Atour Lifestyle Holdings (ATAT US)

From Hospitality To Lifestyle

	BUY
Share Price	US$32.60
Target Price	US$45.10
Upside	+38.3%

Analyst(s)

Ejann Hiew
hejann@uobkh.com
+603 2147 1995

Stella Guo
stella.guo@uobkh.com
+852 2236 6798

Highlights

- As a key beneficiary of China's expanding experiential consumption, upper midscale hotel player Atour leverages its positioning to differentiate itself, supporting pricing power and performance resilience among peers. Its superior unit economics further underpin sustainable network expansion. Meanwhile, the retail business utilises the hotel network as a natural retail channel, transforming one-time stays into lifestyle consumption and establishing a second, fast-growing engine for the company.
- Initiate coverage with BUY and target price of US$45.10.

Analysis

- **Resilient player in China's upper-midscale hotel industry, a key beneficiary of expanding experiential consumption.** We believe the expansion of experiential consumption is supporting continued growth in China's hotel industry, with the upper-midscale segment as the key beneficiary (10% five-year CAGR over 2024-29 vs the industry's 7%). As consumers become increasingly rational and value driven, the upper-midscale segment benefits from a reverse-barbell pull, with demand downtrading from luxury (saving 40-50%) and uptrading, whether from economy (paying 50-70% more) or from same-tier alternatives (20-30% more) for newer design and better facilities. Within the segment, Atour Lifestyle Holdings (Atour) differentiates itself through the synergy between its manachised and retail operations, driving resilient operating performance. Looking ahead, under its "Chinese experience, brand-led excellence" strategy for 2026-28, Atour aims to further strengthen pricing power through product and brand upgrades.
- **Superior unit economics support sustainable network expansion.** We believe Atour Hotel's stronger profitability and shorter payback period relative to peers serve as competitive advantages in attracting manachised partners, thereby supporting the expansion of its hotel network. With 2,015 hotels as of end-25, Atour's long-term target is to have a network of 5,000 hotels.
- **Retail business monetises hotel traffic into lifestyle consumption.** Atour leverages its hotel network as a natural retail channel, transforming one-time stays into recurring monetisation opportunities across customer lifestyle consumption, building on its established hotel clientele. Retail revenue recorded a 97% six-year CAGR during 2019-25, with contribution rising from 4% to 37%. Looking ahead, the company plans to continue investing in the retail business in the near term, with business expansion as the top priority.

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Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	7,248	9,790	12,389	14,710	16,758
EBITDA (adj.)	1,772	2,481	3,015	3,630	4,236
Operating profit	1,622	2,307	2,826	3,413	3,991
Net profit (rep./act.)	1,275	1,621	1,958	2,375	2,782
Net profit (adj.)	1,306	1,753	2,126	2,570	3,003
EPS (Fen per ADS)	938.9	1,254.1	1,521.0	1,839.1	2,148.4
PE (x)	23.5	17.6	14.5	12.0	10.3
P/B (x)	10.3	8.5	6.2	4.7	3.7
EV/EBITDA (x) (adj.)	14.9	10.9	8.5	6.7	5.3
Dividend yield (%)	1.4	2.5	3.2	3.9	4.7
Net margin (%)	17.6	16.6	15.8	16.1	16.6
Net debt/(cash) to equity (%)	(192.7)	(172.1)	(162.6)	(146.8)	(136.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	51.0	49.7	46.0	41.5	37.5
Consensus net profit	-	-	2,132.1	2,569.9	3,024.7
UOBKH/Consensus (x)	-	-	1.00	1.00	0.99

Note: Per ADS represents 3 ordinary shares
Source: Atour, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Hotel, Resorts & Cruise Lines
Bloomberg ticker:	ATAT US
Shares issued (m):	111.5
Market cap (Rmbm):	34,770.5
Market cap (US$m):	4,435.0
3-mth avg daily t'over (US$m):	38.3

Price Performance (%)

52-week high/low: HK$43.17/ HK$30.83

1mth	3mth	6mth	1yr	YTD
(0.6)	(15.0)	(13.3)	(8.2)	(17.3)

Major Shareholders

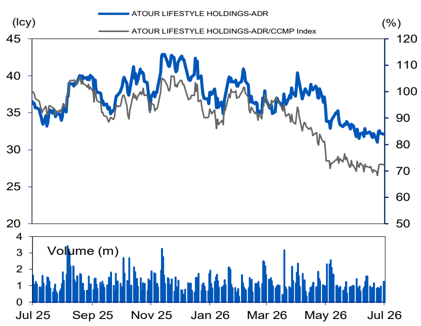
	%
Haijun Wang	19.40

**Haijun Wang effective voting power is 69.10%*

Balance Sheet Metrics

FY26 NAV/ADR (Rmb)	35.71
FY26 Net Cash/ADR (Rmb)	31.45

Price Chart



Source: Bloomberg

Company Description

Atour Lifestyle Holdings is a leading lifestyle group in China operating hospitality and retail businesses. The company manages a portfolio of seven hotel brands across the midscale to luxury tiers, primarily through a manachised (franchise) model, with Atour Hotels as the core brand. In retail, Atour focuses on sleep-related and lifestyle products through proprietary brands such as Atour Planet and SAVHE.

