



ZTO Express

Q4 and Fiscal Year 2016 Investor Relations Presentation

February 28, 2017



This presentation contains “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements include but are not limited to our unaudited results for the fourth quarter of 2016, our management quotes and our financial outlook for the first quarter of 2017.

Our forward-looking statements are not historical facts but instead represent only our belief regarding expected results and events, many of which, by their nature, are inherently uncertain and outside of our control. Our actual results and other circumstances may differ, possibly materially, from the anticipated results and events indicated in these forward-looking statements. Announced results for the fourth quarter of 2016 are preliminary, unaudited and subject to audit adjustment. In addition, we may not meet our financial outlook for the first quarter of 2017 and may be unable to grow our business in the manner planned. We may also modify our strategy for growth. In addition, there are other risks and uncertainties that could cause our actual results to differ from what we currently anticipate, including those relating to the development of the e-commerce industry in China, our significant reliance on the Alibaba ecosystem, risks associated with our network partners and their employees and personnel, intense competition which could adversely affect our results of operations and market share, any service disruption of our sorting hubs or the outlets operated by our network partners or our technology system. For additional information on these and other important factors that could adversely affect our business, financial condition, results of operations, and prospects, please see our filings with the U.S. Securities and Exchange Commission.

All information provided in this presentation is as of the date of the presentation. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, after the date of this release, except as required by law.

Significant Scale



1,484m

parcel volume in Q4 2016

4,498m

parcels in FY2016



4,200+

Line-haul Vehicles⁽¹⁾



~26,000

Pickup/Delivery Outlets⁽²⁾



75

Sorting Hubs⁽³⁾

Robust Growth



44% YoY

parcel volume growth in Q4 2016

53% YoY

parcel volume growth in FY2016



46% YoY

revenue growth in Q4 2016



51% YoY

operating profit growth in Q4 2016



35% basic and

diluted earnings per ADS YoY growth in 2016

Superior Profitability



RMB976m

operating profit with operating margin of

31% in Q4 2016



RMB740m

net income with net margin of

23% in Q4 2016



RMB1.04

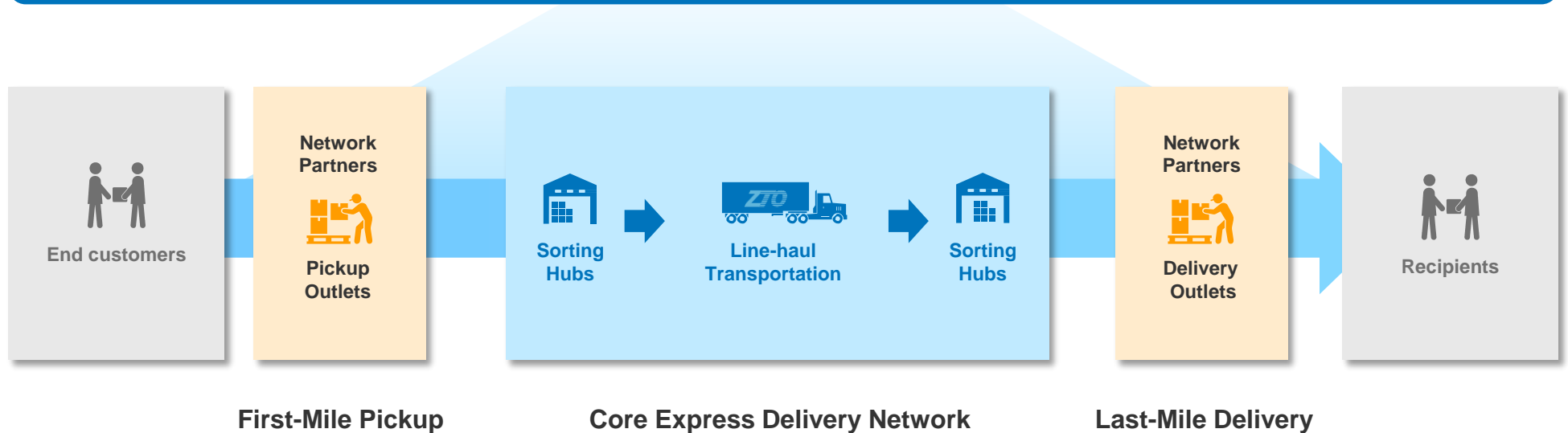
basic and diluted earnings per ADS in Q4 2016

Notes

1. Includes over 2,930 self-owned trucks as of December 31, 2016, an increase from over 2,400 self-owned trucks as of September 30, 2016, among which 1,145 are high capacity, 15-17 meter long trucks, as of December 31, 2016, compared to over 820 as of September 30, 2016.
2. Number of total service outlets across entire network as of December 31, 2016, an increase from about 25,000 service outlets as of September 30, 2016.
3. Includes 69 self-operated sorting hubs, and 6 sorting hubs operated by our network partners.



We are a leading express delivery company in China focusing on providing timely and reliable services through our highly scalable network partner model

