

# China M&A trends of Logistics industry:

## 2022 Review and 2023 Outlook

May 2023



**In 2022, China's logistics M&A market reported 110 deals with a total value of RMB58.4 billion, driven primarily by digital intelligence and industry consolidation. Logistics equipment intelligence continues to lead the market, while automation and intelligence in logistics equipment has emerged as a hot spot.**



#### Deal Value

Deal value in 2022 dropped **74%** compared to 2021 to **RMB58.4 bn**

#### Deal Volume

Deal volume in 2022 dropped sharply to **110**, back to the level of 2019 and **80** fewer than that in 2021.

#### Average Deal Value

The average deal value (excluding mega deals) in 2022 fell from Rmb700 million in 2021 to about **RMB500 m**



#### Mega/Large Deals

There were **16** large deals in 2022, **27** fewer than that in 2021, mainly in the warehousing & storage, port logistics and freight forwarding subsectors.

#### Deal Round

The proportion of "share acquisition" deals volume and value increased to **35%** and **62%** respectively.

#### Hot Subsectors

Intelligent logistics remained popular in 2022. This subsector contributed 50 deals, climbing from **39%** of the overall deal volume in 2021 to **45%** in 2022.



#### Major Investors

Financial investors initiated 62 deals, **40%** fewer than that in 2021. Industrial investors became the main force, contributing **70%** to the total deal value.

#### Major Regions

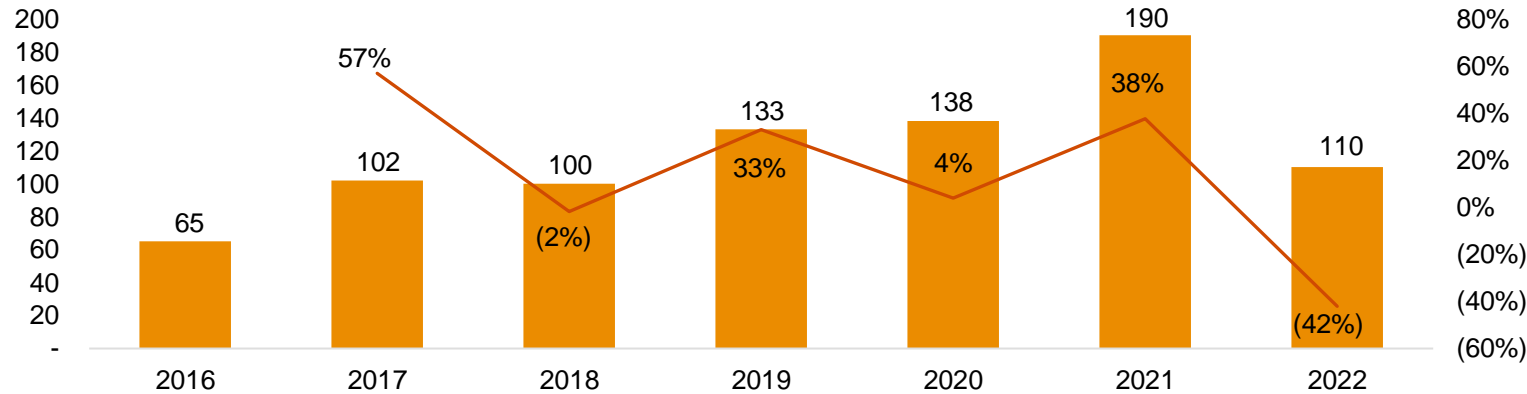
The Jiangsu-Zhejiang-Shanghai region, the Greater Bay Area ("GBA") and Beijing remained the most active regions in China for domestic deals, contributing to about 74% to the deal value and 73% to the deal volume.



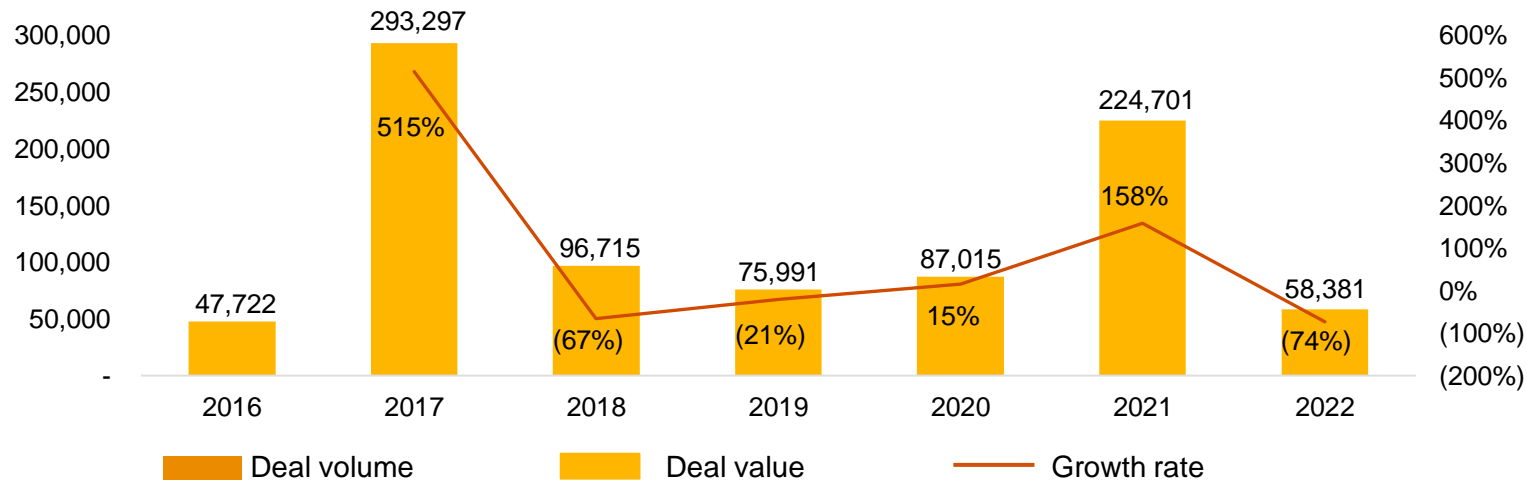
# In 2022, China's logistics M&A market reported 110 deals in all, with a total value of RMB58.4 billion.



