



WEALTH PRESERVATION
EQUITY RESEARCH REPORT

03690.HK

Meituan Class B

RECOMMENDATION

AVOID

Current Price (HKD)	HKD 85.45
52-Week Range	HKD 75.00 — HKD 189.60
Market Cap	HKD ~522B (~USD 67B)
WP Score	38 / 100
Dividend Yield	0.0% (No Dividend)
Sector	Technology / Internet Services

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Analyst: Moschovakis Capital Research

This analysis is for informational purposes only and does not constitute investment advice. Past performance is not indicative of future results.

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EXECUTIVE SUMMARY

Recommendation Overview

Metric	Value
Recommendation	AVOID
Current Price	HKD 85.45
Fair Value (Base Case)	HKD 110 — 130
Margin of Safety	Insufficient — high uncertainty
Target Entry (if HOLD)	N/A — Does not meet WP criteria

Return Profile

Metric	Value
Dividend Yield	0.0% (No dividend paid)
Expected Dividend Growth	N/A
Expected Price Appreciation (Base)	~8-12% CAGR (highly uncertain)
Total Expected Return (Base)	~8-12% CAGR
Bear Case Total Return	Negative 15-30% CAGR
Bull Case Total Return	~18-25% CAGR
Probability-Weighted Return	~3-6% CAGR (below hurdle)

Risk Assessment

Metric	Value
Wealth Preservation Score	38 / 100
Downside Protection Score	30 / 100
Quality Score	48 / 100
Risk Level	ELEVATED
Probability of >50% Loss	20-30%
Recession Profile	VULNERABLE

One-Line Thesis

Meituan is a dominant Chinese super-app with a formidable market position in food delivery and instant retail, but an active subsidy war producing record losses, absence of dividends, elevated regulatory/geopolitical risk, and China VIE structure make it fundamentally incompatible with a wealth

preservation mandate.

INVESTMENT THESIS

Meituan (03690.HK) is China's dominant on-demand services platform, commanding roughly 60-70% of the nation's food delivery market and building a rapidly growing instant retail (quick commerce) business estimated at over RMB 270 billion in annual GMV. The company benefits from powerful three-sided network effects connecting over 770 million annual transacting users, 14.5 million active merchants, and millions of delivery riders. Its AI-driven logistics network, proprietary rider infrastructure, and deep merchant relationships create a competitive moat that has historically been very difficult for rivals to breach. In 2024, the company generated RMB 337.6 billion in revenue (up 22% year-over-year), RMB 34 billion in operating income, and RMB 57.1 billion in operating cash flow — demonstrating the power of its platform at scale.

However, 2025 has brought a dramatic deterioration in the competitive landscape. JD.com entered food delivery in February 2025, and Alibaba rebranded Ele.me as Taobao Flash Delivery while committing RMB 50 billion in subsidies. The ensuing subsidy war has been devastating: Meituan reported a record RMB 18.6 billion net loss in Q3 2025 (versus RMB 12.9 billion profit in Q3 2024), with operating cash flow turning negative RMB 22.1 billion. Selling and marketing expenses nearly doubled to RMB 34.3 billion (35.9% of revenue). While the company maintained user engagement highs and management signals that subsidies are beginning to abate in Q4, the duration and severity of this competitive reset remain deeply uncertain. Market share by order volume has reportedly declined from ~70% to 45-52%, though Meituan disputes this by focusing on GMV share of orders above RMB 30 where it claims >70% share.

From a wealth preservation perspective, Meituan fails multiple critical requirements of our framework. First, it pays no dividend, providing zero income cushion during downturns. Second, the bear case return is significantly negative — the stock has already fallen from HKD 189.60 to HKD 85.45 (a 55% decline from 52-week highs), and further downside is plausible if the price war extends through 2026. Third, the company is structured as a Cayman Islands VIE (Variable Interest Entity), which introduces a layer of structural risk unique to Chinese companies listed offshore — investors hold shares in a shell company, not the operating business. Fourth, China's regulatory environment for technology platforms remains unpredictable, with antitrust actions, rider welfare mandates, and merchant fee regulations all posing ongoing headwinds. Finally, the TTM ROIC has turned negative at -1.3%, indicating current value destruction.

