Ctrip.com International

Strong organic growth ahead

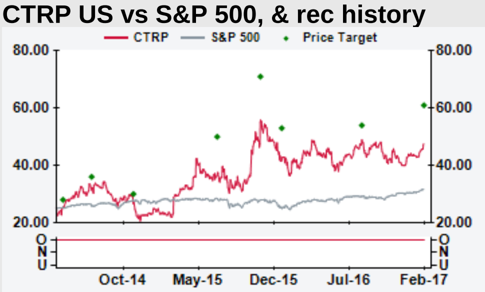
UNITED STATES

CTRP US		Outperform
Price (at 04:22, 23 Feb 2017 GMT)		US$47.59
Valuation - PER	US$	61.00
12-month target	US$	61.00
12-month TSR	%	+28.2
GICS sector		Retailing
Market cap	US$m	23,682
30-day avg turnover	US$m	149.0
Number shares on issue	m	497.6

Investment fundamentals

Year end 31 Dec		2016A	2017E	2018E	2019E
Revenue	m	19,228	27,137	35,223	44,492
EBIT	m	-1568	2,341	5,295	9,291
Reported profit	m	-1431	1,256	4,336	7,868
Adjusted profit	m	2,129	4,010	7,088	10,626
Gross cashflow	m	2,542	4,458	7,564	11,133
CFPS	Rmb	5.14	7.85	12.95	19.06
CFPS growth	%	29.1	52.7	65.0	47.2
PGCFPS	x	63.7	41.7	25.3	17.2
EPS adj	Rmb	4.05	7.06	12.14	18.19
EPS adj growth	%	38.5	74.2	71.9	49.9
PER adj	x	80.8	46.4	27.0	18.0
Total DPS	Rmb	0.00	0.00	0.00	0.00
Total div yield	%	0.0	0.0	0.0	0.0
ROA	%	1.5	3.4	5.2	7.5
ROE	%	3.7	5.6	9.5	13.1
EV/EBITDA	x	-149.5	63.8	31.7	18.7
Net debt/equity	%	9.6	3.6	-5.1	-16.6
P/BV	x	2.3	2.3	2.3	2.1

CTRP US vs S&P 500, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.
Source: FactSet, Macquarie Research, February 2017
(all figures in Rmb unless noted, TP in USD)

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23 February 2017
Macquarie Capital Limited

Event

- 4Q16 revenue increased by 76% yoy, driven by strong volume growth in accommodation and transportation. Non-GAAP net profit came in at Rmb1.2bn, beating our forecast Rmb701m and consensus Rmb521m due to strong margin expansion and investment gain related to HomeInn. Ctrip guides 1Q17 revenue growth of 40-45% yoy, suggesting robust organic growth and contribution from Skyscanner. We raise our FY17/18 non-GAAP operating profit estimates by 7%/6% to reflect strong margin expansion. We reiterate OP and lift TP from US$54 to US$61 as we roll forward to 35x FY18E PE against 39% FY18-21E earnings CAGR.

Impact

- **4Q earnings beat.** Total net revenue increased 76% yoy to Rmb5.1bn, 2% ahead of MQ estimates and consensus. Accommodation revenue increased 56% yoy, accelerated from 51% yoy last quarter, driven by an increase in reservation volume as Ctrip deepens its penetration and broadens its hotel coverage. Transportation revenue grew 97% yoy on ticketing volume growth; and packaged tour and corporate travel increased 33% yoy and 32% yoy, respectively. Non-GAAP net profit was in at Rmb1.2bn, 76%/137% above MQ/consensus, partly due to investment gain related to HomeInn.
- **Margin expansion on track.** Margin expansion momentum carried on. Non-GAAP OPM improved 6ppts yoy to 15.7%, thanks to improving operating efficiency of call centre and IT system automation. FY16 non-GAAP OPM came in at 10.4%, and the company guides to improve the margin to 20-30% within the next 2-3 years. Ctrip guides a meaningful margin improvement in FY17, and we expect non-GAAP OPM to expand to 19%/ 23% in FY17/18.
- **Solid guidance into 2017.** Ctrip guides 40-45% yoy revenue growth in 1Q17, in-line with consensus. Management guides yoy growth of 20-30% for accommodation, 45-55% for transportation, 20-30% for packaged tours, and 10-20% for corporate travel. Ctrip sees strong growth potential in lower tier cities and guides to deploy sales and marketing resources into those markets to grow its customer base and market share. Excluding an M&A impact, the company sees long-term GMV to reach Rmb1.2 -1.4tn by 2020, from Rmb430bn in 2016. This implies organic growth of 29-34% CAGR over FY16-20. With international expansion and M&A, we also see the upside to Ctrip's ASP and margin in the longer term.

