

# China / Hong Kong Company Update

## Meituan

Bloomberg: 3690 HK Equity | Reuters: 3690.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

6 Jun 2022

### BUY

Last Traded Price (2 Jun 2022): HK\$180.20 (HSI : 21,082)  
Price Target 12-mth: HK\$226 (25% upside) (Prev HK\$269)

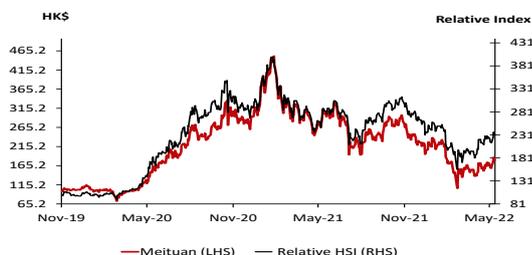
#### Analyst

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#### What's New

- 1Q22 revenue increased by 25% to Rmb46.3bn, above market expectations of 23%
- Adjusted net loss was Rmb3.6bn, narrower than consensus' c.Rmb 4.5bn loss
- Factoring in prolonged Covid impact, we revised down FY22F and FY23F revenue by 11% and 13%
- Maintain BUY with a revised TP of HK\$226

#### Price Relative



#### Forecasts and Valuation

FY Dec (RMBm)	2020A	2021A	2022F	2023F
Turnover	114,795	179,128	213,490	279,677
EBITDA	9,788	(14,054)	(1,151)	19,739
Pre-tax Profit	4,438	(23,566)	(11,651)	9,239
Net Profit	4,708	(23,538)	(11,642)	9,791
Core profit	3,121	(15,572)	(7,042)	14,391
Net Profit Gth (Pre-ex) (%)	110.3	N/A	50.5	N/A
EPS (RMB)	0.81	(3.90)	(1.93)	1.62
EPS (HK\$)	0.95	(4.59)	(2.27)	1.91
EPS Gth (%)	107.5	N/A	50.5	N/A
Diluted EPS (HK\$)	0.92	(4.62)	(2.28)	1.92
BV Per Share (HK\$)	19.55	24.11	22.84	25.68
PE (X)	189.9	nm	nm	94.3
P/Cash Flow (X)	105.5	nm	44.9	18.0
P/Free CF (X)	nm	nm	79.9	21.8
EV/EBITDA (X)	86.0	nm	nm	40.3
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	9.2	7.5	7.9	7.0
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	5.0	(21.1)	(9.5)	7.7
Core Earnings Rev (%)			NA	32
Consensus EPS (RMB)			(1.37)	1.35
Other Broker Recs:		B:58	S:1	H:3

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

## Leading local services platform riding on "everything home"

#### Investment Thesis

Leading online food delivery platform in China, with 9m+ daily orders, supported by its efficient delivery network as well as wide range of restaurants.

Food delivery and dining platform integration creates synergies and attracts merchants and therefore advertising revenue. We expect food delivery revenue to grow at CAGR of 21% from 2021 to 2023.

E-grocery business is a new revenue stream. This will leverage on its existing delivery and fulfilment capacity and create new synergies with food delivery business. We expect these new initiatives revenue to grow at 2-year CAGR of 38% and take up c.34% of total revenue in 2023.

#### Valuation:

We derived our TP of HK\$226 based on a SOTP valuation: (1) Food delivery: 5x FY22F P/S (HK\$106); (2) In-store, hotel, and travel: 25x FY22F earnings (HK\$58); (3) New initiatives and others: 5x FY22F P/S. (HK\$63). Maintain BUY.

#### Where we differ:

We are more bullish on the food delivery segment's growth and potential synergies between food delivery and new initiatives.

#### Key Risks to Our View:

Government regulatory risk; irrational market competition.

