

- Fast-expanding travel consolidator with industry-leading 33% net margin and 21% ROE deserves valuation premium to peers.

- Prime beneficiary of booming domestic travel in China and partner of choice for hoteliers and airlines.

Net Profit 08..... RMB514m
..... (Unchanged)

Diff from Consensus..(3.5%)
Consensus (mean)RMB533m
Consensus (momentum) ↓

Target Price USD70.90
..... (Unchanged)

Diff from Consensus.... 5.2%
Consensus (median)USD67.40
Consensus (momentum) ↑

Current Price.....USD61.23
Upside/(Downside)..... 15.8%

BUY
(Unchanged)

Recs in the Market

Positive.....10
Neutral.....0
Negative0
Consensus (momentum) ↔

Sources: Thomson One Analytics; Bloomberg; BNP Paribas estimates

We project Ctrip's 1Q08 earnings will increase 46% y-y, boosted by strong growth from both the hotel-booking and air-ticket divisions. A modest 50bp margin contraction has already been well explained due to higher revenue contributions from the slightly lower-margin air-ticket business. We reiterate our BUY rating, with USD70.90 target price.

Cruising ahead

1Q08 earnings preview

We estimate Ctrip will register 46% y-y earnings growth to RMB95m and that net revenue will increase 49% y-y to RMB347m in 1Q08; both estimates are in line with consensus forecasts. In particular, we project total hotel room nights booked and air tickets issued to have increased 29% y-y and 46% y-y, respectively. As revenue for the slightly lower-margin air-ticketing business is expected to increase faster than the for hotel division, we project Ctrip's gross margin will contract moderately by 50bp y-y to 78.6% in 1Q08. It is evident that 1Q08 coincided with the winter snowstorm before Chinese New Year, which slightly affected traveling activities and hotel occupancies. However, we understand that the impact was smoothed out very quickly and traveling arrangements went back to normal as soon as weather conditions recovered.

Dual growth engine charging ahead at full speed

Commissions paid to Ctrip by hoteliers and airlines have remained consistently high. The estimated gross margin derived from each hotel reservation and air-ticket issuance has been 85-90% and 65-70%, respectively. Riding on the simultaneous surge of this dual engine, Ctrip has a good tendency to beat its guidance and recorded a 35% EBITDA margin and 33% net margin in 2007, which represented 90bp and 230bp y-y improvements, respectively, from 2006.

Reiterate BUY with USD70.90 target price

Our DCF-based target price for Ctrip is USD70.90. We argue that Ctrip, with its superior profit margins and industry-leading 21% ROE (compared with sector average of 11%) warrants a valuation premium over its peers. Indeed, the market has been rewarding Ctrip's solid execution to date, with a historical one-year forward P/E multiple of 47x between 2005 and now. Stripping out its net cash, Ctrip currently trades at 43x and 36x ex-cash 2009E P/E and EV/EBITDA, respectively.

Chris Zee

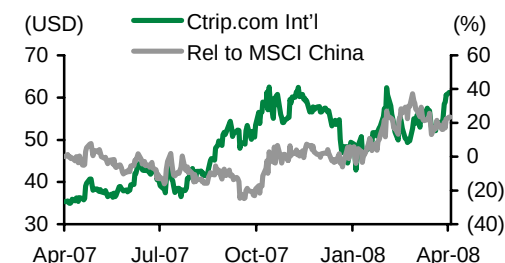
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Earnings Estimates And Valuation Ratios

YE Dec (RMB m)	2007	2008E	2009E	2010E
Revenue	1,198	1,726	2,640	3,278
Reported net profit	398	514	719	950
Recurring net profit	398	514	719	950
Previous rec net profit	398	514	719	950
Chg from previous (%)	—	—	—	—
Recurring EPS (RMB)	5.69	7.01	9.33	11.74
Prev rec EPS (RMB)	5.69	7.01	9.33	11.74
Rec EPS growth (%)	57.3	23.1	33.2	25.9
Recurring P/E (x)	75.4	61.2	46.0	36.5
Dividend yield (%)	0.4	0.5	0.7	0.8
EV/EBITDA (x)	66.8	48.7	34.4	26.2
Price/book (x)	14.3	11.5	9.0	7.5
ROE (%)	22.9	21.3	22.4	22.8
Net debt/equity (%)	(51.0)	(62.4)	(69.9)	(76.3)

