

# Trip.com (TCOM US)

## Resilient revenue growth with investment on track for overseas expansion

Trip.com Group (TCOM) released (20 May) 1Q25 results: total revenue was RMB13.9bn, up 16% YoY, inline with both our forecast and Bloomberg consensus estimates; non-GAAP operating income (OP) was RMB4.0bn, 7% better than both our estimates and consensus, mainly thanks to more optimized-than-expected sales and marketing spend. Overall travel demand remains resilient, in our view, and TCOM sustained better-than-industry booking volume growth for both domestic business and outbound business, aided by its strong supply chain capabilities, as well as superior customer services capabilities. TCOM's overseas expansion is also on the right track. Although the investment may weigh on earnings growth in the near term, the international expansion should bring long-term value to TCOM, in our view. Both our 25-27E revenue and earnings forecasts remain largely unchanged, and we keep our DCF-based TP at US\$70.0, translating into 20x 25E PE (non-GAAP). BUY.

■ **Expecting resilient revenue growth in 2Q25E.** For domestic business, management noted resilient booking volume growth QTD in 2Q25, with hotel booking volume growth standing at c. 10-15% YoY, and transportation ticketing volume growth standing at mid-to-low single digit YoY. Management also noted an improving trend in the YoY decline of average daily rate (ADR) from high single digit in 1Q to mid-to-low single digit range in 2Q for domestic accommodation reservations. Outbound air ticket and hotel bookings on TCOM's platform recovered to more than 120% of the 2019 level in 1Q25 (4Q24: ~120%; 1Q24: ~90%), consistently outperforming the overall market by c.30-40ppts. The trend could sustain in 2Q25, in our view, while revenue growth of the business cloud see tougher comps in 2H25. For pure international business, Trip.com accounted for 13% of group-level revenue in 1Q25, and sustained over 50% YoY revenue growth. We are looking for a slight acceleration trend for Trip.com's revenue growth in 2H25 given better seasonality in overseas markets, and TCOM's incremental investment to drive growth. For 2Q25E, we are looking for a sequentially resilient revenue growth of 15% YoY, with total revenue to reach RMB14.6bn, in line with Bloomberg consensus.

■ **Incremental investment in Trip.com likely to bring short-term margin headwind but should benefit the long term.** TCOM's non-GAAP OPM for 1Q25 was 29.2%, 1.7ppts better than consensus, mainly driven by more optimized-than-expected sales and marketing spend, although this was again partly offset by lower-than-expected GPM owing to increased revenue contribution from Trip.com. Non-GAAP operating expenses as a percentage of total revenue was 51.2% in 1Q25, better than consensus at 53.5%, while the GPM of 80.3% was 0.7ppts shy of consensus. We expect TCOM to maintain its investment plan to achieve international expansion of the Trip.com platform. Contribution margin for relatively mature markets such as Hong Kong and Singapore should continue to see margin improvement, while fast-growing markets such as Japan, Malaysia, and Thailand are aiming at market share expansion, and new markets such as the Middle East and European regions are making some early-stage infrastructure investment. Although incremental investment in Trip.com may weigh on near-term earnings growth, we are positive on the long-term benefits. For 2Q25E/2025E, we are looking for non-GAAP OP of RMB4.4bn/18.0bn, up 3/11% YoY.

**BUY (Maintain)**

**Target Price** US\$70.00  
**Up/Downside** 10.4%  
**Current Price** US\$63.38

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### Stock Data

|                          |             |
|--------------------------|-------------|
| Mkt Cap (US\$ mn)        | 45,046.6    |
| Avg 3 mths t/o (US\$ mn) | 168.0       |
| 52w High/Low (US\$)      | 75.06/39.32 |
| Total Issued Shares (mn) | 710.7       |

Source: FactSet

### Shareholding Structure

|                |       |
|----------------|-------|
| Baidu Entities | 10.8% |
| Morgan Stanley | 5.8%  |

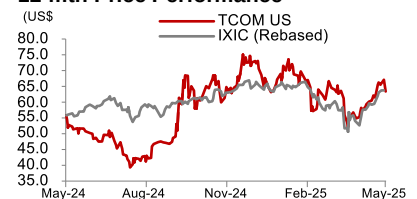
Source: HKEx

### Share Performance

|       | Absolute | Relative |
|-------|----------|----------|
| 1-mth | 14.7%    | -4.9%    |
| 3-mth | -5.4%    | -3.5%    |
| 6-mth | -2.7%    | -3.6%    |

