First Read

Meituan

1Q26 beat; on the path to profit normalization

Equities	
China	
Internet Services	
12-month rating	Buy
12m price target	HK$128.00
Price (01 Jun 2026)	HK$78.25
RIC: 3690.HK BBG: 3690 HK	

Trading data and key metrics	
52-wk range	HK$148.40-73.30
Market cap.	HK$476b/US$60.7b
Shares o/s	6,077m (ORD)
Free float	87%
Avg. daily volume ('000)	50,727
Avg. daily value (m)	HK$4,169
Common s/h equity (12/26E)	Rmb146b
P/BV (12/26E)	2.8x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (Rmb)	From	To	% ch	Cons.
12/26E	(0.70)	(0.76)	NM	(0.57)
12/27E	3.66	4.36	19	4.39
12/28E	5.17	5.97	15	7.03

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1Q26 beat

Revenue +6% YoY, in line (see our quick take). **Adj. OP** loss beat at Rmb4.1bn (cons Rmb7.0bn loss) mainly on quick commerce UE.

Key focuses

1) Food delivery (+ve): 1Q volume growth should have moderated to +8% YoY, but revenue -7% YoY albeit improving from 4Q's -10% as subsidies moderated (contra revenue). On competition, mgmt continues to see Meituan's steadily improving market share in order volume and GTV relative to BABA QTD, with food delivery order volume/ GTV sustaining at 55%/60%+, and orders above Rmb30 at 70%. Turning to UE, mgmt noted a more meaningful AOV recovery since Mar (which we attribute to Meituan's stronger user stickiness and lower sensitivity to subsidies), contributing to profitability in Apr and May, but June could see a moderation due to 618 promotion. All and all, we anticipate food delivery to achieve near breakeven in 2Q (helped by favourable seasonality; vs 1Q's Rmb0.9/order loss), but project a slight moderation in 2H given seasonal rider subsidies. Amid regulatory pressure on competition, any further ease in subsidies could bring UE upside to our forecast of Rmb0.3/order UE loss for 2026E.

2) In-store (neutral): 1Q GTV moderated to an estimated +12% YoY, where revenue slowed to +8% YoY (4Q +10%). OPM remained sequentially steady at an estimated 25% in 1Q, as the impact from soft macro and Douyin's stepped-up subsidies was largely compensated by Meituan's reduced subsidies in non-core categories. We continue to see Meituan and Douyin's differentiated category focus with an enhanced emphasis on profitability vs prior competition. Into 2Q, we anticipate the above trends to continue to weigh on GTV/revenue growth at +12%/+8%, with margin steady at 25%.

3) CLC (+ve): Overall, we forecast CLC revenue growth to accelerate to +5% or 2Q (1Q +0.1%), with OP turning around to Rmb3.2bn (1Q Rmb2.0bn loss). This also factors in cRmb800m spending in brand ad and membership benefits to retain core user loyalty (1Q Rmb500m).

4) New initiatives (+ve): 1Q OP loss narrowed QoQ to Rmb2.1bn (4Q Rmb4.7bn), on Keeta's operational efficiency gains. For 2Q, we expect OP loss to slightly widen to Rmb2.4bn, driven by growth in newly entered markets, which are initially loss making.

What to do with the stock?

On the recovery path. 1Q marks the second consecutive quarter of stabilized competition, with significant QoQ losses narrowing. With regulatory efforts supporting the resolution of the food delivery price war and competitors prioritizing ROI, we anticipate Meituan's earnings trajectory will continue to normalize. **However, this**

Highlights (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	276,745	337,592	365,631	409,115	480,450	548,567	623,389	711,165
EBIT (UBS)	16,105	40,869	(23,782)	(4,925)	30,128	41,282	52,995	66,460
Net earnings (UBS)	23,253	43,772	(18,648)	(4,615)	27,049	37,733	49,290	62,621
EPS (UBS, diluted) (Rmb)	3.69	7.03	(3.07)	(0.76)	4.36	5.97	7.64	9.52
DPS (net) (Rmb)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	109,991	132,040	108,182	104,813	132,857	171,003	219,636	279,958
Profitability/valuation	**12/23**	**12/24**	**12/25**	**12/26E**	**12/27E**	**12/28E**	**12/29E**	**12/30E**
EBIT (UBS) margin %	5.8	12.1	(6.5)	(1.2)	6.3	7.5	8.5	9.3
ROIC (EBIT) %	136.0	>500	>500	157.1	<-500	<-500	<-500	<-500
EV/EBITDA (UBS core) x	24.1	10.7	NM	37.8	5.7	3.9	2.6	1.5
P/E (UBS, diluted) x	31.4	15.9	(38.4)	(89.7)	15.5	11.3	8.8	7.1
Equity FCF (UBS) yield %	4.7	6.7	(3.7)	(0.8)	6.8	9.3	11.8	14.7
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$ 78.25 on 01-Jun-2026