Earnings and target price revision

- We cut our FY17E non-GAAP EPS by 3%, and raise our FY18E non-GAAP EPS by 4% on strong margin expansion. We lift TP from US$54 to US$61 on 35x FY18E PE.

Price catalyst

- 12-month price target: US$61.00 based on a PER methodology.
- Catalyst: Margin expansion; and synergies with Skyscanner and Qunar

Action and recommendation

- Reiterate Outperform.

Please refer to page 8 for important disclosures and analyst certification, or on our website www.macquarie.com/research/disclosures.

Analysis

- Net revenue grew 76% yoy to Rmb5.1bn, 2% ahead of MQ estimates and consensus.
  - ⇒ **Accommodation reservation** revenue increased 56% yoy, driven by increase in reservation volume as Ctrip deepens its penetration and broadens its hotel coverage. As the end of 2016, Ctrip covers over 1.2 million hotels around the world.
  - ⇒ **Transportation** revenue reported another strong quarter of 97% yoy growth. Train ticketing and bus ticketing volume increased 70% yoy and 250% yoy, respectively.
  - ⇒ **Packaged-tour** revenue grew 33% yoy, supported by the new initiatives such as customized group tour which increased 300% yoy.

Margin expansion on track

- Non-GAAP OPM improved 6ppts yoy to 15.7%, thanks to improving operating efficiency of call centre and IT system automation. FY16 non-GAAP OPM came in at 10.4%, and the company guides to improve the margin to 20-30% within the next 2-3 years.
- Non-GAAP net profit came in at Rmb1.2bn, beating our forecast Rmb701m and consensus Rmb521m by 76%/137%.

Outlook into 1Q17

- Ctrip guides 1Q17 revenue growth of 40-45% yoy. By segment, the company guides yoy growth of 20-30% for accommodation, 45-55% for transportation, 20-30% for packaged tours, and 10-20% for corporate travel.
- Skyscanner has been consolidated into Ctrip since 31 Dec-2016. We expect Skyscanner to contribute to 6% of Ctrip's gross revenue in 1QFY17.
- With the consolidation of Skyscanner, Ctrip's CEO said the company should be able to achieve Rmb1tn GMV by 2018 and Rmb2tn GMV by 2021. Excluding Skyscanner, Ctrip targets to achieve Rmb1.2-1.4tn GMV by 2020, which implies organic growth of 29-34% CAGR over FY16-20.

Fig 1 4Q16 results review

(RMB mn)	4Q15	3Q16	4Q16	YoY	QoQ	MQ forecast	vs MQ forecast	Consensus	vs consensus
Gross revenue	**3,032**	**5,668**	**5,179**	**71%**	**-9%**	**5,041**	**3%**		
Accommodation reservation	1,187	2,072	1,848	56%	-11%	1,802	3%		
Transportation ticketing	1,244	2,428	2,446	97%	1%	2,387	2%		
Packaged tour	350	813	467	33%	-43%	472	-1%		
Corporate travel	136	166	179	32%	8%	172	4%		
Others	115	189	239	107%	27%	208	15%		
Net revenue	**2,874**	**5,572**	**5,067**	**76%**	**-9%**	**4,956**	**2%**	**4,975**	**2%**
Cost of services	-763	-1,234	-1,126	48%	-9%	-1,249	-10%		
Gross profit	**2,111**	**4,338**	**3,941**	**87%**	**-9%**	**3,707**	**6%**	**3,719**	**6%**
GPM	**73.4%**	**77.8%**	**77.8%**	**4 ppt**	**0 ppt**	**74.8%**	**2.97 ppt**	**74.8%**	**3.02 ppt**
Operating expenses	**-2,016**	**-3,890**	**-3,734**	**85%**	**-4%**	**-3,757**	**-1%**		
S&M	-849	-1,507	-1,471	73%	-2%	-1,439	2%		
G&A	-307	-539	-540	76%	0%	-579	-7%		
R&D	-860	-1,844	-1,722	100%	-7%	-1,740	-1%		
SBC	-196	-557	-589	200%	6%	-550	7%		
Non-GAAP operating profit	**292**	**1004**	**797**	**173%**	**-21%**	**499**	**59%**	**474**	**68%**
Non-GAAP OPM	**10.1%**	**18.0%**	**15.7%**	**6 ppt**	**-2 ppt**	**10.1%**	**5.64 ppt**	**9.5%**	**6.19 ppt**
Net profit	76	24	645	752%	2598%	151	328%	26	2351%
Non-GAAP net profit	**272**	**581**	**1,235**	**353%**	**113%**	**701**	**76%**	**521**	**137%**
Diluted EPADS (RMB)	0.19	0.05	1.18	515%	2403%	0.29	303%	0.07	na
Non-GAAP diluted EPADS (RMB)	0.69	1.15	2.24	225%	95%	1.36	65%	1.02	119%
Non-GAAP NPM	9.5%	10.4%	24.4%	15 ppts	14 ppts	14.1%	10.22 ppt	10.5%	13.89 ppt
Key assumptions									
Room nights (mn)	26.7	53.2	46.8	75%	-12%				
Commission per room night (RMB)	44.4	39.0	39.5	-11%	1%				
No. of air tickets (mn)	27.1	58.8	58.2	115%	-1%				
Commission per ticket (RMB)	40.9	37.2	37.4	-9%	0%				

