Meituan

APAC Focus: A moat worth paying for



Trading at 10x 2028E PE, Meituan's valuation has yet to fully reflect its strengthening market leadership in quick commerce and in-store businesses, in our view. We expect Meituan to experience a multi-year earnings recovery, especially in a Rmb34trn local services TAM that we believe is only 15% penetrated, well below e-commerce at roughly 30%. We forecast core local commerce's (CLC) OP to treble from Rmb13bn in 2026 to the level before competition intensified of Rmb55bn in 2028, underpinning our above-consensus earnings estimates and price target.

Where are we in the local service competitive landscape?

We believe competition in China's quick commerce and in-store markets is nearing an inflection point, shifting from subsidy-led share acquisition toward operating efficiency. We expect this transition to increasingly favour Meituan's deep moat, underpinned by its efficient user-fulfilment-merchant flywheel, as demonstrated by Q226's sharp profit recovery. Meituan is also strategically and selectively reinvesting to recapture high-value customers (higher average order value (AOV) and repurchase rates). We believe a stronger user mindshare would likely raise the bar for future competition from peers.

What drives our above-consensus profit estimates?

Our Rmb55bn CLC OP forecast (14% above consensus), which returns to pre-competition level, assumes food delivery unit economics (UE) of Rmb1.2 (consensus: Rmb0.9) and a 29% in-store margin (consensus: 27%). This reflects: 1) sustained growth in under-penetrated local services, expanding the earnings base; and 2) structural UE premium, supported by efficiency gains across users, riders and merchants.

Valuation: SOTP-based PT up from HK$128.00 to HK$132.00; reiterate Buy

Our 2027E-28E adj. EPS is 4-10% above consensus. Our PT implies 17x 2028E PE (on par with historical high-teens average at 20%-plus YoY growth), at a premium to peers, justified by its multi-year earnings recovery and local services moat. Faster-than-expected food delivery UE and in-store margin recovery could be catalysts. Value realisation from Keeta and Meituan's investment portfolio provides upside optionality.

Equities

China
Internet Services

12-month rating	**Buy**
12m price target	**HK$132.00**
	Prior : HK$128.00
Price (15 Sep 2026)	**HK$74.75**

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

Trading data and key metrics

52-wk range	HK$106.30-64.25
Market cap.	HK$454b/US$57.9b
Shares o/s	6,077m (ORD)
Free float	87%
Avg. daily volume ('000)	49,433
Avg. daily value (m)	HK$3,995.1
Common s/h equity (12/26E)	Rmb151b
P/BV (12/26E)	2.6x
Net debt to EBITDA (12/26E)	NM

EPS (UBS, diluted) (Rmb)

	From	To	% ch	Cons.
12/26E	0.05	(0.05)	NM	0.37
12/27E	4.70	4.44	-6	3.90
12/28E	6.31	6.57	4	6.63

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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	500,337	575,820	652,119	726,873
EBIT (UBS)	16,105	40,869	(23,782)	(2,071)	31,256	46,915	57,546	68,257
Net earnings (UBS)	23,253	43,772	(18,648)	(333)	27,524	41,533	50,767	59,772
EPS (UBS, diluted) (Rmb)	3.69	7.03	(3.07)	(0.05)	4.44	6.57	7.87	9.09
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	110,212	139,745	182,886	234,389	293,477

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)	6.2	8.1	8.8	9.4
ROIC (EBIT) %	136.0	>500	>500	58.9	<-500	<-500	<-500	<-500
EV/EBITDA (UBS core) x	24.1	10.7	NM	22.4	4.9	3.0	1.9	1.0
P/E (UBS, diluted) x	31.4	15.9	(38.4)	NM	14.4	9.7	8.1	7.0
Equity FCF (UBS) yield %	4.7	6.7	(3.7)	0.5	7.6	11.1	13.3	15.2
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$ 74.75 on 15-Sep-2026

This report has been prepared by UBS Securities Asia Limited. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 23.**

UBS Research THESIS MAP a guide to our thinking and what´s where in this report

PIVOTAL QUESTIONS

Q: Where are we in the local service competitive landscape?
Competition across China's quick commerce and in-store markets appears to be nearing an inflection point, shifting from subsidy-led share acquisition toward ROI and operating efficiency, which should play to Meituan's execution strength, in our view. The benign competition looks sustainable due to: 1) regulations raising the cost of irrational competition (e.g. anti-involution, food safety and rider protection), and 2) BABA and ByteDance allocating capital to higher-ROI AI investment. More importantly, Meituan's selective investment to recapture high-quality demand should further help it consolidate its leadership by GTV and potentially raise the bar for future competition.

Q: Can Meituan's core local commerce (CLC) profit return to its pre-competition level?
Yes. We forecast CLC's OP to recover to around the pre-competition level of Rmb55bn in 2028, despite structurally lower normalised margins. We estimate 2028 food-delivery unit economics (UE) of Rmb1.2/order (Rmb1.5 in 2024) and a 30% in-store margin (45% in 2022). We believe this is driven by: 1) sustained growth across the under-penetrated quick commerce and in-store segments, expanding the earnings base; and 2) Meituan's structural UE advantage, underpinned by its consumer-rider-merchant flywheel, which is likely difficult to replicate and raises barriers to entry, supporting a more rational competitive environment, in our view.

UBSVIEW

With the worst likely over in China's local services competition, we believe Meituan is likely to enter a multi-year earnings recovery phase. While near-term recovery could be non-linear, we think Meituan has greater flexibility to selectively invest in high-quality users and orders, before translating its stronger consolidated position into greater pricing power and margins, underpinning its long-term profit upside potential. We forecast Meituan's CLC OP to recover toward the pre-competition level of Rmb55bn in 2028, assuming food delivery UE of Rmb1.2 per order (Rmb1.5 in 2024) and a 30% in-store margin (45% in 2022).

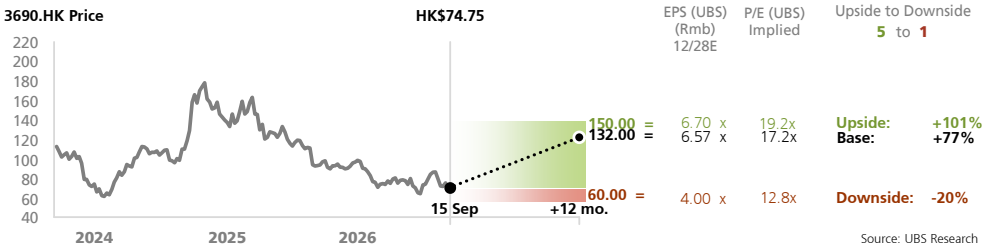
EVIDENCE

Despite industry competition, our channel checks indicate Meituan's structural UE advantage is sustainable, supported by: 1) market share: a steady 70% GTV share in orders over Rmb30, its core profitable segment; 2) the more UE-efficient PinHaoFan platform, which serves low-price demand and limits the drag from a greater mix of price-sensitive users; 3) consumers: a better user mix with stronger loyalty, allowing greater subsidy discipline; 4) fulfilment: higher order density supporting delivery efficiency; and 5) merchants: stronger monetisation potential through its higher Small and Medium Business (SMB) merchant mix and advertising ecosystem.

WHAT´S PRICED IN?

With Meituan's share price largely returning to its pre-Q226 result level despite the beat (see our Q226 result note), we believe investors still seem sceptical about the speed and durability of its potential margin recovery. At 10x 2028E PE (versus e-commerce at 8x with muted growth), we think consensus may not be fully appreciating Meituan's multi-year margin recovery and long-term margins. Our assumptions of Rmb1.2 for food delivery UE and a 29% in-store margin are above Visible Alpha consensus of Rmb0.9 and 27% for 2028, respectively. As competition rationalises and earnings visibility improves, we see scope for earnings upgrades and a multiple re-rating, particularly if food delivery UE and in-store margins recover faster than consensus expects.

UPSIDE/DOWNSIDE SPECTRUM



Value drivers (2028E)	Food delivery UE (Rmb)	In-store, hotel and travel OP margin
HK$150.00 upside	1.3	30.0%
HK$132.00 base	1.2	28.5%
HK$60.00 downside	1.0	27.0%

Source: UBS estimates

COMPANY DESCRIPTION

Meituan is a food-centric "retail + technology" company, with two core services: 1) local search: users can find local services through personalised search results and comprehensive reviews; and 2) O2O transactions: users can order on-demand delivery from nearby restaurants/merchants.

PIVOTAL QUESTIONS

Q: Where are we in the local service competitive landscape?

UBSVIEW

The worst is likely over. We believe competition across China's quick commerce and in-store markets are approaching an inflection point, shifting from subsidy-led share acquisition toward ROI and operating efficiency. Importantly, Meituan's expectation for lower food delivery UE and in-store margins in H226 does not change our view. We expect the recovery to be non-linear as Meituan selectively invests to recapture high-quality users and orders. As peers become more disciplined, we believe Meituan has greater flexibility to move from defending its market share toward selectively investing to consolidate its leadership, before translating a stronger competitive position into pricing power and margin recovery.

EVIDENCE

Evidence of rationalising competition is broad-based, with: 1) moderating volume growth in the quick commerce sector; 2) a shift toward a higher AOV and non-food segments; and 3) increasingly targeted subsidies for high-value users. This trend towards more rational competition should continue due to: 1) regulations raising the cost of irrational competition (e.g. anti-involution, food safety and rider protection); and 2) BABA's and ByteDance's capital allocation is becoming more ROI-focused, with resources redirected to capital-intensive AI investment.

