

Tongcheng Travel (780 HK)

1Q earnings beat; on track to deliver solid full-year earnings growth

Tongcheng Travel (TC) reported 1Q25 results: total revenue was RMB4.4bn, up 13% YoY, and was 0.7/0.9% better than our forecast/Bloomberg consensus estimates, due to the 1% revenue beat in core OTA business but this was partly offset by slower-than-expected recovery in Tourism business; adjusted NP was RMB788mn, up 41% YoY, and was 6.6/7.3% better than our forecast/consensus, driven by better-than-expected operating leverage of core OTA business, as well as operation refinement of Tourism business. OPM of the core OTA business expanded to 29.2% in 1Q25 (1Q24: 22.6%). To account for the mixed impact from better-than-expected operating efficiency gains of core OTA business, and slower-than-expected recovery in relatively thin-margin Tourism business, we lower 2025-2027E revenue forecast by 2%, while maintaining non-GAAP net profit forecast largely unchanged. We are still looking for a 25/18% YoY growth for core OTA OP/total non-GAAP NP in 2025E. Our DCF-based TP remains unchanged at HK\$24.0, translating into 15.6x 2025E PE (non-GAAP). Maintain BUY.

■ **Core OTA business revenue growth slightly ahead of consensus.** In 1Q25, TC's core OTA business revenue reached RMB3.8bn (86.6% of total revenue), up 18.4% YoY (4Q24: 20.2% YoY), and was 1% ahead of consensus driven by better-than-expected revenue growth in transportation ticketing business and Others. In 1Q25, transportation ticketing services/accommodation reservation services/others revenue achieved YoY growth of 15%/23%/20% (4Q24: 17/29/15%). The number of twelve-month accumulated number of travellers served reached 2.0bn by end-Mar, up 7.3% YoY, compared to annual paying users (APU) increase of 7.8% YoY during the same period. The cross-selling ratio between transportation ticketing and other business and products was largely stable QoQ at 12% in 1Q25.

■ **2Q25 outlook: core OTA revenue growth to slow down due to seasonality, but should recovery in 2H.** For 2Q25E, we estimate TC to ink total revenue of RMB4.7bn, up 10% YoY, driven by 13% YoY revenue growth of core OTA segment, but offset by a 7.5% YoY decline in Tourism revenue. Within the core OTA business, we are looking for 10/12/25% YoY revenue growth for transportation ticketing/accommodation reservation (AR)/Others business. We see support for the robust revenue growth of AR to come from: 1) 9% YoY growth in hotel room night growth; and 2) 2% YoY growth in hotel average daily rate (ADR); 3) increase in hotel take rate aided by optimization in user subsidies. We are looking for a reacceleration in YoY revenue growth for AR in 3Q-4Q25, driven by easier comps and stronger seasonality, which in our view should aid recovery in both the growth of hotel room nights and ADR.

■ **YoY margin expansion for core OTA should sustain.** TC's overall OPM reached 18.7% in 1Q25, up from 11.8% in 1Q24, among which OPM of core OTA business improved to 29.2% (1Q24: 22.6%), thanks to solid revenue growth which helped unleash operating leverage. The YoY margin expansion trend of core OTA business should sustain in 2Q25, in our view, driven by healthy revenue growth and continuous optimization in sales and marketing spend. We forecast non-GAAP OPM of core OTA to expand to 25.5% in 2Q25E (2Q24: 24.3%), and overall non-GAAP net profit of RMB732mn, translating into 15.7% non-GAAP net margin.

