

Stock Code 002352.SZ



# S.F. Holding

# 1H2023 Investor Presentation

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Note: Unless otherwise specified, the time period in this presentation refers to Jan 1, 2023-Jun 30, 2023 while the time herein is as of Jun 30, 2023.

# Agenda – 1H2023 Investor Presentation

#	Section
1	Business Overview
2	Financial Overview
3	Q&A

# Outstanding 1H2023 performance - sustainable and robust growth



Achieved highest semiannual net profit attributable to owners of the company since listing

SF is at an inflection point

## 1 Strategic focus on mid to high-end markets

- **Time-definite:** Continued growth driven by enhanced timeliness and coverage
- **Economy:** Focused on selected high-potential markets to deliver quality growth

## 2 New businesses turning profitable

- **Freight:** Continuous improvement in profitability with enhanced services
- **Intra-city:** Net profit turned profitable driven by optimized business mix

## 3 Multi-network integration and cost initiatives

- Expanded integration scenarios led to continuous cost savings and efficiency gains
- Lean operation throughout the entire value chain to significantly reduce costs

## 4 Ezhou Cargo Hub commencement

- Enhanced product capabilities in China and global connectivity
- Solidified the competitive moat and widened the gap vs. competitors

Second Growth Curve

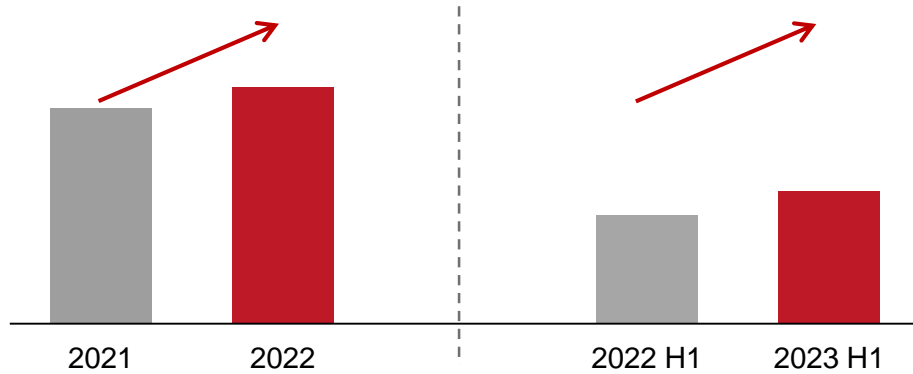
 International business

 Supply chain business

# Time-definite: volume growth driven by exceptional service quality and customer experience

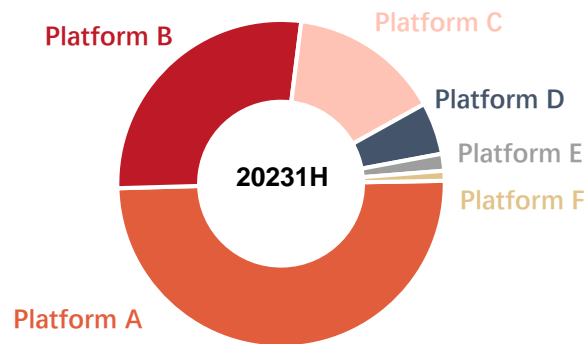
## Strong growth in parcel volume

### Time-definite express volume and growth



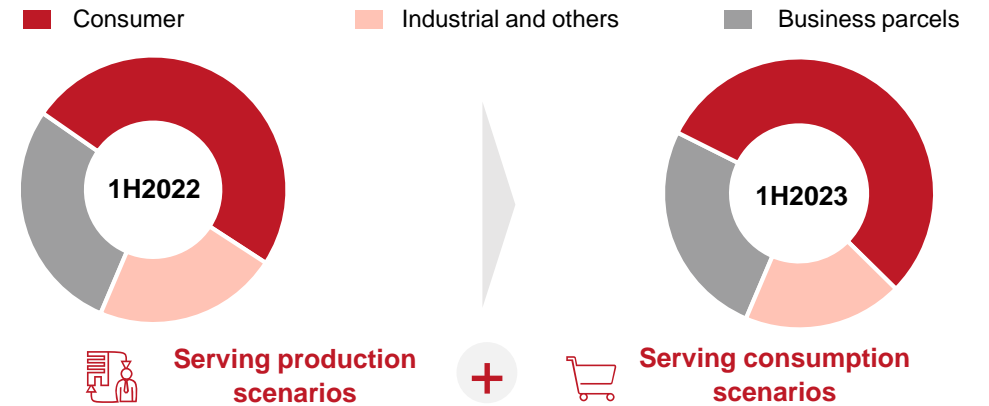
## Expanding in new scenarios

### Breakdown of return parcel volume



## Consumer segment the key driver

### Breakdown of parcel volume

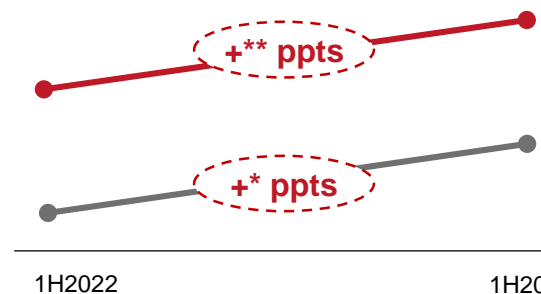


## Enhanced timeliness and city coverage

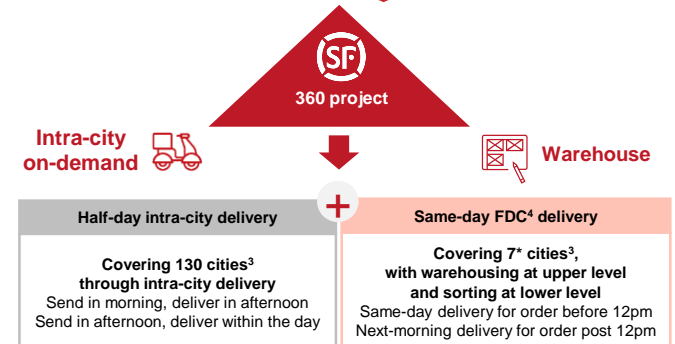
### Air

### Land

2D18<sup>1</sup> time-definite on-time ratio    2D12<sup>2</sup> time-definite on-time ratio



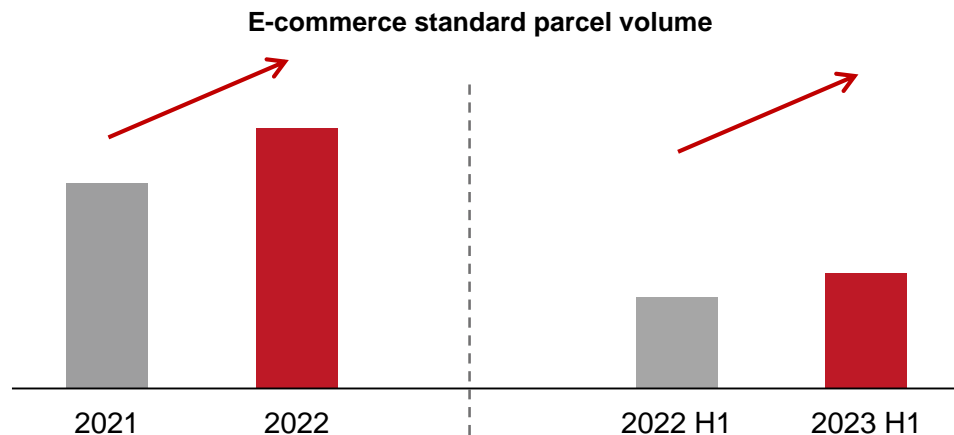
### Freight



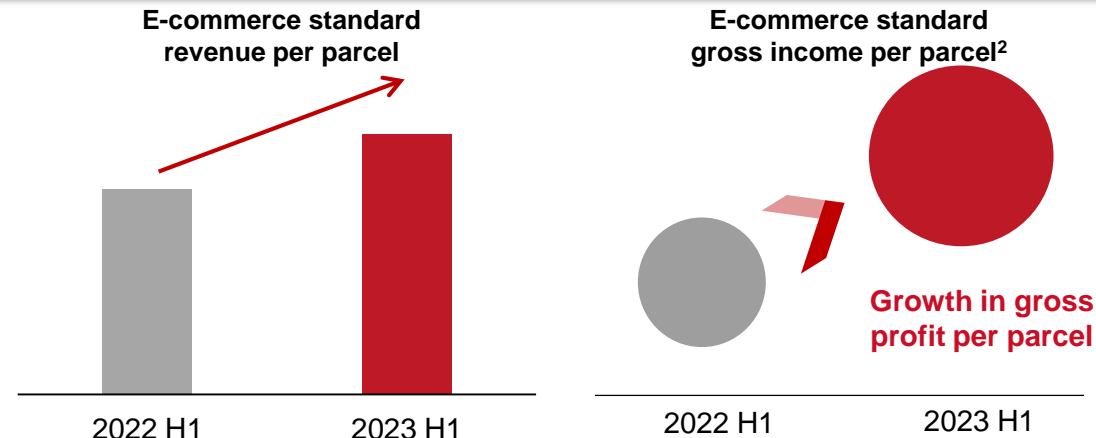
Note 1: The % of time-definite express parcels delivered by 6pm on the next day; Note 2: The % of time-definite express parcels delivered by 12pm on the next day; Note 3: As of Jun 30, 2023; Note 4: Front distribution center

