

Hong Kong

ADD (no change)

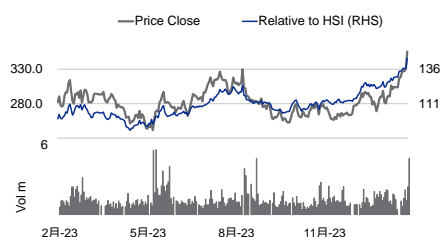
Consensus ratings*: Buy 27 Hold 1 Sell 1

Current price:	HK\$355.6
Target price:	HK\$480.0
Previous target:	HK\$460.0
Up/downside:	35.0%
CGI / Consensus:	20.0%
Reuters:	9961.HK
Bloomberg:	9961 HK
Market cap:	US\$29,376m
	HK\$229,771m
Average daily turnover:	US\$45.36m
	HK\$375.0m
Current shares o/s:	71,346m
Free float:	70.0%

*Source: Bloomberg

Key changes in this note

- FY24F EPS increased by 12.0%.
- FY25F EPS increased by 9.6%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	32.2	34.5	25.8
Relative (%)	20.3	40.1	43.8

Major shareholders	% held
Baidu Holdings Limited	21.1
The Priceline Group Inc.	8.9

Analyst(s)

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Trip.com

Strong travel demand drives tourism market

- Trip.com reported 4Q23 revenue of Rmb10.3bn (+105% yoy, -25% qoq), largely in line with our expectation, thanks to strong travel demand.
- Non-GAAP net income was Rmb2.7bn in 4Q23 (+437% yoy, -45% qoq), beating our expectation, owing to better GPM expansion and expense control.
- We expect the strong travel momentum to last through 1Q24F and FY24F and forecast revenue and non-GAAP NP to grow by 17% yoy and 6% yoy, respectively, in FY24F.
- Reiterate Add, with a higher DCF-based TP of HK\$480, as we believe Trip.com would continue to benefit from the recovery in outbound travel demand in FY24F.

4Q23 topline largely in line

4Q23 accommodation revenue rose 131% yoy to Rmb3.9bn (32% higher than 4Q19), and transportation revenue was up 86% yoy to Rmb4.1bn (18% more than 4Q19). 4Q23 domestic hotel and air reservations continued to outpace pre-Covid levels. Outbound hotel and air reservations have recovered to c.80% of 4Q19's level, higher than the industry's 60% of recovery vs. 4Q19's level, driven by the strong travel demand in the APAC regions and favourable visa-free policies. Hotel booking revenue on its overseas platform (Trip.com) continued to deliver triple-digit yoy growth in 4Q23. Packaged tour revenue was up 329% yoy in 4Q23 to Rmb704m (recovered to 88% of 4Q19); domestic packaged tour revenue fully recovered, but outbound package tours are still lagging due to flight capacity constraints. 4Q23 corporate travel revenue was up 129% yoy to Rmb634m (70% higher than 4Q19). The company's domestic revenue delivered over 40% growth in FY23 vs. FY19, and outbound revenue was back to c.50% of FY19's level, with better recovery in 2H23 (i.e. back to 60-70% of 2H19's level). The company's domestic hotel and ticketing revenue grew by 60% and 50% yoy during the Spring Festival (10-17 Feb 24).

4Q23 bottomline beat our expectation

GPM expanded by 4.4% pts yoy (-1.5% pts qoq) to 80.5% in 4Q23, driven mainly by favourable revenue mix and higher ticket prices. Management said it remained disciplined with opex in 4Q23, leading to a non-GAAP net margin of 25.9% (+16% pts yoy, -9.7% pts qoq). For 1Q24F, we expect revenue to maintain a solid growth momentum of 27% yoy, factoring in the strong travel momentum during the Spring Festival, but potentially offset by the high base in Feb/Mar 23 post-reopening. We forecast the marketing expenses ratio to largely remain stable qoq but increase yoy in 1Q24F, deriving a non-GAAP OPM of 27% (+1.4% pts qoq, but -1.5% pts yoy).

