

# Rivian Automotive, Inc. NasdaqGS:RIVN

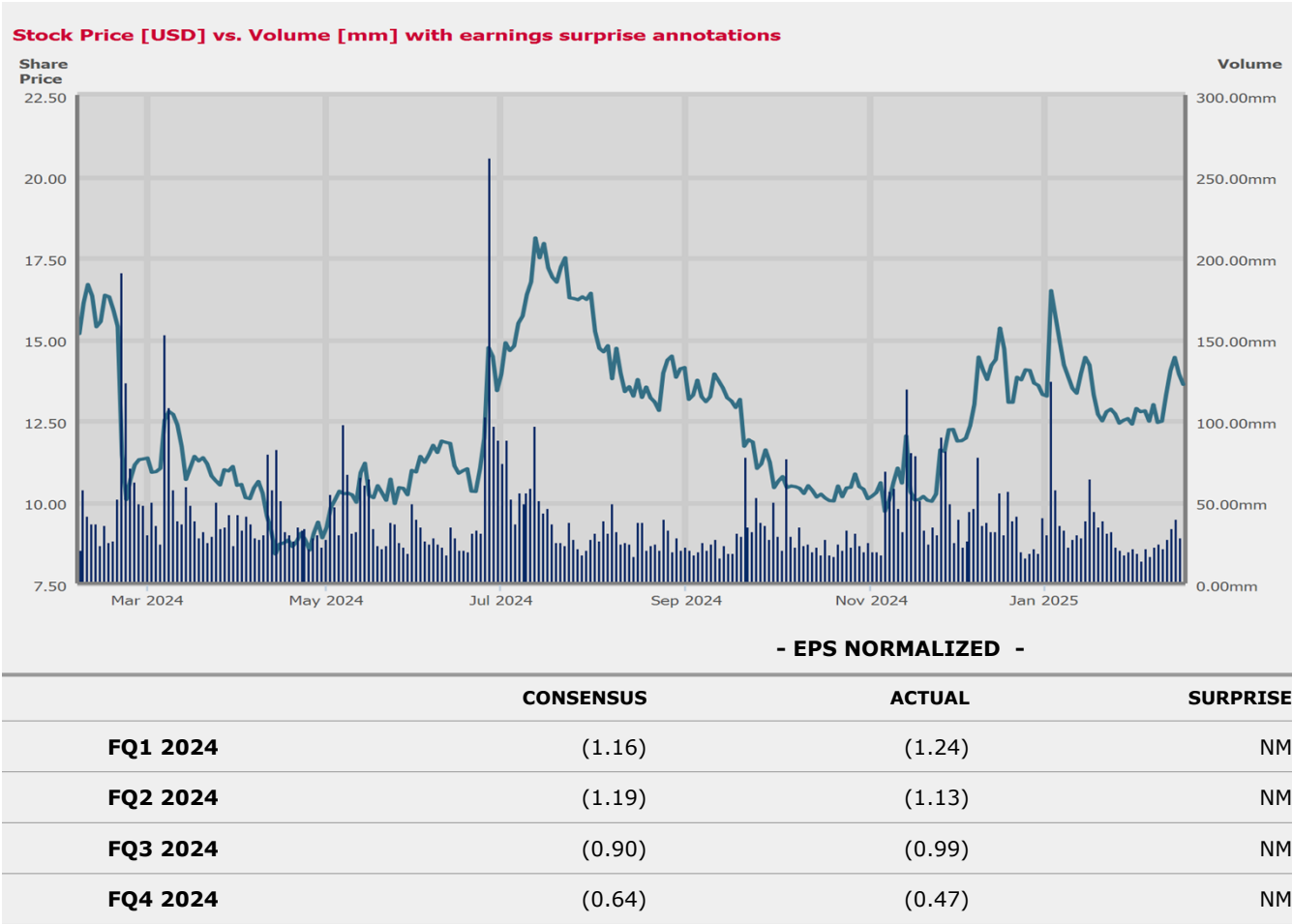
## FQ4 2024 Earnings Call Transcripts

Thursday, February 20, 2025 10:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2024-			-FQ1 2025-	-FY 2024-			-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	(0.64)	(0.47)	NM	(0.68)	(4.02)	(3.61)	NM	(2.70)
Revenue (mm)	1433.18	1734.00	▲20.99	1108.24	4676.87	4970.00	▲6.27	5176.24

Currency: USD  
Consensus as of Feb-18-2025 3:31 PM GMT



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# Call Participants

## EXECUTIVES

**Claire McDonough**

*CFO & Chief Accounting Officer*

**Javier Varela**

*Chief Operations Officer*

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

**Timothy Francis Bei**

*Vice President of Investor Relations*

## ANALYSTS

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

**Dan Meir Levy**

*Barclays Bank PLC, Research Division*

**George Gianarikas**

*Canaccord Genuity Corp., Research Division*

**John Joseph Murphy**

*BofA Securities, Research Division*

**Mark Trevor Delaney**

*Goldman Sachs Group, Inc., Research Division*

**Shreyas Patil**

*Wolfe Research, LLC*

# Presentation

## Operator

Good day. Thank you for standing by. Welcome to Rivian's Fourth Quarter and Full Year 2024 Earnings Conference Call. Please note that today's conference is being recorded. I will now hand the conference over to your speaker host, Tim Bei, Vice President of Investor Relations. Please go ahead.

## Timothy Francis Bei

*Vice President of Investor Relations*

Good afternoon, and thank you for joining us for Rivian's Fourth Quarter and Full Year 2024 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 laws. 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 today's shareholder letter.

During this call, we will discuss both GAAP and non-GAAP financial measures. A reconciliation of GAAP to non-GAAP financial measures is provided in our shareholder letter. Just before the call, we published 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'll cover on today's call.

Beginning with the fourth quarter of 2024, there was a change in the composition of our reportable segments, and we now analyze the results of the business through the automotive segment, and the software and services segment. Our Q4 2024 results are presented on this basis.