# Economy: Differentiated strategies with a focus to expand in core markets

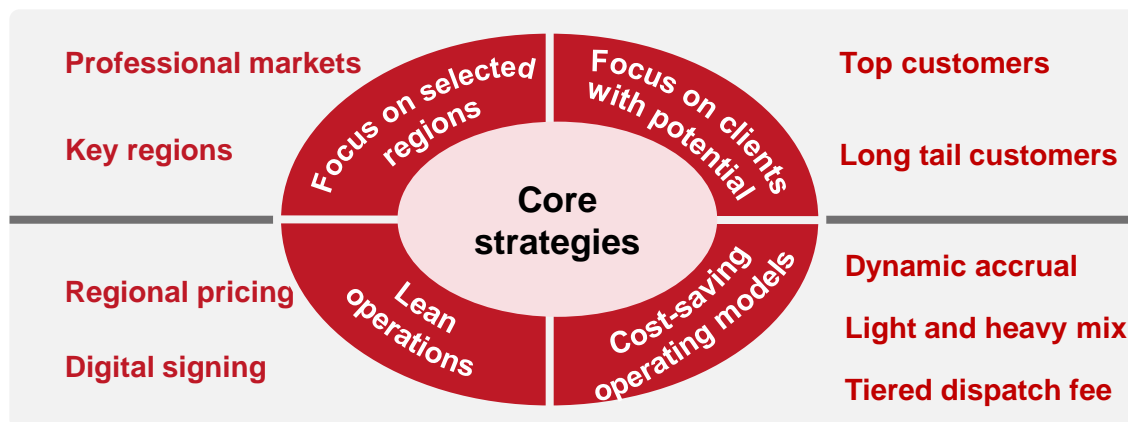
## Continued high growth in parcel volume<sup>1</sup>



## Improved revenue and gross profit per parcel



## Differentiated strategies



For business regions – differentiated marketing strategies based on profitability / growth profiles



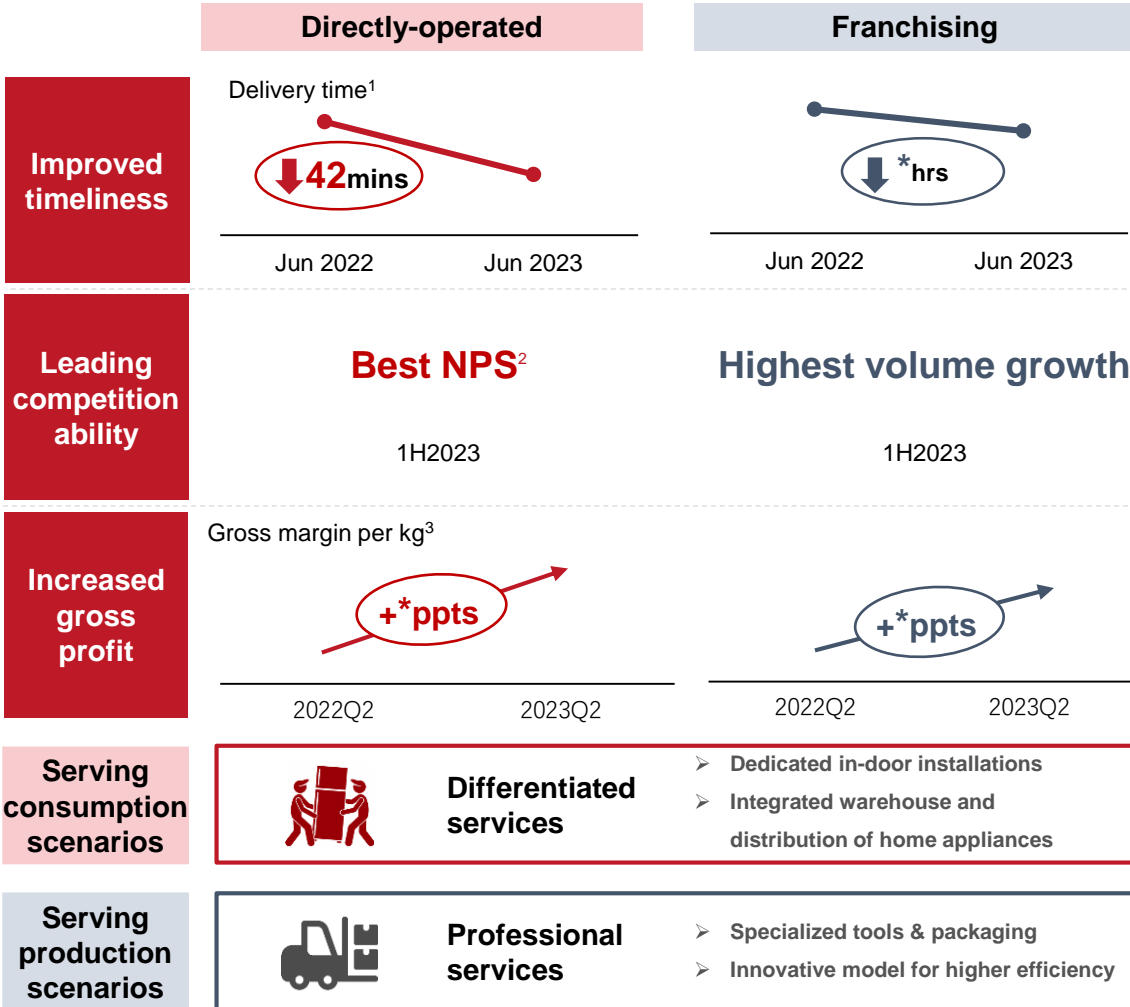
For customers – targeted, volume-based pricing policy

Note 1: parcel volume of e-commerce standard express only, excluding Concessionary Special Delivery and Fengwang Express; Note 2: Gross income per parcel based on management account



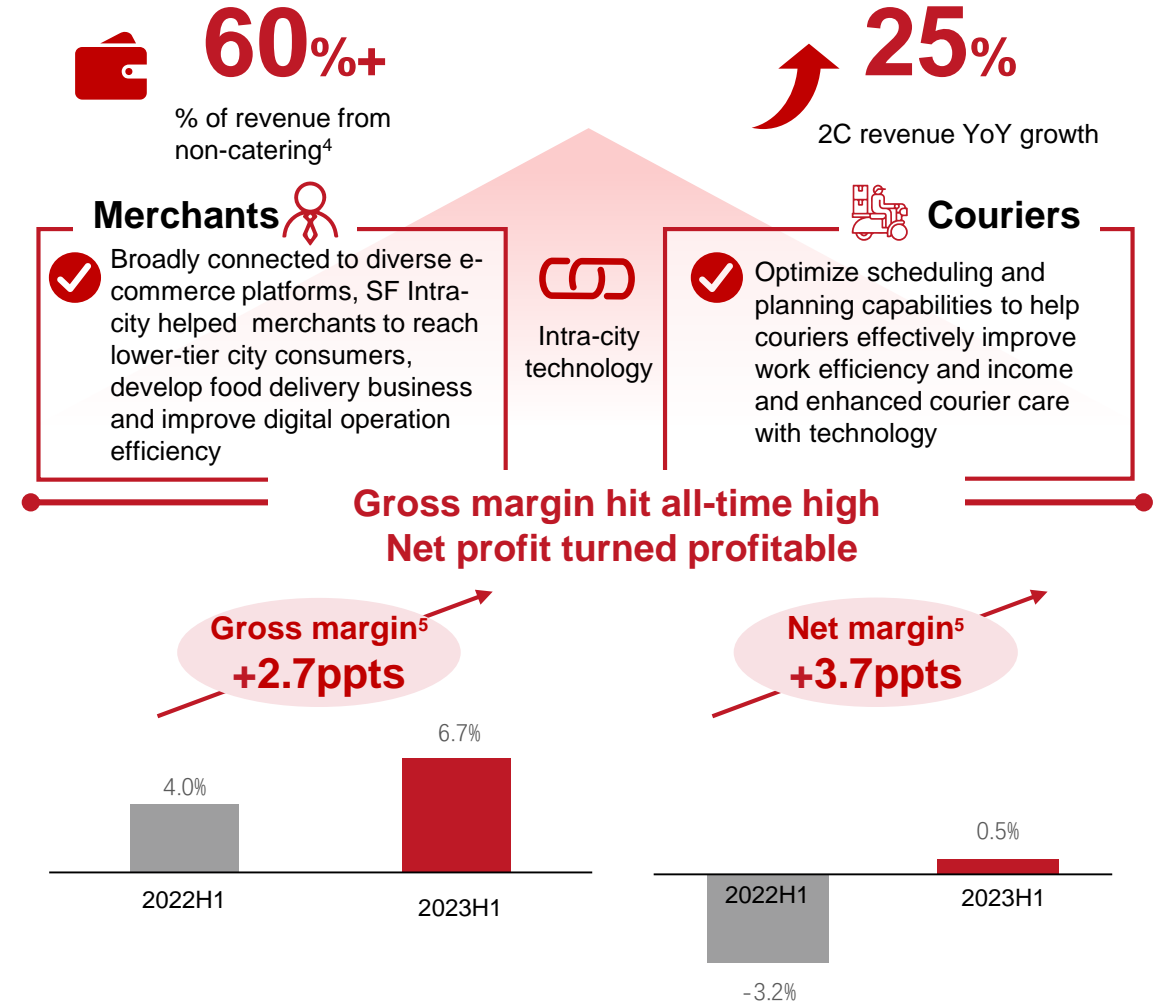
# Freight + Intra-City: Profitability continues to improve

## Freight: Leading service capabilities and improved profitability



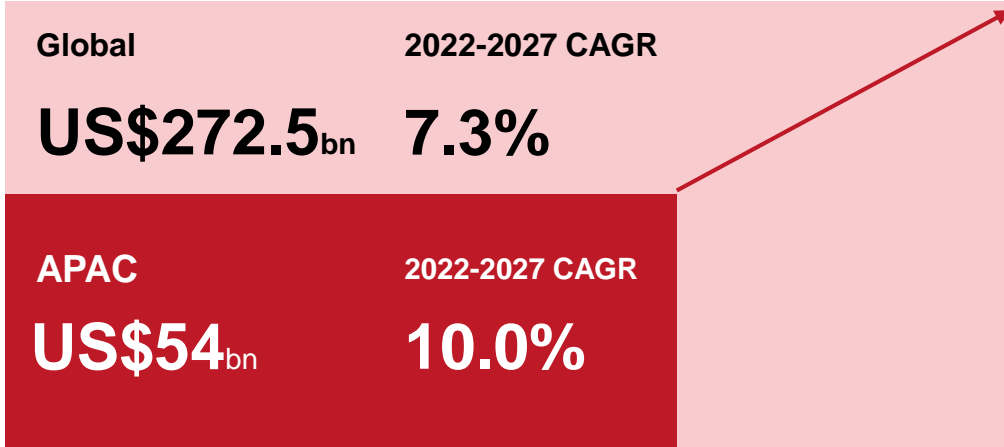
Note 1: Delivery time for directly-operated business refers to time-efficiency of SF Freight Express; delivery time for franchising business refers to time-efficiency of SX Freight, excluding abnormal delivery time during times of lockdown and disasters; Note 2: Ranking by NPS of 20KG+ large-parcel freight customers; Note 3: Gross margin per KG as disclosed in the management account; Note 4: Local consumption scenarios ex-food takeaways, such as intra-city retail, near-field e-commerce and near-field services including last-mile services; Note 5: In terms of gross profit and net profit of intra-city