WHAT'S PRICED IN?

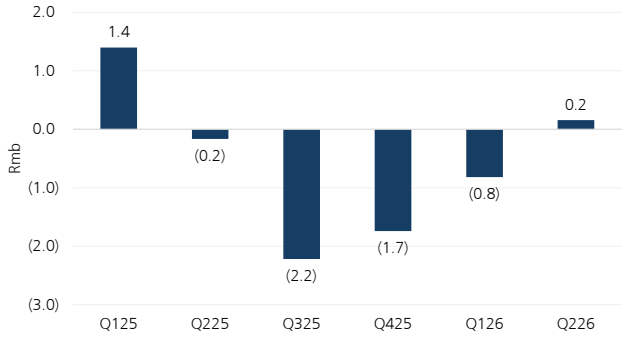
With Meituan's share price largely returning to the pre-Q226 result level despite the beat, we believe investors are likely still sceptical about the speed and durability of the potential margin recovery, alongside concerns about its lower H2 margin expectations. In our view, the next stage of the debate is whether Meituan's near-term investment can translate a stronger competitive positioning into sustainable UE and margin recovery. As this earnings conversion becomes more visible, we see potential for positive earnings revisions and a re-rating.

Competition: The worst is likely over

Clear signs of troughing competition. We believe competition in China's local services market is approaching an inflection point, with the industry's most intense phase of subsidy-driven competition likely behind us. While Meituan expects food delivery unit economics (UE) and in-store margins to decline sequentially in H226 versus Q226, we do not view this as evidence that competitive intensity is moderating more slowly than the street expected.

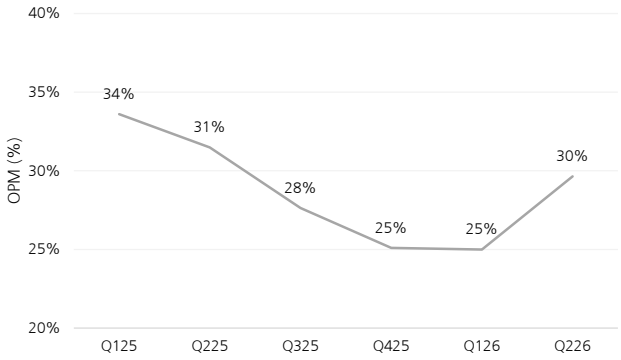
Instead, we believe Meituan is regaining pricing power across both quick commerce and in-store businesses, and increasingly setting the pace of competition. It seeks to recapture consumer mindshare while maintaining profitability, at a time when competitors appear to be scaling back aggressive investment. We see growing evidence of competitive normalisation across users, orders, riders and merchants, while regulatory intervention and competitors' increasing focus on ROI give us greater confidence that the improvement is sustainable.

Figure 1: Meituan's food delivery UE is troughing



Source: Company data

Figure 2: Meituan's in-store OPM improved in Q226

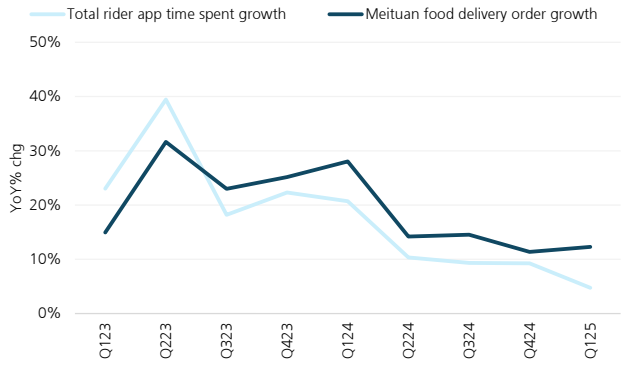


Source: Company data

Growing evidence of easing competition. Our channel checks with third-party local services agencies and merchants, together with our analysis of user, rider and merchant app activity, point to an increasingly rational competitive environment. Importantly, the improvement is broad-based rather than confined to a single KPI, with signs of normalisation across order growth, market share, rider behaviour and merchant engagement.

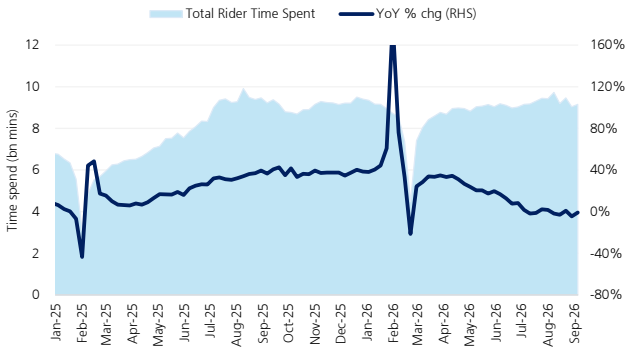
Quick commerce: 1) Growth: We believe industry order growth is moderating as subsidy intensity normalises and platforms move away from low-AOV, heavily subsidised orders toward higher-quality growth. 2) Share: Meituan is regaining volume share to over 50%, with BABA at low-40% and JD at a mid-single-digit percentage. Mgmt highlighted that this was achieved without compromising Meituan's leadership in high-value orders, with its GTV share for orders above Rmb30 remaining over 70%. 3) Riders: Reduced rider overlap between platforms suggests less aggressive competition for fulfilment capacity, which we believe could help moderate unit rider costs. 4) Merchants: Meituan's improving share of merchant app engagement suggests merchants are gradually reallocating operating attention back to Meituan, providing an early indication of normalisation in merchant competition.

Figure 3: Sector growth – total rider app time spent as a proxy for Meituan's food delivery order growth



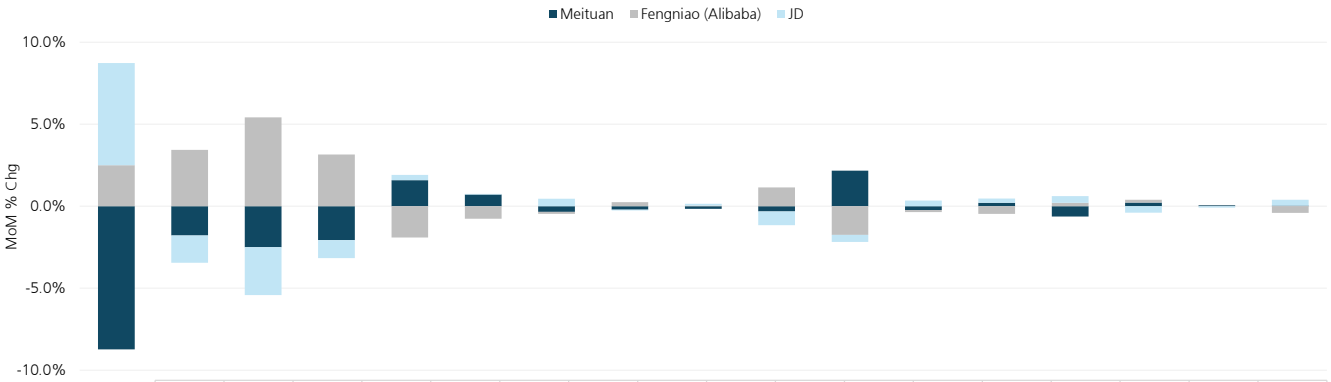
Source: Company data, QuestMobile, UBS. Note: Quick commerce rider apps include Meituan Rider (1P & 3P), Fengniao Rider (1P & 3P) and JD Instant Delivery Rider.

Figure 4: Sector growth – YoY growth in total rider app time spent has been moderating



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.

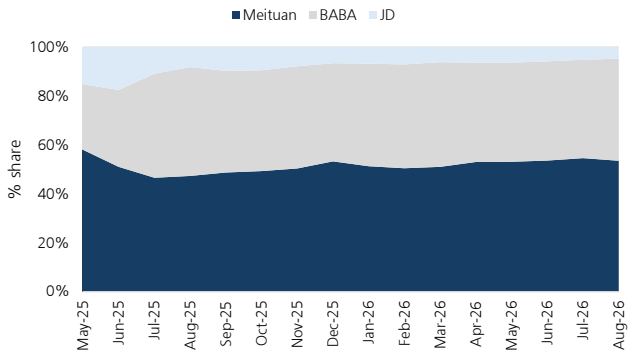
Figure 5: Total rider app time spent MoM % change – Meituan has been regaining share



	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
JD	6.2%	-1.7%	-2.9%	-1.1%	0.3%	0.0%	0.5%	0.0%	0.1%	-0.8%	-0.4%	0.3%	0.3%	0.4%	-0.4%	-0.1%	0.4%
Fengniao (Alibaba)	2.5%	3.4%	5.4%	3.2%	-1.9%	-0.8%	-0.1%	0.3%	0.0%	1.2%	-1.7%	-0.1%	-0.5%	0.2%	0.2%	0.0%	-0.4%
Meituan	-8.7%	-1.8%	-2.5%	-2.1%	1.6%	0.7%	-0.3%	-0.2%	-0.2%	-0.3%	2.2%	-0.2%	0.2%	-0.6%	0.2%	0.1%	0.0%

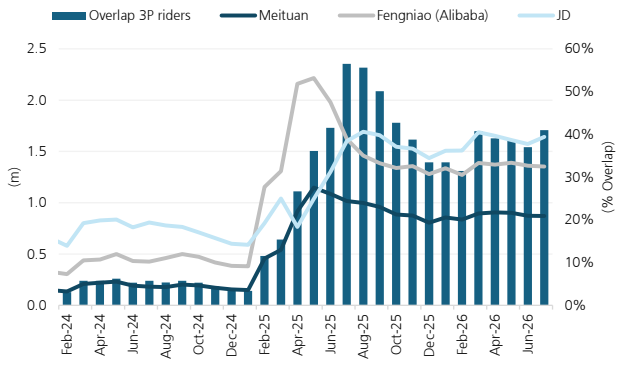
Source: QuestMobile, UBS. Note: Quick commerce rider apps include Meituan Rider (1P & 3P), Fengniao Rider (1P & 3P) and JD Instant Delivery Rider. Data as of 6 Sep 2026. Sep results reflect MTD performance through 6 Sep.