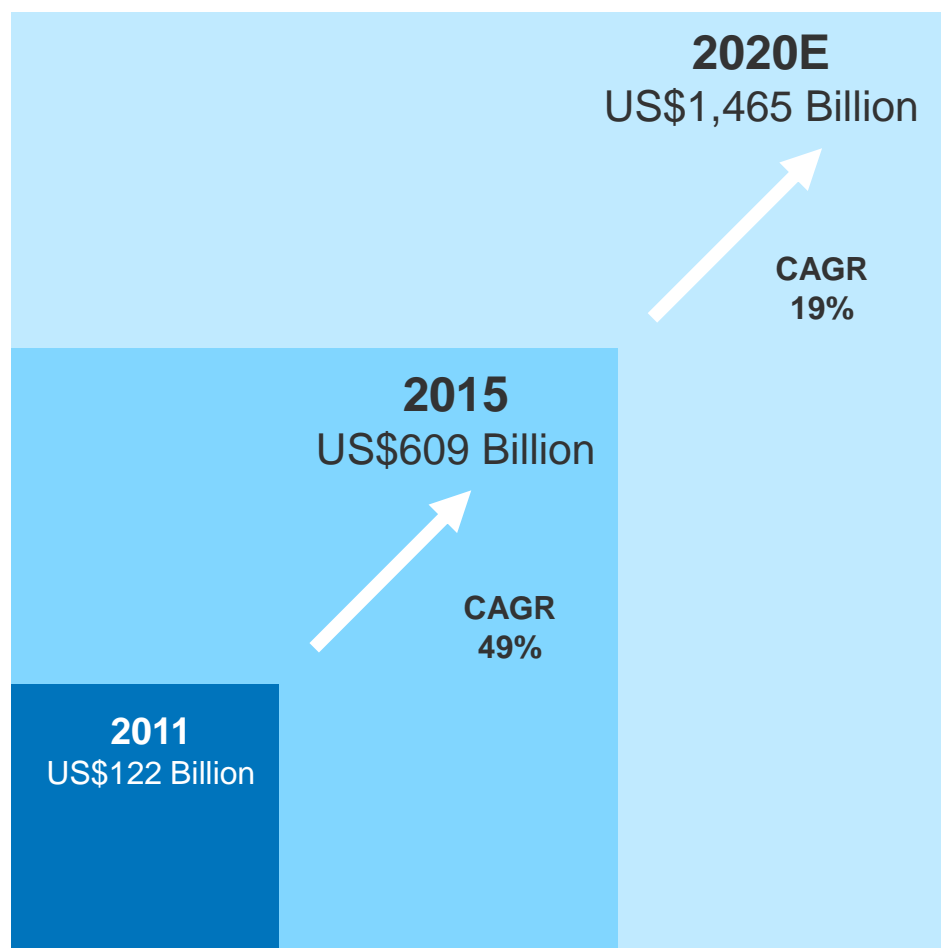


“ZTO Express” Brand

Integrated IT Platform

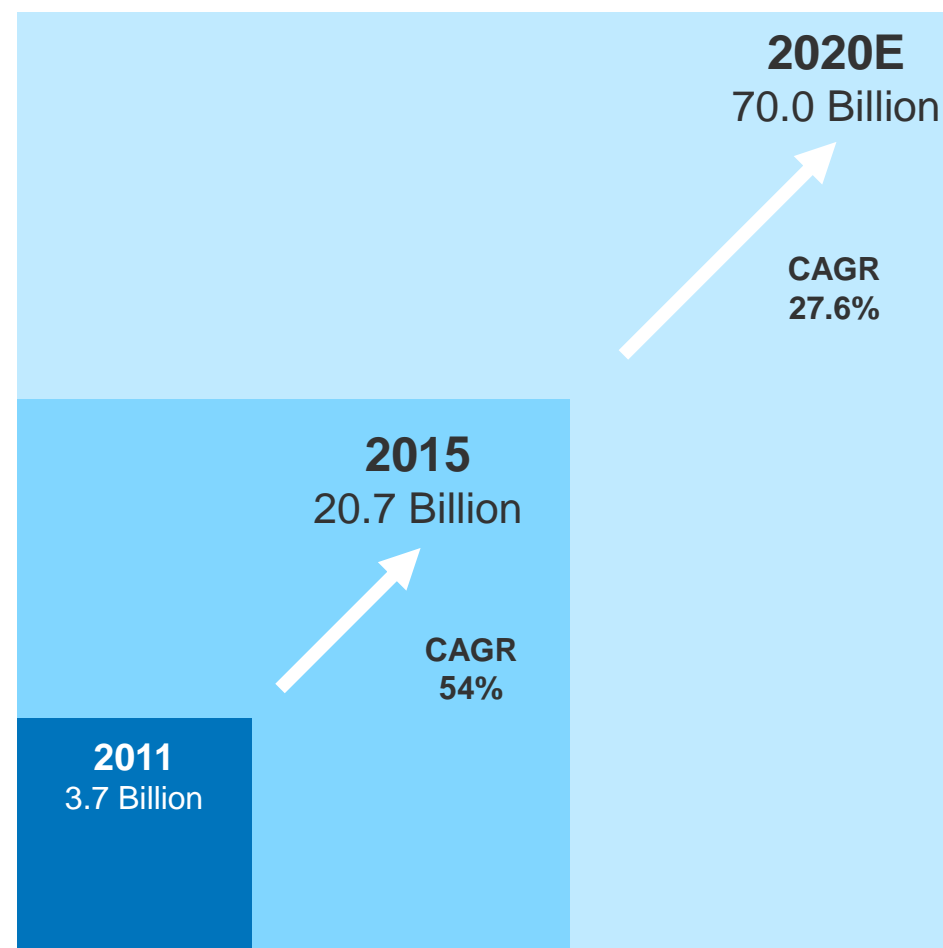
Service Standardization

Online Retail Sales (GMV) in China



Source: CNNIC, iResearch Report

Express Delivery Parcel Volume in China

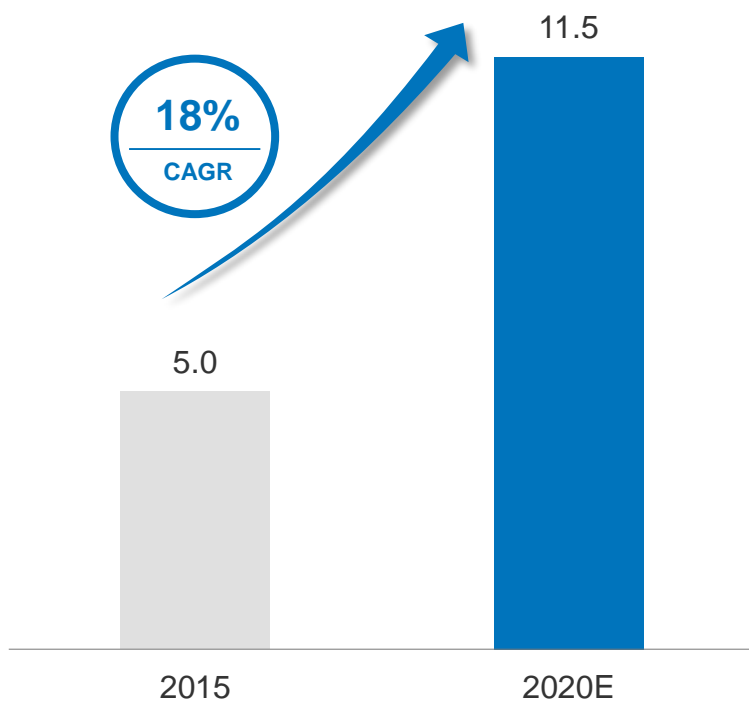


Source: The 13th Five-Year Plan issued by China Post Bureau.



China Cross-Border E-commerce Market

GMV (RMB trillion)

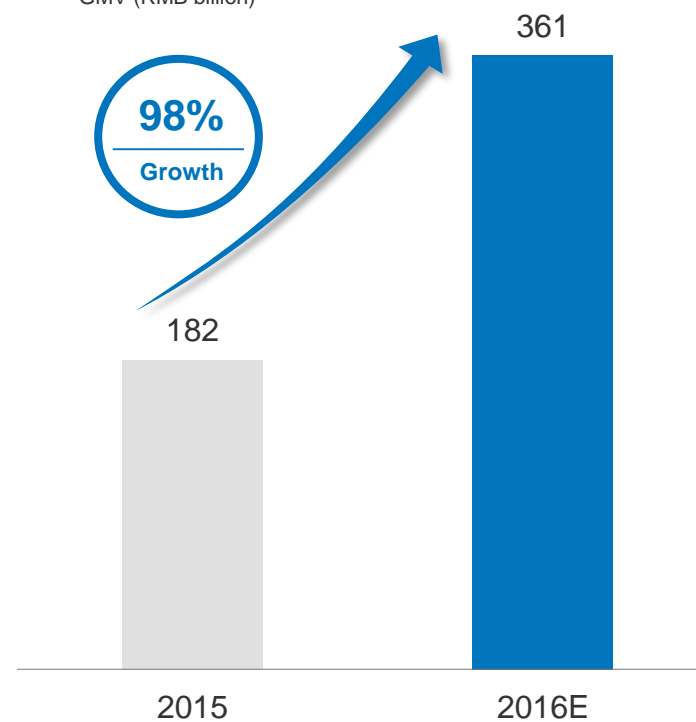


Source iResearch Report



China Micro Merchants⁽¹⁾ Market

GMV (RMB billion)

