Review and Outlook of M&A Activities in China's Logistics Industry: 2016 to H1/19

Fighting for the Crown: A Path to Smart and Integrated Logistics

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Overview

China's total logistics expense reached Rmb13.3 trillion in 2018, making it the world's largest logistics market. As the flow between the point of production and the point of consumption, logistics plays a tremendous role in China's economic development. In light of rising e-commerce, new retail and advanced manufacturing sectors, along with the participation of new technology, new ideas and new capital, the traditional business model of low efficiency and sloppy management has undergone a huge transformation. Subsectors such as express & freight, warehousing & storage and intelligent informatisation have also evolved and experienced rapid integration. Between 2016 and H1/19, there were 329 M&As related to China, with deal value totaling Rmb465.2 billion. In the current environment of consumption & industrial upgrading, the logistics industry is seeking to lower cost and improve efficiency. The segmentation areas of logistics industry with operational efficiency differentiation show the trend of cross-sector competition and integration. The industry over all anticipates greater **centralization, integration and informatisation** in the future, with the following trends in the M&A market:

- **Increased centralization:** An increasingly competitive environment and growing customer demand will speed up the elimination of smaller players. The top 8 players accounts for 81% market share of express & freight, as small- and medium-sized companies are gradually acquired or eliminated. Oligopolistic competition may emerge in the future. Amid the industrial upgrade and the enormous scale of e-commerce activity, capital markets are focused on less-than-truckload (LTL) logistics. This is reshaping the dynamics of what is currently rather scattered competition. Leading warehousing & storage companies are increasing their market share with capital injected from the finance and real estate industries. Megadeals are being carried out in the online freight platform sector under the impetus of policies and investments. It is likely that the market will come to be made up of one leading player and a number of major players in the future.
- **Cross-sector integration:** Homogenized services fail to meet customers' diverse needs. Leading logistics companies are focusing on the entire industry value chain through cross-sector M&A transactions. In this way they can transition to integrated logistics services and further enhance their competitiveness and profitability. Leading express companies are now participating in LTL logistics, supply chains and intelligent informatisation. At the same time, LTL logistics companies are involved in bulk express and intelligent informatisation. And warehousing & storage companies continue to invest in express, online freight platforms and intelligent informatisation. Overall, the boundaries between subsectors are becoming blurred. Those who offer flexible, systematic and integrated services will have the greatest competitive advantage.
- **Information technology:** As cost reduction and efficiency enhancement become the common topic and direction of the whole industry, intelligent informatisation with IT, cloud computing, AI, IoT, continues to attract investors' attention, particularly for logistics management, warehouse automation and online freight. Thanks to support from capital markets and industry players, unicorn companies have come to the fore in the intelligent informatisation sector. They then invest in other emerging technology, thus strengthening their competitive advantage going forward. As information technology and logistics businesses further integrate, we expect a lead logistics player is also a lead technology company in the future.

Though adversely affected by the complex economic environment, as the fundamental link between production and consumption, we believe logistics will continue to integrate and develop driven by new technology, new business and new demand. The investors will have to identify the industry development trend and seize the key opportunity amid fierce competition.

PwC has decades of profound experience in the logistics industry. We are committed to supporting high-profile companies and investors, both domestic and foreign, to identify development trends and M&A opportunities on the path to a smart, integrated logistics future.

PwC will help you take the lead.

Roger Zhang

PwC Mainland China & Hong Kong
Logistics Deals Leader

2016 to H1/19

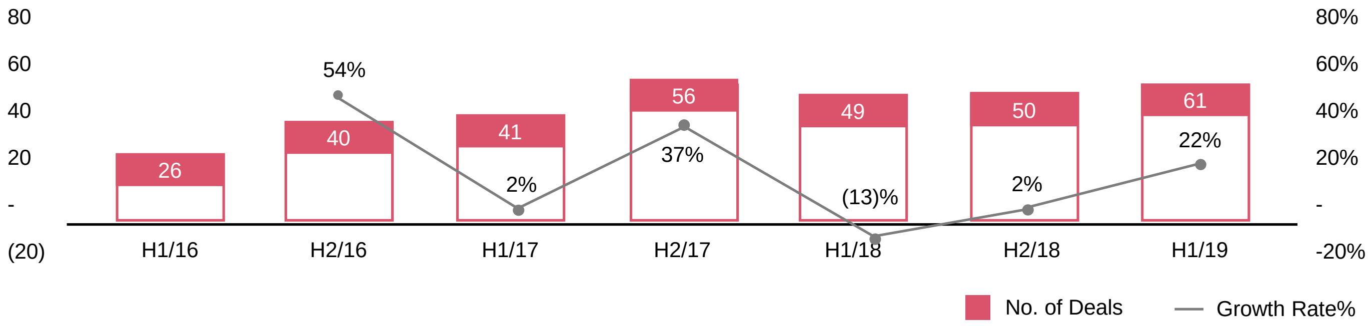
M&A Review

Logistics M&A transaction overview in H1/19

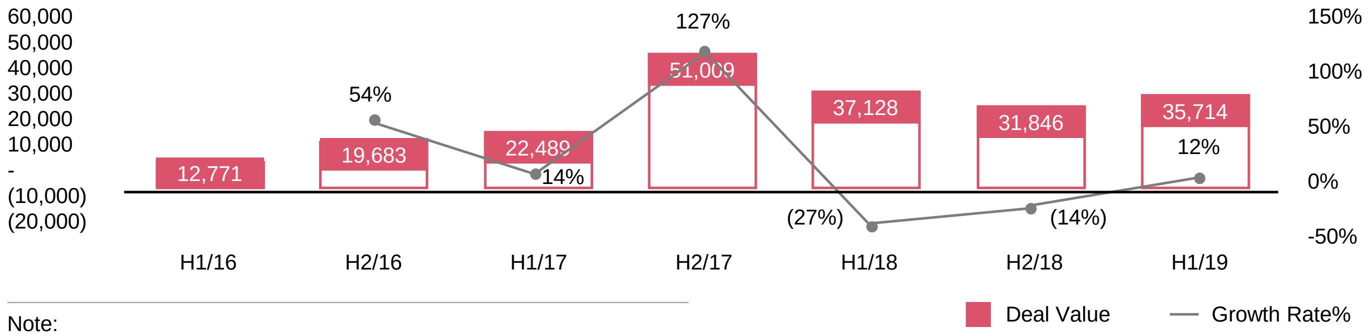
Logistics M&A transaction overview in H1/19

In the first half of 2019, 61 M&A transactions (one every three days) were conducted in the logistics industry, with a total deal value of Rmb35.7 billion. The industry recorded a 22% increase in the overall number of deals compared with H2/18, and a 12% increase in terms of deal value. The trend in the industry appears to be towards intelligent informatisation and integration.

