

# Tongcheng Travel (780 HK)

## 1Q earnings beat; on track to deliver solid full-year earnings growth

Tongcheng Travel (TC) reported 1Q25 results: total revenue was RMB4.4bn, up 13% YoY, and was 0.7/0.9% better than our forecast/Bloomberg consensus estimates, due to the 1% revenue beat in core OTA business but this was partly offset by slower-than-expected recovery in Tourism business; adjusted NP was RMB788mn, up 41% YoY, and was 6.6/7.3% better than our forecast/consensus, driven by better-than-expected operating leverage of core OTA business, as well as operation refinement of Tourism business. OPM of the core OTA business expanded to 29.2% in 1Q25 (1Q24: 22.6%). To account for the mixed impact from better-than-expected operating efficiency gains of core OTA business, and slower-than-expected recovery in relatively thin-margin Tourism business, we lower 2025-2027E revenue forecast by 2%, while maintaining non-GAAP net profit forecast largely unchanged. We are still looking for a 25/18% YoY growth for core OTA OP/total non-GAAP NP in 2025E. Our DCF-based TP remains unchanged at HK\$24.0, translating into 15.6x 2025E PE (non-GAAP). Maintain BUY.

■ **Core OTA business revenue growth slightly ahead of consensus.** In 1Q25, TC's core OTA business revenue reached RMB3.8bn (86.6% of total revenue), up 18.4% YoY (4Q24: 20.2% YoY), and was 1% ahead of consensus driven by better-than-expected revenue growth in transportation ticketing business and Others. In 1Q25, transportation ticketing services/accommodation reservation services/others revenue achieved YoY growth of 15%/23%/20% (4Q24: 17/29/15%). The number of twelve-month accumulated number of travellers served reached 2.0bn by end-Mar, up 7.3% YoY, compared to annual paying users (APU) increase of 7.8% YoY during the same period. The cross-selling ratio between transportation ticketing and other business and products was largely stable QoQ at 12% in 1Q25.

■ **2Q25 outlook: core OTA revenue growth to slow down due to seasonality, but should recovery in 2H.** For 2Q25E, we estimate TC to ink total revenue of RMB4.7bn, up 10% YoY, driven by 13% YoY revenue growth of core OTA segment, but offset by a 7.5% YoY decline in Tourism revenue. Within the core OTA business, we are looking for 10/12/25% YoY revenue growth for transportation ticketing/accommodation reservation (AR)/Others business. We see support for the robust revenue growth of AR to come from: 1) 9% YoY growth in hotel room night growth; and 2) 2% YoY growth in hotel average daily rate (ADR); 3) increase in hotel take rate aided by optimization in user subsidies. We are looking for a reacceleration in YoY revenue growth for AR in 3Q-4Q25, driven by easier comps and stronger seasonality, which in our view should aid recovery in both the growth of hotel room nights and ADR.

■ **YoY margin expansion for core OTA should sustain.** TC's overall OPM reached 18.7% in 1Q25, up from 11.8% in 1Q24, among which OPM of core OTA business improved to 29.2% (1Q24: 22.6%), thanks to solid revenue growth which helped unleash operating leverage. The YoY margin expansion trend of core OTA business should sustain in 2Q25, in our view, driven by healthy revenue growth and continuous optimization in sales and marketing spend. We forecast non-GAAP OPM of core OTA to expand to 25.5% in 2Q25E (2Q24: 24.3%), and overall non-GAAP net profit of RMB732mn, translating into 15.7% non-GAAP net margin.

**BUY (Maintain)**

**Target Price** HK\$24.00  
**Up/Downside** 17.1%  
**Current Price** HK\$20.50

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### Stock Data

Mkt Cap (HK\$ mn)	47,160.1
Avg 3 mths t/o (HK\$ mn)	350.6
52w High/Low (HK\$)	22.40/12.70
Total Issued Shares (mn)	2300.5

Source: FactSet

### Shareholding Structure

TCH Sapphire Limited	13.4%
C-Travel International Limited	12.4%

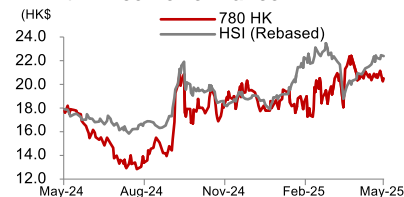
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	0.7%	-5.8%
3-mth	11.1%	10.5%
6-mth	13.0%	-7.9%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

