WeRide Inc Fourth Quarter and Full Year 2024 Earnings Call Transcript

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PARTICIPANTS

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Analysts:

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Jiajie Shen - JP Morgan

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PRESENTATION

Operator

Good morning and good evening, ladies and gentlemen. Thank you for standing by and welcome to WeRide's fourth quarter and full year 2024 earnings conference call. At this time, all participants are in the listen-only mode.

We will be hosting a question and answer session after management's prepared remarks. Please note that today's event is being recorded. The company's financial and operating results were released by the newswire earlier today and are currently available online.

Joining us today are WeRide's founder, chairman and CEO, Dr. Tony Han, and CFO, Ms. Jennifer Li. In addition, co-founder and CTO, Dr. Yan Li, will also be available during the question and answer session. Before we continue, I would like to refer you to the safe harbor statement in the company's earnings press release, which also applies to this call as today's call will include forward-looking statements, including our strategies and future plans.

Actual results could differ materially from those stated or implied by these forward-looking statements as a result of various important factors and please refer to the risk factors section of our U.S. prospectus file with the SEC for a full disclosure of these risk factors. Please note that all numbers stated in management's prepared remarks are in RMB terms and we will discuss non-IFRS measures today, which are more thoroughly explained and reconciled to the most comparable measures reported in the company's earnings release and filings with the SEC. With that, I'll now turn the call over to the company's founder, chairman and CEO, Dr. Tony Han. Please go ahead, sir.

Tony Han (Founder, Chairman and CEO)

Hello everyone, and thank you for joining us for our first earnings call as a Nasdaq-listed public company.

2024 was an important year for WeRide, marked by significant advancement of our core robotaxi business, international expansion, and product development. As we continue to build on our position as an industry leader, we remain committed to our mission of transforming urban living through safe, reliable, and accessible autonomous driving solutions. The progress we've made during the fourth quarter has been particularly encouraging. It positions us well for 2025 and beyond. It also reflects our strategic focus on establishing foundations for long-term sustainable growth. We believe that this will allow us to best deliver on our mission and create lasting value for stakeholders.

Let's begin with our core robotaxi business. We've made exciting achievements together with our partners. In October, we launched our new generation robotaxi model, the GXR, which represents a significant leap forward in AV technology. Just four months after its launch, GXR began fully driverless commercial operations in Beijing, becoming our second AV authorized to provide unmanned and paid robotaxi service in the capital of China. This rapid deployment demonstrates both our technological superiority and the increasing regulatory acceptance of AVs.

The debut of GXR also coincided with the third anniversary of our robotaxi operation in the UAE. In the fourth quarter, we started a new chapter in this region by collaborating with Uber to launch a ride-hailing partnership in Abu Dhabi. This represents the first time that AVs are available on Uber outside the US. We are excited to announce that by mid-2025, the number of our robotaxis on the Uber platform will reach 50. With the support of the Abu Dhabi Integrated Transport Centre, our service is available in major areas, between Saadiyat Island, Yas Island, and routes to and from Zayed International Airport. This marks a key milestone of our commercialization in the region.

We believe that the robotaxi industry has entered an exciting development phase, powered by increasing public acceptance and a more favorable regulatory environment. As a first-mover, we are well-positioned to capitalize on this shift, and fully committed to improving the accessibility of our robotaxi service globally. In January, we launched our first strategic robotaxi pilot project in Switzerland. In March, we officially obtained the permit to conduct commercial robotaxi ride-hailing services in Core Urban Area in Beijing.

Our WeRide One foundation model enables us to operate successfully in diverse environments. Our robotaxi can maneuver smoothly in crowded Tier-1 cities such as Guangzhou and Beijing, and maintain very stable performance in extreme weather such as very heavy rain and extreme heat. Most importantly, we prioritize safety in our operations. Our robotaxi fleet has completed more than 1,900 days of commercial operations on public roads, with zero regulatory discipline caused by autonomous driving system failure.

Next, I'm going to share with you our market strategy, which focuses on internationalization. We've been spearheading commercialization in the global markets since 2021. Back then, we launched our robotaxi ride-hailing service in Abu Dhabi, which was the first-of-its-kind in the region. Our outstanding performance yielded as UAE's first and only national permit, which was granted to WeRide in 2023. We were greatly encouraged by this success, which validated both our technology and service.