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 for joining us, and thanks to the team for the tremendous effort in 2024. I'm pleased to be able to speak to our positive gross margin in Q4. This is a result of outstanding effort from the team, driving a focus on cost, driving a focus on continuing to build our demand generation capabilities and of course, looking at opportunities to improve efficiency across the business. **With that, we removed \$31,000 in COGS per vehicle in Q4 of '24 relative to Q4 of 2023.** This is a really important milestone for us as a company and something Claire and myself have spoken to a lot over the course of last year.

And there's a number of drivers of this. Of course, the cost reduction I just spoke to is a major driver, but we also had an increase in revenue, an increase in revenue on a per unit basis as the mix that we're producing, so we see translate to higher average selling prices. We've also seen increase in regulatory credit revenue, which Claire will speak to in a moment; and then, of course, the revenue associated with our joint venture with Volkswagen Group.

Now on the mix side, along with the Gen 2 launch, we introduced the Tri-Motor. And internally, we often say this is the goldilocks of powertrain configurations. It's 1 motor in the front, 2 in the back. And it represents a really unique product market fit where it delivers outstanding performance, 0 to 60 in 2.9 seconds. It's dynamically incredible.

It's not quite as extreme as our Quad-Motor, but it does represent a meaningful step up relative to Dual-Motor, which is also very high performance. But the Tri really is -- connect with consumers, and we're seeing a higher take rate on our Tri-Motor than what we expected. With that, we are launching a special version of our Tri-Motor, which we just announced, which is our Dune Edition, and we're really excited about that.

Linked to that, the product, creating a clear vision around the product and the types of products we launch, is the brand that we're building. And the first products we launched, the R1T, the R1S, their purpose was to really act as a handshake with the world to establish who we are as a brand. And what we see today is a brand that has customers that are really excited for what we're building. And there's a range of different third-party analyses that look at brand strength and customer happiness and customer satisfaction.

For the second year in a row, we've come out as the highest rated brand in terms of customer satisfaction and likelihood of repurchase on one of the leading customer satisfaction and brand surveys that's done every year. And there's lots of reasons our customers love our products. But one of the most important to us is safety. And it's something we put at the very core of the vehicle development process.

We make decisions around trade-offs for content, for structure, for even the design of the vehicle to make sure that these are the safest vehicles in their respective segments. And speaking to that, the Insurance Institute for Highway Safety tests our vehicles, and their highest rate -- safety rating, which is Top Safety Pick+ has been awarded to both our SUV R1S and to our truck.

And in the case of the R1T, we're the only electric pickup to achieve this Top Safety Pick+ rating. And in the case of the R1S, we're the only large SUV across both internal combustion and electric to achieve this rating. And so we're really pleased with that result, and we see it manifest in how consumers are starting to see our brand is -- of course, we're exciting. Of course, we have a lot of fun embedded in the products, but these are also incredibly safe products.

Now the work that we've done in R1 in terms of continuing to progress our technology stack, that's our software architecture, our topology of computers and ECUs across the vehicle, the sensor set that's in the vehicle, the associated compute platform that's used for our self-driving features, that's continued to progress with R1, of course, with the launch of Gen 2. But it's really laid the foundation for us and what we're launching with R2 and also served as a big part of the foundation for what we established with Volkswagen with our joint venture.

Now with regards to R2, we couldn't be more excited about this program. It's -- in terms of the product and the attributes and the features that go into it, it's really the result of so many learnings that have happened with R1 where we've simplified the product from a design point of view. We've been able to optimize around cost in a way that we weren't able to in R1, and we're able to deliver a feature set that really speaks to our brand and to our values in terms of product attributes that's just remarkable.

And we're on track for launching this vehicle in the first half of 2026. The development work associated with that is well underway. Of course, lots of parts are being tooled. Lots of equipment's being built. We're in the process of building the expansion in Normal. It's well in excess of 1 million square foot expansion, where we have the foundations and the walls are going up. And over the course of the next several months, we're going to see the completion of that building expansion in the beginning of the installation of equipment, which will all lead into, through the end of the year, launching our manufacturing validation builds in that expanded portion of the facility.

Now of course, the things we see in terms of development of our product and the build-out of the expansion to our plant, those are very visible to someone driving by Normal or to see our test vehicles out on the road, but we've also sourced 95% of the bill of materials and the bill of materials in R2 is expected to be roughly half of what we have in R1.

And the other non-bill of material COGS targets are significantly less than what we have in R1 -- actually significantly less than half of what we have in our R1. And so the overall cost structure that we're planning for in R2 is a night and day improvement relative to what we launched with and what we have today on our R1.

Now with all that said, one of the things that has all of us very excited is just the response to the R2 product. We have inbound -- many, many inbound requests on a daily basis asking us if we can accelerate it or if customers can take delivery sooner, and we love that. We love the anticipation of the product and what's to launch.

Now I want to talk a little bit about our technology, and I'll focus first on autonomy. With the Gen 2 platform on R1, we use that as really a reset to how we've approached our autonomy platform. We call it Rivian Autonomy Platform. And that's 55 megapixels of cameras around the vehicle. We have 4-corner radars and a front imaging radar, so for total of 5 radars. Those feed into a much higher compute platform, about 10x the compute levels what we had in Gen 1.

And that architecture is designed fully contemplating the ability to use AI to help train our self-driving capabilities. And we're using an end-to-end approach where the Rivian-owned camera feeds and perception stack feed into our vehicle. We're able to identify unique events, train our model, our self-driving foundation model offline and use a distilled version of that on the onboard vehicle in the inference platform to really drive -- you'll see a growing set of features. And the headroom that we have for the feature set on our R1 vehicles, and because of that with our R2 vehicles as well, is phenomenal.

So we're very bullish on that. And I've talked a bit about this in the past already, but we have a hands-off highway feature that we're going to be launching here very soon within the next several weeks. We have an eyes-off feature that we're going to be launching for highway functionality in 2026. And the number of roads and types of conditions will allow our hands-off, eyes-off features to operate, we'll continue to expand beyond that once we get that highway eyes-off feature launched.

