Meituan raises $10 bln for self-driving cars, drone delivery

April 21 2021, by Zen Soo

In this March 1, 2016, file photo, food delivery workers from Meituan, an E-commerce company, prepare to deliver orders placed online from a center in Beijing. Chinese food delivery giant Meituan said this week it raised nearly $10 billion in a sale of convertible bonds and additional shares and plans to invest those funds in developing and expanding delivery technologies. (AP Photo/Andy Wong, File)

Chinese food delivery giant Meituan raised nearly $10 billion in a sale of convertible bonds and additional shares and plans to invest those funds in developing and expanding delivery technologies.

The Beijing-based firm, China's largest food delivery platform, said in a filing to the Hong Kong stock exchange that it sold 187 million additional shares in a top-up placement at 273.80 Hong Kong dollars each, raising about $6.6 billion.

The company also raised nearly $3 billion in two tranches of convertible bonds, and an additional $400 million by selling more shares to Tencent Holdings, its largest shareholder, it said.

Over the past year Meituan has invested aggressively in grocery retail and community group-buying as it competes with rivals like Alibaba and Pinduoduo in these hotly-contested sectors.

Meituan has a market valuation of about $217 billion. It said it plans to spend the money it raised on research and development of self-driving vehicles, drones delivery and other technology.

In community group-buying, consumers living in the same neighborhood can band together to buy groceries or other items in bulk to obtain a discount. The model is especially popular in smaller Chinese cities and is attractive to e-commerce companies as they can save on delivery and storage costs when it comes to bulk purchases.

Aggressive investments to gain market share in these new sectors of e-commerce have come at a cost. Meituan's fourth-quarter profits last year sank 250%, with a net loss of 2.2 billion yuan ($330 million).

Ratings agencies Moody's, S&P and Fitch lowered their ratings on Meituan following those results, citing lower profitability amid heavy investments.

The demand for Meituan's shares and bonds underscores strong appetite for technology stocks among investors even as Beijing cracks down on the internet sector over anti-monopoly concerns.

Earlier this month, Beijing slapped China's largest e-commerce company Alibaba Group Holding with a record $2.8 billion fine for antimonopoly behavior, while various other companies, including Tencent and Baidu, were fined for failing to disclose takeovers or investments in other companies.

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