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PRESENTATION

Operator

Hello, and thank you for standing by. Welcome to Trip.com Group 2023 First Quarter Earnings Conference Call. (Operator Instructions)

Please be advised that today's conference is being recorded.

It is now my pleasure to introduce Senior IR Director, Michelle Qi.

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

Thank you, Andrew. Thank you, everyone, for joining on the call today. Good morning, and good evening. Welcome to Trip.com Group's First Quarter 1 2023 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 than these ones expressed today. A number of potential risks and uncertainties are outlined in Trip.com Group's public filings with the Securities and Exchange Commission. Trip.com Group does not undertake any obligation to update any forward-looking statements, except as required under applicable law. James, Jane and Cindy will share our strategy and business updates, operating highlights and financial performance for the first quarter of 2023 as well as outlook for the second quarter of 2023. After the prepared remarks, we will have a Q&A session.

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

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

Thank you, Michelle. Thank you, everyone, for joining us on the call today. We had a strong start in 2023. Travel bookings are coming back as people start to leave the pandemic behind and set to explore the world.

Our China outbound and domestic business have experienced a rapid recovery and growth that has outpaced industry average, exceeding our initial expectation.

Although limited international flight capacity has capped the recovery of outbound travel, overall hotel bookings still hit an all-time high, growing by more than 100% year-over-year and surpassing 2019 by over 40%.

While Chinese travelers regain their confidence and inject momentum into the recovery, we are also delighted to see the overseas

markets continue to show steady improvements. Overall hotel and air ticket booking, on our global OTA platform hit an all-time high and increased by more than 100% compared to 2019 level.

In China, the enhancement of quality toward infrastructure recovery for cross-border flight capacity and acceleration with digital transformation have created favorable conditions for sustained growth in the travel industry.

Consumption of services inside China is also on the rise, especially among the middle and high-income population. Outbound travel demands along with reopened markets continued to experience robust growth even after the release of the initial pent-up demand.

Over the past 3 years, we remained committed to pushing forward with our strategy to augment our supply chain, content offering and service quality, enabling us to develop new products and use cases and empowering us to better capture pent-up travel demand and lay a solid foundation on to long-term growth.

People desire to travel and explore together with the efforts made by the Chinese and other governments for restoring tourism has set the stage nicely for the global travel recovery.

The surge in China domestic and outbound travel activities in the first quarter of 2023 demonstrated the rising optimism and the resilience of Chinese economy. We remain confident as ever in the long-term outlook travel industry and opportunities ahead for Trip.com Group.

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

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

Thanks, James. Good morning, everyone. As a quick overview, our net revenue in Q1 grew by 124% year-over-year and has exceeded the 2019 level, reflecting a strong travel recovery in 2023. Our domestic and overseas business have delivered robust growth, and our international business has seen strong recovery.

Our adjusted EBITDA margin in this quarter has reached 31%, the highest in the past decade, mainly driven by strong pent-up demand and effective cost control efforts.

Now I would like to highlight the different markets. First, for China market. The China domestic travel market quickly returned to normal, following the dropping of the pandemic controls and have seen strong recovery in the first quarter of 2023.

Domestic hotel reservations grew by more than 100% year-over-year. Among which, long-haul hotel bookings have seen the fastest year-over-year growth of 176% and was 32% above the 2019 level.

Our same-city staycation hotel bookings also grew by 150% over the 2019 level as we continue to solidify our market presence in the short-haul market.

Second, outbound market. China outbound market has seen robust recovery following the reopening of the borders in January. In Q1, our outbound hotel and air reservations on Trip.com Group platform recovered to over 40% of the pre-pandemic level, far exceeding the 15% market performance. Top destinations include Great China regions such as Hong Kong and Macau as well as Southeast Asia countries such as Thailand and Singapore.

While international flight capacity remains a bottleneck for outbound travel, the recovery in air ticket to and from China is picking up pace in the early months of 2023 as more COVID-19-related restrictions are eased, and airlines respond by ramping up their services in this market. There were also hurdles emerged in the beginning of 2023 when several countries imposed new entry requirements on travelers from China. Many of the overseas government have now removed these restrictions.