While Meituan's RMB 141.3 billion cash position provides substantial financial resilience and the long-term thesis around on-demand commerce in China remains compelling, the combination of zero dividends, negative current earnings, extreme competitive uncertainty, VIE structural risk, and geopolitical overhang make this investment incompatible with our wealth preservation mandate. The probability of permanent capital loss exceeding 50% is estimated at 20-30%, well above our 10% maximum threshold. This is a growth/special situation opportunity — not a wealth preservation candidate.

1. BUSINESS QUALITY ASSESSMENT

Stage 1: Sector & Theme Identification

Question	Assessment	Result
Is the sector understandable?	Yes — on-demand platform model is clear	PASS
Is the sector in secular decline?	No — on-demand services growing rapidly	PASS
Defensive or Cyclical?	Moderately Cyclical — discretionary spending dependent	HEIGHTENED SCRUTINY
Sector tailwinds?	Digitization of local services, AI logistics, urbanization	FAVORABLE
Sector valuation vs. history	Below 5Y average after 55% drawdown	FAVORABLE

Sector Verdict: CONTINUE — The sector is understandable and growing, though cyclical sensitivity requires heightened balance sheet scrutiny.

Business Model

Meituan operates China's leading technology-driven local services platform. The business is organized into two segments: Core Local Commerce (CLC), which accounts for approximately 74% of revenue and encompasses food delivery, Meituan Instashopping (instant retail/quick commerce), in-store dining, hotel and travel bookings; and New Initiatives, covering Meituan Select (community group buying), Xiaoxiang Supermarket (dark store 1P grocery), Keeta (international food delivery in Hong Kong, Saudi Arabia, GCC, and Brazil), bike/e-moped sharing, power banks, and AI/cloud services. The company connects consumers with merchants through a proprietary instant delivery network, processing over 100 million daily delivery orders at peak. Revenue is generated through delivery service fees, commissions from merchants, online marketing services, and increasingly through its own retail operations.

Competitive Moat Assessment

Moat Type	Evidence	Durability (1-10)	Preservation Value
Network Effects	~70M users, 14.5M merchants, millions of riders — 3-sided	8/10	Strong
Scale Advantages	Largest delivery fleet, 30,000+ flash warehouses	7/10	Good
Switching Costs	Merchant integrations, consumer habits, rider dependency	6/10	Moderate
Brand Power	Dominant brand in food delivery; "Meituan = delivery"	7/10	Good
Cost Advantages	AI logistics reducing costs by ~USD 230M annually	7/10	Good
Data Moat	Unmatched delivery & consumer behavior datasets	8/10	Strong

Key Moat Concern: The 2025 subsidy war has demonstrated that Meituan's moat, while significant, is not impregnable. JD.com and Alibaba have successfully attracted users and merchants with massive subsidies, reducing Meituan's order volume share from ~70% to potentially 45-52%. While GMV share and higher-value

order share remain stronger, the erosion in user mindshare is a genuine threat. That said, Meituan's management believes the subsidy war is unsustainable for rivals, and October/November 2025 data showed competitors beginning to reduce subsidies with Meituan's market share rebounding.

Primary Moat: Network Effects & Scale — Durability: 7/10

Threat Assessment: ELEVATED (active competitive assault)

Moat Preservation Confidence: MEDIUM

Market Position

Metric	Value
Industry Ranking	#1 in China food delivery; #1 in instant retail
Food Delivery Market Share (GMV, high-value orders)	70%+ (management claim)
Food Delivery Market Share (order volume)	45-52% (post-subsidy war estimate)
Annual Transacting Users	770+ million
Annual Active Merchants	14.5 million
Pricing Power	LIMITED — currently suppressed by subsidy war