Source: FactSet

### 12-mth Price Performance



Source: FactSet

**Earnings Summary**

| <b>(YE 31 Dec)</b>                  | <b>FY23A</b> | <b>FY24A</b> | <b>FY25E</b> | <b>FY26E</b> | <b>FY27E</b> |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue (RMB mn)</b>             | 44,562       | 53,377       | 61,507       | 68,908       | 75,378       |
| <b>YoY growth (%)</b>               | 122.2        | 19.8         | 15.2         | 12.0         | 9.4          |
| <b>Net profit (RMB mn)</b>          | 9,918.0      | 17,067.0     | 16,339.1     | 17,510.4     | 19,454.3     |
| <b>Adjusted net profit (RMB mn)</b> | 13,071.0     | 18,041.0     | 17,799.8     | 19,612.1     | 21,564.9     |
| <b>YoY growth (%)</b>               | 910.1        | 38.0         | (1.3)        | 10.2         | 10.0         |
| <b>EPS (Adjusted) (RMB)</b>         | 19.48        | 25.84        | 25.04        | 27.59        | 30.34        |
| <b>P/E (x)</b>                      | 30.1         | 17.6         | 18.4         | 17.2         | 15.4         |

Source: Company data, Bloomberg, CMBIGM estimates

## Results comparison and changes in forecast

Figure 1: TCOM: quarterly financial results

| (RMBbn)                          | 1Q24        | 2Q24        | 3Q24        | 4Q24        | 1Q25        | 1Q25E consensus | Diff%       |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-----------------|-------------|
| <b>Total revenue</b>             | <b>11.9</b> | <b>12.8</b> | <b>15.9</b> | <b>12.8</b> | <b>13.9</b> | <b>13.8</b>     | <b>0.4%</b> |
| YoY growth (%)                   | 29.4%       | 13.5%       | 15.6%       | 23.5%       | 16.2%       |                 |             |
| Accommodation reservation        | 4.5         | 5.1         | 6.8         | 5.2         | 5.5         | 5.5             | 1.4%        |
| YoY growth (%)                   | 29.2%       | 19.9%       | 21.7%       | 32.7%       | 23.2%       |                 |             |
| Transportation ticketing         | 5.0         | 4.9         | 5.7         | 4.8         | 5.4         | 5.4             | 0.2%        |
| YoY growth (%)                   | 20.3%       | 1.2%        | 5.3%        | 16.4%       | 8.4%        |                 |             |
| Packaged tour                    | 0.9         | 1.0         | 1.6         | 0.9         | 0.9         | 1.0             | -5.9%       |
| YoY growth (%)                   | 128.8%      | 42.0%       | 17.3%       | 23.6%       | 7.2%        |                 |             |
| Corporate travel                 | 0.5         | 0.6         | 0.7         | 0.7         | 0.6         | 0.5             | 4.4%        |
| YoY growth (%)                   | 14.8%       | 8.4%        | 11.0%       | 10.7%       | 12.1%       |                 |             |
| Others                           | 1.0         | 1.1         | 1.2         | 1.2         | 1.4         | 1.4             | -1.0%       |
| YoY growth (%)                   | 38.6%       | 31.0%       | 40.9%       | 24.9%       | 33.0%       |                 |             |
| Gross profit                     | 9.7         | 10.5        | 13.1        | 10.1        | 11.1        | 11.2            | -0.5%       |
| Operating profit                 | 3.3         | 3.6         | 5.0         | 2.3         | 3.6         | 3.3             | 7.3%        |
| <b>Non-GAAP operating profit</b> | <b>3.8</b>  | <b>4.2</b>  | <b>5.5</b>  | <b>2.8</b>  | <b>4.0</b>  | <b>3.8</b>      | <b>6.6%</b> |
| <b>Non-GAAP net profit</b>       | <b>4.1</b>  | <b>5.0</b>  | <b>6.0</b>  | <b>3.0</b>  | <b>4.2</b>  | <b>3.8</b>      | <b>9.0%</b> |
| <b>Expense ratio and margins</b> |             |             |             |             |             |                 |             |
| GPM (%)                          | 81.1%       | 81.8%       | 82.2%       | 79.1%       | 80.3%       | 81.0%           | -0.7 ppt    |
| OPM (%)                          | 27.8%       | 27.8%       | 31.5%       | 18.0%       | 25.7%       | 24.1%           | 1.7 ppt     |
| Non-GAAP OPM (%)                 | 31.6%       | 33.1%       | 34.4%       | 21.6%       | 29.2%       | 27.5%           | 1.7 ppt     |
| Non-GAAP P&D expense ratio       | 24.3%       | 20.9%       | 21.5%       | 24.9%       | 23.9%       | 23.6%           | 0.3 ppt     |
| Non-GAAP S&M expense ratio       | 19.1%       | 21.8%       | 21.1%       | 26.2%       | 21.4%       | 23.8%           | -2.4 ppt    |
| Non-GAAP G&A expense ratio       | 6.1%        | 6.1%        | 5.3%        | 6.5%        | 5.9%        | 6.1%            | -0.2 ppt    |
| Adjusted NPM (%)                 | 34.0%       | 39.0%       | 37.5%       | 23.8%       | 30.2%       | 27.8%           | 2.4 ppt     |

