

# Analysis Of M&A In Express Industry: Evidence from Acquisition of Deppon Express by JD Logistics

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**Abstract.** As a matter of fact, with the rapid development of the logistics industry, logistics enterprises are gradually showing a trend of consolidation. With this in mind, this article studies the acquisition of Deppon Express by JD Logistics in the context of the COVID-19. To be specific, this study will evaluate and provide recommendations for this acquisition based on analyzing the financial data of the two companies before and after the merger. According to the analysis, this research finds that JD Express's acquisition of Deppon Express is a very successful case in terms of the value of various data. The logistics resources, technology, and talents of the two companies have been well integrated, and the complementary business of the two companies has also increased their market share in the meantime. Overall, this study has reference significance for the future development of the two companies as well as the merger of other logistics industries in the future.

**Keywords:** M&A; express industry; Deppon Express; JD Logistics.

## 1. Introduction

The express delivery industry emerged with the development of e-commerce, dating back to the 1990s [1-3]. At that time, with the popularization of the internet and the rise of e-commerce, the volume of express delivery business began to gradually increase. According to statistics, the market size of the express delivery industry has exceeded 1 trillion yuan, becoming a huge industry. In the development process of the express delivery industry, it has gone through several important stages [4, 5].

The early 1990s was the initial stage of the express delivery industry, during which the express delivery business was mainly provided by state-owned postal enterprises and private express delivery enterprises [6]. The market competition was not sufficient and the development of the industry was relatively slow. The early 2000s was a period of rapid development in the express delivery industry. With the rapid development of e-commerce, the volume of express delivery business increased rapidly, and market competition gradually intensified. At this stage, some representative express delivery companies emerged including STO Express, SF Express, YTO Express, etc. Since 2005, it has been a stage of market competition in the express delivery industry. With the continuous expansion of the express delivery market, some international express delivery companies have also begun to enter the Chinese market, intensifying market competition. In this context, some express delivery companies have begun mergers and acquisitions to enhance their competitiveness. In 2006, the volume of express delivery business in China exceeded 1 billion for the first time. In 2014, it exceeded 10 billion items, China surpassed the United States to become the world's largest express delivery country. In 2021, it exceeded 100 billion pieces, with a rapid increase in scale and volume. In 2023, the number of parcels exceeded 130 billion, ranking first in the world for ten consecutive years. The express delivery business accounted for more than 60% of the global express package market, making it the fastest growing, most promising, most attractive to investment, and most innovative express delivery market. From industry historical data, it can be seen that from 2014 to 2016, the industry volume increased by about 50% year-on-year, and the average unit price per piece decreased by 5.2% to 8.5%, which is the stage of price competition before going public. From 2017 to 2019, the growth rate of industry volume decreased to between 25% and 28%, and the decrease in average unit price narrowed to between 0.9% and 3.8%. Enterprise profits continued to rise, marking a stable stage of development in fulfilling profit commitments. From 2021 to 2022, the growth rate

of industry volume increased to over 30% in a high base situation, and the decrease in average unit price per piece increased to about 10%. Enterprise profits have been declining year by year, which is the peak stage of price wars, while being further affected by the COVID-19. In 2022, without significant external international environmental impact, the growth rate of industry business volume will decrease to within 20%, the average unit price of parcels decreased by about 5%, and enterprise profits increased compared to 2020 and 2021. The express delivery industry gradually entered a stage of high-quality competition in 2022 [7].