## Overview of deal volume



## Overview of deal value (RMB in million)



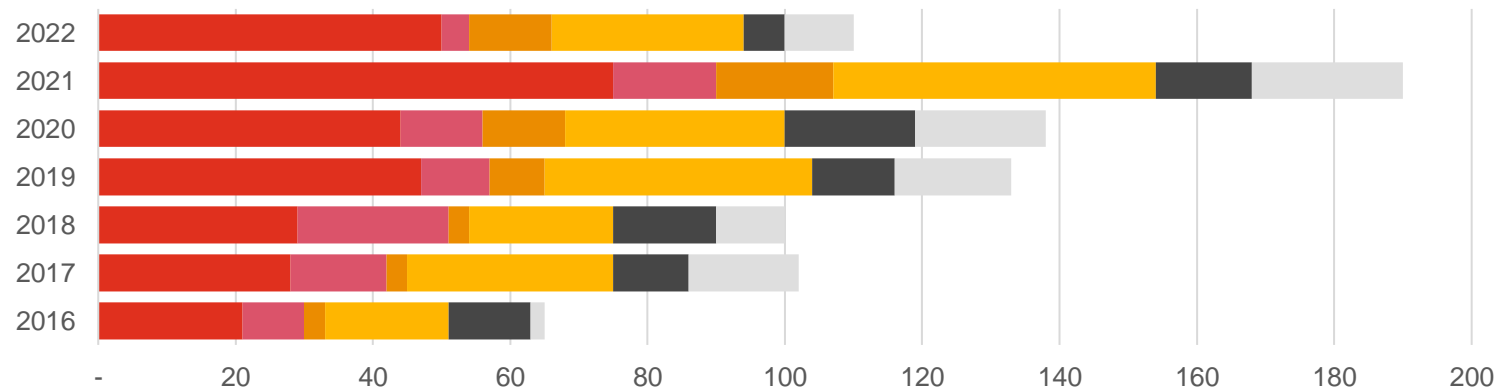
Amid uncertainties surrounding global economic recovery coupled with the resurgence of the COVID-19 pandemic, M&A activities in the China logistics sector cooled down in 2022. Here are the key factors affecting the market.

- The COVID-19 pandemic affected the domestic economy and social activities;
- High inflation in Europe and the US weakened the demand and limited China's export activities;
- The raising fed funds rate led to capital outflows from China and investors raised their expectations of investment yield;
- The IPO progress of some logistics companies in China A-share market slowed down, while the stock prices of listed logistics companies did not perform as well as expected;
- Many leading enterprises obtained financing in 2021, and there were fewer mega and large-scale deals in 2022;
- The logistics market is a cyclical sector that follows the economy performance. In view of the bleak economic outlook full of uncertainties, investors were adopting a wait-and-see attitude in 2022.

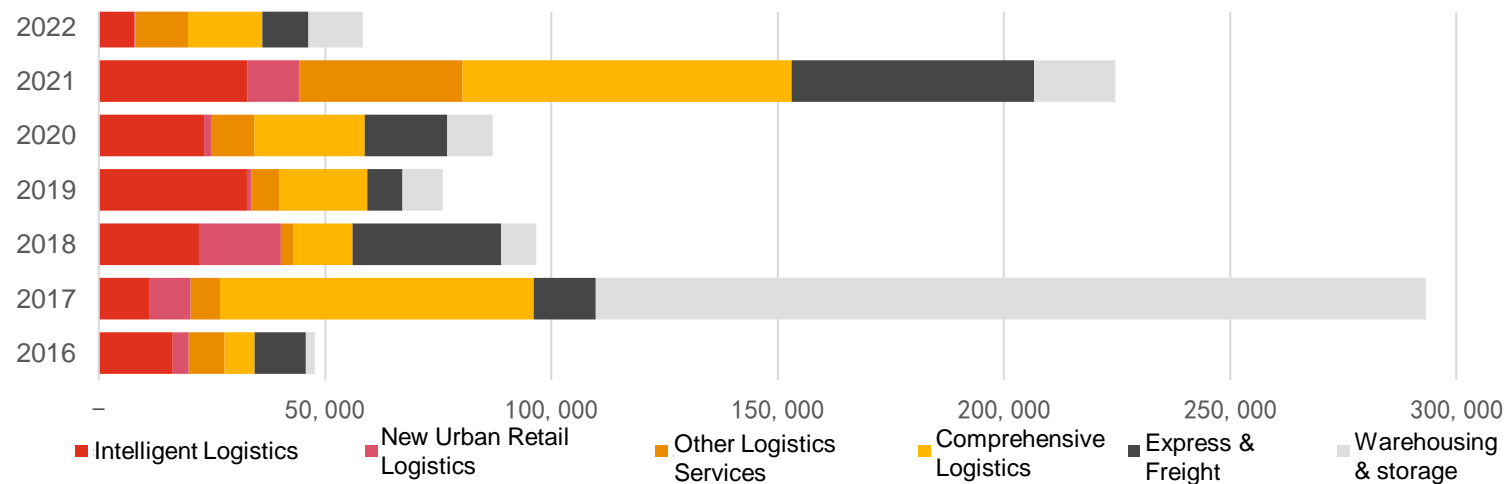
# Digital intelligence and industry consolidation were the major drivers of M&A transactions in 2022



Deal volume by segments



Deal value by segments



## Intelligent Logistics

- In 2022, there were 50 transactions, involving RMB7.8 billion in intelligent logistics sector;
- The hot area of intelligent logistics were logistics equipment, trading platform, and logistics system.

