

# China / Hong Kong Company Update

# Trip.com Group Ltd

Bloomberg: 9961 HK Equity | TCOM US Equity | Reuters: 9961.HK | TCOM.O

Refer to important disclosures at the end of this report

AlexDBS Group Research . Equity

22 Feb 2024

## HK: BUY

Last Traded Price ( 21 Feb 2024):HK\$331.40(HSI : 16,503)  
Price Target 12-mth: HK\$541 (63.2% upside) (Prev HK\$515)

## US: BUY

Last Traded Price ( 21 Feb 2024):US\$41.91(NASDAQ : 15,581)  
Price Target 12-mth: US\$72.00 (71.8% upside) (Prev US\$69.00)

### Analyst

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### What's New

- 4Q23 revenue surged 105% y-o-y to Rmb10.3bn, in line; earnings beat consensus by 68% on lower marketing expenses
- Outbound hotel and air reservations in 4Q23 recovered to c.80% of 2019 level, outpacing the industry's 60% level
- Raised FY24F/FY25F adjusted earnings by 9%/9% to reflect better operating leverage
- Maintain BUY on solid growth profile with higher TPs of HK\$541/US\$72

## The spirit of travel rekindled

### Investment Thesis

**Leading online travel agency in China.** Trip.com is the largest online travel platform in China, with c.50% market share in 2022 in terms of GMV. The company benefits from (1) rising travel spending in China, (2) the structural shift in travellers' preference towards independent travel, and (3) overseas expansion.

### Structural changes support growth beyond pre-Covid level in the long term.

We forecast a two-year revenue CAGR of 17% from FY23 to FY25F, thanks to recovery from city lockdowns during Covid, followed by mid-teens annual growth from FY25F to FY32F. The longer term growth drivers include rising travel spending from mid-lower tier cities and Gen-Z, shifting travellers' preferences to independent travel, and enhanced travel experiences to include African safaris, diving, skiing, etc.

### Overseas expansion and advertising income are key growth drivers.

Trip.com's international travel business (including outbound) only accounted for 11% of revenue in FY21 due to Covid disruptions, and we expect revenue CAGR of 25% from FY23 to FY25, to bring revenue contribution to 38% of total revenue in FY25, slightly surpassing the FY19's level of 36%. The company will continue to gain market share, aided by cross-sales of other travel products, such as dining and spa services, which drive not only more commission but also bring in advertising income from brands.

We recommend BUY on Trip.com with TPs of HK\$541/US\$72 (previously HK\$515/US\$69). Our TP is based on 24x FY24F non-GAAP net income, to reflect normalised earnings post-pandemic and supported by earnings CAGR of 11% during FY23 to FY25F. Share price catalysts are: (1) stronger-than-expected recovery in transportation volume; (2) higher margins for the accommodation segment, driven by a recovery in hotel room rates; and (3) new stimulus policy to support travel industry recovery.

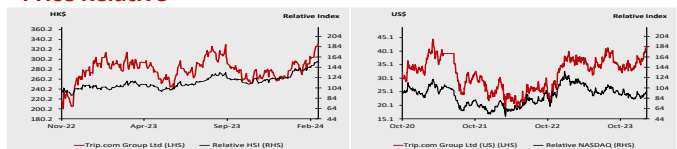
### Key Risks

(1) Irrational market competition, which leads to higher subsidies, and (2) government regulatory risks.

### At A Glance

Issued Capital (m shrs)	646
Mkt Cap (HKm/US\$m)	214,084 / 27,373
Major Shareholders (%)	
Baidu Inc	10.1
Capital Research Global Investors	7.5
Free Float (%)	82.4
3m Avg. Daily Val. (US\$m)	49.66
GICS Industry: Consumer Discretionary / Consumer Services	

