



ZTO Express

2Q Fiscal Year 2017 Investor Relations Presentation

August 23, 2017



This presentation contains “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements include but are not limited to our management quotes and our financial outlook for the third quarter of 2017.

Our forward-looking statements are not historical facts but instead represent only our belief regarding expected results and events, many of which, by their nature, are inherently uncertain and outside of our control. Our actual results and other circumstances may differ, possibly materially, from the anticipated results and events indicated in these forward-looking statements. Announced results for the second quarter of 2017 are preliminary, unaudited and subject to audit adjustment. In addition, we may not meet our financial outlook for the third quarter of 2017 and may be unable to grow our business in the manner planned. We may also modify our strategy for growth. In addition, there are other risks and uncertainties that could cause our actual results to differ from what we currently anticipate, including those relating to the development of the e-commerce industry in China, our significant reliance on the Alibaba ecosystem, risks associated with our network partners and their employees and personnel, intense competition which could adversely affect our results of operations and market share, any service disruption of our sorting hubs or the outlets operated by our network partners or our technology system. For additional information on these and other important factors that could adversely affect our business, financial condition, results of operations, and prospects, please see our filings with the U.S. Securities and Exchange Commission.

All information provided in this presentation is as of the date of the presentation. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, after the date of this release, except as required by law.

Significant Scale



1,493m
parcel volume in
Q2 2017



4,380+
Line-haul
Vehicles⁽¹⁾



~28,000
Pickup/Delivery
Outlets⁽²⁾



77
Sorting Hubs⁽³⁾

Robust Growth



37.6% YoY
parcel volume
growth in Q2 2017
, above industry
average of 30.7%
YoY⁽⁴⁾



29.9% YoY
revenue growth in
Q2 2017, in line
with Q2 guidance



53.0% YoY
operating profit
growth in Q2 2017



66.7% YoY
growth in basic and
diluted earnings
per ADS in Q2 2017

Continued Margin Expansion



RMB921m
operating profit with
operating margin of
31.0% in Q2
2017, up from 26.3% in
Q2 2016



RMB717m
net income with net
margin of
24.1% in Q2
2017, up from 18.6% in
Q2 2016



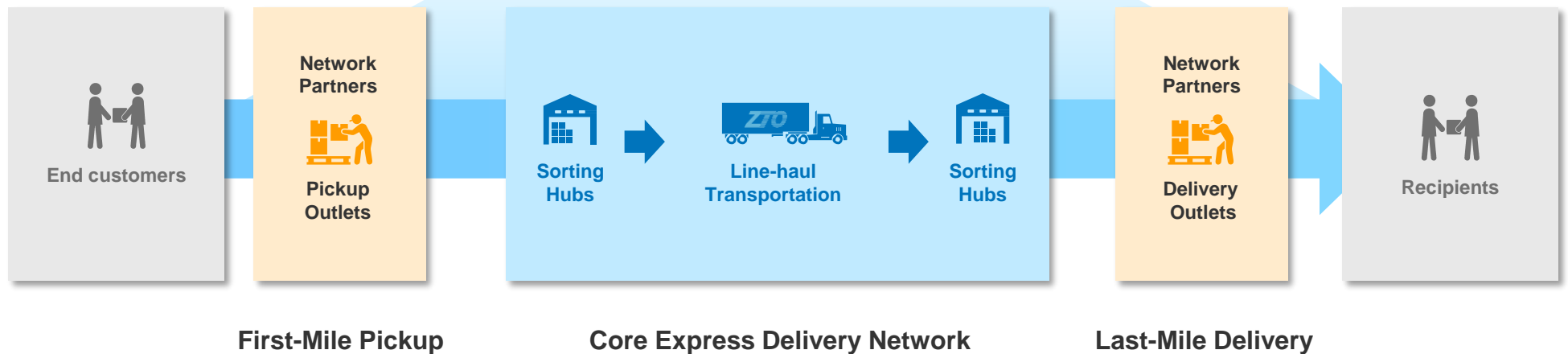
RMB1.00
basic and diluted
earnings per ADS in
Q2 2017, up from
RMB0.60 in Q2 2016

Notes

1. Includes around 3,190 self-owned trucks as of June 30, 2017, an increase from 3,000 self-owned trucks as of March 31, 2017, among which 1,260 are high capacity, 15-17 meter long trucks, as of June 30, 2017, compared to over 1,200 as of March 31, 2017.
2. Number of total service outlets across entire network as of June 30, 2017, an increase from about 27,000 service outlets as of March 31, 2017.
3. Includes 71 self-operated sorting hubs, and 6 sorting hubs operated by our network partners.
4. Average industry parcel volume growth rate for Q2 2017 is from the State Post Bureau.



We are a leading express delivery company in China focusing on providing timely and reliable services through our highly scalable network partner model