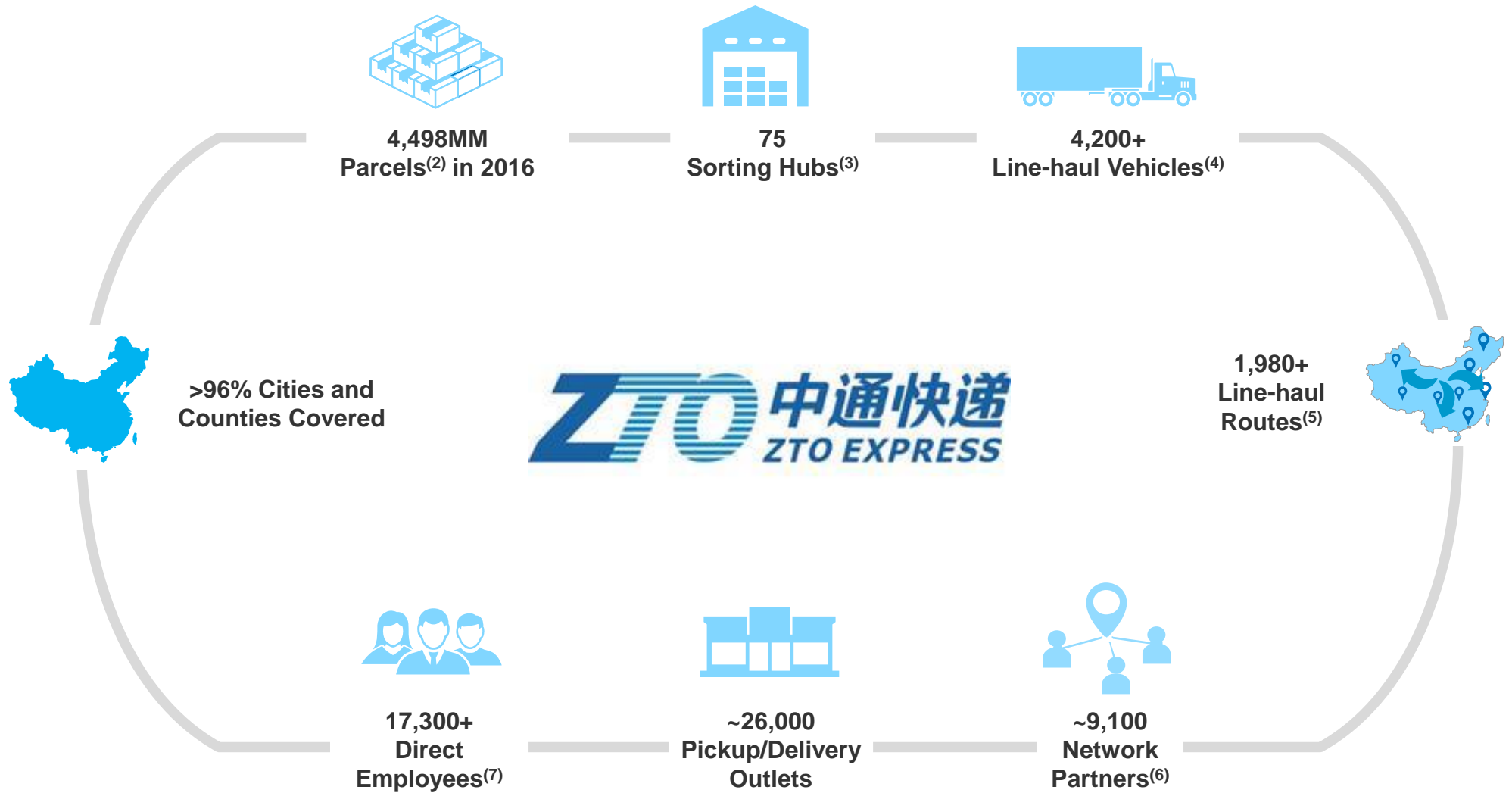


Source Internet Society of China

Note

1. Micro merchants refer to online merchants who promote and sell merchandise on social networking and other mobile platforms

Our Scale Strengthens Our Leading Market Position⁽¹⁾



Notes

1. Data presented as of December 31, 2016 unless otherwise indicated
2. "Parcel volume" in any given period is defined as the number of parcels collected by our network partners using our waybills
3. Includes 69 self-operated sorting hubs, and 6 sorting hubs operated by our network partners
4. Includes ~2,930 self-owned vehicles and ~1,270 vehicles owned and operated by Tonglu Tongze Logistics Ltd., an entity majority owned by our employees
5. Only includes line-haul routes between sorting hubs as of December 31, 2016
6. Includes over 3,600 direct network partners and around 5,500 indirect network partners as of December 31, 2016
7. As of December 31, 2016,



Shared Success System

- ✓ Key regional managers are also the shareholders of ZTO
- ✓ Well-established network partner entry and exit mechanism



Operating Efficiency

- ✓ Centralized planning of sorting hubs enabling us to accommodate high capacity vehicles
- ✓ Increasing use of self-owned fleet, particularly large trailer trucks



Well-Balanced Network

- ✓ Sophisticated last-mile delivery fee and transit fee mechanism tailored for local conditions



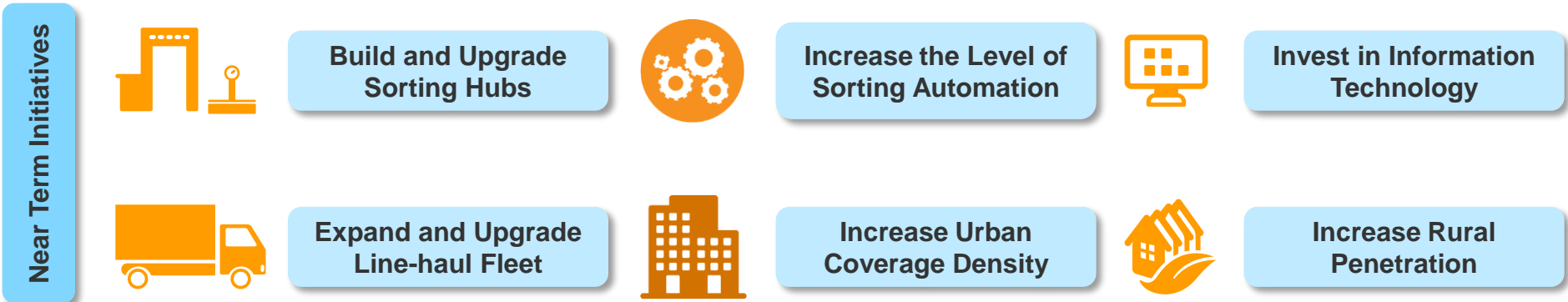
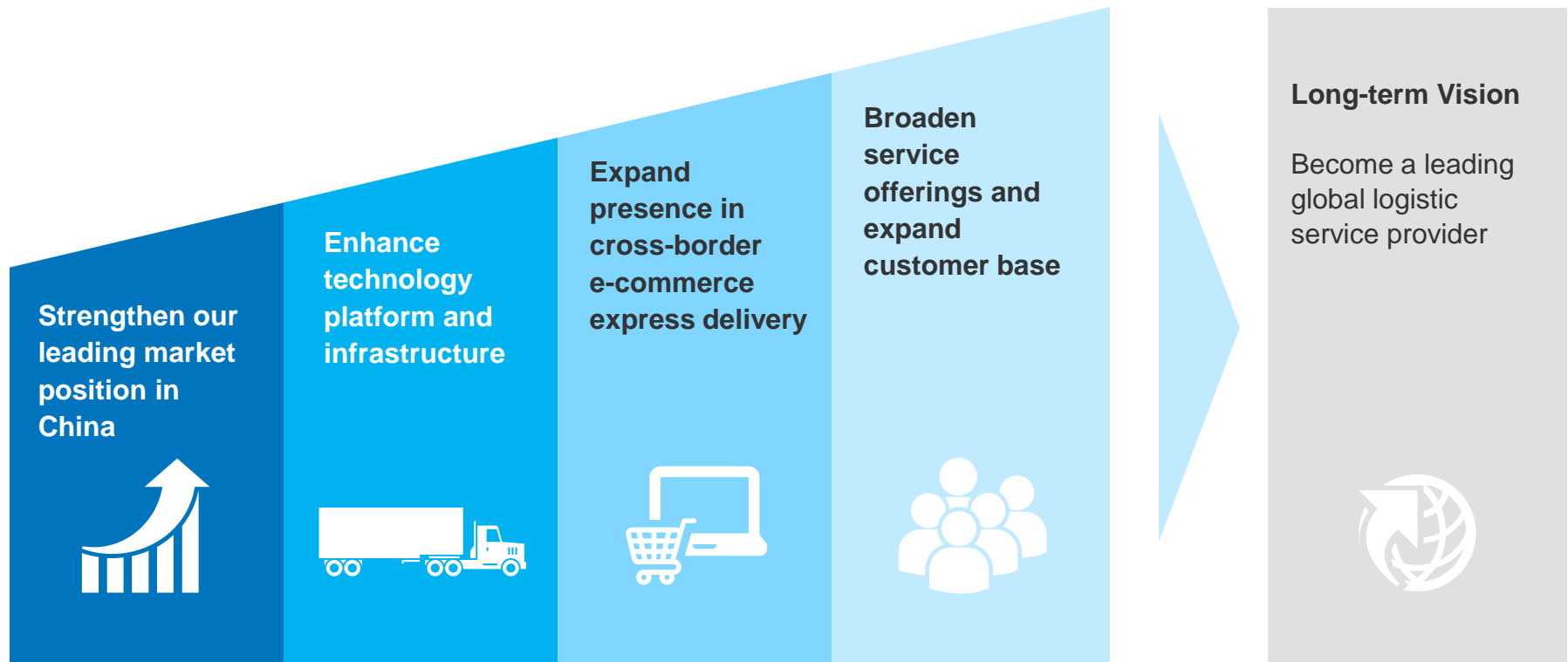
Superior Service Quality

