allowed you to gain market share there? Or is it did you do anything specific in the market to gain market share? Should we think about this competitive easing as potentially something tactical that's done on your competitor side, or do you think this is more sustainable?

And my second question is relating to the May holiday. We noticed that this year is a little bit longer than last year. I was wondering you're seeing any benefits you're getting from the extended activity for that holiday period?

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

Sure. Thanks, James. In terms of competitive landscape, we focus a lot on our internal strength. So what we have done are twofold. One is in the domestic market, we have innovated a lot of new products such as packaged tour with air plus hotel, high-speed railway package, which enable us to further penetrate into the second-tier, third-tier cities, which is very difficult for travelers to travel to on the weekend without the high-speed railway. So that has been very successful. And thirdly, we also opened many off-line stores, which give us strong penetration into the cities that people have never seen Ctrip before. So continuously, we will further penetrate into these cities and areas to strengthen our product offerings as well as the brand exposure. And globally, I think also led by our air ticketing product, we are able to understand where the customers' interests are and when they land in certain cities, we also make our product as comprehensive as possible, so that has been very well received among our high-end customers.

Thirdly, your question on May holiday. Yes, it was a big boost for the leisure travelers. Because it's only 4 days, we have seen domestic travel has enjoyed a strong growth and a pickup in the different destinations, and we offer very comprehensive product to make sure our customers are very well informed as to what they can enjoy, what kind of attraction tickets they can buy, what kind of local transportations they will be able to have. So the May holiday has demonstrated a strong execution on our team to take our customers anywhere within China and around China.

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**Operator**

Our next question, Gregory Zhao from Barclays.

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**Xiaoguang Zhao *Barclays Bank PLC, Research Division - VP***

Congrats on the strong quarter. So my first question is about your hotel business. So now we can see more and more hotel franchise are promoting their own brand and encouraging direct booking on their website. And at the same time, we can see Ctrip is also expanding your own-brand vehicle low-star hotels in lower-tier cities. We just want to understand the overall strategies in hotel business and a quick follow-up about your outbound travel. So would you please give us an update of your outbound travel to destinations by revenue contribution like the top 5 or top 10?

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

Sure. So for hotel chain, I think each business has their own strengths and different product offer. For OTA, I think our strength is the comprehensive offering of products, not only the customers can find hotel product on our platform, they can also find air ticket products, high-speed railway tickets, transportation, rental cars and theme information, et cetera. So it's very convenient. So if you're a customer looking for different products and book it one-stop, I think OTA provides a very good offering to the customers. And we are very strong in technology, information, service and product, so that's our strength. Hotels, obviously, they have their strengths that they will demonstrate their value to the customers. But in the long run, I think it will coexistent and collaborate in the long run. That is a better strategy.

And secondly, for outbound business, outbound business will become a very good uplift for our products because more and more customers cannot only offer travel domestically, but they also will be able to travel in the international space. And Ctrip have lots of advantages. First of all, our air ticket is the largest in the whole world. So we are able to work with different airlines, utilize their products to take our customers anywhere, any place in the whole world. And secondly, once the customer has informed us where they want to go, we can also provide the information within the cities, within the areas and providing local transportations, providing the local attraction tickets to them. So for our customers, outbound transportation -- outbound travel when they book with Ctrip, they have peace in mind



that everything will be taken care of. So right now, the outbound plus international travel accounts for 35% of our revenue contribution. If we work continuously to improve our coverage and price and product offering, in the future, that number can continuously improve to 50% in the next 5 to 10 years.

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**Operator**

Our next question, Tian Hou from T.H. Capital.

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

The question is yesterday, the railroads officials in China, they had announcement on their website, which is they added 1 function. The function is really convenient for the customers to replace their tickets and/or to slot tickets. And I do believe this is one of the strengths of Ctrip in the past, so I wonder what could be the impact for future -- for Ctrip in this front in the field trip?

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

We closely monitor the markets. And as always, we will make sure that Ctrip has the best products in place to serve our customers. And more importantly, train tickets have become our traffic engine through -- by helping customers to solve their pain points in the past couple of years. And we will continue on that track, and we are seeing improving cross-sell performance from train to all other product lines within Ctrip platform. Thank you.

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**Operator**

Our next question, Juan Lin from 86Research.

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**Juan Lin 86Research Limited - Research Analyst**

Congrats on the solid set of results. I have 2 questions. The first one is on international business. Could you please break down the contribution of international business for each business line? And the second question is for hotel -- lower-tier city hotels. I wonder what are the volume GMV and revenue contribution to the lower tier -- or by the lower-tier cities to our hotel business, and what is the margin trend for business in lower-tier cities?

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

Thank you. In general, our international business contribute about 35% of our total revenue, in which outbound travel actually contribute the vast majority within the international bucket. Across different business line items, accommodation reservation, international hotel contribute about 25 -- 20%, 25% of our total accommodation revenue and air ticket -- actually, international air tickets has already become the key growth drivers for our air tickets business. And for packaged tour business, international or outbound travel, contribute about half of our total revenues.

For the comparatively lower-tier cities, of course, the ADR is lower, and we intentionally set very competitive pricing because the people in those lower-tier cities, at least from the very beginning, they tend to be more price-sensitive. So in terms of the -- we intentionally have the best price to attract those users. But thanks to the very automatic platform we've built even in the lower end or lower-tier cities, we have profit generating from that segment.

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**Operator**

Due to time constraint, I will now hand the session over to Michelle Qi for closing remarks. Please go ahead.

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**Michelle Qi Ctrip.com International, Ltd. - Senior IR Director**

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

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

Thank you very much.

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

Thank you.

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

Thank you. Bye.

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**Operator**

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

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