#### At A Glance

Issued Capital (m shrs)	6,136
Mkt Cap (HKm/US\$m)	1,105,707 / 140,943
Major Shareholders (%)	
Tencent Holdings Ltd	19.1
Free Float (%)	80.9
3m Avg. Daily Val. (US\$m)	832.55
GICS Industry: Consumer Discretionary / Retailing	



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## Meituan

### WHAT'S NEW

#### 1Q22 results above market expectations, expecting slower 2Q22 revenue due to Covid impact

##### 1Q22 results highlights

- Revenue increased by 25% y-o-y to Rmb46.2bn, above consensus.
- Segment-wise, food delivery revenue increased by 17% y-o-y to Rmb24.2bn, driven by a 16% increase in gross transaction volume; In-store, hotel and travel segment revenue increased by 16% to Rmb7.6bn; New initiatives revenue increased by 47% to Rmb14.5bn.
- Operating profit of food delivery jumped by 41% to Rmb1.6bn, with the margin expanding to 6.5%, from 1Q21's 5.4%, mainly driven by higher order value and increased number of transactions.
- Operating loss of the new business segment (including Meituan Select) was c.Rmb9bn, slightly narrower than market expectations of c.Rmb9.4bn loss.
- Adjusted net loss was Rmb3.6bn, beating market expectations of c.Rmb4.5bn loss. The smaller net loss was mainly due to (1) higher operating margin of food delivery and (2) narrower loss from new businesses
- As of Mar 22, the number of transacting users increased by 22% y-o-y to 693m and annual average transaction frequency per user increased by 22%.

##### Outlook

- We are cautious on 2Q22's outlook and expect slower y-o-y revenue growth due to Covid impact. For in-store, hotel and travel segment, the company guided a double-digit revenue decline in 2Q22, disrupted by the strict Covid control measures and travel restrictions.
- Despite short-term headwinds, we believe that Meituan's business will gradually recover in 2H22, after relaxation of Covid measures. The growth is supported by robust user growth and expanding product offerings on the platform.

- For new initiative segment, the retail related business remains as the key focus area, including Meituan Select and Meituan Instashopping. We expect losses from new business to further narrow in 2022, given cost controls and slower investment expansion amid macro and Covid uncertainties. We remain confident that Meituan as a leading local service provider will be able to ride on growing demand for "everything home" and generate sustainable growth.

- Factoring the prolonged Covid impact on travel and consumption activities, we have lowered our FY22 and FY23 revenue by 11% and 13% respectively. We forecast Meituan to record adjusted net loss of Rmb7,042m for FY22 and adjusted net profit Rmb14,391m for FY23 (vs previous forecast of Rmb11,911m net loss for FY22 and Rmb10,883m net profit for FY23), to reflect tighter cost control and narrower loss from new business.

- We derived our TP of HK\$226 based on a SOTP valuation: (1) Food delivery: 5x FY22F P/S (HK\$106); (2) In-store, hotel and travel: 25x FY22F earnings (HK\$58); (3) New initiatives and others: 5x FY22F P/S. (HK\$63). Maintain BUY.

##### Company Background

Meituan is a leading online food delivery platform in China. It was founded in 2010 and completed a merger with Dianping in 2015. The company currently owns several platforms, including Meituan, Dianping, and Mobike. It is engaged in food delivery, in-store, hotel and travel booking, as well as car-hailing services. It has 600m+ transacting users on its platforms.

## Meituan

## Quarterly / Interim Income Statement (RMBm)

FY Dec	1Q2021	4Q2021	1Q2022	% chg yoy	% chg qoq
Revenue	37,016	49,523	46,269	25.0	(6.6)
Cost of Goods Sold	(29,816)	(37,541)	(35,528)	19.2	(5.4)
<b>Gross Profit</b>	<b>7,200</b>	<b>11,983</b>	<b>10,740</b>	<b>49.2</b>	<b>(10.4)</b>
Other Oper. (Exp)/Inc	(12,421)	(18,257)	(16,297)	31.2	(10.7)
<b>Operating Profit</b>	<b>(5,221)</b>	<b>(6,274)</b>	<b>(5,557)</b>	<b>6.4</b>	<b>(11.4)</b>
Other Non Opg (Exp)/Inc	454	1,268	(27.5)	nm	(102.2)
Associates & JV Inc	(2.0)	(164)	46.4	nm	nm
Net Interest (Exp)/Inc	(88.2)	(175)	(220)	(149.4)	(26.1)
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
<b>Pre-tax Profit</b>	<b>(4,857)</b>	<b>(5,344)</b>	<b>(5,758)</b>	<b>(18.5)</b>	<b>(7.7)</b>
Tax	11.0	5.06	55.2	404.1	991.8
Minority Interest	(1.0)	0.04	(0.1)	92.5	(302.6)
<b>Net Profit</b>	<b>(4,847)</b>	<b>(5,339)</b>	<b>(5,703)</b>	<b>(17.6)</b>	<b>6.8</b>
Net profit bef Except.	(4,847)	(5,339)	(5,703)	(17.6)	6.8
EBITDA	(4,769)	(5,170)	(5,538)	(16.1)	(7.1)
<b>Margins (%)</b>					
Gross Margins	19.5	24.2	23.2		
Opg Profit Margins	(14.1)	(12.7)	(12.0)		
Net Profit Margins	(13.1)	(10.8)	(12.3)		

