



## Meituan Dianping

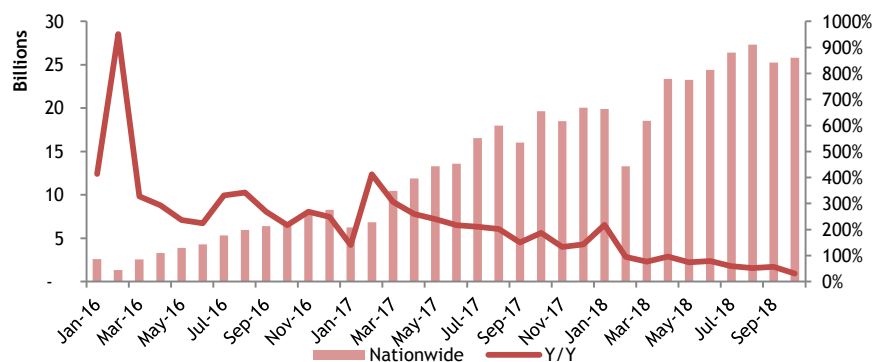
November 20, 2018

### Meituan Has To Fight The Fight In Food Delivery

Meituan Dianping will report 3Q18 results on November 22<sup>nd</sup> with a 7am EST conference call. Based on our proprietary data and assumptions, Meituan food delivery GTV is likely to grow 56.2% Y/Y in 3Q18 to RMB79.0B, mainly attributable to order growth at 47.6% Y/Y. However, since it became a public listed company, the competition with Ele.me has been heating up. In the past two months, we have seen Ele.me pick up market share slightly. Given that Ele.me is a very strategic component of Alibaba's online-offline strategy, we do believe Alibaba is likely to continue to invest in Ele.me on multiple fronts: 1) technology; 2) integration with Hema and other core e-commerce; and 3) customer acquisitions. As such, we do believe Meituan may face a different fight compared with before when Ele.me was not part of Alibaba.

- Food delivery GTV in 3Q18 is likely to increase 56% Y/Y** – Based on our data and assumptions, we believe Meituan food delivery GTV is likely to grow 56.2% Y/Y to reach RMB79.0B in 3Q18, following 83.1% Y/Y growth or RMB71.0B in 2Q18 (*Figure 1*). The growth in GTV was mainly attributable more to the growth of volume and to a lesser extent, the ticket size. Meituan food delivery orders grew 47.6% Y/Y in 3Q18 and reached 1,780M, vs. 85% Y/Y growth or 1,596M in 2Q18 (*Figure 2*).
- Ele.me (Alibaba's online food delivery service) slightly gained market share in both September and October** – For both GTV and orders, Ele.me gained market share in September and October (*Figure 4 and Figure 5*). We do believe the trend for Ele.me is likely to continue in November 2018 since "11.11" was a big event for Alibaba (BABA, \$145.98, Buy), and Alibaba put significant efforts in investing and integrating Ele.me into its whole commerce practice.
- Meituan hotel room nights likely up Y/Y in October** - Meituan domestic hotel room nights are likely to grow 41.0% Y/Y and reached 82.1M in 3Q18, vs. 42.2% Y/Y or 72.9M in 2Q18, accelerating from 35% Y/Y in September 2018 (*Figure 3*).

Figure 1: Meituan Food Delivery GTV (in RMB blns), 1/2016 – 10/2018



Source T. H. Data (www.thdata.com)

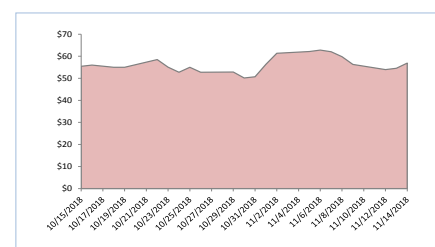
**Meituan Dianping: 3690.HK**  
**Price: HK\$57.00**  
**Target Price: N/A**

<b>52 Week Range (in HK\$):</b>	<b>\$49.50 – \$74.00</b>
<b>Market Cap (in HK\$):</b>	<b>\$313B</b>
<b>Avg. Daily Vol. (100 day):</b>	<b>16,781,114</b>
<b>3-Yr. Est. Revenue CAGR:</b>	<b>101%</b>

FY (Dec)	2017A	2018E	2019E
Q1	N/A	N/A	N/A
Q2	N/A	N/A	N/A
Q3	N/A	N/A	N/A
Q4	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net Revenue	33,928A	63,962E	97,882E
Q1	N/A	N/A	N/A
Q2	N/A	N/A	N/A
Q3	N/A	N/A	N/A
Q4	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
FY EPS*	(1.87)A	(3.69)E	(0.39)E
P/E	N/A	N/A	N/A

