

ZTO Express

Q3 of Fiscal Year 2017

Investor Relations Presentation

Nov 21, 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 third quarter of 2017, our management quotes and our financial outlook for the fourth 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 third quarter of 2017 are preliminary, unaudited and subject to audit adjustment. In addition, we may not meet our financial outlook for the fourth 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



1,536m
parcel volume in
Q3 2017



4,410+
Line-haul
Vehicles⁽¹⁾



~28,900
Pickup/Delivery
Outlets⁽²⁾



79
Sorting Hubs⁽³⁾

Robust Growth



39.4% YoY
parcel volume
growth in Q3 2017
, above industry
growth of 28.4%
YoY⁽⁴⁾



33.6% YoY
revenue growth in
Q3 2017, beat Q3
guidance



28.3% YoY
operating profit
growth in Q3 2017



28.2% basic
and diluted
earnings per ADS
YoY growth in Q3
2017

Superior Profitability



RMB945m
operating profit with
operating margin of
30.1% in Q3
2017, decreased from
31.3% in Q3 2016



RMB717m
net income with net
margin of
22.8% in Q3
2017, decreased from
23.3% in Q3 2016



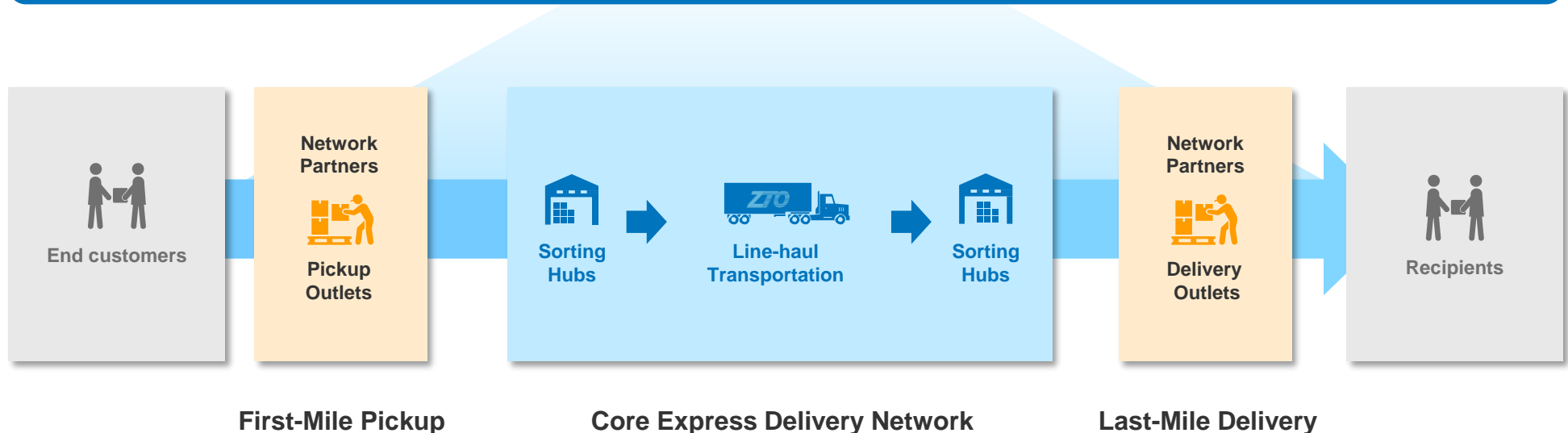
RMB1.00
basic and diluted
earnings per ADS in
Q3 2017, up from
RMB0.78 in Q3 2016

Notes

1. Includes around 3,250 self-owned trucks as of September 30, 2017, an increase from 3,190 self-owned trucks as of June 30, 2017, among which over 1,400 are high capacity, 15-17 meter long trucks, as of September 30, 2017, compared to over 1,260 as of June 30, 2017.
2. Number of total service outlets across entire network as of September 30, 2017, an increase from about 28,000 service outlets as of June 30, 2017.
3. Includes 73 self-operated sorting hubs, and 6 sorting hubs operated by our network partners.
4. Average industry parcel volume growth rate for Q3 2017 is from the State Post Bureau.