### Price Relative



### Forecasts and Valuation (HK Shares)

FY Dec (RMBm)	2022A	2023A	2024F	2025F
Turnover	20,055	44,562	52,719	60,967
EBITDA	377	13,213	15,507	17,042
Pre-tax Profit	2,049	11,752	14,207	15,742
Net Profit	1,403	9,918	11,746	13,004
Core Profit	1,294	13,071	13,746	15,504
Core Profit Gth (%)	N/A	910	5	13
EPS (RMB)	2.16	15.19	17.99	19.92
EPS (HK\$)	2.35	16.52	19.57	21.66
EPS Gth (%)	N/A	602.1	18.4	10.7
Diluted EPS (HK\$)	2.32	16.07	19.04	21.08
DPS (HK\$)	0.00	0.00	0.00	0.00
BV Per Share (HK\$)	185.84	198.02	220.30	245.42
PE (X)	140.8	20.1	16.9	15.3
P/Cash Flow (X)	74.8	9.8	18.3	19.3
P/Free CF (X)	nm	11.9	27.3	29.7
EV/EBITDA (X)	530.8	13.8	11.3	9.9
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	1.8	1.7	1.5	1.4
Net Debt/Equity (X)	0.0	CASH	CASH	CASH
ROAE(%)	1.3	8.5	9.1	9.1
Core Earnings Rev (%)			9	9
Consensus EPS (RMB)			16.91	19.90
Other Broker Recs:		B:27	S:1	H:1

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

## WHAT'S NEW

### 4Q23 revenue surged 105%; further recovery in outbound travel supports growth ahead

#### 4Q23 results highlights

Revenue increased by 105% y-o-y to Rmb10.3bn, in line with market expectations, surpassing 4Q19's level by 24%.

By segment, accommodation reservation revenue surged 131% y-o-y to Rmb3.9bn, with domestic hotel bookings jumping by 130% y-o-y. Transportation ticketing revenue increased by 86% y-o-y to Rmb4.1bn. Package tours increased by 329% y-o-y to Rmb704m. Corporate travel revenue surged 129% y-o-y to Rmb634m.

Sales and marketing expenses increased by 103% y-o-y to Rmb2.3bn, 21% lower than market expectations due to fewer marketing promotion activities during the non-peak season. The opex ratio contracted substantially by 22 pts from 81% in 4Q22 to 59% in 4Q23.

Non-GAAP net profit was Rmb2.7bn (vs 4Q19's Rmb1.2bn and 4Q22's Rmb498m), exceeding market expectations by 68%.

#### Outlook

Trip.com's overall recovery pace is on track and in line with market expectations. Moreover, its outbound hotel and air reservations both recovered to over 80% of pre-Covid level in 4Q23, ahead of 60% for the industry in terms of international air passenger volume. Its global OTA platform registered 70% increase y-o-y, or 100% compared to 2019 level.

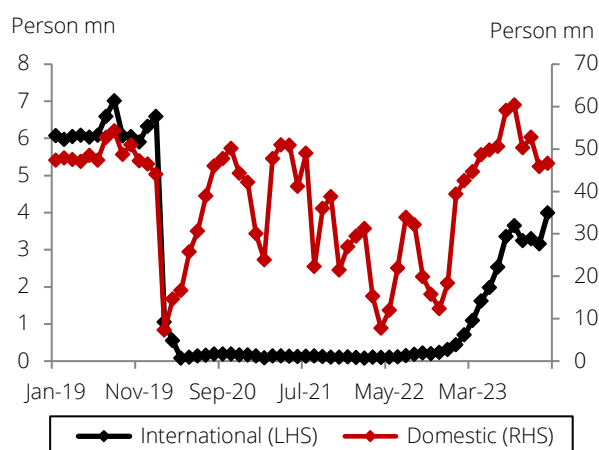
During the Chinese New Year, the number of domestic tourist trips and domestic tourism spending in China increased 34% y-o-y and 47% y-o-y respectively, representing 119% and 108% of the levels in 2019, according to MCT Gov data. The outbound flight capacity has reached 70% of 2019's level during CNY. Trip.com's growth has outpaced the industry, with its domestic hotel and air reservations bookings increasing by 60% and 50% y-o-y respectively. Its outbound travel has surpassed 2019 level. Looking ahead, we expect domestic revenue to grow by 14% in FY24.

International business is the key growth engine of Trip.com. Management reiterated its target of mid-double-digit growth and 15-20% revenue contribution for the group in the next 3-5 years (up from high-single digit in FY23) and to turn profitable during the same time frame. Trip.com now ranks No.1 in Hong Kong, and No.2 in ASEAN region (behind Agoda).

Overall, we expect revenue to grow by 26% in 1Q24, supported by robust domestic travel demand and gradual recovery of outbound flight capacity as well as ongoing international market expansion.

