

FTA 3Q 2021 EARNINGS CALL SCRIPT

Operator introduction

Ladies and gentlemen, good day and welcome to Full Truck Alliance’s Third 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 (translating CEO script from Mr. Zhang)

Hello everyone, and thank you for participating in our 2021 third quarter conference call today.

First, I'd like to give you an update on the cybersecurity review of our Yunmanman and Huochebang apps. The investigation is still ongoing and we are fully cooperating with CRO to facilitate a smooth review process as we strive to minimize the impact on our business growth. We firmly believe that an optimized regulatory environment is both necessary and beneficial for the long-term healthy development of the industry. To this end, we have established a comprehensive data and network security protection system internally. We welcome the strengthening of data security regulations and freight platforms supervision, and we will spare no effort to promote the healthy and sustainable development of the road transportation industry as well as the protection of truckers' interests.

Now turning to our third quarter earnings results. Despite the absence of new external user growth, recurring COVID-19 related disruptions and extreme weather conditions in parts of China, our team has set high goals and rigorously executed our operational strategies to drive solid growth in the third quarter. Our Gross Transaction Value ("GTV") rose to RMB67.3 billion during the third quarter, an increase of 48.8% compared with the prior year period. Also, we witnessed a significant increase in the number of fulfilled orders, up 78.4% year over year to 35.3 million, as well as a 32.2% year-over-year increase in average shipper MAUs to 1.61 million. Our total net revenues reached RMB1.24 billion, an increase of 68.9% year over year. Under non-GAAP measures, our adjusted net loss in the third quarter of 2021 was RMB4.7 million. Overall, we are pleased with our financial and operational achievements. Our revenue is rising as we enhance our monetization capabilities, and continuous improvement in our key operating metrics illustrates the sustainability of our business model and our robust overall growth.

As we move forward, we will continue to sharpen our technological edge, broaden our logistics network and provide our new and existing users with superior products and services, making FTA the go-to platform for shippers' and truckers' logistics needs. We will embrace President Xi's latest guidance with respect to the digital economy and promote deep integration between digital technology and the real economy as we fully leverage our data analytic capabilities and rich application scenarios to empower the transformation of conventional industries.

At the same time, we will prioritize our social responsibilities, lead with integrity and give back to society. Whether it be through our public welfare foundation, disaster relief efforts or

pandemic support, our goal is to spread positivity and be a source of inspiration to the world around us.

With that, I'll now turn the call over to our CFO, Simon Cai. He will elaborate on some initiatives taken during the third quarter and 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. We are glad to have delivered another quarter of strong operational and financial results.

I would now like to walk you through some details of our third quarter operations, beginning with our platform.

We continued to grow our logistics network and we are excited to see our platform's positive network effects develop and intensify. Fulfillment rates were up 10 percentage points to 27%, compared with 17% in the prior year period. Additionally, we reduced average transaction time by 29% year over year from 21 minutes to 15 minutes in September. This improvement was mainly attributable to greater matching efficiency, supported by our expanding data algorithm capabilities and relentless focus on user experience. While we encountered supply and demand imbalances in certain regions due to the suspension of new user registration and the COVID related disruptions, which slowed the sequential growth of GTV, we do not believe these short-term fluctuations will affect our long-term business development. Going forward, we aim to utilize our advanced big data technology to generate more structured data, improve order entry standardization and refine data analysis. We also believe the rollout of our recommendation-driven model will take our matching efficiency and user experience to a new level.

Moving onto our users. Given the suspension of new user registration this quarter, increasing both user engagement and retention of existing users became our top priority. These efforts yielded further improvement in two important metrics. Average shipper MAUs grew more than 30% year over year to 1.6 million during the third quarter, while average trucker MAUs remained stable, with 3.5 million active truckers fulfilling shipments on our platform in the past 12 months. Our already-high shipper and trucker retention rates remained steady: 12-month retention rate of paying shippers and next-month retention rate of truckers who responded to shipping orders on our platform were approximately 85%.