Overseas travel expected to be the growth driver for FY24F

Management said in an analyst call that it noted strong outbound travel during 2024's Spring Festival. Singapore, Malaysia and Thailand delivered revenue growth of 30% vs. during 2019's Spring Festival, while travel revenue from HK, Macau and Japan also surpassed 2019's level. For FY24F, management expects strong outbound travel demand to be the main topline growth driver. The company's overall outbound revenue has recovered to 2019's level during the Spring Festival, and we expect it to fully recover in FY24F. Management guided that its global platforms, Trip.com and Skyscanner, should deliver over 50% and mid-teen yoy revenue growth, respectively, in FY24F. In the next 3-5 years, we expect the Trip.com platform to contribute c.20% of total revenue (from 7% in FY23, 9-10% in 4Q23) through business expansion in more regions, and the Trip.com platform to breakeven through better operating leverage in the next three years.

Reiterate Add, with a higher DCF-based TP of HK\$480

We raise our non-GAAP NP forecasts for FY24-25F by 9.6-12% and introduce FY26F forecasts to reflect higher operating profit, resulting in a higher DCF-based TP of HK\$480 (WACC: 10.1%, beta: 1.2, TG: 3%). We reiterate Add, as we believe the company will continue to benefit from strong travel demand and improved efficiency with its recently launched AI tools. Key re-rating catalyst: stronger outbound travel recovery. Key downside risks: 1) weaker travel demand recovery, and 2) higher marketing expenses.

Financial Summary

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue (Rmbm)	20,055	44,562	52,137	59,730	67,325
Operating EBITDA (Rmbm)	1,379	11,975	13,340	15,688	18,108
Net Profit (Rmbm)	1,403	9,918	10,817	12,637	14,512
Core EPS (Rmb)	2.00	20.02	20.79	23.67	26.63
Core EPS Growth	(6%)	903%	4%	14%	13%
FD Core P/E (x)	166.0	16.8	17.1	15.0	13.4
DPS (Rmb)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	119.2	12.4	10.2	7.5	5.3
P/FCFE (x)	NA	8.61	23.28	19.44	16.54
Net Gearing	1.6%	(13.6%)	(20.0%)	(26.4%)	(32.6%)
P/BV (x)	1.89	1.75	1.61	1.46	1.31
ROE	1.2%	11.1%	10.8%	11.1%	11.2%
% Change In Core EPS Estimates			12.0%	9.6%	
CGI/consensus EPS (x)			0.97	0.96	0.96

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

Strong travel demand drives tourism market

Share buy-back plan to benefit shareholders

From Jan 2023 to Feb 2024, the company has bought back shares, accounting for c.1% of its total shareholding, to benefit the investors. The company just announced a new share buy-back plus cash dividend plan, for a total consideration of US\$300m; including the unused share buyback plan of US\$280m from 2023, the company would have a total of US\$580m for share buybacks and cash dividends in 2024F, in our view.