\*Non-GAAP EPS

All figures in RMB millions unless otherwise noted



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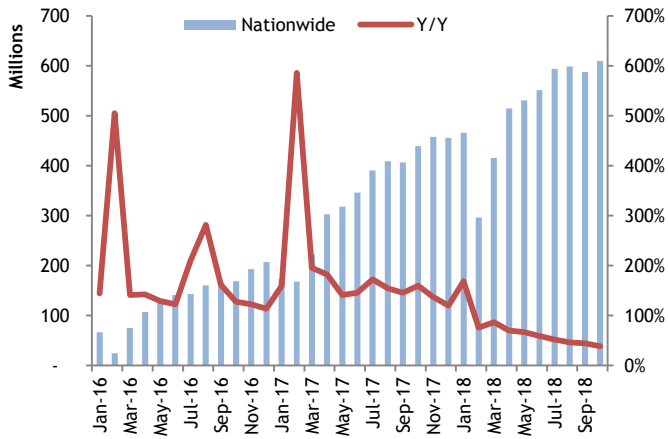
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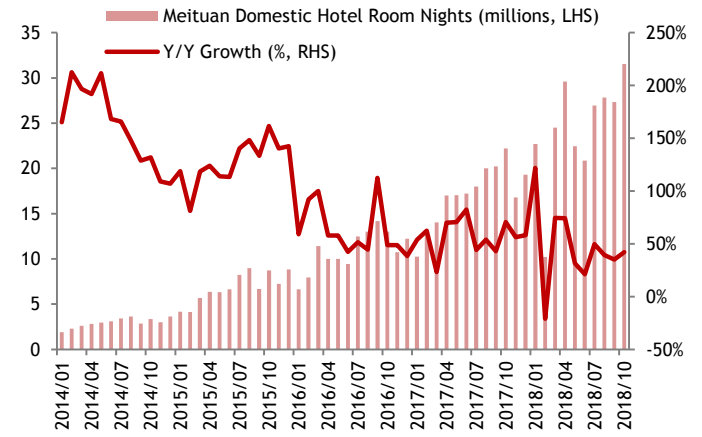
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**Figure 2: Meituan Food Delivery Orders, 1/2016 – 10/2018**

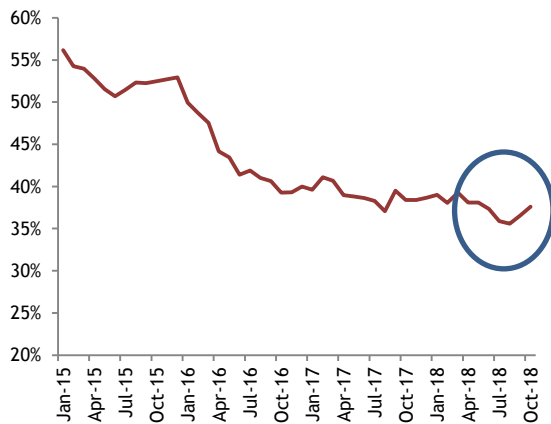


**Figure 3: Meituan Domestic Hotel Room Nights, 1/2014 – 10/2018**

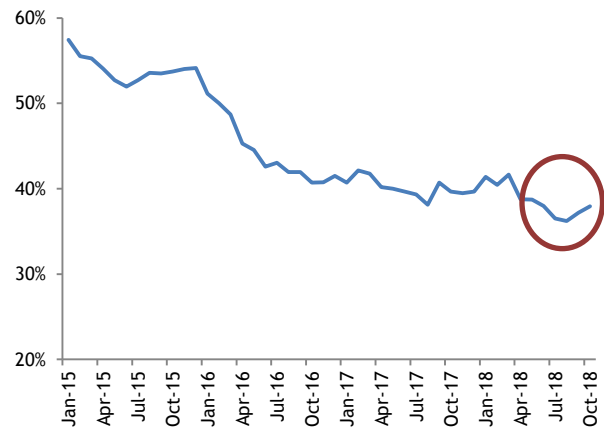


Source: T.H. Data (thdata.com)

**Figure 4: Ele.me Market Share - Orders, 1/2015 – 10/2018**



**Figure 5: Ele.me Market Share - GTV, 1/2015 – 10/2018**



Source: T.H. Data (thdata.com)

