

# China / Hong Kong Company Guide

# Meituan Dianping

Version 1 | Bloomberg: 3690 HK Equity | Reuters: 3690.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

15 May 2020

## BUY

Last Traded Price ( 15 May 2020): HK\$119.40(HSI : 23,797)

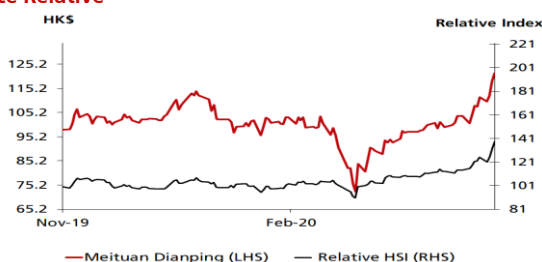
Price Target 12-mth: HK\$141 (17.8% upside)

### Analyst

Kennis LAU, +852 36684153, kennislau@db.com

Tsz-Wang TAM, CFA+852 36684195, tszwangtam@db.com

### Price Relative



### Forecasts and Valuation

FY Dec (RMBm)	2018A	2019A	2020F	2021F
Turnover	65,227	97,528	118,594	176,112
EBITDA	(110,370)	6,970	5,185	25,054
Pre-tax Profit	(115,488)	2,762	1,659	20,475
Net Profit	(115,505)	2,236	1,779	17,611
Net Profit Gth (Pre-ex) (%)	(510.6)	N/A	(20.5)	890.0
EPS (RMB)	(42.40)	0.39	0.31	2.99
EPS (HK\$)	(46.33)	0.42	0.33	3.27
EPS Gth (%)	(242.7)	N/A	(21.2)	880.2
Diluted EPS (HK\$)	(46.33)	0.41	0.32	3.18
DPS (HK\$)	0.00	0.00	0.00	0.00
BV Per Share (HK\$)	34.69	17.45	20.03	29.45
PE (X)	nm	281.9	357.9	36.5
P/Cash Flow (X)	nm	113.1	81.6	33.0
P/Free CF (X)	nm	903.7	117.2	40.2
EV/EBITDA (X)	nm	82.0	110.0	21.7
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	3.4	6.8	6.0	4.1
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	(502.8)	2.5	1.8	13.3

Earnings Rev (%): (14) 52  
 Consensus EPS (RMB) 0.52 2.39  
 Other Broker Recs: B: 41 S: 0 H: 4

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

## Ambitious expansion within reach

- Expect Meituan Dianping to recover better in food delivery than instore after COVID-19.
- Strong GTV to rise by c.26% CAGR during FY20-22F driven by increasing use of online local services.
- Above-sector-revenue growth, thanks to the steady food and dining demand.
- BUY the stock c.18 % upside potential to HK\$141 TP.

**Largest online food delivery and local services platform.** We have a BUY rating on Meituan Dianping (MTDP) with a TP of HK\$141 based on SOTP. MTDP offers (i) food delivery, and (ii) instore, hotel and travel(IHT) in China. We believe MTDP's instore service will recover due to easing of social distancing measures after pandemic. We expect gross transaction volume (GTV) to grow at c.26% CAGR during FY20-22F, driven by wider online penetration. MTDP monetises through transaction commissions and advertising.

**Where we differ: Above-sector-revenue growth.** We believe MTDP will grow its revenue at c.34% CAGR, faster than the sector CAGR of c.20% during FY20-22F, as we believe MTDP's core business will be more resilient against the macro headwinds than peers given of its steady demand nature. We forecast food delivery will grow by 22%/46% in FY20/21F, while IHT will increase by 23%/68% in FY20/21F.

**Potential catalysts: Possible margin expansion.** We are optimistic on MTDP's recovery and forecast non-GAAP net profit margin to increase to 11% in FY21F from 3% in FY20F, due to higher online marketing revenue. Lower rider cost and traffic acquisition cost will also support margin recovery.

### Valuation:

Our TP of HK\$141 is based on SOTP valuation: (1) 4x FY21F P/S for food delivery business (HK\$92/share) and (2) 20x FY21F PE for instore, hotel & travel business (HK\$49/share).

### Key Risks to Our View:

Government regulation risk, irrational market competition.

### At A Glance

Issued Capital (m shrs)	5,808
Mkt Cap (HK\$m/US\$m)	705,672 / 89,745
Major Shareholders (%)	
Tencent Holdings Ltd	20.8
Sequoia Capital Partners	8.4
Baillie Gifford & Co.	5.1
Free Float (%)	65.7
3m Avg. Daily Val. (US\$m)	353.04
GICS Industry: Consumer Discretionary / Retailing	



Live more, Bank less

Table of Contents

Investment Summary	3
Valuation & Peers Comparison	6
Key Risks	8
SWOT Analysis	9
Critical Factors	10
Financials	11
Environment, Social & Governance (ESG)	11
Company Background	12
Management & Strategy	18

## Meituan Dianping

### Investment Summary

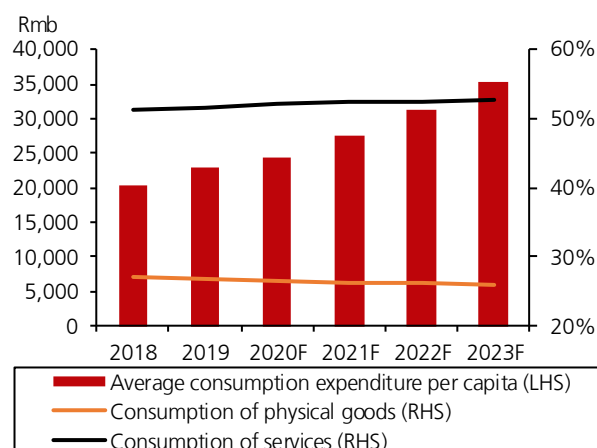
We have a BUY rating on Meituan Dianping (MTDP), the largest online food delivery and local consumer services platform, with a leading market share of c.66% in the food delivery market and the largest on-demand delivery network with around 531,000 delivery riders across 2,800 cities. It offers (i) food delivery, and (ii) instore, hotel & travel online services in China and monetises through transaction commission and advertising. We believe MTDP's revenue will have a higher-than-peers CAGR of c.34% during FY20-22F, riding on its resilient nature of service categories, the increasing online penetration in consumer services and potential growth of its new initiatives. We are confident non-GAAP net profit margin will increase to 11% in FY21F, higher than consensus, supported by expanding operating leverage and a higher online marketing monetisation across segments.

#### Resilient nature of its service categories

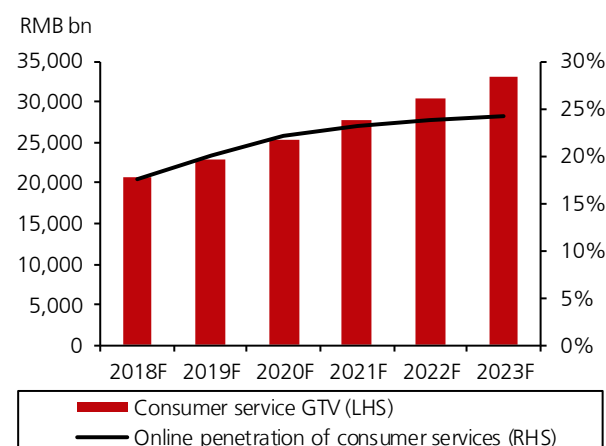
Food delivery and instore dining are MTDP's two main businesses, contributing more than 50% of revenue. We believe MTDP is more resilient against the macro headwinds than the other China consumer internet players given the stable demand nature of food/dining. Also, its instore consumer services, hotels and travel rely more on domestic consumption demand, which will mitigate risks from weak global economy.

**Beneficiary of increasing online penetration in consumer services.** We forecast MTDP's GTV to grow at a CAGR of 26% during FY20-22F to reach Rmb1,372bn, as it benefits from increasing online penetration in consumer services. Rising consumer spending driven by higher disposable income would lead to more expenditure on discretionary goods and services. We believe more consumer services merchants are moving online to increase efficiency and business scale. According to iResearch, online penetration of consumer services will grow to 24% in FY23F from 18% in FY18. MTDP's transacting user base has expanded at CAGR of c.20% in the last three years riding from increasing online penetration into lower-tier cities. With its market dominance and best-in-class on-demand delivery network, we expect MTDP will continue to benefit the most among its competitors and increase the number of transacting users by a CAGR of c.13% to 633.3 million by FY22F.

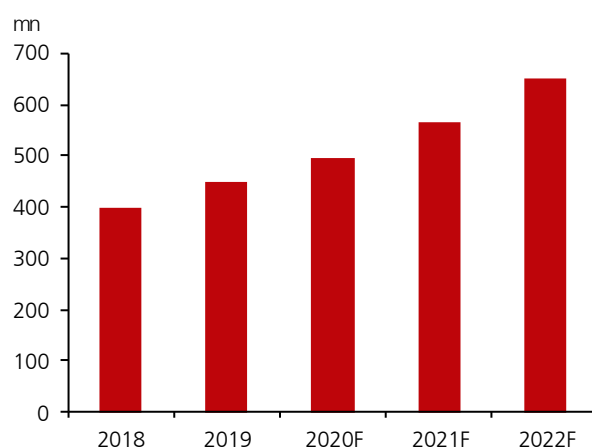
### China's consumption expenditure per capita, consumption rate of physical goods and services



### Online penetration of consumer service in China



### MTDP's transacting users base



Source: iResearch, Company, DBS HK

## Meituan Dianping

**Rising transaction numbers and value.** Apart from the user increase benefitting from higher online penetration, we expect transaction numbers to grow at a CAGR of c.28% during FY20-22F, driven by increase in usage frequency as more services are offered. MTDP cross-sells its wide range of higher ASP (average-selling-price) lower-frequency services, e.g. bookings for hotels, travel, beauty and entertainment, by leveraging on its mass-market, high-frequency food delivery and instore dining services. Cross-selling opportunities should further increase as MTDP leverages on information relayed by user profiles generated from its database and location-based algorithms to gauge user demand across different service categories. Stronger alliances with premium restaurants and hotels after COVID-19 will further boost average transaction value per user.

