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EM Sector Keys

EM Internet & E-commerce – A multi-year structural growth platform

Equities

Emerging Markets
Technology

Philip Finch
Strategist
philip.finch@ubs.com
+44-20-7568 3456

Alexey Ostapchuk
Strategist
alexey.ostapchuk@ubs.com
+44-20-7567 0239

Bhanu Baweja
Strategist
bhanu.baweja@ubs.com
+44-20-7568 6833

Jerry Liu
Analyst
jerry.liu@ubs.com
+852-2971 7493

Taewon Kim
Analyst
taewon.kim@ubs.com
+82-2-3702 8807

Ulyana Lenvalskaya
Analyst
ulyana.lenvalskaya@ubs.com
+7-495-648 2093

Gustavo Piras Oliveira, CFA
Analyst
gustavo.oliveira@ubs.com
+55-11-3513 6520

Sunita Sachdev
Analyst
sunita.sachdev@ubs.com
+91-22-6155 6062

Zhijing Liu
Analyst
S1460515120001
zhijing.liu@ubssecurities.com
+86-213-866 8847

China: Online penetration could rise above 40% from 30% now, 20% in 2019

The recovery in gross merchandise value (GMV) growth in China continues unabated, with e-commerce penetration jumping to 30% currently vs just over 20% in 2019, although advertising demand remains weak (economic impact/offline campaigns postponed). We think that structural growth opportunities arising from user acquisition in lower-tier cities; food and FMCG expansion; social, content and live streaming (i.e. TV shopping 2.0) could drive online penetration to above 40% in the next few years.

Elsewhere, new products/channels to sharply boost e-commerce sales' share

In Korea, we think new e-commerce channels (e.g. live streaming) will likely underpin mid-teens market growth this year, pushing penetration past 40% in the coming years, from 33% in 5M20 (27% in 2019). In Russia, we expect e-commerce penetration to rise to 11% by 2024 from 6% in 2019, while the digitalisation of media consumption and 'uberisation' of taxis and food delivery are in full swing. In Brazil, social commerce (i.e. product sales via social media) is likely to help double e-commerce's share of total sales from 7.6% in 2019 to 14% by 2023.

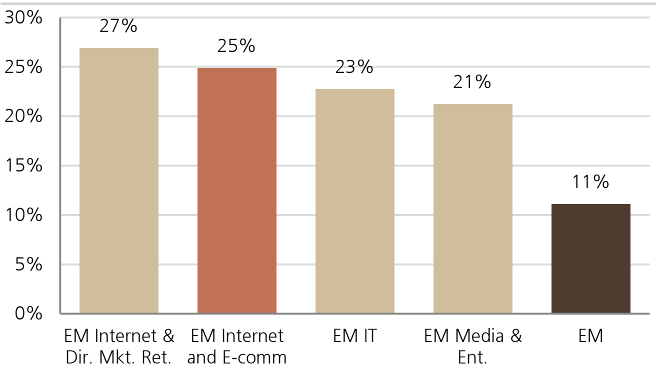
From the Covid-19 shock to 'Megatrends of the Future' – structurally attractive

E-commerce is likely to be a key beneficiary of a shift from Material to Intellectual, one of the seven 'Megatrends of the Future' highlighted in our recent Q-Series report, with stronger e-commerce growth likely in hitherto un- or under-penetrated segments, such as household products, groceries, personal care and home improvement. Illustrating the structural growth outlook, consensus currently forecasts sector CAGR EPS growth (2020-22) of 25% p.a. – far superior to the expected EM average of 11% p.a., which we consider elevated and expect to be revised down over time.

Reiterating our Overweight stance on the sector; key stocks to own

We remain Overweight EM Internet and E-commerce given the sector's attractive multiple-year structural growth outlook, likely amplified by Covid-19. Our top picks include: **Alibaba** (powerful e-commerce platform with high growth), **Tencent Music** (new revenue initiatives), **JD.com** (second-largest e-commerce player in China, with strong first-party and logistics businesses), and **Mail.ru** (game segment gains; international revenue upside) (full list in Figure 2).

Figure 1: Consensus estimates for 2020-22 EPS CAGR



Source: IBES, MSCI, Datastream, UBS. Note: Internet & E-commerce is defined as the sum of Media & Entertainment industry group and Internet & Direct Marketing Retail industry.

Figure 2: Most favoured stocks

Stock	Rating	PT	2020E P/E	2020E EPS growth	Bloomberg
Alibaba Group	Buy	$315.0	33.6	3.2%	BABA US
JD.com	Buy	$67.0	40.0	46%	JD US
Mail.Ru	Buy	$37.0	42.3	-37%	MAIL LI
NCsoft	Buy	₩936,000	18.7	144%	036570 KS
Pearl Abyss	Buy	₩256,000	12.3	28%	263750 KS
Tencent Music	Buy	$21.0	41.9	-12%	TME US
Vipshop	Buy	$30.0	16.6	20%	VIPS US

Source: Reuters, UBS estimates.

EM Internet & E-commerce

UBS Research THESIS MAP

MOST FAVORED

Alibaba Group, JD.com, Mail.Ru, NCsoft, Pearl Abyss, Tencent Music, Vipshop

LEAST FAVORED

Netmarble, VVAR, Weibo, Yandex

PIVOTAL QUESTIONS

Q: How is EM Internet & E-commerce faring through the Covid-19 shock?

We are seeing an across-the-board recovery in online retail, driven by penetration and market share gains by the key listed players. In China, GMV growth has already surpassed 2019 levels, and online retail penetration has surged to 30% currently, vs just over 20% last year. In Korea, we see Naver and Kakao attaining a low-to-mid 20% aggregated market share this year, with each achieving over 20% y/y topline growth. In Russia, India and Brazil, e-commerce penetration is rising sharply also, albeit at lower levels. On a less positive note, we are still cautious overall on the online advertising market, which is being negatively affected by economic weakness, the postponement of offline campaigns and lower marketing budgets of many international brands operating in EM.

Q: What is the longer-term outlook for EM E-commerce?

89% of retail sales still take place in stores and we see a long runway ahead for e-commerce penetration gains. Evidence from China is key – e-commerce penetration has continued to rise even after lifting of the lockdown began. Experience gained during lockdown, with more consumers across countries and age groups having become more familiar with different fulfilment methods, will cause e-commerce's share to accelerate, likely triggering a strong catch-up in many other parts of the world. In addition, digitalization will likely see faster adoption across all EM e-commerce verticals.

Q: What is the near-term outlook for the key stocks, and which do we like most?

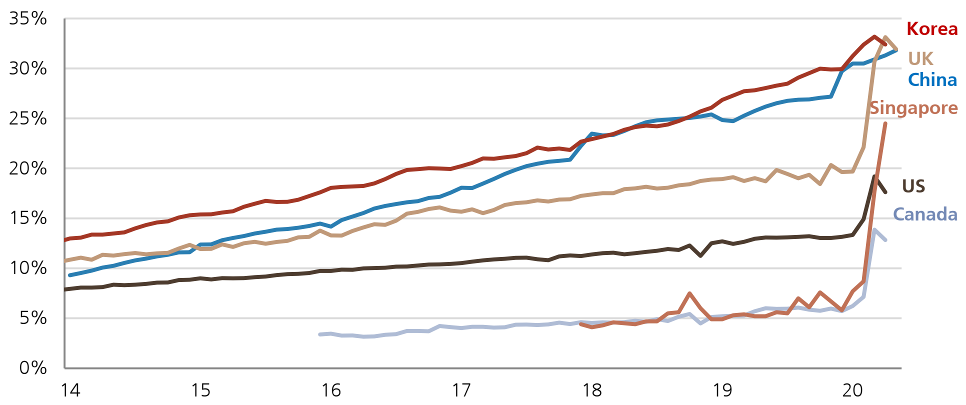
In China, our top pick is JD.com as we expect it to be the fastest earnings-grower among local e-commerce players. We also expect strong performance in 2H 2020 by Alibaba and Vipshop, as well as Tencent Music within the online entertainment space. In Korea, we like online gaming, specifically NCsoft, Pearl Abyss and Com2us on the back of attractive valuations. In Russia, we prefer Mail.Ru over Yandex due to the former's exposure to online gaming and social networks. In LatAm, we like Lojas Americanas as we expect online retail penetration and GMV to double in the next four years.

UBS VIEW

We have a positive stance on EM Internet & E-commerce. We see structural factors being accelerated by Covid-19, supporting strong growth in EM Internet & E-commerce earnings. Given historically low interest rates globally, we are less concerned about the rich valuations of some EM Internet & E-commerce vs optically cheap Value-oriented sectors, such as natural resources, where the earnings outlook is not only weaker but also much more uncertain.

EVIDENCE

E-commerce as a proportion of total retail sales in major countries



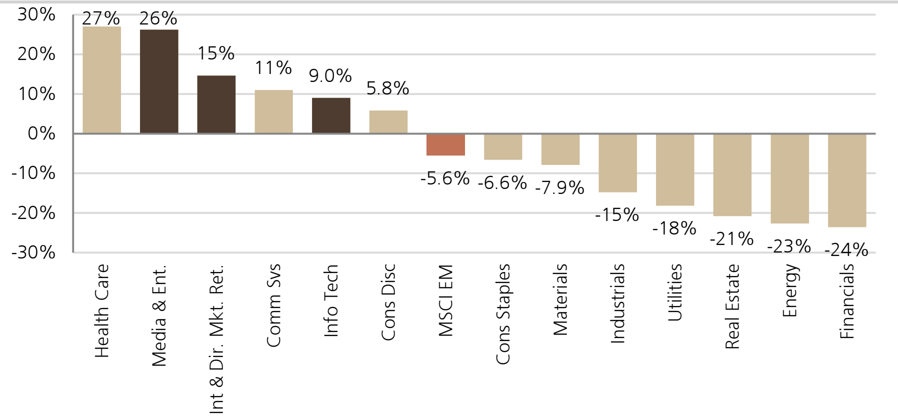
Source: Haver, UBS. Note: Data for China and the UK is to June 2020; for other countries is to May 2020; 3mma used for Korea.

Contents

We would like to thank Sagarika Asrani and Sonam Jagga, our research support service professionals, and Yulia Kazakovtseva, our associate analyst, for their assistance in preparing this research report.

Part 1: Sector overview

Figure 3: MSCI EM sector performance since the 2020 EM market peak



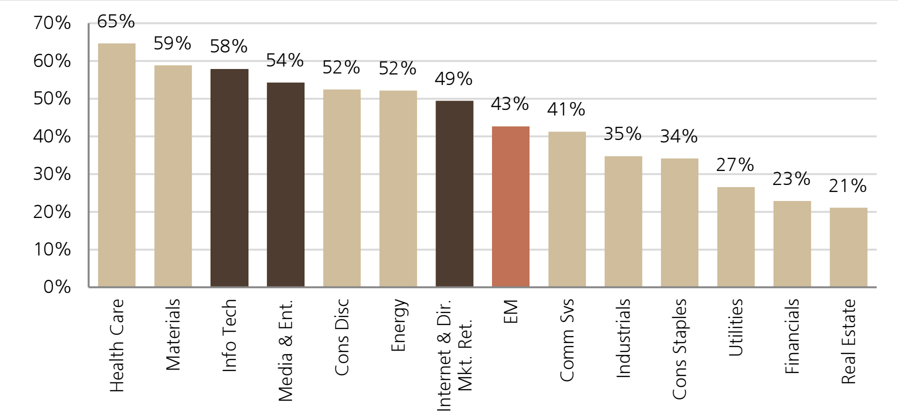
Source: MSCI, Datastream, UBS. Note: 20 January 2020 was the market peak date.

EM Internet & E-commerce has been one of the few segments of the EM equity market that have posted positive returns through the Covid-19 pandemic.

Notably, EM Internet & E-commerce has outperformed strongly its more commoditised 'new economy' peer – EM IT, which is also up since the pre-pandemic MSCI EM peak.

Only EM Health Care has done better since then.

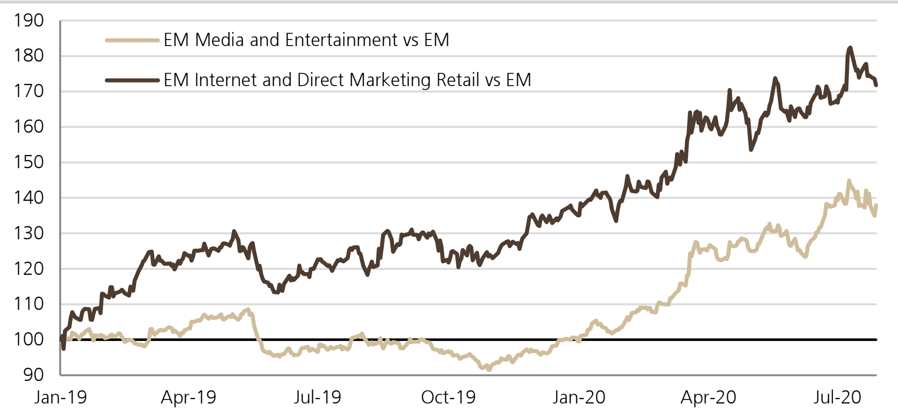
Figure 4: Performance of MSCI EM and its sectors since the 2020 EM trough



Source: MSCI, Datastream, UBS. Note: 23 March 2020 was the market trough date.

