28 Jul 2026 14:11:43 ET | 26 pages

Meituan (3690.HK)

2Q26E Preview: Possible Better Than Expected Print

CITI'S TAKE

We believe Meituan is likely to report 2Q26 by end-Aug and expect result could come in line to slightly ahead of our/consensus expectation. We have maintained our existing forecast unchanged in this report. To recall, MT expects food delivery UE to resume breakeven and CLC to return to profitability in 2Q26. On the back of regulatory oversight on subsidies and competition, we believe it is possible that 2Q26 on-demand UE could recover better/faster than expected and lead to a possible decent beat. Looking into 3Q26/2H26, despite improving competitive landscape, mgmt could be cautious on higher rider cost amid adverse weather conditions this summer that weigh on UE trend, and increased investment in Brazil could also weigh on new initiative loss. We also expect mgmt to speak enthusiastically on MT's AI initiative progress and reiterate its commitment in AI investment. Maintain Buy/High Risk rating and TP of HK$113.

2Q26E preview – We forecast total revs of Rmb101.7bn (+10.7% yoy) and adj. NP of Rmb633mn vs. Bloomberg cons. of Rmb100.9bn and Rmb270mn. We forecast CLC revs +5.7% yoy to Rmb69.1bn and OP at Rmb3.2bn or +4.7% margin vs VisibleAlpha cons of Rmb68.5bn and Rmb3.27bn. We forecast OpM for food delivery at +0.2% or UE of +Rmb0.01 vs our estimated UE of -Rmb0.97 per order in 1Q26. We forecast in-store revs of Rmb19.0bn (+8.4% yoy) and adjusted Op to -8.5% yoy to Rmb4.83bn or 25.4% margins. We forecast new initiatives revs +22.9% yoy to Rmb33bn and operating loss of Rmb2.33bn vs VA cons of Rmb32.3bn and -Rmb2.4bn. We believe 2Q26 likely to come in slightly better than expectation especially with faster narrowing loss than previously expected amid moderating subsidies intensity.

3Q26E outlook – We model 3Q26E total revs to +13.0% yoy to Rmb107.4bn vs consensus of Rmb106.7bn driven by core local commerce/new initiatives & others at Rmb73.6bn (+9.8% yoy)/Rmb33.8bn (+20.4% yoy). We model total adj. net loss at -Rmb186mn or -0.2% margin vs cons. of +Rmb667mn. We model CLC OP at Rmb2.2bn or +3.0% margins and new initiatives Op loss at Rmb2.67bn.

AI progress – Meituan has advanced its AI capabilities by upgrading its Xiaotuan assistant to directly execute consumer tasks and launching CatPaw, an AI workspace that provides merchants with operational and sales analysis tools. MT is also testing the integration of its services into the WeChat AI ecosystem. **Keeta BZ** – Keeta is reportedly to aggressively pay restaurants' exit fees in Brazil.

Earnings Summary

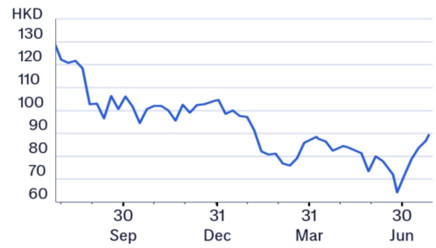
Year to 31 Dec	Net Profit (RmbM)	Diluted EPS (Rmb)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	43,771	7.031	90.5	11.1	2.7	27.0	na
2025A	-18,649	-3.069	-143.6	na	3.1	-11.5	na
2026E	-4,432	-0.737	76.0	na	3.1	-2.9	na
2027E	20,255	3.342	553.3	23.3	2.7	12.5	na
2028E	35,190	5.759	72.4	13.5	2.2	18.5	na

Source: Powered by dataCentral

Buy / High Risk

Price (28 Jul 26 16:10)	HK$90.30
Target price	HK$113.00
Expected share price return	25.1%
Expected dividend yield	0.0%
Expected total return	25.1%
Market Cap	HK$550,918M
	US$70,250M

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



Alicia Yap, CFA [AC]

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Citi Research

3690.HK: Fiscal year end 31-Dec

Price: HK$90.30; TP: HK$113.00; Market Cap: HK$550,918m; 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)	11.1	-25.4	na	23.3	13.5
PB (x)	2.7	3.1	3.1	2.7	2.2
EV/EBITDA (x)	5.5	-17.8	38.4	7.7	4.6
FCF yield (%)	9.6	-5.7	-2.2	3.6	7.0
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.

Business Update and 2Q26E Preview

Food delivery and Instashopping update

SAMR's consultation on food delivery platform subsidies

Reported by Xinhua dated Jul 17 (link), SAMR proposed a draft to regulate subsidizing activities by food delivery platform and seek for public consultation between Jun 17-Jul 17. SAMR noted the involution practice surrounding food delivery platforms in recent periods that has damaged interests for merchants, courier and consumers.

The proposed regulations on food delivery platform subsidies consists of 10 articles with 4 key principles: 1) food delivery platforms cannot launch long-term and large-scale subsidy campaign in order to disrupt market competition; 2) platforms cannot force merchants to mandatorily participate in subsidy campaigns or bear any costs from the campaign; any subsidy campaigns must be rolled out on fair and reasonable basis (e.g. merchants are prohibited to sell their products below costs on platforms); 3) food delivery platforms are required to disclose information on their subsidy campaigns 7 days ahead (including source of subsidies, implementation, timeline and self-assessment on market competition) and review after 10 days concluding its campaign; 4) applicable laws and consequences on regulating food delivery platform subsidies.

