

Trip.com Group (9961.HK)

3Q24 performance exceeded expectations, with strong expansion in overseas business

China | OTA | Internet

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Company profile

Trip.com Group, founded in 1999, is a global leading one-stop travel platform that offers a comprehensive range of travel products, services, and differentiated travel content. The group provides over 1.2 million accommodation options worldwide, more than 480 international airlines, and over 310,000 destination activities. Its main operating brands include Trip.com, Qunar, Trip.com, and Skyscanner. The company offers one-stop travel services through Trip.com and Qunar, and provides travel product bookings for users outside of mainland China through Trip.com and Skyscanner. Currently, Trip.com holds a leading position in the online travel service market and is one of the top three online travel service companies globally in terms of market capitalization.

3Q24 performance: significant progress across all business lines, with outbound tourism surpassing 2019 levels

In 2024, outbound travel continued to be a key driving force for the advancement of China's tourism market. With international flight capacity roughly doubling and visa waiver policies further facilitating travel in the Asia-Pacific region, the company achieved total revenue of 15.9 billion yuan in Q3 2024, a year-on-year increase of 15.5%, primarily due to rising demand in domestic and outbound travel. In the third quarter, hotel and flight bookings on the international OTA platform Trip.com grew by over 60% year-on-year. Hotel and flight bookings in the outbound travel market have rebounded to 120% of 2019 levels. In terms of profitability, adjusted EBITDA reached 5.7 billion yuan, a year-on-year increase of 23.9%, while Non-GAAP net profit was 6 billion yuan, up 21.8% year-on-year. In terms of segment revenue, Q3 2024 accommodation booking revenue was 6.8 billion yuan, a year-on-year increase of 21.7%, driven by strong growth in domestic and outbound hotel business due to a reduction in hotel ADR decline; transportation ticketing revenue was 5.7 billion yuan, a year-on-year increase of 5.3%; travel vacation revenue was 1.6 billion yuan, up 17.3% year-on-year, mainly due to increased holiday travel demand; and business travel management revenue was 700 million yuan, a year-on-year increase of 11.0%, primarily due to the rising demand for corporate travel management services. Regarding expenses, total operating expenses for the quarter were 8.1 billion yuan, a year-on-year increase of 9.5%, which was lower than the revenue growth rate.

Domestic travel: online penetration rates have been increasing year by year, while the recovery of outbound travel has led to a redistribution of demand

According to the Ministry of Culture and Tourism, there were 4.9 billion domestic tourist visits in 2023, with total domestic travel spending reaching 5 trillion yuan, recovering to 81.4% and 85.7% of 2019 levels, respectively. Key holiday visitor numbers have fully surpassed pre-pandemic figures. In Q3 2024, the number of domestic trips increased by 15.3% year-on-year, and total tourism consumption in the first three quarters of 2024 grew by 17.9% year-on-year, reflecting a continued increase in service consumption and the ongoing release of compensatory travel demand.

According to data from the China Internet Network Information Center, as of December 2023, the user base for online travel bookings reached 500 million, a year-on-year increase of 20.4%, accounting for 46.6% of all internet users. In the long term, online travel booking platforms possess strong consumer insights and supply chain integration capabilities, aligning with the changing trends in travel supply and demand. They are expected to timely offer travel product combinations that cater to local hotspots, thereby continuously enhancing the online penetration rate of travel product bookings.

Accumulate

CMP HKD 555.5

(Closing price as of 19 Dec)

Target HKD 597.7 (+7.60%)

COMPANY DATA

O/S SHARES (MN) :	651
MARKET CAP (HKD MN) :	379,287
52 - WK HI/LO (HKD):	598.0/258.0

SHARE HOLDING PATTERN, %

Baidu	8.89%
Capital World Investors	5.92%
Liang jianzhang	1.15%

PRICE VS. HSI



Source: Phillip Securities (HK) Research

KEY FINANCIALS

CNY mn	FY22	FY23	FY24E	FY25E
Revenue	20,039	44,510	55,311	62,895
Net profit	1,294	13,071	17,052	18,939
EPS	1.97	19.48	25.02	27.79
P/E ratio, x	119.1	17.3	20.6	18.6
Dividend Yield, %	0%	0%	0%	0%

Source: Company reports, Phillip Securities Est.

