

# J&T Express (1519 HK)

## Largest express delivery operator in SEA to expand globally

With a solid track record in Southeast Asia's express delivery sector, we believe J&T Global Express ("J&T Global") is set to replicate its success story in Latin America and the Middle East market. Meanwhile, we expect J&T Global to narrow the loss significantly in China market, which will serve as a risk reduction driver. We forecast J&T Global to achieve net profit in 2024E. We initiate coverage on J&T Global with a **HOLD** rating and SOTP-based TP of HK\$14.2. We believe the high valuation premium over peers has largely reflected J&T Global's promising outlook in overseas markets.

■ **Largest express delivery operator in SEA with a competitive role in China.** Established in 2015 in Indonesia, J&T Global is a global logistics services provider. J&T Global was the largest express delivery operator in Southeast Asia (SEA) by parcel volume in 2022, with market share of 22.5%. Following the acquisition of BEST China in 2021, J&T Global ranked 6<sup>th</sup> in China's express delivery market by parcel volume in 2022, with market share of 10.9%. J&T Global's major e-commerce platform partners include Shopee, Lazada, Pinduoduo, Taobao, Tmall and Shein, as well as live streaming platforms, such as TikTok, Douyin and Kuaishou.

■ **E-commerce growth continues to be the key driver of SEA express delivery market.** With increasing e-commerce penetration and the rise of social e-commerce, the e-commerce retail market in terms of transaction value in SEA is expected to reach US\$374bn in 2027E (CAGR in 2023E-27E: 18.6%), according to F&S. The parcel volume of SEA's express delivery market is expected to grow at a CAGR of 15.5% in 2023E-27E.

■ **Expanding into fast-growing New Markets.** New Markets include Saudi Arabia, the UAE, Mexico, Brazil and Egypt. Driven by rapid economic growth, infrastructure improvement, and growing demand from e-commerce, the express delivery markets in terms of parcel volume in Saudi Arabia/ the UAE/ Mexico/ Brazil/ Egypt are expected to grow at a CAGR of 20.6%/ 21.0%/ 18.7%/ 16.1%/ 15.3% in 2023E-27E, according to F&S. We expect New Markets to be J&T Global's growth driver over the coming years.

■ **Earnings projection:** Stripping out (1) the fair value change of convertible preferred shares, (2) listing expense and (3) share-based payment, J&T Global's adjusted net loss was US\$1,488mn/264mn in 2022/1H23. We forecast the adjusted after-tax loss to be US\$494mn in 2023, and potentially turn to profit of US\$78mn/474mn in 2024E/25E.

■ **What will make us more constructive on the stock?** We see China market as a swing factor to the valuation given the fierce price competition in 2H23. We will turn more positive on J&T Global when the parcel ASP is stabilized.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (US\$ mn)	4,852	7,267	8,479	10,062	12,578
YoY growth (%)	216.0	49.8	16.7	18.7	25.0
Adjusted net profit (US\$ mn)	(1,177.7)	(1,488.3)	(493.8)	77.7	473.8
EPS (Adjusted) (US\$ cents)	na	na	(5.71)	0.88	5.38
Consensus EPS (US\$ cents)	na	na	(5.51)	(0.45)	4.68
P/E (x)	na	na	na	190.1	32.1
P/B (x)	na	na	6.2	6.0	5.1
Yield (%)	na	na	0.0	0.0	0.0
ROE (%)	na	na	na	3.2	17.1
Net gearing (%)	na	na	(13.9)	(2.7)	(13.1)

Source: Company data, Bloomberg, CMBIGM estimates

**HOLD**

Target Price **HK\$14.20**  
 Up/Downside **4.4%**  
 Current Price **HK\$13.60**

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### Stock Data

Mkt Cap (HK\$ mn)	121,079.2
Avg 3 mths t/o (HK\$ mn)	67.9
52w High/Low (HK\$)	NA/NA
Total Issued Shares (mn)	8812.2

Source: FactSet

### Shareholding Structure

Jet Jie Li	11.1%
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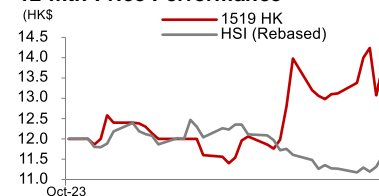
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	14.5%	23.3%
3-mth	NM	NM
6-mth	NM	NM

Source: FactSet

### 12-mth Price Performance



Source: FactSet

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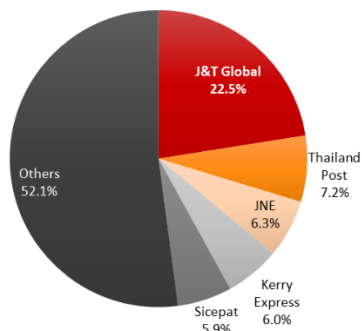
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## Executive Summary

**J&T Global ranked 1<sup>st</sup> in SEA express delivery market and 6<sup>th</sup> in China market by parcel volume in 2022.** Established in 2015 in Indonesia, J&T Global Express (J&T Global) is a global logistics services provider, with the full network coverage of seven Southeast Asian (SEA) countries (namely Indonesia, Vietnam, Malaysia, the Philippines, Thailand, Cambodia and Singapore) and a geographic coverage of 99% in China. Leveraging its highly scalable regional sponsor model, the Company has also tapped into Saudi Arabia, UAE, Mexico, Brazil and Egypt ("New Markets") in 2022. According to Frost & Sullivan (F&S), J&T Global was the largest express delivery operator in SEA by parcel volume in 2022, with market share of 22.5%. Meanwhile, J&T Global ranked 6<sup>th</sup> in China's express delivery market by parcel volume in 2022, with market share of 10.9%. The Company is also the first Asian express delivery operator of scale to expand into the New Markets.

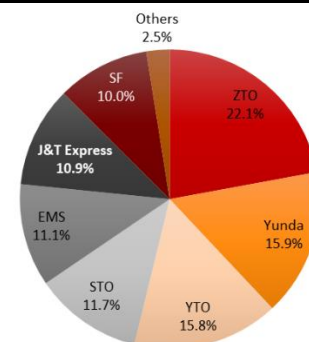
**J&T Global provides comprehensive express delivery services to leading e-commerce platforms.** J&T Global's major e-commerce platform partners include Shopee, Lazada, Tokopedia, Pinduoduo (PDD), Taobao, Tmall and Shein, as well as short video and live streaming platforms, such as TikTok, Douyin and Kuaishou. Moreover, to capture the growth opportunities in cross-border logistics, J&T Global has also expanded its businesses to cross-border logistics services, covering small parcels, freight forwarding and warehousing solutions services.

**Figure 1: Market landscape of SEA express delivery by parcel volume (2022)**



Source: Frost & Sullivan, CMBIGM

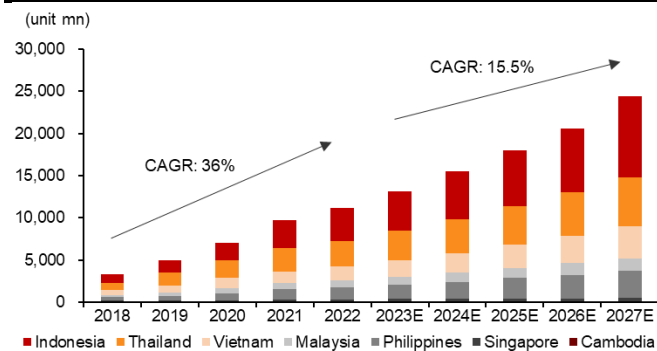
**Figure 2: Market landscape of China express delivery market by parcel volume (2022)**



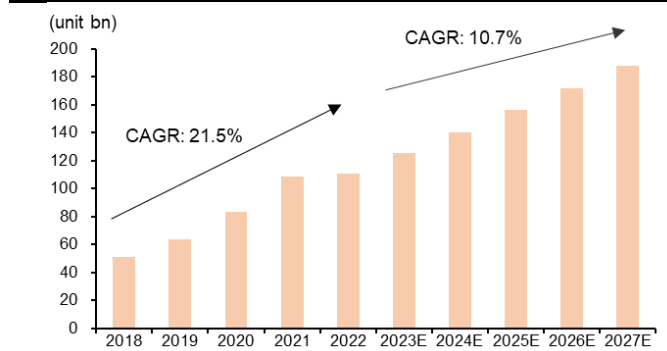
Source: Frost & Sullivan, CMBIGM

**E-commerce growth will continue to be the key driver of SEA express delivery market.** With continuous economic growth, increasing e-commerce penetration and the rise of social e-commerce, the transaction value of the e-commerce retail market in SEA has witnessed robust growth in the past five years (CAGR in 2018-22: 41.8%), and is expected to reach US\$374bn in 2027E (CAGR in 2023E-27E: 18.6%), according to F&S. The express delivery market in terms of parcel volume in SEA is expected to deliver a CAGR of 15.5% in 2023E-27E.

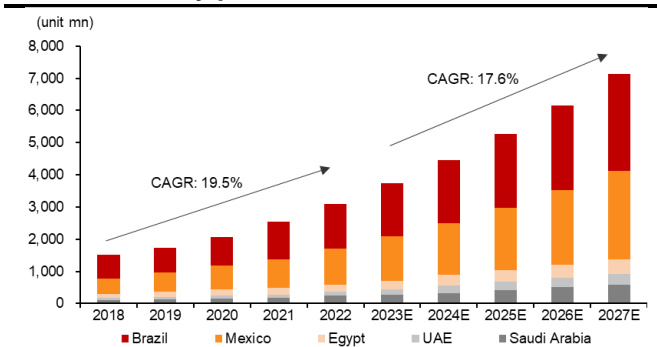
**Strategically expanding into New Markets and cross-border services market.** In 2022, J&T Global strategically expanded into other fast-growing New Markets, including Saudi Arabia, UAE, Mexico, Brazil and Egypt. According to F&S, the express delivery markets in terms of parcel volume in Saudi Arabia/ UAE/ Mexico/ Brazil/ Egypt delivered a CAGR of 20.2%/ 18.5%/ 22.3%/ 18.7%/ 12.7% during 2018-22, respectively, and is expected to continue to grow at a CAGR of 20.6%/ 21.0%/ 18.7%/ 16.1%/ 15.3% during 2023E-27E, with the expected benefit from a range of key trends including sustainable economic growth, infrastructure improvement, and growing demand from e-commerce. Meanwhile, J&T Global is tapping into the cross-border logistics market, of which the global cross-border logistics market is expected to reach US\$681bn in 2027E (CAGR in 2023E-27E: 10.5%).

**Figure 3: Market size of express delivery market in SEA by parcel volume**

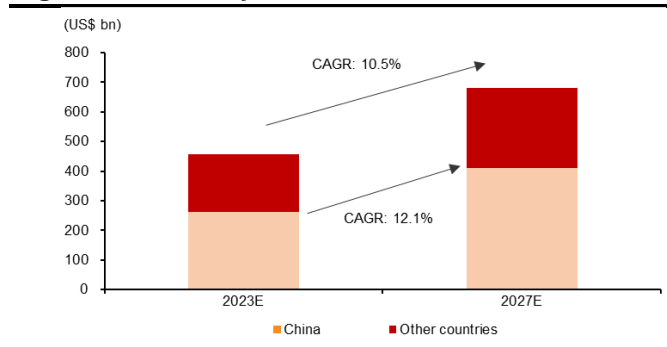
Source: Frost &amp; Sullivan, CMBIGM

**Figure 4: Market size of express delivery market in China by parcel volume**

Source: Frost &amp; Sullivan, CMBIGM

**Figure 5: Market size of express delivery market in New Markets by parcel volume**

Source: Frost &amp; Sullivan, CMBIGM

**Figure 6: Market size of global and China cross-border logistics market by transaction value**

Source: Frost &amp; Sullivan, CMBIGM

**Company's growth drivers:** (1) **Solidify leading positions and expand into New Markets:** J&T Global aims to solidify its market leadership in SEA and China by diversifying service offerings and improving service quality. Meanwhile, the Company seeks to expand into New Markets by collaborating with e-commerce partners that also seek business opportunities in such markets. J&T Global also plans to develop cross-border services. (2) **Expand capacity and enhance network efficiency:** Apart from building new sorting centres and optimizing the density of pickup and delivery outlets, J&T Global will also invest in advanced, automated sorting machinery and transportation facilities to improve network efficiency. (3) **Improve technology and innovation capabilities:** J&T Global aims to upgrade key functions, such as address digitalization algorithms, within its self-developed JMS system. J&T Global will continue to invest in automation technologies and software upgrades to reduce unit costs.

**Earnings projection:** Stripping out (1) the fair value change of convertible preferred shares, (2) listing expense and (3) share-based payment, the adjusted net loss was US\$476mn/1,178mn/1,488mn/264mn in 2020/21/22/1H23. We forecast the adjusted after-tax loss to be US\$494mn in 2023, and potentially turn to profit of US\$78mn/474mn in 2024E/25E.

**Major risk factors include:** 1) high dependence on the development of the e-commerce industry; 2) risks in managing global operations; 3) dependence on certain customers; 4) relationship with network partners; 5) fierce industry competition; 6) seasonality; 7) failure to obtain licenses and permits; and 8) fluctuations in foreign currency exchange rates.

Figure 7: Key operating assumptions for J&amp;T Global

	2020	2021	2022	2023E	2024E	2025E
<b>Shipment volume (mn units of parcel)</b>						
Southeast Asia	1,154	2,161	2,513	3,267	4,247	5,394
China	2,084	8,334	12,026	14,912	18,192	21,831
New markets	-	-	49	246	466	863
<b>Total</b>	<b>3,237</b>	<b>10,495</b>	<b>14,588</b>	<b>18,424</b>	<b>22,906</b>	<b>28,088</b>
<b>Change (YoY)</b>						
Southeast Asia	-	87.3%	16.3%	30.0%	30.0%	27.0%
China	-	300.0%	44.3%	24.0%	22.0%	20.0%
New markets	-	-	-	400.0%	90.0%	85.0%
<b>Average</b>	<b>-</b>	<b>224.2%</b>	<b>39.0%</b>	<b>26.3%</b>	<b>24.3%</b>	<b>22.6%</b>
<b>ASP (US\$)</b>						
Southeast Asia	0.91	1.10	0.95	0.83	0.78	0.78
China	0.23	0.26	0.34	0.31	0.31	0.31
New markets	-	-	1.67	1.47	1.47	1.45
Blended	0.47	0.43	0.45	0.42	0.42	0.43
<b>Change (YoY)</b>						
Southeast Asia	-	21.3%	-13.9%	-12.0%	-6.0%	-1.0%
China	-	13.9%	30.1%	-8.0%	-1.5%	-1.0%
New markets	-	-	-	-12.0%	0.0%	-1.0%
<b>Average</b>	<b>-</b>	<b>-7.8%</b>	<b>3.5%</b>	<b>-6.4%</b>	<b>-0.2%</b>	<b>2.6%</b>
<b>Unit cost of express delivery by region (US\$)</b>						
Southeast Asia	-0.64	-0.79	-0.76	-0.67	-0.63	-0.60
China	-0.51	-0.41	-0.40	-0.34	-0.31	-0.30
New markets	-	-	-2.06	-1.50	-1.29	-1.17
<b>Average</b>	<b>-0.55</b>	<b>-0.49</b>	<b>-0.46</b>	<b>-0.41</b>	<b>-0.39</b>	<b>-0.38</b>
<b>Change (YoY)</b>						
Southeast Asia	-	24.7%	-4.5%	-11.4%	-6.9%	-3.4%
China	-	-19.5%	-3.0%	-14.4%	-8.1%	-4.2%
New markets	-	-	-	-27.1%	-13.8%	-9.4%
<b>Average</b>	<b>-</b>	<b>-11.9%</b>	<b>-4.8%</b>	<b>-10.9%</b>	<b>-5.7%</b>	<b>-1.5%</b>
<b>Unit gross margin (US\$)</b>						
Southeast Asia	0.27	0.31	0.19	0.16	0.16	0.17
China	-0.28	-0.15	-0.06	-0.03	0.00	0.01
New markets	-	-	-0.39	-0.03	0.17	0.28
<b>Average</b>	<b>-0.08</b>	<b>-0.05</b>	<b>-0.01</b>	<b>0.01</b>	<b>0.03</b>	<b>0.05</b>
<b>Change (YoY)</b>						
Southeast Asia	-	13.3%	-38.2%	-14.3%	-2.1%	8.5%
China	-	-	-	-	-	-338.5%
New markets	-	-	-	-	-	62.0%
<b>Average</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>306.3%</b>	<b>54.5%</b>
<b>(US\$ mn)</b>						
<b>Revenue</b>						
Express delivery services	1,525	4,559	6,560	7,758	9,629	12,110
Southeast Asia	1,047	2,378	2,382	2,725	3,330	4,186
China	479	2,181	4,096	4,673	5,615	6,671
New markets	-	-	82	360	684	1,252
Cross-border services	10	292	708	722	433	468
<b>Total</b>	<b>1,535</b>	<b>4,852</b>	<b>7,267</b>	<b>8,479</b>	<b>10,062</b>	<b>12,578</b>
<b>Revenue growth (by segment)</b>						
Express delivery services	-	198.9%	43.9%	18.3%	24.1%	25.8%
Southeast Asia	-	127.2%	0.2%	14.4%	22.2%	25.7%
China	-	355.5%	87.8%	14.1%	20.2%	18.8%
New markets	-	-	-	340.0%	90.0%	83.2%
Cross-border services	-	2797.5%	142.5%	2.0%	-40.0%	8.0%
<b>Average</b>	<b>-</b>	<b>216.0%</b>	<b>49.8%</b>	<b>16.7%</b>	<b>18.7%</b>	<b>25.0%</b>
<b>Gross margin (by region)</b>						
Southeast Asia	29.8%	27.8%	20.0%	19.5%	20.3%	22.2%
China	-120.4%	-55.9%	-16.2%	-8.2%	-1.0%	2.3%
Others	32.5%	4.4%	2.4%	5.9%	11.1%	16.8%
<b>Blended gross margin</b>	<b>-17.0%</b>	<b>-11.2%</b>	<b>-3.7%</b>	<b>2.5%</b>	<b>7.4%</b>	<b>10.9%</b>
<b>(US\$ mn)</b>						
<b>Adjusted EBITDA</b>						
SEA	267	427	332	421	549	736
China	-616	-1,206	-723	-251	69	210
Others	2	-14	-169	-50	75	182
Unallocated	27	-2	-334	0	0	0
<b>Total adjusted EBITDA</b>	<b>-321</b>	<b>-794</b>	<b>-894</b>	<b>120</b>	<b>692</b>	<b>1,128</b>
Share-based payments and expenses	-188	-619	-281	-1,420	0	0
Listing expense	0	-12	-10	-6	0	0
Others	0	-1	302	0	0	0
<b>Reported EBITDA</b>	<b>-509</b>	<b>-1,427</b>	<b>-884</b>	<b>-1,305</b>	<b>692</b>	<b>1,128</b>

Source: Company data, CMBIGM estimates

## Valuation

Our target price of HK\$14.2 is derived from the SOTP methodology. We apply different EV/EBITDA multiples for SEA and New Markets to better reflect their respective growth outlook. For China market, we apply Price/Sales multiple given the volatile earnings.

- We assign a target multiple of 16x for the SEA business, which is a 100% premium over the global integrated logistics operators (~8.3x). Our premium is to reflect J&T Global's solid competitive edge and strong execution in market share gains.
- We assign 20x for other regions (including New Markets and cross-border logistics). Such premium multiple is to reflect the potential growth in the emerging markets.
- We assign 0.95x target P/S ratio for the China market, a 20% discount to the China express delivery peers. We expect J&T Global's China business to achieve positive EBIDTA in 2024E after years of market share gain strategy.

