

Meituan (3690 HK)

Bottoming out

Meituan reported its 4Q25 results on 26 March: revenue was RMB92.1bn, up 4.1% YoY and in line with Bloomberg consensus, while adjusted net loss came in at RMB15.1bn, at the low end of the RMB15.1bn-16.1bn range guided in the previous profit warning. Earnings of Meituan's Core Local Commerce (CLC) business are bottoming out, in our view, as: 1) regulatory guidance in the food delivery industry is steering the sector toward healthier development; and 2) players in the in-store segment are increasingly focusing on their core competencies and categories to drive more efficient expansion. We believe the most intense phase of competition in the local services sector may have passed. While a meaningful earnings recovery may still take time to materialize, as competition remains dynamic and macro headwinds may take time to improve, we remain positive on Meituan's potential to optimize user subsidies and its continued efforts to narrow CLC losses. Meituan narrowed its CLC operating loss by 29% QoQ in 4Q25, and we expect a further 58% QoQ reduction in 1Q26 to RMB4.2bn. The Company has demonstrated strong consumer mindshare in high-value food delivery (FD) orders, and improved operating efficiency should help sustain its unit economics (UE) advantage over peers in the long term, in our view. Our DCF-based TP remains largely unchanged at HK\$141.1 (was HK\$141.0). Maintain BUY.

■ **CLC: FD order and GMV share showing recovery.** In 4Q25, the Core Local Commerce (CLC) segment recorded revenue of RMB64.8bn, down 1.1% YoY and in line with consensus, while operating loss was RMB10.0bn, 5% better than consensus. For 1Q26, management noted that it is driving high-quality growth in the food delivery business and optimizing resource allocation by scaling back investment in low-AOV orders. Despite ongoing optimization of user subsidies, Meituan has seen a recovery in both order share and GMV share in 1Q26, driven by a stronger-than-peers recovery in AOV, supported by the favorable holiday season and strong consumer mindshare. We forecast CLC revenue of RMB64.2bn (flat YoY), driven by +9%/+25% YoY growth in the in-store and Instashopping businesses, partially offset by a 9% YoY decline in food delivery. We expect CLC to further narrow its operating loss to RMB4.2bn, down 58% QoQ.

■ **New initiatives: acceleration in revenue growth with improving operating efficiency.** Revenue from new initiatives reached RMB27.3bn in 4Q25, up 18.9% YoY, accelerating from 15.9% in 3Q25, supported by business expansion in Xiaoxiang Supermarket and Keeta. Segment operating loss was RMB4.7bn, widening from RMB1.3bn in 3Q25 and exceeding consensus of RMB3.5bn loss, driven by upfront investment in Keeta for business expansion. For 1Q26, we expect further acceleration in segment revenue growth to 20% YoY, with operating loss narrowing sequentially to RMB2.6bn, aided by the roll-off of one-off upfront investments in 4Q25 and improving unit economics in Keeta business in Saudi Arabia, which have exceeded management expectations. Management expects total losses in the new initiatives segment in 2026 to be no more than that in 2025.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	337,592	365,982	408,564	464,754	517,386
YoY growth (%)	22.0	8.4	11.6	13.8	11.3
Net profit (RMB mn)	35,807.2	(23,355.1)	(10,786.5)	27,256.6	42,112.8
Adjusted net profit (RMB mn)	43,772.4	(18,648.0)	(4,703.1)	33,682.8	48,726.3
YoY growth (%)	88.2	na	na	na	44.7
EPS (Adjusted) (RMB cents)	714.64	(306.86)	(77.39)	554.26	801.81
P/E (x)	13.1	na	na	17.1	11.0
ROE (%)	22.1	(14.4)	(7.3)	17.1	21.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$141.10
(Previous TP)	HK\$141.00)
Up/Downside	62.7%
Current Price	HK\$86.70

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Stock Data

Mkt Cap (HK\$ mn)	526,881.0
Avg 3 mths t/o (HK\$ mn)	4,570.9
52w High/Low (HK\$)	162.80/74.50
Total Issued Shares (mn)	6077.1