EM Internet & E-commerce has been at the forefront of the EM post-bear-market recovery also. Somewhat surprisingly to us, EM natural resource sectors have seen even stronger performance, which, however, we consider much more fragile, if not unsustainable.

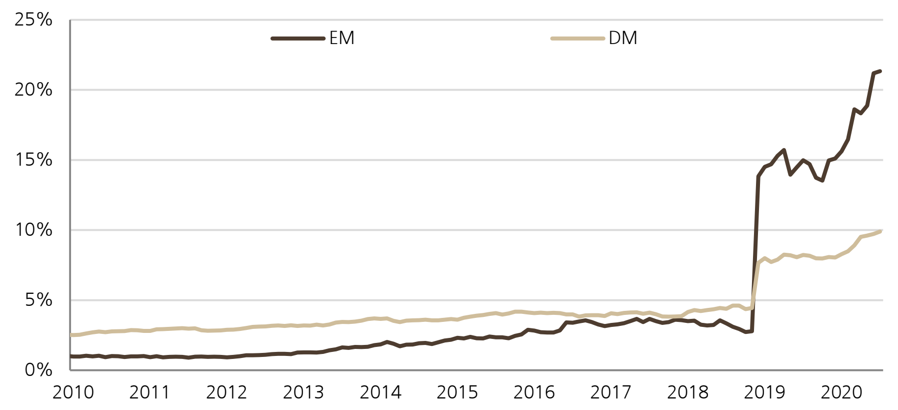
Figure 5: Relative performance of Media & Entertainment industry group and Internet & Direct Marketing Retail industry vs MSCI EM



Source: MSCI, Datastream, UBS

In fact, the chart on the left shows that EM Internet & E-commerce's outperformance vs the broad MSCI EM gauge has been fairly consistent in recent months.

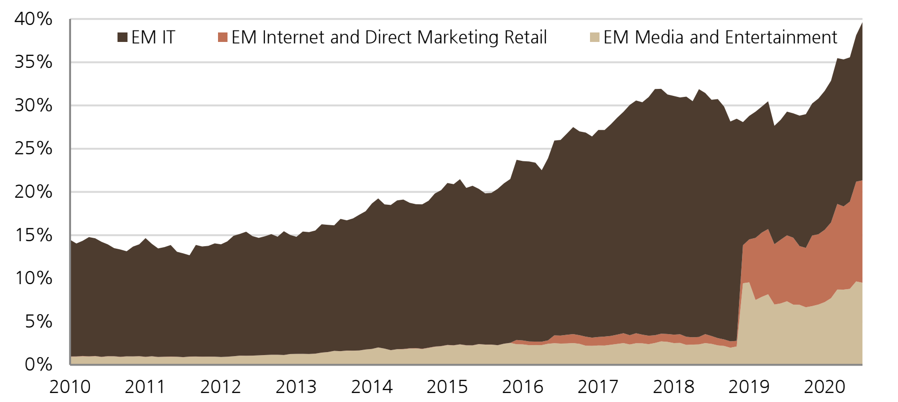
Figure 6: Weighting of Media & Entertainment industry group plus Internet & Direct Marketing Retail industry in MSCI EM and MSCI World (DM)



Source: MSCI, Datastream, UBS

Interestingly, the 21.3% weighting of Internet & E-commerce in EM (the sum of the Media & Entertainment industry group and the Internet & Direct Marketing Retail industry) is more than twice as high as it is in DM (10%). Such a difference in index composition may imply that any valuation premia vs history could be easier to justify for the overall EM than for DM.

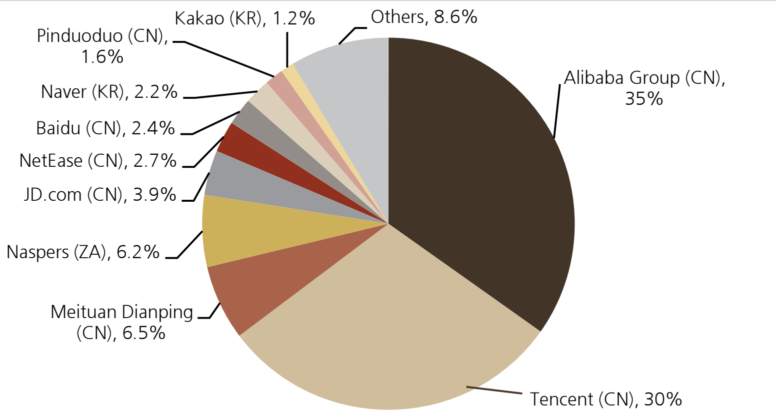
Figure 7: Weighting of IT sector, Media & Entertainment industry group and Internet & Direct Marketing Retail industry in MSCI EM



Source: MSCI, Datastream, UBS

Until the GICS changes in late 2018, most of the EM Internet & E-commerce stocks were part of the EM IT sector. Following recent outperformance of EM Internet & E-commerce over the semiconductor-heavy EM IT, the weighting of the former stock grouping has exceeded that of the latter.

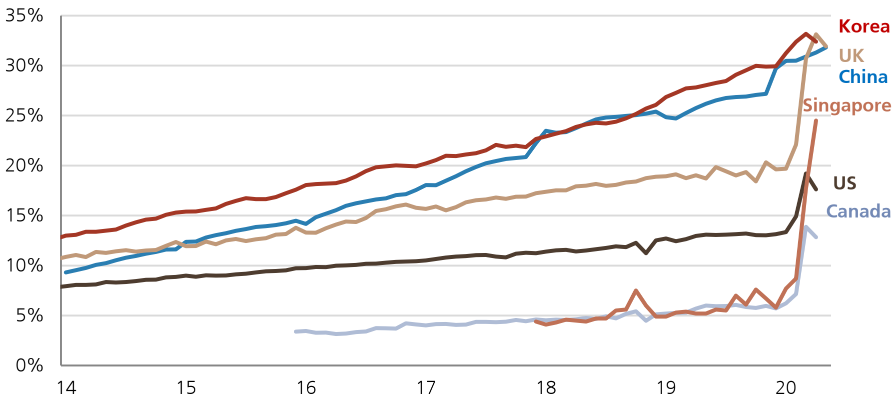
Figure 8: Biggest stocks in MSCI EM Internet & E-commerce space



Source: MSCI, Datastream, UBS. Note: Internet & E-commerce is defined as the sum of Media & Entertainment industry group and Internet & Direct Marketing Retail industry.

Two-thirds of the EM Internet and E-commerce market cap is represented by Alibaba and Tencent, followed by Meituan Dianping, which has surpassed Naspers by index weight, as the former's market cap has nearly doubled YTD, and MSCI hiked the stock's free float assumption from 20% to 70%. With the exception of Naspers, Naver and Kakao, all the biggest EM Internet and E-commerce names are Chinese. Russian internet stocks – Yandex and Mail.Ru – are not part of MSCI indices.

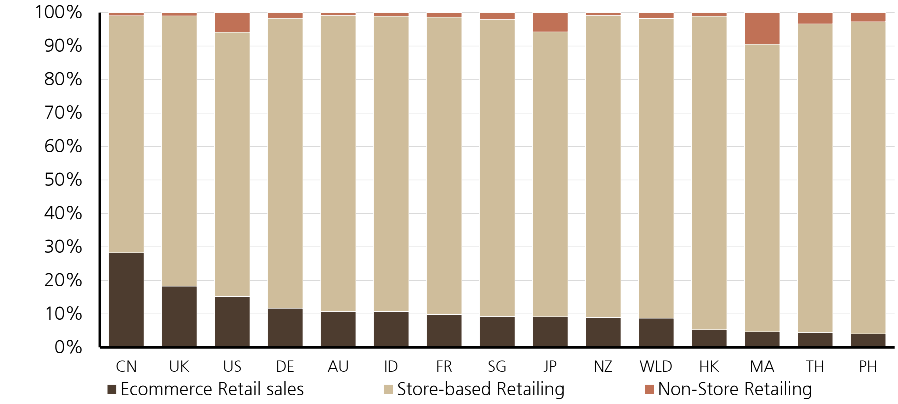
Figure 9: E-commerce as a proportion of total retail sales in major countries



Source: Haver, UBS. Note: Data for China and the UK is to June 2020; for other countries is to May 2020; 3mma used for Korea.

We see a long runway ahead for e-commerce penetration gains. Evidence from China is key – e-commerce penetration has continued to rise even after the lifting of movement restrictions began.

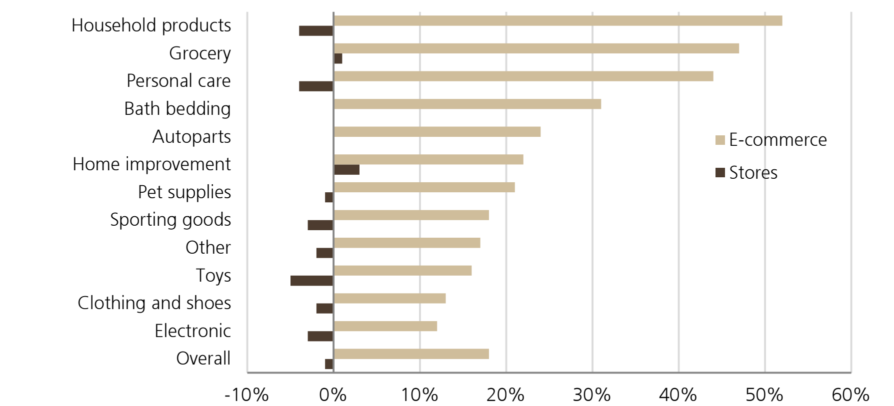
Figure 10: Store-based and e-commerce retailing – much room for e-commerce to grow



Source: Urbis, ABRASCE, ICSC, Japan Council of shopping centres, Cabinet Office, Government of Japan, Statista 2016. Note: Data as of 2019. Where data on ratios of shopping centre sales to retail sales is unavailable, we use shopping centre area to total area as a proxy. Based on the countries where both sets of data are available, this is considered a reasonable proxy.

89% of retail sales still take place in stores. We believe experience gained during movement restrictions, with more consumers across countries and age groups having become more familiar with different fulfilment methods, will cause e-commerce's share to accelerate, likely triggering a strong catch-up in many other parts of the world.

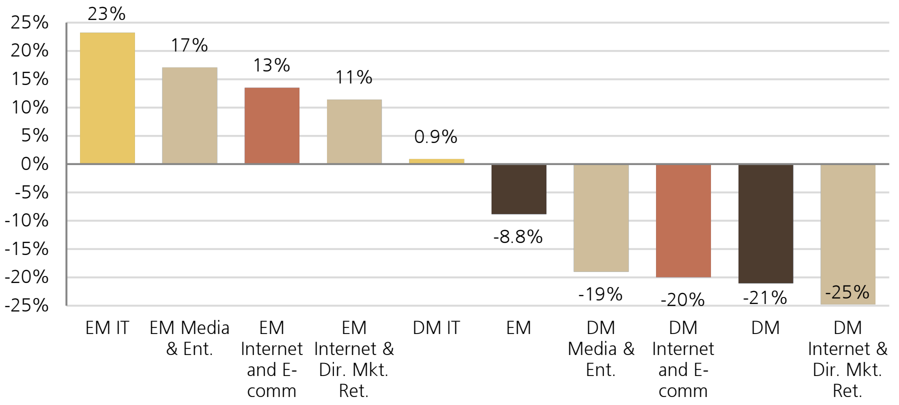
Figure 11: Which categories will grow e-commerce sales? – UBS Retail E-commerce Interactive model



Source: UBS Evidence Lab – High e-commerce growth scenario

Stronger e-commerce growth looks most likely in hitherto un- or under-penetrated segments, such as household products, groceries, personal care and home improvement.

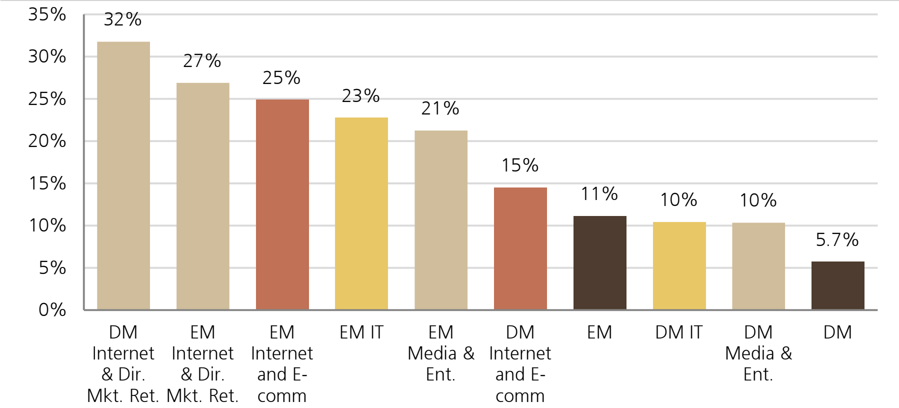
Figure 12: Consensus estimates for 2020 EPS growth



Source: IBES, MSCI, Datastream, UBS. Note: Internet & E-commerce is defined as the sum of Media & Entertainment industry group and Internet & Direct Marketing Retail industry.

