Meituan (3690 HK)

2Q26: Earnings Beat; Food Delivery Remains Profitable Amid 3Q26 Seasonal Pressure

Analyst(s)

Julia Pan
juliapan@uobkh.com
+86 21 5404 7225 ext 808

HOLD (Maintained)

Share Price	HK$77.50
Target Price	HK$76.00
Upside	-1.9%

Highlights

- **Meituan's 2Q26 earnings beat expectations.** Revenue increased 14.4% yoy to Rmb104.6b, 3-4% above our and consensus estimates. Non-IFRS net profit rose 69.0% yoy to Rmb2.5b, above expectations, while non-IFRS net margin improved to 2.4%. For 3Q26, Meituan expects CLC revenue to grow at mid-teens yoy, while new initiatives revenue growth should accelerate to around 30% yoy with losses broadly flat qoq. Food delivery should remain profitable despite seasonal pressure.
- Maintain HOLD with an unchanged target price of HK$76.00.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q25	1Q26	2Q26	QoQ	YoY	UOBKH	Var	Cons	Var
TOTAL REVENUE	91,490	91,039	104,643	14.9%	14.4%	100,713	3.9%	101,079	3.5%
Cost of revenue	(61,426)	(65,069)	(69,548)	6.9%	13.2%	(69,553)	(0.0%)		
Gross profit	30,064	25,970	35,095	35.1%	16.7%	31,160	12.6%	31,820	10.3%
Operating expenses	(31,108)	(32,950)	(35,631)	8.1%	14.5%	(33,895)	5.1%		
Non IFRS Operating profit	399	(5,854)	1,247	121.3%	212.6%	(713)	274.8%		
Non-IFRS OPM	0.4%	-6.4%	1.2%	7.6 ppt	0.8 ppt	-0.7%	1.9 ppt		
Net profit	365	(6,827)	2,155	131.6%	490.0%	(1,549)	239.2%		
Non-IFRS net profit	1,493	(4,968)	2,524	150.8%	69.0%	492	412.8%	340	641.7%
GPM	32.9%	28.5%	33.5%	5.0 ppt	0.7 ppt	30.9%	2.6 ppt	31.5%	2.1 ppt
Non-IFRS NPM	1.6%	-5.5%	2.4%	7.9 ppt	0.8 ppt	0.5%	1.9 ppt	0.3%	2.1 ppt

Source: Meituan, UOB Kay Hian

Analysis

- **Core local commerce returned to profitability on improving operating efficiency.** In 2Q26, Meituan's core local commerce (CLC) segment revenue grew 10.1% yoy to Rmb71.5b (1Q26: +0.1% yoy), while CLC operating profit swung to Rmb5.7b from a Rmb2.0b operating loss in 1Q26. 2Q26 delivery services revenue increased 17.5% yoy to Rmb27.8b, returning to positive growth, mainly due to more disciplined spending on user incentives. Merchant services revenue, which combines commission revenue and online marketing services revenue, rose 6.6% yoy to Rmb42.4b. Product sales revenue increased 48.8% yoy to Rmb26.7b, supported by strong growth in self-operated categories. Sales and marketing expenses were Rmb24.7b, with the expense ratio declining from 25.2% in 1Q26 to 23.6% in 2Q26.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	337,592	365,982	413,200	464,864	515,001
EBITDA	28,595	-34,339	-13,459	5,749	25,245
Operating profit	36,845	-24,340	-4,261	15,680	35,641
Net profit (rep./act.)	35,809	-22,653	-3,783	15,707	34,823
Net profit (adj.)	43,773	-17,947	821	22,037	41,290
EPS (fen)	703.1	(287.7)	13.1	351.9	658.0
PE	0.0	0.0	0.0	0.0	0.0
P/B	19.8	n.a.	1,058.2	39.5	21.1
EV/EBITDA	5.0	5.7	5.1	4.7	3.9
Dividend yield	0.0	0.0	0.0	0.0	0.0
Net margin	10.6	(6.2)	(0.9)	3.4	6.8
Net debt/(cash) to equity	(40.3)	(56.0)	(37.0)	(60.9)	(68.6)
ROE	22.1	(14.0)	(2.4)	8.8	17.1
Consensus net profit	-	-	(2,025.1)	23,103.8	38,708.1
UOBKH/Consensus (x)	-	-	n.m	0.95	1.07

Source: Meituan, Bloomberg, UOB Kay Hian

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	3690 HK
Shares issued (m)	5,596.3
Market cap (US$m)	478,599.4
Market cap (US$m)	61,042.7
3-mth avg daily t'over (US$m)	548.4

