

# Rivian Automotive, Inc. NasdaqGS:RIVN

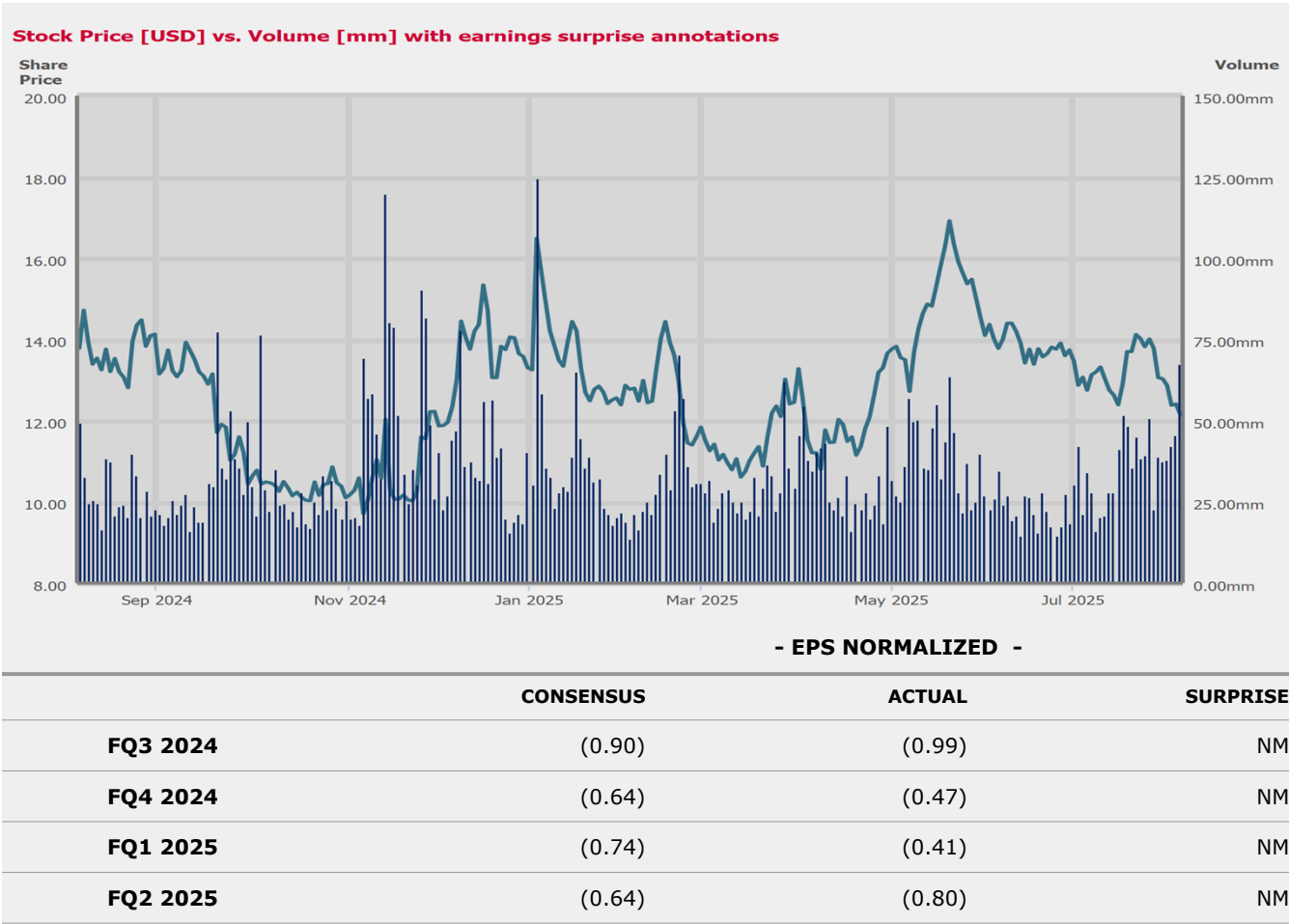
## FQ2 2025 Earnings Call Transcripts

Tuesday, August 5, 2025 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2025-			-FQ3 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.64)	(0.80)	NM	(0.67)	(2.39)	(2.21)
Revenue (mm)	1291.22	1303.00	▲0.91	1373.31	5219.97	7241.92

Currency: USD  
Consensus as of Aug-05-2025 11:10 AM GMT



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# Call Participants

## EXECUTIVES

**Claire Rauh McDonough**  
*Chief Financial Officer*

**Derek Mulvey**

**Javier Varela**  
*Chief Operations Officer*

**Robert Joseph Scaringe**  
*Founder, CEO & Chairman of the Board*

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**Dan Meir Levy**  
*Barclays Bank PLC, Research Division*

**Daniel Roeska**  
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**George Gianarikas**  
*Canaccord Genuity Corp., Research Division*

**Joseph Robert Spak**  
*UBS Investment Bank, Research Division*

**Mark Trevor Delaney**  
*Goldman Sachs Group, Inc., Research Division*

# Presentation

## Operator

Welcome to today's Q2 earnings results hosted by Rivian. [Operator Instructions] I'll now turn the call over to Derek Mulvey, Vice President of Finance.

## Derek Mulvey

Good afternoon, and thank you for joining us for Rivian's Second Quarter 2025 Earnings Call. Today, I'm joined by RJ Scaringe, our CEO and Founder; Claire McDonough, our Chief Financial Officer; and Javier Varela, our Chief Operations Officer.

Before we begin, matters discussed on this call, including comments and responses to questions reflect management's views as of today. We will also be making statements related to our business, operations and financial performance that may be considered forward-looking statements under federal securities law. Such statements involve risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties are described in our SEC filings and the shareholder letter we filed with the SEC.

During this call, we will discuss both GAAP and non-GAAP financial measures. A reconciliation of historical non-GAAP to GAAP financial measures is provided in our shareholder letter. Just before the earnings call, we published and filed our shareholder letter, which includes an overview of our progress over the recent months. I encourage you to read it for additional details around some of the items we will cover on today's call.

With that, I'll turn the call over to RJ who will begin with a few opening remarks.

## Robert Joseph Scaringe

*Founder, CEO & Chairman of the Board*

Thanks, Derek. Hello, everyone, and thanks for joining us today. Over the past few months, we've made tremendous progress in R2 and our technology, including our autonomy platform. As we move closer to the start of production, our confidence R2 and future variance underscores our long-term vision for scaling our business. We believe the technology and products we're developing will position Rivian as a market share leader.

