

Meituan (3690 HK)

Solid core business earnings growth to provide support for overseas expansion

Meituan reported (22 Mar) its 4Q24 results: revenue was RMB88.5bn, up 20% YoY, 1% higher than Bloomberg consensus estimate, while adj. NP reached RMB9.8bn, largely inline with consensus. The RMB12.9bn OP for core local commerce (CLC) segment was 11% better than consensus, mainly attributable to the beat in OP of food delivery (FD) business aided by optimization in user subsidy, in our view. For 2024, CLC delivered 21%/35% YoY revenue/OP growth, and loss generated from new initiatives narrowed to RMB7.3bn (2023: RMB20.2bn), driven by loss reduction of Meituan Select (c. RMB10bn YoY loss reduction contribution) and improvement in profitability of other new businesses. Looking into 2025, we expect Meituan to step up investment in international expansion, while to continue driving for operating efficiency gains in CLC, Meituan Select, and other new businesses. We expect the solid core business earnings growth to provide support for overseas expansion, with 17.6% YoY growth for CLC OP in 2025E. Our DCF-based TP is nudged up to HK\$200.2 (previous: HK\$199.2) due to better-than-expected earnings growth prospects of CLC, although this was offset by likely wider-than-expected loss generation from new business to support international expansion in the near term. Maintain BUY.

■ **CLC to maintain solid earnings growth in 2025E.** CLC segment rev/OP was RMB65.6bn/12.9bn in 4Q24, up 19%/61% YoY, 1%/11% better than consensus, thanks to better-than-expected UE expansion of FD aided by optimization in user subsidy. Looking into 2025E, we are looking for 16.2%/17.6% YoY growth for CLC, driven by: 1) 12% YoY growth in on-demand delivery order volume growth, with Instashopping order volume growth to maintain 3x that of FD; 2) 26/23% YoY growth in revenue/OP of in-store, hotel and travel (ISHT) business, driven by strong order growth aided by category expansion and lower-tier city expansion. The 65% YoY growth in in-store order volume in 2024 has proved that online penetration still has abundant room to increase, in our view, and we believe order volume growth could sustain as a strong growth driver for ISHT in 2025E.

■ **Financial impact from driving overseas expansion to emerge.** Revenue generated from new initiatives was RMB22.9bn in 4Q24, up 23.5% YoY, driven by grocery retail businesses and the development of overseas business. Operating loss was RMB2.2bn, representing a YoY loss reduction of RMB2.7bn aided by loss reduction of Meituan Select. We estimate that operating loss generated from Meituan Select was RMB1.6bn, narrowed from RMB4.4bn in 4Q23. For 1Q25, we are estimating 17% YoY revenue growth for new initiatives, the sequential decline in YoY growth rate was due to high-base of Meituan Select in 1Q24. Accounting for the incremental investment to drive for overseas expansion of FD, we are forecasting RMB2.3bn operating loss for the segment, among which we are expecting a sequential loss reduction of Meituan Select to RMB1.5bn. For 2025, we are estimating RMB9.4bn operating loss for new initiatives (2023: RMB7.3bn), and the widening YoY loss was mainly due to incremental investment to drive for overseas expansion. For other business pillars within new initiatives, we are forecasting RMB5.4bn operating loss from Meituan Select in 2025E, implying a further YoY loss reduction of RMB2.8bn, and we are expecting further improvement in profitability of all other new businesses on a combined basis.

BUY (Maintain)

Target Price HK\$200.20
(Previous TP) HK\$199.20
Up/Downside 19.5%
Current Price HK\$167.60

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Stock Data

Mkt Cap (HK\$ mn)	1,026,559.7
Avg 3 mths t/o (HK\$ mn)	7,642.3
52w High/Low (HK\$)	213.40/88.25
Total Issued Shares (mn)	6125.1

Source: FactSet

Shareholding Structure

Huai River Investment Limited	10.1%
Crown Holdings Asia Limited	7.9%

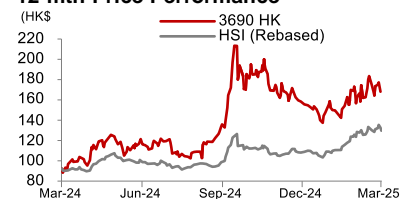
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	2.9%	2.0%
3-mth	5.7%	-12.0%
6-mth	23.3%	-4.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	276,745	337,592	395,473	449,850	497,077
YoY growth (%)	25.8	22.0	17.1	13.8	10.5
Net profit (RMB mn)	13,856.1	35,807.1	43,122.6	52,650.9	63,013.8
Adjusted net profit (RMB mn)	23,253.4	43,772.4	51,387.0	61,578.4	72,363.7
YoY growth (%)	722.5	88.2	17.4	19.8	17.5
EPS (Adjusted) (RMB)	3.74	7.15	8.39	10.05	11.81
P/E (x)	70.1	26.7	22.2	18.2	15.2
ROE (%)	9.9	22.1	22.5	21.8	20.4

