



Pony AI Inc.

Third Quarter 2025 Earnings Conference Call

Operator

Hello, ladies and gentlemen, thank you for standing by, and welcome to Pony AI Inc.'s third quarter 2025 earnings conference call. At this time, all participants are in 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 under the News and Events section.

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, sir.

George Shao

Thank you, operator, and hello everyone.

We appreciate you joining us today for Pony.ai's third quarter 2025 earnings call. Earlier today, we issued a press release with our financial and operating results, which is available on our Investor Relations website. An earnings presentation, which we will refer to during this conference call, can also be accessed and downloaded on our Investor Relations website.

Joining me on today's call are, Dr. James Peng, Chairman of the Board and Chief Executive Officer, Dr. Tiancheng Lou, Chief Technology Officer, and Dr. Leo Wang, Chief Financial Officer of the company. They will provide prepared remarks followed by a Q&A session.

Before we begin, please refer to the Safe Harbor Statement in our earnings release, which applies to this call as we'll be making forward-looking statements. Please also note that we will discuss non-GAAP measures today, which are more thoroughly explained and reconciled to the most comparable measures reported under GAAP in our earnings release available on our Investor Relations website and filings with the SEC and the Hong Kong Stock Exchange.

I will now hand it over to our Chairman and CEO, Dr. James Peng. Please go ahead.

Dr. James Peng

Thank you, George. Hello everyone, thank you for joining our earnings call.

I'm excited to share that we have successfully completed the dual primary listing on the Hong Kong Stock Exchange under Stock Code 2026 on November 6, just one year after our Nasdaq listing. With strong support from both international and domestic investors, we secured the largest IPO in the global autonomous driving sector this year, raising more than US\$800 million. This significantly strengthens our balance sheet and provides the dry powder to accelerate mass production and large-scale commercialization. We now expect stronger growth, surpassing 1,000 Robotaxi fleet plan by year-end and expanding to more than 3,000 vehicles for 2026. We have already seen the flywheel in action: expanded fleet is driving higher user adoption, shorter wait time, more orders and strong revenue growth. After launching Gen-7 Robotaxi, we have already seen city-wide unit economics ("UE") breakeven. This in turn gives us more room to increase fleet size. The

capital we raised also fuels our business development, research and development, making strategic investments in new markets, new applications, and attracting world-class AI talent. All these are set to further propel our technology leadership and long-term growth.

Our HK IPO also powers our core mission: bringing autonomous mobility to everyone around the world. We're firmly delivering on this commitment.

Earlier this month, we officially launched fully driverless commercial services for Gen-7 Robotaxis across Guangzhou, Shenzhen, and Beijing. Today, our management team, including myself, actually arrived at our Shenzhen office in a fully driverless Gen-7 Robotaxi to host this earnings call. This is more than just a normal ride for us; it actually marks a giant leap in autonomous driving's advancement. We're making level 4 ("L4") autonomy more accessible than ever to a much broader user base.

I'm excited to share a critical milestone. Our Gen-7 Robotaxis have reached city-wide UE breakeven in Guangzhou, shortly after their official commercial launch. This is pivotal to validate our viable business model. It not only gives us strong confidence to further scale our fleet, but also attract more and more third-party partners, enabling them to fund our fleet and support our asset-light model.

The scaling-up of fleet is key to our growth, as large-scale operational footprint drives efficiency through economy of scale. Our robotaxi vehicles are essentially moving billboards. In fact, many new users discover and download our PonyPilot app after spotting our vehicles on the road for daily operation. Fleet expansion serves as a highly efficient, self-reinforcing marketing engine, facilitating user adoption and strengthening brand recognition. This creates a powerful upward spiral: more vehicles generate greater visibility, which attracts more users and establishes network effects.

The results are already evident. Building on that momentum, new registered users nearly doubled within just one week of launching Gen-7 from late October, reflecting robust user demand and an effective go-to-market strategy.

Now, let me highlight some key advances we've made in recent months in executing our scale-up strategy.

First, we have ramped up production at an accelerating pace since the start of production ("SOP") in the middle of this year. By November, more than 600 Gen-7 Robotaxis had rolled off our assembly lines, bringing the total fleet size to be over 900 vehicles. Thanks to streamlined production processes, we now expect to outperform our full-year target of 1,000 vehicles, delivering ahead of schedule. This gives us increasing confidence to sustain robust momentum, driving fleet size to surpass 3,000 vehicles in 2026.