Airlines have been announcing schedules to change and increase their outbound flight capacity, increasing the flight capacity from 10%

of 2019 to around 40% recently. We anticipate to see the trend continue to increase in coming months.

Third, in a global market. Turning to our global business. China's reopening has injected energy into the global travel recovery. As a major contributor to Chinese travel segment, the resumption of China outbound travel in 2023 has given us better position to cooperate with our global partners for high-quality and unique resources, which strengthened our competitiveness and also help fuel development of our international business.

In Q1, the APAC region has become a powerhouse of growth while EMEA and American markets continued to show strong improvements. Air ticket bookings on our global OTA platforms have increased by over 200% year-over-year, and it was 100% higher than 2019 level.

For hotel, our overall hotel booking on our global platforms hit a new record high and was more than doubling the 2019 level. By focusing on organic growth and synergies among our business units and regions, we can build strong regional travel platforms that offer the best local resources at the best value with the best services. Such approach allows us to better serve our customers and to further increase our market position.

Continued development of our global business also contributes to great brand exposures and facilitate the growth in our inbound business, which presents a potential upside in the long run. There is ample room for China's inbound travel to grow. This is also in line with China's goal to develop inbound tourism steadily as inscribed in the government's 14th 5-year plan.

The user's demographics of our international platform matches the fact that about 90% of inbound visitors to China comes from Asia, the Middle East and Europe, which positions us strongly in the market.

Now I would like to provide highlights in the following areas. The robust travel market in China has led a strong recovery of our traditional edge in long-haul travel, which has been a key driver of our success in the past. Additionally, we have established strong user case in short-haul travel over the course of the past 3 years, allowing us to diversify our offering and expand our user base. The ability to provide both long-haul and short-haul options helps us to create a more balanced portfolio of services.

As we continue fortifying our market position, we remain focused on our product differentiation to offer unique experience. We have proactively expanding our hotel coverage and strategically grow our product offerings to meet evolving customer demands.

Customers now have more hotels to choose from and can find high-value package deals from around 8,000 high-end properties on our platforms and get the best value for the price.

Our TripPLUS program continued to create a win-win situation in which over 240,000 hotels are connected to our pool of high-quality loyal customers, and these customers can gain extra benefits from our partners. Over 50% of our TripPLUS reservation come from high-end hotels. Our lower-tier city penetration strategy in the previous years also start to pay off. As we persist strengthening our competitiveness in sourcing, pricing and customer acquisition through our gateway products and a dynamic pricing strategy. Co-branded membership programs also helped expand our reach to over 30 million joint members, which is 6x the number in 2019 pre-COVID level.

To cater to people's travel desire and satisfy their evolving needs, our travel top pick bucket list, TripBest, now cover 6,300 global destinations have become a credible source of travel recommendation and important driver of our business partners.

In the first quarter, we continued to make improvements to our content generation pipelines and user engagement capacities. The number of KOLs increased by 45% year-over-year. User generative content also has increased by 34% compared to the same period last year. We are also experimenting using AIGC to enhance our content quality and improve efficiency. Recently, the generative AI technology has received a lot of attention.

We believe with proper guardrails in place, AI is not only able to unlock the business potential, but also speed up, scale up and boost up our existing user cases. By augmenting our service capacities, such technology will bring transformation to travel industry at large and

can empower us to deliver faster and better services and more personalized user experience.

Consistent with our dedication to innovation, we have launched our AI assistant, TripGen on Trip.com app, in February and Trip.com plugin for ChatGPT in May. These tools are designed to simplify travel planning and booking processes to provide effortless travel experience by assisting users in finding the most suitable products and best deals.

Our investment in AI and machine learning began years ago from personalizing recommendations, customer service, Chatbots, self-help services, to picture enhancement. We have developed deploying AI and machine learning extensively to our business. While we carry on exploring the potential of the latest technology to make the experience better for our customers. Internally, we have also been experimenting with this AI tool to enhance our operational efficiency.

