

FTA 4Q 2023 EARNINGS CALL SCRIPT

Operator introduction

Ladies and gentlemen, good day and welcome to Full Truck Alliance’s fourth quarter and fiscal year 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 fourth quarter and fiscal year of 2023 earnings conference call.

We are thrilled to report another quarter of stellar results for the fourth quarter of 2023, closing out the year on a strong note. Despite the challenges and opportunities present in the external environment, we have adeptly navigated the prevailing trend of efficiency enhancement and cost reduction in the freight industry. By embracing the digital transformation of China's road freight sector, we have positioned ourselves as the leader in online, digital, and intelligent logistics solutions, effectively replacing traditional offline logistics with our core cost-saving advantage. Through continuous enhancements to our product features and operating efficiency, we successfully deepened our penetration among direct shippers. We are committed to becoming the preferred shipping gateway for tens of millions of small and medium-sized shippers, empowering enterprises with greater logistics competitiveness and improved profitability.

In the fourth quarter, we witnessed steady improvements across key operational metrics, spanning user base, product operations, transportation capacity supply, and one-stop services. Our average shipper MAUs reached an all-time high of 2.24 million, representing nearly 19% year-over-year growth. Notably, the scale of direct shippers continued to increase during the fourth quarter, with their proportion of fulfilled orders surpassing 45% for the first time, reflecting a significant shift towards more efficient and cost-effective online models. For product operations, we further refined and streamlined shipping and efficient fulfillment product features for new direct shippers, facilitating their onboarding and driving robust growth. With respect to truckers' supply, we upgraded our tiered trucker rating system, consistently optimizing transaction efficiency through incentive-driven offerings and precise matching, while continuously expanding the supply of truckers and elevating user stickiness. Additionally, for our one-stop services, our value-added services such as freight brokerage services, credit solutions and insurance, energy services, and ETC saw continued penetration, synergizing with our transportation businesses to enhance user satisfaction and stickiness. These achievements further boosted our network effect's growth

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momentum, catalyzing the road freight market's shift from traditional offline models to an innovative, efficient, and digitalized future.

Our strong business growth translated into exceptional financial performance, with revenues growing by 25.3% year-over-year to RMB2.41 billion in the fourth quarter. Non-GAAP adjusted net income increased by 64.4% year-over-year to RMB733 million. Going forward, we remain committed to optimizing our revenue mix and enhancing monetization efficiency to create greater value for our shareholders.

In February 2024, the fourth meeting of the Central Commission for Financial and Economic Affairs emphasized the importance of effectively reducing logistics costs throughout society. As logistics serves as the backbone of the real economy, it continues to garner increased attention and support. Within this strategic landscape, by leveraging digitized logistics offerings, we are confident in leveraging digital logistics to further enhance logistics efficiency and reduce costs, creating greater value for both the industry and our users.

Thank you, everyone. Let me pass the call over to our CFO, Simon, who will provide an update on our fourth 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 highlights and financial performance for the fourth quarter of 2023.

We concluded the year with strong operational and financial results in the fourth quarter. Our fulfilled orders experienced a remarkable 40.4% year-over-year growth, driving quarterly average daily fulfilled orders to an all-time high. Despite the impact of the adverse weather conditions, fourth-quarter order growth again outpaced the overall freight market, propelled by sustained scale expansion and increased activity of both shipper and trucker users.

We set a new record in fulfillment rate at approximately 32% in the fourth quarter, an increase of more than 8 percentage points year over year and more than 3 percentage points quarter over quarter. From a supply-demand perspective, the quarter's increased supply of truckers improved matching efficiency across various transaction types, including negotiated orders, tap-and-go deals, entrusted shipments, and including long-haul FTL, LTL and short-haul by distance range. Operationally, we continued to make progress with our tiered trucker operations strategy during the quarter. Initiatives such as our "Savings Package 2.0" and truckers' deposits helped strengthen our tiered trucker rating management and enhance the fulfillment quality of truckers, thereby boosting retention among high-frequency active truckers.

In terms of order structure, we sustained the growth momentum of direct shippers from the third quarter, with direct shippers contributing more than 45% of total fulfilled orders this quarter. We expect direct shippers' order contribution will continue to grow as their penetration increases, leading to additional improvements in our platform's overall order fulfillment efficiency.

Regarding our user base, our average shipper MAUs reached a historic high of 2.24 million in the fourth quarter, up 18.7% year-over-year and 4.9% sequentially. The increase was primarily driven by rapid growth of our non-member, low-frequency direct shippers. Meanwhile, our 1688 and 688

member shippers' activity levels remained essentially stable year over year, given all types of shippers whether it's professional shipper or direct shipper, have incentives looking for efficient shipping channels to lower their logistics costs. We expect this trend to continue with robust growth in our shipper user base through the year 2024, primarily from low- and medium-frequency direct shippers.

Our platform's strong and growing network effect drove parallel growth in both our trucker base and activity during the quarter. For example, the number of active truckers fulfilling orders through FTA over the past 12 months rose to 3.88 million. In addition, we maintained our shipper-member 12-month rolling retention rate as well as our next-month retention of truckers who responded to orders on a sequential basis.

