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Trend Focus

Unlocking Indonesia's last-mile logistic

Logistics services play an important role in a nation's economy. When manufacturing corporations procure raw materials, process them in the production operations, and ship the products to end users, all of this process is facilitated by logistics activities. Indonesia's logistics market was valued at USD74.6bn in 2017 and is expected to reach USD156.1bn by 2023, showing a CAGR of 13.5%. The industry is highly fragmented, as each industry player controls less than 10% of total market share.

However, Indonesia's logistics sector is highly inefficient, evidenced by logistics cost variation of 25%-30% of total GDP, compared to that of developed countries at below 5% of their GDP. Realizing this, the government has put emphasis on developing infrastructure to improve connectivity and accessibility across regions, including the development of road and rail networks, seaports, airports, and bonded logistics centers. Furthermore, Indonesia has removed the logistics sector from the list of negative investment and raised the allowed level of foreign ownership from 33% to 67% to spur investment from international logistics service providers.

E-commerce as key driver of logistics growth in recent years

The key to Indonesia's investment story is consumption. A large population, improving middle class, and growing e-commerce are the key drivers for growth of consumption. Of a note, Indonesian e-commerce market is similar to China's around a decade ago.

According to a report by Google and Temasek/Bain, Indonesia's e-commerce economy has been growing by averagely 49% per year since 2015 to approximately USD40bn in gross market value in 2019, and it is expected to reach USD130bn in 2025, making it the largest e-commerce economy in Southeast Asia. Online purchases have shifted from big ticket items, such as electronics, to more frequent purchases of lower-cost items, such as groceries, personal care, and apparel.

We see that the COVID-19 pandemic has accelerated the shift into online shopping even faster. The five largest Indonesian marketplaces are Shopee, Tokopedia, Bukalapak, Lazada, and Blibli. Logistics service providers, including last-mile delivery, attempt to gain market share from these marketplaces as well as social commerce.

Last-mile delivery service to benefit from the trend

Indonesia's last-mile delivery sector has been growing along with the rapid development of e-commerce industry. Emergent industrialization, busy lifestyles, increased Internet and smartphone penetration, as well as inequality of infrastructure development in the vast archipelago have enhanced the appetite for online shopping. The delivery time for a standard package ranges from same-day, 24 hours, to 72 hours. Many players expand their footprints rapidly across the country using internal resources as well as inviting third parties via agency/franchise scheme. Currently, Java Island contributes 66.3% of total market value, according to BPS data.

Competition recently arose from start-ups that offer cheaper rates and pick-up services with insurance coverage as well as real-time order tracking. Some of these companies are Anteraja, Ninja Express, Deliveree, and Paxel, among others.

The key metrics for which the companies are competing: on-time delivery, pricing, and value-added services, such as online tracking, same-day delivery, pick-up service, and personalized delivery services to customers.

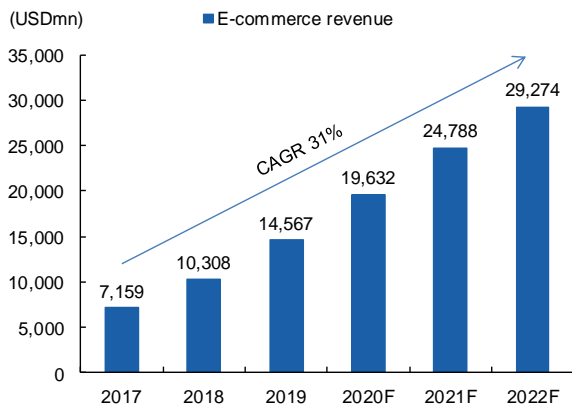
We believe that Indonesia's logistics sector, especially the last-mile delivery services, still has a long way to notch significant growth in a couple of years to come. Several Indonesian listed names in the last-mile delivery business are ASSA (Anteraja), SAPX (SAP Express), and TNCA (GED Express).