- ✓ Industry leading service quality in terms of overall customer satisfaction⁽¹⁾, 72-hour punctuality rate⁽²⁾, and customer complaint rate⁽²⁾

Notes

1. According to Horizon Consulting Group for 2015
2. According to State Post Bureau for 2015

Our Growth Strategies to Capture the Market Opportunities



Key Financial Highlights for Q4 2016⁽¹⁾⁽²⁾

Robust Growth

Parcel Volume

1,484m
+44.2% YoY

Revenue

RMB3,191m
+45.8% YoY

Income from Operations

RMB976m
+51.2% YoY

Superior Profitability

Operating Margin

30.6% vs. 29.5% in
Q4 2015

Net Margin

23.2% vs. 32.1% in
Q4 2015⁽³⁾

Adjusted Net Income⁽⁴⁾

RMB740m
+52.7% YoY

Notes

1. Total revenue and margins refer to the quarter ended Dec 31, 2016.

2. All Margins are calculated as a % of total revenue.

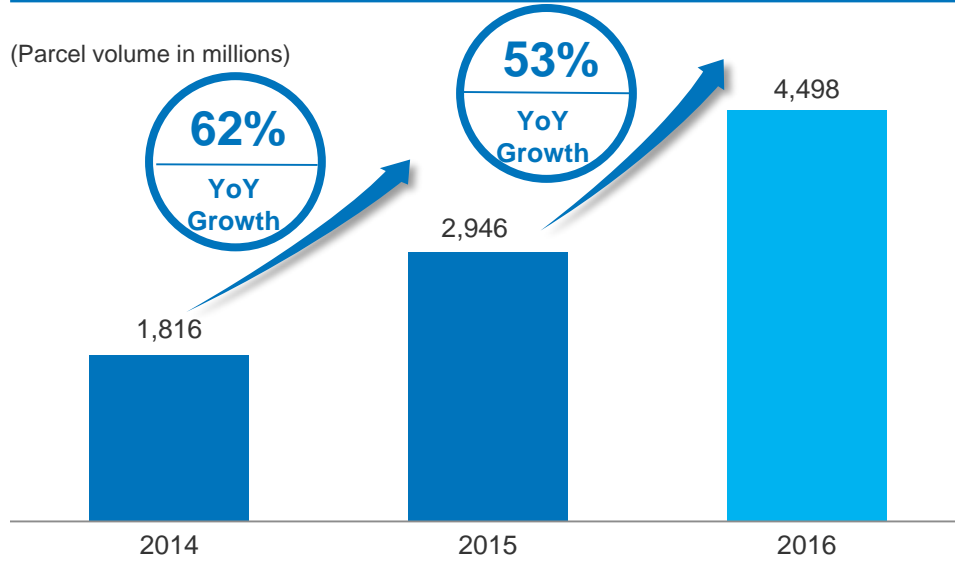
3. Net income for the fourth quarter of 2015 included a RMB224 million gain on deemed disposal of equity method investments. Excluding the impact of that factor, the net margin in the fourth quarter of 2015 would have been around 21.9%.

4. Net income adjusted for share-based compensation expenses and gain on deemed disposal of equity method investments, if any.

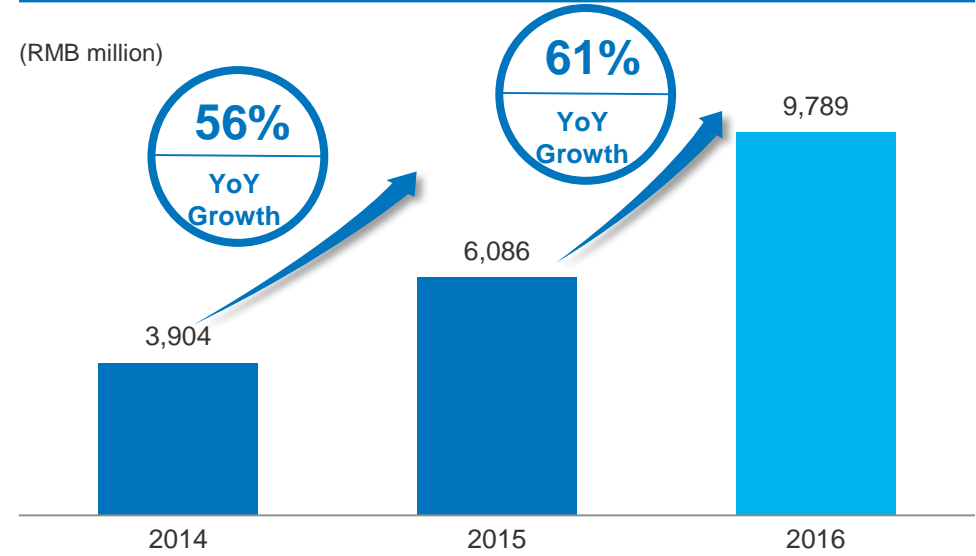
Strong Revenue Growth Driven by Robust Parcel Volume Growth