In new markets, we are committed to fostering constructive dialogue with regulators to realize our mutual visions for safe autonomous driving. We have also built a robust ecosystem by forging strategic partnerships with a wide range of key stakeholders. Besides joining forces with Uber in the Middle East, we collaborate with Zürich Airport in Switzerland to provide robobus shuttle service, and partnered with Renault, beti, and Macif in France to offer trial robobus service. We also provide driverless solutions to the largest sanitation operator in Singapore, Chye Thiam Maintenance. These initiatives are evidence of our serious commitment to global expansion. As of today, we have deployed L4 vehicles across more than 30 cities in 10 countries.

Domestically, despite current economic headwinds, we've expanded our footprint to over 20 cities in China with our robotaxi, robobus, robosweeper, robovan and related services. We're actively building a stronger business development team, and implementing dynamic pricing strategies to drive growth in our home market. We remain optimistic about its long-term potential.

Our strategy of engaging in multiple markets provides us with resilience and various opportunities for growth, thereby mitigating the risks associated with dependence on any single market. Through focusing on international expansion, we are confident in our ability to expand customer base and turbocharge our long-term growth.

Now let's discuss the technology and products that underscore our success. Our global strategy is governed by the focus on technology innovation. It ensures that we remain competitive in every single market we enter.

We began to deploy end-to-end models in both ADAS and L4 driverless systems in the 2nd half of 2024. The end-to-end model employs a large VLM (visual-language model), which is pre-trained with all the data available from the internet as backbone to encode the world knowledge. It is then trained with nearly 1 million hours of carefully selected driving data from both human drivers and simulated driving scenarios based on a World-Model. The training data continuously grow with high-quality driving data, as well as more long tail cases covered by real-world data and simulated data.

Such an approach ensures the trained model has a general understanding of the world, as well as deep insights in driving. Eventually, our autonomous driving systems can perform like a seasoned taxi driver in various complex urban scenarios.

For our L4 driverless products, such as robotaxi and robobus, the end-to-end model is accompanied with safety-critical frameworks to bring a human-like driving experience, while maintaining the same high level of safety required by driverless systems. They are available in our latest version of robotaxi -- GXR, which is currently running in multiple countries.

We have also achieved several key breakthroughs in product development in 2024.

First and foremost, as mentioned at the beginning, we unveiled our new purpose-built robotaxi model, the GXR. It is carefully tailored for scalable and driverless operation with an improved redundant system. It features an industry-leading L4 drive-by-wire chassis architecture, spacious seating design, and WeRide's proprietary Sensor Suite 5.6. With an AI computing power of 1300 TOPS, GXR is able to handle the highest level of complexity. We've also put into thorough consideration in user experience, such as a designated carry-on luggage area, a gradual stop button, and an electrical power sliding door. GXR started serving citizens in Beijing this February, and will soon be deployed in Guangzhou and Abu Dhabi. With this ground-breaking product, we are going to redefine autonomous driving experience by providing a safer and more comfortable mobility option.

In other L4 segments, we extended our product family by releasing a new robosweeper, the S1, and a new robovan model, the W5. Both represent our customer-centric productization philosophy. S1 robosweeper complements and is deployed alongside our larger S6 robosweeper. It can navigate smoothly in narrow space while effectively cleaning various road surfaces. W5 features the largest cargo capacity in its class, making it fit for various point-to-point logistics scenarios. We have seen strong demand just one month after we introduced W5 robovan.

These innovations expand our addressable market, enhance our capabilities, and offer to create additional revenue streams beyond our core robotaxi business.

As we look forward to the remainder of 2025, our strategy will focus on setting the stage for future growth through multiple coordinated initiatives. We are preparing to take advantage of the recovery of the domestic market, and expand our presence internationally. In tandem, we will continue to diversify our revenue streams through product innovation and upgrades. Finally, we are committed to scaling our robotaxi fleet to a meaningful size that drives operational efficiencies and strengthens our industry leadership. These efforts will lead to sustainable long-term growth.

With that, I will now turn the call over to our CFO, Jennifer Li, to discuss our financials. Jennifer, please go ahead.

Jennifer Li (CFO)

Thank you, Tony. Hello everyone. Before we get into the financials, please note that all amounts are in RMB and all comparisons are on a year-over-year basis unless otherwise stated.

Now let's go through our fourth quarter and full year 2024 financial performance. In 2024, WeRide reached record-breaking robotaxi revenue and achieved the highest international revenue since our

founding. Total revenues for the fourth quarter decreased by 3% to 141 million, primarily due to a decline in our service revenue, which was partially offset by growth in product revenue. For the full year of 2024, total revenue was 361 million.