Now beyond autonomy, we're also making progress on the mechanical aspects of our vehicle, the mechanical aspects of our technology. With R2, we're using large high-pressure die castings to eliminate a lot of parts. If you were to compare the R2 body structure with that of R1, we've taken out approximately 65 parts. We've reduced the number of joints in the body by about 1,500. And we're doing that through part consolidation and part elimination and that extends -- that focus on part consolidation, part elimination, simplicity of assembly extends into every aspect of what you see in the R2 vehicle.

So the way the electrical compute platform's going to the vehicle, the way those attach to the harness, the connectors on the harness, the attachment points for the harness, the body, the interior trim components going in, how they're loaded, how they're fastened, all of that's been optimized in a really meaningful way to achieve, as I talked about it before, the significant reduction in cost in our bill of materials, which I said again is about half of where we were -- where we are on R1 and a significant more than half reduction on our non-bill of material cost of goods sold.

Now of course, there's a lot of discussion right now around the overall regulatory environment that we're operating in. And I first want to say, we're very aligned with the administration in the importance of creating U.S. jobs and driving technology innovation here in the United States and in an area that we think is critically important for our country in the long term around looking at technology on electrification, software, electronics. These core areas that we're going to see be vital to the long-term health of our transportation industry are areas we've really focused on. And they've enabled us to create products that are both highly compelling, and they've enabled us to create parts of our business where we can leverage that technology, as evidenced by our joint venture with the Volkswagen Group.

With that, we're also working towards our new Georgia facility, which will build both the R2 and the R3 product lines and along with our facility in Normal, Illinois will really form a core foundation for building the R1 product line, the R2 and the R3 products here in the United States.

With all that, I'd like to thank our employees, our customers, our partners and suppliers our communities and, of course, our shareholders for their support and the excitement for what we're building. We -- internal to Rivian, we're -- couldn't be more excited about what's to come with R2. It is a focal point for us as a business, and it represents so many learnings that we've had across the R1 product line and our commercial van product line that are being fed into the launch and the development of that product.

With this, I'll pass the call to Claire.

### **Claire McDonough**

*CFO & Chief Accounting Officer*

Thanks, RJ. I want to thank our team for a tremendous quarter. At the start of 2024, we communicated our goal of reaching positive gross profit for the fourth quarter as a result of the improvements we are

targeting in our material, conversion and depreciation cost per vehicle as well as an increase in the sale of regulatory credits, and software and services revenue. We're pleased to be able to walk you through how this important milestone was executed.

As RJ mentioned, on a year-over-year basis, we reduced our automotive cost of goods sold by \$31,000 per vehicle delivered in the fourth quarter while increasing our automotive revenue per unit excluding regulatory credit revenue to \$86,000. This was the result of higher R1 average selling prices from the introduction of our Tri-Motor offering, which was partially offset by a higher mix of commercial van sales. We also earned revenue from the sale of nearly \$300 million of regulatory credits in the fourth quarter.

We are proud of the progress we made through engineering-driven design changes that made the second-generation R1 higher performance, lower cost and easier to manufacture and service. We also delivered meaningful supplier commercial cost reductions as well as raw material cost benefits, which we expect to continue into 2025.

As Tim noted, we reported new segment disclosures to provide visibility into the core drivers of the automotive, and software and services segments of our business. The automotive segment includes the sale of new consumer and commercial vehicles as well as regulatory credits. We produced 12,727 vehicles and delivered 14,183 vehicles in the fourth quarter of 2024, which was the primary driver of the \$1.5 billion of revenue in the automotive segment, which included the regulatory credit sales I just mentioned.

Our segment-level automotive gross profit was \$110 million, reflecting a 7% gross margin for the fourth quarter of 2024. We consolidated the financial results of the Rivian and Volkswagen Group joint venture into Rivian's financials. Vehicle electrical architecture and software development services paid for by the Volkswagen Group are now reflected in Rivian's revenue and cost of goods sold in the software and services segment, with Rivian share of the development services reflected as R&D expenses, which is consistent with prior practice.

Incremental to ongoing revenues generated by the joint venture, Rivian expects to recognize approximately \$2 billion of consideration from the Volkswagen Group as revenue as the joint venture delivers against its development road map over the next 4 years. This includes the cash received from Volkswagen Group for licensing of the background intellectual property as well as equity premiums and noncash benefits.

Beyond the vehicle electrical architecture and software development services I just walked through, the software and services segment includes remarketing; vehicle repair and maintenance services; charging; software subscriptions; and other services, including financing and insurance. The \$214 million of software and services revenue in the fourth quarter of 2024 was primarily driven by remarketing sales, vehicle electrical architecture and software development services, and repair and maintenance services. Our software and services segment level gross profit was \$60 million, reflecting a gross margin of 28% for the fourth quarter of 2024. We've strategically focused on driving efficiency into every element of our cost structure. This work has enabled funding for our technology road map as well as our investments in sales and service to enhance the customer experience and increase brand awareness. We made these investments while also reducing our total operating expenses by 15% in the fourth quarter of 2024 as compared to the same period in 2023.

The combination of our positive gross profit milestone, coupled with our operating expense management, enabled an improvement of \$729 million in adjusted EBITDA for the fourth quarter of 2024 as compared to the fourth quarter of 2023. Our adjusted EBITDA losses for the fourth quarter were \$277 million, which is the best performance we've had since the start of production.

Overall cash, cash equivalents and short-term investments increased to \$7.7 billion as compared to \$6.7 billion in the prior quarter. This includes \$1.3 billion received in November in conjunction with the closing of our joint venture with the Volkswagen Group. We are also beginning to realize some of the working capital benefits we discussed on prior earnings calls. Inventory levels at year-end were \$372 million lower as compared to the end of 2023. This was primarily driven by reducing our raw materials and finished goods inventory. We expect to generate cash from working capital in 2025 as we reduce our inventory levels by year-end.



During 2024, we reinforced Rivian's long-term financial flexibility. We received \$2.3 billion of the expected \$5.8 billion of funding from the joint venture transaction with Volkswagen Group. We also announced the closing of an up to \$6.6 billion Department of Energy loan, which, together with the remaining proceeds from the Volkswagen Group, is expected to fund an incremental \$10.1 billion of potential capital on top of the \$7.7 billion of capital we had on hand as of December 31, 2024. This capital is expected to fund Rivian's operations through the ramp of R2 in Normal as well as R2 and R3 in Georgia, enabling a path to positive free cash flow and meaningful scale.