Source: Company, DBS HK

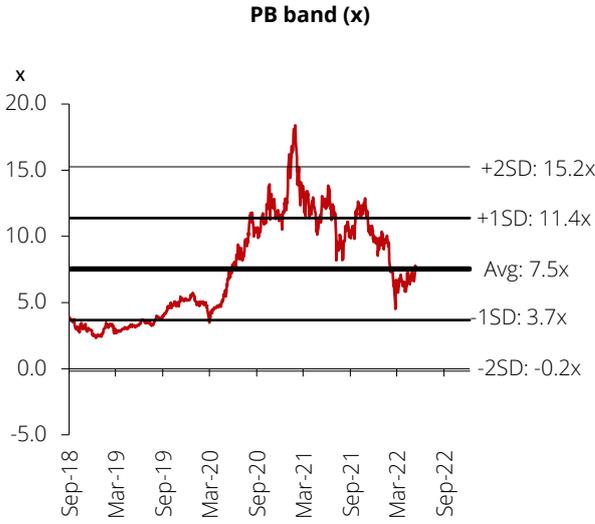
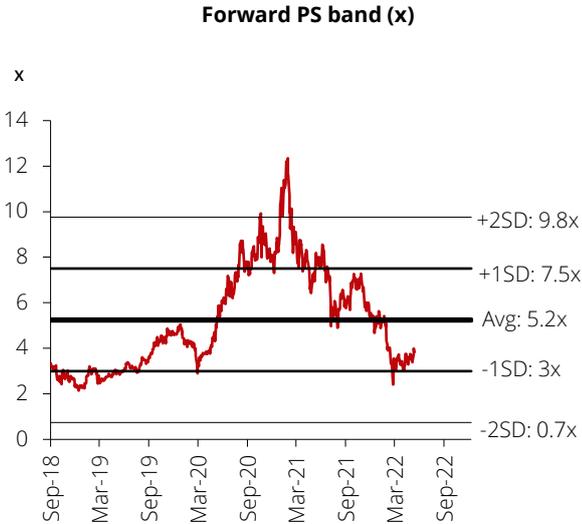
## Income Statement (RMB m)

FY Dec	2020A	2021A	% chg vov
Revenue	114,795	179,128	56.0
Cost of Goods Sold	(80,744)	(136,654)	69.2
<b>Gross Profit</b>	<b>34,050</b>	<b>42,474</b>	<b>24.7</b>
Other Opng (Exp)/Inc	(37,369)	(65,971)	76.5
<b>Operating Profit</b>	<b>(3,319)</b>	<b>(23,497)</b>	<b>608.0</b>
Other Non Opg (Exp)/Inc	7,649	370	(95.2)
Associates & JV Inc	264	146	(44.9)
Net Interest (Exp)/Inc	(156)	(585)	(274.1)
Exceptional Gain/(Loss)	0	0	nm
<b>Pre-tax Profit</b>	<b>4,438</b>	<b>(23,566)</b>	<b>nm</b>
Tax	270	30	(88.8)
Minority Interest	1	(2)	nm
<b>Net Profit</b>	<b>4,708</b>	<b>(23,538)</b>	<b>nm</b>
Net Profit before Except.	4,708	(23,538)	nm
EBITDA	9,788	(14,054)	nm
<b>Margins &amp; Ratio</b>			
Gross Margins (%)	29.7	23.7	
Opg Profit Margin (%)	(2.9)	(13.1)	
Net Profit Margin (%)	4.1	(13.1)	

