

Meituan (03690.HK)

4Q25 Results Exceeded Market Expectations; Increased Overseas Expansion For New Business
China | Local life | TMT

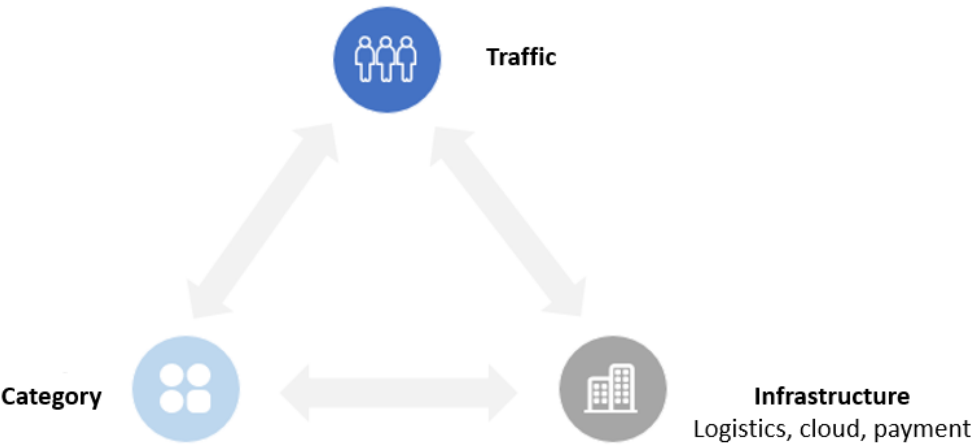
28 May 2025

Company profile

Meituan (03690.HK) was founded in 2010 and merged with Dazhong Dianping in 2015 to become China's largest comprehensive local life service platform, offering a one-stop "eat, drink, play, and entertainment" service. Through products such as Meituan, Meituan Delivery, and Dazhong Dianping, Meituan serves over 10 million annual active merchants, nearly 700 million annual active users, and over 7 million active delivery riders. The broad and deep coverage of merchants, accumulation of user data assets, and efficient delivery network form a solid moat for Meituan's business.

Introduce the concept of e-commerce triangle to analyze transactional platform-type companies from three perspectives

We take categories, traffic, and infrastructure as the core competitiveness of transactional platform-type companies. Meituan, as a transaction platform centered around Location (with a large offline team), leverages platforms such as Dianping and Tencent to make its online traffic more precise compared to "Ele.me". In terms of categories, local business resources and local user groups form a two-sided network, with Meituan's network effect stickiness stronger than physical e-commerce platforms like Taobao. Regarding infrastructure, Meituan has independently developed the "Super Brain" real-time delivery system, with the exclusivity of the fulfillment process and the economies of scale from order density creating core barriers that help Meituan maintain a competitive advantage as a leader in food delivery.



4Q24 Performance Exceeds Market Expectations, Share Buyback Efforts Intensified

In the fourth quarter of 2024, Meituan reported total revenue of RMB 88.5 billion (Chinese yuan, same below), representing a year-on-year increase of 20.1% but a quarter-on-quarter decline of 5.4%. In terms of profitability, operating profit surged to RMB 6.7 billion, up 280.7% year-on-year, while adjusted net profit reached RMB 9.8 billion, marking a 125.1% year-on-year growth. By segment, core local commerce revenue in Q4 2024 rose 18.9% year-on-year to RMB 65.6 billion, with operating profit climbing 60.9% to RMB 12.9 billion. The new business segment generated revenue of RMB 22.9 billion, up 23.5% year-on-year, while its operating loss narrowed significantly to RMB 2.2 billion, reflecting a 55.0% year-on-year reduction in losses.

Buy

CMP HKD 136
(Closing price as of 22 May)
Target HKD 193 (+41.9%)

COMPANY DATA

O/S SHARES (MN) :	6,110
MARKET CAP (HKD MN) :	838,900
52 - WK HI/LO (HKD):	217.0/100.1

SHARE HOLDING PATTERN, %

Crown Holdings Asia Limited	8.10%
BlackRock, Inc.	5.32%

PRICE VS. HSI



Source: Phillip Securities (HK) Research

KEY FINANCIALS

CNY mn	FY23	FY24	FY25E	FY26E
Revenue	276,745	337,592	393,694	440,657
Net profit	13,857	35,808	45,294	54,711
Diluted EPS	2	6	7	9
P/E ratio, x	57	21	17	14
Dividend Yield, %	0.0%	0.0%	0.0%	0.0%

Source: Company reports, Phillip Securities Est.

