February 4, 2020

Ashley Clements, Latin American Economist
Maddy Goodman, Chief Operating Officer
# Trip.com Group

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Trip.com Group
Investment Thesis

Demographic Tailwinds

Aggressive Growth Strategy

Buying Opportunity
Trip.com Group
Company Overview
Trip.com Group
Revenue Breakdown

- Accommodation Reservation: 37%
- Transportation Ticketing: 42%
- Packaged-Tour: 12%
- Corporate Travel: 3%
- Other: 6%

Revenue Growth:
- Accommodation Reservation: +21%
- Transportation Ticketing: +6%
- Packaged-Tour: +27%
- Corporate Travel: +30%
- Other: +20%
Trip.com Group
Leadership

Jane Jie Sun
CEO since 2012
• CFO from 2005-2012
• Prior to TCOM she worked for the SEC & KPMG in the U.S.
• Undergraduate from University of Florida

Maohua Sun
COO since 2016
• Joined TCOM in 2000, implemented TQM
• MBA from China Europe International Business School
• Visiting scholar at Stanford & Cambridge

Cindy Xiaofan Wang
CFO since 2013
• Joined TCOM in 2001
• Prior to TCOM, finance manager at China eLabs venture capital firm
• 2017 Best CFO Award
• MBA from MIT
• Certified CPA
Trip.com Group

Company Strategy

International Expansion

Lower Tier City Expansion

Product Development

Aggressive M&A
Trip.com Group
Partnerships and M&A Activity

Trip.com Group
Partnerships and M&A Activity
Trip.com Group
Growth Drivers

$1.2 Trillion Industry

6.1% CAGR 2018-2023

9% of Chinese have passports

TCOM 60% Market Share
The magnitude of China’s middle-class growth is transforming the nation.

<table>
<thead>
<tr>
<th>Share of urban households, %</th>
<th>Urban private consumption, %</th>
<th>Income segment</th>
<th>Projected growth of private consumption, CAGR, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% = 256 million</td>
<td>10,048 billion renminbi</td>
<td>Affluent</td>
<td>10.3</td>
</tr>
<tr>
<td>357 million</td>
<td>26,804 billion renminbi</td>
<td>Upper middle class</td>
<td>19.6</td>
</tr>
<tr>
<td>3</td>
<td>11</td>
<td>Mass middle class</td>
<td>22.4</td>
</tr>
<tr>
<td>14</td>
<td>20</td>
<td>Poor</td>
<td>−3.3</td>
</tr>
<tr>
<td>54</td>
<td>54</td>
<td></td>
<td>−1.5</td>
</tr>
<tr>
<td>29</td>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>14</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2012: 256 million, 10,048 billion renminbi, Affluent 14%, Upper middle class 20%, Mass middle class 16%, Poor 16%. 2022: 357 million, 26,804 billion renminbi, Affluent 9%, Upper middle class 25%, Mass middle class 14%, Poor 5%.
Trip.com Group
Growth Drivers

<table>
<thead>
<tr>
<th>Tier</th>
<th>Population</th>
<th>GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>Over 15 million</td>
<td>&gt;$300 billion</td>
</tr>
<tr>
<td>Tier 2</td>
<td>3-15 million</td>
<td>$68- $299 billion</td>
</tr>
<tr>
<td>Tier 3</td>
<td>150,000- 3 million</td>
<td>$18- $67 billion</td>
</tr>
<tr>
<td>Tier 4</td>
<td>Less than 150,000</td>
<td>&lt;$17 billion</td>
</tr>
</tbody>
</table>

Tier Population GDP

Tier 1 Over 15 million >$300 billion
Tier 2 3-15 million $68- $299 billion
Tier 3 150,000- 3 million $18- $67 billion
Tier 4 Less than 150,000 <$17 billion
Trip.com Group
International Business Strategy

- Higher Margin
- TripAdvisor Alliance
- Global Investments

The number of Chinese tourists has skyrocketed
Annual overseas visits (millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Visits (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>10.5</td>
</tr>
<tr>
<td>2001</td>
<td>12.1</td>
</tr>
<tr>
<td>2002</td>
<td>16.6</td>
</tr>
<tr>
<td>2003</td>
<td>20.2</td>
</tr>
<tr>
<td>2004</td>
<td>28.9</td>
</tr>
<tr>
<td>2005</td>
<td>31</td>
</tr>
<tr>
<td>2006</td>
<td>34.5</td>
</tr>
<tr>
<td>2007</td>
<td>41</td>
</tr>
<tr>
<td>2008</td>
<td>43.8</td>
</tr>
<tr>
<td>2009</td>
<td>47.7</td>
</tr>
<tr>
<td>2010</td>
<td>57.4</td>
</tr>
<tr>
<td>2011</td>
<td>70</td>
</tr>
<tr>
<td>2012</td>
<td>83.2</td>
</tr>
<tr>
<td>2013</td>
<td>98.2</td>
</tr>
<tr>
<td>2014</td>
<td>114.6</td>
</tr>
<tr>
<td>2015</td>
<td>133.2</td>
</tr>
<tr>
<td>2016</td>
<td>136.9</td>
</tr>
<tr>
<td>2017</td>
<td>145</td>
</tr>
<tr>
<td>2018</td>
<td>149.7</td>
</tr>
</tbody>
</table>

COTRI (CHINA OUTBOUND TOURISM RESEARCH INSTITUTE)
### Short-Lived Market Reactions

