

Trip.com (TCOM US)

Macro headwinds dampen ST demand

Trip.com Group (TCOM) released (25 Jun) 1Q26 results: total revenue was RMB16.2bn, up 17.2% YoY, 2% better than both our estimate and Bloomberg consensus estimates, and non-GAAP operating income (OP) was RMB4.6bn, 4% better than consensus, thanks to the beat in revenue. However, the soft 2Q26 guidance impacted market sentiment: management expects 2Q26 revenue to grow 3-8% YoY (vs consensus at 14% YoY), and attributes the QoQ slowdown in growth to direct and indirect impacts from macro headwinds such as elevated energy pricing and geopolitical volatility, as well as operational adjustments that TCOM has implemented to align with evolving industry standards and compliance frameworks. Accounting for the industry-wide headwind, we lower our 2026-2028E revenue/non-GAAP OP forecasts by 5-6%/11-13%, and cut our DCF-derived target price by 14% to US\$71.6, translating into 18.7x 2026E PE (non-GAAP). TCOM's competitive advantages remain intact compared to its peers, in our view, while a valuation rerating may hinge on the normalization of macro headwinds, and greater visibility on earnings growth once the operational refinement is fully completed. Maintain BUY.

- Both domestic and outbound travel demand were impacted by macro headwinds in the short term...** In 2Q26, amidst softened travel demand due to elevated energy pricing, we are forecasting: 1) 6% YoY growth for domestic hotel booking volume, down from the low-teens level in 1Q26; 2) 4% YoY growth for outbound hotel booking volume, largely in line with the growth in outbound travel ticketing volume, also down from the teens-level YoY growth in 1Q26. For the pure international business, Trip.com/Skyscanner & others accounted for 18%/7% of group-level revenue in 1Q26, and revenue growth at Trip.com stayed above 60% YoY in the quarter. We anticipate the growth will decelerate to above 50% YoY in 2Q26, as the overseas ticketing business also sees some impact from elevated energy pricing. Overall, we expect total revenue growth of 5.6% YoY in 2Q26, with total revenue reaching RMB15.7bn in 2Q26E, of which we are looking for +10.4%/-2.4% YoY growth in the overall accommodation reservation/transportation ticketing businesses (vs +17.5%/+11.7% in 1Q26).
- ...While TCOM's competitive advantages remain intact.** TCOM's competitive advantages over its industry peers remain intact, in our view, as healthy volume growth is still driving healthy revenue growth in the domestic accommodation reservation business in 2Q26 QTD. Robust supply chain capabilities, high service quality, comprehensive product offerings, and global coverage remain TCOM's competitive advantages that support its long-term revenue and earnings growth.
- Greater visibility on earnings growth is a vital factor in driving valuation rerating.** We are now looking for flat YoY non-GAAP OP for 2026, and estimate a YoY deterioration in non-GAAP OPM to 26.6% in 2026E (2025: 28.9%). We remain positive on TCOM's long-term revenue and earnings growth potential, supported by its overseas expansion prospects. We believe the normalization of macro headwinds, as well as greater visibility on earnings growth, should serve as key drivers of a valuation rerating for TCOM.

BUY (Maintain)

Target Price	US\$71.60
(Previous TP)	US\$83.00)
Up/Downside	76.8%
Current Price	US\$40.49

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Stock Data

Mkt Cap (US\$ mn)	27,885.7
Avg 3 mths t/o (US\$ mn)	59.1
52w High/Low (US\$)	78.96/40.49
Total Issued Shares (mn)	688.7

