

Tongcheng Travel (780 HK)

1Q26 results beat; higher oil prices dampen short-term revenue growth outlook

Tongcheng Travel (TC) reported its 1Q26 results on 21 May: total revenue reached RMB5.0bn, up 14.4% YoY, 1%/3% above our forecast/Bloomberg consensus estimates, respectively. Adjusted net profit was RMB941mn, up 19.4% YoY, 2%/3% ahead of our forecast/consensus. Revenue and operating profit (OP) of the core OTA business were 1% and 2% above our estimates, respectively. Management noted that both the transportation and hotel segments are experiencing short-term growth pressure due to a shift from long-haul to short-haul travel, driven by higher airfares and reduced flight capacity. Demand for domestic long-haul travel may be more adversely affected than outbound travel, as it is relatively more price-sensitive. However, robust travel demand during the summer peak season may help drive a recovery. We lower our 2026E revenue and non-GAAP net profit forecasts by 3% each to account for this impact and reduce our DCF-derived target price to HK\$25.0 (previously HK\$25.5), implying a 2026E non-GAAP P/E of 14.4x. Maintain BUY.

■ **Core OTA business delivered solid revenue and profit growth.** In 1Q26, TC's core OTA business generated revenue of RMB4.5bn (88.9% of total revenue), up 17.3% YoY (4Q25: 17.5% YoY), 2% above consensus, driven by a beat in "Others" revenue. Revenue from transportation ticketing (TT), accommodation reservation (AR), and Others grew 6.2%/14.7%/59.6% YoY, respectively (4Q25: 6.5%/15.4%/53.0%). The rolling 12-month number of travellers served reached 2.05bn as of end-Mar, up 4.5% YoY, while annual paying users (APU) increased 2.7% YoY. On profitability, OP of the core OTA business grew 17.9% YoY, with a 1Q26 operating margin of 29.3%, 0.1ppt above our forecast.

■ **2Q26E outlook.** For 2Q26E, we estimate total revenue of RMB5.0bn, up 6.8% YoY, driven by 8.6% YoY growth in the core OTA segment, partially offset by a 4.0% YoY decline in tourism revenue. Within the core OTA business, we expect YoY revenue growth of -2.8% for TT, +8.1% for AR, and +38% for Other businesses. We forecast Core OTA OP to grow 6% YoY in 2Q26E, implying an OPM of 26.0%, down 0.7ppts YoY. We are looking for 8% YoY growth in total non-GAAP net profit to RMB839mn in 2Q26E, supported by revenue growth and consolidation of Wanda Hotel Management, implying a non-GAAP net margin of 16.8% (2Q25: 16.6%).

■ **2026E outlook.** Despite short-term headwinds from higher airfares and reduced flight capacity, we anticipate a recovery in long-haul travel demand during the summer peak season. We also expect TC to continue implementing cost optimization initiatives, thereby supporting solid margin levels. For 2026E, we now forecast core OTA business to deliver revenue growth of 10.6% YoY (previously 14.7% YoY), with OPM remaining at 29.0% (2025: 29.0%).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	17,341	19,396	21,116	22,416	23,314
YoY growth (%)	45.8	11.9	8.9	6.2	4.0
Adjusted net profit (RMB mn)	2,785.4	3,403.3	3,868.6	4,379.0	4,638.8
Diluted EPS (RMB)	1.22	1.46	1.61	1.80	1.87
Consensus EPS (RMB)	na	1.47	1.61	1.82	2.03
P/E (x)	15.7	13.3	9.9	8.7	8.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$25.00
(Previous TP)	HK\$25.50
Up/Downside	59.4%
Current Price	HK\$15.68

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Stock Data

Mkt Cap (HK\$ mn)	37,594.4
Avg 3 mths t/o (HK\$ mn)	144.9
52w High/Low (HK\$)	25.32/15.68
Total Issued Shares (mn)	2397.6

