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Meituan (3690.HK)

2Q26 CLC & Group to Resume Profitable; 2H26 Trend Remains Dynamic

CITI'S TAKE

Following better than expected 1Q26 print amid improving competitive landscape and rationalized subsidies, together with seasonal tail winds, Meituan expects food delivery UE to resume breakeven in 2Q26. Along with stable in-store margin, Core Local Commerce (CLC) will return to profitability in 2Q26, ahead of our previous forecast. Nevertheless, management remains cautious about the 2H26 profitability trend, citing headwinds from a high base that will likely lead to negative order volume growth, and a competitive landscape that could remain dynamic. That said, Keeta's improving operational efficiency, along with its disciplined focus on profitability over new market expansion, should ensure that operating losses for new initiatives remain manageable. Post estimates revision, our TP is raised to HK$113 (from HK$110). Maintain Buy/1H and believe the worst of the competitive intensity is over, which will allow Meituan to focus on driving AI adoption and product enhancement while navigating macroeconomic and competitive dynamics.

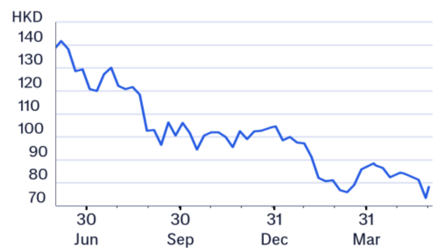
Buy / High Risk	
Price (01 Jun 26 16:10)	HK$78.25
Target price	HK$113.00↑
from HK$110.00	
Expected share price return	44.4%
Expected dividend yield	0.0%
Expected total return	44.4%
Market Cap	HK$477,420M
	US$60,935M

Food delivery/quick commerce landscape - As competition in food delivery becomes more rational, Meituan shifts focus to fundamentals like operational efficiency and user experience. Mgmt observes continued user growth, despite pulling back subsidies. UE in 2Q26 will further improve on the back of seasonality tailwind. Into 2H26, order volume will face high base though mgmt sounded positive on achieving long-term order volume and UE target. We model order volume/GTV/revs yoy growth for 2Q26 at +2.5%/-0.6%/+1.5% with UE of Rmb0.01.

CLC and Op positive in 2Q26 – We forecast 2Q26 total revs to +10.7% yoy to Rmb101.65bn with CLC/New Initiatives +5.7%/+23% yoy to Rmb69.1bn/Rmb32.6bn and CLC Op turns profitable at Rmb3.2bn while Op loss for New Initiatives at Rmb2.3bn and group adj. OP/NP at Rmb893mn/Rmb633mn.

In-store margin and competitive landscape – Mgmt noted that its in-store business is resilient against competitive pressures due to foundational strengths that cannot be replicated by traffic alone. Mgmt expects in-store margins to remain stable in the near term, with room to recover over the long term. **Keeta update-** Despite NT growth fluctuations in the Middle East due to geopolitical complexities, mgmt remains committed in the region given its growth potential. The strategy for 2026 is to prioritize operational efficiency, with any market expansions to be pushed out and be pursued with greater financial discipline.

Price Performance
(RIC: 3690.HK, BB: 3690 HK)



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Earnings Summary

Year to 31 Dec	Net Profit (RmbM)	Diluted EPS (Rmb)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	43,771	7.031	90.5	9.7	2.3	27.0	na
2025A	-18,649	-3.069	-143.6	na	2.7	-11.5	na
2026E	-4,432	-0.737	76.0	na	2.7	-2.9	na
2027E	20,255	3.342	553.3	20.3	2.4	12.5	na
2028E	35,190	5.759	72.4	11.8	2.0	18.5	na

Source: Powered by dataCentral

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

3690.HK: Fiscal year end 31-Dec

Price: HK$78.25; TP: HK$113.00; Market Cap: HK$477,420m; Recomm: Buy/High Risk

Profit & Loss (Rmbm)	2024	2025	2026E	2027E	2028E
Sales revenue	337,592	365,556	405,132	450,587	499,744
Cost of sales	-207,807	-253,846	-278,040	-298,906	-327,804
Gross profit	129,785	111,710	127,092	151,681	171,940
Gross Margin (%)	38.4	30.6	31.4	33.7	34.4
EBITDA (Adj)	**49,336**	**-14,511**	**7,025**	**34,442**	**51,763**
EBITDA Margin (Adj) (%)	14.6	-4.0	1.7	7.6	10.4
Depreciation	-8,421	-10,199	-10,505	-10,820	-11,145
Amortisation	0	0	0	0	0
EBIT (Adj)	**45,142**	**-16,986**	**-3,827**	**20,961**	**37,834**
EBIT Margin (Adj) (%)	13.4	-4.6	-0.9	4.7	7.6
Net interest	-45	125	-345	400	400
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	-7,111	-7,976	-6,095	-3,974	-4,361
Pre-tax profit	**37,985**	**-24,838**	**-10,267**	**17,387**	**33,872**
Tax	-2,177	1,483	823	-2,173	-4,234
Extraord./Min.Int./Pref.div.	-1	-1	-1	-1	-1
Reported net profit	**35,807**	**-23,355**	**-9,444**	**15,213**	**29,638**
Net Margin (%)	10.6	-6.4	-2.3	3.4	5.9
Core NPAT	43,771	-18,649	-4,432	20,255	35,190

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS (Rmb)	5.752	-3.843	-1.571	2.510	4.851
Core EPS (Rmb)	7.031	-3.069	-0.737	3.342	5.759
DPS (Rmb)	0	0	0	0	0
CFPS (Rmb)	9.228	-2.244	1.976	6.889	9.961
FCFPS (Rmb)	7.462	-4.427	-1.729	2.800	5.463
BVPS (Rmb)	29.372	25.446	25.446	28.831	34.712
Wtd avg ord shares (m)	6,125	6,077	5,966	6,014	6,062
Wtd avg diluted shares (m)	6,226	6,077	6,013	6,061	6,110

