First Read

Meituan

2Q26 beat; Restoring pricing power as competition rationalizes

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)	53,075
Avg. daily value (m)	HK$4,301.1
Common s/h equity (12/26E)	Rmb151b
P/BV (12/26E)	2.7x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (CNY)

	From	To	% ch	Cons.
12/26E	(0.76)	0.05	NM	(0.27)
12/27E	4.36	4.70	8	4.09
12/28E	5.97	6.31	6	6.50

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2Q26 beat

Revenue +14% YoY, beat (see our quick take). **Adj. OP** at Rmb3.9bn (cons' Rmb1.0bn), a solid beat across segments.

Key focuses

1) Food delivery (slight +ve): Although volume growth moderated to +2% in 2Q (1Q +7% YoY), revenue accelerated to +8% YoY (1Q's -7%) on subsidies optimization (contra revenue) and AOV recovery. On competition, mgmt continues to see Meituan's steadily improving market share in order volume and GTV relative to BABA QTD, with CR2 GTV share above low-60%, particularly in higher AOV categories. Turning to UE, Meituan turned around at Rmb0.2/order for 2Q, better than expected on faster AOV recovery (which we attribute to Meituan's stronger user stickiness and less sensitivity to prices). Into 3Q, we expect volume growth to turn -3% YoY amid an elevated base, but revenue growth to accelerate further to +17% on higher AOV. Given a seasonally lower AOV (on higher mix of low-ASP beverages) and higher rider costs, partially offset by continued optimizing subsidies, we forecast Meituan's 3Q UE to edge down to Rmb0.1/order.

2) In-store (mixed): Revenue growth was +9% in 2Q (1Q's +9%), but OPM reached c30% (beat cons' 25%). The solid beat was mainly attributed to Meituan's proactive decision to temporarily lower subsidies as they see Douyin's aggressive discounting strategy as unsustainable. As such, they deferred part of the marketing spending into 3Q peak season. Into 3Q, as Douyin rationalized its strategy to prioritize margins over growth, Meituan is adopting a more proactive and targeted approach to strengthen consumer mindshare. Mgmt observed Meituan has regained share in in-store catering QTD (the segment facing the most intense competition with Douyin). With that, we anticipate Meituan's in-store OPM to return to 25% for 3Q, similar to 1Q level.

3) CLC (+ve): Overall, we forecast CLC revenue growth to further pick up to +15% in 3Q (2Q +10%), with OP at Rmb4.2bn (2Q's Rmb5.7bn) mainly on more UE-challenging seasonality and Meituan's more proactive approach to regain consumer mindshare. This also factors in cRmb700m spending in brand ad and membership benefits to retain core user loyalty (2Q's Rmb500m).

4) New initiatives (+ve): 2Q OP loss narrowed QoQ to Rmb1.7bn (1Q Rmb2.1bn), with improving loss ratio to 5.3% (1Q's 7.8%). Into 3Q, we expect OP loss to remain sequentially steady at Rmb1.7bn. On Keeta, mgmt highlighted that HK has achieved steady profitability, where Saudi has turned around in July (22 months since launch; faster than HK's 29 months). Into 2H, mgmt plan to focus on optimizing operational

Highlights (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	276,745	337,592	365,281	415,249	499,067	599,937	719,524	856,293
EBIT (UBS)	16,105	40,869	(23,782)	(2,278)	32,205	44,389	58,285	70,557
Net earnings (UBS)	23,253	43,772	(18,648)	331	29,164	39,873	52,852	64,104
EPS (UBS, diluted) (Rmb)	3.69	7.03	(3.07)	0.05	4.70	6.31	8.20	9.75
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	110,111	140,356	180,729	233,010	294,902

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)	(0.5)	6.5	7.4	8.1	8.2
ROIC (EBIT) %	136.0	>500	>500	72.7	<-500	<-500	<-500	<-500
EV/EBITDA (UBS core) x	24.1	10.7	NM	26.3	5.2	3.4	2.1	1.1
P/E (UBS, diluted) x	31.4	15.9	(38.4)	NM	14.1	10.5	8.1	6.8
Equity FCF (UBS) yield %	4.7	6.7	(3.7)	0.5	7.5	10.0	12.9	15.3
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

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efficiency in existing markets.