BUY (Maintain)

Target Price HK\$24.00
Up/Downside 17.1%
Current Price HK\$20.50

China Internet

Saiyi HE, CFA
(852) 3916 1739
hesaiyi@cmbi.com.hk

Ye TAO, CFA
franktao@cmbi.com.hk

Wentao LU, CFA
luwentao@cmbi.com.hk

Joanna Ma
(852) 3761 8838
joannama@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	47,160.1
Avg 3 mths t/o (HK\$ mn)	350.6
52w High/Low (HK\$)	22.40/12.70
Total Issued Shares (mn)	2300.5

Source: FactSet

Shareholding Structure

TCH Sapphire Limited	13.4%
C-Travel International Limited	12.4%

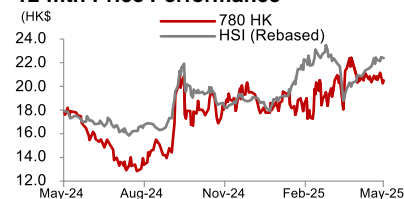
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	0.7%	-5.8%
3-mth	11.1%	10.5%
6-mth	13.0%	-7.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	11,896	17,341	19,491	21,842	23,647
YoY growth (%)	80.7	45.8	12.4	12.1	8.3
Adjusted net profit (RMB mn)	2,192.1	2,785.4	3,299.1	3,783.1	4,190.8
Diluted EPS (RMB)	0.95	1.22	1.43	1.63	1.80
Consensus EPS (RMB)	na	na	1.34	1.59	1.83
P/E (x)	27.2	21.6	16.5	14.0	12.6

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: TC: quarterly results and comparison with consensus

(RMBmn)	1Q24	2Q24	3Q24	4Q24	1Q25	1Q25E consensus	Diff%
Total revenue	3,866	4,245	4,991	4,238	4,377	4,340	0.9%
YoY growth (%)	49.5%	48.1%	51.3%	34.8%	13.2%		
1. Core OTA	3,203	3,526	4,013	3,457	3,792	3,750	1.1%
YoY growth (%)	23.9%	23.0%	21.6%	20.2%	18.4%		
1.1 Transportation ticketing services	1,737	1,743	2,027	1,723	2,000	1,962	1.9%
YoY growth (%)	25.6%	16.6%	20.6%	17.0%	15.2%		
1.2 Accommodation reservation services	965	1,191	1,378	1,135	1,190	1,195	-0.4%
YoY growth (%)	15.6%	12.8%	22.2%	28.6%	23.3%		
1.3 Others	502	592	609	599	603	593	1.6%
YoY growth (%)	36.0%	87.3%	23.7%	14.8%	20.0%		
2. Tourism	663	719	979	780	585	589	-0.8%
Gross profit	2,515	2,744	3,165	2,690	3,012	2,891	4.2%
Operating profit	455	517	977	474	817	674	21.2%
Adj. net profit	558	657	910	660	788	735	7.3%
YoY (%)	10.9%	10.9%	46.6%	36.8%	41.1%		
Margin (%)							
GPM	65.0%	64.6%	63.4%	63.5%	68.8%	66.6%	2.2 ppt
OPM	11.8%	12.2%	19.6%	11.2%	18.7%	15.5%	3.1 ppt
Adj. NPM	14.4%	15.5%	18.2%	15.6%	18.0%	16.9%	1.1 ppt

Source: Company data, Bloomberg

To account for the mixed impact from better-than-expected operating efficiency gains of core OTA business, and slower-than-expected recovery in relatively thin-margin Tourism business, we lower 2025-2027E revenue forecast by 2%, while maintaining non-GAAP net profit forecast largely unchanged. Within Tourism business, outbound package tour business for some of the popular destinations in Southeast Asia is likely to take a longer time to recover than we previously anticipated.

Figure 2: TC: CMBI earnings forecast revision

RMB mn	Current			Previous forecast			Diff (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	19,491	21,842	23,647	19,804	22,186	24,015	-1.6%	-1.6%	-1.5%
Gross profit	12,747	14,387	15,675	12,916	14,570	15,866	-1.3%	-1.3%	-1.2%
Operating profit	3,161	3,701	4,129	3,169	3,716	4,142	-0.2%	-0.4%	-0.3%
Non-GAAP net profit	3,299	3,783	4,191	3,299	3,793	4,202	0.0%	-0.3%	-0.3%
Gross margin	65.4%	65.9%	66.3%	65.2%	65.7%	66.1%	0.2 ppt	0.2 ppt	0.2 ppt
Operating profit margin	16.2%	16.9%	17.5%	16.0%	16.7%	17.2%	0.2 ppt	0.2 ppt	0.2 ppt
Non-GAAP net margin	16.9%	17.3%	17.7%	16.7%	17.1%	17.5%	0.3 ppt	0.2 ppt	0.2 ppt