Source: Company, DBS HK

**Meituan**

**Historical PS and PB band**



Source: Thomson Reuters, DBS HK

## Meituan

### Key Assumptions

FY Dec	2019A	2020A	2021A	2022F	2023F
Food delivery GTV (Rmb bn)	392.7	488.9	702.1	817.8	1,007.6
Food delivery AOV (Rmb)	45.0	48.2	48.9	50.8	51.3
In-store, hotel and travel GTV (Rmb bn)	222.1	213.8	312.8	330.4	400.1

Source: Company, DBS HK

### Segmental Breakdown (RMB m)

FY Dec	2019A	2020A	2021A	2022F	2023F
<b>Revenues (RMB m)</b>					
Food delivery	54,843	66,265	96,312	112,850	141,070
In-store, hotel and travel	22,275	21,252	32,530	33,845	44,309
New initiatives	20,410	27,277	50,286	66,794	94,298
<b>Total</b>	<b>97,529</b>	<b>114,795</b>	<b>179,128</b>	<b>213,490</b>	<b>279,677</b>

Source: Company, DBS HK

## Meituan

### Income Statement (RMB m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenue	97,529	114,795	179,128	213,490	279,677
Cost of Goods Sold	(65,208)	(80,744)	(136,654)	(158,623)	(194,096)
<b>Gross Profit</b>	<b>32,320</b>	<b>34,050</b>	<b>42,474</b>	<b>54,867</b>	<b>85,581</b>
Other Opg (Exp)/Inc	(31,604)	(37,369)	(65,971)	(65,968)	(75,792)
<b>Operating Profit</b>	<b>717</b>	<b>(3,319)</b>	<b>(23,497)</b>	<b>(11,101)</b>	<b>9,789</b>
Other Non Opg (Exp)/Inc	1,963	7,649	370	(200)	(200)
Associates & JV Inc	107	264	146	150	150
Net Interest (Exp)/Inc	(25)	(156)	(585)	(500)	(500)
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>2,762</b>	<b>4,438</b>	<b>(23,566)</b>	<b>(11,651)</b>	<b>9,239</b>
Tax	(526)	270	30	12	554
Minority Interest	3	1	(2)	(2)	(2)
Preference Dividend	0	0	0	0	0
<b>Net Profit</b>	<b>2,239</b>	<b>4,708</b>	<b>(23,538)</b>	<b>(11,642)</b>	<b>9,791</b>
Net Profit before Except.	2,239	4,708	(23,538)	(11,642)	9,791
EBITDA	7,633	9,788	(14,054)	(1,151)	19,739
<b>Growth</b>					
Revenue Gth (%)	49.5	17.7	56.0	19.2	31.0
EBITDA Gth (%)	N/A	28.2	N/A	91.8	N/A
Opg Profit Gth (%)	(105.4)	(563.1)	608.0	(52.8)	(188.2)
Net Profit Gth (%)	N/A	110.3	N/A	50.5	N/A
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	33.1	29.7	23.7	25.7	30.6
Opg Profit Margin (%)	0.7	(2.9)	(13.1)	(5.2)	3.5
Net Profit Margin (%)	2.3	4.1	(13.1)	(5.5)	3.5
ROAE (%)	2.5	5.0	(21.1)	(9.5)	7.7
ROA (%)	1.8	3.2	(11.6)	(4.6)	3.4
ROCE (%)	0.6	(3.0)	(15.4)	(6.1)	5.0
Div Payout Ratio (%)	0.0	0.0	N/A	N/A	0.0
Net Interest Cover (x)	28.9	(21.2)	(40.2)	(22.2)	19.6

