

Company Report

China Merchants Securities (HK) Co., Ltd.
Hong Kong Equity Research

MEITUAN (3690 HK)

Douyin entry into food delivery market

■ Douyin's local consumer service's ambition raised investor's concern on Meituan future market position and growth trajectory

■ We believe Meituan is in a solid position facing competition

■ BUY: Market panic premature in our view, though Douyin headline risk and Tencent (700 HK) distribution of Meituan shares to be near term drags

Emerging competition in food delivery

Per media reports, Douyin plans to launch food delivery business nationwide in China on March 1st, while Douyin subsequently denied the national expansion plan ([link](#)), and is on a selected region trial stage. On this news, Meituan's share price declined 6%, under performing HSTECH 2% decline. Douyin's ambition to extend into Meituan's business segments has been ongoing, and regarding food delivery: 1) Internal test of Xindong Delivery (心动外卖) started in 2021 and lasted for several months; 2) Partnership with Ele.me (饿了么) started in Aug 2022; 3) "Group purchase delivery" (团购配送) in selected cities (Beijing, Shanghai and Chengdu, [link](#)) in Jan 2023, leveraging Douyin's partnership with SF express, Shansong and Dada. To a lesser degree, JD (JD US) announced its food delivery trial in June 2022 ([link](#)), overall raising investors' concern on future food delivery competitive landscape.

We believe Meituan's food delivery position is solid

1) In our view, it is challenging for new comers to challenge Meituan or Ele.me's dominant food delivery market position which has been established through intense competition over years. 2) To launch at nationwide scale in a short period, we believe would pose significant logistical/operational challenges, which likely could have a negative impact on service quality, and ultimately brand and retention. 3) If such a scenario occurs, it would be a positive reinforcement for incumbents' hold on market position. 4) From cost and control perspective, we think Douyin's partnering with package delivery companies is inferior to Meituan's vertically integrated business model. In addition, Investors may have also raised concern regarding Douyin's foray into IHT. We believe Meituan's IHT has its own market segmentation given its active consumption nature in a post-COVID environment vs entertainment based promotional nature of short videos format. Moreover, Meituan has also partnered up with Kuaishou (1024 HK) as an answer to potential competitive threat.

2023 recovery outlook unchanged

We forecast **Food delivery** revenue to grow +25% yoy in FY23E (vs. +20% yoy in FY22E), mainly driven by order growth and we believe AOV maintain flattish given more subsidies post pandemic and more competition. We expect 1H23E growth to be faster than 2H23E given 2Q22 low base. **IHT segment** to have a strong recovery with FY23E revenue growth of +38% yoy (vs. -3% yoy in FY22E), and will also see 1H skew. **Meituan Instashopping** revenue growth to maintain solid at +42% yoy in FY23E. **New initiatives** revenue to grow at +20% yoy and likely to remain at a net loss with narrowed negative NPM as efficiency push remains a top priority. Overall we forecast Meituan's adj. OP to turnaround and adj.OPM to reach +4% in FY23E.

Reiterate BUY: Best positioned for post-reopening recovery

Recent correction from Douyin food delivery threat is premature in our view. Our SOTP-TP at HKD249 unchanged. **Key Risks:** 1) Macro/consumption; 2) Regulation; 3) Competition.

Financials

RMB mn	FY20	FY21	FY22E	FY23E	FY24E
Revenue	114,795	179,128	217,845	275,483	333,813
Growth	17.7%	56.0%	21.6%	26.5%	21.2%
Adj. NP to shareholders	3,121	(15,572)	2,729	12,146	22,590
Growth	-33.0%	n.a.	n.a.	345.0%	86.0%
Adj. diluted EPS (HKD)	0.61	(3.04)	0.52	2.33	4.34
P/S (x)	6.6	4.4	3.7	2.9	2.4
ROE	3.3%	-14.0%	2.2%	10.1%	17.6%

Note: Closing price as of Feb. 8, 2023; Sources: Company, CMS (HK) estimates

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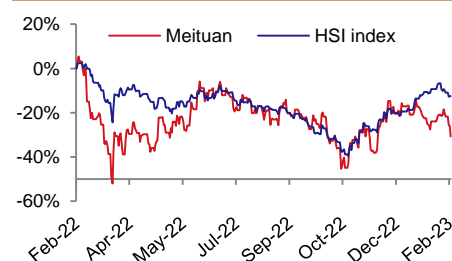
WHAT'S NEW

Company update

BUY

Previous	BUY
Price	HKD153.1
12-month Target Price (Potential Up/downside)	HKD249.0 (+62.6%)
Previous	HKD249.0

Price Performance



Source: Bloomberg

%	1m	6m	12m
3690 HK	(14.2)	(9.7)	(33.2)
HSI index	(0.2)	8.5	(14.3)