Our long-term view on electrification and the opportunity in front of us remains the same. However, there have been changes in the external operating environment that affect the nature of this transition. While we believe deeply in the long-term value drivers of our business, the policy environment continues to be complex and rapidly evolving.

Changes to EV tax credits, regulatory credits, trade regulation and tariffs are expected to have an impact on the results and the cash flow of our business. We remain focused on developing world-class technology and efficiently scaling our manufacturing capacity in the United States in light of these policy changes.

As we look ahead, Rivian shares the administration's excitement in advancing technology development and manufacturing capacity within the United States. With all that said, having spent a lot of time driving R2, I'm more bullish on this vehicle than any product we've developed. I believe the product market fit is incredible, the packaging, the technology and overall value proposition set R2 up for meaningful share. R2 is a core focus for our team and a critical step to achieving our objective of delivering millions of vehicles per year. We are currently amidst of our design validation builds where we're building R2 vehicles on our pilot line. These vehicle builds enable us to validate the performance and capabilities of the full vehicle along with working with our suppliers on their ramp.

Importantly, the quality of the build and associated software stability is incredibly high. We strategically invested in early development assets and new vehicles, which allowed us to advance development and supplier validation much earlier in the time line as compared to R1.

We performed a variety of crash tests and component level test as well as on-road testing with strong results. In preparation for our manufacturing validation builds later this year, we've completed the construction of our new 1.1 million square foot building in Normal, Illinois which will house R2's general assembly and body shop. Our team is focused on installing and validating the equipment to support the manufacturing validation builds.

In parallel to the progress we're making on R2, we continue to make improvements in AI and autonomy. We see autonomy is becoming increasingly important in the customer's purchase decision. By later this decade, we believe ultimately, every new vehicle will need advanced levels of autonomy to be successful. Because of this, the development of our Rivian Autonomy Platform has been one of our most substantial and important focus areas.

Our platform uses the high-quality data coming from our best-in-class on board sensor set to drive our data flywheel for training our Rivian Large Driving Model. We've already seen positive feedback from customers on some of the growing autonomous capabilities. We launched enhanced highway assist earlier this year and are seeing meaningful uptake in the usage of our autonomy platform.

With our high-quality sensor set and a large amount of data collected from our vehicles every day, we believe we have the right ingredients as quickly established leadership in this space. We plan to host our autonomy and AI day in December and look forward to sharing the progress we've been making. While we approach some exciting releases across our R2 and our autonomy platform, last month, we also launched the R1 Quad-Motor, and the feedback has been incredible. We believe that Quad elevates our R1 platform, which is already 1 of the best-selling vehicles in its class.

The customers, journalists and influencers have had a chance to drive the new Quad or seeing the unique combination of on and off-road performance, advancements made with our Rivian Autonomy Platform and software features that allow customized dynamics with our RAD Tuner. With the progress demonstrated this quarter, I can't wait for our autonomy and AI day. The launch of R2 and the realizing of our long-term scale potential with our midsized platform. I want to thank our employees, customers, partners, suppliers, communities and shareholders for their support.

With that, I'll pass the call over to Claire.

**Claire Rauh McDonough**

*Chief Financial Officer*

Thanks, RJ. I want to echo our excitement for the upcoming launch of R2 in our autonomy and AI advancements. It is great to see our vertically integrated technologies go into our design validation builds for R2. This is a key driver of the structural cost advantages we expect to achieve on R2 while also delivering fantastic performance in utility.

During the second quarter, we produced 5,979 and delivered 10,661 vehicles from our manufacturing facility which was the primary driver of the \$927 million of automotive revenue. We saw a significant decrease in production volume compared to the first quarter as a result of a variety of supply chain-related complexities partially driven by shifts in trade policy.

We believe we now have visibility into these components for the remainder of the year. Automotive gross profit in the second quarter was negatively impacted by lower production volumes, which resulted in approximately \$137 million of fixed cost included in cost of revenues as compared to more normalized volumes.

Automotive gross profit losses were \$335 million. Our software and services segment reported another strong quarter with \$376 million of revenue and \$129 million of gross profit. About half of the revenue within software and services was a result of the software and electrical hardware joint venture we created with Volkswagen Group.

We also experienced strong growth in gross profit contribution from remarketing, service, accessories and charging. Our consolidated revenue was \$1.3 billion, and gross profit losses were \$206 million. Included in this was \$185 million of depreciation and \$37 million of stock-based compensation expense.

Adjusted EBITDA losses for the quarter were \$667 million. We saw a slight increase in overall operating expenses in the second quarter as compared to the first quarter driven by the ongoing investments we're making to develop R2 and our key technologies as well as the continued growth of our sales and service infrastructure and organization.

We expect to see increasing operating expenses in the second half of the year as we advance R2 towards production and continued the build-out of our sales and service infrastructure to support R2's volumes. During the second quarter, we also strengthened our balance sheet. On June 30, we received a \$1 billion equity investment from Volkswagen Group at an effective price per share of \$19.42, which represents a 33% premium to the \$14.56, 30-trading day volume-weighted average stock price.

During the second quarter, we also refinanced our senior secured notes due October 2026 by issuing \$1.25 billion of green secured notes at a rate of 10% maturing January 2031. In addition to the \$7.5 billion of cash and cash equivalents and short-term investments reflected on our balance sheet, we expect to receive up to an additional \$2.5 billion of incremental capital associated with our joint venture transaction as well as an up to \$6.6 billion loan from the Department of Energy associated with the buildout of our Georgia facility.

Turning to our 2025 guidance. We are maintaining our delivery guidance of 40,000 to 46,000 vehicles and our CapEx guidance of \$1.8 billion to \$1.9 billion. As a reminder, we plan to shut down our normal facility for approximately 3 weeks starting in September of this year to prepare for the planned launch of R2 in the first half of 2026.

We anticipate the third quarter to be our peak delivery quarter of the year across both consumer and commercial vehicles. As RJ mentioned, while we believe our long-term opportunity to drive meaningful growth and profitability remains strong, some of the recent policy actions will have an impact on our results and cash flow of our business. This includes increased tariffs, which had a minimal impact during the second quarter but are expected to have a net impact of a couple of thousand dollars per unit for the remainder of 2025.

In addition, due to changes in certain regulatory credit programs, we do not expect to earn revenue from these programs for the remainder of 2025. We expect total 2025 regulatory credit sales to be approximately \$160 million as compared to our prior outlook of \$300 million. As a result of the changes in our regulatory credit outlook, in addition to our second quarter results, we expect our gross profit for the full-year 2025 to be roughly breakeven.