On the same day, Meituan (Meituan press center on Jun 17, link) expressed its supportive tone on the potential regulation and advocate for its effective implementation. Meituan believes the regulations clearly listed out the compliance requirement for platform subsidies to curb involution practice within food delivery industry to support healthy industry development.

Upgrade of Xiaotuan 2.0 AI assistant

Reported by Sohu Tech dated Jul 27 (link), Meituan announced to fully upgrade Meituan Xiaotuan ("小团") AI assistant. In its 2.0 version, Xiaotuan evolutes from advising users to direct execution for users in key scenarios such as finding restaurants, summarizing local services, booking reservation, ride-hailing and placing food delivery orders. Even if merchants do not provide an online reservation link, Xiaotuan 2.0 is capable of calling merchants to facilitate direct reservations.

Meituan suggested that the strong expertise of Xiaotuan 2.0 is driven by its broad information service covering 2,800 cities nationwide, over 700mn merchant information verifications, a library of over 1.3bn users feedback. Before its upgrade, Xiaotuan also accumulated over 3.9bn impressions during Labor Day holiday this year. We believe with higher strategic priority, Xiaotuan 2.0 likely represents an important differentiation for Meituan's service offerings leveraging its accumulated unique local services data.

Official release of CatPaw all-scenario AI agent platform

Reported by Meituan press center dated Jul 27 (link), Meituan announced the official release of CatPaw as an enterprise-level AI agentic workspace that aims to assist merchants for review management, user analysis, sales analysis. Currently CatPaw has been deployed within Meituan internally in large-scale. Within Meituan, over 90,000 employees have set up over 30,000 specific agents in food, beauty and pet hospital scenarios. Currently CatPaw supports collaboration between mobile (mission initiation, progress checking and remote for key decision making), PC (full capability with local execution) and cloud (supports 24/7 implementation for time-consuming tasks).

CatPaw has full-industry knowledge consisting of store operational management, review systems, sales conversion and fulfillment and delivery management. CatPaw also embeds a couple of expert skills with instant download and usage including user review diagnosis, merchandise description, marketing material assessment, event planning, operational data analytics, response to negative feedback, pricing recommendation, product selection and complaint management which facilitate human decision through AI data analysis.

For enterprises for customized demand including chain brands and SME merchants, CatPaw will offer CatPaw Managed Agents for agent development, deployment and management which supports connection with Lark and WeCom.

Meituan integration into WeChat AI ecosystem

Reported by Sina Finance dated Jun 9 (link), WeChat has opened up its capabilities for developers to connect with WeChat AI ecosystem more conveniently on Jun 8, allowing users to deploy mini program AI app services through WeChat AI Agent. As suggested by the article, Meituan represents first batch of parties participating in the internal testing for integrating with WeChat AI ecosystem. In future, Meituan expects users to experience a more intelligent and convenient AI lifestyle services experience by deploying Meituan food delivery and other services through WeChat Agent. Meituan will soon open up and integrate more scenarios into WeChat AI.

Release of AI merchant protection tools

Reported by Meituan press center dated Jun 9 (link), Meituan food delivery has recently released a series of AI merchant protection tools which helped block over 200K monthly malicious users feedback and over 310K malicious fund return. In past year, Meituan helped food and catering merchants blocking malicious loss at Rmb86.71mn and reduce malicious user feedback mix on merchants by 60%. The upgraded AI merchant protection tools developed by Meituan features accurate identification and blocking of malicious activities on Meituan platform leveraging its AI risk-assessment model with massive high-frequency real transaction and user feedback data.

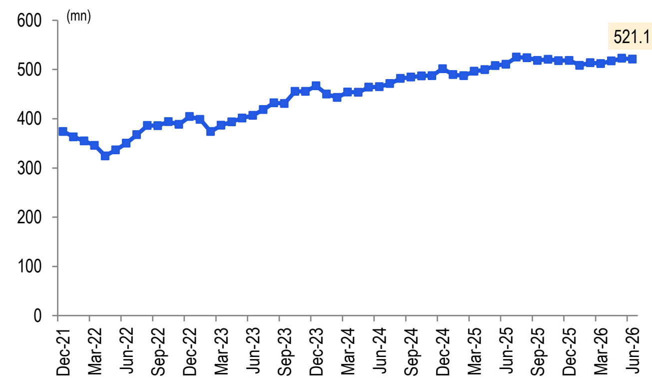
Preliminary new rider metering features

Reported by Sina Finance dated Jul 27 (link), Meituan has started the internal testing for new rider metering features after initial pilot testing in Suzhou. Evolving from the time compensation mechanism since 2022, Meituan will adjust the expected delivery time based on actual traffic light condition leveraging massive proprietary navigation data. Meituan further will upgrade this feature by adjusting the expected delivery time when riders stop at a red light which has effectively relieved rider pressure on order fulfillment. Going forward, Meituan expects to expand the coverage in cities with higher urban density and expects to cover >1mn riders. We believe all these measures, while should have reflected in the company's operating cost, the improving protection measures and welfare provided to riders will weigh on future UE ramp-up speed, in our view.

