

Meituan (3690 HK)

Moving into 2Q22E recovery

Meituan delivered largely in-line 3Q21, in which topline beat 1% (+38% YoY) on solid food delivery and in-store & travel, while margin is in-line with our estimate. Looking ahead, mgmt prioritized quality growth with improving efficiency to tackle epidemic and macro headwinds. We are conservative on its 4Q21 & 1Q22E outlook, forecasting food delivery/ In-store, hotel and travel/ new initiatives +19%/+22%/+57% YoY in 4Q21E. Stock price might see near-term volatility for tough 4Q21E and soft sector sentiment. In the long run, we keep confident on its organic growth, and expect gradual rebound from 2Q22E. We trimmed its topline by 1-8% in FY21-23E to reflect ST headwinds, with new TP at HK\$332.

- 3Q21 largely in line.** 3Q21 rev +38% YoY, 1%/1% above consensus/our estimate. Adj. net loss reached RMB5.5bn, better than our estimate of – RMB5.6bn, but missed consensus on higher loss of new initiatives. By segment, rev of food delivery/ In-store, hotel and travel/ new initiatives +28%/+33%/+67% YoY (vs. our estimate of +26%/+31%/+70% YoY).
- Conservative outlook in 4Q21 & 1Q22E on epidemic and macro.** 3Q21E food delivery GTV/orders +29.5%/25% YoY (above our estimates of +28%/+25% YoY), with take rate at 13.4% in 3Q21 (in-line). Adj. OPM was 3.3%, slightly above our estimate at 3.0%. Looking ahead, we expect food delivery to see near-term deceleration until 2Q22E, due to soft season in 4Q, epidemic resurgence and challenging macro. 4Q21E food delivery rev +19% YoY, with OPM at 5.5%, by our estimate. 3Q21 in-store, hotel and travel rev +33% YoY, while OPM beat our expectation (44%, vs. our estimate of 40%). Epidemic might still pose one-off impact on in-store biz in 4Q21E (forecasting rev +22% YoY, with OPM at 40%), but long-term trend remains intact.
- Shifting to quality growth, with improving efficiency.** 3Q21 new initiatives +67% YoY, with net loss at RMB10.9bn (vs. our estimate of RMB10.5bn). We estimate 4Q21E new biz rev +57% YoY, while net loss at RMB11.5bn in 4Q21E (Meituan Select <RMB7.0bn, with improving UE). Daily orders of tier 1 players reached 50mn in 11.11 (based on channel check), suggesting sequential growth in 3Q21, despite slower expansion pace.
- Maintain BUY.** To reflect tough outlook in next few quarters on epidemic and macro, we trimmed its topline by 1-8% in FY21-23E, and slightly cut our SOTP-based TP to HK\$332. Maintain BUY.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	97,529	114,795	178,388	232,676	297,613
YoY growth (%)	50	18	55	30	28
Net income (RMB mn)	4,657	3,121	(18,180)	(4,811)	13,698
EPS (RMB)	0.79	0.52	(2.94)	(0.76)	2.10
YoY growth (%)	NA	(34)	NA	NA	NA
Consensus (RMB)	NA	NA	(2.6)	(0.10)	2.81
P/E (x)	275	416	NA	NA	103
P/S (x)	13.6	11.6	7.4	5.7	4.5
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	3.7	5.0	(39.9)	(22.5)	9.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$332.2
(Previous TP)	HK\$383.0)
Up/Downside	+25.7%
Current Price	HK\$264.6

China Internet Sector

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Stock Data

Mkt Cap (HK\$ mn)	1,628,180
Avg 3 mths t/o (HK\$ mn)	6,028.09
52w High/Low (HK\$)	460.0/ 183.2
Total Issued Shares (mn)	5,457