Source: Company, DBS HK

## Meituan

## Quarterly Income Statement (RMB m)

FY Dec	1Q2021	2Q2021	3Q2021	4Q2021	1Q2022
Revenue	37,016	43,759	48,829	49,523	46,269
Cost of Goods Sold	(29,816)	(31,246)	(38,051)	(37,541)	(35,528)
<b>Gross Profit</b>	<b>7,200</b>	<b>12,513</b>	<b>10,778</b>	<b>11,983</b>	<b>10,740</b>
Other Oper. (Exp)/Inc	(12,421)	(16,802)	(18,491)	(18,257)	(16,297)
<b>Operating Profit</b>	<b>(5,221)</b>	<b>(4,289)</b>	<b>(7,713)</b>	<b>(6,274)</b>	<b>(5,557)</b>
Other Non Opg (Exp)/Inc	454	1,037	(2,390)	1,268	(27)
Associates & JV Inc	(2)	38	273	(164)	46
Net Interest (Exp)/Inc	(88)	(151)	(171)	(174)	(220)
Exceptional Gain/(Loss)	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>(4,857)</b>	<b>(3,365)</b>	<b>(10,000)</b>	<b>(5,344)</b>	<b>(5,758)</b>
Tax	11	8	6	5	55
Minority Interest	(1)	(1)	0	0	0
<b>Net Profit</b>	<b>(4,847)</b>	<b>(3,357)</b>	<b>(9,995)</b>	<b>(5,339)</b>	<b>(5,703)</b>
Net profit bef Except.	(4,847)	(3,357)	(9,995)	(5,339)	(5,703)
EBITDA	(3,213)	(3,213)	(9,829)	(5,170)	(5,538)
<b>Growth (QoQ)</b>					
Revenue Gth (%)	(2.4)	18.2	11.6	1.4	(6.6)
EBITDA Gth (%)	(74.4)	32.6	(205.9)	47.4	(7.1)
Opg Profit Gth (%)	52.7	(17.8)	79.8	(18.7)	(11.4)
Net Profit Gth (%)	115.9	(30.7)	197.7	(46.6)	6.8
<b>Growth (YoY)</b>					
Revenue Gth (%)	120.9	77.0	37.9	30.6	25.0
EBITDA Gth (%)	(179.8)	N/A	N/A	(89.0)	(16.1)
Opg Profit Gth (%)	281.3	(594.2)	(1,380.8)	83.5	6.4
Net Profit Gth (%)	(207.1)	N/A	N/A	(137.9)	(17.6)
<b>Margins</b>					
Gross Margins (%)	19.5	28.6	22.1	24.2	23.2
Opg Profit Margins (%)	(14.1)	(9.8)	(15.8)	(12.7)	(12.0)
Net Profit Margins (%)	(13.1)	(7.7)	(20.5)	(10.8)	(12.3)

Source: Company, DBS HK

## Meituan

## Balance Sheet (RMB m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Net Fixed Assets	5,376	13,917	22,814	21,814	20,814
Invts in Associates & JVs	2,284	13,181	13,869	14,019	14,169
Other LT Assets	42,218	51,171	56,142	56,142	56,142
Cash & ST Invts	71,592	73,869	130,072	146,703	195,361
Inventory	275	466	682	682	682
Debtors	677	1,031	1,793	3,048	4,572
Other Current Assets	9,591	12,940	15,282	18,338	22,005
<b>Total Assets</b>	<b>132,013</b>	<b>166,575</b>	<b>240,653</b>	<b>260,745</b>	<b>313,745</b>
ST Debt	3,553	6,395	11,565	11,565	11,565
Creditors	6,766	11,967	15,166	19,715	25,630
Other Current Liab	26,274	32,786	41,862	57,967	82,967
LT Debt	467	14,924	42,603	48,680	55,972
Other LT Liabilities	2,899	2,869	3,901	3,901	3,901
Shareholder's Equity	92,112	97,693	125,613	118,972	133,763
Minority Interests	(58)	(59)	(57)	(55)	(53)
<b>Total Cap. &amp; Liab.</b>	<b>132,013</b>	<b>166,575</b>	<b>240,653</b>	<b>260,745</b>	<b>313,745</b>
Non-Cash Wkg. Capital	(22,497)	(30,315)	(39,271)	(55,615)	(81,338)
Net Cash/(Debt)	67,573	52,550	75,904	86,458	127,824
Debtors Turn (avg days)	2.1	2.7	2.9	4.1	5.0
Creditors Turn (avg days)	36.6	45.3	38.8	42.8	45.0
Inventory Turn (avg days)	2.0	1.8	1.6	1.7	1.4
Asset Turnover (x)	0.8	0.8	0.9	0.9	1.0
Current Ratio (x)	2.2	1.7	2.2	1.9	1.9
Quick Ratio (x)	2.0	1.5	1.9	1.7	1.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	74.7	74.4	16.7	14.9	13.3
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

