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ASIA PACIFIC INSIGHT

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Meituan

In-Store Others: Silver Lining

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Meituan (3690.HK, 3690 HK)

China Internet and Other Services | China

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	HK$110.00
Up/downside to price target (%)	47
Shr price, close (Sep 10, 2026)	HK$74.75
52-Week Range	HK$109.70-63.65
Sh out, dil, curr (mn)	6,077
Mkt cap, curr (mn)	US$57,936
EV, curr (mn)	US$33,256
Avg daily trading value (mn)	US$586

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	(3.15)	(0.35)	4.68	6.34
Prior EPS (Rmb)**	-	-	-	-
EPS (Rmb)§	(2.71)	0.50	3.96	6.63
Revenue, net (Rmb bn)	364.9	418.8	485.4	544.4
ModelWare net inc (Rmb bn)	(23.4)	(8.7)	19.1	28.1
P/E	NM	NM	20.4	13.8
EV/revenue*	1.3	0.7	0.5	0.4
EV/EBITDA	NM	36.5	4.0	2.2
P/BV	3.7	2.2	1.9	1.6
ROE (%)	(13.5)	(5.8)	11.0	13.9

framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
* = GAAP or approximated based on GAAP

Key Takeaways

- We see online in-store services GTV of Rmb2.8tn in 2030e (18% 2025-30e CAGR), in-store others GTV of Rmb1.9tn (+25% CAGR), dining at ~Rmb1tn (+8%).
- Competition is centered around dining. On-store others is underpenetrated with 2x larger GTV and faster growth.
- Meituan to maintain in-store others share with 2:1 mix vs. Douyin (validated GTV) and a 60% share in dining.
- Revised low-end/midrange/high-end SOTP of HK100/HK$130/HK$180 imply IHT FY27 OPM at 25%/27%/29%. We prefer BABA (AI) > Meituan > PDD > JD.

Share price correction provides an attractive entry point: Previous market expectations assumed an overly bullish, linear recovery in food delivery UE and normalized in-store competition, but the recent share price correction reflects a more reasonable recovery trajectory. We maintain our estimate of food delivery UE recovering to Rmb1/order in 2027 and believe the market largely prices this in. We see further upside from the long-term growth potential of in-store Others, which the market currently underestimates.

In-store dining competition to persist but in-store Others structurally more attractive: Douyin's aggressive 1H26 expansion in in-store dining has narrowed the GTV gap with Meituan. While ByteDance is shifting more focus to AI, we see competitive intensity staying elevated near-term. However, we believe Meituan's core competitiveness in in-store Others should remain intact. The segment is significantly larger (2x dining GTV), growing faster (25% 2025-30e CAGR vs. 8% for dining), and remains underpenetrated (11% in 2025 vs. 20% for dining). We expect Meituan to maintain a 60% share in dining and sustain its share in in-store Others, with a 2:1 mix vs. Douyin on a validated GTV basis.

Near-term margins face pressure from dining competition; Meituan should sustain long-term competitive advantage in in-store Others: Meituan's intent-driven search model has a higher GTV validation rate (estimated 75% vs. 55% for Douyin). This model better suits in-store Others, given its broad range of fragmented categories. Meituan's strength in serving a much longer merchant tail also supports its segment position. We outline low-end/midrange/high-end SOTP scenarios of HK$100/HK$130/HK$180, implying F27e IHT OPM of 25%/27%/29%.

Maintain DCF-based price target of HK$110: We remain confident in Meituan's long-term potential but expect competition to weigh on near-term margins. We estimate CLC OP of Rmb14bn/Rmb50bn/Rmb60bn in F26/F27/F28 as competition normalizes. *Meituan is our preferred e-commerce play after BABA (AI): BABA > Meituan > PDD > JD.* Our price target implies 19x F27e P/E (or 12x F27e CLC OP) vs. 13.5x now.

investors should be aware that the firm may have a conflict of

Research as only a single factor in making their investment decision.

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Investment Summary

Food-delivery stabilization is in the price; IHT remains the more uncertain component

Following the significant earnings reset over the past year, we think the market increasingly recognizes that the food-delivery price war has peaked, supported by regulatory intervention and Alibaba's commitment to narrow quick-commerce losses. Meituan's current valuation therefore appears to already incorporate a meaningful recovery in food-delivery profitability, including UE returning towards Rmb1/order next year.

The less certain part of the investment debate is in-store hotel and travel (IHT). Douyin's aggressive investment in 1H26 has raised questions around Meituan's market share, monetization, and normalized IHT margins. While current competition centers around in-store dining, we see Meituan demonstrating strategic competitiveness in in-store others, which we think is a more attractive segment within in-store.

We outline three SOTP scenarios. As we expect near-term margins to be impacted by dining competition, our base-case value of HK$130/share assumes competition remains at current levels and the macro environment remains weak, while our high-range SOTP of HK$180 provides optionality on easing in-store competition and an improving macro environment.

1. Weak consumption, but food delivery has proven resilient

Against an increasingly weak macro backdrop, our economics team expects (report) soft domestic demand, with weak consumer confidence and soft labor markets weighing on consumption, while deflation remains an important concern.

Against this backdrop, food delivery has historically demonstrated relatively resilient transaction demand. During 2022–24, Meituan's average daily food-delivery orders increased from 44mn to 60mn, while UE improved from Rmb0.99 to Rmb1.47/order. Historical performance suggests weaker consumption has affected ticket size and product mix more than ordering frequency, with higher order density and operating leverage helping support profitability. Thus, we believe recent earnings deterioration stemmed primarily from the competitive subsidy cycle rather than weak consumption alone.

Exhibit 1: Food delivery daily volume

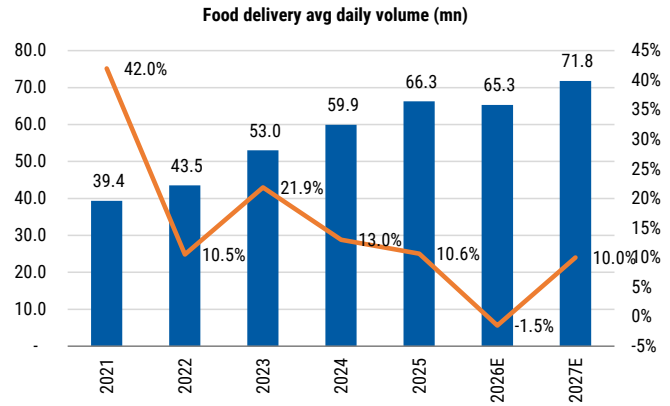
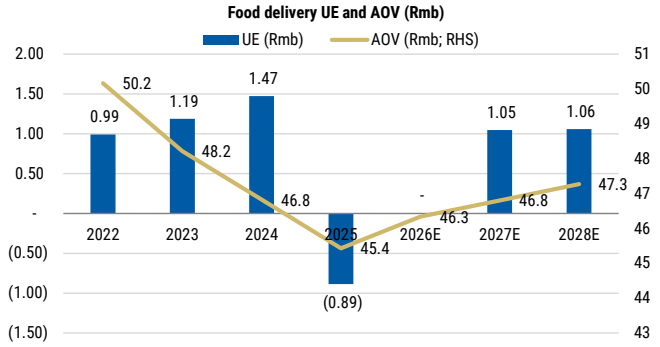


Exhibit 2: Food delivery UE and average order value (AOV)



2. IHT is likely to be the larger re-rating variable from here

We think profitability recovery alone is unlikely to be sufficient for a material re-rating if the market already assumes food-delivery UE returns towards Rmb1/order. The more significant question is what level of IHT profitability can be sustained under the current competitive and macro environment. We therefore framed three outcomes:

Exhibit 3: Low/mid/high SOTP

Key assumptions	Low	Mid	High
2027e SOTP value; value per share	**US$78 bn; HK$100/share**	**US$103 bn; HK$130/share**	**US$140 bn; HK$180/share**
Assumption	**Further deterioration in consumption; DY competitive intensity increases**	**Weak consumption broadly persists; in-store competition remains at current level**	**Consumption improves more meaningfully; Competitive intensity moderates**
Food Delivery	Volume CAGR 7% in 2026-28e UE Rmb0.9 in 2027e 2027e EV/OP: 10x Valuation: **US$34bn; HK$44/share**	Volume CAGR 9% in 2026-28e UE Rmb1.05 in 2027e 2027e EV/OP: 12x Valuation: **US$49bn; HK$62/share**	Volume CAGR 11% in 2026-28e UE Rmb1.2 in 2027e 2027e EV/OP: 14x Valuation: **US$67bn; HK$86/share**
In-store, Hotel & Travel (IHT)	OPM 25% in 2027e 2027e EV/OP: 10x Valuation: **US$28bn; HK$36/share**	OPM 27% in 2027e 2027e EV/OP: 10x Valuation: **US$30bn; HK$40/share**	OPM 29% in 2027e 2027e EV/OP: 12x Valuation: **US$42bn; HK$54/share**
Instashopping + Xiaoxiang	OP 2027e Rmb3.4bn 2027e EV/OP: 10x Valuation: **US$5bn; HK$6/share**	OP 2027e Rmb3.5bn 2027e EV/OP: 12x Valuation: **US$6bn; HK$8/share**	OP 2027e Rmb3.7bn 2027e EV/OP: 14x Valuation: **US$8bn; HK$10/share**
Net cash + Investments	50% discount Valuation: **US$11bn; HK$14/share**	30% discount Valuation: **US$18bn; HK$20/share**	20% discount Valuation: **US$23bn; HK$30/share**

Our mid-range scenario remains conservative on the near-term competitive landscape: weak macro conditions persist, and Douyin remains an active competitor at broadly current levels. We remain confident in Meituan's long-term moat in in-store others in particular, but we see margins potentially being hampered by dining competition in the near term.

3. Meituan retains structural advantages in in-store others

Douyin remains Meituan's largest in-store challenger as evidenced by its rapid GTV growth. We believe Meituan retains three key advantages: (1) high-intent search traffic and strong consumer mindshare; (2) higher transaction validation rates; and (3) broader long-tail merchant coverage. These advantages should continue to support Meituan's competitive position, particularly for in-store others segment.

It could be easier for Douyin to penetrate into dining, given it is much easier to standardize into a "content → voucher → transaction" product. This fits Douyin's content-driven discovery model particularly well. By contrast, "in-store others" covers a very fragmented range of categories—beauty, entertainment, fitness, household services, auto services, healthcare, education, etc.—with different booking, fulfillment and product requirements, which will require strong search intent, long tail merchants management and intensive merchant acquisition.

