

**ZTO Express (Cayman) Inc.**  
**4Q/FY 2019 Financial Details for Earnings Call**  
**Mar 17, 2020**

Financial Performance				
	4Q19	4Q18	V%	Comments
<b>Parcel package volume (in Billion)</b>	<b>3.69</b>	<b>2.71</b>	<b>36.1%</b>	13.3pts over industry avg.; attained 18.8% market share (17% @4Q18)
(¥RMB in Million)				
Revenues	6,847	5,628	21.7%	¥ 6.52bn from core express delivery business , increased 24.6% ¥ 846mn from KA customers, increased 16% on 23% KA volume growth
COGS	-4,850	-4,077	19.0%	1) Line haul transportation costs increased 22.9% to ¥ 2.39bn 4650 out of 6450 self-owned trucks were high capacity 2) Sorting hub operation costs increased 23.2% to ¥ 1.29bn 3) ¥ 427mn KA costs increased 14%
<b>Gross profit</b>	<b>1,996</b>	<b>1,550</b>	<b>28.8%</b>	¥ 1.99bn from core business, increased 28.9%
Gross profit %	29.2%	27.5%	1.6pts	30.5% for core express delivery business (29.5% @ 4Q18)
SG&A	-392	-276	41.9%	SG&A excluding SBC was 5.6% of revenues (4.7% @ 4Q18)
Includes Share-based compensation (SBC)	11	11	-0.7%	
Other operating income/(loss), net	206	79		¥45.4mn gov't subsidies and tax rebates (¥28.7mn @4Q18), ¥113.2mn VAT super deduction
<b>Income from operations</b>	<b>1,810</b>	<b>1,353</b>	<b>33.7%</b>	
Operating profit %	26.4%	24.0%	2.4pts	
Income from operations excluding SBC (Non GAAP)	1,820	1,364	33.5%	
Operating profit % excluding SBC (Non GAAP)	26.6%	24.2%	2.3pts	
Interest income (net)	148	146	1.3%	
Equity disposal gain/(loss) (Non GAAP excluded)	-2	-		
Foreign currency exchange gain/(loss)	-12	2		
Impairment on equity investment (Non GAAP excluded)	-56	-		Aged & stagnant investment written-off
Unrealized gain from investment in equity investee (Non GAAP excluded)	754	-		Unrealized accounting gain from cost-accounted equity investment in Cainiao
Income before income tax and equity pickup	2,642	1,501		
Income tax expenses	-331	-223		12.5% ETR non-tax-deductible SBC(+) & int. on-shore US\$deposits taxed at ~10% (-) & Unrealized gain from equity investment(-)
Equity pickup	6	0		
<b>Net income</b>	<b>2,317</b>	<b>1,279</b>	<b>81.2%</b>	
Net income%	33.8%	22.7%	11.1pts	
Adjusted net income (Non GAAP)	1,632	1,290	26.5%	Adjusted net income margin was 23.8% (22.9% @4Q18)
<b>EBITDA</b>	<b>3,029</b>	<b>1,755</b>	<b>72.6%</b>	
Adjusted EBITDA (Non GAAP)	2,344	1,766	32.7%	
Adjusted Basic EPS (Non GAAP) (¥RMB in Yuan)	2.10	1.63	28.8%	

\* may contain rounding differences

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Unit Economics (RMB per parcel)	4Q19	4Q18	Impact (+/-)	Comments (+positive/-negative impact)
ASP (excluding COE)	1.77	1.93	-16 cents	Core ASP declined 8.4%: avg. parcel weight decline 1 cent(-), volume incentives increase 15 cents(-)
Cost of Revenue (excluding COE)	1.23	1.36	+13 cents	
- transportation cost per parcel	0.65	0.72	+7 cents	Main drivers: 1) 69% of parcel volume transported by self-owned trucks (61% @4Q18) 2) 72% of self-owned trucks were high-capacity trucks (62% @4Q18)
- sorting hub cost per parcel	0.35	0.38	+3 cents	Main drivers: 1) Average labor headcount increased 12.9% 2) Stringent control on use of temporary workers 3) 265 sets of automated sorting equipment in use (120 sets @ 4Q18), 70% of volume processed by automation (57% @4Q18)
Gross profit (excluding COE)	0.54	0.57	-3 cents	16 cents ASP decline partially offset by 13 cents of cost productivity gain
SG&A excluding SBC (Non GAAP)	0.10	0.10	-	
Adjusted income from operations (Non GAAP)	0.49	0.50	-1 cents	

  

Cash and Capex (RMB in Million)	4Q19	4Q18	Diff	Comments
Operating cash flow	2,260	1802	458	Strong volume growth, stable cost structure and efficiency gain
CapEx	1,787	1,142	645	¥733mn land acquisition and sorting hub construction ¥323mn self-owned trucks ¥646mn automation equipment
Cash and Cash Equivalents	16,391	18,223	(1,832)	Excluding ¥946mn cash on deposits maturing in one year or longer