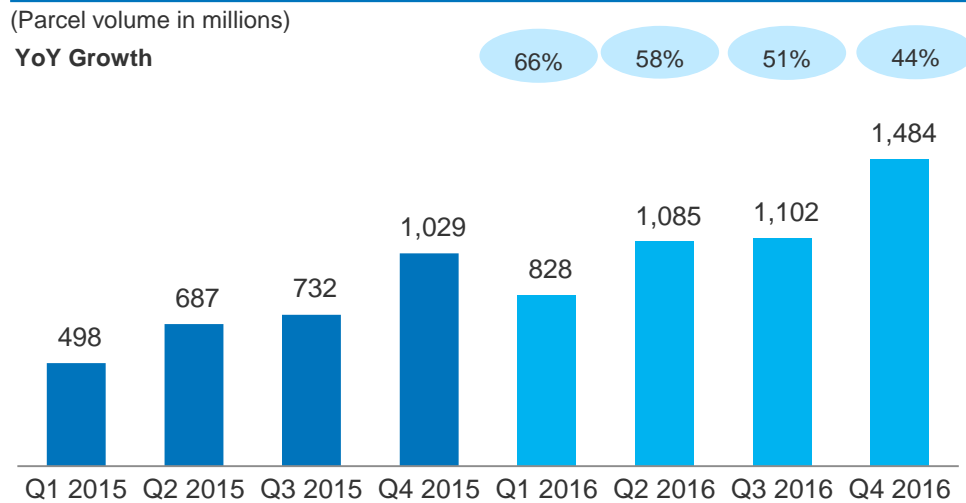
Parcel Volume



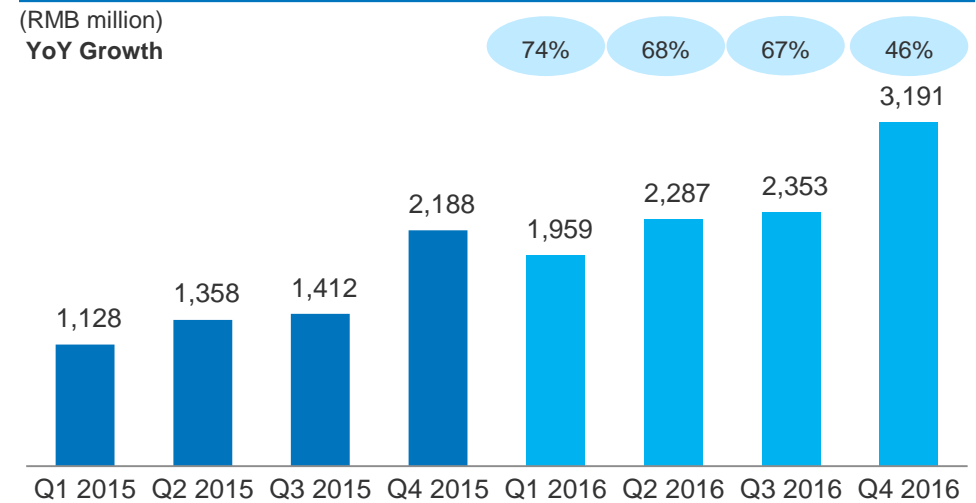
Total Revenue



Quarterly Parcel Volume

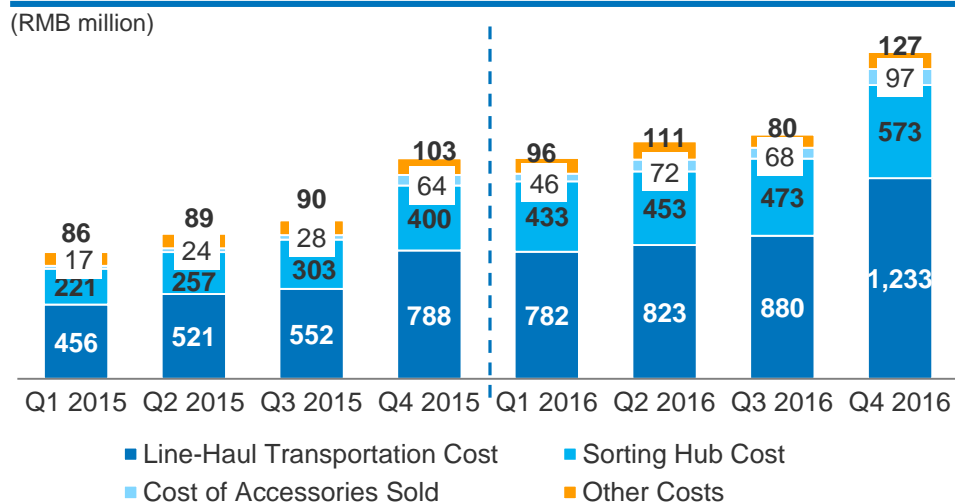


Quarterly Revenue

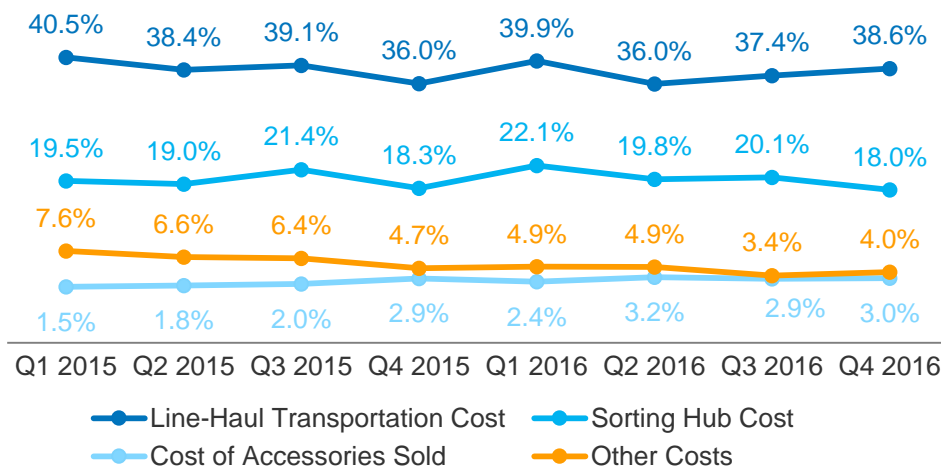


Strong and Sustainable Gross Margin due to Economies of Scale and Operational Efficiency Enhancement

