

FTA 1Q 2024 EARNINGS CALL SCRIPT

Operator introduction

Ladies and gentlemen, good day and welcome to Full Truck Alliance's first quarter 2024 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 for our first quarter of 2024 earnings conference call.

Entering 2024, we continued to steadfastly promote the digital and intelligent transformation of the logistics industry. By enhancing logistics efficiency and reducing costs for tens of millions of small- and medium-sized shippers, we empower enterprises with greater logistics competitiveness and improved profitability. With our core “cost-savings” value proposition and consistently optimized product experience, our network effect is growing stronger at both ends, that is, for both truckers and shippers. This leads to continuous improvements in fulfillment efficiency and further propels our growth flywheel. In the first quarter, we delivered nearly 30% year-over-year growth in fulfilled orders, again significantly outpacing the single-digit growth of the broader road freight market, reflecting the ongoing shift from the traditional offline solutions of acquaintance truckers and contracted shipments to innovative digital and intelligent logistics platforms.

Since the first quarter, we have achieved continued improvements in key operational metrics, as evidenced by our new user growth, high-quality trucker supply, and enhanced monetization efficiency. As we strive to become the one-stop shipping platform for tens of millions of small- and medium-sized shippers, new user acquisition remains a priority. As such, we continued to strengthen awareness of FTA’s cost-saving benefits for FTL shipping. In addition, we refined our operational processes for user acquisition and initial fulfillment, adding significant momentum to new user growth. Our average shipper MAUs reached 2.14 million, an increase of 22.3% year over year. The strong demand from direct shippers continued to drive rapid order growth across our platform, with direct shippers contributing to 47% of total fulfilled orders in the quarter.

While ensuring an ample supply of truckers, we significantly improved the quality and efficiency of our trucker supply during the quarter through initiatives such as the “Trucker Credit Rating” and “Premium Cargo Bidding” functions. At the same time, we saw truckers become more dependent on our platform as their wallet share grew significantly. As we continue to expand our high-quality

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transportation capacity, our fulfillment rate amounted to 33.5% in the first quarter, up nearly 6 percentage points year over year to an all-time high. In terms of monetization, we comprehensively optimized our monetization strategies this quarter, positioning us for healthy and rapid top-line growth. These achievements further underscore our unparalleled, irreplaceable value to both truckers and shippers.

Our robust business growth translated into an exceptional financial performance that went beyond expectations, with revenues increasing by 33.3% year over year to RMB2.27 billion in the first quarter. Non-GAAP adjusted net income increased by 46.9% year over year, reaching RMB760 million. I'd like to highlight that our revenue mix continued to improve as transaction service revenues surged by more than 60% year over year, accounting for 30% of our total revenue for the first time, a significant milestone.

In the first quarter, the Premier emphasized in the Government Work Report the imperative to “take steps to reduce logistics costs.” Looking ahead to 2024, the reduction of logistics costs as an important measure to optimize economic efficiency will garner ever greater attention and support. Leveraging this favorable dynamic, we will further propel the logistics industry by advancing digitalization, smart innovation, and environmental sustainability, ultimately creating greater value for our users and the industry as a whole.

Thank you, everyone. Let me pass the call over to our CFO, Simon, who will provide an update on our first quarter's business progress and financial results.

Simon Cai, CFO of FTA

Thank you, Mr. Zhang, and thanks, everyone, for taking the time to join our earnings conference call today. I will start with an overview of our operational highlights and provide an update on our first-quarter financial performance.

We started the year off well with a solid performance across the board in the first quarter. Our fulfilled orders increased by 29.6% year over year to 39.3 million, again significantly outpacing the single-digit year-over-year growth of the broader road freight market. We attribute this sustained strong year-over-year order growth to our ongoing user base expansion and matching efficiency improvements. Sequentially, the number of fulfilled orders declined in the first quarter due to the off-season effect of the Spring Festival, in line with the industry's seasonal patterns.

Our fulfillment rate reached an all-time high of approximately 33.5% in the first quarter, an increase of nearly 6 percentage points year over year and approximately 1.4 percentage points quarter over quarter. This was mainly attributable to contributions from our rapidly growing direct shipper base. Despite a slight shortage of truckers due to the Spring Festival holiday, our platform's overall order structure continued to improve as the scale of direct shippers expanded. The order contribution from our 688 member shippers and non-member shippers reached 47%, marking a historic high. In addition, user growth on both sides, along with efficiency enhancements driven by platform-wide service upgrades, drove an increase in direct shippers' fulfillment rate, boosting our first-quarter average fulfillment rate to new heights. We are confident we can sustain this growth momentum as we move through 2024.

Turning to our user base. Strong execution of our user acquisition strategies has yielded positive results. Our average shipper MAUs reached 2.14 million in the first quarter, up 22.3% year over year, but down slightly from the previous quarter due to the Spring Festival holiday's negative impact. The year-over-year increase was primarily driven by growth among our 688 member shippers and non-member shippers, who are mostly low- and medium-frequency direct shippers. Since March, the average daily number of new shippers fulfilling orders has steadily increased over

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time, peaking at a daily average of more than 10,000 new additions. We expect this vigorous growth trend in our shipper user base to persist throughout 2024. Additionally, our high-frequency shippers' activity remained robust, with our shipper-member 12-month rolling retention rate remaining above 80% in the first quarter.

On the trucker side, as transaction volume on our platform expanded in the first quarter, the number of active truckers fulfilling orders through FTA over the past 12 months reached 3.91 million and our supply of truckers remained plentiful. Additionally, our next-month retention of truckers who responded to orders increased to 90%, approximately 5 percentage points higher than the comparable period in prior years. As a leading road freight platform, our abundant supply of trucks and cargo, supported by vast transaction data and powerful algorithms, has created a dual-growth flywheel and a deep competitive moat. As a result, we expect user stickiness among truckers to consistently increase.

