

China Express Delivery Sector

Divergence in strategy among major players continued in Jun

Major express delivery companies released Jun operating figures. Most notably is that **STO (002468 CH, NR)** reported 2% YoY increase in ASP (the only player that raised price) at the expense of only 5% YoY growth in shipment volume. We believe STO aims to reduce the loss through adopting less aggressive pricing strategy, given that STO is expected to report RMB140-160mn net loss in 1H21. We continue to believe that the divergence in strategy among major players suggests potential breakthrough in the industry consolidation. Besides, the consultation paper released by the State Administration for Market Regulation in early Jul stated that dumping products at low prices to exclude competitors will be subject to five times the unlawful earnings. We believe the potential finalization of such regulation will help stabilize the parcel ASP in future. We remain selective and prefer **ZTO (2057 HK / ZTO US, BUY)** for its leading cost advantage.

- **Parcel shipment volume in Jun: SF the highest; STO the weakest.** For the industry as a whole, parcel shipment volume grew 30% YoY to 9.7bn units in Jun. **SF (002352 CH, HOLD)** delivered 38% YoY growth, above the industry average. STO, however, reported only 5% growth in Jun, versus 9% in May.
- **ASP in Jun: STO reported increase in ASP.** For the industry as a whole, the parcel ASP in Jun dropped 12% YoY and remained stable MoM. STO reported 2% increase in ASP (both YoY and MoM), the best among major players. **SF / Yunda (002120 CH)** reported 11%/15% ASP decline YoY, due to aggressive strategy to defend market share.
- **Market share change in Jun.** Yunda remained the highest in terms of market share (16.9% in Jun) among the major players (excluding ZTO). SF reported 0.54ppt YoY increase in market share to 9.8%, the only major player that gained market share. STO reported 2.27ppt YoY decrease in share.

Operating figures for the major express delivery players

	Industry	YTO	STO	Yunda	SF
Parcel shipment volume (mn units)					
Jun-20	7,470	1,174	866	1,270	689
May-21	9,223	1,469	928	1,612	868
Jun-21	9,741	1,488	908	1,642	951
Change (YoY)	30%	27%	5%	29%	38%
Change (MoM)	6%	1%	-2%	2%	10%
ASP (RMB /unit)					
Jun-20	10.67	2.16	2.07	2.36	17.89
May-21	9.37	2.04	2.07	2.02	15.59
Jun-21	9.41	2.10	2.12	2.02	15.90
Change (YoY)	-12%	-3%	2%	-15%	-11%
Change (MoM)	0%	3%	2%	0%	2%
Market share					
Jun-20	-	15.7%	11.6%	17.0%	9.2%
May-21	-	15.9%	10.1%	17.5%	9.4%
Jun-21	-	15.3%	9.3%	16.9%	9.8%
Change in ppt (YoY)	-	-0.44	-2.27	-0.14	0.54
Change in ppt (MoM)	-	-0.65	-0.74	-0.62	0.35

Note: ZTO does not disclose monthly figures

Source: The State Post Bureau, Company data, CMBIS

MARKET PERFORM (Maintain)

China Logistics

Wayne Fung, CFA

(852) 3900 0826

waynefung@cmbi.com.hk

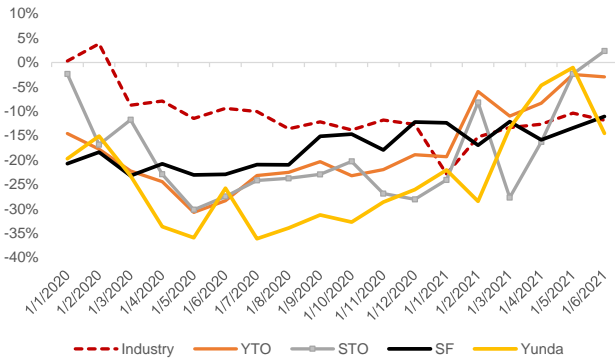
Related reports:

1. China Express Delivery – Divergence in operating figures among major players in May – 21 Jun 2021
2. SF Holding (002352 CH, HOLD) - Spin-off of intra-city instant delivery business to unlock value – 31 May 2021
3. ZTO (2057 HK, ZTO US, BUY) – Solid 1Q21 volume with resilient ASP – 21 May 2021
4. SF Holding (002352 CH, HOLD) – Further earnings downside risk; Wait for a better entry point – 12 Apr 2021
5. China Express Delivery Sector – Bloody battle to end soon; War for market share to continue; BUY winners in the respective playing fields – 14 Oct 2020

Please cast your valuable vote for CMBIS research team in the 2021 Asiamoney Brokers Poll:

