

FTA 1Q 2022 EARNINGS CALL SCRIPT

Operator introduction

Ladies and gentlemen, good day and welcome to Full Truck Alliance’s First Quarter 2022 Earnings Conference Call. Today’s conference is being recorded. At this time, I would like to turn the conference over to Mao Mao, Head of Investor Relations. Please go ahead.

Mao Mao

Thank you, operator. Please note that today’s discussion will contain forward-looking statements relating to the Company’s future performance, which are intended to qualify for the Safe Harbor from liability, as established by the US Private Securities Litigation Reform Act. Such statements are not guarantees of future performance and are subject to certain risks and uncertainties, assumptions and other factors. Some of these risks are beyond the Company’s control and could cause actual results to differ materially from those mentioned in today’s press release and discussion.

A general discussion of the risk factors that could affect FTA’s business and financial results is included in certain filings of the Company with the Securities and Exchange Commission. The Company does not undertake any obligation to update this forward-looking information, except as required by law.

During today’s call, management will also discuss certain non-GAAP financial measures, for comparison purposes only. For a definition of non-GAAP financial measures, and a reconciliation of GAAP to non-GAAP financial results, please see the earnings release issued earlier today.

Joining us today on the call from FTA’s senior management are Mr. Hui Zhang, our Founder, Chairman and Chief Executive Officer, and Mr. Simon Cai, our Chief Financial Officer. Management will begin with prepared remarks, and the call will conclude with a Q&A session.

As a reminder, this conference is being recorded. In addition, a webcast replay of this conference call will be available on FTA’s investor relations website at ir.fulltruckalliance.com.

I will now turn the call over to our Founder, Chairman, and CEO, Mr. Zhang. Please go ahead, sir.

Mao Mao (translating CEO script from Mr. Zhang)

Hello everyone. Thank you for joining us today on our first quarter of 2022 earnings conference call.

Our growth momentum continued in the first quarter of 2022 with another quarter of solid financial and operational performance, despite typically slower seasonal demand as well as challenges arising from the industry-wide transportation resources shortage and disrupted network operations in certain areas of China due to the pandemic and dynamic zero-COVID policies. Our Gross Transaction Value (“GTV”) reached RMB53.6 billion, representing year-over-year growth of 4.2%, and the number of fulfilled orders grew 13.6% year-over-year to 25.2 million. In the absence of new external user growth, we still witnessed stable user activity trends in the first quarter, mainly attributable to high user retention rates and rising engagement levels.

Our continuous improvements in these metrics once again demonstrate the solid foundation of our business and ability to mitigate the impact of external events. As a result of this progress, we grew our total net revenues to RMB1.33 billion in the first quarter, 53.7% higher than the prior year period and beating the high end of our previous guidance, which was projected at RMB1.09 billion. While we grew our top line, we also improved our profitability. Under non-GAAP measures, our adjusted net income increased by 68.0% to RMB189.7 million in the first quarter.

Overall, we are pleased with our first quarter financial and operational achievements. Looking forward, we will remain focused on increasing user frequency by fine-tuning our freight matching and fulfillment process and reactivating dormant users through targeted marketing activities. Propelled by these efforts, as well as the outstanding value proposition of our products and services, we are confident that our user growth will gradually resume following the successful completion of the pending cybersecurity review.

Despite the recent lockdowns’ short-term impact on our business and the industry at large, the overall trend in China’s logistics industry remains robust in the medium to long term. The industry’s movement toward digitalization and the accelerated introduction of policies that support modernization are working strongly in our favor as we pioneer a digital, standardized

and smart logistics infrastructure across the value chain. Capitalizing on this momentum, we will cultivate our technological edge, explore new business models and strengthen our monetization systems as we further unleash the great potential of our ever-growing, secure yet efficient nationwide logistics network and create value for all of our stakeholders.

With that, I'll turn the call over to our CFO, Simon. He will go over our operational and financial results in more detail. Simon, please go ahead.

Simon Cai, CFO of FTA

Thank you, Mr. Zhang, and hello, everyone. Let's take a closer look at our first quarter operations.

The first quarter is traditionally the low season for the road transportation industry. This, in addition to the continued suspension of new user registration and the recent COVID resurgences and lockdowns in some major cities, created incremental headwinds for the entire logistics industry and brought short-term uncertainties and challenges to our business.

However, in light of the NDRC decision to relax restrictions and facilitate the full resumption of logistics operations, we saw a gradual resumption of business operations and signs of recovery in transaction volume in the past month, and we believe that the current negative impact of COVID will be short-lived. We remain confident in our path to long-term growth as we broaden our efforts to enhance our technological advantages and accelerate the industry's digital transformation.