Second, in Q3, our Robotaxi revenues surged by 90% year-over-year, with fare-charging revenues delivering over 200% year-over-year growth. This was fueled by rising user adoption across all four tier-one cities, improved fleet operational efficiency, and tailored pricing strategies for diverse user segments. We've seen that the higher order density leads to lower user's average waiting time and, in turn, higher vehicle utilization rate. This allows us to continuously optimize our pricing strategy.

Third, we've continued to expand our operational footprint. For example, in Shanghai, we became the city's first company to launch fully driverless commercial Robotaxi operations earlier this July, covering the Jinqiao ("金桥") and Huamu ("花木") areas of Pudong. In Shenzhen, we extended commercial fully driverless operations to more and bigger city areas, including Shekou ("蛇口") and Overseas Chinese Town ("华侨城").

Fourth, we've taken a major step forward by building a scalable mobility ecosystem through our asset-light strategy. Following our collaboration with Xihu in June, we recently forged partnership with Sunlight Mobility

(“阳光出行”). These alliances reflect growing market recognition of our business model, with an increasing number of third-parties wanting to fund fleet deployment. This actually enables us to speed up further fleet expansion.

Now let me turn to our global expansion. We are deeply dedicated to advancing Robotaxi services, while strategically expanding our international fleet. Now, we have robotaxi presence established in eight countries across China, the Middle East, East Asia, Europe and the US.

We entered a new market in the Middle East, Qatar, through a partnership with Mowasalat in third quarter. Mowasalat is the country’s largest transportation service provider. As part of this collaboration, our Robotaxis have recently begun testing on public roads in Doha, the capital of Qatar. We have also advanced our presence in South Korea by securing national-wide Robotaxi permits, enabling operation across the country’s autonomous testing and operational zones.

Our collaboration with local partners continues to deepen. We’re collaborating closely with ComfortDelGro, the country’s largest transportation service provider, to begin road testing. In Luxembourg, we plan to deploy test vehicles, based on the Peugeot e-Traveller through our alliance with Stellantis, a European leader in light commercial vehicles (“LCVs”). This effort will initially focus on vehicles designed for Europe’s diverse mobility needs to enable a range of use cases.

In addition, we have partnered with global ride-hailing platforms that also participated in our Hong Kong IPO. Those platforms include Uber and Bolt. Bolt is an Estonia-based mobility company operating in over 50 countries and 600 cities. Built upon our collaboration with Uber, we aim to leverage Uber’s robust ecosystem to enter the Middle East and then scale into additional international markets.

Last but not least, we recently released our fourth generation (“Gen-4”) Robotruck, with production and initial fleet deployment expected in 2026. Featuring fully automotive-grade components, optimized software-hardware integration and a transition from internal combustion engine (“ICE”) vehicles to electric vehicles (“EVs”), the Gen-4 Robotruck delivers a significantly more efficient cost structure and greater energy saving. The new platform fully leverages the technological foundation and operational expertise developed through our Gen-7 Robotaxi vehicles. In addition, we deepened our collaboration with SANY Group, and added Liuzhou Motor as a new partner to have multiple vehicle to support operations.

To sum up, 2025 is the critical year of mass production and commercialization for Pony.ai. We take pride in the progress we’ve made, and are steadily delivering on the promises we have made to shareholders at the time of our US IPO last year. Our recent Hong Kong listing not only marks a major milestone for our company, but also underscores the promising future of the industry. Moving forward, we will drive technological innovation and create lasting value by scaling fast, efficient, and comfortable autonomous mobility services toward our mission: autonomous mobility everywhere.

With that, now I’ll hand it over to our CTO, Dr. Tiancheng Lou to share more about our technology strategies. Tiancheng, please go ahead.

Dr. Tiancheng Lou

Thanks, James. Hello everyone! This is Tiancheng. Let me first share my thoughts on the autonomous driving technology stack. From day one, we believed that full-stack integration, across software, hardware, and operations, was the only way to build a truly scalable autonomous mobility. That conviction has been validated again and again, especially for this critical year of scaling-up. With the achievements we’ve made, it’s clear: our early technology bets helped us achieve the leading position, and it will further accelerate our

future growth. Our deep foresight into tech stack is what's positioning us as a leader in the industry today, as we become one of the few companies to operate large-scale fully driverless Robotaxi services.

As early as 2020, we recognized the importance of training closed-loop based on reinforcement learning using simulation. In that year, we transitioned our tech stack into a world model, which is what we call PonyWorld today. Through years of R&D effort and real-world validation, our autonomous driving model has evolved into closed-loop training. We've achieved unsupervised, self-improving iteration.

In recent years, we're seeing the broader autonomous and robotics industry converge on the world model, validating the approach we adopted today. This foresight in AI tech stack has given us a meaningful head start, and we are confident we will stay ahead for multiple years.