**Figure 8: Target equity valuation**

Breakdown	Methodology		2024E (US\$ mn)	Multiple (x)	Value (US\$mn)	% of total
SEA	EV/EBITDA	EBITDA	549	16	8,777	56%
China	P/S	Revenue	5,615	0.95	5,335	34%
Others	EV/EBITDA	EBITDA	75	20	1,499	10%
<b>Total EV</b>					<b>15,611</b>	<b>100%</b>
Add: Net cash (2023E)					347	
Minus: MI					0	
<b>Equity value</b>					<b>15,958</b>	
<b>Target price</b>						
<b>US\$</b>					<b>1.81</b>	
<b>HK\$</b>					<b>14.2</b>	

Source: CMBIGM estimates

Note: Others include New Markets and cross-border business

**Figure 9: Peers valuation table**

Ticker	Company	Price	Market cap	PE (x)		PB (x)		EV/EBITDA (x)		PS (x)	
		(local currency)	(US\$ m)	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
China express delivery											
ZTO US Equity	ZTO EXPRESS -ADR	19.83	16,119	14.4	12.6	2.0	1.8	7.0	6.0	3.0	2.6
2057 HK Equity	ZTO EXPRESS	153.50	16,119	14.4	12.6	2.0	1.8	7.0	6.0	3.0	2.6
002352 CH Equity	S F HOLDING CO-A	40.27	26,960	22.9	18.5	2.1	1.9	8.2	7.1	0.7	0.6
600233 CH Equity	YTO EXPRESS -A	11.98	5,640	10.7	9.3	1.4	1.2	5.1	4.5	0.7	0.6
002468 CH Equity	STO EXPRESS CO-A	8.12	1,700	27.9	15.8	1.4	1.3	8.0	6.1	0.3	0.3
002120 CH Equity	YUNDA HOLDING -A	7.90	3,132	12.7	9.7	1.2	1.1	5.3	5.0	0.5	0.4
	Average			17.2	13.1	1.7	1.5	6.8	5.8	1.4	1.2
China logistics (others)											
636 HK Equity	KERRY LOGISTICS	8.28	1,915	15.5	10.4	0.8	0.7	6.0	5.1	0.3	0.3
2618 HK Equity	JD LOGISTICS	9.18	7,762	42.4	22.3	1.3	1.2	6.7	5.0	0.3	0.3
9956 HK Equity	ANE CAYMAN INC	5.38	800	12.3	10.7	2.8	2.4	3.0	2.7	0.6	0.5
603056 CH Equity	DEPPON LOGISTIC-A	14.21	1,996	17.5	12.3	1.9	1.7	5.8	4.4	0.4	0.4
600787 CH Equity	CMST DEVELOPM-A	5.27	1,572	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
603128 CH Equity	CTS INTERNATIO-A	7.70	1,389	12.9	10.7	1.6	1.5	8.2	6.9	0.7	0.6
603565 CH Equity	SHANGHAI ZHONG-A	8.65	2,484	10.7	8.9	1.9	1.8	5.3	4.4	1.4	1.2
002930 CH Equity	GUANGDONG GREAT RIVER-A	20.61	1,287	27.9	20.7	3.6	3.3	13.7	11.3	5.8	4.7
600057 CH Equity	XIAMEN XIANGYU-A	6.73	2,088	7.6	5.6	0.8	0.7	10.8	7.2	0.0	0.0
	Average			18.4	12.7	1.8	1.7	7.4	5.9	1.2	1.0
Overseas (Integrated logistics)											
FDX US Equity	FEDEX CORP	281.29	70,722	15.4	12.6	2.6	2.3	9.5	8.5	0.8	0.8
UPS US Equity	UNITED PARCEL-B	162.94	138,813	18.5	17.1	6.9	6.3	11.9	11.0	1.5	1.4
DHL GR Equity	DHL GROUP	45.93	60,484	14.6	13.7	2.3	2.2	7.0	6.7	0.7	0.7
9064 JP Equity	YAMATO HOLDINGS	2,593.5	6,629	18.2	16.9	1.5	1.4	8.1	7.0	0.5	0.5
9143 JP Equity	SG HOLDINGS	2,008.0	8,654	19.1	15.9	2.2	2.0	9.6	8.3	1.0	0.9
6178 JP Equity	JAPAN POST	1,278.5	29,780	15.0	13.0	0.4	0.4	n/a	n/a	0.4	0.4
KEX TB Equity	KERRY EXPRESS TH	4.1	200	n/a	n/a	1.8	2.7	n/a	n/a	0.5	0.5
	Average			16.8	14.9	2.5	2.5	9.2	8.3	0.8	0.7

Source: Bloomberg, company data, CMBIGM estimates

Note: As at 16 Dec 2023



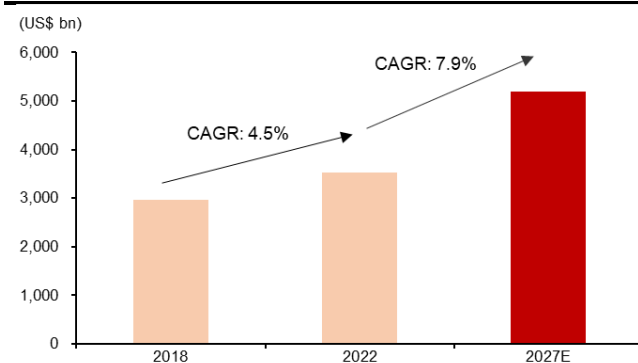
## Industry Overview

### SEA Express delivery market

#### ■ SEA amongst the world's fastest-growing economies

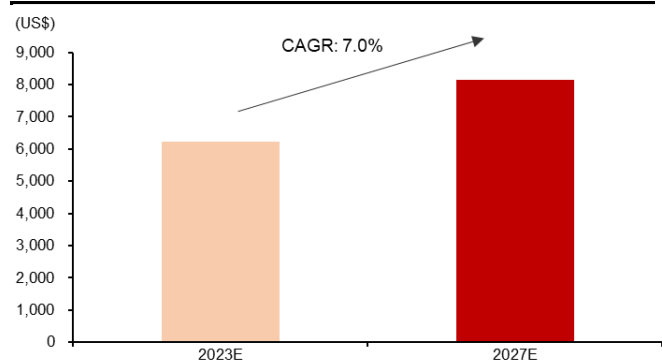
According to F&S, the nominal GDP of SEA reached US\$3,526bn in 2022 (CAGR in 2018-22: 4.5%), and is expected to grow to US\$5,189bn in 2027E (CAGR in 2023E-27E: 7.9%), while the nominal GDP per capita of SEA is expected to deliver a CAGR of 7% in 2023E-27E. In terms of demographic structure, SEA has a relatively young population, 25% of which aged 15-29, higher than that of developed countries such as the U.S. (20%), suggesting vast future growth potential for the new technology and retail markets in SEA, especially in the e-commerce retail market. Moreover, the urbanization rate of SEA is expected to surge from 54.4% in 2022 (lower than that of China: 65.2%) to 68.1% in 2027E.

**Figure 10: Nominal GDP of SEA**



Source: Frost & Sullivan, CMBIGM

**Figure 11: Nominal GDP per capita of SEA**

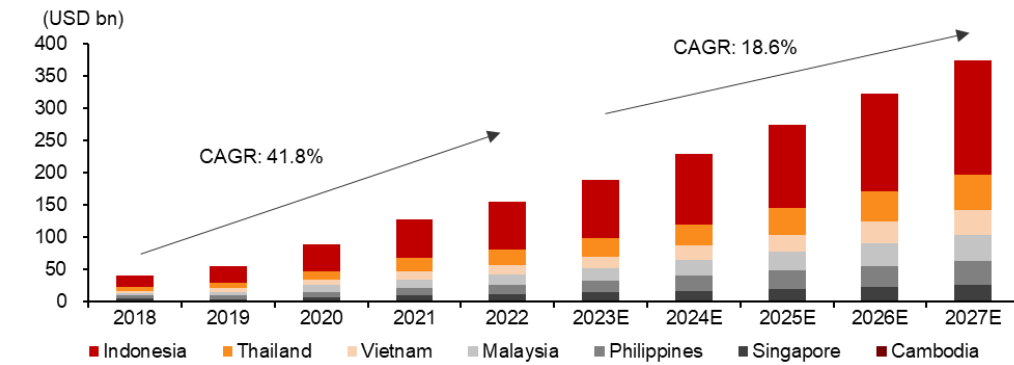


Source: Frost & Sullivan, CMBIGM

#### ■ SEA e-commerce remains positive spurred by the rise of social e-commerce

On the back of strong economics and increasing internet penetration, SEA e-commerce retail market delivered a CAGR of 41.8% during 2018-22 with the total transaction value increasing to US\$154.8bn in 2022, according to F&S. We see resilient growth in top e-commerce platforms in SEA (e.g. Shopee, Lazada and Tokopedia) due to improving internet infrastructure and smartphone penetration driving the shift to e-commerce in SEA. Per F&S, with e-commerce penetration rate in SEA growing from 17.9% in 2023E to 29.8% in 2027E, the e-commerce retail market in SEA is expected to reach US\$373.6bn in 2027E (CAGR in 2023E-27E: 18.6%).

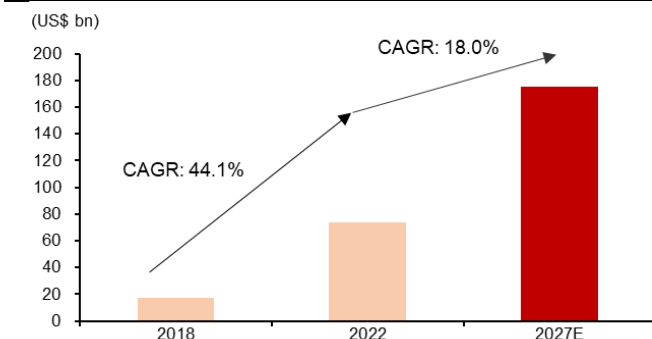
More importantly, the emerging social e-commerce will serve as a new growth driver of e-commerce market in SEA. The social e-commerce market in terms of transaction value in SEA increased from US\$9.2bn in 2018 to US\$60.2bn in 2022 (CAGR: 59.9%), and is expected to reach US\$179.8bn in 2027E (CAGR: 22.2%), according to F&S. The proportion of social e-commerce to the overall e-commerce retail market in SEA is expected to increase from 38.9% in 2022 to 48.1% in 2027E, according to F&S.

**Figure 12: Market size of e-commerce retail market in SEA (by transaction value)**

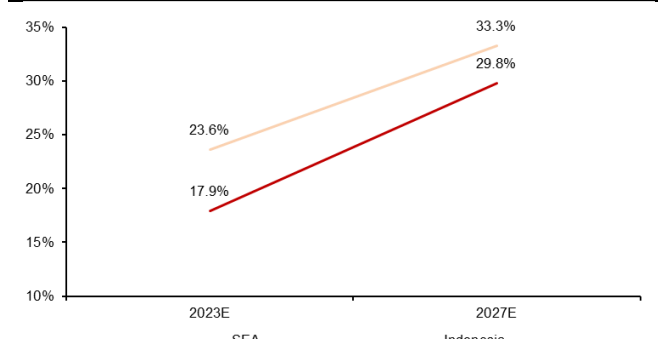
Source: Frost &amp; Sullivan, CMBIGM

In terms of region, according to F&S, Indonesia has the largest e-commerce retail market in SEA, accounting for 47.7% of the SEA market in terms of transaction value in 2022. The market size of e-commerce retail market in Indonesia amounted to US\$73.8bn in 2022 (CAGR in 2018-22: 44.1%), expecting to increase to US\$175.2bn in 2027E (CAGR in 2023E-27E: 18%). The e-commerce penetration rate of Indonesia is expected to increase from 23.6% in 2023E to 33.3% in 2027E, on the back of increased e-commerce users and wider product offering.

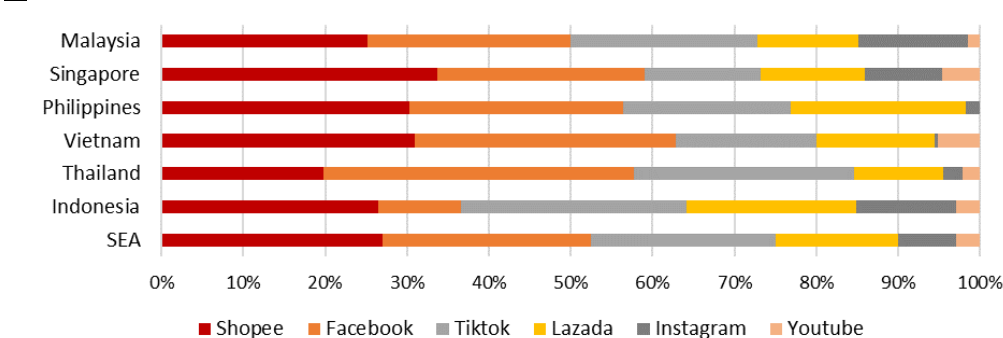
Other SEA countries including Malaysia/ Vietnam/ the Philippines/ Thailand delivered a CAGR of 44.1%/41.7%/37.1%/42.2% during 2018-2022, respectively. Malaysia, Vietnam, Philippines and Cambodia markets are expected to grow ~20% YoY in 2027E.

**Figure 13: Market size of e-commerce retail market in Indonesia**

Source: Frost &amp; Sullivan, CMBIGM

**Figure 14: E-commerce penetration rate of SEA and Indonesia**

Source: Frost &amp; Sullivan, CMBIGM

**Figure 15: Popularity of social e-commerce platforms in SEA countries**

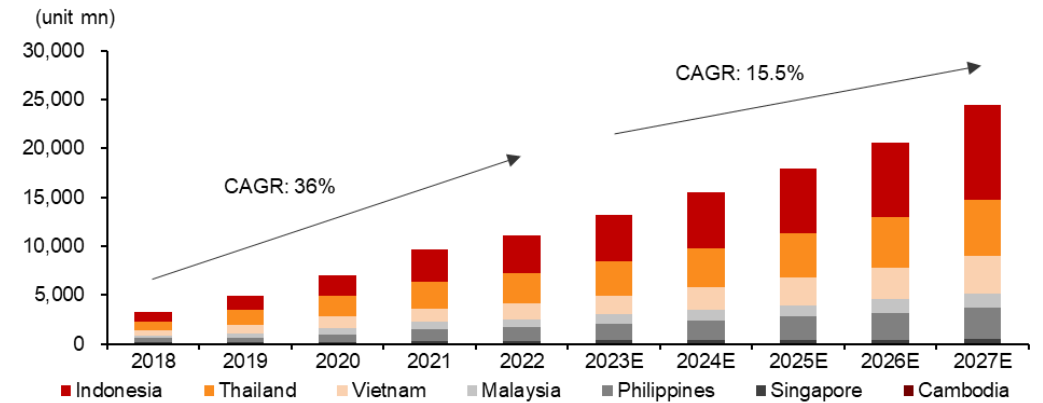
Source: Ninjavan, CMBIGM



## ■ SEA express delivery industry to deliver CAGR of 15.5% during 2023-27E

**SEA express delivery industry has seen strong growth over the past five years, yet still in its early stages.** With the rise of e-commerce retail market driving demand for fast, high-quality express delivery services, the total parcel volume in SEA surged from 3.3bn in 2018 to 11.1bn in 2022 (CAGR in 2018-22: 36%), and is expected to increase to 23.5bn in 2027E (CAGR in 2023E-27E: 15.5%), according to F&S.

**Figure 16: Market size of express delivery market in SEA (by parcel volume)**



Source: Frost & Sullivan, CMBIGM

## ■ Growth drivers of SEA express delivery market

- 1) Continuous growth in consumer purchasing power.** According to F&S, the nominal GDP per capita of SEA is expected to increase from US\$6,217 in 2023E to US\$8,143 in 2027E, representing a CAGR of 7% during the period, which indicates that increasing consumer purchasing power in SEA will facilitate the e-commerce development.
- 2) Improvement in transportation infrastructure and payment system.** Certain locations in SEA, especially rural areas, are still underserved by express delivery service providers due to a lack of network coverage and underdeveloped transport infrastructure. On payment system, as consumers are more willing to transact via e-commerce platform with timely settlement services provided by regional banks in SEA, express delivery service providers in SEA have started to collaborate with local banks to offer cash on delivery (COD) services to address the payment issues where online payments are not available, such as the Philippines.  
  
With a constantly improving transportation system and infrastructure in SEA, we expect an improvement in service quality, coverage and timeliness of express delivery services, driving the demand for express logistics from e-commerce.
- 3) Fast-growing e-commerce industry.** Rapid development of e-commerce platforms and the rise of social e-commerce in SEA have promoted a shift to e-commerce, especially for young consumers with strong purchasing power, driving demand for fast, high quality express delivery services for small value goods and community purchases.
- 4) Favourable policies.** Regional governments in SEA have launched a series of policies and guidelines to outline the scope of express delivery activities and standardize the permitting processes, which facilitate the sustainable development of SEA express delivery industry.

## China express delivery market

### ■ China e-commerce's momentum to continue with increasing penetration

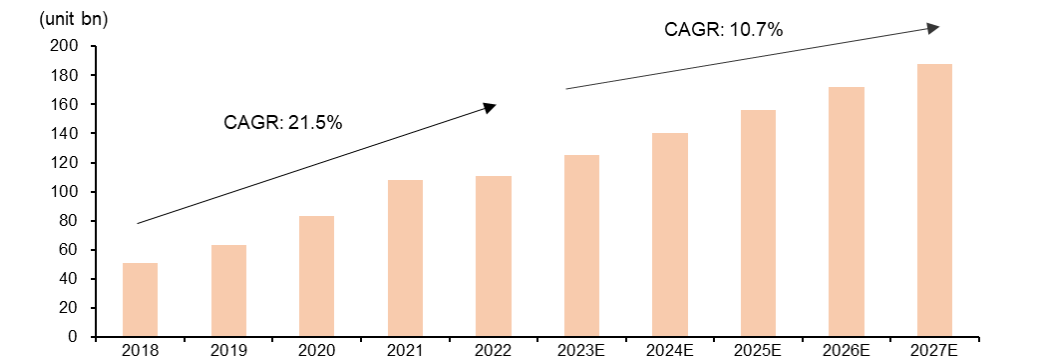
China has the world's largest e-commerce market, accounting for over 40% of global transaction (US\$3.9tn) in 2022. According to F&S, China e-commerce market, in terms of transaction value, grew from US\$1,059bn in 2018 to US\$1,777bn in 2022 (CAGR in 2018-22: 13.8%), with the e-commerce penetration rate increasing from 43.4% in 2018 to 66.2% in 2022, attributable to the enhanced internet infrastructure with government support and the continuous development of mobile internet technology, social network, online payment and logistics in China.

Similar to SEA, we expect social e-commerce to serve as a growth driver of China's e-commerce industry, followed by the rise of multiple social media platforms, such as Kuaishou, Wechat and Douyin, as well as the leading e-commerce platforms that built up their live-streaming businesses, such as Taobao, JD and PDD.

### ■ China's express delivery market to deliver a CAGR of 10.7% in 2023E-27E

Rapid development of e-commerce in China has reshaped and promoted the development of the logistics sector and the express delivery industry. China has the largest express delivery market globally in terms of parcel volume in 2022, with parcel volume growing at CAGR of 21.5% during 2018-22. Due to a strong demand from e-commerce, favorable government policies, technology upgrade and rising demand for cross-border express delivery, China's express delivery market is expected to rise from 125bn parcels in 2023E to 188bn parcels in 2027E (CAGR: 10.7%).

**Figure 17: Market size of express delivery market in China (by parcel volume)**



Source: Frost & Sullivan, CMBIGM

### ■ Growth drivers of China's express delivery market

- 1) Strong demand from e-commerce.** Given that the majority of express delivery parcel demand comes from e-commerce, we see that the rapid growth in e-commerce will remain the key driver of China's express delivery market.
- 2) Favourable government policies.** Chinese government has issued a series of policies to modernize the express delivery industry, enhance the service quality and branding of express delivery companies, and stabilize express delivery pricing, which helps promote the sustainable and orderly development of express delivery industry.

- 3) **Technological upgrades.** By promoting the applications of innovative technologies, the express delivery operators can achieve the improvement of operational efficiency, shortening of delivery times and the logistics supply chain optimization.
- 4) **Enhancing infrastructure and facilities.** The upcoming new infrastructure and new energy vehicles will further solidify the foundation for the express deliver industry and help the operators to achieve technological upgrades and service improvement.
- 5) **Rising cross-border express delivery demand.** The 14<sup>th</sup> Five Year Plan (“14<sup>th</sup> FYP”) targets to promote the cross-border e-commerce development by expanding China’s established e-commerce and logistics experiences to overseas markets and bringing domestic producers and suppliers directly to overseas consumers. According to F&S, revenue generated from cross-border small parcels is expected to reach US\$92bn in 2027E (CAGR in 2023E-27E: 21.6%).

## Express delivery industries in New Markets

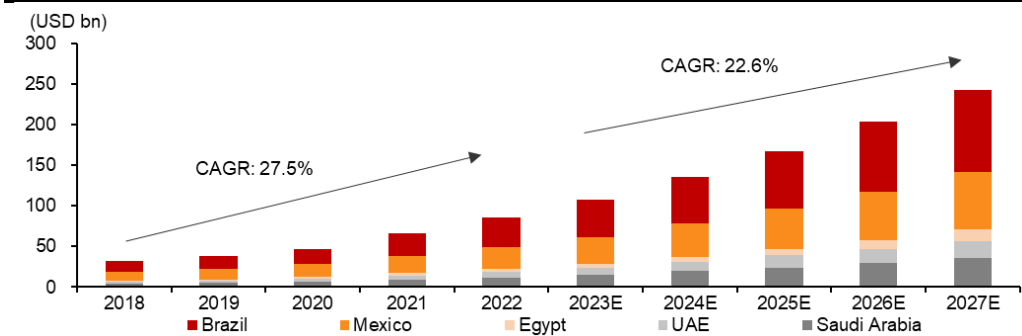
### ■ New Markets economies overview

According to F&S, the total nominal GDP of the New Markets, including Saudi Arabia, UAE, Mexico, Brazil and Egypt, amounted to US\$5,303bn in 2022, and is expected to reach US\$7,218bn in 2027E (CAGR in 2023E-27E: 6.3%). GDP per capita in the New Markets is expected to grow at a CAGR of 5.1% to US\$13,785 in 2027E, much higher than that expected of SEA (US\$8,143), according to F&S.