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	22.0	8.3	10.8	11.2	10.9
EBIT (Adj) (%)	143.6	-137.6	77.5	647.8	80.5
Core NPAT (%)	88.2	-142.6	76.2	557.0	73.7
Core EPS (%)	90.5	-143.6	76.0	553.3	72.4

Balance Sheet (Rmbm)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	187,793	188,465	209,077	223,546	254,267
Accounts receivables	2,653	3,323	3,108	3,333	3,697
Inventory	1,734	3,013	3,047	3,276	3,592
Net fixed & other tangibles	46,813	49,206	61,806	72,783	83,983
Goodwill & intangibles	30,230	30,221	30,341	30,489	30,668
Financial & other assets	55,131	72,683	69,437	72,420	75,273
Total assets	**324,355**	**346,910**	**376,815**	**405,846**	**451,480**
Accounts payable	25,193	34,572	34,279	36,851	40,414
Short-term debt	1	3,468	5,381	5,381	5,381
Long-term debt	1,175	18,789	42,687	42,687	42,687
Provisions & other liab	125,382	139,094	142,268	148,471	155,351
Total liabilities	**151,751**	**195,922**	**224,614**	**233,391**	**243,833**
Shareholders' equity	172,663	151,046	152,258	172,512	207,703
Minority interests	-59	-58	-57	-57	-56
Total equity	**172,604**	**150,988**	**152,200**	**172,456**	**207,647**
Net debt (Adj)	**-186,617**	**-166,208**	**-161,009**	**-175,478**	**-206,200**
Net debt to equity (Adj) (%)	-108.1	-110.1	-105.8	-101.8	-99.3

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	9.7	-22.1	-92.1	20.3	11.8
PB (x)	2.3	2.7	2.7	2.4	2.0
EV/EBITDA (x)	4.3	-13.6	29.7	5.9	3.5
FCF yield (%)	11.0	-6.5	-2.5	4.1	8.0
Dividend yield (%)	na	na	na	na	na
Payout ratio (%)	0	0	0	0	0
ROE (%)	22.1	-14.4	-6.2	9.4	15.6

Cashflow (Rmbm)	2024	2025	2026E	2027E	2028E
EBITDA	45,266	-14,842	635	27,207	44,017
Working capital	6,466	-1,056	3,833	6,484	8,083
Other	5,722	2,263	7,416	8,064	8,764
Operating cashflow	**57,454**	**-13,635**	**11,884**	**41,756**	**60,864**
Capex	-10,999	-13,271	-22,282	-24,782	-27,486
Net acq/disposals	16,847	39,954	-8,669	-12,956	-18,682
Other	4,358	3,089	0	0	0
Investing cashflow	**10,205**	**29,773**	**-30,951**	**-37,738**	**-46,167**
Dividends paid	0	0	0	0	0
Financing cashflow	**-4,606**	**32,327**	**31,829**	**0**	**0**
Net change in cash	**63,610**	**47,202**	**12,762**	**4,018**	**14,697**
Free cashflow to s/holders	**46,454**	**-26,906**	**-10,399**	**16,973**	**33,378**

For definitions of the items in this table, please click here.

Takeaways From 1Q26 Earnings Call

1Q26 top & bottom-line beat

Meituan posted better-than-expected 1Q26 results with total revenues of Rmb91.04bn (+5.6% yoy and -1.1% qoq), slightly beating Citi/consensus of Rmb90.63bn/Rmb90.80bn.

- **Core local commerce** revenue increased 0.1% yoy to Rmb64.06bn, vs our Rmb63.9bn, CLC segment OP loss narrowed to Rmb2.03bn (or -3.2% margin), better than our estimate of Rmb-4.56bn and VisibleAlpha consensus estimate of Rmb-4.38bn.
  - Specifically, delivery services revenues declined 2.9% yoy to Rmb25.0bn (27.5% of total revenues).
  - OP loss of core local commerce improved significantly sequentially to Rmb-2.03bn from Rmb-10bn in 4Q25 and compared to profit of Rmb+13.5bn in 1Q25, and OpM improving to -3.2% vs -15.5% in 4Q25 and +21% in 1Q25.
- **New initiatives:** Revenues +21.3% yoy to Rmb26.98bn, in line with our Rmb26.7bn, with operating loss at Rmb2.12bn, better than our -Rmb2.6bn. Op loss for new initiatives reached Rmb-2.12bn vs. Rmb-4.65bn in 4Q25 and -Rmb2.27bn in 1Q25, with loss margin at -7.8%, vs. -17% in 4Q25 and -10.2% in 1Q25.

Group adjusted net loss was Rmb4.97bn, better than our -Rmb6.50bn and consensus' -Rmb6.83bn, adj. NM was -5.5% in 1Q26 vs. -16.4% in 4Q25 and +12.6% in 1Q25. Group adj. EBITDA reached Rmb-3.05bn or margin of -3.3% in 1Q26 vs. our estimate of -4.9% margin.

Comment on food delivery competitive environment

With food delivery competitive landscape getting more rational, management expects competition to shift back to fundamentals including operational efficiency and user experience. Despite Meituan gradually pull back subsidies, management still sees continued user growth and stronger engagement from core users, including solidification of leadership in mid-to-high AOV of food delivery segment.

With strengthening op efficiency, management expects a meaningful UE improvement in 2Q26 vs. 1Q26 if competition stays more rational due to seasonal tailwind which also widens UE gap vs. key competitors.

In terms of UE outlook into 2H26E, it will still depend on how the competition environment evolves while management also expects delivery costs per order to become seasonally higher in 3Q and 4Q compared to 2Q. Management also expects a negative yoy growth in order volume in 2H26E due to high base last year despite a healthier order mix as consumers increasingly becoming more willing to pay for quality driving a more resilient GTV growth vs. order volume growth.

In the long term, management believes the food delivery segment has become high frequency necessities for broader demographical structural shift providing sustained momentum for deepening market penetration over time. Overall, management expects high growth potential in purchase frequency and retention for new users driven by superior services, while volume acceleration driven solely by subsidy may prove not to be sustainable.