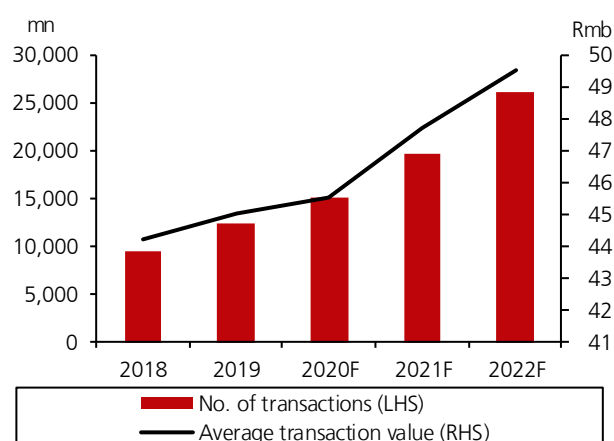
**Potential revenue upside from new initiatives.** We believe new initiatives consisting of B2C and B2B offerings will be one of the growth drivers in a longer term. We forecast its CAGR growth to be 16% during FY20-22F. On the consumer side, offering grocery and non-food delivery via its on-demand delivery network is a reasonable effort to better utilize its delivery capacity for more revenue generated during off-peak hours. On the B2B side, providing merchants comprehensive enterprise solutions such as cloud-based enterprise resource planning (ERP), customer relationship management (CRM), micro-loan does not only provide a new revenue stream to MTDP but reinforce their alliances from losing to competitors.

**Cost advantage over peers due to business scale-up.** MTDP improved its food delivery gross margin to 19% in FY19 from -8% in FY16 on an expanding market share. We believe food delivery rider cost as a percentage of food delivery revenue should continue to decline from 75% in FY19 to 74%/71% in FY20/21F, benefiting from increasing business scale. Moreover, lower traffic acquisition cost (TAC) from more efficient user conversions to new services from its existing user base given its high frequency service platform should aid the margin improvement further.

### Margin improvement via wider merchants' advertising adoption.

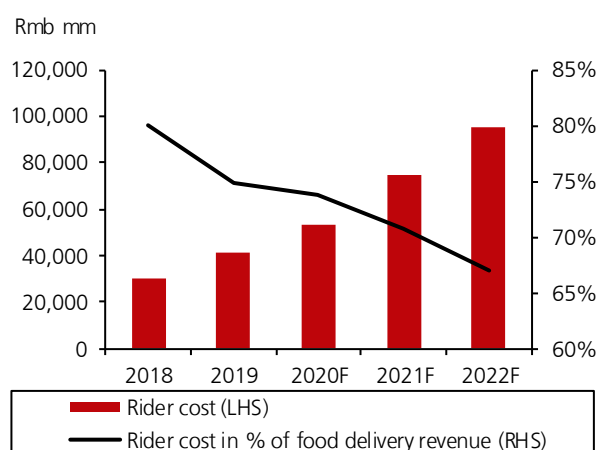
Online marketing monetisation in food delivery has been up to 9% in FY19 from 0.2% in FY16, which led to a massive gross margin improvement to 19% in FY19 from -8% in FY16. The intensifying competition among merchants/hotels/restaurants will result in stronger merchants' desire for advertising or priority listing. We expect MTDP's online marketing monetisation will expand to 2.5%/3.9% in FY20/21F from 2.3% in FY19, while non-GAAP net profit margin will increase to 2.8%/10.5% in FY20/21F from 2.3% in FY19.

### MTDP's transaction number & average transaction value of food delivery



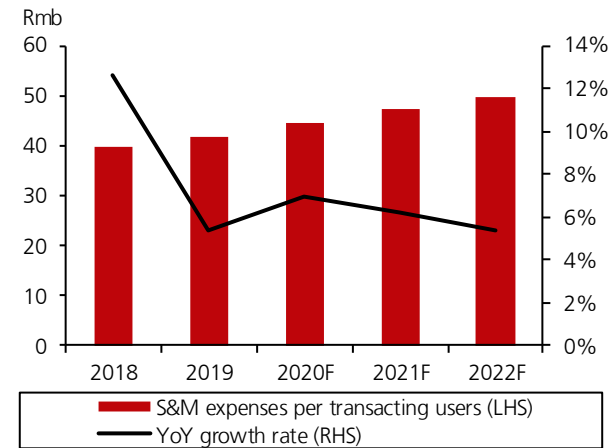
Source: Company, DBS HK

### Rider cost in % of food delivery revenue



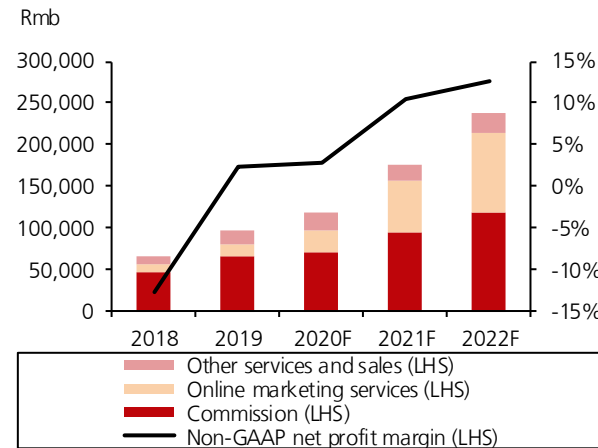
Source: Company, DBS HK

Traffic acquisition cost



Source: Company, DBS HK

Non-GAAP net profit margin and revenue distribution by segments



Source: Company, DBS HK

## Meituan Dianping

### Valuation & Peers Comparison

MTDP is the largest online local services platform with wide range of service offerings ranging from food delivery, instore consumption to travel and hotel reservations. We believe using FY21F estimates is more meaningful as earnings in FY20F has been disrupted by the COVID-19 pandemic.

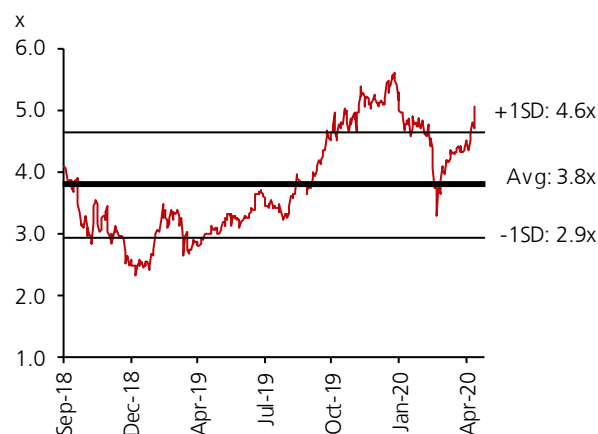
We have a BUY rating on MTDP as it is benefitting from the expanding online delivery and local services market in China. We derive a TP of HK\$141 per share for MTDP based on SOTP valuation assuming: (1) 4x 2021F Price/Sales for the food delivery business, which is in line with peers (HK\$92/share), and (2) 20x 2021F PE for the instore, hotel and travel business, pegged to a 15% premium over peers due to its higher profitability (HK\$49/share). We assign zero value to new initiatives and other businesses as the value is still relatively small compared to key segments.

