

October 12, 2022 09:00 PM GMT

China Express | Asia Pacific

3Q22 Preview

We expect sustained soft volume growth for the segment. Leading players such as ZTO and YTO should continue to expand their relative advantage vs. peers. ZTO remains our preferred pick in the segment.

WHAT'S CHANGED	STO Express Co Ltd (002468.SZ)	From	To
	Price Target	Rmb6.70	Rmb7.80
	Deppon Logistics Co Ltd (603056.SS)		
	Price Target	Rmb12.60	Rmb16.30
	JD Logistics, Inc. (2618.HK)		
Price Target	HK\$18.20	HK\$12.70	
ZTO Express (ZTO.N)			
Price Target	US\$38.80	US\$30.50	

3Q22 market outlook: For the quarter, we expect the following major trends in China's express industry: 1) Volume growth slowdown should continue due to softened e-commerce growth and pandemic disruption. We expect 3Q22 industry volume to grow 5% YoY, faster vs. -1.7% YoY in 2Q22, but to remain subpar; 2) leading players continue to expand competitive advantages, in terms of total profit and free cash flow, versus laggards; 3) competition for market share to resume mildly for key players, but not to bring excessive pressure on unit profitability.

3Q22 earnings preview: We expect ZTO to continue to deliver stable earnings growth (32% YoY) in 3Q22, supported by market share gain and healthy unit profits. We also expect solid 3Q22 earnings for YTO, but see potential risks from normalization in airline and freight forwarding profits. We expect sustained pressure on STO and Yunda from thin operating cash flow.

What we are expecting for 4Q22: We foresee relatively soft volume growth in 4Q22, led by a slowdown in China's consumption growth. We expect key players to continue to deliver strong earnings in the coming peak season, considering: 1) higher express volume thanks to "double 11" and "double 12" promotions; 2) solid pricing supported by cost inflation and potential capacity constraints.

ZTO remains our preferred pick: We expect ZTO to deliver an earnings CAGR of 28% during 2022-2024, and view its valuation at 16x 2023e P/E as attractive. For SF, potential earnings normalization from Kerry could partly offset its efforts to cut costs and improve profitability. We stay EW on YTO (risks from air freight normalization) and JDL (macro headwinds). STO and Yunda should continue to see pressure from thin operating cash flow, which could lead to market share pressure in 2023-2024. **Upside risks:** Potential takeover deals as industry consolidation continues; greater than expected price hikes by key players.

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Order of Preference

Exhibit 1: China Express: Order of preference

	ZTO ZTO.N	SF 002352.SZ	YTO 600233.SS	JDL 2618.HK	Deppon 603056.SS	STO 002468.SZ	Yunda 002120.SZ
Rating	Overweight	Overweight	Equal-Weight	Equal-weight	Underweight	Underweight	Underweight
Trading Currency	USD	CNY	CNY	HKD	CNY	CNY	CNY
Price Target	30.5	58.2	21.4	12.7	16.3	7.8	14.3
Current Price	22.5	45.7	20.6	13.0	17.2	12.2	14.9
Upside/(Downside) (%)	36%	27%	4%	-2%	-5%	-36%	-4%
Market Cap (in USD mm)	18,243.3	31,448.8	9,931.4	10,925.9	2,478.8	2,616.8	6,072.0
Avg Daily Traded Vol (in USD mm)	21.4	156.5	52.3	23.7	24.0	29.0	45.5
Street View: Ratings							
Buy/Overweight	██████████ 96%	██████████ 97%	██████████ 92%	██████████ 86%	0%	██████ 30%	██████████ 76%
Hold/Equal-weight	4%	3%	8%	14%	67%	40%	19%
Sell/Underweight	0%	0%	0%	0%	33%	30%	5%
Bull Case Value	41.0	83.4	35.2	19.5	25.8	19.0	27.3
Upside (%)	82%	82%	71%	50%	50%	56%	83%
Bear Case Value	16.6	38.4	12.1	6.5	10.7	3.3	8.5
Downside (%)	-26%	-16%	-41%	-50%	-38%	-73%	-43%
Risk/Reward Skew	3.1	5.2	1.7	1.0	1.3	0.8	1.9
Morgan Stanley Estimates							
FY22e	CNY	CNY	CNY	CNY	CNY	CNY	CNY
Sales	36,285	270,483	58,001	132,434	31,696	33,576	51,123
EBITDA	10,381	27,806	6,434	9,960	2,743	2,100	5,064
EBIT	7,455	13,177	4,353	(485)	279	380	1,897
EPS	7.90	1.18	1.03	0.06	0.09	0.25	0.45
FY23e							
Sales	45,060	294,108	70,198	181,365	37,478	38,656	62,836
EBITDA	13,152	30,942	8,166	12,737	3,138	2,441	6,157
EBIT	9,805	15,605	5,696	964	498	489	2,420
EPS	10.28	1.75	1.26	0.29	0.27	0.30	0.58
FY22 MSe vs. Consensus Mean							
Sales	0.2%	-1.1%	4.9%	0.7%	-8.6%	8.0%	1.1%
EBITDA	-0.1%	27.2%	1.3%	49.2%	13.0%	-5.9%	1.7%
EBIT	0.7%	14.8%	-0.4%	-53.6%	-1605.7%	-35.4%	-24.5%
EPS	0.5%	-12.9%	0.5%	-212.7%	-3122.4%	-28.1%	-33.5%
FY23 MSe vs. Consensus Mean							
Sales	5.7%	-6.9%	10.2%	7.5%	-9.0%	7.7%	6.7%
EBITDA	2.2%	15.8%	7.7%	27.4%	-1.5%	-14.8%	-3.3%
EBIT	3.4%	2.9%	7.9%	-17.9%	-22.8%	-46.1%	-30.8%
EPS	4.2%	-8.2%	3.7%	19.6%	-50.8%	-41.7%	-40.6%
Valuation Multiples at Last Close							
FY22e							
P/E	20.3x	38.7x	20.0x	213.4x	189.4x	49.6x	32.8x
EV/EBIT	16.6x	17.3x	15.7x	-156.8x	76.2x	47.3x	22.5x
EV/EBITDA	11.9x	8.2x	10.6x	7.6x	7.8x	8.6x	8.4x
EV/Sales	3.4x	0.8x	1.2x	0.6x	0.7x	0.5x	0.8x
FCF Yield	2.2%	2.9%	1.3%	5.1%	-2.5%	3.3%	2.3%
FY23e							
P/E	15.6x	26.0x	16.3x	41.2x	63.9x	40.1x	25.5x
EV/EBIT	12.3x	13.8x	11.8x	84.0x	42.0x	35.8x	18.9x
EV/EBITDA	9.2x	7.0x	8.2x	6.4x	6.7x	7.2x	7.4x
EV/Sales	2.7x	0.7x	1.0x	0.4x	0.6x	0.5x	0.7x
FCF Yield	3.9%	6.6%	3.8%	6.7%	0.8%	4.1%	5.4%

Source: Refinitiv, Morgan Stanley Research estimates; data as of October 12, 2022

Investment Thesis

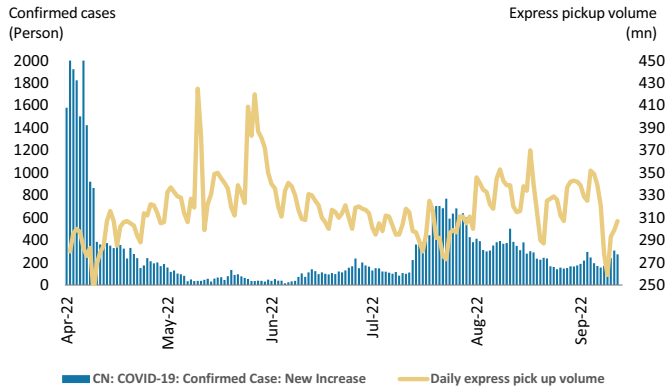
Single-digit volume growth in 2H22

We expect that express industry volume grew 5% YoY in 3Q22, with 8.0%, 4.9% and 2% YoY growth in July-September, respectively, slightly recovering from -1.7% in 2Q22.

Single-digit volume growth may continue in 4Q22, as macro headwinds and pandemic resurgence continue to weigh on consumption sentiment.

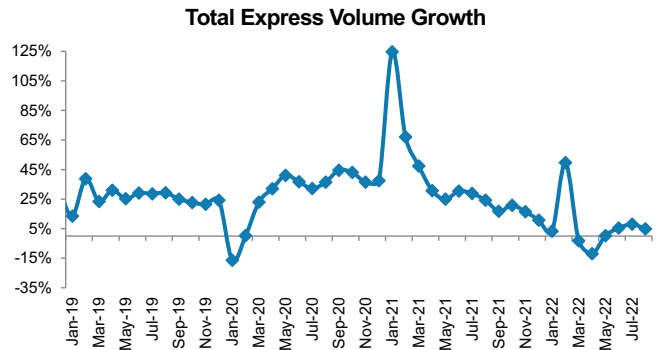
- According to the State Post Bureau (SPB), China's overall express volume rose 8.0% and 4.9% YoY in July and August 2022, respectively, vs. 28.8% and 24.3% YoY in July and August 2021. The slowing in express volume growth was in line with softened growth of online retail sales of goods in China, at 6.3% and 6.5% YoY in July and August 2022, vs. 8.7% YoY in 3Q21.
- We expect that express volume grew 2% YoY in September, amid macro headwinds and sustained Covid-related controls.

Exhibit 2: Daily Covid-19 confirmed cases vs. daily express pickup volume



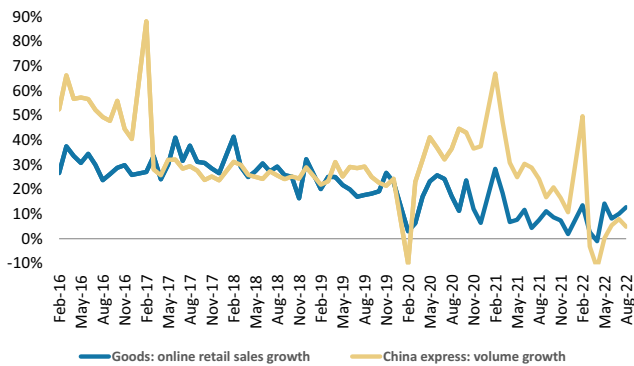
Source: CEIC, Ministry of Transportation, Morgan Stanley Research

Exhibit 3: China express volume growth



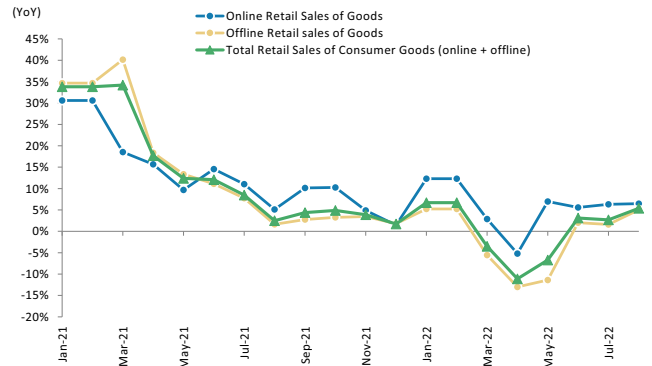
Source: State Post Bureau, Morgan Stanley Research

Exhibit 4: Online retail sales growth vs. express volume growth



Source: Wind, State Post Bureau, Morgan Stanley Research

Exhibit 5: China's online retail growth outperforms total retail growth



Source: NBS of China, Morgan Stanley Research

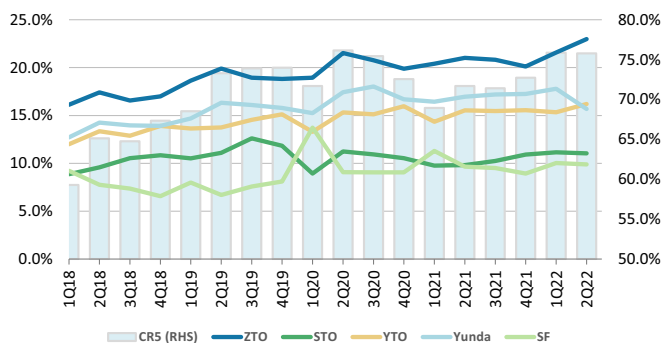
Top players to expand advantages amid demand softness

We expect all players except Yunda to continue to expand market share and improve unit profit on a YoY basis in 3Q22.

- All A-share players except Yunda saw accelerated volume growth in July and August even as industry volume growth slowed down;
- ZTO had expanded advantages over peers in terms of market share and unit recurring profit in 2Q22, thanks to fast service resumption amid logistics disruptions.