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FTA delivers the benefits of efficient and convenient logistics services to our users through our unwavering pursuit of technological advancement. To that end, we continued to devote resources to key operational areas in the third quarter, including in-depth data mining and label system enrichment. We have significantly improved our platform's matching efficiency by leveraging technology to create more sophisticated portraits of shippers and truckers, including their shipping habits, cargo type preferences, price sensitivity, and time preferences. To maintain our competitive technological advantage, we strive to attract and develop high-caliber algorithm and data talents. Our algorithm team has benefitted greatly from their extensive industry experience and technological expertise. As we move forward, we will continue to increase our data accumulation and algorithm capabilities to build an industry-leading platform to empower sustainable growth.

Just one year after its launch, our Online Transaction service is proving to be a very powerful growth driver, representing 14.7% of our total net revenues in the third quarter compared to just 1% in the prior year period. Given increased market recognition and positive user feedback, we accelerated its growth track during the quarter, adding 35 cities to extend our commission coverage to 95 total cities as of September this year. We continued to earn commissions through diversified products and formats, while boosting the commission penetration rate and maintaining a stable trucker retention rate during the quarter. Truckers' next-month retention rate in these 95 cities reached nearly 90%, a testament to the sustainability of our closed-loop commission business model. The commission model will become a major growth engine for our platform going forward. To capitalize on this momentum, we expect to expand the commission model to more cities and steadily increase the commission rate as we provide our users with more services and greater value.

To improve user experience on our platform and safeguard truckers' rights and interests, we recently unveiled an all-encompassing protection program to cover a wide range of dispute scenarios. In August 2021, we added compensation for eight additional scenarios, including idling, deposit refund, breach of contract, and late payment, among others. To date, we have assisted truckers in recovering freight from 129,000 orders with a total transaction value of RMB298 million. As a result, customer satisfaction with respect to complaint settlement rose from 74% in July 2021 to 91% in September 2021, including a satisfaction rating of over 95% for deposit and idling complaints.

Next, I'd like to give you an update on our new initiatives. Our intra-city and LTL shipping services, which we see as a natural extension of our current FTL business, are still in the testing

phase in a limited number of cities. We expect to devote more resources to these services and launch them in additional cities in the coming years to meet existing shippers' diverse demands.

We also extended cooperation with Sinopec, one of our key strategic partners and shareholders, during the quarter. Together we have provided refueling services to more than 60,000 truckers through over 400 gas stations in Sichuan province and Chongqing city, effectively lowering truckers' fuel costs and enhancing user stickiness. Looking ahead, we will continue to collaborate with Sinopec as well as other strategic partners along the value chain to explore and create additional value-added services.

With respect to the build-up of our road transportation ecosystem, we are exploring Software as a Service (SaaS) solutions for logistics to enhance our problem-solving capabilities. As an example, we invested in a leading logistics SaaS supplier in China targeting small- and medium-sized dedicated line companies, thus laying the foundation for future breakthroughs in the LTL business and synergies throughout the SaaS TMS value chain. We will continue to make selective and complementary investments to upgrade our logistics infrastructure.

Before I move onto financials, I'd like to reiterate that we have been committed to reducing transportation industry's environmental impact since our inception. Our platform reduces trucks' empty loads and helps eliminate fuel waste, thereby significantly reducing carbon emissions. In collaboration with the Transport Planning and Research Institute of the Ministry of Transport, FTA conducted environmental impact research and recently published a report indicates that FTA's platform reduced FTL trucks' carbon emission by close to 12 million tons in 2020. We also further reduced truckers' carbon footprint by providing other matching services such as LTL truck-pooling etc.

Now, I would like to provide a brief overview of our third quarter 2021 financial results. All financial numbers presented today are in renminbi amounts and all percentage changes refer to year-over-year changes unless otherwise stated.

Our total net revenues, mainly consisting of revenues from freight matching services and value-added services, were RMB1,241.7 million in the third quarter of 2021. This represents an increase of 68.9% from RMB735.0 million a year ago, primarily attributable to an increase in revenues from freight matching services.

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Revenues from freight matching services in the third quarter of 2021 were RMB1,085.2 million, representing an increase of 102.6% from RMB535.6 million in the same period of 2020. The increase was primarily due to an increase in revenues from freight brokerage service as well as rapid growth in transaction commissions. 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 were RMB689.2 million in the third quarter of 2021, a 79.1% increase from RMB384.8 million in the same period of 2020. This increase was primarily driven by significant growth in transaction volume, but partially offset by a decrease in average fee rate to attract more shippers to our service.

