First Read

Meituan

2Q26 quick take; Core local commerce top line and margin beat

Equities

China
Internet Services

12-month rating	**Buy**
12m price target	**HK$128.00**
Price (28 Aug 2026)	**HK$77.50**

RIC: 3690.HK **BBG:** 3690 HK

Trading data and key metrics

52-wk range	HK$106.30-64.25
Market cap.	HK$471b/US$60.1b
Shares o/s	6,077m (ORD)
Free float	87%
Avg. daily volume ('000)	53,842
Avg. daily value (m)	HK$4,341
Common s/h equity (12/26E)	Rmb146b
P/BV (12/26E)	2.8x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (Rmb)

	UBS	Cons.
12/26E	(0.76)	(0.27)
12/27E	4.36	4.07
12/28E	5.97	6.49

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Q: How did the results compare vs expectations?

A: **Revenue** +14% YoY (beat 4%), likely due to take rate improvement on optimising subsidies (contra revenue) in on-demand delivery. **Adj. OP** turned around at Rmb3.9bn (beat cons. Rmb1.0bn), for the first time since 3Q25. By segment: **CLC (beat)**: Revenue growth picked up to +10% (1Q's +0.1%) at Rmb72bn. Adj.OP turned +ve to Rmb5.7bn (cons Rmb 3.8bn). **New initiatives (beat)**: Revenue +25% YoY (1Q's +21%), on solid grocery retail and overseas growth. Adj.OP loss at Rmb1.7bn (beat cons' Rmb2.4bn) with improving loss ratio to 5.3% (1Q's 7.8%).

Q: What were the most noteworthy areas in the results?

1) On-demand delivery growth and UE: By our estimates, Meituan's food delivery UE should have turned positive in 2Q (beat mgmt's earlier breakeven expectation), likely on a more moderate competitive environment, improved order and user mix, as well as a favourable UE seasonality. Into 3Q with seasonally higher rider costs, investors would focus on mgmt outlook regarding the pace of UE improvement and timeline to reach longer-term UE level (cons Rmb1/order).

On competition, we believe it should have peaked, but would shift toward non-food segment going forward. Given BABA's established e-com merchant network and increasing front-end warehouse investments, as noted on its earnings call, Meituan's InstaShopping strategy and UE outlook would be key focuses. Mgmt highlighted that InstaShopping's purchase frequency among existing users steadily increased, where new user acquisition also remained healthy.

2) In-store: Our channel checks suggest a more benign competitive environment since July, as Douyin has prioritized margins over growth in its local service business. Meanwhile, its independent app DouShengSheng has also been rationalizing subsidies and accelerating monetization, resulting in moderating growth momentum in its user base and Douyin's local service merchant base since July, according to QuestMobile. With that, mgmt growth and margin outlook would be monitored. We believe Meituan's in-store margin recovery could take time given the fluid competitive landscape (cons' 26%/27% for 3Q/4Q).

3) New initiatives: The adj.OP loss beat at Rmb1.7bn and an improving loss ratio for 2Q should indicate Meituan's disciplined expansion. On Keeta, growth momentum maintained robust with efficiency gains, where HK achieved stable profitability where Middle East continued to see sequential efficiency improvements. According to Sensor Tower, the decline in Keeta's global downloads widened to -15% QoQ in 2Q (1Q's -4%), where MAU growth remained healthy at +18% QoQ (1Q's +31%), likely suggesting

Highlights (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	276,745	337,592	365,631	409,115	480,450	548,567	623,389	711,165
EBIT (UBS)	16,105	40,869	(23,782)	(4,925)	30,128	41,282	52,995	66,460
Net earnings (UBS)	23,253	43,772	(18,648)	(4,615)	27,049	37,733	49,290	62,621
EPS (UBS, diluted) (Rmb)	3.69	7.03	(3.07)	(0.76)	4.36	5.97	7.64	9.52
DPS (net) (Rmb)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	109,991	132,040	108,182	104,813	132,857	171,003	219,636	279,958

Profitability/valuation	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
EBIT (UBS) margin %	5.8	12.1	(6.5)	(1.2)	6.3	7.5	8.5	9.3
ROIC (EBIT) %	136.0	>500	>500	157.1	<-500	<-500	<-500	<-500
EV/EBITDA (UBS core) x	24.1	10.7	NM	36.8	5.6	3.8	2.5	1.4
P/E (UBS, diluted) x	31.4	15.9	(38.4)	(88.6)	15.2	11.1	8.7	7.0
Equity FCF (UBS) yield %	4.7	6.7	(3.7)	(0.8)	6.9	9.4	12.0	14.9
Dividend yield (net) %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of HK$ 77.50 on 28-Aug-2026 17:59:52 HKT

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improved efficiency in traffic acquisition. With domestic competition showing signs easing, mgmt's overseas expansion strategy and pace of loss narrowing would be focused. Recall that mgmt previously expected Saudi to reach profitability in certain months in 2026, and Middle East region reaching breakeven in late 2027 or 2028.

