

**ZTO Express (Cayman) Inc.**  
**4Q20 and FYE Financial Details for Earnings Call**  
**Mar 18, 2021**

**Financial Performance**

	2020	2019	V%	Comments
<b>Parcel package volume (in Billion)</b>	<b>17.00</b>	<b>12.12</b>	<b>40.3%</b>	9.1pts over industry avg.; attained 20.4% market share (19.1% @2019)
<i>(¥RMB in Million)</i>				
Revenues	25,214	22,110	14.0%	¥ 23.35bn from core express delivery business , increased 11.9% ¥ 3.58bn from KA customers, increased 34.5% on 71% KA volume growth
COGS	<u>-19,377</u>	<u>-15,489</u>	25.1%	1) Line haul transportation costs increased 16.5% to ¥ 8.70bn 7900 out of 9700 self-owned trucks were high capacity 2) Sorting hub operation costs increased 27.1% to ¥ 5.22bn 3) ¥ 2.26bn KA costs increased 68.6%
<b>Gross profit</b>	<b>5,837</b>	<b>6,621</b>	<b>-11.8%</b>	¥ 5.69bn from core business, decreased 13.8%
<i>Gross profit %</i>	<i>23.1%</i>	<i>29.9%</i>	<i>-6.8pts</i>	24.4% for core express delivery business (31.6% @ 2019)
SG&A	-1,664	-1,546	7.6%	SG&A excluding SBC was 5.6% of revenues (5.6% @ 2019)
<i>Includes Share-based compensation (SBC)</i>	<i>264</i>	<i>317</i>	<i>-16.6%</i>	
Other operating income/(loss), net	<u>581</u>	<u>388</u>		¥ 227.5mn gov't subsidies and tax rebates (¥ 185.5mn @2019), ¥ 181.9mn VAT super deduction (¥ 131.4mn @2019)
<b>Income from operations</b>	<b>4,754</b>	<b>5,463</b>	<b>-13.0%</b>	
<i>Operating profit %</i>	<i>18.9%</i>	<i>24.7%</i>	<i>-5.9pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>5,019</i>	<i>5,779</i>	<i>-13.2%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>19.9%</i>	<i>26.1%</i>	<i>-6.2pts</i>	
Interest income (net)	407	585	-30.4%	
Fair value change at financial instruments	-1	-		
Equity disposal gain/(loss) <i>(Non GAAP excluded)</i>	1	-3		
Foreign currency exchange gain/(loss)	-127	13		
Impairment on equity investment <i>(Non GAAP excluded)</i>	-	-56		
Unrealized gain from investment in equity investee <i>(Non GAAP excluded)</i>	<u>-</u>	<u>754</u>		
Income before income tax and equity pickup	5,035	6,757		
Income tax expenses	-690	-1,078		¥ 200.7mn tax return received on national "Key software enterprise" recognition (10% income tax rate ) for Year 2019
Equity pickup	<u>-19</u>	<u>-8</u>		
<b>Net income</b>	<b>4,326</b>	<b>5,671</b>	<b>-23.7%</b>	
<i>Net income%</i>	<i>17.2%</i>	<i>25.7%</i>	<i>-8.5pts</i>	
<i>Adjusted net income (Non GAAP)</i>	<i>4,590</i>	<i>5,292</i>	<i>-13.3%</i>	Adjusted net income margin was 18.2% (23.9% @ 2019)
<b>EBITDA</b>	<b>6,892</b>	<b>8,014</b>	<b>-14.0%</b>	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>7,155</i>	<i>7,635</i>	<i>-6.3%</i>	
<i>Adjusted Basic EPS (Non GAAP) (¥RMB in Yuan)</i>	<i>5.75</i>	<i>6.75</i>	<i>-14.8%</i>	

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Unit Economics (RMB per parcel)				
	2020	2019	Impact (+/-)	Comments (+positive/-negative impact)
ASP (excluding COE)	1.37	1.72	-35 cents	Core ASP declined 20.2%: avg. parcel weight declined 6 cent(-), single sheet digital waybill increased 2 cent(-), volume incentives increased 27 cents(-)
Cost of Revenue (excluding COE)	1.04	1.18	+14 cents	Core express delivery unit cost decreased 11.8%
- transportation cost per parcel	0.51	0.62	+11 cents	Main drivers: 1) 89% of parcel volume transported by self-owned trucks (71% @2019) 2) 81% of self-owned trucks were high-capacity trucks (72% @4Q19)
- sorting hub cost per parcel	0.31	0.34	+3 cents	Main drivers: 1) 339 sets of automated sorting equipment in use (265 sets @ 4Q19), 77% of volume processed by automation (67% @2019 ) 2) Temp. headcount control in place
Gross profit (excluding COE)	0.33	0.54	-21 cents	ASP decline partially offset by cost productivity gain
<i>SG&amp;A excluding SBC (Non GAAP)</i>	<i>0.08</i>	<i>0.10</i>	<i>+2 cents</i>	Healthy corporate structure and positive scale leverage
<i>Adjusted income from operations (Non GAAP)</i>	<i>0.30</i>	<i>0.48</i>	<i>-18 cents</i>	