Sector: Technology, Media & Telecom

Hang Seng Index (Feb. 8, 2023) 21,284

MSCI China (Feb. 8, 2023) 71

Key Data

52-week range (HKD) 104 - 236

Market cap (HKD bn) 948.2

Avg. daily volume (mn) 34.62

Shareholding Structure

Huai River Investment Ltd 11.2%

Tencent Holdings Ltd 7.1%

Sequoia Capital Operations LLC 2.5%

Others 2.8%

Free float 76.4%

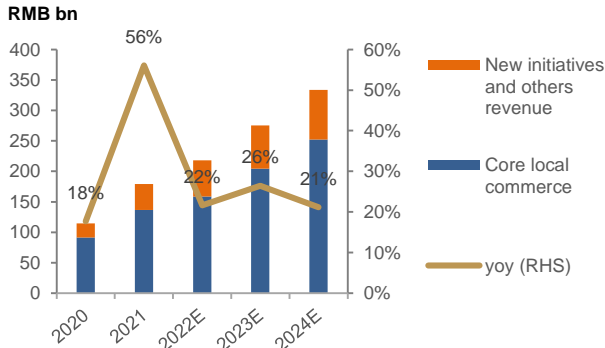
Sources: Bloomberg, Wind, CMS (HK) research

Related Research

- MEITUAN (3690 HK) - Robust 3Q22 from improved COVID condition (BUY) (Nov. 26, 2022)
- MEITUAN (3690 HK) - Turnaround surprise (BUY) (Aug. 28, 2022)
- MEITUAN (3690 HK) - 2Q22 trough stance intact, though COVID disruption remains (BUY) (July 26, 2022)
- MEITUAN (3690 HK) - 1Q results point to high quality growth ahead (BUY) (June 4, 2022)

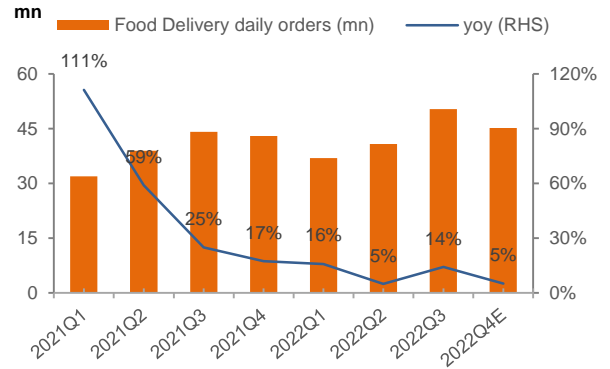
Focus charts

Figure 1: Total revenue forecast by segment



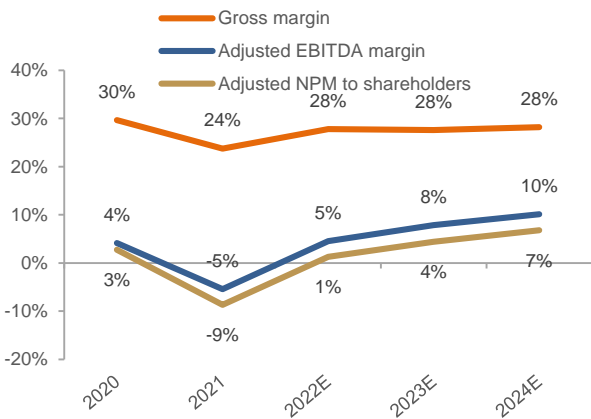
Sources: Company, CMS (HK) estimates

Figure 2: Food delivery orders



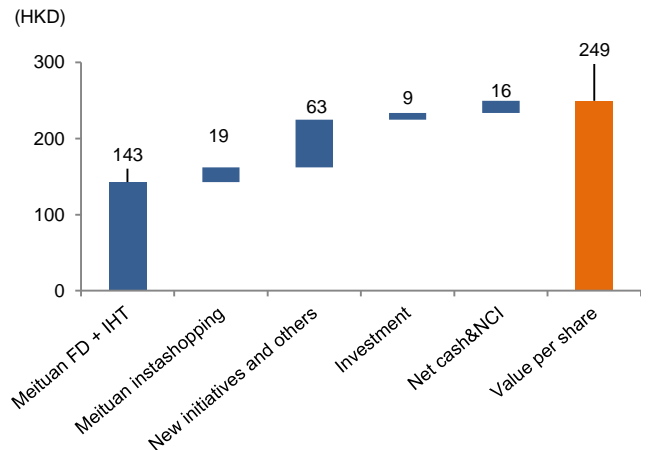
Sources: Company, CMS (HK)

