Meituan (3690)

A recovering consumer credit, upgrade to OW

▲ **Overweight**
Previous: Neutral

MEITUA

Moody's:	Baa1	Outlook:	Negative
S&P:	BBB+	Outlook:	Negative
Fitch:	BBB+	Outlook:	Negative

The above agency ratings are at the corporate level

Asia Pacific Credit Research

Alvin Au AC
(852) 2800-8533
alvin.au@jpmorgan.com

Soo Chong Lim
(852) 2800-7387
soochong.lim@jpmorgan.com
J.P. Morgan Securities (Asia Pacific) Limited

Meituan reported a strong set of 2Q26 results, with earnings turnaround in the China food delivery business after three quarters of losses, and loss reduction for overseas operations. We believe the worst has passed for Meituan, as food industry competition normalizes, driven by government guidance, and earnings will likely remain positive in 2H26 and 2027. The Meituan curve is trading at the widest end of China's BBB curve, and we upgrade its issuer rating and the curve from N to OW, as we see room for compression, driven by the company's improving fundamentals and attractive valuations. Meituan should be less exposed to repricing risk from potential APAC data center bond supply, as it is largely a consumer story with limited AI exposure, in our view.

- **Core local commerce turned profitable:** Core local commerce (CLC) turned around to +Rmb5.7bn in operating profit after three consecutive quarters of losses (-Rmb24bn/-Rmb2bn in 2H25/1Q26), as revenue reversed to a 10% yoy increase in 2Q26. The improvement was driven by an earnings turnaround at the food delivery (FD) business, as unit economics (UE) have improved, driven by (1) subsidy normalization, and (2) a pickup in market share in 2Q (esp. in the high average order value segment). Management expects UE to remain positive in 3Q, despite a potential moderation sequentially due to higher rider costs and marketing spend during the summer peak season.
- **New initiative losses continue to narrow:** Losses from new initiatives continued to narrow from -Rmb4.7bn/-2.1bn in 4Q25/1Q26 to -Rmb1.7bn in 2Q26. For the overseas business (Keeta), management disclosed that Saudi Arabia has turned profit-making in Jul 2026, taking a shorter time (22 months) than the HK market expansion (29 months). In Brazil, Keeta will focus on São Paulo (25% of Brazil's FD market) first before expanding to other cities. Management expects 2026 new initiative losses to be no greater than the 2025 level.
- **Profits to stay positive in 2H26 and 2027:** Adjusted EBITDA/OCF reversed from negative to +Rmb4.1bn/9.7bn in 2Q26 as CLC turns around and new initiative loss narrows. Net cash also rebounded 8% qoq to Rmb102bn in 2Q26, after declining from Rmb144bn to Rmb94bn over 2Q25-1Q26. We believe the fundamentals of the China FD industry will gradually normalize, as the government has repeatedly called for an end to irrational competition (link), and major players (eg. Alibaba, Meituan, JD) are placing a greater emphasis on profitability after consecutive quarters of losses. Our China Internet equity research analyst, Alex Yao, projects Meituan's adjusted EBITDA to remain positive at ~Rmb4bn in each of 3Q/4Q26, before picking up to Rmb8bn/15bn in 1Q/2Q27. While major competitors such as Alibaba and JD will likely remain in the market, we believe the worst for Meituan/FD industry has passed, and fundamentals will gradually recover.
- **An improving consumer credit and upgrade to OW:** The Meituan curve is trading the widest in China BBB, especially for the back end (around SOT+110). We upgrade Meituan's issuer rating and the curve from N to OW, as we see room for compression, driven by the company's improving

See page 4 for analyst certification and important disclosures.



Alvin Au [AC]
(852) 2800-8533
alvin.au@jpmorgan.com

fundamentals and attractive valuation. While we see repricing risk for Asia TMT due to the upcoming APAC DC bond supply (report), we see lower risks for Meituan, as it is largely a consumer story with limited AI exposure. We believe the MEITUA curve can outperform the other Asia TMT credits.

