

Food delivery: Meituan vs JD.com

- China's Meituan-JD.com war of food delivery led to share price dips
- Price war is less likely but margin erosion could occur
- Prefer Meituan over JD.com on its strong domestic market fortress

China's war of food delivery

On top of US-China trade war, China recently saw a new war of food delivery between the incumbent leader Meituan (3690.HK) and the newcomer JD.com (9618.HK), triggering share price falls for both firms by -8%. JD.com's founder Richard Liu Qiangdong, who has a net worth USD6.5b according to South China Morning Post, recently donned a uniform to deliver food himself on an electric bike in Beijing in publicity on Monday even stunted Meituan and the market for JD.com's commitment to the new venture of food delivery.

Blocking each other's riders becomes accusations

Aside from the war of wording that each firm accusing the other on the blocking riders to accept orders on rival platforms, the competition is now intensifying for Meituan to "retain" and JD.com to "obtain" customers wanting to have food delivery services. Meituan, founded by Wang Xing, a Chinese tycoon with a net worth USD11.2b, has grown.

JD.com - a new kid on food delivery block

Since entering China's delivery scene earlier this year, e-commerce retailer JD.com has been increasing investment and efforts to take on incumbent leader Meituan. Its foray has raised competition in the market, with players releasing discounts to entice price-conscious Chinese consumers and incentives for delivery staff. JD.com's challenge comes at a critical time for Meituan with an overseas expansion plan. JD.com plans to add 100,000 full-time riders within the next 3 months while Meituan promised a year of zero commission for restaurants who sign up for Meituan's delivery program within April-25.

Market reactions undermine dual share prices by -25% YTD

JD.com faces a daunting task taking on the leading Meituan with a 2/3 market share, followed by Alibaba's Ele.me. TikTok parent ByteDance recently scaled back its food delivery ambitions with Douyin after attempting to go head-to-head with Meituan in 2023. Before JD.com's arrival, Meituan plans to leverage on its successful Keeta app in Hong Kong for overseas expansion, launching service in Saudi Arabia in Sep-24 and plans to expand to Qatar, Kuwait, Oman and Bahrain in 2025-27. Meituan's overseas expansion plan is now in jeopardy as it has to protect Chinese market against JD.com, pressuring on margins.

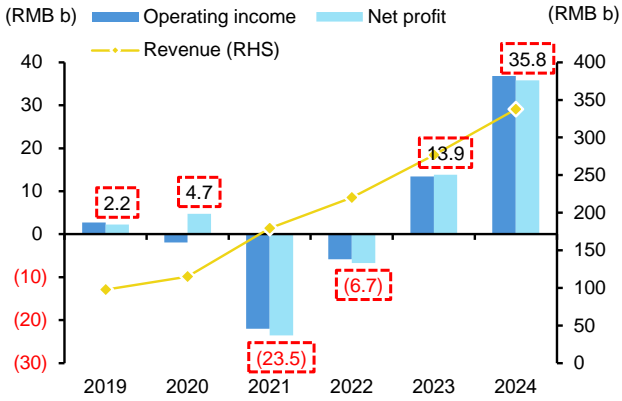
Meituan still has an upper hand over JD.com

Based on consensus' TPs, Meituan's TP is RMB188 (40 analysts) and JD.com's TP's RMB396 (38 analysts). We think Meituan has an upper hand over JD.com on its fortified "food delivery" business that we think will continue its growths in China's domestic market as well as the now-loss making overseas expansions in Saudi Arabia and Hong Kong.