Competition in in-store business

Regarding competitive pressure in the in-store business, management noted it is a business built on physical-world fulfillment and consumer trust. In local services, Meituan has built strengths that cannot be replicated purely through traffic. Meituan's moats include 1) Meituan's brand and strong consumer mindshare for finding stores and deals, supported by a trustworthy information and review system; and 2) continued innovation across the entire value chain to build a better user experience. While competition has created some near-term noise, management believes market players must continue to differentiate across categories, merchant segments, and market scenarios.

Management said in-store revenue continues to grow steadily and that the company will continue to lead in core categories. Meituan has also expanded into new service retail verticals and deepened its reach in lower-tier markets. Its investment strategy will adapt dynamically to industry conditions, with the primary focus always being the long-term healthy development of the industry.

For this year, management will focus on two priorities: strengthening Meituan's competitive edge in core categories and building better digital infrastructure for local service merchants. Management expects in-store margins to remain stable in the near term, with room to recover over the long term. Meituan remains patient and confident in continuing to lead the evolution of the local services sector.

Hotel & travel business updates

Management commented that Meituan will fully capture opportunities brought by new regulatory environment. First, Meituan will further solidify its core market leadership in the lower-star hotel sector. Second, it will continue to expand its footprint in mid-to-high-end hotels, deepen strategic partnerships with merchants, enrich offerings, and strengthen ecosystem synergies. Meituan will also continue to leverage its membership program to deliver targeted services to high-value users and drive further progress in the high-star hotel segment.

- Consumer preferences have increasingly shifted toward value-for-money options, off-peak travel, lower-tier cities, local leisure, and short-distance getaways.

- Meituan continues to deepen its presence across the hotel industry supply chain. For high-star hotels, amid an evolving regulatory environment, Meituan continues to expand its high-star hotel portfolio to enrich accommodation choices for consumers. Meituan also partners with selected hotel merchants to offer exclusive pre-sale products for leisure travelers, providing exclusive benefits, unique experiences, and one-stop high-quality vacation services. Management remains focused on strengthening the membership ecosystem. Meituan has increased cross-selling between accommodation and other businesses, providing high-tier Meituan members with benefits. Meituan continues to promote joint membership programs with global high-end hotel brands, as well as exclusive membership benefits through partnerships.

- Looking ahead, the recent increase in airline fuel surcharges may create near-term volatility for the hotel and travel industry. Long-distance travel and high-star hotels are likely to face headwinds, while short-distance leisure travel, local accommodation, and lower-star hotels should remain resilient. Meituan's structural advantages in these resilient areas position it well to navigate the current market cycle, per management.

Comment on grocery retail

Management will continue to focus on acquiring best supply on its platform for average consumers with high reliability and predictability regardless of 1P or 3P operation model. Management expects future growth of grocery retail will likely be driven by a hybrid model in 3P and 1P operations that provide consistent, high-quality supplies with very competitive pricing.

On operational side, Xiaoxiang Supermarket has delivered robust growth in 2025 – significantly outperforming the whole industry. This momentum has continued into 1Q26 with accelerated expansion in 55 cities by end of 1Q26 with plans to enter more markets in coming quarters.

While Xiaoxiang started with an online dark store model, it has opened the first physical store in Beijing in last Dec, with second physical stores opened in Ningbo in Apr. Management believes these physical stores can broaden Xiaoxiang's user reach and allow consumers or potential consumers to navigate its high-quality physical goods.

Looking ahead, management is confident of Xiaoxiang becoming one of the leading players in grocery retail and targets a sustainable low single-digit profit margin in the long term.

Keeta progress & new initiatives loss in 2026E

Management shared that in the Middle East, they have seen near-term fluctuations in growth metrics with manageable impact so far, and long-term conviction for the market remains unchanged. Management believes the Middle East market still represents one of the fastest- growing food delivery markets globally with low penetration right now and strong consumer willingness to pay. Management will continue to navigate geopolitical complexity by sharpening its risk management and building an organizational framework that is better suited for global operations.

Following HK's UE breakeven in 4Q25, Keeta further gained efficiency in both HK and Saudi Arabia in 1Q26. Management also observed efficiency ramp-up in other Middle East markets and Brazil thanks to Keeta's operational experience. Management will focus on operational improvement this year over new market expansion, while remaining confident to deliver both scale and bottom-line growth in the long term. Management will still explore market expansion opportunities thoughtfully and will be more financially disciplined.

With the additional revs disclosure this quarter, we reconcile Keeta likely to have generated revs of Rmb3bn in 1Q26.

Latest AI development

Meituan has recently placed its AI assistant Xiaotuan in the front-end center of Meituan app for easier access. Management highlighted that its implementation of AI strategy is still in a very early stage with good initial results. More users have come for simple and short searches with more complex use cases to be explored.

Meituan's AI capabilities include to understand the full context and provide users with personalized recommendation based on price range, locations and others. During Labor Day holiday, Xiaotuan has seen meaningful pickup in fashion volume compared to Chinese New Year. Users of Xiaotuan weren't just coming to redeem coupons but also using shorter time to discover service destination and make purchase decisions more promptly.

Beyond Xiaotuan, management also embeds AI deeper into specific verticals such as Xiaotuan health assistant which is built from years of proprietary real world data on the Meituan platform.

Looking ahead, Xiaotuan will become one of its key AI products on consumer side and management will continue to deepen the integration of user-agent interactions and deploy task execution progressively across business verticals.

Management also shared that the partnership between Xiaomei from Meituan and Yuanbao from Tencent will be launching soon.

Estimate Revisions

We adjusted 2026-28E total revs by -0.8%, -1.1% and -0.1% and forecast non-GAAP net loss of -Rmb4.43bn in 2026 and non-GAAP net profit of Rmb20.3bn in 2027 and Rmb35.2bn in 2028.

We model CLC to resume profitability in 2Q26 and food delivery at breakeven in 2Q26 before 2H seasonality that weigh on profitability. We forecast new initiatives loss to amount to Rmb9.5bn in 2026.

