UOBKayHian

Company – Results | Greater China

Tuesday, 25 August 2026

Tongcheng Travel Holdings (780 HK)

2Q26: Solid Results; Better-than-feared 2H26 Outlook

Highlights

- TT's 2Q26 results are largely in line with expectations. Revenue grew 6.8% yoy to Rmb5.0b, broadly in line with our and street expectations. Adjusted net profit increased 9.8% yoy to Rmb851m, also in line with forecasts, while adjusted net margin expanded 0.5ppt yoy to 17.1%, supported by gross margin improvement and operating leverage. 3Q26 revenue is guided to grow 3-8% yoy, while adjusted net profit should come in at Rmb1.1b-1.15b.
- Maintain BUY with a lower target price of HK$18.00.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q25	1Q26	2Q26	QoQ	YoY	UOBKH	Var	Cons	Var
Total Revenue	4,669	5,006	4,987	(0.4%)	6.8%	4,958	0.6%	4,947	0.8%
Transportation ticketing	1,881	2,124	1,838	(13.5%)	(2.3%)	1,806	1.8%		
Accommodation reservation	1,371	1,364	1,481	8.5%	8.0%	1,481	(0.0%)		
Others	755	961	1,025	6.7%	35.7%	1,042	(1.6%)		
Tourism	662	556	643	15.6%	(2.9%)	629	2.3%		
Cost of services	(1,633)	(1,510)	(1,660)	(10.0%)	(1.7%)	(1,686)	1.5%		
Gross profit	3,036	3,496	3,327	(4.9%)	9.6%	3,272	1.7%	3,298	0.9%
Operating expenses	(2,321)	(2,543)	(2,541)	0.0%	(9.5%)	(2,410)	(5.5%)		
Non IFRS Operating profit	892	1,051	953	(9.3%)	6.8%	933	2.2%		
Non-IFRS OPM	19%	21%	19%	(1.9 ppt)	(0.0 ppt)	19%	0.0 ppt		
Non-IFRS net profit	775	941	851	(9.6%)	9.8%	849	0.2%	845	0.7%
GPM	65.0%	69.8%	66.7%	(3.1 ppt)	1.7 ppt	66.0%	0.7 ppt	67%	0.0 ppt
Non-IFRS NPM	16.6%	18.8%	17.1%	(1.7 ppt)	0.5 ppt	17.1%	(0.1 ppt)	17.1%	(0.0 ppt)

Source: Tongcheng Travel Holdings, Bloomberg, UOB Kay Hian

Analysis

- **Resilient top-line growth despite transportation headwinds.** Tongcheng Travel's (TT) 2Q26 revenue increased 6.8% yoy to Rmb5.0b (1Q26: +14.5%), with core OTA revenue rising 8.4% yoy to Rmb4.3b (1Q26: +14.7%). Transportation ticketing revenue declined 2.3% yoy to Rmb1.8b, reflecting weaker ticketing demand amid higher airfares. Accommodation reservation revenue grew 8.0% yoy to Rmb1.5b, supported by stable growth in both ADR and hotel room nights sold. Revenue from other businesses surged 35.7% yoy to Rmb1.0b, led by hotel management, advertising, value-added services and attraction ticketing. Tourism revenue declined 2.9% yoy to Rmb642.8m, mainly due to weaker outbound package-tour demand amid geopolitical uncertainties and higher airfares.
- **Operating metrics and margin performance**. Average monthly active users rose 0.9% yoy to 253.9m and paying users deceased 6% yoy to 43.7m, representing a paying ratio of 17.2% vs 18.4% in 2Q25. Gross profit margin edged up 1.7ppt yoy to 66.7% on improved cost efficiency. Despite gross margin expanding 1.7ppt yoy, adjusted operating margin remained broadly flat at 19%, as higher administrative expenses, including Rmb58m of one-off restructuring costs, offset the gains; excluding these, service development and G&A expenses would have accounted for 16.4% of revenue.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	17,341	19,396	21,002	23,227	25,510
EBITDA	2,825	3,650	4,444	4,928	5,538
Operating profit	2,423	3,137	3,908	4,366	4,948
Net profit (rep./act.)	1,974	2,371	3,164	3,565	4,176
Net profit (adj.)	2,785	3,403	3,794	4,146	4,756
EPS (Fen)	121.6	145.5	156.0	170.4	195.5
PE (x)	9.2	7.7	7.2	6.6	5.7
P/B (x)	1.2	1.2	1.1	1.5	1.2
EV/EBITDA (x)	8.8	6.8	5.6	5.0	4.5
Dividend yield (%)	1.5	1.7	1.8	2.0	2.2
Net margin (%)	11.4	12.2	15.1	15.3	16.4
Net debt/(cash) to equity (%)	(18.7)	(10.7)	(11.0)	(50.8)	(62.6)
Interest cover (x)	77.9	21.2	69.2	76.7	86.2
ROE (%)	10.1	11.0	13.7	17.2	21.1
Consensus net profit	-	-	3,826.9	4,355.9	4,802.4
UOBKH/Consensus (x)	-	-	0.99	0.95	0.99