Analyst

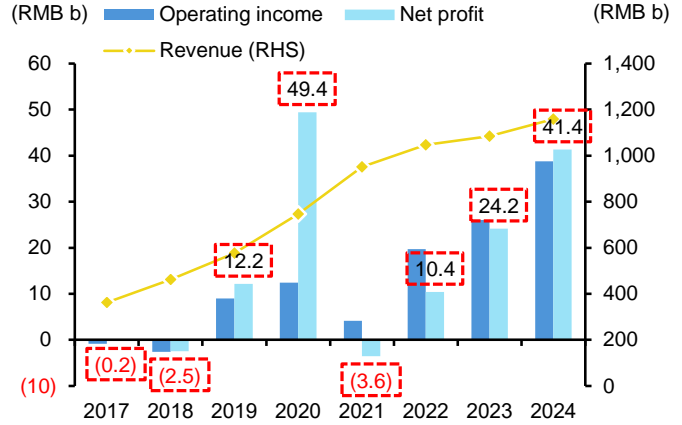
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Exhibit 1: Meituan's operating income, net profit, revenue



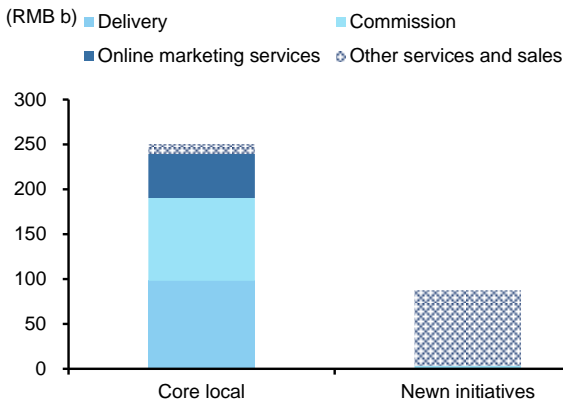
Sources: Meituan

Exhibit 2: JD.com's operating income, net profit, revenue



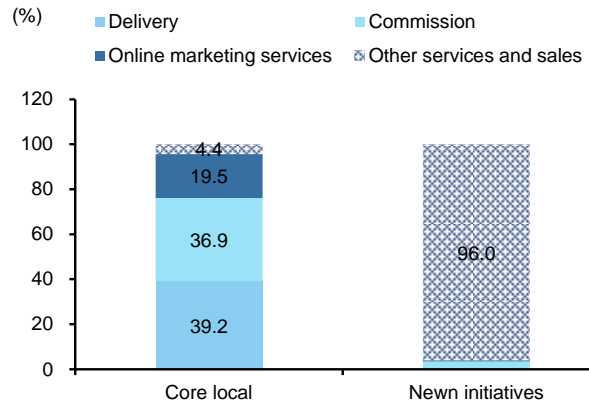
Sources: JD.com

Exhibit 3: Meituan's 2024 revenue breakdown



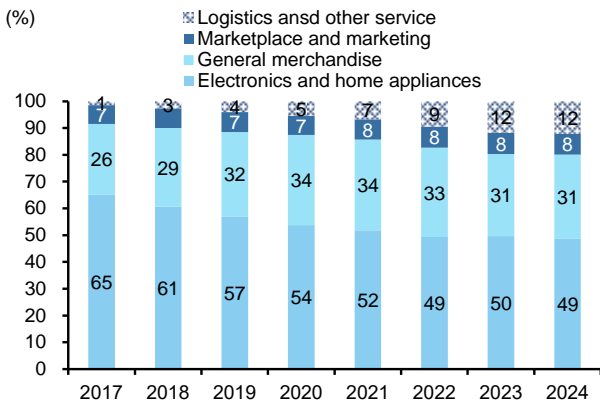
Sources: Meituan

Exhibit 4: Meituan's 2024 revenue breakdown (%)



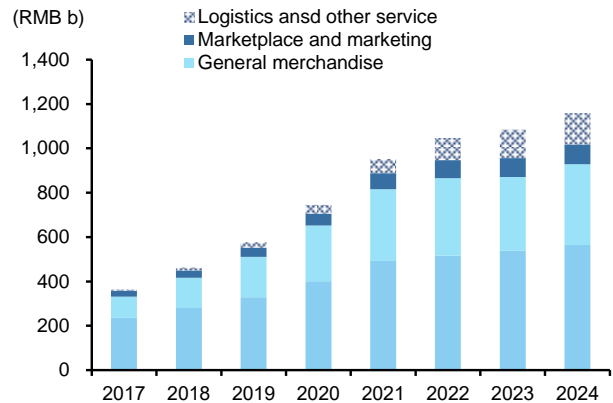
Sources: Meituan

Exhibit 5: JD.com's revenue breakdown (%)



