

ZTO Express (2057 HK)

2Q24 core earnings +10% with stable unit margin

ZTO Express (ZTO) continued its strategic focus on profitable growth in 2Q24. Core net profit in 2Q24 grew 10% YoY to RMB2.74bn, which is largely in line with our expectation. Unit gross margin was largely stable YoY at RMB0.43/parcel in 2Q24. ZTO maintains the 15-18% parcel volume growth target in 2024E (same as previous guidance). It has declared an interim dividend of US\$0.35/ADR, implying a 40% payout ratio. With capex to gradually reduce going forward (<RMB6bn in 2024E), we expect ZTO to generate strong free cash flow over the coming years to support its dividend and buyback programs. We fine-tune our 2024E-26E earnings forecast by 2-3%. Our TP for ZTO US/2057 HK is slightly revised down to US\$38.1/HK\$299, based on 23x 2024E P/E (previously 24x), equivalent to the historical average. Maintain **BUY**.

Key highlights in 2Q24 results:

- **Core net profit grew 10% YoY.** Reported net income in 2Q24 increased 3% YoY to RMB2.6bn, due to an impairment of RMB194mn (investment in Zhejiang Yizhan Network, a subsidiary of Cainiao Smart Logistics). Excluding the one-off items, the adjusted net profit grew 10% YoY to RMB2.74bn. The earnings growth was driven by (1) 10% YoY revenue growth, (2) a stable gross margin, and (3) an 82% YoY increase in net finance income.
- **Parcel volume +10% YoY to 8.45bn units.** Market share in 2Q24 dropped 3.9ppt YoY to 19.6%, as ZTO focused on profitable parcel volume growth.
- **Parcel delivery ASP increased YoY, the only one among major players.** ASP in 2Q24 increased 0.3% YoY to RMB1.24/unit (breakdown: reverse parcels +RMB0.06, parcel weight -RMB0.02, volume incentives -RMB0.04), much better than other players such as YTO (-4%), STO (-10%) and Yunda (-16%) that reported declines in ASP.
- **Unit cost +0.7% YoY to RMB0.82/parcel.** Unit cost of transportation decreased RMB0.03 (or -7% YoY) to RMB0.39/unit, helped by economies of scale and improved load rate. Unit cost of sorting hubs increased 5% YoY to RMB0.26/unit, as the increase in D&A expense on new equipment offset the standardization in operating procedures and an increase in automation level.

Major risk factors: (1) a prolonged price war; (2) a slowdown in online retail sales; and (3) increases in fuel costs.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	35,377	38,419	43,908	50,118	56,031
YoY growth (%)	16.3	8.6	14.3	14.1	11.8
Adjusted net profit (RMB mn)	6,719.5	8,579.0	9,962.1	11,551.1	13,098.7
EPS (Reported) (RMB)	8.16	10.48	11.26	13.84	15.69
YoY growth (%)	43.2	28.5	7.4	22.9	13.4
Consensus EPS (RMB)	0.00	0.00	12.09	14.11	16.02
P/E (x)	17.8	13.9	12.9	10.5	9.3
P/B (x)	2.2	2.0	1.9	1.7	1.5
Yield (%)	1.7	3.1	3.1	3.8	4.3
ROE (%)	13.0	15.4	15.0	16.7	16.9
Net gearing (%)	(37.5)	(41.6)	(41.5)	(44.5)	(48.3)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$299.00
(Previous TP HK\$303.00)
Up/Downside 88.4%
Current Price HK\$158.70

China Logistics

Wayne FUNG, CFA

(852) 3900 0826

waynefung@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	135,736.1
Avg 3 mths t/o (HK\$ mn)	177.5
52w High/Low (HK\$)	203.40/126.10
Total Issued Shares (mn)	855.3

Source: FactSet

Shareholding Structure

Meisong Lai	25.9%
Alibaba	8.9%

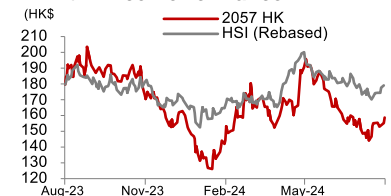
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	3.7%	3.2%
3-mth	-16.8%	-6.7%
6-mth	10.0%	2.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

