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PRESENTATION

Operator

Hello, everyone. Thank you for standing by. Welcome to Trip.com Group 2023 Q2 Earnings Conference Call. (Operator Instructions) I must advise you that today's conference is being recorded.

With that, I would like to now hand the call over to your host today, Ms. Michelle Qi, Investor Relations Director. Thank you. Please go ahead.

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

Thank you. Thank you all. Good morning, and welcome to Trip.com Group's Second Quarter of 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 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 second quarter of 2023 as well as the outlook for the third 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. Throughout the second quarter, China's travel industry has experienced a notable resurgence supported by (inaudible) travel demand. Our business continues to set new record highs in the overall hotel and air booking, spearheading the market recovery.

In China, travel demand has remained resilient as a result of a shift in consumer spending away from goods and into services. There is a strong rebound in both our domestic and international business. While air capacity is still limited, travelers' desire to gear up and venture worldwide remain intense.

The recently expanded list of outbound group tour destinations and additional international flights are potential booms for international travel. We are confident that the encouraging trend of outbound travel recovery will persist into the future.

To fuel the travelers' passion and fulfill their evolved needs for unique and personalized experiences, we have launched an array of AI-powered tools as we embrace innovative ways to provide enhanced user experience. Users can chat with our upgraded AI assistant TripGenie, for bespoke itinerary crafting and can now go directly to the product booking pages. They can also get inspirations and select the best experiences from our AI-powered curated lists, which cater to users' diverse needs and preferences by capturing real-time information and our big data.

These AI-powered accountant marketing tools also opened up new ways for our partners to highlight their offerings to captivated holidays. We will continue to explore and unlock the potential of leveraging AI to sales travelers enjoy the best booking experience and pursue their perfect trip.

To conclude, we are encouraged by the strong demand so far and we'll continue to enhance our offerings, and we're prepared to capture the opportunities ahead.

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

Jie Sun Trip.com Group Limited - CEO & Director

Thank you, James. Good morning, everyone. As a quick overview, our net revenue in Q2 grew by 180% year-over-year and has exceeded the 2019 level by 29%. We continue to see strong demand and a robust momentum in travel bookings in the second quarter.

For domestic, our hotel bookings have exceeded 2019 by 60%. For outbound, in spite of the fact that the industry level, international air passenger volume only recovered to about 37% in Q2 compared to 2019, we have recovered to over 60% of the pre-pandemic level. Moreover, our global business remains robust and continue to advance at a triple-digit rate above the 2019 level.

Our overall hotel bookings has set a new record high by growing over 160% versus last year. Overall, our air bookings also reached new all-time high and nearly doubled year-over-year.

Let's talk about the different markets. First, China market. The China domestic travel market has demonstrated a strong rebound since its opening in Q1 and such constructive momentum has persisted into the second quarter. Our domestic hotel reservation grew by around 170% year-over-year and more than 60% versus 2019 levels, among which long-haul hotel bookings have seen the fastest year-over-year growth rate of 277%. Our short-haul hotel bookings also more than doubled last year's level.

Second, for outbound business. China outbound market continues to witness a firm trajectory of the robust recovery. International airlift has been increasing steadily as airlines continue to ramp up their services, and authorities continue to roll out favorable cross-border and visa policies.

In Q2, the average international flight capacity has recovered to around 38%. However, the outbound hotel and air reservation on Trip.com Group recovered to over 60% of the pre-pandemic level and remained a leading industry by roughly more than 20%.

While there has been a notable growth in the aviation capacity connecting China and the whole areas such as Europe, APAC remains the powerhouse of outbound travel. Top destinations include Hong Kong, Macau, Southeast Asia, Korea, and etc.

Third, for global markets. Turning to our global business. The returning of Chinese tourists in greater numbers has seen a major rising catalyst for the recovery and development of global travel market. In Q2, we continue to see strong momentum in our global businesses, in which the APAC region remains the powerhouse of growth.

Air ticket bookings on our global OTA platform have increased by over 120% year-over-year and nearly doubled 2019 level. The overall hotel bookings on global platform also hit a new record high and more than doubled 2019 level.

With global travel momentum on the rise, we continue to fortify our supply chain and strengthen our synergy among business units while remained focused on strengthening our brand in global market. We have successfully captured a substantial increase in market share in key areas such as Hong Kong, Korea and Southeast Asia, and we will continue to scale up tactical investment in these top markets.