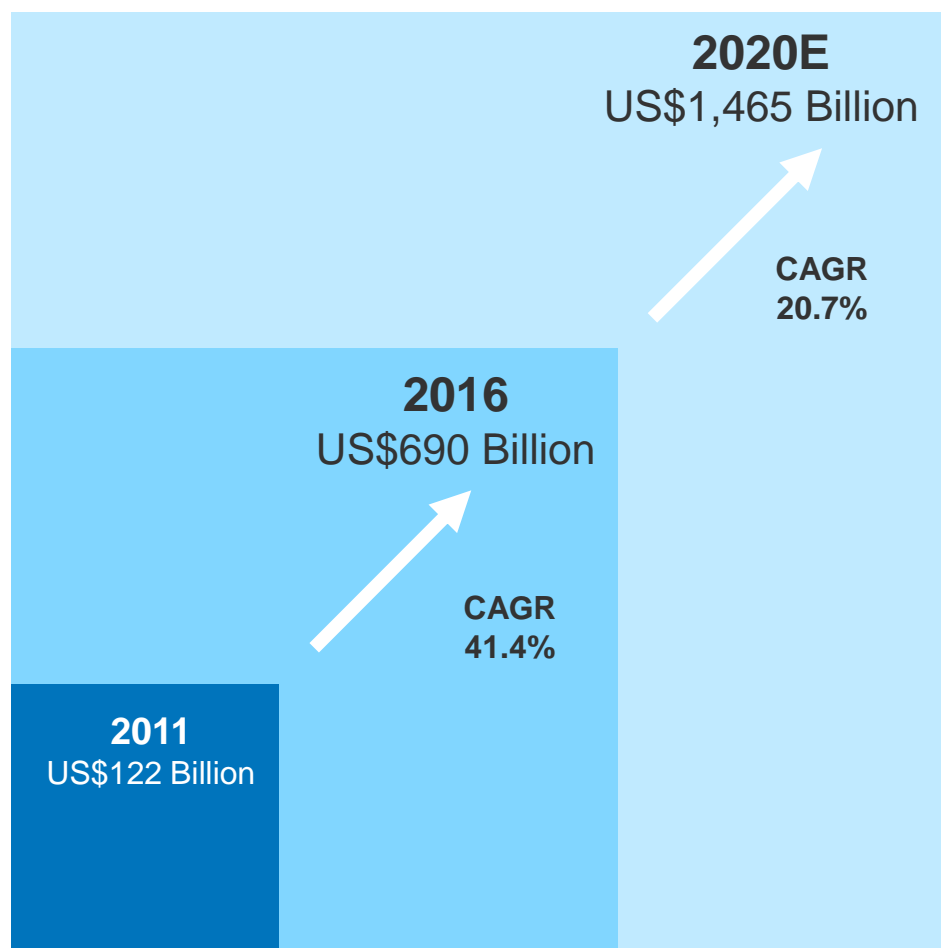


“ZTO Express” Brand

Integrated IT Platform

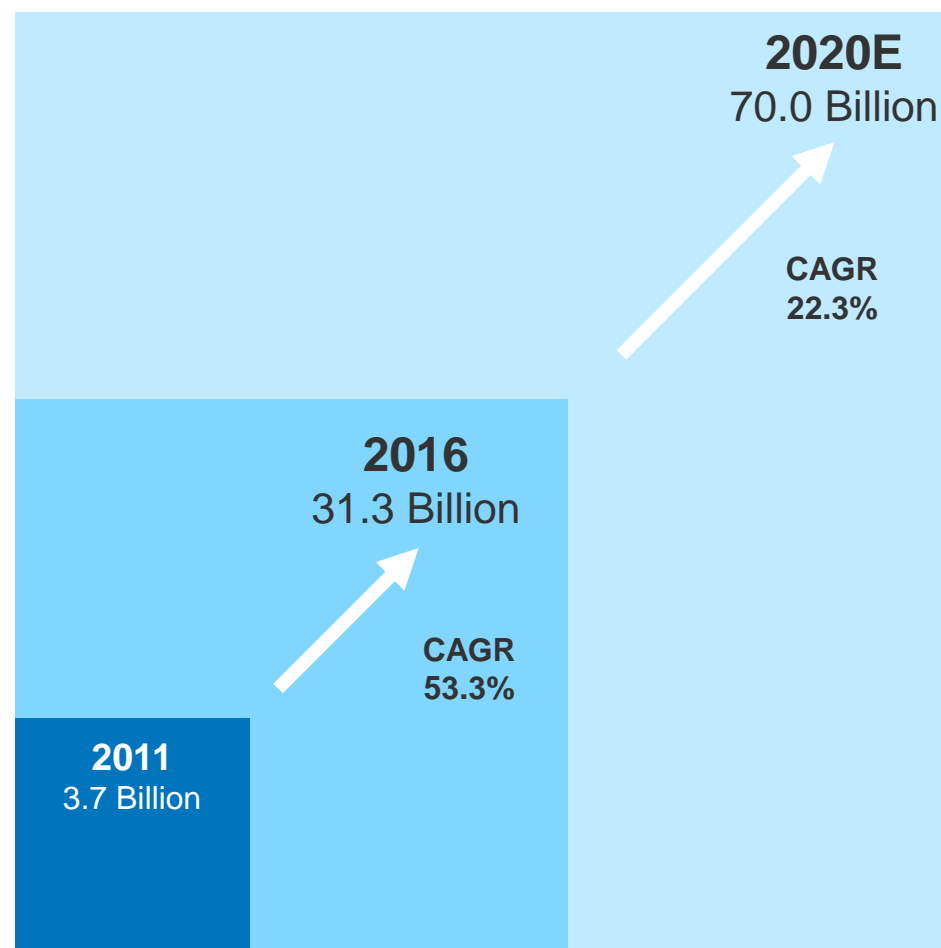
Service Standardization

Online Retail Sales (GMV) in China



Source: CNNIC, iResearch Report

Express Delivery Parcel Volume in China

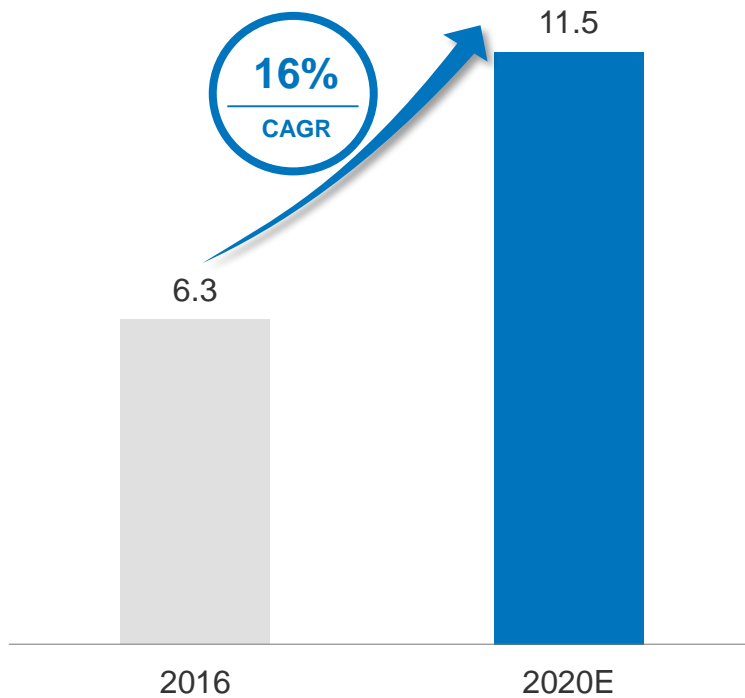


Source: The 13th Five-Year Plan issued by China Post Bureau.