Source: FactSet

Shareholding Structure

Crown Holdings Asia Limited	8.1%
BlackRock	5.3%

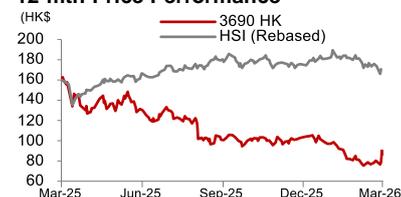
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	7.8%	14.4%
3-mth	-16.0%	-12.7%
6-mth	-13.8%	-9.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Revision of forecast and valuation

Figure 1: Meituan: quarterly financial results and comparison with consensus

(RMB mn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	Consensus	Diff (%)
Revenue	73,276	82,251	93,577	88,487	86,557	91,840	95,488	92,096	92,070	0.0%
YoY	25.0%	21.0%	22.4%	20.1%	18.1%	11.7%	2.0%	4.1%		
By segment										
1. CLC	54,626	60,682	69,373	65,567	64,325	65,347	67,447	64,835	65,072	-0.4%
YoY	27.4%	18.5%	20.2%	18.9%	17.8%	7.7%	-2.8%	-1.1%		
1.1 Delivery services	21,065	23,021	27,784	26,195	25,723	23,656	23,022	23,595	25,451	-7.3%
YoY	24.6%	13.0%	20.9%	19.5%	22.1%	2.8%	-17.1%	-9.9%		
1.2 Commission	20,034	22,108	26,080	24,066	24,051	24,951	26,375	23,778	25,821	-7.9%
YoY	26.7%	20.1%	24.3%	23.9%	20.1%	12.9%	1.1%	-1.2%		
3. Online marketing services	10,307	12,263	13,424	12,842	11,862	13,547	14,193	13,137	12,125	8.3%
YoY	33.1%	19.7%	18.1%	17.7%	15.1%	10.5%	5.7%	2.3%		
4. Other services and sales	3,219	3,289	2,085	2,464	2,688	3,193	3,856	4,325	2,596	66.6%
YoY	33.1%	51.0%	-11.3%	-14.2%	-16.5%	-2.9%	84.9%	75.5%		
2. New initiatives	18,650	21,569	24,204	22,920	22,232	26,493	28,041	27,262	26,998	1.0%
YoY	18.5%	28.7%	28.9%	23.5%	19.2%	22.8%	15.9%	18.9%		
Operating profit	5,209	11,257	13,685	6,693	10,566	226	-19,759	-16,074	-15,636	-2.8%
By segment										
CLC	9,699	15,234	14,582	12,900	13,491	3,721	-14,071	-10,046	-10,572	5.0%
YoY	2.7%	36.8%	44.4%	60.9%	39.1%	-75.6%	-196.5%	-177.9%		
New initiatives	-2,757	-1,314	-1,026	-2,176	-2,274	-1,881	-1,278	-4,650	-3,489	33.3%
Non-IFRS net profit	7,488	13,606	12,829	9,849	10,949	1,493	-16,010	-15,080	-13,683	10.2%
YoY	36.4%	77.6%	124.0%	125.1%	46.2%	-89.0%	-224.8%	-253.1%		
OPM (%)	7.1%	13.7%	14.6%	7.6%	12.2%	0.2%	-20.7%	-17.5%	-17.0%	-0.5 ppt
CLC	17.8%	25.1%	21.0%	19.7%	21.0%	5.7%	-20.9%	-15.5%	-16.2%	0.8 ppt
New initiatives	-14.8%	-6.1%	-4.2%	-9.5%	-10.2%	-7.1%	-4.6%	-17.1%	-12.9%	-4.1 ppt
Non-IFRS NPM (%)	10.2%	16.5%	13.7%	11.1%	12.6%	1.6%	-16.8%	-16.4%	-14.9%	-1.5 ppt

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

Key changes to our 2026E estimates include: 1) we lower our revenue forecast by 3% to reflect Meituan's strategic shift toward higher-quality growth in the food delivery business; and 2) we cut our operating loss and non-IFRS net loss forecasts by 32%/51%, respectively, to incorporate better-than-feared trends in user subsidy optimization.

