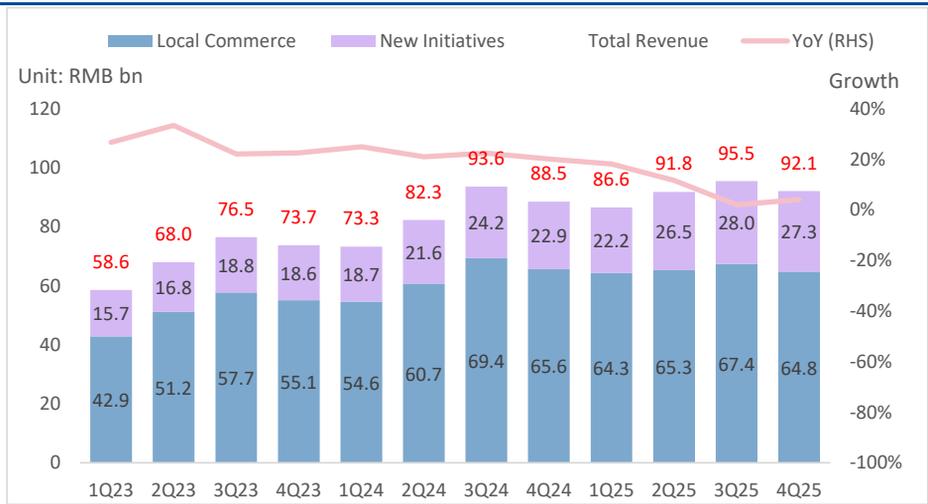


## What's Hot Today:

### ► Meituan (3690 HK, HK\$84.2, HK\$520bn) Bottoming & Resilient Fundamentals Intact

Meituan's 4Q25 total revenue reached RMB92.1bn (+4% YoY/-4% QoQ) and net loss stood at RMB15bn, largely in line with the company's previous guidance. Although profitability has not seen meaningful improvement, we believe Meituan's fundamentals are recovering gradually as the industry is likely entering a stabilizing phase. Its solid core competitiveness should be able to yield operational resilience and long-term sustainability.

Fig 1: Total Revenue and Gross Profit (RMB'bn)



Source: Company Data, Sunwah Kingsway Research

**Expect profitability to resume in 2Q26** - Local commerce revenue amounted to RMB64.8bn (-1% YoY/-4% QoQ), with operating loss narrowing to RMB10bn. Excluding in-store operating profit of roughly RMB4.5bn, the loss due to subsidies and price wars came to RMB15bn, improving from RMB20bn in 3Q25. Loss narrowing faster in 1Q26 when compared with 4Q25, with a return to profitability expected in 2Q26.

**1) Delivery services showed gradual improvement:** Revenue stood at RMB23.6bn (-10% YoY/+2% QoQ). The YoY decline narrowed significantly from -17% in 3Q25 to -10%. Daily orders for food delivery and flash buy fell 8% QoQ to 88.6mn from the 3Q25 peak of 96.5mn, mainly affected by seasonality and reduced subsidies for low-AOV (Average Order Value) orders. Despite weaker order volume, profitability improved with loss per order dropping to RMB1.8 from RMB2.3 in 3Q25.