Figure 1. Meituan – Estimate Revisions

Rmb (mn except per share data)	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
2Q26E	102,114	101,650	*-0.5%*	(3,763)	633	*116.8%*	(0.63)	0.11	*116.8%*
3Q26E	108,930	107,386	*-1.4%*	(902)	(186)	*79.4%*	(0.15)	(0.03)	*79.4%*
2026E	**408,533**	**405,132**	***-0.8%***	**(11,740)**	**(4,432)**	***62.2%***	**(1.95)**	**(0.74)**	***62.2%***
2027E	**455,698**	**450,587**	***-1.1%***	**20,919**	**20,255**	***-3.2%***	**3.45**	**3.34**	***-3.2%***
2028E	**500,111**	**499,744**	***-0.1%***	**31,838**	**35,190**	***10.5%***	**5.21**	**5.76**	***10.5%***

Source: Citi Research Estimates

Figure 2. Meituan – Revenue and Profit Revisions

	2Q26E			3Q26E			2026E			2027E			2028E		
Rmb (mn)	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Core local commerce															
Revenue	**70,962**	**69,100**	**-2.6%**	**76,019**	**73,611**	**-3.2%**	**285,482**	**278,720**	**-2.4%**	**316,325**	**303,875**	**-3.9%**	**345,409**	**333,580**	**-3.4%**
yoy growth rate %	*8.6%*	*5.7%*		*13.4%*	*9.8%*		*9.2%*	*6.6%*		*10.8%*	*9.0%*		*9.2%*	*9.8%*	
as % of total revenue	69.5%	68.0%		69.8%	68.5%		69.9%	68.8%		69.4%	67.4%		69.1%	66.8%	
Operating profit	**-1,561**	**3,221**	**306.3%**	**1,525**	**2,230**	**NM**	**-2,660**	**5,665**	**313.0%**	**30,569**	**26,369**	**-13.7%**	**39,871**	**39,974**	**0.3%**
yoy growth rate %	*NM*	*NM*		*NM*	*NM*		*NM*	*NM*		*NM*	*NM*		*NM*	*NM*	
operating margin	-2.2%	4.7%	6.9%	2.0%	3.0%	1.0%	-0.9%	2.0%	3.0%	9.7%	8.7%	-1.0%	11.5%	12.0%	0.4%
Food delivery															
GTV (Rmb bn)	**307.8**	**292.7**	**-4.9%**	**325.2**	**314.9**	**-3.2%**	**1,219.3**	**1,180.3**	**-3.2%**	**1,289.8**	**1,230.0**	**-4.6%**	**1,358.0**	**1,288.9**	**-5.1%**
yoy growth rate %	*4.5%*	*-0.6%*		*-0.2%*	*-3.4%*		*3.4%*	*0.1%*		*5.8%*	*4.2%*		*5.3%*	*4.8%*	
Transaction volume	**68.38**	**68.7**	**0.5%**	**72.77**	**70.5**	**-3.2%**	**67.76**	**66.4**	**-2.0%**	**71.82**	**69.4**	**-3.4%**	**75.77**	**72.8**	**-3.9%**
yoy growth rate %	*2.0%*	*2.5%*		*-5.0%*	*-8.0%*		*0.4%*	*-1.6%*		*6.0%*	*4.4%*		*5.5%*	*5.0%*	
Revenue	**43,100**	**40,948**	**-5.0%**	**45,757**	**44,016**	**-3.8%**	**171,777**	**165,785**	**-3.5%**	**184,928**	**175,770**	**-5.0%**	**197,024**	**186,575**	**-5.3%**
yoy growth rate %	*6.8%*	*1.5%*		*11.8%*	*7.6%*		*6.1%*	*2.4%*		*7.7%*	*6.0%*		*6.5%*	*6.1%*	
monetization rate	14.0%	14.0%	0.0%	14.1%	14.0%	-0.1%	14.1%	14.0%	0.0%	14.3%	14.3%	0.0%	14.5%	14.5%	0.0%
Operating profit	**-6,124**	**89**	**NM**	**-3,486**	**-1,286**	**NM**	**-20,597**	**-7,562**	**NM**	**7,568**	**8,259**	**NM**	**12,768**	**13,910**	**8.9%**
yoy growth rate %	*458%*	*-108.1%*		*-80%*	*-92.6%*		*-10.8%*	*-67.2%*		*-136.7%*	*-209.2%*		*68.7%*	*68.4%*	
operating margin	-14.2%	0.2%	14.4%	-7.6%	-2.9%	4.7%	-12.0%	-4.6%	7.4%	4.1%	4.7%	0.6%	6.5%	7.5%	1.0%
Profit per order (Rmb)	**-0.98**	**0.01**	**NM**	**-0.52**	**-0.20**	**NM**	**-0.83**	**-0.31**	**NM**	**0.29**	**0.33**	**NM**	**0.46**	**0.52**	**13.3%**
In-store, hotel and travel															
Revenue	**18,838**	**19,017**	**1.0%**	**19,501**	**18,834**	**-3.4%**	**73,528**	**72,600**	**-1.3%**	**82,622**	**78,967**	**-4.4%**	**92,693**	**89,492**	**-3.5%**
yoy growth rate %	*7.4%*	*8.4%*		*12.9%*	*9.0%*		*10.4%*	*9.0%*		*12.4%*	*8.8%*		*12.2%*	*13.3%*	
Operating profit	**4,853**	**4,825**	**-0.6%**	**5,141**	**4,666**	**-9.2%**	**19,054**	**18,240**	**-4.3%**	**23,160**	**21,606**	**-6.7%**	**26,870**	**27,917**	**3.9%**
yoy growth rate %	*-8%*	*-8.5%*		*8%*	*-2.4%*		*-1.5%*	*-5.7%*		*21.5%*	*18.5%*		*16.0%*	*29.2%*	
operating margin	25.8%	25.4%	-0.4%	26.4%	24.8%	-1.6%	25.9%	25.1%	-0.8%	28.0%	27.4%	-0.7%	29.0%	31.2%	2.2%
New initiatives and others															
Revenue	**31,152**	**32,550**	**4.5%**	**32,911**	**33,776**	**2.6%**	**123,051**	**126,412**	**2.7%**	**139,373**	**146,712**	**5.3%**	**154,702**	**166,164**	**7.4%**
yoy growth rate %	*17.6%*	*22.9%*		*17.4%*	*20.4%*		*18.3%*	*21.5%*		*13.3%*	*16.1%*		*11.0%*	*13.3%*	
as % of total revenue	30.5%	32.0%		30.2%	31.5%		30.1%	31.2%		30.6%	32.6%		30.9%	33.2%	
Operating profit (loss)	**-2,411**	**-2,328**	**3.4%**	**-2,226**	**-2,674**	**NM**	**-9,538**	**-9,492**	**0.5%**	**-5,864**	**-5,408**	**NM**	**-2,925**	**-2,140**	**NM**
yoy growth rate %	*na*	*na*		*na*	*na*		*na*	*na*		*na*	*na*		*na*	*na*	
operating margin	-7.7%	-7.2%	0.6%	-6.8%	-7.9%	-1.2%	-7.8%	-7.5%	0.2%	-4.2%	-3.7%	0.5%	-1.9%	-1.3%	0.6%
Consolidated															
Total revenues	**102,114**	**101,650**	**-0.5%**	**108,930**	**107,386**	**-1.4%**	**408,533**	**405,132**	**-0.8%**	**455,698**	**450,587**	**-1.1%**	**500,111**	**499,744**	**-0.1%**
yoy growth rate %	*11.2%*	*10.7%*		*14.6%*	*13.0%*		*11.8%*	*10.8%*		*11.5%*	*11.2%*		*9.7%*	*10.9%*	
Gross profit	**33,121**	**34,068**	**2.9%**	**35,109**	**33,665**	**-4.1%**	**131,501**	**127,092**	**-3.4%**	**160,061**	**151,681**	**-5.2%**	**179,081**	**171,940**	**-4.0%**
yoy growth rate %	*7.9%*	*11.2%*		*44.2%*	*37.7%*		*17.4%*	*13.0%*		*21.8%*	*19.1%*		*11.7%*	*13.0%*	
gross margin	32.4%	33.5%	1.1%	32.2%	31.3%	-0.9%	32.2%	31.4%	-0.8%	35.1%	33.7%	-1.5%	35.8%	34.4%	-1.4%
Adjusted operating profit (loss)	**-3,972**	**893**	**122.5%**	**-701**	**-444**	**NM**	**-12,199**	**-3,827**	**68.6%**	**24,705**	**20,961**	**NM**	**36,947**	**37,834**	**2.4%**
yoy growth rate %	*-316%*	*-51.5%*		*-95%*	*-97.1%*		*-28%*	*-77.5%*		*-303%*	*-647.8%*		*50%*	*80.5%*	
operating margin	-3.9%	0.9%	4.8%	-0.6%	-0.4%	0.2%	-3.0%	-0.9%	2.0%	5.4%	4.7%	-0.8%	7.4%	7.6%	0.2%
Adjusted net profit (loss)	**-3,763**	**633**	**116.8%**	**-902**	**-186**	**NM**	**-11,740**	**-4,432**	**62.2%**	**20,919**	**20,255**	**NM**	**31,838**	**35,190**	**10.5%**
yoy growth rate %	*-352%*	*-57.6%*		*-94%*	*-98.8%*		*-37%*	*-76%*		*-278%*	*-557.0%*		*52%*	*73.7%*	
net margin	-3.7%	0.6%	4.3%	-0.8%	-0.2%	0.7%	-2.9%	-1.1%	1.8%	4.6%	4.5%	-0.1%	6.4%	7.0%	0.7%
Adjusted EBITDA	**-1,226**	**4,395**	**458.4%**	**2,056**	**2,881**	**NM**	**-1,171**	**8,119**	**793.1%**	**36,188**	**34,442**	**NM**	**48,878**	**51,763**	**5.9%**
yoy growth rate %	*-144%*	*58.0%*		*-114%*	*-119.4%*		*na*	*na*		*-3189.6%*	*390.3%*		*na*	*na*	
adjusted EBITDA margin	-1.2%	4.3%	5.5%	1.9%	2.7%	0.8%	-0.3%	2.0%	2.3%	7.9%	7.6%	-0.3%	9.8%	10.4%	0.6%