China Cross-Border E-commerce Market

GMV (RMB trillion)

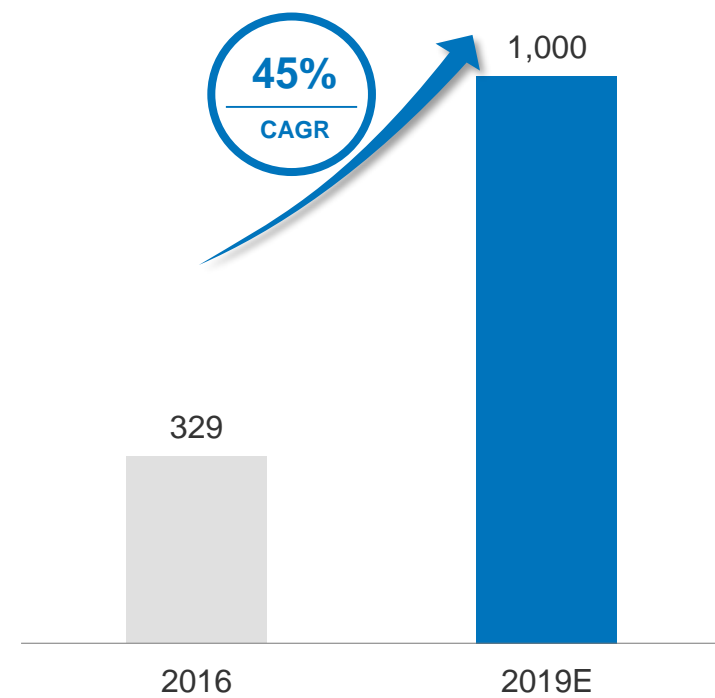


Source iResearch Report, iiMedia



China Micro Merchants⁽¹⁾ Market

GMV (RMB billion)



Source iResearch

Note

1. Micro merchants refer to online merchants who promote and sell merchandise on social networking and other mobile platforms

Our Scale Strengthens Our Leading Market Position⁽¹⁾



Notes

1. Data presented as of June 30, 2017 unless otherwise indicated
2. "Parcel volume" in any given period is defined as the number of parcels collected by our network partners using our waybills
3. Includes 71 self-operated sorting hubs, and 6 sorting hubs operated by our network partners
4. Includes ~3,190 self-owned vehicles and ~1,190 vehicles owned and operated by Tonglu Tongze Logistics Ltd., an entity majority owned by our employees
5. Only includes line-haul routes between sorting hubs as of June 30, 2017
6. Includes over 3,700 direct network partners and around 5,600 indirect network partners as of June 30, 2017
7. As of December 31, 2016,



Shared Success System

- ✓ Key regional managers are also the shareholders of ZTO
- ✓ Well-established network partner entry and exit mechanism



Operating Efficiency

- ✓ Centralized planning of sorting hubs enables us to accommodate high capacity vehicles
- ✓ Increasing use of self-owned fleet, particularly large trailer trucks



Well-Balanced Network

- ✓ Sophisticated last-mile delivery fee and transit fee mechanism tailored for local conditions

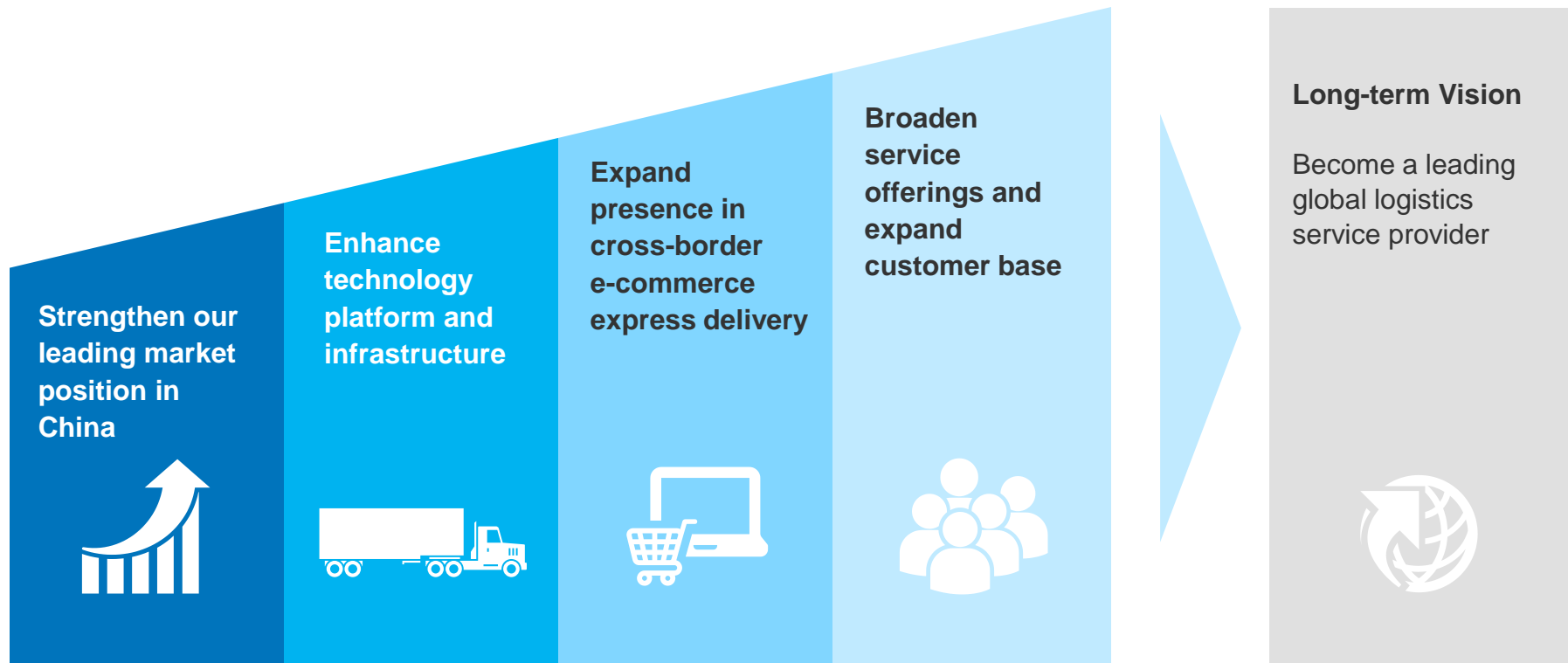


Superior Service Quality

- ✓ Industry leading service quality in terms of overall customer satisfaction⁽¹⁾, 72-hour punctuality rate⁽²⁾, and customer complaint rate⁽²⁾