Source: Bloomberg, Macquarie Research, February 2017

Estimates Revision

- We raise our FY17/18 non-GAAP operating profit estimates by 7%/6% to reflect strong margin expansion. We cut our FY17E non-GAAP EPS by 3%, and lift our FY18E non-GAAP EPS by 4%.
- We raise our TP from US$54 to US$61 on 35x FY18E PE

Fig 2 Estimates revision

New estimates

(RMB mn)	1Q17	2017E	2018E	2019E
Net revenue	6,037	27,137	35,223	44,492
Gross profit	4,670	21,217	27,638	35,186
Non-GAAP operation profit	978	5,095	8,047	12,049
Non-GAAP operation margin	16.2%	18.8%	22.8%	27.1%
Non-GAAP net profit	569	4,010	7,088	10,626
Non-GAAP diluted EPS (RMB)	1.00	7.06	12.14	18.19

Old estimates

(RMB mn)	1Q17	2017E	2018E	2019E
Net revenue	6,090	26,899	35,170	na
Gross profit	4,579	20,523	27,027	na
Non-GAAP operation profit	975	4,750	7,621	na
Non-GAAP operation margin	16.0%	17.7%	21.7%	na
Non-GAAP net profit	872	4,167	6,867	na
Non-GAAP diluted EPS (RMB)	1.52	7.26	11.63	na

Revision

	1Q17	2017E	2018E	2019E
Net revenue	-0.9%	0.9%	0.2%	na
Gross profit	2.0%	3.4%	2.3%	na
Non-GAAP operation profit	0.3%	7.3%	5.6%	na
Non-GAAP operation margin	0.2 ppt	1.1 ppt	1.2 ppt	na
Non-GAAP net profit	-34.8%	-3.8%	3.2%	na
Non-GAAP diluted EPS	-34.1%	-2.7%	4.3%	na

Source: Macquarie Research, February 2017

Fig 3 Key assumptions

Key Revenue drivers	2014	2015	2016	2017E	2018E	2019E
Gross revenue (RMB mn)	7,773	11,497	19,788	27,734	35,998	45,470
Accommodation reservation	3,201	4,617	7,309	9,513	12,269	15,640
Transportation ticketing	2,950	4,454	8,827	13,622	18,239	23,365
Packaged tour	1,055	1,668	2,310	2,888	3,523	4,228
Corporate travel	373	473	608	718	825	924
Others	192	285	734	993	1,142	1,314
% of total gross revenue						
Accommodation reservation	41%	40%	37%	34%	34%	34%
Transportation ticketing	38%	39%	45%	49%	51%	51%
Packaged tour	14%	15%	12%	10%	10%	9%
Corporate travel	5%	4%	3%	3%	2%	2%
Others	2%	2%	4%	4%	3%	3%
YoY growth						
Total revenue	36%	48%	72%	40%	30%	26%
Accommodation reservation	45%	44%	58%	30%	29%	27%
Transportation ticketing	36%	51%	98%	54%	34%	28%
Packaged tour	13%	58%	39%	25%	22%	20%
Corporate travel	40%	27%	29%	18%	15%	12%
Key assumptions						
Room nights (mn)	65.9	100.0	189.0	239.2	298.2	366.7
Commission per room night (RMB)	48.9	46.2	38.6	39.8	41.1	42.6
No. of tickets (mn)	63.4	99.4	226.6	281.0	351.3	425.3
Commission per ticket (RMB)	44.3	40.0	34.8	36.6	38.4	39.9

