Regional Industry Focus

Internet Sector - On Demand

Refer to important disclosures at the end of this report

DBS Group Research. Equity

24 Jul 2023

Take Uber for ride; Meituan for food delivery

- Uber Technologies (UBER) enjoys two key structural advantages over Grab Holdings (GRAB)
- The Chinese on-demand industry is highly competitive, but food delivery is seeing a step-down in competition from Douyin.
- Prefer UBER and Meituan in on-demand space, downgrade GRAB to Fully Valued. Amazon & Sea Ltd are our e-commerce top picks as highlighted in our sector report published on 3 Jul 2023

UBER enjoys two key structural advantages over GRAB. Firstly, the car ownership rate in the US is high at over 90% vs less than 15% in Southeast (SE) Asia as cars are quite expensive compared to the average income levels. So, drivers in SE Asia incur an additional cost of renting the car. For example, most drivers in Singapore, pay a car rental fee of S$70-100 per day, almost 30-50% of their daily earnings. Secondly, in the food delivery business in the US, it is customary to tip UBER driver 15-20% of the order value, on top of the delivery fee, but tip-culture is largely absent in SE Asia. These factors might not allow GRAB to significantly reduce the incentives offered to its drivers. We lower our normalised EBITDA margin assumption for GRAB to 12% in FY27F (13% earlier) and downgrade our call to Fully Valued.

In China, on-demand business is highly competitive but food delivery is seeing a step-down in competition. According to media reports, Douyin has abandoned its RMB100bn GMV target for Food Delivery in 2023 after achieving just 10% of the target in 1H of 2023. This is mainly due to lack of its logistics infrastructure. Food delivery comprised 53% of Meituan's revenue in 2022. Meituan is seeing most of the competition from Douyin in local life services segment, which only comprises mid-teens of Meituan 's revenue.

Prefer UBER and Meituan for high growth available at a reasonable price (GARP). UBER is trading at 15.3x 24-month forward EV/adj EBITDA below its 2-year average of 19.3x while offering 39% adj EBITDA CAGR over FY23F-26F led by margin expansion across Mobility and Delivery. GRAB is trading at a big premium to UBER at 27x 24-month EV/EBITDA. Even in terms of 12-month/24-month forward EV/Gross Profit, GRAB is not cheap at 8.0x/5.9x vs UBER at 5.4x/5.0. With lesser concerns from Douyin in the Food Delivery segment, Meituan is also attractive at 15.6x 24-month EV/EBITDA while offering 40% adj EBITDA CAGR.

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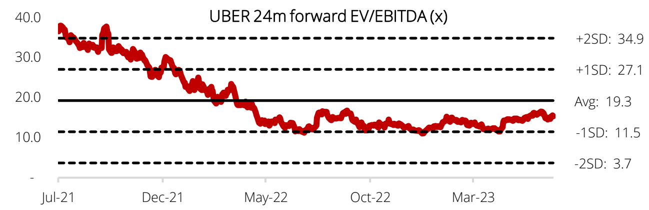
STOCKS

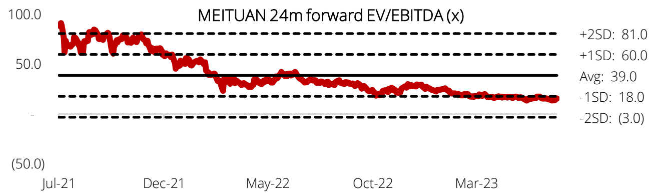
	Price LCY	Mkt Cap US$b	12-mth Target Price LCY	Performance (%) 3 mth	12 mth	Rating
GRAB	3.60	13,824	3.16	22.9	24.6	FULLY VALUED
MEITUAN	128	101,41	227	(6.9)	(34.2)	BUY
UBER	42.91	86.84	55.00			BUY

Source: DBS Bank, DBS HK, Bloomberg Finance L.P.
Closing price as of 21 Jul 2023

UBER & Meituan are trading at a big discount to their 2-year average

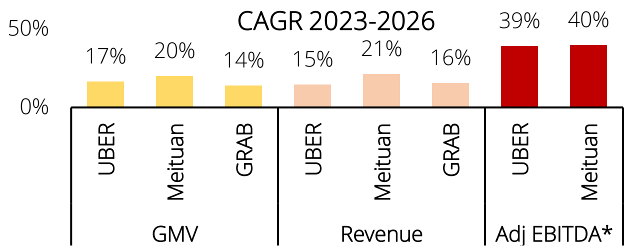


Source: Company, Reuters, DBS Bank



Source: Company, Reuters, DBS HK, DBS Bank

Meituan exhibits higher growth in terms of revenue & adj EBITDA



**GRAB's adj EBITDA is not available since it is expected to achieve adj EBITDA breakeven by 4Q23F but still negative adj EBITDA for whole of 2023*
Source: Companies, Reuters, DBS Bank, DBS HK