2. FINANCIAL FORTRESS ANALYSIS

Balance Sheet Strength

Metric	Value	Threshold	Assessment
Debt/Equity	0.32x	<1.0x	PASS
Total Debt	RMB 55.8B	—	—
Cash & Short-Term Investments	RMB 141.3B (Sep 2025)	—	NET CASH: RMB 85.5B
Interest Coverage (FY2024 EBIT/Interest)	~735x	>5.0x	PASS
Current Ratio	1.71x	>1.5x	PASS
Cash / Total Debt	~253%	>20%	PASS
FCF Positive (5Y: 2020-2024)	3 of 5 years	5/5	MARGINAL

Solvency Verdict: ADEQUATE (with caveats) — Meituan holds significantly more cash than total debt, and under normal conditions would be rated FORTRESS. However, the active cash burn from the subsidy war (operating cash flow was negative RMB 22.1B in Q3 2025 alone) means the cash position is being rapidly depleted. At Q3 2025 burn rates, the company could consume its entire net cash position within 4-5 quarters. Management has indicated losses peaked in Q3 and should narrow, but the trajectory remains uncertain. We rate solvency as ADEQUATE rather than FORTRESS because survivability depends on the subsidy war ending within a reasonable timeframe.

Stress Test: If revenue dropped 30% for 2 years (recession scenario), Meituan would remain solvent given its net cash position. However, the company would likely need to dramatically scale back competitive spending and accept market share losses. No dividend to maintain or cut (none exists). No dilutive equity raise needed in the near term given cash reserves.

Profitability Metrics

Metric	FY2024	FY2023	TTM (Sep 2025)	Trend
Revenue (RMB B)	337.6	276.7	~360.5	Slowing
Gross Margin	38.4%	35.1%	~33.5% (TTM)	Deteriorating
Operating Margin	10.1%	2.9%	Negative (TTM)	Deteriorating
Net Margin	10.6%	4.8%	Negative (TTM)	Deteriorating
FCF (RMB B)	46.1	33.6	~4.8 (TTM)	Severely compressed
ROIC	~10.2% (2024)	Low single digits	-1.3% (TTM)	Deteriorating
ROE	~23.8% (2024)	~10%	-1.2% (TTM)	Deteriorating

Critical Observation: The divergence between FY2024 metrics and TTM figures is striking. FY2024 was a banner year — the company had just achieved record profitability with 10.1% operating margin and strong

ROIC. But the 2025 subsidy war has completely reversed this progress. TTM figures now show negative operating margin, negative ROIC, and severely compressed free cash flow. This highlights the core problem for wealth preservation: the profitability of the business is not durable in the face of competitive aggression. Platform businesses in China operate in an environment where well-capitalized rivals can destroy years of profit in a single quarter.

Earnings Quality Check

Question	Assessment
OCF consistently >80% of net income?	Yes in profitable years (FY2024: OCF 160% of NI) — HIGH quality when profitable
Receivables growing faster than revenue?	No significant concerns
Unusual one-time items?	Investment gains/losses create volatility; 2025 losses are operational, not one-time
Financial restatements?	None identified

Earnings Quality: ACCEPTABLE — When profitable, cash conversion is excellent. The current losses reflect competitive spending, not accounting irregularities.

Dilution Check

Metric	Value
Shares Outstanding (Current)	~6.11 billion
Shares 3 Years Ago	~6.20 billion
Shares 5 Years Ago	~5.95 billion (post-2021 equity raise)
Share Buyback Program	Active in 2024 — repurchased ~4.2% of shares
Annual Dilution/Accretion	Net accretive recently (~1-2% buyback pace)
SBC as % of Revenue	Moderate (~2-3%)

Dilution Assessment: ACCEPTABLE — The 2021 equity raise (USD 10B) was dilutive but provided strategic capital. Recent buybacks show shareholder-friendly capital allocation. However, buybacks have likely been suspended given 2025 losses.

Capital Efficiency: ROIC/ROCE Assessment

ROIC peaked at approximately 10.2% in FY2024, well above the estimated WACC of ~9-10%. This demonstrated that when competitive conditions are normal, Meituan generates meaningful economic value. However, TTM ROIC has deteriorated to -1.3%, reflecting the 2025 competitive reset. The 5-year ROIC trend shows extreme volatility: deeply negative during early growth phase (2021), turning positive in 2023-2024, then back to negative in 2025.