Figure 1: Financial results

Consolidated Profit and Loss Account Y/E 31st Dec	Mar-23 RMB 'm	Jun-23 RMB 'm	'Sep-23 RMB 'm	Dec-23F RMB 'm	Mar-24F RMB 'm
Accommodation reservation	3,480.0	4,285.0	5,589.0	3,903.0	4,419.6
QoQ growth %	106.0%	23.1%	30.4%	-30.2%	13.2%
YoY growth %	140.0%	215.8%	92.5%	131.1%	27.0%
Transportation ticketing	4,156.0	4,814.0	5,367.0	4,106.0	5,028.8
QoQ growth %	88.6%	15.8%	11.5%	-23.5%	22.5%
YoY growth %	149.9%	173.1%	104.6%	86.3%	21.0%
Packaged tour	386.0	722.0	1,328.0	704.0	849.2
QoQ growth %	135.4%	87.0%	83.9%	-47.0%	20.6%
YoY growth %	211.3%	491.8%	243.2%	329.3%	120.0%
Corporate Travel	445.0	584.0	591.0	634.0	502.9
QoQ growth %	60.6%	31.2%	1.2%	7.3%	-20.7%
YoY growth %	100.5%	178.1%	59.7%	128.9%	13.0%
Others	744.0	857.0	876.0	991.0	855.6
QoQ growth %	6.7%	15.2%	2.2%	13.1%	-13.7%
YoY growth %	14.1%	52.0%	42.9%	42.2%	15.0%
Total Revenue	9,211.0	11,262.0	13,751.0	10,338.0	11,656.0
QoQ growth %	83.1%	22.3%	22.1%	-24.8%	12.7%
YoY growth %	124.1%	180.4%	99.4%	105.5%	26.5%
	94.5%	256.2%	151.7%	108%	42.6%
Business Tax and Related Surcharge	(13.0)	(15.0)	(11.0)	(4.0)	(13.0)
As % of revenue	0.14%	0.13%	0.08%	0.04%	0.11%
% of revenue qoq change	0.06%	-0.01%	-0.05%	-0.04%	0.07%
% of revenue yoy change	0.09%	0.01%	0.01%	-0.04%	-0.03%
Net Revenue	9,198.0	11,247.0	13,740.0	10,325.0	11,643.0
QoQ growth %	83.0%	22.3%	22.2%	-24.9%	12.8%
YoY growth %	123.9%	180.4%	99.4%	105.4%	26.6%
Cost of Revenue	(1,637.0)	(2,007.0)	(2,467.0)	(2,010.0)	(2,328.6)
Gross Profit	7,561.0	9,240.0	11,273.0	8,315.0	9,314.4
QoQ growth %	97.5%	22.2%	22.0%	-26.2%	12.0%
YoY growth %	148.6%	204.4%	100.6%	117.2%	23.2%
GPM	82.20%	82.2%	82.0%	80.5%	80.00%
QoQ change %	6.05%	-0.05%	-0.11%	-1.51%	-0.53%
YoY change %	8.17%	6.5%	0.5%	4.38%	-2.20%
Income/(loss) from operations (GAAP)	2,241	2,977	3,909	2,197	2,662
Income/(loss) from operations (Non-GAAP)	2,619	3,474	4,418	2,647	3,142
EBIT margin (Non-GAAP)	28.5%	30.9%	32.2%	25.6%	27.0%
	31.8%	27.5%	14.7%	24.2%	-1.5%
Net income/(loss)	3,374.0	648.0	4,638.0	1,342.0	3,414.6
Less: Net loss attributable to noncontrolling interest	1.0	(17.0)	(23.0)	(45.0)	(10.0)
Net income attributable to Trip.com's shareholders	3,375.0	631.0	4,615.0	1,297.0	3,404.6
QoQ change %	64.1%	-81.3%	631.4%	-71.9%	162.5%
YoY change %	-441.3%	814.5%	1635.0%	-36.9%	0.9%
Net profit margin (GAAP)	36.7%	5.6%	33.6%	12.6%	29.2%
Share-based compensation	378.0	497.0	509.0	450.0	480.0
Fair value changes of equity security investments	(1,688.0)	2,306.0	(227.0)	928.0	(1,500.0)
Net income attributable to Trip.com's shareholders	2,065.0	3,434.0	4,897.0	2,675.0	2,384.6
QoQ change %	314.7%	66.3%	42.6%	-45.4%	-10.9%
YoY change %	-5836.1%	-1791.6%	373.1%	437.1%	15.5%
Net profit margin (Non-GAAP)	22.5%	30.5%	35.6%	25.9%	20.5%

SOURCES: CGIS RESEARCH ESTIMATES, COMPANY DATA

Figure 2: Hotel and flight travel data on Trip.com platform vs. same period in 2019

