



ZTO Express

2016Q3 Investor Relations Presentation

November 29, 2016

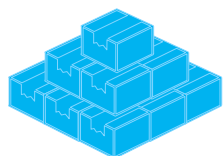


This presentation contains “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements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

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 third quarter of 2016 are preliminary, unaudited and subject to audit adjustment. In addition, we may not meet our financial outlook for the fourth quarter of 2016 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



1,102m
parcel volume in
Q3 2016,
3,015m
parcels for 9M2016



3,600+
Line-haul
Vehicles⁽¹⁾



~25,000
Pickup/Delivery
Outlets⁽²⁾



74
Sorting Hubs⁽³⁾

Robust Growth



51% parcel
volume YoY growth
in Q3 2016
57% parcel
volume YoY growth
in 9M2016



67% revenue
YoY growth in Q3
2016



144%
operating profit
YoY growth in Q3
2016



129%
earnings per ADS
YoY growth in Q3
2016

Superior Profitability



RMB742m
operating profit with
32% operating
margin in Q3 2016



RMB547m
net income with
23% net margin
in Q3 2016



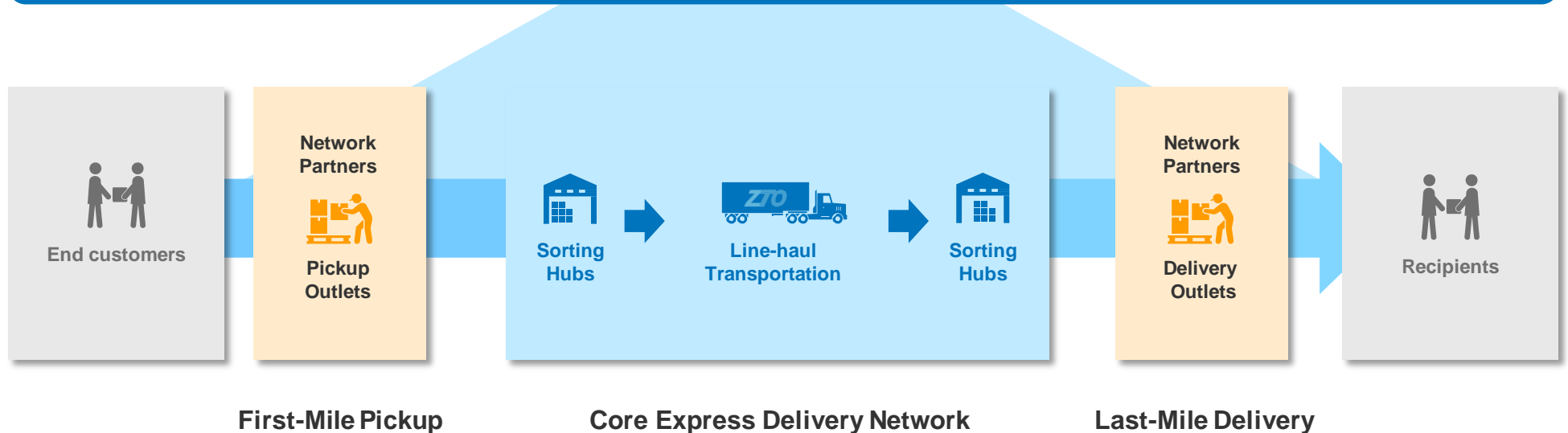
RMB0.78
basic and diluted
earnings per ADS in
Q3 2016

Notes

1. Includes 2,400 self-owned trucks as of September 30, 2016, an increase from over 2,100 self-owned trucks as of June 30, 2016, among which over 820 are high capacity, 15-17 meter long trucks, as of September 30, 2016, compared to over from 680 as of June 30, 2016.
2. Number of total service outlets across entire network as of September 30, 2016, an increase from about 23,000 service outlets as of June 30, 2016.
3. Includes 68 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

