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Q2 2022 Trip.com Group Ltd Earnings Call

EVENT DATE/TIME: SEPTEMBER 22, 2022 / 12:00AM GMT

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## PRESENTATION

### Operator

Hello, and thank you for standing by. Welcome to the Trip.com Group's 2022 Second Quarter Earnings Conference Call. (Operator Instructions) It is now my pleasure to introduce Senior Director of Investor Relations, Michelle Qi. Michelle Qi, you may proceed.

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

Thank you. Good morning and good evening. Welcome to Trip.com Group's Second Quarter 2022 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 provision 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 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 second quarter of 2022, as well as outlook for the third quarter of 2022. After our 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. Thank you, everyone, for joining us on our call today. In the second quarter of 2022, despite the challenging market environment in April and May due to the outrage of Omicron and strict pandemic control measures, we are encouraged to see the strong release of pent-up demand in the back half of this quarter. While sporadic resurgence of COVID continues to disrupt the recovery of domestic travel in China, the effect on travelers' sentiment has been fading and the market has shown its resilience. Following the easing of the restrictions, we have seen overall, our domestic china hotel booking on our platform quickly rebounded and surpassed 2019 level at the end of June. Such trajectory continued as we entered July with authorities adopt milder and more precise control measures.

On the international front, the global travel industry continued to progress towards full recovery to 2019 pre-pandemic level. Demand is staying strong despite the challenges facing the industry. In Q2, our revenues in Europe and U.S. markets have already surpassed the 2019 level. And that our Asia Pacific markets are also rapidly growing. While pace of growth in the European market has moderated due to headwinds such as airline capacity shortage and labor strikes, air reservations in Europe has been approaching the 2019 level and our hotel reservations in the same region increased by about 400% year-over-year. Travel activities in Asia Pacific also rebounded with border reopening and further lifting of travel curbs and have started to recover faster than ever since the outbreak of COVID.

Together with product innovation, service enhancements and the holiday demand, we expect to see recovery in APAC continue to accelerate in Q3. In the short term, the world may still face challenges such as regional instability and inflation, the fact that travelers

have not been deterred by these challenges points to industry's resilience and a strong recovery. With the governments continuing to open up and COVID becoming hopefully more manageable, traveler confidence has grown together with improved safety perception, which leads us to believe the market outlook will only continue to improve.

With our strengthened product capability, optimized operating efficiency, and an enhanced value proposition, we are as confident as ever with our capabilities and competitive position in the market and to navigate through any uncertainties and challenges. We do not necessarily need a crystal ball if we are able to offer whatever interested the market and match customers' aspirations. And we remain confident and positive in the attractive long-term growth profile of the travel industry.

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

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

Thank you, James. Good morning, everyone. I would like to start with a quick overview of our performance in the second quarter and updates on our operational highlights. In the second quarter of 2022, the China domestic travel industry was largely impacted by the resurgence of pandemic in multiple regions in China. Despite all the challenges, we are delighted to see that the fundamental demand for travel remained solid. Travel activities in the region that are less affected by COVID have recovered much faster. Hotel bookings in Southern China and the Western part of the country have surpassed 2019 levels since mid-May.

Our total domestic hotel bookings has fully recovered and has surpassed 2019 level in late June. Same city staycation hotel reservation in this quarter grew more than 30% versus 2019. Our business continued to recover in July as the authorities adopted more precise pandemic control measures. On the other hand, the global market continues to show steady improvement as more and more countries choose to leave COVID behind and move forward with minimal restrictions. Our global business continued to ride on a growth trajectory.

First, on international flights. Overall air ticket bookings on our global platform has increased over 100% year-over-year, in which our global brand Trip.com has managed to increase approximately 680% year-over-year. The growth in Trip.com was mainly driven by strong recovery of international flights, and we are glad to see such momentum continuing in Q3. In July, total air ticket bookings on Trip.com was heading towards 90% recovery of 2019 level.

Second, international hotel. Overall, hotel bookings on global platforms have increased by more than 50% above the 2019 level in the second quarter. With domestic hotel bookings in non-China markets, Trip.com increased by 300% versus 2019. We have outperformed the industry across all key markets, especially in Hong Kong, South Korea, Singapore, Malaysia, U.K. and the U.S., also in triple-digit growth in overall hotel bookings versus 2019. Hotel bookings in Europe markets also increased by nearly 400% year-over-year.