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



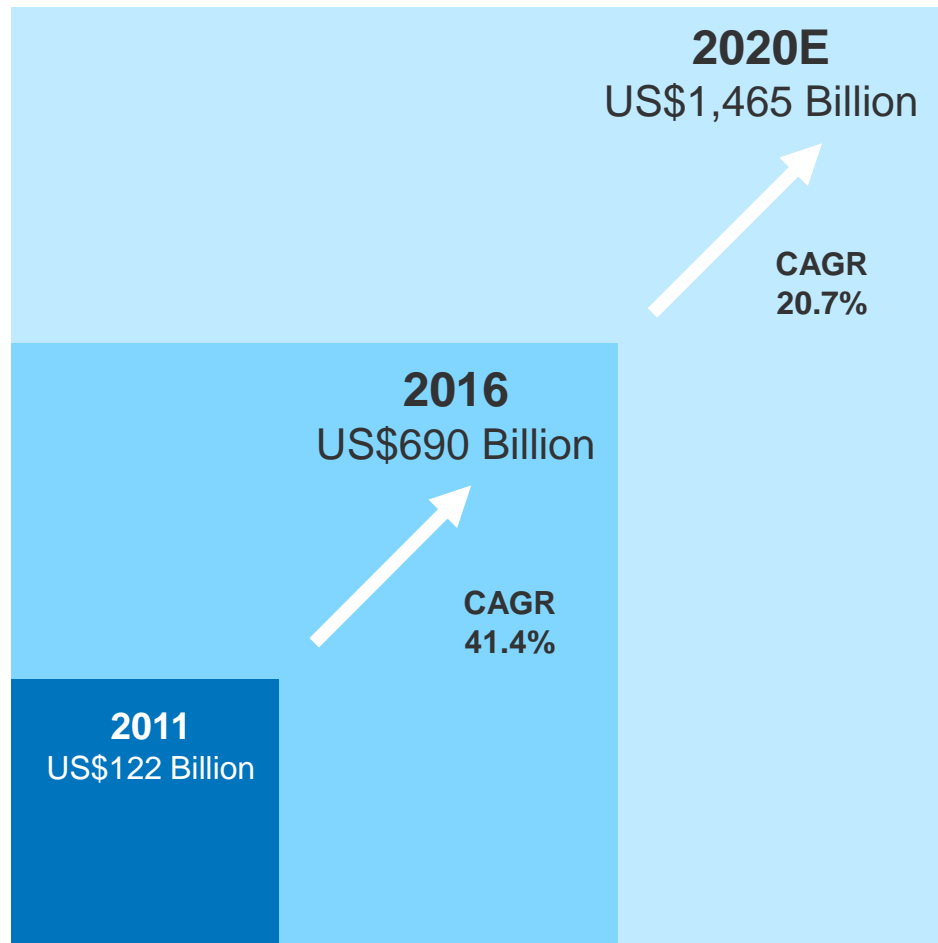
“ZTO Express” Brand

Integrated IT Platform

Service Standardization

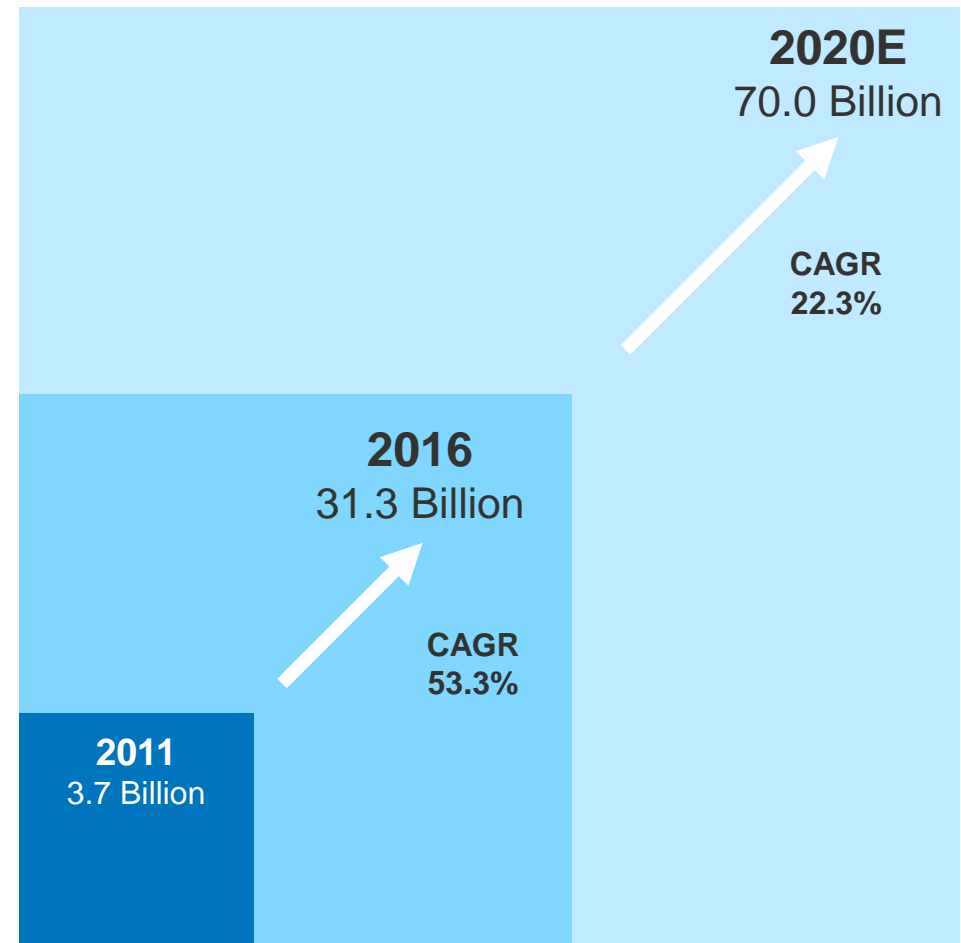
Huge Market Opportunities from E-commerce Growth

Online Retail Sales (GMV) in China



Source: CNNIC, iResearch Report

Express Delivery Parcel Volume in China

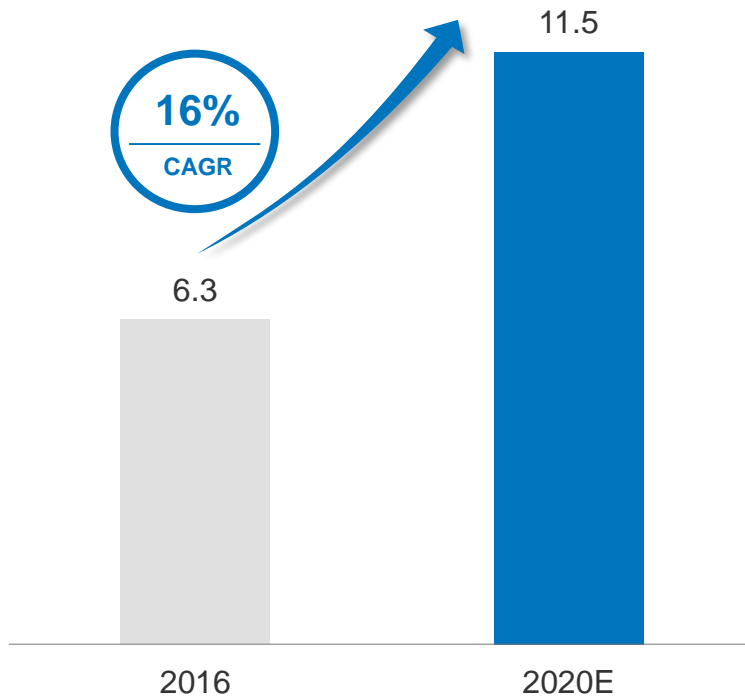


Source: The 13th Five-Year Plan issued by China Post Bureau.



