

Trip.com (TCOM US)

Resilient revenue growth with investment on track for overseas expansion

Trip.com Group (TCOM) released (20 May) 1Q25 results: total revenue was RMB13.9bn, up 16% YoY, inline with both our forecast and Bloomberg consensus estimates; non-GAAP operating income (OP) was RMB4.0bn, 7% better than both our estimates and consensus, mainly thanks to more optimized-than-expected sales and marketing spend. Overall travel demand remains resilient, in our view, and TCOM sustained better-than-industry booking volume growth for both domestic business and outbound business, aided by its strong supply chain capabilities, as well as superior customer services capabilities. TCOM's overseas expansion is also on the right track. Although the investment may weigh on earnings growth in the near term, the international expansion should bring long-term value to TCOM, in our view. Both our 25-27E revenue and earnings forecasts remain largely unchanged, and we keep our DCF-based TP at US\$70.0, translating into 20x 25E PE (non-GAAP). BUY.

■ **Expecting resilient revenue growth in 2Q25E.** For domestic business, management noted resilient booking volume growth QTD in 2Q25, with hotel booking volume growth standing at c. 10-15% YoY, and transportation ticketing volume growth standing at mid-to-low single digit YoY. Management also noted an improving trend in the YoY decline of average daily rate (ADR) from high single digit in 1Q to mid-to-low single digit range in 2Q for domestic accommodation reservations. Outbound air ticket and hotel bookings on TCOM's platform recovered to more than 120% of the 2019 level in 1Q25 (4Q24: ~120%; 1Q24: ~90%), consistently outperforming the overall market by c.30-40ppts. The trend could sustain in 2Q25, in our view, while revenue growth of the business cloud see tougher comps in 2H25. For pure international business, Trip.com accounted for 13% of group-level revenue in 1Q25, and sustained over 50% YoY revenue growth. We are looking for a slight acceleration trend for Trip.com's revenue growth in 2H25 given better seasonality in overseas markets, and TCOM's incremental investment to drive growth. For 2Q25E, we are looking for a sequentially resilient revenue growth of 15% YoY, with total revenue to reach RMB14.6bn, in line with Bloomberg consensus.

■ **Incremental investment in Trip.com likely to bring short-term margin headwind but should benefit the long term.** TCOM's non-GAAP OPM for 1Q25 was 29.2%, 1.7ppts better than consensus, mainly driven by more optimized-than-expected sales and marketing spend, although this was again partly offset by lower-than-expected GPM owing to increased revenue contribution from Trip.com. Non-GAAP operating expenses as a percentage of total revenue was 51.2% in 1Q25, better than consensus at 53.5%, while the GPM of 80.3% was 0.7ppts shy of consensus. We expect TCOM to maintain its investment plan to achieve international expansion of the Trip.com platform. Contribution margin for relatively mature markets such as Hong Kong and Singapore should continue to see margin improvement, while fast-growing markets such as Japan, Malaysia, and Thailand are aiming at market share expansion, and new markets such as the Middle East and European regions are making some early-stage infrastructure investment. Although incremental investment in Trip.com may weigh on near-term earnings growth, we are positive on the long-term benefits. For 2Q25E/2025E, we are looking for non-GAAP OP of RMB4.4bn/18.0bn, up 3/11% YoY.

BUY (Maintain)

Target Price US\$70.00
Up/Downside 10.4%
Current Price US\$63.38

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Stock Data

Mkt Cap (US\$ mn)	45,046.6
Avg 3 mths t/o (US\$ mn)	168.0
52w High/Low (US\$)	75.06/39.32
Total Issued Shares (mn)	710.7

