

MORGAN CREEK

CAPITAL MANAGEMENT

ALTERNATIVE THINKING ABOUT INVESTMENTS

New China Perspectives



Welcome to the weekly issue of Morgan Creek's *New China Perspectives*. It is comprised of research from Morgan Creek's China-based investment team together with curated articles of interest. In addition to timely political and economic news covering greater China, Morgan Creek's China team seeks to provide in-depth perspectives on investing in the technology, consumer and healthcare sectors in the region. Our research leverages the "on the ground"

insights of our team together with Morgan Creek's decades-long experience in covering the region. Our team are focused, thematic investors primarily covering the technology, consumer, and healthcare sectors and investing in private companies and early-stage managers with deep local expertise. To learn more about our team and investment offerings, please email chinateam@morgancreekap.com.

Best Regards,

Handwritten signature of Mark W. Yusko

Mark W. Yusko
CEO & CIO

NOTES FROM THE BUND¹

In our last newsletter, we introduced a three-part discussion on how the rise of a new generation of consumer leaders has led to new demands to modernize China's outdated supply chain / logistics sectors and additionally delved into the logistics behind China's trucking industry. As mentioned in the last newsletter, we will highlight two companies utilizing different approaches to target different segments of the market, beginning with this week's newsletter, where we will look at Manbang: a company originating from Guiyang (China) specializing in small trucking enterprises.

Manbang, the world's largest digital freight platform, operating over 100k routes across China, was formed by the merger of the two largest trucking apps – Yunmanman and Huochebang in 2017. The company could be thought of as an *Uber for Trucks*, and is a truck-hailing program with 2.8 million verified truck drivers and 1.3 million shippers as of 31st December 2020.² It has two main lines of business: freight matching between truckers and shippers, and provision of value-added services such as selling insurance, gas, and other services to truckers. Their value proposition for both truckers and shippers is shown below.



Source(s): China Business Industry Research Institute, Qianzhan, China Merchants Securities, China Automobile Dealers Association, Deloitte Research, Company Presentation
 Note(s): 1. Data as of 12/31/2020 USD Billion

Figure 1: Business Model and value proposition for truckers and shippers (Source: Prospectus)

The pain points in the industry were numerous and obvious. Before Manbang, asymmetric information led to mom and pop truckers spending days finding their next shipment, especially on back-hauls. Shipments were arranged at logistic parks, which were typically 50 km away from their last shipment destination, leading to high economic inefficiency and low environmental sustainability. Truck brokers who arranged shipments also charged very high fees, cutting into already thin profits for truckers and increasing costs for shippers. Unpredictability of shipments and routes made long-term planning difficult and lack of standardization and trust led to disputes, lowering efficiency.³

Manbang is a fully digital solution and thus does not need a physical presence at logistic parks to find truckers. This lowers costs and eliminates the need for truckers to travel to a logistic park to arrange shipments. As a large number of shippers and truckers are on the platform, matching is now much easier, with average time for freight matching being fifteen minutes as of August 2021. The application also has standard terms and clear dispute resolution processes which reduces the risk of disputes and prevents delays in payments to drivers. Manbang further aggregates statistics, helping truckers track their P&L, increasing efficiency and accounting transparency.

Manbang is therefore able to directly increase trucker's revenue (by enabling more orders and less truck idle time in-between jobs) and lower their cost (by lowering agent's fees and fuel from not having to make unnecessary trips to logistics parks to seek jobs).

The COVID-19 pandemic accelerated the company's growth as many logistic parks were shut, driving more users to its platform. As of May 2021, the company has over 90% of the truck-hailing market in China.⁴

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CHINA NEWS SPOTLIGHT

China's Emissions Trading System Will Be The World's Biggest Climate Policy. Here's What Comes Next: China's new emissions trading system (ETS) is already the world's largest carbon market, three times bigger than the European Union's. [Read more.](#)

US Treasury Secretary Janet Yellen says 'we're looking at' tariff cuts on some Chinese

imports: US Treasury Secretary Janet Yellen said on Friday that lifting tariffs on certain Chinese goods could help alleviate the high inflation that has taken hold across the United States this year. [Read more.](#)

China's yuan weakens as concern about capital outflows, economic slowdown grows: China on Thursday lowered its official yuan midpoint, with the onshore trading rate at its lowest since October, a sign authorities may have already taken action to relieve pressure caused by economic headwinds and the US Federal Reserve's decision to hike rates. [Read more.](#)

CATL agrees EV battery investment in Indonesia: China's Contemporary Amperex Technology (CATL) announced it had signed a preliminary agreement with two state-owned Indonesian companies to invest in the production of electric vehicle (EV) batteries and related raw materials. [Read more.](#)

China steps up car-grade MCU production: China-based suppliers of microcontroller units (MCUs) are gearing up for the auto industry, as car-grade chips remain in short supply, according to industry sources. [Read more.](#)

China forges ahead for brighter future in digital economy: Three years into the pandemic, when it is imperative for the world to reboot the sluggish economy, China has made headway in digitizing the economy to dynamic growth, according to experts and enterprises. [Read more.](#)

Legend Biotech Achieves Milestone Under Collaboration Agreement with Janssen Biotech, Inc. for BCMA CAR-T: Legend Biotech Corporation (NASDAQ: LEGN) (Legend Biotech), a global biotechnology company developing, manufacturing and commercializing novel therapies to treat life-threatening diseases, today announced the achievement of a \$50 million milestone under its collaboration agreement with Janssen Biotech, Inc. (Janssen) for ciltacabtagene autoleucel (ciltacel), now marketed in the United States under the brand name CARVYKTI™. [Read more.](#)

Lonza expands API development capacity at Nansha, China plant: The pharma manufacturing specialist is increasing capacity at its development and manufacturing labs to meet growing global demand for highly potent APIs. [Read more.](#)

¹ The Bund is a historic waterfront area in central Shanghai, where Morgan Creek's office is located. From the 1860s to the 1930s, it was the rich and powerful center of the foreign establishment in Shanghai, operating as a legally protected treaty port. The picture above is part of the historical waterfront.

² <https://www.sec.gov/Archives/edgar/data/1838413/000119312521175480/d260023df1.htm>

³ <https://www.sec.gov/Archives/edgar/data/1838413/000119312521175480/d260023df1.htm>

⁴ <https://supchina.com/company-profiles/manbang-group/>

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