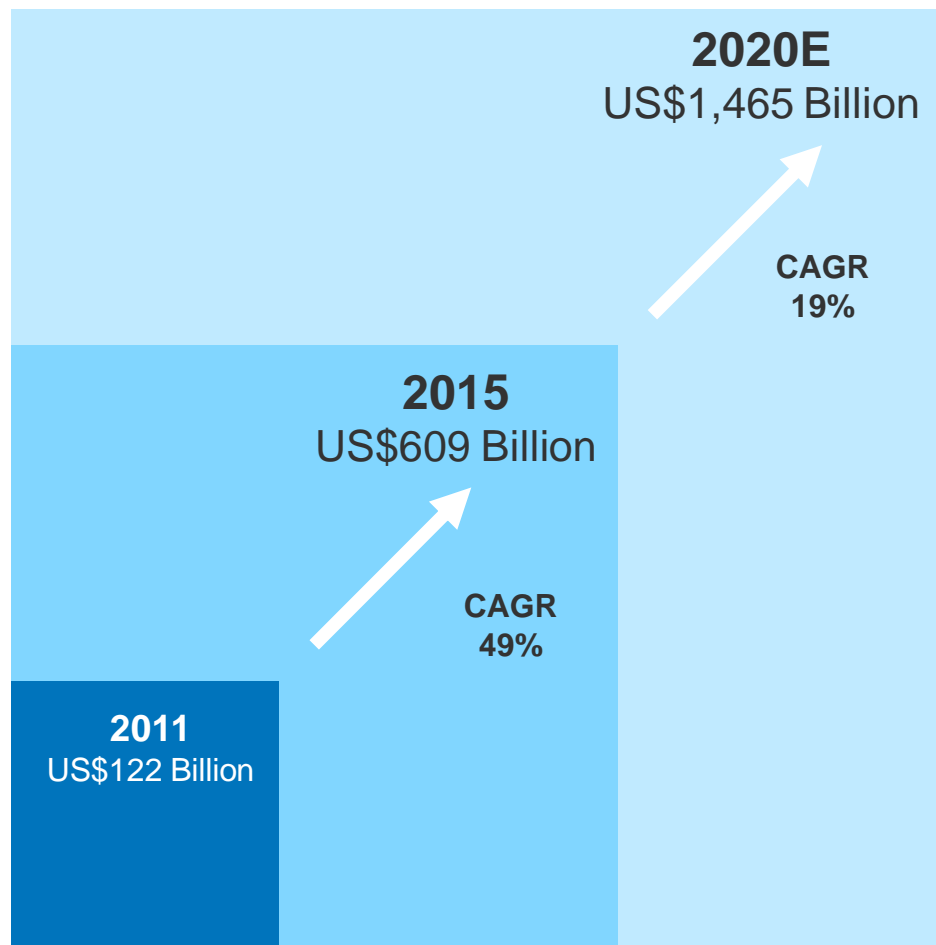


“ZTO Express” Brand

Integrated IT Platform

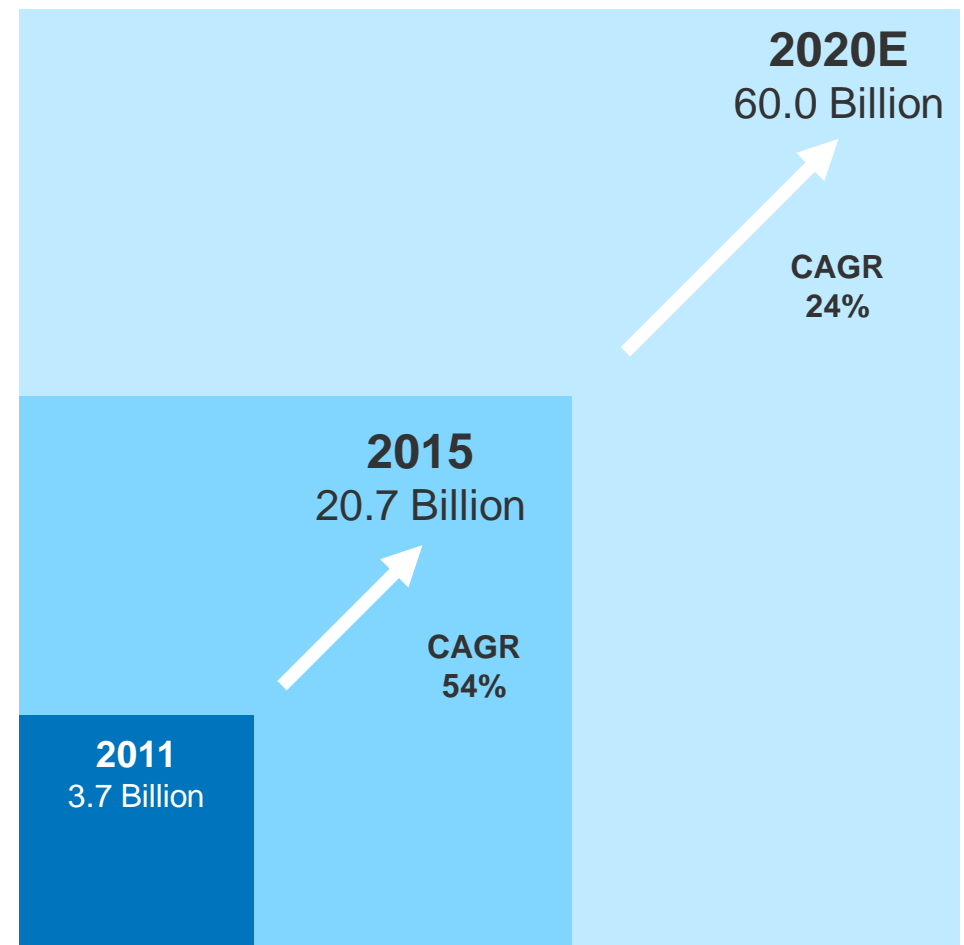
Service Standardization

Online Retail Sales (GMV) in China



Source CNNIC, iResearch Report

Express Delivery Parcel Volume in China

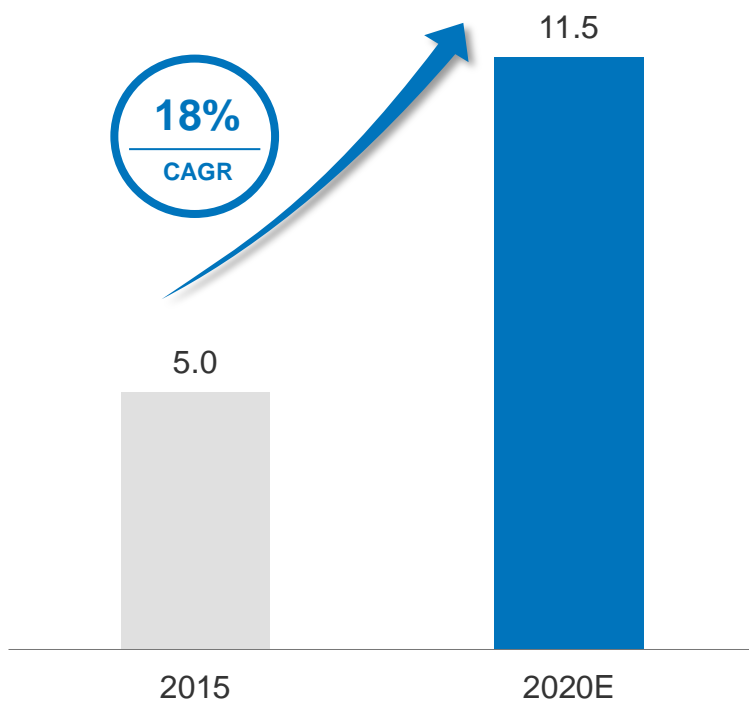


Source iResearch Report



China Cross-border E-commerce Market

GMV (RMB trillion)

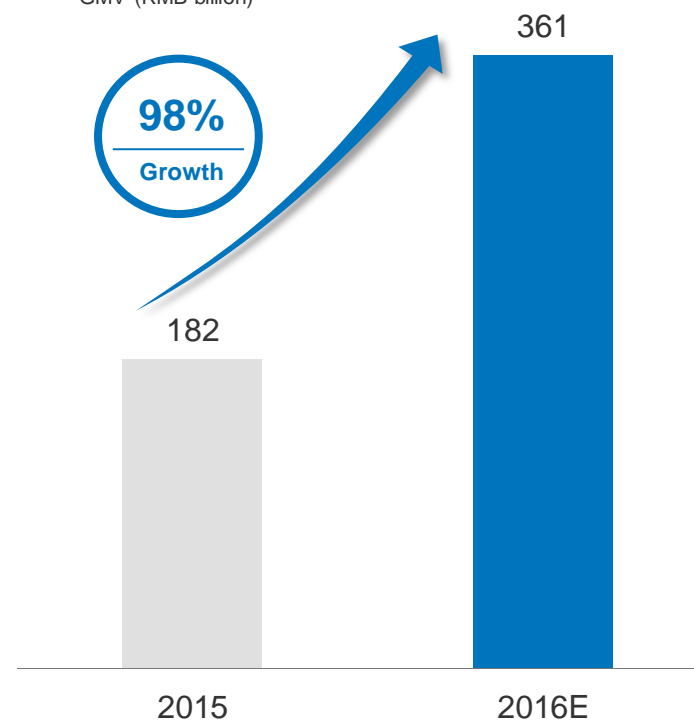


Source iResearch Report



China Micro Merchants⁽¹⁾ Market

GMV (RMB billion)

