

**ZTO Express (Cayman) Inc.**  
**1Q2019 Financial Details for Earnings Call**  
**May 16, 2019**

**Financial Performance**

	1Q19	1Q18	V%	Comments
<b>Parcel package volume (in Billion)</b>	<b>2.26</b>	<b>1.60</b>	<b>41.6%</b>	Average industry growth 22.5%; market share 18.6% (16.1% @1Q18)
<i>(¥RMB in Million)</i>				
Revenues	4,574	3,544	29.0%	¥ 4.28bn from core express delivery business , an increase of 31.8% ¥ 544mn from KA customers, increased 66.1% on KA volume growth of 99%
COGS	<u>-3,314</u>	<u>-2,512</u>	31.9%	1) Line haul transportation costs increased 34.7% to ¥ 1.59 bn; 3000 out of 4850 self-owned trucks were high capacity 2) Hub operation costs increased 29.8% to ¥ 891mn 3) ¥ 268m KA costs increased 82.1%, associated KA volume growth 99%
<b>Gross profit</b>	<b>1,260</b>	<b>1,032</b>	<b>22.0%</b>	¥ 1.25bn from core business, an increase of 22.6%
<i>Gross profit %</i>	27.5%	29.1%	-1.6pts	29.3% for core business (31.5% @ 1Q18)
SG&A	-558	-416	34.2%	SG&A excluding SBC was 6.0% of revenues (6.1% @ 1Q18)
<i>Note: Share-based compensation (SBC)</i>	<i>284</i>	<i>200</i>		
Other operating income, net	<u>58</u>	<u>82</u>	-29.1%	Includes gov't subsidies and tax rebates of ¥ 48.9mn (¥ 71.9mn @1Q18)
<b>Income from operations</b>	<b>760</b>	<b>698</b>	<b>8.8%</b>	Increased 20.5% excluding SBC and gov't subsidies & tax rebates
<i>Operating profit %</i>	16.6%	19.7%		
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>1,044</i>	<i>898</i>	<i>16.3%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>22.8%</i>	<i>25.3%</i>	<i>-2.5pts</i>	
Interest income (net)	146	60	146.0%	Increased amount of principal cash on bank deposits
Equity disposal gain(loss)	-1	-		
Foreign currency exchange loss	<u>-26</u>	<u>-37</u>		
Income before income tax and equity pickup	880	721		
Income tax expenses	-192	-154		21.8% ETR, non-tax-deductible SBC(+) & int. on-shore US\$deposits taxed at ~10% (-)
Equity pickup	<u>-6</u>	<u>-9</u>		
<b>Net income (GAAP)</b>	<b>682</b>	<b>557</b>	<b>22.3%</b>	
<i>Adjusted net income (Non GAAP)</i>	<i>966</i>	<i>757</i>	<i>27.6%</i>	Adjusted net income margin was 21.1% (21.4% @ 1Q18)
<i>EBITDA</i>	<i>1,156</i>	<i>899</i>	<i>28.6%</i>	
<i>Adjusted EBITDA</i>	<i>1,441</i>	<i>1,099</i>	<i>31.1%</i>	Increased ¥ 342mn
Basic and diluted EPS	0.87	0.78	11.5%	

**ZTO Express (Cayman) Inc.**  
**1Q2019 Financial Details for Earnings Call**  
**May 16, 2019**

Unit Economics (RMB per parcel)				
	1Q19	1Q18	Impact (+/-)	Comments
ASP (excluding COE)	1.89	2.03	-14 cents	Core ASP declined 7%: avg. Weight increase +2 cents, volume incentives increase -16 cents
Cost of Revenue (excluding COE)	1.34	1.39	+5 cents	Main drivers: <b>1)</b> 68% of parcel volume transported by self-owned trucks (56% @1Q18) <b>2)</b> 62% of self-owned trucks were high-capacity trucks (54% @1Q8)
- transportation cost per parcel	0.70	0.74	+4 cents	
- sorting hub cost per parcel	0.39	0.43	+4 cents	
				Main drivers: <b>1)</b> Average labor headcount only increased 16.7% <b>2)</b> Stringent controls on use of temporary workers <b>3)</b> 130 sets of automated sorting equipment in use (59 @ 1Q18), 63% of volume processed by automation (53% @1Q18)
Gross profit (excluding COE)	0.55	0.64	-9 cents	Net result of 14 cents decrease in ASP and 5 cents decrease in cost per parcel
SG&A excluding SBC	0.12	0.14	+2 cents	Positive scale leverage
Adjusted operating income	0.46	0.56	-10 cents	Decrease of gov't subsidies

Cash and Capex (RMB in Million)				
	1Q19	1Q18	Diff	Comments
Operating cash flow	633	214	419	Strong volume growth, stable cost structure and efficiency gain, interest income
Capex and other cash flow activities	922	1006	-84	<b>1)</b> Included: land purchase and sorting hub construction cost of ¥ 670mn, purchase of self-owned trucks of ¥ 100mn, automated equipment purchase of ¥ 130mn <b>2)</b> Annual capex plan remains at ¥ 6-8bn
Cash and Cash Equivalents	17,380	9,041	8,339	Strong cash generation and proceeds of USD1.38bn from investment led by Alibaba in 2Q2018