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(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)
(Stock code: 3690)

ANNOUNCEMENT OF THE RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

The Board of Directors (the “**Board**”) of Meituan 美团 (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company for the three months ended September 30, 2023.

In this announcement, “we”, “us”, or “our” refers to the Company.

HIGHLIGHTS

Financial Summary and Operating Metrics

	Unaudited Three Months Ended				Year-over- year change
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
<i>(RMB in thousands, except for percentages)</i>					
Revenues	76,466,907	100.0%	62,618,892	100.0%	22.1%
Operating profit	3,358,533	4.4%	988,222	1.6%	239.9%
Profit for the period	3,593,234	4.7%	1,216,811	1.9%	195.3%
Non-IFRS Measures¹:					
Adjusted EBITDA	6,189,201	8.1%	4,801,736	7.7%	28.9%
Adjusted net profit	5,727,397	7.5%	3,526,579	5.6%	62.4%

	Three Months Ended		Year-over- year change
	September 30, 2023	September 30, 2022	
<i>(in millions, except for percentages)</i>			
Number of On-demand Delivery transactions	6,179.4	5,025.1	23.0%

¹ See the section entitled “Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures” for more information about the non-IFRS measures.

Financial Information by Segment

	Unaudited			Total
	Three Months Ended September 30, 2023			
	Core local commerce	New initiatives	Unallocated items ²	
	<i>(RMB in thousands)</i>			
Revenues:				
Delivery services	22,983,696	–	–	22,983,696
Commission	20,986,527	550,181	–	21,536,708
Online marketing services	11,369,580	69,641	–	11,439,221
Other services and sales (including interest revenue)	2,351,205	18,156,077	–	20,507,282
Total revenues	57,691,008	18,775,899	–	76,466,907
Cost of revenues, operating expenses and unallocated items	(47,595,177)	(23,887,875)	(1,625,322)	(73,108,374)
Operating profit/(loss)	10,095,831	(5,111,976)	(1,625,322)	3,358,533
	Unaudited			
	Three Months Ended September 30, 2022			
	Core local commerce	New initiatives	Unallocated items	Total
	<i>(RMB in thousands)</i>			
Revenues:				
Delivery services	20,107,197	–	–	20,107,197
Commission	16,079,265	403,673	–	16,482,938
Online marketing services	8,637,608	25,821	–	8,663,429
Other services and sales (including interest revenue)	1,503,459	15,861,869	–	17,365,328
Total revenues	46,327,529	16,291,363	–	62,618,892
Cost of revenues, operating expenses and unallocated items	(37,006,236)	(23,062,723)	(1,561,711)	(61,630,670)
Operating profit/(loss)	9,321,293	(6,771,360)	(1,561,711)	988,222

² Unallocated items mainly include (i) share-based compensation expenses, (ii) amortisation of intangible assets resulting from acquisitions, (iii) fair value changes of other financial investments at fair value through profit or loss, (iv) other gains, net and (v) certain corporate administrative expenses and other miscellaneous items. They are not allocated to individual segments.

	Year-over-year change			Total
	Core local commerce	New initiatives	Unallocated items	
		<i>(Percentages %)</i>		
Revenues:				
Delivery services	14.3	NA	NA	14.3
Commission	30.5	36.3	NA	30.7
Online marketing services	31.6	169.7	NA	32.0
Other services and sales (including interest revenue)	56.4	14.5	NA	18.1
Total revenues	24.5	15.3	NA	22.1
Cost of revenues, operating expenses and unallocated items	28.6	3.6	4.1	18.6
Operating profit/(loss)	8.3	(24.5)	4.1	239.9

BUSINESS REVIEW

Company Financial Highlights

During the third quarter of 2023, our revenues increased by 22.1% to RMB76.5 billion from RMB62.6 billion for the same period of 2022. Our adjusted EBITDA and adjusted net profit increased on a year-over-year basis to RMB6.2 billion and RMB5.7 billion for this quarter, increasing by 28.9% and 62.4% respectively. We also achieved operating cash inflow of RMB11.2 billion for the third quarter of 2023. We held cash and cash equivalents of RMB25.1 billion and short-term treasury investments of RMB108.5 billion as of September 30, 2023.

Company Business Highlights

Core Local Commerce

For the third quarter of 2023, segment revenue increased by 24.5% year over year to RMB57.7 billion. Operating profit increased by 8.3% year over year to RMB10.1 billion with operating margin stood at 17.5%. The solid growth of food delivery operating profit was partially offset by the decline of in-store, hotel & travel operating profit on year-over-year basis.

During the third quarter, the number of On-demand Delivery transactions increased by 23.0% year over year. Food delivery maintained strong growth momentum with peak daily order volume reaching a new record of 78 million, doubled from three years ago. We enhanced our understanding of consumer needs while also empowered merchants with digital operations, which further unlocked consumption potential. The scale of medium- and high-frequency user base as well as their purchase frequency continued to grow rapidly. We iterated our membership program and offered different sizes of coupon packages to boost transaction frequency. We continued to strengthen consumer mindshare across scenarios. For instance, we achieved over 21 million milk tea orders during this year's milk tea marketing campaign, demonstrating the vast potential of the afternoon tea category. We also witnessed strong growth in late-night snacks leveraging our marketing and subsidy strategies during the summer. In addition, "Pin Hao Fan" ("拼好飯") onboarded more high-quality supply at affordable price to better satisfy consumer demand for low-price meals. Our campaigns to promote mega-hit products, such as "Shen Qiang Shou" ("神搶手"), not only cultivated consumer behavior to watch live streaming and transact on Meituan, but also helped merchants accumulate customers and enhance brand image. For Time-honored Brands ("老字號"), we launched dedicated live streaming sessions to unlock their growth potentials. For the broader merchants, we also introduced new customer management tools that help them grow customer base and revenue. Through these efforts, we further expanded the diversity and improved the quality of our platform's supply. Moreover, as the population of flexible employment grows, we provide job opportunities for more couriers and continue to enhance their welfare and work experience.