Structural factors accelerated by the Covid-19 pandemic have helped EM Internet and E-commerce to remain at the top end of the global equity EPS growth spectrum. Although EM IT is forecast to see even stronger growth, we have significantly less confidence in those forecasts than in the 13% 2020 EPS growth expected from the EM Internet and E-commerce segment. Also, this year's positive earnings growth expectations for EM Internet and E-commerce stocks sharply contrast with the EPS contraction forecast for their DM peers.

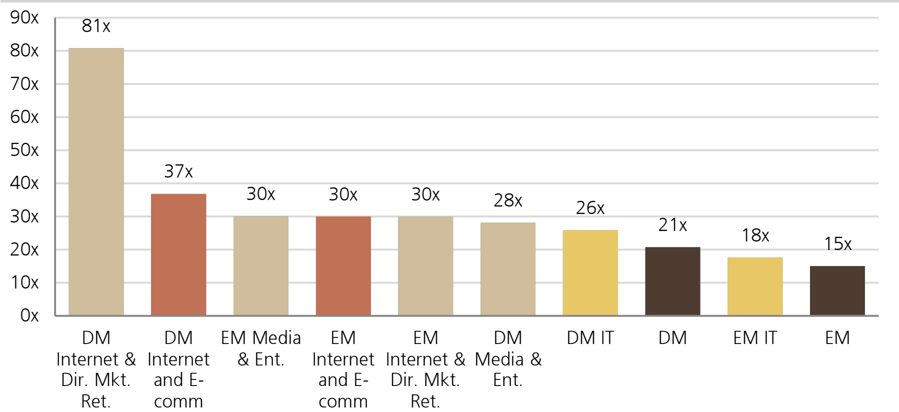
Figure 13: Consensus estimates for 2020-22 EPS CAGR



Source: IBES, MSCI, Datastream, UBS. Note: Internet & E-commerce is defined as the sum of Media & Entertainment industry group and Internet & Direct Marketing Retail industry.

Slightly longer-term comparison of 2020-22E EPS CAGRs for EM Internet & E-commerce vs the rest of the EM and vs DM peers yields a very similar conclusion – EM Internet and E-commerce is clearly the fastest-growing market segment. Moreover, it should outpace EM IT despite the latter's still depressed initial earnings base.

Figure 14: 12-month forward P/E ratios



Source: IBES, MSCI, Datastream, UBS. Note: Internet & E-commerce is defined as the sum of Media & Entertainment industry group and Internet & Direct Marketing Retail industry.

12-month forward P/E valuations of the EM Internet and E-commerce stocks are on average two times higher than those of the broad MSCI EM index, and exceed those of EM IT by nearly the same magnitude. However, the chart on the left shows that the valuation premium for DM Internet and E-commerce is even more stretched in absolute terms, as well as versus the DM index average, as Amazon.com – by far the most heavily weighted stock in our DM coverage universe – trades at P/E valuations of over 100x.

Figure 15: UBS EM sector and market ratings

	Overweight	Neutral	Underweight
Sectors			
	Financials	Utilities	Materials
	Comm Svs	Energy	Industrials
	Cons Staples	**Cons Disc**	Real Estate
	Info Tech		Health Care
Markets			
	Korea	China	Taiwan
	Poland	India	South Africa
	Peru	Brazil	Thailand
	Hungary	Russia	Philippines
	Mexico	Malaysia	Chile
		Indonesia	
		Turkey	
		Colombia	
		Greece	
		Czech Republic	

Source: UBS

We have a positive stance on EM Internet & E-commerce. We see structural factors being accelerated by Covid-19, supporting strong growth in EM Internet & E-commerce earnings. Given historically low interest rates globally, we are less concerned about the rich valuations of some EM Internet & E-commerce vs optically cheap Value-oriented sectors, such as natural resources, where the earnings outlook is not only weaker but also much more uncertain.

The following parts of this report comprise edited extracts from the EM Sector Keys Call on EM internet & e-commerce hosted on 22 July 2020.

Speaker list:

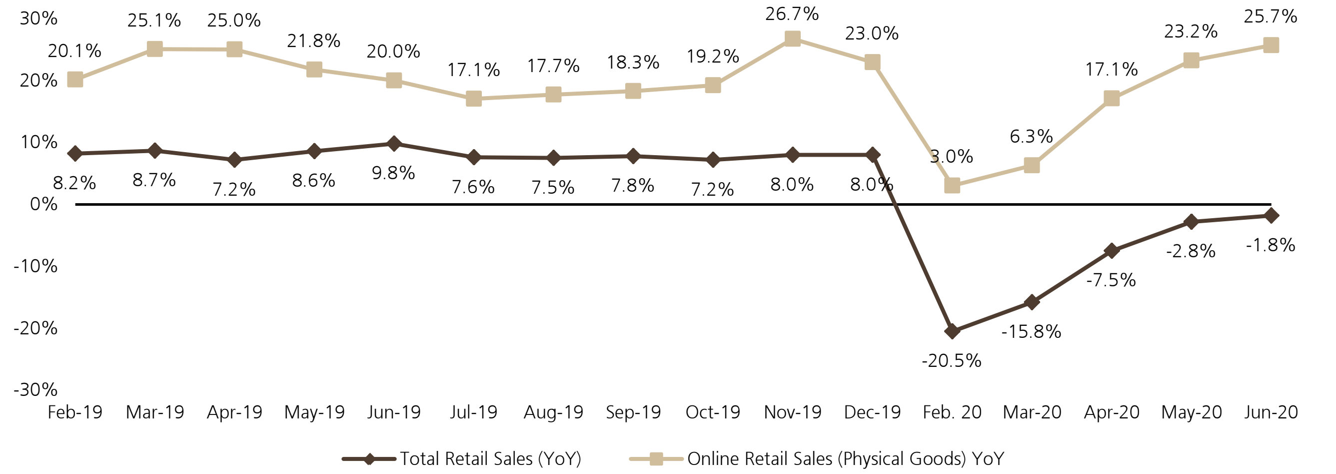
- **Jerry Liu** – UBS Head of China Internet Research
- **Taewon Kim** – UBS Korea Internet, Gaming and Media Research
- **Ulyana Lenvalskaya** – UBS EM EMEA Consumer, Media and Technology Research
- **Gustavo Oliveira** – UBS LatAm Retail, Consumer and Health Care Research
- **Sunita Sachdev** – UBS India Consumer Research
- **Zhijing Liu** – UBS China A-share Media, Internet and Online Gaming Research

Part 2: The outlook for e-commerce

Question: Following the Covid-19 shock, what is the outlook for E-commerce?

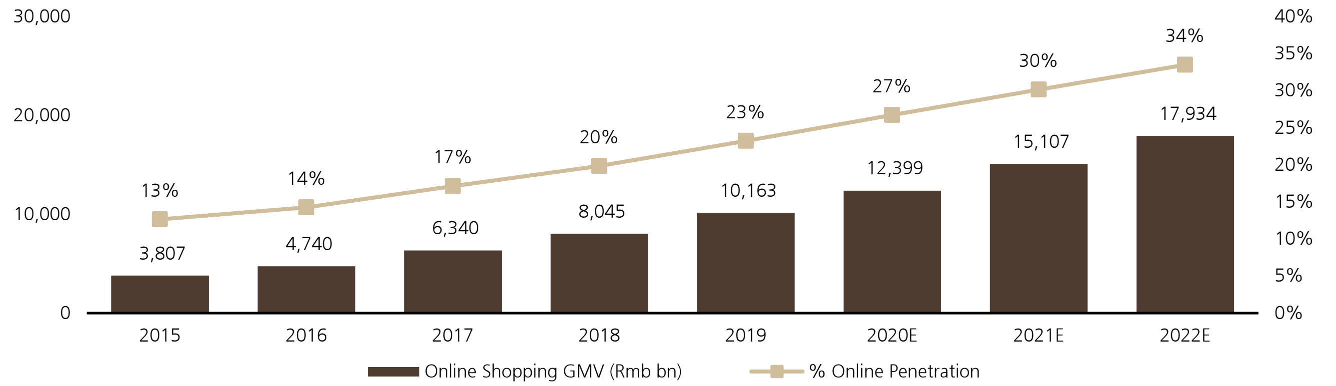
Jerry: I would say we are already seeing a very strong recovery. If you look at online e-commerce in China, the growth rate of GMV (gross merchandise value) has already reached and even surpassed the level you saw for most of 2019. This is just in the last one or two months. When I look forward, we think they can continue to maintain a pretty high online penetration. We've jumped from just over 20% online penetration last year, to around 30% at the moment. Maybe there's a little bit of a tapering off later this year or next year as things normalize a little bit after COVID, but we see this online penetration heading to 40%, even above 40% over the next four years or so.

Figure 16: NBS data on online retail sales and total retail sales YoY growth



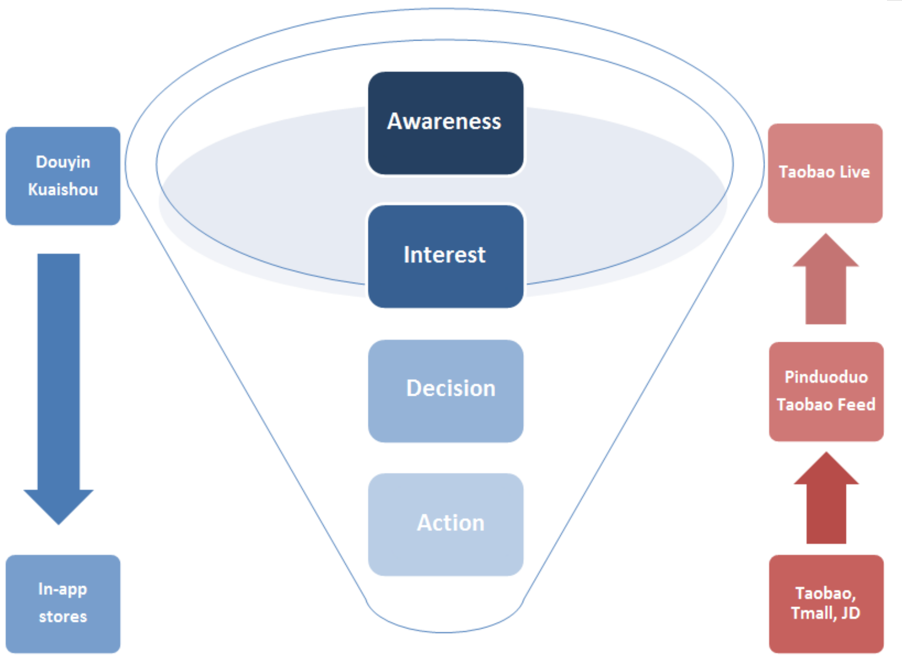
Source: NBS, UBS

Figure 17: China online shopping GMV and penetration rate (Rmb bn)



Source: iResearch, UBS estimates

Figure 18: Online media and e-commerce apps positioning and evolution along the sales funnel



Source: UBS

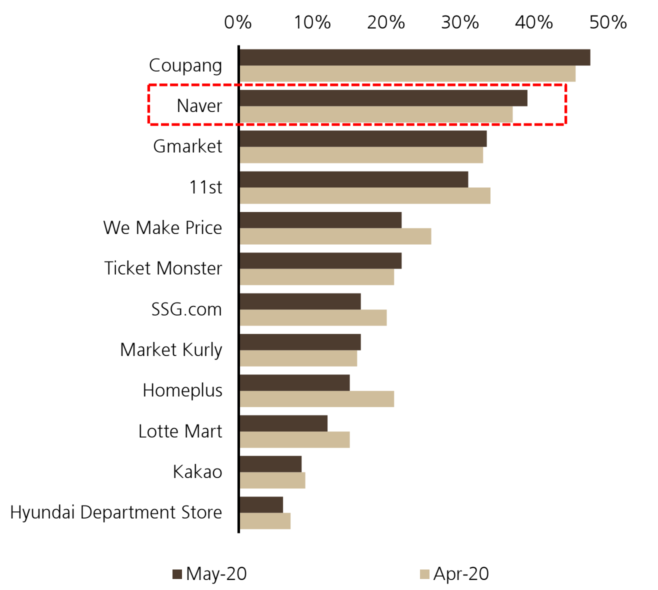
The outlook is still quite rosy for e-commerce overall, and we're arguing that you're going to see the pie get bigger and more players join this market, versus maybe two years ago when everybody, including us, were thinking it might just be the big getting bigger as the market matures. The longer-term opportunities, I would say, look even wider and more diversified, and that includes live streaming.

This is TV shopping 2.0. I think you're going to look at e-commerce nowadays as both – top of the sales funnel going down, and bottom of the sales funnel actually completing the transactions, right? And who's good at that? It's the traditional e-commerce side. But we've done a lot of work on this and what we see is new opportunities for this type of TV shopping 2.0 – for the guys that are involved in video, short video, medium/long-form video and live streaming. There are several private companies in China, but I would point out the most obvious public company which can capture this opportunity is Tencent.

Zhijing: We are still overall cautious about the advertising demand outlook into second half of 2020 as many advertiser sectors are impacted by the weak economy and many offline campaigns have been postponed due to the COVID-19 pandemic. The advertising budgets of international brands are also severely affected, due to the continuous pressures from the global pandemic situation. In several of our latest channel-checks with advertising agencies, we feel broad cautiousness, and some of them said almost two-thirds of advertisers will be cutting budgets in the year. But there are still some new segments which are increasing budgets, such as e-commerce, education and online gaming.

