



Pony AI Inc.

First Quarter 2026 Earnings Conference Call

Operator

Ladies and gentlemen, thank you for standing by, and welcome to Pony AI Inc.'s first quarter 2026 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, hello everyone. We appreciate you joining us today for Pony.ai's first quarter 2026 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 CEO, Dr. Tiancheng Lou, CTO, and Dr. Leo Wang, CFO 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. We kicked off 2026 with an amazing first quarter. This strong start defines our growth momentum for the whole year.

Let me start with the highlights. I'm proud to report that in Q1 2026, our total revenue grew by 145% year-over-year, and we also achieved record-high quarterly Robotaxi revenue. Specifically, our Robotaxi revenues grew nearly 400%, powered by a more than 450% surge in fare-charging revenues. Our operational momentum is accelerating across the board. We have scaled our Robotaxi fleet to exceed 1,700 vehicles and amplified this expansion through a massive surge in user adoption. Now, our registered users grew more than 200% year-over-year in China. In fact, our weekly average paid orders so far in May grew more than 100% compared to the beginning of the year. Lastly, we continue to expand our operation area, currently broadening our service footprint into downtown Guangzhou. Globally, we've been advancing our operations in the capital of Croatia, realizing Europe's first commercial Robotaxi service.

Looking at our overall Q1 results, I'm thrilled that our strategic and execution moats translated directly into our exponential growth in Robotaxi and fare-charging revenues. By scaling our fleet, user base and paid order volume, we've achieved consistent month-over-month growth this year. This is a remarkable achievement as spring typically is a low season for ride-hailing. Our dual-engine strategy, that is focusing on both China and global markets, and joint deployment model started unlocking new and diversified revenue streams.

China market remains our primary growth engine, where we've secured a dominant lead. We are steadily ramping up our domestic fleet while simultaneously broadening our operational footprint. We expanded our operation in Guangzhou from Nansha and Panyu District into Haizhu District, which is the heart of Guangzhou, that covers high-demand areas like Canton Tower, the Pazhou CBD and Canton Fair Complex. In Shenzhen, we have been continuously increasing the size and density of our fleet in Nanshan and Bao'an Districts, the city's two busiest areas. For key transportation hubs, we are now providing comprehensive airport transfer services across Beijing, Shenzhen and Guangzhou.

Our international expansion is also gaining traction. We have now established a presence in 9 countries, and started services to the public in four overseas markets, including Croatia, Qatar, Singapore and South Korea. In the capital of Croatia, Zagreb, we realized the first Robotaxi commercialization in Europe. In the Middle East, our footprint in Dubai and Qatar continues to expand, currently initiating driverless deployment in Dubai. These achievements serve as proof that our model can be applied smoothly across multiple regulatory and operational environments, ultimately creating solid revenue streams.

And for the joint deployment model, we consistently make significant strides. Because of our technology leadership, our operational success and our commercial maturity, partners increasingly recognize us as their preferred collaborator. We have seen more partners from both domestic and international markets join forces with us, starting to contribute sizeable revenue in Q1.

Our Robotaxi success is continuously driven by our innovation and execution, which helps us to achieve a large-scale fleet, excellent technology and operation, and superior user experience. Moving forward, we will focus on reinforcing these areas to expand market share and cement our industry leadership.

Operating a scaled fleet with consistent stability is a powerful testament to our technology and operational maturity. As we scale, we are supercharging our growth engine: we continue to build competitive barriers, earn trust from policymakers, and fortify our brand position at the forefront of user mindshare. Currently, we are accelerating the rollout of our Gen-7 vehicles across Toyota, Beijing Auto, and Guangzhou Auto, exceeding 1,700 Robotaxi vehicles.

At the Beijing Auto Show last month, we debuted our 2027 version of the Robotaxi for domestic markets. This upgraded version will achieve further BOM cost optimization to less than RMB230,000. This competitive pricing facilitates rapid scaling of the Robotaxi fleet for the years to follow.

Safety has always been the foundation of our company, which is ensured by our technological and operational advantages. Our industry-leading L4 technology, vehicle-level intelligence, and resilient fleet management, help us to maintain uncompromised safety. This proven mastery of highly complex scenarios enables our Robotaxis to navigate peak rush hours, dense urban areas and bad weather conditions, satisfying surging user demand. We have moved beyond a novel experience into a go-to daily transportation choice.

