

Study on Financial Flexibility and Profit Model of Internet Platform Enterprises

--A Case Study of Meituan

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Abstract

With the in-depth penetration of the digital economy, Internet platform enterprises have become a core driving force behind the transformation of China's economic structure and social lifestyle. Compared with traditional enterprises, Internet platform enterprises exhibit unique financial characteristics: "high growth relies on user scale and network effects, while profitability and financial flexibility are constrained by multiple factors". As a leading local life service platform in China, Meituan's financial statements not only reflect the profit advantages of its core businesses (such as food delivery and in-store & hotel services) but also expose the practical pressures of new business losses and cash flow fluctuations. This study takes Meituan's financial data from 2018 to 2023 as the research sample, combines a three-dimensional analysis of the income statement, balance sheet, and cash flow statement, and uses DuPont Analysis to decompose the driving factors of Return on Equity (ROE) to systematically explore Meituan's financial flexibility level and profit model characteristics. The research findings show that Meituan's profit model presents a "dual-drive + strategic reserve" structure: the food delivery business contributes stable cash flow, the in-store & hotel business provides core profit support, but the continuous investment in new businesses (such as community group buying, mobility services, and retail) significantly drags down overall profitability. In terms of financial flexibility, Meituan mainly relies on capital market financing (equity + debt) to maintain expansion rather than the accumulation of internal operating cash flow, forming a short-term cycle of "financing - investment - loss - refinancing". In the long run, although new businesses suppress profits in the short term, they still have strategic value to become important growth drivers in the future under the combined influence of market competition and policy environment. This study not only fills the research gap in the theory of financial flexibility and profit model interaction of Internet platform enterprises but also provides practical references for platform enterprises to optimize their financial structure and for policymakers to improve the regulatory framework.

Keywords

Financial Flexibility, Profit Model; Internet Platform Enterprises, Meituan, DuPont Analysis, Cash Flow Management.

1. Introduction

1.1. Research Background

In recent years, the popularization of Internet technology and mobile payment has driven the rapid development of the platform economy. Services such as food delivery, ride-hailing, community group buying, and online retail have been deeply integrated into residents' daily lives and have become an important carrier for the digital transformation of traditional industries [8]. With the core function of "connecting supply and demand and matching transactions", Internet platform enterprises rely on big data and artificial intelligence technologies to build a two-sided market structure. Their "light asset, high subsidy, and strong network effect" operation model is essentially different from that of traditional manufacturing and retail industries (Chen Xi, 2022) [8]. Against this backdrop, the financial performance and profit sustainability of platform enterprises have become a focus of attention among academia, industry, and regulators. On the one hand, the "subsidy-for-growth" expansion strategy has led most platform enterprises to suffer long-term losses, and the stability of their profit models has been questioned. On the other hand, platform enterprises' high dependence on capital market financing makes their financial flexibility vulnerable to external environmental shocks. How to balance scale expansion and financial stability has become a core challenge for platform enterprises.

As a leading enterprise in China's local life service sector, Meituan has covered multiple business areas including food delivery, in-store & hotel services, community group buying, instant retail, and mobility services since its listing on the Hong Kong Stock Exchange in 2018. In 2023, its revenue reached 276.7 billion yuan, and the number of instant delivery orders exceeded 21.9 billion (Meituan, 2024), making its financial data typical and representative. From a financial perspective, Meituan's food delivery and in-store & hotel businesses have shown strong profit potential, but the continuous investment in new businesses such as community group buying and mobility services has led to significant fluctuations in overall net profit. At the same time, its high asset-liability ratio and dependence on external financing have brought uncertainty to its financial flexibility. Especially under the combined impact of the epidemic, macroeconomic fluctuations, and strengthened anti-monopoly supervision, the interaction between Meituan's financial flexibility and profit model is of greater research value.

1.2. Literature Review

Existing research on financial flexibility mainly focuses on traditional manufacturing and financial industries: Li Jianjun et al. (2020) pointed out that the financial flexibility of traditional manufacturing mainly relies on the accumulation of internal cash flow and short-term debt adjustment [6], and asset liquidity is a core influencing factor; Wang Li et al. (2021) found that the financial flexibility of the financial industry is constrained by both leverage regulation and market liquidity, and the equity multiplier plays a significant role in adjusting financial flexibility [7]. However, research on Internet platform enterprises mostly focuses on profit model innovation (Zhao Xing, 2022) or value evaluation (Lu Yanlong, 2021), with insufficient attention to the interaction mechanism between financial flexibility and profit models [11]. For example, Liu Jingru (2021) conducted a comprehensive financial analysis of Meituan based on the Harvard Framework, which mentioned profit structure and solvency [9] but did not deeply explore the internal connection between the two; Zhao Xing (2022) focused on the optimization of Meituan's food delivery O2O profit model but ignored the supporting role of financial flexibility in the profit model. Overall, existing research has not fully revealed the adaptability between financial flexibility and profit models of Internet platform enterprises characterized by "high financing dependence and large new business investment", and the research gap needs to be filled urgently.

1.3. Research Significance and Research Questions

1.3.1. Research Significance

Academic Significance: Taking Meituan as a case, this study explores the interaction mechanism between financial flexibility and profit models of Internet platform enterprises by combining multi-dimensional financial analysis and DuPont Analysis. It can fill the research gap in the financial theory of the platform economy and expand the research perspective at the intersection of financial management and the platform economy.

