30 Aug 2026 17:28:32 ET | 21 pages

Meituan (3690.HK)

Turnaround Proven; UE Resilience Navigates 3Q Seasonality

CITI'S TAKE

Meituan's notable 65% beat in CLC operating profit was attributable to improved operational efficiency, a focus on high-quality orders amidst industry-wide subsidy rationalization, and seasonal tailwinds. While management guides for a sequential margin decline in 3Q26 due to seasonal marketing and higher rider costs, the underlying business fundamentals remain strong. In-store margins improved in 2Q26 despite competition, though 3Q26 margins will be lower due to marketing spend. The New Initiatives segment shows robust progress, with narrowing losses fueled by Keeta's improving unit economics and operational optimizations. As part of its grocery retail initiative, Meituan continues to strategically expand its Xiaoxiang Supermarket and Happy Monkey brands. Post-estimate revision, we raise our TP to HK$120 (from HK$113). We maintain our Buy/High Risk rating, 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.

CLC and New initiatives forecast in 3Q26 – We now forecast 3Q26 total revs to +20% yoy to Rmb114.1bn with CLC/New Initiatives +15.3%/+31.5% yoy to Rmb77.3bn/Rmb36.9bn and CLC Op at Rmb4.15bn while Op loss for New Initiatives at Rmb1.72bn and group adj. OP/NP at Rmb2.43bn/Rmb2.56bn.

3Q26 UE outlook – Food delivery unit economics (UE) are expected to improve meaningfully yoy but will face seasonal qoq decline though remain positive. The qoq dip is driven by increased marketing spend, courier subsidies for the summer peak, and a new national occupational injury insurance program effective July 1st. We now forecast 3Q26 UE at Rmb0.08 vs our estimated UE of Rmb0.20 in 2Q26.

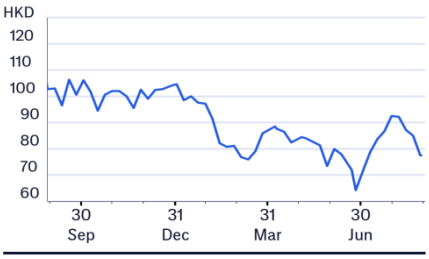
In-store & travel landscape and 3Q26 margin- Mgmt noted instead of pursuing subsidy-driven growth and competing aggressively with competition, it is focusing on its resilient high-quality core segment. While 2Q26 margins improved qoq, mgmt expects 3Q26/4Q26 margin to trend down sequentially due to increased seasonal investment and is confident in a gradual improvement trend over the longer term.

Keeta UE +ve in KSA – Mgmt noted Keeta operation in Saudi turned UE profitable in July, only 22 months compared to the 29 months it took in Hong Kong. Mgmt still view Brazil as a great market but near term it will remain focused on São Paulo.

Buy / High Risk

Price (28 Aug 26 16:10)	HK$77.50
Target price	HK$120.00↑
from HK$113.00	
Expected share price return	54.8%
Expected dividend yield	0.0%
Expected total return	54.8%
Market Cap	HK$472,880M
	US$60,315M

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



Alicia Yap, CFA AC
Nelson Cheung
Vicky Wei, CFA

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	9.5	2.3	27.0	na
2025A	-18,649	-3.069	-143.6	na	2.6	-11.5	na
2026E	2,402	0.394	112.8	168.8	2.3	1.5	na
2027E	19,987	3.237	721.6	20.5	2.1	10.7	na
2028E	31,640	5.084	57.0	13.1	1.8	14.9	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$77.50; TP: HK$120.00; Market Cap: HK$472,880m; Recomm: Buy/High Risk

Profit & Loss (Rmbm)	2024	2025	2026E	2027E	2028E
Sales revenue	337,592	365,206	418,995	475,852	523,572
Cost of sales	-207,807	-253,846	-281,567	-314,205	-346,187
Gross profit	129,785	111,360	137,428	161,647	177,385
Gross Margin (%)	38.4	30.5	32.8	34.0	33.9
EBITDA (Adj)	**49,336**	**-14,511**	**11,272**	**31,558**	**45,028**
EBITDA Margin (Adj) (%)	14.6	-4.0	2.7	6.6	8.6
Depreciation	-8,421	-10,199	-10,505	-10,820	-11,145
Amortisation	0	0	0	0	0
EBIT (Adj)	**45,142**	**-16,986**	**4,351**	**18,095**	**31,137**
EBIT Margin (Adj) (%)	13.4	-4.7	1.0	3.8	5.9
Net interest	-45	125	-445	400	400
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	-7,111	-7,976	-6,484	-4,498	-5,052
Pre-tax profit	**37,985**	**-24,838**	**-2,579**	**13,996**	**26,485**
Tax	-2,177	1,483	1	-1,157	-2,649
Extraord./Min.Int./Pref.div.	-1	-1	-1	-1	-1
Reported net profit	**35,807**	**-23,355**	**-2,578**	**12,838**	**23,835**
Net Margin (%)	10.6	-6.4	-0.6	2.7	4.6
Core NPAT	43,771	-18,649	2,402	19,987	31,640

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS (Rmb)	5.752	-3.843	-0.423	2.079	3.830
Core EPS (Rmb)	7.031	-3.069	0.394	3.237	5.084
DPS (Rmb)	0	0	0	0	0
CFPS (Rmb)	9.228	-2.244	0.167	8.745	8.919
FCFPS (Rmb)	7.462	-4.427	-2.925	5.277	5.134
BVPS (Rmb)	29.372	25.446	28.666	31.919	37.069
Wtd avg ord shares (m)	6,125	6,077	6,085	6,174	6,224
Wtd avg diluted shares (m)	6,226	6,077	6,097	6,174	6,224