Source: CMBIGM estimates

Figure 3: TC: CMBI forecast vs Bloomberg consensus

RMB mn	Current			Consensus			Diff (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	19,491	21,842	23,647	19,728	22,397	25,060	-1.2%	-2.5%	-5.6%
Gross profit	12,747	14,387	15,675	12,926	14,790	16,646	-1.4%	-2.7%	-5.8%
Operating profit	3,161	3,701	4,129	3,142	3,866	4,446	0.6%	-4.3%	-7.1%
Non-GAAP net profit	3,299	3,783	4,191	3,281	3,863	4,314	0.6%	-2.1%	-2.9%
Gross margin	65.4%	65.9%	66.3%	65.5%	66.0%	66.4%	-0.1 ppt	-0.2 ppt	-0.1 ppt
Operating profit margin	16.2%	16.9%	17.5%	15.9%	17.3%	17.7%	0.3 ppt	-0.3 ppt	-0.3 ppt
Non-GAAP net margin	16.9%	17.3%	17.7%	16.6%	17.2%	17.2%	0.3 ppt	0.1 ppt	0.5 ppt

Source: Bloomberg, CMBIGM estimates

Figure 4: TC: DCF valuation (WACC of 13.0%; terminal growth of 1.0%; both unchanged)

(RMBmn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Total revenue	19,491	21,842	23,647	24,934	25,853	26,548	27,088	27,519	27,871
NPV of FCF	25,917								
Discounted terminal value	17,100								
Total equity valuation	51,515								
No. of shares (diluted, mn)	2,300								
Valuation per share (HKD)	24.0								

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	6,585	11,896	17,341	19,491	21,842	23,647
Cost of goods sold	(1,807)	(3,158)	(6,227)	(6,744)	(7,454)	(7,972)
Gross profit	4,778	8,738	11,113	12,747	14,387	15,675
Operating expenses	(4,802)	(6,869)	(8,690)	(9,585)	(10,686)	(11,545)
Selling expense	(2,801)	(4,473)	(5,621)	(6,322)	(7,080)	(7,665)
Admin expense	(701)	(711)	(1,206)	(1,206)	(1,302)	(1,385)
Other rental related expenses	(1,414)	(1,821)	(2,001)	(2,182)	(2,436)	(2,637)
Others	114	136	138	125	131	142
Operating profit	(24)	1,869	2,423	3,161	3,701	4,129
Interest income	58	175	195	217	285	360
Interest expense	(137)	(157)	(231)	(232)	(232)	(232)
Others	(14)	(33)	11	12	18	19
Pre-tax profit	(117)	1,854	2,398	3,157	3,772	4,276
Income tax	(46)	(288)	(410)	(540)	(683)	(817)
After tax profit	(164)	1,566	1,988	2,617	3,089	3,459
Minority interest	(18)	11	14	14	14	14
Net profit	(146)	1,554	1,974	2,603	3,075	3,445
Adjusted net profit	646	2,192	2,785	3,299	3,783	4,191