Source: Citi Research Estimates

Raise TP to HK$113 and maintain Buy/High Risk

Our new SOTP values Meituan at HK$679bn (~US$87bn) or HK$113 per share, based on: 1) 1.4x 2026E revenues for the food delivery and Meituan Instashopping business, 2) 8x 2026E adjusted net profit for in-store and travel related business; 3) 1.0x 2026E revenues from new initiatives ex-grocery retail; 4) 1.0x P/S to 2026E total grocery retail revs, and 5) net cash balance for 1Q26.

- **On-demand delivery business** — We forecast food delivery revenues to reach Rmb166bn in 2026E while revenues for Meituan Instashopping and others to reach Rmb40bn in 2026E. Applying multiple of 1.4x (unchanged) P/S to Meituan's combined food delivery and Meituan Instashopping business yields a total value of HK$310bn (US$39.8bn) or ~HK$52 per share. The 1.4x multiple reflects ~33% discount to peer average under intensified competitive landscape currently.

- **In-store hotel and travel** — We forecast in-store, hotel and tr reach Rmb72.6bn in 2026E. Applying 8x (unchanged) to our a of Rmb16.8bn yields a value of HK$150bn (US$19.2bn) or HK$ We believe 8x is reasonable considering uncertainty of compe

- **Core local commerce** – Since core local commerce consist of food delivery, Meituan Instashopping, in-store and travel-related business, this yields a value of Rmb460bn (US$59bn) or HK$76.44 per share.

- **New initiatives excluding grocery retail** – We model revs for New initiatives excluding grocery retail to reach Rmb48.3bn in 2026E, apply 1.0x (unchanged) P/S will result to HK$53.8bn (US$6.9bn) or HK$8.95 per share. Our 1.0x multiple reflects successful execution proven in Hong Kong and Saudi Arabia with improving margin trajectory for Keeta in overseas.

