

FTA 2Q 2024 EARNINGS CALL SCRIPT

Operator introduction

Ladies and gentlemen, good day and welcome to Full Truck Alliance’s second 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 on our second quarter of 2024 earnings conference call.

Despite the complex and volatile macro environment, we continued to advance the digitalization of the logistics industry in the first half of 2024, empowering enterprises to enhance their logistics competitiveness. Amid the broader industry trends of cost reduction and efficiency enhancement, we leveraged our dual-end platform's scale effect to deliver exceptional cost-effectiveness and transaction efficiency to our users, driving the Company's growth flywheel. Our fulfilled orders in the first half of 2024 grew by 25% year over year, significantly outpacing the single-digit growth in the overall freight market. This exceptional performance demonstrates that our digital and intelligent logistics model is steadily replacing traditional offline solutions including acquaintance truckers and contracted shipments.

Since the second quarter, our key operational initiatives have been highly effective, particularly in terms of shipper user acquisition, enhancing the supply ecosystem, and boosting monetization quality. We are committed to becoming the one-stop shipping platform for 30 million small- and medium-sized shippers, focusing on acquiring high-quality users through various channels. In the second quarter, our average daily count of shippers fulfilling initial transaction reached a new record high. Additionally, we further improved new shippers' user experience through refined operational strategies designed to enhance their transaction frequency and conversion efficiency after their first shipment. As a result, our average shipper MAUs reached 2.65 million, an increase of 32.8% year over year. On the trucker side, we focused on a combination of strategies including "Premium Cargo Bidding," "Tiered Trucker Rating System" and "Trucker Credit Rating System," all of which leveraged traffic distribution and benefits allocation to promote healthy capacity growth on the platform. Thanks to the increase in high-quality transportation capacity, our fulfillment rate climbed to a record high of 33.7% in the second quarter, up nearly 3.4 percentage points year over year. As for monetization quality, our rapid revenue growth validated the platform's immense monetization potential. These accomplishments highlight the irreplaceable value that Full Truck Alliance provides to both truckers and shippers.

This quarter's solid operational performance resulted in another set of strong financial results, once again exceeding market expectations. Our total net revenues in the second quarter reached RMB2,764 million, up 34.1% year over year. Among them, transaction service revenues grew by 63% year over year and accounted for more than 34% of our total revenues, becoming a new growth engine as we continue to optimize our revenue structure. Capitalizing on our revenue optimization and operating leverage, we also steadily improved our profits. Non-GAAP adjusted

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operating income and adjusted net income increased by 55.1% and 34.3% year over year to RMB699 million and RMB971 million, respectively.

This July, the Third Plenary Session of the 20th Central Committee of the Communist Party of China reiterated the importance of “cultivating new quality productive forces” and “reducing logistics costs across society.” As a representative of intelligent productive forces in the logistics industry, FTA continued to invest in digitalization and intelligent infrastructure construction while actively promoting the development of new energy transportation capacity. In the first half of 2024, the number of freight orders fulfilled by our electronic vehicles increased by 100% year-over-year and contributed approximately 20% of total order volume. Looking ahead, we are confident that we will continue to lead the logistics industry in cost reduction and efficiency improvement through digitalization, intelligence and green practices, creating greater value for all our users and society as a whole.

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

Simon Cai, CFO of FTA

Thank you, Mr. Zhang, and thanks, everyone, for making time to join our earnings conference call today. I will now provide an overview of our operational and financial results for the second quarter of 2024.

Despite macroeconomic challenges and pressure from extreme weather conditions such as prolonged heavy rains that impacted shipments during the quarter, we maintained robust overall order growth on our platform, driven by an expanding shipper user base and higher fulfillment efficiency fueled by our enhanced network effect. Our fulfilled orders increased by 22.0% year over year to 49.1 million in the second quarter.

Building on last quarter's momentum, our fulfillment rate also continued to rise in the second quarter, reaching approximately 33.7%, up over 3 percentage points year over year. With the number of small- and medium-sized direct shippers growing faster than our 1688 member shippers, our shipper structure continued to improve, leading to an enhanced overall order structure. In the second quarter, the order contribution from our 688 member shippers and non-member shippers climbed to 48%, breaking the record set last quarter. In addition, higher fulfillment rates among our 688 member and non-member shippers drove the improvement in our overall fulfillment rate. Looking ahead, we are confident there is significant potential to further elevate our fulfillment rate through ongoing product and service upgrades as well as continued refinements to our freight matching services infrastructure.

Turning to our user base. We continued to make strong progress with our shipper users in the second quarter, as evidenced by our average shipper MAUs reaching 2.65 million, representing an increase of 32.8% year over year and 23.7% quarter over quarter. This quarter's rapid shipper user gain was again attributed to growth among our 688 member shippers and non-member shippers, who are mostly low- and medium-frequency direct shippers. As we entered the second quarter, we continued to ramp up our new shipper acquisition efforts, leveraging multiple online channels to identify and convert high-quality new shippers. In particular, we focused on the onboarding and retention of new users, making every effort to provide an exceptional fulfillment experience during their first three trials. We expect ongoing growth in our shipper base thanks to this effective strategy. Furthermore, we achieved consistently robust shipper activity with our shipper-member 12-month rolling retention rate remaining above 80% in the second quarter.