We believe the in-store others segment is structurally more attractive where Meituan holds a stronger competitive position. The segment is larger and structurally growing faster than dining. We estimate the underlying in-store others market at Rmb6.9tn of GTV in 2025, compared with Rmb3.5tn for dining. Online in-store others GTV increases from Rmb620bn in 2025 to Rmb1.9tn in 2030e, representing a 25% CAGR, compared with dining GTV increasing from Rmb628bn to Rmb919bn, representing an 8% CAGR.

This reflects both faster underlying category growth and a lower starting level of online penetration. We estimate in-store others penetration rises from 9% in 2025 to 20% in 2030e, versus dining increasing from 18% to 24%. As a result, in-store others increases from roughly half of online in-store GTV in 2025 to around 67% by 2030e.

We expect Meituan to maintain a 60% share in dining and preserve its share in in-store others, with a 2:1 mix versus Douyin on a validated GTV basis.

Exhibit 4: Online in-store others GTV to reach Rmb1.9tn by 2030e

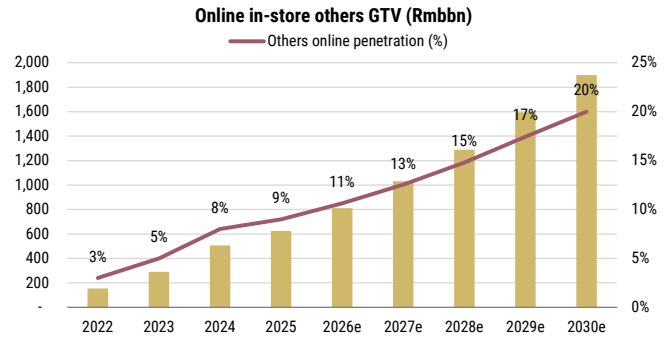
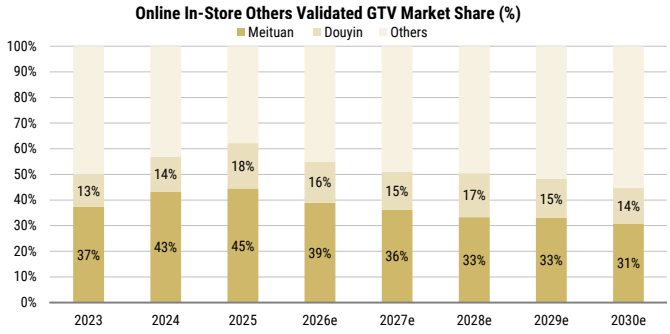


Exhibit 5: Meituan maintains around 30%+ in-store Others GTV share (validated basis)



estimates

In our mid-range SOTP scenario, we continue to expect Douyin to remain a meaningful competitor. Although ByteDance's new local services app, DouShengSheng, saw a slowdown in DAU growth momentum in July, its overall user growth trajectory remains robust, reaching 27mn DAU within five months of launch, compared with 40mn for Dianping (also owned by Meituan) and 180mn for Meituan.

We maintain our estimates for IHT OPM at 26.5% in 2026 and 27.0% in 2027, below the historical 30%+ levels achieved before competition intensified in our base case.

Exhibit 6: DouShengSheng DAU growth trajectory

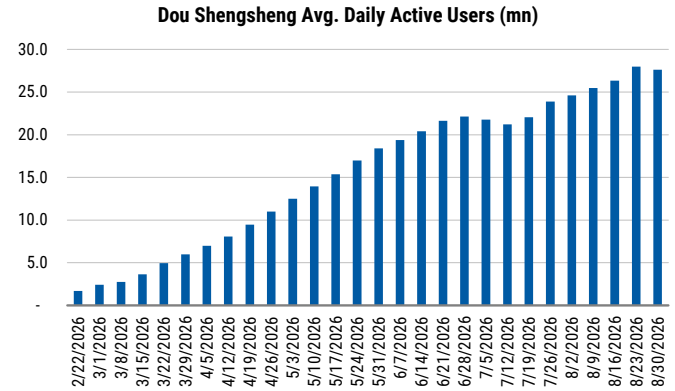
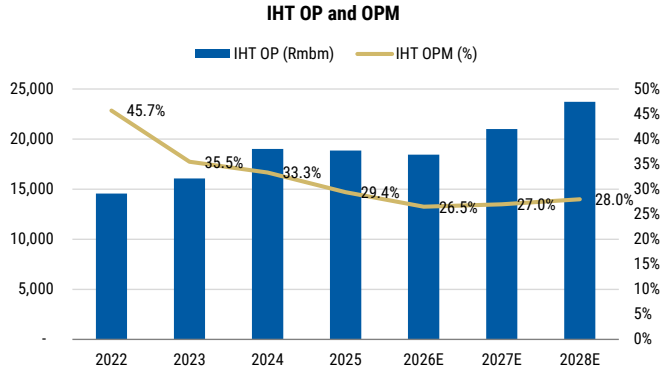


Exhibit 7: IHT OPM 26.5% in F26 and 27% in F27



4. Valuation: DCF supports HK$110 base case; high-end SOTP highlights re-rating potential if competition improves

Our DCF-based PT of HK$110 implies c.40% upside, equivalent to around 19x F27 and 15x F28 P/E as food-delivery profitability improves, broadly in line with the trading range of major China internet peers.

We also revisit our SOTP framework to illustrate the potential value of Meituan's individual businesses as earnings visibility improves.

We see easing competition, faster expansion in in-store others share and improving macro to unlock our high-end SOTP of HK$180/share - comprising HK$86 for food delivery (at 14x F27 EV/OP), HK$54 for IHT (at 12x), HK$10 for Instashopping and Xiaoxiang (at 14x), and HK$30 from net cash and investments after applying a 20% discount.

Exhibit 8: Meituan low/mid/high-end SOTP (2027e)

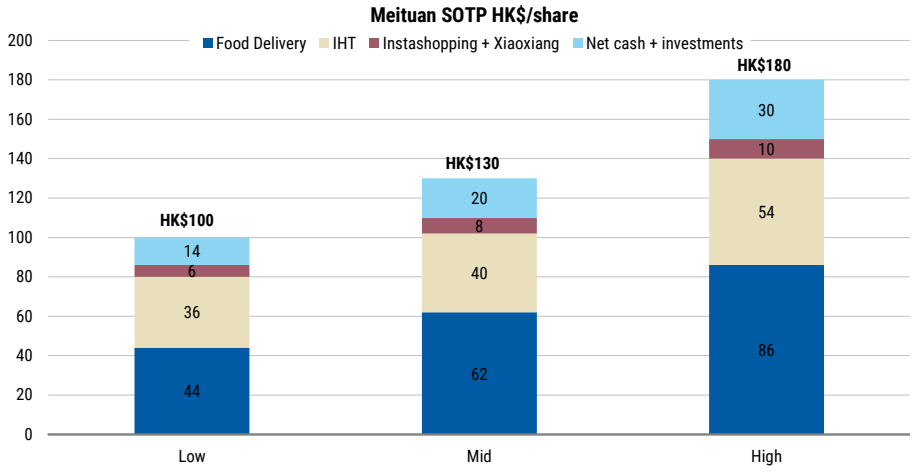


Exhibit 9: Meituan midrange SOTP HK130/share (2027e)

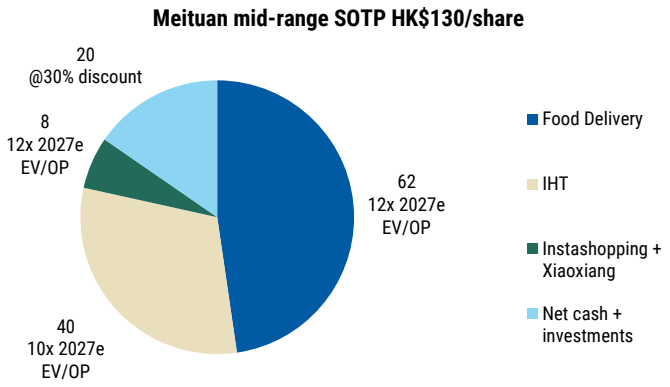
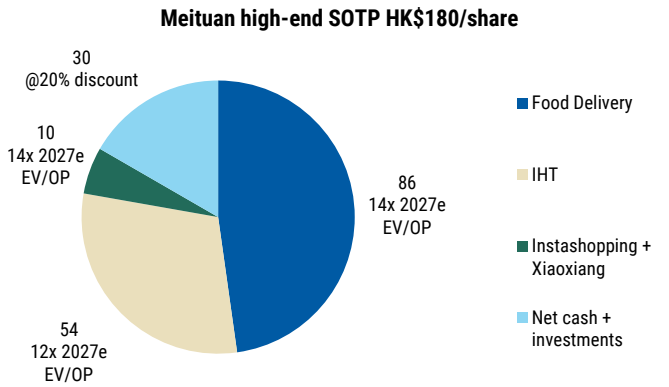


Exhibit 10: Meituan high-end SOTP HK180/share (2027e)

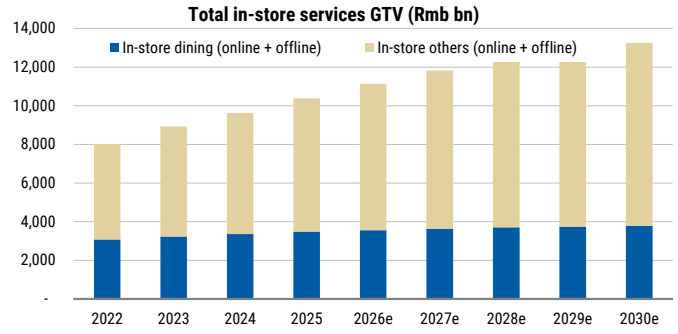


Tapping into Rmb2.8tn online in-store services market by 2030e

We estimate the total in-store services market in China at Rmb10.4tn in 2025, including both dining + other in-store services. In-store services broadly refer to locally consumed services that require customers to visit a physical location, spanning dining and ex-dining categories, such as beauty, leisure and entertainment, healthcare, and other lifestyle services.

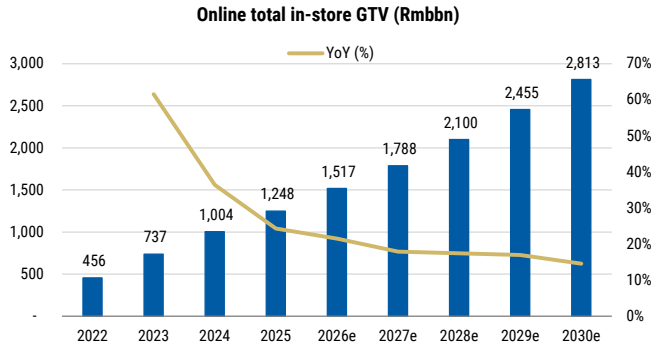
We expect the **total in-store services market to reach Rmb13.2tn by 2030e, implying a 5% CAGR, 2025-30e,** largely in line with our China GDP forecasts of 4-5%. Of this, we focus on the online in-store services market, for which we estimate a current online penetration rate of just ~12% at Rmb1.2tn in 2025.