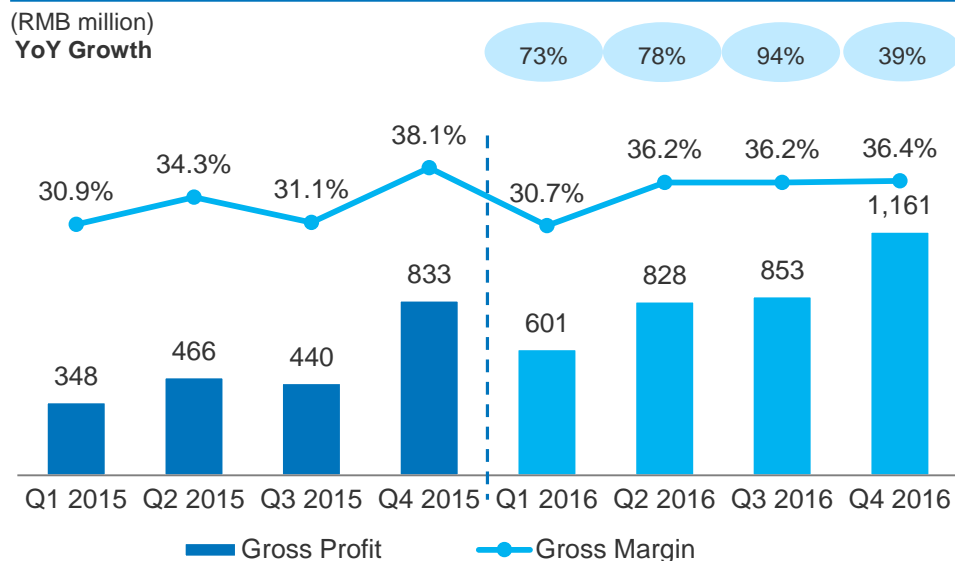
Cost of Revenues - Breakdown



Cost of Revenues as % of Revenue



Gross Profit and Margin

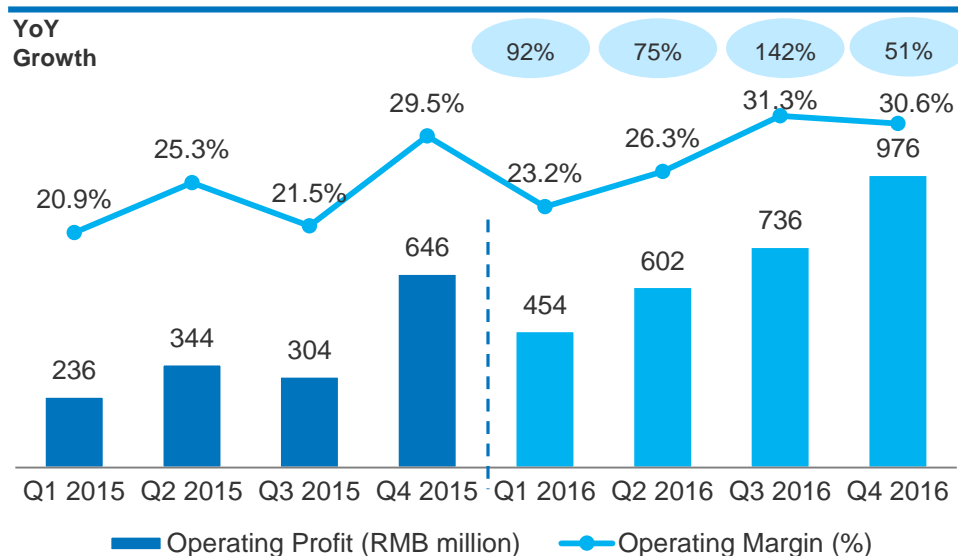


Key Observations on Q4 2016 Results

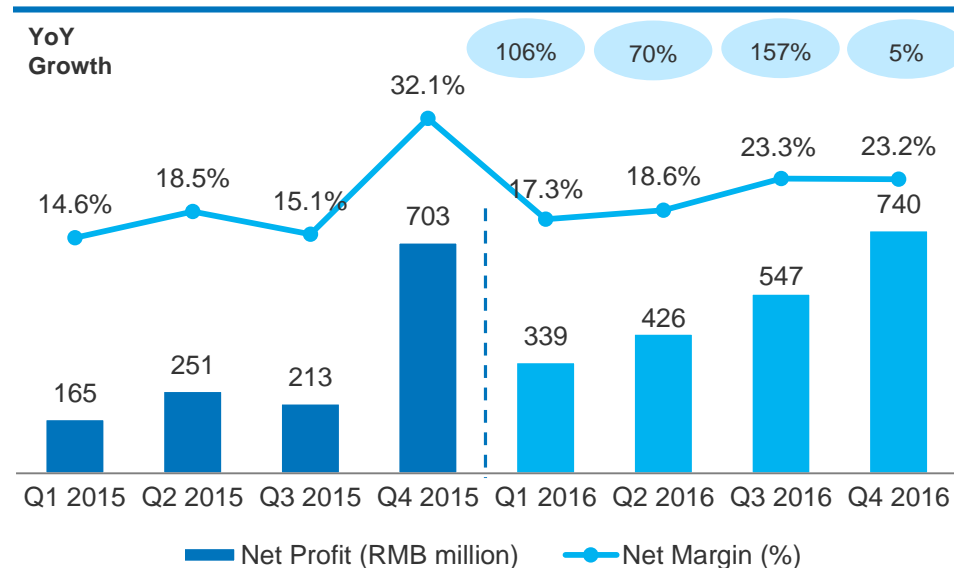
- **Line-haul transportation cost as % of revenue** increased yoy mainly due to an increase in fuel prices, depreciation and seasonal spike in outsourced transportation costs
- **Sorting hub cost as % of revenue** decreased yoy mainly due to economies of scale and efficiency improvement from increased use of automated sorting equipment
- **Cost of accessories sold as % of revenue** increased yoy due to increased sales of thermal paper for digital waybills
- **Gross margin** decreased to 36.4% from 38.1% in the same period last year, mainly attributable to the increase of line-haul transportation cost