By revenue type, product revenue saw substantial growth, increasing by 46% to 52 million for the fourth quarter. This growth was mainly driven by a significant rise in sales of robotaxis, robosweepers and robovans during the quarter, although partially offset by a decrease in revenues from sales of robobuses. Service revenue, on the other hand, decreased to 89 million, mainly because customized R&D services for certain clients were completed during the previous quarter, with renewed contracts expected to take effect in 2025. For the full year of 2024, product revenue increased by 62% to 88 million, while service revenue decreased by 21% to 273 million.

In terms of gross margins, product gross margin was 17% and service gross margin was 48% for Q4. For the full year, gross margins for products and services were 18% and 35%, respectively.

Now, turning to our operating expenses. In the fourth quarter, operating expenses rose by 82% to 640 million. For the full year of 2024, the operating expenses increased by 32% to 2.3 billion. The change was mainly due to higher personnel-related expenses for both Q4 and the full year, as well as an increase in share-based compensations, which we will refer to as “SBC” from here on. We believe that these increased operating costs were moderate relative to the market, while it well-positioned WeRide for growth at scale, enabling us to build distribution networks and become the front-runner in deploying our products in more international markets with better profit margins and significant growth potential.

Breaking this further down, R&D expenses increased by 32% to 320 million in Q4 and increased by 3% to 1.1 billion for the full year of 2024. Excluding SBC, R&D expenses increased by 57% to 284 million in Q4 and increased by 39% to 857 million for the full year of 2024. R&D expenses grew as we continued to invest in attracting industry-leading talent to constantly improve our technical capabilities and products, as well as launching new innovative autonomous driving products and services.

Administrative expenses increased by 205% to 305 million in Q4 and increased by 82% to 1.1 billion for the full year of 2024. Excluding SBC, administrative expenses increased by 63% to 66 million in Q4 and increased by 26% to 201 million for the full year of 2024. The increase was primarily due to our continuous efforts to execute our growth strategy, strengthen our organizational infrastructure, and recruit key employees across relevant functions. We also faced higher professional service fees compared to previous quarters as we transitioned to being a publicly listed company.

Selling expenses increased by 52% to 15 million in Q4 and increased by 29% to 54 million for the full year of 2024. Excluding SBC, selling expenses were up 71% and 74% for the quarter and full year, respectively. This increase reflects our continued expansion of the sales network, initiatives to promote the advantages of our autonomous driving products and services, as well as efforts to build brand awareness. With this increased spending, we successfully launched more commercial projects across multiple cities in China and rapidly expanded our presence in key markets in Europe, the Middle East, and Asia.

Our net loss increased by 56% to 592 million in Q4 and increased by 29% to 2.5 billion for the full year of 2024. On a non-IFRS basis, which excludes certain factors as outlined in our earnings release and

corresponding U.S. SEC filing, the net loss increased by 112% to 246 million for Q4 and increased by 60% to 802 million for the full year of 2024.

As of December 31, 2024, we held 4.9 billion in cash, cash equivalents, and time deposits, along with 14 million in restricted cash and 1.7 billion in financial assets measured at fair value through profit or loss.

We expect our solid cash position will allow us to sustain ongoing R&D efforts and expand the deployment of our autonomous driving vehicles across more cities. We believe these investments will yield significant commercial returns in the coming years.

In closing, 2024 was a strong year for our company. WeRide has launched autonomous driving testing and operation in 10 countries, achieved record-breaking robotaxi revenue and the highest international revenue. Our strategic investments in research and development and other key areas have led to innovative autonomous driving products and expanded global deployments.

Looking ahead, we have a robust pipeline of opportunities to work on in 2025, which we believe will drive the development of advanced technologies, shaping not only the future of our company but also the future of the autonomous driving industry.

With that, Operator, we are now ready to take questions.

Operator

Thank you. We will now begin the question and answer session. (Operator Instructions). Our first question comes from the line of Tim Hsiao of Morgan Stanley.

Tim Hsiao (Morgan Stanley)

Thanks for taking my questions and congratulations on the Renault project breakthroughs globally. So, I have two questions. The first question is about WeRide's business model because we noticed the industry has been evolving rapidly.

So, we definitely want to know what is WeRide's current robotaxi business model? And could the management team also share the latest progress? I think Tony has mentioned several exciting breakthroughs, but what could be the next?

Jennifer Li (CFO)

Thank you, Tim. I'll take the first question. Our robotaxi business model is quite unique from others.

