

Outperform

(Remained)

Transportation

Yunda Holding Co., Ltd.

(002120.SZ)

Strengthen competitive advantages of costs and management

29-May-19

Key Data

Apr. 29, 2019

Closing Price	37.66
Total Shares (Mn)	1712.76
Shares Outstanding (Mn)	440.42
Market Cap(CNY/Mn)	64502.71
Market Float(CNY/Mn)	16586.40
Net Assets (CNY/Mn)	12017.5
Total Assets (CNY/Mn)	19182.4
BVPS	7.02

Analyst

Wang Pinhui

wangph@xyzq.com.cn

S0190514060002

Gong Li

gongli@xyzq.com.cn

S0190515020003

Zhang Xiaoyun

zhangxiaoyun@xyzq.com.cn

S0190514070002

Group Member

Key Financial Indicators

FY	2018A	2019E	2020E	2021E
Revenue (Mn/CNY)	13856	32642	41748	52072
YoY (%)	38.8%	135.6%	27.9%	24.7%
Net Profit (Mn/CNY)	2698	2942	3757	4741
YoY (%)	69.8%	9.1%	27.7%	26.2%
Gross Margin (%)	28.0%	16.7%	16.6%	16.5%
Net Profit Margin (%)	19.5%	9.0%	9.0%	9.1%
ROE (%)	23.5%	20.3%	20.6%	20.6%
EPS (CNY)	1.58	1.72	2.19	2.77
OCFPS (CNY)	2.17	5.86	3.67	4.74

Company Profile

Yunda Holding Co Ltd operates as a holding company. The Company, through its subsidiaries, provides industrial investment, enterprise management, business consulting, car rental, technical development, information technology, and advertising services. Yunda Holding serves customers in China. (Source: Bloomberg)

Events

Yunda (the company) released financial reports for FY18 and Q119. For 2018, its operating income jumped 38.76% YoY to CNY 13.86 bn; its net profit attributable to shareholders surged by 69.76% YoY to CNY 2.70 bn; its net profit attributable to shareholders without non-recurring items was CNY 2.14 bn, implying a 23.1% YoY increase.

For Q119, its operating income was CNY 6.69 bn (+151.60% YoY); its net profit attributable to shareholders was CNY 567 mn (+40.38% YoY); its net profit attributable to shareholders without non-recurring items was CNY 500 mn (+38.08% YoY).

Comments

Yunda maintained a higher-than-industry-average growth rate for the reporting period.

The business vol. growth was 55.15%/49.87%/45.40%/47.15% for the four quarters in 2018 respectively, all above the industry's average. Company's market share of express delivery had reached 13.77% for 2018, 2 pcts higher than 2017's. The company has maintained better-than-average performance since 2016, thanks to its strong control over shipping vehicle, transfer, and transportation network that enabled by scientific route planning, which has also led to continuous improvement in service quality: Yunda ranked the third in the overall effectiveness according to State Post Bureau, only second to SF Express and EMS; the average monthly effective complaint rate was 0.77, second only to SF Express, far below the industry average of 2.24. High service quality further promotes the high growth of business vol. to produce a larger scale effect. The high service quality and cost advantages brought by decent management capability lead to company's high growth.

Yunda keeps high proficiency in cost management and its cost per order continues decreasing.

In 2018, the proportion of drop-and-pull vehicles increased 6.1 pcts; the proportion of self-operated franchisers increased 2.41 pcts; weights per order decreased by 12.94%; overall sorting capacity increased by 51%; the number of employees decreased by 6.67%; and general-efficiency per capita increased by 18.84%. The service cost per order was CNY 1.22 (-11.60% YoY). The transit cost per order was CNY 1.21 (-10.7% YoY), and the transport cost per order was CNY 0.83 (-11.2% YoY).

The profit appeared high growth during the peak season in Q418 and the earnings from Hive Box equities were mainly contributed by extraordinary gains.

The company had excellent control over temporary costs, with a price raising, breaking “no profit” situations caused by excessive investment in temporary costs during the previous peak season. The net profit attributable to shareholders without non-recurring items for Q418 jumped 80.1% YoY to CNY 0.73 bn. Besides, the company sold 13.5% of Hive Box as recognized revenue, resulting in a net investment income of CNY 0.65 bn in Q318. In terms of SG&A, the growth rate of management fees and sales fees was less than that of the volume growth, while financial fees continued to be negative (interest income increased substantially), and SG&A per order continued to decrease. The gross margin of express business was about CNY-60 mn in 2018.

Yunda kept high profitability under intense competition.

The competition in express delivery industry had an intensifying trend during Q119, yet the company’s operating performance was still impressive. Yunda’s business growth was 40.58% and revenue growth of express delivery business was 156.32% (mainly due to the delivery charges started to be accounted for revenue. Competitors have more stable earnings per order (comparable caliber). The net profit attributable to shareholders without non-recurring items grew 38.08% in Q119. The company’s scale effect and superior management continued to transfer to operational performance, while the advantages of Yunda’s service quality support its higher service charging than other industry peers’.

Earnings forecast and investment recommendation

Although there is a trend of intensifying competition in express delivery industry this year, we hold a positive outlook for the company’s upward cyclical development guided by its low-cost strategy.