China Cross-Border E-commerce Market

GMV (RMB trillion)

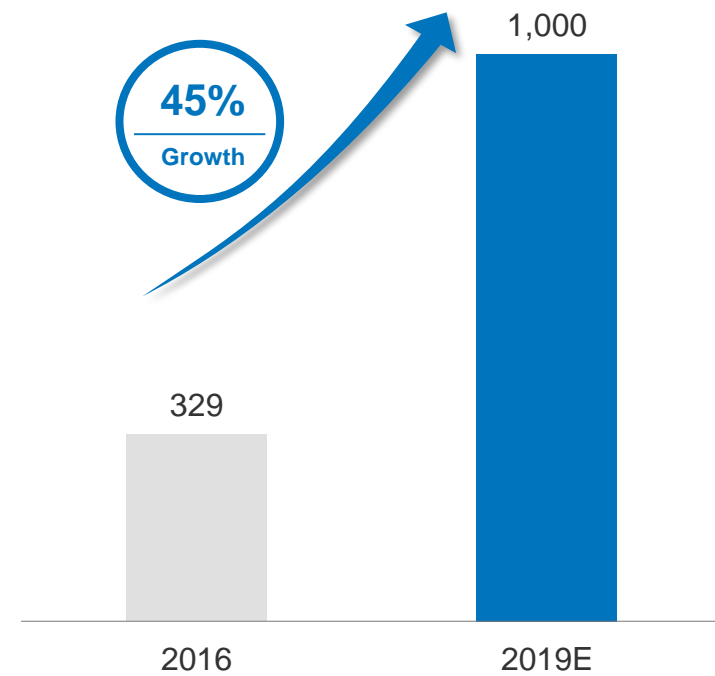


Source iResearch Report, iMedia



China Micro Merchants⁽¹⁾ Market

GMV (RMB billion)



Source iResearch

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, 2017 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 73 self-operated sorting hubs, and 6 sorting hubs operated by our network partners
4. Includes ~3,250 self-owned vehicles and ~1,160 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, 2017
6. Includes over 3,800 direct network partners and around 5,600 indirect network partners as of September 30, 2017
7. As of December 31, 2016.

Key Differentiation from Our Competitors



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

- ✓ Stable network with expanding infrastructure capacity to support business growth
- ✓ 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⁾