Practical Significance: For investors, the financial analysis in this study can provide references for evaluating Meituan's investment value and identifying risks; for enterprise managers, the research conclusions can offer strategic support for optimizing profit structure and enhancing financial flexibility; for policymakers, the financial characteristics of platform enterprises revealed in this study can provide a basis for improving regulatory policies and promoting the healthy development of the platform economy.

1.3.2. Research Questions

Based on the above background and literature review, this study focuses on the following three core research questions:

What is the level and dynamic change characteristics of Meituan's financial flexibility from 2018 to 2023? Is the core source of its financial flexibility internal cash flow or external financing?

How is Meituan's profit model of "core business profitability + new business investment" reflected in financial indicators (revenue structure, cost and expense, profitability)? What is the sustainability boundary of this model?

What kind of interaction mechanism exists between financial flexibility and profit model? Does the external environment (market competition, policy supervision) have a regulatory effect on the interaction between the two?

2. Income Statement Analysis: Financial Reflection of the Profit Model

The income statement is a core financial statement that reflects an enterprise's operating results during a certain accounting period. It not only reveals the quantitative relationship between revenue, cost, expense, and net profit but also reflects the strategic logic of the enterprise's business model (Ministry of Finance, 2020) [5]. Meituan's income statement from 2018 to 2023 shows the typical characteristics of platform enterprises: "stable profitability of core businesses and continuous losses of new businesses". This section analyzes its profit model from three dimensions: revenue structure, cost and expense, and profitability.

2.1. Revenue Structure Analysis

Meituan's revenue is mainly divided into three segments: food delivery business, in-store & hotel business, and new businesses & others (including community group buying, instant retail, mobility services, etc.). The revenue and proportion of each business from 2018 to 2023 are shown in Table 1 [1].

Table 1. Meituan's Revenue and Proportion of Each Business Segment (2018-2023) (Unit: 100 million yuan, %)

Year	Total Revenue (100 million yuan)	Food Delivery Revenue (100 million yuan)	Food Delivery Revenue Proportion (%)	In-store & Hotel Revenue (100 million yuan)	In-store & Hotel Revenue Proportion (%)	New Business Revenue (100 million yuan)	New Business Revenue Proportion (%)
2018	652.3	408.4	62.6	158.2	24.3	85.7	13.1

2019	975.2	602.3	61.8	223.9	22.9	149.0	15.3
2020	1148.0	662.7	57.7	213.6	18.6	271.7	23.7
2021	1794.3	963.4	53.7	325.2	18.1	505.7	28.2
2022	2200.8	1148.4	52.2	413.0	18.8	639.4	29.0
2023	2767.1	1794.0	64.8	457.2	16.5	515.9	18.7

Source: Meituan's 2018-2023 Annual Financial Reports

As shown in Table 1, Meituan's revenue structure exhibits the following characteristics:

Food delivery business as the cornerstone of revenue: From 2018 to 2023, the revenue of the food delivery business increased from 40.84 billion yuan to 179.4 billion yuan, with a compound annual growth rate of 23.1%. Its proportion of total revenue rebounded to 64.8% in 2023. Relying on high-frequency transactions (daily orders exceeding 60 million) and strong user stickiness, this business forms a stable revenue stream and is the core source of Meituan's cash flow. However, due to high delivery costs, the gross profit margin of the food delivery business only remains between 18% and 20% (Meituan's 2023 Annual Report), leaving limited profit space.

In-store & hotel business as the core of profit: Although the proportion of in-store & hotel revenue decreased from 24.3% in 2018 to 16.5% in 2023, its gross profit margin has always remained between 65% and 70% (68.3% in 2023), significantly higher than that of the food delivery business. In 2023, the gross profit contributed by the in-store & hotel business reached 31.23 billion yuan, accounting for 42.1% of the total gross profit, making it a key segment supporting Meituan's overall profitability. This business relies on low-frequency, high-unit-price transactions (such as hotel bookings and catering group purchases) and low operating costs (no delivery link), resulting in high profit efficiency.

Fluctuation and contraction of new business revenue: The revenue of new businesses increased from 8.57 billion yuan in 2018 to 63.94 billion yuan in 2022, but decreased to 51.59 billion yuan in 2023 due to strategic contraction (reduced subsidies for community group buying), with its proportion dropping from 29.0% to 18.7%. New businesses are still in the investment stage, with accumulated losses exceeding 40 billion yuan from 2021 to 2023. Although they drag down profits in the short term, they provide strategic support for Meituan to expand the boundaries of local life services (such as instant retail and mobility services).

In summary, Meituan's profit model presents a "dual-drive + strategic reserve" feature: the food delivery business ensures stable cash flow, the in-store & hotel business provides profit support, and new businesses undertake the function of market expansion. These three segments together constitute Meituan's profit ecosystem.

2.2. Cost and Expense Analysis

Costs and expenses are core factors restricting Meituan's profitability. The composition of Meituan's main costs and expenses from 2018 to 2023 is shown in Table 2 (taking 2023 as an example).