Let me dive into the three key criteria that put us at the forefront of world model development.

First, the high-fidelity interactive simulation. This is far beyond the ability to just generate scenarios and render sensor data. Driving is by nature interactive: the Robotaxi's actions directly affect how surrounding agents behave, such as other vehicles and pedestrians need to react to our driving behavior. It must understand and adapt to new situations and complex physical interactions in real time, mirroring true on-road interactions. This enables Robotaxi operations that are safe, smooth, and socially aware. Of the 10 billion kilometers of testing miles that PonyWorld generates each week, more than 99% capture vehicle-agent interactions, while less than 1% are for static environments such as sensor rendering.

Okay, second, the ability to reproduce scalable and realistic corner cases. While these long-tail scenarios don't occur frequently, they are critical to safety in autonomous driving. More importantly, every scenario must be something that could really happen in the real world, not those useless edge cases with no basis in reality.

Third, the AI-based learning evaluator. This is a reward-based evaluation mechanism. Driving is a multiple-object optimization problem. What is considered as good driving also changes with the various driving scenarios. Within the closed-loop training environment, PonyWorld and our Virtual Driver are continuously evaluated on key driving metrics. This assessment does not rely on real-world data, human-labeled data or rules. Instead, it uses AI-empowered model to learn what "good driving" looks like directly from outcomes, turning real and simulated experiences into a powerful cycle of self improvement.

A best-in-class world model must meet all three criteria to enable truly unsupervised and self-improving closed-loop training. This is critical to realizing large-scale, driverless autonomous driving.

Leveraging our full-stack technology as a core strength, I'll now turn to how to drove business progress during the third quarter.

On cost and operational efficiency:

We pioneered 100% automotive-grade autonomous driving kits ("ADK") for Gen-7 Robotaxis, with optimized design reducing BOM (bill-of-materials) costs by 70% compared to the previous generation. The Gen-7 vehicles have been officially operating for the public in Guangzhou, Shenzhen, and Beijing, fully validating our safety standards and operational efficiency. We built on our momentum and delivered further progress. Driven by scaled production and enhanced R&D, we've already realized an additional 20% reduction in the autonomous driving kit's (ADK's) BOM costs for the Gen-7 platform designated for 2026 production, compared to the 2025 baseline. This lays the foundation for sustained cost efficiency savings.

Our robust AI algorithms and fleet management expertise have proven effective at driving operational efficiency. To better identify user demand in hotspot areas and during rush hours, we enhanced our algorithms for order dispatch, matching, and scheduling, thereby ensuring sustained efficient Robotaxi utilization. We have also improved our Virtual Driver to recognize more and more complex scenarios. This allows us to improve our remote-assistant-to-vehicle ratio sequentially, on track to reach 1:30 by year-end.

Our superior service experience has become a key reason users choose Pony.ai's Robotaxis. After the launch of Gen-7 Robotaxis, we've earned widespread positive feedback and generated great social media buzz from users. As we deliver high-quality experiences, users are increasingly willing to pay a premium for the enhanced comfort, reliability, and safety of our autonomous journeys.

For ride comfort, our advanced interactive planning capability intelligently optimizes the frequency and magnitude of acceleration, braking and steering. This delivers smooth, natural motion control tailored to electric vehicles and ride-hailing market, offering consistent, comfortable experience for every Pony.ai Robotaxi ride. These enhancements are reflected in measurable improvements for Gen-7, such as emergency braking and steering over the past few months.

Additionally, our Robotaxi features a superior in-cabin experience. We also pioneered the innovative "smart repositioning" (一键挪车) feature. With one tap, users can remotely adjust their vehicle's position for more convenient pickup and dropoff. We introduced voice-activated features, we call it "Popo Voice Assistant" (POPO 语音助手), allowing users to start trips and control the air conditioning, etc. We will continue to upgrade the cabin into an AI-powered mobility terminal. Together, these upgrades create a more accessible and streamlined user experience.

So third, our tech stack is also built for generalization. The L4-native tech architecture allows us to adapt quickly to new markets and platforms.

In terms of cross-regional generalization, our Virtual Driver has shown it can quickly understand and adapt to diverse traffic conditions around the world. For example, leveraging our high-fidelity training environment and evaluation mechanism powered by PonyWorld, we extended our fully driverless coverage in Pudong District in just a few weeks. In addition, when expanding into Europe, the system intelligently identified and adapted key differences in local road conditions, such as unique traffic signal configurations and various driving patterns.

Our technology boosts generalization power across platforms as well. The latest-generation Robotruck will commence production and operations from next year. This demonstrates our capability to create synergies between Robotaxi and Robotruck tech stack.