Source: Company data, Bloomberg, CMBIGM estimates

Revision of forecast and valuation

Figure 1: Meituan: quarterly financial results and consensus comparison

(RMB mn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	Consensus	Diff (%)
Revenue	58,617	67,965	76,467	73,696	73,276	82,251	93,577	88,487	87,927	0.6%
YoY	26.7%	33.4%	22.1%	22.6%	25.0%	21.0%	22.4%	20.1%		
By segment										
1. CLC	42,885	51,200	57,691	55,131	54,626	60,682	69,373	65,567	65,269	0.5%
YoY	25.5%	39.2%	24.5%	26.8%	27.4%	18.5%	20.2%	18.9%		
1.1 Delivery services	16,905	20,375	22,984	21,927	21,065	23,021	27,784	26,195	26,715	-1.9%
YoY	18.8%	27.7%	14.3%	10.9%	24.6%	13.0%	20.9%	19.5%		
1.2 Commission	15,815	18,402	20,987	19,427	20,034	22,108	26,080	24,066	22,838	5.4%
YoY	32.4%	47.5%	30.5%	32.7%	26.7%	20.1%	24.3%	23.9%		
3. Online marketing services	7,747	10,244	11,370	10,907	10,307	12,263	13,424	12,842	12,830	0.1%
YoY	10.6%	40.4%	31.6%	40.8%	33.1%	19.7%	18.1%	17.7%		
4. Other services and sales	2,418	2,179	2,351	2,870	3,219	3,289	2,085	2,464	2,147	14.8%
YoY	143.6%	106.7%	56.4%	117.6%	33.1%	51.0%	-11.3%	-14.2%		
2. New initiatives	15,732	16,765	18,776	18,565	18,650	21,569	24,204	22,920	22,658	1.2%
YoY	30.1%	18.4%	15.3%	11.5%	18.5%	28.7%	28.9%	23.5%		
Operating profit	3,586	4,713	3,359	1,758	5,209	11,257	13,685	6,693	7,639	-12.4%
By segment										
CLC	9,445	11,139	10,096	8,019	9,699	15,234	14,582	12,900	11,659	10.6%
New initiatives	-5,029	-5,193	-5,112	-4,833	-2,757	-1,314	-1,026	-2,176	-2,201	
Non-IFRS net profit	5,491	7,660	5,727	4,375	7,488	13,606	12,829	9,849	9,907	-0.6%
OPM (%)	6.1%	6.9%	4.4%	2.4%	7.1%	13.7%	14.6%	7.6%	8.7%	-1.1 ppt
CLC	22.0%	21.8%	17.5%	14.5%	17.8%	25.1%	21.0%	19.7%	17.9%	1.8 ppt
New initiatives	-32.0%	-31.0%	-27.2%	-26.0%	-14.8%	-6.1%	-4.2%	-9.5%	-9.7%	0.2 ppt
Non-IFRS NPM (%)	9.4%	11.3%	7.5%	5.9%	10.2%	16.5%	13.7%	11.1%	11.3%	-0.1 ppt

Source: Company data, Bloomberg, CMBIGM estimates. Note: CLC: core local commerce

Key changes in our estimates include: 1) we lift 2025E/2026E revenue forecast by 0.7%/0.6% to factor in better-than-expected FD revenue growth driven by better-than-expected monetization rate improvement, and ISHT revenue growth driven by better-than-expected order volume growth; 2) we cut 2025E/2026E operating profit by 0.6%/4.9% to account for incremental investment to drive for overseas expansion.