The DAU of our global OTA platform also shown strong upward trend and hit record high. Branding improvement for our global OTA platform will also help expand our reach to international travelers and gain traction to potential inbound travelers, empowering us to explore the potential of the untapped inbound market.

Now, I would like to highlight a couple of strategic points as follows. First, accommodation. Following the strong growth in the China travel market, we continue to fortify our competitive advantage in our whole travel since the beginning of the year. In order to serve the evolving needs of our customers and create value for our products, we remain focused on diversifying our products and services offered to match a wider range of use-case scenario.

We continue to press with product innovation and differentiation to provide users with novel and unique experiences. Our high-value package deal offer more than 8,000 high-end hotels with vast value of price for customers to choose from. Over 240,000 hotel partners with our TripPlus program to offer extra benefits to our high-quality customers in reward for their trust and loyalty.

Over 50% of our TripPlus reservation come from high-end hotels.

Our lower-tier city penetration strategy in the previous years also continued to pay off as we persist in enhancing our product coverage, pricing and customer acquisition. Our efforts have been forging ahead to gain tractions to significant amount of new customers and successfully expanding our user base.

Second, AIGC. In the post-pandemic era, tourism should not be viewed as a monolith (inaudible) and it is key to understand that individual traveler choose their own demands and behaviors (inaudible). They often seek efficient and personalized solution to plan their trip in today's fast-paced world.

With advancements in technology and the rise of AI, many travel companies are embracing innovatively to enhance customers' experience. Seeing a potential to drive a wave of disruption in the industry, we responded with the launch of TripGenie, which can interpret demands, answer questions and directly link the relevant information to the right pages.

Third, content. We also upgraded our travel bucket list to provide users strong content in order to meet travelers' evolving needs and younger generations designed break away from traditional travel norms and hit authentic encounters. We have also been establishing an infrastructure of AI-generated content production to enrich our ad creative with AIGC elements, and as a supplement to our content creation and try to enhance our content quality and improve efficiency.

In Q2, our content generation pipeline continue to grow steadily with number of KOLs increased by 30% year-over-year. User-generated content also increased by 23% compared to last quarter.

On content marketing strategy, orbits around the product and technology innovation, we'll continue to enhance the tools and develop the latest tools to enhance our content to market offerings, ultimately improving the booking experience for our customers and providing diverse growth opportunities for our products.

Now let us talk about corporate responsibility, which we are focusing on. While strengthening our capability to inspire and serve customers to explore the world, we remain committed to pushing forward our corporate responsibility works to make contributions to our society. First, for common prosperity initiatives, our commitment to contributing to the community is unwavering. Since the official launch of Trip.com Group Rural Revitalization Strategy in 2021, we have established 23 country repeats across the country, creating employment opportunity and increasing income for local residents, thereby contributing to the goal of common prosperity.

Second, child care subsidy. We are also dedicated to empowering women in the workplace and have recently launched a subsidy program to alleviate the financial burden of childbirth for our employees with the hope to encourage our employees to start or grow their family without compromising on their professional goals and achievements.

Third, sustainability. With a growing focus on global sustainable development, we have been actively exploring the integration of business value and social value. We initiated the Less-Carbon Neutral Plan last year, aiming to provide users with a wider range of green travel options and have resulted in more than 16 million people opt for low carbon travels through our platform. Incentivizing sustainable travel initiatives for our partners, we aim to attract more like-minded organizations to join the low carbon green movement to respond to country's 30/60 Decarbonization goal.

In conclusion, we're encouraged by the strong recovery in 2023. We are proud of the efforts and the results delivered by our team, even when international airlift is still limited and visa backlogs remain, which all point to a considerable untapped potential in the travel recovery in the future. We remain optimistic about the long-term outlook of the industry, and we'll continue to strengthen our product offering to assist our travelers with their global ventures.

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

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

Thanks, Jane. Good morning, everyone. For the second quarter of 2023, Trip.com Group reported a net revenue of RMB 11.2 billion, representing a 180% increase from the same period last year and a 22% increase from the previous quarter primarily due to strong recovery in the travel market. Accommodation reservation revenue for the second quarter was RMB 4.3 billion, representing a 216% increase year-over-year and a 23% increase quarter-over-quarter, which is 26% higher than the 2019 level.

