

ZTO Express

Q1 of Fiscal Year 2018

Investor Relations Presentation

May 2018



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 first quarter of 2018, our management quotes and our financial outlook for the second quarter of 2018.

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 first quarter of 2018 are preliminary, unaudited and subject to audit adjustment. In addition, we may not meet our financial outlook for the second quarter of 2018 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.

Market Opportunity

- Significant growth opportunity driven by strong growth of China e-commerce
- Favorable government policies and industry regulations supporting growth
- Largest market share in terms of parcel volume of 16.1% in 1Q 2018

Business Model

- Owned and operated sorting & transit network/platform integrated with network-partner outlets
- Evolving “shared-success” system and approach aligning interests and balancing conflicts
- Volume growth to economies of scale enabling operational efficiency and cost leadership

Team/People

- Highly experienced leadership team with thought leadership and long-term vision
- Effective execution team and empowering organizational structure
- Stable partner network connecting millions of courier entrepreneurs

Scale

- Highest nationwide coverage with flagship presence in strategic locations
- Early-mover investments in infrastructure and innovative automation
- High barriers to entry and track record of economies of scale

Operational Excellence

- Centralized planning and monitoring and real-time data analytics
- Leading I.T. capabilities in automation, ecosystem connectivity
- Result-oriented KPIs driving performance

Financial Performance

- Superior profitability on back of robust growth
- Industry-leading margins and strong cash generation
- Value proposition investment opportunity with strong upside potential

Our Competitive Advantages



Notes

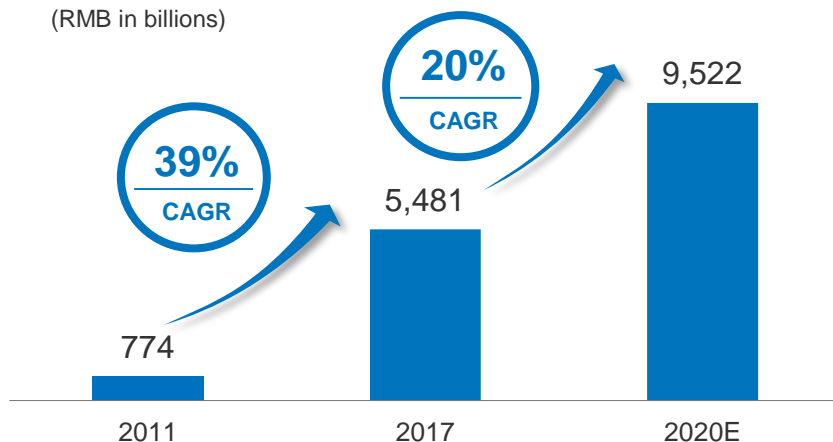
1. According to Horizon Consulting Group and State Post Bureau for 2015, 2016 and 2017

2. According to State Post Bureau for 2015, 2016 and 2017

Market Opportunities

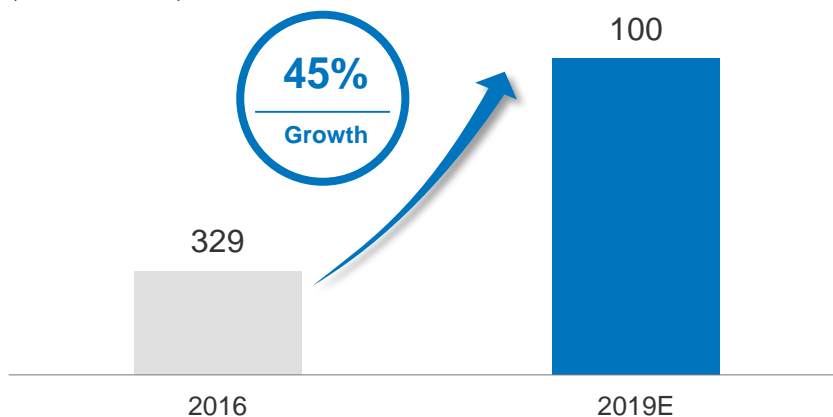
Online Retail Sales (GMV) in China Maintaining Robust Growth

(RMB in billions)



China Micro Merchants⁽¹⁾ Market Demonstrating High Growth Potential

(RMB in billions)

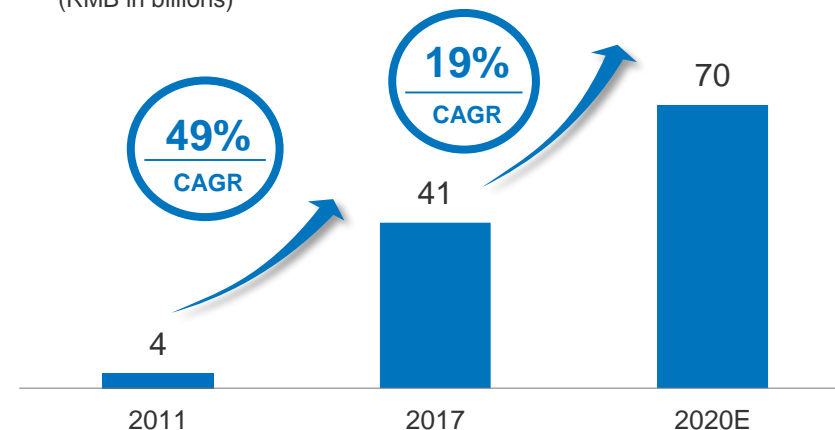


Source: iResearch

Express Delivery Industry

Express Delivery Parcel Volume in China Benefiting from E-Commerce Growth

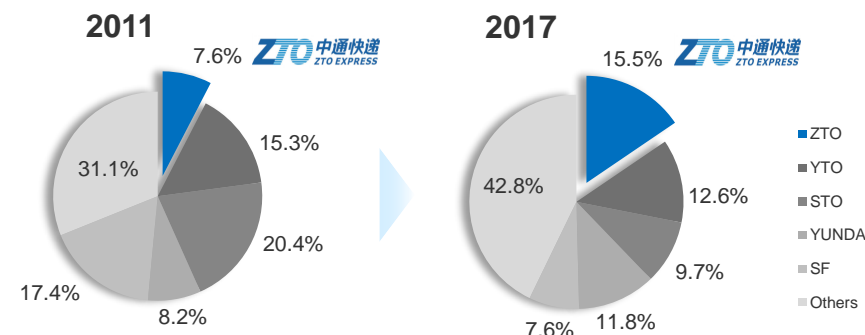
(RMB in billions)



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

ZTO is Gaining Market Share

In terms of parcel volume



Source: Companies' annual report

Note

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

Our History and Key Milestones

2002~2009

- ZTO Express founded in May 2002 in Shanghai
- Shanghai Zhongtongji commenced express delivery services in 2009



2013

- Restructured business to combine assets of Shanghai Zhongtongji and **15** network partners to form ZTO Express
- Sequoia Capital invested in ZTO



2014

- Acquired **8** regional network partners and their operating assets

2015

- Achieved **~70%** digital waybill adoption
- Acquired and centrally controlled national delivery network by adding **16** network partners
- Attracted more **world-class** investors



2016

- Achieved **leading position** and became **No 1** player in China in terms of parcel volume
- **IPO** on NYSE in October raised US\$1.4bn

2017

- Zhongtongji recognized as a national **High and New Technology Enterprise**
- Achieved **10%** faster parcel volume growth rate than industry average

