

December 11, 2015

Ctrip.com

Priceline and Another Firm Each Invest US\$500mn in CTRP via CB

Industry View

Attractive

Stock Rating

Overweight

Exhibit 1: CTRP's CB issued to PCLN

CTRIP CB issued to PCLN	
Priceline CB - Aug/7/2014	
Principal amount (US\$ mn)	500
Conversion price (US\$)	81
ADS pre-stock split (mn)	6.1
ADS post-stock split (mn)	12.3
Priceline CB - May/26/2015	
Principal amount (US\$ mn)	250
Conversion price (US\$)	104
ADS pre-stock split (mn)	2.4
ADS post-stock split (mn)	4.8
Priceline purchased from public market	
ADS post stock split (mn)	21
Priceline CB - Dec/10/2015	
Principal amount (US\$ mn)	500
Conversion price (US\$) (e)	68
ADS (mn) (e)	7.3
Total ADS owned by PCLN (mn)	45.5

Source: Company data, Morgan Stanley Research (E)

Exhibit 2: Estimates of the ADS converted from newly issued CB

PCLN owns ADS of CTRP (post stock split)	
By 15th Oct	38,174,300
Fully version of all CB	45,500,000
CB converted from this newly issued CB	7,325,700

Source: PCLN 13 D filing, CTRP and PCLN press release, Morgan Stanley Research

CTRP just announced that Priceline (PCLN) and a long-term equity investment firm have each agreed to invest \$500 mn in Ctrip via convertible bonds. Ctrip has extended its permission to PCLN to increase its ownership in Ctrip through the acquisition of Ctrip's ADS in the open market so that, when combined with the shares issuable upon conversion of the \$250 mn CB and the \$500 mn CB issued to PCLN in May 2015 and August 2014, respectively, PCLN may hold ~45.5 mn ADS on a fully diluted basis ([Exhibit 1](#)).

CTRP did not disclose specific conversion price; we estimate US~\$68, implying a ~34% premium.

CTRP didn't disclose the conversion price because this is a private market deal, but the company gave us guidance that conversion of this new US\$1bn CB will lead to an increase of ~1-2mn ordinary shares, i.e., ~8-16mn ADS.

According to Priceline's 13D filing, as of 15 October 2015, it owned ~38mn CTRP ADS (~19mn ADS before stock split) through CB conversion and purchases from the public market. After this new CB, assuming conversion of all bonds held, PCLN will own ~45.5 mn ADS of Ctrip on a fully diluted basis. We estimate that the incremental 7.3 mn ADS is mainly converted from this new CB, with a small portion from the ADS purchased from the public market([Exhibit 2](#)).

Thus we estimate the conversion price is at least US\$68, implying a 34% premium to the closing price of 9 December.

Assuming the conversion price for the PE investor and PCLN is the same, conversion of this new CB will lead to an increase of ~14.6mn ADS (1.8mn ordinary shares) for CTRP.

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Ctrip.com (CTRP.O, CTRP US)

China Internet and Other Services / China

Stock Rating

Overweight

Industry View

Attractive

Shr price, close (Dec 9, 2015)

US\$51

52-Week Range

US\$57.36-20.37

Sh out, dil, curr (mn)

283

Mkt cap, curr (mn)

US\$14,373

EV, curr (mn)

US\$13,529

Avg daily trading value (mn)

US\$203.28

Fiscal Year Ending	12/14	12/15e	12/16e	12/17e
ModelWare EPS (Rmb)	0.79	7.38	2.77	6.75
Consensus EPS (Rmb)\$	1.94	6.70	3.41	7.30
Revenue, net (Rmb mn)	7,347	10,885	15,286	21,201
EBITDA (Rmb mn)	31	1,159	2,281	4,539
ModelWare net inc (Rmb mn)	243	2,492	1,402	3,478
P/E	177.7	44.2	117.9	48.3
P/BV	4.5	9.6	13.6	11.4
EV/EBITDA	1,204.4	72.7	36.4	17.5
FCF yld ratio (%)	(7.5)	1.8	0.9	2.6

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
 \$ = Consensus data is provided by Thomson Reuters Estimates
 e = Morgan Stanley Research estimates

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Investment in Ctrip via CB (cont'd)

Fully diluted ordinary shares (upon conversion of all CB/options issued to employees) will reach ~67-68mn.

In addition, according to the company, the interest rate of this CB is similar to that of the US\$1.1 bn CB issued by CTRP in June, which is ~1% per year.

We believe the investment will benefit CTRP's overseas business and further enhance its strength in international hotels: As of 3Q15, overseas hotels contributed 10-15% of CTRP's total hotel GMV, (up from 10% in 2Q15), and 20-25% of revenue (up from 15-20% in 2Q15). We expect closer cooperation with PCLN will further increase CTRP's international revenue contribution.

Updates on QUNR deal

QUNR has received the majority of minority shareholders' consent from the employee stock exchange program. Thus, CTRP has issued 31.8 mn ADS to three special vehicles that will holding such ADS solely for the benefit of the employees of QUNR, effective immediately.

With the conversion program gradually being settled, the integration between CTRP and QUNR has started. As we mentioned in [Qunar Cayman Islands Ltd: Minority Shareholders Approve Employee Share Exchange Program](#), after QUNR's employees fully convert their shares into CTRP shares, CTRP may need to consolidate QUNR around 1Q16. This makes the visibility of the 2016 outlook not very clear at the current stage.