Figure 6: Food delivery volume market share



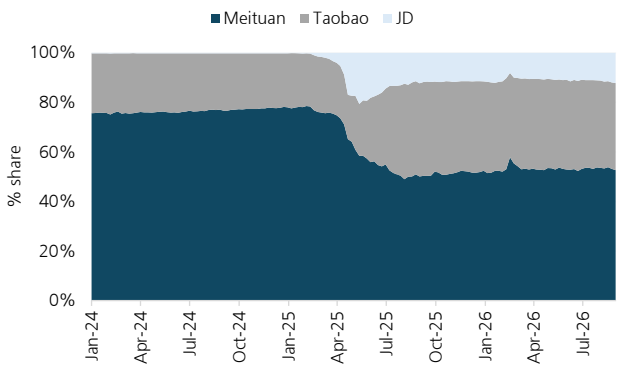
Source: Channel checks, UBS estimates

Figure 7: Rider – overlap has been declining, with Meituan's ratio being the lowest



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 8: Merchant – time spent is slightly shifting towards Meituan

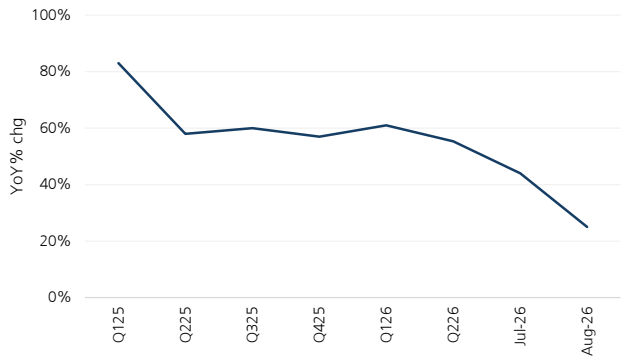


Source: QuestMobile, UBS. Note: Quick commerce merchant apps refer to Meituan Merchant, Taobao Instant Commerce Merchant and Retail Merchant, and JD Instant Delivery Merchant. Data as of 6 Sep 2026.

In-store: 1) Growth and market share: Our channel checks indicate Douyin's in-store GTV growth moderated to 44% in July, compared with 55%/60% in Q2/Q1. On a

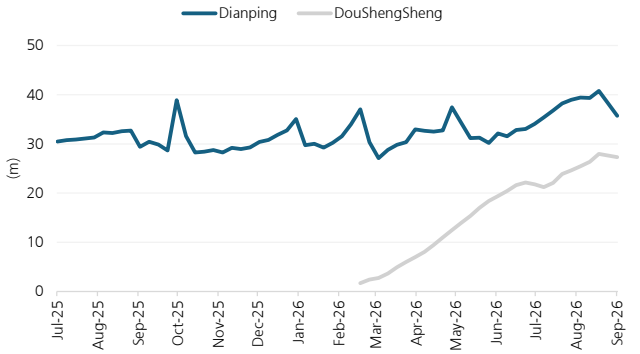
validated GTV basis, Meituan/Douyin should have maintained a 60%/40% market share. 2) User: DAU growth at Douyin's standalone DouShengSheng app has moderated following the initial rapid ramp-up after launch. DAU reached 28m in August, while the gap with Meituan Dianping has remained broadly stable. 3) Merchants: Since the acceleration of monetisation at Douyin and DouShengSheng in July, Douyin's merchant DAU and its share of merchant time spent have shown signs of moderation, reversing the prior uptick trend. This could suggest merchants are refining their operations, potentially favouring Meituan as a platform for more sustainable growth. In terms of merchant time spent, after an increase in Douyin's share following the launch of DouShengSheng in February 2026, it has seen signs of stabilising since July amid accelerating monetisation.

Figure 9: Douyin's local service GTV growth is slowing



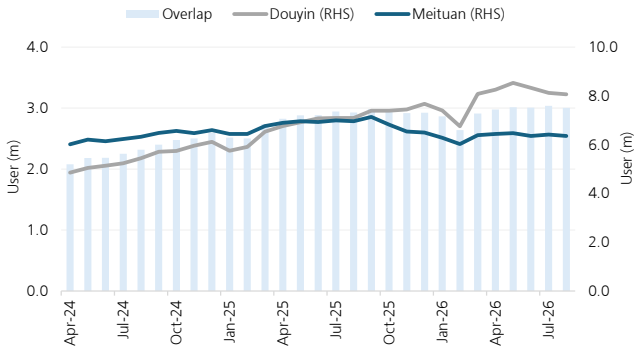
Source: Channel checks, UBS estimates

Figure 10: DouShengSheng's DAU growth has been moderating since end-Q226



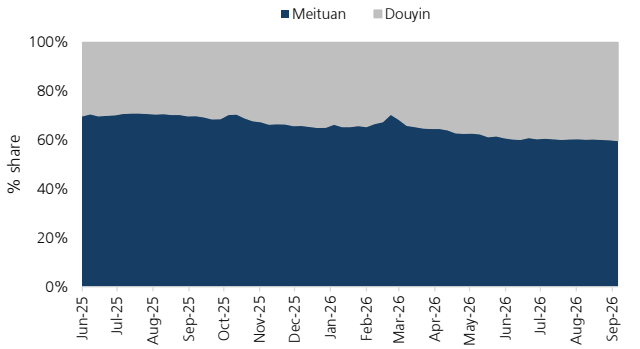
Source: QuestMobile. Note: Data as of 6 Sep 2026.

Figure 11: Merchant – DAU and overlap between Meituan and Douyin



Source: QuestMobile, UBS

Figure 12: Merchant – time spent share has been stabilising since end-Q226



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

What could support a sustained rationalisation of competition?

1) Regulation raises the cost of irrational competition: With China's regulators increasing their focus on anti-involution, food safety and rider protection, supported by the new policies from SAMR and MOHRSS, we expect these measures to gradually curb aggressive discounting and subsidy-driven competition, while encouraging healthier and more sustainable development of the sector. At the same time, higher compliance requirements could raise operating costs across the industry, potentially favouring operators with superior scale and operating efficiency that are better positioned to absorb these incremental costs, such as Meituan, in our view.

Figure 13: Summary of quick-commerce-related regulations

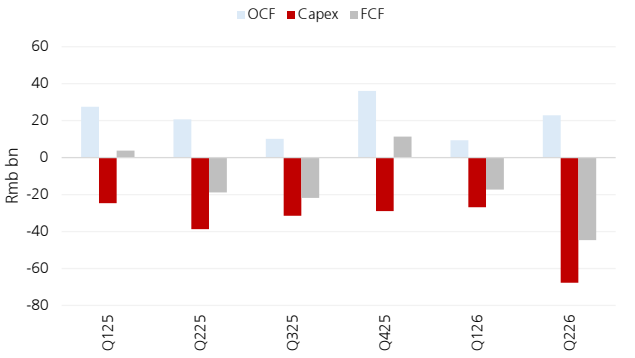
Effective date	Key focus	Regulatory measures/guidelines	Regulator	Details
Jul-22	Rider protection	Occupational injury protection for workers in new forms of employment	Ministry of Human Resources and Social Security (MOHRSS)	Pilot rider injury insurance coverage for 7 provinces
May-25	Competitive behaviour	First regulatory summon on food delivery platforms	State Administration for Market Regulation (SAMR)	To rectify aggressive promotional practices and to engage in rational competition, promoting sound growth of the platform economy
Jul-25	Rider protection	Occupational injury protection for workers in new forms of employment	MOHRSS	Expanded pilot to 10 more provinces
Jul-25	Competitive behaviour	Second regulatory summon on food delivery platforms	SAMR	To rectify certain aggressive promotional practices, promoting healthy and sustainable development of the catering and service sector
Aug-25	Take rate	Guidelines for online transaction platforms' compliance in charging fees	SAMR	Transparent and reasonable merchant charges
Oct-25	Competitive behaviour	Anti-Unfair Competition Law	Standing Committee of the National People's Congress	Revision to prohibit platforms from forcing merchants to sell below cost and fake transactions
Dec-25	Competitive behaviour	Basic Requirements for Service Management of Food Delivery Platform	SAMR, Standardization Administration of China (SAC)	Established guideline on merchant rights, rider protection and platform fees
Apr-26	Take rate	Rules on Pricing Practices for Online Platforms	National Development and Reform Commission (NDRC), SAMR, and Cyberspace Administration of China (CAC)	To protect merchant profitability
Jun-26	Food safety	Provision on supervision and administration of food safety responsibilities of online catering service	SAMR	Required licensing and hygiene standards for merchants on platforms
Jun-26	Competitive behaviour	Ten rules on regulating subsidy practices of food delivery platform (Draft)	SAMR	To restrict excessive subsidies and compulsory merchant participation
Jul-26	Rider protection	Occupational injury protection for workers in new forms of employment	MOHRSS	Nationwide rollout; Platforms to bear Rmb0.07/order injury insurance for riders

Source: State Administration for Market Regulation (SAMR)), Ministry of Human Resources and Social Security (MOHRSS), National People's Congress Standing Committee (NPCSC), UBS

2) Competitors' strategic priorities are shifting toward ROI: With BABA and ByteDance stepping up investment in capital-intensive AI initiatives, we see increasing capital-allocation discipline across their existing businesses, particularly in lower-ROI areas such as quick commerce and local services. At the same time, we believe macro headwinds facing their core e-commerce and advertising businesses could constrain operating cash flow generation, further increasing the pressure to improve efficiency and accelerate loss reduction in lower-return businesses.

