

Meituan (3690 HK)

Competition remains fierce while investment impact likely peaked out

For 3Q25E, we estimate Meituan achieved revenue of RMB97.8bn, inline with Bloomberg consensus, translating into 4.6% YoY growth. During the period, we expect the company inked adjusted net loss of RMB16.6bn, higher than consensus of RMB12.6bn, owing to fierce industry competition in the food delivery business. Although we believe the impact from incremental investment on operating profit from food delivery business should be at its peak in 3Q25, the pace of improvement in the competitive environment remains worth observing, in our view. We remain positive that industry competition should return to rationality in due course, and Meituan could sustain its industry-leading position in quality food delivery orders, such as main meals with relatively higher average order value (AOV). However, we are cautious in the near term as visibility on earnings growth recovery is not high. To account for fiercer than our previously expected industry competition, we lower 2025E adj. NP forecast to loss of RMB12.4bn (from profit of RMB1.1bn), and cut DCF-based TP to HK\$154.4 (previous: HK\$164.0). Maintain BUY.

■ **Earnings pressure of CLC business to persist in the near term.** We are anticipating operating loss of RMB20.6bn for the food delivery business in 3Q25E, compared to operating profit of RMB9bn (based on our estimates) in 3Q24. The fiercer than our previously expected competition in the food delivery industry propelled us to lower overall operating profit forecast of core local commerce (CLC) business to -RMB15.5bn (3Q24: RMB14.6bn). Although we believe that the impact from incremental investment on operating profit should have peaked out in 3Q25, given that high season has passed and Meituan's industry peers have guided to improve unit economics in 4Q25, and this likely pointed to a more benign industry competitive environment, the pace of improvement in the competitive environment remains worth observing, in our view. For 4Q25E, we are currently anticipating group level adjusted net loss of RMB8.3bn, narrowing from that in 3Q25E, but higher than consensus of loss of RMB5.8bn.

■ **New initiatives: eyeing on pace of international expansion.** We maintain our forecast for new initiatives largely unchanged in 3Q25E, which is revenue growth of 17.5% YoY and operating loss of RMB2.35bn. The strategic transformation for Meituan Select since June 2025 should help drive significant loss reduction for Meituan Select in 2H25, while the pace of international expansion for Keeta and Xiaoxiang Supermarket remains key to watch, in our view.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	276,745	337,592	370,144	417,584	481,201
YoY growth (%)	25.8	22.0	9.6	12.8	15.2
Net profit (RMB mn)	13,856.1	35,807.2	(18,090.3)	(1,511.8)	51,985.3
Adjusted net profit (RMB mn)	23,253.4	43,772.4	(12,419.6)	5,349.6	59,381.0
YoY growth (%)	722.5	88.2	na	na	1,010.0
EPS (Adjusted) (RMB)	3.74	7.15	(2.03)	0.87	9.69
P/E (x)	39.5	15.1	na	na	10.4
ROE (%)	9.9	22.1	(11.2)	(1.0)	28.1

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$154.40**
 (Previous TP) HK\$164.00
Up/Downside **60.7%**
Current Price **HK\$96.10**

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Stock Data

Mkt Cap (HK\$ mn)	588,618.1
Avg 3 mths t/o (HK\$ mn)	7,177.5
52w High/Low (HK\$)	199.90/94.50
Total Issued Shares (mn)	6125.1

Source: FactSet

Shareholding Structure

Crown Holdings Asia Limited	8.1%
BlackRock	5.3%

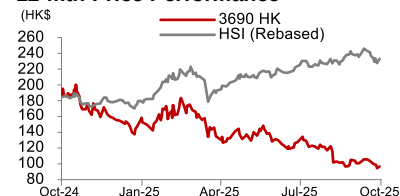
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-7.5%	-5.5%
3-mth	-25.5%	-27.4%
6-mth	-26.2%	-38.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Revision of forecast and valuation

Key changes in our estimates include: 1) we lifted 2025-2027E revenue forecasts by 0-4% to factor in increase in revenue forecast of new businesses driven by likely better than expected revenue growth from international expansion; 2) we cut 2025E/2026E operating profit forecasts to loss of RMB17.2bn/1.9bn (from RMB5.4bn loss/profit of RMB41.0bn) to factor in fiercer than our previously expected industry competition in food delivery business, and likely slower than our previously expected pace of improvement in the competitive landscape.