We are also increasing our guidance for our adjusted EBITDA loss to \$2 billion to \$2.25 billion as a result of the modifications to our gross profit outlook. Our focus remains on cost optimization and efficiently scaling the business. We're actively studying tariff mitigation strategies to best position the company, especially as we look ahead to the Section 232 automotive tariff offset, which ends in April 2027. We remain steadfast in our belief that R2 and our technology development will be truly transformative for our growth and profitability. I'd like to turn the call back over to the operator to open the line for Q&A.

# Question and Answer

## Operator

[Operator Instructions] Our first question will come from Dan Levy with Barclays.

### Dan Meir Levy

*Barclays Bank PLC, Research Division*

I want to start with the question I think that's probably on everyone's mind, which is just bridging from R1 to R2. And I think the obvious key here is the cost reduction and you're saying you can cut the cost by more than half. But maybe you can just remind us again about -- what are the things in R1 that won't recur?

And on the flip side, you're talking about things like sourcing and contracts that can help on R2. What is the conviction that you can get the required cost reduction from these items to get appropriate economics on R2.

### Robert Joseph Scaringe

*Founder, CEO & Chairman of the Board*

Thanks, Dan, for the question. This is incredibly important and has been an absolute core focus for us as a business as we've been developing R2. If you think about the cost on the vehicle, there's 2 major drivers. The first is our bill of material costs, just the costs we're paying all of our suppliers for the components going into the vehicle.

And the cost of those components reflects how the vehicle is being designed, how the systems are being integrated. And we talk a lot about this, but our success in either consolidating parts or eliminating parts through design is a big enabler here. And we previously said the biomaterial cost on R2 is about half that of R1. And that's not a hope, that's not a wish. That's actually contractually negotiated with suppliers.

And so we've spent the last 2 years development and time negotiating with suppliers to put in place contracts that we both selected suppliers that can scale with us and ramp appropriately, but also can deliver a much lower cost structure. But linked to that, of course, is then how the vehicle assembles. And so the cost it takes us to convert all those parts into a vehicle where we often call conversion cost and then some of the non-bill of materials COGS, sets logistics, that's warranty accrual, that's some of the other items that feed in.

And here, Claire and I both spoken about this on these calls before, where we're projecting with a lot of confidence that, that will be ultimately less than half of what it is on R1. And that's really reflective of an incredibly high focus on ease of assembly, design for manufacturability, leveraging the many, many learnings that were born out of what we went through on R1.

So simplified body architecture, simplify closure systems, further simplifications the network architecture and associated wire and harness and in totality, what that gives us is a vehicle with a much lower cost basis, which supports that dramatically reduced pricing of R2. And of course, it should be said, R2 is a meaningfully smaller vehicle than R1. It does deliver on the brand promise of Rivian, but we've been very thoughtful in some of the content decisions we've made, where it's not as extreme in terms of performance or capability is what you see in R1.

### Javier Varela

*Chief Operations Officer*

And if I may add, RJ, today, we have the R2 100% sourced. So it's a fact. We know the prices of our components, and we can confirm this 50% reduction.

### Dan Meir Levy

*Barclays Bank PLC, Research Division*

Okay. Great. As a follow-up, I think related, a year ago at your Investor Day, you outlined a path to EBITDA breakeven in 2027. We've obviously seen a number of changes since then with lower regulatory credit environment as you're talking about tariffs, the loss of the EV taxcredit.

So question is, what are the areas in which you need to pivot the business now to still see that path to eventually reaching EBITDA positive? And how much more does this make licensing deals or other partnerships with automakers on the tech side more of a necessity to ultimately get to where you need to be on the EBITDA margin side?

**Claire Rauh McDonough**

*Chief Financial Officer*

Thanks, Dan. As you know, our objective is to drive to positive EBITDA as a result of the full-year R2 production and strong software and services performance that are anticipated as we look ahead to 2027. And so as you look at the relative contributing factors there, while there certainly have been meaningful headwinds as we look at some of the policy implications that are in play today relative to the conversation that we had about a year ago as part of our Investor Day, we're working across a number of cost efficiency initiatives in the business to drive and scale the business as efficiently as possible.

And maybe I'll invite RJ to talk to some of the opportunities as we think about the continued growth and development of our software and services and future opportunities with other potential OEMs as well.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. We talked a lot about R2 is being such an important inflection point for us in terms of volume and scale. And of course, along with that significantly widening the aperture of addressable market with its lower price point. But a lot of what feeds into that is the technology we're developing. And on the vehicle software side of things, of course, we have a joint venture and software licensing deal that we put together with Volkswagen Group that continues to progress really nicely.

And to be able to deploy our software stack and associated topology of ECUs across such a wide range of vehicles in terms of price point, configuration end market. with Volkswagen Group really serves as an outstanding demonstration and really existence proof that we, as a company, are able to do that into a complex large existing business.

And so certainly, we do believe there's opportunities above and beyond the relationship with Volkswagen Group for further licensing of our software and technology. And then beyond that, we also see opportunities emerging with a lot of the work that we're doing in our autonomy stack. And we're investing very heavily into that. As I said in my opening statement, this is an area of the business that we're very excited about. Customers are going to start to see the fruit of a lot of this hard work that's gone in, in terms of building a robust data flywheel.

We put on to our Gen 2 R1 vehicles, a world-class sensor set with more megapixels of cameras than any other vehicle on the road in North America. We couple that with an outstanding imaging radar, and that's feeding a really powerful data training flywheel that's going to start to really show -- demonstrate significant capabilities in terms of higher levels of autonomy. And so we do see that as another avenue for us in the long term.

But core to all that is to make sure that the technology we're developing worth in-house with our teams remains really front of the curve. And if we continue to do that as we have, we do think there's a lot of opportunities there as well.

**Operator**

Our next question will come from Adam Jonas with Morgan Stanley.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*



My first question is on the \$6.6 billion loan with the Department of Energy that's associated with the build-out of Georgia. Can you confirm, has any of that loan been drawn? And is there a scenario where you would decide not to draw on that loan? Because from the readings of the shareholder letter, I don't see much of an update on CapEx going into that -- into the build-out at this point. But just maybe kind of where are we on that? What's your thinking on that loan? And then I have a follow-up.