Source: FactSet

Shareholding Structure

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

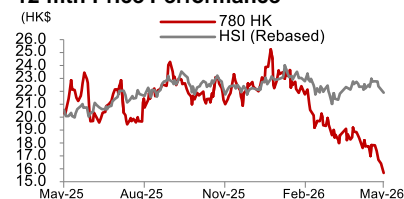
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-17.2%	-13.6%
3-mth	-27.9%	-25.0%
6-mth	-25.3%	-25.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: TC: quarterly results and comparison with CMBI/consensus estimates

(RMBmn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	1Q26E consensus	Diff%	1Q26E CMBI forecasts	Diff%
Total revenue	4,377	4,669	5,509	4,840	5,006	4,989	4,840	3.4%	4,935	1.4%
YoY growth (%)	13.2%	10.0%	10.4%	14.2%	14.4%	6.8%				
1. Core OTA	3,792	4,008	4,609	4,062	4,450	4,354	4,386	1.5%	4,394	1.3%
YoY growth (%)	18.4%	13.7%	14.9%	17.5%	17.3%	8.6%				
1.1 Transportation ticketing services	2,000	1,881	2,209	1,836	2,124	1,829	2,151	-1.3%	2,153	1.4%
YoY growth (%)	15.2%	7.9%	9.0%	6.5%	6.2%	-2.8%				
1.2 Accommodation reservation services	1,190	1,371	1,579	1,310	1,364	1,482	1,349	1.1%	1,343	1.6%
YoY growth (%)	23.3%	15.2%	14.7%	15.4%	14.7%	8.1%				
1.3 Others	603	755	821	917	961	1,043	887	8.4%	898	7.1%
YoY growth (%)	20.0%	27.5%	34.9%	53.0%	59.6%	38.0%				
2. Tourism	585	662	900	778	556	635	454	22.4%	541	2.7%
Gross profit	3,012	3,036	3,622	3,187	3,496	3,295	3,390	3.1%	3,455	1.2%
Operating profit	817	809	1,163	348	993	894	974	2.0%	1,012	1.9%
Core OTA	1,107	1,070	1,438	1,155	1,305	1,132			1,284	1.6%
Adj. net profit	788	775	1,060	780	941	838.9	911	3.3%	922	2.0%
YoY (%)	41.1%	18.0%	16.5%	18.1%	19.4%	8.2%				
Margin (%)										
GPM	68.8%	65.0%	65.7%	65.9%	69.8%	66.0%	70.0%	-0.2 ppt	70.0%	-0.2 ppt
OPM	18.7%	17.3%	21.1%	7.2%	19.8%	17.9%	20.1%	ppt	20.5%	ppt
Core OTA OPM	29.2%	26.7%	31.2%	28.4%	29.3%	26.0%			29.2%	ppt
Adj. NPM	18.0%	16.6%	19.2%	16.1%	18.8%	16.8%	18.8%	0.0 ppt	18.7%	ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: TC: CMBI earnings forecast revision

RMB mn	Current			Previous forecast			Diff (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	21,116	22,416	23,314	21,824	23,216	24,182	-3.2%	-3.4%	-3.6%
Gross profit	14,312	15,470	16,130	15,020	16,052	16,757	-4.7%	-3.6%	-3.7%
Operating profit	4,296	4,875	5,204	4,585	5,010	5,364	-6.3%	-2.7%	-3.0%
Non-GAAP net profit	3,869	4,379	4,639	3,984	4,387	4,659	-2.9%	-0.2%	-0.4%
Gross margin	67.8%	69.0%	69.2%	68.8%	69.1%	69.3%	-1.0 ppt	-0.1 ppt	-0.1 ppt
Operating profit margin	20.3%	21.7%	22.3%	21.0%	21.6%	22.2%	-0.7 ppt	0.2 ppt	0.1 ppt
Non-GAAP net margin	18.3%	19.5%	19.9%	18.3%	18.9%	19.3%	0.1 ppt	0.6 ppt	0.6 ppt