- **Grocery retail (including Meituan Select)** – We forecast total grocery retail revs to reach Rmb78.1bn in 2026E, applying 1.0x P/S (unchanged) will result to HK$87.0bn (US$11.2bn) or HK$14.47 per share.

- **New initiatives** – Combining grocery retail with other new initiatives, this yields a value of HK$140.9bn (US$18.1bn) or HK$23.4 per share. We did not give a separate valuation for Keeta.

- **Cash balance** — We include cash, cash equivalent and short-term investment but exclude restricted cash. We use 1Q26 actual net cash balance here.

- **SOTP** — Adding together, our SOTP valuation for Meituan comes to HK$113 per share.

Following better than expected 1Q26 print amid improving competitive landscape and rationalized subsidies, together with seasonal tail winds, Meituan expects food delivery UE to resume breakeven in 2Q26. Along with stable in-store margin, Core Local Commerce (CLC) will return to profitability in 2Q26, ahead of our previous forecast. Nevertheless, management remains cautious about the 2H26 profitability trend, citing headwinds from a high base that will likely lead to negative order volume growth, and a competitive landscape that could remain dynamic. That said, Keeta's improving operational efficiency, along with its disciplined focus on profitability over new market expansion, should ensure that operating losses for new initiatives remain manageable.

Post estimates revision, our TP is raised to HK$113 (from HK$110). Maintain Buy/1H and believe the worst of the competitive intensity is over, which will allow Meituan to focus on driving AI adoption and product enhancement while navigating macroeconomic and competitive dynamics

Figure 3. Meituan SOTP valuation

	2024A	2025E	2026E
Core local commerce			
Revenues (Rmb mn)	**250,247.5**	**261,527.3**	**278,719.9**
Food delivery	166,261.8	161,850.9	165,784.7
Meituan Instashopping and others	25,214.1	33,075.6	40,335.0
In-store, hotel and travel	58,771.6	66,600.8	72,600.2
Operating profit (Rmb mn)	**52,415.2**	**(6,904.1)**	**5,665.3**
Food delivery	32,424.0	(23,088.1)	(7,561.8)
Meituan Instashopping and others	803.5	(3,152.2)	(5,012.7)
In-store, hotel and travel	19,187.7	19,336.2	18,239.8
Adjusted EBITDA (Rmb mn)	**54,474.5**	**(7,282.6)**	**13,239.9**
Food delivery	36,486.1	(18,671.8)	(3,250.6)
Meituan Instashopping and others	(2,635.8)	(9,766.3)	(3,640.3)
In-store, hotel and travel	20,624.2	21,155.5	20,130.9
Effective tax rate	6%	6%	8%
Non-GAAP NP for in-store, hotel and travel (Rmb mn)	**18,088.0**	**18,181.4**	**16,777.1**
Segment enterprise valuation (Rmb mn)			412,478.3
Segment enterprise valuation (USD mn)			58,925.5
Segment enterprise valuation (HKD mn)			**459,618.6**
Value per share (HKD)			**76.44**
Food delivery, Meituan Instashopping and others			
Target P/S Multiple			**1.4x**
Enterprise valuation (Rmb mn)			278,261.6
Enterprise valuation (USD mn)			39,751.7
Enterprise valuation (HKD mn)			**310,062.9**
Value per share (HKD)			**51.56**
In-store, hotel and travel			
Target P/E Multiple			**8.0x**
Enterprise valuation (Rmb mn)			134,216.7
Enterprise valuation (USD mn)			19,173.8
Enterprise valuation (HKD mn)			**149,555.7**
Value per share (HKD)			**24.87**
New initiatives			
Revenues (Rmb mn)	**87,344.1**	**104,028.7**	**126,412.1**
New initiatives excluding Meituan Grocery	33,025.0	37,213.3	48,303.0
Meituan Grocery	54,319.1	66,815.3	78,109.1
Segment enterprise valuation (Rmb mn)			126,412.1
Segment enterprise valuation (USD mn)			18,058.9
Segment enterprise valuation (HKD mn)			**140,859.2**
Value per share (HKD)			**23.43**
New initiatives excluding Meituan Grocery			
Target P/S Multiple			**1.0x**
Enterprise valuation (Rmb mn)			48,303.0
Enterprise valuation (USD mn)			6,900.4
Enterprise valuation (HKD mn)			**53,823.3**
Value per share (HKD)			**8.95**
Grocery Retail revenues			
Target P/S Multiple			**1.0x**
Enterprise valuation (Rmb mn)			78,109.1
Enterprise valuation (USD mn)			11,158.4
Enterprise valuation (HKD mn)			**87,035.9**
Value per share (HKD)			**14.47**
Net cash (based on 1Q26A)			
Total cash & ST (Rmb mn)			180,370.2
Total debt (Rmb mn)			80,283.1
Net cash (Rmb mn) (30% discount)			70,060.9
Net cash (USD mn)			10,008.7
Net cash (HKD mn)			**78,067.9**
Net cash per share (HKD)			**12.98**
WA # of shares			6,013.15
USD: HKD			7.80
USD: RMB			7.00
Total (HKD)			**112.8**
Total Market cap (HKD)			678,545.7
Total market cap (USD)			86,993.0