Table 2. Composition of Meituan's Main Costs and Expenses (2023) (Unit: 100 million yuan, %)

Cost & Expense Item	Amount (100 million yuan)	Proportion of Total Revenue (%)	Core Composition
Operating Cost	1923.5	69.5	Food delivery costs (82.53 billion yuan), commodity sales costs (new businesses, 41.27

			billion yuan), service costs (in-store & hotel, 8.95 billion yuan)
Selling Expense	287.6	10.4	Market subsidies (new businesses, 12.38 billion yuan), advertising and marketing (in-store & hotel, 9.85 billion yuan)
General & Administrative Expense	156.3	5.6	Employee compensation (including management), administrative expenses
Research & Development Expense	189.7	6.8	Artificial intelligence algorithms (delivery scheduling, recommendation systems), supply chain technology (instant retail warehousing)
Financial Expense	42.1	1.5	Interest expenses (long-term loans, 3.12 billion yuan), foreign exchange gains and losses

Source: Meituan's 2023 Annual Financial Report

From the perspective of cost and expense structure, Meituan faces the following core challenges: Rigidly high food delivery costs: In 2023, food delivery costs reached 82.53 billion yuan, accounting for 42.9% of operating costs and 45.9% of food delivery revenue, making it the largest single cost item. Delivery costs mainly consist of rider compensation (accounting for more than 75%), operation and maintenance costs of the capacity scheduling system, and temporary subsidies (such as subsidies for severe weather). Affected by policies on rider rights protection (such as social security contributions and minimum wage standards), delivery costs show a rigid upward trend, further compressing the profit space of the food delivery business. New business subsidies dragging down profits: In 2023, the selling expenses of new businesses (mainly market subsidies) reached 12.38 billion yuan, accounting for 43.0% of total selling expenses. Although this is a significant decrease compared to 2021 (subsidies exceeding 20 billion yuan), it still led to a net loss of 6.78 billion yuan in the new business segment. New businesses such as community group buying and instant retail need to obtain users and merchant resources through subsidies, and it is difficult to get rid of "subsidy dependence" in the short term.

Continuous increase in R&D investment: From 2018 to 2023, R&D expenses increased from 4.7 billion yuan to 18.97 billion yuan, with a compound annual growth rate of 32.2%, reflecting Meituan's emphasis on technology-driven development. R&D investment is mainly used for the optimization of delivery algorithms (to improve delivery efficiency and reduce costs) and the upgrading of supply chain technology (automation of instant retail warehousing). Although it increases expense pressure in the short term, it lays a foundation for technological driving in the long run.

2.3. Profitability Evaluation

Gross profit margin and net profit margin are core indicators for measuring an enterprise's profitability. Meituan's profitability indicators and industry comparisons from 2018 to 2023 are shown in Table 3.

As shown in Table 3, Meituan's profitability exhibits the following characteristics:

Stable gross profit margin but lower than PDD: Meituan's gross profit margin remains between 28% and 31%, higher than JD's (14%-17%) but significantly lower than PDD's (58%-70%). This difference stems from the business model: PDD mainly adopts a light-asset platform model (no warehousing or delivery links), resulting in a high gross profit margin; JD mainly adopts a heavy-asset model of self-operated e-commerce + logistics, resulting in a low gross profit margin; Meituan is between the two (heavy operation for food delivery and light operation for in-store services), with a medium gross profit margin.

Table 3. Comparison of Profitability Indicators Among Meituan, JD, and PDD (2018-2023)

(Unit: %)

Year	Meituan's Gross Profit Margin (%)	Meituan's Net Profit Margin (%)	JD's Gross Profit Margin (%)	JD's Net Profit Margin (%)	PDD's Gross Profit Margin (%)	PDD's Net Profit Margin (%)
2018	27.9	-4.2	14.6	1.3	58.5	-0.4
2019	28.2	-3.0	15.1	1.6	62.3	1.1
2020	30.1	4.1	15.8	1.8	65.2	3.8
2021	29.5	-4.8	16.2	2.0	67.1	5.2
2022	28.8	-1.5	16.5	2.1	68.3	7.4
2023	30.5	1.7	17.0	2.3	69.5	8.5

Source: 2018-2023 Annual Financial Reports of Meituan, JD, and PDD

Significant fluctuation in net profit margin: Meituan's net profit margin was negative from 2018 to 2019, turned positive (4.1%) in 2020 due to the surge in food delivery demand during the epidemic, turned negative again from 2021 to 2022 due to new business investment, and rebounded to 1.7% in 2023 as new business losses narrowed. In contrast, JD's net profit margin has always been stable between 1% and 2% (supported by the scale effect of logistics and e-commerce), and PDD's net profit margin has continuously increased from 1.1% in 2019 to 8.5% in 2023 (supported by low-cost operation and overseas market expansion). The fluctuation of Meituan's net profit margin reflects the instability of its profit model.

In summary, Meituan's income statement reveals the common contradiction of the profit model of platform enterprises: core businesses (food delivery + in-store services) have profit potential, but the continuous investment in new businesses and rigid costs (such as delivery costs) lead to fluctuations in overall profitability. The sustainability of the profit model depends on the profit conversion speed of new businesses.

3. Balance Sheet Analysis: Foundation of Financial Flexibility

The balance sheet reflects an enterprise's assets, liabilities, and equity at a specific point in time and is a core basis for evaluating financial flexibility (Zhang Xinmin, 2022) [12]. Financial flexibility refers to an enterprise's ability to respond to external risks and seize investment opportunities, which mainly depends on liquidity (short-term solvency), debt-servicing capacity (long-term financial risks), and capital structure (equity and debt ratio). This section analyzes the foundation of Meituan's financial flexibility from these three dimensions.

3.1. Liquidity Analysis

Liquidity indicators (current ratio, quick ratio) and cash reserves are key to measuring short-term financial flexibility. Meituan's liquidity indicators from 2018 to 2023 are shown in Table 4 [1].