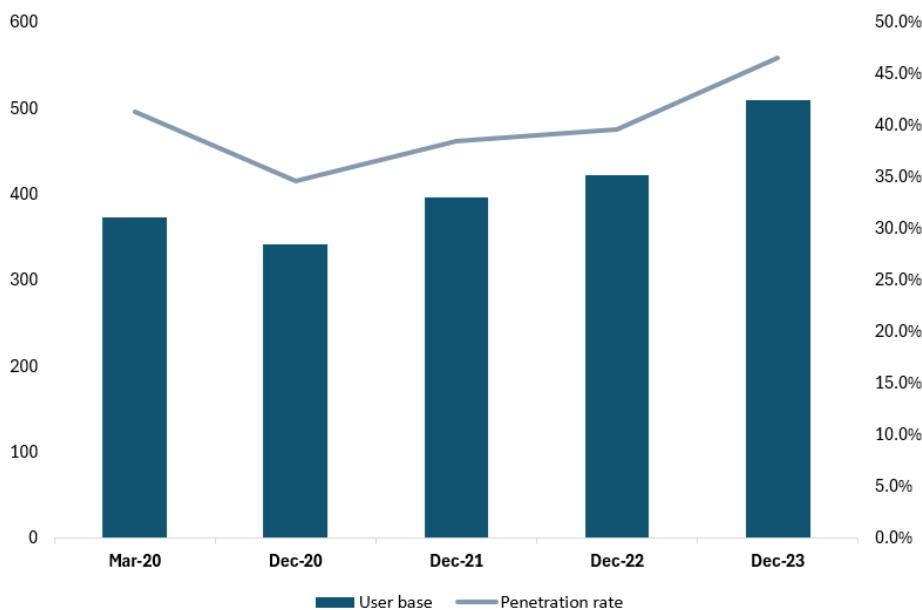
Research Analyst

Megan Tao

megantao@phillip.com.hk

Given the high resilience of travel demand, coupled with the steady increase in online travel booking penetration in the post-pandemic era and the evolving mindset of Chinese consumers toward seeking personalized and high-quality travel experiences, we anticipate further growth in the company's domestic travel business. At the same time, considering the rationalization of domestic consumption and the accelerating recovery of outbound travel leading to some redistribution of demand, we expect that overall hotel ADR will face challenges in achieving year-on-year increases against a high base, primarily influenced by the decline in industry-wide ADR and the increase in platform hotel supply.

User base and penetration rate of online travel bookings from March 2020 to December 2023



Outbound Travel: business is expected to benefit from the recovery of flight capacity and the increased convenience of visa processing

In 2023, outbound travel showed a gradual recovery, with the number of outbound tourists returning to 56.0% of 2019 levels. Due to the continued recovery of international routes, mutual visa exemption agreements, and expedited visa processes, the Ministry of Culture and Tourism projects that the number of outbound trips will reach 130 million in 2024, a year-on-year increase of 49.0%, recovering to 84.0% of 2019 levels. Considering that outbound travel is still in the recovery stage, visa policies and flight capacity directly impact the growth or slowdown of outbound demand, while an increase in outbound demand helps to boost flight capacity. This interaction may lead to price decreases, further stimulating travel demand and creating a positive effect.

According to a report by Tongcheng Travel, during the summer vacation, outbound travel accounted for 21.6% of total trips, and during the National Day holiday, it accounted for 13.7%, significantly higher than during other holidays. It is anticipated that outbound travel will accelerate in the second half of the year. With the recovery of outbound travel, Trip.com Group, which holds a significant market share, is expected to benefit the most. Data from the Trip.com platform indicates that the number of visa applications in the second quarter doubled year-on-year in 2023, achieving a 20.0% increase compared to 2019.

Trip.com: incremental market growth driven by increased online penetration and travel revenue

In Q3 2024, total revenue for the international OTA platform Trip.com grew by approximately 60.0% to 70.0% year-on-year, contributing about 9.0% to overall

revenue, with revenue from the Asia-Pacific market increasing by over 70.0%. Alongside the rising cross-selling ratio from transportation to hotels, hotel revenue's share surpassed 40.0%. In Q3 2024, mobile bookings on Trip.com accounted for 65.0% to 70.0% of total bookings globally, with the Asia-Pacific region exceeding 70.0%, highlighting how increased online penetration is driving incremental market growth.