The results speak for themselves: our robotaxi fares maintain a premium over the entry-level ride-hailing services. Despite this premium pricing, demand remains exceptionally robust, particularly during peak hours.

Notably, our weekly average paid orders so far in May increased by more than 100% compared to the beginning of the year, significantly outpacing industry-wide growth.

Beyond that, we are continuously optimizing ground operations, from charging efficiency to dispatching algorithms. This in turn boosts our fleet utilization and reduces operational costs.

Now, let's move to our Robotruck business. Our Gen-4 Robotruck is slated for mass production in the second half of this year, with pre-production vehicles currently rolling off the production line. I am also pleased to share that in Q1, Robotruck revenues were up 31% year-over-year. This was driven by scaling up long-haul operations. We also strive to expand our addressable market across multiple fronts, particularly in intra-city urban logistics. To this end, we launched our L4 autonomous light truck in April, leveraging our fully automotive-grade, and fully redundant L4 Robotaxi architecture.

In terms of intelligent solutions, a business we recently renamed from licensing and applications to better reflect our expanding business in this segment. Q1 ADC (Autonomous Domain Controller) shipments in this segment surged by over 500% year-over-year. This was mainly driven by domain controller deployments in low-speed delivery applications.

2026 is off to a strong start for Pony. We have achieved super-charged revenue growth in all three business lines without any compromise in safety. Since the first day of our founding, we have been committed to provide safe and reliable autonomous driving services. It is our deepest moat and it's now the perfect stage for Pony to demonstrate what a decade of rigorous engineering looks like. Our four-fold Robotaxi revenue growth is fueled by accelerated user adoption in domestic tier-one cities and revenue contributions from our joint deployment model both domestically and globally. Reflecting this powerful commercial momentum, I am now raising our 2026 annual targets that we forecasted earlier this year:

First, an upgraded fleet target: We are now on a clear path to surpass a fleet size of 3,500 vehicles, which is an upward revision from our initial 3,000 target.

Second, accelerated revenue growth: We are now lifting our Robotaxi revenue target higher to more than three and a half times, from a previous target of tripling.

Third, scaling our domestic and overseas presence: As we continue to accelerate the scaling-up in our existing markets, we are firmly confident to expand our footprint to over 20 cities both domestically and globally.

As an industry leader, our mission goes beyond our own growth. We are here to lead the development of autonomous driving that has sustainable societal benefits. By proving safe driverless technology that is both safe and profitable at scale, we are building the future of mobility that the world can trust.

With that, I'll hand it over to our CTO, Tiancheng Lou, to go over the technology that's powering our leadership. Tiancheng, please go ahead.

Dr. Tiancheng Lou

Thank you, James. Hello everyone! This is Tiancheng.

Our strong start in 2026 fully proves our solid technology foundation.

Looking at our scale, our Robotaxi fleet now surpasses 1,700 vehicles and Q1 Robotaxi revenues skyrocketed by nearly 400% year-over-year, hitting an all-time high. Building on this robust growth momentum,

we are raising our full-year targets to over 3,500 vehicles and revenue growth to three and a half times from the level of last year.

This scaling up is driven by our proven capability to expand rapidly into high-value markets. By successfully entering the downtown core of Guangzhou's Haizhu District and launching Europe's first commercial Robotaxi service, we demonstrated our true technology leadership. Only a tech leader can deploy fleets so quickly into these high-value, ultra-complex urban areas. Because our technology navigates these environments safely, more users choose to call our Robotaxis, and more partners want to cooperate with us. It is this demonstrated capability that gives us the confidence to upsize our scale.

Another clear testament was our performance during a series of concerts held in Guangzhou earlier this month. The event attracted tens of thousands of attendees around the stadium. I am very proud that Pony's Robotaxis officially became a government-recommended transportation choice for the peak post-concert crowds. We pulled this off because we can master this level of extreme, localized demand seamlessly. Being integrated into an official local traffic plan proves that authorities highly trust our safety and operational capabilities.

Ultimately, mastering these dense, high-traffic environments demands a massive leap in top-tier engineering, by orders of magnitude. It comes down to three core technical pillars: an exceptional training paradigm, robust fail-operational redundancy, as well as safe and efficient fleet management.

Many years ago, we realized a critical truth: the public demands a much higher safety standard for L4 driverless Robotaxis than for human drivers. This means when human drivers make mistakes, society accepts it as a normal part of daily life. But if an AI driver makes a mistake, the public's trust would be negatively impacted.