### P/S band chart



Source: Thomson Reuters, DBS HK

### P/B band chart



Source: Thomson Reuters, DBS HK

## Meituan Dianping

## Peers comparison showing PE and PS

Company Name	Code	Currency	Price Local\$	Mkt Cap US\$m	Fiscal Yr	PE	PE	P/S	P/S	P/Bk	P/Bk	EV/EBITDA	ROE	ROE	
						20F	21F	20F	21F	20F	21F	20F	21F	20F	21F
						x	x	x	x	x	x	x	x	%	%
China internet platform															
Alibaba Group*#	9988 HK	HKD	196.9	545,120	Mar	26.0	18.2	5.7	4.2	4.9	3.9	24.4	16.0	21.0	23.8
Tencent Holdings*	700 HK	HKD	421.2	519,060	Dec	31.4	25.4	7.8	6.4	6.1	4.5	21.3	18.1	22.7	20.4
Meituan Dianping*	3690 HK	HKD	119.4	89,745	Dec	357.9	36.5	5.4	3.6	6.0	4.1	110.0	21.7	1.8	13.3
Tongcheng-Elong	780 HK	HKD	12.8	3,520	Dec	24.0	12.7	3.7	2.6	1.8	1.7	14.4	7.6	6.4	11.6
Baidu 'A'*	BIDU US	USD	96.02	33,208	Dec	16.5	10.2	1.9	1.7	1.3	1.2	6.9	5.3	8.3	12.5
JD.com*	JD US	USD	48.96	71,972	Dec	47.8	37.3	0.7	0.6	5.9	5.0	26.1	16.4	13.4	14.5
Trip Com Group	TCOM US	USD	23.66	14,032	Dec	n.a.	16.5	3.9	2.6	1.1	1.0	(270.9)	11.4	(0.4)	5.8
58 Com	WUBA US	USD	51.26	7,691	Dec	19.2	13.8	3.5	2.9	1.7	1.6	11.9	8.2	8.6	10.4
Average						74.7	21.3	4.1	3.1	3.6	2.9	(7.0)	13.1	10.2	14.0
US/Europe internet platform															
Alphabet A	GOOGL US	USD	1357	926,225	Dec	32.7	24.7	5.5	4.5	4.2	3.6	13.7	10.9	14.2	15.8
Amazon.Com	AMZN US	USD	2389	1,191,501	Dec	126.7	63.7	3.5	2.9	14.4	10.8	28.4	20.6	16.9	23.6
Yelp	YELP US	USD	19.25	1,384	Dec	n.a.	151.6	1.7	1.5	1.7	1.6	14.6	7.5	(5.1)	2.1
Expedia Group	EXPE US	USD	64.37	9,075	Dec	n.a.	12.7	1.1	0.8	2.1	1.9	18.2	7.9	(3.3)	15.6
Booking Holdings	BKNG US	USD	1383	56,588	Dec	103.0	17.8	8.0	4.6	11.1	8.5	47.7	13.7	15.8	68.5
Tripadvisor 'A'	TRIP US	USD	15.61	2,095	Dec	n.a.	16.9	2.8	1.8	1.8	1.6	74.9	8.4	(7.6)	10.4
Delivery Hero	DHEREUR EU	EUR	83.32	17,891	Dec	n.a.	n.a.	7.3	4.5	10.6	12.6	(25.7)	(60.2)	(51.2)	(43.1)
Just Eat Takeawa	TKWYEUR EU	EUR	95.84	15,398	Dec	133.1	77.7	7.5	5.9	1.7	1.7	57.0	34.9	0.0	6.6
Grubhub	GRUB US	USD	54.72	5,032	Dec	n.a.	497.5	3.3	2.9	3.6	3.6	80.8	37.6	(2.7)	3.0
						98.9	107.8	4.5	3.3	5.7	5.1	34.4	9.0	(2.5)	11.4

Source: Thomson Reuters, DBS HK

**Meituan Dianping**

---

**Key Risks**

**Intense competition from new entrants.** New well-funded entrants will intensify competition in the online local service market. These new entrants may offer subsidies to merchants to gain market share which could increase MDTP's marketing and customer acquisition costs to defend its leading market position. They may also compete for talents, which will in turn increase the related operating costs.

**Deterioration in consumer spending sentiment.** MTDP's GTV is largely driven by local Chinese residents. Overall revenue has been weak due to self-quarantines and city lockdowns during COVID-19 pandemic. Continued deterioration of consumer spending sentiment due to an uncertain economic climate and

limitations from social distancing measures could reduce demand for discretionary instore, hotel and travel services which will in turn impact the company's revenue and GTV growth.

**Slower-than-expected growth in online marketing services.**

The increasing proportion of online marketing services is one of major drivers to MTDP's margins. Slower-than-expected growth in online marketing services due to an uncertain economic outlook and poor ROI on its advertising products will lead to profit compression. This would lower MTDP's risk reward proposition due to less upside catalysts.



## Meituan Dianping

### SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>The largest on-demand delivery network with 531,000 delivery riders across 2,800 cities, which is difficult to replicate</li> <li>Number one online food delivery and local services platform</li> <li>Higher ad ROI via in-depth user analytics and better user conversion across offerings on the high traffic platform</li> </ul>	<ul style="list-style-type: none"> <li>New initiatives running at a loss</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>Alternative sales channels for premium merchants to boost their revenue</li> <li>Wider adoption of online local services in China</li> <li>Monetisation through charging more for online marketing solutions and user analytics</li> </ul>	<ul style="list-style-type: none"> <li>Possible price war and heavy subsidies triggered by aggressive new well-funded entrants</li> <li>Weaker consumption sentiment due to increasing economic uncertainties</li> </ul>

Source: DBS HK

## Meituan Dianping

### Critical Factors

The critical factors of the company are (1) gross transaction value (GTV), (2) monetisation rate, and (3) Non-GAAP net profit margin.

#### (1) Gross Transaction Value

**Robust GTV growth momentum to achieve economies of scale.** Gross transaction volume (GTV) is an indicator of revenue performance. GTV is important as the profitability of the business depends very much on economies of scale. GTV can be broken down into (a) number of transacting users, and (b) transaction frequency and average value per transaction. We forecast MTDP's GTV to grow at a CAGR of c.26% during FY20-22F to reach Rmb1,371bn, driven by greater online penetration and expansion into higher ASP categories such as beauty, entertainment, premium restaurants, and hotels.

**(a) Expanding transacting user base.** The increase in transacting user base is driven by deeper online penetration of consumption services. We forecast the number of transacting users on MTDP's platform to increase at a CAGR of c.13% to 633.3m by FY22F. China's on-demand food delivery market is projected to expand by c.27% CAGR over FY20-22F due to growing disposable income and greater consumer desire for convenience. Those consumers that are increasingly placing online orders for food delivery, local services, hotels and travel reservations are usually drawn by better prices, higher efficiency in terms of time and effort, and wider exposure to merchants (especially applicable to consumers in lower-tier cities). We expect online penetration of food consumption to rise to 30% in FY23 from 21% in FY19. MTDP will benefit the most with its leading market share of c.66% in this segment and having the largest on-demand delivery network.

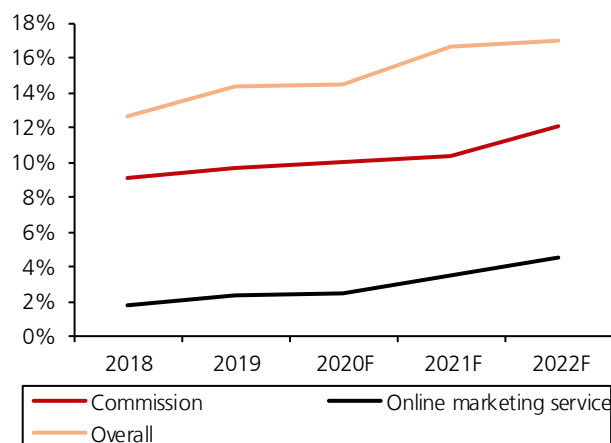
**(b) Increasing transaction frequency and average value per transaction.** The transaction frequency is subject to user numbers and service categories. We expect to see the number of transactions growing at a CAGR of c.27% during FY20-22F due to an expansion in user base and more diverse service offerings and increasing frequency. Food delivery business contributes c.58% of total GTV currently and any change in operating metrics in this segment will impact MTDP's overall GTV significantly. Riding on the upgrade in consumer spending from basic needs to more discretionary expenditures, an increase in higher-ASP offerings such as premium restaurants, will unlock average food delivery transaction value per user.

#### (2) Monetisation rate

**Improving monetisation rate.** Monetisation rate is revenue divided by GTV and is one of indicators to measure the company's operation efficiency. Currently, online marketing services monetisation rate of 2.3% is far below MTDP's overall monetisation rate of 14.3%. We believe MTDP will speed up online marketing service monetisation to c.6% in FY22F, via

growing its online marketing services, which is driven by the merchant base and advertising adoption of merchants.

#### Monetisation rate by service nature



Source: Company, DBS HK

#### (a) Sustainable merchant base expansion.

The number of active merchants has doubled to 6.2 million in FY19 from 3 million in FY16 as a result of continuous expansion of instore services categories and further adoption by offline merchants. We believe the number of active merchants will continue to expand at a CAGR of c.7% to 7.6 million by FY22F, benefitting from increasing online penetration of China's consumer services merchants to 74% in FY22F, from 55.5% in 2019, to reach out to more customers. Securing more low-frequency high ASP merchants, premium restaurants and hotels should widen more service offerings and allow more cross-selling opportunities via its market leadership in food delivery and instore dining.

**(b) Higher ad spending by merchants.** MTDP average online marketing revenue per merchant expanded at a CAGR of 24% in the last 3 years. Increasing competition among online merchants, restaurants and hotels will lead to stronger demand for diversified online marketing solutions with better user targeting. We believe average online marketing revenue per merchant will increase by c.41% CAGR during FY20-22F as they adopt a wide range of online marketing solutions, ranging from performance-driven, subscription based to customised solutions, together with location-based massive database and enriching user-generated-content (UGC).

**(3) Non-GAAP net profit margin.** Non-GAAP net profit margin reflects the revenue mix and profitability of each segment. Skewing to the more profitable online marketing service driven by growing advertising demand among merchants will boost non-GAAP net profit margin. We forecast non-GAAP net profit margin to increase to 10.5% in FY21, 2% higher than consensus.

## Meituan Dianping

### Financials

#### 4QFY19 result highlights.

MTDP delivered strong 4Q19 results with solid operating metrics. Total GTV rose to RMB189.9 billion by 44% y-o-y in 4Q19, driven by stronger-than-expected growth across all three segments. Total revenues increased by 42.2% y-o-y to RMB28.2bn, where revenues from food delivery, instore/hotel & travel, and new initiatives and others rose 42.8%, 38.4% and 44.8% respectively.

Gross margin improved to 34.5% from 22.6% y-o-y, mainly due to scale expansion and efficiency gain in food delivery and instore/hotel & travel businesses. Monetisation rate improved to 14.8% y-o-y due to increase in online marketing revenue. Non-GAAP net profit margin rose to 8%, leading its Non-GAAP net income to grow to RMB 2,270m in 4Q19.

Net cash generated from operating activities improved to a positive RMB5.6bn in FY19 from a negative Rmb 9.2bn in FY18. MTDP is in a net cash position (Rmb9.8bn) as of end-FY19, while its gearing ratio increased to 4.4% from 2.6% y-o-y, as MTDP funded its spending to enhance its technology for its product and service offerings to grow and retain its customer base.