Revenues from freight listing service in the third quarter of 2021 were RMB213.7 million, up 49.6% from RMB142.9 million a year ago, 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 RMB182.2 million in the third quarter of 2021, an increase of 22 times from RMB7.9 million in the same period of 2020, primarily driven by a rapid ramp-up of commissioned GTV penetration.

Revenues from value-added services in the third quarter of 2021 were RMB156.5 million, as compared with RMB199.4 million in the same period of 2020. The decrease was mainly attributable to reduction of revenue recorded as a result of our strategic customer incentive plans in connection with new monetization initiatives.

Cost of revenues in the third quarter of 2021 was RMB842.1 million, compared with RMB349.7 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. These tax-related costs and refunds totaled RMB768.9 million, representing an increase of 161.3% from RMB294.2 million in the same period of 2020, primarily due to an increase in transaction activities involving our freight brokerage service.

Sales and marketing expenses in the third quarter of 2021 were RMB190.6 million, compared with RMB139.3 million in the same period of 2020. The increase was primarily attributable to higher salary and benefits expenses driven by an increase in sales and marketing headcount and increased advertising and marketing expenses to promote new initiatives, partially offset by a decrease in share-based compensation expenses.

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General and administrative expenses in the third quarter of 2021 were RMB190.0 million, compared with RMB442.6 million in the same period of 2020. The decrease was primarily due to a decrease in share-based compensation expenses and a decrease in compensation cost resulting from the repurchase of ordinary shares in excess of fair value, partially offset by compensation cost incurred in relation to continuing service terms in business acquisitions.

Research and development expenses in the third quarter of 2021 were RMB202.9 million, compared with RMB115.8 million in the same period of 2020. The increase was primarily due to an escalation in salary and benefits expenses driven by higher headcount in research and development personnel, partially offset by a decrease in share-based compensation expenses.

Loss from operations in the third quarter of 2021 was RMB201.7 million, compared with RMB341.6 million in the prior year period. Net loss in the third quarter of 2021 was RMB178.3 million, compared with RMB334.3 million in the prior year period.

Under non-GAAP measures, our adjusted operating loss in the third quarter of 2021 was RMB81.1 million, compared with adjusted operating income of RMB141.1 million in the same period of 2020. Our adjusted net loss in the third quarter of 2021 was RMB4.7 million, compared with adjusted net income of RMB145.8 million in the same period of 2020.

Basic and diluted net loss per ADS were RMB0.17 in the third quarter of 2021, compared with RMB1.97 in the same period of 2020. Non-GAAP adjusted basic and diluted net loss per ADS were RMB0.00 in the third quarter of 2021, compared with non-GAAP adjusted basic net income per ADS of RMB0.86 and non-GAAP adjusted diluted net income per ADS of RMB0.23 in the same period of 2020.

As of September 30, 2021, the Company had cash and cash equivalents, restricted cash, and short-term investments of RMB26.9 billion in total, compared with RMB18.9 billion as of December 31, 2020. For the third quarter of 2021, net cash used in operating activities was RMB78.0 million. We believe our sound financial condition and strong cash position will support our strategic initiatives, strengthen our competitive edge and allow us to explore new opportunities for future growth.

Looking at our business outlook for the fourth quarter of this year, we expect our total net revenues to be between RMB1.24 billion and RMB1.31 billion, representing a year-over-year

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growth rate of approximately 46.0% to 54.0%. These forecasts reflect our current and preliminary view of the market and operational conditions, as well as the impact of the pending cybersecurity review, recurring COVID-19 related disruptions, extreme weather conditions and production constraints brought by electricity shortage in parts of China, which are subject to change and cannot be predicted with reasonable accuracy as of the date hereof.

Our solid third quarter 2021 results reflect FTA’s leadership in China’s fast-growing road transportation industry, where we continue to capitalize on our core strengths in technology and grow on all fronts. To extend this positive momentum, we will remain dedicated to our logistics network expansion, technology innovation and infrastructure development, empowering our users while improving our monetization capabilities prudently and creating long-term value for our shareholders.

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

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information for IR in both China and the U.S. can be found on today's press release. Have a great day.