In considering our 2025 outlook, we acknowledge the fluid nature of the current policy, regulatory and demand environment. There are external factors outside of our control that could impact this outlook, in particular, changes to the regulations or policies which may impact market dynamics, supply chains, incentives and the market for regulatory credits.

Our guidance represents management's current view on potential adjustments to incentives, regulations and tariff structures. Importantly, it's early in the year, and some of these factors could change. As mentioned on previous earnings calls, we expect to shut down both the consumer and commercial manufacturing lines in our Normal plant for approximately 1 month in the second half of 2025 to prepare for the launch of R2 in Normal in the first half of 2026.

We expect to deliver between 46,000 and 51,000 vehicles in 2025. As a reminder, due to a supply shortage of a component in our Enduro motor system, we produced and delivered more Tri-Motor R1s and commercial vans in the fourth quarter of 2024 as compared to our initial expectations. These incremental commercial vehicles delivered in the fourth quarter are expected to result in lower commercial deliveries in 2025 and higher finished goods inventory in the first quarter of 2025. In addition, we expect to deliver fewer consumer vehicles in the first quarter as compared to the prior quarter.

These lower anticipated volumes are due to seasonality, coupled with a challenging demand environment, partially driven by the impact of the fires in Los Angeles, which has historically been one of our largest markets. Due to these dynamics, we anticipate deliveries to be approximately 8,000 vehicles in Q1.

We also expect production levels to be approximately 14,000 vehicles in Q1 as we focus on building inventory to help mitigate the impacts of our planned shutdown in the second half of the year as well as enable higher commercial deliveries in the second quarter. We expect to achieve modest gross profit for the full year of 2025, supported by strong profits from our software and services segment. This positive gross profit is expected to lead to a significant improvement in our adjusted EBITDA, which we expect to be between \$1.7 billion and \$1.9 billion of loss for 2025.

We expect capital expenditures to range from \$1.6 billion to \$1.7 billion in 2025, largely driven by spending related to our manufacturing facility expansion in Normal and supplier tooling for R2 as well as our continued growth in our go-to-market infrastructure, including service centers, experiential spaces and the Rivian Adventure Network. As a result of the start of construction on our manufacturing facility in Georgia, we expect to have a year-over-year increase in capital expenditures from 2025 to 2026.

Looking forward to 2026, we're excited to launch R2 in the first half of the year. This is the first line of production for our new mid-sized platform; and as a result, we intend to gradually ramp the R2 line and operate on a single shift of production for the majority of operations in 2026.

We want to thank our team for delivering a great quarter. We remain steadfast in our belief that R2 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 the line of Dan Levy with Barclays.

### Dan Meir Levy

*Barclays Bank PLC, Research Division*

First, I wanted to start with a question on your assumptions for policy. You said you're embedding here your best guess on what the policy shift is. Could you just outline what exactly you are assuming on tariffs, credits, et cetera?

### Claire McDonough

*CFO & Chief Accounting Officer*

Sure, Dan. As I mentioned in my prepared remarks, our outlook reflects our current view on potential adjustments, and that includes things like incentives, regulations, tariff structures. And I'm not going to get into any details or specifics on each unique driver. However, as we look at the impacts in aggregate, our guidance does reflect hundreds of millions of dollars of impact to Rivian's EBITDA, inclusive of potential demand impacts.

And again, as I said, this is based off of management's current outlook and current view, but we recognize that this is a very fluid environment. But we felt it was important to provide guidance that reflected our current assessment of the policy outlook.

### Dan Meir Levy

*Barclays Bank PLC, Research Division*

Okay. Second question is on COGS trajectory and really, 2 parts here. One is maybe you could just outline what trajectory of R1 COGS we should expect over the course of the year. Can we expect, by the end of the year, COGS per unit to be roughly equal to ASP per unit? And how much of this should be an indication that you have the line of sight to achieve the BOM that you need and the COGS that you need on R2, which I think, RJ, you mentioned you're at 95% sourcing? So any color on the COGS trajectory and how this gives you line of sight R2, please?

### Robert Joseph Scaringe

*Founder, CEO & Chairman of the Board*

Thanks, Dan. We've spent a lot of time talking about just the history of our cost of goods sold on R1. And of course, when we launched production, we had the challenges associated with being a first-time manufacturer and really carrying a burden of a premium we are paying with a number of our suppliers. And when we brought in Gen 2, we resourced more than half of the bill of materials on the vehicle. And along with that, you're now seeing the benefits of it.

We took a substantial amount of cost out of our bill of materials. We also, in resourcing roughly half of the bill of materials, are just over half of the bill of materials. We're able to implement new designs that allowed for both better efficiency and production of those parts going into the vehicle but importantly, how the vehicle itself comes together. And with all that progress we've made on R1, we've, of course, identified a number of opportunities across the vehicle and across the supply chain for further improvement, and we're seeing all those learnings really be captured in what's gone on with R2.

And in the case of R2, I spoke to it already, but the bill of materials in R2 is -- we're projecting that to be about half of what R1 is today on a like-for-like basis around an, if you will, apples-to-apples basis on a vehicle. And then on the non-bill of material cost of goods sold, more than 50% reduction.

And so a huge amount of effort has gone into continuing to drive the progress in terms of how we think about engineering and design of the vehicle as well as the sourcing. And one of the things we're so excited

about with R2 is it's not just a lower-priced product that'll open up a much more mass market for us, but the cost structure to achieve that much lower price is very robust.

And with that, I'd like to invite Javier just to speak to some of the elements of this. And of course, he and I and the rest of the leadership team have been driving this cost focus across every aspect of the business but in particular, a heavy focus on our supply chain and on our operations.

