

# YMM Earnings Call Transcript

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**Quarter: 3**

Operator: Ladies and gentlemen, good day, and welcome to Full Truck Alliance Third Quarter 2025 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 for liability, as established by the U.S. 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 SEC. The company does not undertake any obligation to update these forward-looking information, except as required by law. During today's call, management will also discuss certain non-GAAP financial measures for comparison purpose only. For a definition of non-GAAP financial measures and a reconciliation of GAAP to the financial results, please see the earnings release issued earlier today. Joining us on the call from FTA's senior management are Mr. Hui Zhang, our Founder, Chairman and CEO; and Mr. Simon Cai, our Chief Financing and Investment 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 play of this call will be available on FTA's Investor Relations website at [ir.fulltruckalliance.com](http://ir.fulltruckalliance.com). I will now turn the call over to our Founder, Chairman and CEO, Mr. Zhang, please go ahead, sir.

Hui Zhang: Hello everyone. Thank you for joining us today for our third quarter 2025 earnings conference call. In the third quarter, FTA continued to reduce logistics costs and enhance efficiency across the road freight industry by leveraging digital and intelligent technologies, amid a complex and evolving macro environment. Anchored by our core "user-centric" ethos, we strengthened our user protection mechanisms, enhanced our platform ecosystem, and further elevated the overall experience for both shippers and truckers. Our ongoing enhancements to transaction efficiency and service quality drove total fulfilled orders to 63.4 million, a year-over-year increase of 22.3%. This continued growth underscores the industry's accelerating transformation from traditional offline logistics transactions to digital and intelligent logistics solutions. Furthermore, we consistently improved operating metrics across three key areas during the quarter: user operations, ecosystem development, and technology enablement. For shipper users, we further expanded our brand visibility and drove targeted user acquisition of SME shippers, while refining the user experience across different cargo categories and freight scenarios. As a result, average monthly active shippers reached 3.35 million in the third quarter, up 17.6% year over year. The number of shipper members grew significantly year over year, reflecting rising user engagement and stickiness. In addition, fulfilled orders contributed by direct shippers increased to 54%, demonstrating ongoing optimization of our user structure. In terms of trucker ecosystem, we continued to promote and enhance our trucker credit rating and membership program to incentivize high-quality service and elevate trucker benefits. These initiatives boosted capacity and increased reliability of truckers, driving the overall fulfillment rate to 40.6%, an increase of

approximately 6 percentage points year over year. Simultaneously, we reinforced our trucker protection framework to better safeguard their rights and interests. By the end of the quarter, the number of active truckers fulfilling orders over the past 12 months reached 4.48 million, marking another historical high. On technology, we accelerated full-chain AI deployment across the platform, leveraging our extensive scenario-based logistics data to address critical pain points in freight matching. Moreover, the successful acquisition of Giga.AI, previously known as Plus PRC, significantly bolstered our AI capabilities and technological foundation, positioning us for sustained innovation and operational excellence. Our robust operational performance this quarter translated into healthy financial results. Total revenues reached RMB 3.36 billion, representing a year-over-year increase of 10.8%. Transaction service revenues grew 39.0% year over year to RMB 1.46 billion, accounting for 43% of total revenues and reflecting continued optimization of our revenue mix. Non-GAAP adjusted operating income reached RMB 849.1 million, while non-GAAP adjusted net income reached RMB 988.1 million. Looking ahead, FTA will continue to penetrate the road freight markets and cultivate a resilient and sustainable ecosystem for both shippers and truckers, driving the industry's digital and intelligent transformation and empowering enterprises with greater logistic competitiveness through continuous technological innovation. Thank you all once again. Now, I'll pass the call over to Simon, who will provide an update on our third quarter's business progress and financial results.

