China Internet Sector

Local services monthly: Stable competition despite seasonally softer UE

Equities

China

Internet Services

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Quick commerce: Steady competition, but a seasonality-softened UE

We present key trends with the latest data as of 6 Sep. **Growth**: Our channel checks with third party agencies indicate average daily food delivery volume across Meituan, Taobao and JD continued to decline YoY in Aug, but +11% MoM to c146mn driven by peak summer seasonality. **Competition:** We use sequential share of rider time spent as a proxy for changes in each platform's order volume share (Figure 3). Our checks suggest food delivery daily volume at c78m/61m/7m for Meituan/Taobao/JD (or 54%/42%/5% share) in Aug. Meituan gained share modestly in Aug, with a slight further increase into early Sep. **Unit economics (UE)**: Food delivery: Our channel checks indicate Meituan's UE softened MoM but remained profitable in Aug, in contrast to UE improvement among peers. In addition to seasonality (higher mix of low-AOV beverage orders and increased seasonal rider costs), Meituan's UE moderation was also driven by stepped up investments to capture higher-quality demand as peers continued to optimize UE. Following the nationwide rollout of the occupational injury protection in July, Meituan's unit fulfilment cost should have remained largely steady, given its early-mover implementation with incremental costs largely mitigated by efficiency improvements. In early Sep, we estimate that Meituan's UE should have recovered to Rmb0.3-0.4. **With that, we see potential upside to cons expectations for Meituan's UE to be largely breakeven for 3Q.** Non-food: Our checks suggest non-food UE weakened across platforms in Aug, primarily due to a higher mix of low-AOV categories during summer. Looking ahead, as competition shifts toward non-food, the pace and extent of UE recovery could be more measured vs food delivery. Meituan has been optimizing InstaMarts operations by exiting the lower efficiency and loss making 3P warehouses, while accelerating the expansion of self-operated and branded warehouses (with a category focus on alcohol and beverages, FMCG, and 3C electronics).

In store: Signs of rationalizing competition

Growth: Our checks indicate Douyin's in-store GTV growth continued to moderate in Aug, while Meituan's growth remained broadly consistent at ~10%. We attribute this to Douyin's strategy pivot toward monetization and profitable growth. **User**: After a moderation in July, DouShengSheng's DAU picked up to 28m in late Aug. With the gap with Meituan Dianping narrowing slightly, this remained to be monitored. **Merchant**: Since the monetization acceleration at both Douyin and DouShengSheng in July, Douyin's merchant DAU and its share of merchant time spent have seen moderating signs, reversing the prior uptick trend. This could suggest merchants are refining their operations, potentially favoring Meituan with more sustainable growth.

Keeta: ROI-focused expansion with improving traffic acquisition efficiency

In Aug, Keeta's monthly downloads continued to decline -13% MoM, where MAU proved more resilient at -4% MoM. We view this as a continued indication of Meituan's optimizing operations and traffic acquisition in existing markets, as highlighted on its recent earnings call. By region, trends in Keeta's profitable markets, **HK** and **Saudi**, remained steady by both downloads and MAU share. Across the **rest of GCC**, we observed Keeta's downloads mix shifting towards relatively larger markets with potentially stronger network effects, such as UAE and Qatar. In **Brazil**, the decline in downloads was the most pronounced across all regions, while MAU remained broadly stable, likely reflecting mgmt's more targeted focus on Sao Paulo to improve operations before a broader expansion.

Stock implication and our view



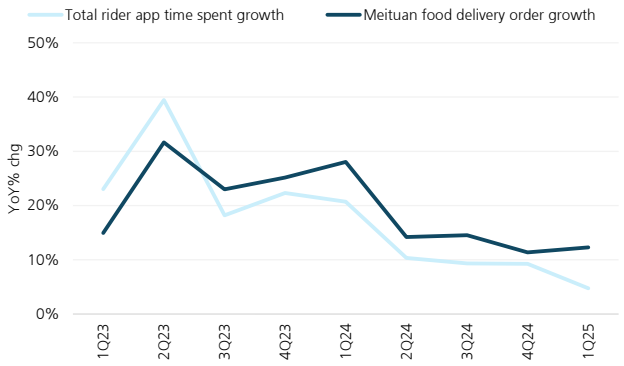
This report has been prepared by UBS Securities Asia Limited. **ANALYST CERTIFICATION AND REQUI**
INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON

Our latest channel checks and data should continue to point to a more rational competitive environment in quick commerce, which should support a multi-year margin recovery. That said, seasonal mix shifts and Meituan's stepped up investment are likely to keep near-term recovery uneven. As UE seasonally improves into Sep, we see scope for a positive turn in investor sentiment. For in-store, near-term competitive pressure from Douyin appears to have eased, but we would continue to monitor the pace of Meituan's margin recovery given the dynamic situation. **Stock view**: We view the read through as most constructive for **Meituan** (Buy), with modest share gain amid lowered UE expectation, pointing to potential earnings upside. Longer term, there could be value unlocking from its new initiatives (e.g. overseas Keeta and Xiaoxiang Supermarket), as they gradually become +ve earnings contributors. For **BABA** (Buy), we like the company as a direct beneficiary of AI-related investments and potential earnings upside from a faster-than-expected quick commerce loss narrowing. Meanwhile, we like **JD** (Buy) for its earnings upgrades potential on both e-com margins and food delivery loss narrowing, though the pace may be more measured. Valuation remains undemanding at 7x/6x 2026E/27E P/E.

