


Rating
Hold

Asia
China

Technology
Software & Services

Company
Ctrip

Reuters
CTRP.OQ

Bloomberg
CTRP US

Exchange
NSM

Ticker
CTRP

Date
11 July 2018

Company Update

Price at 10 Jul 2018 (USD)	45.19
Price target - 12mth (USD)	48.00
52-week range (USD)	59.73 - 40.50
NASDAQ 100	7,283

2Q preview: tweak forecast to low end of guidance

Shaving revenue forecasts due to customer-centric initiatives

Ctrip is due to report 2Q results in late August or early September. Given the roll-out of customer-centric initiatives, we expect revenue to see some impact from changes in the hotel cash rebate mechanism and flight cancellation policy. Recall Ctrip 2Q revenue growth guidance of 12-17% YoY; we expect Ctrip to deliver the result towards the lower end of this range. We tweak our 2Q net revenue forecast down by 1.2% to RMB7,277m, +12.7% YoY. We expect 2Q non-GAAP EBIT of RMB1.1b and non-GAAP net profit of RMB751m.

Ctrip emphasized that international business would be the main driver for business growth, and revealed that overall outbound travel in the first half of this year saw decent YoY growth. The product setting changes however will likely continue to bring pressure to top-line growth; we therefore lower our 3Q revenue growth forecast to 15.6% YoY. 4Q might see a stronger YoY growth given the low base last year. We shave full-year revenue by 0.6% to RMB31.6bn accordingly.

Seeking business synergies through corporate actions

Ctrip is pushing for eHi privatization. eHi is currently one of Ctrip's car service suppliers with whom Ctrip sees more business synergies. Ctrip revealed that on average 30% of air ticket consumers ask for airport pick-up service. The car service business alone is profitable, given Ctrip charges a commission on every transaction to the supplier. We see Ctrip's offering to be different from other private car or taxi-hailing service providers, as Ctrip offers pre-order long journey service which costs on average RMB120 per ticket. Ctrip therefore seems to have no plans to enter into a price war with taxi-hailing providers. Ctrip also sees eHi's offline stores as key attraction sites and an important traffic generator for substantial cross-selling upside.

Tweak TP down by 2% to US\$48; Maintain Hold

We shave our 2018/19/20E revenue forecast by 0.6%/0.6%/1.0%, and cut Ctrip's non-GAAP net profit by 2.3%/2.0%/2.1% respectively, to reflect the impact from customer-centric initiatives. We apply an unchanged 1.0x PEG to FY18E EPS and FY18-20E CAGR valuation methodology. Major upside and downside risks: growth of the international business, penetration into low tier cities, integration of partners' resources, marketing spend and cash rebates.

Valuation & Risks

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Key changes

Price target	49.00 to 48.00	↓	-2.0%
Sales (FYE)	31,803 to 31,602	↓	-0.6%
DB EBIT	5,593.0 to 5,527.8	↓	-1.2%
Net Profit (FYE)	5,208.8 to 5,087.9	↓	-2.3%

Source: Deutsche Bank

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-7.6	-1.8	-16.8
NASDAQ 100	1.8	10.1	27.9

Source: Deutsche Bank

Key indicators (FY1)

ROE (%)	2.9
Net debt/equity (%)	-0.3
Book value/share (CNY)	143.65
Price/book (x)	2.1
Net interest cover (x)	14.3
Operating profit margin (%)	11.5

Source: Deutsche Bank



Forecasts and ratios

Year End Dec 31	2016A	2017A	2018E	2019E	2020E
Sales (CNYm)	19,228.4	26,796.0	31,601.9	39,906.0	48,481.8
EBITDA (CNYm)	-1,107.1	3,432.6	4,247.0	6,648.0	9,101.5
Reported NPAT (CNYm)	-1,430.7	2,158.6	2,504.8	4,999.3	7,159.5
Reported EPS FD(CNY)	-2.89	3.72	4.04	7.72	10.87
DB EPS FD(CNY)	4.30	6.88	8.20	11.41	15.27
OLD DB EPS FD(CNY)	4.30	6.88	8.39	11.65	15.60
% Change	0.0%	0.0%	-2.3%	-2.0%	-2.1%
DB EPS growth (%)	-53.2	59.7	19.2	39.2	33.7

