

Meituan (3690 HK)

Looking beyond 2Q22E epidemic disruptions

We expect Meituan to deliver solid 1Q22 results, with topline +22% YoY and bottom line at -RMB5.0bn. By segment, food delivery/ in-store, hotel and travel/ new initiatives rev +15%/+15%/+41% YoY, with adj. OPM at 6.0%/41%/-67%, in our estimates. Food delivery performed well in Jan & Feb, while seeing orders volatility in Mar for lockdown disruptions. AOV would improve YoY, to offset manageable take rate dilution for epidemic relief measures. In-store & hotel suffered rev YoY decline in Mar, after two-month strong growth, but long-term demand remained intact. We expect its new initiatives rev +41% YoY, with narrowing operating loss at RMB9.5bn (in which Meituan Select at RMB6.0bn). Given epidemic resurgence, 2Q22E softness should be well-anticipated by the market, and we think Meituan would be key name to benefit from upcoming SH reopening and COVID cases stabilization. We slightly trimmed our rev forecast by 2-3% in FY22-24E for epidemic impact, but maintain our TP at HK\$250.

- Solid 1Q22E ahead.** We expect 1Q22 rev +22% YoY, with adj. net loss at RMB5.0bn, similar to previous guidance. By segment, food delivery/ In-store, hotel and travel/ new initiatives rev +15%/+15%/+41% YoY, with adj. OPM at 6.0%/41%/-67%, in our estimates.
- Looking into upcoming lockdown relaxation and epidemic stabilization.** We forecast food delivery GTV/orders +16.5%/+15% YoY, with take rate at 14.2% in 1Q22E (lower subsidies to offset SME support). Adj. OPM was estimated at 6%, as slower-than-expected social insurance policy implementation. Looking ahead, 2Q22E orders might decelerate for epidemic, but would see rebound in 3Q22E once lockdowns relaxed. In-store, hotel and travel rev +15% YoY, with OPM at 41%, in our estimates. COVID-19 resurgence would dampen 2Q22E momentum, but long-term demand remains intact. We expect new initiatives rev +41% YoY (decelerating for soft seasonality and epidemic), with net loss at RMB9.5bn (vs. RMB10.2bn in 4Q21). We expect CGP UE to continuously improve, with higher ASP and GPM, under industry consolidation.
- Maintain BUY.** We trimmed our rev forecast by 2-3% and margin by 0-1ppts in FY22-24E, and maintained our SOTP-based TP at HK\$250. We reiterate our confidence on its LT organic growth with high barrier, and view it as one of the key players to benefit from lockdown relaxation.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	114,795	179,128	216,712	286,162	356,787
YoY growth (%)	18	56	21	32	25
Net income (RMB mn)	3,121	(15,572)	(11,685)	7,219	20,277
EPS (RMB)	0.53	(2.58)	(1.88)	1.14	3.10
YoY growth (%)	NA	NA	NA	NA	NA
Consensus (RMB)	NA	NA	(1.42)	1.37	4.42
P/E (x)	NA	NA	NA	123	45
P/S (x)	7.5	4.8	4.0	3.0	2.4
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	5.0	(16.5)	(12.0)	1.7	10.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$250.0
(Previous TP)	HK\$250.0)
Up/Downside	+51.5%
Current Price	HK\$165.0

China Internet Sector

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Stock Data

Mkt Cap (HK\$ mn)	1,050,368
Avg 3 mths t/o (HK\$ mn)	6,202.57
52w High/Low (HK\$)	338/103.5
Total Issued Shares (mn)	5,504

Source: Bloomberg

Shareholding Structure

Tencent	19.27%
Sequoia Capital	5.0%
Baillie Gifford	5.0%

Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-1.1%	5.7%
3-mth	-28.4%	-16.9%
6-mth	-45.3%	-31.1%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

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- Moving into 2Q22E recovery - 29 Nov 2021

Figure 1: CMBIGM estimates vs consensus

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	216,712	286,162	356,787	225,175	294,949	369,281	-3.8%	-3.0%	-3.4%
Gross Profit	51,842	69,899	91,426	59,931	88,368	117,943	-13.5%	-20.9%	-22.5%
Operating Profit	(15,337)	2,682	16,752	(12,990)	4,820	23,812	NA	-44.4%	-29.6%
Adj. net profit	(11,685)	7,219	20,277	(8,521)	9,514	27,960	NA	-24.1%	-27.5%
EPS (RMB)	(1.82)	1.10	3.02	(1.42)	1.37	4.42	NA	-19.3%	-31.7%
Gross Margin	23.9%	24.4%	25.6%	26.6%	30.0%	31.9%	-2.7ppts	-5.5ppts	-6.3ppts
Operating Margin	-7.1%	0.9%	4.7%	-5.8%	1.6%	6.4%	-1.3ppts	-0.7ppts	-1.8ppts
Adj. Net Margin	-5.4%	2.5%	5.7%	-3.8%	3.2%	7.6%	-1.6ppts	-0.7ppts	-1.9ppts

