WRD Earnings Call Transcript

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Quarter: 3

Operator: Greetings, and welcome to WeRide's Third Quarter 2025 Earnings Conference Call. Please note that today's event is being recorded. The company's unaudited financial and operating results were released by Newswire earlier today and are currently available online. Joining us today are WeRide's Founder, Chairman and CEO, Dr. Tony Han; and CFO and Head of International, Ms. Jennifer Li. 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 that includes forward-looking statements, including WeRide's strategies and future plans. These forward-looking statements are made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. The company's 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 Risk Factors section of the company's Form 20-F filed with the SEC and announcements on the website of the Hong Kong Stock Exchange for the full disclosure of these risk factors. The company does not assume any obligations to update any forward-looking statements, except as required under applicable law. 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 truly explained and reconciled to the most comparable measures reported in the company's earnings release and filings with the SEC and the Hong Kong Stock Exchange. With that, I'll now turn the call over to the company's Founder, Chairman and CEO, Dr. Tony Han. Please go ahead, sir.

Xu Han: Thank you. Hello, everyone. Thank you for joining us today. I would like to begin by highlighting some of the key milestones we achieved this past quarter. Q3 was a period of extraordinary progress for WeRide. Most notably, we made history in Abu Dhabi by securing the world's first city level fully driverless robotaxi commercial permit outside the United States. And we will begin -- actually we have already started the driverless operation through Uber, which I'm going to detail in the later slides this week. With our recent expansion into Belgium and our inaugural driverless robotaxi license in Switzerland, WeRide has become the only company with autonomous driving permits for 8 countries. By October, we have developed L4 fleet in 11 countries and more than 30 cities with over 1,600 L4 level autonomous driving vehicles in operation worldwide.

Abu Dhabi Model and Global Expansion
Xu Han: So as mentioned earlier, WeRide has been officially approved to provide full driverless commercial robotaxi service in the UAE's capital, Abu Dhabi. This landmark authorization removes the requirements for in-car safety officer and demonstrates the regulators' strong confidence in our technology. Following this approval, WeRide and Uber jointly launched the region's first fully driverless [wire charging] robotaxi service this week. starting from Yas Island and with a citywide rollout underway. Our commercial operation at Abu Dhabi has begun in last December. Our service now covers roughly 50% of the city's core area. In half of 12 hours, our single vehicle can complete up to 20 trips per day. I think this is a quite exciting progress. In the third midterm -- in the midterm, we aim to extend our service hours to 24/7, increase vehicle utilization to more than 25 trips per day and improve human-to-vehicle ratio to 1:10. These numbers will lead us to a very healthy unit economics. We

believe Abu Dhabi will set a global benchmark for large-scale and commercially viable robotaxi operation. And with all of these numbers, I think our unit economics is very, very healthy and can be profitable. So I just want to emphasize this kind of breakthrough is quite exciting, and we work so hard for a whole year to achieve this full driverless robotaxi operation in Abu Dhabi. And this is the first city level outside of United States who are capable -- first city level robotaxi service out of the United States, and it is actually provided through Uber platform. So with all of these important factors, this is unparalleled, and we are so exciting that we are making history.

Xu Han: Now let's talk about our current operation in Dubai. In September, we secured a self-driving vehicle trial permit from Dubai's Roads and Transport Authority and have begun road testing for our driverless operation in Dubai. Our goal is to launch supervised trial on Uber this year and the driverless commercial operation in the year of 2026. I mean, next year, we are going to provide driverless robotaxi service in Dubai.

Xu Han: Then we are going to talk our current operation in Saudi Arabia. In Riyadh, we began offering robotaxi rides through Uber in October, making our robotaxi service first and only publicly accessible robotaxi service in the Kingdom. With our development in the 3 largest cities in Middle East, that is Riyadh, Abu Dhabi and Dubai, we have more than 100 robotaxi vehicles in the Mid East region. The launch of driverless operation in Abu Dhabi is paving the way to scale the fleet to more than 500 vehicles by next year and tens of thousands by 2030. So we are very excited and very confident -- and very confident and very optimistic about our full driverless robotaxi operation in Middle East.

