

COMPANY RESULTS

Meituan (3690 HK)

3Q24: Solid Earnings Beat; 4Q24 Outlook Intact Despite Low Seasonality

Meituan delivered a solid earnings beat in 3Q24. Total revenue grew 22% yoy to Rmb93.6b, in line with our and the street's estimates. Non-IFRS net profit was Rmb12.8b, with net profit margin expanding 6ppt yoy to 14%, above consensus estimate. For 2025, we are optimistic on Meituan due to its various growth catalysts: a) solid progress in overseas expansion, b) gradual rollout of consumption stimulus, and c) encouraging travel demand. Maintain BUY. Target price: HK\$222.00.

3Q24 RESULTS

Year to 31 Dec (Rmbm)	3Q23	2024	3Q24	qoq %	yoy %	UOB	Var	Cons	Var
TOTAL REVENUE	76,467	82,251	93,577	14%	22%	93,343	0.3%	91,988	2%
Core local commerce	57,691	60,682	69,373	14%	20%	70,017	(0.9%)		
New initiatives	18,776	21,569	24,204	12%	29%	23,326	3.8%		
Cost of revenue	(49,485)	(48,361)	(56,823)	17%	15%	(49,448)	14.9%		
Gross profit	26,982	33,890	36,754	8%	36%	43,895	(16.3%)	35,737	3%
OPEX	(24,764)	(22,867)	(26,044)	14%	5%	(31,461)	(17.2%)		
S&M	(16,905)	(14,832)	(17,953)	21%	6%	(20,540)	(12.6%)		
R&D	(5,321)	(5,340)	(5,293)	(1%)	(1%)	(7,281)	(27.3%)		
G&A	(2,538)	(2,695)	(2,798)	4%	10%	(3,640)	(23.1%)		
Non IFRS OP	4,178	12,988	12,367	(5%)	196%	15,845	(21.9%)		
Non-IFRS OPM	5%	16%	13%	(3 ppt)	8 ppt	17%	(4 ppt)		
Net profit	3,593	11,352	12,865	13%	258%	12,705	1.3%		
Non-IFRS net profit	5,727	13,606	12,829	(6%)	124%	15,562	(17.6%)	11,778	9%
GPM	35%	41%	39%	(2 ppt)	4 ppt	47%	(8 ppt)	39%	0 ppt
Non-IFRS NPM	7%	17%	14%	(3 ppt)	6 ppt	17%	(3 ppt)	13%	1 ppt

Source: Meituan, UOB Kay Hian

RESULTS

- Core local commerce momentum remained solid.** In 3Q24, Meituan's core local commerce (CLC) segment recorded a revenue of Rmb69.4b, implying a stable growth of 20% yoy (2Q24: +19% yoy). CLC commission delivered an accelerated growth of 24% yoy in 3Q24 vs 11% in 2Q24. Food delivery's (FD) average order value (AOV) delivered a milder 3ppt yoy decline, with FD revenue rising 14% yoy in 3Q24. The on-demand delivery order volume reached 7.1b while in-store hotel and travel (ISHT) order volume surged 50% yoy in 3Q24. FD pre-order subsidy decreased slightly but grew sequentially to Rmb1.00. In 3Q24, ISHT gross transaction value (GTV) grew at mid-20% yoy, with revenue growth of 22% yoy. ISHT operating margin was down sequentially to due to lower profitability from increasing contribution from lower tier cities and the hotel business, but the company sees stabilised competition with Douyin.
- NIO segment.** The new initiatives and others (NIO) segment delivered accelerated revenue growth of 29% yoy to Rmb24.2b in 3Q24 (2Q24: +19% yoy), mainly bolstered by the heightened price per item and price mark-up ratios of Meituan Select. Operating loss narrowed significantly by 80% yoy to Rmb1b, while operating margin improved 2ppt sequentially to -4%, primarily attributable to enhanced operating efficiency of Meituan Select.
- Share repurchases.** During 3Q24, Meituan repurchased a total of 120m Class B Shares at an aggregate consideration of HK\$14.2b (1.4% of market cap) before expenses.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2022	2023	2024F	2025F	2026F
Net turnover	219,955	276,745	336,786	387,442	437,789
EBITDA	15,432	36,238	73,073	89,974	103,123
Operating profit	24,691	43,988	80,958	99,349	112,037
Net profit (rep./act.)	23,826	44,430	78,323	96,621	109,989
Net profit (adj.)	2,827	23,253	42,110	56,578	77,922
EPS (Fen)	45.9	374.3	676.4	907.0	1,243.0
PE (x)	315.9	40.6	22.9	17.1	12.5
P/B (x)	342.0	42.0	23.2	17.3	12.6
EV/EBITDA (x)	7.5	6.4	4.9	3.8	3.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	10.8	16.1	23.3	24.9	25.1
Net debt/(cash) to equity (%)	(0.8)	(8.8)	(39.7)	(55.0)	(64.3)
ROE (%)	18.7	31.6	44.7	42.4	38.2
Consensus net profit	-	-	33,447.3	44,914.7	56,740.5
UOBKH/Consensus (x)	-	-	1.02	1.09	1.18

