Trip.com (9961 HK)

2Q26: In-line Results; 3Q26 Growth To Slow On Regulatory Pressure; Expect A Recovery In 2027

Highlights

- Trip.com reported in-line 2Q26 results. Total net revenue rose 6% yoy to Rmb15.6b, in line with our expectation. Non-GAAP operating profit declined 6.5% but was above estimates. Non-GAAP net income fell 4.3% yoy to Rmb4.8b, but beat our and consensus estimates by 16-19%. Trip.com guided 3Q26 revenue growth of 1-6% yoy, reflecting weaker domestic travel demand and ongoing regulatory adjustments, with further pressure expected in 4Q26 from a full-quarter regulatory impact.
- Maintain BUY with an unchanged target price of HK$508.00 (US$65.00).

2Q26 Results

Year to 31 Dec (Rmbm)	2Q25	1Q26	2Q26	QoQ	YoY	UOBKH	Var	Cons	Var
Revenue	14,864	16,208	15,663	(3.4%)	5.5%	15,642	0.1%		
Accommodation reservation	6,225	6,510	6,576	1.0%	5.6%	6,834	(3.8%)		
Transportation ticketing	5,397	6,050	5,350	(11.6%)	(0.9%)	5,277	1.4%		
Packaged tour	1,079	1,130	1,161	2.7%	7.6%	1,198	(3.1%)		
Corporate travel	692	690	771	11.7%	11.4%	789	(2.3%)		
Others	1,471	1,828	1,805	(1.3%)	22.7%	1,545	16.9%		
Gross profit	12,025	12,878	12,503	(2.9%)	4.0%	12,652	(1.2%)	12,473	0.2%
GPM	81.0%	79.5%	79.8%	0.4 ppt	(1.2 ppt)	80.9%	(1.1 ppt)	80%	(0.1 ppt)
Non-GAAP operating profit	4,668	4,636	4,365	(5.8%)	(6.5%)	4,017.7	8.6%		
Non-GAAP OPM	31.4%	28.6%	27.9%	(0.7 ppt)	(3.6 ppt)	25.7%	2.2 ppt		
Non-GAAP net profit	5,011	3,905	4,798	22.9%	(4.3%)	4,027	19.2%	4,127	16.3%
Non-GAAP NPM	30.8%	31.2%	27.0%	(4.2 ppt)	(3.8 ppt)	23.7%	3.3 ppt	26%	0.6 ppt
Non-GAAP diluted EPADS (RMB)	7.20	5.73	7.27	26.9%	0.9%	6.03	20.6%	6.05	20.2%

Source: Trip.com, UOB Kay Hian

Analysis

- **Resilient core travel demand, with international business sustaining strong growth.** Trip.com's 2Q26 revenue grew 6% yoy to Rmb15.7b (2Q25: +16%,1Q26: +17%), broadly in line with our estimate. Accommodation reservation revenue rose 6% yoy to Rmb6.6b (2Q25: +21%,1Q26: +17%) driven by higher accommodation reservations, partly offset by Rmb122m of contra-revenue related to the State Administration for Market Regulation penalty. Transportation ticketing revenue declined 1% yoy to Rmb5.4b (2Q25: +11%,1Q26: +12%), mainly due to elevated energy prices and geopolitical volatility. Packaged-tour and corporate travel revenue increased 8% (2Q25: +5%, 1Q26: +19%) and 11% (2Q25: +9%, 1Q26: +20%) yoy to Rmb1.2b and Rmb771m, respectively. The international business remained the key growth driver, with revenue expanding over 50% yoy and inbound travel revenue growing at a high double-digit rate.
- **Margins moderated amid higher marketing investment.** Gross margin dropped 1.2ppt yoy to 79.8% in 2Q26, due to slowing top-line growth. Non-GAAP operating margin declined 3.6ppt yoy to 27.9%, while sales and marketing expense ratio rose 2.0ppt yoy to 24.1%, reflecting continued investment in Trip.com. Non-GAAP net profit fell 4.3% yoy to Rmb4.8b, but improved 23% qoq, implying a non-GAAP net margin of 27%.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	53,294	62,409	67,245	74,530	83,208
EBITDA	15,028	16,618	11,475	19,989	22,914
Operating profit	14,177	15,773	10,755	19,264	22,320
Net profit (rep./act.)	17,067	33,294	7,852	16,397	19,706
Net profit (adj.)	18,041	31,839	17,749	18,931	22,890
EPS (fen)	2,620.4	4,542.4	2,772.6	3,017.1	3,648.0
PE (x)	10.5	6.1	9.9	9.1	7.5
P/B (x)	1.3	1.1	1.1	0.9	0.8
EV/EBITDA (x)	10.2	9.2	13.3	7.6	6.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	32.0	53.3	11.7	22.0	23.7
Net debt/(cash) to equity (%)	(8.1)	(9.2)	(13.9)	(23.4)	(33.2)
ROE (%)	12.9	21.2	4.7	9.8	10.6
Consensus net profit (Rmbm)	-	-	16,215.7	18,568.4	20,861.2
UOBKH/Consensus (x)	-	-	1.09	1.02	1.10