Notes

1. According to Horizon Consulting Group in 2016
2. According to State Post Bureau in 2016



Near Term Initiatives



Build and Upgrade Sorting Hubs



Increase the Level of Sorting Automation



Invest in Information Technology



Expand and Upgrade Line-haul Fleet



Increase Urban Coverage Density



Increase Rural Penetration

Key Financial and Operating Highlights for Q2 2017⁽¹⁾⁽²⁾

Robust Growth

Parcel Volume

1,493m
Up 37.6% YoY

Revenue

RMB2,971m
Up 29.9% YoY

Income from Operations

RMB921m
Up 53% YoY

Superior Profitability

Operating Margin

31% vs. 26.3% in
Q2 2016

Net Margin

24.1% vs. 18.6% in
Q2 2016

Adjusted Net Income⁽³⁾

RMB730m
Up 43.5% YoY

Notes

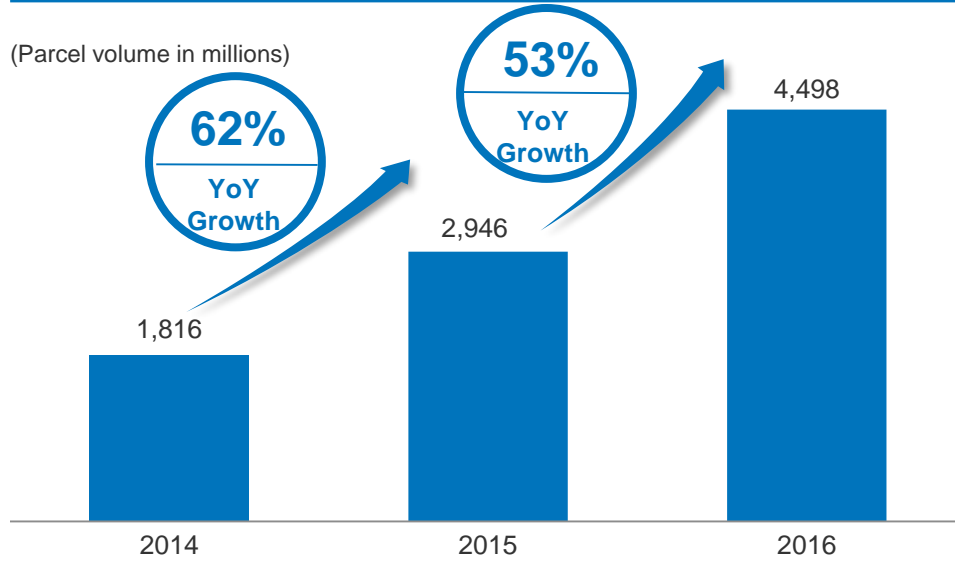
1. Total revenue and margins refer to the quarter ended June 30, 2017.
2. All Margins are calculated as a % of total revenue.
3. Net income adjusted for share-based compensation expenses

Strong Revenue Growth Driven by Robust Parcel Volume Growth



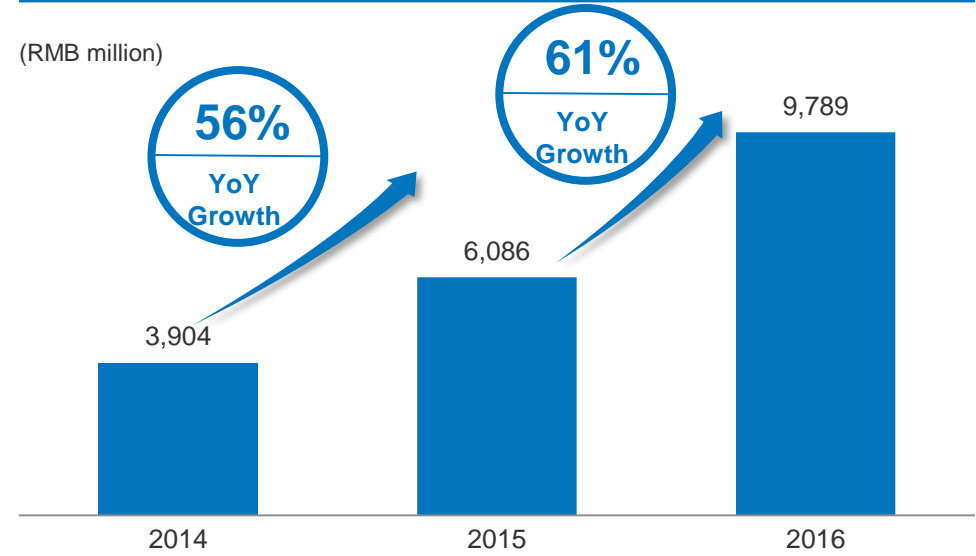
Parcel Volume

(Parcel volume in millions)



Total Revenue

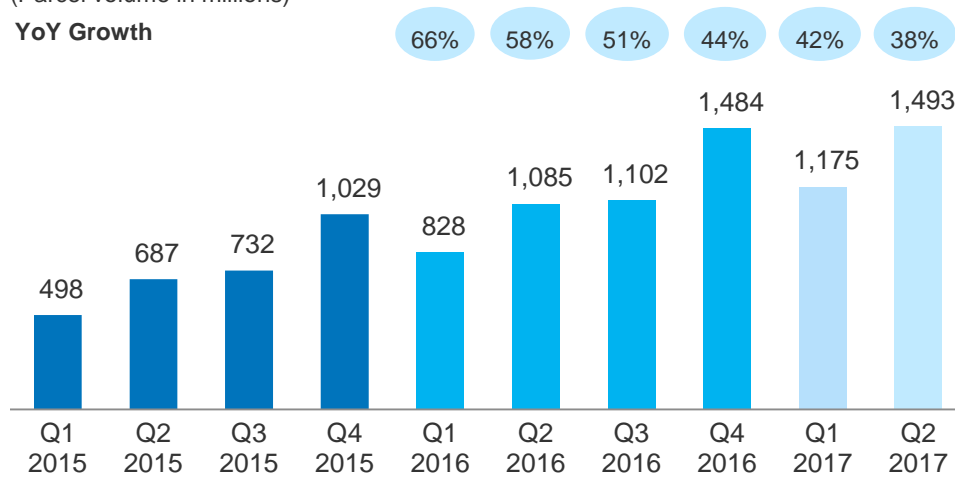
(RMB million)