#### FY20 & 21 financial forecast

Despite modest improvements in local services in late March as easing social distancing measures in China, we forecast MTDP to have a slower GTV growth at 20% y-o-y to Rmb 820b in FY20F due to temporary disruptions in IHT segment. Revenue will increase to Rmb118b by 21.6% in FY20F, comparing to the y-o-y growth of 49.5% in FY19 because of its supportive measures for merchants in FY20F. Food delivery segment will recover faster than instore as the results of work-from-home policies and social distancing measures. Monetisation rate will remain at c.14%.

Supportive measures for its merchants will lead to pressure on margins in the near term but we are confident on its long-term profitability. MTDP plays a crucial role for restaurants, hotels and merchants on attracting customers after COVID-19. Gross margin in FY20F will decrease to 32% while operating margin will be down to 1% because of less operating leverage and lower monetization opportunities. Non-GAAP net profit margin will be 2.8% in FY20F.

Looking into 2021, we expect to see the strong growth on both revenue and earnings as a result of accelerating online penetration of consumer services and stronger alliance with merchants benefitting from city lockdowns and supportive measures during COVID-19. We forecast GTV and revenue will grow at 27% and 45% respectively in FY21F due to increasing contribution from online

marketing service riding on growing advertising demand among online consumption service merchants. Non-GAAP net profit margin will improve to 10.5% in FY21F because of higher contribution from more profitable online marketing revenue.

We forecast the cash flow for investing activities to grow at a CAGR of 21% during FY20-21F as MTDP need to (1) upgrade its technology to stay competitive, (2) enhance its research and development capabilities for developing new services and products, and (3) participate in any potential investments in assets and businesses which are complementary to MTDP's business.

### Environment, Social & Governance (ESG)

**Environmental.** In its food delivery to customers, packaging material wastes such as paper and plastics are produced. Potential policies to impose charges on handling and disposal of paper and plastics could increase the company's cost of operations. MTDP launched the "Lush Mountain Plan" in 2017, which is aimed at reducing plastic pollution caused by takeout packaging. They also provide consumers with the option of "No Utensils" when ordering food, and display advertisements on Meituan Waimai from time to time to promote social awareness of eco-friendly packaging.

**Data privacy.** There are increasing concerns on data privacy relating to user data collected by internet companies. This could adversely affect the company's capability to monetise the data by providing advertising and targeted marketing services to merchants. MTDP collects personal information and data from users only with their prior consent, and offers users opt-out or opt-in choices.

**Talents.** Online platform of food delivery, local services, hotel and travel services is growing at a fast pace in China. Development of related talents may not keep up with the speed of industry developments and may result in operation disruptions. This may lead to an increase in talent cost of the company and there is risk of losing senior personnel to competitors. MTDP launched employee stock ownership plan (ESOP) to motivate, attract, and retain the talents.

**Governance.** MTDP recognizes the importance of good corporate governance in protecting its shareholders' interests. MTDP has adopted various measures, such as internal control mechanisms, hiring a compliance advisor, and setting up audit, remuneration, nomination and corporate governance committees in compliance with the Listing Rules and the Corporate Governance Code to ensure good corporate governance standards are maintained and to avoid potential conflicts of interest between the company and controlling shareholders.

## Meituan Dianping

### Company Background

Meituan Dianping (MTDP, 3690 HK) is China's leading online food delivery and local service platform, operating in over 2,800 cities and counties in China. Founded in 2010 by Wang Xing, Meituan, a discounting platform completed a merger with Dianping, an online review platform in 2015. It currently owns several apps focusing mass-market, including Meituan, Dianping, Meituan Waimai and Mobike. Leveraging the world's largest intra-city on-demand delivery network, it reaches out to c.450 million transacting users and c.6.2 million annual active merchants as of December 2019. It primarily monetises via commission and advertising.

### Meituan's development milestones

Date	Platform	Service
2010	Meituan	Group-buy (now online marketplace for services)
2012	Maoyan (minority stake after 2016)	Movie ticketing
2013	Meituan Meituan Waimai	Hotel-booking Food delivery
2014	Meituan	Travel-booking
2015	Dianping (acquired)	Online platform for discovering lifestyle services
2016	Meituan/Kaidianbao/Bieyang hong/Kuailv	Merchant enabling services
2017	Ella Supermarket (previously Zhangyou)	Grocery stores
2018	Meituan Dache Mobike (acquired)	Car hailing Bike-sharing

Source: Company









## Meituan Dianping

### Business overview

MTDP has three main service categories, (1) food delivery, (2) instore, hotel and travel, (3) new initiatives and others accounted for 58%, 33%, and 10% of the company's total GTV respectively, and 57%, 23%, and 21% of the total revenue in FY19.

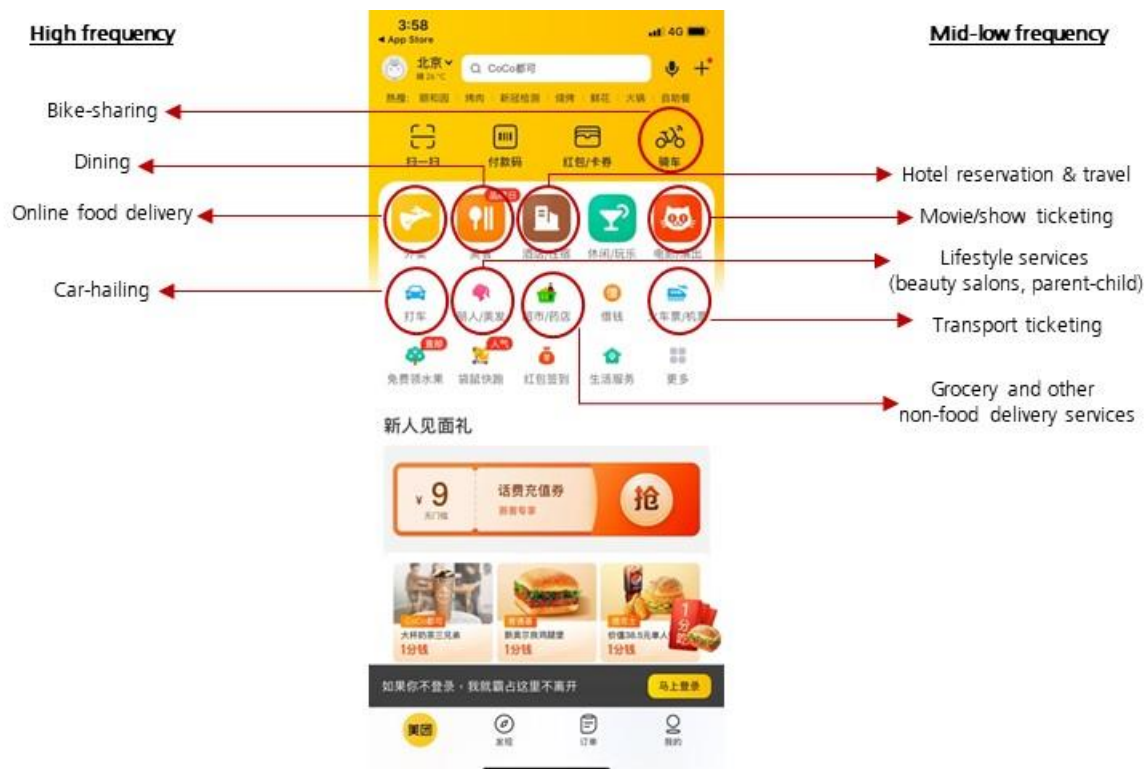
MTDP's market-leading position in low-margin high-frequency food delivery services allows it to cross-sell low-frequency high-margin instore, hotel and travel services on its platform to further build up a seamless local service ecosystem with high operating leverage as its scale increases.

### Consumer service offerings of MTDP

Brand	Services	Brand	Services
	<b>Meituan (美团)</b> Online marketplace for services		<b>Meituan Paotui (美团跑腿)</b> Provides peer-to-peer intra-city courier services
	<b>Dianping (大眾點評)</b> Online destination for discovering lifestyle services		<b>Ella Supermarket (小象生鮮)</b> Provides groceries and fresh food via both offline grocery stores and mobile app
	<b>Meituan Waimai (美团外賣)</b> Provides on-demand delivery services		<b>Hazelnut B&amp;B (榛果民宿)</b> Provides alternative accommodation booking services
	<b>Mobike (摩拜單車)</b> Provides bike-sharing services		<b>Meituan Dache (美团打車)</b> Provides pilot car-hailing services

Source: Company

### Combination of high-low frequency services on Meituan App interface



Source: Company

## Meituan Dianping

### (1) Food delivery

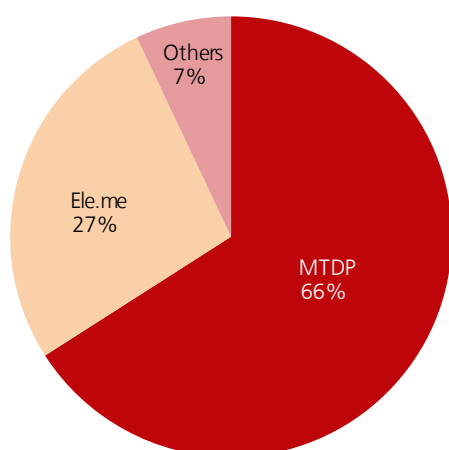
MTDP has been gaining market share and is now the number one player in China with a market share of c.66% with the world largest AI-enabled on-demand delivery network and large on-the-ground salesforce, despite intensifying competition from Ele.me.

