

China Express Delivery Sector

Major players reported strong shipment growth and improving ASP in Jan

Four major express delivery companies released Jan operating figures over the weekend. **YTO (600233 CH, NR)**, **STO (002468 CH, NR)** and **Yunda (002120 CH, NR)** all reported >110% YoY growth in shipment volume, though slightly lower than the industry average of 125%. For **SF (002352 CH, BUY)**, shipment volume grew 60% YoY but market share saw sequential improvement (10.6% in Jan). On the ASP side, major players reported better than industry average ASP in Jan. We remain selective in the express delivery sector. We continue to like **SF** for its strong competitive edge in time-definite segment, effective expansion in mass market and potential acceleration of the international business helped by the acquisition of **Kerry Logistics (636 HK, NR)**. We also like **ZTO (2057 HK / ZTO US, BUY)** for its leading cost advantage in the mass market.

- **Strong parcel shipment volume in Jan:** For the industry as a whole, shipment volume surged +125% YoY to 8.5bn units in Jan, helped by (1) low base effect due to early CNY in 2020, and (2) strong demand before CNY this year. Yunda/YTO/STO/ SF reported 119%/117%/110%/60% YoY shipment growth. Among these players, SF is the only one that reported MoM growth in Jan, with shipment volume reaching 903mn units, a historical high.
- **Improving ASP trend.** For the industry as a whole, the parcel ASP dropped 23% in Jan. SF/YTO/Yunda/STO reported 12%/19%/22%/24% YoY reduction on ASP, largely better than the industry average (except STO). Most importantly, major players have maintained an improving ASP trend since 4Q20, driven by both strong underlying demand and seasonality.
- **Market share.** Yunda/YTO/SF/STO reported 16.3%/14.9%/10.6%/9.9% market share in Jan (in terms of parcel volume). Among the major players, SF has achieved market share gain since Oct 2020. That said, CR8 dropped to 80.4% in Jan 2021, from 84.8% in Jan 2020 and 80.6% in Dec 2020, suggesting keen competition.
- **Parcel volume to remain strong in Feb.** According to the State Post Bureau, express delivery volume surged 2.6x YoY to 660mn units during CNY (11-17 Feb). The strong growth, apart from low base, was driven by strong delivery demand as the Chinese government advocated “stay in place for the new year” (原地过年). We see potential upside to our shipment growth forecast of 16% in 2021E.

Operating figures for the major express delivery players

	Industry	YTO	STO	Yunda	SF
Parcel shipment volume (mn units)					
Jan-20	3,781	585	401	633	566
Dec-20	9,254	1,490	964	1,541	870
Jan-21	8,494	1,268	843	1,386	903
Change (YoY)	125%	117%	110%	119%	60%
Change (MoM)	-8%	-15%	-13%	-10%	4%
ASP (RMB /unit)					
Jan-20	13.24	2.95	3.30	2.86	19.70
Dec-20	10.01	2.21	2.33	2.25	16.94
Jan-21	10.21	2.38	2.51	2.23	17.26
Change (YoY)	-23%	-19%	-24%	-22%	-12%
Change (MoM)	2%	7%	8%	-1%	2%
Market share					
Jan-20	-	15.5%	10.6%	16.7%	15.0%
Dec-20	-	16.1%	10.4%	16.7%	9.4%
Jan-21	-	14.9%	9.9%	16.3%	10.6%
Change in ppt (YoY)	-	-0.54	-0.68	-0.43	-4.34
Change in ppt (MoM)	-	-1.17	-0.49	-0.34	1.23

Source: The State Post Bureau, Company data, CMBIS

MARKET PERFORM (Maintain)