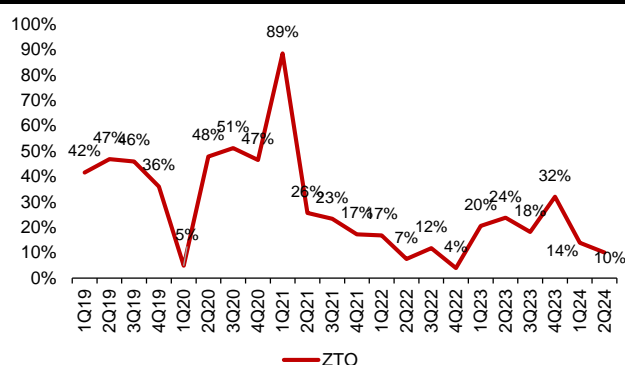
- 1Q24 core earnings beat estimates; Shifted to profitable growth strategy – 16 May 2024 (ZTO US: [link](#)) (2057 HK: [link](#))
- High dividend pay-out target and expanded share buyback scale – 30 Mar 2024 (ZTO US: [link](#)) (2057 HK: [link](#))
- Good execution but rising concerns on price competition – 17 Nov 2023 (ZTO US: [link](#)) (2057 HK: [link](#))

Figure 1: ZTO's 2Q24 results

(RMB mn)	1Q23	1Q24	Change YoY	2Q23	2Q24	Change YoY	3Q22	3Q23	Change YoY	4Q22	4Q23	Change YoY
Total revenue	8,983	9,960	10.9%	9,740	10,726	10.1%	8,945	9,076	1.5%	9,871	10,619	7.6%
Cost of sales	-6,460	-6,958	7.7%	-6,436	-7,105	10.4%	-6,501	-6,369	-2.0%	-7,099	-7,491	5.5%
Gross profit	2,523	3,002	19.0%	3,304	3,620	9.6%	2,444	2,706	10.7%	2,773	3,128	12.8%
Other income	214	161	-24.5%	79	188	137.7%	172	151	-12.2%	248	327	31.9%
SG&A expenses	-787	-897	14.0%	-505	-593	17.5%	-441	-434	-1.8%	-561	-700	24.9%
EBIT	1,950	2,267	16.2%	2,879	3,215	11.7%	2,175	2,424	11.4%	2,460	2,755	12.0%
D&A	686	786	14.5%	705	755	7.1%	665	745	11.9%	701	739	5.5%
EBITDA	2,637	3,053	15.8%	3,584	3,970	10.8%	2,840	3,168	11.6%	3,160	3,494	10.6%
Net finance income/(expense)	20	161	697.5%	95	172	81.5%	131	163	24.3%	36	140	291.8%
Finance income	92	245	166.6%	167	288	72.4%	162	246	51.7%	112	201	80.2%
Finance expenses	-72	-84	17.0%	-72	-116	60.4%	-32	-84	164.9%	-76	-62	-18.8%
Gain/(loss) on disposal of subsidiaries	0	0	n/a	-1	12	n/a	61	11	-82.1%	9	-5	n/a
Impairment of investment in equity investees	0	-478	n/a	0	-194	n/a	-26	0	n/a	46	165	255.7%
Fair value changes of financial instruments	156	43	-72.5%	52	55	6.2%	-23	9	n/a	37	-216	n/a
FX gain/(loss)	-10	5	n/a	81	15	-81.3%	31	5	-85.1%	9	18	98.3%
Share of profit of JV and associates	4	16	319.8%	0	4	3410.6%	-13	11	n/a	33	-10	n/a
Pretax profit	2,120	2,014	-5.0%	3,106	3,279	5.6%	2,335	2,621	12.3%	2,630	2,846	8.2%
Income tax	-455	-566	24.5%	-576	-665	15.5%	-439	-271	-38.2%	-501	-637	27.2%
After tax profit	1,665	1,448	-13.0%	2,530	2,614	3.3%	1,895	2,350	24.0%	2,129	2,210	3.8%
MI	6	-22	n/a	11	-2	n/a	40	-4	n/a	33	-18	n/a
Net profit	1,670	1,426	-14.6%	2,541	2,612	2.8%	1,935	2,345	21.2%	2,163	2,192	1.4%
Core net profit	1,515	1,862	22.9%	2,490	2,740	10.0%	1,924	2,326	20.9%	2,070	2,248	8.6%
Ratios:			<i>ppt</i>			<i>ppt</i>			<i>ppt</i>			<i>ppt</i>
Gross margin	28.1%	30.1%	2.1	33.9%	33.8%	-0.2	27.3%	29.8%	2.5	28.1%	29.5%	1.4
EBIT margin	21.7%	22.8%	1.0	29.6%	30.0%	0.4	24.3%	26.7%	2.4	24.9%	25.9%	1.0
After tax profit margin	18.5%	14.5%	-4.0	26.0%	24.4%	-1.6	21.2%	25.9%	4.7	21.6%	20.8%	-0.8
Effective tax rate	21.5%	28.1%	6.7	18.5%	20.3%	1.7	18.8%	10.4%	-8.5	19.0%	22.4%	3.3