normalization is likely to be front-loaded, with an accelerated recovery in earnings expected during 2Q/3Q, followed by a more gradual pace thereafter. Post last year's food delivery price war, the industry requires time to shift consumer behavior away from a low-price mindset, improve merchants' ASP by optimizing product offerings, and enhance merchants' profit margins following aggressive price reductions. Macro uncertainties and the already high penetration of the food delivery sector (over 30%) may further temper the pace of recovery. We currently forecast normalized earnings of Rmb42bn by 2028E, consisting of Rmb27bn from quick commerce (90m daily orders at UE Rmb0.8/order), Rmb22bn from in-store operations (27% margin), and Rmb7bn in losses from new businesses, with eventual recovery to Rmb50bn by 2029E. **Meituan's share price reflects a 10x normalized FY28 P/E on a headline basis**. While the anticipated improvement in earnings is a positive catalyst—particularly heading into a seasonally stronger 2Q—its near-term valuation may face constraints due to subdued sentiment in the sector (e.g., e-com peers are trading at 8x P/E) until consistent profit improvement delivery is achieved. We maintain confidence in Meituan's strong execution track record and view its valuation as compelling for long-term investors, as profitability continues to normalize and contributions from new ventures (including overseas Keeta and Xiaoxiang supermarket) gradually bring in positive earnings.

Valuation: Maintain our normalized SOTP-based PT at HK$128, and Buy rating

Post result, we fine tune our above-consensus 2026E EPS and lift 2027E-28E EPS by 15-19%, and maintain our SOTP and normalized earnings based PT at HK$128.

Figure 1: 1Q26 result summary

Rmb m	1Q25	4Q25	1Q26	QoQ %	YoY %	Cons	+/-
Core local commerce	63,974	64,835	64,063	-1.2%	0.1%	63,697	0.6%
New initiatives	22,232	27,262	26,976	-1.0%	21.3%	26,625	1.3%
Group revenue	**86,206**	**92,096**	**91,039**	**-1.1%**	**5.6%**	**90,322**	**0.8%**
Gross profit	**32,063**	**24,127**	**25,970**	**7.6%**	**-19.0%**	**26,720**	**-2.8%**
Gross margin %	*37.2%*	*26.2%*	*28.5%*	*2.3 ppt*	*-8.7 ppt*	*29.6%*	*-1.1 ppt*
S&M expenses	(15,199)	(31,726)	(22,969)	-27.6%	51.1%	(26,175)	12.3%
R&D expenses	(5,772)	(7,029)	(7,043)	0.2%	22.0%	(6,593)	-6.8%
G&A expenses	(2,627)	(3,653)	(2,938)	-19.6%	11.9%	(2,998)	2.0%
Core local commerce	**13,491**	**(10,046)**	**(2,030)**	**-79.8%**	**-115.0%**	**(4,486)**	**54.8%**
New initiatives	**(2,273)**	**(4,650)**	**(2,116)**	**-54.5%**	**-6.9%**	**(2,622)**	**19.3%**
Adj. operating profit	**11,218**	**(14,696)**	**(4,146)**	**-71.8%**	**-137.0%**	**(7,047)**	**41.2%**
Adj. OPM %	*13.0%*	*-16.0%*	*-4.6%*	*11.4 ppt*	*-17.6 ppt*	*-7.8%*	*3.2 ppt*
Core local commerce	**21.1%**	**-15.5%**	**-3.2%**	**12.3 ppt**	**-24.3 ppt**	**-7.0%**	**3.9 ppt**
New initiatives	**-10.2%**	**-17.1%**	**-7.8%**	**9.2 ppt**	**2.4 ppt**	**-9.8%**	**2.0 ppt**
Non-IFRS Net profit/(loss)	**10,949**	**(15,080)**	**(4,968)**	**-67.1%**	**-145.4%**	**(6,719)**	**26.1%**
Non-IFRS net margin	*12.7%*	*-16.4%*	*-5.5%*	*10.9 ppt*	*-18.2 ppt*	*-7.4%*	*2.0 ppt*

