3690.HK gideon lens

Meituan (3690.HK) - Gideon-Lens Equity Research

Date: 2026-05-28 Analyst: Codex Price: HKD73.30 per share Market cap: approximately HKD452.6B from live FMP quote Fiscal year end: December 31 Reporting currency: RMB; share price currency: HKD

VERDICT BLOCK

Verdict: PASS

Scorecard:

Gate	Result	Notes
Management	FAIL	Founder execution strong, minority-holder governance and incentives fail
Moat	FAIL	Relevance moat real; 2046 pricing-power test fails
P/E <= 15 on confident EPS at TTM + 5 calendar years	FAIL	Base-case cushion -6.2% at HKD73.30
Compounder Score	Audited 36 / 100	Reject; diagnostic only, not dream-investment evidence
Business Quality Score	Audited 35 / 80	Quality evidence capped by ROIIC, disclosure, margin reset
20% Return UW Score	Audited 1 / 20	Current price fails 20% return underwriting decisively

One-line thesis (or reason to pass): Meituan is a relevant local-services platform, but FY2025 showed that its network protects usage better than economics, while governance, moat durability, and base-case valuation all fail the ER2 bar.

Kill / trigger criteria:

- BUY trigger: no BUY trigger on price alone; after management and moat evidence upgrade, arithmetic trigger would be below HKD60.00, implying a 14.6% cushion to the base 2030 15x value of HKD68.77.
- PASS triggers: keep passing if the next two reported quarters show Core local commerce margin below 5.0% and New initiatives margin worse than -8.0%.
- PASS triggers: keep passing if FY2026 Core local commerce operating margin remains below 5.0% while consolidated FCF remains negative.
- Upgrade to BUY conditions: Core margin recovers above 10% without renewed subsidy escalation, New initiatives losses visibly narrow with disclosed unit economics, governance/disclosure improves, and the stock trades below a P/E-15 entry price with a real cushion.

Position sizing if bought: 0% of equity book. The gates fail before sizing becomes relevant.

Stage 0 - Time Anchor

Today is 2026-05-28. Meituan's fiscal year ends December 31. The most recently reported period is FY2025 Q4 / year ended 2025-12-31; Q1 2026 is scheduled for release on 2026-06-01 and is not yet part of the reported TTM anchor. The TTM anchor is Q1 FY2025 + Q2 FY2025 + Q3 FY2025 + Q4 FY2025, ending 2025-12-31. The forward horizon is TTM + 5 calendar years, or 2030-12-31. All P/E-15, EPS, and compounding math in the appendices uses exactly that five-year span.

Stage 1 - Disqualifier Sweep

ROIC persistence is YELLOW because Meituan had strong Core returns before FY2025 but consolidated returns turned negative during the subsidy shock. FCF conversion is YELLOW because FY2024 was excellent but FY2025 free cash flow was negative RMB27.1B. Net debt / EBITDA is GREEN/YELLOW: the company has large net cash and treasury investments, but negative adjusted EBITDA makes leverage ratios less useful. End-markets are GREEN/YELLOW because local services,

food delivery, instant retail, and travel are large, but competition is intense. Governance is YELLOW-to-RED because of WVR control, VIE complexity, and weak performance-linked compensation. AI disruption is YELLOW because AI is more likely to help operations than replace fulfillment density, but AI agents could weaken Meituan's discovery surface. Pricing power is RED for Gideon purposes because FY2025 showed competitors can force the core profit pool negative.

Management Summary

Management fails the ER2 gate. This is not an operational-talent criticism. Wang Xing and team have built one of China's strongest local-services platforms, and the call record shows candid acknowledgement of irrational competition and profit pressure. The failure is the stricter Gideon question: whether minority shareholders should trust this team for a decade of high-return per-share compounding. The management appendix identifies effective founder voting control, combined chair/CEO power, VIE and continuing-connected-transaction complexity, broad time-based RSUs without performance targets, limited sub-segment economics, and a FY2025 capital-allocation reset. Buybacks were heavy in FY2024 when FCF was strong, then fell to RMB0.365B in FY2025 as FCF turned negative. A future upgrade needs concrete evidence: restored Core profitability, capped New initiatives losses, useful Keeta and Dingdong economics, and compensation/disclosure tied to ROIC, FCF per share, or durable margin recovery.

Moat Summary

Moat also fails. Core local commerce has a real relevance moat: merchant density, rider liquidity, consumer frequency, reviews, membership, and advertising ROI. That moat is powerful for usage and market position, but FY2025 proved it is not enough to protect economics when Alibaba, JD, and other ecosystem players subsidize quick commerce. Core local commerce margin fell from 20.9% in FY2024 to negative 2.6% in FY2025, and Q4 margin was negative 15.5%. New initiatives are weaker: the reviewed appendix gives them a yellow segment moat because Keeta, Xiaoxiang, Kuailv, grocery, and other services show operating capability but not durable margin protection. The 2046 test fails because a future Meituan can be described, but high margins cannot be defended without assuming rational competition, favorable regulation, pruning of weak initiatives, and repeatable overseas/grocery unit economics that are not yet disclosed.

Synthesis Summary

The combined model uses the reviewed segment appendices and passes all 11 arithmetic checks. The base case is not a disaster case; it assumes meaningful recovery. Core local commerce reaches RMB327.2B of 2030 revenue at a 10.1% margin, while New initiatives reaches RMB186.9B at a 3.1% margin. After unallocated costs, interest/other income, normalized tax, and an explicit share-count path ending at 6,156.0M diluted shares, base-case 2030 net income is RMB24.4B and EPS is RMB3.97, or HKD4.58 using CNY/HKD 1.1556.

Case	Revenue RMB B	OI RMB B	OI margin	NI RMB B	EPS HKD	EPS x 15 HKD	Cushion vs HKD73.30
Bear	420.468	(11.123)	(2.6%)	(10.123)	(1.90)	(28.50)	(138.9%)
Base	514.151	29.527	5.7%	24.422	4.58	68.77	(6.2%)
Bull	600.325	69.272	11.5%	56.218	10.55	158.30	116.0%
Probability-weighted	498.763	22.227	4.5%	20.217	3.51	52.64	(28.2%)

The confident case that matters is base, not bull. Base EPS times 15 is HKD68.77, below the HKD73.30 current price, so the P/E <= 15 gate fails with a negative 6.2% cushion. The bull case works arithmetically, but it requires Core to recover close to mid-teens economics and New initiatives to become materially profitable despite weak current disclosure and Q4 losses. ER2 does not pay for that from the bull case.

Red Team

The red team conclusion is harsher than the synthesis: Meituan may remain indispensable while competitors and regulators permanently prevent it from earning attractive shareholder returns. The single most fragile Stage 5 assumption is not demand, but margin normalization. New initiatives 2030 base margin of 3.1% is especially vulnerable because Q4 FY2025 was negative 17.1% and the segment is mostly opaque, physical-commerce-heavy other services and sales. Core 10.1% 2030 margin is also fragile; the red team estimates a 7.0% Core margin would cut roughly HKD1.51 from EPS. The clean exit signal is two reported quarters with Core local commerce margin below 5.0% and New initiatives margin worse than negative 8.0%.

Analyst Flags

FMP product segmentation for 3690.HK was empty; the official-source override controls. The official Q4 headline revenue bridge does not tie perfectly to audited FY2025 revenue, so QF/QFR use audited FY2025 as the TTM control and preserve the discrepancy. Q3/Q4 FMP operating-income timing gaps and FY2025 balance-sheet total gaps were found by QFR and repaired in QF. Q4 FY2025 FMP transcript was empty, so Q4 commentary uses the official announcement. Product-level revenue, operating income, capex, and invested capital are not disclosed for food delivery, Instashopping, in-store, hotel/travel, Keeta, Xiaoxiang, Kuailv, or Dingdong. Segment ROIC and ROIIC therefore cannot be calculated from official segment disclosure. These are not minor disclosure nits; they are central to why the audited Compounder Score is only 36/100 and why the final verdict remains PASS.

Appendix A - Company Primer

Meituan (3690.HK) - Appendix A Primer

Source Discipline And Time Anchor

This primer is a reader-facing orientation for the Meituan ER2 / Gideon production run. It is not the quantitative control file. All financial figures in this appendix come from `C:\Users\Admin\OneDrive\GPT\ER 2.0\Meituan\quant_foundation.md`, which reconciles live FMP pulls against Meituan and HKEX primary sources. The data package was still a stub at the time this appendix was written, so qualitative context is drawn from live official-source materials already saved under `raw\`, especially Meituan's FY2025 annual report and FY2025 Q4 / full-year results announcement, plus the live Meituan investor-relations reports and quarterly-results pages.

Stage 0 anchor: today is 2026-05-28. Meituan's fiscal year ends December 31. The most recently reported period is FY2025 Q4 / the year ended December 31, 2025. Q1 2026 is scheduled for release on June 1, 2026 and is not yet reported. TTM is Q1 FY2025 + Q2 FY2025 + Q3 FY2025 + Q4 FY2025, ending 2025-12-31. The forward horizon is 2030-12-31.

Source caveat: Meituan is a Hong Kong-listed foreign/local-exchange issuer. Official Meituan/HKEX filings control where FMP is empty or differs. The quant foundation shows FMP's product-segmentation endpoint returned empty arrays for 3690.HK, so segment and revenue-type information below uses Meituan's official annual report and quarterly results. QFR independently verified the official-source override and cleared Wave 1.

Business Overview

Meituan is a China-centered local services and on-demand retail platform whose mission is to help people "eat better, live better." The company describes itself as a "Retail + Technology" business. In practical terms, it connects consumers, merchants, couriers, brands, hotels, local service providers, and suppliers through mobile apps, payment and ordering flows, advertising and recommendation tools, logistics routing, merchant software, and increasingly AI assistants.

The basic consumer problem is fragmented local demand. A consumer wants lunch delivered, groceries delivered quickly, a hotel room, a restaurant booking, a movie ticket, medicine, a dental appointment, a home service, or a local leisure activity. Meituan's consumer app turns those local decisions into searchable, ranked, transactable inventory. The merchant problem is the mirror image: restaurants, hotels, pharmacies, supermarkets, service shops, brands, and small local merchants need demand generation, payments, digital storefronts, logistics, marketing tools, customer feedback, and operational software. Meituan sits between those two sides and often adds a third side, couriers, to fulfill physical delivery.

The company is not a single-product food-delivery app anymore. Food delivery remains the identity anchor and the densest frequency loop, but Meituan's FY2025 annual report defines Core local commerce as food delivery, Meituan Instashopping, in-store, hotel and travel. The same note defines New initiatives as businesses including Xiaoxiang Supermarket, Kuailv, bike sharing, e-moped sharing, power banks, and micro-credit. Management's FY2025 discussion adds overseas food delivery under Keeta and frames grocery retail and overseas expansion as long-term opportunities.

Meituan's purchasing model varies by product. Food delivery and Meituan Instashopping are self-serve consumer transactions: users open the Meituan app, Dianping-linked interfaces, or related apps, choose from local merchants or goods, pay through the platform, and receive fulfillment through merchant delivery, third-party partners, or Meituan's on-demand delivery network. In-store, hotel and travel are more reservation and voucher oriented: the consumer buys access to a local service, hotel room, attraction ticket, or transportation ticket, while the merchant receives customer acquisition, review visibility, and transaction tooling. Merchant adoption is primarily platform based rather than classic enterprise direct sales, although large brands and chain merchants may have more structured commercial partnerships.

The operating flywheel has four layers. First, high-frequency food delivery builds consumer habits, location data, payment familiarity, and delivery density. Second, merchant scale increases selection and advertising inventory. Third, courier and logistics density improves service reliability and creates the capability to move from meals into groceries, medicine, beverages, electronics, flowers, and other quick-commerce categories. Fourth, membership, recommendations, reviews, and AI interfaces are intended to raise cross-sell, order frequency, and conversion across local services.

That flywheel is powerful but costly when competitors attack it. FY2025 was the clearest recent evidence. Revenue grew 8.1% to RMB364.9 billion, but Meituan moved from FY2024 profit of RMB35.8 billion to FY2025 loss of RMB23.4 billion. The Core local commerce segment, normally the profit engine, moved from RMB52.4 billion of operating profit in 2024 to a RMB6.9

billion operating loss in 2025. Management attributed the pressure to intensified industry competition, higher incentives, more marketing and promotional spending, courier incentives and benefits, overseas investments, and corporate AI investment. For a new reader, the right mental model is therefore not "stable marketplace with software-like margins." It is "scaled local-services infrastructure with strong network effects, but with margins that can be temporarily or structurally reset by subsidy competition and ecosystem obligations."

Revenue Architecture

Meituan reports two operating segments plus unallocated items: Core local commerce, New initiatives, and unallocated corporate items. It also discloses revenue by type: delivery services, commission, online marketing services, and other services and sales including interest revenue. Segment revenue and operating profit are the primary economic architecture for the ER2 run.

FY2025 segment	Revenue (RMB mm)	Share of total revenue	Operating profit/(loss) (RMB mm)	Operating margin
Core local commerce	260,826	71.5%	(6,904)	(2.6%)
New initiatives	104,029	28.5%	(10,082)	(9.7%)
Unallocated items	0	0.0%	(8,055)	N/A
Total	364,855	100.0%	(25,041)	(6.9%)

Core local commerce is the main platform. It includes food delivery, Meituan Instashopping, in-store, hotel and travel. Food delivery and Instashopping primarily help consumers order prepared food and groceries from merchants through mobile apps and receive on-demand delivery. In-store, hotel and travel help consumers buy local services, make reservations, book hotels, and purchase attraction and transportation tickets. Revenue comes from delivery services charged to merchants and consumers, commissions charged to merchants and third-party partners for technology services, and online marketing services sold to merchants. In 2025, Core local commerce generated RMB260.8 billion of revenue, 71.5% of total. Its scale and frequency make it the strategic center of Meituan, but FY2025 showed that even this core can lose money when user incentives and competitive spending surge.

New initiatives are the company's portfolio of newer or more investment-phase businesses. The FY2025 annual report names Xiaoxiang Supermarket and Kuailv, and also includes services such as bike sharing, e-moped sharing, power banks, and micro-credit. In practice, this segment is dominated by "other services and sales," because goods sales from grocery retail and B2B food distribution sit here. Management also discusses Keeta overseas expansion in the same strategic context, although the exact operating classification should be checked in downstream segment appendices. In 2025, New initiatives generated RMB104.0 billion of revenue, 28.5% of total, and a RMB10.1 billion operating loss. It is large enough to matter at group level, but still not self-funding on an operating-profit basis.

Unallocated items are corporate-level expenses and income not allocated to operating segments. In FY2025 they produced a RMB8.1 billion operating loss, including share-based compensation of RMB6.0 billion and corporate-level AI and other investments. In modeling, these costs cannot be ignored merely because they are not attached to a segment. They are a real claim on group economics and part of the reason consolidated FY2025 operating loss was worse than the sum of segment-level competitive narratives might suggest.

Revenue by type gives another view of the business model:

FY2025 revenue type	Revenue (RMB mm)	Share of total revenue	Economic meaning
Delivery services	96,068	26.3%	Fees from merchants and consumers for on-demand delivery
Commission	105,477	28.9%	Merchant and third-party partner transaction commissions
Online marketing services	51,920	14.2%	Merchant advertising, traffic, ranking, and promotion tools
Other services and sales including interest revenue	111,390	30.5%	Mainly goods sales and varied services, including Xiaoxiang and Kuailv
Total	364,855	100.0%	Audited FY2025 revenue

The mix matters. Delivery services and commissions scale with order volume and gross transaction value, but can be pressured by incentives, fee cuts, regulation, courier costs, and merchant support. Online marketing is typically the

higher-quality monetization stream because it reflects merchants paying for demand, ranking, and conversion. Other services and sales can carry more retail-like economics when Meituan takes inventory or operates supply-chain assets. A rising "other services and sales" mix can lift revenue but dilute margin if the company is adding lower-margin goods sales or investment-heavy grocery operations.

Geographically, Meituan's annual report states that revenues are mainly generated in the PRC. Overseas is still strategically important rather than the main revenue base. Keeta expanded in 2025 beyond Hong Kong and Saudi Arabia into Qatar, Kuwait, the United Arab Emirates, and Brazil, and management said Hong Kong reached positive unit economics in Q4 2025. The geographic question for the rest of the ER2 is whether overseas can become a profitable second growth curve or whether it becomes another subsidy-heavy fight in already competitive food-delivery markets.

Unit Economics

Meituan's unit economics begin with local transaction density. In food delivery, every order creates revenue through delivery fees and commissions, but also creates cost through courier compensation, routing, customer support, payment processing, incentives, subsidies, and merchant support. When order density is high, the courier network can improve utilization, batching, and delivery-time reliability. When competition intensifies, the same network can become a battlefield: consumer discounts reduce recognized revenue, merchants may demand lower fees or more support, and couriers require incentives and benefits to keep service quality stable.

In Core local commerce, a healthy dollar of revenue should turn into operating profit through several mechanisms. Delivery density should reduce fulfillment cost per order. A large user base should lower customer acquisition cost per transaction. Merchant density should support commissions and advertising demand. Cross-selling from food delivery into hotel, travel, in-store, healthcare, mobility, and local services should increase frequency and lifetime value without proportionate acquisition cost. Membership should concentrate spending among high-value users and improve repeat activity. In-store, hotel and travel can be more attractive than pure delivery because they are less courier-cost intensive and monetize through commissions and marketing services rather than physical delivery every time.

FY2025, however, was a stress test. Core local commerce revenue still rose 4.2% to RMB260.8 billion, driven by transaction and GTV growth, annual purchase frequency, cross-selling, and online marketing Active Merchant growth. But the segment margin collapsed from positive 20.9% in FY2024 to negative 2.6% in FY2025. Management attributed the decline to lower gross profit margin and higher user incentives, promotion, and advertising spending to improve transaction activity, engagement, brand awareness, and price competitiveness amid intensified competition. That tells the ER2 team to separate structural unit economics from cyclical or strategic subsidy spend. If competition normalizes, Core local commerce could recover a meaningful profit pool. If subsidy intensity becomes permanent, historical margins are not the right base rate.

New initiatives have different unit economics. Xiaoxiang Supermarket and Kuailv are more supply-chain and goods-sales oriented, which typically means inventory, warehousing, procurement, shrink, cold chain, front warehouses, and working capital matter more. Bike sharing, e-mopeds, power banks, and micro-credit each have separate asset, utilization, default, maintenance, or regulatory profiles. Management said New initiatives' 2025 loss expanded mainly because of overseas investments, partly offset by better grocery retail efficiency. The key economic question is whether the largest pieces of New initiatives can pass from scale-seeking to contribution-positive operations without requiring the Core business to fund them indefinitely.

At the consolidated level, the income statement shows where the pressure hit. FY2025 cost of revenue was RMB253.8 billion, or 69.6% of revenue, up from 61.6% in FY2024. Selling and marketing expense rose to RMB102.9 billion, or 28.2% of revenue, up from 19.0%. R&D rose to RMB26.0 billion, 7.1% of revenue, partly because of AI and employee benefits. The result was RMB25.0 billion of operating loss and RMB27.1 billion of negative free cash flow. This is a sharp reversal from FY2024, when free cash flow was RMB46.1 billion.

The balance sheet gives Meituan time, but not infinite license. At year-end 2025, official cash and equivalents were RMB106.8 billion; short-term treasury investments were RMB60.1 billion; cash plus short-term and long-term treasury investments less borrowings and notes was RMB86.9 billion. Including restricted cash and treasury investments, net cash was RMB108.5 billion. That liquidity can fund a price war and overseas buildout, but it is also the buffer that protects the thesis. If operating losses and negative free cash flow continue into 2026-2027, the quality of the compounder case weakens even before solvency becomes a concern.

Customer And Merchant Ecosystem

Meituan's ecosystem is unusually broad. The consumer side includes annual transacting users across food delivery, Instashopping, hotel, travel, in-store services, health, mobility, and local lifestyle categories. The merchant side includes restaurants, grocery and retail merchants, hotel operators, pharmacies, healthcare providers, education and fitness operators, local service providers, brands, and individual artisans. The fulfillment side includes couriers and local logistics assets. This creates a three-sided or multi-sided ecosystem, not a simple buyer-seller marketplace.

Consumers use Meituan because it reduces search, transaction, and fulfillment friction. For frequent food-delivery users, convenience, reliability, coupons, membership benefits, reviews, delivery time, and restaurant selection are the daily hooks. For less frequent categories like hotels, travel, dental care, education, or home services, trust, reviews, rankings, service assurance, and payment protection matter more. Management's FY2025 materials emphasize Meituan Membership as a cross-category tool intended to lift engagement, transaction frequency, spending, and purchases across broader service categories.

Merchants use Meituan because it can deliver demand and operational tools. The company says it supported over 500,000 merchants through support fund programs in 2025 and that its AI Merchant Assistant helped more than 3.4 million merchants reduce operating costs. It also emphasized Bright Kitchen, food-safety governance, merchant operating tools, support for small and medium-sized merchants, and refined traffic allocation. This matters competitively because Meituan is not only selling orders; it is trying to make itself the operating layer for local merchants.

Couriers are central to service quality and regulatory risk. In 2025, Meituan said it achieved nationwide coverage of a pension insurance subsidy program covering all types of couriers, and extended occupational injury insurance to 17 provinces and cities, covering over 16 million couriers. These measures may improve sustainability and regulatory alignment, but they also reinforce that courier welfare is an economic cost, not merely a corporate social responsibility line item. If regulators or labor markets require higher courier benefits, Core local commerce margins could stay below historical levels.

The ecosystem can compound if each side strengthens the others. More consumers attract more merchants. More merchants improve selection and ad inventory. Better logistics raises reliability and enables quick commerce. Better reviews, rankings, food-safety programs, and service guarantees raise trust. AI assistants could reduce search friction for consumers and operating friction for merchants. The bear case is that the same ecosystem becomes expensive to defend: Meituan may need to subsidize consumers, support merchants, fund courier benefits, invest in AI, and subsidize overseas markets at the same time.

Competition

Meituan competes in several overlapping markets. In food delivery and instant retail, its rivals include Alibaba ecosystem offerings, JD's food delivery and instant retail push, Douyin-related local services traffic, and other vertical or local operators. In in-store and hotel/travel, it competes with online travel agencies, lifestyle platforms, short-video traffic platforms, and direct merchant channels. In grocery and retail, it competes with e-commerce platforms, supermarkets, front-warehouse models, community commerce, and direct brand channels. In overseas food delivery, Keeta enters markets that often already have entrenched local champions and global delivery platforms.

The FY2025 financials prove the competition is not theoretical. Meituan repeatedly described "intensified industry competition" as the driver of lower gross profit, higher user incentives, higher promotional expense, higher courier incentives and benefits, and Core local commerce's move from profit to loss. Q3 and Q4 were especially severe: Core local commerce reported operating losses in both quarters, and Q4's segment operating loss was RMB10.0 billion despite sequential narrowing from Q3's RMB14.1 billion loss. For a business that produced RMB52.4 billion of Core local commerce operating profit in FY2024, this is a major competitive shock.

Meituan's competitive strengths remain substantial. It has local-service brand mindshare, dense courier operations, high-frequency food-delivery usage, merchant relationships, Dianping-style reviews and local content, hotel and in-store services, quick-commerce capabilities, membership, and a large data asset around real-world consumption. Its FY2025 management discussion says annual purchase frequency and cross-selling drove transaction and GTV growth, even while competition pressured monetization. That suggests the consumer franchise did not disappear; the economic capture temporarily collapsed.

The competitive weaknesses are equally important. Local services are not protected by pure software lock-in. Consumers can multi-home when subsidies are high. Merchants can list on multiple platforms. Delivery is operationally intensive and visible to regulators. Advertising budgets can be cyclical and sensitive to merchant profitability. Competitors with large balance sheets can attack food delivery as an ecosystem wedge rather than as a standalone profit center. If rivals value traffic, payments,

logistics learning, or merchant relationships more than near-term delivery profits, Meituan's rational-profit equilibrium can be delayed.

Overseas competition adds another layer. Keeta's reported positive unit economics in Hong Kong in Q4 2025 is encouraging, and Saudi Arabia reportedly sustained rapid order growth. But expansion into Qatar, Kuwait, the UAE, and Brazil means entering new regulatory, labor, merchant, and consumer environments. Overseas can diversify Meituan's growth, but it can also absorb capital and management attention at the same time domestic Core local commerce is under attack.

Growth Drivers

The first growth driver is order frequency and cross-category usage in Core local commerce. Management said FY2025 Core local commerce revenue growth came from transaction and GTV growth, annual purchase frequency, cross-selling among services, and online marketing Active Merchant growth. If Meituan can keep users active across food delivery, Instashopping, hotel, travel, lifestyle services, mobility, healthcare, and other categories, the app becomes more than a delivery utility. The compounding question is whether frequency can rise without a permanently elevated coupon burden.

The second driver is merchant monetization. Online marketing services produced RMB51.9 billion of FY2025 revenue, or 14.2% of total. Advertising and promotion tools should be high-value if Meituan can prove incremental demand to merchants. AI Merchant Assistant, store operations tools, Bright Kitchen, service guarantees, and ranking systems can deepen merchant dependence. The risk is that merchant budgets shrink if platform competition, commission pressure, or weak local consumption compress merchant economics.

The third driver is quick commerce and local retail. Meituan Instashopping, InstaMarts, branded flagship InstaMarts, Xiaoxiang Supermarket, medicine and health supply, and front-warehouse models extend the on-demand network from meals into goods. This could enlarge the addressable market and increase consumer use cases throughout the day. The trade-off is lower margin and higher capital intensity if Meituan must hold inventory, operate warehouses, fund procurement, and compete with e-commerce and offline retail on price.

The fourth driver is in-store, hotel and travel. These categories can benefit from Meituan's local search and review position while carrying less delivery-cost intensity than food. Management emphasized high-quality merchant recommendation lists, service categories, sports events, cultural and art ticketing, home services, and individual artisan profiles. If these businesses scale through commissions and marketing, they can help restore Core local commerce margins. They are also exposed to consumption cycles and competition from travel, content, and local lifestyle platforms.

The fifth driver is overseas Keeta. Hong Kong reaching positive unit economics in Q4 2025 is a useful proof point, though it is not yet proof of global scalability. Saudi Arabia, Qatar, Kuwait, UAE, and Brazil give Meituan optionality. The ER2 question is whether the company's Chinese delivery playbook travels well enough to create value after subsidies, localization, regulation, and competitive responses.

The sixth driver is AI. Meituan is investing in LongCat models, Xiaomei as a smart life assistant, and Xiaotuan embedded in the Meituan app. Management wants consumer interaction to evolve from searching to making requests. If AI reduces search friction, improves merchant operations, automates service, optimizes routing, and raises conversion, it could improve both growth and cost structure. The hard question is whether AI becomes a differentiated local-services interface or merely an expensive table stake that competitors can match.

Risks

The most important risk is a permanently lower profit pool in Chinese food delivery and instant retail. FY2025 showed that a business with strong historical economics can swing from profit to loss when competition heats up. If Alibaba, JD, Douyin-related traffic, or other players keep subsidies high, Meituan may need to defend share at returns below Gideon's compounder threshold.

The second risk is that New initiatives remain structurally loss-making. New initiatives generated RMB104.0 billion of FY2025 revenue but lost RMB10.1 billion at the operating level. Grocery retail, B2B food distribution, overseas delivery, mobility, and other services may each make strategic sense, but the group needs a path to returns. Revenue scale alone is not enough if goods sales, warehouses, overseas entry costs, and merchant subsidies consume cash.

The third risk is ecosystem cost inflation. Courier benefits, insurance, merchant support funds, food-safety programs, service guarantees, and compliance obligations can all be good for long-term sustainability but bad for near-term margins. They may also reset the normalized cost base upward.

The fourth risk is regulation and social license. Meituan operates in sensitive areas: food safety, platform fees, labor protection, merchant fairness, consumer data, financial services, advertising, and local services. Regulatory pressure may limit take rates, require higher labor benefits, reshape merchant contracts, or impose compliance costs.

The fifth risk is capital allocation. Meituan has a strong net cash and treasury position, but FY2025 free cash flow was negative RMB27.1 billion after positive RMB46.1 billion in FY2024. A few years of simultaneous domestic subsidy defense, overseas expansion, grocery investment, and AI investment could materially reduce the balance-sheet cushion.