Source: Company data, Bloomberg, CMBIGM

Both our 2025-2027E revenue and non-GAAP earning forecasts remain largely unchanged. The earnings beat in 1Q25 should provide TCOM more flexibility when investing in overseas expansion, in our view.

Figure 2: TCOM: forecast revision

| RMB bn              | Current |       |       | Previous |       |       | Change (%) |          |          |
|---------------------|---------|-------|-------|----------|-------|-------|------------|----------|----------|
|                     | 2025E   | 2026E | 2027E | 2025E    | 2026E | 2027E | 2025E      | 2026E    | 2027E    |
| Revenue             | 61.5    | 68.9  | 75.4  | 61.6     | 69.0  | 75.4  | -0.1%      | -0.1%    | 0.0%     |
| Gross profit        | 49.4    | 55.2  | 60.2  | 49.8     | 55.5  | 60.5  | -0.7%      | -0.6%    | -0.6%    |
| Operating profit    | 16.0    | 18.3  | 20.2  | 16.0     | 18.3  | 20.2  | 0.0%       | 0.1%     | 0.1%     |
| Non-GAAP net profit | 17.8    | 19.6  | 21.6  | 17.6     | 19.4  | 21.6  | 1.2%       | 0.8%     | 0.0%     |
| Gross Margin        | 80.4%   | 80.1% | 79.8% | 80.8%    | 80.5% | 80.3% | -0.5 ppt   | -0.5 ppt | -0.5 ppt |
| Operating Margin    | 26.0%   | 26.5% | 26.8% | 26.0%    | 26.5% | 26.8% | 0.0 ppt    | 0.0 ppt  | 0.0 ppt  |
| Non-GAAP net margin | 28.9%   | 28.5% | 28.6% | 28.6%    | 28.2% | 28.6% | 0.4 ppt    | 0.3 ppt  | 0.0 ppt  |

Source: CMBIGM estimates

Our DCF-based target price also remains unchanged at US\$70.0, translating into 20.1x 2025E PE (non-GAAP).

**Figure 3: TCOM: DCF valuation (WACC of 10.5%, terminal growth of 2.0%; both unchanged)**

| (RMBbn)                     | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total revenue               | 61.5  | 68.9  | 75.4  | 80.9  | 85.7  | 89.8  | 93.4  | 96.4  |
| NPV of FCF                  | 136.1 |       |       |       |       |       |       |       |
| Discounted terminal value   | 140.4 |       |       |       |       |       |       |       |
| Total equity valuation      | 354.8 |       |       |       |       |       |       |       |
| No. of shares (diluted, mn) | 711   |       |       |       |       |       |       |       |
| Valuation per share (USD)   | 70.0  |       |       |       |       |       |       |       |

Source: CMBIGM estimates

Note: 1) Our USD:RMB exchange rate assumption is 1:7.2; 2) our target valuation is based on weighted average valuation of 10 months in 2025E and 2 months in 2026E