The food delivery segment generates revenue primarily from (i) commission from merchants for orders placed on the platform, which are generally determined as a percentage of the value of the transaction completed, (ii) online marketing services in various advertising formats provided to merchants, and (iii) delivery fees from transacting users for delivery services provided by MTDP. Owning the world's largest on-demand delivery network does not only optimise the user experience but raise the level that competitors to replicate.

After Ele.me, Alibaba's subsidiary, acquired Baidu food delivery, China's food delivery market is now a duopoly market with Meituan and Ele.me. According to Trustdata, Meituan had a 66% market share in 3Q19, followed by Ele.me with a market share of 27%.

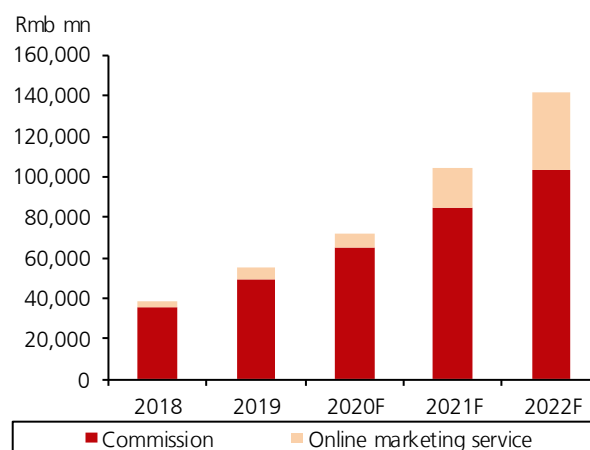
Food delivery is a crucial category to both Meituan and Alibaba given its growing market size, high-frequency use case, and being an online traffic leverage for other local services, which results in fierce industry competition. However, we do not expect to see any material change in such market share given MTDP's market dominance in lower-tier cities.

#### Market share in food delivery in 3Q19



Source: Trustdata

#### Food delivery revenue by service nature (FY18-22F)



Source: Company

### (2) In-store, hotel and travel

MTDP platform offers instore dining, hotel and travel booking, beauty, and other lifestyle services, bringing online consumers to offline merchants. It primarily monetizes this segment via (i) commissions from merchants for vouchers, coupons, tickets and reservations sold on the platform, which are generally determined as a percentage of the value of the transaction completed, and (ii) online marketing services to merchants, including performance-based and display-based marketing services, as well as marketing services provided under annual plans.

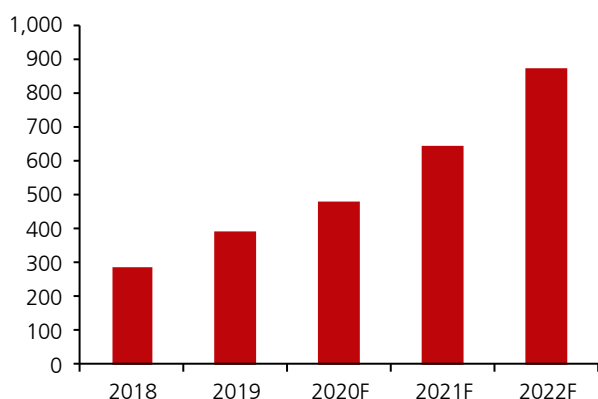
MTDP operates the largest instore dining platform in China in terms of GTV, according to iResearch. Leveraging its large user base in high-frequency food delivery and instore dining services, it also cross-sells lower-frequency but higher-ASP services such as entertainment, beauty, etc.

Compared with the market leader of hotel reservation, Ctrip, which is in high-end segment, Meituan focuses on mid- to lower end hotels, mainly targeting budget-sensitive young travelers and consumers from mid-to-lower tier cities, thanks to its first mover advantage in lower-tier cities. We believe MTDP will have the chance to challenge Ctrip's domestic hotel leadership riding on its fast-growing hotel room nights and traffic leverage from high-frequency food/instore dining categories.

We expect instore, hotel and travel revenue to grow at a 45% FY20-22F CAGR via its expanding domestic hotel room nights and extending its presence to premium hotels and restaurants.

**Meituan Dianping****No. of hotel room nights (FY18-22F)**

No. of domestic hotel nights

*Source: Company, DBS HK***(3) New initiatives and others**

MTDP's new initiatives includes B2C and B2B offerings that are complementary to the platform. On the consumer side, MTDP is utilizing its on-demand delivery network during off-peak hours via offering grocery and non-food delivery. Bicycle-sharing and ride-hailing are the possible stops for consumers to use after shop visits. On the B2B side, MTDP is developing a new revenue stream and enhance the platform stickiness to merchants by offering merchants solutions of cloud-based enterprise resource planning (ERP) and customer relationship management (CRM), and supply chain services. We believe the revenue contribution of new initiatives and others will increase to 21%/23.5% in FY20/21F.

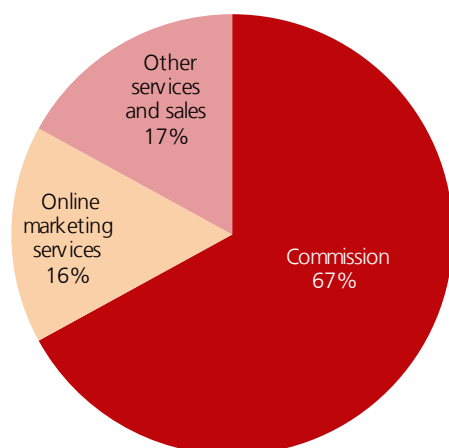


## Meituan Dianping

### Services nature

In terms of service nature, MTDP derives its revenue mainly from (1) commissions on transactions and (2) online marketing services. These accounted for 67% and 16% of its total revenue in FY19.

### 2019 revenue distribution by service nature

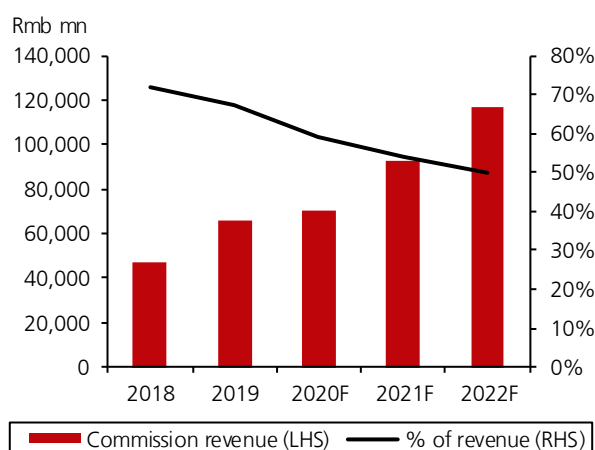


Source: Company

### (1) Commissions on transactions

MTDP generates revenue from (i) commission fees by charging a percentage of the value of transactions placed by transacting users on MTDP's online platform, and (ii) collecting delivery service fees from transacting users upon the completion of transaction. Growth should remain strong at CAGR 33% during FY20-22F, as the food delivery market share split is more stable and there is wider adoption of online booking platforms for local services.

### Commission revenue trend (FY18-22F)



Source: Company, DBS HK

### (2) Online marketing services

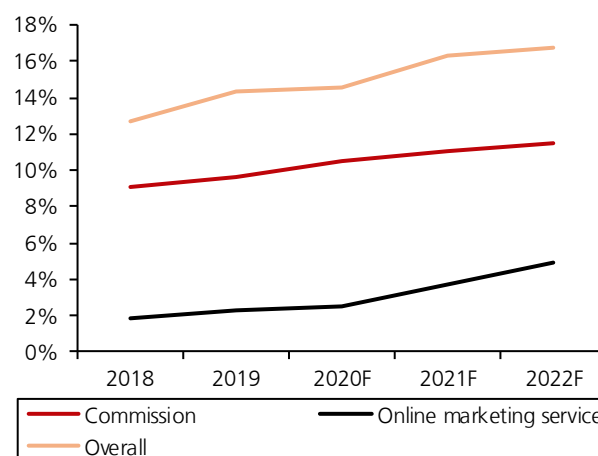
MTDP collects online marketing service fees from merchants for providing various advertising formats including performance-based and display-based marketing services, as well as marketing services under annual plans to merchants or marketers. For the performance-based ads, merchants or marketers pay MTDP only when a user clicks on the marketer's link on MTDP's websites or/and mobile applications, or when the advertisement is viewed by a pre-determined number of users. MTDP recognises revenue each time a user clicks on the marketer's link or when its information is viewed by pre-determined number of users.

Display-based ads is in the form of key word searches, banners, and textual or graphical links. The revenue is recognised on a pro-rata basis over the contractual service period, which is normally less than 1 year, starting on the date when the advertisement is first displayed on MTDP's websites and/or mobile applications.

MTDP also provides value-added marketing services under an annual plan. It charges merchants or marketers an annual fee, which is recognised over the period of the plan.

MTDP expect the monetisation rate will continue to improve driven by increasing contribution of online marketing services through launching more high ROI online marketing solutions leveraging its massive datasets and big data analytics capabilities. Annual subscription plans will be useful to stabilize the cashflow.

