

FTA 2Q 2023 EARNINGS CALL SCRIPT

Operator introduction

Ladies and gentlemen, good day and welcome to Full Truck Alliance’s Second Quarter 2023 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 second quarter of 2023 earnings conference call.

In the second quarter, we continued accelerating the industry’s digital and intelligent evolution while maintaining our vision - “User-centric, Value-oriented” to fortify our businesses and boost our market share gains. These efforts have considerably paid off by solidifying our market-leading position and giving us the ability to make a series of important advancements.

During the quarter, our intense focus on the long-haul full truckload business enabled us to further enhance this segment’s market penetration. Centered around our core value proposition of “Better, Faster and More Economical Shipping,” we assisted enterprises to reduce logistic costs and improve efficiency, which helped strengthen our users’ competitive edge in logistics. Furthermore, we made significant developments in broadening our user base through our relentless product upgrades and effective online and offline operations which drove our revenue growth to new levels. These critical accomplishments are attributed to our efforts in deeply cultivating the industry’s digitalization, our unique business model and our team’s outstanding execution capabilities.

As a result of our hard work and commitment, we achieved several new milestones in the second quarter. In regard to our user scale, both our professional shipper users and direct shippers recorded stellar growth, with the average shipper MAU jumping to a historic high during the quarter, growing by 30.5% year-over-year to 2.0 million. The growing number of our high-quality direct shippers elevated our overall fulfillment rate. Additionally, we rolled out a series of new product functions, including a streamlined shipping process, standardized entrusted shipment services, a comprehensive truckers’ rating system and more efficient order recommendation strategies for truckers, which significantly improved the shippers’ experience, particularly direct shippers, as well as strengthened truckers stickiness, driving the number of fulfilled orders to 40.2 million, an increase of 44.5% year-over-year.

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On top of our outstanding operational highlights, we achieved strong growth momentum in both our top and bottom lines which increased by 23.5% and 170.8% year-over-year, generating revenue of RMB2,062.0 million and non-GAAP adjusted net income of RMB722.7 million, respectively, surpassing market expectations once again. However, when looking at the millions of SMEs in China and the trillion-RMB logistics sector, our online penetration rate remains relatively low in terms of both user and order scale. Moving forward, along with our expanding market share gains in FTL, we expect to continue to reap additional benefits as we consistently improve both monetization and operational efficiencies through digital and intelligent advancements.

Looking ahead at the second half of the year, we firmly believe that by building upon our strategic position as the leading one-stop freight platform empowered by innovative technologies, we are advantageously situated to continue creating value for our users and the whole industry. With our users at the heart of FTA's growth, we remain committed to our user-oriented value proposition as we continually optimize our services on all fronts, while simultaneously elevating user satisfaction by offering superior services and products that better cater to user needs and preferences. In line with this commitment, we are stepping up our investment in technology to propel FTA's transition towards a more digitally empowered platform, so that we can proficiently manage our teams and achieve a higher level of operational efficiency.

Going forward, we are proactively responding to the changing market dynamics, as we turbocharge our growth momentum across our platform through cutting-edge innovation. We will also keep an eye out for potential growth opportunities that fit FTA's one-stop business model, as well as more effective approaches to acquire and retain users. As we further expand our user base and revenue scale, we aim to build additional value for our different stakeholders.

Thank you, everyone. Let me pass the call over to our CFO, Simon, who will share our operational progress and financial results for the quarter.

Simon Cai, CFO of FTA

Thank you, Mr. Zhang, and thank you to everyone for joining us today. I will first go over our highlights for the second quarter of 2023 followed by a brief overview of our operational and financial results before opening the call to questions.

