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Meituan (3690.HK)

Key Takeaways from Post-2Q26 Management-Investor Group Call

CITI'S TAKE

We recently hosted a post-2Q26 management-investor group call for Meituan. Key highlights from the call included: 1) Food delivery trend in 3Q26; 2) quick commerce investment through Instashopping and Xiaoxiang Supermarket; 3) instore, hotel, & travel business outlook; 4) competitive landscape; 5) AI and Keeta. Coming away from a solid 2Q26 print, despite seasonal decline in margins in 3Q26, we are confident that management's solid execution and focus on high-quality, AI-powered growth will enable the company to navigate ongoing macro and competitive challenges. Maintain Buy with TP HK$120.

Buy / High Risk	
Price (02 Sep 26 16:10)	HK$78.75
Target price	HK$120.00
Expected share price return	52.4%
Expected dividend yield	0.0%
Expected total return	52.4%
Market Cap	HK$480,507M US$61,281M

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Food delivery trend in 3Q26 - Management noted competition further moderated in 3Q26 following regulatory guidance on subsidy practice, hence the industry has shifted focus towards improving operating efficiency and reducing loss. This should lay a healthy foundation for profit recovery across the industry and management believes it is well-positioned to balance growth and profitability given its user mix, merchant selection, and overall delivery experience. Meituan is able to gain share despite having substantially lower subsidy per order than peers. While 3Q is a seasonally strong quarter, subsidy has remained relatively flattish qoq; on the other hand, despite higher rider cost and implementation of injury insurance coverage, UE is expected to remain positive in 3Q26, suggesting operation efficiency further improve.

Quick commerce investment - In 2Q26, product sales within CLC grew 79% yoy, mainly due to fast growth of 1P within Insta-Shopping such as Waima Songjiu (Liquor), Songshu Bianli (convenience store), and medicine while product sales within New initiatives grew at 45% yoy, attributed to geographic coverage expansion of Xiaoxiang Supermarket and Happy Monkey stores as Meituan further explores its offline store and omni-channel strategy given online penetration for on-demand non-food categories remain low and at early stage. While Meituan has leading market share in Insta-shopping, the business segment still incurred losses in recent quarters due to subsidies remaining high.

Instore and hotel business outlook - Management expects growth rate in the in-store, hotel, and travel segment to be impacted primarily by macro trends and secondarily by competition, which is largely focused on the light meal, fast food, and casual in-store dining. With lower demand on high-AOV categories such as medical aesthetic services, and wedding photographs, despite demand for low-price categories, especially in lower tier cities, growing fast, the blended AOV has experienced yoy decline and impact GTV growth. The lower ad revs from high-AOV, less frequency orders merchants also affect the segment revs growth. Lastly, while

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domestic hotel room nights recording healthy yoy growth in 2Q26, hotel and travel revenues growth rate decelerated in 3Q26, mainly reflecting weak performance in ticketing revs.

Competitive landscape - Mgmt noted that the intense food delivery competition over the past year has enlarged the market size and in order to capture broader user group and new consumption behavior, Meituan will continue to maintain quality supply and drive product diversification through innovation such as PinHaoFan to capture price-sensitive demand and through ShenQiangShou to capture various demand and expansion of consumption scenarios. For Insta-shopping, given the large market TAM and low online penetration rate, by improving its 1P and 3P supply in non-food categories, there is room for Meituan to capture growth opportunity.

AI and Keeta - Meituan noted its LongCat model serves as an important foundation for its AI strategy, leveraging its own consumer and merchant data and hence will be more suitable for Meituan's consumption scenarios.
On the organizational side, AI adoption is deepening and driving productivity across the company. For overseas, Keeta service is profitable in Hong Kong and achieved profitability in Saudi Arabia in July due to operational expertise and optimized cost structure. In Brazil, Keeta is prioritizing budget control and improving operational efficiency in Sao Paulo. Nevertheless, management believes domestic China market remains a key priority for the company vs overseas market.

Meituan

Valuation

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

1) Food delivery and Meituan Instashopping business: Applying 1.3x P/S to Meituan's food delivery and Meituan Instashopping business yields a total value of HK$348bn, or ~HK$56 per share.

2) In-store hotel and travel: Applying an 8x multiple to our adjusted net profit of Rmb19.8bn yields a value of HK$176bn, or ~HK$29 per share.

3) New initiatives excluding grocery retail: Applying 1.0x P/S results in HK$72.8bn, or ~HK$11.8 per share.

4) Grocery retail (including Meituan Select): Applying 1.0x P/S results in HK$102.5bn, or ~HK$16.6 per share.

5) Cash balance: We include cash, cash equivalent and short-term investments, but exclude restricted cash. We use 2Q26 actual net cash balance in our valuation.

Added together, our SOTP valuation for Meituan comes to a target price of HK$120 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 margins; 3) new initiative losses wider than expected; 4) higher-than-expected rider cost; 5) deteriorating macro economy and shift of consumption behavior.

