

Aaron M. Kessler, CFA, Sr Research Analyst
650 838-1434, aaron.m.kessler@pjc.com
Piper Jaffray & Co.

Paul J. Bieber, Research Analyst
650 838-1378, paul.j.bieber@pjc.com
Piper Jaffray & Co.

Nicholas R. Gallus, Research Associate
612 303-6324, nicholas.r.gallus@pjc.com
Piper Jaffray & Co.

Reason for Report:

Change in Recommendation

Changes	Previous	Current
Rating	Buy	Neutral
Price Tgt	--	\$68.00
FY08E Rev (mil)	--	\$236.5
FY09E Rev (mil)	--	\$331.4
FY08E EPS	--	\$1.03
FY09E EPS	--	\$1.49

Price:	\$66.82
52 Week High:	\$70.89
52 Week Low:	\$35.12
12-Month Price Target:	\$68.00
(40x 2009E PF EPS)	

Shares Out (mil):	69.1
Market Cap. (mil):	\$4,617.3
Avg Daily Vol (000):	869
Book Value/Share:	\$2.88
Cash Per Share:	\$2.40
Est LT EPS Growth:	35%
P/E to LT EPS Growth (FY08):	1.9x
Est Next Rep Date:	05/14/2008
Fiscal Year End:	Dec

Rev (mil)	2007A	2008E	2009E
Mar	\$30.1A	\$45.2E	NA
Jun	\$37.8A	\$57.0E	NA
Sep	\$43.1A	\$64.3E	NA
Dec	\$48.8A	\$70.0E	NA
FY	\$159.8A	\$236.5E	\$331.4E
CY	\$159.8A	\$236.5E	\$331.4E

FY RM	28.9x	19.5x	13.9x
CY RM	28.9x	19.5x	13.9x

EPS	2007A	2008E	2009E
Mar	\$0.12A	\$0.17E	NA
Jun	\$0.17A	\$0.24E	NA
Sep	\$0.21A	\$0.30E	NA
Dec	\$0.27A	\$0.33E	NA
FY	\$0.76A	\$1.03E	\$1.49E
CY	\$0.76A	\$1.03E	\$1.49E

FY P/E	87.9x	64.9x	44.8x
CY P/E	87.9x	64.9x	44.8x

Note: Revenues are on net basis. PF EPS is \$1.22 in 2008, and \$1.70 in 2009.

Ctrip.com International Neutral

(CTRP - \$66.82)
Volatility: Medium

Downgrading From Buy To Neutral on Valuation; Maintain \$68 PT

KEY POINTS:

- We are downgrading shares from Buy to Neutral based on valuation.
- Shares have appreciated by 39% since January 24.
- Shares currently trading at 55x/40x '08/'09 PF EPS and trading 15% above 2-yr forward mean EPS of 48x.
- Expect modest Q1 upside - believe shares already reflect a strong quarter.
- Maintain \$68 PT (40x '09 PF EPS).

• **Downgrading From Buy To Neutral Based On Valuation.** We are downgrading shares of Ctrip from Buy to Neutral as we believe shares are fairly valued at current levels. Shares have appreciated 39% since closing at \$47.98 on January 24 and are now approaching our \$68 price target. While we remain positive on Ctrip's fundamentals and believe the company will continue to benefit from the strong travel market in China, we believe at the current valuation (40x '09 PF EPS) the risk/reward has become less compelling. We also believe the shares currently reflect a strong quarter despite our expectation that the February snowstorms in China may limit the level of upside expected by investors.

• **Expect Modest Upside To Earnings.** Ctrip reports earnings on 5/14. We expect modest upside to our net revenue estimate of \$45.2M (50% y/y on a USD basis; 41% y/y on a RMB basis) and \$0.17 GAAP/\$0.21 PF. We note that consensus estimates are \$47.0M and \$0.18 GAAP EPS, and guidance calls for 35% y/y growth (on RMB basis). We expect EBITDA of \$17.7M, and an EBITDA margin of 39.2%. We believe we could see \$2M-\$4M upside to our revenue estimate and \$0.02-0.03 EPS upside. We note that while we expect upside to our numbers, we believe the snowstorms in February impacted travel which may limit the level of upside in Q1.