Investment thesis

The company has established a comprehensive supply chain and fulfillment system targeting the mid-to-high-end customer segment to build competitive barriers, while deeply expanding its global OTA business. Coupled with ongoing cost optimization and AI innovations enhancing user experience, the online travel industry's operational ecosystem has significantly improved compared to pre-pandemic levels. The increase in online penetration, combined with the company's stable market share in domestic and outbound travel, is expected to accelerate short-term performance recovery.

In the medium term, domestic and outbound businesses are likely to provide a cash cow foundation for the company. Drawing reference from more proactive shareholder returns of leading overseas companies, the firm is expected to achieve strong valuation premiums during its steady growth phase. Trip.com is currently in a rapidly developing incremental market, with ample growth potential and a clear development path. The future integration of domestic and outbound travel is anticipated to create effective synergies, further solidifying the company's leading position.

Therefore, we forecast the company's operating revenues for 2024 and 2025 to be 55.4 billion yuan and 63 billion yuan, respectively, with Non-GAAP net profits of 17.1 billion yuan and 18.9 billion yuan, corresponding to diluted EPS of 25 yuan and 28 yuan, and PE ratios of 21x and 19x.

We adopt domestic and international OTAs Booking, Expedia, Airbnb, and Tongcheng Travel as comparable companies. The industry average PE for 2025 is 20x, similar to the average PE of the past two years. Based on this, Trip.com Group's total target market value for 2025 is estimated to be 378.8 billion yuan, with a target price of 597.7 Hong Kong dollars, rated as 'Accumulate'.

Risk factors

1) Domestic consumption demand is weaker than expected; 2) International business expansion is slower than anticipated; 3) Hotel ADR and airfare pricing pressures are greater than expected.

Financials

Key Financial Data					
Dec Y/E	FY21	FY22	FY23	FY24E	FY25E
Valuation Ratio					
P/E ratio	-180.8	119.1	17.3	20.6	18.6
Dividend Yield, %	0.00%	0.00%	0.00%	0.00%	0.00%
Per share data(RMB)					
EPS	2.12	1.97	19.48	25.02	27.79
BVPS	27.0	172.0	183.3	200.9	227.0
Growth & Margin					
Growth					
Net Revenue Growth	9.32%	0.08%	122.12%	24.27%	13.71%
Gross Profit Growth	7.98%	0.65%	134.37%	20.08%	14.43%
EBIT Growth	-0.84%	-106.24%	12768.18%	36.76%	11.68%
Net Profit Growth	148.52%	-4.57%	910.12%	30.45%	11.07%
Margin					
Gross Profit Margin	77.04%	77.48%	81.75%	79.00%	79.50%
EBIT Margin	-7.05%	0.44%	25.44%	28.00%	27.50%
Net Profit Margin	0.00%	0.00%	0.00%	0.00%	0.00%
Key Ratios					
ROE	-3.72%	1.21%	8.13%	11.31%	11.23%
ROA	-2.14%	0.71%	4.56%	6.43%	6.58%

Consolidated Statement of Profit or Loss					
Dec Y/E, RMB mn	2021	2022	2023	2024E	2025E
REVENUE	20023	20039	44510	55311	62895
Cost of services	-4598	-4513	-8121	-11615	-12894
Gross profit	15425	15526	36389	43696	50002
R&D expenses	-8992	-8341	-12120	-12722	-14466
Selling, administrative and general expenses	-4922	-4250	-9202	-11062	-13208
Operating profit	-1411	88	11324	15487	17296
Finance income	2132	2046	2090	2432	2554
Finance costs	-1565	-1514	-2067	-1883	-1789
Profit before income tax and share of results of equity investees	-471	2635	10680	16036	18061
Income tax expenses	-270	-682	-1750	-2212	-2516
Share of results of equity investees	96	-586	1072	1662	1828
Net profit, GAAP	-645	1367	10002	15486	17373
Net profit, Non-GAAP					
- Equity holders of the Company	1356	1294	13071	17052	18939
- Non-controlling interests	95	36	-84	-84	-84