<table>
<thead>
<tr>
<th>Epidemic</th>
<th>Month End</th>
<th>6-Month % Change of S&amp;P</th>
<th>12-Month % Change of S&amp;P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pneumonic plague</td>
<td>September 1994</td>
<td>8.22</td>
<td>26.31</td>
</tr>
<tr>
<td>Avian flu</td>
<td>June 2006</td>
<td>11.66</td>
<td>18.36</td>
</tr>
<tr>
<td>SARS</td>
<td>April 2003</td>
<td>14.59</td>
<td>20.76</td>
</tr>
<tr>
<td>Swine flu</td>
<td>April 2009</td>
<td>18.72</td>
<td>35.96</td>
</tr>
</tbody>
</table>

### Risk Velocity

- Lower Fatality Rate

### Chinese Cooperation with W.H.O.
<table>
<thead>
<tr>
<th>Company</th>
<th>HQ Location</th>
<th>Market Cap</th>
<th>Overview</th>
<th>Geographic Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alibaba.com</td>
<td>Hangzhou, China</td>
<td>$571B</td>
<td>Focused on younger, more affluent travelers</td>
<td>72.3% China</td>
</tr>
<tr>
<td>Trip.com Group</td>
<td>China</td>
<td>$3.38B</td>
<td>Online travel agency</td>
<td>100% China</td>
</tr>
<tr>
<td>Booking.com</td>
<td>Norwalk, CT</td>
<td>$76.6B</td>
<td>Operates 6 of the leading online travel tools (KAYAK, Priceline, Agoda)</td>
<td>88.8% Europe 11.2% U.S.</td>
</tr>
<tr>
<td>Expedia</td>
<td>Bellevue, WA</td>
<td>$15.7B</td>
<td>Provides online travel services for leisure and small business travelers</td>
<td>55.3% U.S. 44.7% Int.</td>
</tr>
<tr>
<td>Fliggy Travel Unit</td>
<td>Hangzhou, China</td>
<td>$571B</td>
<td>Focuses on younger, more affluent travelers</td>
<td>72.3% China</td>
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<tr>
<td>Trip.com Group</td>
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<td>Online travel agency</td>
<td>100% China</td>
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Trip.com Group

SWOT

**Strengths**
- Chinese market dominance and consolidation
- Increased bargaining power over travel suppliers

**Opportunities**
- Lower-tier cities and growth of the middle class
- International expansion

**Weaknesses**
- Subject to high volatility due to cyclical nature of the industry
- Not yet geographically diverse

**Threats**
- Competitors expanding into China
- Unknowns of Coronavirus
Trip.com Group
Price History – 1Y

- Beat Q4 estimates
- Macroeconomic concerns
- Product expansion
- Q3 Beat Estimates
- Worries over weakening economy
- Beat Q1 estimates
- Q2 Mixed Earnings
- Coronavirus

School of Business
Investment Program
Trip.com Group

Financial Highlights

Competitive Price to Sales

Healthy Total Debt to Equity
Trip.com Group
Financial Highlights

Revenue vs COGS % of Sales Growth

Revenue CAGR +32%
MA(50) crossed above MA (100) in Dec

RSI = 39.47

MACD crossed below signal line
Trip.com Group
Valuation Overview

Conservative Estimates
- Sales – Conservative
- COGS – Consistent with past growth
- SG&A - Consensus
- Capital Expenditure – Consensus
- Tax Rate - against guidance

Source: Proprietary Model
Trip.com Group
Analyst Recommendations

Consensus Rating
Buys 73.2%
Holds 24.4%
Sells 2.4%

12M Tgt Px 37/43
Last Price 39.24
Pricing Currency USD
Return Potential 22.1%
LTM Return -4.2%
Trip.com Group
Monte Carlo & Portfolio VaR

Mean Price $38.30
Median Price $36.35

Monte Carlo Simulation

Portfolio VaR

Excluding TCOM: 1.70%
Including TCOM: 1.73%

Source: Quant Team
Trip.com Group
Recommendation

Recommendation: 170 Shares for 2.95%
Trip.com Group

Ctrip Portfolio
Trip.com Group

SARS vs. Coronavirus
Trip.com Group
Skyscanner

- 100 million users worldwide
- 89% profit growth in 2019
- £36 million in profits
- Triple digit revenue growth
Trip.com Group

India Macro Drivers
### China’s Tier System

<table>
<thead>
<tr>
<th>City-tier classification</th>
<th>Tier 1</th>
<th>Tier 2</th>
<th>Tier 3</th>
<th>Tier 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political administration of the city*</td>
<td>Directly-controlled municipalities and leading provincial capital cities</td>
<td>Directly-controlled municipalities, provincial capital cities and economically important cities</td>
<td>Provincial capital cities and prefecture-level cities</td>
<td>Prefecture-level cities and county-level cities</td>
</tr>
<tr>
<td>Population</td>
<td>Over 15 million people</td>
<td>3 – 15 million people</td>
<td>1.5 to 3 million people</td>
<td>Less than 1.5 million people</td>
</tr>
<tr>
<td>Examples</td>
<td>Beijing, Guangzhou, Shanghai, Shenzhen</td>
<td>Changsha, Chongqing, Chengdu, Dalian</td>
<td>Changde, Dongguan, Foshan, Guiyang</td>
<td>Chanzhou, Chengdu, Hui, Lanzhou, Taiyuan, Xining</td>
</tr>
</tbody>
</table>

*NB: Used as a general indicator only.

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**Graphic** © Asia Briefing Ltd