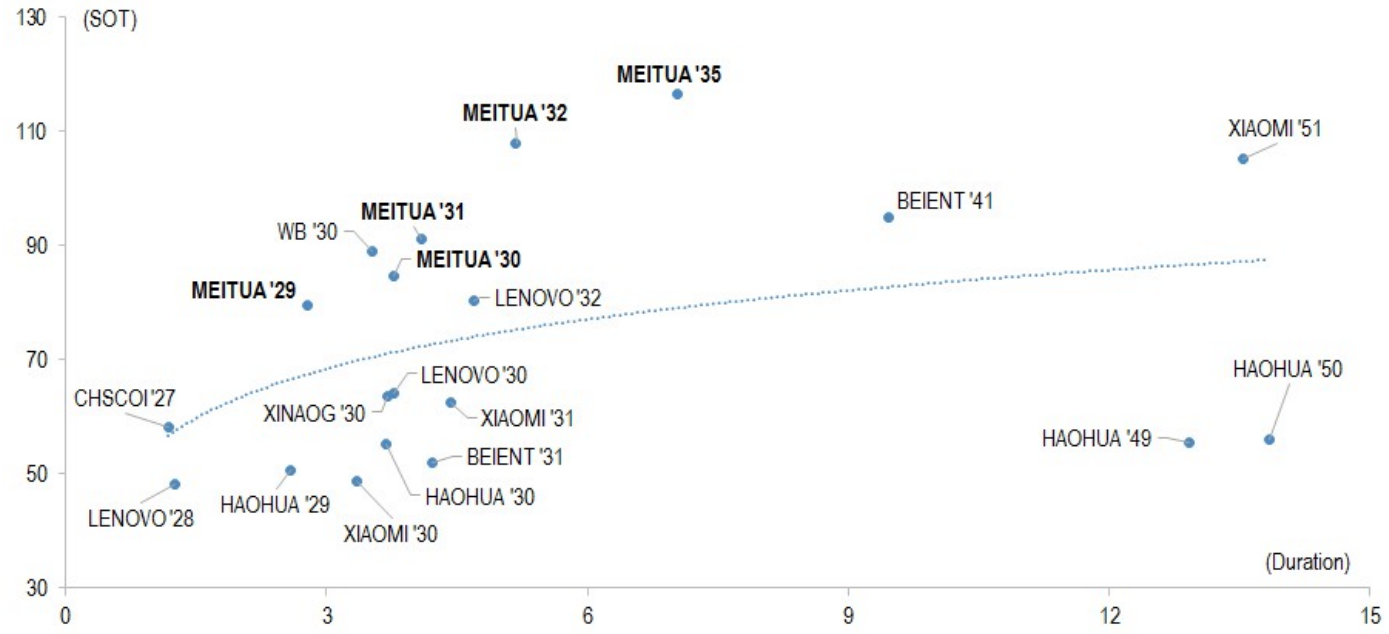
- **Key downside risks:** (1) Renewed intensification in China FD competition, (2) market share loss in high-value segment, and (3) Douyin (ByteDance) turning aggressive in the in-store business. Key upside risks: (1) Strong unit economics improvement in China, and (2) faster-than-expected loss reduction for overseas operations.

Table 1: Meituan - Recommendation summary

Instrument	Credit rating (M/S/F)	JPM rating Old	JPM rating New	Maturity	Price	YTM	Z-spread (bps)	SOT (bps)	Duration
MEITUA 4.625% '29	Baa1/BBB+/BBB+	N	OW	10/2/2029	98.3	5.2%	94	80	2.8
MEITUA 3.05% '30	Baa1/BBB+/BBB+	N	OW	10/28/2030	91.4	5.4%	109	85	3.8
MEITUA 4.5% '31	Baa1/BBB+/BBB+	N	OW	5/5/2031	96.1	5.5%	115	91	4.1
MEITUA 4.75% '32	Baa1/BBB+/BBB+	N	OW	11/5/2032	95.5	5.6%	128	108	5.2
MEITUA 5.125% '35	Baa1/BBB+/BBB+	OW	OW	11/5/2035	94.2	5.9%	154	116	7.0

Source: Bloomberg Finance L.P. and J.P. Morgan. Note: Prices as of 2 Sep 2026.