### ■ E-commerce retail markets in New Markets are set for explosive growth

With the increasing e-commerce penetration, the market size of the e-commerce markets in New Markets in terms of transaction value surged from US\$32bn in 2018 to US\$86bn in 2022 (CAGR: 27.5%). With the improving internet infrastructure and continuous economic growth, the e-commerce markets in New Markets is expected to reach US\$243.1bn in 2027E (CAGR in 2023E-27E: 22.6%), according to F&S. E-commerce penetration in the New Markets is expected to increase from 14.6% in 2023E to 27.5% in 2027E.

**Figure 18: Market size of e-commerce retail market in New Markets by transaction**

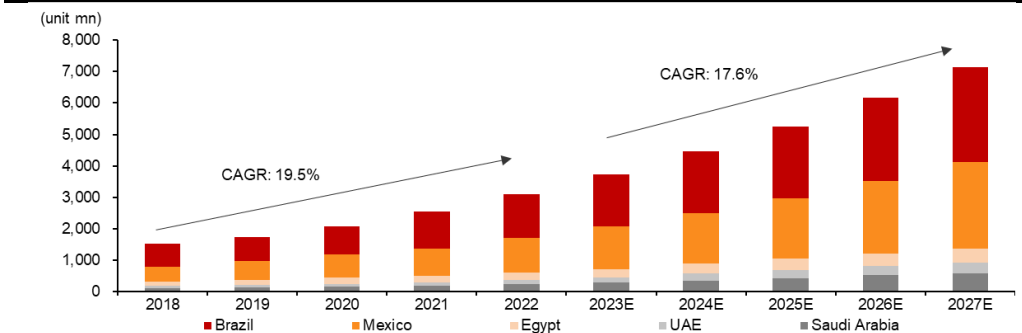


Source: Frost & Sullivan, CMBIGM

### ■ Express delivery markets in New Markets

Total parcel volume of express delivery markets in Saudi Arabia/ UAE/ Mexico/ Brazil/ Egypt delivered a CAGR of 20.2%/ 18.5%/ 22.3%/ 18.7%/ 12.7% during 2018-22, respectively, and is expected to grow at a CAGR of 20.6%/ 21.0%/ 18.7%/ 16.1%/ 15.3% during 2023E-27E, per F&S. Expected main drivers include the improved economies, infrastructure enhancement, growing demand from e-commerce, and the rise of cross-border logistics with supportive government policies in these regions. It is worth mentioning that the express delivery service pricing in New Markets are relatively higher compared to the majority of more-developed markets, as a result of the early stage of development.

**Figure 19: Market size of express delivery market in New Markets by parcel volume**



Source: Frost & Sullivan, CMBIGM

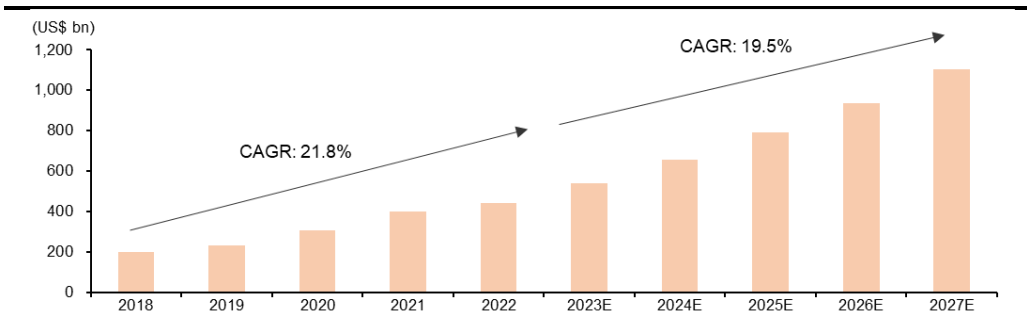
## Cross-border logistics market

### ■ Cross-border e-commerce retail market

**China: growth momentum to sustain backed by favorable policies.** Accounting for over 10% of global trade, China plays a key role in global trade, with export/import goods value growing at a CAGR of ~9.5%/6.5% during 2018-22, respectively, per F&S. This has brought about a huge demand for cross-border logistics services in China. China's cross-border has competitive advantages in terms of policy environment, supply chain infrastructure, sources of supply, etc.

On the back of (1) favorable policies, including promoting the international warehouses construction and streamlining of the return and refund process for cross-border e-commerce transactions, (2) partnership between e-commerce platforms and overseas brands, and (3) expansion of international services, China's cross-border e-commerce retail market reached US\$443bn in 2022 (CAGR in 2018-22: 21.8%), and is expected to increase to US\$1,102bn in 2027E (CAGR in 2023E-27E: 19.5%), according to F&S.

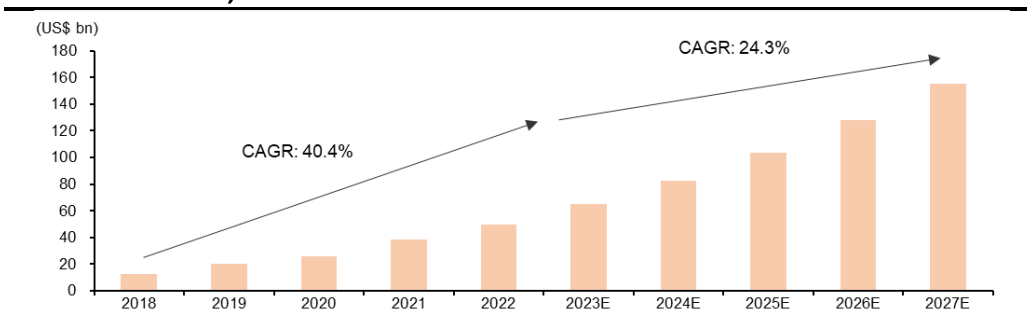
**Figure 20: Market size of cross-border e-commerce retail market in China by transaction value**



Source: Frost & Sullivan, CMBIGM

**SEA: future key driver of e-commerce retail market in SEA.** According to F&S, SEA cross-border e-commerce retail market grew from US\$12.8bn in 2018 to US\$49.7bn in 2022 (CAGR: 40.4%), driven by the fast-growing e-commerce retail market, development of international delivery service and Free Trade Area between SEA and China. With the constant investment into the cross-border market from global cross-border e-commerce retailers, such as Amazon, eBay, Alibaba and JD, SEA cross-border e-commerce retail market will reach US\$155.1bn in 2027E (CAGR in 2023E-27E: 24.3%), according to F&S.

**Figure 21: Market size of cross-border e-commerce retail market in SEA (by transaction value)**



Source: Frost & Sullivan, CMBIGM

## ■ Cross-border logistics market

There consists of four major types of business models in the cross-border logistics market: 1) cross-border freight forwarding service, 2) cross-border standard express, 3) cross-border small parcels, and 4) international warehousing solutions.

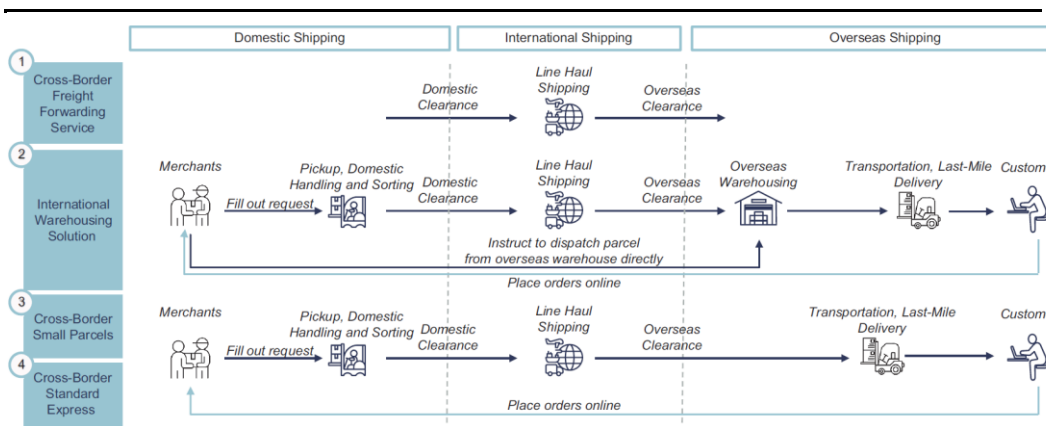
Involving multiple parties, including local express delivery service providers, customs declaration and clearance service providers, freight forwarder and warehousing service providers, the cross-border logistics market is experiencing the trend of supply chain integration. Companies with the capability to integrate are expected to outperform by streamlining services and enhancing operational efficiency and service quality.

**Figure 22: Four major business models in the cross-border logistics market**

	Business Model	Description
1	<b>Cross-border freight forwarding service</b>	<ul style="list-style-type: none"> <li>Apart from transport services, freight forwarding service also include customs declaration and custom clearance services.</li> <li>Includes air, sea and rail freight forwarding.</li> </ul>
2	<b>Cross-border standard express</b>	<ul style="list-style-type: none"> <li>A high-quality international express service provided by a single service provider to meet customers' needs for urgent items, mainly for business purposes.</li> <li>Typically more expensive and faster than small parcels service.</li> </ul>
3	<b>Cross-border small parcels</b>	<ul style="list-style-type: none"> <li>The current mainstream logistics solution for cross-border e-commerce item deliveries.</li> <li>Involves multiple service providers partnering to serve consumers and business entities.</li> <li>Typically more economical than standard express service.</li> </ul>
4	<b>International warehousing solutions</b>	<ul style="list-style-type: none"> <li>Primarily serves e-commerce businesses, especially for bulky items.</li> <li>Warehousing services include safekeeping and storage, unloading and loading, inventory, packaging and disposal services.</li> </ul>

Source: Frost & Sullivan, CMBIGM

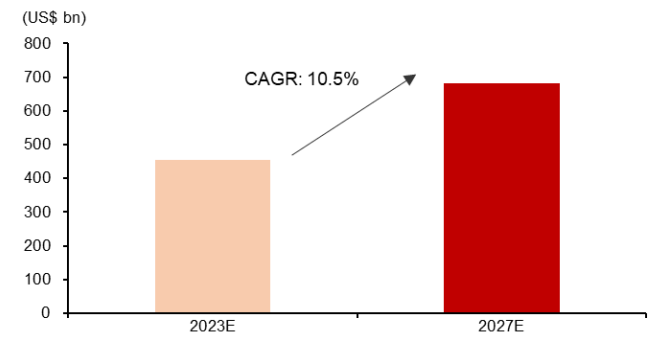
**Figure 23: Comparison of different business models in cross-border logistics market**



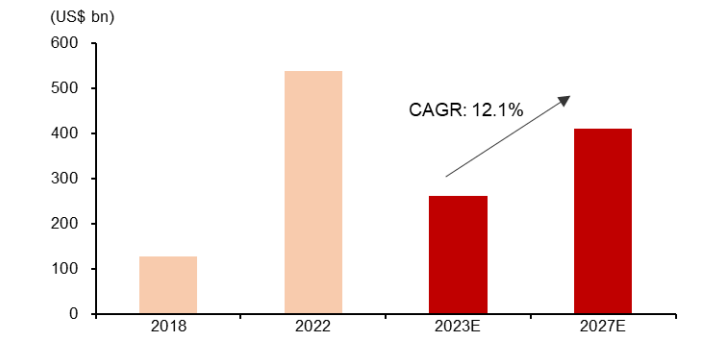
Source: Frost & Sullivan, CMBIGM

China's cross-border logistics market grew from US\$128bn in 2018 to US\$538bn in 2022. However, we consider that the freight rates have continued to fall back to normal levels from the historical high freight rates due to COVID disruption in 2022, driving the cross-border logistics market to return to normal. China's cross-border logistics market is expected to increase from US\$261bn in 2023E to US\$411bn in 2027E, representing a CAGR of 12.1%, according to F&S.

Powered by the rise of cross-border e-commerce, global cross-border logistics market is expected to increase from US\$456bn in 2023E to US\$681bn in 2027E (CAGR in 2023E-27E: 10.5%), according to F&S.

**Figure 24: Market size of global cross-border logistics market by transaction value**


Source: Frost &amp; Sullivan, CMBIGM

**Figure 25: Market size of China cross-border logistics market by transaction value**


Source: Frost &amp; Sullivan, CMBIGM

### ■ Growth drivers of cross-border logistics market

- 1) **Strong demand from cross-border e-commerce.** Benefited from growing consumer purchasing power, improving internet infrastructure and mobile penetration and the rise of e-commerce platform, cross-border e-commerce business, the major source of demand, is expected to continue to serve as the key driver of cross-border logistics.
- 2) **Favourable government policies.** A number of countries, including SEA countries, China and the New Markets, have issued a wave of favourable policies and reforms to promote the development of the cross-border logistics industry, such as the establishment of Free Trade Area between SEA and China.
- 3) **Improvement of cross-border logistics infrastructure.** To facilitate the development of cross-border logistics business, local governments of SEA countries, China and New Markets have sped up the construction of related infrastructure. For instance, Chinese government is resolved to reinforce overseas warehouses and logistics hubs to enhance the worldwide supply chain.
- 4) **Technological upgrades to enhance supply chain efficiency.** The application of advanced technologies, including AI, IoT, big data, and cloud computing, can significantly smoothen the operation of logistics systems, streamlining and enhancing the efficiency and timeliness of the complex cross-border logistics.



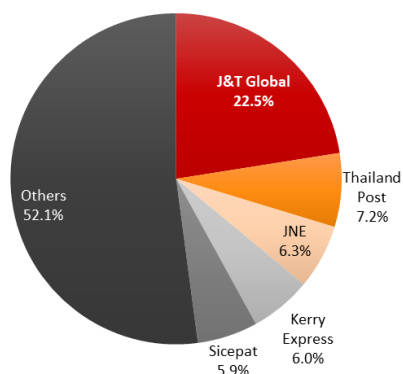
## Competitive Landscape

### SEA express delivery market

The express delivery industry in SEA is relatively fragmented, with a CR5 of 47.9% in 2022, much lower than that of China (76.6%), indicating a huge potential for consolidation. J&T Global was the **largest express delivery operator in SEA express delivery market** in terms of parcel volume in 2022, accounting for **22.5%** of the total market share (parcel volume: 2,513.2mn units), followed by **Thailand Post** (Thailand's state post), **JNE** (private company) (with a main focus on Indonesia market) and **Kerry Express (KEX TB)** (with a main focus on Thailand market).

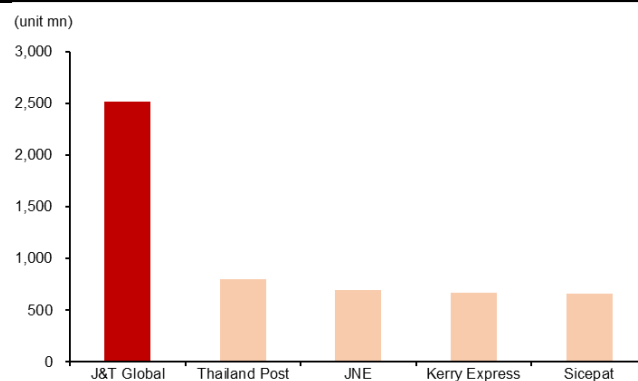
According to a customer survey conducted by F&S, J&T Global scored the highest (8.4 out of 10) among the peers with respect to speed, timeliness and service quality satisfaction, and ~93.4% of J&T Global user respondents indicated that they would continue to use the express delivery services provided by J&T Global.

**Figure 26: Market share of major players in SEA express delivery market by parcel volume in 2022**



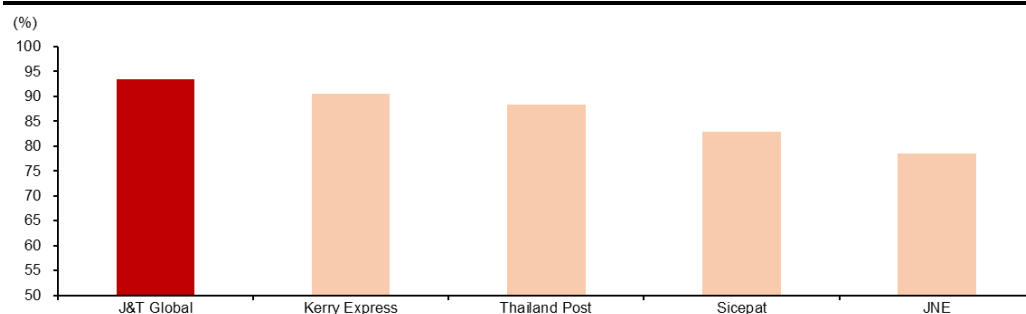
Source: Frost & Sullivan, CMBIGM

**Figure 27: Parcel volume of top 5 express delivery operators in SEA express delivery market in 2022**



Source: Frost & Sullivan, CMBIGM

**Figure 28: Percentage of willingness to continue to use the services**



Source: Frost & Sullivan, CMBIGM

Note: The consolidated results for total five countries including Indonesia, Thailand, the Philippines, Vietnam and Malaysia, according to a customer survey conducted by Frost & Sullivan.

Multiple market challenges in SEA, including the lack of network coverage, underdeveloped transportation infrastructure, difficulties in accessing remote areas and unavailability of settlement options, have led to the situation that relatively few players have the ability to provide delivery services across multiple countries. Therefore, although the competition in SEA express delivery market is expected to escalate with new entrants and e-commerce platforms building their own delivery team, we still expect the existing top players with coverage and standardized service across multiple countries to maintain their leading roles.

**Figure 29: Key challenges for the development of the express delivery sector in SEA**

	Challenges	Description
1	<b>Network coverage and difficulty of access</b>	<ul style="list-style-type: none"> <li>Certain locations in SEA, especially the remote areas, are subject to the problem of being underserved by express delivery service providers due to a lack of network coverage and underdeveloped transport infrastructure.</li> <li>For example, Indonesia has an archipelagic geography, which poses a challenge for inter-island connectivity, thus complex supply chain management is required.</li> </ul>
2	<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>Underdeveloped transport infrastructure, ambiguous location identification, and language barriers require sophisticated address digitalization system to improve the accuracy and timeliness of deliveries.</li> </ul>
3	<b>Settlement</b>	<ul style="list-style-type: none"> <li>Settlement options vary among different SEA countries' e-commerce retail market.</li> <li>For example, many transactions are still settled in cash in the Philippines, which creates challenges for online transactions.</li> </ul>
4	<b>Data integration</b>	<ul style="list-style-type: none"> <li>Real-time data is required for inventory and warehouse management, as well as shipment tracking throughout the delivery process. However, many traditional delivery service providers in SEA lack digitalized tracking system.</li> </ul>

Source: Frost & Sullivan, CMBIGM

**Figure 30: Logistics Performance Index of SEA countries**

Country	Year	LPI Rank	LPI Score	Customs Rank	Customs Score	Infrastructure Score	Int'l shipment Score	Competence Score	Tracking & tracing Score	Timeliness Score
Singapore	2023	1	4.3	1	4.2	4.6	4	4.4	4.4	4.3
	2018	7	4	6	3.89	4.06	3.58	4.1	4.08	4.32
Thailand	2023	34	3.5	31	3.3	3.7	3.5	3.5	3.6	3.5
	2018	32	3.41	36	3.14	3.14	3.46	3.41	3.47	3.81
Vietnam	2023	43	3.3	43	3.1	3.2	3.3	3.2	3.4	3.3
	2018	39	3.27	41	2.95	3.01	3.16	3.4	3.45	3.67
Malaysia	2023	26	3.6	31	3.3	3.6	3.7	3.7	3.7	3.7
	2018	41	3.22	43	2.9	3.15	3.35	3.3	3.15	3.46
Indonesia	2023	61	3	59	2.8	2.9	3	2.9	3	3.3
	2018	46	3.15	62	2.67	2.89	3.23	3.1	3.3	3.67
Philippines	2023	43	3.3	59	2.8	3.2	3.1	3.3	3.3	3.9
	2018	60	2.9	85	2.53	2.73	3.29	2.78	3.06	2.98

Source: World Bank, CMBIGM

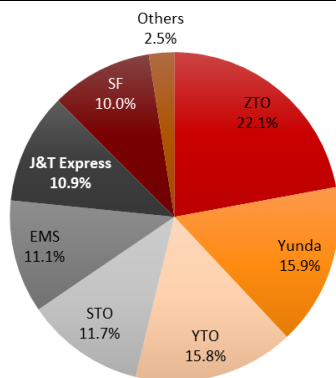
Note: LPI is an interactive benchmarking tool that based on two components: 1) a worldwide survey of international logistics operators on the ground (global freight forwarders and express carriers), providing feedback on the logistics "friendliness" of the countries with which they trade; 2) granular high frequency information on maritime shipping and container tracking, postal and air freight activities that was collected and made available to LPI by several data partners.

## China's express delivery competition

China's express delivery industry is relatively concentrated, with a CR5 of 76.6% in 2022. The top 5 companies include **ZTO (ZTO US/2057 HK, BUY)**, **Yunda (002120 CH, NR)**, **YTO (600233 CH, NR)**, **STO (002468 CH)** and **EMS** (a subsidiary of China Post, China's state post).