Our first quarter results are a solid testament to the strength and stability of our platform. Our average fulfillment rate reached approximately 22% in the first quarter, representing only a slight year-over-year decline, due to the short-term truck shortage in some regions. Furthermore, during the first quarter, both our average shipper MAUs and average trucker MAUs who fulfilled shipping orders or responded to orders on our platform remained stable, with 3.5 million active truckers fulfilling shipments in the past 12 months. We also witnessed an increase in the number of paying shippers, as a larger number of non-paying shippers actively enrolled in the shipper membership program as a result of improved perception of the value created by FTA's platform.

More importantly, we maintained our shipper and trucker retention rates, including both 12-month retention of paying shippers and next-month retention of truckers who responded to

shipping orders on our platform, at a high level of approximately 85%. Improving our logistics ecosystem and customer satisfaction remain our top priorities. As we move forward, we aim to offer a broader range of efficient and user-friendly products and services to streamline logistics transactions while increasing user activity and stickiness.

Turning now to our entrusted shipment program. We first introduced the program in Wuxi in June 2021 and have now applied this model to the entire country. Current data shows the project is running smoothly. Since this program largely serves direct shippers mainly consisting of SMEs, and shippers of this type tend to have higher standard of service demands and user stickiness, its fulfillment rate is significantly higher than that of negotiated and other types of transactions. We believe its penetration will continue to increase, as we upgrade the program's service experience.

Furthermore, the program creates additional monetization opportunities and provides growth room for our transaction commission while also playing a critical role in our user composition optimization strategy.

That brings us to our online transaction service, which also utilizes a commission model in certain cities. Revenues from its commission model increased by 202.0% year-over-year, reaching RMB258.2 million in the first quarter. This growth was primarily driven by our extended commission coverage of 195 cities as of March 2022, which raised the commission penetration rate by 20 percentage points year-over-year to nearly 49%. Operating data and user feedback from these commissioned cities reflect a high level of user adaption, with a truckers' next-month retention rate of 85%.

The commission model is now shaping up to be a major growth engine for our platform, as its proportion of total revenues continues to rise. Building on our previous success, we remain devoted to enhancing truckers' user experience while fostering their paying habits, as we plan to prudently increase the commission rate as well as expand commission model coverage.

A stable and fast-growing user base is critical to our success. To nurture the solid foundation of trust and loyalty we've built, we continuously optimize product functions, improve platform governance and invest significant resources in customer experience enhancement, doing our utmost to protect users' interests.

With respect to upgrades to our platform ecosystem governance, in February, we commenced implementing our shipper rating system in Jiangsu, Shandong and Hubei provinces. We expect

to expand it on a national scale in future quarters. The goal is to guide shippers to form good trading habits and encourage them to operate in a standardized and trustworthy manner. Shippers can increase their ratings by adhering to best practice guidance and settling payments online.

Our shipper rating system has already positively impacted the fulfillment rate in those provinces. Survey data suggest that 66.6% of shippers have taken the initiative to raise their rating scores since the system's launch. Going forward, we will further refine the system based on user feedback.

Additionally, in response to the widespread COVID recurrences, we added a "Pandemic Prevention Reference" function on the trucker side of the platform, enabling instant checking of pandemic prevention policies in regions where the cargo will be loaded and unloaded. This feature allows truckers to review relevant local requirements before responding to shipping orders and ensuring smooth shipments to the extent possible.

We also unveiled a function to remind shippers to factor in fuel price fluctuation when setting freight fee, allowing shippers and truckers to communicate efficiently. These features ensure efficient order matching while protecting truckers' rights and interests.

To further combat the pandemic, we rolled out an "Anti-Pandemic Assistance" function on the platform in early May. This new function prioritizes displays and recommendations of relevant anti-pandemic products to truckers. It helps better direct more pandemic relief related traffic to shippers and facilitates trouble-free transportation channels for daily necessities in the affected areas. At the same time, we are utilizing our platform's operating methods and subsidies to alleviate pressure on shippers facing a serious shortage of transportation capacity in certain key areas. By reallocating and deploying surrounding trucker capacity, we help complete shipments as efficiently as possible.

Now, I would like to provide a brief overview of our 2022 first quarter financial results.

Our total net revenues in the first quarter were RMB1.3 billion, representing an increase of 53.7% year-over-year, primarily attributable to an increase in revenues from freight matching services.

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Revenues from freight matching services, including service fees from freight brokerage models, membership fees from listing models, and commissions from online transaction services, were RMB1.1 billion in the first quarter, representing an increase of 60.9% year-over-year, primarily attributable to an increase in revenues from freight brokerage service as well as rapid growth in transaction commissions.