No. of deals overview (count)



Deal value overview (Rmb in millions)



Note:
1. Generally deals starting from a value of Rmb10 million were evaluated;
2. No megadeals (>Rmb10 billion) were included in the above analysis.
Data source: Zero2IPO, ChinaVenture, Thomson Reuters and PwC analysis

1. Focus on intelligent informatisation and integrated logistics

An overall industry need for cost reductions and greater efficiencies prompted a greater focus on intelligent informatisation and integrated service in the logistics industry. In H1/19, the intelligent informatisation, integrated logistics and warehousing & storage were particularly favoured by investors. The first two came in top in terms of deal volume (20 in H1/19) and deal value (Rmb11.9 billion) respectively. Refer to Page 6 for details.

2. 80/20 rule in deal volume and value

In 2016 – H1/19, 80% of deal value came from the 20% of large/megadeals. In H1/19, there were 13 deals (21%) with value between Rmb1 billion and Rmb10 billion, representing Rmb28.2 billion (79%) of overall deal value. 21% of the deals were in integrated logistics, express & freight, etc. Refer to Page 7 for details.

3. M&A deals active in Pearl River Delta and Yangtze River Delta

In terms of region, logistics M&A deals were mostly domestic and concentrated largely in the Pearl River Delta, Yangtze River Delta and Beijing. 58 domestic deals were noted (amounting to Rmb34.3 billion) in H1/19. This represents 18% growth by volume (8% by deal value) compared with H1/18. Refer to page 8-10 for details.

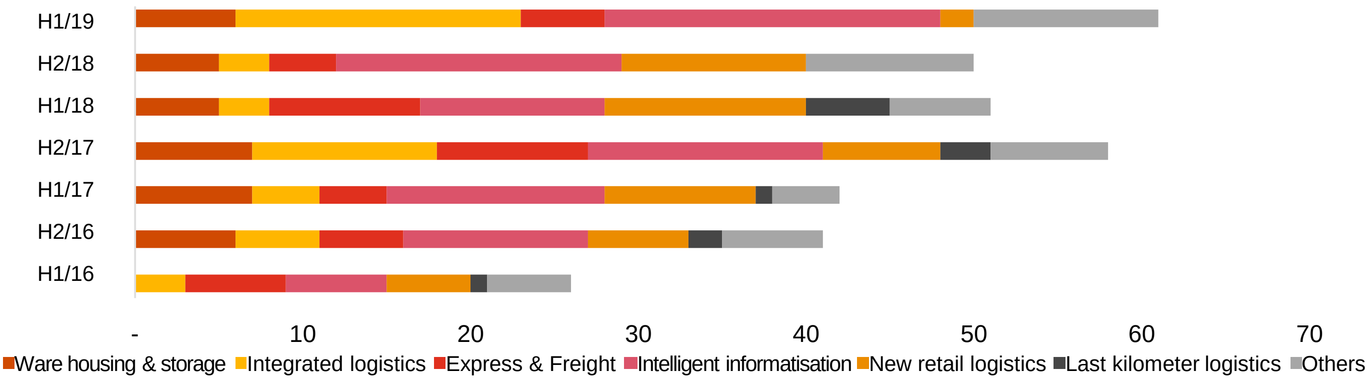
4. Industrial investors more involved in H1/19

Due to the complex economic environment, financial investors were less active and industrial investors were more involved in M&A activities. Among the 61 deals in H1/19, 35 M&As were related to industrial capital (including investments from industrial + financial investors). Of the total deal value Rmb35.7 billion, 70% was related to industrial investors. Refer to page 11-15 for details.

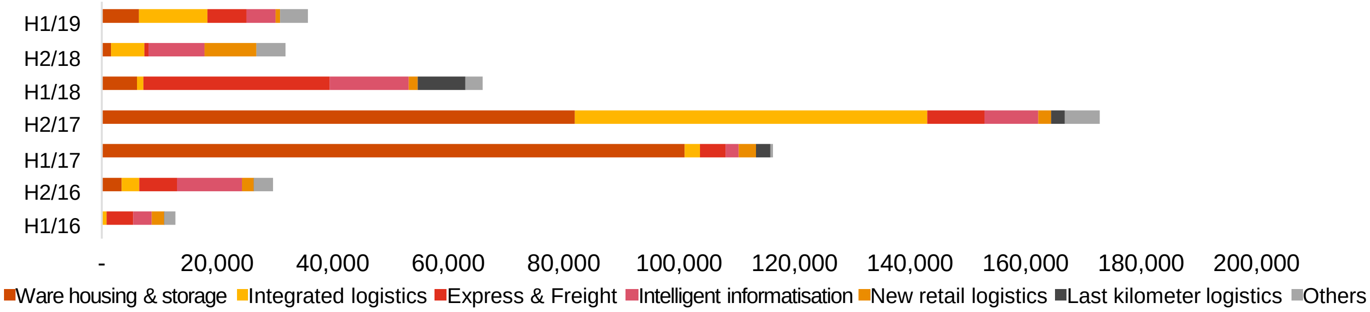
1. Subsectors

Intelligent informatisation continued to be the hot topic; integrated logistics also grew strongly in H1/19

No.of deals in 2016-H1/19 (count)



Deeal value in 2016-H1/19 (Rmb in millions)



Data source: Zero2IPO, ChinaVenture, Thomson Reuters and PwC analysis

1. Intelligent informatisation

Against a backdrop of cost reductions and efficiency enhancements, and with increasing labor cost and customer service demands, intelligent informatisation, with its core in Big Data, cloud computing, AI and IoT, has become the focus of capital investments, with new records set every year. Twenty deals were announced in H1/19 (compared to 11 in H1/18 and 17 in H2/18), amounting to Rmb5 billion in deal value. Intelligent informatisation logistics sectors, including smart management, automation and online freight, are still at the growing stage. More attention from financial and industrial investors is expected in the future.

2. Warehousing & storage

As e-commerce continues to expand and rental income remains relatively constant, warehousing & storage has been successfully attracting capital investment in recent years. Six deals with a transaction value of Rmb6.4 billion were conducted in H1/19, representing 5% and 289% growth compared to H1/18 and H2/18 respectively. At the moment, there is still room for higher market concentration. Leading companies may expand their current market share through more M&A activities in the future.

3. Integrated logistics

The logistics industry is undergoing a transition to more integrated and systematic, due to the industrial and consumption upgrades. With an increased spotlight on integrated industrial supply chains, major shipping and air transport companies have started to absorb external capital to improve operational efficiency. Seventeen deals with a total value of Rmb11.9 billion were related to integrated logistics in H1/19 – a surge compared to previous years. Leading companies are expected to expand the landscape with new establishments and acquisitions, making progress to becoming integrated service providers.