Monthly tracker- August 2026

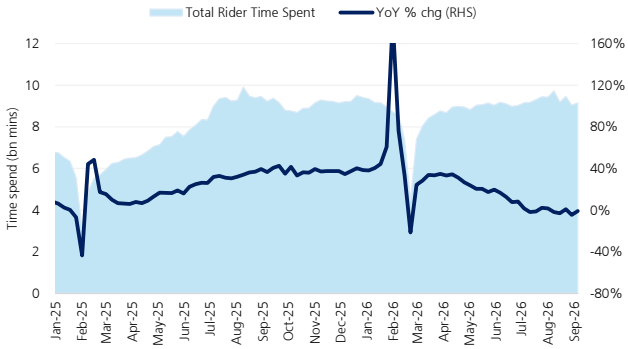
Quick commerce

Figure 1: Sector growth - total rider app time spent vs. Meituan's historical order volume



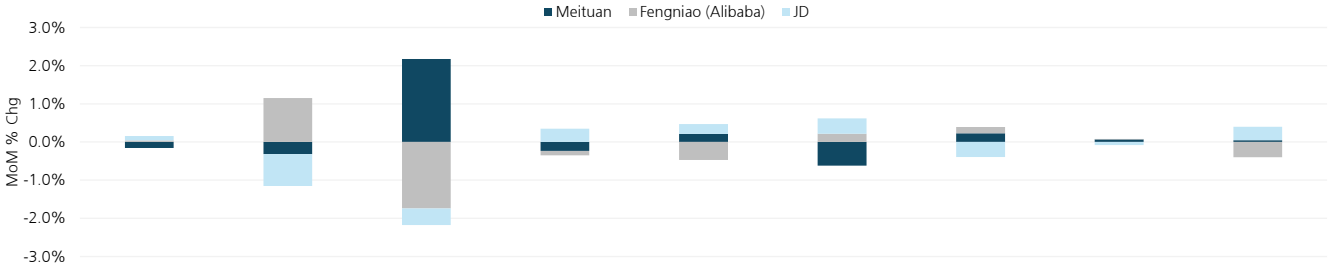
Source: Company data, QuestMobile, UBS. Note: Quick commerce rider apps include Meituan Rider (1P & 3P), Fengniao Rider (1P & 3P) and JD Instant Delivery Rider

Figure 2: Sector growth - total rider app time spent YoY growth moderated MTD



Source: QuestMobile, UBS. Note: Quick commerce rider apps include Meituan Rider (1P & 3P), Fengniao Rider (1P & 3P) and JD Instant Delivery Rider. Data as of 6 Sep 2026

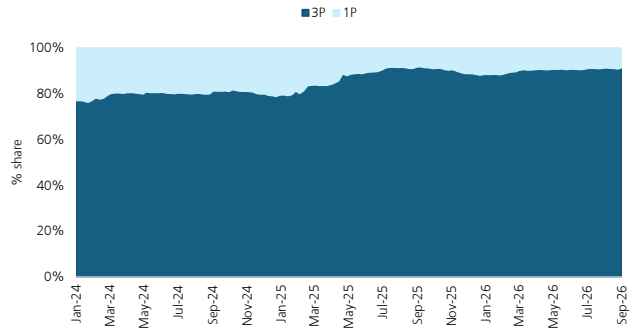
Figure 3: Volume market share MoM % change - total rider app time spent as proxy



	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
JD	0.1%	-0.8%	-0.4%	0.3%	0.3%	0.4%	-0.4%	-0.1%	0.4%
Fengniao (Alibaba)	0.0%	1.2%	-1.7%	-0.1%	-0.5%	0.2%	0.2%	0.0%	-0.4%
Meituan	-0.2%	-0.3%	2.2%	-0.2%	0.2%	-0.6%	0.2%	0.1%	0.0%

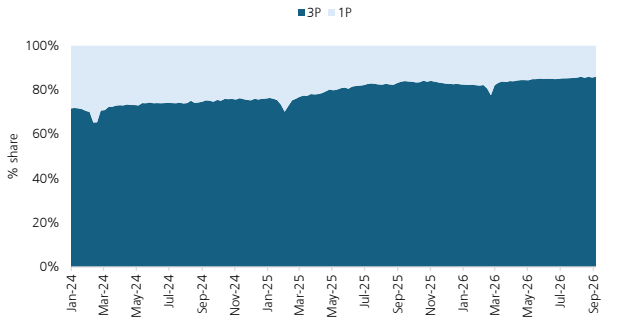
Source: QuestMobile, UBS. Note: Quick commerce rider apps include Meituan Rider (1P & 3P), Fengniao Rider (1P & 3P) and JD Instant Delivery Rider. Data as of 6 Sep 2026. Note: Sep results reflect MTD performance through 6 Sep