Figure 2: Meituan: forecast revision

RMB bn	Current			Previous			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	408.6	464.8	517.4	421.5	482.5	-	-3.1%	-3.7%	-
OP	(12.9)	31.2	49.8	(18.9)	38.3	-	31.7%	-18.4%	-
Non-IFRS NP	(4.7)	33.7	48.7	(9.6)	40.0	-	51.1%	-15.9%	-
OPM	-3.2%	6.7%	9.6%	-4.5%	7.9%	-	1.3 pp	-1.2 pp	-
Non-IFRS NPM	-1.2%	7.2%	9.4%	-2.3%	8.3%	-	1.1 pp	-1.1 pp	-

Source: CMBIGM estimates

DCF-based target price of HK\$141.1

Our DCF-based TP is largely unchanged at HK\$141.1 (WACC of 11.0%, terminal growth of 2.5%; both unchanged), translating into 22.6x 2027E adjusted PE.

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

(RMBmn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E
NPV of FCF	184,519	213,870	218,468	192,678	166,868	119,052	71,083
Discounted terminal value	458,870						
Total equity valuation	761,109						
Total equity valuation (HKDmn)	857,278						
No. of shares (diluted, mn)	6,077						
Valuation per share (HKD)	141.1						

Source: Company data, CMBIGM estimates

Note: Our TP is based on 2026E valuation; RMB/HKD=1: 1.12

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	276,745	337,592	365,982	408,564	464,754	517,386
Cost of goods sold	(179,554)	(207,807)	(253,846)	(283,326)	(310,634)	(334,532)
Gross profit	97,191	129,785	112,136	125,238	154,119	182,854
Operating expenses	(83,776)	(92,940)	(137,177)	(138,150)	(122,884)	(133,094)
SG&A expense	(67,989)	(74,704)	(115,978)	(106,018)	(91,742)	(99,240)
R&D expense	(21,201)	(21,054)	(25,998)	(29,217)	(31,664)	(33,499)
Others	5,414	2,818	4,799	(2,915)	522	(355)
Operating profit	13,415	36,845	(25,041)	(12,912)	31,236	49,760
Share of (losses)/profits of associates/JV	1,213	1,186	79	79	79	79
Interest income	819	1,292	2,012	2,601	2,264	2,784
Interest expense	(1,425)	(1,337)	(1,887)	(1,887)	(1,887)	(1,887)
Others	0	0	0	0	0	0
Pre-tax profit	14,022	37,985	(24,838)	(12,119)	31,692	50,736
Income tax	(165)	(2,177)	1,483	1,333	(4,437)	(8,625)
After tax profit	13,857	35,808	(23,354)	(10,786)	27,256	42,111
Minority interest	1	1	1	0	(1)	(2)
Net profit	13,856	35,807	(23,355)	(10,786)	27,257	42,113
Adjusted net profit	23,253	43,772	(18,648)	(4,703)	33,683	48,726
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	183,116	209,735	225,057	206,417	250,230	297,246
Cash & equivalents	33,340	70,834	106,771	93,807	118,415	171,222
Restricted cash	19,373	19,550	21,632	23,795	26,174	28,792
Inventories	1,305	1,734	3,013	2,286	3,741	2,969
Other current assets	129,099	117,617	93,642	86,528	101,900	94,264
Non-current assets	109,913	114,620	121,853	128,800	134,231	140,108
PP&E	25,978	30,239	38,705	47,350	52,750	56,756
Intangibles	30,398	30,230	30,221	30,629	31,094	31,611
Other non-current assets	53,538	54,151	52,927	50,822	50,387	51,741
Total assets	293,030	324,355	346,910	335,217	384,461	437,354
Current liabilities	100,874	107,936	123,542	128,216	144,302	148,544
Short-term borrowings	19,322	1	3,468	1,333	1,280	1,283
Account payables	46,779	50,325	63,769	63,575	76,043	74,316
Tax payable	34,774	57,610	56,305	63,309	66,979	72,945
Non-current liabilities	40,199	43,815	72,381	64,451	64,146	64,291
Long-term borrowings	610	1,175	18,789	11,497	11,041	11,066
Other non-current liabilities	39,589	42,640	53,591	52,955	53,105	53,225
Total liabilities	141,073	151,751	195,922	192,668	208,448	212,835
Share capital	0	0	0	0	0	0
Capital surplus	325,579	308,861	317,415	319,762	325,972	332,368
Retained earnings	(175,617)	(139,802)	(163,218)	(174,004)	(146,749)	(104,638)
Other reserves	2,051	3,603	(3,151)	(3,151)	(3,151)	(3,151)
Total shareholders equity	152,013	172,663	151,046	142,607	176,072	224,580
Minority interest	(57)	(59)	(58)	(58)	(59)	(60)
Total equity and liabilities	293,030	324,355	346,910	335,217	384,461	437,354

