Tongcheng Travel Holdings (780 HK)

3Q26: Broadly In-line Results, Weaker-than-Expected 4Q26 Outlook

Highlights

- TT's 3Q26 results are largely in line with expectations. Revenue grew 5.3% yoy to Rmb5.8b, in line with our estimate and consensus. Adjusted net profit rose 6.7% yoy to Rmb1.1b, in line with our and consensus expectations, while adjusted net margin expanded 0.3ppt yoy to 19.5%. Management guided for revenue to remain flat or down 5% yoy, around 6% below our and consensus estimates and adjusted net profit at Rmb450m–500m before restructuring costs, mainly reflecting pressure on railway ticketing.
- Downgrade to HOLD with a lower target price of HK$10.00.

3Q26 Results

Year to 31 Dec (Rmbm)	3Q25	2Q26	3Q26	QoQ	YoY	UOBKH	Var	Cons	Var
Total Revenue	5,509	4,987	5,800	16.3%	5.3%	5,807	(0.1%)	5,792	0.1%
Transportation ticketing	2,209	1,838	2,164	17.7%	(2.0%)	2,142	1.0%		
Accommodation reservation	1,579	1,481	1,673	13.0%	5.9%	1,674	(0.1%)		
Others	821	1,025	1,117	8.9%	36.1%	1,108	0.8%		
Tourism	900	643	846	31.6%	(6.0%)	882	(4.1%)		
Cost of services	(1,887)	(1,660)	(1,826)	(10.0%)	3.2%	(1,916)	4.7%		
Gross profit	3,622	3,327	3,974	19.5%	9.7%	3,891	2.1%	3,851	3.2%
Operating expenses	(2,521)	(2,541)	(2,828)	(11.3%)	(12.2%)	(2,723)	(3.8%)		
Non IFRS Operating profit	1,206	953	1,180	23.9%	(2.1%)	1,237	(4.6%)	1,218	(3.1%)
Non-IFRS OPM	21.9%	19%	20.4%	1.2 ppt	(1.5 ppt)	21%	(0ppt)		
Non-IFRS net profit	1,060	851	1,132	33.0%	6.7%	1,117	1.3%	1,118	1.2%
GPM	65.7%	66.7%	68.5%	1.8 ppt	2.8 ppt	67.0%	1.5 ppt	66.5%	2.0 ppt
Non-IFRS NPM	19.2%	17.1%	19.5%	2.4 ppt	0.3 ppt	19.2%	0.3 ppt	19.3%	0.2 ppt

Source: Tongcheng Travel Holdings, Bloomberg, UOB Kay Hian

Analysis

- **Resilient top-line growth led by hotel management and accommodation.** Tongcheng Travel's (TT) 3Q26 revenue increased 5.3% yoy to Rmb5.8b (2Q26: +6.8%), in line with our estimate and consensus. Core OTA revenue rose 7.5% yoy to Rmb5.0b (2Q26: +8.4%). Transportation ticketing revenue declined 2.0% yoy to Rmb2.2b on lower ticketing volumes due to weather-related travel disruptions and train ticketing adjustments. Accommodation reservation revenue grew 5.9% yoy to Rmb1.7b, supported by higher average daily rate (ADR) and stronger demand for international hotel bookings. Revenue from other businesses surged 36.1% yoy to Rmb1.1b, led by hotel management and advertising services. Tourism revenue fell 6.0% yoy to Rmb845.9m, as geopolitical uncertainties and rising fuel costs weighed on outbound package-tour demand.
- **Operating metrics and margin performance.** Average monthly paying users fell 5.0% yoy to 45.3m, while annual paying users declined 1.1% yoy to 250.2m. The monthly-to-annual paying user ratio fell to 18.1% from 18.9% in 3Q25. Gross margin expanded 2.8ppt yoy to 68.5% on lower travel product and order processing costs. Non-IFRS operating margin fell 1.5ppt yoy to 20.4% as higher operating expenses outweighed the gross margin gains. Selling and marketing expenses rose 12.7% yoy on higher promotional spending and commissions, while administrative expenses increased 22.2% yoy on higher amortisation, professional fees and staff costs.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	17,341	19,396	20,560	21,601	22,596
EBITDA	2,825	3,650	4,083	3,994	4,299
Operating profit	2,423	3,137	3,515	3,413	3,706
Net profit (rep./act.)	1,974	2,371	2,820	2,750	3,091
Net profit (adj.)	2,785	3,403	3,416	3,254	3,595
EPS (Fen)	121.6	145.5	140.5	133.8	147.8
PE (x)	6.9	5.8	6.0	6.3	5.7
P/B (x)	0.9	0.9	0.8	1.2	1.0
EV/EBITDA (x)	7.0	5.4	4.8	4.9	4.6
Dividend yield (%)	1.8	2.1	2.0	2.2	2.5
Net margin (%)	11.4	12.2	13.7	12.7	13.7
Net debt/(cash) to equity (%)	(18.7)	(10.7)	(5.2)	(33.5)	(45.7)
Interest cover (x)	77.9	21.2	45.1	44.1	47.4
ROE (%)	10.1	11.0	12.0	13.6	17.6
Consensus net profit	-	-	3,701.5	4,050.6	4,552.1
UOBKH/Consensus (x)	-	-	0.92	0.80	0.79

