

Meituan (3690 HK)

Recovery on good track

We expect Meituan to deliver upbeat 2Q22E result, with topline +12% YoY and bottom line at -RMB2.1bn, above previous guidance with more resilient food delivery and in-store, hotel & travel. By segment, food delivery/ in-store, hotel and travel/ new initiatives rev +12%/-21%/+36% YoY, with adj. OPM at 12.5%/40%/-49%, in our estimates. We expect food delivery to perform better in orders (revising up to +2% YoY in 2Q22E from 0% YoY), with EBIT per order at RMB0.9. 2H22E would see double-digit growth with lockdowns relaxation. In-store & hotel rev might be flat YoY in 3Q22E, if COVID-19 is not worsening. We kept new initiatives estimates unchanged, with rev +36% YoY and net loss narrowing at RMB8.0bn (Meituan Select at RMB5.5bn). We keep positive on Meituan's upcoming recovery and margin outlook, backed by: 1) resilient 2H22E outlook amid epidemic resurgence; and 2) margin improvement with narrowing loss of new initiatives. We keep our full-year financials forecast barely changed, and maintain our SOTP-based TP at HK\$263.

- **Better-than-expected 2Q22E ahead.** We expect 2Q22 rev +12% YoY, with adj. net loss at RMB2.1bn, above previous guidance with better-than-expected food delivery and in-store, hotel & travel. By segment, food delivery/ in-store, hotel and travel/ new initiatives rev +12%/-21%/+36% YoY (vs. prior +10%/-23%/+36%), with adj. OPM at 12.5%/40%/-49%, in our estimates.
- **Recovery on good track.** We forecast food delivery rev/orders +12%/+2% YoY in 2Q22E (vs. prior +10%/+0%), supported by reopening & decent recovery in Jun. Adj. OPM was estimated at 12.5%, with lower subsidies. Looking ahead, we expect food delivery to rebound with double-digit growth in 2H22E after lockdown relaxation. In-store, hotel and travel rev -21% YoY (vs. prior -23%), with OPM at 40%, in our estimates. We expect this segment to be flat YoY in 3Q22E, if COVID-19 is not worsening. We kept new initiatives estimates unchanged, with rev +36% YoY and net loss narrowing at RMB8.0bn (Meituan Select net loss at RMB5.5bn). We expect CGP UE to continuously improve, with higher ASP and GPM, under industrial consolidation.
- **Maintain BUY.** We keep our full-year financials forecast barely changed, and maintain our SOTP-based TP at HK\$263. We reiterate our confidence in its LT organic growth with high barrier, and view it as one of the key players to benefit from lockdown relaxation.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	114,795	179,128	212,921	272,488	341,230
YoY growth (%)	18	56	19	28	25
Net income (RMB mn)	3,121	(15,572)	(8,163)	8,509	21,833
EPS (RMB)	0.53	(2.58)	(1.32)	1.34	3.34
YoY growth (%)	NA	NA	NA	NA	NA
Consensus (RMB)	NA	NA	(1.38)	1.53	3.76
P/E (x)	NA	NA	NA	122	49
P/S (x)	8.7	5.6	4.7	3.7	2.9
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	5.0	(16.5)	(10.1)	1.9	10.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$263.0
(Previous TP	HK\$263.0)
Up/Downside	+37.0%
Current Price	HK\$192

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Stock Data

Mkt Cap (HK\$ mn)	1,186,224
Avg 3 mths t/o (HK\$ mn)	6,064.41
52w High/Low (HK\$)	298/103.5
Total Issued Shares (mn)	5,506

Source: Bloomberg

Shareholding Structure

Tencent	19.26%
Baillie Gifford	5.0%
BlackRock	4.8%

Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-4.7%	-3.7%
3-mth	22.2%	26.2%
6-mth	-12.1%	1.7%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

Related Reports

1. Recovery in sight with better margin outlook – 6 Jun 2022
2. Look beyond 2Q22E epidemic disruptions– 6 May 2022
3. Prioritizing high-quality growth– 28 Mar 2022

Figure 1: CMBIGM estimates vs consensus

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	212,921	272,488	341,230	216,144	284,606	355,967	-1.5%	-4.3%	-4.1%
Gross Profit	49,756	66,241	86,428	56,516	86,808	112,746	-12.0%	-23.7%	-23.3%
Operating Profit	(12,525)	3,541	17,975	(13,645)	3,943	20,851	NA	-10.2%	-13.8%
Adj. net profit	(8,163)	8,509	21,833	(7,973)	8,969	22,610	NA	-5.1%	-3.4%
EPS (RMB)	(1.27)	1.30	3.25	(1.38)	1.53	3.76	NA	-14.8%	-13.7%
Gross Margin	23.4%	24.3%	25.3%	26.1%	30.5%	31.7%	-2.8ppts	-6.2ppts	-6.3ppts
Operating Margin	-5.9%	1.3%	5.3%	-6.3%	1.4%	5.9%	+0.4ppts	-0.1ppts	-0.6ppts
Adj. Net Margin	-3.8%	3.1%	6.4%	-3.7%	3.2%	6.4%	-0.1ppts	-0.0ppts	+0.0ppts