Monthly/Quarterly/Yearly	Hotel (STR)			Travel		
	OCC	ADR	RevPAR	Domestic passenger volume (Flight)	Cross-border passenger volume (Flight)	Domestic passenger volume (Railway)
Jan 23	-21%	13%	-11%	-16%	-91%	NA
Feb 23	11%	-1%	9%	-10%	-86%	NA
Mar 23	0%	-2%	-3%	-5%	-79%	NA
Apr 23	-5%	2%	-2%	5%	-70%	8%
May 23	-2%	1%	-1%	4%	-64%	6%
Jun 23	-1%	3%	2%	8%	-56%	5%
Jul 23	1%	9%	10%	13%	-47%	14%
Aug 23	2%	11%	12%	12%	-45%	NA
Sep 23	-2%	-3%	-4%	3%	-43%	NA
Oct 23	-5%	2%	-3%	4%	-42%	NA
Nov 23	-4%	-8%	-12%	-3%	-42%	NA
Dec 23	4%	-7%	-3%	0%	-33%	NA
1Q23	-4%	3%	-2%	-10%	-85%	NA
2Q23	-2%	2%	0%	5%	-63%	6%
3Q23	-1%	5%	5%	10%	-45%	12%
4Q23	-2%	-4%	-6%	1%	-39%	NA
2023	-2%	1%	-1%	2%	-58%	3%
Jan 24 (vs. Jan 23)	29%	-12%	14%	37%	NA	NA

SOURCES: CGIS RESEARCH, COMPANY DATA

Figure 3: Earnings revision

(Rmb m)	FY24F			FY25F			FY26F		
	Old	New	% change	Old	New	% change	Old	New	% change
Net revenue	51,545	52,076	1.0%	59,075	59,660	1.0%	NA	67,246	NA
GP margin	80.7%	80.0%	-0.7 ppts	81.1%	80.1%	-1.0 ppts	NA	80.2%	NA
Operating margin (Non-GAAP)	26.8%	28.0%	1.2 ppts	27.6%	28.5%	0.9 ppts	NA	29.0%	NA
Net income (GAAP)	10,461	10,817	3.4%	12,340	12,637	2.4%	NA	14,512	NA
Net income (non-GAAP)	12,032	13,842	15.0%	14,005	15,759	12.5%	NA	17,735	NA
EPS (non-GAAP)	18.56	20.79	12.0%	21.60	23.67	9.6%	NA	26.63	NA