Global on-demand sector is drawing interest

Compared to UBER in North America, GRAB faces two key structural challenges, leaving less room to cut incentives offered to drivers. The US exhibits the highest percentage of households that own a car globally (at 92%) since owning and driving a car is a common phenomenon there. Some car owners are driving an UBER for an additional income while others are doing it full-time. An UBER driver can earn an average of US$20-30 per hour in the US, according to multiple sources. Assuming the driver works for 10 hours, his/her total earnings for a day would be US$200-300 per day, and the driver could rake in US$120-200 after expenses. As a result, it is possible for UBER to charge higher commissions. However, in a country like Singapore, where GRAB has a strong presence, most of the GRAB drivers do not own a car. Compared to the US, where car ownership is over 92%, in Singapore the percentage is 11% (SE Asia is less than 15%). Hence, GRAB drivers tend to rely on daily rented cars, for which they end up paying an additional S$70-100 per day, in addition to the % commission fee and fuel expenses. This requires them to work full-time to make a decent living. The GRAB driver may be left with little income after paying the daily car rental charges and other expenses, hence limiting GRAB's ability to raise commission fee or cut incentives offered to the drivers.

Owning a car in the US is more affordable compared to SE Asian countries

Country	Car ownership as a percentage of number of households
US	92%
Singapore	11%
Indonesia	9%

Source: VOI, Motley Fool, Budget Direct, DBS Bank

US$	USA	Singapore	Indonesia
Average car price	46,000	125,000	27,200
Personal income per capita	65,280	67,340	4,800
Car price to income ratio	0.7	1.9	5.7

Source: The Zebra, World Data, Kee Yong Auto, Statista, DBS Bank

For Delivery, in the US, it is customary to tip the UBER driver, which impacts the total income of the delivery person, functioning as an additional source of income for the drivers, on top of their base pay. However, in Singapore, the tipping culture may not be as prevalent or expected. As a result, the effective income of delivery drivers for GRAB may be solely dependent on their base pay and any additional incentives provided by GRAB. This also implies that UBER can afford to raise commission rates in its other major segment compared to GRAB. Hence GRAB will not have any room to reduce the incentives offered to drivers and delivery people, affecting its future profitability adversely.

Tips given to US restaurants and delivery riders are higher than SE Asian countries

Tipping rates	USA	Singapore	Indonesia
At restaurants	15%	10% service charge	10% - 15%
Online food delivery	15-20%	3%-10%	3%-10%

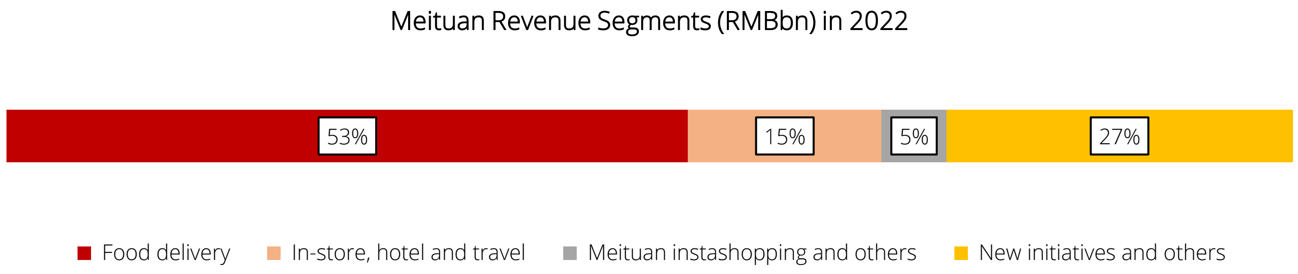
Source: Table Agent, Grubhub, The Best Singapore, Expat Choice, Trip Advisor, DBS Bank

GRAB is witnessing competition from GoTo in on-demand services especially in Indonesia, the largest market for both the platform companies. Furthermore, GRAB's third segment, Fintech, is expected to continue to make losses. GRAB expects Fintech to experience peak losses in 2023 due to the launch of Digibanks in Malaysia and Indonesia. This is a segment which is absent in UBER and UBER's

Freight segment continues to narrow its losses, benefitting the company's adj EBITDA growth.

Food delivery is not the battleground for Douyin against Meituan, instead it is the in-store segment. Meituan generated RMB219bn in total revenue as of 2022, of which RMB116bn (53%) came from food delivery. Douyin's impact to Meituan's food delivery segment does not seem to be a major threat according to the last few quarters. In addition, based on media reports, Douyin has abandoned its 2023 food delivery GMV target of US$14bn (RMB100bn) after achieving only 1/10th of the intended target (US$1.4bn/RMB10bn) by 1H23. Lack of logistics infrastructure is the key reason for this abandonment since Douyin relies on 3PL players resulting in high costs, deterring any plans of expansion.
However, we believe that the competition lies in the in-store segment of Meituan. Douyin's local life services corresponds to Meituan's in-store segment which accounted for ~15% of Meituan's 2022 total revenue. Douyin generated RMB77bn (US$11.1bn) in local life services GMV, which represents ~25% of Meituan's RMB320bn (US$46bn). Douyin has also expanded into group-buy delivery, sightseeing tickets, hotel reservations, and manicures in recent months according to TechNode. Douyin highlighted that the local life services market is worth RMB10tn (US$1.4tn) and iResearch expects this market to reach RMB35tn (US$5.1tn) by 2025, growing at a CAGR of 52% over 2022-2025. China's online penetration of this market was at mid-high single digit, as of 2021. We anticipate this penetration rate to increase to mid- teens by 2025, implying plenty to play for. Meituan is poised to be key beneficiary of the trend with solid user mindshare and large merchant base.

