

Tongcheng Travel (780 HK)

2Q25 preview: expecting inline results

For 2Q25, we expect Tongcheng Travel (TC) to record revenue of RMB4.6bn, up 9.3% YoY, and ink non-GAAP net profit of RMB738mn, up 12.4% YoY, both are largely unchanged compared to our previous forecasts, and are inline with Bloomberg consensus. For 2Q25, we expect stronger revenue growth in accommodation reservation than we previously anticipated, primarily aided by likely stronger-than-expected expansion of take rate. However, we expect this to be offset by slower-than-expected transportation ticketing services revenue growth owing to milder-than-expected air ticketing volume growth in the near term, as well as likely slower than our previously expected revenue growth recovery for offline Tourism business. As we expect the impact to persist in 2H25, we lower 2025E revenue forecast by 1.7%, but we lift non-GAAP NP forecast by 1.3% to account for likely better-than-expected margin expansion aided by more optimized-than-expected sales and marketing spending. We are now looking for 10%/20% YoY growth (was 12/18%) in group-level revenue/non-GAAP NP in 2025E. Our 2025E non-GAAP net profit forecast is 1.6% ahead of consensus. We keep our DCF-based TP unchanged at HK\$24.0, and maintain BUY rating.

■ **2Q25 results preview: expecting inline core OTA business revenue and earnings growth.** For 2Q25E, we estimate TC could ink total revenue of RMB4.6bn, up 9.3% YoY, among which we are anticipating 13.1% YoY revenue growth for core OTA business, and 9.5% YoY decline in Tourism business. We are anticipating core OTA non-GAAP operating profit of RMB1.0bn, up 18.5% YoY, and translating into non-GAAP OPM of 25.5% (up 1.2ppts YoY), primarily driven by optimization in sales and marketing spending.

■ **Change in forecasts.** We nudge down 2025-2027E revenue forecasts by 1.7% to reflect likely slower than our previously expected revenue growth recovery for offline Tourism business, as well as likely milder-than-expected air ticketing volume growth in the near term. However, we lift 2025-2027E non-GAAP net profit forecasts by 1.2-1.3% to account for better-than-expected margin expansion aided by more optimized-than-expected sales and marketing spending. We maintain our DCF-based TP unchanged at HK\$24.0 per share (WACC of 13.0%; terminal growth of 1.0%), translating into 15.4x 2025E PE. Key risks: 1) more severe-than-expected macro headwinds weigh on revenue growth; 2) slower-than-expected pace in margin expansion.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	11,896	17,341	19,160	21,469	23,240
YoY growth (%)	80.7	45.8	10.5	12.0	8.2
Adjusted net profit (RMB mn)	2,192.1	2,785.4	3,341.3	3,829.4	4,241.1
Diluted EPS (RMB)	0.95	1.22	1.45	1.65	1.82
Consensus EPS (RMB)	na	na	1.36	1.57	1.79
P/E (x)	28.8	22.9	17.1	14.6	13.2

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$24.00**
Up/Downside **10.1%**
Current Price **HK\$21.80**

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Stock Data

Mkt Cap (HK\$ mn)	50,150.7
Avg 3 mths t/o (HK\$ mn)	308.9
52w High/Low (HK\$)	23.45/12.70
Total Issued Shares (mn)	2300.5

Source: FactSet

Shareholding Structure

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

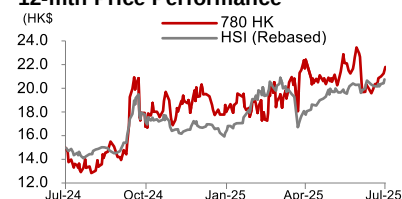
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-5.0%	-6.8%
3-mth	-2.7%	-16.4%
6-mth	20.0%	-4.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: TC: quarterly results and forecast

(RMBmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25E
Total revenue	3,866	4,245	4,991	4,238	4,377	4,639
YoY growth (%)	49.5%	48.1%	51.3%	34.8%	13.2%	9.3%
1. Core OTA	3,203	3,526	4,013	3,457	3,792	3,987
YoY growth (%)	23.9%	23.0%	21.6%	20.2%	18.4%	13.1%
1.1 Transportation ticketing services	1,737	1,743	2,027	1,723	2,000	1,886
YoY growth (%)	25.6%	16.6%	20.6%	17.0%	15.2%	8.2%
1.2 Accommodation reservation services	965	1,191	1,378	1,135	1,190	1,361
YoY growth (%)	15.6%	12.8%	22.2%	28.6%	23.3%	14.3%
1.3 Others	502	592	609	599	603	740
YoY growth (%)	36.0%	87.3%	23.7%	14.8%	20.0%	25.0%
2. Tourism	663	719	979	780	585	651
Gross profit	2,515	2,744	3,165	2,690	3,012	3,007
Operating profit	455	517	977	474	817	686
Adj. net profit	558	657	910	660	788	738
YoY (%)	10.9%	10.9%	46.6%	36.8%	41.1%	12.4%
Margin (%)						
GPM	65.0%	64.6%	63.4%	63.5%	68.8%	64.8%
OPM	11.8%	12.2%	19.6%	11.2%	18.7%	14.8%
Adj. NPM	14.4%	15.5%	18.2%	15.6%	18.0%	15.9%

Source: Company data, CMBIGM estimates

Figure 2: TC: change in financial forecast

RMB bn	Current			Previous forecast			Diff (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	19,160	21,469	23,240	19,491	21,842	23,647	-1.7%	-1.7%	-1.7%
Gross profit	12,546	14,161	15,429	12,747	14,387	15,675	-1.6%	-1.6%	-1.6%
Operating profit	3,221	3,765	4,198	3,161	3,701	4,129	1.9%	1.7%	1.7%
Non-GAAP net profit	3,341	3,829	4,241	3,299	3,783	4,191	1.3%	1.2%	1.2%
Gross Margin	65.5%	66.0%	66.4%	65.4%	65.9%	66.3%	0.1 ppt	0.1 ppt	0.1 ppt
Operating profit margin	16.8%	17.5%	18.1%	16.2%	16.9%	17.5%	0.6 ppt	0.6 ppt	0.6 ppt
Non-GAAP net margin	17.4%	17.8%	18.2%	16.9%	17.3%	17.7%	0.5 ppt	0.5 ppt	0.5 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: TC: DCF valuation (WACC of 13.0%; terminal growth of 1.0%)