## Comprehensive Logistics

- The comprehensive logistics generated 28 transactions involving RMB16.4 billion in 2022. The industrial investors are the main source;
- Freight forwarding, sea and air transportation, and supply chain logistics were the top three areas.

## Express & Freight

- In 2022, there were only 6 transactions involving RMB10.1 billion in the sector of express & freight.
- The competitive landscape of this sector were largely determined. Hot areas are the express parcel and LTL logistics.

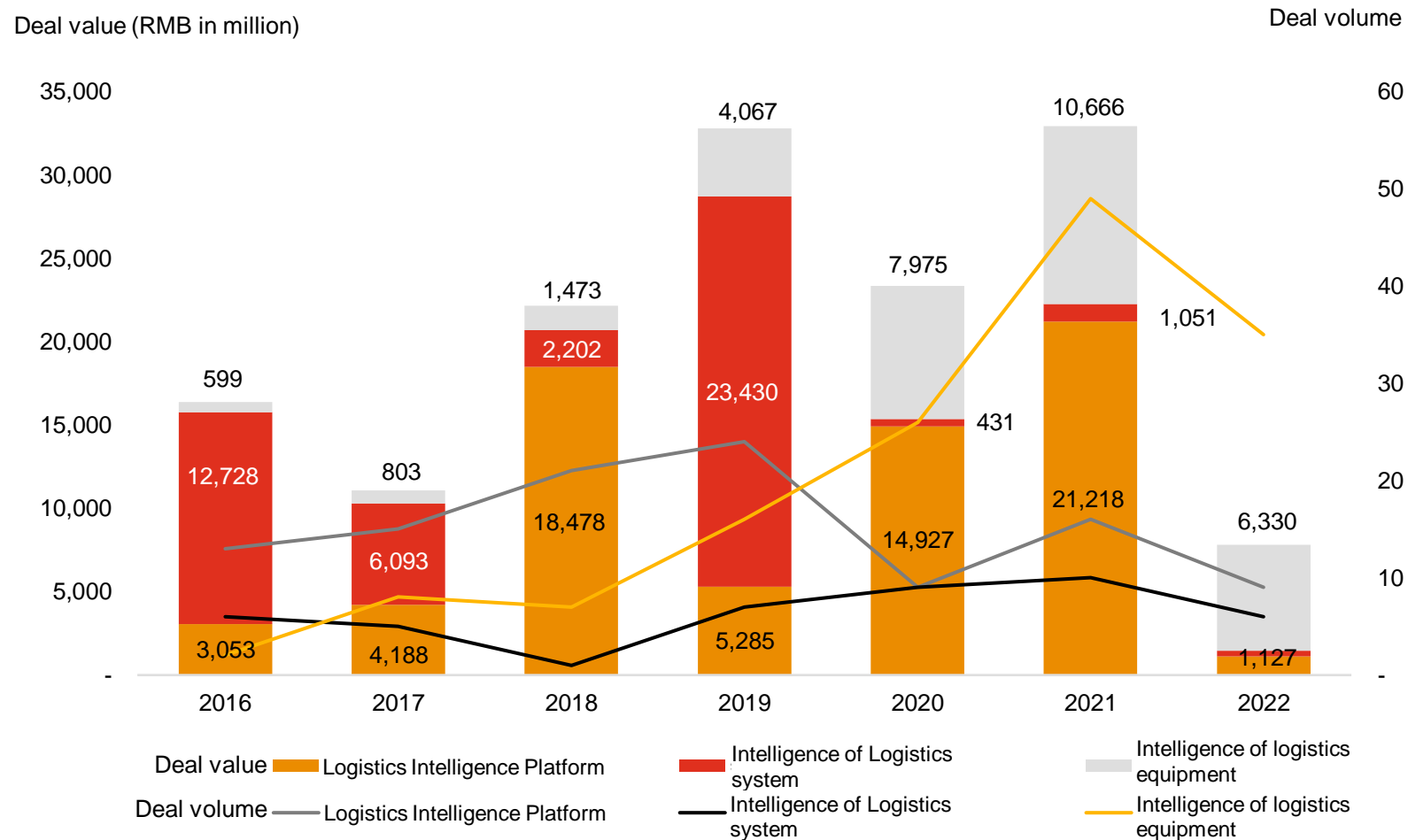
## Others

- Warehousing & storage: the competitive landscape was in the stable pattern and only occasional industrial mergers activities;
- New urban retail logistics: the transactions were winding down and investors paid less attention on this area due to poor IPO performance.

# Logistics equipment intelligence continues to lead the market; automation and intelligence in logistics equipment emerge as a hot Spot



## Trends in M&A of intelligent logistics



### Intelligence of Logistics Equipment

- The most popular sector with 35 deals involving RMB6.3 billion;
- Key areas are the automation of transportation and storage equipment;
- Most of the deals concentrated among B round and after.

### Logistics Intelligence Platform

- With the successive listing of leading companies in past few years, investment activities witnessed a cooldown in 2022, with only 9 deals with a total of RMB1.1 billion;
- Investors focused more on leading companies with advantages in some specific areas or regions.