• **Segment Expectations.** On a segment basis, we estimate hotel, air ticket, packaged tour and other revenue of \$23.6M 2M (37% y/y on a USD basis; 28% y/y on a RMB basis), \$20.5M 2M (67% y/y on a USD basis; 56% y/y on a RMB basis), \$3.7M 2M (80% y/y on a USD basis; 50% y/y on a RMB basis), and \$1.1M 2M (71% y/y on a USD basis; 60% y/y on a RMB basis). Dollar denominated growth rates should continue to benefit from the appreciation of the RMB. In 1Q08, the RMB appreciated by 8.3% y/y and 3.8% q/q.

• **Valuation and Price Target.** Ctrip currently trades at 55x '08 PF EPS which represents a 15% premium to its 2 year average forward 12 month P/E of 48x. While the current valuation remains below the 2 year peak valuation of 65x, we believe the risk reward has become less compelling at the current valuation. As such, we are downgrading shares to Neutral while maintaining our \$68 price target (40x '09 PF EPS).

INVESTMENT RECOMMENDATION:

We lower our rating from Buy to Neutral and maintain our \$68 PT (40x 2009E PF EPS of \$1.70).

RISKS TO ACHIEVEMENT OF TARGET PRICE:

Key risks include competition, loss of key suppliers, and execution risk.

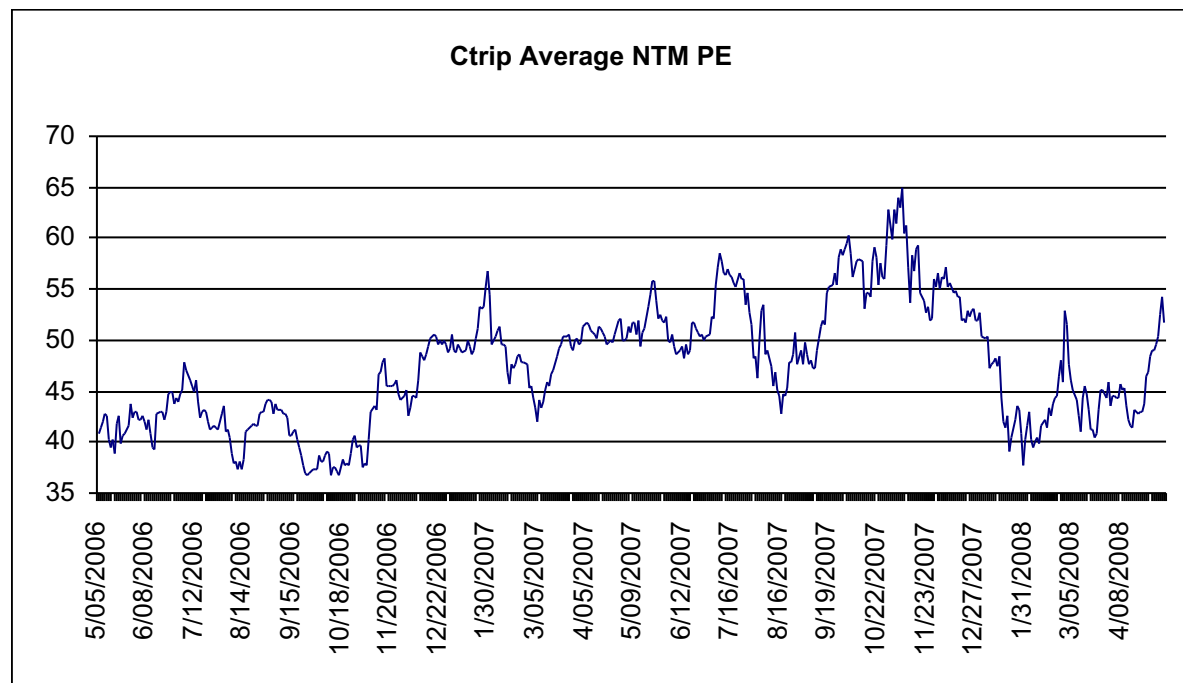
COMPANY DESCRIPTION:

Ctrip.com International is the leading provider of hotel and airline reservations in China, operating through its Web site and its call center.

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Valuation and Price Target. Ctrip currently trades at 55x '08 PF EPS which represents a 15% premium to its 2 year average forward 12 month P/E of 48x. While the current valuation remains below the 2 year peak valuation of 65x, we believe the risk reward has become less compelling at the current valuation. As such, we are downgrading shares to Neutral while maintaining our \$68 price target (40x '09 PF EPS).