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	216,712	286,162	356,787	223,536	290,791	362,767	-3.1%	-1.6%	-1.6%
Gross Profit	51,842	69,899	91,426	57,045	73,640	96,303	-9.1%	-5.1%	-5.1%
Operating Profit	(15,337)	2,682	16,752	(13,085)	4,388	18,925	NA	-38.9%	-11.5%
Adj. net profit	(11,685)	7,219	20,277	(9,276)	8,770	22,248	NA	-17.7%	-8.9%
Adj. EPS (RMB)	(1.82)	1.10	3.02	(1.45)	1.34	3.31	NA	-17.7%	-8.9%
Gross Margin	23.9%	24.4%	25.6%	25.5%	25.3%	26.5%	-1.6ppts	-0.9ppts	-0.9ppts
Operating Margin	-7.1%	0.9%	4.7%	-5.9%	1.5%	5.2%	-1.2ppts	-0.6ppts	-0.5ppts
Adj. net margin	-5.4%	2.5%	5.7%	-4.1%	3.0%	6.1%	-1.2ppts	-0.5ppts	-0.4ppts

Source: CMBIGM estimates

Figure 3: Meituan's 1Q22E preview

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22E	QoQ	YoY	Consensus	Diff %
Revenue	16,754	24,722	35,401	37,918	37,016	43,759	48,826	49,523	45,081	-9%	22%	45,592	-1%
Operating profit	(1,716)	2,175	6,724	(2,853)	(4,767)	(3,252)	(10,103)	(5,006)	(5,764)	NA	NA	(5,505)	NA
Net profit	(1,579)	2,210	6,321	(2,244)	(4,846)	(3,356)	(9,994)	(5,339)	(6,006)	NA	NA	(5,922)	NA
Adj. net profit	(216)	2,718	2,055	(1,437)	(3,892)	(2,217)	(5,527)	(3,936)	(5,026)	NA	NA	(4,536)	NA
Adj. EPS (RMB)	(0.04)	0.45	0.34	(0.24)	(0.64)	(0.37)	(0.92)	(0.65)	(0.78)	NA	NA	(0.76)	NA
Margin (%)													
Gross margin	31.0%	34.7%	30.6%	24.9%	19.5%	28.6%	22.1%	24.2%	23.8%			22.3%	
Operating margin	-10.2%	8.8%	19.0%	-7.5%	-12.9%	-7.4%	-20.7%	-10.1%	-12.8%			-12.1%	
Adj. net margin	-1.3%	11.0%	5.8%	-3.8%	-10.5%	-5.1%	-11.3%	-7.9%	-11.1%			-9.9%	
Growth (%)													
Revenue (YoY)	-12.6%	8.9%	28.8%	34.7%	120.9%	77.0%	37.9%	30.6%	21.8%			23.2%	
Revenue (QoQ)	-40.5%	47.6%	43.2%	7.1%	-2.4%	18.2%	11.6%	1.4%	-9.0%			-7.9%	
Operating profit	NA	95.5%	364.6%	NA	NA	NA	NA	NA	NA			NA	
Adj. net profit	NA	82.0%	5.8%	NA	NA	NA	NA	NA	NA			NA	

Source: Company data, Bloomberg

Figure 4: 1Q22E Revenue breakdown

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22E	QoQ	YoY
Revenue (RMB mn)	16,754	24,722	35,401	37,918	37,016	43,759	48,826	49,523	45,081	-9.0%	21.8%
Food Delivery	9,490	14,544	20,693	21,538	20,575	23,125	26,482	26,127	23,612	-9.6%	14.8%
In-Store, Hotel, Travel	3,095	4,544	6,478	7,135	6,584	8,602	8,621	8,722	7,572	-13.2%	15.0%
New Initiatives & Others	4,168	5,634	8,230	9,244	9,856	12,032	13,723	14,674	13,898	-5.3%	41.0%