Source: FactSet

Shareholding Structure

Baidu Entities	10.8%
Morgan Stanley	5.8%

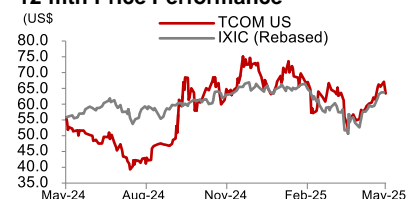
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	14.7%	-4.9%
3-mth	-5.4%	-3.5%
6-mth	-2.7%	-3.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	44,562	53,377	61,507	68,908	75,378
YoY growth (%)	122.2	19.8	15.2	12.0	9.4
Net profit (RMB mn)	9,918.0	17,067.0	16,339.1	17,510.4	19,454.3
Adjusted net profit (RMB mn)	13,071.0	18,041.0	17,799.8	19,612.1	21,564.9
YoY growth (%)	910.1	38.0	(1.3)	10.2	10.0
EPS (Adjusted) (RMB)	19.48	25.84	25.04	27.59	30.34
P/E (x)	30.1	17.6	18.4	17.2	15.4

Source: Company data, Bloomberg, CMBIGM estimates

Results comparison and changes in forecast

Figure 1: TCOM: quarterly financial results

(RMBbn)	1Q24	2Q24	3Q24	4Q24	1Q25	1Q25E consensus	Diff%
Total revenue	11.9	12.8	15.9	12.8	13.9	13.8	0.4%
YoY growth (%)	29.4%	13.5%	15.6%	23.5%	16.2%		
Accommodation reservation	4.5	5.1	6.8	5.2	5.5	5.5	1.4%
YoY growth (%)	29.2%	19.9%	21.7%	32.7%	23.2%		
Transportation ticketing	5.0	4.9	5.7	4.8	5.4	5.4	0.2%
YoY growth (%)	20.3%	1.2%	5.3%	16.4%	8.4%		
Packaged tour	0.9	1.0	1.6	0.9	0.9	1.0	-5.9%
YoY growth (%)	128.8%	42.0%	17.3%	23.6%	7.2%		
Corporate travel	0.5	0.6	0.7	0.7	0.6	0.5	4.4%
YoY growth (%)	14.8%	8.4%	11.0%	10.7%	12.1%		
Others	1.0	1.1	1.2	1.2	1.4	1.4	-1.0%
YoY growth (%)	38.6%	31.0%	40.9%	24.9%	33.0%		
Gross profit	9.7	10.5	13.1	10.1	11.1	11.2	-0.5%
Operating profit	3.3	3.6	5.0	2.3	3.6	3.3	7.3%
Non-GAAP operating profit	3.8	4.2	5.5	2.8	4.0	3.8	6.6%
Non-GAAP net profit	4.1	5.0	6.0	3.0	4.2	3.8	9.0%
Expense ratio and margins							
GPM (%)	81.1%	81.8%	82.2%	79.1%	80.3%	81.0%	-0.7 ppt
OPM (%)	27.8%	27.8%	31.5%	18.0%	25.7%	24.1%	1.7 ppt
Non-GAAP OPM (%)	31.6%	33.1%	34.4%	21.6%	29.2%	27.5%	1.7 ppt
Non-GAAP P&D expense ratio	24.3%	20.9%	21.5%	24.9%	23.9%	23.6%	0.3 ppt
Non-GAAP S&M expense ratio	19.1%	21.8%	21.1%	26.2%	21.4%	23.8%	-2.4 ppt
Non-GAAP G&A expense ratio	6.1%	6.1%	5.3%	6.5%	5.9%	6.1%	-0.2 ppt
Adjusted NPM (%)	34.0%	39.0%	37.5%	23.8%	30.2%	27.8%	2.4 ppt

Source: Company data, Bloomberg, CMBIGM

Both our 2025-2027E revenue and non-GAAP earning forecasts remain largely unchanged. The earnings beat in 1Q25 should provide TCOM more flexibility when investing in overseas expansion, in our view.