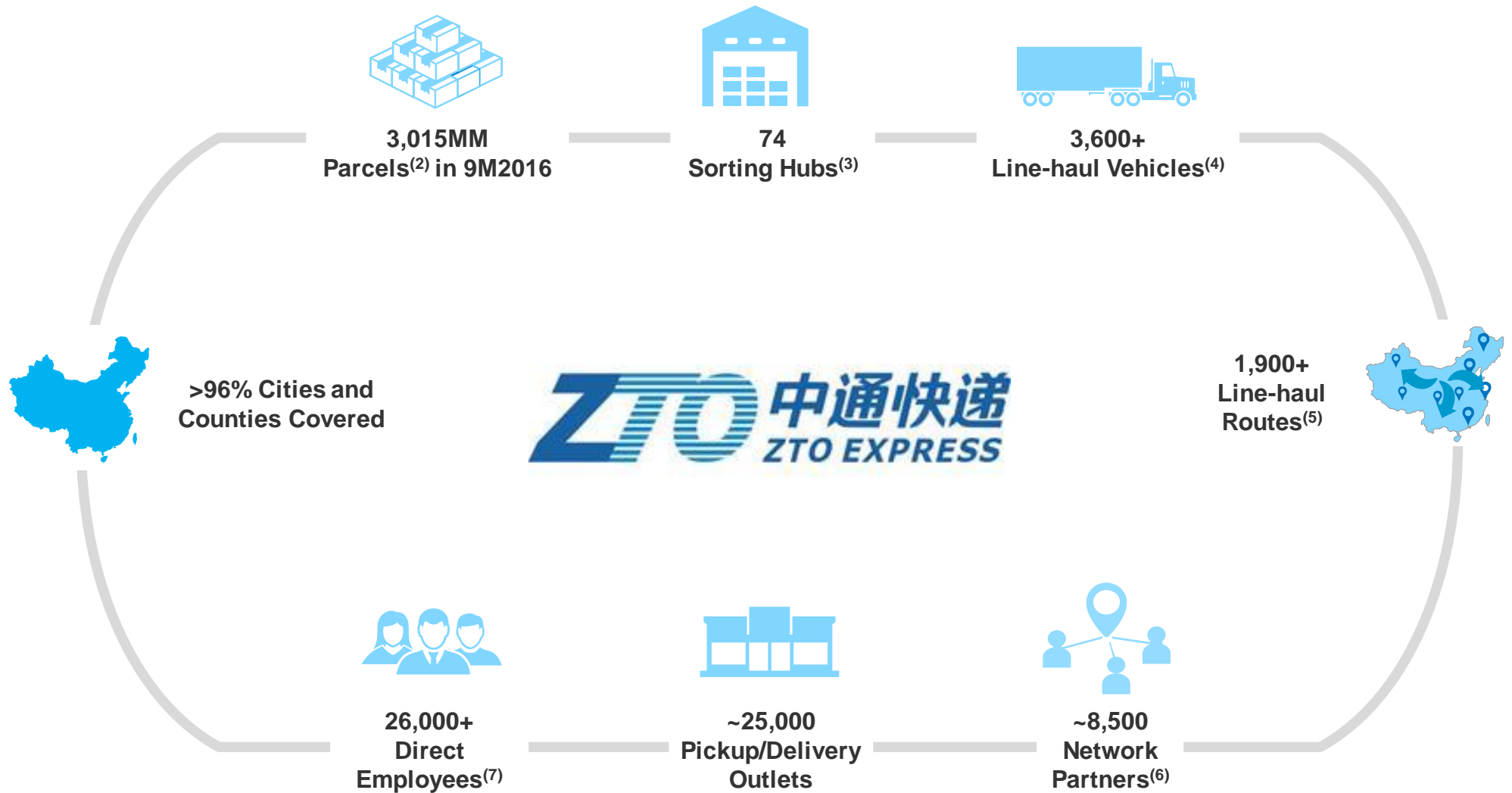


Source Internet Society of China

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 September 30, 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 68 self-operated sorting hubs, and 6 sorting hubs operated by our network partners
4. Includes ~2,400 self-owned vehicles and ~1,200 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 September 30, 2016
6. Includes over 3,500 direct network partners and over 5,000 indirect network partners as of September 30, 2016
7. As of December 31, 2015,



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
- ✓ High capacity 15-17 meter long vehicles