As a new economic growth point and an important industry in economic development, the logistics industry is bound to have a significant impact on China's overall economic activities. In recent years, with the continuous improvement of relevant policies and the rapid development of industry technology, the concentration of China's logistics industry has been continuously increasing, and the market is gradually approaching the direction of oligopoly. Especially in recent years, with the emergence and application of the Internet of Things and digital technology, many enterprises want to take the lead in the industry reshuffle. The number and amount of large-scale acquisitions aimed at seizing market share, enhancing market competitiveness, and expanding economies of scale have repeatedly reached new highs. However, acquisitions are a double-edged sword. Although they can enable companies to achieve rapid expansion in a short period of time, such expansion may not necessarily generate synergies in operations. Blind and disorderly expansion not only fails to achieve resource integration and optimization of allocation, but may also increase financial and operational risks, drag down the development of the entire enterprise, and have a significant impact on future trends. In this environment where expansion opportunities and merger risks coexist, efficient and accurate analysis of the performance benefits brought by acquisitions is of great significance to enterprises. This article investigates the acquisition of Deppon Express by JD Logistics. On the one hand, to investigate whether the has achieved the acquisition expected results. On the other hand, to provide reference for peers in the same industry to explore the improvement of performance through acquisitions [8]. This study first introduces the two companies and their merger process, and then analyzes the financial data before and after the acquisition, as well as the impact of the COVID-19 on the logistics industry, to give the evaluation of this acquisition. Finally, it provides the suggestions for the two companies and summarize the insights gained from analyzing this acquisition.

## 2. Case Description

### 2.1. Company Profiles

JD Logistics was founded by JD Group in 2007, and was officially established in April 2017. Through years of efforts by JD Logistics, JD Logistics was listed on the main board of the Hong Kong Stock Exchange in May 2021. The core business of JD Logistics is integrated supply chain logistics services. JD Logistics mainly provides integrated supply chain solutions and logistics services for six major industries, including fast-moving consumer goods, clothing, home appliances and furniture, 3C, automobiles, and fresh produce, helping customers reduce operating costs, optimize inventory management, and efficiently allocate internal resources to achieve new growth. JD Logistics modularizes the data accumulated over a long period of time by analyzing it, in order to create more flexible logistics solutions that adapt to the personalized needs of enterprises and meet the needs of small and medium-sized customers in different industries. JD Logistics has established six major networks, including warehousing network, comprehensive transportation network, last mile distribution network, large item network, cold chain logistics network, and cross-border logistics network. Its service scope covers almost all regions, towns, and populations in China. JD Logistics has innovated its logistics service standards by launching 211 limited time delivery products and door-to-door services, making its customer experience at the forefront of the country. JD Logistics has nearly 90 bonded warehouses, direct mail warehouses, and overseas warehouses worldwide, with a total management area of about 900000 square meters. Through digital technology, automation equipment, advanced inventory management systems, and operational process optimization, JD

Logistics provides high-quality and efficient integrated supply chain logistics services to global customers. JD Logistics is committed to using its technology to drive itself to become the world's most trusted supply chain infrastructure service provider.

Deppon Express was founded in 1996 and was listed on the Shanghai Stock Exchange in January 2018. It is the first express logistics enterprise in China to go public through an IPO. It is a comprehensive logistics supplier that links express delivery, logistics, cross-border, warehousing, and supply chain. Deppon Express quickly gained a foothold in the domestic express delivery industry by using its express delivery services as a breakthrough point to capture the Chinese market. In addition, it occupies an important position in the field of less-than-truck-load transport in China. The company's business scope covers all provincial-level administrative regions across the country, and has established large-scale cargo transfer bases in multiple economically developed regions across the country. Deppon Express has entered the cross-border market from three major directions: international express delivery, cross-border e-commerce, and international freight forwarding, and has opened multiple international routes in South Korea, Japan, Thailand, and other regions. Deppon Express innovates with the goal of meeting customer needs, adhering to a network expansion model that combines self operated stores with business partners. By building preferred routes to optimize transportation costs, provide customers with fast and reliable services.