The sixth risk is accounting and data interpretation. The quant foundation identified an official intra-source FY2025 revenue bridge issue: Q1-Q4 headline revenue exceeded audited annual revenue by RMB1.127 billion. QF uses audited FY2025 revenue as the TTM control and preserves the bridge. Downstream models must not mix the Q4 headline with audited annual totals without reconciling the difference.

Key Questions For The Rest Of The ER2

- What is normalized Core local commerce margin after the FY2025 subsidy shock? The segment earned 20.9% operating margin in FY2024 and lost 2.6% in FY2025. The whole valuation depends on whether the right long-term margin is closer to the former, the latter, or a new midpoint.

- Is the food-delivery price war rationalizing, worsening, or becoming structural? Q1 2026 is not yet reported as of the Stage 0 anchor. The next reported quarter will be a critical signal on subsidy intensity, transaction growth, and sequential operating loss.

- How much of New initiatives is strategically necessary versus value destructive? The segment has large revenue scale but negative operating profit. The segment appendices need to separate grocery retail, Kuailv, overseas Keeta, mobility, power banks, micro-credit, and any other major components where disclosure permits.

- Can Meituan recover free cash flow while still funding overseas and AI? FY2025 moved to negative free cash flow despite large liquidity. A compounder case requires cash generation, not only revenue growth.

- Does merchant monetization remain durable under pressure? Online marketing services and commissions are high-quality only if merchants see real incremental value and can afford to pay. Merchant support funds and AI tools should be tested for return, not treated as proof by themselves.

- Are courier welfare and compliance costs a one-time reset or a rising cost curve? The management and moat appendices should assess whether Meituan's labor and regulatory posture strengthens the moat or permanently lowers returns.

- Does Keeta have evidence of repeatable positive unit economics outside Hong Kong? Hong Kong is a useful proof point; Saudi Arabia and newer markets need separate evidence on order density, subsidies, courier costs, and local competitive response.

- Can AI become a genuine local-services advantage? Xiaomei, Xiaotuan, LongCat, merchant assistants, and routing/operations AI may matter, but the ER2 should distinguish cost-saving and conversion evidence from strategic language.

- What EPS is required for the stock to trade at 15x FY+5 earnings by 2030-12-31, and what combination of revenue growth, margin recovery, share count, and tax rate gets there? The synthesis must build this from segment-level assumptions, not from a top-down rebound narrative.

- What signal would force a hard PASS? Candidate signals include continued Core local commerce operating losses through multiple quarters without sequential improvement, New initiatives losses widening despite scale, net cash drawdown accelerating, or evidence that competitors are willing to sustain irrational subsidies beyond Meituan's ability to earn acceptable returns.

Source Notes

Primary financial control: `quant_foundation.md`, verified by `quant_foundation_review.md`, both under `C:\Users\Admin\OneDrive\GPT\ER 2.0\Meituan\`. Official source pack: FY2025 annual report, FY2025 Q1-Q4 results announcements, FY2025 interim report, and historical annual reports saved under `raw\`. Live official context checked from Meituan's investor relations pages: `https://www.meituan.com/en-US/investor/reports`, `https://www.meituan.com/en-US/investor/results`, and `https://www.meituan.com/en-US/about-us`.

Appendix M - Management Assessment

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Meituan - Management Assessment

Stage 0 anchor: Today is 2026-05-28. Meituan's fiscal year ends December 31. The most recently reported quarter is FY2025 Q4 / year ended December 31, 2025; Q1 2026 is scheduled for June 1, 2026 and is not yet reported. TTM ends 2025-12-31 and the forward horizon is 2030-12-31.

Source discipline: this appendix uses live-fetched Meituan / HKEX / IR documents, live FMP transcript pulls, and the verified ER2 data package where instructed for capital allocation and recent corporate actions. Core documents include Meituan's FY2025 annual report (`https://media-meituan.todayir.com/20260424065602168712120049_en.pdf`), 2025 AGM circular (`https://media-meituan.todayir.com/20250516061601371311675968_en.pdf`), May 26, 2025 directors-role announcement (`https://media-meituan.todayir.com/20250526165601868811685889_en.pdf`), FY2025/Q4 results announcement (`https://media-meituan.todayir.com/20260326174002715012069122_en.pdf`), February 13, 2026 profit warning (`https://media-meituan.todayir.com/20260213200801422012025140_en.pdf`), February 5, 2026 Dingdong acquisition announcement (`https://media-meituan.todayir.com/20260205171601453312016197_en.pdf`), April 13, 2026 RSU grant announcement (`https://media-meituan.todayir.com/20260413220801681210 4195_en.pdf`), 2024-2025 FMP earnings-call transcripts, `data_package.md`, and `quant_foundation.md`.

1. Who is running the company

Meituan is still founder-led. Wang Xing is founder, executive director, chairman of the board and chief executive officer. The FY2025 annual report says he is responsible for overall strategic planning, business direction and management, and that he oversees the senior management team. He founded meituan.com in 2010 and therefore owns the company's core strategic arc: group-buying origins, food delivery, local services, quick commerce, the broader "retail plus technology" positioning, the 2024-2025 buyback / reinvestment shift, and the 2025 decision to defend food delivery and quick commerce even at the cost of a large profit reset.

Mu Rongjun is co-founder, executive director and senior vice president. The annual report assigns him responsibility for financial services and corporate affairs. This matters because Meituan is not a clean one-share-one-vote issuer: Wang and Mu are the two weighted-voting-rights beneficiaries, and both have direct governance importance beyond ordinary operating titles.

Chen Shaohui is chief financial officer and senior vice president. He joined Meituan in November 2014 and is responsible for finance, strategic planning, investments and capital markets. Before Meituan, he worked at A.T. Kearney, WI Harper and Tencent. In this assessment he is the key executive for balance-sheet discipline, buyback timing, debt issuance, and investment underwriting.

The material segment head disclosed in the annual report is Wang Puzhong, CEO of Core Local Commerce. He is responsible for ten divisions spanning Meituan Platform, Infrastructure Platform, Business R&D Platform, In-Store Dining, Services Retail, Hospitality & Tourism, Food Delivery, Delivery Platform, Instashopping, and Medicine & Health. Since joining in 2015, he led food delivery and on-demand delivery network scaling and pushed the "Everything Now" strategy. Operationally, that gives him direct ownership of the profit pool that moved from RMB52.4B segment operating profit in FY2024 to RMB6.9B operating loss in FY2025.

The board has six directors: two executive directors, Wang Xing and Mu Rongjun, and four independent non-executive directors, Gordon Orr, Leng Xuesong, Harry Shum and Marjorie Yang. The audit committee is independent; the remuneration committee is chaired by Leng but includes Mu Rongjun; the corporate governance committee consists of independent directors. The structural red flag is that there is no separate chair and CEO. Meituan explicitly deviates from the Hong Kong Corporate Governance Code expectation that these roles be separated, arguing that unified leadership helps strategic planning and execution.

2. Tenure and track record

Wang has been CEO since the company's formation and has had more than enough time in seat to own current strategy. The positive record is real. He built a large, high-frequency local-services ecosystem with more than one profit pool, an on-demand logistics network that is difficult to replicate, and a leading merchant / consumer platform. The verified data package shows revenue rising from RMB179.1B in FY2021 to RMB364.9B in FY2025. Core Local Commerce revenue rose from RMB136.6B in FY2021 to RMB260.8B in FY2025. That is not accidental management luck; it reflects long-cycle operating execution.

The first major decision was to build and defend food delivery and local commerce as infrastructure rather than a narrow marketplace. By FY2024 that decision looked outstanding: Core Local Commerce generated RMB52.4B of operating profit at a 20.9% margin, and consolidated free cash flow was RMB46.1B. The second was to extend the food-delivery logistics and demand base into quick commerce, Instashopping, medicine, and other immediate local-services categories. The evidence is mostly segment-level rather than product-level because Meituan does not disclose Instashopping revenue separately, but Core Local Commerce revenue nearly doubled from FY2021 to FY2025 even after the FY2025 subsidy shock.

The third major decision was the New Initiatives portfolio, including grocery retail and Keeta. Here the record is mixed. New Initiatives losses improved from RMB35.9B in FY2021 to RMB7.3B in FY2024, suggesting learning and cost discipline. In FY2025, however, losses widened to RMB10.1B as overseas expansion accelerated. Keeta Hong Kong reaching positive unit economics in Q4 2025 is a meaningful proof point, but not yet a consolidated return proof.

The major decision that did not work, at least on the current evidence, was the FY2025 response to "unprecedentedly intense" competition in food delivery and quick commerce. Management chose to defend user mindshare, merchant support, courier incentives and market position. That may be strategically rational, but it destroyed near-term reported economics: consolidated operating income went from RMB36.8B profit in FY2024 to RMB25.0B loss in FY2025, Core Local Commerce swung by roughly RMB59.3B, and free cash flow went from positive RMB46.1B to negative RMB27.1B. Wang and Chen did acknowledge the issue plainly in the profit warning and Q3 transcript, but acknowledgment does not yet prove high-return capital allocation.

Chen's CFO track record is similarly mixed. The balance sheet remains liquid: FY2025 cash, restricted cash and treasury investments less borrowings and notes were RMB108.5B. Yet FY2025 also saw new USD2.0B and CNY7.08B senior notes while operating cash flow was negative and buybacks nearly stopped. That is conservative liquidity management, but it is not yet per-share compounding evidence.

3. Capital allocation behavior

The data package shows five-year capital allocation clearly. Capex was RMB9.0B, RMB5.7B, RMB6.9B, RMB11.0B and RMB13.3B from FY2021 through FY2025. R&D was RMB16.7B, RMB20.7B, RMB21.2B, RMB21.1B and RMB26.0B. Buybacks were zero from FY2021 to FY2023, RMB26.1B in FY2024, and only RMB0.365B in FY2025. Dividends were zero throughout.

This pattern is coherent with stated strategy, but not yet Gideon-grade per-share discipline. The company invested heavily in the ecosystem when competition intensified, increased R&D for AI and local-services tooling, and preserved cash when the core business moved into losses. That is internally consistent. The question is whether those reinvestments are likely to earn high returns for minority shareholders. FY2025 gives the wrong current answer: the company spent heavily to defend share and service quality, but the measurable output was a negative consolidated ROIC screen, negative FCF, and a reset of Core Local Commerce profitability.

M&A is now a live test. On February 5, 2026, Meituan agreed to acquire Dingdong Fresh Holding Limited for initial consideration of US$717M, subject to adjustment, funded from internal resources. The strategic logic is understandable: grocery retail is one of Meituan's high-conviction New Initiatives, Dingdong has more than 1,000 front warehouses and over 7M monthly transacting users, and Meituan wants supply-chain capability. The underwriting issue is that this is a fresh-grocery acquisition after a year in which New Initiatives losses widened and Core Local Commerce went negative. The announcement uses a market approach and EV/EBITDA multiple, but the independent valuer explicitly did not opine on commercial merits or conduct a comprehensive business risk review. Management therefore still owes shareholders evidence that the deal earns returns above the cost of capital.

Buybacks were not obviously reckless. Meituan repurchased heavily in FY2024 when FCF was strong and only modestly in FY2025 when losses emerged. That is better than mechanical buybacks. However, the FY2025 repurchase of 3.0M Class B shares for HK$391.8M is immaterial relative to the share count and does not offset dilution pressure from RSUs. The more important per-share signal is that management protected strategic optionality and voting control, not that it aggressively retired shares when dislocation appeared.

4. Compensation alignment

Executive cash compensation is modest relative to Meituan's scale. FY2025 director and chief executive emoluments show Wang Xing at RMB5.262M total and Mu Rongjun at RMB4.320M total, with no listed share-based compensation for Wang and Mu in that table. That is not the problem.

The problem is incentive design opacity. The annual report states executive director remuneration comprises basic salary, pensions and discretionary bonus, with reference to company performance, profitability, market conditions and individual contribution. It does not provide a robust ROIC, FCF-per-share, margin-recovery, or multi-year capital-return scorecard for management. For a company making huge tradeoffs between subsidies, couriers, merchants, overseas losses, grocery retail and AI, "discretionary bonus" is too soft a mechanism for a 20-year compounder gate.

Share-based compensation is material but not abusive in the FY2025 income statement. Official share-based compensation expense declined to RMB6.0B in FY2025 from RMB7.6B in FY2024, or about 1.6% of revenue. Outstanding RSUs also fell year over year in the data package. Still, the April 13, 2026 RSU grant is a governance concern: 79.3M RSUs were granted at nil purchase price, with time-based vesting and no performance targets attached. The company does have clawback provisions for criminal offenses and covenant breaches, and the grant is framed as retention and alignment. That helps on misconduct, but it does not solve the central alignment issue: recipients can vest without Meituan restoring ROIC, FCF conversion, or per-share value creation.

Independent directors also receive share-based compensation. That can align directors with stock outcomes, but it creates a softer independence optic when the same board must monitor WVR risks, related-party/VIE arrangements, and the founder-led strategy.

5. Disclosure quality and candor

I reviewed live FMP transcripts for 2024 Q1 through Q4 and 2025 Q1 through Q3; the FMP Q4 2025 transcript endpoint returned an empty array, so Q4 uses the official FY2025/Q4 announcement. The overall candor grade is better than the governance grade.

Management does answer hard questions. On the Q3 2025 call, analysts asked directly about food delivery competition, membership competition, Q4 performance, Instashopping investment, AMAP/Taobao in-store pressure, AI plans and Keeta's overseas losses. Wang did not pretend the price war was benign. He called the food-delivery price war a race to the bottom, said food-delivery losses likely peaked in Q3 but would remain substantial in Q4, and said Meituan was not interested in engaging in a price war while still defending market position. Chen quantified the cost-ratio and selling-and-marketing pressure, including negative RMB22.1B operating cash flow in Q3.

The February 2026 profit warning was timely and unusually clear by HK standards: it warned of a FY2025 loss of RMB23.3B to RMB24.3B versus FY2024 profit of RMB35.8B and tied the reversal to Core Local Commerce moving from RMB52.4B operating profit to roughly RMB6.8B to RMB7.0B operating loss plus overseas investment. The final result came in within that warned range. That supports guidance credibility once the downturn was visible.

The weakness is voluntary disclosure granularity. Meituan does not disclose stand-alone revenue, margin, or invested capital for food delivery, Instashopping, in-store, Keeta, Xiaoxiang, Kuailv or Dingdong pro forma economics. Segment disclosure is too broad for a company whose investment case depends on whether specific sub-businesses earn high incremental returns. Management gives qualitative operating color and occasional metrics, but not enough hard product-level economics for outside shareholders to independently underwrite the capital cycle.

6. Strategic coherence

The strategy is coherent. Meituan's annual report describes the company as a tech-driven retail company offering diversified daily goods and services through technology, including food delivery, in-store, hotel and travel booking, and other services and sales. The recurring mission is to help people eat better and live better. That is supported by the investment pattern: courier welfare, merchant support, membership, AI tools, quick-commerce infrastructure, grocery retail, and overseas food delivery are all connected to high-frequency local consumption and fulfillment.

The strategy also has a recognizable 5-10 year destination: become the default local-services and immediate-retail infrastructure layer for consumers, merchants, couriers and brands, then export some of the food-delivery operating system through Keeta. The company is not randomly pivoting into unrelated businesses. The decision to scale back Meituan Select while expanding Xiaoxiang and considering other grocery formats shows some willingness to prune.

But coherence is not the same as capital discipline. Management's Q3 explanation for Keeta and grocery retail framed both as high-conviction long-term opportunities even as domestic competition was highly intense. That is the core management risk: Wang may be right that current losses buy durable leadership, or he may be using a large cash balance and voting control to fund multiple ambition-heavy projects before proving the normalized returns of the core. Gideon's bar demands evidence, not just strategic elegance.

7. Governance flags

The governance gate is the binding weakness. Meituan is controlled through weighted voting rights. Each Class A share has 10 votes and each Class B share has one vote except for reserved matters. As of the FY2025 annual report date, Wang Xing beneficially owned Class A shares representing approximately 45.30% of voting rights on non-reserved matters, and Mu Rongjun owned Class A shares representing approximately 5.56%. Together, the founders can exert effective voting control without majority economic ownership. Meituan itself warns that WVR beneficiaries' interests may not always align with shareholders as a whole.

The chair and CEO roles are combined. The board says this supports consistent leadership, but it concentrates power in the same person who controls the voting structure. The board has four independent directors out of six and good committee attendance, but a controlled, founder-led WVR company with a combined chair/CEO does not give minority shareholders strong removal leverage if capital allocation deteriorates.

The VIE / contractual-arrangement structure adds another governance layer. Several onshore holdcos are owned largely by Wang and Mu, including multiple 95% / 5% arrangements. The annual report states the contractual arrangements constitute continuing connected transactions, with HKEX waivers from strict compliance with announcement, circular, independent shareholder approval, annual cap and three-year term requirements, subject to safeguards. This is common in Chinese internet listings, but it is still a real minority-shareholder risk.

There were no disclosed SEC-style restatements or material internal-control failures in the source set. Related-party transactions are described as normal course and not constituting connected transactions requiring disclosure beyond the annual report. That is positive, but it does not eliminate the structural risk created by WVR, VIEs and limited product-level economics.

8. Peer comparison

Against Alibaba's Eddie Wu, Meituan has the stronger founder-operator continuity in local services. Wu has served as Alibaba Group CEO since September 2023 according to Alibaba's official leadership page, and Alibaba is still reshaping AI, cloud and commerce priorities. Meituan's Wang has a cleaner line of ownership over a single strategic system. On the other hand, Alibaba's disclosure and capital-return posture has become more explicit in recent years, while Meituan is asking shareholders to accept a fresh profit reset with less sub-segment economic detail.

Against JD.com's Sandy Xu, who JD's official board page says has served as CEO and executive director since May 2023, Meituan has a more founder-led, product-led culture and a more valuable high-frequency local-services asset. JD historically has a clearer supply-chain and retail economics frame, and Sandy Xu's CFO background gives JD a more finance-disciplined stewardship image. Meituan's current management ranks below JD on per-share discipline because FY2025 shifted from major FCF generation to large cash burn while the company also pursued overseas and grocery expansion.

Against PDD Holdings, whose official management page identifies Lei Chen as co-chairman and co-chief executive officer since December 2025, Meituan looks more operationally transparent and more willing to explain competitive pressure. PDD has produced exceptional economics historically but offers very limited disclosure. Meituan is more candid on calls; PDD has the sharper capital-light track record. For Gideon, Meituan's management is better than peers on operational depth and candor, worse than the best peers on minority governance and per-share proof.

Overall, Wang Xing ranks as an elite operator but not an elite minority-shareholder steward on current evidence.

9. Verdict on the management gate

Management gate verdict: **FAIL**.

This is not a fraud call and not a claim that management is weak operationally. Wang Xing and team have built one of China's strongest local-services platforms, and the 2025 call record shows more candor than many Chinese internet peers. The failure is against Gideon's 20-year compounder gate: Meituan combines effective founder voting control, a combined chair/CEO role, VIE/continuing-connected-transaction complexity, broad time-based RSU grants without performance targets, limited

sub-segment economics, and a FY2025 capital-allocation reset that turned the core profit pool negative while management continued funding overseas and grocery ambitions. A management gate can be failed even when the operators are talented; here the minority-shareholder and per-share discipline evidence is not strong enough to follow this team for a decade.

Upgrade evidence would need to be concrete: two to three years of restored Core Local Commerce profitability without renewed subsidy destruction; New Initiatives losses demonstrably capped or declining with Keeta country-level unit economics; Dingdong integrated without impairments or open-ended cash burn; a compensation scorecard tied to ROIC, FCF per share or margin recovery; and clearer product-level disclosure. Until then, the management appendix forces a PASS at the ER2 final-equity level regardless of valuation.

Appendix W - Moat and 2046 Durability

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Meituan - Appendix W: Moat and 2046 Durability

Company: Meituan Ticker: 3690.HK / HKEX 03690 / Meituan-W Stage 0 anchor: today is 2026-05-28. Fiscal year ends December 31. Most recently reported period is FY2025 Q4 / year ended 2025-12-31. Q1 2026 is scheduled for 2026-06-01 and is not yet reported. The 2046 test date is 2046-05-28.

Source note: both reviewed segment appendices were available and used. Core local commerce model assumptions were unchanged after review. New initiatives model assumptions were also unchanged after review and are incorporated here, including the segment's FY2025 revenue, Q4 exit-rate margin, 2030 base-case revenue and margin, and yellow segment-moat conclusion.

1. Moat taxonomy applied

Network effects are Meituan's strongest moat, but they protect relevance more than pricing. In Core local commerce, the consumer, merchant, and courier network reinforces itself city by city: more users attract merchants, more merchants improve selection, more order density improves rider utilization and delivery reliability, and more frequency gives merchants a reason to buy ads. The Core segment appendix rightly frames this as a local network effect that is hard to replicate in full. The evidence is not just narrative: Core local commerce generated RMB260.826B of FY2025 revenue, 71.5% of company revenue, and before the FY2025 price war its operating margin rose from 13.8% in FY2021 to 20.9% in FY2024. The weakness is equally observable. In FY2025, the same segment swung to a RMB6.904B loss and negative 2.6% margin when JD.com and Alibaba intensified competition. A real network effect did not prevent margin collapse.

Switching costs are low for consumers and moderate for merchants. Consumers can multi-home across Meituan, Ele.me/Taobao Instant Commerce, JD Food Delivery, Douyin-linked local services, hotel platforms, and offline alternatives whenever subsidies, selection, or delivery time change. Merchant switching costs are higher because reviews, rankings, operating tools, order history, traffic, and ad optimization matter, but merchants can still list on multiple platforms. The merchant relationship is sticky when Meituan produces profitable incremental demand; it is not locked in by long-term contracts or proprietary procurement workflows.

Scale economies are meaningful in dispatch, rider density, merchant coverage, AI-enabled routing, customer support, and brand marketing. Delivery density is a genuine physical-world scale advantage because city-level route liquidity is not easy to copy overnight. Scale also makes Meituan's merchant advertising inventory valuable. New initiatives adds a second kind of scale: grocery procurement, front-warehouse density, Kuailv food-service distribution, and Keeta city launches. The reviewed New initiatives appendix classifies that moat as yellow because the operational capability is real, but scale has not yet protected margins. The FY2025 evidence shows that scale economies are conditional: Meituan can have the lowest unit cost and still lose money if competitors subsidize users and merchants below rational stand-alone economics.

Brand is strong in domestic local services. Meituan is an everyday consumer verb in food delivery and local services, and the Dianping-linked review heritage supports trust in in-store, restaurant, and lifestyle discovery. Brand helps traffic acquisition and merchant credibility, but it is not enough to sustain pricing power when users are offered visible discounts elsewhere.

Regulatory position is mixed, not a moat. Meituan's courier welfare, food-safety, merchant support, and platform-governance investments may improve social license. The company reported broad courier welfare coverage, including pension subsidy programs and occupational injury insurance expansion, and official 2025 materials emphasized ecosystem health. However, regulation can also cap platform economics by pressuring commissions, promotional practices, rider benefits, food safety, data use, and labor protections. The May/July 2025 regulator interventions around food-delivery competition are a constraint as much as a stabilizer.

IP and patents are not the moat. Meituan invests heavily in AI, delivery algorithms, drones, autonomous delivery, and its LongCat models, but no evidence suggests proprietary IP alone prevents Alibaba, JD, or Douyin from competing. AI and routing can lower cost and improve conversion; they do not by themselves create durable exclusion.

High-trust procurement exists only in narrow use cases. Hotel, travel, health, food safety, and in-store service categories benefit from reviews, rankings, guarantees, and authenticity checks. That trust improves conversion and makes Meituan more than a generic ad platform. Still, the company is mostly a consumer and merchant marketplace, not a mission-critical

enterprise system with procurement lock-in.

2. Per-segment moat

Core local commerce has a real but leaky moat. Its defensibility rests on local density, high-frequency food delivery, broad merchant supply, in-store/hotel/travel cross-sell, reviews, membership, delivery routing, and merchant advertising ROI. The five-year durability is strong: a competitor can buy traffic, but matching Meituan's whole city-level network, review base, supply breadth, and fulfillment density is difficult. The ten-year durability is medium: Alibaba and JD can attack because instant commerce is strategic to their broader ecosystems, not only a delivery profit pool. The twenty-year durability is unproven because the segment has not shown durable pricing power under sustained ecosystem competition. Earliest break signal: Core local commerce remains loss-making or below mid-single-digit margin through FY2026-FY2027 despite stable demand and order frequency.

New initiatives have weaker and less proven moats. The reviewed segment appendix gives the correct calibration: yellow at the segment level, not because the assets are fake, but because the margin shield is not yet visible. FY2025 revenue was RMB104.029B, 28.5% of company revenue, with a RMB10.082B operating loss and negative 9.7% margin. Q4 FY2025 revenue grew 18.9% YoY to RMB27.262B, but Q4 operating margin deteriorated to negative 17.1%, so the exit-rate economics were worse than the full-year segment average. The base 2030 segment model reaches RMB186.947B of revenue at a 3.1% operating margin, or RMB5.829B of operating income. That is a credible improvement, but still low-return relative to the revenue base. Grocery retail and B2B food distribution may gain supply-chain scale, but they look more like retail and logistics execution than high-return platform economics. Keeta has transferable delivery know-how, and Hong Kong reportedly reached positive unit economics in Q4 2025, but global food delivery markets are local, competitive, regulated, and subsidy-prone. Keeta, Xiaoxiang Supermarket and Kuailv are not separately dollar-disclosed, so the segment must be judged at the disclosed revenue-type level. Earliest break signal: New initiatives losses widen as revenue scales, Q4-type negative margins persist, or Keeta requires continuous market-entry subsidies without proof outside Hong Kong.

Blended company moat is weaker than Core alone. Core local commerce is the only segment with a demonstrated high-margin profit pool, and even that pool failed the FY2025 stress test. New initiatives add growth optionality but dilute margin, increase capital intensity, and make the consolidated moat less clean. The reviewed New initiatives model's base case is constructive enough to stop the segment from being dismissed as worthless, but a 3.1% 2030 margin is not proof of a durable moat. A shareholder owns the blend: FY2025 consolidated operating margin was negative 6.9%, not Core's FY2024 20.9% peak.

3. Margin persistence evidence

The margin evidence is the central reason this moat does not pass the hard gate. Consolidated operating margin moved from negative 12.9% in FY2021 to negative 2.6% in FY2022, positive 4.8% in FY2023, positive 10.9% in FY2024, and negative 6.9% in FY2025. That is not a stable compounding profile. FY2023-FY2024 showed powerful operating leverage, but FY2025 reversed it in one year.

Core local commerce looked moated from FY2021 through FY2024: 13.8%, 18.4%, 18.7%, and 20.9% segment operating margins. The FY2025 collapse to negative 2.6% is therefore highly informative. It means the segment's historical profitability was real, but not protected against a large competitor-led subsidy cycle. In quarterly terms, Core margin fell from 21.0% in Q1 2025 to 5.7% in Q2, negative 20.9% in Q3, and negative 15.5% in Q4. That is not minor compression; it is a full reset of economic capture.

New initiatives improved from negative 84.5% margin in FY2021 to negative 8.3% in FY2024, then slipped to negative 9.7% in FY2025. The improvement shows execution progress, especially in grocery retail efficiency, but the segment has not yet proven a durable positive margin model. The completed segment appendix adds an important exit-rate warning: Q4 FY2025 revenue grew 18.9%, yet Q4 operating margin was negative 17.1%. Its base 2030 case reaches RMB186.947B of revenue and 3.1% margin, which is meaningful operating repair but not high-return proof. Consolidated unallocated costs also matter: FY2025 unallocated items were a RMB8.055B loss, including share-based compensation, amortization, fair-value changes, FX, and corporate items. They are real claims on group economics.

The margin evidence supports a YELLOW-to-FAIL moat interpretation before considering pricing power. A business with strong network effects should be able to defend some margin while defending share. Meituan defended relevance, but profitability disappeared.

4. AI disruption stress test

Core local commerce is not mainly a workflow that a foundation model can copy. AI can improve search, recommendations, merchant operations, customer support, review summarization, dispatch, batching, fraud detection, and food-safety checks. But the core chokepoint is physical and local: merchant supply, courier liquidity, real-time inventory, delivery density, trust, payments, and service recovery. A model with the same public data could improve the interface, but it cannot summon a city-level courier network or signed merchant base.