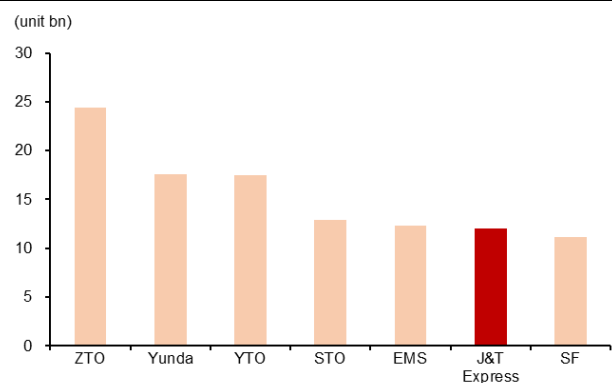
J&T Express ranked 6<sup>th</sup> in China's express delivery market in terms of parcel volume in 2022, accounting for 10.9% of the total market share (parcel volume: 12bn units). In 1H23, the market share of J&T Global in China's express delivery market was 11.5% by parcel volume.

**Figure 31: Market share of major players in China express delivery market by parcel volume in 2022**



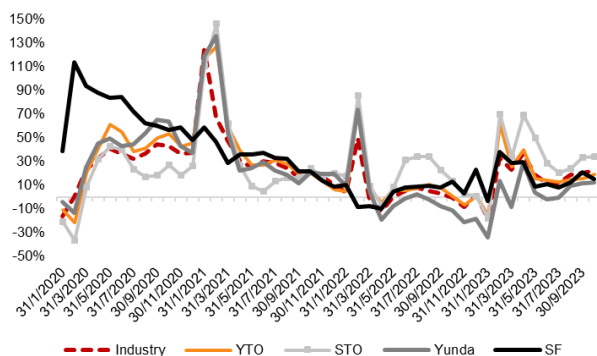
Source: Frost & Sullivan, CMBIGM

**Figure 32: Parcel volume of top 7 express delivery operators in China express delivery market in 2022**



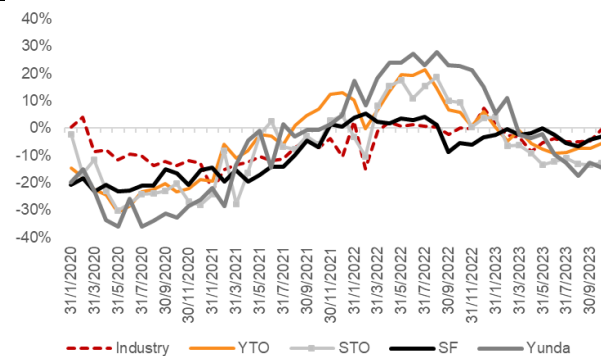
Source: Frost & Sullivan, CMBIGM

**Figure 33: Parcel volume growth of major Chinese express delivery operators and industry average**



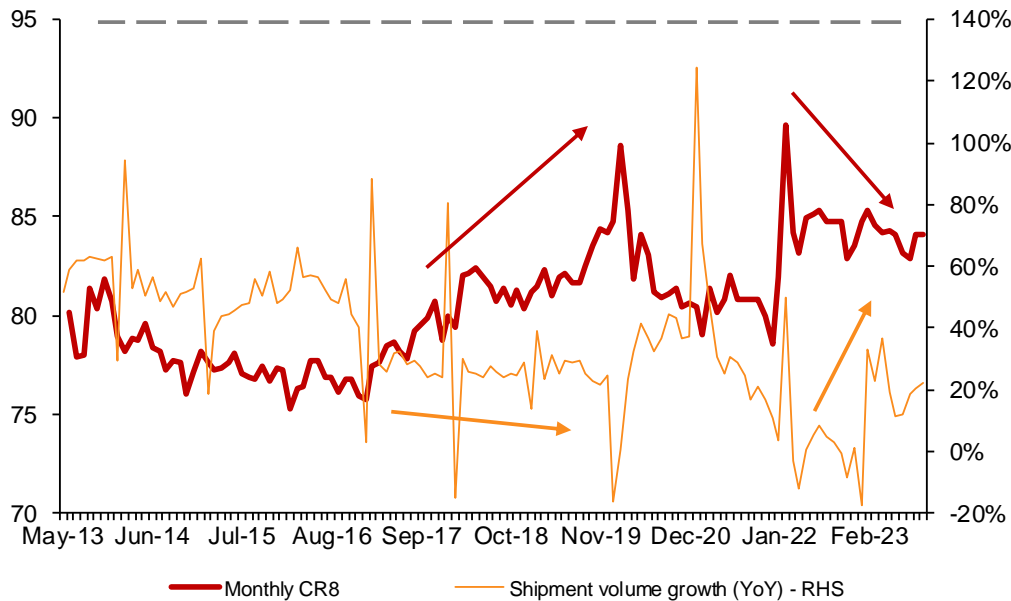
Source: State Post Bureau of the PRC, CMBIGM

**Figure 34: ASP growth trend of major Chinese express delivery operators and industry average**



Source: State Post Bureau of the PRC, CMBIGM

**Figure 35: Negative correlation (-54% in last 10 years) between CR8 and parcel shipment growth in China**



Source: State Post Bureau of the PRC, Wind, CMBIGM

**Figure 36: Profitability comparison of major players in China express delivery market**

	Industry	J&T	ZTO	YTO	STO	Yunda	SF
<b>Parcel shipment volume (mn units)</b>							
2021	108,299	8,334	22,289	16,542	11,079	18,402	10,499
2022	110,585	12,026	24,389	17,479	12,948	17,609	11,073
Change (YoY)	2.1%	44.3%	9.4%	5.7%	16.9%	-4.3%	5.5%
1H22	51,216	5,602	11,429	8,085	5,681	8,541	5,099
1H23	59,524	6,446	13,974	9,776	7,721	8,402	5,837
Change (YoY)	16%	15%	22%	21%	36%	-2%	14%
<b>ASP (RMB/unit)</b>							
2021	9.54	1.68	1.30	2.27	2.22	2.15	15.67
2022	9.56	2.30	1.40	2.59	2.52	2.60	15.73
Change (YoY)	0.2%	37.1%	8.1%	14.2%	13.5%	20.8%	0.4%
1H22	9.73	2.28	1.39	2.58	2.56	2.53	15.92
1H23	9.31	2.41	1.31	2.44	2.35	2.50	15.76
Change (YoY)	-4%	6%	-6%	-5%	-8%	-1%	-1%
<b>Unit gross profit (RMB/unit)</b>							
2021	-	(0.94)	0.29	0.13	0.05	0.19	2.37
2022	-	(0.38)	0.37	0.27	0.11	0.26	2.94
Change (YoY)	-	n/a	28.3%	107.0%	129.0%	40.8%	23.9%
1H22	-	(0.33)	0.33	0.27	0.12	0.20	3.14
1H23	-	(0.00)	0.42	0.25	0.10	0.28	2.79
Change (YoY)	-	n/a	25.7%	-5.7%	-13.5%	40.9%	-11.1%
<b>Market share</b>							
2021	-	7.7%	20.6%	15.3%	10.2%	17.0%	9.7%
2022	-	10.9%	22.1%	15.8%	11.7%	15.9%	10.0%
Change in ppt (YoY)	-	3.18	1.47	0.53	1.48	-1.07	0.32
1H22	-	n/a	22.3%	15.8%	11.1%	16.7%	10.0%
1H23	-	11.5%	23.5%	16.4%	13.0%	14.1%	9.8%
Change in ppt (YoY)	-	n/a	1.16	0.64	1.88	-2.56	-0.15

Source: State Post Bureau of the PRC, Frost & Sullivan, company data, CMBIGM

Note: 1) Revenue of J&T is converted into RMB based on the average exchange rate of 1USD = 6.453CNY for 2021, 1USD = 6.763CNY for 2022, 1USD=6.52CNY for 1H22 and 1USD=7.1CNY for 1H23. 2) J&T's data refers to China's regional data. 3) SF's express delivery revenue includes the revenue generated from intra-city instant express, express delivery, freight service, cold chain and pharmaceutical service.

Figure 37: Unit cost breakdown of Chinese express delivery operators

	ZTO					YTO					STO				
	2021	2022	YoY	1H23	YoY	2021	2022	YoY	1H23	YoY	2021	2022	YoY	1H23	YoY
Unit cost breakdown (RMB)															
Line-haul transportation cost	0.52	0.51	-1%	0.46	-13%	0.50	0.51	2%	0.47	-9%	0.43	0.47	10%	-	-
Sorting hub cost	0.30	0.32	6%	0.28	-14%	0.30	0.31	3%	0.30	-6%	0.15	0.10	-37%	-	-
Dispatch	-	-	-	-	-	1.16	1.33	15%	1.29	-1%	1.26	1.50	19%	-	-
Value-added services	-	-	-	-	-	0.00	0.01	n/a	0.01	21%	-	-	-	-	-
Waybill	-	-	-	-	-	0.02	0.02	-12%	0.02	-3%	0.02	0.02	-10%	-	-
Others	0.19	0.20	5%	0.15	-25%	0.17	0.17	4%	0.11	-35%	0.31	0.33	4%	-	-
Total unit cost	1.01	1.03	2%	0.89	-16%	2.13	2.32	9%	2.19	-6%	2.17	2.41	11%	2.25	-8%
	Yunda					J&T									
	2021	2022	YoY	1H23	YoY	2021	2022	YoY	1H23	YoY					
Unit cost breakdown (RMB)															
Line-haul transportation cost	0.51	0.61	21%	-	-	0.52	0.61	18%	0.57	-13%					
Sorting hub cost	0.31	0.37	20%	-	-	0.39	0.54	40%	0.43	-27%					
Dispatch	1.14	1.34	18%	-	-	1.36	1.35	0%	1.42	4%					
Value-added services	-	-	-	-	-	-	-	-	-	-					
Waybill	0.01	0.02	6%	-	-	-	-	-	-	-					
Others	-	-	-	-	-	0.32	0.20	-37%	0.07	9%					
Total unit cost	1.97	2.34	19%	2.21	-5%	2.65	2.71	2%	2.41	-7%					

Source: State Post Bureau of the PRC, Frost &amp; Sullivan, company data, CMBIGM

Note: 1) Revenue of J&T is converted into RMB based on the average exchange rate of 1USD = 6.453CNY for 2021, 1USD = 6.763CNY for 2022, 1USD=6.52CNY for 1H22 and 1USD=7.1CNY for 1H23. 2) J&T's data refer to the regional data of China. 3) STO's sorting hub cost only includes part of the costs, while other related costs such as staff and depreciation are included in the "Others" part.

**Figure 38: Overview of major market players in China express delivery market**

	J&T	ZTO	YTO	STO	Yunda	SF
Ticker		ZTO US / 2057 HK	600233 CH	002468 CH	002120 CH	002352 CH
Business model	Private	Network Partner	Network Partner	Network Partner	Network Partner	Direct Operation
Market share in 1H23 (in terms of parcel)	11.5%	23.5%	16.4%	13.0%	14.1%	9.8%
Alibaba's stakeholding	n/a	8.7%	22.5%	25.0%	2.0%	n/a
Value proposition	Mid/Low-end market	Mid/Low-end market	Mid/Low-end market	Mid/Low-end market	Mid/Low-end market	High/Mid-end market
Target market	Ecommerce	Ecommerce	Ecommerce	Ecommerce	Ecommerce	Enterprises/Ecommerce
Revenue recognition	Line-haul transportation	Line-haul transportation	Line-haul transportation	Line-haul transportation	Line-haul transportation	Entire process
	Parcel sorting	Parcel sorting	Parcel sorting	Parcel sorting	Parcel sorting	
	Parcel delivery		Parcel delivery	Parcel delivery	Parcel delivery	
<b>Key financials (1H23)</b>						
Total revenue (RMB mn)	15,642	18,724	27,000	19,086	21,574	124,366
Growth (YoY)	54.7%	13.1%	7.7%	27.6%	-5.6%	-4.4%
Express delivery revenue (RMB mn)	15,642	17,387	24,386	18,174	20,609	91,998
Growth (YoY)	54.7%	14.8%	12.4%	24.9%	-4.7%	13.4%
Gross margin	-0.80%	31.1%	11.0%	5.3%	9.9%	13.5%
Net profit (RMB mn)	-	4,212	1,896	215	874	3,894
Growth (YoY)	n/a	55.3%	4.6%	18.8%	60.5%	18.1%
<b>Key operational data (as at Jun 30, 2023)</b>						
Fixed assets (RMB mn)	7,826	30,871	14,750	7,977	13,779	49,780
District & county coverage in China	99.0%	99.0%	99.7%	99.5%	98.6%	99.7%
Number of outlets	7,820	31,000	93,000	51,600	33,301*	35,000
Direct network partners	5,900	6,000	5,128	4,950	4,224*	n/a
Couriers ('000)	n/a	n/a	n/a	124.53*	169.3*	350.0
<b>Sorting</b>						
No. of sorting hubs	83	96	70	70	75	270
No. of self-owned sorting hubs	n/a	87	70	70	75	270
% of self-owned hubs	n/a	91%	100%	100%	100%	100%
No. of automated equipment	n/a	460	200	199	110	131
<b>Transportation</b>						
No. of vehicles	5,000+	10,000	6,400	n/a	n/a	82,000
Self-owned vehicle	3,100	10,000	5,301	4,898	n/a	n/a
% of self-owned vehicles	~60%	100.0%	82.8%	n/a	n/a	n/a
No. of routes	2,600	3,800	8,279	n/a	n/a	150,000
No. of aircrafts	0	0	12	0	0	99

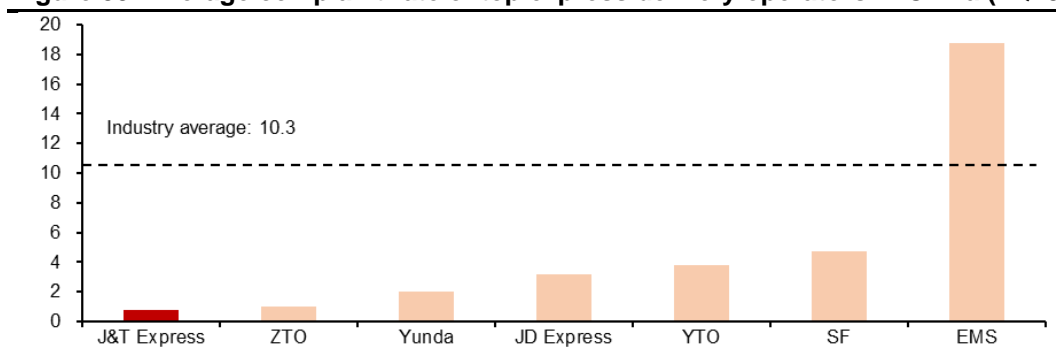
Source: State Post Bureau of the PRC, Frost & Sullivan, company data, CMBIGM

Note: 1) J&T's financial data includes all regions and its gross margin refers to the blended gross margin while J&T's operating data refers to the regional data of China. 2) Revenue of J&T is converted into RMB based on the average exchange rate of 1USD=6.52CNY for 1H22 and 1USD=7.1CNY for 1H23. 3) SF's express delivery revenue includes the revenue generated from intra-city instant express, express delivery, freight service, cold chain and pharmaceutical service. 4) Data with \* refers to data of 2022.

In China, there are three metrics that can evaluate the service quality of the express delivery operators, namely complaint rate, complaint handling composite index and 72 hours on-time rate, released by the State Post Bureau of the PRC.

- 1) *Average complaint rate*: J&T Express ranked 1<sup>st</sup> among major players in China in 1Q23, considerably better than the industry average level (J&T Express: 0.8 vs. industry average: 10.3).
- 2) *Complaint handling composite index*: J&T Express also ranked 1<sup>st</sup> among major players in China in 1Q23 (J&T Express: 99.95 vs. industry average: 96.45).
- 3) *72 hours on-time rate*: J&T Express ranked 3<sup>rd</sup> among major players (1<sup>st</sup>: SF, 2<sup>nd</sup>: ZTO) in 1Q23, while the industry average level is 75.39%.

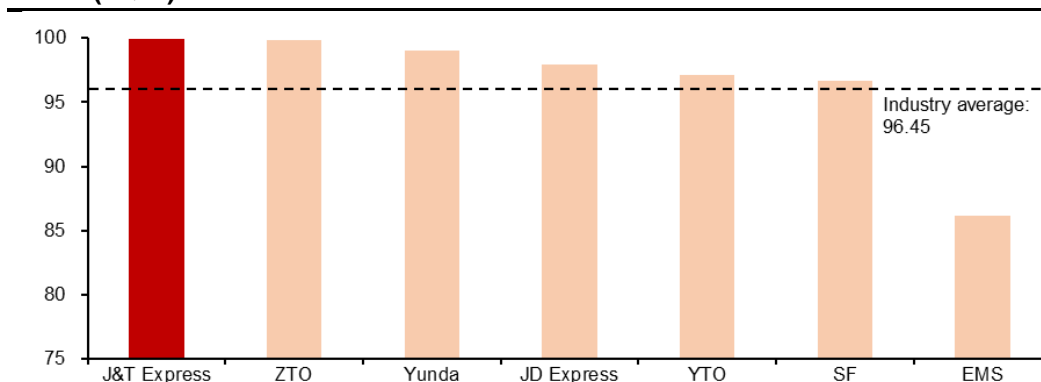
**Figure 39: Average complaint rate of top express delivery operators in China (1Q23)**



Source: State Post Bureau of the PRC, Frost & Sullivan, CMBIGM

Note: Complaint rate refers to the units of parcels for which the State Post Bureau of the PRC receives complaints from customers related to specific express delivery operators per million units of parcels that they have delivered.

**Figure 40: Complaint handling composite index of top express delivery operators in China (1Q23)**



Source: State Post Bureau of the PRC, Frost & Sullivan, CMBIGM

Note: The parameters of the index include one-time settlement rate, overdue rate, non-standard response rate of enterprise, false response rate of enterprise and job satisfaction rate.



## Express delivery industries in New Markets

The express delivery industry in New Markets is relatively fragmented. The market competition remains separated among local players and cross-regional players, such as **FedEx (FDX US, NR)**, **UPS (UPS US, NR)**, **DHL (DHL GR, NR)** and **Aramex Express (ARMX UH, NR)**. Leading local players include 1) Braspress, TNT Express and RTE Rodonaves in Brazil, 2) Estafeta Express in Mexico, 3) Egypt Express in Egypt, 4) Emirates post in UAE and 5) Saudi Post in Saudi Arabia.

As the market competition in New Markets is relatively less intensive, the revenue per parcel (US\$1.6) is relatively high as compared to the ones of SEA (US\$0.87) and China (US\$0.34), as of 1H23.

## Key Entry Barriers

Key barriers	Descriptions
<b>SEA Express Delivery Market</b>	
<b>Network coverage</b>	<ul style="list-style-type: none"> <li>Geographic barriers and underdeveloped infrastructure, especially remote areas</li> <li>Developing such a network is both capital- and time-intensive</li> </ul>
<b>Customized operations</b>	<ul style="list-style-type: none"> <li>Diversity in levels of economic development → requires customized operating modes, which reduces economies of scale</li> <li>Examples: the Philippines, Vietnam and Cambodia are still cash-first markets which require additional services such as COD</li> </ul>
<b>Capital-intensive</b>	<ul style="list-style-type: none"> <li>New entrants require substantial capital to establish a sufficient network and secure enough contracted volume, not to mention that most of the markets in the region have undeveloped transport infrastructure and lack proper location identification systems.</li> </ul>
<b>Licensing &amp; regulatory</b>	<ul style="list-style-type: none"> <li>Several markets in SEA are subject to unique licensing requirements to operate express delivery services → A separate permit to operate adds complexity to entering into and scaling in this market</li> <li>Certain operators in the region are state-owned, creating conflicts of interest.</li> </ul>
<b>China Express Delivery Market</b>	
<b>Capital-intensive</b>	<ul style="list-style-type: none"> <li>Huge capital expenditures at early stages of market entry and continual investment as to achieve economies of scale</li> <li>Examples: fixed assets such as sorting centers and transportation vehicles</li> </ul>
<b>Network &amp; infrastructure</b>	<ul style="list-style-type: none"> <li>New entrants are unable to compete in terms of network coverage with more established enterprises, who have nationwide logistics networks and continually upgrade their infrastructure, in the short term</li> </ul>
<b>Economies of scale</b>	<ul style="list-style-type: none"> <li>Economies of scale is the key to profitability in the express delivery industry, helping unit cost reduction.</li> <li>Most leading express delivery operators are ahead the industry in line-haul transportation and transit costs, the key factor in cost reduction</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>Innovative technology is key to cater to the thriving customer needs</li> <li>Intelligent automation can improve the parcel sorting efficiency and customer service quality, reducing the labor and operation costs</li> </ul>
<b>Express delivery industries in New Markets</b>	
<b>Customer</b>	<ul style="list-style-type: none"> <li>Large-scale express delivery operators such as DHL and FedEx have established solid partnerships with leading e-commerce platforms in the New Markets, with relatively mature logistics centers, distribution networks and other infrastructure</li> </ul>
<b>Capital-intensive</b>	<ul style="list-style-type: none"> <li>Leading express enterprises have nationwide logistics networks and continually upgrade their infrastructure to maintain competitiveness, while they can continue to invest in New Markets at limited profit margin</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>Leading operators have adopted big data, AI and new infrastructure, such as 5G and IoT, to provide customized services, improve efficiency and reduce costs</li> <li>Data accumulation requires years of experience in the industry</li> </ul>
<b>Network &amp; infrastructure</b>	<ul style="list-style-type: none"> <li>Underdeveloped infrastructure and relatively scattered market condition in the New Markets, especially the rural areas</li> <li>Developing such a network is both capital- and time-intensive</li> </ul>
<b>Cross-border logistics market</b>	
<b>Supply chain coordination</b>	<ul style="list-style-type: none"> <li>Supply chain consists of various components, including parcel pickup, transportation, customs clearance, warehousing, and last-mile delivery, each of which requires specific expertise, knowledge, and licenses</li> <li>Complex coordination among these parties requires the capabilities to establish and maintain business relationships with partners, as well as the supply chain management</li> </ul>
<b>Technology capability</b>	<ul style="list-style-type: none"> <li>Advanced logistics information systems and integrated technology platforms is crucial for navigating the complex procedures and enhancing customer stickiness</li> </ul>
<b>Infrastructure and facilities</b>	<ul style="list-style-type: none"> <li>Capital-intensive: huge investment in network, facilities, and personnel.</li> <li>Self-built and self-owned logistics facilities can help better connectivity between business partners and smoother logistics processes</li> </ul>
<b>Qualification</b>	<ul style="list-style-type: none"> <li>Requires specific qualifications and relevant licenses from government authorities</li> <li>Some processes require the service provider to be a registered postal enterprise or an express operator recognized by customs for declaration</li> </ul>

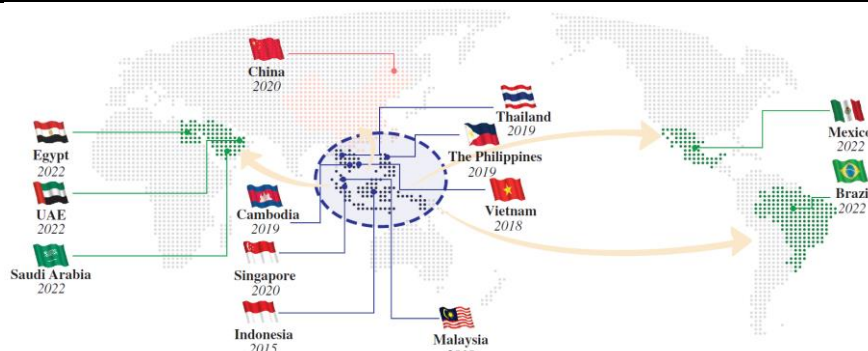
## Business Overview

Established in 2015 in Indonesia, J&T Global is a global logistics services provider, with a solid, leading position in SEA, and a competitive role in China. Leveraging its highly scalable regional partner model, J&T Global's express delivery business spans over 13 countries and regions, with the full network coverage of seven SEA countries (Indonesia, Vietnam, Malaysia, the Philippines, Thailand, Cambodia and Singapore) and a geographic coverage of over 99% in China. The Company has also tapped globally into Saudi Arabia, UAE, Mexico, Brazil and Egypt ("New Markets") in 2022. The Company achieved a geographic coverage of over 90% in the New Markets, as of 30 Jun 2023.