We will go further in the coming quarters to continue to deliver the best technology and the best user experience to our high-quality of the customers. To conclude, the Q1 performance was encouraging, with the world becoming more open and connected at the start of 2023. Travelers are planning their trips, renewing their passport and visas and get to ready for a comeback. Travel bookings are coming back and travelers are expressing the strong desire to venture overseas.

We are positive on the outlook across the borders, and we will continue to strengthen our tie with partners across the globe to craft authentic, seamless and unique offerings to meet our travelers demand for exciting experience and high-quality products and services.

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

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

Thanks, Jane. Good morning, everyone. For the first quarter of 2023, Trip.com Group reported a net revenue of RMB 9.2 billion, representing a 124% increase from the same period last year and an 83% increase from the previous quarter, primarily due to strong recovery in the travel market.

Accommodation reservation revenue for the first quarter was RMB 3.5 billion, representing a 140% increase year-over-year and 106% increase quarter-over-quarter, which is 15% higher than 2019 level.

Domestic and outbound hotel had robust growth and outpaced the industry. Overall hotel bookings have achieved a record high and have grown over 40% above the pre-pandemic level. Transportation ticketing revenue for the first quarter was RMB 4.2 billion, representing a 150% increase year-over-year and an 89% increase quarter-over-quarter, which is 24% higher than the 2019 level. This is mainly due to full recovery of domestic air business and a strong recovery of international air business.

Packaged-tour revenue for the first quarter was RMB 386 million, representing a 211% increase year-over-year and a 135% increase quarter-over-quarter, recovering to 37% of the 2019 level. Domestic package tour has already surpassed the 2019 level, while recovery in the outbound package tour is still very limited.

Corporate travel revenue for the first quarter was RMB 445 million, representing a 100% increase year-over-year and a 61% increase quarter-over-quarter, which is 87% higher than the 2019 level, with air ticket bookings increased by double digits above 2019 level, and hotel bookings was fivefold the 2019 level.

Excluding share-based compensation charges. Our total adjusted operating expenses were 33% higher than the previous quarter and was a saving of 3% compared with the same period in 2019.

Adjusted product development expenses for the first quarter increased by 27% from the previous quarter, an increase by 9% compared with the same period in 2019.

Adjusted G&A expenses for the first quarter increased by 5% from the previous quarter and increased by 15% from the same period in 2019. This is mainly due to increase in personnel-related expenses.

Our total number of employees in the product development team and G&A team remained stable year-over-year. That was significantly lower than the same period in 2019. The increase was mainly related to regular wage inflation and high performance-based compensation in recognition of the exceptional performance achieved in this quarter.

Adjusted sales and marketing expenses for the first quarter increased by 55% from the previous quarter and was a saving of 21% compared with the same period in 2019. The sequential increase was mainly due to increased marketing promotion activity.

Adjusted EBITDA was RMB 2.8 billion for the first quarter compared with RMB 91 million in the same period last year, the RMB 286 million in the previous quarter.

Adjusted EBITDA margin was 31% for the first quarter compared with 2% in the same period last year and 6% in the previous quarter.

Diluted earnings per ordinary share and per ADS were RMB 5.02 or USD 0.73 for the first quarter of 2023.

Excluding share-based compensation charges and fair value changes of equity security investment and exchangeable senior notes, non-GAAP diluted earnings per ordinary share and per ADS were RMB 3.07 or USD 0.45 for the first quarter.

As of March 31, 2023, the balance of cash and cash equivalents, restricted cash, short-term investments held-to-maturity time deposits and financial products was RMB 68 billion or USD 9.9 billion.

Turning to the second quarter of 2023. We would like to share some color of our business. China domestic travel market has seen strong performance during the May Labor Day holiday, with 19% more travelers than during the same holiday in 2019 at industry level air passenger volume, surpassing the 2019 level. International flight capacity also recovered to around 35% to 40% of the pre-pandemic level and continues to moving up.

