

**Markets at a Glance**

Indices	Closing	DoD%
Hang Seng Index	26683.7	0.0
HSCEI	10403.3	(0.1)
Shanghai COMP	3021.2	(0.1)
Shenzhen COMP	1687.3	(0.1)
Gold	1485.8	(0.9)
BDIY	2422.0	(1.6)
Crude Oil, WTI (US\$/BBL)	57.4	(0.8)
Crude Oil, BRENT (US\$/BBL)	62.4	(0.3)
HIBOR, 3-M	2.3	0.3
SHIBOR, 3-M	2.7	0.0
RMB/USD	7.11	(0.1)

Source: Bloomberg

**Upcoming Key Data Releases**

Date	Key Data
11 <sup>th</sup> September	Vehicle Sales YoY AUG
13 <sup>th</sup> September	FDI (YTD) YoY AUG
13 <sup>th</sup> September	New Yuan Loans AUG
13 <sup>th</sup> September	Outstanding Loan Growth YoY AUG
13 <sup>th</sup> September	Total Social Financing AUG
13 <sup>th</sup> September	M2 Money Supply YoY AUG

Source: Bloomberg

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# CGIS Yum Cha Daily

**RESEARCH NOTES**

**CTRP.COM [CTRP.US; ADD; TP: US\$41.50]** – 2Q FY19 non-GAAP operating profit of Rmb1,680m was slightly above our expectations, even though it reported a net loss due to one-off non-cash items. We expect revenue growth in 3Q FY2019F to slow down by 450bp qoq to 13.8% yoy as demand for outbound travel to HK and Taiwan decreases. Nonetheless, we remain positive in the medium term, as the Company guided a 20%+ non-GAAP operating profit margin in FY2020F. Maintain ADD with the latest DCF-based TP of US\$41.50. (Analyst: Lei Yang)

**SNIPPETS**

**QFII/RQFII RELAXATION** – The investment quota limits under the QFII scheme and the RQFII programme will both be removed, the SAFE said on Tuesday (the effective date will be announced later). We believe this is a major step showing that China is willing to open its capital markets further, but the policy change will not suddenly trigger a huge fund inflow for two reasons: (i) The approved quota for QFII is about US\$111bn, still far below the original ceiling of US\$300bn. For RQFII, the approved quota of Rmb693bn is also much lower than the original ceiling of Rmb1.99tr. There was no shortage of quota before this policy change. (ii) The current round of weighting increase of A-shares in the MSCI Emerging Markets Index will be completed in November. There is no timetable for next review. However, the MSCI mentioned that a further relaxation of the QFII/RQFII/northbound trading mechanism and a relaxation of derivatives for hedging are key factors to be considered for the next round of weighting adjustments. We believe the removal of quota limits will provide a favourable backdrop for the next review. Overall, we think that this is a long-term measure and that we are unlikely to see a sudden change in the fund flow pattern in the near term. (Analyst: Wong Chi-man)

**China**
**ADD**

Consensus ratings\*: Buy 28 Hold 8 Sell 2

Current price:	US\$35.11
Target price:	US\$41.50
Previous target:	US\$39.90
Up/downside:	18.2%
CGI / Consensus:	-7.5%

Reuters:	CTRP.OQ
Bloomberg:	CTRP US
Market cap:	US\$19,433m
	US\$19,433m
Average daily turnover:	US\$126.4m
	US\$126.4m
Current shares o/s:	71,346m
Free float:	70.0%

\*Source: Bloomberg

**Key changes in this note**

- FY19F/20F Revenue decreased by 0.7%/0.6%.
- FY19F/20F EPS changed by -4.6%/+0.2%



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	3.5	3.4	-6.5
Relative (%)	1.5	-0.3	-10.2

<b>Major shareholders</b>	% held
Baidu Holdings Limited	21.1
The Priceline Group Inc.	8.9

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# Ctrip.com International Ltd

## Positive outlook unaffected by near-term headwinds

- 2Q FY19 non-GAAP operating profit of Rmb1,680m was slightly above our expectations, even though it reported a net loss due to one-off non-cash items.
- We expect revenue growth in 3Q FY2019F to slow down by 450bp qoq to 13.8% yoy as demand for outbound travel to HK and Taiwan decreases.
- Nonetheless, we remain positive in the medium term, as the Company guided a 20%+ non-GAAP operating profit margin in FY2020F.
- Maintain ADD with the latest DCF-based TP of US\$41.50.

