

Meituan (3690 HK)

1Q results beat; expecting food delivery business to return to breakeven in 2Q26

Meituan reported (1 Jun) its 1Q26 results: revenue of RMB91.0bn (+5.6% YoY) was in line with both our and Bloomberg consensus estimates, while the adjusted net loss of RMB5.0bn came in well ahead of our/consensus forecasts of RMB6.9bn/6.8bn. The beat was driven by a smaller-than-feared loss in the Core Local Commerce (CLC) business and a narrower-than-expected loss in new initiatives. CLC operating loss narrowed 80% QoQ in 1Q26, and we expect the segment to swing to an operating profit of RMB3.0bn in 2Q26, aided by more disciplined user subsidies in food delivery (FD) as industry competition turns more rational. Excluding the impact from investment in enhanced membership benefits, we expect FD operating profit to return to breakeven during the peak season in 2Q26E. In our view, the worst has passed, even if competitive intensity remains dynamic. Meituan has consolidated strong consumer mindshare in high-value FD orders, and improving operating efficiency should sustain its unit economics (UE) advantage over peers in the long term. We fine-tune our DCF-based TP to HK\$138.0 (from HK\$141.1) and maintain BUY.

■ **CLC: loss narrowed more than expected.** CLC revenue of RMB64.1bn was flat YoY and in line with both our and consensus estimates, while the operating loss of RMB2.0bn was 52%/53% narrower than our/consensus forecasts. Meituan sustained its lead in the mid-to-high average order value (AOV) FD market, holding above 70% share of orders with an AOV of over RMB30. Management noted that FD returned to small-scale profitability in April and May on the back of more rational industry competition. For the peak season in 2Q26, we forecast CLC revenue of RMB68.9bn (+5.5% YoY), driven by FD/in-store/Instashopping growth of +1%/+9%/+20% YoY, and expect the segment to turn to an operating profit of RMB3.0bn after factoring in c.RMB800mn of investment in membership benefits.

■ **New initiatives: revenue growth accelerated further.** New Initiatives revenue reached RMB27.0bn in 1Q26 (+21.3% YoY), accelerating from +18.9% in 4Q25, supported by the expansion of Xiaoxiang Supermarket and Keeta. The segment operating loss of RMB2.1bn was narrower than consensus of RMB2.6bn, reflecting better-than-expected UE for Keeta in Saudi Arabia and stronger operating efficiency at Xiaoxiang. For 2Q26, we expect revenue growth to accelerate further to +23% YoY on continued expansion of both Xiaoxiang and Keeta, with the operating loss at RMB2.4bn.

Earnings Summary

| (YE 31 Dec) | FY24A | FY25A | FY26E | FY27E | FY28E |
|------------------------------|----------|------------|-----------|----------|----------|
| Revenue (RMB mn) | 337,592 | 364,855 | 404,186 | 461,742 | 516,350 |
| YoY growth (%) | 22.0 | 8.1 | 10.8 | 14.2 | 11.8 |
| Net profit (RMB mn) | 35,807.2 | (23,355.1) | (9,254.5) | 20,314.3 | 37,532.2 |
| Adjusted net profit (RMB mn) | 43,772.4 | (18,648.0) | (2,477.0) | 26,723.9 | 44,159.2 |
| YoY growth (%) | 88.2 | na | na | na | 65.2 |
| EPS (Adjusted) (RMB cents) | 714.64 | (306.86) | (40.76) | 439.75 | 726.65 |
| P/E (x) | 11.6 | Na | na | 20.2 | 10.9 |
| ROE (%) | 22.1 | (14.4) | (6.3) | 12.9 | 19.5 |

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

| | |
|----------------------|-------------------|
| Target Price | HK\$138.00 |
| (Previous TP) | HK\$141.10) |
| Up/Downside | 76.4% |
| Current Price | HK\$78.25 |

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Stock Data

| | |
|--------------------------|--------------|
| Mkt Cap (HK\$ mn) | 475,529.9 |
| Avg 3 mths t/o (HK\$ mn) | 4,160.0 |
| 52w High/Low (HK\$) | 148.40/73.30 |
| Total Issued Shares (mn) | 6077.1 |

Source: FactSet

Shareholding Structure

| | |
|-----------------------------|------|
| Crown Holdings Asia Limited | 8.1% |
| BlackRock | 5.3% |