Source: Factset

Ctrip

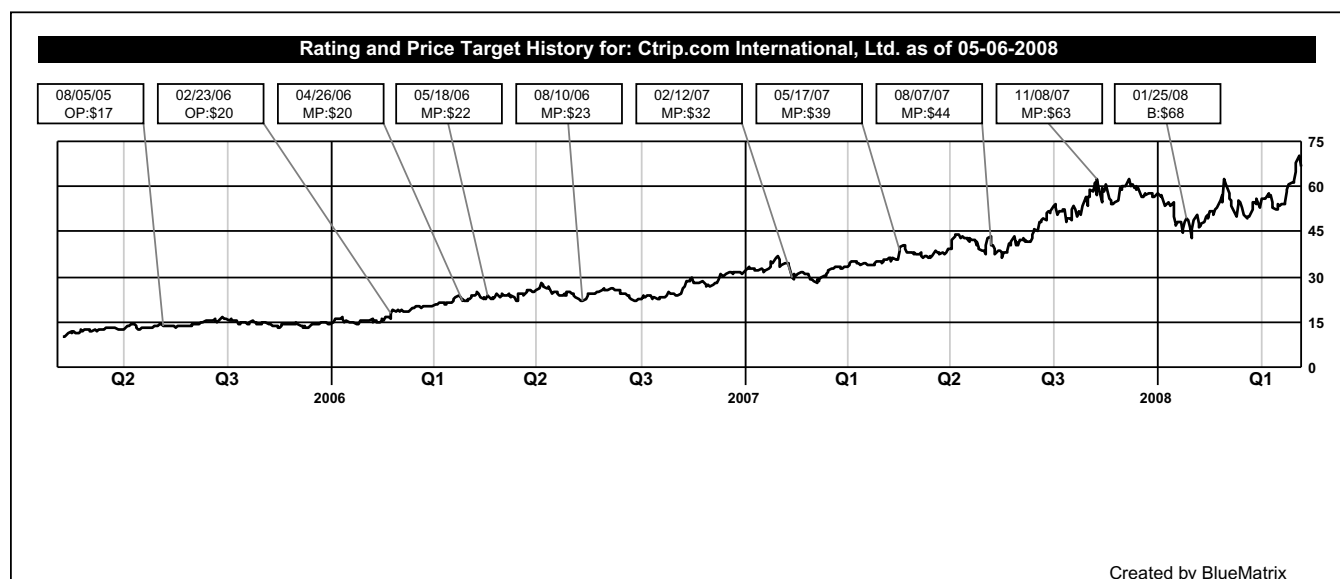
Income Statement

Piper Jaffray

Aaron Kessler 650.838.1434

			2006					2007					2008					
	2004	2005	Q1	Q2	Q3	Q4	2006	Q1	Q2	Q3	Q4	2007	Q1E	Q2E	Q3E	Q4E	2008E	2009E
Revenues																		
Hotel reservation	33.4	44.4	11.9	14.7	15.8	17.7	60.2	17.3	22.5	23.4	26.9	90.1	23.6	32.0	33.6	36.7	125.9	165.7
Air-ticketing	7.6	19.9	7.5	9.1	10.2	11.5	38.3	12.3	15.4	18.4	21.1	67.1	20.5	25.1	29.0	31.8	106.4	158.6
Packaged tour	1.3	2.8	1.2	1.1	1.6	1.4	5.3	2.1	1.7	2.8	3.0	9.5	3.7	3.0	5.1	4.3	16.2	28.0
Other	0.5	1.0	0.3	0.4	0.5	0.4	1.6	0.7	1.0	1.6	1.5	4.8	1.1	1.7	2.5	2.4	7.7	11.6
Total Revenues	42.8	68.1	20.9	25.3	28.2	31.0	105.3	32.3	40.6	46.2	52.5	171.6	48.6	61.3	69.2	75.2	254.3	356.3
Less: Business Tax	2.4	4.3	1.4	1.6	1.8	2.0	6.8	2.2	2.8	3.1	3.7	11.8	3.4	4.3	4.8	5.3	17.8	24.9
Net Revenues	40.3	63.8	19.5	23.8	26.3	28.9	98.5	30.1	37.8	43.1	48.8	159.8	45.2	57.0	64.3	70.0	236.5	331.4
Cost of Services	5.9	10.9	3.5	4.4	5.5	5.9	19.3	6.3	7.5	8.5	9.1	31.5	9.5	11.4	12.9	13.2	47.1	66.7
Gross Profit	34.5	53.0	16.0	19.3	20.8	23.1	79.1	23.8	30.3	34.5	39.7	128.3	35.6	45.6	51.4	56.8	189.4	264.7
Operating Expenses																		
Product Development	4.6	7.0	2.5	2.7	3.0	3.5	11.6	3.8	4.7	5.6	6.5	20.6	6.2	6.4	6.8	7.6	26.9	36.2
Sales and Marketing	8.8	13.7	4.1	4.9	5.7	6.0	20.7	6.0	7.3	8.0	9.4	30.7	9.0	11.0	11.9	13.5	45.4	62.7
General and Administrative	4.4	5.0	1.5	1.8	2.2	2.2	7.7	2.4	2.8	3.1	3.2	11.5	3.5	4.1	4.4	4.7	16.6	22.6
Stock Comp	0.2	0.2	1.7	1.7	1.8	1.8	6.9	2.4	3.0	3.1	3.1	11.6	3.1	3.2	3.2	3.3	12.8	13.6
Amortization	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Operating Expenses	18.1	26.1	9.7	11.0	12.7	13.4	46.9	14.6	17.8	19.7	22.3	74.4	21.7	24.7	26.3	29.0	101.7	135.0
Operating Income	16.4	26.9	6.2	8.3	8.1	9.6	32.2	9.2	12.5	14.8	17.4	53.9	13.9	20.9	25.2	27.7	87.7	129.7
Interest Income	0.7	1.5	0.5	0.6	0.5	0.4	1.9	0.4	0.4	0.6	0.8	2.2	0.8	0.8	0.9	1.0	3.5	6.0
Other Income (expense)	0.5	2.8	0.3	0.1	1.0	0.0	1.5	0.4	0.7	1.8	1.8	4.7	1.0	1.0	1.0	1.0	4.0	4.0
Pre-Tax Income	17.6	31.2	7.1	8.9	9.6	10.0	35.6	10.0	13.7	17.2	20.0	60.9	15.7	22.7	27.1	29.7	95.2	139.7
