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Q3 2022 Trip.com Group Ltd Earnings Call

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## PRESENTATION

### Operator

Good day, and thank you for standing by, and welcome to Trip.com Group 2022 Q3 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. I'd now like to hand the call over to your first speaker today, Michelle Qi, Head of Investor Relations. Thank you. Please go ahead.

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

Thank you. Good morning, and welcome to Trip.com Group's Third Quarter of 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 provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, our results may be materially different from the views expressed today.

A number of potential risks and uncertainties are outlined in 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 third quarter of 2022 as well as some outlook for the fourth quarter of 2022. After the prepared remarks, we will have a Q&A session.

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

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

Thank you, Michelle. Thank you, everyone, for joining us on the call today. In the third quarter, we are delighted to see strong performance in overseas markets and improvements in China domestic market, driven by robust travel summer demands and the relaxation of restrictions. Despite the impact of COVID's resurgence since late August to which overshadowed the China domestic market, in the second half of the quarter, Trip.com Group continued to deliver better than market performance with our domestic hotel and air-ticket revenues, both seeing positive year-over-year growth.

In China, the adoption of more targeted and precise pandemic control measures in the third quarter has [fuelled] a rise in the travel demand, reflecting the resilience of travel industry and Chinese customers' strong demand for travel. Despite of this resurgence of COVID in the back half of the quarter, overall China domestic hotel bookings in Q3 showed positive growth over last year and have almost fully recovered to the '19 -- 2019 level.

We are happy to see further optimization in the recent COVID policy adjustments. The new adjustments laid a solid foundation for the rebound of domestic travel and the recovery of cross-border travel.

On the international front, our overseas bookings continued to rise on the growth trajectory and progress towards full recovery to the prepandemic level. Overall hotel bookings in our global platforms in Q3 grew by over 45% versus 2019 and surpassed 2019 level for 3 consecutive quarters. The reopening of borders and lifting of quarantine measures in Asia was bringing relief to the travel industry in the region.

The current upswing presents an opportunity for us to further device the globalization strategy. As we remain focused on creating values and providing frictionless customer experience to our users, we will be able to gain traction to the post-pandemic travelers. We'll continue to dive deep into our global markets by strengthening the cooperation with our global partners and cooperation among our brands and platforms to fortify our one-stop service model, which allow us to accommodate the users' needs of choice, value, quality and reliability.

Overall speaking, it is encouraging to see continuous growth in the overseas markets even when the demand for revenge travel has already been largely relieved. As the global market continues to recover with China market heading towards further relaxation, we are now standing right at a turning point. We remain confident and positive in the long-term growth potential travel industry in our capability and position in the market. While being cautious to the near-term concerns and uncertainties, we are fully prepared to rekindle the magic of travel.

With that, I will turn the call over to Jane for operational 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 third quarter and update on our operational highlights.

First, overall performance. On China market, in the third quarter of 2022, China domestic travel industry saw a robust recovery following the easing of pandemic situation in June and was driven by the strong travel demand in the summer. Our China domestic hotel bookings outgrew the 2019 level by approximately 20% in July and maintained a positive growth in August. Despite pandemic resurgence since late August, our overall domestic hotel bookings still managed to recover to the 2019 level, and domestic hotel revenue increased by 25% year-over-year, while the same-city vacation hotel booking in this quarter grew around 60% versus 2019. We were also seeing long-haul hotel bookings rapidly picking up as a result of the easing of COVID rules.

Long-haul hotel bookings increased by over 130% sequentially from the previous quarter. Such results reflected the solid demand for long-haul travel and assured our strong performance once the market further opened up.

Second, on the global markets. On the other hand, the global market performance continued to improve. Across the APAC, borders are opening and the quarantine measures are being lifted as more and more Asian regions embrace a return to travel, following Japan and Taiwan who opened their doors to travel. Hong Kong also announced the ending of the formal quarantine for international travelers in September.

The opening up of East Asia further accelerated the recovery pace in APAC markets after Southeast Asia got a head start last year and are already reaping the rewards.