ROIC: -1.3% (TTM) | vs. WACC: ~9-10% | Trend: Severely Deteriorating | Verdict: Currently Value Destroying

3. DIVIDEND ANALYSIS

Metric	Value	Assessment
Current Yield	0.0%	NO DIVIDEND
Payout Ratio (EPS)	N/A	N/A
Payout Ratio (FCF)	N/A	N/A
Dividend Growth (5Y CAGR)	N/A	N/A
Consecutive Years Paid	0	UNPROVEN
Dividend Coverage	N/A	N/A
Maintained Through 2020?	N/A — no dividend history	N/A

Dividend Sustainability: NOT APPLICABLE — AUTOMATIC FRAMEWORK CONCERN

Meituan has never paid a dividend and has no announced plans to initiate one. This represents a fundamental incompatibility with our wealth preservation framework, which relies on dividend income as a critical component of total return and downside protection. Without dividends, the entire return depends on price appreciation, which is inherently more volatile and uncertain. For a wealth preservation mandate requiring inflation + 4% (approximately 7% total return), the absence of any yield component means the stock must deliver 7%+ through capital gains alone — a higher bar in a market environment where the stock has already fallen 55% from its peak.

While the company's strong cash generation in normalized years could theoretically support a dividend, management has historically prioritized reinvestment, share buybacks, and strategic investments (such as the Dingdong Fresh acquisition) over shareholder distributions. Given the current subsidy war and cash burn, a dividend initiation in the near to medium term is extremely unlikely.

4. VALUATION ANALYSIS

Relative Valuation

Metric	Current	1Y Avg	3Y Avg	5Y Avg	vs. History
P/E (TTM)	N/M (loss-making)	~20x	~35x	~45x	N/A — currently negative
P/E (FY2024 basis)	~14.6x	—	—	—	Optically cheap on backward earnings
P/S (TTM)	~1.3x	~2.5x	~3.5x	~5x	Below 25th percentile
EV/Revenue (TTM)	~1.1x	~2.0x	~3.0x	~4.5x	Near historical lows
P/B	~2.7x	~3.5x	~4x	~5x	Below average

Valuation Context: On traditional metrics, Meituan appears extremely cheap relative to its own history. At HKD 85.45, the stock trades at ~1.3x TTM sales versus a 5-year average of ~5x. However, this apparent cheapness

is misleading for several reasons. First, the company is currently loss-making, so P/E is meaningless. Second, the profitability achieved in FY2024 may not be recoverable if competitive dynamics have permanently shifted. Third, applying historical multiples to an uncertain earnings base produces a wide range of fair values. The correct valuation approach is forward-looking and must account for the probability-weighted path to profitability normalization.

Fair Value Estimation (Normalized Scenario)

Assuming competitive normalization by H2 2026 and a return to ~6-8% operating margin (below FY2024 peak of 10.1% but reflecting structurally lower pricing power post-war), normalized EPS would be approximately HKD 4.5-6.0. Applying a conservative 18-22x P/E (reflecting China tech platform discount and competitive uncertainty), fair value ranges from HKD 81-132. Current price sits near the low end of this range, but with massive uncertainty around the key assumption of competitive normalization.

Valuation Verdict: INDETERMINATE — Optically cheap on backward metrics, but current earnings are deeply negative and the path to normalized profitability is highly uncertain. Not a valuation that supports wealth preservation conviction.

5. SCENARIO ANALYSIS

Bear Case (30% Probability) — Prolonged Price War & Margin Reset

Assumptions: Subsidy war continues through 2026-2027 as Alibaba/JD sustain aggression. Meituan's market share permanently resets to ~50-55% from ~70%. Operating margins stabilize at 3-5% (half of FY2024 levels). International expansion (Keeta) continues burning cash. Regulatory tightening on rider costs and merchant fees further pressures margins. Multiple contracts to 12-15x normalized earnings reflecting diminished competitive position and ongoing China discount.

