Meituan (3690)

First Take: 2Q26 - the inflection arrives early: the verdict still waits for 3Q26 outlook

Neutral

3690.HK, 3690 HK
Price: HK$77.50
28 Aug 2026
Price Target: HK$85.00
PT End Date: 31 Dec 2026

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Our first take: Meituan's 2Q26 materially upgrades the near-term earnings case but only modestly changes the structural investment thesis. Core Local Commerce returned to RMB5.7bn of operating profit and an 8% margin, materially ahead of our expectation, while renewed revenue growth and lower marketing intensity indicate that the recovery was not achieved through an obvious top-line sacrifice. However, the improvement was still partly driven by lower incentives and favorable seasonality, and the blended gross margin missed our forecast. We expect consensus earnings estimates to go up post the print. We leave normalized delivery economics and the terminal multiple unchanged pending the 3Q26 outlook and competitor evidence. For investors, we think Meituan has graduated from an expected earnings reversal trade to a validated one, but not yet to a clean long-term holding.

Key Positives

- **CLC back in the black**. Core local commerce segment revenue came in at Rmb71.5bn in 2Q26, 4% ahead of JPMe/consensus estimates. Segment operating profit was Rmb5.7bn during the quarter, 79% ahead of JPMe and up 52% yoy, implying an operating margin of 8%, a meaningful improvement vs -3% in 1Q26, well ahead of the profit trajectory that market expected.

- **New business loss narrowing.** New initiatives revenue grew 25% yoy to Rmb33.1bn in 2Q, with operating loss narrowing to Rmb1.7bn, implying an operating margin of -5%, up 2ppts yoy and 3ppts qoq, as Keeta continued its disciplined international expansion.

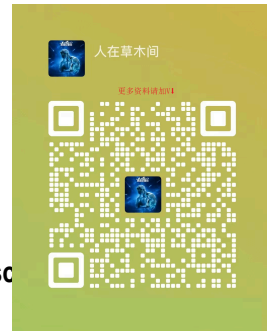
- **Profit a strong beat.** Adjusted net income came in at Rmb2.5bn, up 69% yoy, well ahead of consensus expectations of Rmb340mn. Adj EPS of Rmb0.41 was 693% ahead of consensus estimates of Rmb0.05. The strong beat was partly supported by other gains of Rmb3.5bn, primarily attributable to net gains on certain investments during 2Q26.

Key Negatives/Question marks

- Key question mark is management's commentary on 1) food delivery/quick commerce competition landscape going forward, 2) CLC profitability throughout 2026, and 3) investment intensity for new initiatives.

Likely changes to consensus

- We expect consensus earnings estimates to be revised up post the print, given the strong beat on earnings.



See page 4 for analyst certification and important disclosures, including non-US analyst disc

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Table 1: Meituan result review

YE 31 Dec RMB (mn)	Actual	Consensus	Delta %	2Q26 JPMe	Delta %	YoY %	QoQ
Net Revenues	104,643	101,079	4%	101,556	3%	6%	15%
Gross profit	35,095	31,822	10%	36,560	-4%	17%	35%
Operating profit	2,691	(846)	NA	(1,795)	NA	1089%	NA
EBITDA (adjusted)	4,098	3,166	29%	2,430	69%	47%	NA
PBT	2,304	(1,088)	NA	(1,545)	NA	485%	NA
Net income	2,155	(1,228)	NA	(1,545)	NA	490%	NA
Net income (adjusted)	2,524	340	642%	689	266%	69%	NA
EPS							
Diluted (Rmb)	0.35	(0.16)	NA	(0.25)	NA	NA	NA
EPS (adjusted)							
Diluted (Rmb)	0.41	0.05	693%	0.11	268%	NA	NA
Margin analysis (%)							
GM	34%	31%	2%	36%	-2%	1%	5%
Operating margin	3%	-1%	3%	-2%	4%	2%	10%
EBITDA margin (adjusted)	4%			2%	2%	1%	7%
Net margin	2%	-1%	3%	-2%	4%	2%	10%
Net margin (adjusted)	2.4%	0%	2%	0.7%	2%	1%	8%

Source: Meituan 2Q26 earnings release, J.P. Morgan estimates, Bloomberg Finance L.P (as of Aug 28, 2026).

Table 2: Meituan result by segment

YE 31 Dec RMBm	Actual	YoY %	2Q26 QoQ%	JPMe	Delta %
Core local commerce					
Revenue	71,531	10%	12%	68,837	4%
Operating profit	5,668	52%	NA	3,159	79%
Op. margin %	8%	2%	11%	5%	3%
	3.3%				
New initiatives					
Revenue	33,112	25%	23%	32,719	1%
Operating profit	-1,739	8%	18%	-2,454	29%
Op. margin %	-5.3%	2%	3%	-7.5%	2%

Source: Meituan 2Q26 earnings release, J.P. Morgan estimates.

Investment Thesis

Our base case rests on a single premise: that the principal competitor keeps rationalizing its food-delivery subsidy toward its stated instant-retail profitability target rather than sustaining ecosystem-funded competition. That premise remains unresolved, and the quarter did not settle it. In our view the cooling of the subsidy war is already largely reflected in consensus and the price. We see the post-print risk/reward as modestly skewed up rather than directional, and our call is medium-term, anchored on a unit-economics inflection proving durable across 2Q–3Q26, not on this print. Maintain Neutral.

Valuation

Our Dec-26 PT of HK$85 is based on 15x 2027E P/E, the same as Tencent's 2027E P/E multiple and at the average of China Internet sub-sector leaders (excluding e-commerce). We use a probability-weighted SOTP as a valuation cross-check. Our probability weighted SOTP yields a Dec-26 fair value of HK$88.

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Probability-weighted SOTP

Scenario	Probability	Steady-state FD operating profit (RMB bn)	FD multiple	FD equity value (HKD/sh)	Non-FD equity value (HKD/sh)	Total equity value (HKD/sh)
Bull — resilience	~18%	~31	18x	~83	~45	~128
Base — duopoly	~58%	~26	12x	~48	~45	~92
Bear — fragmented	~24%	~5	7x	~6	~45	~51
Probability-weighted						**~88**

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Key downside risks are: (1) a worse-than-expected consumption environment; (2) a slower-than-expected narrowing of CGP loss; and (3) intensified competition for the in-store business.

Key upside risks: (1) a better-than-expected competitive landscape; and (2) faster-than-expected loss narrowing of new initiatives.