China Tourism Group Duty Free (601888 CH)

3Q26: Results Miss Expectations

Highlights

- CTGDF's 3Q26 results missed. Revenue declined 5% yoy, but net profit rose 25% yoy, driven by gross margin expansion, lower minority interests and non-operating items.
- Hainan offline duty-free sales growth slowed to 2% yoy in 3Q26 (vs +4% in 2Q26), with per capita spending flat yoy (+1% yoy in 2Q26). Meanwhile, CTGDF's international business continued to expand, with revenue growing 71% yoy in 9M26, following the acquisition of DFS' Greater China retail business.
- Maintain BUY; cut target price by 11% to Rmb68.70.

3Q26 & 9M26 Results

Year to 31 Dec (Rmbm)	3Q26	3Q25	yoy chg (%)	9M26	9M25	yoy chg (%)
Total revenue	11,166	11,711	(4.7)	38,821	39,862	(2.6)
Gross profit	3,796	3,749	1.2	13,171	12,973	1.5
Gross margin (%)	34.0	32.0	2.0	33.9	32.5	1.4
EBIT	805	809	(0.5)	4,369	4,202	4.0
EBIT margin (%)	7.2	6.9	0.3	11.3	10.5	0.7
Attributable net profit	564	452	24.6	3,670	3,052	20.3
Attributable net margin (%)	5.0	3.9	1.2	9.5	7.7	1.8
Core net profit	565	441	28.2	3,644	3,036	20.0
Core net margin (%)	5.1	3.8	1.3	9.4	7.6	1.8

Source: CTGDF, UOB Kay Hian

Analysis

- **3Q26 results missed.** China Tourism Group Duty Free (CTGDF) reported its 9M26 results. Revenue was Rmb38,821m (-3% yoy). Gross profit was Rmb13,171m (+2% yoy), and gross margin was 33.9% (+1.4ppt yoy). EBIT was Rmb4,369m (+4% yoy), with EBIT margin at 11.3% (+0.7ppt yoy). Net profit was Rmb3,670m (+20% yoy), and net margin was 9.5% (+1.8ppt yoy).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	56,474	53,694	52,946	56,173	60,101
EBITDA	7,449	6,742	7,514	8,184	8,801
Operating profit	5,906	5,428	5,692	6,142	6,753
Net profit (rep./act.)	4,267	3,586	4,345	4,763	5,307
Net profit (adj.)	4,267	3,586	4,345	4,763	5,307
EPS (Fen)	206.3	173.3	209.4	228.9	255.0
PE (x)	24.4	29.0	24.0	22.0	19.7
P/B (x)	1.9	1.9	1.8	1.7	1.6
EV/EBITDA (x)	10.3	11.5	9.9	8.7	7.6
Dividend yield (%)	2.1	1.4	1.7	1.8	2.1
Net margin (%)	7.6	6.7	8.2	8.5	8.8
Net debt/(cash) to equity (%)	(53.3)	(50.3)	(54.2)	(57.2)	(60.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	7.8	6.5	7.6	7.8	8.3
Consensus EBITDA	-	-	4,742.4	5,570.1	6,373.4
UOBKH/Consensus (x)	-	-	0.92	0.86	0.83

Source: CTGDF, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rmb50.30
Target Price	Rmb68.70
Upside	+36.6%
Previous TP	Rmb77.10

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	601888 CH
Shares issued (m)	1,952.5
Market cap (HK$m)	102,721.4
Market cap (US$m)	15,436.9
3-mth avg daily t'over (US$m)	150.1

Price Performance (%)

52-week high/low				Rmb99.81/Rmb48.09
1mth	3mth	6mth	1yr	YTD
(2.2)	(13.3)	(23.3)	(31.2)	(46.8)

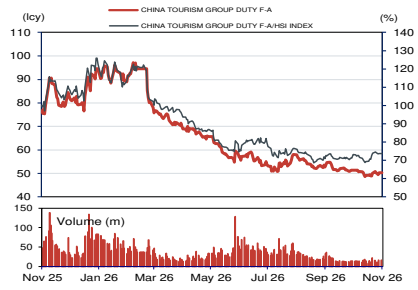
Major Shareholders (%)

China Tourism Group	50.08

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	28.44
FY26 Net Cash/Share (Rmb)	16.44

Price Chart



Source: Bloomberg

Company Description

China Tourism Group Duty Free is one of the largest duty-free operators in the world. It is principally engaged in the duty-free travel retail business, including wholesale and retail of duty-free products such as tobacco and wine, perfume and cosmetics, accessories, clothing and electronic products. In addition, the company is also engaged in the investment and development of commercial complexes with duty-free business as its core.

- This implies that 3Q26 revenue was Rmb11,166m (-5%), 5% below consensus. Gross profit was Rmb3,796m (+1% yoy), and gross margin was 34.0% (+2.0ppt yoy). Of which, the main business gross margin improved by 1.3ppt yoy. EBIT was Rmb805m (flat yoy), and EBIT margin was 7.2% (+0.3ppt yoy), dragged by higher selling expenses (+1.9ppt yoy). Net profit was Rmb564m (+25% yoy), 12% below consensus, and net margin was 5.0% (+1.2ppt yoy). The faster growth of net profit vs EBIT was mainly due to: a) lower minority interests (as a percentage of revenue, -0.9ppt yoy); b) lower asset impairment losses (as a percentage of revenue, -0.6ppt yoy); and c) higher investment income (as a percentage of revenue, +0.4ppt yoy), partially offset a higher effective tax rate of 32.2% (vs 26.1% in 3Q25).
- **Interim dividend payout ratio raised to 27%.** The company declared an interim dividend of Rmb0.40 per share, totalling Rmb831m and implying a dividend payout ratio of 27% of 1H26 net profit (vs 20% in 1H25).
- **Hainan duty-free sales growth slowed in 3Q26.** According to Haikou Customs, 3Q26 duty-free sales reached around Rmb5.5b, up 2% yoy (vs +4% in 2Q26), with per capita spending flat yoy (+1% yoy in 2Q26). CTGDF's share of the Hainan offline duty-free market had increased by more than 2ppt yoy as of end-3Q26. Meanwhile, CTGDF's international business continued to expand, with revenue growing 71% yoy in 9M26, following the acquisition of DFS' Greater China retail business (Hong Kong and Macau).

