

ZTO Express (Cayman) Inc.
4Q21 and FY2021 Financial Details for Earnings Call
March 17, 2022

Financial Performance

	2021	2020	V%	Comments
Parcel package volume (in Billion)	22.29	17.00	31.1%	1.2pts above industry avg.; maintained #1 market share 20.6% (20.4% @2020)
<i>(¥ RMB in Million)</i>				
Revenues	30,406	25,214	20.6%	¥ 28.88bn from core express delivery business, increased 23.7% 1) ¥ 4.61bn from KA customers, increased 28.8% on 28.0% KA volume growth ¥1.53bn freight forwarding revenues decreased 17.9%
COGS	<u>-23,816</u>	<u>-19,377</u>	22.9%	¥ 22.49bn from core express delivery business, increased 27.3% 1) Line haul transportation costs increased 32.1% to ¥ 11.49bn 2) Sorting hub operation costs increased 29.7% to ¥ 6.77bn 3) ¥ 2.53bn KA costs increased 11.9% ¥1.33bn freight forwarding costs decreased 22.5%
Gross profit	6,589	5,837	12.9%	¥ 6.39bn from core business, increased 12.3%
<i>Gross profit %</i>	<i>21.7%</i>	<i>23.1%</i>	<i>-1.5pts</i>	22.1% for core express delivery business (24.4% @2020)
SG&A	-1,876	-1,664	12.8%	SG&A excluding SBC was 5.4% of revenues (5.6% @ 2020)
Other operating income/(loss), net	<u>790</u>	<u>581</u>		¥ 432.2mn VAT super deduction (¥ 181.9mn @2020), ¥ 250.9mn gov't subsidies and tax rebates (¥ 227.5mn @2020), ¥ 54.6mn ADR rebate fee (¥ 146.2mn @2020)
Income from operations	5,503	4,754	15.7%	
<i>Operating profit %</i>	<i>18.1%</i>	<i>18.9%</i>	<i>-0.8pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>5,751</i>	<i>5,019</i>	<i>14.6%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>18.9%</i>	<i>19.9%</i>	<i>-1pts</i>	
Interest income (net)	237	407	-41.7%	
Fair value change at financial instruments	53	-1		
Equity disposal gain/(loss) <i>(Non GAAP excluded)</i>	2	1		
Foreign currency exchange gain/(loss)	<u>-56</u>	<u>-127</u>		
Income before income tax and equity pickup	5,739	5,035		
Income tax expenses	-1,005	-690		3Q20 included ¥ 200.7mn "Key Software Enterprise" tax credit for 2019
Equity pickup	<u>-32</u>	<u>-19</u>		
Net income	4,701	4,326	8.7%	
<i>Net income%</i>	<i>15.5%</i>	<i>17.2%</i>	<i>-1.7pts</i>	
<i>Adjusted net income (Non GAAP)</i>	<i>4,947</i>	<i>4,590</i>	<i>7.8%</i>	
<i>Adjusted net income (Non GAAP)%</i>	<i>16.3%</i>	<i>18.2%</i>	<i>-1.9pts</i>	
EBITDA	8,055	6,892	16.9%	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>8,301</i>	<i>7,155</i>	<i>16.0%</i>	
<i>Adjusted Basic EPS (Non GAAP) (¥ RMB in Yuan)</i>	<i>6.10</i>	<i>5.75</i>	<i>6.1%</i>	

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Unit Economics (RMB per parcel)				
	2021	2020	Impact (+/-)	Comments (+positive/-negative impact)
ASP (excluding COE)	1.30	1.37	-7 cents	Core ASP declined 5.7%: avg. parcel weight declined ~3 cents(-), volume incentives increased ~4 cents(-)
Cost of Revenue (excluding COE)	1.01	1.04	+3 cents	Core express delivery unit cost decreased 2.9%
- transportation cost per parcel	0.52	0.51	-1 cents	Main drivers: 1) ~83% of self-owned trucks were high-capacity trucks (~81% @2020) (+) 2) Improved load rate (+) 3) Diesel price continued to rise, increased ~2 cents (-) 4) National toll road fee waiver policy from Feb to May 2020 during COVID-19 (-)
- sorting hub cost per parcel	0.30	0.31	+1 cents	Main drivers: 1) 385 sets of automated sorting equipment in use (339 sets @ 2020) (+) 2) ~83% of volume processed by automation (~77% @2020) (+) 3) Increased depreciation & amortization (-)
Gross profit (excluding COE)	0.29	0.33	-4 cents	ASP decline partially offset by scale leverage and cost productivities
SG&A excluding SBC (Non GAAP)	0.07	0.08	+1 cents	Highly efficient corporate cost structure
Adjusted income from operations (Non GAAP)	0.26	0.30	-4 cents	

Cash and Capex (RMB in Million)				
	2021	2020	Diff	Comments
Operating cash flow	7,220	4,951	2269	
CapEx	9,328	9,208	120	Approx. ¥ 6950mn land use rights acquisition and sorting hub construction ¥ 600mn self-owned trucks ¥ 1600mn automation equipment
Cash and Cash Equivalents	12,594	18,036	-5442	Excluding ¥ 1.21bn cash on deposits maturing in one year or longer