Price Performance (%)

52-week high/low				HK$109.70/HK$63.65
1mth	3mth	6mth	1yr	YTD
(14.2)	5.7	(6.3)	(33.4)	(25.0)

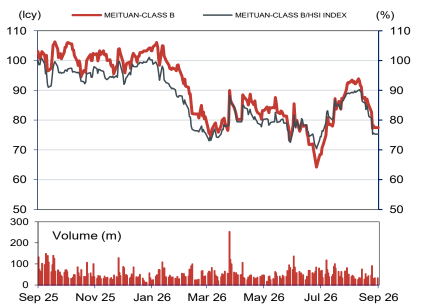
Major Shareholders (%)

Crown Holdings Asia	8.75

Balance Sheet Metrics

FY26 NAV/Share (Rmb$)	27.07
FY26 Net Debt/Share (Rmb$)	10.01

Price Chart



Source: Bloomberg

Company Description

Meituan is China's leading local services platform, offering on-demand services including food delivery, in-store dining, hotel and travel booking, and other lifestyle services through a highly integrated digital ecosystem

- **NIO segment.** The new initiatives segment revenue growth accelerated to 25.0% yoy in 2Q26 to Rmb33.1b, from 21.3% yoy in 1Q26. Operating loss narrowed to Rmb1.7b from Rmb2.1b, with loss margin improving to 5.3% from 7.8%, driven by better efficiency in domestic grocery and overseas Keeta businesses. Xiaoxiang Supermarket has expanded to 68 cities, while Keeta is sustainably profitable in Hong Kong and turned profitable in Saudi Arabia in Jul 26. Management expects 2026 New Initiatives losses not to exceed 2025 levels, despite continued expansion.
- **3Q26 top-line growth remains healthy despite a high delivery volume base.** Food delivery's 2Q unit economy (UE) was slightly below Rmb0.30/order, while 3Q UE is expected to decline qoq. Management expects food delivery order volume to decline yoy against a high base, although recovering average order value should support a high single-digit yoy growth in on-demand delivery gross transaction value (GTV). On-demand delivery revenue is expected to grow at a high-teens rate, while CLC revenue should grow at mid-teens yoy and group revenue by around 20% yoy in 3Q26.
- **Food delivery profitability to remain resilient despite near-term seasonal pressure.** Management expects 3Q26 food delivery profitability to decline qoq, but should remain sufficient to cover Instashopping losses, which are projected to stay broadly flat qoq at -Rmb500m in 3Q26. The 3Q UE pressure mainly reflects summer-season competition and deliberate strategic investment. Subsidies are expected to ease across platforms in 4Q26, with the medium- to long-term profitability recovery path remaining clear. Management continues to prioritise core users and high-quality orders over low-value volume, with Meituan's overall GTV share at the low-60% level and its share of orders above Rmb30 remaining at around 70%.
- **New Initiatives growth to accelerate while losses remain disciplined**. New Initiatives revenue is guided to accelerate to low-30% yoy growth, with operating losses broadly flat qoq. Higher investment in Xiaoxiang expansion, Keeta's Gulf Cooperation Council rollout and Brazil scaling should offset seasonal improvements elsewhere. Xiaoxiang's loss ratio continues to improve, while Brazil remains focused on São Paulo and part of the Middle East expansion has been deferred to 2027.
- **In-store, hotel & travel margins to normalise in 3Q26.** Management expects 3Q26 GTV and revenue growth to moderate slightly from 2Q26, mainly due to softer travel demand. Hotel and homestay room nights are expected to remain flat to slightly positive yoy, while weakness in attractions and transportation-related travel services could weigh on overall travel GTV. Segment margin is expected to normalise to around 25% from around 30% in 2Q26, mainly reflecting higher marketing investment and the shift of certain promotional expenses from 2Q into 3Q.
- **Capital allocation remains ROI-driven.** Core businesses remain the first priority, followed by disciplined investment in strategic initiatives, including overseas expansion, grocery retail and AI. Share buybacks remain the primary shareholder return tool, while management is also open to monetising selected investment assets, currently worth over Rmb70b, to provide additional funding flexibility.

Valuation/Recommendation

- **Maintain HOLD with an unchanged target price of HK$76.00, which** implies 20x 2027F PE. The company is trading at 0.9x 2026F EV/sales.

Earnings Revision/Risk

- We also raise our 2026 adjusted net profit forecast to Rmb821m from previous loss estimates of Rmb1.2b, reflecting recovering FD loss and easing competition in the food delivery segment.
- **Risks:** a) Challenging macro environment, b) increased competition with Douyin and Ele.me, and c) new initiatives achieving profitability at a slower-than-expected rate.