This understanding shaped our tech stack years ago. We knew we could not achieve true L4 by simply learning from human driving data. More importantly, we knew we could not solve L4 through a simple scaling law like that of large language models, meaning just increasing parameter size and data volume.

Learning from human driving data or scaling up parameters can give you a decent L2 driving system. But that level of AI is only good enough for L2 assisted driving, where a human acts as a backup. It can never work for large-scale L4 Robotaxis because it cannot significantly beat human safety levels.

Driving is very different from AI coding. In coding, the AI does not need to make decisions with ultra-low latency, and the first output does not need to be perfect. The AI can try, fail, and fix errors multiple times using an agent framework, compilers, and test environments. Humans expect to see a final result and accept multiple rounds of trial and error. But for an AI driver, the model output must be instant and correct on the first try.

Therefore, we started using reinforcement learning and world-model years ago. Today, this approach allows our Robotaxis to drive much safer than humans, especially in complex areas. This early bet gave us a massive first-mover advantage, allowing us to rapidly deploy our Robotaxis in high-value markets globally.

However, for a true L4 vehicle, achieving safety just at the algorithmic level is not enough. If a system downgrades and causes an accident, or simply stops dead on a high-speed road to wait for rescue, the public will not accept it.

That is why every single Pony Robotaxi features a full-stack, multi-layer redundancy architecture for both software and hardware. This gives us fail-operational capability. If any component fails during a trip, the

system stays fully functional. The car will continue to drive safely, choose a secure spot, and pull over, avoiding traffic congestion and rear-end crashes.

Furthermore, our cars can drive normally even when there is no network or GPS signal, both of which can easily drop in urban environments. We also do not rely on high-definition maps. For example, even when road layouts or lane markings change significantly, or even if we need to drive into the opposite lane, our system adapts and navigates safely based on real-time road detection.

We also detect any event instantly. Our cars are equipped with impact sensors, so the system knows immediately if a collision occurs and stops the vehicle right away. We also detect hardware faults, software failures, and network instabilities instantly to ensure driving safety. We even have specialized water-wading sensors to make sure our cars do not enter deep puddles that could cause damage.

As our operation expands, keeping the entire fleet safe becomes just as critical as single Robotaxi safety. To achieve this, we scale our intelligence into a city-wide safety net, protecting our large-scale operations through three strong lines of defense:

The first line is Prevention. We have a dedicated safety team to systematically eliminate risks from the very beginning. We use technical design to stop safety issues before they happen, including risks from human errors or cyberattacks. For example, our remote assistant only provides high-level guidance; they do not control the car. The onboard model on the vehicle is responsible for any collision or accident avoidance. This ensures a remote assistant cannot cause an accident through wrong input or network delay.

The second line is Detection. If demand spikes and all vehicles end up heading in the same direction, our smart dispatching system ensures they don't arrive at the same intersection all at once, but rather arrive one after another. If a road is blocked or congested, our system will also detect it instantly and notify the whole fleet to avoid making the traffic worse.

The third line is Response. We establish dedicated ground support teams. If a vehicle encounters any issue on the road, our rescue personnel will arrive at the scene within minutes to handle the situation immediately.

In short, our technology makes our operations safe, and this large-scale operation builds our ultimate moat. Because we chose the right foundation from day one, we now have the unique capability and first-mover advantage to rapidly expand in high-value markets. By the end of this year, we target to expand our fleet to over 3,500 vehicles across more than 20 cities. This massive scale will allow us to unlock even greater commercial value, while continuing to deliver the most trusted L4 Robotaxi service both domestically and globally.

This concludes my prepared remarks. I will now pass the call over to our CFO, Dr. Leo Wang. 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 first quarter of 2026 unless otherwise noted. For detailed financials, please refer to our earnings release.

2026 is the year where our commercialization strategy translates into remarkable financial performance. This quarter, total revenues reached a record of US\$34.3 million, representing a 145% increase from US\$14.0

million in the same quarter last year. The triple-digit topline growth was driven by Robotaxi revenues growth of 395%, and Intelligent solutions growth of 246%.

We are also capturing compounding benefits as we extend our autonomous driving technology from Robotaxi, into Robotruck and other partners along the value chain.