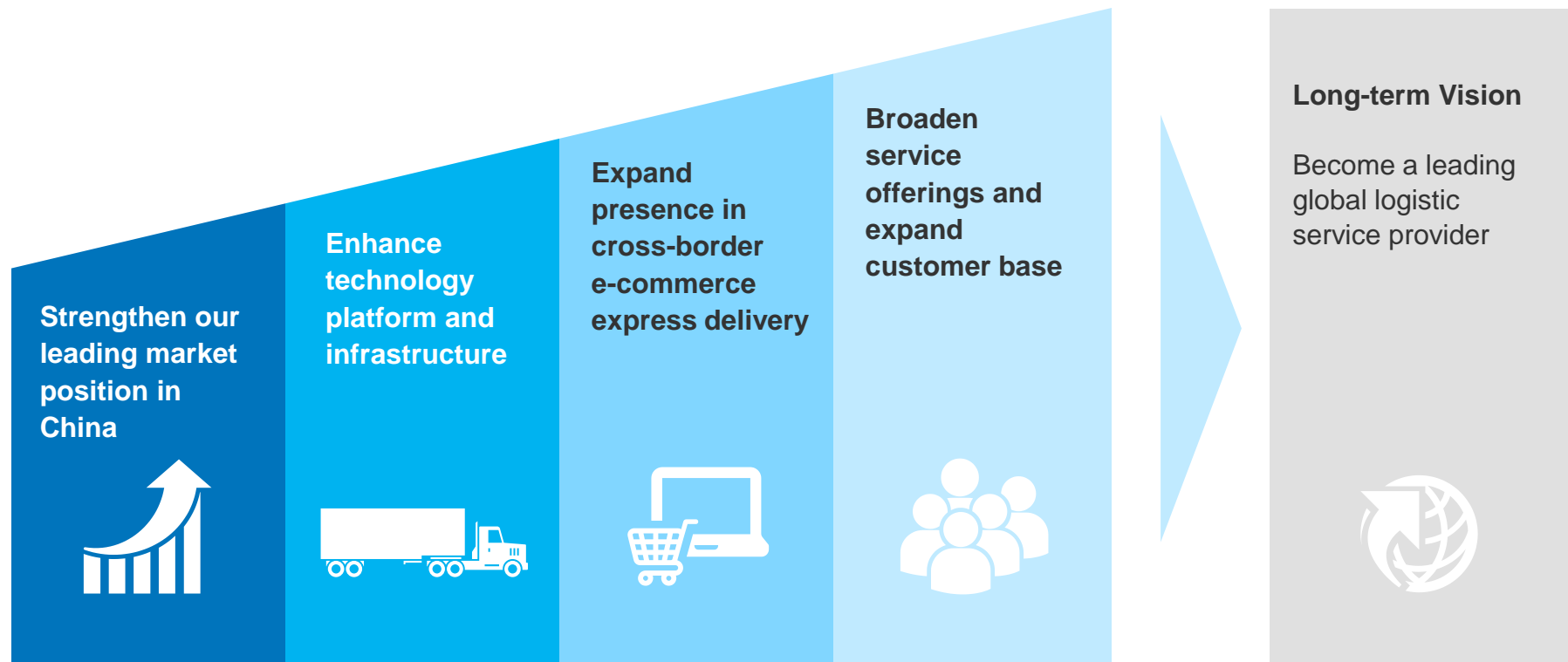
Notes

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

2. According to State Post Bureau for 2015

3. According to State Post Bureau for 2016, and each of the first nine months in 2017

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**

Robust Growth

Parcel Volume

1,536m
+39.4% YoY

Revenue

RMB3,143m
+33.6% YoY

Income from Operations

RMB945m
+28.3% YoY

Superior Profitability

Operating Margin

30.1% vs. 31.3% in
Q3 2016

Net Margin

22.8% vs. 23.3% in
Q3 2016

Adjusted Net Income⁽³⁾

RMB731m
+33.5% YoY

Notes

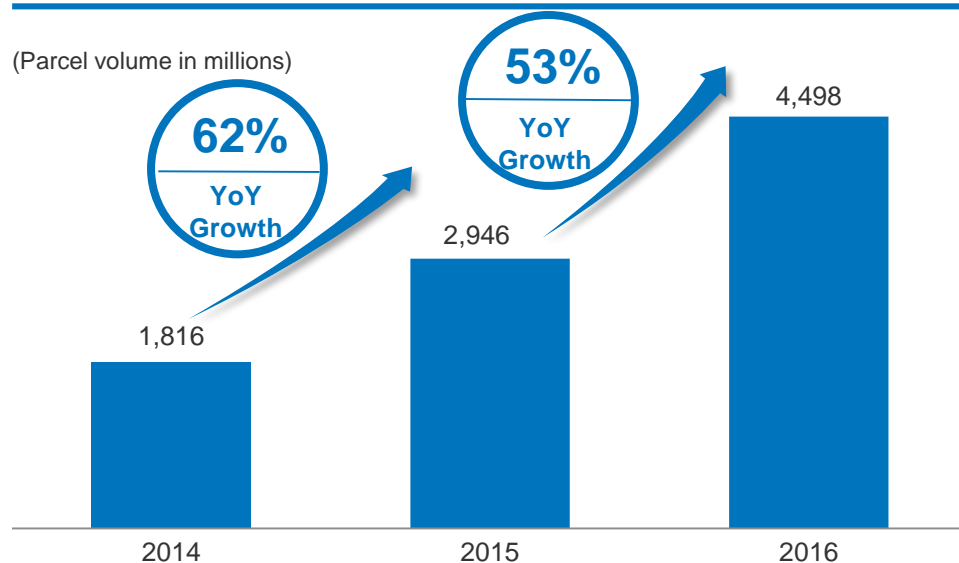
1. Total revenue and margins refer to the quarter ended September 30, 2017.

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

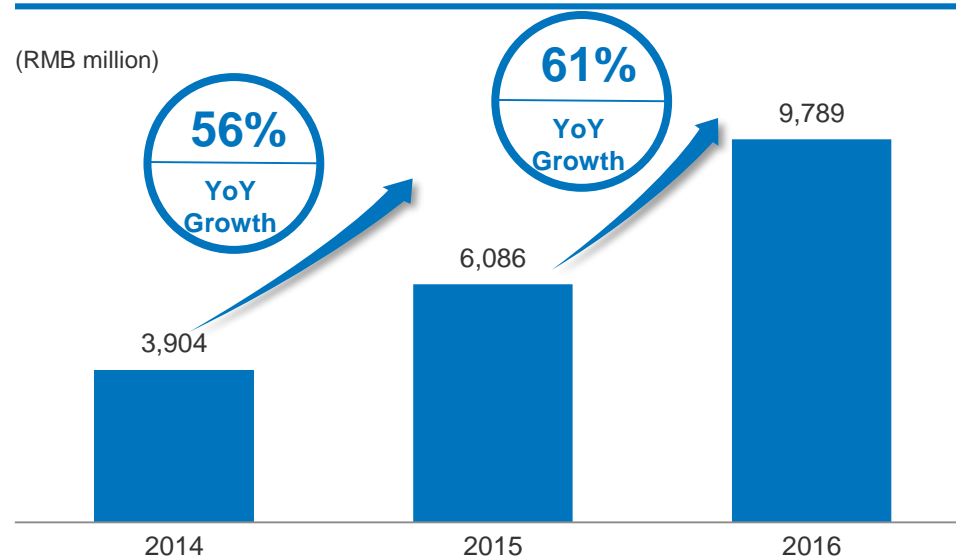
3. Net income adjusted for share-based compensation expenses and gain on deemed disposal of equity method investments, if any. The net income for the three months ended Sep. 30, 2017 was RMB717 million, up from RMB547 million in the same period last year.

