

Tongcheng Travel (780 HK)

Expecting resilient core business earnings growth in 2026

Tongcheng Travel (TC) reported (24 Mar) its 4Q25 results: total revenue was RMB4.8bn, up 14.2% YoY, and 2%/1% above our forecast and Bloomberg consensus estimates, respectively. Adjusted net profit was RMB780mn, up 18% YoY, and 4% ahead of both our forecast and consensus. Both revenue and OPM of the core OTA business (28.4%, flat YoY) came in line with our estimates. Following the results, we raised our 2026E/2027E non-GAAP net profit forecasts by 5%, driven by better-than-expected gross profit margin expansion, supported by a higher contribution from the relatively higher-margin core OTA business. We expect 15% YoY growth in operating profit of the core OTA business (or c.13% YoY excluding the consolidation impact of Wanda Hotel Management) in 2026, supported by resilient travel demand. Our DCF-derived target price is slightly revised up to HK\$25.5, implying 14.3x 2026E non-GAAP P/E. Maintain BUY rating.

- Core OTA business delivered inline revenue and earnings growth.** In 4Q25, TC's core OTA business revenue reached RMB4.1bn (83.9% of total revenue), up 17.5% YoY (3Q25: 14.9% YoY), largely in line with consensus. Revenue from transportation ticketing services, accommodation reservation services, and other services grew by 6.5%/15.4%/53.0% YoY (3Q25: 9.0%/14.7%/34.9%). The rolling 12-month number of travelers served reached 2.0bn as of end-December, up 5.5% YoY, compared with a 6.0% YoY increase in annual paying users (APU) over the same period. On profitability, the 28.4% OPM of the core OTA business in 4Q25 came in line with our estimates.
- 1Q26 outlook: expecting resilient revenue and earnings growth in core OTA business.** For 1Q26E, we estimate TC to achieve total revenue of RMB4.9bn, up 12.7% YoY, driven by 15.9% YoY growth in the core OTA segment, partially offset by a 7.5% YoY decline in tourism revenue. Within the core OTA business, we expect 7.6%/12.9%/49.0% YoY revenue growth for transportation ticketing, accommodation reservation (AR), and other businesses, respectively. We forecast core OTA operating profit to grow 16% YoY in 1Q26, translating into an OPM of 29.2%, stable YoY. For non-GAAP net profit, we are forecasting 17% YoY growth to RMB922mn, driven by revenue growth and the consolidation of Wanda Hotel Management, implying a non-GAAP net margin of 18.7% (1Q25: 18.0%).
- 2026E outlook.** For 2026E, we expect total revenue to grow 12.5% YoY, including 14.7% YoY growth in the core OTA business and flat tourism revenue. We forecast 15%/17% YoY growth in core OTA operating profit and group-level non-GAAP net income, respectively.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	17,341	19,396	21,824	23,216	24,182
YoY growth (%)	45.8	11.9	12.5	6.4	4.2
Adjusted net profit (RMB mn)	2,785.4	3,403.3	3,983.8	4,387.3	4,658.9
Diluted EPS (RMB)	1.22	1.46	1.66	1.80	1.88
Consensus EPS (RMB)	na	1.44	1.63	1.83	1.79
P/E (x)	19.0	16.1	11.4	10.4	9.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$25.50
(Previous TP)	HK\$25.40)
Up/Downside	36.0%
Current Price	HK\$18.75

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Stock Data

Mkt Cap (HK\$ mn)	43,852.3
Avg 3 mths t/o (HK\$ mn)	198.3
52w High/Low (HK\$)	25.32/18.08
Total Issued Shares (mn)	2338.8

Source: FactSet

Shareholding Structure

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

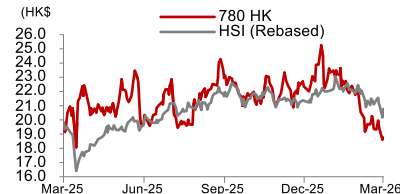
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-15.2%	-10.1%
3-mth	-16.4%	-13.9%
6-mth	-18.9%	-14.2%