Turning to our transaction service. As we mentioned on last quarter's earnings call, we renamed our "transaction commission" revenue stream to "transaction service" starting this fiscal year, to better reflect the nature of our revenues and the Company's latest business developments in our financial reports. Transaction service encompasses all monetization revenues generated from truckers relating to freight matching services, including monetization revenues generated from truckers in our intra-city business that were previously classified under "freight listing" and "value-added services."

Under the new reporting measures, revenues from transaction service surged by 61.5% year over year to RMB690 million in the first quarter. This growth was primarily fueled by three drivers: the solid expansion in the number of fulfilled orders, the increased monetized order penetration ratio, and the elevated monetization rate. As of the end of the first quarter, our total commissioned city count scaled up to 234. Meanwhile, we also stepped up stress testing across our commissioned areas. This included increasing commission rates for high-quality order postings and implementing our round-the-clock commission strategy nationwide by the end of the first quarter. We no longer reduce

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commissions as matching time extends, while commission waivers apply exclusively to lower-quality orders.

With the implementation of these refined commission rules, our first-quarter revenues from transaction service covered more than 77.4% of fulfilled orders, an increase of approximately 8 percentage points year over year from last year's 69.3% order coverage on a comparable basis. Under the new calculation approach, our monetization amount per order, including transaction commission and trucker membership fee, increased to RMB22.7 from RMB20.4 a year ago.

Before going over our financial results, I'd like to provide a brief update on our share repurchase program. On March 13, we announced an extension of our one-year share repurchase program totaling USD500 million, initiated in March 2023. It has now been extended until March 12, 2025. Since the announcement, we have repurchased approximately 500,000 ADS shares, totaling approximately USD3.78 million. In addition to the annual cash dividend of US\$150 million paid in April, we will also continue to execute on the committed share repurchase program as part of our comprehensive shareholder return initiatives going forward.

Now, I would like to provide a brief overview of our 2024 first-quarter financial results.

Our total net revenues in the first quarter were RMB2,268.7 million, representing a 33.3% increase year over year, primarily attributable to an increase in revenues from freight matching services.

Net revenues from freight matching services, including service fees from freight brokerage models, shipper membership fees from listing models, and trucker monetization revenues including commissions and membership fees from transaction services, were RMB1,869.7 million in the first quarter, representing an increase of 33.5% year over year, primarily due to the continued growth in revenues from the freight brokerage service and a steady increase in the transaction service.

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Revenues from the freight brokerage service in the first quarter were RMB965.2 million, up 24.9% year over year, primarily attributable to an increase in transaction volume due to the continued growth in user demand.

Revenues from the freight listing service in the first quarter were RMB213.5 million, up 6.7% year over year, primarily due to a growing number of total paying members.

Revenues from the transaction service in the first quarter were RMB691.0 million, up 61.5% year over year, primarily driven by an increase in order volume, monetization penetration, and the per-order transaction service fee.

Revenues from value-added services in the first quarter were RMB399.0 million, up 32.3% year over year. The increase was due to a growing demand from truckers and shippers for credit solutions and other value-added services.

First-quarter cost of revenues was RMB1,031.9 million, compared with RMB849.4 million in the prior year period. The increase was primarily due to an increase in VAT, related tax surcharges and other tax costs, net of grants from government authorities. These tax-related costs net of government grants totaled RMB908.0 million, representing an increase of 18.5% from RMB766.4 million in the same period of 2023, primarily due to the expansion of transaction activities involving our freight brokerage service.

Our sales and marketing expenses in the first quarter were RMB340.1 million, compared with RMB245.7 million in the same period of 2023. The increase was primarily due to an increase in advertising and marketing expenses for user acquisitions, as well as higher salary and benefits expenses.

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General and administrative expenses in the first quarter were RMB264.5 million, compared with RMB179.5 million in the same period of 2023. The increase was primarily due to higher share-based compensation expenses.

Research and development expenses in the first quarter were RMB247.7 million, compared with RMB229.9 million in the same period of 2023. The increase was primarily due to higher share-based compensation expenses, as well as an increase in salary and benefits expenses.

Income from operations in the first quarter was RMB312.2 million, an increase of 88.3% from RMB165.8 million in the same period of 2023. Net income in the first quarter was RMB586.4 million, an increase of 42.5% from RMB411.4 million in the same period of 2023.

Under non-GAAP measures, our adjusted operating income in the first quarter was RMB485.4 million, an increase of 78.2% from RMB272.4 million in the same period of 2023. Our adjusted net income in the first quarter was RMB756.4 million, an increase of 46.9% from RMB514.8 million in the same period of 2023.

Basic and diluted net income per ADS were RMB0.56 in the first quarter, compared with RMB0.38 in the same period of 2023. Non-GAAP adjusted basic and diluted net income per ADS was RMB0.72 in the first quarter, compared with RMB0.48 in the same period of 2023.

As of March 31, 2024, the Company had cash and cash equivalents, restricted cash, short-term investments, long-term time deposits and wealth management products with maturities over one year of RMB27.5 billion in total, compared with RMB27.6 billion as of December 31, 2023.

For our second quarter 2024 business outlook, we expect our total net revenues to be between RMB2.65 billion and RMB2.72 billion, representing a year-over-year growth rate of approximately 28.3% to 31.7%. This forecast reflects the Company's current and preliminary views on the market

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and operational conditions, which are subject to change and cannot be predicted with reasonable accuracy as of the date hereof.

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