

Tongcheng Travel (780 HK)

Solid 2Q results; core OTA earnings growth on track

Tongcheng Travel (TC) reported 2Q25 results: total revenue was RMB4.7bn, up 10% YoY, and was 1% better than both our forecast and Bloomberg consensus estimates; adjusted NP was RMB775mn, up 18% YoY, and was 5/3% better than our forecast/consensus, driven by better-than-expected operating leverage of core OTA business. OPM of the core OTA business expanded to 26.7% in 2Q25 (2Q24: 24.3%), 1.2ppts ahead of our forecast. Our 2025-2027E revenue forecasts remain largely unchanged, while we lift non-GAAP net profit forecasts by 1-2% to factor in better-than-expected unleashing of operating leverage. Following the results announcement, we remain positive that TC will deliver solid core business earnings growth, and we are anticipating 24.3/22.1% YoY growth (was 24.0/20.0%) from core OTA OP/total non-GAAP NP in 2025E. Our DCF-based TP remains unchanged at HK\$24.0, translating into 15.1x 2025E PE (non-GAAP). Maintain BUY.

- **Core OTA business revenue growth largely inline with expectation.** In 2Q25, TC's core OTA business revenue reached RMB4.0bn (85.8% of total revenue), up 13.7% YoY (1Q25: 18.4% YoY), and was 0.6% ahead of consensus driven by better-than-expected revenue growth in accommodation reservation services and others. In 2Q25, transportation ticketing services/ accommodation reservation services/other revenue achieved YoY growth of 7.9%/15.2%/27.5% (1Q25: 15.2/23.3/20.0%). The number of 12-month accumulated number of travellers served reached 2.0bn by end-Jun, up 7.2% YoY, compared to annual paying users (APU) increase of 10.2% YoY during the same period.
- **3Q25 outlook: anticipating largely stable YoY revenue growth on sequential basis.** For 3Q25E, we estimate TC to ink total revenue of RMB5.5bn, up 9.5% YoY, driven by 14.0% YoY revenue growth of core OTA segment, but offset by a 9.5% YoY decline in Tourism revenue. Within the core OTA business, we are looking for 8/15/33% YoY revenue growth for transportation ticketing/accommodation reservation (AR)/other business. The tremendous revenue growth for AR could be driven by the solid growth in hotel room nights, in our view. Meanwhile, we are of the view that the acceleration in YoY growth of other revenue will be driven by robust growth of hotel management business, while the growth of transportation ticketing business should stay at a healthy pace.
- **Expecting a stable OPM for core OTA business YoY for 3Q25E on high base.** TC's overall OPM reached 17.3% in 2Q25, up from 12.2% in 2Q24, among which OPM of core OTA business improved to 26.7% (2Q24: 24.3%), thanks to solid revenue growth which helped unleash operating leverage, as well as efficient marketing spending. We forecast OPM of core OTA to remain stable YoY at 31.1% in 3Q25E, as TC faces high base and expects to slightly increase marketing spending in a peak summer season. For non-GAAP net profit, we are anticipating 12% YoY growth to RMB1.0bn driven by revenue growth, translating into 18.7% non-GAAP net margin (2Q24: 18.2%).

BUY (Maintain)

Target Price HK\$24.00
Up/Downside 22.1%
Current Price HK\$19.66

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Stock Data

Mkt Cap (HK\$ mn)	45,227.7
Avg 3 mths t/o (HK\$ mn)	291.0
52w High/Low (HK\$)	23.45/13.04
Total Issued Shares (mn)	2300.5

Source: FactSet

Shareholding Structure

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

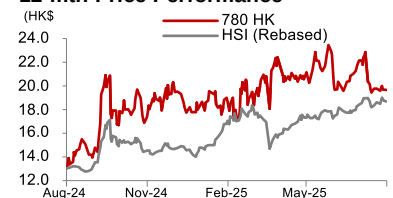
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-11.2%	-12.5%
3-mth	-4.3%	-11.3%
6-mth	5.1%	-4.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	11,896	17,341	19,194	21,485	23,237
YoY growth (%)	80.7	45.8	10.7	11.9	8.2
Adjusted net profit (RMB mn)	2,192.1	2,785.4	3,399.6	3,862.6	4,271.4
Diluted EPS (RMB)	0.95	1.22	1.48	1.67	1.83
Consensus EPS (RMB)	na	na	1.36	1.55	1.78
P/E (x)	26.1	20.7	14.6	12.8	11.5

