



FEATURED OPTIONS RADAR REPORT



ZTO Express Seen Hitting New Highs

Ticker/Price: ZTO (\$37.50)

Analysis:

ZTO Express (ZTO) with 1,500 January \$41 calls bought in the afternoon, \$3.30 to \$3.40, and follows buyers earlier in the day in the January \$39.71 calls around \$3.75 to \$3.80 that ran up over 3,850X. ZTO had sellers in the January \$32 puts on 7/1. Shares have pulled back to the rising 21-MA and the early June breakout level at \$35 and putting multiple small reversal candles last week. A move back above \$38.65 targets a run to \$42 in the near-term but name that continues to hit new highs and into space it can run. The \$29B company trades 29X earnings, 9.5X sales, and 13.5X cash with estimates for high-teens EPS growth and revenues up 25% in FY21. ZTO is a leading express delivery company in China with partnerships with some of the country's leading providers like Alibaba, JD, and Pinduoduo. They have grown rapidly over the last decade as a beneficiary of the booming e-commerce market as well as investments in infrastructure and logistics across transportation, sorting, and last-mile. ZTO has also benefitted from more favorable government regulations as they have expanded their network into more rural areas of China where there are higher barriers to entry for small firms. ZTO saw 17% growth in parcel volumes in 2018 and sees huge market opportunities from the near 16% CAGR growth in GMV as well as growth in micro-merchant shipping. In the near-term, ZTO has potential catalyst from exploring a dual listing in Hong Kong to raise funds. Analysts have an average target for shares of \$31, albeit limited coverage. JP Morgan downgrading to Neutral in late May citing valuation. Short interest is 1.5%. Hedge fund ownership rose 3.3% in Q1. Hillhouse Capital a top buyer of 3.4M shares, a new position.

Hawk Vision:



Hawk's Perspective: ZTO put in a great reversal candle to be long against last week and continues to be an excellent growth story in China that sees less attention.

Confidence Ranking: \$\$