Source: Visible Alpha, Company data

Figure 2: UBSe 2026E-28E estimate changes

	New estimates			Prior estimates			% chg		
(Rmb m)	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Food delivery	166,892	191,258	205,676	173,248	196,172	216,753	-3.7%	-2.5%	-5.1%
In-store, hotel and travel	71,223	76,688	82,526	71,094	77,117	83,403	0.2%	-0.6%	-1.1%
New initiatives and others	130,107	163,433	201,479	122,795	154,073	189,780	6.0%	6.1%	6.2%
Insta-shopping	40,893	49,072	58,886	41,085	51,767	63,674	-0.5%	-5.2%	-7.5%
Group revenue	**409,115**	**480,450**	**548,567**	**408,223**	**479,130**	**553,610**	**0.2%**	**0.3%**	**-0.9%**
YoY % chg	**12%**	**17%**	**14%**	**12%**	**17%**	**16%**	0.4%	0.1%	-1.4%
Gross profit	**132,465**	**181,278**	**207,618**	**144,659**	**192,712**	**225,636**	**-8.4%**	**-5.9%**	**-8.0%**
Gross margin %	*32.4%*	*37.7%*	*37.8%*	*35.4%*	*40.2%*	*40.8%*	*-3.1ppt*	*-2.5ppt*	*-2.9ppt*
S&M expenses	(99,415)	(108,101)	(117,942)	(113,078)	(125,532)	(142,278)	-12.1%	-13.9%	-17.1%
R&D expenses	(31,911)	(36,514)	(40,594)	(30,617)	(34,976)	(39,306)	4.2%	4.4%	3.3%
G&A expenses	(13,910)	(16,335)	(18,651)	(13,880)	(16,290)	(18,823)	0.2%	0.3%	-0.9%
Core local commerce	**7,880**	**40,410**	**49,572**	**7,543**	**36,249**	**46,959**	**4.5%**	**11.5%**	**5.6%**
Food delivery	(6,095)	22,112	25,801	(6,387)	17,704	23,559	-4.6%	24.9%	9.5%
In-store & hotel	17,806	19,939	22,282	17,987	20,050	22,519	-1.0%	-0.6%	-1.1%
Insta-shopping	(1,631)	(641)	1,488	(2,257)	(705)	882	-27.7%	n/a	-68.8%
CLC investments	(2,200)	(1,000)	-	(1,800)	(800)	-	22.2%	n/a	n.m.
New initiatives	**(8,946)**	**(7,864)**	**(7,011)**	**(8,298)**	**(7,161)**	**(6,343)**	**-7.8%**	**-9.8%**	**-10.5%**
Adj. operating profit	**(1,066)**	**32,546**	**42,561**	**(755)**	**29,088**	**40,616**	**41.3%**	**11.9%**	**4.8%**
Food delivery OPM %	*-3.7%*	*11.6%*	12.5%	*-3.7%*	*9.0%*	*10.9%*	*0.0ppt*	*2.5ppt*	*1.7ppt*
In-store, hotel and travel OPM %	*25.0%*	*26.0%*	27.0%	*25.3%*	*26.0%*	*27.0%*	*-0.3ppt*	*0.0ppt*	*0.0ppt*
New initiatives and others OPM %	*-1.3%*	*-0.4%*	0.7%	*-1.8%*	*-0.5%*	*0.5%*	*0.6ppt*	*0.1ppt*	*0.3ppt*
Insta-shopping OPM %	*-21.9%*	*-16.0%*	-11.9%	*-20.2%*	*-13.8%*	*-10.0%*	*-1.7ppt*	*-2.2ppt*	*-1.9ppt*
Adj. OPM %	***-0.3%***	***6.8%***	**7.8%**	***-0.2%***	***6.1%***	***7.3%***	***-0.1ppt***	***0.7ppt***	***0.4ppt***
Net profit	(11,398)	19,643	29,277	(10,665)	15,851	24,954	6.9%	23.9%	17.3%
Non-IFRS Net profit/(loss)	**(4,615)**	**27,049**	**37,733**	**(4,379)**	**23,230**	**33,479**	**-5.4%**	**16.4%**	**12.7%**
Adj. NPM %	*-1.1%*	*5.6%*	*6.9%*	*-1.1%*	*4.8%*	*6.0%*	*-0.1ppt*	*0.8ppt*	*0.8ppt*
Diluted EPS	(0.8)	4.4	6.0	(0.7)	3.7	5.2	8.0%	19.3%	15.5%

Source: Company data, UBS estimates

Figure 3: Valuation

	Long-term unit OP (Rmb)	Daily order volume (m)	Segment OP (Rmb mn)	Target EBIT multiple (x)	Equity value (Rmn mn)	Per share value (HK$)	% value	Valuation methodology
Food delivery	0.80	67	19,505	12	234,060	45	36%	12x P/E on normalized EBIT
InstaShopping	0.80	15	4,349	12	52,187	10	8%	12x P/E on normalized EBIT
Instore and hotel			17,806	12	213,669	41	33%	12x 2026E EBIT multiple
Keeta			3,360	15	50,400	10	8%	15x P/E on normalized EBIT
Net cash					94,133	18	15%	As of 1Q26
Total (end-2025)					**644,449**	**123**		
Price target (Jun-2027)						**128**		

Source: Company data, UBS estimates

Forecast returns

Forecast price appreciation	63.6%
Forecast dividend yield	0.0%
Forecast stock return	63.6%
Market return assumption	10.9%
Forecast excess return	52.7%

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)	4
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)	4
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?	