During the Labor Day holiday, average daily domestic hotel bookings was up more than 70% when compared to the same holiday in 2019, that of domestic air bookings was up 25%. Average outbound hotel and air bookings recovered to around 80% and 60% of 2019 level. We are pleased to see that booking to many top destinations have fully recovered to 2019 level during the holiday.

Following the Labor Day holiday, the trip of travel bookings remain robust, especially for short-haul travel. Meanwhile, early bookings for the upcoming summer season have demonstrated strong momentum. While many of these forward bookings are subject to cancellation and may not accurately reflect the final outcome, but we remain a positive outlook for this coming summer.

To conclude, the strong recovery in the first quarter of 2023 across market segment is encouraging. We are pleased with our results and are positive towards the future outlook.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Brian Gong with Citi.

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

Congratulation on solid results.

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

Thank you.

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

My question is about AI technologies you just mentioned. Could you provide more color about your plans to adopt generative AI technology? And how will the technology reshift online travel business and industry in your view?

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

First of all, internally, we have been using generative AI technology to improve productivity in all functions, especially in marketing and engineering. Secondly, for customer use service Generative AI can further improve our automation and customer experience. Last but not least, we launched our AI assistant on Trip.com app to help customers with trip planning and research. We will continue to explore ways to leverage generate AI technology to improve customer experience and productivity.

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

I have two questions. One in relation to your margins. I kind of helped to see that your EBITDA margin, as you rightly point out, is actually at all-time high. And looking at the number looks like your sales and marketing expenses in the first quarter was a bit lower when compared to the '19 level. Can you perhaps comment about the sustainability of that? And how would you think about spending your sales and marketing expenses going forward?

And then the second question is, I remember in the last call, obviously, second quarter guidance, as it sounds like. However, I remember in the last set of the call, you mentioned that towards the year, you may see some weaknesses such that you are not expecting a full acceleration of the momentum continue in the second half? Perhaps if possible, can you also share with us how you're thinking for the full year? If you can provide any guidance, that would be great.

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

Thank you, Simon. Regarding the margin, you see in the Q1, our adjusted EBITDA margin, non-GAAP operating margin have reached the highest level in the past decade, driven mainly by the strong release of the pent-up demand as well as the effective cost control efforts.

In the short term, you may see a slight decrease in margin in the following quarter as our marketing and promotions catching up. Nevertheless, we still expect the full year margin to return to the 20% to 30% range for the year 2023. Actually, we do not see any structural limitations or further upsides in the long run. The company never take margin as a target, but rather as a natural result of a healthy business growth and the scalability of the business model. Going forward, we expect to continue to gain efficiencies while retaining the flexibility to make necessary investments in strategic initiatives, for the long-term business growth.

And regarding your second question for the full year guidance, driven by the strong growth of China domestic and overseas market, overall revenue has fully recovered and topped the 2019 level. Based on the travel performance in other countries that opened up earlier, travel demand is pretty resilient with robust growth even after the release of the initial pent-up demand.

From a more prudent perspective, we believe that the growth rate for China domestic travel may slightly slow down after the summer and National Day holiday based on seasonality. However, as the capacity of outbound flights continues to increase, we expect a further release of the outbound demand will also help us on the growth -- on the sustainable growth for the full year of 2023.

Operator

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

Alex Poon Morgan Stanley, Research Division - Equity Analyst

Congratulations management on extremely strong results. Can management share more information about the performance of different business segments, specifically domestic travel, outbound travel and international travel in Q2? And also summer booking.

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

Thank you, Alex. Quarter-to-date, the domestic travel market has already fully recovered and has outgrown the 2019 pre-pandemic level. The capacity of outbound flights has been steadily increasing from around 30% in April to approximately 50% recently. According to the published flight schedules for the summer and autumn seasons, it may reach up to about 60% of the 2019 levels in the coming months. But of course, depending on the capacity situation of related airlines and airports.

We have seen consistently outpacing the industry recovery in both domestic China and outbound travel market. Our domestic hotel bookings have surpassed the 2019 level by 60%.