### Core operations remained solid in 2Q FY2019

The Company's Q2 FY2019 non-GAAP operating profit was up 40% yoy to Rmb1,680m, slightly above our previous forecast. This was driven mainly by 18% yoy top-line growth, as all segments except transportation ticketing reported >20% yoy revenue growth, reflecting strong demand from Chinese tourists. For its non-GAAP OPM, Ctrip also achieved a 290bp expansion to 19.3% in 2QFY19, thanks to improved operating efficiency. However, Ctrip recorded an Rmb1.3bn loss from fair-value changes in equity securities investments during the period. As a result, it reported a surprising non-GAAP net loss of Rmb10m during the period. Nonetheless, the quarterly results showed that the Company achieved good organic growth in its platforms. More particularly, international business continued to show resiliency, like Trip.com's air ticket business.

### Softer 3Q FY2019 expected due to situation in Hong Kong & Taiwan

Despite a strong 2QFY19, the guidance for 3QFY19 was a mixed bag. Specifically, its Q3FY19 net revenue is expected to grow 10–15%. This reflects a 400–500 bp negative impact from short-term macro and industry headwinds, especially the slowdown related to outbound travel to HK and Taiwan. According to Ctrip, about 25% of total revenue is related to outbound travelling, and 1/3 of it is related to these two regions. Given the recent social issues, there will be an impact on the revenue on two fronts: (1) the total volume of hotel and flight bookings should decline yoy in 3QFY19, as the number of mainland Chinese tourist arrivals to HK dropped by >40% yoy in Aug 2019; and (2) the ASP of bookings should face pressure, as room rates in HK also recorded a drop of 40% yoy in Aug 2019. While it may be difficult to predict where the turning point will be, we expect mainland Chinese tourists to consider alternative destinations for travel, such as Thailand, Japan, Korea or domestic tourist attractions. The shift in demand could offset the softness in the HK and Taiwan regions.

### Operational efficiency could help margin expansion in FY20F

Ctrip management remains positive in the medium term, although it expects a softer 3QFY19F. It believes that demand for Chinese tourists will remain intact, and that it will continue to gain market share with its new products and enhanced user experience. Its international business is also gaining traction, as the losses from Trip.com are narrowing, while MakeMytrip will continue to enrich the Company's product offerings by providing new technology. Together with enhancing operational efficiency, management expects non-GAAP OPM of >20% in FY20F.

### Maintain ADD for earnings growth supported by solid business

We lift our OPM forecast for FY19F/20F/21F by 1.2/2.6/3.0 ppt to reflect improvement in operational efficiency, but we expect non-GAAP net income to be slightly dragged down by certain items such as FX losses and losses related to equity in affiliates. Our latest DCF-based TP is adjusted to US\$41.50 (WACC: 10.9%). This is equivalent to 24.3x FY20F PER, which is 1 s.d. below the 1-year average forward PER. Key downside risks to our call include: (1) weaker-than-expected tourism demand in China; (2) worse-than-expected FX losses; and (3) keen competition from other OTAs.

Financial Summary	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (Rmbm)	26,993	31,104	36,637	43,352	50,713
Operating EBITDA (Rmbm)	2,943	2,605	4,193	6,447	8,465
Net Profit (Rmbm)	1,272	130	3,614	4,932	6,803
Core EPADS (Rmb)	5.86	8.22	10.20	12.28	15.16
Core EPS Growth	81.5%	29.1%	24.1%	21.6%	24.7%
FD Core P/E (x)	46.24	35.82	28.87	23.74	19.04
DPADS (Rmb)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	381.4	484.1	307.9	202.7	156.1
P/FCFE (x)	158.3	19.1	25.6	21.3	17.6
Net Gearing	(3.0%)	(3.4%)	(9.9%)	(16.8%)	(24.1%)
P/BV (x)	12.53	12.63	12.12	11.53	10.84
ROE	3.98%	5.25%	6.40%	7.36%	8.59%
% Change In Core EPADS Estimates					
CGI/consensus EPADS (x)			1.04	1.06	1.01