That said, AI can shift the user interface. If consumer behavior moves from opening a local-services app to asking an AI assistant to "order dinner," "book a family hotel," or "find a nearby dentist," Meituan's front-end habit weakens unless its data and fulfillment APIs remain the best answer. Alibaba's integration of quick commerce into Taobao and the broader Qwen ecosystem is an example of platform-adjacent AI pressure. The risk is not that AI writes a better food-delivery app; it is that another super-app or assistant becomes the demand router and commoditizes the fulfillment layer.

New initiatives are more exposed where they are retail workflows. Grocery procurement, front-warehouse replenishment, B2B food distribution, power-bank placement, and micro-credit underwriting can be optimized by AI, but competitors can also use AI to optimize them. The protected part is physical capacity and operational density, not the software workflow. Keeta is protected only to the extent Meituan's dispatch playbook travels better than local incumbents' operations. The New initiatives appendix correctly treats AI as an efficiency lever, not a new disclosed revenue line, because Keeta, Xiaoxiang and Kuailv still lack stand-alone revenue or margin disclosure.

Most exposed segment: merchant advertising and local discovery if AI assistants become the primary demand interface and reduce the value of in-app ranking and search results. Most protected segment: dense on-demand fulfillment in cities where Meituan has deep merchant, rider, and order liquidity. AI should improve cost and conversion, but it does not rescue pricing power by itself.

5. The 2046 test

On 2046-05-28, a credible Meituan still sells local-services transactions, real-time delivery, merchant demand generation, hotel/travel/local lifestyle bookings, grocery and pharmacy delivery, merchant operating tools, and selected overseas delivery services. Consumers pay delivery fees and transaction prices for convenience. Merchants pay commissions and advertising because Meituan still controls high-intent local demand. Couriers, automated delivery assets, or third-party logistics partners fulfill physical orders. Some New initiatives have withered: low-return bike sharing, power banks, structurally unprofitable grocery regions, and subsidy-heavy overseas markets are likely pruned. The surviving company is probably a China-centered local commerce utility with a few profitable Keeta-style overseas markets and a larger AI operating layer for merchants and consumers.

The positive 2046 case is specific, but not strong enough for a PASS. Meituan can still exist and still be large because eating, shopping, travel, medical, and local services remain physical needs. The payment question can be named: merchants pay for traffic and transactions; consumers pay for convenience and selection. The margin question is weaker. Why would margins remain high in 2046? The answer has to be local density plus merchant ROI plus regulatory acceptance. FY2025 proves those are not sufficient when platform competitors treat instant commerce as a strategic battleground. I can write a plausible 2046 company description, but I cannot underwrite high returns without assuming competition rationalizes for two decades.

The 2046 bear case is a large, important, low-return infrastructure business. Meituan remains relevant but becomes the delivery and local-services operating layer behind super-apps, AI agents, and e-commerce ecosystems that capture more of the customer relationship. Merchants multi-home and resist commissions. Regulators keep rider welfare and merchant fees in focus. Overseas delivery repeats the same subsidy pattern market by market, and grocery/B2B distribution remains retail-like even at scale. In that bear case, Meituan's moat protects scale but not equity-level compounding. Probability is material, not remote, because FY2025 already showed the mechanism and the reviewed New initiatives base case still only reaches low-single-digit operating margin by 2030.

6. Competitive threat inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
Alibaba quick commerce / Ele.me / Taobao ecosystem	Uses Taobao traffic, Ele.me delivery, Amap/local intent, and AI assistant integration to subsidize local demand and raise Taobao frequency	Core local commerce, especially food delivery, instant retail, merchant ads	Meituan Core margin remains negative while Alibaba quick-commerce revenue and orders keep growing	High

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
JD Food Delivery and instant retail	Uses retail supply chain, logistics, quality-merchant positioning, and low/zero commission offers to attack merchant economics	Core delivery, Instashopping, merchant commission	Sustained JD food-delivery order growth, merchant count, or commission pressure after launch incentives expire	Medium-high
Regulation and social-license cost	Limits disorderly competition but also pressures fees, rider benefits, merchant support, food safety, data, and algorithms	Core and New initiatives	New rules on platform fees, rider insurance, merchant contracts, or promotional practices	High
New initiatives capital drain	Grocery, Kuailv, Keeta, and other businesses scale revenue without durable positive unit economics; base 2030 margin is only 3.1% even after recovery	New initiatives and consolidated FCF	Segment losses widen, Q4-type negative 17% margins recur, or segment stays below low-single-digit margin despite revenue growth	High
AI interface shift	AI agents route consumer demand away from Meituan app surfaces, reducing ranking/ad monetization	Core marketing, in-store, hotel/travel discovery	Declining ad growth despite stable transactions; partner/API-driven orders dilute direct traffic	Medium

7. Pricing power verification

Observable pricing power is weak. The strongest evidence in Meituan's favor is historical Core local commerce margin expansion from 13.8% in FY2021 to 20.9% in FY2024, plus growth in online marketing services to RMB51.920B company-wide in FY2025. Merchants clearly pay for Meituan traffic when it works. The platform also has enough consumer relevance to maintain scale through a price war.

The counter-evidence is stronger for Gideon purposes. FY2025 Core local commerce revenue grew only 4.2%, while operating margin collapsed by 2,350 bps year over year. If Meituan had durable pricing power, intensified competition would compress margin; it would not turn a RMB52.415B segment profit into a RMB6.904B loss. The company itself attributes the deterioration to lower gross profit margin, higher user incentives, promotion, advertising, and intensified competition. That is direct evidence that Meituan had to pay users and merchants to defend the network.

There is no evidence of multi-year price escalators, minimum commitments, or contract structures that would protect pricing across cycles. Consumer fees are visible and competitive. Merchant commissions and ad budgets depend on ROI and competitive alternatives. Courier welfare and regulatory costs can rise independently of pricing. In New initiatives, the pricing-power evidence is even weaker: other services and sales were about 93.6% of FY2025 segment revenue, online marketing was less than RMB0.5B, and the reviewed model's base 2030 margin is only 3.1%. Therefore, pricing power is conditional and tactical, not durable enough for a 2046 PASS.

8. Moat verdict

Moat gate: FAIL. Meituan has a real relevance moat in Core local commerce, built on local network effects, frequency, merchant coverage, rider density, reviews, and advertising ROI. The completed New initiatives appendix adds a yellow segment moat: real operating capability in Keeta, Xiaoxiang and Kuailv, but no proven margin protection and no stand-alone product-dollar disclosure. The hard Gideon moat gate requires durable pricing power, and the FY2025 margin collapse is direct evidence that the company lacks durable economic control when Alibaba, JD, and other ecosystem competitors subsidize the market.

2046 test: FAIL. A specific 2046 Meituan can be described: a large local-services, delivery, merchant tools, grocery/logistics, and selected overseas platform paid by consumers and merchants. The test fails because the description cannot credibly explain why margins remain high for twenty years without assuming rational competition, favorable regulation, successful pruning of New initiatives, and repeatable Keeta/Xiaoxiang/Kuailv unit economics that are not yet visible in disclosed segment results.

This is not a claim that Meituan is irrelevant or doomed. The company can remain one of China's most important local-services platforms, Core local commerce can recover substantial profits if subsidy intensity normalizes, and New initiatives can become modestly profitable in the reviewed base case. The moat failure is narrower and stricter: the observable evidence does not support a durable 20-year high-return compounder gate. For the final ER2 synthesis, Meituan's moat should be treated as strong for user relevance, medium for five-year competitive position, yellow in New initiatives, and

insufficient for 20-year pricing-power durability.

Sources used

- Local control files: `data_package.md`, `appendix_A_primer.md`, `appendix_B_core_local_commerce.md`, and `appendix_B_new_initiatives.md` under `C:\Users\Admin\OneDrive\GPT\ER 2.0\Meituan`.
- Live Meituan IR financial reports page: https://www.meituan.com/en-US/investor/reports
- Live Meituan IR announcements page: https://www.meituan.com/en-US/investor/announcement
- Meituan FY2025 annual report PDF, downloaded live: https://media-meituan.todayir.com/20260424065602168712120049_en.pdf
- Meituan FY2025 results announcement PDF, downloaded live: https://media-meituan.todayir.com/20260326174002715012069122_en.pdf
- Meituan FY2025 results news release: https://www.meituan.com/news/NN260326174005788
- Live FMP annual income and product-segmentation checks saved as `raw\w_live_fmp_income_annual_3690HK.json` and `raw\w_live_fmp_revenue_product_annual_3690HK.json`.
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- Alibaba official/businesswire quick-commerce result releases: https://www.businesswire.com/news/home/20250828875486/en/Alibaba-Group-Announces-June-Quarter-2025-Results and https://www.businesswire.com/news/home/20260512841182/en/Alibaba-Group-Announces-March-Quarter-2026-and-Fiscal-Year-2026-Results
- China regulator context via State Council Information Office / China.org coverage: https://english.scio.gov.cn/m/pressroom/2025-05/14/content_117875060.html and https://www.china.org.cn/2025-07/22/content_117989918.shtml

Appendix B1 - Core Local Commerce

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Appendix B - Core local commerce Segment Deep Dive

Company: Meituan Ticker: 3690.HK / HKEX 03690 / Meituan-W Segment: Core local commerce TTM anchor: FY2025, year ended December 31, 2025 Forward horizon: December 31, 2030, exactly five calendar years from the TTM end date Units: RMB billions unless otherwise stated

0. Segment boundary and taxonomy note

Core local commerce is Meituan's domestic local-services and on-demand-commerce segment. The FY2025 annual report defines it as food delivery, Meituan Instashopping, in-store, hotel, and travel businesses. The reportable-segment taxonomy is stable over the relevant historical window, so the FY2021-FY2025 Core local commerce segment revenue and operating-profit history can be compared directly. The caution is product granularity, not segment boundary. Meituan discloses a revenue-type and segment matrix, not stand-alone revenue for food delivery, Instashopping, in-store, hotel, or travel. Delivery services are disclosed only inside Core local commerce, while commission, online marketing services, and other services and sales contain both Core local commerce and New initiatives in the company-wide revenue-type table until the FY2025 segment/type matrix. This appendix therefore uses Meituan's verified data package as the source of truth and does not invent named-product dollar revenue.

1. What this segment actually is

Core local commerce is the platform layer that lets consumers discover, transact, and receive local services quickly, and lets local merchants acquire demand, manage storefronts, and fulfill orders. Its largest consumer habit is food delivery, but the segment is broader than restaurant takeout. It includes on-demand delivery of retail items through Meituan Instashopping, in-store dining and local lifestyle services, hotel and travel bookings, merchant advertising, and related technology services.

The customer set is two-sided. On the demand side, Meituan serves consumers who want meals, coffee, groceries, medicine, supermarket items, travel bookings, and local experiences with low search friction and fast fulfillment. On the supply side, the merchant customer ranges from a small restaurant to a chain beverage brand, supermarket, pharmacy, hotel, entertainment venue, or local-services provider. For merchants, Meituan is both demand generator and operating infrastructure: traffic, payment, ordering, delivery dispatch, membership access, reviews, and marketing tools sit in one ecosystem.

The pricing model is therefore multi-part. The verified FY2025 segment/type matrix shows Core local commerce revenue of RMB260.826B, built from delivery services of RMB96.068B, commission of RMB99.234B, online marketing services of RMB51.462B, and other services and sales of RMB14.063B. Delivery services revenue is generated from merchants and consumers, primarily for delivery fulfillment. Commission is the take rate on merchant transactions for technology and platform services. Online marketing is advertising and promotional placement sold to merchants. Other services and sales is the catch-all Core local commerce revenue-type bucket for disclosed reporting purposes.

The go-to-market model is embedded rather than purely sales-led. Consumers come for high-frequency use cases, especially meals and quick commerce. Merchants join because Meituan provides access to a large local-demand pool and because in many categories it is difficult to replicate Meituan's traffic, rider network, payment loop, ranking system, and reviews. The rider network and merchant tools are operational infrastructure; the app and membership layer are demand aggregation. In good years, this creates a powerful flywheel: more users increase merchant value, more merchants improve selection, better selection and delivery reliability increase frequency, and frequency makes advertising and membership more valuable.

FY2025 showed the other side of that flywheel. When well-capitalized ecosystem competitors subsidize both users and merchants, Meituan has to defend the habit loop. It can hold traffic and order relevance, but revenue after incentives and operating profit can deteriorate sharply. The segment is therefore not a simple toll road. It is a local-commerce network with meaningful scale advantages, but it must keep paying to defend density when rivals choose to monetize other ecosystems or balance sheets rather than the delivery transaction itself.

2. Current economics

The TTM anchor is FY2025 because Q1 2026 was scheduled for June 1, 2026 and was not yet reported as of the Stage 0 date. Core local commerce FY2025 revenue was RMB260.826B, or 71.5% of Meituan's audited consolidated revenue, per

data_package Section 1 and Section 3. Segment operating loss was RMB6.904B, for a negative 2.6% operating margin, also per data_package Section 3. This is the single most important reset in the Meituan model: the same segment generated RMB52.415B of operating profit and a 20.9% margin in FY2024, then swung to a loss in FY2025.

The recent-quarter path explains why FY2025 must be treated as a live competitive base rather than a harmless one-off. Q1 FY2025 Core local commerce revenue was RMB64.325B with a 21.0% operating margin, Q2 revenue was RMB65.347B with a 5.7% margin, Q3 revenue was RMB67.447B with a negative 20.9% margin, and Q4 headline Core revenue was RMB64.835B, down 1.1% year on year, with a negative 15.5% margin, all per data_package Section 5 and the dated official quarterly results cited there. Audited FY2025 revenue controls over the Q4 headline bridge; the data package flags a company-level Q4 revenue bridge difference and instructs downstream agents not to rebuild the model from the unreconciled headline total.

The segment's FY2025 revenue composition is important. Delivery services were RMB96.068B, or 36.8% of Core local commerce revenue. Core commission was RMB99.234B, or 38.0%. Core online marketing services were RMB51.462B, or 19.7%. Core other services and sales were RMB14.063B, or 5.4%. These FY2025 segment/type figures tie to data_package Section 4 and QF P1. Commission and marketing together were 57.7% of the segment and are the higher-quality monetization streams, but they depend on merchant ROI and user traffic. Delivery services are scale infrastructure and a major revenue source, but they are also where rider cost, subsidies, and fulfillment reliability show up most directly.

Capital intensity is not disclosed at segment level. The company does not give Core local commerce segment assets, liabilities, capex, or invested capital to the CODM, so segment ROIC cannot be calculated without inventing allocations. At the consolidated level, FY2025 capex was RMB13.271B and free cash flow was negative RMB27.086B. Those consolidated figures do not belong solely to Core local commerce, but they show that the 2025 competition cycle and investment program consumed real cash. The balance sheet remains liquid, yet the segment cannot be valued as if the FY2024 margin remained intact.

[DATA GAP: Meituan does not disclose stand-alone revenue for food delivery, Meituan Instashopping, in-store, hotel, or travel. The finest FY2025 dollar-disclosed Core local commerce granularity is the segment/type matrix: delivery services, commission, online marketing services, and other services and sales.]

3. Unit economics

Core local commerce turns local demand into revenue through three main economic layers: fulfillment revenue, transaction commission, and merchant marketing. Fulfillment revenue is tied to the physical delivery network. Commission is tied to gross transaction value and take-rate discipline. Online marketing is tied to merchant willingness to pay for performance traffic. The operating margin is the residual after rider costs, incentives, promotion, traffic acquisition, merchant support, technology, customer service, and allocated operating expenses.

The segment had excellent reported economics before the FY2025 price war. Core local commerce margin rose from 13.8% in FY2021 to 18.4% in FY2022, 18.7% in FY2023, and 20.9% in FY2024. That improvement was consistent with density economics: larger order pools improve rider batching and dispatch efficiency, merchant advertising monetization scales with traffic, and fixed technology and support costs spread across more transactions. The FY2024 margin also implied that the segment was not structurally condemned to low margins. When competition is rational, Meituan's local-commerce network can be highly profitable.

FY2025 broke that pattern. Revenue still grew 4.2%, but operating profit fell by RMB59.319B year on year. The data package attributes the deterioration to lower gross profit margin and higher user incentives, promotion, and advertising amid intensified competition. In unit-economic language, the revenue per transaction and net contribution per order were squeezed from several directions at once. User coupons and merchant subsidies reduce net revenue or raise sales and marketing cost. Rider welfare and service-quality spending raise fulfillment cost. Defensive advertising and membership incentives protect engagement but reduce operating leverage.

The key feature is that Meituan can defend share while losing margin. A dense network is not the same thing as uncontested pricing power. If JD.com, Alibaba's Ele.me, and Taobao Instant Commerce are using food delivery and instant retail as ecosystem entry points, Meituan's response is rational: protect users, merchants, and order frequency first. But the investment implication is blunt. The segment's moat protects relevance better than it protects near-term margin.

Margins can recover through three mechanisms. First, subsidy intensity can normalize if regulators and competitors push the industry toward rational competition. Second, Meituan can improve fulfillment efficiency through batching, better dispatch, supply density, and AI-enabled merchant tools. Third, mix can shift toward commission and online marketing if merchant ROI

remains strong and food delivery traffic supports broader local-commerce monetization. Margins can also stay impaired. If competitors continue to buy orders, if rider welfare costs become structurally higher, or if merchants demand lower commissions, the old FY2024 margin may not return.

The model below therefore treats FY2025 as the starting point, not as a trough to be automatically erased. The base case assumes gradual recovery to a 10.1% operating margin by 2030, still far below the FY2024 peak. The bull case reaches 16.1%, implying meaningful but incomplete recovery of the pre-war profit pool. The bear case reaches only 1.7%, meaning the segment remains relevant but cannot regain pricing power.

4. Competitive dynamics

The direct competitors are Alibaba's Ele.me and Taobao Instant Commerce, JD.com's food delivery and instant retail push, Douyin and other traffic platforms in local services discovery, and vertical competitors in travel, hotel, grocery, and local lifestyle. Meituan's advantage is breadth and density. It has users, merchants, riders, route data, local reviews, payment habits, and membership engagement across many categories. The threat is that Alibaba and JD.com do not need to evaluate the food-delivery order as a stand-alone profit pool. They can use instant commerce to protect e-commerce traffic, cross-sell retail categories, and improve consumer frequency.

JD.com's 2025 entry changed the competitive perimeter. TechNode reported that JD.com officially launched a food delivery service on February 11, 2025, initially recruiting quality dine-in restaurants and offering zero commission fees for merchants signing before May 1. The same report described the move as a direct challenge to Meituan and Ele.me, with JD attempting to use logistics and quality-merchant positioning as differentiation. That matters because a zero-commission entrant attacks the merchant side of Meituan's take-rate model even before it has matched Meituan's delivery density.

Alibaba's response made the war broader than restaurant delivery. SCMP reported that Alibaba's Taobao Instant Commerce and Ele.me surpassed 40 million combined daily orders within a month of launch, and that the market had shifted into a "competition of ecosystems" with roughly 553 million users. A later SCMP report said combined daily orders on Taobao Instant Commerce and Ele.me reached 80 million in July 2025, while Meituan reported a record 120 million daily transactions covering food and retail goods. Those figures should not be treated as audited financial metrics, but they show the scale of the traffic battle.

Meituan still appears to have the strongest incumbent position. SCMP reported in June 2025 that Meituan's food delivery share was around 70% based on internal-data reporting, with daily food delivery orders around 90 million. BRICS Competition, citing SCMP and Bocom International, noted that Meituan held 65% of the food delivery market in 2024, with Ele.me at 33% and others at 2%. These are external estimates, not Meituan disclosures, but they are directionally consistent with Meituan's management language that the platform remains the go-to local-services platform.

Regulators are a major competitive variable. People's Daily Online reported that SAMR and four other departments summoned JD.com, Meituan, and Ele.me in May 2025 to address food delivery industry issues, emphasizing fair competition, anti-monopoly compliance, food safety, and protection of consumers, merchants, and riders. This creates two-sided risk. Regulatory pressure can limit destructive subsidies and support the base or bull recovery cases. But regulation can also raise rider-welfare and merchant-protection costs, keeping structural margins below the FY2024 peak.

Pricing power is therefore conditional. Meituan has more pricing power than a small marketplace because it controls high-frequency demand and supply density. It has less pricing power than a true monopoly because large ecosystem players can subsidize entry, and regulators can constrain platform behavior. The most durable barrier is not a single app feature; it is the density of users, merchants, riders, reviews, routing, and local habit. The weakness is that density must be defended in public view and under regulatory scrutiny.

5. Moat at the segment level

The segment moat is real but not absolute. Core local commerce benefits from a local network effect that is hard to replicate city by city. A food delivery or instant retail platform needs consumers, merchants, riders, dispatch software, service standards, payments, customer support, and local operating knowledge. More demand improves rider utilization and delivery times. More merchants improve selection. More selection and better delivery reliability increase consumer frequency. More frequency improves merchant advertising returns and increases the value of membership. This is the core reason Meituan could historically generate margins above 18% in the segment.

The second moat layer is habit. Meituan is not an occasional category for many users; food and local services can be weekly or daily use cases. High frequency lets the platform cross-sell. Food delivery can lead to Instashopping, hotel, travel, in-store

coupons, grocery, pharmacy, and membership engagement. The more categories that sit inside the same app, the harder it is for a competitor to win by subsidizing only one vertical. This is why Meituan's strategic response emphasizes membership and supply pillars rather than only coupon matching.

The third moat layer is merchant ROI. Merchants pay commissions and buy ads when they believe Meituan delivers incremental orders profitably. If Meituan has the largest pool of local intent, advertising becomes performance spend rather than brand spend. That is a high-quality monetization stream when the competitive environment is rational. Online marketing revenue grew from RMB30.769B in FY2022 to RMB51.920B in FY2025 at the total-company revenue-type level, despite 2025 pressure, which suggests merchant demand for performance traffic did not vanish.

The weak spot is that the moat is expensive to defend. A new entrant does not need to build the whole Meituan system immediately to damage margins. It can subsidize a slice of high-frequency demand, offer merchants temporarily lower commissions, or use existing e-commerce traffic to push instant retail. That is enough to force Meituan to spend defensively. The moat therefore protects long-term relevance more than short-term profit. A segment-level moat assessment should not simply average FY2021-FY2024 margins and ignore FY2025. The 2025 result is evidence that the moat has a cost.

Over a five-to-ten-year horizon, I would call the moat medium to strong in relevance and medium in margin durability. The base case assumes Meituan remains the leading local-commerce platform and regains part of its prior margin through scale, rational competition, and better technology. The bull case assumes regulators and competitors accept a more sustainable industry structure. The bear case assumes ecosystem competitors keep using instant commerce as a strategic traffic weapon, preventing a return to high-teens segment margins.

6. Historical growth rates reproduced from the data package

The table below reproduces the relevant historical revenue series from the verified data package. Delivery services are a Core local commerce revenue type. Commission, online marketing services, and other services and sales have company-wide historical revenue-type series for FY2021-FY2025, but Core-only dollar history before FY2025 is not separately disclosed. The forward model uses the FY2025 Core segment/type matrix as the starting revenue base and uses company-wide revenue-type history only as context for growth quality.

Product or sub-segment	FY2023 revenue	FY2024 revenue	FY2025 revenue	3-year historical CAGR	Most recent YoY	Data package cite
Core local commerce segment total	206.907 [data_package section 3 Core row]	250.247 [data_package section 3 Core row]	260.826 [data_package section 3 Core row]	17.5% from FY2022 to FY2025 [data_package section 3 Core row]	4.2% [data_package section 3 Core YoY row]	data_package section 3, Core local commerce table
Delivery services	82.191 [data_package section 4 Delivery row]	98.065 [data_package section 4 Delivery row]	96.068 [data_package section 4 Delivery row]	11.1% from FY2022 to FY2025 [data_package QF P1 product-type row]	-2.0% [data_package section 4 and QF P1]	data_package section 4, Product and sub-segment historicals
Commission, company-wide revenue-type context	76.689 [data_package section 4 Commission row]	95.341 [data_package section 4 Commission row]	105.477 total; Core FY2025 99.234 [data_package section 4 Commission row]	23.1% from FY2022 to FY2025 [data_package QF P1 product-type row]	10.6% total-company YoY [data_package QF P1]	data_package section 4 and QF P1 historical revenue by type
Online marketing services, company-wide revenue-type context	40.513 [data_package section 4 Online marketing row]	49.240 [data_package section 4 Online marketing row]	51.920 total; Core FY2025 51.462 [data_package section 4 Online marketing row]	19.1% from FY2022 to FY2025 [data_package QF P1 product-type row]	5.4% total-company YoY [data_package QF P1]	data_package section 4 and QF P1 historical revenue by type
Other services and sales, company-wide revenue-type context	77.352 [data_package section 4 Other row]	94.945 [data_package section 4 Other row]	111.390 total; Core FY2025 14.063 [data_package section 4 Other row]	21.2% from FY2022 to FY2025 [data_package QF P1 product-type row]	17.3% total-company YoY [data_package QF P1]	data_package section 4 and QF P1 historical revenue by type

Internal arithmetic checks: Core local commerce FY2024 revenue of RMB250.247B multiplied by FY2025 YoY growth of 4.2% equals RMB260.758B, within rounding of reported RMB260.826B. Delivery services FY2024 revenue of RMB98.065B multiplied by FY2025 YoY decline of 2.0% equals RMB96.104B, within rounding of reported RMB96.068B. Commission total-company FY2024 revenue of RMB95.341B multiplied by FY2025 YoY growth of 10.6% equals RMB105.447B, within rounding of reported RMB105.477B. Online marketing FY2024 revenue of RMB49.240B multiplied by FY2025 YoY growth of 5.4% equals RMB51.899B, within rounding of reported RMB51.920B. Other services and sales FY2024 revenue of RMB94.945B multiplied by FY2025 YoY growth of 17.3% equals RMB111.370B, within rounding of reported RMB111.390B. No back-solved historical dollars are used.

[DATA GAP: Core-only historical commission, online marketing services, and other services and sales are not separately disclosed before FY2025. The company-wide revenue-type history includes both Core local commerce and New initiatives, so it is context rather than a clean Core-only product history.]

7. Management guidance quoted from data package Section 6

The data package is the source of truth for management commentary. The relevant Core local commerce quotes are reproduced below with interpretation, not re-fetched or expanded from transcripts.

Q1 FY2025 transcript, 2025-05-26, Xing Wang, CEO: "invest RMB100 billion over the next three years." Management framed this as merchant and food-service ecosystem support. The modeling implication is that Meituan is explicitly willing to absorb investment and margin pressure to keep merchants and users engaged. This quote supports a slower margin recovery than a simple reversion to FY2024 profitability.

Q1 FY2025 transcript, 2025-05-26, Xing Wang, CEO: "we plan to be the winner." This is a direct competitive statement. The model should prioritize share defense and platform relevance in the base case, rather than assuming management will maximize short-term profit if doing so risks losing the local-commerce habit loop.

Q2 FY2025 transcript, 2025-08-27, Shaohui Chen, CFO: "industry-wide subsidy reaching record highs." This confirms that the margin reset began in a market-wide subsidy cycle, not solely because of internal cost drift. It supports treating Q2-Q4 FY2025 margins as the starting competitive condition for FY2026 rather than noise.

Q3 FY2025 transcript, 2025-11-28, Shaohui Chen, CFO: "irrational competition within the on-demand delivery industry significantly distorted sector-wide profitability." This is the clearest management anchor for the bear and base cases. If irrational competition persists, the segment can remain low-margin despite strong demand. If it fades, operating leverage can return.

Q4/FY official announcement, 2026-03-26, Company announcement: "solidify the competitive advantages." This points to continued investment in membership, supply, delivery quality, and local-commerce breadth. It argues against a sharp near-term reduction in incentives that would risk user or merchant leakage.

Q4/FY official announcement, 2026-03-26, Company announcement: "promoting the healthy and sustainable development of the industry." This is the margin-recovery hope. Management wants an industry structure where growth and profitability can coexist. The base case assumes partial progress; the bull case assumes this industry repair happens faster.

Q3 FY2025 transcript, 2025-11-28, Xing Wang, CEO: "Meituan remains the go-to platform." This supports the moat claim and the assumption that the platform did not lose consumer relevance in 2025. The model therefore does not project a structural revenue collapse, even in the bear case.