Source: Meituan, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$168.70
Target Price	HK\$222.00
Upside	+31.6%
(Previous TP)	HK\$235.00

COMPANY DESCRIPTION

Meituan is a Chinese group buying website for locally found food delivery services, consumer products and retail services.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	3690 HK
Shares issued (m):	5,502.1
Market cap (HK\$m):	1,026,583.1
Market cap (US\$m):	131,917.6
3-mth avg daily t'over (US\$m):	976.9

Price Performance (%)

52-week high/low HK\$217.00/HK\$61.10

1mth	3mth	1mth	3mth	1mth
(7.6)	42.7	60.5	91.9	106.0

Major Shareholders

	%
Crown Holdings Asia	8.7
BlackRock Inc	5.9
Baillie Gifford & Co	4.8
FY24 NAV/Share (Rmb)	31.91
FY24 Net Cash/Share (Rmb)	12.66

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- 4Q24 and 2025 outlooks.** We forecast 4Q24/2025 revenue to grow 19%/15% yoy, respectively and core local commerce to expand 18%/18% yoy. Core local commerce EBIT is expected to see 40% yoy growth, despite the increase in unit economics (UE) for on-demand services not being as significant as in 2Q/3Q24.
- On-demand (FD + Meituan Instashopping) order volume growth should remain stable at low teens yoy in 4Q24,** with FD order volume growth of 10% yoy. On-demand revenue growth in 4Q24 is expected to continue outpacing GTV growth. FD's on-demand order growth is expected to be slower than in 3Q24, primarily due to fluctuations in demand amid unstable weather conditions. The decline in AOV has narrowed in 4Q24, while delivery costs per order saw a slight yoy decrease in 3Q24, with a decline similar to that in 2Q24. Meituan Instashopping expects its order volume to grow at high 20-30%, excluding pharmaceuticals. Pharmaceuticals account for over 25% of total orders, with demand primarily driven by timely medication needs due to seasonal factors. Meituan Instashopping is projected to break even or see a slight loss in 4Q24 due to seasonality and year-end platform branding expenses, and is expected to be slightly profitable in full-year 2024. GTV margin is expected to improve yoy, though the rate of improvement will be less significant as compared with 2Q/3Q24.
- ISHT GTV and revenue growth are projected to grow 19% yoy in 4Q24,** anchored by encouraging travel momentum. In-store services order growth is guided at a robust mid-40% yoy, outpacing GTV growth. Hotel & travel GTV growth is relatively low, with growth in room night moderating sequentially. Meanwhile, the growth in operating profit in 4Q24 is projected to outpace both revenue and GTV growth, with ISHT margin estimated to edge up 4ppt yoy to 33%.
- Revenue from its new initiatives is forecasted to grow 22% yoy in 4Q24,** while adjusted EBIT losses are estimated at -Rmb2.0b to -Rmb2.2b, widening sequentially due to increased investment in overseas. In 4Q24, Meituan Select will continue to focus on quality differentiation over market share expansion while pre-emptive investments for the Lunar New Year festival will result in minimal sequential loss reduction. Other businesses are expected to turn to loss in 4Q24 from profit in 3Q24 due to: a) Keeta's (Saudi Arabia) increased investment by several hundred million renminbi; b) services like power banks and bike rentals wanes in 4Q24; c) new vehicle deployments due to the expiration of old ones; and d) increased R&D spending on drone development.
- 2025 macro and investment outlooks.** While economic policies are being introduced gradually, Meituan sees no significant shift in business momentum at the current stage. The National Day holiday provided a temporary boost to in-store services; however, sustained improvement has yet to emerge. Meituan thinks a gradual rollout of consumption stimulus policies will be essential to achieve tangible results. Estimates for new initiatives in 2025 remain conservative, with overseas expansion scaling up, losses are projected to grow significantly and in a non-linear pattern. For Saudi Arabia expansion, no fixed budget has been set and Meituan aims to expand into multiple countries by the end of 2025. Over the long term, peers' GTV margins are expected to reach 6-8%.

EARNINGS REVISION/RISK

- We trimmed our 4Q24 revenue estimates by 1% after factoring in the low seasonality in 4Q24. We lowered our 4Q24/2025 adjusted net profit forecasts by 11%/3% respectively, in view of higher rider costs and heightened investment on overseas expansion.
- 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.

