Trip.com (TCOM US)

2Q26 results in line; business remediation ongoing

Trip.com Group (TCOM) reported its 2Q26 results on 16 September. Total revenue rose 5.4% YoY to RMB15.7bn, in line with Bloomberg consensus estimates. Non-GAAP operating profit (OP), excluding the impact of the antitrust penalty, was RMB3.7bn, also in line with consensus. TCOM's business remediation remains ongoing, while elevated energy prices and airfares, extreme weather conditions, and weaker consumer sentiment continue to pose near-term headwinds. Reflecting these headwinds and the impact of the penalty, we lower our 2026-2028E revenue and non-GAAP net profit forecasts by 2-3% and 8-11%, respectively. We cut our target price by 10% to US$64.6, implying 18.0x/15.6x 2026/2027E non-GAAP P/E. In our view, TCOM's competitive advantages over its peers remain intact. However, a valuation rerating may hinge on easing macro headwinds and greater visibility into earnings growth following the completion of its operational refinements. Maintain BUY.

- **Domestic and outbound travel demand facing near-term headwinds.** Given extreme weather conditions and softer travel demand, we forecast flat YoY domestic hotel booking volume and 5% YoY growth in outbound hotel booking volume in 3Q26, with the latter broadly in line with growth of outbound travel ticketing volume. Within the pure international business, Trip.com sustained revenue growth of over 50% YoY in 2Q26, and we expect this strong momentum to continue in 3Q26. Overall, we forecast total revenue of RMB18.9bn in 3Q26E, up 3.3% YoY. We expect accommodation reservation revenue to grow 4.6% YoY and transportation ticketing revenue to decline 2.4% YoY, compared with growth of 18.3% and 11.6%, respectively, in 3Q25. On profitability, we forecast non-GAAP OP of RMB5.9bn in 3Q26E, down 3% YoY, with a non-GAAP operating margin (OPM) of 31.3% (3Q25: 33.4%).
- **TCOM's competitive advantages remain intact.** In our view, TCOM continues to offer a differentiated value proposition to its hotel partners and consumers. Its robust supply chain capabilities, high service quality, comprehensive product offerings, and global coverage should underpin its competitive position and support long-term revenue and earnings growth.
- **Greater visibility into earnings growth remains key to a valuation recovery.** We forecast a 1% YoY decline in TCOM's non-GAAP OP in 2026E, with its non-GAAP OPM narrowing to 26.8% from 28.9% in 2025. We remain positive on TCOM's long-term revenue and earnings growth potential, supported by its overseas expansion prospects. We believe easing macro headwinds and greater visibility into earnings growth should be key drivers of a valuation rerating.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	53,377	62,510	66,550	72,761	78,316
YoY growth (%)	19.8	17.1	6.5	9.3	7.6
Net profit (RMB mn)	17,067.0	33,294.0	6,536.8	16,388.2	18,176.7
Adjusted net profit (RMB mn)	18,041.0	31,839.0	16,496.2	19,087.6	20,925.6
YoY growth (%)	38.0	76.5	(48.2)	15.7	9.6
EPS (Adjusted) (RMB)	25.84	46.23	24.57	28.43	31.16
P/E (x)	10.4	5.3	26.5	10.6	9.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**US$64.60**
(Previous TP	US$71.60)
Up/Downside	**59.8%**
Current Price	**US$40.43**

China Internet

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

Ye TAO, CFA
(852) 3850 5226
franktao@cmbi.com.hk

Wentao LU, CFA
luwentao@cmbi.com.hk

Shuyin GUO
(852) 3916 3716
guoshuyin@cmbi.com.hk

Stock Data

Mkt Cap (US$ mn)	27,844.3
Avg 3 mths t/o (US$ mn)	35.8
52w High/Low (US$)	78.96/38.70
Total Issued Shares (mn)	688.7