**Figure 6: Earnings Model (in RMB, 000s except per share)**

Income Statement (RMB, thousand)	FY15A	FY16A	FY17A	FY18E	FY19E	FY20E
	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Food delivery	174,754	5,300,993	21,031,933	45,428,975	74,503,519	110,637,726
In-store, hotel & travel	3,773,721	7,019,642	10,852,810	14,651,294	18,021,091	21,445,098
New initiatives and others	70,484	667,442	2,043,244	3,882,164	5,357,386	6,428,863
<b>Total revenue</b>	<b>4,018,959</b>	<b>12,988,077</b>	<b>33,927,987</b>	<b>63,962,432</b>	<b>97,881,996</b>	<b>138,511,688</b>
Cost of revenues	1,239,504	7,046,841	21,708,483	41,959,356	60,295,310	82,760,733
<b>Gross profit/(loss)</b>	<b>2,779,455</b>	<b>5,941,236</b>	<b>12,219,504</b>	<b>22,003,077</b>	<b>37,586,687</b>	<b>55,750,954</b>
Sales and marketing expenses	7,140,962	8,337,132	10,908,688	20,723,828	27,455,900	38,644,761
Research and development expenses	1,204,033	2,366,674	3,646,634	5,820,581	8,319,970	11,496,470
General and administrative expenses	2,905,420	1,722,605	2,171,408	3,645,859	5,187,746	7,202,608
Fair value changes on investments measured at fair value through profit or loss	46,953	23,550	472,874	1,023,399	1,272,466	1,800,652
Other gains/(losses), net	(49,928)	206,212	208,260	319,812	293,646	692,558
<b>Operating profit/(loss)</b>	<b>(8,473,935)</b>	<b>(6,255,413)</b>	<b>(3,826,092)</b>	<b>(6,843,980)</b>	<b>(1,810,817)</b>	<b>900,326</b>
Finance income	13,541	21,681	60,885	62,103	63,345	64,612
Finance costs	(56,561)	(55,981)	(19,214)	(21,214)	(23,214)	(25,214)
Fair value changes of convertible redeemable preferred shares	(725,113)	(4,313,365)	(15,138,824)	(5,000,000)	(5,500,000)	(6,000,000)
Shares of losses of investments accounted for using equity method	(661)	(28,018)	(10,418)	(10,218)	(10,018)	(9,818)
<b>Income/(loss) before income taxes</b>	<b>(9,242,729)</b>	<b>(10,631,096)</b>	<b>(18,933,663)</b>	<b>(11,813,310)</b>	<b>(7,280,704)</b>	<b>(5,070,094)</b>
Income tax expense/(credit)	(11,648)	267,903	54,218	(33,828)	(20,849)	(14,519)
<b>Net income/(loss) from continuing operations</b>	<b>(9,231,081)</b>	<b>(10,898,999)</b>	<b>(18,987,881)</b>	<b>(11,779,481)</b>	<b>(7,259,855)</b>	<b>(5,055,576)</b>
Net loss attributable to discontinued operations	(1,288,257)	5,104,001	-	-	-	-
<b>Net income/(loss)</b>	<b>(10,519,338)</b>	<b>(5,794,998)</b>	<b>(18,987,881)</b>	<b>(11,779,481)</b>	<b>(7,259,855)</b>	<b>(5,055,576)</b>
Non-controlling interest	-	-	-	-	-	-
<b>Net income/(loss) attributable to equity holders of the Company</b>	<b>(10,519,338)</b>	<b>(5,794,998)</b>	<b>(18,987,881)</b>	<b>(11,779,481)</b>	<b>(7,259,855)</b>	<b>(5,055,576)</b>
Fair value changes on investments measured at fair value through profit or loss	(46,953)	(23,550)	(472,874)	(1,023,399)	(1,272,466)	(1,800,652)
Other gains/(losses), net	49,928	(206,212)	(208,260)	(319,812)	(293,646)	(692,558)
Depreciation of PPE	102,393	266,304	327,696	344,081	361,285	379,349
Amortization of intangible assets	75,802	307,485	516,619	542,450	569,572	598,051
Share-based compensation expenses	2,599,378	913,075	971,100	1,000,233	1,010,235	1,020,338
<b>Adjusted EBITDA</b>	<b>(5,693,387)</b>	<b>(4,998,311)</b>	<b>(2,691,811)</b>	<b>(6,300,428)</b>	<b>(1,435,836)</b>	<b>404,853</b>
Fair value changes of convertible redeemable preferred shares	725,113	4,313,365	15,138,824	5,000,000	5,500,000	6,000,000
Share-based compensation expenses	2,599,378	913,075	971,100	1,000,233	1,010,235	1,020,338
Fair value (gains)/losses on investments	(46,953)	25,789	(541,731)	(441,731)	(341,731)	(241,731)
(Gains)/losses on disposal of investments and subsidiaries	(32,964)	(9,714)	241,097	150,000	150,000	150,000
Loss/(profit) from discontinued operations	1,288,257	(5,104,001)	-	-	-	-
Amortization of intangible assets resulting from acquisitions	72,401	303,367	325,875	332,393	339,040	345,821
<b>Adjusted net income/(loss)</b>	<b>(5,914,106)</b>	<b>(5,353,117)</b>	<b>(2,852,716)</b>	<b>(5,738,587)</b>	<b>(602,311)</b>	<b>2,218,852</b>
Diluted EPS	(9.89)	(3.98)	(12.37)	(7.58)	(4.66)	(3.23)
<b>Adjusted EPS</b>	<b>(5.56)</b>	<b>(3.69)</b>	<b>(1.87)</b>	<b>(3.69)</b>	<b>(0.39)</b>	<b>1.42</b>
Diluted ordinary shares	1,063,290	1,451,768	1,528,826	1,553,826	1,558,826	1,563,826