In the fourth quarter of 2023, revenues from our online transaction commission amounted to RMB644.8 million, up 44.0% year over year. This growth was fueled by the solid expansion in the number of fulfilled orders and the heightened commission penetration. Our commission model currently covered more than 59% of fulfilled orders and generated an average commission per transaction of RMB23.7 during the quarter. It is important to note that historically, we did not include revenues from our intra-city commission model in online transaction commission revenues. Therefore, intra-city transactions were also excluded when calculating our commission penetration, resulting in an underestimation of overall commission model coverage.

Moving forward, starting from 2024, we will rename our "transaction commission" revenue stream as "transaction services", which consists of all monetization from truckers relating to freight matching services, including the revenue generated from our intra-city business that was previously classified under "freight listing" and "value-added services", in order to better reflect the Company's latest development status and the business nature of our revenues.

Next, a brief update on our share repurchase program. From November 20, 2023 to March 6, 2024, we repurchased approximately 7.9 million ADS shares, totaling approximately USD52.7 million.

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Since we announced the program, we have repurchased a total of around 30.7 million ADS shares from the open market, with a total value of approximately USD200.0 million.

Now, our 2023 fourth quarter and year-end financial results. In the interest of time, I will be presenting abbreviated highlights only. We encourage you to refer to our press release issued earlier today for complete details.

Total net revenues for full-year 2023 were RMB8.4 billion, representing a 25.3% increase year-over-year. Net revenues for the fourth quarter were RMB2.4 billion, representing a 25.3% increase year-over-year.

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 RMB7,048.8 million for full-year 2023, up 24.6% from 2022, primarily due to the rapid growth in transaction commissions as well as growing revenues from our freight brokerage service.

Revenues from freight brokerage service reached RMB3.9 billion for 2023, up 16.5% year-over-year. For the fourth quarter, net revenue increased by 19.2% to RMB1.1 billion, primarily driven by an increase in transaction volume due to robust user demand.

Revenues from freight listing service were RMB929.4 million for the full year, up 9.0% year-over-year, and rose 10.4% year-over-year in the fourth quarter to reach RMB246.2 million, primarily due to a growing number of total paying members.

Revenues from transaction commissions amounted to RMB2.2 billion in 2023, representing a 52.6% increase year-over-year. For the fourth quarter, net revenue amounted to RMB644.8 million, representing a 44.0% increase year-over-year, primarily driven by strong order volume growth as well as higher per-order transaction commission.

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Revenues from value-added services were RMB1.4 billion in 2023, representing a 28.8% increase year-over-year. For the fourth quarter, net revenues increased to RMB392.2 million, representing a 27.3% increase year-over-year, mainly attributable to an increase in revenues from credit solutions and other value-added services.

Fourth quarter cost of revenues was RMB1,152.3 million, compared with RMB951.8 million in the prior year period. The increase was primarily due to an increase in VAT, related tax surcharges and other tax costs, and net of tax refunds from government authorities. These tax-related costs net of refunds totaled RMB1,015.3 million, representing an increase of 18.4% from RMB857.4 million in the same period of 2022, primarily due to the continued growth in transaction activities involving our freight brokerage service.

Our sales and marketing expenses in the fourth quarter were RMB421.0 million, compared with RMB281.1 million in the prior year period. The increase was primarily due to an increase in advertising and marketing expenses for user acquisitions.

General and administrative expenses in the fourth quarter were RMB266.0 million, compared with RMB408.2 million in the prior year period. The decrease was primarily due to lower share-based compensation expenses and professional service fees.

Research and development expenses in the fourth quarter were RMB255.3 million, compared with RMB250.2 million in the prior year period. The increase was primarily due to higher share-based compensation expenses and increased investment in technology infrastructure, partially offset by a decrease in salary and benefits expenses.

Income from operations in the fourth quarter was RMB250.8 million, compared with loss from operations of RMB5.3 million in the same period of 2022. Net income in the fourth quarter was RMB588.3 million, an increase of 200.6% from RMB195.7 million in the same period of 2022.

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Under non-GAAP measures, our adjusted operating income in the fourth quarter was RMB398.8 million, an increase of 60.6% from RMB248.4 million in the same period of 2022. Our adjusted net income in the fourth quarter was RMB733.0 million, an increase of 64.4% from RMB445.8 million in the same period of 2022.

Basic and diluted net income per ADS were RMB0.56 in the fourth quarter, compared with RMB0.18 in the same period of 2022. Non-GAAP adjusted basic net income per ADS were RMB0.70 in the fourth quarter, compared with RMB0.42 in the same period of 2022. Non-GAAP adjusted diluted net income per ADS were RMB0.69 in the fourth quarter, compared with RMB0.42 in the same period of 2022.

As of December 31, 2023, our cash and cash equivalents, restricted cash, short-term investments, long-term time deposits and wealth management products totaled RMB27.6 billion, compared with RMB26.3 billion as of December 31, 2022.

For our first quarter 2024 business outlook, we expect our total net revenues to be between RMB2.11 billion and RMB2.16 billion, representing a year-over-year growth rate of approximately 23.9% to 27.1%. 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.