## Intra-City: Achieved sustainable high growth and turned profitable for the first time since inception

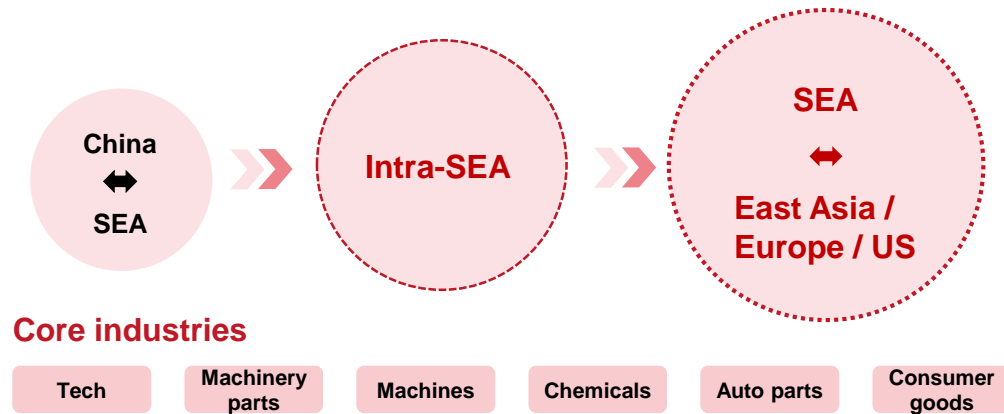


# International express: Enhanced competitiveness

 Huge room for growth in International Express and E-commerce Logistics<sup>1</sup>



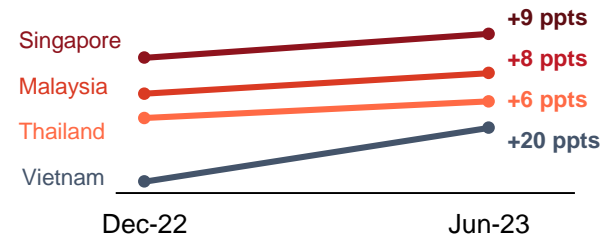
 Deeply focused on directly-operated international express in Asia; Expanding cooperations in US / Europe



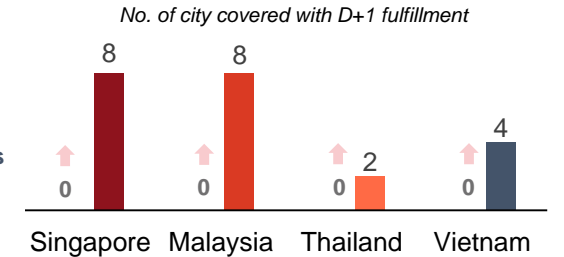
 Enhanced competitiveness in international express in Asia

## Enhanced time-definite capabilities<sup>2</sup>

Improvement in D+2 on-time ratio (China to SEA routes)



New international routes with D+1 fulfillment (SEA to China routes)



## Improved end-to-end service capabilities with customs clearance

- 70** Global clearing resources self-owned + agent
- 8 AEO advanced certificates** Certification
- America, Japan and South Korea, SEA, Europe, etc.** Geographical coverage
-  Highly cost-effective
-  Professionalism
-  Localization

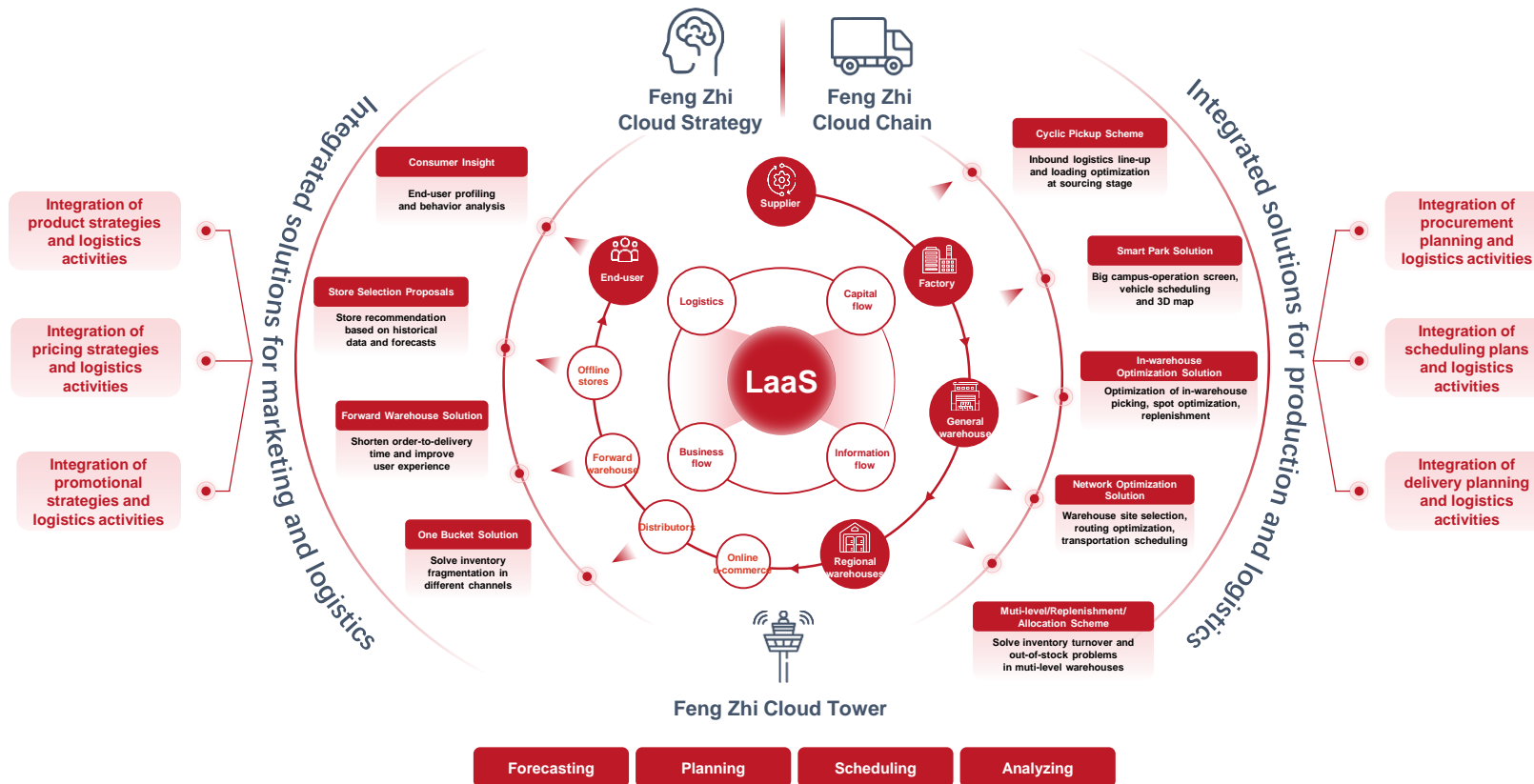
Note 1: From Frost & Sullivan; Note 2: D+1 refers to delivery within 1 working day after sending out; D+2 refers to delivery within 2 working days after sending out; Improvement in D+2 fulfillment rates (China to SEA routes) refers to improvement in D+2 fulfillment rates (working days for International Standard Express services)



# Supply Chain & International: Breakthroughs in innovation and integration

## Intelligent supply chain products:

Form intelligent supply chain products - Feng Zhi Cloud Chain, Feng Zhi Cloud Strategy and Feng Zhi Cloud Tower - for different levels of customer demands



### Serving production scenarios



International supply chain

- Export to South Asia by air for a Chinese medical device customer
- Export to South Asia by land for a Chinese heavy-duty truck customer
- Export to ME by sea for a premium fashion brand



International freight

- Import of raw materials from the US by sea for a leading Chinese healthcare customer

### Serving living scenarios

- Import durian from Thailand by land
- Export Yangmei from East China to EU and SEA
- Export Litchi from South China to ME and SEA

# Multi-network integration and other cost initiatives



## Capacity integration

- **Route integration:** integrated last mile and line haul routes and increased frequency of routes
- **Warehouse integration:** fully utilized idle warehouses
- **Resource reuse:** switched idling vehicles from two-way line-haul transportation to short-haul transportation, with line-haul or short-haul resources reused