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	212,921	272,488	341,230	212,074	271,454	339,971	0.4%	0.4%	0.4%
Gross Profit	49,756	66,241	86,428	49,555	65,983	86,098	0.4%	0.4%	0.4%
Operating Profit	(12,525)	3,541	17,975	(12,782)	3,486	17,895	NA	1.6%	0.4%
Adj. net profit	(8,161)	8,510	21,834	(8,436)	8,442	21,741	NA	0.8%	0.4%
Adj. EPS (RMB)	(1.27)	1.30	3.25	(1.32)	1.29	3.23	NA	0.9%	0.6%
Gross Margin	23.4%	24.3%	25.3%	23.4%	24.3%	25.3%	-0.0ppts	+0.0ppts	+0.0ppts
Operating Margin	-5.9%	1.3%	5.3%	-6.0%	1.3%	5.3%	+0.1ppts	-0.0ppts	-0.0ppts
Adj. net margin	-3.8%	3.1%	6.4%	-4.0%	3.1%	6.4%	+0.2ppts	+0.0ppts	-0.0ppts

Source: CMBIGM estimates

Figure 3: Meituan's 2Q22E preview

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22E	QoQ	YoY	Consensus	Diff %
Revenue	16,754	24,722	35,401	37,918	37,016	43,759	48,826	49,523	46,269	49,067	6%	12%	48,569	1%
Operating profit	(1,716)	2,175	6,724	(2,853)	(4,767)	(3,252)	(10,103)	(5,006)	(5,584)	(3,110)	NA	NA	(3,476)	NA
Net profit	(1,579)	2,210	6,321	(2,244)	(4,846)	(3,356)	(9,994)	(5,339)	(5,703)	(3,229)	NA	NA	(3,245)	NA
Adj. net profit	(216)	2,718	2,055	(1,437)	(3,892)	(2,217)	(5,527)	(3,936)	(3,586)	(2,135)	NA	NA	(2,291)	NA
Adj. EPS (RMB)	(0.04)	0.45	0.34	(0.24)	(0.64)	(0.37)	(0.92)	(0.65)	(0.56)	(0.33)	NA	NA	(0.40)	NA
Margin (%)														
Gross margin	31.0%	34.7%	30.6%	24.9%	19.5%	28.6%	22.1%	24.2%	23.2%	23.8%			26.1%	
Operating margin	-10.2%	8.8%	19.0%	-7.5%	-12.9%	-7.4%	-20.7%	-10.1%	-12.1%	-6.3%			-7.2%	
Adj. net margin	-1.3%	11.0%	5.8%	-3.8%	-10.5%	-5.1%	-11.3%	-7.9%	-7.8%	-4.4%			-4.7%	
Growth (%)														
Revenue (YoY)	-12.6%	8.9%	28.8%	34.7%	120.9%	77.0%	37.9%	30.6%	25.0%	12.1%			11.0%	
Revenue (QoQ)	-40.5%	47.6%	43.2%	7.1%	-2.4%	18.2%	11.6%	1.4%	-6.6%	6.0%			5.0%	
Operating profit	NA	95.5%	364.6%	NA	NA	NA	NA	NA	NA	NA			NA	
Adj. net profit	NA	82.0%	5.8%	NA	NA	NA	NA	NA	NA	NA			NA	

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: 2Q22E Revenue breakdown

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22E	QoQ	YoY
Revenue (RMB mn)	16,754	24,722	35,401	37,918	37,016	43,759	48,826	49,523	46,269	49,067	6.0%	12.1%
Food Delivery	9,490	14,544	20,693	21,538	20,575	23,125	26,482	26,127	24,157	25,908	7.2%	12.0%
In-Store, Hotel, Travel	3,095	4,544	6,478	7,135	6,584	8,602	8,621	8,722	7,622	6,796	-10.8%	-21.0%
New Initiatives & Others	4,168	5,634	8,230	9,244	9,856	12,032	13,723	14,674	14,491	16,364	12.9%	36.0%

Source: Company data, CMBIGM estimates

Figure 5: SOTP Valuation

Business (US\$ bn)	'23E Rev	OP Margin	'23E EBIT	Methodology	Multiple	Value
Food Delivery	21.1	7.5%	1.6	EV/EBIT	35.0x	55.4
In-Store, Travel and Hotel	6.7	42.5%	2.8	EV/EBIT	25.0x	71.2
New initiatives	15.0	-20.0%	(3.0)	EV/Sales	4.5x	67.4
Enterprise Value						194.0
(+) Net Cash						16.6
Equity Value						210.6
Diluted Shares Outstanding (mn)						6,201.0
FY23 Val. Per share(HK\$)						263.0