Figure 4: Riders - 3P and 1P DAU mix



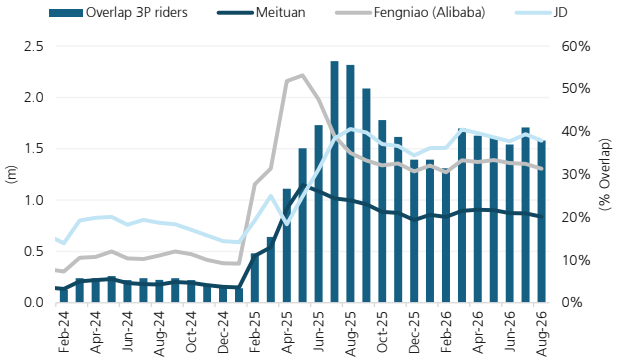
Source: QuestMobile, UBS. Notes: Quick commerce rider apps include Meituan Rider (1P & 3P), Fengniao Rider (1P & 3P) and JD Instant Delivery Rider. Data as of 6 Sep 2026.

Figure 5: Riders - 3P and 1P time spent mix



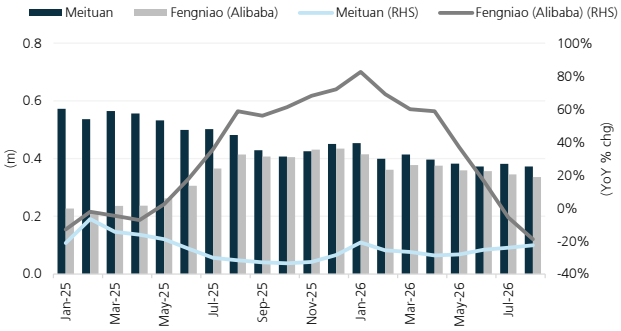
Source: QuestMobile, UBS. Notes: Quick commerce rider apps include Meituan Rider (1P & 3P), Fengniao Rider (1P & 3P) and JD Instant Delivery Rider. Data as of 6 Sep 2026.

Figure 6: 3P riders - overlapping DAU and % overlap



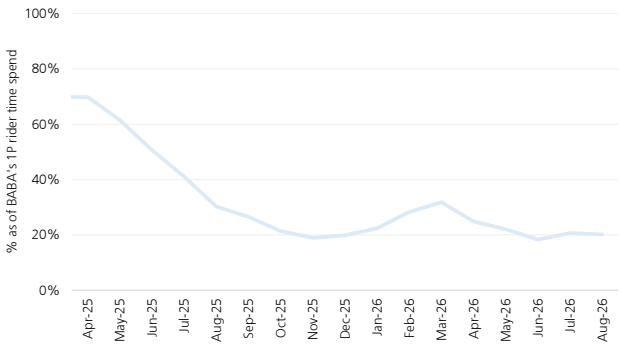
Source: QuestMobile, UBS. Note: Quick commerce rider apps include Meituan

Figure 7: 1P riders MAU - Meituan's more steady trend



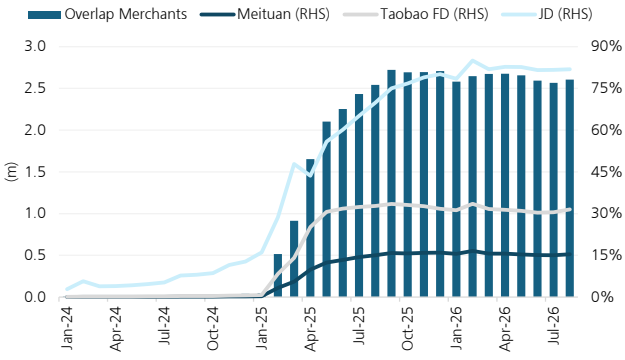
Source: QuestMobile, UBS. Note: Quick commerce rider apps include Meituan Rider and Fengniao Rider.

Figure 8: 1P riders time spent - gap between Taobao and Meituan largely stabilizing



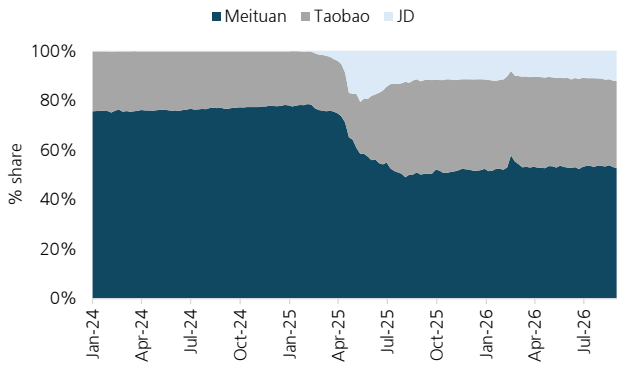
Source: QuestMobile, UBS. Note: Quick commerce rider apps include Meituan1P Rider and Fengniao 1P Rider.