**Javier Varela**

*Chief Operations Officer*

Yes. Indeed, with generation 2 of R1, we have taken a big step in cost reduction, and we continue working in all the cost elements, be it with our suppliers, collaborating in analyzing flows and complete supply chains, and internally in our plant. We are tackling all the elements of the non-BOM cost, the line balancing, automation and robotics, operator efficiency. We are working on the logistics, compacting and compressing the supply chains, reducing the inventory levels and then the space that we are using, implementing pull systems, reducing downtime and maintenance costs, logistics and supply chain optimization, as I said, even at the level of packaging, where we are optimizing our packaging and reducing the cubics we are transporting to get the material from suppliers to our plants.

So those are elements of the improvements. But I would say that the most important one, I'm more proud of, is people. I mean it's how we have engaged all of our people in the plant and in cross-functional in the other functions to reduce cost and gain a higher efficiency. We have, I call it, empowering the shop, is just involving our team members, involving our frontline managers and finding opportunities.

The people that are every day, every minute close to where the action happens, they have fantastic ideas. And it's been a real engine for finding additional savings and improvements in R1 and of course for R2. R2 will benefit on top of what RJ said, of a simpler product, less components, a great design for manufacturing activities done in the very early stages, combining the different functions of the company, so great asset mobility, let's say, but we can benefit as well of all our learnings in compacting and improving the processes that we are doing in R1. All those learnings will be absolutely implemented in our new line in Normal in body shop, in assembly and all the new processes we are implementing there.

**Operator**

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

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

I wanted to ask about the Rivian Autonomy Platform, where you really have a pretty major change of strategy moving to end to end, 10x the compute, enhanced sensor suite as well. So I'm just curious, in those moves, can you tell us how much you're spending on the compute and training? What are you doing in-house? Or how much are you doing with partners? I'm curious how much of the forward R&D or OpEx and CapEx is allocated towards AI infrastructure and training as you use your proprietary data and press your leadership there.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. Thanks, Adam, for the question. This is such a critical focus for us as a business and something we're really excited about as we look at the months and years ahead just how much this space is evolving and changing. But to go to your question, I mean, we really have to wind the clock back about 3 years when we started the development on what launched into the Gen 2 platform.

And the decision we took then was really built around the view that self-driving systems are going to be very much AI centric and there's going to be large data flywheels and platforms for training a foundation model. And in order to do that really well, and in fact, I'd say, in order to do that at all, it's imperative that you have raw signals coming from the cameras and any other elements of the perception stack. In our case, it's cameras and 5 additional radars.

And those raw feeds need to feed into a compute platform that has in vehicle enough compute and as you said, 10x what we had in Gen 1, enough compute at an inference level to be able to do the real-time decisioning to operate the vehicle. And then that data flywheel, of course, is feeding our off-line model that we're continuing to train both through data and through simulations that we built from that data.

And so there's cost elements associated with all this. Of course, we made the decision to architect the camera platform and the compute platform in the vehicle. So we have an outstanding hardware team that's done all the design work and engineering work on that. And then there's a large amount of work to build the software platform that's running on that hardware platform, and those teams, we've built out within the company. And I'm really proud of the work that we're doing.

But as you noted, the really sort of less visible but really important element of this is that the platform has a lot of headroom, and it will continue to improve. And I think it's challenging in this space to look at a feature set on a single day and not take into account what the second derivative, if you will, of the curve is, like how fast is progress accelerating.

And with the shift to an end-to-end approach and the shift to being able to train with these large data pipelines, it really changes fundamentally how we think about autonomy and it changes fundamentally how we think about growth and features. So the first step of what I would consider to be meaningful notable progress on our platform is the move to hands free, which we're launching here shortly.

As I said in comments earlier, we've got a hands-free, eyes-off feature for specific operating conditions that we'll be launching next year, and then we'll be growing the number of conditions for which that feature will be available, of course, in the ultimate end state -- of which we can debate when that is, but ultimately in the end state, we think hands free, eyes off will be -- needs to be available essentially everywhere.

And so as we track towards that, we're going to first select what we think are the most valuable and achievable elements of delivering that hands-free, eyes-off feature in 2026. And a lot of training horsepower is needed. And so the GPU is necessary to train as you put it. These are expensive. And I do think there's often confusion, somewhat surprisingly, around the nature of how we access GPUs. So it's really a business-level decision as to whether it's CapEx, whether you're buying the GPUs and building an AI training infrastructure or whether you're renting them or whether you're creating unique off-balance sheet ways to finance it and you effectively have that show up as R&D or OpEx.

And we're in a position today where the world has recognized the need to build a lot more AI training capability, and there is a variety of really creative ways we can access a substantial amount of GPUs without having to deploy the CapEx ourselves. And those are the structures that we're working really hard to achieve. And without saying more detail around what those deal structures look like, I think you can probably imagine there's lots of ways, and we're seeing lots of companies demonstrate ways to access tens of thousands of GPUs to do this type of training.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Appreciate that. I think people on this call will be listening very carefully to the NVIDIA GTC sessions as well. Just as a follow-up question on the software and services segment, it's really helpful that you break it out and perhaps you can -- opportunities to follow up. But Claire, can you confirm whether, let's say, relative to the \$300 million or so that you recognized in 2024, whether you have -- first, if you included any in your assumptions for 2025? Or could you tell us, is it similar or higher or lower?

And then the joint venture revenues from the electrical architecture, I know it follows a kind of a scale -- a spooling up as you pass through time of the \$2 billion. I don't know if you could give us any details to how much was included in the fourth quarter and kind of how that scales up over the course of the year within that segment.

**Claire McDonough**

*CFO & Chief Accounting Officer*

One clarifying question. The question on the \$300 million, that was regulatory credit related?

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Correct.

**Claire McDonough**

*CFO & Chief Accounting Officer*

Okay.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Yes.

**Claire McDonough**

*CFO & Chief Accounting Officer*

So on the regulatory credit outlook, we do still expect that we'll have roughly about \$300 million of reg credits, which is embedded within our outlook for 2025 as a whole. And as I mentioned, there's outcomes in which the -- that value could be higher. There are certainly policy impacts that could be slightly lower but wanted to just provide that guardrail as you think about what's embedded within the outlook, which is relatively flat outlook from a regulatory credit standpoint year-over-year.

