

Trip.com Group (9961.HK)

International brand is still in the expansion phase, and the group plans to issue its first-ever final dividend
China | OTA | Internet

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Financial performance

In the fourth quarter of 2024, the company achieved total revenue of RMB 12.8 billion, reflecting a 23.4% YoY growth, though it declined sequentially due to seasonal factors. Non-GAAP net profit reached RMB 3.0 billion, up 13.6% YoY, with a net profit margin of 23.8%, down 2 percentage points YoY, mainly due to increased marketing expenses for international brands. Accommodation booking revenue rose 32.7% YoY to RMB 5.2 billion, driven by strong domestic and outbound hotel demand as the decline in ADR narrowed. Transportation ticket revenue increased 16.4% YoY to RMB 4.8 billion, while tourism and vacation revenue grew 23.6% YoY to RMB 900 million, fueled by higher holiday travel demand. Corporate travel management revenue climbed 10.7% YoY to RMB 700 million, supported by rising business travel needs. Total operating expenses reached RMB 7.8 billion, up 4.7% YoY, aligning with revenue fluctuations. Notably, R&D expenses rose 16.4% YoY due to personnel cost changes, and sales expenses surged 44.6% YoY, mainly due to increased overseas marketing investments by the company's international brand, Trip.com.

Performance Summary

Resilient Travel Market and Strong Consumer Desire for Exploration

In 2024, the core OTA platform achieved a GMV of RMB 1.2 trillion. In Q4, outbound travel bookings for hotels and flights rebounded to 120.0% of 2019 levels, driven by simplified visa processes and increased international flights, outpacing the recovery of international flight capacity, which reached 96.6% of 2019 levels. The company's international OTA platform, Trip.com, saw hotel and flight bookings grow by over 70% YoY, contributing 14.0% of Q4 revenue and 10.0% of total 2024 revenue. Meanwhile, inbound travel bookings surged by over 100.0% YoY, supported by further relaxation of transit visa exemptions. Management noted that hotel ADR remained below last year's levels, while supply grew in the high single digits YoY, and they expect hotel prices to stabilize in 2025 as travel infrastructure continues to improve.

New Capital Return Measures: First-Ever Final Dividend

As part of its capital return strategy, the company plans to issue its first-ever final dividend of USD 0.3 per share. Additionally, the board has approved a new capital return program for 2025, authorizing a USD 400 million share repurchase plan.

Investment thesis

The company has established a comprehensive supply chain and fulfillment system tailored to different customer segments, including the general public and senior travelers, while also expanding its international OTA business. Management is optimistic about AI-driven innovation enhancing user experience, envisioning AI agents replacing traditional search engines as the primary traffic gateway, thereby opening new customer acquisition channels, improving operational efficiency, and gradually alleviating cost pressures. Additionally, the company plans to continue investing in its overseas brand expansion, which may pressure profit margins in the short term but is expected to drive new revenue growth in the long run. As a result, we forecast the company's revenue to reach RMB 63.0 billion in 2025 and RMB 74.8 billion in 2026, with GAAP net profit of RMB 20.1 billion and RMB 25.0 billion, respectively, translating to diluted EPS of RMB 29 and RMB 36. At the current stock price, this implies a PE ratio of 14.3x for 2025 and 11.5x for 2026.

For valuation, we use global OTA peers such as Booking, Expedia, Airbnb, and Tongcheng Travel as comparables. However, given that Trip.com's international expansion is still in its growth phase, leading to near-term margin pressure, we apply a slightly lower PE of 19x compared to the 2025 industry average. Based on this, we revise our target price downward to HKD 584 and maintain a "Accumulate" rating.

Accumulate

CMP HKD 494
(Closing price as of 26 Mar)
Target HKD 584 (+18.2%)

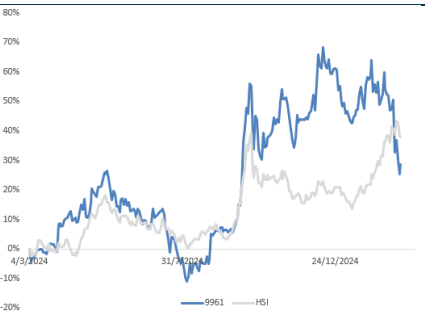
COMPANY DATA

O/S SHARES (MN) :	651
MARKET CAP (HKD MN) :	321,387
52 - WK HI/LO (HKD):	595.7/297.9

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	FY23	FY24	FY25E	FY26E
Revenue	44,510	53,294	63,012	74,842
Net profit	9,918	17,067	20,078	24,958
EPS	14.78	24.78	29.18	36.28
P/E ratio, x	17.3	16.9	14.3	11.5
Dividend Yield, %	0	0.52%	0.53%	0.54%

Source: Company reports, Phillip Securities Est.

