

ZTO Express (Cayman) Inc.
4Q23 and FY2023 Financial Details for Earnings Call
Mar 20, 2024

Financial Performance				
	2023	2022	V%	Comments
Parcel package volume (in Billion)	30.20	24.39	23.8%	4.5pts above industry avg.; 22.9% market share (↑0.8pts, 22.1% @2022)
<i>(¥ RMB in Million)</i>				
Revenues	38,419	35,377	8.6%	¥37.51bn from core express delivery business, increased 9.8% 1) ¥3.05bn from KA customers, decreased 37.3% on 40.1% KA volume decrease ¥0.91bn freight forwarding revenues decreased 25.2%
COGS	<u>-26,756</u>	<u>-26,338</u>	1.6%	¥25.90bn from core express delivery business, increased 2.8% 1) Line haul transportation costs increased 8.9% to ¥13.59bn 2) Sorting hub operation costs increased 5.2% to ¥8.25bn 3) ¥1.62bn KA costs decreased 35.8% ¥0.85bn freight forwarding costs decreased 24.9%
Gross profit	11,663	9,039	29.0%	¥11.61bn from core business, increased 29.5%
<i>Gross profit %</i>	<i>30.4%</i>	<i>25.6%</i>	<i>4.8pts</i>	31.0% for core express delivery business (26.2% @2022)
SG&A	-2,425	-2,077	16.7%	SG&A excluding SBC was 5.6% of revenues (5.4% @ 2022)
Other operating income/(loss), net	<u>771</u>	<u>775</u>		1) ¥397.0mn gov't subsidies and tax rebates (¥346.1mn @2022) 2) ¥277.4mn VAT super deduction (¥273.4mn @2022), 3) ¥53.0mn ADR fee rebate (¥59.9mn @2022)
Income from operations	10,008	7,736	29.4%	
<i>Operating profit %</i>	<i>26.0%</i>	<i>21.9%</i>	<i>4.2pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>10,263</i>	<i>7,915</i>	<i>29.7%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>26.7%</i>	<i>22.4%</i>	<i>4.3pts</i>	
Interest income (net)	417	313	33.2%	
Fair value changes of financial instruments	165	46		Included ¥100mn write off of Zhongrong trust products
Currency exchange gain/(loss)	<u>94</u>	<u>147</u>		
Income before income tax and equity pickup	10,689	8,286	29.0%	
Income tax expenses	-1,939	-1,633		2023 included 1) ¥207.1mn "Key Software Enterprise" tax credit for 2022; 2) Approx. ¥0.2bn accrued withholding tax on '23 annual dividend payable Adjusted ETR 17.6% (19.1%@2022)
Equity pickup	<u>4</u>	<u>6</u>		
Net income	8,754	6,659	31.5%	
<i>Net income%</i>	<i>22.8%</i>	<i>18.8%</i>	<i>4.0pts</i>	
<i>Adjusted net income (Non GAAP)</i>	<i>9,006</i>	<i>6,806</i>	<i>32.3%</i>	
<i>Adjusted net income (Non GAAP)%</i>	<i>23.4%</i>	<i>19.2%</i>	<i>4.2pts</i>	
EBITDA	13,858	11,153	24.2%	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>14,107</i>	<i>11,289</i>	<i>25.0%</i>	
<i>Adjusted Basic EPS (Non GAAP) (¥RMB in Yuan)</i>	<i>11.14</i>	<i>8.59</i>	<i>29.7%</i>	

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Unit Economics (RMB per parcel)				
	2023	2022	Impact (+/-)	Comments (+positive/-negative impact)
ASP (excluding COE)	1.24	1.40	-16 cents	Core express delivery ASP decreased 11.3% (decrease in proportion of KA volume -7 cents, volume incentives -5 cents, lower avg. parcel weight -4 cents)
Cost of Revenue (excluding COE)	0.86	1.03	+17 cents	Core express delivery unit cost decreased 17.0%, among which unit KA cost decreased 5 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 (+)
- transportation cost per parcel	0.45	0.51	+6 cents	
- sorting hub cost per parcel	0.27	0.32	+5 cents	
<i>SG&A excluding SBC (Non GAAP)</i>	0.07	0.08	+1 cent	Efficient corporate cost structure & positive leverage
<i>Adjusted income from operations (Non GAAP)</i>	0.34	0.32	+2 cents	
Cash and Capex (RMB in Million)				
	2023	2022	Diff	Comments
Operating cash flow	13,361	11,479	1,882	
CapEx	6,670	7,234	-564	Approx. ¥4,890mn land use rights acquisition and sorting hub construction ¥1,720mn automation equipment
Cash and Cash Equivalents	20,475	18,342	2,133	Excluding ¥7.32bn cash on deposits maturing in one year or longer