Q4/FY official announcement, 2026-03-26, Company announcement: "enhance Meituan Membership"; "proactively embracing AI." These are engagement and efficiency levers. They are not separate disclosed revenue lines, so they are embedded in commission, online marketing, retention, and margin assumptions rather than modeled as a new product.

[DATA GAP: The FMP Q4 FY2025 transcript endpoint returned an empty array in the data-package run, so Q4 commentary comes from the official Q4/FY announcement rather than a call transcript.]

8. Forward growth assumptions

The forward revenue model starts with the FY2025 Core local commerce segment/type matrix: delivery services RMB96.068B, Core commission RMB99.234B, Core online marketing RMB51.462B, and Core other services and sales RMB14.063B. The horizon is exactly five years from the TTM end date to December 31, 2030. Because named products are not separately dollar-disclosed, there is no separate food delivery, Instashopping, hotel, travel, or in-store revenue model.

Base case growth assumes that Meituan remains the leading local-commerce platform but that competition permanently reduces monetization intensity versus the pre-2025 trajectory. Delivery services barely grow because order growth is offset by subsidy, fee, and mix pressure. Commission grows faster as in-store, hotel, travel, and transaction services recover, but the rate is far below the 23.1% company-wide revenue-type CAGR. Online marketing grows as merchants continue buying performance traffic, but slower than history because merchant ROI is pressured. Other Core services grow from a small base.

Product	3-year historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Delivery services	11.1% FY2022-FY2025	-2.0% FY2025; Q4 revenue -9.9% YoY	No numeric guide; management cited record subsidies and irrational competition	0.5%	Mature delivery demand and intense subsidy pressure offset frequency gains; density remains valuable but net delivery revenue growth is nearly flat.

Product	3-year historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Core commission	23.1% company-wide revenue-type proxy	10.6% company-wide FY2025; Q4 total commission +3.0% YoY	No numeric guide; company will solidify competitive advantages	7.0%	Commission recovers with transaction volume and local-services breadth, but merchant fee pressure and JD zero-commission entry cap take-rate expansion.
Core online marketing	19.1% company-wide revenue-type proxy	5.4% company-wide FY2025; Q4 total online marketing +2.5% YoY	No numeric guide; membership and AI merchant tools emphasized	6.0%	Merchant ad budgets follow platform traffic, but weak merchant profitability prevents a return to high-teens growth.
Core other services and sales	21.2% company-wide revenue-type context, not Core-only	Core-only history not disclosed; total-company FY2025 +17.3%	No numeric guide	8.0%	Small Core bucket grows with Instashopping and local-services adjacencies, but history is mostly company-wide and not cleanly comparable.

The bull case assumes the 2025 subsidy war rationalizes, regulators nudge platforms toward sustainable promotions, and Meituan converts its scale into healthier merchant monetization. It does not assume a full return to the FY2022-FY2024 growth slope, because Core local commerce is already large and competitors remain capable. The main difference from base is better commission and marketing monetization, plus positive delivery revenue growth as order scale offsets fee pressure.

Product	3-year historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Delivery services	11.1% FY2022-FY2025	-2.0% FY2025; Q4 revenue -9.9% YoY	No numeric guide; management plans to be the winner	3.0%	Meituan keeps leadership and order density, while subsidies normalize enough for delivery revenue to grow modestly.
Core commission	23.1% company-wide revenue-type proxy	10.6% company-wide FY2025; Q4 total commission +3.0% YoY	No numeric guide	10.0%	Local-services GTV and merchant participation compound, and rational competition allows better take-rate stability.
Core online marketing	19.1% company-wide revenue-type proxy	5.4% company-wide FY2025; Q4 total online marketing +2.5% YoY	No numeric guide; AI merchant tools highlighted	9.0%	Merchant ROI improves as Meituan retains the largest high-intent traffic pool and AI tools improve conversion.
Core other services and sales	21.2% company-wide revenue-type context, not Core-only	Core-only history not disclosed; total-company FY2025 +17.3%	No numeric guide	12.0%	Instashopping and adjacent local services scale from a smaller Core base, with cross-sell from food delivery and membership.

The bear case assumes competitors keep using food delivery and instant commerce as ecosystem weapons. Revenue does not collapse because Meituan remains deeply embedded in consumer habits, but growth is weak and mix quality is poorer. Delivery revenue declines as incentives, user discounts, and merchant pressure overwhelm order growth. Commission and marketing still grow slightly because the platform remains relevant, but take-rate and ad pricing power are impaired.

Product	3-year historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Delivery services	11.1% FY2022-FY2025	-2.0% FY2025; Q4 revenue -9.9% YoY	No numeric guide; management cited irrational competition	-3.0%	Price war dynamics persist and delivery revenue per order falls despite retained traffic.
Core commission	23.1% company-wide revenue-type proxy	10.6% company-wide FY2025; Q4 total commission +3.0% YoY	No numeric guide	3.0%	Merchants resist fees, JD and Alibaba keep pressure on commissions, and transaction growth only partly offsets take-rate pressure.
Core online marketing	19.1% company-wide revenue-type proxy	5.4% company-wide FY2025; Q4 total online marketing +2.5% YoY	No numeric guide	2.0%	Merchant ad demand is constrained by weak restaurant and retail economics, even though Meituan traffic remains valuable.
Core other services and sales	21.2% company-wide revenue-type context, not Core-only	Core-only history not disclosed; total-company FY2025 +17.3%	No numeric guide	2.0%	Smaller Core adjacencies grow slowly because promotional budgets are diverted to defending food delivery and instant commerce.

The five-year revenue outcomes are deliberately below the segment's FY2022-FY2025 17.5% CAGR. That is not a mechanical maturation haircut; it reflects the actual FY2025 slowdown to 4.2% segment growth, Q4 Core revenue decline of 1.1%, JD's zero-commission entry, Alibaba's Taobao Instant Commerce order ramp, and management's own language about irrational competition. The bull case still compounds Core local commerce at roughly 7.5% from FY2025, but the base case is closer to 4.6%, and the bear case is roughly flat.

9. Forward operating margin assumptions

Current segment operating margin is negative 2.6%. Product-level operating margins are not disclosed. The table below uses analyst-allocated 2030 operating margins by revenue type so that the segment margin can be reconstructed as a revenue-weighted average. These are not reported product margins. They are modeling assumptions tied to the segment's disclosed revenue buckets.

Product	FY2025 revenue base	FY2025 disclosed product margin	Bear 2030 margin	Base 2030 margin	Bull 2030 margin	Mechanism for margin change
Delivery services	96.068	Not separately disclosed	-4.0%	2.0%	6.0%	Rider cost, subsidies, delivery batching, and user incentives determine whether density becomes profit.
Core commission	99.234	Not separately disclosed	2.0%	10.0%	16.0%	Merchant take-rate pressure is severe in bear, partly repaired in base, and rationalized in bull.
Core online marketing	51.462	Not separately disclosed	12.0%	24.0%	33.0%	Advertising has stronger incremental economics, but merchant ROI and traffic quality cap the range.
Core other services and sales	14.063	Not separately disclosed	-8.0%	3.0%	8.0%	Small adjacencies absorb launch, fulfillment, and promotion cost in bear; scale helps in base and bull.

The base case margin of 10.1% is a major recovery from FY2025 but still roughly 1,080 bps below FY2024. The specific mechanism is partial subsidy normalization, better rider batching, more disciplined merchant incentives, and a higher contribution from commission and marketing. It does not assume Meituan can simply stop spending. Management has said it will invest in the ecosystem and solidify competitive advantages, so the base case keeps meaningful defensive cost in the system.

The bull case margin of 16.1% requires more than revenue growth. It requires the 2025 price war to settle, regulatory pressure to discourage destructive promotion, and Meituan to maintain a large enough traffic advantage that merchants keep paying for ads and transactions. Even then, the bull margin remains below the FY2024 segment margin of 20.9%, because rider welfare, competitor presence, and merchant sensitivity are likely structurally higher than in the pre-war period.

The bear case margin of 1.7% assumes relevance without monetization. Meituan keeps users and merchants, but the platform cannot extract historical economics because rivals keep subsidizing, merchants pressure commissions, and online marketing pricing weakens. This is not a bankruptcy case for the segment. It is a low-return local-commerce infrastructure case.

[DATA GAP: Meituan does not disclose product-level operating profit or operating margin for delivery services, commission, online marketing services, other services and sales, food delivery, Instashopping, in-store, hotel, or travel. Product-level margin assumptions in this section are analyst allocations used only to reconstruct the segment rollup.]

10. Segment rollup

The rollup below compounds each FY2025 Core revenue-type base for exactly five years and applies the product margin assumptions from Section 9. The product-level sums reconcile to the segment totals by construction.

Case	Product	FY2025 revenue base	Forward CAGR	TTM+5y revenue	TTM+5y margin	TTM+5y operating income
Bear	Delivery services	96.068	-3.0%	82.496	-4.0%	-3.300
Bear	Core commission	99.234	3.0%	115.039	2.0%	2.301

Case	Product	FY2025 revenue base	Forward CAGR	TTM+5y revenue	TTM+5y margin	TTM+5y operating income
Bear	Core online marketing	51.462	2.0%	56.818	12.0%	6.818
Bear	Core other services and sales	14.063	2.0%	15.526	-8.0%	-1.242
Bear	Segment total	260.826	0.7% implied	269.880	1.7%	4.577
Base	Delivery services	96.068	0.5%	98.493	2.0%	1.970
Base	Core commission	99.234	7.0%	139.181	10.0%	13.918
Base	Core online marketing	51.462	6.0%	68.868	24.0%	16.528
Base	Core other services and sales	14.063	8.0%	20.663	3.0%	0.620
Base	Segment total	260.826	4.6% implied	327.204	10.1%	33.036
Bull	Delivery services	96.068	3.0%	111.369	6.0%	6.682
Bull	Core commission	99.234	10.0%	159.817	16.0%	25.571
Bull	Core online marketing	51.462	9.0%	79.181	33.0%	26.130
Bull	Core other services and sales	14.063	12.0%	24.783	8.0%	1.983
Bull	Segment total	260.826	7.5% implied	375.150	16.1%	60.365

Arithmetic tie-out: Bear product revenue sums to RMB269.880B and product operating income sums to RMB4.577B, giving a 1.7% margin. Base product revenue sums to RMB327.204B and product operating income sums to RMB33.036B, giving a 10.1% margin. Bull product revenue sums to RMB375.150B and product operating income sums to RMB60.365B, giving a 16.1% margin. The model therefore does not rely on a top-down segment margin that cannot be reconstructed from the product assumptions.

Probability weights are 30% bear, 50% base, and 20% bull. The skew reflects high uncertainty around competition and regulation. The base case is most likely because Meituan's relevance remains strong but 2025 has shown that margins can stay impaired. The bull case has lower probability because it needs both rational competition and successful monetization recovery. The bear case is meaningful because JD and Alibaba have strategic reasons to keep fighting even if stand-alone delivery economics are unattractive.

11. Key risks and wildcards

Bear risk: the food delivery and instant commerce subsidy war persists. JD.com and Alibaba may continue to treat local delivery as an ecosystem traffic weapon, keeping user incentives and merchant concessions high. In that scenario, Meituan remains large but earns low returns on the delivery infrastructure.

Bear risk: merchant take-rate pressure becomes structural. JD's zero-commission launch offer may condition merchants to demand lower commissions from all platforms. Even if zero commission does not last, the negotiating baseline may shift against Meituan.

Bear risk: rider welfare and regulatory compliance costs rise. SAMR and other departments have emphasized consumer, merchant, and rider rights. Better welfare can be socially and strategically necessary while still reducing segment margin.

Base risk: management over-defends share. The quote "we plan to be the winner" is strategically clear, but it can lead to prolonged investment even after returns deteriorate. The base case assumes management balances defense and profit recovery; a more aggressive posture would pull results toward bear.

Base wildcard: AI merchant tools improve merchant ROI. The company says it is proactively embracing AI and helping merchants reduce operational costs. If those tools raise conversion, reduce support cost, and improve ad efficiency, the online marketing line can outperform without requiring user-fee inflation.

Bull wildcard: regulators push the industry toward rational competition. Administrative pressure on extreme promotions could allow all platforms to reduce subsidy burn. This would not eliminate competition, but it could move the segment back toward positive operating leverage.

Bull wildcard: membership deepens cross-category frequency. If Meituan Membership turns food delivery users into higher-frequency buyers across Instashopping, hotel, travel, and in-store services, commission and online marketing revenue can grow faster than delivery revenue while improving mix.

Structural risk: product disclosure remains limited. Because Meituan does not disclose food delivery, Instashopping, in-store, hotel, or travel revenue separately, outside analysts cannot directly observe which product is driving recovery or deterioration. The model must use the revenue-type matrix until disclosure improves.

Summary table

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	RMB269.880B	1.7%	RMB4.577B	30%
Base	RMB327.204B	10.1%	RMB33.036B	50%
Bull	RMB375.150B	16.1%	RMB60.365B	20%

Appendix B2 - New Initiatives

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Meituan New initiatives - Segment Deep Dive

Company: Meituan Ticker: 3690.HK / HKEX 03690 / Meituan-W Segment: New initiatives Date anchor: 2026-05-28 TTM anchor: Q1 FY2025 + Q2 FY2025 + Q3 FY2025 + Q4 FY2025, ending 2025-12-31 Forward horizon: 2030-12-31, exactly five calendar years from the TTM anchor Currency: RMB billions unless otherwise stated

0. Segment boundary + taxonomy note

New initiatives is a reportable segment, not a collection of fully dollar-disclosed products. The verified data package says Meituan currently reports two operating segments plus unallocated items. Core local commerce includes food delivery, Meituan Instashopping, in-store, hotel and travel. New initiatives includes Xiaoxiang Supermarket, Kuailv, overseas Keeta, bike and e-moped sharing, power bank, micro-credit and other newer services [data_package section 1 rows 19-24; quant_foundation P-Taxonomy rows 111-113]. The latest reportable-segment taxonomy is stable across the recent historical window, so this appendix can compare FY2021-FY2025 segment revenue and segment operating profit without a formal restatement bridge. The important caution is product granularity. Keeta, Xiaoxiang Supermarket, Kuailv, bikes, e-mopeds and other new services are not separately dollar-disclosed. Meituan discloses New initiatives revenue by type only for FY2025: commission, online marketing services, and other services and sales. Therefore the model below is built at the disclosed segment/type level. Any reference to Keeta, Xiaoxiang or Kuailv is a qualitative driver of the disclosed revenue-type lines, not a reported product revenue split.

1. What this segment actually is

New initiatives is Meituan's portfolio of businesses outside the mature domestic local-commerce profit engine. In plain English, it is the company's option book: self-operated grocery retail, B2B restaurant supply, overseas food delivery, shared mobility, power banks, micro-credit and related services that use Meituan's technology, logistics and merchant network but do not sit inside the core local-commerce segment.

The segment has three different economic shapes under one reporting label. First, Xiaoxiang Supermarket and Kuailv are inventory, supply-chain and fulfillment businesses. Xiaoxiang is a self-operated grocery and daily-needs retail model built around front warehouses and fast delivery. Kuailv is a B2B food distribution service that sells to restaurants and other merchants. These businesses naturally create large reported revenue because goods sold are recognized in the other services and sales line, but they do not have marketplace software margins. The revenue is more retail-like: high gross merchandise movement, lower gross margin, working-capital needs, warehouse cost, inventory control and logistics intensity.

Second, Keeta is an overseas food-delivery platform. The product looks more like the domestic food delivery marketplace: users order meals, restaurants pay for platform access, delivery supply has to be recruited and routed, and the platform competes with established local aggregators. The economics can become attractive if order density, merchant selection and user frequency compound together. But during market entry, the P&L can be poor because vouchers, waived delivery fees, rider onboarding and local marketing are front-loaded. The data package explicitly says overseas expansion is the main driver of renewed FY2025 losses, while grocery retail efficiency partly offsets the drag [data_package section 3 rows 71-78].

Third, the segment contains smaller service lines such as bike and e-moped sharing, power banks, micro-credit and other services. These may be useful in a broader Meituan ecosystem because they add user occasions, merchant relationships and payment/credit touchpoints. However, they do not change the central investment question. At FY2025 scale, New initiatives is dominated by other services and sales, which means the segment is much more operationally physical than a pure ad or commission platform.

The customer base also differs by sub-business. Xiaoxiang serves consumers who want groceries and household items quickly. Kuailv serves restaurants and food-service merchants that need procurement and distribution. Keeta serves overseas consumers, merchants and riders. Bike and e-moped services serve urban mobility users. Pricing therefore ranges from retail markup and delivery fees, to merchant commissions, to advertising products, to usage fees and interest/service income. The go-to-market is not a single sales motion. It is a combination of app traffic, fulfillment infrastructure, city launches, merchant acquisition, rider supply and localized promotions.

The investor should not underwrite this as a clean SaaS-like segment. It is a mixed operating portfolio whose best outcome is a scaled local-services network with optional overseas replication. Its worst outcome is a collection of low-margin retail and delivery experiments that absorb the core segment's cash when competition is already intense.

2. Current economics (FY2025 / TTM)

The FY2025 TTM base is also the most recently reported annual period. New initiatives generated RMB104.029B of revenue in FY2025, 28.5% of Meituan's consolidated revenue. Segment operating loss was RMB10.082B, for a negative 9.7% operating margin [data_package section 1 rows 19-24; section 3 rows 71-78]. Q4 FY2025 segment revenue was RMB27.262B, up 18.9% YoY, but the Q4 operating margin worsened to negative 17.1% [data_package section 5 rows 125-135; quant_foundation P2 rows 158-159]. That Q4 margin matters because it shows the loss issue did not simply disappear by year-end. The segment had improved from the deep investment phase of FY2021-FY2023, then deteriorated again as overseas expansion accelerated.

The disclosed FY2025 revenue-type mix is extremely concentrated. New initiatives commission revenue was RMB6.243B, online marketing services were RMB0.458B, and other services and sales were RMB97.327B [data_package section 4 rows 99-101; quant_foundation P1 rows 84-89]. In percentage terms, other services and sales represented about 93.6% of segment revenue. Commission was about 6.0%. Online marketing was less than 0.5%. This is the single most important economic fact in the appendix. It means New initiatives is not currently a high-margin ad/commission segment with some optional retail attached. It is currently a revenue-heavy, lower-margin portfolio where reported sales are mostly goods and services rather than advertising.

Capital intensity is not disclosed by segment. The data package flags that segment assets, liabilities, capex and invested capital are not provided to the chief operating decision maker, so segment ROIC cannot be calculated from official segment reporting [data_package section 10 rows 225-231]. At the consolidated level, FY2025 capex was RMB13.271B and R&D was RMB25.998B, but assigning either to New initiatives would be an allocation rather than a disclosed fact [data_package section 7 rows 176-184]. The operating characteristics nonetheless imply more physical capital and working capital than the core advertising and commission businesses. Grocery front warehouses, supply-chain nodes, delivery infrastructure, bikes and e-mopeds require real assets, local operations and inventory discipline.

The key sub-products are not separately dollar-disclosed. Keeta is qualitative. Xiaoxiang Supermarket is included inside other services and sales. Kuailv is included inside other services and sales. Bike and e-moped, power bank, micro-credit and other newer services are not separately broken out. The analyst's job is therefore not to make a fake Keeta revenue estimate look precise. The correct modeling level is the disclosed segment/type matrix. Keeta and Xiaoxiang should be discussed as mechanisms that drive the segment-type lines: Keeta can grow commission and marketing if marketplace density improves, while Xiaoxiang and Kuailv mostly drive other services and sales.

3. Unit economics

New initiatives revenue becomes profit through three different unit-economic channels, and each has different margin potential.

Commission revenue is the most platform-like. A commission line should scale with gross transaction volume, take rate, merchant adoption and fulfillment/service mix. If the transaction marketplace becomes dense enough, incremental orders can carry meaningful contribution margin because fixed product, routing and marketplace infrastructure are already in place. For Keeta, the problem is that overseas launch economics often invert this logic at the beginning. A new city needs consumer vouchers, merchant subsidies, rider incentives and local marketing before it has enough order density to cover delivery and support costs. The data package's management commentary supports this interpretation: Keeta expansion is strategic, accelerated through Q3 FY2025, and Hong Kong reached positive unit economics in Q4, but no consolidated overseas profitability was disclosed [data_package section 6 rows 163, 166-168].

Online marketing services should be the highest-margin revenue type over time. Once a marketplace has enough merchants, users and search/browse intent, merchants pay for ranking, promotions and performance advertising. In New initiatives today, the disclosed online marketing line is only RMB0.458B. That is economically meaningful as a signal, not as a profit pool. It tells us the newer marketplaces have not yet matured into advertising engines. The bull case requires this line to grow faster than the rest of the segment, but even a high growth rate from a sub-RMB0.5B base cannot carry the whole segment by 2030.

Other services and sales is the largest and lowest-quality revenue type. This line includes sales of goods primarily from Kuailv and Xiaoxiang Supermarket, plus other newer services [quant_foundation P-Taxonomy row 113; data_package section 4 row

101]. It has scale, but the path to profit is more operational: procurement efficiency, private-label or direct-sourcing mix, inventory shrink control, warehouse picking density, delivery batching, supplier rebates, city density, and fewer failed expansion regions. The FY2025 revenue base is large enough to support operating leverage if Meituan rationalizes footprint and improves gross margin. It is also large enough to lose a lot of money if price investment continues.

The FY2021-FY2025 margin history shows why the segment is hard to underwrite. Operating margin improved from negative 84.5% in FY2021 to negative 47.9% in FY2022, negative 28.9% in FY2023 and negative 8.3% in FY2024, then slipped to negative 9.7% in FY2025 [data_package section 3 rows 71-76]. This is a real improvement from the early investment phase, but it is not a clean march to profitability. The FY2025 deterioration came while revenue still grew 19.1%. Scale alone was not enough. Mix and investment intensity mattered more than topline growth.

A simple unit-economic lens is useful. In FY2025, segment revenue was RMB104.029B and segment operating loss was RMB10.082B. To reach breakeven on the current revenue base, Meituan would need roughly 970 bps of operating margin improvement. That could come from lower subsidies, better grocery gross margin, warehouse and rider productivity, higher commission/marketing mix, or exits from structurally weak regions. It cannot be assumed merely because the segment is bigger. Q4 FY2025 revenue of RMB27.262B came with a negative 17.1% margin, worse than the full-year segment margin, so the exit-rate evidence is cautious.

The base case below assumes that Meituan can make New initiatives modestly profitable by 2030 because Xiaoxiang and Kuailv gain scale efficiency, Hong Kong-style Keeta unit economics become replicable in some overseas markets, and Meituan stops treating every geography as a must-win at any price. The bear case assumes overseas and grocery competition keep the segment loss-making. The bull case assumes a Hong Kong and Saudi-like scale playbook works in enough markets that commission and marketing mix improve while other services and sales moves into mid-single-digit margin territory.

4. Competitive dynamics

New initiatives competes in three arenas: domestic grocery and B2B supply, overseas food delivery, and local services adjacencies.

In domestic grocery and B2B supply, the most important competitors are Alibaba-linked Hema/Freshippo and Ele.me ecosystem assets, JD-linked 7Fresh and JD Daojia/JD delivery capabilities, Pinduoduo-style value retail, traditional supermarkets, local wholesalers and specialist fresh-grocery platforms. The economics are structurally tough because customers compare price, freshness, SKU availability and delivery speed. A superior app is not enough. The winner needs procurement scale, dense front warehouses, reliable cold-chain operations, fewer stock-outs and disciplined last-mile cost. Xiaoxiang's reported operational scale is real: management referenced a clear expansion road map and nearly 1,000 brand distribution centers in 20 cities in Q2 FY2025 [data_package section 6 rows 164-165]. But the same operational scale means fixed costs must be fed by dense order flow.

In overseas food delivery, Keeta faces local champions with existing supply and consumer habits. In Hong Kong, Keeta's arrival reshaped the market. Rest of World reported that Keeta had led Hong Kong order volume by May 2024 based on Measurable AI data, and also noted Deliveroo's decision to exit Hong Kong in 2025 after describing the market as difficult and competitive. In Saudi Arabia, Rest of World reported that Keeta became the third-largest food delivery platform just months after launch, using low prices and waived delivery fees to gain share, and cited Redseer data that Keeta had reached roughly 10% order-volume share by January 2025. Source: [Rest of World, March 10, 2025](https://restofworld.org/2025/delivery-app-keeta-hungerstation-saudi-arabia/).

A later Argaam report said Keeta recorded more than 150 million orders in Saudi Arabia in 2025, operated in 23 cities, worked with over 50,000 partner restaurants and over 38,000 drivers, and competed against HungerStation and Jahez. Source: [Argaam, February 2026](https://www.argaam.com/en/article/articledetail/id/1886411). The same facts cut both ways. They show that Meituan's playbook travels: low prices, strong app execution, routing technology and aggressive merchant/rider onboarding can create fast share gains. They also show that the playbook is expensive. Rest of World described vouchers, free delivery and discounted meals as central to the early Saudi strategy. The bear case is not that Keeta cannot gain share. The bear case is that the share is rented through subsidies and that local incumbents respond with their own discounts long enough to keep industry returns poor.

Keeta's geographic expansion broadened during 2025. TechNode reported the Qatar launch in August 2025, noted Hong Kong and Saudi progress, and said Meituan planned to continue expanding across Gulf Cooperation Council countries while preparing Brazil. Source: [TechNode, August 21,

2025](https://technode.com/2025/08/21/meituans-keeta-launches-in-qatar-eyes-expansion-to-brazil/). TechNode later reported a Kuwait launch in September 2025, describing it as Keeta's third Middle Eastern market after Saudi Arabia and Qatar. Source: [TechNode, September 16, 2025](https://technode.com/2025/09/16/meituan-expands-food-delivery-brand-keeta-to-kuwait/). Brazil adds a different competitive map. Reuters, via Investing.com Brazil, reported that Keeta sued DiDi's 99Food in Sao Paulo over alleged exclusivity provisions and noted Keeta's announced R$5.6B Brazil investment. Source: [Reuters via Investing.com Brazil, August 14, 2025](https://br.investing.com/news/stock-market-news/chinesas-meituan-e-didi-brigam-na-justica-por-mercado-de-entrega-de-comida-no-brasil-1649426).

The competitive implication for modeling is that revenue growth can remain high while margins stay bad. Entry into Brazil, Qatar, Kuwait and the UAE can lift orders and merchant count, but each new country resets the subsidy clock. Hong Kong positive unit economics in Q4 is encouraging, but the disclosed segment margin in the same quarter was negative 17.1%, so country-level success has not yet flowed through to segment profitability.

5. Moat at the segment level

The segment-level moat is emerging, not proven. Meituan has genuine capabilities: routing technology, local-services data, merchant software, rider operations, payment and trust infrastructure, user-frequency loops, and management experience running extremely dense delivery networks. These capabilities are valuable when transplanted into new cities. Keeta's quick progress in Hong Kong and Saudi Arabia suggests the operating system has portability.

However, a moat must protect margins, not merely support growth. In New initiatives, the margin shield is weaker than in mature local commerce. Grocery retail has limited pricing power because customers can compare basket prices and substitutes are abundant. B2B food distribution competes with wholesalers and direct suppliers. Bike and power-bank services are convenient but not deeply differentiated. Overseas food delivery has network effects, but incumbents already own local merchant supply and consumer habits. A new entrant can win by subsidizing, but if the customer relationship is price-led, the network effect can be expensive to maintain.

The best segment moat is operational density. Once a city reaches enough order frequency, rider utilization improves, delivery times fall, merchant inventory becomes richer, and marketing can be targeted more efficiently. This is the domestic Meituan lesson. The risk is that density is local, not global. A dense Hong Kong network does not automatically make Riyadh, Doha, Kuwait City, Dubai or Sao Paulo profitable. Each city needs local merchant acquisition, rider supply, regulatory compliance and customer trust.

The second moat is ecosystem cross-use. Meituan can use app traffic, membership, merchant tools and AI-enabled operational support across services. The data package notes that management wants to enhance Meituan Membership and embrace AI, but it also explicitly says no separate AI revenue is disclosed [data_package section 6 row 162; section 9 row 220]. For New initiatives, AI is better modeled as an efficiency lever than a new revenue line: better demand forecasting for grocery, better rider dispatch, better merchant tools, and better promotion targeting.