Meituan is seeing most of the competition from Douyin in local life services segment ~15% of Meituan 's revenue



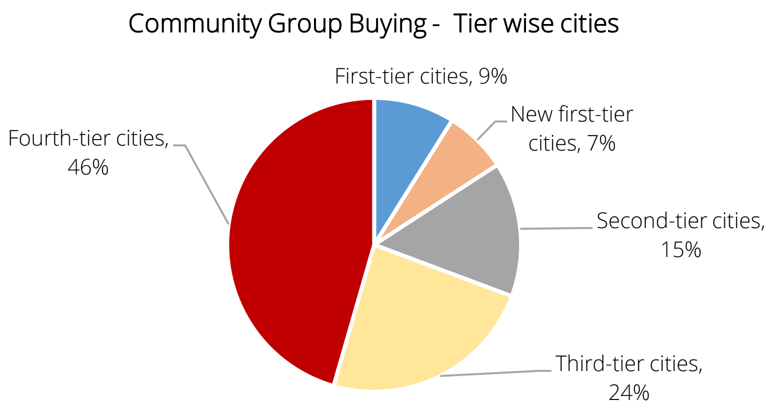
Source: Company, DBS Bank, DBS HK

Similar to Meituan Select, Douyin launched a new business to offer group buying through its short video platform. Testing of the group buying deliveries was conducted in Beijing, Shanghai, and Chengdu in Southwest China's

Sichuan Province to expand the business to pilot cities of China.

However, these cities are under the Tier 1 categories and community group buying (CGB) is largely prevalent in lower tier cities since they have more tight-knit neighbourhoods and people tend to interact more with their neighbours and are more prone to be affected by social shopping experiences.

Community Group Buying in China is more established in lower tier cities



Source: Fung Business Intelligence, DBS Bank, DBS HK

Additionally, Douyin's focus is on local life services. It targets a GMV of RMB150bn in 2023 (~2x the GMV in 2022). The RMB150bn accounts for 33% of Meituan's 2023 expectation of RMB453bn. Douyin even abandoned its food delivery GMV target of RMB100bn after falling extremely short of internal expectations. Hence, we believe that Douyin prefers to compete in the local life services segment over food delivery and CGB.

The expected absolute rise in local life services GMV in 2023 is higher for Meituan than Douyin

RMBbn	2022	2023
Douyin (local life services GMV)	77	150
Meituan (in-store, hotel and travel GMV)	320	453
Douyin as a % of Meituan	24%	33%

Source: 36Kr, DBS Bank, DBS HK

The lifestyle platform Xiaohongshu poses challenges to Meituan by introducing a group buying feature on its platform. The platform has gained over 260m users and operates as a lifestyle search engine for users. Lately, the platform has been testing group buying packages to compete in the market with Meituan and Ele.me. As a move to attract merchants, Xiaohongshu is offering free sign-up for the merchants and a commission-free platform. Also, the influencers can earn commissions by promoting the merchants on the platform. Xiaohongshu hoping to widen its merchant base and attract new customers through these moves to its group buying business to maintain its position in the market.

Kuaishou is joining the competition as another short-form video-sharing platform with local services offers. Kuaishou currently has around 366m daily active users on its platform and looking to enter the local services market similarly to its direct competitor Douyin. Kuaishou offers similar incentivized sign-up offers to the merchants as Xiaohongshu and encourages influencers to promote merchants on the app. Although the app does not boast a sufficient user base to provide significant competition to market leaders like Meituan and Ele.me, Kuaishou is expanding its reach to new cities to increase its presence in the online food delivery industry.

Meituan, a Chinese player has better GMV CAGR than UBER, a North American player

GMV (US$m)	2022	2023	2024	2025	2026	CAGR 2023-2026
Meituan*	155,153	200,680	247,558	296,314	346,866	20%
UBER	115,395	132,137	154,729	175,987	209,008	17%
GRAB	19,937	22,513	26,872	30,381	33,260	14%

Source: Companies, Reuters, DBS Bank, DBS HK
**Core ecommerce segment only as Meituan does not disclose GMV for New Business Initiatives*

Revenue (US$m)	2022	2023	2024	2025	2026	CAGR 2023-2026
Meituan	30,354	38,403	48,144	59,107	68,565	21%
UBER	31,877	37,544	43,936	50,657	56,474	15%
GRAB	3,403	4,147	4,957	5,712	6,408	16%