Quarterly Parcel Volume

(Parcel volume in millions)

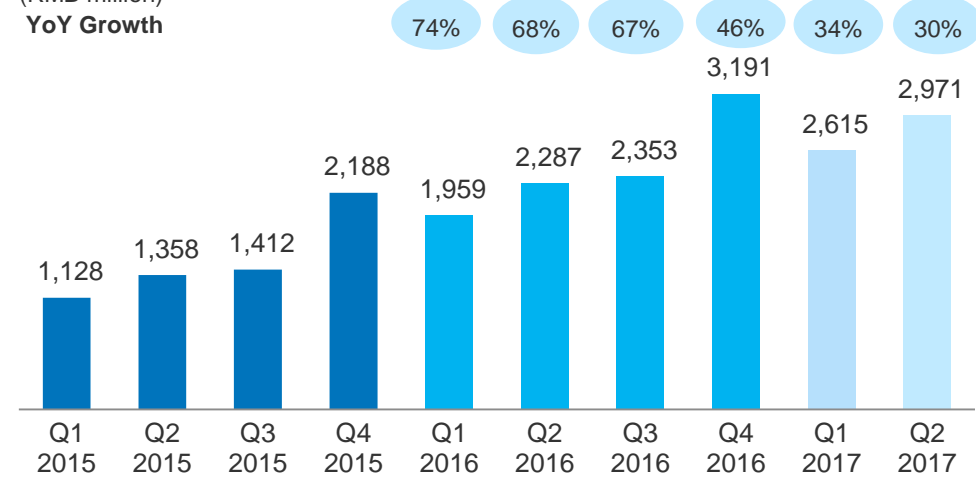
YoY Growth



Quarterly Revenue

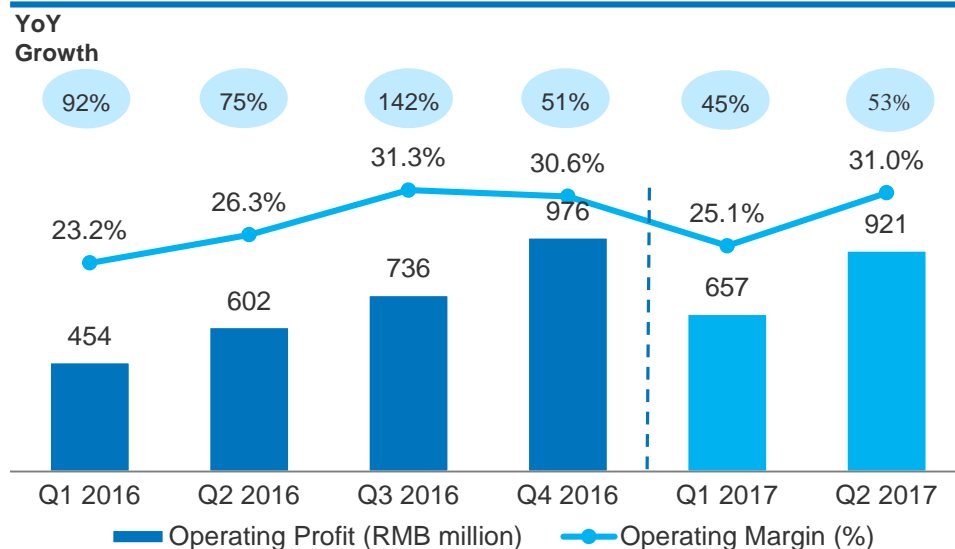
(RMB million)