Income Tax	1.5	3.7	1.1	1.3	1.4	1.4	5.2	1.6	2.1	2.6	1.4	7.7	3.9	5.7	5.4	5.9	21.0	27.9
Minority Interest	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	16.1	27.5	6.0	7.6	8.2	8.6	30.4	8.4	11.6	14.6	18.6	53.2	11.8	17.0	21.7	23.8	74.3	111.8
PF Net Income			7.7	9.2	10.0	10.3	37.3	10.8	14.6	17.7	21.6	64.8	14.9	20.2	24.9	27.1	87.1	125.4
Translation Adjustment																		
Comprehensive Income																		
EBITDA Reconciliation																		
Operating Income	16.4	26.9	6.2	8.3	8.1	9.6	32.2	9.2	12.5	14.8	17.4	53.9	13.9	20.9	25.2	27.7	87.7	129.7
Depreciation	1.2	1.6	0.4	0.4	0.4	0.4	1.6	0.4	0.7	0.7	0.7	2.5	0.7	0.7	0.7	0.7	2.8	3.2
Stock Comp	0.2	0.2	1.7	1.7	1.8	1.8	6.9	2.4	3.0	3.1	3.1	11.6	3.1	3.2	3.2	3.3	12.8	13.6
Amortization	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	17.9	28.8	8.3	10.3	10.3	11.8	40.7	12.0	16.2	18.6	21.2	68.0	17.7	24.8	29.1	31.7	103.3	146.5
Per Share Data																		
GAAP EPS	\$0.25	\$0.42	\$0.09	\$0.11	\$0.12	\$0.13	\$0.46	\$0.12	\$0.17	\$0.21	\$0.27	\$0.76	\$0.17	\$0.24	\$0.30	\$0.33	\$1.03	\$1.49
Pro Forma EPS	\$0.23	\$0.37	\$0.12	\$0.14	\$0.15	\$0.15	\$0.56	\$0.16	\$0.22	\$0.26	\$0.31	\$0.95	\$0.21	\$0.29	\$0.35	\$0.38	\$1.22	\$1.70
EBITDA	\$0.28	\$0.44	\$0.13	\$0.16	\$0.15	\$0.18	\$0.61	\$0.18	\$0.24	\$0.27	\$0.31	\$0.97	\$0.25	\$0.35	\$0.41	\$0.44	\$1.43	\$1.95
Shares Outstanding	64.3	65.3	65.6	66.5	66.7	67.0	66.5	67.5	67.8	68.4	69.1	69.7	70.2	70.7	71.2	71.7	72.3	74.9
								0.6										
Y/Y Growth Rates																		
Hotel reservation	80%	33%	40%	32%	33%	37%	35%	45%	53%	48%	52%	50%	37%	42%	43%	36%	40%	32%
Air-ticketing	211%	162%	116%	105%	80%	80%	92%	64%	69%	79%	84%	75%	67%	63%	58%	51%	59%	49%
Packaged tour	119%	120%	182%	54%	101%	61%	89%	79%	57%	70%	114%	81%	80%	78%	86%	44%	70%	73%
Other	8%	80%	271%	31%	128%	16%	66%	104%	153%	251%	245%	195%	71%	60%	59%	58%	61%	51%
Gross Revenues	94%	59%	67%	53%	52%	51%	55%	55%	60%	64%	70%	63%	50%	51%	50%	43%	48%	40%
Net Revenues	93%	58%	66%	52%	52%	51%	54%	54%	59%	64%	69%	62%	50%	51%	49%	43%	48%	40%
Gross Profit	94%	54%	61%	46%	45%	49%	49%	49%	57%	66%	72%	62%	50%	50%	49%	43%	48%	40%