For international markets outside China, we provide autonomous vehicles and services to local partners and global platforms through a combination of selling the vehicles, charging a fixed service fee, and a revenue-sharing arrangement. This ensures we have a positive contribution margin from day one. Our strategy focuses on collaborating with leading platforms in each market so that we can achieve faster robotaxi deployment, better utilization of robotaxi fleet, and stronger pricing power.

Our goal is to establish a presence in core cities, moving from zero to one, to capture the total addressable market for autonomous vehicles. We're expanding globally, with certain overseas markets offering very attractive unit economic and TAM, while China provides very rich scenarios to prove and refine our technology and products.

For example, in the Middle East, we partnered with Uber to launch commercial robotaxi services starting from December 2024 in Abu Dhabi. To the best of our knowledge, this is the largest commercial robotaxi service outside the US and China. We will continue to increase the fleet to 50 robotaxis by mid-2025 and improve operation by increasing pickup and drop-off points and operation areas.

Another example is that we began working on pilot testing our robotaxi in Switzerland with the largest local operator and we expect to start open-to-public trial this year. Also, in China, we run our own platform, WeRide Go, to offer robotaxi services to users directly. We expect unit economic for robotaxi in first-tier cities in China to turn positive in the coming years.

We plan to involve third-party asset owners to purchase the fleet and operate them on our platform by then. In short, our goal is to maintain an asset-live business model and to sell the robotaxi fleet as much as possible. Thank you.

Tim Hsiao (Morgan Stanley)

Thanks for the detailed information and sharing. Just a quick follow-up on robotaxi, because we think that robotaxi, as Tony mentioned, remains WeRide's core business and they stay very topical these days. Could you elaborate a bit more about WeRide's current market position in robotaxi industry, probably both domestically and globally?

Tony Han (Founder, Chairman and CEO)

Okay, I will take this question. First of all, I think WeRide is definitely in a leading position in robotaxi segment. I will explain in details.

First of all, I think WeRide maintains her global leadership in both technology and commercialization. If you really look into the numbers, so far, WeRide is supported by one of the largest fleets globally with the best safety records. As I mentioned in the opening remarks, we are the only company, to our best knowledge, that holds a track record of zero regulatory issues caused by AD systems failure.

That is an amazing number. Also, we are the only company that holds autonomous driving permits from four countries. We test and operate in various complex environments with dense populations, which is actually the best testament of our technological leadership. With our various products, including robotaxi and robovan, you can find that our robotaxi operation is highly scalable because we really built a very rigorous operating setup, including remote assistance center, fleet management system, and a fail-operation design. Also, over the years, we have established a streamlined SOP that enables successful development in any new city within one month.

We have launched a purposely built and cost-effective car model, GXR, that ensures safe and reliable driving performance at a large scale. Last and also most importantly, since the foundation of WeRide eight years ago, we always treat technology as the base of the whole company. We devote tremendous efforts, lots of research efforts, and lots of funding for R&D. We really put huge efforts to recruit talents. All of this finally resulted in a very advanced robotaxi technology, which reflects our performance. If you look at our current safety standards, that reflects our technology advance. With all of these results, I do believe WeRide is definitely in a leading position.

Operator

Our next question comes from the line of Jiajie Shen of JP Morgan.

Jiajie Shen (JP Morgan)

Thank you for taking my questions. This is Jiajie from JP Morgan. First of all, congrats on your recent encouraging business development and expansion in global markets. I have two questions. The first one is - while scaling robotaxi operation in both domestic and overseas markets, what major challenges do you foresee?

The second question is how do you view the future competitive landscape from here?

Tony Han (Founder, Chairman and CEO)

Let me answer these two questions. I think the first question is really about challenges in scaling robotaxi operation. That is a great question.

I think there are challenges faced by all the autonomous driving companies who have a business in robotaxi. We believe these challenges also introduce lots of opportunities. Why? Because if you can conquer these challenges and handle these challenges very well, and the way you handle it becomes the

moat of your business. More specifically, city-level opening up is necessary for commercial operation at scale. And WeRide has been known to be very good at taking this step-by-step.

Most authorities like municipal governments or state governments will prefer a responsible approach when they adopt AV. And WeRide has a way to gradually introduce autonomous driving products, like we can always introduce robosweeper at first and also fixed route minibus, which the challenges for safety for this product are relatively low compared to the requirements for robotaxi. But with this progressive approach, we can gradually build up mutual trust and actually show the local government that our technology is safe.