Figure 3: Group margins forecast



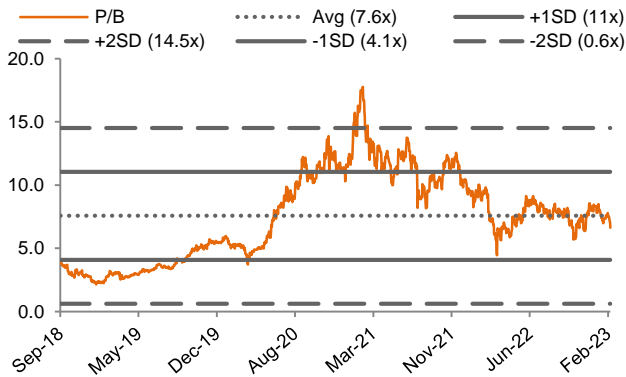
Sources: Company, CMS (HK) estimates

Figure 4: SOTP



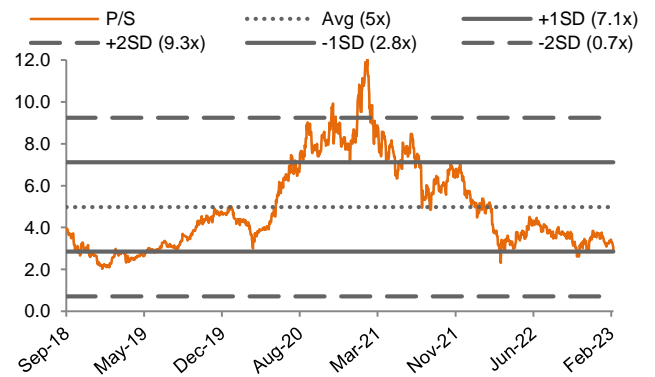
Sources: Company, CMS (HK) estimates

Figure 5: P/B range



Sources: Company, Bloomberg, CMS (HK) estimates

Figure 6: P/S range



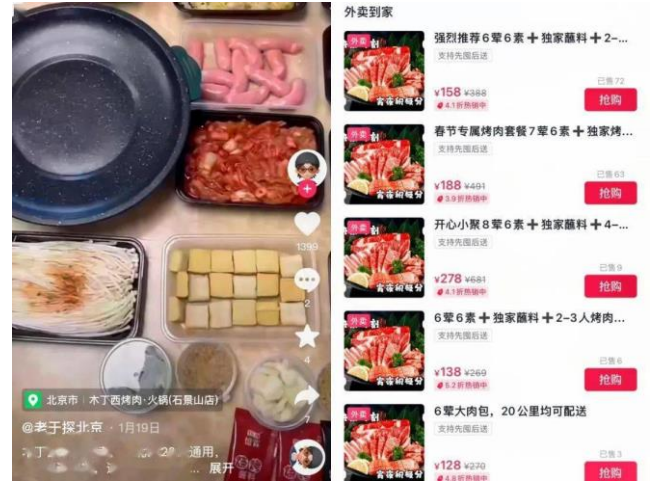
Sources: Company, Bloomberg, CMS (HK) estimates

Figure 7: Douyin started group purchase delivery business in Beijing, Shanghai and Chengdu



Sources: Company, CMS (HK)

Figure 8: Group purchase delivery example



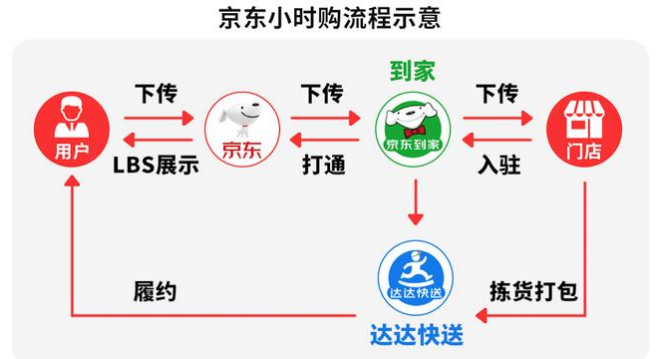
Sources: Company, CMS (HK)

Figure 9: JD is also testing food delivery business



Sources: Company, CMS (HK)

Figure 10: JD food delivery business fulfillment process



Sources: Company, CMS (HK)

Figure 11: CMS forecasts vs. consensus

RMB mn	CMS forecasts			Consensus			Diff %		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY23E
Revenue	217,845	275,483	333,813	217,675	275,894	343,949	0%	0%	-3%
GM (%)	27.8	27.6	28.2	28.0	30.5	32.6	-0.3ppt	-2.9ppt	-4.4ppt
Operating profit / (loss)	(1,037)	11,809	22,080	(6,471)	6,566	21,968	-84%	n.a.	n.a.
Net profit to shareholders	(7,191)	3,882	12,575	(6,731)	5,616	19,105	7%	n.a.	n.a.
Basic EPS (RMB)	(1.17)	0.63	2.05	(1.16)	0.79	2.96	1%	n.a.	n.a.
Adjusted net profit / (loss) to shareholders	2,729	12,146	22,590	2,133	13,931	29,165	28%	-13%	-23%
Adjusted diluted EPS (RMB)	0.44	1.98	3.67	0.38	2.03	4.56	17%	-3%	-19%