We revised up our FY24F/FY25F non-GAAP net profit by 9%/9% after incorporating higher operating margins. We now forecast FY24F/FY25F revenue growth of 18%/16% and non-GAAP net profit to reach Rmb13.7bn/ Rmb15.5bn, respectively. The stock is trading at 17x FY24F PE, c.1.1 SD below its 5-year historical average. We are positive on Trip.com's long-term growth prospects, supported by structural changes in customer travel preferences, new revenue expansion from inbound business and active expansion in overseas markets. We maintain our BUY rating and revise our TPs to HK\$541/US\$72 based on 24x FY24F non-GAAP net income.

#### Air Passenger Traffic (International vs domestic)



Source: Civil Aviation Administration of China, DBS HK

#### Company Background

Founded in 1999 and listed on NASDAQ in 2003 and the HKEX in 2021, Trip.com (formerly named "Ctrip") is the largest online travel platform in China over the past decade with around 50% of market share in 2021, in terms of GMV. Trip.com's major revenue comes from (1) accommodation reservations, (2) transportation ticketing, (3) packaged tours, (4) corporate travel, and (5) others, which accounted for 41%, 34%, 6%, 7%, and 13% of revenue, respectively, as of FY21.

## Trip.com Group Ltd

### Income Statement (RMB m)

FY Dec	2022A	2023A	% chg	vov
Revenue	20,055	44,562		122.2
Cost of Goods Sold	(4,529)	(8,173)		80.5
<b>Gross Profit</b>	<b>15,526</b>	<b>36,389</b>		<b>134.4</b>
Other Opng (Exp)/Inc	(15,438)	(25,065)		62.4
<b>Operating Profit</b>	<b>88</b>	<b>11,324</b>		<b>12,768.2</b>
Other Non Opg (Exp)/Inc	2,015	(667)		nm
Associates & JV Inc	(586)	1,072		nm
Net Interest (Exp)/Inc	532	23		(95.7)
Exceptional Gain/(Loss)	0	0		nm
<b>Pre-tax Profit</b>	<b>2,049</b>	<b>11,752</b>		<b>473.5</b>
Tax	(682)	(1,750)		156.6
Minority Interest	36	(84)		nm
<b>Net Profit</b>	<b>1,403</b>	<b>9,918</b>		<b>606.9</b>
Net Profit before Except.	1,403	9,918		606.9
EBITDA	377	13,213		3,404.8
<b>Margins &amp; Ratio</b>				
Gross Margins (%)	77.4	81.7		
Opg Profit Margin (%)	0.4	25.4		
Net Profit Margin (%)	7.0	22.3		

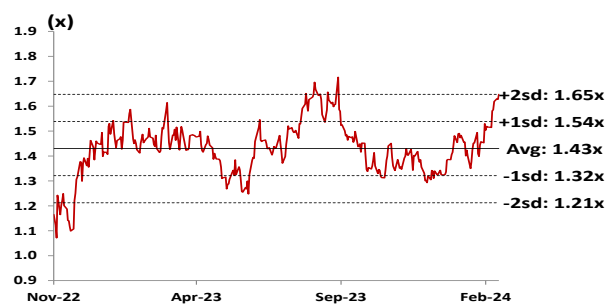
Source: Company, DBS HK

### Historical PE and PB band

Forward PE band (x)



PB band (x)



Source: Thomson Reuters, DBS HK

## Trip.com Group Ltd

### Key Assumptions

FY Dec	2021A	2022A	2023A	2024F	2025F
Domestic hotel average daily rate (Rmb)	328.0	323.0	381.1	381.1	381.1
Domestic hotel room night sold (m)	280.0	290.0	500.0	525.0	585.0
Air ticket revenue (Rmb m)	4,281.1	4,126.5	10,497.8	12,274.5	13,688.2

Source: Company, DBS HK

### Segmental Breakdown (RMB m)

FY Dec	2021A	2022A	2023A	2024F	2025F
<b>Revenues (RMB m)</b>					
Accommodation reservation	8,148	7,400	17,257	20,249	23,440
Transportation ticketing	6,905	8,253	18,443	21,039	23,819
Packaged tours	1,105	797	3,140	5,024	6,531
Corporate travel	1,347	1,079	2,254	2,592	2,981
Others	2,524	2,526	3,468	3,815	4,196
<b>Total</b>	<b>20,029</b>	<b>20,055</b>	<b>44,562</b>	<b>52,719</b>	<b>60,967</b>