Both domestic and outbound hotels have seen robust growth and outpaced the industry. Overall, hotel bookings have achieved a record high and have grown over 50% above the pre-pandemic level.

Transportation ticketing revenue for the second quarter was RMB 4.8 billion, representing a 173% increase year-over-year and a 16% increase quarter-over-quarter, which is 41% higher than the 2019 level. This is mainly due to robust recovery of outbound air and strong growth in domestic and global air business.

Packaged tour revenue for the second quarter was RMB 722 million, representing a 492% increase year-over-year and an 87% increase quarter-over-quarter, recovering to 69% of the 2019 level. Domestic package tour has outgrown the 2019 level, while recovery in the outbound package tour was still lagging behind.

Corporate travel revenue for the second quarter was RMB 584 million, representing a 178% increase year-over-year and a 31% increase quarter-over-quarter, which is 89% higher than the 2019 level, with air ticket booking increased by double digit above 2019 level and hotel bookings fivefold the 2019 level.

Excluding share-based compensation charges, our total adjusted operating expenses was 18% higher than the previous quarter and 12% higher than the same period in 2019. Adjusted product development expenses for the second quarter increased by 9% from the previous quarter and increased by 12% compared with the same period in 2019.

Adjusted G&A expenses for the second quarter increased by 2% from the previous quarter and increased by 11% from the same period in 2019. This is mainly due to increase in personnel-related expenses. The increase was mainly related to regular wage inflation and high performance-based compensation in recognition of the exceptional performance achieved in this quarter. The total headcount of our product development and G&A teams was significantly lower than the same period in 2019.

Adjusted sales and marketing expenses for the second quarter increased by 34% from the previous quarter and increased by 11% compared with the same period of 2019. The sequential increase was primarily due to increased marketing promotion activities.

Adjusted EBITDA was RMB 3.7 billion for the second quarter compared with RMB 355 million in the same period last year and RMB 2.8 billion in the previous quarter. Adjusted EBITDA margin was 33% for the same -- for the second quarter compared with 9% in the same period last year and 31% in the previous quarter.

Diluted earnings per ordinary share and per ADS was RMB 0.94 or USD 0.13 for the second quarter of 2023. Excluding share-based compensation charges and fair value changes of equity security investments, and exchangeable senior notes, non-GAAP diluted earnings per ordinary share and per ADS were RMB 5.11 or USD 0.70 for the second quarter.

As of June 30, 2023, the balance of cash and cash equivalents, restricted cash short-term investment, held-to-maturity time deposits and financial products was RMB 75 billion or USD 10.3 billion.

Turning to the third quarter of 2023. We would like to share some colors of our business. The travel market continued to show very strong momentum in the third quarter, primarily driven by leisure travel demand. In July, the industry-level air passenger volume in the domestic market was 10% to 15% higher than the 2019 level, and industry-level hotel RevPAR was above 10% higher. International air passenger volumes has also recovered to over 50% quarter-to-date.

Our domestic hotel bookings have increased by over 70% when compared to the same period in 2019 and have increased by more than 100% during peak weeks. In the outbound segment, our hotel and air bookings have recovered to 80% of the 2019 level and has even surpassed the pre-pandemic levels during peak weeks. In addition, our global OTA platform has also continued to maintain a triple-digit growth when compared to the same period before pandemic.

To conclude, the strong level of bookings in the second quarter of 2023 across market segments is encouraging. We are confident in travelers' unwavering travel demand and the long-term market outlook and remain keen on capitalizing on the opportunities that lie ahead with us.

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

QUESTIONS AND ANSWERS

Operator

Thank you, Management. (Operator Instructions) First question comes from the line of Brian Gong from Citi.

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

James, Jane, Cindy and Michelle, congratulations on solid results. I have a quick question on AI that James and Jane just discussed. So could you please provide more color on your generative AI assistant as such engines are also adopting generative AI technology to improve search experience. How do you evaluate the potential risks that search engines and platform with large online traffic that might replace OTAs or turning OTA to more like a mere provider of travel products?

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

Yes. Thank you for the question. As mentioned in our prepared remarks, we launched our first AI assistant, TripGenie earlier in February this year. We have recently rolled out an updated version of TripGenie, which is capable of interpreting text and voice commands, offers contextual assistance and provide actionable responses.

We also launched an infrastructure of AI-generated content production as a supplement to our content creation pipeline to enhance our content quality and improve efficiency.