**Earnings Summary**

<b>(YE 31 Dec)</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
<b>Revenue (RMB mn)</b>	11,896	17,341	19,491	21,842	23,647
<b>YoY growth (%)</b>	80.7	45.8	12.4	12.1	8.3
<b>Adjusted net profit (RMB mn)</b>	2,192.1	2,785.4	3,299.1	3,783.1	4,190.8
<b>Diluted EPS (RMB)</b>	0.95	1.22	1.43	1.63	1.80
<b>Consensus EPS (RMB)</b>	na	na	1.34	1.59	1.83
<b>P/E (x)</b>	27.2	21.6	16.5	14.0	12.6

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: TC: quarterly results and comparison with consensus

(RMBmn)	1Q24	2Q24	3Q24	4Q24	1Q25	1Q25E consensus	Diff%
<b>Total revenue</b>	<b>3,866</b>	<b>4,245</b>	<b>4,991</b>	<b>4,238</b>	<b>4,377</b>	<b>4,340</b>	<b>0.9%</b>
YoY growth (%)	49.5%	48.1%	51.3%	34.8%	13.2%		
<b>1. Core OTA</b>	<b>3,203</b>	<b>3,526</b>	<b>4,013</b>	<b>3,457</b>	<b>3,792</b>	<b>3,750</b>	<b>1.1%</b>
YoY growth (%)	23.9%	23.0%	21.6%	20.2%	18.4%		
1.1 Transportation ticketing services	1,737	1,743	2,027	1,723	2,000	1,962	1.9%
YoY growth (%)	25.6%	16.6%	20.6%	17.0%	15.2%		
1.2 Accommodation reservation services	965	1,191	1,378	1,135	1,190	1,195	-0.4%
YoY growth (%)	15.6%	12.8%	22.2%	28.6%	23.3%		
1.3 Others	502	592	609	599	603	593	1.6%
YoY growth (%)	36.0%	87.3%	23.7%	14.8%	20.0%		
<b>2. Tourism</b>	<b>663</b>	<b>719</b>	<b>979</b>	<b>780</b>	<b>585</b>	<b>589</b>	<b>-0.8%</b>
<b>Gross profit</b>	<b>2,515</b>	<b>2,744</b>	<b>3,165</b>	<b>2,690</b>	<b>3,012</b>	<b>2,891</b>	<b>4.2%</b>
<b>Operating profit</b>	<b>455</b>	<b>517</b>	<b>977</b>	<b>474</b>	<b>817</b>	<b>674</b>	<b>21.2%</b>
<b>Adj. net profit</b>	<b>558</b>	<b>657</b>	<b>910</b>	<b>660</b>	<b>788</b>	<b>735</b>	<b>7.3%</b>
YoY (%)	10.9%	10.9%	46.6%	36.8%	41.1%		
<b>Margin (%)</b>							
<b>GPM</b>	<b>65.0%</b>	<b>64.6%</b>	<b>63.4%</b>	<b>63.5%</b>	<b>68.8%</b>	<b>66.6%</b>	<b>2.2 ppt</b>
<b>OPM</b>	<b>11.8%</b>	<b>12.2%</b>	<b>19.6%</b>	<b>11.2%</b>	<b>18.7%</b>	<b>15.5%</b>	<b>3.1 ppt</b>
<b>Adj. NPM</b>	<b>14.4%</b>	<b>15.5%</b>	<b>18.2%</b>	<b>15.6%</b>	<b>18.0%</b>	<b>16.9%</b>	<b>1.1 ppt</b>

Source: Company data, Bloomberg

To account for the mixed impact from better-than-expected operating efficiency gains of core OTA business, and slower-than-expected recovery in relatively thin-margin Tourism business, we lower 2025-2027E revenue forecast by 2%, while maintaining non-GAAP net profit forecast largely unchanged. Within Tourism business, outbound package tour business for some of the popular destinations in Southeast Asia is likely to take a longer time to recover than we previously anticipated.

