

China Express Delivery Sector

On-track ASP improvement in Sep; Expect further increase on the back of policy support

Major express delivery companies released Sep operating figures. Once again, major “Tongda” operators saw improving ASP trend. Given the government’s intervention to halt the cut-throat price war to ensure high quality industry development, we continue to expect further increase in ASP, which will serve as share price catalyst. We prefer **ZTO (2057 HK / ZTO US, BUY)**, **YTO (600233 CH, NR)** and **Yunda (002120 CH, NR)**.

- Parcel shipment volume in Sep.** For the industry as a whole, parcel shipment volume grew 17% YoY to 9.5bn units in Sep. **SF (002352 CH, HOLD)** delivered 22% YoY growth, which continued to outpace the industry average and the major players. Yunda reported only 11% growth in Sep, the lowest growth among key players.
- YTO reported increase in ASP for the second month.** For the industry as a whole, the parcel ASP in Sep dropped 4% YoY but increased 4% MoM. YTO reported 5%/7% increase in ASP YoY / MoM, representing an increase for two consecutive months. Yunda saw only 1% decrease in ASP MoM. SF, on the other hand, reported 5% YoY decrease in ASP but 10% increase MoM. On MoM basis, all the key players reported increase in ASP in Sep.
- Market share change in Sep.** Yunda remained the highest in terms of market share (17.2%) in Sep among the major players (excluding ZTO due to the lack of monthly figures). SF/YTO reported 0.38ppt/0.34ppt YoY increase in market share to 9.4%/15.4%.
- Policies to drive further ASP increase.** With the support of Shanghai Municipal Postal Administration, major express delivery operators started price hike in early Oct in response to the rising operating cost. Besides, Zhejiang provincial people’s congress approved the regulation regarding the express delivery industry development in late Sep ([link](#)). According to the regulation, express delivery operators, without justified reasons, are not allowed to offer service below cost level. The regulation will come into effect starting 1 Mar 2022. Zhejiang accounted for 21%/ 12% shipment volume / revenue of the nation’s total in 9M21. We see potential for other provinces to follow, which will help further improve the ASP.

Operating figures for the major express delivery players

	Industry	YTO	STO	Yunda	SF
Parcel shipment volume (mn units)					
Sep-20	8,092	1,217	860	1,463	728
Aug-21	8,992	1,380	914	1,525	868
Sep-21	9,450	1,453	1,000	1,628	886
Change (YoY)	17%	19%	16%	11%	22%
Change (MoM)	5%	5%	9%	7%	2%
ASP (RMB /unit)					
Sep-20	10.19	2.18	2.18	2.15	18.47
Aug-21	9.34	2.13	1.95	2.05	15.98
Sep-21	9.75	2.28	2.11	2.14	17.60
Change (YoY)	-4%	5%	-3%	-1%	-5%
Change (MoM)	4%	7%	8%	4%	10%
Market share					
Sep-20	-	15.0%	10.6%	18.1%	9.0%
Aug-21	-	15.3%	10.2%	17.0%	9.7%
Sep-21	-	15.4%	10.6%	17.2%	9.4%
Change in ppt (YoY)	-	0.34	-0.05	-0.85	0.38
Change in ppt (MoM)	-	0.03	0.42	0.27	-0.28

Note: ZTO does not disclose monthly figures

Source: The State Post Bureau, Company data, CMBIS

MARKET PERFORM (Maintain)

China Logistics

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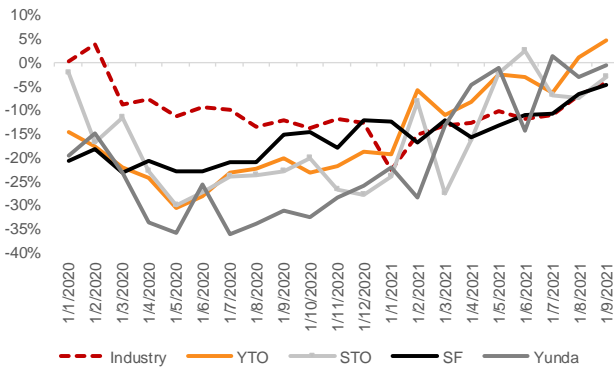
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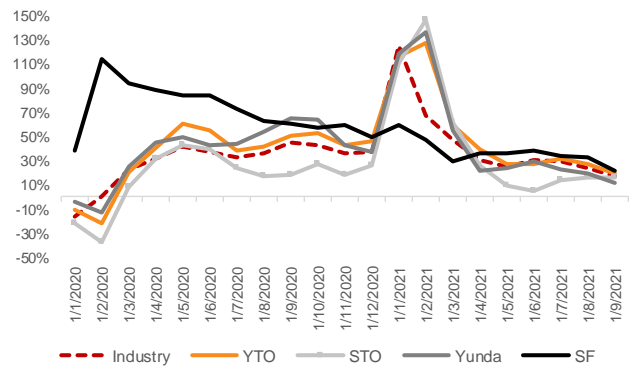
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Figure 1: Express delivery parcel ASP change (YoY)