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: TC: quarterly results and comparison with consensus

(RMBmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	2Q25E consensus	Diff%
Total revenue	3,866	4,245	4,991	4,238	4,377	4,669	4,642	0.6%
YoY growth (%)	49.5%	48.1%	51.3%	34.8%	13.2%	10.0%		
1. Core OTA	3,203	3,526	4,013	3,457	3,792	4,008	3,984	0.6%
YoY growth (%)	23.9%	23.0%	21.6%	20.2%	18.4%	13.7%		
1.1 Transportation ticketing services	1,737	1,743	2,027	1,723	2,000	1,881	1,890	-0.5%
YoY growth (%)	25.6%	16.6%	20.6%	17.0%	15.2%	7.9%		
1.2 Accommodation reservation services	965	1,191	1,378	1,135	1,190	1,371	1,359	0.9%
YoY growth (%)	15.6%	12.8%	22.2%	28.6%	23.3%	15.2%		
1.3 Others	502	592	609	599	603	755	734	2.9%
YoY growth (%)	36.0%	87.3%	23.7%	14.8%	20.0%	27.5%		
2. Tourism	663	719	979	780	585	662	658	0.5%
Gross profit	2,515	2,744	3,165	2,690	3,012	3,036	3,097	-2.0%
Operating profit	455	517	977	474	817	809	712	13.6%
Adj. net profit	558	657	910	660	788	775	750	3.4%
YoY (%)	10.9%	10.9%	46.6%	36.8%	41.1%	18.0%		
Margin (%)								
GPM	65.0%	64.6%	63.4%	63.5%	68.8%	65.0%	66.7%	-1.7 ppt
OPM	11.8%	12.2%	19.6%	11.2%	18.7%	17.3%	15.3%	2.0 ppt
Adj. NPM	14.4%	15.5%	18.2%	15.6%	18.0%	16.6%	16.1%	0.5 ppt

Source: Company data, Bloomberg

Our forecasts on 2025-2027E revenue remain largely unchanged, while we lift non-GAAP net profit forecasts by 1-2% to factor in better-than-expected unleashing of operating leverage.