Now let's talk about our operational highlights and the progress we have made in the strategic focus. First, on accommodation. In the China domestic market, we continue to fortify our one-stop service model with a combination at the core by strengthening our value proposition to our customers and our hotel partners. Our value-added hotel package products now cover 20% more hotels since year-end of 2021, 65% of which are high-end hotels. We continue to further expand the coverage and the source for special perks and offerings to match customers' demand for better value for money by helping partners to create incremental upside.

Over 240,000 hotels have also joined us for our TripPLUS program and rewarded our loyal customers with extra benefits. Over 50% of the reservations come from high-end hotels. In the meantime, we also joined hands with hotel partners to launch co-branded membership program, and currently have more than 30 million co-branded members, significantly contributing to our users acquisition.

Second, global business. On the international front, we continue to work closely with local authorities and suppliers to strengthen our supply chain and improve the brand awareness of our international brands. Trip.com has been named the 10th most downloaded OTA app globally in the first half of 2022, which passed out hitting record high. We also delved into post-pandemic travelers' evolved needs and a source of truly unique product offerings to improve product competitiveness, while also working hard to enhance the reliability of our services. We continue to localize and fine-tune our campaigns to align with heart beats of the local markets and better capture the local demand.

Our activity offerings in the overseas market have also been seeing continuous improvements following the robust recovery of the global travel and tourism. On top of the achievements in the previous quarter, reservations for global investor relation activities on our platform continues to grow by 24% sequentially and maintained a 3 digit year-over-year growth in the first half of 2022. We will continue our work, attracting customers through close collaboration with our global destinations and attractions.

Third, content platform. Updating on the status of our content platform development. We continue to strengthen our content creation pipeline to provide better inspiration and help users to make educated travel decisions, catering to the new users' needs under the pandemic, and better serve the travel demand of the younger generation. We focus on providing inspiring content, help users exploring for ideas and tips to get better products, foods, activity, transportation, and accommodation experience, especially for their local and short-haul trips. Besides live streams and information feeds, we also created a list of travel topics based on service quality and customer feedback to help users make well-informed decisions.

For example, our domestic hotel bucket list can pick the high-quality hotels and alternative accommodation properties under different travel scenarios in various regions across the country to build stronger user cases and may respond to users' aspirations, which also help improve the conversion rate. The amount of daily average user-generated content increased by 16% year-over-year in the second quarter. The number of KOLs also increased by 17% over the first quarter. Despite pandemic influence, we are delighted to see user engagement level remain stable compared with that in the previous quarter. Average viewed duration continues to see sequential improvement. Average number of content views per user also increased by about 50%.

Fourth, corporate responsibility. Besides our rural revitalization initiatives and continued efforts in nurturing local alternative accommodation and tourism talent, we are also committed to embrace the global transportation to sustainable and more environmental responsible travel. As part of our sustainability initiative, we have partnered with CHOOOSE to help customers adjust their CO2 emissions by contributing towards highly effective CO2 migrating projects around the world. Our corporate travel teams also outperformed 85% of other global companies and was awarded a silver rating by EcoVadis, an international recognized CSR rating platform.

In our car rental business, alternative fuel vehicles rated order is also growing at an annual rate of approximately 140%. All these initiatives help make it easier and simpler for our users to improve awareness and travel more responsibly. Over the past few years, the travel industry has proved its resilience. With our confidence in the long-term growth of travel and the years of hard work and a solid progress in maintaining our traditional advantage and further strengthening our competitiveness in domestic, short-haul, and international travel, we are optimistic that we are very well prepared to face any challenges that lies ahead.

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

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

Thanks, Jane. Good morning, everyone. For the second quarter of 2022, Trip.com Group reported net revenue of RMB 4 billion, representing a 32% decrease from the same period last year, and a 2% decrease quarter-over-quarter, primarily due to continued disruption from pandemic resurgence to the China domestic travel industry. Our overseas markets on the other hand are becoming significant contributors to our top line and bottom line performance. Accommodation reservation revenue for the second quarter of 2022 was RMB 1.4 billion, representing a 45% decrease year-over-year, and a 6% decrease quarter-over-quarter, recovering to 40% of the 2019 level. This is mainly due to the severe impact from the Omicron outbreak in China and the following strict lockdown in several first-tier cities, while offsetting by solid local and short-haul demand.