Sources: Ctrip.com Int'l; BNP Paribas estimates

Share Price Daily vs MSCI



Next results/event	May 2008
Market cap (USD m)	4,450
12m avg daily turnover (USD m)	19.5
Free float (%)	23
Major shareholder	Institutional shareholders (77%)
12m high/low (USD)	62.48/34.95
ADR (USD)	Nil
Avg daily turnover (USD m)	Nil
Discount/premium (%)	Nil
Disc/premium vs 52-wk avg (%)	Nil

Source: Datastream

FINANCIAL STATEMENTS

Ctrip.com Int'l

Profit and Loss (RMB m) Year Ending December	2006A	2007A	2008E	2009E	2010E
Revenue	780	1,198	1,726	2,640	3,278
Cost of sales ex depreciation	(153)	(236)	(356)	(594)	(737)
Gross profit ex depreciation	627	962	1,370	2,046	2,540
Other operating income	-	-	-	-	-
Operating costs	(357)	(538)	(767)	(1,169)	(1,362)
Operating EBITDA	269	424	602	877	1,179
Depreciation	(14)	(20)	(31)	(50)	(63)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	255	404	571	827	1,116
Net financing costs	27	52	72	72	72
Associates	-	-	-	-	-
Recurring non operating income	-	-	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	282	456	643	899	1,188
Tax	(41)	(58)	(129)	(180)	(238)
Profit after tax	241	398	514	719	950
Minority interests	0	0	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	241	398	514	719	950
Non recurring items & goodwill (net)	-	-	-	-	-
Recurring net profit	241	398	514	719	950
Per share (RMB)					
Recurring EPS *	3.62	5.69	7.01	9.33	11.74
Reported EPS	3.62	5.69	7.01	9.33	11.74
DPS	1.08	1.71	2.10	2.80	3.52
Growth					
Revenue (%)	48.8	53.6	44.0	52.9	24.2
Operating EBITDA (%)	16.5	57.4	42.1	45.5	34.4
Operating EBIT (%)	14.7	58.3	41.3	44.8	34.9
Recurring EPS (%)	4.3	57.3	23.1	33.2	25.9
Reported EPS (%)	4.3	57.3	23.1	33.2	25.9
Operating performance					
Gross margin inc depreciation (%)	78.5	78.6	77.5	75.6	75.6
Operating EBITDA margin (%)	34.5	35.4	34.9	33.2	36.0
Operating EBIT margin (%)	32.7	33.7	33.1	31.3	34.0
Net margin (%)	30.9	33.2	29.8	27.2	29.0
Effective tax rate (%)	14.6	12.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	29.9	30.0	30.0	30.0	30.0
Interest cover (x)	na	na	na	na	na
Inventory days	na	na	na	na	na
Debtor days	46.8	60.5	60.1	53.8	58.7
Creditor days	266.7	295.4	300.7	292.1	329.4
Operating ROIC (%)	286.3	80.4	77.7	105.0	136.6
Operating ROIC - WACC (%)	267.1	61.2	58.5	85.8	117.3
ROIC (%)	92.0	51.7	55.4	77.3	100.7
ROIC - WACC (%)	72.8	32.5	36.2	58.0	81.5
ROE (%)	22.5	22.9	21.3	22.4	22.8
ROA (%)	15.1	15.1	13.5	14.1	14.4

* Pre exceptional, pre-goodwill and fully diluted

Key Assumptions (RMB m)	2006A	2007A	2008E	2009E	2010E
Hotel room nights booked (m)	6.84	9.60	12.49	16.50	18.99
Air ticket issued (m)	6.39	10.80	15.74	28.50	37.57

Revenue By Division (RMB m)	2006A	2007A	2008E	2009E	2010E
Hotel reservations	476	676	910	1,198	1,363
Air ticket issued	303	504	786	1,428	1,904
Packaged tour	42	71	102	129	150
Others	13	36	55	77	101
Less: Business tax and charges	(54)	(88)	(126)	(193)	(239)