Xu Han: But that's not only our operation region. And I want to talk about East Asia and Europe. First, in Singapore, together with Grab, we received approval from the Land Transport Authority for both robotaxi and robobus in the area called Punggol District. We plan to increase our AV test volume by 4x by the end of this year. We also are integrating our technology into Grab's fleet management and routing system so that in future, we can provide driverless robotaxi through Grab in Singapore, just what we have done in Abu Dhabi through Uber. Actually, this -- all of these efforts will pay the groundwork for commercial service in the next phase. And then let's talk about Switzerland. In Europe, the expansion in Switzerland continues to lead our robotaxi deployment. We received the country's first driverless robotaxi license, enabling our autonomous operation in the Furttal region. A full driverless public service is expected to be launched in the first half of 2026. That is our current operation in Europe and in East Asia and Singapore.

Xu Han: And now let's talk about China. In our China market, we continue to expand and innovate. As we scale our commercial fleet, we also launched a 24/7 driverless commercial service in Huangpu District at Guangzhou. This is an area of 150 square kilometers. As of October, we have deployed more than 300 robotaxi in Guangzhou and over 100 in Beijing. All -- for all of this service, you can hail a driverless robotaxi in this region through our WeRide Go app. User value is kept very close to our heart, and we recently introduced China's first free pickup and drop-off feature for robotaxi service we called PU/DO service, allowing our system to intelligently recommend optimal boarding locations. This greatly improved both operational flexibility and user experience, which is well captured by our operational data. In November, each robotaxi completed up to 25 daily trips in Guangzhou and 23 in Beijing, which is a clear evidence of accelerated adoption.

Other Applications and Technology Foundation
Xu Han: Next, let's talk about our other applications. First, robobus. our robobus obtained Belgium's first Level 4 test permit, and we launched our operation in Leuven, making Belgium the 11th country covered by our service. In Guangzhou, after serving more than 1 million passengers since 2021, we received an order -- received an order for additional 100 midsized robobuses. This is a very exciting achievement. Actually, this is a newly developed robobus. In Hong Kong, we established a partnership with Kwoon Chung Bus Holding to deploy more than 500 Level 4 vehicles over the next 3 years. And for our L2+ Level ADAS system, WeRide and Bosch achieved a major milestone in November with the start of production of WePilot 3.0. This is an end-to-end system. It's just like what Tesla has achieved

through their FSD system. Our WePilot is totally comparable to what Tesla can do with FSD. The WePilot 3.0 will debut with the refreshed Chery EXEED ES and ET model and existing owners will receive OTA upgrades. With this kind of new feature, every owner of Chery EXEED ES and ET can enjoy the experience of Tesla's FSD. With this exceptional end-to-end system, WePilot has also been selected as the major ADAS system provider by Guangzhou Automotive Group, GAC, for several of their passenger car models. So that part is actually a very exciting progress, demonstrating WeRide can not only capable of doing L4 level robotaxi, but also are capable of doing L2++ level ADAS for massive production car.

Xu Han: This page actually shows -- summarize our footprint in the global. Actually, WeRide's strategy prioritized a balanced development in the global market. I want to explain this slide a little bit. You can see like in these 11 countries, we have different levels of operation. We have tested or we can operate it without a driver. So they are showing in the legend. So you see our multiproduct offering has maximized the value of our strategy, making us the only company whose technology is available in the 11 countries shown here. So we actually have a wide spectrum of applications and service available for the global market. Next, let me discuss about the backbone of our technology. This is called WeRide One Universal platform. By starting from supporting L4 applications alone in early days, WeRide One has grown gradually grown into a more powerful platform that empowers the full spectrum from L2 to L4 while continuously breeding new tools and systems. So one of the most preeminent is our world model, WeRide Genesis. So in our Genesis model, you can see Genesis is a new platform and will allow autonomous vehicles to be tested in a digital twin of the real world safely, efficiently and at a large scale. It features the data loop, algorithm loop and simulation validation loops that are essential for scalable autonomy. This is our world model, and it's seamlessly integrated with our end-to-end system. So this is a unique technology advantage. Our world model can be seamlessly integrated into end-to-end ADAS system and our L4 system can leverage on the data we collected from our L2 level data. So this Genesis form as the core flywheel, actually, we call it a double flywheel. We can actually leverage on L2++ level massive production car data to improve our robotaxi. In turn, our robotaxi data with redundancy can help us to boost the performance of our ADAS system. I want to emphasize in this world, there's only one company WeRide can do so. On one hand side, we have a large-scale robotaxi fleet make WeRide capable of doing leading robotaxi service like Waymo and other companies like they can do in the U.S. so that we can actually capture all the characteristics of full driverless operation. At the same time, WeRide to apply [indiscernible] 3.0 and very advanced ADAS system comparable to the FSD of Tesla, and we can leverage on mass production car data and collect all this kind of data in a very broad sense in all kinds of scenario to help us to improve the performance of robotaxi. We believe we can combine the benefits of L4 and L2+. This hybrid architecture enhance adaptability, reliability, safety and transparency, ultimately enabling robust commercial deployment. We look forward to sharing more about this advantage soon. In summary, Q3 was a quarter of exceptional execution. We expand our global leadership, and we translated technology innovation into commercial reality. With that, I will hand over the call over to our CFO, Jennifer, to discuss our financial performance. Jennifer, please go ahead to discuss about the financial numbers.