Source: Companies, Reuters, DBS Bank

Adj EBITDA (US$m)	2022	2023	2024	2025	2026	2027	CAGR 2023-2026
Meituan	1,342	3,398	5,442	7,411	9,256		40%
UBER	1,713	3,537	5,376	7,352	9,513		39%
GRAB*	(793)	(188)	183	465	722	908	71%

**CAGR is for 2024-2027 since GRAB is expected to achieve adj EBITDA breakeven by 4Q23F*
Source: Reuters, DBS Bank, DBS HK

Meituan is expected to deliver GMV CAGR of 20% over 2023-2026 compared to UBER's 17%. Online food delivery penetration in China is 25-30%, which is higher than 13% in North America. We expect the growth potential for China to be higher than North America despite the high penetration rate in China, due to greater acceptance of technology in China and much higher density of population in China supporting infrastructure economics. Furthermore, Meituan's local life services market is largely underpenetrated with mid-high single digit online penetration rate in 2022, and we expect this to rise to mid-teens by 2025 as Meituan is poised to be a key beneficiary of the trend with its solid user mindshare and large merchant base.

China exhibits the highest penetration rates for on-demand services

	Food Delivery	Mobility
China	26%	94%
USA	13%	40%
ASEAN	10%	35%

Source: DBS Bank estimates

UBER's GMV CAGR of 17% is higher than GRAB's 14%. This is due to GRAB focus on achieving adj EBITDA breakeven by 4Q24F, largely led by a sharp reduction in Delivery incentives. As incentives taper down, the GMV potential is expected to slow. Furthermore, UBER's scale in North America and other markets offers stronger GMV growth stemming from increasing volume of trips and delivery orders, compared to GRAB. With its extensive user base, global presence, and innovative product offerings, UBER is positioned for sustainable growth through international expansion, vertical integration in grocery and retail, and leveraging its membership program for cross-selling opportunities

Meituan exhibits the highest adjusted (adj) EBITDA CAGR over 2023-2026, followed by UBER. Recovery in its core commerce business' operating margin coupled with narrower losses from new initiatives are expected to support the 40% adj EBITDA growth over 2023-2026 for Meituan. UBER is expected to benefit from both its Delivery and Mobility segments led by efficient service delivery, reduction in incentives and the introduction of artificial intelligence (AI) to handle customer queries. While GRAB is en route to achieve adj EBITDA breakeven by 4Q23F, led by a sharp reduction in Delivery incentives.

MEITUAN – more details on the company and its outlook

MEITUAN (US$m)	2022	2023	2024	2025	2026	CAGR 2023-2026
Revenue	30,354	38,403	48,144	59,107	68,565	21%
Adjusted EBITDA	1,342	3,398	5,442	7,411	9,256	40%
Margin	4.4%	8.8%	11.3%	12.5%	13.5%	

Source: Reuters, DBS Bank, DBS HK

Meituan's total adj EBITDA is expected to grow at a CAGR of 40% over 2023-2026 led by robust growth of local core commerce segment. Total adj EBITDA is expected to grow at a CAGR of 40% in 2023-2026, with margins expanding from 9% in 2023 to 14% in 2026. Rapid recovery in the core local segment combined with the company's commitment to improve efficiency and cut losses in the new initiatives segment is expected to play a main role in achieving the expected growth in EBITDA. Core local commerce segment revenue increased by 30.1% y-o-y in 1Q23 and saw a further reduction in operating losses. Following the resumption of offline activities, the company has lowered the threshold of subscription-based services for certain service categories in lower-tier cities to simplify the merchant onboarding process. This will help to increase penetration in terms of merchant numbers.

MEITUAN (US$m)	2022	2023	2024	2025	2026	CAGR 2023-2026
Food delivery GMV	111,021	138,152	169,091	203,522	240,156	20%
In-store, hotel and travel GMV	44,132	62,528	78,467	92,791	106,710	20%
Total GMV	155,153	200,680	247,558	296,314	346,866	20%

Source: Company, Reuters, DBS Bank, DBS HK

As the leading online food delivery platform in China, Meituan is planning to expand into new categories. Increasing purchase frequency would help to grow transaction volume and advertising revenue. Total revenue is set to grow at a CAGR of 21% in 2023-2026, mainly led by strong order volume growth and the introduction of new marketing strategies. The company had organized promotional events for the food delivery business in Shenzhen and Beijing in 2022. Meituan is planning to expand this event to more regions with promotional categories like live streaming, and short-form marketing. Also, Meituan is expected to increase the supply of high-quality self-based products and promote megahit products through special deals and live stream marketing. Further, the company will be strengthening its marketing and promotions events as it explores new traffic acquisition channels such as short-form video platforms to attract both merchants and consumers. Meituan's GMV is expected to grow at a CAGR of 20% in 2023-2026, with strategies such as introduction of new merchant incentives to scale up and maintain the merchant base which will help to increase GMV growth. Also, the company will be looking to upgrade its search and recommendation functions to support customers to make their bookings efficiently.