Well-Balanced Network

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



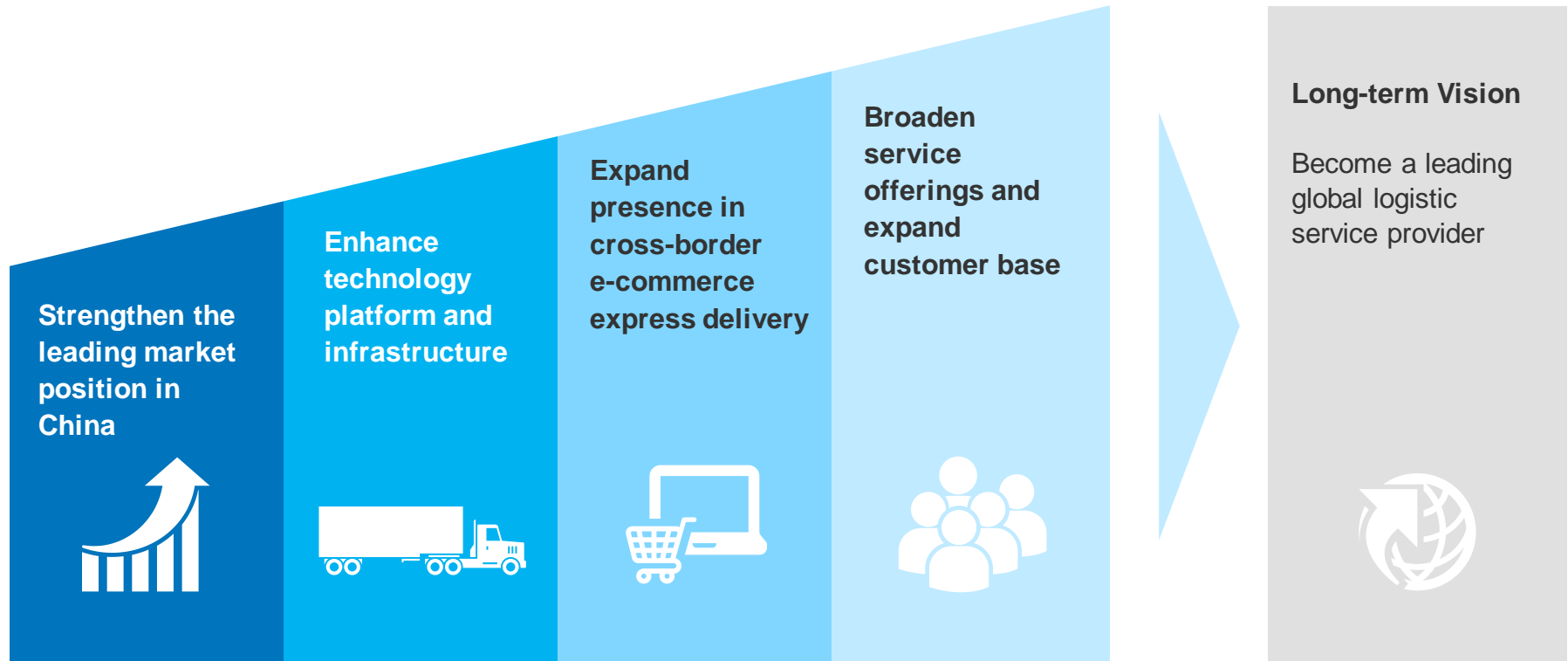
Superior Service Quality

- ✓ 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



Near Term Initiatives



Build and Upgrade Sorting Hubs



Increase the Level of Sorting Automation



Invest in Information Technology



Expand and Upgrade Line-haul Fleet



Increase Urban Coverage Density



Increase Rural Penetration

Key Financial Highlights for Q3 2016

Robust Growth

Parcel Volume

1,102 m
+50.5% YoY

Revenue

RMB2,353 mm
+66.6% YoY

Income from Operations

RMB742 mm
+144.1% YoY

Superior Profitability

Operating Margin

31.5% vs. 21.5% in
Q3 2015

Net Margin

23.3% vs. 15.1% in
Q3 2015

Net Profit per ADS

RMB0.78
+129.4% YoY

Notes

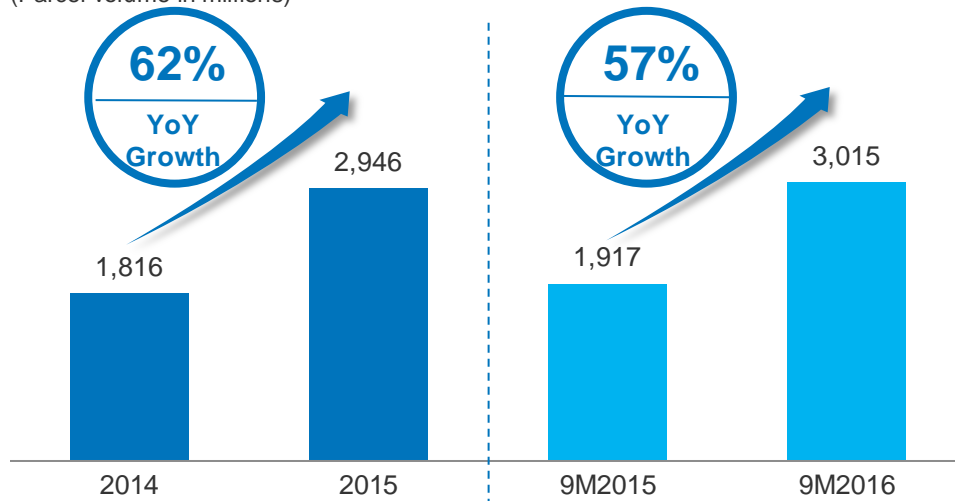
1. Total revenue and margins refer to the quarter ended Sep 30, 2016.
2. All Margins are calculated as a % of total revenue.

Strong Revenue Growth Driven by Robust Parcel Volume Growth



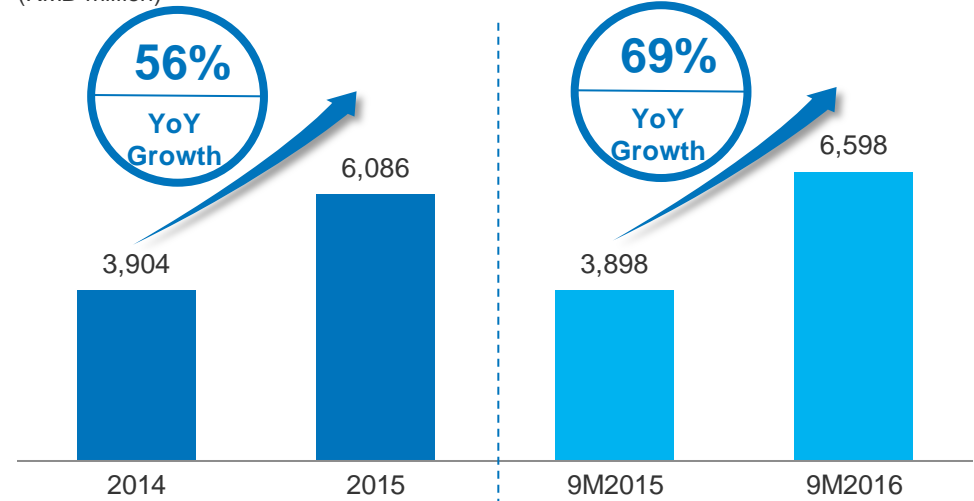
Parcel Volume

(Parcel volume in millions)



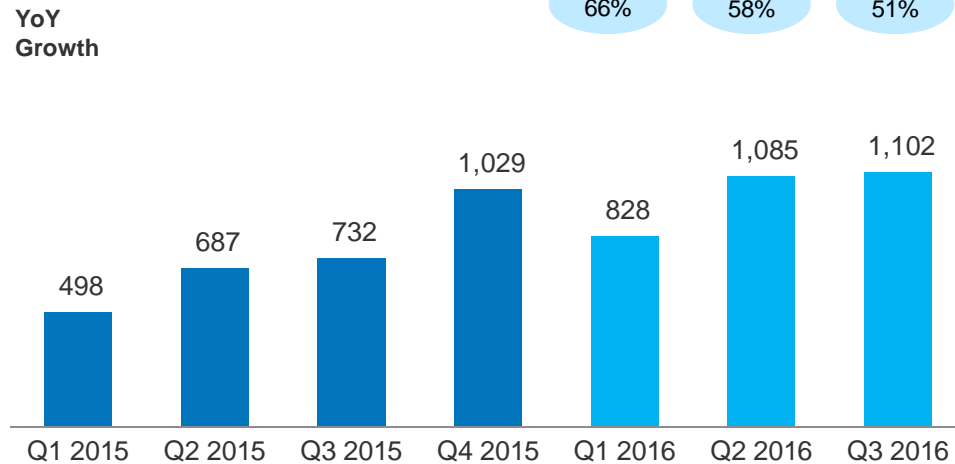
Total Revenue

(RMB million)



