

China Express Delivery Sector

Easing ASP pressure in Aug to drive sector rebound

Major express delivery companies released Aug operating figures over the weekend. It's encouraging that major "Tongda" operators continued to see easing ASP pressure. We believe the improvement in ASP will continue in the remaining of this year, given the shift of strategy back to profitable revenue growth for key players. To recap, six players, namely ZTO (2057 HK / ZTO US, BUY), YTO (600233 CH, NR), STO (002468 CH, NR), BEST (BEST US), Yunda (002120 CH, NR) and J&T Express revised up the dispatch fee by RMB0.1/parcel starting 1 Sep to support the authority's recently announced opinions regarding the protection of couriers' interest. We believe the prolonged cut-throat price war is close to the end, which will continue to drive a sector rebound. We prefer ZTO, YTO and Yunda.

- **Parcel shipment volume: SF the highest; STO the weakest.** For the industry as a whole, parcel shipment volume grew 24% YoY to 9bn units in Aug. SF (002352 CH, HOLD) delivered 33% YoY growth, which continued to outpace the industry average. STO reported only 16% growth in Aug, the weakest among key players.
- **YTO reported increase in ASP.** For the industry as a whole, the parcel ASP in Aug dropped 7% YoY but rebounded 1% MoM. YTO reported 1%/5% increase in ASP YoY / MoM, the best among major players. Yunda also reported 1% increase in ASP MoM (-3% YoY). SF, on the other hand, reported 7% ASP decline YoY, due to relatively aggressive strategy to defend market share.
- **Market share change.** Yunda remained the highest in terms of market share (17% in Aug) among the major players (excluding ZTO due to the lack of monthly figures). SF/YTO reported 0.64ppt/0.37ppt YoY increase in market share to 9.7%/15.3%.

Operating figures for the major express delivery players

	Industry	YTO	STO	Yunda	SF
Parcel shipment volume (mn units)					
Aug-20	7,236	1,084	788	1,282	652
Jul-21	8,934	1,397	893	1,553	851
Aug-21	8,992	1,380	914	1,525	868
Change (YoY)	24%	27%	16%	19%	33%
Change (MoM)	1%	-1%	2%	-2%	2%
ASP (RMB /unit)					
Aug-20	10.05	2.11	2.11	2.12	17.11
Jul-21	9.26	2.02	1.97	2.04	15.96
Aug-21	9.34	2.13	1.95	2.05	15.98
Change (YoY)	-7%	1%	-8%	-3%	-7%
Change (MoM)	1%	5%	-1%	1%	0%
Market share					
Aug-20	-	15.0%	10.9%	17.7%	9.0%
Jul-21	-	15.6%	10.0%	17.4%	9.5%
Aug-21	-	15.3%	10.2%	17.0%	9.7%
Change in ppt (YoY)	-	0.37	-0.73	-0.76	0.64
Change in ppt (MoM)	-	-0.29	0.17	-0.42	0.13

Note: ZTO does not disclose monthly figures

Source: The State Post Bureau, Company data, CMBIS

MARKET PERFORM (Maintain)

China Logistics

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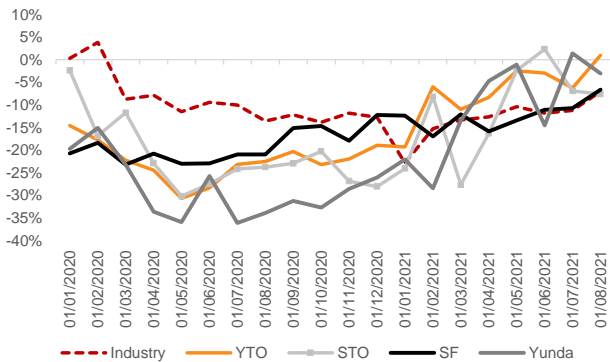
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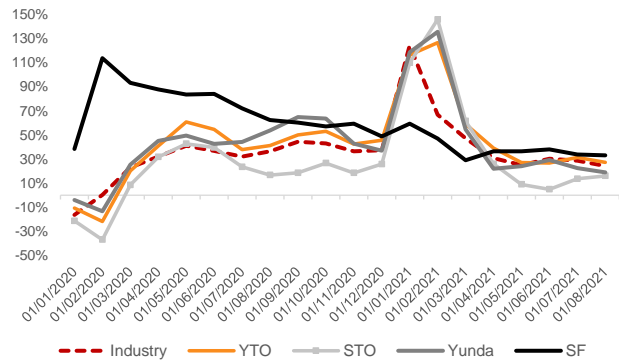
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Figure 1: Express delivery parcel ASP change (YoY)



