

ZTO Express (Cayman) Inc.
2Q2019 Financial Details for Earnings Call
Aug 16, 2019

Financial Performance

	2Q19	2Q18	V%	Comments
Parcel package volume (in Billion)	3.11	2.12	46.8%	Avg. industry growth 28.4%; 19.9% market share reached (17.4% @2Q18)
<i>(¥RMB in Million)</i>				
Revenues	5,424	4,198	29.2%	¥ 5.07bn from core express delivery business , increased 30.2% ¥ 651mn from KA customers, increased 60.2% on 96% KA volume growth
COGS	<u>-3,655</u>	<u>-2,741</u>	33.4%	1) Line haul transportation costs increased 33.3% to ¥ 1.70 bn 3150 out of 4950 self-owned trucks were high capacity 2) Sorting hub operation costs increased 35.9% to ¥ 954mn 3) ¥ 339m KA costs increased 53.2%
Gross profit	1,769	1,457	21.4%	¥ 1.76bn from core business, increased 22.2%
<i>Gross profit %</i>	<i>32.6%</i>	<i>34.7%</i>	<i>-2.1pts</i>	34.8% for core express delivery business (37.1% @ 2Q18)
SG&A	-305	-269	13.4%	SG&A excluding SBC was 5.4% of revenues (5.7% @ 2Q18)
<i>Note: Share-based compensation (SBC)</i>	<i>11</i>	<i>28</i>	<i>-61.4%</i>	2Q18 included additional one time SBC grant
Other operating income/(loss), net	<u>30</u>	<u>1</u>		¥24.6mn gov't subsidies and tax rebates (¥ 1.30mn @2Q18)
Income from operations	1,493	1,189	25.6%	
<i>Operating profit %</i>	<i>27.5%</i>	<i>28.3%</i>	<i>-0.8pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>1,504</i>	<i>1,217</i>	<i>23.6%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>27.7%</i>	<i>29.0%</i>	<i>-1.3pts</i>	
Interest income (net)	144	71	104.3%	Increased amount of principal cash on bank deposits. Majority of the proceeds of USD1.38bn Alibaba led investment received in June 2018 2Q18 disposal gain mainly from Hive-box exit
Equity disposal gain/(loss)	-	550		
Foreign currency exchange loss	<u>22</u>	<u>36</u>		
Income before income tax and equity pickup	1,660	1,845		
Income tax expenses	-289	-351		17.4% ETR non-tax-deductible SBC(+) & int. on-shore US\$deposits taxed at ~10% (-)
Equity pickup	<u>-6</u>	<u>-2</u>		
Net income (GAAP)	1,365	1,492	-8.5%	Increased 27.9% excluding ¥ 425mn (net) one-time disposal gains on equity investees in 2Q18
<i>Adjusted net income (Non GAAP)</i>	<i>1,376</i>	<i>1,096</i>	<i>25.6%</i>	Adjusted net income margin was 25.4% (26.1% @ 2Q18)
EBITDA	1,952	2,042	-4.4%	Increased 30.8% excluding ¥ 550mn one-time disposal gains in 2Q18
<i>Adjusted EBITDA (Non GAAP)</i>	<i>1,963</i>	<i>1,520</i>	<i>29.1%</i>	Increased ¥ 443mn
<i>Adjusted Basic and diluted EPS (Non GAAP)</i>	<i>1.74</i>	<i>1.52</i>	<i>14.5%</i>	

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Unit Economics (RMB per parcel)

	2Q19	2Q18	Impact (+/-)	Comments
ASP (excluding COE)	1.63	1.84	-21 cents	Core ASP declined 11.3%: avg. weight -1 cent, volume incentives -20 cents
Cost of Revenue (excluding COE)	1.07	1.16	+9 cents	
- <i>transportation cost per parcel</i>	0.55	0.60	+6 cents	Main drivers: 1) 72% of parcel volume transported by self-owned trucks (65% @2Q18) 2) 64% of self-owned trucks were high-capacity trucks (54% @2Q18)
- <i>sorting hub cost per parcel</i>	0.31	0.33	+2 cents	Main drivers: 1) Average labor headcount only increased 18.6% 2) Stringent controls on use of temporary workers 3) 155 sets of automated sorting equipment in use (64 @ 2Q18), 65% of volume processed by automation (56% @2Q18)
Gross profit (excluding COE)	0.57	0.68	-11 cents	Net result of 21 cents decrease in ASP and 9 cents decrease in cost per parcel
SG&A excluding SBC	0.09	0.11	+2 cents	Positive scale leverage and cost control
Adjusted operating income	0.48	0.58	-9 cents	

Cash and Capex (RMB in Million)

	2Q19	2Q18	Diff	Comments
Operating cash flow	1,993	1476	517	Strong volume growth, stable cost structure and efficiency gain, interest income
Capex	812	739	73	1) Included: land purchase and sorting hub construction cost of ¥602mn, purchase of self-owned trucks of ¥73mn, automated equipment purchase of ¥128mn 2) Annual capex plan remains at ¥6-8bn
Cash and Cash Equivalents	16,374	15,775	599	Strong cash generation