Figure 2: Meituan: forecast revision

RMB bn	Current			Previous			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	395.5	449.9	497.1	392.9	447.0	-	0.7%	0.6%	-
CLC	290.7	330.0	364.6	288.7	328.0	-	0.7%	0.6%	-
New initiatives	104.7	119.9	132.4	104.2	119.0	-	0.5%	0.7%	-
OP	47.2	57.0	70.5	49.4	63.2	-	-4.5%	-9.8%	-
CLC	61.7	70.7	80.8	59.1	68.7	-	4.4%	2.9%	-
New initiatives	(9.4)	(7.5)	(3.0)	(5.3)	(0.1)	-	na	na	-
Non-IFRS NP	51.4	61.6	72.4	51.7	64.8	-	-0.6%	-4.9%	-
OPM	11.9%	12.7%	14.2%	12.6%	14.1%	-	-0.6 pp	-1.5 pp	-
Non-IFRS NPM	13.0%	13.7%	14.6%	13.2%	14.5%	-	-0.2 pp	-0.8 pp	-

Source: CMBIGM estimates

DCF-based target price of HK\$200.2

Our DCF-based target price is nudged up by 1% to HK\$200.2, assuming WACC of 11.0% and terminal growth of 2.5% (both unchanged), translating into 21x 2025E PE (non-IFRS). The change in target price was mainly due to lift in earnings growth prospects of CLC in the long term, although this was offset by likely wider-than-expected loss generation from new business to support expansion in the near term.

Figure 3: Meituan: DCF valuation, WACC of 11.0%, terminal growth of 2.5%

(RMBmn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
NPV of FCF	339,755	335,724	321,446	316,212	260,611	228,893	157,608	94,309
Discounted terminal value	548,509							
Total equity valuation	1,088,867							
Total equity valuation (HKDmn)	1,226,449							
No. of shares (diluted, mn)	6,125							
Valuation per share (HKD)	200.2							

Source: Company data, CMBIGM estimates

Note: Our TP is based on 2025E valuation

We also have a cross-check on SOTP valuation for Meituan below, in which we assign 17.0x 2025E PE for CLC business, and 1.0x 2025E PS for new initiatives and others. After considering net cash in hand, we reached total valuation of HK\$220.0 per share for Meituan.

Figure 4: Meituan: 2025E SOTP valuation cross-check

(RMBmn)	2024-2027E revenue CAGR (%)	2024-2027E OP CAGR (%)	Valuation method	2025E NP/sales	Target PE/PS	2025E valuation	As % of total valuation	Per share valuation
Core local commerce	13.4%	15.5%	2025E PE	52,416	17.0	891,070	74.5	163.9
New initiatives and others	14.9%		2025E PS	104,730	1.0	104,730	8.8	19.3
Cash and short-term investment (2025E)						200,603	16.8	36.9
Total valuation (RMBmn)						1,196,403		
Total valuation (HKDmn)						1,347,572.93		
Valuation per share (HKD)						220.0		

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	219,955	276,745	337,592	395,473	449,850	497,077
Cost of goods sold	(158,202)	(179,554)	(207,807)	(229,328)	(255,271)	(277,298)
Gross profit	61,753	97,191	129,785	166,145	194,580	219,780
Operating expenses	(67,573)	(83,776)	(92,940)	(118,961)	(137,552)	(149,252)
SG&A expense	(49,517)	(67,989)	(74,704)	(97,311)	(112,226)	(121,975)
R&D expense	(20,740)	(21,201)	(21,054)	(24,849)	(28,093)	(29,361)
Others	2,683	5,414	2,818	3,199	2,767	2,084
Operating profit	(5,820)	13,415	36,845	47,184	57,027	70,528
Share of (losses)/profits of associates/JV	36	1,213	1,186	1,186	1,186	1,186
Interest income	658	819	1,292	1,421	2,284	2,898
Interest expense	(1,629)	(1,425)	(1,337)	(1,337)	(1,337)	(1,337)
Others	0	0	0	0	0	0
Pre-tax profit	(6,756)	14,022	37,985	48,454	59,160	73,274
Income tax	70	(165)	(2,177)	(5,330)	(6,508)	(10,258)
After tax profit	(6,685)	13,857	35,808	43,124	52,653	63,016
Minority interest	1	1	1	2	2	2
Net profit	(6,686)	13,856	35,807	43,123	52,651	63,014
Adjusted net profit	2,827	23,253	43,772	51,387	61,578	72,364
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	143,145	183,116	209,735	288,980	353,373	408,351
Cash & equivalents	20,159	33,340	70,834	144,969	204,146	254,518
Restricted cash	14,606	19,373	19,550	21,505	23,655	26,021
Inventories	1,163	1,305	1,734	1,826	2,224	2,251
Other current assets	107,218	129,099	117,617	120,681	123,349	125,562
Non-current assets	101,336	109,913	114,620	107,219	110,066	115,250
PP&E	22,201	25,978	30,239	30,406	33,511	36,430
Intangibles	30,643	30,398	30,230	31,998	32,448	32,945
Other non-current assets	48,491	53,538	54,151	44,815	44,107	45,875
Total assets	244,481	293,030	324,355	396,199	463,439	523,601
Current liabilities	76,430	100,874	107,936	117,216	126,709	114,531
Short-term borrowings	17,562	19,322	1	23	2,543	2,503
Account payables	29,812	46,779	50,325	52,621	56,448	37,541
Tax payable	29,056	34,774	57,610	64,572	67,718	74,487
Non-current liabilities	39,345	40,199	43,815	68,391	64,730	64,875
Long-term borrowings	1,549	610	1,175	25,248	21,937	21,590
Other non-current liabilities	37,796	39,589	42,640	43,144	42,794	43,285
Total liabilities	115,775	141,073	151,751	185,608	191,439	179,406
Share capital	0	0	0	0	0	0
Capital surplus	316,743	325,579	308,861	303,723	312,477	321,653
Retained earnings	(189,466)	(175,617)	(139,802)	(96,678)	(44,025)	18,991
Other reserves	1,484	2,051	3,603	3,603	3,603	3,603
Total shareholders equity	128,762	152,013	172,663	210,649	272,056	344,248
Minority interest	(56)	(57)	(59)	(57)	(56)	(53)
Total equity and liabilities	244,481	293,030	324,355	396,199	463,439	523,601