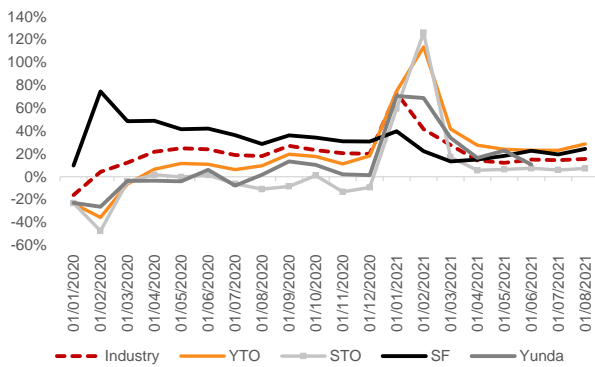
Source: State Post Bureau, Company data, CMBIS

Figure 2: Parcel shipment volume growth (YoY)



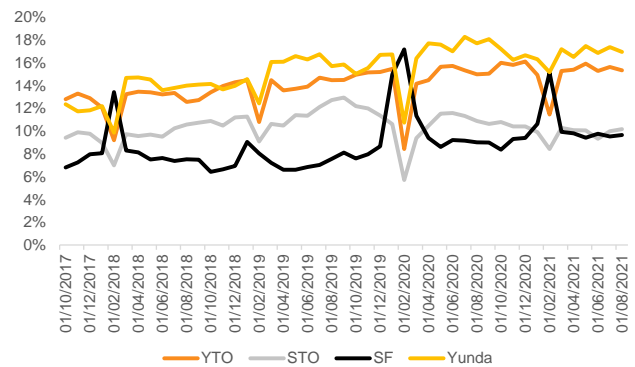
Source: State Post Bureau, Company data, CMBIS

Figure 3: Express delivery revenue growth (YoY)



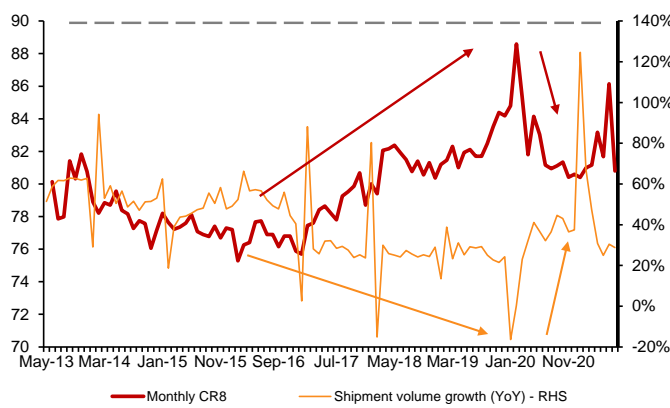
Source: State Post Bureau, Company data, Wind, CMBIS

