

# China / Hong Kong

## Flash Note

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DBS Group Research . Equity

26 May 2020

### Meituan Dianping (3690 HK) : **BUY**

**Mkt. Cap:** US\$82,591m | **3m Avg. Daily Val:** US\$359.3m

**Last Traded Price ( 25 May 2020):** HK\$125.80

**Price Target 12-mth:** HK\$156.0 (24.0% upside) (Prev HK\$141.0)

#### Analyst

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### Silver lining

- 1Q20 revenue declined by 13%, 6 ppt less than market consensus
- Food delivery merchant base fully operational and expanded to include premium restaurants
- Instore dining in May back to 80% of pre-pandemic level
- Maintain BUY, TP lifted to HK\$156 from HK\$141 as we raise FY21F earnings

#### Forecasts and Valuation

FY Dec (RMB m)	2018A	2019A	2020F	2021F
Turnover	65,227	97,528	119,959	178,140
EBITDA	(110,370)	6,970	5,559	25,265
Pre-tax Profit	(115,488)	2,762	2,033	20,686
Net Profit	(115,505)	2,236	2,399	17,814
Net Pft (Pre Ex) (core profit)	(115,505)	2,236	2,399	17,814
Net Profit Gth (Pre-ex) (%)	(210.1)	N/A	7.3	642.6
EPS (RMB)	(42.40)	0.39	0.41	3.03
EPS (HK\$)	(46.07)	0.42	0.45	3.29
EPS Gth (%)	(242.7)	N/A	6.2	635.1
Core EPS Gth (%)	(242.7)	N/A	6.2	635.1
Diluted EPS (HK\$)	(46.07)	0.41	0.44	3.20
DPS (HK\$)	0.00	0.00	0.00	0.00
BV Per Share (HK\$)	34.51	17.35	17.91	18.10
PE (X)	nm	298.6	281.1	38.2
P/Cash Flow (X)	nm	119.8	115.2	110.9
P/Free CF (X)	nm	957.3	187.3	174.9
EV/EBITDA (X)	nm	87.4	108.8	23.3
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	3.6	7.2	7.0	6.9
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	(502.8)	2.5	2.6	18.4

Earnings Rev (%): 35 1  
Consensus EPS (RMB) 0.50 2.53  
Other Broker Recs: B:31 S:0 H:5

Source: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

#### Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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#### What's New

##### 1QFY20 result highlights

Meituan Dianping (MTDP) reported better-than-expected 1Q20 results. Revenue decreased 13% to Rmb16.8bn. Segment-wise, revenue from food delivery, instore dining/hotel/travel fell 11% and 31% y-o-y respectively when revenue for new initiatives rose 5%. The daily average number of food delivery transactions dropped by 18% y-o-y to 15.1m while average food order value increased by 14% as MTDP's network as expanded to include premium restaurants. Non-GAAP EBITDA was Rmb41.3m while MTDP reported a Non-GAAP net loss of RMB216.3m.

#### Outlook

Though MTDP has warned the market that the fallout from the pandemic may continue to affect its business for the rest of this year, we believe the worst is over as the food delivery merchant base is 100% operational and has expanded to include premium restaurants while instore dining is gradually recovering. Daily food delivery orders and instore dining are now operating at 80%/90% of the pre-pandemic level, which is faster-than-expected. In the near term, MTDP should benefit from increasing local consumption supported by government's fiscal measures, while supportive measures for merchants will help to maintain the company's leadership in online services in the long term. We maintain our BUY rating and lift TP to HK\$156 from HK\$141, as we revised up FY21F revenue and non-GAAP net profit by 1%/6%.



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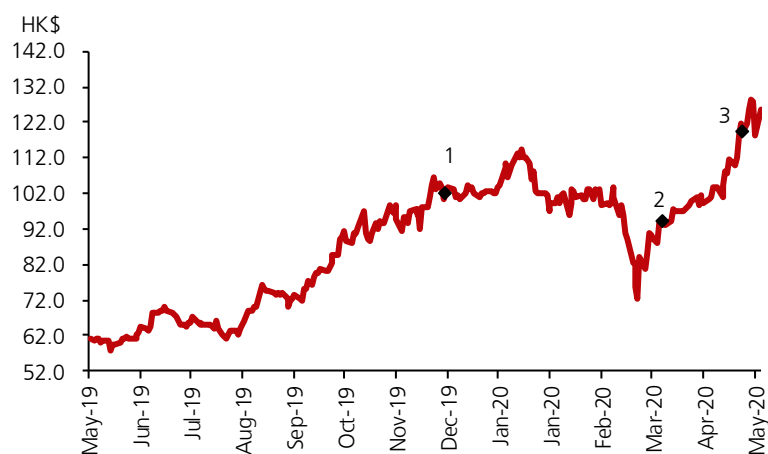
## Quarterly / Interim Income Statement (RMBm)

	1Q2020	1Q2019	4Q2019	% chg yoy	% chg qoq
Revenue	16,753	19,173	28,158	-13%	-41%
Cost of Goods Sold	(11,557)	(14,104)	(18,440)	-18%	-37%
<b>Gross Profit</b>	<b>5,196</b>	<b>5,069</b>	<b>9,718</b>	<b>3%</b>	<b>-47%</b>
Other Oper. (Exp)/Inc	(6,911)	(6,372)	(8,294)	8%	-17%
<b>Operating Profit</b>	<b>(1,715)</b>	<b>(1,303)</b>	<b>1,424</b>	<b>32%</b>	<b>nm</b>
Other Non Opg (Exp)/Inc	-	-	-		
Associates & JV Inc	11	7	57	57%	-81%
Net Interest (Exp)/Inc	9	6	8	50%	13%
Exceptional Gain/(Loss)	-	-	-		
<b>Pre-tax Profit</b>	<b>(1,695)</b>	<b>(1,290)</b>	<b>1,489</b>	<b>31%</b>	<b>-214%</b>
Tax	115	(143)	(29)	-180%	-497%
Minority Interest	-	-	-		
<b>Net Profit</b>	<b>(1,580)</b>	<b>(1,433)</b>	<b>1,460</b>	<b>10%</b>	<b>nm</b>
Non-GAAP EBITDA	41	459	2,179	-91%	-98%
Non-GAAP Net Profit (Loss)	(216)	(1,049)	2,270	-79%	nm
<b>Margins (%)</b>					
Gross Margins	31.0%	26.4%	34.5%		
Opg Profit Margins	-10.2%	-6.8%	5.1%		
Net Profit Margins	-9.4%	-7.5%	5.2%		
Non-GAAP EBITDA	0.2%	2.4%	7.7%		
Non-GAAP Net Profit (Loss)	-1.3%	-5.5%	8.1%		

Source: Company, DBS HK

## Flash Note

## Target Price &amp; Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	5-Dec-19	HK\$100.50	HK\$122.00	Buy
2:	2-Apr-20	HK\$92.85	HK\$115.00	Buy
3:	15-May-20	HK\$119.40	HK\$141.00	Buy

Source: DBS HK

Analyst: Kennis Lau

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**Flash Note**

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: 26 May 2020 09:29:38 (HKT)

Dissemination Date: 26 May 2020 11:03:21 (HKT)

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

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