As of 30 Jun 2023, J&T Global's network consisted of 104 regional sponsors and ~8,700 network partners, coupled with 265 sorting centers and over 8,400 line-haul vehicles (self-owned/line-haul routes: 4,400/3,900), as well as over 18.6k pickup and delivery outlets.

J&T Global provides a suite of express delivery services to leading e-commerce platforms, including merchants and consumers on the platforms, such as Shopee, Lazada, Tokopedia, Pinduoduo, Taobao, Tmall, Shein and Noon, as well as short video and live streaming platforms, such as TikTok, Douyin and Kuaishou, enabling them to tap into New Markets. Moreover, to capture the rapid growth in cross-border logistics industry, J&T Global has also expanded its business to cross-border logistics services, covering small parcels, freight forwarding and warehousing solutions services across Asia, North America, South America, Europe, Africa and Oceania.

**Figure 41: Global footprint and business milestones of J&T Global**



Source: Company data, CMBIGM

Note: Labelled according to year of entry into each market.

**Figure 42: Business partners of J&T Global**



Source: Company data, CMBIGM

## J&T Global's regional sponsor model

Express delivery operator can be primarily categorized into three major business models, including (1) direct operation model, (2) network partner model, and (3) regional sponsor model.

**Figure 43: Three major business models of express delivery operator**

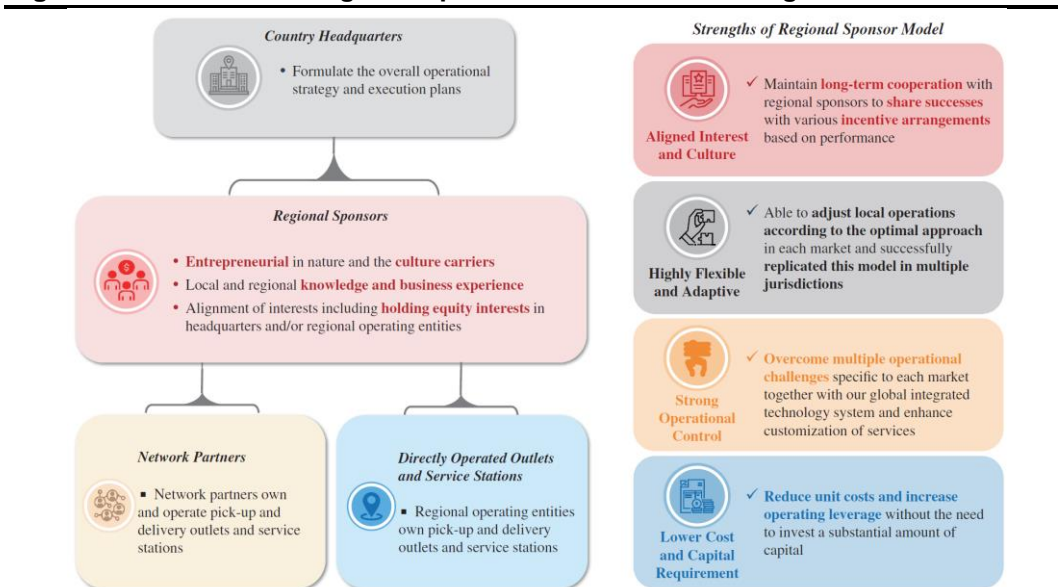
Business Model	Description
<b>Direct operation model</b>	<ul style="list-style-type: none"> <li>The express delivery operator controls the entire process of parcel pickup, transportation and delivery, and builds its own sorting centers, pickup and delivery outlets and delivery teams.</li> <li>Operators take on all revenues and costs during the process.</li> <li>Advantage: allows for direct operational control and a higher price.</li> <li>Disadvantage: capital intensive which may slow the operational growths.</li> </ul>
<b>Network partner model</b>	<ul style="list-style-type: none"> <li>The express delivery operator is only responsible for the sorting and line haul transportation process.</li> <li>Network partners are responsible for first- and last-mile pickup and delivery.</li> <li>Operators collect waybill fees from network partners and take on all costs in sorting and transportation.</li> <li>Disadvantage: higher demand on management, difficulties in service quality control</li> </ul>
<b>Regional sponsor model</b>	<ul style="list-style-type: none"> <li>The express delivery operator partners with regional sponsors that assist country headquarters in operating local delivery networks in designated geographies.</li> <li>Country headquarters and the regional sponsors control the critical parts of the network, including sorting and line-haul.</li> <li>Regional sponsors or network partners control the local pickup and delivery outlets and service stations.</li> <li>Advantage: aligned interest and culture, high flexibility and adaption, strong operational control, low cost and capital requirement</li> </ul>

Source: Frost & Sullivan, CMBIGM

**J&T Global adopts the regional sponsor model in each of its countries of operations, except for Cambodia and Singapore** (under direct operation without regional sponsors due to their relatively small geographical coverage). According to F&S, the Company is the only player in SEA and China that has successfully operated such model at scale.

Under the regional sponsor model, J&T Global's country headquarters, as well as the regional sponsors through its regional operating entities, operates the critical facilities, which include sorting centers and line-haul. Local pickup and delivery outlets are primarily managed either by network partners or regional sponsors via regional operating entities. Service stations, e.g., small retail stores, are operated by third-party small enterprises or individuals.

**Figure 44: J&T Global's regional sponsor model and its strengths**



Source: Company data, CMBIGM

**Figure 45: Roles of different parties under the regional partner model**

Parties	Role(s)	Description(s)
Country Headquarters	Network planning	<ul style="list-style-type: none"> <li>Plan for geographic locations of sorting centers, line-haul routes and optimal network capacity</li> <li>Monitor and adjust network density based on network performance and historical trends of parcel volumes</li> </ul>
	Network setup	<ul style="list-style-type: none"> <li>Procure line-haul vehicles, establish and construct major sorting centers</li> </ul>
	Pricing guidelines	<ul style="list-style-type: none"> <li>Set pricing guidelines based on market demand, seasonality, operational costs, etc.</li> </ul>
	Technology infrastructure	<ul style="list-style-type: none"> <li>Operate, maintain and upgrade the technology system for daily operations</li> </ul>
	Partnership & customer relations	<ul style="list-style-type: none"> <li>Develop and maintain customer relationship and strategic partnerships</li> <li>Commercial terms with key stakeholders and provide customer care</li> </ul>
	KPI and supervision	<ul style="list-style-type: none"> <li>Supervise and provide guidance to regional sponsors in key operations</li> <li>Set KPIs to regional sponsors and provide them with feedback for management enhancement</li> <li>KPIs include but not limited to indicators such as on-time delivery rate, on-time transit rate, on-time package signoff rate, lost parcel rate, damaged parcel rate and complaint rate, based on local market conditions, historical performance and other factors</li> </ul>
Regional sponsors	Sorting centers and logistics network setup and management	<ul style="list-style-type: none"> <li>Execute regional strategies by assisting in the setup and management of sorting centers, line-hauls and personnel</li> </ul>
	Sales & Marketing	<ul style="list-style-type: none"> <li>Regional sales and marketing activities</li> <li>Provide guidance and training in sales and marketing to network partners</li> </ul>
	Outlet setup	<ul style="list-style-type: none"> <li>Setting up local delivery outlet, including leasing space and hiring staff</li> <li>In applicable regions, regional sponsors designate areas of operations for network partners</li> </ul>
	Customer services	<ul style="list-style-type: none"> <li>Manage regional customer service</li> <li>Provide systematic trainings to network partners and other staff</li> </ul>
	KPI and execution	<ul style="list-style-type: none"> <li>In applicable regions, regional sponsors set KPIs for network partners and supervise their performance and execute rewards and penalties</li> </ul>
Network Partners	First-mile pickup/ Last-mile delivery	<ul style="list-style-type: none"> <li>Perform first-mile pickup and/or last-mile delivery</li> <li>Authorized to carry out business under the "J&amp;T" brand within the region</li> <li>The network partner who signed cooperation agreements as J&amp;T's customer, as the regional operating entities provide sorting and line-haul services</li> <li>Such network partners also act as J&amp;T's suppliers when they fulfill last-mile deliveries</li> <li>Cooperation agreements vary by jurisdiction to comply with the laws, regulations and market practices.</li> </ul>

Source: Company data, CMBIGM

**Figure 46: J&T adopts different models of operations among countries**

Countries with regional sponsors	2020	2021	2022
- Without unconsolidated regional operating entities	Vietnam, Malaysia, the Philippines, China	Indonesia, Vietnam, Malaysia, the Philippines, Thailand, China	Indonesia, Vietnam, Malaysia, the Philippines, Thailand, China, Saudi Arabia, UAE, Brazil, Egypt
- With unconsolidated regional operating entities	Indonesia, Thailand	N/A	Mexico
Countries without regional sponsors	Singapore, Cambodia	Singapore, Cambodia	Singapore, Cambodia

Source: Company data, CMBIGM

Note: 1) During the ramp-up period when entering into New Markets, the regional operating entities are generally the unconsolidated regional operating entities, operating exclusively under "J&T" brand. 2) J&T Global seeks to acquire from regional sponsors' interests in these regional operating entities in exchange for interest in the Company, once they think such entities have achieved certain level of business stability. 3) As Singapore and Cambodia are relatively small in terms of geography, J&T Global operates in these regions without involving any regional sponsors.

**Figure 47: Equity ownership structure of regional sponsor model across regions**

Country	Equity ownership structure
Indonesia, Thailand	<ul style="list-style-type: none"> <li>J&amp;T Global holds 100% equity interest in the country headquarters and majority interests in regional operating entities, while regional sponsors hold minority equity interests in regional operating entities.</li> </ul>
Malaysia, Vietnam	<ul style="list-style-type: none"> <li>Regional sponsors held minority interests in the country headquarters at the early stage of operations. J&amp;T Global subsequently acquired such minority interests and currently hold 100% equity interests in the country headquarters.</li> </ul>
Mexico	<ul style="list-style-type: none"> <li>J&amp;T Global collaborates with an unconsolidated regional operating entity, in which J&amp;T Global does not hold any equity interest.</li> </ul>
China	<ul style="list-style-type: none"> <li>Regional sponsors hold minority equity interests in their respective operating entities, while J&amp;T Global holds controlling stake in these entities.</li> </ul>
The Philippines	<ul style="list-style-type: none"> <li>Due to requirements under Philippine laws and regulations on foreign investments in effect, none of J&amp;T Global's regional sponsors hold any equity interest in the Philippine operations.</li> </ul>
UAE, Saudi Arabia, Egypt	<ul style="list-style-type: none"> <li>None of the regional sponsors hold any equity interest in any local entities. However, regional sponsors provided financial support in the form of loan to local operations.</li> </ul>
Brazil	<ul style="list-style-type: none"> <li>J&amp;T Global holds the controlling stake in the country headquarters, while regional sponsors currently hold minority interest in such entity.</li> </ul>

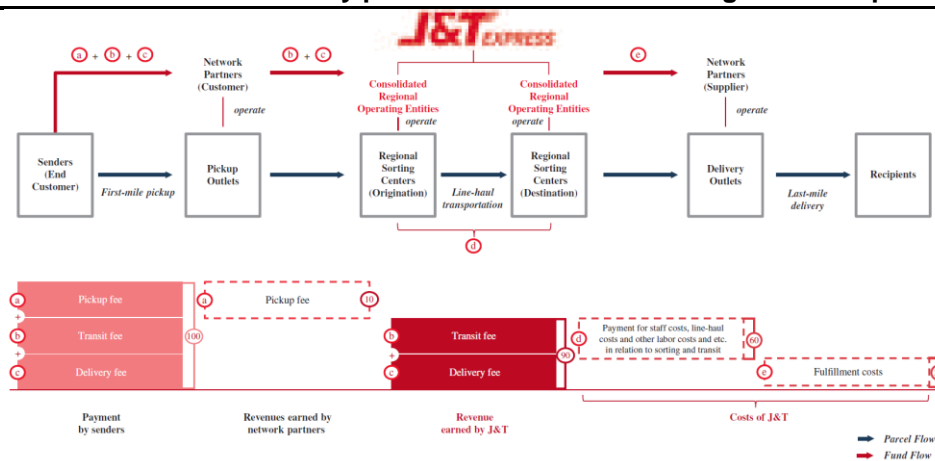
Source: Company data, CMBIGM



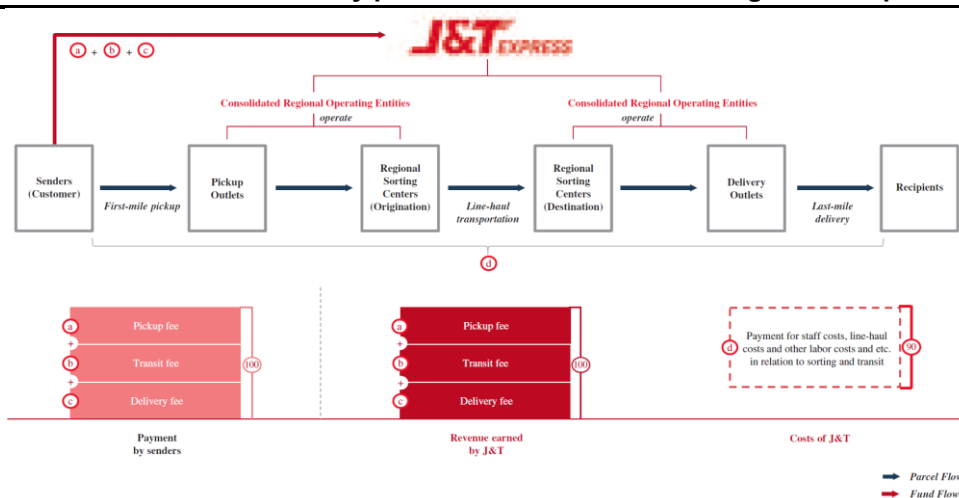
**Figure 48: Key terms of J&T Global's cooperation agreement with network partners**

Item	Term(s)
<b>Fees</b>	<ul style="list-style-type: none"> <li>Network partners to pay fees for the use of its delivery network.</li> <li>Network partners to collect pickup and/or delivery fees from J&amp;T Global for the services fulfilled through pickup and/or their delivery outlets.</li> <li>Fees are variable and based on guidelines, local market conditions and government guidance.</li> </ul>
<b>Business operations</b>	<ul style="list-style-type: none"> <li>Network partners are assigned specific geographic regions of operations, which depend on the their own capabilities and the needs of J&amp;T Global's network and business volume.</li> <li>Network partners can access to the Company's specifically-designed proprietary software, which links to their delivery personnel.</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>Network partners are free to determine the customer-facing price, based on the service fee collected by the regional operating entity, their own operating costs and the Company's guidance.</li> </ul>
<b>Term</b>	<ul style="list-style-type: none"> <li>Typically for a term of 1 or 2 year</li> <li>Each network partner may elect to negotiate with the Company for renewal</li> </ul>
<b>Deposit</b>	<ul style="list-style-type: none"> <li>Network partners are required to place deposits as a performance guarantee.</li> </ul>
<b>Termination</b>	<ul style="list-style-type: none"> <li>Terminated upon mutual agreement or by either party with prior notice after certain events (e.g. one party's failure to perform certain contractual obligations).</li> </ul>
<b>Service quality</b>	<ul style="list-style-type: none"> <li>Related terms include operation process, service standards and quality, maintenance and settlement.</li> <li>For example, the regional sponsors oversee the performance of network partners, set performance targets and provide training. J&amp;T Global to review key performance indicators through system.</li> <li>Network partners, who violate the Company's operational standards, may be suspended business and rectified by the Company.</li> <li>Penalties may be imposed for failure to adhere to the terms</li> </ul>

Source: Company data, CMBIGM

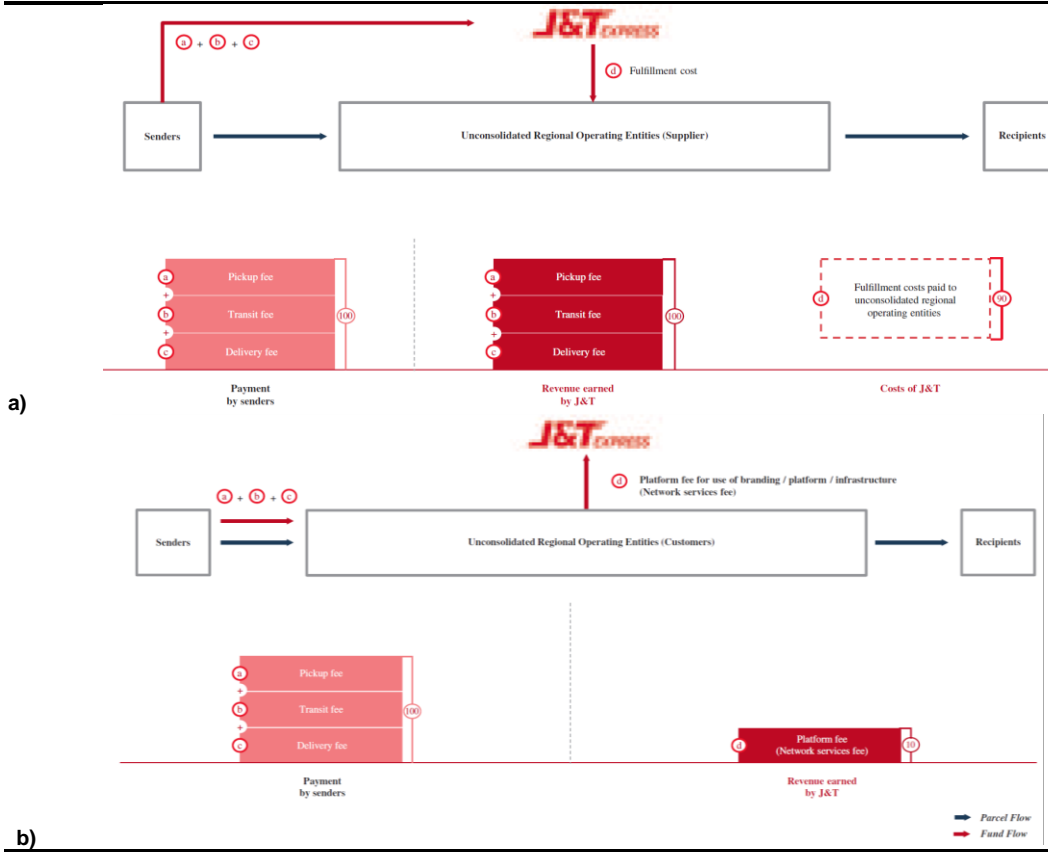
**Figure 49: J&T Global's delivery process and fund flow through network partners**

Source: Company data, CMBIGM

**Figure 50: J&T Global's delivery process and funds flow through direct operation**

Source: Company data, CMBIGM

**Figure 51: J&T Global's delivery process and funds flow through unconsolidated regional operating entities**



Source: Company data, CMBIGM



## ■ Partnership with regional sponsors

Playing key roles in the business model, regional sponsors, authorized by J&T Global, are responsible for assisting the operation of local delivery networks in their designated regions. Regional sponsors continuously invest resources into local operations, including injecting capital into regional operating entities, navigating local markets and engaging network partners that are responsible for operating their own pickup and delivery outlets and service stations. Commercial arrangements and operational structure vary across regions, based on the maturity of local markets, operational challenge, local laws and regulations.