Transportation ticketing revenue for the second quarter of 2022 was RMB 1.8 billion, representing a 15% decrease year-over-year and a 6% increase quarter-over-quarter, recovering to 52% of the 2019 level. The impact of travel restrictions in the first 2 months of this quarter was largely offset by the strong air reservations on our international platform, among which China domestic recovery momentum was largely disrupted by resurgence of COVID, while air reservations on our international platform saw a significant increase. Packaged tour revenue for the second quarter of 2022 was RMB 122 million, representing a 67% decrease year-over-year and a 2% decrease quarter-over-quarter, recovering to 12% of the 2019 level. This is mainly due to pandemic-related travel restrictions in domestic China market and largely muted outbound tourism.

Corporate travel revenue for the second quarter of 2022 was RMB 210 million, representing a 46% decrease year-over-year and a 5% decrease quarter-over-quarter, recovering to 68% of the 2019 level, primarily due to the impact of pandemic-related drastic management in April and May. Excluding share-based compensation charges, our total adjusted operating expenses decreased by 27% year-over-year and was a saving of 44% compared to the same period in 2019, reflecting our continued efforts in pushing forward with effective cost control and streamlining our operations.

Adjusted product development expenses for the second quarter decreased by 13% from the previous quarter. It was a saving of 33% compared to the same period in 2019, as we continued to pursue lean operations. Adjusted sales and marketing expenses for the second quarter decreased by 3.3% from the previous quarter. It was a saving of 62% compared to the same period in 2019, as we continued to stick with our prudent marketing protocol. Adjusted G&A expenses for the second quarter decreased by 2% from the previous quarter. It was a saving of 29% when compared to the same period in 2019.

Adjusted EBITDA was RMB 355 million for the second quarter compared to RMB 916 million in the same period last year and RMB 91 million in the previous quarter. Adjusted EBITDA margin was 9% for the second quarter, compared to 16% in the same period last year and 2% in the last quarter. Diluted income per ordinary share and per ADS were RMB 0.10 or USD 0.01 for the second quarter of 2022. Excluding share-based compensation charges and fair value changes of equity security investments and exchangeable senior notes, non-GAAP diluted loss per ordinary share and per ADS were RMB 0.31 or USD 0.05 for the second quarter.

As of June 30, 2022, the balance of cash and cash equivalents, restricted cash, short-term investments, held-to-maturity time deposits, and financial products was RMB 65.6 billion or USD 9.8 billion.

Turning to the third quarter of 2022. We would like to share some colors of our business. Robust pent-up demand release was seen in July and early August, leading to a largely improved market outlook following the relaxation of travel restrictions. The industry level air passenger volume recovered to 60% to 70% and industry-level hotel RevPAR recovered to 80% to 90% in of the 2019 level in the first half of Q3. In July, our China domestic hotel bookings were about 20% growth above the 2019 level. We continued to grow over the 2019 level in August and achieved a hyper growth versus 2021.

Domestic travel momentum stalled due to the resurgence of COVID cases and related travel restrictions since late August. In the recent mid-autumn festival, industry-level air passenger volume was lower than 30% of its 2019 level. Hotel business was relatively less affected with the support of staycation demand. Our local hotel bookings continued to recover well and was about fully recovered when compared with the same holiday in 2019. Outbound travel remains rather muted under current conditions. Outside of China, the recovery momentum in Europe and the U.S. remains robust, while the Asia Pacific region is accelerating.

Our international brands showed further improvement in July and August, benefiting from the higher price and more long-haul travel. Although we are still catching up with the 2019 number, we expect to see a healthy revenue growth in Q3 on a year-over-year basis, which is driven by strong demand for summer travel in China and robust recovery in the global market. While global travel has been gradually moving towards a brighter future, we will probably still be experiencing pandemic-related challenges in the near term, especially for the China domestic market.