Meituan and Meituan Waimai app traffic update

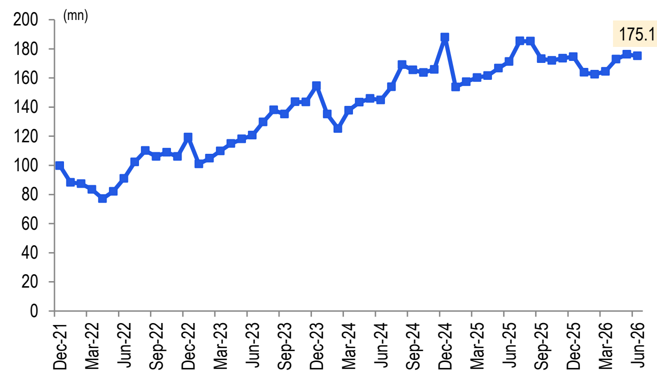
Per Questmobile, MAU of Meituan reached 521.1mn in Jun 2026, +2% yoy and flat mom. Similarly, DAU of Meituan also remains resilient at 175.1mn in Jun 2026, +2% yoy. In terms of user time spent, total time spent on Meituan main app reached 71.3bn mins in Jun 2026, -8% yoy and -5% mom. Average time spent on Meituan app was -10% yoy to 137mins in Jun 2026.

Figure 1. MAU of Meituan app



Source: Questmobile, Citi Research

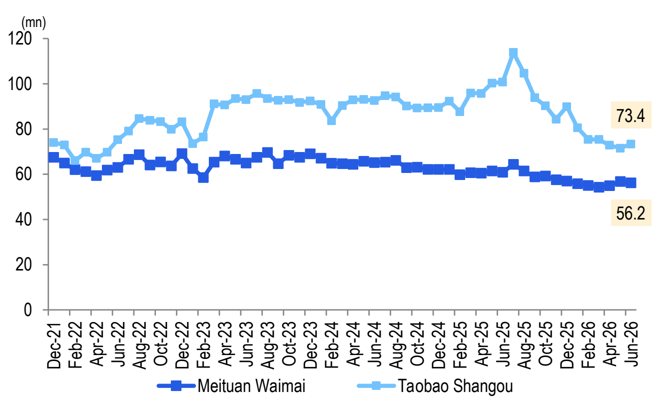
Figure 2. DAU of Meituan app



Source: Questmobile, Citi Research

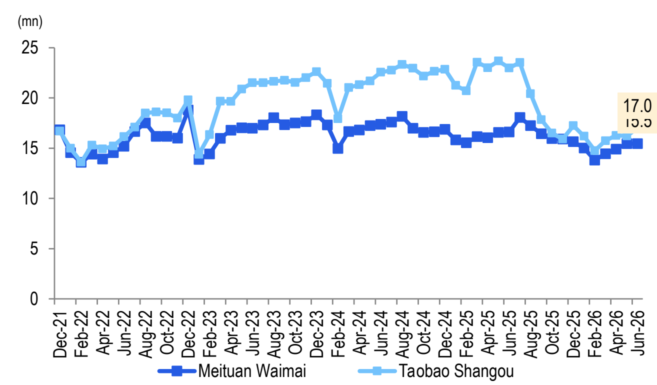
In Jun 2026, MAU of Meituan Waimai reached 56.2mn, -8% yoy and -1% mom, while that of Taobao Shangou reached 73.4mn, -27% yoy, +3% mom. DAU of Meituan Waimai and Taobao Shangou reached 15.5mn and 17.0mn. We believe the yoy decline in DAU especially for Taobao Shangou mainly reflecting extremely high base of last June which was during the hype of the extreme intense competition last year. Similarly, total time spent also experienced meaningful decline though Meituan Waimai is still higher than Taobao Shangou at 5.2bn mins, -12% yoy. Average time spent on Meituan Waimai app also reached 93.3mins, -5% yoy.

Figure 3. MAU of Meituan Waimai and Taobao Shangou



Source: Questmobile, Citi Research

Figure 4. DAU of Meituan Waimai and Taobao Shangou



Source: Questmobile, Citi Research

In-store, hotel and travel business

Dragon Boat festival travel trend

According to Sina News (link), travel bookings during this year's Dragon Boat Festival holiday increased by 57% compared with the previous month. Meituan tracking data suggested Nanjing, Chengdu, Beijing, Xi'an and Chongqing were the five most popular destinations. Demand for cooler-weather destinations spike as rainfall and high temperatures prompted some travelers to adjust their plans. Searches for holiday rentals increased across northern cities including Harbin, Qiqihar, Mudanjiang, Jilin and Xining.

Since the 2026 FIFA World Cup also took place during the holiday period, it had influenced accommodation demand. Hotel booking data identified Chengdu, Zhengzhou, Wuhan, Xi'an, Nanjing, Guangzhou, Shenzhen, Jinan, Beijing and Hangzhou as the ten most popular Chinese cities for watching the matches. The trend indicates that sports-related travel and staycation demand was spread across both northern and southern cities.

Dianping expands "Must-Eat List" to 264 markets

Dianping (link) released the 2026 edition of its Must-Eat List in Shanghai on June 24, marking the tenth anniversary for compiling the ranking. The list covers 4,279 restaurants across 264 cities and regions worldwide.

The ten mainland Chinese cities with the largest number of listed restaurants were Shanghai, Beijing, Chengdu, Chongqing, Shenzhen, Guangzhou, Xi'an, Wuhan, Suzhou and Nanjing.

Dianping reported that, following the release of the 2025 list, listed restaurants in newly covered cities recorded nearly 50% year-on-year growth in order volume. This figure measures transactions recorded on the platform and may not represent restaurants' total sales across all channels.