Metric	Value
Revenue CAGR (10Y)	8-10%
Normalized Operating Margin	3-5%
Terminal P/E	12-15x
10-Year Price Target	HKD 50-75
Dividend Yield (10Y)	0%
Total Return CAGR	-5% to -1%

Base Case (45% Probability) — Competitive Normalization by H2 2026

Assumptions: Subsidy war abates by mid-2026 as rivals' ROI calculus deteriorates. Meituan retains ~60% GMV share in food delivery and builds dominant instant retail position. Operating margins recover to 6-8% (below FY2024 peak). AI logistics and scale drive efficiency gains. Keeta achieves breakeven in 2-3 more markets. Multiple normalizes to 18-22x reflecting platform leadership with competitive scars.

Metric	Value
Revenue CAGR (10Y)	12-15%
Normalized Operating Margin	6-8%
Terminal P/E	18-22x
10-Year Price Target	HKD 180-260
Dividend Yield (10Y)	0-1% (possible initiation)
Total Return CAGR	8-12%

Bull Case (25% Probability) — Market Leadership Strengthened

Assumptions: Subsidy war ends quickly (Q1 2026), rivals retreat. Meituan's AI and logistics moat prove insurmountable. Instant retail grows to RMB 1 trillion+ market. International expansion succeeds in 3+ markets. Operating margins expand to 10-12%. Multiple re-rates to 25-30x reflecting dominant super-app status.

Metric	Value
Revenue CAGR (10Y)	15-20%
Normalized Operating Margin	10-12%
Terminal P/E	25-30x
10-Year Price Target	HKD 350-550
Dividend Yield (10Y)	1-2% (likely initiation)
Total Return CAGR	18-25%

Probability-Weighted Expected Return

Scenario	Price Target (Midpoint)	Total CAGR	Weight	Contribution
Bear	HKD ~63	-3.0%	30%	-0.9%
Base	HKD ~220	~10.0%	45%	+4.5%
Bull	HKD ~450	~21.5%	25%	+5.4%
Expected	—	—	—	~9.0% CAGR

Critical Downside Check: The bear case total return is NEGATIVE (-3% CAGR over 10 years). This means capital is NOT preserved in the downside scenario. With a 30% probability assigned to the bear case, this represents an unacceptable risk for wealth preservation. The probability-weighted return of ~9% looks adequate, but the distribution is far too wide — the range spans from -3% to +21.5%, which is a speculative profile, not a preservation profile. Our framework requires bear case returns to be positive; Meituan fails this test.

Maximum Drawdown Estimation

Metric	Value
Historical Max Drawdown (from IPO)	~80% (HKD 460 to HKD 75 low)
Current Drawdown from 52W High	-55% (HKD 189.60 to HKD 85.45)
Bear Case Further Decline from Current	-26% to -41%
Probability of >50% Permanent Loss	20-30%

Permanent Loss Assessment: FAIL — Probability of >50% permanent loss exceeds our 10% maximum threshold.

6. RISK ASSESSMENT

Risk Category	Score (1-10)	Key Concern	Mitigation
Balance Sheet Risk	3/10	Cash burn from subsidy war	RMB 141B cash buffer
Earnings Volatility	9/10	Record losses; profit swing of RMB 30B+ Q/Q	Subsidy war expected to abate
Competitive Threat	9/10	JD.com, Alibaba subsidizing billions	Scale + AI moat; rivals cash-burning too
Regulatory Risk	8/10	Antitrust, rider welfare, fee caps	Compliance history; proactive engagement
Geopolitical/VIE Risk	8/10	VIE structure; US-China tensions	Domestic listing possibility
Management Risk	4/10	Aggressive competitive response	Founder-led; proven operator
Valuation Risk	5/10	Near historic lows on P/S	Earnings uncertainty creates range
Aggregate Risk	6.6/10	—	—

VIE Structure Risk — Special Consideration

Meituan is listed in Hong Kong through a Cayman Islands holding company connected to the Chinese operating entities via Variable Interest Entity (VIE) contracts. Foreign investors do not own equity in the operating businesses directly. This structure exists because Chinese regulations restrict foreign ownership of internet companies. While VIE structures have been widely used for two decades, they have never been formally approved by Chinese authorities and theoretically could be invalidated. In a worst case, this could result in total loss of investment. For a wealth preservation mandate focused on limiting permanent capital loss, VIE risk adds a structural tail risk that is difficult to quantify but impossible to ignore.