Research Analyst

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For the full year of 2024, the company achieved total revenue of RMB 337.6 billion, a 22.0% year-on-year increase. Operating profit soared 174.6% to RMB 36.8 billion, and adjusted net profit grew 88.2% to RMB 43.8 billion.

In 2025, Meituan plans to repurchase 1.5 billion worth of convertible bonds. Additionally, the company issued 2.5 billion in preferred notes at the end of 2024 to bolster its overseas cash reserves.

Core Local Commerce: Instant Delivery Services Surge, In-Store Dining & Travel Services Hit Record Highs

In 2024, China's total retail sales of consumer goods grew steadily by 3.5%. According to the National Bureau of Statistics, annual service retail sales rose 6.2% year-on-year (YoY), while catering revenue increased 5.3% YoY. For the full year of 2024, driven by higher online penetration and robust consumer demand, the core local commerce segment achieved revenue of RMB 250.2 billion, up 20.9% YoY, with operating profit surging 35.4% YoY to RMB 52.4 billion. The operating profit margin improved from 18.7% in 2023 to 20.9% in 2024. In the fourth quarter of 2024, when analyzing revenue by category, delivery service revenue reached 26.2 billion yuan, representing 19.5% year-on-year growth that outpaced order volume growth. This was primarily driven by reduced user subsidies for Shen Membership promotions and increased contribution from the 1P model boosting revenue. Commission income totaled 25.0 billion yuan, up 24.9% year-on-year, while online marketing service revenue amounted to 13.0 billion yuan, growing 17.9% year-on-year. Breaking down by service type:

Food Delivery & Instashopping Business: On the merchant side, the company launched a 1 billion yuan merchant support program in the fourth quarter, providing cash assistance and platform subsidies to help merchants improve service quality, optimize efficiency, and explore innovation. For delivery riders, the company has cumulatively provided 1.4 billion yuan in occupational injury insurance for all riders across seven pilot provinces and cities, with plans to roll out a social insurance pilot program for riders in selected cities in the second quarter of 2025, which may have a marginal impact on short-term profitability. In 2024, the company introduced the "Brand Satellite Store" rebate program covering ten thousand stores, helping chain merchants optimize their cost structures and strengthening partnerships with merchants. Meanwhile, the "Shen Qiang shou" platform addressed high-frequency promotional needs in the catering industry by launching livestreaming to complement content offerings, which is expected to enhance merchant stickiness. Considering that the expansion of Pin Hao fan's business has lowered average order values - partially offset by Meituan reducing subsidies and merchants increasing customer acquisition investments that drove advertising revenue growth, along with rising rider costs - we estimate that food delivery profit per order in the first quarter of 2025 will decline year-on-year. However, we expect this situation to ease over the next few quarters as reduced user subsidies and increased advertising revenue help normalize the comparable base. Therefore, we forecast that daily food delivery orders in 2025 could reach 57.71 million, with operating profit per order potentially reaching 1 yuan. At the same time, considering that changes in the competitive landscape in early 2025 may lead the company to increase subsidies, we predict that food delivery revenue growth may experience a short-term year-on-year decline.

Regarding the Instashopping business, as of the end of 2024, Meituan Instashopping has established partnerships with over 5,600 large chain retailers, 410,000 local small merchants, and more than 570 brands. Its warehouse network now covers more than 200 cities nationwide, with the number of warehouses exceeding 30,000 and daily order volume surpassing 10 million orders. We believe that although the weak macroeconomic environment may impact consumption, the company's accumulated experience from past operations and its deepening collaboration with all participants in the ecosystem will help explore more growth opportunities.