Margins	FY15A	FY16A	FY17A	FY18E	FY19E	FY20E
Cost of sales	30.8%	54.3%	64.0%	65.6%	61.6%	59.8%
<b>Gross profit</b>	<b>69.2%</b>	<b>45.7%</b>	<b>36.0%</b>	<b>34.4%</b>	<b>38.4%</b>	<b>40.3%</b>
Sales and marketing expenses	177.7%	64.2%	32.2%	32.4%	28.1%	27.9%
Research and development expenses	30.0%	18.2%	10.7%	9.1%	8.5%	8.3%
General and administrative expenses	72.3%	13.3%	6.4%	5.7%	5.3%	5.2%
Fair value changes on investments measured at fair value through profit or loss	1.2%	0.2%	1.4%	1.6%	1.3%	1.3%
Other gains/(losses), net	-1.2%	1.6%	0.6%	0.5%	0.3%	0.5%
<b>Operating profit/(loss)</b>	<b>-210.8%</b>	<b>-48.2%</b>	<b>-11.3%</b>	<b>-10.7%</b>	<b>-1.9%</b>	<b>0.6%</b>
<b>Income/(loss) before income taxes</b>	<b>-230.0%</b>	<b>-81.9%</b>	<b>-55.8%</b>	<b>-18.5%</b>	<b>-7.4%</b>	<b>-3.7%</b>
Income tax expense/(credit)	-0.1%	2.5%	0.3%	0.3%	0.3%	0.3%
<b>Net income/(loss) attributable to equity holders of the Company</b>	<b>-261.7%</b>	<b>-44.6%</b>	<b>-56.0%</b>	<b>-18.4%</b>	<b>-7.4%</b>	<b>-3.6%</b>
<b>Adjusted EBITDA</b>	<b>-141.7%</b>	<b>-38.5%</b>	<b>-7.9%</b>	<b>-9.9%</b>	<b>-1.5%</b>	<b>0.3%</b>
<b>Adjusted net income</b>	<b>-147.2%</b>	<b>-41.2%</b>	<b>-8.4%</b>	<b>-9.0%</b>	<b>-0.6%</b>	<b>1.6%</b>

Y/Y Growth	FY15A	FY16A	FY17A	FY18E	FY19E	FY20E
Food delivery		2933.4%	296.8%	116.0%	64.0%	48.5%
In-store, hotel & travel		86.0%	54.6%	35.0%	23.0%	19.0%
New initiatives and others		846.9%	206.1%	90.0%	38.0%	20.0%
<b>Total revenues</b>		<b>223.2%</b>	<b>161.2%</b>	<b>88.5%</b>	<b>53.0%</b>	<b>41.5%</b>
Cost of sales		468.5%	208.1%	93.3%	43.7%	37.3%
<b>Gross profit</b>		<b>113.8%</b>	<b>105.7%</b>	<b>80.1%</b>	<b>70.8%</b>	<b>48.3%</b>
Sales and marketing expenses		16.8%	30.8%	90.0%	32.5%	40.8%
Research and development expenses		96.6%	54.1%	59.6%	42.9%	38.2%
General and administrative expenses		-40.7%	26.1%	67.9%	42.3%	38.8%
Fair value changes on investments measured at fair value through profit or loss		49.8%	1908.0%	116.4%	24.3%	41.5%
Other gains/(losses), net		-513.0%	1.0%	53.6%	-8.2%	135.8%
<b>Operating profit/(loss)</b>		<b>26.2%</b>	<b>38.8%</b>	<b>-78.9%</b>	<b>73.5%</b>	<b>149.7%</b>
<b>Income/(loss) before income taxes</b>		<b>-15.0%</b>	<b>-78.1%</b>	<b>37.6%</b>	<b>38.4%</b>	<b>30.4%</b>
Income tax expense/(credit)		2400.0%	-79.8%	-162.4%	-38.4%	-30.4%
<b>Net income/(loss) attributable to equity holders of the Company</b>		<b>44.9%</b>	<b>-74.2%</b>	<b>38.0%</b>	<b>38.4%</b>	<b>30.4%</b>
<b>Adjusted EBITDA</b>		<b>12.2%</b>	<b>46.1%</b>	<b>-134.1%</b>	<b>77.2%</b>	<b>128.2%</b>
<b>Adjusted net income</b>		<b>9.5%</b>	<b>46.7%</b>	<b>-101.2%</b>	<b>89.5%</b>	<b>468.4%</b>

Source: Company data and T.H. Capital estimates

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