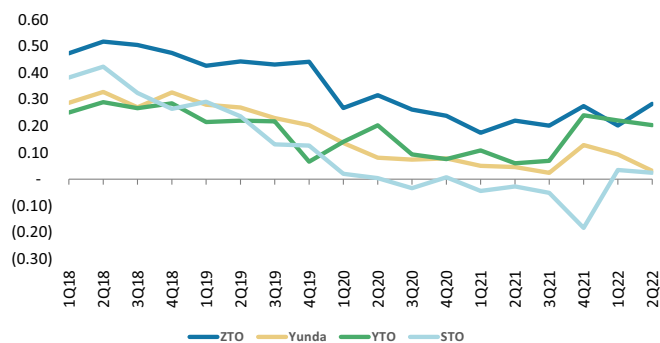
We attribute leading players' improvements in volume mainly to online merchants' emphasis on service quality and stability amid disruptions from pandemic resurgence. Increases in unit profit were mainly led by key players' continuous efforts to improve revenue mix by cutting loss-making business, as well as effective operational improvement.

Exhibit 6: China Express: Market share dynamics



Source: State Post Bureau, Morgan Stanley Research

Exhibit 7: Unit recurring net profit (Rmb/parcel)



Source: Company data, Morgan Stanley Research

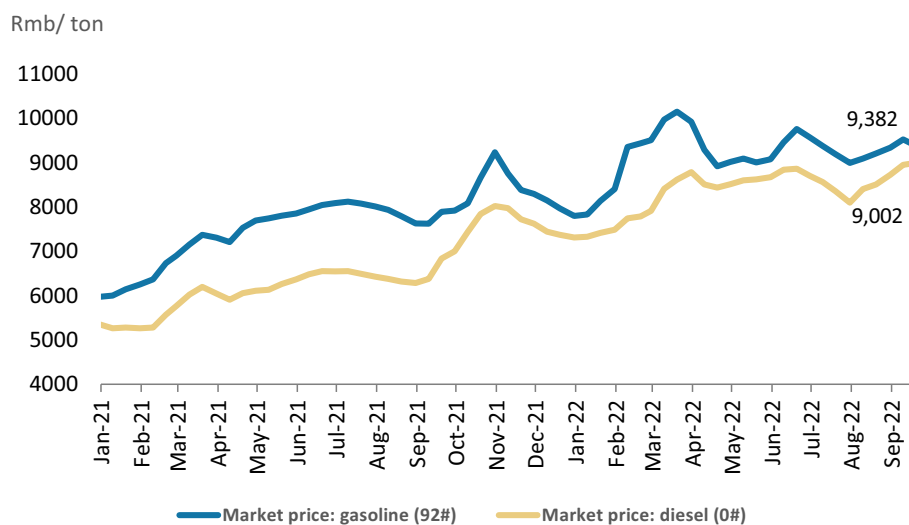
We expect mild pricing competition to resume

We expect industry players to pursue healthy growth in the long run. Pricing pressure may persist in some areas, but this should be driven by sustained improvement in cost efficiency and by surplus handling capacity, rather than at the cost of unit profitability.

Pricing premium supported by service quality improvement will also be a key competitive focus for players, we believe. According to YTO and ZTO, unit cost reduction will be slower than in previous years, considering relatively high automation ratio as well as percentage of owned trucks.

- YTO provided customer service support at HQ level to improve customer experience;
- ZTO and YTO both launched time-definite business to target high-premium market.

We expect that 3Q22 ASP slightly softened vs. 2Q22 following seasonality, but this could still have been supported by cost inflation as well as higher surcharges in areas affected by the pandemic.

Exhibit 8: Gasoline vs. diesel market price (Rmb/ton)

Source: Wind, Morgan Stanley Research

3Q22 Earnings Preview

Key assumptions on our estimation

We expect China express companies to deliver -27.2% to +199.0% YoY growth in recurring earnings, accompanied by -2.7% to +30.0% YoY volume growth as well as -25.2% to +175.0% YoY unit recurring net profit growth in 3Q22. Some of our key assumptions:

Volume:

- All players except Yunda continued volume growth momentum YoY in 3Q22. We expect that STO outperformed with 30% YoY growth in volume, driven by lower pricing.
- ZTO's YoY market share expansion to slow down vs. 2Q, as it was more heavily hit than peers by pandemic-related controls in Yiwu.
- We expect that Yunda continued to underperform with a YoY volume drop, partly due to unstable network.

Unit profit:

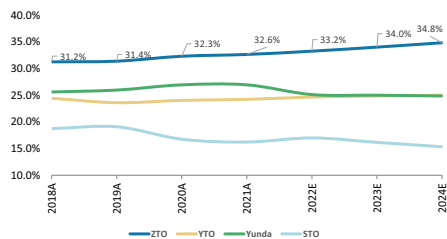
- Unit profit for ZTO, YTO and SF softened from Rmb0.28, Rmb0.20 and Rmb0.46, respectively, in 2Q22 to Rmb0.24, Rmb0.19 and Rmb0.41 in 3Q22, following seasonality.
- We expect that Yunda's unit profit grew QoQ, considering its profit-focused performance target set in the 2022 stock incentive plan.
- We expect that STO's unit profit remained flat QoQ.

Exhibit 9: China Express: 3Q22 Preview (Recurring)

	Volume (mn)	Volume YoY	Unit NP	Unit NP YoY (E)	3Q22E NP (Rmb mn)	3Q22E NP growth	3Q22E mkt share
ZTO	6,300	10.5%	0.24	19.2%	1,512	31.7%	22.0%
YTO	4,600	8.7%	0.19	175.0%	874	199.0%	16.0%
Yunda	4,580	-2.7%	0.05	-25.2%	229	-27.2%	16.0%
STO	3,650	30.0%	0.02	146.9%	88	161.0%	12.7%
SF	2,850	9.4%	0.41	31.9%	1,169	44.3%	9.9%

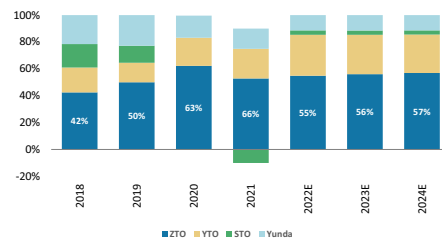
Source: Company Data, Morgan Stanley Research

Exhibit 10: Key players' relative market share



Source: Company data, Morgan Stanley Research

Exhibit 11: Key players' relative profit share



Source: Company data, Morgan Stanley Research

Investment Conclusion

ZTO remains our preferred pick

What's in the price

ZTO has delivered -17.5% return 2022YTD, compared with -26.2% for the CSI China Internet index and -24.2% for the S&P 500 index, reflecting its defensive earnings expansion amid macro uncertainties. However, ZTO lagged its A-share peers YTO and STO in terms of relative performance vs. respective indexes (+42.1% for YTO and +62.5% for STO). We attribute this mainly to: 1) valuation discount for China-related stocks in the US stock market, reflecting ADR de-listing risk; 2) stronger earnings growth for YTO and STO vs. ZTO, thanks to low base; 3) unconfirmed reports regarding a potential takeover for STO.

From 2H21 through 1Q22, the industry hiked prices, driving up unit profit for all players. In 2H22, we are expecting competition to mildly intensify, indicating no further hike in unit profits and pricing tracking closely with unit cost dynamics.

Deppon outperformed by 84ppts vs. the Shanghai SE Composite Index, thanks to JDL's strategic acquisition and Deppon's improved operation in 2Q.

Yunda performed largely in line (+0.4%) with the Shenzhen SE Composite Index, while JDL and SF have underperformed by 20ppts and 8ppts against respective indexes, reflecting soft fundamentals amid the macro headwinds.

Exhibit 12: Performance recap: 2022 YTD

Ticker	Company	Recent stock performance
ZTO.N	ZTO	-17.5%
002120.SZ	Yunda	-25.7%
600233.SS	YTO	23.8%
002468.SZ	STO	36.4%
002352.SZ	SF	-34.0%
2618.HK	JDL	-48.1%
603056.SS	Deppon	66.1%
.SPX	S&P 500	-24.2%
.SZSC	Shenzhen SE Composite Index	-26.1%
.SSEC	Shanghai SE Composite Index	-18.3%
.CSI930796	CSI Global China Internet Index	-26.2%
.HSCE	Hang Seng China Enterprises Index	-28.6%

Source: Refinitiv
Note: 2022 YTD performance as of October 10, 2022.

Why we prefer ZTO

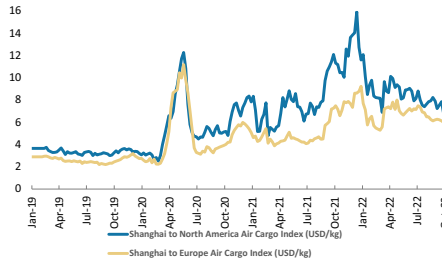
Within the China express delivery segment, we continue to prefer ZTO for the following reasons:

- On the fundamental side, ZTO has demonstrated its ability to expand its advantages amid demand softness and logistics disruptions, supported by its service quality, improved revenue mix, and effective management. We believe ZTO's comprehensive logistics infrastructure and demonstrated operational ability will help maintain its long-term advantages over peers.
- **YTO:** We are concerned about its capital spending on aircraft. Air freight index has

slightly normalized in 3Q22 vs. 1H22, which could be a drag on earnings contribution from its airline and freight forwarding businesses.

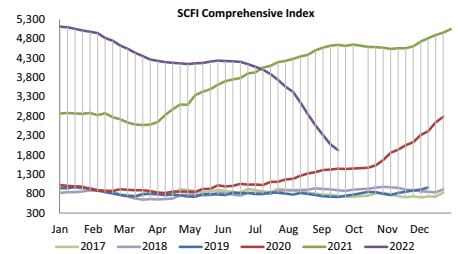
- **SF:** We think its exposure to freight, supply chain and cold chain businesses may cause it to suffer from macro headwinds. Correction in container shipping and air freight rates could bring downside risks to Kerry's earnings, which could be a drag on SF's earnings growth in 2022-2024.
- **STO:** Its high volume growth could have resulted from pricing competition, and we are concerned about its sustainability, given STO's thin profit and weak cash flow. STO is operating with net debt, which can hardly support capacity expansion and volume growth in the medium to long term.
- **Yunda:** Market share loss should drag earnings and valuation.
- **JDL:** Sustained macro headwinds and slowdown in e-commerce volume growth will put pressure on its margin expansion, we believe.

Exhibit 13: TAC Air Freight Index – Shanghai to America/Europe



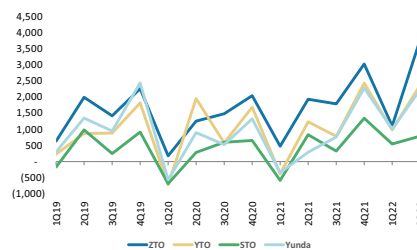
Source: TAC Index, Bloomberg, Refinitiv, Morgan Stanley Research

Exhibit 14: Shanghai Containerized Freight Index



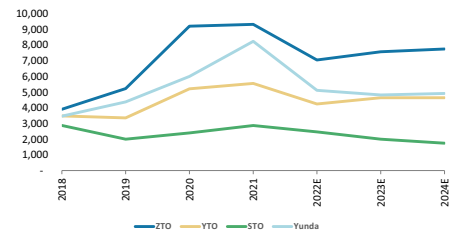
Source: Shanghai Shipping Exchange

Exhibit 15: Key players' quarterly operating cash flow



Source: Company data, Morgan Stanley Research

Exhibit 16: Key players' capex: 2018-2024E



Source: Company data, Morgan Stanley Research

What's changed

Exhibit 17: Changes to price targets and EPS estimates

Company	Ticker	Rating	Currency	PT			PT Up /Downside	Weightings			EPS Chg		
				New	Old	Chg %		Bull	Base	Bear	2022E	2023E	2024E
ZTO Express	ZTO.N	OW	USD	30.50	38.80	-21%	35%	20%	75%	5%	-2%	-8%	-11%
JD Logistics	2618.HK	EW	HKD	12.70	18.20	-30%	-2%	15%	70%	15%	NM	22%	3%
Deppon Logistics	603056.SS	UW	Rmb	16.30	12.60	29%	-5%	10%	80%	10%	NM	111%	52%
STO Express	002468.SZ	UW	Rmb	7.80	6.70	16%	-36%	10%	70%	20%	21%	26%	28%

Source: Morgan Stanley Research (E) estimates; closing price as of 12 October 2022

Company	Reasons for changes
ZTO	<ul style="list-style-type: none"> We have factored in 1) slower industry volume growth and 2) higher WACC led by higher market risk-free rates. We slightly lowered ZTO's volume growth to 11% in 2022e and 26% in 2023e from 13% and 28%, respectively, and maintain our estimate for 2024, in line with slower industry volume growth. We reduced our EPS forecast to Rmb7.9, Rmb10.3 and Rmb12.9 for 2022-24e, down 2.4%, 8.1% and 10.8%, respectively, reflecting lower volume growth assumptions and a minor cut in our unit profit forecast for 2023-2024. We lowered WACC to 13.5% from 12.3% previously. We reduced our end-2023 price target to US\$30.50 from US\$38.80 previously, implying 19x 2023e P/E.
STO	<ul style="list-style-type: none"> Our increased earnings forecast reflects STO's faster than expected volume growth YTD. We raise our market share assumptions for STO to 11.0%, 10.7% and 10.4% in 2022-24e, respectively, from 9.8%, 9.5% and 9.2% to reflect improved competition situation. Accordingly, we increase our projected YoY express volume growth rates to 16%, 19% and 12% for 2022-24 from 8%, 16% and 11%, respectively, on a low base. We raise our unit profit assumptions for 2022-24e to Rmb0.029, Rmb0.030 and Rmb0.033, respectively, from Rmb0.026, Rmb0.027 and Rmb 0.029 previously, in view of better than expected market pricing. We raise our EPS estimates for 2022-24 to Rmb0.25, Rmb0.30 and Rmb0.37, up 21%, 26% and 28%, respectively, on a low base. Our end-2023 price target rises to Rmb7.80 from Rmb6.70, implying 25.7x 2023e P/E.
Deppon	<ul style="list-style-type: none"> Our increased earnings forecast mainly reflects management cost reduction after its acquisition by JDL. We lower our express volume assumptions by 3.3% ,1.7% and 1.7% for 2022-24e, and lower our freight volume assumptions by 14.3% for 2022-24e, in line with softened express industry growth and logistics demand. We now see a per share profit of Rmb0.09 for 2022e (per share loss of Rmb0.29 previously). We also raise our 2023e and 2024e EPS by 110.7% and 52% to Rmb0.27 and Rmb0.47, respectively, vs. Rmb0.13 and Rmb0.31 previously, on a low base. Our end-2023 PT rises to Rmb16.30, from Rmb12.60, implying 61x 2023e P/E.

