

China Travel International (0308.HK)

Resilience during pandemic

China Travel International Investment Hong Kong Limited has announced its final results for the year ending December 31, 2022. Total revenue declined by 17% YoY and profit attributable to shareholder recorded loss of HK\$3,565 million. However, we see resilience in its operation and expect the company to return to profit in 2023.

China Travel International reports total revenue decline of 17% YoY, driven by the tourist attraction segment:

- In 2022, the scenic industry suffered significant losses due to the COVID-19 pandemic, intense competition, high costs, and declining market demand. However, despite these challenges, the Group managed to maintain stability, ensuring the continuity of operations, management, and team, creating a foundation for sustainable development. The company's consolidated revenue decreased by 17% YoY to HK\$3,032 million, with a loss before taxation of HK\$685 million relative to a profit of HK\$15 million a year before. By segment, the company's tourist attraction and related operations accounted for 78% of the company's total revenue and saw revenue decline of 21% to HK\$2,369 million. This segment includes operation of theme parks, scenic spots, cable car systems, skiing facilities, hot spring resorts, other resorts, arts performance and tourism property development mainly located in Mainland China. Its hotel operations accounted for 15.4% of the company's total revenue and saw revenue increase of 6.6% to HK\$470 million, reflecting resilience during pandemic. This segment covers the of hotel accommodation, food and beverage services in Hong Kong, Macau and Mainland China. The company reported a loss attributable to shareholders of HK\$3,565 million versus a profit of HK\$174 million a year earlier. The turnaround from profit to loss was mainly due to a drop in profit from real estate sales and the COVID-19 outbreak.
- The company's had a stable and healthy financial position with adequate financing capabilities. As of December 31, 2022, total assets were HK\$23.76 billion, equity attributable to shareholders was HK\$16.2 billion, and net cash was HK\$1.81 billion after deducting loans and borrowings, which was a 27% decline relative to the year before.

China Travel International continues innovation and expansion

- The company has focused on promoting a culture of integrity and high-quality development through specialized work plans and teams despite the pandemic. Most importantly, the company has continued to innovate and launch new products, stabilizing its business fundamentals and laying a good foundation for post-pandemic recovery. Furthermore, the company will continue cultivating its leisure resort business through deep cooperation with leading leisure resort brands, promoting the incubation of leisure resort brands and improving the vitality of its resorts. Lastly, The company has been actively promoting the intelligent transformation of its scenic spots, expanding its visitor-centric digital application scenarios, and fulfilling its corporate social responsibilities.
- The company aims to build a leading tourist destination investment and operation service provider by focusing on natural and humanistic scenic and leisure resort product lines. Its main objectives include enhancing investment, products, and digitalisation and operation capabilities. Currently there are 25 scenic spots under management of the company under various subsidiaries that provide scenic spot management services. The company plans to develop new products and services, optimize its operations, and expand its business in the tourism consumption market, while focusing on integrity management and quality service.

China Travel International | Financial Summary (HKD m)

	2021/12A	2022/12E	2023/12E	2024/12E
Operating Revenue	3,648	3,032	4,555	5,262
Operating Profit	-113	-758	203	683
Net Profit	174	-356	300	502
Operating Margin (%)	-3.1%	-25.0%	4.5%	13.0%
Net Margin (%)	4.8%	-11.7%	6.6%	9.5%
EPS (CNY)	3.14	-6.43	0.06	0.09
DPS (CNY)	0.00	0.00	0.02	0.03
P/E	0.5	-0.3	28.7	18.1
ROE	1.0	-2.1	1.8	3.0
ROA	0.7	-1.4	1.1	1.8
Dividend yield	0.0%	0.0%	1.2%	2.0%



Genetic
Equities

Company Report | March 31, 2023

Strong Buy

Target Price (HKD)	3.30
Last Price (HKD)	1.67
Consensus Price	1.81
Potential Upside	97.6%

Share data

52 week range (High/Low)	1.9/1.2
Free float (%)	45.3
Outstanding shares (mln)	5,537
Market capitalization (USD mln)	1,158
Average volume - 3M (mln)	0.56

Sector: Consumer, Non-cyclical

Bloomberg	308 HK
Reuters	0308.HK

Malcom Chee

malcom.chee@geneticequities.com

Source: Company Data, Bloomberg, Analyst estimates; Please read the rating criteria & important disclaimer in appendix

- The company has been acquiring quality scenic spots and exploring new breakthroughs to expand into overseas markets. In 2021, it acquired a 50% shareholding interest in Handhuvaru Ocean Holidays Private Company, which holds a leasehold interest in Ambara Island in the Maldives. Additionally, the company plans to develop a mid- to high-end resort of approximately 100 rooms on the island. The company is also studying the revitalisation and optimisation of existing assets, including properties in Hong Kong. It has also strengthened the capital base of its subsidiary, China Travel Service Property Investment Hong Kong Limited, through a subscription agreement with China Travel Service (Holdings) Hong Kong Limited.

Expect turn-around in 2023

- The economic environment in 2023 was complex and volatile, with the US Federal Reserve Board raising interest rates to combat inflation, which could potentially depress the US economy and dampen global investment sentiment. Continued friction between the US and China may also cause market turmoil. However, China's economic recovery is expected to continue with the deepening of reforms in its capital markets. Despite the challenges posed by the COVID-19 pandemic, many developed countries are showing signs of recovery. The company plans to capitalize on its competitive strengths to drive core business performance and expand domestically and internationally. We are bullish about the company's operation and fundamentals.

Recommend to Strong Buy with TP at HKD 3.30

- Genetic Equities recommends Strong Buy on China Travel International International with TP at HKD3.30, equivalent to 1.0x BPS.

Genetic Equities Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Strong Buy : Greater than +35%
 - Overweight : +10% to +35%
 - Hold : -10% to +10%
 - Underweight : -10% to -35%
 - Strong Sell : Less than -35%

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