Source: FactSet

Shareholding Structure

Capital World Investors	7.9%
Baidu	6.4%

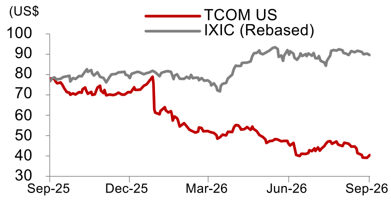
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-9.9%	-7.5%
3-mth	-13.5%	-13.3%
6-mth	-22.9%	-33.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Results comparison and changes in forecast

Figure 1: TCOM: quarterly financial results

(RMBbn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	2Q26E consensus	Diff%
Total revenue	**13.9**	**14.9**	**18.4**	**15.4**	**16.2**	**15.7**	**15.6**	**0.3%**
YoY growth (%)	*16.2%*	*16.2%*	*15.5%*	*20.8%*	*17.0%*	*5.4%*		
Accommodation reservation	5.5	6.2	8.0	6.3	6.5	6.6	6.9	-4.1%
YoY growth (%)	*23.2%*	*21.2%*	*18.3%*	*21.4%*	*17.5%*	*5.6%*		
Transportation ticketing	5.4	5.4	6.3	5.4	6.1	5.4	5.2	2.0%
YoY growth (%)	*8.4%*	*10.8%*	*11.6%*	*12.3%*	*11.7%*	*-0.9%*		
Packaged tour	0.9	1.1	1.6	1.1	1.1	1.2	1.2	-3.1%
YoY growth (%)	*7.2%*	*5.3%*	*3.1%*	*21.4%*	*19.3%*	*7.6%*		
Corporate travel	0.6	0.7	0.8	0.8	0.7	0.8	0.8	-1.5%
YoY growth (%)	*12.1%*	*9.3%*	*15.2%*	*15.1%*	*20.4%*	*11.4%*		
Others	1.4	1.5	1.7	1.9	1.8	1.8	1.5	16.5%
YoY growth (%)	*33.0%*	*31.0%*	*33.9%*	*54.3%*	*33.3%*	*22.7%*		
Gross profit	11.1	12.0	15.0	12.2	12.9	12.5	12.5	0.2%
Operating profit	3.6	4.1	5.6	2.5	3.9	-1.5	3.7	-139.2%
Non-GAAP net profit	**4.2**	**5.0**	**19.2**	**3.5**	**3.9**	**4.8**	**4.1**	**16.3%**
YoY growth (%)	*3.3%*	*0.5%*	*221.2%*	*14.7%*	*-6.8%*	*-4.3%*		
Expense ratio and margins								
GPM (%)	80.3%	80.9%	81.6%	78.8%	79.5%	79.8%	79.9%	-0.1 ppt
OPM (%)	25.7%	27.6%	30.3%	16.4%	24.3%	-9.3%	23.9%	-33.3 ppt
Non-GAAP OPM (%)	29.2%	31.4%	33.4%	20.7%	28.6%	27.9%	27.7%	0.2 ppt
Non-GAAP P&D expense ratio	23.9%	21.8%	20.9%	24.2%	22.8%	22.1%	22.5%	-0.4 ppt
Non-GAAP S&M expense ratio	21.4%	22.1%	22.5%	28.1%	22.7%	24.1%	24.1%	0.0 ppt
Non-GAAP G&A expense ratio	5.9%	5.7%	4.9%	5.9%	5.3%	38.9%	5.8%	33.1 ppt
Adjusted NPM (%)	30.2%	33.7%	104.3%	22.6%	24.1%	30.6%	26.4%	4.2 ppt

Source: Company data, Bloomberg, CMBIGM

Figure 2: TCOM: forecast revision

	Current			Previous			Change (%)		
RMB bn	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	66.6	72.8	78.3	67.7	74.4	80.4	-1.8%	-2.2%	-2.6%
Gross Profit	53.3	57.9	62.4	54.2	59.2	64.0	-1.6%	-2.1%	-2.5%
Operating Profit	10.0	17.0	18.8	15.5	17.3	19.3	-35.6%	-2.1%	-2.5%
Non-GAAP OP	17.8	19.7	21.6	18.0	19.9	21.9	-1.2%	-1.2%	-1.6%
Non-GAAP NP	16.5	19.1	20.9	18.4	20.8	22.9	-10.5%	-8.3%	-8.6%
Gross Margin	80.1%	79.6%	79.7%	80.0%	79.5%	79.6%	0.1 ppt	0.1 ppt	0.1 ppt
Operating Margin	15.0%	23.3%	24.0%	22.9%	23.3%	24.0%	-7.9 ppt	0.0 ppt	0.0 ppt
Non-GAAP OPM	26.8%	27.0%	27.5%	26.6%	26.8%	27.3%	0.2 ppt	0.3 ppt	0.3 ppt
Non-GAAP NPM	24.8%	26.2%	26.7%	27.2%	28.0%	28.5%	-2.4 ppt	-1.7 ppt	-1.7 ppt