JDL

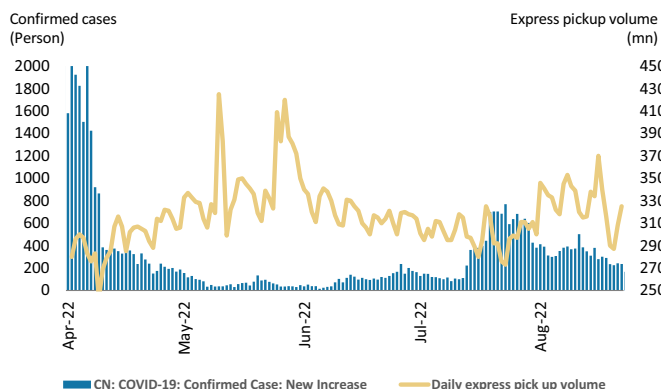
- We factor in 1) better than expected cost control in 1H22; 2) consolidation of Deppon; 3) higher WACC led by higher risk-free rate and equity beta.
- We raise our revenue projections by 2%, 11% and 5% for 2022-24e, respectively, factoring in consolidation of Deppon as well as slower growth for integrated supply chain business amid macro headwinds.
- We raise adjusted EBIT margins to 0.7% in 2022 and 1.4% in 2023, from 0.1% and 1.3% previously, reflecting better cost control and improved profitability; we slightly lower that for 2024e to 2.1%, from 2.2% previously.
- WACC raised to 17.3% from 11.6% previously.
- Our end-2023 PT decreases to HK\$12.70 from HK\$18.20, implying 20x 2024e P/E.

2Q22 Industry Recap

Industry volume growth contracted YoY amid rolling Covid-related lock-downs

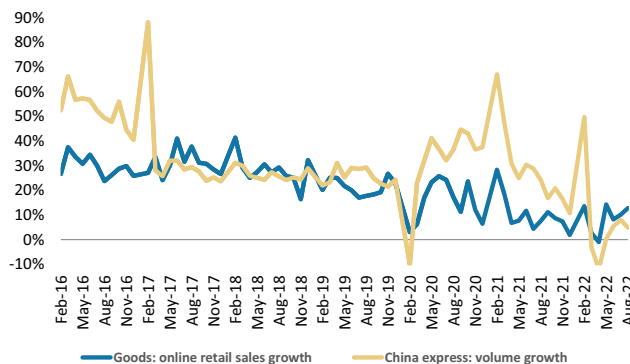
In 2Q22, overall express volume dropped 1.7% YoY, to 27.0bn parcels, down from 28.6% YoY growth in 2Q21, as rolling Covid-related lock-downs starting in mid-March led to logistics disruptions and weak consumption sentiment, we think. The slowing in express volume growth was also in line with softened growth of online retail sales of goods in China, 3.0% YoY in 2Q22 vs. 8.8% YoY in 1Q22 and 13.2% YoY in 2Q21.

Exhibit 18: Daily Covid-19 confirmed cases vs. daily express pickup volume



Source: CEIC, Ministry of Transportation, Morgan Stanley Research

Exhibit 19: Online retail sales growth vs. express volume growth



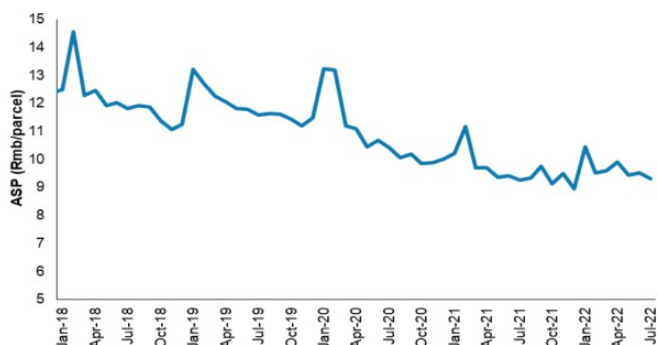
Source: Wind, State Post Bureau, Morgan Stanley Research

ASP hike supported by cost inflation amid pandemic disruptions

Overall ASP growth of the industry turned positive to 1.1% YoY in 2Q22, in contrast to -11.6% YoY in 2Q21 and -3.2% in 1Q22. ASP hike was greatest in April 2022, partly due to higher pricing in areas affected by the pandemic, we think. Cost inflation in both fuel and labor outpaced economies of scale, and also supported the industry ASP hikes, we think.

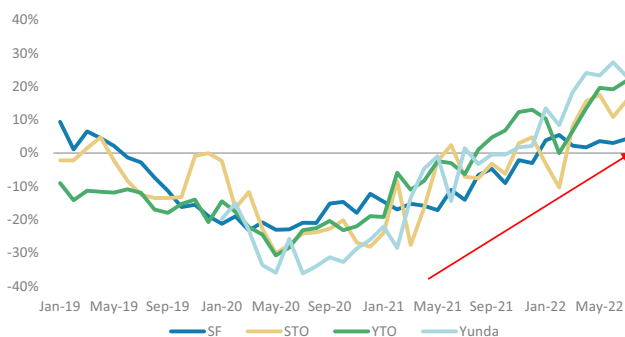
Considering the new approach to revenue recognition from Cainiao's settlement with franchisees to direct settlement with Tongdas, ASPs for Yunda, STO, YTO and ZTO in 2Q22 rose by 25%, 22%, 25% and 11%, respectively, on a YoY basis.

Exhibit 20: China Express Industry ASP



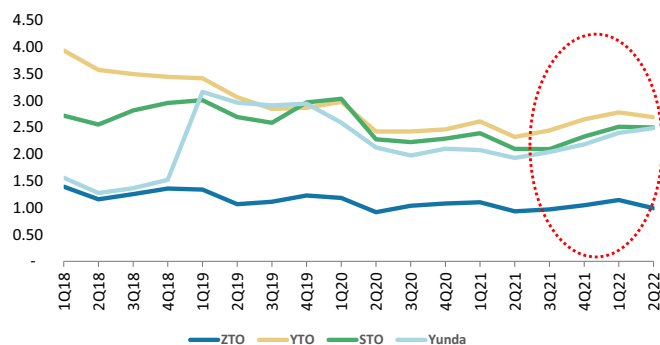
Source: State Post Bureau, Morgan Stanley Research

Exhibit 21: Monthly ASP YoY change of A-share players



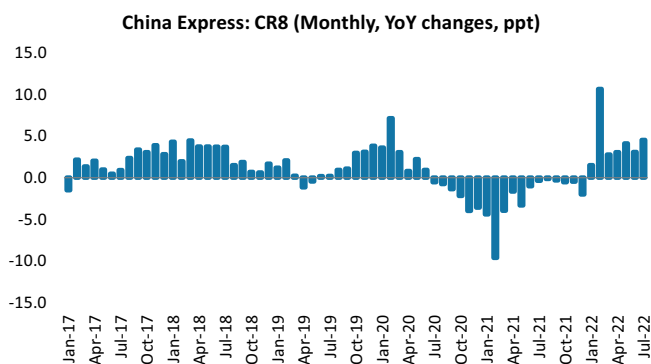
Source: Company data, Morgan Stanley Research

Exhibit 22: Unit Cost (Rmb/Parcel)



Source: Company data, Morgan Stanley Research

Exhibit 23: China Express: CR8 YoY changes



Source: State Post Bureau, Morgan Stanley Research
CR8 = total market share for top 8 players

Exhibit 24: Tongda players' volume and ASP changes in 2Q22

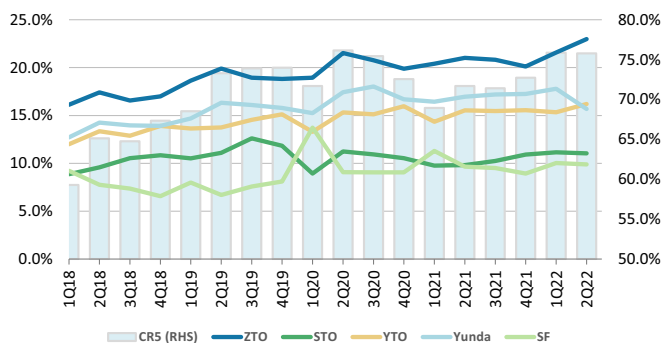
2Q22	SF	Yunda	STO	YTO	ZTO	Industry
Revenue (Rmb mn)	41,569	10,704	7,568	11,131	8,327	258,935
YoY	4.0%	13.7%	26.6%	20.5%	18.8%	-0.6%
QoQ	5.0%	-1.9%	8.7%	14.7%	10.0%	8.2%
Volume (mn)	2,669	4,231	2,982	4,372	6,203	26,994
YoY	1.1%	-9.2%	10.7%	2.5%	7.5%	-1.7%
QoQ	9.8%	-1.8%	10.5%	17.7%	18.7%	11.4%
Mkt share	9.9%	15.7%	11.0%	16.2%	23.0%	nm
YoY	0.3ppt	-1.3ppt	1.2ppt	0.7ppt	2.0ppt	nm
QoQ	-0.1ppt	-2.1ppt	-0.1ppt	0.9ppt	1.4ppt	nm
ASP (Rmb)	15.57	2.53	2.54	2.55	1.34	9.59
YoY	2.8%	25.2%	14.3%	17.5%	10.5%	1.1%
QoQ	-4.4%	0.0%	-1.6%	-2.6%	4.0%	-2.9%

Source: State Post Bureau, Company data, Morgan Stanley Research

ZTO expanded advantages over peers, supported by solid logistics infrastructure

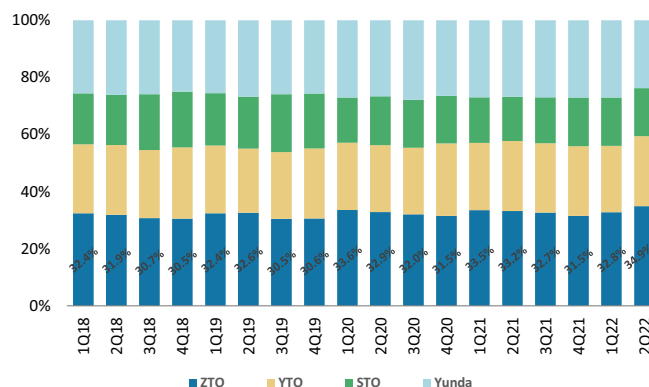
Except for Yunda, all Tongda players' market shares continued to improve YoY. In 2Q22, ZTO, YTO and STO continued to expand market share YoY by 2.0ppt, 0.7ppt and 1.2ppt, respectively, to 23.0%, 16.2% and 11.0%. In contrast, Yunda lost 1.3ppt of market share YoY, to 15.7% in 2Q22. Combined market share for Tongdas and SF improved by 4.1ppt YoY to 75.8% in 2Q22.