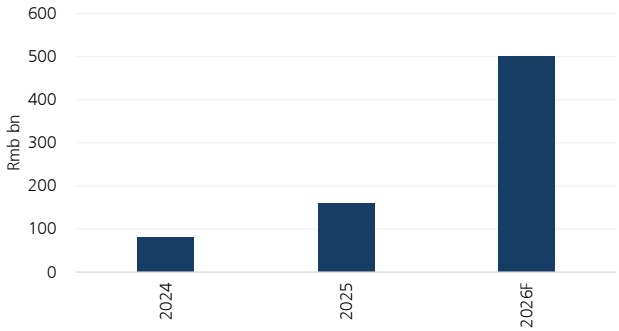
To put things into perspective, Meituan, BABA and JD invested a total of about Rmb1.4bn in quick commerce in 2025. If we assume China's quick commerce market would grow to Rmb1.5trn in the long term, representing 10% of China's e-commerce market, and the CR3 would capture 80% of the market share, profits would be approximately Rmb30bn, based on a 2.5% OP/GTV margin (upside scenario). This would account for only about 10% of the CR3's aggregate profits. Considering the 3-year payback of AI capex per BABA, it stands to reason that AI investment is of higher ROI and a higher priority for BABA and ByteDance.

Figure 14: BABA's widening FCF outflows



Source: Company data, UBS

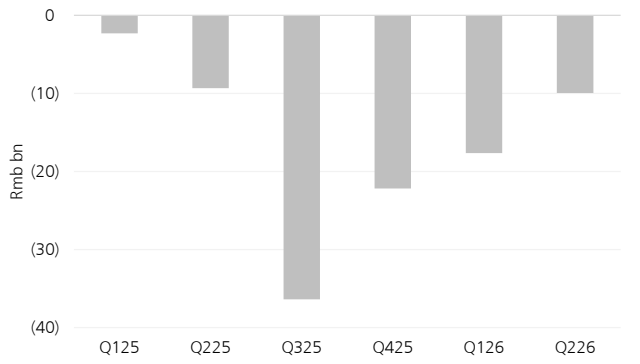
Figure 15: ByteDance's aggressive capex expansion



Source: Company data, Bloomberg, UBS

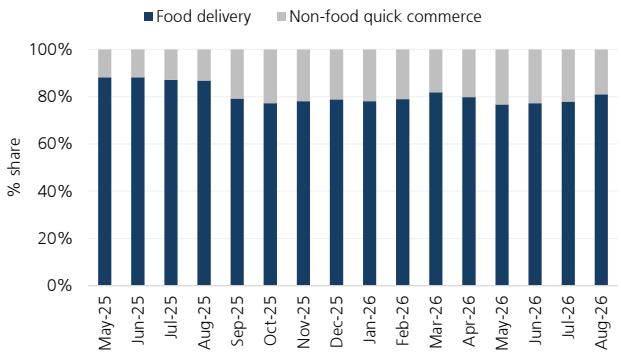
- **BABA: A more ROI-focused quick commerce strategy**. i) Improving the order mix towards higher AOV and non-food categories; ii) expanding into broader on-demand delivery scenarios (e.g. 4-hour delivery), which should support better delivery economics; and iii) adopting a more targeted subsidy strategy focused on high-value 88VIP members, where stronger user loyalty and cross-selling potential should support better ROI.

Figure 16: BABA's quarterly quick commerce EBITA loss is narrowing



Source: Company data, UBS

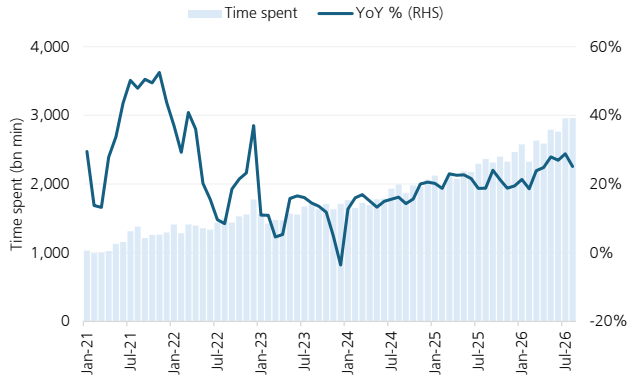
Figure 17: BABA's non-food quick commerce order mix has been expanding



Source: Channel checks, UBS estimates

- **ByteDance: Shift towards profitable growth and monetisation.** This is against a backdrop of consumer fatigue with continuous promotions and Douyin's moderating traffic growth, with already-high (over 90%) penetration in local service content. Key measures include: i) commission rate hikes, starting 1 July, with potential for further increases and expansion to more categories in Q4E; ii) more ROI-focused rebates, prioritising merchants with greater ad potential, such as key accounts (KAs) and higher-margin sub-segments (i.e. auto and home services); iii) greater monetisation of incremental traffic channels, including DouShengSheng (introduced commission in July, and reduced Douyin's direct traffic support) and AI assistant Doubao (carrying higher commission given stronger conversion with direct user intent); and iv) optimising subsidies, shifting away from broad-based ToC discounts to UGC content support.

Figure 18: Douyin's total time spent growth has been moderating gradually



Source: QuestMobile, UBS

Figure 19: Douyin's local service commission rate hike in July 2026

	Prior	Jul-26	Change
In-store catering			
Regular meals	3.5-4%	5.6%	2.1-1.6%
Buffet	2.5%	4.0%	1.5%
Beverages	3.5%	5.5%	1.5%
In-store entertainment			
Beauty	5.0-6.0%	7.0%	1.0-2.0%
Massage	5.5%	7.0%	1.5%
Auto	5.0%	8.0%	1.5%
Home services	4.5%	5.5-6.5%	1.0-2.0%
Hotel & travel			
Hotel	4.5%	8.0%	1.5%
Attractions	3.0%	4.0%	1.5%

Source: Channel checks, UBS estimates

Meituan strategy: Offensive today, stronger moat tomorrow

Near term: Seizing the competitive window to regain consumer mindshare. As competitors become increasingly disciplined in their investments, we believe Meituan has greater flexibility to lean into targeted investment while preserving profitability. We think this creates an opportunity for Meituan to recapture high-quality users and orders at a time when peers may have less appetite to respond aggressively. By doing so, the company could potentially prolong competitive pressure on peers, sustain their losses and raise barriers to re-entry in the future.

Medium term: Convert market share recovery into pricing power and margins. As we expect peers to face a progressively higher hurdle to regain users, merchants and

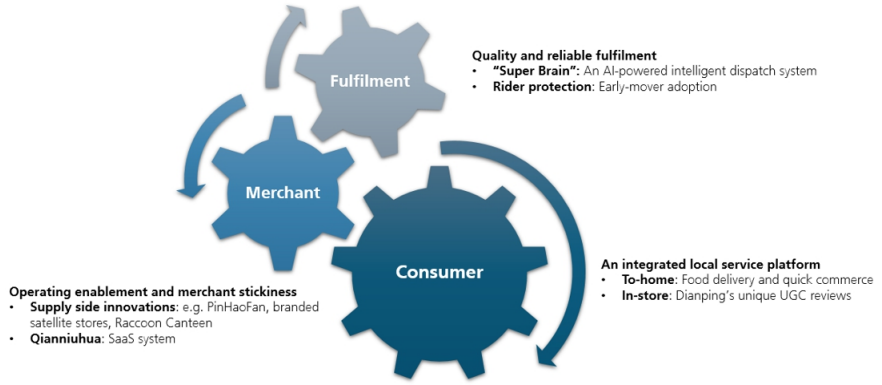
order density, Meituan should have greater scope to normalise investment intensity, improve monetisation and translate its consolidated market leadership position into higher UE and margins.

Competition outlook: From capital- to efficiency-driven

Looking ahead, we expect competition across China's local services sector to increasingly shift from scale and market-share acquisition towards operating efficiency, service quality and supply-chain innovation. We believe this transition should play to Meituan's core strengths in scale, operational execution and its integrated local services ecosystem.

In our view, Meituan's competitive moat is increasingly underpinned by three mutually reinforcing capabilities across merchants, fulfilment and users, creating a virtuous flywheel.