Figure 9: Merchants - DAU and % of overlap across 3 platforms



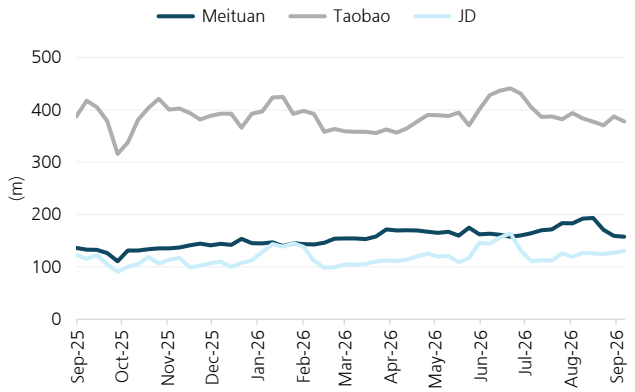
Source: QuestMobile, UBS. Note: Quick commerce merchant apps refer to Meituan Merchant, Taobao Instant Commerce Merchant and Retail Merchant, and JD Instant Delivery Merchant.

Figure 10: Merchant time spent - slightly shifting toward Meituan



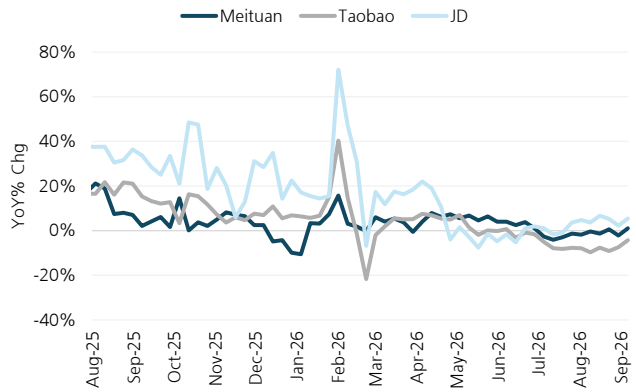
Source: QuestMobile, UBS. Note: Quick commerce merchant apps refer to Meituan Merchant, Taobao Instant Commerce Merchant and Retail Merchant, and JD Instant Delivery Merchant. Data as of 6 Sep 2026.

Figure 11: Users - weekly DAU trend



Source: QuestMobile, UBS. Note: Data as of 6 Sep 2026.

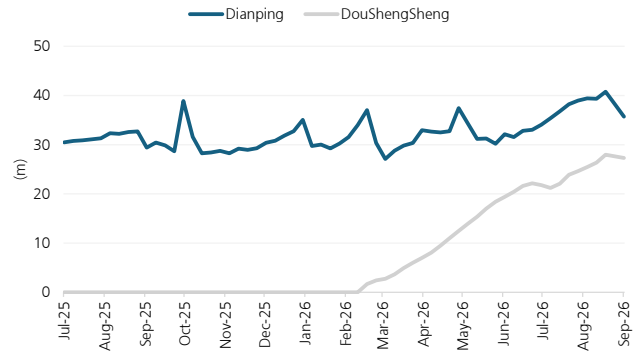
Figure 12: Users - weekly DAU YoY growth



Source: QuestMobile, UBS. Note: Data as of 6 Sep 2026.

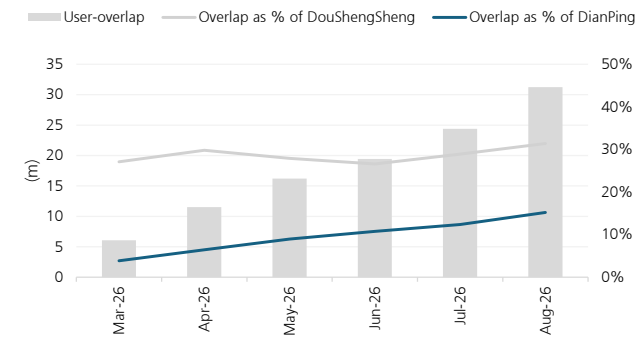
In-store

Figure 13: DAU - DouShengSheng vs. Meituan Dianping



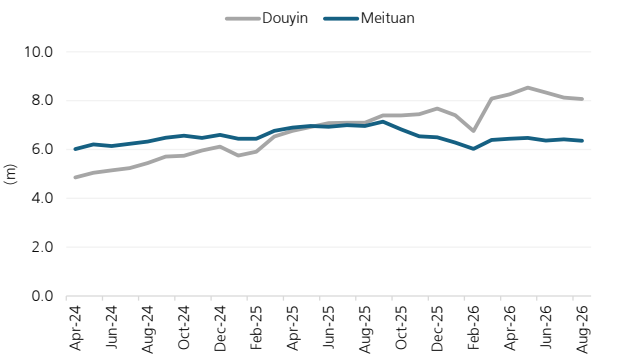
Source: QuestMobile, UBS.Note: Data as of 6 Sep 2026.

