

FTA 2Q 2021 EARNINGS CALL SCRIPT

Operator introduction

Ladies and gentlemen, good day and welcome to Full Truck Alliance's Second Quarter 2021 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

Hello everyone, and thank you for participating in Full Truck Alliance's inaugural earnings conference call today.

On June 22, 2021, Full Truck Alliance successfully listed on the New York Stock Exchange, marking the start of our new journey as a public company. On behalf of FTA's employees and myself, I'd like to extend our sincerest gratitude and appreciation to all our long-term and new shareholders for their unwavering support.

I believe many of you are joining us today not only to learn about our second quarter earnings result and achievements, but also to hear more about our response to the regulatory developments that occurred in early July. We want to assure you that we have attached great importance to the cybersecurity review initiated by the Cybersecurity Review Office ("CRO") of the Cyberspace Administration of China and have cooperated fully with CRO during the review process. In addition, we also conducted a comprehensive self-examination of any potential cybersecurity risks and are committed to continually improving our cybersecurity systems and technological capabilities. New user registration for our Yunmanman and Huochebang apps remains suspended in China, but the apps are operating normally for existing users. In line with our commitment to safeguard national security and public interest, we will spare no effort to fulfill our corporate and social responsibilities and actively promote the implementation of relevant cybersecurity policies. We are as attentive to these developments as you are and are fully prepared to answer any questions you have during the Q&A session.

Now turning to our second quarter earnings results. As we present our results for the first time as a public company, we are pleased to report a solid second-quarter performance, positioning us for a promising year. Our total net revenues doubled from the same period last year, to RMB1.12 billion. We continued to prove our platform's ability to generate profit on a non-GAAP basis, as our adjusted net income reached RMB99.5 million, compared with a net loss of RMB39.1 million in the same quarter last year. These results were driven by an 87.9% year-over-year increase in fulfilled orders, which came in at 36.0 million during the quarter, coupled with continued improvement in user engagement, where average shipper MAUs grew by 40.3% to 1.53 million, bringing our Gross Transaction Value ("GTV") to RMB74.0 billion, 57.8%

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higher than that we had in the same period of 2020. The quick growth and consistent strength across our businesses attest to our ability to successfully manage our rapid expansion as we lay a solid foundation for long-term profitability.

With that overview, I would like to update you on the scale of our platform, user behavior and new initiatives, as well as draw your attention to certain trends we are seeing in our core businesses and how they fit into our long-term strategy.

Starting with our platform. Our cutting-edge logistics infrastructure and innovative, proprietary technologies are becoming increasingly advanced, as proven by higher fulfillment rates in the second quarter, reaching approximately 30% compared with 17% in the same period last year. This remarkable improvement demonstrates our ability to quickly and seamlessly analyze and process data on both the shipper's and trucker's end, our deep understanding of supply and demand, and our steadily improving matching efficiency.

During the second quarter, we witnessed an increasing proportion of direct shippers on our platform, which hinges on our ability to improve the freight matching efficiency and provide high-quality solutions, among other things. Going forward, we expect direct shippers to contribute more significantly to our increasing in traffic as we benefit from the powerful network effects amid continued growth for our platform.

As previously mentioned, average shipper MAUs reached 1.53 million during the second quarter, increasing 40.3% year over year. We also experienced sustained growth in the number of truckers for fulfilling shipping orders and truckers actively negotiating or bidding for shipping orders in the second quarter. Shippers and truckers have diverse, complex and often highly non-standard needs, and we cater to these by providing comprehensive logistics and value-added services. This contributes to better service quality and higher transaction fulfillment rates, helping us achieve a strong record of shipper retention. For example, the 12-month retention for our paying members remained stable at above 85%.

We believe our long-term success depends on our ability to continuously improve service quality and address users' pain points, capabilities that also form the cornerstone for fulfilling our corporate and social responsibilities. We are committed to protecting the interests of all our platform users and are continually refining features and functions on our platform to improve and promote transparency, trust and efficiency across the industry.

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Now let's take a deep dive into our business. We generate revenue primarily from freight matching services, which include freight listings, freight brokerage, and transaction commissions, as well as various value-added services.

First of all, our Online Transaction service is a testament to our diverse and evolving monetization capabilities. Following the excellent customer acceptance in pilot cities, we have extended this commission model to 60 cities as of June 2021. During the second quarter, we collected commissions worth RMB160.9 million, up 88.1% from the previous quarter, on shipping orders with GTV of RMB28.6 billion, which represent 38.7% of the total GTV generated on our platform, with an average commission rate of 0.6%. Truckers' next-month retention rate in these 60 cities was stable at approximately 90%. The stable volume growth in commissioned areas and high trucker retention both demonstrated the sustainability of our closed-loop commission business model and indicate great promise for future expansion.

Moving onto our Freight Listing service. Notably, membership fees from shippers remains one of the most stable revenue streams. In the second quarter, our refined marketing strategy and optimized operation yielded positive results, as our membership fee revenues grew in tandem with the number of users on the platform. We believe our ongoing efforts to increase gross transaction value, improve matching efficiency and enhance user experience will ultimately boost membership fee growth.