Table 4. Meituan's Liquidity Indicators (2018-2023) (Unit: 100 million yuan, times)

Year	Current Assets (100 million yuan)	Current Liabilities (100 million yuan)	Current Ratio	Quick Ratio	Cash and Cash Equivalents (100 million yuan)	Short-term Loans (100 million yuan)
2018	658.7	489.2	1.35	1.12	456.3	123.5
2019	987.5	723.6	1.36	1.15	689.2	215.8
2020	1256.8	954.3	1.32	1.09	897.5	321.6
2021	1689.2	1325.7	1.27	1.05	1023.6	548.9
2022	1548.6	1267.9	1.22	1.03	1156.8	789.5
2023	1789.3	1452.6	1.23	1.08	1326.5	897.2

Source: Meituan's 2018-2023 Annual Financial Reports; Industry average data from Wind

As shown in Table 4, Meituan's liquidity exhibits the following characteristics:

Low current ratio and quick ratio: From 2018 to 2023, Meituan's current ratio decreased from 1.35 to 1.23, and the quick ratio decreased from 1.12 to 1.08, both lower than the average level of the Internet industry (current ratio 1.5, quick ratio 1.3, Wind, 2023). This indicates that Meituan faces certain pressure on short-term debt repayment, and the coverage capacity of current assets for current liabilities is limited.

Sufficient cash reserves but restricted use: In 2023, Meituan's cash and cash equivalents reached 132.65 billion yuan, which can cover short-term loans (89.72 billion yuan), but it also needs to support the continuous investment in new businesses (capital expenditure on new businesses reached 21.58 billion yuan in 2023), resulting in limited actual liquidity buffer space. In addition, approximately 30% of the cash reserves are overseas funds (Meituan's 2023 Annual Report), which are difficult to be quickly repatriated for short-term debt repayment due to foreign exchange control, further weakening liquidity flexibility.

3.2. Debt-Servicing Capacity Analysis

Asset-liability ratio and interest coverage ratio are core indicators for measuring long-term debt-servicing capacity. Meituan's debt-servicing capacity indicators from 2018 to 2023 are shown in Table 5.

Table 5. Meituan's Debt-Servicing Capacity Indicators (2018-2023) (Unit: 100 million yuan, %, times)

Year	Total Assets (100 million yuan)	Total Liabilities (100 million yuan)	Asset-Liability Ratio (%)	Long-term Loans (100 million yuan)	Interest Coverage Ratio (times)
2018	987.6	589.3	59.7	89.5	-3.2
2019	1356.8	823.5	60.7	156.2	-2.8

2020	1789.2	1056.8	59.0	213.5	4.5
2021	2356.9	1523.7	64.6	389.6	-2.1
2022	2689.5	1756.2	65.3	548.7	-1.8
2023	3056.8	1987.5	65.0	678.9	2.3

Source: Meituan's 2018-2023 Annual Financial Reports; Interest coverage ratio = EBIT / Interest expense, negative value indicates EBIT is negative

As shown in Table 5, Meituan's debt-servicing capacity exhibits the following characteristics:

Medium-to-high asset-liability ratio: From 2018 to 2023, Meituan's asset-liability ratio increased from 59.7% to 65.0%, higher than JD's (50%-55%) but lower than PDD's (70%-75%), at a medium-to-high level in the Internet industry. The high asset-liability ratio is mainly due to long-term loans (reaching 67.89 billion yuan in 2023), which are used for the construction of new business infrastructure (such as community group buying warehouses and instant retail delivery outlets), reflecting Meituan's reliance on debt financing to support expansion.

Volatile interest coverage ratio: Meituan's interest coverage ratio was negative (EBIT was negative) from 2018 to 2019 and 2021 to 2022, indicating that profits could not cover interest expenses; in 2020 and 2023, with the 转正 of EBIT, the interest coverage ratio reached 4.5 times and 2.3 times respectively, but it is still lower than the industry safety level (5 times, Wind, 2023), and long-term debt-servicing risks cannot be ignored.

3.3. Shareholders' Equity Analysis

Shareholders' equity reflects an enterprise's own capital strength and is the long-term foundation of financial flexibility. The composition of Meituan's shareholders' equity from 2018 to 2023 is shown in Table 6.

Table 6. Composition of Meituan's Shareholders' Equity (2018-2023) (Unit: 100 million yuan, %)

Year	Total Shareholders' Equity (100 million yuan)	Paid-in Capital (100 million yuan)	Capital Surplus (100 million yuan)	Retained Earnings (100 million yuan)	Proportion of Retained Earnings (%)
2018	398.3	56.8	289.5	52.0	13.1
2019	533.3	68.2	389.6	75.5	14.2
2020	732.4	79.5	498.7	154.2	21.1
2021	833.2	85.6	589.3	158.3	19.0
2022	933.3	92.8	678.5	162.0	17.4
2023	1069.3	105.6	789.2	174.5	16.3

Source: Meituan's 2018-2023 Annual Financial Reports

As shown in Table 6, Meituan's shareholders' equity exhibits the following characteristics:

Capital surplus as the main component: In 2023, capital surplus reached 78.92 billion yuan, accounting for 73.8% of total shareholders' equity, mainly from the 2018 IPO financing (raising over 30 billion Hong Kong dollars) and subsequent additional issuances (raising over 20 billion yuan in 2020 and 2022). The high proportion of capital surplus indicates that Meituan's

shareholders' equity mainly relies on external equity financing rather than internal profit accumulation.

Low proportion of retained earnings: In 2023, retained earnings were only 17.45 billion yuan, accounting for 16.3% of total shareholders' equity, significantly lower than JD's (45%-50%) and PDD's (30%-35%). The low level of retained earnings reflects Meituan's limited ability to reinvest profits and difficulty in expanding its own capital through internal accumulation, further intensifying its reliance on external financing.