China & HK Indices	CLOSE	1D	YTD
HSI	24,750	-0.8%	-3.4%
HSCXI	8,399	-0.6%	-5.8%
HSCCI	4,146	-0.4%	3.3%
CSI300	4,491	-0.2%	-3.0%
Shanghai A	4,114	0.2%	4.2%
Shanghai B	264	0.3%	4.2%
Shenzhen A	2,699	-0.0%	1.9%
Shenzhen B	1,199	-0.1%	-5.1%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	45,216	0.1%	-5.9%
S&P 500	6,343	-0.4%	-7.3%
Nasdaq	20,794	-0.7%	-10.5%
Nikkei Index	50,750	-2.2%	0.8%
FTSE Index	10,127	1.6%	2.0%
CAC Index	7,772	0.9%	-4.6%
DA-X Index	22,562	1.2%	-7.9%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	4,510	0.4%	4.7%
STEEL (US\$/oz.)	2,661	-0.9%	4.6%
SILVER (US\$/oz.)	70	0.5%	-2.5%
CRUDE OIL (US\$/bbl)	102	3.3%	85.2%
COPPER (US\$/oz.)	12,223	0.6%	-1.6%
ALUMINIUM (US\$/oz.)	3,401	4.0%	13.5%
PLATINUM (US\$/oz.)	1,900	1.8%	-8.3%
ZINC (US\$/oz.)	3,182	3.3%	2.1%
WHEAT (US\$/bu)	607	0.3%	20.8%
CORN (US\$/bu)	455	-1.4%	1.7%
SUGAR (US\$/lb)	140	-0.6%	
SOYBEAN (US\$/bu)	1,159	0.0%	9.4%
PVC (US\$/t)	5,658	0.8%	62.5%
CRB	371	2.6%	3.0%
BDI			8.2%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.836	0.872	159.710	0.799	6.913
HKD	0.128		0.111	20.383	10.203	0.882
EUR	1.147	8.983		183.100	1.091	7.922
JPY	0.006	4.906	0.546		0.501	0.043
CHF	1.251	9.801	1.091	199.771		8.640
RMB	0.145	1.134	0.126	23.094	0.116	

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece		N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	30	17.1%

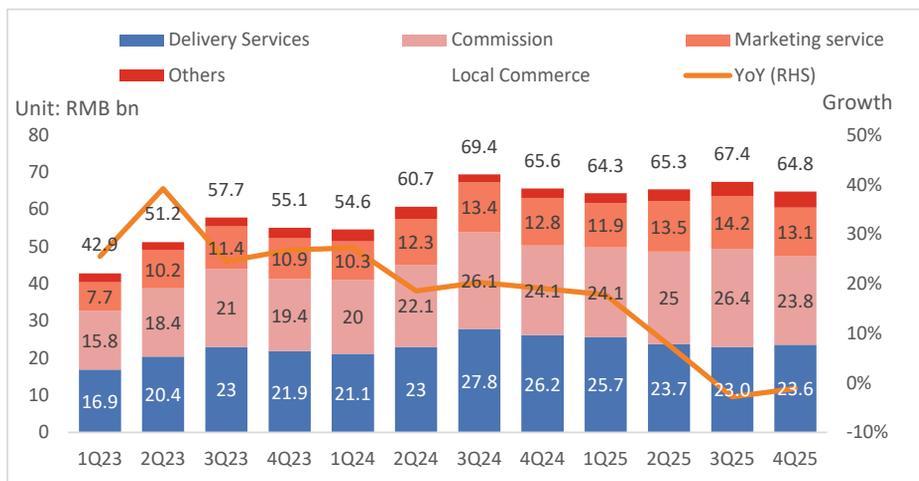
Source: Bloomberg

Loss per order in 1Q26 improved notably from 4Q25 RMB 1.8 to RMB1.3, supported by a higher mix of high-AOV orders during the Spring Festival and fewer low-AOV orders such as milk tea drinks. On a GMV basis, Meituan's overall market share was around 60%, while its share for orders of above RMB30 AOV remained stable at over 70%. The UE (unit economics) gap with Alibaba widened QoQ to RMB2, indicating a solid competitive advantage.

**2) Commission and online marketing services remained under pressure:** Slower in-store GTV growth and lower monetization rate amid fierce Douyin competition weighed on the segment, with combined revenue at RMB36.9bn (+1% YoY/-9% QoQ) and OPM moderating to 25% in 4Q25.