Exhibit 11: Total in-store service consumption (online + offline)



Note: Our in-store others assumption includes consumer expenditure on Household Goods and Services, transport, leisure & recreation and miscellaneous goods and services. Source: Euromonitor, NBS, Morgan Stanley Research estimates

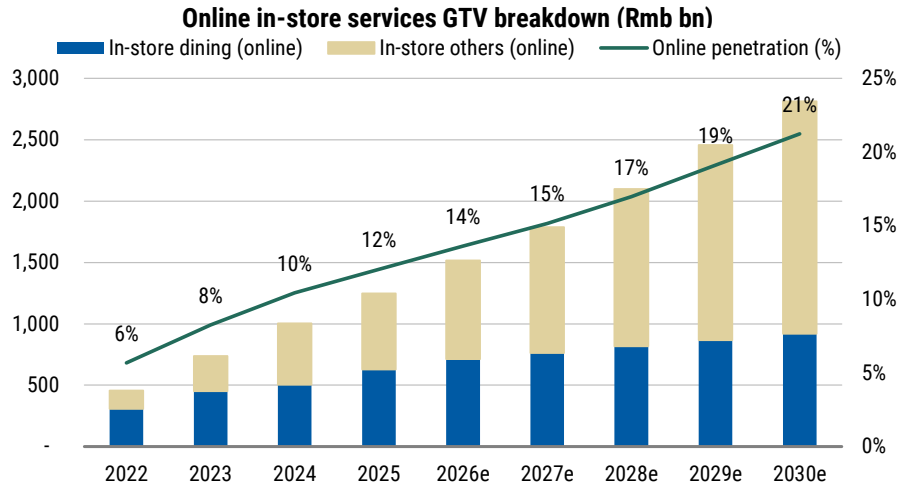
Exhibit 12: Total online in-store GTV



Note: Our in-store others assumption includes consumer expenditure on Household Goods and Services, transport, leisure & recreation and miscellaneous goods and services. Source: Euromonitor, NBS, Morgan Stanley Research estimates

Online in-store GTV to reach Rmb2.8tn by 2030e, at a 18% 2025-30 CAGR; online penetration rate to expand to 21% by 2030e (from 12% in 2025), driven by deepening geographic penetration, merchant digitization, and broader adoption of online vouchers/ group-buying products. Despite the rapid growth, we expect online penetration of in-store services to still be below the roughly 30% penetration level of e-commerce. We therefore continue to see meaningful room for further online adoption beyond our forecast period.

Exhibit 13: In-store online penetration breakdown



Note: Our in-store others assumption includes consumer expenditure on Household Goods and Services, transport, leisure & recreation and

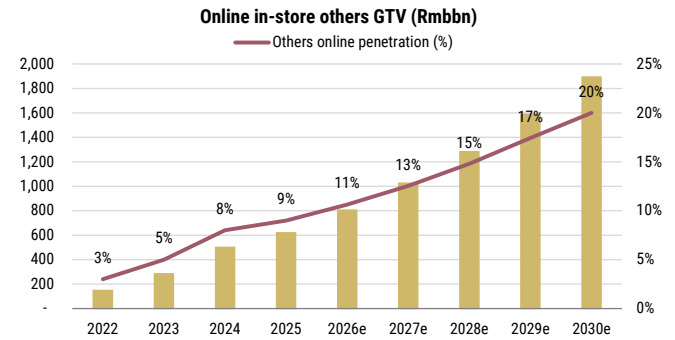
In-store others forms the larger market, demonstrates faster growth and still under-penetrated

Within the online in-store market, we estimate the in-store others segment is larger than in-store dining, with an underlying GTV mix of roughly 2:1 given its much broader range of merchants and offerings, albeit with lower online penetration.

For in-store others, we estimate online GTV of Rmb620bn in 2025, **rising to Rmb1.9tn by 2030e**, implying a 25% CAGR. Current online penetration remains relatively low, which we expect to expand from 9% in 2025 to 20% in 2030e.

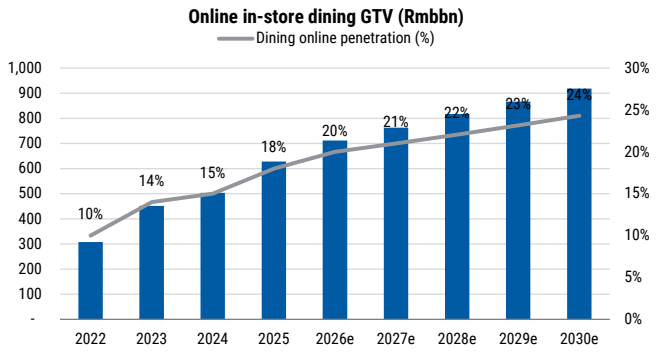
We estimate dining GTV at Rmb628bn in 2025, increasing to Rmb1.0tn by 2030e, representing an 8% CAGR. We expect a more moderate increase in online penetration, from an already high penetration rate of 18% to 24% over the same period.

Exhibit 14: Online in-store Others GTV



Note: Our in-store others assumption includes consumer expenditure on Household Goods and Services, transport, leisure & recreation and miscellaneous goods and services. Source: Euromonitor, NBS, Morgan Stanley Research estimate

Exhibit 15: Online in-store dining GTV

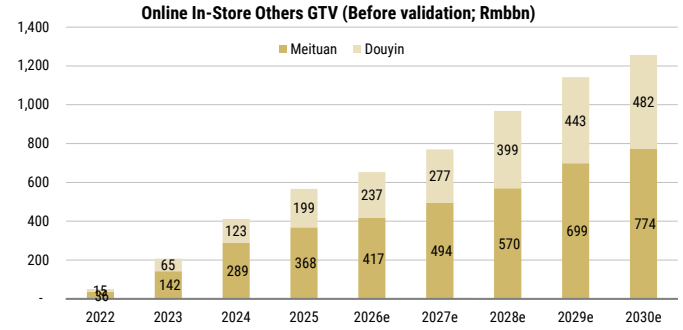


Meituan remains market leader in both Dining and in In-Store Others; DY catching up in Dining

On a pre-validation basis, **we estimate Meituan's total in-store GTV at around Rmb1.15tn in 2025, increasing to around Rmb2.0tn by 2030e**. We estimate in-store Others GTV

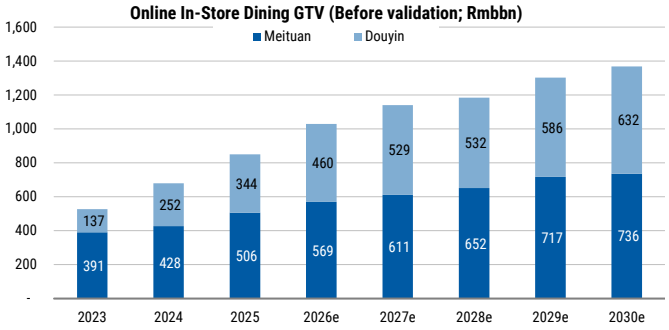
will demonstrate faster growth, with GTV Rmb368bn in 2025 expanding to Rmb774bn in 2030, +16% CAGR, while Dining GTV expands from Rmb506bn in 2025 to Rmb736bn in 2030, +8% CAGR. The split between both is roughly 40% each by 2030.

Exhibit 16: Online in-store Others GTV (Rmb bn)



Note: Our in-store others assumption includes consumer expenditure on Household Goods and Services, transport, leisure & recreation and miscellaneous goods and services. Source: Euromonitor, NBS, Morgan Stanley Research estimates

Exhibit 17: Online in-store Others market share



Note: Our in-store others assumption includes consumer expenditure on Household Goods and Services, transport, leisure & recreation and miscellaneous goods and services. Source: Euromonitor, NBS, Morgan Stanley Research estimates

On a validated GTV basis, we expect Meituan's dining share to remain at 60%, while in-store others to expand reaching a 2:1 mix versus Douyin.

We compare market shares on a validated GTV basis, assuming a 75% validation rate for Meituan versus 55% for Douyin.

Meituan has focused on increasing penetration in in-store others, and we expect its market position to remain relatively resilient. **We project Meituan's share of the in-store others market to remain stable at above 30%+ by 2030e, compared with around 10% for Douyin**. In-store others has become an increasingly important segment, given its substantially larger market size within in-store services and significantly lower online penetration than dining.

In-store dining has been Douyin's primary battleground, and we expect the company to continue gaining share in this segment. We estimate dining will account for 30–40% of Douyin's local lifestyle GTV during 2025–30. **As such, we expect Meituan's validated in-store dining market share to drop from 65%+ in 2023-2024, and remain at ~60% vs. ~40%+ for Douyin over 2026-2030.** This also reflects Douyin's materially lower GTV validation rate.

Douyin's lower validated GTV rate stems from its recommendation-driven model, which encourages impulse voucher purchases through short videos and livestreams but tends to generate a higher proportion of unredeemed transactions. Meituan's platform is more search- and transaction-driven, with users generally demonstrating clearer consumption intent at the point of purchase, resulting in a higher validation rate. (To be discussed further in Section 2.)

Exhibit 18: Online in-store others validated GTV market share (%)

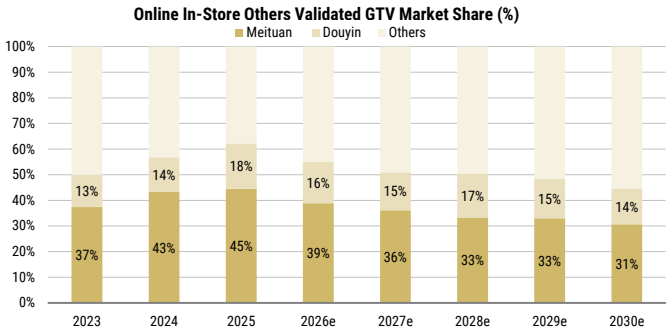
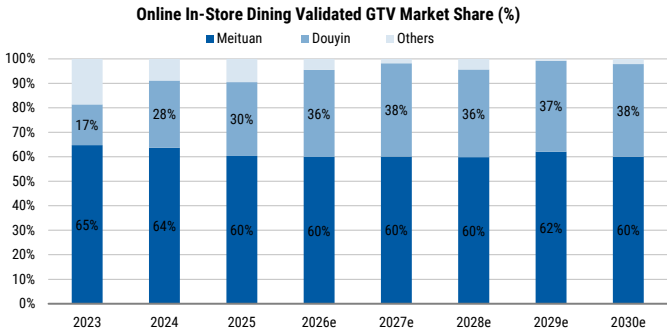


Exhibit 19: Online in-store dining validated GTV market share (%)



Competitive landscape: Food delivery stabilization; IHT outcome remains open

1. Food-delivery war: Stabilization underway

The food-delivery subsidy war intensified dramatically in early 2025 following the entry of JD and Alibaba. We estimate quick-commerce losses reached nearly Rmb90bn for Alibaba and Rmb50bn for JD in 2025, while Meituan's on-demand OP (food delivery + Instashopping) declined to a loss of Rmb25bn in 2025 from a profit of Rmb32bn in 2024. Food-delivery UE also fell to a loss of Rmb2.5/order at the peak of competition.