During the evaluation period for the 2026 list, 130 million diners submitted 400 million reviews after dining out. The 4,279 listed restaurants were selected from approximately five million food-service merchants available on Dianping. These figures describe the scale of participation and merchant coverage on the platform rather than the financial performance of the overall restaurant market.

New initiatives updates

Meituan launched AI browser Tabbit 1.0

Reported by Meituan press center dated Jun 9 (link), Meituan's GN06 team announced to launch an AI-native browser Tabbit 1.0. Tabbit serves as a browser for AI access, embedded with multiple frontier models including LongCat, DeepSeek, GLM, Kimi. Once users input their prompt, Tabbit is capable of complete complex missions across multiple software and websites. Currently Tabbit is available on Windows and MacOS with mobile version under testing.

Tabbit originally commenced its public testing from Mar 2, with weekly updates based on actual user feedback. The official launch of Tabbit 1.0 now consists of over 100 new functions with agent success rate improving from 53.1% in Mar to

91.8%. Tabbit 1.0 successfully solved HR scenarios including CV screening and PPT generation. In May, monthly token consumption per user for Tabbit 1.0 reached 8.53mn, indicating that users consistently and rapidly have been adopting Tabbit in their missions and workflow.

As a customized AI access, Tabbit 1.0 also introduced new memory feature to record user preference, background and other essential information to reduce ineffective conversations and actions. In terms of monetization, Tabbit offer free permanent features for public users in basic conversations, website browsing, but will consider subscription for high-frequency agentic use cases.

For more details regarding latest LongCat development, please refer to our recent report (Meituan (3690.HK): Thoughts On LongCat-2.0 & MT's Positioning In Local Services Agentic Capabilities).

Keeta overseas expansion progress

Intensifying food delivery landscape in Brazil

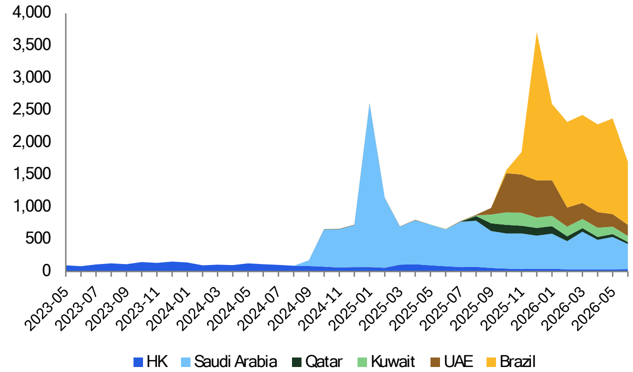
Reported by NeoFeed dated Jun 18 (link), Keeta is reported to pay the exclusivity penalties to medium-sized restaurant chains with up to 30 stores in Brazil that had contracts to operate exclusively with iFood. For food chains with more than 30 units, the Administrative Council for Economic Defense (Cade) has already prohibited the maintenance of exclusivity partnership. While Keeta Brazil did not disclose the number of restaurants that have already opted to terminate their contact with iFood, but some fines paid by Keeta have exceeded R$1mn as suggested by the article. The article also suggested that there is one condition for Keeta to pay the full fine that the restaurants do not join the 99Food platform (i.e., to only remain on iFood and join Keeta). Keeta also claims to be in talks with at least 5 food service chains every week. According to the article, Keeta acknowledged that entering Brazilian market was more difficult than the company anticipated, due to a closed market landscape in many cities and the difficulty in attracting new restaurants already committed to iFood or 99Food.

Reported by Valor International dated Jul 1 (link), iFood seek Cade to proactively monitor the operations of Keeta and 99Food, arguing both platforms have the financial capacity to sustain subsidies and operate at a loss in order to gain market share. iFood cited a technical report by Cade's Department of Economic Studies (DEE) examining international cases involving predatory pricing and subsidy wars.

Latest SensorTower data read-through

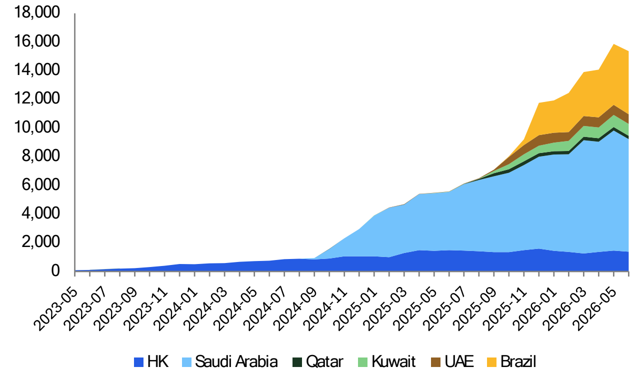
Per SensorTower, Keeta's download reached 1.7mn as of Jun 2026 with peak download in Dec 2025 with 3.7mn. In terms of MAU, Saudi Arabia and Brazil remained the top 2 largest market by MAU at 7.9/4.4mn in Jun 2026, followed by HK at 1.4mn. In aggregate, SensorTower estimated that Keeta total MAU likely reached 16.4mn in Jun 2026.