Source: FactSet

Shareholding Structure

Capital World Investors	7.9%
Baidu	6.4%

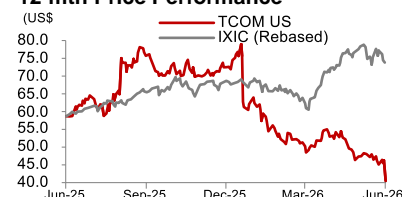
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-14.5%	-10.1%
3-mth	-19.4%	-31.9%
6-mth	-44.2%	-48.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	53,377	62,510	67,749	74,410	80,418
YoY growth (%)	19.8	17.1	8.4	9.8	8.1
Net profit (RMB mn)	17,067.0	33,294.0	15,217.0	18,242.6	20,269.3
Adjusted net profit (RMB mn)	18,041.0	31,839.0	18,438.7	20,809.8	22,882.9
YoY growth (%)	38.0	76.5	(42.1)	12.9	10.0
EPS (Adjusted) (RMB)	25.84	46.23	26.77	30.22	33.23
P/E (x)	10.6	5.4	11.8	9.9	8.9

Source: Company data, Bloomberg, CMBIGM estimates

Results comparison and changes in forecast

Figure 1: TCOM: quarterly financial results

(RMBbn)	1Q25	2Q25	3Q25	4Q25	1Q26	1Q26E consensus	Diff%	CMBI estimates	Diff%
Total revenue	13.9	14.9	18.4	15.4	16.2	15.9	2.2%	15.9	2.0%
YoY growth (%)	16.2%	16.2%	15.5%	20.8%	17.0%				
Accommodation reservation	5.5	6.2	8.0	6.3	6.5	6.5	-0.1%	6.5	0.1%
YoY growth (%)	23.2%	21.2%	18.3%	21.4%	17.5%				
Transportation ticketing	5.4	5.4	6.3	5.4	6.1	6.0	1.2%	6.0	1.1%
YoY growth (%)	8.4%	10.8%	11.6%	12.3%	11.7%				
Packaged tour	0.9	1.1	1.6	1.1	1.1	1.1	2.0%	1.1	1.6%
YoY growth (%)	7.2%	5.3%	3.1%	21.4%	19.3%				
Corporate travel	0.6	0.7	0.8	0.8	0.7	0.7	4.8%	0.7	5.2%
YoY growth (%)	12.1%	9.3%	15.2%	15.1%	20.4%				
Others	1.4	1.5	1.7	1.9	1.8	1.6	12.4%	1.6	12.6%
YoY growth (%)	33.0%	31.0%	33.9%	54.3%	33.3%				
Gross profit	11.1	12.0	15.0	12.2	12.9	12.8	0.9%	12.8	0.9%
Operating profit	3.6	4.1	5.6	2.5	3.9	3.9	0.0%	3.9	2.4%
Non-GAAP operating profit	4.0	4.7	6.1	3.2	4.6	4.4	4.3%	4.5	3.1%
YoY growth (%)	7.4%	10.4%	12.2%	15.9%	14.7%				
Non-GAAP net profit	4.2	5.0	19.2	3.5	3.9	4.2	-6.9%	4.0	-2.7%
YoY growth (%)	3.3%	0.5%	221.2%	14.7%	-6.8%				
Expense ratio and margins									
GPM (%)	80.3%	80.9%	81.6%	78.8%	79.5%	80.5%	-1.0 ppt	80.4%	-0.9 ppt
OPM (%)	25.7%	27.6%	30.3%	16.4%	24.3%	24.9%	-0.5 ppt	24.3%	0.1 ppt
Non-GAAP OPM (%)	29.2%	31.4%	33.4%	20.7%	28.6%	28.0%	0.6 ppt	28.3%	0.3 ppt
Non-GAAP P&D expense ratio	23.9%	21.8%	20.9%	24.2%	22.8%	23.1%	-0.3 ppt	23.2%	-0.4 ppt
Non-GAAP S&M expense ratio	21.4%	22.1%	22.5%	28.1%	22.7%	23.9%	-1.2 ppt	23.4%	-0.7 ppt
Non-GAAP G&A expense ratio	5.9%	5.7%	4.9%	5.9%	5.3%	5.6%	-0.3 ppt	5.5%	-0.1 ppt
Adjusted NPM (%)	30.2%	33.7%	104.3%	22.6%	24.1%	26.4%	-2.3 ppt	25.3%	-1.2 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: TCOM: forecast revision