For the second quarter, we delivered an impressive year-over-year growth in fulfilled orders of 44.5%. Despite challenges from high temperatures and extreme weather in June, there was no clear sign of a slowdown in order volume. Average daily order volume during the quarter surged to a historical high, benefiting from improving dual-end user scale and activity, as well as enhanced matching efficiency. In addition, the recovery from the pandemic combined with a series of new structural changes in the industry over the past two years, contributed to a larger number of users meeting their shipping needs through online platforms, which is faster, safer, and more convenient. Building on this momentum, we continued to expand our market share in the quarter.

With the industry continuing to normalize, our average fulfillment rate grew by 10 percentage points year-over-year and two percentage points quarter-over-quarter in the second quarter to 30%. It is worth mentioning that the average fulfillment rate of our 688 members exceeded 50% this quarter. This continued improvement in matching efficiency was driven by both sustained growth in dual-end user scale and the ongoing optimization of shipper composition. We also successfully improved our products by strategically integrating technology and using algorithms along with strengthening our efficiency and accuracy of freight matchings.

Looking at the transaction types, with rising demand from direct shippers, the proportion of non-negotiation-based transactions (such as tap-and-go and entrusted shipment models) continued to increase, reflecting our platform's improved freight matching efficiencies and our users' enhanced reliance.

In regard to our users, we have made remarkable strides in broadening our user base with our

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average shipper MAUs exceeding two million for the first time, increasing by 30.5% year-over-year. The increase was mainly from “688” members and non-member shippers, which were up 25% and 40%, respectively, the majority of which are direct shippers. The continued growth of shipper MAUs year to date is mainly driven by the increasing stickiness and activity of existing users, as well as effective new user acquisition strategies.

During the second quarter, as the supply of truckers increased, our average trucker MAUs responding to orders increased quarter-over-quarter, with 3.75 million active truckers fulfilling orders through FTA over the past 12 months. This shows that more truckers are choosing our platform for finding cargo, rather than relying on offline modes of trading. Meanwhile, our 12-month rolling retention rate of shipper members and next-month retention of truckers who responded to orders remained stable quarter-over-quarter, once again confirming our platforms’ high user stickiness.

Going forward, we will continue to focus on the livelihoods of truckers and shippers, as well as local industry developments across different regions nationwide for further market penetration by verticals. We will also explore and capitalize on our platform’s benefits, in addition to strengthening our connection with the real economy and SMEs. By refining our user composition and increasing the fulfillment rate and user retention, we are successfully building a thriving platform ecosystem that generates long-term value.

As Mr. Zhang has previously commented, we have built our foundation by creating value for shippers and truckers. Since our inception, we have been committed to cracking down on maliciously low-priced shipments and maintaining a fair and normal transaction order in the market. Recently, the platform has launched a targeted product that utilizes big data and algorithmic technology to predict, identify, analyze, and automatically judge low-priced offers. This has significantly improved truckers’ efficiency in finding cargo and enabled shippers to dispatch their goods faster.

In addition to addressing control and governance of malicious low prices and other behaviors, we have also carried out a series of measures on the product functions, and are actively guiding the freight rate. For example, when the shipper's bid is low, the user page will automatically remind the shipper to increase the price before placing an order. It will also send a reminder of the price increase in case there is no transaction within a certain time. In order to help some of the new shippers offer reasonable prices, the platform will also display around 90 days of similar sources of historical transaction prices for the shippers' reference. Although, currently, there is an oversupply of truckers, we still strive to find a dynamic balance between truckers and shippers through the combination of providing price range control and pricing guidance. This approach is gradually addressing the industry's pain point of low freight rates.

Before going over the quarter's financial results, I will quickly review the progress of our transaction commission model. We are delighted to report revenue from online transaction service surged 59.6% to RMB555.2 million, fueled by our solid increase in the number of fulfilled orders and commission per transaction. With our user base and order volume continuing to grow, we expanded our commission model's coverage. In the second quarter, around 59% of the transactions fulfilled through us were closed under our commission model, as compared with roughly 53% a year ago, generating an average commission per transaction of RMB23.4. As we further optimize revenue streams, transaction commission will remain a major growth engine of our platform.