Figure 2: TC: CMBI earnings forecast revision

RMB mn	Current			Previous forecast			Diff (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	19,491	21,842	23,647	19,804	22,186	24,015	-1.6%	-1.6%	-1.5%
Gross profit	12,747	14,387	15,675	12,916	14,570	15,866	-1.3%	-1.3%	-1.2%
Operating profit	3,161	3,701	4,129	3,169	3,716	4,142	-0.2%	-0.4%	-0.3%
Non-GAAP net profit	3,299	3,783	4,191	3,299	3,793	4,202	0.0%	-0.3%	-0.3%
Gross margin	65.4%	65.9%	66.3%	65.2%	65.7%	66.1%	0.2 ppt	0.2 ppt	0.2 ppt
Operating profit margin	16.2%	16.9%	17.5%	16.0%	16.7%	17.2%	0.2 ppt	0.2 ppt	0.2 ppt
Non-GAAP net margin	16.9%	17.3%	17.7%	16.7%	17.1%	17.5%	0.3 ppt	0.2 ppt	0.2 ppt

Source: CMBIGM estimates

**Figure 3: TC: CMBI forecast vs Bloomberg consensus**

RMB mn	Current			Consensus			Diff (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	19,491	21,842	23,647	19,728	22,397	25,060	-1.2%	-2.5%	-5.6%
Gross profit	12,747	14,387	15,675	12,926	14,790	16,646	-1.4%	-2.7%	-5.8%
Operating profit	3,161	3,701	4,129	3,142	3,866	4,446	0.6%	-4.3%	-7.1%
Non-GAAP net profit	3,299	3,783	4,191	3,281	3,863	4,314	0.6%	-2.1%	-2.9%
Gross margin	65.4%	65.9%	66.3%	65.5%	66.0%	66.4%	-0.1 ppt	-0.2 ppt	-0.1 ppt
Operating profit margin	16.2%	16.9%	17.5%	15.9%	17.3%	17.7%	0.3 ppt	-0.3 ppt	-0.3 ppt
Non-GAAP net margin	16.9%	17.3%	17.7%	16.6%	17.2%	17.2%	0.3 ppt	0.1 ppt	0.5 ppt

Source: Bloomberg, CMBIGM estimates

**Figure 4: TC: DCF valuation (WACC of 13.0%; terminal growth of 1.0%; both unchanged)**

(RMBmn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Total revenue	19,491	21,842	23,647	24,934	25,853	26,548	27,088	27,519	27,871
NPV of FCF	25,917								
Discounted terminal value	17,100								
Total equity valuation	51,515								
No. of shares (diluted, mn)	2,300								
Valuation per share (HKD)	24.0								

Source: Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	6,585	11,896	17,341	19,491	21,842	23,647
Cost of goods sold	(1,807)	(3,158)	(6,227)	(6,744)	(7,454)	(7,972)
Gross profit	4,778	8,738	11,113	12,747	14,387	15,675
Operating expenses	(4,802)	(6,869)	(8,690)	(9,585)	(10,686)	(11,545)
Selling expense	(2,801)	(4,473)	(5,621)	(6,322)	(7,080)	(7,665)
Admin expense	(701)	(711)	(1,206)	(1,206)	(1,302)	(1,385)
Other rental related expenses	(1,414)	(1,821)	(2,001)	(2,182)	(2,436)	(2,637)
Others	114	136	138	125	131	142
Operating profit	(24)	1,869	2,423	3,161	3,701	4,129
Interest income	58	175	195	217	285	360
Interest expense	(137)	(157)	(231)	(232)	(232)	(232)
Others	(14)	(33)	11	12	18	19
Pre-tax profit	(117)	1,854	2,398	3,157	3,772	4,276
Income tax	(46)	(288)	(410)	(540)	(683)	(817)
After tax profit	(164)	1,566	1,988	2,617	3,089	3,459
Minority interest	(18)	11	14	14	14	14
Net profit	(146)	1,554	1,974	2,603	3,075	3,445
Adjusted net profit	646	2,192	2,785	3,299	3,783	4,191