During the third quarter, Meituan Instashopping demonstrated another stellar growth with order volume, merchant base and user base all increasing notably. In August, Meituan Instashopping's daily order volume peaked at over 13 million. This development was supported by the growing number of users across city tiers, especially in the lower-tier cities. Purchase frequency growth from core users also accelerated. Consumers now use our service in a wider range of timeframes and consumption scenarios. On the merchant side, we facilitated the digitization of small- and medium-sized merchants, and partnered with nearly 400 brands. As a result, annual Active Merchants grew by 30% year over year in the third quarter. Retailers increasingly diversified their SKU offerings to better fit the on-demand retail channel, expanding the LBS products on our platform. Meituan InstaMarts (“美团閃電倉”), now surpassing 5,000, effectively supplements traditional offline supply. During the third quarter, non-food categories such as electronics, home appliances, and beauty products continued to lead the growth. We believe that on-demand retail will continue to drive consumption expansion and empower offline merchants, and we remain confident in the growth potential and our leading position of Meituan Instashopping.

The in-store, hotel & travel business continued to grow robustly, with GTV increasing by over 90% year over year in the third quarter. Quarterly Active Merchants grew by over 50% year over year, and quarterly Transacting Users also increased substantially. We solidified our competitive advantage in the shelf-based model, and leveraged short-form videos and live streaming to promote mega-hit products.

For the in-store business, monthly GTV grew robustly to a new high in August. We expanded our cost-effective product offerings and offered more engaging contents. We leverage our in-depth understanding of consumer demand, LBS features, and product capabilities to incentivize online transactions. Our live streaming sessions also effectively attract nearby consumers with specific consumption needs. We expanded our geographical coverage of Meituan Platform live streaming (美团官方直播) to over 200 cities, featuring more merchants and products during holiday seasons. The number of live streaming sessions increased substantially, contributing to a larger GTV mix. We also enhanced our service offerings and AI tools to reduce entry barriers for merchants to do live streaming on our platform. In addition, transaction volumes of Special Deals (“特價團購”) continued to grow as more merchants participated and offered high-quality, cost-effective products. We further optimized traffic allocation for Special Deals and reinforced consumer mindshare in seeking value-for-money purchases on Meituan. During the summer holidays and the National Day Golden Week, we proactively launched a variety of marketing events, such as “Online Beauty Expo” (“線上美博會”) and “Must-Eat Festival” (“必吃節”). These events helped promote mega-hit products across broad categories and sparked significant consumer interests and consumption. For example, during the “Must-Eat Festival”, we encouraged merchants to offer “Must-Eat Set Meals” (“必吃套餐”), and hosted offline events to boost in-store dining consumption at nearby shopping centers.

Our hotel and travel business maintained robust growth trajectory in the third quarter. GTV and room nights grew significantly compared to the same period of both 2022 and 2019. During the summer peak season, we closely followed consumption trends, diversified our product offerings, and enhanced our pricing competitiveness, to effectively satisfy the evolving demand. After launching the “Stay For More” brand (“住著玩”) last quarter, we further enriched our “Hotel + X” packaged deals in the third quarter. In August, we released the latest “Must-Stay List” (“必住榜”), featuring a selection of over 900 hotels. We expanded our promotional efforts through live streaming and joint-marketing collaborations with high-star hotel chains, while for small- and medium-sized hotels, we helped them with traffic acquisition, room renovation, and marketing promotions. For alternative accommodations, room nights also grew robustly. During this quarter, we improved our platform's self-service capabilities, to help consumers make better-informed decision and enhance hosts' operating efficiency.

New Initiatives

For the third quarter of 2023, revenues from the New initiatives segment increased by 15.3% year over year to RMB18.8 billion. Operating loss for the segment decreased by 24.5% year over year to RMB5.1 billion, and operating margin improved sequentially to negative 27.2%.

For Meituan Select, macro headwind and consumption behavior changes continued to weigh on its growth, and the business incurred significant operating losses in the third quarter. However, operating loss margin further narrowed both on year-over-year and quarter-over-quarter basis. We maintained our market position, strengthened our product and pricing capabilities, and provided more cost-effective selections for consumers. We also enhanced our delivery efficiency, thanks to an optimization in logistics network and an increase in high-quality pick-up stations. By September-end, we had accumulated 490 million Meituan Select transacting users, allowing us to cross-sell other products and services. In addition to business development, we are committed to creating more social value. For example, we help farmers increase income, facilitate the circulation of agricultural products, and help millions of small business owners earn higher income.