Source: Bloomberg

Shareholding Structure

Tencent	19.5%
Sequoia Capital	6.5%
Baillie Gifford	5.0%

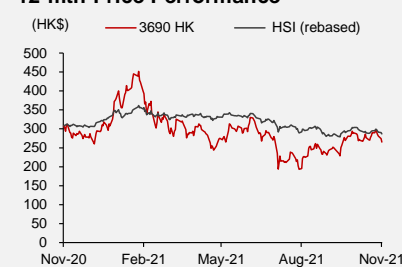
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-5.3%	-0.8%
3-mth	41.7%	41.1%
6-mth	-0.4%	13.6%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

Related Reports

- China Internet: Embracing a new normal of regulation – 8 Nov 2021
- Looking beyond 3Q21E epidemic impact – 27 Oct 2021
- Regulation & epidemic impact manageable – 31 Aug 2021

Figure 1: CMBIS estimates vs consensus

RMB mn, Dec-YE	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	178,388	232,676	297,613	182,319	251,154	327,628	-2.2%	-7.4%	-9.2%
Gross Profit	41,769	78,497	106,396	44,544	71,934	101,214	-6.2%	9.1%	5.1%
Operating Profit	(26,236)	(13,666)	6,905	(21,082)	(6,410)	13,197	NA	NA	-47.7%
Adj. net profit	(18,180)	(4,811)	13,698	(15,621)	(626)	17,324	NA	NA	-20.9%
EPS (RMB)	(2.94)	(0.76)	2.10	(2.58)	(0.10)	2.81	NA	NA	-25.3%
Gross Margin	23.4%	33.7%	35.7%	23.7%	28.3%	30.6%	-0.3ppts	+5.5ppts	+5.2ppts
Operating Margin	-14.7%	-5.9%	2.3%	-10.5%	-1.0%	5.3%	-4.2ppts	-4.8ppts	-2.9ppts
Adj. Net Margin	-10.2%	-2.1%	4.6%	-8.2%	0.8%	6.3%	-2.0ppts	-2.9ppts	-1.7ppts

Source: Company data, Bloomberg, CMBIS estimates

Figure 2: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	178,388	232,676	297,613	180,891	253,279	324,840	-1.4%	-8.1%	-8.4%
Gross Profit	41,769	78,497	106,396	46,138	91,076	119,299	-9.5%	-13.8%	-10.8%
Operating Profit	(26,236)	(13,666)	6,905	(20,559)	(6,934)	13,022	NA	NA	-47.0%
Adj. net profit	(18,180)	(4,811)	13,698	(15,465)	(1,105)	17,078	NA	NA	-19.8%
Adj. EPS (RMB)	(2.94)	(0.76)	2.10	(2.50)	(0.17)	2.61	NA	NA	-19.7%
Gross Margin	23.4%	33.7%	35.7%	25.5%	36.0%	36.7%	-2.1ppts	-2.3ppts	-1.0ppts
Operating Margin	-14.7%	-5.9%	2.3%	-11.4%	-2.7%	4.0%	-3.3ppts	-3.2ppts	-1.7ppts
Adj. net margin	-10.2%	-2.1%	4.6%	-8.5%	-0.4%	5.3%	-1.7ppts	-1.7ppts	-0.7ppts

