

FTA 4Q 2021 EARNINGS CALL SCRIPT

Operator introduction

Ladies and gentlemen, good day and welcome to Full Truck Alliance's Fourth Quarter and Full Year 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.

FTA – 4Q21 Earnings Call Script

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 FTA’s fourth quarter and full year 2021 earnings conference call today.

Over the past year, FTA has further solidified its leadership position in China’s rapidly expanding logistics industry, and we are pleased to have capped a successful year with an excellent financial and operating performance in the fourth quarter of 2021. FTA’s continued growth reflects our consistent monetization improvements and service optimizations, as well as our business model’s resilience and sustainability. By broadening our logistics network, utilizing our big data reserves and intensifying our platform’s positive network effects, we served a growing user base of truckers and shippers with increasingly efficient matching and convenient product functions in 2021. We also leveraged our digital capabilities to transform FTA into a green and low-carbon logistics service provider and proudly fulfilled our social responsibilities by improving efficiency, promoting energy conservation and reducing emissions. We seek to benefit our industry and society at large as we enhance our value proposition for our users and investors.

For full year 2021, our Gross Transaction Value (“GTV”) reached RMB262.3 billion, an increase of 50.9% compared with the prior year, and the number of fulfilled orders rose 78.8% year over year to 128.3 million. For the fourth quarter of 2021, GTV increased 22.1% year over year to RMB69.5 billion, extending the year’s robust momentum, and the number of fulfilled orders climbed 41.6% year over year to 34.8 million. Also, we witnessed a significant increase in average shipper MAUs, up 20.6% year over year to 1.57 million. As a result, we grew our total net revenues by 68.1%

year over year to RMB1.43 billion and realized a non-GAAP adjusted net income of RMB242.8 million in the fourth quarter.

To usher in 2022, we will leverage our massive user base, data resources and AI capabilities to drive growth across verticals and accelerate digitalization, which we believe is the future of our industry. To support our long-term, healthy development, we will continue to explore new business models and strengthen our monetization system to optimize profitability as we holistically improve user experience. In addition, we will increase our investment in R&D to fortify our technological innovation capabilities, creating new growth opportunities that also promote China’s “dual carbon” goals. Finally, we will spare no effort to establish a more comprehensive data security protection system and enlarge our safe yet efficient nationwide logistics network.

As we welcome the digital age, we remain true to our original aspirations: to make logistics smarter. FTA will work tirelessly to drive innovation, promote sustainability and create value for all of our stakeholders as we continue to lead China’s road transportation industry.

With that, I’ll turn the call over to our CFO, Simon. He will elaborate more on our fourth quarter progress 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 solid operational and financial results.

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

The fourth quarter is normally the peak season - however, the suspension of new user registration, COVID recurrences and electricity shortage-induced production constraints since the end of September impacted our business. Fortunately, these obstacles are short term. Our solid foundation and focus on improving user experience

helped to mitigate macro impacts, and we successfully improved our fulfillment rate by five percentage points year over year to reach approximately 26%. In addition, the average freight matching time continued to decline, falling to less than 10 minutes in December, a substantial improvement primarily attributable to our advanced big data technology and algo capabilities.

We took matching efficiency to a new level in the fourth quarter as we improved search functionality for users and generated more and better-structured shipper and trucker data. For example, we enhanced our search feature's sorting logic based on driver fulfillment probability and filtered invalid information out of the results to maximize truckers' access to shipping orders. We also introduced a WeChat-based matching service to diversify matching methods, revamped and encouraged adoption of our tap-and-go model with more reasonable pricing to further streamline matching, and combined algorithms to accurately predict and distribute user rewards to guide transaction habits.

We continuously strive for more accurate matching to truly optimize the allocation of logistics resources. Looking forward, we will remain focused on upgrading our logistics ecosystem to strengthen our comprehensive, end-to-end platform and closed-loop business model. Supported by our evolving big data algorithms and cutting-edge AI technology, we are confident that these efforts will lead to stronger network effects as our business grows.

Moving onto our users. Throughout 2021, we continued to enhance user experience and promote user activity, retention and satisfaction by innovating products and services to upgrade our platform's one-stop service capabilities. Because the suspension of new user registration persisted throughout the fourth quarter, we focused on increasing use frequency across user cohorts with refinements to our freight matching and fulfillment process, as well as reactivating dormant users through targeted marketing. Furthermore, we encouraged new users to engage more deeply with our platform by offering improved services for novices such as manual assistance and increased traffic exposure.