Note: Data as of Feb. 8, 2023; Sources: Bloomberg, Company, CMS (HK) estimates

Figure 12: Valuation table based on SOTP

RMB mn	Valuation basis	Valuation metrics	Multiple given to Meituan			Valuation		
			Bear	Base	Bull	Bear	Base	Bull
Meituan FD + IHT	EV/EBITDA	FY23E EBITDA RMB40,227mn	10.0	20.0	25.0	402,275	804,549	1,005,687
Meituan instashopping	P/S	FY23E Revenue RMB15,450mn	4.0	7.0	8.0	61,798	108,147	123,596
New initiatives and others	P/S	FY23E Revenue RMB70,842mn	2.0	5.0	6.0	141,684	354,210	425,052
LT finance products & investments @ book							49,408	
Net cash, add							90,251	
Minority/NCl, subtract							57	
Total valuation (RMB mn)						745,359	1,406,508	1,693,937
HKD/CNY							1.09	
Total valuation (HKD mn)						812,441	1,533,094	1,846,392
No. of diluted shares (mn) by FY22E							6,148	
Value per share (HKD)						132	249	300
FY22E Revenue (RMB mn)						217,845	217,845	217,845
Implied PS multiple						3.4x	6.5x	7.8x
FY23E Revenue (RMB mn)						275,483	275,483	275,483
Implied PS multiple						2.9x	5.6x	6.7x