Figure 1. Indonesia's e-commerce popularity ranking (as of June 2020)

Merchant	Monthly Web Visits	AppStore Rank	PlayStore Rank	Twitter	Instagram	Facebook	Number of Employees
1 Shopee	93,440,300	#1	#1	320,800	4,851,200	17,841,400	5,100
2 Tokopedia	86,103,300	#2	#3	445,100	1,780,500	6,377,800	4,100
3 Bukalapak	35,288,100	#4	#4	188,500	1,060,900	2,482,800	2,400
4 Lazada	22,021,800	#3	#2	391,800	2,014,000	29,880,700	3,100
5 Blibli	18,307,500	#6	#6	501,600	1,255,600	8,591,600	1,800
6 JD ID	9,301,000	#8	#7	30,900	476,300	763,200	1,000
7 Orami	4,176,300	#33	#25	6,000	n/a	354,400	168
8 Bhinneka	3,804,800	#20	#21	59,400	41,400	1,053,200	603
9 Zalora	2,334,400	#5	#8	n/a	557,200	7,827,800	535
10 Matahari	2,197,200	#9	n/a	96,200	140,000	1,599,100	698

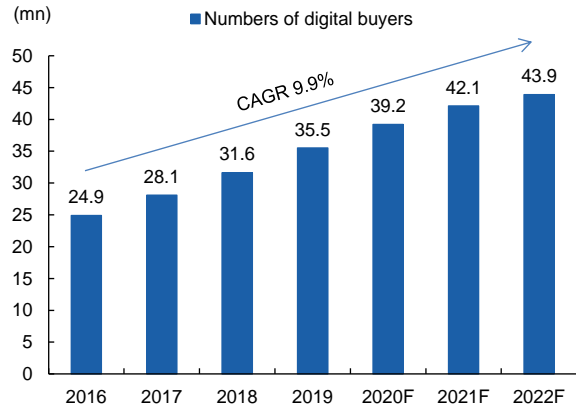
Source: iprice, Mirae Asset Sekuritas Indonesia Research

Figure 2. E-commerce revenue



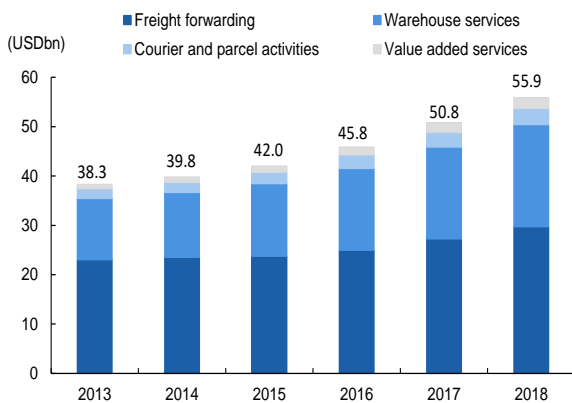
Source: Mordor Intelligence, Mirae Asset Sekuritas Indonesia Research

Figure 3. Numbers of digital buyers



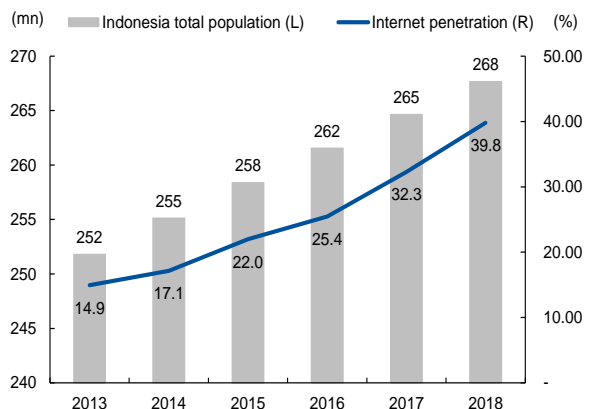
Source: Mordor Intelligence, Mirae Asset Sekuritas Indonesia Research

Figure 4. Indonesia's logistics and warehousing market segmentation by service



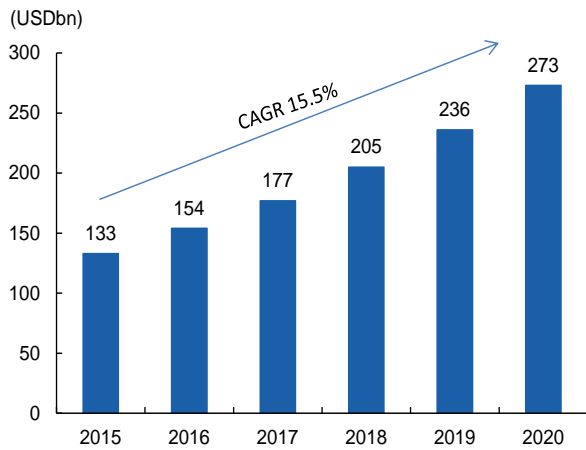
Source: Mordor Intelligence, Mirae Asset Sekuritas Indonesia Research

