

Meituan (3690 HK)

Proactively responding to competition in food delivery market

Meituan reported (26 May) its 1Q25 results: revenue was RMB86.6bn, up 18% YoY, 1% higher than both our forecast and Bloomberg consensus estimate, while adj. NP reached RMB10.9bn, up 46% YoY, and was 12/13% higher than our forecast/consensus estimates. The RMB13.5bn OP for the core local commerce (CLC) segment was 10% better than consensus, mainly attributable to the beat in OP of food delivery (FD) business aided by optimization in user subsidy, in our view. Since competition is gearing up for the food delivery business, and industry players are deploying more resources to accelerate the development of instant retail business, Meituan is proactively responding and trading off short-term profitability to enhance user stickiness, to ride on the tide of accelerated industry penetration. Meanwhile, Meituan remains committed to invest in international expansion to drive long-term revenue and earnings growth. We remain positive on Meituan's competitive edge in the FD industry, and believe industry competition should return to rationality in due course, but there will be a lack of visibility in the short term. We lower our 2025-2027E revenue/adj. NP forecasts by 1-2%/11-21% to account for the additional investment in the FD business, and incremental investment to support overseas expansion of the FD business. Our DCF-based TP was cut by 9% to HK\$181.6 (previous: HK\$200.20), translating into 25x 2025E adjusted PE. Maintain BUY.

■ **Proactively respond to competition and target to maintain market share.** CLC segment rev/OP was RMB64.3bn/13.5bn in 1Q25, up 18%/39% YoY, 2%/10% better than consensus, thanks to better-than-expected UE expansion of FD aided by optimization in user subsidy. However, with increasing industry competition, we expect Meituan to respond actively and maintain market share in both FD and instant retail markets in the short term. That said, we expect solid revenue and earnings growth for the in-store hotel & travel (ISHT) segment to buffer some of the investment impacts in the short term. We forecast CLC to ink revenue/OP of RMB66.7bn/13.6bn, implying YoY growth of 10%/-11% in 2Q25E.

■ **New initiatives: 1Q loss in line with expectation, determined to drive for overseas expansion.** Revenue generated from new initiatives was RMB22.2bn in 1Q25, up 19% YoY, driven by grocery retail businesses and the development of overseas business. Operating loss was RMB2.3bn, narrowed from RMB2.8bn loss in 1Q24, mainly driven by improving operating efficiency and marketing efficiency in grocery retail businesses. We estimate that operating loss generated from Meituan Select was RMB1.6bn, narrowed from RMB2.9bn in 1Q24 and also delivered slight improvement QoQ. For 2Q25, we are estimating 21.5% YoY revenue growth for new initiatives, driven by solid growth in the grocery retail business, and ramp-up in revenue generation in the FD business in the overseas market. We are looking for a sequential flat operating loss for Meituan Select business, and slightly widening loss for overseas FD business driven by the mixed impact from rapid business expansion and improving unit economics. On a combined basis, we are forecasting RMB2.6bn operating loss for the new initiatives segment (2Q24: loss of RMB1.3bn).

BUY (Maintain)

Target Price **HK\$181.60**
 (Previous TP) HK\$200.20
Up/Downside **40.3%**
Current Price **HK\$129.40**

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Stock Data

Mkt Cap (HK\$ mn)	792,582.5
Avg 3 mths t/o (HK\$ mn)	7,268.4
52w High/Low (HK\$)	213.40/102.10
Total Issued Shares (mn)	6125.1

Source: FactSet

Shareholding Structure

Crown Holdings Asia Limited	8.1%
BlackRock	5.3%

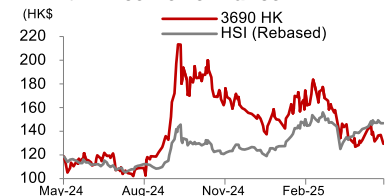
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	1.4%	-4.3%
3-mth	-25.7%	-24.1%
6-mth	-21.2%	-35.2%

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	386,141	439,553	489,909
YoY growth (%)	25.8	22.0	14.4	13.8	11.5
Net profit (RMB mn)	13,856.1	35,807.1	32,983.0	44,308.2	55,356.5
Adjusted net profit (RMB mn)	23,253.4	43,772.4	39,255.5	51,733.5	63,123.1
YoY growth (%)	722.5	88.2	(10.3)	31.8	22.0
EPS (Adjusted) (RMB)	3.74	7.15	6.41	8.45	10.31
P/E (x)	53.3	20.3	22.1	16.4	13.1
ROE (%)	9.9	22.1	17.7	19.6	19.6