Sources: Company, CMS (HK) estimates

Valuation comparison

Company	Bloomberg Ticker	Ccy	CMS Rating	Price	CMS TP	Mkt cap (USD bn)	EV/EBITDA (x)		P/E (x)		PEG*	P/S (x)	P/OCF (x)	ROE (%)		2022-2024E CAGR		
							FY23E	FY24E	FY23E	FY24E				FY23E	FY24E	FY23E	FY24E	SALES
Platform																		
Tencent	700 HK	HKD	BUY	382.2	430.0	465.4	13.9	11.6	22.2	18.6	1.1	5.0	14.9	15.7	16.2	11.3	21.1	20.7
Alibaba	BABA US	USD	BUY	105.5	161.0	279.3	8.2	7.2	13.5	12.0	4.1	2.1	13.4	13.8	14.2	7.0	3.3	12.1
Meituan	3690 HK	HKD	BUY	153.1	249.0	120.8	35.3	22.5	n.a.	35.3	0.3	2.9	34.6	10.1	17.6	23.8	187.7	85.1
Baidu	BIDU US	USD	NR	160.2	n.a.	55.4	10.5	9.1	17.3	14.7	1.5	2.8	9.3	7.3	7.8	9.7	11.4	13.5
Alphabet	GOOGL US	USD	NR	107.6	n.a.	1,381.1	11.1	9.7	19.5	16.9	0.9	5.3	13.4	25.3	25.8	1.9	21.6	19.8
Facebook	FB US	USD	NR	191.6	n.a.	496.8	9.0	7.8	19.4	15.9	0.7	4.1	10.5	19.1	20.3	8.5	26.1	25.7
Naver	035420 KS	KRW	NR	230,500.0	n.a.	30.0	15.5	13.4	31.5	26.0	0.7	3.9	18.7	4.9	5.6	18.7	44.0	9.9
China Mean							15.2	11.6	16.7	18.6	2.2	3.0	17.1	12.1	14.0	11.8	45.4	28.7
Global Mean							11.9	10.3	23.5	19.6	0.8	4.4	14.2	16.4	17.3	9.7	30.6	18.5
Cloud																		
Chinasoft	354 HK	HKD	BUY	6.4	10.0	2.5	8.6	7.2	10.5	8.8	0.6	0.6	20.5	11.5	12.4	23.7	18.9	9.6
Tencent	700 HK	HKD	BUY	382.2	430.0	465.4	13.9	11.6	22.2	18.6	1.1	5.0	14.9	15.7	16.2	11.3	21.1	20.7
Alibaba	BABA US	USD	BUY	105.5	161.0	279.3	8.2	7.2	13.5	12.0	4.1	2.1	13.4	13.8	14.2	7.0	3.3	12.1
Kingsoft	3888 HK	HKD	BUY	30.8	34.0	5.3	11.2	9.0	n.a.	36.8	0.1	4.3	12.8	2.7	3.9	18.5	666.0	25.1
Kingdee	268 HK	HKD	NR	17.8	n.a.	7.9	n.a.	n.a.	n.a.	n.a.	n.a.	8.5	n.a.	n.a.	1.0	24.8	n.a.	n.a.
Mingyuan Cloud	909 HK	HKD	NR	6.8	n.a.	1.7	n.a.	n.a.	n.a.	n.a.	n.a.	4.7	n.a.	n.a.	2.4	18.3	n.a.	n.a.
KC Cloud	KC US	USD	NR	4.7	n.a.	1.2	n.a.	4.6	n.a.	n.a.	n.a.	0.9	n.a.	n.a.	n.a.	7.9	n.a.	n.a.
Microsoft	MSFT US	USD	NR	267.6	n.a.	1,991.7	19.7	17.2	28.4	24.7	2.6	9.5	22.9	36.2	32.6	11.2	11.1	9.6
Alphabet	GOOGL US	USD	NR	107.6	n.a.	1,381.1	11.1	9.7	19.5	16.9	0.9	5.3	13.4	25.3	25.8	1.9	21.6	19.8
Amazon	AMZN US	USD	NR	102.1	n.a.	1,046.3	13.2	10.8	35.7	24.9	n.a.	1.9	12.6	11.7	14.6	10.8	n.a.	29.4
Salesforce	CRM US	USD	NR	171.3	n.a.	171.3	17.3	16.7	34.9	29.7	n.a.	5.6	25.3	8.2	7.1	16.1	n.a.	49.3
Oracle	ORCL US	USD	NR	87.7	n.a.	236.6	13.0	11.7	17.6	15.6	1.9	4.7	15.0	n.a.	n.a.	15.4	9.4	39.7
VMware	VMW US	USD	NR	121.0	n.a.	51.5	12.5	11.6	19.0	16.7	n.a.	3.9	12.9	n.a.	n.a.	7.8	n.a.	20.5
Dropbox	DBX US	USD	NR	24.1	n.a.	8.7	10.7	10.2	14.5	13.2	1.3	3.6	10.1	n.a.	91.4	5.6	10.9	4.1
China Mean							10.5	7.9	15.4	19.1	1.4	3.7	15.4	10.9	8.4	15.9	177.3	16.9
Global Mean							13.9	12.6	24.2	20.2	1.7	4.9	16.0	20.4	34.3	9.9	13.3	24.6
Social network & pan-entertainment																		
Tencent	700 HK	HKD	BUY	382.2	430.0	465.4	13.9	11.6	22.2	18.6	1.1	5.0	14.9	15.7	16.2	11.3	21.1	20.7
Bilibili	BILI US	USD	BUY	23.3	33.0	9.5	n.a.	25.1	n.a.	n.a.	n.a.	2.3	n.a.	n.a.	n.a.	20.4	n.a.	n.a.
China Literature	772 HK	HKD	NEUTRAL	39.4	68.0	5.1	16.0	13.6	21.6	18.9	1.2	3.8	21.3	7.8	8.5	10.9	18.4	22.1
Kuaishou	1024 HK	HKD	NR	62.5	n.a.	34.5	43.6	15.3	n.a.	25.1	n.a.	2.2	35.5	n.a.	12.9	16.0	n.a.	n.a.
Tencent Music	TME US	USD	NR	32.2	n.a.	14.1	14.1	12.9	18.8	16.8	0.7	3.2	23.2	8.6	8.9	5.7	25.2	12.2
Weibo	WB US	USD	NR	23.7	n.a.	5.6	9.0	7.9	10.6	9.9	1.1	3.0	10.3	11.1	11.6	5.1	9.3	10.8
iQiyi	IQ US	USD	NR	7.4	n.a.	7.0	24.5	16.7	34.0	20.3	n.a.	1.5	19.4	16.4	23.5	7.1	n.a.	42.6
YY	YY US	USD	NR	37.0	n.a.	2.6	n.a.	n.a.	15.8	12.7	1.7	1.0	7.9	2.1	2.6	7.5	9.4	22.2
Momo	MOMO US	USD	NR	10.8	n.a.	2.1	3.9	3.7	7.4	6.9	1.0	1.1	6.8	14.2	13.7	3.1	7.1	9.1
Huya	HUYA US	USD	NR	5.5	n.a.	1.3	3.0	15.9	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	0.9	n.a.	n.a.	n.a.
Douyu	DOYU US	USD	NR	1.7	n.a.	0.5	n.a.	n.a.	43.9	23.4	n.a.	0.5	11.2	0.3	0.4	n.a.	n.a.	n.a.
Meta	FB US	USD	NR	191.6	n.a.	496.8	9.0	7.8	19.4	15.9	0.7	4.1	10.5	19.1	20.3	8.5	26.1	25.7
Netflix	NFLX US	USD	NR	363.0	n.a.	161.6	23.4	18.9	30.2	24.2	1.4	4.7	46.1	21.6	21.4	10.3	20.8	20.0
Snapchat	SNAP US	USD	NR	12.2	n.a.	19.3	41.1	24.7	n.a.	n.a.	n.a.	4.1	n.a.	n.a.	n.a.	9.6	22.1	n.a.
Spotify	SPOT US	USD	NR	125.4	n.a.	24.2	n.a.	n.a.	n.a.	n.a.	n.a.	1.7	n.a.	n.a.	6.4	16.7	n.a.	n.a.
China Mean							16.0	14.8	21.8	17.0	1.1	2.3	16.7	9.5	9.9	10.7	15.1	20.0
Global Mean							24.5	17.1	24.8	20.0	1.1	3.6	28.3	20.3	16.0	11.3	23.0	22.8