Strong Revenue Growth Driven by Robust Parcel Volume Growth

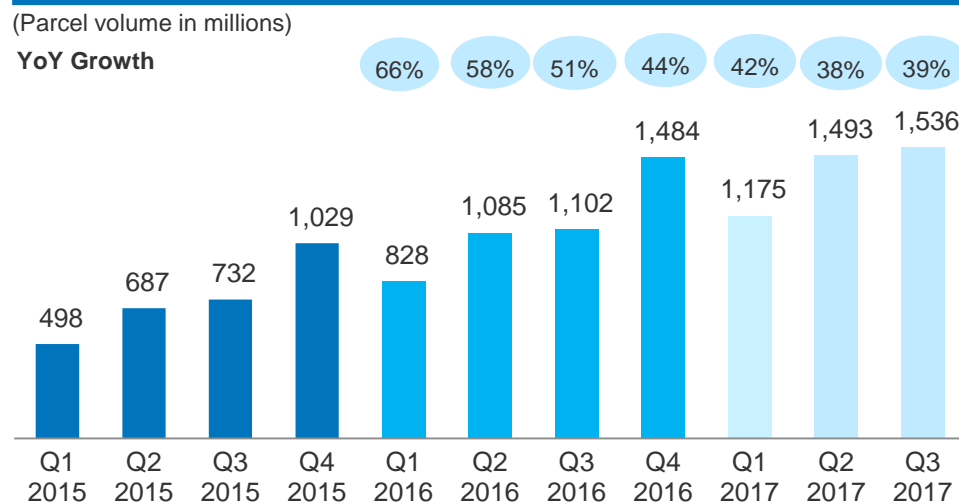
Parcel Volume



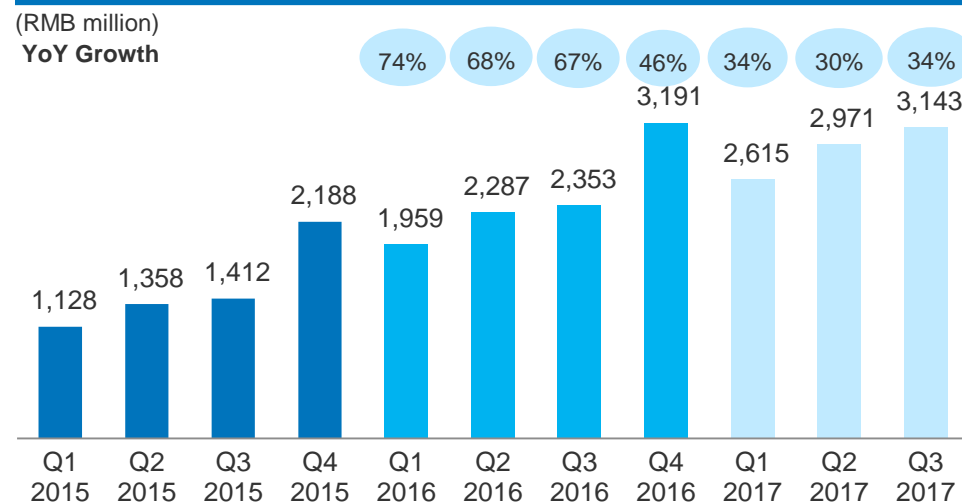
Total Revenue



Quarterly Parcel Volume

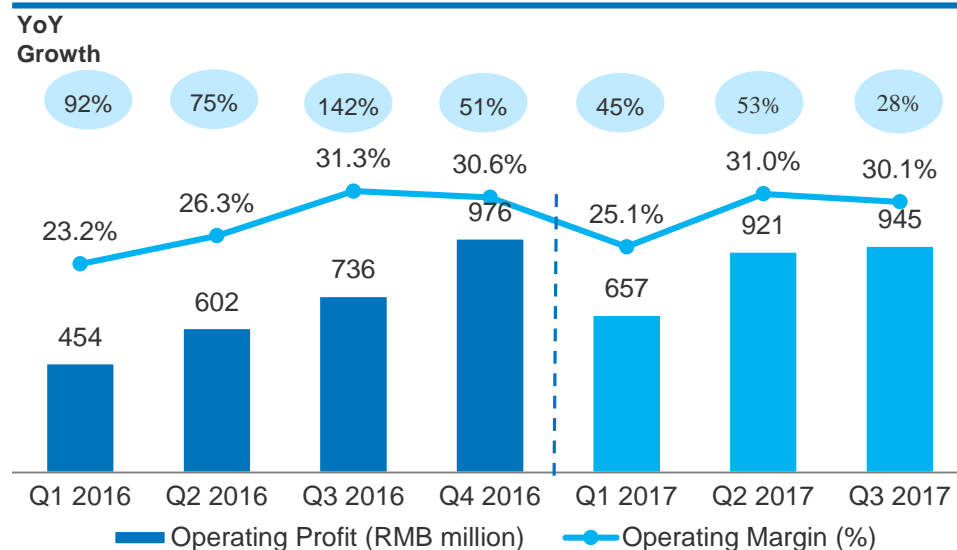


Quarterly Revenue

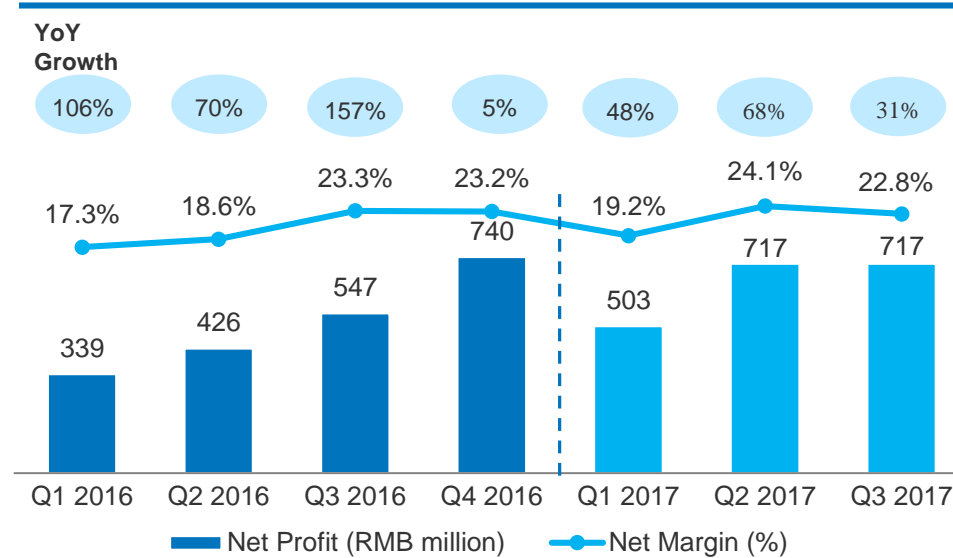


Strong Profit Growth and Stable Margins

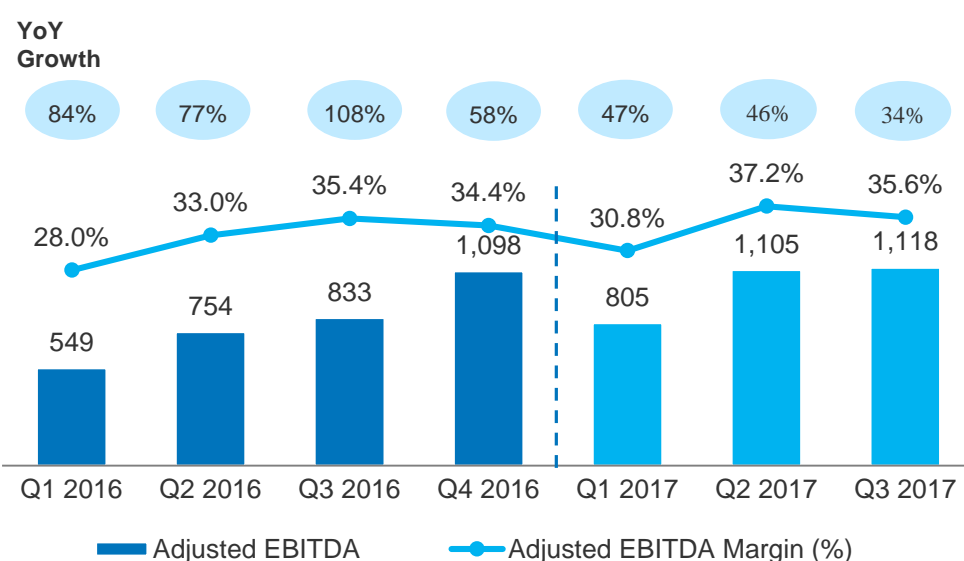