The third moat is balance-sheet tolerance. Meituan ended FY2025 with substantial cash and treasury investments, even after negative free cash flow and new debt issuance [data_package section 8 rows 192-210]. That gives it staying power in overseas launches and domestic grocery rationalization. But balance-sheet tolerance is not a moat in the Gideon sense unless it eventually converts to durable returns. A competitor with less cash may exit; that helps. But if the market requires permanent subsidy, Meituan's willingness to fund losses becomes a value leak rather than an advantage.

My segment moat verdict is yellow. New initiatives has valuable operating capabilities and plausible density advantages, but the moat is not yet visible in the segment P&L. The segment deserves credit for growth and optionality, not for proven pricing power.

6. Historical growth rates - reproduced from data package, not re-derived

The table below uses the verified data package and quant foundation. It deliberately does not create Keeta, Xiaoxiang or Kuailv dollar histories because those are not disclosed. The three displayed fiscal columns are FY2023, FY2024 and FY2025, and the CAGR column uses the FY2022-FY2025 three-year CAGR where a FY2022 base exists. Product/type rows with only FY2025 disclosure are shown as N/D for prior-year segment/type revenue.

Product / sub-segment	FY2023 rev	FY2024 rev	FY2025 / TTM rev	3-yr CAGR	Most recent YoY	Data package cite
New initiatives total	69.838	87.344	104.029	20.7%	19.1% FY2025; 18.9% Q4 FY2025	data_package section 3 rows 71-76; section 5 rows 128-134; quant_foundation P2 rows 122, 126, 130, 134, 138
Commission - New initiatives portion	N/D	N/D	6.243	N/D	N/D	data_package section 4 row 99; quant_foundation P1 row 87
Online marketing services - New initiatives portion	N/D	N/D	0.458	N/D	N/D	data_package section 4 row 100; quant_foundation P1 row 87
Other services and sales - New initiatives portion	N/D	N/D	97.327	N/D	N/D	data_package section 4 row 101; quant_foundation P1 row 87
Keeta	Not separately disclosed	Not separately disclosed	Not separately disclosed	N/D	Qualitative only	data_package section 4 rows 102 and 114; section 6 rows 163, 166, 168
Xiaoxiang Supermarket	Not separately disclosed	Not separately disclosed	Not separately disclosed	N/D	Qualitative only	data_package section 4 rows 103 and 115; section 6 rows 164-165
Kuailv	Not separately disclosed	Not separately disclosed	Not separately disclosed	N/D	N/D	data_package section 4 row 104

Arithmetic tie-out notes: New initiatives total FY2024 to FY2025: RMB87.344B x 1.191 = RMB104.027B, within rounding of RMB104.029B. FY2023 to FY2024: RMB69.838B x 1.251 = RMB87.367B, within rounding of RMB87.344B. FY2022 to FY2025 three-year CAGR: RMB59.196B compounded at 20.7% for three years equals approximately RMB104.0B. The product/type rows cannot be tied through history because the data package only provides FY2025 New initiatives segment/type dollars. This is a disclosure gap, not a modeling liberty.

The historical lesson is that New initiatives has scaled rapidly even while Meituan exited or transformed weaker areas such as Meituan Select. Revenue growth stayed near 19% in FY2025 despite that transformation, but operating profit did not follow. The operating margin improved dramatically versus FY2021-FY2023 and then stalled. For a five-year model, that argues for growth deceleration and margin recovery, not a straight-line extrapolation of early-stage losses or early-stage growth.

7. Management guidance - quoted from data package Section 6

The data package contains the relevant management anchors for New initiatives. This appendix does not re-fetch or replace those quotes.

Keeta overseas food delivery: Q1 FY2025 transcript, Xing Wang, CEO: "Keeta has very effectively showcased our product capability" [data_package section 6 row 163]. The modeling interpretation is that management believes Meituan's operating system is transferable outside mainland China. I treat that as a reason to allow continued growth in commission and, eventually, online marketing, but not as proof of near-term profitability.

Xiaoxiang expansion: Q2 FY2025 transcript, Xing Wang, CEO: "clear road map" [data_package section 6 row 164]. Management is signaling that grocery expansion is not an accidental side project. This supports continued growth in other services and sales. It also warns against assuming immediate margin normalization, because a planned city rollout typically carries pre-opening, warehouse and supply-chain costs.

Grocery retail scale: Q2 FY2025 transcript, Xing Wang, CEO: "nearly 1,000 brand distribution centers in 20 cities" [data_package section 6 row 165]. This is the clearest operational scale evidence for Xiaoxiang. It supports a base case in which other services and sales can grow above consolidated revenue and move toward profitability. But it also confirms that the segment has real logistics and inventory intensity.

Keeta global coverage: Q3 FY2025 transcript, Xing Wang, CEO: "Keeta accelerated its global coverage" [data_package section 6 row 166]. This is a direct warning for FY2026 and beyond. Growth is intentional, but losses may persist while Keeta enters new markets.

Long-term growth framing: Q4/FY official announcement, company announcement: "grocery retail and overseas expansion represent long-term growth opportunities" [data_package section 6 row 167]. This supports an explicit five-year model rather

than a one-year mean reversion. Management is asking investors to tolerate a multi-year investment cycle.

Keeta Hong Kong: Q4/FY official announcement, company announcement: "positive unit economics in the fourth quarter" [data_package section 6 row 168]. This is the most constructive proof point in the source set. It says at least one overseas market can move into positive unit economics. The limitation is equally important: the company does not disclose country-level revenue or profit, and Q4 New initiatives segment margin was negative 17.1%. Therefore Hong Kong is a proof point, not a segment-level profitability proof.

There is also an explicit open data gap. The FMP Q4 FY2025 transcript endpoint returned an empty array in the data package run, so Q4 commentary uses the official Q4/FY results announcement. This appendix does not attribute Q4 quotes to a call transcript [data_package section 10 row 226].

8. Forward growth assumptions - explicit, per product, justified

The five-year endpoint is 2030-12-31. The starting revenue base is FY2025 / TTM: commission RMB6.243B, online marketing RMB0.458B, and other services and sales RMB97.327B. The product-specific historical CAGRs are N/D because Meituan does not disclose historical New initiatives revenue by product/type. The segment total three-year CAGR was 20.7%, FY2025 YoY was 19.1%, and Q4 FY2025 YoY was 18.9%. I use those segment-level rates as the historical anchor and then vary the revenue-type CAGRs by economic role; the case CAGRs are analyst assumptions at the disclosed revenue-type level, not country-level Keeta or named-product revenue forecasts.

Base case growth assumptions:

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Commission - New initiatives	N/D product; 20.7% segment proxy	N/D product; 19.1% segment FY2025 proxy	Keeta product capability and global coverage; Hong Kong positive unit economics	18.0%	Commission grows near the segment's recent pace as Keeta adds markets and marketplace density improves, but it decelerates from early launch growth because Brazil and GCC expansion require subsidies and local merchant acquisition.
Online marketing services - New initiatives	N/D product; 20.7% segment proxy	N/D product; 19.1% segment FY2025 proxy	No explicit ad guide; management points to long-term overseas and grocery opportunities	20.0%	Marketing grows fastest because it starts from only RMB0.458B and should monetize merchant demand if Keeta and Xiaoxiang marketplaces mature; the base remains conservative because the line is tiny today.
Other services and sales - New initiatives	N/D product; 20.7% segment proxy	N/D product; 19.1% segment FY2025 proxy	Xiaoxiang clear road map and nearly 1,000 distribution centers in 20 cities	12.0%	Other services and sales decelerates below historical segment growth because it is already RMB97.327B, includes lower-margin grocery and B2B distribution, and Meituan Select exits/transformation reduce low-quality growth.

Bear case growth assumptions:

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Commission - New initiatives	N/D product; 20.7% segment proxy	N/D product; 19.1% segment FY2025 proxy	Keeta expansion continues, but country-level dollars are not disclosed	10.0%	Keeta grows orders but take rate and net commission are pressured by free delivery, vouchers and local incumbent reactions, so revenue grows but at a much slower rate than the historical segment.
Online marketing services - New initiatives	N/D product; 20.7% segment proxy	N/D product; 19.1% segment FY2025 proxy	No explicit ad guide	12.0%	Merchant ad demand remains underdeveloped because newer marketplaces have insufficient profitable density; growth is from a low base but monetization is delayed.

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Other services and sales - New initiatives	N/D product; 20.7% segment proxy	N/D product; 19.1% segment FY2025 proxy	Xiaoxiang expands, but weaker regions and grocery competition weigh	7.5%	Grocery and B2B distribution keep growing, but footprint rationalization, price competition and Meituan Select transformation slow reported revenue.

Bull case growth assumptions:

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Commission - New initiatives	N/D product; 20.7% segment proxy	N/D product; 19.1% segment FY2025 proxy	Keeta product capability, global coverage, Hong Kong positive unit economics	25.0%	Keeta turns the disclosed Hong Kong unit-economic proof point and qualitative overseas rollout into faster commission growth at the disclosed revenue-type level; no country revenue is assumed or separately modeled.
Online marketing services - New initiatives	N/D product; 20.7% segment proxy	N/D product; 19.1% segment FY2025 proxy	No explicit ad guide, but marketplace scale creates inventory	30.0%	Merchant ad products scale from a tiny base with strong incremental margins once marketplace liquidity is established.
Other services and sales - New initiatives	N/D product; 20.7% segment proxy	N/D product; 19.1% segment FY2025 proxy	Xiaoxiang expansion road map and distribution-center scale	16.0%	Xiaoxiang and Kuailv sustain strong growth through city expansion, better supply-chain density and higher user frequency, while weaker services are pruned.

The thesis-consistency check is that the base case decelerates segment revenue from 19.1% in FY2025 and 18.9% in Q4 to a 12.4% blended five-year CAGR. That is a meaningful slowdown, but it is defensible because the largest line is already almost RMB100B, grocery and B2B revenue are lower-margin physical businesses, and management has transformed or exited weaker Meituan Select regions. The bull case does not simply extrapolate 20% segment growth across all lines; it allows commission and marketing to grow faster while other services and sales decelerates to 16.0%. The bear case still allows growth because the services are not structurally declining, but it treats subsidies and rationalization as a drag.

9. Forward operating margin assumptions - explicit and justified

The starting segment operating margin is negative 9.7% for FY2025 and negative 17.1% in Q4 FY2025. Meituan does not disclose product/type margins inside New initiatives. The margin assumptions below are analyst estimates by revenue type, constrained by the segment margin history and the qualitative management commentary.

Base case margin assumptions:

Product	Current margin	TTM+5y margin	Mechanism for change
Commission - New initiatives	Not disclosed; segment -9.7%	14.0%	Keeta and other marketplace commissions gain density as rider utilization and merchant onboarding costs per order fall, but remain below mature core margins because overseas markets still need local support and acquisition spend.
Online marketing services - New initiatives	Not disclosed; segment -9.7%	35.0%	Advertising should be high incremental margin once merchant demand exists, but the line is too small to deserve mature ad-platform margins by 2030.
Other services and sales - New initiatives	Not disclosed; segment -9.7%	2.0%	Grocery, B2B supply and shared services move from loss-making to low-profit through procurement scale, supplier rebates, warehouse pick density, fewer weak regions and better delivery utilization.

Bear case margin assumptions:

Product	Current margin	TTM+5y margin	Mechanism for change
Commission - New initiatives	Not disclosed; segment -9.7%	5.0%	Marketplace density improves, but take rate is constrained by overseas competition and subsidies remain part of customer acquisition.
Online marketing services - New initiatives	Not disclosed; segment -9.7%	15.0%	Advertising products exist but remain under-monetized because merchants prioritize discounts and platform participation over paid placement.
Other services and sales - New initiatives	Not disclosed; segment -9.7%	-5.0%	Grocery and B2B supply remain scale-heavy and price-competitive; warehouse, delivery, shrink and inventory costs absorb procurement gains.

Bull case margin assumptions:

Product	Current margin	TTM+5y margin	Mechanism for change
Commission - New initiatives	Not disclosed; segment -9.7%	22.0%	Keeta proves the Hong Kong unit-economic result is repeatable and several overseas markets reach order density, reducing rider and merchant acquisition cost per order.
Online marketing services - New initiatives	Not disclosed; segment -9.7%	45.0%	Advertising scales from a tiny base with strong incremental margins once marketplace liquidity is established.
Other services and sales - New initiatives	Not disclosed; segment -9.7%	6.5%	Xiaoxiang and Kuailv reach enough procurement, supplier-rebate, warehouse and delivery density to produce positive but still retail-like margins.

The margin delta from negative 9.7% to positive 3.1% in the base case is large, but it is not a fantasy margin. It requires about 1,280 bps of improvement over five years, or roughly 255 bps per year. The FY2021-FY2024 history shows that large improvements are possible when loss-making initiatives mature, because the segment moved from negative 84.5% to negative 8.3%. The caution is FY2025: despite scale, margin slipped again. Therefore the base case assumes only low-single-digit segment margin by 2030. The bull case reaches about 8.1%, still below the mature historical core local commerce margin. The bear case stays negative at about 4.2% loss margin.

10. Segment rollup - built bottoms-up

The rollup uses FY2025 / TTM revenue as the starting base and compounds each disclosed revenue type for exactly five years to 2030-12-31. Operating income equals 2030 revenue multiplied by the product/type margin assumption. Segment operating margin is revenue-weighted.

Case	Product	FY2025 / TTM revenue	5y CAGR	TTM+5y revenue	TTM+5y margin	TTM+5y operating income
Bear	Commission - New initiatives	6.243	10.0%	10.054	5.0%	0.503
Bear	Online marketing services - New initiatives	0.458	12.0%	0.808	15.0%	0.121
Bear	Other services and sales - New initiatives	97.327	7.5%	139.726	-5.0%	-6.986
Bear	Segment total	104.029	7.7% blended	150.588	-4.2% blended	-6.362
Base	Commission - New initiatives	6.243	18.0%	14.282	14.0%	1.999
Base	Online marketing services - New initiatives	0.458	20.0%	1.141	35.0%	0.399
Base	Other services and sales - New initiatives	97.327	12.0%	171.524	2.0%	3.430
Base	Segment total	104.029	12.4% blended	186.947	3.1% blended	5.829
Bull	Commission - New initiatives	6.243	25.0%	19.052	22.0%	4.191

Case	Product	FY2025 / TTM revenue	5y CAGR	TTM+5y revenue	TTM+5y margin	TTM+5y operating income
Bull	Online marketing services - New initiatives	0.458	30.0%	1.702	45.0%	0.766
Bull	Other services and sales - New initiatives	97.327	16.0%	204.421	6.5%	13.287
Bull	Segment total	104.029	16.7% blended	225.175	8.1% blended	18.245

Arithmetic check: bear revenue equals RMB10.054B + RMB0.808B + RMB139.726B = RMB150.588B, and operating income equals RMB0.503B + RMB0.121B - RMB6.986B = negative RMB6.362B. Base revenue equals RMB14.282B + RMB1.141B + RMB171.524B = RMB186.947B, and operating income equals RMB1.999B + RMB0.399B + RMB3.430B = RMB5.829B. Bull revenue equals RMB19.052B + RMB1.702B + RMB204.421B = RMB225.175B, and operating income equals RMB4.191B + RMB0.766B + RMB13.287B = RMB18.245B. All segment totals reconcile to the product-level assumptions within rounding.

This rollup intentionally does not include a separate Keeta country table. Keeta matters, but its revenues are not separately disclosed. In this model, Keeta's successful overseas marketplace development mostly lifts commission and online marketing services. Xiaoxiang and Kuailv mostly lift other services and sales. The model is therefore conservative in presentation even when it allows a bull case operational outcome.

11. Key risks and wildcards

Bear risk - overseas subsidy permanence. The biggest segment-specific risk is that Keeta buys share faster than it builds profitable density. Hong Kong positive unit economics is encouraging, but it is one market. If Saudi Arabia, Qatar, Kuwait, the UAE and Brazil all require prolonged vouchers and free delivery, the segment can grow rapidly and still consume cash.

Bear risk - grocery and B2B retail margins. Xiaoxiang and Kuailv can scale revenue while remaining structurally low-margin. Other services and sales is over 93% of FY2025 New initiatives revenue. If procurement savings and warehouse density do not offset price competition, the segment will not earn attractive returns even at RMB150B-RMB200B revenue.

Bear risk - regulatory and labor costs. Overseas food delivery requires compliance with local labor, data, consumer-protection and competition rules. Brazil already has legal conflict around delivery-platform exclusivity according to Reuters. Rider welfare and insurance costs can also rise. These costs directly pressure contribution margin.

Base risk - disclosure opacity. Investors cannot see Keeta country revenue, Xiaoxiang revenue, Kuailv revenue, product-level margin, segment assets, or segment capex. That makes it hard to distinguish good losses from bad losses. The synthesis should apply a higher discount to New initiatives than to the mature core segment until disclosure improves.

Base risk - capital allocation discipline. Management calls grocery retail and overseas expansion long-term growth opportunities. That can be right, but it also creates permission to absorb losses for many years. The base case requires pruning weak markets and weak product lines, not only adding new geographies.

Bull wildcard - network-density inflection. If Keeta's Hong Kong positive unit economics becomes repeatable and Saudi Arabia order scale continues to compound, commission and marketing revenue could become more meaningful than the FY2025 mix suggests. The bull case gives credit for this by letting commission grow 25% and online marketing 30% annually, but still keeps other services and sales as the largest line.

Bull wildcard - AI and routing efficiency. Meituan's AI merchant tools and local-services technology can improve promotion targeting, merchant operations, demand forecasting and dispatch. The model does not create AI revenue. It lets AI show up as better margins, especially in other services and sales. If AI-driven operations materially lower fulfillment cost, the segment margin could surprise upward.

Bull wildcard - competitor exits. Deliveroo's Hong Kong exit shows that aggressive competition can force weaker players out. If Keeta causes further consolidation in selected markets, Meituan's economics could improve after the subsidy phase. This is not assumed broadly because each geography has different incumbents and regulation.

Summary table

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	RMB150.588B	-4.2%	RMB(6.362)B	30%
Base	RMB186.947B	3.1%	RMB5.829B	50%
Bull	RMB225.175B	8.1%	RMB18.245B	20%

The weighted expected outcome from these cases is roughly RMB186.5B of 2030 revenue and RMB5.6B of operating income, close to the base case because the probability weights are deliberately non-uniform. Base receives the highest weight because FY2025 revenue growth remained near 19% and management continues to frame grocery retail and overseas expansion as long-term opportunities. Bear receives a larger weight than bull because Q4 FY2025 New initiatives margin was still negative 17.1%, disclosure remains opaque, and overseas expansion can reset the subsidy clock. Bull is capped at 20% because Hong Kong positive unit economics is a real proof point but not yet a disclosed segment-level profit inflection. For the combined Meituan model, this segment should be treated as meaningful revenue optionality but not yet a quality-compounder profit engine. The base case contributes profit by 2030, but the investment case cannot rely on New initiatives carrying consolidated earnings. The core segment must recover. New initiatives can help if it stops consuming cash, and it can create upside if Keeta and Xiaoxiang become scaled, profitable networks. The downside is that management keeps funding a globally expanding, subsidy-heavy portfolio whose reported revenue looks impressive while returns remain poor.

[DATA GAP: Keeta, Xiaoxiang Supermarket, Kuailv, bike/e-moped, power bank, micro-credit and other services are not separately dollar-disclosed; model uses disclosed New initiatives revenue types only.] [DATA GAP: New initiatives product/type revenue history before FY2025 is not separately disclosed; section 8 uses the segment total historical CAGR as the anchor.] [DATA GAP: Segment assets, liabilities, capex and invested capital are not disclosed, so segment ROIC cannot be calculated.] [DATA GAP: Q4 FY2025 FMP transcript endpoint returned empty in the data package; Q4 commentary uses the official Q4/FY announcement.]

Appendix S - Synthesis (Combined Earnings Model)

Meituan - Appendix S: Synthesis and Combined Earnings Model

Company: Meituan Ticker: 3690.HK / HKEX 03690 / Meituan-W Output path: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Meituan\appendix_synthesis.md` Stage 0 anchor: today is 2026-05-28. Fiscal year ends December 31. TTM is FY2025, ending 2025-12-31. Horizon is 2030-12-31.

This appendix combines the reviewed segment appendices into one TTM+5y earnings model. The segment horizon numbers below reproduce the reviewed Core local commerce and New initiatives appendices unless explicitly stated. No new segment revenue or segment operating-income case is invented here. The synthesis layer adds consolidated revenue, unallocated corporate expense, net income, explicit share count, currency conversion, P/E 15 testing, sensitivity work, and tie-out checks.

The management and moat gates are separate ER2 gates and already fail. The management appendix fails because minority-shareholder alignment, weighted-voting-control structure, time-based RSU grants, limited sub-segment economics, and the FY2025 capital-allocation reset are not good enough for a Gideon 20-year compounder gate. The moat appendix fails because Meituan's network relevance is real but did not protect pricing and margins during the FY2025 subsidy war. Those failures are not mechanically inserted into the P/E 15 arithmetic. The P/E test below is calculated from the combined earnings model and the stated current price, then interpreted separately.

1. Anchors

- Today: 2026-05-28.
- FY end: December 31.
- TTM anchor and end date: 2025-12-31.
- TTM quarters: Q1 FY2025 + Q2 FY2025 + Q3 FY2025 + Q4 FY2025.
- Latest completed FY label for historical tie-out: FY2025.
- Horizon date: 2030-12-31.
- Compounding span: exactly 5.0 calendar years from TTM end, not 6 fiscal years.
- Current price for the P/E test: HKD73.30 per 3690.HK share, from the live FMP quote saved at `raw\fmp_quote_3690HK.json`, timestamp 2026-05-28 16:08:30 HKT.
- Reporting and model currency: RMB. Current price is in HKD. Modeled RMB EPS is converted to HKD at CNY/HKD 1.1556, equivalent to 1 HKD = 0.86535 CNY, from the current-market FX check on 2026-05-28.
- TTM diluted share count: 6,077.1M shares. FY2025 was loss-making, so dilutive securities were anti-dilutive, and the diluted denominator equals the official 6,077.059M shares in the data package and quant foundation.

The TTM base is audited FY2025, not FY2024 and not an annualized in-progress FY2026 run rate. Q1 2026 was scheduled for release on 2026-06-01 and was not available at the Stage 0 anchor. The data package explicitly preserves the Q4 2025 headline revenue bridge issue: audited FY2025 revenue controls, and the audit-implied Q4 revenue is used for TTM.

2. Segment-level Forward Assumptions

The segment table is a reproduction step. Core local commerce comes from `appendix_B_core_local_commerce.md` Sections 8-10, with the summary table confirming horizon revenue and operating income. New initiatives comes from `appendix_B_new_initiatives.md` Sections 8-10, with its rollup confirming the same horizon values. TTM revenue is the FY2025 audited segment revenue from the data package.

Segment	TTM revenue RMB B	Bear TTM+5y rev	Base TTM+5y rev	Bull TTM+5y rev	Bear OI margin	Base OI margin	Bull OI margin	Source
Core local commerce	260.826	269.880	327.204	375.150	1.7%	10.1%	16.1%	Core appendix Sections 8-10
New initiatives	104.029	150.588	186.947	225.175	-4.2%	3.1%	8.1%	New initiatives appendix Sections 8-10

The economics of the two segment cases are very different. Core local commerce is the historical profit engine, but FY2025 showed that its local network effect did not prevent margin collapse when Alibaba, JD, and other ecosystem competitors intensified subsidies. The segment appendix therefore gives the base case a meaningful but incomplete recovery: Core revenue reaches RMB327.204B and operating income reaches RMB33.036B by 2030, still far below the FY2024 margin peak. New initiatives is a mixed portfolio of grocery retail, B2B distribution, overseas Keeta, shared mobility, power bank, micro-credit, and other services. Its base case reaches revenue of RMB186.947B but only RMB5.829B of operating income, reflecting the retail-like economics and overseas investment drag.

The source appendices also confirm that product-level revenue disclosure is limited. Core local commerce has a FY2025 segment/type matrix across delivery services, commission, online marketing, and other services and sales. New initiatives has a FY2025 segment/type matrix across commission, online marketing, and other services and sales. Named products such as Keeta, Xiaoxiang Supermarket, Kuailv, Meituan Instashopping, food delivery, in-store, hotel, and travel are not disclosed as stand-alone annual revenue lines. The combined model therefore remains at the disclosed segment and revenue-type level.

3. Combined Revenue Build

There are no corporate revenue eliminations in the reportable-segment bridge. The data package ties FY2025 segment revenue to consolidated revenue as Core local commerce RMB260.826B plus New initiatives RMB104.029B plus zero unallocated revenue equals audited consolidated revenue of RMB364.855B. The same logic is used at the horizon.

Line	Bear	Base	Bull
Core local commerce TTM+5y revenue	269.880	327.204	375.150
New initiatives TTM+5y revenue	150.588	186.947	225.175
Sum of segment TTM+5y revenue	420.468	514.151	600.325
Corporate eliminations	0.000	0.000	0.000
Combined TTM+5y revenue	420.468	514.151	600.325
Implied TTM to TTM+5y CAGR over 5.0 years	2.9%	7.1%	10.5%

The base-case combined revenue CAGR of 7.1% is not an extrapolation of the FY2021-FY2024 recovery period. It is anchored to the FY2025 stress year, when consolidated revenue grew but Core profitability collapsed. The revenue build says Meituan remains relevant and large. It does not say Meituan has regained pre-2025 pricing power. The bear case still grows revenue at 2.9% because the platform is not assumed to lose user habit or merchant relevance outright. The bull case reaches RMB600.325B, but that requires both a stronger Core monetization recovery and better scaling in New initiatives than is visible in FY2025 exit-rate margins.

4. Combined Operating Income Build

Segment operating income is reproduced from the reviewed segment appendices. The synthesis bridge then subtracts unallocated corporate items. In FY2025, unallocated items were RMB(8.055)B. These include share-based compensation, amortization, fair-value changes, FX, and corporate items. The forward assumption grows this expense at 3.0% per year for five years, producing RMB(9.338)B of unallocated expense in 2030. This is a conservative normalization rather than an aggressive margin add-back. It recognizes that SBC and corporate costs are real claims on shareholders, while fair-value and FX elements may not scale directly with revenue.

Line	Bear	Base	Bull
Core local commerce TTM+5y OI	4.577	33.036	60.365
New initiatives TTM+5y OI	-6.362	5.829	18.245
Sum of segment TTM+5y OI	-1.785	38.865	78.610
Unallocated corporate expense at 3.0% annual growth	-9.338	-9.338	-9.338
Combined TTM+5y OI	-11.123	29.527	69.272
Implied OI margin	-2.6%	5.7%	11.5%

The base case produces a consolidated operating margin of only 5.7%. That is a large improvement from the FY2025 consolidated operating margin of negative 6.9%, but it remains well below FY2024's 10.9% consolidated margin. This is the central synthesis point: the reviewed segment models are not empty pessimism, because they allow Meituan to recover almost RMB55B of operating income versus the FY2025 operating loss. They are also not a clean reversion-to-peak story, because the base case leaves substantial subsidy, merchant support, overseas investment, grocery/logistics intensity, and corporate cost in the system.

In the bear case, positive Core operating income is not enough to offset New initiatives losses and unallocated expense. In the bull case, Core local commerce does most of the work, but New initiatives also contributes RMB18.245B. That bull case is plausible only if Keeta country economics, Xiaoxiang/Kuailv logistics density, and Core competitive discipline all improve at the same time.

5. Net Income and EPS Build

The net income bridge starts with consolidated operating income. FY2025 finance income was RMB2.012B and finance costs were RMB1.887B, for modest net finance income. Meituan also retains a large net cash and treasury investment position, but new notes and operating losses reduce the degree of confidence in a large finance-income tailwind. The model therefore uses RMB1.000B of net interest income in each case and zero other income. The positive-profit cases use a normalized 20.0% tax rate. The bear case receives no tax-benefit credit, because a loss-making outcome would not necessarily create immediate cash tax relief useful to minority shareholders.

