

First Read

Meituan

In-store channel checks: Differentiated competition

1Q trend: Growth largely on track; Subsidy efforts remained steady

We conducted channel checks with local service agencies and ByteDance local service manager. **Growth:** In 1Q, Meituan's in-store GTV growth is estimated to have moderated to HSD % YoY, on track with cons. Douyin's GTV growth accelerated and remained faster at +50-55% YoY. Excluding near-field retail (c20% of Douyin's GTV) for a more like-for-like comparison with Meituan, Douyin's GTV would be up c40% YoY. By category, hotel and travel remained the primary laggard on ADR pressure, whereas in-store entertainment continued to be the fastest growing given lower online penetration.

Subsidy: Our channel checks suggest Douyin sequentially reduced its subsidies in 1Q, but shifting a greater portion of cost burden onto merchants. Meituan's subsidy efforts appear to have remained stable (cons expects margin steady QoQ at 25%).

Competition: differentiating in vertical and merchant focus

We view the competitive dynamics between Meituan and Douyin to be distinct, with both platforms coexisting to cater different merchant needs. **1) Verticals:** Douyin is progressively expanding into verticals beyond conventional in-store categories (e.g. auto and home-related services). This is also evidenced by Douyin's faster in-store merchant growth, which has seen its MAU exceeding Meituan's since late 2024 but with a steady overlap ratio, according to QuestMobile (Figure 3 & Figure 4). This strategy also leverages its network of merchants and advertisers, an advantage over Meituan. In short, rather than directly competing head to head with Meituan, Douyin expands to the underserved local service verticals leveraging its content advantage. **2) Merchants:** Douyin prioritizes national key accounts (NKAs), which possess nationwide reach and operate chained stores, offering higher ROI and larger capacity to absorb traffic vs SMEs. The expert noted that, although Douyin's traffic growth is moderating, it still offers additional new traffic for merchants to tap into. Merchants may also be relatively less ROI sensitive on Douyin, viewing the platform as a tool for new product launch and branding. In contrast, Meituan's comprehensive marketplace serves as a reliable platform for merchants, which sees its solid consumer mindshare resulting in more definitive transactions, with higher validation and repurchase rates, making it particularly well-suited for SMEs. On **BABA**, the expert noted its potential further entry into the in-store segment, through redirecting investments from quick commerce. However, it is believed that the subsidy competition in in-store would likely be less aggressive compared to quick commerce, given its higher in-store AOV. Longer term, we continue to expect a 2-to-1 split for Meituan and Douyin in the traditional in-store market share.

Strategy: Douyin monetization focused; Meituan core user oriented

Equities		
China		
Internet Services		
12-month rating	Buy	
12m price target	HK\$128.00	
Price (27 Apr 2026)	HK\$81.85	
RIC: 3690.HK	BBG: 3690 HK	
Trading data and key metrics		
52-wk range	HK\$148.40-74.50	
Market cap.	HK\$501b/US\$64.0b	
Shares o/s	6,125m (ORD)	
Free float	87%	
Avg. daily volume ('000)	52,783	
Avg. daily value (m)	HK\$4,462.3	
Common s/h equity (12/25E)	Rmb152b	
P/BV (12/25E)	3.0x	
Net debt to EBITDA (12/25E)	7.8x	
EPS (UBS, diluted) (Rmb)		
	UBS	Cons.
12/25E	(3.00)	(3.07)
12/26E	(0.70)	(0.14)
12/27E	3.66	4.55

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Highlights (Rmbm)	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
Revenues	219,955	276,745	337,592	365,982	408,223	479,130	553,610	636,826
EBIT (UBS)	469	16,105	40,869	(23,782)	(4,629)	25,292	35,754	43,932
Net earnings (UBS)	2,827	23,253	43,772	(18,648)	(4,379)	23,230	33,479	42,002
EPS (UBS, diluted) (Rmb)	0.46	3.69	7.03	(3.00)	(0.70)	3.66	5.17	6.36
DPS (net) (Rmb)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	73,919	109,991	132,040	108,995	82,156	103,303	133,616	170,835
Profitability/valuation	12/22	12/23	12/24	12/25E	12/26E	12/27E	12/28E	12/29E
EBIT (UBS) margin %	0.2	5.8	12.1	(6.5)	(1.1)	5.3	6.5	6.9
ROIC (EBIT) %	2.3	136.0	>500	>500	<-500	>500	>500	>500
EV/EBITDA (UBS core) x	74.2	24.1	10.7	NM	56.9	8.4	6.1	5.2
P/E (UBS, diluted) x	NM	31.4	15.9	(25.2)	NM	19.5	13.8	11.2
Equity FCF (UBS) yield %	0.6	4.7	6.7	(4.8)	(1.3)	4.8	6.9	8.5
Dividend yield (net) %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