Strong Profit Growth and Sustained Gross Margin due to Operating Leverage

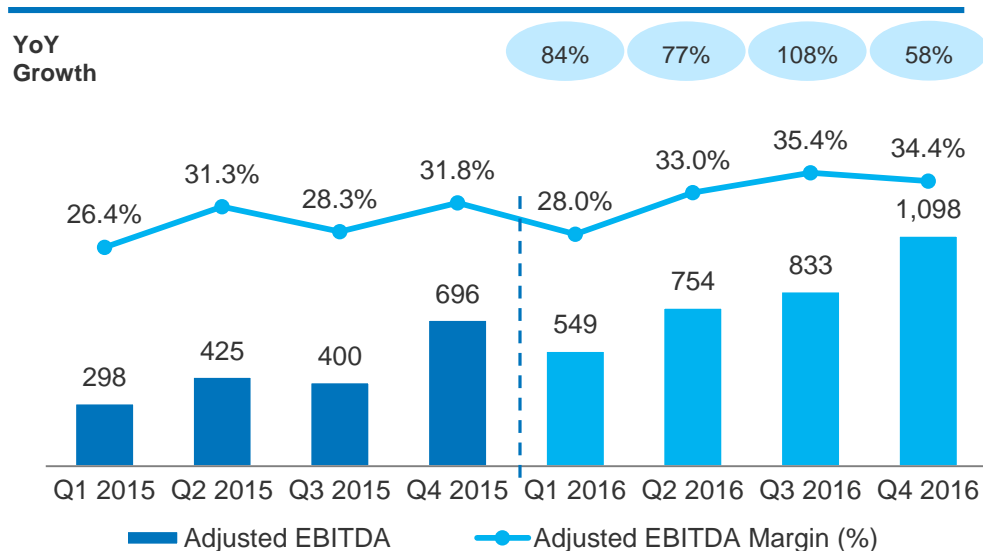
Income from Operations and Margin



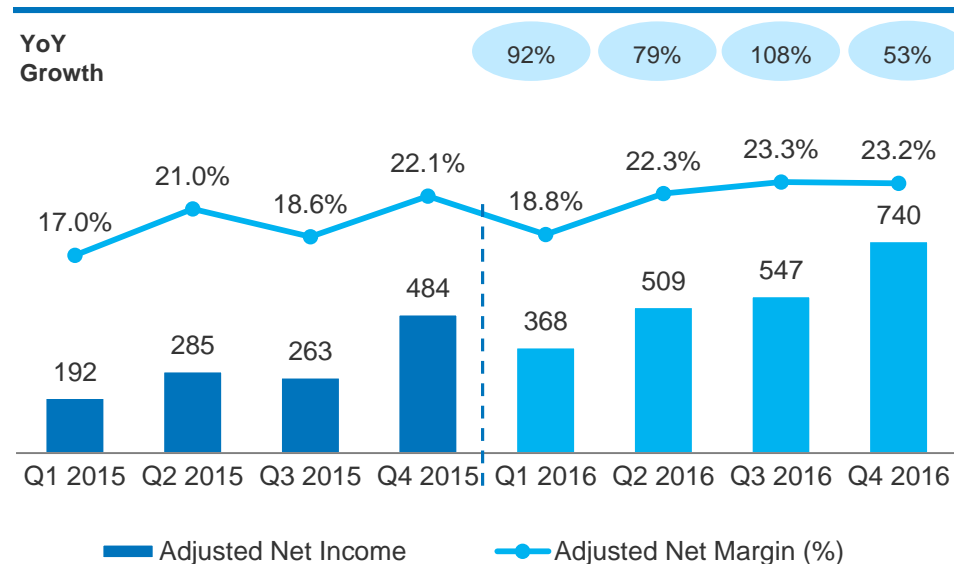
Net Income and Margin



Adjusted EBITDA¹ and Margin



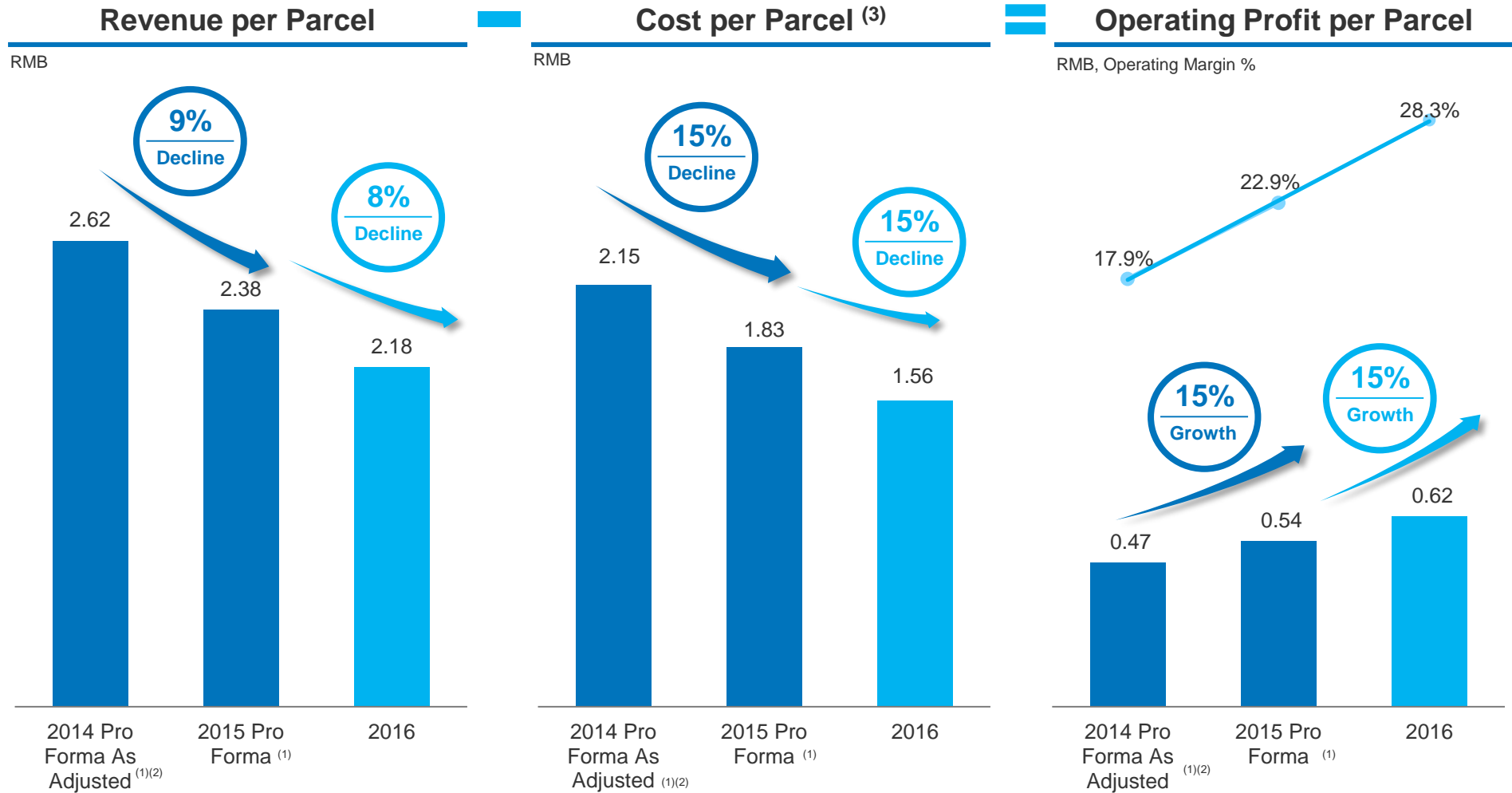
Adjusted Net Income² and Margin



Notes

- Adjusted EBITDA is a non-GAAP financial measure, which is defined as net income before depreciation, amortization, interest expenses and income tax expenses, and further adjusted to exclude (i) shared-based compensation expense; and (ii) gain on deemed disposal of equity method investments.. See slide 17 for GAAP reconciliation.
- Adjusted net income is a non-GAAP financial measure, which is defined as net income before (i) share-based compensation expense and (ii) gain on deemed disposal of equity method investments. See slide 17 for GAAP reconciliation.

Improving Unit Economics

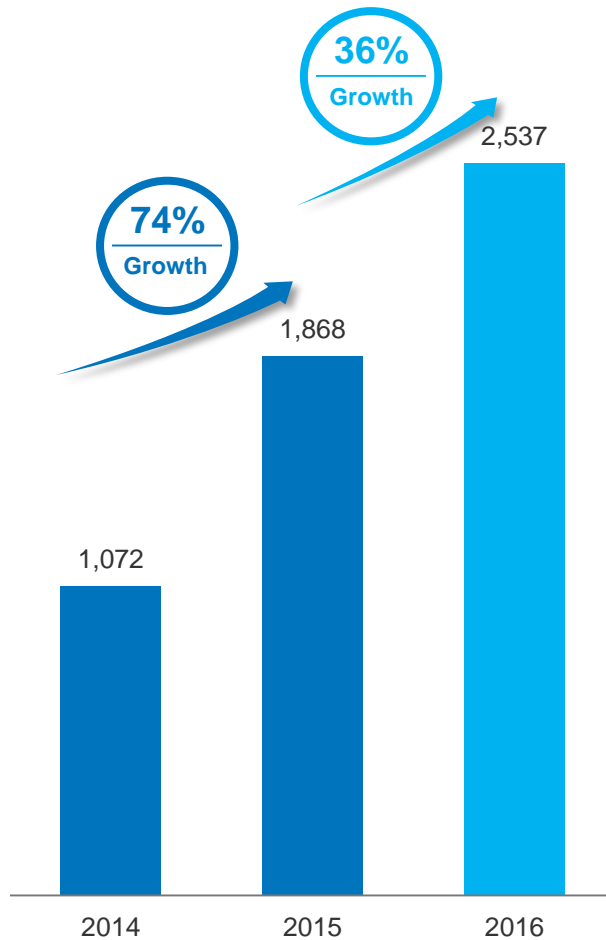


Notes
 1. Pro forma results assume all acquisitions in 2014, 2015 and 2016 occurred as of Jan 1st, 2014. The results have been prepared for comparative purpose only
 2. Adjusted for RMB213MM payment made in 2014 for compensating certain ZTO shareholders for their cessation of business
 3. Sum of cost of revenues and total operating expenses of the applicable period divided by total parcel volume during the same period