Earnings Revision/Risk

- **We lower our 2026/27 earnings forecasts by 10%/14% respectively.** We lower our 2026/27 revenue forecasts by 6%/9% respectively. We raise our 2026/27 gross margin estimates by 0.4ppt/0.3ppt. We also raise our 2026/27 selling expenses ratio estimates both by 0.7ppt. Thus, our 2026/27 earnings forecasts lowered by 10%/14% respectively.

Valuation/Recommendation

- **Maintain BUY; cut target price by 11% to Rmb68.70.** We roll over our DCF-based target price to 2027 and cut our target price by 11% to Rmb68.70. Our target price implies 32.2x 2026F PE and 28.6x 2027F PE. The stock currently trades at 24.0x 2026F PE and 22.0x 2027F PE.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	**53,693.6**	**52,945.6**	**56,173.3**	**60,100.9**
EBITDA	6,742.3	7,513.7	8,184.1	8,800.7
Deprec. & amort.	1,314.0	1,821.6	2,042.0	2,047.7
EBIT	5,428.4	5,692.1	6,142.1	6,753.0
Associate contributions	(69.0)	0.0	0.0	0.0
Net interest income/(expense)	776.8	689.8	663.3	753.0
Pre-tax profit	**5,307.5**	**5,896.4**	**6,458.3**	**7,185.3**
Tax	(1,617.9)	(1,233.0)	(1,350.5)	(1,502.5)
Minorities	(103.4)	(318.2)	(344.7)	(375.9)
Net profit	**3,586.2**	**4,345.1**	**4,763.1**	**5,306.9**
Net profit (adj.)	3,586.2	4,345.1	4,763.1	5,306.9

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	6,279.6	8,823.4	9,125.0	9,389.4
Other LT assets	12,477.7	12,329.7	12,376.4	12,501.0
Cash/ST investment	33,781.2	37,288.4	41,294.8	45,746.4
Other current assets	22,444.3	20,279.6	19,830.7	19,414.2
Total assets	**74,982.9**	**78,721.0**	**82,626.9**	**87,051.1**
ST debt	226.7	226.7	226.7	226.7
Other current liabilities	9,420.2	9,124.9	9,682.6	10,352.7
LT debt	2,848.7	2,848.7	2,848.7	2,848.7
Other LT liabilities	1,361.7	1,361.7	1,361.7	1,361.7
Shareholders' equity	55,469.3	59,184.5	62,188.1	65,566.1
Minority interest	5,656.3	5,974.5	6,319.2	6,695.1
Total liabilities & equity	**74,982.9**	**78,721.0**	**82,626.9**	**87,051.1**

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	**6,058.6**	**7,977.3**	**7,308.8**	**7,911.0**
Pre-tax profit	5,307.5	5,896.4	6,458.3	7,185.3
Tax	(1,617.9)	(1,233.0)	(1,350.5)	(1,502.5)
Deprec. & amort.	1,314.0	1,821.6	2,042.0	2,047.7
Working capital changes	(493.4)	1,952.0	1,061.3	1,158.1
Other operating cashflows	1,548.5	(459.6)	(902.3)	(977.5)
Investing	**(3,475.3)**	**(3,808.3)**	**(1,603.3)**	**(1,603.3)**
Capex (growth)	(1,273.1)	(3,805.0)	(1,600.0)	(1,600.0)
Others	(2,202.3)	(3.3)	(3.3)	(3.3)
Financing	**(3,182.0)**	**(661.9)**	**(1,699.1)**	**(1,856.1)**
Dividend payments	(3,100.9)	(1,452.2)	(1,759.6)	(1,928.8)
Proceeds from borrowings	708.1	(32.0)	60.5	72.7
Others/interest paid	(789.1)	822.4	0.0	0.0
Net cash inflow (outflow)	**(1,028.6)**	**3,507.1**	**4,006.5**	**4,451.6**
Beginning cash & cash equivalent	**34,773.2**	**33,781.2**	**37,288.4**	**41,294.8**
Other monetary funds	36.6	0.0	0.0	0.0
Ending cash & cash equivalent	**33,781.2**	**37,288.4**	**41,294.8**	**45,746.4**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	12.6	14.2	14.6	14.6
Pre-tax margin	9.9	11.1	11.5	12.0
Net margin	6.7	8.2	8.5	8.8
ROA	4.7	5.7	5.9	6.3
ROE	6.5	7.6	7.8	8.3
Growth				
Turnover	(4.9)	(1.4)	6.1	7.0
EBITDA	(9.5)	11.4	8.9	7.5
Pre-tax profit	(13.7)	11.1	9.5	11.3
Net profit	(16.0)	21.2	9.6	11.4
Net profit (adj.)	(16.0)	21.2	9.6	11.4
EPS	(16.0)	20.8	9.3	11.4
Leverage				
Debt to total capital	5.3	5.1	4.8	4.6
Debt to equity	5.6	5.4	5.1	4.8
Net debt/(cash) to equity	(50.3)	(54.2)	(57.2)	(60.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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