Figure 14: User overlap- DouShengSheng vs. Meituan Dianping



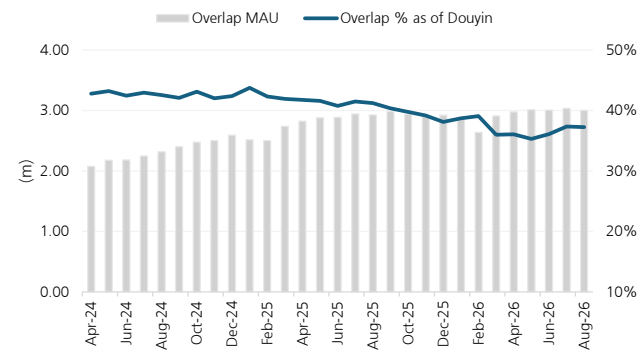
Source: QuestMobile, UBS

Figure 15: In-store merchant - Meituan vs. Douyin DAU



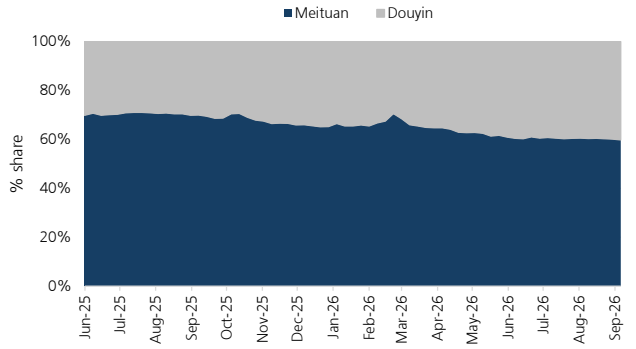
Source: QuestMobile, UBS

Figure 16: In-store merchant overlap - Douyin vs. Meituan



Source: QuestMobile, UBS

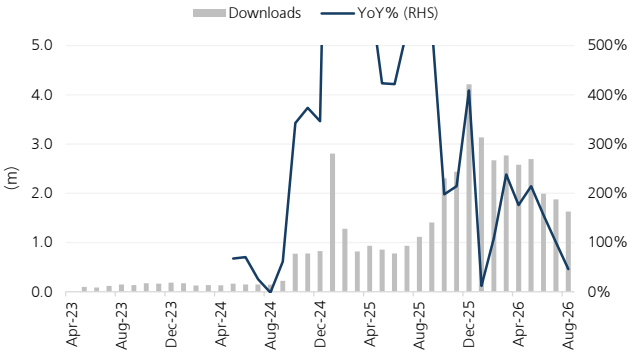
Figure 17: Merchant time spend - Time spent share stabilizing since end-2Q26



Source: QuestMobile, UBS. Note: Data as of 6 Sep 2026.