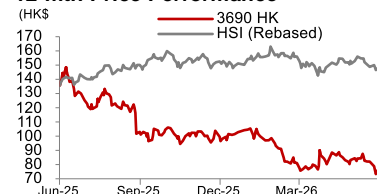
Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -6.0% | -4.6% |
| 3-mth | -3.6% | 1.1% |
| 6-mth | -21.4% | -19.4% |

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) | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | Consensus | Diff (%) | CMBI estimates | Diff (%) |
|----------------------------|---------------|---------------|----------------|----------------|---------------|---------------|--------------|----------------|--------------|
| Revenue | 86,206 | 91,840 | 95,488 | 92,096 | 91,039 | 90,795 | 0.3% | 90,908 | 0.1% |
| YoY | 17.6% | 11.7% | 2.0% | 4.1% | 5.6% | | | | |
| By segment | | | | | | | | | |
| 1. CLC | 63,974 | 65,347 | 67,447 | 64,835 | 64,063 | 63,988 | 0.1% | 64,195 | -0.2% |
| YoY | 17.1% | 7.7% | -2.8% | -1.1% | 0.1% | | | | |
| 2. New initiatives | 22,232 | 26,493 | 28,041 | 27,262 | 26,976 | 26,807 | 0.6% | 26,713 | 1.0% |
| YoY | 19.2% | 22.8% | 15.9% | 18.9% | 21.3% | | | | |
| Operating profit | 10,566 | 226 | -19,759 | -16,074 | -6,470 | -9,015 | 28.2% | -9,110 | 29.0% |
| By segment | | | | | | | | | |
| CLC | 13,491 | 3,721 | -14,071 | -10,046 | -2,030 | -4,345 | 53.3% | -4,233 | 52.0% |
| YoY | 39.1% | -75.6% | -196.5% | -177.9% | -115.0% | | | | |
| New initiatives | -2,274 | -1,881 | -1,278 | -4,650 | -2,116 | -2,630 | 19.6% | -2,627 | 19.5% |
| Non-IFRS net profit | 10,949 | 1,493 | -16,010 | -15,080 | -4,968 | -6,831 | 27.3% | -6,869 | 27.7% |
| YoY | 46.2% | -89.0% | -224.8% | -253.1% | -145.4% | | | | |
| OPM (%) | 12.3% | 0.2% | -20.7% | -17.5% | -7.1% | -9.9% | 2.8 ppt | -10.0% | 2.9 ppt |
| CLC | 21.1% | 5.7% | -20.9% | -15.5% | -3.2% | -6.8% | 3.6 ppt | -6.6% | 3.4 ppt |
| New initiatives | -10.2% | -7.1% | -4.6% | -17.1% | -7.8% | -9.8% | 2.0 ppt | -9.8% | 2.0 ppt |
| Non-IFRS NPM (%) | 12.7% | 1.6% | -16.8% | -16.4% | -5.5% | -7.5% | 2.1 ppt | -7.6% | 2.1 ppt |

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

We trim our 2026E revenue forecast by 1%, reflecting slower-than-expected FD revenue growth on a more gradual recovery in monetization rate, alongside softer in-store revenue growth than we had previously assumed. We nonetheless cut our operating loss and non-IFRS net loss forecasts by 27%/43%, respectively, to capture a better-than-expected recovery in FD profitability, aided by faster-than-expected easing of competitive intensity across the industry.

Figure 2: Meituan: forecast revision

| RMB bn | Current | | | Previous | | | Change (%) | | |
|--------------|---------|-------|-------|----------|-------|-------|------------|---------|---------|
| | 2026E | 2027E | 2028E | 2026E | 2027E | 2028E | 2026E | 2027E | 2028E |
| Revenue | 404.2 | 461.7 | 516.3 | 408.6 | 464.8 | 517.4 | -1.1% | -0.6% | -0.2% |
| OP | (9.4) | 24.9 | 46.1 | (12.9) | 31.2 | 49.8 | 27.3% | -20.2% | -7.4% |
| Non-IFRS NP | (2.5) | 26.7 | 44.2 | (4.7) | 33.7 | 48.7 | 47.3% | -20.7% | -9.4% |
| OPM | -2.3% | 5.4% | 8.9% | -3.2% | 6.7% | 9.6% | 0.8 pp | -1.3 pp | -0.7 pp |
| Non-IFRS NPM | -0.6% | 5.8% | 8.6% | -1.2% | 7.2% | 9.4% | 0.5 pp | -1.5 pp | -0.9 pp |