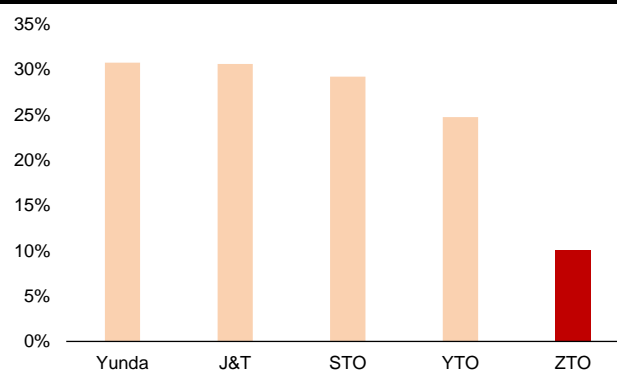
Source: Company data, CMBIGM

Figure 2: ZTO's quarterly parcel volume growth

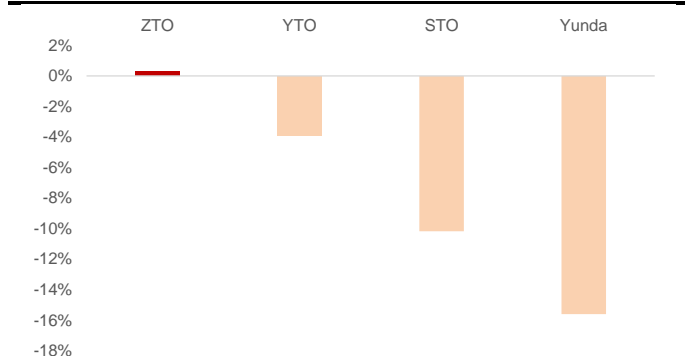


Source: Company data, CMBIGM

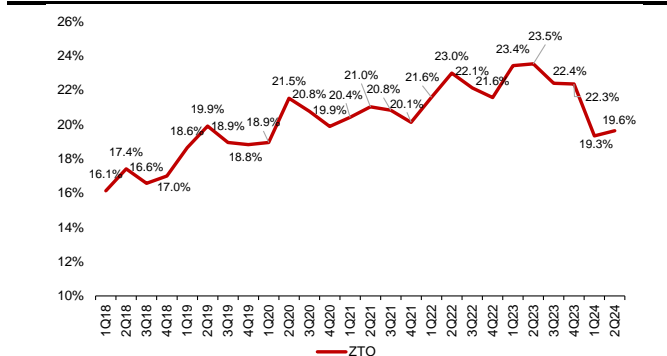
Figure 3: Major players' parcel volume growth in 2Q24