As we look at the JV-related revenues, we had \$214 million of software and services revenue. That was relative to roughly \$100 million of baseline revenue in the prior quarter. The majority of the growth was from the introduction of the joint venture and the JV was really only online for about half of the quarter as well as you think about contextualizing the relative size.

We're not going to get into specific numbers there on the JV but wanted to just provide that relative view as we think about the growth from roughly \$100 million to \$200 million, although we did have underlying growth in our non-JV-related software and services over that same time frame as well driven by significant growth in our remarketing efforts, especially centered around used Rivian vehicles.

As we look at the broader outlook for 2025, I would directionally guide you to a place of north of about \$1 billion of overall revenue from the software and services segment in aggregate. And the JV played a significant role in that growth year-over-year.

**Operator**

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

**Mark Trevor Delaney**

*Goldman Sachs Group, Inc., Research Division*

A follow up on the Rivian Autonomy Platform and great to see the profits the company is now generating from -- can you hear me?

**Claire McDonough**

*CFO & Chief Accounting Officer*

Now we can, but you dropped.

**Mark Trevor Delaney**

*Goldman Sachs Group, Inc., Research Division*

Okay. I had a follow-up tied to the Autonomy Platform. And really nice to see the software and services profits coming through and learn more about all Rivian's doing with AI to further improve the features going forward. I do want to double click on the economics of that. It has been a pretty topical item within the financial community and wanted to get your latest views around to what extent you think Rivian can

charge for these products going forward. And we've seen in China some of the hands-free products are being sold on vehicles at pretty low prices. And what's your view about your ability to monetize this? And especially as you get to Level 3 and hopefully get people time back, do you think that can become a meaningful business driver for Rivian?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. Thanks, Mark. This is a question we internally spend a lot of time on as well, and yes, I think we need to separate the short to medium term from the very long term. And in the short to medium term, where we believe there's going to be relative advantages that we'll have to others, there will be more of an opportunity to price that into the Level 3 features that we actually think of it more as a hands-free, eyes-off feature and given the SE designations of Level 2, Level 3 becomes so confusing and blurry. But on a hands-free, eyes-off feature, we do see an opportunity for that to be a priced feature. But over time, it's going to depend a lot, as you pointed out, on the competitive landscape.

And what others are charging for those features and whether it's a feature that you pay for as a check-the-box upgrade or whether it's embedded into the vehicle pricing, that's really going to remain to be seen. But I think the macro really important point here is that whether it's in vehicle pricing or whether it's as a paid separate check-the-box feature, we believe that it will create economic value for us as a business.

And that's really why we've invested so heavily and continue to invest heavily in this area of the business, and it's one of the areas we're most excited about that's -- we think, as we start to see the progress, that nonlinear progress I talked about in terms of the compounding benefits of a vertically integrated stack, will really start to play out in the market for consumers and then for us as a business.

**Mark Trevor Delaney**

*Goldman Sachs Group, Inc., Research Division*

Very helpful, RJ. My second question was a follow-up around the \$1.96 billion of proceeds from the JV that you'll be recognizing over about 4 years. Can you help us better understand the gross profit implications of that incremental revenue as it flows through?

**Claire McDonough**

*CFO & Chief Accounting Officer*

So you can think about that as pure profit as the -- as we go through the flow-through of that deferred revenue stream over the course of the next 4 years. It is important to note that it's not going to be effectively straight lined over the course of those 4 years. It will be distributed based off of the ongoing development of the joint venture as a whole, so more back-end weighted as we think about the recognition as a whole.

**Operator**

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

**George Gianarikas**

*Canaccord Genuity Corp., Research Division*

Maybe -- I'd like to understand a little bit more about the quarterly cadence you expect around deliveries in 2025. You mentioned the first quarter would be about 8,000. Any color as to what exactly you plan to bring down the lines? Is it Q3 or Q4? And how should we expect the year to progress?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Thanks, George. We're -- with the -- Javier spoke to it a little bit earlier, but we're in the process of building a significant expansion to our plant that will house general assembly in the body shop for R2. And

in fact, there's a picture of it in our Q4 shareholder letter. That's maybe a few days old, but it's rapidly being built out. I'm really excited with the progress we're seeing there.

But there's other aspects of the plant in Illinois that we're going to be sharing between R1, R2 and our commercial vans, and the most critical of those is our paint shop. And so we're going to be shutting down the overall plant to integrate the R2 line into the paint shop and to a lesser degree, into the stamping operation for the plant. And those are the shared areas, which importantly are really high investment areas as well. So we're able to share and leverage the paint shop and able to share and leverage our stamping operation.

And so that 1 month roughly shutdown has been reflected in our numbers in the guidance that we're providing. And as we've done before with the Gen 2 launch, we want to be really clear as early as possible so that, that doesn't surprise anyone, so we know that that's coming. It's intentional. It's planned. The production volumes you're going to be seeing from us in Q1 and Q2 reflect and contemplate that shutdown so that we have sufficient supply or sufficient inventory of vehicles to support the full year.

**George Gianarikas**

*Canaccord Genuity Corp., Research Division*

And maybe as a follow-up, any comment on the DOE loan and the uncertainty in Washington around those funds potentially being dispersed?

**Claire McDonough**

*CFO & Chief Accounting Officer*

Thanks, George. We're really looking forward to working with the new administration and Department of Energy on our loan. And we share in the President's desire to bring jobs back to the U.S. Our loan would enable 7,500 new manufacturing jobs in addition to the more than 10,000 jobs that we, as Rivian, have created across the enterprise over the course of the last 3 years.

And as you just heard from RJ, we're also helping to advance American innovation around the transportation sector, which we believe is strategically important as a global industry as a whole and maintain that alignment with the administration on this course of action as a whole. And the loan will continue to provide important capital for us as we look to scale the business and take Rivian from the 215,000 units of capacity in Normal to adding an additional 400,000 units of capacity over time.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes, the other thing to keep in mind in the context of just U.S. leadership and innovation around transportation and energy systems is the scale of change that we're seeing across the planet as we electrify. So that's as the -- Europe electrifies, as China electrifies, as rest of world electrifies. The scale of that requires a mosaic of different companies to be producing highly compelling products and products that give customers choices as they start to think about electrification.