Outbound hotel and air reservations on our platform have also recovered to 60% of the 2019 level. So far, the overseas market has continued to follow the trend that we see in the first quarter, and we anticipate a slight moderation in the growth rate as the base increase both in the 2019 as well as in the last year for the second quarter.

Operator

And our next comes from the line of Wei Xiong with UBS.

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

Congratulations on the very solid results. I want to follow up on the outbound travel side. The recovery on our platform has been much better than the overall industry. So could management elaborate the drivers behind the outperformance? And what's our current expectation on the recovery level for the full year? And also as the outbound market recovers, have we seen any increase in competition or potential new entrants into this area? And lastly, if there's any color on the current recovery level of our margin side on the outbound business, that will be appreciated as well.

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

Yes. So outbound is a very robust business. We have already seen the demand side have far exceeded the 2019 level. However, the supply side, particularly for the air capacity is still on the way to recover. In Q1, the recovery for the industry is about 15%. And in Q2, we have seen it raised to about 40%. However, Trip.com is able to outpace the market by a great margin. The reason we do that is, historically, we have put lots of investment both on the customer side as well as on the partner side. Our principal customer first, partner second and Trip.com the third.

In the past 3 years, when pandemic happened, we very quickly refunded our customers during a very challenging time, and the customer has developed the trust in our brand, and they know that while traveling abroad that anything can happen and traveling with Trip.com we will always support them and help them. So the confidence in consumers is very strong. Now the industry comes back, we have seen a very strong pent-up demand on consumer side.

Secondly, on the partner side, again, during a very difficult time, we established billions of funds to help our partners with their cash flow with their business operations. And now when the business comes back, they also have trust in working with us because they know during the difficult time and upside and downside, Trip.com is always there to support them.

And we also made a very strong investment in technology, product and customer service to make sure wherever our customers are, our team is behind them to support them. So combined with all these investments and strength, we are confident with the capacity of the airlines increasing, we will be able to extend our leadership in outbound business. Thank you.

Operator

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

Congratulations on the strong quarter, which clearly demonstrates the strength of China's pent-up demand for travel. However, when we look at China's broader retail consumption recovery, it seems the recovery is moderate one as opposed to a dramatically strong one. What would drive the growth in the travel segment after the release of pent-up demand? And how do you think about the normalized growth rate for your domestic travel business for the years beyond 2023?

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

Thank you, Alex. Generally speaking, we are confident in the long-term outlook of the travel consumption in China, the demand for travel as a part of the service consumption is expected to keep increasing in China, particularly among the mid- to high-income population who spending power is more comparatively more resilient.

We have also reserved that those overseas markets, which we opened earlier than the others have maintained a sustained growth trend even after the initial release of the pent-up demand.

Secondly, COVID actually has accelerated the online penetration of the travel industry across segments, which is another growth driver for our business. Regarding the different business segment, for our domestic business, we will continue to focusing on expanding our product offerings and improving our -- constantly improving our services to match a wider range of the user bases. First, we will continue to expand our user base particularly in the mid- to lower-tier cities where the population is larger and GDP per capita is catching up with top-tier cities.

In the past 3 years, we've seen significant improvement in our mid- to lower-tier cities user base despite of the COVID-related challenges. Second, we will continue to focus on driving our user engagement as well as user stickiness, which will also translate into the higher purchasing frequency and spending. For example, the short-haul travel has become a new trend among many post-COVID travelers and continues to drive growth even where long-haul travel has fully recovered.

Higher cross-selling ratio from the transportation to accommodation and other services is another strong growth driver. In addition, our comprehensive content platform does not only provide users with inspirations and planning, but also create more opportunities, travel advertising which is estimated to be over RMB 90 billion in 2019.

On the business-to-business side of our business, our corporate travel business provides great value for companies looking to optimize their travel spending. We are pleased to see a higher and healthy contribution from the hotel reservations, which boosts the average spending of our corporate clients.