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

## Q2 FY2019 results review

Figure 1: 2Q19 results review

(Rmb m)	2Q18	2Q19	yoy %	Prev. 2Q19F
Accommodation reservation	2,810.0	3,410.0	21.4%	3,400.1
Transportation ticketing	3,024.0	3,407.0	12.7%	3,477.6
Packaged tour	839.0	1,051.0	25.3%	1,036.2
Corporate Travel	255.0	309.0	21.2%	300.9
Others	429.0	524.0	22.1%	566.3
<b>Total Revenue</b>	<b>7,357.0</b>	<b>8,701.0</b>	<b>18.3%</b>	<b>8,781.0</b>
Business Tax and Related Surcharge	(38.0)	(10.0)	-73.7%	(13.2)
<b>Net Revenue</b>	<b>7,319.0</b>	<b>8,691.0</b>	<b>18.7%</b>	<b>8,767.9</b>
Cost of Revenue	(1,469.0)	(1,798.0)	22.4%	(1,874.8)
<b>Gross Profit</b>	<b>5,850.0</b>	<b>6,893.0</b>	<b>17.8%</b>	<b>6,893.1</b>
<b>GPM</b>	<b>79.9%</b>	<b>79.3%</b>	<b>-0.6% pts</b>	<b>78.5%</b>
Product development	(1,983.0)	(2,311.3)	16.6%	(2,331.7)
As % of revenue	-27.1%	-26.6%	0.5% pts	-26.6%
Sales and marketing	(2,147.0)	(2,288.7)	6.6%	(2,309.0)
As % of revenue	-29.3%	-26.3%	3.0% pts	-26.3%
General and administrative	(516.0)	(612.7)	18.7%	(618.1)
As % of revenue	-7.1%	-7.1%	0.0% pts	-7.1%
<b>Income/(loss) from operations (Non-GAAP)</b>	<b>1,204.0</b>	<b>1,680.3</b>	<b>39.6%</b>	<b>1,634.3</b>
<b>EBIT margin (Non-GAAP)</b>	<b>16.5%</b>	<b>19.3%</b>	<b>2.9% pts</b>	<b>18.6%</b>
Interest Income	324.0	562.0	73.5%	487.0
Interest Expense	(371.0)	(426.0)	14.8%	(441.0)
Other (expense)/income	2,256.0	(1,412.0)	na	100.0
<b>Income/(loss) before income tax expense and equity income</b>	<b>2,933.0</b>	<b>57.0</b>	<b>-98.1%</b>	<b>1,285.9</b>
Income tax (expense)/benefit	(322.0)	(336.0)	4.3%	(257.2)
Equity income of affiliates	(213.0)	(123.0)	-42.3%	(100.0)
Less: Net loss attributable to noncontrolling interests	(17.0)	(1.0)	-94.1%	-
<b>Net income attributable to Ctrip's shareholders (GAAP)</b>	<b>2,381.0</b>	<b>(403.0)</b>	<b>na</b>	<b>928.7</b>
Share-based compensation	480.0	393.0	-18.1%	494.4
Fair value changes of equity security investments, net of tax	(1,750.0)	1,339.0	na	-
<b>Net income attributable to Ctrip's shareholders (Non-GAAP)</b>	<b>1,111.0</b>	<b>1,329.0</b>	<b>19.6%</b>	<b>1,423.1</b>
<b>Net profit margin (Non-GAAP)</b>	<b>15.2%</b>	<b>15.3%</b>	<b>0.1% pts</b>	<b>16.2%</b>

