

FTA 1Q 2023 EARNINGS CALL SCRIPT

Operator introduction

Ladies and gentlemen, good day and welcome to Full Truck Alliance's First 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 first quarter of 2023 earnings conference call.

We are pleased to deliver another strong quarter of growth to kick off 2023, boosted by China's economic rebound as the pandemic subsided. In particular, we experienced a sizable pick-up in activity following the Spring Festival in January. The improved user activity among truckers and shippers and sustainable growth across our businesses further accelerated our monetization efficiency in the first quarter, illustrating the unique appeal of our asset-light business model while paving the way for our rapid business expansion and achievement of our long-term strategic goals.

Now, a detailed look at our first quarter performance. Our peak daily fulfilled orders and active user numbers jumped to an historic high during the quarter. The number of fulfilled orders and the average shipper MAU reached 30.3 million and 1.75 million, respectively, up by 20.5% and 23.3% year-over-year, with an increasing contribution from high-quality direct shippers. Beyond our operational highlights, both our top line and bottom line once again beat market expectations in the first quarter. Our total net revenues grew by 27.7% year-over-year to RMB1.7 billion, and under non-GAAP measures, our adjusted net income surged by 171.4% year-over-year to RMB514.8 million in the first quarter.

Given that users' rights and interests are always one of the company's top priorities, we made significant efforts to further develop our user rating systems and strengthen our hierarchical mechanism to improve user experience during the quarter. Going forward, we will continue to accelerate the implementation of our operational strategies, which we believe will boost order matching efficiency and create more revenue for quality truckers while simultaneously enhancing our user stickiness.

Looking at the rest of the year, we plan to implement more active user acquisition strategies, consistently reinforce and enrich our products and services for direct shippers, and bolster the

FTA – 1Q23 Earnings Call Script

activity and stickiness of our users on the platform, positioning the company to advance our long-term growth in both user scale and freight volume. At the same time, we are prioritizing the expansion of our platform's scale advantages, refining its operational process, and harnessing its core competitiveness in terms of freight matching, freight capacity allocation, and freight rate management, with the goal of creating greater value for users and building a healthy and stable ecosystem for our platform.

Next, I'd like to provide an update on our share repurchase program. Pursuant to our USD500 million share repurchase program announced in March 2023, as of May 21, 2023, we had repurchased approximately 5.6 million ADSs in aggregate for approximately USD37.4 million from the open market. Even in the current sluggish capital market environment, we are optimistic about the company's long-term vision and development strategy, and will continue to reward our shareholders through share buybacks.

Lastly, earlier today, we announced a change to our Board. Mr. Wenjian Dai resigned from his position as a member of the company's Board of Directors for personal reasons. Mr. Langbo Guo, our former Chief Strategy Officer, was appointed as a new director to fill the vacancy, and was simultaneously promoted to President of the Company. Mr. Guo will assume greater responsibilities in certain of our middle and back-office functions and business operations. Ms. Guizhen Ma, our current director of the Board, will take over Mr. Dai's previous responsibilities as a member of our compensation committee. We would like to express our most sincere gratitude to Mr. Dai for his invaluable contribution to FTA over the years and look forward to Mr. Guo adding great value in his new position.

Thank you, everyone. With that, I'll turn the call over to our CFO, Simon. He will elaborate further on our progress for the 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 to all of you. I would like to thank everyone for joining us today on our first quarter 2023 earnings call. I will start with some first quarter highlights and then provide a brief overview of our key financials.

Fulfilled orders grew by 20.5% year-over-year in the first quarter, outpacing our expectations. Breaking down the monthly data, if we exclude the low demand during the Spring Festival, our platform's order volume showed a steady upward trend month-over-month. It is worth mentioning that our order volume increased by more than 30% for the month of March, marking a record high. This better-than-expected performance was mainly attributable to ongoing improvements in user scale and activity. In particular, we noted a significant rebound in truckers' engagement, which even exceeded pre-pandemic levels.

Let me dig into the details of this rebound. Transportation costs for truckers decreased during the quarter as the pandemic's impact eased and impediments to transportation were eliminated. On top of that, the resumption of new user registration over the past six months has largely alleviated the shortage of truckers we observed last year. Thanks to our effective new initiatives and product optimizations designed to enhance user experience, as well as new user acquisitions, our user retention rate and engagement level continued to improve. We have also noticed that the industry's competitive landscape has undergone some major changes due to the pandemic over the past two years. As offline models became inefficient and inaccessible for users during the pandemic, a growing number of truckers and shippers turned to online transactions and have not looked back. As a result, our market share in the spot FTL transportation market has increased significantly, and the network effects of our leading market position have become more pronounced.

Turning to our fulfillment rate. The robust recovery in transportation capacity supply has made it much easier for shippers to find truckers, hugely improving matching efficiency. Our average fulfillment rate for the first quarter reached 28%, a year-over-year increase of six percentage

FTA – 1Q23 Earnings Call Script

points and a quarter-over-quarter increase of four percentage points. In March, the fulfillment rate reached 30%, another historical record for us. The reduction in our matching time also reflects matching efficiency improvement. After a year of elevated levels, our median freight matching time returned to single digits during the first quarter, falling to about 8 minutes. Furthermore, in the first quarter, the order contribution from our non-negotiation based transactions (such as tap-and-go, entrusted shipment models and others) surged to record highs, improving overall matching efficiency. We are very pleased to have achieved record-breaking performance amid high macroeconomic uncertainty and a slow economic recovery, further strengthening our confidence in our long-term sustainable growth prospects and resilience of China's macro environment.