Our Freight Brokerage service, or Manyunbao, is one of our core service offerings. Manyunbao aims to provide end-to-end freight matching service with a higher level of service quality assurance to shippers and solve a significant pain point for many shippers when contracting with truckers, making shippers more dependent on the use of the service. Scale and transaction volume remain our primary focus and core strategy. We believe the Manyunbao feature will spur more shippers to repeatedly use our platform to address their shipping needs.

Lastly, to increase user stickiness and engagement on our platform, we provide a comprehensive range of value-added services to shippers and truckers, catering to their diverse and complex needs. For shippers, we offer Less-Than-Truckload (LTL), intra-city and special goods shipments in addition to our Full-Truckload (FLT) services, as well as credit solutions, TMS and insurance services, among others. For truckers, we provide credit solutions, navigation, insurance, ETC, energy and truck dealing services. As of June 2021, about 2.67 million users had used at least one of our value-added services. We expect our value-added services to continue to improve user engagement and stickiness, which in turn will attract more

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industry participants to cooperate with us, forming a virtuous cycle driving constant platform growth.

We have a clear path for advancement and expansion. We are also proactively pursuing strategic investments, acquisitions, and collaborations, both domestically and overseas, to expand service offerings to further consolidate our leading market position, improve our core platform capabilities, attract new ecosystem participants, and manage our business' explosive growth. Now I'd like to review some of our recent activities and upcoming initiatives for 2021 and beyond.

In the second quarter, we completed our investment in PlusAI Corp, or "Plus," a developer of automated driving systems for trucks, along with global investors, raising a total of USD350 million. We began our investment in Plus in June 2018 as part of our strategy of holding equity interests in complementary businesses. We believe autonomous trucks could potentially transform the logistics industry and result in significant savings in labor and fuel costs.

Speaking of fuel costs, the constant variability of fuel prices presents a material challenge for the road transportation industry. In the second quarter, Sinopec Group Capital Co., Ltd. completed its investment in Full Truck Alliance and will lay out emerging technologies such as big data and artificial intelligence in the fields of energy and highway logistics. We look forward to exploring the possibility of a more in-depth cooperation with Sinopec, as we seek to improve the overall operation efficiency in the logistics industry, while bringing greater value to most truckers and logistics companies.

With respect to the road transportation ecosystem, we are exploring Software as a Service (SaaS) solutions for logistics, to enhance our problem-solving capabilities while strengthening ties with shippers and truckers from different sectors. In addition, in the second quarter we built an open platform and started collaborating with leading logistics companies, product merchandising platforms, and other industry practitioners, to better serve the industry with integrated services including switching operation, logistics management and other value-added services. Furthermore, we continued to expand our intra-city and LTL shipping services during the quarter and plan to test our model in pilot cities before launching nationwide.

Our solid and steady growth would not be possible without our innovative technologies and the unique data generated by our day-to-day operations, including rich and structured data on routing, matching, pricing and order fulfillment. By analyzing and leveraging this valuable data, we have developed several proprietary technologies which we apply to freight matching,

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pricing and truck navigation. Such data and technologies enable us to increase fulfillment rates and freight matching efficiency. Our R&D team continued to grow in the second quarter, and our talent structure was further optimized, with the number of core R&D experts more than doubling year-over-year. Going forward, we will continue to recruit and retain top talent in Artificial Intelligence (AI), engineering, logistics and other disciplines to build a team that can support our long-term growth.

In summary, we had another strong quarter and are well-positioned to proceed along this growth trajectory. Building on this positive momentum, we plan to grow our logistics network, expand the scale of our platform and widen our service offerings in the coming quarters to further drive user engagement and enhance monetization capabilities. Moreover, we will make additional investments in infrastructure, technology innovation, and data analysis to improve matching efficiency and accelerate the digital transformation of our platform.

In closing, I would like to reiterate that China's logistics industry has enormous potential waiting to be unleashed. Our user-centric value proposition, cutting-edge digital transaction platform and ecosystem and strong R&D capabilities uniquely position FTA to play a leading role in the country's evolving logistics industry. Looking ahead, with a mission to make logistics better and smarter, we remain committed to shaping the future of the industry with technology. We are confident that our strategic initiatives will further support our top line expansion and yield considerable returns in the long run, as we continue to build value for our company, investors and growing community of users.

With that, I'll now turn the call over to our CFO, Simon Cai, to discuss our financial performance.

Simon Cai, CFO of FTA

Thank you. I would like to provide a brief overview of our second quarter 2021 financial results. Before I get started, I would like to clarify that all financial numbers presented today are in renminbi amounts and all percentage changes refer to year-over-year changes unless otherwise noted.

As Mr. Zhang stated, our total net revenues, mainly consisting of revenues from freight matching services and value-added services, were RMB1,118.8 million in the second quarter of 2021, representing an increase of 100.9% from RMB556.9 million a year ago, primarily attributable to an increase in revenues from freight matching services.