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(as of November 30, 2015)

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	COUNT	% OF TOTAL	COUNT	% OF TOTAL	% OF RATING IBC CATEGORY
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Equal-weight/Hold	1469	43%	347	44%	24%
Not-Rated/Hold	91	3%	11	1%	12%
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TOTAL	3,414		781		

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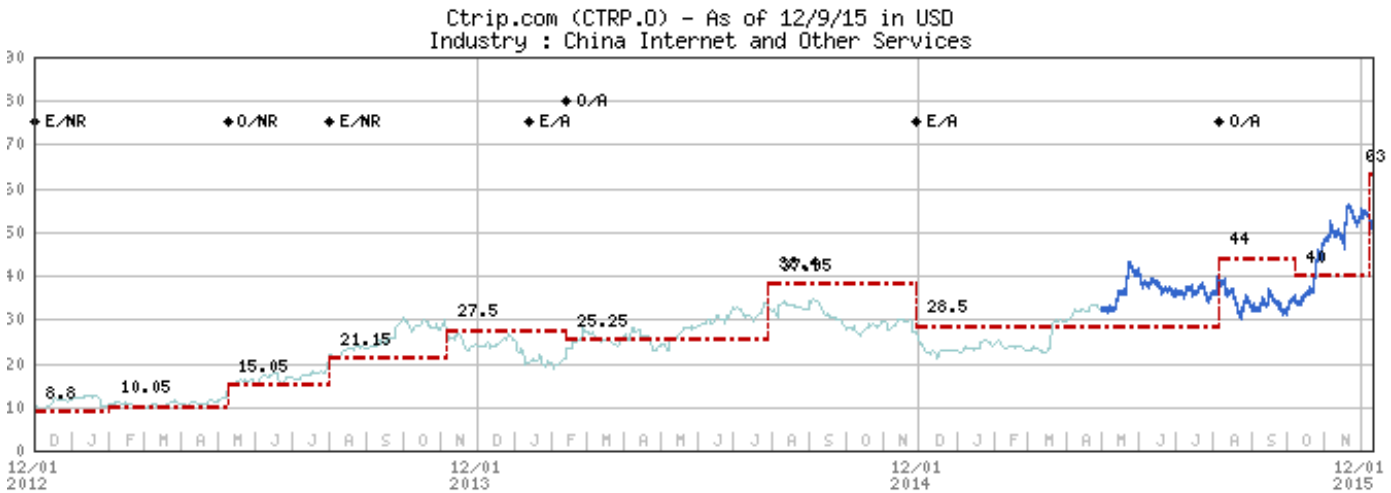
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Price Target History: 11/6/12 : 8.8; 2/1/13 : 10.05; 5/9/13 : 15.05; 8/1/13 : 21.15; 11/6/13 : 27.5; 2/13/14 : 25.25; 7/30/14 : 38.4; 7/31/14 : 37.95; 11/28/14 : 28.5; 8/5/15 : 44; 10/7/15 : 40; 12/8/15 : 63

Source: Morgan Stanley Research Date Format: MM/DD/YY Price Target: --- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) --- Stock Price (Covered by Current Analyst) ---
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
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Amanda Chen		
Autohome Inc. (ATHMN)	O (11/24/2014)	US\$31.73
Bitauto Holdings Limited (BITAN)	E (11/24/2014)	US\$25.05
Ctrip.com (CTRP.O)	O (08/05/2015)	US\$50.72
Leshi Internet Information & Technology (300104.SZ)	E (11/26/2015)	Rmb58.80
Phoenix New Media (FENG.N)	U (09/24/2015)	US\$4.76
Qihoo 360 Technology Co Ltd (QIHU.N)	E (09/24/2015)	US\$71.05
Qunar Cayman Islands Ltd (QUNR.O)	O (09/24/2015)	US\$48.75
Shanghai Oriental Pearl Media (600637.SS)	O (11/26/2015)	Rmb35.50
Tuniu Corporation (TOUR.O)	O (12/08/2015)	US\$15.50
Youku (YOKU.N)	++	US\$27.02
Ben Lin		
YY Inc. (YY.O)	E (08/17/2015)	US\$62.13
Robert Lin		
58.com (WUBAN)	O (08/21/2015)	US\$64.12
Alibaba Group Holding (BABAN)	O (10/29/2014)	US\$83.42
Baidu Inc (BIDU.O)	O (07/21/2014)	US\$200.46
Baozun Inc (BZUN.O)	O (06/15/2015)	US\$8.05
Changyou.com (CYOU.O)	U (09/24/2015)	US\$20.12
Cheetah Mobile Inc. (CMCMN)	O (06/12/2014)	US\$17.25
Dangdang Inc. (DANG.N)	E (10/29/2014)	US\$7.20
JD.com, Inc. (JD.O)	E (08/10/2015)	US\$31.58
Jumei International Holding (JMEI.N)	E (07/14/2015)	US\$9.59
Momo Inc. (MOMO.O)	E (09/24/2015)	US\$14.99
NetEase, Inc (NTES.O)	E (09/24/2015)	US\$176.50
Sohu.com Inc (SOHU.O)	U (09/24/2015)	US\$48.62
SouFun Holdings Limited (SFUN.N)	E (09/24/2015)	US\$7.14
Tencent Holdings Ltd. (0700.HK)	O (11/11/2015)	HK\$150.40
Vipshop Holdings (VIPS.N)	E (11/16/2015)	US\$15.99
Weibo Corp (WB.O)	E (06/09/2014)	US\$18.70

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.