And we really believe and we're very aligned with the administration on this that the U.S. seems to continue to be a world leader in this regard and our investment into electronics, into software, into autonomy and AI, these are really key areas for us as a country to continue to exercise the leadership position in. And it's important that we as a country also have many different companies that are successful in entering in these spaces and are successful and complementary towards one another.

**Operator**

Our next question will come from John Murphy with Bank of America.

**John Joseph Murphy**

*BofA Securities, Research Division*



Claire, I just wanted to -- just one quick question on the gross profit year-over-year and just want to try to understand correctly and if there are any other pieces in the building blocks. But starting for about \$1.2 billion negative in '24, you got volumes flat to down on a year-over-year basis.

So assuming it's not too much of an impact to maybe slightly negative there, it sounds like the software and services revenue is going up by about \$800 million year-over-year. So that 28% gross margin, that's a bump of [ 2 24 ]. So that leaves, horseshoes and hand grenades, about \$1 billion. It sounds like it will be gained from a lower BOM and sort of the cost savings there. Is that where the bulk of that other \$1 billion is coming from? Or are there some other factors that we should be considering?

**Claire McDonough**

*CFO & Chief Accounting Officer*

Sure. So as you think about the baseline for 2024, and that does include some level of joint venture in it, but we had about \$484 million of software and services revenue in aggregate or if you look at more of what was the prior run rate, about \$100 million a quarter, give or take, as a whole, so that gives you a little bit of a framework to think through the overall outlook.

As we think about the composition of the overall gross profit, we will see a significant benefit from the ongoing gross profit of the software and services business. As I mentioned previously, we expect this to be north of \$1 billion; and consistent with what you saw from us with the 28% gross margin in Q4 for software and services, we anticipate being able to achieve a gross profit margin in the 30% area for the software and services side of the business.

And so you heard from RJ and Javier on all of the cost efficiency drivers that we're working through within our manufacturing facility, with our suppliers. We have ongoing commodity tailwinds that we'll realize over the course of the year. But there are some offsets to that as we think about some of the potential policy-related impacts or demand impacts that's embedded within our guidance and then the fact that we will no longer have meaningful LCNRV-related benefits in 2025 given the improvements that we've made in our underlying cost structure, which has dwindled that LCNRV balance as we reach Q4 of 2024 as a whole.

So with all of those puts and takes, we do have a negative automotive gross profit outlook from a GAAP basis, but we do anticipate that we'll be making money if you adjust that for some of the noncash items, including our depreciation expense or stock-based compensation expense as a whole. And that collectively is what's going to be driving and enabling the roughly \$800 million to \$1 billion of improvement in adjusted EBITDA since we will have some underlying growth of our R&D expense, our SG&A expense as we continue to invest in our autonomy platform, as we continue to invest in the growth of our service and sales infrastructure as well. So hopefully, that gives you a little bit of a flavor of some of those different puts and takes to get us to the modest aggregate gross profit outlook.

**John Joseph Murphy**

*BofA Securities, Research Division*

Yes, that's helpful. And then just the second question, it's tough for us to tell externally, but we're going to be looking at a year in '25 where volumes are flat to down. A lot of that seems like it's going to be driven, to some degree, from capacity constraints and changeovers. But as you think about '26, is there any reason to think that the R1 and the commercial van can't grow volume? Or, I mean, how are you thinking -- I know it's a little bit sort of presumptuous to ask about '26 already.

But I mean, looking at that flat year, I think some skeptics might say, "Hey, listen, the R1 and the commercial banner are at their run rate levels and any growth is going to come from R2, R3 over time, and these products are where they are." But an optimist would say, "Hey, listen, as volume ramps up, you might be able to take pricing down over time and offer even better value to the consumer that the volumes could go up significantly." I mean which end of the spectrum do you think is right? Or is it kind of down the middle?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*



Thanks, John, for the question. We -- when we made the decision to launch R2 in Normal, a lot of the focus at the time was on the CapEx efficiency and the operating efficiency of 1 leadership team that's running 1 plant across 3 different products, as I spoke about earlier today, the sharing of the paint shop, sharing of stamping and therefore, the reduction in CapEx per unit launched with R2.

One of the areas that we didn't spend enough time talking about, and it's good you asked this question so we can really go deeper here, is that by having R1, R2 and our commercial van all in the same plant and the way that we've designed the plant is there's flexibility between the different product lines. And important to note is that R1 is our flagship product. And when we think about more price-sensitive customers and the mass market customer, that's the purpose of R2 and then subsequent to R2, of course, R3. But R2 is going to really open up the market for us and bring in consumers today that may love the brand, may love our products but just can't make this step to vehicles with ASPs that are over \$90,000 and instead are going to be looking at something that's about half that with a starting price of \$45,000 with R2.

And so that flexibility is really a huge advantage for us as we think about the Normal operation, the Normal, Illinois operation in that we don't need to be overly precise on exactly what R1 does or R2 and the obvious question of is there cannibalization risk between R2 and R1. We have a level of resilience around whether it's R2 sale or R1 sale. And that's by design. That's how we've architected the plant, and it's also what's built into our plan.

And so just to restate some of the things that Claire and I both spoke about earlier, the cost structure in R2 represents such a significant improvement even over the already improved R1 that we're very happy to have customers decide, instead of an R1 vehicle, I'm going to purchase an R2. The non-bill of materials COGS is well under half of what R1 is. And the bill of materials, as we've said a couple of times here is with 95% of the vehicle sourced. We're projecting that to be about 50%, about half of what the R1 bill of materials is.

### **Operator**

Our next question will come from the line of Shreyas Patil with Wolfe Research.

