

ZTO Express (Cayman) Inc.
2Q20 Financial Details for Earnings Call
Aug 13, 2020

Financial Performance

	2Q20	2Q19	V%	Comments
Parcel package volume (in Billion)	4.60	3.11	47.9%	11.2pts over industry avg.; attained 21.5% market share (19.9% @2Q19)
<i>(¥RMB in Million)</i>				
Revenues	6,402	5,424	18.0%	¥ 5.94bn from core express delivery business , increased 17% ¥ 967.1mn from KA customers, increased 48.6% on 80% KA volume growth
COGS	-4,633	-3,655	26.8%	1) Line haul transportation costs increased 17.7% to ¥ 2bn 7100 out of 9050 self-owned trucks were high capacity 2) Sorting hub operation costs increased 31.5% to ¥ 1.25bn 3) ¥ 594.7mn KA costs increased 75.3%
Gross profit	1,769	1,769	0.0%	¥ 1.72bn from core business, decreased 2.6%
<i>Gross profit %</i>	<i>27.6%</i>	<i>32.6%</i>	<i>-5pts</i>	29% for core express delivery business (34.8% @ 2Q19)
SG&A	-312	-305	2.3%	SG&A excluding SBC was 4.9% of revenues (5.4% @ 2Q19)
<i>Includes Share-based compensation (SBC)</i>	<i>-</i>	<i>11</i>		
Other operating income/(loss), net	190	30		¥ 95.4mn gov't subsidies and tax rebates (¥ 21.5mn @2Q19), ¥ 60mn VAT super deduction (¥ 3.1mn @2Q19)
Income from operations	1,647	1,493	10.3%	
<i>Operating profit %</i>	<i>25.7%</i>	<i>27.5%</i>	<i>-1.8pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>1,647</i>	<i>1,504</i>	<i>9.5%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>25.7%</i>	<i>27.7%</i>	<i>-2pts</i>	
Interest income (net)	105	144	-27.2%	
Equity disposal gain/(loss) <i>(Non GAAP excluded)</i>	-	-		
Foreign currency exchange gain/(loss)	3	22		
Income before income tax and equity pickup	1,754	1,660		
Income tax expenses	-298	-289		17% ETR non-tax-deductible SBC(+) & int. on-shore US\$deposits taxed at ~10% (-)
Equity pickup	-2	-6		
Net income	1,454	1,365	6.5%	
<i>Net income%</i>	<i>22.7%</i>	<i>25.2%</i>	<i>-2.5pts</i>	
<i>Adjusted net income (Non GAAP)</i>	<i>1,454</i>	<i>1,376</i>	<i>5.6%</i>	Adjusted net income margin was 22.7% (25.4% @ 2Q19)
EBITDA	2,187	1,952	12.0%	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>2,187</i>	<i>1,963</i>	<i>11.4%</i>	
Basic EPS	1.85	1.73	6.9%	
<i>Adjusted Basic EPS (Non GAAP) (¥RMB in Yuan)</i>	<i>1.85</i>	<i>1.74</i>	<i>6.3%</i>	

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Unit Economics (RMB per parcel)				
	2Q20	2Q19	Impact (+/-)	Comments (+positive/-negative impact)
ASP (excluding COE)	1.29	1.63	-34 cents	Core ASP declined 20.9%: avg. parcel weight declined 4 cent(-), single sheet digital waybill increased 2 cent(-), volume incentives increased 28 cents(-)
Cost of Revenue (excluding COE)	0.92	1.07	+15 cents	Main drivers: 1) 91% of parcel volume transported by self-owned trucks (72% @2Q19) 2) 78% of self-owned trucks were high-capacity trucks (64% @2Q19) 3) Benefited from ETC waiver and diesel price decline
- transportation cost per parcel	0.43	0.55	+12 cents	
- sorting hub cost per parcel	0.27	0.31	+4 cents	
Gross profit (excluding COE)	0.37	0.57	-20 cents	ASP decline partially offset by cost productivity gain
<i>SG&A excluding SBC (Non GAAP)</i>	<i>0.07</i>	<i>0.09</i>	<i>-2 cents</i>	Healthy corporate structure and positive scale leverage
<i>Adjusted income from operations (Non GAAP)</i>	<i>0.36</i>	<i>0.48</i>	<i>-12 cents</i>	

Cash and Capex (RMB in Million)				
	2Q20	2Q19	Diff	Comments
Operating cash flow	1,252	1993	-741	Increase in 1) financial loans to network partners and 2) prepaid fuel and toll costs associated with increased self-owned fleet
CapEx	2,250	812	1438	¥ 1123mn land acquisition and sorting hub construction ¥ 942mn self-owned trucks ¥ 175mn automation equipment
Cash and Cash Equivalents	13,701	16,374	-2,673	Excluding ¥ 1.39bn cash on deposits maturing in one year or longer