Figure 1: Meituan: forecast revision

RMB bn	Current			Previous			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	370.1	417.6	481.2	369.4	412.3	461.0	0.2%	1.3%	4.4%
OP	(17.2)	(1.9)	60.5	(5.4)	41.0	58.9	-216.6%	-104.6%	2.7%
Non-IFRS NP	(12.4)	5.3	59.4	1.1	43.9	58.6	-1269.7%	-87.8%	1.3%
OPM	-4.7%	-0.5%	12.6%	-1.5%	10.0%	12.8%	-3.2 pp	-10.4 pp	-0.2 pp
Non-IFRS NPM	-3.4%	1.3%	12.3%	0.3%	10.6%	12.7%	-3.6 pp	-9.4 pp	-0.4 pp

Source: CMBIGM estimates

Figure 2: Meituan: CMBI forecast vs Bloomberg consensus

RMB bn	Current			Consensus			Diff (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	370.1	417.6	481.2	371.8	426.3	485.0	-0.4%	-2.0%	-0.8%
OP	(17.2)	(1.9)	60.5	(13.4)	24.0	43.4	-28.8%	-107.9%	39.4%
Non-IFRS NP	(12.4)	5.3	59.4	(7.6)	25.7	45.3	-63.5%	-79.2%	31.1%
OPM	-4.7%	-0.5%	12.6%	-3.6%	5.6%	8.9%	-1.1 pp	-6.1 pp	3.6 pp
Non-IFRS NPM	-3.4%	1.3%	12.3%	-2.0%	6.0%	9.3%	-1.3 pp	-4.7 pp	3.0 pp

Source: CMBIGM estimates

DCF-based target price of HK\$154.4

To account for the lowered earnings forecasts, our DCF-based TP is lowered by 5.9% to HK\$154.4 (WACC of 11.0%, terminal growth of 2.5%; both unchanged), translating into 14x 2027E adjusted PE.

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	213,772	251,529	299,377	283,831	245,792	201,276	147,874	72,775
Discounted terminal value	423,270	469,798						
Total equity valuation	786,849	865,713						
Total equity valuation (HK\$mn)	886,271	975,099						
No. of shares (diluted, mn)	6,125	6,125						
Valuation per share (HKD)	154.4							

Source: Company data, CMBIGM estimates

Note: Our TP is based on unchanged weighted average of 4-month valuation in 2025 and 8-month valuation in 2026E.

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	219,955	276,745	337,592	370,144	417,584	481,201
Cost of goods sold	(158,202)	(179,554)	(207,807)	(239,834)	(262,862)	(292,448)
Gross profit	61,753	97,191	129,785	130,310	154,722	188,753
Operating expenses	(67,573)	(83,776)	(92,940)	(147,525)	(156,607)	(128,238)
SG&A expense	(49,517)	(67,989)	(74,704)	(128,296)	(133,390)	(102,180)
R&D expense	(20,740)	(21,201)	(21,054)	(24,389)	(26,778)	(29,229)
Others	2,683	5,414	2,818	5,160	3,561	3,171
Operating profit	(5,820)	13,415	36,845	(17,215)	(1,885)	60,515
Share of (losses)/profits of associates/JV	36	1,213	1,186	126	126	126
Interest income	658	819	1,292	1,679	1,797	1,542
Interest expense	(1,629)	(1,425)	(1,337)	(1,737)	(1,737)	(1,737)
Others	0	0	0	0	0	0
Pre-tax profit	(6,756)	14,022	37,985	(17,146)	(1,699)	60,445
Income tax	70	(165)	(2,177)	(943)	187	(8,462)
After tax profit	(6,685)	13,857	35,808	(18,089)	(1,512)	51,983
Minority interest	1	1	1	1	0	(2)
Net profit	(6,686)	13,856	35,807	(18,090)	(1,512)	51,985
Adjusted net profit	2,827	23,253	43,772	(12,420)	5,350	59,381
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	143,145	183,116	209,735	227,890	223,708	283,271
Cash & equivalents	20,159	33,340	70,834	86,892	75,288	130,501
Restricted cash	14,606	19,373	19,550	21,505	23,655	26,021
Inventories	1,163	1,305	1,734	1,598	2,161	2,170
Other current assets	107,218	129,099	117,617	117,896	122,604	124,579
Non-current assets	101,336	109,913	114,620	106,688	108,599	112,986
PP&E	22,201	25,978	30,239	31,829	33,627	35,809
Intangibles	30,643	30,398	30,230	30,600	31,018	31,499
Other non-current assets	48,491	53,538	54,151	44,259	43,954	45,678
Total assets	244,481	293,030	324,355	334,578	332,308	396,258
Current liabilities	76,430	100,874	107,936	123,671	122,041	125,310
Short-term borrowings	17,562	19,322	1	17	1,450	1,558
Account payables	29,812	46,779	50,325	57,337	54,975	44,149
Tax payable	29,056	34,774	57,610	66,317	65,616	79,603
Non-current liabilities	39,345	40,199	43,815	60,990	55,181	56,663
Long-term borrowings	1,549	610	1,175	17,973	12,508	13,441
Other non-current liabilities	37,796	39,589	42,640	43,017	42,673	43,222
Total liabilities	115,775	141,073	151,751	184,661	177,222	181,974
Share capital	0	0	0	0	0	0
Capital surplus	316,743	325,579	308,861	304,262	310,943	318,161
Retained earnings	(189,466)	(175,617)	(139,802)	(157,891)	(159,403)	(107,420)
Other reserves	1,484	2,051	3,603	3,603	3,603	3,603
Total shareholders equity	128,762	152,013	172,663	149,975	155,144	214,344
Minority interest	(56)	(57)	(59)	(58)	(58)	(60)
Total equity and liabilities	244,481	293,030	324,355	334,578	332,308	396,258