Source: Deutsche Bank estimates, company data



Model updated: 09 July 2018

Running the numbers

Asia

China

Software & Services

Ctrip

Reuters: CTRP.OQ

Bloomberg: CTRP US

Hold

Price (10 Jul 18) USD 45.19

Target Price USD 48.00

52 Week range USD 40.50 - 59.73

Market cap (m) USDm 23,925
EURm 20,407

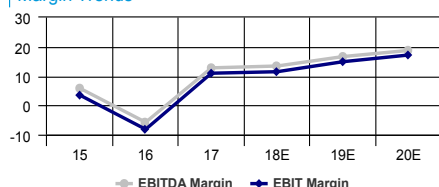
Company Profile

Ctrip has been a dominate player in the OTA segment, fueled by the expanding investment basket including Qunar/eLong/Skyscanner etc. Ctrip's business lines include transportation ticketing, accommodation, packaged tour, corporate travel and other travel-related services. The company listed in 2003, and completed the major merger with Qunar in late 2015.

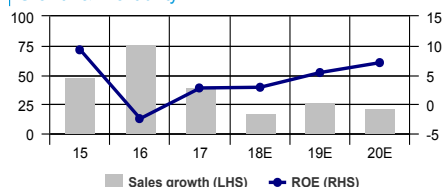
Price Performance



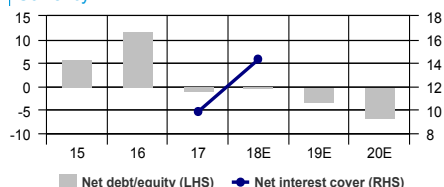
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec

Financial Summary

	2015	2016	2017	2018E	2019E	2020E
DB EPS (CNY)	9.19	4.30	6.88	8.20	11.41	15.27
Reported EPS (CNY)	7.32	-2.89	3.72	4.04	7.72	10.87
DPS (CNY)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (CNY)	130.0	144.6	145.9	143.7	148.5	160.7
Weighted average shares (m)	302	473	529	562	589	600
Average market cap (CNYm)	66,415	136,507	179,770	158,306	158,306	158,306
Enterprise value (CNYm)	56,148	145,534	176,517	155,869	153,199	149,612

Valuation Metrics

P/E (DB) (x)	23.9	67.0	49.4	36.5	26.2	19.6
P/E (Reported) (x)	30.1	nm	91.3	74.1	38.7	27.5
P/BV (x)	2.24	1.84	2.04	2.08	2.01	1.86
FCF Yield (%)	3.6	3.4	3.7	2.7	5.3	6.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	5.2	7.6	6.6	4.9	3.8	3.1
EV/EBITDA (x)	88.1	nm	51.4	36.7	23.0	16.4
EV/EBIT (x)	147.4	nm	60.0	42.9	25.7	17.9

Income Statement (CNYm)

Sales revenue	10,898	19,228	26,796	31,602	39,906	48,482
Gross profit	7,854	14,499	22,118	25,656	32,915	40,212
EBITDA	637	-1,107	3,433	4,247	6,648	9,101
Depreciation	256	461	490	614	698	763
Amortisation	0	0	0	0	0	0
EBIT	381	-1,568	2,943	3,633	5,950	8,338
Net interest income(expense)	143	-165	-299	-254	287	690
Associates/affiliates	-136	602	-65	-62	400	400
Exceptionals/extraordinary	0	0	0	0	0	0
Other pre-tax income/(expense)	2,481	-27	879	557	400	440
Profit before tax	3,005	-1,760	3,523	3,936	6,637	9,468
Income tax expense	470	478	1,281	1,085	1,805	2,472
Minorities	-108	-206	19	284	232	237
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	2,508	-1,431	2,159	2,505	4,999	7,159
DB adjustments (including dilution)	643	3,560	1,834	2,583	2,390	2,891
DB Net profit	3,150	2,129	3,992	5,088	7,389	10,051

Cash Flow (CNYm)