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	10,384	14,900	18,241	21,343	25,030	28,867
Cash & equivalents	3,547	5,192	8,020	10,558	13,334	16,476
Restricted cash	88	145	136	153	172	186
Account receivables	888	1,218	1,728	1,942	2,176	2,356
Prepayment	2,697	4,370	5,450	5,957	6,614	7,117
Financial assets at FVTPL	3,163	3,974	2,907	2,733	2,733	2,733
Non-current assets	14,651	16,817	19,537	19,160	19,055	18,957
PP&E	1,598	2,495	3,147	3,320	3,496	3,674
Right-of-use assets	111	589	909	909	909	909
Intangibles	8,581	9,580	10,814	10,442	10,103	9,784
Financial assets at FVTPL	758	1,039	957	957	957	957
Other non-current assets	3,602	3,113	3,709	3,531	3,589	3,633
Total assets	25,035	31,717	37,777	40,504	44,085	47,824
Current liabilities	6,117	11,887	11,597	12,100	12,663	13,083
Short-term borrowings	443	2,540	1,359	1,359	1,359	1,359
Account payables	2,522	4,131	4,467	4,721	5,069	5,261
Tax payable	3,040	4,939	5,154	5,403	5,618	5,846
Other current liabilities	60	166	342	342	342	342
Contract liabilities	51	111	274	274	274	274
Non-current liabilities	2,928	1,283	5,218	2,541	2,669	2,768
Long-term borrowings	1,858	11	2,794	0	0	0
Obligations under finance leases	88	420	680	680	680	680
Other non-current liabilities	982	852	1,743	1,860	1,989	2,088
Total liabilities	9,044	13,170	16,815	14,641	15,333	15,852
Share capital	8	8	8	8	8	8
Capital surplus	19,877	20,116	20,762	23,161	23,161	23,161
Other reserves	(4,153)	(2,421)	(768)	1,719	4,594	7,801
Total shareholders equity	15,732	17,703	20,001	24,888	27,763	30,970
Minority interest	258	844	961	975	989	1,003
Total equity and liabilities	25,035	31,717	37,777	40,504	44,085	47,824

<b>CASH FLOW</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	(117)	1,854	2,398	3,157	3,772	4,276
Depreciation & amortization	840	911	1,083	1,038	1,078	1,116
Tax paid	(50)	(192)	(435)	(540)	(683)	(817)
Change in working capital	(1,001)	911	(688)	(144)	(258)	(207)
Others	630	521	613	377	383	415
<b>Net cash from operations</b>	<b>302</b>	<b>4,003</b>	<b>2,970</b>	<b>3,889</b>	<b>4,293</b>	<b>4,783</b>
<b>Investing</b>						
Capital expenditure	(515)	(772)	(403)	(450)	(479)	(501)
Others	118	(991)	(431)	(407)	(455)	(487)
<b>Net cash from investing</b>	<b>(397)</b>	<b>(1,762)</b>	<b>(834)</b>	<b>(856)</b>	<b>(934)</b>	<b>(988)</b>
<b>Financing</b>						
Net borrowings	0	(2)	(5)	(494)	(583)	(653)
Proceeds from share issues	0	0	0	0	0	0
Others	1,535	(590)	684	0	0	0
<b>Net cash from financing</b>	<b>1,535</b>	<b>(592)</b>	<b>679</b>	<b>(494)</b>	<b>(583)</b>	<b>(653)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	2,046	3,547	5,192	8,020	10,558	13,334
Exchange difference	61	(4)	13	0	0	0
Others	0	0	0	0	0	0
<b>Cash at the end of the year</b>	<b>3,547</b>	<b>5,192</b>	<b>8,020</b>	<b>10,558</b>	<b>13,334</b>	<b>16,476</b>
<b>GROWTH</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Revenue	(12.6%)	80.7%	45.8%	12.4%	12.1%	8.3%
Gross profit	(15.4%)	82.9%	27.2%	14.7%	12.9%	8.9%
Operating profit	na	na	29.6%	30.4%	17.1%	11.6%
Net profit	na	na	27.0%	31.9%	18.1%	12.0%
Adj. net profit	(50.6%)	239.3%	27.1%	18.4%	14.7%	10.8%
<b>PROFITABILITY</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Gross profit margin	72.6%	73.5%	64.1%	65.4%	65.9%	66.3%
Operating margin	(0.4%)	15.7%	14.0%	16.2%	16.9%	17.5%
Adj. net profit margin	9.8%	18.4%	16.1%	16.9%	17.3%	17.7%
Return on equity (ROE)	(0.9%)	9.3%	10.5%	11.6%	11.7%	11.7%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.1)	(0.1)	(0.2)	(0.4)	(0.4)	(0.5)
Current ratio (x)	1.7	1.3	1.6	1.8	2.0	2.2
Receivable turnover days	43.2	32.3	31.0	34.4	34.4	35.0
Payable turnover days	477.6	384.5	252.0	248.6	239.7	236.5
<b>VALUATION</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
P/E	ns	27.2	21.6	16.5	14.0	12.6
P/E (diluted)	64.7	19.7	15.5	13.1	11.5	10.5
P/B	2.7	2.4	2.2	1.7	1.6	1.4
P/CFPS	ns	13.4	16.8	12.6	11.4	10.3

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

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**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
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