Line	Bear	Base	Bull
Combined TTM+5y OI	-11.123	29.527	69.272
Net interest expense or income	1.000	1.000	1.000
Other income	0.000	0.000	0.000
Pre-tax income	-10.123	30.527	70.272
Tax rate assumed	0.0% benefit credit	20.0%	20.0%
Net income	-10.123	24.422	56.218
Diluted share count at TTM+5y, M	6,156.0	6,156.0	6,156.0
EPS at TTM+5y, RMB	-1.64	3.97	9.13
EPS at TTM+5y, HKD at CNY/HKD 1.1556	-1.90	4.58	10.55

The base case produces RMB24.422B of net income and RMB3.97 of EPS. Converted to HKD, base EPS is HKD4.58. The P/E bar uses the HKD share price, so this currency conversion is essential. The required HKD EPS for a 15x P/E at HKD73.30 is HKD4.89. At the stated FX rate, that is RMB4.23 of required EPS. The base case is below that required EPS, even though it assumes a large operating recovery versus FY2025.

This is why the synthesis cannot simply say that Meituan is cheap because the bull case works. The framework's confident case is the base case. The bull case matters as upside, but it does not rescue a thesis if base-case EPS times 15 is below today's price.

6. Share Count Path

The share count path starts with the FY2025 official diluted share count of 6,077.059M. The data package shows FY2025 share-based compensation expense of RMB6.002B and buybacks of only RMB0.365B, after RMB26.090B of buybacks in FY2024. A forward buyback of RMB5.000B per year is used. That is close to the FY2021-FY2025 average buyback pace and is far below FY2024's unusually high repurchase amount. It is also more generous than FY2025. The purpose is to avoid assuming away dilution while still recognizing that Meituan has balance-sheet capacity and some demonstrated willingness to repurchase shares.

SBC issuance is estimated as TTM SBC divided by the current RMB-equivalent share price. Current price is HKD73.30, equivalent to RMB63.43 at 1 HKD = 0.86535 CNY. Annual SBC issuance is therefore approximately 94.6M shares. Annual buyback retirement at RMB5.000B and RMB63.43 per share is approximately 78.8M shares. Net dilution is about 15.8M shares per year. The model uses the same share count across cases because the P/E test is designed to isolate earnings power rather than add an unmodeled bull/bear buyback reflex.

Year	Starting share count M	Buyback RMB B	Avg price assumed	Shares retired M	SBC issuance M	Ending share count M
2026	6,077.1	5.000	RMB63.43	78.8	94.6	6,092.9
2027	6,092.9	5.000	RMB63.43	78.8	94.6	6,108.6
2028	6,108.6	5.000	RMB63.43	78.8	94.6	6,124.4
2029	6,124.4	5.000	RMB63.43	78.8	94.6	6,140.2
2030	6,140.2	5.000	RMB63.43	78.8	94.6	6,156.0

The resulting TTM+5y diluted share count is 6,156.0M. The calculation is explicit: 6,077.1M plus five years of 94.6M SBC issuance less five years of 78.8M buyback retirement equals 6,156.0M. This avoids Gideon's buybacks-maintain-EPS shortcut. If Meituan resumes FY2024-level buybacks after profit recovery, EPS could be higher. If management prioritizes overseas and grocery investment over repurchases, EPS could be lower.

7. P/E 15 Test

The current price is HKD73.30. Since the earnings model is in RMB, each case's RMB EPS is converted to HKD using CNY/HKD 1.1556. Cushion equals EPS times 15 minus current price, divided by current price.

Case	EPS at TTM+5y RMB	EPS at TTM+5y HKD	EPS x 15 HKD	Current price HKD	Cushion	Pass?
Bear	-1.64	-1.90	-28.50	73.30	-138.9%	FAIL
Base	3.97	4.58	68.77	73.30	-6.2%	FAIL
Bull	9.13	10.55	158.30	73.30	116.0%	PASS

The confident case that matters is the base case, not the bull case. Base-case EPS x 15 is HKD68.77, below the current HKD73.30 price, for a negative 6.2% cushion. Therefore the P/E 15 gate fails on the arithmetic as modeled. This does not require applying an extra penalty for the management or moat gate failures. The base case already misses the price bar after unallocated costs, normalized tax, share count dilution, and FX conversion.

The bear case is not a valuation case; it is a reminder that consolidated losses can persist even if Core local commerce turns modestly profitable. The bull case shows that the stock can work if Core local commerce recovers close to a mid-teens margin, New initiatives scales profitably, and unallocated costs do not consume too much of the segment profit. The ER2 discipline is stricter: because base fails, the P/E 15 gate is a fail, and the existing management and moat fails reinforce the final-quality problem.

8. Reflexivity Check

The combined earnings build is bottoms-up from the segment appendices, so the anchor must tie back to reported TTM financials. It does.

For revenue, the FY2025 segment bridge is Core local commerce RMB260.826B plus New initiatives RMB104.029B plus zero unallocated revenue, totaling RMB364.855B. That matches the audited consolidated FY2025 revenue of RMB364.855B in the data package and quant foundation. The sum is not based on the Q4 headline revenue bridge; it uses the audited FY2025 control and audit-implied Q4 revenue for TTM.

For operating income, Core local commerce was RMB(6.904)B, New initiatives was RMB(10.082)B, and unallocated items were RMB(8.055)B. The sum is RMB(25.041)B, matching audited consolidated FY2025 operating loss. The TTM reconstruction therefore ties within 0.0%, well inside the 2.0% tolerance.

The latest completed FY is the TTM year, FY2025. The latest FY historical sanity check therefore uses the same official audited controls. There is no separate FY2026 in-progress anchor in this production run, and Q1 FY2026 was not reported as of the Stage 0 date. This is important because the model is not pretending that the FY2025 Q4 trough or any post-year-end share-price movement is a complete new annual base.

9. In-progress FY Reconciliation

Stage 0 did not use in-progress FY treatment. The data package says Q1 2026 results for the quarter ended 2026-03-31 were scheduled for release on 2026-06-01 after market close and were not yet reported as of 2026-05-28. Therefore there are no FY2026 YTD actuals in the verified package to reconcile, and the TTM anchor remains FY2025.

If a later update adds Q1 FY2026, this appendix should be refreshed rather than patched casually. The key update would be whether Q1 2026 Core local commerce margin shows a real repair from Q3-Q4 2025, whether New initiatives losses narrow, and whether management resumes material buybacks or keeps preserving cash. Until then, the correct Stage 0 treatment is the audited FY2025 TTM base.

10. Sensitivity

The base case is close enough to the P/E bar that sensitivity matters. The table below holds two variables at base and varies the third. EPS is shown in HKD, because the P/E 15 test uses the HKD share price.

Variable tested	Downside setting	Downside EPS HKD	Base EPS HKD	Upside setting	Upside EPS HKD	Read-through
Core local commerce revenue CAGR	Base Core CAGR less 200 bps	4.13	4.58	Base Core CAGR plus 200 bps	5.08	Core revenue matters because Core margin is much higher than New initiatives margin
New initiatives OI margin	Base margin less 200 bps	4.02	4.58	Base margin plus 200 bps	5.15	A small margin change on a large low-margin revenue base moves EPS materially
Share count	Ending shares plus 5%	4.37	4.58	Ending shares less 5%	4.83	Buyback discipline can almost bridge the P/E gap but cannot be assumed
Tax rate	23.0% tax	4.41	4.58	17.0% tax	4.76	Tax is meaningful but not the primary swing factor

The two most important variables are Core local commerce monetization and New initiatives margin. Core local commerce has the highest profit density. If Core revenue growth or monetization is weaker than base, the P/E gate gets worse quickly. New initiatives has lower margin, but the revenue base is large enough that a 200 bps margin change shifts EPS by more than HKD0.55. Share count is the third lever. A 5% lower share count lifts base EPS to HKD4.83, close to the HKD4.89 required EPS, but the explicit share count path does not justify that accretion today. Management nearly stopped buybacks in FY2025 when losses appeared, and the management gate has already failed on per-share discipline.

The kill criteria are therefore practical. If Core local commerce remains loss-making or below mid-single-digit margin through FY2026-FY2027, the base case is too optimistic. If New initiatives revenue keeps growing while segment margin remains near Q4 2025's negative 17.1%, the base case is too optimistic. If RSU grants continue while buybacks stay immaterial, the per-share bridge is too optimistic. Trigger evidence would be the opposite: Core margin repair without loss of traffic, New initiatives losses narrowing while revenue grows, and buybacks resuming only from durable FCF rather than balance-sheet drawdown.

11. Combined Earnings Summary

The probability weights are 35% bear, 45% base, and 20% bull. This is intentionally not a uniform 33/33/34 split. The weights reflect the verified disqualifier sweep: management and moat gates fail, FY2025 showed severe margin fragility, and competition from Alibaba and JD is strategically motivated. The base case remains the single most likely model case because Meituan's relevance and liquidity are real, but the distribution is skewed toward downside rather than a simple average of three cases.

Case	Revenue RMB B	OI RMB B	OI margin	NI RMB B	EPS HKD	Probability	EPS x 15 HKD	vs. HKD73.30
Bear	420.468	-11.123	-2.6%	-10.123	-1.90	35%	-28.50	-138.9%
Base	514.151	29.527	5.7%	24.422	4.58	45%	68.77	-6.2%
Bull	600.325	69.272	11.5%	56.218	10.55	20%	158.30	116.0%
Probability-weighted EPS	498.763	22.227	4.5%	20.217	3.51	100%	52.64	-28.2%

The probability-weighted row is not the gate. It is included to show skew. The P/E 15 gate uses the base case as the confident case. On that standard, Meituan fails: base-case HKD EPS of 4.58 times 15 equals HKD68.77, which is below HKD73.30. Probability weighting makes the picture worse because the bear case is not a remote tail under the current evidence.

12. Tie-out Checks

- Reported-financial tie-out: PASS. FY2025 segment revenue of RMB260.826B plus RMB104.029B plus zero unallocated revenue equals audited consolidated revenue of RMB364.855B. FY2025 segment OI of RMB(6.904)B plus RMB(10.082)B plus unallocated RMB(8.055)B equals audited consolidated OI of RMB(25.041)B. TTM and latest completed FY are the same audited FY2025 anchor, and both tie within 0.0%.

- NI divided by shares equals EPS: PASS. Bear RMB(10.123)B divided by 6,156.0M shares equals RMB(1.64) EPS. Base RMB24.422B divided by 6,156.0M shares equals RMB3.97 EPS. Bull RMB56.218B divided by 6,156.0M shares equals RMB9.13 EPS. HKD EPS is each RMB EPS multiplied by 1.1556.

- Segment sum tie-out at horizon: PASS. Bear combined revenue of RMB420.468B equals the segment sum of RMB269.880B plus RMB150.588B. Base combined revenue of RMB514.151B equals RMB327.204B plus RMB186.947B. Bull combined revenue of RMB600.325B equals RMB375.150B plus RMB225.175B. Corporate eliminations are zero.

- Product-to-segment rollup: PASS. The Core appendix states that bear product revenue sums to RMB269.880B, base to RMB327.204B, and bull to RMB375.150B. The New initiatives appendix states that bear product/type revenue sums to RMB150.588B, base to RMB186.947B, and bull to RMB225.175B. Both appendices explicitly confirm reconciliation within rounding.

- Weighted margin check: PASS. Core appendix Section 10 reconstructs segment OI from product revenues and product margin assumptions, producing margins of 1.7%, 10.1%, and 16.1%. New initiatives appendix Section 10 reconstructs margins of negative 4.2%, positive 3.1%, and positive 8.1%. Product-level margins are analyst allocations because reported product margins are not disclosed, but the arithmetic weighted margins tie.

- Share count path: PASS. Starting share count is 6,077.1M. Annual SBC issuance is 94.6M shares, annual buyback retirement is 78.8M shares, and the model uses exactly five years. Ending share count equals 6,077.1M plus five times 15.8M net issuance, or 6,156.0M shares.

- Growth plausibility: PASS with disclosure caveat. Core base-case segment CAGR is 4.6%, far below the disclosed FY2022-FY2025 Core historical CAGR of 17.5% and consistent with FY2025 slowdown and Q4 decline. New initiatives base-case CAGR is 12.4%, below the segment historical proxy of 20.7%. Product-level history is incomplete for segment/type rows, and the appendices disclose that limitation rather than overclaiming.

- Historical arithmetic: PASS. The segment appendices compound FY2025 TTM revenue bases for exactly five years. Spot checks tie within 1%: Core delivery RMB96.068B at 0.5% reaches roughly RMB98.494B, Core commission RMB99.234B at 7.0% reaches roughly RMB139.181B, New initiatives commission RMB6.243B at 18.0% reaches roughly RMB14.282B, and New initiatives other services and sales RMB97.327B at 12.0% reaches roughly RMB171.524B. The full segment rollups report all rows within rounding.

- Recency anchor: PASS. Stage 0 uses FY2025 TTM as the base, not a higher FY2026 run-rate. The combined base case implies a five-year revenue CAGR of 7.1% from the latest four-quarter audited revenue of RMB364.855B, and the first-forward-year implied run-rate is not used to step above the most recent four quarters by more than 10%. The model compounds from the audited TTM anchor.

- FX and P/E 15 translation: PASS. Required HKD EPS equals HKD73.30 divided by 15, or HKD4.89. Required RMB EPS equals HKD4.89 divided by 1.1556, or RMB4.23. Base modeled EPS is RMB3.97, or HKD4.58. Base EPS times 15 is HKD68.77, and cushion is negative 6.2%.

- Summary and probability math: PASS. The summary table uses the same revenue, OI, NI, EPS, and EPS times 15 values as Sections 3-7. Probability-weighted EPS equals 35% times bear HKD(1.90), plus 45% times base HKD4.58, plus 20% times bull HKD10.55, or HKD3.51. Probability weights sum to 100%.

Tie-out result: 11/11 passed.

13. Verdict

The P/E 15 gate fails. Base-case EPS is RMB3.97, or HKD4.58 at CNY/HKD 1.1556. EPS times 15 is HKD68.77, below the current HKD73.30 price. The cushion is negative 6.2%. The bull case passes comfortably, but the base case does not, and the ER2 rule requires the confident case to clear the price bar.

The broader ER2 conclusion is even stricter because the P/E failure sits beside two separate gate failures. Management gate failure means the investor cannot comfortably trust decade-long capital allocation and per-share discipline without more evidence. Moat gate failure means the investor cannot underwrite 20-year pricing power after the FY2025 margin collapse. The synthesis appendix should therefore feed a final PASS, not because Meituan is irrelevant, but because a high-quality long-term equity should clear the base-case valuation hurdle and the qualitative durability gates at the same time.

The most constructive interpretation is that Meituan is a real business with real recovery optionality. The company has scale, liquidity, user habit, merchant reach, delivery density, and a credible path back to consolidated profit. But the base-case model already gives credit for a large profit recovery and still misses the HKD73.30 price at 15x horizon EPS. For this framework, that is not enough.

Appendix CS - Compounder Score

Meituan - Appendix CS: Compounder Score

1. Executive Verdict

Analysis date: 2026-05-28. Company: Meituan, HKEX 03690 / 3690.HK / Meituan-W. Reporting and model currency is RMB. Share price currency is HKD. TTM anchor is FY2025, year ended 2025-12-31. Forward horizon is 2030-12-31. Current price is HKD73.30 from the live FMP quote saved in the verified ER2 raw package at timestamp 2026-05-28 16:08:30 HKT. The synthesis appendix uses CNY/HKD 1.1556, equivalent to 1 HKD = 0.86535 CNY.

Compounder Score: 39 / 100. Business Quality Score: 38 / 80. 20% Return Underwriting Score: 1 / 20. Score-implied classification: Reject.

This score is diagnostic only and does not override the ER2 gates. The separate verified ER2 gates already fail: management gate FAIL, moat gate FAIL, 2046 durability test FAIL, and P/E 15 gate FAIL. The compounder rubric reaches the same directional answer for a different reason. Meituan is a real platform with scale, user habit, merchant reach, delivery density, liquidity, and recovery optionality. It is not a clean high-ROIIC compounder at today's evidence point because FY2025 converted the historical Core local commerce profit pool into losses, consolidated free cash flow turned sharply negative, New initiatives remained loss-making, and the base-case 2030 earnings model does not support a 20% shareholder return from HKD73.30 without a much richer terminal outcome than the framework allows.

The evidence supports a relevant business, not a Gideon-grade compounder. Core local commerce generated RMB260.826B of FY2025 revenue, but operating profit swung from RMB52.415B in FY2024 to a RMB6.904B loss in FY2025. New initiatives generated RMB104.029B of revenue, but with a RMB10.082B operating loss and a Q4 exit margin of negative 17.1%. Consolidated operating income moved from RMB36.845B in FY2024 to a RMB25.041B loss in FY2025. Consolidated free cash flow moved from positive RMB46.147B in FY2024 to negative RMB27.086B in FY2025. A 20-year compounder can have bad years; the issue here is that the bad year directly tests the moat mechanism. Meituan defended relevance, but the network did not defend pricing and margin when Alibaba, JD, and other ecosystem competitors intensified subsidies.

The evidence also does not support today's price as a 20% return underwriting setup. The verified synthesis base case gives Meituan credit for a major recovery by 2030: revenue RMB514.151B, operating income RMB29.527B, net income RMB24.422B, and ending diluted shares of 6,156.0M. That still produces only RMB3.97 of EPS, or HKD4.58 at the synthesis FX rate. At a 15x exit P/E, the 2030 value is HKD68.77 per share, below the current HKD73.30 price. The five-year annualized return from HKD73.30 to HKD68.77 is about negative 1.3% before any unmodeled dividends, and Meituan currently pays no dividend. To earn 20% annually for five years, an investor would need a terminal value around HKD182.39 per share. The base-case 15x value supports a maximum current buy price of roughly HKD27.64 for a 20% CAGR, not HKD73.30.

2. Data Source Map

The score uses the ER2 verified source chain first. No stale cache was used for the scoring appendix.

Evidence item	Primary file used	Treatment in score
Price, quote timestamp, market cap	`raw/fmp_quote_3690HK.json`; `appendix_synthesis.md`	Current price HKD73.30; market cap HKD452.582B from live quote; FX from synthesis
Reporting calendar and TTM anchor	`data_package.md`; `appendix_synthesis.md`	FY2025 TTM ending 2025-12-31; Q1 2026 outside the Stage 0 reported base
Income statement and margins	`quant_foundation.md`; `data_package.md`	Official annual report-controlled FY2021-FY2025 revenue, OI, NI and segment results
Cash flow and free cash flow	`quant_foundation.md`	Official/FMP-tied operating cash flow, capex and FCF
Balance sheet and liquidity	`quant_foundation.md`; `data_package.md`	Official cash, treasury investments, debt, leases and net cash definitions control over FMP classifications
Share count and SBC	`quant_foundation.md`; `appendix_synthesis.md`; `appendix_management.md`	Official diluted shares and SBC; forward share count path includes SBC issuance and buyback retirement
Segment runway	`appendix_B_core_local_commerce.md`; `appendix_B_new_initiatives.md`	Uses reviewed segment models without inventing new product revenue
Management quality	`appendix_management.md`	Management gate FAIL incorporated as diagnostic evidence, not as a mechanical override

Evidence item	Primary file used	Treatment in score
Moat and 2046 durability	`appendix_moat.md`	Moat gate FAIL and 2046 FAIL incorporated as diagnostic evidence
Combined valuation model	`appendix_synthesis.md`	Base/bear/bull 2030 revenue, OI, NI, EPS, FX and P/E 15 test

Source confidence is High for consolidated financial statements, segment totals, liquidity, share count, SBC, and the synthesis case arithmetic because those files passed tie-outs. Source confidence is Medium for product-level economics and ROIIC because Meituan does not disclose product-level revenue, product-level operating income, segment assets, segment capex, or segment invested capital for the sub-businesses that matter most.

3. Key Financial and Quality Metrics

Metric	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue, RMB B	179.128	219.955	276.745	337.592	364.855
Operating income/(loss), RMB B	(23.127)	(5.820)	13.415	36.845	(25.041)
Operating margin	(12.9%)	(2.6%)	4.8%	10.9%	(6.9%)
Net income/(loss), RMB B	(23.536)	(6.685)	13.856	35.807	(23.355)
Free cash flow, RMB B	(13.022)	5.680	33.642	46.147	(27.086)
Normalized ROIC screen	(28.8%)	(6.5%)	9.5%	27.2%	(34.8%)

The five-year pattern is not a smooth compounder pattern. Revenue compounded strongly from FY2021 to FY2025, but the profit and cash-flow series are regime-dependent. FY2023-FY2024 showed what Meituan can look like when Core local commerce captures operating leverage. FY2025 showed what it looks like when the same platform defends users, merchants, couriers, and quick-commerce relevance during a competitor-led subsidy cycle.

The latest-year quality metrics are weak. FY2025 NOPAT, calculated as operating income multiplied by a normalized 20% tax rate, was RMB(20.033)B. FY2025 free cash flow was RMB(27.086)B. FY2025 SBC was RMB6.002B, or 1.6% of revenue. Latest FCF yield on current RMB market cap is negative 6.9%. Latest EV/NOPAT is not meaningful because NOPAT is negative. Net debt/EBITDA is also not meaningful because adjusted EBITDA was negative, although liquidity is not the main near-term risk.

The balance sheet is a positive but not enough to rescue the compounder score. FY2025 cash plus restricted cash plus treasury investments was RMB188.797B. Borrowings plus notes payable were RMB80.283B. Net cash and treasury investments excluding restricted cash were RMB86.883B; including restricted cash, the figure was RMB108.514B. Using the current live market cap of HKD452.582B and the synthesis FX rate, market cap is roughly RMB391.642B. Subtracting net cash and treasury investments gives an approximate current enterprise value of RMB304.759B. This liquidity gives Meituan staying power; it does not prove high incremental returns.

4. Rubric Scorecard

Category	Score	Max	Diagnostic reason
Incremental returns on capital	7	25	FY2024 ROIC was strong, but the five-year median is poor, FY2025 ROIC is negative, and rough 3-year ROIIC is negative after the profit reset
Reinvestment runway	13	20	Large local-services, quick-commerce, grocery, B2B distribution and overseas delivery runway, but much of the runway is subsidy-prone or retail/logistics-like
Durability of moat	7	15	Network relevance is real; durable pricing power failed the FY2025 stress test
Accounting and financial quality	6	10	Official statements reconcile and balance sheet is liquid, but FCF is volatile, SBC/dilution is material, and product-level disclosure is insufficient

Category	Score	Max	Diagnostic reason
Capital allocation discipline	5	10	FY2024 buybacks showed capacity and FY2025 liquidity preservation was rational; WVR control, time-based RSUs and opaque investment returns cap the score
Price and 20% underwriting	1	20	Base 2030 15x value is below current price; bull case at 15x still does not reach a 20% five-year CAGR
Total	39	100	Reject under the diagnostic rubric

This score is capped because the weakest variables are the variables a compounder most needs to prove: incremental return durability, pricing power under stress, and per-share value creation at the entry price.

5. ROIIC and Reinvestment Analysis

The evidence does not support a high-confidence ROIIC score. Segment-level ROIIC cannot be calculated from official segment reporting because Meituan does not disclose segment assets, segment liabilities, segment capex, or product-level invested capital to the level needed for Core local commerce, food delivery, Instashopping, in-store, hotel, Keeta, Xiaoxiang, or Kuailv. The scoring therefore uses a consolidated screen and treats product-level ROIIC as insufficient evidence.

Consolidated NOPAT using the normalized 20% tax method was roughly RMB(18.502)B in FY2021, RMB(4.656)B in FY2022, RMB10.732B in FY2023, RMB29.476B in FY2024, and RMB(20.033)B in FY2025. The 2022-to-2025 NOPAT change is therefore about negative RMB15.377B. Over FY2023-FY2025, capex plus R&D totaled roughly RMB99.4B, before any working-capital, growth-opex or acquisition adjustments. On that rough adjusted reinvestment base, 3-year ROIIC is negative. Even if one excludes R&D and uses only capex, the answer is still negative because NOPAT fell. The exact percentage is less important than the direction: the latest reinvestment cycle did not produce higher consolidated NOPAT by FY2025.

FY2024 deserves credit. It showed that Core local commerce can produce powerful profits when competition is rational: segment operating margin reached 20.9%, consolidated OI was RMB36.845B, consolidated FCF was RMB46.147B, and the ROIC screen reached 27.2%. But the compounder rubric is not asking whether Meituan once had a high-return year. It asks whether incremental returns are durable and can be underwritten forward. FY2025 broke the trend in the very profit pool that matters most.

Acquisition-inclusive ROIIC is also not proven. Historical FMP acquisition fields were not material in the verified data package for FY2021-FY2025, but the February 2026 Dingdong acquisition is now a live capital-allocation test. The management appendix notes initial consideration of US$717M and a strategic rationale in grocery/supply chain, while also noting that the independent valuer did not opine on commercial merits or perform a comprehensive business risk review. Because the deal is after the TTM anchor and returns are not yet observable, it is treated as a data gap and a future test rather than a source of credit.

6. Runway Analysis

Meituan scores better on runway than on return durability. Core local commerce remains a large, high-frequency domestic local-services platform. The FY2025 Core revenue base was RMB260.826B, split across delivery services, commission, online marketing services, and other Core services. The Core appendix's base case reaches RMB327.204B of 2030 revenue and RMB33.036B of operating income. That base case is not aggressive relative to the FY2022-FY2025 historical growth slope, but it assumes partial repair from the FY2025 margin break.

New initiatives also provide runway, but lower-quality runway. FY2025 New initiatives revenue was RMB104.029B, and the reviewed base case reaches RMB186.947B by 2030. The businesses inside that segment are not homogeneous. Keeta may carry delivery-marketplace option value; Xiaoxiang and Kuailv are more inventory, grocery, B2B distribution and logistics intensive; bike, e-moped, power bank and micro-credit are smaller local-services adjacencies. The FY2025 revenue mix shows why this matters: other services and sales were about 93.6% of New initiatives revenue, while online marketing was less than 0.5%. That is not the mix of a high-margin advertising platform.

The runway score is capped because growth may require continued subsidies, merchant support, rider incentives, warehouse costs, overseas launch losses and regulatory compliance. The base synthesis already assumes total company revenue grows to RMB514.151B by 2030, a 7.1% five-year CAGR from FY2025. That is a meaningful runway. It still yields only a 5.7% consolidated operating margin and RMB24.422B of net income because growth is less valuable when much of it is low-margin

or margin-fragile.

7. Moat Analysis

The moat is real but leaky. Meituan has local network effects: consumers, merchants, couriers, reviews, routing, payment loops, merchant tools, membership and advertising ROI reinforce each other city by city. Core local commerce's FY2021-FY2024 margin expansion from 13.8% to 20.9% is evidence that those density economics can work. The platform also retained relevance through FY2025; the model does not assume a demand collapse.

The problem is pricing power. FY2025 Core revenue still grew 4.2%, but Core operating profit fell by RMB59.319B year over year and the segment margin moved to negative 2.6%. Quarterly Core margin went from 21.0% in Q1 to 5.7% in Q2, negative 20.9% in Q3, and negative 15.5% in Q4. The moat appendix correctly concludes that Meituan's network protected relevance more than it protected economics. A new entrant does not need to replicate the whole network immediately to damage returns. It can subsidize high-frequency orders, lower merchant commissions, or use broader e-commerce traffic to force defensive spending.

The 2046 test fails for the same reason. A credible 2046 Meituan can be described: a large China-centered local-services, delivery, merchant tools, grocery/logistics and selected overseas platform. But the 2046 margin story requires rational competition, favorable regulation, successful pruning of lower-return initiatives, and repeatable Keeta/Xiaoxiang/Kuailv unit economics that are not yet visible. That is too many assumptions for a hard compounder gate.

8. Accounting and Capital Allocation Analysis

Accounting quality is not the binding failure. The verified quant foundation passed 8/8 reconciliation checks. Annual income and cash-flow lines tie to FMP or official reports, known FMP classification differences are documented, and the synthesis has explicit tie-outs for segment sums, share count, FX, and P/E math. The company has a liquid balance sheet and no dividend obligation.

The financial quality problem is cash-flow volatility and opacity, not a simple accounting red flag. FCF was strong in FY2023 and FY2024, but negative in FY2025. Segment disclosures are too broad for the underwriting task: investors cannot see stand-alone revenue, margin, capex or invested capital for food delivery, Instashopping, in-store, hotel, Keeta, Xiaoxiang, or Kuailv. That makes it hard to tell which losses are attractive reinvestment and which are low-return defense.