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	22.0	8.2	14.7	13.6	10.0
EBIT (Adj) (%)	143.6	-137.6	125.6	315.9	72.1
Core NPAT (%)	88.2	-142.6	112.9	731.9	58.3
Core EPS (%)	90.5	-143.6	112.8	721.6	57.0

Balance Sheet (Rmbm)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	187,793	188,465	201,867	231,826	260,999
Accounts receivables	2,653	3,323	4,018	3,911	4,303
Inventory	1,734	3,013	4,243	4,304	4,742
Net fixed & other tangibles	46,813	49,206	80,142	73,009	82,495
Goodwill & intangibles	30,230	30,221	30,353	30,523	30,720
Financial & other assets	55,131	72,683	72,268	76,016	78,754
Total assets	**324,355**	**346,910**	**392,891**	**419,590**	**462,014**
Accounts payable	25,193	34,572	39,342	38,738	42,681
Short-term debt	1	3,468	6,834	6,834	6,834
Long-term debt	1,175	18,789	35,305	35,305	35,305
Provisions & other liab	125,382	139,094	135,365	142,680	149,519
Total liabilities	**151,751**	**195,922**	**216,845**	**223,556**	**234,338**
Shareholders' equity	172,663	151,046	176,103	196,090	227,730
Minority interests	-59	-58	-57	-56	-55
Total equity	**172,604**	**150,988**	**176,046**	**196,034**	**227,675**
Net debt (Adj)	**-186,617**	**-166,208**	**-159,729**	**-189,688**	**-218,861**
Net debt to equity (Adj) (%)	-108.1	-110.1	-90.7	-96.8	-96.1

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	9.5	-21.7	na	20.5	13.1
PB (x)	2.3	2.6	2.3	2.1	1.8
EV/EBITDA (x)	4.1	-13.0	17.7	5.9	3.4
FCF yield (%)	11.2	-6.7	-4.4	7.9	7.7
Dividend yield (%)	na	na	na	na	na
Payout ratio (%)	0	0	0	0	0
ROE (%)	22.1	-14.4	-1.6	6.9	11.2

Cashflow (Rmbm)	2024	2025	2026E	2027E	2028E
EBITDA	45,266	-14,842	8,660	23,816	36,630
Working capital	6,466	-1,056	-13,183	20,210	8,036
Other	5,722	2,263	5,542	9,969	10,845
Operating cashflow	**57,454**	**-13,635**	**1,019**	**53,995**	**55,511**
Capex	-10,999	-13,271	-18,855	-21,413	-23,561
Net acq/disposals	16,847	39,954	-10,826	-13,116	-18,868
Other	4,358	3,089	0	0	0
Investing cashflow	**10,205**	**29,773**	**-29,680**	**-34,530**	**-42,429**
Dividends paid	0	0	0	0	0
Financing cashflow	**-4,606**	**32,327**	**31,853**	**0**	**0**
Net change in cash	**63,610**	**47,202**	**3,192**	**19,466**	**13,083**
Free cashflow to s/holders	**46,454**	**-26,906**	**-17,836**	**32,582**	**31,950**

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

Takeaways From 2Q26 Earnings Call

2Q26 strong top & bottom-line beat

Meituan posted better-than-expected 2Q26 results with total revenues of Rmb104.64bn (+14.4% yoy and +14.9% qoq) beating Citi/consensus of Rmb101.65bn/Rmb101.08bn by 2.9%/3.5%.

- **Core local commerce** revenue +10.1% yoy to Rmb71.53bn, vs our Rmb69.1bn, CLC segment OP profit improved to Rmb5.67bn (or +7.9% margin), significantly higher than our/VA consensus estimate of Rmb+3.22bn/Rmb+3.42bn.
  - Specifically, delivery services revenues grew 13.1% yoy to Rmb26.78bn (26% of total revenues).
  - OpM improving to +7.9% vs -3.2% in 1Q26 and +5.7% in 2Q25.
- **New initiatives**: Revenues +25.0% yoy to Rmb33.11bn, slightly beating our Rmb32.6bn, with operating loss at Rmb1.74bn, better than our/VA consensus of -Rmb2.3bn/-Rmb2.4bn. Op loss for new initiatives reached Rmb-1.74bn vs. Rmb-2.12bn in 1Q26 and -Rmb1.88bn in 2Q25, with loss margin improving to -5.3%, vs. -7.8% in 1Q26 and -7.1% in 2Q25.

Group adjusted net profit was Rmb2.52bn, better than our Rmb+633mn and consensus' Rmb+340mn, adj. NM was +2.4% in 2Q26 vs. -5.5% in 1Q26 and +1.6% in 2Q25. Group adj. EBITDA reached Rmb4.10bn or margin of +3.9% in 2Q26 vs. our estimate of +0.6% margin.

Comment on food delivery and quick commerce trend

Management observed a shift across the industry towards greater focus on marketing and operational efficiency. Management believes competition will eventually shift back to quality, service and innovation as regulators provide further guidance on subsidy practice. This will help drive healthier industry development and create a fair environment for companies with core competence.

Over the past few months, Meituan continued to strengthen its user mix, order mix and operational efficiency with extended lead in both order volume and GTV on a sequential basis. Particularly Meituan has maintained strong leadership in high AOV segment by enhancing membership benefits, expanding premium supply and elevating service quality driving deeper engagement and brand mind share.

For Meituan Instashopping, management believes they maintained industry leading position amid early adoption of quick commerce market. Despite pressure from a high base last year and softening macro environment, management saw quick commerce as a long-term opportunity with improving operational capability. For example, Meituan has built a diversified quick supply network over the years covering a wide range of offline retailers. Going forward, Meituan will keep investing in product competitiveness, supply chain integration and supply diversity to deepen consumer mindshare across different categories.