Source: CMBIS estimates

Figure 3: Meituan's 3Q21 review

RMB mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	QoQ	YoY	Consensus	Diff %	CMBI	Diff %
Revenue	19,174	22,703	27,494	28,158	16,754	24,722	35,401	37,918	37,016	43,759	48,829	12%	38%	48,573	1%	48,487	1%
Operating profit	(1,304)	1,113	1,447	1,424	(1,716)	2,175	6,724	(2,853)	(4,767)	(3,252)	(10,103)	NA	NA	(7,301)	NA	(7,488)	NA
Net profit	(1,432)	877	1,333	1,463	(1,579)	2,210	6,321	(2,244)	(4,846)	(3,356)	(9,994)	NA	NA	(7,041)	NA	(6,835)	NA
Adj. net profit	(1,039)	1,494	1,942	2,270	(216)	2,718	2,055	(1,437)	(3,892)	(2,217)	(5,527)	NA	NA	(5,244)	NA	(5,613)	NA
Margin (%)																	
Gross margin	31.0%	34.7%	30.6%	24.9%	31.0%	34.7%	30.6%	24.9%	19.5%	28.6%	22.1%			23.8%		21.2%	
Operating margin	-6.8%	4.9%	5.3%	5.1%	-10.2%	8.8%	19.0%	-7.5%	-12.9%	-7.4%	-20.7%			-15.0%		-15.4%	
Adj. net margin	-5.4%	6.6%	7.1%	8.1%	-1.3%	11.0%	5.8%	-3.8%	-10.5%	-5.1%	-11.3%			-10.8%		-11.6%	
Growth (%)																	
Revenue (YoY)	70.1%	50.6%	44.1%	42.2%	-12.6%	8.9%	28.8%	34.7%	120.9%	77.0%	37.9%			37.2%		37.0%	
Revenue (QoQ)	-3.2%	18.4%	21.1%	2.4%	-40.5%	47.6%	43.2%	7.1%	-2.4%	18.2%	11.6%			11.0%		10.8%	
Operating profit	NA	NA	NA	NA	NA	95.5%	364.6%	NA	NA	NA	NA			NA		NA	
Adj. net profit	NA	NA	NA	NA	NA	82.0%	5.8%	NA	NA	NA	NA			NA		NA	

Source: Company data, Bloomberg, CMBIS estimates

Figure 4: 3Q21 Revenue breakdown

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	QoQ	YoY
Revenue (RMB mn)	19,174	22,703	27,494	28,158	16,754	24,722	35,401	37,918	37,016	43,759	48,829	11.6%	37.9%
Food Delivery	10,706	12,845	15,577	15,716	9,490	14,544	20,693	21,538	20,575	23,125	26,485	14.5%	28.0%
In-Store, Hotel, Travel	4,492	5,245	6,181	6,357	3,095	4,544	6,478	7,135	6,584	8,602	8,621	0.2%	33.1%
New Initiatives & Others	3,976	4,613	5,736	6,086	4,168	5,634	8,230	9,244	9,856	12,032	13,723	14.1%	66.7%

Source: Company data, CMBIS estimates

Figure 5: SOTP Valuation

Business (US\$ bn)	'23E Rev	OP Margin	'23E EBIT	Methodology	Multiple	Value
Food Delivery	23.7	8%	1.9	EV/EBIT	38.0x	72.2
In-Store and Travel	6.0	40.0%	2.4	EV/EBIT	28.0x	67.0
Hotel	2.2	40.0%	0.9	EV/EBIT	28.0x	24.3
New initiatives	14.8	-19.4%	(2.9)	EV/Sales	6.5x	96.4
Enterprise Value						259.9
(+) Net Cash						17.9
Equity Value						277.8
Diluted Shares Outstanding (mn)						6,201.0
FY23 Val. Per share(HK\$)						351.0
Discounted back to FY22E (HK\$)						313.4
Average 2022 & 2023 valuation (HK\$)						332.2

Source: CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	97,529	114,795	178,388	232,676	297,613
Food delivery	54,843	66,265	95,725	121,078	151,198
In-store, hotel & travel	22,275	21,252	32,510	41,706	51,911
New initiatives	20,410	27,277	50,153	69,892	94,504
COGS	(65,208)	(80,744)	(136,618)	(154,179)	(191,217)
Gross profit	32,320	34,050	41,769	78,497	106,396
S&M	(18,602)	(20,883)	(41,029)	(55,842)	(62,499)
Admin.Exp.	(3,559)	(5,594)	(7,136)	(11,634)	(8,928)
R&D	(7,309)	(10,893)	(14,806)	(18,614)	(20,833)
Others	475	8,117	(5,035)	(6,073)	(7,231)
Operating profit	3,326	4,798	(26,236)	(13,666)	6,905
Financial Cost	(25)	(156)	(91)	10	(143)
Fair value change	-	-	-	-	-
Others	107	264	309	309	309
Pre-tax Income	3,408	4,906	(26,018)	(13,346)	7,071
Income Tax	(526)	270	2,360	2,033	(1,030)
Net profit	2,236	4,708	(23,865)	(11,521)	5,834
Adj. net profit	4,657	3,305	(18,180)	(4,811)	13,698

