



Tongcheng-Elong Holdings Limited

同程藝龍控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0780)

Tongcheng-Elong Announces 2020 Annual Results

Market Position and Operation Strategies Shows Advantages

Recovery leads the Industry

(23 March 2021 – Hong Kong) - Innovator and leader in China’s online travel industry - Tongcheng-Elong Holdings Limited (“Tongcheng-Elong” or the “Company”, together with its subsidiaries, the “Group”, stock code: 0780) announces the audited consolidated results for the year ended December 31, 2020 (the “Reporting Period”).

The Company’s operation and performance were inevitably disrupted by the COVID-19 outbreak since January 2020. Due to the decreased demands in our travel business, resulting from the implementation of travel restrictions and lockdown policies imposed by governments around the world. However, the Company’s business continues improving quarter by quarter and has achieved an impressive recovery which outpaced the average industry. Through the continuous operation of diversified traffic channels, expanding the coverage of low-line cities and other strategic guidelines, the company is pleased to record some key metrics that showed a strong recovery trend during the Reporting Period.

Results Review

Although the pandemic caused an unavoidable impact on the business and financial performance, we managed to remain profitable and outperform the industry with our advantages in market position, operations and cost control. For the fourth quarter of 2020, the company achieved four consecutive quarters of profitability. In the fourth quarter of 2020, our adjusted profit net margin has recovered 92.8% to RMB307.3 million. Adjusted net profit margin was 16.9%, which has fully recovered to the level in 2019.

Adjusted EBITDA increased from RMB415.1 million in the fourth quarter of 2019 to RMB441.0 million in the same period of 2020. On a year-to-year basis, adjusted EBITDA in the fourth quarter of 2020 increased for the first time in year 2020 by 6.2%. In the fourth quarter of 2020, adjusted EBITDA margin increased to 24.3% from 21.2% in the fourth quarter of 2019. For the fourth quarter of 2020, the revenue was RMB1,812.9 million, which has decreased by 7.3% compared to RMB1,956.5 million for the same period in 2019.

Our APU in 2020 increased by 1.8% from 152.4 million in 2019 to 155.2 million amid the challenging market situation during the pandemic. For the fourth quarter of 2020, our average MPUs increased by 5.9% year-to-year from 27.1 million to 28.7 million. Our paying ratio increased from 13.2% to 14.6%.

With our strategic focus on lower-tier cities, effective traffic sources and advanced innovation capability, we have successfully captured the rebound opportunities in the lower-tier cities market and further reinforced our leading position in China's OTA market, and the business performance outpaced the industry average. For the year ended December 31, 2020, approximately 61.7% of our new paying users on the WeChat platform were from tier-3 or below cities in China. Currently, the online penetration rate of travel business in lower-tier cities is relatively low, signifying immense opportunities for us. As of December 31, 2020, our registered users residing in non-first-tier cities in China accounted for approximately 86.3% of the total registered users. We reacted swiftly to market changes and adopted a flexible operations strategy, stringent cost control and light operating model, which helped us overcome challenges and seize market opportunities. Our efforts have also brought us market recognition during the year. It is worth mentioning that the company achieved excellent growth and excellent business performance in the fourth quarter of 2020. We have registered year over year growth of 21% in our room nights sold, with of more than 30% increase year-to-year in lower-tier cities, around 5% year-to-year increase in domestic air ticketing volume, and nearly 180% year-to-year increase in bus ticketing volume.

2020 Business Review

Supported by the diverse and effective traffic channels both online and offline, the Company's competitive advantage in lower-tier cities, as well as the Company's comprehensive products and services, the Company have obtained solid amount of active users and paying users. The Company's APU in 2020 increased by 1.8% from 152.4 million in 2019 to 155.2 million amid the challenging market situation during the pandemic. On a yearly basis, the Company's average MAUs only slightly decreased by 6.7% year-to-year from 205.2 million in 2019 to 191.4 million in 2020. Our average MPUs decreased by 14.5% year-to-year from 26.9 million in 2019 to 23.0 million in 2020 as travel demand was hindered by travel restrictions and pandemic control measures.

"Together, let's go!". We are committed to the principle of assisting and protecting the responsibility of our users, and we will provide full support to our stakeholders and the travel industry during the outbreak.

During the period under review, We designed a self-service online cancellation function as well as co-establishing an emergency fund to guarantee well-timed refund. At the same time, we embedded our advanced technology in an enquiry platform for users to trace possible exposures to virus in their travel histories and help them understand the quarantine and travel policies in different regions of China. Furthermore, we worked with Tencent Map to provide users with locational information of COVID-19 nucleic acid test availability. To help our suppliers to capture the market rebound opportunities, we developed Ark Alliance program and actively promoted tourist sightseeing spots through online marketing for free. We also offered “Hit the Road” initiative to facilitate users’ travel plans and to help revitalize the travel industry by providing travelers with more safety assurance. We also joined hands with local governments to promote tourist destinations and distribute consumer vouchers so as to help stimulate domestic consumption.

During the period under review, we enhanced diversification of our traffic channels by exploring and further penetrating alternative online traffic sources. We maintained stable and effective traffic channels from Weixin mini program and continued to deepen cooperation with Tencent by further exploring the potential of the “Search+Travel” ecosystem. During the period under review, about 80.9% of our average MAUs was contributed from Weixin mini program. As Tencent’s first partner in the OTA industry, we also expanded our cooperation with Tencent by launching various marketing campaigns with its online games platform to enhance interactions with our younger users. This has helped to increase our advertising efficiency significantly.