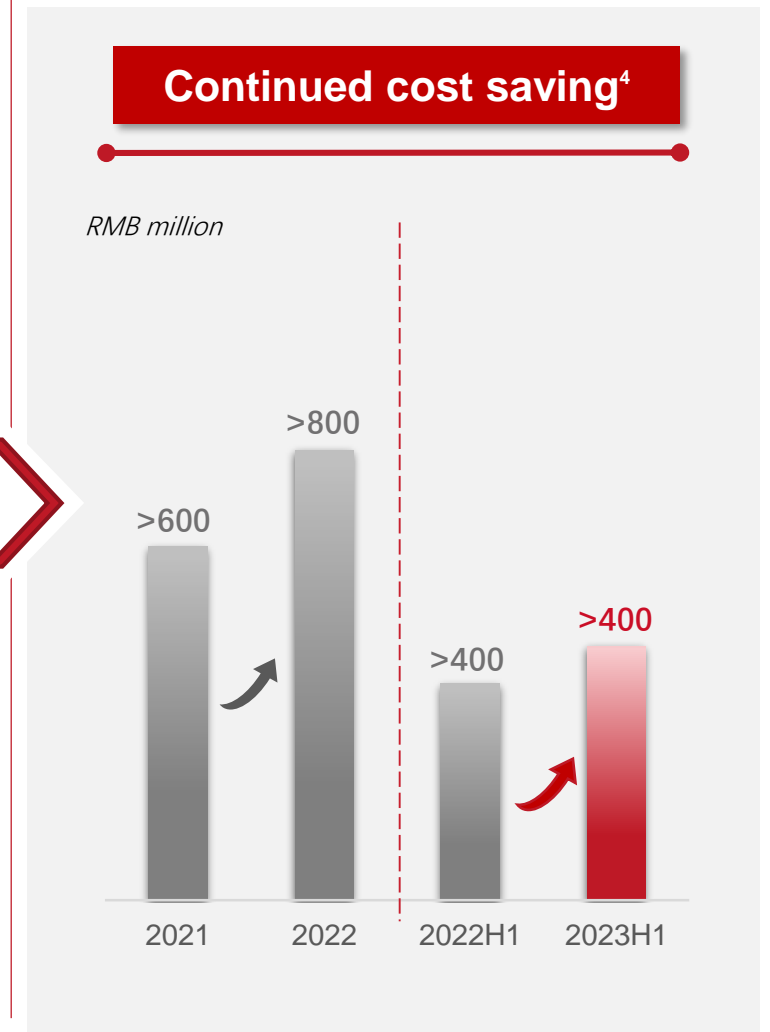
## Transit integration

- **Site integration:** unified planning, with **77%** new demand addressed at the same site, park or location on a preferred basis<sup>1</sup>
- **Separate operation:** large and small parcels are handled separately in peak times, with **76%**<sup>2</sup> large parcels admitted into the network in peak times
- **Integrated warehousing and distribution:** Integrated **82** warehouses and transit sites under the model of “warehousing at the upper level and sorting at the lower level”




## Last-mile integration

- **Outlet integration:** integrated some small/ large parcel-only outlets into integrated outlets
- **Capacity improvement:** enhanced large-parcel handling capabilities at small-parcel outlets, with **94%** outlets capable of handling large parcels<sup>3</sup>
- **Direct delivery from transit sites:** **7,400+** tons of parcels were directly sent to customers from transit centers




Note 1: 20231H data; Note 2: Percentage of large parcels admitted into large-parcel transit in total number of large parcels received during peak days in June 2023; Note 3: The number of small-parcel delivery outlets able to handle large parcels as % of total; Note 4: Cost savings post versus no multi-network integration, excluding impacts of certain non-integration factors

# 1H2023 Progress of business model reform



**Increase line haul and short-haul capacity<sup>1</sup>**


- Available line haul capacity +\*ppts
- Available short-haul capacity +\*ppts




**Improve the efficiency of self-operated capacity<sup>2</sup>**

- Efficiency of self-operated vehicle +\*ppts
- Efficiency of self-operated vehicle drivers +\*ppts


## Capacity: Disciplined investments




Centralized bidding  
Strategy optimization



Promotion of short-haul routes  
Standardized pricing



Resource integration  
Centralized scheduling




Unilateral and bilateral resource integration

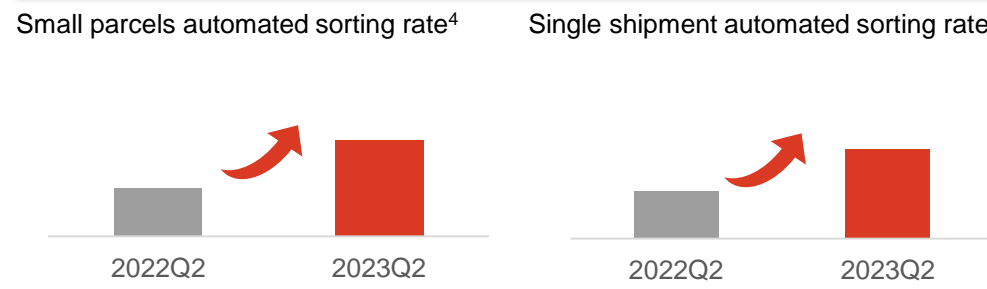
✓ Lower transportation cost

Cost per kg in 2023H1<sup>3</sup> Excl. fuel price

Down \*%      Down \*%

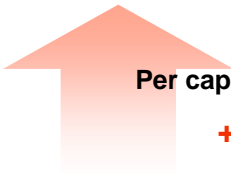



## Transit: Efficiency improvement through innovation




✓ Improved per capita efficiency

Per capita efficiency +6.4%





**Equipment and process innovation**



**Process diagnosis and optimization**

## Last-mile: Experience enhancement

**Outlets**

**Direct sorting and delivery + operation optimization**

-  Increased number of customer-facing touch points
-  Optimized the efficiency of service points

**Couriers**

Task complexity ↔ Aligned with Wage distribution

➢ Algorithm iteration for pickup model

➢ Time consumption model for individual order

➢ Time consumption model for monthly settled orders

**Dynamic scheduling**      **AOI level**      **Task allocation**

**Regional management**

✓ Enhanced service quality

Better delivery services

Better customer experience




Note 1: Includes self-owned fleet, co-built fleet and leased vehicles ; Note 2: Efficiency of self-operated vehicles refers to daily mileage of self-operated vehicles; Efficiency of self-operated vehicle drivers refers to daily mileage of self-operated vehicle drivers per capita; Note 3: Costs of line haul and short haul per KG as reported in the management account; Note 4: Small and light parcels less than 3KG, except for specific categories such as fresh goods

# Ezhou Cargo Hub Commencement

The **FIRST** domestic route “Shenzhen-Ezhou” **launched** in **July 2022**.

The **FIRST** international route “Ezhou-Liège” **launched** in **April 2023**.







**Ezhou transit center is scheduled to launch operation in 3Q2023**

- ➔ Covering over **700k square meters**
- ➔ **280k parcels processed / hour** during peak season



## Improved 2D12 time-definite capabilities

- 

Increase in the on-time ratio of SF Speedy Express 2D12<sup>1</sup>
- 

More cities covered by next-morning air delivery<sup>2</sup>



## Cost savings

- 

Controllable short-term cost
- 

Cost saving through hub-and-spoke network + wide-body aircraft fleet



## Proximity to end customers' establishment around Ezhou Airport

- 

High-end cash crop trade
- 

Intelligent manufacturing equipment supply chain
- 

Cross-border e-commerce goods trade
- 

Intelligent pharmaceutical supply chain
- 

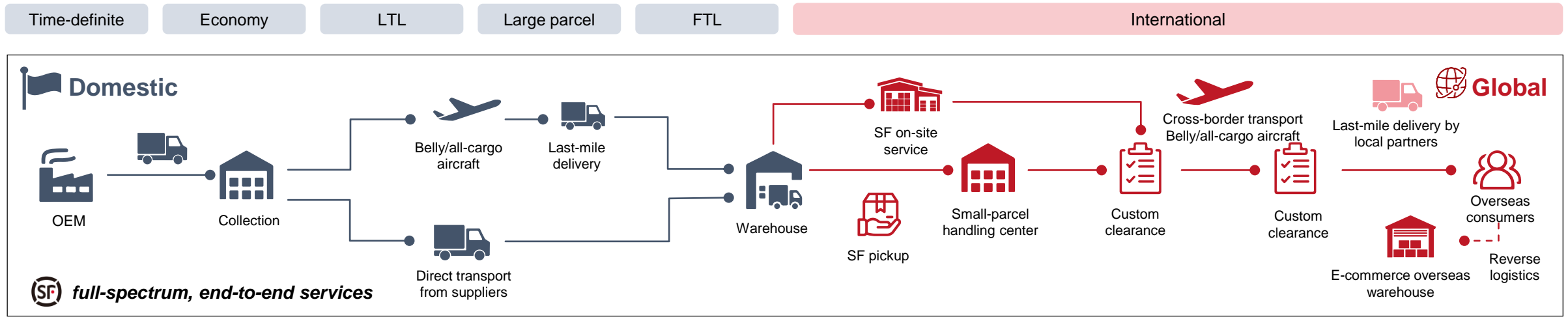
Chemicals & high-end consumer supply chain

Source: Company information

<sup>1</sup> Refers to the theoretical improvement value of the 2D12 on-time ratio calculated by the model after the completion of the route switching of hubs based on the timeliness of working days for the SF Speedy Express products; <sup>2</sup> Net increase of cities; refers to the ratio of delivery earlier than next-day 12pm for SF Speedy Express products with delivery distance more than 800K

# Case 1: Differentiated Capabilities Help Emerging e-commerce Platforms Go Overseas

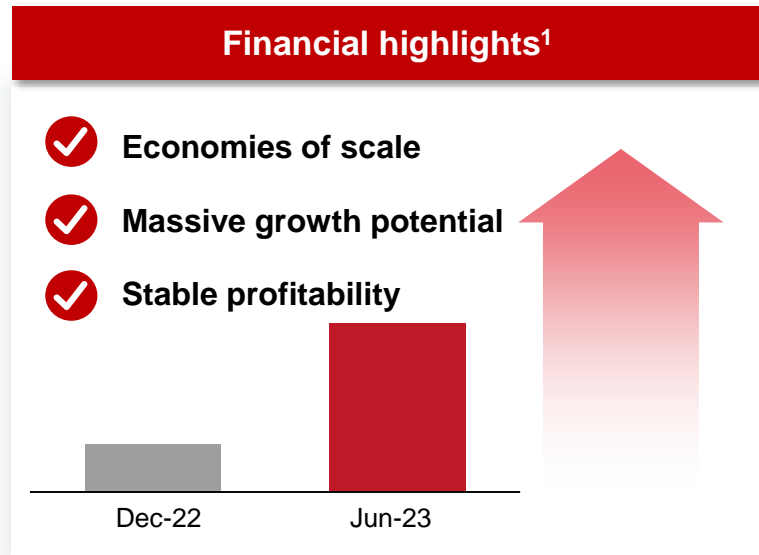
## Global full-spectrum, end-to-end services