On flight performance, overall air ticket booking on our global platform has achieved over 100% year-over-year growth. While air ticket booking in EMEA and American markets continued to show double-digit year-over-year growth, in Asia Pacific, the growth was stellar at over 400% above the same period in 2021. We expect to see such momentum extend into the fourth quarter and hopefully can surpass the 2019 level by then.

For hotel, overall hotel bookings on our global platform has increased by over 45% above 2019 level in the third quarter with domestic hotel bookings in non-China market increased by 300% versus 2019. As the growth in the global market remains robust, we continue to outperform industry in all our major markets, especially in Asia Pacific region. In the third quarter, our hotel bookings in Indonesia, Malaysia, Hong Kong, Southeast Asia, et cetera, all saw triple-digit growth over the 2019 level. These markets have been growing by triple digits over the previous 3 consecutive quarters, and we anticipate further growth in the Asian market.

Now on business line. First of all, for accommodation. With the accommodation being the center of every single trip and at the core of our one-stop shopping platform, we continue to invest in strengthening our value proposition to our customers and our hotel partners. In China domestic market, we continue to strengthen our product capability and market efficiencies to increase additional value for our partners and to tighten our relationship in order to differentiate ourselves from the other players.

We maintained focused on creating a win-win situation for the parties on the value chain through our TripPLUS program, in which users can enjoy extra benefit, and our partner hotels can gain access to our pool of high-quality loyalty customers and create incremental upsides. In Q3, over 50% of our TripPLUS reservations come from high-end hotels.

In the lower-tier cities, we continued to push forward our co-branded membership programs to expand our customer base. Our domestic brands are also tightening internal collaboration with an aim to attain high user acquisition efficiencies through price competitiveness and a cross-sell from multi-gateway products.

On the international front, we continued to dive into the intricacies of local markets and remain focused on increasing brand awareness and capturing local user demand as well as strengthening our ties with the local suppliers. Through expansion of coverage, we could leverage our unique and competitive product offerings to gain traction to a large group of audience, therefore, improving our market penetration. We continue efforts to push forward with localization and user experience upgrade initiatives, which will, in turn, help to drive high user engagement and stickiness which will translate into higher level of visit frequencies, spending and user retention.

Following the robust recovery of global travel and tourism, our overseas activity business continued to thrive in Q3 with a record high quarterly GMV increasing by 150% year-over-year. Close collaboration with key partners also enable us to build up our competitive advantage in the market. We have been making great progress in a major market across the Asia Pacific and transatlantic regions, and will copy our experience in the other markets.

On user engagement, the areas of the global travelers have evolved over the past 3 years from their travel preference to decision-making process. In the third quarter, we continued to improve our content generation and user engagement capabilities. In September, there were 76% more content being generated by our users when compared to the same period last year.

In terms of user engagement, average view duration on our content platform increased year-over-year. Average number of content views per user also increased by about 25%.

Fourth, corporate responsibility. While seizing every chance to create value for our customers and partners, our mission to pursue the perfect trip for a better world is also guiding us to positively impact society and the world. We care about our communities we operate in. We are committed to engaging with local markets and giving back to the society.

According to WTTC's forecast, the travel and tourism sectors will generate 126 million additional jobs in the coming 10 years from 2022 to 2032, in which 65% will be in the Asia Pacific region in general and 25% in China, in particular. This aligns with our vision to help create job opportunities and contribute to the real economy.

With corporate responsibility close to our hearts, we continue to push forward with our rural revitalization initiatives in China to empower locals to build up a strong tourism and to pursue common prosperity. We currently have 13 Trip.com country retreats in operations across multiple provinces, including Anhui, Henan, Yunnan, Jiangxi, Guangxi, et cetera.

We also established multiple rural revitalization academies to offer professional training to the locals. As a continuation of our [Project

V], which was launched in year 2020 when pandemic took place, aimed to revitalize our global travel and driving consumption amidst the pandemic. We recently launched the Project A as an upgrade. V stands for automating up, and A stands for reaching a new peak. Project A is launched with strategies to rebuild our brand image and revive consumer confidence by improving our product and service offerings to reunite the industry by sharing knowledge and beauty industry incubation center, and to reestablish the industry's social and environmental responsibility by pushing forward our next project to promote sustainable travel.