Exhibit 25: China Express: Market share dynamics



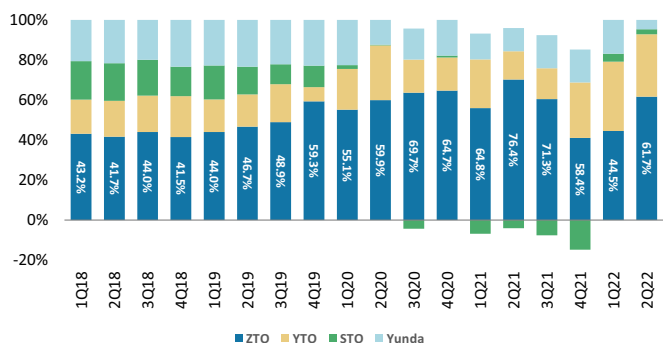
Source: State Post Bureau, Morgan Stanley Research

Exhibit 26: Tongdas: Relative market share



Source: Company Data, Morgan Stanley Research

Exhibit 27: Tongdas: Relative profit share



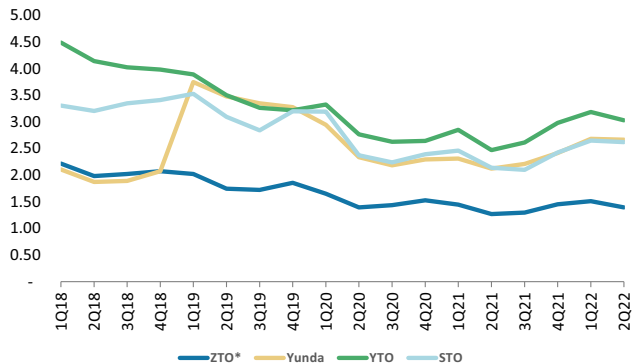
Source: Company Data, Morgan Stanley Research

YoY unit profit improvement sustained, except for Yunda

Unit recurring profit grew 29%, 240% and 189% YoY for ZTO, YTO and STO, respectively, while that for Yunda dropped 31% YoY. ZTO leads with a unit recurring profit of Rmb0.28 vs. Rmb0.20, Rmb0.02 and Rmb 0.03 for YTO, STO and Yunda, respectively, thanks to:

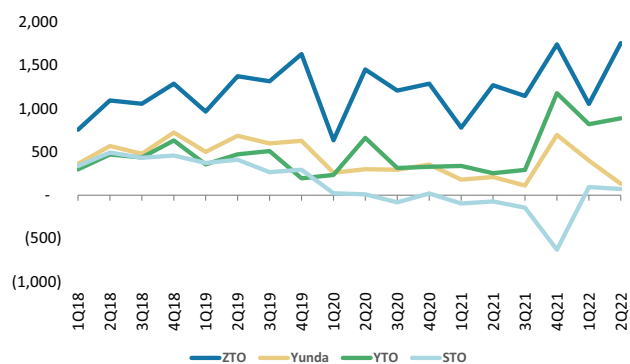
- stable pricing premium supported by service stability and quality;
- optimization of customer mix by removing unprofitable volumes;
- dynamic optimization of utilization and cost efficiency. ZTO's unit cost grew 6% YoY amid fuel and labor cost inflation, vs. +16%, +19% and +29% YoY for YTO, STO and Yunda, respectively.

Exhibit 28: Unit revenue (Rmb/parcel)



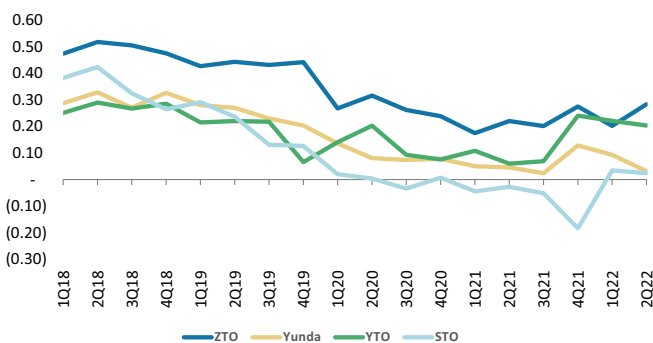
Source: Company data, Morgan Stanley Research

Exhibit 29: Quarterly total recurring net profit (Rmb mn)



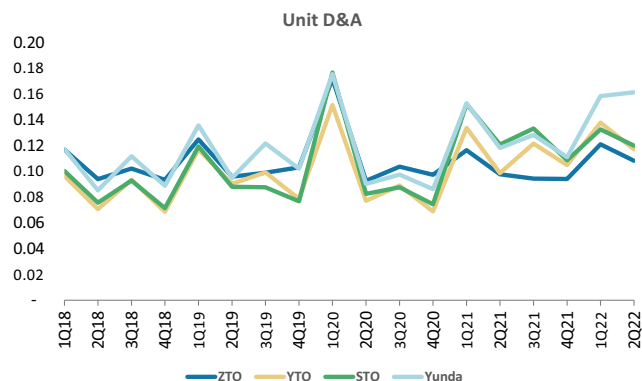
Source: Company data, Morgan Stanley Research

Exhibit 30: Unit recurring net profit (Rmb/parcel)



Source: Company data, Morgan Stanley Research

Exhibit 31: Asset utilization improved except for Yunda

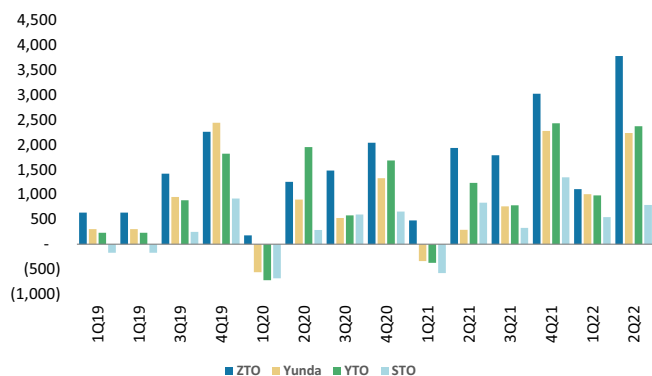


Source: Company Data, Morgan Stanley Estimates

All Tongda players' FCF turned positive in 2Q22

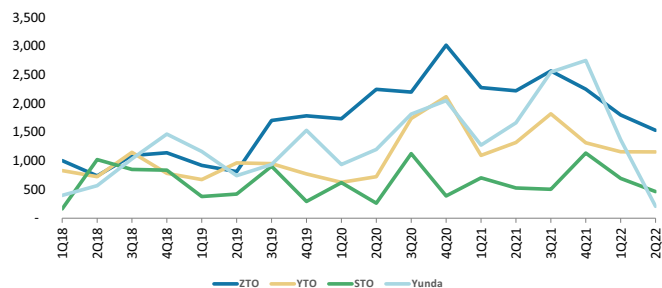
ZTO, YTO and Yunda's operating cash flow increased 96%, 93% and 671% YoY, respectively, in 2Q22, due mainly to ASP hikes. STO underperformed with a 5% YoY drop in operating cash flow. 2Q22 capex was down 31%, 13%, 12% and 88% YoY for ZTO, YTO, STO and Yunda, respectively, partly due to the delay in capital spending amid lockdowns during the quarter. According to YTO and ZTO, capex will gradually drop from 2022 in 2023 and 2024, respectively.

Exhibit 32: Tongda players' quarterly OCF (Rmb mn)



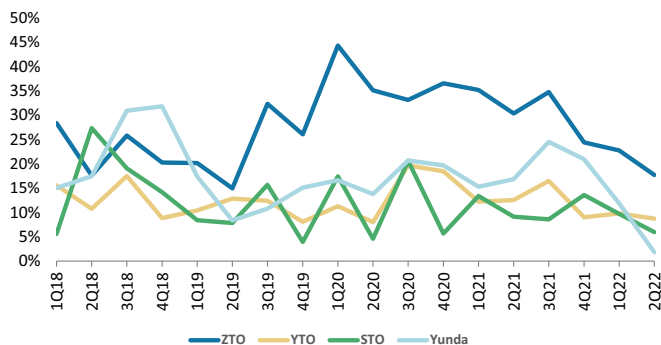
Source: Company data, Morgan Stanley Research

Exhibit 33: Tongda players' quarterly capex (Rmb mn)



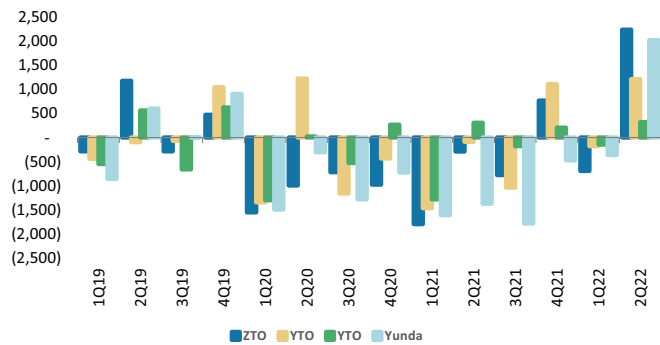
Source: Company data, Morgan Stanley Research

Exhibit 34: Tongda players' quarterly capex/sales ratio



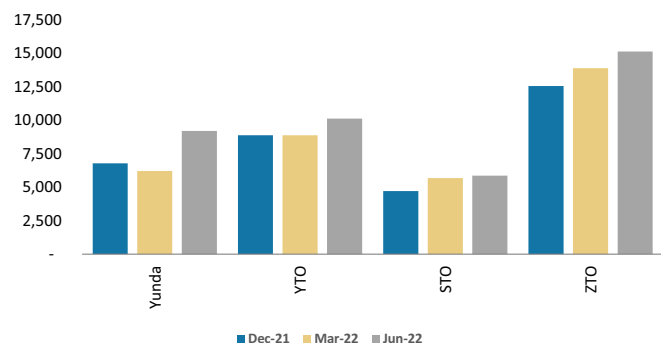
Source: Company data, Morgan Stanley Research

Exhibit 35: Tongda players' quarterly free cash flow (Rmb mn)



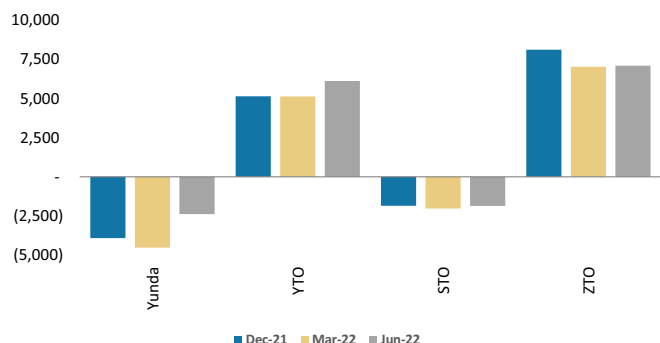
Source: Company data, Morgan Stanley Research

Exhibit 36: Tongda players' cash balances (Rmb mn)



Source: Company data, Morgan Stanley Research
Note: Including short-term wealth management product investment.

Exhibit 37: Tongda players' net cash



Source: Company data, Morgan Stanley Research
Note: Including short-term wealth management product investment.