Source: Tongcheng Travel Holdings, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$13.10
Target Price	HK$18.00
Upside	37.4%
Previous TP	HK$21.00

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	780 HK
Shares issued (m)	2,354.3
Market cap (US$m)	30,841.5
Market cap (US$m)	3,935.6
3-mth avg daily t'over (US$m)	22.3

Price Performance (%)

52-week high/low				HK$25.42/HK$11.67
1mth	3mth	6mth	1yr	YTD
(0.5)	(12.0)	(39.8)	(36.9)	(41.6)

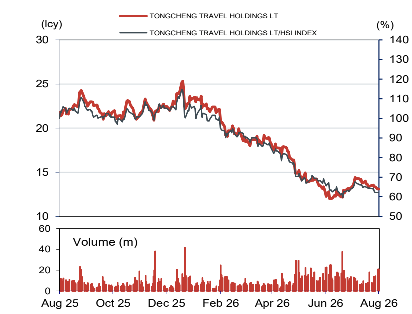
Major Shareholders (%)

Tencent Holdings Ltd	20.23

Balance Sheet Metrics

FY26 NAV/Share (Rmb$)	10.23
FY26 Net Debt/Share (Rmb$)	1.13

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.

- **Operating metrics and margin performance.** Adjusted EBITDA grew 7.3% yoy to Rmb1.27b in 2Q26, with margin expanding 10bps yoy to 25.5%. TT's hotel management platform now operates more than 3,500 hotels (1Q26: 3,200), with another 2,000 in the pipeline.
- **3Q26 outlook remains cautious on growth**. TT's top-line is guided to grow 3-8% yoy in 3Q26, missing our and consensus estimates. Core OTA revenue is expected to grow 3-8% yoy. Core OTA operating margin is expected to remain resilient at ~30%, vs ~31% in 3Q25, while the tourism business is expected to break even. Adjusted net profit is guided at Rmb1.10b-1.15b, with adjusted net margin expected to remain broadly flat yoy at ~19.2%.
- **For 3Q26 segment breakdown,** accommodation reservation revenue is expected to grow 3-8% yoy, with room nights broadly flat yoy amid extreme-weather disruptions, while ADR is expected to grow at a low single-digit pace. International hotel room nights should remain strong at >40% yoy, with hotel take rate improving slightly yoy to 9.5-10%. Transportation ticketing revenue is guided to decline 0-5% yoy, with management expecting 3Q26 air ticket volume growth to be in line with the industry at low single digits. Domestic air ticket volume is expected to grow 5% yoy, while international air ticket volume growth is expected to accelerate by roughly 10ppt in 3Q26 from single-digit growth in 2Q26. Transportation take rate is expected to remain at around 4%. Other revenue is guided to grow 32-37% yoy, mainly driven by strong hotel management performance. Tourism revenue is expected to decline 0-5% yoy. The impact of high fuel prices on TT has started to ease in 3Q while the macro outlook appears better than feared. Management is monitoring whether deferred summer demand will shift into the combined holiday of Mid-Autumn and National Day.
- **2026 outlook.** TT now guides 2026 core OTA revenue to grow 6-11% yoy, with accommodation reservation revenue growth at 5-10% yoy, transportation revenue at -3% to +3% yoy, and other revenue increase at 32-37% yoy. Tourism revenue is expected to decline 0-5% yoy, bringing total revenue growth to 5-10% yoy. Management expects full-year core OTA operating margin to remain broadly stable, while group adjusted net margin is guided to remain flat yoy, with adjusted net profit of around Rmb3.7b, vs the previous expectation of margin expansion. For 2026, we estimate the S&M ratio at 32.7%, as savings from personnel optimisation are expected to be reinvested into marketing rather than fully flow through to margins, mainly through regular advertising and 4Q campaigns ahead of the Spring Festival travel season. Marketing allocation should remain disciplined and increasingly ROI-driven, while lower user subsidies will support higher hotel take rates. International travel remains a key growth area, with the business already profitable at the operating profit level in 1H26 and management expecting its revenue contribution to hotel and transportation revenue to reach around 9% by end-26.