And then we can gradually introduce robotaxi at a scale. And new operational challenges will emerge at each of the scale, like when you deploy 1,000, 10,000, and 100,000 levels of fleet size. And so, the backbone is really about the robustness of your technology and how safe can you maintain your robotaxi fleet during the operation. With our track record, I think we have already shown we can handle this challenge pretty well.

That is my answer to your first question about challenging for scaling robotaxi operation. The second question is really about future competitive landscape. And as I mentioned in my answer to the first question, robotaxi has a very high entry barrier. For such a huge market, and to our best knowledge, there's only a handful of top players, maybe four or five. WeRide is one of the pioneers. It's very unlikely to foresee any new commerce with a significant impact. Some peers actually are doing remarkable jobs, which propel the health development of the whole industry. For example, Waymo in San Francisco is very exciting.

And we also committed to making our own contribution. We believe that robotaxi represents a fundamental shift of core capability compared to traditional ride-hailing, which heavily relies on human element. So, I believe for the winning robotaxi companies, they have to adopt lots of cutting-edge AI technology. And luckily, WeRide adopted VLM model, end-to-end model, and also World-Model. All of these large-language model-based techniques facilitate our robotaxi operation and guarantee our safety. We are well-positioned to expand our leadership.

What differentiates us is our technology and business flywheels enabled by our comprehensive skillset. And I think we will continue to improve our technology. And with our very fast-paced technology advancement, I think we will maintain our leading position.

So, in the future, I do believe WeRide will keep our leading position in robotaxi business.

Operator

Our next question comes from the line of Liping Zhao of CICC.

Liping Zhao (CICC)

Good evening, Tony and Jennifer. I also got two questions here, and thanks for taking my questions. The first question is for the robotaxi business.

What's your current cause and path to profitability, and how big a fleet can achieve breakeven? And second question is about the overseas expansion. So, in general, why do you expand your business in so many countries instead of focusing on the domestic market? Thank you.

Jennifer Li (CFO)

Thank you, Liping. I'll take the first question. We believe in operating as part of a hybrid fleet as that will afford us to better ramp up the schedule and utilization of the robotaxi fleet.

That said, our business model is not to be an operator outside China, so our margin is positive on day one. As for the BOM cost, our current BOM is highly competitive. We understand certain peers' unit cost goes over like $150,000, while ours is substantially lower, and it's still reducing. This is mainly benefiting from the mature and advanced EV supply chain in China. As for break-even, it varies by market and by the business model, but in our target markets, autonomous vehicles operating alongside human drivers in a hybrid mode, it can achieve quick profitability due to guaranteed utilization.

For instance, in high-cost markets, like some of the European countries and some Middle East countries, we expect operating profit margin of approximately 60% by 2030. In terms of break-even, as long as the utilization of robotaxi is high, break-even is achievable, even with a small robotaxi fleet in a new city. However, if a robotaxi player operates on its own platform in a small zone, for example, in one-fourth or one-sixth of a city area, it's relatively difficult to have a high utilization rate unless they have a huge discount and the retail price is very low. Either way, it's pretty hard to operate in a smaller zone on its own platform and achieve quick break-even. This is why we prefer the hybrid mode for outside China. Thank you.

Tony, do you want to take the second question?

Tony Han (Founder, Chairman and CEO)

Okay, I'll take the second question. If I remember correctly, the second question is really about why not just focus on the domestic market. First of all, I think it's very natural that if you can do well in both global market and domestic market, why not do well in both?

Actually, looking at our track record and our numbers, I think we can say we do well in both markets. There are several reasons why we can do well in both markets with a relatively new team, but the fact is we do believe we can do well in both markets. One reason is we have a very general, very universal

foundation model and we build up our autonomous driving technology from just the same set of code library and then branch out for different products. That's one unique advantage of WeRide. Besides, we observe a strong demand from countries that are facing challenges of aging population and rising labor costs, such as Singapore, Japan, and European countries. They usually are very good markets, and we can definitely generate enough profit margin. With this kind of good market, and there are not very strong autonomous driving vehicle companies can deploy there, so that is definitely a natural market for WeRide. We also believe that this is definitely a favorable window to engage local stakeholders as the first mover and shape the local regulatory framework of autonomous driving vehicles.