Source: Company, DBS HK

**Trip.com Group Ltd**
**Income Statement (RMB m)**

<b>FY Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>
Revenue	20,029	20,055	44,562	52,719	60,967
Cost of Goods Sold	(4,604)	(4,529)	(8,173)	(10,280)	(12,193)
<b>Gross Profit</b>	<b>15,425</b>	<b>15,526</b>	<b>36,389</b>	<b>42,439</b>	<b>48,774</b>
Other Opng (Exp)/Inc	(16,836)	(15,438)	(25,065)	(28,732)	(33,532)
<b>Operating Profit</b>	<b>(1,411)</b>	<b>88</b>	<b>11,324</b>	<b>13,707</b>	<b>15,242</b>
Other Non Opg (Exp)/Inc	373	2,015	(667)	(500)	(500)
Associates & JV Inc	96	(586)	1,072	1,000	1,000
Net Interest (Exp)/Inc	567	532	23	0	0
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>(375)</b>	<b>2,049</b>	<b>11,752</b>	<b>14,207</b>	<b>15,742</b>
Tax	(270)	(682)	(1,750)	(2,377)	(2,654)
Minority Interest	95	36	(84)	(84)	(84)
Preference Dividend	0	0	0	0	0
<b>Net Profit</b>	<b>(550)</b>	<b>1,403</b>	<b>9,918</b>	<b>11,746</b>	<b>13,004</b>
Net Profit before Except.	(550)	1,403	9,918	11,746	13,004
EBITDA	(294)	377	13,213	15,507	17,042
<b>Growth</b>					
Revenue Gth (%)	9.3	0.1	122.2	18.3	15.6
EBITDA Gth (%)	84.5	N/A	3,404.8	17.4	9.9
Opg Profit Gth (%)	(0.8)	(106.2)	12,768.2	21.0	11.2
Net Profit Gth (%)	83.1	N/A	606.9	18.4	10.7
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	77.0	77.4	81.7	80.5	80.0
Opg Profit Margin (%)	(7.0)	0.4	25.4	26.0	25.0
Net Profit Margin (%)	(2.7)	7.0	22.3	22.3	21.3
ROAE (%)	(0.5)	1.3	8.5	9.1	9.1
ROA (%)	(0.3)	0.7	4.8	5.2	5.3
ROCE (%)	(0.9)	0.0	5.7	6.3	6.4
Div Payout Ratio (%)	N/A	0.0	0.0	0.0	0.0
Net Interest Cover (x)	NM	NM	NM	NM	NM

Source: Company, DBS HK

**Trip.com Group Ltd**
**Quarterly Income Statement (RMB m)**

FY Dec	4Q2022	1Q2023	2Q2023	3Q2023	4Q2023
Revenue	5,031	9,211	11,262	13,751	10,338
Cost of Goods Sold	(1,203)	(1,650)	(2,022)	(2,478)	(2,023)
<b>Gross Profit</b>	<b>3,828</b>	<b>7,561</b>	<b>9,240</b>	<b>11,273</b>	<b>8,315</b>
Other Oper. (Exp)/Inc	(4,068)	(5,320)	(6,263)	(7,364)	(6,118)
<b>Operating Profit</b>	<b>(240)</b>	<b>2,241</b>	<b>2,977</b>	<b>3,909</b>	<b>2,197</b>
Other Non Opg (Exp)/Inc	2,745	1,652	(1,961)	545	(903)
Associates & JV Inc	(210)	(133)	236	618	351
Net Interest (Exp)/Inc	31	(45)	(42)	14	96
Exceptional Gain/(Loss)	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>2,326</b>	<b>3,715</b>	<b>1,210</b>	<b>5,086</b>	<b>1,741</b>
Tax	(246)	(341)	(562)	(448)	(399)
Minority Interest	(23)	1	(17)	(23)	(45)
<b>Net Profit</b>	<b>2,057</b>	<b>3,375</b>	<b>631</b>	<b>4,615</b>	<b>1,297</b>
Net profit bef Except.	2,057	3,375	631	4,615	1,297
EBITDA	2,309	2,309	3,417	4,731	2,756
<b>Growth (QoQ)</b>					
Revenue Gth (%)	(27.1)	83.1	22.3	22.1	(24.8)
EBITDA Gth (%)	N/A	N/A	48.0	38.5	(41.7)
Opg Profit Gth (%)	(128.1)	(1,033.8)	32.8	31.3	(43.8)
Net Profit Gth (%)	673.3	64.1	(81.3)	631.4	(71.9)
<b>Growth (YoY)</b>					
Revenue Gth (%)	7.5	124.1	180.4	99.4	105.5
EBITDA Gth (%)	58.3	N/A	N/A	304.4	N/A
Opg Profit Gth (%)	(65.9)	(724.2)	(1,882.6)	357.7	(1,015.4)
Net Profit Gth (%)	N/A	N/A	814.5	1,635.0	(36.9)
<b>Margins</b>					
Gross Margins (%)	76.1	82.1	82.0	82.0	80.4
Opg Profit Margins (%)	(4.8)	24.3	26.4	28.4	21.3
Net Profit Margins (%)	40.9	36.6	5.6	33.6	12.5