3Q26 UE outlook

On 3Q26 outlook, management expects food delivery **UE to improve meaningfully yoy** but it will be **impacted by seasonality on a sequential basis.** Despite that, management expects UE to stay positive in 3Q26 with continued op efficiency improvement. Management noted that the industry subsidy level is still higher than

2024 level which might take a few quarters to normalize. In addition, seasonal headwinds may also weigh on UE as 3Q is the peak season for on-demand delivery driven by summer activities. Meituan typically may also ramp up marketing spending sequentially to capture the highest demand window of the year. Management will also provide additional subsidies to couriers to ensure delivery service quality during summer peak season and extreme hot weather conditions. As a result, delivery costs per order into 3Q will be higher than 2Q as well

On top of that, the occupational injury insurance began its national rollout on Jul 1 which may also add a cost layer. That said, management remains confident to sustain its market leadership and stay ahead on UE across both food and non-food categories. Management believes in clear visibility in UE recovery and returning to a reasonable level in the long term.

In-store business landscape and margin outlook

Management noted that the competitive landscape in the in-store sector has evolved significantly, with the market growing substantially, attracting new players, and players increasingly differentiating across user groups, consumption scenarios, and merchant segments. Management was explicit that the operating priority is not to pursue subsidy-driven, low-quality orders, but rather to strengthen competitive positioning in core categories and deliver better services to core users and merchants. Competitors have invested heavily through dedicated shelf-based apps to redirect traffic from content-driven models, with aggressive subsidies attracting price-sensitive users, particularly in lower-tier cities. However, management noted these users typically exhibit weaker repurchase behavior and that there has been no meaningful impact observed on Meituan's core users or core merchants, with in-store GTV quality and redemption rates remaining resilient. The local service sector has proven resilient relative to the e-commerce sector, with online penetration across service retail still relatively low, presenting a long runway for growth.

On margins, management guided that operating margin for the in-store business will likely decline from 2Q26 levels into 3Q26E and 4Q26E due to increased investment to capture seasonal growth opportunities, but expressed confidence that focus on ROI-driven investment and operational efficiency will translate into gradual margin improvement over the medium-to-long term.

Update on Xiaoxiang Supermarkets and Happy Monkey

Management believes Xiaoxiang Supermarket and Happy Monkey represent an important part of grocery retail. Over the past decade, Meituan has pushed for its omnichannel strategy with more consumers adopting on-demand delivery services which is fulfilled within 30 minutes. Such changing consumer behavior has increased their purchase frequency over time despite a low online penetration.

For Xiaoxiang Supermarket, Meituan accelerated its coverage expansion in 2Q which now operates in 68 cities with strong GTV growth and a steady improvement in operating efficiency. Xiaoxiang will also explore offline stores with first opening in Beijing last Dec and the latest fourth and fifth store in Ningbo and Shenzhen respectively. Xiaoxiang is able to scale up across cities quickly and cover most of the targeted consumers.

On the other hand, Happy Monkey operates as a neighborhood grocery format with 40 stores by 2Q. Happy Monkey operates as a smaller but more flexible format with a high private label mix and curated SKU selection focusing on delivering strong value-for-money products within local communities.

Management believes both businesses play a differentiated and complementary role with continued refinement, especially given early stage of Happy Monkey. That said, management also saw the potential beyond top-tier cities with increasing demand in mid-sized cities and counties. Meituan will strengthen its merchandising capability and deepen its supply chain collaboration across grocery retail business to build a more differentiated edge.

Keeta progress and New Initiatives loss

Regarding Keeta, Meituan shared that in Hong Kong (launched May 2023), UE turned profitable in October 2025, approximately 29 months after launch. In Saudi Arabia (entered September 2024), UE turned profitable in July 2026, approximately 22 months after launch, faster than Hong Kong despite Saudi Arabia being a significantly larger and initially unfamiliar market. Management highlighted this as validation that Meituan's operational approach can scale well across different overseas markets by staying focused on fundamentals: consumer needs around better selection, price, and reliable fast delivery, combined with incremental order volumes and reliable fulfillment for merchants. For Brazil, management believes it is a very attractive long-term market given Brazil is one of the top five food delivery markets globally, still growing rapidly and significantly underpenetrated. However, management acknowledged it is a very different market from prior entries and noted the company will continue to iterate its strategy as it gains more experience on the ground.

For now, Meituan will stay focused on São Paulo, which accounts for approximately 25% of Brazil's overall food delivery market. Management guided that for 2H26, the focus overseas will be on operational optimization and efficiency gains in existing markets. Management noted the total operating loss of the New Initiatives segment in 2026 will not exceed that of 2025, factoring in investments in both Keeta and grocery retail businesses.

AI strategy and investments

Management emphasized that LongCat-2.0 represents an important foundation for its AI strategy. By bridging the digital and physical worlds, this may deeply transform the competitive mode in local services over the long term. Management believes it is more important to leverage AI to reshape its organization, product and workflow. Management also reiterated the three pillars for its AI strategies, including building LLM, AI at work and AI in products.

Longcat-2.0 represents Meituan’s next generation in-house foundation model which is open weight and rolled out across internal needs including software development and operations, customer service and AI agents. LongCat-2.0 also made significant progress in core authentic capabilities particularly in coding, reasoning and complex task execution. The model also gained positive feedback across the global developer community. Meituan also adopts full stack domestic infrastructure for training and inference also leads to a structural advantage in infrastructure cost control over the long run.

On product side, Meituan continued to upgrade its AI product offerings including AI assistant Xiao Tuan inside Meituan app which is capable of understanding complex queries and full agentic task execution. Ultimately, management aims to deliver a seamless closed loop experience that takes users from discovery and decision making to transaction and fulfillment by deeply integrating with real world local service scenarios.