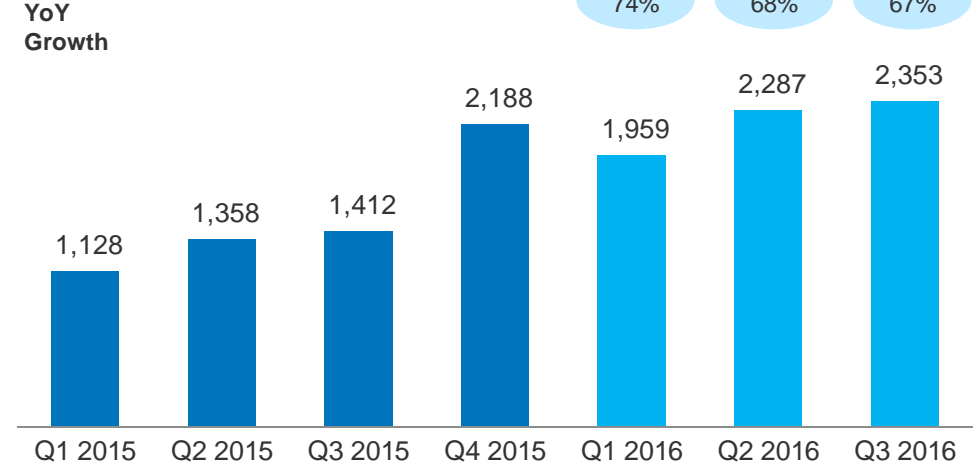
Quarterly Parcel Volume

(Parcel volume in millions)



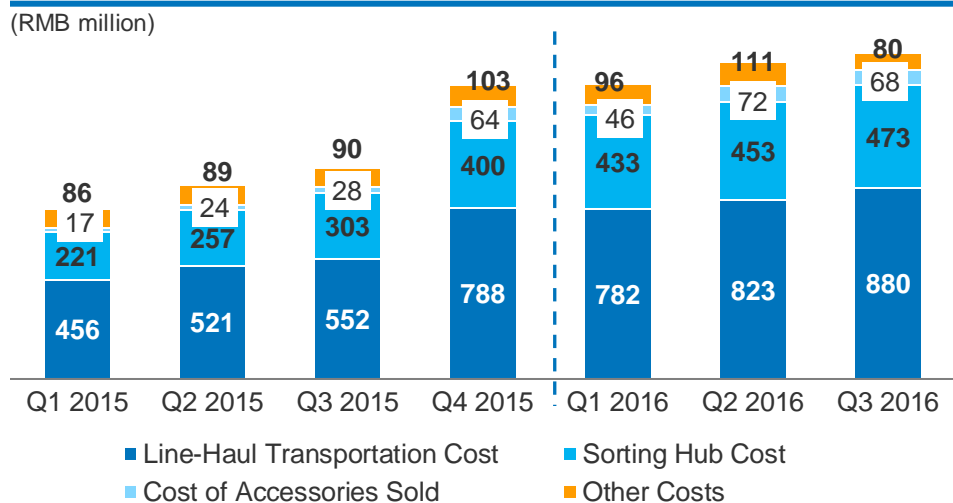
Quarterly Revenue

(RMB million)

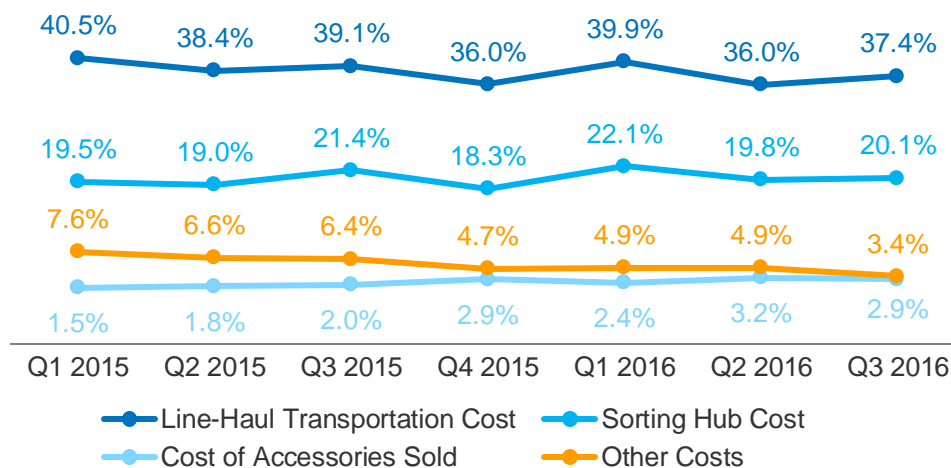


Gross Margin Expansion due to Economies of Scale and Operational Efficiency Enhancement