(RMBmn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Total revenue	19,160	21,469	23,240	24,501	25,400	26,079	26,607	27,027	27,372
NPV of FCF	26,217								
Discounted terminal value	16,767								
Total equity valuation	51,521								
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	19,160	21,469	23,240
Cost of goods sold	(1,807)	(3,158)	(6,227)	(6,614)	(7,308)	(7,811)
Gross profit	4,778	8,738	11,113	12,546	14,161	15,429
Operating expenses	(4,802)	(6,869)	(8,690)	(9,325)	(10,396)	(11,230)
Selling expense	(2,801)	(4,473)	(5,621)	(6,119)	(6,851)	(7,416)
Admin expense	(701)	(711)	(1,206)	(1,186)	(1,279)	(1,362)
Other rental related expenses	(1,414)	(1,821)	(2,001)	(2,145)	(2,394)	(2,592)
Others	114	136	138	125	129	139
Operating profit	(24)	1,869	2,423	3,221	3,765	4,198
Interest income	58	175	195	217	286	363
Interest expense	(137)	(157)	(231)	(232)	(232)	(232)
Others	(14)	(33)	11	27	18	19
Pre-tax profit	(117)	1,854	2,398	3,232	3,837	4,347
Income tax	(46)	(288)	(410)	(553)	(694)	(830)
After tax profit	(164)	1,566	1,988	2,679	3,142	3,517
Minority interest	(18)	11	14	20	20	20
Net profit	(146)	1,554	1,974	2,659	3,122	3,497
Adjusted net profit	646	2,192	2,785	3,341	3,829	4,241
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	10,384	14,900	18,241	21,208	24,926	28,802
Cash & equivalents	3,547	5,192	8,020	10,601	13,430	16,627
Restricted cash	88	145	136	151	169	183
Account receivables	888	1,218	1,728	1,909	2,139	2,315
Prepayment	2,697	4,370	5,450	5,815	6,456	6,944
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	19,139	19,025	18,917
PP&E	1,598	2,495	3,147	3,318	3,493	3,670
Right-of-use assets	111	589	909	909	909	909
Intangibles	8,581	9,580	10,814	10,436	10,090	9,763
Financial assets at FVTPL	758	1,039	957	957	957	957
Other non-current assets	3,602	3,113	3,709	3,519	3,575	3,618
Total assets	25,035	31,717	37,777	40,348	43,951	47,719
Current liabilities	6,117	11,887	11,597	11,918	12,467	12,877
Short-term borrowings	443	2,540	1,359	1,359	1,359	1,359
Account payables	2,522	4,131	4,467	4,630	4,969	5,155
Tax payable	3,040	4,939	5,154	5,312	5,522	5,745
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	2,523	2,649	2,746
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	1,842	1,969	2,065
Total liabilities	9,044	13,170	16,815	14,440	15,116	15,623
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)	1,758	4,665	7,907
Total shareholders equity	15,732	17,703	20,001	24,927	27,834	31,076
Minority interest	258	844	961	981	1,001	1,021
Total equity and liabilities	25,035	31,717	37,777	40,348	43,951	47,719

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(117)	1,854	2,398	3,232	3,837	4,347
Depreciation & amortization	840	911	1,083	1,036	1,074	1,111
Tax paid	(50)	(192)	(435)	(553)	(694)	(830)
Change in working capital	(1,001)	911	(688)	(158)	(250)	(201)
Others	630	521	613	371	377	408
Net cash from operations	302	4,003	2,970	3,928	4,343	4,835
Investing						
Capital expenditure	(515)	(772)	(403)	(446)	(474)	(496)
Others	118	(991)	(431)	(398)	(448)	(479)
Net cash from investing	(397)	(1,762)	(834)	(843)	(922)	(975)
Financing						
Net borrowings	0	(2)	(5)	(504)	(592)	(663)
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	(504)	(592)	(663)
Net change in cash						
Cash at the beginning of the year	2,046	3,547	5,192	8,020	10,601	13,430
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	10,601	13,430	16,627
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(12.6%)	80.7%	45.8%	10.5%	12.0%	8.2%
Gross profit	(15.4%)	82.9%	27.2%	12.9%	12.9%	9.0%
Operating profit	na	na	29.6%	32.9%	16.9%	11.5%
Net profit	na	na	27.0%	34.7%	17.4%	12.0%
Adj. net profit	(50.6%)	239.3%	27.1%	20.0%	14.6%	10.8%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	72.6%	73.5%	64.1%	65.5%	66.0%	66.4%
Operating margin	(0.4%)	15.7%	14.0%	16.8%	17.5%	18.1%
Adj. net profit margin	9.8%	18.4%	16.1%	17.4%	17.8%	18.2%
Return on equity (ROE)	(0.9%)	9.3%	10.5%	11.8%	11.8%	11.9%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
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	34.6	34.4	35.0
Payable turnover days	477.6	384.5	252.0	251.0	239.7	236.6
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	28.8	22.9	17.1	14.6	13.2
P/E (diluted)	68.5	20.9	16.4	13.7	12.0	11.0
P/B	2.8	2.6	2.3	1.8	1.7	1.5
P/CFPS	ns	14.2	17.8	13.2	11.9	10.7

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

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