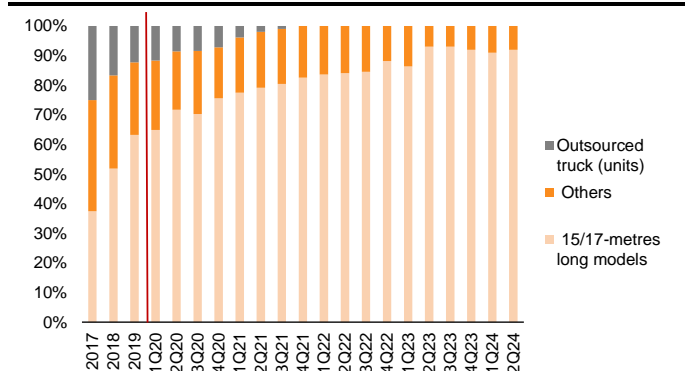
Source: Company data, the State Post Bureau, CMBIGM

Figure 4: Major players' ASP change (YoY) in 2Q24

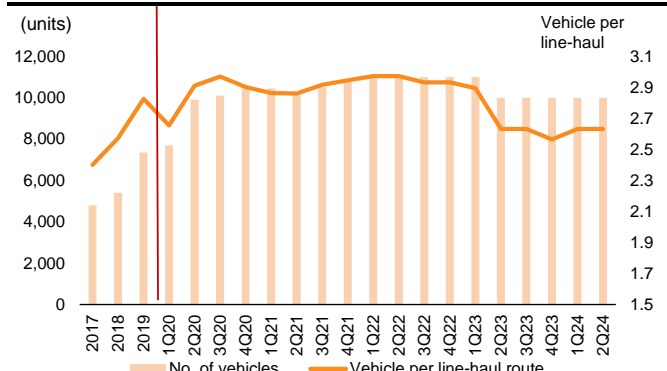
Source: Company data, the State Post Bureau, CMBIGM