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Revenues from freight matching service in the second quarter of 2021 were RMB937.6 million, representing an increase of 109.8% from RMB446.9 million in the same period of 2020. As part of our freight matching services, we generated service fees from freight brokerage models, membership fees from listing models, and commissions from online transaction services.

Revenues from freight brokerage service in the second quarter of 2021 were RMB601.3 million, increased by 88.6% from RMB318.9 million in the same period of 2020, primarily due to a significant increase in transaction activities, amid a substantial recovery in road transportation in China post COVID-19, but partially offset by a decrease in our average fee rate to attract more shippers to use our service.

Revenues from freight listing service in the second quarter of 2021 were RMB175.4 million, up 37.0% from RMB128.0 million a year ago, primarily due to an increase in total paying members amid increased shipper demand for our services as our business continued to expand.

We started monetizing online transaction services by collecting commissions from truckers on selected types of shipping orders from three cities in August last year. In the second quarter of 2021, we collected commissions in a total of 60 cities, and our total transaction commission amounted to RMB160.9 million in the second quarter, increased by 88.2% from RMB85.5 million in the first quarter. As we continue to grow our platform, we expect to achieve high monetization efficiency while bringing more value to both our truckers and shippers.

Revenues from value-added services in the second quarter of 2021 were RMB181.2 million, an increase of 64.8% from RMB110.0 million in the same period of 2020, mainly attributable to higher revenues from credit solutions and other value-added services.

Cost of revenues in the second quarter of 2021 was RMB627.0 million, compared with RMB378.2 million in the same period of 2020. The increase was primarily attributable to an increase in VAT, related tax surcharges and other tax costs, net of tax refunds from government authorities, which was RMB572.4 million, increased by 73.7% from RMB329.5 million in the same period of 2020, due to an increase in transaction volume. As a percentage of total net revenues, cost of revenues for the second quarter of 2021 decreased to 56.0% from 67.9% in the same period of 2020.

Sales and marketing expenses in the second quarter of 2021 were RMB236.8 million, compared with RMB71.5 million in the same period of 2020. The increase was primarily due to higher

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advertising and marketing expenses to promote new initiatives, an increase in salary and benefits expenses due to increased headcount in sales and marketing personnel, as well as increased share-based compensation expenses.

General and administrative expenses in the second quarter of 2021 were RMB2,123.0 million, compared with RMB347.1 million in the same period of 2020. The increase was primarily due to an increase in share-based compensation expenses.

Research and development expenses in the second quarter of 2021 were RMB155.1 million, compared with RMB87.9 million in the same period of 2020. The increase was primarily due to an increase in salary and benefits expenses due to higher headcount in research and development personnel, as well as increased share-based compensation expenses.

Our operational leverage steadily improved in the second quarter of 2021. Excluding share-based compensation and compensation expenses resulting from share repurchase, adjusted operating expenses, which included sales and marketing expenses, general and administrative expenses and research and development expenses, accounted for 41.6% of total revenue in the quarter, compared to 45.9% in the same period of 2020. The improving operating leverage was driven by economies of scale of our platform. Many expenses, including labor costs, are closer to fixed expenses in nature, and do not increase proportionally with the growth of the platform GTV.

Loss from operations in the second quarter of 2021 was RMB2,040.4 million, compared to RMB345.0 million in the same period of 2020. Net loss in the second quarter of 2021 was RMB1,958.2 million, compared with RMB297.3 million in the same period last year.

We achieved profitability under the non-GAAP measures during the second quarter of 2021. Our non-GAAP adjusted operating income in the second quarter of 2021 was RMB20.1 million, compared with non-GAAP adjusted operating loss of RMB84.1 million in the same period of 2020. Non-GAAP adjusted net income was RMB99.5 million, compared with non-GAAP adjusted net loss of RMB39.1 million in the same period last year. We believe that the further improvement in our profitability proves the operational capabilities of our platform.

Basic and diluted net loss per ADS were RMB7.34, compared with RMB1.72 in the same period of 2020. Adjusted basic and diluted net loss per ADS were RMB0.49, compared with RMB0.23 in the same period of 2020.

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As of June 30, 2021, the Company had cash and cash equivalents, restricted cash, as well as short-term investments of RMB26.9 billion, compared with RMB18.9 billion as of December 31, 2020. For the second quarter of 2021, net cash used in operating activities was RMB48.9 million.

Looking at our business outlook for the third quarter of 2021, we expect our total net revenues to be between RMB1.04 billion to RMB1.15 billion, representing a year-over-year growth rate of approximately 42.0% to 56.2%. This forecast reflects our current and preliminary view on the market and operational conditions, and the impact of the on-going cybersecurity review and new COVID-19 outbreaks in certain areas of China, which are subject to change. We will fully cooperate with the Cybersecurity Review Office to facilitate its review process, while we are closely monitoring these developments and will provide more updates when possible.

Looking ahead, we remain committed to continuous improvement of our service offerings to better meet the diverse needs of both truckers and shippers. As we continue to grow our logistics network and develop a smarter logistics infrastructure across the value chain, we are confident we will further enhance our monetization capability, deliver sustainable growth and generate value for our shareholders in the long run.

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.

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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 on today's press release. Have a great day.