In overseas market, we also encourage users to think and act together to practice more sustainable travel. In South Korea, we held traveling campaigns by combining beach jogging and litter picking as part of our world environmental day focus. We also launched a content campaign in our Singapore, Korea, Hong Kong sites for users to share their ecofriendly experiences. Trip.com was also named a champion for good in Singapore.

In conclusion, we are delighted to see the world throwing their door open and moving closer towards normalcy, and we're proud of the strong results delivered by our team under such challenging markets. We are glad to see further optimization in China's recent COVID policy adjustments, which include largely scrapping the health QR code, dropping PCR tests, shortening quarantine period, allowing patients with no or mild symptoms to quarantine at home, and removing [circuitry mechanism] on inbound flight routes as a part to restore the flight capacity. We believe these new guidelines will largely benefit the recovery of the travel industry. While we may still have to embrace uncertainty from the surge in COVID cases in the short term, we are confident in the long-term outlook of the industry and opportunities ahead of us.

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 third quarter of 2022, Trip.com Group reported net revenue of RMB 6.9 billion, representing a 29% increase from the same period last year and a 72% increase from the previous quarter, primarily due to recovery in China domestic market and strong performance in our overseas markets.

Accommodation reservation revenue for the third quarter of 2022 was RMB 2.9 billion, representing a 32% increase year-over-year and a 114% increase quarter-over-quarter, recovering to 71% of the 2019 level. This was mainly due to the resilience of local and short-haul travels, which are less affected by pandemic, and a brief recovery in long-haul travel following the easing of restrictions in July and August. While offsetted by viral resurgence in late August, the rapid recovery in our overseas market also contributed to our hotel business performance.

Transportation ticketing revenue for the third quarter of 2022 was RMB 2.6 billion, representing a 44% increase year-over-year and a 49% increase quarter-over-quarter, recovering to 70% of the 2019 level. This was mainly due to the easing of travel restrictions in July and early August that facilitated domestic loss for travel and was driven by the summer demand. Transportation ticketing performance quickly went soft for the second half of the quarter due to new rounds of virus outbreak since late August.

On the other hand, our international business maintained its growth momentum and was rapidly recovering. Package-tour revenue for the third quarter of 2022 was RMB 387 million, which remained stable year-over-year and represented a 217% increase quarter-over-quarter, recovering to 24% of the 2019 level. This was mainly driven by the strong summer demand in the first 2 months of the quarter. Corporate travel revenue for the third quarter of 2022 was RMB 370 million, representing a 9% increase year-over-year and a 76% increase quarter-over-quarter, 10% higher than the 2019 level, primarily due to the easing of relaxation of travel restrictions in July and August.

Excluding share-based compensation charges, our total adjusted operating expenses increased by 15% year-over-year and with a saving of 22% compared to the same period in 2019. Adjusted product development expenses for the third quarter increased by 43% from the previous quarter and was a saving of 10% compared to the same period in 2019. Adjusted G&A expenses for the third quarter increased by 46% from the previous quarter and an increase of 4% when compared to the same period in 2019. These were mainly related to the increase in performance bonus paid to key operations and technology teams to reward their excellent performance in the quarter.

Adjusted sales and marketing expenses for the third quarter increased by 76% from the previous quarter, mainly due to increased amount of marketing investment in China and overseas market to capture the strong recovery demand. There was still a saving of 43% compared to the same period in 2019 as we continue to stick with our stringent cost control protocol.

Adjusted EBITDA was RMB 1.4 billion for the third quarter compared to RMB 537 million in the same period last year and RMB 355 million in the previous quarter. Adjusted EBITDA margin was 21% for the third quarter compared to 10% in the same period last year and 9% in the last quarter.

Diluted income per ordinary share and per ADS were RMB 0.41 or USD 0.06 for the third quarter of 2022. Excluding share-based compensation charges and fair value changes of equity security investments and exchangeable senior notes, non-GAAP diluted income per ordinary share and per ADS were RMB 1.58 or USD 0.22 for the third quarter.