Meituan Grocery delivered strong GTV growth this quarter. It has now become the preferred choice for many consumers, as user base, purchase frequency, and average order value all increased steadily. We solidified our pricing advantage, optimized logistics network and improved supply chain efficiency. We also diversified our product offerings and leveraged holiday promotions to satisfy broader demand from consumers. Moreover, our continuous improvement in private labels ensured that our consumers can access more high-quality items with guaranteed supply.

The consumption environment continued to recover steadily since the beginning of this year, as a series of macro policies that aim to facilitate economic growth were introduced. We are dedicated to providing consumers with better and more diverse products, helping merchants improve efficiency and generate more income, creating job opportunities for millions of couriers, enhancing the industry ecosystem, and helping incentivize consumption. Looking ahead, we will continue to focus on our “Retail + Technology” corporate strategy and empower the retail industry by using technological innovations, and “Help people eat better, live better”.

MANAGEMENT DISCUSSION AND ANALYSIS

The Third Quarter of 2023 Compared to the Third Quarter of 2022

The following table sets forth the comparative figures for the third quarter of 2023 and 2022:

	Unaudited	
	Three Months Ended	
	September 30,	September 30,
	2023	2022
	<i>(RMB in thousands)</i>	
Revenues	76,466,907	62,618,892
Including: Interest revenue	385,674	197,535
Cost of revenues	(49,484,515)	(44,114,024)
Gross profit	26,982,392	18,504,868
Selling and marketing expenses	(16,905,422)	(10,886,422)
Research and development expenses	(5,321,157)	(5,414,371)
General and administrative expenses	(2,537,785)	(2,505,272)
Net provisions for impairment losses on financial and contract assets	(276,377)	(284,035)
Fair value changes of other financial investments at fair value through profit or loss	28,089	(105,922)
Other gains, net	1,388,793	1,679,376
Operating profit	3,358,533	988,222
Finance income	201,225	209,746
Finance costs	(350,950)	(474,728)
Share of profits of investments accounted for using the equity method	434,521	485,362
Profit before income tax	3,643,329	1,208,602
Income tax (expenses)/credits	(50,095)	8,209
Profit for the period	3,593,234	1,216,811
Non-IFRS measures:		
Adjusted EBITDA	6,189,201	4,801,736
Adjusted net profit	5,727,397	3,526,579

Revenues

Our revenues increased by 22.1% to RMB76.5 billion for the third quarter of 2023 from RMB62.6 billion for the same period of 2022. We achieved revenue growth in both reportable segments due to the recovery of local consumption.

The following table sets forth our revenues by segment and type for the third quarter of 2023 and 2022:

	Unaudited Three Months Ended September 30, 2023		
	Core local commerce	New initiatives	Total
	<i>(RMB in thousands)</i>		
Revenues			
Delivery services	22,983,696	–	22,983,696
Commission	20,986,527	550,181	21,536,708
Online marketing services	11,369,580	69,641	11,439,221
Other services and sales (including interest revenue)	2,351,205	18,156,077	20,507,282
Total	57,691,008	18,775,899	76,466,907
	Unaudited Three Months Ended September 30, 2022		
	Core local commerce	New initiatives	Total
	<i>(RMB in thousands)</i>		
Revenues			
Delivery services	20,107,197	–	20,107,197
Commission	16,079,265	403,673	16,482,938
Online marketing services	8,637,608	25,821	8,663,429
Other services and sales (including interest revenue)	1,503,459	15,861,869	17,365,328
Total	46,327,529	16,291,363	62,618,892

Our revenues from the Core local commerce segment increased by 24.5% to RMB57.7 billion for the third quarter of 2023 from RMB46.3 billion for the same period of 2022. The revenue growth is mainly due to the growth in the Number of On-demand Delivery transactions and GTV of our in-store, hotel and travel businesses as a result of consumption recovery, partially offset by (i) the increased incentives deducted from revenues, and (ii) the lower average order value of our food delivery and Meituan Instashopping businesses. The increase of the GTV of our in-store, hotel and travel businesses was also attributable to our supply enhancement and marketing strategy improvement.

Our revenues from the New initiatives segment increased by 15.3% to RMB18.8 billion for the third quarter of 2023 from RMB16.3 billion for the same period of 2022. The growth was mainly due to the expansion of our goods retail businesses on a year-over-year basis, partially offset by the contraction of our self-operated ride sharing business.

Costs and Expenses

The following table sets forth a breakdown of our costs and expenses by function for the periods indicated:

	Unaudited Three Months Ended			
	September 30, 2023		September 30, 2022	
	As a percentage of revenues	As a percentage of revenues	Amount	Amount
	Amount	Amount	of revenues	of revenues
<i>(RMB in thousands, except for percentages)</i>				
Costs and Expenses:				
Cost of revenues	49,484,515	64.7%	44,114,024	70.4%
Selling and marketing expenses	16,905,422	22.1%	10,886,422	17.4%
Research and development expenses	5,321,157	7.0%	5,414,371	8.6%
General and administrative expenses	2,537,785	3.3%	2,505,272	4.0%

Cost of Revenues

Our cost of revenues increased by 12.2% to RMB49.5 billion for the third quarter of 2023 from RMB44.1 billion for the same period of 2022, and decreased by 5.7 percentage points to 64.7% from 70.4% as a percentage of revenues on a year-over-year basis. The increase in amount was primarily attributable to the increases in: (i) delivery related costs of our food delivery and Meituan Instashopping businesses, and (ii) cost of revenues of our goods retail businesses. The decrease in cost of revenues as a percentage of revenues on a year-over-year basis was mainly due to: (i) the change of revenue mix, (ii) lower delivery related costs per order of our food delivery and Meituan Instashopping businesses, and (iii) the improved gross margin of our goods retail businesses.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 55.3% to RMB16.9 billion for the third quarter of 2023 from RMB10.9 billion for the same period of 2022, and increased by 4.7 percentage points to 22.1% from 17.4% as a percentage of revenues on a year-over-year basis. Both the increases in amount and as a percentage of revenues were primarily attributable to the increases in Transacting User incentives as well as promotion and advertising expenses, resulting from the consumption recovery, evolving business circumstances and business strategies. In addition, the increase in employee benefits expenses contributed to the increase in amount of selling and marketing expenses.