Financial Review (Xuan Li)
Xuan Li: Thank you, Tony. Hello, everyone. Before we dive into the third quarter financials, I want to highlight that all figures are in RMB and comparisons are year-over-year unless otherwise stated. Now let's discuss our third quarter financial performance. We delivered total revenue of RMB 171 million with a year-over-year growth of 144%, driven by our continued fleet expansion and increase in service penetration. The revenue growth also reflects the significant milestone we have achieved during this quarter, supported by our advanced technology, robust deployment and operational capabilities. Our revenue came from both product revenue and service revenue. Product revenue delivered strong growth of 428% to RMB 79 million in this quarter, an encouraging result driven by the increased sale of our robotaxi and robobuses. Service revenue grew 67% to RMB 92 million in Q3, supported by an increase of RMB 29 million from intelligent data service and an increase of RMB 8 million in autonomous driving-related operational and technical services. Service revenue has surpassed product

revenue in this quarter, demonstrating a continual growth momentum and healthy business structure. Among our product lines, what really stood out in Q3, same as in the last 2 quarters was our robotaxi businesses. Robotaxi revenue increased 761% year-over-year to RMB 35 million in Q3, accounting for 21% of total revenue in this quarter. With our new federal permits in UAE, we are the first and only robotaxi company that have begun full driverless robotaxi operation in UAE. Removing in-car safety officer is a critical milestone from a financial perspective, which will enable our robotaxi service to achieve unit economic breakeven. The quality of our growth is also compelling. Group level gross profit increased 1,124% to RMB 56 million for the third quarter with a group level gross margin of 33%, demonstrating our industry-leading gross margin as our business continue to grow. We aim to keep delivering business value along with our globalization strategy. Operating expense decreased 51% to RMB 436 million, with R&D; expense accounting for 73% of the total operating expenses. To break down further, R&D; expense increased by 24% to RMB 316 million in the third quarter of 2025 compared to the same period of 2024. Excluding share-based compensation, R&D; expense grew 39% to RMB 288 million as we further strengthened our global data compliance and advanced R&D; efforts for our pre-installed robotaxi. The increase in R&D; expense was primarily due to an increase of RMB 31 million in service fee for R&D; projects, an increase of RMB 21 million in personnel-related expense from headcount increase and an increase of RMB 23 million in material consumption and depreciation and amortization expenses. Administrative expense decreased by 84% to RMB 100 million in the third quarter of 2025 compared to the same period in 2024. Excluding share-based compensation, administrative expense increased by 23% to RMB 74 million. The increase was primarily due to an increase of RMB 6 million in professional service fee, mainly related to legal compliance service and an increase of RMB 4 million in personnel costs as we continue to build necessary supporting function to grow our business. Selling expenses increased 23% to RMB 19 million in the third quarter of 2025 compared to the same period of 2024. Excluding share-based compensation, selling expense increased by 36% to RMB 19 million, which was well below the sales increase. Our commitment to R&D; is the backbone of our strategy. We will continue to direct our resource there to pioneer the industry innovation and keep building our competitive advantage. Alongside this, we will strategically grow our global team with a clear focus on region that has accelerated the adoption of L4 solutions. This ensures that we have a world-class talent needed to support our business expansion. Our net loss narrowed by 71% to RMB 307 million in the third quarter of 2025. On a non-IFRS basis, adjusted net loss increased 15% to RMB 276 million, largely due to an ongoing R&D; investment and broader operational support required for the expansion of our business. As of September 30, 2025, we had RMB 4.5 billion in cash and cash equivalents and time deposits, RMB 926 million in investment in wealth management products and RMB 18 million in restricted cash. We had short-term bank borrowing of RMB 245 million. Our current liquidity reserve, along with the proceeds from our recent Hong Kong due primary listing in November have enabled us with a resilient position for our R&D-focused; strategy and our globalization deployment process. Our fully driverless robotaxi commercial permitting in Abu Dhabi is not just a local milestone. It's a scalable blueprint for the global industry. It demonstrates a viable path for city level full driverless cooperation outside the U.S. along with the potential for profitable unit economics in major international markets. Our strategy is to scale this model globally. We have the complete package, the technology, the operational experience, a proven safety record and regulatory trust. In the next 5 years, we will achieve large-scale L4 deployment, creating a sustainable business and delivering tremendous value of autonomous driving to the shareholders. With that, operator, we are now ready to take on some questions.