RMB bn	Current			Previous			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	67.7	74.4	80.4	71.6	79.1	85.9	-5.3%	-5.9%	-6.4%
Gross Profit	54.2	59.2	64.0	57.4	63.4	68.9	-5.5%	-6.7%	-7.1%
Operating Profit	15.5	17.3	19.3	17.6	20.2	22.6	-12.1%	-14.2%	-14.4%
Non-GAAP OP	18.0	19.9	21.9	20.2	22.9	25.3	-10.9%	-13.0%	-13.2%
Non-GAAP NP	18.4	20.8	22.9	20.0	23.6	26.0	-7.9%	-11.7%	-12.0%
Gross Margin	80.0%	79.5%	79.6%	80.1%	80.1%	80.2%	-0.1 ppt	-0.6 ppt	-0.6 ppt
Operating Margin	22.9%	23.3%	24.0%	24.7%	25.6%	26.3%	-1.8 ppt	-2.3 ppt	-2.3 ppt
Non-GAAP OPM	26.6%	26.8%	27.3%	28.3%	28.9%	29.4%	-1.7 ppt	-2.2 ppt	-2.2 ppt
Non-GAAP NPM	27.2%	28.0%	28.5%	28.0%	29.8%	30.3%	-0.8 ppt	-1.8 ppt	-1.8 ppt

Source: CMBIGM estimates

Figure 3: TCOM: DCF valuation (WACC of 10.5%, terminal growth of 1.0%, both unchanged)

(RMBbn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Total revenue	67.7	74.4	80.4	85.6	89.9	93.5	96.6	99.1	101.3	103.3	105.4
NPV of FCF	159.2										
Discounted terminal value	91.6										
Total equity valuation	345.3										
No. of ADSs (diluted, mn)	689										
Valuation per ADS (USD)	71.6										

Source: CMBIGM estimates

Note: our target valuation is based on 2026E valuation.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	44,562	53,377	62,510	67,749	74,410	80,418
Cost of goods sold	(8,121)	(9,990)	(12,122)	(13,550)	(15,254)	(16,405)
Others	(52)	(83)	(101)	0	0	0
Gross profit	36,389	43,304	50,287	54,199	59,156	64,012
Operating expenses	(25,065)	(29,127)	(34,514)	(38,685)	(41,818)	(44,712)
SG&A expense	(12,945)	(15,988)	(19,378)	(22,086)	(23,885)	(25,492)
R&D expense	(12,120)	(13,139)	(15,136)	(16,598)	(17,933)	(19,220)
Operating profit	11,324	14,177	15,773	15,514	17,337	19,300
Interest income	2,090	2,341	2,603	2,252	3,007	3,338
Interest expense	(2,067)	(1,735)	(849)	(403)	(403)	(403)
Other income/expense	(667)	2,220	21,321	2,710	2,976	3,217
Pre-tax profit	10,680	17,003	38,848	20,073	22,918	25,452
Income tax	(1,750)	(2,604)	(5,815)	(3,613)	(4,584)	(5,090)
Others	1,072	2,828	353	(1,151)	0	0
Minority interest	(84)	(160)	(92)	(92)	(92)	(92)
Net profit	9,918	17,067	33,294	15,217	18,243	20,269
Adjusted net profit	13,071	18,041	31,839	18,439	20,810	22,883