Capital allocation is mixed. FY2024 buybacks of RMB26.090B showed willingness to retire shares when FCF was strong. FY2025 buybacks fell to RMB0.365B as losses appeared, which was rational liquidity management, not necessarily bad discipline. The issue is per-share compounding evidence. The synthesis share-count path assumes annual SBC issuance of about 94.6M shares and annual buyback retirement of about 78.8M shares, producing net dilution of 15.8M shares per year and an ending 2030 share count of 6,156.0M. Buybacks do not rescue the base case.

The management gate failure matters diagnostically. Meituan is founder-led under weighted voting rights; Wang Xing and Mu Rongjun have effective voting control without majority economic ownership. The April 2026 RSU grant was time-based at nil purchase price and lacked performance targets tied to ROIC, FCF per share or margin recovery. Management has operational credibility, but the minority-shareholder and per-share discipline evidence is not strong enough for a decade-long compounder underwriting.

9. 20% Return Underwriting

Case	2030 EPS HKD	15x value HKD	Five-year IRR from HKD73.30	Diagnostic read-through
Bear	(1.90)	N/M	N/M	Loss-making 2030 case; no valid P/E exit value
Base	4.58	68.77	(1.3%)	Base recovery still does not beat today's price at 15x
Bull	10.55	158.30	16.6%	Bull works as upside, but still misses 20% at 15x
20% hurdle	12.16 required	182.39 required	20.0%	Requires far above base-case EPS or a richer exit multiple

The 20% case requires more than the base case. At HKD73.30, a five-year 20% CAGR requires an ending value of HKD182.39. At a 15x exit P/E, that requires 2030 EPS of HKD12.16, or roughly RMB10.52. With 6,156.0M ending diluted shares, that implies net income around RMB64.8B. The verified bull case reaches RMB56.218B of net income and HKD10.55

of EPS. Even the bull case at 15x does not meet the 20% hurdle.

The reverse DCF is therefore not comfortably beatable. A buyer today is underwriting a major Core local commerce margin recovery, New initiatives turning profitable, unallocated costs remaining controlled, SBC and buybacks not materially diluting the per-share bridge, and no further competitive reset. The base case already gives meaningful credit for those improvements and still misses the P/E 15 gate. The 20% return case would require either a bull-plus earnings outcome, terminal multiple expansion, a much lower entry price, or large cash returns that are not currently evidenced.

10. Hard Veto Checklist

Veto	Status	Reason
ROIIC below cost of capital or unclear	Fail	Consolidated rough ROIIC is negative after the FY2025 NOPAT reset; segment ROIIC is not disclosed
Reported ROIC is an artifact	Watch	FY2024 high ROIC was real enough, but invested capital is volatile due net cash and investments
Growth requires external financing	Watch	Liquidity is strong, but FY2025 had negative OCF, negative FCF and new senior notes
Share count rises without per-share value creation	Watch	Historical count is not runaway, but forward SBC exceeds modeled buyback retirement
Large acquisitions without return evidence	Watch	Dingdong is a live post-anchor test with no observable returns yet
FCF consistently lags earnings structurally	Watch	FY2023-FY2024 were strong; FY2025 was sharply negative
Regulation, platform dependency or cyclicality can impair equity	Fail	Subsidy competition and regulatory/social-license costs directly impair margin
20% return case requires terminal multiple expansion	Fail	Base and bull at 15x do not clear 20% from HKD73.30
Needs flawless execution to justify price	Fail	Base case already assumes major recovery and still misses the price bar
Cannot explain moat in one paragraph	Watch	Moat can be explained, but margin durability is unproven
Governance/accounting issues impair trust	Fail	WVR control, time-based RSUs and limited product economics impair minority-shareholder underwriting
Balance sheet could wipe out equity	Pass	Net cash and treasury investments provide meaningful liquidity

11. Final Decision

Score-implied classification: Reject.

This is not a claim that Meituan is irrelevant, impaired beyond repair, or uninvestable at any price. It is a stricter statement: the evidence does not support Meituan as a high-confidence compounder at HKD73.30 under a 20% annualized return hurdle. The business has scale and recovery optionality, but the 2025 margin collapse is direct negative evidence on moat durability, and the current price already requires a substantial profit rebound.

Compounder Score note: 39/100, Reject; Meituan has real platform relevance and runway, but FY2025 negative ROIC/FCF, failed management and moat gates, and a base-case 2030 value below today's price prevent a compounder classification.

Business Quality Score note: 38/80; Core local commerce has proven density economics in good years, but ROIIC is negative/unclear after the 2025 profit reset, New initiatives is still low-margin and opaque, and durable pricing power failed the subsidy-war stress test.

20% Return UW Score note: 1/20; base 2030 EPS of HKD4.58 at 15x equals HKD68.77, below the HKD73.30 current price, while the five-year 20% hurdle requires about HKD182.39 of terminal value and therefore a bull-plus outcome or multiple expansion.

12. Machine-Readable JSON


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  "The base synthesis allows revenue to reach RMB514.151B and net income to recover to RMB24.422B by 2030, showing re
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  "Consolidated FCF moved from positive RMB46.147B in FY2024 to negative RMB27.086B in FY2025.",
  "Moat gate, 2046 test, management gate and P/E 15 gate all fail in the verified ER2 appendices.",
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    "No segment-level assets or invested capital, so segment ROIC and ROIIC cannot be calculated from official disclosu
    "Dingdong acquisition returns are not observable because the deal is post-TTM anchor.",
    "Q4 FY2025 transcript endpoint was empty in the verified data package, so Q4 commentary relies on official results
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Appendix CSA - Scoring Audit

Meituan - Appendix CSA: Scoring Audit

Analysis date: 2026-05-28. Company: Meituan, HKEX 03690 / 3690.HK / Meituan-W. Reporting and model currency is RMB. Share price currency is HKD. TTM anchor is FY2025, year ended 2025-12-31. Forward horizon is 2030-12-31. Current price is HKD73.30. This audit reviews the diagnostic Compounder Score only. It does not override the ER2 hard gates. The verified ER2 record already has management gate FAIL, moat gate FAIL, 2046 test FAIL, and P/E 15 gate FAIL with a base-case cushion of negative 6.2%.

1. Original vs Audited Scores

The original Compounder Score is directionally correct. It does not try to rescue Meituan with a story about scale, user frequency, or China local-services relevance. It recognizes that the company has real platform assets but fails the high-confidence compounder test because FY2025 directly broke the economics the thesis needs to prove. The audit therefore does not need a wholesale rewrite. The scoring is low, the classification is Reject, and the 20% return underwriting section correctly concludes that the stock does not clear a five-year 20% annualized hurdle at HKD73.30.

The audit makes one modest reduction. Business Quality is reduced from 38/80 to 35/80. The reason is not a new red flag; it is calibration. The original score gives Meituan 13/20 for reinvestment runway and 7/25 for incremental returns. Those are already cautious, but they still leave slightly too much diagnostic credit for a company where segment ROIIC cannot be calculated from official disclosures, 5-year ROIIC is not available, acquisition-inclusive ROIIC is not observable, and the biggest forward runway sits partly in low-margin, subsidy-prone, product-opaque businesses. Valuation / 20% Return Underwriting remains 1/20 because the original mechanics are correct and already near the floor.

Item	Original	Audited	Notes
Business Quality Score / 80	38	35	Reduced for ROIIC, acquisition-return, and product-economics evidence gaps
Valuation / 20% Return UW Score / 20	1	1	Preserved; base and bull at 15x do not clear 20%
Total Score / 100	39	36	Reject remains the diagnostic classification
Classification	Reject	Reject	No ER2 gate is overridden by this diagnostic score

Original return metrics are internally consistent with the synthesis: base-case IRR is about negative 1.27%, bull-case IRR is 16.65%, and the maximum buy price for a 20% IRR is HKD27.64. Bear IRR is not meaningful because the bear case remains loss-making at the horizon.

2. Score Reductions and Reasons

The main reduction is in Business Quality. This score is reduced because the source files do not support a clean high-ROIIC compounder claim. The data package shows FY2021-FY2025 normalized ROIC of negative 28.8%, negative 6.5%, positive 9.5%, positive 27.2%, and negative 34.8%. That sequence has one excellent year, but it is not a durable pattern. FY2025 is especially relevant because it is not a random accounting write-off; it is the live competitive stress test for the profit pool. Core local commerce moved from RMB52.415B of operating profit in FY2024 to a RMB6.904B operating loss in FY2025, and consolidated free cash flow moved from positive RMB46.147B to negative RMB27.086B.

The original ROIIC treatment is appropriately skeptical, but the audit caps the quality score further because ROIIC cannot be reconstructed at the level that matters. The company does not disclose segment assets, liabilities, capex, or invested capital to the chief operating decision maker. It also does not disclose stand-alone revenue, operating profit, or capital for food delivery, Instashopping, in-store, hotel, Keeta, Xiaoxiang, Kuailv, or Dingdong. A rough consolidated 3-year ROIIC screen is negative, which is enough to reject high-return credit, but it is not enough to positively score business quality beyond a low level.

Runway is also reduced slightly. Meituan clearly has a large runway: Core local commerce still has high-frequency local demand, and New initiatives includes grocery, B2B distribution, overseas Keeta, shared mobility, power banks, and other adjacencies. But runway is not the same as profitable reinvestment. The New initiatives appendix shows FY2025 segment

revenue of RMB104.029B and a RMB10.082B operating loss, with Q4 margin at negative 17.1%. Other services and sales were roughly 93.6% of New initiatives revenue, while online marketing was below RMB0.5B. That mix deserves growth optionality credit, not high-quality platform credit.

3. Unsupported Claims

The original score does not contain a major unsupported upside claim, but several areas must remain capped. First, product-level economics are not visible. The source files repeatedly state that Meituan does not disclose product-level revenue or margin for the named products investors most want to underwrite. The segment appendices handle this correctly by using disclosed revenue-type buckets, but the limitation still lowers confidence.

Second, acquisition-inclusive ROIIC is not proven. Historical acquisition fields were not material in the FY2021-FY2025 source set, but the February 2026 Dingdong transaction is a live capital-allocation test after the TTM anchor. The management appendix notes initial consideration of US$717M and also notes that the independent valuer did not opine on commercial merits or perform a comprehensive business risk review. There is no observable return evidence yet, so no score credit should be awarded for acquisition skill.

Third, New initiatives margin recovery is plausible but not proved. The base case assumes segment operating income of RMB5.829B by 2030 on revenue of RMB186.947B, a 3.1% margin. That is a conservative-looking endpoint compared with mature internet margins, but it still requires a large swing from FY2025 losses and an even larger improvement from the Q4 exit margin. The evidence supports optionality, not proven durability.

4. Calculation Errors

I did not find a calculation error that changes the original Reject conclusion. The valuation math ties to the synthesis. Base 2030 EPS is RMB3.97, or HKD4.58 using CNY/HKD 1.1556. At 15x, that equals HKD68.77, below the HKD73.30 current price. The required HKD EPS at 15x is HKD4.89, or about RMB4.23. The base case therefore fails the P/E 15 gate with a negative 6.2% cushion.

The 20% hurdle calculation also checks. A five-year 20% CAGR from HKD73.30 requires terminal value of roughly HKD182.39. At a 15x exit P/E, required 2030 EPS is HKD12.16, or roughly RMB10.52. With 6,156.0M ending diluted shares, that implies net income around RMB64.8B. The verified bull case reaches RMB56.218B of net income and HKD10.55 EPS, so even the bull case at 15x does not reach the 20% hurdle.

The share-count treatment is acceptable and better than a shortcut. The synthesis starts with 6,077.1M shares, adds estimated annual SBC issuance of 94.6M shares, subtracts assumed annual buyback retirement of 78.8M shares, and ends at 6,156.0M shares. That includes dilution rather than assuming buybacks automatically maintain EPS. The audit does not change this calculation, but it does view the buyback assumption as generous relative to FY2025 repurchases of only RMB0.365B.

5. Missing Data

The most important missing evidence is segment-level invested capital. Without segment assets, segment capex, product-level operating income, and product-level revenue history, the score cannot cleanly separate good reinvestment from defensive spending. This matters because the company is funding both the mature Core local commerce battlefield and New initiatives at the same time.

FCF conversion is tested over multiple years, and the test is unfavorable. FY2023 and FY2024 were strong cash years, but FY2025 was sharply negative. That pattern does not prove structural accounting weakness, but it does prove cyclicality and subsidy exposure. SBC is also treated as a real cost. FY2025 share-based compensation was RMB6.002B, and the April 2026 RSU grant discussed in the management appendix is time-based and lacks ROIC, FCF-per-share, or margin-recovery targets.

Disclosure for Keeta, Xiaoxiang, Kuailv, Dingdong pro forma economics, and country-level overseas delivery returns is insufficient. Hong Kong positive unit economics is a useful proof point, but Q4 New initiatives segment margin was still negative 17.1%, so one market does not establish segment-level profitability.

6. Hard-Veto and Threshold Test Audit

The original hard-veto list is supported. ROIIC is below cost of capital or unclear after the FY2025 NOPAT reset. The 20% return case requires a bull-plus earnings outcome, a lower entry price, terminal multiple expansion, or large cash returns that

are not evidenced. Governance and incentive design impair trust: Meituan has weighted voting rights, founder control without majority economic ownership, combined chair/CEO structure, VIE complexity, and broad time-based RSUs.

The threshold tests remain failed. Total score is below 80. Business Quality is below 65/80. Valuation score is below 15/20. ROIIC plus runway is not close to a high-quality threshold. Base-case IRR is negative, not 20%. Bear-case IRR is not a valid positive return case. The score-implied classification must remain Reject.

7. Final 20% Hurdle Pass/Fail

Final 20% hurdle: FAIL. The base case does not even clear the 15x P/E price test, and the bull case at 15x still produces only 16.65% IRR. A 20% return from today's HKD73.30 price requires either 2030 earnings above the verified bull case, a richer terminal multiple than the framework allows, or a much lower entry price. The diagnostic maximum buy price for a 20% CAGR remains HKD27.64.

8. Dream Business / Dream Investment Classification

Meituan is neither a dream business nor a dream investment under this audit. It is an important business with real platform relevance, a liquid balance sheet, and meaningful recovery optionality. But a dream business should show durable high returns through stress, and Meituan's FY2025 stress test produced negative Core local commerce operating income, negative consolidated operating income, and negative free cash flow. A dream investment should offer a credible 20% annualized return without relying on terminal multiple expansion. Meituan does not do that at HKD73.30.

The single biggest reason the company does not qualify is that the FY2025 subsidy war showed the network protects relevance better than economics, while today's price already assumes substantial recovery.

9. Stage 7 Scorecard Notes

Compounder Score note: 36/100, Reject; Meituan has real scale and recovery optionality, but FY2025 negative ROIC/FCF, failed management and moat gates, and base-case value below today's price keep it out of compounder territory.

Business Quality Score note: 35/80; Core local commerce has proven density economics in rational periods, but segment ROIIC is not disclosed, consolidated ROIIC is negative after the 2025 reset, and New initiatives remains low-margin and opaque.

20% Return UW Score note: 1/20; base 2030 EPS of HKD4.58 at 15x equals HKD68.77 versus HKD73.30 today, while a 20% five-year return requires about HKD182.39 of terminal value.

10. Auditor JSON


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Appendix RT - Red Team

Meituan - Appendix RT: Red Team

Stage 0 anchor: FY2025 ended 2025-12-31. Horizon year is 2030. Current price used by the synthesis is HKD73.30. This red team attacks the Stage 5 synthesis, the segment appendices, and the audited Compounder Score. It does not dispute the arithmetic tie-outs; it disputes whether the base-case recovery deserves to be underwritten.

1. The most fragile assumption

The most fragile assumption is the Core local commerce base-case margin recovery to 10.1% by 2030, producing RMB33.036B of segment operating income on RMB327.204B of revenue. The exact lines at risk are Core commission at 7.0% five-year CAGR and 10.0% margin, Core online marketing at 6.0% CAGR and 24.0% margin, and delivery services returning to a positive 2.0% margin. The model is not asking for a full return to FY2024's 20.9% Core margin, but it is still asking for a swing from FY2025's negative 2.6% annual margin and Q4's negative 15.5% margin to a double-digit profit pool while Alibaba, JD, and other ecosystem platforms keep strategic reasons to subsidize local demand.

That is the weak joint because the historical evidence no longer supports the idea that scale alone converts into economic capture. Core local commerce revenue grew only 4.2% in FY2025 while operating income fell from RMB52.415B profit to RMB6.904B loss. The quarterly path was worse than the annual average: Q1 Core margin was 21.0%, Q2 was 5.7%, Q3 was negative 20.9%, and Q4 was negative 15.5%. This is not normal cyclicality. It is a repricing of the Core platform's bargaining power when rivals are willing to treat delivery and instant commerce as traffic acquisition rather than stand-alone profit pools.

The model's own sensitivity says a 200 bp downside in Core revenue CAGR moves base EPS from HKD4.58 to HKD4.13. That is already fatal because required EPS at 15x is HKD4.89. A margin miss is even more direct: if Core's 2030 margin were 7.0% instead of 10.1% on the same RMB327.204B revenue, Core OI would be about RMB22.9B rather than RMB33.0B, removing roughly RMB10.1B of operating income. After 20% tax and 6.156B shares, that is about RMB1.31, or HKD1.51, of EPS. Base EPS would fall toward HKD3.07 before any second-order effect from weaker ad growth or buyback capacity. The P/E 15 value would be about HKD46, not HKD68.77.

The synthesis says the base case leaves meaningful defensive cost in the system. That is true, but the red-team objection is sharper: the base case still assumes the industry permits Meituan to earn an attractive spread on Core relevance again. FY2025 proved that the network kept relevance and still lost money. The bear case is therefore not "Meituan loses users." It is "Meituan keeps users, merchants, and riders, but the economics are competed away."

2. The most-likely-to-be-optimistic Stage 5 number

The single Stage 5 number most likely to be revised down is New initiatives 2030 base-case operating margin of positive 3.1%, equal to RMB5.829B of operating income on RMB186.947B of revenue. It looks conservative next to mature internet margins, but it is aggressive relative to the segment mix and the exit-rate evidence.

The segment generated RMB104.029B of FY2025 revenue and a RMB10.082B operating loss, for negative 9.7% margin. Q4 revenue still grew 18.9% YoY, but margin deteriorated to negative 17.1%. The largest New initiatives line is other services and sales: RMB97.327B of FY2025 revenue, about 93.6% of the segment, and the model gives this line a 12.0% CAGR to RMB171.524B plus a positive 2.0% 2030 margin. That line likely includes grocery retail, B2B food distribution, shared services, and other physical-commerce activities. These are not pure marketplace dollars. They carry warehouse, procurement, inventory, shrink, delivery, and local operating costs. A 2.0% margin sounds small, but for this kind of physical retail mix it is not a free option.

The Keeta proof point is also narrower than the synthesis needs. Hong Kong positive unit economics in Q4 2025 is useful evidence that the operating playbook can work in one market. It is not evidence that Saudi Arabia, Qatar, Kuwait, UAE, Brazil, and later markets can scale without prolonged vouchers and rider/merchant acquisition spending. The data package says Keeta accelerated global coverage and that grocery retail and overseas expansion are long-term opportunities. Those statements are a warning as much as a promise: management is preparing investors for a multi-year investment cycle, not a near-term harvest.

If New initiatives margin is 0% instead of 3.1% in 2030, base EPS loses about HKD0.90 using the synthesis share count and tax assumptions. If it remains negative mid-single digits, it consumes a large portion of the Core recovery. That is why the New initiatives margin is the Stage 5 number most likely to be too optimistic: it relies on opaque sub-businesses,

physical-commerce scale, and overseas market learning that are not separately disclosed.

3. The strongest bear case

A well-informed short seller would not argue that Meituan disappears. The sharper argument is that Meituan becomes China's indispensable but low-return local-commerce utility: huge order volume, huge merchant relevance, huge rider network, and structurally inadequate shareholder returns.

The mechanism is ecosystem competition plus regulatory social cost. Alibaba can use Taobao, Ele.me, Amap/local intent, and AI/search surfaces to route demand into quick commerce. Its March quarter 2026 release said quick commerce revenue rose 57% YoY to RMB19.988B after the rollout of Taobao Instant Commerce. JD entered food delivery in February 2025 and explicitly framed JD Food Delivery as rooted in the JD ecosystem rather than a stand-alone business; its Q2 2025 materials cited more than 25M daily orders and over 1.5M merchants. These rivals do not have to earn Meituan-like delivery margins immediately if the strategic reward is more app frequency, merchant supply, and retail traffic.

The timeline is already visible. In one fiscal year, Core local commerce moved from RMB52.4B operating profit to RMB6.9B loss, consolidated FCF moved from positive RMB46.1B to negative RMB27.1B, and buybacks nearly stopped. If Q1-Q4 FY2026 does not show Core returning to at least mid-single-digit margin, the Stage 5 base case is not delayed; it is broken. The observable anchor is simple: Core local commerce margin and New initiatives segment margin. If Core remains below 5% and New initiatives remains worse than negative 5% while revenue still grows, the platform is scaling activity without proving economic control.

4. Cross-examination of management commentary

Management's statement that it would "invest RMB100 billion over the next three years" in the merchant and food-service ecosystem may be strategically rational, but it is also a direct confession that margins are an output variable, not a commitment. The base model assumes subsidy intensity fades enough for Core margin to recover to 10.1%. The quote says management is prepared to spend heavily to maintain ecosystem position. If that spending is defensive rather than return-generating, the first signal will be continued gross-margin pressure and selling/marketing intensity despite stable or growing order frequency.

The statement "we plan to be the winner" is even more dangerous for minority shareholders. Winning a platform war can mean maintaining user habit and merchant breadth; it does not necessarily mean earning attractive returns. JD's own food delivery comments show why. JD said food delivery is not a stand-alone business, and its reported scaling suggests it can accept weaker delivery economics for broader ecosystem reasons. If Meituan matches ecosystem players that are optimizing a different objective function, the first financial symptom will be Core commission and online marketing growth staying positive while segment OI remains low or negative.

The New initiatives statements should also be read skeptically. "Keeta accelerated its global coverage" and "grocery retail and overseas expansion represent long-term growth opportunities" sound like runway, but they also create permission for years of loss absorption. Hong Kong positive unit economics is the best counterpoint, yet Q4 New initiatives margin was negative 17.1% at the same time. If management is overpromising transferability, the first evidence will be rising New initiatives revenue with no improvement in operating loss dollars, plus continued absence of country-level Keeta disclosure.

Finally, "proactively embracing AI" is not an underwriting answer. AI merchant tools may reduce operating costs and improve ad conversion, and the annual report says AI Merchant Assistant helped more than 3.4M merchants. But AI is available to Alibaba, JD, Douyin-linked local services, and overseas food-delivery competitors too. The first sign that AI is not enough will be online marketing services failing to accelerate despite stable traffic, because merchant ROI is being spent on discounts and platform participation rather than paid placement.

5. Stage 5 tie-out reverification

The Stage 5 model ties arithmetically to FY2025, but that is exactly the problem: the most recent four quarters contain a dramatic intra-year deterioration that a five-year endpoint can visually smooth away. FY2025 is the right TTM anchor, but the second half of FY2025 is a worse starting point than the annual average. Core's full-year margin was negative 2.6%; Q3 and Q4 were negative 20.9% and negative 15.5%. New initiatives full-year margin was negative 9.7%; Q4 was negative 17.1%. If Q4 is closer to the true competitive run-rate than the annual average, 2030 base margins require a larger recovery than the summary table implies.

The share-count path is also more generous than it first appears. The model assumes RMB5.0B per year of buybacks, enough to retire 78.8M shares annually at the current RMB-equivalent price, offsetting much of the estimated 94.6M shares of annual SBC issuance. But FY2025 buybacks were only RMB0.365B while FCF was negative RMB27.086B, capex was RMB13.271B, R&D rose to RMB25.998B, and the company issued new USD and CNY notes. A liquid balance sheet can fund buybacks, but the management gate failed precisely because per-share discipline is not yet proven. If cash remains earmarked for Core defense, Keeta, grocery, Dingdong integration, courier welfare, and AI, the assumed buyback support may not appear.

There is also a product-CAGR issue in disguise. The Core model does not assume reckless headline growth, but it assumes monetizable growth in commission and online marketing even while the competitive pressure is strongest exactly where merchant economics are set. Core commission grows 7.0% and Core online marketing grows 6.0% for five years. Q4 total commission grew only 3.0% YoY and total online marketing grew 2.5% YoY. Without a named structural reason why merchant ROI improves while JD and Alibaba keep pressuring local-commerce take rates, those base CAGRs should not be treated as de-risked.

6. Score-derived 20% return claim

The audited score already says the 20% return case fails, and the red team agrees. The Compounder Score is 36/100, Reject. Valuation / 20% Return UW is 1/20. Base-case IRR is negative 1.27%, bull-case IRR is 16.65%, and the maximum buy price for a 20% IRR is HKD27.64. A five-year 20% CAGR from HKD73.30 requires terminal value of about HKD182.39; at 15x that means 2030 EPS of HKD12.16, or roughly RMB10.52. The verified bull case reaches only HKD10.55 of EPS.

The claim most likely to be too generous is not that Meituan fails the 20% hurdle; that conclusion is solid. The potentially generous claim is the max buy price itself if it is treated as a durable anchor. HKD27.64 still depends on a path where the company eventually earns material positive earnings. If Core margin remains below mid-single digits and New initiatives stays loss-making, the correct maximum price for a 20% annualized return would be lower because the 2030 earnings base would not exist.

7. Exit signal

The exit signal should be quantitative and near-term: exit if, across the next two reported fiscal quarters, Core local commerce operating margin remains below 5.0% and New initiatives operating margin remains worse than negative 8.0%, unless management simultaneously discloses product- or country-level evidence that the losses are narrowing in the sub-businesses causing them.

This threshold is strict but fair. Core below 5.0% means the business is not even halfway back to the synthesis base endpoint and is nowhere near demonstrating renewed pricing power. New initiatives worse than negative 8.0% means the segment is not improving from the FY2025 loss rate and remains far from the positive 3.1% 2030 base case. The two conditions together invalidate the thesis because they show both parts of the model failing at once: the profit engine is not recovering and the growth portfolio is still consuming economics.

An even harder sell signal is full-year FY2026 Core local commerce operating margin below 5.0% with consolidated FCF still negative. At that point, the debate should stop being "does Meituan have a moat?" and become "how much should investors pay for a relevant platform whose economics are controlled by competitors and regulators?"

8. Conviction at the end of red team

The thesis does not survive this red team as a BUY candidate. The specific break is not demand, brand, liquidity, or operational competence. The break is economic control. Meituan's network protects activity better than it protects profit, and the Stage 5 base case already gives credit for a large recovery while still failing the P/E 15 gate.

The final synthesis should be rewritten around a "large, relevant, low-return infrastructure risk" narrative. Core local commerce may recover, but the evidence required to underwrite a 10.1% 2030 Core margin is not yet visible after Q3-Q4 2025. New initiatives may contain valuable options, but the reported segment is too opaque and too physical-commerce-heavy to receive high-return platform credit. Management may be elite operationally, but the management gate fails because minority shareholders are being asked to fund multi-year strategic wars without enough per-share return proof.

The only path back to WATCH or BUY is evidence, not narrative. Meituan needs Core margin repair without user or merchant leakage, New initiatives loss narrowing while revenue grows, country-level Keeta proof beyond Hong Kong, and buybacks funded by durable FCF rather than balance-sheet drawdown. Until those show up, the correct ER2 posture is Reject.

Sources

Local sources: appendix_synthesis.md, appendix_B_core_local_commerce.md, appendix_B_new_initiatives.md, appendix_management.md, appendix_moat.md, data_package.md, appendix_scoring_audit.md, and compounder_score_audit.json.

Outside checks used for structural competition context: Alibaba March quarter and FY2026 results release on BusinessWire (https://www.businesswire.com/news/home/20260512841182/en/Alibaba-Group-Announces-March-Quarter-2026-and-Fiscal-Year-2026-Results), JD.com Q1-Q4 2025 official results releases (https://ir.jd.com/news-releases/news-release-details/jdcom-announces-first-quarter-2025-results, https://ir.jd.com/news-releases/news-release-details/jdcom-announces-fourth-quarter-and-full-year-2025-results-and), and China food-delivery regulator context from China.org.cn / SCMP coverage of SAMR meetings (https://www.china.org.cn/2025-07/22/content_117989918.shtml, https://www.scmp.com/tech/big-tech/article/3318843/chinas-top-market-regulator-summons-alibaba-meituan-jdcom-over-delivery-price-war).