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	14,022	37,985	(23,354)	(10,786)	27,256	42,111
Depreciation & amortization	7,997	8,421	9,602	11,784	13,190	14,102
Change in working capital	13,476	6,466	50	10,419	(2,501)	8,778
Others	5,028	4,274	(112)	5,883	6,227	6,415
Net cash from operations	40,522	57,147	(13,815)	17,300	44,172	71,407
Investing						
Capital expenditure	(6,880)	(10,999)	(18,068)	(20,428)	(18,590)	(18,109)
Net proceeds from disposal of short-term investments	(18,301)	16,472	32,497	0	0	0
Others	517	4,733	15,344	(409)	(465)	(517)
Net cash from investing	(24,664)	10,205	29,773	(20,837)	(19,055)	(18,626)
Financing						
Dividend paid	(2)	(3)	0	0	0	0
Net borrowings	663	(1,230)	21,081	(9,428)	(509)	28
Proceeds from share issues	0	0	0	0	0	0
Others	(3,442)	(29,182)	162	0	(1)	(2)
Net cash from financing	(2,781)	(30,415)	21,243	(9,427)	(510)	26
Net change in cash						
Cash at the beginning of the year	20,159	33,340	70,834	106,771	93,807	118,415
Exchange difference	104	557	(1,263)	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	33,340	70,834	106,771	93,807	118,415	171,222
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	25.8%	22.0%	8.4%	11.6%	13.8%	11.3%
Gross profit	57.4%	33.5%	(13.6%)	11.7%	23.1%	18.6%
Operating profit	na	174.6%	na	na	na	59.3%
Net profit	na	158.4%	na	na	na	54.5%
Adj. net profit	722.5%	88.2%	na	na	na	44.7%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	35.1%	38.4%	30.6%	30.7%	33.2%	35.3%
Operating margin	4.8%	10.9%	(6.8%)	(3.2%)	6.7%	9.6%
Adj. net profit margin	8.4%	13.0%	(5.1%)	(1.2%)	7.2%	9.4%
Return on equity (ROE)	9.9%	22.1%	(14.4%)	(7.3%)	17.1%	21.0%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.7)	(0.9)	(0.8)	(0.8)	(0.8)	(0.9)
Current ratio (x)	1.8	1.9	1.8	1.6	1.7	2.0
Receivable turnover days	3.1	2.9	2.9	2.9	2.9	2.9
Inventory turnover days	2.5	2.6	3.4	3.4	3.5	3.6
Payable turnover days	40.5	41.7	42.4	42.4	42.4	42.4
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	34.3	13.1	ns	ns	17.1	11.0
P/E (diluted)	34.3	13.2	ns	ns	17.1	11.0
P/B	3.1	2.7	3.1	3.3	2.6	2.1
P/CFPS	13.8	10.1	ns	ns	18.2	8.7
EV	715,338.8	676,721.9	706,236.2	707,609.3	680,113.9	624,717.3
EV/Sales	2.6	2.0	1.9	1.7	1.5	1.2

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

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