**Claire Rauh McDonough**

*Chief Financial Officer*

Sure. Thanks, Adam. So as it pertains to the Department of Energy loan, it's more of a construction finance project, finance based loan, and so it does require Rivian to be deploying capital on-site in Georgia. We have not yet started construction of the site. And so that precludes us from having the opportunity to draw on that loan as we sit here today.

And we -- as we look at the future road map, the attractive cost of capital that the Department of Energy loan affords Rivian is something that's quite attractive to us. So we do intend to draw on that loan as we look to expand our manufacturing base in Georgia.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Okay. Thanks, Claire. Just as a follow-up, you spun off also Inc. in March of this year, your micromobility unit. You seem to have attracted some pretty serious talent to that unit as well. And I think there's probably more announcements to come there, I would assume.

Aside from the minority stake held by Rivian and maybe you can confirm how big that is, is there any other relationship between Rivian and also Inc.? And how much time, RJ, are you spending on this entity with your current role as Chairman?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. Thanks, Adam. We had a skunkworks project within Rivian that was looking at essentially to the question of how do we electrify the world, what's necessary. And a natural conclusion of that is, of course, there's markets like the United States and Europe that are very vehicle-centric but not only within those markets, but beyond those markets, much of the world moves on things that look very different than cars.

So 2-wheel, 3-wheel, even 4-wheel quadricycle type products. And so the initial effort when it was housed within Rivian was to look at ways that we could take this technology base that we developed and apply it into the micromobility segment. As we were doing that, we realized the market opportunity was very significant, and in fact, bigger than we had originally anticipated. It took the decision to move that outside of Rivian. Rivian is still a significant shareholder, but allow it to secure outside capital and allow its branch trajectory and company trajectory to look at markets differently, positioning differently than the Rivian product line.

And what's been really interesting is just the scale of that in terms of what it represents in a number of vehicles is really exciting. And so Rivian, as you said, it's still a very significant shareholder, just under 50% ownership in this entity. But we continue to have a lot of the technology that also is using leverages some of the core of what Rivian built. And when you think of the opportunity, I think there's going to be ways that we can be really creative where we see the Rivian product line and the Also product line coming together.

We often think about them as 2 Avengers or both fighting for the same mission. If you want to electrify the world, of course, Rivian's part of that, we hope to inspire competition in the vehicle space. But the Also; hence the name, we also need to electrify a lot of other things, 2, 3, 4 build things, and that's why that company exists.

**Operator**

Our next question will come from Mark Delaney with Goldman Sachs.

**Mark Trevor Delaney***Goldman Sachs Group, Inc., Research Division*

I think Rivian's COGS per vehicle went up about \$22,000 sequentially. Can you elaborate more on what drove that and to what extent these are temporal relative to sustained costs. And then you spoke about taking costs down by more than 50% with R2 compared to the R1. So I'm hoping to better understand if there are some sustained higher cost levels you're seeing with the R1. Does that change the absolute cost that you expect R2 to come in at?

**Claire Rauh McDonough***Chief Financial Officer*

Sure. As you think about the drivers of the cost of goods sold per unit from Q1 to Q2, the largest driver, as we mentioned in our prepared remarks, was driven by the lower production volume and therefore, the lack of fixed cost leverage that we had absorbing those costs into inventory, so to speak.

So that was represented about \$14,000 a unit of impact. We also had higher levels of LCNRV in this period as well as some warranty and other related costs they constituted the other increases in COGS per unit for the automotive segment for Q2 relative to Q1. So as we take a step back and look at the Q1 baseline, we do see that as a helpful starting point of demonstrating the opportunity set that we have with R1 with higher levels of production volumes. However, that Q1 comps per unit doesn't include the impact from tariff-related costs which you mentioned are roughly about a couple thousand dollars a unit that we'll begin to see more so in the second half of this year as well.

And so as we look at the R2 cost structure, we do have similar impacts as we think about the tariff impacts on R2 on a go-forward basis. However, 1 of the core benefits that we have in R2 and hopefully, in the future, we'll -- R1 will benefit from as well as some of the joint venture shared sourcing opportunity as we think about the low-voltage electronics that will be shared between Rivian vehicles and R2 vehicles in the future which were in-market sourcing currently, and that can produce incremental upside as we think about the COGS road map for R2.

**Robert Joseph Scaringe***Founder, CEO & Chairman of the Board*

Yes, as Claire said, the production volume output of Q2 going from in Q1, around 14,000 units to Q2 being around 6,000 units. The lack of fixed cost absorption, you can really see it in the numbers. And as we said, that was reflective of a lot of the supply chain environment that we're in and some of the trade-related and export control related items that we encountered in Q2, but an important point to call out here is that as we launch R2, the benefits of fixed cost absorption, which will be felt not just by R2, but carrying that across R1, we'll also start to see. And this is really important for us as we grow volume in the plant in our Normal, Illinois production facility going into 2026.

**Mark Trevor Delaney***Goldman Sachs Group, Inc., Research Division*

Very helpful. My other question was around ASPs. I'm hoping to better understand how Rivian is expecting ASPs per vehicle to trend. You launched the Quad motor, talked about the positive pricing benefits of that product line, but with the IRA credits to go away in the fourth quarter, I'm wondering if you think Rivian is going to need to adjust its pricing strategy and perhaps it may be a headwind. So any more color around how to think about pricing and puts and takes?

**Robert Joseph Scaringe***Founder, CEO & Chairman of the Board*

We're tracking really closely how R1 is doing in the market, and it's important to call out, it continues to be a market share leader in the segments it operates, it's really a core leader. So if you look at electric vehicle, SUV sold over \$70,000, it's across the United States, it's the market share leader by a significant degree. And uniquely, if you look at California and now the state of Washington for the premium segment, EV or non-EV, premium segment SUV, so SUV is over \$70,000, it's the market share leader.

And so we continue to see that in light of some very aggressive incentives from some of the vehicles that might be cross-shopped with Rivian. And so as we look at the remainder of this quarter, Q3, we do think Q3 will be our strongest quarter of the year. But we also think that some of the irregular incentives and some of the things we're seeing in terms of the marketplace will subside. And the market, as a result, we'll continue to see with market share leadership on R1, we'll continue to see demand persist.

**Claire Rauh McDonough**

*Chief Financial Officer*

One other item I'd just add on is we do anticipate there being higher levels of commercial van deliveries in the second half of the year relative to the first half of the year. So as you look at the overall Rivian blended ASP, you'll see the commercial vans reducing that figure, although we do anticipate there being strong ASPs on the R1 program, as RJ noted.