Regional sponsors are subject to a regular-basis performance review by J&T Global with KPIs set by country headquarters. Indicators include on-time delivery rate, on-time transit rate, on-time package signoff rate, lost parcel rate, damaged parcel rate and complaint rate, based on the local market conditions and historical performance, etc. Moreover, to further incentivize and enhance their performance, regional sponsors are also subject to the discretionary rewards or bonus mechanism, which depends on the (1) maturity of the local network, (2) overall regional KPIs, (3) parcel volume and profitability of network partners, (4) contribution to the overall cost-effectiveness of the network and cooperation with other regional sponsors in terms of cost structure optimization.

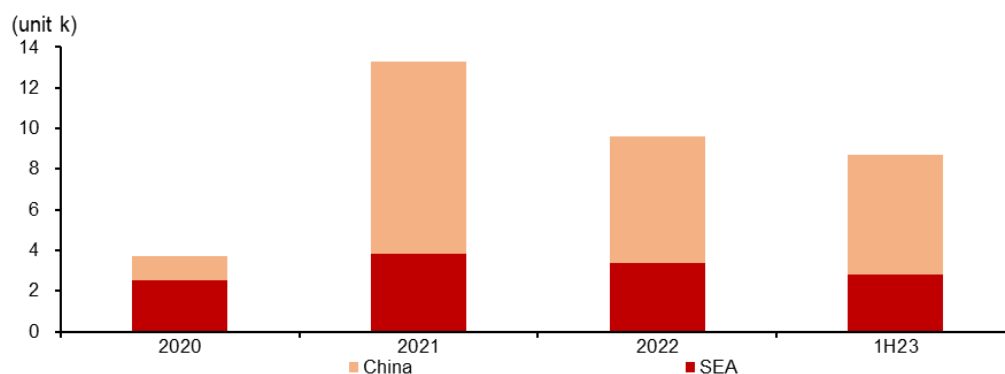
## ■ Advantages of J&T Global's regional sponsor model

- 1) **Operational efficiency.** With J&T Global's leadership and systematic support, the regional sponsors are authorized to assist in the daily operation and supervision of local delivery networks, as well as the network expansion and development of new network partners. To further achieve operational optimization, J&T Global has a review system to consistently evaluate the performance of regional sponsors and optimize the portfolio of regional sponsors, while balancing the dynamic process of the expansion.
- 2) **High flexibility and extensiveness.** Compared to the network partner model (may face difficulties in locating qualified network partners) and the direct model (relatively capital-intensive), the combined regional sponsor model enables J&T Global to embrace the regional differences as the regional sponsors can execute local operations. Regional sponsors may also establish unconsolidated regional operating entities, enabling adaption to the changing market demands during the expansion.
- 3) **Solid local operations with profound market insights.** The profound knowledge of local markets and market observations of the regional sponsors have enabled them to react promptly to the needs of network partners and end customers, in terms of complaints handling, pricing adjustments and reward mechanism for network partners, etc. In addition, J&T Global can frame strategies, scale network and design service offerings, based on first-hand feedback from the regional sponsors.
- 4) **Highly-aligned interests with regional sponsors.** With the highly-aligned interests with J&T Global, such as holdings of equity interests in operating entities and/or country headquarters, the regional partners have huge incentives to take ownership in local operations, execute the Company's strategies and enhance profitability.

Leveraging such model, J&T Global has successfully established itself as the major player in the highly competitive markets, where other leading players have been building network and amassing resources in the past decade. According to F&S, J&T Global is the youngest among all leading players in China, as well as one of the few newcomers that successfully gained a substantial share from the major players. In 2022, the Company tapped into Saudi Arabia, UAE, Mexico, Brazil and Egypt. According to the Company, J&T Global can generally launch its JMS system within 3 months to undergo localized operations in new regions, which has enabled the Company to scale efficiently and attain a geographic coverage of over 90% in the New Markets within a year, as of 30 Jun 2023.

As of 30 Jun 2023, J&T Global had 104 regional sponsors and 8,700 network partners (SEA/China: 2,800/5,900).

**Figure 52: Breakdown of J&T Global's network partners by region**



Source: Company data, CMBIGM

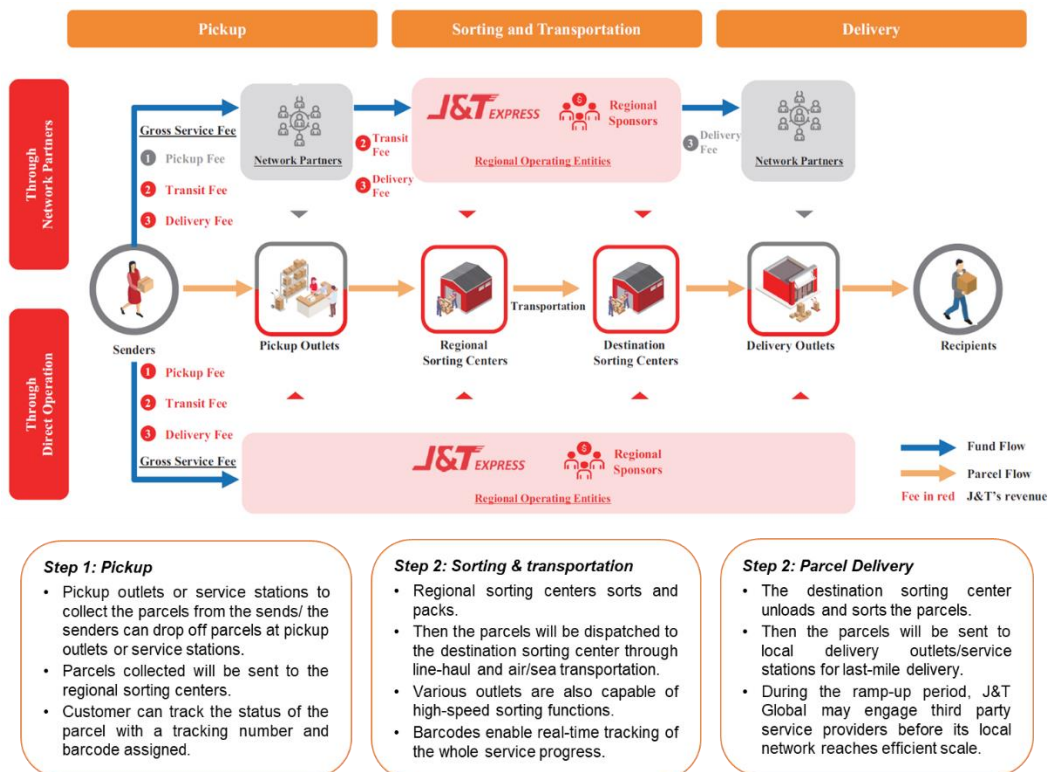
## Key Services

J&T Global primarily provides (1) express delivery services, and (2) cross-border services.

### ■ Express delivery services

J&T Global primarily offers express deliveries of parcels weighing under 20kg, with expected delivery time of 24-72 hrs. Moreover, the express delivery services are typically customized based on the local needs of each geographic region. For instance, J&T Global offers *J&T Super* in Indonesia, a priority service that emphasizes on time-sensitive parcels delivery to even the most remote islands within the country.

**Figure 53: J&T Global's process of domestic express delivery service**



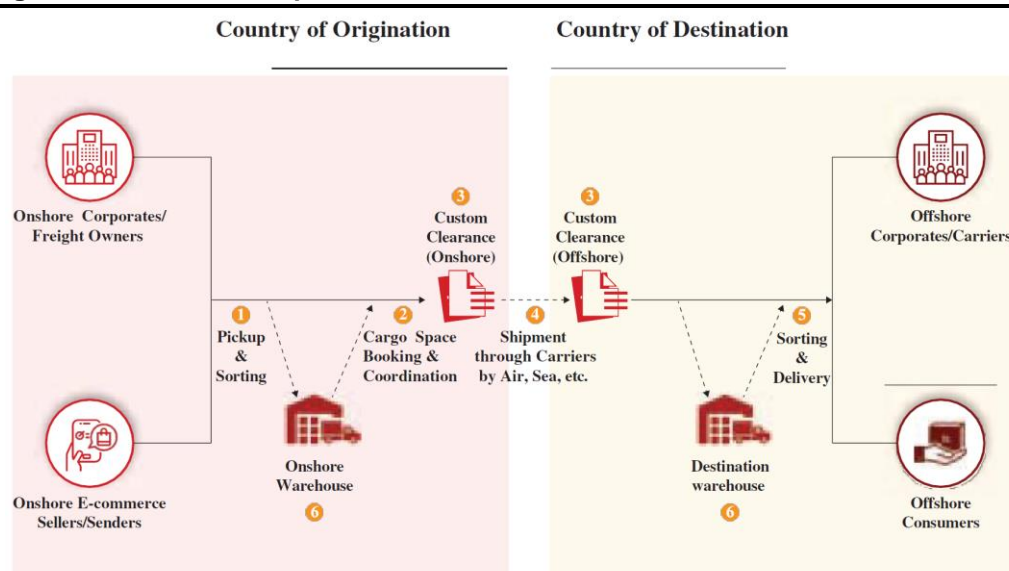
Source: Company data, CMBIGM

## ■ Cross-border services

J&T Global primarily offers cross-border services to e-commerce platforms, merchants and consumers, based on its own cross-border network, coupled with its own domestic express delivery capabilities and partnerships with commercial partners. The Company provides three types of cross-border services:

- 1) **Cross-border small parcels:** include (i) *door-to-door express service*, typically for e-commerce platforms and merchants, covering pickup and sorting, custom clearance, shipment to sorting and delivery; (ii) *transshipment service for individual customer*, covering consolidation of e-commerce parcels in warehouse, transshipment and delivery in the country of destination.
- 2) **Cross-border freight forwarding:** covering cargo space booking and coordination, custom clearance, and shipment via air or sea carriers.
- 3) **International warehousing solutions:** an integrated warehousing services typically for e-commerce platforms and merchants with self-operated warehouses.

**Figure 54: J&T Global's process of cross-border service**



Source: Company data, CMBIGM

## ■ Service Pricing

**Figure 55: J&T Global's pricing for service offerings**

Service	Pricing
<b>Express delivery</b>	<ul style="list-style-type: none"> <li>Based on parcel size and weight, shipping distance and speed of service</li> <li>Determined dynamically according to market conditions and standards for each geography, operating costs and network load.</li> <li>In regions where outlets are operated by network partners, the network partner is free to determine the price to the shippers, the end-customers, in order to effectively respond to local markets and business volume.</li> </ul>
<b>Cross-border services</b>	<ul style="list-style-type: none"> <li>Based on parcel size and weight, shipping distance and speed of service, and mode of transport.</li> <li>Determined dynamically according to market conditions and standards for each geography, operating costs and network load.</li> </ul>

Source: Company data, CMBIGM

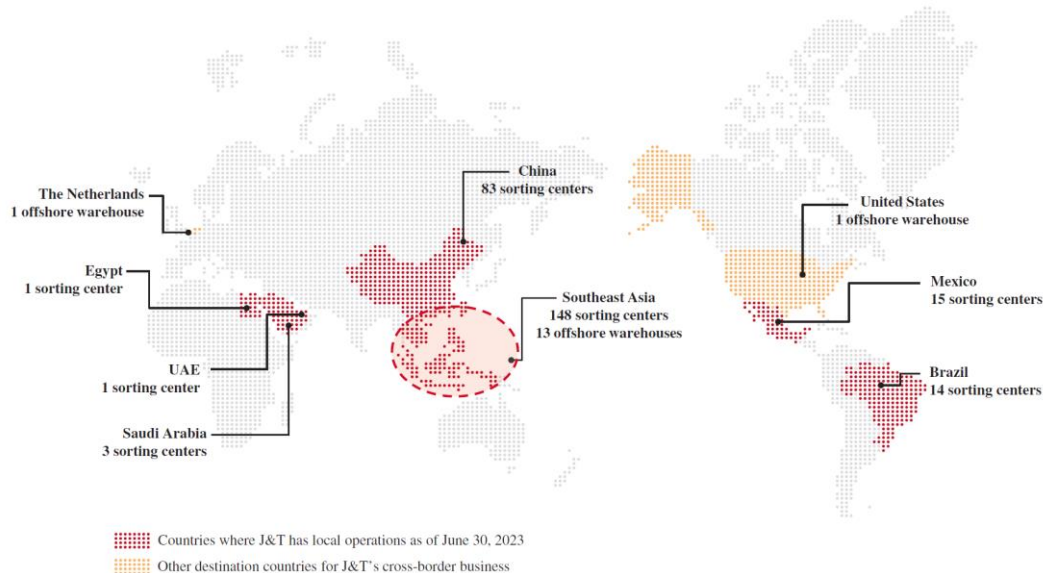
Note: 1) J&T Global provides e-commerce platform partners and corporate customers with certain volume discounts. 2) The regional operating entity collects fees from the network partner for the use of the Company's delivery network, which is based on local market conditions and standards.

## Infrastructure

### ■ Sorting centres and warehouses

Connected by line-haul transportation network, J&T Global's sorting centres collect parcels from outlets and service stations, sort and dispatch to the destination sorting centres. As of 30 Jun 2023, J&T Global's express delivery network operated 265 sorting centres.

**Figure 56: Geographic map of J&T Global's network of sorting centres and warehouses in operation**

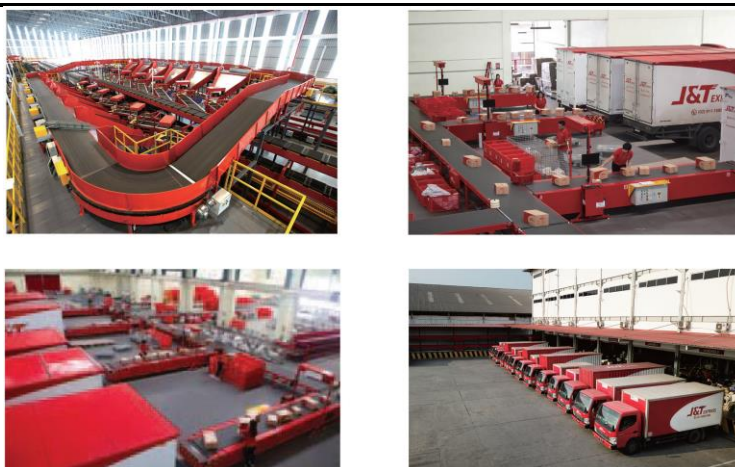


Source: Company data, CMBIGM

The automated machines, which enhance the scanning-up peak volume to ~88k parcels/hr, as well as an intelligent scanning system, are employed at certain key sorting centres. J&T Global was awarded the Indonesia Innovation award for its sorting centres in Jakarta, which helped increase the sorting capacity from ~180k parcels/day to ~460k parcels/day.

J&T Global is upgrading its existing sorting centres and constructing customized integrated logistics centres, with the combined functions of warehouses (storage) and sorting centres (parcel sorting & transportation) alongside additional functions such as include after-sales services.

**Figure 57: J&T Global's sorting centres**

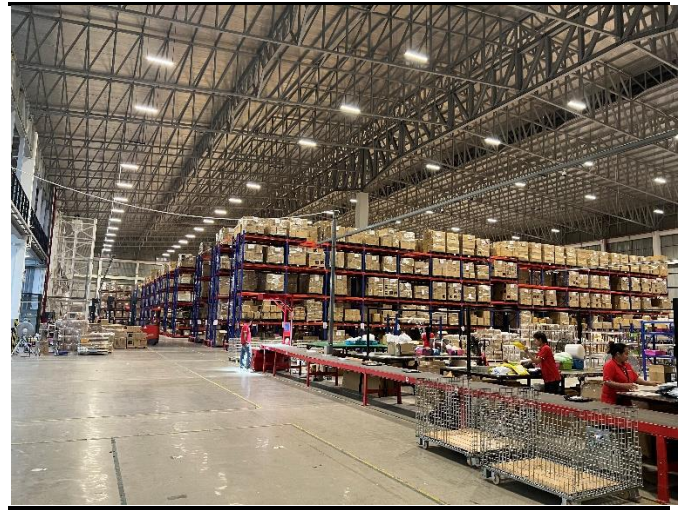


Source: Company data, CMBIGM



**Figure 58: J&T Global's warehouse in Bangkok**

Source: CMBIGM

**Figure 59: Inside the warehouse**

Source: CMBIGM

### ■ Transportation network

J&T Global has established a localized transportation network in multiple countries. As of 30 Jun 2023, the Company's sorting centres were connected by over 1,100 and over 2,600 well-organized line-haul routes in SEA and China, respectively, with both self-owned fleet and third-party transportation service providers. J&T's self-owned fleet contained over 1,270 and 3,100 self-owned line-haul vehicles in SEA and China, as of 30 Jun 2023, respectively. J&T Global manages the line-haul route planning and vehicle dispatch of the entire line-haul transportation system.

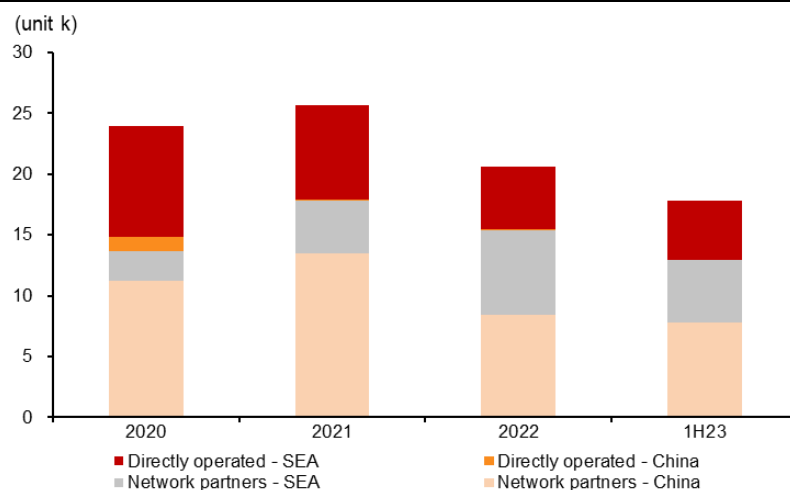
For the cross-border services and shipping services across Indonesia and the Philippines, J&T Global contracts for air and sea shipping while maintaining access to third-party operators.

### ■ Pickup and delivery outlets and service stations

For pickup and delivery outlets, as of 30 Jun 2023, J&T Global had over 18,600 pickup and delivery outlets, of which over 12,900 were run by its network partners (SEA / China: 5,100 / 7,800) and over 5,600 were run by its regional operating entities (SEA / China: 4,900 / 20). Given its limited operating history in the New Markets, J&T Global had ~800 outlets and did not have any network partners in these countries. J&T Global is exploring a "hybrid" model to expand in the New Markets.

For service stations, J&T Global has multiple service stations in SEA, which are usually collection points in convenience stores or local shops that are only entitled to designated geographical scope of operation. J&T Global oversees the performance of outlets and provides incentives to the regional sponsors and network partners to optimize performance.



**Figure 60: Breakdown of J&T Global's outlets by primary operator**


Source: Company data, CMBIGM

## Customers

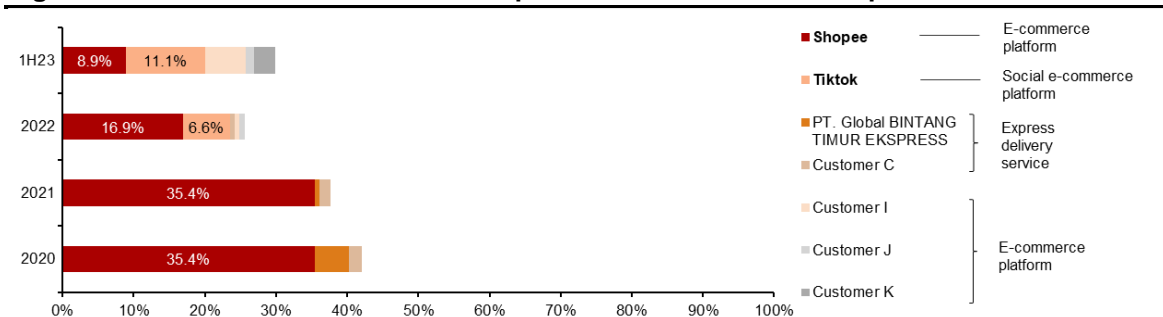
J&T Global's primary customers include e-commerce platforms, enterprises and individual customers, as well as its network partners and unconsolidated regional operating entities. For cross-border services, J&T Global's customers also include freight forwarders.