Figure 4: Monthly market share trend



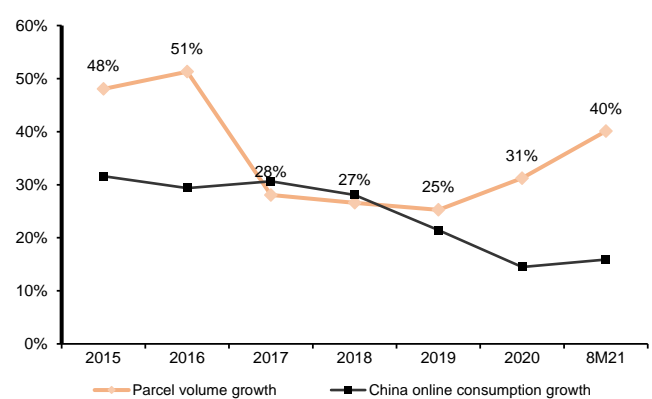
Source: State Post Bureau, Company data, CMBIS

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

Figure 7: Peers comparison

Ticker	Company	Rating	Price (local currency)	TP (local currency)	Upside/ (downside)	Market cap (US\$ m)	PE (x)		PB (x)		EV/EBITDA (x)	
							FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
China express delivery												
ZTO US Equity	ZTO EXPRESS -ADR	BUY	30.83	39.50	28%	25,500	34.9	26.4	3.1	2.9	18.2	13.6
2057 HK Equity	ZTO EXPRESS	BUY	239.00	306.00	28%	25,500	34.9	26.4	3.1	2.9	18.2	13.6
002352 CH Equity	S F HOLDING CO-A	HOLD	63.60	77.00	21%	44,894	59.2	44.7	4.8	4.4	25.2	20.1
600233 CH Equity	YTO EXPRESS -A	-	12.66	-	-	6,197	24.4	21.5	2.1	1.9	11.4	9.5
002468 CH Equity	STO EXPRESS CO-A	-	7.69	-	-	1,824	n/a	69.9	1.3	1.3	18.7	9.8
002120 CH Equity	YUNDA HOLDING -A	-	18.97	-	-	8,531	38.8	30.2	3.5	3.2	14.4	11.3
	Average (excluding STO)						38.4	29.8	3.3	3.1	17.5	13.6
China logistics (others)												
603056 CH Equity	DEPPON LOGISTIC-A	-	10.86	-	-	1,728	19.6	14.3	2.0	1.8	7.6	5.9
600787 CH Equity	CMST DEVELOPM-A	-	7.20	-	-	2,454	8.6	8.1	1.2	1.0	n/a	n/a
603128 CH Equity	CTS INTERNATIO-A	-	13.90	-	-	2,820	20.7	17.0	3.5	3.1	13.6	11.2
603565 CH Equity	SHANGHAI ZHONG-A	-	36.24	-	-	5,383	15.5	16.4	4.6	3.8	8.5	9.0
002930 CH Equity	GUANGDONG GREAT RIVER-A	-	16.90	-	-	1,166	24.5	19.0	3.4	3.1	13.1	10.5
600057 CH Equity	XIAMEN XIANGYU-A	-	8.39	-	-	2,804	9.5	8.2	1.2	1.1	11.3	9.6
	Average						16.4	13.8	2.6	2.3	10.8	9.3
Overseas (Integrated logistics)												
FDX US Equity	FEDEX CORP	-	255.22	-	-	67,937	12.1	10.9	2.5	2.1	8.5	7.8
UPS US Equity	UNITED PARCEL-B	-	190.03	-	-	165,524	17.0	16.3	14.1	9.6	12.1	11.6
DPW GR Equity	DEUTSCHE POST-RG	-	59.05	-	-	86,249	15.3	15.1	4.4	3.9	7.7	7.6
9064 JP Equity	YAMATO HOLDINGS	-	2,967.0	-	-	10,470	19.6	17.6	1.8	1.7	6.8	6.1
9143 JP Equity	SG HOLDINGS	-	3,420.0	-	-	19,891	26.8	25.9	4.8	4.2	15.3	14.6
6178 JP Equity	JAPAN POST	-	977.5	-	-	33,449	10.4	10.5	0.3	0.3	n/a	n/a
	Average						16.9	16.1	4.6	3.6	10.0	9.5

Source: Bloomberg, Company data, CMBIS estimates

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