Solid execution paves the way for long-term growth. We will continue to stick with our prudent cost control protocols, while we remain cautious and flexible to capture the potential growth opportunities.

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

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) And our first question comes from the line of Thomas Chong with Jefferies.

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**Thomas Chong Jefferies LLC, Research Division - Equity Analyst**

My question is about our meaningful cost savings in Q2, especially in the product and development segment. Given our solid cost control measures, how should we think about the further cost savings and margin trend in the next coming quarters? .

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

Thank you, Thomas. In Q2, our total adjusted operating expenses decreased by 27% year-over-year and 9% quarter-over-quarter. It was a saving of 44% compared to the same period in 2019, thanks to our largely flexible cost structure and effective cost control. Firstly, following a strict ROI-driven investment protocol, our sales and marketing expenses were largely considered discretionary. And in the second quarter, we also swiftly reduced the marketing investment in the China domestic market, which was partially offset by the increase of marketing activities for the international brands.

A decrease of personnel-related expenses were mainly related to the flexible part of our performance-based bonus. During the past 2 years, we have streamlined our operations across business lines in addition to certain adjustments related to COVID, and we are also able to run very lean and stay productive in our domestic operations with the current team structure, and we'll continue to improve our operating efficiency.

In addition, our improvement on the content as well as the cross-selling and technology have further lifted our marketing efficiencies. So we are very confident that we are going to deliver a very healthy operating margin once the market can go back to the normal.

**Operator**

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

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

Thanks James, Jane and Cindy for the thorough presentation. I just have 1 or 2 quick questions. In relation to what you mentioned about the guidance on the third quarter, that you're expecting a healthy growth year-on-year on the top line. I just wanted to draw a bit more. Would you be able to share with us how you're thinking about the hotel versus the transportation divisions respectively? How are you seeing the trend in the quarter, if you can provide us with some guidance, that would be great? And then secondly, I think Thomson earlier did mention that the take rate, particularly on the hotel segment, actually trended a bit better in the second quarter as well as maybe in the third quarter as well because of some scale down of the rebates. Wondering, are you seeing the same trend? And now that the travel is starting to recover, would you see the necessity to basically increase the rebate again?

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

Thank you, Simon. Yes, as we said before, we are glad to see the domestic travel market at least show some resilience, especially starting from the summer. Overall, our domestic China hotel reservations on our platform quickly rebounded and surpassed the pre-COVID level from late June. Such trajectory continued with the authorities adopting wider and more precise control measures. And the total domestic hotel bookings was around 20% higher than 2019 level in July, and we continued to grow over the 2019 level in August and achieved a hyper growth versus 2021. And with the recent outbreak of COVID cases spreading to more than 20 provinces and lockdowns becoming more frequent since late August, the long-haul travels were significantly impacted and number of total domestic air passengers was down by 70% to 80% versus the 2019 level in the recent weeks. And hotel business was relatively less affected with the support of staycation demand.

And this is basically the outlook for the Q3. And in terms of the long-term outlook, we are still very confident that as long as we can provide a competitive product as well as a variety of product offerings, we are going continuously to gaining market share both domestically as well as in for the international market. As for the margins or take rate of our hotel business, we are closely monitoring the marketing. But as we always did, we will have slightly different strategy for both the mid to high end as well as the lower end -- comparatively lower end of the market. For the lower end of the market, especially local demand for staycations, we will continuously have competitive pricing. This always is the first priority for us. And for the mid to high end market, we will closely monitor. But overall, we expect to have a very healthy margin for the quarters to come. Thank you.

**Operator**

And our next question comes from the line of Alex Yao with JPMorgan.

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

I'd like to get an update on your international part of the business. Can you share with us the growth momentum and revenue contribution from Skyscanner and Trip.com in second quarter? And also how do you expect these 2 operation units to perform in second half this year?

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

Thank you, Alex. With the easing and dropping of travel restrictions in more and more countries outside of China, the global travel market quickly went back to recovery. And as we shared in the prepared remarks, the overall air ticketing bookings on our global platform have increased over 100% year-over-year, in which our global brand Trip.com has managed to increase by approximately 680% year-over-year. The growth in Trip.com was mainly driven by the strong recovery of international flights and we are happy to see such momentum to be continued in Q3.