On org side, Meituan is deepening AI adoption and driving productivity across the board. More employees are now using AI to study and AI generated codes as a share of total output continued to climb. Management will keep building its AI capabilities, driving real AI adoption across its business operations.

Management emphasized that they will not compete as a token factory but instead focus on using the models and AI products to strengthen its core business and provide a better experience for both users and merchants. Therefore, Meituan will stay disciplined for capital allocation in AI.

Comment on capital allocation

Meituan will be ROI-driven and anchored in long-term value creation. Management will prioritize core local commerce and is committed to high quality growth by maintaining a leading market position and operating efficiency improvement.

Management will then dynamically evaluate the investment for other initiatives and resources in key areas for long-term development. For overseas expansion, Keeta has already shifted focus towards operational optimization in HK and Saudi and will continue to pace expansion in each country based on ROI.

For grocery retail, management remain confident of Xiaoxiang Supermarket's long-term potential and continued efficiency gain.

Management also highlighted the importance of AI investment, and Meituan will be disciplined on expenditure by focusing on embedding AI into real business scenarios to improve user experience, merchant operating efficiency and organizational productivity.

Regarding shareholder return, share buyback represents the main approach to return capital to shareholders for Meituan given meaningful track records over the past few years. Management will continue to buy back shares based on competitive environment, cash flow and offshore capital availability.

Lastly, management will evaluate monetization of high-quality investment portfolio on a regular basis. At current valuation, Meituan's stake in these companies is worth more than Rmb70bn. Beyond financial return, some investments could also offer meaningful strategic value in catching up with frontier technology development. When the time is right, Meituan will be open to exit all selected positions to free up capital as well for business reinvestment and shareholder return.

Estimate Revisions

Post solid revs and profit beat in 2Q26 and management qualitative commentary for 3Q/2H26, we have adjusted 2026-28E total revs by +3.4%, +5.6% and +4.8%

and forecast 2026-28E non-GAAP net profit of Rmb2.4bn, Rmb20bn and Rmb31.6bn respectively.

We forecast 3Q26 total revs to +20% yoy to Rmb114.1bn with CLC/New Initiatives +15.3%/+31.5% yoy to Rmb77.3bn/Rmb36.9bn and CLC Op at Rmb4.15bn while Op loss for New Initiatives at Rmb1.72bn and group adj. OP/NP at Rmb2.43bn/Rmb2.56bn.

Figure 1. Meituan - Estimate Revisions

	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
3Q26E	107,386	114,153	*6.3%*	(186)	2,557	*NM*	(0.03)	0.42	*NM*
4Q26E	105,056	109,161	*3.9%*	89	2,290	*NM*	0.01	0.37	*NM*
2026E	**405,132**	**418,995**	***3.4%***	**(4,432)**	**2,402**	***NM***	**(0.74)**	**0.39**	***NM***
2027E	**450,587**	**475,852**	***5.6%***	**20,255**	**19,987**	***-1.3%***	**3.34**	**3.24**	***-3.1%***
2028E	**499,744**	**523,572**	***4.8%***	**35,190**	**31,640**	***-10.1%***	**5.76**	**5.08**	***-11.7%***

© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research Estimates

Figure 2. Meituan - Revenue and Profit Revisions

	3Q26E			4Q26E			2026E			2027E			2028E		
Rmb (mn)	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Core local commerce															
Revenue	**73,611**	**77,267**	**5.0%**	**71,946**	**73,977**	**2.8%**	**278,720**	**286,837**	**2.9%**	**303,875**	**318,547**	**4.8%**	**333,580**	**348,531**	**4.5%**
yoy growth rate %	*9.8%*	*15.3%*		*11.0%*	*14.1%*		*6.6%*	*9.8%*		*9.0%*	*11.1%*		*9.8%*	*9.4%*	
as % of total revenue	68.5%	67.7%		68.5%	67.8%		68.8%	68.5%		67.4%	66.9%		66.8%	66.6%	
Operating profit	**2,230**	**4,150**	**86.1%**	**2,244**	**3,986**	**77.6%**	**5,665**	**11,775**	**107.8%**	**26,369**	**24,346**	**-7.7%**	**39,974**	**35,300**	**-11.7%**
yoy growth rate %	*NM*	*NM*		*NM*	*NM*		*NM*	*NM*		*NM*	*NM*		*NM*	*NM*	
operating margin	3.0%	5.4%	2.3%	3.1%	5.4%	2.3%	2.0%	4.1%	2.1%	8.7%	7.6%	-1.0%	12.0%	10.1%	-1.9%
Food delivery															
GTV (Rmb bn)	**314.9**	**336.5**	**6.9%**	**302.4**	**320.1**	**5.9%**	**1,180.3**	**1,242.4**	**5.3%**	**1,230.0**	**1,330.1**	**8.1%**	**1,288.9**	**1,410.8**	**9.5%**
yoy growth rate %	*-3.4%*	*3.2%*		*0.8%*	*6.7%*		*0.1%*	*5.3%*		*4.2%*	*7.1%*		*4.8%*	*6.1%*	
Transaction volume	**70.47**	**71.2**	**1.1%**	**66.23**	**66.9**	**1.0%**	**66.44**	**66.4**	**0.0%**	**69.37**	**69.6**	**0.3%**	**72.84**	**72.7**	**-0.2%**
yoy growth rate %	*-8.0%*	*-7.0%*		*-4.0%*	*-3.0%*		*-1.6%*	*-1.6%*		*4.4%*	*4.8%*		*5.0%*	*4.5%*	
Revenue	**44,016**	**47,810**	**8.6%**	**42,996**	**46,036**	**7.1%**	**165,785**	**175,647**	**5.9%**	**175,770**	**192,724**	**9.6%**	**186,575**	**206,563**	**10.7%**
yoy growth rate %	*7.6%*	*16.8%*		*9.4%*	*17.2%*		*2.4%*	*8.5%*		*6.0%*	*9.7%*		*6.1%*	*7.2%*	
monetization rate	14.0%	14.2%	0.2%	14.2%	14.4%	0.2%	14.0%	14.1%	0.1%	14.3%	14.5%	0.2%	14.5%	14.6%	0.2%
Operating profit	**-1,286**	**536**	**NM**	**-1,094**	**577**	**NM**	**-7,562**	**-2,944**	**NM**	**8,259**	**6,644**	**NM**	**13,910**	**12,405**	**-10.8%**
yoy growth rate %	*-93%*	*-103.1%*		*-91%*	*-104.7%*		*-67.2%*	*-87.2%*		*-209.2%*	*-325.7%*		*68.4%*	*86.7%*	
operating margin	-2.9%	1.1%	4.0%	-2.5%	1.3%	3.8%	-4.6%	-1.7%	2.9%	4.7%	3.4%	-1.3%	7.5%	6.0%	-1.5%
Profit per order (Rmb)	**-0.20**	**0.08**	**NM**	**-0.18**	**0.09**	**NM**	**-0.31**	**-0.12**	**NM**	**0.33**	**0.26**	**NM**	**0.52**	**0.47**	**-10.7%**
In-store, hotel and travel															
Revenue	**18,834**	**18,504**	**-1.8%**	**17,881**	**17,561**	**-1.8%**	**72,600**	**70,980**	**-2.2%**	**78,967**	**78,466**	**-0.6%**	**89,492**	**87,481**	**-2.2%**
yoy growth rate %	*9.0%*	*7.1%*		*10.3%*	*8.3%*		*9.0%*	*7.1%*		*8.8%*	*10.5%*		*13.3%*	*11.5%*	
Operating profit	**4,666**	**4,625**	**-0.9%**	**4,498**	**4,415**	**-1.8%**	**18,240**	**18,754**	**2.8%**	**21,606**	**21,537**	**-0.3%**	**27,917**	**25,265**	**-9.5%**
yoy growth rate %	*-2%*	*-3.2%*		*10%*	*7.7%*		*-5.7%*	*-2.6%*		*18.5%*	*14.8%*		*29.2%*	*17.3%*	
operating margin	24.8%	25.0%	0.2%	25.2%	25.1%	0.0%	25.1%	26.4%	1.3%	27.4%	27.4%	0.1%	31.2%	28.9%	-2.3%
New initiatives and others															
Revenue	**33,776**	**36,886**	**9.2%**	**33,111**	**35,184**	**6.3%**	**126,412**	**132,158**	**4.5%**	**146,712**	**157,305**	**7.2%**	**166,164**	**175,041**	**5.3%**
yoy growth rate %	*20.4%*	*31.5%*		*21.5%*	*29.1%*		*21.5%*	*27.0%*		*16.1%*	*19.0%*		*13.3%*	*11.3%*	
as % of total revenue	31.5%	32.3%		31.5%	32.2%		31.2%	31.5%		32.6%	33.1%		33.2%	33.4%	
Operating profit (loss)	**-2,674**	**-1,723**	**35.6%**	**-2,374**	**-1,846**	**NM**	**-9,492**	**-7,424**	**21.8%**	**-5,408**	**-6,252**	**NM**	**-2,140**	**-4,163**	**NM**
yoy growth rate %	*na*	*na*		*na*	*na*		*na*	*na*		*na*	*na*		*na*	*na*	
operating margin	-7.9%	-4.7%	3.2%	-7.2%	-5.2%	1.9%	-7.5%	-5.6%	1.9%	-3.7%	-4.0%	-0.3%	-1.3%	-2.4%	-1.1%
Consolidated															
Total revenues	**107,386**	**114,153**	**6.3%**	**105,056**	**109,161**	**3.9%**	**405,132**	**418,995**	**3.4%**	**450,587**	**475,852**	**5.6%**	**499,744**	**523,572**	**4.8%**
yoy growth rate %	*13.0%*	*20.1%*		*14.1%*	*18.5%*		*10.8%*	*14.7%*		*11.2%*	*13.6%*		*10.9%*	*10.0%*	
Gross profit	**33,665**	**38,832**	**15.3%**	**33,389**	**37,532**	**12.4%**	**127,092**	**137,428**	**8.1%**	**151,681**	**161,647**	**6.6%**	**171,940**	**177,385**	**3.2%**
yoy growth rate %	*37.7%*	*60.8%*		*41.0%*	*61.4%*		*13.0%*	*23.6%*		*19.1%*	*17.6%*		*13.0%*	*9.2%*	
gross margin	31.3%	34.0%	2.7%	31.8%	34.4%	2.6%	31.4%	32.8%	1.4%	33.7%	34.0%	0.3%	34.4%	33.9%	-0.5%
Adjusted operating profit (loss)	**-444**	**2,427**	**646.7%**	**-130**	**2,140**	**NM**	**-3,827**	**4,351**	**213.7%**	**20,961**	**18,095**	**NM**	**37,834**	**31,137**	**-17.7%**
yoy growth rate %	*-97%*	*-115.8%*		*-99%*	*-114.6%*		*-77%*	*-125.6%*		*-648%*	*315.9%*		*80%*	*72.1%*	
operating margin	-0.4%	2.1%	2.5%	-0.1%	2.0%	2.1%	-0.9%	1.0%	2.0%	4.7%	3.8%	-0.8%	7.6%	5.9%	-1.6%
Adjusted net profit (loss)	**-186**	**2,557**	**1474.1%**	**89**	**2,290**	**NM**	**-4,432**	**2,402**	**154.2%**	**20,255**	**19,987**	**NM**	**35,190**	**31,640**	**-10.1%**
yoy growth rate %	*-99%*	*-116.0%*		*-101%*	*-115.2%*		*-76%*	*-113%*		*-557%*	*731.9%*		*74%*	*58.3%*	
net margin	-0.2%	2.2%	2.4%	0.1%	2.1%	2.0%	-1.1%	0.6%	1.7%	4.5%	4.2%	-0.3%	7.0%	6.0%	-1.0%
Adjusted EBITDA	**2,881**	**5,666**	**-96.6%**	**3,200**	**5,370**	**NM**	**8,119**	**12,586**	**-55.0%**	**34,442**	**31,558**	**NM**	**51,763**	**45,028**	**-13.0%**
yoy growth rate %	*-119%*	*-138.2%*		*-123%*	*-138.3%*		*na*	*na*		*390.3%*	*180.0%*		*na*	*na*	
adjusted EBITDA margin	2.7%	5.0%	2.3%	3.0%	4.9%	1.9%	2.0%	3.0%	1.0%	7.6%	6.6%	-1.0%	10.4%	8.6%	-1.8%