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(6,756)	14,022	37,985	(18,089)	(1,512)	51,983
Depreciation & amortization	9,730	7,997	8,421	9,144	9,476	9,849
Change in working capital	(813)	13,476	6,466	12,630	(10,525)	(2,365)
Others	9,250	5,028	4,274	6,663	6,681	7,218
Net cash from operations	11,411	40,522	57,147	10,348	4,121	66,684
Investing						
Capital expenditure	(5,731)	(6,880)	(10,999)	(10,734)	(11,275)	(12,030)
Net proceeds from disposal of short-term investments	(7,782)	(18,301)	16,472	0	0	0
Others	(1,201)	517	4,733	(370)	(418)	(481)
Net cash from investing	(14,714)	(24,664)	10,205	(11,104)	(11,692)	(12,511)
Financing						
Dividend paid	0	(2)	(3)	0	0	0
Net borrowings	(6,859)	663	(1,230)	16,814	(4,032)	1,042
Proceeds from share issues	0	0	0	0	0	0
Others	(3,131)	(3,442)	(29,182)	1	0	(2)
Net cash from financing	(9,990)	(2,781)	(30,415)	16,815	(4,032)	1,040
Net change in cash						
Cash at the beginning of the year	32,513	20,159	33,340	70,834	86,892	75,288
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	86,892	75,288	130,501
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	22.8%	25.8%	22.0%	9.6%	12.8%	15.2%
Gross profit	45.4%	57.4%	33.5%	0.4%	18.7%	22.0%
Operating profit	na	na	174.6%	na	na	na
Net profit	na	na	158.4%	na	na	na
Adj. net profit	na	722.5%	88.2%	na	na	1,010.0%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	28.1%	35.1%	38.4%	35.2%	37.1%	39.2%
Operating margin	(2.6%)	4.8%	10.9%	(4.7%)	(0.5%)	12.6%
Adj. net profit margin	1.3%	8.4%	13.0%	(3.4%)	1.3%	12.3%
Return on equity (ROE)	(5.3%)	9.9%	22.1%	(11.2%)	(1.0%)	28.1%
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)	(0.9)	(0.9)
Current ratio (x)	1.9	1.8	1.9	1.8	1.8	2.3
Receivable turnover days	3.1	3.1	2.9	2.7	2.6	2.5
Inventory turnover days	2.1	2.5	2.6	2.5	2.6	2.7
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	39.5	15.1	ns	ns	10.4
P/E (diluted)	ns	39.5	15.2	ns	ns	10.4
P/B	4.2	3.6	3.1	3.6	3.5	2.5
P/CFPS	94.9	16.0	11.7	ns	ns	9.9
EV	751,410.6	715,338.8	676,721.9	675,522.9	680,943.9	624,407.5
EV/Sales	3.4	2.6	2.0	1.8	1.6	1.3

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

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