Source: Tongcheng Travel Holdings, Bloomberg, UOB Kay Hian

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HOLD (Downgraded)

Share Price	HK$9.915
Target Price	HK$10.00
Upside	0.9%
Previous TP	HK$18.00

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	780 HK
Shares issued (m)	2,354.3
Market cap (US$m)	23,343.0
Market cap (US$m)	2,976.6
3-mth avg daily t'over (US$m)	16.3

Price Performance (%)

52-week high/low				HK$25.42/HK$9.51
1mth	3mth	6mth	1yr	YTD
(0.9)	(24.3)	(33.4)	(52.8)	(55.8)

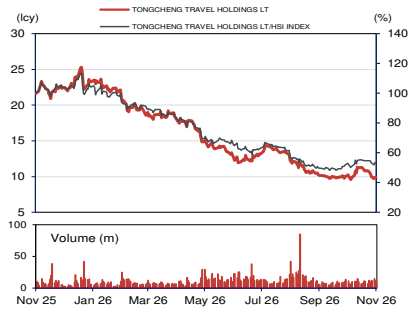
Major Shareholders (%)

Tencent Holdings Ltd	20.23

Balance Sheet Metrics

FY26 NAV/Share (Rmb$)	10.55
FY26 Net Debt/Share (Rmb$)	0.55

Price Chart



Source: Bloomberg

Company Description

Tongcheng Travel Holdings is a one-stop OTA for users' travel needs that offers a comprehensive and innovative selection of products and services covering nearly all aspects of travel, including transportation ticketing, accommodation reservation and others.

- **Adjusted EBITDA growth and hotel network expansion.** Adjusted EBITDA grew 4.9% yoy to Rmb1.585b in 3Q26, while margin edged down 10bps yoy to 27.3%. TT had nearly 3,800 hotels in operation as at end-Sep 26 (2Q26: over 3,500), with more than 2,200 in the pipeline.
- **4Q26 outlook weakens as railway ticketing weighs on earnings.** TT expects both group and core OTA revenue to be flat to down 5% yoy in 4Q26. Adjusted net profit is guided at Rmb450m-500m before around Rmb100m of restructuring costs, implying Rmb350m-400m after these costs. Restrictions on higher-margin offline railway ticketing are the main earnings headwind. TT also expects a higher selling and marketing expense ratio as it steps up campaigns ahead of the Spring Festival, while restructuring will lift service development and administrative expenses.
- **4Q26 segment breakdown.** Accommodation reservation revenue is expected to grow 3-8% yoy, broadly in line with 3Q26, supported by low single-digit growth in both room nights and ADR, with the hotel take rate stable at 9.5-10%. Transportation ticketing revenue is guided to decline 8-13% yoy, with the take rate edging down to around 4%. Domestic air-ticketing trends are expected to broadly track the industry as higher fuel surcharges weigh on demand, while railway ticketing revenue is expected to decline more sharply than the segment overall. International hotel and air-ticketing revenue are expected to grow 30-40% yoy, with international room nights up over 30% and international air-ticket volumes up 15-20%. Other revenue is expected to grow 5-10% yoy, led by a 10-15% growth in hotel management, while tourism revenue is expected to decline 5-10% yoy on higher fuel costs and geopolitical uncertainty.
- **2026 earnings outlook weakens, with railway ticketing pressure set to weigh on 2027 margins**. Management indicated that the softer 4Q26 outlook would weigh more heavily on full-year earnings than on revenue. For 2027, management preliminarily expects accommodation reservation revenue to grow at a mid-to-high single-digit pace, transportation ticketing revenue to decline by low to mid-single digits, and tourism revenue to continue declining. Railway ticketing accounted for about 15% of core OTA revenue in 3Q26, down from about 35% in 2018. Management expects railway ticketing revenue to remain under pressure through 3Q27. Management estimates that railway ticketing restrictions could reduce the group's 2027 adjusted net margin by 1-2ppt after staffing adjustments and cross-selling to other transport services The outbound business reached an operating margin of around 10% in 2026, with air ticketing reaching breakeven and hotel bookings already profitable. Management expects the margin to remain around 10% in 2027 as TT continues to invest in growth.

Valuation/Recommendation

- **Downgrade to HOLD with a lower target price of HK$10.00,** based on 8x 2027F PE from the previous 12x and implying 0.6x PEG. TT currently trades at 8x 2027F PE, below its historical mean of 22x.