**Operator**

Our next question will come from Daniel Roeska.

**Daniel Roeska**

*Sanford C. Bernstein & Co., LLC., Research Division*

I'd like to double-click a little bit on Dan's first question on the EBITDA breakeven in '27, because it does seem that there are quite a few meaningful headwinds, especially in the near term. And some of the items you talked about seem like they are more long-term opportunities. So I'm just -- maybe you could go back and come a bit on '27 because we're losing the EV credits. The loss of the IRA and purchase incentives could be almost 10% to 15% of an R2 purchase price, the Volkswagen partnership if I recall correctly, doesn't have financial upside other than the disclosed amounts that are kind of baked into the guidance.

And even more partnerships are highly unlikely to materialize by '27 if you're willing to integrate a full kind of electrical architecture into new cars. I'm wondering here, with those headwinds, shouldn't we expect the EBITDA breakeven to move into later years given the plan we discussed last year?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Thanks, Daniel. Claire and I will speak to this one. I think first and foremost, we did speak a little bit earlier on the call on this, but the R2 cost structure and the way that we've developed the vehicle provides us with a platform, a cost platform that's just materially different than where we've been on R1 and along with that, a number of factors since we talked about this before, despite some of the headwinds, we've had a number of factors that are actually positive movements for R2. And Claire referenced this, but first and foremost is the ability to look at joint sourcing of some of the electronic components that are used in R2. And of course, some of those components will be used across the Volkswagen Group as well.

We've also, as Javier noted, are now in a position where the bill of materials on R2 is sourced is no longer something that we hope we can achieve. But in fact, we've been able to put that together. And as we now look at continuing to grow those relationships with suppliers and thinking about 2027 and beyond, the whole supply base ourselves, everyone has been looking at ways to drive cost efficiencies into the business to address some of these major headwinds that have occurred in terms of tariffs and tariff structure.

And by 2027, there's a lot of plans or offsets that are being put in place by us, by our suppliers to address those specific headwinds. As you called out the EV credits environment, which for us was a meaningful source of revenue where we would sell our excess credits to other manufacturers. That being reduced, it is a short-term reduction in positive cash. But on the flip side, we also now have an environment which we believe we'll start to see in 2027, where a lot of the manufacturers who are choosing to run their own credits by incentivizing sale of electric vehicles, they'll be less incentivized. So I've said this many times, but the long-term level of competition in the EV space is going to be inherently lower. There's less incentives for incumbent manufacturers to make the commitment or the transition to electrification.

And when we look at all those things together, there's, of course, some puts and some takes, but we still believe achieving the 2027 positive EBITDA is the target we need to be driving towards is what Claire talked to. We're pushing extremely hard to get there and recognizing that we have time to react to some of these changes.

**Claire Rauh McDonough**

*Chief Financial Officer*

The other key driver is as we look at the broader software and services opportunity. This is an area where we do anticipate there being significant growth over the course of the next 2 years, especially as we recognize greater levels of revenue from some of the background IP consideration, which is associated with the progress occurring within the joint venture and getting Volkswagen vehicles out on the road and into the wild, which is one of the key contributing factors as we think about the relative contribution of both the automotive business from a gross profit standpoint, which is driven by R2 and the continued scaling of the normal plant as well as the software and services opportunity from the joint venture, coupled with the broader opportunities that we have as we continue to scale and grow the car park and achieve additional gross profit and ultimately contribution to our EBITDA target from things like our remarketing program and the sale of used Rivians, from our charging network, from the growth of our service infrastructure, financing, insurance and in future state autonomy is another driver of some of that road map as well.

**Daniel Roeska**

*Sanford C. Bernstein & Co., LLC., Research Division*

Great. That's very helpful. And maybe, RJ, you referenced it a bit when you talked about the competitive environment for the R2. I mean, do you think that even without the IRA credits that can be kind of still the gross profit breakeven car kind of just the car itself? Or do you need kind of software services and other elements to make that EBITDA kind of work for the car itself?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

To be clear, we're absolutely designing the vehicle and have set up the cost structure on R2 on the vehicle itself to have the healthy positive gross margin.

**Operator**

Our next question will come from Joseph Spak with UBS.

**Joseph Robert Spak**

*UBS Investment Bank, Research Division*

Maybe just 2 quick clarifications and then a bigger picture question. Like you previously on these earnings calls have said you were baking in several hundred million dollars in policy impacts, which I know was vague, but I think was interpreted and suggested as tariffs and some regulatory credits. So I know you just lowered regulatory credits to basically not assuming anything in the back half. That seems like it's maybe half the EBITDA reduction.

But what exactly got worse on tariffs and now you see it a couple of thousand dollars per vehicle higher? And then just the other clarification on the '27 EBITDA target, which I know came up a couple of times since I guess the regulatory credits so the one thing you're willing to concede has changed, like how much was actually baked into '27 for that number?

**Claire Rauh McDonough**

*Chief Financial Officer*

Just wanted to clarify on your first question, Joe, the couple of thousand dollars a unit on tariffs is consistent with the commentary that we provided last quarter, so there's no change overall in terms of the outlook from a tariff impact on the business as we look at the '25 impact. So the incremental impact, as we mentioned, from a policy standpoint, it's really driven by changes in the regulatory credit outlook,

where we no longer anticipate we'll be selling or earning revenue from the sale of regulatory credits in the second half of this year, given changes to certain regulatory credit programs that have occurred of late.

As we look at the broader guidance. The other impact, as we talked a little bit about in our prepared remarks was just driven by the Q2 overall performance and some of the supply chain-related complexity that limited our production volume this quarter in particular. As we look at 2027 EBITDA, we're not going to get into specifics in terms of what was in and is now in the overall outlook from a regulatory credit standpoint.

We fully acknowledge that the bar has risen given some of the policy-related headwinds that we're now working through as a business. But our objective is to continue to drive towards positive EBITDA through a number of ongoing initiatives to drive cost efficiency into the business and to ensure that we have an efficient ramp of R2.

**Joseph Robert Spak**

*UBS Investment Bank, Research Division*

The second question I want to touch back on something [Adam] brought up earlier, which is the second plant. So you're taking 3 weeks downtime here in September to get normal capacity to 215,000. You're currently producing at, I don't know, probably like below 20% of that utilization right now. So I realize like it's not fair because you have much higher volume for the R2. But I guess, like at what level of utilization do we need to see a normal before you really start thinking about commissioning Georgia?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Joe, it's a great question. When we think about the normal facility, we've talked about this a lot in the past. It's ultimately going to be producing R1, R2 and our commercial van. And as we look at some of the variances on the R2 and R2 platform, -- what that does with bringing on the Georgia facility is it not only expands capacity, but allows us to build some of these additional variants and further grow both the addressable market and importantly, fill in where we see some real volume opportunities.