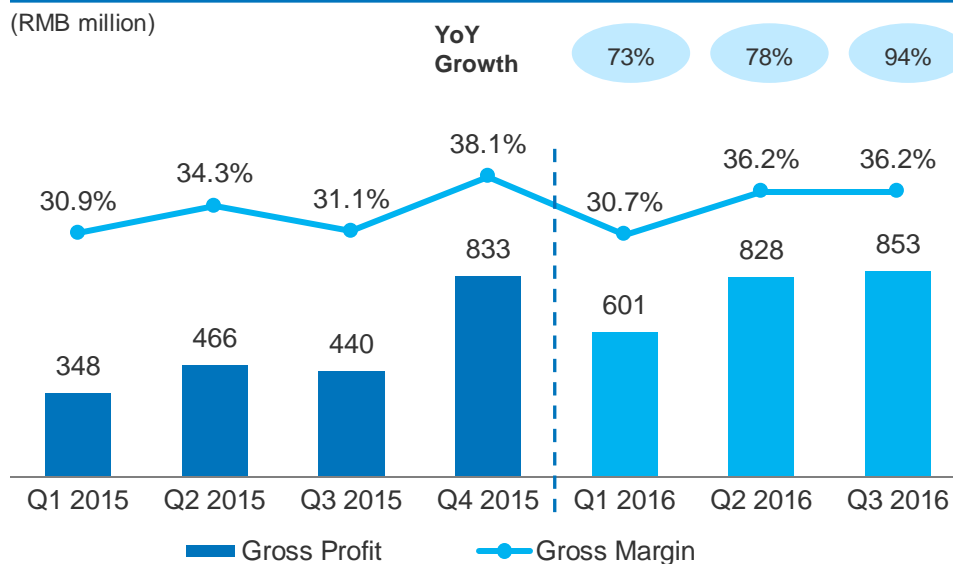
Cost of Revenues - Breakdown



Cost of Revenues as % of Revenue



Gross Profit and Margin

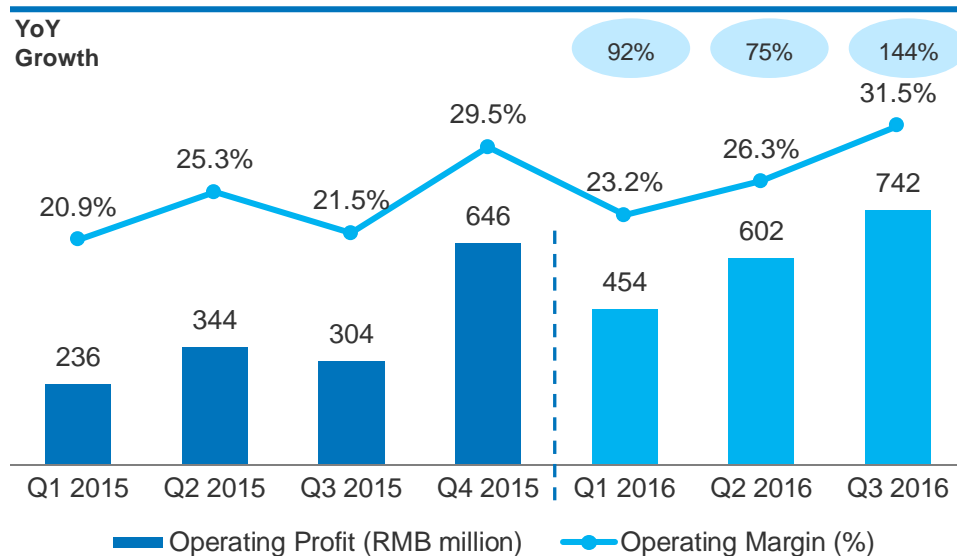


Key Observations

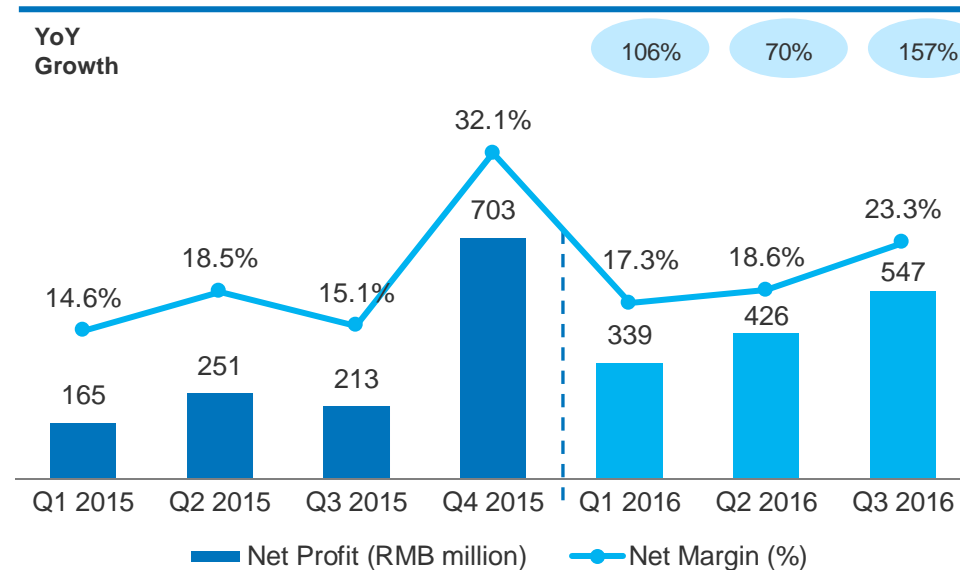
- **Line-haul transportation cost as % of revenue** decreased due to economies of scale and increase in self-owned fleet, in particular in the use of larger capacity trucks
- **Sorting hub cost as % of revenue** increased due to increase in land acquisition and investment in the self-owned sorting hubs
- **Cost of accessories sold as % of revenue** decreased due to higher adoption of digital waybills
- **Gross margin** rose to 36% in Q3 2016 from 31% in the same period last year due to economies of scale and implementation of operational initiatives to enhance efficiency