Simon Cai: Thank you, Mr. Zhang, and thank you all for joining today's earnings conference call. I will now provide an overview of our operational highlights and financial results for the third quarter of 2025, starting with our operational performance. During the quarter, we sustained solid growth momentum with continued improvements in key operating metrics highlighting the strength and resilience of our business model. Despite challenging macro conditions and adverse weather such as typhoons and certain regions that temporarily disrupted freight demand during the quarter, we continued to deliver strong order volume growth. Total fulfilled orders once again significantly outperformed the broader freight industry, reaching RMB 63.4 million in the third quarter representing a year-over-year increase of 22.3%. The steady growth in fulfilled orders was driven by the healthy engagement of our shipper users and the ongoing enhancement of our fulfillment service infrastructure leading to improvements in both scale and service quality. In the third quarter, our overall fulfillment rate reached 40.6%, increasing by more than 6 percentage points from the prior year period. Specifically, the average fulfillment rate of mid and low frequency shippers reached nearly 60% and their contribution to total fulfilled orders increased to 54%. The positive outcomes are the result of our ongoing optimization in shipper structure, which further strengthens the reliability and sustainability of our ecosystem. These achievements underscore the effectiveness of our long-standing refined operations strategy, laying a solid foundation for the platform's long-term high-quality growth. Turning to user growth. Average monthly active shippers reached 3.35 million in the third quarter, increasing by 17.6% year-over-year. Our shipper membership program continued to gain traction with over 370,000 active members in the 288 membership program during the quarter, representing a significant year-over-year increase. In the meantime, 12-month rolling retention rate for shipper members held steady at around 80%, underscoring the strong appeal of our services and the high stickiness of our user base. In addition, the number of active truckers fulfilling orders over the past 12 months hit a new record, increasing to 4.48 million in the third quarter, while the next month retention -- next month's retention rate for the truckers who responded to orders was consistently above 85%. We're delighted to see that our trucker users continue to demonstrate strong platform loyalty. During the quarter, we also continued to enhance our trucker infrastructure by expanding the breadth and the depth of the right protection program, which helped improve truckers' order acceptance rate and experience. For example, supported by targeted incentive programs and diversified protection mechanisms, the number of trucker members continue to grow. These trucker members have significantly higher order acceptance rate as compared to nonmembers, creating a positive flywheel of user engagement, other growth and platform stickiness. Now turning to monetization. Building on a solid foundation of steady growth in order volume, we continue to explore and unlock monetization opportunities. These efforts enabled us to deliver another quarter of robust top line performance despite strategic changes to some noncore business such as freight brokerage, backed by significant improvements in operating leverage. As a result, transaction