68%

2011-2017
CAGR

2002

2011

2012

2013

2014

2015

2016

2017

Annual Parcel Volume

279MM

528MM

1.07Bn

1.81Bn

2.95Bn

4.5Bn

6.2Bn

Market Share

7.6%

9.3%

11.6%

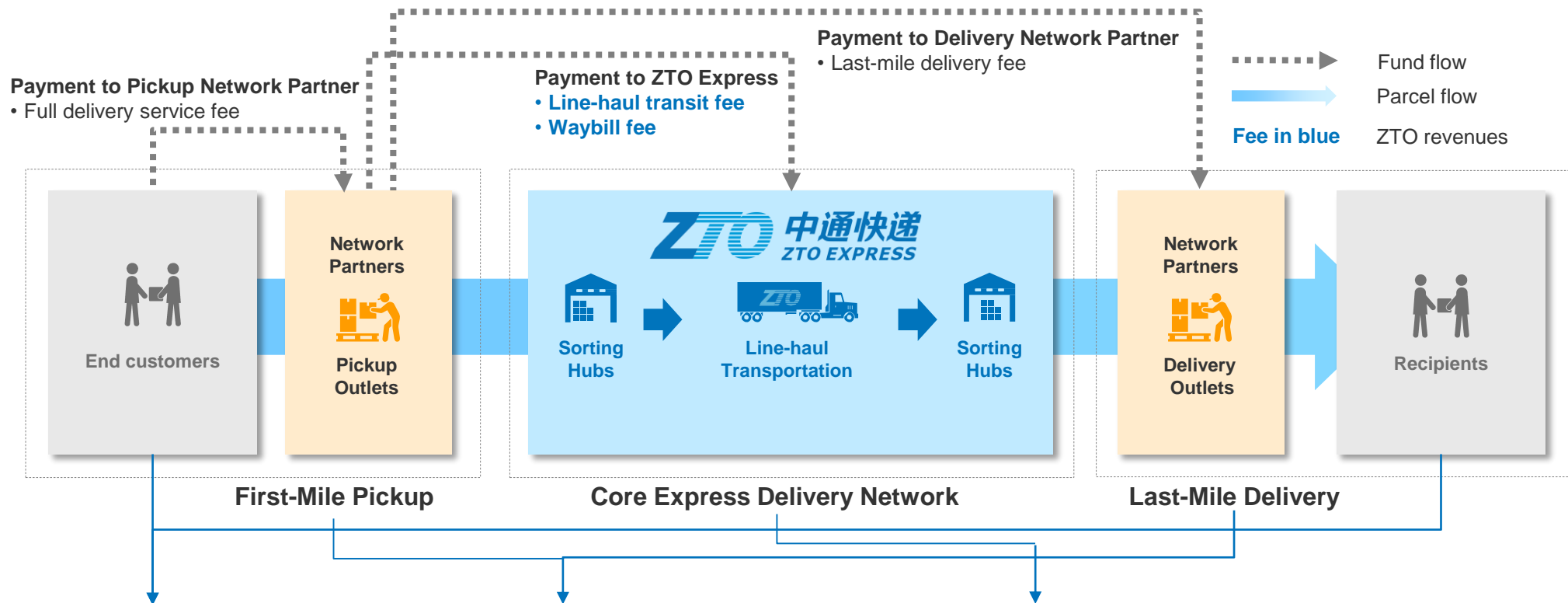
13.0%

14.3%

14.4%

15.5%

Our Distinctive Network Partner Business Model (“NPM”)



Our End-Customers

- E-Commerce merchants
- Enterprise clients
- Individual consumers

Our Network Partners

- We engage our network partners to provide pickup and last-mile delivery services
- Our network partners are also our direct customers, paying us a fee for each parcel transited through our network
- ~9,300 Network Partners¹
- ~28,700 Pickup/Delivery Outlets

Our Core Network

- 83 Sorting Hubs²
- 4,600+ Line-haul Vehicles³
- 1,920+ Line-haul Routes⁴
- >98% Cities and Counties Covered

Our Business Scale

- The largest express delivery company in China by market share since 2016
- 1,599M Parcels⁵ in 1Q 2018

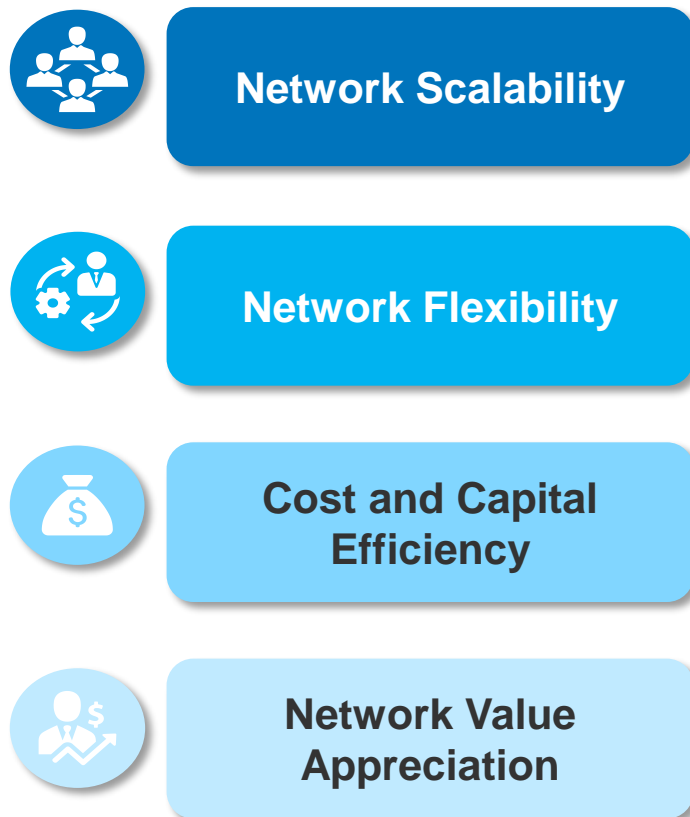
Notes

1. Includes over 3,900 direct network partners and around 5,400 indirect network partners as of March 31, 2018; Conduct business relationship through corporation agreement
2. Includes 76 self-operated sorting hubs, and 7 sorting hubs operated by our network partners
3. Includes ~3,500 self-owned vehicles and ~1,100 vehicles owned and operated by Tonglu Tongze Logistics Ltd., an entity majority owned by our employees
4. Only includes line-haul routes between sorting hubs as of March 31, 2018
5. “Parcel volume” in any given period is defined as the number of parcels collected by our network partners using our waybills

Network Partner Model Widely Adopted

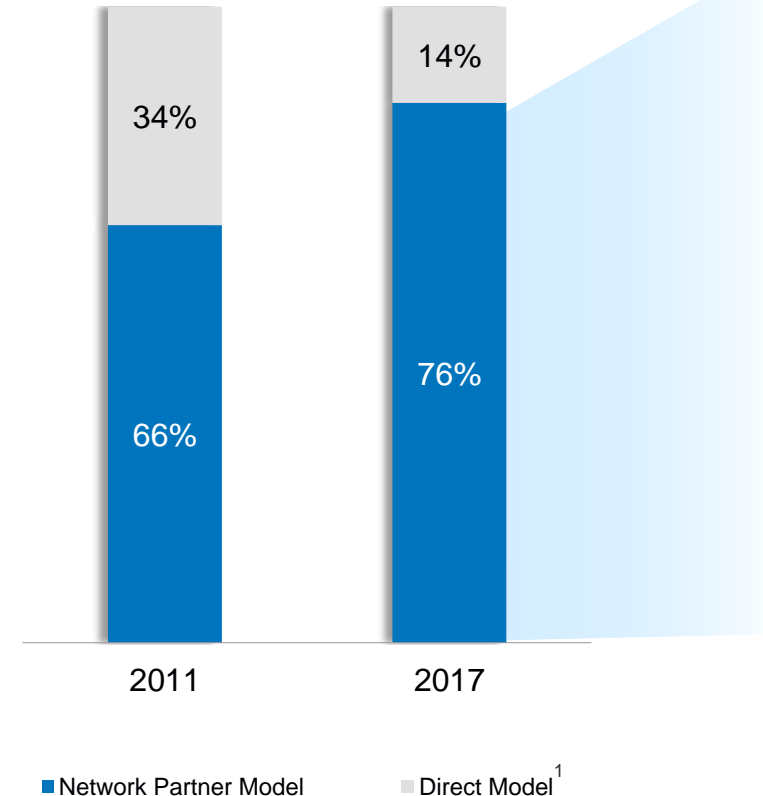
- Explosive growth of e-commerce in China demands scalability and flexibility
- Network partner players Gaining Market Share from Direct Model Players;
- ZTO Winning Market Share among network partner model peers

Network Partner Model Best Suited to Enable E-commerce Growth



Network Partner Model Has Become a Predominant Model in Industry

In terms of parcel volume



Source: iResearch Report

Notes

1. Include SF, EMS and other express delivery companies that use direct model. EMS market share based on assumption

Our Experienced Management Team



Meisong Lai

*Founder , Chairman
& Chief Executive
Officer*

- 17 years of experience in express delivery industry
- Deputy chairman of the China Express Delivery Association



Jianfa Lai

Co-founder, Director

- 17 years of experience in express delivery industry
- Former executive director of ZTO Supply Chain Management Co. Ltd.