Figure 5: ZTO's market share in China in terms of parcel volume

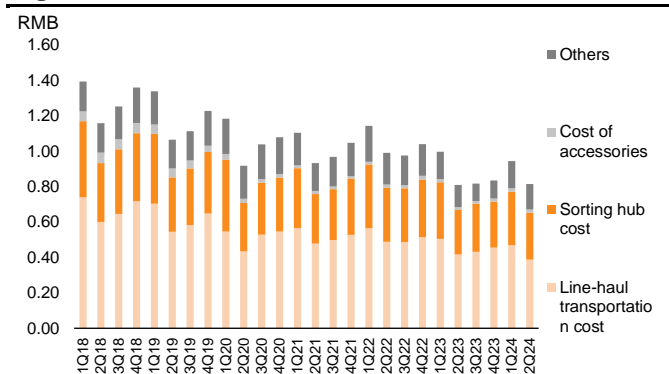
Source: Company data, CMBIGM

Figure 6: ZTO's self-owned high-capacity truck ratio

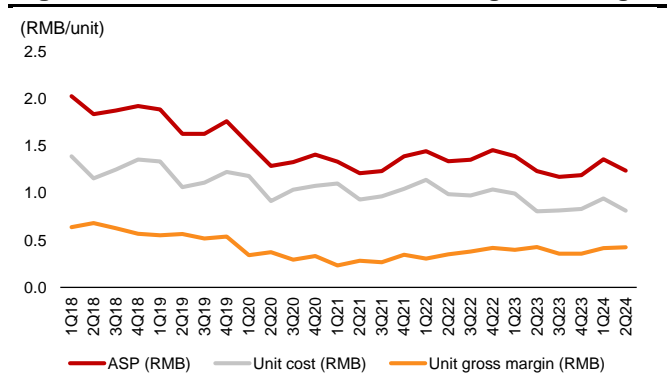
Source: Company data, CMBIGM

Figure 7: ZTO's number of vehicles per line-haul route

Source: Company data, CMBIGM

Figure 8: ZTO's unit cost breakdown

Source: Company data, CMBIGM

Figure 9: ZTO's ASP, unit cost & unit gross margin

Source: Company data, CMBIGM

Figure 10: Change in key operating assumptions

	Old			New			Change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Shipment volume (mn units of parcel)									
Unit of parcel	35,638	40,984	45,902	35,034	40,289	45,124	-1.7%	-1.7%	-1.7%
ASP (RMB/unit)									
Per unit of parcel	1.20	1.20	1.20	1.23	1.22	1.22	1.9%	1.9%	1.9%
Unit cost (RMB)									
Line-haul transportation cost	-0.44	-0.43	-0.43	-0.44	-0.43	-0.43	-0.2%	-0.2%	-0.2%
Sorting hub cost	-0.27	-0.26	-0.26	-0.27	-0.26	-0.26	0.0%	0.0%	0.0%
Others	-0.12	-0.12	-0.12	-0.12	-0.12	-0.12	3.0%	3.0%	3.0%
Total	-0.83	-0.83	-0.83	-0.84	-0.83	-0.83	0.4%	0.4%	0.4%
Unit gross margin (RMB)	0.37	0.37	0.37	0.39	0.39	0.39	5.2%	5.1%	5.1%
(RMB mn)									
Revenue									
Express delivery, accessories & others	42,936	49,130	55,026	42,992	49,193	55,097	0.1%	0.1%	0.1%
Freight forwarding services	934	981	1,030	916	925	934	-1.9%	-5.7%	-9.3%
Total	43,870	50,111	56,055	43,908	50,118	56,031	0.1%	0.0%	0.0%
Revenue growth								ppt	
Express delivery, accessories & others	14%	14%	12%	15%	14%	12%	0.1	0.0	(0.0)
Freight forwarding services	3%	5%	5%	1%	1%	1%	(2.0)	(4.0)	(4.0)
Revenue	14%	14%	12%	14%	14%	12%	0.1	(0.1)	(0.1)
SG&A expense ratio	-5.8%	-5.7%	-5.7%	-6.4%	-6.2%	-6.1%	(0.6)	(0.5)	(0.4)
Core net profit	9,744	11,324	12,789	9,962	11,551	13,099	2.2%	2.0%	2.4%

Source: Company data, CMBIGM estimates

Figure 11: Earnings sensitivity to ASP and unit line-haul transportation cost

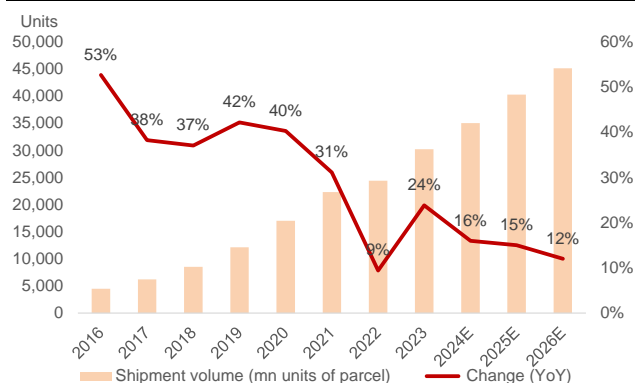
2024E Net profit (RMB mn)		ASP (RMB/unit)				
		1.17	1.20	1.23	1.25	1.29
	-0.457	7,670	8,673	9,342	10,010	11,014
	-0.444	8,042	9,045	9,714	10,383	11,386
Unit line-haul transportation cost (RMB)	-0.436	8,290	9,293	9,962	10,631	11,634
	-0.427	8,538	9,541	10,210	10,879	11,882
	-0.414	8,911	9,914	10,583	11,251	12,255

Source: Company data, CMBIGM estimates

Figure 12: Earnings sensitivity to ASP and unit sorting hub cost

2024E Net profit (RMB mn)		ASP (RMB/unit)				
		1.17	1.20	1.23	1.25	1.29
	-0.278	7,912	8,916	9,585	10,253	11,257
	-0.270	8,139	9,142	9,811	10,480	11,483
Unit sorting hub cost (RMB)	-0.265	8,290	9,293	9,962	10,631	11,634
	-0.260	8,441	9,444	10,113	10,782	11,785
	-0.252	8,668	9,671	10,340	11,008	12,012