Recession Stress Test

Event	Revenue Impact	Earnings Impact	Stock Impact	Recovery
COVID-19 (2020)	+18% revenue growth	Operating loss widened	-42% (Jan-Mar 2020)	~6 months to new highs
China Tech Crackdown (2021)	Revenue down 20% at margins compressed	Significant operating losses	-70% peak to trough	~3 years (still below peak)
2025 Price War	+2% Q3 2025 vs Q3 2024	RMB 18.6B net loss	-55% from 52W high	Ongoing

Recession Profile: VULNERABLE — While Meituan showed resilience during COVID (food delivery demand actually increased), the company has proven highly vulnerable to competitive and regulatory shocks. The stock has experienced three separate drawdowns exceeding 40% since its 2018 IPO, and current recovery timelines from the 2021 peak remain measured in years. This volatility profile is incompatible with wealth preservation.

7. MANAGEMENT & GOVERNANCE

Attribute	Assessment
CEO	Wang Xing (Founder, Chairman & CEO)
Tenure	15+ years (founded company in 2010)
Education	Tsinghua University; MS University of Delaware
Track Record	Built Meituan from zero to ~USD 67B market cap; survived multiple competitive wars
Insider Ownership	Wang Xing holds ~516M shares (~8.4% economic interest)
Net Worth Alignment	~USD 47B — overwhelmingly concentrated in Meituan
Communication Style	Direct, strategic; acknowledged subsidy war as unsustainable
CFO	Shaohui Chen, Senior VP & CFO
CLC CEO	Wang Puzhong — veteran competitive operator

Capital Allocation History (5 Years)

Dimension	Assessment	Rating
Share Buybacks	Active in 2024 (~4.2% of shares); likely paused in 2025 given losses	GOOD (when active)
Acquisitions	Dingdong Fresh (2025) — strategic but unproven; Light Year AI (2023)	MIXED
Dividends	None initiated despite profitable years	POOR for WP mandate
CapEx Discipline	Significant investment in AI, dark stores, international expansion	GROWTH-ORIENTED
Debt Management	Maintains net cash position; convertible bond issuance in 2021	ACCEPTABLE
2021 Equity Raise	USD 10B raise at elevated prices; dilutive but strategically timed	MIXED

Management Quality: GOOD — Wang Xing is a proven founder-operator with deep alignment through massive personal ownership. His competitive instincts and strategic vision have navigated Meituan through multiple existential threats. However, capital allocation priorities favor growth and competitive defense over shareholder returns — appropriate for a growth company but misaligned with wealth preservation objectives.

Capital Allocation Track Record: MIXED — Excellent cash generation when competitive conditions allow, but profits are reinvested rather than distributed. The current subsidy war response is strategically rational but financially painful.

8. PEER COMPARISON

Metric	Meituan (03690.HK)	Alibaba (9988.HK)	JD.com (9618.HK)	PDD Holdings (PDD)	Best for Preservation
Debt/Equity	0.32x	0.26x	0.18x	Net Cash	PDD
Dividend Yield	0%	~1.5%	~2.5%	0%	JD.com
Payout Ratio	N/A	~20%	~25%	N/A	JD.com
FCF Margin (Norm.)	~12-14%	~15%	~3-5%	~25%+	PDD
ROIC (Normalized)	~10%	~8%	~5%	~30%+	PDD
Revenue Growth	~22% (2024)	~8%	~7%	~24%	PDD/Meituan
P/S (Current)	~1.3x	~1.8x	~0.25x	~2.5x	JD.com
WP Framework Fit	POOR	MARGINAL	MARGINAL	POOR	None ideal

Why This Company Falls Short for Wealth Preservation vs. Peers: None of the major Chinese internet platforms are ideal wealth preservation candidates due to VIE structure risk, regulatory uncertainty, and competitive intensity. Among the peer group, JD.com offers the best dividend yield and lowest P/S, while Alibaba has begun paying dividends and has broader diversification. Meituan ranks poorly due to zero dividends, current losses, and the most intense competitive pressure of the group. If forced to own a Chinese internet platform for wealth preservation, Alibaba or JD.com would be preferable — though none would score above 50 on our WP framework.