Source: Company data, Bloomberg, CMBIGM estimates

Revision of forecast and valuation

Figure 1: Meituan: quarterly financial results and consensus comparison

(RMB mn)	1Q24	2Q24	3Q24	4Q24	1Q25	Consensus	Diff (%)
Revenue	73,276	82,251	93,577	88,487	86,557	85,443	1.3%
YoY	25.0%	21.0%	22.4%	20.1%	18.1%		
By segment							
1. CLC	54,626	60,682	69,373	65,567	64,325	63,379	1.5%
YoY	27.4%	18.5%	20.2%	18.9%	17.8%		
1.1 Delivery services	21,065	23,021	27,784	26,195	25,723	25,072	2.6%
YoY	24.6%	13.0%	20.9%	19.5%	22.1%		
1.2 Commission	20,034	22,108	26,080	24,066	24,051	23,960	0.4%
YoY	26.7%	20.1%	24.3%	23.9%	20.1%		
3. Online marketing services	10,307	12,263	13,424	12,842	11,862	13,005	-8.8%
YoY	33.1%	19.7%	18.1%	17.7%	15.1%		
4. Other services and sales	3,219	3,289	2,085	2,464	2,688	2,549	5.5%
YoY	33.1%	51.0%	-11.3%	-14.2%	-16.5%		
2. New initiatives	18,650	21,569	24,204	22,920	22,232	22,064	0.8%
YoY	18.5%	28.7%	28.9%	23.5%	19.2%		
Operating profit	5,209	11,257	13,685	6,693	10,566	8,403	25.7%
By segment							
CLC	9,699	15,234	14,582	12,900	13,491	12,242	10.2%
YoY	2.7%	36.8%	44.4%	60.9%	39.1%		
New initiatives	-2,757	-1,314	-1,026	-2,176	-2,274	-2,352	
Non-IFRS net profit	7,488	13,606	12,829	9,849	10,949	9,727	12.6%
OPM (%)	7.1%	13.7%	14.6%	7.6%	12.2%	9.8%	2.4 ppt
CLC	17.8%	25.1%	21.0%	19.7%	21.0%	19.3%	1.7 ppt
New initiatives	-14.8%	-6.1%	-4.2%	-9.5%	-10.2%	-10.7%	0.4 ppt
Non-IFRS NPM (%)	10.2%	16.5%	13.7%	11.1%	12.6%	11.4%	1.3 ppt

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

Key changes in our estimates include: 1) we lower 2025-2027E revenue forecast by 1-2% to factor in potentially slower-than-expected revenue growth in the CLC business, but partly offset by the likely stronger-than-expected revenue growth in new initiatives driven by more solid than expected revenue growth in grocery retail; 2) we cut 2025-2027E operating profit forecast by 10-23% to account for Meituan's escalated user subsidy to respond to increasing industry competition, and 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	386.1	439.6	489.9	395.5	449.9	497.1	-2.4%	-2.3%	-1.4%
OP	36.9	48.9	63.0	47.7	56.7	70.2	-22.6%	-13.8%	-10.3%
CLC	51.4	62.6	73.2	61.7	70.7	80.8	-16.7%	-11.5%	-9.4%
New initiatives	(10.8)	(8.7)	(4.2)	(9.4)	(7.5)	(3.0)	na	na	na
Non-IFRS NP	39.3	51.7	63.1	49.8	60.4	71.1	-21.2%	-14.3%	-11.3%
OPM	9.6%	11.1%	12.9%	12.1%	12.6%	14.1%	-2.5 pp	-1.5 pp	-1.3 pp
Non-IFRS NPM	10.2%	11.8%	12.9%	12.6%	13.4%	14.3%	-2.4 pp	-1.6 pp	-1.4 pp

Source: CMBIGM estimates

DCF-based target price of HK\$181.6

To account for the lowered earnings forecast, our DCF-based TP was lowered by 9% to HK\$181.6 (WACC of 11.0%, terminal growth of 2.5%; both unchanged), translating into 25x 2025E 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	303,685	303,398	294,126	290,173	239,082	208,300	143,437	84,549
Discounted terminal value	491,745							
Total equity valuation	987,751							
Total equity valuation (HKDmn)	1,112,558							
No. of shares (diluted, mn)	6,125							
Valuation per share (HKD)	181.6							