### Monetisation of online marketing (FY18-22F)

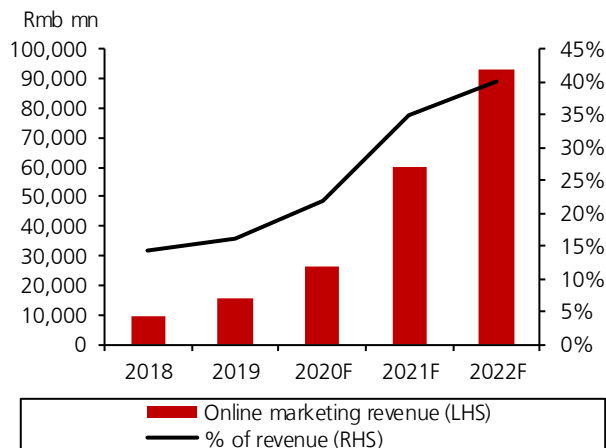


Source: Company



## Meituan Dianping


## Online marketing revenue trend (FY18-22F)




Source: Company, DBS HK

## Various advertising format


#### Banner ad




#### Store front promotion



#### Discounted services



#### Interactive mini game



Source: Company, DBS HK

## Meituan Dianping

### Competitive Edge

**Hard to replicated on-demand delivery network.** Through the crowdsourcing format and adoption of big data analysis and AI technologies, MTDP's business model gives it more flexibility to accommodate demand and supply fluctuations at the most optimised delivery cost, which is difficult for competitors to replicate as it requires effort and time to cultivate its AI capability..

**Largest online local service platform with the biggest number of merchants and users.** The company had more than 6 million merchants and 450 million transacting users as at the end of FY19. This helps to cement its leading market position

as its broad service offerings and user generated content (UGC) database drive user traffic, which in turn attracts more merchants.

**Higher ad ROI via in-depth user analytics and better user conversion.** With its broad range of offerings, MTDP has developed powerful user analytics through observing users' consumption behaviour on the platform. Leveraging on its well-established and dynamic UGC review mechanism, the more time a user stays on the platform, a better insight will be gained, which would improve advertising analytics and generate higher user conversion.

## Management & Strategy

### Key Management Team

Name	Position	Description
Wang Xing	Chief Executive Officer and Chairman	Mr. Wang is responsible for the overall strategic planning, business direction and management of the Company. He has extensive experience of over 10 years in the internet industry.
Mu Rongjun	Senior Vice President	Mr. Mu is responsible for the financial services and corporate affairs of the Company. He has over 10 years of managerial and operational experience in the internet industry.
Wang Huiwen	Senior Vice President	Mr. Wang is responsible for the on-demand delivery and certain new initiatives of the company. He has over 10 years of managerial and operational experience in the internet industry.
Chen Shaohui	Chief Financial Officer and Senior Vice President	Mr. Chen is responsible for overseeing the Company's finance, strategic planning, investments and capital market activities. He has extensive experience in financial management, corporate finance and investments.
Chen Liang	Senior Vice President	Mr. Chen is responsible for overseeing the Company's hotel and travel businesses. He has over 10 years of managerial and operational experience in the internet industry.
Zhang Chuan	Senior Vice President	Mr. Zhang is responsible for overseeing the Company's instore services business. He has over 10 years of managerial and operational experience in the internet industry.

Source: Company

## Meituan Dianping

## CRITICAL FACTORS TO WATCH

## Critical Factors

**(1) Robust GTV growth momentum to achieve economies of scale.** GTV is important to the company as the profitability of the business depends very much on economies of scale. This can be broken down into (a) number of transacting users (b) transacting frequency and average value per transaction. We forecast GTV to grow at a CAGR of c.26% during FY20-22F to reach Rmb1,371bn, driven by wider online penetration and expansion into higher ASP categories such as beauty, entertainment, premium restaurants and hotels, etc.

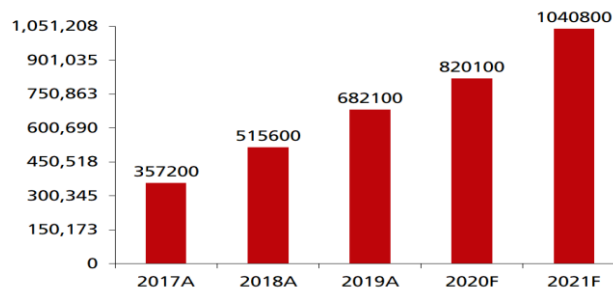
**(a) Expanding transacting user base.** The transacting user base is driven by online penetration of consumption services. We forecast number of transacting users on MTDP's platform to increase at a CAGR of c.13% to 633.3m by FY22F, as China's on-demand food delivery market could see grow by c.27% CAGR over FY20-22F due to growing disposable income and greater consumer desire for convenience. We expect online penetration of food consumption to rise to 30% in FY23 from 21% in FY19. MTDP will benefit the most with its leading market share of c.66% in this segment and having the largest on-demand delivery network.

**(b) Increasing transacting frequency and average food delivery transaction value.** The transacting frequency is subject to user number and service categories. We expect the number of transactions to grow at a CAGR of c.27% during FY20-22F due to expansion in user base, more service offerings and higher ordering frequency. Riding on consumer spending upgrade from basic needs to more discretionary expenditures, an increase in higher-ASP offerings such as premium restaurants, should help to unlock average food delivery transaction value per user.

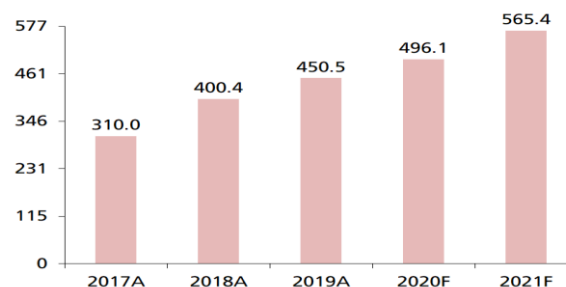
**(2) Improving monetisation rate.** Monetisation rate is revenue divided by GTV. It is one of indicators to measure the company's operational efficiency. Currently, online marketing service monetisation rate of 2.3% is far below the MTDP's monetisation rate of 14.3%. We believe MTDP will speed up its online marketing service monetisation to c.6% in FY22F via growing online marketing services.

**(3) Margin improvement.** Online marketing services is the most profitable among its services offerings. We forecast non-GAAP net profit margin to increase to 11% in FY21, 2ppts higher than consensus, due to rising online marketing revenue from an expanding merchant base and accelerating advertising among merchants. Lower food delivery subsidy and traffic acquisition cost will also support margin recovery.

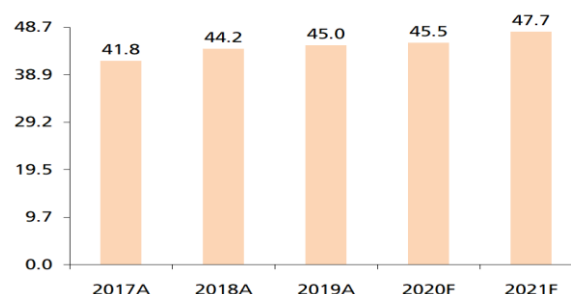
Gross transaction volume (Rmb m)



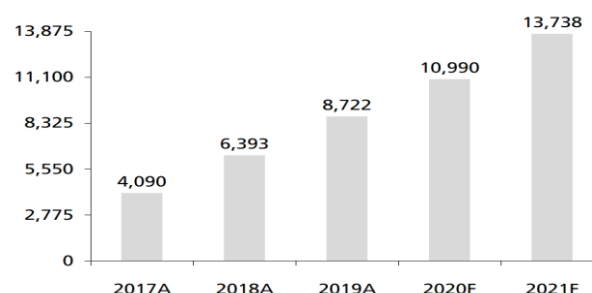
Number of transacting users (m)



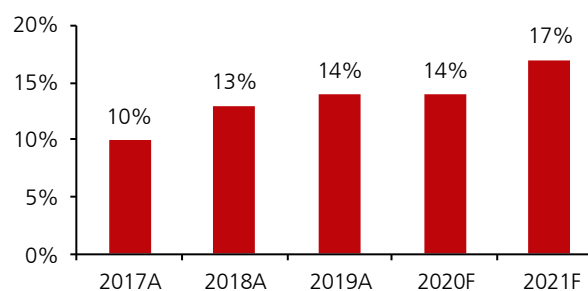
Average food transaction value per users (Rmb)



No. of food delivery transactions



Overall monetisation rate (%)

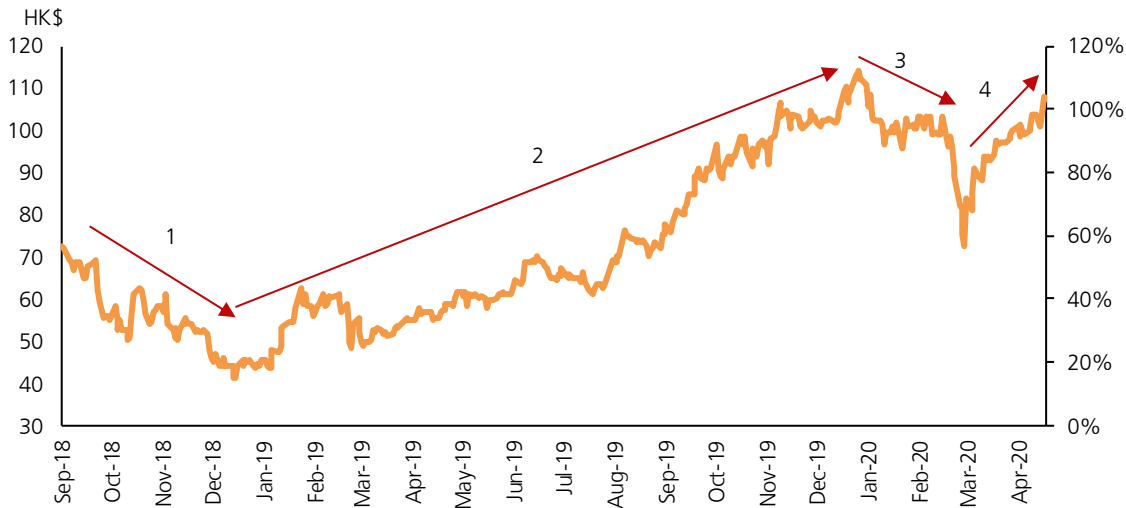


Source: Company, DBS HK

## Meituan Dianping

### Appendix 1: A look at Company's listed history – what drives its share price?

#### Meituan Dianping share price



In general, MTDP's share price is determined by its market share and revenue growth ability.