Regulatory Intervention and Stabilization

SAMR published the *Basic Requirements for Food Delivery Platform Service Management* in December 2025, followed by an investigation into food-delivery platforms in January 2026 to promote fair and orderly competition (report). Both Meituan and Alibaba committed to strict compliance, and we believe food-delivery competition peaked in 3Q25, with losses subsequently narrowing across all three major players.

BABA Committing to Narrow Losses — Key Positive Read-Through

A key positive read-through is Alibaba's commitment to halve its quick-commerce losses in both F27 (MSe: -Rmb40bn) and F28 (MSe: -Rmb20bn), before reaching profitability in F29 (with UE achieving breakeven by end-F27). Management expects this improvement to come from operating-efficiency gains and increased scale. We believe Alibaba's focus has shifted from securing market share, which we estimate at ~40% GMV share, to achieving its profitability target by F29 rather than pursuing further market-share expansion.

We believe food-delivery competition has entered a more rational phase, increasing visibility on Meituan's UE recovering toward Rmb1/order in 2027. However, as the market increasingly reflects this recovery in expectations, we see limited scope for food delivery alone to drive the next leg of re-rating.

2. In-store competition: Douyin remains an active competitor in dining

The key debate has now shifted to in-store competition with Douyin, which has aggressively expanded in the segment since the beginning of the year.

Douyin's in-store expansion (2025–early 2026): Douyin Lifestyle Services has emerged as the largest challenger to Meituan's in-store leadership, growing to an estimated Rmb860bn of GMV in 2025 (approximately 60% YoY growth). At the beginning of the year, management set a 2026 GTV target of Rmb1.3tn, broadly in line with our estimate of Meituan's 2026 in-store GTV. Douyin has strategically evolved from a purely content-driven traffic platform toward a hybrid search-and-content model, launched standalone applications, and undergone two major organizational restructurings.

Douyin entered local-life services in 2020, initially offering group-buying and hotel/ticket-booking functions. The business accelerated in 2022 with the launch of the merchant

platform Douyin Laike and the marketing platform Juliang Local Push, while partnerships with Fengniao, SF Intra-city, and others helped establish an initial "group-buying + delivery" ecosystem. By 2022, Douyin's local-life services business covered more than 370 cities and partnered with over one million stores.

Content-to-commerce business model

Douyin's core competitive model centers on a "content-to-commerce" funnel, where users watch short videos or livestreams featuring restaurants, beauty salons, and entertainment venues before purchasing discounted vouchers directly within the app. This "goods-find-people" recommendation model contrasts with Meituan's "people-find-goods" search-intent model. Meituan skews toward long-tail merchants, with commission revenue serving as the primary monetization driver, while Douyin's local-life merchant base skews toward key accounts, creating greater opportunities for advertising spend and ad-budget migration.

Douyin has also actively strengthened its search capabilities to complement its recommendation-driven model. As of November 2025, we estimate that search-driven orders contributed more than 50% of total local-life GMV. Douyin's GTV reportedly exceeded Rmb850bn in 2025, reaching approximately 75% of Meituan's in-store GTV, although the gap is wider on a validated GTV basis.

Exhibit 20: Douyin local service GTV growth

Year	Douyin Lifestyle Services GTV	YoY Growth	Key Metrics
2022	Early stage		370+ cities; 1mn+ partner stores
2023	~Rmb540bn (implied)		Transactions +256% YoY; 4.5mn merchants in 370+ cities
2024 (Target)	Rmb580bn (internal target)	~100% (internal target)	Target later revised down to prioritize commercialization; first org restructuring in Mar 2024
2025 (Actual)	~Rmb860bn	~59~60% YoY	Revenue >Rmb50bn; advertising >Rmb30bn; commission ~Rmb20bn; slight loss; 3.99mn new merchants; 15.2mn active
2026 (Target)	~Rmb1.3 trillion	~50% YoY	Goal to surpass Meituan's in-store GMV

Management changes and organizational restructuring in 2024 and 2026

Pu Yanzi became head of Douyin Lifestyle Services in November 2023, having previously led commercialization across the Douyin Group. Her appointment signaled a strategic shift from pure scale expansion toward improved commercialization and monetization efficiency.

First restructuring: From industry-based to regional divisions (March 2024)

Under Pu Yanzi, Douyin completed its first major organizational restructuring in March 2024. The company reorganized from industry-based divisions (in-store dining, in-store comprehensive services, and hospitality) to regional divisions (North, Central, and South), while establishing an NKA division for large national chain merchants.

The primary objective was to rapidly expand merchant coverage and increase supply. In 2024, the division also established a dedicated team focused on the advertising needs of major national brands, signaling a greater emphasis on commercialization alongside scale expansion.

Second restructuring: Organized by merchant scale and online/offline operations (April 2026)

- Online Department: Merchants with monthly GMV above Rmb50,000, further

segmented into KA (more than Rmb100,000 monthly GMV), Self-service (Rmb50,000–100,000 monthly GMV), and Hospitality. The KA and Self-service teams are further divided by industry (dining and in-store comprehensive services).

- Offline Department: Merchants with monthly GMV below Rmb50,000, organized by region (North, South, and East).

Travel and hospitality was elevated to an independent business unit.

This restructuring aims to deepen penetration among small and medium-sized merchants and strengthen regional execution to address supply-side shortcomings. Large chain brands are already relatively well adapted to Douyin's operating model; the greater opportunity lies in capturing the long tail of SME merchants.

Exhibit 21: Important in-store developments

Date	Event	Significance
Nov-23	Pu Yanzi takes over Lifestyle Services	Pivot to commercialization; previously led Douyin Group commercialization
Mar-24	First organizational restructuring	Regional structure (North/Central/South + NKA); Rmb580bn 2024 GTV target set
Nov-25	Search GMV exceeds 50% of total local life GMV	Narrows gap with Meituan's search-intent model
2025 Full Year	GMV ~Rmb860bn; revenue >Rmb50bn; slight loss	~59% YoY growth; 3.99mn new merchants; 15.2mn active storefronts
Feb-26	Launch of standalone "Doushengsheng" (抖省省) app	7.96mn DAU / 22.42mn MAU within 2 months; direct Meituan challenger
Mar-26	Suixin Tuan rebranded to "Douyin Instant Delivery"	Signals commitment to delivery-integrated group buying
Apr-26	Second organizational restructuring	Online/offline split by merchant scale; travel elevated to independent BU
Apr-26	Launch of AI product "Tanfan" (探饭)	Powered by Doubao LLM; targets Dianping's review/discovery moat
Q2 2026	Merchant support policies save Rmb10bn+ in costs	618 promotion - fee relief, improved settlement rates, AI tools — improving merchant ROI
2026 Target	GMV target ~Rmb1.3 trillion; achieve profitability	~50% growth; explicit goal to surpass Meituan's in-store GMV and turn profitable

New in-store products launch

1. Core in-store group buying

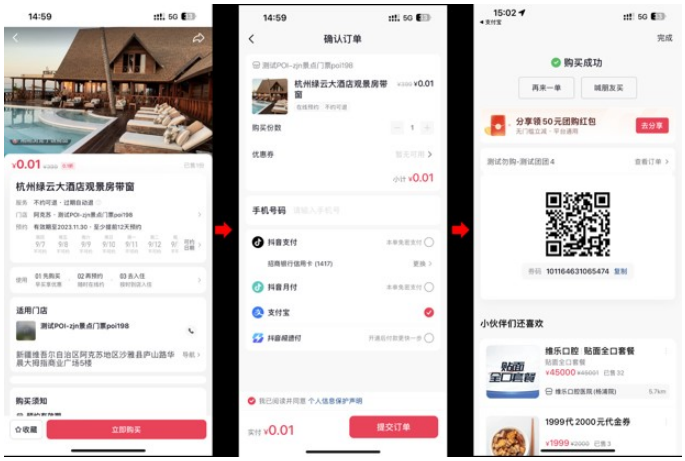
Douyin's primary in-store product is group-buying vouchers distributed through short videos and livestreams. Merchants and influencers create content showcasing restaurants, beauty salons, entertainment venues, and other local businesses, while users purchase discounted vouchers directly within the app.

The platform has evolved from a predominantly KOL-driven model to a "self-livestream + KOL distribution" model, where merchants take greater ownership of their commerce channels. Self-livestreaming offers stronger long-term ROI, driven by longer user dwell times, higher conversion rates, and full ownership of fan assets by merchants.

Exhibit 22: Douyin livestream in-store ads



Exhibit 23: Douyin local service coupon redemption



2. DouShengSheng — Standalone Group-buying App (launched February 2026)

ByteDance launched the DouShengSheng app in February 2026 as an important extension of its local-services strategy, aiming to convert Douyin's large content and search traffic base into higher-frequency, higher-intent local transactions. The standalone group-buying app focuses on helping users discover nearby value-for-money deals and in-store services, effectively separating transaction-oriented use cases from Douyin's content-heavy interface.

The two products appear increasingly complementary. Douyin serves as the demand-generation and discovery platform, while DouShengSheng functions as a dedicated destination for deal discovery, price comparison, and transactions.

Target market: Lower-tier cities and price-sensitive consumers

DouShengSheng appears to position itself around value rather than premium reviews and content quality. QuestMobile data indicate that approximately 70% of users come from Tier-2 and lower-tier cities, compared with a much stronger Tier-1 concentration of more than 50% for Meituan's Dianping.

This suggests ByteDance is initially targeting a relatively differentiated user segment: younger, more price-sensitive consumers in lower-tier markets who are already active Douyin users. As a result, DouShengSheng competes primarily through pricing, promotions, convenience, and traffic advantages.