Now moving on to our users. We strategically capitalized on the strong growth momentum from the fourth quarter last year to further broaden the scale of our user base during the first quarter, driving our first quarter average shipper MAUs to 1.75 million, up approximately 23% year-over-year. March average shipper MAUs reached 2 million, an all-time high.

Expansion of both our "688" member and non-member user bases since the resumption of user acquisition last year has resulted in further optimization of our user composition. In the first quarter, the contribution from "688" members and non-paying users by number of fulfilled orders increased by five percentage points year-over-year, reaching 45%. Notably, our "688" members' average fulfillment rate in the first quarter was close to 50%. Going forward, we expect continued improvement in our platform's overall fulfillment rate as order contribution from low to medium frequency shippers increases.

On the trucker side, following an advantageous increase in trucker supply, our average trucker MAUs responding to orders increased by more than 10% year-over-year in the first quarter, with 3.55 million active truckers fulfilling orders in the past 12 months. Additionally, our 12-month rolling retention rate of shipper members and next-month retention of truckers who responded to orders remained high at around 85%.

To further bolster our leading position, We promoted our brand and increased our online exposure and recognition via various media such as App stores and short video platforms while also amplifying our offline marketing efforts through our local sales team, and attracted a sizable number of new high-quality users as a result. We believe China’s huge SME community offers a significant opportunity to add new direct shipper users, particularly “688” members, to our platform. Accordingly, we plan to invest more resources and explore innovative ways to support our SME development, increase stickiness among our existing users, and appeal to more high-quality direct shippers, with the goal of optimizing our user composition with a greater proportion of “688” members.

Now a quick look at our trucker growth system. After a trial period of just over five months, the trucker growth program we announced last quarter now covers all truckers on our platform. As part of this program, we introduced priority rights to certain qualified truckers with early access to high-quality freight information. Our users immediately embraced the feature, which continues to gain wide recognition from the market and truckers alike.

Last, let’s turn to our online transaction services. Revenue from our commission model reached RMB401 million this quarter, representing an increase of 55.3% year-over-year. This robust growth was primarily driven by our sustainable growth in the number of fulfilled orders combined with an increase in commission per order. We are also testing different commission strategies in a small group of selected cities. The model now covers 204 cities and nearly 59% of the transactions fulfilled through us, with an average commission per transaction of RMB22.5.

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

Our total net revenues in the first quarter of 2023 were RMB1702.3 million, representing an increase of 27.7% year-over-year, primarily attributable to an increase in revenues from freight matching services.

FTA – 1Q23 Earnings Call Script

Revenues from freight matching services, including service fees from freight brokerage models, membership fees from listing models, and commissions from online transaction services, were RMB1397.5 million in the first quarter, representing an increase of 24.9% year-over-year, 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 first quarter were RMB772.6 million, up 16.6% 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 first quarter were RMB223.9 million, up 13.1% year-over-year, primarily due to an increase in total paying members.

Revenues from transaction commissions amounted to RMB401.0 million in the first quarter, up 55.3% year-over-year, primarily driven by an increase in order volume as well as an uptick in transaction commission per order.

Revenues from value-added services in the first quarter were RMB304.8 million, up 42.4% year-over-year, mainly attributable to an increase in revenues from credit solutions and other value-added services.

Cost of revenues in the first quarter was RMB849.4 million, compared with RMB683.9 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 RMB766.4 million, representing an increase of 28.1% year-over-year, primarily due to a continued increase in transaction activities involving our freight brokerage service.

FTA – 1Q23 Earnings Call Script

Sales and marketing expenses in the first quarter were RMB245.7 million, compared with RMB192.0 million in the same period of 2022. The increase was primarily due to an increase in advertising and marketing expenses for user acquisitions.

General and administrative expenses in the first quarter were RMB179.5 million, compared with RMB458.4 million in the same period of 2022. The decrease was primarily due to lower share-based compensation expenses.

Research and development expenses in the first quarter were RMB229.9 million, compared with RMB221.0 million in the same period of 2022. The increase was primarily due to higher salary and benefits expenses.

Income from operations in the first quarter was RMB165.8 million, compared with a loss of RMB252.0 million in the same period of 2022. Net income in the first quarter was RMB411.4 million, compared with a net loss of RMB192.0 million in the same period of 2022.

Under non-GAAP measures, our adjusted operating income in the first quarter was RMB272.4 million, an increase of 104.4% from RMB133.2 million in the same period of 2022. Our adjusted net income in the first quarter was RMB514.8 million, an increase of 171.4% from RMB189.7 million in the same period of 2022.

Basic and diluted net income per ADS were RMB0.38 in the first quarter, compared with basic and diluted net loss per ADS of RMB0.18 in the same period of 2022. Non-GAAP adjusted basic and diluted net income per ADS were RMB0.48 in the first quarter, compared with RMB0.17 in the same period of 2022.

As of March 31, 2023, the Company had cash and cash equivalents, restricted cash, short-term investments and long-term deposits of RMB25.8 billion in total, compared with RMB26.3 billion

FTA – 1Q23 Earnings Call Script

as of December 31, 2022. In the first quarter of 2023, net cash provided in operating activities was RMB86.8 million.

Looking at our business outlook for the second quarter of 2023, we expect our total net revenues to be between RMB1.91 billion and RMB2.01 billion, representing a year-over-year growth rate of approximately 14.5% to 20.5%. These forecasts reflect 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.

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