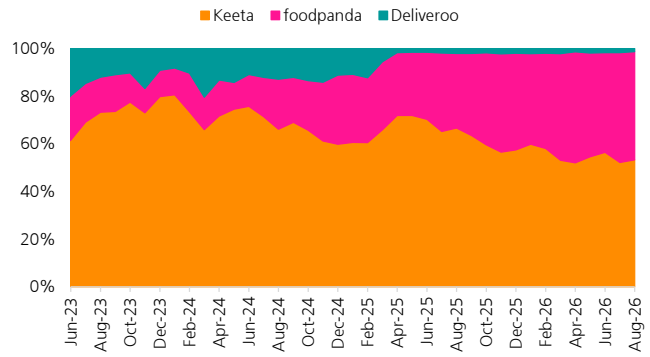
Keeta

Figure 18: Keeta monthly downloads decreasing



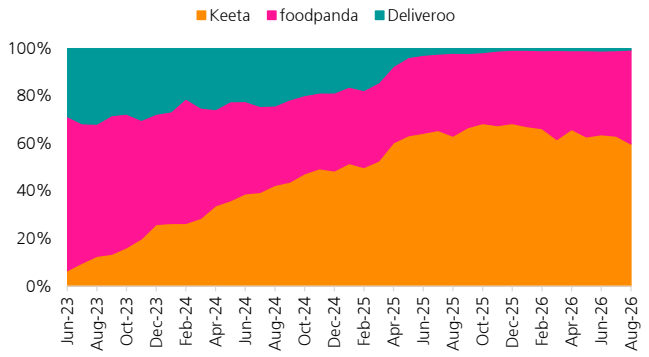
Source: Sensor Tower, UBS

Figure 19: Hong Kong - download share



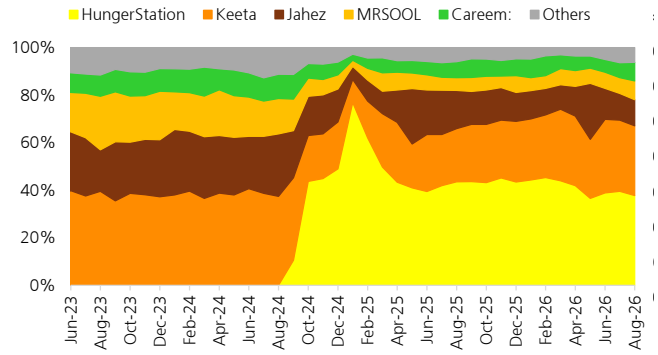
Source: Sensor Tower, UBS

Figure 20: Hong Kong - MAU share



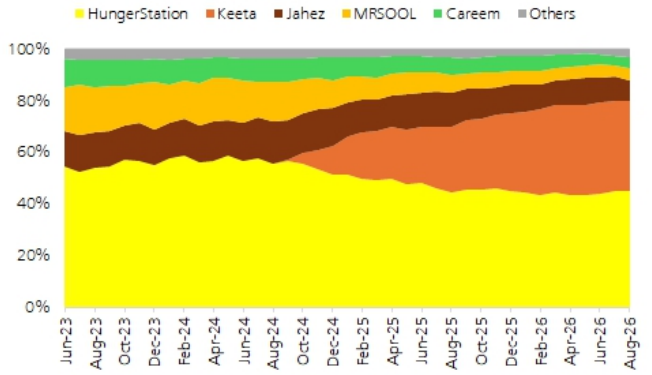
Source: Sensor Tower, UBS

Figure 21: Saudi Arabia - download share



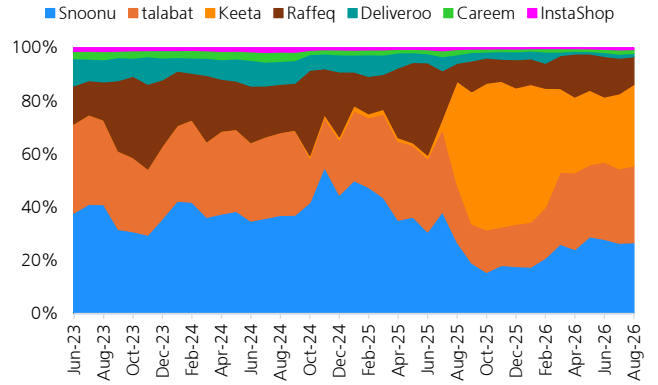
Source: Sensor Tower, UBS

Figure 22: Saudi Arabia - MAU share



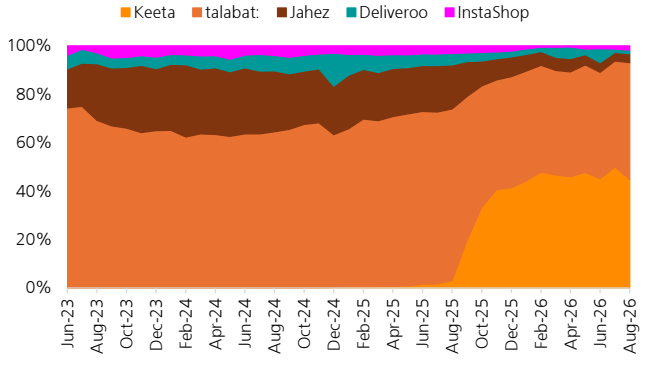
Source: Sensor Tower, UBS

Figure 23: Qatar - download share



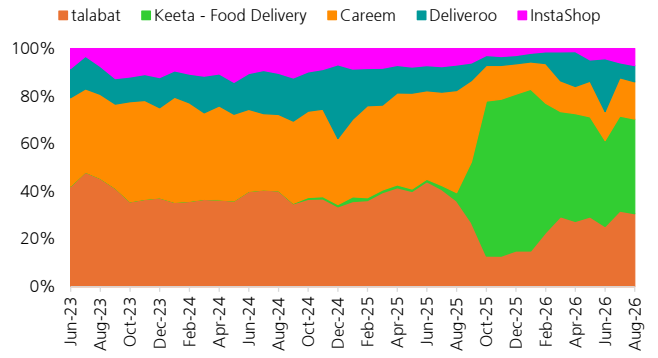
Source: Sensor Tower, UBS

Figure 24: Kuwait - download share



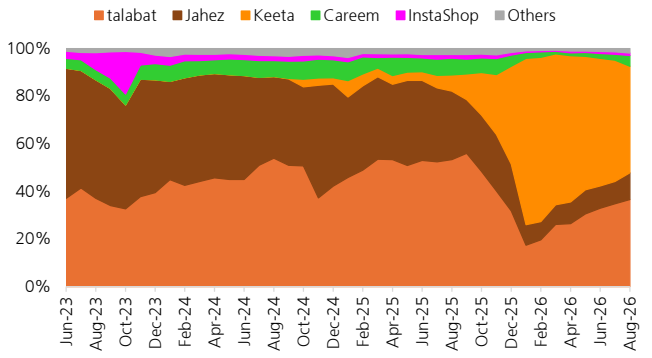
Source: Sensor Tower, UBS

Figure 25: UAE - download share



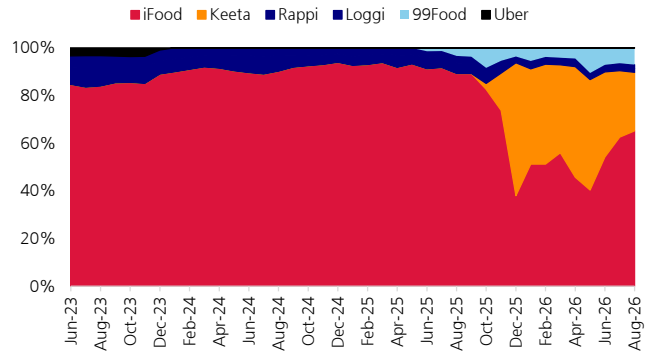
Source: Sensor Tower, UBS

Figure 26: Bahrain - download share



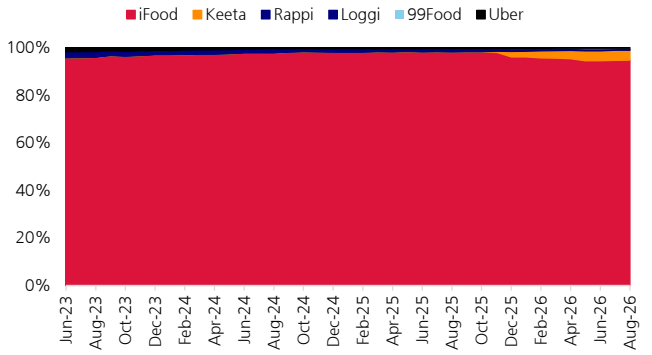
Source: Sensor Tower, UBS

Figure 27: Brazil - download share



Source: Sensor Tower, UBS

Figure 28: Brazil - MAU share



Source: Sensor Tower, UBS

Figure 29: China internet companies - valuation comparison

Company name	Ticker	Mkt cap (USD m)	Rating	Price target (LC)	Price (LC)	Implied upside	PE (x) 2026E	PE (x) 2027E	EPS CAGR (2025E-2027E)	PEG 2026E	Dividend yield 2025	Dividend yield 2026E	Stock performance 1M	Stock performance 3M	Stock performance YTD
China Internet large cap															
Tencent Holdings	0700.HK	496,282	Buy	770.00	428.40	80%	12.6	12.4	2.5%	5.01x	1.4%	1.5%	-3%	-4%	-28%
Meituan	3690.HK	58,196	Buy	128.00	74.80	71%	n.m.	13.6	n.m.	n/a	0.0%	0.0%	-14%	-1%	-28%
Baidu, Inc.	BIDU.O	31,478	Buy	160.00	91.40	75%	15.8	12.0	(4.1%)	NA	0.0%	0.0%	-12%	-19%	-30%
Average							**14.2**	**12.7**	**(0.8%)**	**NA**	**0.5%**	**0.5%**	**-10%**	**-8%**	**-29%**
China e-commerce															
Alibaba Group	BABA.N	253,685	Buy	206.00	109.30	88%	16.1	11.8	51.9%	0.31x	1.9%	3.2%	-12%	-2%	-25%
JD.com	JD.O	38,520	Buy	48.00	27.06	77%	7.3	5.5	35.4%	0.20x	3.6%	4.3%	-7%	-5%	-6%
PDD Holdings Inc	PDD.O	108,117	Buy	170.00	77.81	118%	7.6	5.6	13.2%	0.57x	0.0%	0.0%	-8%	-5%	-31%
Vipshop	VIPS.N	6,100	Buy	18.20	12.47	46%	6.6	5.0	(1.1%)	NA	3.7%	5.0%	-12%	-9%	-30%
Average							**9.4**	**7.0**	**24.9%**	**0.38x**	**2.3%**	**3.1%**	**-10%**	**-5%**	**-23%**
Online Social Media & Entertainment															
NetEase	NTES.O	73,808	Buy	165.00	115.61	43%	13.0	10.7	11.8%	1.10x	2.6%	2.9%	-8%	-5%	-16%
Kuaishou Technology	1024.HK	17,218	Buy	60.00	30.64	96%	12.9	10.4	(26.7%)	NA	1.6%	2.4%	-24%	-31%	-52%
Tencent Music Entertainment	TME.N	12,273	Neutral	9.50	7.98	19%	8.6	7.9	4.6%	1.87x	2.2%	2.9%	-10%	-10%	-54%
NetEase Cloud Music	9899.HK	2,401	Neutral	100.00	86.80	15%	8.8	8.4	(18.9%)	NA	0.0%	0.0%	-26%	-23%	-53%