Source: Trip.com, UOB Kay Hian

Analyst(s)

Julia Pan

juliapan@uobkh.com

+86 21 5404 7225 ext 808

BUY (Maintained)

Share Price	HK$322.00
Target Price	HK$508.00
Upside	57.8%

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	9961 HK
Shares issued (m)	629.7
Market cap (US$m)	202,765.1
Market cap (US$m)	25,849.4
3-mth avg daily t'over (US$m)	135.0

Price Performance (%)

52-week high/low HK$613.00/HK$299.20

1mth	3mth	6mth	1yr	YTD
(7.8)	(11.9)	(21.7)	(43.9)	(41.9)

Major Shareholders (%)

Baidu Holdings Ltd	9..72
Vanguard Group Inc	5..34
BlackRock Inc	4..99

Balance Sheet Metrics

FY26 NAV/Share (Rmb$)	260.79
FY26 Net Debt/Share (Rmb$)	36.33

Price Chart

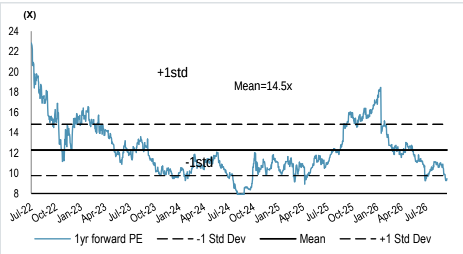
Source: Bloomberg

Company Description

Trip.com is the largest online travel agency (OTA) in China. It offers direct booking for a range of travel products including hotel reservations, airline ticketing, packaged tours, and corporate travel.

- **Trip.com sustained >50% yoy revenue growth in 2Q26.** Hotels should grow faster than the platform average, while flight revenue grew 40-50% yoy. Vacation products should remain the fastest-growing category, with revenue potentially nearly doubling off a low base. APAC remained the largest growth contributor, with Europe and the Americas growing faster off smaller bases. Mobile bookings reached a record >70% of total bookings, while GEO/AI-agent traffic grew rapidly but remained small. Trip.com delivered meaningful margin improvement on better marketing efficiency and flight economics.
- **Softer outlook for 3Q26, with further pressure likely in 4Q26.** Management guided 3Q26 net revenue growth of 1-6% yoy to Rmb18.85b-18.95b, as domestic travel demand remained under pressure from macro weakness, extreme weather and ongoing regulatory adjustments. Domestic hotel booking volume was broadly flat to slightly higher yoy, while ADR declined slightly; domestic transportation revenue is expected to fall 25-30% yoy on weaker ticket volume and lower monetisation. Management highlighted those regulatory adjustments would only have around half a quarter of impact in 3Q26, while 4Q26 will reflect a full-quarter impact, suggesting further top-line pressure alongside weaker seasonality.
- **3Q26 guidance beat, with gross margin better than expected.** Accommodation revenue is guided to grow 2-7% yoy to Rmb8.35b-8.45b, while transportation revenue is expected to decline 5% or remain flat yoy at Rmb6.1b-6.2b. Packaged-tour revenue is guided to rise 7-12% yoy to Rmb1.75b-1.85b, corporate travel 2-7% yoy to Rmb780m-800m, and other revenue 8-13% yoy to Rmb1.75b-1.80b. Despite softer top-line growth, gross margin could remain broadly flat yoy, better than our expectation, supported by improved cost control. Sales and marketing expenses should account for around 23% of revenue. Non-GAAP operating profit is guided at Rmb5.85b-5.95b, down 3-5% yoy, implying a 31-31.5% margin, while adjusted EBITDA is projected at Rmb6.05b-6.15b.
- **Recovering 2027 outlook.** Growth is likely to remain under pressure in 1H27 due to a higher base, particularly in 1Q27, before recovering to a teens level in 2H27 as base effects normalise. Growth should remain largely driven by Trip.com's international business, with narrowing losses, while the China business has further room for cost efficiencies. Trip.com's margins remain below the group average, and its revenue contribution has already reached around 20% in 2Q26/3Q26, with further mix expansion in 2027 likely to create some offsetting margin dilution.

12-Month Forward PE Band



Source: Bloomberg

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of HK$508.00 (US$65.00).** Our target price implies 15.6x 2027F PE, in line with global peers. Trip.com is currently trading at 10x 2027F PE, below its historical mean of 14.5x.

Earnings Revision/Risk

- **We cut our 3Q26 and 2026 revenue forecasts** by 3%/1% respectively and cut our 2Q26/2026 earnings forecasts by 4%/1%, respectively, in view of business adjustment and continued investment in international expansion.
- **Risks:** a) Rising competition, b) weaker consumer travel spending, c) normalisation of domestic travel demand, and d) geopolitical conflicts.

