

## 1Q26 earnings review: Focus on changes in expectations for long-term profit levels

### Key takeaway

In 1Q26, MEITUAN reported total revenue of RMB91.039bn, up 5.2% YoY, and Non-IFRS net profit of -RMB4.968bn, compared with RMB10.949bn in the same period last year. In 1Q, the competitive landscape in the food delivery market further eased, and MEITUAN's food delivery UE losses narrowed significantly, while it still maintained a clear advantage over competitors. In the long run, irrational competition in the industry is unsustainable, and MEITUAN maintains a solid market share in the high average order value segment, with its market share expected to continue recovering in the future, while the market often linearly extrapolates MEITUAN's long-term profit level based on the current level, and short-term profit improvement and upside surprise will also help repair expectations for its long-term profit level. For new businesses, losses narrowed significantly QoQ this quarter, and losses in subsequent quarters are expected to be similar to this quarter, maintaining guidance that full-year losses will not exceed last year's level. In the long run, overseas food delivery has broad profit potential, and Keeta's long-term profit ceiling could be comparable to that of the domestic business.

### Event

In 1Q26, MEITUAN reported total revenue of RMB91.039bn, up 5.2% YoY, and Non-IFRS net profit of -RMB4.968bn, compared with RMB10.949bn in the same period last year, with both revenue and profit exceeding Bloomberg consensus expectations.

### Quick Take

**CLC: The competitive landscape further eased: Focus on changes in expectations for long-term profit levels.** In 1Q, MEITUAN's core local commerce recorded revenue of RMB64.063bn, down 0.41% YoY, and adjusted operating loss of RMB2.030bn, compared with a profit of RMB13.491bn in the same period last year. Among them, delivery service revenue was RMB24.1bn, down 6.49% YoY, while merchant service revenue was RMB35.6bn, up 0.21% YoY. In 1Q, the competitive landscape

## MEITUAN-W (3690.HK)

Maintain

Buy

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SFC CE Ref.: BRR519

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Current Price: HKD 78.25

6-month TP: HKD 112.36

### Key Data

#### Absolute/relative share performance (%)

1 month	3 months	12 months
-6.01/-4.54	-3.57/1.05	-43.30/-52.35

The highest/lowest price in recent 12 months (HKD) 148.40/73.30

Total share capital (10,000 shares) 617,461.90

Tradable H shares (10,000 shares) 559,546.60

Total market cap (HKD'00mn) 4,831.64

Tradable market cap (HKD'00mn) 4,378.45

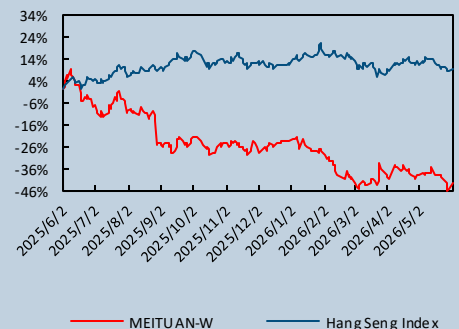
3-month average daily trading volume (10,000 shares) 5072.74

shares)

Major shareholders

Crown Holdings Asia Limited 8.01%

### Share performance



in the food delivery market further eased, and the company's food delivery revenue growth continued to lag behind order volume growth, although order volume growth slowed QoQ, revenue growth improved QoQ (with the decline narrowing). On the profit side, takeaway UE loss narrowed significantly this quarter (above expectations). Compared with competitors, the company still maintains a clear advantage. UE improvement is expected to be more evident in 2Q, while the peak summer season in 3Q may still carry some uncertainty. In the long run, irrational competition in the industry is unsustainable, and MEITUAN maintains a solid market share in the high average order value segment, with its market share expected to continue recovering in the future, while the market often linearly extrapolates MEITUAN's long-term profit level based on the current level, and short-term profit improvement and upside surprise will also help repair expectations for its long-term profit level. For in-store, hotel and travel, GTV still recorded double-digit growth in 1Q. Among them, in-store growth was faster than hotel and travel growth. Revenue growth was lower than GTV growth, with a QoQ slowdown. On the profit side, OPM remained broadly stable this quarter. In the short term, the impact of Douyin or Dou Sheng Sheng on Meituan's core in-store, hotel and travel business may be limited, with competition more likely to be differentiated. In the long term, as the industry structure of in-store, hotel and travel stabilizes, OPM is still expected to return to 30% or higher.

**New businesses: Loss narrowed significantly QoQ.** In 1Q, Meituan's new business revenue reached RMB27bn, up 21% YoY, and recorded an adjusted operating loss of RMB2.1bn, narrowing significantly QoQ. Keeta maintained steady growth. After turning profitable in Hong Kong, China, operational efficiency continued to improve. The subsidy recovery effect in the Saudi Arabia market was also relatively evident this quarter, while the Brazil market still has a long road ahead. We expect losses in subsequent quarters to remain broadly similar to the level in this quarter, and maintain guidance that full-year losses will not exceed last year's level. In the long run, overseas food delivery has broad profit potential, and Keeta's long-term profit ceiling could be comparable to that of the domestic business.