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(6,756)	14,022	35,808	43,124	52,653	63,016
Depreciation & amortization	9,730	7,997	8,089	8,497	9,040	9,509
Change in working capital	(813)	13,476	4,158	2,190	2,114	(18,021)
Others	9,250	5,028	9,091	8,092	8,755	9,177
Net cash from operations	11,411	40,522	57,147	61,903	72,562	63,680
Investing						
Capital expenditure	(5,731)	(6,880)	(9,723)	(11,469)	(12,146)	(12,427)
Net proceeds from disposal of short-term investments	(7,782)	(18,301)	13,605	0	0	0
Others	(1,201)	517	6,323	(395)	(450)	(497)
Net cash from investing	(14,714)	(24,664)	10,205	(11,864)	(12,596)	(12,924)
Financing						
Dividend paid	0	(2)	0	0	0	0
Net borrowings	(6,859)	663	(18,756)	24,095	(791)	(386)
Proceeds from share issues	0	0	0	0	0	0
Others	(3,131)	(3,442)	(11,659)	2	2	2
Net cash from financing	(9,990)	(2,781)	(30,415)	24,096	(789)	(384)
Net change in cash						
Cash at the beginning of the year	32,513	20,159	33,340	70,834	144,969	204,146
Exchange difference	938	104	557	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	20,159	33,340	70,834	144,969	204,146	254,518
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	22.8%	25.8%	22.0%	17.1%	13.8%	10.5%
Gross profit	45.4%	57.4%	33.5%	28.0%	17.1%	13.0%
Operating profit	na	na	174.6%	28.1%	20.9%	23.7%
Net profit	na	na	158.4%	20.4%	22.1%	19.7%
Adj. net profit	na	722.5%	88.2%	17.4%	19.8%	17.5%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	28.1%	35.1%	38.4%	42.0%	43.3%	44.2%
Operating margin	(2.6%)	4.8%	10.9%	11.9%	12.7%	14.2%
Adj. net profit margin	1.3%	8.4%	13.0%	13.0%	13.7%	14.6%
Return on equity (ROE)	(5.3%)	9.9%	22.1%	22.5%	21.8%	20.4%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.7)	(0.9)	(1.0)	(1.0)	(0.9)
Current ratio (x)	1.9	1.8	1.9	2.5	2.8	3.6
Receivable turnover days	3.1	3.1	2.9	2.7	2.6	2.5
Inventory turnover days	2.1	2.5	2.6	2.8	2.9	2.9
Payable turnover days	37.0	40.5	41.7	40.4	38.5	40.4
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	70.1	26.7	22.2	18.2	15.2
P/E (diluted)	ns	70.1	26.9	22.2	18.2	15.2
P/B	7.5	6.4	5.5	4.5	3.5	2.8
P/CFPS	168.6	28.5	20.2	19.0	15.8	18.7
EV	871,495.2	835,423.4	796,806.5	744,811.5	682,693.5	629,569.6
EV/Sales	4.0	3.0	2.4	1.9	1.5	1.3

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

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