SOURCES: CGIS RESEARCH, COMPANY REPORTS

**Figure 2: Ctrip's quarterly results breakdown**

(Rmb m)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19F	4Q19F	FY18	FY19F
Accommodation reservation	2,487.0	2,810.0	3,627.0	2,656.0	3,019.0	3,410.0	4,243.6	3,144.8	11,580.0	13,817.4
Transportation ticketing	2,888.0	3,024.0	3,621.0	3,414.0	3,354.0	3,407.0	3,874.5	4,059.5	12,947.0	14,695.0
Packaged tour	834.0	839.0	1,378.0	721.0	1,045.0	1,051.0	1,626.0	879.8	3,772.0	4,601.8
Corporate Travel	180.0	255.0	267.0	279.0	238.0	309.0	331.1	328.6	981.0	1,206.6
Others	377.0	429.0	503.0	515.0	517.0	524.0	613.7	661.8	1,824.0	2,316.5
<b>Total Revenue</b>	<b>6,766.0</b>	<b>7,357.0</b>	<b>9,396.0</b>	<b>7,585.0</b>	<b>8,173.0</b>	<b>8,701.0</b>	<b>10,688.8</b>	<b>9,074.6</b>	<b>31,104.0</b>	<b>36,637.4</b>
Business Tax and Related Surcharge	(35.0)	(38.0)	(41.0)	(25.0)	(9.0)	(10.0)	(16.0)	(19.9)	(139.0)	(55.0)
<b>Net Revenue</b>	<b>6,731.0</b>	<b>7,319.0</b>	<b>9,355.0</b>	<b>7,560.0</b>	<b>8,164.0</b>	<b>8,691.0</b>	<b>10,672.8</b>	<b>9,054.6</b>	<b>30,965.0</b>	<b>36,582.4</b>
<b>YoY growth %</b>	<b>11.3%</b>	<b>13.3%</b>	<b>15.2%</b>	<b>22.5%</b>	<b>21.3%</b>	<b>18.7%</b>	<b>14.1%</b>	<b>19.8%</b>	<b>15.6%</b>	<b>18.1%</b>
Cost of Revenue	(1,244.0)	(1,469.0)	(1,991.0)	(1,620.0)	(1,689.0)	(1,798.0)	(2,201.9)	(1,720.2)	(6,324.0)	(7,409.1)
<b>Gross Profit</b>	<b>5,487.0</b>	<b>5,850.0</b>	<b>7,364.0</b>	<b>5,940.0</b>	<b>6,475.0</b>	<b>6,893.0</b>	<b>8,470.9</b>	<b>7,334.4</b>	<b>24,641.0</b>	<b>29,173.3</b>
<b>GPM</b>	<b>81.5%</b>	<b>79.9%</b>	<b>78.7%</b>	<b>78.6%</b>	<b>79.3%</b>	<b>79.3%</b>	<b>79.3%</b>	<b>81.0%</b>	<b>79.6%</b>	<b>79.7%</b>
Product development	(1,950.0)	(1,983.0)	(2,274.0)	(2,479.0)	(2,293.0)	(2,311.3)	(2,541.0)	(2,823.8)	(8,686.0)	(9,969.1)
As % of revenue	-29.0%	-27.1%	-24.3%	-32.8%	-28.1%	-26.6%	-23.8%	-31.2%	-28.1%	-27.3%
Sales and marketing	(2,056.0)	(2,147.0)	(2,669.0)	(2,568.0)	(2,184.0)	(2,288.7)	(2,831.5)	(3,006.9)	(9,440.0)	(10,311.1)
As % of revenue	-30.5%	-29.3%	-28.5%	-34.0%	-26.8%	-26.3%	-26.5%	-33.2%	-30.5%	-28.2%