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Financial Performance				
	4Q23	4Q22	V%	Comments
Parcel package volume (in Billion)	8.70	6.59	32.0%	4.8 pts above industry avg.; 22.4% market share (21.6% @4Q22)
<i>(¥ RMB in Million)</i>				
Revenues	10,619	9,871	7.6%	¥10.38bn from core express delivery business, increased 8.0% 1) ¥684.5mn from KA customers, decreased 47.0% on 51.2% KA volume decrease ¥236.6mn freight forwarding revenues, decreased 6.9%
COGS	<u>-7,491</u>	<u>-7,099</u>	5.5%	¥7.26bn from core express delivery business, increased 5.9% 1) ¥3.96bn line haul transportation costs, increased 16.8% 2) ¥2.26bn sorting hub operation costs, increased 5.5% 3) ¥391.8mn KA costs, decreased 41.1% ¥227.5mn freight forwarding costs, decreased 4.6%
Gross profit	3,128	2,773	12.8%	¥3.12bn from core express delivery business, increased 13.1%
<i>Gross profit %</i>	<i>29.5%</i>	<i>28.1%</i>	<i>1.4pts</i>	30.0% for core express delivery business (28.7% @4Q22)
SG&A	-700	-561	24.9%	Included ¥85.6mn provision of losses from a credit loan to an equipment supplier SG&A excl. such provision was 5.8% of revenues (5.7% @4Q22)
Other operating income/(loss), net	<u>327</u>	<u>248</u>		1) ¥191.2mn gov't subsidies and tax rebates (¥38.9mn @4Q22) 2) ¥71.8mn VAT super deduction (¥100.3mn @4Q22) 3) ¥53.0mn ADR fee rebate (¥9.9mn @4Q22)
Income from operations	2,755	2,460	12.0%	
<i>Operating profit %</i>	<i>25.9%</i>	<i>24.9%</i>	<i>1.0pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>2,755</i>	<i>2,460</i>	<i>12.0%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>25.9%</i>	<i>24.9%</i>	<i>1.0pts</i>	
Interest income (net)	140	36	291.8%	
Fair value changes of financial instruments	-51	84		Included ¥100mn write off of Zhongrong trust products
Currency exchange gain/(loss)	<u>18</u>	<u>9</u>		
Income before income tax and equity pickup	2,857	2,597	10.0%	
Income tax expenses	-637	-501		Included approx. ¥0.2bn accrued withholding tax on '23 annual dividend payable Adjusted ETR 15.3% (19.5% @4Q22)
Equity pickup	<u>-10</u>	<u>33</u>		
Net income	2,210	2,129	3.8%	
<i>Net income%</i>	<i>20.8%</i>	<i>21.6%</i>	<i>-0.8pts</i>	
<i>Adjusted net income (Non GAAP)</i>	<i>2,214</i>	<i>2,120</i>	<i>4.4%</i>	
<i>Adjusted net income (Non GAAP)%</i>	<i>20.9%</i>	<i>21.5%</i>	<i>-0.6pts</i>	
EBITDA	3,647	3,407	7.1%	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>3,652</i>	<i>3,397</i>	<i>7.5%</i>	
<i>Adjusted Basic EPS (Non GAAP) (¥RMB in Yuan)</i>	<i>2.73</i>	<i>2.66</i>	<i>2.6%</i>	

* may contain rounding differences

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	4Q23	4Q22	Impact (+/-)	Comments (+positive/-negative impact)
ASP (excluding COE)	1.19	1.46	-27 cents	Core express delivery ASP decreased 18.2% (volume incentives -13 cents, decrease in proportion of KA volume -9 cents, lower avg. parcel weight -5 cents)
Cost of Revenue (excluding COE)	0.83	1.04	+21 cents	Core express delivery unit cost decreased 16.3%, among which unit KA cost decreased 5 cents
- transportation cost per parcel	0.46	0.51	+5 cents	1) Better economies of scale (+) 2) Improved load rate (+) 3) Real-time data monitoring and analytics to optimize route planning (+)
- sorting hub cost per parcel	0.26	0.32	+6 cents	1) Better economies of scale (+) 2) Improved standardization in operating procedures with improved labor productivity (+) 3) Increased automation, 464 sets of auto. sorting equipment in use (458 sets @4Q22) (+)
<i>SG&A excluding SBC (Non GAAP)</i>	0.08	0.09	+1 cents	Efficient corporate cost structure & positive leverage
<i>Adjusted income from operations (Non GAAP)</i>	0.32	0.37	-5 cents	
Cash and Capex (RMB in Million)				
	4Q23	4Q22	Diff	Comments
Operating cash flow	3,923	3,770	153	
CapEx	895	1,842	-947	Approx. ¥540mn land use rights and sorting hub construction ¥350mn automation equipment
Cash and Cash Equivalents	20,475	18,342	2,133	Excluding ¥12.17bn cash on deposits maturing in one year or longer