Thanks to these efforts, average shipper MAUs in the fourth quarter increased to 1.57 million, an increase of 20.6% year over year, while average trucker MAUs including

those fulfilling and responding to orders remained stable, with 3.54 million active truckers fulfilling shipments in the past 12 months. We also witnessed excellent user stickiness, with both 12-month retention of paying shippers and next-month retention of truckers who responded to shipping orders on our platform remaining high at around 85%.

Furthermore, our entrusted shipment program for direct shippers and other user composition optimizations also continued to drive progress across our business. Direct shippers are a critical part of our strategy to improve our fulfillment rate and we expect the overall number as well as the GTV contribution of direct shippers to continue to increase steadily, especially after new user registration resumes.

Our online transaction service continues to be a powerful growth engine. Its net revenues were RMB267.5 million in the fourth quarter, up 6.6 times year over year and 46.8% quarter over quarter, representing 18.7% of total net revenues in the fourth quarter. The increase was largely due to further implementation of our commission model, which we utilized in 105 cities as of the end of the fourth quarter of 2021 compared with 95 cities as of September 2021. User activity remained high in those cities, with truckers' next-month retention rate reaching nearly 90%, a clear sign of the commission model's scalability.

We tailor our commission model to the unique characteristics of disparate businesses and regions with diverse commissioning methods, such as by time period and by distance. Going forward, we plan to optimize the commission rate and extend our commission coverage while providing additional value-added services and improving product functions continually enhance our truckers' user experience.

To further protect the interests of both truckers and shippers, since the fourth quarter we have continuously devoted more resources to upgrading our safeguard service and industry governance measures, reaffirming our position as the industry's most responsible, welcoming, user-friendly digital freight platform.

Our safeguard service protected the financial interests of 140,000 users in the fourth quarter, encompassing total compensation of more than RMB16 million. Additionally,

we established a professional service team of more than 100 personnel to assist truckers with late payment collection. Along with third-party legal aid, we helped truckers recover an aggregate RMB250 million in freight charges from over 117,000 orders in the fourth quarter. To improve transaction stability, we imposed restrictions on shippers who frequently cancel orders, which has gradually improved shippers' fulfillment rates and reduced cancellation losses for truckers.

With respect to industry governance, in the fourth quarter, we rolled out a system for assessing shippers' creditworthiness in certain regions, based on shippers' behavior, truckers' feedback and other data. This system enables us to conduct hierarchical management to match truckers with trustworthy shippers and prime orders, protecting their rights and interests. Meanwhile, we began building a trucker credit system during the first quarter of this year to promote standardized services and enhance benefits for high-quality truckers, and we plan to start strengthening controls on truckers who receive a high number of complaints, limiting their rights on our platform. FTA remains committed to improving outcomes and creating value for each participant in the logistics ecosystem as we lead the industry's healthy development.

Before we move on to financials, I'd like to touch on our new business initiatives and latest strategic investments. Both our intra-city and Less-Than-Truckload (LTL) shipping businesses, which are natural extensions of our existing FTL business, recorded stable overall performance in the fourth quarter with steady GTV quarter over quarter. Also, we launched monetization pilots for our intra-city business in certain cities through trucker membership and commission models this quarter.

Because new user registration remained suspended in the fourth quarter, these services are still in a trial period in a limited number of cities. However, existing users' retention rate on the platform is high and demand for repeat service is strong, and we plan to seize this positive momentum and extend these services to additional regions to meet shippers' one-stop shipment needs as soon as new user registration resumes.

As we assess the industry landscape, we see enormous opportunities in China's trillion-dollar road transportation market and its various verticals to create value for all of our stakeholders. To capitalize, we will selectively make investments and acquisitions

across verticals to augment our platform's existing strengths, enabling us to provide highly-customized services to a broader range of specialized industries. We have established a team to research and conduct business development activities in different verticals and have already identified several investment candidates with industry insights, customer bases and service capabilities complementary to ours. For instance, in the fourth quarter, we invested in a leading domestic heavy-lift cargo transportation platform focusing on the engineering machinery and special project cargo transportation industries, both valuable verticals with large addressable markets. Over the years, FTA has accumulated massive reserves of customers, brands and data, as well as deep experience in online operations. We believe that by joining forces with partners in new verticals, we will discover new touchpoints, spur growth and deliver a better user experience to our customers, logistics companies and truckers as we empower the digitalization of our industry.