General and administrative	(515.0)	(516.0)	(540.0)	(632.0)	(628.0)	(612.7)	(616.1)	(709.3)	(2,203.0)	(2,566.1)
As % of revenue	-7.7%	-7.1%	-5.8%	-8.4%	-7.7%	-7.1%	-5.8%	-7.8%	-7.1%	-7.0%
<b>Income/(loss) from operations (Non-GAAP)</b>	<b>966.0</b>	<b>1,204.0</b>	<b>1,881.0</b>	<b>261.0</b>	<b>1,370.0</b>	<b>1,680.3</b>	<b>2,482.4</b>	<b>794.4</b>	<b>4,312.0</b>	<b>6,327.0</b>
<b>EBIT margin (Non-GAAP)</b>	<b>14.4%</b>	<b>16.5%</b>	<b>20.1%</b>	<b>3.5%</b>	<b>16.8%</b>	<b>19.3%</b>	<b>23.3%</b>	<b>8.8%</b>	<b>13.9%</b>	<b>17.3%</b>
Interest Income	480.0	324.0	521.0	574.0	487.0	562.0	562.0	688.0	1,899.0	2,299.0
Interest Expense	(322.0)	(371.0)	(393.0)	(422.0)	(441.0)	(426.0)	(426.0)	(815.0)	(1,508.0)	(2,108.0)
Other (expense)/income	397.0	2,256.0	(2,625.0)	(1,103.0)	4,616.0	(1,412.0)	(100.0)	(1,304.0)	(1,075.0)	1,800.0
<b>Income/(loss) before income tax expense and equity income</b>	<b>1,145.0</b>	<b>2,933.0</b>	<b>(1,017.0)</b>	<b>(1,140.0)</b>	<b>5,547.0</b>	<b>57.0</b>	<b>2,018.4</b>	<b>(1,438.1)</b>	<b>1,921.0</b>	<b>6,184.3</b>
Income tax (expense)/benefit	(179.0)	(322.0)	(257.0)	(35.0)	(677.0)	(336.0)	(504.6)	(90.3)	(793.0)	(1,607.9)
Equity income of affiliates	78.0	(213.0)	169.0	(66.0)	(283.0)	(123.0)	(150.0)	156.0	(32.0)	(400.0)
Less: Net loss attributable to noncontrolling interests	16.0	(17.0)	(34.0)	51.0	26.0	(1.0)	-	(25.0)	16.0	-
<b>Net income attributable to Ctrip's shareholders (GAAP)</b>	<b>1,060.0</b>	<b>2,381.0</b>	<b>(1,139.0)</b>	<b>(1,190.0)</b>	<b>4,613.0</b>	<b>(403.0)</b>	<b>1,363.8</b>	<b>(1,397.4)</b>	<b>1,112.0</b>	<b>4,176.4</b>
Share-based compensation	376.0	480.0	401.0	450.0	485.0	393.0	500.0	755.8	1,707.0	2,133.8
Fair value changes of equity security investments, net of tax	688.0	(1,750.0)	2,470.0	1,253.0	(3,348.0)	1,339.0	-	2,009.0	2,661.0	-
<b>Net income attributable to Ctrip's shareholders (Non-GAAP)</b>	<b>2,124.0</b>	<b>1,111.0</b>	<b>1,732.0</b>	<b>513.0</b>	<b>1,750.0</b>	<b>1,329.0</b>	<b>1,863.8</b>	<b>1,367.4</b>	<b>5,480.0</b>	<b>6,310.1</b>
Net profit margin (Non-GAAP)	31.6%	15.2%	18.5%	6.8%	21.4%	15.3%	17.5%	15.1%	17.7%	17.2%