Share Price Catalyst

- a) Continued market share expansion the food delivery segment and increased penetration rate in the fresh groceries segment, and b) synergies with core businesses and new initiatives.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	365,982.0	413,200.3	464,864.1	515,000.7
EBITDA	(34,339.2)	(13,459.3)	5,748.6	25,244.8
Deprec. & amort.	(9,999.2)	(9,198.8)	(9,931.0)	(10,395.8)
EBIT	(24,340.1)	(4,260.5)	15,679.6	35,640.6
Total other non-operating income	(0.0)	(0.0)	0.0	0.0
Associate contributions	78.9	0.0	0.0	0.0
Net interest income/(expense)	124.7	57.6	1,772.7	3,051.5
Pre-tax profit	(24,136.4)	(4,202.9)	17,452.3	38,692.1
Tax	1,483.3	420.3	(1,745.2)	(3,869.2)
Minorities	0.0	0.0	0.0	0.0
Net profit	(22,653.1)	(3,782.6)	15,707.0	34,822.9
Net profit (adj.)	(17,946.9)	820.6	22,037.3	41,289.9

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	38,705.5	43,294.7	50,671.6	59,772.1
Other LT assets	83,147.4	114,496.6	106,855.9	110,202.2
Cash/ST investment	106,771.4	104,716.8	155,692.5	193,962.0
Other current assets	118,286.0	122,173.6	115,701.4	118,083.9
Total assets	346,910.3	384,681.7	428,921.4	482,020.2
ST debt	3,467.9	6,833.8	6,833.8	6,833.8
Other current liabilities	120,073.9	111,899.9	128,885.5	141,516.6
LT debt	18,789.3	35,304.5	35,304.5	35,304.5
Other LT liabilities	53,591.4	61,494.6	67,773.1	73,417.9
Shareholders' equity	151,045.9	169,206.5	186,561.9	221,384.8
Minority interest	(58.1)	(57.6)	(57.6)	(57.6)
Total liabilities & equity	346,910.3	384,681.7	425,301.2	478,400.0

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	(13,113.9)	(26,137.5)	72,959.3	60,463.9
Profit fo the year	(24,136.4)	(4,202.9)	17,452.3	38,692.1
Tax	1,483.3	420.3	(1,745.2)	(3,869.2)
Deprec. & amort.	(9,999.2)	(9,198.8)	(9,931.0)	(10,395.8)
Associates	(78.9)	0.0	0.0	0.0
Working capital changes	(1,055.9)	(30,615.5)	46,506.2	14,419.1
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	20,673.2	17,459.3	20,677.0	21,617.7
Investing	29,772.9	(7,805.1)	(29,100.0)	(22,194.4)
Capex (growth)	(13,270.7)	(15,772.4)	(17,663.0)	(19,433.8)
Investment	42,426.6	40,893.7	52,217.6	54,853.0
Others	(124,244.9)	(29,391.3)	(63,654.6)	(57,613.7)
Financing	21,242.7	38,236.7	0.0	0.0
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	42,232.3	19,881.2	0.0	0.0
Loan repayment	(5,344.4)	0.0	0.0	0.0
Others/interest paid	(15,645.2)	18,355.5	0.0	0.0
Net cash inflow (outflow)	37,901.6	4,294.1	43,859.3	38,269.5
Beginning cash & cash equivalent	70,900.7	107,539.1	111,833.2	155,692.5
Changes due to forex impact	(1,263.3)	0.0	0.0	0.0
Ending cash & cash equivalent	107,539.1	111,833.2	155,692.5	193,962.0

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	(9.4)	(3.3)	1.2	4.9
Pre-tax margin	(6.6)	(1.0)	3.8	7.5
Net margin	(6.2)	(0.9)	3.4	6.8
ROA	(6.7)	(1.0)	3.9	7.6
ROE	(14.0)	(2.4)	8.8	17.1
Growth				
Turnover	8.4	12.9	12.5	10.8
EBITDA	n.a.	n.a.	n.a.	339.1
Pre-tax profit	n.a.	n.a.	n.a.	121.7
Net profit	n.a.	n.a.	n.a.	121.7
Net profit (adj.)	n.a.	n.a.	2,585.5	87.4
EPS	n.a.	n.a.	2,580.2	87.0
Leverage				
Debt to total capital	12.8	19.9	18.4	16.0
Debt to equity	14.7	24.9	22.6	19.0
Net debt/(cash) to equity	(56.0)	(37.0)	(60.9)	(68.6)