Jilei Wang

*Director and Vice
President of
Infrastructure
Management*

- 12 years of experience in infrastructure management
- Former deputy general manager of ZTO's network partner in Beijing



Huiping Yan

*Chief Financial
Officer*

- Over 26 years of experience in corporate and financial management
- 11 years at GE in US and Asia, 8 years in public accounting and tax consulting
- 5 years in Chinese hotel chain management and 2 years in TMT/logistics



Renqun Jin

*Director and Vice
President of
Development
Research Center*

- 26 years of experience in express delivery industry
- Former vice president of TTK Express and STO Express
- Founder of Dawen Freight Agency Co., Ltd.



Innovation



**Shared
Success**



**Execution
Capabilities**



**Lean
Management**

Comprehensive Quality Control Measures



Call centers in 22 provinces with over 1000 customer service representatives across China



Local hires with relevant knowledge of distinctive local market conditions



Real-time access to customer service representatives seven days a week during business hours, and an automated system through our mobile app after business hours



Constant monitoring of KPIs, such as response time, customer complaint rate; performance-based reward system



Comprehensive training & operational support



Industry Leading Service Quality

1

Highest
Among Tongdas³

Overall Customer Satisfaction Score (2014 – 2017) ¹

2

Highest
Among Tongdas³

72-hour Punctuality Rate (2017) ²

Monthly average complain rate
< 2 per million

Customer Complaint Rate (2017) ²

Notes

1. According to Horizon Consulting Group

2. According to State Post Bureau

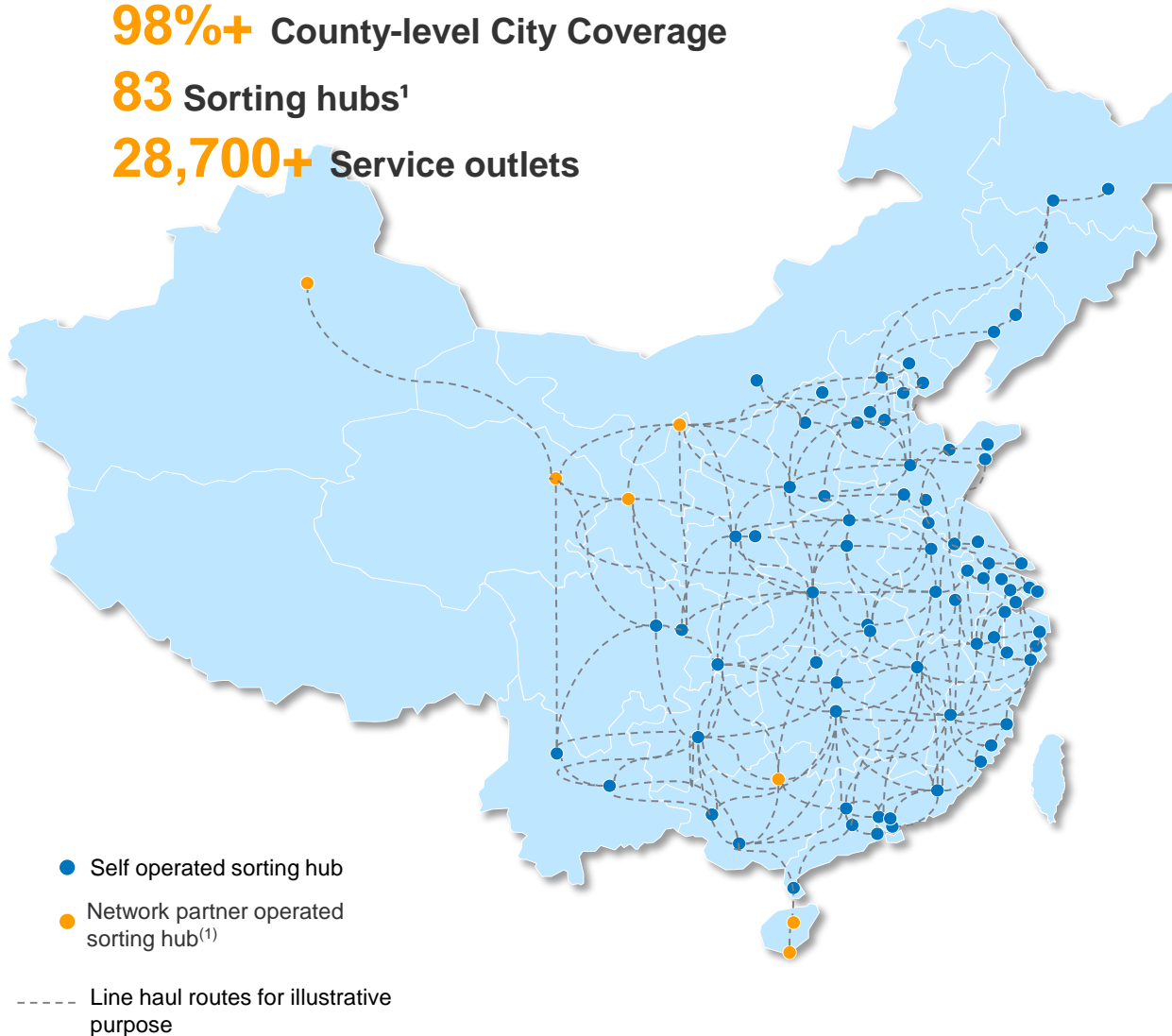
3. Tongdas refer to ZTO Express, YTO Express, STO Express and Yunda Express, all of which are major express delivery companies in China that adopt the network partner model

Scale and Nationwide Network Create High Entry Barriers and Strong Network Effects

98%+ County-level City Coverage

83 Sorting hubs¹

28,700+ Service outlets



- ✓ **Nationwide** Network Coverage
- ✓ Critical Scale at Right Locations Leads to **High Barriers** to Entry
- ✓ **Network Effect** Reducing Unit Costs
- ✓ **Standardized** Customer Services at the Last Mile
- ✓ **Global** Connectivity Capturing **Cross Border e-Commerce** Demand

Notes

1. 76 self operated sorting hubs and 7 networks partner operated sorting hubs as of March 31, 2018.

Centralized IT System

- Integrated IT system to monitor each service outlet
- Customized IT solutions to equip network partners and outlets with the best management practice
- Tailored mobile app to connect all delivery personnel

Performance-based Incentives

- Comprehensive and results-driven KPIs based on parcel volume, service quality and profitability
- Well established rewards system
- Elimination of weak performers to ensure the competitiveness of service outlets

Quality Control and Monitoring

- Over 1000 customer service representatives across the country to ensure service quality
- Real-time monitoring and analysis of parcel volumes
- Frequent reviews with regional management

Training and Advancement

- Comprehensive training to improve operational efficiency and service quality of network partners
- Consistent training on new systems and products for service outlets
- Field visits to help service outlets improve operational management

Stable Network
Network partner turnover rate less than 5% in 2017

Sustainable R&D capabilities enabling end-to-end digitization of processes and user experience

Connectivity & Visibility



- Real time data **synchronized** at **centralized** data repository
- **Connecting all users** through digital devices, mobile apps and desktop suits:
 - Pickup & Delivery personnel
 - Network partners & outlets
 - Vehicles and drivers
 - Senders & recipients

Automation & AI Solution

- **Proprietary AI algorithm** for addresses recognition, codification and location-based computing
- Deployed **automatic sorting equipment** with integrated embedded **sensory system** to record weight and size



Integrated IT R&D Platform

Progressive & Transformative



- **In-house R&D capability** with 500+ tech talents
 - 14 software copyrights and 1 patent as of Dec 2017
- **Cutting-edge technologies**, e.g. facial recognition & machine learning