Source: Company data, Macquarie Research, February 2017

Fig 4 Ratio summary

YE 31 December		2014	2015	2016	2017E	2018E	2019E	16-17E	17-18E	18-21E
Per ADS										
EPADS (Non-GAAP Diluted)	(USD)	0.39	1.42	0.58	1.02	1.75	2.62	74%	72%	39%
EPADS (diluted)	(USD)	0.13	1.13	-0.42	0.32	1.07	1.94	-176%	236%	54%
DPADS	(USD)	0.00	0.00	0.00	0.00	0.00	0.00	--	--	--
BVPADS	(USD)	4.99	20.07	20.83	18.46	19.02	20.96	-11%	3%	14%
Cash per ADS	(USD)	0.50	-0.60	-2.11	-0.71	1.03	3.64	-66%	-245%	126%
Avg. ADS - Basic	(mn)	274.3	302.0	473.2	521.6	537.6	537.6	10%	3%	0%
Avg. ADS - Diluted	(mn)	307.5	342.7	494.6	568.0	584.0	584.0	15%	3%	0%
Value										
EV/Revenue	X	19.1x	13.5x	8.4x	6.0x	4.6x	3.7x	--	--	--
EV/EBITDA	X	4739.5x	222.3x	-143.8x	59.6x	28.8x	17.0x	--	--	--
EV/FCF	X	-55.0x	28.5x	-254.7x	26.7x	22.4x	15.2x	--	--	--
P/E (Non-GAAP)	X	122.8x	33.5x	81.5x	46.8x	27.2x	18.2x	--	--	--
P/E (non-GAAP, ex cash)	X	121.5x	34.0x	85.1x	47.5x	26.6x	16.8x	--	--	--
Price/ Sales	X	18.8x	13.3x	8.3x	5.9x	4.5x	3.6x	--	--	--
Price/ Book	X	9.5x	2.4x	2.3x	2.6x	2.5x	2.3x	--	--	--
Profit & Loss										
Gross Revenue	(USD mn)	1,253	1,775	2,850	3,995	5,185	6,549	40%	30%	23%
Net Revenue	(USD mn)	1,184	1,682	2,769	3,909	5,073	6,408	41%	30%	23%
EBITDA	(USD mn)	5	108	-166	402	831	1,411	-341%	107%	48%
Non-GAAP operating Profit	(USD mn)	56	158	287	734	1,159	1,735	156%	58%	38%
Net Income	(USD mn)	39	387	-206	181	625	1,133	-188%	245%	54%
Non-GAAP Net Income	(USD mn)	119	486	307	578	1,021	1,530	88%	77%	39%
Profitability										
Gross margin	%	71.4%	72.1%	75.4%	78.2%	78.5%	79.1%	278 bps	28 bps	126 bps
EBITDA Margin	%	0.4%	6.4%	-6.0%	10.3%	16.4%	22.0%	1628 bps	611 bps	1251 bps
Non-GAAP Operating Margin	%	4.7%	9.4%	10.4%	18.8%	22.8%	27.1%	842 bps	407 bps	986 bps
Net Margin	%	3.3%	23.0%	-7.4%	4.6%	12.3%	17.7%	1207 bps	768 bps	1202 bps
Non-GAAP Net Margin	%	10.1%	28.9%	11.1%	14.8%	20.1%	23.9%	371 bps	535 bps	891 bps
Cash Flow										
Operating Cash Flow	(USD mn)	354	1,254	121	1,035	1,243	1,766	754%	20%	34%
Free Cash Flow :	(USD mn)	-435	840	-94	895	1,069	1,573	-1053%	19%	37%
+EBIT*(1-t)	(USD mn)	-1	50	-287	181	591	1,080	-163%	226%	54%
+D&A	(USD mn)	29	49	59	65	69	73	8%	6%	7%
+Capex & Investments	(USD mn)	-772	-99	-110	-121	-133	-147	10%	10%	10%
+Change in NWC	(USD mn)	308	840	244	771	543	567	216%	-30%	6%
Yield										
Dividend Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0 bps	0 bps	0 bps
FCF Yield	%	-3.0%	5.1%	-0.4%	3.3%	3.8%	5.7%	371 bps	54 bps	595 bps
Earnings Yield	%	0.8%	3.0%	1.2%	2.1%	3.7%	5.5%	91 bps	154 bps	616 bps
Balance Sheet										
Net debt (cash)	(USD mn)	-153	205	1,044	402	-601	-2,125	-61%	-249%	126%
Net debt/ equity	%	cash	3%	10%	4%	cash	cash	--	--	--
Shareholders Equity	(USD mn)	1,536	6,877	10,303	10,484	11,109	12,242	2%	6%	14%
Efficiency										
ROE (average)	%	2.7%	9.3%	-2%	2%	6%	10%	421 bps	404 bps	936 bps
ROA (average)	%	1%	3%	-1%	1%	3%	5%	193 bps	195 bps	559 bps
ROIC (average)	%	2%	2%	2%	4%	7%	10%	246 bps	261 bps	914 bps