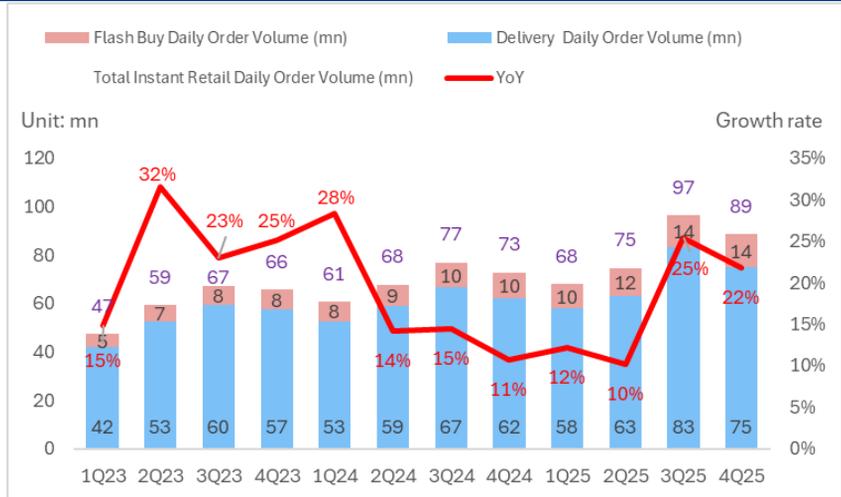
Douyin launched Doushengsheng (抖省省) in 2026, an independent commission-based local service app, which has maintained strong growth and posed challenges to Meituan's in-store business. However, Meituan differentiates itself via Dianping's long-standing review system and strong on-the-ground operations, holding up strong in the in high-margin lifestyle and entertainment (hotels & travel, leisure, high-end catering), with OPM expected to recover to above 30%.

Fig 2: Breakdown of Local Revenue (RMB'bn)



Source: Company Data, Sunwah Kingsway Research

Fig 2: Breakdown of Daily Order Volume ('mn)

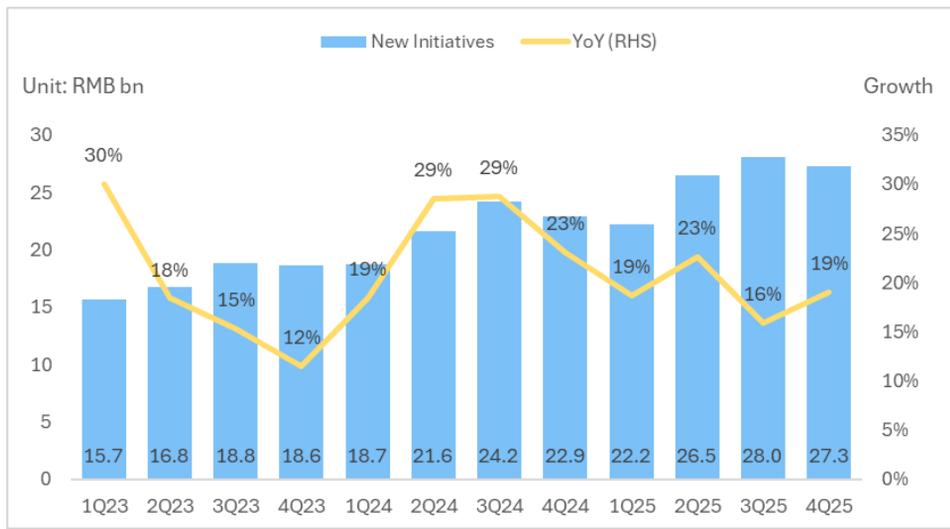


Source: Company Data, Sunwah Kingsway Research

**New Initiatives remained resilient:** Revenue hit RMB27.3bn (+19% YoY/-3% QoQ), with its revenue share rising to 30%. Growth was driven by robust overseas expansion of Keeta in Hong Kong, the Middle East and South America, as well as rapid development of Xiaoxiang Supermarket (小象超市). Meanwhile, segment operating loss widened to RMB4.6bn, mainly due to strategic investments in bike-sharing and overseas businesses.

Profitability in Hong Kong within 29 months has proved its scalability. It will continue to expand in the Middle East, targeting profitability in Saudi Arabia by end-2026 with total investment and losses capped at 2025 levels. However, regional conflicts bring uncertainties that may delay development in this area.