Figure 2: TC: CMBI earnings forecast revision

RMB mn	Current			Previous forecast			Diff (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	19,194	21,485	23,237	19,160	21,469	23,240	0.2%	0.1%	0.0%
Gross profit	12,567	14,172	15,428	12,546	14,161	15,429	0.2%	0.1%	0.0%
Non-GAAP net profit	3,400	3,863	4,271	3,341	3,829	4,241	1.7%	0.9%	0.7%
Gross margin	65.5%	66.0%	66.4%	65.5%	66.0%	66.4%	0.0 ppt	0.0 ppt	0.0 ppt
Operating profit margin	18.2%	18.7%	19.2%	16.8%	17.5%	18.1%	1.4 ppt	1.2 ppt	1.2 ppt
Non-GAAP net margin	17.7%	18.0%	18.4%	17.4%	17.8%	18.2%	0.3 ppt	0.1 ppt	0.1 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	19,194	21,485	23,237	19,512	21,946	24,526	-1.6%	-2.1%	-5.3%
Gross profit	12,567	14,172	15,428	12,907	14,559	16,412	-2.6%	-2.7%	-6.0%
Non-GAAP net profit	3,400	3,863	4,271	3,316	3,878	4,468	2.5%	-0.4%	-4.4%
Gross margin	65.5%	66.0%	66.4%	66.1%	66.3%	66.9%	-0.7 ppt	-0.4 ppt	-0.5 ppt
Operating profit margin	18.2%	18.7%	19.2%	16.8%	17.8%	18.6%	1.4 ppt	0.9 ppt	0.6 ppt
Non-GAAP net margin	17.7%	18.0%	18.4%	17.0%	17.7%	18.2%	0.7 ppt	0.3 ppt	0.2 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	19,194	21,485	23,237	24,483	25,369	26,037	26,554	26,966	27,302
NPV of FCF	26,251								
Discounted terminal value	16,645								
Total equity valuation	51,478								
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	19,194	21,485	23,237
Cost of goods sold	(1,807)	(3,158)	(6,227)	(6,628)	(7,313)	(7,809)
Gross profit	4,778	8,738	11,113	12,567	14,172	15,428
Operating expenses	(4,802)	(6,869)	(8,690)	(9,072)	(10,152)	(10,957)
Selling expense	(2,801)	(4,473)	(5,621)	(5,947)	(6,631)	(7,172)
Admin expense	(701)	(711)	(1,206)	(1,266)	(1,368)	(1,457)
Other rental related expenses	(1,414)	(1,821)	(2,001)	(2,047)	(2,282)	(2,468)
Others	114	136	138	188	129	139
Operating profit	(24)	1,869	2,423	3,494	4,019	4,471
Interest income	58	175	195	184	245	310
Interest expense	(137)	(157)	(231)	(299)	(299)	(299)
Others	(14)	(33)	11	44	18	19
Pre-tax profit	(117)	1,854	2,398	3,424	3,983	4,501
Income tax	(46)	(288)	(410)	(586)	(721)	(860)
After tax profit	(164)	1,566	1,988	2,838	3,262	3,641
Minority interest	(18)	11	14	20	20	20
Net profit	(146)	1,554	1,974	2,819	3,242	3,621
Adjusted net profit	646	2,192	2,785	3,400	3,863	4,271
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	10,384	14,900	18,241	21,193	24,892	28,750
Cash & equivalents	3,547	5,192	8,020	10,645	13,480	16,675
Restricted cash	88	145	136	151	169	183
Account receivables	888	1,218	1,728	1,912	2,140	2,315
Prepayment	2,697	4,370	5,450	5,752	6,369	6,844
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	19,228	19,130	19,036
PP&E	1,598	2,495	3,147	3,411	3,606	3,796
Right-of-use assets	111	589	909	909	909	909
Intangibles	8,581	9,580	10,814	10,437	10,090	9,764
Financial assets at FVTPL	758	1,039	957	957	957	957
Other non-current assets	3,602	3,113	3,709	3,514	3,567	3,609
Total assets	25,035	31,717	37,777	40,420	44,022	47,786
Current liabilities	6,117	11,887	11,597	11,936	12,475	12,875
Short-term borrowings	443	2,540	1,359	1,359	1,359	1,359
Account payables	2,522	4,131	4,467	4,639	4,973	5,154
Tax payable	3,040	4,939	5,154	5,321	5,526	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	2,525	2,650	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	1,844	1,969	2,065
Total liabilities	9,044	13,170	16,815	14,461	15,125	15,620
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)	1,810	4,727	7,976
Total shareholders equity	15,732	17,703	20,001	24,979	27,896	31,145
Minority interest	258	844	961	981	1,001	1,021
Total equity and liabilities	25,035	31,717	37,777	40,420	44,022	47,786

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(117)	1,854	2,398	3,424	3,983	4,501
Depreciation & amortization	840	911	1,083	1,110	1,220	1,252
Tax paid	(50)	(192)	(435)	(586)	(721)	(860)
Change in working capital	(1,001)	911	(688)	(72)	(236)	(195)
Others	630	521	613	294	290	314
Net cash from operations	302	4,003	2,970	4,170	4,537	5,011
Investing						
Capital expenditure	(515)	(772)	(403)	(612)	(639)	(651)
Others	118	(991)	(431)	(398)	(448)	(479)
Net cash from investing	(397)	(1,762)	(834)	(1,011)	(1,087)	(1,129)
Financing						
Net borrowings	0	(2)	(5)	(534)	(615)	(687)
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	(534)	(615)	(687)
Net change in cash						
Cash at the beginning of the year	2,046	3,547	5,192	8,020	10,645	13,480
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	10,645	13,480	16,675
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(12.6%)	80.7%	45.8%	10.7%	11.9%	8.2%
Gross profit	(15.4%)	82.9%	27.2%	13.1%	12.8%	8.9%
Operating profit	na	na	29.6%	44.2%	15.0%	11.2%
Net profit	na	na	27.0%	42.8%	15.0%	11.7%
Adj. net profit	(50.6%)	239.3%	27.1%	22.1%	13.6%	10.6%
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%	18.2%	18.7%	19.2%
Adj. net profit margin	9.8%	18.4%	16.1%	17.7%	18.0%	18.4%
Return on equity (ROE)	(0.9%)	9.3%	10.5%	12.5%	12.3%	12.3%
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	250.8	239.9	236.7
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	26.1	20.7	14.6	12.8	11.5
P/E (diluted)	62.1	18.9	14.8	12.2	10.8	9.9
P/B	2.5	2.3	2.1	1.7	1.5	1.4
P/CFPS	ns	12.8	16.1	11.7	10.7	9.7

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

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