Valuation

- **Initiate coverage with BUY and DCF-based target price of US$45.10.** We use the DCF valuation methodology, assuming a WACC of 13.9% and a terminal growth rate of 2%. Our target price of US$45.10 implies 11.9x 2026F EV/EBITDA and 9.9x 2027F EV/EBITDA.

  The implied EV/EBITDA is broadly aligned with the five-year average one-year forward valuations of Atour's comparable peers, including H World, Jinjiang International Hotels, and BTG Hotels.

  Atour currently trades at 8.5x 2026F EV/EBITDA and 6.7x 2027F EV/EBITDA.

Risk Factors

- **Slower-than-expected economic growth.** A potential deceleration in China's macroeconomic recovery poses a direct risk to discretionary travel and corporate hospitality budgets. This could prompt consumers to trade down to budget hotels, negatively impacting Atour's occupancy (OCC) and lowering its ADR, which in turn would reduce RevPAR and drag down the overall operational performance.
- **Potentially stiffer competition in the retail business.** The rise of innovative online channels and the emergence of private labels could intensify competition in the company's retail business. In addition, the company's scenario-based sleep ecosystem may attract an increasing number of competitors seeking to replicate this model. Such intensification could trigger price wars on flagship products, leading to decelerated growth and lower profitability in Atour's retail business.

Forward EV/EBITDA Multiple Valuation

5-year average forward EV/EBITDA	
H World Group (1179 HK)	14.6
Jinjiang International Hotels (600754 CH)	14.4
BTG Hotels Group (600258 CH)	11.6
Historical average forward EV/EBITDA	
Atour Lifestyle Holdings (ATAT US)	11.1
Industry average forward EV/EBITDA	12.9

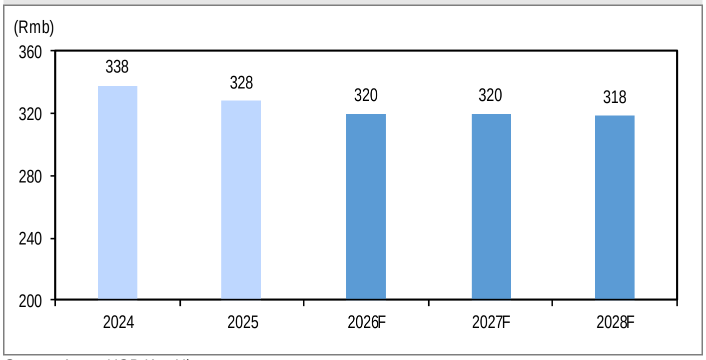
Source: Atour, Bloomberg, UOB Kay Hian

Revenue Breakdown

(US$m)	2025	2026F	2027F	2028F
Manachised hotels	5,309	6,809	7,760	8,560
Leased hotels	590	529	536	537
Retail	3,671	4,809	6,155	7,387
Others	220	242	259	274
Net revenue	9,790	12,389	14,710	16,758

