Pony AI Inc.

Fourth Quarter and Full Year 2024 Earnings Conference Call

Operator: *Ladies and gentlemen, thank you for standing by, and welcome to Pony AI Inc.'s Fourth quarter and Full year 2024 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the management's prepared remarks, there will be a question-and-answer session. As a reminder, today's conference call is being recorded and a webcast replay will be available on the company's Investor Relations website at ir.pony.ai.*

I will now turn the call over to your host, George Shao, Head of Capital Markets and Investor Relations at Pony.ai. Please go ahead, George.

George Shao:

Thank you, this is George speaking, hello everyone.

We appreciate you joining us today for Pony.ai's fourth quarter and full year 2024 earnings call. Earlier today we issued a press release with our financial and operating results, which is available on our IR website.

Joining with me today on the call are, Dr. James Peng, Chairman of the Board, Co-founder and Chief Executive Officer, Dr. Tiancheng Lou, Director, Co-founder and Chief Technology Officer and Dr. Leo Wang, founding member and Chief Financial Officer. They will provide prepared remarks followed by a Q&A session.

Please note that today's discussion will contain forward-looking statements made under the Safe-Harbor provisions of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from our current expectations. Further information regarding these and other risks and uncertainties is included in the relevant public filings of the company as filed with the US Securities and Exchange Commission. The company does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

Please also note that Pony.ai's earnings press release and this conference call include discussions of both unaudited GAAP information and unaudited non-GAAP financial results. For a reconciliation of these non-GAAP measures to the most directly comparable GAAP measures, please refer to Pony.ai's disclosure document available on our IR website.

I will now turn the call over to our Chairman, Co-Founder, and CEO, Dr. James Peng. Please go ahead.

Dr. James Peng:

Thanks George. This is James Peng, founder and CEO. We consider this is an exciting time for Pony.ai as we report our first earnings results as a public company. Our Nasdaq listing marks a significant milestone and is timed perfectly with the imminent mass commercialization of our robotaxi services. With ample financial resources now available, we are well-positioned to lead and capitalize on the upcoming large-scale rollout of robotaxis, making this year's an inflection point for the widespread adoption of autonomous transportation solutions.

We are taking a robotaxi-first, China-first, and tier-one cities first approach. This is, our current focus is on scaling robotaxi operations in China, which not only generates sizable recurring revenue but also offers a solid foundation for further expansion into various global markets.

China's online ride-hailing market is exceptional. The country's tier-one cities – namely Beijing, Guangzhou, Shanghai and Shenzhen – offer a unique combination of demand, consumer readiness, and regulatory clarity, making them ideal for large-scale robotaxi deployment. We estimate each city can easily support a fleet of over tens of thousands of robotaxis. With technology that meets regulatory standards and backed by the fully driverless fare-charging licenses we have already secured; we are all ready for quick scale up. Launching large fleet in tier-1 cities will enable us to validate our business model, optimize our operations, and establish these markets as a benchmark and scalable framework for future growth, either into other Chinese cities or extends to international markets.

Next, I'll explain why we anticipate our robotaxi service will soon achieve mass commercialization.

First and foremost, we have achieved technological readiness for mass commercialization. Our operational records proved that our Robotaxi has achieved Level 4 driverless operation, 24/7, in all weather conditions, making it commercial ready. Our technology is empowered by Virtual Driver and World Model. The Virtual Driver is a comprehensive, full-stack system with proprietary software and hardware. This enables us to collaborate effectively with automakers and transportation network companies we call them TNCs to create a scalable Robotaxi business model. Additionally, our generative PonyWorld Model trains our Virtual Driver to be much safer and better than an expert human driver through advanced reinforcement learning. Our PonyWorld simulates a wide range of scenarios, including extreme cases and long-tail events. By employing a training method called learn by practicing, our Virtual Driver does not just know what to do, it actually understands the reasons behind its actions. This is very different from Imitation Learning that is widely used for the typical L2 systems. Because the L2 systems imitate the driving patterns of human drivers, they can only reach human-level safety. In contrast, PonyWorld has improved our virtual driver's safety by 16 times while at the same time significantly improving its comfort and driving efficiency. Our safety record enabled our commercial insurance cost per Robotaxi to be reduced to almost half that of the traditional taxis.