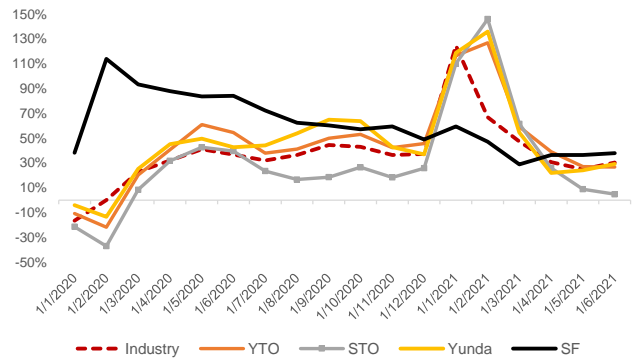
<https://euromoney.com/brokers>

Figure 1: Express delivery parcel ASP change (YoY)



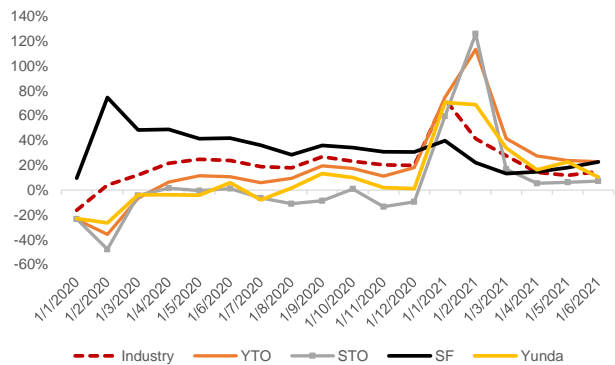
Source: State Post Bureau, Company data, CMBIS

Figure 2: Parcel shipment volume growth (YoY)



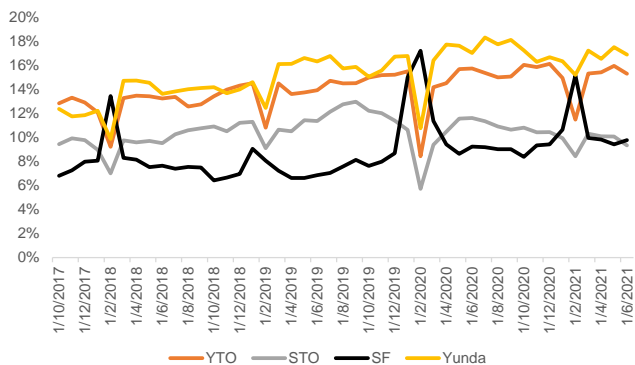
Source: State Post Bureau, Company data, CMBIS

Figure 3: Express delivery revenue growth (YoY)



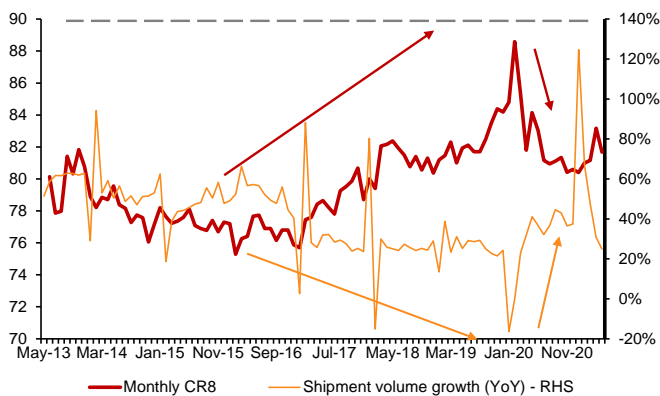
Source: State Post Bureau, Company data, Wind, CMBIS

Figure 4: Monthly market share trend



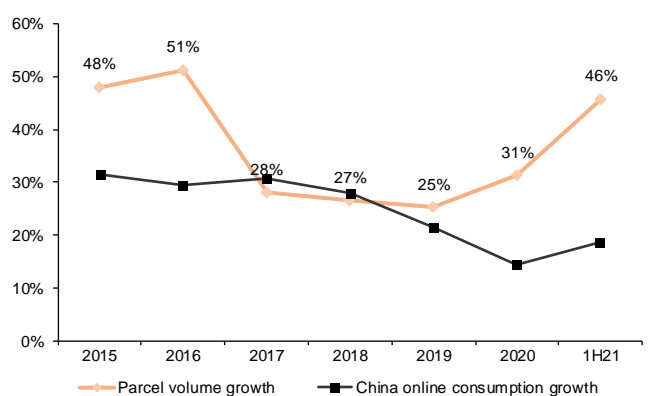
Source: State Post Bureau, Company data, CMBIS

Figure 5: Negative correlation (-43% in last 8 years) between CR8 and parcel shipment growth in China



Source: State Post Bureau, Wind, CMBIS

Figure 6: Parcel shipment growth has continued to outpace e-commerce value growth since 2019



Source: NBS, State Post Bureau, CMBIS

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Disclosure

CMBIS or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

CMBIS Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIS

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Securities Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.