### How SF is best positioned to serve<sup>1</sup>

#### Exceptional timeliness

- Within China Superior timeliness
- Cross-border Industry-leading timeliness
- High frequency time-definite services
- Self-operated fleet Up to 7 flights/week



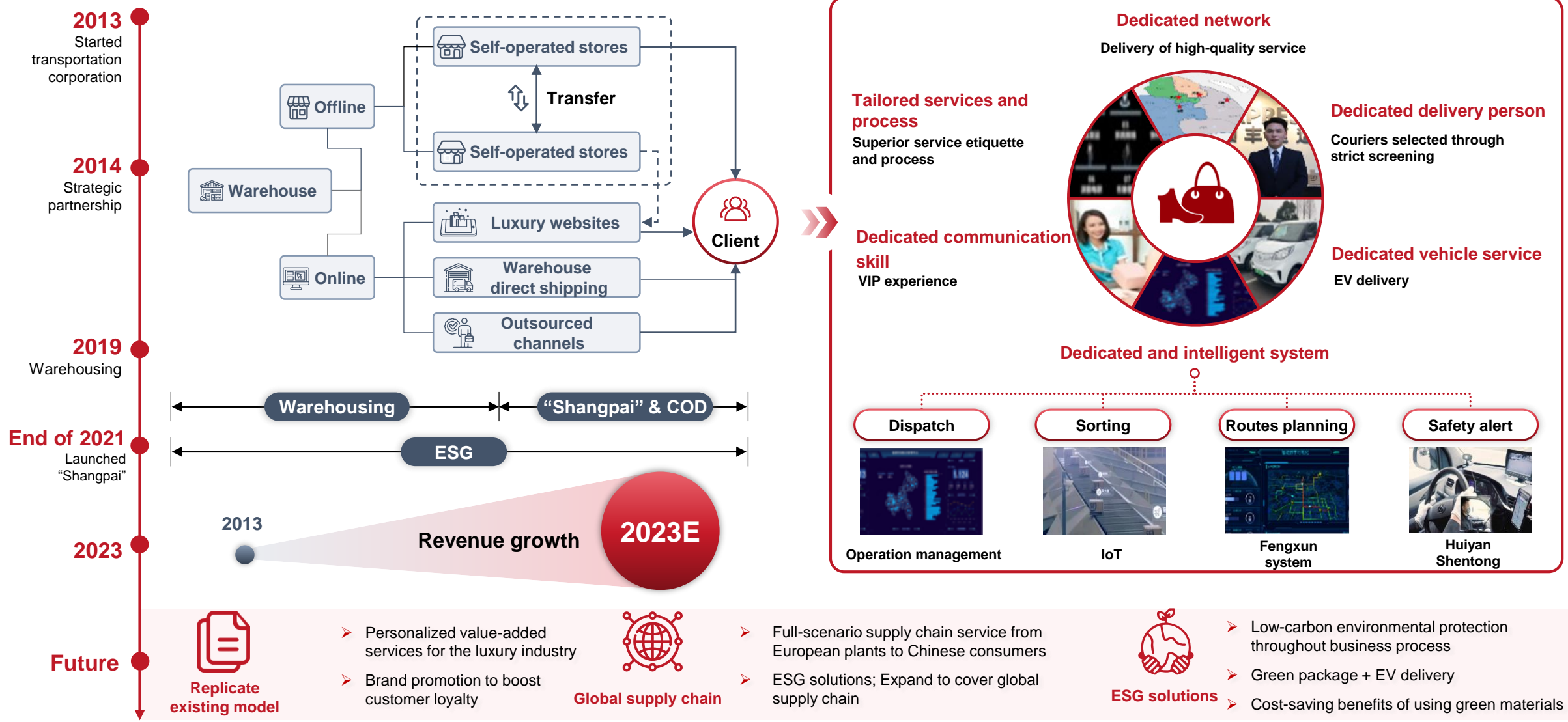
### Playbook of future growth

Existing customers – new routes & regions

New customers – replicate existing model

Note 1: Business relationship between SF and a cross-border e-commerce platform as an example

# Case 2: End-to-end Digitization and Customized Services for Luxury Brand





# Agenda – 1H2023 investor presentation

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# 1H2023 Results: The Highest Semiannual Net Profit in the Backdrop of a Weak International Freight Market

## 1H2023 KPIs



Volume (shipments)<sup>1</sup>

**5.88** billion



YoY growth

**14.6%**



Revenue

RMB **124.4** billion



YoY growth

**-4.4%**



Including: express & logistics revenue

RMB **92.0** billion



YoY growth

**13.4%**



EBITDA<sup>2</sup>

RMB **14.7** billion



EBITDA margin<sup>2</sup>

**11.8%**

The highest semiannual net profit attributable to the owners of the company since listing

Unit: RMB100 million



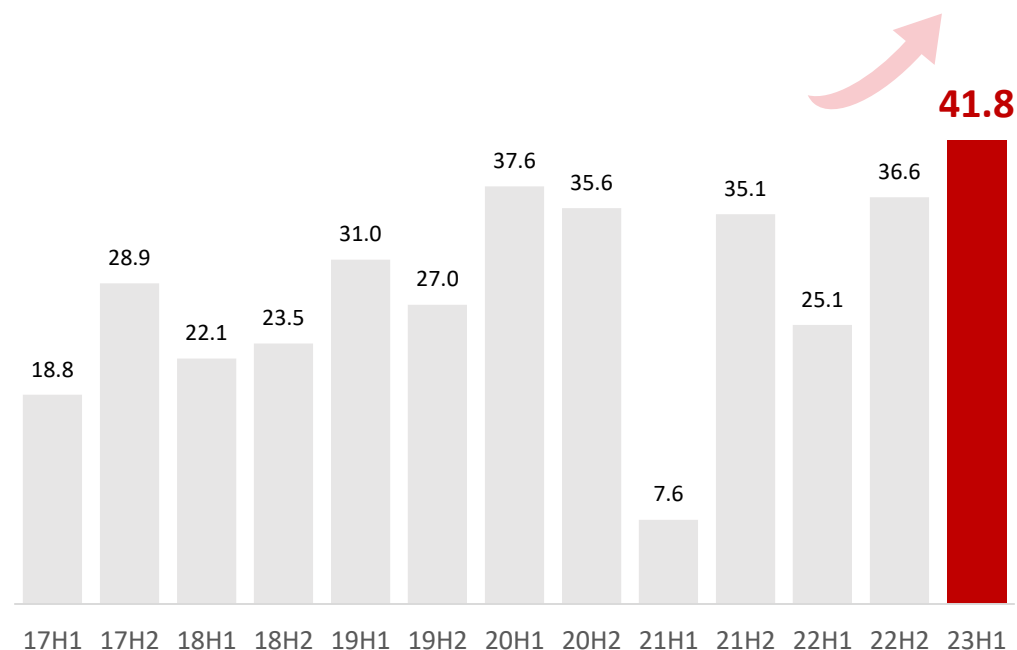
1H net profit attributable to the owners of the company

RMB **4.18** billion



YoY growth

**66.2%**



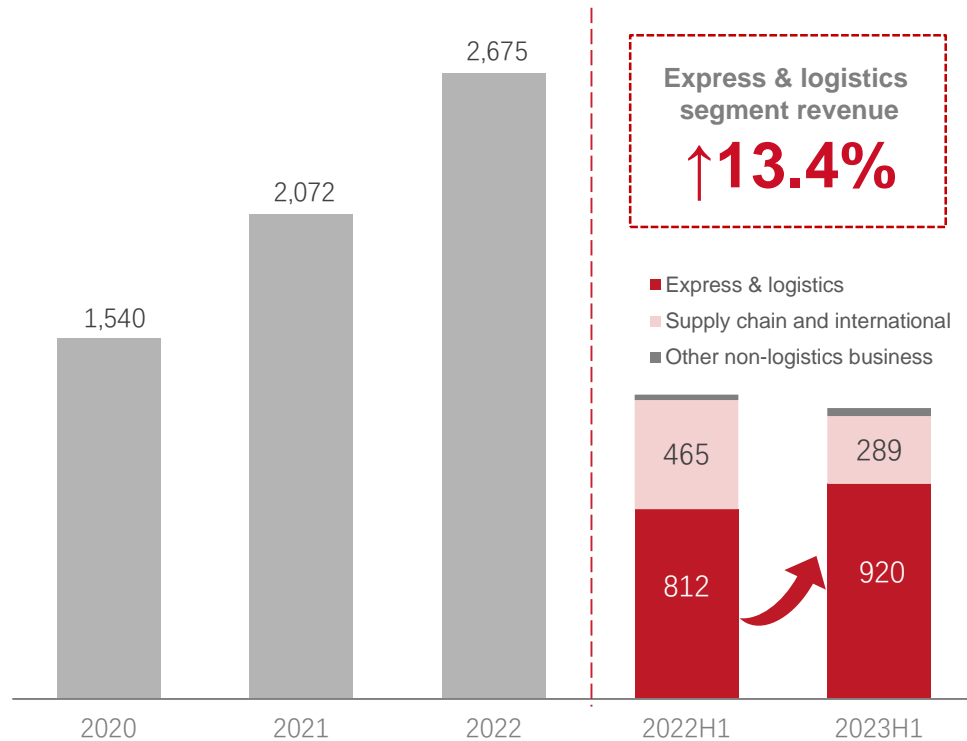
Note 1: The volume does not include the express delivery volume of Kerry Logistics, nor includes volume of international freight and freight forwarding and supply chain

Note 2: Calculated based on financials under PRC GAAP by adding total profit, net financial cost, D&A, and depreciation of right-of-use asset