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	4Q25	4Q25E consensus	Diff%	4Q25E CMBI forecasts	Diff%
Total revenue	3,866	4,245	4,991	4,238	4,377	4,669	5,509	4,840	4,787	1.1%	4,762	1.6%
YoY growth (%)	49.5%	48.1%	51.3%	34.8%	13.2%	10.0%	10.4%	14.2%				
1. Core OTA	3,203	3,526	4,013	3,457	3,792	4,008	4,609	4,062	4,094	-0.8%	4,060	0.1%
YoY growth (%)	23.9%	23.0%	21.6%	20.2%	18.4%	13.7%	14.9%	17.5%				
<i>1.1 Transportation ticketing services</i>	1,737	1,743	2,027	1,723	2,000	1,881	2,209	1,836	1,868	-1.8%	1,867	-1.7%
YoY growth (%)	25.6%	16.6%	20.6%	17.0%	15.2%	7.9%	9.0%	6.5%				
<i>1.2 Accommodation reservation services</i>	965	1,191	1,378	1,135	1,190	1,371	1,579	1,310	1,334	-1.8%	1,301	0.7%
YoY growth (%)	15.6%	12.8%	22.2%	28.6%	23.3%	15.2%	14.7%	15.4%				
<i>1.3 Others</i>	502	592	609	599	603	755	821	917	891	2.8%	892	2.7%
YoY growth (%)	36.0%	87.3%	23.7%	14.8%	20.0%	27.5%	34.9%	53.0%				
2. Tourism	663	719	979	780	585	662	900	778	693	12.1%	702	10.7%
Gross profit	2,515	2,744	3,165	2,690	3,012	3,036	3,622	3,187	3,114	2.3%	3,090	3.2%
Operating profit	455	517	977	474	817	809	1,163	348	770	54.9%	851	59.1%
Core OTA	724	858	1,249	983	1,107	1,070	1,438	1,155			1,153	0.2%
Adj. net profit	558	657	910	660	788	775	1,060	780	750	4.0%	752	3.6%
YoY (%)	10.9%	10.9%	46.6%	36.8%	41.1%	18.0%	16.5%	18.1%				
Margin (%)												
GPM	65.0%	64.6%	63.4%	63.5%	68.8%	65.0%	65.7%	65.9%	65.1%	0.8 ppt	64.9%	1.0 ppt
OPM	11.8%	12.2%	19.6%	11.2%	18.7%	17.3%	21.1%	7.2%	16.1%	-8.9 ppt	17.9%	-10.7 ppt
Core OTA OPM	22.6%	24.3%	31.1%	28.4%	29.2%	26.7%	31.2%	28.4%			28.4%	0.0 ppt
Adj. NPM	14.4%	15.5%	18.2%	15.6%	18.0%	16.6%	19.2%	16.1%	15.7%	0.5 ppt	15.8%	0.3 ppt

Source: Company data, Bloomberg

Figure 2: TC: CMBI earnings forecast revision

RMB mn	Current			Previous forecast			Diff (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	21,824	23,216	24,182	22,103	23,760	-	-1.3%	-2.3%	-
Gross profit	15,020	16,052	16,757	14,737	15,939	-	1.9%	0.7%	-
Operating profit	4,585	5,010	5,364	4,147	4,566	-	10.6%	9.7%	-
Non-GAAP net profit	3,984	4,387	4,659	3,786	4,183	-	5.2%	4.9%	-
Gross Margin	68.8%	69.1%	69.3%	66.7%	67.1%	-	2.1 ppt	2.1 ppt	-
Operating profit margin	21.0%	21.6%	22.2%	18.8%	19.2%	-	2.2 ppt	2.4 ppt	-
Non-GAAP net margin	18.3%	18.9%	19.3%	17.1%	17.6%	-	1.1 ppt	1.3 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	21,824	23,216	24,182	21,765	24,038	24,868	0.3%	-3.4%	-2.8%
Gross profit	15,020	16,052	16,757	14,554	16,170	16,895	3.2%	-0.7%	-0.8%
Operating profit	4,585	5,010	5,364	4,092	4,676	4,888	12.0%	7.1%	9.7%
Non-GAAP net profit	3,984	4,387	4,659	3,869	4,411	4,865	3.0%	-0.5%	-4.2%
Gross Margin	68.8%	69.1%	69.3%	66.0%	66.4%	66.4%	2.9 ppt	2.7 ppt	2.9 ppt
Operating profit margin	21.0%	21.6%	22.2%	18.7%	19.2%	19.2%	2.3 ppt	2.3 ppt	2.9 ppt
Non-GAAP net margin	18.3%	18.9%	19.3%	18.0%	18.4%	18.4%	0.3 ppt	0.5 ppt	0.9 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	21,824	23,216	24,182	24,856	25,356	25,739	26,041	26,288
NPV of FCF	27,677	26,086						
Discounted terminal value	20,097	22,706						
Total equity valuation	56,127	60,538						
No. of shares (diluted, mn)	2,398	2,438						
Valuation per share (HKD)	25.5							