But with regards to Georgia, we are building out across 2 phases, and we're going to be starting construction on the Georgia facility in terms of the building. Of course, a lot of work has happened on the site and preparing the site in close partnership and in conjunction with the state of Georgia, but we'll be starting going vertical on buildings in the early part of 2026.

**Operator**

Our next question will come from Ron with Guggenheim Securities.

**Ronald John Jewsikow**

*Guggenheim Securities, LLC, Research Division*

A bit of a follow-up on some of the policy changes, but has any of the impact of these policy changes, whether it's emissions or consumer credits, changed how you view the R2 or R3 with respect to whether it's pricing, cost or how much capacity is needed? And I know that there's some sensitivity around the preorder number for the R2, but if you'd be willing to share an update, it probably would go a long way in kind of assuaging concerns around the needed capacity with Georgia.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. I mean we're not going to share the number here, but I have said a couple of times. I mean, we're extremely bullish on R2. And a big part of developing a product like this, this is an enormous amount of effort. A lot of iteration has gone into defining what the product is. A lot of work understanding the size, the pricing, the cost structure, the content.

But where we've landed in terms of what will be starting production on here shortly is something that we feel has an outstanding product market fit in the heart of the demand curve, meaning price points

overlapping with the largest segment, the form factor overlaps the largest segment and the feature and content is really incredible.

And what that means, in our view is this is going to be cross-shopped across the broadest spectrum of possible variance, most of which actually are ICE vehicles. So customers will be making consideration. It maybe haven't made the jump to electrification, but would like to but wanted maybe something that was more of an SUV form factor, wanted to spend \$45,000 to \$50,000, and that hasn't existed in the market.

And so we do see the scale of the addressable market as being many, many millions of units. And so with what we're launching in normal representing 155,000 units of R2 capacity and then what we'd be bringing on in Georgia for the platform, which, of course, by me saying that it implies variants of that vehicle adding another 200 in the first phase, we feel quite confident and bullish on what that represents.

It's also worth noting that -- and we've said this in the past quite a bit, the R2 and the platform are designed to support both the U.S. and European markets. And so not only will be opening up this vehicle across many more price points and a much bigger adjustable market in the United States. But ultimately, this platform is going to support opening up access to a very large market, which is Europe.

And so of course, we're -- a follow-up question, I'm sure what you're thinking now is what do we think about U.S. EU trade relations and what is going to happen there. We're watching that very closely. Certainly, there's been some positive movements on that for us being that we'll be exporting these vehicles from the United States to Europe, but we have to continue to watch that very closely.

**Ronald John Jewsikow**

*Guggenheim Securities, LLC, Research Division*

Yes. No, I appreciate that. And then on the technical aspects of your approach to autonomy, excited to see what you have in store for us later this year. But some of your competitors are opting for camera only, as you're well aware. Some are opting for more hardware-heavy approaches with LiDAR or even beyond that in terms of the hardware required. I guess what gives your team confidence that your early sensor fusion approach to autonomy is the correct one?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. It's -- I think it's an important question. I do think that this question of what's the sensor set topology gets more attention than it really should. I think the approach of using an early sensor fusion, which is just a different way of saying an AI-centric approach, meaning if you think of like how systems were developed prior to 2021, and when I say systems, essentially, every self-driving platform developed prior to the use of transformer-based encoding was you would have a set of sensors that may include more than just cameras, but whatever that set of sensors is each sensor would identify objects, classify those objects and associate vectors with those objects.

And all those identified objects and their associated vectors would then be passed to a planner and you'd make a whole series of rules-based decisions around what the vehicle should do and decisioning around which sensor set to actually follow or trust. In that late fusion process you had some of the challenges I think you're alluding to of having you to decide around what's your primary sensor path and what are the risks and associated challenges with using some of the other sensors. As you move to something that's much more AI-centric, you have to think of it very differently. Think of it as you have an enhanced view of the world, an enhanced view of reality as early as possible. So raw feeds going directly into inference, you can create a better understanding of the situation and the circumstance. And the neural net, the large model that we've built around this, then drives ultimately how the vehicle performs.

And we do that through the use of a very large data flywheel with our deployed fleet, providing triggered data back into our -- back to us, which we then build, use to train to build this large parameter model that ultimately determines how the vehicle behaves in these situations. And so I think ultimately, this debate around which sensors are used, I think often we -- it's going to be based on cost structures that are no longer in existence. So LiDARs, radars, these things are not as expensive as they once were.



And it allows us to build a much richer understanding of what you can see, what the vehicle sees at the early stage at the -- at a base level as we start to make decisions through the model, through this large foundation model in terms of what the vehicle should do.

And I often draw the analogy to say what's helpful here is it's accretive, meaning if the sensors get better, you don't throw away the model as we once did. You now just -- the model has a more precise understanding of the world. And the best example is imagine you learned how to drive without glasses and you had poor vision and then suddenly I hand you a pair of glasses. It wouldn't be as if everything you knew up until that point was obsolete. In fact, you would just have a more accurate view of the world and be able to make better decisions through your neural net, through your brain, which is process how the world behaves and drives.

And so it's no different as you increase the quality of the cameras, that's both in terms of breadth of performance, low light to bright light and then also details in the camera, so increasing levels of megapixels, which is important for us. We go from 55 megapixels in R1 to 65 megapixels in R2. But it also pertains to additional sensor set, which allows another modality that has non-overlapping strengths and weaknesses with the camera set to also have a perception of the world.

And so if you were to give me a LiDAR or a radar and bolt it onto my forehead, I would be a better driver as a human, but it wouldn't negate or throw away or make obsolete all of my accumulated knowledge to date.

## **Operator**

Our next question will come from Emmanuel Rosner with Wolfe Research.

### **Emmanuel Rosner**

*Wolfe Research, LLC*

So when I look at your software and services revenues, excluding the JV, they were up very sharply versus last year. How should we think about the growth there going forward, the trajectory, your profitability profile for it? And to what extent -- I guess, how much of this was embedded in your expectation for positive EBITDA by year-end '27?