We believe generative AI technology will not replace OTA platforms, but instead is capable to help improve the operating efficiency of the OTA platforms. Also, OTAs are well positioned to develop their own AI travel assistance with the help of their large travel transaction data and deep understanding of customer requirements.

Michelle Qi Trip.com Group Limited - Senior IR Director

Hello, we can move on to the next question. Hello, operator? Hello, Operator, we can move on to the next question.

Operator

Excuse me. This is operating speaking. I beg your pardon. Our next question is from Alex Yao from JPMorgan.

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

(technical difficulty) trend of China's travel market, including both leisure and business travel.

Michelle Qi Trip.com Group Limited - Senior IR Director

Alex, somehow we could not hear your full question. Can you please repeat the full question?

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

Okay. The first part of the question is, in the past few quarters, have you seen any indication of consumption downwards in China's leisure or business travel activity?

And then the second question is on your thoughts around long-term trend of China's travel markets, including both leisure and business travel.

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

Thank you, Alex. There has been concerns that weakening consumer spending and investment may have a negative spillover effect on the demand for travel. Nevertheless, we maintained an optimistic outlook on the long-term growth of China's travel market as leisure travel holds a greater influence on industry growth and the demand for leisure travel since early 2023 has remained very robust.

There has been a couple of reasons why we have -- why we keep quite optimistic on the long term. There has been a shift in the consumer spending away from goods and into the services. And we expect travel to occupy a larger share of the household expenditure as it is a significant component of experiential and service consumption. Moreover, the continuous online penetration in the travel industry will drive further growth for OTAs, helping to offset some potential negative impact stemming from economic fluctuations.

So far, we have seen no sign of consumers trading down in terms of hotel star rating or shortening their length of stay. The average spending per customer on our platform in the first half of 2023 has already outgrown the pre-pandemic level. Increased amount and higher frequency of spending have seen for both new users and repeating users.

With regard to the business travel, since normally, business travel exhibits stronger correlation with economic activities, we do think economics fear could create hurdle for the growth of business travel spending in the short term. Meanwhile, we anticipate that the business will increasingly adopt -- manage corporate travel service as an effective approach to optimize their total travel budget.

That being said, our corporate travel business has continued to show a robust performance this year, primarily driven by an expanded range of hotel products and a growing corporate client. Furthermore, according to a recent survey, around 85% and 75% of companies anticipate raising their -- they will raise their domestic and international travel budget for this year.

And last, but not least, recently, the government has also published a series of policies to promote service consumption in the travel industry. We strongly believe that the innovation and infrastructure development will inject energy into the recovery of the industry in general.

Operator

(Operator Instructions) Next question is from the line of Alex Poon from Morgan Stanley.

Alex Poon Morgan Stanley, Research Division - Equity Analyst

Congratulations on a very strong quarter. Can management share more information about the recent burst of different segments, including domestic business, outbound business and international travel? And is there any additional color you can highlight for the upcoming national holiday in October? And how should we think about the momentum in Q4 and beyond?

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

Sure. Domestic China travel market has already fully recovered and has outgrown the pre-pandemic level. The capacity of outbound flights further recovered to around 50% of the 2019 level. According to the China Air Aviation Association, outbound flight capacity is expected to reach 60% to 65% in the second half of 2023. We will continue to outpace -- we continued to outpace the industry recovery in both the domestic Chinese and outbound travel market.

Our domestic hotel bookings have surpassed the 2019 level by 70%. Outbound hotel and air reservations on our platform has also recovered to more than 80% of the 2019 level. In spite of the high base in the comparison period, our overseas OTA platforms maintained triple-digit growth over 2019 level.

With regard to the coming mid-autumn and National Day holiday, we expect to see another wave of strong travel activities. The majority of its bookings will be reflected in our Q3 results.

Since the current booking window remains quite short, so in terms of the Q4 number, we have a very limited visibility. While our China domestic travel momentum may slow down due to weaker seasonality, outbound travel could see further recovery with the increased international flight capacity.

Operator

(Operator Instructions) Next question comes from the line of Simon Cheung of Goldman Sachs.

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

I have actually two questions. Good to see that you have outperformed the market and the market continue to improve quite strongly. And I think you did mention that, that's largely driven leisure travel. I think to the extent that you can give us some numbers, how is the business travel as a percentage of total or even when you compare with the 2019 level and some of the momentum that you have seen in the recent months or recent weeks, that would be helpful. That's the first question.