Diving deeper into Robotaxi — this segment continues to serve as our core growth engine. This quarter, we reached a record high Robotaxi revenues of US\$8.6 million, grew by nearly 400%, compared to US\$1.7 million in the first quarter of 2025.

As James mentioned, three key elements have helped Pony to achieve a leadership moat in Robotaxi Operation. These are scaled fleet, excellent technology and operation, as well as superior user experience. Pony's Robotaxi has become a popular service that has captured user mindshare. And this is now reflected in our financial numbers. Specifically, our fare-charging revenues delivered an exceptional growth of 456%. This impressive increase was driven by several compounding factors: we continue to add more vehicles, and expand into more regions — especially to core downtown areas with higher economic values.

Operating metrics reflect our growing capacity and strong user demands. For example, our weekly average paid orders so far in May grew more than 100% compared to January. Registered users increased more than 200% year-over-year, and our daily order growth rate continues to outpace the industry average.

What makes this strong growth trajectory even more remarkable is our pricing power. Even after discounts, our effective fare rate per kilometer remains above entry-level pricing on ride-hailing platforms, and is on par with the standard "Express" tier. Our demand remains robust and is growing at a very fast speed — we believe this is a clear reflection of the superior ride experience and the robust technology we deliver, especially during peak hours and in traffic-heavy downtown areas.

On the cost side, we continue to make good progress on both operating cost and BOM cost fronts. Pony's combined depreciation and operating costs per vehicle are among the most competitive globally — and this is achieved while operating in the busiest downtown areas during morning and evening peak hours, and under the most demanding traffic conditions. By leveraging operational efficiency, we continue to drive operating costs even lower, and are also on track to bring Robotaxi BOM costs below 230,000RMB by mid-2027 in the domestic market. Together, these two levers — declining operating costs and lowering BOM costs — will further enhance our Robotaxi margins as we scale the fleet.

Aside from fare-charging revenues, our Joint Deployment Model has started to contribute meaningful revenues with both domestic and overseas partners. Such a model will enable more efficient use of capital in fleet deployment. Specifically, as a global technology enabler, we successfully launched the first commercial Robotaxi service in the city center of Zagreb, Croatia together with our local partners. Combined with our expanding operations in China, this is a strong testament to the execution of our dual-engine strategy.

Turning to Robotruck. Robotruck services revenues grew 31% to US\$10.2 million this quarter, up from US\$7.8 million in the first quarter of 2025. This growth was driven by the addition of more trucks and the expansion of our diversified client base, reflecting increasing demand from downstream logistics clients in the long-haul business.

We continue to see our industry-leading autonomous driving technologies expanding to wider use cases — for example, long-haul trucking and intra-city logistics. Looking ahead, with the launch of L4 autonomous light truck and Gen-4 Robotruck, we are firmly on track to deliver even better autonomous driving trucks with lower cost, superior driving performance, and wider use cases, expanding into a wider addressable market.

Our Intelligent solutions segment (formerly the Licensing & Applications segment) delivered a remarkable growth of 246%, reaching US\$15.5 million in the first quarter of 2026, up from US\$4.5 million in the first quarter last year. This exceptional performance was mainly fueled by strong sales of autonomous domain controllers. Such strong growth is yet another testament to the opportunities of our autonomous driving technology, as we empower other customers along the value chain.

Moving to costs and margins. Total cost of revenues was US\$28.7 million, translating to a gross margin of 16.2%.

Total operating expenses were US\$63.9 million, a modest increase of 9.5%. On a non-GAAP basis, operating expenses were US\$59.3 million, representing a 20.2% increase. Such commitments, especially in R&D, have helped us to maintain our technology leadership, and will effectively drive down our BOM cost.

Loss from operations was US\$58.3 million, remaining relatively flat compared to US\$56.0 million in the first quarter of last year. Net loss was US\$53.5 million, compared to US\$37.4 million in the first quarter of last year. The increase was mainly attributable to the realization of investment income that occurred in 1Q25, coupled with a moderate increase in operating expenses. Excluding the impact from this investment realization, the underlying loss amount remained broadly stable.

It's worth noting that the loss from operations margin narrowed drastically — from negative 401% in the first quarter of 2025, to negative 170% this quarter. Similarly, our net loss margin narrowed from negative 267% to negative 156% year-over-year. The narrowing loss margin trend demonstrates our operating leverage driven by the rapid revenue growth and the gradual realization of commercial scale benefits.