Income from Operations and Margin



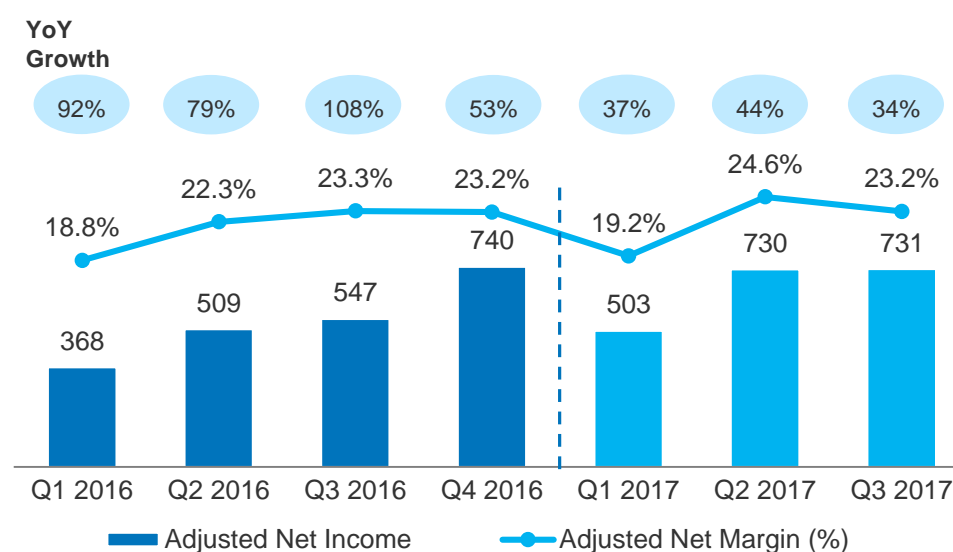
Net Income and Margin



Adjusted EBITDA¹ and Margin



Adjusted Net Income² and Margin



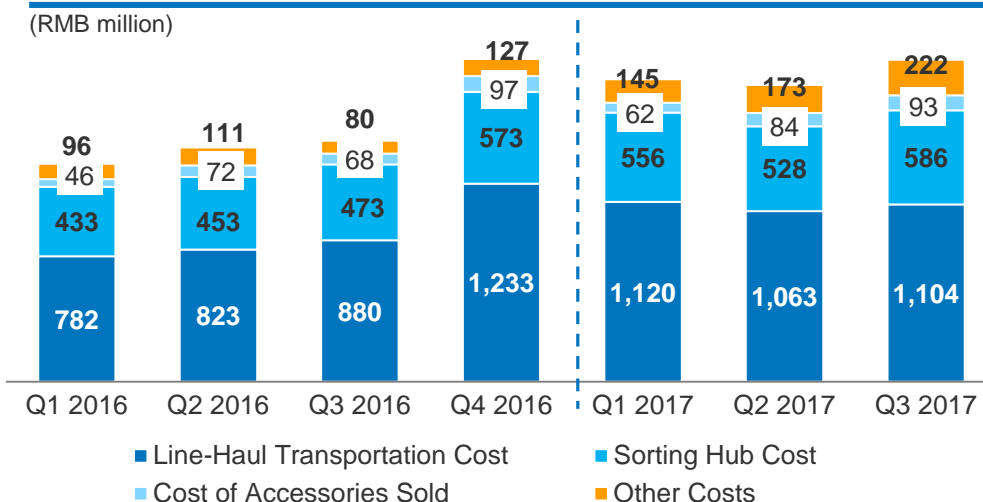
Notes

- 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 15 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 16 for GAAP reconciliation.