Regarding the outbound travel business over the past 3 years, TripPLUS, Jane explained earlier, Trip.com Group has maintained close engagement with both Chinese consumers as well as our international partners. We are in the best position to capture the outbound travel demand and have already seen significant market share gain in the previous months. And we anticipate that the industry flight capacity will continue to recover in the coming quarters, and our outbound travel business will gradually return to the normal growth pattern.

On the pure international business part, demand for the international travel has shown strong resilience even after the release of the pent-up demand. and the trend of travel recovery in Asian markets is especially robust and will continue to increase. We have made significant progress in integrating our back-end system, standardized front-end product and align our global services with our domestic standards. These initiatives during the COVID, they actually help us to drive the long-term synergies among our different brands.

Our global OTA platform has delivered double-digit growth compared with pre-COVID levels year-to-date and is expected to serve as an important growth driver in the long run.

And last but not least, on the inbound travel opportunity, we are pleased to see that the promotion of inbound travel has been included in China's 14th 5-year plan and that more convenient visa and inbound travel policy have been launched in recent months. And inbound

tourism as a percentage of GDP in China was only 0.3%, indicating ample room for the future improvement.

While we are aware of uncertainties in the macro environment, but we remain pretty optimistic about the long-term outlook and resilience of the travel industry. On top of that, we are confident that we can outpace the market by a significant margin in various travel segments. In a stable and normalized environment, we anticipate to achieve a growth rate ranging from teens to twenties even after the release of the pent-up demand.

Operator

Our next question comes from the line of Wei Fang with Mizuho.

Wei Fang Mizuho Securities USA LLC, Research Division - VP of Research

Congrats on strong print. Two, if I may. The first one on margin. From now that you achieved a record new record high margin, right, that's based on like 40% recovery for outbound and also a bigger mix of international in your big picture. I was just wondering how should we think about the margin upside in a relatively steady growth state. For example, in 2024 or '25, assuming by that time, your outbound is already fully recovered, and compared to the 20%, 30% range for 2023?

And secondly, regarding your outbound, right, even though the airline capacity is steadily improving, we noticed that it's not even across different regions, right? I was wondering if you can help us better understand maybe the difference in terms of the margins for you, for example, Southeast Asia versus Europe and versus America.

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

Thank you. As I explained earlier, we expect our margin will go back to the 20% to 30% range for this year as well as for the years to come. Thanks to our very healthy business growth as well as the efficiency of the internal operations.

Yes, the outbound business actually is -- normally will contribute to higher margin to our business. But at the same time, we will also, our international business, which at this moment is still in the investment circle. So net-net, we see this, of course, in the long run, we want to balance kind of the growth potential with the margins, but we never see any structural limitations for our further upside on the margin in the future, but we just want to retain the flexibility to make necessary investment in strategic areas for our long-term business growth.

Regarding the margin contribution from different regions, in general, outbound travel because of the higher selling price, it will contribute, in general, higher margins to our business. And we do not see too much difference across different regions, region contributions to our margin profile. Thank you.

Operator

Our next question comes from the line of Thomas Chong with Jefferies.

Thomas Chong Jefferies LLC, Research Division - Equity Analyst

Congratulations on a very strong set of results. Given that the company achieved a pretty high GP margin in Q1, again, this is 80% plus, is this level sustainable? And would you be able to replace the call center with the option of generative AI in the long run?

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

Thank you, Thomas, the strong release of the patent benefited all margin lines including our gross margin. Service efficiency improved significantly with reduced the staff level dealing with the surge pent-up demand, mainly driven by the improving automation for both the travelers as well as for our internal staff.

We have been adding back some service staff sequentially as the travel demand search this year while keeping the unit service cost at lower level. We believe a reasonable range for the gross margin will be in the range of 75% to 80%, probably more towards the higher end. And going forward, we have been actively exploring the adoption, for example, the generated AI tools in the customer service areas.

Right now, over 70% of our customer request has been served by the AI Chatbot, although we are very optimistic about the AI's role in the service sector, we will be very prudent in the commercial applications as reliability is still the top priority for our customer services. Thank you.