Fig 4: Breakdown of New Initiatives Revenue (RMB'bn)

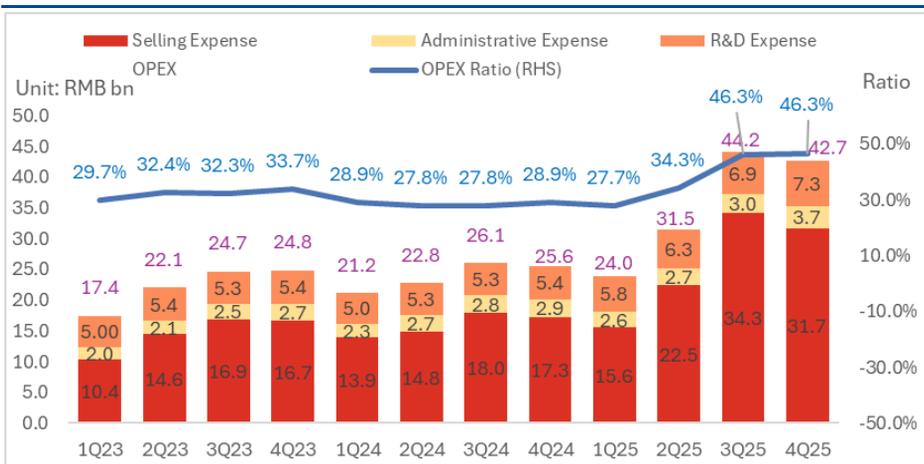


Source: Company Data, Sunwah Kingsway Research

**Sticky Core Losses:** GPM decline moderated to 26.2% and core operating loss came in at RMB18.5bn, largely flat with RMB19bn in 3Q25. Despite a QoQ decrease of RMB3bn in sales and marketing expenses, sustained investments in AI and Keeta kept the OPEX ratio unchanged at 46.3%. Net loss stood at RMB15.1bn, translating to a NPM of -16%.

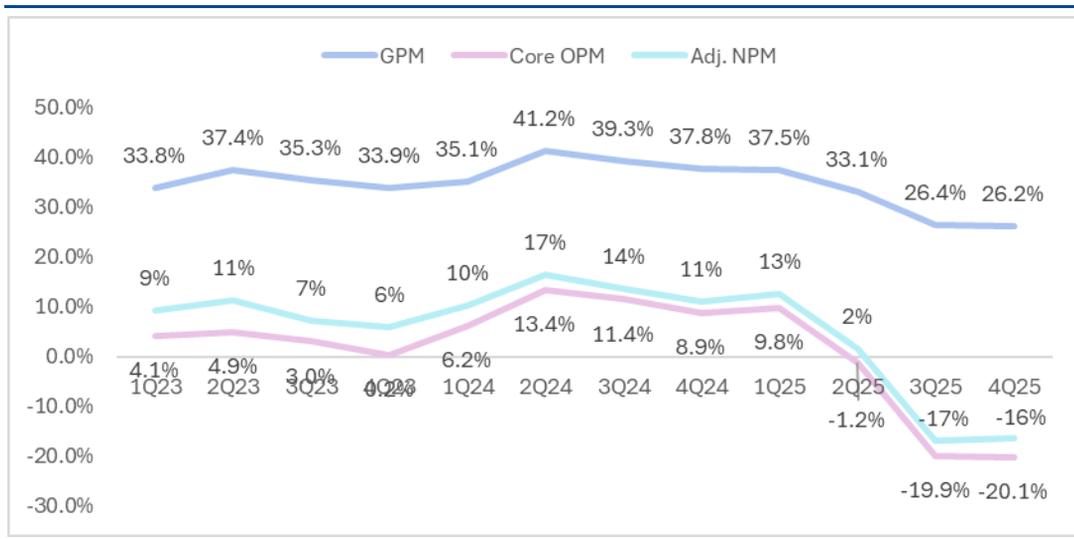
Going forward, amid moderating price competition and subsidy rationalization in instant retail, the segment is poised to return to net profitability in 3Q26.