In SEA, J&T Global has generated a considerable portion of revenue from the e-commerce platforms, i.e., its direct customers. The e-commerce platforms in SEA generally have great influence over the shipping method, and are therefore inclined to make agreements directly with the express delivery service providers to secure express delivery services in bulk. In 2020/ 21/ 22/ 1H23, over 80%/ 85%/ 89%/ 91% of the parcels were from e-commerce platforms in SEA, respectively.

In China, J&T Global's direct customers are its network partners, who pick up parcels from merchants would pay J&T Global fees for transportation, sorting, delivery of the parcel and use of J&T Global's brand and platform, given that express delivery service providers in China are typically required to establish partnership with e-commerce platforms as their permitted service providers to gain access to merchants and orders from end-users. In 2020/ 21/ 22/ 1H23, over 50%/ 80%/ 80%/ 99% of the parcels were from network partners platforms in China, respectively.

In 2020/ 21/ 22/ 1H23, revenues from the top five largest customers accounted for 44.6%/ 39.4%/ 25.7%/ 29.9% of the Company's total revenue, respectively. Revenue from the largest customer, an e-commerce platform, accounted for 35.4%/ 35.4%/ 16.9%/ 11.1% of the total revenue, respectively.

**Figure 61: J&T Global's revenue from top 5 customers as % of total purchases**



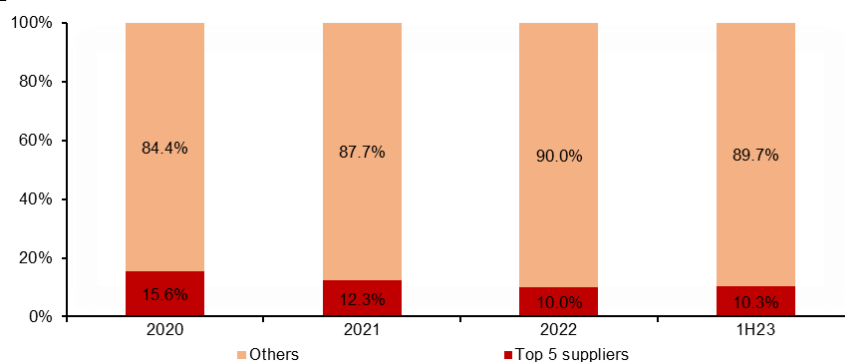
Source: Company data, CMBIGM

## Suppliers

J&T Global's principal suppliers are service providers of third-party transportation, human resources services and express delivery services, which include network partners and unconsolidated regional operating entities.

In 2020/ 21/ 22/ 1H23, purchases from the five largest suppliers accounted for 15.6%/12.3%/10%/10.3% of the total purchases, respectively, whilst purchases from the largest supplier amounted to 6.2%/ 3.6%/ 2.5%/ 3% of the total purchases, respectively.

**Figure 62: J&T Global's procurement from top 5 suppliers**



Source: Company data, CMBIGM

## Competitive Edge

### Global express delivery operator with leading position in SEA

J&T Global is a global logistics service provider with a leading market position in SEA, a competitive role in China and an expanding footprint in Latin America and the Middle East. Per F&S, J&T Global is the No.1 express delivery operator in SEA in terms of parcel volume in 2022 (market share: 22.5%), attaining cost efficiency and economies of scale.

Since its entry in Mar 2020, J&T has experienced rapid growth in China. According to F&S, J&T Global is the fastest-growing express delivery operator in China among the major players from 4Q20 to 4Q22. The full integration of **BEST Express China (subsidiary of BEST US)**, which was acquired in Dec 2021, has enabled J&T Global to improve network capacity and infrastructure, expand customer base and establish partnerships with major e-commerce platforms in China. The Company's parcel volume has witnessed a CAGR of 140.2% from 2020 to 2022, achieving market share of 10.9% in China in 2022 and 11.5% in 1H23, according to F&S. The Company has also strategically expanded into New Markets, including Saudi Arabia, UAE, Mexico, Brazil and Egypt since 2022.

### Regional sponsor model to promote fast penetration in New Markets

Regional sponsor model has enabled J&T Global to extensively expand in Asia in recent years. J&T Global serves numerous merchants and end-customers on the leading e-commerce platforms in SEA and China, such as Shopee, Lazada, Taobao, etc., as well as the live streaming platforms, e.g. TikTok. J&T Global assists its e-commerce partners with the critical logistics and parcel delivery infrastructure. For instance, the Company has successfully helped Shopee expand into emerging markets including Indonesia, Malaysia, Vietnam, the Philippines, Thailand and Brazil, especially the underdeveloped remote areas that still have limited express delivery services.

Bolstered by regional sponsors' resources and experience, the Company is well-positioned to connect the marketplaces and merchants to New Markets, while achieving the reduction of capital expenditure. Leveraging the solid collaboration with regional sponsors under the model, the Company has continuously expanded its express delivery network and customer base in new countries in 2022. For example, the Company achieved a daily peak volume of over 1.1mn parcels in Brazil in Jul 2023. According to F&S, J&T Global is the fastest to achieve such level of parcel volume among the major local peers in Brazil.

### Continuous technology innovation and automated operation

J&T Global's self-developed JMS system enables the Company to build and constantly upgrade various systems and technologies to enhance its operational efficiency, including address digitalization, allocation of transportation and network resources, parcel tracking and customer service quality management, etc. The high adaptability of JMS system allows the Company to establish localized business operations and quickly launch in New Markets. For example, according to J&T Global, it generally only requires less than three months to complete the setup of a JMS system and related IT infrastructure in the New Markets.

Moreover, the Company has pioneered address digitalization in SEA with its self-developed and self-maintained proprietary address database and nine-digit code system. According to F&S, J&T Global was the only major express delivery service provider in SEA to apply its nine-digit code technology with a proprietary address database, and its four-segment code system is among the few advanced systems that integrate the mainstream address digitalization algorithms in China.

The Company is equipped with a strong team of research and development talents. As of 30 Jun 2023, J&T Global had a global R&D team of 1,658 personnel. Its global R&D expenses have delivered a CAGR of 77% from 2020-2022.

## Quality customer service catering market needs

J&T Global focuses on the improvement of customer service quality to meet thriving market needs. According to F&S, J&T Global was the first operator that provided express delivery services with exclusive features such as 365-day operations and 24-hour customer service, which subsequently raised the industry standards in Indonesia and Malaysia. Moreover, the Company offers auxiliary services based on local market demands, including the broadest coverage of cash-on-delivery services in SEA.

According to F&S, J&T Global obtained a tremendous Net Promoter Score of 8.4 out of 10, surpassing its competitors in terms of speed, timeliness, and service quality. In China, according to the State Post Bureau, J&T Global achieved a low lost parcel rate/ complaint rate/ effective complaint rate of 0.23/ 0.58 / 0.015 per million parcels, compared to industry averages of 1.90/ 6.68/ 1.83 per million parcels, respectively, as of 1H23.

## Experienced management team and regional sponsors

J&T Global's founder, Mr. Jet Jie Li, has over 20 years of sales and entrepreneurial experience. Together with the capable management team and regional sponsors, J&T Global is able to execute its regional strategies and quickly tap into New Markets. The regional sponsors, which possess extensive industry knowledge and entrepreneurial expertise, bring valuable insights and local expertise to the Company's business, ensuring the smooth implementation of regional business operations.

## Growth Strategies

### Solidify leading position while strategically expanding into New Markets

J&T Global aims to solidify the existing market leadership in SEA and China, by deepening relationships with local and global e-commerce partners, as well as diversifying its service offerings and improving its service quality to enhance its customer stickiness.

The Company also seeks to expand into emerging markets, including Saudi Arabia, UAE, Mexico, Brazil, and Egypt. Recognizing opportunities in the emerging economies with relatively low e-commerce penetration, the Company will collaborate with e-commerce partners that also seek business opportunities in such markets.

The Company plans to diversify its logistics service offerings, ranging from storage to inventory management, and from delivery to warehousing. Moreover, J&T Global plans to develop its cross-border services by connecting with more logistics centers, domestic warehouses and last-mile capacity.

### Expand capacity and enhance network efficiency

With a view to broadening geographical coverage based on end-customers' demands, J&T Global intends to selectively build new sorting centers and optimize the density of the pickup and delivery outlets. The Company will also invest in advanced/automated sorting machinery and related technology in order to enhance the accuracy and efficiency of the sorting process.

Furthermore, J&T Global plans to upgrade its transportation facilities, through expanding its line-haul network, upgrading its vehicle fleets, and diversifying its transportation methods to meet local demands in different markets.

### Improve technology and innovation capabilities

J&T Global strives to implement its self-developed JMS system across all markets and upgrade key functions within the system to improve operational efficiency. For instance, the Company will optimize its address digitalization algorithms to further enhance the delivery accuracy and efficiency. In addition, the Company will continuously develop its global data management platform to effectively manage data from various aspects of operations and across different markets.

The Company will continue to invest in automation technologies and upgrading software of sorting equipment to streamline operations, increase the overall efficiency and achieve the reduction in unit costs. Moreover, the Company will increase the utilization of digitalized packaging identification (e.g. RFID) to be compatible with the increasingly automated operations.

## Financial Analysis and Earnings Forecast

### Revenue

The Company's total revenue surged by 216%/ 49.8%/ 18.5% YoY to US\$4,852mn/ US\$7,267mn/ US\$4,030mn in 2021/ 22/ 1H23 respectively, driven by both the revenue growth of express delivery services and cross-border delivery services.

#### Express delivery services (88% of revenue in 1H23)

Revenue generated from express delivery services grew 208%/ 42% YoY to US\$4,571mn/ US\$6,480mn in 2021/ 22, respectively. The increase in revenue in 2021 was driven by (i) increase in parcel volume (+224% YoY to 10.5bn units), (ii) increase in average selling price (ASP) in both SEA and China. The growth in 2022 was attributable to the increase in parcel volume (+39% YoY to 14.5bn units in 2022), driven by the market share gain in China (2022: 10.9% vs. 2021: 7.7%). In 1H23, revenue from express delivery services increased 14.1% YoY to US\$3,546mn, driven by parcel volume growth (+16.9% YoY to 8bn units).

- **SEA:** Revenue generated from SEA increased by 127%/ 0.2%/ 6% YoY to US\$2,378mn/ US\$2,382mn/ US\$1,246mn in 2021/22/1H23, respectively.
  - **Parcel volume** grew 87% YoY to 2,161mn units in 2021, due to the growth in e-commerce and express delivery markets and its market share gain. The parcel volume in 2022/ 1H23 increased by 16%/ 18.4% YoY to 2,513mn/ 1,438mn units, due to the diversified customer base and the increase in e-commerce and social e-commerce platform partners.
  - **ASP** increased 21% YoY to US\$1.1 in 2021, due to the change of service (J&T Global became responsible for the entire express delivery service) and the revenue recognition of the charged fee after the SEA entities were acquired and consolidated. However, the ASP decreased 14% YoY to US\$0.95 in 2022, due to (i) the strategic adjustment to pricing policies arising from market competition, and (ii) currency fluctuations. In 1H23, the ASP further decreased 10.3% YoY to US\$0.87, due to the fierce market competition in SEA.
- **China:** Revenue generated from China grew by 356%/ 88%/ 12% YoY to US\$2,181mn/ US\$4,096mn/ US\$2,203mn in 2021/ 22/ 1H23, respectively.
  - **Parcel volume** grew 300%/ 44% YoY to 8,334mn/ 12,026mn units in 2021/22, respectively. The growth was mainly attributable to (i) continued expansion of partnership with more e-commerce platforms (especially upon the acquisition of BEST Express China), (ii) expanded network of network partners, and (iii) enhanced service quality and client sourcing abilities. In 1H23, the parcel volume grew 15% YoY to 6,446mn units, driven by the deepening cooperation with major e-commerce platforms.
  - **ASP** increased 14%/ 30% YoY to US\$0.26/ US\$0.34 in 2021/22. The increase in parcel volume and ASP in 2021 was primarily due to network expansion and adjustment of pricing terms based on market conditions, whilst the increase in 2022 was due to expanded partnerships with e-commerce platforms and enhanced bargaining power. In 1H23, ASP remained relative stable at US\$0.34 (1H22: US\$0.35) in China.



- **New Markets:** Revenue generated from the New Markets was US\$81.8mn/ US\$132.8mn in 2022/ 1H23, accounting for 1.1%/ 3.3% of total revenue respectively.
  - **Parcel volume** in the New Markets was 49.1mn units in 2022 and 83.2mn units in 1H23 (1H22: 7.7mn units).
  - **ASP** in the New Markets was US\$1.7/ US\$1.6 in 2022/ 1H23.
  
- **Forecast:**
  - We forecast the parcel volume in China market to increase by 24%/22% YoY in 2023E/24E, higher than the industry growth as we expect the Company to put more focus on market share. We forecast the ASP to see a high single-digit decrease in 2023E, followed by a stabilisation in 2024E-25E (driven by lower unit cost).
  - In SEA, we forecast parcel volume to grow 30% YoY in 2023E, followed by 30%/27% in 2045E/25E, driven by continuous market share gains in regions such as Thailand.
  - We forecast New Markets to contribute parcel volume of 246mn units, in 2023E, up 4x YoY due to a low base. We forecast 90%/85% parcel volume growth in 2024E/25E, driven by strong growth in regions such as Brazil and the Middle East.

## Cross-border services (11% of revenue in 1H23)

- In 2021, the segment revenue soared by 28x YoY to US\$292mn in 2021, driven by the ramp-up of cross-border services business. Contributed by the increased market demand and business expansion, the segment revenue increased 1.4x YoY to US\$708mn in 2022. In 1H23, revenue from cross-border services increased by 78% to US\$449mn, due to the business expansion and expanding relationship with e-commerce platforms. The proportion of cross-border services to total revenue increased from 6% in 2021 to 9.8% in 2022, and further to 11.1% in 1H23.
- We forecast the segment revenue to be largely stable YoY in 2023E. We expect the revenue to drop ~40% in 2024E as we expect JT Global to put the focus on express delivery business.

Figure 63: Operating assumptions

	2020	2021	2022	2023E	2024E	2025E
<b>Shipment volume (mn units of parcel)</b>						
Southeast Asia	1,154	2,161	2,513	3,267	4,247	5,394
China	2,084	8,334	12,026	14,912	18,192	21,831
New markets	-	-	49	246	466	863
<b>Total</b>	<b>3,237</b>	<b>10,495</b>	<b>14,588</b>	<b>18,424</b>	<b>22,906</b>	<b>28,088</b>
<b>Change (YoY)</b>						
Southeast Asia	-	87.3%	16.3%	30.0%	30.0%	27.0%
China	-	300.0%	44.3%	24.0%	22.0%	20.0%
New markets	-	-	-	400.0%	90.0%	85.0%
<b>Average</b>	<b>-</b>	<b>224.2%</b>	<b>39.0%</b>	<b>26.3%</b>	<b>24.3%</b>	<b>22.6%</b>
<b>ASP (US\$)</b>						
Southeast Asia	0.91	1.10	0.95	0.83	0.78	0.78
China	0.23	0.26	0.34	0.31	0.31	0.31
New markets	-	-	1.67	1.47	1.47	1.45
Blended	0.47	0.43	0.45	0.42	0.42	0.43
<b>Change (YoY)</b>						
Southeast Asia	-	21.3%	-13.9%	-12.0%	-6.0%	-1.0%
China	-	13.9%	30.1%	-8.0%	-1.5%	-1.0%
New markets	-	-	-	-12.0%	0.0%	-1.0%
<b>Average</b>	<b>-</b>	<b>-7.8%</b>	<b>3.5%</b>	<b>-6.4%</b>	<b>-0.2%</b>	<b>2.6%</b>
<b>Unit cost of express delivery by region (US\$)</b>						
Southeast Asia	-0.64	-0.79	-0.76	-0.67	-0.63	-0.60
China	-0.51	-0.41	-0.40	-0.34	-0.31	-0.30
New markets	-	-	-2.06	-1.50	-1.29	-1.17
<b>Average</b>	<b>-0.55</b>	<b>-0.49</b>	<b>-0.46</b>	<b>-0.41</b>	<b>-0.39</b>	<b>-0.38</b>
<b>Change (YoY)</b>						
Southeast Asia	-	24.7%	-4.5%	-11.4%	-6.9%	-3.4%
China	-	-19.5%	-3.0%	-14.4%	-8.1%	-4.2%
New markets	-	-	-	-27.1%	-13.8%	-9.4%
<b>Average</b>	<b>-</b>	<b>-11.9%</b>	<b>-4.8%</b>	<b>-10.9%</b>	<b>-5.7%</b>	<b>-1.5%</b>
<b>Unit gross margin (US\$)</b>						
Southeast Asia	0.27	0.31	0.19	0.16	0.16	0.17
China	-0.28	-0.15	-0.06	-0.03	0.00	0.01
New markets	-	-	-0.39	-0.03	0.17	0.28
<b>Average</b>	<b>-0.08</b>	<b>-0.05</b>	<b>-0.01</b>	<b>0.01</b>	<b>0.03</b>	<b>0.05</b>
<b>Change (YoY)</b>						
Southeast Asia	-	13.3%	-38.2%	-14.3%	-2.1%	8.5%
China	-	-	-	-	-	-338.5%
New markets	-	-	-	-	-	62.0%
<b>Average</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>306.3%</b>	<b>54.5%</b>
(US\$ mn)	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Revenue</b>						
Express delivery services	1,525	4,559	6,560	7,758	9,629	12,110
Southeast Asia	1,047	2,378	2,382	2,725	3,330	4,186
China	479	2,181	4,096	4,673	5,615	6,671
New markets	-	-	82	360	684	1,252
Cross-border services	10	292	708	722	433	468
<b>Total</b>	<b>1,535</b>	<b>4,852</b>	<b>7,267</b>	<b>8,479</b>	<b>10,062</b>	<b>12,578</b>
<b>Revenue growth (by segment)</b>						
Express delivery services	-	198.9%	43.9%	18.3%	24.1%	25.8%
Southeast Asia	-	127.2%	0.2%	14.4%	22.2%	25.7%
China	-	355.5%	87.8%	14.1%	20.2%	18.8%
New markets	-	-	-	340.0%	90.0%	83.2%
Cross-border services	-	2797.5%	142.5%	2.0%	-40.0%	8.0%
<b>Average</b>	<b>-</b>	<b>216.0%</b>	<b>49.8%</b>	<b>16.7%</b>	<b>18.7%</b>	<b>25.0%</b>
<b>Gross margin (by region)</b>						
Southeast Asia	29.8%	27.8%	20.0%	19.5%	20.3%	22.2%
China	-120.4%	-55.9%	-16.2%	-8.2%	-1.0%	2.3%
Others	32.5%	4.4%	2.4%	5.9%	11.1%	16.8%
<b>Blended gross margin</b>	<b>-17.0%</b>	<b>-11.2%</b>	<b>-3.7%</b>	<b>2.5%</b>	<b>7.4%</b>	<b>10.9%</b>

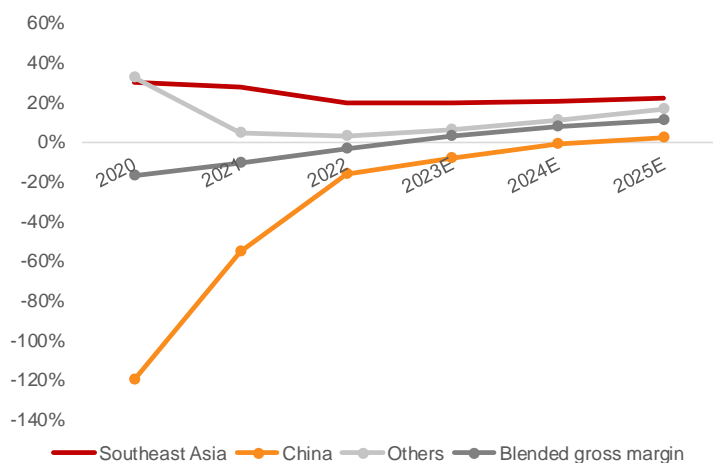
Source: Company data, CMBIGM estimates

## Gross Margin

J&T Global's gross loss expanded by 108% YoY to US\$545mn in 2021, due to the ramp-up of service offerings in China. Thanks to the constantly improving margin in China, the blended gross loss narrowed by 50% YoY to US\$270mn in 2022. The blended negative gross margin improved from 11.2% in 2021 to 3.7% in 2022. In 1H23, J&T Global realized a gross profit of US\$194mn (1H22: gross loss of US\$66mn). The gross margin in 1H23 was 4.8%, compared to a negative gross margin of 1.9% in 1H22.