Question & Answer Session

Operator: [Operator Instructions] The first question comes from the line of Tim Hsiao from Morgan Stanley.

Tim Hsiao: This is Tim from Morgan Stanley. Congratulations on the strong results and continuous expansion in robotaxi operation globally. I have 2 questions. The first question, we noticed that WeRide officially started commercial deployment of driverless robotaxi in Abu Dhabi, UAE. So in addition to the volume upside to revised fleet sales, as Tony just mentioned, how should we quantify the revenue

opportunities of vehicle sales, revenue charge and profit sharing in the long run? That's my first question.

Xuan Li: Okay. Thank you, Tim. That's a great question. I'll take the first one. So for the benefit of all listeners, I'd like to briefly elaborate on our robotaxi business model. In domestic China, we mainly own and operate vehicles by ourselves and on our own ride-hailing platform, WeRide Go. So before -- after the UE gets to breakeven point in the next few years in China, we will gradually engage third-party owners and partnership with them. And for now, we pretty much own like all the vehicles by ourselves. And international market is different. From day 1, we collaborate with platform partners such like Uber, Grab, SBB, TXAI, and we generate revenue from 3 main streams -- 3 streams. The first one is revenue share from the ride fare and second one is the annual licensing and third is the sale of the vehicle. So vehicle sale is considered as the product revenue. WeRide can scale up the robotaxi fleet much quicker and in a lighter business model -- like on an asset basis since the robotaxi operation fleet doesn't sit on our own balance sheet. We really just sell this to our partner already. And the revenue share and annual licensing of the recurring service revenue over the whole lifespan of the vehicle, which tend to be 5 to 7 years. In particular, revenue share will become a significant multiplier following the expansion of the fleet size. We'll take [United States] as example. A robotaxi at a human level utilization, which means they can complete like 25 orders per day, can generate an annual like revenue of over USD 90,000 like on the platform. If WeRide take 30% of the revenue share, that will give us USD 30,000 per car per year as service -- as a revenue share. If we can take 70% of the revenue share, that will give us like USD 60,000 per car per year. So if we are moving this one step closer to the goal -- and to see what we have already, let's say, in Abu Dhabi, right now, we have a significant presence with near 100 robotaxi in Abu Dhabi. Now we already cover 50% of the city core area. And the commercial model is we're integrating on platform like Uber. Right now, we are charging at the same price level at UberX and Uber Comfort. In fact, if you get like get on the Uber and to call the robo -- just to call normal ride-hailing car in half of the city, no matter you pick UberX, Uber Comfort or autonomous option, you can all get the ride vehicle. And this demonstrates that our service is competitive as the mainstream like ride-hailing from day 1 on the pricing level. And unit economic is -- on the unit economic side, the most critical metric is utilization. Right now, we already achieved a daily average like 12 order per vehicle in a 12-hour shift. Sometimes we can get to -- on the good days, we can get to more than 20 orders per vehicle per day for the 12-hour shift. and it's already indicating a strong user preference and stickiness. So for your information, for 12 orders per vehicle per day, we can already get to the breakeven threshold in this market. So there's huge profitability potential. Based on our current driverless cost structure and plan to extend the hours to 24 hours next year, we project an average daily order can reach to 25 per vehicle per day. And this level of utilization will lead to a very strong profitability potential next year. So the -- while the specific percentage of revenue share is confidential between different partners and -- but this approach can empower a sustainable win-win partnership for everyone in the ecosystem.