Research and Development Expenses

Our research and development expenses decreased by 1.7% to RMB5.3 billion for the third quarter of 2023 from RMB5.4 billion for the same period of 2022, and decreased by 1.6 percentage points to 7.0% from 8.6% as a percentage of revenues on a year-over-year basis. Both the decreases in amount and as a percentage of revenues were primarily attributable to decreased employee benefits expenses.

General and Administrative Expenses

Our general and administrative expenses were RMB2.5 billion for the third quarter of 2023, remaining stable on a year-over-year basis. The percentage of revenues decreased by 0.7 percentage points to 3.3% from 4.0% on a year-over-year basis, which was primarily attributable to improved operating leverage.

Net Provisions for Impairment Losses on Financial and Contract Assets

Our net provisions for impairment losses on financial and contract assets decreased to RMB276.4 million for the third quarter of 2023 from RMB284.0 million for the same period of 2022, which reflected the changes in expected credit losses for financial assets.

Fair Value Changes of Other Financial Investments at Fair Value Through Profit or Loss

Our fair value changes of other financial investments at fair value through profit or loss changed to a gain of RMB28.1 million for the third quarter of 2023 from a loss of RMB105.9 million for the same period of 2022, which was mainly driven by the fluctuation in the fair value of our investment portfolios.

Other Gains, Net

Our other gains, net for the third quarter of 2023 was RMB1.4 billion, compared to RMB1.7 billion for the same period of 2022, primarily attributable to the decrease in foreign exchange gains and subsidies and tax preferences, partially offset by increased fair value changes and gains from treasury investments.

Operating Profit

As a result of the foregoing, our operating profit and operating margin for the third quarter of 2023 were RMB3.4 billion and 4.4% respectively, compared to operating profit of RMB988.2 million and operating margin of 1.6% for the same period of 2022.

Operating profit/(loss) and operating margin by segment are set forth in the table below.

	Unaudited Three Months Ended			
	September 30, 2023		September 30, 2022	
	As a percentage of revenues	As a percentage of revenues		
	Amount	Amount		
	<i>(RMB in thousands, except for percentages)</i>			
Core local commerce	10,095,831	17.5%	9,321,293	20.1%
New initiatives	(5,111,976)	(27.2%)	(6,771,360)	(41.6%)
Unallocated items	(1,625,322)	NA	(1,561,711)	NA
Total operating profit	<u>3,358,533</u>	4.4%	<u>988,222</u>	1.6%

Our operating profit from the Core local commerce segment increased to RMB10.1 billion for the third quarter of 2023 from RMB9.3 billion for the same period of 2022 and the operating margin decreased by 2.6 percentage points to 17.5% from 20.1% on a year-over-year basis. The increase in operating profit was mainly attributable to: (i) revenue growth, (ii) the higher unit economics driven by abundant courier supply for our food delivery and Meituan Instashopping businesses, and (iii) partially offset by the higher incentives. The decrease in operating margin was mainly attributable to a higher incentive ratio.

Our operating loss from the New initiatives segment narrowed to RMB5.1 billion for the third quarter of 2023 from RMB6.8 billion for the same period of 2022, and the operating margin for this segment improved by 14.4 percentage points to negative 27.2% from negative 41.6% on a year-over-year basis. The improvements in both operating loss and operating margin were primarily attributable to our efforts to improve operating efficiency.

Share of Profits of Investments Accounted for Using the Equity Method

Our share of profits of investments accounted for using the equity method decreased to RMB434.5 million for the third quarter of 2023 from RMB485.4 million for the same period of 2022, which was primarily resulted from the fluctuation of the financial results of our investees.

Profit for the Period

As a result of the foregoing, we had a profit of RMB3.6 billion for the third quarter of 2023, compared to a profit of RMB1.2 billion for the same period of 2022.

The Third Quarter of 2023 Compared to the Second Quarter of 2023

The following table sets forth the comparative figures for the third quarter of 2023 and the second quarter of 2023:

	Unaudited	
	Three Months Ended	
	September 30,	June 30,
	2023	2023
	<i>(RMB in thousands)</i>	
Revenues	76,466,907	67,964,624
Including: Interest revenue	385,674	266,483
Cost of revenues	(49,484,515)	(42,566,619)
Gross profit	26,982,392	25,398,005
Selling and marketing expenses	(16,905,422)	(14,553,195)
Research and development expenses	(5,321,157)	(5,407,176)
General and administrative expenses	(2,537,785)	(2,139,048)
Net provisions for impairment losses on financial and contract assets	(276,377)	(195,264)
Fair value changes of other financial investments at fair value through profit or loss	28,089	103,761
Other gains, net	1,388,793	1,505,916
Operating profit	3,358,533	4,712,999
Finance income	201,225	217,189
Finance costs	(350,950)	(354,003)
Share of profits of investments accounted for using the equity method	434,521	122,406
Profit before income tax	3,643,329	4,698,591
Income tax expenses	(50,095)	(9,972)
Profit for the period	3,593,234	4,688,619
Non-IFRS measures:		
Adjusted EBITDA	6,189,201	7,682,351
Adjusted net profit	5,727,397	7,659,868

Revenues

Our revenues increased by 12.5% to RMB76.5 billion for the third quarter of 2023 from RMB68.0 billion for the second quarter of 2023. We achieved revenue growth in both reportable segments in this quarter.