service revenue grew 39% year-over-year to RMB 1.46 billion. To further break down, monetized order penetration rate reached 88.6%, up nearly 6 percentage points from the prior year period, and average monetization per order increased to RMB 25.9 from RMB 24.4 in the prior year period. These improvements stem from our deepened understanding of high-value users and our ability to meet their increasingly diversified needs through upgraded services and tailored incentive programs. At the same time, our growing scale enable us to drive down unit operating costs, leading to enhanced monetization efficiency and profitability while maintaining fair trucker earnings and strong order fulfillment. Looking ahead, we remain keenly focused on further unlocking the monetization potential of high-value users, leveraging our intelligent freight matching system and flexible subsidy strategies. In addition, our refined and tiered membership system enables us to cultivate and empower our core transportation capacity, further reinforcing a virtuous cycle of user growth, operating excellence and profitability improvements. We're confident that we are well positioned to achieve our full year targets and deliver long-term sustainable value to our platform and stakeholders. Now I'd like to provide a brief overview of our 2025 3rd quarter financial results. Our total net revenues in the third quarter were RMB 3,358.2 million representing a 10.8% 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, membership fees from listing models and commissions for transaction service were RMB 2,797.6 million in the third quarter representing an increase of 9.6% year-over-year, primarily due to the record increase in transaction service revenues. Revenues from the freight brokerage service in the third quarter were RMB 1,094.3 million, compared to RMB 1,280.9 million in the same period of 2024, primarily attributable to a decrease in transaction volume and partially offset by an increase in service fee rate. Revenues from freight listing services in the third quarter were RMB 247.1 million, up 10.6% year-on-year, primarily due to the falling number of total paying members. Revenue from the transaction service in the third quarter were RMB 1,456.1 million, up 39% year-over-year, primarily driven by increase in other volume penetration rate and per other transaction services. Revenues from value-added services in the third quarter were RMB 560.7 million, up 16.9% year-over-year. The increase was primarily due to growing demand for credit solutions. Third quarter cost of revenues was RMB 1,605.2 billion compared with RMB 1,364.9 million in the same period of 2022, primarily due to increases in VAT-related tax charges and other tax costs, net of grants from government authorities. These tax-related costs net of government ground totaled RMB 1,427.2 million compared with RMB 1,221.6 million in the same period of 2024, primarily due to an increase in tax costs net of government grounds related to the company's freight brokerage service. Our sales and marketing expenses in the third quarter were RMB 438.8 million, compared with RMB 412.5 million in the same period of 2024. The increase was primarily due to further investments in enhancing user ecosystem construction and protecting user rights and interests. General and administrative expenses in the third quarter were RMB 161.6 million compared with RMB 222.9 million in the same period of 2024. The decrease was primarily due to lower share-based compensation expenses. R&D; expenses in the third quarter were RMB 233.3 million compared with RMB 195.1 million in the same period of 2024. The increase was primarily due to the inclusion of Giga.AI previously known as Plus PRC's R& -- Plus PRC's R&D; costs. Following the completion of our further investment in Giga.AI on July 9, 2025, and its subsequent consolidation into our financial results. Income from operations in the third quarter was RMB 776.3 million, an increase of 1.9 percentage from RMB 762 million in the same period of 2024. Net income in the third quarter was RMB 921 million compared with RMB 1,121.9 million in the same period of 2024. Under non-GAAP measures, our adjusted operating income in the third quarter was RMB 849.1 million compared with RMB 884.5 million in the same period of 2024. Our adjusted net income in the third quarter was RMB 988.1 million compared with RMB 1,241.2 million in the same period of 2024. Basic and diluted net income per ADS were RMB 0.87 in the third quarter compared with RMB 1.06 in the same period of 2024. Non-GAAP adjusted basic net income per ADS was RMB 0.94 in the third quarter of 2025 compared with RMB 1.18 in the same period of 2024. Non-GAAP adjusted diluted net income per ADS was RMB 0.96 in the third quarter of 2024 compared with RMB 1.17 in the same period of 2024. As of September 30, 2025, the company had cash and cash equivalents, restricted cash, short-term investments, long-term time deposits and wealth management products with maturities over 1 year of RMB 31.1 billion in total compared with RMB 29.2 billion as of

December 31, 2024. For our fourth quarter 2025 business outlook, we expect our total revenues to be between RMB 3.08 billion and RMB 3.18 billion compared with RMB 3.16 billion -- RMB 3.17 billion in the same period of 2024. Excluding freight brokerage service, net revenues are expected to range from RMB 2.18 billion to RMB 2.28 billion, representing an estimated year-over-year growth rate of 17.1% to 22.5%. These forecasts are based on 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. Operator [Operator Instructions] Your first question comes from Ronald Keung from Goldman Sachs. Ronald Keung Goldman Sachs Group, Inc. [Foreign Language] I want to ask about field orders that had still maintained very solid growth momentum, increasing 22%. So what were the main growth drivers? And can you share the outlook for the fourth quarter and next year?