Source: CMBIGM estimates

Figure 3: TCOM: DCF valuation (WACC of 10.5%, terminal growth of 1.0%, both unchanged)

(RMBbn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Total revenue	66.6	72.8	78.3	83.1	87.0	90.2	92.9	95.1	97.1	98.9	100.5
NPV of FCF	137.1										
Discounted terminal value	81.0										
Total equity valuation	297.1										
No. of ADS (diluted, mn)	671										
Valuation per ADS (USD)	64.6										

Source: CMBIGM estimates
Note: USD:RMB = 1:6.85; our target valuation is based on 2026E valuation.

Risks

1) Weaker-than-expected cosnumption sentiment; 2) slower-than-exepcted margin expansion.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**44,562**	**53,377**	**62,510**	**66,550**	**72,761**	**78,316**
Cost of goods sold	(8,121)	(9,990)	(12,122)	(13,244)	(14,843)	(15,898)
Others	(52)	(83)	(101)	0	0	0
Gross profit	**36,389**	**43,304**	**50,287**	**53,307**	**57,918**	**62,418**
Operating expenses	**(25,065)**	**(29,127)**	**(34,514)**	**(43,311)**	**(40,950)**	**(43,606)**
SG&A expense	(12,945)	(15,988)	(19,378)	(26,687)	(23,065)	(24,513)
R&D expense	(12,120)	(13,139)	(15,136)	(16,624)	(17,885)	(19,093)
Operating profit	**11,324**	**14,177**	**15,773**	**9,996**	**16,968**	**18,811**
Interest income	2,090	2,341	2,603	2,118	2,636	2,917
Interest expense	(2,067)	(1,735)	(849)	(468)	(468)	(468)
Other income/expense	(667)	2,220	21,321	(1,023)	1,455	1,566
Pre-tax profit	**10,680**	**17,003**	**38,848**	**10,624**	**20,592**	**22,827**
Income tax	(1,750)	(2,604)	(5,815)	(3,421)	(4,118)	(4,565)
Others	1,072	2,828	353	(581)	0	0
Minority interest	(84)	(160)	(92)	(85)	(85)	(85)
Net profit	**9,918**	**17,067**	**33,294**	**6,537**	**16,388**	**18,177**
Adjusted net profit	**13,071**	**18,041**	**31,839**	**16,496**	**19,088**	**20,926**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**88,732**	**112,120**	**121,050**	**151,336**	**177,970**	**204,983**
Cash & equivalents	41,592	48,439	39,848	73,166	95,492	118,652
Restricted cash	2,391	2,654	6,603	4,659	5,093	5,482
Account receivables	11,410	12,459	15,241	15,972	17,463	18,796
Prepayment	12,749	17,290	23,982	25,532	27,915	30,046
Other current assets	20,590	31,278	35,376	32,007	32,007	32,007
Non-current assets	**130,405**	**130,461**	**146,337**	**134,120**	**134,157**	**133,996**
PP&E	5,142	5,053	5,445	5,812	6,002	5,993
Investment in JVs & assos	49,342	47,194	61,375	50,694	50,694	50,694
Intangibles	12,564	12,840	13,013	10,961	10,758	10,555
Goodwill	59,372	60,911	62,268	62,268	62,268	62,268
Other non-current assets	3,985	4,463	4,236	4,386	4,436	4,486
Total assets	**219,137**	**242,581**	**267,387**	**285,456**	**312,127**	**338,979**
Current liabilities	**72,411**	**74,010**	**78,169**	**86,933**	**94,026**	**99,644**
Short-term borrowings	25,857	19,433	19,335	19,335	19,335	19,335
Account payables	16,459	16,578	19,150	21,190	23,749	25,437
Tax payable	2,038	2,117	2,048	5,131	6,177	6,848
Other current liabilities	27,013	33,430	34,374	37,701	40,757	43,732
Accrued expenses	1,044	2,452	3,262	3,576	4,008	4,292