Figure 2: TCOM: forecast revision

RMB bn	Current			Previous			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	61.5	68.9	75.4	61.6	69.0	75.4	-0.1%	-0.1%	0.0%
Gross profit	49.4	55.2	60.2	49.8	55.5	60.5	-0.7%	-0.6%	-0.6%
Operating profit	16.0	18.3	20.2	16.0	18.3	20.2	0.0%	0.1%	0.1%
Non-GAAP net profit	17.8	19.6	21.6	17.6	19.4	21.6	1.2%	0.8%	0.0%
Gross Margin	80.4%	80.1%	79.8%	80.8%	80.5%	80.3%	-0.5 ppt	-0.5 ppt	-0.5 ppt
Operating Margin	26.0%	26.5%	26.8%	26.0%	26.5%	26.8%	0.0 ppt	0.0 ppt	0.0 ppt
Non-GAAP net margin	28.9%	28.5%	28.6%	28.6%	28.2%	28.6%	0.4 ppt	0.3 ppt	0.0 ppt

Source: CMBIGM estimates

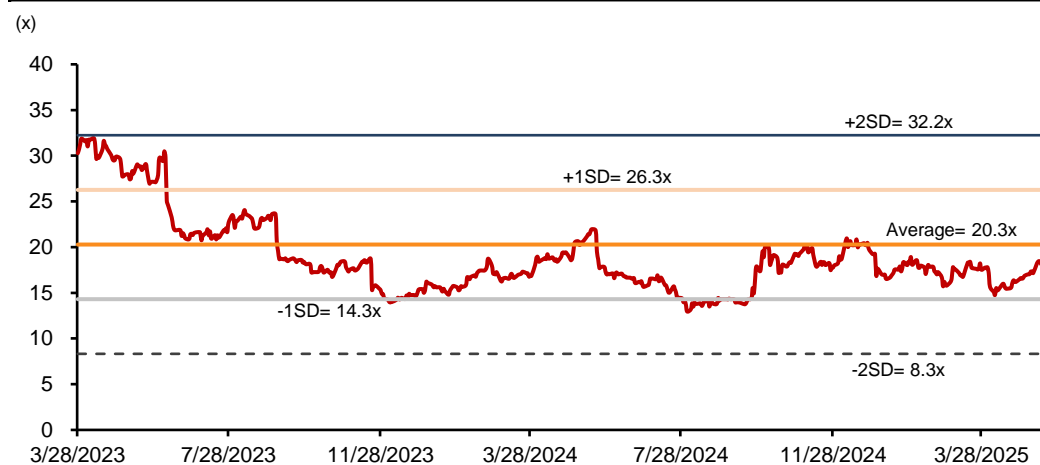
Our DCF-based target price also remains unchanged at US\$70.0, translating into 20.1x 2025E PE (non-GAAP).

Figure 3: TCOM: DCF valuation (WACC of 10.5%, terminal growth of 2.0%; both unchanged)

(RMBbn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Total revenue	61.5	68.9	75.4	80.9	85.7	89.8	93.4	96.4
NPV of FCF	136.1							
Discounted terminal value	140.4							
Total equity valuation	354.8							
No. of shares (diluted, mn)	711							
Valuation per share (USD)	70.0							

Source: CMBIGM estimates

Note: 1) Our USD:RMB exchange rate assumption is 1:7.2; 2) our target valuation is based on weighted average valuation of 10 months in 2025E and 2 months in 2026E

Figure 4: TCOM: one-year forward PE since 2023

Source: Bloomberg, CMBIGM

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	20,055	44,562	53,377	61,507	68,908	75,378
Cost of goods sold	(4,513)	(8,121)	(9,990)	(11,976)	(13,625)	(15,132)
Others	(16)	(52)	(83)	(89)	(93)	(95)
Gross profit	15,526	36,389	43,304	49,441	55,189	60,152
Operating expenses	(15,438)	(25,065)	(29,127)	(33,442)	(36,919)	(39,938)
SG&A expense	(7,097)	(12,945)	(15,988)	(18,517)	(20,541)	(22,246)
R&D expense	(8,341)	(12,120)	(13,139)	(14,924)	(16,378)	(17,692)
Operating profit	88	11,324	14,177	15,999	18,270	20,214
Interest income	2,046	2,090	2,341	2,307	2,356	2,443
Interest expense	(1,514)	(2,067)	(1,735)	(1,187)	(1,187)	(1,187)
Other income/expense	2,015	(667)	2,220	1,437	1,610	1,761
Pre-tax profit	2,635	10,680	17,003	18,557	21,049	23,231
Income tax	(682)	(1,750)	(2,604)	(3,489)	(4,210)	(4,646)
Others	(586)	1,072	2,828	1,428	828	1,027
Minority interest	36	(84)	(160)	(157)	(157)	(157)
Net profit	1,403	9,918	17,067	16,339	17,510	19,454
Adjusted net profit	1,294	13,071	18,041	17,800	19,612	21,565

