Tongcheng Travel (780 HK)

Solid 3Q25 results with healthy earnings growth

Tongcheng Travel (TC) reported (25 Nov) 3Q25 results: total revenue was RMB5.5bn, up 10.4% YoY, and was 1% better than both our forecast and Bloomberg consensus estimates; adjusted NP was RMB1.06bn, up 16.5% YoY, and was 4/2% better than our forecast/consensus, driven by better-than-expected operating leverage of core OTA business. OPM of the core OTA business expanded to 31.2% in 3Q25 (3Q24: 31.1%), 0.1ppts ahead of our forecast. We have lifted 2025E-2027E revenue forecast by 1-3% to factor in incremental revenue contribution from the consolidation of Wanda Hotel Management (WHM) since Oct 2025, and adjusted down non-GAAP NP by 1-2% to factor in TC's incremental marketing investment on user acquisition. We roll forward our valuation window to 2026E, and our DCF-based TP is lifted to HK$25.4, translating into 14.5x 26E PE (non-GAAP). We are anticipating 14%/12% YoY growth in revenue/adjusted NP for TC in 2026E. Maintain BUY.

- **Core OTA business delivered healthy growth.** In 3Q25, TC's core OTA business revenue reached RMB4.6bn (83.7% of total revenue), up 14.9% YoY (2Q25: 13.7% YoY), and was 0.4% ahead of consensus driven by better-than-expected revenue growth in accommodation reservation services and others. In 3Q25, transportation ticketing services/ accommodation reservation services/other revenue achieved YoY growth of 9.0%/14.7%/34.9% (2Q25: 7.9%/15.2%/27.5%). The 12-month accumulated number of travellers served reached 2.0bn by end-Sep, up 7.3% YoY, compared to annual paying users (APU) increase of 8.8% YoY during the same period.
- **4Q25 outlook: expecting healthy revenue growth of core OTA business to sustain.** For 4Q25E, we estimate TC to ink total revenue of RMB4.76bn, up 12.4% YoY, driven by 17.4% YoY revenue growth of core OTA segment, but offset by a 10.0% YoY decline in tourism revenue. Within the core OTA business, we are looking for 8.3/14.6/48.9% YoY revenue growth for transportation ticketing/accommodation reservation (AR)/other business. We are estimating RMB170mn incremental revenue contribution from the consolidation of WHM since Oct 2025. Excluding the revenue contribution from WHM, we are forecasting 12.5% YoY growth in revenue of core OTA business.
- **Expecting a stable OPM for core OTA business YoY for 4Q25E on high base.** TC's overall OPM reached 21.1% in 3Q25, up from 19.6% in 3Q24, among which OPM of core OTA business improved to 31.2% (3Q24: 31.1%), thanks to solid revenue growth which helped unleash operating leverage. We forecast OPM of core OTA business to remain stable YoY at 28.4% in 4Q25E, as TC faces a high base and expects to continue increasing marketing spend for new user acquisition, albeit at a disciplined pace. For non-GAAP net profit, we are anticipating 14.0% YoY growth to RMB752mn driven by revenue growth, translating into 15.8% non-GAAP net margin (4Q24: 15.6%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	11,896	17,341	19,318	22,103	23,760
YoY growth (%)	80.7	45.8	11.4	14.4	7.5
Adjusted net profit (RMB mn)	2,192.1	2,785.4	3,375.9	3,786.2	4,183.5
Diluted EPS (RMB)	0.95	1.22	1.47	1.63	1.79
Consensus EPS (RMB)	na	na	1.40	1.59	1.83
P/E (x)	28.6	22.8	15.4	13.9	12.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$25.40**
(Previous TP	HK$24.00)
Up/Downside	**16.7%**
Current Price	**HK$21.76**

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Stock Data

Mkt Cap (HK$ mn)	50,058.7
Avg 3 mths t/o (HK$ mn)	172.3
52w High/Low (HK$)	24.28/17.26
Total Issued Shares (mn)	2300.5

Source: FactSet

Shareholding Structure

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

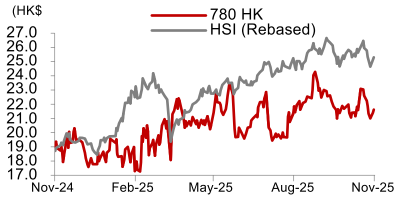
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	0.0%	0.9%
3-mth	-0.4%	-1.9%
6-mth	1.7%	-8.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: TC: quarterly results and comparison with consensus

(RMBmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	3Q25E consensus	Diff%
Total revenue	**3,866**	**4,245**	**4,991**	**4,238**	**4,377**	**4,669**	**5,509**	**5,482**	**0.5%**
YoY growth (%)	*49.5%*	*48.1%*	*51.3%*	*34.8%*	*13.2%*	*10.0%*	*10.4%*		
1. Core OTA	**3,203**	**3,526**	**4,013**	**3,457**	**3,792**	**4,008**	**4,609**	**4,592**	**0.4%**
YoY growth (%)	*23.9%*	*23.0%*	*21.6%*	*20.2%*	*18.4%*	*13.7%*	*14.9%*		
1.1 Transportation ticketing services	**1,737**	**1,743**	**2,027**	**1,723**	**2,000**	**1,881**	**2,209**	**2,226**	**-0.8%**
YoY growth (%)	*25.6%*	*16.6%*	*20.6%*	*17.0%*	*15.2%*	*7.9%*	*9.0%*		
1.2 Accommodation reservation services	**965**	**1,191**	**1,378**	**1,135**	**1,190**	**1,371**	**1,579**	**1,573**	**0.4%**
YoY growth (%)	*15.6%*	*12.8%*	*22.2%*	*28.6%*	*23.3%*	*15.2%*	*14.7%*		
1.3 Others	**502**	**592**	**609**	**599**	**603**	**755**	**821**	**793**	**3.5%**
YoY growth (%)	*36.0%*	*87.3%*	*23.7%*	*14.8%*	*20.0%*	*27.5%*	*34.9%*		
2. Tourism	**663**	**719**	**979**	**780**	**585**	**662**	**900**	**890**	**1.1%**
Gross profit	**2,515**	**2,744**	**3,165**	**2,690**	**3,012**	**3,036**	**3,622**	**3,563**	**1.7%**
Operating profit	**455**	**517**	**977**	**474**	**817**	**809**	**1,163**	**1,054**	**10.3%**
Core OTA	**724**	**858**	**1,249**	**983**	**1,107**	**1,070**	**1,438**		
Adj. net profit	**558**	**657**	**910**	**660**	**788**	**775**	**1,060**	**1,039**	**2.0%**
YoY (%)	*10.9%*	*10.9%*	*46.6%*	*36.8%*	*41.1%*	*18.0%*	*16.5%*		
Margin (%)									
GPM	***65.0%***	***64.6%***	***63.4%***	***63.5%***	***68.8%***	***65.0%***	***65.7%***	***65.0%***	**0.8 ppt**
OPM	***11.8%***	***12.2%***	***19.6%***	***11.2%***	***18.7%***	***17.3%***	***21.1%***	***19.2%***	**1.9 ppt**
Core OTA OPM	***22.6%***	***24.3%***	***31.1%***	***28.4%***	***29.2%***	***26.7%***	***31.2%***		
Adj. NPM	***14.4%***	***15.5%***	***18.2%***	***15.6%***	***18.0%***	***16.6%***	***19.2%***	***19.0%***	**0.3 ppt**

Source: Company data, Bloomberg

We have lifted 2025E-2027E revenue forecast by 1-3% to factor in incremental revenue contribution from the consolidation of Wanda Hotel Management (WHM) since Oct 2025, and adjusted down non-GAAP NP by 1-2% to factor in TC's incremental marketing investment on user acquisition.

Figure 2: TC: CMBI earnings forecast revision

	Current			Previous forecast			Diff (%)		
RMB mn	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	19,318	22,103	23,760	19,194	21,485	23,237	0.6%	2.9%	2.3%
Gross profit	12,760	14,737	15,939	12,567	14,172	15,428	1.5%	4.0%	3.3%
Operating profit	3,641	4,147	4,566	3,494	4,019	4,471	4.2%	3.2%	2.1%
Non-GAAP net profit	3,376	3,786	4,183	3,400	3,863	4,271	-0.7%	-2.0%	-2.1%
Gross Margin	66.1%	66.7%	67.1%	65.5%	66.0%	66.4%	0.6 ppt	0.7 ppt	0.7 ppt
Operating profit margin	18.8%	18.8%	19.2%	18.2%	18.7%	19.2%	0.6 ppt	0.1 ppt	0.0 ppt
Non-GAAP net margin	17.5%	17.1%	17.6%	17.7%	18.0%	18.4%	-0.2 ppt	-0.8 ppt	-0.8 ppt

Source: CMBIGM estimates

Figure 3: TC: CMBI forecast vs Bloomberg consensus

	Current			Consensus			Diff (%)		
RMB mn	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	19,318	22,103	23,760	19,194	21,485	23,237	0.6%	2.9%	2.3%
Gross profit	12,760	14,737	15,939	12,567	14,172	15,428	1.5%	4.0%	3.3%
Operating profit	3,641	4,147	4,566	3,494	4,019	4,471	4.2%	3.2%	2.1%
Non-GAAP net profit	3,376	3,786	4,183	3,400	3,863	4,271	-0.7%	-2.0%	-2.1%
Gross Margin	66.1%	66.7%	67.1%	65.5%	66.0%	66.4%	0.6 ppt	0.7 ppt	0.7 ppt
Operating profit margin	18.8%	18.8%	19.2%	18.2%	18.7%	19.2%	0.6 ppt	0.1 ppt	0.0 ppt
Non-GAAP net margin	17.5%	17.1%	17.6%	17.7%	18.0%	18.4%	-0.2 ppt	-0.8 ppt	-0.8 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	22,103	23,760	24,898	25,678	26,242	26,664	26,990	27,251
NPV of FCF	25,196							
Discounted terminal value	17,933							
Total equity valuation	54,850							
No. of shares (diluted, mn)	2,316							
Valuation per share (HKD)	25.4							