Tim Hsiao: My second question is also related to WeRide's global business. So looking forward, in addition to operations in Abu Dhabi and Switzerland, which we just announced, which markets could step up as a key volume driver to WeRide? And does WeRide need to accelerate R&D; and selling, spending more aggressively into next year 2026 to finance the company's robust expansion in overseas? That's my second question.

Xu Han: Okay. I'll take the question. And so first of all, I think -- so besides Abu Dhabi and Switzerland, which markets would step up as key volume driver. So to us, in our plan is like -- so first of all, in the Middle East, we have 2 major cities in UAE, Dubai and Abu Dhabi currently is already -- we have already got the permit, and we are doing extensive road testing. And UAE is definitely the one country we pay a lot of attention to. It's a very important market. And there's also Saudi Arabia. So you can see major countries in Middle East. So they are part of potential countries. And also Europe and also -- and other developed countries in Asia like Japan, Singapore and Korea, they are all potential markets can help us to drive the volume up. But one thing I want to point out is like you just asked a very good question that is it's also I have been thinking about this over the years all the time that is what are our

target markets and which markets can make -- can we make our service and products very profitable. And I think through our tested -- through our operation in Abu Dhabi, we find something so-called Abu Dhabi model, okay? Together with Uber, we found the unit economics is good and give us a very promising projection that we will soon in this region, we can make a good, very profitable service. This Abu Dhabi model actually created a road map for other cities. So with Uber, and I think we will try to copy this kind of model to the similar cities. And also this is a good combination of our current technology, our strategy and compared with our -- and also our collaboration with our strategic partnership. So with this model, I think we tend to copy to Singapore by for another alliance with Grab, also a very important strategic partner to do in Singapore and also potentially all East Asia. And in China, we are focusing on developing a robo testing service based on our own application. And about expansion, although we are increasing R&D; investment to build stronger technology platforms, and we want to also try hard to recruit top talent, but we expect the growth of related expansion to be moderate because we want to adopt a satellite model to strike a balance between scaling and investment. One of our very midterm goal is trying to reach the profitability at the same time, maintain a strong market share. And also, we still want to innovate. So we have to strike a balance between investment and expenditure and the development. But with our current progress, I think I'm very optimistic because I have already seen the success of the Abu Dhabi model. And what's next to do is trying to find all the places we can easily copy our Abu Dhabi model to and by gathering all strength from these potential markets, we want to achieve profitability in the near future.

Tim Hsiao: Thank you so much for sharing great insight congratulation and looking forward to more exciting project around the world.

Operator: The next question will come from Alex Yao from JPMorgan.

Alex Yao: I have 2 questions. Number one, what is your take of the robotaxi business in China? How do you envision economics to change in the future for China and for international market, respectively? The second question is how quickly can the driverless milestone of Abu Dhabi operation be replicated in other markets? What can we expect for your fleet expansion plan globally? And what are the catalysts or hurdles for your plan?