Operating Income	134%	64%	31%	19%	6%	28%	20%	48%	51%	82%	81%	67%	51%	67%	70%	59%	63%	48%
EBITDA	122%	61%	59%	40%	26%	47%	41%	45%	57%	80%	80%	67%	47%	53%	57%	50%	52%	42%
PF EPS	20%	63%	68%	38%	39%	41%	52%	37%	55%	73%	103%	69%	32%	32%	35%	21%	29%	39%
RMB Y/Y Growth Rates																		
Hotel reservation	35%	75%	36%	28%	30%	33%	31%	40%	45%	40%	42%	42%	28%	34%	35%	31%	32%	26%
Air-ticketing	210%	158%	109%	98%	76%	75%	86%	58%	61%	70%	72%	66%	56%	53%	49%	45%	50%	43%
Packaged tour	119%	117%	173%	48%	97%	56%	83%	73%	49%	61%	101%	72%	50%	40%	40%	40%	42%	37%
Other	8%	77%	260%	26%	123%	12%	61%	96%	141%	232%	227%	180%	60%	50%	50%	50%	51%	45%
Total Revenues	56%	95%	62%	47%	48%	46%	50%	49%	53%	55%	58%	54%	41%	42%	42%	38%	40%	35%
Revenue % of Total																		
Hotel reservation	78%	65%	57%	58%	56%	57%	57%	54%	55%	51%	51%	53%	49%	52%	49%	49%	49%	46%
Air-ticketing	18%	29%	36%	36%	36%	37%	36%	38%	38%	40%	40%	39%	42%	41%	42%	42%	42%	45%
Packaged tour	3%	4%	6%	4%	6%	5%	5%	6%	4%	6%	6%	6%	8%	5%	7%	6%	6%	8%
Other	1%	1%	2%	2%	2%	1%	2%	2%	3%	3%	3%	3%	2%	3%	4%	3%	3%	3%
Expenses - % of Revenue																		
Business Tax	6%	6%	6.7%	6.2%	6.5%	6.6%	6.5%	6.8%	6.8%	6.7%	7.0%	6.9%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Cost of Services	15%	17%	18.1%	18.7%	21.0%	20.3%	19.6%	20.9%	19.9%	19.8%	18.6%	19.7%	21.1%	20.1%	20.0%	18.8%	19.9%	20.1%
Product Development	11%	11%	12.7%	11.2%	11.4%	12.1%	11.8%	12.6%	12.4%	13.0%	13.4%	12.9%	13.7%	11.3%	10.5%	10.8%	11.4%	10.9%
Sales and Marketing	22%	22%	20.9%	20.8%	21.8%	20.6%	21.0%	19.8%	19.2%	18.6%	19.3%	19.2%	19.8%	19.2%	18.6%	19.3%	19.2%	18.9%
General and Administrative	11%	8%	7.9%	7.4%	8.2%	7.6%	7.8%	8.0%	7.4%	7.1%	6.6%	7.2%	7.7%	7.1%	6.8%	6.6%	7.0%	6.8%
Tax Rate	9%	12%	15.0%	14.8%	14.9%	14.0%	14.6%	15.9%	15.1%	15.1%	7.2%	12.6%	25.0%	25.0%	20.0%	20.0%	22.0%	20.0%
Margins - % of gross revs																		
Gross Margin	85.5%	83.0%	81.9%	81.3%	79.0%	79.7%	80.4%	79.1%	80.1%	80.2%	81.4%	80.3%	78.9%	79.9%	80.0%	81.2%	80.1%	79.9%
EBITDA Margin	44.4%	44.3%	42.5%	43.5%	39.2%	40.8%	41.3%	39.9%	42.8%	43.1%	43.4%	42.5%	39.2%	43.5%	45.2%	45.4%	43.7%	44.2%
Operating Margin	40.6%	42.1%	32.0%	34.8%	30.8%													