Figure 5. KeeTa monthly download breakdown by country ('000)



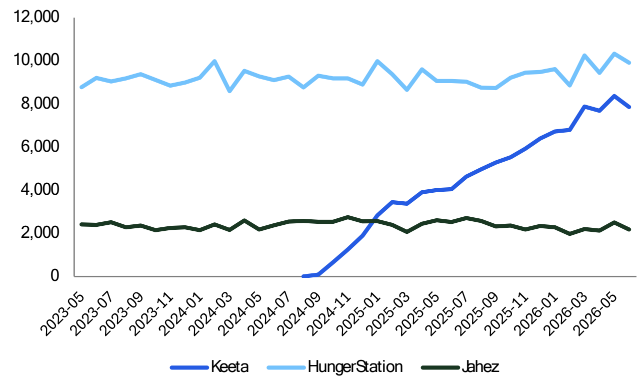
Source: SensorTower, Citi Research

Figure 6. KeeTa MAU breakdown by country ('000)



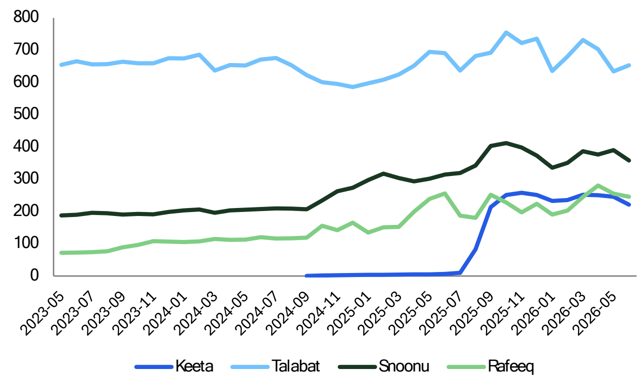
Source: SensorTower, Citi Research

Figure 7. Food delivery app MAU comparison in Saudi Arabia ('000)



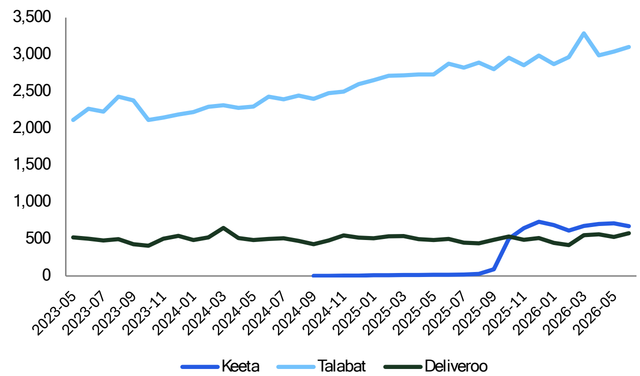
Source: SensorTower, Citi Research

Figure 8. Food delivery app MAU comparison in Qatar ('000)



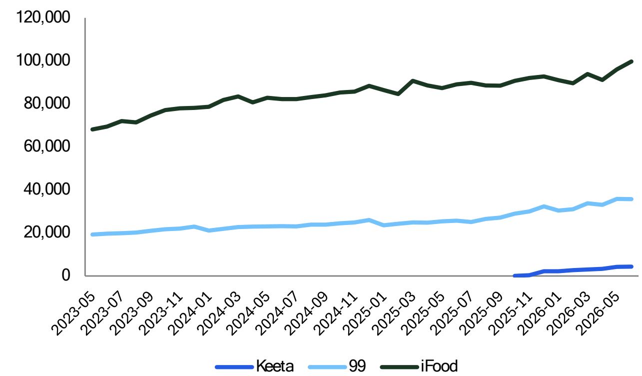
Source: SensorTower, Citi Research

Figure 9. Food delivery app MAU comparison in UAE ('000)



Source: SensorTower, Citi Research

Figure 10. Food delivery app MAU comparison in Brazil ('000)



Source: SensorTower, Citi Research

No change on Estimates

We have retained our existing estimates unchanged for this report.

Figure 11. Estimates revision

	Net revenues (Rmb m)			Non- GAAP Net Profit (Rmb m)			Non-GAAP Diluted EPS (Rmb)		
Rmb (mn except per share data)	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
2Q26E	101,650	101,650	*0.0%*	633	633	*0.0%*	0.11	0.11	*0.0%*
3Q26E	107,386	107,386	*0.0%*	(186)	(186)	*0.0%*	(0.03)	(0.03)	*0.0%*
2026E	**405,132**	**405,132**	***0.0%***	**(4,432)**	**(4,432)**	***0.0%***	**(0.74)**	**(0.74)**	***0.0%***
2027E	**450,587**	**450,587**	***0.0%***	**20,255**	**20,255**	***0.0%***	**3.34**	**3.34**	***0.0%***
2028E	**499,744**	**499,744**	***0.0%***	**35,190**	**35,190**	***0.0%***	**5.76**	**5.76**	***0.0%***