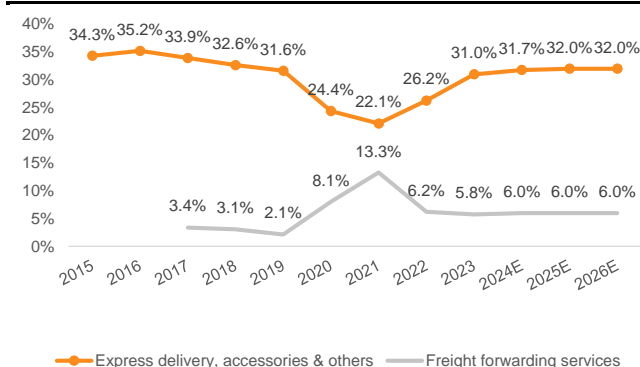
Source: Company data, CMBIGM estimates

Figure 13: ZTO's parcel shipment volume forecast

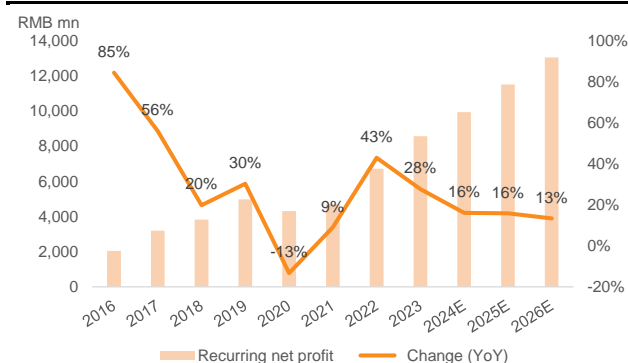
Source: Company data, CMBIGM estimates

Figure 14: China's diesel price

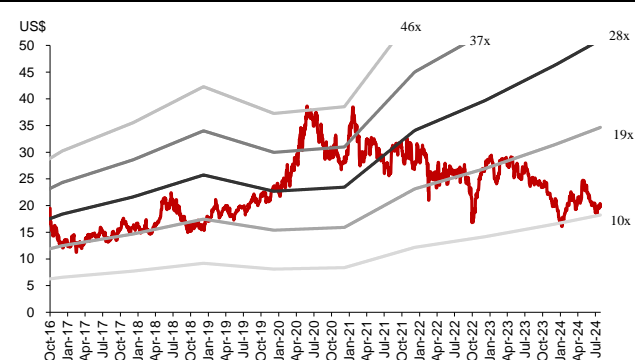
Source: Wind, CMBIGM

Figure 15: ZTO's gross margin trend

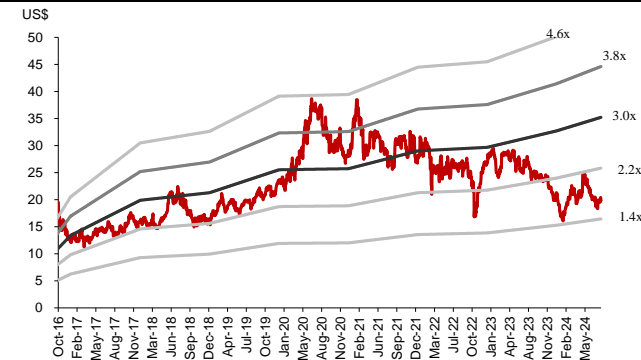
Source: Company data, CMBIGM estimates

Figure 16: ZTO's net profit forecast

Source: Company data, CMBIGM estimates

Figure 17: ZTO US's P/E band

Source: Bloomberg, company data, CMBIGM estimates

Figure 18: ZTO US's P/B band

Source: Bloomberg, company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	30,406	35,377	38,419	43,908	50,118	56,031
Cost of goods sold	(23,816)	(26,338)	(26,756)	(30,209)	(34,338)	(38,363)
Gross profit	6,589	9,039	11,663	13,698	15,780	17,668
SG&A expense	(1,876)	(2,077)	(2,425)	(2,810)	(3,107)	(3,418)
Others	790	775	771	878	1,002	1,121
Operating profit	5,503	7,736	10,008	11,766	13,675	15,371
Investment gain/loss	55	90	170	(563)	0	0
Share of (losses)/profits of associates/JV	(32)	6	4	18	19	20
Interest income	364	504	707	756	891	1,107
Interest expense	(127)	(191)	(290)	(311)	(311)	(311)
Net interest income/(expense)	237	313	417	446	580	797
Foreign exchange gain/loss	(56)	147	94	21	0	0
Pre-tax profit	5,707	8,292	10,693	11,687	14,275	16,187
Income tax	(1,005)	(1,633)	(1,939)	(2,279)	(2,712)	(3,076)
Minority interest	54	150	(5)	(9)	(12)	(13)
Net profit	4,701	6,659	8,754	9,408	11,563	13,112
Adjusted net profit	4,700	6,720	8,579	9,962	11,551	13,099
Gross dividends	1,353	2,125	3,722	3,760	4,620	5,239