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Net income	2,236	4,708	(23,865)	(11,521)	5,834
D&A	4,846	4,466	2,558	2,836	3,175
Change in WC	(3,697)	(1,044)	5,973	4,370	8,231
Others	2,189	345	4,460	5,526	6,715
Operating CF	5,574	8,475	(10,875)	1,211	23,955
Capex	(2,210)	(4,305)	(5,708)	(7,073)	(8,595)
Associates	(8,710)	(4,334)	(0)	(0)	(0)
Others	746	(12,593)	4,064	5,036	6,120
Investing CF	(10,174)	(21,232)	(1,644)	(2,037)	(2,475)
Equity raised	-	-	-	-	-
Change of Debts	1,749	4,333	-	-	-
Others	(635)	13,085	-	-	-
Financing CF	1,114	17,418	-	-	-
Net change in cash	(3,486)	4,661	(12,519)	(827)	21,480
Cash (beg of yr)	17,044	13,396	17,094	4,575	3,748
FX	(173)	(964)	-	-	-
Cash (end of yr)	13,396	17,094	4,575	3,748	25,228

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	49,878	78,269	57,114	56,500	55,989
Fixed asset	5,376	13,917	-	-	-
Financial assets at fair value	7,166	10,863	10,863	10,863	10,863
Intangible assets	32,700	31,676	30,805	30,007	29,307
Others	4,636	21,812	15,446	15,631	15,819
Current assets	82,135	88,306	68,452	68,598	91,582
Cash	13,396	17,094	4,575	3,748	25,228
Restricted cash	8,760	12,776	8,760	8,760	8,760
Account receivable	677	1,031	612	679	781
Others	59,302	57,406	54,505	55,411	56,812
Current liabilities	36,593	51,148	43,061	48,559	58,466
Trade payable	6,766	11,967	11,043	15,124	21,279
Payable to merchants	7,495	9,415	8,102	8,983	10,341
Advances from users	3,856	4,308	3,071	3,404	3,919
Deferred revenues	4,567	5,053	3,802	4,463	5,137
Others	13,908	20,405	17,044	16,586	17,790
Non-current liabilities	3,366	17,793	17,281	17,310	17,326
Borrowings	467	1,957	1,957	1,957	1,957
Others	-	-	-	-	-
Minority interest	2,899	15,835	15,324	15,353	15,369
Total Equity	(58)	(59)	(61)	(64)	(67)
Shareholders' equity	92,054	97,634	78,229	72,234	84,783

Source: Company data, CMBIS estimates

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Food delivery	56.2	57.7	53.7	52.0	50.8
In-store, hotel & travel	22.8	18.5	18.2	17.9	17.4
New initiatives	20.9	23.8	28.1	30.0	31.8
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)					
Revenue	49.5	17.7	55.4	30.4	27.9
Gross profit	114.0	5.4	22.7	87.9	35.5
EBIT	NA	35.9	NA	NA	NA
Net profit	NA	(29.0)	NA	NA	NA
P&L ratios (%)					
Operating margin	3.4	4.2	(14.7)	(5.9)	2.3
Pre-tax margin	3.5	4.3	(14.6)	(5.7)	2.4
Net margin	4.8	2.9	(10.2)	(2.1)	4.6
Effective tax rate	(0.5)	0.2	1.3	0.9	(0.3)
Returns (%)					
ROE	3.7	5.0	(39.9)	(22.5)	9.9
ROA	3.7	2.2	(12.4)	(3.8)	10.0
Per share					
EPS (RMB)	0.79	0.52	(2.94)	(0.76)	2.10
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	15.54	16.26	10.56	9.32	10.98

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