Source: Citi Research Estimates

Figure 12. Detail estimates revision

Rmb (mn)	2Q26E Old	2Q26E New	% Chg	3Q26E Old	3Q26E New	% Chg	2026E Old	2026E New	% Chg	2027E Old	2027E New	% Chg	2028E Old	2028E New	% Chg
Core local commerce															
Revenue	69,100	69,100	0.0%	73,611	73,611	0.0%	278,720	278,720	0.0%	303,875	303,875	0.0%	333,580	333,580	0.0%
yoy growth rate %	5.7%	5.7%		9.8%	9.8%		6.6%	6.6%		9.0%	9.0%		9.8%	9.8%	
as % of total revenue	68.0%	68.0%		68.5%	68.5%		68.8%	68.8%		67.4%	67.4%		66.8%	66.8%	
Operating profit	3,221	3,221	0.0%	2,230	2,230	NM	5,665	5,665	0.0%	26,369	26,369	0.0%	39,974	39,974	0.0%
yoy growth rate %	NM	NM		NM	NM		NM	NM		NM	NM		NM	NM	
operating margin	4.7%	4.7%	0.0%	3.0%	3.0%	0.0%	2.0%	2.0%	0.0%	8.7%	8.7%	0.0%	12.0%	12.0%	0.0%
Food delivery															
GTV (Rmb bn)	292.7	292.7	0.0%	314.9	314.9	0.0%	1,180.3	1,180.3	0.0%	1,230.0	1,230.0	0.0%	1,288.9	1,288.9	0.0%
yoy growth rate %	-0.6%	-0.6%		-3.4%	-3.4%		0.1%	0.1%		4.2%	4.2%		4.8%	4.8%	
Transaction volume	68.71	68.7	0.0%	70.47	70.5	0.0%	66.44	66.4	0.0%	69.37	69.4	0.0%	72.84	72.8	0.0%
yoy growth rate %	2.5%	2.5%		-8.0%	-8.0%		-1.6%	-1.6%		4.4%	4.4%		5.0%	5.0%	
Revenue	40,948	40,948	0.0%	44,016	44,016	0.0%	165,785	165,785	0.0%	175,770	175,770	0.0%	186,575	186,575	0.0%
yoy growth rate %	1.5%	1.5%		7.6%	7.6%		2.4%	2.4%		6.0%	6.0%		6.1%	6.1%	
monetization rate	14.0%	14.0%	0.0%	14.0%	14.0%	0.0%	14.0%	14.0%	0.0%	14.3%	14.3%	0.0%	14.5%	14.5%	0.0%
Operating profit	89	89	NM	-1,286	-1,286	NM	-7,562	-7,562	NM	8,259	8,259	NM	13,910	13,910	0.0%
yoy growth rate %	-108%	-108.1%		-93%	-92.6%		-67.2%	-67.2%		-209.2%	-209.2%		68.4%	68.4%	
operating margin	0.2%	0.2%	0.0%	-2.9%	-2.9%	0.0%	-4.6%	-4.6%	0.0%	4.7%	4.7%	0.0%	7.5%	7.5%	0.0%
Profit per order (Rmb)	0.01	0.01	NM	-0.20	-0.20	NM	-0.31	-0.31	NM	0.33	0.33	NM	0.52	0.52	0.0%
In-store, hotel and travel															
Revenue	19,017	19,017	0.0%	18,834	18,834	0.0%	72,600	72,600	0.0%	78,967	78,967	0.0%	89,492	89,492	0.0%
yoy growth rate %	8.4%	8.4%		9.0%	9.0%		9.0%	9.0%		8.8%	8.8%		13.3%	13.3%	
Operating profit	4,825	4,825	0.0%	4,666	4,666	0.0%	18,240	18,240	0.0%	21,606	21,606	0.0%	27,917	27,917	0.0%
yoy growth rate %	-9%	-8.5%		-2%	-2.4%		-5.7%	-5.7%		18.5%	18.5%		29.2%	29.2%	
operating margin	25.4%	25.4%	0.0%	24.8%	24.8%	0.0%	25.1%	25.1%	0.0%	27.4%	27.4%	0.0%	31.2%	31.2%	0.0%
New initiatives and others															
Revenue	32,550	32,550	0.0%	33,776	33,776	0.0%	126,412	126,412	0.0%	146,712	146,712	0.0%	166,164	166,164	0.0%
yoy growth rate %	22.9%	22.9%		20.4%	20.4%		21.5%	21.5%		16.1%	16.1%		13.3%	13.3%	
as % of total revenue	32.0%	32.0%		31.5%	31.5%		31.2%	31.2%		32.6%	32.6%		33.2%	33.2%	
Operating profit (loss)	-2,328	-2,328	0.0%	-2,674	-2,674	NM	-9,492	-9,492	0.0%	-5,408	-5,408	NM	-2,140	-2,140	NM
yoy growth rate %	na	na		na	na		na	na		na	na		na	na	
operating margin	-7.2%	-7.2%	0.0%	-7.9%	-7.9%	0.0%	-7.5%	-7.5%	0.0%	-3.7%	-3.7%	0.0%	-1.3%	-1.3%	0.0%
Consolidated															
Total revenues	101,650	101,650	0.0%	107,386	107,386	0.0%	405,132	405,132	0.0%	450,587	450,587	0.0%	499,744	499,744	0.0%
yoy growth rate %	10.7%	10.7%		13.0%	13.0%		10.8%	10.8%		11.2%	11.2%		10.9%	10.9%	
Gross profit	34,068	34,068	0.0%	33,665	33,665	0.0%	127,092	127,092	0.0%	151,681	151,681	0.0%	171,940	171,940	0.0%
yoy growth rate %	11.2%	11.2%		37.7%	37.7%		13.0%	13.0%		19.1%	19.1%		13.0%	13.0%	
gross margin	33.5%	33.5%	0.0%	31.3%	31.3%	0.0%	31.4%	31.4%	0.0%	33.7%	33.7%	0.0%	34.4%	34.4%	0.0%
Adjusted operating profit (loss)	893	893	0.0%	-444	-444	NM	-3,827	-3,827	0.0%	20,961	20,961	NM	37,834	37,834	0.0%
yoy growth rate %	-51%	-51.5%		-97%	-97.1%		-77%	-77.5%		-648%	-647.8%		80%	80.5%	
operating margin	0.9%	0.9%	0.0%	-0.4%	-0.4%	0.0%	-0.9%	-0.9%	0.0%	4.7%	4.7%	0.0%	7.6%	7.6%	0.0%
Adjusted net profit (loss)	633	633	0.0%	-186	-186	NM	-4,432	-4,432	0.0%	20,255	20,255	NM	35,190	35,190	0.0%
yoy growth rate %	-58%	-57.6%		-99%	-98.8%		-76%	-76%		-557%	-557.0%		74%	73.7%	
net margin	0.6%	0.6%	0.0%	-0.2%	-0.2%	0.0%	-1.1%	-1.1%	0.0%	4.5%	4.5%	0.0%	7.0%	7.0%	0.0%
Adjusted EBITDA	4,395	4,395	0.0%	2,881	2,881	NM	8,119	8,119	0.0%	34,442	34,442	NM	51,763	51,763	0.0%
yoy growth rate %	58%	58.0%		-119%	-119.4%		na	na		390.3%	390.3%		na	na	
adjusted EBITDA margin	4.3%	4.3%	0.0%	2.7%	2.7%	0.0%	2.0%	2.0%	0.0%	7.6%	7.6%	0.0%	10.4%	10.4%	0.0%