Source: CMBIGM estimates

Figure 3: TC: CMBI forecast vs Bloomberg consensus

RMB mn	Current			Consensus			Diff (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	21,116	22,416	23,314	21,848	24,161	26,454	-3.4%	-7.2%	-11.9%
Gross profit	14,312	15,470	16,130	14,634	16,267	17,898	-2.2%	-4.9%	-9.9%
Operating profit	4,296	4,875	5,204	4,189	4,813	5,422	2.6%	1.3%	-4.0%
Non-GAAP net profit	3,869	4,379	4,639	3,857	4,413	4,969	0.3%	-0.8%	-6.6%
Gross margin	67.8%	69.0%	69.2%	66.0%	66.4%	66.4%	1.8 ppt	2.6 ppt	2.8 ppt
Operating profit margin	20.3%	21.7%	22.3%	18.7%	19.2%	19.2%	1.6 ppt	2.5 ppt	3.1 ppt
Non-GAAP net margin	18.3%	19.5%	19.9%	18.0%	18.4%	18.4%	0.3 ppt	1.2 ppt	1.5 ppt

Source: Bloomberg, CMBIGM estimates

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

(RMBmn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Total revenue	21,116	22,416	23,314	23,940	24,403	24,758	25,038	25,266
NPV of FCF	27,653	26,030						
Discounted terminal value	19,205	21,698						
Total equity valuation	55,093	59,253						
No. of shares (diluted, mn)	2,398	2,438						
Valuation per share (HKD)	25.0							

Source: CMBIGM estimates

Note: 1) HKD: RMB = 1.13:1; 2) our target valuation is calculated by a weighted average of 9-month valuation in 2026E and 3-month valuation in 2027E

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	11,896	17,341	19,396	21,116	22,416	23,314
Cost of goods sold	(3,158)	(6,227)	(6,538)	(6,804)	(6,946)	(7,184)
Gross profit	8,738	11,113	12,858	14,312	15,470	16,130
Operating expenses	(6,869)	(8,690)	(9,720)	(10,016)	(10,595)	(10,926)
Selling expense	(4,473)	(5,621)	(6,281)	(6,698)	(7,088)	(7,302)
Admin expense	(711)	(1,206)	(1,266)	(1,286)	(1,365)	(1,420)
Other rental related expenses	(1,821)	(2,001)	(2,039)	(2,144)	(2,254)	(2,321)
Others	136	138	(134)	113	112	117
Operating profit	1,869	2,423	3,137	4,296	4,875	5,204
Interest income	175	195	172	139	208	265
Interest expense	(157)	(231)	(344)	(238)	(238)	(238)
Others	(33)	11	56	(20)	(21)	(21)
Pre-tax profit	1,854	2,398	3,021	4,177	4,825	5,210
Income tax	(288)	(410)	(612)	(890)	(1,028)	(1,162)
After tax profit	1,566	1,988	2,409	3,288	3,797	4,048
Minority interest	11	14	38	20	20	20
Net profit	1,554	1,974	2,371	3,268	3,778	4,029
Adjusted net profit	2,192	2,785	3,403	3,869	4,379	4,639
BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	14,900	18,241	20,264	23,647	27,321	31,117
Cash & equivalents	5,192	8,020	6,506	9,716	12,975	16,459
Restricted cash	145	136	442	482	511	532
Account receivables	1,218	1,728	2,263	2,112	2,242	2,331
Prepayment	4,370	5,450	5,692	5,978	6,232	6,434
Financial assets at FVTPL	3,974	2,907	5,361	5,361	5,361	5,361
Non-current assets	16,817	19,537	21,681	21,801	21,476	21,148
PP&E	2,495	3,147	3,380	3,453	3,523	3,588
Right-of-use assets	589	909	1,451	1,451	1,451	1,451
Intangibles	9,580	10,814	12,857	12,886	12,476	12,070
Financial assets at FVTPL	1,039	957	656	656	656	656
Other non-current assets	3,113	3,709	3,336	3,354	3,370	3,382
Total assets	31,717	37,777	41,945	45,448	48,797	52,266
Current liabilities	11,887	11,597	14,737	14,954	15,065	15,097
Short-term borrowings	2,540	1,359	3,272	3,272	3,272	3,272
Account payables	4,131	4,467	4,522	4,627	4,584	4,597
Tax payable	4,939	5,154	6,027	6,139	6,293	6,312
Other current liabilities	166	342	511	511	511	511
Contract liabilities	111	274	405	405	405	405
Non-current liabilities	1,283	5,218	3,636	3,669	3,694	3,711
Long-term borrowings	11	2,794	828	828	828	828
Obligations under finance leases	420	680	1,007	1,007	1,007	1,007
Other non-current liabilities	852	1,743	1,800	1,833	1,858	1,875
Total liabilities	13,170	16,815	18,372	18,623	18,759	18,808
Share capital	8	8	8	8	8	8
Capital surplus	20,116	20,762	21,405	21,858	21,858	21,858
Other reserves	(2,421)	(768)	1,142	3,921	7,115	10,514
Total shareholders equity	17,703	20,001	22,555	25,788	28,981	32,381
Minority interest	844	961	1,018	1,038	1,057	1,077
Total equity and liabilities	31,717	37,777	41,945	45,448	48,797	52,266