SOURCES: CGIS RESEARCH, COMPANY REPORTS

**Figure 3: Earnings revisions**

(Rmb m)	FY19F			FY20F			FY21F		
	Old	New	% change	Old	New	% change	Old	New	% change
Net revenue	36,838	36,582	-0.7%	43,549	43,287	-0.6%	50,890	50,637	-0.5%
GP margin	78.9%	79.7%	0.8 ppts	79.5%	80.3%	0.8 ppts	79.8%	80.7%	0.9 ppts
Operating margin (Non-GAAP)	16.1%	17.3%	1.2 ppts	17.3%	20.0%	2.6 ppts	18.2%	21.2%	3.0 ppts
Net income (GAAP)	4,483	4,176	-6.8%	5,496	5,511	0.3%	6,489	7,399	14.0%
Net income (non-GAAP)	6,617	6,310	-4.6%	7,694	7,709	0.2%	8,753	9,663	10.4%
EPS (non-GAAP)	11.74	11.20	-4.6%	13.25	13.28	0.2%	14.64	16.16	10.4%

SOURCES: CGIS RESEARCH, COMPANY REPORTS

**Figure 4: DCF Valuation**

DCF valuation (Rmb m)	FY18	FY19F	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F
<b>EBIT (non-GAAP)</b>	<b>4,312.0</b>	<b>6,327.0</b>	<b>8,645.1</b>	<b>10,728.7</b>	<b>12,780.3</b>	<b>15,052.1</b>	<b>17,524.9</b>	<b>20,168.0</b>	<b>22,938.0</b>	<b>25,779.5</b>	<b>28,625.8</b>	<b>31,400.7</b>	<b>34,021.7</b>	<b>36,403.2</b>
Taxes	-793.0	-1,607.9	-1,937.1	-2,466.5	-2,938.2	-3,460.4	-4,028.9	-4,636.6	-5,273.4	-5,926.6	-6,581.0	-7,218.9	-7,821.5	-8,369.0
<b>NOPAT</b>	<b>3,519.0</b>	<b>4,719.1</b>	<b>6,708.0</b>	<b>8,262.2</b>	<b>9,842.1</b>	<b>11,591.6</b>	<b>13,496.0</b>	<b>15,531.4</b>	<b>17,664.6</b>	<b>19,852.9</b>	<b>22,044.8</b>	<b>24,181.8</b>	<b>26,200.2</b>	<b>28,034.2</b>
<b>NOPAT growth</b>		<b>34.1%</b>	<b>42.1%</b>	<b>23.2%</b>	<b>19.1%</b>	<b>17.8%</b>	<b>16.4%</b>	<b>15.1%</b>	<b>13.7%</b>	<b>12.4%</b>	<b>11.0%</b>	<b>9.7%</b>	<b>8.3%</b>	<b>7.0%</b>
D&A	546.0	562.4	579.3	596.6	608.6	620.7	633.1	645.8	658.7	671.9	685.3	699.0	713.0	727.3
<b>Funds from operation</b>	<b>4,065.0</b>	<b>5,281.5</b>	<b>7,287.2</b>	<b>8,858.8</b>	<b>10,450.7</b>	<b>12,212.4</b>	<b>14,129.1</b>	<b>16,177.2</b>	<b>18,323.3</b>	<b>20,524.8</b>	<b>22,730.1</b>	<b>24,880.8</b>	<b>26,913.2</b>	<b>28,761.5</b>
Change in net working Capital	2,123.0	2,637.5	3,077.1	3,599.9	3,653.9	3,708.7	3,764.3	3,820.8	3,878.1	3,936.3	3,995.3	4,055.2	4,116.1	4,177.8
<b>Cash flow from operation</b>	<b>6,188.0</b>	<b>7,919.0</b>	<b>10,364.4</b>	<b>12,458.7</b>	<b>14,104.6</b>	<b>15,921.0</b>	<b>17,893.4</b>	<b>19,998.0</b>	<b>22,201.4</b>	<b>24,461.0</b>	<b>26,725.4</b>	<b>28,936.1</b>	<b>31,029.3</b>	<b>32,939.3</b>
Capex	-673.0	-738.5	-760.7	-783.5	-807.0	-831.2	-856.2	-881.9	-908.3	-935.6	-963.6	-992.5	-1,022.3	-1,053.0
<b>Free cash flow from operation</b>	<b>5,515.0</b>	<b>7,180.5</b>	<b>9,603.7</b>	<b>11,675.2</b>	<b>13,297.5</b>	<b>15,089.8</b>	<b>17,037.3</b>	<b>19,116.1</b>	<b>21,293.1</b>	<b>23,525.5</b>	<b>25,761.8</b>	<b>27,943.5</b>	<b>30,007.0</b>	<b>31,886.3</b>
<b>FCF growth</b>		<b>30.2%</b>	<b>33.7%</b>	<b>21.6%</b>	<b>13.9%</b>	<b>13.5%</b>	<b>12.9%</b>	<b>12.2%</b>	<b>11.4%</b>	<b>10.5%</b>	<b>9.5%</b>	<b>8.5%</b>	<b>7.4%</b>	<b>6.3%</b>
Terminal free cash flow	417,063.7													
Total discounted free cash flow	114,862.9													
Present value of terminal free cash flow	110,878.5													
<b>Total present value of forecasted free cash flows</b>	<b>225,741.4</b>													
Less: Net Debt	27,290.9													
<b>Equity Value</b>	<b>198,450.5</b>													
No. of ADS (millions)	663.6													
<b>Per ADS Equity Value (Rmb)</b>	<b>299.10</b>													
Exchange rate	7.20													
<b>Target price (US\$)</b>	<b>41.50</b>													