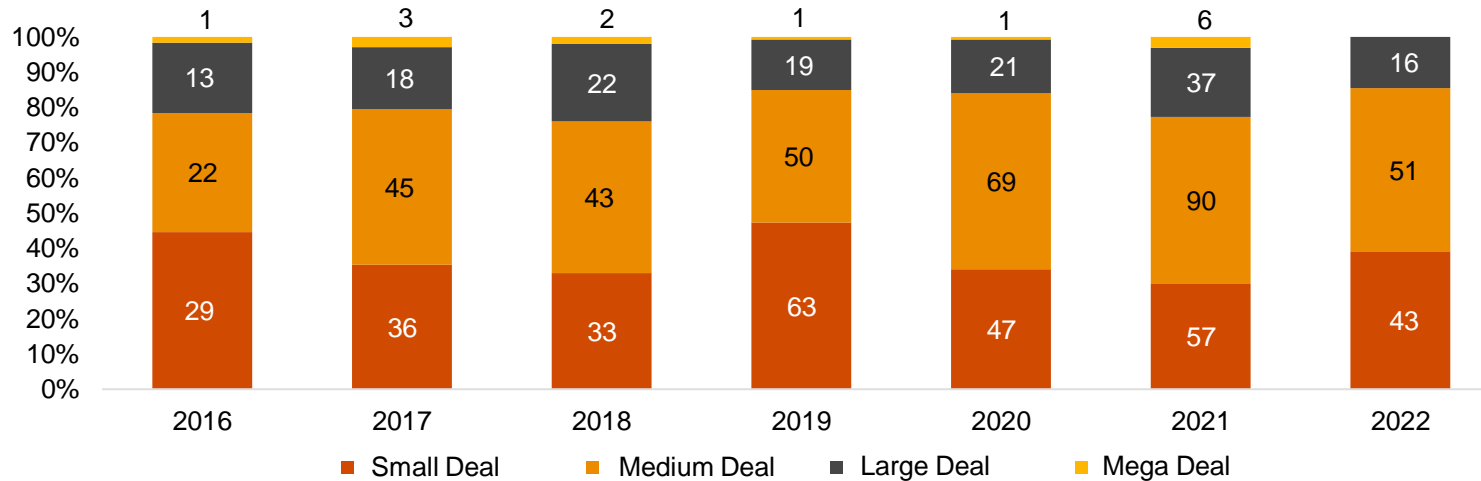
### Intelligence of Logistics system

- Investors paid less attention to this area, with fewer number of deals and smaller deal size compared to the above segments;
- There were only 6 deals with a total of RMB340 million in 2022.

# The complex macro environment has led to increased risk aversion among investors and a shrinking deal value



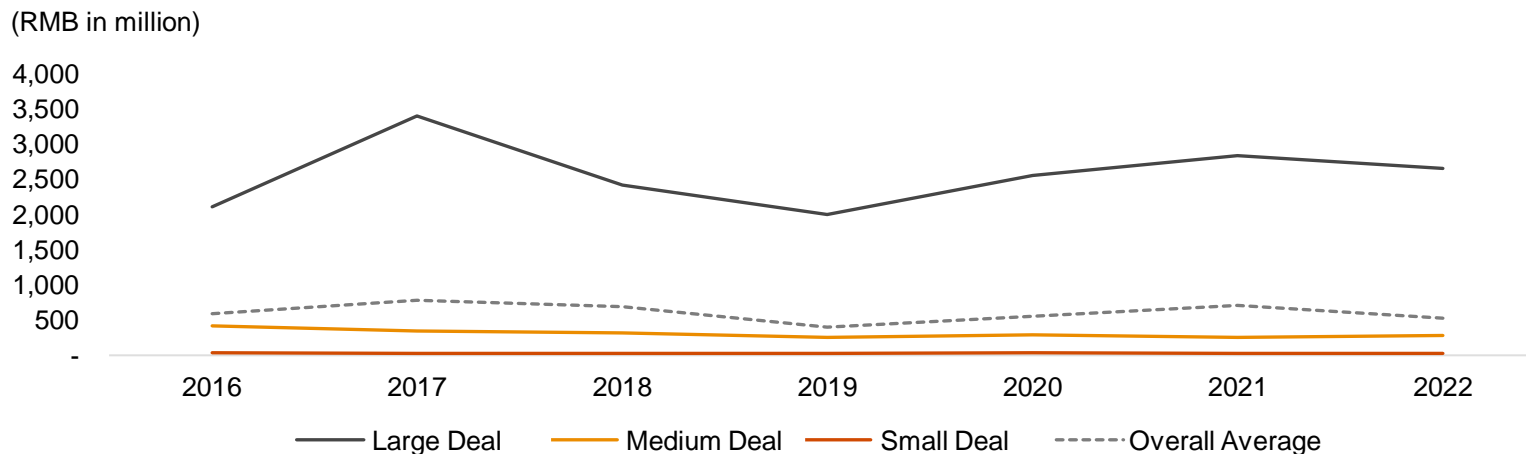
## Deal Value Distribution



## Larger proportion of small and medium-sized deals as investors become more risk-averse

- Investors became more cautious and risk-averse amid uncertainties surrounding the global economy and the pandemic;
- Medium-sized deals and small-sized deals together accounted for 85% of the annual deal volume which is a significant uplift compared with that in 2021.