STO: Financial Summary

Exhibit 38: STO: Financial Summary, 2020-24E

Income Statement	2020	2021	2022E	2023E	2024E	Ratio Analysis	2020	2021	2022E	2023E	2024E
Express Service	21369	24598	33111	38185	41482	Growth (%)					
Material Sales	117	106	112	117	123	Express Service	(6.9)	15.1	34.6	15.3	8.6
Others	121	118	354	354	354	Material Sales	5.3	(9.3)	5.0	5.0	5.0
Total Sales	21,566	25,255	33,576	38,656	41,959	Others	246.6	(2.9)	200.0	-	-
Operating Cost	20,840	24,667	32,025	36,884	40,048	Total Sales	(6.6)	17.1	32.9	15.1	8.5
Gross Profit	726	588	1,551	1,772	1,911	Gross Profit	(70.0)	(19.1)	163.9	14.3	7.8
Business Tax and Surcharges	34	52	69	79	86	Operating Profit	(106.9)	239.9	(210.5)	28.9	19.6
Sales Expenses	145	155	189	199	195	Pre-tax Income	(98.8)	(4,904.8)	(145.9)	28.0	21.7
Administration Expenses	630	675	864	956	996	Net Income for Common Shareholders	(102.3)	2,943.8	(139.8)	23.7	21.6
Impairment Loss	25	50	50	50	50	EBITDA	(67.0)	49.2	94.4	15.9	11.5
Operating Profit	(107)	(344)	380	489	585	EPS Diluted	(102.3)	2,943.8	(139.8)	23.7	21.6
Total Finance Expense/(income)	(16)	156	183	160	123	Margins (%)					
Investment Income	(4)	16	4	6	7	Gross Margin	3.4	2.3	4.6	4.6	4.6
Other Non-Operating Income	98	(516)	300	300	300	EBITDA margin	3.4	4.4	6.4	6.4	6.6
Other Non-Operating Expense	(18)	48	20	20	20	Operating Margin	(0.5)	(1.4)	1.1	1.3	1.4
Pre-tax Income	22	(1,048)	481	615	749	Net profit Margin	(0.1)	(3.7)	1.1	1.2	1.3
Less: Taxes	40	(102)	108	154	187	Return (%)					
Less: Minority Interests	13	(3)	(3)	(3)	(3)	ROE	(0.3)	(11.3)	4.7	5.5	6.3
Net Income for Common Shareholders	(31)	(943)	375	464	565	ROA	(0)	(5)	2	2	3
EBITDA	741	1,106	2,150	2,491	2,778	Gearing					
EPS Diluted	(0.02)	(0.62)	0.25	0.30	0.37	Net Debt/Equity (%)	8.85	33.24	29.14	23.59	17.56
						Long-term debt/equity (%)	-	2	2	2	2
						Total debt/equity (%)	38.48	61.79	58.96	55.80	52.39
						Net Interest Coverage (x)	(45)	7	12	16	23
Balance Sheet	2020	2021	2022E	2023E	2024E	Unit Analysis					
Net Fixed Asset	5,506	6,408	7,224	7,839	8,257	Volume	8,818	11,079	12,901	15,311	17,116
Others	3,641	5,260	5,350	4,975	4,402	Revenue	2.42	2.26	2.57	2.49	2.42
Total Non-current Assets	9,147	11,668	12,574	12,814	12,659	Operating cost	2.35	2.21	2.45	2.38	2.31
Bank and Cash	2,604	2,235	2,446	2,792	3,216	Gross profit	0.07	0.05	0.12	0.11	0.11
Other current asset	4,201	4,864	5,289	5,550	5,720	Recurring net profit	0.00	(0.08)	0.03	0.03	0.03
Total Current Assets	6,804	7,099	7,735	8,342	8,935	Growth (%)					
Short-term Debt	2,368	3,672	3,672	3,672	3,672	Volume	20%	26%	16%	19%	12%
Other current liabilities	3,660	4,637	5,856	6,493	6,793	Revenue	-22%	-7%	14%	-3%	-3%
Total Current Liabilities	6,028	8,309	9,528	10,165	10,465	Operating cost	-16%	-6%	11%	-3%	-3%
Long-Term Debt	-	150	150	150	150	Gross profit	-78%	-34%	157%	-4%	-4%
Other Long-Term liabilities	1,082	2,431	2,382	2,130	1,707	Recurring net profit	-98%	-2092%	-135%	4%	9%
Net Asset	8,841	7,877	8,250	8,711	9,273	Model Valuation (x)					
Shareholders' Equity	8,790	7,828	8,203	8,668	9,233	P/E (Basic, rep't)	NM	NM	50.5 e	40.8 e	33.6 e
Minority Interests	51	49	46	43	40	P/BV (Basic, rep't)	1.8	1.8	2.3 e	2.2 e	2.1 e
Capital Employed	8,841	7,877	8,250	8,711	9,273	EV/EBITDA (Basic, rep't)	17.9	12.9	8.5 e	7.1 e	6.2 e
						Dividend Yield (Basic, rep't) (%)	0.0%	0.0%	0.0% e	0.0% e	0.0% e
Cash Flow Statement	2020	2021	2022E	2023E	2024E						
Net Income	49	(911)	373	461	562						
Depreciation & Amortization	823	1,400	1,721	1,952	2,143						
Loss/(Gain) on Disposal of Assets	30	41	-	-	-						
Other non-cash item	(17)	788	225	224	223						
Gross Cash Flow	884	1,317	2,318	2,637	2,928						
Capex	(2,398)	(2,873)	(2,463)	(2,001)	(1,745)						
Change in working capital	(31)	603	745	124	(293)						
Sale of fixed assets/investments	4,841	10,669	-	-	-						
Free cash flow	3,296	9,716	600	760	890						
Shares issuance	-	-	-	-	-						
Dividend paid	(215)	(144)	-	-	-						
Net borrowings/repayment	2,135	1,475	-	-	-						
Others	(5,823)	(11,996)	(389)	(414)	(466)						
Net cash flow	(607)	(949)	211	346	424						
Beginning cash	3,211	2,604	2,235	2,446	2,792						
Ending cash	2,604	1,655	2,446	2,792	3,216						

Source: Company Data, Morgan Stanley Research Estimates

Risk Reward – STO Express Co Ltd (002468.SZ)

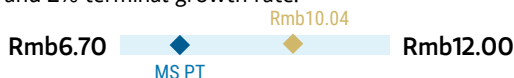
Market share loss amid sustained competition; UW

PRICE TARGET Rmb7.80

Derived from probability-weighted DCF valuation scenarios: 10% bull case, 70% base case, 20% bear case. Our weightings reflect a lower probability of STO growing more aggressively than our base case expectation, and a higher likelihood that it will lose more market share to peers.

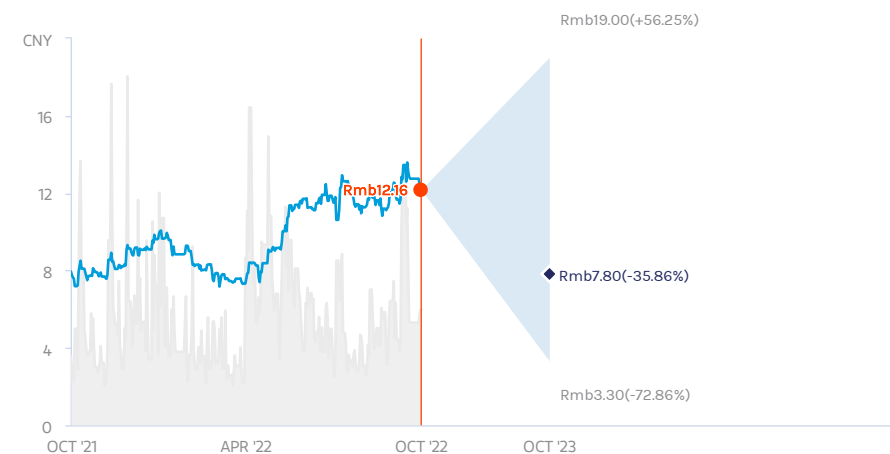
Key assumptions: 0.65x beta, 9.8% WACC and 2% terminal growth rate.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



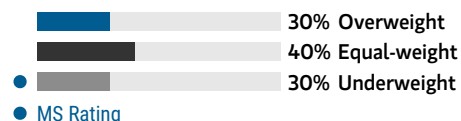
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

UNDERWEIGHT THESIS

- We think STO's market share will increase to 11% in 2022, before decreasing to 10.7% in 2023 and 10.4% in 2024.
- We see sustained earnings and cash flow pressure for STO.
- Our price target implies 25.7x 2023e P/E, lower than its domestic peers' average of 41x.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Disruption: *Negative*
Pricing Power: *Negative*
Market Share: *Negative*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

Rmb19.00

63x 2023e P/E

Revenue growth: 37.9%/20.1%/13.5% in 2022e/2023e/2024e. EBIT margin: 2%/2.1%/2.3% in 2022e/2023e/2024e. Volume grows faster than in our base case, mainly due to more support from BABA. ASP decreases less significantly, thanks to alleviated price competition. Margins higher than in our base case, driven by better-than-expected cost efficiency.

BASE CASE

Rmb7.50

25x 2023e P/E

Revenue growth: 32.9%/15.1%/8.5% in 2022e/2023e/2024e. EBIT margin: 1.0%/1.1%/1.3% in 2022e/2023e/2024e. Volume grows 16%/19%/12% in 2022e/2023e/2024e, with market share slightly increasing from 10.2% in 2021 to 10.4% in 2024. Express ASP (including delivery fee) changes by +13.6%/-2.8%/-2.8% in 2022e/2023e/2024e, led by ongoing price-based competition.

BEAR CASE

Rmb3.30

11x 2023e P/E

Revenue growth: 24.9%/7.1%/3.5% in 2022e/2023e/2024e. EBIT margin: 0.0%/+0.1%/+0.3% in 2022e/2023e/2024e. Lower volume growth and more severe ASP decline, led by more intense industry competition. More margin dilution as a result of cost inflation.

Risk Reward – STO Express Co Ltd (002468.SZ)

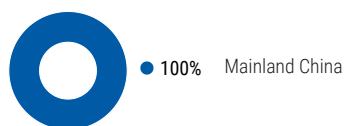
KEY EARNINGS INPUTS

Drivers	2021	2022e	2023e	2024e
Express volume growth (%)	25.6	16.4	18.7	11.8
Express ASP growth (%)	(6.6)	13.6	(2.8)	(2.8)
Express unit cost growth (%)	(5.8)	10.6	(2.8)	(2.8)

INVESTMENT DRIVERS

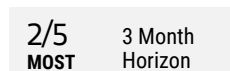
- Volume growth
- ASP trend
- Unit cost and margins

GLOBAL REVENUE EXPOSURE



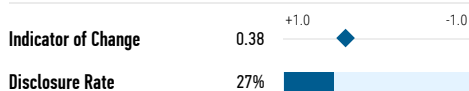
Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS



Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

SUSTAINABILITY & ESG



RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster-than-expected market share recovery.
- Significant cost reduction led by increasing self-owned line-haul trucks and automation.

RISKS TO DOWNSIDE

- Further loss of market share.
- Higher unit costs.
- Stress on cash flow.

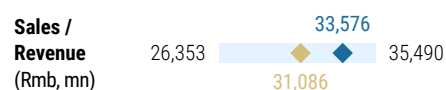
OWNERSHIP POSITIONING



Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2022e



◆ Mean ◆ Morgan Stanley Estimates
Source: Refinitiv, Morgan Stanley Research

JDL: Financial Summary

Exhibit 39: JDL: Financial Summary, 2020-24E

Profit & Loss (Rmb mn)						Ratio Analysis					
	2020	2021	2022E	2023E	2024E		2020	2021	2022E	2023E	2024E
Total revenue	73,375	104,093	132,434	181,365	208,452	Growth (%)					
From integrated supply chain customers	55,620	71,054	77,034	86,020	96,336	Total Revenue	47.2	42.7	26.5	36.9	14.9
From other customers	17,755	33,639	55,400	95,345	112,116	From integrated supply chain customers	32.9	27.8	8.4	11.7	12.0
Cost of Revenue	(67,081)	(98,909)	(122,648)	(164,670)	(188,137)	From other customers	121.7	89.5	64.7	72.1	17.6
Employee benefit expenses	(26,061)	(35,782)	(44,615)	(61,382)	(69,908)	Cost of Revenue	44.5	47.4	24.0	34.3	14.3
Outsourcing cost	(26,087)	(40,357)	(49,064)	(66,285)	(75,143)	Employee benefit expenses	32.3	37.3	24.7	37.6	13.9
Rental cost	(6,590)	(9,456)	(10,545)	(12,052)	(14,069)	Outsourcing cost	60.0	54.7	21.6	35.1	13.4
Depreciation and amortization	(1,419)	(1,885)	(2,530)	(3,187)	(4,003)	Rental cost	41.7	43.5	11.5	14.3	16.7
Others	(6,524)	(11,430)	(15,892)	(21,764)	(25,014)	Gross Profit	83.4	48.1	69.2	70.6	21.7
Gross Profit	6,294	5,794	9,786	16,695	20,315	SG&A	23.3	57.8	24.7	52.7	11.2
Selling and marketing expense	(1,816)	(3,078)	(4,105)	(5,894)	(6,566)	Operating Profit	-169.8	-499.5	-61.7	-100.8	18,355.9
R&D expense	(2,054)	(2,813)	(3,112)	(4,262)	(4,794)	Profit Before Tax	87.4	285.3	-93.6	-130.1	535.1
General and admin expense	(1,679)	(2,867)	(3,708)	(6,529)	(7,192)	Net Profit, Reported	80.4	287.9	-93.0	-126.8	535.1
Operating Profit	745	(2,975)	(1,140)	19	1,763	Net Profit, Non-IFRS	-294.2	-168.3	-129.7	417.9	91.5
Other income	543	896	655	955	955	Adj. EBIT	-486.3	-109.5	-546.7	160.9	74.4
Finance income	264	234	301	284	282	Adj. EBITDA	124.9	1.0	31.5	27.9	25.7
Finance expense	(1,455)	(719)	(817)	(947)	(1,088)	Diluted EPS (Rmb)	84.9	203.2	-94.7	-141.9	347.9
Other non-operating expense (income)	(5,146)	(13,036)	(301)	(1,763)	(1,763)	Adjusted EPS (Rmb)	-294.0	-154.0	-122.4	417.9	91.5
Profit Before Tax	(4,049)	(15,600)	(1,000)	301	1,913	Margins (%)					
Taxation Expense (credit)	12	(60)	(100)	(6)	(38)	Gross profit margin	8.6	5.5	7.4	9.2	9.7
Net Profit, Reported	(4,037)	(15,661)	(1,100)	295	1,874	EBITDA margin	3.1	(0.2)	0.7	1.4	2.1
(*) Minority interest	97	181	24	(175)	(232)	Operating margin	1.0	(2.8)	(0.9)	0.0	0.8
Net Profit Attributable to Owners of the Company	(4,134)	(15,842)	(1,124)	470	2,107	Return (%)					
Net Profit, Non-IFRS	1,795	(1,228)	364	1,886	3,613	ROE	(72.1)	(6.5)	0.8	3.6	6.6
Adj. EBIT	2,306	(219)	980	2,356	4,456	ROA	3.8	(1.9)	0.4	1.9	3.2
Adj. EBITDA	7,503	7,575	9,960	12,737	16,006	Gearing (%)					
Diluted EPS (Rmb)	(1.05)	(3.19)	(0.17)	0.07	0.32	Net debt/equity	(0.5)	NA	NA	NA	NA
Adjusted EPS (Rmb)	0.46	(0.25)	0.06	0.29	0.55	Long-term debt/equity	(271.1)	23.3	21.7	24.4	26.4
						Total debt/equity	(430.7)	37.6	35.0	39.4	42.6
						Net interest coverage (x)	5.1	NA	1.2	2.7	4.1
Balance Sheet (Rmb mn)	2020	2021	2022E	2023E	2024E	Operating Data	2020	2021	2022E	2023E	2024E
Net fixed assets	6,652	8,875	11,510	15,410	19,536	No. of external integrated supply chain custs	52,666	74,602	72,364	79,600	89,152
Others	18,931	22,519	36,963	40,459	43,947	ARPC (in Rmb)	313	341	393	416	441
Total non-current assets	25,583	31,394	48,473	55,869	63,484	Growth (%)					
Cash & other liquid assets	10,940	28,921	25,987	22,825	22,053	No. of external integrated supply chain custs	31.9	41.7	(8.0)	10.0	12.0
Non-cash assets	18,200	16,480	21,347	28,611	32,637	Modelware Valuation (x)	2020	2021E	2022E	2023E	2024E
Total current assets	29,140	45,401	46,333	51,436	55,290	P/E	NA	NM	218.7 e	42.2 e	22.0 e
Short-term debt	4,619	5,764	6,808	7,941	9,164	P/BV	NA	3.5	1.7 e	1.6 e	1.5 e
Other current liabilities	21,720	18,782	23,284	30,912	35,550	EV/Sales	NA	1.2	0.6 e	0.5 e	0.4 e
Total current liabilities	26,339	24,546	30,092	38,854	44,714	EV/EBIT	NA	NM	79.6 e	32.4 e	19.3 e
Other long-term liabilities	23,433	2,451	2,451	2,451	2,451	Dividend Yield (%)	NA	NA	NA	NA	NA
Total non-current liabilities	31,278	11,860	13,565	15,415	17,412	MW ROE (%)	NM	NM	(3.0) e	1.0 e	4.3 e
Net Assets	(2,894)	40,389	51,150	53,096	56,448						
Shareholders equity	(5,142)	37,938	46,875	48,937	52,781						
Minority interests	2,248	2,451	4,275	4,099	3,867						
Capital Employed	(2,894)	40,389	51,150	53,096	56,448						
Cash Flow Statement (Rmb mn)	2020	2021	2022E	2023E	2024E						
Net profit/(loss)	(4,037)	(15,661)	(1,100)	295	1,874						
Depreciation and amortisation	5,196	7,795	8,981	10,182	11,550						
Fair value change	4,793	12,531	-	-	-						
Share-based payments	878	1,447	1,465	1,591	1,737						
Other non-cash items	644	891	1,017	1,060	1,242						
Operating cash flow before movement in working capital	7,473	7,004	10,362	13,128	16,404						
Capex	(4,705)	(4,209)	(15,110)	(7,394)	(8,499)						
(Payment)/maturity of restricted cash, deposits and financial a	(4,097)	(7,033)	-	-	-						
Change in working capital	2,728	(796)	(1,002)	(512)	(65)						
Sale of fixed assets/investments	70	85	102	140	161						
Net cash used in operating and investing activities	1,469	(4,950)	(5,648)	5,361	8,001						
Shares issuance	443	23,011	8,596	(0)	(0)						
Dividend and interests paid	(424)	(670)	(817)	(947)	(1,088)						
Net borrowings/repayment	(686)	(100)	-	-	-						
Principal portion of lease payments	(3,055)	(5,011)	(5,960)	(6,470)	(6,980)						
JD Group	(20)	(565)	-	-	-						
Others	(655)	(139)	(106)	(106)	(106)						
Net cash flow	(2,927)	11,576	(3,934)	(2,161)	(172)						
Beginning cash	9,274	6,347	17,923	13,988	11,827						
Ending cash	6,347	17,923	13,988	11,827	11,655						