Source: Citi Research Estimates

Raise TP to HK$120, maintain Buy/High Risk Rating

Our new SOTP values Meituan at HK$742.6bn (~US$95.2bn) or HK$120 per share, rolling forward to 2027 estimates based on: 1) 1.3x 2027E revenues for the food

delivery and Meituan Instashopping business, 2) 8x 2027E adjusted net profit for in-store and travel related business; 3) 1.0x 2027E revenues from new initiatives ex-grocery retail; 4) 1.0x P/S to 2027E total grocery retail revs, and 5) 30% discount to net cash balance for 2Q26.

- **On-demand delivery business** — We forecast food delivery revenues to reach Rmb192.7bn in 2027E while revenues for Meituan Instashopping and others to reach Rmb47bn in 2027E. Applying multiple of 1.3x (from 1.4x for 2026) P/S to Meituan's combined food delivery and Meituan Instashopping business yields a total value of HK$347.8bn (US$44.6bn) or ~HK$56 per share. The 1.3x 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 Rmb78.5bn in 2027E. Applying 8x (unchanged) to our adjusted net profit of Rmb19.8bn yields a value of HK$176bn (US$22.6bn) or HK$28.5 per share. We believe 8x is reasonable considering on-going 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 HK$523.9bn (US$67bn) or HK$85 per share.

- **New initiatives excluding grocery retail** – We model revs for New initiatives excluding grocery retail to reach Rmb65bn in 2027E, apply 1.0x (unchanged) P/S will result to HK$72bn (US$9.3bn) or HK$11.79 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** – We forecast total grocery retail revs to reach Rmb92bn in 2027E, applying 1.0x P/S (unchanged) will result to HK$102.5bn (US$13.1bn) or HK$16.60 per share.

- **New initiatives** – Combining grocery retail with other new initiatives, this yields a value of HK$175bn (US$22.5bn) or HK$28.39per 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 2Q26 actual net cash balance and apply a 30% discount.

- **SOTP** — Adding together, our SOTP valuation for Meituan comes to HK$120 per share.

Post estimates revision, our TP is raised to HK$120 (from HK$113). Maintain Buy/High Risk Rating. We remain 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.

Figure 3. Meituan SOTP valuation

	2025A	2026E	2027E
Core local commerce			
Revenues (Rmb mn)	**261,177.1**	**286,837.4**	**318,547.0**
Food delivery	161,850.9	175,646.6	192,724.3
Meituan Instashopping and others	33,075.6	40,210.9	47,356.9
In-store, hotel and travel	66,250.6	70,979.9	78,465.8
Operating profit (Rmb mn)	**(6,904.1)**	**11,774.5**	**24,346.3**
Food delivery	(23,003.3)	(2,944.1)	6,644.3
Meituan Instashopping and others	(3,152.2)	(4,035.4)	(3,834.8)
In-store, hotel and travel	19,251.4	18,754.0	21,536.9
Adjusted EBITDA (Rmb mn)	**(7,285.2)**	**15,266.4**	**34,301.3**
Food delivery	(18,582.9)	1,628.9	10,940.8
Meituan Instashopping and others	(9,765.6)	(6,978.1)	71.2
In-store, hotel and travel	21,063.3	20,615.6	23,289.3
Effective tax rate	6%	0%	8%
Non-GAAP NP for in-store, hotel and travel (Rmb mn)	**18,101.7**	**18,743.5**	**19,756.3**
Segment enterprise valuation (Rmb mn)			470,155.8
Segment enterprise valuation (USD mn)			67,165.1
Segment enterprise valuation (HKD mn)			**523,887.9**
Value per share (HKD)			**84.85**
Food delivery, Meituan Instashopping and others			
Target P/S Multiple			**1.3x**
Enterprise valuation (Rmb mn)			312,105.6
Enterprise valuation (USD mn)			44,586.5
Enterprise valuation (HKD mn)			**347,774.8**
Value per share (HKD)			**56.33**
In-store, hotel and travel			
Target P/E Multiple			**8.0x**
Enterprise valuation (Rmb mn)			158,050.3
Enterprise valuation (USD mn)			22,578.6
Enterprise valuation (HKD mn)			**176,113.2**
Value per share (HKD)			**28.52**
New initiatives			
Revenues (Rmb mn)	**104,028.7**	**132,158.1**	**157,305.3**
New initiatives excluding Meituan Grocery	37,213.3	53,113.7	65,308.4
Meituan Grocery	66,815.3	79,044.4	91,996.9
Segment enterprise valuation (Rmb mn)			157,305.3
Segment enterprise valuation (USD mn)			22,472.2
Segment enterprise valuation (HKD mn)			**175,283.1**
Value per share (HKD)			**28.39**
New initiatives excluding Meituan Grocery			
Target P/S Multiple			**1.0x**
Enterprise valuation (Rmb mn)			65,308.4
Enterprise valuation (USD mn)			9,329.8
Enterprise valuation (HKD mn)			**72,772.2**
Value per share (HKD)			**11.79**
Grocery Retail revenues			
Target P/S Multiple			**1.0x**
Enterprise valuation (Rmb mn)			91,996.9
Enterprise valuation (USD mn)			13,142.4
Enterprise valuation (HKD mn)			**102,510.9**
Value per share (HKD)			**16.60**
Net cash (based on 2Q26A)			
Total cash & ST (Rmb mn)			168,314.2
Total debt (Rmb mn)			88,701.3
Net cash (Rmb mn) (30% discount)			39,010.3
Net cash (USD mn)			5,572.9
Net cash (HKD mn)			**43,468.7**
Net cash per share (HKD)			**7.04**
WA # of shares			6,174.13
USD: HKD			7.80
USD: RMB			7.00
Total (HKD)			**120**
Total Market cap (HKD)			742,639.7
Total market cap (USD)			95,210.2