Research Analyst

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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

Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	2022	2023	2024	2025E	2026E
REVENUE	20039	44510	53294	63012	74842
Cost of services	-4513	-8121	-9990	-12500	-14220
Gross profit	15526	36389	41849	50512	60622
R&D expenses	-8341	-12120	-13139	-14450	-17163
Selling, administrative and general expenses	-4250	-9202	-11902	-13233	-15717
Operating profit	88	11324	14177	17789	21755
Finance income	2046	2090	2341	2575	2704
Finance costs	-1514	-2067	-1735	-1648	-1566
Profit before income tax and share of results of equity investees	2635	10680	17003	18716	22893
Income tax expenses	-682	-1750	-2604	-3079	-3657
Share of results of equity investees	-586	1072	2828	4525	5882
Net profit, GAAP	1367	10002	17227	20162	25118
Net profit, GAAP					
– Equity holders of the Company	1403	9918	17067	20078	24958
– Non-controlling interests	36	-84	-160	-84	-160

Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY22	FY23	FY24	FY25E	FY26E
Current assets					
Accounts receivable	5486	11410	12459	13705	15075
Cash and cash equivalents	18487	43983	51093	59268	65755
Others	37462	33339	48568	49573	53006
Total current assets	61435	88732	112120	122545	133836
Non-current assets					
PPE	5204	5142	5053	5053	5053
Others	125052	125263	125408	126454	130587
Total non-current assets	130256	130405	130461	131507	135640
Total Assets	191691	219137	242581	254053	269476
Current liabilities					
Accounts payable	7569	16459	16578	20225	24270
Others	49466	55952	57432	59845	59464
Total current liabilities	57035	72411	74010	80070	83734
Non-current liabilities					
Long-term debt	17381	19099	20134	20134	20134
Others	4256	4621	4955	4459	3958
Total non-current liabilities	21637	23720	25089	24593	24092
Total liabilities	78672	96131	99099	104663	107826
Equity attributable to equity holders of the Company	112283	122184	141807	148365	160654
Non-controlling interests	736	822	932	1025	995
Total equity	113019	123006	142739	149390	161649
Total liabilities and equity	191691	219137	242581	254053	269476

Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	2022	2023	2024	2025E	2026E
CFO	2641	22004	20904	21113	23224
Net profit	1367	10002	17227	20162	25118
Depreciation and Amortization	1188	1834	2017	2219	2441
Change in working capital	-800	9256	-783	3200	665
Others	886	912	2442	-1933	-4335
CFI	1136	5919	-9306	-3232	-4949
Short term and long term investment, net	1633	6525	-8579	-2360	-3901
Purchase of property, equipment and intangible assets	-497	-606	-727	-873	-1047
CFF	-6717	-2547	-4488	-9706	-3614
Cash paid for distribution of dividends	0	0	-1507	-1537	-1568
Cash received from financing	-6717	-2547	-2981	-8169	-2046
Effect of exchange rate changes on cash	231	120	0	0	0
Net Change in Cash	-2709	25496	7110	8175	14662
Cash, CE and Restricted cash at Beg	21196	18487	43983	51093	51093
Cash, CE and Restricted cash at Y/E	18487	43983	51093	59268	65755

Key Financial Data

Dec Y/E	FY22	FY23	FY24	FY25E	FY26E
Valuation Ratio					
P/E ratio	119.1	17.3	18.5	15.7	12.7
Dividend Yield, %	0.00%	0.00%	0.00%	0.00%	0.00%
Per share data(RMB)					
EPS	2.14	14.78	24.78	29.18	36.28
BVPS	172.0	183.3	207.5	217.1	235.0
Growth & Margin					
Growth					
Net Revenue Growth	0.08%	122.12%	19.73%	18.23%	18.77%
Gross Profit Growth	0.65%	134.37%	19.00%	16.65%	20.01%
EBIT Growth	-106.24%	12768.18%	25.19%	25.48%	22.30%
Net Profit Growth	-4.57%	910.12%	38.02%	29.26%	20.93%
Margin					
Gross Profit Margin	77.48%	81.75%	78.52%	80.16%	81.00%
EBIT Margin	0.44%	25.44%	26.60%	28.23%	29.07%
Net Profit Margin	7.00%	22.28%	32.02%	31.86%	33.35%
Key Ratios					
ROE	1.21%	8.13%	12.07%	13.50%	15.54%
ROA	0.71%	4.56%	7.10%	7.94%	9.32%

Current Price as of: Mar 26

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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