

Trip.com (TCOM US)

Strong domestic rebound ahead

TCOM 1Q21 achieved all-round beat. Looking ahead, we reiterate our confidence on domestic travel momentum in 2Q21E and 2H21E, given V-shaped rebound in Qingming & Labor Day, upcoming peak season and faster vaccine progress. Mgmt stated that QTD rev surged over 80% YoY, and domestic hotel & air ticketing volume grew 20%+ QTD (vs. 2Q19 QTD). We forecast 2Q21E rev +38% QoQ. Overseas uncertainty remains but expectation is already low. We keep our financials barely changed, and maintain our TP of US\$48 (27.6x FY22E P/E).

- **1Q21 all-round beat.** 1Q21 rev -13% YoY, 35% above consensus. By segment, hotel/transportation rev +37%/-37% YoY. Adj. net loss came in at RMB204mn, largely better than consensus of -RMB1.3bn. Margin beat on lighter operating expenses. Apart from this upbeat result, we believe investors have already moved into stronger-than-expected momentum in 2Q21E & 2H21E.
- **Expecting strong domestic rebound ahead.** Mgmt reiterated their confidence on domestic travel rebound from Mar. QTD Rev surged over 80% YoY, mainly thanks to strong domestic hotel & air ticketing. Compared to 2Q19 level, domestic hotel & air ticketing volume grew 20%+ QTD, per mgmt. Mgmt also stated that hotel room nights have recovered to pre-epidemic level, while ADR is yet back (similar to peers). We believe these metrics beat market expectation, and V-shaped rebound in Qingming & Labor Day brought high visibility for 2Q21E growth (forecasting rev +38% QoQ). Upcoming peak season and vaccine progress would be further catalysts.
- **Overseas uncertainty remains but expectation already low.** Mgmt stated that overseas travel (non-outbound) achieved decent recovery, with domestic hotel returned to pre-epidemic level. Despite recent resurgence of cases in some regions, we believe any positive recovery signs (e.g. faster vaccine progress; travel bubble) would directly boost its stock price, given already-low market expectation.
- **Maintain BUY.** We keep our financials barely changed, and maintain our TP of US\$48 (27.6x FY22E P/E). We believe Trip would be relatively defensive in internet sector, given its better-than-expected domestic recovery and low regulation risk. Further catalysts: 1) vaccine progress & overseas recovery; 2) 2Q21E rebound and 3) mid-/high-end hotels momentum.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	35,666	18,316	23,554	36,602	43,131
YoY growth (%)	15.2	(48.6)	28.6	55.4	17.8
Adj. net income (RMB mn)	6,527	(913)	1,917	7,098	8,968
Adj. EPS (RMB)	10.8	(1.5)	3.0	11.9	14.9
YoY growth (%)	16.6	NA	NA	290.9	25.1
Consensus EPS (RMB)	NA	NA	4.1	10.1	13.1
P/E (x)	23.8	NA	84.2	21.6	17.2
P/S (x)	4.3	8.3	6.4	4.1	3.5
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	8.6	(1.2)	0.4	5.2	6.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	US\$48
(Previous TP	US\$48)
Up/Downside	+17.4%
Current Price	US\$40.9

China Internet Sector

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Stock Data

Mkt Cap (US\$ mn)	24,954
Avg 3 mths t/o (US\$ mn)	202.04
52w High/Low (US\$)	45.19/ 23.53
Total Issued Shares (mn)	633

Source: Bloomberg

Shareholding Structure

Morgan Stanley	5.15%
T Rowe Price	4.46%
BlackRock	3.22%

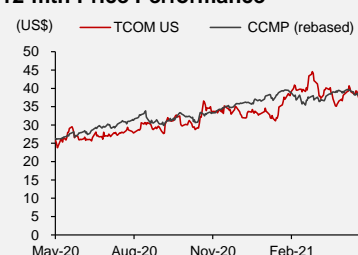
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	8.0%	14.1%
3-mth	3.8%	8.2%
6-mth	17.1%	3.8%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