Sources: JD.com

Exhibit 6: JD.com's revenue breakdown



Sources: JD.com

Exhibit 7: JD.com's revenue breakdown

2024 revenue	2017	2018	2019	2020	2021	2022	2023	2024
Electronics and home appliances	236.3	280.1	328.7	400.9	492.6	515.9	538.8	565.0
General merchandise	95.6	136.1	182.0	251.0	323.1	349.1	332.4	363.0
Marketplace and marketing	25.4	33.5	42.7	53.5	72.1	82.0	84.7	90.1
Logistics and other service	5.1	12.4	23.5	40.5	63.8	99.2	128.7	140.7
Total revenue	362.3	462.0	576.9	745.8	951.6	1,046.2	1,084.7	1,158.8
Electronics and home appliances	65	61	57	54	52	49	50	49
General merchandise	26	29	32	34	34	33	31	31
Marketplace and marketing	7	7	7	7	8	8	8	8
Logistics and other service	1	3	4	5	7	9	12	12

Sources: JD.com

Exhibit 8: Meituan's revenue breakdown in 2024

2024 revenue (RMB b)	Core local	New initiatives	Unallocated items	Total
Delivery	98.1	0.0		98.1
Commission	92.3	3.1		95.3
Online marketing services	48.8	0.4		49.2
Other services and sales	11.1	83.9		94.9
Total revenue (RMB b)	250.2	87.3		337.6
COGS	(197.8)	(94.6)	(8.3)	(300.7)
Operating profit	52.4	(7.3)	(8.3)	36.8
Delivery	39.2	0.0		29.0
Commission	36.9	3.5		28.2
Online marketing services	19.5	0.5		14.6
Other services and sales	4.4	96.0		28.1

Sources: Meituan

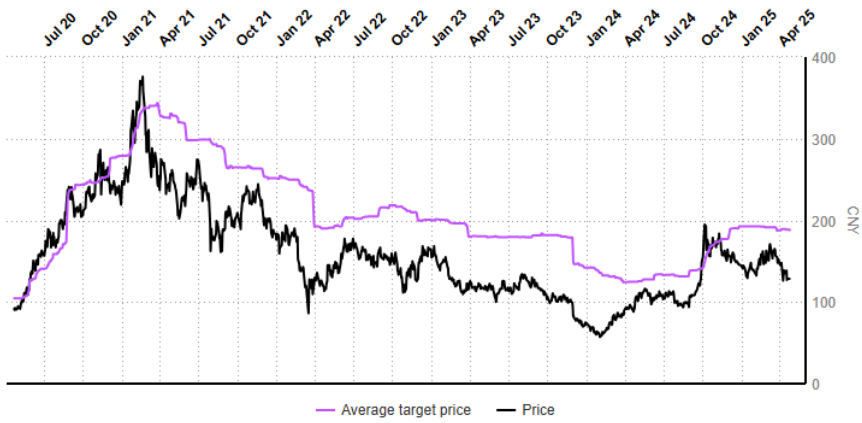
Exhibit 9: Meituan's key operating metrics in 2024

Key operating metrics (RMB b)	2024	Unit
Users	77	m users
Merchants	14.5	m merchants
Large chain retailers	5,600	retailer
Local small merchants	0.41	m merchants
Brand merchants	570	brand
Autonomous vehicle	4.9	m vehicles
Drones	1.45	m drones
Daily peak orders	98	m orders