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	88,732	112,120	121,050	160,880	190,782	220,283
Cash & equivalents	41,592	48,439	39,848	88,563	114,501	140,428
Restricted cash	2,391	2,654	6,603	4,742	5,209	5,629
Account receivables	11,410	12,459	15,241	13,550	14,882	16,084
Prepayment	12,749	17,290	23,982	22,018	24,183	26,136
Other current assets	20,590	31,278	35,376	32,007	32,007	32,007
Non-current assets	130,405	130,461	146,337	134,134	134,190	134,046
PP&E	5,142	5,053	5,445	5,826	6,034	6,043
Investment in JVs & assos	49,342	47,194	61,375	50,694	50,694	50,694
Intangibles	12,564	12,840	13,013	10,961	10,758	10,555
Goodwill	59,372	60,911	62,268	62,268	62,268	62,268
Other non-current assets	3,985	4,463	4,236	4,386	4,436	4,486
Total assets	219,137	242,581	267,387	295,015	324,972	354,329
Current liabilities	72,411	74,010	78,169	87,849	96,480	102,624
Short-term borrowings	25,857	19,433	19,335	19,335	19,335	19,335
Account payables	16,459	16,578	19,150	21,680	24,406	26,248
Tax payable	2,038	2,117	2,048	5,420	6,875	7,635
Other current liabilities	27,013	33,430	34,374	37,756	41,745	44,976
Accrued expenses	1,044	2,452	3,262	3,658	4,119	4,429
Non-current liabilities	23,720	25,089	16,618	16,677	17,028	17,193
Long-term borrowings	19,099	20,134	11,430	11,430	11,430	11,430
Obligations under finance leases	477	561	585	585	585	585
Other non-current liabilities	4,144	4,394	4,603	4,662	5,013	5,178
Total liabilities	96,131	99,099	94,787	104,526	113,508	119,817
Share capital	6	6	6	6	6	6
Capital surplus	97,428	101,187	103,953	106,660	109,427	112,240
Retained earnings	28,806	45,251	76,597	91,779	109,987	130,221
Other reserves	(4,056)	(3,894)	(9,607)	(9,607)	(9,607)	(9,607)
Total shareholders equity	122,184	142,550	170,949	188,838	209,813	232,861
Minority interest	822	932	1,651	1,651	1,651	1,651
Total equity and liabilities	219,137	242,581	267,387	295,015	324,972	354,329

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	11,752	19,831	39,201	18,922	22,918	25,452
Depreciation & amortization	817	851	845	892	941	975
Change in working capital	9,256	3,321	(5,734)	13,335	5,134	2,989
Others	179	(4,378)	(19,933)	(1,551)	(2,462)	(2,922)
Net cash from operations	22,004	19,625	14,379	31,597	26,532	26,495
Investing						
Capital expenditure	(606)	(591)	(797)	(864)	(949)	(784)
Acquisition of subsidiaries/ investments	(5,326)	(16,036)	(34,277)	0	0	0
Others	11,851	10,575	30,886	4	5	5
Net cash from investing	5,919	(6,052)	(4,188)	(859)	(944)	(779)
Financing						
Net borrowings	5,721	(3,231)	(1,853)	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(8,268)	(3,479)	(12,803)	16,116	817	631
Net cash from financing	(2,547)	(6,710)	(14,656)	16,116	817	631
Net change in cash						
Cash at the beginning of the year	18,487	43,983	51,093	46,451	93,305	119,710
Exchange difference	120	247	(177)	0	0	0
Others	25,376	6,863	(4,465)	46,854	26,405	26,347
Cash at the end of the year	43,983	51,093	46,451	93,305	119,710	146,057
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	122.2%	19.8%	17.1%	8.4%	9.8%	8.1%
Gross profit	134.4%	19.0%	16.1%	7.8%	9.1%	8.2%
Operating profit	12,768.2%	25.2%	11.3%	(1.6%)	11.7%	11.3%
Net profit	606.9%	72.1%	95.1%	(54.3%)	19.9%	11.1%
Adj. net profit	910.1%	38.0%	76.5%	(42.1%)	12.9%	10.0%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	81.7%	81.1%	80.4%	80.0%	79.5%	79.6%
Operating margin	25.4%	26.6%	25.2%	22.9%	23.3%	24.0%
Adj. net profit margin	29.3%	33.8%	50.9%	27.2%	28.0%	28.5%
Return on equity (ROE)	8.5%	12.9%	21.2%	8.5%	9.2%	9.2%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	1.2	1.5	1.5	1.8	2.0	2.1
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	18.1	10.6	5.4	11.8	9.9	8.9
P/B	1.5	1.3	1.1	1.0	0.9	0.8
P/CFPS	8.9	10.0	14.0	6.2	7.4	7.4

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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