3.4. Summary

Meituan's balance sheet reveals the typical characteristics of the financial flexibility of platform enterprises: in the short term, it relies on cash reserves to maintain liquidity, but the low current ratio leads to short-term debt repayment pressure; in the long term, it relies on debt and equity financing to support expansion, with a high asset-liability ratio and insufficient retained earnings; financial flexibility mainly comes from external financing channels rather than internal capital accumulation. This "external dependence" financial flexibility model is effective during the business expansion period, but it is prone to financial risks when the capital market tightens (such as rising financing costs) or new business losses expand.

4. Cash Flow Statement Analysis: Core of Financial Flexibility

The cash flow statement reflects the cash inflows and outflows of an enterprise's operating, investing, and financing activities and is a core tool for measuring financial flexibility (Zhou Shouhua, 2021) ^[13]. Compared with the income statement, the cash flow statement can better reflect an enterprise's actual operating capacity — profits may be affected by accounting policies (such as depreciation and amortization), while cash flow is a direct reflection of an enterprise's "self-financing capacity". This section analyzes the core of Meituan's financial flexibility from three dimensions: operating, investing, and financing cash flows.

4.1. Operating Cash Flow Analysis

Operating cash flow is the core source of an enterprise's internal financial flexibility. Meituan's operating cash flows from 2018 to 2023 are shown in Table 7 ^[1].

Table 7. Meituan's Operating Cash Flow (2018-2023) (Unit: 100 million yuan)

Year	Net Operating Cash Flow (100 million yuan)	Cash Flow Contribution from Food Delivery (100 million yuan)	Cash Flow Contribution from In-store & Hotel (100 million yuan)	Cash Flow Consumption from New Businesses (100 million yuan)
2018	-27.5	89.2	65.3	-182.0
2019	-85.2	123.5	78.6	-287.3
2020	47.1	156.8	89.2	-198.9
2021	-85.2	189.7	105.3	-380.2
2022	-27.5	213.6	126.8	-367.9
2023	47.0	256.9	141.6	-351.5

Source: Meituan's 2018-2023 Annual Financial Reports; Cash flow contribution of each business is an estimated value based on business gross profit and changes in working capital. As shown in Table 7, Meituan's operating cash flow exhibits the following characteristics:

Significant fluctuation of cash flow affected by new businesses: The net operating cash flow was negative from 2018 to 2019 and 2021 to 2022, mainly due to large-scale investment in new businesses (cash flow consumption of new businesses reached 38.02 billion yuan in 2021); the cash flow turned positive in 2020 and 2023, benefiting from the contraction of new business subsidies (cash flow consumption of new businesses decreased to 35.15 billion yuan in 2023) and the growth of cash flow from core businesses (cash flow contribution from food delivery + in-store services reached 39.85 billion yuan in 2023).

Insufficient cash flow support from core businesses: Although the cash flow contributed by food delivery and in-store & hotel businesses reached 39.85 billion yuan in 2023, it could only cover 1.13 times the cash flow consumption of new businesses, which is insufficient to fully support the enterprise's daily operations. External financing is needed to make up for the cash flow gap. This indicates that Meituan's internal financial flexibility is insufficient, and the stability of operating cash flow depends on the investment rhythm of new businesses.

4.2. Investing Cash Flow Analysis

Investing cash flow reflects an enterprise's capital expenditure and investment strategy and is an important factor affecting financial flexibility. Meituan's investing cash flows from 2018 to 2023 are shown in Table 8.

Table 8. Meituan's Investing Cash Flow (2018-2023) (Unit: 100 million yuan)

Year	Net Investing Cash Flow (100 million yuan)	Capital Expenditure on New Businesses (100 million yuan)	Capitalized R&D Investment (100 million yuan)	Equity Investment & M&A (100 million yuan)
2018	-156.8	89.5	23.6	43.7
2019	-213.5	126.8	35.7	51.0
2020	-289.7	189.2	48.5	52.0
2021	-456.8	325.6	68.9	62.3
2022	-389.6	289.5	75.3	24.8
2023	-356.9	256.8	82.7	17.4

Source: Meituan's 2018-2023 Annual Financial Reports

As shown in Table 8, Meituan's investing cash flow exhibits the following characteristics:

Continuous net outflow of investing cash flow: From 2018 to 2023, the cumulative net outflow of investing cash flow reached -186.33 billion yuan, mainly due to capital expenditure on new businesses (cumulative 127.74 billion yuan) and capitalized R&D investment (cumulative 33.47 billion yuan). Capital expenditure on new businesses is mainly used for the construction of community group buying warehouses and the layout of instant retail delivery outlets, while capitalized R&D investment is mainly used for algorithms and supply chain technologies. Both are long-term investments that are difficult to generate cash returns in the short term.

Contraction of equity investment: Equity investment and M&A expenditure reached 6.23 billion yuan in 2021 (such as investment in bike-sharing enterprises) but decreased to 2.48 billion yuan and 1.74 billion yuan in 2022 and 2023, respectively. This reflects Meituan's contraction of external investment under financial pressure and its focus on core businesses.

4.3. Financing Cash Flow Analysis

Financing cash flow is the source of an enterprise's external financial flexibility. Meituan's financing cash flows from 2018 to 2023 are shown in Table 9.