Second, we have established strong relationships with local governments and secured the required policy approvals for large scale commercialization. We have obtained all the most advanced licenses in China's tier-1 cities. For instance, in recent weeks, Pony.ai launched paid robotaxi service that connects key transportation hubs such as Beijing South Railway Station, Beijing Daxing Airport, and Yizhuang District, with

plans to gradually expand to Beijing city center. Moreover, in February this year, we launched paid robotaxi services in Guangzhou's city center, Guangzhou Baiyun International Airport and Guangzhou South Railway Station. We are the first and only company approved to provide robotaxi services on these high-demand routes. Moving forward, we will gradually expand our operations in these cities, paving the way for future growth.

Third, we have built extensive mass production partnerships to support large-scale commercialization. For example, in the first half of 2024, we established a Joint Venture with Toyota. As part of the deal, we will roll out mass production of the Robotaxis based on BZ4X, as well as build the value chain of autonomous driving operations, including maintenance, charging and other aspects. In addition, in the second half of 2024, we respectively reached mass production partnerships with BAIC New Energy, that is Beijing Auto and GAC Group, that is Guangzhou Auto. Based on BAIC ARCFOX Alpha T5 models and GAC Aion models, we carried out cooperation in the mass production of auto-grade autonomous driving kits, vehicle model production, redundant safety design of the chassis, and some other areas. These partnerships have been reinforced through strategic equity investments from all these three OEMs. All three upcoming robotaxi vehicles are based on our seventh-generation autonomous driving system. This latest generation has achieved a major breakthrough in cost efficiency, reducing unit BOM cost by over 70% compared to the previous generation, with further cost reductions anticipated as we scale up.

Fourth, we have fortified our operational capability to support the ramp up of fleet size and accommodate fast-growing user demands. We have developed our own ride hailing platform which is called PonyPilot; and forged strategic partnerships with leading TNCs such as OnTime Mobility and Alipay to offer driverless robotaxi services. In the fourth quarter of last year, we also established a partnership with Alibaba's online mapping and ride-hailing platform, Amap, and integrated our robotaxi services into its mobile app and mini-programs, making our services more accessible to the public. In 2024, the average daily orders per vehicle reached 15; and in Q1 2025 we continue to see the growth of daily orders per vehicle.

With significant progresses have been made in all the four-pillars of autonomous driving, that is technology, regulations, mass-production, and large-scale operation, we do see that a critical inflection point for mass commercialization is right in front of us.

Now let's look at our robotruck business, which we have also seen significant growth in 2024. We deepened our joint venture with Sinotrans, transforming it into a comprehensive Autonomous Driving Transportation as a Service platform. Together, we will continue building a smart, efficient, safe and environmental-friendly logistics road transport network while further expanding our robotruck fleet.

A major milestone that highlights our leadership in robotruck business is our approval as the first company in China to conduct robotruck "driver-out" platooning on cross-provincial highways linking Beijing, Tianjin and Hebei Province, with only the leading truck requiring a safety operator and the following trucks to be fully driverless. Testing has already begun on the Beijing-Tianjin-Tanggu Expressway, making a significant step toward full autonomy for all trucks in the platoon, which will further reduce logistics costs and accelerate commercialization.

In summary, our transition to a public company marks the beginning of an exciting new chapter. We stand at a defining moment as we move toward the large-scale commercialization of autonomous mobility and

continue to gain momentum, building on a solid foundation of technological advancements, regulatory support, and industry partnerships.

Looking ahead, our priority for this year is clear: accelerating the mass production and deployment of our seventh-generation Robotaxi fleet, further reducing the unit BOM cost, and expanding operation areas and density in China's tier-one cities.

With that, I'll now pass it over to our CTO, Dr. Tiancheng Lou, to review our technological progress. Tiancheng, please go ahead.

Dr. Tiancheng Lou:

Thanks James. Hello everyone! This is Tiancheng. I'm delighted to have this opportunity to share with you the latest progress of our technologies.

