Chinese logistics firm Best, backed by Alibaba, launches $930 million U.S. IPO

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Best Inc, a Chinese logistics company backed by Alibaba Group, is launching a U.S. IPO that is seeking about $930 million to fund an expansion of its supply chain network, develop new technology and open more convenience stores.

The Hangzhou-based company, led by Johnny Chou, a former Greater China president for Alphabet Inc’s Google, plans to list on the New York stock exchange and the **IPO is expected to value Best at up to $5.7 billion**.

The company had in June said it aimed to raise up to $750 million from the IPO, but in August it increased the size of the offering, including a greenshoe option, to $1.07 billion, underscoring expectations of strong demand.

China is the world’s biggest logistics market, with **$1.6 trillion in revenue in 2016** and demand for express delivery services seen up 17.9 percent annually in the six years to 2021, Best said, citing forecasts from consulting firm iResearch.

The company’s share of China’s express delivery market **grew to 8.6 percent in the six months to June 2017**, from 2.7 percent in 2012, Best said.

Best’s IPO includes 53.56 million new American Depositary Shares (ADS), each representing one class A ordinary share, in an indicative range of $13-$15 each, a filing with the U.S. Securities and Exchange Commission on Wednesday shows.

Existing shareholders, including private-equity firms CDH Investments, China Renaissance Capital, state-owned Everbright Financial Holding Investment Holding and a unit of Goldman Sachs Group Inc, are selling another 8.54 million ADSs.

CEO Chou is offering 1 million shares, while his brother George Chow, the company’s chief strategy and investment officer, is selling 250,000 shares.

Chou controls Best with a 46 percent voting stake through special shares, while Alibaba has a 37.3 percent voting power and Alibaba affiliate Cainiao Smart Logistics owns 9 percent.

Best follows a number of Chinese logistics companies in going public. They include

S.F. Holding, YTO Express and STO Express which listed in Chinese markets, and ZTO Express, which raised $1.4 billion with a New York listing in October.

Best is offering shares at a 2019 forecast price-to-earnings (P/E) ratio of 17.7–20.4 times, according to a term sheet seen by Reuters, compared with 13.7 times for ZTO.

P/E ratios tend to be higher in China and SF Holding trades at 35.3 times, while YTO trades at 21.7 times.

The IPO is slated to be priced on Sept. 19 and its market debut is set for the following day.

The company plans to use **$300 million to expand its convenience stores and its logistics and supply chain services**, with another $100 million set aside for technology investments. The remainder will be used for general corporate purposes and potential acquisitions.

(Reuters)