Source: CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	114,795	179,128	212,921	272,488	341,230
Food delivery	66,265	96,312	110,114	134,439	163,699
In-store, hotel & travel	21,252	32,530	32,581	42,612	51,033
New initiatives	27,277	50,286	70,227	95,437	126,498
COGS	(80,744)	(136,654)	(163,165)	(206,247)	(254,802)
Gross profit	34,050	42,474	49,756	66,241	86,428
S&M	(20,558)	(40,169)	(37,886)	(38,507)	(42,578)
Admin. Exp.	(4,427)	(6,763)	(6,601)	(7,493)	(8,190)
R&D	(9,192)	(13,980)	(13,840)	(11,717)	(11,602)
Others	4,924	(4,429)	(3,954)	(4,983)	(6,083)
Operating profit	4,798	(22,867)	(12,525)	3,541	17,975
Financial Cost	(156)	(585)	(880)	(880)	(880)
Fair value change	-	-	-	-	-
Others	264	146	-	-	-
Pre-tax Income	4,906	(23,307)	(13,405)	2,661	17,095
Income Tax	270	30	-	(360)	(2,525)
Net profit	4,708	(23,536)	(13,665)	2,041	14,310
Adj. net profit	3,121	(15,572)	(8,163)	8,509	21,833

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Net income	4,708	(23,536)	(13,665)	2,041	14,310
D&A	5,194	11,892	8,774	10,413	12,249
Change in WC	1,896	6,286	1,894	6,008	7,143
Others	(3,322)	5,053	4,897	5,954	7,083
Operating CF	8,475	(306)	1,900	24,415	40,785
Capex	(11,223)	(8,956)	(10,646)	(13,079)	(15,697)
Associates	2,679	-	-	-	-
Others	(12,688)	3,995	806	1,462	794
Investing CF	(21,232)	(4,961)	(9,840)	(11,618)	(14,903)
Equity raised	-	-	-	-	-
Change of Debts	4,622	-	-	-	-
Others	12,797	62,293	-	-	-
Financing CF	17,418	62,293	-	-	-
Net change in cash	4,661	57,027	(7,940)	12,798	25,882
Cash (beg of yr)	13,396	17,094	74,120	66,180	78,977
FX	(964)	-	-	-	-
Cash (end of yr)	17,094	74,120	66,180	78,977	104,860

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	78,269	73,521	74,262	76,537	80,679
Fixed asset	13,917	7,899	9,858	11,842	15,178
Financial assets at fair value	10,257	10,257	10,257	10,257	10,257
Intangible assets	32,700	31,676	30,764	29,872	29,092
Others	21,395	23,689	23,384	24,567	26,152
Current assets	88,306	150,073	142,987	158,825	187,639
Cash	17,094	74,120	66,180	78,977	104,860
Restricted cash	12,776	12,776	12,776	12,776	12,776
Account receivable	1,031	1,287	1,300	1,498	1,688
Others	57,406	61,891	62,731	65,574	68,315
Current liabilities	51,148	64,174	66,607	76,721	88,284
Trade payable	11,967	18,674	22,196	28,406	35,572
Payable to merchants	9,415	11,753	11,875	13,677	16,271
Advances from users	4,308	5,378	5,433	6,258	7,053
Deferred revenues	5,053	6,308	6,748	7,772	8,759
Others	20,405	22,062	20,355	20,608	20,628
Non-current liabilities	17,793	17,834	17,824	17,829	17,829
Borrowings	14,924	14,924	14,924	14,924	14,924
Others	-	-	-	-	-
Minority interest	2,869	2,910	2,900	2,905	2,905
Total Equity	(59)	(57)	(54)	(52)	(50)
Shareholders' equity	97,634	141,585	132,818	140,812	162,205

Source: Company data, CMBIGM estimates

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Food delivery	57.7	53.8	51.7	49.3	48.0
In-store, hotel & travel	18.5	18.2	15.3	15.6	15.0
New initiatives	23.8	28.1	33.0	35.0	37.1
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)					
Revenue	17.7	56.0	18.9	28.0	25.2
Gross profit	5.2	16.9	17.1	33.1	30.5
EBIT	35.9	NA	NA	NA	NA
Net profit	(33.0)	NA	NA	NA	NA
P&L ratios (%)					
Operating margin	4.2	(12.8)	(5.9)	1.3	5.3
Pre-tax margin	4.3	(13.0)	(6.3)	1.0	5.0
Net margin	2.7	(8.7)	(3.8)	3.1	6.4
Effective tax rate	5.5	(0.1)	-	(13.5)	(14.8)
Returns (%)					
ROE	5.0	(16.5)	(10.1)	1.9	10.5
ROA	2.1	(8.0)	(3.7)	3.8	8.7
Per share					
EPS (RMB)	0.52	(2.58)	(1.3)	1.30	3.25
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	16.26	23.45	20.74	21.55	24.14

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