

ZTO Express (Cayman) Inc.
2Q&1H 2024 Financial Details for Earnings Call
Aug 21, 2024

Financial Performance				
	2Q24	2Q23	V%	Comments
Parcel package volume (in Billion)	8.45	7.68	10.1%	11.2 pts below industry avg.; 19.6% market share (21.6% @2Q23 restated by SPB)
<i>(¥RMB in Million)</i>				
Revenues	10,726	9,740	10.1%	¥10.49bn from core express delivery business, increased 10.4% 1) ¥1,270.7mn from KA customers, increased 73.9% on 14.9% KA volume increase ¥233.2mn freight forwarding revenues, decreased 2.4%
COGS	-7,105	-6,436	10.4%	¥6.89bn from core express delivery business, increased 10.9% 1) ¥3.28bn line haul transportation costs, increased 2.6% 2) ¥2.23bn sorting hub operation costs, increased 15.1% 3) ¥734.9mn KA costs, increased 85.3% ¥216.7mn freight forwarding costs, decreased 2.5%
Gross profit	3,620	3,304	9.6%	¥3.60bn from core express delivery business, increased 9.6%
<i>Gross profit %</i>	<i>33.8%</i>	<i>33.9%</i>	<i>-0.1pts</i>	34.3% for core express delivery business (34.6% @2Q23)
SG&A	-593	-505	17.5%	SG&A excl. SBC was 5.5% of revenues (5.2% @2Q23)
Other operating income/(loss), net	188	79		1) ¥147.1mn of government subsidies and tax rebates (¥68.0mn @2Q23) 2) ¥40.6mn of rental and other income (¥-30.9mn @2Q23)
Income from operations	3,215	2,879	11.7%	
<i>Operating profit %</i>	<i>30.0%</i>	<i>29.6%</i>	<i>0.4pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>3,222</i>	<i>2,879</i>	<i>11.9%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>30.0%</i>	<i>29.6%</i>	<i>0.4pts</i>	
Interest income (net)	172	95		
Fair value changes of financial instruments	55	52		
Equity disposal gain/(loss) <i>(Non GAAP excluded)</i>	12	-1		
Currency exchange gain/(loss)	15	81		
Impairment on equity investment <i>(Non GAAP excluded)</i>	-194	-		Impairment losses on investment in "Cainiao Yizhan"
Income before income tax and equity pickup	3,275	3,106	5.4%	
Income tax expenses	-665	-576		Included ¥54.0mn accrual of withholding tax on distributable earnings planned for dividend payment of 2Q24 Adjusted ETR 17.7% (18.5% @2Q23)
Equity pickup	4	0		
Net income	2,614	2,530	3.3%	
<i>Net income%</i>	<i>24.4%</i>	<i>26.0%</i>	<i>-1.6pts</i>	
<i>Adjusted net income (Non GAAP)</i>	<i>2,806</i>	<i>2,531</i>	<i>10.9%</i>	
<i>Adjusted net income (Non GAAP)%</i>	<i>26.2%</i>	<i>26.0%</i>	<i>0.2pts</i>	
EBITDA	4,150	3,883	6.9%	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>4,340</i>	<i>3,884</i>	<i>11.7%</i>	
<i>Adjusted Basic EPS (Non GAAP) (¥RMB in Yuan)</i>	<i>3.48</i>	<i>3.14</i>	<i>10.8%</i>	

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Unit Economics (RMB per parcel)				
	2Q24	2Q23	Impact (+/-)	Comments (+positive/-negative impact)
ASP (excluding COE)	1.24	1.24	<i>Flat</i>	Core express delivery ASP remained stable (reverse parcels +6 cents, lower avg. parcel weight -2 cents, volume incentives -4cents)
Cost of Revenue (excluding COE)	0.82	0.81	-1 cent	Core express delivery unit cost increased 0.7%
- transportation cost per parcel	0.39	0.42	+3 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	0.25	-1 cent	1) Improved standardization in operating procedures (+) 2) Increased automation, 515 sets of auto. sorting equipment in use (460 sets @2Q23) (+) 3) Increased D&A costs on new equipment and facilities (-)
Gross profit (excluding COE)	0.43	0.43	<i>Flat</i>	Increased revenues and cost productivity gain
SG&A excluding SBC (Non GAAP)	0.07	0.07	<i>Flat</i>	Stable corporate cost structure & leverage
Adjusted income from operations (Non GAAP)	0.38	0.37	+1 cent	
Cash and Capex (RMB in Million)				
	2Q24	2Q23	Diff	Comments
Operating cash flow	3,480	3,762	-282	
CapEx	1,277	2,201	-924	Approx. ¥890mn land use rights and sorting hub construction ¥340mn automation equipment
Cash and Cash Equivalents	20,463	16,590	3,873	Excluding ¥14.03bn cash on deposits maturing in one year or longer