Besides, a multi-market approach helps us diversify our revenue streams, as I mentioned in the opening remarks, and it can improve our resilience against single-market fluctuation. If you look at numbers, international markets represent 10 to 30 percent higher growth margin than a domestic market, leveraging the robustness of our products. So, with all of these reasons, I think we can definitely do well both in domestic market and in global market and WeRide has unparalleled, unique advantages to do both markets very well.

Operator

Our next question comes from the line of Ting Song of Goldman Sachs.

Ting Song (Goldman Sachs)

Thanks for taking my question. Congratulations on all the progress. I have two questions.

The first one is you have launched robotaxi GXR and robovan W5. So, what will be your next milestone regarding technology and product development? And the second question is you just mentioned that you have started to deploy end-to-end models and VLM in your L4 system. Could you elaborate more on this, on how you could further develop your technology? Thank you.

Yan Li (Co-founder, Director, & Chief Technology Officer)

I think these two questions are technology related. I will cover this question. Thank you for the question, Ting.

I think that there are many exciting developments over last year. So, I just want to highlight a couple of them. In 2025, we plan to deploy hundreds of vehicles across multiple cities worldwide.

Our next-generation AV system will incorporate advanced HDR cameras, solid-state LiDARs, as well as auto-grade computer units. I think these upgrades will significantly reduce the total BOM cost while enhancing our overall system reliability, and ensuring a robust and cost-effective solution for autonomous mobility.

Regarding the computer unit, we have established a strategic partnership with Lenovo to implement NVIDIA's DRIVE Thor Platform and co-develop a next-generation domain controller. This auto-grade domain controller will feature NVIDIA's latest Blackwell architecture System-on-Chip. It was engineered for L4 autonomous driving, and we anticipate deploying this cutting-edge technology in our commercial robot taxi fleet by the second half of this year.

I also want to talk a little bit about our data and models. By leveraging the extensive data collected from both ADAS and L4 vehicles, we are accumulating millions of long-tail traffic scenarios. Those datasets will be integrated into our vision language models to encode a complex urban driving environment. As a result, our autonomous driving system will achieve unparalleled capability in navigating intricate urban scenarios, demonstrating the skill and intuition of an experienced taxi driver. We are committed to advancing autonomous driving technology, driving innovation, and delivering scalable, reliable solutions for the future of mobility.

I think the second question is about how we deploy the end-to-end models, and how we train and deploy the VLMs to our L4 system. So actually, we began developing end-to-end models approximately a year and a half ago. Initially targeting our ADAS system, the result was remarkable. With the end-to-end system demonstrating exceptional maneuverability and a level of naturalism that exceeded our expectations, we were truly encouraged by those outcomes. So, we started integrating the end-to-end model into our L4 framework as an additional path-planning method.

By combining those approaches with the conventional modular design of the L4 stack, we achieved an optimal balance between safety and comfort in our hybrid system. Over time, we have observed a growing trend where the AI-generated paths were increasingly selected as the final decision by the AV system. That actually validates the effectiveness of this approach.

So more recently, we were inspired by the recent development of larger language models. We have incorporated vision language models, also known as VLMs, as the foundational framework for end-to-end systems. The VLM is pre-trained on a vast array of Internet data, enabling to encode a broad understanding of world knowledge.

This foundation is then fine-tuned using nearly a million hours of meticulously curated autonomous driving data. This dual-phase training ensures that the method not only possesses a general comprehension of the world but also deep specialized insights into driving dynamics. So as a result, our autonomous driving systems are capable of navigating complex urban environments with the skill and the intuition of an experienced taxi driver. Thank you.

Operator

Our next question comes from the line of Xinyu Fang of UBS.

Xinyu Fang (UBS)
Hi, thank you for taking my question. This is Xinyu from UBS. I have two questions here.

The first one is that we know that ADAS is a very important component of our service income. Can you elaborate a little bit more about this ADAS service? How do we partner with both our partners?

And technology-wise, how do our ADAS initiatives interact or transfer for our L4 technology? This is my second question. Thank you.

Tony Han (Founder, Chairman and CEO)
Thank you for the question, Xinyu. So we started to co-develop L2+ ADAS solutions with the world's largest tier-one supplier, Bosch, since 2022. We delivered our first solution for mass-production cars within a record-breaking 18 months. Our solutions have been deployed on the Chery Exceed platform.

So our ADAS system is actually designed to seamlessly integrate with our L4 system through a unified architecture. It has leveraged the same data pipeline, toolchain, simulation platform, and off-board infrastructure. So this one-size-fits-all approach allows engineers to efficiently transition between L2, L3, and L4 development. So it enabled rapid iteration and deployment across different target platforms.