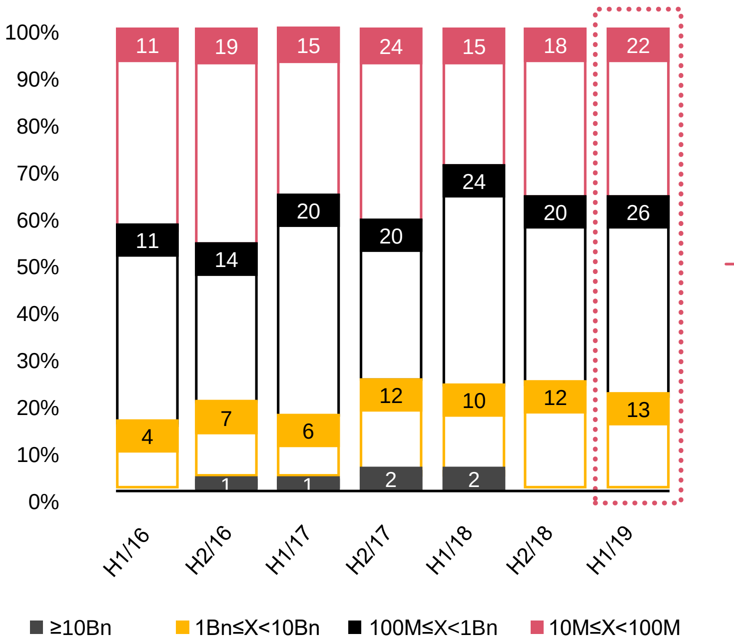
4. Express & freight

Following the peak in H1/18 and trough in H2/18, the M&A market in express & freight recovered slightly in H1/19. The five deals amounted to Rmb6.7 billion during the period, a huge jump from the mere Rmb700 million in H2/18. Considering the fierce competition and steady market dynamics in express & freight, institutional and financial investors are expected to gradually shift their focus towards LTL logistics with greater market scale and more scattered competition.

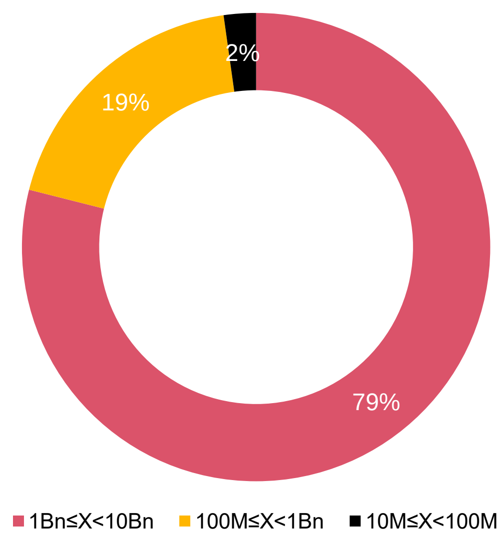
2. Deal size distribution

Most deals were valued at less than Rmb1 billion. 20% of deals contributed 80% to deal value in H1/19

Deal size distribution (count)



Deal size distribution in H1/19



Data source: Zero2IPO, ChinaVenture, Thomson Reuters and PwC analysis

1. 80% were deals of less than Rmb1 billion

Most M&A deals in the logistics industry were valued at less than Rmb1 billion. Specifically, in terms of deal number, 40% were small-size (Rmb10 — Rmb100 million) while another 40% were mid-size (Rmb0.1 — Rmb1 billion) deals. Together, the 80% of the transactions made up 20% of the overall deal value. There were 26 mid-size deals and 22 small-size deals, making up 43% and 36% of the total number transactions in H1/19.

From 2016 to 2018, small- and mid-size deals were focused mainly on intelligent informatisation and new retail logistics, but a shift towards intelligent informatization and integrated logistics was observed in H1/19.

2. Large deals contributed 80% of deal value

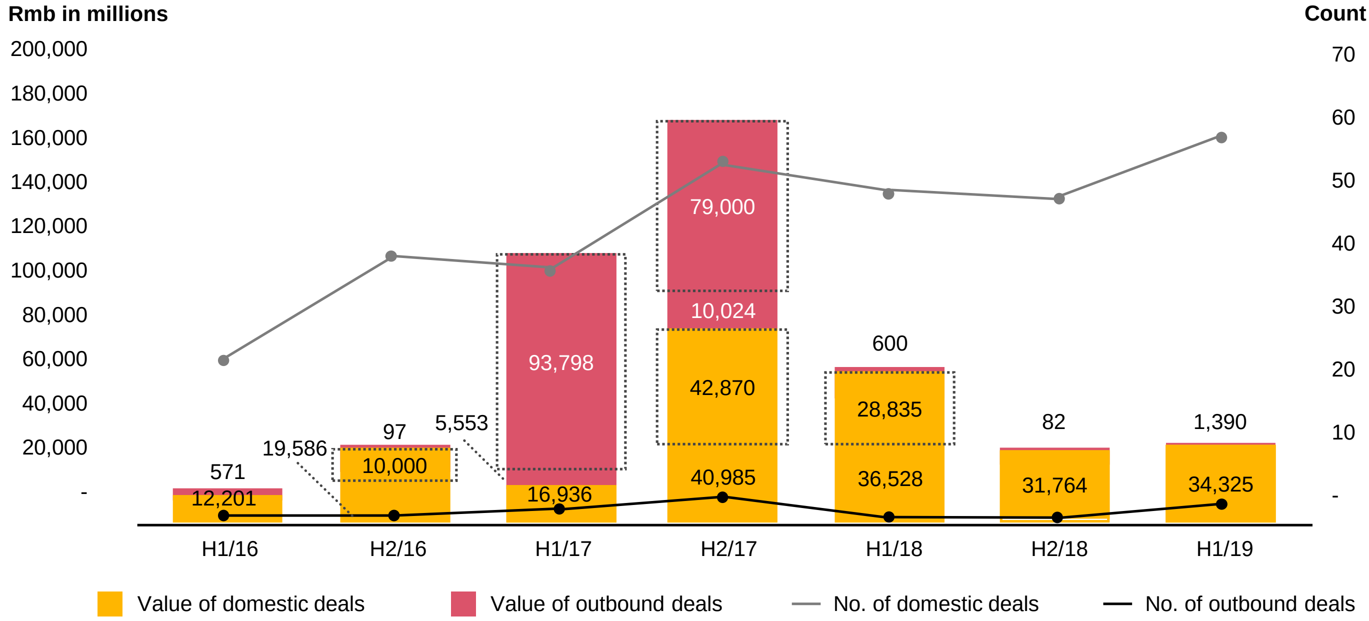
The number of deals valued between Rmb1 billion and Rmb10 billion per transaction accounted for 20% of the total volume, contributing 80% of the total deal value. This proportion grows when megadeals (>Rmb10 billion) take place. In general, 13 large deals were observed in H1/19, for at a total of Rmb28.2 billion — 79% of the overall deal value of Rmb35.7 billion.