YoY Growth

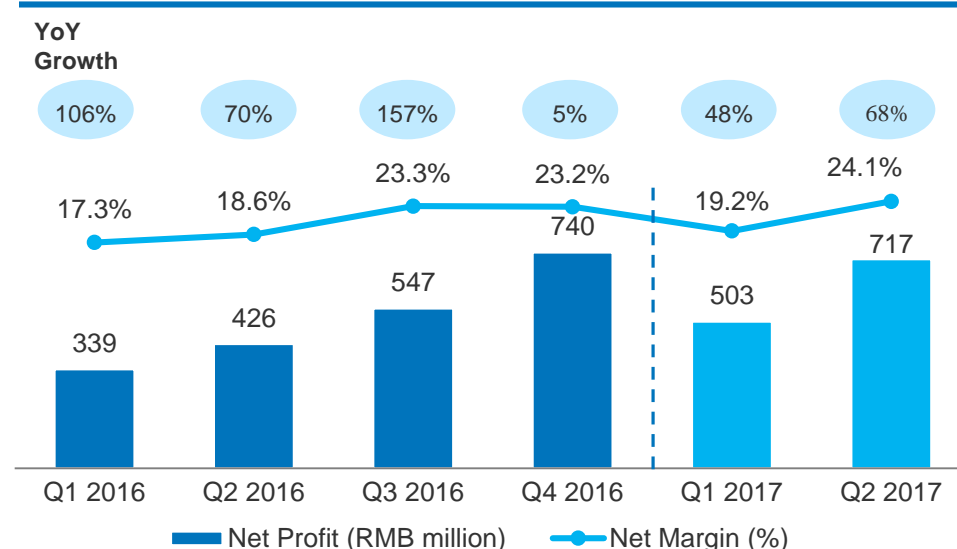


Strong Profit Growth and Expanded Margins

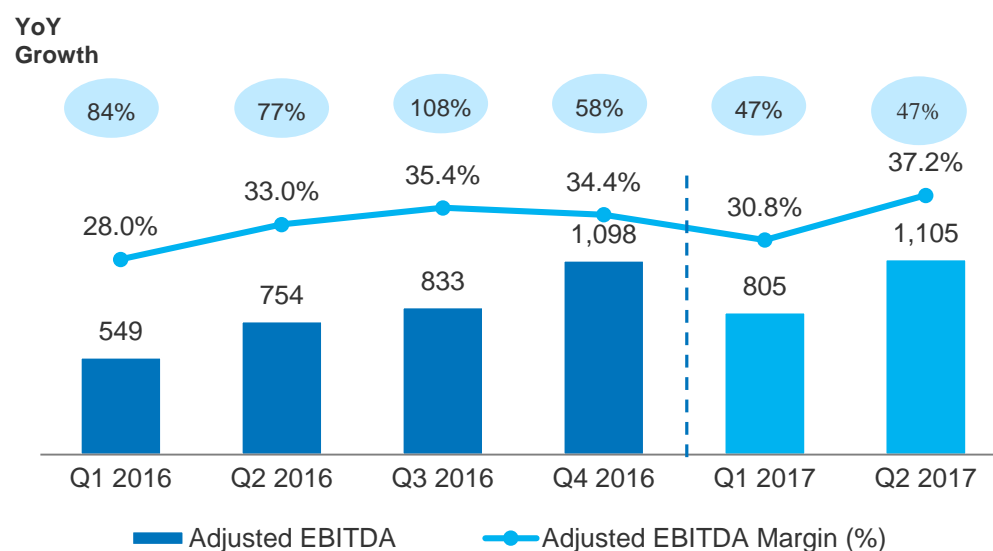
Income from Operations and Margin



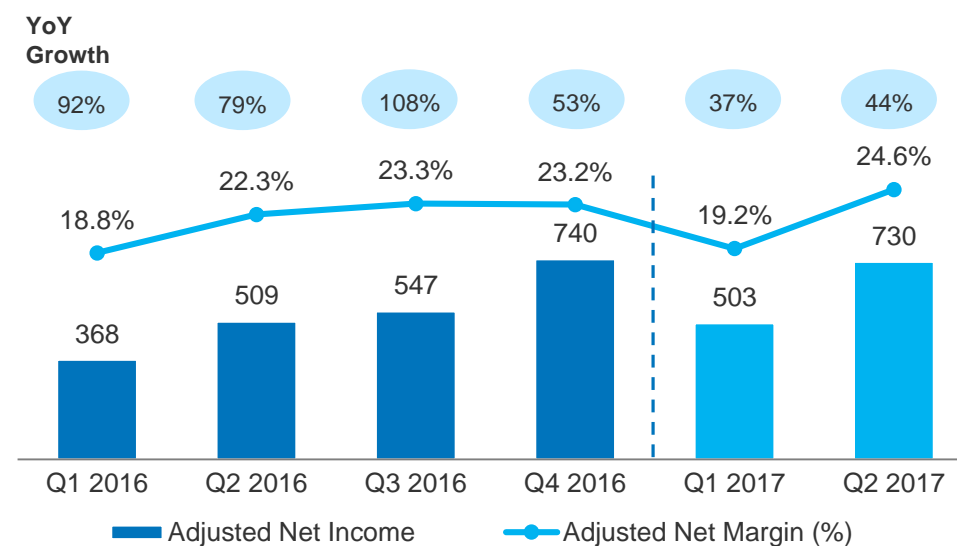
Net Income and Margin



Adjusted EBITDA¹ and Margin



Adjusted Net Income² and Margin



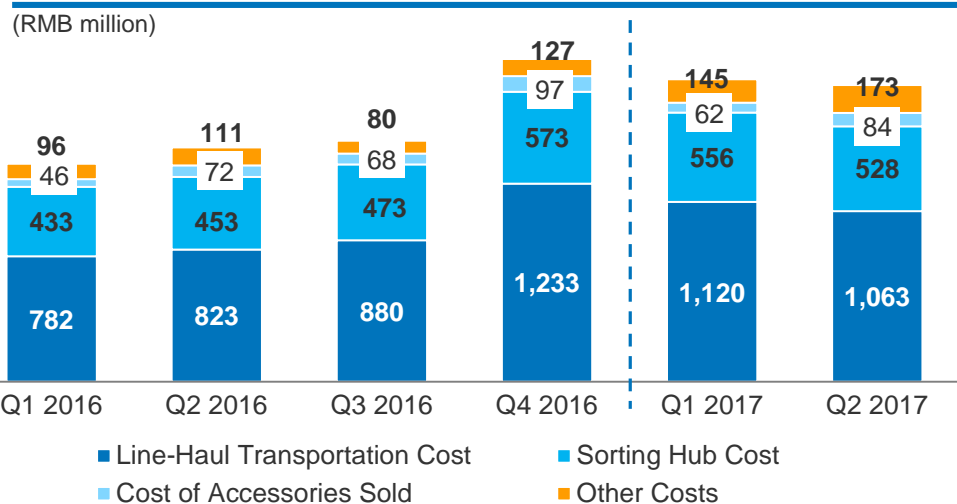
Notes

- Adjusted EBITDA is a non-GAAP financial measure, which is defined as net income before depreciation, amortization, interest expenses and income tax expenses, and further adjusted to exclude (i) shared-based compensation expense; and (ii) gain on deemed disposal of equity method investments.. See slide 15 for GAAP reconciliation.
- Adjusted net income is a non-GAAP financial measure, which is defined as net income before (i) share-based compensation expense and (ii) gain on deemed disposal of equity method investments. See slide 16 for GAAP reconciliation.