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	4Q21	4Q20	V%	Comments
Parcel package volume (in Billion)	6.34	5.41	17.2%	1.4pts above industry avg.; 20.1% market share (19.9% @4Q20)
<i>(¥RMB in Million)</i>				
Revenues	9,218	8,257	11.6%	¥ 8.84bn from core express delivery business, increased 15.7%; 1) ¥ 1.43bn from KA customers, increased 25.8% on 2.9% KA volume growth ¥378mn freight forwarding revenues decreased 38.9%
COGS	<u>-6,967</u>	<u>-6,399</u>	8.9%	¥ 6.64bn from core express delivery business, increased 13.8% 1) Line haul transportation costs increased 13.3% to ¥ 2.35bn 2) Sorting hub operation costs increased 22.1% to ¥ 2.01bn 3) ¥ 782mn KA costs, increased 0.8% ¥ 323mn freight forwarding costs decreased 42.5%
Gross profit	2,251	1,858	21.1%	¥ 2.20bn from core business, increased 21.9%
<i>Gross profit %</i>	<i>24.4%</i>	<i>22.5%</i>	<i>1.9pts</i>	24.8% for core express delivery business (23.6% @4Q20)
SG&A	-472	-418	13.1%	5.1% of revenues (5.1% @4Q20)
Other operating income/(loss), net	<u>275</u>	<u>126</u>		¥ 56.7mn gov't subsidies and tax rebates (¥ 32.2mn @4Q20), ¥ 140.5mn VAT super deduction (¥ 36.6mn @4Q20), ¥ 54.6mn ADR fee rebate (¥ 53.5mn @4Q20)
Income from operations	2,054	1,567	31.1%	
<i>Operating profit %</i>	<i>22.3%</i>	<i>19.0%</i>	<i>3.3pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>2,054</i>	<i>1,567</i>	<i>31.1%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>22.3%</i>	<i>19.0%</i>	<i>3.3pts</i>	
Interest income (net)	69	93	-25.7%	
Fair value change at financial instruments	-0	-1		
Equity disposal gain/(loss) <i>(Non GAAP excluded)</i>	2	1		
Foreign currency exchange gain/(loss)	<u>-22</u>	<u>-82</u>		
Income before income tax and equity pickup	2,103	1,578		
Income tax expenses	-371	-290		
Equity pickup	<u>16</u>	<u>3</u>		
Net income	1,748	1,292	35.3%	
<i>Net income%</i>	<i>19.0%</i>	<i>15.6%</i>	<i>3.3pts</i>	
<i>Adjusted net income (Non GAAP)</i>	<i>1,745</i>	<i>1,291</i>	<i>35.2%</i>	
<i>Adjusted net income (Non GAAP)%</i>	<i>18.9%</i>	<i>15.6%</i>	<i>3.3pts</i>	
EBITDA	2,742	2,120	29.3%	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>2,739</i>	<i>2,119</i>	<i>29.3%</i>	
<i>Adjusted Basic EPS (Non GAAP) (¥RMB in Yuan)</i>	<i>2.18</i>	<i>1.55</i>	<i>40.6%</i>	

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ASP (excluding COE)	1.39	1.41	-2 cents	Core ASP declined 1.3%: avg. parcel weight declined ~1 cent(-), volume incentives increased ~1 cent(-)
Cost of Revenue (excluding COE)	1.05	1.08	+3 cents	Core express delivery unit cost decreased 2.9%
- transportation cost per parcel	0.53	0.55	+2 cents	Main drivers: 1) ~83% of self-owned trucks were high-capacity trucks (~81% @4Q20) (+) 2) Improved load rate (+) 3) Diesel price continued to rise, increased ~3 cents (-)
- sorting hub cost per parcel	0.32	0.31	-1 cents	Main drivers: 1) 385 sets of automated sorting equipment in use (339 sets @ 4Q20) (+) 2) ~92% of volume processed by automation (~80% @4Q20) (+) 3) Increased depreciation & amortization (-) 4) Increased labor cost during peak season (-)
Gross profit (excluding COE)	0.35	0.33	+2 cents	Scale leverage and cost productivities absorbed ASP decline
<i>SG&A excluding SBC (Non GAAP)</i>	<i>0.07</i>	<i>0.08</i>	<i>+1 cents</i>	Highly efficient corporate cost structure
<i>Adjusted income from operations (Non GAAP)</i>	<i>0.32</i>	<i>0.29</i>	<i>+3 cents</i>	

Cash and Capex (RMB in Million)				
	4Q21	4Q20	Diff	Comments
Operating cash flow	3,024	2,040	984	
CapEx	2,252	3,019	-767	Approx. ¥ 1650mn land use rights acquisition and sorting hub construction ¥ 50mn self-owned trucks ¥ 550mn automation equipment
Cash and Cash Equivalents	12,594	18,036	-5442	Excluding ¥ 1.21bn cash on deposits maturing in one year or longer