In the period from 2016 to 2018, megadeals were conducted in warehousing & storage sectors, whereas large deals were focused on express & freight, as well as intelligent informatisation. In H1/19, however, other than express & freight, integrated logistics also witnessed large deals.

3. Deals by region

In H1/19, domestic deals (95%) accounted for the majority of the M&A transactions in the logistics industry.

Value and No. of domestic and outbound deals



Data source: Zero2IPO, ChinaVenture, Thomson Reuters and PwC analysis
Notes: 1. Domestic deals refer to the investments of both domestic and foreign investors made in domestic companies. Outbound deals refer to the investments of domestic investors in foreign companies.
2. The box in the chart above represents the size of megadeals (volume starting from Rmb10 billion) in each period.

1. Domestic deals

With the exception in 2017 (due to two outbound megadeals), the M&A transactions in China's logistics industry from 2016 to H1/19 were mainly domestic deals, accounting for more than 95% of the overall deal number and size.

Domestic deals have shown a steady growth in both number and size. The volume of deals rose from 25 in H1/16 to 58 in H1/19, up 130% over the past 3.5 years. Deal value rose from Rmb1.22 billion to Rmb3.43 billion, a growth of 181% in the same period. H1/19 saw growth of 18% in volume 8% by value compared to the previous half-year.

Domestic deals are most active in the Pearl River Delta, Yangtze River Delta and Beijing. See page 9 for further details.

2. Outbound deals

The outbound deal has the characteristics of low transaction frequency and large single amount. There were 14 outbound deals in 2016 - H1/19, amounting to Rmb191.1 billion. With CIC Group's Rmb93.8 billion acquisition of Logicor and GLP's Rmb79 billion privatization, outbound deals in H1/17 and H2/17 were much higher than in other periods. In H1/19, there were three outbound deals totaling Rmb1.4 billion.

If we exclude megadeals, outbound deals would average Rmb1.526 billion, 2.4 times the domestic average of Rmb648 million. In terms of deal size, outbound deals invested mainly in warehousing & storage and have extended to integrated logistics and intelligent informatisation since 2018.

Outbound deals are mostly in Southeast Asia and Europe. See page 10 for further details.

3.1 Domestic deals by region

Hong Kong, Shanghai, Beijing, Zhejiang and Guangdong are the hotspots for domestic deals.

	2016-H1/2019				H1/19	
Rmb in millions	Value of drals	%	# deals	%	Value of drals	# deals
Hong Kong	62,381	23%	18	6%	10,152	6
Shanghai	46,537	17%	85	27%	5,508	14
Beijing	43,441	16%	45	14%	5,463	5
Zhejiang	42,084	15%	20	6%	4,768	2
Guangdong	29,405	11%	61	19%	1,964	11
Guizhou	16,353	6%	5	2%	—	—
Anhui	8,589	3%	4	1%	179	1
Jiangsu	7,413	3%	23	7%	476	2
Sichuan	6,049	2%	9	3%	2,528	3
Others	11,776	4%	45	14%	3,286	14
Total	**274,029**	**100%**	**315**	**100%**	**34,325**	**58**

Data source: Zero2IPO, ChinaVenture, Thomson Reuters and PwC analysis

Domestic deals are mostly active in Hong Kong, Shanghai, Beijing, Zhejiang and Guangdong where are developed transportation networks, large consumer groups, active manufacturing and e-commerce industries, and extensive demand for commodity circulation. These five regions have cultivated leading logistics companies.

Deal size in the above five regions was about Rmb27.9 billion in H1/19, or 81% of the total. Driven by deals including Lalamove, DHL Hong Kong and LF Logistics, Hong Kong continued to lead in terms of deal size in H1/19.

Hong Kong: Investment was focused on integrated logistics, urban freight and supply chains. In H1/19, 6 M&A deals were carried out with a total size of Rmb10.2 billion, about 84% ahead of Shanghai.

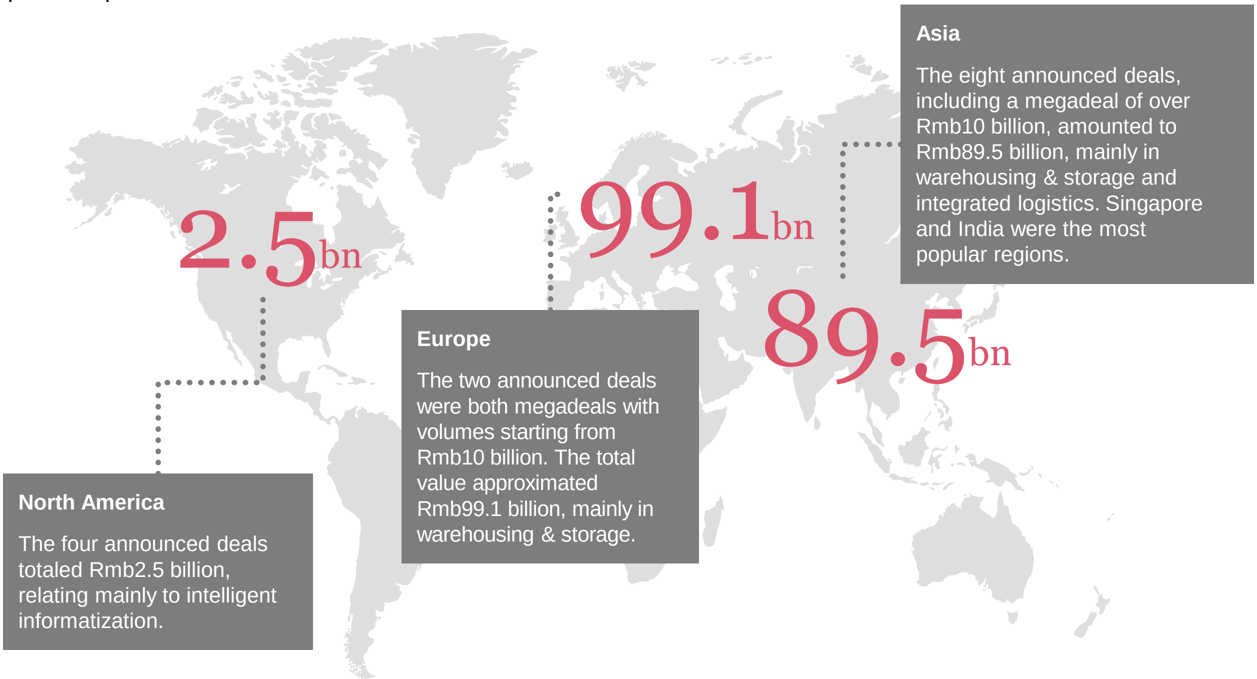
Shanghai: The city continues to top the charts in number of deals, with targets focused on warehousing & storage, new retail logistics, and express & freight. In H1/19, the 14 deals that were conducted amounted to Rmb5.5 billion.