© 2022 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research Estimates

Figure 4. Meituan - Income Statement

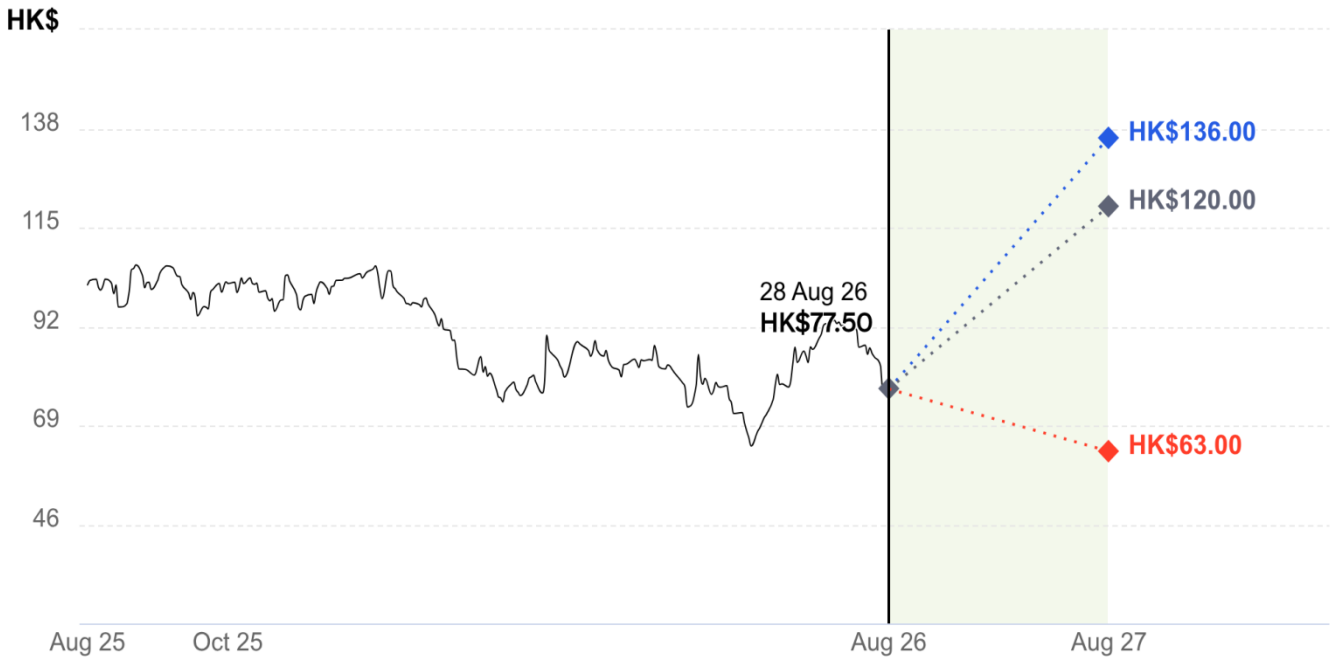
(Rmb mn)	2025	1Q26	2Q26	3Q26E	4Q26E	2026E	2027E	2028E
Core local commerce	261,177	64,063	71,531	77,267	73,977	286,837	318,547	348,531
New initiatives	104,029	26,976	33,112	36,886	35,184	132,158	157,305	175,041
Total revenues	**365,206**	**91,039**	**104,643**	**114,153**	**109,161**	**418,995**	**475,852**	**523,572**
YoY growth %	*8.2%*	*5.2%*	*14.4%*	*20.1%*	*18.5%*	*14.7%*	*13.6%*	*10.0%*
QoQ growth %		*-1.1%*	*14.9%*	*9.1%*	*-4.4%*			
Total cost of revenues	**253,846**	**65,069**	**69,548**	**75,321**	**71,629**	**281,567**	**314,205**	**346,187**
Gross profit	**101,437**	**23,159**	**32,242**	**35,546**	**34,418**	**125,365**	**147,440**	**161,039**
Gross margin %	*30.5%*	*28.5%*	*33.5%*	*34.0%*	*34.4%*	*32.8%*	*34.0%*	*33.9%*
Selling and marketing expenses	103,285	22,969	24,723	26,089	24,854	98,635	101,270	103,415
Research and development expenses	25,998	7,043	7,670	7,762	7,860	30,335	31,951	32,362
General and administrative expenses	12,788	3,419	3,559	3,653	3,711	14,343	15,230	15,923
Fair value changes on investments	2,393	392	55	50	50	547	200	200
Other (losses)/gains, net	3,278	599	3,494	(300)	(300)	3,493	(400)	(400)
Operating income (loss)	**(25,041)**	**(6,470)**	**2,691**	**1,077**	**857**	**(1,845)**	**12,996**	**25,485**
Operating margin %	*-6.9%*	*-7.1%*	*2.6%*	*0.9%*	*0.8%*	*-0.4%*	*2.7%*	*4.9%*
Non-GAAP operating income	**(16,986)**	**(4,146)**	**3,929**	**2,427**	**2,140**	**4,351**	**18,095**	**31,137**
Non-GAAP operating margin %	*-4.7%*	*-4.6%*	*3.8%*	*2.1%*	*2.0%*	*1.0%*	*3.8%*	*5.9%*
Net income (loss) attributable to ordinary shareholders	**(23,355)**	**(6,827)**	**2,155**	**1,143**	**951**	**(2,578)**	**12,838**	**23,835**
Net margin %	*-6.4%*	*-7.5%*	*2.1%*	*1.0%*	*0.9%*	*-0.6%*	*2.7%*	*4.6%*
Non-GAAP net income attributable to equity holders	**(18,649)**	**(4,968)**	**2,523**	**2,557**	**2,290**	**2,402**	**19,987**	**31,640**
Non-GAAP net margin %	*-5.1%*	*-5.5%*	*2.4%*	*2.2%*	*2.1%*	*0.6%*	*4.2%*	*6.0%*
Adjusted EBITDA	**(13,783)**	**(3,049)**	**4,098**	**5,666**	**5,370**	**12,586**	**31,558**	**45,028**
Adjusted EBITDA margin %	*-3.8%*	*-3.3%*	*3.9%*	*5.0%*	*4.9%*	*3.0%*	*6.6%*	*8.6%*
Non-GAAP diluted net income (loss) per share (Rmb)	**(3.07)**	**(0.83)**	**0.41**	**0.42**	**0.37**	**0.39**	**3.24**	**5.08**
Non-GAAP diluted net income (loss) per share (HK$)	**(3.40)**	**(0.94)**	**0.48**	**0.48**	**0.43**	**0.45**	**3.73**	**5.87**
Food delivery								