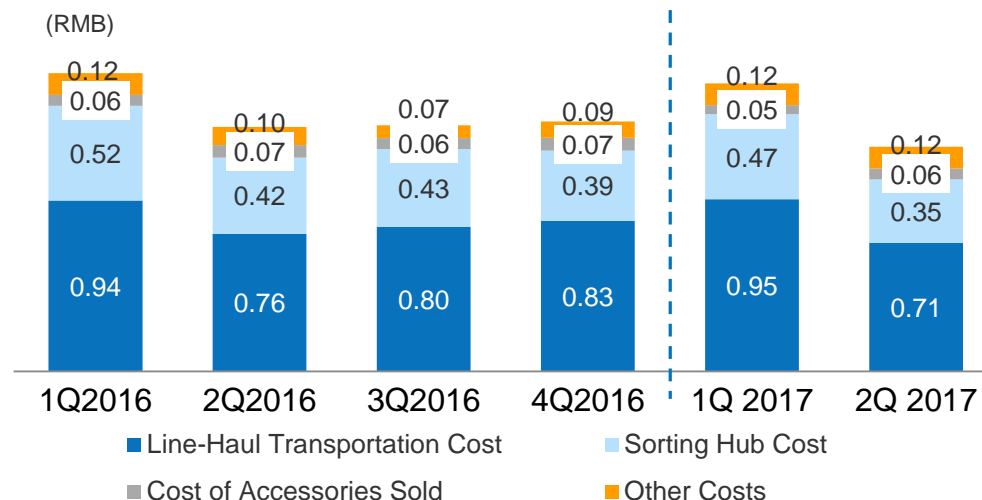
Cost and Gross Margin Improvement Driven by Economies of Scale and Operational Efficiency Enhancement



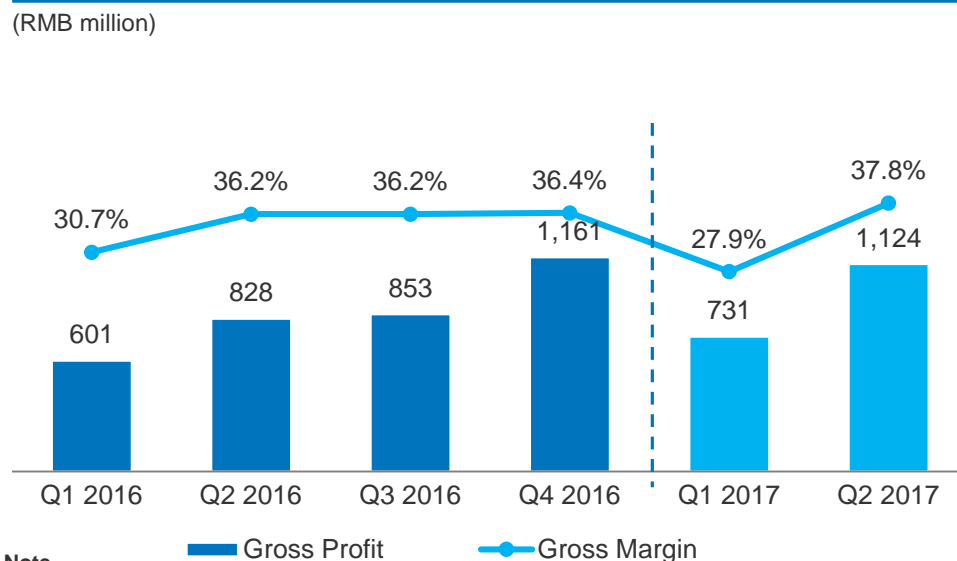
Cost of Revenues - Breakdown



Cost of Revenues per Parcel⁽¹⁾



Gross Profit and Margin



Note
 (1) Cost of revenues per parcel is calculated based on costs of revenues divided by the number of parcels handled in a given quarter.

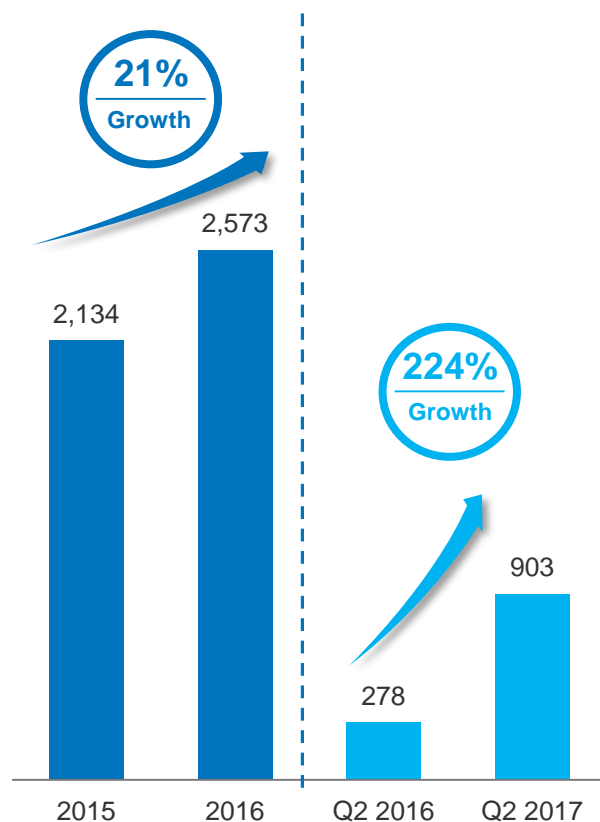
Key Observations

- **Line-haul transportation cost per parcel** decreased yoy mainly due to (i) economies of scale, (ii) increased use of self-owned, cost-efficient trucks, and (iii) increased truck utilization through optimized route planning and increased back-haul transportation.
- **Sorting hub cost per parcel** decreased yoy mainly due to economies of scale and efficiency improvement from increased use of automated equipment in sorting hubs
- **Cost of accessories sold per parcel** decreased yoy mainly due to operating leverage
- **Other costs per parcel** increased yoy mainly due to rising costs to serve enterprise customers
- **Gross margin** increased to 37.8% from 36.2% in the same period last year, mainly attributable to cost savings from parcel mix optimization and efficiency improvement in transportation and sorting