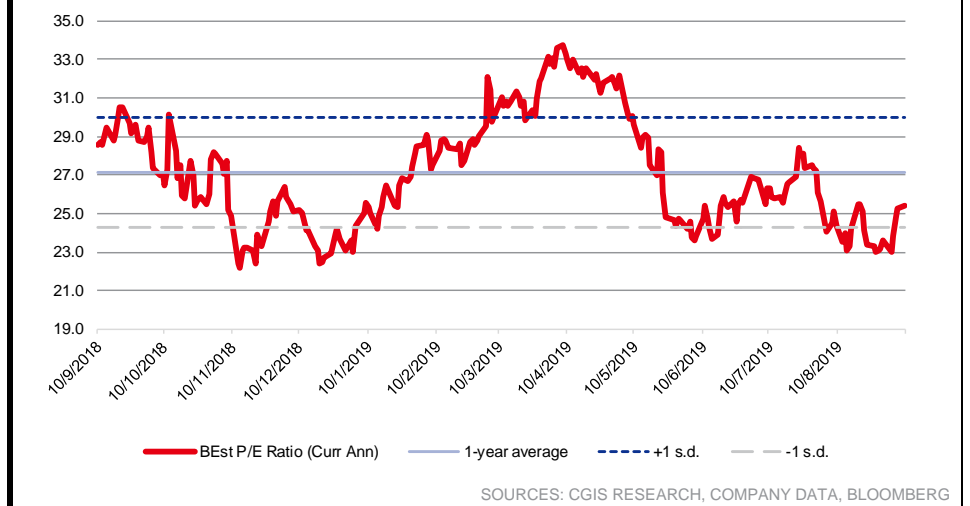
SOURCES: CGIS RESEARCH, COMPANY REPORTS

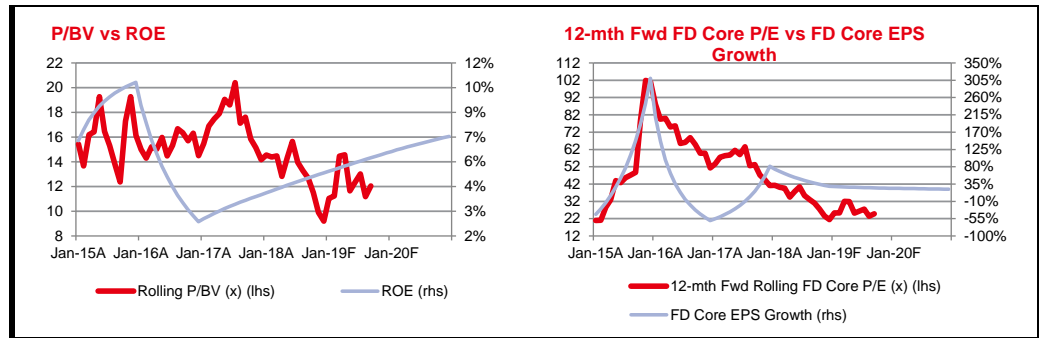
**Figure 5: WACC assumptions**

	(%)
<b>Cost of equity</b>	<b>14.2%</b>
Risk free rate	4.0%
Market Risk Premium	7.0%
Beta	1.5
<b>Cost of debt</b>	<b>4.0%</b>
Kd (after tax)	3.2%
Target Debt / (Debt + Equity)	30%
Target Equity / (Debt + Equity)	70%
<b>WACC</b>	<b>10.9%</b>
Terminal growth	3.0%

SOURCES: CGIS RESEARCH, COMPANY REPORTS

**Figure 6: Forward PER range of Ctrip**



**BY THE NUMBERS**

**Profit & Loss**

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>Total Net Revenues</b>	<b>26,796</b>	<b>30,965</b>	<b>36,582</b>	<b>43,287</b>	<b>50,637</b>
<b>Gross Profit</b>	<b>22,118</b>	<b>24,641</b>	<b>29,173</b>	<b>34,769</b>	<b>40,859</b>
<b>Operating EBITDA</b>	<b>2,943</b>	<b>2,605</b>	<b>4,193</b>	<b>6,447</b>	<b>8,465</b>
Depreciation And Amortisation	(883)	(982)	(562)	(579)	(597)
<b>Operating EBIT</b>	<b>2,060</b>	<b>1,623</b>	<b>3,631</b>	<b>5,868</b>	<b>7,868</b>
Financial Income/(Expense)	(299)	391	191	301	401
Pretax Income/(Loss) from Assoc.	(65)	(32)	(400)	(300)	0
Non-Operating Income/(Expense)	880	(1,075)	1,800	1,000	1,000
<b>Profit Before Tax (pre-EI)</b>	<b>2,575</b>	<b>907</b>	<b>5,222</b>	<b>6,869</b>	<b>9,269</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>2,575</b>	<b>907</b>	<b>5,222</b>	<b>6,869</b>	<b>9,269</b>
Taxation	(1,285)	(793)	(1,608)	(1,937)	(2,466)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>1,291</b>	<b>114</b>	<b>3,614</b>	<b>4,932</b>	<b>6,803</b>
Minority Interests	(19)	16	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>1,272</b>	<b>130</b>	<b>3,614</b>	<b>4,932</b>	<b>6,803</b>
Recurring Net Profit	3,106	4,498	5,748	7,130	9,067
<b>Fully Diluted Recurring Net Profit</b>	<b>3,106</b>	<b>4,498</b>	<b>5,748</b>	<b>7,130</b>	<b>9,067</b>

**Cash Flow**

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>EBITDA</b>	<b>2,943</b>	<b>2,605</b>	<b>4,193</b>	<b>6,447</b>	<b>8,465</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	2,197	2,123	2,638	3,077	3,600
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	3,214	3,895	5,187	4,239	3,893
Net Interest (Paid)/Received	(1,286)	(1,508)	(2,108)	(2,098)	(2,098)
Tax Paid					
<b>Cashflow From Operations</b>	<b>7,069</b>	<b>7,115</b>	<b>9,910</b>	<b>11,665</b>	<b>13,860</b>
Capex	(471)	(673)	(739)	(761)	(784)
Disposals Of FAs/subsidiaries	1,052	(173)	0	0	0
Acq. Of Subsidiaries/investments	(15,785)	(13,197)	(2,687)	(2,956)	(3,252)
Other Investing Cashflow	(27)	(35)	0	0	0
<b>Cash Flow From Investing</b>	<b>(15,232)</b>	<b>(14,078)</b>	<b>(3,426)</b>	<b>(3,717)</b>	<b>(4,035)</b>
Debt Raised/(repaid)	9,070	15,418	0	0	0
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	0	0	0	0	0
Preferred Dividends					
Other Financing Cashflow	(1,051)	(3,492)	0	0	0
<b>Cash Flow From Financing</b>	<b>8,019</b>	<b>11,926</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Cash Generated	(144)	4,963	6,484	7,949	9,824
<b>Free Cashflow To Equity</b>	<b>907</b>	<b>8,455</b>	<b>6,484</b>	<b>7,949</b>	<b>9,824</b>
<b>Free Cashflow To Firm</b>	<b>(6,877)</b>	<b>(5,455)</b>	<b>8,592</b>	<b>10,047</b>	<b>11,922</b>