Strong Cash Flow and Increased Investment in Capacity Expansion

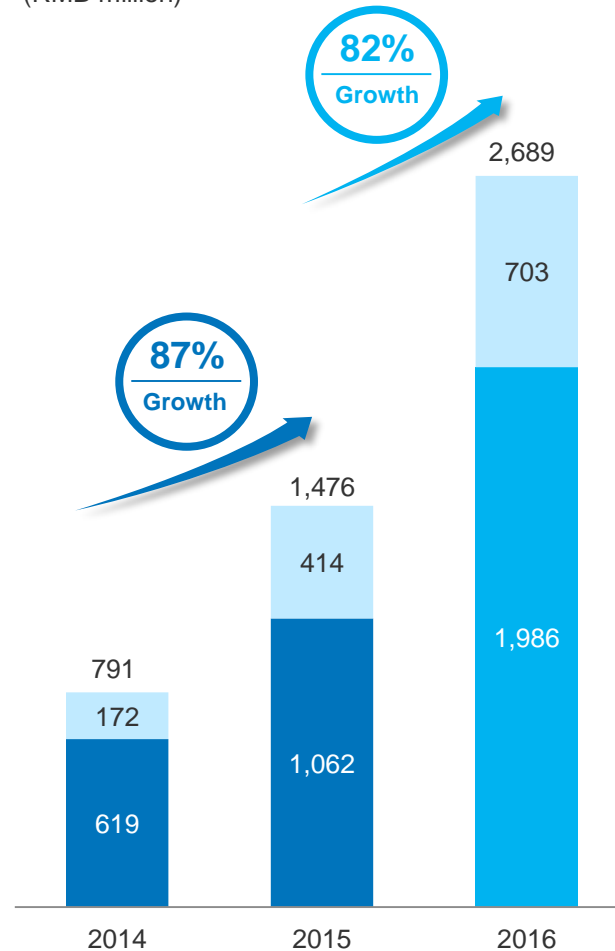
Operating Cash Flow

(RMB million)



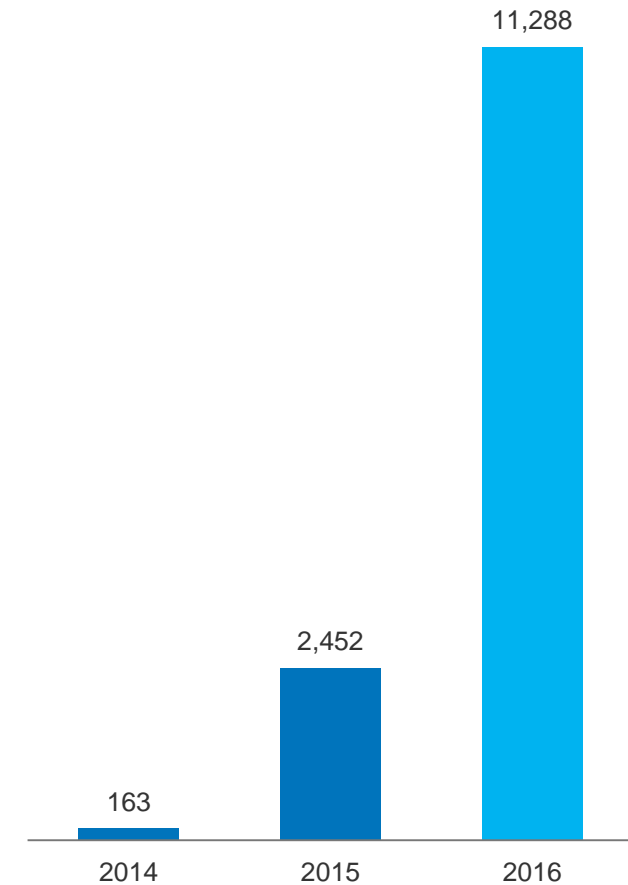
Capital Expenditure

(RMB million)



Cash and Cash Equivalents⁽¹⁾

(RMB million)



- Purchases of Land Use Rights
- Purchases of Property, Equipment and Vehicles

Note (1): Cash and cash equivalents as of December 31, 2016 included net proceeds of about RMB9.2bn from the public offering, but excluded restricted cash of RMB635m (2015: RMB266m).

Reconciliation of GAAP to Adjusted / Non-GAAP Measures



For the Three Months Ended

Dec. 31, 2015

Dec. 31, 2016

Adjusted EBITDA	RMB million	RMB million
Net Income	703	740
Add: Depreciation	37	99
Add: Amortization	4	7
Add: Interest Expenses	4	1
Add: Income Tax Expenses	166	251
EBITDA	914	1,098
Add: Share-based Compensation Expense	6	-
Less: Gain on Deemed Disposal of Equity Method Investments	(224)	-
Adjusted EBITDA	696	1,098
<i>Adjusted EBITDA margin</i>	<i>32%</i>	<i>34%</i>
Adjusted Net Income	RMB million	RMB million
Net Income	703	740
Add: Share-based Compensation Expense	6	-
Less: Gain on Deemed Disposal of Equity Method Investments	(224)	-
Adjusted Net Income	485	740
<i>Adjusted Net Margin</i>	<i>22%</i>	<i>23%</i>

Note: Numbers may not add up due to rounding

Reconciliation of GAAP to Adjusted / Non-GAAP Measures



	2015				2016			
	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016
Adjusted EBITDA	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Net Income	164,773	250,647	213,147	703,051	338,814	425,802	547,177	739,811
Add: Depreciation	33,290	35,356	39,217	37,413	51,008	62,453	89,174	99,032
Add: Amortization	2,744	2,854	3,026	4,156	4,688	5,349	6,310	6,963
Add: Interest Expenses	4,142	4,294	4,293	3,663	3,644	4,742	3,766	834
Add: Income Tax Expenses	65,836	97,626	90,323	166,214	122,018	171,954	186,468	251,547
EBITDA	270,785	390,777	350,006	914,497	520,172	670,300	832,895	1,098,187
Add: Share-based Compensation Expense	27,136	33,927	50,141	5,596	38,634	83,366	251	251
Less: Gain on Deemed Disposal of Equity Method Investments	-	-	-	(224,148)	(9,551)	-	-	-
Adjusted EBITDA	297,921	424,704	400,147	695,945	549,255	753,666	833,146	1,098,438
Adjusted EBITDA margin	26.4%	31.3%	28.3%	31.8%	28.0%	33.0%	35.4%	34.4%
Adjusted Net Income	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Net Income	164,773	250,647	213,147	703,051	338,814	425,802	547,177	739,881
Add: Share-based Compensation Expense	27,136	33,927	50,141	5,596	38,634	83,366	251	251
Less: Gain on Deemed Disposal of Equity Method Investments	-	-	-	(224,148)	(9,551)	-	-	-
Adjusted Net Income	191,909	284,574	263,288	484,499	367,897	509,168	547,428	740,062
Adjusted Net Margin	17.0%	21.0%	18.6%	22.1%	18.8%	22.3%	23.3%	23.2%

Note: Numbers may not add up due to rounding



NYSE Ticker: ZTO

Website: www.zto.com

Email: ir@zto.com