Source: Bloomberg, CMBIGM estimates
Note: HKD: RMB = 1.09:1

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**6,585**	**11,896**	**17,341**	**19,318**	**22,103**	**23,760**
Cost of goods sold	(1,807)	(3,158)	(6,227)	(6,558)	(7,366)	(7,822)
Gross profit	**4,778**	**8,738**	**11,113**	**12,760**	**14,737**	**15,939**
Operating expenses	**(4,802)**	**(6,869)**	**(8,690)**	**(9,120)**	**(10,590)**	**(11,373)**
Selling expense	(2,801)	(4,473)	(5,621)	(6,132)	(7,013)	(7,538)
Admin expense	(701)	(711)	(1,206)	(1,225)	(1,365)	(1,459)
Other rental related expenses	(1,414)	(1,821)	(2,001)	(2,053)	(2,344)	(2,518)
Others	114	136	138	290	133	143
Operating profit	**(24)**	**1,869**	**2,423**	**3,641**	**4,147**	**4,566**
Interest income	58	175	195	184	248	317
Interest expense	(137)	(157)	(231)	(299)	(299)	(299)
Others	(14)	(33)	11	44	18	19
Pre-tax profit	**(117)**	**1,854**	**2,398**	**3,570**	**4,114**	**4,602**
Income tax	(46)	(288)	(410)	(611)	(827)	(925)
After tax profit	**(164)**	**1,566**	**1,988**	**2,960**	**3,287**	**3,677**
Minority interest	(18)	11	14	20	20	20
Net profit	**(146)**	**1,554**	**1,974**	**2,940**	**3,267**	**3,657**
Adjusted net profit	**646**	**2,192**	**2,785**	**3,376**	**3,786**	**4,183**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**10,384**	**14,900**	**18,241**	**21,377**	**25,418**	**29,335**
Cash & equivalents	3,547	5,192	8,020	10,787	13,761	17,048
Restricted cash	88	145	136	152	174	187
Account receivables	888	1,218	1,728	1,925	2,202	2,367
Prepayment	2,697	4,370	5,450	5,781	6,548	7,000
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**	**19,066**	**18,832**	**18,577**
PP&E	1,598	2,495	3,147	3,262	3,313	3,354
Right-of-use assets	111	589	909	909	909	909
Intangibles	8,581	9,580	10,814	10,421	10,069	9,734
Financial assets at FVTPL	758	1,039	957	957	957	957
Other non-current assets	3,602	3,113	3,709	3,516	3,583	3,623
Total assets	**25,035**	**31,717**	**37,777**	**40,443**	**44,250**	**47,913**
Current liabilities	**6,117**	**11,887**	**11,597**	**11,922**	**12,670**	**13,012**
Short-term borrowings	443	2,540	1,359	1,359	1,359	1,359
Account payables	2,522	4,131	4,467	4,591	5,009	5,162
Tax payable	3,040	4,939	5,154	5,355	5,685	5,874
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**	**2,531**	**2,684**	**2,774**
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	1,851	2,003	2,094
Total liabilities	**9,044**	**13,170**	**16,815**	**14,453**	**15,354**	**15,787**
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)	1,840	4,727	7,936
Total shareholders equity	**15,732**	**17,703**	**20,001**	**25,009**	**27,896**	**31,105**
Minority interest	258	844	961	981	1,001	1,021
Total equity and liabilities	**25,035**	**31,717**	**37,777**	**40,443**	**44,250**	**47,913**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(117)**	**1,854**	**2,398**	**3,570**	**4,114**	**4,602**
Depreciation & amortization	840	911	1,083	1,279	1,395	1,430
Tax paid	(50)	(192)	(435)	(611)	(827)	(925)
Change in working capital	(1,001)	911	(688)	(123)	(212)	(224)
Others	630	521	613	226	239	246
Net cash from operations	**302**	**4,003**	**2,970**	**4,341**	**4,709**	**5,129**
Investing						
Capital expenditure	(515)	(772)	(403)	(615)	(651)	(661)
Others	118	(991)	(431)	(402)	(464)	(488)
Net cash from investing	**(397)**	**(1,762)**	**(834)**	**(1,017)**	**(1,115)**	**(1,149)**
Financing						
Net borrowings	0	(2)	(5)	(557)	(619)	(693)
Proceeds from share issues	0	0	0	0	0	0
Others	1,535	(590)	684	0	0	0
Net cash from financing	**1,535**	**(592)**	**679**	**(557)**	**(619)**	**(693)**
Net change in cash						
Cash at the beginning of the year	2,046	3,547	5,192	8,020	10,787	13,761
Exchange difference	61	(4)	13	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	**3,547**	**5,192**	**8,020**	**10,787**	**13,761**	**17,048**

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

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