Fig 5: Breakdown of OPEX (RMB'bn)



Source: Company Data, Sunwah Kingsway Research

Fig 6: Breakdown of Profitability ratio



Source: Company Data, Sunwah Kingsway Research

**Our views:** 4Q25 and 1Q26 both showed sequential improvements, with near-term losses driven by higher strategic investments. The company will prioritize profitability and high-AOV segments while scaling back low-AOV subsidies, with management confident of a breakeven in 2Q26.

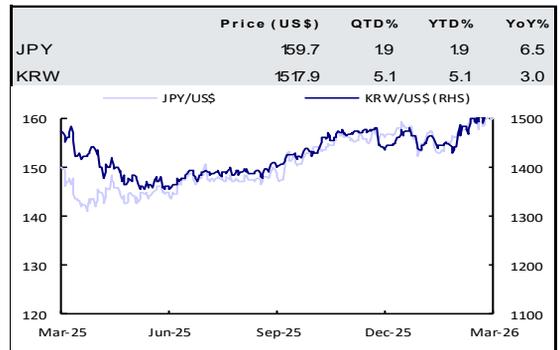
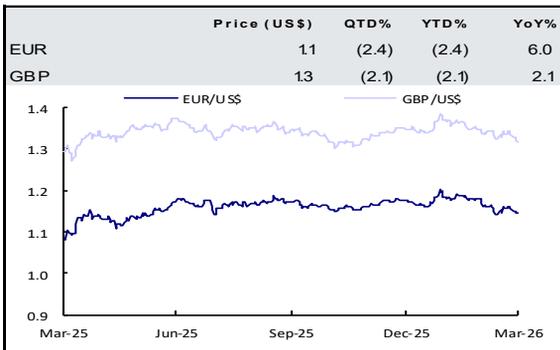
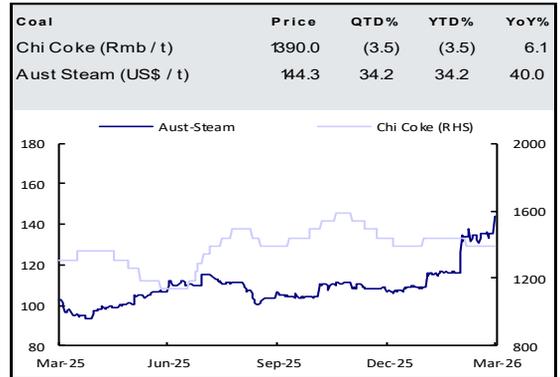
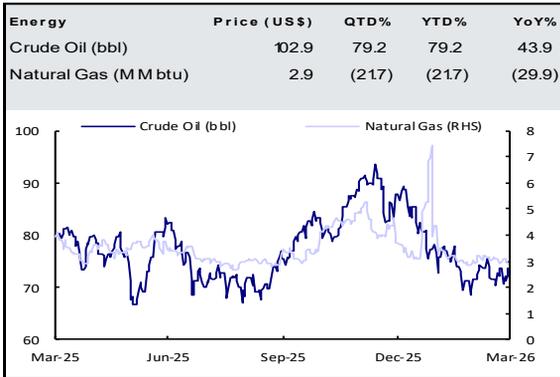
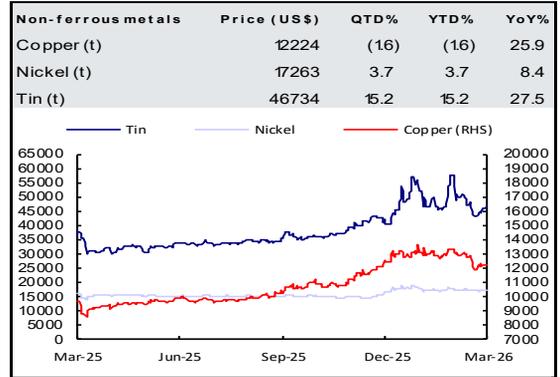
In the instant retail segment, Alibaba uses subsidies to gain order growth while building its delivery infrastructure and to reduce unit costs. However, we see limited long-term impact on Meituan, as this largely expands the overall market, and Alibaba's subsidy-driven model is unsustainable over time. Assuming Meituan preserves its core competitive advantages and maintains a unit economics gap of roughly RMB2 relative to Alibaba, the latter is expected to incur modest losses per order.