- **SEA:** Gross profit increased 1.12x YoY to US\$662mn in 2021, contributed by the express delivery market growth and market share gain in SEA countries. Meanwhile, gross margin slightly decreased by 2ppts YoY to 27.8% in 2021, due to the volume discount to the key e-commerce customers. In 2022, gross profit dropped 28% YoY to US\$476mn in 2022, with gross margin slipped 7.8ppts YoY to 20% due to the increased operational cost including line-haul costs and fulfillment costs. Gross profit slightly decreased 1% YoY to US\$220mn in 1H23, with gross margin slipping from 18.9% to 17.7% in the corresponding periods.
- **China:** In 2021, gross loss expanded 1.1x YoY to US\$1,219mn, primarily due to (i) fierce market competition, (ii) increased expenditures in expansion, including costs of equipment and facilities, leases and other operating costs. The negative gross margin improved from 120.4% in 2020 to 55.9% in 2021, primarily attributable to the improved operational efficiency driven by network effect, economies of scale and adjustments to pricing terms. In 2022, the gross losses amounted to US\$665mn, with negative gross margin improving to 16.2%. Gross loss narrowed from US\$268mn in 1H22 to US\$17mn in 1H23, with negative gross margin 13.7% to 0.8% in the corresponding periods.
- **Others (New Markets of express delivery and cross-border services):** The segment gross profit was ~US\$12mn in 2021. In 2022, a gross loss of US\$81mn was reported. Gross loss in 1H23 narrowed to US\$9.5mn (1H22: US\$21mn)

**Figure 64: Gross margin trend**



Source: Company data, CMBIGM estimates

## Selling, general & administrative expenses

Selling, general and administrative expenses rose by 2.09x YoY to US\$366mn in 2021, largely driven by (i) an increase in staff costs as a result of increased employee benefit expenses in relation to share-based awards for employees and management, as well as the shares to certain regional sponsors, and (ii) an increase in share-based payments in relation to equity transactions.

In 2022, the SG&A expenses slightly dropped by 3% YoY to US\$1,096mn in 2022, led by (i) a decrease in share-based compensation as part of staff cost of US\$123mn, and (ii) a decrease in share-based payments in relation to equity transaction of US\$199mn, largely offset by (i) increased depreciation and amortization costs in relation to right-of-use assets, and (ii) increase in advertising and marketing activities.

In 1H23, the SG&A expenses increased by 236% to US\$1,768mn, due to (i) a significant increase in share-based payments related to the issuance of preferred shares to existing shareholders, (ii) an increase in other share based compensation expenses related to Class A shares issued to regional sponsors, partially offset by a decrease of US\$234mn in share-based compensation to staff. Excluding the share-based payments and expenses and impairment of goodwill (US\$1,427mn), the adjusted SG&A expenses increased by 28% to US\$341mn in 1H23, largely due to an increase in promotion and marketing expenses.

The expense ratio (as a percentage of revenue) was 23.8%/ 23.3%/ 15.1% in 2020/ 21/ 22. Excluding share-based payments and expenses and impairment of goodwill, the adjusted expense ratio was 11.6%/ 10.8%/ 9.6% in the corresponding periods. In 1H23, the expense ratio was 43.9%, mainly due to a significant increase in share-based payments and expenses. Excluding share-based payments and expenses and impairment of goodwill, the adjusted expense ratio slightly increased 0.7ppts YoY to 8.5% in 1H23.

## Fair value change

J&T Global completed several rounds of financing by issuing different classes of convertible preferred shares which are typically recognized at fair value after initial recognition. The Company recorded a fair value loss of US\$4.38bn in 2021 and gains of US\$3bn/ US\$1bn in 2022/ 1H23.

## Finance costs

The Company's finance costs were US\$14mn/ US\$99mn/ US\$99.5mn/ US\$56mn in 2020/ 21/ 22/ 1H23. The significant increase in 2021 was due to (i) an increase in interest expense of US\$81.6mn on convertible preferred shares, due to a special dividend declared in 2021, (ii) an increase in interest expense on lease liabilities from US\$6mn in 2020 to US\$14mn in 2021, partially offset by a decrease in interest expense on borrowings.

The finance costs were largely stable in 2022, which was a mixed outcome of (i) an increase in interest expense on borrowings from US\$4mn in 2021 to US\$62mn in 2022, due to the interest expense related to the senior notes and certain credit facility used in 2022, (ii) an increase in interest expense on lease liabilities, however, largely offset by a decrease in interest expense on convertible preferred shares from US\$82mn to nil in 2022.

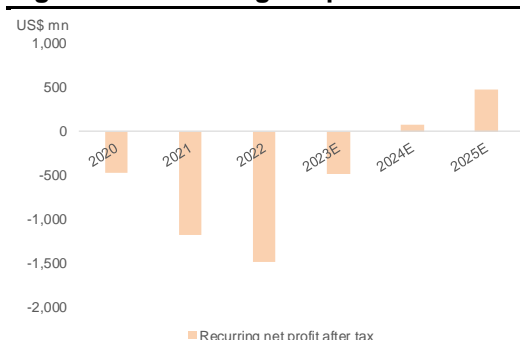
## Net profit forecast

J&T Global recorded after-tax profit/loss (before MI) of -US\$0.66bn/-6.2bn/+1.57bn/-0.66mn in 2020/ 21/ 22/1H23.

Stripping out (1) the fair value change of convertible preferred shares, (2) listing expense and (3) share-based payment, the adjusted net loss was US\$0.47bn/ 1.18bn/ 1.49bn/ 0.26bn in 2020/21/22/1H23.

We forecast the adjusted after-tax loss to be US\$494mn in 2023E, and potentially turn to profit of US\$78mn/ 474mn in 2024E/25E.

**Figure 65: Recurring net profit after tax**



Source: Company data, CMBIGM estimates

**Figure 66: Earnings sensitivity to China ASP and cost**

2024E After-tax profit (US\$ mn)		ASP (US\$/unit)				
		0.29	0.30	0.31	0.31	0.32
	-0.067	-221	-74	25	123	270
	-0.065	-189	-42	56	155	302
Unit line-haul	-0.064	-168	-20	78	176	323
transportation cost (US\$)	-0.063	-147	1	99	197	345
	-0.061	-115	33	131	229	376

2024E After-tax profit (US\$ mn)		ASP (US\$/unit)				
		0.29	0.30	0.31	0.31	0.32
	-0.194	-322	-174	-76	22	169
	-0.189	-229	-82	16	114	262
Pick-up & delivery cost	-0.185	-168	-20	78	176	323
(US\$)	-0.181	-106	41	139	237	385
	-0.176	-14	133	232	330	477

Source: Company data, CMBIGM estimates

Note: Based on recurring net profit after tax

**Figure 67: Adjusted EBITDA projection by region**

(US\$ mn)	2020	2021	2022	2023E	2024E	2025E
<b>Adjusted EBITDA</b>						
SEA	267	427	332	421	549	736
China	-616	-1,206	-723	-251	69	210
Others	2	-14	-169	-50	75	182
Unallocated	27	-2	-334	0	0	0
<b>Total adjusted EBITDA</b>	<b>-321</b>	<b>-794</b>	<b>-894</b>	<b>120</b>	<b>692</b>	<b>1,128</b>
Share-based payments and expenses	-188	-619	-281	-1,420	0	0
Listing expense	0	-12	-10	-6	0	0
Others	0	-1	302	0	0	0
<b>Reported EBITDA</b>	<b>-509</b>	<b>-1,427</b>	<b>-884</b>	<b>-1,305</b>	<b>692</b>	<b>1,128</b>

Source: Company data, CMBIGM estimates

## Risk Factors

### High dependence on the development of e-commerce industry

J&T Global's business relies heavily on the growth of the e-commerce industry as it provides express delivery services to e-commerce platforms and merchants. The development of the e-commerce industry is influenced by several factors, including: 1) change in consuming power of e-commerce consumers and changes in demographics and consumer preferences, 2) penetration of smart phone and Internet, as well as the cost of Internet access and mobile data, particularly in developing countries, 3) development of fulfillment, payment and other infrastructure in relation to the e-commerce, 4) changes in laws, regulations and policies, and 5) changes in macro conditions.

### Risks in managing global operations

As J&T Global strives to expand its global presence, it faces various risks, particularly in unfamiliar countries, including: 1) operational challenges due to distance, language, and cultural differences, 2) limited logistics infrastructure, delivery, and digital payment systems, 3) difficulties in finding capable regional sponsors and partners, 4) adapting to local practices, laws, regulations, and making investments to localize the business, 5) challenges in managing and staffing international operations, and 6) import/export restrictions and changes in trade regulations.

### Dependence on certain customers

Collaborating with major e-commerce platforms is a key strategy for J&T Global to expand its customer base. Given that these platforms have a significant influence on shipping methods, particularly in SEA, J&T Global may need to accommodate their demands and provide customized value-added services, in order to maintain and foster these partnerships, which could increase its operational costs. Additionally, there is no guarantee that the Company will be able to sustain these relationships in the future.

### Relationship with network partners

J&T Global heavily relies on its network partners to reach customers, and thus their performance directly impacts the Company's brand reputation. However, managing the partners may be challenging compared to self-operation, despite providing them with service standards and training. If the network partners fail to meet expectations, it can harm the Company's reputation. If network partners suspend or terminate services in a specific area, it can disrupt regional services within the region. However, it is challenging to find timely and reliable replacements or alternatives, which may negatively impact customer satisfaction, reputation, operations, and financial performance.

### Fierce industry competition

J&T Global faces fierce competition from national postal agencies and domestic express delivery operators. If these competitors lower prices and control costs more effectively, it could lead to a loss of market share, reduced revenue, and operating margins. Furthermore, major e-commerce platforms may choose to develop their own delivery capabilities, posing further competition and potentially impacting J&T Global's market share and parcel volume.



## Seasonality

J&T Global's operations are subject to seasonal patterns and other regional events. For instance, parcel volume tends to decrease in the first quarter due to regional holidays like the Lunar New Year in China and holidays in Southeast Asian countries such as Ramadan. Additionally, promotional periods like the 9 September and 10 Oct sales promotions can impact parcel volume. In China, the Company experiences higher parcel volume in the fourth quarter due to holidays and e-commerce promotional events like the 11 Nov and 12 Dec sales promotions. These fluctuations can affect the Company's revenue and overall performance.

## Failure to obtain licenses and permits

J&T Global is required to hold various licenses and permits to conduct its operations. In China, this includes obtaining a Courier Service Operation Permit and making the necessary filings with postal authorities to expand operations under the permit. In Thailand, where the company collaborates with network partners, they must comply with the transport management license regime. Additionally, the Company's network partners also need to acquire the relevant licenses and permits to operate express delivery and transportation businesses in jurisdictions such as Thailand. Non-compliance with these requirements can negatively impact the company's operations.

## Appendix

### Company background

**Figure 68: J&T Global's major business development milestones**



Source: Company data, CMBIGM

**Figure 69: J&T Global's management profile**

Name	Age	Position	Role	Profile
Jet Jie Li	48	Founder, Executive Director, chairman, CEO	Overall strategic planning and business direction	Prior to founding J&T Global, Mr. Li spent more than 15 years of his career with OPPO, a Chinese consumer electronics and mobile communications company, and he served as Chief Executive Officer of OPPO's first overseas exclusive sales agent, PT. Indonesia OPPO Electronics, to expand the business into Indonesia and other Asian markets, from Feb 2013 to Jun 2015. Prior to that, Mr. Li also served as general manager of Nanjing Baisheng Oppo Communication Equipment Co., Ltd. (南京百勝歐珀通訊設備有限公司) from Feb 2008 to Feb 2013, and he was responsible for the distribution of OPPO products in the Jiangsu and Anhui provinces; and as department manager at Jiangsu Baisheng Electronics Co., Ltd (江蘇百勝電子有限公司) from Jan 1999 to Feb 2008. Mr. Li obtained his bachelor's degree in marketing from the University of Science and Technology Beijing in 1998.
Steven Suzhou Fan	37	Executive President	Overall strategic planning, organizational development and overseeing business operations	Mr. Fan joined the group in 2015 as the regional sponsor in Bandung of West Java, Indonesia (Jun 2015 - Sep 2019). Mr. Fan has been appointed as the Executive President since Jan 2019. Prior to joining, Mr. Fan was a business supervisor at Nanjing Baisheng Oppo Communication Equipment Co., Ltd. (南京百勝歐珀通訊設備有限公司) from Jan 2009 to Mar 2013, and he was responsible for the distribution of OPPO's products in the Jiangsu province. He then served as general manager of West Java at PT. Indonesia OPPO Electronics from Feb 2013 to Jun 2015. Mr. Fan obtained a bachelor's degree in marketing from Henan Normal University in 2008.
Charles Junyi Hou	54	Vice President	Overall strategic planning, general management and execution of business operations	Mr. Hou has extensive experience in the logistics and international and domestic express delivery industry. He had worked at DHL – Sinotrans Ltd. for over 15 years, with his last position as the Great China Area Senior Adviser. He then joined Shunfeng Express (Group) Limited (順豐速運(集團)有限公司), where he served as operations director from Oct 2010 to Oct 2013. He then served as senior operations director of YTO Express (Logistics) Co., Ltd (國通速遞有限公司) from Apr 2014 to Sep 2015. From Apr 2017 to Jul 2018, he co-founded and served as vice president of Shanghai Baisong Internet of Things Technology Co., Ltd. (上海佰頌物聯網科技有限公司). Afterwards, he served as deputy GM of On Time Promise (承諾達特快) business unit in the YTO Group (國通蛟龍集團). Mr. Hou obtained his bachelor's degree in computer science from Shanghai Science and Technology University (currently known as Shanghai University) in 1989 and obtained a MBA degree from the joint MBA program between Webster University, the United States and Shanghai University of Finance and Economics in 2009.
Dylan Say Keong Tey	45	CFO	overseeing finance, legal, investments and capital market activities	Mr. Tey first worked at Ernst & Young, Malaysia, as audit manager in Jan 1999 to Oct 2004. In 2004, He joined PwC China as audit manager, and was admitted to partnership in 2011, with the focus on the technology industry, while served as a member of its private equity leadership team. He then became the CFO of We Doctor Holdings Limited from Apr 2018 to Apr 2019. He was the co-CFO and Senior Vice President of Hello Inc from May 2019 to Aug 2021. Mr. Tey obtained his bachelor's degree with a double major in accounting and finance from University of New South Wales in 1998. He has been a member of the Chartered Accountants Australia & New Zealand and member of Malaysian Institute of Accountants since 2002, respectively. Mr. Tey became a CPA in Hong Kong in Jan 2012 and he was admitted as a Fellow of Chartered Accountants Australia & New Zealand in Nov 2017.

Source: Company data, CMBIGM

## Employee

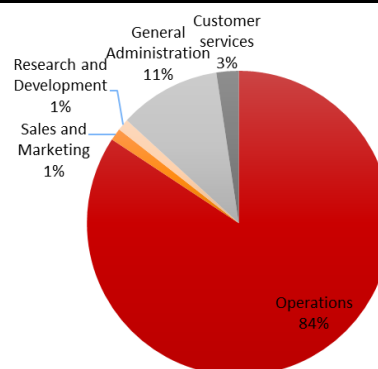
As of 30 Jun 2023, J&T Global had a total of 131,935 full-time employees, while 113,053/ 8,683/ 10,199 employees were based in SEA/ China/ other markets, respectively.

**Figure 70: J&T Global's employee breakdown by function (2022)**

Function	No. of employees	% of total
Operations	111162	84.3%
Sales and Marketing	1709	1.3%
Research and Development	1658	1.3%
General Administration	14284	10.8%
Customer services	3122	2.4%
<b>Total</b>	<b>131935</b>	<b>100%</b>

Source: Company data, CMBIGM

**Figure 71: J&T Global's employee breakdown by function**



Source: Company data, CMBIGM

## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Revenue	1,535	4,852	7,267	8,479	10,062	12,578
Cost of goods sold	(1,797)	(5,397)	(7,538)	(8,268)	(9,318)	(11,203)
Gross profit	(261)	(545)	(270)	211	744	1,375
Operating profit	(606)	(1,647)	(1,390)	(1,848)	164	611
Share of (losses)/profits of associates/JV	(0)	1	(0)	0	0	0
Interest income	2	9	22	23	22	17
Interest expense	(14)	(99)	(99)	(81)	(101)	(70)
Net Interest income/(expense)	(12)	(90)	(77)	(58)	(79)	(53)
Others	0	(4,384)	3,051	1,000	0	0
Pre-tax profit	(619)	(6,119)	1,583	(906)	85	557
Income tax	(46)	(73)	(11)	(14)	(8)	(84)
After tax profit	(664)	(6,192)	1,573	(919)	78	474
Minority interest	99	145	84	46	4	9
Net profit	(565)	(6,047)	1,656	(873)	82	483
Adjusted net profit	(476)	(1,178)	(1,488)	(494)	78	474
Gross dividends	0	121	29	0	0	0
BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Current assets	1,615	3,516	2,846	3,395	3,123	2,736
Cash & equivalents	600	2,102	1,504	1,935	1,407	740
Restricted cash	1	126	80	80	80	80
Account receivables	181	335	514	415	687	691
Inventories	16	29	29	25	36	38
Prepayment	745	882	703	923	896	1,171
Financial assets at FVTPL	71	42	16	16	16	16
Other current assets	0	0	0	0	0	0
Non-current assets	628	3,028	3,089	3,257	3,336	3,475
PP&E	303	1,108	1,053	1,433	1,677	1,932
Right-of-use assets	187	604	481	281	131	31
Deferred income tax	5	10	43	43	43	43
Investment in JVs & assos	53	1	1	0	0	0
Intangibles	6	1,129	964	948	933	917
Financial assets at FVTPL	0	0	481	481	481	481
Other non-current assets	74	177	67	70	70	70
Total assets	2,243	6,545	5,936	6,652	6,459	6,212
Current liabilities	1,147	2,206	1,732	1,946	1,975	2,254
Short-term borrowings	407	60	77	127	177	177
Account payables	225	577	484	648	628	907
Tax payable	9	21	32	32	32	32
Other current liabilities	0	134	0	0	0	0
Lease liabilities	64	207	151	151	151	151
Contract liabilities	137	291	210	210	210	210
Accrued expenses	304	915	776	776	776	776
Non-current liabilities	1,967	10,975	9,188	2,393	2,093	1,093
Long-term borrowings	37	29	1,021	2,021	1,721	721
Obligations under finance leases	111	391	341	341	341	341
Other non-current liabilities	1,818	10,555	7,826	30	30	30
Total liabilities	3,114	13,181	10,920	4,338	4,068	3,347
Total shareholders equity	(759)	(6,591)	(4,847)	2,497	2,578	3,062
Minority interest	(111)	(45)	(137)	(183)	(187)	(197)

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec (US\$ mn)</b>						
<b>Operating</b>						
Profit before taxation	(619)	(6,119)	1,583	(906)	85	557
Depreciation & amortization	41	107	299	342	378	418
Tax paid	(40)	(76)	(74)	(14)	(8)	(84)
Change in working capital	241	(283)	(227)	47	(276)	(2)
Others	223	5,404	(2,100)	258	229	153
<b>Net cash from operations</b>	<b>(155)</b>	<b>(967)</b>	<b>(520)</b>	<b>(272)</b>	<b>408</b>	<b>1,043</b>
<b>Investing</b>						
Capital expenditure	(256)	(490)	(541)	(700)	(600)	(650)
Acquisition of subsidiaries/ investments	(0)	(612)	4	(3)	0	0
Others	(379)	101	(322)	16	15	10
<b>Net cash from investing</b>	<b>(635)</b>	<b>(1,001)</b>	<b>(860)</b>	<b>(687)</b>	<b>(585)</b>	<b>(640)</b>
<b>Financing</b>						
Dividend paid	0	0	(121)	(29)	0	0
Net borrowings	444	(355)	1,009	1,050	(250)	(1,000)
Proceeds from share issues	1,077	4,223	264	450	0	0
Others	(236)	(398)	(271)	(81)	(101)	(70)
<b>Net cash from financing</b>	<b>1,285</b>	<b>3,470</b>	<b>881</b>	<b>1,390</b>	<b>(351)</b>	<b>(1,070)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	0	600	2,102	1,504	1,935	1,407
Exchange difference	105	1	(100)	0	0	0
<b>Cash at the end of the year</b>	<b>600</b>	<b>2,102</b>	<b>1,504</b>	<b>1,935</b>	<b>1,407</b>	<b>740</b>
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Revenue	na	216.0%	49.8%	16.7%	18.7%	25.0%
Gross profit	na	na	na	na	252.9%	84.7%
Operating profit	na	na	na	na	na	272.2%
Net profit	na	na	na	na	na	492.1%
Adj. net profit	na	na	na	na	na	509.5%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Gross profit margin	(17.0%)	(11.2%)	(3.7%)	2.5%	7.4%	10.9%
Operating margin	(39.5%)	(34.0%)	(19.1%)	(21.8%)	1.6%	4.9%
Adj. net profit margin	(31.0%)	(24.3%)	(20.5%)	(5.8%)	0.8%	3.8%
Return on equity (ROE)	na	na	na	na	3.2%	17.1%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Net debt to equity (x)	na	na	na	(0.1)	(0.0)	(0.1)
Current ratio (x)	1.4	1.6	1.6	1.7	1.6	1.2
Receivable turnover days	27.6	19.4	21.3	20.0	20.0	20.0
Inventory turnover days	2.2	1.5	1.4	1.2	1.2	1.2
Payable turnover days	25.5	27.1	25.7	25.0	25.0	25.0
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
P/E	na	na	na	na	190.1	32.1
P/B	na	na	na	6.2	6.0	5.1
Div yield (%)	na	na	na	0.0	0.0	0.0

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

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## Analyst Certification

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