Source: Citi Research Estimates

2Q26E preview

Meituan has not announced 2Q26 reporting date, we expect by late August.

- **Total revs and profit/loss –** We forecast total revs of Rmb101.7bn (+10.7% yoy) and adj. net profit of Rmb633mn vs. Bloomberg cons. of Rmb100.9bn and Rmb270mn.

- **Core local commerce –** We forecast CLC revs +5.7% yoy to Rmb69.1bn and forecast CLC operating profit at Rmb3.2bn or +4.7% margin vs VisibleAlpha consensus estimated revs of Rmb68.5bn (+4.9% yoy) and OP of Rmb3.27bn. This compared to reported -Rmb2.0bn last quarter and Rmb+3.7bn in 2Q25. The qoq recovery of Rmb5.3bn, mainly reflecting scale-back in the food delivery and insta-shopping subsidies amid improving competitive environment.

- **Food delivery –** We estimate food delivery GTV of Rmb293bn (-0.6% yoy), attributed to +2.5% yoy growth in daily transaction volume to 69mn or 6.3bn for the quarter and -3.0% yoy in AOV to Rmb46.8, with revs. +1.5% yoy to Rmb40.9bn, implying monetization rate of 14% mainly reflecting subsidies that counter revs. We forecast OpM for food delivery at +0.2% or UE of +Rmb0.01 vs our estimated UE of -Rmb0.97 per order in 1Q26.

- **In-store –** We forecast in-store revs of Rmb19.0bn (+8.4% yoy). We estimate adjusted Op to -8.5% yoy to Rmb4.83bn or 25.4% margins (mainly reflect on-going competitive pressure from Douyin) compared to our estimated 25.2% in 1Q26 and 30.1% in 2Q25.

- **New initiatives –** We forecast new initiatives revs +22.9% yoy to Rmb33bn (vs VA consensus of Rmb32.3bn) with operating loss of Rmb2.33bn (vs VA of -Rmb2.4bn) mainly reflecting growth of Ella Supermarket and Keeta.

- **Expectation** – We believe 2Q26 likely to come slightly better than expectation especially with faster narrowing loss than previously expected amid moderating subsidies intensity**.** We believe it is highly possible that Meituan could report CLC profit better than consensus driven by higher UE of on-demand while in-store margins likely inline and new initiatives loss is likely to be in-line as well.

- **Focus on the call:** 1) latest consumption trend and impact from adverse weather condition on rider cost and user demand; 2) regulatory guideline and latest competitive environment; 3) subsidies and competition and UE trend for coming quarters; 4) in-store competition and consumption demand; 5) traction for insta-mart, Happy Monkey, and Ella Supermarket; 6) Keeta's operation update in Middle east and latest progress in Brazil; 7) latest benefit and positive progress from AI initiatives and overall AI investment spend.

3Q26E outlook

We model 3Q26E total revs to +13.0% yoy to Rmb107.4bn vs consensus of Rmb106.7bn driven by core local commerce/new initiatives & others at Rmb73.6bn (+9.8% yoy)/Rmb33.8bn (+20.4% yoy). We model total adj. net loss at -Rmb186mn or -0.2% margin vs cons. of +Rmb667mn.

- We model CLC revs to +9.8% yoy to Rmb74bn and operating profit at Rmb2.2bn or +3.0% margins vs VA consensus of Rmb73.6bn and +Rmb4.03bn. Within that, we forecast food delivery revs +7.6% yoy to Rmb44.0bn and operating loss of Rmb1.3bn or Rmb0.20 loss per order.

- We model instore revs to +9.0% yoy to Rmb18.83bn and OP margin of 24.8%.

- We model new initiatives revs to +20.4% yoy to Rmb33.8bn and operating loss at Rmb2.67bn compared to VA consensus of Rmb33.9bn and -Rmb2.3bn.

- **Expectation** – Given improving competitive environment and more rationale subsidies by peers, despite potential impact from adverse weather and more challenging seasonality for rider cost, we believe there is likely chance that Meituan could still provide relatively more optimistic outlook for 3Q26 on the back of moderating competition and operating efficiency. In light of more aggressive ramp up of merchant initiatives in Brazil, we cautious if the guidance for new initiatives loss for 3Q26 could be higher than we expected.