Figure 20: Meituan's user-fulfilment-merchant flywheel



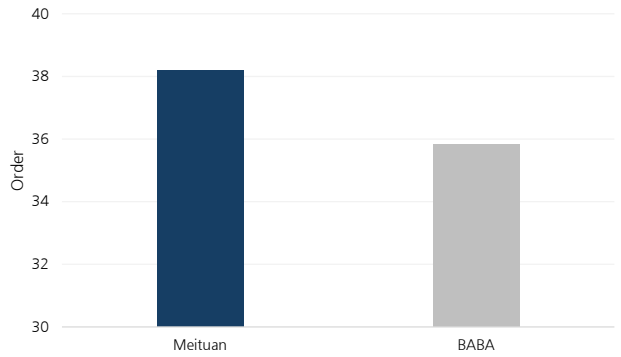
Source: Company data, UBS

1) Merchant: Supply-side innovations and operating enablement. Beyond digitising local-services transactions, Meituan is moving deeper into the supply chain by developing new formats tailored to different consumption scenarios and embedding itself into merchants' day-to-day operations through digital tools and the Qianniuhua SaaS system. The system connects online and offline operations across multiple channels, integrating with merchants' operations, particularly through Meituan's local consumer and geographic data, to support SKU selection, pricing, promotion targeting and replenishment. We believe this enhances Meituan's ability to match supply and demand in quick commerce more effectively than other platforms. Overall, these initiatives streamline merchant operations while improving ROI and efficiency, which should create a supply-side moat that is increasingly difficult for competitors to replicate, in our view.

In food delivery, these include PinHaoFan (a more UE-efficient approach to serving low-price demand), ShenQiangShou (repeat purchases for brands), branded satellite stores (delivery-focused outlets for brands) and Raccoon Kitchen (a shared centralised kitchen infrastructure model for multiple food-delivery brands). In non-food quick commerce, Meituan is similarly deepening supply through InstaMart, branded flagship InstaMart and self-operated 1P formats (e.g. Waima Songjiu, Songshu Convenience Stores and Xiaoxiang Supermarket).

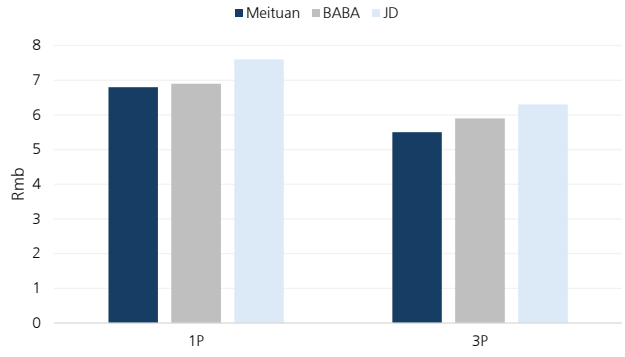
2) Fulfilment: Super Brain and density reinforce network efficiency. Meituan combines a dense on-demand delivery network with its AI-powered intelligent dispatch system, Super Brain, to optimise order-courier matching and route planning, supporting faster and more reliable fulfilment. As the network expands from food into non-food categories, we believe a more evenly distributed order profile across the day should improve 1P rider utilisation and lower unit fulfilment costs, potentially further reinforcing Meituan's scale advantage.

Figure 21: Average daily order volume per 1P rider (QTD)



Source: UBS estimates

Figure 22: Unit rider cost by platform – Meituan leads on rider cost efficiency



Source: UBS estimates. Note: Data as of Aug 2026.

3) User: An integrated local service platform. Meituan's ecosystem consists of: i) the Meituan app, covering a broad range of to-home scenarios, from food delivery to non-food quick commerce; and ii) the Dianping app, which provides integrated local-services functionality and authentic UGC reviews. Its integrated ecosystem enables the platform to cross-sell users from higher-frequency food delivery to lower-frequency non-food and in-store services. From our channel checks, the cross-selling ratio between quick commerce and in-store services has reached 60%, with room for further penetration.

PIVOTAL QUESTIONS

Q: Can Meituan's core local commerce (CLC) profit return to the pre-competition level?

UBSVIEW

Yes. We forecast CLC's OP to recover to around the pre-competition level of Rmb55bn in 2028, despite structurally lower normalised margins. We estimate 2028 food-delivery unit economics (UE) of Rmb1.2/order (Rmb1.5 in 2024) and a 30% in-store margin (45% in 2022). We believe this is driven by: 1) sustained growth across the under-penetrated quick commerce and in-store segments, expanding the earnings base; and 2) Meituan's structural UE advantage, underpinned by its consumer-rider-merchant flywheel, which is likely difficult to replicate. This might prompt peers to further optimize their quick commerce businesses.

EVIDENCE

Despite industry competition, our channel checks indicate Meituan has retained a steady 70% GTV share in orders over Rmb30, its core profitable segment. We believe PinHaoFan also provides a more UE-efficient way to serve lower-price demand, helping limit the drag from a greater mix of price-sensitive users. YTD, Meituan's UE recovery has tracked faster than peers, with this advantage supported by: 1) consumers: a better user mix with stronger loyalty, allowing greater subsidy discipline; 2) fulfilment: higher order density supporting delivery efficiency; and 3) merchants: stronger monetisation potential through its higher SMB merchant mix and advertising ecosystem.

WHAT'S PRICED IN?

At 10x 2028E PE, we think the street may be underestimating Meituan's long-term margin potential. Our assumptions of Rmb1.2/order for normalised food delivery UE and a 29% in-store margin are above Visible Alpha's consensus of Rmb0.9/order and 27% for 2028E, respectively. As competition rationalises and earnings visibility improves, we see scope for earnings upgrades and a multiple re-rating, particularly if food delivery UE and in-store margins recover faster than consensus expects.

What underpins our expectation for CLC's profit recovery?

We believe Meituan's CLC profit can recover toward the pre-competition level of Rmb55bn in 2028, despite the new competitive landscape. We estimate 2028 food delivery UE of Rmb1.2/order (Rmb1.5 in 2024) and a 29% in-store margin (45% in 2022). While both are below historical peak levels, we expect a larger addressable market and higher transaction base to largely offset the margin dilution.

Growth: An under-penetrated local services sector

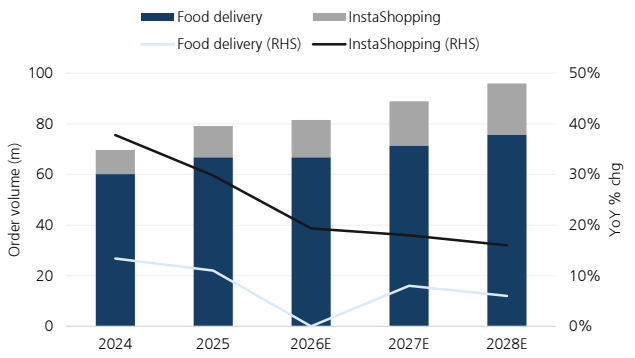
Quick commerce: 1) Food delivery: Normalising to mid- to high-single-digit order growth. After the inflated growth temporarily boosted by elevated subsidies, we forecast Meituan's normalised order growth at a mid- to high-single-digit percentage. For 2026, we forecast Meituan's average daily orders to be around 67m, equivalent to a monthly frequency of five orders per MAU. Despite food delivery's relative maturity, with online GTV penetration of China's catering industry approaching 30%, we see further room to increase purchase frequency as Meituan broadens consumption occasions, price points and user engagement. Management has reiterated its long-term target for an average daily order volume of 100m.

2) Non-food quick commerce: An additional growth layer. Given lower penetration at 6%, we see more significant GTV growth potential in InstaShopping owing to its larger retail TAM. We expect an 18% CAGR over 2026E-28, with online penetration increasing from 6% to 7%. GTV growth should be supported by a broader assortment of non-food categories, deeper instant-retail supply and continued consumer adoption of on-

demand delivery beyond food delivery.

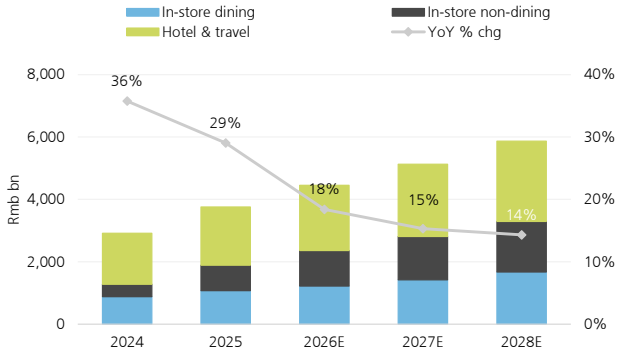
In-store: We expect the TAM of in-store, hotel and travel services to increase from Rmb29trn in 2026 to Rmb34trn in 2028, representing a 9% CAGR. This implies an increase in online penetration expansion from 15% to 17% in 2028E, representing ample growth upside potential for the overall in-store industry compared with China's e-commerce online penetration of 35%. By segment, we believe the in-store entertainment segment (e.g. massage, beauty and entertainment) has the strongest GTV growth potential, given the low single-digit online penetration in a highly fragmented market. We forecast Meituan's in-store, hotel and travel revenue to grow at a 7% CAGR over 2026-28.