**Figure 4: TCOM: one-year forward PE since 2023**

Source: Bloomberg, CMBIGM

## Financial Summary

| INCOME STATEMENT     | 2022A    | 2023A    | 2024A    | 2025E    | 2026E    | 2027E    |
|----------------------|----------|----------|----------|----------|----------|----------|
| YE 31 Dec (RMB mn)   |          |          |          |          |          |          |
| Revenue              | 20,055   | 44,562   | 53,377   | 61,507   | 68,908   | 75,378   |
| Cost of goods sold   | (4,513)  | (8,121)  | (9,990)  | (11,976) | (13,625) | (15,132) |
| Others               | (16)     | (52)     | (83)     | (89)     | (93)     | (95)     |
| Gross profit         | 15,526   | 36,389   | 43,304   | 49,441   | 55,189   | 60,152   |
| Operating expenses   | (15,438) | (25,065) | (29,127) | (33,442) | (36,919) | (39,938) |
| SG&A expense         | (7,097)  | (12,945) | (15,988) | (18,517) | (20,541) | (22,246) |
| R&D expense          | (8,341)  | (12,120) | (13,139) | (14,924) | (16,378) | (17,692) |
| Operating profit     | 88       | 11,324   | 14,177   | 15,999   | 18,270   | 20,214   |
| Interest income      | 2,046    | 2,090    | 2,341    | 2,307    | 2,356    | 2,443    |
| Interest expense     | (1,514)  | (2,067)  | (1,735)  | (1,187)  | (1,187)  | (1,187)  |
| Other income/expense | 2,015    | (667)    | 2,220    | 1,437    | 1,610    | 1,761    |
| Pre-tax profit       | 2,635    | 10,680   | 17,003   | 18,557   | 21,049   | 23,231   |
| Income tax           | (682)    | (1,750)  | (2,604)  | (3,489)  | (4,210)  | (4,646)  |
| Others               | (586)    | 1,072    | 2,828    | 1,428    | 828      | 1,027    |
| Minority interest    | 36       | (84)     | (160)    | (157)    | (157)    | (157)    |
| Net profit           | 1,403    | 9,918    | 17,067   | 16,339   | 17,510   | 19,454   |
| Adjusted net profit  | 1,294    | 13,071   | 18,041   | 17,800   | 19,612   | 21,565   |

| BALANCE SHEET                    | 2022A   | 2023A   | 2024A   | 2025E   | 2026E   | 2027E   |
|----------------------------------|---------|---------|---------|---------|---------|---------|
| YE 31 Dec (RMB mn)               |         |         |         |         |         |         |
| Current assets                   | 61,435  | 88,732  | 112,120 | 150,084 | 179,862 | 210,537 |
| Cash & equivalents               | 17,000  | 41,592  | 48,439  | 85,012  | 110,386 | 137,210 |
| Restricted cash                  | 1,487   | 2,391   | 2,654   | 4,305   | 4,824   | 5,276   |
| Account receivables              | 5,486   | 11,410  | 12,459  | 12,301  | 13,782  | 15,076  |
| Prepayment                       | 10,169  | 12,749  | 17,290  | 19,990  | 22,395  | 24,498  |
| Other current assets             | 27,293  | 20,590  | 31,278  | 28,475  | 28,476  | 28,477  |
| Non-current assets               | 130,256 | 130,405 | 130,461 | 129,451 | 129,327 | 129,227 |
| PP&E                             | 5,204   | 5,142   | 5,053   | 5,491   | 5,516   | 5,567   |
| Investment in JVs & assos        | 50,177  | 49,342  | 47,194  | 47,194  | 47,194  | 47,194  |
| Intangibles                      | 12,742  | 12,564  | 12,763  | 11,165  | 10,966  | 10,766  |
| Goodwill                         | 59,337  | 59,372  | 60,911  | 60,911  | 60,911  | 60,911  |
| Other non-current assets         | 2,796   | 3,985   | 4,540   | 4,690   | 4,740   | 4,790   |
| Total assets                     | 191,691 | 219,137 | 242,581 | 279,535 | 309,188 | 339,764 |
| Current liabilities              | 61,239  | 72,411  | 74,010  | 91,974  | 101,633 | 110,102 |
| Short-term borrowings            | 32,674  | 25,857  | 19,433  | 19,433  | 19,433  | 19,433  |
| Account payables                 | 7,569   | 16,459  | 16,578  | 19,874  | 22,611  | 25,111  |
| Tax payable                      | 835     | 2,038   | 2,117   | 5,233   | 6,315   | 6,969   |
| Other current liabilities        | 19,765  | 27,013  | 33,430  | 46,715  | 52,593  | 57,832  |
| Accrued expenses                 | 396     | 1,044   | 2,452   | 719     | 681     | 757     |
| Non-current liabilities          | 17,433  | 23,720  | 25,089  | 25,545  | 25,763  | 26,139  |
| Long-term borrowings             | 13,177  | 19,099  | 20,134  | 20,134  | 20,134  | 20,134  |
| Obligations under finance leases | 534     | 477     | 561     | 561     | 561     | 561     |
| Other non-current liabilities    | 3,722   | 4,144   | 4,394   | 4,850   | 5,068   | 5,444   |
| Total liabilities                | 78,672  | 96,131  | 99,099  | 117,519 | 127,395 | 136,241 |
| Share capital                    | 6       | 6       | 6       | 6       | 6       | 6       |
| Capital surplus                  | 95,196  | 97,428  | 101,187 | 103,417 | 105,718 | 108,029 |
| Retained earnings                | 20,135  | 28,806  | 45,251  | 61,555  | 79,031  | 98,450  |
| Other reserves                   | (3,054) | (4,056) | (3,894) | (3,894) | (3,894) | (3,894) |
| Total shareholders equity        | 112,283 | 122,184 | 142,550 | 161,084 | 180,861 | 202,591 |
| Minority interest                | 736     | 822     | 932     | 932     | 932     | 932     |
| Total equity and liabilities     | 191,691 | 219,137 | 242,581 | 279,535 | 309,188 | 339,764 |