UBER - more details on the company and its outlook

UBER (US$m)	2022	2023	2024	2025	2026	CAGR 2023 - 2026
Delivery	10,901	12,928	15,080	17,313	20,479	17%
Freight	6,947	5,927	6,841	7,586	9,943	19%
Mobility	14,056	18,957	22,909	27,237	31,657	19%
Total Revenue	**31,877**	**37,544**	**43,936**	**50,657**	**56,474**	**15%**

Source: Company, Reuters, DBS Bank, DBS HK

Revenue is expected to grow at a CAGR of 15% in 2023-increasing trip count. Mobility revenue is projected to grow at a CAGR of 19% in 2023-2026 on increasing trips post-pandemic. The introduction of Cartops is set to lift revenue along with in-ride tablets with ad revenue and higher driver retention and supply hours. New products like UBER Reserve and the wider product portfolio that include Uber X, Uber for Business, and Uber for Health will attract and retain new drivers across different types of UBER products. Overall GMV or Gross bookings are predicted to grow at a CAGR of 17% in 2023-2026, supported by a continuation of Uber One discounts, leading to an increase in members.

UBER (US$m)	2022	2023	2024	2025	2026	CAGR 2023 - 2026
Delivery	551	1,296	1,782	2,336	3,140	34%
Freight	-	(66)	(8)	30	436	n/a
Mobility	3,299	4,727	6,226	7,743	9,254	25%
Other	-	-	-	-	-	
Total	**3,850**	**5,957**	**8,000**	**10,109**	**12,830**	**29%**
Corporate Cost	(2,137)	(2,420)	(2,624)	(2,757)	(3,317)	
Adj. EBITDA	**1,713**	**3,537**	**5,376**	**7,352**	**9,513**	**39%**

Source: Company, Reuters, DBS Bank, DBS HK

UBER's total adj EBITDA is set to grow at a CAGR of 39% over 2023-2026 supported by Delivery and Mobility segments. Total adj EBITDA is expected to grow at a CAGR of 39% in 2023-2026 with margins increasing from 9% in 2023 to 17% in 2026, led by Delivery and Mobility segments. Delivery EBITDA is projected to grow at a CAGR of 34% over 2023-2026 backed by an expanding user base and efficient service delivery. This will be supported by adding new retail partners to Uber Eats like Kohl in Australia – the second largest grocer - and using deep learning techniques to drive down the cost per transaction on the delivery side. Mobility EBITDA to grow at a CAGR of 25% over 2023-2026. With seasonality in the Mobility business, the incentives were reduced in 1Q23 and will be further reduced in 2Q23F to generate higher EBITDA margins. UBER is also aiming to introduce AI-powered chatbots, as they are more cost-effective compared to live agents.

GRAB – more details on the company and its outlook

GRAB (US$m)	2022	2023	2024	2025	2026	2027	CAGR 2024 - 2027
Delivery	(35)	281	359	501	598	628	20%
Mobility	494	615	769	920	1,012	1,093	12%
Financial Services	(415)	(287)	(125)	(96)	(74)	33	na
Enterprise	21	60	79	76	150	137	20%
Corporate Costs	(858)	(858)	(900)	(936)	(964)	(983)	3%
Total adj EBITDA	**(793)**	**(188)**	**183**	**465**	**722**	**908**	**71%**

Source: Company, Reuters, DBS Bank, DBS HK

GRAB expects to achieve adj EBITDA breakeven by 4Q23F. GRAB's total adj EBITDA losses are expected to continue to narrow in 2023 led by its two main segments, Delivery and Mobility. We expect GRAB to narrow its adj EBITDA losses by US$605m during the year and achieve adj EBITDA breakeven in 4Q23F. Delivery and Mobility adj EBITDA are expected to grow at a CAGR of 20% and 12% respectively in 2024-2027. In 2022, GRAB had cut down its delivery incentive spending as a percentage of GMV by over 470bps y-o-y and will continue on this path to meet its goal of improving Delivery EBITDA. The closure of Dark Store operations in Singapore, Vietnam, and the Philippines along with the closure of GRAB Kitchen will also help to support Delivery adj EBITDA. Mobility EBITDA to grow at a CAGR of 12% over 2024-2027, aided by a recovery of tourism. International travelers returning to Southeast Asia and recovery of domestic demand will support the Mobility segment. With China's reopening, GRAB has rolled out a series of product enhancements and partnerships to capture a greater share of the high-value traveler market in the tourism segment. Also, by partnering with services such as WeChat, Alipay, and Booking.com, GRAB is capturing a higher portion of tourists travelling into the region.