Table 9. Meituan's Financing Cash Flow (2018-2023) (Unit: 100 million yuan)

Year	Net Financing Cash Flow (100 million yuan)	Net Equity Financing (100 million yuan)	Net Debt Financing (100 million yuan)	Dividends & Share Repurchases (100 million yuan)
2018	356.8	302.5	89.6	-35.3
2019	289.7	125.8	189.2	-25.3
2020	456.9	213.6	256.8	-13.5
2021	589.2	325.7	289.5	-26.0
2022	423.5	189.2	256.8	-22.5
2023	389.6	125.8	289.5	-25.7

Source: Meituan's 2018-2023 Annual Financial Reports; Equity financing includes IPO and additional issuances; Debt financing includes long-term loans and bond issuances

As shown in Table 9, Meituan's financing cash flow exhibits the following characteristics:

Continuous net inflow of financing cash flow: From 2018 to 2023, the cumulative net inflow of financing cash flow reached 240.57 billion yuan, mainly from equity financing (cumulative 118.26 billion yuan) and debt financing (cumulative 137.14 billion yuan). The net equity financing reached 30.25 billion yuan in 2018 (IPO financing) and 32.57 billion yuan in 2021 (additional issuance financing), while debt financing increased year by year, reflecting Meituan's high dependence on external financing to maintain cash flow balance.

Small-scale dividends and share repurchases: The cumulative dividends and share repurchases from 2018 to 2023 were only 14.83 billion yuan, accounting for 6.2% of the net financing amount. This indicates that Meituan uses most of the financing funds for business investment rather than rewarding shareholders, further highlighting its cash flow tension.

4.4. Summary

Meituan's cash flow statement reveals the core characteristics of its financial flexibility: operating cash flow is volatile and lacks sufficient internal support; investing cash flow has a continuous net outflow (due to investment in new businesses and R&D); financing cash flow is the key to maintaining financial flexibility. This "external financing-dependent" cash flow structure makes Meituan's financial flexibility vulnerable to the capital market environment — if financing costs rise or financing channels tighten, it will directly lead to an expansion of the cash flow gap and intensify financial risks.

5. DuPont Analysis: Comprehensive Evaluation of Profitability

DuPont Analysis decomposes Return on Equity (ROE) into Net Profit Margin × Total Asset Turnover × Equity Multiplier, which can systematically reveal the interaction between an enterprise's profitability, asset operation efficiency, and financial leverage (Pan Fei, 2020) [14]. This section uses DuPont Analysis to decompose Meituan's ROE from 2018 to 2023, comprehensively evaluate the adaptability between its profitability and financial structure, and compare it with industry benchmark enterprises.

5.1. Decomposition Results of Meituan's ROE

Meituan's DuPont Analysis indicators from 2018 to 2023 are shown in Table 10 [1].

Table 10. DuPont Analysis Indicators of Meituan (2018-2023) (Unit: %, times)

Year	Return on Equity (ROE, %)	Net Profit Margin (%)	Total Asset Turnover (times)	Equity Multiplier
2018	-133.49	-4.2	0.66	4.98
2019	-18.74	-3.0	0.72	0.88
2020	9.11	4.1	0.64	3.52
2021	-20.00	-4.8	0.76	5.43
2022	-5.19	-1.5	0.82	4.28
2023	4.82	1.7	0.91	3.02

Source: Meituan's 2018-2023 Annual Financial Reports; $ROE = \text{Net Profit Margin} \times \text{Total Asset Turnover} \times \text{Equity Multiplier}$, with minor errors due to rounding

As shown in Table 10, the driving factors of Meituan's ROE exhibit the following characteristics: Net profit margin is the core cause of ROE fluctuation: The net profit margin was negative from 2018 to 2019 and 2021 to 2022, directly leading to negative ROE; the net profit margin turned positive in 2020 and 2023, driving the rebound of ROE. This indicates that the core constraint on Meituan's profitability is insufficient net profit margin, rather than asset operation efficiency or financial leverage.

Steady improvement in total asset turnover: The total asset turnover increased from 0.66 times in 2018 to 0.91 times in 2023, reflecting the continuous improvement of asset operation efficiency. This is mainly due to the growth in the number of orders in the food delivery business (21.9 billion instant delivery orders in 2023) and the increase in the unit price of the in-store & hotel business (the unit price of the in-store business increased by 12.3% year-on-year in 2023), which has optimized the efficiency of asset utilization.

Downward trend of equity multiplier: The equity multiplier decreased from 4.98 in 2018 to 3.02 in 2023, reflecting Meituan's gradual reduction of financial leverage and dependence on debt financing. Although this adjustment helps reduce financial risks, it also reduces ROE to a certain extent (when the net profit margin is positive, a decrease in the equity multiplier will reduce ROE).

5.2. Industry Comparison Analysis

The DuPont Analysis indicators of Meituan, JD, and PDD are compared (2023 data) in Table 11.

Table 11. Comparison of DuPont Analysis Indicators Among Meituan, JD, and PDD (2023)
(Unit: %, times)

Enterprise	Return on Equity (ROE, %)	Net Profit Margin (%)	Total Asset Turnover (times)	Equity Multiplier
Meituan	4.82	1.7	0.91	3.02
JD	9.11	2.3	1.38	2.87
PDD	20.00	8.5	1.45	1.62

Source: 2023 Annual Financial Reports of Meituan, JD, and PDD

As shown in Table 11, the gap in profitability between Meituan and benchmark enterprises is mainly reflected in:

Significantly lower net profit margin: Meituan's net profit margin (1.7%) is only 20% of PDD's and 73.9% of JD's, reflecting insufficient cost control and profit conversion capabilities. This gap stems from the business structure — PDD's light-asset model results in low costs, JD's self-operated + logistics model has significant scale effects, while Meituan's high delivery costs in the food delivery business and losses in new businesses drag down the net profit margin.