I also want to mention that this insight and expertise gained from our ADAS development have significantly influenced our L4 stack. For instance, the end-to-end model development for ADAS serves as an alternative for path planning in our L4 system. Additionally, our HD map-free solution provides a robust mechanism to verify map accuracy and determine real-time updates during operations. So the rigorous automotive-grade standards applied in ADAS have also been instrumental in shaping system requirements, defining performance metrics, advancing cutting-edge simulation tools, refining our validation framework, and mitigating risks associated with commercial deployment.

So I think this symbiotic relationship between our ADAS and L4 systems not only accelerates development but also ensures a consistent level of reliability and safety across all levels of autonomy. I hope that answers your question. Thank you.

Xinyu Fang (UBS)

Thank you very much for the color. My second question is about our R&D expense. Can we have any color on the R&D expense going forward in 2025 or in more near term over the next few quarters?

Jennifer Li (CFO)

Thank you. I'll take the question. So our R&D expense increased 3.1% in 2024. It's mainly due to the increase in personnel-related expenses resulting from our expansion of the R&D team as well as the cost of upgrading our sensor suites and hardware design. So we expect our R&D expense to continue to grow at a moderate rate, along with our progress in recruiting top talents to expand our R&D force and also beefing up our compute resources.

Throughout the years, we have been very cost-conscious and maintain a much lower cash burn rate compared to our global and China peers. So our total liquidity position is around $910 million, which is CNY6.6 billion as of end of last year. So we believe that our current capital resource will be sufficient to meet our current and anticipated working capital requirements for the next couple of years as well as for all the capital expenditure of R&D and business expansion. And in the next few years, we expect to see our business take off. So as we make more commercial results, the liquidity position will be even stronger. Thank you.

Operator

Our next question comes from the line of Jiaqi Huang of SPDBI.

Jiaqi Huang (SPDBI)

Hi, Management. This is Jiaqi (Sia) from SPDBI. And I've got two questions. My first question is about our business partnership. Could you please share more about our collaboration with Nvidia, Uber, and other key business partners?

Tony Han (Founder, Chairman and CEO)

Okay. So I will take this question. So first of all, I think if you look at major business partners of WeRide, they are Uber, Nvidia, Bosch, and Geely for a reason - many of them are just like top-notch companies

and a very, very impactful company. So I think it's all because of WeRide's unique technology advance and our great business operation and our advantages in the market - that all of these tech giants want to work with us. So for Nvidia, we have very good relationships since the early years, like when we just found this company in Silicon Valley and we have been in touch with Jensen, and Jensen Huang as an entrepreneur always proved for the best technology. At that time, WeRide was a startup and showed Jensen the best technology. Today, we still show the best autonomous driving technology. So Nvidia became our very early investor. And also, we adopted Nvidia's SoC since Xavier's era. And then we gradually adopted OrinX, OrinY. And now, together with Lenovo, we are developing the newest SoC for both L4 and L3 systems based on their newest software platform. So I think our relationship with Nvidia is very strong and we will continue to use the best SoCs available to facilitate the development of our L4 system.

With Uber, this is definitely a win-wing partnership. As I mentioned in the opening remarks, we are going to have at least 50 robotaxis in Abu Dhabi by the middle of 2025, and the numbers will only be growing bigger and bigger, and you will expect more collaborations. And this is definitely a win-win partnership in the Middle East. And to our best knowledge, this is the first time Uber has an autonomous driving company that has a robotaxi hooked up in their platform out of the US. And we are really excited about providing robotaxi service at a larger scale in other regions together with Uber. And with the hybrid mode, we can conquer lots of potential challenges than if you just home-grow your own robotaxi service. So Uber is definitely a strong partner. And luckily, Uber will only pick the top players, and Uber will pick WeRide as a close partner.

We also have a very close partnership with Bosch. Bosch is the number one tier-one supplier in the auto industry. They actually set up a lot of standards in the ADAS system. And we are the largest partner of Bosch in the L2+ ADAS software stack. And the ADAS system co-developed by WeRide and Bosch demonstrates top performance in the market in China. And you can see there are lots of real-time broadcasts. There are head-to-head comparisons to Tesla FFD and the system developed by WeRide and Bosch just shows the absolute technology superiority. And also, in the future, we will work for the international market. Together, we are committed to serving a wider base of OEM customers, both domestically and internationally.