Bilibili	BILI.O	6,496	Buy	29.00	15.54	87%	15.6	12.0	21.9%	0.71x	0.0%	0.0%	-11%	-10%	-37%
iQIYI	IQ.O	919	Buy	1.55	0.95	63%	n.m.	13.7	26.4%	n/a	0.0%	0.0%	-29%	-8%	-50%
Joyy Group	JOYY.O	4,061	Buy	86.00	77.26	11%	15.7	11.1	15.7%	1.00x	5.4%	7.5%	6%	15%	19%
Weibo Corp	WB.O	1,628	Buy	9.50	6.63	43%	5.8	5.8	(16.1%)	NA	9.5%	6.7%	-14%	-12%	-35%
Hello Group	MOMO.O	731	Buy	8.30	4.95	68%	5.4	5.3	2.8%	1.89x	5.1%	5.7%	-14%	-14%	-24%
Average							**10.7**	**9.5**	**2.4%**	**4.49x**	**2.9%**	**3.1%**	**-14%**	**-11%**	**-34%**
A-share Media															
China Literature	0772.HK	2,563	Buy	29.50	19.40	52%	21.1	13.0	23.1%	0.91x	0.0%	0.0%	-13%	-8%	-41%
Focus Media Information Technology	002027.SZ	10,226	Buy	9.50	4.74	100%	11.4	10.8	9.7%	1.17x	7.2%	6.9%	-7%	-9%	-36%
Average							**16.2**	**11.9**	**16.4%**	**0.99x**	**#N/A**	**3.5%**	**-10%**	**-8%**	**-38%**
Travel and transactional platforms															
Kanzhun Limited	BZ.O	7,406	Buy	21.00	16.44	28%	12.9	11.4	11.4%	1.13x	0.0%	0.0%	6%	25%	-19%
Trip.com	TCOM.O	25,441	Buy	65.00	39.02	67%	11.6	9.1	(20.7%)	NA	0.7%	0.4%	-13%	-16%	-46%
Tongcheng Travel	0780.HK	3,059	Buy	18.00	10.48	72%	5.7	5.2	7.7%	0.74x	2.1%	2.4%	-22%	-25%	-53%
Average							**10.1**	**8.6**	**(0.5%)**	**NA**	**1.0%**	**0.9%**	**-10%**	**-5%**	**-39%**
K12 Afterschool Tutoring															
TAL Education Group	TAL.N	6,536	Buy	19.70	11.81	67%	11.9	6.6	n.m.	n/a	0.0%	0.0%	1%	29%	8%
New Oriental Education & Technology	EDU.N	9,196	Buy	81.00	55.82	45%	15.6	12.7	17.8%	0.88x	1.1%	2.2%	6%	20%	1%
Average							**13.8**	**9.6**	**17.8%**	**0.77x**	**0.6%**	**1.1%**	**4%**	**24%**	**5%**
Private higher education															
China Education Group	0839.HK	642	Buy	3.50	1.85	89%	2.9	2.8	(13.7%)	NA	0.0%	0.0%	3%	-1%	-40%
Average							**2.9**	**2.8**	**-13.7%**	**NA**	**0.0%**	**0.0%**	**3%**	**-1%**	**-40%**
China internet average							**11.1**	**9.3**	**7.0%**	**0.26x**	**2.0%**	**2.3%**	**-10%**	**-5%**	**-29%**
US Magnificent 7															
Apple Inc.	AAPL.O	4,869,786	Neutral	296.00	332.27	-11%	37.6	34.7	13.2%	2.84x	0.3%	0.3%	9%	11%	22%
Microsoft Corp.	MSFT.O	3,688,974	Buy	525.00	495.63	6%	25.9	23.0	15.9%	1.63x	0.7%	0.7%	0%	26%	2%
NVIDIA Corp	NVDA.O	5,305,538	Buy	300.00	218.29	37%	22.8	12.7	n.m.	n/a	0.0%	0.3%	-3%	5%	17%
Alphabet Inc.	GOOG.O	4,123,016	Neutral	379.00	335.45	13%	23.6	16.9	33.8%	0.70x	0.2%	0.3%	-2%	-10%	7%
Amazon.com	AMZN.O	2,696,190	Buy	318.00	256.78	24%	17.3	15.0	34.4%	0.50x	0.0%	0.0%	-2%	4%	11%
Meta Platforms	META.O	1,662,845	Buy	715.00	648.03	10%	16.6	16.2	(0.6%)	NA	0.3%	0.3%	10%	8%	-2%
Tesla, Inc.	TSLA.O	1,293,658	Neutral (CBE)	385.00	365.44	5%	n.m.	n.m.	2.3%	n/a	0.0%	0.0%	7%	-10%	-19%
Average							**23.9**	**19.7**	**16.5%**	**1.45x**	**0.2%**	**0.3%**	**3%**	**5%**	**6%**