## Change in average deal value (Excluding mega deals)



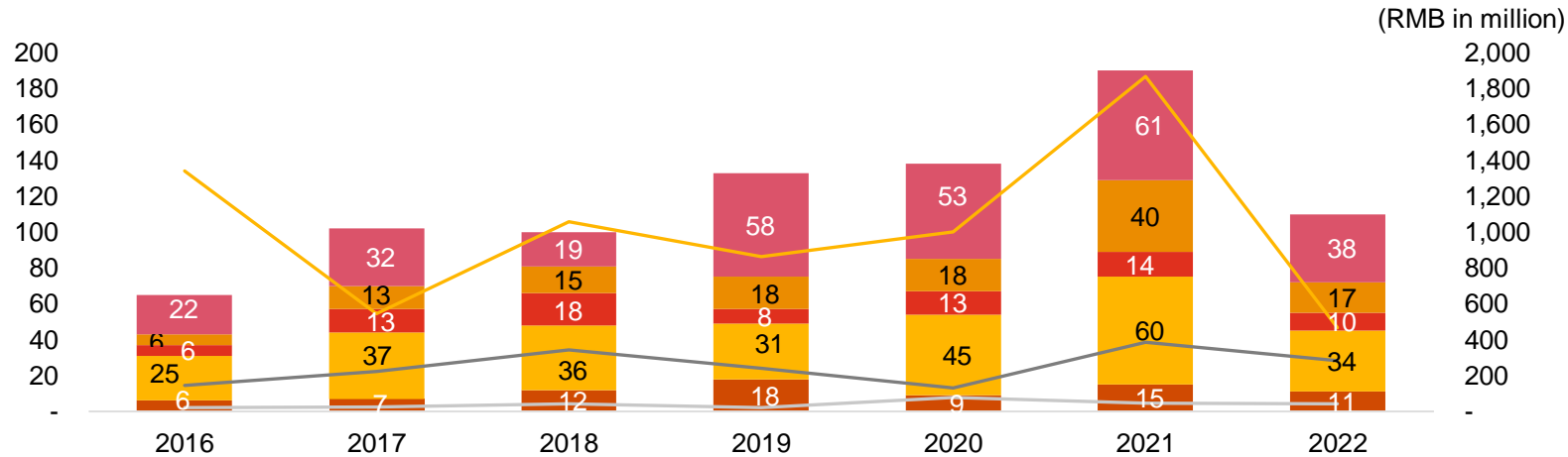
## Average deal value has declined

- Due to the US Fed rate hike and the market underperformance, investors have been adopting a more cautious attitude towards pricing logistics companies;
- The downturn of M&A market may suggest that the logistics industry is undergoing an intense and brutal consolidation of mergers and acquisitions.

# The average deal value has declined, while the proportion of target companies in the mature stage increased



## Deal Value Distribution

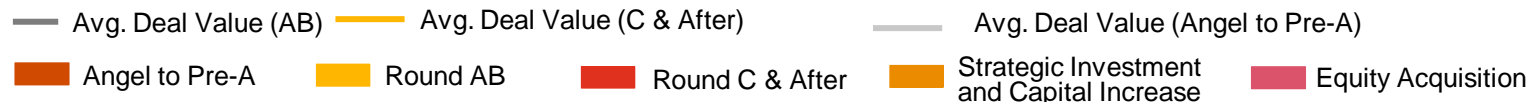
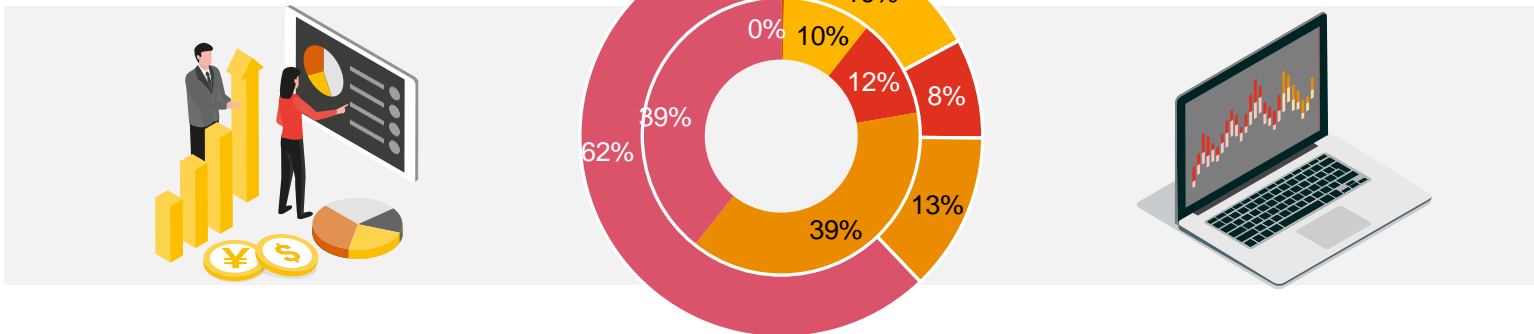


## Declining average value of deal in major financing rounds

- Average deal value for major funding rounds e.g. rounds A&B, round C & after showed varying levels of retrenchment;
- Investors paid more attention on the certainty and strategic integration when undertaking mergers and acquisitions