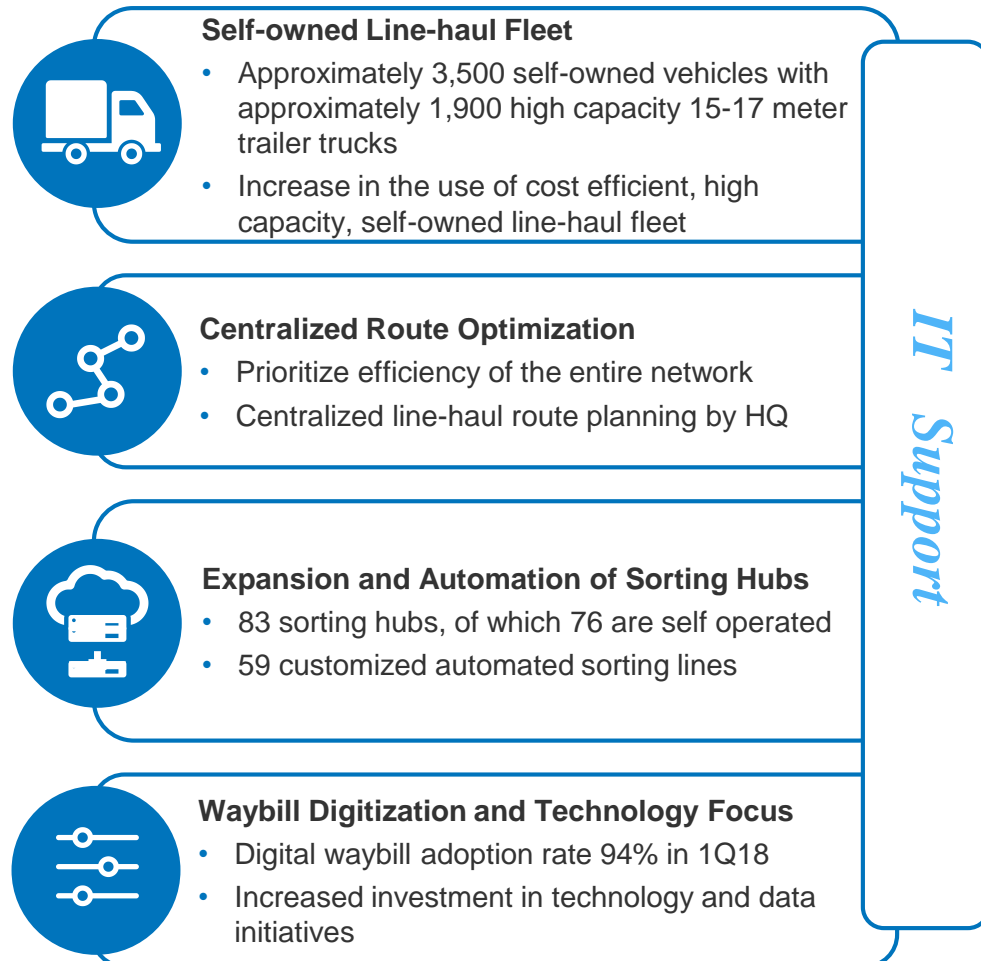
Openness & Empowerment

- Customer-centric data-driven open platform enabling **operational ease & fare allocation of profits**, e.g.:
 - For network partners: proprietary SaaS customized with data analytics against **best practice benchmark**
 - For couriers: transparent pickup & delivery fee, verified for competitiveness

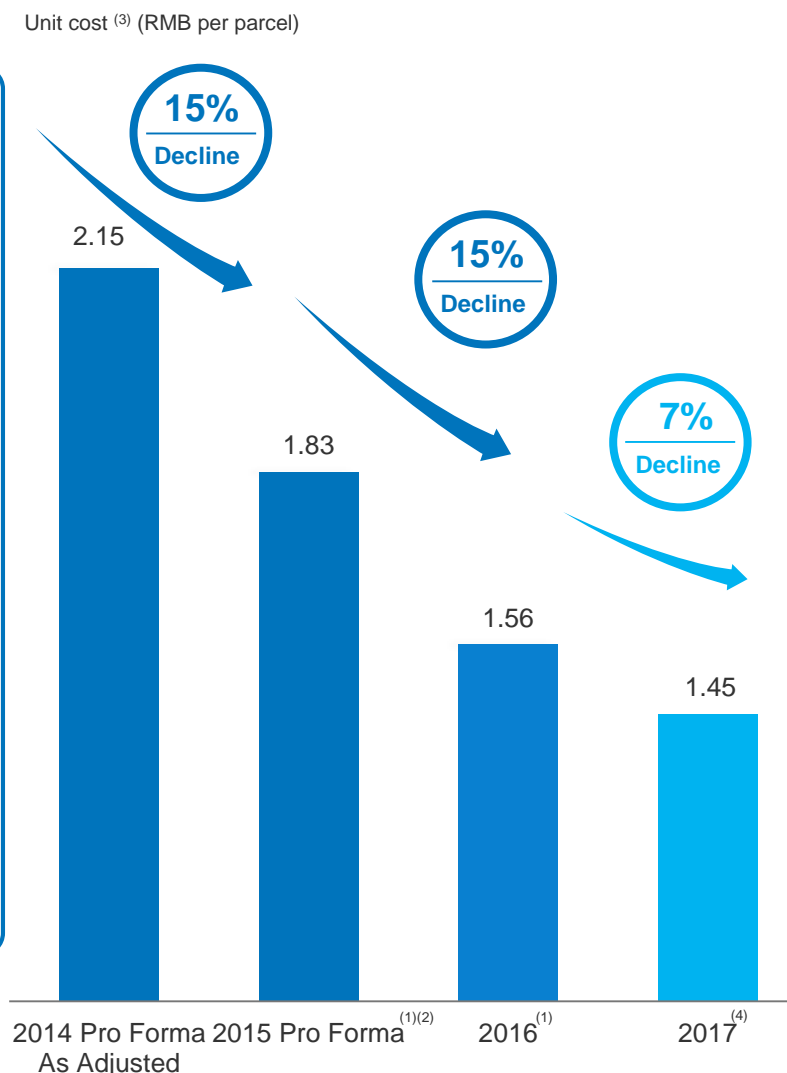


Our Strong Operational Efficiency and Cost Leadership

Continued Operational Improvements



Significant Cost Reduction



Notes

1. Unaudited pro forma results assume all acquisitions occurred as of Jan 1, 2014. The results have been prepared for comparative purpose only based on management's best estimate
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
4. Excluding COE business which was acquired by company in 4Q2017

Robust Growth



1,599m parcel volume,
+36.0% YoY, above
industry growth of 30.7%⁽¹⁾,
beating Q1 2018 guidance



RMB3,544m
revenue,
+35.6% YoY in
Q1 2018



RMB698m
operating profit,
+6.3% YoY in Q1 2018,
excluding SBC
+36.7% YoY

Superior Profitability



RMB557m
net income,
+10.9% YoY,
with net margin of
15.7% in Q1 2018



RMB757m
Adjusted net income,
+50.5% YoY,
beating Q1 2018 guidance,
with margin of
21.4% in Q1 2018