### **Claire Rauh McDonough**

*Chief Financial Officer*

Sure, Emmanuel. As we think about some of the key contributors to the growth and profitability that we saw in Q2 from software and services, One of the drivers of this is the growth of Rivian's remarketing program. So this is both trade-in vehicles for consumers getting into Rivian for the first time, but also one of the key contributors is the sale of used Rivian as we think about being able to open the aperture, attract more consumers that can afford an R1 at a variety of different price points, which is a very compelling business for us over the long term and one that's important to Rivian maintaining strong residual values as well.

Beyond that, we've continued to see the growth and expansion of our service infrastructure that's also contributing to the growth in some of our maintenance expenses and revenues in the business. And then beyond that, we're in the process right now of opening up our charging network to additional vehicles and going through the integration of NACS as well, which will allow more and more customers to charge on the Rivian Adventure Network, which will again be another contributing factor for us over the longer term.

So as we look at the underlying tailwind of software and services, we saw significant quarter-over-quarter growth in terms of the non-joint venture contributions to the gross profitability of this business segment. And as I mentioned, as we look ahead to 2027, we'll see the joint venture contributing more significantly given increases in background IP-related revenue streams. The growth of the JV as well as that they continue to hire and grow to expand the team and organization as well as the ongoing growth of many of these key internal services that will be servicing a larger car park as a whole. So we see this as a meaningful contributor to the business on a go-forward basis and especially as we think about the contributions in 2027 as well.

**Emmanuel Rosner***Wolfe Research, LLC*

Understood. And then coming back to the earlier question of the R2 economics. So RJ, you were mentioning how the BOM would be about half of R1, but then there's also operational and manufacturing efficiency. How should we think about the gross breakeven point for that vehicle? You're putting in under 155,000 units of capacity into normal. You'll be leveraging a lot of the fixed cost base already within that facility. How many R2s do you need to sell to sort of like get a combination of both these costs sort of like getting you to breakeven?

**Claire Rauh McDonough***Chief Financial Officer*

So as we look at the overall outlook for the R2 unit economics, we see a much faster path to positive gross profit on the vehicle itself. And that's primarily driven by the fact that the vehicle has a much lower underlying material cost structure associated with it, that RJ walked through.

But beyond that, R2 is also benefiting from the volumes that are already existing within the normal plant as well that allows us to efficiently get to positive gross profit on the R2 program. We think as we exit 2026, it can be at that level. And then we'll be looking to expand that as we add a third shift of operation into the plant, continue to reduce the cost structure over time.

**Robert Joseph Scaringe***Founder, CEO & Chairman of the Board*

One of the big strategic reasons we made the decision to launch R2 out of our normal facility is the shared fixed cost absorption that we'll now have between R1, EDV and R2. And as Claire said, out of the gate on day 1 of production and saleable units of R2, we'll already have the benefit of all the fixed cost absorption that R1 and the commercial vans are picking up.

And so it just has a fundamentally different path to profitability than what we saw with R1. Above and beyond that, some of those assets that R2 is going to be utilizing like our sampling operation, those have already been in use for a while and have already -- much of that has been depreciated. So there's just inherent overall fixed cost advantages to being in normal.

**Operator**

Our next question will come from Andres Sheppard with Cantor Fitzgerald.

**Andres Juan Sheppard-Slinger***Cantor Fitzgerald & Co., Research Division*

Congratulations on the quarter. By the way, I think it is our first time making it to the Q&A, so bucket list for us. I think a lot of our questions have been asked, but RJ, I was hoping to come back to ASPs. Just given the macro environment, tariffs, removal of tax credit, do you expect any changes to ASPs, particularly off the R2 line? Should we be still targeting around \$45,000, \$50,000? Any color there would be helpful.

**Robert Joseph Scaringe***Founder, CEO & Chairman of the Board*

Yes. So if you look at ASPs through the course of this year and then into R2, clear referenced this before, but on a consolidated basis for the full business in the second half of the year, we are going to be selling more vans. So that will have the effect on a full consolidated basis of pulling our average selling price down for the whole business. But it's important to pull that apart. So the R1, we've now launched our Quad. The demand in that has been strong. We also have our Tri-Motor demand has been very strong, particularly as a percentage or take rate, if you will, across the whole fleet. And so we do see positive movement on ASP for R1 through the end of the year, which is really encouraging.



And translating that into what we see with R2. R2 has a range of different variants. And so we often talk about the entry price, the starting price being at \$45, but there's a middle spec variant, there's a top spec variant. There's what we'll be launching with, which will be a more premium version of the vehicle.

And so a big question for us and a big target for us, I should say, is to be making sure we're designing those configurations of those packages in ways that make them highly desirable, but help us to maintain a healthy ASP that, of course, is supportive of greater margin levels and is reflective of what customers are looking for.

And so that's something we're looking at very closely. It's mix -- like the combination of variant mix that we'll ultimately end up with is going to depend a lot on the specific situations that we'll see as we're producing that vehicle, so in 2026 and 2027. But as it stands today, if we were to use R1 as a reference point, we see a positive mix shift in the second half of this year relative to the first half of this year.

**Andres Juan Sheppard-Slinger**

*Cantor Fitzgerald & Co., Research Division*

Got it. That's super helpful. I really appreciate all that color. Maybe just as a quick follow-up. I know we touched on autonomy and the different technologies and use cases. I'm just wondering if you can maybe give us your vision in terms of kind of the initial ramp-up of that developing? Any granularity that you might be able to provide? And then also, here's a question, are you considering autonomy for the EDVs potentially? Just curious if you're considering maybe commercial self-driving as well.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Andres, this is by a significant degree, one of our biggest focus areas. And I alluded to this and talked to this before, but just to be very explicit, the approach that we're utilizing on autonomy is -- represents a significant shift, a significant step. You often hear it called like AV 2.0 relative to what was done prior to like 2021, 2022.

And so what we launched with on R1 with our Gen 1 vehicle is a completely different topology, different sensor set, different compute stack, completely different software architecture to what we now have on our Gen 2.

And so what we designed our Gen 2 vehicle with was a much higher level of compute. So it's inference on vehicle, much more capable cameras. We brought all that perception stack, the camera set in-house. Of course, we designed the compute platform to support that really rich camera set that I talked about earlier in the case of R1, that's 55 megapixels cameras with outstanding breadth of performance.