Zhejiang: Deals were concentrated in the e-commerce sector as most of the targets were engaged in the e-commerce industry chain. In H1/19, the two deals that were conducted totaled Rmb4.8 billion, including Alibaba's investment in STO Express in March.

3.2 Outbound deals by region

Europe and Southeast Asia are hot regions for outbound deals. Sector focus expanded from warehousing & storage to integrated logistics and intelligent informatisation.

In terms of deal size, outbound deals have been concentrated in Europe and Southeast Asia where warehousing & storage assets were acquired. After the peak in 2017 and the trough in 2018, domestic enterprises expanded their outbound investments to integrated logistics and intelligent informatisation in H1/19. There were three deals in H1/19, totaling Rmb1.4 billion, a significant increase from the previous period and H1/18.



Note: The circle size above refers to the cumulative outbound deal size from 2016-H1/19.
Data source: Zero2IPO, ChinaVenture, Thomson Reuters and PwC analysis

1. Outbound deals coverage area

In the period from 2016 to H1/19, there were 14 outbound deals with a total value of Rmb191.1 billion. In terms of deal number, Singapore and the United States were hot investment regions, each with 4 deals announced. However, affected by the acquisition of Logicor by CIC Group, the UK took the lead in terms of deal value, followed by Singapore. In H1/19, three outbound deals in the United States and India were announced with a total value of Rmb1.4 billion.

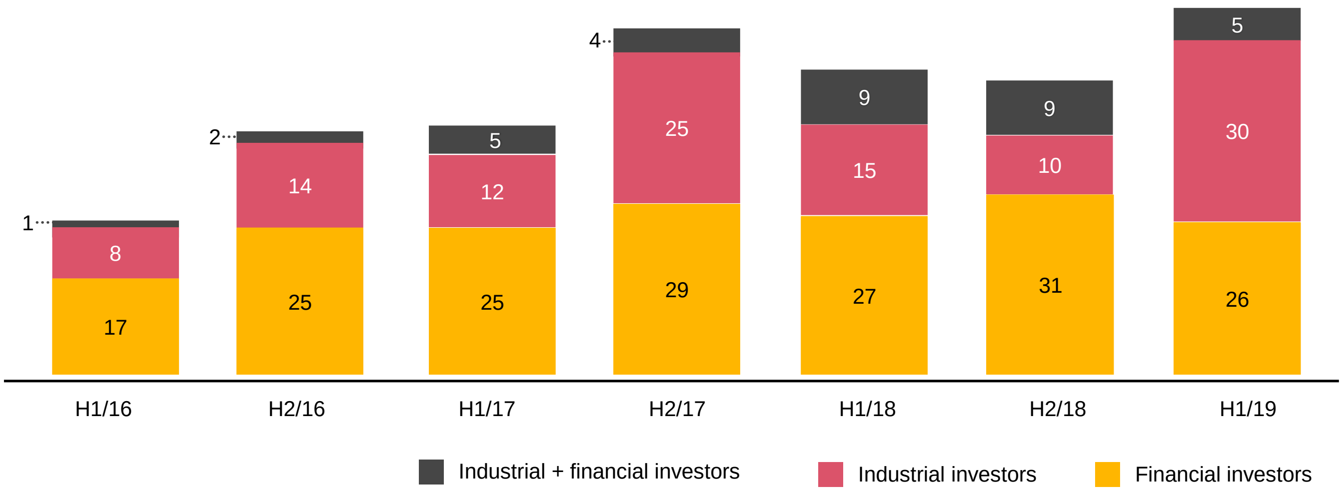
2. Focus of outbound deals

Before 2018, outbound deals were made mainly to acquire warehousing & storage assets. During the period, two mega deals (over Rmb10 billion) were both in warehousing & storage. Since 2018, the investment focus has gradually shifted towards intelligent informatization. In 2018-H1/19, about Rmb1.8 billion out of Rmb2.1 billion of outbound deals were in this area. Affected by US-China trade tensions, uncertain world economic prospects, and foreign investment supervision, domestic companies may be more cautious in outbound investment decisions going forward.

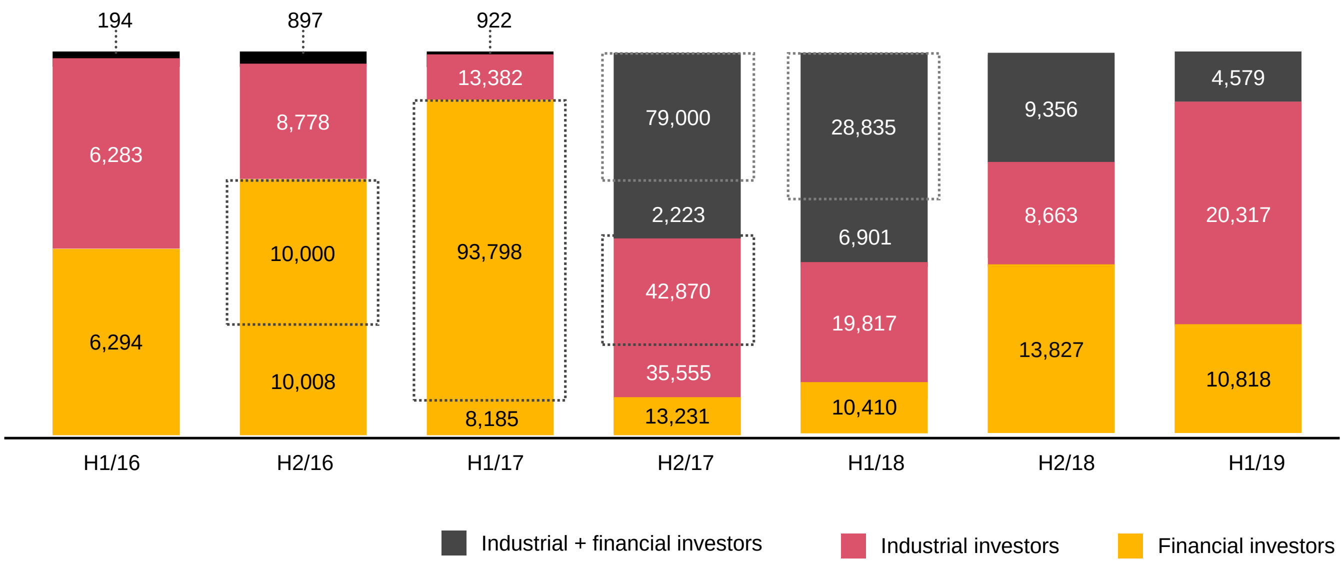
4. Investor types

Industrial investors have been increasingly active – their deal volumes and values in H1/19 exceeded those of financial investors.