Source: Company Data, Morgan Stanley Research Estimates

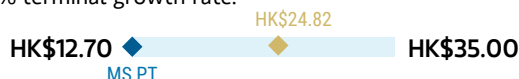
Risk Reward – JD Logistics, Inc. (2618.HK)

Promising top-line growth, uncertain margin outlook; EW

PRICE TARGET HK\$12.70

Discounted cash flow, probability-weighted 15% bull case, 70% base case, 15% bear case. We see a mild probability that our bull case plays out if JDL is able to raise its margins faster than expected. We also see a mild probability that our bear case plays out if JDL continues to sacrifice profits to achieve revenue growth. Key DCF assumptions: 17.3% WACC and 3% terminal growth rate.

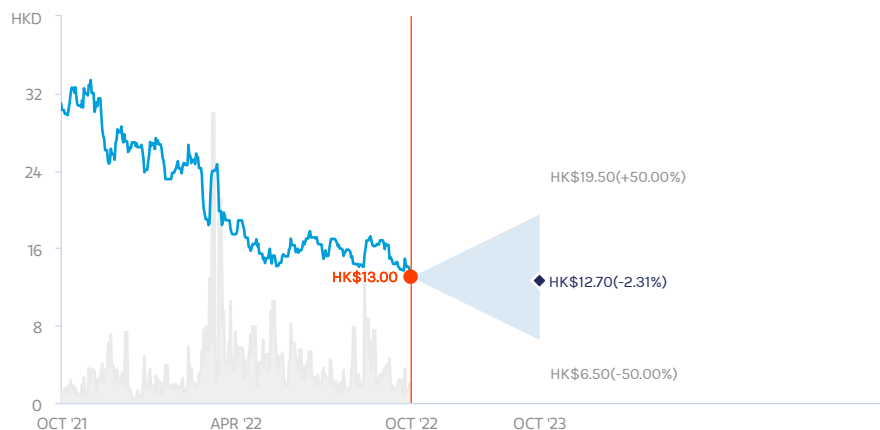
Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

RISK REWARD CHART



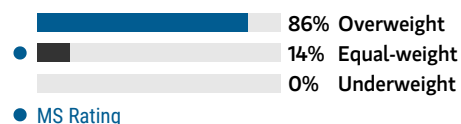
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

EQUAL-WEIGHT THESIS

- We like JDL's strong top-line growth potential, led by its market share gains.
- However, we are uncertain on how fast and to what extent JDL can expand its margins.
- We prefer to anchor its valuation by earnings multiples instead of sales multiples because of the limited visibility on JDL's medium- to long-term profitability.
- Our price target implies 20x 2024e P/E, higher than its international peers in view of JDL's faster revenue growth.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

- Disruption: *Negative*
- Market Share: *Positive*
- Pricing Power: *Negative*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

HK\$19.50

31x 2024e P/E

Revenue growth of 28%, 39% and 17% and adjusted EBIT margins of 2.7%, 3.4% and 4.1% for 2022e, 2023e and 2024e, respectively: We assume 1) integrated supply-chain logistics services grow faster than in our base case, leveraging the sustained support from JD.com as well as advanced technology innovations, and 2) synergies with Deppon quickly ramp up and start to bear fruit for JDL in the expansion of its freight network.

BASE CASE

HK\$12.60

20x 2024e P/E

Revenue from integrated supply-chain customers to rise at an 11% CAGR, from Rmb71.1bn in 2021 to Rmb96.3bn in 2024e: We forecast 1) revenue from JD Group to increase 7%/9%/8% YoY in 2022/23/24; 2) revenue from external customers to grow 12%/17%/19% YoY in 2022/23/24; 3) revenue from other customers to increase at a 49% CAGR, from Rmb33.6bn in 2021 to Rmb112.1bn in 2024, and 4) adjusted EBIT margins of 0.7%, 1.4% and 2.1% for 2022, 2023 and 2024, respectively.

BEAR CASE

HK\$6.50

10x 2024e P/E

Revenue growth of 24%, 35% and 13% and adjusted EBIT margins of -1.3%, -0.6% and 0.1% for 2022e, 2023e and 2024e, respectively: We assume that JDL is tied down by 1) increasing costs on both warehouses and line-haul transportation due to the lack of core infrastructure compared with peers, and 2) limited access to data from other platforms except JD.com while traditional retailers deter JDL's further business expansion.

Risk Reward – JD Logistics, Inc. (2618.HK)

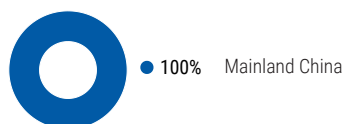
KEY EARNINGS INPUTS

Drivers	2021	2022e	2023e	2024e
Revenue growth (%)	42.7	26.5	36.9	14.9
Adjusted EBIT Margin (%)	(0.2)	0.7	1.4	2.1

INVESTMENT DRIVERS

- External revenue growth
- Growth of labor and outsourcing costs
- GP margin and OP margin

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

RISKS TO PT/RATING

RISKS TO UPSIDE

- Better-than-expected revenue growth driven by market share gains
- Higher-than-expected margins, thanks to improved bargaining power

RISKS TO DOWNSIDE

- Slower-than-expected revenue growth due to soft demand if the Covid-19 resurgence in China cannot be effectively controlled
- Inability to pass through cost inflation to customers, or to offset cost inflation with efficiency gains

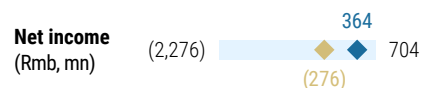
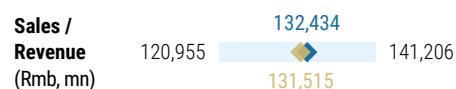
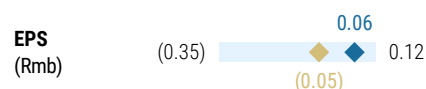
OWNERSHIP POSITIONING

Inst. Owners, % Active 80.8%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2022e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Deppon: Financial Summary

Exhibit 40: Deppon: Financial Summary, 2020-24E

Income Statement (Rmb mn)	2020	2021	2022E	2023E	2024E
Freight	10,048	10,678	9,610	10,764	11,683
Express Logistics	16,662	19,733	21,157	25,553	29,092
Others	794	948	929	1,161	1,393
Total Sales	27,503	31,359	31,696	37,478	42,168
Less: Total Cost of Sales	(24,296)	(28,028)	(28,412)	(33,483)	(37,550)
Gross Profit	3,207	3,331	3,284	3,994	4,618
Less: SG&A Expenses (Incl. Impairment)	2,862	3,452	3,005	3,497	3,871
Operating Profit	346	(121)	279	498	747
Less: Total Finance Expense	(98)	(169)	(214)	(179)	(159)
Investment Income	28	6	6	6	7
Other Non-Operating Income (Expense)	(195)	(339)	(388)	(315)	(272)
Pre-tax Income	276	(284)	112	368	640
Less: Taxes	64	(75)	19	92	160
Income After Tax	212	(209)	93	276	480
Less: Minority Interests	(1)	1	-	-	-
Net Income for Common Shareholders	564	143	443	626	830
EBITDA	1,487	2,642	2,743	3,138	3,567
EPS (Rmb)	0.22	(0.20)	0.09	0.27	0.47

Balance Sheet (Rmb mn)	2020	2021	2022E	2023E	2024E
Net Fixed Assets	3,391	4,858	5,219	5,456	5,461
Others	1,504	5,397	5,385	5,354	5,313
Total Non-current Assets	4,895	10,255	10,604	10,810	10,775
Cash & Equivalents	1,387	1,162	1,145	1,227	1,774
Non-cash Assets	3,909	4,255	4,277	5,054	5,683
Total Current Assets	5,297	5,416	5,422	6,281	7,457
Total Assets	10,191	15,671	16,026	17,091	18,232
Short-term Debt	1,169	2,443	2,787	2,630	2,473
Other Current Liabilities	3,955	5,352	5,002	5,670	6,206
Total Current Liabilities	5,125	7,796	7,788	8,300	8,679
Long-term Debt	-	1	1	1	1
Other Long-term Liabilities	443	1,679	1,599	1,525	1,457
Total Non-current Liabilities	443	1,680	1,599	1,525	1,458
Total Liabilities	5,567	9,475	9,387	9,826	10,137
Shareholders' Equity	4,624	6,198	6,641	7,267	8,097
Minority Interests	-	-	-	-	-
Total Liabilities & SE	10,191	15,671	16,026	17,091	18,232

Cash Flow Statement (Rmb mn)	2020	2021	2022E	2023E	2024E
Income After Tax	565	142	443	626	830
Depreciation and amortisation	1,142	1,235	1,455	1,715	1,970
Profit/(loss) on asset disposals	(16)	(27)	-	-	-
Other non-cash items	169	1,616	1,159	1,053	967
Gross cash flow	1,860	2,965	3,057	3,394	3,767
Capex	(1,816)	(3,147)	(2,813)	(2,847)	(2,784)
Change in working capital	(87)	(563)	(454)	(181)	(162)
Sale of fixed assets/investments	209	359	6	6	7
Free cash flow	166	(386)	(204)	372	827
Shares issuance	-	605	-	-	-
Dividend and interests paid	(91)	(278)	-	-	-
Net borrowings/repayment	9	1,573	343	(157)	(157)
Others	8	(1,742)	(156)	(133)	(123)
Net cash flow	92	(229)	(17)	82	547
Beginning cash	1,317	1,387	1,162	1,145	1,227
Ending cash	1,387	1,162	1,145	1,227	1,774
Cash and Cash Equivalents on BS	1,387	1,162	1,145	1,227	1,774