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,854	2,398	3,021	4,177	4,825	5,210
Depreciation & amortization	911	1,083	1,087	1,218	1,221	1,221
Tax paid	(192)	(435)	(629)	(890)	(1,028)	(1,162)
Change in working capital	911	(688)	(101)	99	(264)	(255)
Others	521	613	932	209	222	231
Net cash from operations	4,003	2,970	4,311	4,814	4,976	5,245
Investing						
Capital expenditure	(772)	(403)	(530)	(445)	(432)	(414)
Others	(991)	(431)	(4,168)	(462)	(478)	(487)
Net cash from investing	(1,762)	(834)	(4,698)	(907)	(910)	(901)
Financing						
Net borrowings	(2)	(5)	(1)	(698)	(806)	(860)
Proceeds from share issues	2,500	4,183	0	0	0	0
Others	(3,090)	(3,499)	(1,085)	0	0	0
Net cash from financing	(592)	679	(1,085)	(698)	(806)	(860)
Net change in cash						
Cash at the beginning of the year	3,547	5,192	8,020	6,506	9,716	12,975
Exchange difference	(4)	13	(42)	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	5,192	8,020	6,506	9,716	12,975	16,459
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	80.7%	45.8%	11.9%	8.9%	6.2%	4.0%
Gross profit	82.9%	27.2%	15.7%	11.3%	8.1%	4.3%
Operating profit	na	29.6%	29.5%	36.9%	13.5%	6.7%
Net profit	na	27.0%	20.1%	37.8%	15.6%	6.6%
Adj. net profit	239.3%	27.1%	22.2%	13.7%	13.2%	5.9%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	73.5%	64.1%	66.3%	67.8%	69.0%	69.2%
Operating margin	15.7%	14.0%	16.2%	20.3%	21.7%	22.3%
Adj. net profit margin	18.4%	16.1%	17.5%	18.3%	19.5%	19.9%
Return on equity (ROE)	9.3%	10.5%	11.1%	13.5%	13.8%	13.1%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.1)	(0.2)	(0.1)	(0.2)	(0.3)	(0.4)
Current ratio (x)	1.3	1.6	1.4	1.6	1.8	2.1
Receivable turnover days	32.3	31.0	37.5	37.8	35.4	35.8
Payable turnover days	384.5	252.0	250.9	245.4	242.0	233.3
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	19.7	15.7	13.3	9.9	8.7	8.3
P/E (diluted)	14.3	11.2	9.4	8.4	7.6	7.3
P/B	1.8	1.6	1.4	1.3	1.1	1.0
P/CFPS	9.7	12.2	8.4	7.5	7.3	7.0

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

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