**Earnings forecast and valuation:** We estimate Meituan's revenue for FY26–28 to be RMB402.409bn, RMB465.592bn, and RMB530.541bn, with growth rates of 10.29%, 15.70%, and 13.95%, respectively. Non-GAAP profit is projected to be RMB1.949bn, RMB18.634bn, and RMB33.529bn. We maintain a buy rating with a target price of HKD112.36, corresponding to 18x 2028E PE.

**Risks:** Non-linear easing of the competitive landscape; takeaway UE turnaround below expectations; takeaway order volume growth slowing more than expected in the second half of the year; final takeaway market share below expectations; in-store, hotel and travel growth below expectations, and operating margin of in-store, hotel and travel below expectations; uncertainty in the long-term competitive landscape of in-store, hotel and travel; Keeta investment in Brazil exceeding expectations, and slower-than-expected profitability progress in overseas markets; exchange rate fluctuations beyond expectations leading to unexpected changes in FX gains and losses and undistributed items; potential internet regulatory policy risks; shareholder returns below expectations; tax rate rebound beyond expectations; the Federal Reserve's rate-cutting process falling short of expectations, continuing to suppress overall performance of the Hong Kong stock market; uncertainty in the development of China–US relations; risk of share reductions by South African shareholders; and other overseas risk factors affecting the overall performance of Hong Kong-listed Chinese internet companies.

**Table1: Meituan earnings forecast (unit: RMB mn)**

<b>Balance Sheet</b>	<b>2025</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>Income statement</b>	<b>2025</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Total current assets	225,057	225,715	248,180	287,586	Revenue	364,855	402,409	465,592	530,541
Total non-current assets	121,853	142,065	165,373	189,801	Cost of sales	-253,846	-281,686	-316,603	-355,462
Total assets	346,910	367,780	413,553	477,387	Gross profit	111,009	120,723	148,990	175,078
Total current liabilities	123,542	141,868	160,701	184,210	Selling expenses	-102,934	-92,554	-97,774	-100,803
Total non-current liabilities	72,381	80,319	90,275	101,355	R&D expenses	-25,998	-28,169	-30,263	-33,424
Total liabilities	195,922	222,187	250,975	285,565	Administrative expenses	-11,916	-12,072	-12,105	-12,733
Ordinary share capital	0.4	0.4	0.4	0.4	Investment income (fair value measurement)	2,393	2,923	-322	-4,948
Reserves	151,410	153,251	169,459	197,802	Impairment of operating assets	-872	0	0	0
Other comprehensive income	0	-7,600	-6,824	-5,922	Other net operating income	3,278	3,615	4,183	4,766
Equity attributable to shareholders of the parent company	151,046	145,652	162,636	191,880	EBIT	-25,041	-5,534	12,707	27,937
Minority interests	-58	-58	-58	-58	Financial income	2,012	2,066	1,427	1,540
Total shareholders' equity	150,988	145,593	162,578	191,822	Financial expenses	-1,887	-1,700	-1,600	-1,600
Total equity and liabilities	346,910	367,780	413,553	477,387	Investment income (equity method)	79	632	356	494
					EBT	-24,837	-4,536	12,889	28,371
					Income tax	1,483	450	-773	-2,270
Cash flow statement					Net profit (including minority interests)	-23,354	-4,087	12,116	26,101
Net cash generated from operating activities	-13815	20553	41313	60506	Net Profit (excluding minority interests)	-23,355	-4,087	12,116	26,101
Net cash provided by investing activities	29,773	-48,102	-17,651	-37,499	Minority interests income	1	-0	0	0
Net cash provided by financing activities	21,243	-1,320	-1,123	-1,069	Net profit (Non-IFRS)	-18,648	1,949	18,634	33,529
Net increase/decrease in cash and cash	37,201	-28,868	22,539	21,938	Key Ratios				

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equivalents									
Cash and cash equivalents at beginning of period	70,834	106,771	77,903	100,443	Operating revenue YOY	8.08%	10.29%	15.70%	13.95%
Effect of exchange rate changes	-1,263	0	0	0	Non-IFRS net profit YoY	-143%	110%	856%	80%
Cash and cash equivalents at end of period	106,771	77,903	100,443	122,381	Net profit margin	-5.11%	0.48%	4.00%	6.32%

Source: Bloomberg, China Securities

## Analysts

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		Overweight	Increase by 5% - 15% relative to the benchmark index
		Neutral	Increase by -5% - 5% relative to the benchmark index
		Underweight	Decrease by 5% - 15% relative to the benchmark index
		Sell	Decrease by more than 15% relative to the benchmark index
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		Neutral	Increase by -10% - 10% relative to the benchmark index
		Underperform	Decrease by more than 10% relative to the benchmark index

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