# Revenue and Volume: Continued Revenue Growth Supported by Rebound in Parcel Volume

## Stable revenue growth from express and logistics segment

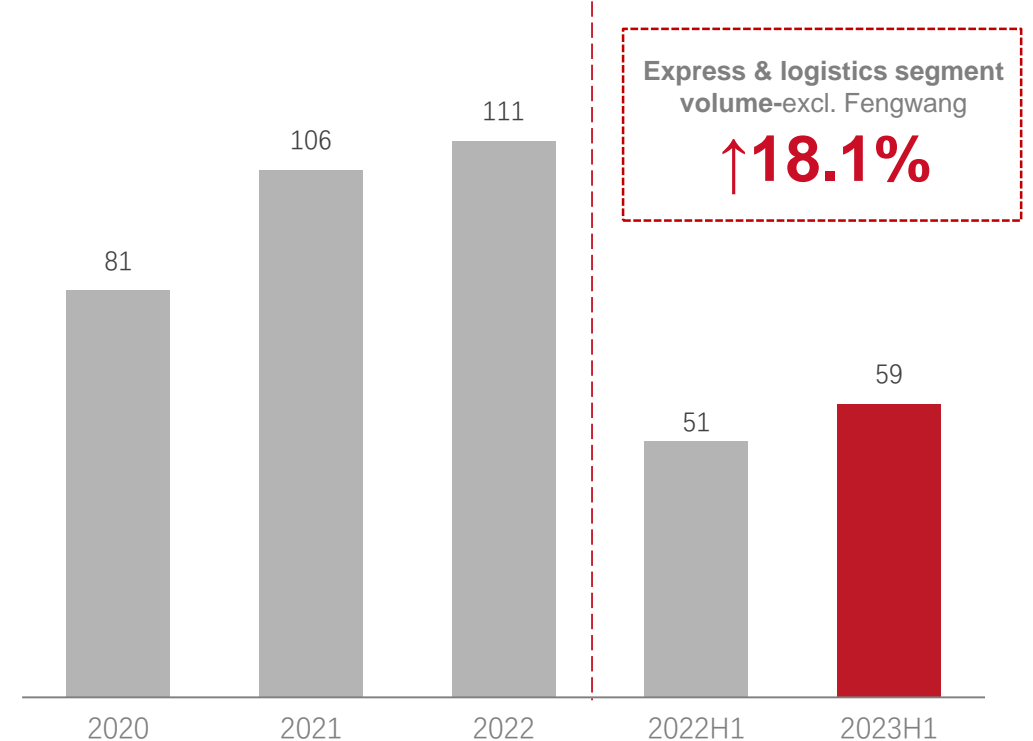
SF YoY growth: 37.3%, 34.5%, 29.1%, 47.2%, -4.4%



Revenue (unit: RMB100 million)

## Higher-than-industry volume growth<sup>2</sup>

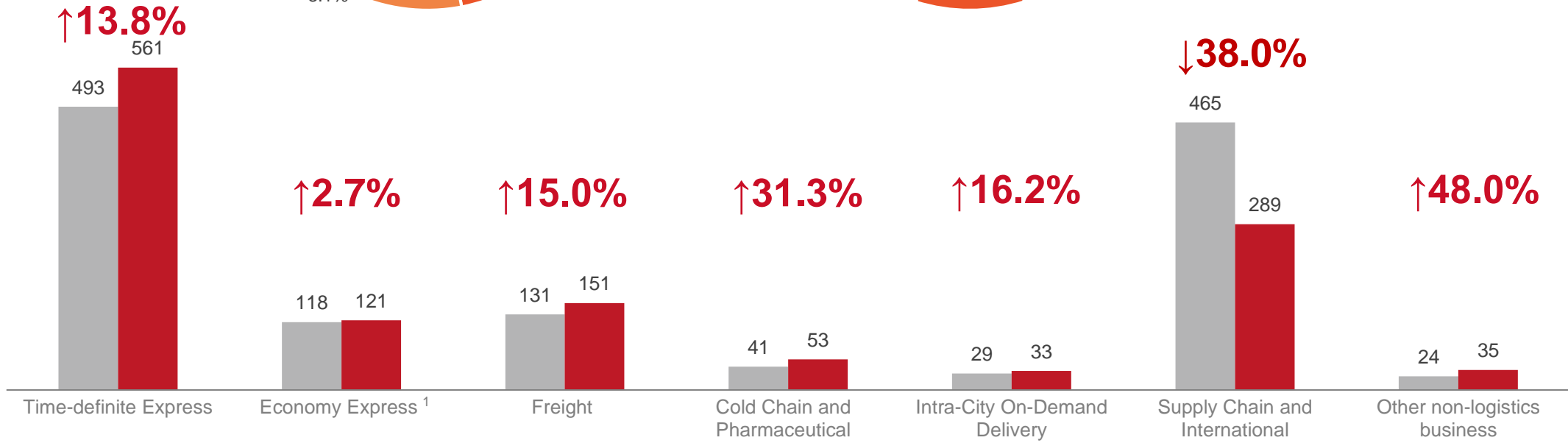
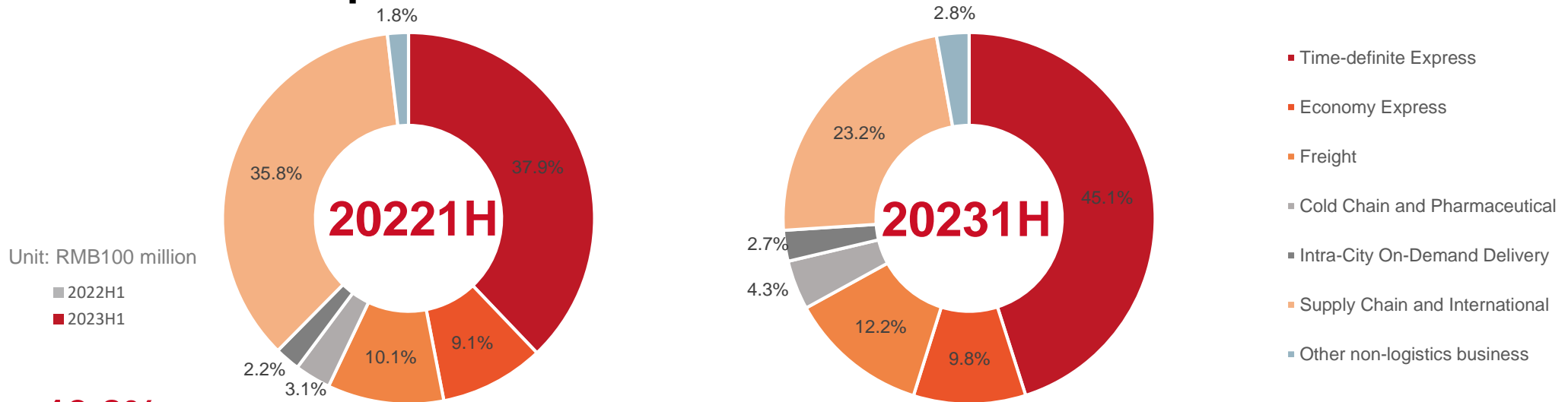
SF YoY growth<sup>3</sup>: 68.5%, 29.7%, 5.5%, -, 14.6%  
 Industry YoY growth<sup>4</sup>: 31.2%, 29.9%, 2.1%, 3.7%, 16.2%



Total volume (unit: 100mm parcel)

Note 1: SF revenue growth; Note 2: Express & logistics segment volume, excl. Fengwang; Note 3: The volume does not include the express delivery volume of Kerry Logistics, nor includes volume of international freight and freight forwarding and supply chain; Note 4: Overall industry growth based on the parcel volume published by the State Post Bureau

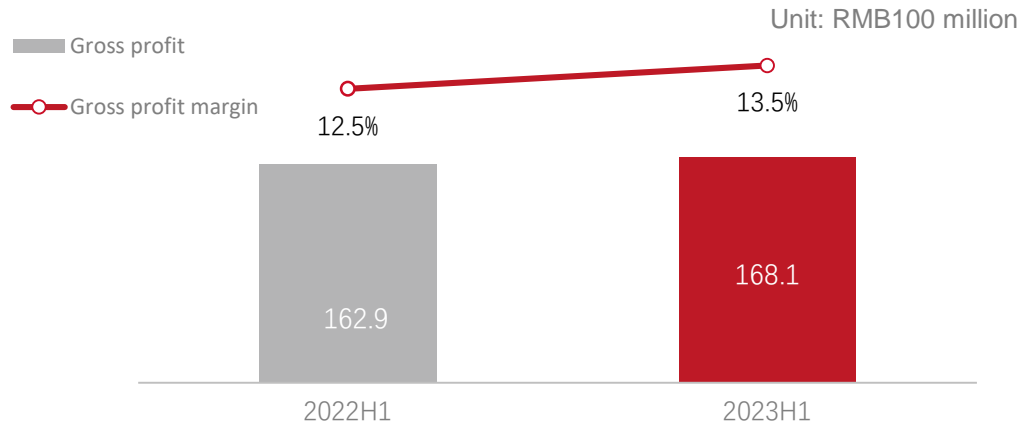
# Revenue Breakdown: Balanced Revenue Mix and Enhanced Integrated Logistics Service Capabilities



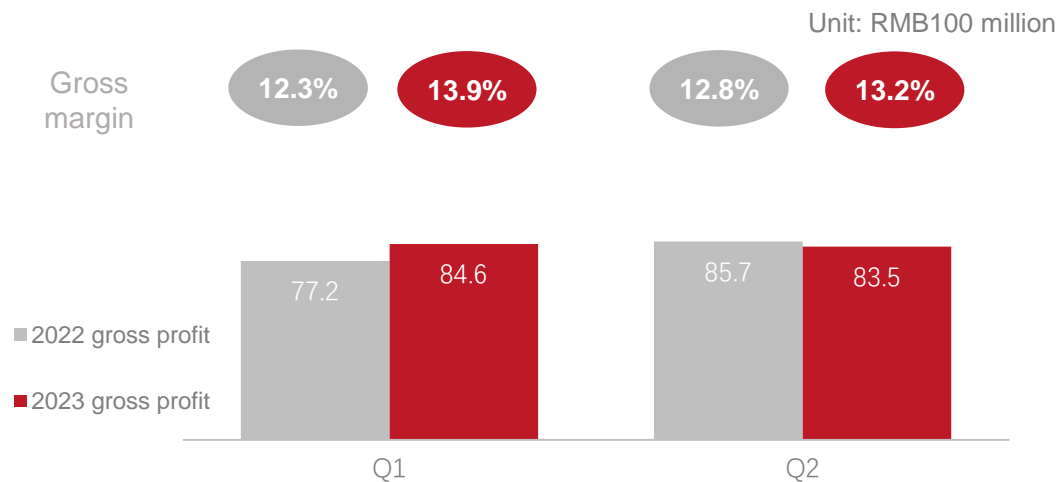
Note 1: Completed the sale of franchising mode business Fengwang Express by the end of June 2023