## Deal Value by Round

Internal: 2021  
External: 2022



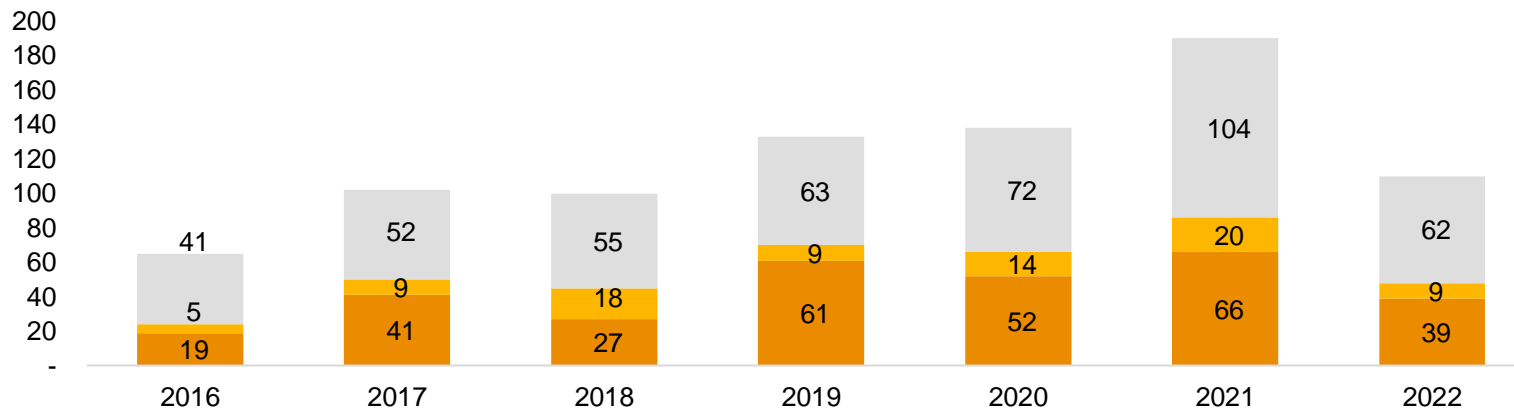
## Acceleration of industry integration alongside increased share buy-outs

- In 2022, China logistics industry M&A market was marked by industry integration. The proportion of this round's deal value increased significantly.
- Investors were also looking for early-stage target companies with clear business models and business operations of a certain scale.

# Industrial Investors Steadily Conduct M&A and Consolidations, while PE/VC Focuses on Hot Sectors



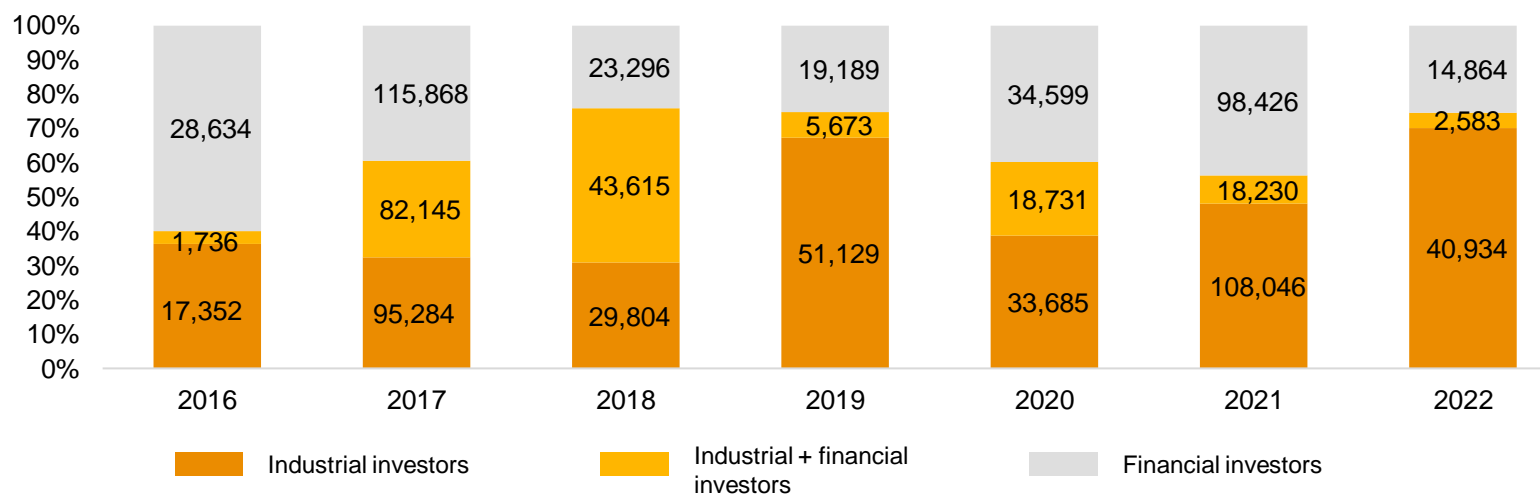
Trends of deal volume by various investors (cases)



## Investors adopt cautious attitude, focusing on specific popular segments

- Under the complex macro environment, industrial investors have been exploring opportunities in comprehensive logistics and warehousing and attempting to make controlling acquisitions
- Financial investors focused on intelligent logistics, which is a hot sector of China's logistics market, not only in the M&A market but also A-share market.

Change in the proportion of deal value (RMB in million)