Source: Company data, Macquarie Research, February 2017

Fig 5 Financial statement

YE 31 December	2014	2015	2016	2017E	2018E	2019E	16-17E	17-18E	18-21E
Consolidated income statement (Rmb m)									
Gross revenue	7,773	11,497	19,788	27,734	35,998	45,470	40%	30%	23%
Hotel reservation	3,201	4,617	7,309	9,513	12,269	15,640	30%	29%	26%
Air-ticketing	2,950	4,454	8,827	13,622	18,239	23,365	54%	34%	23%
Packaged tour	1,055	1,668	2,310	2,888	3,523	4,228	25%	22%	19%
Corporate travel	373	473	608	718	825	924	18%	15%	9%
Others	192	285	734	993	1,142	1,314	35%	15%	10%
Net revenue	7,347	10,898	19,228	27,137	35,223	44,492	41%	30%	23%
Gross profit	5,246	7,854	14,499	21,217	27,638	35,186	46%	30%	24%
GPM	71%	72%	75%	78%	78%	79%	278 bps	28 bps	126 bps
SG&A	5,397	7,473	16,067	18,877	22,343	25,895	17%	18%	15%
Operating profit	-151	381	-1,568	2,341	5,295	9,291	-249%	126%	51%
OPM	-2%	3%	-8%	9%	15%	21%	1678 bps	641 bps	1297 bps
Net income, pre-tax & pre-minority	135	3,005	-1,760	2,254	5,492	9,651	-228%	144%	52%
Income taxes (Credit)	131	470	478	1,043	1,237	1,861	118%	19%	39%
Minority	151	108	206	-40	-48	-60	--	20%	8%
Net income	243	2,508	-1,431	1,256	4,336	7,868	-188%	245%	54%
Adjusted income	739	3,150	2,129	4,010	7,088	10,626	88%	77%	39%
NPM	3%	23%	-7%	5%	12%	18%	1207 bps	768 bps	1202 bps
EBITDA	31	697	-1,156	2,788	5,771	9,798	-341%	107%	48%
EBITDA margin	0.4%	6.4%	-6%	10%	16%	22%	1628 bps	611 bps	1251 bps
Avg shares outstanding - diluted (mn)	307.5	342.7	494.6	568.0	584.0	584.0	15%	3%	0%
Consolidated balance sheet (Rmb m)									
Current assets	**17,077**	**40,601**	**45,911**	**51,484**	**56,098**	**62,381**	**12%**	**9%**	**19%**
Cash +	12,576	29,738	34,292	39,137	41,876	45,959	14%	7%	21%
Receivables, net	1,827	3,151	4,625	5,003	6,510	8,324	8%	30%	25%
Other	2,674	7,712	6,995	7,344	7,712	8,097	5%	5%	5%
Fixed assets	**14,214**	**78,242**	**98,502**	**100,658**	**101,801**	**103,023**	**2%**	**1%**	**1%**
PP&E	5,221	5,556	5,592	6,129	6,720	7,372	10%	10%	10%
Land use rights + intangibles	773	11,110	14,024	13,882	13,741	13,602	-1%	-1%	-1%
Goodwill	1,893	45,690	56,015	56,575	57,141	57,713	1%	1%	1%
LT deposit	307	487	1,147	1,262	1,388	1,527	10%	10%	10%
Other + Investment	6,022	15,398	21,724	22,810	22,810	22,810	5%	0%	0%
Ctrip Total assets	**31,291**	**118,843**	**144,414**	**152,142**	**157,898**	**165,404**	**5%**	**4%**	**8%**
Current liabilities	**12,715**	**33,666**	**30,295**	**37,938**	**44,557**	**47,444**	**25%**	**17%**	**11%**
Short-term debt	3,560	12,710	6,887	8,450	9,425	6,175	23%	12%	-12%
Accounts payable	2,304	5,945	7,279	10,076	13,091	16,438	38%	30%	22%
Advances from customers	3,937	5,956	8,191	9,010	9,911	10,902	10%	10%	10%
Accrued liability for customer reward program	431	593	658	790	948	1,137	20%	20%	20%
Others	2,482	8,462	7,280	9,612	11,182	12,792	32%	16%	14%
LT deferred tax liabilities	133	3,137	3,947	3,947	3,947	3,947	--	--	--
LT debt	8,066	18,355	34,651	33,481	28,281	25,031	-3%	-16%	-13%
Total liabilities	**20,913**	**55,158**	**68,893**	**75,366**	**76,785**	**76,423**	**9%**	**2%**	**3%**
Minority	849	19,134	3,984	3,984	3,984	3,984	0%	0%	0%
Shareholders' equity	**9,529**	**44,551**	**71,537**	**72,793**	**77,129**	**84,997**	**2%**	**6%**	**14%**
Common stock	3	4	5	5	5	5	0%	0%	0%
Surplus	4,828	37,992	65,820	65,820	65,820	65,820	0%	0%	0%
Retained earnings	5,726	8,199	6,700	7,956	12,292	20,160	19%	55%	58%
Others	-1,028	-1,644	-988	-988	-988	-988	0%	0%	0%
Total Sh. equity + liabilities	**31,291**	**118,843**	**144,414**	**152,142**	**157,898**	**165,404**	**5%**	**4%**	**8%**
Consolidated cash flow (Rmb m)									
Net income	243	2,508	-1,431	1,256	4,336	7,868	-188%	245%	54%
+ Depreciation and amortization	182	316	413	448	476	507	8%	6%	7%
+ Interest (income)/expense	-142	-143	165	132	45	-54	-20%	-66%	-303%
+/- Change in NWC	1,913	5,440	1,695	5,352	3,770	3,937	216%	-30%	6%
Operating cash flow	**2,196**	**8,120**	**842**	**7,187**	**8,628**	**12,258**	**754%**	**20%**	**34%**
Capex	-4,789	-638	-766	-842	-927	-1,019	10%	10%	10%
Intangibles, LT investments & others	-3,954	-63,692	-20,225	-1619	-551	-571	-92%	-66%	4%
Other	1,501	2,956	1,059	-142	-141	-139	--	--	--
Investing cash flow	**-7,241**	**-61,374**	**-19,932**	**-2,603**	**-1,619**	**-1,729**	**-87%**	**-38%**	**7%**
Shares issued (redeemed)	772	50,834	13,335	0	0	0	-100%	--	--
Increase/decrease in debt	5,195	19,438	10,473	393	-4,225	-6,500	-96%	-1176%	-100%
Cash dividends	0	0	0	0	0	0			
Interest income/(expense)	142	143	-165	-132	-45	54	-20%	-66%	-303%
Financing cash flow	**6,109**	**70,416**	**23,643**	**261**	**-4,270**	**-6,446**	**-99%**	**-1737%**	**-145%**
Ctrip Net change in cash	1,063	17,162	4,554	4,845	2,739	4,083	6%	-43%	90%
Ctrip Cash at beginning of period	11,513	12,576	29,738	34,292	39,137	41,876	15%	14%	12%
Ctrip Cash at end of period	12,576	29,738	34,292	39,137	41,876	45,959	14%	7%	21%