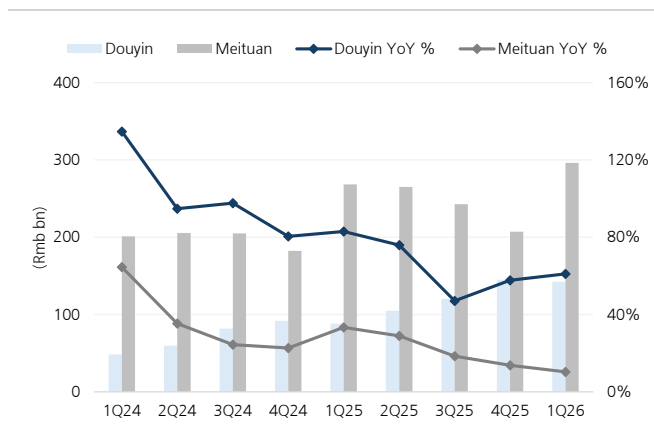
Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of HK\$ 81.85 on 27-Apr-2026

Douyin: 1) KA and SMEs as dual drivers. Following Douyin's organizational restructuring in Apr, its key focuses lie in both KA monetization, and onboarding SMEs with streamlined operations; **2) Lower commission**, to attract merchants onboarding and foster their operating incentives, supporting competitive pricing (Douyin's in-store ASP is currently 70% on par or better vs Meituan's for the same SKU) and GMV growth, ultimately targeting to lift ad take rates, according to the expert; **3) Content-centric and value maximization.** In 2026, Douyin has revamped its traffic distribution model, with 80% traffic (with high value content, or soft ads) categorized for natural traffic, and the remaining 20% paid traffic competing between e-com and local services. This move encourages the local service merchants to focus on differentiated content to stand out from the highly competitive e-com merchants, according to the expert. With traffic peaking, Douyin focuses on enhancing content quality which tends to benefit KAs who have higher content budget. **4) Independent app.** DouShengSheng, positioned as an independent low price marketplace for local services, has achieved fast user growth since its launch in Feb-26. That said, its DAU scale is still limited at 9m vs Meituan's c170m as of end-Apr, according to QuestMobile. **Meituan: 1) Enhanced membership benefits**, to increase stickiness among core users, with proven higher ARPU and repurchase rate (above 65%), as well as improving cross selling between in-store and quick commerce from 40% to currently 60%; **2) Self pick-up:** to optimize merchants' operating efficiency while leveraging Meituan's catering merchant base; **3) Optimizing take rates**, with commission rate uplift potential for selected merchants.

Valuation: 11x normalized P/E, long-term upside potential to be unlocked

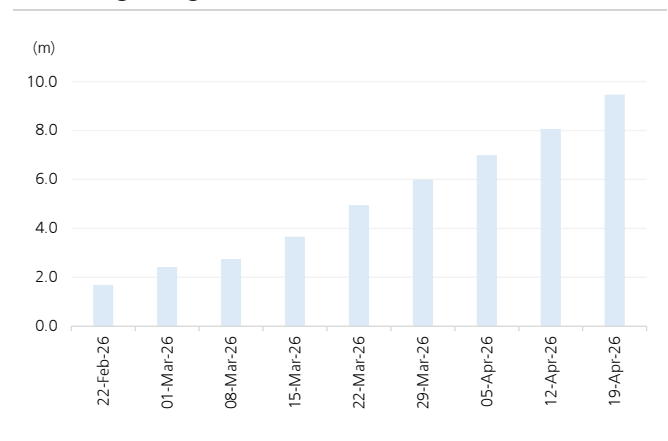
While the in-store market continues to face competition, the intensity is less pronounced compared to 2023-2024. This is primarily due to Douyin's shift of focus towards profitability, key accounts (KA), and specific verticals that Meituan has yet to explore. Over the long term, we anticipate Meituan's competitive advantage in local services to remain intact, supported by its strong consumer mindshare and highly efficient merchant platforms, particularly for the SMEs. We estimate its OP margin has bottomed out at c25%. **Stock view:** In the upcoming quarters, sentiment towards Meituan is expected to be mixed. On one hand, margins in the food delivery segment are likely to improve as the industry reduces subsidies; however, investors will continue to monitor the competitive dynamics with Douyin, whose GTV growth remains at a high level. Currently trading at 11x P/E based on normalized earnings of Rmb40bn (Rmb25bn from quick commerce, Rmb25bn from in-store services, and a Rmb10bn loss from new ventures), Meituan remains appealing to long-term investors for the value of its overseas Keeta and Xiaoxiang Supermarket operations.