In-store and Travel Business: According to management, Meituan's in-store dining, hotel, and travel business achieved over 65.0% year-on-year growth in annual order volume, with both annual transacting users and active merchants reaching record highs. While the expansion of the direct sales model to more cities has impacted short-term profitability due to one-time investments, it has simultaneously increased penetration in lower-tier cities and created cross-selling synergies with food delivery services by extending membership benefits from delivery programs to in-store scenarios. Additionally, the company continues to enhance marketing capabilities for merchants by increasing livestreaming frequency, expanding city coverage, and conducting integrated online-to-offline promotional campaigns. These efforts have reinforced users' perception of the platform's high cost-performance ratio. With the competitive landscape stabilizing and strategic changes beginning to yield results, management remains optimistic about the segment's long-term gross GTV growth. Consequently, we project the in-store dining, hotel, and travel business will maintain healthy revenue growth in 2025, with an estimated year-on-year increase of 17.0%.

New Business: Overseas Expansion Leads to Sequential Increase in Losses

In 2024, the New Initiatives segment reported revenue growth of 25.1% year-on-year to RMB 87.3 billion. Operating losses narrowed to RMB 7.3 billion, with the operating loss margin improving to 8.3%, primarily driven by enhanced operational efficiency. In the fourth quarter of 2024, revenue from the New Initiatives segment increased by 23.5% year-on-year to RMB 22.9 billion, though the growth rate slowed compared to the previous quarter, as contributions from overseas operations remained relatively limited at this stage. Operating losses narrowed by 55.0% year-on-year to RMB 2.2 billion but expanded sequentially, mainly due to the costs associated with overseas expansion. Keeta has expanded to all major cities in Saudi Arabia, with increased investments driving rapid order volume growth. However, given JD.com's entry into the food delivery market, Meituan may further ramp up its investments, putting short-term profitability under pressure.

Company valuation

Meituan is a leading internet services platform that adopts a "Retail + Technology" strategy. The company has maintained its leading position in food delivery, achieved manageable competition with Douyin in local in-store services, expanded through its comprehensive city-level business model, and possesses a strong balance sheet. We project the company's 2025-2027 operating revenues to reach 393.7/440.7/494.8 billion yuan respectively, with net profits attributable to shareholders of 45.3/54.7/66.0 billion yuan, corresponding to EPS of 7/9/11 yuan.

Based on our SOTP valuation methodology, we estimate Meituan's total target market capitalization at 1,106.2 billion yuan for 2025, with a target price of HK\$193. At current share price, the implied 2025-2027 P/E multiples are 17x/14x/12x. We initiate coverage with a "Buy" rating. The company's segment valuation comprises the following components:

- 1) Core Local Commerce is valued at 872.8 billion yuan, using an 8% weighted average cost of capital and 5% perpetual growth rate;
- 2) New Initiatives are valued at 102.2 billion yuan, applying a 1x 2025 P/S multiple;
- 3) Net cash amounts to 131.2 billion yuan.

Risk factors

1) New business performance below expectations; 2) Intensified competition in the food delivery and travel industries; 3) Weaker than expected recovery in consumer demand.

Financials

Key Financial Data

Dec Y/E	FY23	FY24	FY25E	FY26E	FY27E
Valuation Ratio					
P/E ratio	57	21	17	14	12
Dividend Yield, %	0.0%	0.0%	0.0%	0.0%	0.0%
Per share data(RMB)					
EPS	2	6	7	9	11
BVPS	24	29	34	41	49
DPS(HKD)	0	0	0	0	0
Growth & Margin					
Growth					
Revenue Growth	25.8%	22.0%	16.6%	11.9%	12.3%
Gross Profit Growth	57.4%	33.5%	19.7%	11.9%	12.3%
EBIT Growth	298.6%	170.9%	26.5%	20.8%	20.6%
Net Profit Growth	307.3%	158.4%	26.5%	20.8%	20.6%
Margin					
Gross Profit Margin	35.1%	38.4%	39.4%	39.4%	39.4%
EBIT Margin	5.1%	11.3%	12.2%	13.2%	14.1%
Net Profit Margin	5.0%	10.6%	11.5%	12.4%	13.3%
Key Ratios					
ROE	9.1%	20.7%	21.9%	21.9%	22.0%
ROA	4.7%	11.0%	12.3%	13.0%	13.6%

Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	2023	2024	2025E	2026E	2027E
REVENUE	276,745	337,592	393,694	440,657	494,846
Cost of services	(179,554)	(207,807)	(238,404)	(266,843)	(299,658)
Gross profit	97,191	129,785	155,290	173,814	195,188
Selling and marketing expenses	(58,617)	(63,975)	(86,613)	(88,131)	(98,969)
Research and development expenses	(21,201)	(21,054)	(24,552)	(27,481)	(30,861)
General and administrative expenses	(9,372)	(10,729)	(12,512)	(14,005)	(15,727)
Other income	102,605	132,603	170,582	186,524	214,410
Operating profit	13,415	36,845	46,905	56,907	68,853
Finance income	819	1,292	1,645	1,995	2,414
Finance costs	(1,425)	(1,337)	(1,702)	(2,065)	(2,499)
Net finance income/(costs)	(606)	(45)	(58)	(70)	(85)
Share of profits of investments	1,213	1,186	1,200	1,200	1,200
Profit before income tax from continuing operations	14,022	37,985	48,047	58,037	69,969
Income tax expenses	(165)	(2,177)	(2,754)	(3,326)	(4,010)
Profit for the year from continuing operations	13,857	35,808	45,294	54,711	65,958
Profit for the year	13,857	35,808	45,294	54,711	65,958
Profit attributable to:					
– Equity holders of the Company	13,856	35,807	45,292	54,709	65,956
– Non-controlling interests	2	1	2	2	2

Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
Current assets					
Inventories	1,305	1,734	1,825	2,042	2,293
Accounts receivable	2,743	2,653	23,566	26,377	29,621
Cash and cash equivalents	33,340	70,834	131,178	181,542	263,907
Others	145,729	134,514	95,113	92,057	66,600
Total current assets	183,116	209,735	251,682	302,018	362,422
Non-current assets					
PPE	25,978	30,239	34,308	38,925	44,164
Others	83,936	84,381	82,604	80,325	77,472
Total non-current assets	109,913	114,620	116,912	119,251	121,636
Total assets	293,030	324,355	368,594	421,269	484,058
Current liabilities					
Total current liabilities	100,874	107,936	118,729	130,602	143,662
Non-current liabilities					
Total non-current liabilities	40,199	43,815	42,939	41,221	41,221
Total liabilities	141,073	151,751	161,668	171,823	184,883
Equity attributable to equity holders of the Company	152,013	172,663	206,926	249,445	299,174
Non-controlling interests	(57)	(59)	0	0	0
Total equity	151,956	172,604	206,926	249,445	299,174
Total liabilities and equity	293,030	324,355	368,594	421,269	484,058

Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	2023	2024	2025E	2026E	2027E
CFO	40,522	57,147	45,717	64,004	96,007
Profit before tax	14,022	37,985	48,047	58,037	69,969
Depreciation and Amortization	7,997	8,421	9,932	11,235	12,714
Change in working capital	13,476	6,466	(7,759)	(6,983)	6,285
Others	5,028	4,274	(4,503)	1,715	7,040
CFI	(24,664)	10,205	(11,226)	(12,348)	(12,348)
Short term and long term investment, net	(17,784)	21,205	3,894	4,806	7,114
Purchase of property, equipment and intangible assets	(6,880)	(10,999)	(15,119)	(17,154)	(19,463)
CFF	(2,781)	(30,415)	25,852	(1,293)	(1,293)
Cash paid for distribution of dividends	(2)	(3)	0	0	0
Cash received from financing	(2,779)	(30,411)	25,852	(1,293)	(1,293)
Effect of exchange rate changes on cash	104	557	0	0	0
Net Change in Cash	13,077	36,937	70,834	131,178	181,542
Cash, CE and Restricted cash at Beg	20,159	33,340	60,344	50,363	82,366
Cash, CE and Restricted cash at Y/E	33,340	70,834	131,178	181,542	263,907

Exchange rate: RMB/HKD = 1.08

Current Price as of: May 22

Source: PSHK Est.

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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