Figure 1: Meituan curve is trading the widest in China BBB



Source: Bloomberg Finance L.P.

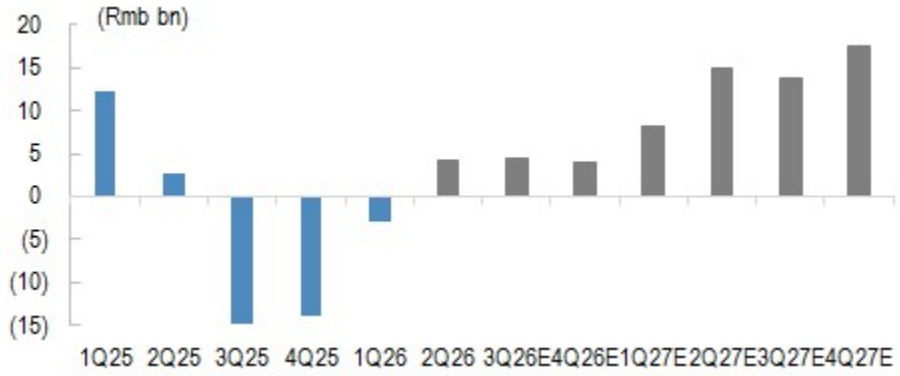
Alvin Au [AC]
(852) 2800-8533
alvin.au@jpmorgan.com

Table 2: Meituan result summary

(Rmb mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	YoY	QoQ
Income statement								
Revenue	**86,557**	**91,490**	**95,488**	**91,319**	**91,039**	**104,643**	**14%**	**15%**
Core local commerce	64,325	64,997	67,447	64,057	64,063	71,531	10%	12%
New initiatives	22,232	26,493	28,041	27,262	26,976	33,112	25%	23%
Operating profit/(loss)	**10,566**	**226**	**(19,759)**	**(16,074)**	**(6,470)**	**2,691**	**1089%**	**NA**
Core local commerce	13,491	3,721	(14,071)	(10,046)	(2,030)	5,668	52%	NA
New initiatives	(2,273)	(1,881)	(1,278)	(4,650)	(2,116)	(1,739)	8%	18%
Unallocated items	(652)	(1,613)	(4,410)	(1,379)	(2,324)	(1,238)	23%	47%
Operating margin	**12%**	**0.2%**	**-21%**	**-18%**	**-7%**	**3%**	**2%**	**10%**
Core local commerce	21%	6%	-21%	-16%	-3%	8%	2%	11%
New initiatives	-10%	-7%	-5%	-17%	-8%	-5%	2%	3%
Adjusted EBITDA	12,302	2,782	(14,842)	(14,025)	(3,049)	4,098	47%	NA
Interest expense	(475)	(430)	(414)	(567)	(787)	(806)	-87%	-2%
Adjusted net profit/(loss)	10,949	1,493	(16,010)	(15,080)	(4,968)	2,524	69%	NA
Reported net profit/(loss)	10,057	365	(18,632)	(15,590)	(6,827)	2,155	490%	NA
Cashflow								
OCF	10,131	4,773	(22,148)	(6,571)	(7,014)	9,700	103%	NA
Balance sheet								
Cash (inc. securities)	197,682	188,938	162,779	188,465	200,239	190,261	1%	-5%
Total Debt	56,068	44,814	44,918	80,283	106,106	88,701	98%	-16%
Net Cash	141,615	144,125	117,861	108,182	94,133	101,560	-30%	8%
Equity	184,136	184,298	167,378	150,988	149,882	169,149	-8%	13%

Source: Company data and J.P. Morgan.

Figure 2: Adjusted EBITDA trend



Source: Company data and J.P. Morgan equity research estimates.