During the period under review, we actively expanded its traffic diversification and have successfully captured the rebound opportunities in lower-tier cities market and have gained more market shares in our major business segments, including accommodation and transportation. We cooperated with several handset vendors and designed various initiatives which provided users with direct booking and itinerary reminders functions through our quick APPs on mobile phones and other mobile devices. To grasp opportunities driven by the upswing of short videos, we strategically cooperated with one of the leading short video platforms and improve brand recognition. We commenced our offline user acquisition initiatives in bus ticketing, attraction ticketing and accommodation businesses in the second quarter of 2020 to capture market recovery opportunities, especially in lower-tier cities.

We forged sustainable relationships with various TSPs to offer one-stop-shop products and services to users throughout their journeys. During the period under review, our online platforms offered over 7,600 domestic routes operated by over 820 airlines and agencies, around 2.2 million hotels selections and alternative accommodation options, nearly 390,000 bus routes, over 670 ferry routes and approximately 8,000 domestic tourist attractions ticketing services. Furthermore, we continued to elevate our cross-selling strategies, resulting in continuous improvement in our cross-selling rate. In late 2020, we also combined the accommodation and the tourist attraction business segment, so as to achieve better synergy and further improve cross-selling.

The Company is committed to transforming from OTA to ITA (Intelligent Travel Assistant), with an aim to benefit the whole industry. During the Reporting Period, the Company further ripened the Huixing system by optimizing the layout to users and better integrating supply chain resources to provide more combinations in different scenarios to meet various demands. Simultaneously, the Company successfully developed our own intelligent robot for customer service, which benefited our customer service efficiency and reduced our operational costs. During the Reporting Period, the Company have developed comprehensive Software-as-a-service (SaaS) solutions to assist individual and small hotel chains in the management of their daily operations as well as for the management of inventory, revenue and marketing, which better integrated supply chain resources and enhanced our operations and profitability.

Business Outlook and Strategies

With the effective control of the pandemic in China and as efficacious vaccines emerge, the Company are optimistic about the recovery of the travel industry in China in 2021. The Company are confident to continuously outperform the industry with the Company's competitive advantages in traffic sources, market position and operation strategies. With the government's support to develop and to digitalize travel industry, we will leverage our advanced technology to improve value proposition to our suppliers and business partners and create sustainable cooperation in the long run. We will further explore local travel opportunities with local governments, travel bureaus and upstream suppliers to provide comprehensive local travel recommendations and solutions to users. This has granted us great opportunities to leverage our strong traffic to cultivate untapped travel destinations as well as enhancing the digitalization and the efficiency of the travel industry in China.

In the long run, the Company believe the online penetration of travel industry will accelerate and more opportunities for OTAs will appear. To fulfill the Company's mission and reinforce the Company's leadership in the market, the Company will continue to execute the Company's key business strategies. The Company will not only further penetrate the travel market leveraging on stable and cost-effective traffic sources but also further enhance products and services with technological innovations. The Company will continue to excel in the industry with the Company's ambition to transform from OTA to ITA. The Company will also continue to seek merger and acquisition opportunities to boost future growth of the Company's business.

– End –

Appendix

Key Financial Metrics for the year ended December 31, 2020

	Year ended		Year-to-year
	December 31,		
	2020	2019	change
	(in RMB' 000)		
Revenue	5,932,591	7,392,932	(19.8)%
Adjusted EBITDA	1,366,484	2,018,532	(32.3)%
Adjusted profit for the year	953,972	1,544,320	(38.2)%
Revenue (decrease)/growth (year-to-year)	(19.8)%	21.4%	
Adjusted EBITDA margin	23.0%	27.3%	
Adjusted net margin	16.1%	20.9%	

About Tongcheng-Elong Holdings Limited

Tongcheng-Elong Holdings Limited ("Tongcheng-Elong" or the "Company") is a market leader in China's online travel industry. The Company is the combined business resulting from the Tongcheng-eLong Merger, which was completed in March 2018. The shares of the Company were listed on the Hong Kong Stock Exchange on November 26, 2018. The Company is a one-stop shop for users' travel needs. With the mission of "We make travel easier and more joyful", the Company offers a comprehensive and innovative selection of products and services covering nearly all aspects of travel, including transportation ticketing, accommodation reservation, attraction ticketing and various ancillary value-added travel products and services designed to meet users' evolving travel needs throughout their trips. The Company was selected as the "Most valuable TMT Company", "Industry Award of the Year", "Excellence in Poverty Alleviation of the Year Award", "Most Welcomed IPO Company by Investors" and also awarded the "Best Mini Program of the Year" by Aladdin Index, "The Best Award of Mini Program Traffic" by iResearch etc. The Company is currently the sole operator of the "Rail & Flight" and "Hotel" portals in the mobile payment interface of Tencent's Weixin and Mobile QQ. In 2020 April 22, the Company launched a new service brand "同程旅行" ("ly.com"), selecting the new brand logo "Feiermeng" and the brand slogan "Together, let's go!", hoping to use a younger way to serve more users.

This press release is issued by **Wonderful Sky Financial Group Ltd.** on behalf of **Tongcheng-Elong Holdings Limited**

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