Source: Company data, Macquarie Research, February 2017

Fig 6 DCF analysis

YE 31 December (USD mn)	2017E	2018E	2019E	2020E	2021E	2022E
Free cash flow	895	1,069	1,573	2,150	2,722	3,336
EBIT * (1-t)	181	591	1,080	1,660	2,177	2,714
+ D&A	65	69	73	78	83	90
+ Capex & investments	(121)	(133)	(147)	(161)	(178)	(195)
+ (Inc) / dec in NWC	771	543	567	574	639	728
NPV of FCF	846	947	1,304	1,669	1,979	2,271

Base case WACC calculation :	
Risk free rate	2.5%
Equity risk premium	4.5%
Equity beta	1.3
Cost of common equity	8.1%
After tax cost of debt	1.5%
Debt/Total capital (steady state):	
% common equity	80%
% of debt	20%
WACC calculated	6.8%
Terminal FCFF =	3,336

DCF valuation (USD mn) :	
Total NPV of forecast	6,745
Terminal EBITDA	3,785
Terminal EBITDA multiple	12 x
Terminal value	45,423
NPV of terminal value	33,019
Enterprise value	39,765
TV : EV	83.0%
Net (cash) debt (2017E)	402
Hypothetical DCF-based fair value :	
Equity value (USD mn)	39,362
Per ADS (USD)	**69**

DCF MATRIX

	Hypothetical DCF-based fair value (USD)						
Exit multiple	6x	8x	10x	**12x**	14x	16x	18x
WACC							
4%	46	57	68	**79**	90	101	112
5%	44	54	65	**76**	86	97	108
6%	42	52	62	**72**	83	93	103
7%	**40**	**50**	**60**	**69**	**79**	**89**	**98**
8%	39	48	57	**66**	76	85	94
9%	37	46	55	**64**	72	81	90
10%	36	44	52	**61**	69	78	86

	NPV of forecast FCF (USD mn)					
	2017E	2018E	2019E	2020E	2021E	
FCF	895	1,069	1,573	2,150	2,722	Total NPV
WACC						
4%	867	998	1,415	1,863	2,272	7,415
5%	860	980	1,377	1,795	2,169	7,181
6%	853	963	1,340	1,731	2,071	6,958
7%	**846**	**947**	**1,304**	**1,669**	**1,979**	**6,745**
8%	840	930	1,270	1,610	1,891	6,542
9%	833	915	1,237	1,554	1,808	6,347
10%	827	899	1,205	1,500	1,730	6,161