Revenues from freight brokerage service in the first quarter were RMB662.4 million, representing an increase of 48.4% year-over-year, primarily driven by significant growth in transaction volume.

Revenues from freight listing service in the first quarter were RMB198.0 million, up 21.2% year-over-year, primarily attributable to an increase in total paying members amid increased shipper demand for our services as our business continued to expand.

Revenues from transaction commissions amounted to RMB258.2 million in the first quarter, an increase of 202.0% year-over-year, primarily driven by a rapid ramp-up of commissioned GTV penetration.

Revenues from value-added services in the first quarter were RMB214.0 million, an increase of 24.4% year-over-year, mainly attributable to increased revenues from credit solutions.

Cost of revenues in the first quarter was RMB683.9 million, compared with RMB412.8 million in the same period of 2021. The increase was primarily attributable to an increase in VAT, related tax surcharges and other tax costs, net of tax refunds from government authorities. These tax-related costs net of refunds totaled RMB598.3 million, representing an increase of 65.8% from RMB361.0 million in the same period of 2021, primarily due to an increase in transaction activities involving our freight brokerage service.

Sales and marketing expenses in the first quarter were RMB192.0 million, compared with RMB170.4 million in the same period of 2021. The increase was primarily due to an increase in salary and benefits expenses driven by an increase in sales and marketing headcount, partially offset by a decrease in advertising and marketing expenses as well as a decrease in share-based compensation expenses.

General and administrative expenses in the first quarter were RMB458.4 million, compared with RMB322.0 million in the same period of 2021. The increase was primarily due to an

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increase in salary and benefits expenses driven by a higher headcount in general and administrative personnel, and an increase in share-based compensation expenses.

Research and development expenses in the first quarter were RMB221.0 million, compared with RMB138.0 million in the same period of 2021. The increase was primarily due to an increase in salary and benefits expenses driven by higher headcount in research and development personnel.

Loss from operations in the first quarter was RMB252.0 million, compared with RMB201.9 million in the same period of 2021. Net loss in the first quarter was RMB192.0 million, compared with RMB197.0 million in the same period of 2021.

Under non-GAAP measures, our adjusted operating income in the first quarter was RMB133.2 million, an increase of 20.3% from RMB110.7 million in the same period of 2021. Our adjusted net income in the first quarter was RMB189.7 million, an increase of 68.0% from RMB112.9 million in the same period of 2021.

Basic and diluted net loss per ADS were RMB0.18 in the first quarter, compared with RMB2.09 in the same period of 2021. Non-GAAP adjusted basic and diluted net income per ADS were RMB0.17 in the first quarter, compared with non-GAAP adjusted basic and diluted net loss per ADS of RMB0.70 in the same period of 2021.

As of March 31, 2022, the Company had cash and cash equivalents, restricted cash, and short-term investments of RMB25.3 billion in total, compared with RMB26.0 billion as of December 31, 2021. For the first quarter of 2022, net cash used in operating activities was RMB96.3 million.

Looking at our business outlook for the second quarter, we expect our total net revenues to be between RMB1.56 billion and RMB1.64 billion, representing a year-over-year growth rate of approximately 39.4% to 46.3%, despite the impact of the COVID outbreaks on transaction volume for the period.

These forecasts reflect the Company's current and preliminary views on the market, operational conditions, and the uncertainties caused by the current COVID outbreaks, including the geographic scope and duration of the outbreaks, the additional restrictive measures that the governmental authorities may take, and the further impact on the business of shippers, truckers

and other ecosystem participants, which are all subject to change and cannot be predicted with reasonable accuracy as of the date hereof.

To summarize, we had a solid first quarter marked by steady growth across our primary operational and financial metrics. Our success can be attributed to years of devotion to building a cutting-edge digital freight platform, our highly-engaged user base and improved monetization capabilities. We have entered an exciting new era, where digitalization transformation is taking shape as we speak. Consequently, we will continue to forge ahead with our user-centric growth strategy, invest in technologies, improve our top line and focus on driving value for all our users, investors and stakeholders.

That concludes our prepared remarks. We would now like to open the call to Q&A. Operator, please go ahead.

Operator

[Operator provides instructions and hosts Q&A]

[In addition to your standard operator script, please add this sentence] For the benefit of all participants on today's call, if you wish to ask your question to management in Chinese, please immediately repeat your question in English.

After the Q&A ...

Operator

And that concludes the question-and-answer session. I would like to turn the conference back over to management, for any additional or closing comments.

Mao Mao

Thank you once again for joining us today. If you have any further questions, please feel free to contact us at Full Truck Alliance directly, or TPG Investor Relations. Our contact information for IR in both China and the U.S. can be found in today's press release. Have a great day.