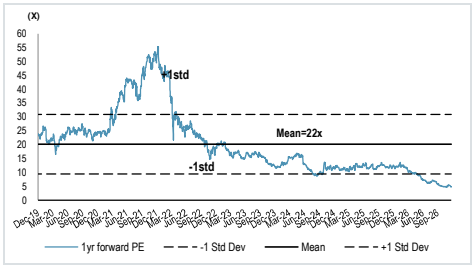
Earnings Revision/Risk

- We lower our 2026 revenue and adjusted net profit forecasts by 1.6% and 8.1%, respectively, to reflect weaker-than-expected 4Q26 guidance as restrictions on higher-margin offline railway ticketing weigh on revenue and profitability. Our 2026/2027 revised forecasts imply revenue yoy growths of 6.0%/5%, adjusted net profit growths of 0.4%/-5%, and adjusted net margins of 16.6%/15.5% respectively.
- **Risks:** a) Price war and competition may intensify due to growing market demand, and b) normalisation of domestic travel demand.

Share Price Catalyst

- Catalysts include: a) Strong macro recovery, b) domestic travel market continuing to exhibit strong growth, and c) increasing ARPU driven by long-haul travel.

12-Month Forward PE Band



Source: Bloomberg

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	19,396.0	20,560.0	21,601.4	22,595.7
EBITDA	3,649.9	4,083.4	3,994.3	4,299.0
Deprec. & amort.	512.6	568.4	580.9	592.8
EBIT	3,137.4	3,515.0	3,413.5	3,706.1
Total other non-operating income	(0.0)	(0.0)	0.0	0.0
Associate contributions	55.9	(5.6)	0.0	0.0
Net interest income/(expense)	(172.3)	(90.6)	(90.6)	(90.6)
Pre-tax profit	3,021.0	3,418.8	3,322.8	3,615.5
Tax	(611.9)	(589.1)	(572.6)	(524.3)
Minorities	(37.9)	(9.5)	0.0	0.0
Net profit	2,371.2	2,820.2	2,750.2	3,091.3
Net profit (adj.)	3,403.3	3,416.2	3,253.7	3,594.8

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	3,380.5	3,401.2	3,401.3	3,401.4
Other LT assets	18,300.7	17,696.3	3,063.8	3,072.9
Cash/ST investment	6,505.9	6,282.9	10,439.0	13,669.4
Other current assets	13,758.3	18,713.9	17,541.4	17,797.5
Total assets	41,945.3	46,094.3	34,445.5	37,941.2
ST debt	3,271.5	4,527.1	4,527.1	4,527.1
Other current liabilities	11,465.0	13,336.6	11,075.2	11,790.3
LT debt	828.3	487.6	487.6	487.6
Other LT liabilities	2,807.3	2,318.0	1,101.3	1,101.3
Shareholders' equity	22,555.1	24,342.7	16,172.0	18,952.5
Minority interest	1,018.2	1,082.4	1,082.4	1,082.4
Total liabilities & equity	41,945.4	46,094.3	34,445.5	37,941.2

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	4,310.9	3,482.1	4,496.3	3,734.9
Profit fo the year	3,021.0	3,418.8	3,322.8	3,615.5
Tax	(611.9)	(589.1)	(572.6)	(524.3)
Deprec. & amort.	512.6	568.4	580.9	592.8
Associates	(55.9)	5.6	0.0	0.0
Working capital changes	323.6	569.0	1,561.5	459.0
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	1,121.5	(490.6)	(396.3)	(408.2)
Investing	(4,698.1)	(3,169.6)	0.0	0.0
Capex (growth)	0.0	0.0	0.0	0.0
Investment	2,430.5	2,610.8	2,610.8	2,610.8
Others	(7,128.6)	(5,780.4)	(2,610.8)	(2,610.8)
Financing	(1,085.3)	(417.0)	(458.7)	(504.6)
Dividend payments	(379.1)	(417.0)	(458.7)	(504.6)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(706.2)	0.0	0.0	0.0
Net cash inflow (outflow)	(1,472.5)	(104.5)	4,037.6	3,230.3
Beginning cash & cash equivalent	8,020.0	6,505.9	6,401.5	10,439.0
Changes due to forex impact	(41.5)	0.0	0.0	0.0
Ending cash & cash equivalent	6,505.9	6,401.5	10,439.0	13,669.4

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	18.8	19.9	18.5	19.0
Pre-tax margin	15.6	16.6	15.4	16.0
Net margin	12.2	13.7	12.7	13.7
ROA	5.9	6.4	6.8	8.5
ROE	11.0	12.0	13.6	17.6
Growth				
Turnover	11.9	6.0	5.1	4.6
EBITDA	29.2	11.9	(2.2)	7.6
Pre-tax profit	26.0	13.2	(2.8)	8.8
Net profit	20.1	18.9	(2.5)	12.4
Net profit (adj.)	22.2	0.4	(4.8)	10.5
EPS	19.7	(3.5)	(4.8)	10.5
Leverage				
Debt to total capital	14.8	16.5	22.5	20.0
Debt to equity	18.2	20.6	31.0	26.5
Net debt/(cash) to equity	(10.7)	(5.2)	(33.5)	(45.7)
Interest cover (x)	21.2	45.1	44.1	47.4

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