Source: CMBIGM estimates

DCF-based target price of HK\$138.0

Our DCF-based TP is fine-tuned to HK\$138.0 (WACC of 11.0%, terminal growth of 2.5%; both unchanged), translating into 28/17x 2027E/2028E 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 | 182,826 | 207,617 | 214,765 | 190,734 | 164,228 | 116,817 | 68,382 |
| Discounted terminal value | 441,436 | | | | | | |
| Total equity valuation | 744,493 | | | | | | |
| Total equity valuation (HKDmn) | 838,562 | | | | | | |
| No. of shares (diluted, mn) | 6,077 | | | | | | |
| Valuation per share (HKD) | 138.0 | | | | | | |

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 | 364,855 | 404,186 | 461,742 | 516,350 |
| Cost of goods sold | (179,554) | (207,807) | (253,846) | (284,315) | (316,330) | (344,920) |
| Gross profit | 97,191 | 129,785 | 111,009 | 119,871 | 145,411 | 171,430 |
| Operating expenses | (83,776) | (92,940) | (136,050) | (129,259) | (120,496) | (125,337) |
| SG&A expense | (67,989) | (74,704) | (114,850) | (96,002) | (87,467) | (89,246) |
| R&D expense | (21,201) | (21,054) | (25,998) | (30,529) | (33,314) | (35,507) |
| Others | 5,414 | 2,818 | 4,799 | (2,729) | 285 | (584) |
| Operating profit | 13,415 | 36,845 | (25,041) | (9,389) | 24,915 | 46,093 |
| Share of (losses)/profits of associates/JV | 1,213 | 1,186 | 79 | (462) | (462) | (462) |
| Interest income | 819 | 1,292 | 2,012 | 2,601 | 2,315 | 2,735 |
| Interest expense | (1,425) | (1,337) | (1,887) | (3,148) | (3,148) | (3,148) |
| Others | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 14,022 | 37,985 | (24,838) | (10,398) | 23,620 | 45,218 |
| Income tax | (165) | (2,177) | 1,483 | 1,144 | (3,307) | (7,687) |
| After tax profit | 13,857 | 35,808 | (23,354) | (9,254) | 20,314 | 37,531 |
| Minority interest | 1 | 1 | 1 | 0 | (1) | (1) |
| Net profit | 13,856 | 35,807 | (23,355) | (9,254) | 20,314 | 37,532 |
| Adjusted net profit | 23,253 | 43,772 | (18,648) | (2,477) | 26,724 | 44,159 |
| BALANCE SHEET | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 183,116 | 209,735 | 225,057 | 208,560 | 247,911 | 290,563 |
| Cash & equivalents | 33,340 | 70,834 | 106,771 | 96,451 | 115,849 | 164,696 |
| Restricted cash | 19,373 | 19,550 | 21,632 | 23,795 | 26,174 | 28,792 |
| Inventories | 1,305 | 1,734 | 3,013 | 2,246 | 3,761 | 2,956 |
| Other current assets | 129,099 | 117,617 | 93,642 | 86,068 | 102,127 | 94,119 |
| Non-current assets | 109,913 | 114,620 | 121,853 | 128,525 | 133,935 | 139,769 |
| PP&E | 25,978 | 30,239 | 38,705 | 47,131 | 52,435 | 56,441 |
| Intangibles | 30,398 | 30,230 | 30,221 | 30,625 | 31,087 | 31,603 |
| Other non-current assets | 53,538 | 54,151 | 52,927 | 50,769 | 50,413 | 51,725 |
| Total assets | 293,030 | 324,355 | 346,910 | 337,086 | 381,846 | 430,332 |
| Current liabilities | 100,874 | 107,936 | 123,542 | 128,493 | 147,511 | 152,057 |
| Short-term borrowings | 19,322 | 1 | 3,468 | 1,347 | 1,240 | 1,226 |
| Account payables | 46,779 | 50,325 | 63,769 | 64,020 | 78,158 | 76,870 |
| Tax payable | 34,774 | 57,610 | 56,305 | 63,126 | 68,112 | 73,961 |
| Non-current liabilities | 40,199 | 43,815 | 72,381 | 64,554 | 63,791 | 63,793 |
| Long-term borrowings | 610 | 1,175 | 18,789 | 11,617 | 10,698 | 10,571 |
| Other non-current liabilities | 39,589 | 42,640 | 53,591 | 52,937 | 53,093 | 53,222 |
| Total liabilities | 141,073 | 151,751 | 195,922 | 193,047 | 211,302 | 215,849 |
| Share capital | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital surplus | 325,579 | 308,861 | 317,415 | 319,720 | 325,912 | 332,322 |
| Retained earnings | (175,617) | (139,802) | (163,218) | (172,472) | (152,159) | (114,628) |
| Other reserves | 2,051 | 3,603 | (3,151) | (3,151) | (3,151) | (3,151) |
| Total shareholders equity | 152,013 | 172,663 | 151,046 | 144,097 | 170,602 | 214,543 |
| Minority interest | (57) | (59) | (58) | (58) | (58) | (60) |
| Total equity and liabilities | 293,030 | 324,355 | 346,910 | 337,086 | 381,846 | 430,332 |