Meituan is consistently investing in AI and robotics to support its core business. It is also the investor of Zhipu, Kimi, Unitree, and Galaxy General Robotics, which can strengthen its data, algorithms, and delivery solutions. Its acquisition of Dingdong Limited brings high business overlap and limited revenue upside but helps block competitors, optimize infrastructure costs and enhance network density.

We are positive with Meituan's in-store and local lifestyle services. Users have formed stable coupon purchase habits, and service spending is expected to grow at least CAGR 10% over the next decade. While Douyin's investment intensifies competition, the in-store model differs fundamentally from E-commerce as E-commerce GMV concentrates on top merchants, while in-store GMV relies on a large base of long-tail SMEs. Meituan's wide coverage, strong ground presence and merchant service system has built a defensible local supply network. Douyin's growth faces clear medium-to-long-term constraints and is unlikely to challenge Meituan's leadership across the country, particularly in lower-tier markets and small local merchants.

On a conservative basis, using 2024 as a benchmark excluding subsidies and with 70mn average daily instant retail orders, RMB0.5 per-order profit, RMB16bn in-store profit and break-even in new businesses, we estimate that if the delivery subsidy would be lifted, the potential net profit could reach RMB29 bn, implying a current PE of 16x. We view this valuation as attractive for a company with core infrastructure and AI advantages. As at the end of 2025, the company had a net cash position of about RMB26bn in addition to over RMB81bn of restricted cash and treasury investments. (Research Department)

**Market Watch – Major Commodities and Currencies**



Source: Bloomberg

**US Economic Calendar**

Indicators	Freq	Obs Date	Expected Release Date
Initial Jobless Claims	WoW		2-Apr-26
Wholesale Inventories	MoM		9-Apr-26
Factory Orders	MoM		10-Apr-26
Existing Home Sales	MoM		13-Apr-26
PPI	MoM		14-Apr-26
Industrial Production	MoM		16-Apr-26
Housing Starts / Building Permits	MoM		29-Apr-26
ISM Manufacturing PMI	MoM		1-Apr-26
Personal Income & Spending	MoM		9-Apr-26
Durable Goods Orders	MoM		7-Apr-26
Trade Balance	MoM		2-Apr-26
Employment Report	MoM		3-Apr-26
CPI	MoM		10-Apr-26
Retail Sales	MoM		1-Apr-26
GDP	QoQ		9-Apr-26
Consumer Confidence	MoM		31-Mar-26
New home Sales	MoM		5-May-26
Business Inventories	MoM		1-Apr-26
Auto Sales	MoM		

**China Economic Calendar**

Indicators	Freq	Obs Date	Expected Release Date
PMI Manufacturing	MoM		31-Mar-26
Foreign Exchange Reserves	QoQ		7-Apr-26
Money Supply - M2	MoM		9-Apr-26
PPI	MoM		10-Apr-26
CPI	MoM		10-Apr-26
Trade Balance	MoM		14-Apr-26
Retail Sales	MoM		16-Apr-26
Industrial Production	MoM		16-Apr-26
GDP	YoY		16-Apr-26

**Hong Kong Economic Calendar**

Indicators	Freq	Obs Date	Expected Release Date
Money Supply - M2	MoM		31-Mar-26
Retail Sales	MoM		1-Apr-26
PMI	MoM		8-Apr-26
Foreign Currency Reserve	MoM		9-Apr-26
Unemployment Rate	MoM		23-Apr-26
CPI	MoM		23-Apr-26
Trade Balance	MoM		28-Apr-26
GDP	QoQ		5-May-26
Producer Prices Index	QoQ		12-Jun-26
Industrial Production	QoQ		12-Jun-26
Composite Interest Rate	MoM		

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