Share Price Catalyst

- a) Recovery in outbound travel and robust inbound travel, benefitting from visa-free policies; b) AI-enhanced operating efficiency and margin improvement; and c) solid expansion in Trip.com's international business.

SOTP-Based Valuation

Segment (HK$m)	FY26F Revenue	FY26F NPAT	PE (x)	EV / EBITA	Value	% Tcom holding	Value to Tcom	HK$ per share
Core Travel biz								
Travel - accommodation/transport	64,913	10,386	15		155,791	100%	155,791	243.4
Travel - package tour/ corporate travel/others	21,128	3,380		14	47,327	100%	47,327	73.9
Key equity investees (HK$m) 15% holdco discount							16,332	25.5
Net cash					99,474	100%	99,474	155.4
Total							318,924	508.0

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	62,409.0	67,245.1	74,530.0	83,208.2
EBITDA	16,618.0	11,474.5	19,988.7	22,913.6
Deprec. & amort.	845.0	719.2	724.9	593.6
EBIT	15,773.0	10,755.3	19,263.9	22,320.0
Total other non-operating income	21,674.0	(1,062.0)	(156.0)	1,000.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	1,754.0	1,693.0	1,400.0	1,000.0
Pre-tax profit	39,201.0	11,386.3	20,507.9	24,320.0
Tax	(5,815.0)	(3,506.5)	(4,132.8)	(4,664.0)
Minorities	(92.0)	(28.0)	22.0	50.0
Net profit	33,294.0	7,851.8	16,397.1	19,706.0
Net profit (adj.)	31,839.0	17,749.2	18,931.1	22,890.2

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	6,326.0	6,495.0	5,085.8	3,691.7
Other LT assets	140,011.0	133,418.0	133,823.5	134,246.7
Cash/ST investment	46,451.0	51,945.0	70,842.7	94,733.0
Other current assets	74,599.0	66,176.0	72,272.0	76,327.7
Total assets	267,387.0	258,034.0	282,024.1	308,999.0
ST debt	19,335.0	18,917.0	18,917.0	18,917.0
Other current liabilities	59,419.0	62,221.0	69,836.0	77,153.9
LT debt	11,430.0	10,742.0	10,742.0	10,742.0
Other LT liabilities	4,603.0	4,610.0	4,610.0	4,610.0
Shareholders' equity	170,949.0	159,957.0	176,332.1	195,989.1
Minority interest	1,651.0	1,587.0	1,587.0	1,587.0
Total liabilities & equity	267,387.0	258,034.0	282,024.1	308,999.0

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	14,379.0	11,291.1	18,618.9	23,511.9
Profit fo the year	39,201.0	11,386.3	20,507.9	24,320.0
Tax	(5,815.0)	(3,506.5)	(4,132.8)	(4,664.0)
Deprec. & amort.	845.0	719.2	724.9	593.6
Associates	0.0	0.0	0.0	0.0
Working capital changes	(5,857.0)	2,692.0	1,519.0	3,262.3
Non-cash items	1.0	2.0	2.0	2.0
Other operating cashflows	(13,996.0)	(2.0)	(2.0)	(2.0)
Investing	(4,181.0)	7,423.4	278.8	377.3
Capex (growth)	797.0	857.4	950.3	1,060.9
Investment	64,130.0	57,725.0	57,725.0	57,725.0
Others	(69,109.0)	(51,161.0)	(58,398.4)	(58,410.6)
Financing	(14,663.0)	(6,919.0)	(6,301.4)	1.0
Dividend payments	1.0	2.0	2.0	2.0
Proceeds from borrowings	(8,802.0)	(1,106.0)	0.0	0.0
Loan repayment	1.0	2.0	2.0	2.0
Others/interest paid	(5,863.0)	(5,817.0)	(6,305.4)	(3.0)
Net cash inflow (outflow)	(4,465.0)	11,795.4	12,596.3	23,890.2
Beginning cash & cash equivalent	51,093.0	46,451.0	58,246.4	70,842.7
Changes due to forex impact	(177.0)	0.0	0.0	0.0
Ending cash & cash equivalent	46,451.0	58,246.4	70,842.7	94,733.0

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	26.6	17.1	26.8	27.5
Pre-tax margin	62.8	16.9	27.5	29.2
Net margin	53.3	11.7	22.0	23.7
ROA	13.1	3.0	6.1	6.7
ROE	21.2	4.7	9.8	10.6
Growth				
Turnover	17.1	7.7	10.8	11.6
EBITDA	10.6	(31.0)	74.2	14.6
Pre-tax profit	97.7	(71.0)	80.1	18.6
Net profit	95.1	(76.4)	108.8	20.2
Net profit (adj.)	76.5	(44.3)	6.7	20.9
EPS	73.3	(39.0)	8.8	20.9
Leverage				
Debt to total capital	15.1	15.5	14.3	13.1
Debt to equity	18.0	18.5	16.8	15.1
Net debt/(cash) to equity	(9.2)	(13.9)	(23.4)	(33.2)