Figure 23: Food delivery/InstaShopping's average daily volume CAGR at 7%/17% over 2026-28E



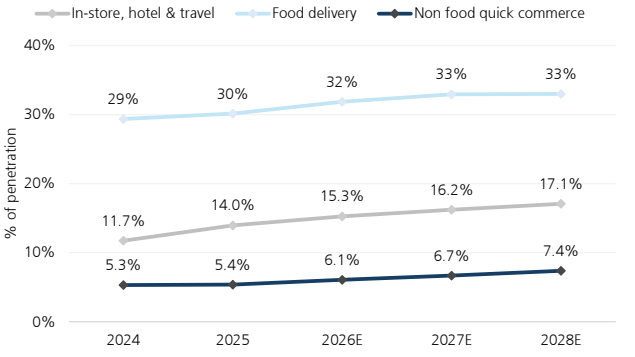
Source: Company data, Channel checks, UBS estimates

Figure 24: We forecast online in-store, hotel and travel TAM to grow at a 15% CAGR over 2026E-28E



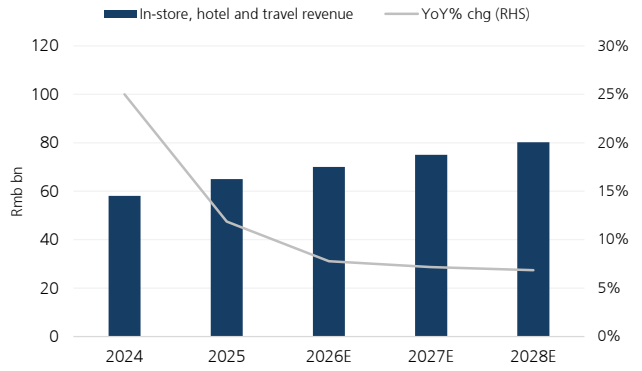
Source: NBS, Euromonitor, UBS estimates

Figure 25: Online penetration of China's local service and quick commerce sector



Source: NBS, EuroMonitor, UBS estimates

Figure 26: Meituan's in-store, hotel and travel revenue is likely to grow at a 7% CAGR over 2026-28E



Source: Company data, UBS estimates

Margins: How will Meituan sustain a superior UE?

Quick commerce: Anticipated normalised UE at Rmb1.2

Food delivery: We forecast long-term UE to return to Rmb1.2/order (Rmb1.5 in 2024), higher than the street's expectation of Rmb1.0/order. While management previously indicated a long-term target of Rmb1/order in the Q225 result call, we believe Meituan can strike a balance between volume growth and UE without compromising the overall profit pool, demonstrating its solid earnings elasticity.

Our Rmb1.2/order long-term UE forecast is based on our assumptions for: **1)** lower AOV and higher unit subsidies, given a greater mix of price-sensitive demand post competition, despite a muted impact on blended UE as PinHaoFan is UE-efficient; **2)** lower commission monetisation, partly offset by improved advertising efficiency; and

3) broadly stable unit fulfilment costs, as incremental rider compliance costs are largely mitigated by scale and network efficiency.

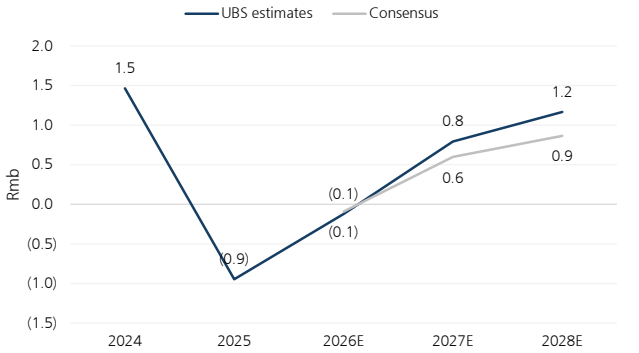
Non-food quick commerce: While InstaShopping is currently loss-making, we see higher UE potential than food delivery in the long term. This is underpinned by: 1) higher AOV of Rmb75-80 (versus food delivery's Rmb45-50); 2) higher ad potential, driven by a greater mix of branded merchants; and 3) potential fulfilment synergies from better rider utilisation through a shared network.

Figure 27: Meituan's food delivery normalised UE forecasts

	(Rmb)		% of AOV	
	2024	**2028E**	**2024**	**2028E**
AOV	46.8	46.5	100.0%	100.0%
Unit revenue	**7.6**	**7.4**	**16.3%**	**16.0%**
Commission	2.2	2.0	4.8%	4.3%
Delivery fee	4.5	4.5	9.6%	9.7%
Ad	0.9	0.9	1.9%	2.0%
Unit rider cost	(4.5)	(4.6)	-9.7%	-9.9%
Unit subsidy	(1.0)	(1.1)	-2.1%	-2.3%
Unit other cost	(0.6)	(0.5)	-1.3%	-1.1%
UE	**1.5**	**1.2**	**3.1%**	**2.7%**

Source: Company data, UBS estimates

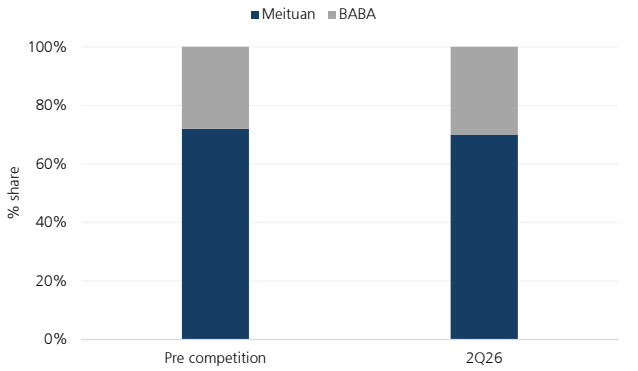
Figure 28: Food delivery UE – our estimates vs. Visible Alpha consensus



Source: Company data, Visible Alpha, UBS estimates

1) Market share: Meituan has retained a dominant share of profitable demand. While competition has structurally increased following the entry of BABA and JD, we do not believe this necessarily implies a structurally lower UE for Meituan. Our channel checks suggest Meituan has retained a roughly 70% GTV share in food delivery orders with net AOV above Rmb30 (the profitable segment), comparable with its roughly 75% blended GTV share before the price war. For low-price orders, Meituan operates them through PinHaoFan, a group-buying model that is largely breakeven at the UE level based on our channel checks, supporting its UE resilience.

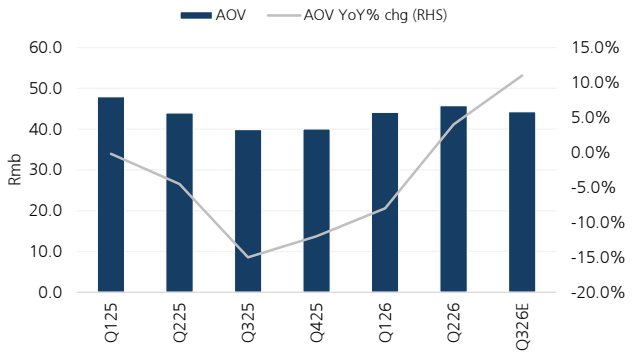
Figure 29: Meituan's share has been sustained in high-AOV orders, according to our channel checks



Source: Channel checks, UBS estimates

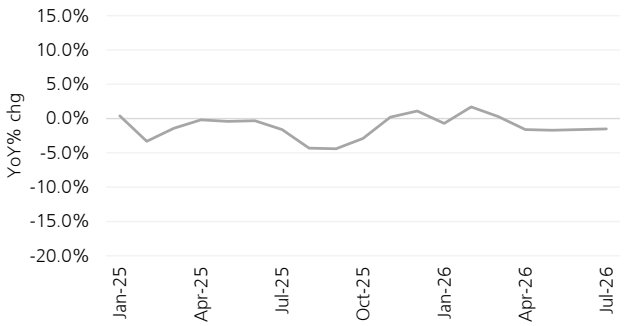
2) Consumers: A better user and order mix supports higher AOV and lower subsidy intensity. Meituan's stronger consumer mindshare and loyalty should help preserve a more favourable order mix, reducing the amount of subsidies required to retain higher-value demand. Management has highlighted improving AOV and purchase frequency among medium- to high-frequency users during the competitive period. We believe this demonstrates Meituan's greater flexibility in optimising subsidies without sacrificing higher-value demand. In addition, Meituan's AOV recovery has outpaced food CPI YTD, suggesting that the recovery reflects not only food price inflation but also an improving user/order mix.

Figure 30: Meituan's AOV recovered rapidly following the competitive period



Source: Company data, UBS estimates

Figure 31: China's food CPI



Source: NBS

3) Riders: Scale supports structurally lower unit fulfilment costs. As industry subsidies normalise, Meituan's order volume should remain more resilient than peers. With that, Meituan's larger order base should support higher rider utilisation and fulfilment efficiency, preserving a structural cost advantage. We expect this scale advantage to largely absorb incremental rider welfare and compliance costs, including social and occupational-injury protection, leaving normalised unit fulfilment costs broadly stable.

4) Merchants: Differentiated merchant mix and platform value supporting higher take rates. i) Merchant mix: According to our channel checks, Meituan has a 10% higher SMB mix than peers, which carries higher take rates than key accounts. ii) Ad efficiency: Together with more efficient traffic acquisition for merchants, more performance-based ads should also underpin higher overall ad take rates than peers, which rely more heavily on brand advertising from chain stores. Meituan is also enhancing its ad products with AI to further increase merchant ad penetration and ad load.

Figure 32: Meituan's take rates – SMB vs. chain stores (April 2026E)

Take rate	Commission	Ad	Total
SMB	6.0%	1.5%	**7.5%**
Chain stores	4.5%	2.2%	**6.7%**

Source: UBS estimates. Note: Data based on our channel checks.