Cost Improvement Driven by Economies of Scale and Operational Efficiency Enhancement

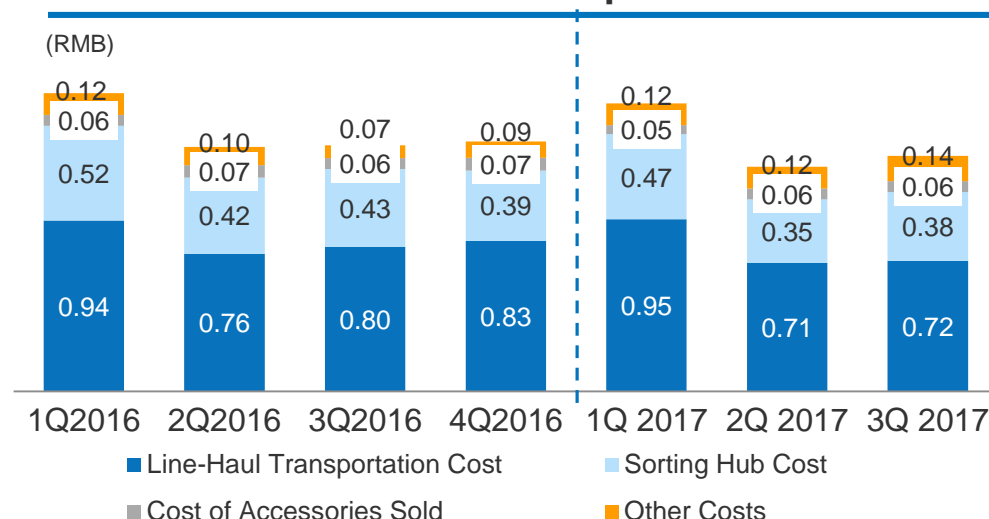
Cost of Revenues - Breakdown

(RMB million)



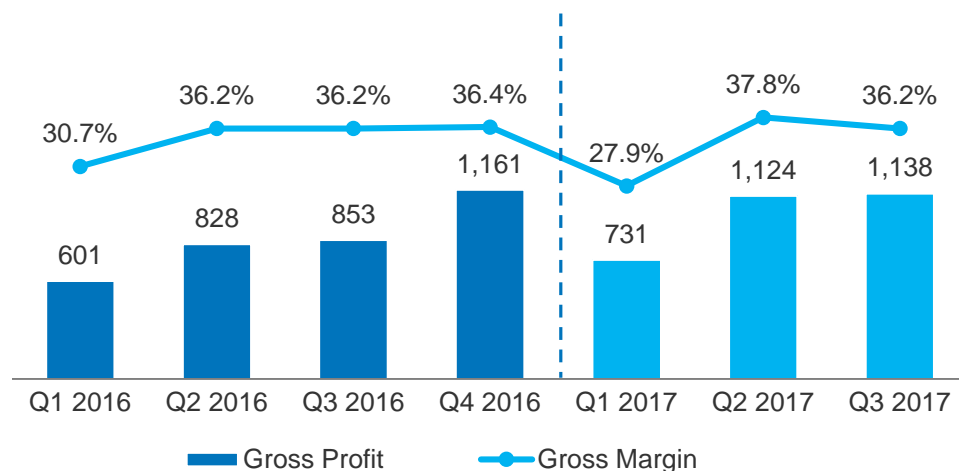
Cost of Revenues per Parcel⁽¹⁾

(RMB)



Gross Profit and Margin

(RMB million)



Key Observations on Q3 2017 Results

- **Line-haul transportation cost per parcel** decreased yoy mainly due to (i) economies of scale, (ii) increased use of self-owned, more cost-efficient, higher capacity trailer trucks in place of third-party trucks and outsourced transportation, and (iii) increased truck utilization through optimized route planning and back-haul transportation.
- **Sorting hub cost per parcel** decreased yoy mainly due to economies of scale and improved operating efficiency as a result of the increased use of automation in the company's sorting facilities.
- **Cost of accessories sold per parcel** remained unchanged yoy mainly because increased cost of thermal paper was offset by decreased cost of other accessories.
- **Gross margin** remained unchanged at 36.2% compared with the same period last year, mainly because the decrease in ASP was partially offset by the decrease in unit line-haul transportation cost and sorting hub cost.

