

ZTO Express (Cayman) Inc.
2Q&1H 2023 Financial Details for Earnings Call
Aug 30, 2023

Financial Performance				
	2Q23	2Q22	V%	Comments
Parcel package volume (in Billion)	7.68	6.20	23.8%	2.9pts above industry avg.; 23.5% market share (23.0% @2Q22)
<i>(¥RMB in Million)</i>				
Revenues	9,740	8,657	12.5%	¥ 9.50bn from core express delivery business, increased 14.1% 1) ¥ 730.9mn from KA customers, decreased 40.1% on 40.7% KA volume decrease ¥ 238.9mn freight forwarding revenues, decreased 27.6%
COGS	-6,436	-6,454	-0.3%	¥ 6.21bn from core express delivery business, increased 1.1% 1) ¥ 3.20bn line haul transportation costs, increased 5.6% 2) ¥ 1.93bn sorting hub operation costs, increased 2.3% 3) ¥ 396.6mn KA costs, decreased 39.4% ¥ 222.3mn freight forwarding costs, decreased 27.6%
Gross profit	3,304	2,203	50.0%	¥ 3.29bn from core express delivery business, increased 50.8%
<i>Gross profit %</i>	<i>33.9%</i>	<i>25.4%</i>	<i>8.5pts</i>	34.6% for core express delivery business (26.2% @2Q22)
SG&A	-505	-457	10.4%	SG&A excl. SBC as 5.2% of revenues (5.3% @2Q22)
Other operating income/(loss), net	79	240		1) ¥ 68.0mn gov't subsidies and tax rebates (¥ 145.8mn @2Q22) 2) ¥ 41.9mn VAT super deduction (¥ 56.6mn @2Q22)
Income from operations	2,879	1,986	45.0%	
<i>Operating profit %</i>	<i>29.6%</i>	<i>22.9%</i>	<i>6.6pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>2,879</i>	<i>1,986</i>	<i>45.0%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>29.6%</i>	<i>22.9%</i>	<i>6.6pts</i>	
Interest income (net)	95	95	-0.5%	
Fair value changes of financial instruments	52	-14		
Equity disposal gain/(loss) <i>(Non GAAP excluded)</i>	-1	-		
Currency exchange gain/(loss)	81	120		
Income before income tax and equity pickup	3,106	2,187	42.0%	
Income tax expenses	-576	-438		Adjusted ETR 18.5% (19.1% @2Q22), increase in local earnings, taxed @15%
Equity pickup	0	10		
Net income	2,530	1,759	43.9%	
<i>Net income%</i>	<i>26.0%</i>	<i>20.3%</i>	<i>5.7pts</i>	
<i>Adjusted net income (Non GAAP)</i>	<i>2,531</i>	<i>1,759</i>	<i>43.9%</i>	
<i>Adjusted net income (Non GAAP)%</i>	<i>26.0%</i>	<i>20.3%</i>	<i>5.7pts</i>	
EBITDA	3,883	2,892	34.3%	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>3,884</i>	<i>2,892</i>	<i>34.3%</i>	
<i>Adjusted Basic EPS (Non GAAP) (¥RMB in Yuan)</i>	<i>3.14</i>	<i>2.23</i>	<i>40.8%</i>	

* may contain rounding differences

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Unit Economics (RMB per parcel)				
	2Q23	2Q22	Impact (+/-)	Comments (+positive/-negative impact)
ASP (excluding COE)	1.24	1.34	-10 cents	Core express delivery ASP decreased 7.8% (lower avg. parcel weight -3 cents, less % of KA volume -6 cents, pricing policy refinement +2 cents, incentives -3 cents)
Cost of Revenue (excluding COE)	0.81	0.99	+18 cents	Core express delivery unit cost decreased 18.3%
- transportation cost per parcel	0.42	0.49	+7 cents	1) Improved load rate (+) 2) Diesel price declined, decreased ~2 cents (+) 3) Better economies of scale (+) 4) Real-time data monitoring and analytics to optimize route planning (+)
- sorting hub cost per parcel	0.25	0.30	+5 cents	1) Improved standardization in operating procedures with improved labor productivity (+) 2) 460 sets of automated sorting equipment in use (431 sets @2Q22) (+)
Gross profit (excluding COE)	0.43	0.35	+8 cents	Increased revenues and cost productivity gain
<i>SG&A excluding SBC (Non GAAP)</i>	<i>0.07</i>	<i>0.07</i>	<i>Flat</i>	Stable corporate cost structure & leverage
<i>Adjusted income from operations (Non GAAP)</i>	<i>0.37</i>	<i>0.32</i>	<i>+5 cents</i>	

Cash and Capex (RMB in Million)				
	2Q23	2Q22	Diff	Comments
Operating cash flow	3,762	3,781	-19	
CapEx	2,201	1,535	665	Approx. ¥ 1,750mn land use rights and sorting hub construction ¥ 440mn automation equipment
Cash and Cash Equivalents	16,590	15,524	1,066	Excluding ¥ 10.86bn cash on deposits maturing in one year or longer