Figure 5. Indonesia's Internet population



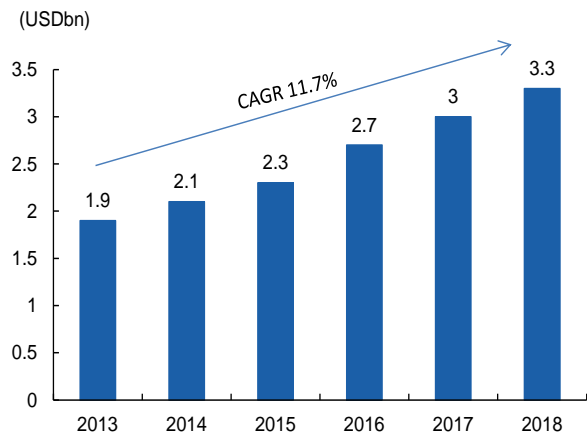
Source: Ken Research, Mirae Asset Sekuritas Indonesia Research

Figure 6. Indonesia's logistics market size



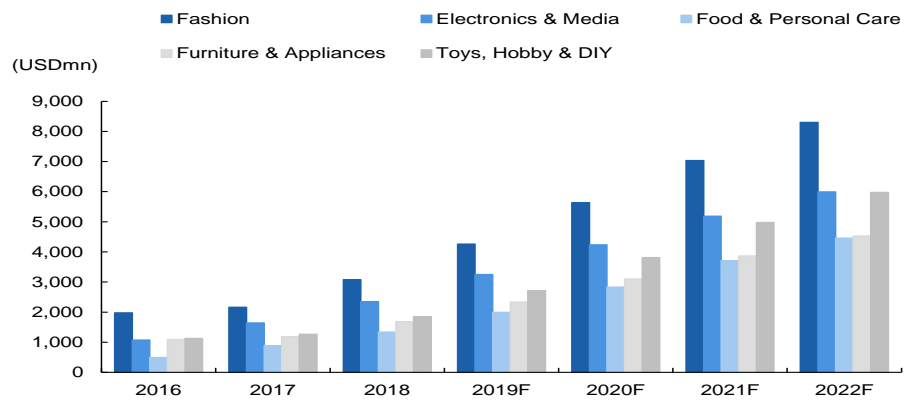
Source: Frost & Sullivan, Mirae Asset Daewoo Research

Figure 7. Indonesia's last-mile delivery market size



Source: Ken Research, Mirae Asset Daewoo Research

Figure 8. Indonesia's e-commerce breakdown by product



Source: Ken Research, Mirae Asset Sekuritas Indonesia Research

Figure 9. Last-mile market leader in specific provinces



Source: Infobrand, Mirae Asset Sekuritas Indonesia Research

Table 1. Last-mile delivery players comparison

	Si Cepat	JNE	J&T	Ninja	Paxel	Anteraja	Tiki	POS Indonesia	SAP Express	GED Express	Lion Parcel	Wahana	GoSend	Grab Express
Year founded	2014	1990	2015	2014	2017	2018	1970	1746	2014	1995	2013	1998	2010	2012
Business focus	E-com / social commerce	Express, logistics	E-com, express	Express (next day service)	Express (same day service)	E-com	Express, logistics (old economy)	SOE postal service	Express (e-com)	Express	Express (domestic and international)	Express	Same day delivery	Same day delivery
Pricing	Weight	Weight	Weight	Weight	Size	Weight	Weight	Weight / size	Weight	Weight	Weight	Weight	Distance	Distance
Outlets	Self owned	Agent	Agent	Self owned	Partner network	Self owned	Agent	Self owned	Self owned, agent	Self owned, agents	Self owned	Self owned, agent	n.a	n.a
No of outlets	800	6,000	3,000	400	n.a	120	4,000	24,000	1,300	110	n.a	3,500	n.a	n.a
E-commerce platforms	Tokopedia, Shopee, Blibli, Bukalapak, Lazada, Zalora, JD.id, Zilingo, Jakmall	Tokopedia, Shopee, Blibli, Bukalapak, Lazada, Zalora, JD.id	Tokopedia, Shopee, Bukalapak, JD.id	Tokopedia, Shopee, Bukalapak, Lazada, Zalora, JD.id	n.a	Tokopedia, Blibli, Shopee	Tokopedia, Bukalapak, JD.id	Tokopedia, Shopee, Bukalapak, JD.id	Lazada, Zalora, Zilingo, Blibli, Zalora, JD.id	n.a	Blibli, Bukalapak, Zalora	Tokopedia, Bukalapak	Tokopedia, Shopee, Blibli, Lazada	Tokopedia, Shopee, Blibli, Lazada
E-commerce contribution	70%	70%	60%	n.a	n.a	80-85%	5-10%	45%	40-45%	n.a	10%	n.a	n.a	n.a
Delivery/day	650k	1000k	1200k	300k	n.a	200k	n.a	n.a	54k	2k	n.a	n.a	n.a	n.a