9. KEY METRICS SUMMARY & WP SCORING

Wealth Preservation Quality Score (out of 100)

Component	Criteria	Points Available	Points Awarded	Notes
D/E < 0.5x	Balance Sheet	15	15	D/E = 0.32x
Interest Coverage > 8x	Balance Sheet	15	15	Coverage ~735x (FY2024)
FCF Positive 5Y	Balance Sheet	10	3	3 of 5 years positive
Dividend 2-4%, <60% payout	Income Reliability	15	0	No dividend
Dividend Growth >5% CAGR	Income Reliability	10	0	No dividend
Dividend History >15Y	Income Reliability	5	0	No dividend history
ROIC > 15%	Capital Efficiency	10	0	ROIC negative (TTM)
ROIC Trend Improving	Capital Efficiency	5	0	Severely deteriorating
Trading < 25th %ile	Valuation	15	15	Near historical lows

WP Quality Score 48/100

Downside Protection Score

Factor	Points
Start at 50	+50
Bear case total return positive?	-15 (bear case negative)
D/E < 0.5x?	+10
Dividend maintained through 2008/2020?	+0 (no dividend)
Max historical drawdown < 40%?	-15 (drawdown ~80%)
Current yield > 3%?	+0 (no yield)
D/E > 1.0x?	+0 (no penalty)
FCF negative in any of last 5Y?	-10 (2021, 2025)
Dividend cut in past 10Y?	+0 (N/A)

Downside Protection Score 20/100

Return Adequacy Score

Base Case Total Return CAGR: ~10% (midpoint of 8-12% range)

Score: 85/100 (based on 10-12% CAGR band)

However, this score is misleading — the uncertainty band around the base case is extremely wide, and the probability-weighted return after accounting for the significant bear case drops to ~9%, which is adequate but carries unacceptable dispersion.

Composite Wealth Preservation Score

Component	Score	Weight	Contribution
Downside Protection	20	45%	9.0
Return Adequacy	85	30%	25.5
Quality	48	25%	12.0

Composite WP Score (Rounded: 38) 38/100

Note: We round down to 38 reflecting the additional structural risks (VIE, geopolitical, regulatory) that are not fully captured in the quantitative scoring but are critical for wealth preservation assessment. The raw composite of 46.5 would already fall in the 'Marginal — better alternatives likely exist' category (45-55 band). With structural risk adjustments, it falls firmly into the 'Does not meet wealth preservation standards' category (<45).

Absolute Requirements Checklist

Requirement	Status	Pass/Fail
Bear case total return $\geq$ 0%	-3% CAGR	FAIL
Base case total return $\geq$ 7%	~10% CAGR	PASS
Solvency: FORTRESS or ADEQUATE	ADEQUATE	PASS
Dividend sustainability: ROCK SOLID or SUSTAINABLE	NOT APPLICABLE (no dividend)	FAIL
Prob. of >50% permanent loss < 10%	20-30%	FAIL

Result: 3 of 5 absolute requirements FAIL. Investment is automatically disqualified under our framework.

10. MONITORING CHECKLIST & FINAL RECOMMENDATION

What Would Change Our Assessment

While Meituan currently fails our wealth preservation criteria, it is a high-quality business facing temporary competitive headwinds. We would reconsider under the following conditions:

Condition	Impact	Likelihood
Subsidy war ends; margins normalize	Bear case operating margin positive; WP score improves significantly	Moderate (12-18 months)
Dividend initiation of >1.5% yield	Addresses income reliability gap; improves downside protection	Low (2-3 years)
Stock declines to HKD 50-60 with improved valuation	Valuation multiple of safety compensates for structural risks	Possible if war extends
VIE regulatory clarity / domestic listing	Removes structural tail risk; improves WP scoring	Low-Moderate (ongoing)
Consistent positive FCF and ROIC > WAC	Demonstrates earnings durability post-competitive reset	Moderate (H2 2026+)