Source: Company, DBS HK

## Trip.com Group Ltd

### Balance Sheet (RMB m)

FY Dec	2021A	2022A	2023A	2024F	2025F
Net Fixed Assets	50,495	55,381	54,484	57,284	60,084
Invt in Associates & JVs	0	0	0	0	0
Other LT Assets	75,256	74,875	75,921	74,269	73,869
Cash & ST Invt	50,762	44,032	61,731	71,598	81,150
Inventory	0	0	0	0	0
Debtors	9,032	11,917	15,591	18,709	22,451
Other Current Assets	6,314	5,486	11,410	13,692	16,430
<b>Total Assets</b>	<b>191,859</b>	<b>191,691</b>	<b>219,137</b>	<b>235,552</b>	<b>253,985</b>
ST Debt	39,866	32,674	25,857	28,443	31,287
Creditors	13,320	20,287	33,174	33,174	33,174
Other Current Liab	13,032	8,278	13,380	13,380	13,380
LT Debt	11,093	13,177	19,099	19,099	19,099
Other LT Liabilities	4,092	4,256	4,621	4,621	4,621
Shareholder's Equity	109,677	112,283	122,184	135,930	151,434
Minority Interests	779	736	822	906	990
<b>Total Cap. &amp; Liab.</b>	<b>191,859</b>	<b>191,691</b>	<b>219,137</b>	<b>235,552</b>	<b>253,985</b>
Non-Cash Wkg. Capital	(11,006)	(11,162)	(19,553)	(14,153)	(7,673)
Net Cash/(Debt)	(197)	(1,819)	16,775	24,056	30,764
Debtors Turn (avg days)	153.9	190.6	112.7	118.7	123.2
Creditors Turn (avg days)	1,270.8	1,678.5	1,326.4	1,277.2	1,062.8
Inventory Turn (avg days)	N/A	N/A	N/A	N/A	N/A
Asset Turnover (x)	0.1	0.1	0.2	0.2	0.2
Current Ratio (x)	1.0	1.0	1.2	1.4	1.5
Quick Ratio (x)	0.9	0.9	1.1	1.2	1.3
Net Debt/Equity (X)	0.0	0.0	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	0.0	0.0	CASH	CASH	CASH
Capex to Debt (%)	14.5	27.8	8.0	7.6	7.1
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

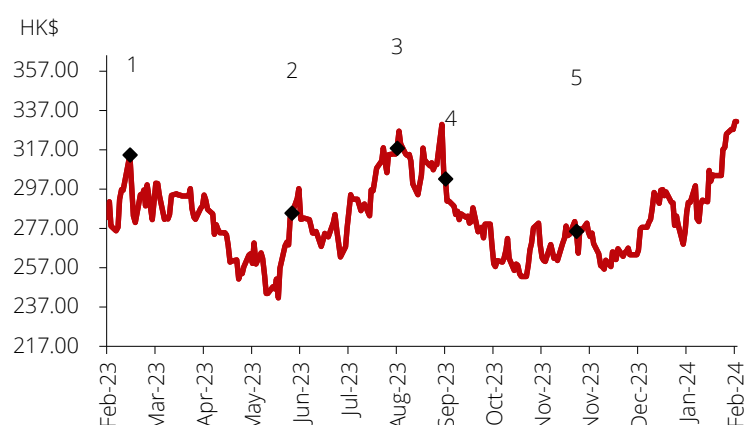
### Cash Flow Statement (RMB m)