Simon Cai: Yes. Thank you, Ronald. Our fulfilled others continue to outgrow the broader market in the past quarter due to key 3 factors. First, solid user acquisition provided a strong foundation for growth with deeper brand penetration along SMEs and steady improvements in the market's acceptance of online freight matching models, the number of newly registered shippers continue to grow organically. In addition, we continue to focus on proactively reaching potential users through key touch points via highly efficient marketing channels, including app stores and high-traffic offline placements such as high-speed railway stations. As a result, the first order conversion rate of new users improved substantially year-over-year. Secondly, higher engagement from existing users, coupled with ongoing product optimization, continue to enhance our matching efficiency. During the quarter, human frequency among shipper members further improved year-on-year, demonstrating strong customer loyalty and stickiness. On the trucker side, we introduced the new cargo zone, which highlights newly posted high-quality orders and help truckers secure attractive opportunities more efficiently and driving improved performance in matching and fulfillment. On the shipper side, we further streamlined the order posting interface by removing or reducing unrelated entries and product sections. These initiatives made the other placement process more intuitive and efficient, significantly improved user experience and effectively boosted repeat order intent. Third, the new uses new business continued to drive incremental other incremental growth momentum supported by improving service quality and growing user base, both our lesson truckload and interested businesses continue to deliver robust growth in the third quarter. As these 2 businesses continue to mature and improving operational efficiency, we expect that on top of the solid growth in our core food truckload business, they will further satisfy the diversified needs from both our new and existing shippers and supporting our long-term order volume growth. Looking ahead, we remain confident in our platform's order volume growth momentum. Despite ongoing macro uncertainties, our dominant position and rising digitalization penetration has driven deeper engagement among SME shippers and maintain stable member retention and enhanced matching efficiency consistently, all supporting sustained order growth. At the same time, we will continue to optimize our user ecosystem by strengthening qualification reviews and credit rating systems to attract and retain highly credible, highly active users and laying a solid foundation for our high-quality order growth. Thank you. Operator Your next question comes from Eddy Wang from Morgan Stanley. Eddy Wang Morgan Stanley [Foreign Language] In the third quarter, the number of the monthly active shippers reached 3.35 million, representing a year-over-year increase of 17.6%. What are the major drivers behind the growth?

Simon Cai: Thank you, Eddy. In the third quarter, the number of monthly active shippers continue to grow very steadily, supported by more efficient multichannel user acquisition and organic growth driven by referrals. These drivers not only grew our user base but also helped to strengthen the overall engagement and quality of our active users. First, our highly efficient multichannel user acquisition efforts continue to drive steady growth in shipper users. We implemented a dual approach combining brand exposure and targeted conversion. We improved online acquisition efficiency by strengthening App Store campaign management and optimized keyword search while refining download page design and user conversion funnels. Off-line wise, we expanded advertising in high-traffic areas such as

high-speed rail stations, subway business districts and key commercial hubs. We also leveraged the scenario-based outreach channels, such as truck stickers to reach SMEs with actual shipping needs. This integrated online and offline approach not only enhance brand awareness, but also effectively attracted high potential shippers laying a solid foundation for sustained user growth. Second, word-of-mouth referrals continue to serve as the primary driver of organic shipper growth. Unlike consumer-facing businesses, most shippers are small- and medium-sized business whose decisions are driven mostly by trust, often requiring longer commercial cycles, but resulting in higher retention and repeat purchase rates. During the quarter, we continued to invest in service reliability, capacity assurance and fulfillment experience optimization, further strengthening user trust. As a result, word-of-mouth referrals from existing shippers became the most efficient channel for user acquisition. Notably, new shippers acquired through referrals tend to be of higher quality with stronger fulfillment rates and long-term engagement as compared with other acquisition channels while coming at lower acquisition costs. Looking ahead, we will continue to pursue a dual engine growth strategy, combining brand-led acquisition and referral-driven expansion. On 1 hand, we'll continue to optimize our marketing strategy to improve acquisition, efficiency and brand penetration within target user groups. On the other hand, we will -- user satisfaction by improving service quality and strengthening protection mechanisms, reinforcing trust and professionalism within the shipper community. These initiatives will support high-quality sustained growth across the shipper ecosystem supporting our long-term growth. Thank you. Operator Your next question comes from Brian Gong from Citi. Brian Gong Citigroup Inc. [Foreign Language] I have a quick question on ecosystem improvement on trucker side. Can you give an update on key divestments of trucker members in the third?