Exhibit 24: DouShengSheng geographical mix

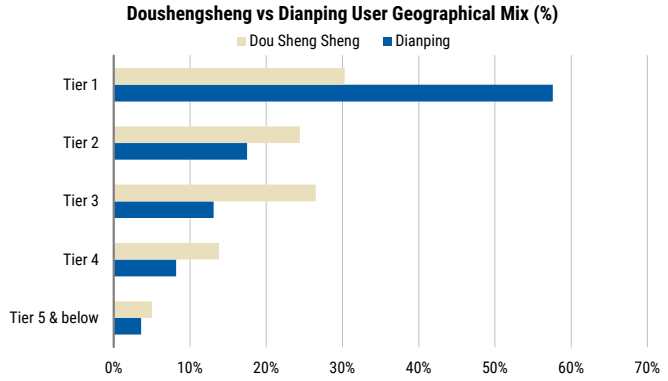
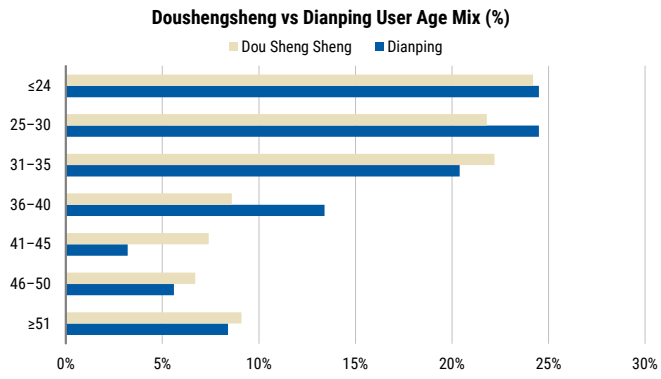


Exhibit 25: DouShengSheng user age mix



Aggressive couponing drives initial traction: The initial product strategy centers on aggressive coupons, low-priced group-buying offers, and promotional campaigns. This approach has accelerated app downloads, transaction frequency, and merchant adoption.

Within six months of launch, DouShengSheng reached nearly 25mn DAU. The app quickly rose to the top of local-services app rankings. During the 2026 Chinese New Year period, DouShengSheng launched subsidy campaigns such as "1-cent Ruixing drinks" to attract users.

Strong traffic redirected from Douyin: According to Questmobile, over 96% of DouShengSheng's active users also use Douyin.

Exhibit 26: DouShengSheng discount

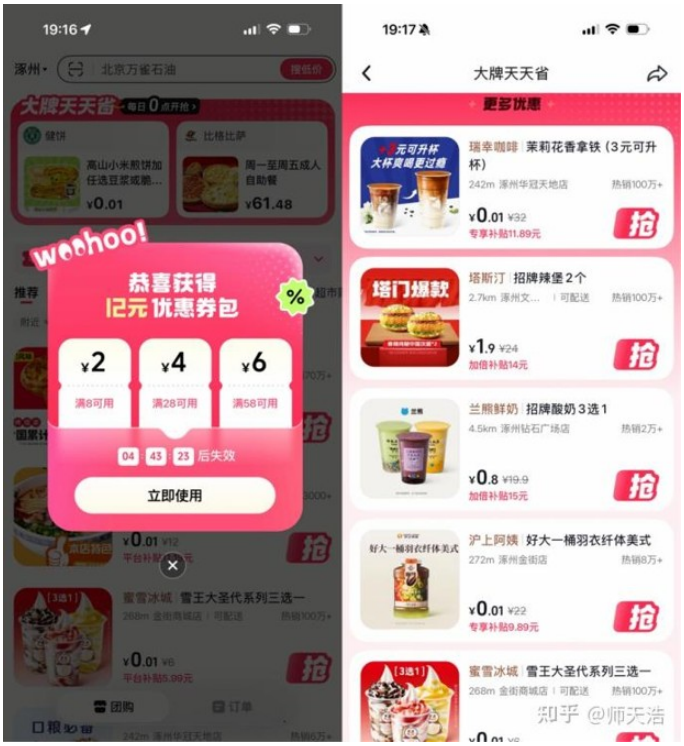
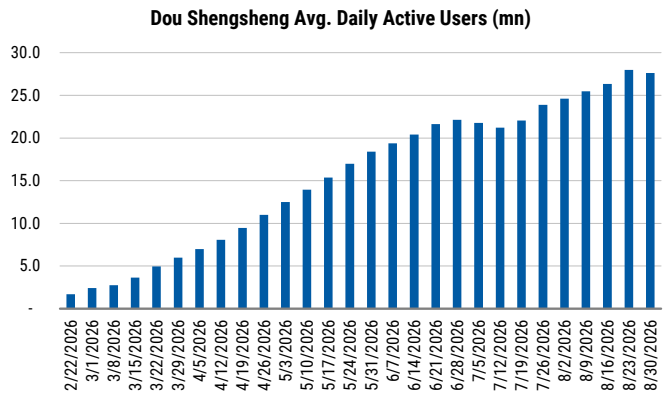


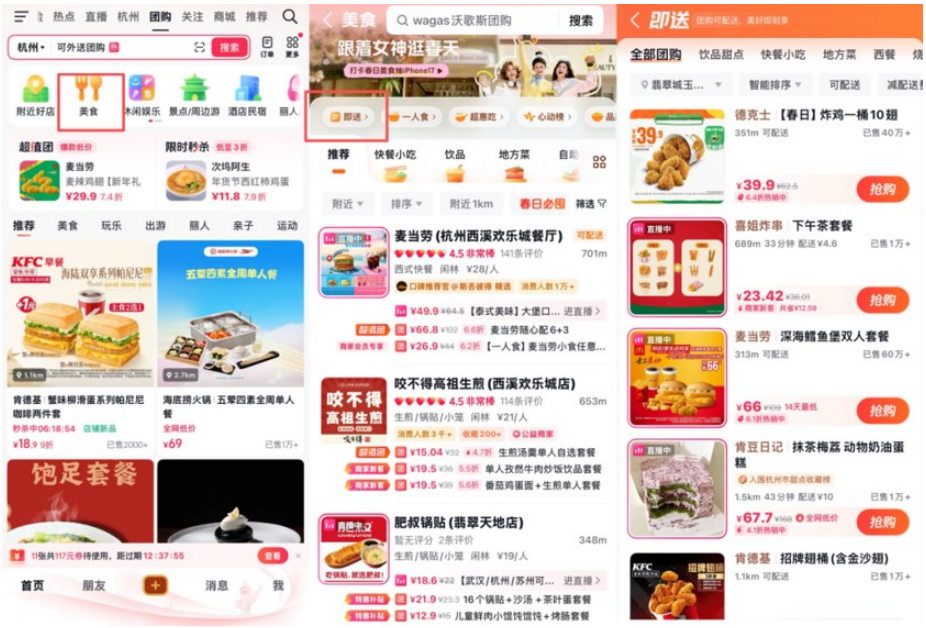
Exhibit 27: DouShengSheng DAU ramp-up



3. Suixin Tuan rebranded into Douyin Instant Delivery (Rebranded March 2026)

Douyin launched Suixin Tuan within the Douyin app as a hybrid offering for higher-quality dining merchants, combining in-store voucher redemption and home-delivery options within a single group-buying package. In March 2026, Douyin Lifestyle Services officially rebranded Suixin Tuan as Douyin Instant Delivery, reflecting a strategic shift toward addressing growing demand for high-quality food delivery while helping merchants improve profitability.

Exhibit 28: Douyin Instant Delivery within Douyin App



ByteDance's Strategic Pivot to AI

At ByteDance's recent 2026 mid-year all-hands meeting, management emphasized a shift from broad-based expansion toward more disciplined resource allocation, with greater focus on businesses that can generate meaningful incremental value.

ByteDance now centers its strategy on three core businesses: (1) AI, (2) information platforms, and (3) transaction services. **Douyin** remains the core platform supporting the company's e-commerce and local-services ecosystems, while **Doubao** is being positioned as the next major platform for the AI era.

Within AI, management remains committed to developing proprietary foundation models and pursuing AGI, even at the expense of near-term competitiveness and profitability. At the same time, non-core businesses and standalone products are likely to face further consolidation, integration, or divestment unless they strengthen one ecosystems.

While we acknowledge that ByteDance's increasing strategic focus o infrastructure could reduce the relative priority of incremental local over time, we continue to view local services as a core component o services strategy.

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3. Assessing Meituan's structural positioning in IHT

Despite heightened competition, we continue to see three structural advantages for Meituan: (1) stronger high-intent search traffic and consumer mindshare; (2) higher coupon redemption and transaction validation rates; and (3) broader category coverage and long-tail merchant penetration. We believe these advantages should continue to support Meituan's competitive position especially in the in-store others segment.

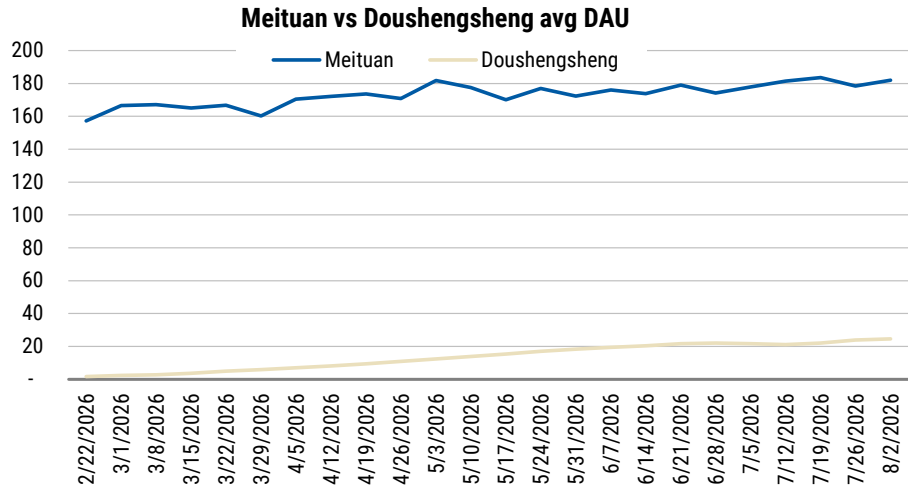
Compared with dining, in-store others spans a much broader range of categories and long-tail SMEs, with less standardized products and more complex transaction and fulfillment requirements. This makes penetration more dependent on merchant coverage, offline BD and high-intent search rather than traffic and subsidies alone.

1. High-intent search traffic and consumer mindshare

Meituan benefits from strong consumer mindshare driven by intent-based search behavior. When users have a specific consumption need, whether planning a meal, finding a nearby café, or booking a beauty appointment, Meituan is often the first destination. This differs fundamentally from Douyin's content-driven discovery model, where users encounter local-service promotions while consuming entertainment content.

This advantage is evident in Meituan's stable DAU despite the launch of DouShengSheng, which has demonstrated rapid user adoption over a relatively short period.

Exhibit 29: Meituan vs. DouShengSheng DAU



2. Higher coupon redemption rates of an estimated 75%+ and greater certainty of returns for merchants

The second pillar is the greater certainty of returns that Meituan delivers to merchants. On Meituan's platform, merchants can predict and quantify customer acquisition costs with a high degree of confidence because its group-buying and coupon model targets high-intent users who have already made the decision to purchase.

Industry data suggest Meituan's in-store coupon redemption rate exceeds 75%, meaning the vast majority of purchased coupons are ultimately redeemed in-store. This contrasts

sharply with Douyin's content-driven model, where impulse coupon purchases during content consumption can result in significantly lower redemption rates and less predictable store traffic for merchants.