Q: How would we expect investors to react?

A: We expect a positive reaction to the beat. Further upside will likely depend on mgmt's outlook on quick commerce and in-store competition, as well as margin trajectory.

Figure 1: 2Q26 result summary

Rmb m	2Q25	1Q26	2Q26	QoQ %	YoY %	Cons	+/-
Core local commerce	64,997	64,063	71,531	11.7%	10.1%	68,549	4.3%
New initiatives	26,493	26,976	33,112	22.7%	25.0%	32,329	2.4%
Group revenue	**91,490**	**91,039**	**104,643**	**14.9%**	**14.4%**	**100,878**	**3.7%**
Gross profit	**30,064**	**25,970**	**35,095**	**35.1%**	**16.7%**	**32,256**	**8.8%**
Gross margin %	*32.9%*	*28.5%*	*33.5%*	*5.0 ppt*	*0.7 ppt*	*32.0%*	*1.6 ppt*
S&M expenses	(22,169)	(22,969)	(24,723)	7.6%	11.5%	(23,784)	-3.9%
R&D expenses	(6,260)	(7,043)	(7,670)	8.9%	22.5%	(7,200)	-6.5%
G&A expenses	(2,679)	(2,938)	(3,238)	10.2%	20.9%	(2,983)	-8.6%
Core local commerce	**3,721**	**(2,030)**	**5,668**	**-379.2%**	**52.3%**	**3,787**	**49.7%**
New initiatives	**(1,881)**	**(2,116)**	**(1,739)**	**-17.8%**	**-7.6%**	**(2,410)**	**27.8%**
Adj. operating profit	**1,840**	**(4,146)**	**3,929**	**-194.8%**	**113.6%**	**1,013**	**287.8%**
Adj. OPM %	*2.0%*	*-4.6%*	*3.8%*	*8.3 ppt*	*1.7 ppt*	*1.0%*	*2.8 ppt*
Core local commerce	**5.7%**	**-3.2%**	**7.9%**	**11.1 ppt**	**2.2 ppt**	**5.5%**	**2.4 ppt**
New initiatives	**-7.1%**	**-7.8%**	**-5.3%**	**2.6 ppt**	**1.8 ppt**	**-7.5%**	**2.2 ppt**
Non-IFRS Net profit/(loss)	**1,493**	**(4,968)**	**2,524**	**-150.8%**	**69.0%**	**376**	**571.1%**
Non-IFRS net margin	*1.6%*	*-5.5%*	*2.4%*	*7.9 ppt*	*0.8 ppt*	*0.4%*	*2.0 ppt*

Source: Visible Alpha, company data

Forecast returns

Forecast price appreciation	65.2%
Forecast dividend yield	0.0%
Forecast stock return	65.2%
Market return assumption	11.2%
Forecast excess return	54.0%

Company Description

Meituan is a food-centric 'super app' with two core services: 1) local search: users can find restaurants and other services through personalised search results and comprehensive reviews; and 2) O2O transactions: users can order food delivery from nearby restaurants. It has also expanded into groceries, FMCG and other categories under its 'retail + technology' strategy. The company monetises primarily through commissions on transactions and ads.

Valuation Method and Risk Statement

We derive our price target using an SOTP methodology.
Key risks include competition and heavy investment. Alibaba could invest more in e-commerce user and merchant acquisitions as competition continues to intensify. Its investment in Ele.me and Koubei could also be prolonged to gain share in critical O2O markets, even if the investment is less efficient due to smaller scale. Meituan Dianping's investment in unprofitable new initiatives could put more pressure on its low margins than we expect. Other downside risks include: 1) a potential growth slowdown if customer spending declines; 2) any unfavourable changes in the macroeconomic environment and government regulations; 3) lower subsidies from restaurants; and 4) limited benefits from a secular industry shift.



Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Meituan

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	4
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	4
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	