Operator

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

Jiong Shao Barclays Bank PLC, Research Division - Analyst

Let me add my congrats to the very strong results as well. You touched on a couple of points already, but I was hoping you can elaborate a bit more on your competitive advantage. I think you mentioned about expanding in the lower tier cities, but that can be perceived as expanding the overall pie, the TAM as opposed to taking share from your competitors, as you know, particularly in the domestic hotel market, there is another fairly strong player. And if you can highlight what are the key things you have done last couple of years that have allow you to take a share? And what do you think you're going to focus on going forward to continue that share gain momentum?

Jie Sun Trip.com Group Limited - CEO & Director

Sure. We invest quite heavily in all fronts. For domestic market, historically, we are always very strong in high end of the properties. However, during the COVID, because people are locked down, our team is very innovative thinking about different ways to further penetrate into the lower-tier cities.

If you remember, our Chairman, James, even put on the live show, try to lead the recovery during a very challenging time. So our partner realize that working with Trip.com, they will be able to grow. Together, we'll be able to grow together even during a very difficult time. So the past 3 years were the period where we further penetrate in the lower-tier cities using all the innovative method such as live streams, our flagship stores and also brand recognition, co-brand programs to really help our partner to grow during a very difficult time. And this investment really help us to harvest when the industry comes back, and we will continue with our efforts to further penetrate into this area.

The second one is on the outbound business. The outbound business is a very robust, but yet has lots of challenges during the COVID. However, through our efforts, we built the infrastructure, so we stay connected with both our customers who have the intention to go abroad as well as the local service providers such as cars, local tour operators, et cetera. And our partners again, Trip.com's ability to bring our customers to each popular travel destinations. So again, our investment in the past start to be really rewarding when the industry comes back.

And the third one is in the international market, our base is very small. However, during the past 3 years, we made of investment in this area, and we are very glad to see the momentum is kept up when the recovery take place in international markets.

And the very last piece is the inbound business. Compared to the other countries, the inbound business has a great potential, and it is in the 14th 5-year plan for Chinese government's goal to invite more friends from the international market to visit China. And again, we believe our inventory, our service level and our brand will be able to help China to really make a very positive move to attract international business travelers as well as leisure travelers to come and visit China going forward. So all the investments we made in different areas have seen very good growth going forward. And we will keep up with our investment in these areas. Thank you.

Operator

Our next question comes from the line of John Choi with Daiwa.

Hyungwook Choi Daiwa Securities Co. Ltd., Research Division - Head of China Internet and Regional Head of Emerging Opportunities

Congratulations on a strong set of results. I have a question on your Trip.com, your brand. I know doing fairly well. What's your long-term vision and the key strategies in areas for you guys to in order to achieve along with your current domestic business? Also, can you kind of share revenue or profitability of the Trip.com?

And just a quick follow-up on the competition question. I think we've started to notice that some of the short-form video platforms have been launching travel-related products. I'm just wondering, what is your view on that? And how do you think your current content ecosystem that you have will be enough to pent-up competition?

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

Yes. We did a lot of talk with our global partners. And everyone we have talked to are really -- would like very interested in hosting and welcoming the Chinese outbound customers, so we are able to get very good inventories and products for our outbound customers. And leveraging the advantage we have for the outbound business, this inventory can also be very helpful for us in the international. And our service, which help our outbound customers in the global places can also be utilized to strengthen our brand in the global places.

So for Trip.com, I think the outbound business helps us to strengthen our product offerings and services for our customers outside of China. So we will fully leverage the infrastructure we build for our outbound customers and help our brand for Trip.com to grow. And so far, it has grown very well. We still have a long way to go, but the trajectory has been very promising, and we will keep up with our investment. Thank you.

Operator

Thank you. I would now like to hand the call back over to Senior IR Director, Michelle Qi, for any closing remarks.

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

Thank you. Thanks, everyone, for joining us today. You can find the transcript and webcast of today's call on investors.trip.com. We look forward to speaking with you on the second quarter of 2023 earnings call. Thank you, and have a good day.

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

Thank you very much.

Operator

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

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