VALUATION/RECOMMENDATION

- Maintain BUY with a lower target price of HK\$222.00.** Our target price implies 22.5x 2025F PE against 15% 2025-28 EPS CAGR. We assign 20x 2025F PE for the core local commerce segment and 18x 2025F PE for the new initiatives segment.

SHARE PRICE CATALYST

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

FORWARD EV/SALES BAND



Source: UOB Kay Hian, Bloomberg

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Net turnover	276,745.0	336,786.1	387,441.9	437,789.2
EBITDA	36,237.9	73,073.3	89,974.1	103,123.3
Deprec. & amort.	(7,750.6)	(7,884.5)	(9,374.5)	(8,913.5)
EBIT	43,988.5	80,957.8	99,348.6	112,036.8
Total other non-operating income	0.0	0.0	(0.0)	(0.0)
Associate contributions	1,212.7	1,333.9	1,467.3	1,467.3
Net interest income/(expense)	(606.2)	(456.6)	220.1	1,138.9
Pre-tax profit	44,594.9	81,835.1	101,036.0	114,643.0
Tax	(164.5)	(3,512.4)	(4,414.7)	(4,654.0)
Minorities	0.0	0.0	0.0	0.0
Net profit	44,430.4	78,322.7	96,621.3	109,989.0
Net profit (adj.)	23,253.4	42,110.0	56,577.9	77,921.8

CASH FLOW

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Operating	45,680.4	72,543.3	76,399.1	78,675.3
Pre-tax profit	44,594.9	81,835.1	101,036.0	114,643.0
Tax	(164.5)	(3,512.4)	(4,414.7)	(4,654.0)
Deprec. & amort.	(7,750.6)	(7,884.5)	(9,374.5)	(8,913.5)
Working capital changes	(1,212.7)	(1,333.9)	(1,467.3)	(1,467.3)
Other operating cashflows	(4,767.6)	4,767.6	0.0	0.0
Investing	0.0	0.0	0.0	0.0
Capex (growth)	14,980.8	(1,328.5)	(9,380.4)	(20,932.8)
Investments	(28,790.2)	(12,018.1)	(13,623.0)	(15,161.3)
Proceeds from sale of assets	(7,068.7)	(10,107.3)	(11,516.9)	(12,841.8)
Others	36,770.3	38,599.2	40,611.0	42,824.0
Financing	(38,544.4)	(40,510.0)	(42,717.0)	(45,143.5)
Dividend payments	812.9	0.0	0.0	0.0
Issue of shares	(7.9)	0.0	0.0	0.0
Proceeds from borrowings	820.8	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	0.0	0.0	0.0	0.0
Net cash inflow (outflow)	17,703.0	60,525.2	62,776.2	63,514.0
Beginning cash & cash equivalent	20,161.2	38,230.8	98,756.0	161,532.2
Changes due to forex impact	366.6	0.0	0.0	0.0
Ending cash & cash equivalent	38,230.8	98,756.0	161,532.2	225,046.2

BALANCE SHEET

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Fixed assets	25,977.8	26,455.6	29,572.2	33,563.2
Other LT assets	83,935.6	85,265.0	88,645.1	92,754.4
Cash/ST investment	33,339.8	98,756.0	161,532.2	225,046.2
Other current assets	149,776.4	145,537.1	148,133.5	151,170.2
Total assets	293,029.6	356,013.7	427,883.0	502,534.1
ST debt	19,321.8	19,321.8	19,321.8	19,321.8
Other current liabilities	81,552.3	95,876.5	109,093.7	121,912.7
LT debt	610.1	610.1	610.1	610.1
Other LT liabilities	39,589.1	39,589.1	39,589.1	39,589.1
Shareholders' equity	152,013.2	198,678.0	257,330.1	319,162.2
Minority interest	(56.8)	(56.8)	(56.8)	(56.8)
Total liabilities & equity	293,029.6	356,013.7	427,883.0	502,534.1

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	13.1	21.7	23.2	23.6
Pre-tax margin	16.1	24.3	26.1	26.2
Net margin	16.1	23.3	24.9	25.1
ROA	16.5	24.1	24.7	23.6
ROE	31.6	44.7	42.4	38.2
Growth				
Turnover	25.8	21.7	15.0	13.0
EBITDA	134.8	101.6	23.1	14.6
Pre-tax profit	87.7	83.5	23.5	13.5
Net profit	86.5	76.3	23.4	13.8
Net profit (adj.)	722.5	81.1	34.4	37.7
EPS	715.0	80.7	34.1	37.0
Leverage				
Debt to total capital	11.6	9.1	7.2	5.9
Debt to equity	13.1	10.0	7.7	6.2
Net debt/(cash) to equity	(8.8)	(39.7)	(55.0)	(64.3)
Interest cover (x)	59.8	160.0	n.a.	n.a.

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