And then the second question, I wanted to touch on a bit on the competitive landscape in China. We've been hearing some of your payers are increasing subsidies on the hotel segments. And obviously, one of the concerns has been doing stepping up, turning more aggressively in the market as well, providing different formats of booking. Wondering whether you -- how you have been adjusting it? And should we be expecting the sales and marketing expenses to further escalate as what we have seen in the last quarter?

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

Thank you. We have seen basically a very strong recovery or increase in our business across different segments. So the corporate travel revenues for the second quarter represent 178% increase year-over-year and a 31% increase quarter-over-quarter. In general, even the corporate travel business has achieved -- have achieved 89% if you compare, higher than the 2019 level, which mainly driven by the -- both the air and especially the hotel bookings. And so the hotel bookings in the corporate travel business have achieved a fivefold if you compare -- 5x compared with the 2019 level, which has been a growth leader for our corporate business.

Yes, as I explained, corporate travel business or business travelers will have a higher correlation with the general macros, but we've also seen the trend that -- actually, the manage -- the business travel services have created a lot of values to help our customers to manage their total travel spending. Therefore, we, to some extent, see acceleration of the new user acquisitions in the corporate travel business which, to some extent, will offset the potential negative impact.

And the second question is about the content -- competing with the content providers. The content providers, they have different co-competence compared to the OTAs in general. And they're primarily focusing on providing inspirations whereas OTAs will assess --

will prioritize transactions and service fulfillment.

Through the robust supplier chain management and high-quality customer service, we are able to offer the competitive products, smooth booking experience, personalized and reliable travel services, which all these factors is critical success factors to provide travel-related services. And I think for the content platform, they will find it's very difficult to replicate. And at the same time, we will continue to invest in our own content strategy, helping users to find inspirations and make well-informed decisions.

Operator

Next question comes from James Lee from Mizuho.

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

I have a big picture question here for Jane, if I can. Maybe help us understand how do you think about the normalized growth rate post the COVID recovery. Is it different than before since I'm hearing that outbound ADRs in terms of inflation are higher and stickier. And also help us think about what drivers we should think about going forward? In the past, you talked about advertising. Just want to revisit some of the initiatives you're working on long term.

Jie Sun Trip.com Group Limited - CEO & Director

Sure. Thanks, James. In the long term, we look at a couple of baseline. First of all, the GDP growth rate. If we assume the GDP growth rate is somewhere around 5% normally, the industry for travel will outpace the GDP growth rate by a couple of percentage because people who can afford to travel normally earns a little bit more than average of the people. So we assume travel probably will be somewhere around 8 -- 7%, 8%.

And the third line we're looking at is offline to online, and we can outpace the general industry growth by a couple of percentage. So somewhere around 15% to 25% in the next couple of years is what we have targeted for.

The second thing is on ADR. You're right that when we send more people from China to the rest of the world, normally, the air ticket is more expensive and hotel will stay -- customers when they travel abroad will stay longer. So both on the ADR and the GMV will increase when we increase the percentage of outbound travel. So we are very positive on that.

The third one is on the drivers. On the drivers, we -- like you said, the content plus advertisement is one of the drivers. The second thing is on the technology is how we can use new technology to explore new potential by offering better user interface and provide the targeted product, therefore, we can increase the conversion better. That's also another generation -- addition to our potential.

The third one is geographic expansion as our customers are traveling from China to Asia, from Asia to Australia, New Zealand to the rest of the world, we are also going to have more and more suppliers get on our system and therefore, increase our footprint in the global places. So we are very excited for the future of the travel industry, and we will work very hard with our partners, with our service team to provide excellent service to our customers and bring new customers to our suppliers.

Operator

Our next question comes from Wei Xiong from UBS.

Wei Xiong UBS Investment Bank, Research Division - Research Analyst

Congrats on another solid quarter. I want to ask about the outbound travel because the recovery on our platform, again, exceeded the recovery pace of the industry and recently, we have further relaxation on group tours extending to 70 more countries and regions. So just wondering how should we think about the impact on outbound travel and our overall business? And also once we see better recovery on the outbound travel side, will there be any cannibalization to the domestic travel side?