As of September 30, 2022, the balance of cash and cash equivalents, restricted cash, short-term investment, held-to-maturity time deposits and financial products was RMB 62 billion or USD 8.7 billion.

Turning to the fourth quarter of 2022, we would like to share some color of our business. Quarter to date, the domestic travel performance was soft due to viral resurgence and strict pandemic control measures. According to public data, industry level air passenger volume in October and November was 70% to 80% below the 2019 level. The hotel side was slightly better than the more resilient local and short-haul demand with industry level hotel RevPAR 40% to 50% below the 2019 level.

In such time of difficulty, we are glad to see our business continue to outperform the industry across segments, with local hotel reservations maintaining positive growth in the first 2 months in Q4. The announcement of updated pandemic-related measures in mid-November sends positive signals, and we were encouraged to see subsequent improvements in the domestic travel reservations. We are also happy to see the authority continue to soften its COVID rules in December with the dropping of health QR code and PCR test result checks before entering most public areas and traveling across cities, among other relaxations.

Outside of China, the travel momentum in Europe and U.S. remains largely stable in this quarter to date. Despite uncertainties and challenges from a macro environment, our business recovery in the APAC, excluding China, also continues to accelerate, and we hope to see better performance in the coming quarters.

While the world has been leaving COVID behind and gradually entering a post-pandemic era, we may still have to go down a choppy recovery path in the near term as uncertainties continues to linger, and things are out of industry and company's control. We will continue to stick with our spending protocol and cash flow management while remain cautiously optimistic about the travel environment and be ready to seize any opportunity in the coming future.

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

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) First question comes from the line of Alex Yao from JPMorgan.

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

Cindy, you mentioned that the world is leaving COVID behind. What are the changes you have seen in user behavior? And what did company do for the new normalcy? Also, you mentioned there could be an initial disruption period. Can you share with us your observation for Mainland China business in recent weeks?

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

Thank you for the question. We are delighted to see the global travel demand continue to be resilient even after pent up demand has been released over the previous quarters. And the global travel markets continued to show strong performance despite macro

challenges. We expect to see a similar pattern in China, and are confident in the strong travel desire of Chinese travelers in post COVID era.

Travelers preferences have been evolving over these years, and the new norms are emerging. For example, e-leisure at home is on the rise as remote working becomes more accessible. Short-haul travel has also become a new preference for many users. There remains a huge growth opportunity in the leisure travel segment which has been our expertise through the past decades, and we continue to make achievements.

With our local focus and global vision, we remain focused on strengthening our globalization strategy, penetrating into lower-tier cities, driving higher user engagement and stickiness, while also leveraging our content strategy and a one-stop platform to build a solid foundation for sustainable growth in the post COVID era.

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

Yes. With regard to the recent booking trend, China's recent optimization of the COVID measures is a significant step forward and quite encouraging for the whole travel industry. We actually saw a very strong sequential increase in domestic flight and hotel reservations in the past 2 weeks following this announcement, and the execution of these new measurement across cities. But in the very near term, we are still cautious as winter is usually a slack season for both business and leisure travel. And it also might take some time for people to get through the first wave of infections before travel demand could fully release and rebound, but we anticipate to see a very nice rebound in growth in the domestic travel segment next year.

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**Operator**

Next question comes from Thomas Chong of Jefferies.

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

Can you share more color about the domestic business recovery in Q4? In particular, how we should think about the domestic ADR and take rates as well as how we should think about the international ADR and take rate in Q4?

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

Thank you, Thomas. In the first 2 months of Q4, our domestic travel momentum was pretty much muted due to the spread of COVID cases and especially the very strict control measures. In October and November, industry air passenger volume was about 70% to 80% before the pre-COVID level with the help of comparably resilient local and short-haul demand, and the hotel industry RevPAR was still 40% to 50% below the pre-COVID level according to public data. But we are very glad to see our business continue to outperform the industry across segments in such a very difficult time. And our local hotel reservations maintained a positive growth in the first 2 months in the fourth quarter.