## 2.2. Background and Process of Acquisition

Deppon Logistics went public on the A-share market in early 2018, becoming the first logistics company in China to go public through an IPO review mechanism, with a valuation of up to 30 billion yuan [8]. In pursuit of differentiated competition, in 2018, Deppon Logistics officially shifted its business focus from express delivery to large package express delivery, and at the same time changed its name to "Deppon Express". Four years later, Deppon Express's core business shifted to express delivery. However, Deppon Express's development in the express delivery market is not good. Due to the late start of Deppon's express delivery business, the dividend period for its development of express delivery business was missed. At this time, the growth of express delivery demand slowed down. At the same time, in the express delivery industry, there are many express delivery companies with limited demand, leading to fierce market competition in the express delivery industry. The even worse news is that in the less-than-truck-load transport market, Deppon Express has lost its position as the leader in both revenue and freight volume. Deppon Express lacked sufficient competitiveness in its core express delivery business, and it has lost its advantage in its former best business, being suppressed by other express delivery companies. In this dilemma, Deppon Express not only faces difficulties in improving profits and business volume, but also has a less optimistic market valuation.

On February 28, 2022, Deppon Logistics Co.,LTD issued three consecutive suspension notices, and the news of JD's acquisition of Deppon Express became known to the public. On March 11 of the same year, Deppon Logistics Co.,LTD issued a notice of change of control and resumption of trading as its controlling shareholder. The notice showed that Deppon Express had signed a relevant share transfer agreement and other transaction documents with JD Zhuofeng, which was controlled by JD Group. As a result, JD's plan to acquire Deppon Express was implemented.

On July 26 of the same year, JD Logistics acquired 66.4965% of the company's shares in Deppon Express for a acquisition price of 8.975 billion yuan. Founder Cui Weixing lost his identity as the actual controller of Deppon Express, and JD Group became the indirect controlling shareholder of Deppon Express. On September 14, 2022, Deppon Express announced that Chairman and General Manager Cui WeiXing and Deputy General Manager and Financial Manager Tang XianBao had submitted written resignation reports. On October 17, 2022, Deppon Express announced the election of Yu Rui, the current Executive Director and CEO of JD Logistics, as the new Chairman of Deppon Express, and Tang Wei, the current Senior Vice President of JD Group, as the new Vice Chairman of Deppon Express. At this point, Deppon Express officially entered the JD era in 2022 [9].

### 3. Financial Data Comparison

To determine the success or failure of the acquisition between two companies, the most important thing is to analyze the financial data of the two companies, among which the company's revenue is a very important indicator. This article analyzes the changes in revenue before and after the acquisition. JD Logistics acquired Deppon Express on 26 July in 2022. It can be seen in the Table. 1, JD Logistics showed an increasing trend in total revenue and gross profit from 2021 to 2023. In 2022, the first half of the year is the preparation period for the acquisition, and the second half is the adjustment period for the completion of the acquisition. Compared to 2021, JD Express's total revenue increased by approximately 0.312 times from 104693 million CNY in 2021 to 137402 million CNY in 2022. The gross profit also increased from 5784 million CNY in 2021 to 10100 million CNY in 2022, an increase of approximately 0.746 times. This indicates that JD Logistics did not have any impact on its express delivery business in the year of completing the acquisition work, and has also improved its express delivery business capabilities through the acquisition. 2023 is the second year after JD Express completed its acquisition, and in 2023, its total revenue increased by approximately 0.213 times from 137402 million CNY in 2022 to 166625 million CNY in 2023. The gross profit also increased from 10100 million CNY in 2022 to 12683 million CNY in 2023, an increase of approximately 0.256 times. In terms of cost, the total cost of JD Logistics also showed an increasing trend from 2021 to 2023. From 98909 million CNY in 2021 to 127300 million CNY in 2022, an increase of approximately 0.287 times. From 127300 million CNY in 2022 to 153940 million CNY in 2023, an increase of approximately 0.209 times. The growth rate of total cost is lower than the growth rate of total revenue and gross profit in the same year. This may mean that JD Logistics increased its gross profit in these two years by increasing revenue and controlling costs.

