

## China's Logistics Boom

Additional Intelligence on this Topic: Weichai Power Primer



Nikkie Lu  
Team: Industrials  
BI Industry Analyst

### Alibaba, Warehouse Automation Boost Weichai's Logistics Growth

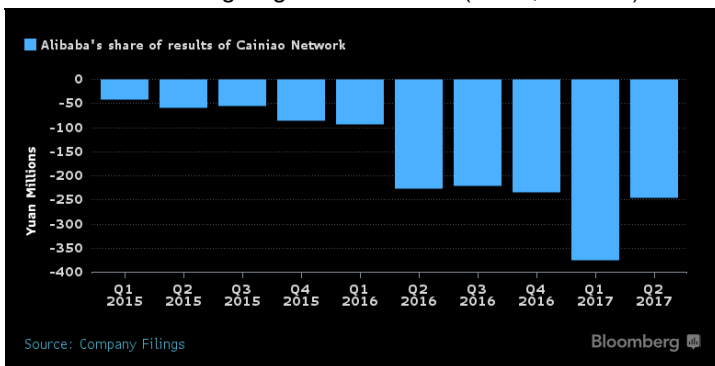
(Bloomberg Intelligence) -- Weichai's average revenue growth could accelerate by 2-5% annually in the next five years. It supplies Cainiao, which is getting a 100 billion yuan investment from Alibaba to create China's largest third-party logistics business. More e-commerce in China's suburban areas and low automation in warehousing solutions help long-term prospects for Weichai's logistics business. (10/09/17)

#### 1. Alibaba's Logistics Empire Build Out Could Boost Weichai's Sales

Alibaba's plan to invest 100 billion yuan (\$15 billion) in its unprofitable logistics business, Cainiao, over the next five years, could mean additional sales for Weichai's logistics business, which is a supplier to that firm. Alibaba may be targeting a listing for Cainiao, meaning the e-commerce company may speed up its logistics solutions build-out to secure market share. Cainiao's digital electronic-shipping label accounts for about 70% of merchant-generated orders on Alibaba's China retail network.

Alibaba's investment in Cainiao could potentially threaten the delivery service business of SF Holding, which ranks as the second-largest courier in China after China Post. (10/09/17)

Loss Making Logistics Business (Yuan, Millions)



#### 2. Weichai Taps Into China E-Commerce With Kion Warehouse Solutions

Contributing Analysts Catherine Lim (Consumer Products)

China's booming e-commerce market will drive demand for more sophisticated warehouse solutions, boosting the sales and profit of Kion, whose financials are consolidated into those of Weichai. E-commerce transactions in China could double to 7.5 trillion yuan (\$1.1 trillion) by 2018 from about 3.8 trillion yuan in 2015, according to iResearch. China's logistics industry and warehouses have a relatively low level of automation rates. Rising labor costs should accelerate the adoption of smart warehousing solutions.

Kion can take advantage of Dematic's experience with e-commerce giant Amazon and logistic services provider FedEx to expand its offering in China. Kion is the biggest foreign-branded forklift maker in China, with a 10% market share. (10/09/17)

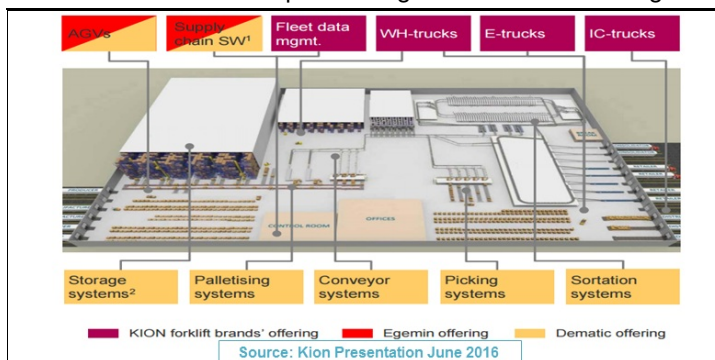
Warehouse Efficiency Key in E-Commerce



3. Dematic's Customer Portfolio Will Help Extend Kion's China Reach

Kion's China sales should get a lift from Dematic and Egemin's material-handling solutions business, riding on the country's booming logistics industry. Dematic's experience with global companies such as Amazon, FedEx and Wal-Mart could support Kion's reach to potential Chinese customers, which tend to look for credible one-stop-shop providers. Dematic has the potential to boost sales to Cainiao, the delivery business of China's largest e-commerce company, Alibaba. (10/09/17)

Kion Offers a Complete Range in Material Handling



To contact the analyst for this research:

Nikkie Lu at [clu129@bloomberg.net](mailto:clu129@bloomberg.net)