Source: Citi Research Estimates

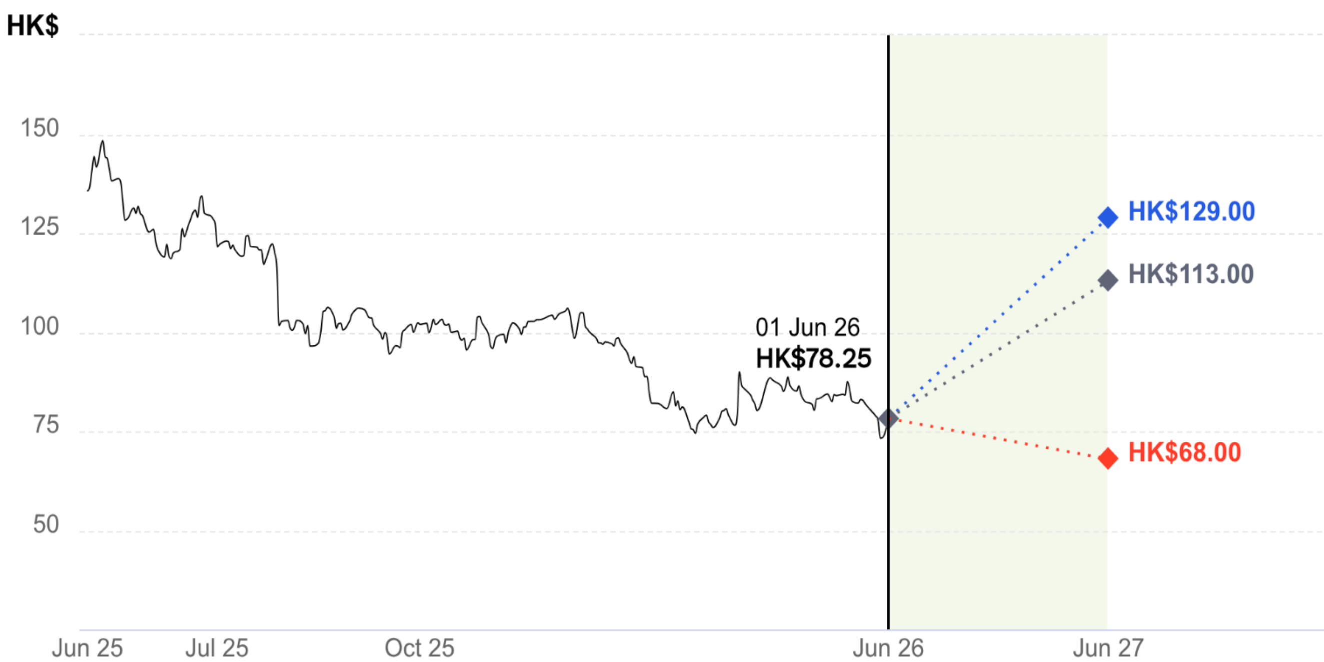
Figure 4. Meituan – Income Statement

(Rmb mn)	2025	1Q26	2Q26E	3Q26E	4Q26E	2026E	2027E	2028E
Core local commerce	261,527	64,063	69,100	73,611	71,946	278,720	303,875	333,580
New initiatives	104,029	26,976	32,550	33,776	33,111	126,412	146,712	166,164
Total revenues	**365,556**	**91,039**	**101,650**	**107,386**	**105,056**	**405,132**	**450,587**	**499,744**
YoY growth %	*8.3%*	*5.2%*	*10.7%*	*13.0%*	*14.1%*	*10.8%*	*11.2%*	*10.9%*
QoQ growth %		*-1.1%*	*11.7%*	*5.6%*	*-2.2%*			
Total cost of revenues	**253,846**	**65,069**	**67,582**	**73,722**	**71,667**	**278,040**	**298,906**	**327,804**
Gross profit	**101,787**	**23,159**	**31,327**	**30,436**	**30,068**	**114,991**	**136,940**	**154,686**
Gross margin %	*30.6%*	*28.5%*	*33.5%*	*31.3%*	*31.8%*	*31.4%*	*33.7%*	*34.4%*
Selling and marketing expenses	103,635	22,969	23,456	24,819	23,833	95,076	92,425	94,073
Research and development expenses	25,998	7,043	6,912	6,873	7,196	28,024	29,205	29,759
General and administrative expenses	12,788	3,419	3,354	3,222	3,257	13,252	13,465	15,236
Fair value changes on investments	2,393	392	100	200	200	892	1,800	2,000
Other (losses)/gains, net	3,278	599	(900)	(600)	(600)	(1,501)	(2,000)	(2,000)
Operating income (loss)	**(25,041)**	**(6,470)**	**(454)**	**(1,648)**	**(1,297)**	**(9,870)**	**16,387**	**32,872**
Operating margin %	*-6.9%*	*-7.1%*	*-0.4%*	*-1.5%*	*-1.2%*	*-2.4%*	*3.6%*	*6.6%*
Non-GAAP operating income	**(16,986)**	**(4,146)**	**893**	**(444)**	**(130)**	**(3,827)**	**20,961**	**37,834**
Non-GAAP operating margin %	*-4.6%*	*-4.6%*	*0.9%*	*-0.4%*	*-0.1%*	*-0.9%*	*4.7%*	*7.6%*
Net income (loss) attributable to ordinary shareholders	**(23,355)**	**(6,827)**	**(441)**	**(1,241)**	**(934)**	**(9,444)**	**15,213**	**29,638**
Net margin %	*-6.4%*	*-7.5%*	*-0.4%*	*-1.2%*	*-0.9%*	*-2.3%*	*3.4%*	*5.9%*
Non-GAAP net income attributable to equity holders	**(18,649)**	**(4,968)**	**633**	**(186)**	**89**	**(4,432)**	**20,255**	**35,190**
Non-GAAP net margin %	*-5.1%*	*-5.5%*	*0.6%*	*-0.2%*	*0.1%*	*-1.1%*	*4.5%*	*7.0%*
Adjusted EBITDA	**(13,783)**	**(3,049)**	**4,395**	**2,881**	**3,200**	**8,119**	**34,442**	**51,763**
Adjusted EBITDA margin %	*-3.8%*	*-3.3%*	*4.3%*	*2.7%*	*3.0%*	*2.0%*	*7.6%*	*10.4%*
Non-GAAP diluted net income (loss) per share (Rmb)	**(3.07)**	**(0.83)**	**0.11**	**(0.03)**	**0.01**	**(0.74)**	**3.34**	**5.76**
Non-GAAP diluted net income (loss) per share (HK$)	**(3.40)**	**(0.94)**	**0.12**	**(0.04)**	**0.02**	**(0.84)**	**3.79**	**6.53**
Food delivery								
GTV (Rmb bn)	**1,180**	**270**	**293**	**315**	**302**	**1,180**	**1,230**	**1,289**
yoy growth %	*7.9%*	*4.2%*	*-0.6%*	*-3.4%*	*0.8%*	*0.1%*	*4.2%*	*4.8%*
No. of food delivery transactions (mn)	**24,641**	**5,419**	**6,253**	**6,483**	**6,094**	**24,249**	**25,321**	**26,587**
yoy growth %	*12.3%*	*5.3%*	*2.5%*	*-8.0%*	*-4.0%*	*-1.6%*	*4.4%*	*5.0%*
Average order value (Rmb)	**47.9**	**49.9**	**46.8**	**48.6**	**49.6**	**48.7**	**48.6**	**48.5**
yoy growth %	*-4.0%*	*-1.0%*	*-3.0%*	*5.0%*	*5.0%*	*1.7%*	*-0.2%*	*-0.2%*
Revenues (Rmb mn)	**161,851**	**37,825**	**40,948**	**44,016**	**42,996**	**165,785**	**175,770**	**186,575**
yoy growth %	*-2.7%*	*-8.4%*	*1.5%*	*7.6%*	*9.4%*	*2.4%*	*6.0%*	*6.1%*
Operating profit (Rmb mn)	**(23,088)**	**(5,271)**	**89**	**(1,286)**	**(1,094)**	**(7,562)**	**8,259**	**13,910**
Operating margin	*-14.3%*	*-13.9%*	*0.2%*	*-2.9%*	*-2.5%*	*-4.6%*	*4.7%*	*7.5%*
Operating profit per order (Rmb)	**(0.94)**	**(0.97)**	**0.01**	**(0.20)**	**(0.18)**	**(0.31)**	**0.33**	**0.52**
In-store, hotel and travel								
Revenues (Rmb mn)	**66,601**	**16,869**	**19,017**	**18,834**	**17,881**	**72,600**	**78,967**	**89,492**
yoy growth %	*13.3%*	*8.3%*	*8.4%*	*9.0%*	*10.3%*	*9.0%*	*8.8%*	*13.3%*
Operating profit (Rmb mn)	**19,336**	**4,250**	**4,825**	**4,666**	**4,498**	**18,240**	**21,606**	**27,917**
Operating margin	*29.0%*	*25.2%*	*25.4%*	*24.8%*	*25.2%*	*25.1%*	*27.4%*	*31.2%*
New initiatives								
Revenues (Rmb mn)	**104,029**	**26,976**	**32,550**	**33,776**	**33,111**	**126,412**	**146,712**	**166,164**
yoy growth %	*19.1%*	*21.3%*	*22.9%*	*20.4%*	*21.5%*	*21.5%*	*16.1%*	*13.3%*
Operating profit (Rmb mn)	**(10,082)**	**(2,116)**	**(2,328)**	**(2,674)**	**(2,374)**	**(9,492)**	**(5,408)**	**(2,140)**
Operating margin	*-9.7%*	*-7.8%*	*-7.2%*	*-7.9%*	*-7.2%*	*-7.5%*	*-3.7%*	*-1.3%*