Sources: Ctrip.com Int'l; BNP Paribas estimates

Revenue estimated to grow 40% CAGR from 2007-10

Modeling tax rate to rise to 20% starting 2008, up from 13-16% from 2003-07

Earnings estimated to register 28% CAGR from 2007-10

High ROE of 21-23%

Cash Flow (RMB m)					
Year Ending December	2006A	2007A	2008E	2009E	2010E
Recurring net profit	241	398	514	719	950
Depreciation	14	20	31	50	63
Associates & minorities	(0)	(0)	-	-	-
Other non-cash items	-	-	-	-	-
Recurring cash flow	255	418	546	769	1,013
Change in working capital	58	(19)	247	409	343
Capex - maintenance	(174)	(75)	(75)	(75)	(75)
Capex - new investment	-	-	(50)	(50)	(50)
Free cash flow to equity	139	323	668	1,053	1,231
Net acquisitions & disposals	-	-	-	-	-
Dividends paid	-	-	-	-	-
Non recurring cash flows	-	-	-	-	-
Net cash flow	139	323	668	1,053	1,231
Equity finance	-	-	-	-	-
Debt finance	-	-	-	-	-
Movement in cash	139	323	668	1,053	1,231

Positive free cashflow
throughout 2006-10

Per share (RMB)					
Recurring cash flow per share	3.83	5.98	7.43	9.97	12.51
FCF to equity per share	2.09	4.63	9.10	13.66	15.20

Balance Sheet (RMB m)					
Year Ending December	2006A	2007A	2008E	2009E	2010E
Working capital assets	202	478	597	839	1,007
Working capital liabilities	(421)	(677)	(1,043)	(1,695)	(2,205)
Net working capital	(219)	(199)	(446)	(855)	(1,198)
Tangible fixed assets	504	917	1,194	1,679	2,006
Operating invested capital	285	718	748	824	807
Goodwill	15	15	15	15	15
Other intangible assets	3	3	3	3	3
Investments	227	294	261	269	277
Other assets	-	-	-	-	-
Invested capital	530	1,030	1,026	1,110	1,102
Cash & equivalents	(851)	(1,071)	(1,705)	(2,574)	(3,548)
Short term debt	-	-	-	-	-
Long term debt *	-	-	-	-	-
Net debt	(851)	(1,071)	(1,705)	(2,574)	(3,548)
Deferred tax	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total equity	1,381	2,101	2,730	3,684	4,649
Minority interests	-	-	-	-	-
Invested capital	530	1,030	1,026	1,110	1,101

Strong net cash
position

* Includes convertibles and preferred stock which is being treated as debt

Per share (RMB)					
Book value per share	20.73	30.05	37.19	47.78	57.43
Tangible book value per share	20.47	29.79	36.95	47.55	57.21

Financial strength					
Net debt/equity (%)	(61.6)	(51.0)	(62.4)	(69.9)	(76.3)
Net debt/total assets (%)	(47.2)	(38.6)	(45.2)	(47.9)	(51.8)
Current ratio (x)	2.5	2.3	2.2	2.0	2.1
CF interest cover (x)	na	na	na	na	na

Valuation	2006A	2007A	2008E	2009E	2010E
Recurring P/E (x) *	118.5	75.4	61.2	46.0	36.5
Recurring P/E @ target price (x) *	137.2	87.2	70.9	53.2	42.3
Reported P/E (x)	118.5	75.4	61.2	46.0	36.5
Dividend yield (%)	0.3	0.4	0.5	0.7	0.8
P/CF (x)	112.0	71.7	57.7	43.0	34.3
P/FCF (x)	205.6	92.7	47.1	31.4	28.2
Price/book (x)	20.7	14.3	11.5	9.0	7.5
Price/tangible book (x)	21.0	14.4	11.6	9.0	7.5
EV/EBITDA (x) **	101.6	66.8	48.7	34.4	26.2
EV/EBITDA @ target price (x) **	118.1	77.7	56.8	40.2	30.7
EV/invested capital (x)	52.3	28.1	29.0	27.5	28.3

* Pre exceptional, pre-goodwill and fully diluted

** EBITDA includes associate income and recurring non-operating income

Sources: Ctrip.com Int'l; BNP Paribas estimates

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