SOURCES: CGIS RESEARCH ESTIMATES, COMPANY DATA

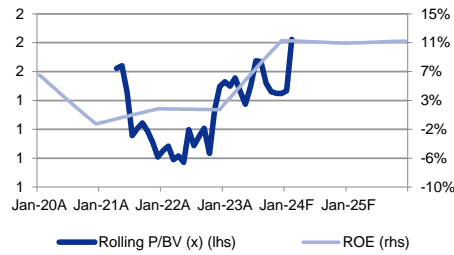
Figure 4: DCF valuation

DCF valuation (Rmb m)	FY23	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F
EBIT (non-GAAP)	13,158.0	14,595.4	17,019.4	19,519.6	20,690.8	21,932.3	23,248.2	24,643.1	25,875.3	27,169.0	28,527.5	29,953.8
Taxes	-1,750.0	-3,248.2	-3,855.1	-4,479.9	-4,748.7	-5,033.6	-5,335.6	-5,655.8	-5,938.5	-6,235.5	-6,547.2	-6,874.6
NOPAT	11,408.0	11,347.2	13,164.3	15,039.8	15,942.1	16,898.7	17,912.6	18,987.3	19,936.7	20,933.6	21,980.2	23,079.2
NOPAT growth	1820.5%	-0.5%	16.0%	14.2%	6.0%	6.0%	6.0%	6.0%	5.0%	5.0%	5.0%	5.0%
D&A	651.0	670.5	690.6	711.3	725.5	740.1	754.9	770.0	785.4	801.1	817.1	833.4
Funds from operation	12,059.0	12,017.7	13,854.9	15,751.1	16,667.7	17,638.7	18,667.5	19,757.3	20,722.1	21,734.6	22,797.3	23,912.7
Change in net working Capital	8,273.0	3,595.2	4,190.9	4,898.1	4,996.0	5,096.0	5,197.9	5,301.8	5,407.9	5,516.0	5,626.4	5,738.9
Cash flow from operation	20,332.0	15,612.9	18,045.8	20,649.2	21,663.7	22,734.7	23,865.3	25,059.2	26,130.0	27,250.7	28,423.7	29,651.6
Capex	-589.0	-824.7	-849.5	-875.0	-892.5	-910.3	-928.5	-947.1	-966.0	-985.4	-1,005.1	-1,025.2
Free cash flow from operation	19,743.0	14,788.2	17,196.3	19,774.2	20,771.3	21,824.4	22,936.8	24,112.0	25,163.9	26,265.3	27,418.6	28,626.4
FCF growth	-27907.0%	-25.1%	16.3%	15.0%	5.0%	5.1%	5.1%	5.1%	4.4%	4.4%	4.4%	4.4%
Terminal free cash flow	414,303.8											
Total discounted free cash flow	140,714.9											
Present value of terminal free cash flow	127,851.3											
Total present value of forecasted free cash flows	268,566.3											
Less: Net Debt	973.0											
Equity Value	267,593.3											
No. of shares (millions)	671.1											
Per share Equity Value (Rmb)	398.80											
Exchange rate	0.83											
Target price (HK\$)	480.00											

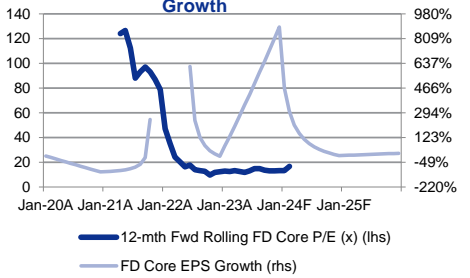
SOURCES: CGIS RESEARCH ESTIMATES, COMPANY DATA

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(Rmbm)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	20,039	44,510	52,076	59,660	67,246
Gross Profit	15,526	36,389	41,661	47,788	53,931
Operating EBITDA	1,379	11,975	13,340	15,688	18,108
Depreciation And Amortisation	(1,291)	(651)	(670)	(691)	(711)
Operating EBIT	88	11,324	12,670	14,997	17,397
Financial Income/(Expense)	532	23	123	223	323
Pretax Income/(Loss) from Assoc.	(586)	1,072	1,072	1,072	1,072
Non-Operating Income/(Expense)	2,015	(667)	200	200	200
Profit Before Tax (pre-EI)	2,049	11,752	14,065	16,492	18,992
Exceptional Items					
Pre-tax Profit	2,049	11,752	14,065	16,492	18,992
Taxation	(682)	(1,750)	(3,248)	(3,855)	(4,480)
Exceptional Income - post-tax					
Profit After Tax	1,367	10,002	10,817	12,637	14,512
Minority Interests	36	(84)	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,403	9,918	10,817	12,637	14,512
Recurring Net Profit	1,294	13,071	13,842	15,759	17,735
Fully Diluted Recurring Net Profit	1,294	13,071	13,842	15,759	17,735