Cash and Capex (RMB in Million)				
	2020	2019	Diff	Comments
Operating cash flow	4,951	6,304	-1353	
CapEx	9,208	5,226	3982	¥ 4416mn land acquisition and sorting hub construction ¥ 2363mn self-owned trucks ¥ 2153mn automation equipment
Cash and Cash Equivalents	18,036	16,391	1646	Excluding ¥ 1.84bn cash on deposits maturing in one year or longer

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**Financial Performance**

	4Q20	4Q19	V%	Comments
<b>Parcel package volume (in Billion)</b>	<b>5.41</b>	<b>3.69</b>	<b>46.5%</b>	7.7pts over industry avg.; attained 19.9% market share (18.8% @4Q19)
<i>(¥RMB in Million)</i>				
Revenues	8,257	6,847	20.6%	¥ 7.64bn from core express delivery business , increased 17.1% ¥ 1.14bn from KA customers, increased 34.5% on 76% KA volume growth
COGS	-6,399	-4,850	31.9%	1) Line haul transportation costs increased 23.5% to ¥ 2.96bn 7900 out of 9700 self-owned trucks were high capacity 2) Sorting hub operation costs increased 28.4% to ¥ 1.65bn 3) ¥ 775.6mn KA costs increased 81.6%
<b>Gross profit</b>	<b>1,858</b>	<b>1,996</b>	<b>-6.9%</b>	¥ 1.8bn from core business, decreased 9.5%
<i>Gross profit %</i>	<i>22.5%</i>	<i>29.2%</i>	<i>-6.6pts</i>	23.6% for core express delivery business (30.5% @ 4Q19)
SG&A	-418	-392	6.5%	SG&A excluding SBC was 5.1% of revenues (5.6% @ 4Q19)
<i>Includes Share-based compensation (SBC)</i>	<i>-</i>	<i>11</i>		
Other operating income/(loss), net	126	206		¥ 32.3mn gov't subsidies and tax rebates ( ¥ 45.5mn @4Q19), ¥ 36.6mn VAT super deduction ( ¥ 113.2mn @4Q19)
<b>Income from operations</b>	<b>1,567</b>	<b>1,810</b>	<b>-13.4%</b>	
<i>Operating profit %</i>	<i>19.0%</i>	<i>26.4%</i>	<i>-7.5pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>1,567</i>	<i>1,820</i>	<i>-13.9%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>19.0%</i>	<i>26.6%</i>	<i>-7.6pts</i>	
Interest income (net)	93	148	-36.9%	
Fair value change at financial instruments	-1	-		
Equity disposal gain/(loss) <i>(Non GAAP excluded)</i>	1	-2		
Foreign currency exchange gain/(loss)	-82	-12		
Impairment on equity investment <i>(Non GAAP excluded)</i>	-	-56		
Unrealized gain from investment in equity investee <i>(Non GAAP excluded)</i>	-	754		
Income before income tax and equity pickup	1,578	2,642		
Income tax expenses	-290	-331		
Equity pickup	3	6		
<b>Net income</b>	<b>1,292</b>	<b>2,317</b>	<b>-44.3%</b>	
<i>Net income%</i>	<i>15.6%</i>	<i>33.8%</i>	<i>-18.2pts</i>	
<i>Adjusted net income (Non GAAP)</i>	<i>1,291</i>	<i>1,632</i>	<i>-20.9%</i>	Adjusted net income margin was 15.6% (23.8% @ 4Q19)
<b>EBITDA</b>	<b>2,120</b>	<b>3,029</b>	<b>-30.0%</b>	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>2,119</i>	<i>2,344</i>	<i>-9.6%</i>	
<i>Adjusted Basic EPS (Non GAAP) ( ¥RMB in Yuan)</i>	<i>1.55</i>	<i>2.10</i>	<i>-26.2%</i>	

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Cost of Revenue (excluding COE)	1.08	1.23	+15 cents	Core express delivery unit cost decreased 12.1%
- transportation cost per parcel	0.55	0.65	+10 cents	Main drivers: 1) 88% of parcel volume transported by self-owned trucks (69% @4Q19) 2) 81% of self-owned trucks were high-capacity trucks (72% @4Q19)
- sorting hub cost per parcel	0.31	0.35	+4 cents	Main drivers: 1) 339 sets of automated sorting equipment in use (265 sets @ 4Q19), 80% of volume processed by automation (70% @4Q19) 2) Temp. headcount control in place
Gross profit (excluding COE)	0.33	0.54	-21 cents	ASP decline partially offset by cost productivity gain
<i>SG&amp;A excluding SBC (Non GAAP)</i>	<i>0.08</i>	<i>0.10</i>	<i>-2 cents</i>	Healthy corporate structure and positive scale leverage
<i>Adjusted income from operations (Non GAAP)</i>	<i>0.29</i>	<i>0.49</i>	<i>-20 cents</i>	
Cash and Capex (RMB in Million)				
	4Q20	4Q19	Diff	Comments
Operating cash flow	2,040	2260	-220	
CapEx	3,019	1,787	1232	¥ 1189mn land acquisition and sorting hub construction ¥ 213mn self-owned trucks ¥ 1451mn automation equipment
Cash and Cash Equivalents	18,036	16,391	1,646	Excluding ¥ 1.84bn cash on deposits maturing in one year or longer