What to do with the stock?

Meituan has restored its pricing power. 2Q marked the first quarter of profit turnaround since 3Q25. The results underscored Meituan's strong moat and pricing power as competition turned more rational, with both food delivery UE of cRmb0.2/ order and in-store margin of c30% OPM exceeding expectations. Looking ahead, we expect competitive pressure in both segments to continue easing, supported by regulator's anti-involutionary campaign and competitors such as BABA and ByteDance directing resources toward the capex-intensive AI segment. **Near term, we believe Meituan may remain opportunistic and flexible in recapturing share among core high-value users,** as competitors scale back subsidies. This should further consolidate the market, reinforce user mindshare, and raise the cost for competitors to re-enter the market. This resembles Meituan's successful experience during China's "Groupon war" in 2013-2014. With that, we suggest investors avoid placing excessive emphasis on the near-term earnings recovery trajectory (which is also partially hurt by the less favourable UE seasonality), and instead focus on the fact that Meituan is regaining control over the competitive landscape.

From a share price perspective, while the pace of EPS recovery may be slower than bullish buyside expectations, the earnings recovery trajectory is now much more visible. On normalized adj. OP of Rmb50-55bn by 2028E, comprising Rmb36-40bn from quick commerce (food + non-food, 90m daily orders at UE of Rmb1-1.2/ order), Rmb22bn from in-store operations at a 27% margin, and Rmb7bn in losses from new businesses, the current share price implies 10x normalized adj. P/E. In terms of catalysts, in addition to margin recovery in its core business, we think Meituan could also unlock value from its Rmb77bn investment portfolio and contributions from new initiatives, including overseas Keeta and Xiaoxiang supermarket.

Valuation: Maintain our PT at HK128 and Buy rating

Post result, we expect 2026E EPS to turn around, and lift 2027E-28E EPS by 6-8%. We maintain our SOTP and normalized earnings based PT at HK$128.

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%**
Food delivery	41,403	38,385	44,754	-7.3%	8.1%	41,412	8.1%
In-store & hotel	15,504	15,860	16,906	2.3%	9.0%	17,388	-2.8%
Insta-shopping	8,090	9,818	9,870	21.4%	22.0%	9,749	1.2%
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**
Food delivery	-1.0%	-12.7%	3.7%	16.5 ppt	4.7 ppt	0.9%	2.8 ppt
In-store & hotel	31.5%	25.0%	29.6%	4.6 ppt	-1.8 ppt	25.1%	4.6 ppt
Insta-shopping	-9.2%	-6.2%	-5.1%	1.0 ppt	4.0 ppt	-9.7%	4.6 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: Source: Visible Alpha, Company data