GRAB (US$m)	2022	2023	2024	2025	2026	CAGR 2023 – 2026
Delivery	2,102	2,448	2,827	3,123	3,387	11%
Mobility	956	1,205	1,459	1,692	1,876	16%
Financial Services	160	207	284	375	465	31%
Enterprise	186	287	388	523	680	33%
Total Revenue	**3,403**	**4,147**	**4,957**	**5,712**	**6,408**	**16%**

Source: Company, Reuters, DBS Bank

GRAB (US$m)	2022	2023	2024	2025	2026	CAGR 2023 – 2026
Delivery	9,827	10,417	11,979	13,177	14,231	11%
Mobility	4,103	5,129	6,155	7,078	7,785	15%
Financial Services	5,809	6,680	8,350	9,603	10,563	17%
Enterprise	198	287	388	523	680	33%
Total GMV	**19,937**	**22,513**	**26,872**	**30,381**	**33,260**	**14%**

Source: Company, Reuters, DBS Bank, DBS HK

GRAB's total revenue is set to grow at a CAGR of 16% over 2023-2026, while Delivery and Mobility revenue are expected to rise at a CAGR of 13%. Mobility revenue is predicted to grow at a CAGR of 16% with the resumption of tourist travel in the region. New developments like "Traveller Homepage" and "Currency Converter" on its GRAB app will attract international users and should drive up revenue. Further, the re-launch of GRAB Share is also expected to boost the number of users in the Mobility segment. GRAB's total GMV is estimated to grow at a CAGR of 14% in 2023-2026 with plans to improve user engagement through GRAB Unlimited. GRAB Unlimited and Jaya loyalty programs were introduced to users to increase engagement and retain customers. The planned launch of a two-wheel service in the Philippines will be an additional support for GRAB's plans to achieve its intended GMV CAGR of 14% in 2023-2026 (Delivery plus Mobility CAGR of 12% over 2023-2026).

KEY RISKS

Meituan's key risks are China's government regulatory risks and irrational competition. Based on proposals by China's National Development and Reform Commission (NDRC) and 13 other agencies, the government body is working to reduce the service fee charged by delivery platform providers to restaurants to help restaurants survive the post-pandemic hardships. This action will force Meituan to cut its service charges, thus impacting its revenue and EBITDA. Irrational competition in the food delivery market is forcing companies to distribute subsidies to attract delivery drivers and customers. In December 2022, Meituan offered subsidies of RMB8m in one week and attracted 5,000 new riders in the Shanghai area according to Meituan. Ele. me, the online food delivery service owned by Alibaba, had also offered special incentives to attract new riders during the same period. While subsidies are an effective way to attract new riders to increase the efficiency of the service and increase GMV, this could affect the profitability of the company.

Inflationary pressures and changing government regulations present difficulties for UBER. As rising prices drive up inflation globally, UBER is focusing on discounts to tackle the impact of inflation. Uber One, its paid membership program, offers free delivery on food orders as a move to attract new customers to the platform. This could have a positive effect on GMV while the higher food prices due to inflation could discourage users, thus affecting the profitability of the company. In a similar action, DoorDash has reduced transaction costs by 8% for its DashPass members to keep its users in an inflationary environment. Further, the changing laws and regulations in the online food delivery business have a significant influence on the business. The state of Washington in the USA recently announced a law that would give UBER and Lyft drivers paid family and medical leave. As UBER generates a higher percentage of its global revenue from North America, this would reduce EBITDA as a result of the additional cost. On the contrary, the proposed regulation can also have a positive impact on the GMV since it would increase the number of drivers onboard the app.

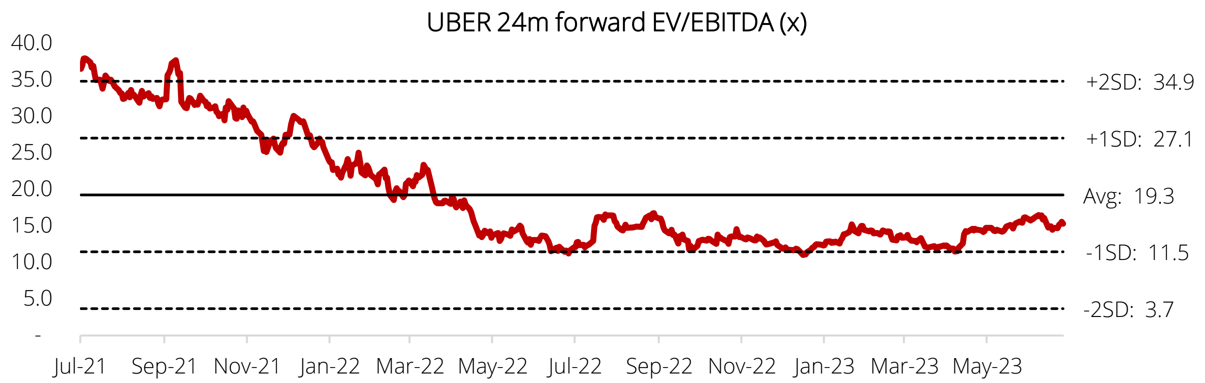
Inflation and rising competition from GoTo and Sea Ltd are key risks for GRAB. In 2021, GRAB spent over US$1bn on incentives as the company focused on attracting users and fighting off the competition from GoTo and Sea Ltd. As the company shifted its attention to hit profitability, GRAB reduced its delivery incentive spending as a percentage of GMV by over 470bps y-o-y in 2022 to 15%. Lower incentives would discourage customers and thus reduce transactions and impact GMV. Rising inflation will lead to slower customer spending which would be unfavorable for GRAB's adj EBITDA since the operating costs will also increase with inflation.