Now, I would like to provide a brief overview of our 2021 full year and fourth-quarter financial results. Given the limited time on today's call, I will be presenting some abbreviated financial highlights. We encourage you to read through our press release issued earlier today for more details.

Our total net revenues for the year were RMB4.7 billion, representing an 80.4% increase year over year. Net revenues for the fourth quarter were RMB1.4 billion, representing a 68.1% increase year over year.

For 2021, our net revenues from freight matching services including service fees from freight brokerage models, membership fees from listing models, and commissions from online transaction services were RMB3.9 billion, up 102.7% from 2020, and RMB1.2 billion for the fourth quarter, up 85.7% year over year, primarily due to an increase in revenues from freight brokerage service as well as rapid growth in transaction commissions.

Revenues from freight brokerage service reached RMB2.5 billion for 2021, up 83.0% year over year. On a quarterly basis, net revenue increased 61.1% to RMB760.9 million in the fourth quarter, primarily driven by significant growth in transaction volume, partially offset by a decrease in average fee rate to attract more shippers to our service.

Revenues from freight listing service were RMB753.0 million for the full year, up 39.8% year over year, and rose 30.0% year over year in the fourth quarter to reach RMB200.5 million, 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 RMB696.1 million in 2021, compared with RMB43.1 million in 2020. On a quarterly basis, net revenue amounted to RMB267.5 million in the fourth quarter, an increase of 6.6 times from the prior year period, primarily driven by a rapid ramp-up of commissioned GTV penetration.

Revenues from value-added services were RMB710.1 million in 2021, compared with RMB633.8 million in 2020. For the fourth quarter, net revenues increased to RMB200.4 million from RMB188.5 million in the prior year period, mainly attributable to increased revenues from credit solutions and other value-added services.

Cost of revenues in the fourth quarter was RMB658.2 million, compared with RMB398.4 million in the prior year period. 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 RMB555.5 million, representing an increase of 67.4% from RMB331.8 million in the same period of 2020, primarily due to an increase in transaction activities involving our freight brokerage service.

Our selling and marketing expenses in the fourth quarter were RMB239.4 million, compared with RMB161.3 million in the prior year period. The increase was primarily due to an increase in salary and benefits expenses driven by an increase in sales and marketing headcount as well as an increase in advertising and marketing expenses related to the promotion of new initiatives, partially offset by a decrease in share-based compensation expenses.

General and administrative expenses in the fourth quarter were RMB1.6 billion, compared with RMB3.0 billion in the prior year period. The decrease was largely due to lower share-based compensation expenses.

Our commitment to innovation and broadening our technological capabilities through in-house R&D remains the cornerstone of our business. In the fourth quarter, R&D expenses as a percentage of total net revenues were 16.3%, compared with 14.0% in the prior year period.

Both loss from operations and net loss further narrowed in the fourth quarter, totaling RMB1.35 billion and RMB1.32 billion, respectively, compared with RMB2.81 billion and RMB2.78 billion in the prior year period.

Under non-GAAP measures, our adjusted operating income in the fourth quarter was RMB159.1 million, compared with RMB121.0 million in the prior year period. Our adjusted net income in the fourth quarter was RMB242.8 million, compared with RMB147.9 million in the prior year period.

Basic and diluted net loss per ADS were RMB1.23 in the fourth quarter, compared with RMB16.97 in the prior year period. Non-GAAP adjusted basic and diluted net income per ADS were RMB0.23 in the fourth quarter, compared with non-GAAP adjusted basic net income per ADS of RMB0.16 and non-GAAP adjusted diluted net income per ADS of RMB0.03 in the prior year period.

Our cash position remains strong. As of the end of 2021, our cash and cash equivalents, restricted cash, and short-term investments totaled RMB26.0 billion, compared with RMB18.9 billion as of the end of 2020. For the fourth quarter, net cash provided from operating activities was RMB433.9 million.

Looking at our business outlook for the first quarter of 2022, we expect our total net revenues to be between RMB1.04 billion and RMB1.09 billion, representing a year-over-year growth rate of approximately 19.8% to 25.3%. These forecasts reflect the Company's current and preliminary views on the market, operational conditions and the impact of the pending cybersecurity review, recurring COVID-related disruptions, extreme weather conditions and production constraints brought about by electricity shortage in parts of China, which are subject to change and cannot be predicted with reasonable accuracy as of the date hereof.

We are excited to enter 2022 on an upbeat note and expect our increasingly efficient matching technology, solid user base and multifaceted strategic initiatives to help us continue to deliver strong results and value for our users and shareholders alike.

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.