| CASH FLOW | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | 14,022 | 37,985 | (24,838) | (9,254) | 20,314 | 37,531 |
| Depreciation & amortization | 7,997 | 8,421 | 10,199 | 11,784 | 13,165 | 14,066 |
| Change in working capital | 13,476 | 6,466 | (1,056) | 11,217 | (334) | 9,554 |
| Others | 5,028 | 4,274 | 1,879 | 5,840 | 6,210 | 6,429 |
| Net cash from operations | 40,522 | 57,147 | (13,815) | 19,587 | 39,355 | 67,579 |
| Investing | | | | | | |
| Capital expenditure | (6,880) | (10,999) | (13,271) | (20,209) | (18,470) | (18,072) |
| Net proceeds from disposal of short-term investments | (18,301) | 16,472 | 42,663 | 0 | 0 | 0 |
| Others | 517 | 4,733 | 380 | (404) | (462) | (516) |
| Net cash from investing | (24,664) | 10,205 | 29,773 | (20,613) | (18,931) | (18,589) |
| Financing | | | | | | |
| Dividend paid | (2) | (3) | 0 | 0 | 0 | 0 |
| Net borrowings | 663 | (1,230) | 36,888 | (9,294) | (1,025) | (142) |
| Proceeds from share issues | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | (3,442) | (29,182) | (15,645) | 0 | (1) | (1) |
| Net cash from financing | (2,781) | (30,415) | 21,243 | (9,293) | (1,026) | (143) |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 20,159 | 33,340 | 70,834 | 106,771 | 96,451 | 115,849 |
| 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 | 96,451 | 115,849 | 164,696 |
| GROWTH | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
| YE 31 Dec | | | | | | |
| Revenue | 25.8% | 22.0% | 8.1% | 10.8% | 14.2% | 11.8% |
| Gross profit | 57.4% | 33.5% | (14.5%) | 8.0% | 21.3% | 17.9% |
| Operating profit | na | 174.6% | na | na | na | 85.0% |
| Net profit | na | 158.4% | na | na | na | 84.8% |
| Adj. net profit | 722.5% | 88.2% | na | na | na | 65.2% |
| PROFITABILITY | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
| YE 31 Dec | | | | | | |
| Gross profit margin | 35.1% | 38.4% | 30.4% | 29.7% | 31.5% | 33.2% |
| Operating margin | 4.8% | 10.9% | (6.9%) | (2.3%) | 5.4% | 8.9% |
| Adj. net profit margin | 8.4% | 13.0% | (5.1%) | (0.6%) | 5.8% | 8.6% |
| Return on equity (ROE) | 9.9% | 22.1% | (14.4%) | (6.3%) | 12.9% | 19.5% |
| 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 | 1.9 |
| Receivable turnover days | 3.1 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 |
| Inventory turnover days | 2.5 | 2.6 | 3.4 | 3.3 | 3.4 | 3.5 |
| 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 | 30.3 | 11.6 | ns | ns | 20.2 | 10.9 |
| P/E (diluted) | 30.3 | 11.6 | ns | ns | 20.2 | 10.9 |
| P/B | 2.8 | 2.4 | 2.7 | 2.8 | 2.4 | 1.9 |
| P/CFPS | 12.2 | 8.9 | ns | ns | 19.7 | 8.3 |
| EV | 715,338.8 | 676,721.9 | 706,236.2 | 705,099.3 | 682,297.1 | 630,690.6 |
| 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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