Source: CMBIGM estimates

Note: 1) HKD: RMB = 1.13:1; 2) our target valuation is calculated by weighted average valuation 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	21,824	23,216	24,182
Cost of goods sold	(3,158)	(6,227)	(6,538)	(6,805)	(7,164)	(7,424)
Gross profit	8,738	11,113	12,858	15,020	16,052	16,757
Operating expenses	(6,869)	(8,690)	(9,720)	(10,435)	(11,042)	(11,393)
Selling expense	(4,473)	(5,621)	(6,281)	(6,925)	(7,342)	(7,573)
Admin expense	(711)	(1,206)	(1,266)	(1,367)	(1,446)	(1,497)
Other rental related expenses	(1,821)	(2,001)	(2,039)	(2,274)	(2,394)	(2,468)
Others	136	138	(134)	131	139	145
Operating profit	1,869	2,423	3,137	4,585	5,010	5,364
Interest income	175	195	172	139	210	269
Interest expense	(157)	(231)	(344)	(335)	(324)	(324)
Others	(33)	11	56	18	19	19
Pre-tax profit	1,854	2,398	3,021	4,407	4,914	5,328
Income tax	(288)	(410)	(612)	(939)	(1,047)	(1,188)
After tax profit	1,566	1,988	2,409	3,468	3,867	4,140
Minority interest	11	14	38	38	38	38
Net profit	1,554	1,974	2,371	3,430	3,829	4,102
Adjusted net profit	2,192	2,785	3,403	3,984	4,387	4,659
BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	14,900	18,241	20,264	23,990	27,867	31,739
Cash & equivalents	5,192	8,020	6,506	9,817	13,179	16,715
Restricted cash	145	136	442	498	530	552
Account receivables	1,218	1,728	2,263	2,182	2,322	2,418
Prepayment	4,370	5,450	5,692	6,132	6,477	6,694
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	18,846	18,560	18,262
PP&E	2,495	3,147	3,380	3,310	3,348	3,379
Right-of-use assets	589	909	1,451	1,451	1,451	1,451
Intangibles	9,580	10,814	12,857	10,065	9,720	9,377
Financial assets at FVTPL	1,039	957	656	656	656	656
Other non-current assets	3,113	3,709	3,336	3,363	3,385	3,398
Total assets	31,717	37,777	41,945	42,836	46,427	50,001
Current liabilities	11,887	11,597	14,737	15,160	15,434	15,486
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	4,728	4,752
Tax payable	4,939	5,154	6,027	6,345	6,518	6,547
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	3,682	3,709	3,727
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	1,847	1,873	1,892
Total liabilities	13,170	16,815	18,372	18,842	19,143	19,214
Share capital	8	8	8	8	8	8
Capital surplus	20,116	20,762	21,405	18,658	18,658	18,658
Other reserves	(2,421)	(768)	1,142	4,272	7,524	10,990
Total shareholders equity	17,703	20,001	22,555	22,938	26,190	29,656
Minority interest	844	961	1,018	1,056	1,094	1,132
Total equity and liabilities	31,717	37,777	41,945	42,836	46,427	50,001

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,854	2,398	3,021	4,407	4,914	5,328
Depreciation & amortization	911	1,083	1,280	1,393	1,423	1,439
Tax paid	(192)	(435)	(612)	(939)	(1,047)	(1,188)
Change in working capital	911	(688)	(175)	84	(204)	(257)
Others	521	613	798	236	240	239
Net cash from operations	4,003	2,970	4,311	5,181	5,326	5,562
Investing						
Capital expenditure	(772)	(403)	(617)	(646)	(650)	(645)
Others	(991)	(431)	(4,081)	(492)	(496)	(506)
Net cash from investing	(1,762)	(834)	(4,698)	(1,138)	(1,146)	(1,150)
Financing						
Net borrowings	(2)	(5)	(506)	(732)	(817)	(876)
Proceeds from share issues	2,500	0	0	0	0	0
Others	(3,090)	684	(579)	0	0	0
Net cash from financing	(592)	679	(1,085)	(732)	(817)	(876)
Net change in cash						
Cash at the beginning of the year	3,547	5,192	8,020	6,506	9,817	13,179
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	9,817	13,179	16,715
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	80.7%	45.8%	11.9%	12.5%	6.4%	4.2%
Gross profit	82.9%	27.2%	15.7%	16.8%	6.9%	4.4%
Operating profit	na	29.6%	29.5%	46.1%	9.3%	7.1%
Net profit	na	27.0%	20.1%	44.7%	11.6%	7.1%
Adj. net profit	239.3%	27.1%	22.2%	17.1%	10.1%	6.2%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	73.5%	64.1%	66.3%	68.8%	69.1%	69.3%
Operating margin	15.7%	14.0%	16.2%	21.0%	21.6%	22.2%
Adj. net profit margin	18.4%	16.1%	17.5%	18.3%	18.9%	19.3%
Return on equity (ROE)	9.3%	10.5%	11.1%	15.1%	15.6%	14.7%
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	2.0
Receivable turnover days	32.3	31.0	37.5	37.2	35.4	35.8
Payable turnover days	384.5	252.0	250.9	245.4	238.3	233.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	23.9	19.0	16.1	11.4	10.4	9.9
P/E (diluted)	17.3	13.6	11.4	9.9	9.2	8.8
P/B	2.1	1.9	1.7	1.7	1.5	1.4
P/CFPS	11.7	14.8	10.5	8.7	8.6	8.3

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

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