Simon Cai: Thank you, Brian. As of the end of September, our active trucker members continue to grow steadily, reaching almost 1 million members achieving further growth compared with the previous quarter. Structurally, roughly 30% of trucker MAUs in the long-haul segments or membership subscribers and contribute to over 40% of the volume in the long haul segment. This state underscores the higher engagement and stronger stickiness of our trucker members who have become the core pillar of our capacity network. During the quarter, we continued to upgrade our trucker membership tiering system. The current framework focuses on 3 key dimensions for truckers, cost reduction, fulfillment enhancement and risk protection. Our commission coupons helped truckers effectively reduce service costs during order fulfillment and our premium cargo bidding cards increased truckers' visibility and ranking priority in matching with high-quality shipments. We also relaunched the freight payment protection program, expanding its coverage scope, which further strengthened truck trust and security doing transactions directly addressing many of the fundamental operation needs. Overall, the trucker membership program has become a key driver in securing high-quality trucker capacity and improving fulfillment efficiency on the platform. Looking ahead, as we further expand membership benefits and refine incentive programs, we expect trucker programs to contribute to a growing share of our total transportation capacity and building a stronger and more sustained -- sustainable foundation for continued order growth and fulfillment stability. Thank you. Operator Your next question comes from Yuan Liao from Citic.

Yuan Liao: [Foreign Language] Under the current policy environment of innovation, so how has the company implement any measures to align with these policy objectives and offer enhanced protection of our benefits to shippers and truckers?

Simon Cai: Under the current policy environment of an anti evolution, the -- so we basically -- against the overall background of anti evolution and promoting high-quality growth, our strategic directions remain clear. We will continue to pursue sustainable high-quality growth through ecosystem refinement, structural optimization and user protection enhancement. First, we remain committed to enhancing ecosystem integrity with a key focus on advancing healthier user protocols by implementing ID verification and fulfillment credit scoring as well as refining user tiering. We enhanced the value of user accounts and increased switching costs which in turn accelerates the exit of low-quality users. At the same time, we have shifted the focus of our credit rating system for both shippers and truckers or frequency of transaction to quality of their behaviors. This system evaluates metrics such as fulfillment

rates, positive feedback rate and complaint rate, reinforcing both through rewards and disciplinary measures to guide users towards higher standards and stronger trust fostering a healthier platform ecosystem. Second, we have focused on emphasizing fair pricing and healthy competition on our platform. For example, to prevent malicious pricing competition, we employ algorithms to identify and block abnormally low prices in real time, removing or restricting orders that fall significantly outside reasonable market price ranges. Additionally, we incorporated a price rationality weighting into our order matching, prioritizing the pairing of high-quality freight with reliable truckers. This approach protects truckers' earnings and enhance shippers fulfillment certainty. Together, these measures provide a robust technological foundation to healthy market behaviors between truckers and shippers. At the same time, we achieved notable progress in strengthening user protection and trust. Our upgraded comprehensive protection program currently provides full coverage for key risks for both user groups, including fleet payment defaults, empty runs and cargo damages to address truckers top concerns of timely freight settlement, we have implemented a guaranteed compensation account that provides trucker members with expedited reimbursement for freight, empty runs and cancellations, ensuring prompt payment and minimizing trust barriers throughout the fulfillment process. Overall, we are building a more sustainable efficient and transparent freight ecosystem by continuously optimizing user -- our user base, fulfillment certainty and matching and protection framework. Our focus on high-quality growth is reflected not only in a healthier user base but also in continuous improvements in our service quality and governance. Looking ahead, we will continue to focus on improving user trust, operational efficiency and fulfillment quality driving development sustained development of the freight industry and laying solid foundation for our growth. Operator Your next question comes from Wenjie Zhang from CICC. Wenjie Zhang China International Capital Corporation Limited [Foreign Language] My question is regarding freight brokerage business. I wonder what's the rate of progress of the business since the pricing adjustment in August? Could you give an update on user retention and profitability for in these changes?