	Terminal value as EBITDA multiple (USD mn)						
Exit multiple	6x	8x	10x	**12x**	14x	16x	18x
WACC							
4%	18,957	25,277	31,596	**37,915**	44,234	50,553	56,872
5%	18,096	24,128	30,160	**36,191**	42,223	48,255	54,287
6%	17,281	23,041	28,801	**34,561**	40,322	46,082	51,842
7%	**16,510**	**22,013**	**27,516**	**33,019**	**38,523**	**44,026**	**49,529**
8%	15,780	21,040	26,299	**31,559**	36,819	42,079	47,339
9%	15,088	20,118	25,147	**30,177**	35,206	40,235	45,265
10%	14,433	19,244	24,055	**28,866**	33,677	38,488	43,299

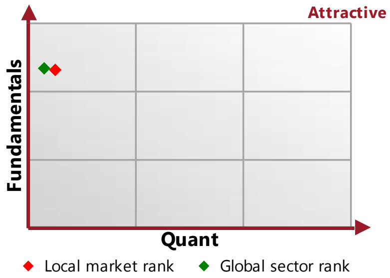
Implied non-GAAP PER (2017E)

Exit multiple	6x	8x	10x	**12x**	14x	16x	18x
WACC							
4%	45.0x	55.9x	66.8x	**77.8x**	88.7x	99.7x	110.6x
5%	43.1x	53.5x	64.0x	**74.4x**	84.8x	95.3x	105.7x
6%	41.3x	51.2x	61.2x	**71.2x**	81.2x	91.1x	101.1x
7%	**39.6x**	**49.1x**	**58.6x**	**68.2x**	**77.7x**	**87.2x**	**96.7x**
8%	38.0x	47.1x	56.2x	**65.3x**	74.4x	83.5x	92.6x
9%	36.4x	45.1x	53.8x	**62.5x**	71.2x	80.0x	88.7x
10%	35.0x	43.3x	51.6x	**59.9x**	68.3x	76.6x	84.9x

Source: Macquarie Research, February 2017

Macquarie Quant View

The quant model currently holds a strong negative view on Ctrip.com International. The strongest style exposure is Price Momentum, indicating this stock has had strong medium to long term returns which often persist into the future. The weakest style exposure is Profitability, indicating this stock is not efficiently converting investments to earnings; proxied by ratios like ROE or ROA.



Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model.

Two rankings: Local market (China) and Global sector (Retailing)

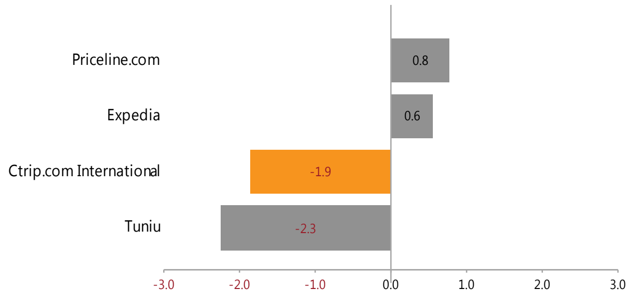
504/529

Global rank in Retailing

% of BUY recommendations	92% (24/26)
Number of Price Target downgrades	2
Number of Price Target upgrades	0

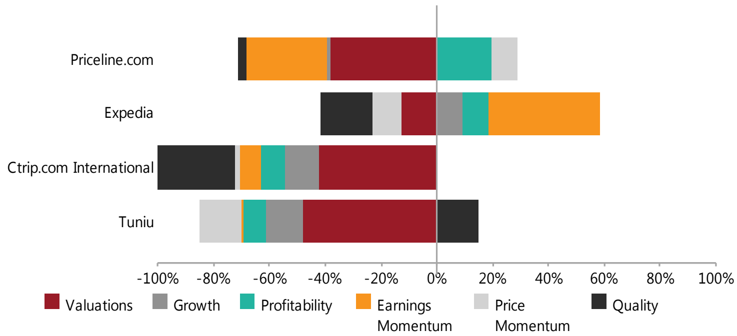
Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



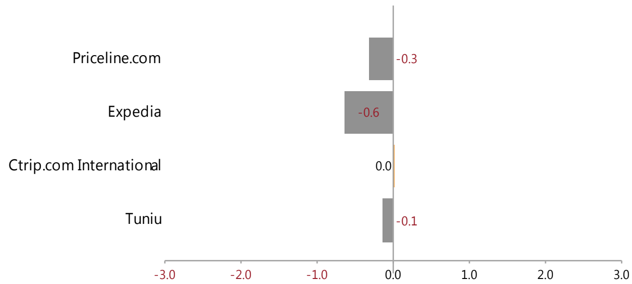
Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