Strong Cash Flow and Continued Investment in Capacity Expansion

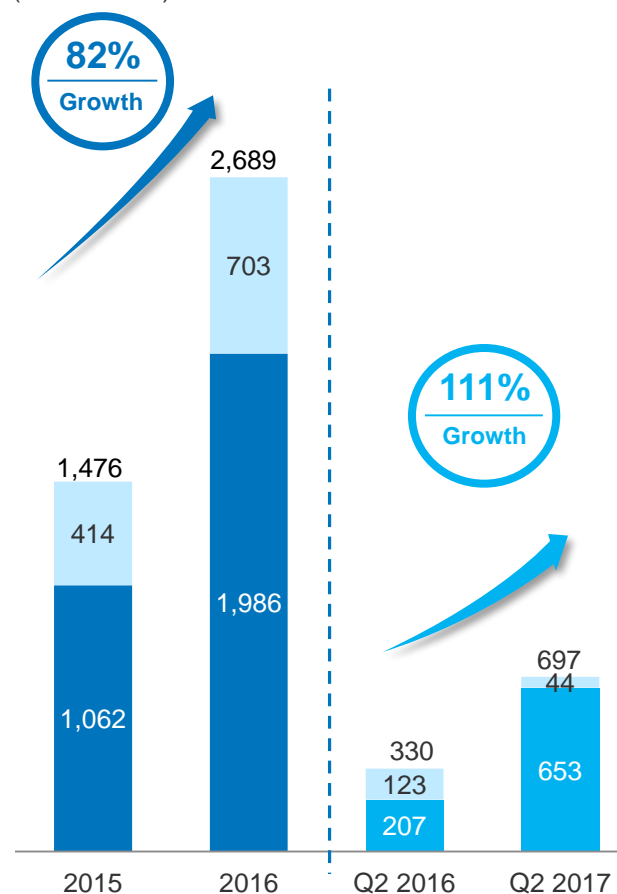
Operating Cash Flow ⁽¹⁾

(RMB million)



Capital Expenditure

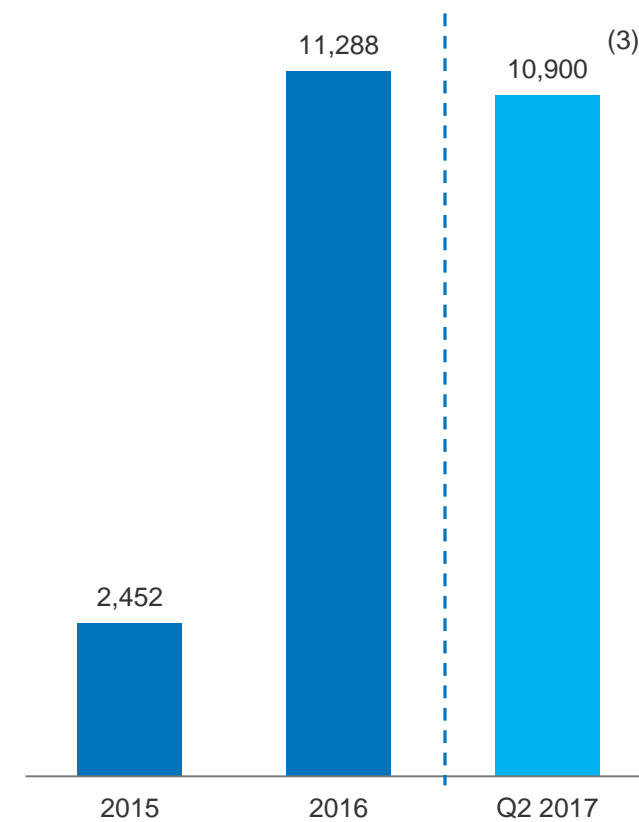
(RMB million)



■ Purchases of Land Use Rights
■ Purchases of Property, Equipment and Vehicles

Cash and Cash Equivalents & Time Deposits ⁽²⁾

(RMB million)



Note

(1): The operating cash flow in 2015 and 2016 has been retroactively adjusted to reflect the impact of restricted cash presentation in the cash flow statement as a result of ZTO's adoption of a new accounting standard starting from 2017.

(2): Cash and cash equivalents as of December 31, 2016 included net proceeds of about RMB9.2bn from the initial public offering.

(3): Time deposits were about RMB5,186m as of June 30, 2017.

Reconciliation of GAAP to Adjusted / Non-GAAP Measures



	<u>For the Three Months Ended</u>	
	Jun. 30, 2016	Jun. 30, 2017
Adjusted EBITDA	RMB million	RMB million
Net Income	426	717
Add: Depreciation	62	127
Add: Amortization	5	9
Add: Interest Expenses	5	5
Add: Income Tax Expenses	172	233
EBITDA	670	1,091
Add: Share-based Compensation Expense	83	13
Less: Gain on Deemed Disposal of Equity Method Investments	-	-
Adjusted EBITDA	754	1,105
<i>Adjusted EBITDA margin</i>	33%	37%
Adjusted Net Income		
Net Income	426	717
Add: Share-based Compensation Expense	83	13
Less: Gain on Deemed Disposal of Equity Method Investments	-	-
Adjusted Net Income	509	730
<i>Adjusted Net Margin</i>	22%	25%

Note: Numbers may not add up due to rounding

Reconciliation of GAAP to Adjusted / Non-GAAP Measures



	For the Three Months Ended 2016				For the Three Months Ended 2017	
	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017
Adjusted EBITDA	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Net Income	338,814	425,802	547,177	739,811	502,870	716,923
Add: Depreciation	51,008	62,453	89,174	99,032	122,011	127,083
Add: Amortization	4,688	5,349	6,310	6,963	7,595	8,702
Add: Interest Expenses	3,644	4,742	3,766	834	5,708	5,029
Add: Income Tax Expenses	122,018	171,954	186,468	251,547	166,609	233,323
EBITDA	520,172	670,300	832,895	1,098,187	804,793	1,091,060
Add: Share-based Compensation Expense	38,634	83,366	251	251	251	13,492
Less: Gain on Deemed Disposal of Equity Method Investments	(9,551)	-	-	-	-	-
Adjusted EBITDA	549,255	753,666	833,146	1,098,438	805,044	1,104,552
Adjusted EBITDA margin	28.00%	32.96%	35.40%	34.40%	30.77%	37.17%
Adjusted Net Income	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Net Income	338,814	425,802	547,177	739,881	502,870	716,923
Add: Share-based Compensation Expense	38,634	83,366	251	251	251	13,492
Less: Gain on Deemed Disposal of Equity Method Investments	(9,551)	-	-	-	-	-
Adjusted Net Income	367,897	509,168	547,428	740,062	503,121	730,415
Adjusted Net Margin	18.80%	22.27%	23.30%	23.20%	19.24%	24.58%

Note: Numbers may not add up due to rounding



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