Number of deals by investor types (count)



Deals value by investor types (Rmb in millions)



Note: The dotted boxes in the chart above represent megadeals with volumes starting from Rmb10 billion.
Data source: Zero2IPO, ChinaVenture, Thomson Reuters and PwC analysis

4. Investor types

1. Industrial investors

With the logistics industry moving towards centralisation, integration and intelligent informatisation — and the increasingly prominent role of logistics in the industrial chains of e-commerce, new retail and advanced manufacturing — more and more industrial investors have shown interest in the logistics industry. Their share of total transaction value has gradually increased over the periods. By H1/19, industrial investors exceeded financial investors in both value and volume. The number of deals increased to 30, up significantly from the average of 14 from 2016 to 2018. Industrial investors who focus largely on the logistics and Internet industry pay close attention to the fields of integrated logistics, express & freight, warehousing & storage, intelligent informatisation, etc.

2. Financial investors

Before 2019, financial investors played a major role in M&A activities within the logistics industry. But as competition has stabilised in new retail logistics, express & freight and other fields, their share of deal volume in H1/19 fell from more than 50% to 43%. At the same time, as financial investors reduced their investment in warehousing & storage, their share of deal value in H1/19 decreased to 18% from 48% in the H2/18.

In terms of number of deals, financial investors have been focused on intelligent informatisation, new retail logistics, and express & freight. By value, warehousing & storage and intelligent informatisation were the main capital destination. The average deal value of financial investors is, however, relatively small. Including megadeals (>Rmb10 billion), deals from 2016 to H1/19 averaged Rmb984 million, mainly on companies undergoing round A and round B financing.

3. Industrial + financial investors

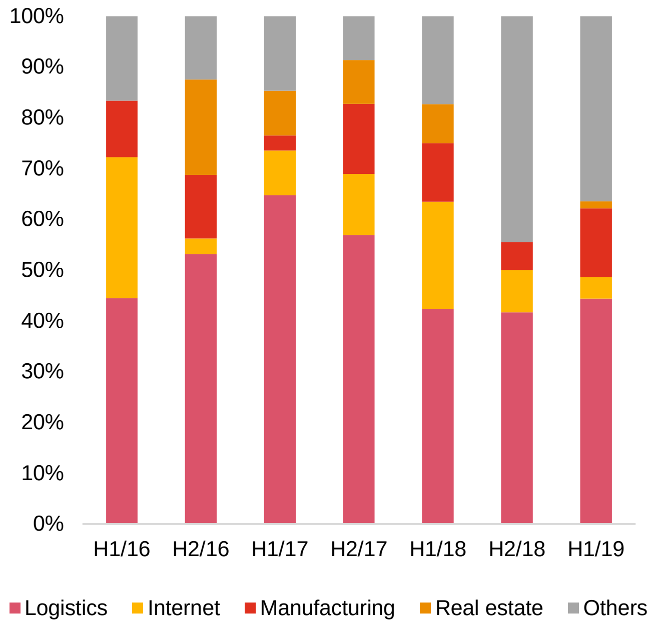
Industrial + financial investors are focused mainly on large or megadeals in the logistics industry. From 2016 to H1/19, 3 of the 6 $10bn+ deals were completed by consortiums of Industrial + financial investors.

Including megadeals, the average deal value for Industrial + financial investors from 2016 to H1/19 stood at Rmb3.86 billion compared to Rmb1.37 billion for industrial investors and Rmb984 million for financial investors. Industrial + financial investors focus largely on warehousing & storage, intelligent informatisation.

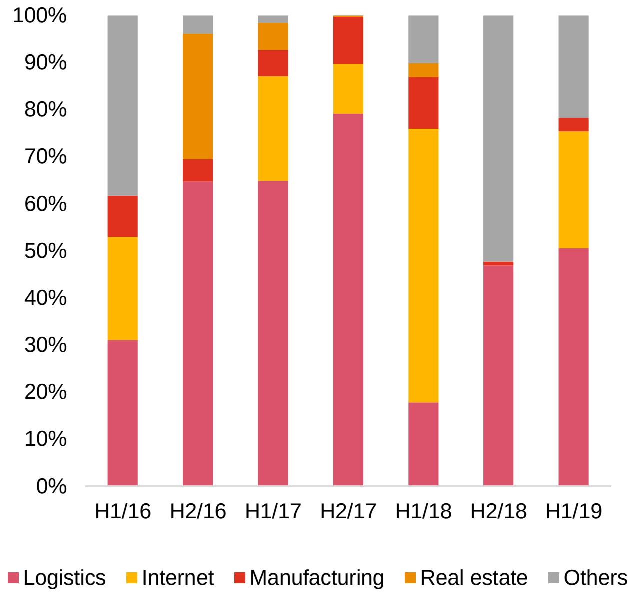
4.1 Industrial investors

Deal values and volumes for cross-sector M&A by logistics businesses increased steadily in H1/19.

Investors by industries — by No. of deals



Investors by industries — by deals value (Rmb in millions)



Data source: Zero2IPO, ChinaVenture, Thomson Reuters and PwC analysis
Note: The above data do not include venture capital, PE, and other financial investors' information.

1. Logistics industry

Logistics enterprises have always played a key role in M&A, with leading companies carrying out cross-sector transactions. They accounted for more than 40% of the total number of deals in each period. Their deal values also made up a high proportion in each period except in H1/18. In H1/19, there were 16 M&A deals relating to logistics enterprises, with deal value of about Rmb10.3 billion — 51% of total deal value within that period.

With the aim of becoming integrated logistics service providers, leading firms in various segments have been expanding outward with increasingly blurred business boundaries. Examples include SF express's acquisition of Xinbang logistics and DHL supply chain. In the context of cost reduction, efficiency optimisation, and smart logistics, logistics enterprises have increased their investments in intelligent informatisation, such as SF express's investment in Flexport, GLP's investment in G7, etc.

2. Internet industry

With the rapid development of e-commerce, new retail and other industries, internet giants have increased their investments in the logistics industry in recent years to improve the delivery efficiency, expand sales and enhance user experience. From 2016 to H1/19, internet companies participated in 17 M&A deals, with the highest volume and value in H1/18. In H1/19 Alibaba made a strategic investment in STO Express.