Pricing comparison: Jakarta - Surabaya, 1 kg

Express	19,000	19,000	24,000	18,500	27,000	n.a	19,000	37,000	18,500	41,000	32,500	n.a	n.a	n.a
Regular	16,000	17,000	20,000	15,000	n.a	19,000	17,000	18,000	n.a	35,000	15,500	12,000	n.a	n.a

Source: Various, Mirae Asset Sekuritas Indonesia Research

Notes: Shipping rates may differ based on weight and size

Table 2. Logistics companies' financial metrics (Jun 2020)

Company	Price (IDR)	Market cap (IDRbn)	P/E	P/B	Revenue (IDRbn)	Growth YoY (%)	Net profit (IDRbn)	Growth YoY (%)	ROE (%)	ROA (%)	Debt/Equity (%)	
Sea transport												
BLTA	50	1,300	19.4	2.7	73.8	30.6	26.9	1821.4	14.3	6.7	114.2	
BULL	302	3,650	3.9	0.8	822.3	127.5	182.1	155.3	20.6	8.9	127.2	
CANI	153	127.5	-2.7	-0.5	4.3	22.8	-23.4	-9.4	20.4	-7.8	-359.3	
HITS	442	3,350	14.3	4.2	319.8	7.2	54.1	63.9	29.5	8.1	233.8	
LEAD	50	202.5	-5.9	0.4	98.0	26.2	1.9	N/A	-6.1	-1.6	270.3	
IPCM	218	1,110	10.5	0.9	154.2	-10.8	21.8	-9.2	9.5	7.6	24.8	
MBSS	360	633.5	-4.6	0.2	233.4	-20.9	-29.9	N/A	-5.3	-3.9	28.5	
NELY	133	333.7	9.3	0.7	55.6	-6.8	7.9	34.2	7.6	6.4	17.9	
RIGS	224	137.6	4.7	0.2	77.3	-21.3	-10.8	N/A	3.9	3.3	19.1	
SMDR	266	871.2	6.2	0.4	1,702.6	13.4	45.8	N/A	5.6	1.8	156.9	
SOCI	120	847.1	14.5	0.2	489.6	-7.4	16.0	-72.8	1.2	0.6	102.8	
TMAS	102	581.9	7.3	0.5	605.5	-5.7	36.3	66.5	6.7	2.3	184.5	
WINS	98	420.1	-3.7	0.2	9.0	-35.7	-4.0	N/A	-6.0	-3.3	66.1	
Land transport (including last-mile delivery)												
ASSA (Anteraja)	490	1,660	11.9	1.4	701.6	37.9	34.8	11.8	11.4	2.7	302.2	
KJEN (KJN Express)	1,410	705.0	-117.5	11.2	3.8	N/A	-3.1	N/A	-9.7	-8.8	10.4	
SAPX (SAP Express)	2,190	1,820	50.9	14.7	218.3	21.8	17.7	35.8	28.4	17.7	60.6	
TNCA (GED Express)	166	69.9	166.0	1.6	34.2	-6.3	0.2	-62.2	1.2	0.9	30.7	

Source: Bloomberg, Mirae Asset Sekuritas Indonesia Research

APPENDIX 1

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Stock Ratings		Industry Ratings	
Buy	Relative performance of 20% or greater	Overweight	Fundamentals are favorable or improving
Trading Buy	Relative performance of 10% or greater, but with volatility	Neutral	Fundamentals are steady without any material changes
Hold	Relative performance of -10% and 10%	Underweight	Fundamentals are unfavorable or worsening
Sell	Relative performance of -10%		

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