Yunda sharpens its competitive edges in cost-control, effective management culture, and decent service quality. It is expected that the company’s business vol. will continue robust growth with a steadily increasing market share. The company may still follow the positive circular development of “high-quality service – rapid business vol. development – scale effect/cost reduction of science and technology input – more market shares”.

We revise company’s estimated net profit for 2019/2020/2021 to CNY 2.94/3.75/4.74 bn respectively, implying an EPS of 1.72/2.19/2.77 and a P/E ratio of 21.9/17.2/13.6 (calculated at the closing price on April 26th, 2019). We maintain “Outperform” rating for the company.

Potential risks: online retail growth may decline; capital expenditures and labor costs may exceed expectation; price war may exceed expectation.

Balance Sheet	Mn/CNY			
FY	2018A	2019E	2020E	2021E
Current Assets	10170	19362	26413	34534
Cash and Cash Equivalent	1920	11778	17726	25472
Trading Financial Assets	0	0	0	0
Account Receivables	537	1198	1561	1935
Other Receivables	183	391	517	638
Inventory	39	102	132	165
Non-current Asset	7911	22890	27725	31758
Available-for-sale Financial Assets	838	610	662	674
Long-term Equity Investment	91	78	82	81
Investment Real Estate	44	45	44	44
Fixed Assets	4717	14567	18404	21437
Construction in Progress	386	193	96	48
Oil and Gas Assets	0	0	0	0
Intangible Assets	1222	6891	7947	9029
Total Assets	18081	42252	54139	66292
Current Liabilities	6479	12242	15308	18437
Short-term Loans	400	267	311	296
Notes Payable	0	0	0	0
Account Payable	3018	7856	10220	12700
Others	3061	4119	4777	5440
Non-current Liabilities	60	5	37	34
Long-term Loans	0	0	0	0
Others	60	5	37	34
Total Liabilities	6539	12247	15346	18471
Share Capital	1713	1713	1713	1713
Capital Reserve	3830	3830	3830	3830
Undistributed Profit	5622	8468	12107	16696
Minority Interest	81	1	-3	-9
Total Shareholders' Equity	11542	14463	18215	22950
Total Liabilities and Equity	18081	26710	33561	41422

Income Statement	Mn/CNY			
FY	2018A	2019E	2020E	2021E
Operating Income	13856	32642	41748	52072
Operating Expense	9974	27184	34819	43492
Business Tax and Surcharges	50	149	191	238
Selling Expense	175	311	374	413
Administration Expense	789	1301	1546	1852
Financial Expense	-17	-16	-37	-37
Asset Impairment	25	100	100	100
Change in Fair Value	0	0	0	0
Investment Income	758	40	40	40
Operating Profit	3620	3653	4795	6053
Non-business Income	10	163	209	260
Non-business Expense	79	0	0	0
Total Profit	3550	3816	5004	6313
Income Tax	948	954	1251	1578
Net Profit	2602	2862	3753	4735
Minority Interest Income	-96	-80	-4	-6
Net Profit Attributable to Parent Company	2698	2942	3757	4741
EPS(CNY)	1.58	1.72	2.19	2.77

FY	2018A	2019E	2020E	2021E
Growth				
Increase Rate of Business Revenue	38.8%	135.6%	27.9%	24.7%
Increase Rate of Business Profit	66.4%	0.9%	31.3%	26.2%
Net Profit Growth Rate	69.8%	9.1%	27.7%	26.2%
Profitability				
Gross Margin Rate	28.0%	16.7%	16.6%	16.5%
Net Profit Margin	19.5%	9.0%	9.0%	9.1%
ROE	23.5%	20.3%	20.6%	20.6%

Asset-liability Ratio	36.2%	45.9%	45.7%	44.6%
Current Ratio	1.57	1.58	1.73	1.87
Quick Ratio	1.56	1.57	1.72	1.86

Asset Turnover Ratio	100.8%	108.2%	86.6%	86.5%
AR Turnover Ratio	2860.5%	3364.4%	2703.9%	2663.3%

EPS	1.58	1.72	2.19	2.77
OCFPS	2.17	5.86	3.67	4.74
NAVPS	6.69	8.44	10.64	13.40

PE	23.9	21.9	17.2	13.6
PB	5.6	4.5	3.5	2.8

Introduction of Share Investment Rating

Industry Investment Rating

When measuring the difference between the markup of the industry index and that of the market's benchmarks (Shanghai Composite Index/Shenzhen Component Index) within twelve months after the release of the report, we define the terms as follows:

- **Overweight:** Industry performs better than that of the whole market;
- **Neutral:** Industry performs about the same as that of the whole market;
- **Underweight:** Industry performs worse than that of the whole market

Company Investment Rating

When measuring the difference between the markup of the company stock price and that of the market's benchmarks (Shanghai Composite Index/Shenzhen Component Index) within twelve months after the release of this report, we define the terms as follows:

- **Buy:** With a markup more than 15% better than that of the market;
- **Outperform:** With a markup 5% to 15% better than that of the market;
- **Neutral:** With a markup less than 5% better or worse than that of the market;
- **Underperform:** With a markup more than 5% worse than that of the market.

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