Company	Bloomberg Ticker	Ccy	CMS Rating	Price	CMS TP	Mkt cap (USD bn)	EV/EBITDA (X)		P/E (x)		PEG*	P/S (x)		P/OCF (x)		ROE (%)		2022-2024E CAGR		
							FY23E	FY24E	FY23E	FY24E		FY23E	FY23E	FY23E	FY23E	FY24E	Sales	EPS	EBITDA	
Online Gaming																				
Netease	NTES US	USD	BUY	88.3	113.0	58.0	10.8	9.9	18.1	16.8	n.a.	3.9	15.5	19.3	18.0	10.4	2.8	9.6		
Tencent	700 HK	HKD	BUY	382.2	430.0	465.4	13.9	11.6	22.2	18.6	1.1	5.0	14.9	15.7	16.2	11.3	21.1	20.7		
Bilibili	BILI US	USD	BUY	23.3	33.0	9.5	n.a.	25.1	n.a.	n.a.	n.a.	2.3	n.a.	n.a.	n.a.	20.4	n.a.	n.a.		
Kingsoft	3888 HK	HKD	BUY	30.8	34.0	5.3	11.2	9.0	n.a.	36.8	0.1	4.3	12.8	2.7	3.9	18.5	666.0	25.1		
iDreamSky	1119 HK	HKD	BUY	4.1	4.4	0.7	10.4	7.0	25.2	11.2	n.a.	1.6	n.a.	4.4	9.0	16.3	n.a.	80.3		
XD	2400 HK	HKD	NR	5.5	n.a.	0.5	3.5	n.a.	7.2	n.a.	n.a.	1.5	n.a.	24.7	n.a.	n.a.	n.a.	n.a.		
Netdragon	777 HK	HKD	NR	18.2	n.a.	1.3	2.9	2.6	5.9	5.2	0.4	0.9	4.6	16.3	15.9	13.6	14.1	14.2		
CMGE	302 HK	HKD	NR	2.1	n.a.	0.7	6.6	5.3	9.0	6.0	0.1	1.1	11.0	9.8	10.5	44.7	90.3	82.8		
IGG	799 HK	HKD	NR	3.1	n.a.	0.5	n.a.	49.6	33.2	10.9	n.a.	0.7	n.a.	3.9	10.5	3.0	n.a.	n.a.		
Archosaur Game	9990 HK	HKD	NR	5.4	n.a.	0.6	16.4	n.a.	n.a.	n.a.	n.a.	2.1	n.a.	n.a.	n.a.	17.7	n.a.	n.a.		
SEA	SE US	USD	NR	68.5	n.a.	38.5	n.a.	48.6	n.a.	n.a.	n.a.	2.8	n.a.	n.a.	n.a.	16.0	n.a.	n.a.		
Nintendo	7974 JP	JPY	NR	5,201.0	n.a.	51.6	9.8	10.5	14.8	16.3	n.a.	4.0	16.7	21.2	17.1	n.a.	n.a.	n.a.		
Activision Blizzard	ATVI US	USD	NR	75.6	n.a.	59.2	13.2	12.5	19.2	17.7	0.7	6.3	19.8	13.2	13.1	14.5	26.9	43.4		
Electronic Arts	EA US	USD	NR	114.2	n.a.	31.3	12.8	12.0	18.3	17.0	0.3	4.3	21.0	18.4	19.0	8.0	59.5	25.6		
Take-Two	TTWO US	USD	NR	113.9	n.a.	19.2	24.2	17.6	32.2	20.5	1.3	3.6	37.8	3.4	5.7	38.7	25.4	27.4		
Nexon	3659 JP	JPY	NR	3,035.0	n.a.	20.1	14.0	12.3	23.4	20.2	2.5	6.6	19.7	12.9	13.0	13.1	9.4	21.7		
Ncsoft	036570 KS	KRW	NR	474,500.0	n.a.	8.3	11.8	10.1	19.6	16.7	3.2	3.9	0.2	14.7	15.7	6.6	6.1	9.6		
Zynga	ZNGA US	USD	NR	8.2	n.a.	9.3	14.1	12.1	19.6	14.0	0.7	3.0	13.7	n.a.	n.a.	6.0	29.7	13.3		
Netmarble	251270 KS	KRW	NR	60,400.0	n.a.	4.1	21.2	17.1	58.8	43.9	n.a.	1.7	33.0	1.0	2.1	8.4	n.a.	62.8		
China Mean							9.7	14.5	17.4	15.4	0.4	2.5	12.5	12.9	12.7	16.6	132.8	34.6		
Global Mean							15.2	17.0	25.7	20.8	1.4	4.0	20.2	12.1	12.2	13.9	26.2	29.1		
E-commerce																				
JD.com	JD US	USD	BUY	57.1	74.0	90.2	13.2	9.6	19.4	13.5	0.6	0.5	13.0	13.0	16.2	20.4	30.4	30.8		
Alibaba	BABA US	USD	BUY	105.5	161.0	279.3	8.2	7.2	13.5	12.0	4.1	2.1	13.4	13.8	14.2	7.0	3.3	12.1		
Meituan	3690 HK	HKD	BUY	153.1	249.0	120.8	35.3	22.5	n.a.	35.3	0.3	2.9	34.6	10.1	17.6	23.8	187.7	85.1		
Pinduoduo	PDD US	USD	NR	94.5	n.a.	119.4	16.3	12.8	19.2	15.2	2.0	5.0	15.3	27.6	26.7	22.2	9.4	25.7		
Beike	BEKE US	USD	NR	19.1	n.a.	24.0	18.3	14.7	30.8	24.2	0.4	2.4	26.1	6.9	8.5	15.8	82.1	78.7		
Vipshop	VIPS US	USD	NR	14.6	n.a.	8.9	6.0	5.7	8.8	8.3	1.8	0.6	7.1	13.9	12.7	6.1	4.8	7.0		
Baozun	BZUN US	USD	NR	7.5	n.a.	0.4	8.2	5.7	11.4	6.7	0.2	0.3	6.2	3.5	6.2	6.7	46.8	22.5		
Amazon	AMZN US	USD	NR	102.1	n.a.	1,046.3	13.2	10.8	35.7	24.9	n.a.	1.9	12.6	11.7	14.6	10.8	n.a.	29.4		
eBay	EBAY US	USD	NR	50.2	n.a.	27.2	9.3	8.9	12.6	11.7	1.6	2.8	9.7	47.1	53.2	1.7	7.7	1.8		
China Mean							14.8	10.9	17.5	16.1	1.3	1.8	16.0	12.7	14.8	15.3	49.4	36.6		
Global Mean							11.3	9.8	24.1	18.3	1.6	2.3	11.1	29.4	33.9	6.3	7.7	15.6		
Vertical																				
trip.com	TCOM US	USD	NR	37.1	n.a.	23.8	31.2	18.4	32.6	19.4	n.a.	5.4	24.4	3.9	6.0	40.3	n.a.	n.a.		
Autohome	ATHM US	USD	NR	36.0	n.a.	4.5	5.0	4.5	14.2	13.1	2.5	4.2	12.8	8.2	8.3	6.6	5.7	17.2		
Tongcheng-Elong	780 HK	HKD	NR	17.2	n.a.	4.9	15.7	12.0	24.0	18.2	0.3	3.7	18.1	7.3	9.3	29.4	86.1	71.7		
Expedia	EXPE US	USD	NR	120.2	n.a.	18.8	7.2	6.4	13.0	10.6	0.5	1.5	6.3	46.3	45.7	8.9	26.3	13.2		
China Mean							14.8	10.3	20.9	15.3	1.1	3.7	15.4	16.4	17.3	21.3	39.4	34.1		

