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Meituan (3690.HK)

2Q26 Strong Top & Bottom-Line Beat; CLC OpM at 7.9%

CITI'S TAKE

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). **New initiatives**: Revenues +25.0% yoy to Rmb33.11bn, slightly beat our Rmb32.6bn, with operating loss at Rmb1.74bn, better than our/VA consensus of -Rmb2.3bn/-Rmb2.4bn. 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.

Implications — While the market had anticipated 2Q26 result will be solid for Meituan, we view the 76%/66% beat in CLC operating profit vs our/consensus estimate as stronger than expected and the operating loss from New initiatives also came smaller than expected as demonstrating Meituan's operating efficiency and strong execution of turning around from an extremely intense industry competition. With improving competitive environment, we look forward to its 3Q/2H26 outlook commentary and management's view on on-demand order competition, latest consumption sentiment on food delivery, adverse weather on rider operation cost, traveling and local services demand sentiment and competition with peers, Keeta's operation in Brazil and Middle East as well as incremental monetization and cost optimization opportunity through its deepen integration of AI.

Buy / High Risk	
Price (28 Aug 26 16:10)	HK$77.50
Target price	HK$113.00
Expected share price return	45.8%
Expected dividend yield	0.0%
Expected total return	45.8%
Market Cap	HK$472,880M US$60,327M

Alicia Yap, CFA[AC]

Vicky Wei, CFA

Nelson Cheung

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	9.4	2.3	27.0	na
2025A	-18,649	-3.069	-143.6	na	2.6	-11.5	na
2026E	-4,432	-0.737	76.0	na	2.6	-2.9	na
2027E	20,255	3.342	553.3	19.9	2.3	12.5	na
2028E	35,190	5.759	72.4	11.5	1.9	18.5	na

Source: Powered by dataCentral

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

Operating metrics and OpM mix — OP profit of core local commerce improved significantly sequentially to Rmb+5.67bn from Rmb-2.0bn in 1Q26 and compared to profit of Rmb+3.7bn in 2Q25, and OpM improving to +7.9% vs -3.2% in 1Q26 and +5.7% in 2Q25. Op loss for new initiatives reached Rmb-1.74bn vs. Rmb-2.12bn in 1Q26 and -Rmb1.88bn in 2Q25, with loss margin at -5.3%, vs. -7.8% in 1Q26 and -7.1% in 2Q25.

Call focus — 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.

Call details: At 7:00pm HKT on Aug 28 (7:00am EST). Pre-registrations are required in advance of the conference call (link).

Figure 1. Meituan result at a glance

Meituan Dianping - Income Statement (Rmb'm)	2Q26	Citi	Diff %	Consensus	Diff %	YoY	QoQ
Revenues							
Core local commerce	71,531	69,100	3.5%			*10.1%*	*11.7%*
New initiatives and others	33,112	32,550	1.7%			*25.0%*	*22.7%*
Total revenues	**104,643**	**101,650**	**2.9%**	**101,079**	**3.5%**	***14.4%***	***14.9%***
Total cost of revenues	**69,548**	**67,582**	**2.9%**			***13.2%***	***6.9%***
Total gross profit	**35,095**	**34,068**	**3.0%**	**31,822**	**10.3%**	***16.7%***	***35.1%***
Gross margin %	*33.5%*	*33.5%*	0.0%	*31.5%*			
Operating expenses							
Selling and marketing expenses	24,723	23,456	5.4%			*11.5%*	*7.6%*
Research and development expenses	7,670	6,912	11.0%			*22.5%*	*8.9%*
General and administrative expenses	3,559	3,354	6.1%			*31.9%*	*4.1%*
Fair value changes on investments	55	100					
Other (losses)/gains, net	3,494	(900)					
Total operating expenses	32,404	34,522	-6.1%			*8.6%*	*-0.1%*
Operating profit	**2,691**	**(454)**	**-692.3%**			***1088.9%***	***-141.6%***
Operating margin %	*2.6%*	*-0.4%*	3.0%				
Adjusted operating profit - core local commerce	5,668	3,221	76.0%			*NM*	*NM*
Adjusted operating profit - new initiatives & others	(1,739)	(2,328)	NM			*NM*	*NM*
Adjusted operating profit	**3,929**	**893**	**340.3%**			***NM***	***NM***
Adj. operating margin %	*3.8%*	*0.9%*	2.9%				
Adj. operating margin % - core local commerce	*7.9%*	*4.7%*	3.3%				
Adj. operating margin % - new initiatives & others	*-5.3%*	*-7.2%*	1.9%				
Adjusted EBITDA	**4,098**	**4,395**	**-6.8%**			***NM***	***NM***
Adj. EBITDA margin %	*3.9%*	*4.3%*	-0.4%				
Net income to equity holders	**2,155**	**(441)**	**-588.1%**	**(1,228)**	**-275.5%**	***NM***	***NM***
Net margin %	*2.1%*	*-0.4%*	2.5%	*-1.2%*			
Diluted EPS (RMB)	0.35	(0.07)	-579.2%	(0.16)	-314.7%	*NM*	*NM*
Diluted EPS (HKD)	0.41	(0.08)	-587.7%			*NM*	*NM*
Adjusted net income to equity holders	**2,523**	**633**	**298.5%**	**340**	**641.6%**	***NM***	***NM***
Adj. net margin %	*2.4%*	*0.6%*	1.8%	*0.3%*			
Adjusted diluted EPS (RMB)	**0.41**	**0.11**	**291.2%**	**0.05**	**693.1%**	***NM***	***NM***

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Source: Citi Research, Bloomberg

Meituan

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 margins; 3) new initiative losses wider than expected; 4) higher-than-expected rider cost; 5) deteriorating macro economy and shift of consumption behavior.