Figure 33: Meituan's major ad products

Ad product	Launch date	Key features
CatPaw	Jul-26	AI workspace for merchant analytics, content generation and marketing execution
QuanZhanTui	Feb-26	AI-empowered ROI-based ad tareting SMBs
Smart Manager	Nov-25	AI operating assistant for in-store restaurant
XinDianBao	Dec-24 (Major update)	Ad tool for new merchants

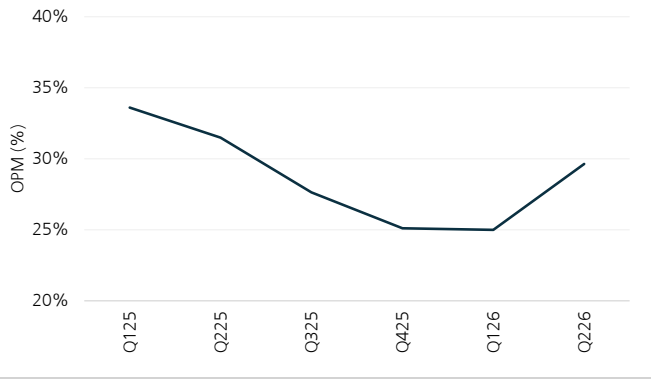
Source: Company data, UBS estimates

In-store: Meaningful margin elasticity

Meituan's in-store asset-light model, comprising of advertising and commission revenue, can translate revenue recovery relatively quickly into profit growth. As demonstrated in Q226, as Meituan did not engage in the price war with Douyin, its in-store margin returned to 30% (versus 25% in past quarters), reflecting its margin elasticity.

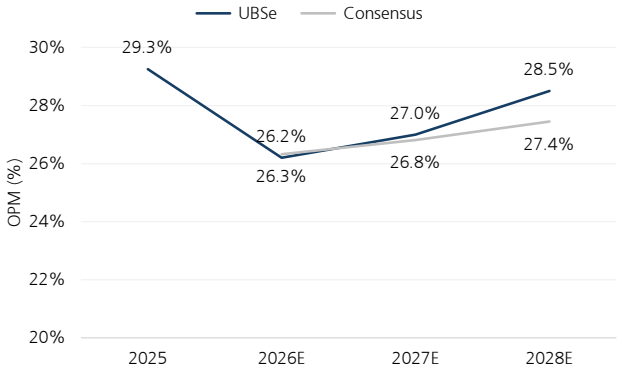
Looking ahead, we assume a 30% normalised in-store margin (versus consensus in the high-20% range), below the pre-competition peak. We believe the lower margin is better viewed as a trade-off between margin and expanding the addressable market rather than a structural deterioration in the underlying business. Meituan can serve a broader set of lower-value use cases and users, sacrificing some margin while expanding the absolute revenue and profit pool, and also preventing peers from capturing its market share.

Figure 34: Meituan's in-store OPM improved in Q226



Source: Company data, UBS

Figure 35: We expect Meituan's long-term in-store margin at 29% in 2028E



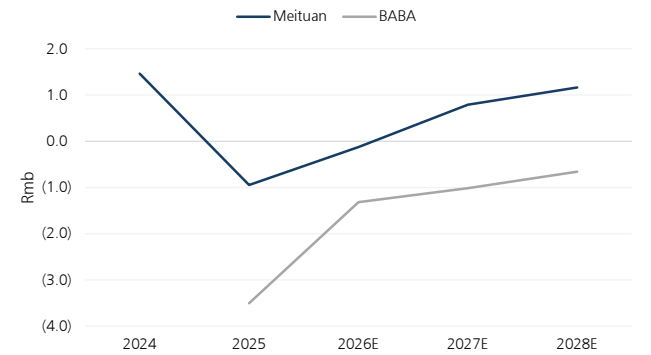
Source: Company data, Visible Alpha, UBS estimates

When will Meituan achieve its long-term profit potential?

A progressive recovery through 2027-28E. We estimate CLC profit to return to the pre-competition level of Rmb55bn in 2028. We expect the recovery to be progressive rather than a single-quarter step-up, with Q2 typically providing a favourable seasonal window for food delivery UE, with higher AOV and lower rider costs. We forecast 2027/2028E UE of Rmb0.8/Rmb1.2 per order.

BABA's profitability path as a cross-check. BABA's management expects its quick commerce segment to reach profitability in FY29 (year-end Mar-29). Assuming a steady UE gap of Rmb1.5/order between Meituan and BABA, this also aligns with our expectation of Meituan's UE of at least Rmb1.2/order in the long term.

Figure 36: Annual UE for Meituan and BABA



Source: Company data, UBS estimates

Figure 37: Meituan's key metrics

	(Rmb m)						YoY % chg				
	2023	2024	2025	2026E	2027E	2028E	2024	2025	2026E	2027E	2028E
Revenue	**276,745**	**337,592**	**365,281**	**415,249**	**500,337**	**575,820**	**22%**	**8%**	**14%**	**20%**	**15%**
1) Core Local Commerce	**206,907**	**250,247**	**261,252**	**283,852**	**317,741**	**347,575**	**21%**	**4%**	**9%**	**12%**	**9%**
Food delivery	**142,183**	**166,674**	**162,182**	**172,507**	**193,117**	**207,893**	**17%**	**-3%**	**6%**	**12%**	**8%**
Average daily order volume (m)	*53*	60	67	67	71	76	13%	11%	0%	7%	6%
Insta Shopping	**18,262**	**25,494**	**34,093**	**41,321**	**49,585**	**59,502**	**40%**	**34%**	**21%**	**20%**	**20%**
Average daily order volume (m)	7	10	12	15	17	20	38%	30%	19%	18%	16%
In-store, hotel & travel	**46,462**	**58,079**	**64,977**	**70,025**	**75,040**	**80,180**	**25%**	**12%**	**8%**	**7%**	**7%**
GTV (Rmb bn)	653	882	1,093	1,183	1,315	1,441	35%	24%	8%	11%	10%
2) New initiatives	**69,838**	**87,344**	**104,029**	**131,396**	**182,596**	**228,245**	**25%**	**19%**	**26%**	**39%**	**25%**
Adj. OP	**18,532**	**45,142**	**(16,986)**	**4,991**	**35,165**	**50,591**	**144%**	**-138%**	**129%**	**n.m.**	**44%**
1) Core local commerce	**38,699**	**52,415**	**(6,904)**	**13,164**	**40,267**	**55,095**	**35%**	**-113%**	**n.m.**	**n.m.**	**37%**
Food delivery	22,870	32,143	(21,080)	(828)	21,642	32,244	41%	n.m.	96%	n.m.	49%
Insta Shopping	(337)	1,032	(2,831)	(2,155)	(636)	-	n.m.	n.m.	24%	71%	100%
In-store, hotel & travel	16,166	19,240	19,007	18,347	20,261	22,851	19%	-1%	-3%	10%	13%
CLC investment	-	-	(2,000)	(2,200)	(1,000)	-	n/a	n/a	-10%	55%	100%
2) New initiatives	**(20,166)**	**(7,273)**	**(10,082)**	**(8,173)**	**(5,102)**	**(4,504)**	**64%**	**-39%**	**19%**	**38%**	**12%**
UE / OPM	**6.7%**	**13.4%**	**-4.7%**	**1.2%**	**7.0%**	**8.8%**	**6.7ppt**	**-18.0ppt**	**5.9ppt**	**5.8ppt**	**1.8ppt**
1) Core local commerce	**18.7%**	**20.9%**	**-2.6%**	**4.6%**	**12.7%**	**15.9%**	**2.2ppt**	**-23.6ppt**	**7.3ppt**	**8.0ppt**	**3.2ppt**
Food delivery (Rmb)	1.2	1.5	(0.9)	(0.1)	0.8	1.2	24%	n.m.	87%	n.m.	47%
Insta-shopping (Rmb)	(0.1)	0.3	(0.6)	(0.4)	(0.1)	-	n.m.	n.m.	36%	75%	100%
In-store, hotel & travel	34.8%	33.1%	29.3%	26.2%	27.0%	28.5%	-1.7ppt	-3.9ppt	-3.1ppt	0.8ppt	1.5ppt
2) New initiatives	**-28.9%**	**-8.3%**	**-9.7%**	**-6.2%**	**-2.8%**	**-2.0%**	**20.5ppt**	**-1.4ppt**	**3.5ppt**	**3.4ppt**	**0.8ppt**
Adj. NP	**23,253**	**43,772**	**(18,648)**	**(333)**	**27,524**	**41,533**	**88%**	**-143%**	**98%**	**n.m.**	**51%**
Adj. NPM	8.4%	13.0%	-5.1%	-0.1%	5.5%	7.2%	4.6ppt	-18.1ppt	5.0ppt	5.6ppt	1.7ppt

Source: Company data, UBS estimates

What could drive margin upsides?

We see three potential sources of upside beyond our normalised assumptions.

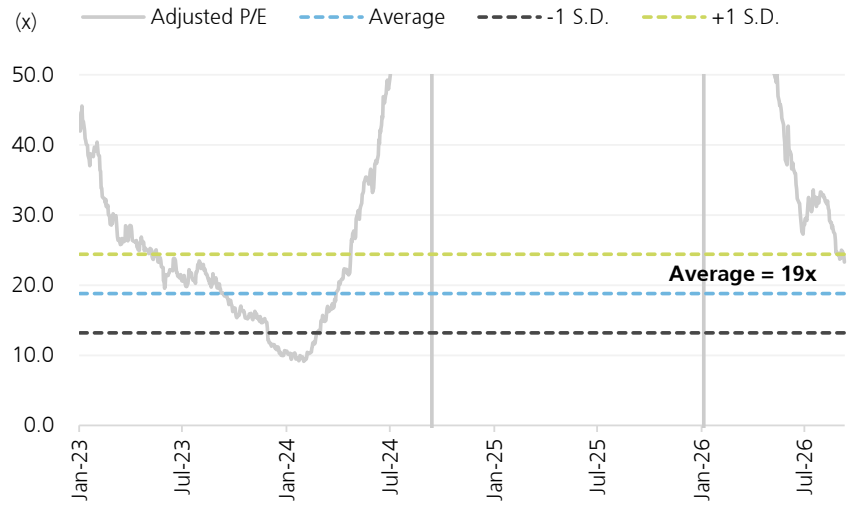
1) Supply-side innovations. New supply formats could improve merchant and platform economics by matching supply more closely with different consumption occasions, as well as unlocking efficiency gains along the catering supply chain. One example is Raccoon Kitchen, which has a shared centralised kitchen infrastructure model for multiple food-delivery brands. It was launched in July 2025, and has since demonstrated high AOVs and repurchase rates, and low unit fulfilment costs. We expect it to expand to 1,200 stores in 2028.