Figure 1: In-store GTV and YoY growth



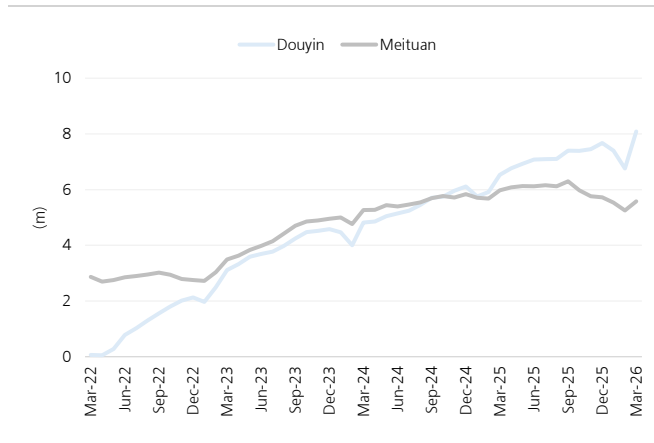
Source: Company data, UBS

Figure 2: DAU of Douyin's independent app DouShengSheng



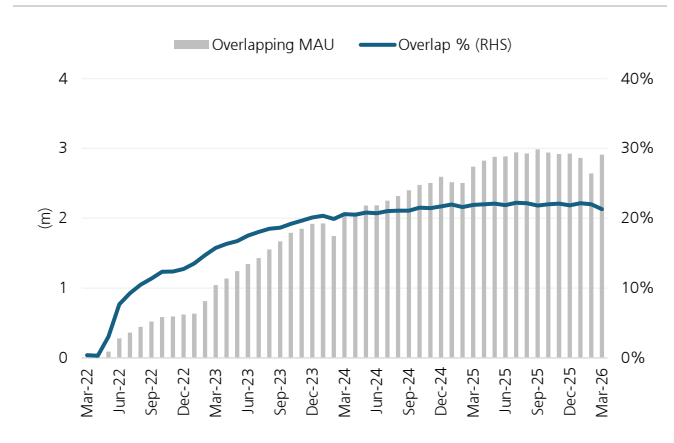
Source: QuestMobile, UBS

Figure 3: Meituan vs Douyin in-store merchant MAU



Source: QuestMobile, UBS

Figure 4: Merchant MAU overlap ratio has been steady since late-24



Source: QuestMobile, UBS



Forecast returns

Forecast price appreciation	56.4%
Forecast dividend yield	0.0%
Forecast stock return	56.4%
Market return assumption	10.9%
Forecast excess return	45.5%

Company Description

Meituan is a food-centric 'super app' with two core services: 1) local search: users can find restaurants and other services through personalised search results and comprehensive reviews; and 2) O2O transactions: users can order food delivery from nearby restaurants. It has also expanded into groceries, FMCG and other categories under its 'retail + technology' strategy. The company monetises primarily through commissions on transactions and ads.

Valuation Method and Risk Statement

We derive our price target using an SOTP methodology.

Key risks include competition and heavy investment. Alibaba could invest more in e-commerce user and merchant acquisitions as competition continues to intensify. Its investment in Ele.me and Koubei could also be prolonged to gain share in critical O2O markets, even if the investment is less efficient due to smaller scale. Meituan Dianping's investment in unprofitable new initiatives could put more pressure on its low margins than we expect. Other downside risks include: 1) a potential growth slowdown if customer spending declines; 2) any unfavourable changes in the macroeconomic environment and government regulations; 3) lower subsidies from restaurants; and 4) limited benefits from a secular industry shift.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at <https://neo.ubs.com/quantitative>, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Meituan

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher, 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	3
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	