Source: Company data, CMBIGM estimates

Note: Our TP is based on 2025E valuation

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	219,955	276,745	337,592	386,141	439,553	489,909
Cost of goods sold	(158,202)	(179,554)	(207,807)	(227,757)	(254,138)	(276,510)
Gross profit	61,753	97,191	129,785	158,384	185,415	213,399
Operating expenses	(67,573)	(83,776)	(92,940)	(121,481)	(136,519)	(150,401)
SG&A expense	(49,517)	(67,989)	(74,704)	(101,133)	(111,966)	(123,770)
R&D expense	(20,740)	(21,201)	(21,054)	(23,973)	(26,952)	(28,382)
Others	2,683	5,414	2,818	3,624	2,399	1,751
Operating profit	(5,820)	13,415	36,845	36,903	48,896	62,998
Share of (losses)/profits of associates/JV	36	1,213	1,186	74	74	74
Interest income	658	819	1,292	1,421	2,153	2,635
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	37,061	49,786	64,370
Income tax	70	(165)	(2,177)	(4,077)	(5,476)	(9,012)
After tax profit	(6,685)	13,857	35,808	32,984	44,310	55,358
Minority interest	1	1	1	1	2	2
Net profit	(6,686)	13,856	35,807	32,983	44,308	55,356
Adjusted net profit	2,827	23,253	43,772	39,255	51,733	63,123
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	143,145	183,116	209,735	278,311	332,614	379,877
Cash & equivalents	20,159	33,340	70,834	135,410	183,495	226,779
Restricted cash	14,606	19,373	19,550	21,505	23,655	26,021
Inventories	1,163	1,305	1,734	1,742	2,215	2,195
Other current assets	107,218	129,099	117,617	119,655	123,248	124,882
Non-current assets	101,336	109,913	114,620	106,136	108,426	112,898
PP&E	22,201	25,978	30,239	32,441	34,816	37,145
Intangibles	30,643	30,398	30,230	29,085	29,525	30,015
Other non-current assets	48,491	53,538	54,151	44,610	44,085	45,738
Total assets	244,481	293,030	324,355	384,447	441,040	492,775
Current liabilities	76,430	100,874	107,936	117,439	126,496	115,338
Short-term borrowings	17,562	19,322	1	22	2,352	2,287
Account payables	29,812	46,779	50,325	51,916	56,669	37,053
Tax payable	29,056	34,774	57,610	65,501	67,475	75,998
Non-current liabilities	39,345	40,199	43,815	67,068	63,040	62,979
Long-term borrowings	1,549	610	1,175	23,971	20,284	19,725
Other non-current liabilities	37,796	39,589	42,640	43,097	42,757	43,254
Total liabilities	115,775	141,073	151,751	184,506	189,536	178,317
Share capital	0	0	0	0	0	0
Capital surplus	316,743	325,579	308,861	303,212	310,464	318,058
Retained earnings	(189,466)	(175,617)	(139,802)	(106,818)	(62,508)	(7,149)
Other reserves	1,484	2,051	3,603	3,603	3,603	3,603
Total shareholders equity	128,762	152,013	172,663	199,998	251,560	314,512
Minority interest	(56)	(57)	(59)	(58)	(56)	(54)
Total equity and liabilities	244,481	293,030	324,355	384,447	441,040	492,775

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(6,756)	14,022	37,985	32,984	44,310	55,358
Depreciation & amortization	9,730	7,997	8,421	8,996	9,493	9,919
Change in working capital	(813)	13,476	6,466	4,218	694	(16,228)
Others	9,250	5,028	4,274	7,144	7,253	7,594
Net cash from operations	11,411	40,522	57,147	53,342	61,749	56,643
Investing						
Capital expenditure	(5,731)	(6,880)	(10,999)	(11,198)	(11,868)	(12,248)
Net proceeds from disposal of short-term investments	(7,782)	(18,301)	16,472	0	0	0
Others	(1,201)	517	4,733	(386)	(440)	(490)
Net cash from investing	(14,714)	(24,664)	10,205	(11,584)	(12,307)	(12,738)
Financing						
Dividend paid	0	(2)	(3)	0	0	0
Net borrowings	(6,859)	663	(1,230)	22,817	(1,358)	(623)
Proceeds from share issues	0	0	0	0	0	0
Others	(3,131)	(3,442)	(29,182)	1	2	2
Net cash from financing	(9,990)	(2,781)	(30,415)	22,818	(1,356)	(621)
Net change in cash						
Cash at the beginning of the year	32,513	20,159	33,340	70,834	135,410	183,495
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	135,410	183,495	226,779
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	22.8%	25.8%	22.0%	14.4%	13.8%	11.5%
Gross profit	45.4%	57.4%	33.5%	22.0%	17.1%	15.1%
Operating profit	na	na	174.6%	0.2%	32.5%	28.8%
Net profit	na	na	158.4%	(7.9%)	34.3%	24.9%
Adj. net profit	na	722.5%	88.2%	(10.3%)	31.8%	22.0%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	28.1%	35.1%	38.4%	41.0%	42.2%	43.6%
Operating margin	(2.6%)	4.8%	10.9%	9.6%	11.1%	12.9%
Adj. net profit margin	1.3%	8.4%	13.0%	10.2%	11.8%	12.9%
Return on equity (ROE)	(5.3%)	9.9%	22.1%	17.7%	19.6%	19.6%
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	2.4	2.6	3.3
Receivable turnover days	3.1	3.1	2.9	2.7	2.6	2.5
Inventory turnover days	2.1	2.5	2.6	2.7	2.8	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	53.3	20.3	22.1	16.4	13.1
P/E (diluted)	ns	53.3	20.5	22.1	16.4	13.1
P/B	5.7	4.9	4.2	3.6	2.9	2.3
P/CFPS	128.1	21.6	15.8	17.3	14.6	16.4
EV	751,410.6	715,338.8	676,721.9	633,008.1	581,414.4	535,142.0
EV/Sales	3.4	2.6	2.0	1.6	1.3	1.1

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

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