Sources: Meituan

Exhibit 10: Meituan's consensus' target price

Evolution of the Average Target: Meituan

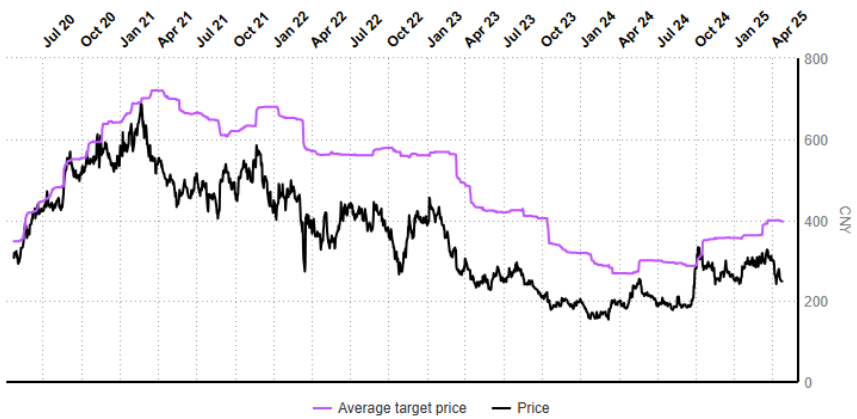


Analysts' Consensus	
Mean consensus	BUY
Number of Analysts	40
Last Close Price	122.71 CNY
Average target price	188.02 CNY
Spread / Average Target	+53.22%
High Price Target	280.31 CNY
Spread / Highest target	+128.43%
Low Price Target	116.06 CNY
Spread / Lowest Target	-5.42%

Sources: MarketScreener

Exhibit 11: JD.com's consensus' target price

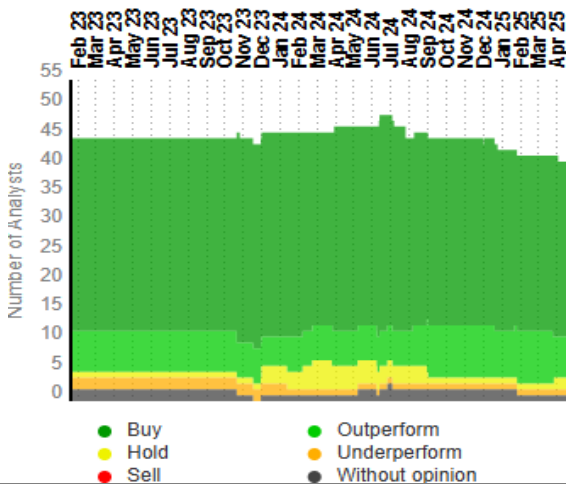
Evolution of the Average Target: JD.com, Inc.



Analysts' Consensus	
Mean consensus	BUY
Number of Analysts	38
Last Close Price	246.19 CNY
Average target price	396.15 CNY
Spread / Average Target	+60.91%
High Price Target	511.43 CNY
Spread / Highest target	+107.74%
Low Price Target	222.21 CNY
Spread / Lowest Target	-9.74%

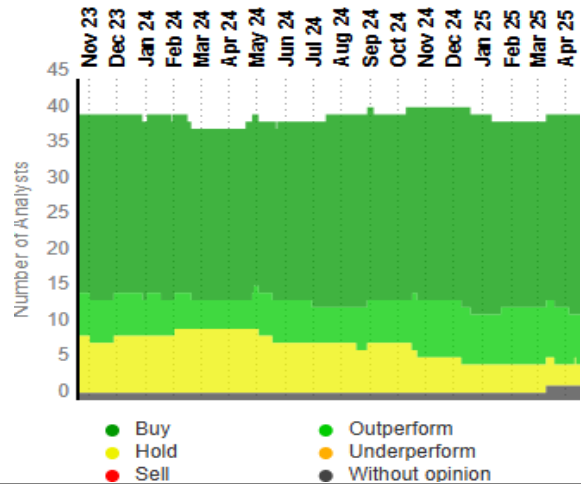
Sources: MarketScreener

Exhibit 12: Meituan's TP revision in last 18 months



Sources: @MatketScreener.com

Exhibit 13: JD.com's TP revision in last 18 months



Sources: @MatketScreener.com

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Analyst Certification

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.