Ratio Analysis	2020	2021	2022E	2023E	2024E
Growth (%)					
Freight	(6.5)	6.3	(10.0)	12.0	8.5
Express Logistics	13.6	18.4	7.2	20.8	13.9
Others	55.8	19.4	(2.0)	25.0	20.0
Total Sales	6.1	14.0	1.1	18.2	12.5
Gross Profit	24.6	3.9	(1.4)	21.6	15.6
Operating Profit	144.8	(135.0)	(331.2)	78.2	50.2
Pre-tax Income	735.4	(203.1)	(139.5)	228.2	73.9
Net Income for Common Shareholders	74.4	(74.7)	210.2	41.3	32.6
EBITDA	36.1	77.6	3.8	14.4	13.7
EPS (Rmb)	473.4	(192.1)	(144.8)	196.6	73.9
Margins (%)					
Gross Margin	11.7	10.6	10.4	10.7	11.0
EBITDA margin	5.4	8.4	8.7	8.4	8.5
Operating Margin	1.3	(0.4)	0.9	1.3	1.8
Net profit Margin	2.1	0.5	1.4	1.7	2.0
Return (%)					
ROE	13.0	2.6	6.9	9.0	10.8
ROA	5.9	1.1	2.8	3.8	4.7
Gearing (%)					
Net Debt/Equity (%)	NC	56.0	55.0	44.7	29.6
Net Interest Coverage (x)	(5.7)	0.9	(1.8)	(3.7)	(6.1)
Operating Data	2020	2021	2022E	2023E	2024E
Volume (mn)					
Express	564	702	760	927	1,067
Freight	33	34	31	35	37
Total Volume	597	736	791	962	1,104
Weight (mt)					
Freight	7.5	7.8	7.0	7.8	8.5
Unit Revenue					
Express (Rmb/unit)	29.54	28.11	27.83	27.55	27.28
Freight (Rmb/unit)	302	311	314	317	320
Freight (Rmb/kg)	1.33	1.38	1.38	1.38	1.38
Recurring Net Profit	0.35	(0.28)	0.12	0.29	0.44
Growth (%)					
Volume/Weight					
Express (mn)	8	24	8	22	15
Freight (mt)	(3)	3	(10)	12	8
Unit Revenue					
Express (Rmb/unit)	5	(5)	(1)	(1)	(1)
Freight (Rmb/kg)	(4)	3	-	-	0
Recurring Net Profit	432	(180)	(142)	144	52
Modelware Valuation (x)	2020	2021	2022E	2023E	2024E
P/E	57.6	NM	184.7 e	62.3 e	35.8 e
P/BV	2.6	1.7	2.6 e	2.4 e	2.1 e
EV/EBITDA	8.0	5.3	7.6 e	6.5 e	5.5 e
Dividend Yield (%)	1.3%	0.0%	0.0% e	0.0% e	0.0% e
FCF Yield (%)	(4.4%)	(8.7%)	(2.8%) e	0.5% e	3.1% e
MW ROE (%)	5.2%	(4.5%)	1.5% e	4.2% e	6.6% e

Source: Company Data, Morgan Stanley Research Estimates

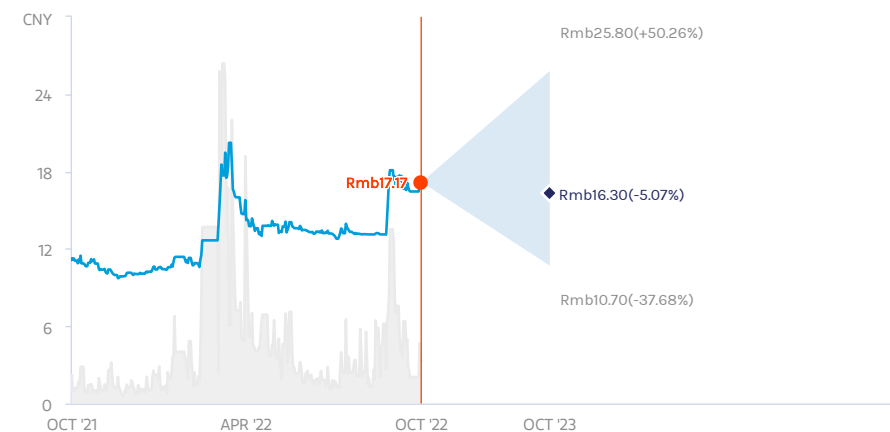
Risk Reward – Deppon Logistics Co Ltd (603056.SS)

Operating pressure to continue; UW

PRICE TARGET Rmb16.30

Derived from probability-weighted DCF valuation scenarios: 10% bull case, 80% base case, 10% bear case.
Key assumptions: 0.6x beta, 7.8% WACC and 1% terminal growth rate.

RISK REWARD CHART



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

UNDERWEIGHT THESIS

- We see cyclical pressure from slower revenue growth and cost inflation for the freight industry.
- We think management's strategy revisions and internal management reforms will take time to translate into operational and financial improvement.
- Collaboration with JDL will lower the downside risks for Deppon.

Risk Reward Themes

Pricing Power: *Negative*
Secular Growth: *Negative*
Market Share: *Negative*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

Rmb25.80

96x 2023e P/E

Revenue growth of 2.1%, 19.2% and 13.5% and EBIT margins of 2.1%, 2.5% and 3.0% in 2022e, 2023e and 2024e, respectively. Our bull case assumes a significant recovery in the freight segment in terms of volume (tonnage) and unit revenue, led mainly by successful expansion of the LTL Premium business. Better express volume growth driven by healthy demand growth in the large parcel business. Significant margin expansion led by improving cost efficiency brought by capacity upgrades.

BASE CASE

Rmb15.80

59x 2023e P/E

Revenue growth of 1.1%, 18.2% and 12.5% and EBIT margins of 0.9%, 1.3% and 1.8% in 2022e, 2023e and 2024e, respectively. We expect revenue growth to be led by 2021-24 CAGRs of 13.8%, 3.0% and 13.7%, respectively, in express, freight and other segments. Specifically, we assume express market share (by volume) to remain at 0.7% in 2022-24 as express ASP declines 1.0% p.a.

BEAR CASE

Rmb10.70

40x 2023e P/E

Revenue growth of -0.4%, 16.7% and 11% and EBIT margins of 0.4%, 0.8% and 1.3% in 2022e, 2023e and 2024e, respectively. Our bear case incorporates lower volume growth and ASP declines resulting from intensified industry competition in express and freight. Lower EBIT margins for 2022-24e owing to significant cost pressures (transportation, labor, rental costs, etc.).

Risk Reward – Deppon Logistics Co Ltd (603056.SS)

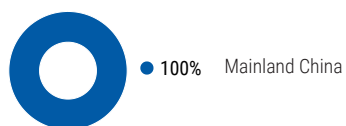
KEY EARNINGS INPUTS

Drivers	2021	2022e	2023e	2024e
Total volume growth (%)	23.3	7.4	21.6	14.7
Total ASP growth (%)	(7.5)	(5.9)	(2.8)	(1.9)
Total unit cost growth (%)	(6.4)	(5.7)	(3.1)	(2.3)

INVESTMENT DRIVERS

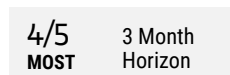
- Volume growth and market share increases.
- Improving ASP trend.
- Lower unit costs and higher margins.

GLOBAL REVENUE EXPOSURE



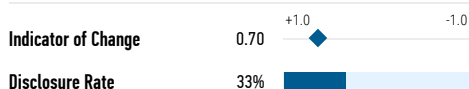
Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS



Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

SUSTAINABILITY & ESG



RISKS TO PT/RATING

RISKS TO UPSIDE

- Success in its express operations.
- Margin improvement.
- Positive sentiment within the A-share market.

RISKS TO DOWNSIDE

- Rapid market share loss.
- Cost overrun of express sector.

OWNERSHIP POSITIONING



Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2022e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

ZTO: Financial Summary

Exhibit 41: ZTO: Financial Summary, 2020-24E

Financial Summary						Ratio Analysis					
	2020	2021	2022E	2023E	2024E		2020	2021	2022E	2023E	2024E
Income Statement						Total revenue	14.0	20.6	19.3	24.2	19.8
Total revenue	25,214	30,406	36,285	45,060	53,959	Growth (YoY)					
Cost of revenues	19,377	23,816	27,583	33,547	39,513	Total revenue	14.0	20.6	19.3	24.2	19.8
Gross profit	5,837	6,589	8,702	11,512	14,446	Cost of revenues	25.1	22.9	15.8	21.6	17.8
SG&A	1,664	1,876	2,113	2,588	3,069	Gross profit	(11.8)	12.9	32.1	32.3	25.5
Other operating expenses, net	(581)	(790)	(800)	(880)	(968)	Operating profit	(13.0)	15.7	34.3	32.7	25.9
Operating profit	4,754	5,503	7,389	9,805	12,345	Pre-tax Income	(25.5)	14.0	34.3	31.4	26.3
Interest income	443	354	415	442	527	Net income - ordinary shareholder	(24.0)	10.3	30.2	31.3	26.3
Interest expense	(35)	(127)	(159)	(115)	(71)	Adj. EBITDA	(6.3)	16.0	32.1	25.5	22.8
Pre-tax Income	5,035	5,739	7,711	10,132	12,801	Adj. Net Income	(13.3)	7.8	28.2	30.5	25.9
Income tax expense	(690)	(1,005)	(1,542)	(2,026)	(2,560)	Adj. EPS (non-GAAP)	(14.9)	6.1	29.5	30.2	25.8
Net income b/f investment income (loss)	4,345	4,734	6,168	8,105	10,241	Margins (%)					
Share of investment income (loss)	(19)	(32)	(32)	(32)	(32)	Gross profit margin	23.1	21.7	24.0	25.5	26.8
Net Income	4,326	4,701	6,136	8,073	10,208	Adj. EBITDA margin	28.4	27.3	30.2	30.5	31.3
Net Loss (gain) - minority interests	(14)	54	54	54	54	Operating profit margin	18.9	18.1	20.4	21.8	22.9
Net income - ordinary shareholders	4,312	4,755	6,190	8,126	10,262	Adj. Net Income margin	18.2	16.3	17.5	18.4	19.3
Non-GAAP Measurements:						Return (%)					
Adj. EBITDA	7,155	8,301	10,967	13,761	16,904	ROE	11.3	9.7	12.7	15.2	17.3
Adj. Net Income	4,590	4,947	6,340	8,272	10,418	ROA	8.2	7.8	9.5	11.4	13.1
Adj. EPS (non-GAAP)	5.75	6.10	7.90	10.28	12.93	Adj. ROE	12.0	10.1	13.0	15.5	17.5
ModelWare EPS	5.40	5.86	7.71	10.10	12.74	Adj. ROA	8.7	8.1	9.7	11.7	13.3
Balance Sheet	2020	2021	2022E	2023E	2024E	Adj. ROE (excluding Cash)	20.9	15.9	17.6	20.3	23.1
Cash and cash equivalents	17,903	12,567	12,558	14,229	17,722	Gearing (%)					
Restricted Cash	133	28	28	28	28	Net cash / equity	(42.7)	(33.5)	(18.6)	(18.9)	(21.4)
Account receivables and others	4,288	6,072	6,868	8,188	9,524	Unit Analysis					
Total current assets	22,325	18,666	19,454	22,444	27,273	(Rmb/parcel)					
Investments in equity investors	3,224	3,730	3,684	3,652	3,619	Revenues (Rmb m)	25,214	30,406	36,285	45,060	53,959
Property and equipment, net	18,565	24,590	28,164	31,326	34,109	Volumes (mn parcels)	17,002	22,289	24,774	31,107	37,515
Land use rights, net	4,361	5,336	6,170	6,986	7,782	Unit express revenue	1.29	1.29	1.40	1.39	1.39
Goodwill	4,242	4,242	4,242	4,242	4,242	Unit cost of revenue	1.04	1.01	1.06	1.03	1.01
Other non-current assets	6,488	5,869	5,824	5,781	5,741	Unit GP	0.34	0.30	0.35	0.37	0.39
Total assets	59,205	62,772	67,537	74,430	82,766	Unit NP (non-GAAP)	0.28	0.25	0.30	0.32	0.33
Short term bank borrowings	1,433	3,459	2,459	1,459	459	YoY Chg (%)	0.27	0.22	0.26	0.27	0.28
Account payables, advances, etc	3,170	3,743	4,277	5,109	5,947	Revenues (Rmb m)	14.0	20.6	19.3	24.2	19.8
Other non-current assets	4,745	5,795	6,436	7,492	8,429	Volumes (mn parcels)	40.3	31.1	11.2	25.6	20.6
Total current liabilities	9,348	12,996	13,171	14,060	14,835	Unit express revenue	(20.4)	(0.1)	8.7	(0.5)	(0.3)
Deferred tax liabilities	255	292	292	292	292	Unit cost of revenue	(11.8)	(2.9)	5.3	(2.7)	(2.0)
Total liabilities	10,105	13,845	13,992	14,854	15,604	Unit GP	(37.1)	(13.9)	18.8	5.4	4.0
Total Shareholder's equity	48,979	48,637	53,309	59,393	67,033	Unit NP (non-GAAP)	(38.0)	(11.7)	20.8	5.7	4.4
Non controlling interests	121	290	237	183	130	Unit NP (non-GAAP)	(38.2)	(17.8)	15.3	3.9	4.4
Total equity	49,100	48,928	53,546	59,576	67,162						
Total Capital Employed	59,205	62,772	67,537	74,430	82,766						
Cash Flow Statement	2020	2021	2022E	2023E	2024E	MW Metrics	2020	2021	2022E	2023E	2024E
Net Income	4,326	4,701	6,136	8,073	10,208	EPS - period end	5.42	5.80	7.64	10.04	12.67
Share-based compensation	264	248	190	200	209	P/E GAAP	34.6	30.3	22.7	16.3	12.5
Depreciation and amortization	1,840	2,222	2,925	3,347	3,855	P/E Non-GAAP	31.2	29.4	22.2	16.0	12.4
Disposal losses (gains)	9	(23)	164	150	150	P/BV	3.2	3.0	2.7	2.4	2.1
Other non-cash items	(1,465)	454	32	32	32	EV/EBITDA	22.1	17.9	13.1	9.7	7.3
Gross cash flow	4,975	7,602	9,448	11,803	14,456	FCF Yield	-3.1%	-1.5%	1.9%	3.7%	5.7%
Capex, net	(9,440)	(9,897)	(6,949)	(7,282)	(7,395)	Dividend Yield	1.1%	0.9%	1.2%	1.7%	2.2%
Change in working capital	(24)	(382)	351	542	414	MW ROE	11.3%	9.7%	13.0%	16.6%	19.2%
Free cash flow	(4,489)	(2,677)	2,850	5,063	7,475						
Dividend paid	(1,649)	(1,354)	(1,708)	(2,242)	(2,831)						
Net borrowings / repayment	1,433	2,026	(1,000)	(1,000)	(1,000)						
Others	13,788	(2,585)	(150)	(150)	(150)						
Net cash flow	9,083	(4,591)	(8)	1,670	3,493						
Effect of exchange rates	(656)	(150)	(150)	(150)	(150)						
Beginning cash	5,277	14,360	9,769	9,761	11,431						
Ending cash	14,360	9,769	9,761	11,431	14,925						