Looking ahead, we will leverage our successful Hong Kong listing to reinforce our technological leadership, increase R&D investment, and attract top AI talents to advance our Robotaxi, Robotruck, and new market initiatives. We will continue pushing the frontier of autonomous mobility and redefining what's possible in transportation.

Okay, this concludes my prepared remarks. I will 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. Hello everyone, this is Leo.

I will focus on year-over-year comparisons for the third quarter unless otherwise noted. Q3 2025 was a landmark quarter: we delivered robust revenue growth, specifically with solid progress in Robotaxi large-scale commercialization, and now we expect to outperform our full year fleet target of 1,000 vehicles. Moreover, our newly deployed Gen-7 Robotaxi fleet have reached a pivotal city-wide unit economics (“UE”) breakeven milestone. This laid out a solid foundation for further scaling up and the implementation of asset-light business model, which will be further accelerated by our successful HK IPO capital raise.

In this quarter, revenues finished at US\$25.4 million, growing by 72.0%. This strong performance was primarily driven by the continuous optimization of our Robotaxi services and sustained the demand in our Licensing and Application business.

Firstly, Robotaxi services revenues reached US\$6.7 million, representing a remarkable growth of 89.5% YoY, and 338.7% QoQ.

Specifically, fare-charging revenue continued to deliver a triple-digit growth, surging 233.3%. This was achieved even before the commercial rollout of our Gen-7 Robotaxi. Supported by a stable commercial fleet of our Gen-5 and Gen-6 vehicles, the strong growth during Q2 and Q3, stemmed from growing user demand in tier-1 cities in China, our continuous effort to optimize fleet operation, and pricing strategy, altogether leading to increased fleet utilization and efficiency. This is a testament to growing user recognition and brand loyalty to PonyPilot Service.

Going forward, as we follow this strong momentum towards a significant fleet expansion of over 3,000 vehicles by 2026, we expect Robotaxi revenue growth to accelerate even further, driving more orders and higher operational efficiency.

In Q3, another key Robotaxi update is the implementation of our asset-light model for fleet expansion. As we have shown promising numbers in vehicle unit economics, we received strong interest from third parties who are willing to purchase Gen-7 vehicles to run as Robotaxi operators. Such partners include but are not limited to leading ride-hailing or taxi operators, for instance Shenzhen Xihu Group, and Sunlight Mobility. The asset-light model has contributed revenues through technology licensing fees and vehicle sales, while giving us further leverage and capital-efficiency for further fleet expansion.

Aside from strong topline growth domestically, we are also seeing fast growth of Robotaxi revenues from overseas markets. Moving forward, we expect Robotaxi revenues from overseas markets to continue to grow. Currently, our Robotaxi footprints have already expanded to 8 countries globally, serving as a promising foundation in our exploration of international opportunities.

Secondly, moving on to Robotruck. Robotruck services revenues were US\$10.2 million, growing by 8.7%. Moreover, as we launch our Gen-4, fully auto-grade Robotruck, we expect to reduce the BOM cost of its ADK, autonomous driving hardware kits, by 70%, and reach a thousand-unit scale of Robotruck fleet going forward. This new generation of Robotruck will powerfully accelerate the progress of Robotruck commercialization at scale.

Thirdly, Licensing and applications revenues were US\$8.6 million, growing significantly by 354.6%. We continue to see robust and growing demand for our Autonomous Domain Controller (“ADC”), primarily from robot-delivery clients.

Turning to gross margin, we delivered a significant gross profit margin (“GPM”) improvement from 9.2% in Q3 2024, to 18.4% in Q3 2025, with gross profit of US\$4.7 million in the third quarter. This remarkable

improvement was firstly driven by our strategic initiative to optimize the revenue mix, and secondly by a greater contribution from Robotaxi services, which carry a relatively higher margin.

The UE, the unit economics, breakeven achievement validates our dual focus on go-to-market execution and optimized operational efficiency. Since the launch of Gen-7 commercial operations in Guangzhou, the daily net revenue per vehicle has reached RMB299. The net revenue refers to the total RMB value generated from ride-hailing services after deducting discounts and refunds. Notably, daily average orders per vehicle have reached 23, fueled by robust, widespread user demand and our operational optimization. Meanwhile, we have also optimized hardware depreciation as well as operational costs, including charging, remote assistance, ground support, service and maintenance, insurance, parking, and network costs. This will further improve our margin down the road.

The total operating expenses were US\$74.3 million, up by 76.7%. Excluding share-based compensation expenses, non-GAAP operating expenses were US\$67.7 million, up 63.7%. The increase primarily reflects the one-off R&D investment in Gen-7 vehicles and the expansion of our R&D personnel, critical to securing and extending our technological leadership. Specifically, approximately half of the increase in research and development expenses stemmed from one-time customized development fee of US\$12.7 million for Gen-7 vehicles.