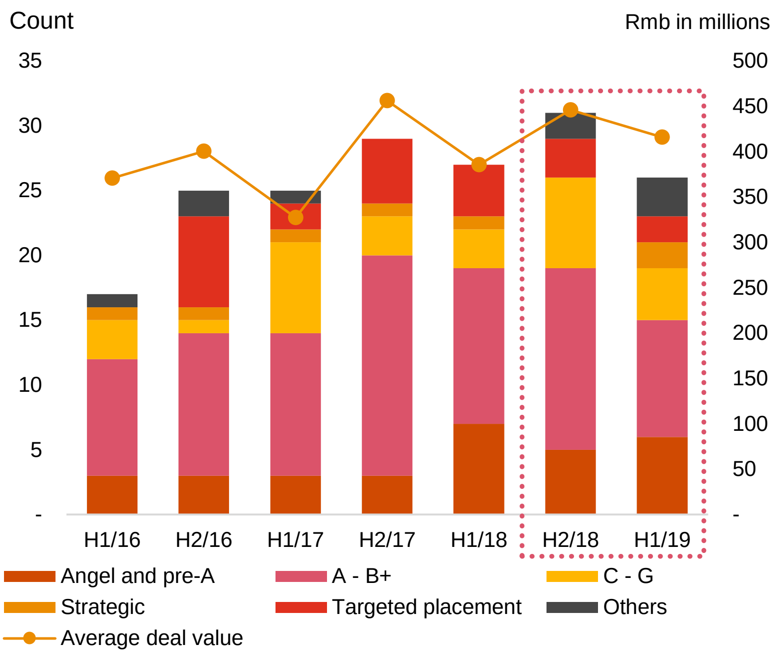
3. Other industries

Manufacturers and real estate businesses have also been important investors in logistics. The former, penetrating their own supply chains, have participated in the strategic financing of large logistics groups. With a slowdown in real estate, some firms have turned to warehousing & storage and intelligent informatisation, such as Sino-Ocean Capital's participation in the investment in CNLP and Galaxy Holding's participation in the investment in Flash Space in H1/19.

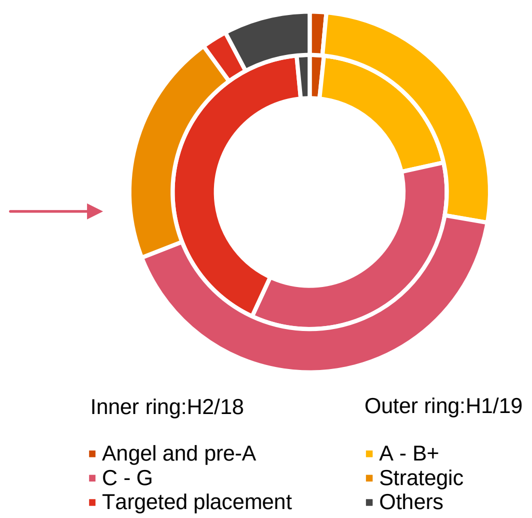
4.2 Financial investors

The number and size of financial investments fell slightly in H1/19, whereas the number of pre-A and strategic financing rounds has increased.

Financial investors' investments rounds distribution and average deal value from 2016 to H1/19



Proportion of each round investment size from H2/18 to H1/19



Data source: Zero2IPO, ChinaVenture, Thomson Reuters and PwC analysis
Note: To minimise the impact of megadeals, they have been excluded from the above average deal value.

1. The number and size of financial investments fell slightly in H1/19

From 2016 to 2018, financial investors, whose main aims are financial returns, increased their participation in deals.

However, increasingly complicated domestic and outbound economic environments led to reduced participation in H1/19: there were 26 deals amounting to Rmb10.8 billion — an average deal value of Rmb 416 million. Compared with H2/18, the number of deals, total deal value and average deal value decreased by 16%, 22% and 7% respectively, all returning to H1/18 levels.

2. Investors are becoming more cautious in making investment decision; the number of early-stage and strategic financing rounds has increased

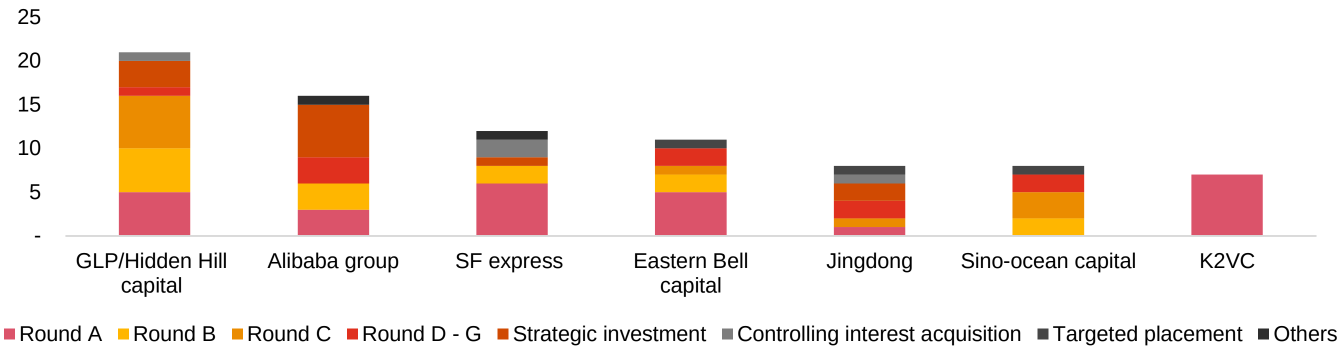
In general, financial investors participate mostly in A and B financing rounds. From 2016 to 2018, these accounted for over 45% of deals. However, in H1/19, this proportion dropped to 35%, indicating that financial investors are now more cautious in making investment decisions.

They are starting to focus more on angel round and pre-A round with smaller single capital injections, as well as strategic rounds with more predictable levels of risk. In H1/19, there were 8 deals accounting for 31% of the deals volume in the above three rounds, which is higher than previous periods.

4.3 Active investors

GLP/Hidden Hill Capital continue to be active investors; the number of deals related to SF Express has increased significantly since 2018

2016–H1/19 No. of deals from active investors within the industry



Data source: Zero2IPO, ChinaVenture, Thomson Reuters and PwC analysis
Note：Round A includes A, A+,and A++，which applies to Round B to G as well.

From 2016 to H1/19, active investors include GLP/Hidden Hill capital, Alibaba Group, SF Express and Eastern Bell Capital who are from logistics, e-commerce, investment institution etc. In H1/19, these enterprises participated in a total of 13 M&A deals; GLP and SF Express were involved in four each.

1. GLP/Hidden Hill Capital

GLP/Hidden Hill Capital

GLP/Hidden Hill Capital are the most active investors in the industry. From 2016 to H1/19, they participated in 21 logistics-related M&A deals. Each year since 2017, they have conducted six or more M&A deals, covering express & freight, intelligent informatisation and new retail logistics.GLP tends to invest in early stage, with pre-C deals accounting for about 80% of the total. In H1/19, GLP carried out four deals, relating to CRSCAL, Yimi Dida, Zongteng, and UC Express.