Now, I would like to provide a brief overview of our 2023 second quarter financial results.

Our total net revenues in the second quarter of 2023 were RMB2,062.0 million, representing an increase of 23.5% year-over-year. The increase in revenue was primarily attributable to an increase in revenues from freight matching services.

Revenues from freight matching services, including service fees from freight brokerage models, membership fees from listing models, and commissions from online transaction services, were RMB1,731.2 million in the second quarter, representing an increase of 22.8% year-over-year,

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primarily due to an increase in revenues from freight brokerage service as well as continued growth in transaction commissions.

Revenues from freight brokerage service in the second quarter were RMB948.9 million, up 11.6% year-over-year, primarily attributable to continued growth in freight volume as a result of expanded user coverage.

Revenues from freight listing service in the second quarter were RMB227.1 million, up 7.3% year-over-year, primarily due to an increase in total paying members.

Revenues from transaction commissions amounted to RMB555.2 million in the second quarter, up 59.6% year-over-year, primarily driven by an increase in order volume as well as an improvement in take rate.

Revenues from value-added services in the second quarter were RMB330.8 million, up 27.0% year-over-year, mainly attributable to an increase in revenues from credit solutions and other value-added services.

Cost of revenues in the second quarter was RMB975.3 million, compared with RMB925.9 million in the same period of 2022. The increase was primarily due 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 RMB879.3 million, representing an increase of 4.0% year-over-year, primarily due to a continued increase in transaction activities involving our freight brokerage service.

Sales and marketing expenses in the second quarter were RMB281.8 million, compared with RMB196.2 million in the same period of 2022. The increase was primarily due to an increase in advertising and marketing expenses for user acquisitions.

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General and administrative expenses in the second quarter were RMB201.7 million, compared with RMB344.8 million in the same period of 2022. The decrease was primarily due to lower share-based compensation expenses.

Research and development expenses in the second quarter were RMB223.7 million, compared with RMB216.4 million in the same period of 2022. The increase was primarily due to higher salary and benefits expenses.

Income from operations in the second quarter was RMB333.8 million, compared with a loss of RMB46.4 million in the same period of 2022. Net income in the second quarter was RMB609.0 million, compared with RMB12.7 million in the same period of 2022.

Under non-GAAP measures, our adjusted operating income in the second quarter was RMB450.7 million, an increase of 113.4% from RMB211.3 million in the same period of 2022. Our adjusted net income in the second quarter was RMB722.7 million, an increase of 170.8% from RMB266.9 million in the same period of 2022.

Basic and diluted net income per ADS were RMB0.57 in the second quarter, compared with basic and diluted net income per ADS of RMB0.01 in the same period of 2022. Non-GAAP adjusted basic and diluted net income per ADS were RMB0.68 in the second quarter, compared with RMB0.25 in the same period of 2022.

As of June 30, 2023, the Company had cash and cash equivalents, restricted cash, short-term investments and long-term investments of RMB27.4 billion in total, compared with RMB26.3 billion as of December 31, 2022. In the second quarter of 2023, net cash provided by operating activities was RMB707.7 million.

For our business outlook for the third quarter of 2023, we expect our total net revenues to be between RMB2.16 billion and RMB2.20 billion, representing a year-over-year growth rate of

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approximately 19.2% to 21.6%. This forecast reflects the Company's current and preliminary views on the market and operational conditions, which are subject to change and cannot be predicted with reasonable accuracy as of the date hereof.

Lastly, I would like to provide a brief update on our share repurchase progress. From May 22nd to August 22nd, we have repurchased approximately 13.8 million ADS shares, amounting to approximately \$87 million US dollars. Since the announcement of our repurchase plan, we have repurchased a total of around 19.4 million ADS shares from the open market, with a total value of approximately \$124 million US dollars. In the future, we will continue to utilize prudent repurchase methods to reward our shareholders.

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