VALUATION OVERVIEW

Forward EV/EBITDA (x)		Trading	2-year avg	-1SD	-2SD	+1SD	+2SD
UBER	12m	21.9	51.6	(1.4)	(54.3)	104.5	157.4
	24m	15.3	19.3	11.5	3.7	27.1	34.9
MEITUAN	12m	22.7	48.1	(106.6)	(261.3)	202.8	357.5
	24m	15.6	39.0	18.0	(3.0)	60.0	81.0
GRAB	NA	NA	NA	NA	NA	NA	NA
	24m	27.0	57.7	15.4	(26.9)	100.0	142.3

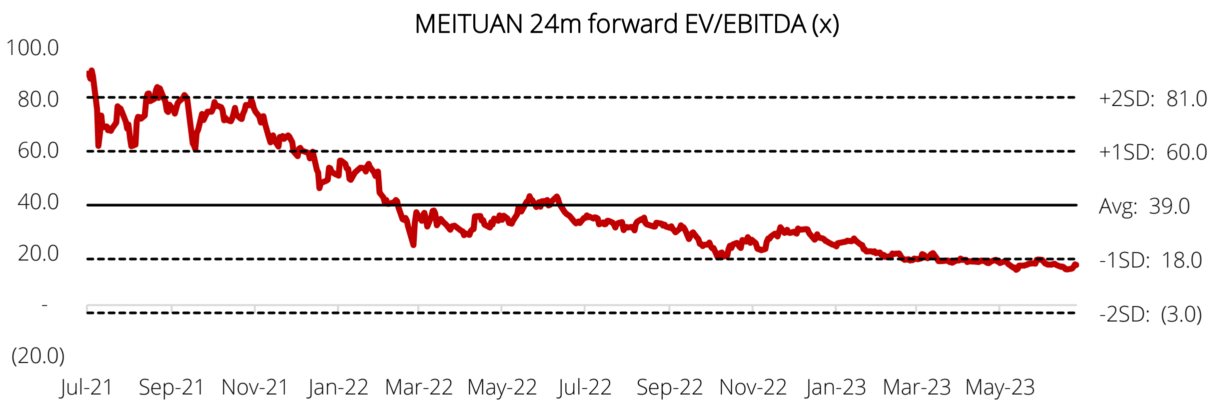
Source: Companies, Reuters, DBS Bank, DBS HK

UBER is trading at 15.3x 24m forward EV/EBITDA, below its last 2-year average of 19.3x.



Source: Companies, Reuters, DBS Bank

Meituan is trading at 15.6x 24m forward EV/EBITDA, below -1SD of its historical 2-year average



Source: Companies, Reuters, DBS Bank, DBS HK

Prefer UBER while Meituan is also becoming attractive. UBER is trading at 15.3x 24-month forward EV/adj EBITDA below its 2-year average of 19.3x while offering 39% adj EBITDA CAGR over FY23F-26F led by margin expansion across both Mobility and Delivery segments. GRAB is trading at a big premium to UBER at 27x multiple despite its structural disadvantages. Even in terms of 12-month forward EV/Gross Profit, GRAB is expensive at 8.0x vs UBER at 5.4x. The difference in the accounting revenue definition for both UBER and GRAB prompts us to compare them on a gross profit basis. With lesser concerns from Douyin in the Food Delivery segment, Meituan is also becoming attractive at 15.6x multiple while offering 40% adj EBITDA CAGR.

Even in terms of 12-month forward EV/Gross Profit, GRAB is expensive at 8.0x vs UBER at 5.4x.

12m forward EV/GP		Trading	Average	-1SD	-2SD	+1SD	+2SD
UBER	12m	5.4	6.1	3.9	1.6	8.4	10.7
	24m	5.0	4.9	3.5	2.1	6.4	7.8
GRAB	12m	8.0	9.9	6.5	3.1	13.4	16.8
	24m	5.9	5.3	4.2	3.1	6.4	7.5

Source: Companies, Reuters, DBS Bank

Our Top Picks in the Internet Sector

Adj EBITDA growth rates of our top picks

Adjusted EBITDA	2022	2023	2024	2025	2026		CAGR 2023-2026
UBER (US$m)	1,713	3,537	5,376	7,352	9,513		39%
MEITUAN (US$m)	1,342	3,398	5,442	7,411	9,256		40%
AMZN (US$m)	75,053	88,622	107,446	129,783	162,566		22%
SE (US$m)	(878)	1,938	2,534	3,194	4,030		28%