# Gross Profit and Margin: Recovery Driven by Lean Operations

## Gross profit and margin by half year



## Gross profit and margin by quarter



## Enhancement drivers

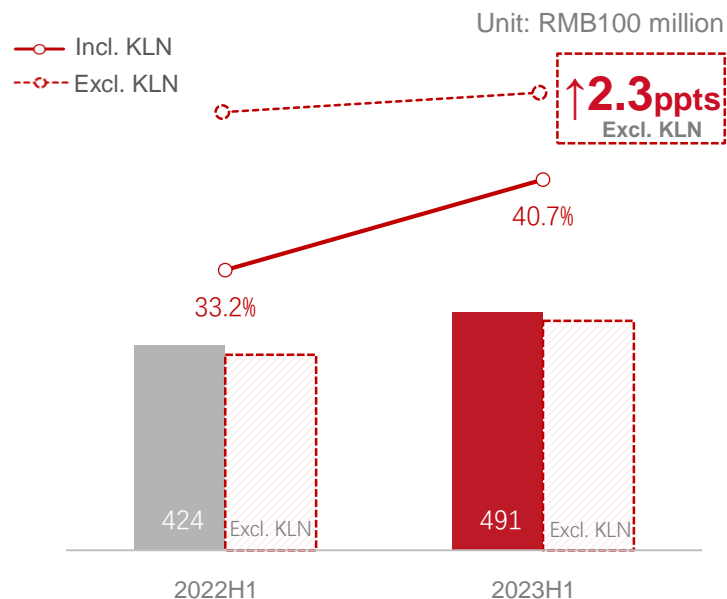
- ✓ China's recovery in production and consumption has driven a rebound in industry growth
- ✓ Improved service quality, enhanced competitive edges and lean operation for sustainable and robust growth
- ✓ Revenue: maintain a healthy business structure and address diversified customer needs with high-quality services
- ✓ Cost: promote multi-network integration, deepen model reform and innovation and drive improvement in resource efficiency

## External Environment

- ⬇ Lower global air and ocean freight demand and rates

# Costs: Transportation Costs as % of Revenue Improved

## Labor costs and as % of revenue



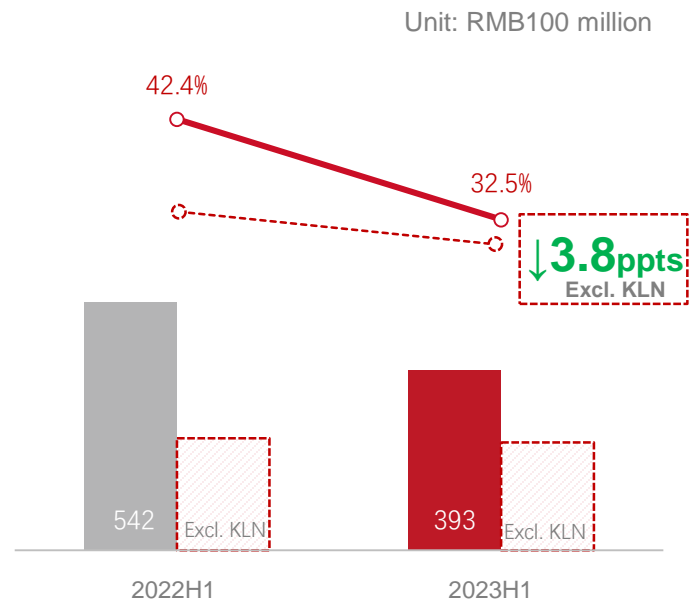
### Reasons for the increase in labor costs as % of revenue (Excl. KLN):

- ✓ Offer competitive pay to frontline employees to improve employee satisfaction

### Measures taken:

- ✓ Promote multi-network integration, deploy automatic equipment and refine operation model to increase operational efficiency and control the rising labor costs

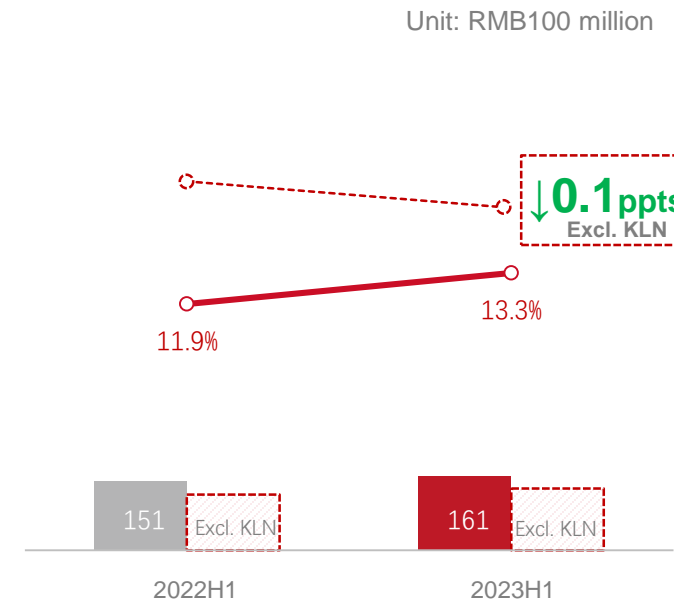
## Transportation costs and as % of revenue



### Reasons for the decrease in transportation costs as % of revenue (Excl. KLN):

- ✓ Optimize capacity structure and improve utilization of controllable capacity
- ✓ Refine the tender process for outsourced capacity and standardize capacity pricing to stabilize procurement price
- ✓ Achieve economies of scale through unified route planning and intensive shipment

## Other operating costs and as % of revenue



### Reasons for the decrease in other operating costs as % of revenue (Excl. KLN):

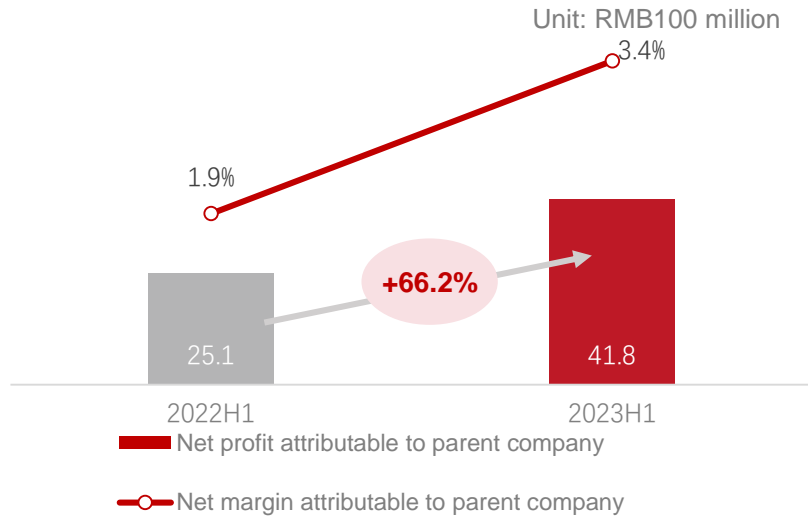
- ✓ Better manage input-output efficiency, effectively control the rising investment in sites, devices and other fixed assets, and maintain a healthy capex/revenue ratio

Note: Revenue in the ratio of cost to revenue indicates the logistics and freight forwarding revenue; dotted boxes and dotted lines in the charts refer to the cost and as % of revenue ratio excluding Kerry Logistics

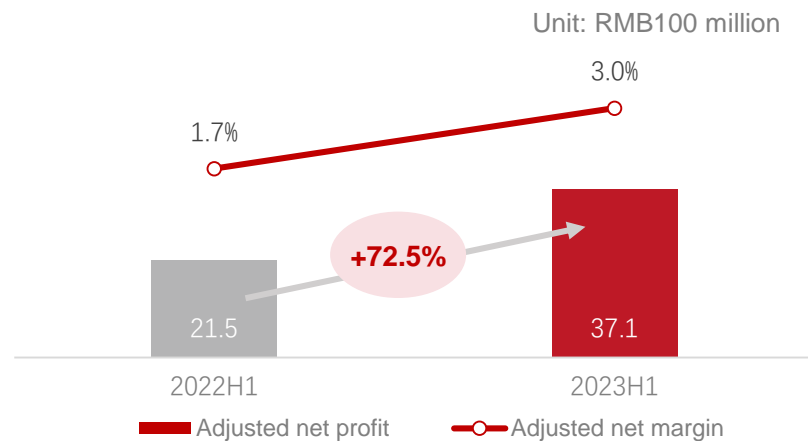


# Net Profit and Expenses: net profit attributable to the owners of the company increased Significantly

## Net profit/margin attributable to the owners of the company



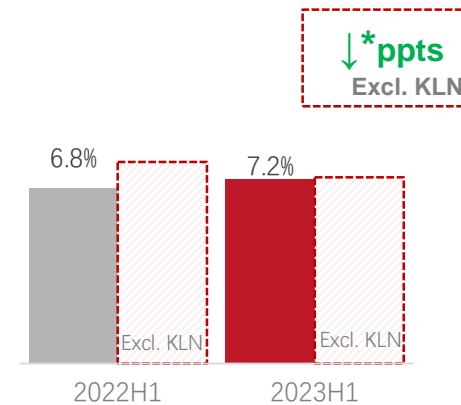
## Adjusted net profit<sup>1</sup>/margin