Note: Closing prices as of Feb. 8, 2023 (HK/CHN/JP/KR markets)& Feb. 7, 2023 (US market); For future estimates of NR Co.s, BBG consensus used; Sources: BBG, Company, CMS (HK) estimate

Financial Summary

Balance Sheet

Year ended 31 Dec (RMB mn)	2020	2021	2022E	2023E	2024E
Trade receivables	1,031	1,793	2,080	2,512	3,052
Prepayments, deposits and other assets	12,940	15,282	9,339	11,339	13,339
Short-term investments	43,999	84,282	88,261	97,087	106,795
Cash and cash equivalents	17,094	32,513	12,367	18,973	31,131
Other current assets	13,242	13,959	14,092	14,092	14,092
Current assets	88,306	147,829	126,138	144,002	168,409
Property, plant and equipment	13,917	22,814	23,296	22,542	20,782
Intangible assets	31,676	31,049	30,331	29,639	28,975
Equity method investments	13,181	13,869	16,862	16,862	16,862
Financial assets at FVPL	10,257	14,300	14,300	14,300	14,300
Other non-current assets	9,237	10,793	23,650	24,150	24,650
Non-current assets	78,269	92,825	108,438	107,492	105,568
Total assets	166,575	240,653	234,576	251,494	273,977
Trade payables	11,967	15,166	14,558	18,680	21,257
Payables to merchants	9,415	10,951	10,905	14,578	16,041
Other payables and accruals	10,557	18,401	19,321	20,287	21,301
ST borrowing	6,395	11,565	13,878	16,654	19,985
Other current liabilities	12,813	12,510	13,436	15,130	16,845
Current liabilities	51,148	68,593	72,098	85,329	95,429
LT Borrowings	1,957	12,220	9,776	9,580	9,389
Notes payable	12,966	30,383	30,383	30,383	30,383
Other liabilities	2,869	3,901	3,954	3,954	3,954
Non-current liabilities	17,793	46,504	44,113	43,917	43,726
Total liabilities	68,941	115,097	116,211	129,247	139,155
Total equity	97,634	125,557	118,365	122,247	134,823