3. Full-category, nationwide SME merchant coverage

The third and most durable structural advantage is Meituan's unmatched merchant density across categories and geographies, particularly among long-tail SMEs. While Douyin has established competitive positions among chain brands and low-price group-buying offers, Meituan's decade-long investment in offline business development has built a merchant ecosystem that spans the full spectrum of local services and cannot be replicated through traffic advantages alone.

Earnings reset in 2025-26; recovery into 2027

We expect earnings pressure to remain visible in 2026 before a more meaningful recovery in 2027–28. We estimate total revenue will reach approximately Rmb419bn/Rmb485bn/Rmb544bn in 2026/27/28e, representing YoY growth of 15%/16%/12%, respectively.

We forecast non-IFRS OP to improve from a loss of Rmb4.8bn in 2026e to profits of Rmb30.6bn and Rmb42.8bn in 2027e and 2028e, respectively. This recovery primarily reflects the normalization of food-delivery profitability, gradual earnings growth from IHT, and narrowing losses from new initiatives.

Exhibit 30: Total revenue

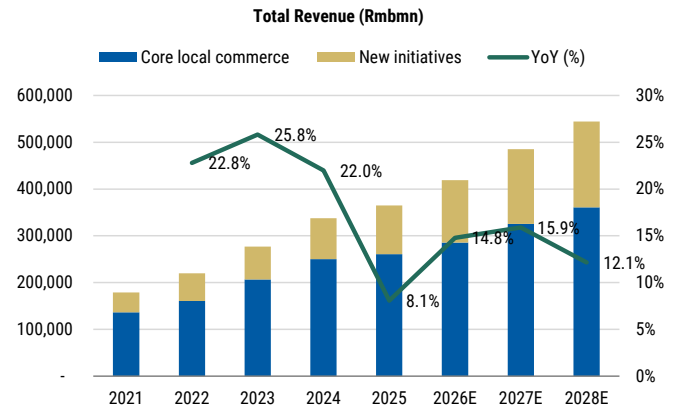
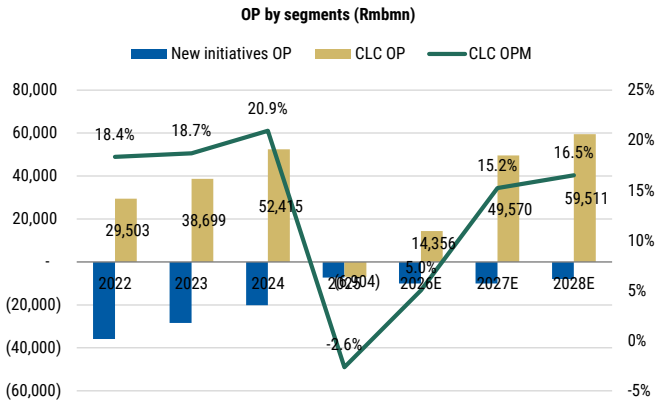


Exhibit 31: Total OP



Food delivery: Breakeven in 2026, with UE recovering to more normalized levels from 2027 as the price war stabilizes

We forecast food-delivery GTV of Rmb1.10tn/Rmb1.23tn/Rmb1.34tn in 2026/27/28e, representing YoY growth of roughly 0%/11%/9%, respectively.

Correspondingly, we expect UE to improve from around breakeven in 2026 to Rmb1.05/Rmb1.06 per order in 2027/28, returning to the pre-price-war long-term profitability target of approximately Rmb1 profit per order.

Exhibit 32: Food delivery GTV

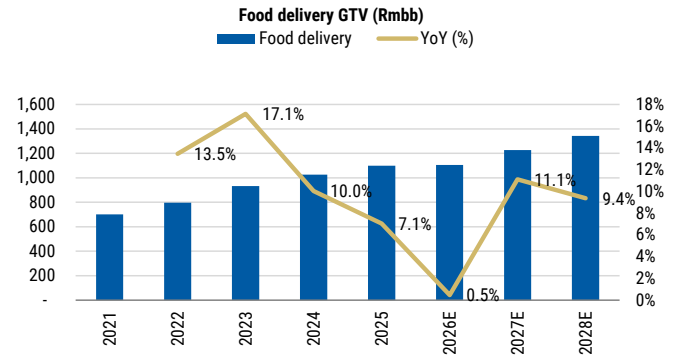
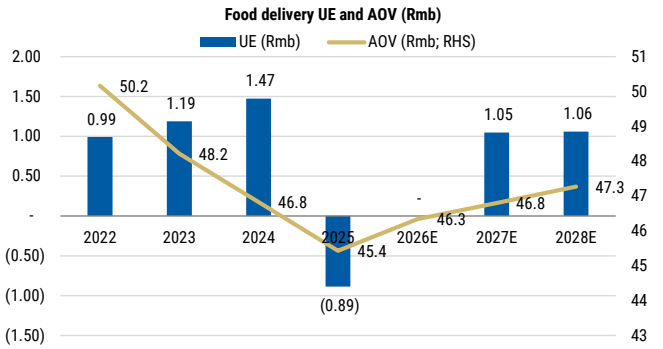


Exhibit 33: Food delivery UE



IHT: Base case assumes current competition persists with FY27 IHT OPM at 27%

Our latest mid-range scenario assumes weak macro conditions persist and competitive intensity remains broadly unchanged. We forecast IHT GTV of Rmb1.27tn/Rmb1.45tn/Rmb1.63tn in 2026/27/28e, representing YoY growth of 10%/15%/12%, respectively.

We forecast revenue of Rmb69.6bn/Rmb77.8bn/Rmb84.7bn in 2026/27/28e, while OP increases from Rmb18.4bn in 2026e to Rmb21.0bn/Rmb23.7bn in 2027/28e. We forecast OPM of 26.5%/27.0%/28.0%, respectively, remaining below the historical 30%+ levels achieved before competition intensified.

Exhibit 34: IHT GTV (base case)

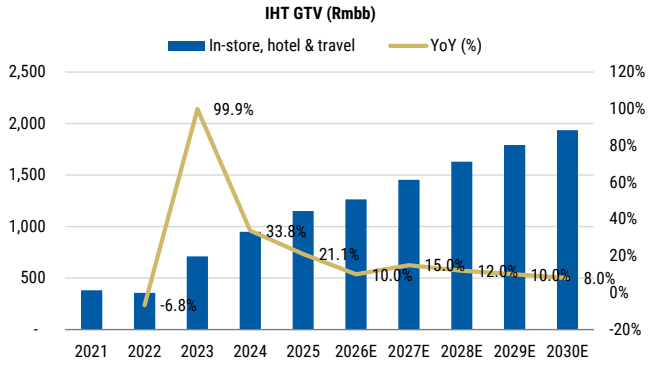
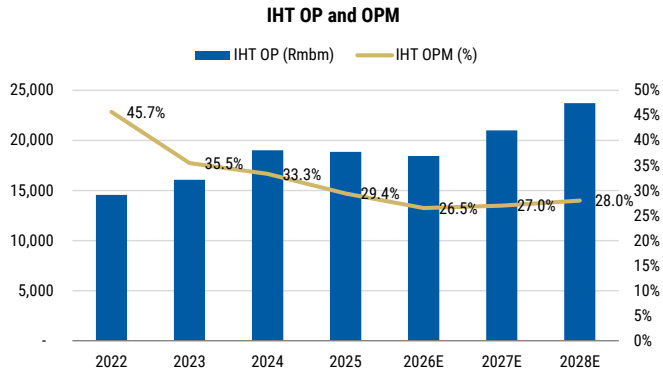


Exhibit 35: IHT OP & OPM (base case)



New initiatives to reach breakeven by 2029: We forecast OP losses of Rmb10.0bn/Rmb8.0bn/Rmb4.6bn in 2026/27/28e, primarily reflecting Keeta's overseas expansion. We expect Brazil to account for most of these losses, while operations in Hong Kong and the GCC (mainly Saudi Arabia) should remain profitable.

We expect CLC OP to recover sharply from 2026. We forecast CLC OP of Rmb14bn/Rmb50bn/Rmb60bn in 2026/27/28e, supported by clearer evidence of normalization in food-delivery competition and a more stable competitive environment in IHT. We see greater upside to our bull-case assumptions if competitive pressure from Douyin continues to ease, supporting a return to 30%+ IHT OPM over the medium to long term.

Any further easing in competitive pressure from Douyin would provide upside to our high-end SOTP valuation.

Exhibit 36: CLC OP

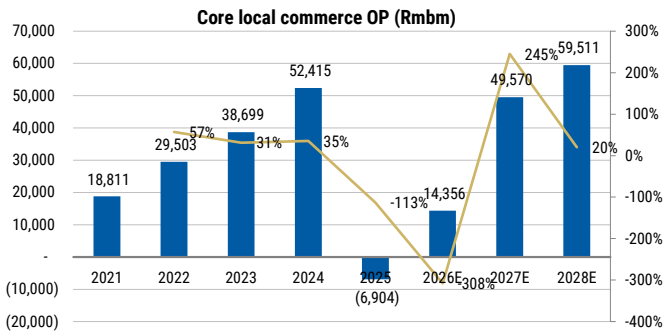
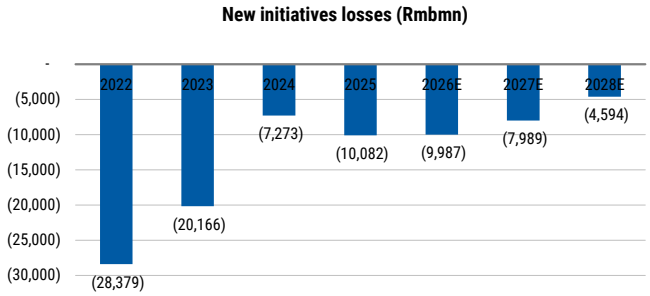


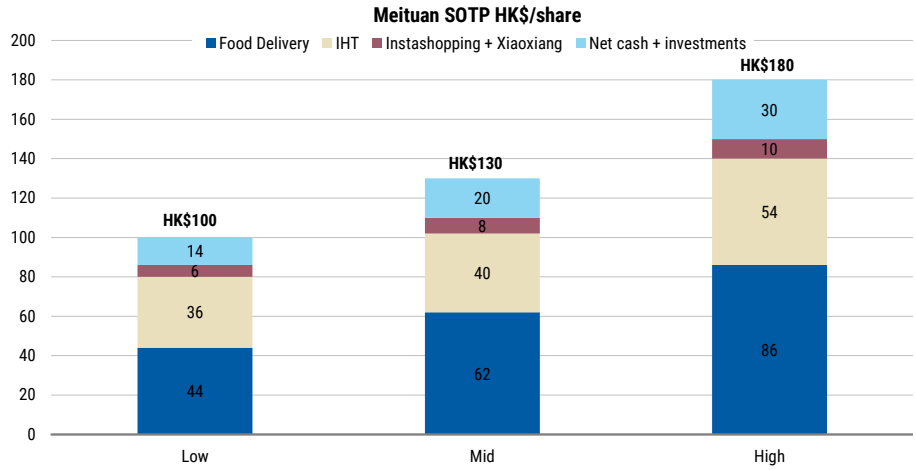
Exhibit 37: New initiatives OP



Updated Low/Mid/High-end SOTP

Given the significant reset in Meituan's earnings and competitive environment over the past 12 months, we revisited our 2024 sum-of-the-parts (SOTP) valuation framework under three scenarios (high-end, mid-range and low-end), reflecting different assumptions for the normalization of competition and profitability across Meituan's key businesses. Our SOTP valuation implies **HK$180/share at the high end, HK$130/share at the mid-range and HK$100/share at the low end.**

Exhibit 38: Meituan low/mid/high-end SOTP



High-end SOTP of HK$180/share:

Our high-end scenario assumes a more meaningful improvement in consumption alongside a more favorable competitive environment, supporting stronger growth and faster profitability recovery across Meituan's core businesses.