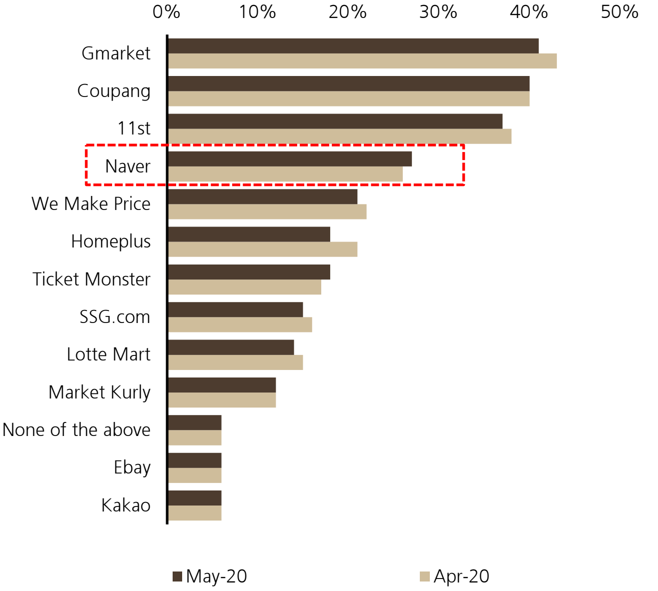
Taewon: COVID-19 became serious in Korea from around mid-February, and during the March-to-June period, Naver saw a broad-based increase in the shopping operating matrix versus November through February: total GMV as well as the total numbers of new vendors and users.

Figure 19: When asked by UBS Evidence Lab: "In the next month, which of the following websites do you intend to purchase items from, if any?", respondents ranked Naver second in the age 18-39 group



Source: UBS Evidence Lab >Access Dataset

Figure 20: Naver was the only online shopping player with an increased respondent percentage from the first wave of the survey when asked: "In the next month, which of the following websites do you intend to purchase items from, if any?", for all age groups.



Source: UBS Evidence Lab >Access Dataset

As such, we expect Korea's e-commerce market to sustain its mid-teen growth rate this year. And what's also interesting is that Naver and Kakao are both ramping up their new e-commerce products that are catering to their internet platforms such as live streaming. All-in-all, we expect Kakao to gain further e-commerce market share in Korea this year, with over 20% year-on-year growth rate, which will allow them to attain low-to-mid 20% aggregated market share this year.

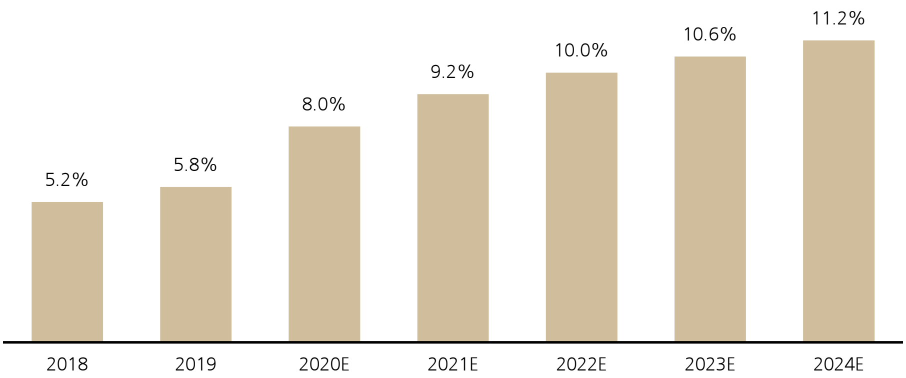
Related reports:

Naver Corp "UBS Evidence Lab inside: Ongoing re-rating as e-commerce platform"

Kakao Corp "Fairly priced – downgrading to Neutral" (Neutral) Kim

Ulyana: First of all, we've seen a massive expansion of the user base in Russian e-commerce and a significant spike in penetration. For example, during the lockdown, the number of online shoppers in Russia was up by 15 to 17 million people which is close to 20% of the pre-lockdown user base. So e-commerce penetration appears to increase from around 6% in 2019, to at least 8% for full year 2020, we estimate. So it's a fast-growing segment in the first place.

Figure 21: Russia e-commerce penetration in total retail sales



Source: Data Insight, RBC, UBS estimates

Secondly, there is some intensification of consolidation. As such, Yandex announced that they are going to buy out its partner, Sberbank, from their e-commerce joint venture. And given Yandex is our biggest internet player, well-known among international investors, its publicly-expressed interest in the e-commerce vertical intensified attention for the sector, in our view.

Sunita: India had a very serious and complete lockdown in April. There were initial hiccups due to shortages of delivery personnel and lack of logistics working on the ground for e-commerce players. There was also a big question mark on what will be permitted to be sold on the e-commerce side, and what will not be permitted because the government was pretty serious about allowing traders to sell only the essential items.

But post-May, things have ramped up pretty well. In the pandemic, consumers are looking to shop for basic necessities and groceries online. Online has pretty much become a lifeline for the modern day shopper. Due to the real health risk and the convenience, there's stickiness created and we think that this should continue.

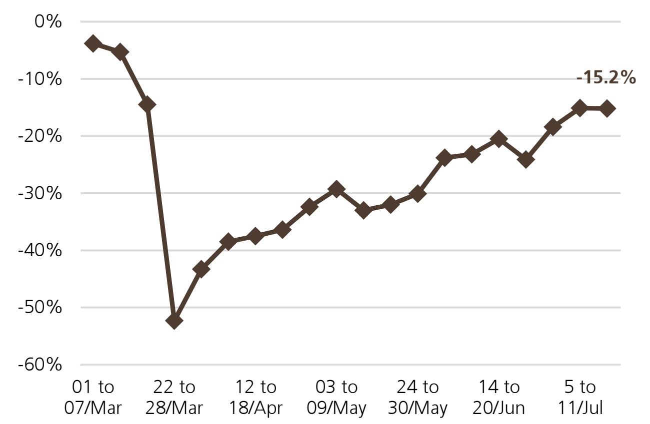
BigBasket and Grofers are the two large online grocers in India, and they recorded their orders doubling in April and May, from March levels. Amazon and Flipkart have scaled up the delivery of groceries to nearly 400 cities, from just 5 cities pre-lockdown. Amazon is now reported to have almost two times the grocery demand compared to pre-lockdown – to give you a sense of the ramp up in the business.

From our perspective on the consumer companies – they are talking about e-commerce now being one of the fastest-growing channels for them, albeit at a very low base. So we do expect this growth to sustain.

Gustavo: The physical retailers have been heavily affected by COVID, as the stores and malls were closed for about one or two months, and now they are working with partial opening hours, with more rigorous operating procedures which are limiting the traffic flow in stores.

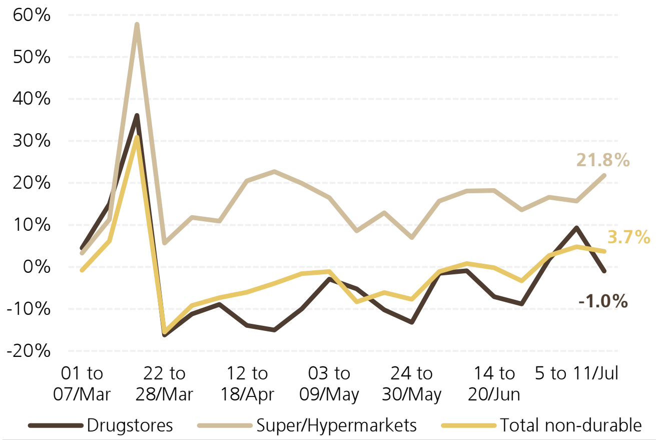
Today, retail sales are still down 15% from a bottom of 55% in early April, and apparel retailers in Brazil are still down 40%. I think the only category that has maintained double-digit growth throughout the pandemic has been the food retailers, and they are growing near a double-digit growth rate.

Figure 22: Total Retailing



Source: Cielo (CVA), UBS. Comparing to same day of February 2020.

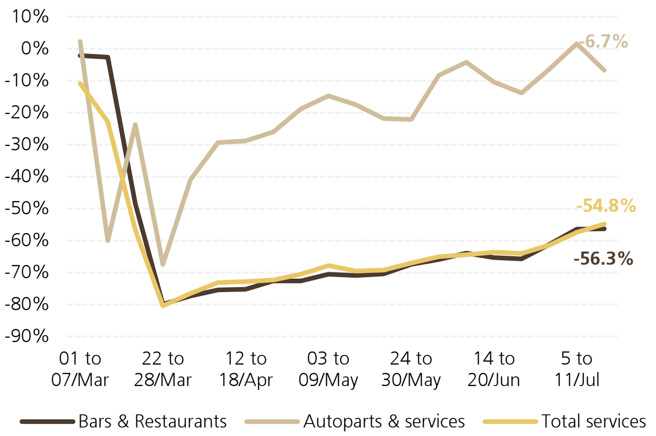
Figure 23: Nominal sales growth in Brazil – Non-Durable goods



Source: Cielo (CVA), UBS. Comparing to same day of February 2020.

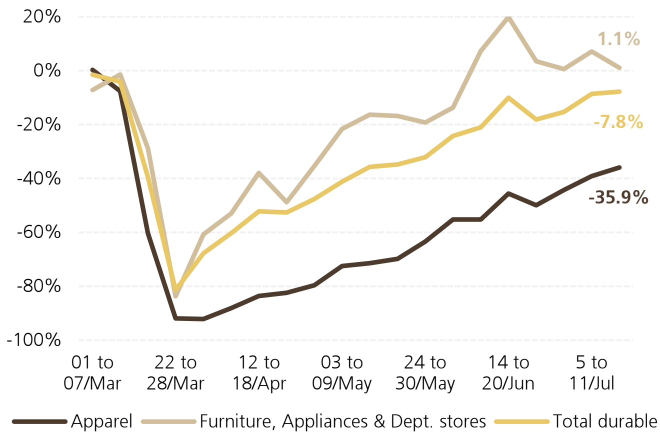
I think on the positive side, e-commerce retail sales growth has accelerated from 30% year-on-year on average – considering the six months before the pandemic, to about 90% in the first three months of the pandemic, and this is going through sequential growth acceleration in the last three months. The growth is completely driven by an increasing number of orders, as the average ticket is growing just about 4%.

Figure 24: Nominal sales growth in Brazil – Services



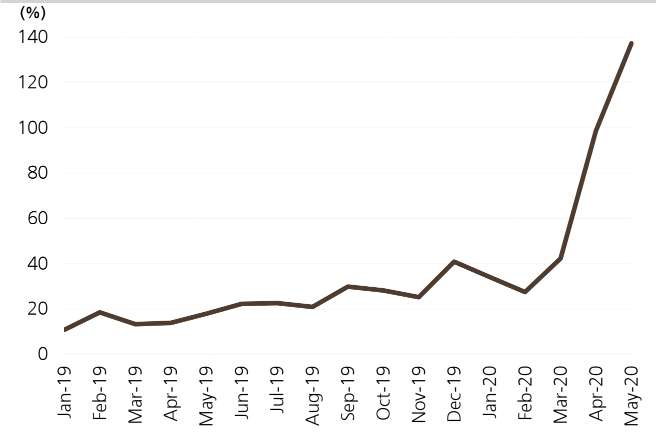
Source: Cielo (CVA), UBS. Comparing to same day of February 2020.

Figure 25: Nominal sales growth in Brazil – Durable goods



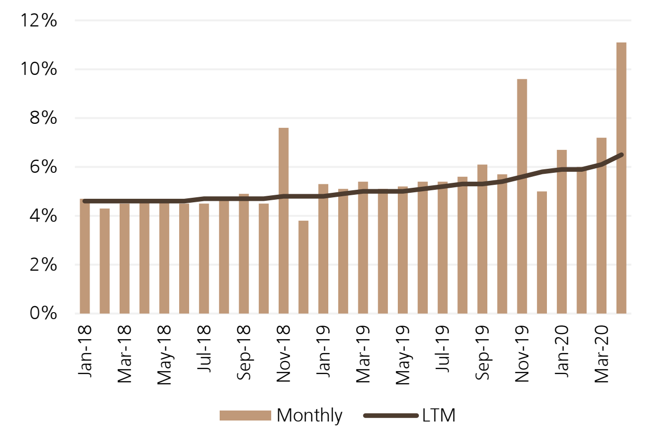
Source: Cielo (CVA), UBS. Comparing to same day of February 2020.

Figure 26: Online real sales index for Brazil (YoY)



Source: MCC-eNet, UBS

Figure 27: E-commerce participation in restricted retailing (IBGE)



Source: IBGE, MCC-eNet, UBS

Part 3: Prospects for longer-term structural changes

Question: What are the prospects for longer-term growth? How is the market share of traditional players expected to change?

