

Trip.com (TCOM US)

2Q results beat; resilient revenue and earnings growth to sustain

Trip.com Group (TCOM) released (28 Aug) 2Q25 results: total revenue was RMB14.9bn, up 16% YoY, 1% better than both our forecast and Bloomberg consensus estimates; non-GAAP operating income (OP) was RMB4.7bn, 7/9% better than both our estimates and consensus, thanks to better-than-expected operating leverage. Overall travel demand remained 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, with balanced investment and revenue growth trajectory, and this should bring long-term value to TCOM, in our view. Our 25-27E revenue forecasts remain largely unchanged, while we lift earnings forecasts by 3-5% to factor in better-than-expected operating leverage. Driven by the increase in earnings forecasts and a roll forward of valuation window, we raise our DCF-based TP by 9% to US\$76.0 (was US\$70.0), translating into 21/19x 25/26E PE (non-GAAP). Maintain BUY.

■ **Expecting resilient revenue growth to sustain in 3Q25E.** 1) For domestic business, management noted resilient booking volume growth QTD in 3Q25, with hotel booking volume growth standing at low-teens YoY, and transportation ticketing volume growth standing at low single digit YoY. 2) Outbound air ticket and hotel bookings on TCOM's platform recovered to more than 120% of the 2019 level in 2Q25 (1Q25: ~120%; 2Q24: ~100%), consistently outperforming the overall market by c.30-40ppts, and we are looking for over 10% YoY revenue growth for outbound travel business in 3Q25E. 3) For pure international business, Trip.com accounted for 14% of group-level revenue in 2Q25, and sustained over 50% YoY revenue growth, and we are anticipating the over 50% YoY revenue growth to sustain in 3Q25E, driven by robust volume growth. Overall, we are looking for total revenue growth of 14% YoY, with total revenue to reach RMB18.1bn in 3Q25E, in line with Bloomberg consensus.

■ **Better-than-expected operating leverage drove a beat on earnings.** TCOM's non-GAAP OPM for 2Q25 was 31.4%, 2.2ppts better than consensus, mainly driven by more optimized-than-expected operating expense. TCOM noted an improvement in sales and marketing efficiency in the domestic market, while guided to drive for business expansion of Trip.com in an efficient way, which in our view heralds balanced revenue growth and controllable loss margin level. For 3Q25/2025E, we are estimating non-GAAP OP of RMB5.8bn/17.9bn, up 7/11% YoY, translating into non-GAAP OPM of 32.2%/29.2%.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	44,562	53,377	61,524	68,969	75,675
YoY growth (%)	122.2	19.8	15.3	12.1	9.7
Net profit (RMB mn)	9,918.0	17,067.0	29,092.5	18,346.6	20,364.9
Adjusted net profit (RMB mn)	13,071.0	18,041.0	18,275.9	20,588.1	22,635.1
YoY growth (%)	910.1	38.0	1.3	12.7	9.9
EPS (Adjusted) (RMB)	19.48	25.84	25.71	28.97	31.85
P/E (x)	30.8	18.0	10.5	16.7	15.1

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$76.00
 (Previous TP) US\$70.00
Up/Downside 16.4%
Current Price US\$65.29

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Stock Data

Mkt Cap (US\$ mn)	46,404.1
Avg 3 mths t/o (US\$ mn)	77.2
52w High/Low (US\$)	75.06/46.65
Total Issued Shares (mn)	710.7

Source: FactSet

Shareholding Structure

Baidu Entities	10.8%
Morgan Stanley	5.8%

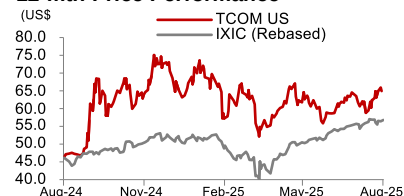
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	2.8%	0.9%
3-mth	3.4%	-8.6%
6-mth	15.2%	0.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Results comparison and changes in forecast