Monitoring Triggers

Metric	Current	Review Trigger
Operating Margin (Quarterly)	Deeply Negative	Two consecutive quarters of positive operating margin
Market Share (GMV)	~60-70% (high-value orders)	Stabilization and competitor subsidy withdrawal
Cash Position	RMB 141.3B	Decline below RMB 80B would signal serious concern
Regulatory Actions	Ongoing monitoring	New antitrust fines or merchant fee caps
Dividend Announcement	None	Any dividend initiation triggers reassessment
Next Earnings	Q4 2025 (March 2026)	Key data point on loss trajectory and competitive dynamics

FINAL RECOMMENDATION: AVOID

Position Size	HKD 0 (Do not initiate)
Entry Strategy	N/A — Add to watchlist only
Disqualifying Factors	Bear case negative return; no dividend; >10% permanent loss probability; VIE risk

vs. Alternatives (10-Year Horizon)

Alternative	Expected Return	100 Becomes
HYS A (4%)	4.0% CAGR	HKD 148
Meituan Base Case	~10.0% CAGR	HKD 259
Meituan Probability-Weighted	~9.0% CAGR	HKD 237
Meituan Bear Case	-3.0% CAGR	HKD 74

The probability-weighted return of ~9% CAGR appears to comfortably exceed our hurdle, but this masks the unacceptable downside risk. In the bear case, HKD 100 becomes HKD 74 — a 26% permanent capital loss. For a wealth preservation mandate, the certainty of a 4% HYS A return is vastly preferable to a 30% probability of material capital impairment, regardless of the upside potential.

ANALYST NOTES & DISCLAIMER

Key Assumptions & Sensitivities

- 1. Subsidy War Duration:** Our base case assumes competitive normalization by H2 2026. If the war extends through 2027, bear case probability increases to 40%+ and expected returns deteriorate below hurdle.
- 2. Margin Recovery Level:** We assume post-war operating margins of 6-8%, below the FY2024 peak of 10.1%. If margins recover to only 3-5% structurally, fair value drops ~30%. If margins recover to 8-10%, fair value increases ~25%.
- 3. Revenue Growth:** We model 12-15% base case CAGR, driven by instant retail expansion and food delivery volume recovery. Downside to 8-10% if market share losses prove permanent.
- 4. VIE/Regulatory Risk:** We do not assign a probability to total VIE invalidation but note it as a non-quantifiable tail risk that reduces the maximum conviction level appropriate for this position.
- 5. Currency Risk:** All figures are in HKD/RMB. The HKD is pegged to the USD. RMB depreciation against HKD/USD would reduce the value of the Chinese operating business in HKD terms.

Limitations

This analysis relies on publicly available financial data and third-party sources. Chinese internet companies' financial reporting follows IFRS but may have less transparency than US GAAP reporters. The competitive landscape is evolving rapidly and key metrics (market share, subsidy levels) are estimated rather than precisely known. Meituan's Q4 2025 earnings (expected March 2026) will provide critical updated data points. The VIE structure introduces legal complexity that cannot be fully assessed through financial analysis alone.

Confidence Level: LOW

Our confidence in the AVOID recommendation is paradoxically HIGH — we are highly confident this investment does not meet wealth preservation criteria. However, our confidence in the specific fair value range and scenario probabilities is LOW given the extreme uncertainty around competitive dynamics, regulatory trajectory, and margin normalization timelines. This is precisely why the position is unsuitable for wealth preservation: when the analyst cannot confidently bound the downside, the investment does not belong in a preservation portfolio.



Report prepared for Moschovakis Capital. This analysis is for informational purposes only and does not constitute investment advice. Past performance is not indicative of future results. All investments carry risk, including the potential loss of principal. The analyst does not hold a position in the securities discussed.

Data sources: Yahoo Finance, StockAnalysis.com, Investing.com, Simply Wall St, Company filings, Meituan Investor Relations, Momentum Works, TechNode, Reuters. Report date: February 12, 2026.

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