With regards to the domestic -- with regards to the ADR, ADR generally moves in the same direction of the overall travel demand, and our ADR has fully recovered to pre-COVID level in July and August in the summer and was down again starting from September. ADR remained below the 2019 level in the past 2 months. And the take rate has been quite stable.

With regard to the international hotel ADR, the hotel ADR on our international platform are still recovering towards the pre-COVID level, but has improved significantly on a year-over-year basis, which partially contributed to the revenue recovery.

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**Operator**

Next question, we have James Lee from Mizuho Group.

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

Congratulations on very good results on the international business.

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

Thank you, James.

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

And maybe on the topic -- yes, can you help us maybe break down the international performance maybe by brand, by product, maybe by region? And just give us a sense of how much recovery are you seeing in the quarter? And how should we think about the revenue contribution coming from the international markets?

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

Sure. In the third quarter, the global travel market continues to recover despite headwinds in certain markets. In terms of the performance by our different products, as we shared in the prepared remarks, the overall air ticketing bookings on our global platform has increased over 100% year-over-year and recovered to 80% to 90% of 2019 level in the third quarter.

Our non-Chinese hotel bookings on our global platform grew more than 45% versus the 2019 level. And reservations for our attractive tickets and in-destination activities on our global platform maintained a [triple digit] year-over-year growth, which is 30% growth sequentially in the third quarter.

In terms of the different regions, despite headwinds in Europe and the American markets, such as the shortage of air capacity and labor strikes in the summer, revenues from our EMEA and American markets remained well above the pre-COVID level. On a year-over-year basis, flight reservations maintained a high double-digit growth.

And travel activities in the APAC region rebounded very quickly in the past summer with flight reservations up 400% year-over-year. And both our air and hotel reservations in the APAC region are making solid progress toward full recovery to the pre-COVID level.

In terms of the total revenue contribution from the international platform grew more than 140% year-over-year, which is contributing about 15% to 20% of our total revenues in the third quarter. And the EBITDA margin of certain international brands have reached or even surpassed the pre-COVID level in the Q3, thanks to the continued revenue recovery and improving in the operational efficiency.

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**Operator**

The next question, we have Jiong Shao from Barclays.

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**Jiong Shao Barclays Bank PLC, Research Division - Analyst**

Given the China's reopening has been -- the pivot has been very decisive and swift, I was wondering if you can share some of your thoughts about the outlook for Chinese New Year travel this year? Do you see it will be back to normal hopefully? And any outlook for the outbound, which obviously is Chinese travelers haven't been able to do much last few years, what do you think that spike is going to happen sometime by next year, how that's going to evolve in your view in the next 12 months?

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

Thank you. So the Calendar Chinese New Year is not a -- the Calendar New Year is not a big holiday in China. And due to the short booking window, the visibility for Spring Festival, the Chinese New Year reservation, at this moment, is still low. However, the search interest went up by 3 times -- several times following the announcement of the new COVID policy. We are also seeing significant increase of reservations as well. But the current orders are not meaningful to forecast the travel activity in Spring Festival just because of the very short booking windows in the past couple of years.

And with regard to the recovery of the outbound travel, following the recent release of COVID policy optimization and the messages that the authority will continue to refine cross-border related health care measures, I think it's reasonable to anticipate further changes that will facilitate the cross-border travel.

And many airlines also announced the plans to increase international flight capacity. And to date, the average weekly inbound and outbound flight has more than doubled in the past 4 to 5 months to about 10% of 2019 level, and will continue to grow.

And furthermore, following the release of the new policies in November, the search volume for inbound and outbound travel skyrocketed in the subsequent days. Cross-border air ticket reservations in Mainland China also reached the highest level since 2020. To date, the



inbound and outbound flight reservations recovered to about 20% of the pre-COVID level.

With regards to the outlook -- about recovery outlook toward the next year, we are encouraged to see the very strong rebound of travel demand in the overseas market in the previous quarters. And we believe it is the same case in China where travelers, especially the mid-to high-end travelers, also have very strong desire to travel internationally.