Net loss for the third quarter was US\$61.6million, compared to US\$42.1 million in the same period of last year. Non-GAAP net loss was US\$55.0 million, compared to US\$41.4 million last year. Looking ahead, we expect to sustain disciplined investment to accelerate large-scale commercial deployment.

Turning to the balance sheet, our cash and cash equivalents, short-term investments, restricted cash and long-term debt instruments for wealth management were US\$587.7 million as of September 30, 2025, compared to the balance as of June 30, 2025 of US\$747.7 million. Around half of the decrease comes from one-off cash outflows, including capital injection to Zhuifeng, our joint venture with Toyota to support Gen-7 mass production and deployment. All of the capital commitment in Zhuifeng has been completed. The remaining cash balance reduction primarily reflects our mass production and the large-scale deployment status, including, firstly, ongoing operational cash outflows; and secondly, capital expenditures for the procurement of Gen-7 vehicles in Q3 to support our goal of 1,000 vehicle fleet by year-end.

For the nine months ending Sep 30, 2025, we have an accumulative free cash outflow of US\$173.6 million. With the completion of our recent HK IPO, we have over US\$800 million cash newly added, providing us with substantial fuel for the next phase of growth. The IPO proceeds will help us accelerate fleet expansion into key addressable markets, further optimize our platform for scale, and deepen our R&D investments to further solidify our technology moat.

Looking ahead, our mass deployment momentum continues to strengthen, and we are on track to exceed our full-year vehicle target of 1,000 — achieving this milestone ahead of schedule. This acceleration reinforces our confidence in scaling rapidly, and we now anticipate to grow our fleet to be more than 3,000 vehicles by 2026. In addition, we've already transitioned to an asset-light model for a meaningful portion of our new vehicles. This will enhance our capital expenditure efficiency and provide greater leverage for scalable fleet expansion. With the proven operational model, and financial runway from the recent HK IPO, we are uniquely positioned to accelerate our business plan — turning momentum into sustained, profitable growth.

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

Q&A

Ming Hsun Lee from BofA

Thank you management to give the opportunity for me to ask a question. I just have one question. Could the management team give us more updates on the fleet size for this year, and also the outlook in 2026? For the new vehicles added, what's the fleet deployment plan across different cities? Thank you.

Dr. James Peng

This is James. I'll take this one. As you can see, since the launch of our Gen-7 Robotaxi, we actually have seen much faster-than-expected production and deployment. For this year, we certainly expect to outperform our previous target of 1,000 Robotaxis by the year end. We certainly expect this strong momentum to continue into 2026, now with a conservative target of over 3,000 vehicles. This is mainly because we have already seen an upward spiral with the launch of our Gen-7 vehicles. Essentially, the fleet density creates a much shorter wait time for the passengers, and then that creates better user experience, and the user experience leads to much higher utilization of our vehicles, and we can actually then charge better pricing. So, this spiral really created a strong momentum for us to expand much faster. In addition, we also started experimenting with the asset-light model by collaborating with fleet managers such as Xihu, Sunlight Mobility, and certainly we'll add more partners. This asset-light model allows us to deploy a much larger fleet with less Capex. So, this is our growth plan.

Then, in terms of the fleet deployment plan, we'll go deeper on our existing markets, and at the same time, we'll go much wider to explore some new opportunities. The city-wide UE breakeven for the Gen-7 in Guangzhou, in my view, it's a pivotal milestone to validate our business model. This gives us a huge confidence and allows us to deepen our collaboration and our operation in the existing markets, which are the tier-one cities in China. This is because, as I already mentioned, expanded fleet size creates an upward spiral. But at the same time, we also expand into many more domestic cities and also the overseas markets. We see those for our future growth. Our go-to-market strategy on those markets is that we'll collaborate deeply with the local partners and the local government agencies to establish presence and prepare for our future growth. So, stay tuned. I think we'll have great news ahead of us.

With that, back to the operator.

Bin Wang from Deutsche Bank

Hi, management. Thank you for taking my question. I just have one question, which is about the fare charging. I'd like to know fare-charging revenues delivered another growth in 3Q25, so what is the outlook for fare-charging revenues as we deploy more vehicles? Thank you.

Dr. Leo Wang

This is Leo. I'll take this question.

Yes, in Q3, our fare-charging revenue actually surged even faster. It was growing about 233%, though at that time our fleet were still with the Gen-5 and Gen-6 vehicles. We believe such growth was driven by both the demand side as well as the operational side.