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	18,666	24,475	26,954	29,492	35,347	42,427
Cash & equivalents	9,721	11,693	12,334	14,608	20,030	26,959
Account receivables	933	819	573	871	859	1,136
Inventories	83	41	28	51	43	62
Prepayment	668	862	822	822	822	822
Other current assets	7,261	11,061	13,197	13,140	13,593	13,447
Non-current assets	44,106	54,049	61,512	65,008	67,355	69,096
PP&E	24,930	28,813	32,181	34,440	35,959	36,578
Deferred income tax	935	750	880	880	880	880
Investment in JVs & assos	3,730	3,951	3,455	3,673	3,892	4,112
Intangibles	36	29	23	17	11	5
Goodwill	4,242	4,242	4,242	4,242	4,242	4,242
Other non-current assets	10,234	16,264	20,731	21,757	22,372	23,280
Total assets	62,772	78,524	88,465	94,500	102,702	111,523
Current liabilities	12,996	16,405	20,061	20,410	20,808	21,137
Short-term borrowings	3,459	5,394	7,766	7,766	7,766	7,766
Account payables	1,958	2,203	2,557	2,906	3,304	3,633
Tax payable	87	228	333	333	333	333
Other current liabilities	7,493	8,580	9,405	9,405	9,405	9,405
Non-current liabilities	848	7,646	8,124	8,124	8,124	8,124
Long-term borrowings	0	0	0	0	0	0
Obligations under finance leases	556	510	456	456	456	456
Other non-current liabilities	292	7,135	7,668	7,668	7,668	7,668
Total liabilities	13,845	24,051	28,185	28,533	28,931	29,261
Total shareholders equity	48,637	54,029	59,802	65,479	73,271	81,749
Minority interest	290	444	479	488	500	513
Total equity and liabilities	62,772	78,524	88,465	94,500	102,702	111,523

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	5,707	8,292	10,693	11,687	14,275	16,187
Depreciation & amortization	2,222	2,671	2,875	3,686	4,140	4,555
Tax paid	(1,005)	(1,633)	(1,939)	(2,279)	(2,712)	(3,076)
Change in working capital	158	1,498	700	(380)	(103)	(198)
Others	(225)	148	364	(464)	(599)	(817)
Net cash from operations	6,856	10,976	12,693	12,250	15,001	16,652
Investing						
Capital expenditure	(8,461)	(6,837)	(6,700)	(5,800)	(5,500)	(5,000)
Acquisition of subsidiaries/ investments	(670)	136	(200)	(200)	(200)	(200)
Others	11	(9,845)	385	56	191	407
Net cash from investing	(9,120)	(16,546)	(6,515)	(5,944)	(5,509)	(4,793)
Financing						
Dividend paid	(1,313)	(1,353)	(2,125)	(3,722)	(3,760)	(4,620)
Net borrowings	2,026	1,936	2,372	0	0	0
Proceeds from share issues	(3,811)	(85)	0	0	0	0
Others	194	6,560	0	(311)	(311)	(311)
Net cash from financing	(2,904)	7,058	246	(4,032)	(4,070)	(4,931)
Net change in cash						
Cash at the beginning of the year	14,213	9,721	11,693	12,334	14,608	20,030
Exchange difference	677	483	(5,783)	0	0	0
Cash at the end of the year	9,721	11,693	12,334	14,608	20,030	26,959

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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

CMBIGM 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 CMBIGM

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 Global Markets Limited

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

CMB International Global Markets Limited ("CMBIGM") 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. CMBIGM 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. CMBIGM 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 CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM 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 CMBIGM 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. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM 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. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM 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 CMBIGM 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 CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM 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 CMBIGM.

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 CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM 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.