Figure 1: TCOM: quarterly financial results

(RMBbn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	2Q25E consensus	Diff%
Total revenue	11.9	12.8	15.9	12.8	13.9	14.9	14.7	1.4%
YoY growth (%)	29.4%	13.5%	15.6%	23.5%	16.2%	16.2%		
Accommodation reservation	4.5	5.1	6.8	5.2	5.5	6.2	6.0	2.9%
YoY growth (%)	29.2%	19.9%	21.7%	32.7%	23.2%	21.2%		
Transportation ticketing	5.0	4.9	5.7	4.8	5.4	5.4	5.3	1.3%
YoY growth (%)	20.3%	1.2%	5.3%	16.4%	8.4%	10.8%		
Packaged tour	0.9	1.0	1.6	0.9	0.9	1.1	1.2	-9.5%
YoY growth (%)	128.8%	42.0%	17.3%	23.6%	7.2%	5.3%		
Corporate travel	0.5	0.6	0.7	0.7	0.6	0.7	0.7	-1.1%
YoY growth (%)	14.8%	8.4%	11.0%	10.7%	12.1%	9.3%		
Others	1.0	1.1	1.2	1.2	1.4	1.5	1.4	6.4%
YoY growth (%)	38.6%	31.0%	40.9%	24.9%	33.0%	31.0%		
Gross profit	9.7	10.5	13.1	10.1	11.1	12.0	11.9	1.4%
Operating profit	3.3	3.6	5.0	2.3	3.6	4.1	4.1	0.0%
Non-GAAP operating profit	3.8	4.2	5.5	2.8	4.0	4.7	4.3	9.1%
Non-GAAP net profit	4.1	5.0	6.0	3.0	4.2	5.0	4.3	15.3%
Expense ratio and margins								
GPM (%)	81.1%	81.8%	82.2%	79.1%	80.3%	80.9%	80.9%	0.0 ppt
OPM (%)	27.8%	27.8%	31.5%	18.0%	25.7%	27.6%	28.0%	-0.4 ppt
Non-GAAP OPM (%)	31.6%	33.1%	34.4%	21.6%	29.2%	31.4%	29.2%	2.2 ppt
Non-GAAP P&D expense ratio	24.3%	20.9%	21.5%	24.9%	23.9%	21.8%	22.4%	-0.5 ppt
Non-GAAP S&M expense ratio	19.1%	21.8%	21.1%	26.2%	21.4%	22.1%	23.3%	-1.2 ppt
Non-GAAP G&A expense ratio	6.1%	6.1%	5.3%	6.5%	5.9%	5.7%	6.0%	-0.3 ppt
Adjusted NPM (%)	34.0%	39.0%	37.5%	23.8%	30.2%	33.7%	29.7%	4.0 ppt

Source: Company data, Bloomberg, CMBIGM

Our 25-27E revenue forecasts remain largely unchanged, while we lift earnings forecasts by 3-5% to factor in better-than-expected operating leverage.

Figure 2: TCOM: forecast revision

RMB bn	Current			Previous			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	61.5	69.0	75.7	61.5	68.9	75.4	0.0%	0.1%	0.4%
Gross profit	49.5	55.2	60.4	49.4	55.2	60.2	0.0%	0.1%	0.4%
Operating profit	15.8	18.0	20.0	16.0	18.3	20.2	-1.3%	-1.2%	-0.9%
Non-GAAP net profit	18.3	20.6	22.6	17.8	19.6	21.6	2.7%	5.0%	5.0%
Gross margin	80.4%	80.1%	79.8%	80.4%	80.1%	79.8%	0.0 ppt	0.0 ppt	0.0 ppt
Operating margin	25.7%	26.2%	26.5%	26.0%	26.5%	26.8%	-0.3 ppt	-0.3 ppt	-0.3 ppt
Non-GAAP net margin	29.7%	29.9%	29.9%	28.9%	28.5%	28.6%	0.8 ppt	1.4 ppt	1.3 ppt

Source: CMBIGM estimates

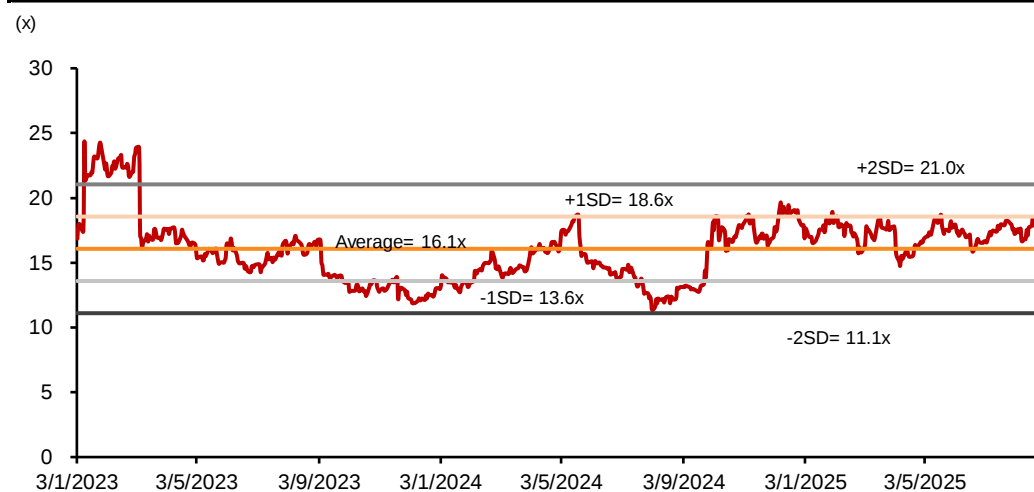
Driven by the increase in earnings forecast and a roll forward of valuation window, we raise our DCF-based TP by 9% to US\$76.0 (was US\$70.0), translating into 21/19x 25/26E PE (non-GAAP). Maintain BUY.