Non-current liabilities	**23,720**	**25,089**	**16,618**	**16,586**	**16,911**	**17,053**
Long-term borrowings	19,099	20,134	11,430	11,430	11,430	11,430
Obligations under finance leases	477	561	585	585	585	585
Other non-current liabilities	4,144	4,394	4,603	4,571	4,896	5,038
Total liabilities	**96,131**	**99,099**	**94,787**	**103,519**	**110,937**	**116,698**
Share capital	6	6	6	6	6	6
Capital surplus	97,428	101,187	103,953	106,788	109,688	112,637
Retained earnings	28,806	45,251	76,597	83,099	99,452	117,594
Other reserves	(4,056)	(3,894)	(9,607)	(9,607)	(9,607)	(9,607)
Total shareholders equity	**122,184**	**142,550**	**170,949**	**180,286**	**199,539**	**220,630**
Minority interest	822	932	1,651	1,651	1,651	1,651
Total equity and liabilities	**219,137**	**242,581**	**267,387**	**285,456**	**312,127**	**338,979**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**11,752**	**19,831**	**39,201**	**10,043**	**20,592**	**22,827**
Depreciation & amortization	817	851	845	890	938	972
Change in working capital	9,256	3,321	(5,734)	6,483	3,220	2,154
Others	179	(4,378)	(19,933)	(1,223)	(1,857)	(2,255)
Net cash from operations	**22,004**	**19,625**	**14,379**	**16,192**	**22,893**	**23,699**
Investing						
Capital expenditure	(606)	(591)	(797)	(849)	(928)	(764)
Acquisition of subsidiaries/ investments	(5,326)	(16,036)	(34,277)	0	0	0
Others	11,851	10,575	30,886	4	5	5
Net cash from investing	**5,919**	**(6,052)**	**(4,188)**	**(844)**	**(923)**	**(759)**
Financing						
Net borrowings	5,721	(3,231)	(1,853)	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(8,268)	(3,479)	(12,803)	16,026	791	608
Net cash from financing	**(2,547)**	**(6,710)**	**(14,656)**	**16,026**	**791**	**608**
Net change in cash						
Cash at the beginning of the year	18,487	43,983	51,093	46,451	77,825	100,585
Exchange difference	120	247	(177)	0	0	0
Others	25,376	6,863	(4,465)	31,374	22,761	23,549
Cash at the end of the year	**43,983**	**51,093**	**46,451**	**77,825**	**100,585**	**124,134**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	122.2%	19.8%	17.1%	6.5%	9.3%	7.6%
Gross profit	134.4%	19.0%	16.1%	6.0%	8.7%	7.8%
Operating profit	12,768.2%	25.2%	11.3%	(36.6%)	69.7%	10.9%
Net profit	606.9%	72.1%	95.1%	(80.4%)	150.7%	10.9%
Adj. net profit	910.1%	38.0%	76.5%	(48.2%)	15.7%	9.6%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	81.7%	81.1%	80.4%	80.1%	79.6%	79.7%
Operating margin	25.4%	26.6%	25.2%	15.0%	23.3%	24.0%
Adj. net profit margin	29.3%	33.8%	50.9%	24.8%	26.2%	26.7%
Return on equity (ROE)	8.5%	12.9%	21.2%	3.7%	8.6%	8.7%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	1.2	1.5	1.5	1.7	1.9	2.1

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	17.8	10.4	5.3	26.5	10.6	9.5
P/B	1.5	1.3	1.1	1.0	0.9	0.8
P/CFPS	8.7	9.8	13.7	12.2	8.5	8.1

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

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CMB International Global Markets Limited

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

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