Figure 13. Citi estimates vs. consensus

	Total revenues (RMB m)			Non-GAAP Net Profit (RMB m)			Non-GAAP Diluted EPADS (RMB)		
RMB m (except per share data)	Citi	Consensus	% Dif	Citi	Consensus	% Chg	Citi	Consensus	% Chg
2Q26E	101,650	100,946	*0.7%*	633	270	***NM***	0.11	0.03	***NM***
3Q26E	107,386	106,729	*0.6%*	(186)	667	***NM***	(0.03)	0.07	***NM***
2026E	**405,132**	**402,455**	***0.7%***	**(4,432)**	**(2,820)**	***NM***	**(0.74)**	**(0.48)**	***NM***
2027E	**450,587**	**455,206**	***-1.0%***	**20,255**	**22,664**	***-10.6%***	**3.34**	**3.65**	***-8.6%***
2028E	**499,744**	**511,161**	***-2.2%***	**35,190**	**37,540**	***-6.3%***	**5.76**	**6.04**	***-4.6%***

Source: Citi Research Estimates

Maintain Buy/High Risk and TP of HK$113

As we have retained our forecast unchanged for this report, our TP is also unchanged at HK$113.

Our 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 travel revenues to reach Rmb72.6bn in 2026E. Applying 8x (unchanged) to our adjusted net profit of Rmb16.8bn yields a value of HK$150bn (US$19.2bn) or HK$24.87 per share. We believe 8x is reasonable considering uncertainty of competition from Douyin.

- **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.

Looking into 3Q26/2H26, despite improving competitive landscape, mgmt could be cautious on higher rider cost amid adverse weather condition this summer that weigh on UE trend and increased investment in Brazil could also weigh on new initiative loss. We also expect mgmt to speak enthusiastically on MT's AI initiative progress and reiterate its commitment in AI investment.

Meituan share price rebounded ~40% since the dip on June 26th (closed at HK$64.25) to yesterday closing at HK$90.30, which we believe reflects the recovery of investor sentiment in broader China internet sector (please see our previous report: China Internet - Assessing Valuation Floor Vs Earnings Downside Sensitivity) and possibly also reflects investors' anticipation of a potential better than expected print in upcoming 2Q26 result. Maintain Buy/High Risk rating and TP of HK$113.

Figure 14. 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

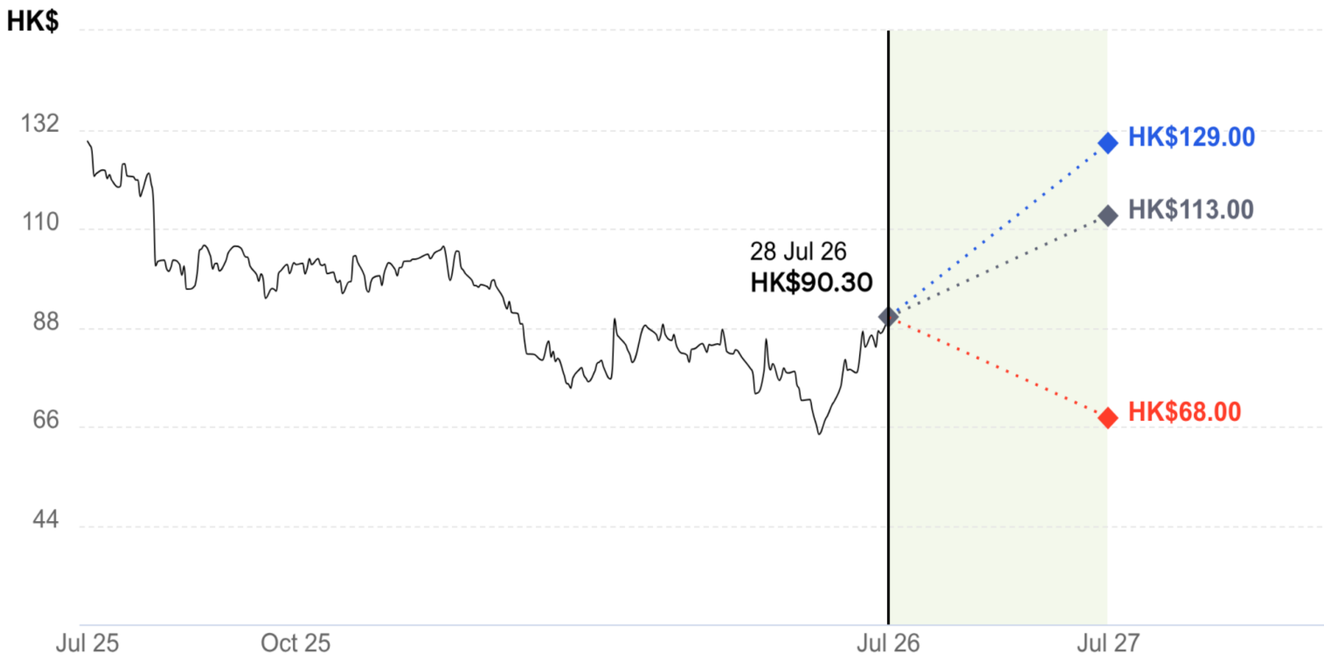
Figure 15. Meituan – Income Statement

(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	HK$113.00	HK$68.00
▲43% Upside	▲25% Upside	▼25% Downside



Spread 68pp
Current Price and expected returns (upside/downside) as of 28 Jul 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