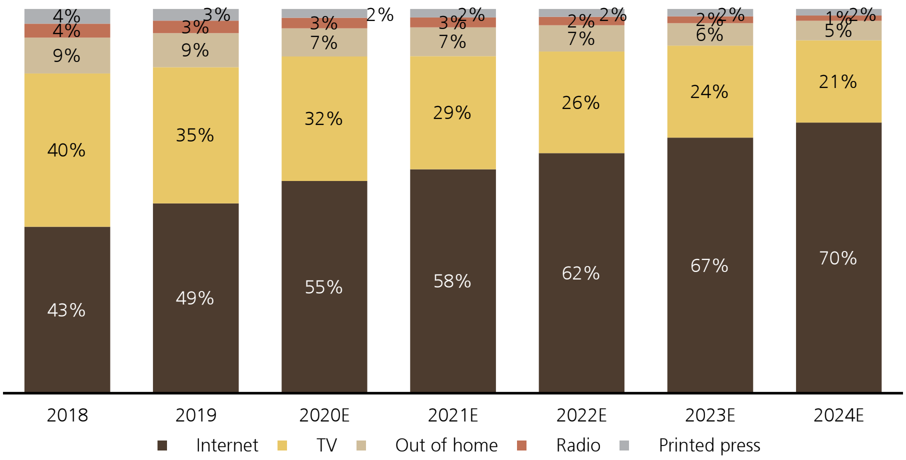
Sunita: I think this has pretty much been the central focus of some of the conversations we're having. We are expecting a draft national policy related to e-commerce which is not yet out. Our on-the-ground understanding is that the key areas of the new policy framework are basically data storage, infrastructure development of e-commerce marketplaces, regulatory issues stimulating the domestic digital economy and export promotions for e-commerce.

The policy aims to boost local B2C start-ups and even B2B medium scale enterprises. The government seems to believe that once a certain scale is reached, it's virtually impossible for a second mover to make his own entry in the e-commerce ecosystem, so we do believe that the e-commerce policy draft, which is soon to be public, could introduce amendments like how companies can handle data. This will, it's expected, help local start-ups and restrict the ability of larger entities to conduct business in the way they have done.

Earlier too, the e-commerce policy was amended in 2019 to allow only the market-place model amongst foreign-funded e-commerce players. This was done predominantly to protect offline retailers because foreign investment is not allowed in offline retail.

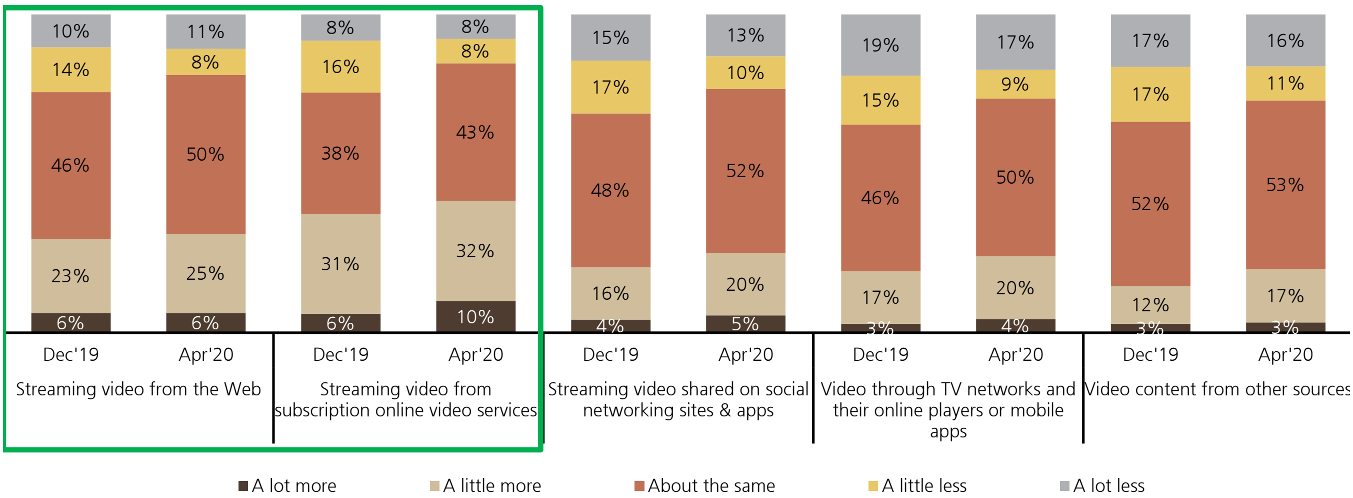
Ulyana: It is pretty much every vertical. We see ongoing digitalization of the advertising market, where the current share of online stands at around 50%, while ROI for advertisers is becoming higher for digital. We're seeing that the shift to digital is not only continuing, but accelerating, as normally happens during tough macro times.

Figure 28: Russia ad market structure outlook



Source: AKAR, UBS estimates

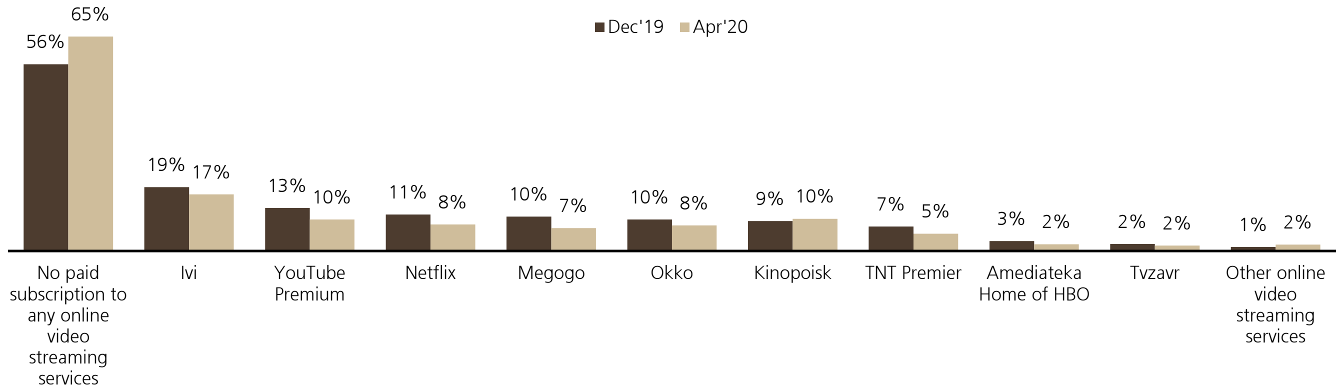
Figure 29: 'Compared to a year ago, are you spending more or less time watching the following types of video content?'



Source: UBS Evidence Lab, UBS. >Access Dataset

We also see a shift in media consumption towards video-on-demand and paid music services. A number of local players exist in the video-on-demand market, including Ivi, Okko and Kinopoisk (which is owned by Yandex), and they all continue investing into local content and gaining subscribers, while Kinopoisk gained share in downloads during the lockdown recently (please read our note on Russians' social media consumption trends). That being said, piracy in Russia is still widespread, so all three players can gain users while the paying culture develops in the country with time.

Figure 30: 'Does your household currently have a paid subscription to any of the following online video streaming services, which offer users unlimited streaming of TV shows, movies and other video content?'



Source: UBS Evidence Lab, UBS. [>Access Dataset]

Other verticals, like taxi and food delivery, also continue to digitalize, as we discussed during our previous call. So we're seeing clear digitalisation trends more or less everywhere.

Gustavo: We've seen a series of reports on this theme, and the reason for that is that social commerce surged during the crisis in Brazil. As we know, the physical retailers had to develop an alternative channel to sell their products and they started using social media properties like Instagram, Facebook and also communication systems such as WhatsApp. As you know, WhatsApp has around 90% penetration in Brazilian smartphones, and all that should connect with consumers.

Initially the process was quite informal, as the sales personnel received customer lists from their employers, and they were told to just simply go out and try to talk to these clients and see if the consumers wanted to buy products from the companies. It was like a very desperate moment at that time. Over time, the process became more formal.

Now the companies have their own WhatsApp business accounts, for instance. They have a more formal process to interact with customers via WhatsApp and also via Instagram and Facebook properties. I think we still need to see an evolution. If you take the consumer journey, the payment step still has a very high friction throughout the process. There're several payment forms, but there's probably still a lot of friction and a lot of data leakage in this process.

So this is something that really came to the rescue of several of these retailers, and we've seen fascinating stories of retailers that only survived because of the use of social media. This is going to develop into something bigger going forward, in the likes of what Jerry has already told us, and written about of what's happening in China. We are beginning to see the first signs that we're moving in that direction as well.

For an in-depth discussion on The Future of Social Commerce, please refer to these reports:

- June 1st 2020 - The Future of Social Commerce (Part 1)

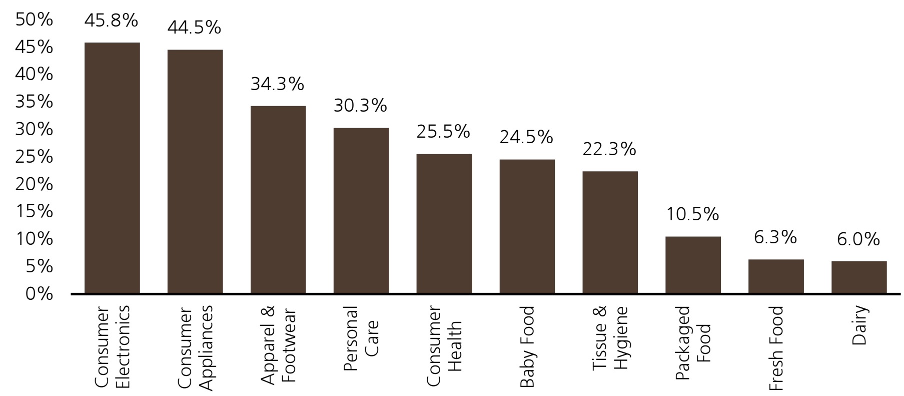
- June 19th 2020 - The Future of Social Commerce (Part 2)
- June 29th 2020 - The Future of Social Commerce: Insights from China
- July 12th 2020 - Video: The Future of Social Commerce
- July 20th 2020 - Presentation: The Future of Social Commerce

Jerry: I think there's definitely a lot of common threads here, listening to what my colleagues have described in different regions. I think for China, I probably want to highlight about three or four of these.

The first is – continuing to acquire users in lower-tier cities. If there was a lesson to be learned about why Pinduoduo was able to catch up to Alibaba, it is that you need to really keep acquiring users, even if maybe the first year or two – they don't really contribute much. So the largest platforms in China have just over half of all the people, forget internet users or not, just people, and their ambition, we believe, is to really try to get as much of the revenue as possible over the next number of years.

Then the other common theme here is getting more into food and FMCG. So you look at some of the categories with highest online penetration in China, and they include apparel, home appliances, for example, and their penetration levels are 50% or more today. That can probably still go up, by the way, but we think you're going to see more success in areas like FMCG and food. I think a lot of the leading platforms have started to really figure out how to do it, so that's really new in the last one or two years.

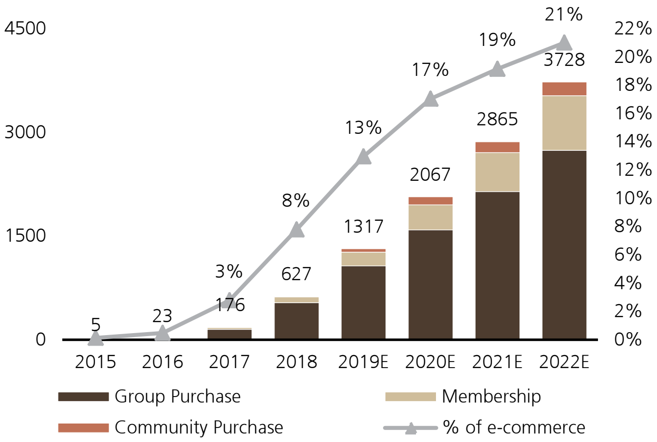
Figure 31: Online penetration by category in China



Source: Euromonitor, UBS. Note: As of 2019.

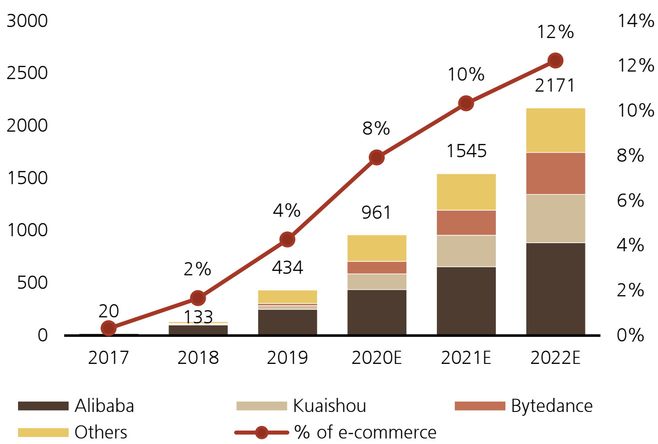
Then thirdly, exactly like we've been discussing, this whole idea of using social, using content, even TV shopping 2.0. In our recent research we've done some analysis that suggests maybe over 10% of online GMV – in about two or three years, can be driven by live streaming and another 20% by content and social. So together, content, social and video is going to be a third of future GMV.

Figure 32: Social-driven purchase value to contribute 21% of total e-commerce by 2022E



Source: iResearch, UBS estimates

Figure 33: Live streaming-driven purchase value to contribute 12% of total e-commerce by 2022E



Source: iiMedia Research, UBS estimates

Then lastly – I do want to highlight this idea again – if the market is very big and the country is very big, then the market leader in some of these markets is not one guy dominating, right? We think that in a few years, Alibaba in China might only have about 50% market share. In the US, Amazon today already has a little below 50% market share.