On the demand side, we have been continuously to do our effort to improve the whole riding experience and also the user experience. With this effort, we've seen robust and organic user demand in tier-one cities. This is also a signal of a strong consumer adoption of our robotaxi service, giving you an example that the total registered user was more than doubled year-over-year in Q3.

And on the operational side, we have also been optimizing the fleet operation to improve our vehicle utilization and the order fulfillment, as Tiancheng already mentioned in his remarks. For example, we enhanced our fleet dispatching and the deployment. This has consistently reduced our wait time. It's approximately 50% shorter compared to the same period in 2024. And we also continue to expand our pickup and drop-off points to create a much smoother user experience. For example, in Shenzhen, now we have more than 10,000 such points, more than 300% increase since the end of June this year.

With all this demand side and operational side improvement, I believe we could see sustained strong growth momentum through the continuous fleet expansion with more and more Gen-7 vehicles are into our service.

First of all, we expect that our fleet has been growing exponentially from 270 last year and to be more than 1,000 this year, and a target of more than 3,000 next year. This scaling up would also create a better network defense, which means shorter wait time and higher vehicle utilization and higher user adoption.

We would also progressively expand our service area in cities such as Shanghai, Shenzhen. We've already been doing so today. We would increase the population coverage and expanding to more drivable mileages, etc. With all these being done, I think we can boost the average order value per trip.

Now I'll get back to the operator.

Kyle Wu from Citi Research

Thanks for taking my questions. This is Kyle from Citi Research. Congratulations on achieving the milestone of city-wide UE breakeven. Could you elaborate more about the assumption behind the UE breakeven, including daily order, pricing, daily operating hours, and the ratio of remote assistance? Thank you.

Dr. Leo Wang

I'll take this question.

Like you said, we all believe the city-wide unit economic breakeven is a pivotal milestone for the company and also for the industry. First of all, we achieved this pivotal milestone in Guangzhou City since our Gen-7 vehicle has been put into commercial service. We always believe China is the largest market of global ride-hailing market. And for the tier-one cities, the total TAM accounts for a huge percent of ride-hailing market in China. Achieving this milestone in this market is far more meaningful from commercial perspective.

Then if we talk about the unit economic, there is the revenue side, there is always the cost side. On the revenue side, first of all, on the daily net revenue per vehicle, as I mentioned, our daily net revenue per vehicle has hit RMB299. It's based on a two-week daily average figures as of November 23rd, following the launch of our Gen-7 vehicle in Guangzhou. And this net revenue also refers to the total RMB value generated from ride-hailing service after deducting discounts and refunds. And in terms of daily orders from this RMB299 number, it was average 23 orders per day. It's fueled by robust, widespread user demand.

Now let's look into the cost side. The cost side of the unit economic basically has two major components. First of all, it's the hardware depreciation. For Gen-7 vehicle, the annual vehicle depreciation is based on a six-year useful life. The other major component on the cost side is the operational cost, which includes the charging, remote assistant, and a ground supporting staff. Vehicle service and maintenance, insurance, parking, internet network costs. So, regarding the remote assistant, we are on track to achieve our 1 to 30 vehicles. And from this milestone that we achieved, we are very confident to capture the China huge TAM. Meanwhile, it also established a strategic foundation for further scaling up domestically and internationally.

This not only give us strong confidence to further scale our fleet, but we also see more and more third-party companies are enabled to fund their fleet and helping us to transition into an asset-light model. So all these together, we believe, will drive our top-line growth and also the cost optimization.

Okay, I'll get back to the operator.

Purdy Ho from Huatai Securities

Hello, James, Dr. Lou, and Leo. Thank you for taking my question, and congratulations on the results. We've observed a surge in diverse players attempting to attend into the robotaxi operation, particularly the EV makers. What's your take on these new entrants in the Level 4 autonomous driving space? And also specifically, could you elaborate on the main technical and operational challenges, such as tackling corner cases in fleet management or regional commerce? Thank you.

Dr. James Peng

This is James. I'll take this one.

First and foremost, I think it's definitely as we see more and more companies announcing that they're going to enter into robotaxi industry. I think itself is actually a great thing, because it indicates increasing recognition and confidence in robotaxi imminent potential for the large scale of commercialization. The awareness increase, more companies come in, more resources will pour into this robotaxi industry to actually accelerate its development. Overall, I view this as a good thing.

But on the flip side, the robotaxi industry is actually not a one that any new player can easily enter because as you can see, the fact is that currently none of the new entrants being OEM maker or being a ride-hailing platforms, none of them have fully driverless vehicles deployed on the open road. So it's clear evidence this is not an easy industry to be entered. I think there are certainly three huge hurdles for any new players, and those hurdles are business side, regulatory side, and also technical challenges.