Strong Profit Growth and Continued Margin Expansion due to Operating Leverage

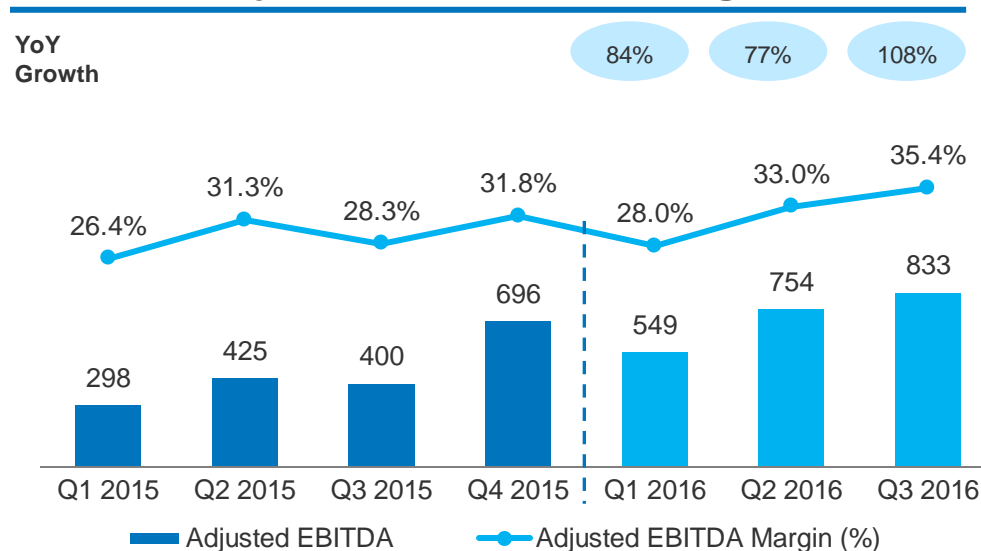
Income from Operations and Margin



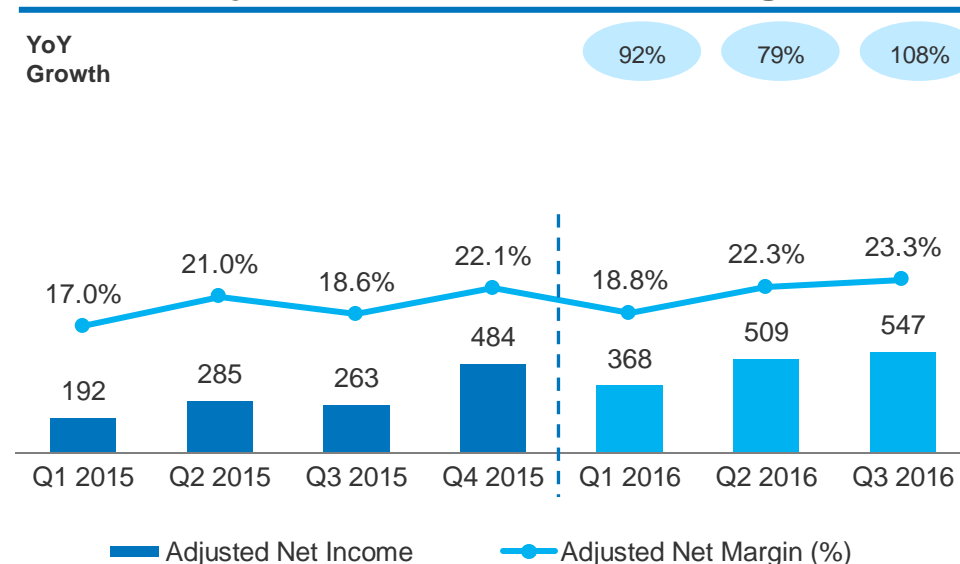
Net Income and Margin



Adjusted EBITDA¹ and Margin



Adjusted Net Income² and Margin

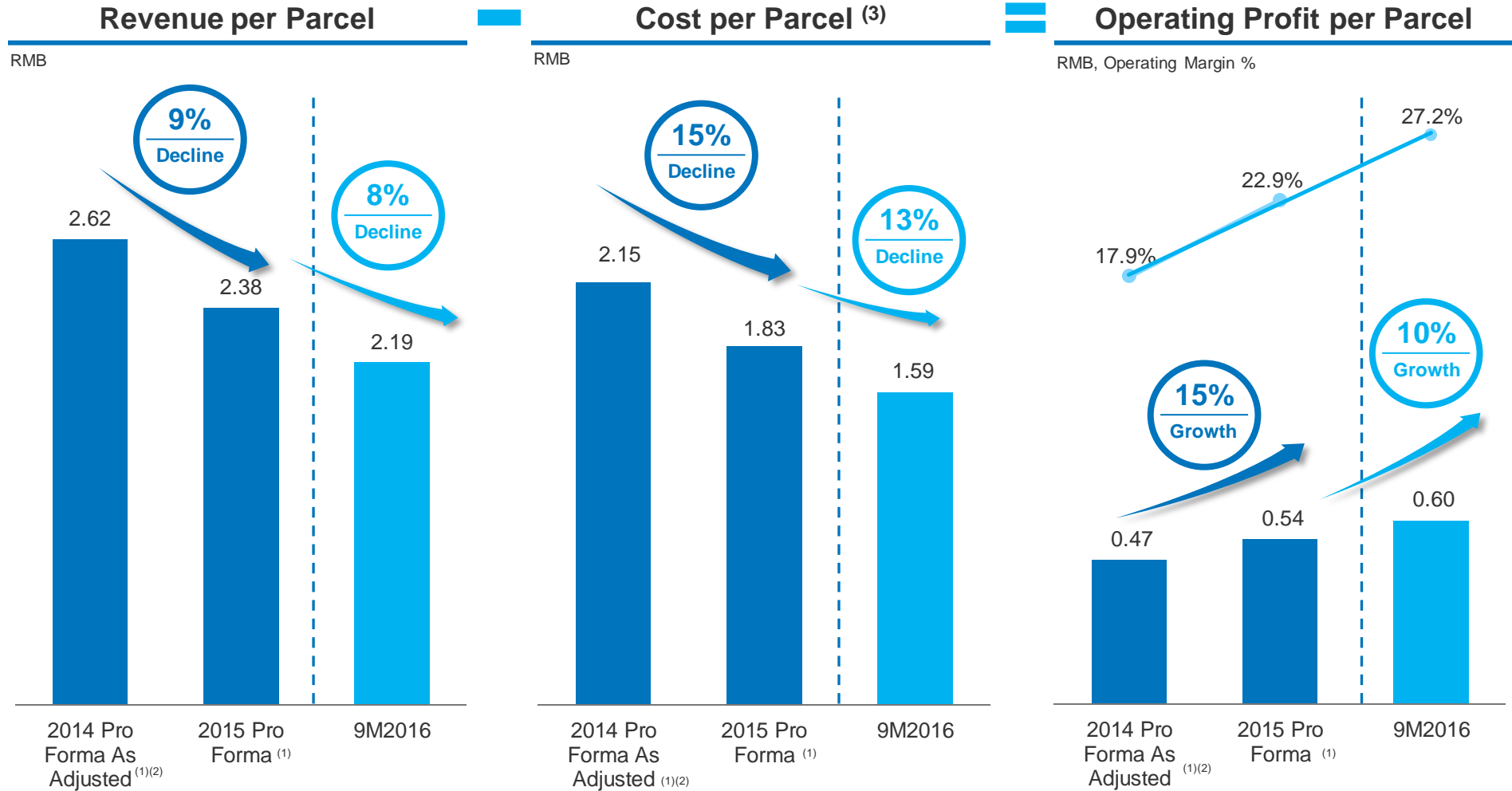


Notes

1. Adjusted EBITDA is a non-GAAP financial measure, which is defined as net income (which excludes depreciation, amortization, interest expenses and income tax expenses) before (i) shared-based compensation expense; and (ii) gain on deemed disposal of equity method investments..

2. 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.