Cash Flow

(Rmbm)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	1,379	11,975	13,340	15,688	18,108
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(800)	8,273	3,595	4,191	4,898
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	3,576	1,507	1,068	657	233
Net Interest (Paid)/Received	(1,514)	(2,067)	(2,067)	(2,067)	(2,067)
Tax Paid					
Cashflow From Operations	2,641	19,688	15,936	18,469	21,172
Capex	(497)	(589)	(825)	(849)	(875)
Disposals Of FAs/subsidiaries	600	0	0	0	0
Acq. Of Subsidiaries/investments	1,034	8,632	(4,934)	(5,428)	(5,970)
Other Investing Cashflow	(1)	181	0	0	0
Cash Flow From Investing	1,136	8,224	(5,759)	(6,277)	(6,845)
Debt Raised/(repaid)	(6,080)	(2,416)	0	0	0
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	0	0	0	0	0
Preferred Dividends					
Other Financing Cashflow	(637)	0	0	0	0
Cash Flow From Financing	(6,717)	(2,416)	0	0	0
Total Cash Generated	(2,940)	25,496	10,177	12,192	14,327
Free Cashflow To Equity	(2,303)	25,496	10,177	12,192	14,327
Free Cashflow To Firm	5,291	29,979	12,244	14,259	16,394

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

BY THE NUMBERS... cont'd

Balance Sheet

(Rmbm)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Cash And Equivalents	44,032	61,731	71,908	84,100	98,426
Total Debtors	5,486	11,410	13,122	15,090	17,353
Inventories					
Total Other Current Assets	11,917	15,591	15,903	16,221	16,545
Total Current Assets	61,435	88,732	100,932	115,410	132,325
Fixed Assets	5,204	5,142	5,296	5,455	5,619
Total Investments	50,177	49,342	54,276	59,704	65,674
Intangible Assets	72,162	72,016	72,016	72,016	72,016
Total Other Non-Current Assets	2,713	3,905	3,919	3,933	3,947
Total Non-current Assets	130,256	130,405	135,507	141,108	147,256
Short-term Debt	28,470	25,857	25,857	25,857	25,857
Current Portion of Long-Term Debt					
Total Creditors	15,847	29,839	33,800	38,452	43,930
Other Current Liabilities	12,718	16,715	18,387	20,225	22,248
Total Current Liabilities	57,035	72,411	78,043	84,535	92,035
Total Long-term Debt	17,381	19,099	19,099	19,099	19,099
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	4,256	4,621	4,621	4,621	4,621
Total Non-current Liabilities	21,637	23,720	23,720	23,720	23,720
Total Provisions	0	0	0	0	0
Total Liabilities	78,672	96,131	101,763	108,255	115,755
Shareholders' Equity	112,283	122,184	134,926	149,585	166,220
Minority Interests	736	822	(250)	(1,322)	(2,394)
Total Equity	113,019	123,006	134,676	148,263	163,826

Key Ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	0%	122%	17%	15%	13%
Operating EBITDA Growth	68850%	768%	11%	18%	15%
Operating EBITDA Margin	6.9%	26.9%	25.6%	26.3%	26.9%
Net Cash Per Share (Rmb)	(2.81)	25.69	40.47	58.78	80.30
BVPS (Rmb)	173.2	187.2	202.6	224.6	249.6
Gross Interest Cover	0.06	5.48	6.13	7.26	8.42
Effective Tax Rate	33.3%	14.9%	23.1%	23.4%	23.6%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	92.23	69.20	86.11	86.20	87.94
Inventory Days	-	-	-	-	-
Accounts Payables Days	549.5	540.0	636.2	667.9	714.7
ROIC (%)	0.1%	16.4%	20.6%	25.8%	32.2%
ROCE (%)	1.33%	8.21%	8.55%	9.27%	9.84%
Return On Average Assets	0.44%	4.86%	4.69%	5.04%	5.29%

Key Drivers

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Accommodation reservation booking volume yoy (%)	20.0%	65.0%	20.0%	12.0%	10.0%
Transportation ticketing booking volume yoy (%)	20.0%	110.0%	17.0%	12.0%	10.0%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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Description:	Excellent	Very Good	Good	N/A	N/A

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Distribution of stock ratings and investment banking clients for quarter ended on 31 Dec 2023		
636 companies under coverage for quarter ended on 31 Dec 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

Spitzer Chart for stock being researched (2 year data)

Trip.com (9961 HK)

— Price Close



RECOMMENDATION FRAMEWORK

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Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
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