Food delivery (US$67bn or HK$86/share): We assume a faster profitability recovery as competition normalizes, with UE recovering to Rmb0.4/1.2/1.21 in 2026/27/28e, implying 2027e revenue of Rmb202bn and OP of Rmb32.5bn. **We value food delivery at 14x 2027e EV/OP**, broadly in line with internet peers trading at a teens multiple, reflecting its leading market position and established profitability.

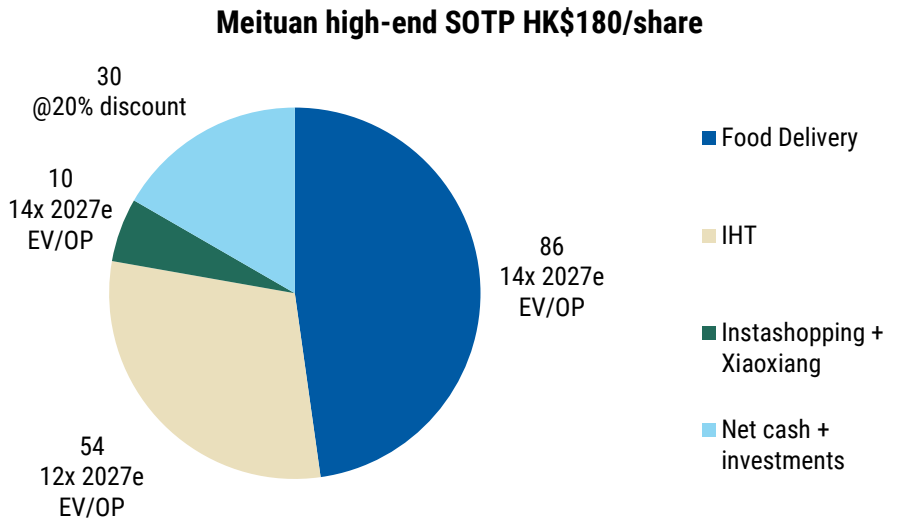
In-store, Hotel & Travel (US$42bn or HK$54/share): We assume IHT GTV growth of 12%/18%/15% in 2026/27/28e, and OPM expanding from 27% in 2026e to 29%/30% in 2027/28e. This implies 2027e GTV of Rmb1.5tn and OP of Rmb24.0bn. **We value IHT at 12x 2027e EV/OP**, at a discount to food delivery but a premium to traditional e-commerce, reflecting its higher growth potential from continued online penetration.

On-demand retail – Instashopping + Xiaoxiang (US$8bn or HK$10/share): We assume faster transaction growth and combined OP of Rmb3.7bn in 2027e. We apply **14x 2027e EV/OP**, in line with food delivery.

Net cash and investments (US$23bn or HK$30/share): We apply a 20% discount to net

cash and investments.

Exhibit 39: Meituan high-end SOTP HK$180/share



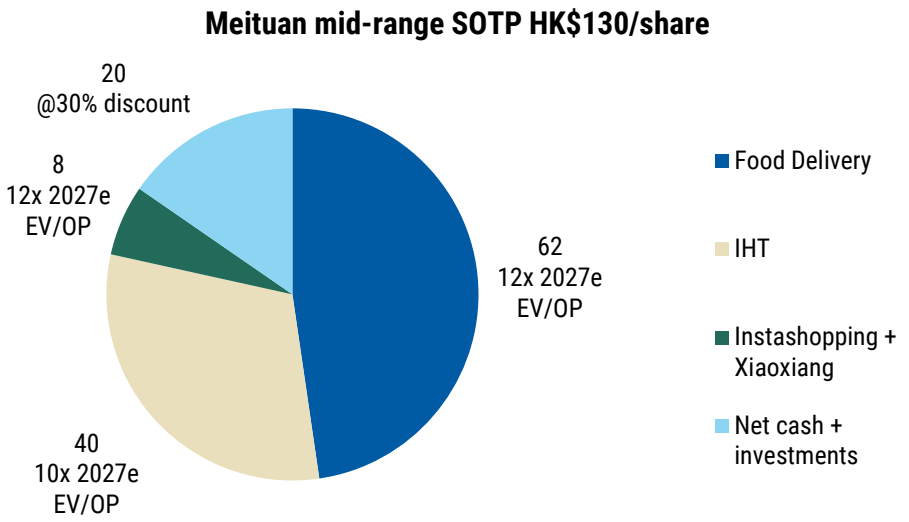
Mid-range SOTP of HK$130/share

Our mid-range scenario assumes weak consumption broadly persists and in-store competitive intensity remains at around the current level. We do not assume a meaningful moderation in Douyin competition, while food-delivery profitability continues to recover as the price war stabilizes.

We assume food delivery UE to recover from breakeven in 2026e to Rmb1.05/1.06 in 2027/28e with OPM recovering to 14% in 2027e. For IHT, we assume GTV growth of 10%/15%/12%, with OPM improving from 26.5% in 2026e to 27%/28 in 2027/28e.

We value **food delivery at HK$62/share,** based on Rmb29.7bn of 2027e OP and **12x EV/OP; IHT at HK$40/share**, based on Rmb21bn of OP and **10x EV/OP;** and **Instashopping + Xiaoxiang at HK$8/share,** based on Rmb3.5bn of OP and **12x EV/OP.** Net cash and investments contribute another HK$20/share after a 30% discount.

Exhibit 40: Meituan mid-range SOTP HK$130/share



Low-end SOTP of HK$100/share

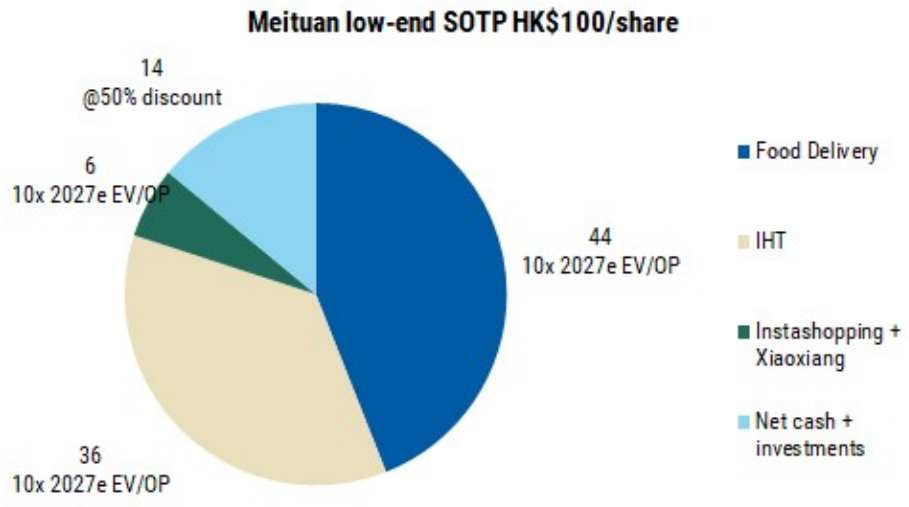
Our low-end scenario assumes a further deterioration in consumption alongside higher competitive intensity, resulting in slower growth and a more limited profitability recovery.

For food delivery, we assume food delivery UE at Rmb-0.4/0.9/0.91 in 2026/27/28e and OPM of only 12% in 2027e, implying revenue of Rmb190bn and OP of Rmb22.7bn. Applying **10x 2027e EV/OP gives HK$44/share.**

For IHT, we assume GTV growth of 8%/12%/10% in 2026/27/28e, with OPM remaining at 25% through 2027e. This implies 2027e GTV of Rmb1.4tn and OP of Rmb18.6bn. **Applying 10x 2027e EV/OP gives HK$36/share.**

Instashopping + Xiaoxiang contributes HK$6/share, based on Rmb3.4bn of 2027e OP and **10x EV/OP,** while net cash and investments contribute HK$14/share after a 50% discount.

Exhibit 41: Meituan low-end SOTP HK$100/share



Valuation Methodology

Our DCF-based price target is unchanged at HK$110; maintain OW: This is our base case scenario value. We continue to use DCF as our primary valuation methodology. We use a WACC assumption of 12% (unchanged) as uncertainty around competition increases risk profile and a 3% terminal growth rate forecast (unchanged).

Our price target implies a target P/E of 19x for 2027e.