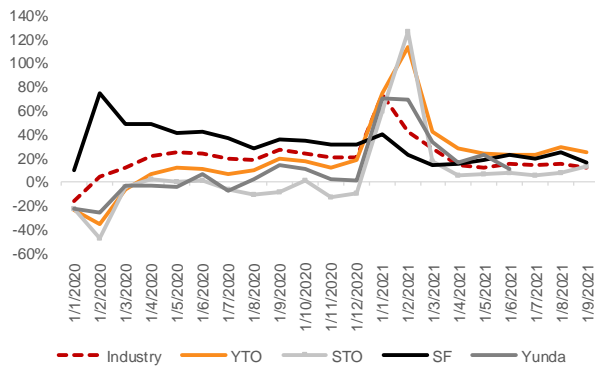
Source: State Post Bureau, Company data, CMBIS

Figure 2: Parcel shipment volume growth (YoY)



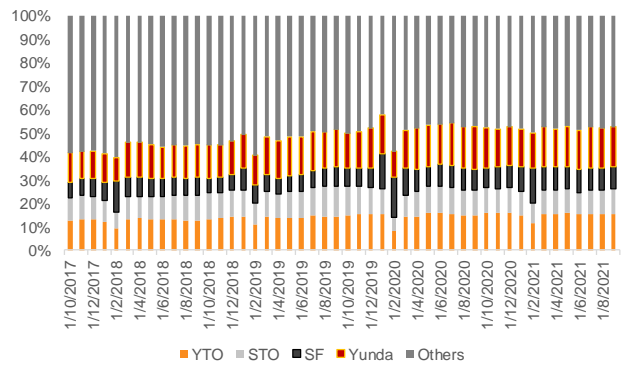
Source: State Post Bureau, Company data, CMBIS

Figure 3: Express delivery revenue growth (YoY)



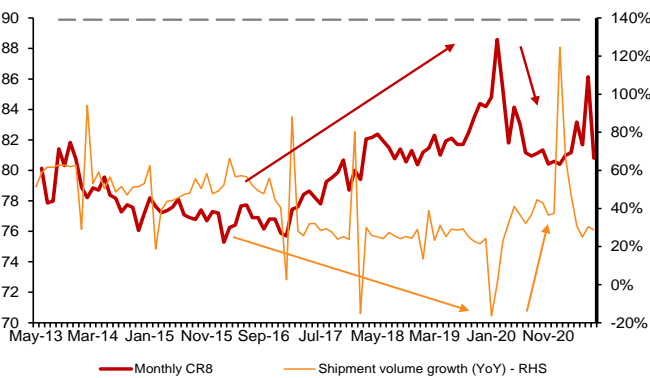
Source: State Post Bureau, Company data, Wind, CMBIS

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: China diesel price



Source: Wind, 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	31.05	39.50	27%	25,682	35.5	26.9	3.2	2.9	18.5	13.9
2057 HK Equity	ZTO EXPRESS	BUY	241.20	306.00	27%	25,682	35.5	26.9	3.2	2.9	18.5	13.9
002352 CH Equity	S F HOLDING CO-A	HOLD	65.10	77.00	18%	45,874	64.1	48.5	5.2	4.8	27.4	21.8
600233 CH Equity	YTO EXPRESS -A	-	13.98	-	-	6,832	27.9	23.3	2.4	2.2	12.9	10.6
002468 CH Equity	STO EXPRESS CO-A	-	7.95	-	-	1,882	n/a	118.7	1.4	1.4	24.5	10.9
002120 CH Equity	YUNDA HOLDING -A	-	19.25	-	-	8,642	38.7	31.6	3.6	3.3	14.5	11.4
	Average (excluding STO)						40.4	31.4	3.5	3.2	18.4	14.3
China logistics (others)												
603056 CH Equity	DEPPON LOGISTIC-A	-	11.17	-	-	1,774	23.4	16.3	2.1	1.9	9.0	6.7
600787 CH Equity	CMST DEVELOPM-A	-	5.74	-	-	1,953	6.8	6.4	0.9	0.8	n/a	n/a
603128 CH Equity	CTS INTERNATIO-A	-	13.18	-	-	2,669	19.7	16.1	3.3	2.9	12.9	10.6
603565 CH Equity	SHANGHAI ZHONG-A	-	30.55	-	-	4,530	13.0	13.8	3.8	3.2	7.1	7.5
002930 CH Equity	GUANGDONG GREAT RIVER-A	-	21.13	-	-	1,460	30.6	23.7	4.3	3.9	15.4	12.4
600057 CH Equity	XIAMEN XIANGYU-A	-	7.60	-	-	2,536	8.6	7.5	1.1	1.0	11.1	9.4
	Average						17.0	14.0	2.6	2.3	11.1	9.3
Overseas (Integrated logistics)												
FDX US Equity	FEDEX CORP	-	227.98	-	-	60,563	11.6	10.3	2.3	1.9	8.3	7.6
UPS US Equity	UNITED PARCEL-B	-	193.39	-	-	168,451	17.3	16.4	14.3	9.8	12.3	11.7
DPW GR Equity	DEUTSCHE POST-RG	-	53.82	-	-	78,250	13.8	13.6	4.0	3.6	7.1	7.0
9064 JP Equity	YAMATO HOLDINGS	-	2,810.0	-	-	9,965	18.6	16.7	1.7	1.6	6.4	5.7
9143 JP Equity	SG HOLDINGS	-	3,070.0	-	-	17,943	24.0	23.3	4.3	3.8	13.7	13.1
6178 JP Equity	JAPAN POST	-	905.1	-	-	31,124	8.7	8.9	0.2	0.2	n/a	n/a
	Average						15.7	14.9	4.5	3.5	9.5	9.0

Source: Bloomberg, Company data, CMBIS estimates

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