Source: Company Data, Morgan Stanley Research Estimates

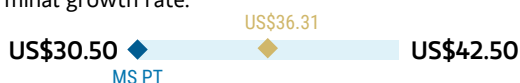
Risk Reward – ZTO Express (ZTO.N) Top Pick

Strong Earnings Growth Amid Macro Uncertainties, OW

PRICE TARGET US\$30.50

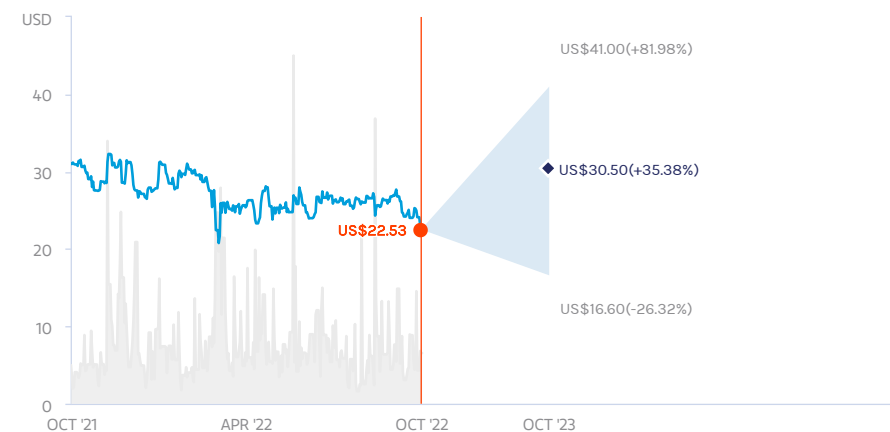
Discounted cash flow, probability-weighted 20% bull case, 75% base case, 5% bear case. Skew reflects ZTO's aggressive market share gain targets and fundamental advantages. We see a mild probability that our bear case could play out if there are significant disruptions to the competitive landscape from new players joining the industry. Key assumptions: 13.5% WACC and 3% terminal growth rate.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



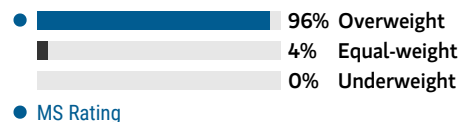
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- We expect bottom-line growth to be 28%, 30% and 26% in 2022, 2023 and 2024, respectively.
- We think ZTO is on the right track to expand its advantage over peers.
- We still think its established advantages in unit profit, scale, and service quality will bring ongoing capability to invest in capacity, to gain incremental volume.
- Its focus on network stability and profitability is likely to lead to higher earnings predictability and better service quality.
- Our price target implies 19x 2023e P/E (non-GAAP), vs. the domestic peer average of 41x.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

- Market Share: *Positive*
- Secular Growth: *Positive*
- Self-help: *Positive*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

US\$41.00

26x 2023e P/E

Revenue growth of 22%, 27% and 23% for 2022e, 2023e and 2024e, respectively, and adjusted EBIT margins of 22%, 23% and 24%. Express industry consolidates faster than expected, and ZTO takes significantly more market share than peers; stock re-rates to 26x P/E for 2023.

BASE CASE

US\$28.60

18x 2023e P/E

Revenue growth of 19%, 24% and 20% for 2022e, 2023e and 2024e, respectively, and adjusted EBIT margins of 21%, 22% and 23%. We expect industry volume momentum to continue with a three-year (2021-24) CAGR of 14%. We expect ZTO to expand its market share by 1.0ppt YoY in 2022-23, and by 1.1ppts YoY in 2024, given its more balanced network partner interests, better cost control, and higher service quality.

BEAR CASE

US\$16.60

10x 2023e P/E

Revenue growth of 15%, 20% and 16% for 2022e, 2023e and 2024e, respectively, and adjusted EBIT margins of 15%, 16% and 17%. Slower volume growth led by weaker-than-expected e-commerce demand; also greater-than-expected impact from Covid-19. Lower-than-expected adjusted EBIT margins for 2022-24, impaired by cost inflation in serving key accounts, as well as declining ASPs due to intensified price competition.

Risk Reward – ZTO Express (ZTO.N)

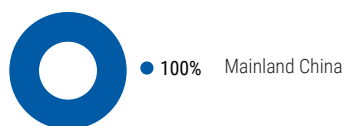
KEY EARNINGS INPUTS

Drivers	2021	2022e	2023e	2024e
Express volume growth (%)	31.1	11.2	25.6	20.6
Express ASP growth (%)	(0.1)	8.7	(0.5)	(0.3)
Express unit cost growth (%)	(2.9)	5.3	(2.7)	(2.0)

INVESTMENT DRIVERS

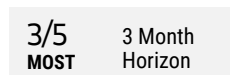
- Volume growth
- ASP trend
- Unit cost and margins

GLOBAL REVENUE EXPOSURE



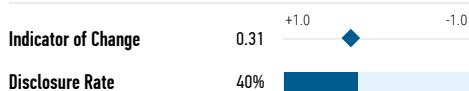
Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS



Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

SUSTAINABILITY & ESG



RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster market share expansion
- Better cost control
- Competitors losing momentum in market share gains

RISKS TO DOWNSIDE

- Smaller players successfully finance in the equity market and aggressively expand their capacity, leading price-based competition to resume earlier than expected for the segment
- Market volume growth being lower than expected
- Market consolidation being stagnant

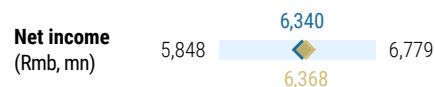
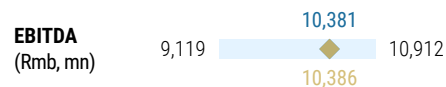
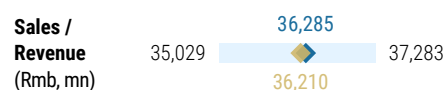
OWNERSHIP POSITIONING

Inst. Owners, % Active	77%	
HF Sector Long/Short Ratio	1.4x	
HF Sector Net Exposure	6.5%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2022e



◆ Mean ◆ Morgan Stanley Estimates
Source: Refinitiv, Morgan Stanley Research

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(as of September 30, 2022)

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To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	1342	38%	295	41%	22%	590	39%
Equal-weight/Hold	1582	45%	335	47%	21%	702	46%
Not-Rated/Hold	0	0%	0	0%	0%	0	0%
Underweight/Sell	610	17%	84	12%	14%	219	14%
TOTAL	3,534		714			1511	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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INDUSTRY COVERAGE: Hong Kong/China Transportation & Infrastructure

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/12/2022)
Qianlei Fan, CFA		
Air China Limited (601111.SS)	U (07/28/2022)	Rmb10.29
Air China Limited (0753.HK)	U (07/28/2022)	HK\$5.61
Beijing Capital Int'l Airport (0694.HK)	E (05/06/2021)	HK\$4.23
Beijing-Shanghai High-Speed Railway (601816.SS)	O (07/03/2020)	Rmb4.48
BOC Aviation (2588.HK)	O (03/21/2022)	HK\$50.10
Cathay Pacific Airways (0293.HK)	O (11/17/2020)	HK\$8.05
China Eastern Airlines (600115.SS)	U (07/28/2022)	Rmb4.86
China Eastern Airlines (0670.HK)	U (07/28/2022)	HK\$2.67
China Merchants Energy Shipping Co. Ltd. (601872.SS)	O (03/10/2020)	Rmb7.32
China Merchants Port Holdings (0144.HK)	O (10/15/2019)	HK\$9.52
China Southern Airlines (600029.SS)	U (07/28/2022)	Rmb6.46
China Southern Airlines (1055.HK)	U (07/28/2022)	HK\$4.06
COSCO SHIPPING Energy Transportation (1138.HK)	U (06/10/2022)	HK\$5.89
COSCO SHIPPING Energy Transportation (600026.SS)	U (06/04/2021)	Rmb16.30
COSCO Shipping Holdings Ltd (601919.SS)	U (10/06/2022)	Rmb11.33
COSCO Shipping Holdings Ltd (1919.HK)	U (10/06/2022)	HK\$9.04
COSCO SHIPPING Ports Limited (1199.HK)	E (08/29/2018)	HK\$4.24
Dada Nexus Limited (DADA.O)	O (09/23/2021)	US\$4.49
Daqin Railway Co. Ltd. (601006.SS)	E (10/10/2019)	Rmb6.76
Deppon Logistics Co Ltd (603056.SS)	U (11/21/2018)	Rmb17.17
Guangzhou Baiyun Int'l Airport (600004.SS)	E (08/06/2021)	Rmb13.54
Hainan Meilan International Airport (0357.HK)	O (07/09/2020)	HK\$15.26
JD Logistics, Inc. (2618.HK)	E (04/19/2022)	HK\$13.00
Juneyao Airlines Co Ltd (603885.SS)	U (05/06/2021)	Rmb14.58
Kerry Logistics Network (0636.HK)	E (11/10/2020)	HK\$11.74
Orient Overseas (International) Ltd (0316.HK)	U (10/05/2022)	HK\$129.20
Pacific Basin Shipping (2343.HK)	O (03/01/2021)	HK\$2.70
S.F. Holding Co Ltd (002352.SZ)	O (07/08/2020)	Rmb45.70
Shanghai International Airport (600009.SS)	U (02/03/2021)	Rmb55.60
Shanghai International Port Group Co Ltd (600018.SS)	U (10/15/2019)	Rmb5.51
Shenzhen Airport Company (000089.SZ)	E (04/01/2019)	Rmb6.55
SITC International Holdings Company (1308.HK)	O (03/25/2019)	HK\$14.98
Spring Airlines (601021.SS)	O (08/31/2015)	Rmb50.99
STO Express Co Ltd (002468.SZ)	U (11/26/2019)	Rmb12.16
Transfar Zhilian Co Ltd (002010.SZ)	E (05/20/2022)	Rmb5.25
TravelSky Technology (0696.HK)	E (05/20/2022)	HK\$12.14
YTO Express Group Co Ltd (600233.SS)	E (01/11/2022)	Rmb20.56
YUNDA Holding Co Ltd (002120.SZ)	U (07/29/2020)	Rmb14.88
ZTO Express (ZTO.N)	O (11/21/2016)	US\$22.53

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.