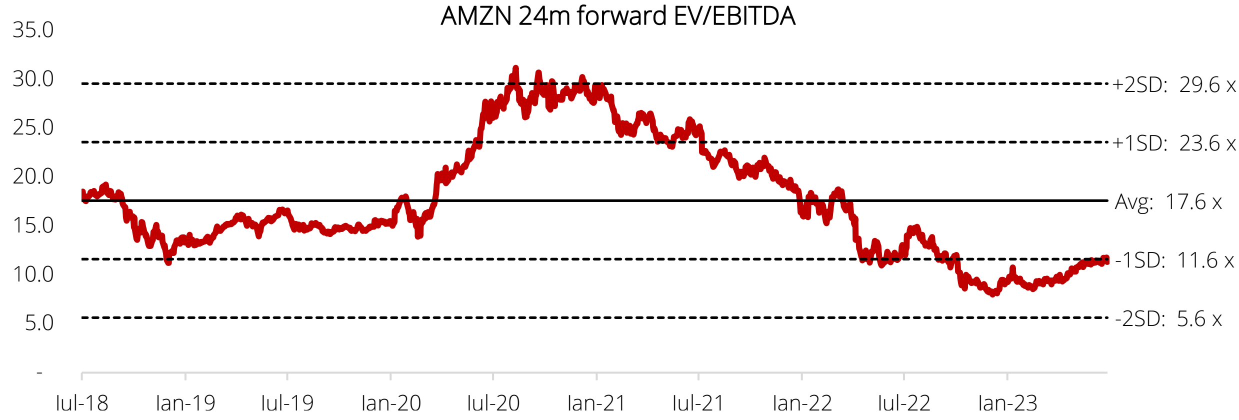
Source: Companies, Reuters, DBS Bank, DBS HK

Valuation overview of our top picks and their last 2-year averages

Companies		Trading	Average	-1SD	-2SD	+1SD	+2SD
UBER	12m	21.9	51.6	(1.4)	(54.3)	104.5	157.4
	24m	15.3	19.3	11.5	3.7	27.1	34.9
MEITUAN	12m	22.7	48.1	(106.6)	(261.3)	202.8	357.5
	24m	15.6	39.0	18.0	(3.0)	60.0	81.0
AMZN*	12m	13.8	18.6	14.4	10.1	22.9	27.1
	24m	11.3	17.6	11.6	5.6	23.6	29.6
SE	24m	10.5	26.9	3.6	(19.8)	50.3	73.6

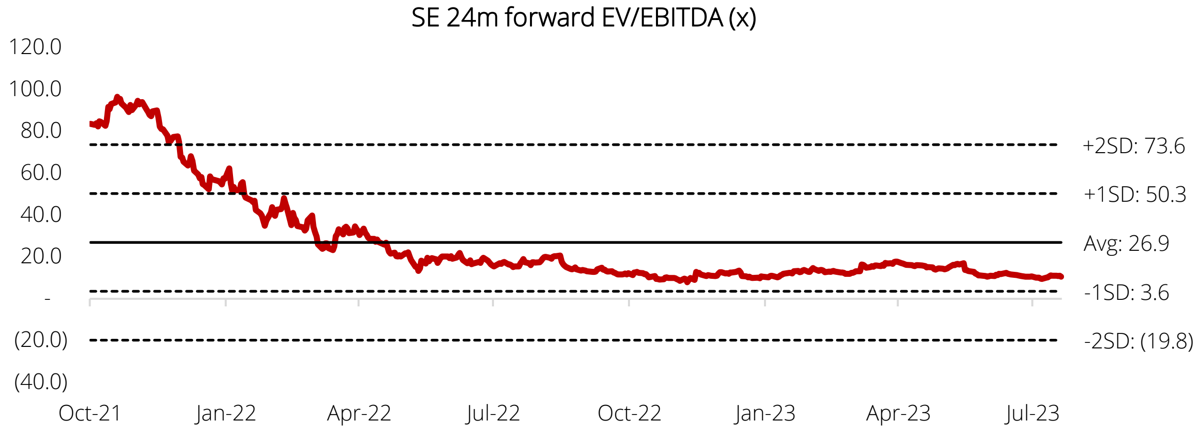
**Average is for the last 5-years*
Source: Companies, Reuters, DBS Bank, DBS HK

AMZN is trading at 11.3x 24m forward EV/EBITDA, near its -1SD of 11.6x (last 5-year average at 17.6x)



Source: Company, Reuters, DBS Bank

SE is trading near 10.5x 24m forward EV/EBITDA, much below its last 2-year average of 26.9x



Source: Company, Reuters, DBS Bank

Adjusted EBITDA	2022	2023	2024	2025	2026	CAGR 2023-2026
UBER (US$m)	1,713	3,537	5,376	7,352	9,513	39%
AMZN (US$m)	75,053	88,622	107,446	129,783	162,566	22%
PDD (RMBm)	40,344	48,271	59,700	70,181	83,040	20%
TCOM (RMBm)	2,151	11,872	14,240	16,802	20,501	20%

Source: Reuters, DBS Bank

DBS Bank, 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*

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