Pony's technological development is centered around enabling the mass commercialization of Robotaxi. To achieve successful Robotaxi commercialization, autonomous driving technology must meet three key criteria. First, it must attain a sufficiently high standard of safety. Our experience showed that a magnitude safer than a typical human driver is attainable and should be needed. Secondly, cost control is essential. Cost should be managed across various aspects, including sensors, computing hardware, daily operations, and insurance. Low cost ensures that the Robotaxi service remains economically sustainable. Finally, Robotaxi service should cover a large enough geographical area to enable large-scale operations. According to our operational and safety records, Pony's technology has matured to a level that can support mass commercialization, focusing on safety, cost-effectiveness, and extensive service coverage.

Through years of effort, we have been commercially operating fully-driverless robotaxi for over two years. During this time, safety has already surpassed typical human drivers by an order of magnitude. As we progress, costs are expected to decrease by 70% in the next generation, which will be mass produced in the second half of this year. Moreover, our service coverage has received regulatory approval and licenses in all tier-1 cities in China, which are capable of operating tens of thousands of Robotaxis. Moving forward, our technical goals will remain focused on enhancing cost efficiency and operational capabilities without compromising safety.

In the competitive landscape of Robotaxi services, only companies that can run driverless commercial operations with a significant fleet hold a position at the forefront. Years of innovations and diligence have given us a strong competitive edge. It took us four years to progress from initial driverless demonstrations to fully launching commercial Robotaxi services in China's tier-one cities.

You may wonder why it took companies like Waymo and Pony.ai almost five years to get there from demo to commercial operations. The reason is that we had to move from simply matching human driving capabilities to significantly exceeding them. This meant we had to rebuild our core algorithms, as old ones were designed in a way subject to human limitations.

Now, let me further explain why the technology evolution that allowed us to bridge the gap and launch our fully driverless services. The key is moving from “imitation learning” to “reinforcement learning” — a change that is the key driver brought us a seat at the forefront.

With imitation learning, which is still widely used by most of the L2 systems, AI drivers learn by copying human behavior using data from real-world driving. By mimicking human driving patterns, imitation learning cannot understand the reasoning behind the driving behavior. As a result, the solution is not general enough to handle ever-changing traffic scenarios. Reinforcement learning, on the other hand, uses a generative virtual environment — called a world model or a PonyWorld as our team would like to call it — where our virtual driver teaches itself through billions or even trillions of generative acts of trials. This allows our virtual driver to “understand why” by analyzing the outcomes of every action, equipping them to make smarter decisions in complicated scenarios. Through repeated reinforcement learning, our virtual driver gradually learns to adapt to new situations, unexpected challenges, and corner cases, preparing them to operate safely in the real world. Over time, our virtual driver trained under PonyWorld developed the advanced skills needed for complex tasks, such as smoothly navigating busy streets, handling unpredictable traffic scenarios, or safely operating for over tens of thousands of hours without any incident.

There are three key components making our PonyWorld approach possible: the ability to generate realistic scenarios and sensor data, a high-fidelity simulation system, and a comprehensive set of evaluation metrics. Together, these elements allow our PonyWorld to effectively “coach” our virtual driver to handle real-world challenges.

I would like to highlight our high-fidelity simulation engine here, which leverages the latest technology to create an environment that precisely replicates real-world conditions in both subtle details and dynamic responses. Unlike traditional systems that rely on human-driving data, our simulation engine generates its own driving scenarios and challenging situations for autonomous vehicles to understand, adapt to, and make decisions in. The traffic participants in our simulation engine are designed to behave like real human, interacting with autonomous vehicles in a natural and human-like way. This makes our PonyWorld a powerful tool for coaching our virtual driver.

Finally, let me share the latest progress we’ve made in advancing our technology for mass production and commercialization. Large-scale commercialization requires handling lower-probability, extreme cases with hardware that has lower performances. To address this challenge, we continue to innovate our PonyWorld. Here is how it works: we have trained an “oracle” AI driver in our PonyWorld — a virtual environment that time can be rewound. This “oracle” learns to predict future outcomes and then acts as a coach to train other AI drivers, helping them anticipate and respond to future events. Using similar methods, we’ve been able to maintain safety standards for mass-produced and auto-grade lidars, domain controllers, and larger robotaxi fleets.

PonyWorld has improved our virtual driver’s safety record by 16 times while significantly improving its comfort and driving efficiency. These advancements have reduced the commercial insurance cost per Robotaxi to almost half that of traditional taxis. This is a clear, objective measure by insurers of the safety of our technologies.