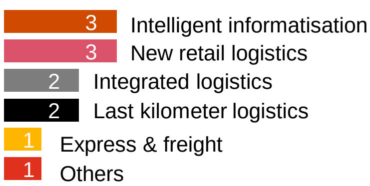
2. Alibaba Group

Alibaba Group

Focusing on e-commerce and new retail, Alibaba has been an active player in logistics M&A. From 2016 to H1/19, it participated in 16 deals, mainly targeting express & freight, intelligent informatisation and e-commerce warehousing distribution. The deal in H1/19 was a strategic investment in STO Express. In addition to round A and B investment, Alibaba Group has focused largely on strategic shareholdings in logistics enterprises, conducting a total of 6 deals.

3. SF Express

SF Express



Starting from 2018, the number of deals related to SF Express has increased significantly. There were 12 deals from 2018 to H1/19, 4 of which took place in H1/19. With a focus on becoming an integrated logistics service provider, SF Express has been investing in intelligent informatisation, fresh & cold chain logistics, integrated logistics and other fields. Interested in early stage investment opportunities, SF Express has also been actively acquiring the control rights of mature companies, such as Xinbang logistics and DHL Hong Kong/Beijing.

H2/19 M&A Outlook and Insight into future development trends

H2/19 M&A Outlook

H2/19 M&A outlook for the logistics industryx

Based on the industry development drivers and M&A transaction trends, under the current economic environment and policy guidance, expect the characteristics of deals in H2/19 to be as follows:

- **Prudence-First:** Considering the increasingly complex economic landscape, investors are more cautious and risk-averse in decision-making. They thus prefer investment targets with predictable returns or subsequent financing rounds with better certainty. Examples include warehousing & storage with rapid development driven by consumption upgrading, and strategic financing for high-profile companies with competitive advantages.
- **Industry-oriented:** We will see more industry-oriented thinking in deals. Industrial investors will continue to influence and expand their businesses through M&A transactions. Potential unicorns with development strategies in line with the overall industry trend will receive more attention.
- **Technology-First:** Intelligent informatisation companies with core technology and clear applicable scenarios will benefit more in H2/19. Especially those companies that can utilize logistics automation & Big Data in cost reduction and efficiency enhancement of the logistics industry, will continue to receive investors' attention.

We believe that M&A in the logistics industry in H2/19 will focus on the following areas

Integrated logistics

- In light of the sluggish growth in e-commerce and C-end express demand, leading express & freight companies will accelerate the expansion into a larger market like industrial product logistics under the industrial upgrade. We expect such companies to further invest in supply chain and financing, freight forwarding, & warehousing management in H2/19 .
- Integrated logistics companies with competitive advantages will continue to attract investors, thus increasing their competitiveness.

Warehousing & storage

- In order to meet the needs of advanced warehousing facilities in e-commerce, new retail and advanced manufacturing, leading warehousing & storage companies will further expanding their market share by seeking more acquisitions and intelligent upgrade of facilities.
- Due to the slowdown in the residential market, more real estate companies will diversify into warehousing & storage, taking advantage of land and capital to create new revenue and reduce their reliance on the residential market.

Intelligent informatisation

- Driven by new business models such as e-commerce and new retail, and supported by government policies for cost reduction and efficiency enhancement in the logistics industry, intelligent informatisation has become a major trend. M&A activities in these fields will continue to take place in H2/19 and industrial investors are likely to take on a more active role compared to financial investors.
- In line with the trend towards integrating traditional logistics with new technologies, investors may focus on the areas with clear application scenarios such as warehouse automation, Big Data, and machine vision.

Cross-boarder logistics

- Efficient and convenient cross-border logistics provides a foundation for cross-border e-commerce. With the Belt and Road Initiative and Consumption upgrade, the market continues to expand and user experience requirements increasingly diversify. The traditional cross-border logistics services may fail to satisfy the increased customer demand.
- We believe that leading cross-border e-commerce logistics enterprises and technology-based logistics enterprises which can provide integrated cross-border logistics services will receive more attention in H2/19.

Insight into future development trends

Centralisation, integration and intelligent informatisation

The centralisation trend in each subsector may accelerate

- The slowdown in industry growth highlights the scale advantages of leading enterprises. Small- and medium-sized express enterprises will exit at a faster pace, and their market share will be further concentrated towards leading enterprises.
- The express & freight field will continue to receive the attention of capital; the industry concentration may keep improving, and the competition of LTL logistics will become increasingly fierce, gradually squeezing out small and medium-sized LTL logistics enterprises.
- warehousing & storage will continue to attract investors' attention with the advantage of relatively stable rental income, and the favour of capital will drive leading firms to expand and obtain greater market share.

Integrated logistics has big prospects

- Leading firms in each subsector will step on each other's toes as the boundaries between each field become increasingly blurred – as with the accelerated integration of express business, and the penetration of warehousing & storage into express & freight. Capital will favour enterprises with integrated logistics potential, and will help them cover express & freight, LTL logistics, warehousing & storage management, supply chain and other fields, so as to gain sufficient competitive advantage.
- Based on the flow of goods, integrated logistics providers will provide customers with integrated logistics solutions to extend the whole industrial chain, centering on the flow of goods, information and capital. In the future, the business complexity of integrated logistics enterprises will significantly increase, and a number of businesses will work to improve their comprehensive risk tolerance. But it will be difficult for them to identify the true profitability level of each business, thus raising new requirements for enterprise operation and management analysis.

Intelligent informatisation is an important direction for logistics

- Intelligent informatisation is the key to realising cost reduction and improved efficiency in the logistics industry. We expect financial & industrial investors to continue to focus on intelligent informatisation, especially especially those scientific and technological enterprises with integrated hardware and software solutions which have realistic application scenarios.
- The business with immediate and massive data promotes logistics enterprises to accelerate the pace of information construction. The overall data level within the industry will continue to improve. Big Data generated by logistics informatisation will form data assets. Mining and utilising Big Data assets will become the key for enterprises to build competitive advantages in the future.

PwC helps you to create more value

PwC has decades of profound experience in the logistics industry, providing tailor-made solutions for leading logistics companies and investment institutions. With current market tending to centralization, integration and Intelligent informatization, PwC can help investors achieve value creation in M&A transactions.

- With deep logistics service experience and networking resources, PwC assist companies to set M&A plans consistent with their own development strategies on their path to new business and new markets by analyzing market competition dynamics deeply.
- With extensive and cross-sector M&A experience in the logistics industry, we discover issues in operations, financial, tax and information systems, and help companies improve the operation efficiency by analyzing the upsides and risks in M&A transactions.
- We help investors to better resolve cost allocation by business line on their path to integrated logistics services, achieving proper analysis of M&A value creation and further improving strategic synergies.
- With forward-looking data analytics and experience, We help investors explore the interconnections within data and further understand companies' inherent values and risks, so as to achieve value creation in M&A transactions.

Contact us

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