In addition to our success with shippers, our trucker users have become increasingly dependent on our platform thanks to the value we bring to the trucker-cargo matching process. As of the end of the second quarter, the number of active truckers fulfilling orders through FTA over the past 12 months reached 3.98 million, maintaining sequential growth. Additionally, our next-month

retention of truckers who responded to orders remained above 85%, indicating continued strong user stickiness among truckers. In the second quarter, the average number of quarterly fulfilled orders per active trucker fulfilling orders on our platform reached an all-time high, a testament to their continuously increasing wallet share with FTA.

Furthermore, our refinements to our trucker operations strategy are proving effective. During the second quarter, we systematically tested and upgraded certain product features to motivate truckers to bid on orders labeled “high-quality,” achieving faster order acceptance rates and optimized fulfillment efficiency. Our approach to high-quality order bidding also enabled us to steer truckers toward medium-quality orders, giving us greater control over the distribution of order postings. Going forward, we will delve deeper into the tiered trucker rating system to further improve trucker-cargo matching efficiency, which in turn will enhance our overall management of high-quality transportation capacity supply.

Turning to our transaction service. In the second quarter, revenues from transaction service surged by 63.4% year over year to RMB952 million, mainly driven by three factors: the solid expansion in the number of fulfilled orders, the increased monetized order penetration ratio, and the elevated monetization rate.

Truckers’ growing reliance on our platform, coupled with the development of trucker payment habits and the rapid expansion of direct shippers, has set the stage for us to accelerate the realization of our commission model’s potential. Our second-quarter revenues from transaction service covered 81.1% of fulfilled orders, an increase of approximately 14 percentage points year over year from 67.1% order coverage in the prior year period. In the second quarter, our monetization amount per order, including transaction commission and trucker membership fee, increased to RMB23.9 from RMB21.6 a year ago. Looking ahead to the second half of the year, we plan to steadily enhance both monetization coverage and monetization rate.

Before going over our financial results, I’d like to provide a brief update on our share repurchase program. Since we announced our one-year share repurchase program totaling USD300 million on March 13, 2024, we have repurchased approximately 3,500,000 ADS shares, totaling approximately USD30.7 million.

Moving on to our 2024 second-quarter financial results.

Our total net revenues in the second quarter were RMB2,764.3 million, representing a 34.1% increase year over year, primarily attributable to an increase in revenues from freight matching services.

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Net revenues from freight matching services, including service fees from freight brokerage models, membership fees from listing models, and commissions from transaction services, were RMB2,328.7 million in the second quarter, representing an increase of 34.4% year over year, primarily due to a significant increase in transaction service and the continued growth in freight brokerage service.

Revenues from the freight brokerage service in the second quarter were RMB1,164.8 million, up 22.7% 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 second quarter were RMB212.1 million, up 5.6% year over year, primarily due to a growing number of total paying members.

Revenues from the transaction service in the second quarter were RMB951.9 million, up 63.4% year over year, primarily driven by an increase in order volume, penetration rate, and the per-order transaction service fee.

Revenues from value-added services in the second quarter were RMB435.6 million, up 32.0% year over year. The increase was due to the growing demand from truckers and shippers for credit solutions and other value-added services.

Second-quarter cost of revenues was RMB1,312.1 million, compared with RMB975.3 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 RMB1,176.3 million, representing an increase of 33.8% from RMB879.3 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 second quarter were RMB372.3 million, compared with RMB281.8 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.

General and administrative expenses in the second quarter were RMB219.2 million, compared with RMB201.7 million in the same period of 2023. The increase was primarily due to higher share-based compensation expenses.

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Research and development expenses in the second quarter were RMB232.1 million, compared with RMB223.7 million in the same period of 2023. The increase was primarily due to higher share-based compensation expenses, as well as increased investment in technology infrastructure.

Income from operations in the second quarter was RMB565.4 million, compared with RMB333.8 million in the same period of 2023. Net income in the second quarter was RMB840.5 million, an increase of 38.0% from RMB609.0 million in the same period of 2023.

Under non-GAAP measures, our adjusted operating income in the second quarter was RMB699.0 million, an increase of 55.1% from RMB450.7 million in the same period of 2023. Our adjusted net income in the second quarter was RMB970.9 million, an increase of 34.3% from RMB722.7 million in the same period of 2023.

Basic and diluted net income per ADS were RMB0.79 in the second quarter, compared with RMB0.57 in the same period of 2023. Non-GAAP adjusted basic net income per ADS was RMB0.92 in the second quarter, compared with RMB0.68 in the same period of 2023. Non-GAAP adjusted diluted net income per ADS was RMB0.91 in the second quarter, compared with RMB0.68 in the same period of 2023.

As of June 30, 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 RMB26.8 billion in total, compared with RMB27.6 billion as of December 31, 2023.

For our third quarter 2024 business outlook, we expect our total net revenues to be between RMB2.76 billion and RMB2.82 billion, representing a year-over-year growth rate of approximately 21.9% to 24.6%. 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.

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