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	10,384	14,900	18,241	21,343	25,030	28,867
Cash & equivalents	3,547	5,192	8,020	10,558	13,334	16,476
Restricted cash	88	145	136	153	172	186
Account receivables	888	1,218	1,728	1,942	2,176	2,356
Prepayment	2,697	4,370	5,450	5,957	6,614	7,117
Financial assets at FVTPL	3,163	3,974	2,907	2,733	2,733	2,733
Non-current assets	14,651	16,817	19,537	19,160	19,055	18,957
PP&E	1,598	2,495	3,147	3,320	3,496	3,674
Right-of-use assets	111	589	909	909	909	909
Intangibles	8,581	9,580	10,814	10,442	10,103	9,784
Financial assets at FVTPL	758	1,039	957	957	957	957
Other non-current assets	3,602	3,113	3,709	3,531	3,589	3,633
Total assets	25,035	31,717	37,777	40,504	44,085	47,824
Current liabilities	6,117	11,887	11,597	12,100	12,663	13,083
Short-term borrowings	443	2,540	1,359	1,359	1,359	1,359
Account payables	2,522	4,131	4,467	4,721	5,069	5,261
Tax payable	3,040	4,939	5,154	5,403	5,618	5,846
Other current liabilities	60	166	342	342	342	342
Contract liabilities	51	111	274	274	274	274
Non-current liabilities	2,928	1,283	5,218	2,541	2,669	2,768
Long-term borrowings	1,858	11	2,794	0	0	0
Obligations under finance leases	88	420	680	680	680	680
Other non-current liabilities	982	852	1,743	1,860	1,989	2,088
Total liabilities	9,044	13,170	16,815	14,641	15,333	15,852
Share capital	8	8	8	8	8	8
Capital surplus	19,877	20,116	20,762	23,161	23,161	23,161
Other reserves	(4,153)	(2,421)	(768)	1,719	4,594	7,801
Total shareholders equity	15,732	17,703	20,001	24,888	27,763	30,970
Minority interest	258	844	961	975	989	1,003
Total equity and liabilities	25,035	31,717	37,777	40,504	44,085	47,824

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(117)	1,854	2,398	3,157	3,772	4,276
Depreciation & amortization	840	911	1,083	1,038	1,078	1,116
Tax paid	(50)	(192)	(435)	(540)	(683)	(817)
Change in working capital	(1,001)	911	(688)	(144)	(258)	(207)
Others	630	521	613	377	383	415
Net cash from operations	302	4,003	2,970	3,889	4,293	4,783
Investing						
Capital expenditure	(515)	(772)	(403)	(450)	(479)	(501)
Others	118	(991)	(431)	(407)	(455)	(487)
Net cash from investing	(397)	(1,762)	(834)	(856)	(934)	(988)
Financing						
Net borrowings	0	(2)	(5)	(494)	(583)	(653)
Proceeds from share issues	0	0	0	0	0	0
Others	1,535	(590)	684	0	0	0
Net cash from financing	1,535	(592)	679	(494)	(583)	(653)
Net change in cash						
Cash at the beginning of the year	2,046	3,547	5,192	8,020	10,558	13,334
Exchange difference	61	(4)	13	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	3,547	5,192	8,020	10,558	13,334	16,476
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(12.6%)	80.7%	45.8%	12.4%	12.1%	8.3%
Gross profit	(15.4%)	82.9%	27.2%	14.7%	12.9%	8.9%
Operating profit	na	na	29.6%	30.4%	17.1%	11.6%
Net profit	na	na	27.0%	31.9%	18.1%	12.0%
Adj. net profit	(50.6%)	239.3%	27.1%	18.4%	14.7%	10.8%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	72.6%	73.5%	64.1%	65.4%	65.9%	66.3%
Operating margin	(0.4%)	15.7%	14.0%	16.2%	16.9%	17.5%
Adj. net profit margin	9.8%	18.4%	16.1%	16.9%	17.3%	17.7%
Return on equity (ROE)	(0.9%)	9.3%	10.5%	11.6%	11.7%	11.7%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.1)	(0.1)	(0.2)	(0.4)	(0.4)	(0.5)
Current ratio (x)	1.7	1.3	1.6	1.8	2.0	2.2
Receivable turnover days	43.2	32.3	31.0	34.4	34.4	35.0
Payable turnover days	477.6	384.5	252.0	248.6	239.7	236.5
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	27.2	21.6	16.5	14.0	12.6
P/E (diluted)	64.7	19.7	15.5	13.1	11.5	10.5
P/B	2.7	2.4	2.2	1.7	1.6	1.4
P/CFPS	ns	13.4	16.8	12.6	11.4	10.3

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM

OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.