| CASH FLOW                                | 2022A          | 2023A          | 2024A          | 2025E         | 2026E          | 2027E          |
|------------------------------------------|----------------|----------------|----------------|---------------|----------------|----------------|
| <b>YE 31 Dec (RMB mn)</b>                |                |                |                |               |                |                |
| <b>Operating</b>                         |                |                |                |               |                |                |
| <b>Profit before taxation</b>            | <b>2,049</b>   | <b>11,752</b>  | <b>19,831</b>  | <b>19,985</b> | <b>21,877</b>  | <b>24,257</b>  |
| Depreciation & amortization              | 875            | 817            | 851            | 892           | 936            | 982            |
| Change in working capital                | (800)          | 9,256          | 3,321          | 15,422        | 5,773          | 5,072          |
| Others                                   | 517            | 179            | (4,378)        | (4,444)       | (5,093)        | (5,521)        |
| <b>Net cash from operations</b>          | <b>2,641</b>   | <b>22,004</b>  | <b>19,625</b>  | <b>31,855</b> | <b>23,493</b>  | <b>24,792</b>  |
| <b>Investing</b>                         |                |                |                |               |                |                |
| Capital expenditure                      | (497)          | (606)          | (591)          | (681)         | (763)          | (835)          |
| Acquisition of subsidiaries/ investments | 1,039          | (5,326)        | (16,036)       | 0             | 0              | 0              |
| Others                                   | 594            | 11,851         | 10,575         | 3             | 4              | 4              |
| <b>Net cash from investing</b>           | <b>1,136</b>   | <b>5,919</b>   | <b>(6,052)</b> | <b>(678)</b>  | <b>(759)</b>   | <b>(830)</b>   |
| <b>Financing</b>                         |                |                |                |               |                |                |
| Net borrowings                           | 4,938          | 5,721          | (3,231)        | 0             | 0              | 0              |
| Proceeds from share issues               | 0              | 0              | 0              | 0             | 0              | 0              |
| Others                                   | (11,655)       | (8,268)        | (3,479)        | 7,047         | 3,158          | 3,316          |
| <b>Net cash from financing</b>           | <b>(6,717)</b> | <b>(2,547)</b> | <b>(6,710)</b> | <b>7,047</b>  | <b>3,158</b>   | <b>3,316</b>   |
| <b>Net change in cash</b>                |                |                |                |               |                |                |
| Cash at the beginning of the year        | 21,196         | 18,487         | 43,983         | 51,093        | 89,317         | 115,209        |
| Exchange difference                      | 231            | 120            | 247            | 0             | 0              | 0              |
| Others                                   | (2,940)        | 25,376         | 6,863          | 38,224        | 25,892         | 27,277         |
| <b>Cash at the end of the year</b>       | <b>18,487</b>  | <b>43,983</b>  | <b>51,093</b>  | <b>89,317</b> | <b>115,209</b> | <b>142,487</b> |

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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|                  |                                                                   |
|------------------|-------------------------------------------------------------------|
| <b>BUY</b>       | : Stock with potential return of over 15% over next 12 months     |
| <b>HOLD</b>      | : Stock with potential return of +15% to -10% over next 12 months |
| <b>SELL</b>      | : Stock with potential loss of over 10% over next 12 months       |
| <b>NOT RATED</b> | : Stock is not rated by CMBIGM                                    |

|                       |                                                                                                     |
|-----------------------|-----------------------------------------------------------------------------------------------------|
| <b>OUTPERFORM</b>     | : Industry expected to outperform the relevant broad market benchmark over next 12 months           |
| <b>MARKET-PERFORM</b> | : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months |
| <b>UNDERPERFORM</b>   | : Industry expected to underperform the relevant broad market benchmark over next 12 months         |

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