Cash Flow

Year ended 31 Dec (RMB mn)	2020	2021	2022E	2023E	2024E
CF from operating activities	8,475	(4,011)	13,965	27,484	34,235
Profit before taxes	4,438	(23,566)	(7,259)	4,633	15,085
D&A	5,194	8,928	10,736	11,946	12,924
Share-based compensation	3,277	5,194	8,743	8,264	10,014
Working capital chg	1,890	7,209	6,125	7,524	3,729
Others	(6,325)	(1,776)	(4,379)	(4,883)	(7,517)
CF from investing activities	(21,232)	(58,492)	(25,238)	(15,194)	(15,201)
Purchase of PPE	(15,824)	(9,010)	(10,000)	(10,000)	(10,000)
Payments for business combinations	(27)	(867)	0	0	0
Acquisition of Investments	601	71	0	0	0
Purchase of short-term investments	(196,817)	(409,062)	(3,979)	(8,826)	(9,709)
Others	190,835	360,377	(11,259)	3,632	4,507
CF from financing activities	17,418	78,598	(8,874)	(5,684)	(6,875)
Proceeds from equity issuance	499	45,561	(8,743)	(8,264)	(10,014)
Proceeds from borrowing	5,452	15,768	(131)	2,580	3,139
Others	11,467	17,269	(0)	0	0
Net cash flow	4,661	16,095	(20,146)	6,606	12,158
Cash at year end	17,094	32,513	12,367	18,973	31,131

Note: Net profits shown are contributed by continuing operations; Sources: Bloomberg, Company, CMS (HK) estimates

Income Statement

Year ended 31 Dec (RMB mn)	2020	2021	2022E	2023E	2024E
Revenues	114,795	179,128	217,845	275,483	333,813
Cost of revenues	(80,744)	(136,654)	(157,361)	(199,430)	(239,626)
Gross profit	34,050	42,474	60,485	76,053	94,187
S&M expenses	(20,883)	(40,683)	(39,132)	(41,294)	(46,037)
R&D expenses	(10,893)	(16,676)	(20,719)	(22,396)	(25,036)
G&A expenses	(5,594)	(8,613)	(9,816)	(10,995)	(12,254)
Net provision for impairment losses on financial assets	(468)	(260)	(488)	0	0
Fair value changes on investments measured at FVPL	4,956	816	(1,201)	0	0
Other (losses)/gains, net	3,161	(186)	4,447	4,132	5,007
Operating profit/(loss)	4,330	(23,127)	(6,423)	5,501	15,867
Finance income	214	546	704	970	1,151
Finance costs	(370)	(1,131)	(1,672)	(1,838)	(1,933)
Profit / (loss) before income tax	4,438	(23,566)	(7,259)	4,633	15,085
Income tax credits/(expenses)	270	30	68	(751)	(2,510)
Net profit	4,708	(23,536)	(7,191)	3,882	12,575
Net profit after minority	4,708	(23,538)	(7,191)	3,882	12,575
Adjusted EBITDA	4,738	(9,694)	9,860	21,579	33,798
Adjusted net profit/(loss)	3,121	(15,572)	2,729	12,146	22,590

Financial Ratio

Year ended 31 Dec	2020	2021	2022E	2023E	2024E
yoY growth rate					
Revenue	18%	56%	22%	26%	21%
Operating profit / (loss)	62%	n.a.	-65%	n.a.	501%
Adj. EBITDA	-35%	n.a.	n.a.	119%	57%
Adj. net profit	-33%	n.a.	n.a.	345%	86%
Profitability					
Gross margin	30%	24%	28%	28%	28%
Operating margin	4%	-13%	-3%	2%	5%
Net margin	4%	-13%	-3%	1%	4%
Adj. EBITDA margin	4%	-5%	5%	8%	10%
Adj. net margin	3%	-9%	1%	4%	7%
ROE	3%	-14%	2%	10%	18%
ROA	3%	-12%	-3%	2%	5%
Per share (RMB)					
Diluted EPS	0.8	-3.9	-1.2	0.6	2.0
Adj. diluted EPS	0.5	-2.6	0.4	2.0	3.7
Adj. diluted EPS (HKD)	0.6	-3.0	0.5	2.3	4.3
BVPS	16.7	20.8	19.3	19.9	21.9
Valuation					
P/S (x)	6.6	4.4	3.7	2.9	2.4
P/E (x)	249.6	n.a.	292.3	65.7	35.3
P/B (x)	7.8	6.2	6.7	6.5	5.9

Investment Ratings

Industry Rating	Definition
OVERWEIGHT	Expect sector to outperform the market over the next 12 months
NEUTRAL	Expect sector to perform in-line with the market over the next 12 months
UNDERWEIGHT	Expect sector to underperform the market over the next 12 months

Company Rating	Definition
BUY	Expect stock to generate 10%+ return over the next 12 months
HOLD	Expect stock to generate +10% to -10% over the next 12 months
SELL	Expect stock to generate loss of 10%+ over the next 12 months

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