Turning to our balance sheet — Cash and cash equivalents, short-term investments, restricted cash, and long-term debt instruments for wealth management stood at US\$1.4 billion as of March 31, 2026. This compares to US\$1.5 billion as of December 31, 2025. We continue to maintain an exceptionally robust financial position with ample dry powder to execute our strategy.

Net cash used in operating activities was US\$74.2 million this quarter, compared to US\$54.2 million in the first quarter of 2025. The increase was primarily due to an increase in accounts receivable resulting from substantial sales revenue increase of Autonomous Domain Controller, along with an increase in non-GAAP loss from operations.

Capital expenditures were US\$12.5 million this quarter, compared to US\$4.9 million in the first quarter last year. The increase was primarily due to 1) Gen-7 vehicles production for the quarter; 2) procurement of vehicle components for future manufacture, and 3) investments in data centers and servers.

We believe 2026 will prove to be a defining year for the industry, and we are confident in our ability to outperform the industry in operational and financial execution. With our solid Robotaxi operational excellence, continuous BOM cost optimization, increasing partner interests, and a strong cash reserve, we are highly confident in accelerating our path toward sustainable, profitable growth for our shareholders.

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

Q&A

Xiaoyi Lei from Jefferies

Hi, thank you for taking my question, and congrats on the strong quarter. Just one from me. I'd like to ask about the regulatory environment. We've seen quite a bit of movement on the policy side for the Robotaxi sector both in China and overseas. So I was hoping you could share your perspective on how this evolving regulatory landscape is shaping up. And more importantly, how you see it impacting Pony AI's business or your competitive positioning going forward. Thank you.

Dr. James Peng

This is James. I'll take this question. As far as I know, most of the policy discussions, both domestically and globally are centered on safety operation for robotaxi. As you all know, safety is the cornerstone of the autonomous driving industry. Therefore, I would consider the safety discussion and the result of standardized safety or even higher safety measures are beneficial for the long-term stable development of the industry. At Pony, we have had many years of experience of successfully operating a large fleet and have the experience working with regulators to have a healthier, more transparent environment. Especially in China we have built a deep trust with regulatory authorities and we consider that we will continue to work hand-in-hand with the regulators to safely bring autonomous driving to the public.

Back to the safety itself, as Tiancheng mentioned, we have established a full life-cycle safety management for both autonomous driving vehicle itself and also the fleet operation. Every vehicle features a fully redundant architecture with fail-operational capability, that is actually our vehicle will always safely pull over even during an extreme case of system failure. Additionally, our fleet management has the capability to detect and respond to any unforeseen issues on the road. The whole system actually serves as a city-wide safety net to prevent traffic jams and handle real-time road changes. This is how we ensure safety at scale.

This highly sophisticated and robust safety system and also safety track record have given us confidence to scale our business quickly. The current policy discussions and policy updates do not have any direct impact on our business. In contrary, we are, as you see, during the prepared remarks, I have actually raised our business targets for the whole year 2026. We are continuing to push forward with our Gen-7 deployment, and we are making smooth progress toward our targets in fleet size, revenue, and operational area expansion.

As I mentioned, there is no immediate impact. I believe that in the mid-to-long term, the current standardized regulatory environment will play directly to our advantage as we already established as the industry leader. It highlights once again the complexity of operating Robotaxis at scale in dense urban environments, which is exactly where we have proven our capabilities. Ultimately, these high standards will consolidate the market, filter out unqualified players, and further raise the entry barrier for the new players. And as a result, it will help the long term growth of industry.

With this, I'll hand over to the operator.

Ming Hsun Lee from BofA

Congrats for the good results. Given you raised your robotaxi fleet size to 3,500 by the end of the year and also you raised revenue. Could you elaborate more on the key drivers behind your upward revision for these two numbers?

Dr. Leo Wang

This is Leo. I'll take this one.

So the upward revision is definitely showing that we are encouraged by our strong commercial momentum, especially the result of Q1. To be honest, this is actually moving faster than we expected and it's reflected in many core areas in our robotaxi business:

For example, we are seeing our domestic operations are accelerating. We are seeing the pick-up in revenue, in paid order volume, and also in the user basis in all tier-one cities in China. This is really a reflection that we are providing a qualified service nonstop in Shenzhen and in Guangzhou, and we are attracting more and more repeated users because we can provide a service even during peak hours with consistency even during complex scenarios and that eventually translates into more revenues.