Improving Unit Economics



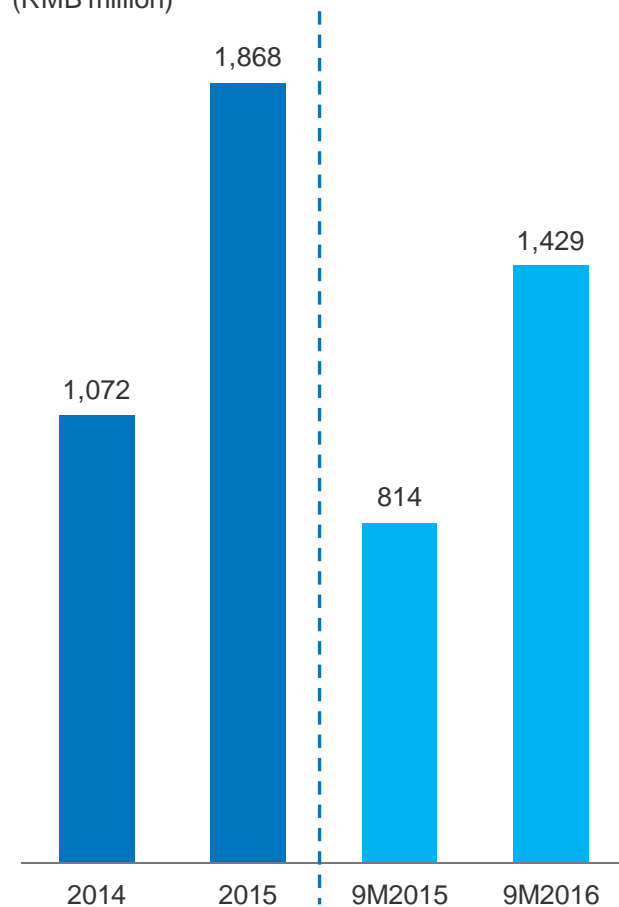
Notes

1. Unaudited pro forma results assume all acquisitions 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

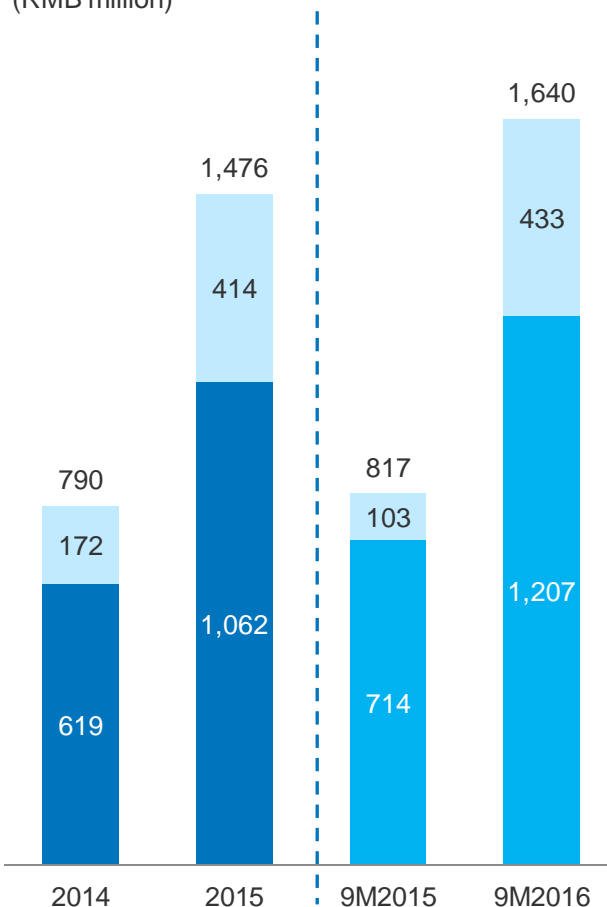
Operating Cash Flow

(RMB million)



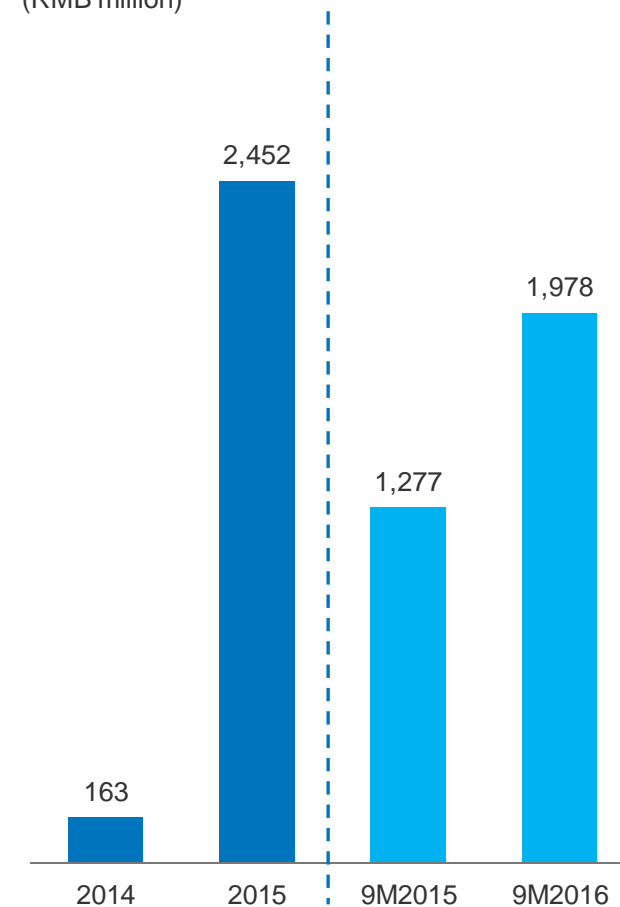
Capex

(RMB million)



Cash Balance

(RMB million)



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

GAAP to Adjusted / Non-GAAP Measures Reconciliation



For the Three Months Ended

Sep 30, 2015

Sep 30, 2016

Adjusted EBITDA	RMB million	RMB million
Net Income	213	547
Add: Depreciation	39	89
Add: Amortization	4	6
Add: Interest Expenses	4	4
Add: Income Tax Expenses	90	187
EBITDA	350	833
Add: Share-based Compensation Expense	50	-
Less: Gain on Deemed Disposal of Equity Method Investments	-	-
Adjusted EBITDA	400	833
<i>Adjusted EBITDA margin</i>	<i>28%</i>	<i>35%</i>
Adjusted Net Income	RMB million	RMB million
Net Income	213	547
Add: Share-based Compensation Expense	50	-
Less: Gain on Deemed Disposal of Equity Method Investments	-	-
Adjusted Net Income	263	547
<i>Adjusted Net Margin</i>	<i>19%</i>	<i>23%</i>

Note: Numbers may not add up due to rounding

GAAP to Adjusted / Non-GAAP Measures Reconciliation



	2015				2016		
	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016
Adjusted EBITDA	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
Add: Depreciation	33,290	35,356	39,217	37,413	51,008	62,453	89,174
Add: Amortization	2,744	2,854	3,026	4,156	4,688	5,349	6,310
Add: Interest Expenses	4,142	4,294	4,293	3,663	3,644	4,742	3,766
Add: Income Tax Expenses	65,836	97,626	90,323	166,214	122,018	171,954	186,468
EBITDA	270,785	390,777	350,006	914,497	520,172	670,300	832,895
Add: Share-based Compensation Expense	27,136	33,927	50,141	5,596	38,634	83,366	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
Adjusted EBITDA margin	26.4%	31.3%	28.3%	31.8%	28.0%	33.0%	35.4%
Adjusted Net Income	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
Add: Share-based Compensation Expense	27,136	33,927	50,141	5,596	38,634	83,366	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
Adjusted Net Margin	17.0%	21.0%	18.6%	22.1%	18.8%	22.3%	23.3%

Note: Numbers may not add up due to rounding



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