Related Reports

1. Eyes on 2Q21 rebound and overseas recovery – 5 Mar 2021
2. Initiation: Recovery in sight – 18 Dec 2020

Figure 1: 1Q21 financial review

RMB mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	QoQ	YoY	Consensus	Diff %
Revenue	8,173	8,701	10,499	8,343	4,735	3,162	5,464	4,966	4,109	-17.3%	-13.2%	3,038	35%
Operating profit	885	1,333	2,242	580	(1,509)	(688)	790	(16)	(787)	NA	NA	(1,273)	NA
Net profit	4,613	(403)	793	2,008	(5,353)	(476)	1,578	1,004	1,780	77.3%	NA	(1,730)	NA
Adj. net profit	1,750	1,329	2,262	1,186	(2,220)	(1,155)	1,399	1,063	(204)	NA	NA	(1,299)	NA
Adj. EPS (RMB)	2.93	2.25	3.70	1.94	(3.73)	(1.93)	2.32	1.75	(0.34)	NA	NA	(2.09)	NA
Margin (%)													
Gross margin	79.2%	79.2%	79.2%	79.2%	74.1%	72.3%	81.1%	81.6%	74.8%			76.1%	
Operating margin	10.8%	15.3%	21.4%	7.0%	-31.9%	-21.8%	14.5%	-0.3%	-19.2%			-41.9%	
Adj. net margin	21.4%	15.3%	21.5%	14.2%	-46.9%	-36.5%	25.6%	21.4%	-5.0%			-42.8%	
Growth (%)													
Revenue (YoY)	20.8%	18.3%	11.7%	10.0%	-42.1%	-63.7%	-48.0%	-40.5%	-13.2%			-35.8%	
Revenue (QoQ)	7.8%	6.5%	20.7%	-20.5%	-43.2%	-33.2%	72.8%	-9.1%	-17.3%			-38.8%	
Operating profit	50.0%	84.1%	51.5%	NA	NA	NA	-64.8%	#####	-48%			-15.6%	
Adj. net profit	-17.6%	19.6%	30.6%	131.2%	NA	NA	-38.2%	-10.4%	-90.8%			-41.5%	

Source: Company data, Bloomberg, CMBIS estimates

Figure 2: 1Q21 revenue breakdown

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	QoQ	YoY
Revenue (RMB mn)	8,173	8,701	10,499	8,343	4,735	3,162	5,464	4,966	4,109	-17.3%	-13.2%
Accommodation reservation	3,019	3,410	4,117	2,968	1,155	1,254	2,479	2,244	1,580	-29.6%	36.8%
Transportation ticketing	3,354	3,407	3,721	3,470	2,393	1,150	1,904	1,699	1,506	-11.4%	-37.1%
Packaged tour	1,045	1,051	1,638	800	523	130	326	262	169	-35.5%	-67.7%
Corporate travel	238	309	335	373	126	162	282	307	252	-17.9%	100.0%
Others	517	524	688	732	538	466	473	454	602	32.6%	11.9%

Source: Company data

Figure 3: CMBIS estimates vs consensus

RMB mn, Dec-YE	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	23,554	36,602	43,131	24,476	37,272	45,314	-3.8%	-1.8%	-4.8%
Gross Profit	18,275	29,253	34,841	19,043	29,393	36,024	-4.0%	-0.5%	-3.3%
Operating Profit	62	5,132	6,633	2,112	7,304	10,152	-97.1%	-29.7%	-34.7%
Adj. net profit	1,917	7,098	8,968	1,920	7,200	9,183	-0.1%	-1.4%	-2.3%
EPS (RMB)	3.04	11.87	14.85	2.77	10.92	14.13	9.6%	8.8%	5.1%
Gross Margin	77.6%	79.9%	80.8%	77.8%	78.9%	79.5%	-0.2ppts	+1.1ppts	+1.3ppts
Operating Margin	0.3%	14.0%	15.4%	8.6%	19.6%	22.4%	-8.4ppts	-5.6ppts	-7.0ppts
Net Margin	8.1%	19.4%	20.8%	7.8%	19.3%	20.3%	+0.3ppts	+0.1ppts	+0.5ppts

Source: Company data, Bloomberg, CMBIS estimates

Figure 4: SOTP valuation

Business (US\$ mn)	'22E Adj. net profit	Methodology	Multiple	Valuation	Stakes	Value
Core business	1087.0	P/E	23.0x	25,002.1	100%	25,002.1
Investment portfolio		Mkt cap				
Tongcheng-Elong Holdings				4,175.3	26.3%	1,099.8
MakeMyTrip				3,612.8	49.0%	1,770.3
China Eastern Airlines				12,430.2	3.0%	369.6
Tuniu				465.0	3.4%	15.8
Huazhu				18,199.0	7.4%	1,346.7
TripAdvisor				7,203.6	5.7%	410.6
Enterprise Value						30,014.8
(+) Net Cash						451.3
Equity Value						30,466.1
Diluted Shares Outstanding (mn)						630.9
Price Target (US\$)						48.3