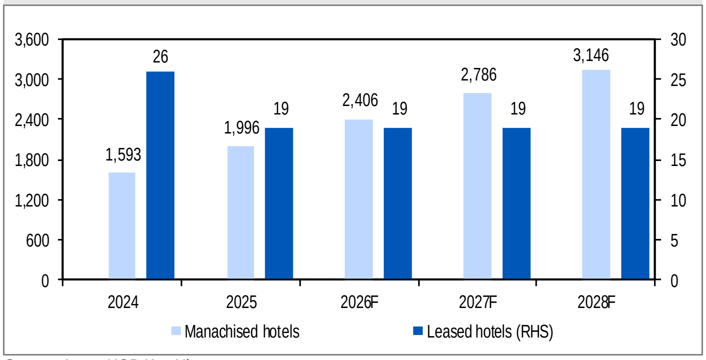
Source: Atour, UOB Kay Hian

RevPAR Forecast



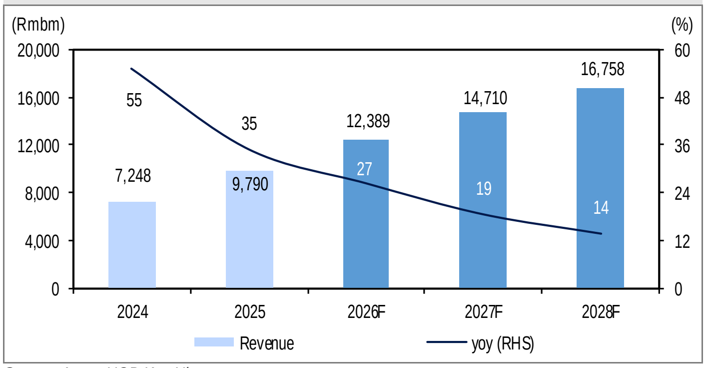
Source: Atour, UOB Kay Hian

Number Of Hotels



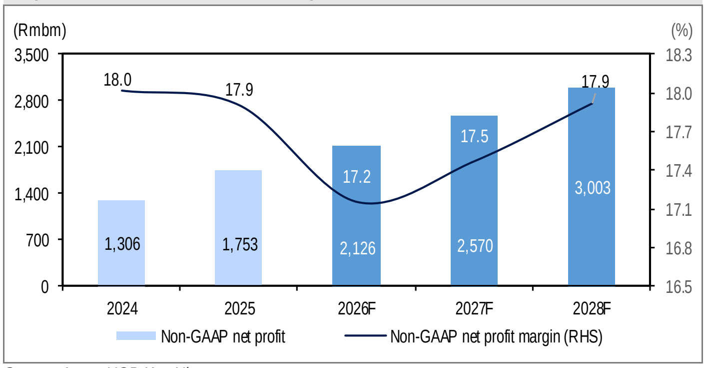
Source: Atour, UOB Kay Hian

Revenue Forecasts



Source: Atour, UOB Kay Hian

Adjusted Net Profit And Adjusted NPM Forecast



Source: Atour, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	9,790.2	12,388.9	14,710.4	16,758.3
EBITDA (adj.)	2,480.6	3,015.1	3,629.5	4,236.4
Deprec. & amort.	54.1	48.9	53.0	61.5
EBIT	2,306.7	2,825.6	3,412.9	3,991.3
Net interest income/(expense)	67.9	59.1	85.1	114.7
Pre-tax profit	2,362.9	2,858.2	3,466.4	4,069.5
Tax	(741.6)	(899.5)	(1,091.2)	(1,286.9)
Minorities	(0.3)	(0.3)	(0.4)	(0.5)
Net profit	1,621.0	1,958.3	2,374.9	2,782.1
Net profit (adj.)	1,752.7	2,125.8	2,570.4	3,002.7

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	225.6	287.6	352.2	425.3
Other LT assets	1,586.7	1,590.5	1,594.5	1,598.4
Cash/ST investment	3,303.9	4,608.6	6,091.9	7,855.0
Other current assets	4,051.3	4,514.3	4,946.9	5,302.3
Total assets	9,167.5	11,001.0	12,985.4	15,180.9
ST debt	250.0	250.0	250.0	250.0
Other current liabilities	3,475.5	3,957.4	4,355.4	4,737.0
LT debt	2.0	2.0	2.0	2.0
Other LT liabilities	1,859.2	1,859.2	1,859.2	1,859.2
Shareholders' equity	3,593.5	4,944.7	6,530.7	8,344.2
Minority interest	(12.7)	(12.4)	(12.0)	(11.5)
Total liabilities & equity	9,167.5	11,001.0	12,985.4	15,180.9

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	1,992.8	2,193.6	2,588.8	3,090.4
Pre-tax profit	2,362.9	2,858.2	3,466.4	4,069.5
Tax	(741.6)	(899.5)	(1,091.2)	(1,286.9)
Deprec. & amort.	54.1	48.9	53.0	61.5
Working capital changes	(106.7)	18.9	(34.6)	26.1
Non-cash items	110.5	0.0	0.0	0.0
Others	5.0	0.0	0.0	0.0
Investing	(1,332.1)	(114.7)	(121.5)	(138.4)
Capex (growth)	(86.0)	(114.7)	(121.5)	(138.4)
Investments	(1,251.0)	0.0	0.0	0.0
Others	5.0	0.0	0.0	0.0
Financing	(924.9)	(774.2)	(984.0)	(1,188.8)
Dividend payments	(772.0)	(774.2)	(984.0)	(1,188.8)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	255.0	0.0	0.0	0.0
Loan repayment	(65.0)	0.0	0.0	0.0
Others/interest paid	(342.9)	0.0	0.0	0.0
Net cash inflow (outflow)	(264.1)	1,304.7	1,483.3	1,763.1
Beginning cash & cash equivalent	3,619.6	3,320.2	4,624.8	6,108.1
Changes due to forex impact	(35.3)	0.0	0.0	0.0
Ending cash & cash equivalent	3,320.2	4,624.8	6,108.1	7,871.2

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin (adj.)	25.3	24.3	24.7	25.3
Pre-tax margin	24.1	23.1	23.6	24.3
Net margin	16.6	15.8	16.1	16.6
ROA	19.0	19.4	19.8	19.8
ROE	49.7	46.0	41.5	37.5
Growth				
Turnover	35.1	26.5	18.7	13.9
EBITDA (adj.)	40.0	21.6	20.4	16.7
Pre-tax profit	37.5	21.0	21.3	17.4
Net profit	27.1	20.8	21.3	17.1
Net profit (adj.)	34.2	21.3	20.9	16.8
EPS	33.6	21.3	20.9	16.8
Leverage				
Debt to total capital	7.3	5.6	4.2	3.3
Debt to equity	7.7	5.9	4.4	3.4
Net debt/(cash) to equity	(172.1)	(162.6)	(146.8)	(136.9)

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