In July, our total air ticketing booking on Trip.com was heading towards 90% recovery of the 2019 level. Overall hotel bookings on our global platform also have increased by more than 40% above the 2019 level in the second quarter, with domestic hotel bookings in non-China markets on Trip.com increased by 300% versus the 2019 level. In terms of the financial contribution, driven by the growing travel demand following relaxing travel restrictions and improving hotel ADR and air ticketing prices, revenues generated from our key international brands grew more than 200% year-over-year and contributed 20% to 30% of our total revenue in Q2.

Revenues generated from our Europe and American markets already surpassed the 2019 level, while revenues from the Asia Pacific, excluding China market, are also on a faster recovery track. We are also glad to see the adjusted EBITDA of some international brands has turned positive supported by our fast business recovery and improved operational efficiency.

In terms of the outlook for our international markets, while in the short term there are still some uncertainties and challenges from the macro environment, we still have very strong confidence in the consumers' strong desire to travel across the world. With governments continuing to open up and COVID becoming hopefully more manageable, travelers' confidence brought together with improved city prospection, which leads us to believe the market outlook will further improve and will continuously to strengthen our one-stop service capability, improve supply chain and technology, and strengthen our cooperation among the different brands within the group.

**Operator**

Your next question comes from the line of James Lee with Mizuho.

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

My question is relating to outbound travel. I was wondering can you guys talk about the pace of recovery in recent months as we have seen the length of quarantine has been reduced pretty meaningfully? And secondly, maybe is there any update on the reopening policy? I assume -- maybe give us a sense, once the borders start to reopen, how fast do you think the outbound travel demand will return?

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

Thank you, James. Yes. Well, Jane, please go ahead.

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

Okay. Yes, sure. I think the trend is quite positive. As everyone observed, we started with 21 days quarantine and then it was reduced to 14 days, and now it's 7 days. And in Hong Kong, it's further reduced to 4 plus 3. So as more measures are being put in control and more people are getting vaccine, we are confident eventually the quarantine period will be shortened and therefore, the release of the outbound travel will be able to be achieved. And when we look at the pent-up demand from our consumers, I think the pent-up demand is very strong. So when we're in a good stage to open the travel borders, we are confident, with our coverage for comprehensive products, we will be able to capitalize on these opportunities.



**Operator**

And our next question comes from the line of Elinor Leung with CLSA.

**Elinor Leung CLSA Limited, Research Division - Head of Asia Telecom & Internet Research and Software & Internet Services Analyst**

My first question is regarding the domestic competition. Can you comment on that under such difficult situation? And the second question is just a follow-up on the international business. How fast the Skyscanner has been recovering so far? And you talked about the contribution of international business for the top line? And how much has it contributed to the bottom line for the second quarter?

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

Thank you, Elinor. In terms of the domestic competition, we believe the competitive environment in the domestic market is stable. Despite the ups and downs in the industry, we are happy to see that we were able to deliver very strong performance, outpacing the market by 20% to 25% for the domestic hotel reservations. Firstly, over the past 2 years, we've built a very strong user cases for the short-haul travel through multiple initiatives in product and marketing innovation.

Now short-haul and local travel activities has become a key contributor to our domestic recovery, especially in Q2 despite the severe pandemic influence, especially on the long-haul travel. Our local hotel reservations still increased by more than 30% compared with the 2019 level. Such growth momentum continued to gain steam and a lot of local hotel reservations increased by more than 60% compared with the 2019 level in July and August, while the long-haul travel also saw significant recovery during the same period.

Yes. Secondly, our cross-selling from transportation to accommodation and other travel products has also achieved significant improvement in the past few years, and we are confident that once the pandemic is under effective control, or if there's any change of the pandemic control policies, we can enjoy a higher recovery potential in both our long-haul and short-haul travel. In terms of the contributions of our international brands, as I explained earlier, they contribute about -- all international brands, they contribute about 20% to 30% on the top line. And we also see, in terms of the adjusted EBITDA, almost all our major international brands, they have turned positive and becoming 1 of the key contributors of bottom line.