Source: CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Gross Revenue	35,716	18,327	23,568	36,623	43,156
Accommodation	13,514	7,132	11,200	15,903	19,257
Transportation ticketing	13,952	7,146	7,022	13,324	15,152
Packaged tour	4,534	1,241	1,820	3,276	3,931
Corporate travel	1,255	877	1,293	1,551	1,861
Others	2,461	1,931	2,234	2,569	2,954
Net revenue	35,666	18,316	23,554	36,602	43,131
COGS	(7,372)	(4,031)	(5,280)	(7,349)	(8,290)
Gross profit	28,294	14,285	18,275	29,253	34,841
S&M	(9,151)	(4,246)	(7,066)	(9,663)	(11,387)
Admin.Exp.	(2,638)	(2,886)	(2,355)	(2,452)	(2,804)
R&D	(9,751)	(6,703)	(7,302)	(9,626)	(11,214)
SBC	(1,714)	(1,873)	(1,489)	(2,379)	(2,804)
Operating profit	5,040	(1,423)	62	5,132	6,633
Other income	4,047	198	354	644	947
Pre-tax Income	9,087	(1,225)	416	5,776	7,580
Equity in income of affiliates	(347)	(1,689)	71	74	77
Income Tax	(1,742)	(355)	(83)	(1,155)	(1,516)
Net profit	7,011	(3,247)	428	4,719	6,165
Adj. net profit	6,527	(913)	1,917	7,098	8,968

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Net income	6,998	(3,269)	404	4,695	6,141
D&A	1,450	760	754	752	826
Change in WC	282	(4,543)	3,814	(143)	148
Others	(1,397)	3,562	1,418	2,305	2,727
Operating CF	7,333	(3,490)	6,389	7,609	9,842
Capex	(823)	(550)	(825)	(1,282)	(1,510)
Change in restricted ST investment	15,011	-	-	-	-
Others	(16,601)	(4,622)	(0)	(0)	0
Investing CF	(2,413)	(5,172)	(825)	(1,282)	(1,510)
Equity raised	467	-	-	-	-
Change of Debts	2,067	3,149	-	-	-
Cash from CB raised	(10,048)	-	-	-	-
Others	(1,742)	3,181	-	-	-
Financing CF	(9,256)	6,330	-	-	-
Net change in cash	(4,027)	(2,332)	5,564	6,327	8,331
Cash (beg of yr)	25,774	21,747	19,415	24,979	31,306
FX	309	-	-	-	-
Cash (end of yr)	21,747	19,415	24,979	31,306	39,638

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	132,214	129,238	129,380	129,984	130,746
Fixed asset	6,226	5,868	6,153	6,847	7,696
Long-term investments	51,278	47,943	48,014	48,088	48,165
Intangible assets	71,481	72,697	72,483	72,319	72,155
Others	3,229	2,730	2,730	2,730	2,730
Current assets	67,955	58,011	64,516	77,751	89,541
Cash	19,923	19,415	24,979	31,306	39,638
Restricted cash	1,824	-	-	-	-
Short-term investments	23,058	24,820	24,820	24,820	24,820
Account receivable	7,661	4,119	5,297	8,231	9,699
Others	15,489	9,657	9,420	13,394	15,384
Current liabilities	69,182	58,369	63,124	69,889	73,496
Trade payable	12,294	4,506	8,679	11,075	12,492
Salary and welfare payables	4,829	-	3,345	4,348	5,081
Accrued liabilities	478	-	(796)	(1,883)	(3,165)
Short-term borrowings	30,516	33,665	33,665	33,665	33,665
Others	21,065	20,198	18,230	22,684	25,423
Non-current liabilities	25,284	27,313	27,313	27,313	27,313
Long-term debt	19,537	22,718	22,718	22,718	22,718
Others	5,747	4,595	4,595	4,595	4,595
MI	2,261	1,213	1,189	1,165	1,140
Total Equity	105,703	101,567	103,460	110,534	119,478
Shareholders' equity	103,442	100,354	102,271	109,369	118,338

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Accommodation reservation	37.8	38.9	47.5	43.4	44.6
Transportation ticketing	39.1	39.0	29.8	36.4	35.1
Packaged tour	12.7	6.8	7.7	8.9	9.1
Corporate travel	3.5	4.8	5.5	4.2	4.3
Others	6.9	10.5	9.5	7.0	6.8
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)					
Revenue	15.2	(48.6)	28.6	55.4	17.8
Gross profit	14.8	(49.5)	27.9	60.1	19.1
EBIT	93.5	NA	NA	8180.1	29.3
Adj. net profit	19.1	NA	NA	270.3	26.3
P&L ratios (%)					
Operating margin	14.1	(7.8)	0.3	14.0	15.4
Pre-tax margin	25.5	(6.7)	1.8	15.8	17.6
Adj. net margin	18.3	(5.0)	8.1	19.4	20.8
Effective tax rate	(4.9)	(1.9)	(0.4)	(3.2)	(3.5)
Returns (%)					
ROE	8.6	(1.2)	0.4	5.2	6.3
ROA	3.3	(0.5)	1.0	3.4	4.1
Per share					
EPS (RMB)	10.75	(1.52)	3.04	11.87	14.85
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	33.88	32.31	39.59	49.37	61.89

Source: Company data, CMBIS estimates

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