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	48,122	62,527	69,011	76,960	86,784
Total Debtors	4,559	5,668	6,518	7,496	8,620
Inventories					
Total Other Current Assets	6,546	11,199	11,423	11,651	11,884
<b>Total Current Assets</b>	<b>59,227</b>	<b>79,394</b>	<b>86,952</b>	<b>96,107</b>	<b>107,289</b>
Fixed Assets	5,616	5,872	6,048	6,230	6,416
Total Investments	25,574	26,874	29,561	32,518	35,769
Intangible Assets	69,996	71,749	71,749	71,749	71,749
Total Other Non-Current Assets	1,636	1,941	1,956	1,972	1,988
<b>Total Non-current Assets</b>	<b>102,822</b>	<b>106,436</b>	<b>109,315</b>	<b>112,468</b>	<b>115,923</b>
Short-term Debt	16,316	35,403	35,403	35,403	35,403
Current Portion of Long-Term Debt					
Total Creditors	19,401	25,408	28,409	31,912	36,011
Other Current Liabilities	6,443	7,973	8,699	9,495	10,369
<b>Total Current Liabilities</b>	<b>42,160</b>	<b>68,784</b>	<b>72,511</b>	<b>76,810</b>	<b>81,783</b>
Total Long-term Debt	29,220	24,146	24,146	24,146	24,146
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	4,195	4,167	4,167	4,167	4,167
<b>Total Non-current Liabilities</b>	<b>33,416</b>	<b>28,313</b>	<b>28,313</b>	<b>28,313</b>	<b>28,313</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>75,575</b>	<b>97,097</b>	<b>100,824</b>	<b>105,123</b>	<b>110,096</b>
Shareholders' Equity	84,694	86,715	93,025	100,734	110,397
Minority Interests	1,779	2,018	2,418	2,718	2,718
<b>Total Equity</b>	<b>86,473</b>	<b>88,733</b>	<b>95,443</b>	<b>103,452</b>	<b>113,115</b>

**Key Ratios**

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	36.4%	15.2%	17.8%	18.3%	17.0%
Operating EBITDA Growth	N/A	(11.5%)	61.0%	53.8%	31.3%
Operating EBITDA Margin	10.9%	8.4%	11.4%	14.9%	16.7%
Net Cash Per ADS (Rmb)	0.61	0.68	2.10	3.75	5.69
BVPADS (Rmb)	19.96	19.81	20.63	21.69	23.08
Gross Interest Cover	1.60	1.08	1.72	2.80	3.75
Effective Tax Rate	49.9%	87.4%	30.8%	28.2%	26.6%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	62.09	60.01	60.70	59.16	58.00
Inventory Days	-	-	-	-	-
Accounts Payables Days	575.0	553.3	634.8	664.4	692.6
ROIC (%)	3.1%	2.6%	5.8%	9.7%	13.6%
ROCE (%)	2.45%	2.51%	3.91%	5.20%	6.18%
Return On Average Assets	1.04%	(0.16%)	1.79%	2.29%	2.97%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG



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We are transferring the rating mechanism from "BUY, SELL, HOLD" to "ADD, REDUCE, HOLD". Please refer to the definitions below.

**Explanation on Equity Ratings (Existing mechanism (will be replaced by new mechanism by 01/09/19))**

BUY : share price will increase by >20% within 12 months in absolute terms

SELL : share price will decrease by >20% within 12 months in absolute terms

HOLD : no clear catalyst, and downgraded from BUY pending clearer signal to reinstate BUY or further downgrade to outright SELL

**Explanation on Equity Ratings (New mechanism)**

ADD : The stock's total return is expected to exceed 10% over the next 12 months.

REDUCE : The stock's total return is expected to fall below 0% or more over the next 12 months.

HOLD : The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

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