

ZTO Express (Cayman) Inc.
3Q 2023 Financial Details for Earnings Call
Nov 17, 2023

Financial Performance				
	3Q23	3Q22	V%	Comments
Parcel package volume (in Billion)	7.52	6.37	18.1%	1.4 pts above industry avg.; 22.4% market share (22.1% @3Q22)
<i>(¥RMB in Million)</i>				
Revenues	9,076	8,945	1.5%	¥ 8.84bn from core express delivery business, increased 2.2% 1) ¥ 584.7mn from KA customers, decreased 51.3% on 55.0% KA volume decrease ¥ 238.6mn freight forwarding revenues, decreased 19.8%
COGS	<u>-6,369</u>	<u>-6,501</u>	-2.0%	¥ 6.15bn from core express delivery business, decreased 1.1% 1) ¥ 3.25bn line haul transportation costs, increased 4.6% 2) ¥ 2.05bn sorting hub operation costs, increased 5.9% 3) ¥ 297.3mn KA costs, decreased 51.3% ¥ 221.7mn freight forwarding costs, decreased 21.9%
Gross profit	2,706	2,444	10.7%	¥ 2.69bn from core express delivery business, increased 10.7%
<i>Gross profit %</i>	<i>29.8%</i>	<i>27.3%</i>	<i>2.5pts</i>	30.4% for core express delivery business (28.1% @3Q22)
SG&A	-434	-441	-1.7%	SG&A excl. SBC as 4.8% of revenues (4.9% @3Q22)
Other operating income/(loss), net	<u>151</u>	<u>172</u>		1) ¥ 38.3mn gov't subsidies and tax rebates (¥ 111.5mn @3Q22) 2) ¥ 94.2mn VAT super deduction (¥ 48.2mn @3Q22)
Income from operations	2,424	2,175	11.4%	
<i>Operating profit %</i>	<i>26.7%</i>	<i>24.3%</i>	<i>2.4pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>2,424</i>	<i>2,175</i>	<i>11.4%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>26.7%</i>	<i>24.3%</i>	<i>2.4pts</i>	
Interest income (net)	163	131	24.4%	
Fair value changes of financial instruments	9	-23		
Currency exchange gain/(loss)	<u>5</u>	<u>31</u>		
Income before income tax and equity pickup	2,610	2,348	11.2%	
Income tax expenses	-271	-439		3Q23 was reduced by ¥ 207.1mn tax credit for "Key Software Enterprise" (FYE22) Adjusted ETR was 17.4% (17.9% @3Q22)
Equity pickup	<u>11</u>	<u>-13</u>		
Net income	2,350	1,895	24.0%	
<i>Net income%</i>	<i>25.9%</i>	<i>21.2%</i>	<i>4.7pts</i>	
<i>Adjusted net income (Non GAAP)</i>	<i>2,341</i>	<i>1,873</i>	<i>25.0%</i>	
<i>Adjusted net income (Non GAAP)%</i>	<i>25.8%</i>	<i>20.9%</i>	<i>4.9pts</i>	
EBITDA	3,449	3,032	13.8%	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>3,439</i>	<i>2,998</i>	<i>14.7%</i>	
<i>Adjusted Basic EPS (Non GAAP) (¥RMB in Yuan)</i>	<i>2.89</i>	<i>2.36</i>	<i>22.5%</i>	

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Unit Economics (RMB per parcel)				
	3Q23	3Q22	Impact (+/-)	Comments (+positive/-negative impact)
ASP (excluding COE)	1.17	1.36	-19 cents	Core express delivery ASP decreased 13.5% (lower avg. parcel weight -4 cents, decrease in proportion of KA volume -8 cents, volume incentives -7 cents)
Cost of Revenue (excluding COE)	0.82	0.98	+16 cents	Core express delivery unit cost decreased 16.3%
- transportation cost per parcel	0.43	0.49	+6 cents	1) Better economies of scale (+) 2) Improved load rate (+) 3) Real-time data monitoring and analytics to optimize route planning (+) 4) Diesel price declined, decreased ~1 cents (+)
- sorting hub cost per parcel	0.27	0.30	+3 cents	1) Better economies of scale (+) 2) Improved standardization in operating procedures with improved labor productivity (+) 3) Increased automation, 482 sets of auto. sorting equipment in use (441 sets @3Q22) (+)
Gross profit (excluding COE)	0.36	0.38	-2 cents	ASP decline largely absorbed by cost productivity gain
<i>SG&A excluding SBC (Non GAAP)</i>	<i>0.06</i>	<i>0.07</i>	<i>-1 cents</i>	Efficient corporate cost structure & positive leverage
<i>Adjusted income from operations (Non GAAP)</i>	<i>0.32</i>	<i>0.34</i>	<i>-2 cents</i>	
Cash and Capex (RMB in Million)				
	3Q23	3Q22	Diff	Comments
Operating cash flow	2,938	2,823	115	
CapEx	1,272	2,055	-783	Approx. ¥ 910mn land use rights and sorting hub construction ¥ 350mn automation equipment
Cash and Cash Equivalents	17,731	21,918	-4,188	Excluding ¥ 14.24bn cash on deposits maturing in one year or longer