Appendix D - Data Package (raw historicals)

Meituan - Data Package

Output path: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Meituan\data_package.md`

Company: Meituan Ticker: 3690.HK / HKEX 03690 / Meituan-W Stage 0 anchor: Today is 2026-05-28. Fiscal year ends December 31. Most recently reported quarter is FY2025 Q4 / year ended December 31, 2025. Q1 2026 is scheduled for release on June 1, 2026 and is not yet reported. TTM is Q1 FY2025 + Q2 FY2025 + Q3 FY2025 + Q4 FY2025, ending 2025-12-31. Forward horizon is 2030-12-31.

Source hierarchy used here: QF/QFR control all quantitative values. Live FMP pulls and live Meituan/HKEX official PDFs were fetched in this run and saved under `raw\`. Meituan is a Hong Kong-listed foreign/local-exchange issuer, so official Meituan/HKEX filings control where FMP is empty or different. All values are RMB billions unless a table says otherwise. Annual and quarterly numbers are rounded from QF's RMB'000 controls; rounding differences can occur.

Key raw support files created for this D pass: `d_live_fmp_income_annual_3690HK.json`, `d_live_fmp_income_quarter_3690HK.json`, `d_live_fmp_balance_annual_3690HK.json`, `d_live_fmp_cashflow_annual_3690HK.json`, `d_live_fmp_revenue_product_annual_3690HK.json`, `d_live_fmp_revenue_product_quarter_3690HK.json`, `d_live_fmp_transcript_2025_q1_3690HK.json`, `d_live_fmp_transcript_2025_q2_3690HK.json`, `d_live_fmp_transcript_2025_q3_3690HK.json`, `d_live_fmp_transcript_2025_q4_3690HK.json`, `d_live_official_meituan_2025_annual_report.pdf`, `d_live_official_meituan_2025_q4_fy_results.pdf`, `d_live_official_meituan_2025_q3_results.pdf`, `d_live_official_meituan_2025_q2_h1_results.pdf`, `d_live_official_meituan_2025_q1_results.pdf`, and extracted `.txt` versions of those PDFs.

1. Reporting structure and taxonomy

Meituan currently reports two operating segments plus unallocated items. The FY2025 annual report defines Core local commerce as food delivery, Meituan Instashopping, in-store, hotel, and travel businesses. New initiatives includes Xiaoxiang Supermarket, Kuailv, and other newer services. Segment assets and liabilities are not separately provided to the CODM, so this package does not invent asset-level ROIC by segment.

The latest segment taxonomy is stable in the 2025 annual report versus the recent QF historical window, but the underlying business mix is moving. The important taxonomy caution is not a formal reportable-segment change. It is the product/type disclosure sitting across segments: commission, online marketing services, and other services and sales each contain both Core local commerce and New initiatives components. Delivery services is disclosed only in Core local commerce. FMP product segmentation returned empty arrays for both annual and quarterly endpoints, so official revenue-by-type and reportable-segment tables control.

Segment	FY2025 revenue	FY2025 % of revenue	FY2025 operating profit/(loss)	FY2025 operating margin	Description	Source
Core local commerce	260.826	71.5%	(6.904)	(2.6%)	Food delivery, Meituan Instashopping, in-store, hotel, and travel	FY2025 annual report; QF P2
New initiatives	104.029	28.5%	(10.082)	(9.7%)	Xiaoxiang Supermarket, Kuailv, overseas Keeta, bike/e-moped, power bank, micro-credit and other services	FY2025 annual report; QF P2
Unallocated items	0.000	0.0%	(8.055)	N/A	Share-based compensation, amortisation, fair-value changes, FX and corporate items	FY2025 annual report; QF P2
Total	364.855	100.0%	(25.041)	(6.9%)	Consolidated audited FY2025	FY2025 annual report; QF P2

Geographic disclosure is qualitative rather than a revenue table in the QF source set. China remains the main operating base for Core local commerce and grocery retail. Keeta is the disclosed overseas expansion vehicle; the 2025 annual report and Q4/FY announcement discuss Hong Kong, Saudi Arabia, Qatar, Kuwait, the UAE, and Brazil, but do not disclose country-level revenue. Downstream segment agents should not create country revenue splits.

Taxonomy flags carried forward from QF/QFR:

Flag	What it means	Required downstream treatment
FMP product segmentation empty	FMP annual and quarterly product-segmentation endpoints returned empty arrays for 3690.HK	Use official product/type and segment tables only
Official source override	Meituan/HKEX filings control for audited FY2025 and quarterly segment detail	Do not let FMP override official figures when differences exist
FY2025 revenue bridge	Q1-Q4 headline revenue sum exceeds audited annual revenue by RMB1.127B	Use audited FY2025 revenue and audit-implied Q4 revenue for TTM
Q3/Q4 OI FMP gaps	FMP shifts RMB0.492B of operating loss between Q3 and Q4 but annual OI ties	Use official quarterly operating profit/loss
Balance-sheet total gaps	FMP cash, debt, total assets, liabilities, and equity differ from official classifications	Use official balance sheet lines for liquidity and leverage

2. Consolidated historicals

The five-year consolidated history below uses QF/QFR official controls, with FMP annual income, cash-flow and balance-sheet pulls retained as live support. EPS and diluted share count use FMP live annual data cross-checked to official annual reports; the FY2025 diluted share count ties to QF, while the FY2025 basic denominator mismatch is a known FMP classification flag.

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue	179.128	219.955	276.745	337.592	364.855	QF P3; official annual reports; live FMP income annual
Operating income/(loss)	(23.127)	(5.820)	13.415	36.845	(25.041)	QF P3; official annual reports; live FMP income annual
Operating margin	(12.9%)	(2.6%)	4.8%	10.9%	(6.9%)	Calculated
Net income/(loss)	(23.536)	(6.685)	13.856	35.807	(23.355)	QF P3; official annual reports; live FMP income annual
Diluted EPS	(3.90)	(1.09)	2.11	5.66	(3.92)	Live FMP annual income; official EPS cross-check
Diluted share count, M	6,037.7	6,156.6	6,300.3	6,225.7	6,077.1	Live FMP annual income; official FY2025 denominator
Capex	(9.010)	(5.731)	(6.880)	(10.999)	(13.271)	QF P6; live FMP cash flow
Free cash flow	(13.022)	5.680	33.642	46.147	(27.086)	QF P6; live FMP cash flow
ROIC, normalized	(28.8%)	(6.5%)	9.5%	27.2%	(34.8%)	Calculated as below

ROIC calculation: NOPAT equals operating income multiplied by a normalized 20% tax rate. Invested capital equals total debt plus total equity less cash and short-term investments, averaged with the prior year. This is a rough consolidated screen, not a segment valuation tool, because Meituan's net cash and investment balances make invested capital volatile. Under this method, FY2025 NOPAT was RMB(20.033)B and average invested capital was RMB57.517B, producing a negative ROIC. FY2024, before the 2025 subsidy and overseas investment shock, produced RMB29.476B of NOPAT on RMB108.342B average invested capital, or 27.2%.

The historical pattern is therefore not a smooth compounder profile. FY2023-FY2024 showed improving economics and strong cash conversion; FY2025 reset the base with negative OI, negative FCF, and a subsidy-heavy competitive cycle. This is the central quantitative handoff for the synthesis agent.

3. Segment historicals

Segment historicals are official-source controlled. FMP product segmentation was empty, so the segment table comes from Meituan annual reports and QF P2.

Core local commerce	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue	136.645	160.759	206.907	250.247	260.826	Official annual reports; QF P2

Core local commerce	FY2021	FY2022	FY2023	FY2024	FY2025	Source
YoY	N/A	17.6%	28.7%	20.9%	4.2%	Calculated
Operating income/(loss)	18.811	29.503	38.699	52.415	(6.904)	Official annual reports; QF P2
Operating margin	13.8%	18.4%	18.7%	20.9%	(2.6%)	Calculated

Core local commerce is the profit engine and the main competitive battlefield. The FY2025 revenue grew only 4.2% while OI swung from RMB52.4B profit to RMB6.9B loss. The annual report attributes the deterioration to lower gross profit margin and higher user incentives, promotion and advertising amid intensified competition. That means downstream models should separate underlying transaction/GTV demand from net revenue after incentives and from marketing cost.

New initiatives	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue	42.483	59.196	69.838	87.344	104.029	Official annual reports; QF P2
YoY	N/A	39.3%	18.0%	25.1%	19.1%	Calculated
Operating income/(loss)	(35.919)	(28.379)	(20.166)	(7.273)	(10.082)	Official annual reports; QF P2
Operating margin	(84.5%)	(47.9%)	(28.9%)	(8.3%)	(9.7%)	Calculated

New initiatives improved sharply from 2021 to 2024, but FY2025 losses widened again. QF and Q4/FY commentary point to overseas investment as the main driver, while grocery retail efficiency partly offsets the investment drag. Revenue growth is solid, but the quality of that revenue depends on how much of the segment is self-operated retail with lower gross margin, and how quickly Keeta can scale without absorbing a permanent subsidy burden.

Unallocated items	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue	0.000	0.000	0.000	0.000	0.000	Official annual reports; QF P2
YoY	N/A	N/A	N/A	N/A	N/A	Calculated
Operating income/(loss)	(6.019)	(6.944)	(5.117)	(8.297)	(8.055)	Official annual reports; QF P2
Operating margin	N/A	N/A	N/A	N/A	N/A	Calculated

Unallocated items are meaningful relative to consolidated profit. They include share-based compensation expense, amortisation of intangible assets, fair value changes on investments, and foreign exchange gains/losses. Because Meituan reports segment operating profit before these unallocated items, synthesis must bridge segment profit to consolidated operating profit explicitly.

4. Product and sub-segment historicals

Meituan's disclosed product granularity is revenue by type, not by named product such as food delivery, Instashopping, in-store hotel travel, Xiaoxiang, Kuailv or Keeta. The annual segment/type matrix is the finest dollar-disclosed level in QF. Named businesses are discussed qualitatively and sometimes by growth or operational metrics, but not with stand-alone dollar revenue. No back-solved product dollars are used in this package.

Segment	Product or revenue type	What it is	Dollar disclosure?	Last 3 years revenue and source
Core local commerce	Delivery services	Delivery revenue from merchants and consumers, primarily food delivery and on-demand delivery	Yes	FY2023 RMB82.191B; FY2024 RMB98.065B; FY2025 RMB96.068B; official annual reports and QF P1
Core local commerce	Commission	Merchant commission for technology service across local commerce	Yes, but segment/type only	Core portion FY2025 RMB99.234B; total company FY2023 RMB76.689B, FY2024 RMB95.341B, FY2025 RMB105.477B; QF P1
Core local commerce	Online marketing services	Merchant advertising and marketing services	Yes, but segment/type only	Core portion FY2025 RMB51.462B; total company FY2023 RMB40.513B, FY2024 RMB49.240B, FY2025 RMB51.920B; QF P1

Segment	Product or revenue type	What it is	Dollar disclosure?	Last 3 years revenue and source
Core local commerce	Other services and sales	Other local-commerce services within the core segment	Yes, but segment/type only	Core portion FY2025 RMB14.063B; total company FY2023 RMB77.352B, FY2024 RMB94.945B, FY2025 RMB111.390B; QF P1
New initiatives	Commission	Commission from newer services	Yes, segment/type only	FY2025 RMB6.243B; official annual report and QF P1
New initiatives	Online marketing services	Advertising/marketing in newer businesses	Yes, segment/type only	FY2025 RMB0.458B; official annual report and QF P1
New initiatives	Other services and sales	Sales of goods from Xiaoxiang and Kuailv plus bike, e-moped, power bank, micro-credit and other services	Yes, segment/type only	FY2025 RMB97.327B; official annual report and QF P1
New initiatives	Keeta	Overseas food delivery brand	No stand-alone revenue	Qualitative disclosure only; Q4/FY and Q3 commentary discuss overseas expansion
New initiatives	Xiaoxiang Supermarket	Self-operated grocery retail and front warehouses	No stand-alone revenue	Included inside other services and sales; qualitative disclosure only
New initiatives	Kuailv	B2B food distribution	No stand-alone revenue	Included inside other services and sales; qualitative disclosure only

Products with growth or operational disclosure but no stand-alone revenue:

Segment	Product	Disclosure method	Last 4 quarters YoY or operational comments	Source
Core local commerce	Delivery services	Revenue by type is disclosed; food delivery order/GTV details are qualitative	Q1 +22.1%, Q2 +2.8%, Q3 -17.1%, Q4 -9.9% for delivery services revenue	Official 2025 quarterly releases; QF P1
Core local commerce	Commission	Revenue by type is disclosed, not named product dollars	Q1 +22.0%, Q2 +16.0%, Q3 +4.1%, Q4 +3.0% total commission revenue	Official 2025 quarterly releases; QF P1
Core local commerce	Online marketing services	Revenue by type is disclosed, not named product dollars	Q1 +15.0%, Q2 +10.4%, Q3 +2.5%, Q4 +2.5% total online marketing revenue	Official 2025 quarterly releases; QF P1
Core local commerce	Meituan Instashopping	Qualitative growth and user commentary	Q1 robust growth; Q2 GTV stronger than order volume; Q3 leadership solidified; Q4 quick commerce supply pillars expanded	FMP transcripts Q1-Q3; Q4/FY official announcement
New initiatives	Keeta	Qualitative geographic expansion and unit economics	Q1 Saudi progress; Q2 expansion accelerated; Q3 Qatar/Kuwait/UAE/Brazil; Q4 Hong Kong positive unit economics	FMP transcripts Q1-Q3; Q4/FY official announcement
New initiatives	Xiaoxiang Supermarket	Qualitative growth, city and supply-chain commentary	Q2 nearly 1,000 brand distribution centers in 20 cities; Q3 strong growth; Q4 faster city expansion	FMP transcripts Q2-Q3; Q4/FY official announcement

Open disclosure rule for downstream agents: do not model Keeta, Xiaoxiang, Kuailv, Instashopping, food delivery, or in-store hotel travel as if Meituan has disclosed separate annual revenue unless a later official source is fetched. Use the segment/type matrix, and label any allocated sub-model explicitly as an analyst allocation.

5. Most recent quarterly trend

Company FY ends December 31. Most recently completed fiscal quarter available at the time of writing is FY2025 Q4, covering October-December 2025, reported on 2026-03-26 in the official Q4/FY announcement. Q1 FY2026, covering January-March 2026, is scheduled for 2026-06-01 and is not in the historical package.

QF detected an official bridge issue: Q4 headline revenue of RMB92.096B does not tie to audited FY2025 when added to Q1-Q3. Audited FY2025 revenue controls, so Q4 audit-implied revenue for TTM is RMB90.969B. The Q4 headline is still

shown below because it is the official quarterly headline.

Quarter	Segment	Revenue	YoY	Operating margin	Source
Q1 FY2025	Core local commerce	64.325	17.8%	21.0%	Official Q1 results dated 2025-05-26
Q1 FY2025	New initiatives	22.232	19.2%	(10.2%)	Official Q1 results dated 2025-05-26
Q2 FY2025	Core local commerce	65.347	7.7%	5.7%	Official Q2/H1 results dated 2025-08-27
Q2 FY2025	New initiatives	26.493	22.8%	(7.1%)	Official Q2/H1 results dated 2025-08-27
Q3 FY2025	Core local commerce	67.447	(2.8%)	(20.9%)	Official Q3 results dated 2025-11-28
Q3 FY2025	New initiatives	28.041	15.9%	(4.6%)	Official Q3 results dated 2025-11-28
Q4 FY2025 headline	Core local commerce	64.835	(1.1%)	(15.5%)	Official Q4/FY results dated 2026-03-26
Q4 FY2025 headline	New initiatives	27.262	18.9%	(17.1%)	Official Q4/FY results dated 2026-03-26
Q4 FY2025 audit-implied	Total company	90.969	N/A	(17.7%)	FY2025 audited annual less Q1-Q3 official revenue

Product/type quarterly trend:

Quarter	Delivery services	Commission	Online marketing services	Other services and sales	Total revenue	Source
Q1 FY2025	25.723	25.207	11.947	23.680	86.557	Official Q1 results; QF P1
Q2 FY2025	23.656	26.472	13.650	28.064	91.840	Official Q2/H1 results; QF P1
Q3 FY2025	23.022	28.003	14.327	30.137	95.488	Official Q3 results; QF P1
Q4 FY2025 headline	23.595	25.717	13.275	29.509	92.096	Official Q4/FY results; QF P1
FY2025 audited annual	96.068	105.477	51.920	111.390	364.855	FY2025 annual report; QF P1

The operating trend is clear: Q1 was strong, Q2 was the transition quarter as competitive subsidies accelerated, Q3 was the trough for Core local commerce profitability, and Q4 improved sequentially but remained deeply negative. The package therefore should not extrapolate FY2024 margins from a normalizing base; FY2025 is the controlling TTM base.

6. Management commentary on forward growth

FMP live transcript coverage in this run returned transcripts for Q1, Q2, and Q3 FY2025 with dates 2025-05-26, 2025-08-27, and 2025-11-28. The FMP Q4 FY2025 transcript endpoint returned an empty array, so Q4 commentary below uses the official Q4/FY announcement rather than a transcript. This is an explicit data gap, not a substitution. Quotes are kept short and tied to the fetched source; longer statements are paraphrased.

Segment	Period and source	Speaker/source	Verbatim quote	Topic	Modeling interpretation
Core local commerce	Q1 FY2025 transcript, 2025-05-26	Xing Wang, CEO	"invest RMB100 billion over the next three years"	Merchant and food-service ecosystem support	Management is willing to depress margins to support merchants and demand
Core local commerce	Q1 FY2025 transcript, 2025-05-26	Xing Wang, CEO	"we plan to be the winner"	Competitive positioning	Management frames food delivery and on-demand retail as a must-win market
Core local commerce	Q2 FY2025 transcript, 2025-08-27	Shaohui Chen, CFO	"industry-wide subsidy reaching record highs"	Subsidy cycle	Q2 marks a structural margin reset rather than a normal seasonal quarter
Core local commerce	Q3 FY2025 transcript, 2025-11-28	Shaohui Chen, CFO	"irrational competition within the on-demand delivery industry significantly distorted sector-wide profitability"	Profitability shock	2025 margins should be treated as competition-driven, not merely execution-driven
Core local commerce	Q4/FY official announcement, 2026-03-26	Company announcement	"solidify the competitive advantages"	2026 strategy	Company prioritizes share, membership, supply and service quality before margin recovery

Segment	Period and source	Speaker/source	Verbatim quote	Topic	Modeling interpretation
Core local commerce	Q4/FY official announcement, 2026-03-26	Company announcement	"promoting the healthy and sustainable development of the industry"	Industry repair	Recovery case depends on competition rationalization and healthier platform economics
Core local commerce	Q3 FY2025 transcript, 2025-11-28	Xing Wang, CEO	"Meituan remains the go-to platform"	User mindshare	Management emphasizes breadth, frequency, and user structure despite subsidies
Core local commerce	Q4/FY official announcement, 2026-03-26	Company announcement	"enhance Meituan Membership"; "proactively embracing AI"	Engagement and AI	Forward model should include membership cross-sell and AI merchant tooling as efficiency levers, not separate disclosed revenue lines
New initiatives	Q1 FY2025 transcript, 2025-05-26	Xing Wang, CEO	"Keeta has very effectively showcased our product capability"	Overseas food delivery	Overseas expansion is strategic and management sees product/tech transferability
New initiatives	Q2 FY2025 transcript, 2025-08-27	Xing Wang, CEO	"clear road map"	Xiaoxiang expansion	Xiaoxiang is intended to expand across first- and second-tier cities
New initiatives	Q2 FY2025 transcript, 2025-08-27	Xing Wang, CEO	"nearly 1,000 brand distribution centers in 20 cities"	Grocery retail scale	New initiatives includes real logistics and inventory intensity, not only marketplace economics
New initiatives	Q3 FY2025 transcript, 2025-11-28	Xing Wang, CEO	"Keeta accelerated its global coverage"	Overseas expansion	2026 losses may persist if Keeta continues entering new markets
New initiatives	Q4/FY official announcement, 2026-03-26	Company announcement	"grocery retail and overseas expansion represent long-term growth opportunities"	Capital allocation	Management calls both strategic and long-term, so losses may be tolerated
New initiatives	Q4/FY official announcement, 2026-03-26	Company announcement	"positive unit economics in the fourth quarter"	Keeta Hong Kong	Hong Kong is proof point, but no consolidated overseas profitability is disclosed

Segment interpretation: Core local commerce has not lost relevance. Management repeatedly points to users, frequency, merchants, membership and operational efficiency. The immediate issue is price and subsidy competition, not a vanished demand pool. Still, Meituan's own language shows a willingness to defend market position even at the cost of near-term losses. New initiatives are a mixed portfolio: grocery retail efficiency is improving, but Keeta is absorbing expansion cost and Meituan Select has been strategically transformed/discontinued in weaker regions.

7. Capital allocation history

Capital allocation is unusual in FY2025: the company preserved a large cash and treasury investment base, issued new debt, sharply reduced buyback spending versus FY2024, and funded negative operating cash flow plus capex. QF P6 is controlling for cash flow and liquidity. R&D increased materially as management highlighted AI and local services technology.

Year	Capex	Capex / revenue	R&D	R&D / revenue	Buybacks	Dividends	M&A/acquisitions net	Source
FY2021	(9.010)	5.0%	16.676	9.3%	0.000	0.000	Not material in FMP field	Live FMP cash flow and income
FY2022	(5.731)	2.6%	20.740	9.4%	0.000	0.000	Not material in FMP field	Live FMP cash flow and income
FY2023	(6.880)	2.5%	21.201	7.7%	0.000	0.000	Not material in FMP field	Live FMP cash flow and income
FY2024	(10.999)	3.3%	21.054	6.2%	(26.090)	0.000	Not material in FMP field	QF P6; live FMP cash flow and income
FY2025	(13.271)	3.6%	25.998	7.1%	(0.365)	0.000	Not material in FMP field	QF P6; live FMP cash flow and income

Interpretation for capital allocation: FY2024 demonstrated meaningful buyback capacity when the core profit pool was strong. FY2025 shows the opposite: the company retained flexibility rather than pushing repurchases while losses and overseas investment increased. This is rational from a liquidity standpoint, but it makes per-share accretion dependent on profit recovery rather than current capital return.

Debt and financing actions matter. QF records new November 2025 USD senior notes of USD2.0B and CNY senior notes of CNY7.08B. Borrowings plus notes payable increased from RMB55.753B in FY2024 to RMB80.283B in FY2025, while cash plus restricted cash plus treasury investments less borrowings and notes still stood at RMB108.514B. The balance sheet remains liquid, but leverage ratios using EBITDA are not meaningful because FY2025 adjusted EBITDA was negative.

8. Balance sheet snapshot

The balance sheet snapshot uses official FY2025 values from QF P6. FMP cash and debt classifications differ: FMP cash appears to include restricted cash, and FMP total debt appears to include leases. Official values control.

Item	FY2025 RMB B	Source
Cash and equivalents	106.771	FY2025 annual report; QF P6
Restricted cash	21.632	FY2025 annual report; QF P6
Short-term treasury investments	60.062	FY2025 annual report; QF P6
Long-term treasury investments	0.332	FY2025 annual report; QF P6
Cash plus restricted cash plus treasury investments	188.797	Calculated from QF P6
Borrowings plus notes payable	80.283	FY2025 annual report; QF P6
Lease liabilities	6.336	FY2025 annual report; QF P6
Net cash and treasury investments	86.883	Cash plus treasury investments less borrowings and notes
Net cash including restricted cash	108.514	Cash plus restricted cash plus treasury investments less borrowings and notes
Net debt / EBITDA	N/M	FY2025 adjusted EBITDA was negative; QF quality flag
Goodwill plus intangibles	30.234	Live FMP annual balance sheet; official balance-sheet classification cross-check
Total assets	346.910	FY2025 annual report; QF P3
Total liabilities	195.922	FY2025 annual report; QF P3
Total equity	150.988	FY2025 annual report; QF P3
Tangible book value	120.754	Total equity less goodwill and intangibles

Liquidity conclusion: Meituan can fund a period of competition and overseas expansion, but FY2025 cash flow was negative. The key balance-sheet risk is not near-term solvency; it is the duration and intensity of subsidy competition and overseas losses. If FY2026 extends FY2025 cash burn without margin repair, the cash buffer remains large but the investment case weakens.

9. Recent corporate actions

- 2026-05-19: Meituan announced that Q1 2026 results for the quarter ended March 31, 2026 would be released on 2026-06-01 after market close. This confirms Q1 2026 is outside the Stage 0 reported-period anchor.
- 2026-03-26: Meituan released FY2025/Q4 results. Audited FY2025 revenue was RMB364.855B, operating loss was RMB25.041B, and attributable loss was RMB23.355B. The official FY2025 annual report was later posted on the IR reports page.
- 2025-11-06: Meituan issued new senior notes, including USD600M 4.500% due 2031, USD600M 4.750% due 2032, USD800M 5.125% due 2035, and CNY senior notes due 2030 and 2035 per QF debt instrument table.
- 2025 Q2-Q4: Meituan Select was strategically transformed and discontinued or exited in underperforming regions. Q4/FY disclosure says New Initiatives revenue grew despite the discontinuation impact.
- 2025 H2: Keeta expanded into Qatar, Kuwait, the United Arab Emirates, and Brazil after earlier progress in Hong Kong and Saudi Arabia. Hong Kong achieved positive unit economics in Q4 2025, but no country-level revenue or segment profit is disclosed.
- 2025: Courier welfare initiatives expanded, including occupational injury insurance, pension subsidy programs, and broader welfare programs. These actions support ecosystem durability but add cost during the competitive cycle.

- 2025: The company emphasized AI merchant tools and local-services AI assistants. The annual report says AI Merchant Assistant helped more than 3.4M merchants reduce operational costs, but no separate AI revenue is disclosed.
- FY2025: Buybacks fell to RMB0.365B from RMB26.090B in FY2024 as operating cash flow turned negative and the company prioritized liquidity and investment.

10. Open data gaps

- FMP product segmentation is empty for 3690.HK in both annual and quarterly live pulls. This is not an omission by D; QF/QFR verified the empty endpoint and the official-source override.
- Q4 FY2025 FMP transcript endpoint returned an empty array in this run. Q4 commentary therefore uses the official Q4/FY results announcement. Do not attribute Q4 quotes to a call transcript unless a later live source is fetched.
- The official Q4 headline revenue bridge does not tie to audited FY2025 revenue. QF/QFR require audited FY2025 revenue to control over the Q4 headline bridge. Downstream models should use audit-implied Q4 revenue for TTM and preserve the headline discrepancy as an analyst flag.
- Keeta, Xiaoxiang Supermarket, Kuailv, Meituan Instashopping, food delivery, in-store, hotel and travel are not separately dollar-disclosed as stand-alone products. The disclosed dollar granularity is revenue type by segment. Any product-level model below that level is an analyst allocation, not a reported fact.
- Geographic revenue is not separately disclosed in the source set. Keeta countries and regions are qualitative only.
- Segment assets, liabilities, capex and invested capital are not disclosed to the CODM. Segment ROIC cannot be calculated from official segment reporting.
- FY2025 balance-sheet FMP gaps remain live flags: cash, debt, total assets, total liabilities and total equity differ from official statements. Use official values for liquidity.
- Q3/Q4 FMP operating-income timing/classification gaps remain live flags. They offset at the annual level, but official quarterly OI controls for recency trend analysis.

Self-verification notes: the largest segment's latest revenue trend was checked against the official Q4/FY announcement: Core local commerce revenue was RMB64.835B in Q4 FY2025, down 1.1% YoY, and operating margin was negative 15.5%. A management commentary check was performed against the live FMP Q3 transcript dated 2025-11-28, where management described irrational competition and sector-wide profitability distortion. FY2025 annual revenue was checked against the live FMP annual income statement and official annual report; both tie to RMB364.855B after normalizing units.