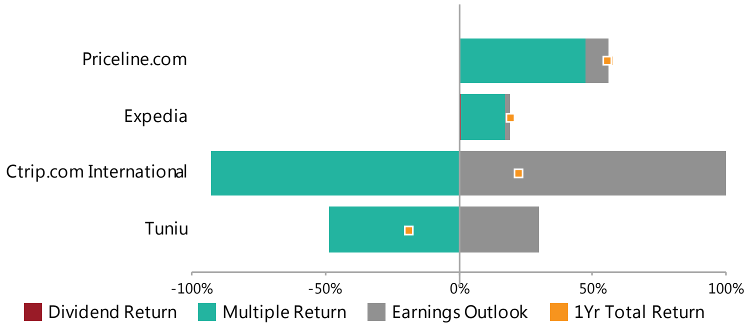
Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



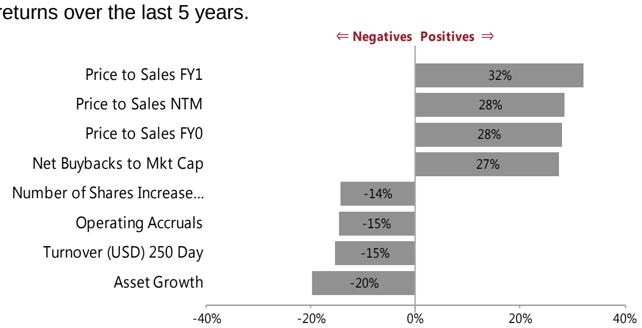
Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



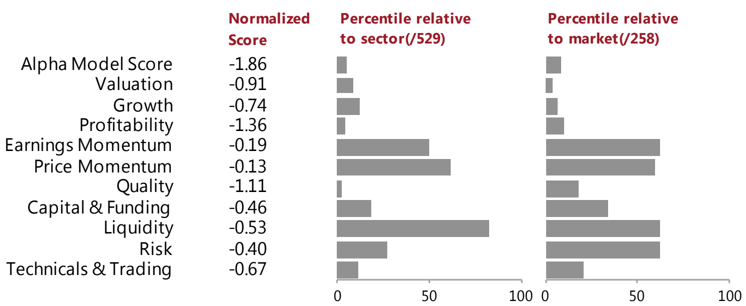
What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Research. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group (cpg@macquarie.com)

Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand
Outperform – return >3% in excess of benchmark return
Neutral – return within 3% of benchmark return
Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie – South Africa
Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie - Canada
Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie - USA
Outperform (Buy) – return >5% in excess of Russell 3000 index return
Neutral (Hold) – return within 5% of Russell 3000 index return
Underperform (Sell)– return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.
* Applicable to Asia/Australian/NZ/Canada stocks only

Recommendations – 12 months
Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:
Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

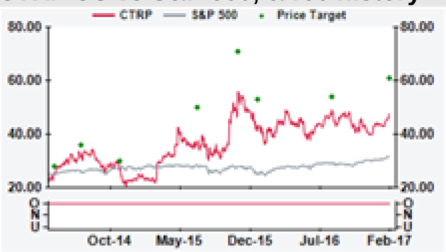
EPS = adjusted net profit / efpowa*
ROA = adjusted ebit / average total assets
ROA Banks/Insurance = adjusted net profit /average total assets
ROE = adjusted net profit / average shareholders funds
Gross cashflow = adjusted net profit + depreciation
*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 December 2016

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	57.53%	50.72%	45.57%	42.28%	60.58%	52.79%	(for global coverage by Macquarie, 8.71% of stocks followed are investment banking clients)
Neutral	33.90%	33.97%	43.04%	50.11%	37.23%	35.62%	(for global coverage by Macquarie, 8.05% of stocks followed are investment banking clients)
Underperform	8.56%	15.30%	11.39%	7.61%	2.19%	11.59%	(for global coverage by Macquarie, 4.63% of stocks followed are investment banking clients)

CTRP US vs S&P 500, & rec history



(all figures in USD currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.
Source: FactSet, Macquarie Research, February 2017

12-month target price methodology

CTRP US: US$61.00 based on a PER methodology

Company-specific disclosures:

Important disclosure information regarding the subject companies covered in this report is available at www.macquarie.com/research/disclosures.

Date	Stock Code (BBG code)	Recommendation	Target Price
01-Sep-2016	CTRP US	Outperform	US$54.00
19-Jan-2016	CTRP US	Outperform	US$53.00
20-Nov-2015	CTRP US	Outperform	US$71.00
21-Jul-2015	CTRP US	Outperform	US$50.00
27-Nov-2014	CTRP US	Outperform	US$30.00
01-Aug-2014	CTRP US	Outperform	US$36.00
12-May-2014	CTRP US	Outperform	US$28.00

Target price risk disclosures:
CTRP US: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification:
We hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The Analysts responsible for preparing this report receive compensation from Macquarie that is based upon various factors including Macquarie Group Ltd total revenues, a portion of which are generated by Macquarie Group's Investment Banking activities.

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