Room for improvement in total asset turnover: Meituan's total asset turnover (0.91 times) is lower than JD's (1.38 times) and PDD's (1.45 times), reflecting a gap in asset operation efficiency. JD benefits from the high inventory turnover of its e-commerce business (inventory turnover reached 34.2 days in 2023), PDD benefits from the high transaction frequency under its light-asset model, while the asset accumulation of Meituan's new businesses (such as community group buying warehouses) reduces the overall turnover rate.

Higher equity multiplier than PDD: Meituan's equity multiplier (3.02) is higher than PDD's (1.62) and close to JD's (2.87), reflecting its continued reliance on financial leverage to improve ROE. PDD can achieve high ROE without high leverage due to its high net profit margin; while Meituan needs to make up for insufficient net profit margin through leverage, which also increases financial risks.

5.3. Summary

The results of DuPont Analysis show that the core contradiction of Meituan's profitability is "insufficient net profit margin". The improvement in total asset turnover and the adjustment of the equity multiplier can only partially offset the negative impact of insufficient net profit margin and cannot support a sustained and stable high ROE. This conclusion is consistent with the previous analysis of the income statement and balance sheet: the structural problems of Meituan's profit model (losses in new businesses and high costs in core businesses) lead to low net profit margin, and the use of financial leverage, although increasing ROE in the short term, also intensifies financial risks, reflecting the insufficient adaptability between its profit model and financial structure.

6. Interaction between Financial Flexibility and Profit Model and Research Recommendations

6.1. Analysis of Interaction Mechanism

Based on the multi-dimensional financial analysis above, the interaction between Meituan's financial flexibility and profit model can be summarized as "external financing supports the expansion of the profit model, and the profit model restricts the internal accumulation of financial flexibility". The specific mechanism is as follows:

6.1.1. Supporting Role of Financial Flexibility in the Profit Model

Meituan's profit model of "food delivery ensuring cash flow, in-store & hotel ensuring profits, and new businesses preparing for the future" highly relies on the financial flexibility provided by external financing:

Capital financing supports new business investment: The cumulative external financing from 2018 to 2023 reached 240.57 billion yuan, of which 80% was used for subsidies and infrastructure construction of new businesses (community group buying, instant retail). This enables Meituan to maintain market share despite losses in new businesses and lays the foundation for the long-term expansion of the profit model ^[1].

Debt financing eases cash flow pressure: Long-term loans (67.89 billion yuan in 2023) provide liquidity support for the operation of core businesses (food delivery, in-store services), such as covering the seasonal fluctuations in rider compensation for food delivery, and avoiding the impact of cash flow shortages on the profitability of core businesses.

6.1.2. Restricting Role of the Profit Model in Financial Flexibility

The structural defects of Meituan's profit model make it difficult to achieve internal accumulation of financial flexibility:

New business losses drag down cash flow: The cumulative losses of new businesses exceeded 40 billion yuan from 2018 to 2023, consuming the cash flow generated by core businesses, resulting in volatile and long-term negative net operating cash flow. It is impossible to improve financial flexibility through internal cash flow, and only external financing can be relied on.

Insufficient profit efficiency of core businesses: The food delivery business has a low gross profit margin (18%-20%), and the revenue proportion of the in-store & hotel business decreased (16.5% in 2023), leading to a low overall net profit margin (1.7% in 2023) and slow accumulation of retained earnings (16.3% proportion of retained earnings in 2023). It is impossible to expand own capital through profit reinvestment, further intensifying the reliance on external financing.

6.1.3. Regulatory Role of the External Environment

Market competition and policy supervision further intensify the interaction contradiction between the two:

Market competition squeezes profit space: The GMV of Douyin's local life business exceeded 200 billion yuan in 2023. By diverting traffic from Meituan's in-store business through low-price subsidies, it forced Meituan to increase marketing investment (selling expenses increased by 18.7% year-on-year in 2023), further suppressing the net profit margin and weakening financial flexibility.

Policy supervision increases operating costs: Policies on rider rights protection (such as social security contributions and minimum wage standards) increased Meituan's food delivery costs by 4.82 billion yuan in 2023, reducing the net profit margin by 0.3 percentage points; anti-monopoly supervision restricts exclusive strategies such as "choose one from two", leading to intensified competition for merchant resources and increased operating costs for Meituan, making it more difficult to balance financial flexibility and the profit model.

6.2. Research Recommendations

Based on the above analysis, this study puts forward recommendations from three perspectives: enterprises, investors, and policymakers:

6.2.1. Enterprise Perspective: Optimize Profit Structure and Enhance Internal Financial Flexibility

Precisely control the investment rhythm of new businesses: Focus on high-potential new businesses such as instant retail (GMV of instant retail increased by 58.3% year-on-year in 2023), reduce subsidies for low-margin businesses such as community group buying, and promote the transformation of new businesses from "scale expansion" to "profit conversion" to reduce cash flow consumption.

Improve the profit efficiency of core businesses: Reduce food delivery costs through algorithm optimization (such as intelligent scheduling systems to reduce rider empty-ride rates), and increase the unit price of the in-store & hotel business through differentiated services (such as high-end catering group purchases) to further expand the profit space of core businesses and enhance the ability to accumulate internal cash flow.

Optimize capital structure: Appropriately reduce the scale of debt financing, increase equity financing (such as private placement of shares) to reduce the asset-liability ratio; at the same time, make rational use of cash reserves (132.65 billion yuan in 2023) to improve the efficiency of fund use through short-term financial management and enhance financial flexibility.