Let's probably look at the business challenges first. Because robotaxi, as you see, it's not just about L4 driving itself. It also has many more aspects such as user acquisition, vehicle production, fleet dispatching, fleet maintenance, such as the cleaning, charging, and everything else. As a leader and a first mover in this industry, we certainly enjoyed the early mover advantages as we have a much bigger L4 fleet on the road. We generated better brand awareness. We have optimized the cost on every aspect of the business, as Leo already mentioned in his answer to the last question. And because of early mover, we also have secured more partners. I think all those are important and create a big hurdle for any new entrants.

The second hurdle that I want to mention is on the regulatory front. Because L4, a robotaxi, needs very high safety requirements. All the policymakers worldwide have fundamentally will require much higher safety requirements for the robotaxis compared with the traditional taxi. That means in any city, a new player needs to prove its safety step by step before they can expand even into a fully driverless fleet. Typically, a new player will start with a testing with just a few dozen or maybe even less vehicles. And then once those vehicles prove to be safe, they add more vehicles and then expand operational areas after they can accumulate the safety records. And along the way, they also need to acquire all the required licenses and permits. And this in itself is actually a lengthy process. So overall, the whole process takes time. And this code starting process cannot be easily accelerated. That's the second challenge.

The third challenge is certainly, in my view, is on the technical side. And probably for this one, I'll turn to Tiancheng to elaborate.

Dr. Tiancheng Lou

Sure. I'm Tiancheng.

Let me continue from a technology perspective. As I said in my prepared remark, we're now seeing the broader industry starting to use the world model, such as Robotaxi players and automakers. Essentially, they are all about using reinforcement learning based on simulation training environments.

First and foremost, I will say we started developing reinforcement learning for autonomous driving five years ago. This gives us an early mover advantage, making us one of the most experienced companies in the world model. We believe that we will continue to stay ahead, as more peers follow the same path.

Once the world model matures, human feedback and real-world data are no longer used for further iterations. At the stage of training closed-loop, the world model and Virtual Driver co-evolve into a dual spiral cycle. This means the world model is training the Virtual Driver, and at the same time, the world model improves itself through the feedback of the Virtual Driver. This sharply reduces reliance on real-world data.

The question will touch on the technical challenges for meeting the corner cases. Maybe an example here is why the Virtual Driver meets some corner cases. This gives feedback to the world model. And the world model will improve its distribution of the corner cases. Then the next version of the world model will be able to create, generate, and testing, and also improving the capability of the Virtual Driver to handle the corner cases.

Looking ahead, our real advantage lies in the ability to validate new technologies safely and deploy them at scale. Based on our proven track record of scaling robotaxi operations, we believe we can quickly capture the next wave of innovation.

Last but not least, our current Hong Kong IPO will further accelerate R&D and iteration cycles, reinforcing our technological leadership and widening our competitive moat.

With that, I'll back to the operator.

Xiaoyi Lei from Jefferies

Thanks for taking my question. I have one as well. My question is about what do you see as the main factors behind the faster expansion of your operational areas and beyond technology what else do you think really matters? And from the technical perspective, are you using large language models? And if so, how are they helping push L4 autonomy forward? Thank you.

Dr. Tiancheng Lou

Thank you. This is Tiancheng. I will continue to answer this question.

I think your question consists of two parts. Let me answer your question on the generalization first then I will address the other one on LLM later.

For generalization, I would say technically, our tech stack is by nature built for generalization. A good example is that our operational area expansion into new areas in Shanghai Pudong and Shenzhen Nanshan District in the third quarter. In both cases, it only took us only few weeks from verifying the safety to truly realizing fully driverless operations to the public. There's no need for additional model training. The key reason is that L4-naive architecture is built for handling corner cases and extreme cases, while these cases are actually

very consistent across different regions. They're really nothing more than things like small obstacles boxes on the road, pedestrians suddenly crossing, and sudden lane changes from other cars without looking at the vehicles behind and etc. So it's just about the likelihood and probabilities of each one happening. Hope that can help understand why the L4 tech stack is by nature built for generalization.

At this moment, I will say the key to our new areas expansion is the number of Robotaxi vehicles. If we expand to too many areas without adding more cars, it will instead dilute the density. So that is the reason why speed of operational area expansion cannot be significantly faster than that of fleet size.

Then let me share my thoughts on the second part, the large language models.

First and foremost, there are two non-negotiable requirements for L4 onboard driving model: uncompromising safety and also low latency. These are what large language model or chatbots don't need, and are not designed, to meet, as well.