Xu Han: Okay. Let me try to answer these questions one by one. Although it's claimed to be 2 questions, 2 groups of questions. So first question, if I remember clearly, it's roughly about our -- what do you think about China market and what's our plan for China market and our thoughts on the economics of China market. So first of all, China is a unique market with the largest user base and the dynamic economics. And also, it is a great test ground. It has been both our technology proving ground and ideal operation -- sandbox for our very innovative ideas. But of course, that doesn't mean like we treat them as a lab, okay? We want to -- while we do the robotaxi operation or trial operation, we keep safety as our top priority. But still with all kinds of scenario, all kinds of different climate, different weather conditions, China is a vast country. And we actually -- we tested so many different method, different algorithms. So that part, actually, China is unique and a very big market. But we believe -- but China is also a very -- in terms of development, it's not that balanced. They have a Tier 1 city looks like Paris and New York. There's Tier 4 city looks like rural area. So we believe profitability in Tier 1 cities can be achieved with a combination of 3 elements. Number 1, city level drivers per meet; number 2, average daily order of high double digits. That means like what we try to achieve in Mid East should be achieved in China also, more than 20 orders per day. Number 3, kind of a relatively healthy price, okay? Although these days, the taxi fare in China is still relatively low, but we expect to see the fare to grow a little bit. So it's still kind of relatively healthy. So with these 3 factors, we believe we still need to expand our market in China, mainly in Tier 1 cities. So far, we have achieved, like, as I mentioned before, right, 300 robotaxi in Guangzhou and another 100 robotaxi -- more than 100 robotaxi in Beijing in the areas of 150 kilometers area, and we are continuing to expand that. And also, we have implemented PU/DO, I mean, pickup and drop-off features help us to improve the user experience. And I think we aim at supply better robotaxi service than the traditional taxi service supplied by human driver. Therefore, we can get more orders and also we can give better user experience so that we can

be ordered more frequently. And we expect that the economics of all of these markets will help to improve over time. And also, we want to actually learn what we have in China to expand to -- and learn what we have learned in China and use them as our competitive advantage in the global market. Therefore, I think we still treat China as one of the most important market, and we will keep on invest and inject resource in this market.

Xu Han: Okay. The second group question is about how quickly we can copy up Abu Dhabi model to the rest of the world, okay? First of all, thanks for asking this question. And we believe we have find this kind of Abu Dhabi model. It's kind of like a Matthew Effect. And WeRide is kind of a unique first mover because we just got a city level driver permit. It is the only one so far out of the United States that you can have a citywide driver permit and you can provide the service through Uber. So that means make the service model be [indiscernible] available. Therefore, I think we can quickly copy to similar market like Dubai in UAE same country, Riyadh in Saudi and same region and Singapore with a Grab support. So we are trying to copy to these kind of countries. And I believe the regulatory condition, all of other factors are quite similar. And we also want to emphasize Europe is a very important market, and we are trying to see whether we can copy to Europe. And about the catalyst hurdles, catalyst is actually because of this Matthew effect, other countries are more prudent to allow our operation, more prudent to give us permit. But at the same time, the hurdles is still the regulatory issues. We want to make sure we use our -- leverage on our current successful experience to get more driverless permit so that we can deploy the service. That's all I want to say about this question.

Operator: Next question comes from Ming-Hsun Lee of Bank of America.

Ming-Hsun Lee: I have 2 questions as well. So first question, we are seeing more OEMs and the ride-hailing companies announcing to plan -- enter the robotaxi business. What are WeRide's key advantages? And how should we think about the competitive landscape in the future? That's my first question.

Xu Han: Okay. So I think these days because of the increasing discussion and the increasing maturity of robotaxi, you see so many car OEMs and platforms -- car hailing platforms start to talk about robotaxi or start to announce their robotaxi strategy. But one thing I want to mention is like robotaxi to do robotaxi is not easy, okay? It takes many years of efforts, technology accumulation, regulatory exploration. And that's why there are so few mature robotaxi company in this world. If you count the mature robotaxi service once they have open to public driverless robotaxi operation, I think you can contact most of 3 or 4, okay? So not so many. So it's not because of while you see a few companies getting mature, then you can announce your strategy, better, you need to show whether you have enough technology accumulation, enough experience to do robotaxi. So our -- WeRide's competitive advantage is still in several areas. First of all, technology, right? WeRide, our ability to massively deploy both L4 and L2++ level mass production vehicle help us to actually, first of all, gain data -- to gather data more efficiently and make our algorithm more generalizable. So that one actually in turn strength our technology. Second, our capability actually for fast iteration is there. And think about for [indiscernible] OEMs, right, they have -- usually, they have a relatively small ADAS system development team. What you can do for L2++ FSD -- L2++ ADAS system is far from what you can achieve in L4 because L4 is a driverless operation. And L2 is just like assisted driving system. For the L2 system, you don't need to take the final responsibility. But for L4 system, you have to be redundant, have to take the responsibility. Over the past 9 years, we have accumulated lots of experience. We -- that's why we can roll out the robotaxi service. And I haven't seen any other car OEMs or car hailing platform be able to do so. So that is one of our advantage. And one thing -- the last thing I want to emphasize is about the core of our company. The core of WeRide is really the AI technology. WeRide since day 1 has been an AI company, and we hire so many top talents and set up our company for the fast iteration in the AI algorithm. I don't think traditional car OEMs or traditional car hailing platform are capable of this kind of faster iteration. So let's wait and see. But so far, I haven't seen any major car OEMs or car hailing platform company have successfully rolled out any robotaxi service, driverless robotaxi service to public, okay? That's my answer to these 2 questions.