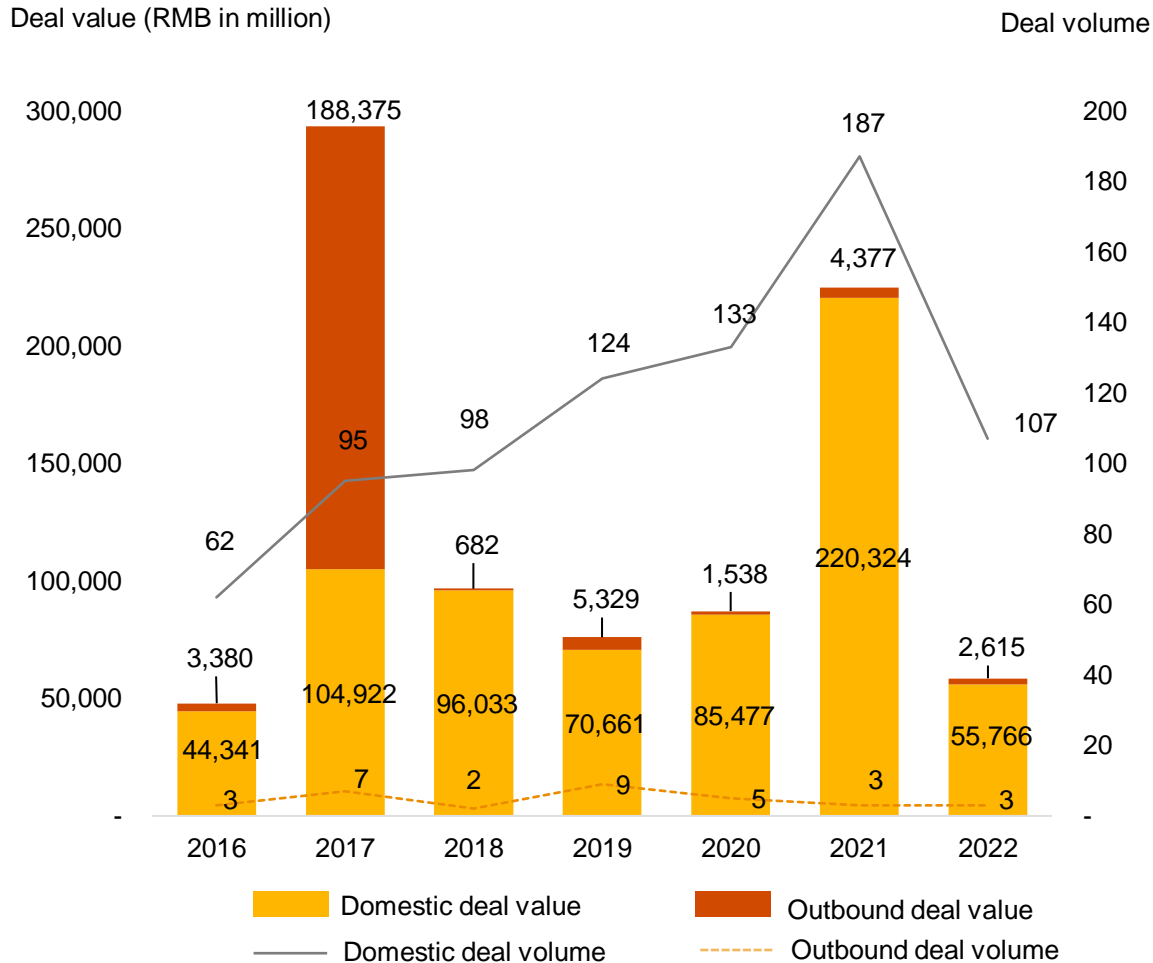
## Industrial investors, the major players in the M&A market, promote M&A integration

- Solely-industrial-investor deals accounted for 70% of the total deal value;
- Comprehensive logistics, express & freight and warehousing & storage were popular with industrial investors.