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Financial Performance				
	1H24	1H23	V%	Comments
Parcel package volume (in Billion)	15.62	13.97	11.8%	11.3pts below industry avg.; 19.5% market share (21.5% @1H23 restated by SPB)
<i>(¥RMB in Million)</i>				
Revenues	20,686	18,724	10.5%	¥20.25bn from core express delivery business, increased 10.7% 1) ¥2.24bn from KA customers, increased 26.2% on 11.6% KA volume decrease ¥436.0mn freight forwarding revenues, increased 1.0%
COGS	-14,063	-12,896	9.1%	¥13.66bn from core express delivery business, increased 9.3% 1) ¥ 6.65bn line haul transportation costs, increased 4.3% 2) ¥ 4.40bn sorting hub operation costs, increased 11.3% 3) ¥ 1,392.8mn KA costs, increased 49.7% ¥405.1mn freight forwarding costs, remain stable
Gross profit	6,623	5,828	13.6%	¥ 6.59bn from core express delivery business, increased 13.6%
<i>Gross profit %</i>	<i>32.0%</i>	<i>31.1%</i>	<i>0.9pts</i>	32.6% for core express delivery business (31.7% @1H23)
SG&A	-1,490	-1,291	15.4%	SG&A excl. SBC as 5.7% of revenues (5.5% @1H23)
Other operating income/(loss), net	349	293		1) ¥266.1mn gov't subsidies and tax rebates (¥ 167.4mn @1H23) 2) ¥80.8mn of rental and other income (¥13.8mn @1H23)
Income from operations	5,482	4,829	13.5%	
<i>Operating profit %</i>	<i>26.5%</i>	<i>25.8%</i>	<i>0.7pts</i>	
<i>Income from operations excluding SBC (Non GAAP)</i>	<i>5,787</i>	<i>5,084</i>	<i>13.8%</i>	
<i>Operating profit % excluding SBC (Non GAAP)</i>	<i>28.0%</i>	<i>27.2%</i>	<i>0.8pts</i>	
Interest income (net)	333	115		
Fair value changes of financial instruments	98	207		
Equity disposal gain/(loss) <i>(Non GAAP excluded)</i>	12	-1		
Currency exchange gain/(loss)	21	71		
Impairment on equity investment <i>(Non GAAP excluded)</i>	-673	-		Impairment losses on investment in "Cainiao" and "Cainiao Yizhan"
Income before income tax and equity pickup	5,273	5,222	1.0%	
Income tax expenses	-1,231	-1,031		Included ¥98.0mn accrual of withholding tax on distributable earnings planned for dividend payment of 1H24 Adjusted ETR 18.2% (18.5% @1H23)
Equity pickup	20	4		
Net income	4,062	4,195	-3.2%	
<i>Net income%</i>	<i>19.6%</i>	<i>22.4%</i>	<i>-2.8pts</i>	
<i>Adjusted net income (Non GAAP)</i>	<i>5,030</i>	<i>4,451</i>	<i>13.0%</i>	
<i>Adjusted net income (Non GAAP)%</i>	<i>24.3%</i>	<i>23.8%</i>	<i>0.5pts</i>	
EBITDA	7,034	6,761	4.0%	
<i>Adjusted EBITDA (Non GAAP)</i>	<i>8,000</i>	<i>7,017</i>	<i>14.0%</i>	
<i>Adjusted Basic EPS (Non GAAP) (¥RMB in Yuan)</i>	<i>6.21</i>	<i>5.52</i>	<i>12.5%</i>	

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ASP (excluding COE)	1.30	1.31	-1 cent	Core express delivery ASP decreased 1.0% (reverse parcels +4cents, lower avg. parcel weight -1 cent, volume incentives -4 cents)
Cost of Revenue (excluding COE)	0.87	0.89	+2 cents	Core express delivery unit cost decreased 2.2%
- transportation cost per parcel	0.43	0.46	+3 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	0.28	0.28	Flat	1) Improved standardization in operating procedures (+) 2) Increased automation, 515 sets of auto. sorting equipment in use (460 sets @1H23) (+) 3) Increased D&A costs on new equipment and facilities (-)
Gross profit (excluding COE)	0.42	0.42	Flat	Increased revenues and cost productivity gain
SG&A excluding SBC (Non GAAP)	0.08	0.07	-1 cent	Healthy corporate cost structure & leverage
Adjusted income from operations (Non GAAP)	0.37	0.36	+1 cent	
Cash and Capex (RMB in Million)				
	1H24	1H23	Diff	Comments
Operating cash flow	5,511	6,500	-988	
CapEx	2,969	4,502	-1533	Approx. ¥ 2,304mn land use rights and sorting hub construction ¥ 588mn automation equipment
Cash and Cash Equivalents	20,463	16,590	3,873	Excluding ¥14.03bn cash on deposits maturing in one year or longer