Source: Company data

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	114,795	179,128	216,712	286,162	356,787
Food delivery	66,265	96,312	107,738	135,726	165,965
In-store, hotel & travel	21,252	32,530	35,779	46,842	56,080
New initiatives	27,277	50,286	73,196	103,593	134,743
COGS	(80,744)	(136,654)	(164,871)	(216,262)	(265,361)
Gross profit	34,050	42,474	51,842	69,899	91,426
S&M	(20,558)	(40,169)	(42,335)	(41,769)	(47,583)
Admin.Exp.	(4,427)	(6,763)	(6,718)	(7,869)	(8,563)
R&D	(9,192)	(13,980)	(14,086)	(12,305)	(12,131)
Others	4,924	(4,429)	(4,039)	(5,274)	(6,398)
Operating profit	4,798	(22,867)	(15,337)	2,682	16,752
Financial Cost	(156)	(585)	(311)	(311)	(311)
Fair value change	-	-	-	-	-
Others	264	146	-	-	-
Pre-tax Income	4,906	(23,307)	(15,648)	2,371	16,441
Income Tax	270	30	-	(317)	(2,427)
Net profit	4,708	(23,536)	(15,908)	1,794	13,754
Adj. net profit	3,121	(15,572)	(11,685)	7,219	20,277

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Net income	4,708	(23,536)	(15,908)	1,794	13,754
D&A	5,194	11,892	7,796	9,561	11,262
Change in WC	1,896	6,286	2,364	7,165	7,320
Others	(3,322)	5,053	4,984	6,253	7,406
Operating CF	8,475	(306)	(764)	24,772	39,742
Capex	(11,223)	(8,956)	(10,836)	(13,736)	(16,412)
Associates	2,679	-	-	-	-
Others	(12,688)	3,995	1,758	2,786	2,339
Investing CF	(21,232)	(4,961)	(9,078)	(10,950)	(14,073)
Equity raised	-	-	-	-	-
Change of Debts	4,622	-	-	-	-
Others	12,797	62,293	-	-	-
Financing CF	17,418	62,293	-	-	-
Net change in cash	4,661	57,027	(9,841)	13,823	25,668
Cash (beg of yr)	13,396	17,094	74,120	64,279	78,101
FX	(964)	-	-	-	-
Cash (end of yr)	17,094	74,120	64,279	78,101	103,770

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	78,269	73,521	74,667	77,525	81,839
Fixed asset	13,917	7,899	9,858	11,842	15,178
Financial assets at fair value	10,257	10,257	10,257	10,257	10,257
Intangible assets	32,700	31,676	30,764	30,087	29,492
Others	21,395	23,689	23,788	25,339	26,912
Current assets	88,306	150,073	141,443	159,107	187,734
Cash	17,094	74,120	64,279	78,101	103,770
Restricted cash	12,776	12,776	12,776	12,776	12,776
Account receivable	1,031	1,287	1,323	1,573	1,765
Others	57,406	61,891	63,065	66,657	69,424
Current liabilities	51,148	64,174	67,620	80,084	91,866
Trade payable	11,967	18,674	22,592	29,832	37,194
Payable to merchants	9,415	11,753	12,086	14,363	17,013
Advances from users	4,308	5,378	5,530	6,572	7,375
Deferred revenues	5,053	6,308	6,868	8,162	9,159
Others	20,405	22,062	20,544	21,155	21,126
Non-current liabilities	17,793	17,834	17,828	17,839	17,838
Borrowings	14,924	14,924	14,924	14,924	14,924
Others	-	-	-	-	-
Minority interest	2,869	2,910	2,904	2,915	2,915
Total Equity	(59)	(57)	(54)	(52)	(50)
Shareholders' equity	97,634	141,585	130,662	138,708	159,868

Source: Company data, CMBIGM estimates

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Food delivery	57.7	53.8	49.7	47.4	46.5
In-store, hotel & travel	18.5	18.2	16.5	16.4	15.7
New initiatives	23.8	28.1	33.8	36.2	37.8
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)					
Revenue	17.7	56.0	21.0	32.0	24.7
Gross profit	5.2	16.9	30.3	34.8	30.8
EBIT	35.9	NA	NA	NA	NA
Net profit	(33.0)	NA	NA	NA	NA
P&L ratios (%)					
Operating margin	4.2	(12.8)	(7.1)	0.9	4.7
Pre-tax margin	4.3	(13.0)	(7.2)	0.8	4.6
Net margin	2.7	(8.7)	(5.4)	2.5	5.7
Effective tax rate	5.5	(0.1)	-	(13.4)	(14.8)
Returns (%)					
ROE	5.0	(16.5)	(12.0)	1.7	10.3
ROA	2.1	(8.0)	(5.3)	3.2	8.0
Per share					
EPS (RMB)	0.52	(2.58)	(1.8)	1.10	3.02
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	16.26	23.45	20.40	21.23	23.79

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