

ZTO Express (Cayman) Inc.
1Q20 Financial Details for Earnings Call
May 21, 2020

Financial Performance

	1Q20	1Q19	V%	Comments
Parcel package volume (in Billion)	2.37	2.26	4.9%	1.7pts over industry avg.; attained 18.9% market share (18.6% @1Q19)
<i>(¥RMB in Million)</i>				
Revenues	3,916	4,574	-14.4%	¥ 3.62bn from core express delivery business , decreased 15.5% ¥ 512.6mn from KA customers, decreased 5.7% on 13% KA volume growth
COGS	-3,097	-3,314	-6.6%	1) Line haul transportation costs decreased 18.6% to ¥ 1.3bn 5000 out of 6800 self-owned trucks were high capacity 2) Sorting hub operation costs increased 8.4% to ¥ 965.8mn 3) ¥ 280.8mn KA costs increased 4.8%
Gross profit	819	1,260	-35.0%	¥ 810.8mn from core business, decreased 35.3%
<i>Gross profit %</i>	<i>20.9%</i>	<i>27.5%</i>	<i>-6.6pts</i>	22.4% for core express delivery business (29.3% @ 1Q19)
SG&A	-560	-558	0.4%	SG&A excluding SBC was 7.6% of revenues (6.0% @ 1Q19)
<i>Includes Share-based compensation (SBC)</i>	<i>264</i>	<i>284</i>	<i>-7.1%</i>	
Other operating income/(loss), net	113	58		¥ 75.4mn gov't subsidies and tax rebates (¥ 48.9mn @1Q19), ¥ 41.7mn VAT super deduction
Income from operations	372	760	-51.0%	
<i>Operating profit %</i>	<i>9.5%</i>	<i>16.6%</i>	<i>-7.1pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>636</i>	<i>1,044</i>	<i>-39.1%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>16.2%</i>	<i>22.8%</i>	<i>-6.6pts</i>	
Interest income (net)	126	146	-14.0%	
Equity disposal gain/(loss) <i>(Non GAAP excluded)</i>	-	-1		
Foreign currency exchange gain/(loss)	16	-26		
Income before income tax and equity pickup	514	880		
Income tax expenses	-130	-192		25.2% ETR non-tax-deductible SBC(+) & int. on-shore US\$deposits taxed at ~10% (-)
Equity pickup	-14	-6		
Net income	371	682	-45.6%	
<i>Net income%</i>	<i>9.5%</i>	<i>14.9%</i>	<i>-5.4pts</i>	
<i>Adjusted net income (Non GAAP)</i>	<i>635</i>	<i>966</i>	<i>-34.3%</i>	Adjusted net income margin was 16.2% (21.1% @ 1Q19)
EBITDA	909	1,156	-21.4%	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>1,173</i>	<i>1,441</i>	<i>-18.6%</i>	
Basic EPS	0.48	0.87	-44.8%	
<i>Adjusted Basic EPS (Non GAAP) (¥RMB in Yuan)</i>	<i>0.82</i>	<i>1.23</i>	<i>-33.3%</i>	

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Unit Economics (RMB per parcel)				
	1Q20	1Q19	Impact (+/-)	Comments (+positive/-negative impact)
ASP (excluding COE)	1.52	1.89	-37 cents	Core ASP declined 19.4%: avg. parcel weight declined 5 cent(-), volume incentives increased 32 cents(-)
Cost of Revenue (excluding COE)	1.18	1.34	+16 cents	
- transportation cost per parcel	0.55	0.70	+15 cents	Main drivers: 1) 78% of parcel volume transported by self-owned trucks (68% @1Q19) 2) 74% of self-owned trucks were high-capacity trucks (62% @1Q19) 3) Benefited from ETC waiver and diesel price decline
- sorting hub cost per parcel	0.41	0.39	-2 cents	Main drivers: 1) Average labor headcount increased 12.7%; temp. headcount control in place 2) 265 sets of automated sorting equipment in use (130 sets @ 1Q19), 73% of volume processed by automation (63% @1Q19) 3) First two months fixed labor costs without scale leverage
Gross profit (excluding COE)	0.34	0.55	-21 cents	37 cents ASP decline partially offset by 16 cents cost productivity gain
<i>SG&A excluding SBC (Non GAAP)</i>	<i>0.12</i>	<i>0.12</i>	<i>-</i>	Stable corporate cost structure
<i>Adjusted income from operations (Non GAAP)</i>	<i>0.27</i>	<i>0.46</i>	<i>-19 cents</i>	
Adjusted EBITDA per parcel	0.49	0.64	-15 cents	

Cash and Capex (RMB in Million)				
	1Q20	1Q19	Diff	Comments
Operating cash flow	178	633	-455	Profit decline and increase in accounts receivables from network partners with extended payment terms
CapEx	1,737	922	815	¥ 912mn land acquisition and sorting hub construction ¥ 640mn self-owned trucks ¥ 155mn automation equipment
Cash and Cash Equivalents	15,159	17,380	-2,221	Excluding ¥ 1.06bn cash on deposits maturing in one year or longer