Important Research Disclosures



Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

Legend:

I: Initiating Coverage

R: Resuming Coverage

T: Transferring Coverage

D: Discontinuing Coverage

S: Suspending Coverage

OP: Outperform (Piper Jaffray discontinued use of the OP, MP and UP ratings on November 15, 2007)

MP: Market Perform

UP: Underperform

B: Buy

N: Neutral

S: Sell

AL On/AL Off: Placed on/removed from the Alpha List maintained by Piper Jaffray

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Distribution of Ratings/IB Services Piper Jaffray				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	356	57.14	101	28.37
HOLD [N]	245	39.33	24	9.80
SELL [S]	22	3.53	1	4.55
Short-Term Buy [Alpha List]	20	3.21	9	45.00

Note: Distribution of Ratings/IB Services shows the number of companies currently in each rating category from which Piper Jaffray and its affiliates received compensation for investment banking services within the past 12 months. NASD and NYSE rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Accordingly, Buy corresponds most closely with buy, Neutral with hold, and Sell with sell. Alpha List is a short-term buy and is in addition to a 12-month rating. See Rating Definitions below.

Important Research Disclosures

Analyst Certification — Aaron M. Kessler, CFA, Sr Research Analyst

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Investment Rating: Piper Jaffray ratings are indicators of expected total return (price appreciation plus dividend) within the next 12 months. At times the anticipated total returns may fall outside of the general ranges stated below due to near-term events, market conditions or stock volatility or, in some cases, company-specific corporate structures that result in consistently high yields. Research Management may permit such deviations, particularly where the stock is low priced, is of high or medium volatility, or is of high yield nature based on historical trends. Research reports and ratings should not be relied upon as individual investment advice. As always, an investor's decision to buy or sell a security must depend on individual circumstances, including existing holdings, time horizons and risk tolerance.

Companies assigned to the Alpha List may have a 12-month rating of Buy, Neutral or Sell but, as a result of particular near-term catalysts or market conditions, the analyst chooses to emphasize the stock's potential for near-term appreciation. This short-term rating is separate from, and may be directionally different than, the fundamental 12-month rating and no specific price target is assigned.

- **Buy (B):** Anticipate total return appreciation generally in excess of 10% over the next 12 months.
- **Neutral (N):** Anticipate limited total return (general appreciation less than 10% or decline less than 5%) over the next 12 months.
- **Sell (S):** Anticipate negative total return generally in excess of 5% over the next 12 months.
- **Alpha List (AL):** Anticipate appreciation in excess of 5% over the next 90 days as a result of a near-term catalyst or market event.
- **Suspended (SUS):** No active analyst opinion or no active analyst coverage; however, an analyst investment opinion or analyst coverage is expected to resume.
- **Volatility Rating:** Our focus on growth companies implies that the stocks we cover are typically more volatile than the overall stock market. We are not recommending the "suitability" of a particular stock for an individual investor. Rather, the volatility rating identifies the volatility of a particular stock.
- **Low:** The stock price has moved up or down by more than 10% in a month in fewer than 8 of the past 24 months.
- **Medium:** The stock price has moved up or down by more than 20% in a month in fewer than 8 of the past 24 months.
- **High:** The stock price has moved up or down by more than 20% in a month in at least 8 of the past 24 months. All IPO stocks automatically get this volatility rating for the first 12 months of trading.

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