Figure 2: UBS 2026E-28E estimate changes

	New estimates			Prior estimates			% chg		
(Rmb m)	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**
Food delivery	172,507	192,577	205,828	166,892	191,258	205,676	3.4%	0.7%	0.1%
In-store, hotel and travel	70,025	74,309	78,973	71,223	76,688	82,526	-1.7%	-3.1%	-4.3%
New initiatives and others	131,396	182,596	255,634	130,107	163,433	201,479	1.0%	11.7%	26.9%
Insta-shopping	41,321	49,585	59,502	40,893	49,072	58,886	1.0%	1.0%	1.0%
Group revenue	**415,249**	**499,067**	**599,937**	**409,115**	**480,450**	**548,567**	**1.5%**	**3.9%**	**9.4%**
YoY % chg	**14%**	**20%**	**20%**	**12%**	**17%**	**14%**	1.8%	2.7%	6.0%
Gross profit	**139,214**	**190,693**	**230,711**	**132,465**	**181,278**	**207,618**	**5.1%**	**5.2%**	**11.1%**
Gross margin %	*33.5%*	*38.2%*	*38.5%*	*32.4%*	*37.7%*	*37.8%*	*1.1ppt*	*0.5ppt*	*0.6ppt*
S&M expenses	(100,905)	(111,292)	(130,786)	(99,415)	(108,101)	(117,942)	1.5%	3.0%	10.9%
R&D expenses	(32,389)	(37,929)	(44,395)	(31,911)	(36,514)	(40,594)	1.5%	3.9%	9.4%
G&A expenses	(14,118)	(16,968)	(20,398)	(13,910)	(16,335)	(18,651)	1.5%	3.9%	9.4%
Core local commerce	**13,164**	**41,146**	**51,869**	**7,880**	**40,410**	**49,572**	**67.0%**	**1.8%**	**4.6%**
Food delivery	(828)	23,090	28,282	(6,095)	22,112	25,801	86.4%	4.4%	9.6%
In-store & hotel	18,347	19,692	22,112	17,806	19,939	22,282	3.0%	-1.2%	-0.8%
Insta-shopping	(2,155)	(636)	1,475	(1,631)	(641)	1,488	-32.1%	-0.9%	0.9%
CLC investments	(2,200)	(1,000)	-	(2,200)	(1,000)	-	0.0%	0.0%	n.m.
New initiatives	**(8,173)**	**(5,102)**	**(4,451)**	**(8,946)**	**(7,864)**	**(7,011)**	**8.6%**	**35.1%**	**36.5%**
Adj. operating profit	**4,991**	**36,044**	**47,417**	**(1,066)**	**32,546**	**42,561**	**568.2%**	**10.7%**	**11.4%**
Food delivery OPM %	*-0.5%*	*12.0%*	13.7%	*-3.7%*	*11.6%*	*12.5%*	*3.2ppt*	*0.4ppt*	*1.2ppt*
In-store, hotel and travel OPM %	*26.2%*	*26.5%*	28.0%	*25.0%*	*26.0%*	*27.0%*	*1.2ppt*	*0.5ppt*	*1.0ppt*
New initiatives and others OPM %	*-1.6%*	*-0.3%*	0.6%	*-1.3%*	*-0.4%*	*0.7%*	*-0.4ppt*	*0.0ppt*	*-0.2ppt*
Insta-shopping OPM %	*-19.8%*	*-10.3%*	-7.5%	*-21.9%*	*-16.0%*	*-11.9%*	*2.1ppt*	*5.7ppt*	*4.4ppt*
Adj. OPM %	***1.2%***	***7.2%***	**7.9%**	***-0.3%***	***6.8%***	***7.8%***	***1.5ppt***	***0.4ppt***	***0.1ppt***
Net profit	(5,003)	21,463	30,616	(11,398)	19,643	29,277	56.1%	9.3%	4.6%
Non-IFRS Net profit/(loss)	**331**	**29,164**	**39,873**	**(4,615)**	**27,049**	**37,733**	**107.2%**	**7.8%**	**5.7%**
Adj. NPM %	*0.1%*	*5.8%*	*6.6%*	*-1.1%*	*5.6%*	*6.9%*	*1.2ppt*	*0.2ppt*	*-0.2ppt*
Diluted EPS	0.1	4.7	6.3	(0.8)	4.4	6.0	-107.2%	7.8%	5.7%

Source: Company data, UBS estimates

Figure 3: Valuation

	Long-term unit OP (Rmb)	Daily order volume (m)	Segment OP (Rmb mn)	Target EBIT multiple (x)	Equity value (Rmn mn)	Per share value (HK$)	% value	Valuation methodology
Food delivery	0.80	67	19,505	10	195,050	39	32%	10x P/E on normalized EBIT
InstaShopping	0.80	15	4,309	10	43,095	9	7%	10x P/E on normalized EBIT
Instore and hotel			18,347	12	220,158	43	36%	12x 2026E EBIT multiple
Keeta			3,360	15	50,400	10	8%	15x P/E on normalized EBIT
Net cash					101,560	20	17%	As of 2Q26
Total (end-2025)					**610,263**	**121**		
Price target (Aug-2027)						**128**		

Source: Company data, UBS estimates



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?	