- 1) Share price went down because of intensifying competition.
- 2) Share price went up due to its stable leading market share.
- 3) Share price plunged due to the growing concern over MTDP's revenue growth as government started to impose city lockdowns and social distancing measures.
- 4) Share price surged as MTDP announced its food delivery business began to recover in March, when shuttered restaurants re-opened and much of China returned to work.

Source: Thomson Reuters, DBS HK

## Meituan Dianping

### Balance Sheet:

**Net cash position.** MTDP is in a net cash position (Rmb9.8bn) as of end-FY19, while its gearing ratio increased to 4.4% from 2.6% y-o-y, as it integrates its new technology and innovates its product and service offerings to grow and retain its customer base.

### Share Price Drivers:

**Better-than-expected revenue growth.** The market has concerns on FY20 revenue growth due to COVID-19 pandemic. Any better-than-expected revenue growth in the company's quarterly reports will be positive to its share price.

**Monetisation rate of online marketing revenue.** Any significant monetisation improvement on online marketing revenue may boost sentiment and offer upside to revenue estimates.

### Key Risks:

**Government regulation risk.** Government regulation change in data usage and video content will have negative impact on business operation.

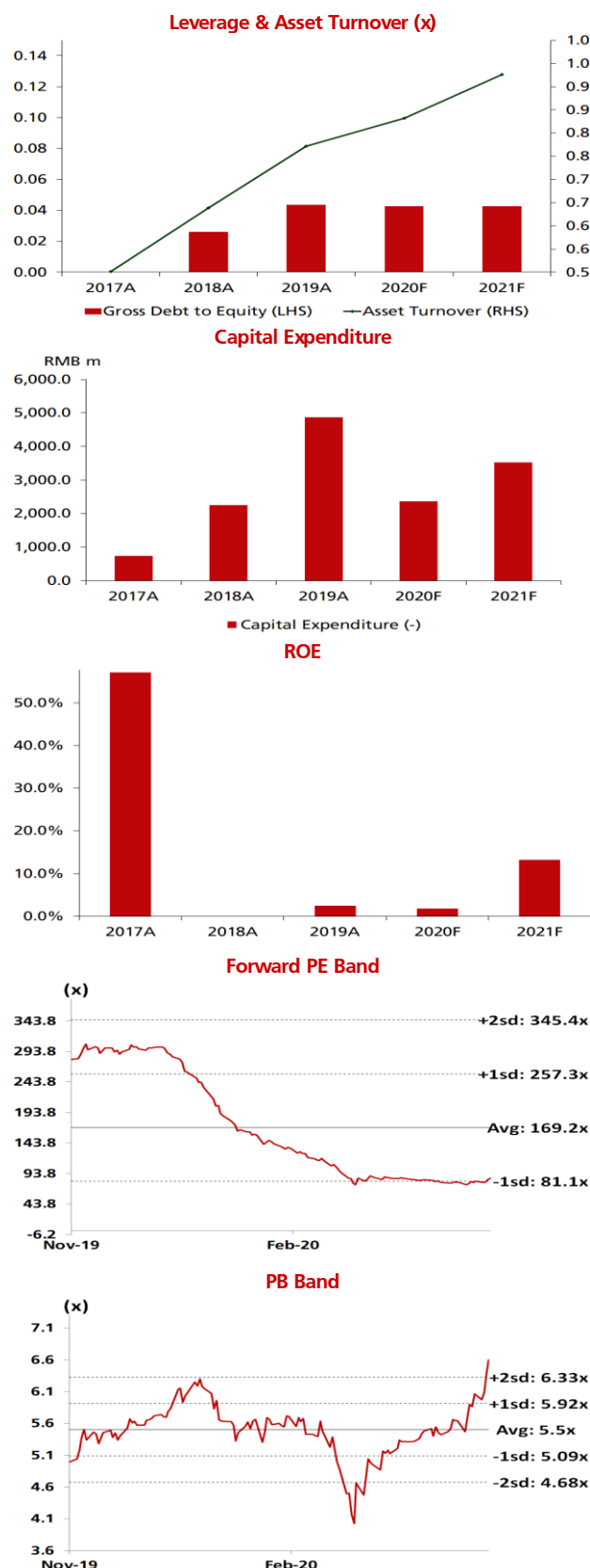
**Irrational market competition.** Irrational marketing subsidies or price cuts by new and well-funded competitors may lead to margin pressure.

### Environmental, Social, Governance:

MTDP has out in place measures to maintain reasonable use of electricity, water and other resources. The company has installed green data centres to curb emissions and reduce the environmental impact. It promotes the use of environmentally friendly packaging, reuse of resources and waste management. In addition, the company has implemented various measures to protect the safety of its riders while delivering food. Management has developed various protocols and taken steps to protect user privacy, maintain intellectual property rights, review advertisements, and handle customer complaints in a timely manner.

### Company Background

Meituan Dianping (3690 HK) is China's leading online food delivery and local service platform, operating in over 2,800 cities and counties in China. Founded in 2010 by Wang Xing, Meituan, a discounting platform completed a merger with Dianping, an online review platform in 2015. It currently owns several APPs, including Meituan, Dianping, Meituan Waimai and Mobike. It offers online services ranging from food delivery, instore, hotel and travel booking to vehicle-hailing/sharing services. It primarily monetises via commission and advertising. It has c.450 million transacting Users and c.6.2 million annual active merchants as of December 2019.



Source: Company, DBS HK

## Meituan Dianping

## Key Assumptions

FY Dec	2017A	2018A	2019A	2020F	2021F
Gross transaction volume (Rmb b)	357	516	682	820	1,041
Number of transacting users (m)	310	400	450	496	565
Average food transaction value per users (Rmb)	42	44	45	46	48
No. of food delivery transactions	4,090	6,393	8,722	10,990	13,738
Monetisation rate (%)	12.7%	20.1%	30.3%	24.1%	49.1%

Source: Company, DBS HK

## Segmental Breakdown (RMB m)

FY Dec	2017A	2018A	2019A	2020F	2021F
<b>Revenues (RMB m)</b>					
Food delivery	21,032	38,143	54,843	73,528	105,667
In-store, hotel and travel	10,853	15,840	22,275	27,277	44,909
New initiatives	2,043	11,244	20,410	17,789	25,536
<b>Total</b>	<b>33,928</b>	<b>65,227</b>	<b>97,528</b>	<b>118,594</b>	<b>176,112</b>
<b>Gross Profit (RMB m)</b>					
Food delivery	1,699	5,268	10,233	13,235	26,417
In-store, hotel and travel	9,580	14,095	19,746	23,185	39,520
New initiatives	940	(4,257)	2,341	1,648	986
<b>Total</b>	<b>12,219</b>	<b>15,106</b>	<b>32,320</b>	<b>38,069</b>	<b>66,923</b>
<b>Gross Profit Margins (%)</b>					
Food delivery	8.1	13.8	18.7	18.0	25.0
In-store, hotel and travel	88.3	89.0	88.6	85.0	88.0
New initiatives	46.0	(37.9)	11.5	9.3	3.9
<b>Total</b>	<b>36.0</b>	<b>23.2</b>	<b>33.1</b>	<b>32.1</b>	<b>38.0</b>

Source: Company, DBS HK

## Meituan Dianping

## Income Statement (RMB m)

FY Dec	2017A	2018A	2019A	2020F	2021F
Revenue	33,928	65,227	97,528	118,594	176,112
Cost of Goods Sold	(21,709)	(50,122)	(65,208)	(80,525)	(109,190)
<b>Gross Profit</b>	<b>12,219</b>	<b>15,105</b>	<b>32,320</b>	<b>38,069</b>	<b>66,923</b>
Other Opng (Exp)/Inc	(16,046)	(26,191)	(29,641)	(36,883)	(48,607)
<b>Operating Profit</b>	<b>(3,827)</b>	<b>(11,086)</b>	<b>2,679</b>	<b>1,186</b>	<b>18,316</b>
Other Non Opng (Exp)/Inc	(15,139)	(104,606)	107	500	2,000
Associates & JV Inc	(10)	(45)	0	0	0
Net Interest (Exp)/Inc	42	249	(24)	(27)	159
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>(18,934)</b>	<b>(115,488)</b>	<b>2,762</b>	<b>1,659</b>	<b>20,475</b>
Tax	(54)	(2)	(523)	(166)	(3,071)
Minority Interest	71	(15)	(3)	286	208
Preference Dividend	0	0	0	0	0
<b>Net Profit</b>	<b>(18,917)</b>	<b>(115,505)</b>	<b>2,236</b>	<b>1,779</b>	<b>17,611</b>
Net Profit before Except.	(18,917)	(115,505)	2,236	1,779	17,611
EBITDA	(18,131)	(110,370)	6,970	5,185	25,054
<b>Growth</b>					
Revenue Gth (%)	161.2	92.3	49.5	21.6	48.5
EBITDA Gth (%)	(80.9)	(508.7)	N/A	(25.6)	383.2
Opg Profit Gth (%)	(38.8)	189.7	(124.2)	(55.7)	1,444.4
Net Profit Gth (%)	(73.7)	(510.6)	N/A	(20.5)	890.0
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	36.0	23.2	33.1	32.1	38.0
Opg Profit Margin (%)	(11.3)	(17.0)	2.7	1.0	10.4
Net Profit Margin (%)	(55.8)	(177.1)	2.3	1.5	10.0
ROAE (%)	57.2	(502.8)	2.5	1.8	13.3
ROA (%)	(28.0)	(113.1)	1.8	1.2	9.3
ROCE (%)	(7.5)	(14.4)	2.3	1.0	11.2
Div Payout Ratio (%)	N/A	N/A	0.0	0.0	0.0
Net Interest Cover (x)	NM	NM	111.6	44.2	NM