FY Dec	2021A	2022A	2023A	2024F	2025F
Pre-Tax Profit	648	738	896	935	1,053
Dep. & Amort.	1,413	1,291	1,200	1,200	1,200
Tax Paid	(337)	295	0	0	0
Assoc. & JV Inc/(loss)	0	0	0	0	0
(Pft)/ Loss on disposal of FAs	(4)	0	0	0	0
Chg in Wkg.Cap.	177	(800)	7,139	(4,148)	(6,480)
Other Operating CF	578	1,117	11,106	12,895	14,536
<b>Net Operating CF</b>	<b>2,475</b>	<b>2,641</b>	<b>20,341</b>	<b>10,881</b>	<b>10,308</b>
Capital Exp.(net)	(7,388)	(12,755)	(3,600)	(3,600)	(3,600)
Other Invt.(net)	1,269	161	0	0	0
Invt in Assoc. & JV	(2)	0	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	1,973	13,730	0	0	0
<b>Net Investing CF</b>	<b>(4,148)</b>	<b>1,136</b>	<b>(3,600)</b>	<b>(3,600)</b>	<b>(3,600)</b>
Div Paid	0	0	0	0	0
Chg in Gross Debt	2,007	(5,433)	8,755	2,586	2,844
Capital Issues	7,984	0	0	0	0
Other Financing CF	(6,537)	(1,053)	0	0	0
<b>Net Financing CF</b>	<b>3,454</b>	<b>(6,486)</b>	<b>8,755</b>	<b>2,586</b>	<b>2,844</b>
Currency Adjustments	0	0	0	0	0
Chg in Cash	1,781	(2,709)	25,496	9,867	9,552
Opg CFPS (RMB)	3.62	5.31	20.22	23.02	25.71
Free CFPS (RMB)	(7.75)	(15.60)	25.64	11.15	10.27

Source: Company, DBS HK

**Trip.com Group Ltd**

**HK Share - Target Price & Ratings 12-mth History**

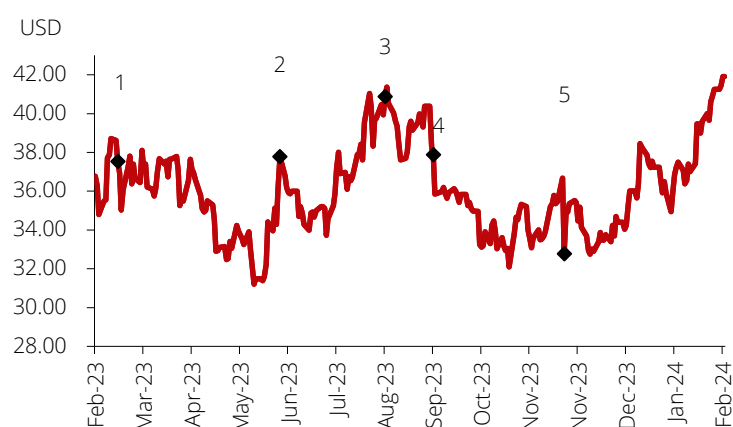


S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	7-Mar-23	HK\$310.00	HK\$400.00	Buy
2:	9-Jun-23	HK\$282.40	HK\$437.00	Buy
3:	9-Aug-23	HK\$314.80	HK\$445.00	Buy
4:	6-Sep-23	HK\$304	HK\$500	Buy
5:	21-Nov-23	HK\$280.40	HK\$515.00	Buy

Source: DBS HK

Analyst: Tsz Wang Tam  
Lilian Lv  
Andy Yu

**US Share - Target Price & Ratings 12-mth History**



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	7-Mar-23	US\$38.72	US\$53.00	Buy
2:	9-Jun-23	US\$36.15	US\$58.00	Buy
3:	9-Aug-23	US\$39.94	US\$59.00	Buy
4:	6-Sep-23	US\$38.26	US\$67	Buy
5:	21-Nov-23	US\$35.45	US\$69.00	Buy

Source: DBS HK

Analyst: Tsz Wang Tam  
Lilian Lv  
Andy Yu



DBS Group Research recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

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