

ZTO Express (Cayman) Inc.
3Q20 Financial Details for Earnings Call
Nov 19, 2020

Financial Performance				
	3Q20	3Q19	V%	Comments
Parcel package volume (in Billion)	4.62	3.06	51.2%	13.4pts over industry avg.; attained 20.8% market share (18.9% @3Q19)
<i>(¥RMB in Million)</i>				
Revenues	6,639	5,266	26.1%	¥ 6.16bn from core express delivery business , increased 23.4% ¥ 958.6mn from KA customers, increased 54.9% on 100% KA volume growth
COGS	<u>-5,248</u>	<u>-3,669</u>	43.0%	1) Line haul transportation costs increased 37.2% to ¥ 2.45bn 7400 out of 9250 self-owned trucks were high capacity 2) Sorting hub operation costs increased 38.4% to ¥ 1.35bn 3) ¥ 613.1mn KA costs increased 98.9%
Gross profit	1,391	1,597	-12.9%	¥ 1.36bn from core business, decreased 14.6%
<i>Gross profit %</i>	<i>21.0%</i>	<i>30.3%</i>	<i>-9.4pts</i>	22.0% for core express delivery business (31.8% @ 3Q19)
SG&A	-374	-291	28.5%	SG&A excluding SBC was 5.6% of revenues (5.3% @ 3Q19)
<i>Includes Share-based compensation (SBC)</i>	<i>-</i>	<i>11</i>		
Other operating income/(loss), net	<u>152</u>	<u>94</u>		¥ 24.5mn gov't subsidies and tax rebates (¥ 69.7mn @3Q19), ¥ 43.5mn VAT super deduction
Income from operations	1,169	1,401	-16.5%	
<i>Operating profit %</i>	<i>17.6%</i>	<i>26.6%</i>	<i>-9pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>1,169</i>	<i>1,411</i>	<i>-17.2%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>17.6%</i>	<i>26.8%</i>	<i>-9.2pts</i>	
Interest income (net)	83	146	-43.3%	
Equity disposal gain/(loss) <i>(Non GAAP excluded)</i>	-	-		
Foreign currency exchange gain/(loss)	-64	29		
Income before income tax and equity pickup	1,188	1,575		
Income tax expenses	28	-266		¥ 200.7mn tax return received on national "Key software enterprise" recognition (10% income tax rate) for Year 2019
Equity pickup	<u>-5</u>	<u>-1</u>		
Net income	1,210	1,308	-7.4%	
<i>Net income%</i>	<i>18.2%</i>	<i>24.8%</i>	<i>-6.6pts</i>	
<i>Adjusted net income (Non GAAP)</i>	<i>1,210</i>	<i>1,318</i>	<i>-8.2%</i>	Adjusted net income margin was 18.2% (25.0% @ 3Q19)
EBITDA	1,675	1,877	-10.7%	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>1,675</i>	<i>1,887</i>	<i>-11.2%</i>	
<i>Adjusted Basic EPS (Non GAAP) (¥RMB in Yuan)</i>	<i>1.53</i>	<i>1.69</i>	<i>-9.5%</i>	

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Unit Economics (RMB per parcel)				
	3Q20	3Q19	Impact (+/-)	Comments (+positive/-negative impact)
ASP (excluding COE)	1.33	1.63	-30 cents	Core ASP declined 18.4%: avg. parcel weight declined 5 cent(-), single sheet digital waybill increased 3 cent(-), volume incentives increased 22 cents(-)
Cost of Revenue (excluding COE)	1.04	1.11	+7 cents	Core express delivery unit cost decreased 6.7%
- transportation cost per parcel	0.53	0.58	+5 cents	Main drivers: 1) 93% of parcel volume transported by self-owned trucks (74% @3Q19) 2) 80% of self-owned trucks were high-capacity trucks (69% @3Q19)
- sorting hub cost per parcel	0.29	0.32	+3 cents	Main drivers: 1) 300 sets of automated sorting equipment in use (208 sets @ 3Q19), 77% of volume processed by automation (66% @3Q19) 2) Temp. headcount control in place
Gross profit (excluding COE)	0.29	0.52	-23 cents	ASP decline partially offset by cost productivity gain
<i>SG&A excluding SBC (Non GAAP)</i>	<i>0.08</i>	<i>0.09</i>	<i>-1 cents</i>	Healthy corporate structure and positive scale leverage
<i>Adjusted income from operations (Non GAAP)</i>	<i>0.25</i>	<i>0.46</i>	<i>-21 cents</i>	

Cash and Capex (RMB in Million)				
	3Q20	3Q19	Diff	Comments
Operating cash flow	1,480	1418	63	
CapEx	2,201	1,705	496	¥ 1192mn land acquisition and sorting hub construction ¥ 569mn self-owned trucks ¥ 373mn automation equipment
Cash and Cash Equivalents	21,222	16,364	4,858	Excluding ¥ 1.47bn cash on deposits maturing in one year or longer