Cash flow from operations	3,049	5,273	7,069	5,164	10,160	13,050
Net Capex	-638	-683	-471	-695	-758	-776
Free cash flow	2,411	4,590	6,598	4,469	9,402	12,274
Equity raised/(bought back)	-147	0	0	0	0	0
Dividends paid	0	0	0	0	0	0
Net inc/(dec) in borrowings	15,433	11,287	9,070	1,461	1,534	1,611
Other investing/financing cash flows	-3,788	-19,143	-14,761	-8,000	-10,400	-13,520
Net cash flow	0	0	0	0	0	0
Change in working capital	1,697	3,420	2,131	-582	1,861	2,037

Balance Sheet (CNYm)

Cash and other liquid assets	27,451	32,548	46,373	47,303	51,739	57,174
Tangible fixed assets	5,556	5,592	5,616	5,311	4,991	4,641
Goodwill/intangible assets	56,698	69,940	70,093	70,093	70,093	70,093
Associates/investments	13,973	20,632	25,574	30,574	37,074	45,524
Other assets	15,164	15,702	14,393	16,688	19,116	21,189
Total assets	118,843	144,414	162,048	169,969	183,013	198,621
Interest bearing debt	31,157	41,538	45,537	46,998	48,532	50,142
Other liabilities	24,001	27,355	30,039	31,752	36,041	40,151
Total liabilities	55,158	68,893	75,575	78,750	84,573	90,293
Shareholders' equity	44,551	71,537	84,694	89,156	96,145	105,796
Minorities	19,134	3,984	1,779	2,063	2,296	2,532
Total shareholders' equity	63,685	75,521	86,473	91,219	98,440	108,328
Net debt	3,705	8,990	-836	-305	-3,207	-7,031

Key Company Metrics

Sales growth (%)	48.3	76.4	39.4	17.9	26.3	21.5
DB EPS growth (%)	282.3	-53.2	59.7	19.2	39.2	33.7
EBITDA Margin (%)	5.8	-5.8	12.8	13.4	16.7	18.8
EBIT Margin (%)	3.5	-8.2	11.0	11.5	14.9	17.2
Payout ratio (%)	0.0	nm	0.0	0.0	0.0	0.0
ROE (%)	9.3	-2.5	2.8	2.9	5.4	7.1
Capex/sales (%)	5.9	3.6	1.8	2.2	1.9	1.6
Capex/depreciation (x)	2.0	0.9	0.5	0.7	0.7	0.7
Net debt/equity (%)	5.8	11.9	-1.0	-0.3	-3.3	-6.5
Net interest cover (x)	nm	nm	9.9	14.3	nm	nm

Source: Company data, Deutsche Bank estimates



Appendix 1

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*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Ctrip	CTRP.OQ	45.19 (USD) 10 Jul 2018	2, 6, 8, 9

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Historical recommendations and target price. Ctrip (CTRP.OQ)

(as of 07/10/2018)



Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

** Analyst is no longer at Deutsche Bank

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2.	11/24/2016	Buy, Target Price Change USD 58.00 Alvin Jiang**	6.	03/15/2018	Hold, Target Price Change USD 48.00 Eileen Deng
3.	02/23/2017	Buy, Target Price Change USD 60.00 Alvin Jiang**	7.	05/23/2018	Hold, Target Price Change USD 49.00 Eileen Deng
4.	05/11/2017	Buy, Target Price Change USD 62.00 Alvin Jiang**			

Equity Rating Key

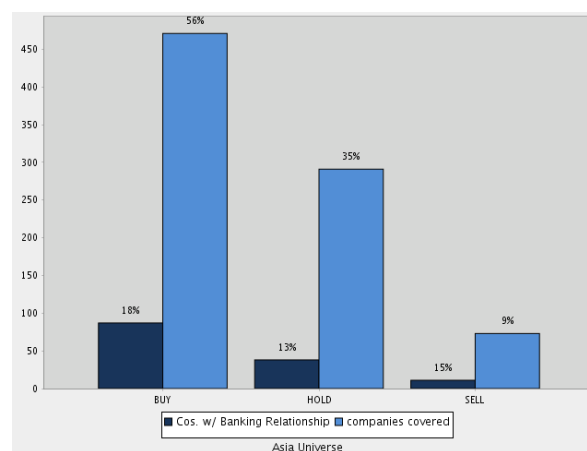
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Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

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