Valuation/Recommendation

- Maintain BUY with a slightly lower target price of HK$18.00, based on 12x 2027F PE from the previous 15.4x and implying 0.8x 2026F PEG. TT currently trades at 8.4x 2027F PE, below its historical mean of 22x.

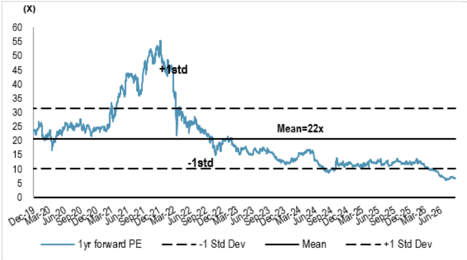
Earnings Revision/Risk

- We lower our 2026 revenue and earnings by 0.5% and 1.7% respectively, which translates to 8.3% and 11% yoy growth. We estimate adjusted net profit margin at 18.1%
- **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	21,001.8	23,227.2	25,510.3
EBITDA	3,649.9	4,443.5	4,928.0	5,537.6
Deprec. & amort.	512.6	535.1	561.8	589.2
EBIT	3,137.4	3,908.4	4,366.1	4,948.4
Total other non-operating income	(0.0)	0.0	0.0	0.0
Associate contributions	55.9	(18.4)	0.0	0.0
Net interest income/(expense)	(172.3)	(64.2)	(64.2)	(64.2)
Pre-tax profit	3,021.0	3,825.7	4,301.9	4,884.1
Tax	(611.9)	(655.1)	(736.7)	(708.2)
Minorities	(37.9)	(6.7)	0.0	0.0
Net profit	2,371.2	3,163.9	3,565.2	4,175.9
Net profit (adj.)	3,403.3	3,794.2	4,145.6	4,756.3

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	3,380.5	3,420.1	3,420.2	3,420.3
Other LT assets	18,300.7	17,553.3	2,925.6	2,946.8
Cash/ST investment	6,505.9	6,782.3	13,241.5	17,840.3
Other current assets	13,758.3	16,353.9	16,406.3	16,996.0
Total assets	41,945.3	44,109.7	35,993.6	41,203.5
ST debt	3,271.5	3,315.1	3,315.1	3,315.1
Other current liabilities	11,465.0	12,576.5	11,537.2	12,766.6
LT debt	828.3	869.6	869.6	869.6
Other LT liabilities	2,807.3	2,725.4	1,432.0	1,432.0
Shareholders' equity	22,555.1	23,603.5	17,820.1	21,800.6
Minority interest	1,018.2	1,019.5	1,019.5	1,019.5
Total liabilities & equity	41,945.4	44,109.7	35,993.6	41,203.5

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	4,310.9	3,533.0	5,948.7	5,103.4
Profit fo the year	3,021.0	3,825.7	4,301.9	4,884.1
Tax	(611.9)	(655.1)	(736.7)	(708.2)
Deprec. & amort.	512.6	535.1	561.8	589.2
Associates	(55.9)	18.4	0.0	0.0
Working capital changes	323.6	140.9	2,095.7	639.6
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	1,121.5	(332.0)	(274.0)	(301.3)
Investing	(4,698.1)	(1,870.5)	0.0	0.0
Capex (growth)	0.0	0.0	0.0	0.0
Investment	2,430.5	2,523.3	2,523.3	2,523.3
Others	(7,128.6)	(4,393.7)	(2,523.3)	(2,523.3)
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)	1,245.6	5,490.0	4,598.9
Beginning cash & cash equivalent	8,020.0	6,505.9	7,751.5	13,241.5
Changes due to forex impact	(41.5)	0.0	0.0	0.0
Ending cash & cash equivalent	6,505.9	7,751.5	13,241.5	17,840.3

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	18.8	21.2	21.2	21.7
Pre-tax margin	15.6	18.2	18.5	19.1
Net margin	12.2	15.1	15.3	16.4
ROA	5.9	7.4	8.9	10.8
ROE	11.0	13.7	17.2	21.1
Growth				
Turnover	11.9	8.3	10.6	9.8
EBITDA	29.2	21.7	10.9	12.4
Pre-tax profit	26.0	26.6	12.4	13.5
Net profit	20.1	33.4	12.7	17.1
Net profit (adj.)	22.2	11.5	9.3	14.7
EPS	19.7	7.2	9.3	14.7
Leverage				
Debt to total capital	14.8	14.5	18.2	15.5
Debt to equity	18.2	17.7	23.5	19.2
Net debt/(cash) to equity	(10.7)	(11.0)	(50.8)	(62.6)
Interest cover (x)	21.2	69.2	76.7	86.2