Ming-Hsun Lee: Sorry, one more question from me. So following the last question, do you think the amount of data and the development of AI models have given OEMs certain age to enter and compete in robotaxi? Is it possible to evolve from L2 to L4?

Xu Han: Very good question. So first of all, I want us to think about one thing. So who are the best L2++ or ADAS system company in this world, probably Tesla. In China, I think we can name a few, maybe XPeng, Li Auto. But if you look at their strategy, they are doing L2++ ADAS system, and they talk about robotaxi, but when they come to robotaxi, they always try to attack this problem or approach this project directly from L4 level. Why there's no L3 strategy, okay? Where are the L3 strategy? There's no L3 strategy from Tesla. There's no -- XPeng and Li Auto, they all skipped at L3. Why is that? Because if you directly grow L2++ to L3 and then to L4, they found it's really very, very difficult. It's just like you are climbing a cliff. Instead, you maybe directly solve the problem. That is using what your experience directly solve L4 system level problem. That is just like we have already done for the past 8 or 9 years. The technology has been there. We have used deep learning algorithm based on large language model, a lot of data. But all of this, I want to say, it's based on our past 8 years' experience. Currently, true car OEMs can leverage on the cutting-edge large language model stuff, but there are a lot of infrastructures that are relevant like data simulation and the cloud computing platform. All of this, I don't think the car OEMs have enough accumulation. Still take many years of them to really roll out a simulation platform, to roll out the protocol, to roll out the pipeline to test the driverless robotaxi. One thing I want to emphasize, having a pretty good ADAS system can let you drive for 100 miles without takeover is far from to roll out driverless robotaxi. To roll out a driverless robotaxi, you have to capable of making that car drive back itself more than 10,000 miles. So that is a kind of magnitude of difficulties. So it's just like swimming in swimming pool and then you want to swim then across the English channel, that's different. So I think I'm not saying -- I'm not going to say it's absolutely not possible to gradually grow from L2++ to L4, but it will take a long, long time. Before that, I think first class, the Tier 1 robotaxi company like WeRide will have already taken over the global market has already been very profitable. So time left for this major car OEMs to gradually grow from L2++ to L4 is very, very limited.

Operator: We will now take the next question from Liping Zhao from CICC.

Liping Zhao: So first, I want to follow the previous technical question. And this question is for Tony because you are quite confident in maintaining the leadership in the industry. What tools and technology approaches help you stay ahead of the curve? Could you please share more color from a technical perspective? And then I'll have a follow-up.

Xu Han: Okay. So first of all, just as I have discussed, right, there's only one company in the world to my best knowledge that are capable of doing robotaxi, has already achieved open to public their operation, at the same time, supply ADAS system to mass production car company that's WeRide. And so we have a so-called dual flywheel strategy that is we can gather the data we collected through our robotaxi fleet, all kinds of corner cases and use that to facilitate our L2++ development. At the same time, we can also get what we have collected from L2++ system like AI drive based on navigation and make our L4 system more stable and more generalizable. And so by combining the 2 source of data, 2 source of problem, we actually gradually evolve to a super platform that are capable of robotaxi at the same time with limited hardware and limited HD map and navigation map make us to cover the whole global market. So these 2 parts actually leverage on each other, help us to improve or to iterate our algorithm at a speed cannot be achieved by a single strategy company, okay? So that's one of our advantage. And the other thing is like the globalization. Since we have deployed the fleets in the global market, we can collect the data and also we can get heterogeneous source of data from all over the world. We can have the data that's collected in a very dry climate in Middle East. And sometimes we can get data from very humid tropical area in Singapore and very cold area in Japan and in China. And I can't imagine any other company have this kind of wide spectrum of application area. And with all of this data and also we hired a group of talented engineers, we actually evolve very fast. The other thing I want to emphasize is our Genesis platform. It's actually based on physical AI model and with a lot of considerations on a really world model physical AI world. And it actually seamlessly integrate with our