The following table sets forth our revenues by segment and type for the third quarter of 2023 and the second quarter of 2023:

	Unaudited Three Months Ended September 30, 2023		
	Core local commerce	New initiatives	Total
	<i>(RMB in thousands)</i>		
Revenues			
Delivery services	22,983,696	–	22,983,696
Commission	20,986,527	550,181	21,536,708
Online marketing services	11,369,580	69,641	11,439,221
Other services and sales (including interest revenue)	2,351,205	18,156,077	20,507,282
Total	57,691,008	18,775,899	76,466,907

	Unaudited Three Months Ended June 30, 2023		
	Core local commerce	New initiatives	Total
	<i>(RMB in thousands)</i>		
Revenues			
Delivery services	20,374,970	–	20,374,970
Commission	18,402,189	510,284	18,912,473
Online marketing services	10,243,600	63,577	10,307,177
Other services and sales (including interest revenue)	2,179,187	16,190,817	18,370,004
Total	51,199,946	16,764,678	67,964,624

Our revenues from the Core local commerce segment increased by 12.7% to RMB57.7 billion for the third quarter of 2023 from RMB51.2 billion for the second quarter of 2023. The revenue growth was primarily attributable to the increase in the Number of On-demand Delivery transactions and the GTV growth of our in-store, hotel and travel businesses, which resulted from the favourable seasonality impact, partially offset by (i) the increased incentives deducted from revenues, and (ii) the lower average order value of our food delivery and Meituan Instashopping businesses.

Our revenues from the New initiatives segment increased by 12.0% to RMB18.8 billion for the third quarter of 2023 from RMB16.8 billion for the second quarter of 2023, mainly due to the seasonality and growth of our goods retail businesses and other new initiatives.

Costs and Expenses

The following table sets forth a breakdown of our costs and expenses by function for the periods indicated:

	Unaudited Three Months Ended			
	September 30, 2023		June 30, 2023	
	As a percentage of revenues		As a percentage of revenues	
	Amount		Amount	of revenues
	<i>(RMB in thousands, except for percentages)</i>			
Costs and Expenses:				
Cost of revenues	49,484,515	64.7%	42,566,619	62.6%
Selling and marketing expenses	16,905,422	22.1%	14,553,195	21.4%
Research and development expenses	5,321,157	7.0%	5,407,176	8.0%
General and administrative expenses	2,537,785	3.3%	2,139,048	3.1%

Cost of Revenues

Our cost of revenues increased by 16.3% to RMB49.5 billion for the third quarter of 2023 from RMB42.6 billion for the second quarter of 2023, and increased by 2.1 percentage points to 64.7% from 62.6% as a percentage of revenues. The increase in amount was primarily attributable to the increases in: (i) delivery related costs as result of the increase in the Number of On-demand Delivery transactions and the seasonal couriers incentives, and (ii) cost of revenues of our goods retail businesses. The increase in cost of revenues as a percentage of revenues was mainly due to seasonal couriers incentives of our food delivery and Meituan Instashopping businesses.

Selling and Marketing Expenses

Our selling and marketing expenses increased to RMB16.9 billion for the third quarter of 2023 from RMB14.6 billion for the second quarter of 2023, and increased by 0.7 percentage points to 22.1% from 21.4% as a percentage of revenues on a quarter-over-quarter basis. Both the increases in amount and as a percentage of revenues were primarily attributable to the increases in Transacting User incentives as well as promotion and advertising expenses, resulting from evolving business circumstances and business strategies.

Research and Development Expenses

Our research and development expenses decreased to RMB5.3 billion for the third quarter of 2023 from RMB5.4 billion for the second quarter of 2023, and decreased by 1.0 percentage points to 7.0% from 8.0% as a percentage of revenues on a quarter-over-quarter basis. Both the decreases in amount and as a percentage of revenues were primarily attributable to decreased employee benefits expenses.

General and Administrative Expenses

Our general and administrative expenses increased to RMB2.5 billion for the third quarter of 2023 from RMB2.1 billion for the second quarter of 2023, and increased by 0.2 percentage points to 3.3% from 3.1% as a percentage of revenues on a quarter-over-quarter basis. Both the increases in amount and as a percentage of revenues were primarily attributable to increased employee benefits expenses.

Net Provisions for Impairment Losses on Financial and Contract Assets

Our net provisions for impairment losses on financial and contract assets increased to RMB276.4 million for the third quarter of 2023 from RMB195.3 million for the second quarter of 2023, which reflected the changes in expected credit losses for financial assets.