China Logistics

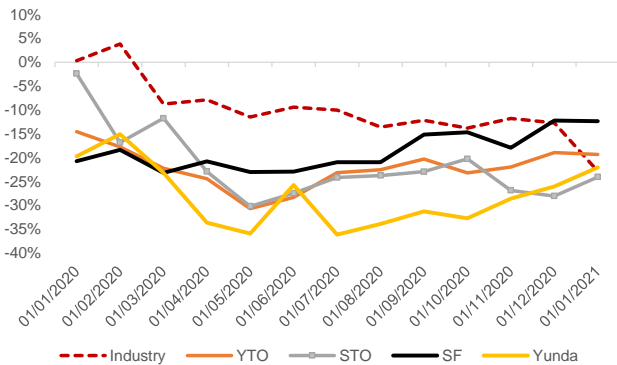
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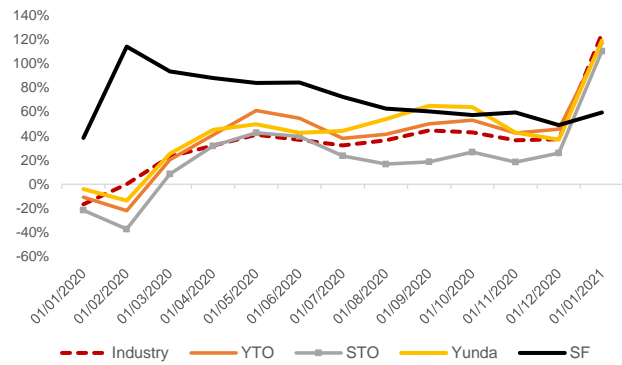
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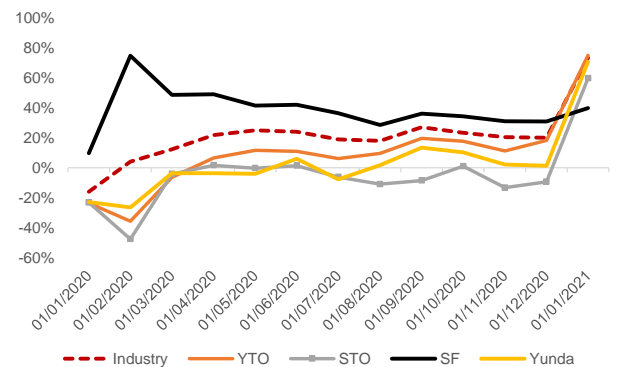
1. ZTO Express (2057 HK, BUY) – Volume growth to remain the top priority – 20 Nov 2020
2. China Express Delivery Sector – Bloody battle to end soon; War for market share to continue; BUY winners in the respective playing fields – 14 Oct 2020

Figure 1: Express delivery ASP change (YoY)

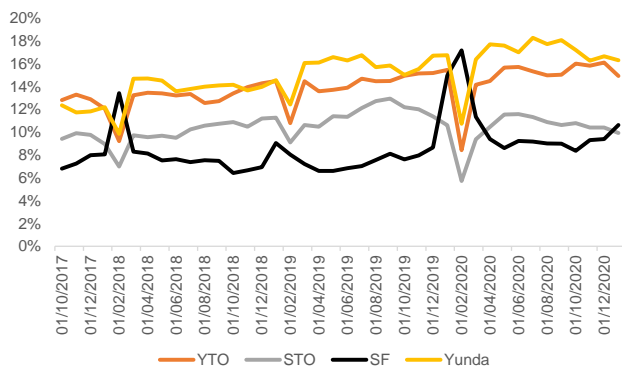
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Figure 2: Parcel shipment volume growth (YoY)

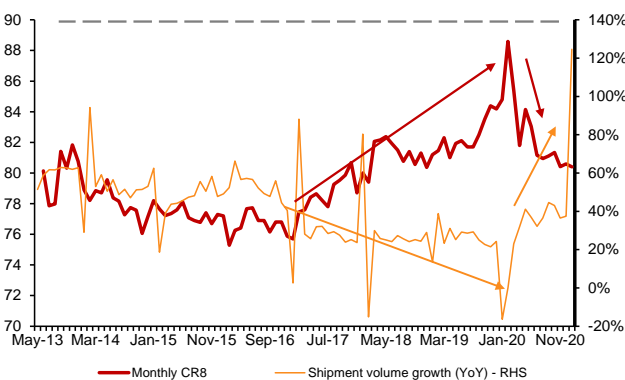
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Figure 3: Express delivery revenue growth (YoY)

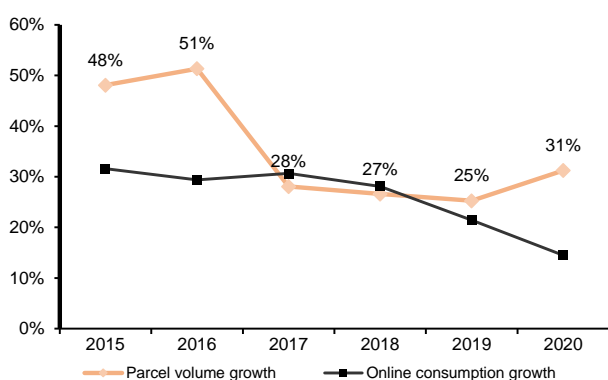
Source: State Post Bureau, Company data, Wind, CMBIS

Figure 4: Monthly market share trend

Source: State Post Bureau, Company data, CMBIS

Figure 5: Negative correlation (-44% in last 7 years) between CR8 and parcel shipment growth in China

Source: State Post Bureau, Wind, CMBIS

Figure 6: Parcel shipment growth has outpaced ecommerce value growth since 2019

Source: NBS, State Post Bureau, CMBIS

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