### **Shreyas Patil**

*Wolfe Research, LLC*

I appreciate the incremental color you provided on the software and services part of the business. And maybe if we can just put aside the VW agreement, I was wondering, RJ, if you can give us a sense of how you're thinking about the revenue opportunity there. Any insights you can provide on the kind of take rates you're seeing on Connect+, how you see adoption of the ADAS platform over the next few years or the services market opportunity? And maybe, Claire, if you can just remind us what the long-term gross margin potential here is.

### **Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Thanks, Shreyas. We made the decision a long time ago to vertically integrate the electronic stack within the vehicle. So that's all the -- what you might classically call the ECUs in the vehicle. And that allowed us, as we've shown with Gen 2, to really consolidate the number of compute platforms within the vehicle to a much, much smaller number than what you would find in a traditional vehicle. And along with that, we've also vertically integrated the software stack that's running across those, drastically reduced number of compute platforms across the vehicle.

And what that's done for us is a few things. One is it's created -- it's been a big contributor to what's helped create a really desirable brand, where our customers are -- enjoy knowing that the vehicle is getting better month over month. With every over-the-air update that we do, we're adding new features. We're responding to feedback. We're reflecting shifts in technology topology. So as you think about things like generative AI and how that plays into a user interface or user experience in a vehicle, being able to respond to these changes has been really powerful.

But it also, of course, unlocked another business for us, which is what's been launched with the joint venture. The \$5.8 billion joint venture and associated technology licensing that we're seeing really validates the strength of the platform that we've built. And it's -- in many ways, it's very similar to how we've also approached self-driving, where it takes a tremendous amount of work to build the platform. That's the hardware, so perception stack, the compute stack and then building all the infrastructure to drive this large training flywheel, this big data flywheel that allows us to get better and better and better and compound those improvements, as I said earlier.

And so those features, whether it's Connect+ in the vehicle where we can add more features, add connectivity. And then as we talked about earlier, the ability to link self-driving and increasing levels of capability on our self-driving platform to paid features is something that we think is very real in the near to medium term.

Over time, it's -- we're going to watch and see how the market plays out, whether those features get embedded into the vehicle as part of the overall vehicle price or whether those are, as I put it before, check-the-box features. But really important here is that these are technologies that we control, technologies we're developing and technologies that get measurably better, notably better every single month. And that has created a dynamic where, in the case of vehicle software, our Head of Software, Wassym, is well known in the Reddit forums because he's constantly on there engaging with our customers. And that's awesome. It's great to have customers that are anticipating and excited to see their asset, their vehicle get better month over month.

#### **Claire McDonough**

*CFO & Chief Accounting Officer*

And Shreyas, as we look at the long-term trajectory from a margin standpoint, it's a little bit hard given all of the different puts and takes in terms of the relative mix of line items that compose the software and services business and some of the more significant unlocks as you think about additional development licensing opportunities for the long term as a whole.

So I would more guard you towards some of the near-term impacts, which would situate within that 30% margin ZIP code as we think about the fairly different margin profiles of things like remarketing or vehicle maintenance and repair services relative to some of the higher-margin subscription-related revenue streams that are also embedded within this segment as a whole. But we do see this as a big opportunity for Rivian over the longer term, and we're excited to now have the opportunity to have this be of a size and scale that we can break it out separately and provide additional visibility into the go-forward operations of our software and services segment.

#### **Shreyas Patil**

*Wolfe Research, LLC*

Okay. Great. And maybe just one follow-up. Thinking about the 2027 targets that were provided at the Analyst Day. Number one, just wanted to confirm those numbers did not include any benefit from the Volkswagen deal, so in theory, that would be incremental. And then also how to think about if we do see an IRA repeal, was the benefit of the \$7,500 credit embedded in your kind of pricing assumptions around R2?

#### **Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

With regards to IRA and R2, we've -- I'd say, actually, in general, the way we've designed the business, that's the R1 product line, the R2 product line, R3 product line, we've thought about those elements of the business and the ultimate underlying cost structure independent of IRA.

Now that's not to say that a \$7,500 tax credit is a helpful tailwind. It certainly is. But we've architected the business and we've built in a lot of flexibility in terms of vehicle configuration and therefore, pricing associated with different models or variants that contemplates both a world with the \$7,500 credit and a world without the \$7,500 credit. And because this applies equally to all, it doesn't present a relative

advantage or disadvantage to any of us, including ourselves. It just means that we needed to be very contemplative of that as we design the vehicle architecture.

**Claire McDonough**

*CFO & Chief Accounting Officer*

And then on the '27 target itself, as you rightfully called out, we have a lot of positives as it pertains to the introduction and consolidation associated with the joint venture and profitability associated with that, but we also have some detractors as it pertains to the broader policy outlook as a whole. In aggregate, we still see a path to EBITDA positive in 2027, but that does require the benefits that we'll see from the JV and software and services to deliver to that same target.

**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*

Thank you, everyone, for joining us today on the call. Hopefully, as you heard, we're really proud of the work the team has done to drive the strong performance you saw in Q4. As I said in my opening comments, the \$31,000 in cost reduction per vehicle reflects a large amount of work and efforts by all of our teams across operations, product development and of course, the rest of the business.

But as we're looking forward here, we're ecstatic around the opportunity with R2. We think it's really important to provide to the market and to consumers a choice that's highly compelling at a price point that addresses a large, large percentage of buyers here in the United States and for that matter, in Europe as well but importantly, is addressing those customers with a product that's both priced accordingly but also has a much, much lower cost structure.

And so we're laser focused as a team on delivering on that cost structure, ensuring a smooth and robust launch, and ensuring that we build out the rest of the business to support the dramatic step-up in scale that R2 will bring with it. So that's our -- all of our go-to-market functions, the service infrastructure the delivery infrastructure and of course, the systems that enable all of that.

And you're seeing us drive efficiency into how we run our business. As Claire talked about before, even with all the growth that we've experienced over the course of last year, we've been able to reduce our OpEx during that same time frame. And so it reflects adding scale while simultaneously driving efficiency into the business and removing costs from the business. And we're going to continue those efforts through the launch of R2, and we're excited, and I certainly can't wait to see R2s getting into customer hands and seeing them rolling off the line in Normal.

So thank you, everyone, for the call, and we'll look forward to the next one.

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