Fair Value Changes of Other Financial Investments at Fair Value Through Profit or Loss

Our fair value changes of other financial investments at fair value through profit or loss decreased to a gain of RMB28.1 million for the third quarter of 2023 from a gain of RMB103.8 million for the second quarter of 2023, which was mainly driven by the fluctuation in the fair value of our investment portfolios.

Other Gains, Net

Our other gains, net for the third quarter of 2023 was RMB1.4 billion, compared to RMB1.5 billion for the second quarter of 2023. The change was primarily attributable to the decreased fair value changes and gains from treasury investments.

Operating Profit

As a result of the foregoing, our operating profit and operating margin for the third quarter of 2023 were RMB3.4 billion and 4.4% respectively, compared to operating profit of RMB4.7 billion and operating margin of 6.9% for the second quarter of 2023.

Operating profit/(loss) and operating margin by segment are set forth in the table below.

	Unaudited Three Months Ended			
	September 30, 2023		June 30, 2023	
	As a percentage of revenues	As a percentage of revenues		
	Amount	Amount	Amount	Amount
	<i>(RMB in thousands, except for percentages)</i>			
Core local commerce	10,095,831	17.5%	11,138,521	21.8%
New initiatives	(5,111,976)	(27.2%)	(5,192,922)	(31.0%)
Unallocated items	(1,625,322)	NA	(1,232,600)	NA
Total operating profit	<u>3,358,533</u>	4.4%	<u>4,712,999</u>	6.9%

Our operating profit from the Core local commerce segment decreased to RMB10.1 billion for the third quarter of 2023 from RMB11.1 billion for the second quarter of 2023. The operating margin for this segment decreased by 4.3 percentage points to 17.5% from 21.8% on a quarter-over-quarter basis. The decreases in operating profit and operating margin were mainly attributable to higher incentives ratio and lower unit economics of our food delivery and Meituan Instashopping businesses driven by the increased seasonal couriers incentives.

Our operating loss from the New initiatives segment for the third quarter of 2023 were RMB5.1 billion, slightly narrowing on a quarter-over-quarter basis. The operating margin for this segment improved by 3.8 percentage points to negative 27.2% from negative 31.0% on a quarter-over-quarter basis, mainly due to the improvement in operating efficiency.

Share of Profits of Investments Accounted for Using the Equity Method

Our share of profits of investments accounted for using the equity method increased to RMB434.5 million for the third quarter of 2023 from RMB122.4 million for the second quarter of 2023, which primarily resulted from the fluctuation of the financial results of our investees.

Profit for the Period

As a result of the foregoing, we had a profit of RMB3.6 billion for the third quarter of 2023, compared to a profit of RMB4.7 billion for the second quarter of 2023.

Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we also use adjusted EBITDA and adjusted net profit as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance such as certain non-cash or one-off items and certain impact of investment transactions. The use of these non-IFRS measures has limitations as an analytical tool, and one should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS measures may be defined differently from similar terms used by other companies.

Adjusted EBITDA represents profit for the period adjusted for (i) fair value changes of other financial investments at fair value through profit or loss, other gains, net, finance income, finance costs, share of profits/(losses) of investments accounted for using the equity method and income tax credits/(expenses); and (ii) certain non-cash or one-off items, consisting of share-based compensation expenses, amortisation of intangible assets, depreciation on property, plant and equipment, and certain impairment and expense provision.

Adjusted net profit represents profit for the period adjusted for (i) certain non-cash or one-off items, consisting of share-based compensation expenses, amortisation of intangible assets resulting from acquisitions, and certain impairment and expense provision; (ii) net gains/(losses) from certain investments; and (iii) related income tax effects.

The following tables set forth the reconciliations of our non-IFRS measures for the third quarter of 2023 and 2022 and the second quarter of 2023, to the nearest measures prepared in accordance with IFRS.

	Unaudited Three Months Ended		
	September 30, 2023	September 30, 2022	June 30, 2023
	<i>(RMB in thousands)</i>		
Profit for the period	3,593,234	1,216,811	4,688,619
Adjusted for:			
Share-based compensation expenses	2,138,443	2,445,766	2,450,640
Net (gains)/losses from investments ^{(Note (i))}	(95,835)	(533,376)	122,878
Impairment and expense provision	55,183	321,969	336,511
Amortisation of intangible assets resulting from acquisitions	42,793	117,973	42,793
Tax effects on non-IFRS adjustments	(6,421)	(42,564)	18,427
Adjusted net profit	5,727,397	3,526,579	7,659,868
Adjusted for:			
Income tax expenses/(credits), except for tax effects on non-IFRS adjustments	56,516	34,355	(8,455)
Share of (profits)/losses of investments accounted for using the equity method not adjusted for adjusted net profit	(455,779)	75,126	(353,698)
Finance income	(201,225)	(209,746)	(217,189)
Finance costs	350,950	474,728	354,003
Other gains, net not adjusted for adjusted net profit	(1,299,789)	(1,600,566)	(1,686,827)
Amortisation of software and others	15,799	17,050	17,062
Depreciation on property, plant and equipment	1,995,332	2,484,210	1,917,587
Adjusted EBITDA	6,189,201	4,801,736	7,682,351

Note (i) Mainly include fair value changes related to certain investments, gains or losses on disposal of investees or subsidiaries, dilution gains or losses and certain share of profits or losses of investments accounted for using the equity method.