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	69.0	75.7	81.8	87.3	91.9	96.0	99.4
NPV of FCF	135.2	121.9						
Discounted terminal value	148.9	164.5						
Total equity valuation	369.7	398.5						
No. of shares (diluted, mn)	711	711						
Valuation per share (USD)	76.0							

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 4 months in 2025E and 8 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	61,524	68,969	75,675
Cost of goods sold	(4,513)	(8,121)	(9,990)	(11,980)	(13,637)	(15,192)
Others	(16)	(52)	(83)	(90)	(93)	(95)
Gross profit	15,526	36,389	43,304	49,455	55,239	60,388
Operating expenses	(15,438)	(25,065)	(29,127)	(33,666)	(37,193)	(40,360)
SG&A expense	(7,097)	(12,945)	(15,988)	(18,737)	(20,801)	(22,598)
R&D expense	(8,341)	(12,120)	(13,139)	(14,929)	(16,392)	(17,761)
Operating profit	88	11,324	14,177	15,789	18,046	20,029
Interest income	2,046	2,090	2,341	2,307	2,503	2,579
Interest expense	(1,514)	(2,067)	(1,735)	(989)	(989)	(989)
Other income/expense	2,015	(667)	2,220	14,351	2,755	3,023
Pre-tax profit	2,635	10,680	17,003	31,458	22,314	24,642
Income tax	(682)	(1,750)	(2,604)	(3,460)	(4,463)	(4,928)
Others	(586)	1,072	2,828	1,252	652	808
Minority interest	36	(84)	(160)	(157)	(157)	(157)
Net profit	1,403	9,918	17,067	29,093	18,347	20,365
Adjusted net profit	1,294	13,071	18,041	18,276	20,588	22,635

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	61,435	88,732	112,120	157,455	187,924	219,276
Cash & equivalents	17,000	41,592	48,439	92,374	118,411	145,773
Restricted cash	1,487	2,391	2,654	4,307	4,828	5,297
Account receivables	5,486	11,410	12,459	12,305	13,794	15,135
Prepayment	10,169	12,749	17,290	19,995	22,415	24,594
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	129,230
PP&E	5,204	5,142	5,053	5,491	5,517	5,570
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	286,906	317,252	348,507
Current liabilities	61,239	72,411	74,010	86,468	95,838	103,901
Short-term borrowings	32,674	25,857	19,433	19,433	19,433	19,433
Account payables	7,569	16,459	16,578	19,880	22,631	25,210
Tax payable	835	2,038	2,117	5,191	6,694	7,393
Other current liabilities	19,765	27,013	33,430	41,245	46,398	51,106
Accrued expenses	396	1,044	2,452	719	682	760
Non-current liabilities	17,433	23,720	25,089	25,546	25,767	26,159
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	4,851	5,072	5,464
Total liabilities	78,672	96,131	99,099	112,013	121,605	130,060
Share capital	6	6	6	6	6	6
Capital surplus	95,196	97,428	101,187	103,540	105,982	108,452
Retained earnings	20,135	28,806	45,251	74,309	92,620	112,950
Other reserves	(3,054)	(4,056)	(3,894)	(3,894)	(3,894)	(3,894)
Total shareholders equity	112,283	122,184	142,550	173,961	194,714	217,515
Minority interest	736	822	932	932	932	932
Total equity and liabilities	191,691	219,137	242,581	286,906	317,252	348,507

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,049	11,752	19,831	32,710	22,966	25,450
Depreciation & amortization	875	817	851	892	936	983
Change in working capital	(800)	9,256	3,321	9,907	5,462	4,542
Others	517	179	(4,378)	(4,292)	(5,206)	(5,643)
Net cash from operations	2,641	22,004	19,625	39,217	24,157	25,332
Investing						
Capital expenditure	(497)	(606)	(591)	(681)	(764)	(838)
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)	(760)	(834)
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)	7,048	3,161	3,332
Net cash from financing	(6,717)	(2,547)	(6,710)	7,048	3,161	3,332
Net change in cash						
Cash at the beginning of the year	21,196	18,487	43,983	51,093	96,680	123,239
Exchange difference	231	120	247	0	0	0
Others	(2,940)	25,376	6,863	45,587	26,559	27,831
Cash at the end of the year	18,487	43,983	51,093	96,680	123,239	151,070
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	0.1%	122.2%	19.8%	15.3%	12.1%	9.7%
Gross profit	0.7%	134.4%	19.0%	14.2%	11.7%	9.3%
Operating profit	na	12,768.2%	25.2%	11.4%	14.3%	11.0%
Net profit	na	606.9%	72.1%	70.5%	(36.9%)	11.0%
Adj. net profit	(4.6%)	910.1%	38.0%	1.3%	12.7%	9.9%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	77.4%	81.7%	81.1%	80.4%	80.1%	79.8%
Operating margin	0.4%	25.4%	26.6%	25.7%	26.2%	26.5%
Adj. net profit margin	6.5%	29.3%	33.8%	29.7%	29.9%	29.9%
Return on equity (ROE)	1.3%	8.5%	12.9%	18.4%	10.0%	9.9%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	1.0	1.2	1.5	1.8	2.0	2.1
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	216.1	30.8	18.0	10.5	16.7	15.1
P/B	2.7	2.6	2.3	1.8	1.6	1.4
P/CFPS	155.0	15.5	17.5	8.6	14.2	13.6

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

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