Simon Cai: Yes. Thank you. The business generally performed better than we expected. So in the third quarter, our freight brokerage business transition to a higher service fee rate, steadily and the overall performance was good. Following the expected gradual removal of tax rebates and increasing service fee rates to between 10% to 11%. User behavior showed healthy structural improvement. From a user perspective, churn from shippers in the third quarter was primarily concentrated among those who demanded frequent VAT invoicing service only and contributed to limited value to the platform beyond invoicing fees. Conversely, retention rates among shippers with small and medium value VAT invoices remained above 80%, significantly exceeding our expectations. These users are generally less price sensitive and care more about the convenience of freight matching and fulfillment certainty, which kept their engagement rates stable following the policy adjustments. Currently, invoicing plus freight matching orders represent over 70% of the total orders in our freight brokerage services, highlighting the growth importance of our matching service and the strong alignment between this business and the platform's core capabilities. At the same time, we are closely monitoring user retention and structural shifts in our user base, with a particular focus on the long run stability of small- and medium-sized shippers and ongoing conversions of new users, ensuring that the benefits of these structural optimizations are sustained and reinforced. From a financial standpoint, the freight brokerage business primarily aimed to increase stickiness by enhancing shipper experience and platform engagement rather than a major profit contributors. Although this is emphasis on invoicing results in relatively low margins and a limited impact on our overall profit, it still plays a strategic role in strengthening our user engagement and refining more order fulfillment. Looking ahead, we will continue to focus on improving the experience for small and medium-sized shippers, gradually expanding contribution from high-quality users and ensuring that the freight brokerage business delivered sustainable performance under the new policy. Operator Your next question that comes from Ritchie Sun from HSBC. Ritchie Sun HSBC Global Investment Research [Foreign Language] In the third quarter, revenue from freight listing reached RMB 247 million, up 10.6% year-on-year. So what were the main growth drivers? And how do you feel the user payment conversion trends going forward?

Simon Cai: Thank you, revenues from -- our freight listing service continued to grow steadily in the past quarter, primarily driven by growth in paying users and the ongoing optimization of the membership structure. As of September 2025, the number of shipper members on our platform reached 1.27 million. The majority of the incremental growth came from the 288 membership program, which was launched last year. This program was designed to meet the needs of small and medium-sized business owners new to our platform by lowering the entry barrier and offering benefits such as freight rate, coupons and other placement tracking. The program significantly improved membership conversion and user satisfaction. Looking at the membership mix, while 688 memberships achieved steady year-over-year growth in this quarter, the 288 membership showed the most robust growth across free membership tiering with active members increasing by more than 300% compared with the same period last year. The strong growth not only broadened our user base, but also strengthened the platform payment rate. Notably, the number of high-frequency shippers under the RMB 1688 tier continue to decline, reflecting a structural shift in our shipper base. This change reflects the platform's ongoing optimization and matching efficiency and fulfillment guarantees, which are gradually replacing traditional agent roles and further encoding the quality of our user ecosystem. Turning to user conversion. Our latest data shows that around 20% of the users who reach the limit of their 288 membership chose to upgrade to the RMB 688 tier. These results are aligned with our initial expectation when designing the program and underscore the effectiveness of our tiered membership system. Our membership business has established a healthy growth cycle that attracts users, low-entry barriers ratings and with area experience and drives upgrades through tiered benefits. This model enables long-term and steady penetration among direct shippers and supports the high-quality growth of the overall business. In addition, retention among existing members remains robust, demonstrating solid user stickiness. As of the end of the third quarter, our 12-month rolling retention rate for shipper members held steady at around 80%, consistent with prior quarters. This validates our ongoing optimization in member experience and reflects strong recognition from shippers from our platform's reliable fulfillment capabilities and responsive service. We expect the 288 and 688 memberships to continue driving growth in freight listing service revenue. Meanwhile, as the platform continues in-house features such as fulfillment protection and shipment tracking and payment conversion rates are expected to trend up steadily. We will continue to optimize our membership program and benefits aiming to further strengthen long-term user retention and lifetime value. Thank you. Operator Thank you. That concludes the question-and-answer session. I would like to turn the conference back over to management for any additional or closing comments. Mao Mao Head of Investor Relations Thank you all for joining us today. If you have any further questions, please feel free to contact us at Full Truck Alliance directly or TPG Investor Relations. Have a good day. Operator That does conclude our conference for today. Thank you for participating. You may now disconnect.