Liquidity and Capital Resources

Historically, our demand for cash was principally funded by capital contribution from Shareholders and financing through issuance and sale of equity and debt securities. We held cash and cash equivalents of RMB25.1 billion and short-term treasury investments of RMB108.5 billion as of September 30, 2023.

The following table sets forth our cash flows for the period indicated:

	Unaudited Three Months Ended September 30, 2023
	<u>(RMB in thousands)</u>
Net cash flows generated from operating activities	11,211,778
Net cash flows used in investing activities	(15,193,499)
Net cash flows generated from financing activities	<u>2,163,723</u>
Net decrease in cash and cash equivalents	(1,817,998)
Cash and cash equivalents at the beginning of the period	27,003,038
Exchange losses on cash and cash equivalents	<u>(36,146)</u>
Cash and cash equivalents at the end of the period	<u>25,148,894</u>

Net Cash Flows Generated from Operating Activities

Net cash flows generated from operating activities represents the cash generated from our operations minus the income tax paid. Cash generated from our operations primarily consisted of our profit for the period, as adjusted by non-cash items and changes in working capital.

For the third quarter of 2023, net cash flows generated from operating activities was RMB11.2 billion, which was primarily attributable to our profit before income tax, as adjusted by (i) share-based compensation expenses, depreciation and amortisation and fair value changes and gains related to treasury investments and other investments, and (ii) the changes in working capital, which primarily consisted of increase in certain current liabilities driven by seasonality.

Net Cash Flows Used in Investing Activities

For the third quarter of 2023, net cash flows used in investing activities was RMB15.2 billion, which was composed of purchase of treasury investments and property, plant and equipment, as well as some other investments.

Net Cash Flows Generated from Financing Activities

For the third quarter of 2023, net cash flows generated from financing activities was RMB2.2 billion, which was mainly attributable to the increases in certain financial liabilities partially offset by the payments of lease liabilities.

Gearing ratio

As of September 30, 2023, our gearing ratio, calculated as total borrowings and notes payable divided by total equity attributable to equity holders of the Company, was approximately 39%.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT

	Unaudited Three Months Ended		
	September 30, 2023	September 30, 2022	June 30, 2023
	<i>(RMB in thousands)</i>		
Revenues	76,466,907	62,618,892	67,964,624
Including: Interest revenue	385,674	197,535	266,483
Cost of revenues	(49,484,515)	(44,114,024)	(42,566,619)
Gross profit	26,982,392	18,504,868	25,398,005
Selling and marketing expenses	(16,905,422)	(10,886,422)	(14,553,195)
Research and development expenses	(5,321,157)	(5,414,371)	(5,407,176)
General and administrative expenses	(2,537,785)	(2,505,272)	(2,139,048)
Net provisions for impairment losses on financial and contract assets	(276,377)	(284,035)	(195,264)
Fair value changes of other financial investments at fair value through profit or loss	28,089	(105,922)	103,761
Other gains, net	1,388,793	1,679,376	1,505,916
Operating profit	3,358,533	988,222	4,712,999
Finance income	201,225	209,746	217,189
Finance costs	(350,950)	(474,728)	(354,003)
Share of profits of investments accounted for using the equity method	434,521	485,362	122,406
Profit before income tax	3,643,329	1,208,602	4,698,591
Income tax (expenses)/credits	(50,095)	8,209	(9,972)
Profit for the period	3,593,234	1,216,811	4,688,619
Profit for the period attributable to:			
Equity holders of the Company	3,593,023	1,216,442	4,687,870
Non-controlling interests	211	369	749
	3,593,234	1,216,811	4,688,619

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As of September 30, 2023	Audited As of December 31, 2022
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(RMB in thousands)

ASSETS

Non-current assets

Property, plant and equipment	24,288,933	22,201,259
Intangible assets	30,448,015	30,642,975
Deferred tax assets	1,623,036	1,497,106
Long-term treasury investments	15,239,599	8,114,058
Other financial investments at fair value through profit or loss	18,436,176	15,073,013
Investments accounted for using the equity method	17,634,360	16,582,381
Other financial investments at fair value through other comprehensive income	2,441,293	2,321,865
Prepayments, deposits and other assets	4,961,531	4,903,068
	115,072,943	101,335,725

Current assets

Inventories	1,363,506	1,162,765
Trade receivables	2,932,592	2,052,731
Prepayments, deposits and other assets	14,329,813	13,292,494
Short-term treasury investments	108,471,396	91,873,270
Restricted cash	18,194,060	14,605,601
Cash and cash equivalents	25,148,894	20,158,606
	170,440,261	143,145,467

Total assets

	285,513,204	244,481,192
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EQUITY

Share capital	418	415
Share premium	324,507,227	316,743,344
Shares held for shares award scheme	-	-
Other reserves	1,198,005	1,484,187
Accumulated losses	(177,827,210)	(189,466,336)

Equity attributable to equity holders of the Company

Non-controlling interests	(54,675)	(55,893)
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Total equity

	147,823,765	128,705,717
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Unaudited As of September 30, 2023	Audited As of December 31, 2022
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(RMB in thousands)

LIABILITIES

Non-current liabilities

Deferred tax liabilities	864,378	846,103
Financial liabilities at fair value through profit or loss	378,720	100,000
Borrowings	418,050	1,548,967
Notes payable	34,974,799	33,607,372
Lease liabilities	3,414,004	3,203,163
Other non-current liabilities	35,133	39,773
	40,085,084	39,345,378

Current liabilities

Trade payables	21,339,403	17,379,302
Payables to merchants	20,169,408	12,432,342
Advances from transacting users	8,917,388	5,081,178
Other payables and accruals	17,238,197	16,655,307
Borrowings	19,758,266	17,562,145
Notes payable	2,002,521	–
Deferred revenues	5,805,297	5,053,375
Lease liabilities	2,306,424	2,165,978
Income tax liabilities	67,451	100,470
	97,604,355	76,430,097

Total liabilities

	137,689,439	115,775,475
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Total equity and liabilities

	285,513,204	244,481,192
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OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the three months ended September 30, 2023.