RMB0.78
basic earnings per ADS,
+11.4% YoY in Q1
2018

Significant Scale



4,600+
Line-haul
Vehicles⁽²⁾



~28,700
Pickup/Delivery
Outlets⁽³⁾



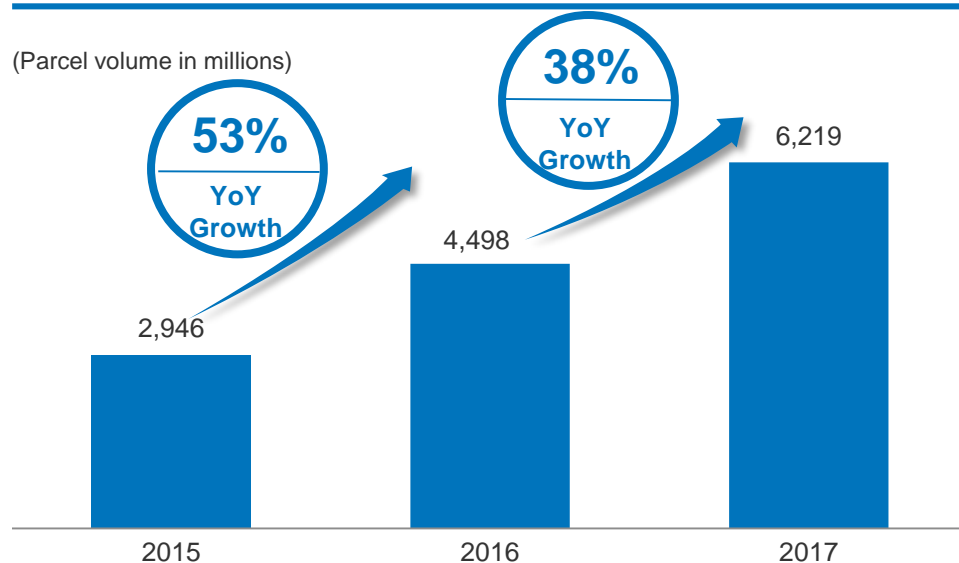
83
Sorting Hubs⁽⁴⁾

Notes

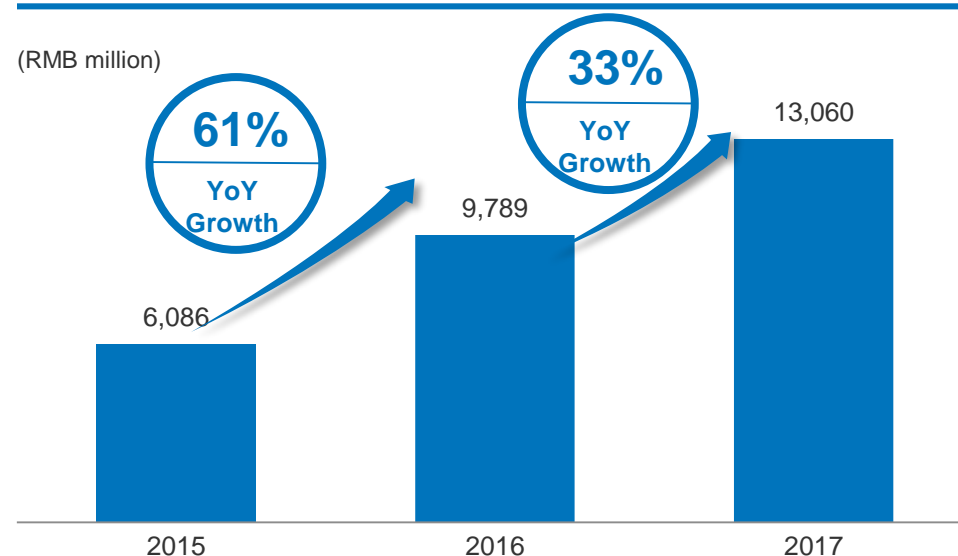
1. Average industry parcel volume growth rate for Q1 2018 is from the State Post Bureau.
2. Includes Number of self-owned trucks decreased to over 3,500 as of March 31, 2018, from 3,600 as of December 31, 2017, however, among which the number of high capacity 15-17 meter long models increased to over 1,900 as of March 31, 2018, compared to over 1,800 as of December 31, 2017.
3. Number of total service outlets across entire network as of March 31, 2018, a decrease from about 29,000 service outlets as of December 31, 2017.
4. Includes 76 self-operated sorting hubs, and 7 sorting hubs operated by our network partners.