With the Geely Farizon, the GXR we co-developed with them, it's really a groundbreaking product. And it's a purposely-built autonomous driving vehicle, robotaxi, with lots of features I just mentioned at the beginning. And it's also so suitable for scalability because of the great cost advantage. And we will work closely to continue to upgrade the GXR and possibly for future models. Okay, that's the question about our collaboration.

That's my answer. Please go ahead. You have a second question?

Jiaqi Huang (SPDBI)

Yes, my second question is about our insights on autonomous driving. How do you think about the claim that autonomous driving will take away jobs?

Tony Han (Founder, Chairman and CEO)

Okay, another very good question. Probably last week, I was interviewed by CNBC and I was asked the same question. I think if you look back to the human history, there are many jobs that disappeared. Like the invention of a programmable machine to replace a human operator. The invention of a washing machine to replace laundry workers. There are lots of jobs that are tedious, and they are not friendly to a human being. And also because in many developed societies, the aging problem is a big societal issue. And for aging societies like in Japan and Europe, we are short of human laborers, especially taxi drivers. So if we can replace this kind of jobs with machines, that's really good.

And that doesn't mean we are killing jobs. We are actually getting rid of jobs that are good for the working class. We are basically facilitating the shifting of the jobs. And there will be more other jobs created like in a related area like data labeling, fleet management, and fleet maintenance. I think all of these jobs are very amicable to human beings. And nobody really wants to be a taxi driver, drive a car for eight hours, sit there.

So we do believe our vision is like we work hard to make all human beings live better. And this is our mission and vision. And so with this technology development, I think we can definitely just replace some tedious, not so well-paid jobs with better jobs. That's the advance of all human society. And we are so lucky. We are proud to take part in this progress.

Operator

Our next question comes from the line of Leo You of CLSA.

Leo You (CLSA)

Hi. Thank you for taking my question. It's Leo from CLSA. So quick question first. What is your current robotaxi fleet size? And with this fleet, how many orders can you generate per day on average?

Jennifer Li (CFO)

I'll take that question. Hello. So for now we have over a thousand autonomous vehicles. That includes robotaxi, robobus, robovan, and robosweeper, all of our products. And as for robotaxi, the total robotaxi fleet size is around 400 for now. And with 300 plus are in China and less than 100 are in the overseas market, but expanding quickly.

So the daily orders are not very meaningful as we're still scaling given our operational area is still expanding in different cities. But we're optimistic about the mid-term deployment and we're really committed to expanding. As I mentioned in this call, so we believe as long as the utilization rate for the robotaxi can be higher and within the hybrid mode, we're very promising about the pickup, like getting the daily order to a similar rate of human drivers and maybe higher, giving robotaxi can drive up to 20 hours a day in the near future. Thank you.

Leo You (CLSA)

Hi, thank you. I'm glad that you mentioned the other L4 use cases and could you elaborate more on their business models and how do you think of these business lines when you propel the robotaxi at the same time? Thank you.

Jennifer Li (CFO)

Okay, I'll take that. So for other use cases, we generally run from the vehicle sales of robobuses, robovans, robosweepers, as well as the recurring fee for the ongoing operational and technical support services. So for all the robobuses, robovans, and robosweepers, they are all purpose-built products with high level of market readiness. This is unlike a few years ago, we have retrofitted vehicles. All of those vehicles, they are already purpose-built vehicles and designed from ground up to be autonomous vehicles. So it has very good performance and robustness. In the meantime, we expect lower unit costs for those L4 use cases as we continue to scale.

In terms of the synergies, all of the different use cases do have great synergies with robotaxi. So these are the extensions and complements of the robotaxi business. They provide rich data from a variety of operating scenarios. And for some of the markets, others like our robobus, robosweeper, and robovan business lines tend to serve as a spearhead when we enter into some of the new markets. And in some markets, the stakeholders may prefer products with lower speed and in geo-fenced deployment at the initial stage for them to understand autonomous driving. So this is all the synergies we can see. We're

expanding our sales force to promote those products as well as building a broader distribution network. Thank you.

Operator

Thank you. If there are no further questions, I'd like to hand the conference back to our management for closing remarks.

Tony Han (Founder, Chairman and CEO)

Okay. Thank you all. We are proud of the incredible progress we have made in 2024, and we are keen to drive further innovation as a key to our long-term success. Thank you all again for joining our call today. If you have any further questions, please feel free to contact us or request us through our IR website. We look forward to speaking with you on our next call.

Have a good day. Thank you.

Operator

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.