

EDITORIAL & OPINION

Alibaba courier aims high with New York flotation

ROBYN MAK
IPO

Alibaba's courier is aiming high in its New York flotation. ZTO Express wants to raise up to \$1.3 billion. Sales are soaring, thanks to China's e-commerce boom, but rival couriers are also scaling up.

ZTO lacks the market dominance or margins to justify an Alibaba-style premium valuation.

At the midpoint of the price range, ZTO will be valued at \$12.8 billion. That's 35 times what analysts at Haitong Securities expect the courier service to earn this year.

To compare, New York-listed Ali-

baba trades at 32 times expected earnings for the year to end-March.

True, growth has been impressive. The Shanghai-based company is already a top player in the world's largest express-delivery market, thanks to Alibaba and JD.com's shopping platforms.

Last year, ZTO handled almost three billion packages, up from 1.8 billion the previous year. Revenue jumped 71 per cent year on year to \$639 million in the first half of this year. Continued fast growth could justify a significantly richer current-year valuation than Alibaba.

But unlike in the United States,

where UPS and FedEx dominate, China's delivery sector is crowded. The top five companies have just 60 per cent of the market.

And all are raising capital: ZTO's four rivals, including Alibaba-backed YTO Express, plan to list via reverse mergers back home.

That would then allow them to raise fresh equity funding from mainland investors.

ZTO has an edge. The company, led by founder Lai Meisong, has been adept at keeping a lid on costs, even as wages increase.

Like peers, it relies on local franchisees to deliver packages. But ZTO's

focus on better fleet management and warehouse automation has helped lift adjusted EBITDA margins to 30 per cent last year, from 17 per cent in 2014.

That's impressive for a transport company - but still a far cry from Alibaba's steady 50 per cent adjusted EBITDA margins.

And there is also the risk that rivals, fortified with new war chests, could launch battles for market share that damage sales or margins. At the current premium, ZTO falls to deliver.

The author is a Reuters Breakingviews columnist

Conference tourism sector in Kenya has great potential

NAZIR KHAMISA
OPPORTUNITIES

The conference tourism industry has firmly placed itself at the centre of the industry. Nairobi has stood out as a favourite meeting destination going by the recent surge in meetings the city has hosted.

In addition to important business opportunities, the conference tourism industry provides immense benefits to the broader economy as it generates on average a higher spending level, reduces seasonality, contributes to the regeneration of destinations, networking and is an influential driver of intellectual development, regional co-operation spreads and enhances innovation and creativity.

Its growing popularity has accelerated change and economic growth and more importantly the product development to embrace emerging needs thus making the sector the 29th largest contributor to the gross national product globally.

Within Africa, South Africa has been the most popular in hosting meetings, followed by Egypt and Morocco. Kenya takes the fourth position. Among cities, Nairobi ranks third after Cape Town, Dublin and Marrakech. Some of the major facilities that have contributed to the development of conference tourism include Kenyatta International Convention Centre, Safari Park Hotel, Sarova Whitesands and Leisure Lodge in Mombasa.

According to the 2015 report by the International Congress and Convention Association (ICCA), Kenya held 19 international conferences in 2014 becoming the third most popular conference destination in Africa and 71st globally after South Africa and Egypt. South Africa led in Africa and was 38th worldwide with 108 conferences.

High level conferences have been praised for raising and boosting visitor and investor confidence in a destination, as well as positively projecting a country on the global tourism map. This positive environment attracts new investors in the hospitality sector who are keen to cash-in on the growing meetings and conferencing market.

Kenya continues to bask in glory as a favourite destination because of such investments in the hospitality industry.

Most notable among the major conferences held in Nairobi are the 2015 Global Entrepreneurship Summit (GES) held in July, the World Trade Organisation 10th Ministerial Conference in December 2015, the UNCTAD 14 in July 2016 and the 6th Tokyo Investment Conference on Africa Development (TICAD) in August.

The biggest beneficiaries are the hotels, which have been reporting full bed occupancy during these conferences. It is partly because of such efforts to provide the best experiences to its visitors that Nairobi was voted Africa's Leading Meetings and Conference Destination at the 2016 World Travel Awards.

It is quite unfortunate that Kenya's beauty is not matched by its position in the world of tourism, partly because we have not invested enough compared to other countries to market ourselves.

The writer is the head of hospitality at Simba Corporation



Feedback

The editor welcomes brief letters on topical issues. Opinions expressed here are not necessarily those of the editor or publisher. They may be edited for clarity, space or legal considerations.

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Clean up rot in National Police Service and local politics

There is no difference between the rot at the National Police Service and local politics. The two are inseparable.

The saying "old habits die hard" is applicable here. Even if traffic rules are changed, roads repaired and traffic lights installed those in charge are still holding onto their usual habits.

The same applies to politics. In order to mitigate tribalism, politicians should change their ways.

We may have the best laws enacted by Parliament to end rampant tribalism, but this can only succeed if our leaders stop dividing Kenyans along ethnic lines.

The vetting exercise at the National Police Service revealed how some officers could not account for millions of shillings in their bank accounts.

For example, one police officer could not explain to the vetting



Vetting exercise has exposed rot in the National Police Service. FILE

team how Sh20 million got into his account.

Politicians are quick to point fingers at police officers in cases where they have erred forgetting that they are the source of some of the evils taking place in the police service.

Some of them are as worse as rogue police officers.

They take advantage of resources

politicians to ensure equality and transparency in the government.

Politicians are the main propagators of ethnicity in the country. Who said one ethnic group cannot vote for another group or the other way around if not our politicians?

As next year's elections approach, politicians are busy touring different parts of the county with the excuse of wooing supporters, but their main agenda is to divide the people for their selfish ambitions.

There is no small or big rot, be it corruption, ethnicity or theft. When will politicians learn to live as brothers and sisters without focusing on one's party, coalition or origin?

Politicians are also guilty of using the phrase "our people", which is barbaric. The term should be declared illegal as it promotes division in the country.

SAMMY OUMA

via email

Auditor-general should reveal outcome of Eurobond probe

Cord leader Raila Odinga is cautioning the international market not to participate in the issuance of a second Eurobond that the government plans to raise.

Mr Odinga is saying that the first tranche was not fully accounted for and that Kenyans lost a chunk of the proceeds.

There has been a lot of back and forth pushing on where the truth lies. Many people stand for the truth.

The government should lay the

Shutting down geothermal plant for service is normal

Your article on the reduction of reduced cheap power (geothermal) is uncalled for.

As a country, we need to have a power generation mix (hydro, geothermal, thermal, gas and wind etc) so that they complement each other in case of deficiencies.

This is for security, maintenance and least cost production.

You can't pretend that when you take your mini-bus for service you can't take a lift from your neighbour or walk to work or even use a matatu.

That one day will not make you a lesser Kenyan or poorer.

Should we wait for a breakdown at the plant so that we have a total loss of power generation for so many months?

ONESMIUS ODHIAMBO, chief technical officer, Lake Turkana Wind Power