**Table 1.** Income statement of JD Logistics. (In ,000 CNY)

Reporting date	Total revenue	Cost of revenue	Gross profit
2021/3	22,411,000,000	22,180,000,000	231,000,000
2021/6	48,472,000,000	46,702,000,000	1,770,000,000
2021/9	74,222,000,000	71,183,000,000	3,039,000,000
2021/12	104,693,000,000	98,909,000,000	5,784,000,000
2022/3	27,351,000,000	25,890,000,000	1,461,000,000
2022/6	58,623,000,000	54,989,000,000	3,635,000,000
2022/9	94,394,000,000	88,110,000,000	6,284,000,000
2022/12	137,402,000,000	127,300,000,000	10,100,000,000
2023/3	36,728,000,000	35,093,000,000	1,636,000,000
2023/6	77,761,000,000	72,731,000,000	5,030,000,000
2023/9	119,424,000,000	111,090,000,000	8,330,000,000
2023/12	166,625,000,000	153,940,000,000	12,683,000,000

**Table 2.** Income statement of Deppon Express (in ,000 CNY)

Reporting date	Total revenue	Cost of revenue	Gross profit
2021/3	7,370,000,000	7,484,000,000	-114,000,000
2021/6	14,889,000,000	15,115,000,000	-226,000,000
2021/9	22,559,000,000	22,912,000,000	-353,000,000
2021/12	31,359,000,000	31,628,000,000	-26,900,000
2022/3	7,020,000,000	7,231,000,000	-211,000,000
2022/6	14,801,000,000	14,964,000,000	-163,000,000
2022/9	22,217,000,000	22,777,000,000	-560,000,000
2022/12	31,392,000,000	31,036,000,000	356,000,000
2023/3	7,417,000,000	7,405,000,000	12,000,000
2023/6	15,693,000,000	15,521,000,000	172,000,000
2023/9	25,443,000,000	25,115,000,000	328,000,000
2023/12	36,279,000,000	35,633,000,000	646,000,000

In Table. 2, Deppon Express showed an increasing trend in total revenue and gross profit from 2021 to 2023. In 2022, the first half of the year is the preparation period for the acquisition, and the second half is the adjustment period for the completion of the acquisition. Compared to 2021, Deppon Express's total revenue and cost of revenue hardly changed. It is worth mentioning that Deppon Express improved its profitability in the year of acquisition, successfully turned its gross profit from negative to positive. 2023 is the second year after Deppon Express was acquired, and in 2023, its total revenue increased by approximately 0.156 times from 31392 million CNY in 2022 to 36279 million CNY in 2023. The gross profit also increased from 356 million CNY in 2022 to 646 million CNY in 2023, an increase of approximately 0.815 times. In terms of cost, the total cost of Deppon Express showed a reducing trend from 2021 to 2022. From 2022 to 2023, the total cost of Deppon Express showed an increasing trend. From 31036 million CNY in 2022 to 35633 million CNY in 2023, an increase of approximately 0.148 times. The growth rate of total cost is lower than the growth rate of total revenue and gross profit in 2023. This may mean that Deppon Express also increased its gross profit in these two years by increasing revenue and controlling costs.

#### 4. Discussion

JD Logistics started with e-commerce logistics and established a nationwide warehousing network and distributed distribution system, forming a good interactive relationship with e-commerce business. Deppon Express focuses on large item logistics as its main business and has a high market share in the transportation of large goods. Deppon Express is the preferred choice for many customers to transport large items. The merger of the two enabled both parties to integrate logistics resources, further enriching their logistics network. In addition, it complemented their business and strengthened their competitiveness in the market. Secondly, the advantage of JD Logistics lies in its advanced technology research and development platform and innovative strength. Deppon Express also has unique insights in cargo transportation and packaging. Through the merger, the two companies were able to engage in in-depth communication and learning about their respective strengths. Finally, by acquiring Deppon Express, JD Logistics can further improve its industrial chain and greatly enhance JD Group's overall e-commerce competitiveness.