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

Thank you. Yes. At the industry level -- the industry level outbound flight capacity is expected to reach 60% to 65% in the second half of 2023. In the -- yes, during the summer holidays, while the industry level air capacity is about 50% recovery, we already achieved both our

air and hotel outbound business have recovered to about 80% if you compare with the pre-pandemic level. And the expanded list of overseas group tour destinations will contribute to the recovery of our outbound group to our business.

And with the total number of approved destination increased to 138, the outbound travel to most destinations right now is unrestricted. And this development is expect to instill the confidence in the travel market and potentially expedite the restoration of international air capacity and local service capacity in the destinations, which will benefit across the board, not only the group tours, but also more importantly to our hotel, air and all other product offering business targeting to the outbound business.

I think in general, our outbound business has comparatively higher selling price, while the service cost is pretty much similar compared with our domestic business. So I don't think there will be a cannibalization of the existing, for example, the domestic business. It's just for customers, they have a wider range of options for the destinations they can choose, and outbound travel business definitely will become a future growth driver for our business moving forward.

Operator

Our next question comes from Bruce Chu from HSBC.

Parash Jain HSBC, Research Division - Head of Transport Research, Asia-Pacific

Can you hear me?

Operator

Yes.

Parash Jain HSBC, Research Division - Head of Transport Research, Asia-Pacific

This is Parash here actually, Bruce helped me just for the line. I had one question probably two parts. So this quarter's results set a high bar compared to the pre-COVID level, both in terms of the domestic business as well as in terms of profitability. Do you think that the transition from offline to online or some of the pent-up demands of the market share gain will settle around this level and incremental growth will be more as the underlying business grows? Or you think that with adoption of AI or a generative AI, the pace of offline to online that has started from COVID probably has further more room to go and within that, Trip.com.com will take a larger share?

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

Yes, AI definitely, as James and Jane explained, it will have an impact for all the industries. For our industry, it will impact, for example, will help us to increase the efficiencies of our service center. And on the same time, will change the -- potentially change the user behavior on the search result.

But in general, I think in travel industry still, our growth were based on a couple of fundamental things. First is the service capability or excellent service qualities that we offer to the users, which will help users to have a peace of mind, especially when they travel, for example, in the long haul or to the outbound destinations. And second is the competitiveness of our inventory. Once you have the best inventory to serve your customers, you will definitely weighing a lot of users.

I think going forward, definitely move from offline to online will continue to fuel our future growth. But a couple of few things that I think Jane already explained in the earlier question that we think our long-term growth will have -- even after the COVID, we think our long-term growth will be in the range of the teens to 20s.

There's a couple of growth drivers. And the first 1 is the expansion of our user bases as a result of our increased online penetration, particularly in the mid- to lower-tier cities. This larger population increased the GDP per capita, present opportunities for our future business growth. And the second one is an increased purchasing frequency and cross-selling ratios, which will also contribute to the continuous growth of our business. Our transportation to the accommodation cross-selling ratio has improved by more than 40% as compared with the pre-COVID level.

Last but not least, the robust growth and improve the profitability of our Trip.com business. Our global OTA business will also significantly contribute to the group's long-term development.

Operator

Our next question comes from Thomas Chong of Jefferies.

Thomas Chong Jefferies LLC, Research Division - Equity Analyst

Congratulations on the strong set of results. My question is about capital allocation. Can management comment about the capital allocation plan for the utilization of your cash?

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

Sure. Our capital allocation approach is guided by a disciplined framework that prioritize the four key objects. The first is ensuring the sustainable operation in the face of the macroeconomic uncertainties, especially we just experienced a pandemic. During the pandemic, the top priority for us is to have a positive operating cash flow. That is the key success factor to help us to went through the whole pandemic period.

And the second one is investing in the strategic initiatives that will drive our long-term growth, for example, our investment into the AI, our investment in our global business, Trip.com, et cetera. And the third one is to fulfilling our debt obligations. And the last one and most important one is we will consider how to return our capital to return it back to long-term shareholders.

Operator

With that, we would like to come to the close for the Q&A session. Allow me to hand the call back to Mr. Michelle Qi 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 webcast of today's call on investors.trip.com. We look forward to speaking with you on our third quarter of 2023 earnings call. Thank you, and have a good day.

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

Thank you, everyone.

Jie Sun Trip.com Group Limited - CEO & Director

Thank you.

Operator

Ladies and gentlemen, that concludes today's conference call. Thank you for your participation. You may now disconnect your lines.

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