Consolidated Statement of Financial Position					
Dec Y/E, RMB mn	FY21	FY22	FY23	FY24E	FY25E
Current assets					
Accounts receivable	729	5486	11410	13692	15746
Cash and cash equivalents	3326	18487	43983	57178	74331
Others	6319	37462	33339	34898	36613
Total current assets	10374	61435	88732	105768	126690
Non-current assets					
PPE	868	5204	5142	5142	5142
Others	18865	125052	125263	129893	132308
Total non-current assets	19733	130256	130405	135035	137450
Total Assets	30107	191691	219137	240803	264140
Current liabilities					
Accounts payable	945	7569	16459	20574	23660
Others	9446	49466	55952	59631	62089
Total current liabilities	10391	57035	72411	80204	85748
Non-current liabilities					
Long-term debt	1741	17381	19099	19099	19099
Others	642	4256	4621	4621	4621
Total non-current liabilities	2383	21637	23720	23720	23720
Total liabilities	12774	78672	96131	103924	109468
Equity attributable to equity holders of the Company	17211	112283	122184	135974	153678
Non-controlling interests	122	736	822	904	995
Total equity	17333	113019	123006	136879	154672
Total liabilities and equity	30107	191691	219137	240803	264140

Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	2021	2022	2023	2024E	2025E
CFO	2475	2641	22004	17603	19364
Net profit	-645	1367	10002	15486	17373
Depreciation and Amortization	1681	1188	1834	2000	2000
Change in working capital	177	-800	9256	2300	1400
Others	1262	886	912	-2182	-1410
CFI	-4148	1136	5919	-667	-733
Short term and long term investment, net	-3578	1633	6525	0	0
Purchase of property, equipment and intangible assets	-570	-497	-606	-667	-733
CFF	3919	-6717	-2547	-1783	-2853
Cash paid for distribution of dividends	0	0	0	0	0
Cash received from financing	3919	-6717	-2547	-1783	-2853
Effect of exchange rate changes on cash	-465	231	120	0	0
Net Change in Cash	1781	-2709	25496	15154	15778
Cash, CE and Restricted cash at Beg	19415	21196	18487	43983	59137
Cash, CE and Restricted cash at Y/E	21196	18487	43983	59137	74914

Current Price as of: Dec 19

Exchange rate: HKD/RMB = 0.93

Source: PSHK Est.

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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Contact Information (Regional Member Companies)
SINGAPORE
Phillip Securities Pte Ltd

250 North Bridge Road, #06-00 Raffles City Tower,
Singapore 179101

Tel : (65) 6533 6001 Fax: (65) 6535 3834

www.phillip.com.sg

INDONESIA
PT Phillip Securities Indonesia

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,
Jakarta 10220, Indonesia

Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809

www.phillip.co.id

THAILAND
Phillip Securities (Thailand) Public Co. Ltd.

15th Floor, Vorawat Building, 849 Silom Road,
Silom, Bangrak, Bangkok 10500 Thailand

Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921

www.phillip.co.th

UNITED STATES
Phillip Futures Inc.

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA

Tel (1) 312 356 9000 Fax: (1) 312 356 9005

MALAYSIA
Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3, Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Tel (60) 3 2162 8841 Fax (60) 3 2166 5099

www.poems.com.my

CHINA
Phillip Financial Advisory (Shanghai) Co. Ltd.

No 436 Heng Feng Road, Green Tech Tower Unit 604
Shanghai 200 070

Tel (86) 21 5169 9400 Fax: (86) 21 6091 1155

www.phillip.com.cn

FRANCE
King & Shaxson Capital Ltd.

3rd Floor, 35 Rue de la Bienfaisance
75008 Paris France

Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017

www.kingandshaxson.com

AUSTRALIA
PhillipCapital Australia

L Level 10, 330 Collins Street
Melbourne VIC 3000 Australia

Tel: (61) 3 9618 8238 Fax: (61) 3 9200 2277

www.phillipcapital.com.au

HONG KONG
Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway Hong Kong

Tel (852) 2277 6600 Fax: (852) 2868 5307

www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd

4-2 Nihonbashi Kabutocho, Chuo-ku
Tokyo 103-0026

Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141

www.phillip.co.jp

INDIA
PhillipCapital (India) Private Limited

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,
Lower Parel West, Mumbai 400013

Tel: (9122) 2300 2999 Fax: (9122) 6667 9955

www.phillipcapital.in

UNITED KINGDOM
King & Shaxson Ltd.

6th Floor, Candlewick House, 120 Cannon Street
London, EC4N 6AS

Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835

www.kingandshaxson.com

SRI LANKA
Asha Phillip Securities Limited

Level 4, Millennium House, 46/58 Navam Mawatha,
Colombo 2, Sri Lanka

Tel: (94) 11 2429 100 Fax: (94) 11 2429 199

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