During the completion of the merger, The COVID-19 had a huge impact on the express delivery industry from the end of 2019 to the end of 2022. China carried out closed management, and people significantly reduced their outdoor activities, so businesses were forced to close, so people's shopping methods were forced to change, especially in remote northwest areas. Previously, people used to have very traditional buying habits, but now, in order to avoid infection between people, people have changed their buying methods from offline physical stores to online stores. Both survival and development materials consumption were obtained from e-commerce online platforms. As people's purchasing power increased online, they needed more logistics services, and logistics companies needed to complete more transportation, packaging, distribution, and other tasks. Therefore, logistics enterprises would face a favorable development situation. The market share of logistics enterprises would continue to expand, not limited to cooperation with other large enterprises, but would gradually penetrate into rural areas, increase connections with people, and the enterprises will continue to make profits [4]. However, at the same time, the express delivery industry is facing the following difficulties: firstly, the difficulty of personnel returning to work. The express delivery service provides a full network service, covering the whole country. Many express delivery personnel from Hubei Province and other regions come from, and many employees will pass through key areas such as Hubei, Anhui, and Henan on their way back to work. According to local government requirements, they need to undergo 14 days of quarantine observation and cannot return to their work positions normally. Some couriers are concerned about the risk of infection and actively delay resuming work. Secondly, there is a shortage of protective materials. Express delivery is a labor-intensive industry with high personnel contact frequency, and there is a huge demand for protective materials such as masks, goggles, disinfectant, gloves, but the purchasing channels and quantities are extremely limited.

The third issue is the stagnation of transportation and delivery. In order to prevent the spread of the epidemic, local governments have implemented strict traffic control measures. In some places, it is explicitly stipulated that vehicles unrelated to epidemic prevention will be detained, and even in some places, water and electricity will be directly cut off at the transportation center, making it difficult for express delivery services to operate normally. The fourth reason is the increase in enterprise costs. Due to the impact of the epidemic, the operating costs of express logistics enterprises have significantly increased. Internal prevention and control measures and frontline personnel need to purchase large quantities of protective materials, and the labor costs of employees in various regions during the quarantine period still need to be covered normally.

Faced with such tremendous pressure, JD Logistics still successfully completed this acquisition. After the completion of the merger, the market revenue and profitability of both companies have improved, and their market share has also increased. The integration of resources and complementary advantages between the two have promoted the development process of their strategy of expanding overseas markets. However, the impact of the COVID-19 on the logistics industry was still what these two companies need to face and resolve. In a word, the acquisition of Deppon Express by JD Logistics is a case of successful acquisition.

## 5. Suggestions and Implications

Based on the fact that this acquisition is a relatively successful one, this article provides relevant suggestions for the two companies that have experienced this acquisition. Due to the wide range of logistics routes involved by the two companies in the national logistics network, coupled with their different operating models, it is necessary for the two companies to use big data to integrate logistics resources, coordinate their warehousing, transportation equipment, and personnel, guide the coordinated development and horizontal cooperation of logistics resources in various regions, and thus achieve higher distribution efficiency and higher logistics network coverage.

After experiencing the merger of two companies, employees of both companies often feel anxious because they lack a clear understanding of their future job roles, responsibilities, and the direction of the company. In addition, the new environment after the merger may lead to organizational restructuring and job changes, which may raise concerns among employees about their job security, promotion opportunities, or ability to adapt to the new corporate culture. Meanwhile, the merged companies often require cultural integration, which may involve the collision and integration of different companies' original work methods, values, and corporate spirit. For employees, this means they need to adapt to the new work environment and team atmosphere, learn new workflow and communication methods. During this process, there may be conflicts of ideas and team friction. To address these challenges, the merged company needs to implement a series of transitional measures. For example, providing clear communication channels to maintain transparency of information; carrying out team building activities, employee symposiums, employee commendations and other activities to enhance employees' sense of belonging and cohesion; providing training and development plans for employees to help them improve their skills and adapt to new job requirements; establishing a talent mobility mechanism to provide employees with more opportunities to rotate between different departments and positions in order to enhance their comprehensive quality and professional skills.

