

ZTO Express (Cayman) Inc.
3Q2019 Financial Details for Earnings Call
Nov 19, 2019

Financial Performance				
	3Q19	3Q18	V%	Comments
Parcel package volume (in Billion)	3.06	2.10	45.9%	Exceeded industry avg. by 18.4pts; attained 18.9% market share (16.6% @3Q18)
<i>(¥RMB in Million)</i>				
Revenues	5,266	4,235	24.4%	¥ 4.99bn from core express delivery business , increased 26.6% ¥ 619mn from KA customers, increased 31.7% on 50% KA volume growth
COGS	<u>-3,669</u>	<u>-2,909</u>	26.1%	1) Line haul transportation costs increased 31.7% to ¥ 1.78 bn 3950 out of 5700 self-owned trucks were high capacity 2) Sorting hub operation costs increased 27.8% to ¥ 978mn 3) ¥ 308m KA costs increased 27.4%
Gross profit	1,597	1,325	20.5%	¥ 1.59bn from core business, increased 20.7%
<i>Gross profit %</i>	<i>30.3%</i>	<i>31.3%</i>	<i>-1pts</i>	31.8% for core express delivery business (33.4% @ 3Q18)
SG&A	-291	-249	16.6%	SG&A excluding SBC was 5.3% of revenues (5.6% @ 3Q18)
<i>Note: Share-based compensation (SBC)</i>	<i>11</i>	<i>11</i>	<i>-0.7%</i>	
Other operating income/(loss), net	<u>94</u>	<u>16</u>		¥ 84.8mn gov't subsidies and tax rebates (¥ 12.4mn @3Q18)
Income from operations	1,401	1,092	28.3%	
<i>Operating profit %</i>	<i>26.6%</i>	<i>25.8%</i>	<i>0.8pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>1,411</i>	<i>1,103</i>	<i>28.0%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>26.8%</i>	<i>26.0%</i>	<i>0.8pts</i>	
Interest income (net)	146	124	18.1%	Increased interest rate on bank deposits
Equity disposal gain/(loss)	-	13		
Foreign currency exchange loss	<u>29</u>	<u>40</u>		
Income before income tax and equity pickup	1,575	1,269		
Income tax expenses	-266	-201		16.9% ETR non-tax-deductible SBC(+) & int. on-shore US\$deposits taxed at ~10% (-)
Equity pickup	<u>-1</u>	<u>-8</u>		
Net income (GAAP)	1,308	1,059	23.4%	
<i>Adjusted net income (Non GAAP)</i>	<i>1,318</i>	<i>1,058</i>	<i>24.6%</i>	Adjusted net income margin was 25% , stable compared to 3Q18
EBITDA	1,877	1,475	27.2%	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>1,887</i>	<i>1,473</i>	<i>28.1%</i>	Increased ¥414mn
<i>Adjusted Basic and diluted EPS (Non GAAP)</i>	<i>1.69</i>	<i>1.35</i>	<i>25.2%</i>	

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Unit Economics (RMB per parcel)				
	3Q19	3Q18	Impact (+/-)	Comments
ASP (excluding COE)	1.63	1.88	-25 cents	Core ASP declined 13.2%: avg. parcel weight decline -2 cent, volume incentives increase -23 cents
Cost of Revenue (excluding COE)	1.11	1.25	+14 cents	Main drivers: 1) 74% of parcel volume transported by self-owned trucks (71% @3Q18) 2) 69% of self-owned trucks were high-capacity trucks (57% @3Q18)
- transportation cost per parcel	0.58	0.65	+6 cents	
- sorting hub cost per parcel	0.32	0.37	+5 cents	
				Main drivers: 1) Average labor headcount increased 16.7% 2) Stringent controls on use of temporary workers 3) 208 sets of automated sorting equipment in use (78 sets @ 3Q18), 66% of volume processed by automation (54% @3Q18)
Gross profit (excluding COE)	0.52	0.63	-11 cents	25 cents ASP decline partially offset by 14 cents of cost productivity gain
SG&A excluding SBC	0.09	0.11	+2 cents	Cost control and positive scale leverage
Adjusted operating income	0.46	0.53	-6 cents	
Adjusted EBITDA per parcel	0.62	0.70	-9 cents	
Cash and Capex (RMB in Million)				
	3Q19	3Q18	Diff	Comments
Operating cash flow	1,418	912	506	Strong volume growth, stable cost structure and efficiency gain
Capex	1,705	1,094	611	1) ¥675mn land acquisition and sorting hub construction ¥809mn self-owned trucks ¥194mn automation equipment 2) Annual capex plan revised to ¥4-5bn
Cash and Cash Equivalents	16,364	18,167	(1,803)	

* may contain rounding differences