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Financial Performance				
	1H23	1H22	V%	Comments
Parcel package volume (in Billion)	13.97	11.43	22.3%	6.1pts above industry avg.; 23.5% market share (22.3% @1H22)
<i>(¥RMB in Million)</i>				
Revenues	18,724	16,561	13.1%	¥ 18.29bn from core express delivery business, increased 15.0% 1) ¥ 1.78bn from KA customers, decreased 24.9% on 26.6% KA volume decrease ¥ 431.6mn freight forwarding revenues, decreased 34.7%
COGS	<u>-12,896</u>	<u>-12,738</u>	1.2%	¥ 12.49bn from core express delivery business, increased 3.0% 1) ¥ 6.38bn line haul transportation costs, increased 6.6% 2) ¥ 3.95bn sorting hub operation costs, increased 4.7% 3) ¥ 930.3mn KA costs, decreased 25.5% ¥ 405.2mn freight forwarding costs, decreased 34.1%
Gross profit	5,828	3,822	52.5%	¥ 5.80bn from core express delivery business, increased 53.6%
<i>Gross profit %</i>	<i>31.1%</i>	<i>23.1%</i>	<i>8pts</i>	31.7% for core express delivery business (23.7% @1H22)
SG&A	-1,291	-1,075	20.1%	SG&A excl. SBC as 5.5% of revenues (5.4% @1H22)
Other operating income/(loss), net	<u>293</u>	<u>355</u>		1) ¥ 167.4mn gov't subsidies and tax rebates (¥ 195.7mn @1H22) 2) ¥ 111.4mn VAT super deduction (¥ 124.9mn @1H22)
Income from operations	4,829	3,102	55.7%	
<i>Operating profit %</i>	<i>25.8%</i>	<i>18.7%</i>	<i>7.1pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>5,084</i>	<i>3,281</i>	<i>55.0%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>27.2%</i>	<i>19.8%</i>	<i>7.3pts</i>	
Interest income (net)	115	147	-21.6%	
Fair value changes of financial instruments	207	-14		
Equity disposal gain/(loss) <i>(Non GAAP excluded)</i>	-1	-		
Currency exchange gain/(loss)	<u>71</u>	<u>107</u>		
Income before income tax and equity pickup	5,222	3,341	56.3%	
Income tax expenses	-1,031	-693		Adjusted ETR 18.5% (19.1% @1H22), increase in local earnings, taxed @15%
Equity pickup	<u>4</u>	<u>-13</u>		
Net income	4,195	2,634	59.3%	
<i>Net income%</i>	<i>22.4%</i>	<i>15.9%</i>	<i>6.5pts</i>	
<i>Adjusted net income (Non GAAP)</i>	<i>4,451</i>	<i>2,813</i>	<i>58.2%</i>	
<i>Adjusted net income (Non GAAP)%</i>	<i>23.8%</i>	<i>17.0%</i>	<i>6.8pts</i>	
EBITDA	6,761	4,715	43.4%	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>7,017</i>	<i>4,894</i>	<i>43.4%</i>	
<i>Adjusted Basic EPS (Non GAAP) (¥RMB in Yuan)</i>	<i>5.52</i>	<i>3.57</i>	<i>54.6%</i>	

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Cost of Revenue (excluding COE)	0.89	1.06	+17 cents	Core express delivery unit cost decreased 15.7%
- <i>transportation cost per parcel</i>	0.46	0.52	+6 cents	1) Improved load rate (+) 2) Diesel price declined, decreased ~2 cents (+) 3) Better economies of scale (+) 4) Real-time data monitoring and analytics to optimize route planning (+)
- <i>sorting hub cost per parcel</i>	0.28	0.33	+5 cents	1) Improved standardization in operating procedures with improved labor productivity (+) 2) 460 sets of automated sorting equipment in use (431 sets @1H22) (+)
Gross profit (excluding COE)	0.42	0.33	+9 cents	Increased revenues and cost productivity gain
<i>SG&A excluding SBC (Non GAAP)</i>	<i>0.07</i>	<i>0.08</i>	<i>+1 cents</i>	Healthy corporate cost structure & leverage
<i>Adjusted income from operations (Non GAAP)</i>	<i>0.33</i>	<i>0.26</i>	<i>+7 cents</i>	

Cash and Capex (RMB in Million)				
	1H23	1H22	Diff	Comments
Operating cash flow	6,500	4,886	1,613	
CapEx	4,502	3,337	1,166	Approx. ¥ 3,440mn land use rights and sorting hub construction ¥ 1,020mn automation equipment
Cash and Cash Equivalents	16,590	15,524	1,066	Excluding ¥ 10.86bn cash on deposits maturing in one year or longer