Source: Refinitiv Datastream, UBS estimates. Note: Prices as of 11 Sep 2026.

Valuation Method and Risk Statement

We believe key sector risks include: 1) an evolving competitive landscape and intensifying competition; 2) fast-moving trends in technology, as well as internet users' needs and preferences; 3) uncertain monetisation; 4) the rising cost of traffic acquisition, content and brand promotions; 5) the upkeep of IT systems; 6) expansion into international markets; 7) adverse changes in market sentiment; and 8) regulatory risks.

Our price target is based on SOTP. We believe the key risks for Alibaba are: 1) regulatory changes, particularly for data usage and online content; 2) Chinese and global macroeconomic headwinds; 3) competitive pressure from traditional offline retailers; 4) interruptions of information technology and systems; 5) short-term profitability pressure from long-term investment; 6) execution and management complexity resulting from its multiple platforms; 7) corporate governance – significant voting control by the Alibaba Partnership; and 8) the loss of the services of founder Jack Ma.

We derive our price target from a SOTP-based methodology. We believe the key downside risks for JD.com are: 1) low visibility on its profitability; 2) intensifying competition; 3) returns on fulfilment infrastructure investments; and 4) regulatory changes. In addition, as JD undergoes business restructuring, we believe it would take time for the company to develop an optimal new business model. In the meantime, investors might remain cautious on its prospects until the company delivers sustained improvements in its financial performance.

We derive our price target using an SOTP methodology. Key risks include competition and heavy investment. Alibaba could invest more in ecommerce 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.