Zhijing: During the COVID-19 pandemic in February and March, we found video and online gaming were the major winners across all content categories, while music seemed to be losing market share due to its exposure to offline use cases. However, since April, we found out that most categories returned to the normal level of user engagement, except that the short video apps are still at peak levels of time-spent share. Especially for the TikTok app, it seems to be consolidating its time-spent share at 9%, almost a half of WeChat from Tencent. We believe short video platforms like TikTok and Kuaishou are very successful in expanding their content genres, and are including other content formats like live streaming, which Jerry earlier commented on.

Taewon: [Naver has] content in e-commerce ecosystem. For content, they have Webtoon, which is gaining global popularity, and also their use platform in Korea with a lot of video content for sports.

As far as e-commerce is concerned… we're seeing increasing cooperation between traditional retailers and major brands within Naver.

In the first months of service in June, while it is early to confirm the trend, heavy users, i.e., those that spend over around $200 a month, saw a 30% increase in spending with this membership in effect, while light users, those that spend less than around $20 saw over a 200% increase in spending.

Related reports:

Q-Series "Evolution or revolution: what's next for mobile messengers?" Kim

Naver Corp "UBS Evidence Lab inside: Leader in webtoons, the next potential ..."

Part 4: Sector stance and stock preferences

Question: What is the outlook for near-term earnings? What is your sector stance and which are your top picks?

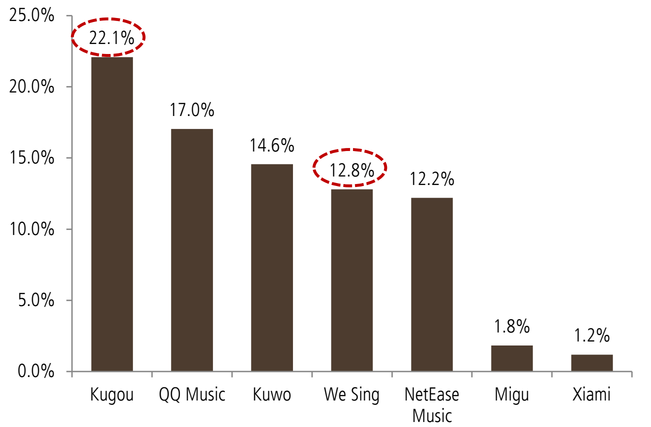
Jerry: I think we remain quite positive on e-commerce. The market has gotten bigger. The players are very competitive, but competition is not irrational, which is a good thing. Generally, we like all the major players, but we have been discussing that there's a bit of a rotation from the guys that have done really well earlier in the year – the true kind of high-growth names – to something maybe a little bit more balanced between growth and value – between growth and profitability. These names, we think, will do better in the second half of the year as a little bit of a catch-up trade, and it would include **Alibaba**. It would also include the **Vipshop** a smaller platform that we recently upgraded – focusing on apparel. The one that we like before and that we continue to like, probably the top pick actually in this space, is **JD**, and that's because they have the highest growth among the e-commerce names in terms of earnings.

So we continue to like e-commerce the most. Outside of that, advertising remains weak, as Zhijing said, so not as much there. But Zhijing and I have been pitching a lot of content-related ideas, and I know he's going to talk about that as well. On my side I'll just mention one, which is **Tencent**, and it is doing really well in mobile games, and this is including in China and outside of China. This is one of the big themes we've had in the past, which is the idea that Chinese companies are going global and gaming is probably one of the areas that is the strongest. So Tencent remains a name we like very much for the quarter – and the second half of the year as well.

Zhijing: **Tencent Music** is our top pick. Our thesis is mainly related to three new initiatives, such as:

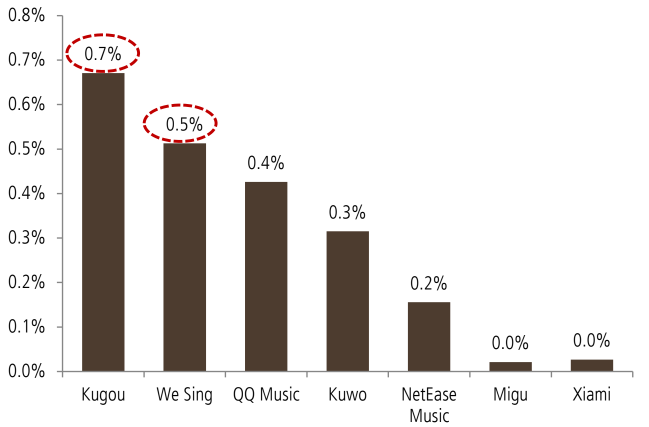
1) the recent launch of QQ Music live streaming, which we believe will have RMB10bn of revenue potential over the medium term,

Figure 34: MAU share of streaming music platforms, April 2020



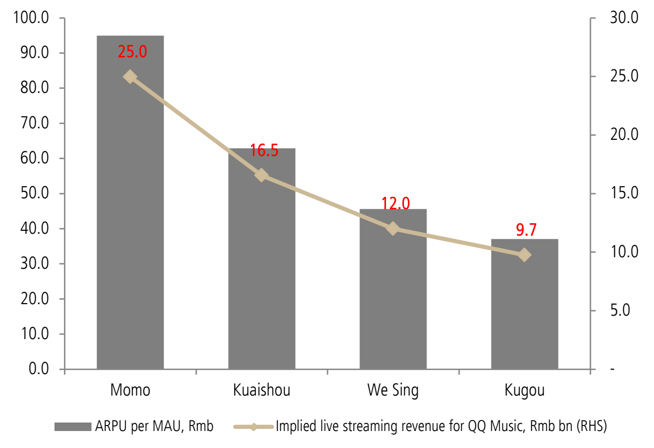
Source: QuestMobile, UBS Evidence Lab. >Access Dataset

Figure 35: Time share of streaming music platforms, April 2020



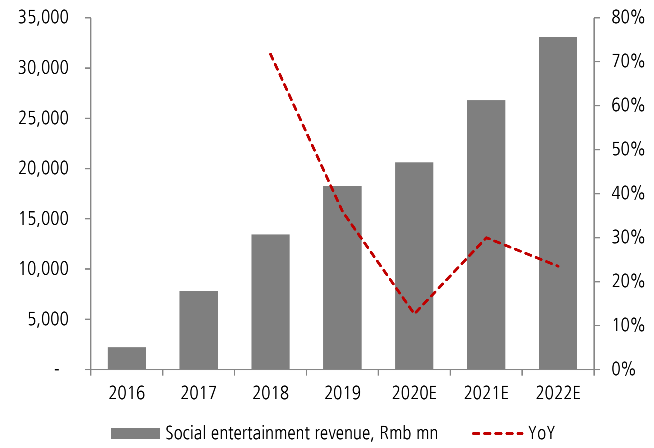
Source: QuestMobile, UBS Evidence Lab. >Access Dataset

Figure 36: Implied live streaming for QQ Music, benchmarking to peers



Source: QuestMobile, UBS Evidence Lab. >Access Dataset

Figure 37: TME's social entertainment revenue forecast



Source: QuestMobile, UBS Evidence Lab. >Access Dataset

2) long-form audio content, where TME will have an advantage in terms of traffic base and content offering,

3) Ad-supportive model for music business, which will likely drive both – advertising revenue and pay ratio.

Figure 38: Sensitivity analysis: if TME introduces ad-supportive model, what is the revenue potential?

Revenue calculation

Before:

	2018A	
Subs revenue, Rmb mn	2,500	
Subs, mn	24.4	
Annual ARPU, Rmb	103	
MAU, mn	642	
Free users, mn	618	*= MAU-subs*

After:

Free to paid sub conversion rate	**5%**	
Implied subs addition, mn	30.9	*= conversion rate*free users*
Subs revenue increment, Rmb mn	3,167	*= annual ARPU*subs adds*
Subs revenue, Rmb mn	5,667	
MAU churn rate	**20%**	
Ads-user MAU, mn	458	*=previous MAU*(1-churn rate)-subs*
Ads ARPU, Rmb	9.2	*=9% of susbs ARPU*
Advertising revenue increment, Rmb mn	4,230	*=Ads ARPU*Ads-user MAU*
Revenue increment, Rmb mn	**7,397**	
vs. previous revenue	296%	

Additional revenue from ad-supportive model: advertising+subs revenue, Rmb mn

MAU churn rate due to in-music ads introduction	Free user to subscriber conversion rate								
	1.00%	**2.0%**	**3.0%**	**4.0%**	**5.0%**	**6.0%**	**7.0%**	**8.0%**	**9.0%**
10%	5,684	6,260	6,836	7,413	7,989	8,565	9,142	9,718	10,294
12%	5,565	6,142	6,718	7,294	7,871	8,447	9,023	9,600	10,176
14%	5,447	6,023	6,599	7,176	7,752	8,328	8,905	9,481	10,057
16%	5,328	5,905	6,481	7,057	7,634	8,210	8,786	9,363	9,939
18%	5,210	5,786	6,362	6,939	7,515	8,091	8,668	9,244	9,820
20%	5,091	5,668	6,244	6,820	7,397	7,973	8,549	9,126	9,702
22%	4,973	5,549	6,125	6,702	7,278	7,854	8,431	9,007	9,583
24%	4,854	5,431	6,007	6,583	7,160	7,736	8,312	8,889	9,465
26%	4,736	5,312	5,888	6,465	7,041	7,617	8,194	8,770	9,346
28%	4,617	5,194	5,770	6,346	6,923	7,499	8,075	8,652	9,228
30%	4,499	5,075	5,651	6,228	6,804	7,380	7,957	8,533	9,109

Source: UBS

We believe that these initiatives can potentially drive an acceleration of revenue into the second half of 2020, and its current stock price has not reflected many of these changes. TME's progress in the next two or three quarters will definitely drive more positive sentiment, and also potentially further rerating.

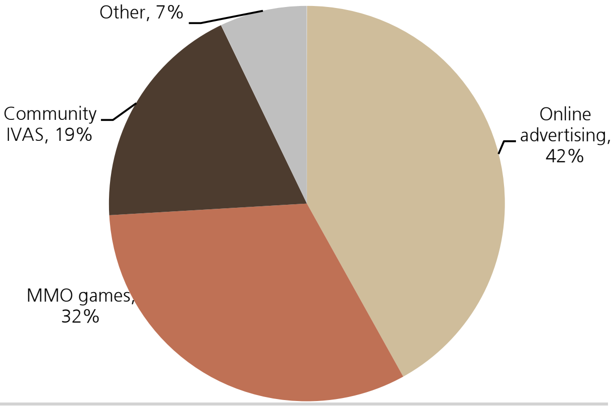
Taewon: The last time we had this call, Naver's core search portal, content, e-commerce platform was trading at a low-to-mid-teen P/E multiple, but obviously that is no longer the case. We have liked Kakao a lot as a pure play on mobile messenger platform expansion and monetization, but we recently downgraded it to Neutral.

Separately on the internet gaming space, we continue to recommend **NCsoft**, **Pearl Abyss**, and **Com2us**, which are still not trading at expensive valuations.

NCsoft "UBS Evidence Lab inside: unwavering revenue trend in 2020 YTD" (Buy)

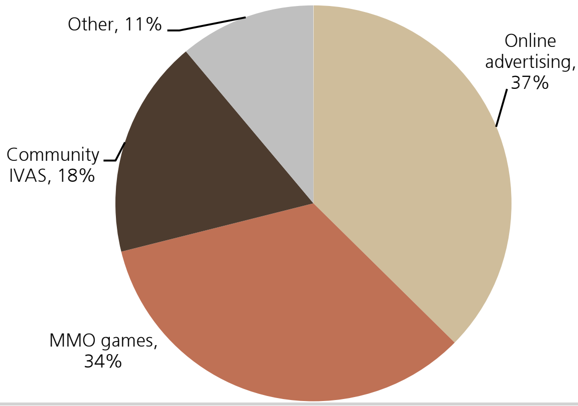
Ulyana: We currently prefer **Mail.Ru**. The stock underperformed for quite a while versus Yandex (actually for a few years), and despite its recent share price appreciation, it is still trading at a deep discounts to Yandex. At the same time, their gaming segment performance is likely to surprise, we think (please find here our opinion on Mail.ru 2Q20 results). It should be helped by the lockdown through higher engagement and international (FX-denominated) revenue. In addition, longer-term social networks are likely to gain share in digital advertising, so we think that the company is structurally very well-positioned.

Figure 39: Mail.ru revenue structure, 2019



Source: Company data, UBS

Figure 40: Mail.ru revenue structure, 2020E



Source: UBS estimates, UBS

That said, Yandex's performance during the lockdown in the second quarter of this year was really impressive, we have to acknowledge, particularly in the taxi division. Structurally, Yandex still has a number of potential drivers, including e-commerce media services, as we discussed before, self-driving cars, and their cloud business. So we do like their story fundamentally, but see a relatively smaller upside on a 12-month basis versus Mail.ru.

Gustavo: If you were discussing growth or profitability/cash flow about two or three years ago, there were a lot of concerns with cash flows of these companies. They were going from one round to the next round of capital infusion and they could not sustain their growth because there was a problem with the business model of most of the e-commerce players in Brazil.

I think the solution for that was the people-to-business model – to a more asset-light, and to a more cash generative model, which is a 3P business model rather than a 1P. And clearly, now growth is the only metric that matters most for investors, knowing that you can maintain a cash flow-neutral position as you grow.