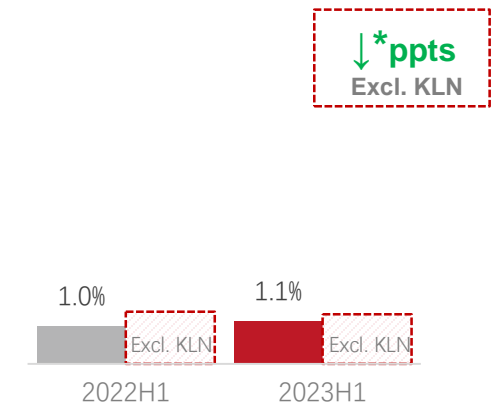
Note 1: net profit attributable to the owners of the company after deducting non-recurring profit or loss

Note 2: Dotted boxes and dotted lines in the charts refer to the expense and as % of revenue ratio excluding Kerry Logistics

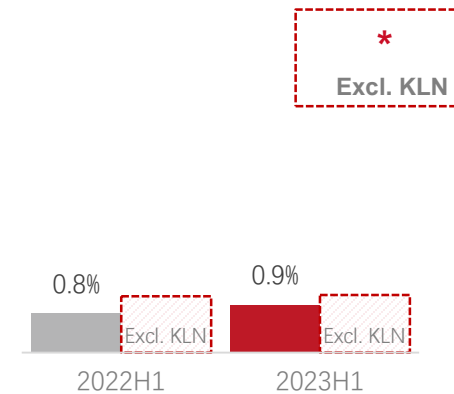
## General & administrative expense as % of revenue



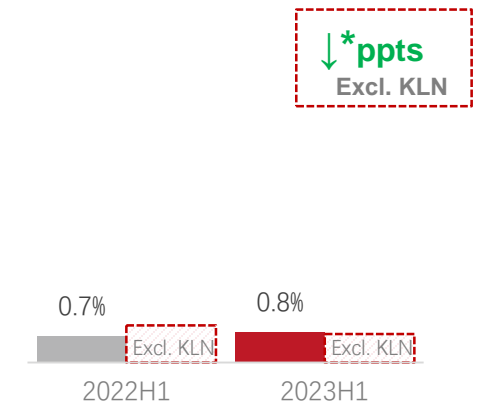
## Sales expense as % of revenue



## R&D expense as % of revenue



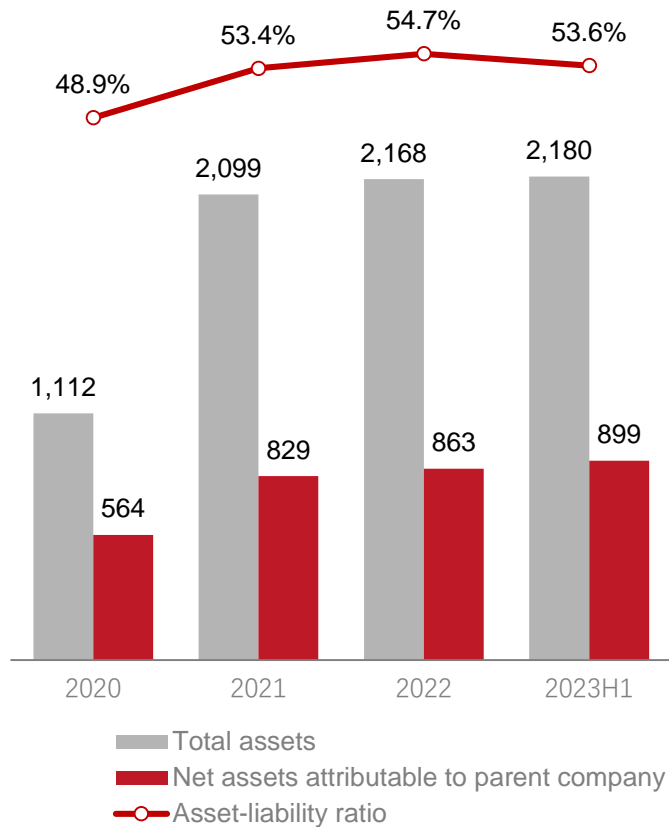
## Financial expense as % of revenue



# Asset Structure and Cash Flow: Asset Structure is Optimized, Capital Expenditure as % of Revenue Decreased

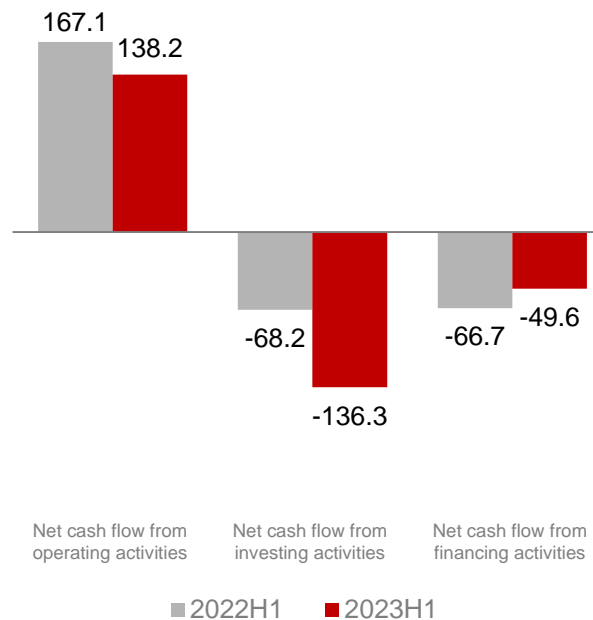
## Asset structure

Unit: RMB100 million



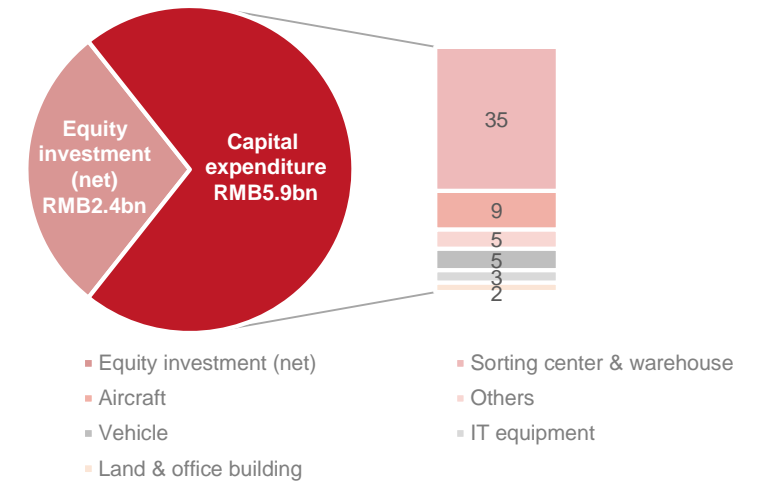
## Net cash flow

Unit: RMB100 million

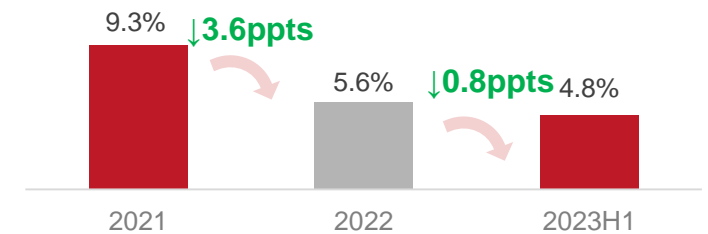


## Capital expenditure

Unit: RMB100 million



Capital expenditure as % of revenue



# Asia's Largest Integrated Logistics Service Provider, Leadership Positions across All Logistics Sub-sectors



	Time-definite Express	Economy Express	Freight	Cold Chain and Pharmaceutical	Intra-City On-Demand Delivery	Supply Chain & International
<b>Market position</b>	<p><b>No.1</b></p> <ul style="list-style-type: none"> <li>Asia's largest express and time-definite express provider<sup>1</sup></li> <li>Whole-process delivery time<sup>2</sup> for 9 consecutive years<sup>3</sup> in China</li> </ul>	<p><b>No.1</b></p> <ul style="list-style-type: none"> <li>Asia's largest LTL service provider<sup>4</sup></li> </ul>	<p><b>No.1</b></p> <ul style="list-style-type: none"> <li>Asia (excl. Japan)'s No.1 cold chain logistics provider<sup>4</sup></li> </ul>	<p><b>No.1</b></p> <ul style="list-style-type: none"> <li>Asia's largest independent third-party on-demand delivery platform<sup>1</sup></li> </ul>	<p><b>No.1</b></p> <ul style="list-style-type: none"> <li>Asia's largest integrated logistics service provider by international business revenue<sup>1</sup></li> <li>China's No.1 independent third-party supply chain solution provider<sup>1</sup></li> </ul>	
<b>Market focus</b>	<ul style="list-style-type: none"> <li>High-end</li> </ul>	<ul style="list-style-type: none"> <li>Mid-to high-end</li> </ul>	<ul style="list-style-type: none"> <li>Mid-to high-end</li> </ul>	<ul style="list-style-type: none"> <li>Mid-to high-end</li> </ul>	<ul style="list-style-type: none"> <li>Mid-to high-end</li> </ul>	<ul style="list-style-type: none"> <li>Mid-to high-end</li> </ul>
<b>% of total revenue 20231H</b>	<p><b>45%</b></p>	<p><b>10%</b></p>	<p><b>12%</b></p>	<p><b>4%</b></p>	<p><b>3%</b></p>	<p><b>23%</b></p>

Note 1: In terms of 2022 revenue; Note 2: Within 48 hours; Note 3: 2021 Overall Satisfaction of Express Delivery Enterprises and Time Limit Test Results released by the State Post Bureau, 2022 result did not disclose relevant details; Note 4: In terms of revenue and parcel volume in 2022; Note 5: Ranking according to the Frost & Sullivan Report

# A Hong Kong Listing is an Important Step in our Global Expansion Strategy

## Rationale for Hong Kong Listing

- ✓ Accelerate global strategy
- ✓ Establish offshore financing platform
- ✓ Enhance global profile
- ✓ Improve overall competitiveness

## Use of proceeds

- 1 International and cross-border logistics
- 2 Logistics network and service offerings in China
- 3 R&D and ESG
- 4 Working capital and general corporate purposes

# Agenda – 1H investor presentation

#	Section
1	Business Overview
2	Financial Overview
<b>3</b>	<b>Q&amp;A</b>



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We Deliver as Promised*