Audit Committee

The Audit Committee has reviewed the Company's unaudited interim condensed financial information for the three months ended September 30, 2023. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Company and internal control and financial reporting matters.

Basis of Preparation and Presentation

The accounting policies used in preparation of the unaudited quarterly financial information are consistent with those adopted in preparing the Company's annual audited financial statements for the year ended December 31, 2022 (the "**2022 Financial Statements**"), except for the estimation of income tax and the adoption of new and amended standards as set out in the 2022 Financial Statements.

The unaudited quarterly financial information for the three months ended September 30, 2023 does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's 2022 Financial Statements, which have been prepared in accordance with the IFRS.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting stringent corporate governance standards. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders.

The Company has adopted the principles and code provisions of the CG Code as set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

Save for code provision C.2.1, the Company has complied with all the code provisions as set out in the CG Code where applicable during three months ended September 30, 2023. Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have separate chairman and chief executive officer and Mr. Wang Xing currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Company and enables more effective and efficient overall strategic planning for the Company. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and

implement decisions promptly and effectively. The Board will continue to review and consider segregating the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time by taking into account the circumstances of the Company as a whole.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the three months ended September 30, 2023.

Events after the Reporting Period

There were no significant events that might affect the Company since September 30, 2023.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to our consumers, merchants and partners for their trust in our platform, our couriers for their reliable and efficient services, our entire staff and management team for their outstanding contributions, and our Shareholders for their continuous support.

By Order of the Board
Meituan
Wang Xing
Chairman

Hong Kong, November 28, 2023

As at the date of this announcement, the Board comprises Mr. Wang Xing and Mr. Mu Rongjun as executive Directors, Mr. Neil Nanpeng Shen as non-executive Director, and Mr. Orr Gordon Robert Halyburton, Mr. Leng Xuesong, Dr. Shum Heung Yeung Harry and Ms. Marjorie Mun Tak Yang as independent non-executive Directors.

The Shareholders and potential investors of the Company should note that the information in this announcement is based on the management accounts of the Company which have not been audited or reviewed by the Company’s Auditor. This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Company. These forward-looking statements are based on information currently available to the Company and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

Term	Definition
“Articles” or “Articles of Association”	the seventh amended and restated articles of association of the Company adopted by special resolution passed on June 30, 2023
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the external auditor of the Company
“Board”	the Board of Directors
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“Class A Shares”	Class A ordinary shares of the share capital of the Company with a par value of US\$0.00001 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company’s general meetings, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
“Class B Shares”	Class B ordinary shares of the share capital of the Company with a par value of US\$0.00001 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meetings
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “our Company,” “the Company”	Meituan (美团), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 25, 2015, or Meituan (美团) and its subsidiaries and Consolidated Affiliated Entities, as the case may be
“Consolidated Affiliated Entities”	the entities we control through contractual arrangements (each a “ Consolidated Affiliated Entity ”)
“Director(s)”	the director(s) of the Company
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being (i) any amendment to the Memorandum and Articles, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive Director, (iii) the appointment or removal of the Company’s auditors, and (iv) the voluntary liquidation or winding-up of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Share(s)”	the Class A Shares and Class B Shares in the share capital of the Company, as the context so requires
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“United States,” “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	U.S. dollar, the lawful currency of the United States
“%”	per cent

GLOSSARY

“Active Merchant”	a merchant that meets any of the following conditions in a given period: (i) completed at least one transaction on our platform, (ii) purchased any online marketing services from us, (iii) processed offline payment at least once through our integrated payment systems, or (iv) generated any order through our ERP systems
“Gross Transaction Volume” or “GTV”	the value of paid transactions of products and services on our platform by consumers, regardless of whether the consumers are subsequently refunded. This includes delivery charges and VAT, but excludes any payment-only transactions, such as QR code scan payments and point-of-sale payments
“Number of On-demand Delivery transactions”	include number of transactions from food delivery and Meituan Instashopping businesses
“Transacting User”	a user account that paid for transactions of products and services on our platform in a given period, regardless of whether the account is subsequently refunded
“transaction”	the number of transactions is generally recognized based on the number of payments made; whereas (i) with respect to our in-store business, one transaction is recognized if a user purchases multiple vouchers with a single payment; (ii) with respect to our hotel-booking business, one transaction is recognized if a user books multiple room nights with a single payment; (iii) with respect to our attraction, movie, air and train ticketing businesses, one transaction is recognized if a user purchases multiple tickets with a single payment; (iv) with respect to our bike-sharing business, if a user uses monthly pass, then one transaction is recognized only when the user purchases or claims the monthly pass, and subsequent rides are not recognized as transactions; if a user does not use monthly pass, then one transaction is recognized for every ride