So with that, GMV growth has doubled in the last five years in Brazil, and we forecast that it could double over the next 4 years, especially accelerated by the pandemic situation. Penetration could increase from 7.6% in 2019, to 14% in 2023, and we may be too conservative here. Obviously it all depends on the extension of the mobility restrictions and the pace of the overall macro recovery that we're going to see over the next few years.

We like **Lojas Americanas** as we think it is an attractive vehicle to gain exposure to the sector, and to all the changes that are happening.

Part 5: Q&A

Question 1: Can you discuss your views on Hong Kong listing and Southbound Connect?

Jerry: I think this is definitely the hottest topic at the moment. I think you have to look at it in two ways. The first is de-risking, because when you look at US-China tension, when you look at even this summer – potentially the US House of Representatives passing a bill that in essence could drive the ADRs, the Chinese companies listed in the US to de-list in the next few years, then a secondary listing in Hong Kong becomes very important, just to even have a place.

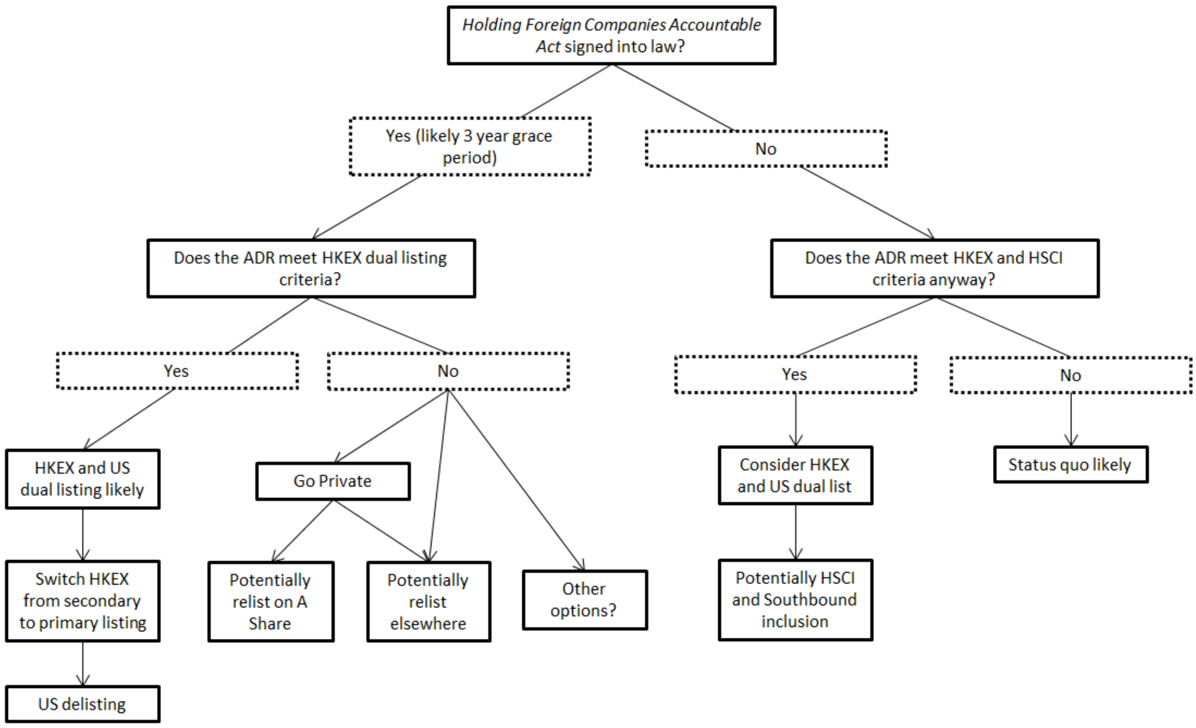
Figure 41: Signposts

DATE	EVENT	Comments / Details
July 9	**SEC Roundtable on emerging markets**	To hear views of investor, other market participant, regulators, etc. "on the risks of investing in emerging markets, including China".
August 4	**Deadline of White House memo on "protecting investors from significant risks from Chinese companies"**	The June 4 memo asked the President's Working Group on Financial markets to issue a report with recommendations within 60 days
August	**Hang Seng Index Review**	Next semi-annual review where Alibaba is likely to gain HSI inclusion in our view
August	**House version of Holding Foreign Companies Accountable Act**	House is likely to take several months after the Senate unanimously passed the bill on May 20
September to February	**Alibaba may gain Southbound Stock Connect inclusion**	Based on HKEX comments, we believe Alibaba's HK listing could gain Southbound thus making it available to mainland investors within 6 months of HSI inclusion
September to October	**US presidential debates**	We believe there could be further news flow and geopolitical risks if China remains a hot topic as election approaches
November 3	**US presidential election**	While this is not the end of geopolitical tension, it could mark the beginning of a new phase post election

Source: UBS

Now of course Hong Kong has also made it easier to come and list and I think a lot of these guys could get Southbound also in the future – which is the ability for mainland investors to invest in a stock that's listed in Hong Kong. So they made all this process a bit easier. I think part of this is political, it's geopolitical, but from the company's perspective, other than the de-risking – once you get Southbound you also have new upside This, I think, is because, in the mainland you have a smaller selection of quality internet companies, and a lot of the guys that get Southbound – I think, could get a re-rating. We've done some analysis on this. We've talked to a lot of mainland investors. There is real appetite to own some of these quality assets. So I think it's completing two big moves by simply doing this dual listing.

Figure 42: Decision tree for Chinese companies listed in the US based on whether the bill passes



Source: UBS

Question 2: Is the content payment willingness affected by a weak economy?

Zhijing: We do hear about comments from live streaming companies, that the tipping trend was still weak in 2Q. This might be because many top spenders' offline businesses were impacted in the past one to two quarters. We also see that tightening government regulation has affected the content payment on live streaming platforms. We expect the tipping trend to gradually recover in the next two to three quarters, as most offline commercial activities get normalized.

As for subscription-based consumption for long-form video, we also see some impacts into 2Q, but that is mostly related to content offering.

Question 3: Given financial deregulation in Korea, what are your thoughts on the new fintech services launched by internet platforms?

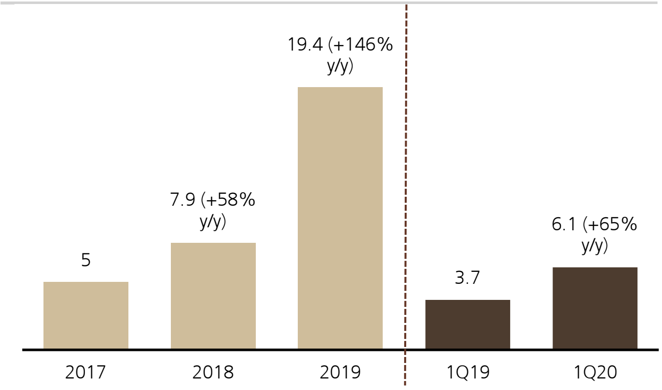
Taewon: So obviously this is a big Fintech services market in markets like China already, but if you look at Korea, the Korean financial markets have traditionally been very heavily regulated, but recently under the new administration, there have been material deregulation policy initiatives such as open banking and My Data, which really opens the door for the Fintech companies to enter the new financial market spaces. So we expect new Fintech services from KakaoPay as well as Kakao Bank to have meaningful market share gain over the next five years, with material revenue opportunities which, we believe, are not fully priced in by the consensus estimates.

So far for these services, since they were launched, the user growth has been much better than any of the major services launched by the traditional financial institutions, and we believe that the internet companies are really leveraging their existing traffic, as well as their superior user experiences. So full monetization plans have not been disclosed, but we expect further details to be shared by the management within the second half of this year, as they're launching DP services across securities as well as banking services.

Question 4: You've mentioned that Yandex is consolidating its stakes in e-commerce. Could you please elaborate on what's the rationale for that? And also, do you expect comparable deals going forward within the coverage?

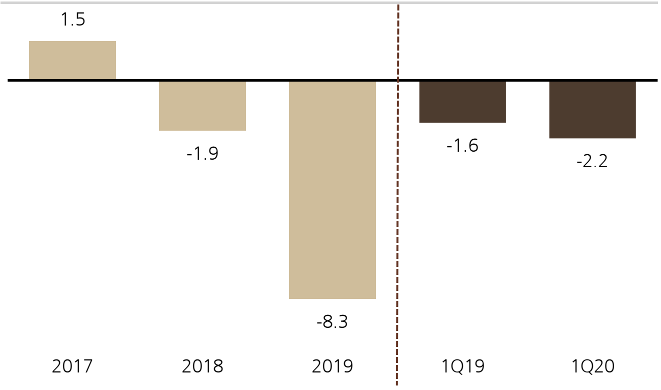
Ulyana: We think that the e-commerce business has a number of synergies with the broader ecosystem of Yandex (please read our note on this topic here), and those synergies are generally easier to realize when the business is fully consolidated and becomes an integral part of the ecosystem. So strategically, we believe, the consolidation makes a lot of sense. However, in the short term it is likely to put some pressure on margins and earnings of Yandex. But to me it feels that investors are generally prepared to see this pressure.

Figure 43: Yandex.Market revenue dynamics, RUBbn



Source: Yandex presentation, UBS

Figure 44: Yandex.Market adj. EBITDA dynamics, RUBbn



Source: Yandex presentation, UBS

And in terms of other comparable transactions, Yandex already confirmed their interest in buying out Uber from their taxi JV. So at least this one has been confirmed. And in terms of other e-commerce businesses in Russia, we think that a number of consolidation opportunities exist. So we will keep tracking the deals in this space. The logic is that a number of competing ecosystems are currently expanding and evolving. Those ecosystems are Yandex, Sberbank, Mail.ru, Sistema, etc, so we do expect more consolidation across digital verticals in the country, probably by those ecosystems.

Question 5: How could the PBOC plan to standardize payments impact competition for the likes of Tencent, and do you view this as a threat or an opportunity longer term?

Jerry: I think this is something that is becoming a pretty hot topic. It's still early, but some of the moves the central bank – the PBOC – has made makes us feel that, I wouldn't say they're trying to really stop some of the existing Fintech innovation, but I think they're doing these things that can even the playing field between Ant's and Tencent's payment business versus some of the other internet platforms or even traditional banks. They've standardized, for example, or they're in the process of standardizing the QR codes, the central clearing of these mobile payments.

The potential digital currency could further standardize some of these wallets, and if that's all done, then maybe a consumer could think – well I could leave some cash in the wallet of Tencent and Alibaba, but maybe I could also leave some with Meituan, a food delivery company, or even some content platforms (that Zhijing talked about earlier) because maybe when I tip in the live stream or send it on these other platforms, I would use something from that wallet.

So I think the standardization could, in the end, make the Fintech market a lot bigger, and Tencent and Ant a lot more successful, but it could still even the playing field a little bit. So that is definitely a risk.

Figure 45: Timeline of regulations

Date	Regulation	Impact
May-11	PBoC issues the first payment license	Effectively places the digital payment sector under regulatory oversight
Jun-13	PBoC #6 Circular – Resolution on Payment Operator's Handling of Restricted Cash	Sets the foundation for the eventual transfer to restricted cash from the operators to the PBoC and no more interest income for the operators
Dec-15	Resolution on non-bank payment operations	Requires payment accounts to be verified/real-name users
Jan-17	PBoC announcement on centralized handling of restricted cash	Requires the payment operators to hand over the restricted cash to the PBoC and receive no interest payment
Apr-17	Introduction of framework for the NetsUnion Clearing Corporation	Formally introduce NetsUnion clearing house, effectively ending payment operators' direct linkage with individual banks
Aug-17	PBoC circular on direct linkage and clearing concerning non-bank payment operators	Requires the operators to conduct all transactions to NetsUnion by 2018/6/30
Dec-17	Regulations concerning QR / barcode payment	Classifies payment into tiers, introduces a daily transaction limit and respective security authentication
Oct-18	PBoC regulation on technology requirements for the payment operators	Issues greater requirements and compliance standards on the payment technologies of the operators
Jan-19	100% of the operators' restricted cash to be transferred to the PBoC	No more interest income (revenue line item) for the internet companies
Aug-19	Publication of the "Fintech Development Plan", introducing the concept of a unified QR code	Lays the foundation for more competition in digital wallet space

Source: PBoC, UBS

Figure 46: Selected payment companies and their respective licenses

	Online (internet) payment	Mobile payment	Prepaid card issuance & acceptance	Debit card acquiring services
Incumbents				
Ant Financial	x	x	x	x
Tencent	x	x		x
Potential disrupters				
Meituan	x	x		x
Pinduoduo	x	x	x	x
JD.com	x	x		x
Xiaomi	x	x		x
Union Pay	x	x	x	x
Other license holders				
99bill	x	x	x	x
Huifu	x	x		x
Ping An	x	x	x	
Wanda Kuaiqian	x	x	x	x
Lian Lian Pay	x	x		
Baidu	x			
NetEase	x			
Suning	x			
Vipshop	x			

Source: UBS

Question 6: What are your thoughts on the digitalization of neighbourhood convenience stores in light of the JioMart-Facebook deal in India?

Sunita: Let me give you a little background. There are about 12 million convenience stores across India, and these are basically mom-and-pop stores and they account for almost 95% of all the food and groceries that we sell in this country. It's a very large fragmented market and as a digital evolution on the grass-roots level, we believe e-commerce players will partner with these small mom-and-pop players.