Exhibit 42: DCF Matrix: Unlevered free cash flow

Years Ending December 31 Rmb mn	2023	2024	2025 Scenario	2026E 0	2027E	2028E	2029E	2030E
DCF								
Operating profit (non-IFRS, incl. SBC)	7,744	33,286	(29,784)	(13,181)	20,863	31,919	41,977	52,085
D&A	7,751	8,250	9,999	13,143	17,576	20,584	21,561	22,550
Capex	(6,880)	(10,999)	(13,271)	(16,753)	(17,474)	(17,964)	(18,435)	(19,176)
Lease payments	(2,969)	(3,098)	(3,335)	(3,921)	(4,617)	(5,154)	(5,579)	(5,954)
Taxes	(71)	(1,491)	2,586	1,318	(3,129)	(5,107)	(7,136)	(9,375)
Non-controlling interests	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Working capital	13,476	6,466	(1,056)	595	(1,518)	2,902	2,217	1,948
Unlevered FCF (FCFF)	**19,049**	**32,413**	**(34,861)**	**(18,801)**	**11,700**	**27,180**	**34,603**	**42,077**
% YoY	-346.5%	70.2%	-207.6%	-46.1%	-162.2%	132.3%	27.3%	21.6%
% of revenue	6.9%	9.6%	-9.6%	-4.5%	2.4%	5.0%	5.8%	6.6%
WACC				**12.0%**				
TGR				**3.0%**				

Financial Summary

Exhibit 43: Meituan: Financial Summary

Years Ending December 31 Rmb mn	2023	2024	2025	2026E	2027E	2028E
INCOME STATEMENT (IFRS)						
Core local commerce	206,907	250,247	260,826	285,674	325,603	360,603
New initiatives	69,838	87,344	104,029	133,157	159,788	183,756
Total revenues	**276,745**	**337,592**	**364,855**	**418,831**	**485,391**	**544,360**
Core local commerce	38,699	52,415	(6,904)	14,356	49,570	59,511
New initiatives	(20,166)	(7,273)	(10,082)	(9,987)	(7,989)	(4,594)
Unallocated items	(5,117)	(8,297)	(8,055)	(12,204)	(16,701)	(18,981)
Operating profit	**13,415**	**36,845**	**(25,041)**	**(7,834)**	**24,879**	**35,936**
% OP margin	4.8%	10.9%	-6.9%	-1.9%	5.1%	6.6%
Profit before income tax	14,022	37,985	(24,838)	(9,091)	24,079	35,369
Net profit/(loss)	13,857	35,808	(23,354)	(8,732)	19,096	28,065
Net profit/(loss) attributable to equity holders	**13,856**	**35,807**	**(23,355)**	**(8,733)**	**19,095**	**28,064**
% NP margin	5.0%	10.6%	-6.4%	-2.1%	3.9%	5.2%
Diluted EPS (Rmb)	**2.11**	**5.66**	**(3.92)**	**(1.52)**	**3.06**	**4.54**
INCOME STATEMENT (NON-IFRS)						
Adjusted EBITDA	**23,878**	**49,119**	**(13,783)**	**8,338**	**48,147**	**63,391**
Net profit/(loss)	**23,253**	**43,772**	**(18,648)**	**(1,661)**	**28,894**	**39,029**
% margin						
Adjusted EBITDA	8.6%	14.5%	-3.8%	2.0%	9.9%	11.6%
Net profit/(loss)	8.4%	13.0%	-5.1%	-0.4%	6.0%	7.2%
Diluted EPS (non-IFRS; Rmb)	**3.60**	**6.94**	**(3.15)**	**(0.35)**	**4.68**	**6.34**
On-demand delivery volume (mn)	21,893	25,451	28,779	29,241	32,706	35,875

Years Ending December 31 Rmb mn	2023	2024	2025	2026E	2027E	2028E
BALANCE SHEET						
Cash and cash equivalents	33,340	70,834	106,771	100,529	123,819	163,703
Short-term treasury investments	111,821	97,409	60,062	60,062	60,062	60,062
Current assets	**183,116**	**209,735**	**225,057**	**225,270**	**256,438**	**303,461**
Non-current assets	**109,913**	**114,620**	**121,853**	**153,061**	**159,003**	**162,532**
Total assets	**293,030**	**324,355**	**346,910**	**378,332**	**415,441**	**465,993**
Short-term debts	19,322	16,569	14,379	14,379	14,379	14,379
Current liabilities	**100,874**	**107,936**	**123,542**	**131,737**	**139,169**	**150,061**
Long-term debts	35,221	39,184	65,904	65,904	65,904	65,904
Non-current liabilities	**40,199**	**43,815**	**72,381**	**73,488**	**74,362**	**75,071**
Total liabilities	**141,073**	**151,751**	**195,922**	**205,225**	**213,531**	**225,132**
Total equity	**151,956**	**172,604**	**150,988**	**173,106**	**201,910**	**240,862**
Total liabilities and equity	**293,030**	**324,355**	**346,910**	**378,332**	**415,441**	**465,993**
CASH FLOW STATEMENT						
Operating cash flow	40,522	57,147	(13,815)	14,846	45,869	63,212
Investing cash flow	(24,664)	10,205	29,773	(14,759)	(15,554)	(15,765)
Financing cash flow	(2,781)	(30,415)	21,243	(6,330)	(7,025)	(7,562)
Net change in cash	**13,181**	**37,494**	**35,937**	**(6,243)**	**23,290**	**39,884**
FCF	**30,673**	**43,049**	**(30,420)**	**(5,829)**	**23,778**	**40,094**
% of total revenues	11.1%	12.8%	-8.3%	-1.4%	4.9%	7.4%

Risk Reward – Meituan (3690.HK)

Near-term uncertainties, but long-term moat still strong

PRICE TARGET HK$110.00

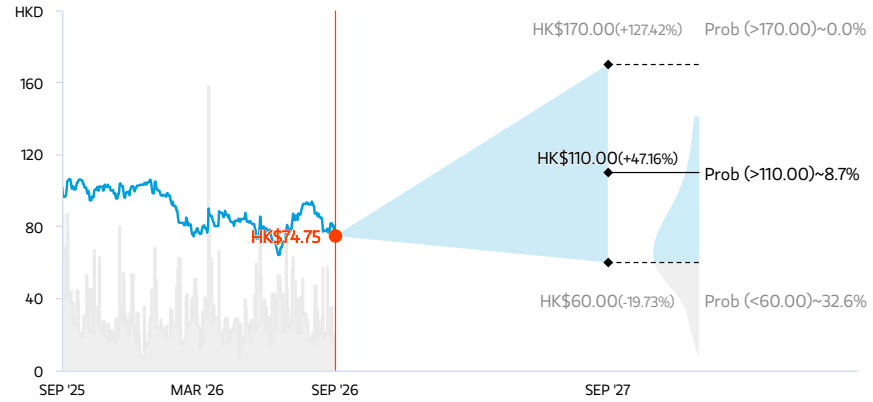
Base case, derived from discounted cash flow valuation. Key assumptions: 12% WACC and 3% terminal growth rate.

Consensus Price Target Distribution HK$63.03 HK$115.79 HK$300.60

MS PT

Mean

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)

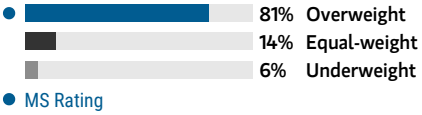


Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 10 Sep 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- In the near term, we see a lot of uncertainty and potential risks to earnings.
- However, we think Meituan still has a strong long-term moat.
- In food delivery, we expect it to remain the dominant player, though market share could drop to 65%+ from 70-75%.
- In quick commerce, we expect the TAM to expand from our previous estimate of Rmb2tn in 2030 with the increase in market players, but the market should be split among multiple players.
- We view risk-reward as attractive but prefer BABA.

Consensus Rating Distribution



Risk Reward Themes

Pricing Power:	*Positive*
Secular Growth:	*Positive*
Self-help:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE HK$170.00

22x 2027e P/E

We estimate total revenue CAGR of 14% for 2025-30.

Adjusted EBITDA margin at 12% in 2027.

BASE CASE HK$110.00

19x 2027e P/E

We estimate total revenue CAGR of 12% for 2025-30.

Adjusted EBITDA margin at 10% in 2027.

BEAR CASE HK$60.00

16x 2027e P/E

We estimate total revenue CAGR of 10% for 2025-30.

Adjusted EBITDA margin at 7% in 2027.

Risk Reward – Meituan (3690.HK)

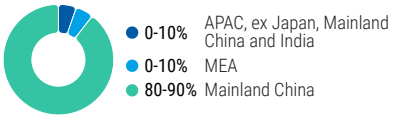
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Total revenues growth (%)	36,485,474.	41,883,093.	48,539,083.	54,435,970.
Gross profit growth (%)	11,121,557.	12,961,799.	18,083,507.	20,590,768.
Non-GAAP Adj EBITDA (%)	(1,378,320.5	833,820.8	4,814,710.2	6,339,061.1

INVESTMENT DRIVERS

- Food delivery market share and margin improvement
- Merchant monetization via commissions and advertisements ramping up take rate
- Effective investment strategy in new initiatives expanding addressable market

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 MOST — 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Uptrend in food delivery market share with margin improvement
- Further monetization of merchant ARPU
- Investments in new initiatives bearing fruit

RISKS TO DOWNSIDE

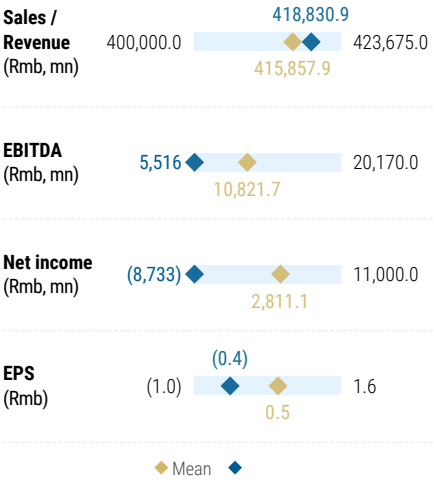
- Intensified food delivery and quick commerce competition
- Low visibility on loss-making and asset-heavy new initiatives
- Weaker-than-expected macro conditions
- Antitrust regulation

OWNERSHIP POSITIONING

Inst. Owners, % Active 45%

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Valuation Methodology and Risks

Alibaba Group Holding (BABA.N)

Base case, discounted cash flow model. Key assumptions include a 10% WACC and 3% terminal growth rate, in line with our Chinese Internet coverage range.

Risks to Upside

- Better core e-commerce monetization, driving earnings growth upside
- Faster enterprise digitalization, re-accelerating cloud revenue growth
- Stronger AI demand to drive cloud revenue

Risks to Downside

- More intense competition
- Higher-than-expected reinvestment costs
- Weaker consumption amid a slower post-Covid recovery
- Slower pace of enterprise digitalization pace
- Regulation - additional scrutiny of Internet platforms

JD.com, Inc. (JD.O)

Base case scenario value, derived from a discounted cash flow valuation, which is our preferred methodology because it incorporates our long-term view of the company's operations. In our DCF model, we apply a 13% WACC and a 3% terminal growth rate.

Risks to Upside

- Significant scaling back of investments in new businesses, boosting earnings and margins
- Speeding up return of FCF to shareholders

Risks to Downside

- More aggressive than expected S&M spending
- Slower-than-expected recovery of consumption sentiment
- Possible return of irrational competition in e-commerce

PDD Holdings Inc (PDD.O)

Base case, derived from our DCF model. Key assumptions include a WACC of 14%, in line with the average within our Chinese Internet coverage, and a terminal growth rate of 3%, also in line with those companies.

Risks to Upside

- User growth is faster than expected, energized by an upcoming consumption downgrade.
- Temu growth is faster than expected, with better-than-expected unit economics.
- Less intense competition leads to lower opex.

Risks to Downside

- Intensified competition weighs on margin improvement.
- User engagement level drops when subsidy levels normalize.
- Slower-than-expected ramp-up and overseas regulation on Temu.

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf