



Pony AI Inc.

First Quarter 2025 Earnings Conference Call

Operator

Ladies and gentlemen, thank you for standing by, and welcome to Pony AI Inc.'s first 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.

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, operator, and hello everyone.

We appreciate you joining us today for Pony.ai's first 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.

Joining me on today's 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, Chief Financial Officer. 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.

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. 2025 is the year of scaling up for Pony.ai and we embraced it with strong growth momentum. Before we dive into our business development, I would like to highlight four key milestones. Firstly, revenue from our Robotaxi services doubled year-over-year for the first quarter 2025, with fare-charging revenues grew approximately 8 folds. This is a landmark validating our commercial deployment readiness. Secondly, we launched our seventh-generation autonomous driving system in the Shanghai Auto Show. The Gen 7 system achieves a 70% reduction in bill-of-materials ("BOM") costs compared with our last generation, the Gen 6. This showcased our technological advancement to effectively drive cost efficiency. Thirdly, we have secured the production capability and all the relevant components to grow our fleet to 1,000 vehicles by year-end, which will significantly increase our fleet density across our operational network. Lastly, we reached strategic partnerships with some key partners such as Tencent and Uber to forge comprehensive ecosystems both domestically and worldwide.

Now, let me walk you through the details of our business progress. In late April, we showcased the Gen 7 Robotaxi lineup at the Shanghai Auto Show. Gen 7 is a game-changing breakthrough in autonomous

driving technology, as 100% of the sensors, components and all the add-ons are automotive-grade. which means Gen 7 will have extended product lifecycle, rock-solid reliability and also next-level safety. Its modular architecture also enables rapid deployment across multiple vehicle platforms, starting with three Robotaxi models we unveiled in the Shanghai Auto Show. Through our strategic partnership with leading OEM including Toyota, BAIC (Beijing Auto) and GAC (Guangzhou Auto), Gen 7 Robotaxis will enter mass production and deployment, thereby growing our fleet size to 1,000 vehicles by year-end.

Most importantly, I want to highlight that such technological advancement and large-scale production and deployment capabilities have driven a measurable increase in our efficiency, lowering both capital expenditure and also operational costs. The two key underlying drivers are:

First, on vehicle economics — our Gen 7 Robotaxi total cost per vehicle. This includes actually both the vehicle platform and the Autonomous Driving Kit (ADK)'s BOM costs, both have all been reduced, especially with ADK's BOM costs coming down by 70%. The cost down is driven by multiple design optimizations including an 80% reduction in autonomous driving computation and also 68% reduction in the LiDAR costs. These efficiencies demonstrate the power of our system integration as well as scalable production approach, positioning us competitively against industry benchmarks.

Second, on operational costs. In this front, we have reached a remote-assistant-to-vehicle ratio of up to 20. This means that one remote assistant can effectively monitor 20 vehicles. In addition, we largely reduced our insurance cost as our commercial insurance premiums stand at approximately half of the typical cost for traditional human-operated taxis. The aforementioned operational cost reductions are the results of our proven safety track record and also years of Robotaxi operational experience.

Now moving to operational expansion. This is another cornerstone that will empower our quick growth. With strong foundation in place for the future scaling, our total commercialized operational domains across Beijing, Guangzhou, Shenzhen and Shanghai now span over 2,000 square kilometers. This is nearly 20 times larger than the city area of San Francisco. Our vast coverage includes some high-value transportation hubs such as central business districts, airports, and high-speed train stations. Notably, we secured China's first fully driverless commercial Robotaxi license in Shenzhen's Nanshan District in late March this year — unlocking operations in the city's core economic and transportation hubs.

Regarding the market adoption of our Robotaxi services, the number of registered users on PonyPilot mobile app increased by more than 20% quarter-over-quarter in the first quarter of this year. We continue to enhance user experience through innovative operational models, product features and in-car infotainment systems. Our user growth trajectory will be further amplified by our new strategic partnership with Tencent, which enables us to integrate our Robotaxi services into Tencent's Weixin "Mobility Services" and also Tencent Maps. As a result, we can tap into China's billions of user base. As we launch Gen 7 Robotaxis later this year, we will expand our capability to meet the fast-growing user demand. It sets a solid foundation to drive our future fare-charging revenues through optimized fleet utilization and enhance customer experience with faster pickup times, superior safety, and premium comfort.

Now, let me share with you our global expansion progress. At Pony.ai, our mission since the day we were founded has always been "Autonomous Mobility Everywhere". Our global footprint now spans across Europe, the Middle East, South Korea, Southeast Asia and beyond. Recently, we have achieved multiple breakthroughs in these areas:

First, we've forged strategic alliances with key industry players. We recently partnered with Uber, which will enable users to access our Robotaxi service directly through Uber's platform. The partnership is expected to first launch in a key market in the Middle East later this year, with a goal of scaling deployments to

additional international markets in the future. We are also collaborating with ComfortDelGro on a joint Robotaxi pilot program. ComfortDelGro is one of the largest land transport companies headquartered in Singapore and operates in 13 markets, covering Europe, China, Australia and others.

Second, we are pleased to see the ongoing favourable regulatory and testing progress globally. During the first quarter, we have secured a L4 Robotaxi testing permit from Luxembourg's Ministry of Mobility and we also started road testing in Seoul's Gangnam district of South Korea.

All these developments collectively demonstrate our platform's adaptability to complex global conditions while positioning Pony.ai for future commercial scaling.

In summary, I think the mass production and large-scale deployment of our Gen 7 Robotaxis remain a top priority for us. Through continuous technical innovations, we are seeing accelerating production, coupled with significant cost reductions. Given the structural efficiency advantages of the Gen 7 Robotaxis, we have clear line-of-sight to breakeven and long-term profitability.

With that, I will now pass it over to our CTO, Dr. Tiancheng Lou.

Dr. Tiancheng Lou

Thanks James. Hello everyone! This is Tiancheng. It's a great pleasure to share with you the latest advancement and progress in our technology.

When we showcased our Gen 7 autonomous driving system during the Shanghai Auto Show in late April, I also shared the progress of our *PonyWorld* and hardware system. *PonyWorld*, as an industry-leading AI-powered world foundation model, has built a high-fidelity training environment and evaluation system, breaking through the limitations of imitation learning. Each week, *PonyWorld* generates test data exceeding 10 billion kilometers. The breadth and complexity of the data accumulated have far surpassed the data that a human driver can ever collect. The generative *PonyWorld* trains our proprietary *Virtual Driver*, a full-stack system featuring integrated software and hardware, whereas *Virtual Driver* in turn provides valuable human feedback. It fosters a virtuous cycle of continuous enhancement, accelerating the improvement in safety and reliability of our autonomous driving technology.

The *Virtual Driver* has demonstrated our proven L4 autonomous driving capabilities in the real world — successfully navigating complex urban environments across all Tier-1 cities in China, operating through rush hour traffic and inclement weather. By the end of first quarter, we had accumulated over 7 million kilometers of driverless operations — a clear validation of our technology's maturity and its readiness for large-scale deployment.

Next, let me elaborate how these advancements drive operational cost optimization across the board.

From a mass production perspective, hardware cost reduction remains a fundamental challenge that no automaker can avoid. With respect to our Gen 7 Robotaxis, our in-house developed autonomous driving domain controller is the world's first to achieve full-scenario L4 autonomous driving built on auto-grade chips, featuring an extended product lifecycle and a mileage lifespan of 600,000 kilometers.

Regarding computing platforms, we are the first player in the L4 industry to adopt automotive-grade system-on-chip ("SOC"). This advancement has successfully reduced the domain controller's size, weight, power consumption, and cost each by 50-80%. Our proprietary *PonyWorld* has also effectively improved computing efficiency by 3x through AI inference optimization, model distillation and other technological innovations, significantly outperforming the broader L4 industry. As a result, we are able to adopt more cost-effective computing power with a total capacity of 1,016 TOPs. This cost-efficient approach enables us

to meaningfully reduce overall costs and reach break-even as we scale up our fleets in the future. In terms of LiDARs, we have also made significant improvements to software algorithms to adapt to cost-effective LiDARs. For Gen 7 ADK, we opted for highly cost-effective semi-solid-state and solid-state LiDARs. While this choice may involve some trade-offs in individual sensor performance, we have compensated through advanced software algorithms that reduce the noise points by up to 30 times — ultimately resulting in enhanced overall system performance and a 68% cost reduction compared with the previous generation.

For sensors more broadly, we have achieved significant performance improvements through upgrading not just hardware but also algorithms.

A key component of our cost is related to remote assistant. Unlike remote control, our system features request-based remote assistance providing suggestions to autonomous driving vehicles, rather than direct intervention control. Our current technology allows us to achieve an industry leading remote assistant-to-vehicle ratio of 1 to 20, compared with 1 to 3 for the same period of last year. We expect the trend to continue and improve as our technology advances. Our *Virtual Driver* enables smarter navigation and our advanced monitoring capabilities — for instance, in scenarios like traffic police gesture recognition, no additional human support is required. Similarly, during passenger pick-up and drop-off, there is no need to manually confirm passenger status or inspect the vehicle cabin. This allows us to operate Robotaxi services with a highly efficient remote assistant-to-vehicle ratio, significantly reducing operational costs. This metric also shows how far we've advanced beyond industry standards.

Moreover, our technical innovations have significantly enhanced the safety of our Robotaxi fleet, leading to more favorable insurance economics. As James mentioned, our commercial insurance premiums are approximately 50% of typical cost for traditional human-operated taxis. This reduction is the result of thorough actuarial assessments by insurance providers, who have verified our exceptionally low incident and claim rates. This continued decrease in insurance costs is a direct outcome of our safety performance and a testament to the reliability of our autonomous driving systems.

Moving forward, we still have significant room to further solidify, expand our technological leadership, and thereby scale up for future commercialization deployment.

Before I conclude, I want to recap the tremendous efforts we have made over the past few years to prepare for mass production, both on software and hardware fronts. Our *PonyWorld* platform leads the industry in areas such as methodology and model training. On the hardware side, we have optimized the key components required for Robotaxi operations — including sensors, LiDAR, and domain controllers — not only through traditional cost-reduction measures, but also through parallel software-driven enhancements that significantly boost overall system performance.

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.

Before reviewing our first quarter financial results, I would like to reiterate that as we enter this pivotal year for scaling up the Gen 7 Robotaxi fleet, we remain fully committed to disciplined investment in mass production and deployment. We will ensure strong operational momentum while maintaining solid financial resilience — all to create long-term value to our shareholders.

Moving to our financial performance for the first quarter of 2025. We started the year with a strong note, demonstrating solid execution of our go-to-market strategy. Revenues totaled at US\$14.0 million, up 11.6% year-over-year, mainly driven by rapid growth in Robotaxi services. The quarter-over-quarter volatility was primarily due to the variation in revenue recognition of project-based engineering solution services and product sales — a trend consistent with historical patterns.

In the first quarter, Robotaxi services revenues were US\$1.7 million, growing significantly at 200.3% year-over-year. This growth was driven by both fare-charging and project-based engineering solution services, with fare-charging revenues achieving faster growth rate — increasing by roughly 800% year-over-year. The strong growth rate was attributed to the expansion of our public-facing fare-charging Robotaxi operations in Tier-1 cities in China as well as our optimizing operations for diverse user groups.

Robotruck services revenues grew by 4.2% year-over-year to US\$7.8 million for the first quarter, primarily driven by contributions from new clients.

Licensing and applications revenues were flattish year-over-year at US\$4.5 million. We saw increasing orders and delivery for autonomous domain controller ("ADC") sales, primarily driven by new robot-delivery clients.

Total cost of revenues was US\$11.7 million, up 17.9% year-over-year, in line with revenue trends.

Our gross profit reached US\$2.3 million, resulting in a gross margin of 16.6%, down from 21.0% in the same period last year. This decrease was mainly due to changes in revenue mix on increased ADC sales for new robot-delivery clients in the first quarter. That being said, we are actively working on initiatives to reduce gross margin variability for the coming quarters.

Total operating expenses were US\$58.4 million, an increase of 56.3% year-over-year. Excluding share-based compensation expenses, non-GAAP operating expenses were US\$49.3 million, up 35.0% year-over-year. The increase was primarily due to investments in mass production for Gen 7 and one-time expenses associated with share awards settled upon the completion of IPO. Additionally, we increased employee expenses in the first quarter to strengthen our R&D capacity for concurrently developing 3 Gen 7 vehicle models.

Reflecting the investment preparing for our upcoming production of Gen 7, net loss was US\$37.4 million, compared to US\$20.8 million in the first quarter of 2024. Non-GAAP net loss was US\$28.4 million, compared to US\$25.7 million in the first quarter of 2024.

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\$738.5 million as of March 31 2025, compared to US\$825.1 million at the end of 2024. The cash outflow was primarily driven by our Gen 7 R&D effort and the supply chain preparation — in which the procurement of some key components kicked off ahead of the mass production. With imminent scaling up and commercial deployment, we believe our current cash reserve is sufficient for our future growth and will continue to explore more opportunities to ensure sustained support.

Looking ahead, we are thrilled to embark on a chapter in our journey towards mass production and deployment, aiming at scalable commercialization. With our core technological advancements as the foundation, we will continue making disciplined investments to strengthen mass production capabilities and drive long-term cost and operational efficiencies. Our robust go-to-market strategy will also allow us gradually reduce financial volatility and build a more predictable path to 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, James, Tiancheng and Leo, congratulation for the first quarter results and also your launch of Gen 7 Robotaxi product. So I have one question. As you mentioned 2025 as a year of scaling up, how should we assess your progress throughout this year? Is there any color or pipeline for 2026?

Dr. James Peng

I'll take this question. This is James. We actually have a very clear pipeline for the Gen 7 Robotaxi mass production. As I mentioned, this remains to be our main focus for this year. We expect Gen 7 will enter mass production from the second quarter and thereby bringing the total number of our fleet size up to 1,000 vehicles by year end. In addition, the large-scale deployment will ramp up gradually throughout the second half of this year. We are especially working on the following three areas to ensure a quick ramp-up.

First, we are working very closely with OEM partners such as Toyota GAC, and BAIC for the mass production, across component sourcing, pre-installment, and final assembly, thereby ensuring that each Robotaxi meets the highest industrial standards of quality and safety.

Second thing we are working on is our agile and flexible approach to sourcing key components allows us to rapidly adapt to changing demand, ensuring our stable supply chains and supporting the efficient execution of our mass production plans.

Lastly, our years of collaborations with central and local governments have established a proven track record of our superior safety level and operational capability. This enhances our credibility and positions us to secure the required licenses, paving the way for commercial deployment of our Gen 7 Robotaxis. With aforementioned three things that we are working on, we will focus on reinforcing these critical foundations to realize robust growth momentum of our fleet size, ensuring a scalable and sustainable expansion. As for year 2026, I think our scale up will be even more accelerated. We will produce more autonomous driving vehicles and then deploy them in China and also international markets.

Ting Song from Goldman Sachs

Thank you, congratulations on the results. I have two questions and the first one is, while you emphasized a China-first strategy last quarter, we've now seen some progress on global market this time. Could you elaborate more on your evolving global strategy? And to what extent does the China market remain a core focus at this stage? Thank you.

Dr. James Peng

Sure. This is James again. I think I'll take this one. As I mentioned in my prepared remark, Pony.ai's mission has always been "Autonomous Mobility Everywhere". While we currently prioritize the China market — given its relatively mature regulatory environment — we believe our established ecosystem, technological advancement and scaled operation in China have empowered us to enter new markets with proven capabilities, experiences and proven business models.

At this stage, we are aiming for markets with strong mobility demand, advanced infrastructure, and

welcoming regulations. While the commercialization of these international markets is still at the early stage, we relentlessly work hand in hand with our global partners to showcase the technology readiness, move forward local commercial driverless regulations, build momentum for public acceptance, and generate revenues along the course. This approach actually mirrors our achievements that we have already established in Tier 1 cities in China over recent years, which we believe our successful track record in China will also help foster greater confidence for these new markets.

Recently, we have formed strategic partnerships with key global players. One of them is Uber — with plans to launch our Robotaxi service on their platform starting in a key market in the Middle East this year and expanding to other international markets. Another partner is ComfortDelGro, one of Singapore's largest transport companies operating across 13 countries including Europe, China, and Australia. We also continue to make regulatory and testing progress globally, having secured an L4 Robotaxi testing permit from Luxembourg and also initiated road testing in Seoul's Gangnam district in South Korea. These successes have provided us with valuable experiences as we explore future opportunities beyond China markets.

Ting Song from Goldman Sachs

Okay, my second question is you delivered very impressive revenue growth in Robotaxi. What factors are driving behind this this quarter? Do you believe it is sustainable in the upcoming quarters? Thank you.

Dr. Leo Wang

Yes, this is Leo and I'll take this question. So the revenue growth in Robotaxi segment was driven by both fare-charging and project-based engineering solution services, with fare-charging revenues achieving at a much faster growth rate — increasing by roughly 800% year-over-year. The strong growth rate was attributed to the expansion of our public-facing fare-charging Robotaxi operations in Tier-1 cities in China. We also optimized our operations to cater to diverse user groups, such as interactive rewards features. I would also like to take this opportunity to explain our Robotaxi revenue structure. Our revenues are currently generated from two main streams:

The first stream consists of engineering solution services, which are recognized upon the achievement of project milestones. Hence, this is project-based and could fluctuate among quarters.

The second stream is recurring revenue primarily from our Virtual Driver operations, such as our Robotaxi fare-charging services. While the project-based revenues currently make up a larger portion in our total Robotaxi revenue, we believe the non-recurring revenues we're generating from partners such as ride-hailing platforms, OEMs, and other parties are very critical to enhance and advance our recurring revenue stream. These collaborations also further pave the way for a robust long-term monetization model.

As a result, we anticipate some natural volatility in revenues from quarter to quarter in this segment. That being said, we will gradually reduce financial fluctuations and are very confident to deliver strong growth trajectory in the long term.

Bin Wang from Deutsche Bank

Thank you for taking my question. Mines more from a technology perspective, you mentioned that the ADK pricing was declined dramatic. Did you need to upgrade your software to fulfill this ADK cost reduction? In particular, what's the improvements you're doing for the computing power? You also mentioned that you actually would decline 48% of the cost per computing power. Thank you.

Dr. Tiancheng Lou

Thank you, I will take this question. So this is Tiancheng. So before I answer your questions, I would like to say that we believe in the field of autonomous driving technology, Pony.ai is poised to represent China's leading companies in embracing the "DeepSeek moment". By optimizing our *PonyWorld* AI models and enhancing engineering capabilities, we have designed a cost-effective hardware and software system. This enables us to significantly improve inference performance while reducing associated costs, even with auto-grade SOC and low-precision radar and sensors.

For instance, our *PonyWorld* has effectively improved computing power efficiency by 3x through AI inference optimization, model distillation, and other innovations, significantly outperforming the broader L4 industry. As a result, we are able to adopt more cost-effective computing power with a total capacity of 1,016 TOPs, compared with industry peers typically range from 2,000 to 5,000 TOPs.

In terms of inference computing, we have implemented numerous optimizations, such as optimizing operators in AI models, increasing computational parallelism, and improving memory efficiency to enhance inference performance. All these efforts help us improve cost efficiency without giving up performance, proving that we are able to realize the cost-effective and scalable L4 driverless autonomous driving.

Chu Yan Yi from Huatai Securities

Thank you for taking my question. So congrats on your expansion in global taxi services. So we noticed that the Ministry of Industry and Information Technology of China has recently issued some regulatory requirements regarding driver-assist. So, I just wonder that could this potentially have an impact on Pony.ai? Thank you.

Dr. Tiancheng Lou

Yeah, this is Tiancheng. I will take this one. So I think a lot of people mistakenly equated "L2-Driver Assist" with "L4-Autonomous Driving." Recently, the Ministry of Industry and Information Technology (MIIT) issued a notice clearly stating that L2 is not equal to L4.

The key requirements from MIIT include: First, manufacturers or solution providers must avoid using misleading terms such as "autonomous driving" or "intelligent driving" when promoting L2-Driver Assist systems. Second, manufacturers or solution providers are required to clearly define the capabilities and safety measures of Driver Assist systems. Terms like "zero takeover" or "hands-off" must not be used, and the responsibility of the driver for continuous monitoring must be emphasized.

We believe this is clearly beneficial for Pony.ai, as it helps foster a comprehensive and clear understanding of distinctions between L2 and L4 for the public. That's also the reason why we consistently emphasized that L2 and L4 are fundamentally different in value-add to the customers. Being more specifically, only L4 can truly fulfill users' needs in situations where they are looking for relaxation or even wish to take a nap while the autonomous driving system is on.

I would like to go into more detail about the technological differences between L2 and L4 systems. L2 systems widely use imitation learning. AI drivers learn by copying human behavior from real-world driving data. The limitation of imitation learning is that AI drivers cannot understand the reasoning behind the driving behavior. As a result, it is not safe enough to handle ever-changing traffic scenarios.

For L4 system, we use reinforcement learning and our generative *PonyWorld*. Under *PonyWorld*, our *Virtual Driver* teaches itself through a large amount of generative data. This allows our *Virtual Driver* to

“understand why” by analyzing the outcomes of every action, teach them to make smarter decisions in different scenarios and eventually surpass the safety of human drivers.

Over time, our *Virtual Driver* trained under *PonyWorld* developed the advanced skills needed for complex tasks, such as smoothly navigating urban areas, handling unpredictable traffic scenarios, or safely operating for 500,000 hours without any human intervention.

Most importantly, the key competitive edge differs significantly between the two approaches. Imitation learning requires a large amount of data, while reinforcement learning relies heavily on AI model capabilities. This underlying distinction creates a considerable barrier, making it challenging to transit from one to another. It basically requires a company to start over and build a whole new team of expertise, which means it cannot be simply accelerated through prior experience.

Xiaoyi Lei from Jeffries

Hi, thanks for taking my question. My question is regarding the US-China tariff issue which appears to be easing at this moment. But I am still wondering will it still have any potential negative impacts on your operations? How many materials are you sourcing from overseas market?

Dr. Leo Wang

Thank you. And this is Leo, I'll take this question. We believe the potential impact from the tariffs issue will be very minimal to our operations. First, the majority of our supply chain is domestically sourced. Second, over the past few quarters, we have enhanced our supply chain resilience in response to the evolving geopolitical landscape. This includes diversifying suppliers and also increasing inventory where necessary. As a result, we are well-prepared to manage this risk.

In addition, I would like to highlight that our Gen 7 mass production plan has also been reflected with these assumptions and also uncertainties. Therefore, we are confident that our full-year target of deploying a 1,000 unit fleet size is on track and will not be affected by the changing trade environment.