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**Financial Performance**

	2019	2018	V%	Comments
<b>Parcel package volume (in Billion)</b>	<b>12.12</b>	<b>8.52</b>	<b>42.2%</b>	16.9pts over industry avg.; attained 19.1% market share (16.8% @2018)
<i>(¥RMB in Million)</i>				
Revenues	22,110	17,604	25.6%	¥ 20.87bn from core express delivery business , increased 27.9% ¥ 2.66bn from KA customers, increased 37.6% on 56% KA volume growth
COGS	-15,489	-12,240	26.5%	1) Line haul transportation costs increased 29.7% to ¥ 7.47bn 4650 out of 6450 self-owned trucks were high capacity 2) Sorting hub operation costs increased 28.5% to ¥ 4.11bn 3) ¥ 1.34bn KA costs increased 36.3%
<b>Gross profit</b>	<b>6,621</b>	<b>5,365</b>	<b>23.4%</b>	¥ 6.59bn from core business, increased 23.8%
Gross profit %	29.9%	30.5%	-0.5pts	31.6% for core express delivery business (32.6% @ 2018)
SG&A	-1,546	-1,211	27.7%	SG&A excluding SBC was 5.6% of revenues (5.5% @ 2018)
Includes Share-based compensation (SBC)	317	249	26.9%	
Other operating income/(loss), net	388	178		¥ 185.5mn gov't subsidies and tax rebates (¥ 114.2mn @2018), ¥ 131.4mn VAT super deduction
<b>Income from operations</b>	<b>5,463</b>	<b>4,332</b>	<b>26.1%</b>	
Operating profit %	24.7%	24.6%	0.1pts	
Income from operations excluding SBC (Non GAAP)	5,779	4,582	26.1%	
Operating profit % excluding SBC (Non GAAP)	26.1%	26.0%	0.1pts	
Interest income (net)	585	400	46.2%	
Equity disposal gain/(loss) (Non GAAP excluded)	-3	563		2018 includes ¥ 549.7mn gain on Hive-box exit
Foreign currency exchange gain/(loss)	13	41		
Impairment on equity investment (Non GAAP excluded)	-56	-		Aged & stagnant investment written-off
Unrealized gain from investment in equity investee (Non GAAP excluded)	754	-		Unrealized accounting gain from cost-accounted equity investment in Cainiao
Income before income tax and equity pickup	6,757	5,336		
Income tax expenses	-1,078	-929		16% ETR non-tax-deductible SBC(+) & int. on-shore US\$deposits taxed at ~10% (-) & Unrealized gain from equity investment(-)
Equity pickup	-8	-19		
<b>Net income</b>	<b>5,671</b>	<b>4,388</b>	<b>29.2%</b>	
Net income%	25.7%	24.9%	0.7pts	
Adjusted net income (Non GAAP)	5,292	4,201	26.0%	Adjusted net income margin was 23.9%, stable compared to 2018
<b>EBITDA</b>	<b>8,014</b>	<b>6,172</b>	<b>29.9%</b>	
Adjusted EBITDA (Non GAAP)	7,635	5,858	30.3%	
Adjusted Basic EPS (Non GAAP) (¥RMB in Yuan)	6.75	5.58	21.0%	

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Unit Economics (RMB per parcel)				
	2019	2018	Impact (+/-)	Comments (+positive/-negative impact)
ASP (excluding COE)	1.72	1.92	-20 cents	Core ASP declined 10.1%: avg. parcel weight declined 1 cent(-), volume incentives increased 19 cents(-)
Cost of Revenue (excluding COE)	1.18	1.29	+11 cents	
- transportation cost per parcel	0.62	0.68	+6 cents	Main drivers: 1) 71% of parcel volume transported by self-owned trucks (63% @2018) 2) 72% of self-owned trucks were high-capacity trucks (62% @4Q18)
- sorting hub cost per parcel	0.34	0.38	+4 cents	Main drivers: 1) Average labor headcount increased 16.1% 2) Stringent control on use of temporary workers 3) 265 sets of automated sorting equipment in use (120 sets @ 4Q18), 67% of volume processed by automation (56% @2018)
Gross profit (excluding COE)	0.54	0.62	-8 cents	20 cents ASP decline partially offset by 11 cents cost productivity gain
SG&A excluding SBC (Non GAAP)	0.10	0.11	+1 cents	Cost control and positive scale leverage
Adjusted income from operations (Non GAAP)	0.48	0.54	-6 cents	

Cash and Capex (RMB in Million)				
	2019	2018	Diff	Comments
Operating cash flow	6,304	4,404	1900	Strong volume growth, stable cost structure and efficiency gain
CapEx	5,226	3,981	1245	¥2548mn land acquisition and sorting hub construction ¥1304mn self-owned trucks ¥1227mn automation equipment
Cash and Cash Equivalents	16,391	18,223	(1,832)	Excluding ¥946mn cash on deposits maturing in one year or longer