**Operator**

Our next question comes from the line of Tian Hou with TH Capital.

**Tianxiao Hou TH Data Capital - Founder, CEO & Senior Analyst**

I have a question regarding your international business strategy. So as China took a different approach for COVID control so I guess international market can become much more attracted to us. So international business contributing higher portion of your top line and bottom line. So can you help us understand your global expansion strategy at this point?

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

Thank you, Tian. So following our local focused global vision strategy, we will continue to integrate and upgrade the supplier chain and technology of our international brands and further strengthen the reliability and efficiency of our customer services. So we actually provide very strong value not only to the Chinese users, but also to our travelers around the world. Firstly, on the one-stop shopping platform, Trip.com actually was 1 of the largest global air ticketing platform, and our team will continue to add more product categories onto the platform and improve the cross-selling from air to other products such as accommodations as well as activities. So in the Q2, our overall hotel reservations through our key international brands grew more than 40% compared with 2019 levels, which also more than double of our 2021 level, which was benefited from both the strong demand of the domestic travel as well as the cross-selling from recovery international air reservation.

Second, we are an app-based platform. We usually see higher user engagement and user retention on our mobile apps. In the second quarter, Trip.com was named the top 10 most downloaded OTA app in the first half of 2022 with Trip.com mobile app installations reached a record high. And the mobile app contributed more than half of Trip.com's order and reached more than 70% in certain Asia Pacific markets. And thirdly, we provide high-quality services. We believe a high-quality in-house customer service team will continue to be a driving force behind our business success.



And we have an in-house customer service team and have established our global call centers with multi-language capabilities to ensure swift responses. Customers can connect with us and receive direct solutions with a human touch 24/7 by a phone call, free in-app internet call, and in-app online chat or e-mails. And also with the help of the AI chatbots self-service functions and automatic prioritization mechanism, we are able to improve the efficiency and have our team handle more complicated and urgent situations and the automation rate of our global call centers has reached around 80%, which is on par with our domestic call center.

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**Operator**

Our next question comes from the line of Wei Xiong with UBS.

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**Wei Xiong UBS Investment Bank, Research Division - Research Analyst**

I want to understand more about your content strategy. So could management share more color on the update of your content strategy, and how is the progress there helping with our user acquisition and user engagement as well as our competitiveness against some other short video platforms? And also, as we further invest in the content side, how should we think about the potential financial implications in the coming quarters? .

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

Thank you. Despite the pandemic influence, our content strategy continues to progress in terms of the content generation and user engagement, capturing into the new user needs under the pandemic and to better serve the travel demand of our younger generations. We focus on providing inspiring content, help users explore for ideas and tips to get better food, activity, transportation, and accommodation experience, especially for their local and short-haul trips. In the second quarter, the amount of the daily average user generated content increased by 16% year-over-year, and the number of KOL further increased by 17% over the previous quarter.

And we are also delighted to see user engagement level remain stable compared with that in the previous quarter. And the average view duration continues to see sequential improvement. Average number of content viewed per user also increased by about 50%. Besides the live streaming and information feeds, those are the products people may be quite familiar with, we also created a bucket list of travel top picks based on service quality and customer feedback to help users make well-informed decisions. For example, our domestic hotel bucket list can pick the high-quality hotels and alternative accommodation properties under different travel scenarios in various regions across the country to build strong user cases and respond to the user aspiration, which also helps us to improve the conversion rate.

In terms of the financial impact of the content, as I explained, we seek the support -- or the improvement on the conversion is the top priority in terms of the content. And on top of that, we also see significant efficiency or cost savings on the sales and marketing end due to the very helpful content that help us to have a better engagement on our platform. And the content product itself also generated very healthy top line as well as the bottom line to our total financials.

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**Operator**

Thank you. And that concludes our question-and-answer session. I will now hand the call back over to Senior Director of Investor Relations, Michelle Qi, for any closing remarks.

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

Thank you, everyone, for joining us today. You can find the transcript and webcast of today's call on [investors.trip.com](https://investors.trip.com). We look forward to speaking with you on the third quarter of 2022 earnings call. Thank you, and have a good day.

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

Thank you.

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

Thank you.

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**Operator**

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

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