GTV (Rmb bn)	**1,180**	**270**	**316**	**337**	**320**	**1,242**	**1,330**	**1,411**
yoy growth %	*7.9%*	*4.2%*	*7.2%*	*3.2%*	*6.7%*	*5.3%*	*7.1%*	*6.1%*
No. of food delivery transactions (mn)	**24,641**	**5,419**	**6,110**	**6,553**	**6,157**	**24,240**	**25,397**	**26,540**
yoy growth %	*12.3%*	*5.3%*	*0.2%*	*-7.0%*	*-3.0%*	*-1.6%*	*4.8%*	*4.5%*
Average order value (Rmb)	**47.9**	**49.9**	**51.6**	**51.4**	**52.0**	**51.3**	**52.4**	**53.2**
yoy growth %	*-4.0%*	*-1.0%*	*7.0%*	*11.0%*	*10.0%*	*7.1%*	*2.2%*	*1.5%*
Revenues (Rmb mn)	**161,851**	**37,825**	**43,975**	**47,810**	**46,036**	**175,647**	**192,724**	**206,563**
yoy growth %	*-2.7%*	*-8.4%*	*9.0%*	*16.8%*	*17.2%*	*8.5%*	*9.7%*	*7.2%*
Operating profit (Rmb mn)	**(23,003)**	**(5,271)**	**1,214**	**536**	**577**	**(2,944)**	**6,644**	**12,405**
Operating margin	*-14.2%*	*-13.9%*	*2.8%*	*1.1%*	*1.3%*	*-1.7%*	*3.4%*	*6.0%*
Operating profit per order (Rmb)	**(0.93)**	**(0.97)**	**0.20**	**0.08**	**0.09**	**(0.12)**	**0.26**	**0.47**
In-store, hotel and travel								
Revenues (Rmb mn)	**66,251**	**16,869**	**18,047**	**18,504**	**17,561**	**70,980**	**78,466**	**87,481**
yoy growth %	*12.7%*	*8.3%*	*5.0%*	*7.1%*	*8.3%*	*7.1%*	*10.5%*	*11.5%*
Operating profit (Rmb mn)	**19,251**	**4,250**	**5,464**	**4,625**	**4,415**	**18,754**	**21,537**	**25,265**
Operating margin	*29.1%*	*25.2%*	*30.3%*	*25.0%*	*25.1%*	*26.4%*	*27.4%*	*28.9%*
New initiatives								
Revenues (Rmb mn)	**104,029**	**26,976**	**33,112**	**36,886**	**35,184**	**132,158**	**157,305**	**175,041**
yoy growth %	*19.1%*	*21.3%*	*25.0%*	*31.5%*	*29.1%*	*27.0%*	*19.0%*	*11.3%*
Operating profit (Rmb mn)	**(10,082)**	**(2,116)**	**(1,739)**	**(1,723)**	**(1,846)**	**(7,424)**	**(6,252)**	**(4,163)**
Operating margin	*-9.7%*	*-7.8%*	*-5.3%*	*-4.7%*	*-5.2%*	*-5.6%*	*-4.0%*	*-2.4%*

© 2022 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Company Reports and Citi Research Estimates

Bull/Bear: Meituan (3690.HK)

HK$136.00 ▲75% Upside | HK$120.00 ▲55% Upside | HK$63.00 ▼19% Downside



Spread 94pp
Current Price and expected returns (upside/downside) as of 28 Aug 2026

BULL Assumptions

- Target P/S multiple of on-demand delivery at 1.5x.
- Target P/E multiple of in-store, hotel and travel at 10x.

BASE Assumptions

- Target P/S multiple of on-demand delivery at 1.3x.
- Target P/E multiple of in-store, hotel and travel at 8x.

BEAR Assumptions

- Target P/S multiple of on-demand delivery at 0.4x.
- Target P/E multiple of in-store, hotel and travel at 3x.

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 1.3x 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