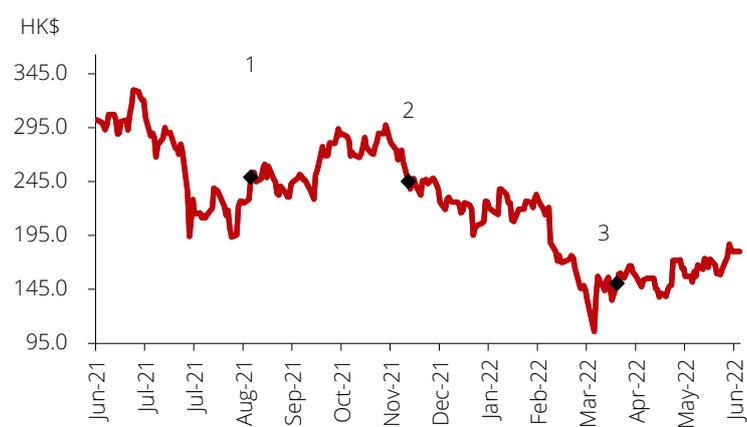
## Cash Flow Statement (RMB m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Pre-Tax Profit	97	161	173	199	235
Dep. & Amort.	4,846	5,194	8,928	10,000	10,000
Tax Paid	(463)	(86)	(255)	12	554
Assoc. & JV Inc/(loss)	(107)	(264)	(146)	(150)	(150)
(Pft)/ Loss on disposal of FAs	0	(38)	48	0	0
Chg in Wkg.Cap.	(2,645)	1,890	7,209	16,343	25,723
Other Operating CF	3,848	1,618	(19,969)	(5,851)	15,004
<b>Net Operating CF</b>	<b>5,574</b>	<b>8,475</b>	<b>(4,011)</b>	<b>20,554</b>	<b>51,366</b>
Capital Exp.(net)	(3,002)	(15,851)	(9,024)	(9,000)	(9,000)
Other Invts.(net)	(7,412)	(3,064)	(49,712)	0	0
Invts in Assoc. & JV	182	(1,766)	71	0	0
Div from Assoc & JV	14	19	24	0	0
Other Investing CF	44	(569)	149	0	0
<b>Net Investing CF</b>	<b>(10,174)</b>	<b>(21,232)</b>	<b>(58,492)</b>	<b>(9,000)</b>	<b>(9,000)</b>
Div Paid	0	0	0	0	0
Chg in Gross Debt	1,749	17,959	35,057	6,077	7,292
Capital Issues	0	0	0	0	0
Other Financing CF	(623)	(541)	43,541	(1,000)	(1,000)
<b>Net Financing CF</b>	<b>1,126</b>	<b>17,418</b>	<b>78,598</b>	<b>5,077</b>	<b>6,292</b>
Currency Adjustments	(173)	(964)	(675)	0	0
Chg in Cash	(3,648)	3,697	15,420	16,630	48,658
Opg CFPS (RMB)	1.43	1.13	(1.86)	0.70	4.25
Free CFPS (RMB)	0.45	(1.26)	(2.16)	1.91	7.02

Source: Company, DBS HK

**Meituan**

**Target Price & Ratings History**



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	31-Aug-21	HK\$228.40	HK\$338.00	Buy
2:	29-Nov-21	HK\$263.60	HK\$342.00	Buy
3:	28-Mar-22	HK\$135.00	HK\$269.00	Buy

Source: DBS HK

Analyst: Tsz Wang Tam  
Lilian Lv

DBS HK recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

Completed Date: 6 Jun 2022 08:23:42 (HKT)

Dissemination Date: 6 Jun 2022 08:55:05 (HKT)

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