More recently, Reliance, Amazon and the Walmart-owned Flipkart have started an outreach program where they try to seek out these stores to be part of their network. At the core of this is data and customers, e-commerce companies are going to try creating a GMV business from this unorganized channel. And together, of course, in the future if they manage to get the execution right, they can unlock a host of synergies.

The feedback on the ground is that, so far, the mom-and-pop stores have been reluctant to invest in technology, unless, of course, they can see very clearly that it increases their margins or returns in the business. The majority of convenience stores are yet to embrace technology to change their business. Several PE-funded start-ups like Udaan, ShopX, Jumbotail are already trying to tap into this opportunity in their own micro-markets.

I think the vision of Reliance, which – apart from having the most extensive modern store network in the country – is that they are readying a technology platform to bring in millions of these small retailers into its fold. The Facebook platform – with WhatsApp has over 400 million users in the country, enables consumers to start transacting online as we go forward. JioMart is rolling out as we speak and is still in the initial phases. It is a supposed to be a scale business, and holds the potential to unlock value.

Related report:

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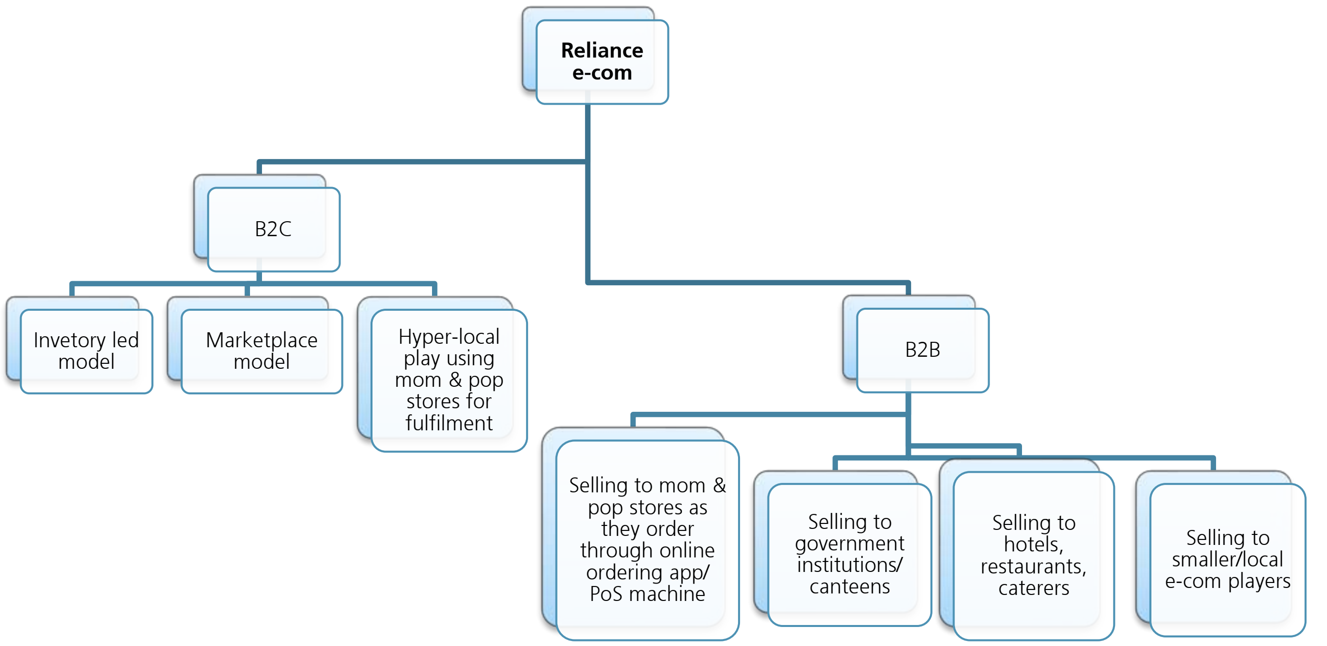
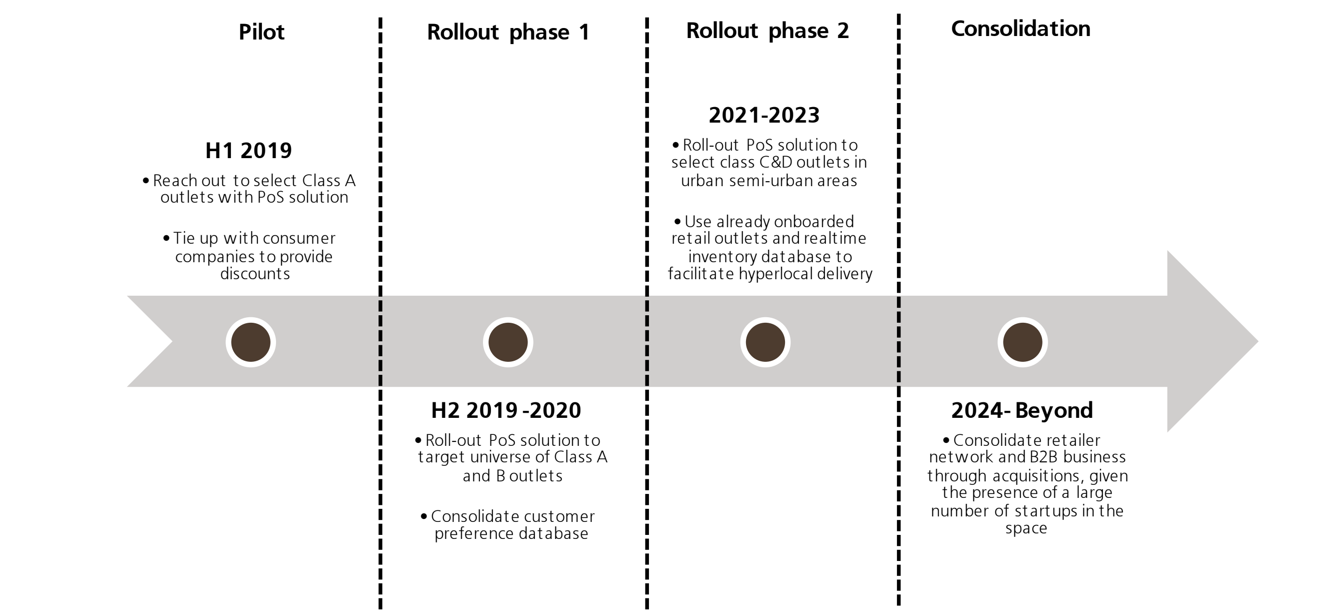
Figure 47: Reliance's potential (UBS estimates) playbook in retail



Source: UBS estimates

Figure 48: Potential roadmap (UBS estimates) for General Trade transformation in the future



Source: UBS estimates

Question 7: Your team believes e-commerce penetration will grow to 40% in China and 14% in Brazil in the medium-term. Everyone agrees that e-commerce will never be 100% of total retail sales, but how high can it reach and what are the determinants of these higher levels?

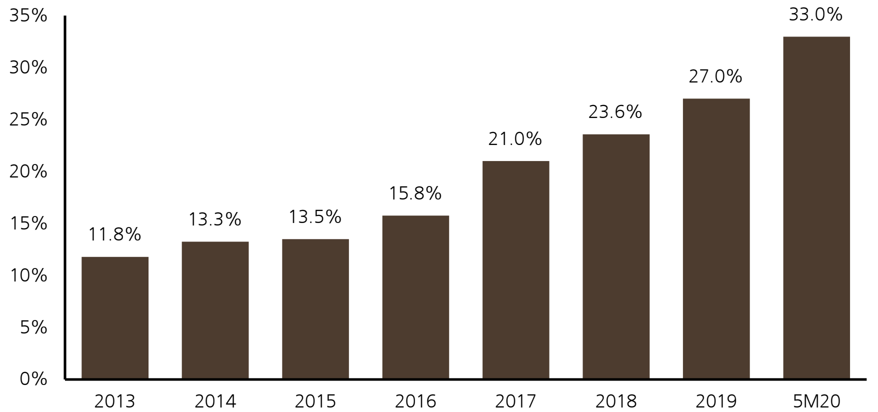
Jerry: I think in China's case, e-commerce is already quite mature – or just this whole general kind of consuming content or buying things online is actually pretty well developed. I mean, even food delivery, I would say, in the higher tier cities, we probably are ahead versus almost any other country.

So I think part of the reason that China can get to such a high online penetration is because we've leapfrogged maybe – some of the traditional infrastructure, the shopping malls of the Western countries in the last few decades, and we've also gotten really good, a little bit ahead maybe – in this online infrastructure. If a brand comes to China – you absolutely open up a flagship store on T-Mall, maybe even WeChat. So I think maybe that has really got us ahead on that adoption curve over post-COVID. Because remember, post-COVID we took a big step up, so I think it's really just having everything ready and then COVID really accelerated that.

Then can we get to something like a 40% rate? I think if we look at the way young people shop in China, consume content in China, I think even if you assume as they get older they do a bit less online, a bit more offline, then just over time naturally the demographics would carry the online penetration a lot higher. So those are just some observations and maybe it's really different in the different countries.

Taewon: In Korea, e-commerce will likely go past the 40% level due to its convenience, strong delivery infrastructure, and competitive service offerings from multiple players. However, we believe that one of the key reasons why offline retail will stay is that it has become a leisure activity for people, especially with offline stores having also improved in terms of differentiated service offering. If you went to the popular department stores and hypermarket stores pre-Covid, they were very crowded in the busy hours.

Figure 49: Penetration of e-commerce in Korea



Source: NSO, UBS. Note: Based on total sales excluding service.

Gustavo: I would add two things to what Jerry said. When we are discussing e-commerce penetration for Brazil specifically, we've been looking at a six year lag to what's happening in the US on the total number, and in some categories, there are some clear similarities as well as penetration, and this six-year lag rule has worked for the last four/five years. I imagine that at some point, it will break –

because there could be a faster acceleration in e-commerce growth in Brazil as it would be coming from a much lower base, so we could see acceleration there.

But I would add two elements to what Jerry said, which are the following:

First, we always look at the physical structure of the country for retail, and there are a lot of houses and residences that cannot actually receive a package and you cannot leave it at the footsteps of the apartment. So there is some limitation to growth because of this. I think the omni-channel strategy – which is the combination of e-commerce and physical stores, has a big importance in Brazil. Some companies that run an integrated model already have 30% of GMV going through the stores, so this is a number that is very, very high already. We think Brazil will likely overindex in terms of omini-channel but that would be a cap on overall penetration. It also depends on how you are accounting for it. You are not going to have the convenience part of it, but you could have the transactions on a trending platform, but all the delivery on a physical store. So it becomes a matter of how you account for that growth.

The second element that we are seeing in Brazil is that our logistics were behind that of several countries, and with the routes becoming a lot more dense, the costs of delivery are collapsing dramatically, and with that, shipping costs could be collapsing as well for the consumers, and that could drive much faster growth. And if unemployment remains very, very high – that could benefit aggregators – that's the macro effect that could benefit all the aggregators in terms of finding delivery personnel to help and push e-commerce growth.

And within that, we think, regulation could play an important role. If labour regulations become more strict on what concerns the relationship of aggregators with delivery personnel, then new barriers to growth could emerge.

So there are several factors. Actually I mentioned two, but in the end I think I'm highlighting to you three: the physical infrastructure bottlenecks, logistics costs and labour regulation. We think those are important drivers to monitor, and they are influencing growth here.

Ulyana: So with Russia it's relatively easy: we always lag. So something comparable to Brazil or maybe even a longer lag versus the US is logical to assume. As highlighted previously, the penetration now is at around 8% so it's easy to imagine it will double in the medium-term, but getting closer to China's levels of 40% appears rather difficult to achieve in medium-term.

The reasons why we lag are, first of all, logistics. The country is very big, as you know, so logistics is by far the largest issue. Second are payments. Still, the culture here is that customers often prefer cash on delivery, which also makes the fulfilment cost per order high. That's the second still-big struggle.

Question 8: How do you see domestic-led versus foreign-led internet business performing over time in India? For example, entrants in India such as Amazon, or in the delivery space such as Prosus-backed Swiggy or Ant-Financial-backed, Zomato. The Indian Government appears to have been making it harder for China to back start-ups in India. So how could this evolve?

Sunita: The fact is there are going to be changes, as I alluded to the e-commerce draft policy is expected. Regulators are asking Amazon, Flipkart, and the large e-commerce players to state the country of origin and other facts for products they are retailing online. They are also dissuading imports from China.

At the same time, you know there are clear regulations for e-commerce in India to be a market place model which obviously means, there's a bias towards Indian companies that can sell their own inventory. On the non-inventory-led models, you already have food aggregator players like Zomato and Swiggy; and then on the taxi-service aggregators like Ola and Uber that have been funded by international investors.

All eyes are now on Reliance and the platforms that they are building across – not only e-commerce, the mom-and-pop kiraana platform, the bricks-and-mortar retail stores. So this is a fast-evolving space and all eyes are going to be on this sector going forward.

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Vipshop[16b]	VIPS.N	Buy	N/A	US$21.91	29 Jul 2020
Weibo Corp[13, 16b]	WB.O	Neutral	N/A	US$34.44	29 Jul 2020
Yandex N.V.[2, 4, 5, 13, 16b]	YNDX.O	Neutral	N/A	US$57.56	29 Jul 2020

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