2) Improving economics from price-sensitive users. Meituan has rapidly acquired price-sensitive users amid the industry competition. Through PinHaoFan (a group-buying model accounting for 15-20% of the company's food delivery order volume), Meituan may have already approached UE breakeven for low-AOV orders. Looking ahead, as ASPs among price-sensitive consumers gradually improve (with early signs already emerging), this should provide further UE upside, in our view.

3) Consumption recovery. A stronger consumer environment could provide upside through higher food delivery AOV and stronger in-store merchant monetisation. An eventual consumption recovery should therefore provide incremental operating leverage.

WHAT'S PRICED IN?

Meituan is trading at HK$74.75 (as of 15 Sep 2026)



Source: Datastream, UBS estimates

Dual drivers from potential earnings growth and a multiple re-rating

Undemanding valuation, set for a re-rating. Meituan is currently trading at 10x 2028E PE on Rmb42bn adjusted net profit, which we expect to grow 51% YoY (versus a historical average high-teens PE at 20%-plus YoY growth). In our view, the current undemanding valuation implies a sizeable discount to Meituan's normalised earnings, reflecting concerns that the post-competition CLC margin structure may remain structurally impaired. We see scope for a multiple re-rating as competitive intensity moderates and Meituan demonstrates a more visible path toward normalised food delivery UE and in-store margins.

Solid, visible earnings growth. We forecast adjusted net profit to turn around from a marginal loss in 2026E to Rmb28bn/Rmb42bn in 2027E/2028E, supported by CLC margin normalisation and narrowing losses from new initiatives. More importantly, Meituan demonstrates meaningful margin elasticity, suggesting a potentially faster-than-expected profitability recovery as competition eases.

How to value Meituan?

Our SOTP-based price target of HK$132.00 comprises: 1) HK$77/share for quick commerce, assuming Rmb1.2/order of normalised UE on 90m orders, assuming a 10x PE multiple, reflecting a maturing market with Meituan's strong market leadership, balanced against a more competitive post-investment-cycle environment; 2) HK$47/share for in-store services, assuming a 12x PE multiple on 2027E in-store OP, supported by rapid growth in the under-penetrated local services market; 3) HK$10/share for Keeta, assuming a 15x PE multiple (at a discount vs overseas peers at low-20x PE) on normalised EBIT (4% OP margin on US$12bn GTV, assuming Keeta achieves a 20% market share in the Gulf Cooperation Council (GCC) region; 4) HK$20/share of net cash (as of Q226); and 5) a 20% holding discount, consistent with China internet peers as conglomerates.

Figure 39: Meituan's SOTP valuation

	Long-term unit OP (Rmb)	Daily order volume (m)	Segment OP (Rmb mn)	Applied EBIT multiple (x)	Equity value (Rmn mn)	Per share value (HK$)	% value	Valuation methodology
Food delivery	1.20	71	31,306	10	313,056	62	50%	10x P/E on normalized EBIT
InstaShopping	1.20	17	7,628	10	76,277	15	12%	10x P/E on normalized EBIT
Instore and hotel			20,261	12	243,128	48	39%	12x 2027E EBIT multiple
Keeta			3,360	15	50,400	10	8%	15x P/E on normalized EBIT
Net cash					101,560	20	16%	As of 2Q26
Holding discount					(156,884)	(31)	-25%	20% holding discount
Total (end-2026)					**627,537**	**124**		
Price target						**132**		

Source: Company data, UBS estimates

Our price target implies 10x PE on 2028E earnings. We believe a premium to China's internet peers is warranted by Meituan's higher structural growth runway in under-penetrated local services, visible multi-year monetisation and margin drivers, and defensible competitive advantages across consumers, merchants and fulfilment. At the same time, a 10x multiple remains below Meituan's historical average of mid-high teens PE, reflecting a structurally more competitive landscape and lower normalised margin profile than before the latest competitive cycle.

Upside optionality: Keeta and the investment portfolio

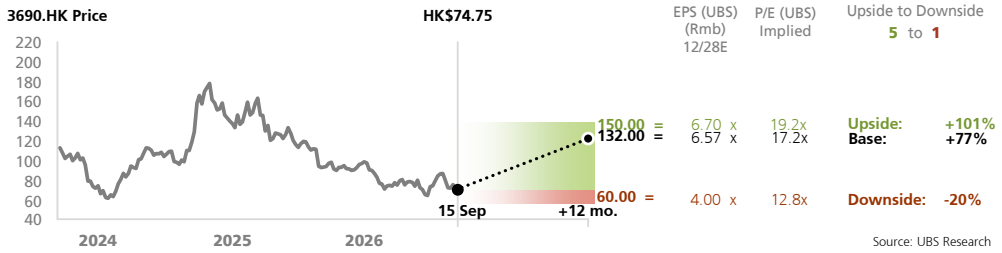
We see further optionality from value unlocking through Meituan's new initiatives: **1) Keeta**, its overseas quick-commerce initiative, launched in May 2023. In Q226, it reached profitability in Hong Kong and Saudi Arabia. Amid management's strategy to optimise operations in existing markets, we expect to see continued loss narrowing ahead. Longer term, assuming GCC/Brazil's quick-commerce market sizes of US$51bn/ Rmb41bn, and Keeta achieving a 20% market share, with OPM to GTV of 4%/3% (at a discount to existing peers), we anticipate roughly US$645m/Rmb4.6bn of operating profit attributable to Meituan, accounting for 8% of the group's CLC OP. **2) An investment portfolio**, which amounted to Rmb77bn as of Q226, available for divestment for potential shareholder returns (see our Q226 result note).

Figure 40: Keeta's operating profit estimates (2028E)

(US$ bn)	GCC region	Brazil
Market size		
Online food delivery	39	26
Grocery delivery	12	15
On-demand delivery	**51**	**41**
Keeta market share (UBSe)	20%	20%
Keeta GTV	**10.2**	**8.2**
OP margin to GTV	4%	3%
OP (US$ m)	**408**	**245**

Source: Euromonitor (GCC, Brazil market sizes), UBS estimates

UPSIDE/DOWNSIDE SPECTRUM



Meituan is trading at HK $74.75 (as of 15 Sep 2026).

Value drivers (2028E)	Food delivery UE (Rmb)	In-store, hotel and travel OP margin
HK$150.00 upside	1.3	30.0%
HK$132.00 base	1.2	28.5%
HK$60.00 downside	1.0	27.0%

Source: UBS estimates

Risk to the current share price is skewed (5:1) to the upside

UPSIDE (HK$150.00): With a faster-than-expected moderation in competition in both quick commerce and in-store businesses and an improving macro outlook, we assume Meituan's accelerating margin recovery, with food delivery UE of Rmb1.3/order and in-store, hotel and travel OPM of 30%. Losses from new initiatives would also narrow ahead of expectations, supported by Keeta's stronger UE efficiency. Our upside valuation implies 19x 2028E PE, close to its historical average PE.

BASE (HK$132.00): We expect food delivery UE of Rmb1.2/order, and in-store, hotel and travel OPM of 28.5% for 2028E. The margin recovery is likely to come amid a backdrop of easing competition in both sectors, providing room for an increase in Meituan's take rates. We forecast CLC OP to return to the pre-competition level of Rmb55bn in 2028, despite a structural change in the competitive landscape. We expect a Rmb5bn loss in new initiatives, supported by Keeta's optimising efficiency and ROI-focused expansion. Our SOTP-driven price target implies 17x 2028E PE, in line with its historical average forward PE.

DOWNSIDE (HK$60.00): We assume food delivery UE of Rmb1.0 per order and an in-store, hotel and travel OPM of 27%, as Meituan's investment in high-quality users and merchants is likely to remain elevated amid sustained intense competition in quick commerce and in-store services. Margin recovery would also face headwinds from soft macro conditions in China. For new initiatives, Keeta's UE optimisation would be pressured by more intense competition in the GCC region and Brazil. Our downside valuation implies 13x 2028E PE, 1SD below its historical average 12-month forward PE.

APAC Focus represents a curated selection of the best insights from Global Research APAC and showcases differentiated views and actionable ideas, based around unique evidence and key industry themes. It leverages the combined efforts of 130+ APAC analysts, and colleagues in other regions, to develop a broad and collaborative perspective. This research often leverages UBS proprietary assets, including UBS Evidence lab and Quant Answers, whilst utilizing new analytical approaches and identifying critical ESG themes.

To learn more about APAC Focus, visit UBS Neo.



Forecast returns

Forecast price appreciation	76.6%
Forecast dividend yield	0.0%
Forecast stock return	76.6%
Market return assumption	10.9%
Forecast excess return	65.7%

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?	