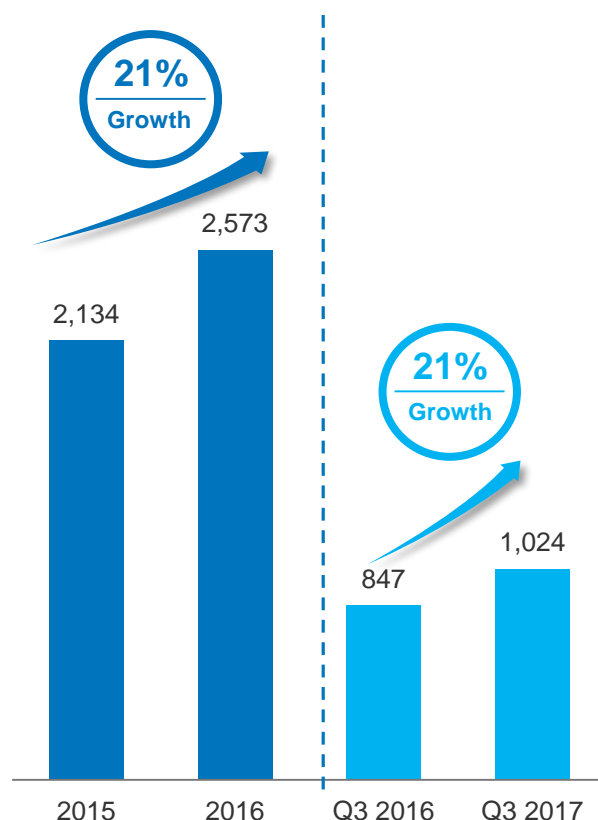
Note

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

Strong Cash Flow and Continued Investment in Capacity Expansion

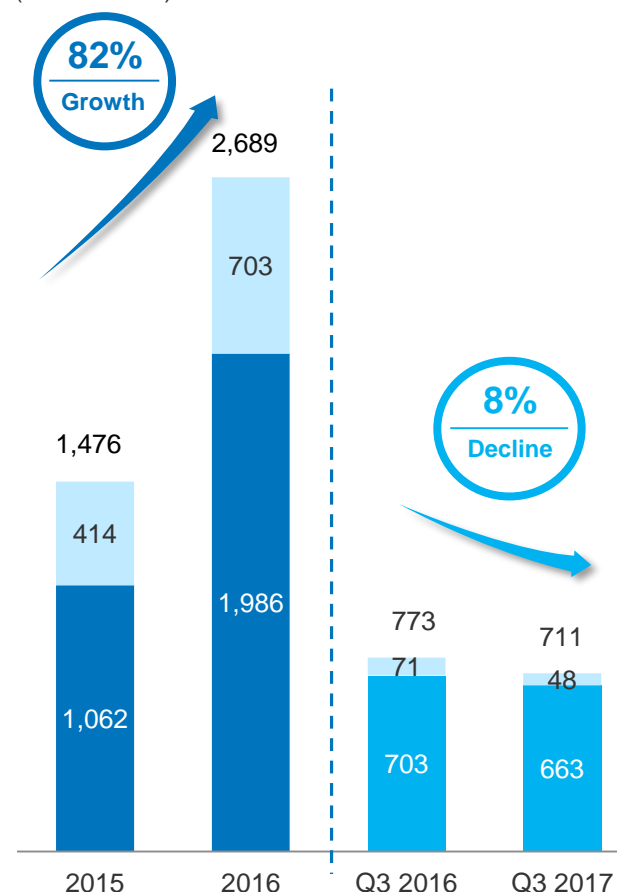
Operating Cash Flow ⁽¹⁾

(RMB million)



Capital Expenditure

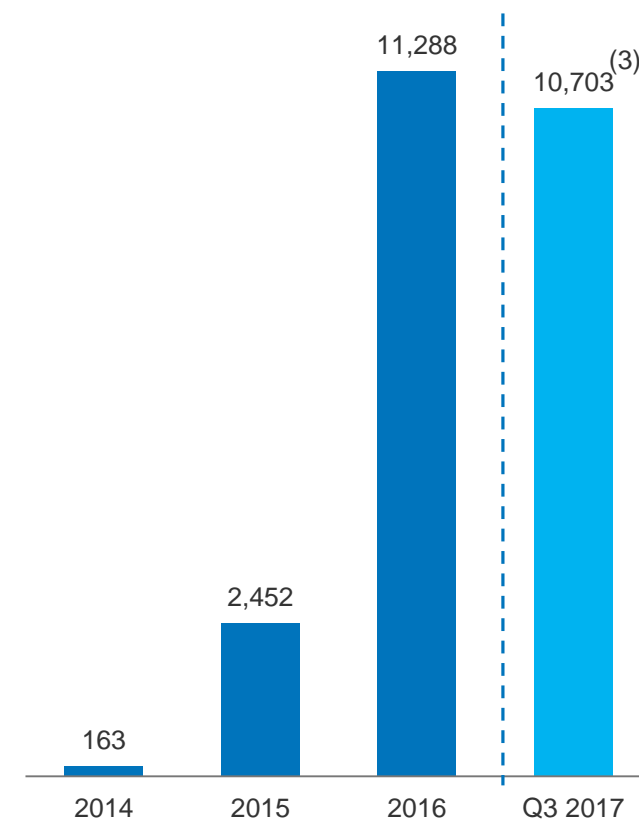
(RMB million)



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

Cash and Cash Equivalents & Time Deposits ⁽²⁾

(RMB million)



Note

(1): The operating cash flow in 2015 and 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): Cash and cash equivalents as of December 31, 2016 included net proceeds of about RMB9.2bn from the initial public offering.

(3): Time deposits were about RMB5,522m as of September 30, 2017.

Reconciliation of GAAP to Adjusted / Non-GAAP Measures



	For the Three Months Ended	
	Sep. 30, 2016	Sep. 30, 2017
	RMB million	RMB million
Adjusted EBITDA		
Net Income	547	717
Add: Depreciation	89	139
Add: Amortization	6	8
Add: Interest Expenses	4	2
Add: Income Tax Expenses	186	238
EBITDA	833	1104
Add: Share-based Compensation Expense	0	14
Less: Gain on Deemed Disposal of Equity Method Investments	-	-
Adjusted EBITDA	833	1118
Adjusted EBITDA margin	35%	36%
Adjusted Net Income		
Net Income	547	717
Add: Share-based Compensation Expense	0	14
Less: Gain on Deemed Disposal of Equity Method Investments	-	-
Adjusted Net Income	547	731
Adjusted Net Margin	23%	23%

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		
	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017
Adjusted EBITDA	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
Add: Depreciation	51,008	62,453	89,174	99,032	122,011	127,083	138,757
Add: Amortization	4,688	5,349	6,310	6,963	7,595	8,702	8,455
Add: Interest Expenses	3,644	4,742	3,766	834	5,708	5,029	2,479
Add: Income Tax Expenses	122,018	171,954	186,468	251,547	166,609	233,323	237,670
EBITDA	520,172	670,300	832,895	1,098,187	804,793	1,091,060	1,104,591
Add: Share-based Compensation Expense	38,634	83,366	251	251	251	13,492	13,492
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
Adjusted EBITDA margin	28.00%	32.96%	35.40%	34.40%	30.77%	37.17%	35.57%
Adjusted Net Income	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
Add: Share-based Compensation Expense	38,634	83,366	251	251	251	13,492	13,492
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
Adjusted Net Margin	18.80%	22.27%	23.30%	23.20%	19.24%	24.58%	23.25%

Note: Numbers may not add up due to rounding



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