Before I conclude, I'd like to highlight that the creation of PonyWorld took years of dedicated research and development, driven by a team of exceptionally talented engineers who evolved and thrived together with us over time. This journey was fueled by the belief that our PonyWorld offers greater potential and is critical for achieving driverless Robotaxi commercialization. Those years we spent were the toughest for our company and for me personally. I'm deeply grateful for the trust and support of our investors and colleagues along the way.

This concludes my prepared remarks. I'll now pass the call over to our CFO, Dr. Leo Wang, for a closer look at our financial results. Leo, please go ahead.

Dr. Leo Wang:

Thank you, Tiancheng, and hello everyone. I'm pleased to present Pony.ai's financial results on our inaugural earnings call.

Looking back on 2024, we've kicked off our seventh-generation autonomous driving system development with 3 OEM partners, which is critical to execute our "Robotaxi first, China first, and tier one cities first" strategy. We also deepened partnerships with industry leaders, creating a robust ecosystem that accelerates the adoption of these technologies. During our IPO late last year, we raised over US$400 million, which provided us with ample firepower to drive our strategy. Looking forward, we will concentrate and accelerate our seventh-generation autonomous driving system development and deployment in China's tier one cities, hence to solidify Pony.ai's position for sustainable growth.

Moving to our financial performance. Please note, as we navigate the early stages of commercialization, we are experiencing volatility in our quarterly revenue and margins, which is expected to continue in the near term. But we are focused on executing our go-to-market strategy and achieving key milestones laid out by James in his remarks, which we expect reduce variability in our financial performance in the future.

Now, let's take a closer look at our financial results for 2024. For additional quarterly results, please refer to our earnings release which is posted online.

Our full year revenues totaled US$75 million, an increase of 4.3% year-over-year.

Robotaxi services revenue was US$7.3 million, down 5.3% year-over-year. The decrease was primarily driven by reduced service fees from providing autonomous vehicle engineering solutions based on our projects' progression schedule. Our robotaxi services revenue also included passenger fares, which saw significant year-over-year increase driven by the expansion of our public-facing fare-charging robotaxi operations in Tier-1 cities. We expect this part of growth will continue and even accelerate as we deploy the seventh-generation autonomous driving vehicles.

Robotruck services grew strongly, delivering US$40.4 million in revenue, up 61.3% year-over-year. This robust growth was driven by the expansion of our fleet into new regions where new demands can be fulfilled by our robotruck fleet.

Licensing and applications revenue was US$27.4 million, down 30.1% year-over-year, influenced by the recognition schedule of project-based revenue.

Total cost of revenues was US$63.6 million, up 15.6% year-over-year, in line with revenue trend and revenue mix.

We achieved gross profit of US$11.4 million, resulting in a gross margin of 15.2%, a decrease from 23% in 2023. The year-over-year decrease was mainly due to services with relatively lower gross margin contributed increasingly to our revenues. Moving forward, we expect gross margins to improve as we further scale and optimize operations over time.

Total operating expenses were US$296.9 million, an increase of 85.4% year-over-year. Excluding share-based compensation, non-GAAP operating expenses were US$169.9 million, up 8.7% year-over-year. The increase was mostly driven by accelerated R&D investments to support the launch of our seventh-generation robotaxi vehicles in collaboration with our OEM partners.

Loss from operations was US$285.5 million, compared to US$143.2 million in 2023. Non-GAAP loss from operations was US$158.5 million, compared to US$139.5 million in 2023.

Net loss was US$275 million, compared to US$125.3 million in 2023. Non-GAAP net loss was US$153.6 million, compared to US$118.5 million in 2023.

Turning to our balance sheet, our combined cash and cash equivalents, restricted cash, short-term investments, and long-term debt instruments for wealth management was US$825.1 million at the end of 2024.

And lastly for our business outlook. As mentioned earlier, we expect continued fluctuations in our quarterly revenue as well as margins since we are at the nascent stage of commercialization. While we are not giving formal guidance at this time, we are confident in our ability to scale up commercialization, drive sustainable growth, and deliver value to our shareholders.

I will now turn the call over to the operator to begin our Q&A session. Thank you.