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	61,435	88,732	112,120	150,084	179,862	210,537
Cash & equivalents	17,000	41,592	48,439	85,012	110,386	137,210
Restricted cash	1,487	2,391	2,654	4,305	4,824	5,276
Account receivables	5,486	11,410	12,459	12,301	13,782	15,076
Prepayment	10,169	12,749	17,290	19,990	22,395	24,498
Other current assets	27,293	20,590	31,278	28,475	28,476	28,477
Non-current assets	130,256	130,405	130,461	129,451	129,327	129,227
PP&E	5,204	5,142	5,053	5,491	5,516	5,567
Investment in JVs & assos	50,177	49,342	47,194	47,194	47,194	47,194
Intangibles	12,742	12,564	12,763	11,165	10,966	10,766
Goodwill	59,337	59,372	60,911	60,911	60,911	60,911
Other non-current assets	2,796	3,985	4,540	4,690	4,740	4,790
Total assets	191,691	219,137	242,581	279,535	309,188	339,764
Current liabilities	61,239	72,411	74,010	91,974	101,633	110,102
Short-term borrowings	32,674	25,857	19,433	19,433	19,433	19,433
Account payables	7,569	16,459	16,578	19,874	22,611	25,111
Tax payable	835	2,038	2,117	5,233	6,315	6,969
Other current liabilities	19,765	27,013	33,430	46,715	52,593	57,832
Accrued expenses	396	1,044	2,452	719	681	757
Non-current liabilities	17,433	23,720	25,089	25,545	25,763	26,139
Long-term borrowings	13,177	19,099	20,134	20,134	20,134	20,134
Obligations under finance leases	534	477	561	561	561	561
Other non-current liabilities	3,722	4,144	4,394	4,850	5,068	5,444
Total liabilities	78,672	96,131	99,099	117,519	127,395	136,241
Share capital	6	6	6	6	6	6
Capital surplus	95,196	97,428	101,187	103,417	105,718	108,029
Retained earnings	20,135	28,806	45,251	61,555	79,031	98,450
Other reserves	(3,054)	(4,056)	(3,894)	(3,894)	(3,894)	(3,894)
Total shareholders equity	112,283	122,184	142,550	161,084	180,861	202,591
Minority interest	736	822	932	932	932	932
Total equity and liabilities	191,691	219,137	242,581	279,535	309,188	339,764

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,049	11,752	19,831	19,985	21,877	24,257
Depreciation & amortization	875	817	851	892	936	982
Change in working capital	(800)	9,256	3,321	15,422	5,773	5,072
Others	517	179	(4,378)	(4,444)	(5,093)	(5,521)
Net cash from operations	2,641	22,004	19,625	31,855	23,493	24,792
Investing						
Capital expenditure	(497)	(606)	(591)	(681)	(763)	(835)
Acquisition of subsidiaries/ investments	1,039	(5,326)	(16,036)	0	0	0
Others	594	11,851	10,575	3	4	4
Net cash from investing	1,136	5,919	(6,052)	(678)	(759)	(830)
Financing						
Net borrowings	4,938	5,721	(3,231)	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(11,655)	(8,268)	(3,479)	7,047	3,158	3,316
Net cash from financing	(6,717)	(2,547)	(6,710)	7,047	3,158	3,316
Net change in cash						
Cash at the beginning of the year	21,196	18,487	43,983	51,093	89,317	115,209
Exchange difference	231	120	247	0	0	0
Others	(2,940)	25,376	6,863	38,224	25,892	27,277
Cash at the end of the year	18,487	43,983	51,093	89,317	115,209	142,487

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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