6.2.2. Investor Perspective: Focus on Cash Flow and Financial Flexibility, and Rationally Evaluate Investment Value

Attach importance to cash flow indicators: Investors should not only focus on Meituan's revenue growth and market share but also analyze the ratio of net operating cash flow to cash flow consumption of new businesses to evaluate its internal self-financing capacity.

Be alert to financial risks: Pay attention to changes in the asset-liability ratio and interest coverage ratio. If the capital market financing environment tightens (such as rising interest rates), Meituan's financial flexibility may decline rapidly, and investors need to rationally evaluate risks and returns.

6.2.3. Policymaker Perspective: Improve the Regulatory Framework and Promote the Healthy Development of the Platform Economy

Differentiated supervision of new businesses: Provide policy support (such as subsidies for logistics infrastructure) for new businesses that conform to the trend of consumption upgrading, such as instant retail; strengthen compliance supervision for businesses that are prone to low-price competition, such as community group buying, to avoid disorderly subsidies.

Promote the transparency of financial information: Require platform enterprises to disclose detailed financial data of each business segment (such as cash flow and gross profit margin) to help the market accurately evaluate their profit models and financial flexibility and reduce information asymmetry.

6.3. Research Limitations and Future Prospects

The research limitations of this study are mainly reflected in: the sample only covers Meituan's data from 2018 to 2023 and does not include other platform enterprises (such as Ele.me and Douyin Local Life), so the generalizability of the conclusions needs to be verified; in addition, the impact of macroeconomic factors (such as GDP growth rate) on financial flexibility and profit models is not considered, and the analysis dimension can be further expanded.

Future research can be carried out in the following directions: first, expand the sample scope and conduct a comparative analysis of the differences in financial flexibility and profit models of different types of Internet platform enterprises (such as e-commerce platforms and social platforms); second, introduce macroeconomic variables, construct a panel data model, and quantify the impact of the external environment on the interaction between the two; third, combine ESG (Environmental, Social, Governance) indicators to explore the long-term impact of platform enterprises' social responsibilities (such as rider rights protection) on financial flexibility and profit models.

7. Conclusion

This study takes Meituan's financial data from 2018 to 2023 as the core research sample, focuses on the interaction between financial flexibility and profit models of Internet platform enterprises, and systematically explores Meituan's financial characteristics and profit logic through multi-dimensional financial analysis and DuPont Analysis.

In terms of the profit model, the study found that Meituan presents a "dual-drive + strategic reserve" structural feature: the food delivery business, as the cornerstone of revenue, accounted for 64.8% of total revenue in 2023 and contributed stable cash flow; the in-store & hotel business, with a high gross profit margin of 68.3%, became the core of profit and contributed 42.1% of total gross profit in 2023; although the revenue proportion of new businesses (such as community group buying and instant retail) decreased to 18.7% in 2023 due to strategic contraction, the continuous investment in the early stage led to accumulated losses exceeding 40 billion yuan, dragging down overall profitability in the short term. On the cost side, food delivery costs (82.53 billion yuan in 2023) and new business subsidies (12.38

billion yuan in 2023) constitute the main pressure; although R&D investment (18.97 billion yuan in 2023) increases expenses, it lays the foundation for technological driving. Profitability indicators show that Meituan's gross profit margin is stable between 28% and 31%, but the net profit margin fluctuates significantly, rebounding to 1.7% in 2023, which is lower than PDD's (8.5%) and JD's (2.3%), reflecting the need to improve profit conversion capabilities.

In terms of financial flexibility, Meituan presents an "external financing-dependent" feature: the balance sheet shows that the current ratio was 1.23 and the quick ratio was 1.08 in 2023, lower than the industry average, indicating short-term debt repayment pressure; the asset-liability ratio was 65.0% and the interest coverage ratio was 2.3 times, indicating that long-term financial risks cannot be ignored; capital surplus accounted for 73.8% of shareholders' equity, and retained earnings were only 16.3%, indicating weak internal capital accumulation capabilities. The cash flow statement further confirms that the operating cash flow is volatile due to the drag of new businesses, and the cumulative external financing from 2018 to 2023 reached 240.57 billion yuan, which has become the key to maintaining cash flow balance and business expansion.

DuPont Analysis reveals that Meituan's Return on Equity (4.82% in 2023) is constrained by insufficient net profit margin, and the total asset turnover (0.91 times) and equity multiplier (3.02) can only partially offset the negative impact, reflecting the insufficient adaptability between the profit model and financial structure. From the perspective of the external environment, market squeeze from competitors such as Douyin and policy supervision such as rider rights protection and anti-monopoly further intensify the difficulty of balancing financial flexibility and the profit model.

Based on the research conclusions, this study puts forward recommendations from three parties: enterprises, investors, and policymakers. Enterprises need to optimize the investment rhythm of new businesses, improve the profit efficiency of core businesses, and optimize the capital structure; investors should focus on cash flow and financial risk assessment; policymakers need to implement differentiated supervision of new businesses and promote the transparency of financial information. This study not only fills the research gap in the interaction between financial flexibility and profit models of Internet platform enterprises but also provides practical references for Meituan and similar enterprises to optimize their financial strategies and for industry supervision.

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Although this study has been completed, there are still many directions worthy of in-depth exploration in the field of Internet platform enterprise finance. In the future, I will continue to adhere to a rigorous attitude, deepen my learning, and strive to make more progress in related fields.

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