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**Operator**

The next question comes from Alex Poon from Morgan Stanley.

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**Alex Poon Morgan Stanley, Research Division - Equity Analyst**

Congrats on very strong results, the future outlook, and wish everyone keeping good health. So my question is related to -- so I think as things are getting reopened, we will get to normal very quickly. So how should investors think about once we get back to 2019 level, the post-pandemic future growth outlook drivers.

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

Yes. So for the future growth, we have seen very strong pent-up demand in the long term. As soon as the government relaxed the policy, our site has a surge of the search for both domestic travel as well as international travel. So for Trip.com, we look at domestic travel and international travel very positively.

First of all, I think for the domestic travel, for people who are staying in the high-end hotels, value for money and also a comprehensive product offering has been very well liked by our customers who prefer to stay in the high-end hotels. So that segment has enjoyed a resilient growth in the past, even during a very difficult time.

Secondly, our team also penetrated further into the lower tier cities to encourage the users' engagement, and make sure we are tapping to these untouched markets as quickly as possible.

Thirdly, for international travel, because we offer a very high end of the comprehensive product as well as solid customer service, we are able to bring the customers who have the interest to travel abroad even during the lockdown. And with the relaxation of the travel, we have seen a huge surge for the outbound travel. And going forward, in the long run, that will become another very strong driving initiatives for our team to capitalize on.

So overall, I think with domestic travel as well as international travel, the opportunity is very prevalent. So our team is working very hard to strengthen our service products and also the technology infrastructure to build the infrastructure to enable our customers to see the best of the domestic attractions as well as the global attractions.

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**Operator**

Our next question comes from Tian Hou from TH Capital.

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

I just have one question. So look at this quarter, both gross margin and operating margin achieved the record highest level. So I wonder, going forward, do you have a target for those 2 margins in the long run?

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

Thanks. So there are 2 major parts of our -- of our expenses side. One is on the people side. The other is on the sales and marketing. So on the people side, the total head count actually remained stable sequentially and even slightly lower in the Q3 on a year-over-year basis. And going forward, we expect our total staff level to remain generally stable, especially for the China domestic business, while the cost per head count may change according to the performance of the company.

On the sales and marketing side, we always follow a very strict ROI-driven investment protocols for our sales and marketing spending. And a large majority of our sales marketing expenses is discretionary. And In the Q3, we actually increased investment in sales and

marketing activities in both the China and overseas market just to capture the very strong recovery momentum, especially at the beginning of the Q3. And our marketing spending in China will swiftly scale down in the second half of the quarter as the travel demand declined due to the emergence of COVID cases as well as the strict travel control measures.

Going forward, we will keep an agile spending protocol and be adaptive to the fast-changing environment just to swiftly capture the recovery opportunities and to retain resources in the tough time.

In addition, actually, our improvement on our content offering, our app strategy and cross-selling and technology will also help us to -- continuously to improve our marketing efficiency, especially in the long run. So in terms of the operating margins, as we always explained, we think we have a very good business model. And when the business can return to a normal level, we can have a very reasonable and healthy operating margin going back to at least 20% to 30% level. Thank you.

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**Operator**

The next question comes from Wei Xiong from UBS.

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

I want to hear your updated thoughts on the domestic competitive landscape because as the domestic travel market is set to recover next year, do we expect the competitive pressure to increase, for example, from other OTAs stepping up subsidies or from potential new entrants into the market? And if that happens, what's our strategy to defend our market share?

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

Yes. So for competitive landscape, I think our focus has always been customer first and our partner second. If we do both well, the results would show itself, and we will stand out in the competition. So what we have seen is a stabilized market with the pandemic, everything is easing out, and the market is very stable. However, we are able to capitalize on the opportunity in a couple of fronts.

First of all, the same-city travel and short-haul travel is growing very well. And that is due to the pandemic. A lot of people are turning to travel within short distance in which they have more control. In that segment, our market growth is very strong. We have seen a huge pickup in that segment.