end-to-end system. This kind of simulation platform give us a big advantage to develop. And with combination of all of this kind of algorithm and data, I think this massive effect is here. We have many, many driverless permits in all over the world in many countries, and we have many car OEMs collaborating with us. We have heterogeneous data collected from different country, different level of autonomy. And by combining all of this, I think we can achieve accelerated development speed, which is much faster than our competitors. That's my answer to your question.

Liping Zhao: That's very helpful. And my second question is for Jennifer. The Board of the company has authorized USD 1 million share repurchase program in May this year. And could you please update what is the status on this program?

Xuan Li: Thank you, Liping. Regarding the USD 100 million share repurchase program, which is authorized by the Board in May, we haven't -- no purchase have been initiated to date. The reason is the preprioratory work for our Hong Kong IPO constituted for a close period under the securities regulation, which -- during which the trading was restricted. As a listed company, we are also required to obtain specific shareholder approval to ratify this program. We are currently preparing to call an extraordinary general meeting to seek approval, which will allow the program to proceed. Thank you.

Operator: Our last question comes from Paul Gong from UBS.

Paul Gong: Paul Gong from UBS. I have 2 questions. The first one is regarding the robotaxi revenue contribution. We have noticed that while this is about 7x year-over-year growth, it seems to have a little bit fluctuation compared to the second quarter. Could you please elaborate more on this? And my second question is regarding the European strategy. Congratulate for the permit in Switzerland recently. Can you share more on the next step of the company's plan for European expansion?

Xuan Li: Okay. I'll take the first question. I think Tony probably want to take the second. So regarding the fluctuation of robotaxi revenue, we will say for the past 3 quarters, you can see our robotaxi revenue made like a 20% -- 22% contribution in first quarter, 36% and 21% revenue contribution for the past 2 quarters, which already showcased a very continuous momentum. The fluctuation was expected given that our delivery schedule is in tandem with the permit upgrade and the corresponding expansion of our operating area. We made a significant step forward by securing the city level driverless operation permit in Abu Dhabi, which will pave the way for accelerating expansion in the entire Middle East going forward. Thank you. Tony, do you want to take the second one?

Xu Han: Yes, I will take the second one. Okay. The second question is about our -- actually our -- since we have already got the driverless robotaxi [indiscernible] Switzerland and what's our next step for Europe. Okay. So European market is a great market for robotaxi. I think the taxi fare in Europe is high and also European -- most of the countries in European market, they are short of labor. And that is actually a very, very good scenario or opportunity for robotaxi company to deploy robotaxi service to fill the gap between the shortage of driver and the increasing demand for taxi. These days, we know the numbers that people -- especially after the coronavirus, if possible, people like to take kind of private transportation if possible. So I think there's an actual growing demand for our taxi. So if we can deploy robotaxi as a very cost-effective method, people will love this kind of product. So since in Switzerland, we have already get it. And now we are considering some other countries like we established an office in Stuttgart and also try to explore in Paris. So in the next 12 months, we will solidify our foundation actually with our trial operation in France, in Belgium and also our current operation in Switzerland and talk to all the possible countries. And we also formed a strategic partnership with Uber, with Renault, with SBB, STL, et cetera. And there are a lot of airports in European countries talking to us to explore the possibility of our robobus. So we want to use all of our applications like robobus, Robosweeper to actually help us to explore the possibility to extend to certain countries because in certain European countries, they would like to tend to adopt robobus or Robosweeper first and then try to do robotaxi. And gradually, we want to go to Switzerland, Belgium, Germany, France, Spain and Norway, these kind of countries to extend to more countries. And then, of course, I want to emphasize our approach is dynamic. It depends on availability of strong local partner and also depends on regulatory policy and

the local -- shortage of the labours, all of these factors we have to consider. But for sure, we will gradually expand to the aforementioned countries and all other potential countries in Europe.

Operator: Thank you. If there are no further questions, I'll conclude the call today. Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

Xu Han: Thank you very much. Thank you. Bye.