Due to the impact of the COVID-19, the two companies after the merger could do these: first, using information technology to speed up the process of machine packaging. In China, information technology has developed rapidly, and China should actively rely on information technology during the epidemic. When there were shortcomings in manual packaging, the packaging technology should be changed in a timely manner. The packaging requirements of different customers should be entered into the information system, and automated equipment should be used to achieve fast and efficient mechanized packaging, in order to meet the needs of delayed resumption of work, insufficient personnel, and accumulation of goods. Installing automatic disinfection software on the packaging

cardboard boxes, conducting regular inspections, and disinfecting at any time, which greatly reduces the risk of epidemic transmission during transportation and ensures the safety of employees. Secondly, the two companies should establish intelligent contactless delivery and strengthen employee safety awareness. The express delivery industry developed rapidly after the increasing purchasing power of the Chinese people, with a turnover of only over 150 billion yuan in 2020. Although the volume of express delivery business decreased due to the impact of the epidemic, it is still active in various places. In terms of distribution, using the Internet to establish intelligent contactless distribution. Contactless delivery can reduce direct contact between people, help consumers consume with peace of mind, and ensure people's lives; It can improve delivery efficiency and ensure quality. At the same time, accelerating the establishment of intelligent express delivery cabinets. In situations where people were unable to access them during the epidemic, they would choose to temporarily store their parcels in express delivery cabinets. The two companies should increase research and development, installation, and use of intelligent express delivery cabinets, and accelerate the entry of intelligent express delivery cabinets into residential areas and schools. After the end of the COVID-19, the efforts made by the two enterprises are still of great significance to the development of the express industry [4, 10].

Moreover, this article provides relevant insights on the strategies of the acquiring party during the acquisition process. Firstly, one looks at how well the company you want to buy is doing. This is important because buying a company costs a lot, and that means making things will cost more too. To keep costs low, choose a company that gets a lot done. Nevertheless, if the company you want to buy fits your needs. For example, if JD Logistics needs more people to help with its work, then buying Deppon Express could be a good idea. Even if Deppon Express has been losing money for a while, it might still help JD Logistics run better. Secondly, when a company wants to acquire another company, the acquiring company needs to consider what the acquired company needs the most. If the acquiring company can provide what the acquired company needs, the acquisition process will be smoother. This can save time and reduce the cost of acquisition. Lastly, for the logistics industry, this acquisition has intensified market competition in the express transportation industry. This situation requires the logistics industry to integrate towards the top, thereby enhancing the concentration of the logistics industry and promoting its high-quality development.

## 6. Conclusion

To sum up, this study introduces the development history and current situation of the express delivery industry, and finds that logistics companies tend to merge. This further leads to the study of JD Logistics 's acquisition of Deppon Express. After the acquisition was completed, the total revenue and gross profit of JD Logistics and Deppon Express both showed an increasing trend, and Deppon Express successfully achieved a positive gross profit from negative. After the merger, the two companies have achieved the integration of logistics resources and technological innovation capabilities, and the logistics network has also been enriched. By complementing the two businesses, the competitiveness of both parties in the market has been enhanced. JD Logistics has further improved its industrial chain, greatly enhancing the overall e-commerce competitiveness of the entire JD Group. Then, the opportunities and challenges brought by the COVID-19 were analyzed. Faced with such COVID-19 pressure, JD Logistics successfully completed this acquisition. Due to the impact of COVID-19, the two companies after the merger could make innovations in using information technology to accelerate the process of machine packaging and using the Internet to establish intelligent contactless distribution, to cope with the current epidemic and the future development of the express industry. It is recommended that the merged two companies should utilize big data to integrate logistics resources and coordinate the new employees. Finally, the example of JD Express choosing to acquire Deppon Express even though its gross profit was negative provides valuable reference for the acquiring company. The above all indicate that this acquisition is a relatively successful one and has reference significance for the merger of other logistics companies

in the future. The shortcomings of this study are that it ignores the analysis of the shortcomings of this acquisition and the analysis of financial data is not deep enough.

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