Source: Company Reports and Citi Research Estimates

Bull/Bear: Meituan (3690.HK)

HK$129.00 ▲65% Upside	HK$113.00 ▲44% Upside	HK$68.00 ▼13% Downside



Spread 78pp
Current Price and expected returns (upside/downside) as of 01 Jun 2026

BULL Assumptions

- Target P/S multiple of on-demand delivery at 1.6x.
- Target P/E multiple of in-store, hotel and travel at 10x.

BASE Assumptions

- Target P/S multiple of on-demand delivery at 1.4x.
- Target P/E multiple of in-store, hotel and travel at 8x.

BEAR Assumptions

- Target P/S multiple of on-demand delivery at 0.5x.
- Target P/E multiple of in-store, hotel and travel at 4x.

Meituan

Company description

Meituan is China's leading e-commerce platform for services focusing on mass-market, essential, and high-frequency service categories to connect consumers and merchants. Meituan mainly generates revenue from its food delivery business, in-store hotel & travel business, and new initiatives and others. Meituan operates mobile apps including Meituan, Dianping, Meituan Waimai and Mobike to provide services for merchants and consumers.

Investment strategy

We have a Buy/High Risk rating on Meituan shares. While we acknowledge uncertainty remains in the competitive landscape in both food delivery and in-store segment, we are encouraged by the significant qoq improvement in on-demand losses. While we forecast CLC to resume profitability in 3Q26, there is a possibility that the loss reduction could come sooner in 2Q26, which would be supportive to share performance. Since overall competitive dynamic remains dynamic, we retain the High-Risk rating to reflect high volatility to share price movement in any positive or negative news from regulation, competition and external unforeseen Middle East conflicts.

Valuation

We use a sum-of-the-parts (SOTP) approach to value Meituan shares.

1) Food delivery and Meituan Instashopping business: Applying 1.4x P/S to Meituan's food delivery and Meituan Instashopping business yields a total value of HK$310bn, or ~HK$52 per share.

2) In-store hotel and travel: Applying an 8x multiple to our adjusted net profit of Rmb16.8bn yields a value of HK$150bn, or ~HK$25 per share.

3) New initiatives excluding grocery retail: Applying 1.0x P/S results in HK$53.8bn, or ~HK$9.0 per share.

4) Grocery retail (including Meituan Select): Applying 1.0x P/S results in HK$87.0bn, or ~HK$14.5 per share.

5) Cash balance: We include cash, cash equivalent and short-term investments, but exclude restricted cash. We use 1Q26 actual net cash balance in our valuation.

Added together, our SOTP valuation for Meituan comes to a target price of HK$113 per share.

Risks

We assign a High Risk rating to Meituan for higher volatility amid intensifying competition. Downside risks to achieving our target price include: 1) intense competition continues and food delivery UE remains loss making; 2) tough competitive landscape for in-store and hotel business that pressures