Source: Company, DBS HK



## Meituan Dianping

## Balance Sheet (RMB m)

FY Dec	2017A	2018A	2019A	2020F	2021F
Net Fixed Assets	916	3,979	5,376	6,519	9,681
Invts in Associates & JVs	1,952	2,103	2,284	2,769	4,112
Other LT Assets	26,328	41,430	42,218	51,195	76,024
Cash & ST Invts	45,247	58,874	62,832	70,763	105,084
Inventory	4,459	4,256	8,760	9,866	14,651
Debtors	432	466	677	762	1,132
Other Current Assets	4,300	9,553	9,866	11,112	16,501
<b>Total Assets</b>	<b>83,634</b>	<b>120,662</b>	<b>132,013</b>	<b>152,986</b>	<b>227,185</b>
ST Debt	162	1,800	3,553	4,375	6,497
Creditors	0	0	0	0	0
Other Current Liab	20,355	30,025	33,040	40,691	60,425
LT Debt	0	470	467	164	244
Other LT Liabilities	103,618	1,857	2,899	1,022	1,517
Shareholder's Equity	(40,559)	86,504	92,112	106,802	158,601
Minority Interests	58	5	(58)	(67)	(100)
<b>Total Cap. &amp; Liab.</b>	<b>83,634</b>	<b>120,662</b>	<b>132,013</b>	<b>152,986</b>	<b>227,185</b>
Non-Cash Wkg. Capital	(11,164)	(15,749)	(13,737)	(18,951)	(28,142)
Net Cash/(Debt)	45,085	56,604	58,813	66,224	98,342
Debtors Turn (avg days)	3.8	2.5	2.1	2.2	2.0
Creditors Turn (avg days)	N/A	N/A	N/A	N/A	N/A
Inventory Turn (avg days)	41.8	35.5	38.9	44.1	42.8
Asset Turnover (x)	0.5	0.6	0.8	0.8	0.9
Current Ratio (x)	2.7	2.3	2.2	2.1	2.1
Quick Ratio (x)	2.2	1.9	1.7	1.6	1.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	1.1	CASH	CASH	CASH	CASH
Capex to Debt (%)	458.0	99.2	121.3	52.2	52.2
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

## Cash Flow Statement (RMB m)

FY Dec	2017A	2018A	2019A	2020F	2021F
Pre-Tax Profit	(18,988)	(115,490)	2,239	1,493	17,403
Dep. & Amort.	844	5,367	2,926	3,026	3,256
Tax Paid	(19)	(199)	(526)	(996)	(332)
Assoc. & JV Inc/(loss)	0	0	0	0	0
(Pft)/ Loss on disposal of FAs	(76)	25	(107)	(107)	(107)
Chg in Wkg. Cap.	2,512	(4,987)	939	1,778	593
Other Operating CF	15,415	106,103	103	2,610	(1,304)
<b>Net Operating CF</b>	<b>(310)</b>	<b>(9,180)</b>	<b>5,574</b>	<b>7,804</b>	<b>19,509</b>
Capital Exp.(net)	(742)	(2,251)	(4,876)	(2,372)	(3,522)
Other Invts.(net)	(14,160)	(15,970)	(6,906)	(5,660)	(9,869)
Invts in Assoc. & JV	(347)	(7,260)	(1,366)	(1,119)	(1,952)
Div from Assoc & JV	(264)	1,691	13	11	19
Other Investing CF	356	351	2,961	802	786
<b>Net Investing CF</b>	<b>(15,157)</b>	<b>(23,439)</b>	<b>(10,174)</b>	<b>(8,338)</b>	<b>(14,540)</b>
Div Paid	0	(4)	0	0	0
Chg in Gross Debt	161	1,718	1,532	1,685	1,854
Capital Issues	(481)	28,516	0	0	0
Other Financing CF	26,564	(985)	(407)	731	704
<b>Net Financing CF</b>	<b>26,244</b>	<b>29,245</b>	<b>1,125</b>	<b>2,416</b>	<b>2,557</b>
Currency Adjustments	(8)	1,009	(173)	(190)	(209)
Chg in Cash	10,769	(2,365)	(3,648)	1,691	7,317
Opg CFPS (RMB)	(1.85)	(1.54)	0.80	1.03	3.21
Free CFPS (RMB)	(0.69)	(4.20)	0.12	0.93	2.72

Source: Company, DBS HK



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: 15 May 2020 20:08:57 (HKT)

Dissemination Date: 15 May 2020 20:36:40 (HKT)

Sources for all charts and tables are DBS HK unless otherwise specified.

#### GENERAL DISCLOSURE/DISCLAIMER

**This report is prepared by DBS Bank (Hong Kong) Limited ("DBS HK").** This report is solely intended for the clients of DBS Bank Ltd., DBS HK, DBS Vickers (Hong Kong) Limited ("DBSV HK"), and DBS Vickers Securities (Singapore) Pte Ltd. ("DBSVS"), its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS HK.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., DBS HK, DBSV HK, DBSVS, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group")) have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

## Meituan Dianping

### ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate<sup>1</sup> does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests<sup>2</sup> in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

### COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBSVS or their subsidiaries and/or other affiliates have proprietary positions in Meituan Dianping (3690 HK), Alibaba (HK) (9988 HK) and Tencent Holdings Ltd (700 HK) recommended in this report as of 12 May 2020.
2. Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.
3. **Compensation for investment banking services:**  
DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA have received compensation, within the past 12 months for investment banking services from Alibaba (HK) (9988 HK) as of 30 Apr 2020.
4. DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA have managed or co-managed a public offering of securities for Alibaba (HK) (9988 HK) in the past 12 months, as of 30 Apr 2020.


DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

5. **Disclosure of previous investment recommendation produced:**  
DBS Bank Ltd, DBSVS, DBS HK, their subsidiaries and/or other affiliates of DBSVUSA may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA in the preceding 12 months.

<sup>1</sup> An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

<sup>2</sup> Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

## RESTRICTIONS ON DISTRIBUTION

<b>General</b>	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
<b>Australia</b>	<p>This report is being distributed in Australia by DBS Bank Ltd, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946.</p> <p>DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
<b>Hong Kong</b>	This report is being distributed in Hong Kong by DBS Bank Ltd, DBS Bank (Hong Kong) Limited and DBS Vickers (Hong Kong) Limited, all of which are registered with or licensed by the Hong Kong Securities and Futures Commission to carry out the regulated activity of advising on securities. DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore.
<b>Indonesia</b>	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
<b>Malaysia</b>	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <p style="text-align: right;">   Wong Ming Tek, Executive Director, ADBSR </p>
<b>Singapore</b>	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
<b>Thailand</b>	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
<b>United Kingdom</b>	<p>This report is produced by DBS HK which is regulated by the Hong Kong Monetary Authority</p> <p>This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>
<b>Dubai International Financial Centre</b>	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.

## Meituan Dianping

<b>United Arab Emirates</b>	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
<b>United States</b>	This report was prepared by DBS HK. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
<b>Other jurisdictions</b>	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

**DBS Bank (Hong Kong) Limited**13<sup>th</sup> Floor One Island East, 18 Westlands Road, Quarry Bay, Hong Kong

Tel: (852) 3668-4181, Fax: (852) 2521-1812

**DBS Regional Research Offices**

**HONG KONG**

**DBS Bank (Hong Kong) Ltd**

**Contact: Carol Wu**

13th Floor One Island East,

18 Westlands Road,

Quarry Bay, Hong Kong

Tel: 852 3668 4181

Fax: 852 2521 1812

e-mail: dbsvhk@dbs.com

**MALAYSIA**

**AllianceDBS Research Sdn Bhd**

**Contact: Wong Ming Tek (128540 U)**

19th Floor, Menara Multi-Purpose,

Capital Square,

8 Jalan Munshi Abdullah 50100

Kuala Lumpur, Malaysia.

Tel.: 603 2604 3333

Fax: 603 2604 3921

e-mail: general@alliancedbs.com

**SINGAPORE**

**DBS Bank Ltd**

**Contact: Janice Chua**

12 Marina Boulevard,

Marina Bay Financial Centre Tower 3

Singapore 018982

Tel: 65 6878 8888

Fax: 65 65353 418

e-mail: equityresearch@dbs.com

Company Regn. No. 196800306E

**INDONESIA**

**PT DBS Vickers Sekuritas (Indonesia)**

**Contact: Maynard Priajaya Arif**

DBS Bank Tower

Ciputra World 1, 32/F

Jl. Prof. Dr. Satrio Kav. 3-5

Jakarta 12940, Indonesia

Tel: 62 21 3003 4900

Fax: 6221 3003 4943

e-mail: indonesiaresearch@dbs.com

**THAILAND**

**DBS Vickers Securities (Thailand) Co Ltd**

**Contact: Chanpen Sirithanarattanakul**

989 Siam Piwat Tower Building,

9th, 14th-15th Floor

Rama 1 Road, Pathumwan,

Bangkok Thailand 10330

Tel. 66 2 857 7831

Fax: 66 2 658 1269

e-mail: research@th.dbs.com

Company Regn. No 0105539127012

Securities and Exchange Commission, Thailand