Strong Revenue Growth Driven by Robust Parcel Volume Growth

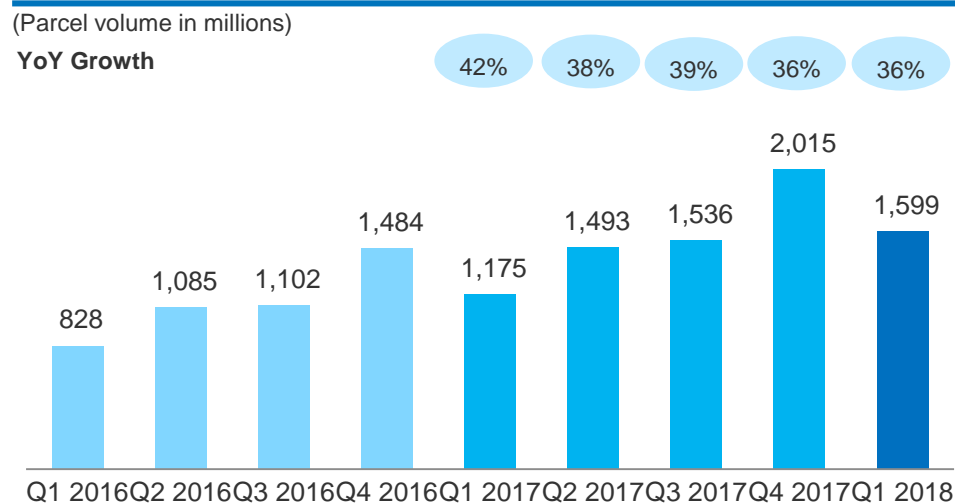
Parcel Volume



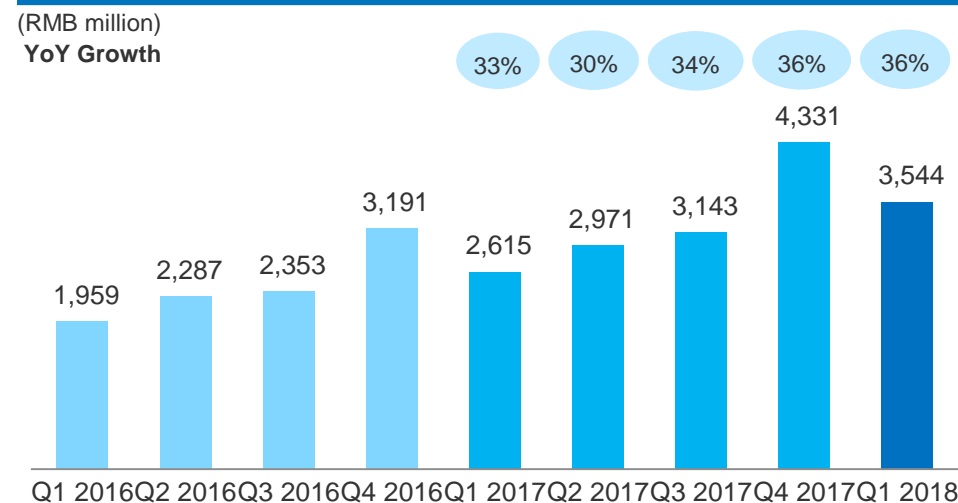
Total Revenue



Quarterly Parcel Volume

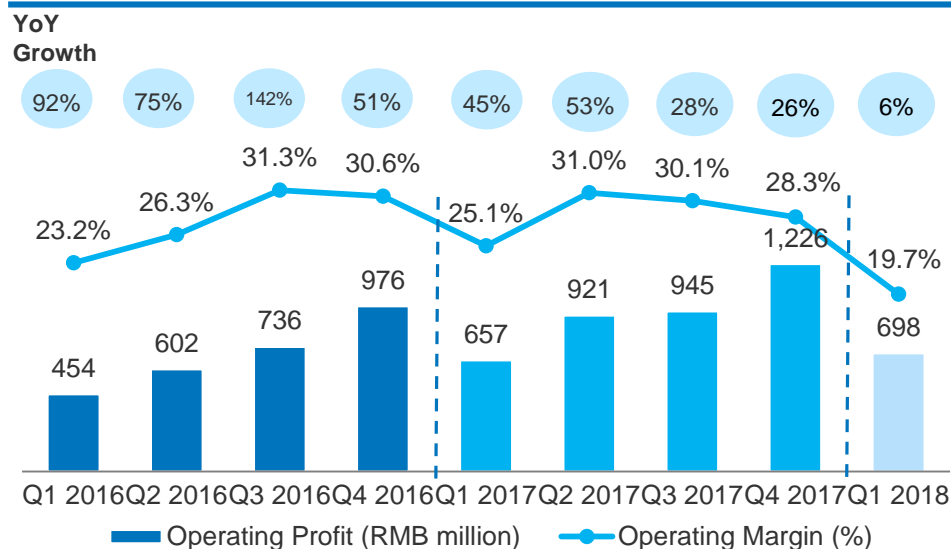


Quarterly Revenue

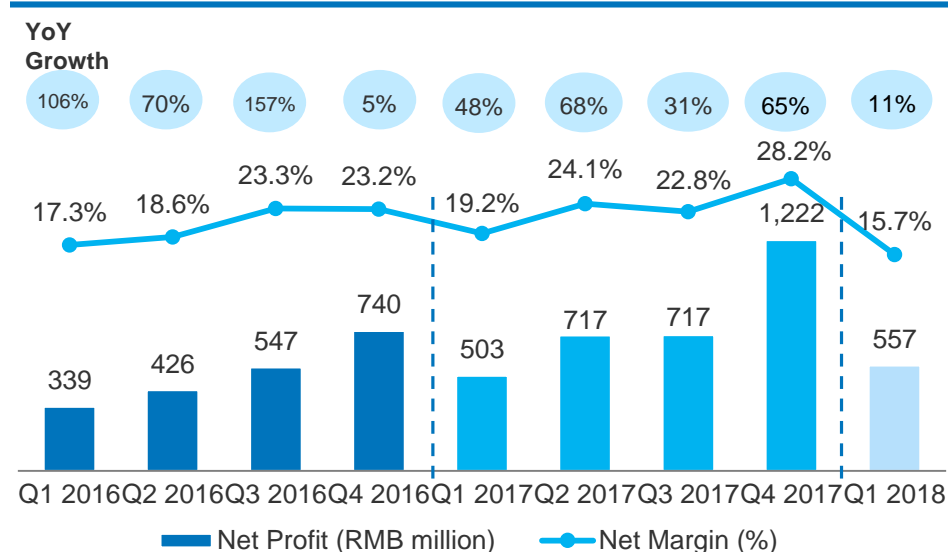


Strong Profit Growth and Healthy Margins

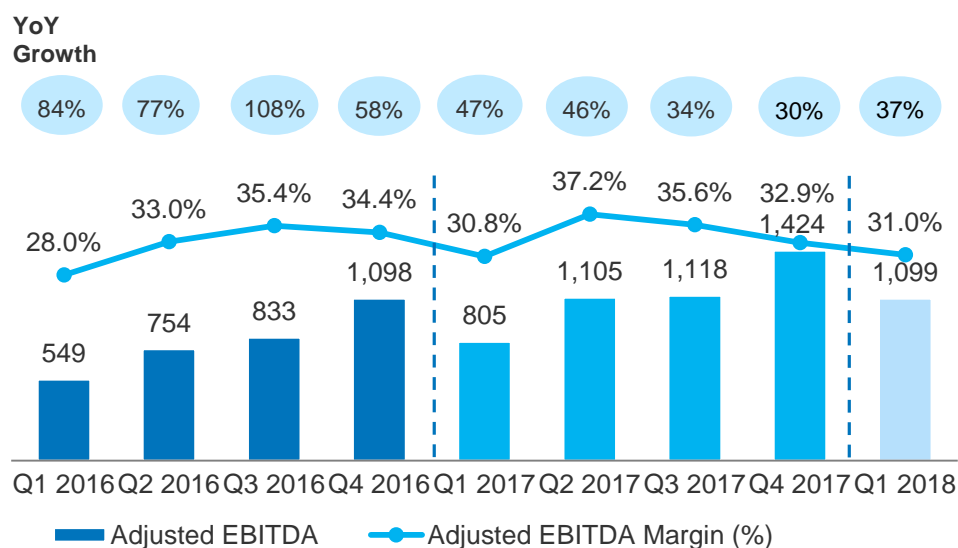
Income from Operations and Margin



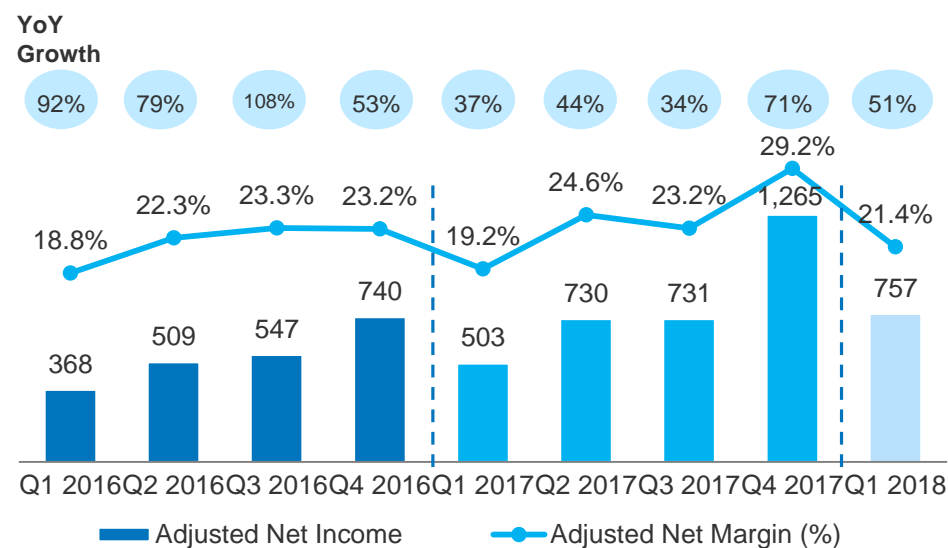
Net Income and Margin



Adjusted EBITDA¹ and Margin



Adjusted Net Income² and Margin

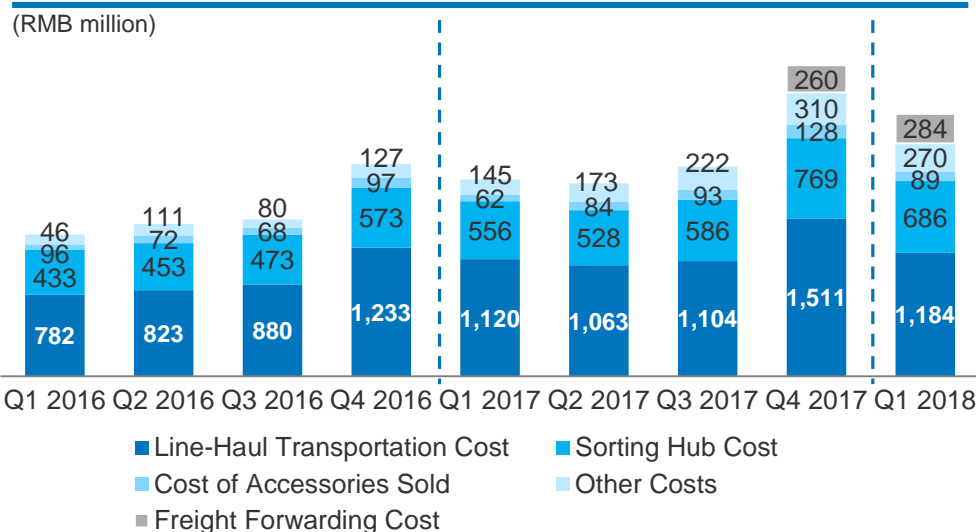


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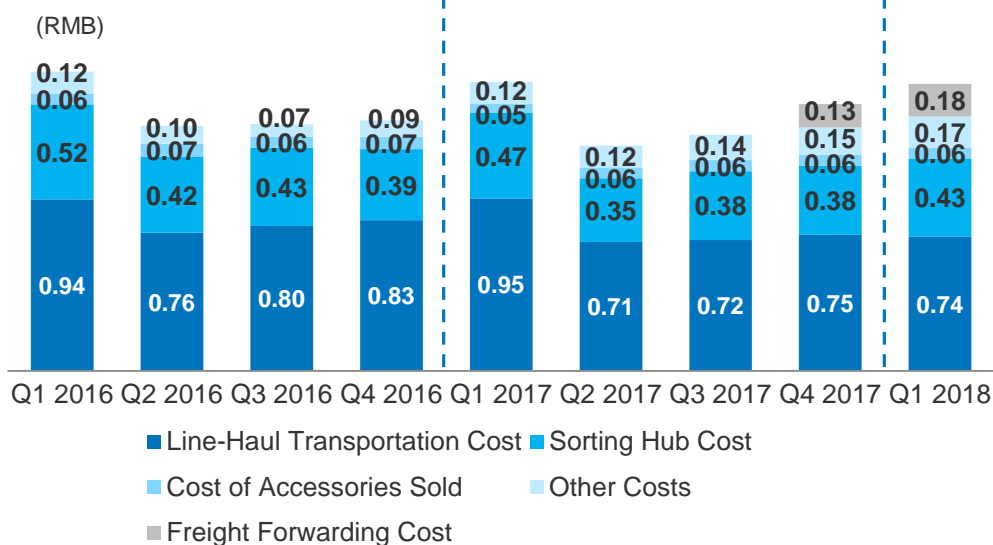
- Adjusted EBITDA is a non-GAAP financial measure, which is defined as net income before depreciation, amortization, interest expenses and income tax expenses, and further adjusted to exclude (i) shared-based compensation expense; (ii) gain on deemed disposal of equity method investments, and (iii) impairment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

Cost Efficiencies and Productivity

1Q COGS Improvements - Transportation costs as a % went down to 53% down from 59%



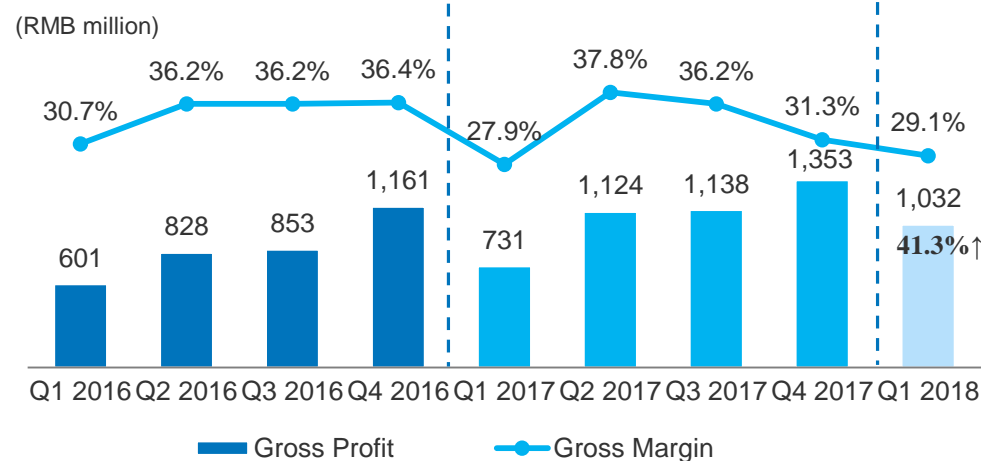
Cost of Revenues Per Parcel⁽¹⁾ Decreased by 10%



Note

(1) Cost of revenues per parcel is calculated based on costs of revenues divided by the number of parcels handled in a given quarter.

1Q18 Gross Profit Grew Faster than Revenue



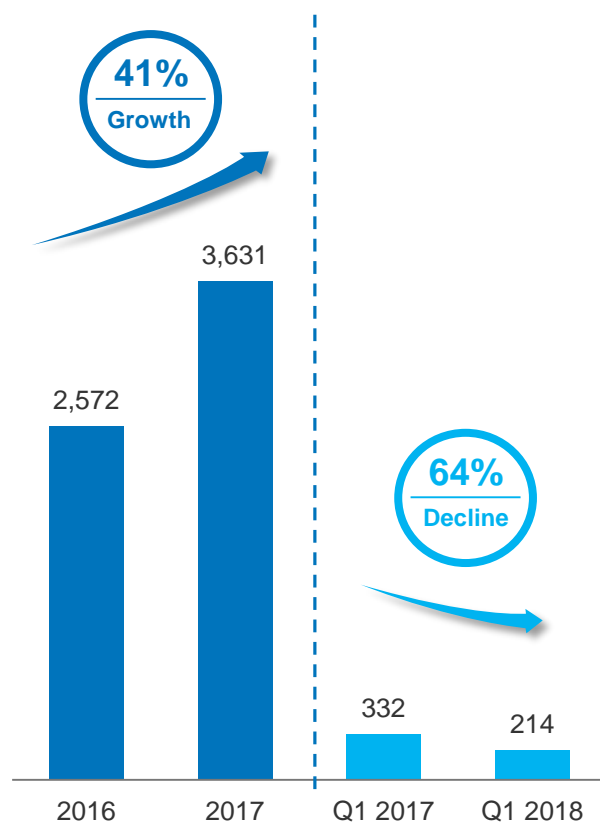
Key Observations on Q1 2018 Results

- **Line-haul transportation cost efficiency –**
 - ✓ Increased use of high-capacity trailer trucks
 - ✓ Better route planning
- **Sorting hub cost efficiency –**
 - ✓ Ramp up of automation equipment with improved efficiencies
- **Cost of accessories sold per parcel**
 - ✓ increased in line with increases in digital waybill utilization (up to 94%)
- **Strong Gross margin increases** despite impact from (i) an increase of RMB60.5 million (US\$9.6 million) in dispatching costs associated with serving enterprise customers, (ii) an increase of RMB46.6 million (US\$7.4 million) in tax surcharges, and (iii) an increase of RMB24.6 million (US\$3.9 million) in IT related costs.

Strong Cash Flow and Continued Investment in Capacity Expansion

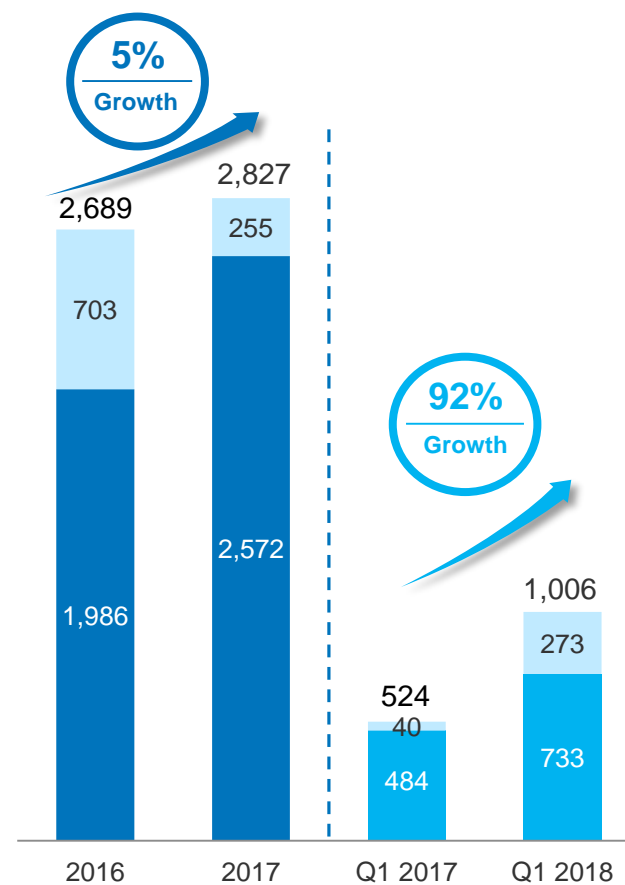
Operating Cash Flow ⁽¹⁾

(RMB million)



Capital Expenditure

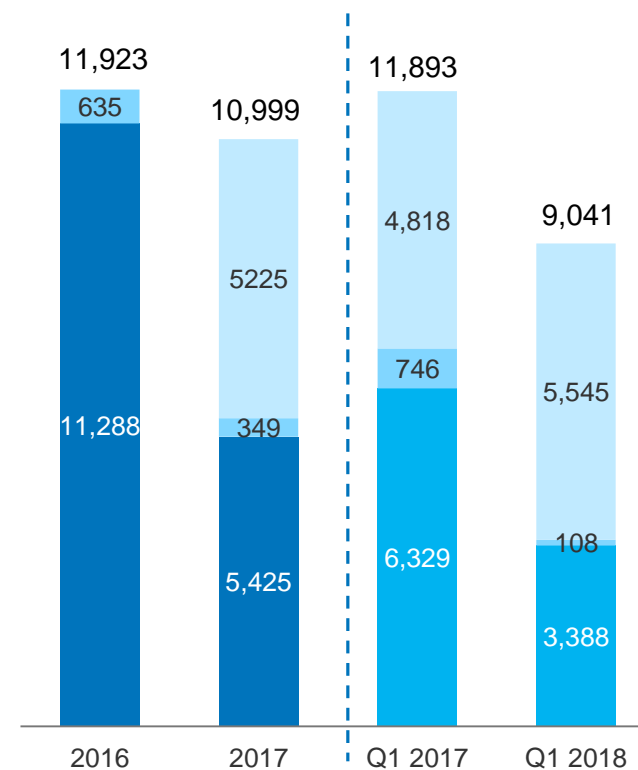
(RMB million)



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

Cash and Cash Equivalents ⁽²⁾

(RMB million)