(technical difficulty) shopping platform (technical difficulty) we're able to cross sell our product within different views. And that is very efficient in terms of using (technical difficulty) to upsell based on their strengths. For example, when they arrive in certain attractions, not only we're able to sell 1 product based on our understanding of the customer, normally, we'll be able to help our partners in certain geographic area to upsell for these products.

And because Trip.com's (technical difficulty) level attracts high-end, high-quality customers, we normally are able to help our (technical difficulty) to maximize their sales in the region.

And thirdly is the engagement of users and customers on site. What we have seen is the enhancement of our product and content attracts more customers onto our side, and the user's engagement is enhancing as well. If you look at the time they spend on our sites, it's increasing every year. And user engagement, the interest for people to do research on our site and use our product to cross-buy different products on sites are also very significant (technical difficulty)

So these are the strengths we have. And if we truly listen to our customers and always put their interest first and also help our partners to weather through the storm, we will be able to stand out in the competitive landscape. Thank you.

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**Operator**

Our next question comes from Brian Gong from Citi.

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

Just a follow-up to our overseas business. We have seen some challenges in macro environments in many markets. How should we think about the recovery or growth of our international brands in the fourth quarter and the next year? And how do you think the changing macro environment will change your strategy? And what will be the impact on your spending?

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

Yes. Thank you. Our growth of the international platform actually, we see -- as I explained before, although there are some headwinds in the macro environment actually, we -- so far, we didn't notice too much impact on our overseas platform, both in the European, EMEA area as well as the U.S. And maybe because we are still in the very early stage of our development in the overseas market, and the comparable base is very small, but I think as long as we can continuously improve our product offering as well as very efficient sales and marketing initiatives of sales and marketing spending, we will -- we are very confident we can continuously achieve a healthy growth in those regions.

With regard to the APAC region, because the APAC region has just started to reopen and compared with Bolay, we also have a very -- a pretty strong product offerings as well as the brand recognition in the region. So in the next year, we think we have a very good opportunity to catch the pent-up demand recoveries in this region. So overall, we are still quite optimistic on the continuously growth for our international market.

**Operator**

Our next question comes from the slide of Yulin Zhong from Haitong International.

**Yulin Zhong Haitong International Research Limited - Analyst**

And I was wondering if you could share more color on your content strategy updates, especially post COVID-19? How would you process the strategy and what are your expectations in the near term?

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

Sorry, I didn't hear it clearly. Are you asking for the content strategy?

**Yulin Zhong Haitong International Research Limited - Analyst**

Right. I was wondering how would you process the content strategy post the COVID-19? And what would be your expectations?

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

Okay. Okay. Thank you. So actually, the behavior of our global travelers have evolved over the past 3 years from their travel preference to decision-making process. It is the goal of our content strategy to inspire and provide credible recommendations to empower travelers to discover the most unique things to do the eat and see around the world. So in the third quarter, we are continuously to improve our content generation and user engagement capabilities.

In the third quarter, the number of content creators increased by 20% year-over-year, and the amount of daily average UGC content continue to grow year-over-year. For example, in September, there were 76% more contents being generated by our users when compared to the same period last year.

With regard to the user engagement, the average view duration on our content platform increased by 8% year-over-year, and the average number of content viewed per user also increased by about 24%. The conversion rates of destinations-related content increased by 14% to -- yes, to 44% in Q3 from the first half of this year.

And as there is no particular form of content that will always go viral, actually instead of pursuing creation of viral content, we remain focused on providing the most suitable and relatable content that can easily be accessed by users through search and features. This is actually why we create [Trip Estimates] which has bucket list of travel top picks with credibility and authenticity as we believe professional, trustworthy and easy accessible recommendations plus one-stop service model will enable Trip.com Ctrip to build a closed-loop travel ecosystem going forward.

**Operator**

Thank you for the questions. With that, I would like to turn the call back to Michelle Qi from the company for 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 the webcast of today's call on investors.trip.com. We look forward to speaking with you on the fourth quarter of 2022 earnings call. Thank you, and have a good day.

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

Thank you very much.

**Operator**

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

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