And the other point is how we make the UE breakeven milestones in Guangzhou and Shenzhen. This also serve as a proven case for future possibilities. And that's why we are seeing many of the potential partners now they have the real interest domestically and internationally to really participate in our joint deployment business model. This could be more efficient use of our capital, but it also means we could deploy more vehicles in different markets. So given all these facts and encouragement, that's why we have the confidence to push our Robotaxi revenue growth target even higher to be 3.5x of 2025, and our fleet size to be 3,500 vehicles by this year-end.

Now I'll get back to the operator.

Wei Huang from Deutsche Bank

Thanks for taking my question. I have a question on Robotruck operations. You recently launched the L4 light truck at Beijing Auto Show, could you explain the strategic consideration for launching this platform and comment on the expansion plan?

Dr. James Peng

This is James and I'll take this question.

As you consider, the company vision since our founding has always been "autonomous mobility everywhere." To us, the word "everywhere" actually has two implications. One is expanding our presence across both domestic and overseas markets, and the other is scaling our technology across different vehicle platforms for both passenger and freight transportation. So the launch of our L4 autonomous light truck actually aligns perfectly with our vision and our ambition.

In the logistics sector, the value chain spans long-haul trucking, urban logistics, and last-mile delivery. We already established a Robotruck division that working on the long-haul logistics. For the last-mile delivery, we are not directly working on it but we have already become a leading ADC provider. The recent launch of L4 light trucks serves a purpose of completing one key segment in our full logistics portfolio. The platform for L4 light trucks also shares a nearly identical software stack as our robotaxi. It can also fully utilize our existing operational infrastructure, such as remote assistance, the ground support networks and even the cleaning charging facilities. This unified architecture creates a powerful synergy: it can further slash our light truck operating costs by half compared to human-driven light truck fleets. Also, we can lower the operational overhead of our Robotaxi service because we can share a lot of their background support.

In terms of the current status, we are developing L4 light trucks are well underway. For example, we co-developed this L4 electric light truck with CATL, and we are establishing a solid pipeline with some of the leading logistics companies for future applications for those trucks. In addition, we started discussing with regulators on the licensing front and also on the fleet management. We expect this autonomous light truck to begin scaled operation early next year.

With this, I'll get back to the operator.

Ting Song from Goldman Sachs

Thanks for taking my question. Congratulations on the results. My question is on the technology part, so regarding the VLA (Vision-Language-Action) model in autonomous driving, could you please share more on Pony's strategy and your future expected technology path? Do you think the language part is still necessary as we recently noticed some supply chain players start to remove the language from their models?. Thank you.

Dr. Tiancheng Lou

This is Tiancheng. I'll take this one.

Let me start from saying that the core of driving is understanding the intentions of other road users and response appropriately. By putting an intention layer into our world-model training, we generate different intention combinations and we evaluate the probability of all other traffic participants. This design ensures our onboard model always selects the safest route and has a plan ready for any event, even for low-probability edge cases. We believe language is not the essence of driving. Also, language models take too much computing power for a car. Instead, we believe intention is the real core of driving. When humans drive, they think about the intentions of other cars, not natural language. Crucially, this intention data is hard to get from simple road testing; we must generate it by world-model.

We believe large language models or language layers do not help on the car's inference side, while world-model and generated data are essential for training. In fact, autonomous driving and large language models do very different tasks. A large language model agent, like a coding tool, does not need to have very low latency. It does not need to be perfect on the first try. It works in a low-cost environment where it can try, fail, and fix mistakes inside a testing box.

But driving has zero room for mistakes. If you make a mistake, it is an accident. Therefore, our tolerance for AI hallucinations is zero. To solve this, we build a virtual driving environment in our world-model. This allows the system to try and fail during the training stage, not on the real road. During the real-world inference stage on the car, our model does not pick the single highest-probability path. Instead, it chooses the action that ensures safety under any probability.

With this, I'll get back to the operator.

Jeff Chung from Citi Group

Hello James, Tiancheng, Leo. Thank you and congratulation with your record-breaking Q1 results, how should we think about the balance between sustaining this high-growth trajectory and your increasing strategic investments, especially when you are revising up the full-year targets? Thank you.

Dr. Leo Wang

Thank you, Jeff. This is Leo, I'll take this question.