And really, the goal of that, which launched a little more than a year ago now with the Gen 2 vehicles was to create a data platform to train a very capable model. And that very capable model, of course, gets better as the fleet size grows. And when we say train, I want to be specific here. It's not just having vehicles with lots of sensors and a lot of inference on board. The way that we trigger what data gets sent back to us, so what are the triggering events? Of course, it's when the vehicle encounters an issue, when it disengages from its autonomous driving mode. But importantly, when you're not in autonomous driving mode, what's triggered? What are we doing to find interesting situations that fill in and add robustness to this large model we're building.

And so we've really spent a lot of time defining a whole array of different triggering events that allows us to pull data off of our deployed fleet, use it to build robustness into the model and then redeploy that model and a distilled version back out to the vehicles, and that's what customers are starting to see in terms of improved feature set.

And we are deeply of the belief that this approach of an AI-centric approach, what you may often call like an end-to-end approach where we're training based upon the behaviors of the vehicles is the approach that's going to win. But it does require you to control the perception stack. It requires you to have a very robust data triggering architecture. It requires a very robust data movement architecture, meaning your vehicles are ideally connected to WiFi, which allows much lower cost movement of lots of data. And so

the incentive structures we've put in place around having customers on Connect+ and having them WiFi connected helps drive that. But that feeds our off-line training that's occurring, of course, on lots and lots of GPUs, which then continues to get better and better. And it's that set of ingredients, we think very few manufacturers have. We're investing tremendously into it. And what we'll start to see in terms of customer-facing features is, first and foremost, we'll see the vehicles be able to operate under a much wider range of roads.

So today, we limit our feature to a highway feature. In the not-too-distant future, we'll go map free. And we say that, but what we really mean is that it can operate essentially anywhere. And we've already gone hands-free in certain conditions on highways. We'll broaden that to be more conditions, so eyes on, hands off. And of course, the next step as we look into 2026 is identifying specific areas where you'll go hands off, eyes off.

And so where you'll truly get your time back where you can be looking away from the road, not an active participant anyway in the operation of the vehicle and coupling that with a turn-by-turn capability. So you get into your car, you can imagine the future state where the car then you give it the address and it takes care of getting there. And so that is our as we think about what's the road map for the next couple of years, that's what we're driving towards.

Core to that is this building of a large model. Of course, that model has applications beyond just R1, R2 and beyond, as you referenced, the applications in the commercial space and with our commercial vans. And so we're very, very excited about what this represents in terms of the business opportunity it creates, but also the customer experience that it forms.

### **Operator**

Our last question will come from George Gianarikas with Canaccord Genuity.

#### **George Gianarikas**

*Canaccord Genuity Corp., Research Division*

You sort of alluded to this in a previous answer, but I'm curious with the impressive specs of the R2 and the compelling price -- you are admittedly launching it into a challenging market for EVs. Can you just sort of illuminate us as to maybe broad marketing strategies or anything you plan to do to boost the market appeal of the product?

#### **Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

One of the most important things we've talked about since way before we even launched R1 is that it's really important for us as a company, if we're committed to our mission of driving an increase in electrification is that we attract non-EV customers. And we now have the benefit of seeing how that's played out with R1, where a meaningful majority of our customers are moving out of an ICE vehicle and into their R1 as their first-time EV experience. And what enabled that is that the product and the attributes that the product delivers on are unique relative not just to EVs, but are unique and exciting relative to all other options.

And I referenced this earlier on the call, but the R1S is the best-selling premium SUV in California and the state of Washington. I didn't say the best-selling premium electric SUV, just the best-selling premium SUV. And so it's attracting all different types of buyers. And so as we look at now, as I said, the heart of the demand in the United States, the average selling price of a new car in the United States is just under \$50,000. The most popular vehicle configuration is a 2-row SUV. The R2 is right there, right in the right price point, the right segment, the right size, and it's delivering a level of performance that's not seen by any of the alternatives you have, certainly in the ICE space there today. It's delivering a level of capability, meaning both on-road and off-road capability that's also not seen in that price point.

And it has entirely new features like things like a front trunk or some of the dynamics of the vehicle, given the low center of gravity that just are not seen in the SUV space, call it, the \$50,000 ICE SUV space or \$40,000 to \$50,000 ICE SUV space. And so we do see it as a very large market. And our hope and what

we're driving towards is to continue being able to draw a lot of non-EV customers into this, not simply because it's an EV, but rather because it's the best choice they have.

And that's how our engineers are thinking about the product, making it the best choice, the best SUV that you can buy between, let's call it, \$45,000 to \$55,000 -- and that's ultimately how we'll drive significant market share, both in the EV space, but also we look at it through the lens of driving significant market share just in the midsized SUV space.

**George Gianarikas**

*Canaccord Genuity Corp., Research Division*

And maybe as a brief follow-up, any news to share on commercial vehicle momentum, any additional wins or traction there?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

There's been a few vehicle settings that are different than the Amazon vehicles. But I think the most important thing here, and Claire referenced that I said it as well, we continue to work very, very closely with Amazon. They're an outstanding partner. Of course, they're a major shareholder in Rivian as well.

And we are seeing more deliveries of our vans with them through the second half of this year. The partnership continues to be very healthy, great close relationship with the users of the vehicles, the drivers of the vehicles and the operators of the vehicles. And that continues to allow us to make improvements and tweaks to the vehicle such that we hope to achieve this a few years ago when we were developing the vehicle. We can now say this with confidence. It's the best platform for logistics and commercial delivery [bar none]. It's an outstanding product. And so to be able to harden that product and refine it in conjunction and partnership with Amazon has been great. And we do think as other fleets start to electrify, they'll see this as a great choice.

**Operator**

This concludes the Q&A section of the call. I would now like to turn the call back to RJ Scaringe for closing remarks.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Thanks, everyone, for joining us today. Hopefully, you're hearing just the enormous excitement that we have for R2, the state of the program and the health of the program in terms of its cost structure, its development status, the close work that we're doing with the suppliers, as Javier both spoke to, these are fully engaged suppliers that are working with us in the development of the vehicle.

You're also -- if you're living in the Bay Area, Southern California, you're probably starting to see these camouflage vehicles on the roads. It's certainly exciting, but we are really focused on getting the vehicles ready for a very smooth and very healthy launch of the product.

And along with that, the focus that we have on building out our autonomy and self-driving platform, we'll see that make continued big steps forward on the R1 vehicle. And as we launch R2 with the further enhancement to our perception stack, we'll see, again, really leadership in the R2 vehicle around our self-driving platform. And so those are core efforts for us and really, we think, create an outstanding future state for us. And we are very, very bullish on R2. We're very, very bullish because of that on the outlook for the business, and we appreciate everybody's support and everybody joining this call.

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