For safety, large language model generally have issues like model hallucination, which is unacceptable for L4 in terms of safety.

And for latency, large language models are optimized for throughput like tokens per second. In contrast, L4 is optimized for low latency and the ability to run fully driverless Robotaxi on chips that are both low power consumption and cost-effective.

Moreover, large language models overly rely on human data, which fundamentally limits them to the boundaries of existing human knowledge. And it inevitably makes them pick up human errors and bad habits of human drivers.

We also extensively use large language model in R&D efforts, such as AI-enhanced human machine interaction, engineering productivity tools for coding and documentation, and analysis for the rider feedback for experience improvement. However, due to the multiple reasons mentioned above, large language model is by nature not built for driving model onboard.

With that, back to the operators. Thank you.

Xinyu Fang from UBS

Hi. Thank you, management for taking my question. I have one question here. It is currently that Pony cooperates with multiple OEMs for robotaxi manufacturing, including BAIC, GAC, and Toyota. Does management see potential for improving operating leverage through working with only one OEM team staff? Thank you.

Dr. James Peng

This is James. I'll take this one.

The reality is that in the whole global taxi industry, local governments and the local residents actually have a strong preference for the local-branded taxi vehicles. So that's a reality. Typically, when a robotaxi fleet is relatively small, the brand doesn't really matter much. But if we need to deploy a significant fleet size, the requirement certainly is no longer true, and the local-branded OEMs is much more preferred. So it is necessary for us to cooperate with multiple local OEMs in different regions. It actually can help us to expand into different markets much quickly. And that's why we are now collaborating with three OEMs to produce our Gen-7 robotaxis.

It is true that fitting our autonomous driving kit into different vehicles actually poses huge technical challenges. But if you look at it from the other side, the mere fact that we were able to standardize our technology and being able to fit our setup into different vehicles, that shows our technical generalization. And down the road, it actually can create a huge competitive edge. As a result, we can add new models much faster to accelerate our expansion into new regions. For example, in Europe, we currently added partnership with Stellantis.

With that, back to the operator.

Xuxia Tang from Guosen Securities

Thanks for taking my question. I have one question. Why Pony can use remote assistant on Robotaxi when the car meets a difficulty, instead of remote control or human takeover? And what is the technology difference behind that?

Dr. Tiancheng Lou

This is Tiancheng. I will take this one.

I think one of the previous questions also touched on the remote assistant for robotaxis. Let me elaborate on that in a little more detail. First and foremost is that our remote assistant never controls the vehicle through steering wheel or pedals; instead, they provide remote support as suggestions by responding to service requests.

All the time, the vehicle can independently make decisions without remote assistance. Assistance is only initiated when a vehicle requests it, rather than through the remote driving. So, when the vehicle receives the assistance response, the onboard driving system will still make timely decisions based on the actual situation. Because the vehicle never waits for remote commands to act, it remains safe operation without any dependence on network latency.

One typical example of remote assistance is the situation of temporary traffic control, in such cases, the system may request remote assist, which can provide high-level suggestions to confirm the car's decisions navigating through the difficult scenario.

Also as I mentioned, we have continuously improved AI algorithms and leveraged general AI capabilities to recognize more and more complex contexts. This allows us to improve remote-assistant-to-vehicle ratio in the third quarter, to reach 1:30 by year-end.

Hope that can answer your question. Back to the operator.

Serena Li from China Securities

Okay. Thank you for taking my question. This is Serena Li from China Securities. As far as we know, some countries in the Middle East have issued fully driverless robotaxi license recently. What's our view on that? What's Pony's overseas strategy?

Dr. James Peng

Sure. This is James again. Let me take this one.

Our company's mission has always been autonomous mobility everywhere. We certainly have the global ambition since our founding to actually utilize our technology to benefit the local societies worldwide.

Currently, our global efforts are focused on the markets with hyper-growth potential. Those are the markets with typically strong mobility demand, well-developed infrastructure, and a supportive regulatory environment. When we evaluate a potential market to enter, on a high level, three factors we all consider.

One is the addressable market size, which is TAM. Second is the openness and the execution of the local government to support an issue permit for the fully driverless commercial operation. Third is how strong is the local partner for their on-the-ground resources and operational capacities.

So as you can see, our current global expansion status is that we have already entered eight countries for our robotaxi. And we also, for example, in Q3, we added Qatar as a new market by collaborating with Mowasalat. In Q3, we also saw a rapid revenue growth, especially for the robotaxi from our overseas markets. And we certainly expect this momentum to continue. Going forward, we will enter other global markets if we see there's a good growth opportunities. So this is our overseas strategy.