Yes, we have a very good Q1 result, which proved that our Robotaxi commercialization strategy, dual engine strategy is translating into accelerated topline growth. And as you can see that our topline growth is outpacing our expenditures, which resulted in our operating loss margin narrowed quite a lot this quarter.

Given all this momentum, we are confident to raise our full-year business targets, so that we can achieve even higher growth trajectory, which I think is really important for any growth company. In the meanwhile, we need to make strategic increased investments in certain areas, hence to keep our advantages in the industry. Using example is we are on track to decrease our total BOM cost to be less than RMB 230,000 in the domestic market by mid-next year through our R&D works and deepen collaboration with OEMs. And we think this will be paid back in our future deployment and will attract more Joint Deployment Business Model partners. So I think that this is a balancing regarding the expenditure and also investment versus the trajectory of our growth. We are definitely putting the growth trajectory as our highest top priority. But we will always follow a value-driven and disciplined approach for these front-loaded expenditures.

Thank you, I'll get back to the operator.

Purdy Ho from Huatai Securities

Thank you, management. Congratulations on the solid results and thank you for taking my question. I'd like to focus on your international expansion strategy given the recent commercial traction we are seeing overseas. Could you provide more colors on your road map for global fleet expansion? Specifically, as you are evaluating different markets such as the Middle East, Europe and Asia, what it takes your prioritization across this region? Thank you.

Dr. James Peng

This is James, let me take this one.

As my answer to the last question, our company vision is "autonomous mobility everywhere", you can see that global expansion has always been part of our strategic efforts. Our dual-engine strategy is rapidly accelerating our global expansion. As more international countries introduce regulations in supporting autonomous driving, and also there's many more partners want to work with us, because of these two factors, we are seeing tremendous growth opportunities abroad. In fact, several international markets have already started contributing sizable revenues to us in Q1.

We are capitalizing on this window because our technology and commercial operation in China's tier-one cities have already given us extensive experience in handling the most complex urban environments and also we have already achieved UE breakeven in Shenzhen and Guangzhou. This proven technical capability and cost advantage, also because of the overseas policy openings, is actually the underlying driving force for our accelerated global efforts.

In terms of our international footprint, we are actually as you mentioned, scaling quickly across all these key regions. We have now established a presence in 9 countries, and started Robotaxi services to the public in four overseas markets, including Croatia, Qatar, Singapore and South Korea. In Europe, we partnered with Uber and Verne to launch the region's first commercial Robotaxi in Zagreb. In the Middle East, we are advancing fare-charging services in Doha and initiating fully driverless operations in Dubai. In Asia, we have deployed public Robotaxi services in Singapore and currently are conducting robust testing in Seoul, South Korea.

So certainly, moving forward, we will continue to collaborate closely with all the local regulators and our trusted partners to accelerate our commercialization. We will certainly double down on our investment and fully committed to expand our footprint to over 20 cities worldwide by this year.

With this, I'll get back to the operator.

Eugene Hsiao from Macquarie

Thank you for taking my question. In the earnings release, some of the CapEx in Q1 was for stock building of ADKs, I'm wondering if you could please update us on if there's any material input cost impact for rising component costs. And I think Leo mentioned earlier that we're still on track for the BOM cost reduction to reach 230,000 by next year. So what areas are we targeting to reach this target? Thank you.

Dr. Leo Wang

I'll take this question. This is Leo. Thank you for asking this question. In terms of BOM cost reduction, we have always been using a holistic approach, meaning we are looking into all aspects regarding the vehicle, regarding the autonomous-driving technology to get the overall BOM costs down along the road. So I think several factors will drive down our future BOM costs.

First of all, we are deploying more and more vehicles. Our vehicle total fleet size will increase with a larger volume, especially with more and more deployment partnership coming in, we could give a more quantity order to our suppliers, definitely they'll help us to negotiate with the pricing from our suppliers. Second is now we already have our Gen 7 vehicle on the street and accumulating millions of kilometers giving us real data showing where we can refine our system, where we can simplify our system, where we can optimize our system.

Based on these real data, definitely we can do our R&D work to further cut down our BOM cost. Of course, the supply chain itself has a certain uncertainty. However, Pony has been dealing this uncertainty along the years. So for this year, for example, the memory, of course, there is certain shortage. However, we act quickly last year to secure the supply for memories. So again, this showing our capability on handling these shortages. That's why we are very confident to hit that BOM cost target by mid-next year. Thank you.