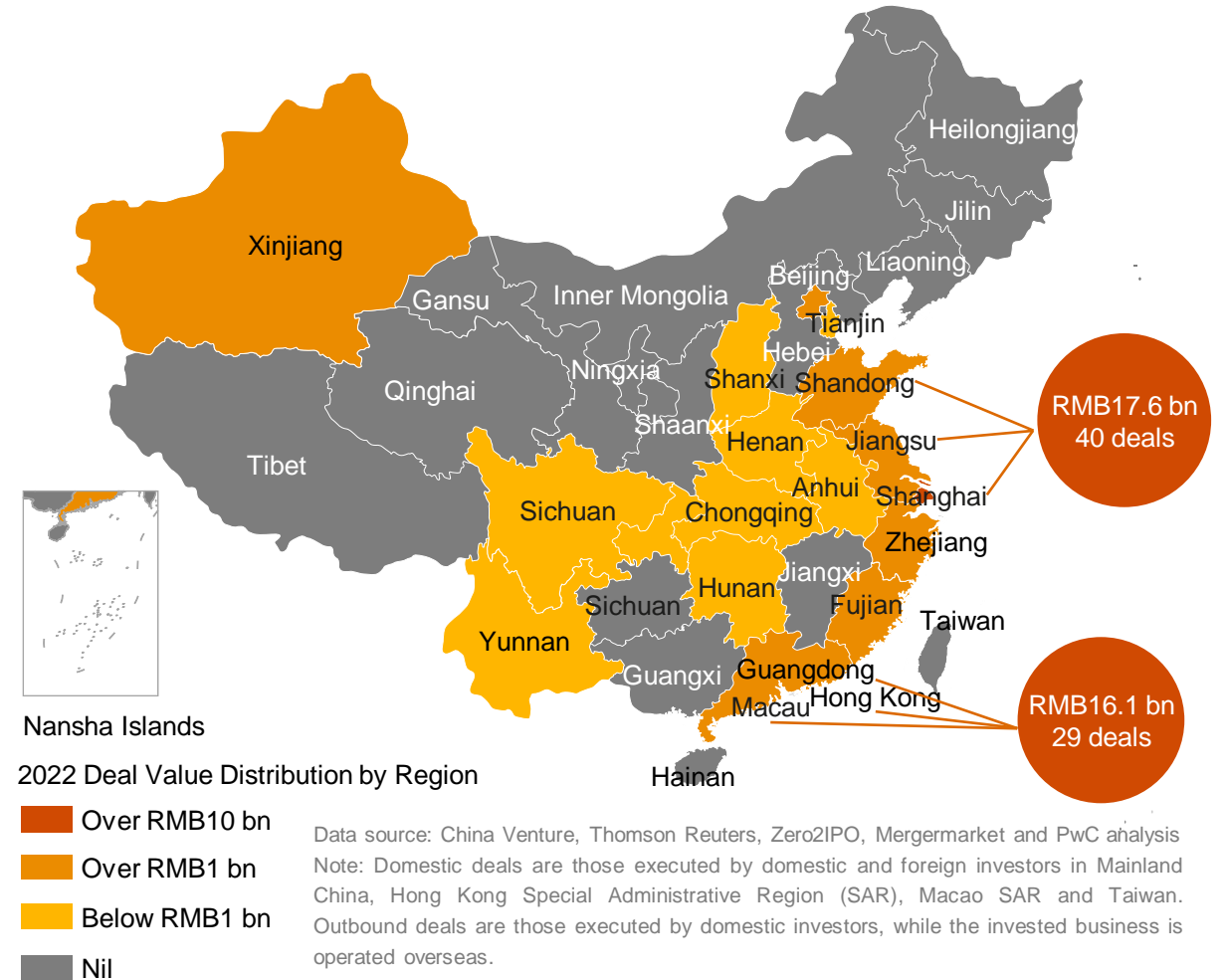


# Domestic deals dominated the logistics M&A market, contributing more than 97% to the total deal volume and deal value in 2022

## Domestic and Outbound Deal Value & Deal Volume



## M&A activities were concentrated in the Jiangsu-Zhejiang-Shanghai, GBA & Beijing.



# Major Deal Events in China's Logistics Industry in 2022

Target	Segments	Value (RMB in Million)	Investors	Rounding	Background	Outlook
Deppon	Express & Freight	8,976	JD Logistics	Equity acquisition	With its 66.49% stake in Deppon, JD Logistics will use Deppon's strengths in bulk delivery to reduce its dependence on JD.com and try to catch up with SF Express.	Leading players continue to integrate.
JD industrial development	Warehousing & Storage	5,099	Warburg Pincus, Hillhouse Capital	B round	JD Industrial Development provides infrastructure asset management and comprehensive services. The financing amount of this round will approximate \$800 million, to be used in business expansion, model transformation, and strengthening infrastructure asset management capabilities.	The continued consolidation and the increase of SOE investment demonstrate the importance of the logistics industry.
Kerry Properties	Warehousing & Storage	3,924	China Resources Logistics	Equity acquisition	In recent years, China Resources Logistics has been making frequent moves in the field of warehousing and logistics. Kerry Properties will use the funds to further enhance its asset size and improve its asset and business layout in Hong Kong.	Popular comprehensive logistics regions such as US/SEA will receive more attention.
Topocean	Comprehensive Logistics	1,520	Kerry Logistics Networking	Equity acquisition	Topocean is a leading freight forwarder in the US. After the acquisition, Kerry Logistics will 1) integrate its business to achieve synergies between NVOCC operations, administrative cost reduction and economies of scale. 2) expand its footprint into the international arena and increase business in cross-border e-commerce logistics.	Key sectors that address cost reduction, efficiency enhancement, quality improvement, and environment attention are favoured.
Inceptio Tech	Intelligent logistics	1,189	Sequoia Capital, Chow Tai Fook, Meituan	B+ round	The technology of Inceptio Tech will enhance safety, efficiency and cost saving in trucking.	
Zhonchu Zhiyun	Intelligent logistics	761	Cthg Fund (混改基金), Guoyuan New Energy, Sino Ocean Capital	D round	Zhongchu Zhiyun is a pilot unit of mixed reform under the SASAC (中储股份). The funds are expected to be used for the strategic upgrade, switching the "network freight platform" to "intelligent supply chain platform".	

# Trends and Prospects



## Intelligent logistics

### Policy orientation

- The “14th Five-Year” Digital Economy Development Plan
- The “14th Five-Year” Modern Logistics Development Plan

### Development opportunities

- Big data, Automation and Internet of Things(IoT),
- New tech implementation, such as AIGC and NLP

### Development trend

- To meet the requirement of high-quality development of China logistics
- Digital twin, logistics space foundation model, intelligent transportation and packaging equipment etc.

### Investment prospect

- New energy+, autonomous intelligent devices, digital intelligence information technology, vertical online business platforms and applications of the AIGC foundation models are worthy of remark
- Financial investors will continue to dominate this sector.

## Comprehensive logistics

### Policy orientation

- The Government Work Report of 2022
- The “14th Five-Year” Modern Logistics Development Plan

### Development opportunities

- More flexible and more integrated supply chain services required by the manufacturer.
- New opportunities in the cross-border logistics sector

### Development trend

- Changing competition landscape
- Integrated supply chain will be further strengthened
- Digitalisation will serve as the cornerstone

### Investment prospect

- Leading companies especially SOE companies will be the main players
- Share buy-outs and industry M&A will become mainstream
- Special logistics will **garner** more attention.

## Warehousing & Storage

### Policy orientation

- Requirements and evaluation for green warehousing and distribution by China’s Ministry of Commerce

### Development opportunities

- The combination of warehousing & storage assets with distributed photovoltaic system
- Geopolitical concerns and hiking Fed rate affecting the returns of warehousing & storage asset portfolios in China

### Development trend

- Greening of Warehousing & Storage
- M&A activities of leading companies may change the competition landscape

### Investment prospect

- Developed high-standard storage assets, cold chain storage assets in core regions
- New logistics hubs and green warehousing will be more popular

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