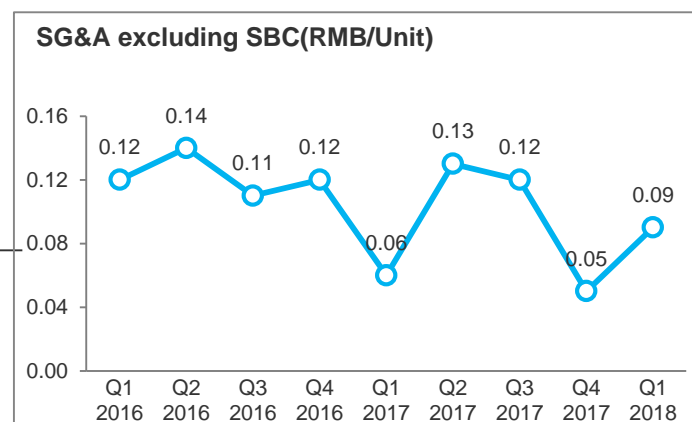
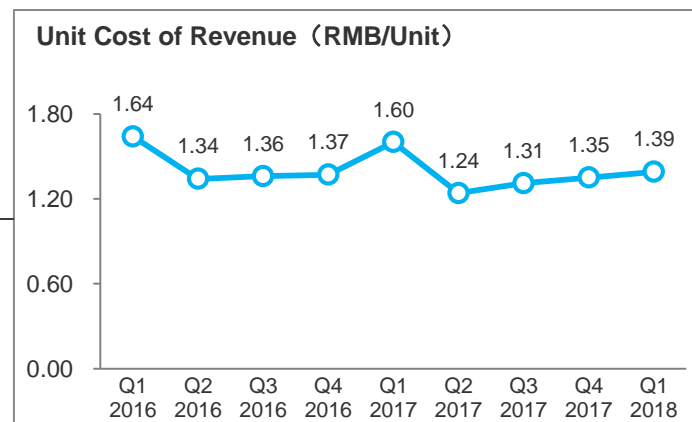
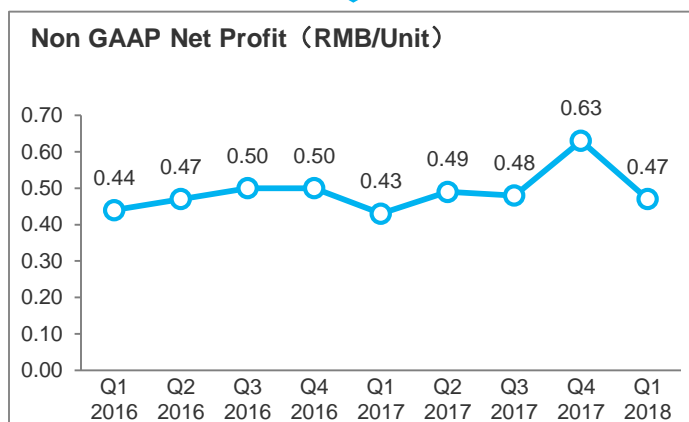
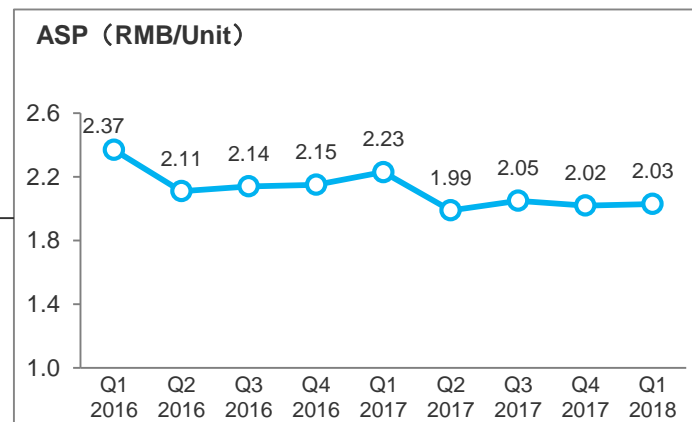
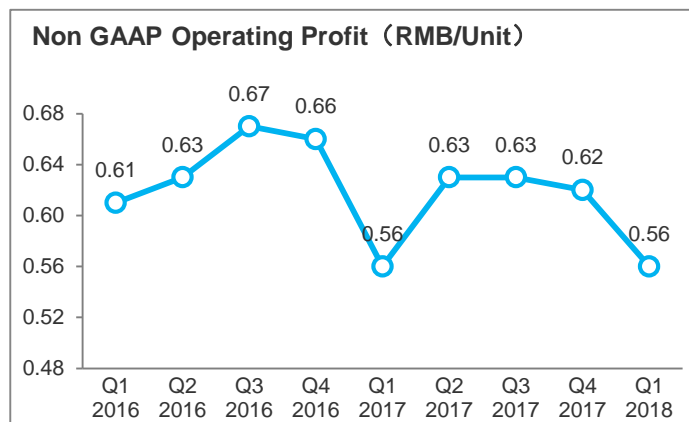
■ Cash and cash equivalents
■ Restricted cash
■ Short-term investments

Note

(1) The operating cash flow in 2016 has been retroactively adjusted to reflect the impact of restricted cash presentation in the cash flow statement as a result of ZTO's adoption of a new accounting standard starting from 2017.

(2) Including cash and cash equivalents, restricted cash and short-term investment. The decrease of cash & cash equivalents as of March 2018 from the end of 2017 was mainly due to (i) purchase of land use rights and property, equipment and vehicles; (ii) dividend; (iii) repurchase of shares and (iiii) short-term loan repayment.

Per Parcel Unit Economics



Note: numbers may not add up due to rounding.

Reconciliation of GAAP to Adjusted / Non-GAAP Measures



For the Three Months Ended

	Mar. 31, 2017	Mar. 31, 2018
	RMB million	RMB million
Adjusted EBITDA		
Net Income	503	557
Add: Depreciation	122	176
Add: Amortization	8	11
Add: Interest Expenses	6	1
Add: Income Tax Expenses	167	154
EBITDA	805	899
Add: Share-based Compensation Expense	0	200
Adjusted EBITDA	805	1,099
Adjusted EBITDA margin	30.8%	31.0%
Adjusted Net Income		
Net Income	503	557
Add: Share-based Compensation Expense	0	200
Adjusted Net Income	503	757
Adjusted Net Margin	19.2%	21.4%

Note: Numbers may not add up due to rounding

Reconciliation of GAAP to Adjusted / Non-GAAP Measures



For the Three Months Ended
2016

For the Three Months Ended
2017

2018

	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018
Adjusted EBITDA	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Net Income	338,814	425,802	547,177	739,811	502,870	716,923	717,230	1,221,875	557,455
Add: Depreciation	51,008	62,453	89,174	99,032	122,011	127,083	138,757	135,002	176,197
Add: Amortization	4,688	5,349	6,310	6,963	7,595	8,702	8,455	11,211	10,670
Add: Interest Expenses	3,644	4,742	3,766	834	5,708	5,029	2,479	2,452	773
Add: Income Tax Expenses	122,018	171,954	186,468	251,547	166,609	233,323	237,670	8,759	154,280
EBITDA	520,172	670,300	832,895	1,098,187	804,793	1,091,060	1,104,591	1,379,299	899,375
Add: Share-based Compensation Expense	38,634	83,366	251	251	251	13,492	13,492	13,492	199,744
Add: Impairment of the investments	-	-	-	-	-	-	-	30,000	-
Less: Gain on Deemed Disposal of Equity Method Investments	(9,551)	-	-	-	-	-	-	-	-
Adjusted EBITDA	549,255	753,666	833,146	1,098,438	805,044	1,104,552	1,118,083	1,422,791	1,099,119
Adjusted EBITDA margin	28.00%	32.96%	35.40%	34.40%	30.77%	37.17%	35.57%	32.85%	31.01%
Adjusted Net Income	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Net Income	338,814	425,802	547,177	739,881	502,870	716,923	717,230	1,221,875	557,455
Add: Share-based Compensation Expense	38,634	83,366	251	251	251	13,492	13,492	13,492	199,744
Add: Impairment of the investments	-	-	-	-	-	-	-	30,000	-
Less: Gain on Deemed Disposal of Equity Method Investments	(9,551)	-	-	-	-	-	-	-	-
Adjusted Net Income	367,897	509,168	547,428	740,062	503,121	730,415	730,722	1,265,367	757,199
Adjusted Net Margin	18.80%	22.27%	23.30%	23.20%	19.24%	24.58%	23.25%	29.22%	21.36%

Note: Numbers may not add up due to rounding



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