

# **Rivian Automotive, Inc. NasdaqGS:RIVN Company Conference Presentation**

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# Call Participants

## EXECUTIVES

### **Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

## ANALYSTS

### **Adam Michael Jonas**

*Morgan Stanley, Research Division*

### **Unknown Analyst**

# Presentation

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

All right. Get started. RJ, thanks for being here.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. Love to be here.

# Question and Answer

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

I am -- I've had more than a handful of people come up to me and say, "did you see the R2? Do you see the R2?" I'm like, "yes, it's RJ's truck, but like we can't drive it," like, "I know it's awesome." There are other vehicles out there, by the way that you can -- including Rivian vehicles R1 that are awesome to drive. But just visually and the packaging, and it seems to be getting a lot of attention.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. It's funny when you photograph something, it's hard to get a sense of scale, but when you have them sitting here next to other cars, next to R1s, it's -- I think people like it. I've been driving it to pick up my kids from the school. And it's funny because I can see the parents who either own Rivians or like Rivian and sometimes like, "yes, yes."

And then my middle son, the rear window drops and he loves to put it backpack in through the back with the window drops. So it's a good school pickup car.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

That's cool. You're a cool dad. I do my best, but I don't have the keys to that kind of technology. But thanks for joining us. Just any kind of key messages at the top that you wanted to kind of convey to the audience and then we'll get into it.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

I mean it's great that you referenced R2. For us, it's such an important program. We're really excited to get it to market. The vehicles benefits from so many learnings that we've had as a company in terms of manufacturability, cost optimization. It embeds the next-generation technology for both the embedded platforms, but importantly, for our autonomy platform, both on the compute side and the perception side. And so it's a huge program for us. So we're really 100% focused as a business on getting us ready to launch, and the scale it brings is going to be a big inflection point for us as a business.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Yes. And it really does mark -- I mean at the time of the IPO and leading up to it, you had to R1 made obviously a crazy reengineering of the vehicle pretty soon after the launch, right? You learned a lot. You learned a lot about suppliers, architecture or technologies, levels of vertical integration and everything else. So yes, this is -- I share your view that this is almost your first. All right.

Now we've all the lessons we've learned. And then importantly, the post-GenAI moment, and on the autonomy part, which is really -- now we've got the shot. This is the socket for the physical AI.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Completely. And we have autonomy and AI data we're planning at the end of this year. And we're going to show a lot of the detail around the hardware that's in that vehicle and what's gone into it. So everything from a compute point of view to perception to our data flywheel, how we've structured that. Well, of course, have some demos that show it operating and what it can do in terms of the autonomous platform.

But R2 is really the full embodiment of all those different things we're working on that come together into, we think, just an incredible package and something that really has broad appeal. It's a 5-passenger SUV. It fits so many different use cases. It's priced from \$45,000. So it's -- I couldn't be more excited.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

RJ, You're a robotics company, right? Just car-shape robots, adventure robots.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

I just want to ask since we began on this topic because I recently spent -- I did about 1,400 miles with FSD in a Model Y. And I estimate that the FSD probably drove 90 -- well over 99% of the miles. There were -- it was like a giant downpour where I had to kind of basically is like watch the road. Otherwise, I took my shoes off and just it drove, right?

And you've experienced these kinds of things in your technology and competitor technology. So a lot of would-be buyers for R2, for example, maybe coming from Tesla, for a variety of reasons or coming from a competing technology, where they're used to this really good ADAS. You have ADAS. You have advanced ADAS. But what is that path to that kind of more end-to-end, turn by turn. That would be something no compromise differential from a Tesla. And when could you see the vehicles getting there?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes, that's a great question. So we've -- I guess this is a little bit of context. We launched in late 2021 with our first product and Gen 1 architecture used what I call like an AV 1.0 solution. So it was a rules-based environment. It had a collection of different cameras, some of which were ours, importantly, the front-facing camera was not ours. It was a Mobileye camera.

And then with our Gen 2 vehicle, which we launched about a year ago now, we started working on that. and the technology went into that, really in like early -- late 2021, early 2022. But we brought all of our perception stack in-house. We brought the compute platform in-house. We built a data flywheel around it and really redesigned everything. Not a single line of code, not a single piece of hardware were shared between Gen 1 and Gen 2, but designed it around, as you put it, this end-to-end AI-centric approach where we're training on this -- the data flywheel that's built with the vehicles driven by our customers. And so here we are a year later, and that's now starting to deliver the features that are enabled by this approach.

And so currently, we have a hands-free highway self-driving feature. That's soon going to be expanded to hands-free everywhere, which is really important. And so that's a big -- it's something like 50x increase in the number of roads that the vehicle is now going to be able to drive on driving itself.

And then we go from hands-free everywhere to hands-free and some unique situations where eyes off. So hands-free, eyes off. And then we layer in with that turn by turn. So address to address.

And then following that, then it's just further and further removing the need of the driver to do any driving. And so you expand the operating design domain to include every type of road, every environment. As you said that some of them are more challenging things like rain, but we're going to talk a lot about that at our Autonomy Day, we're actually going to demonstrate what's to come.

But for us, a lot of those features around expanding the ability for it to drive everywhere with hands-free and then going eyes off, that's something we're really focused on for next year. These are really key developments. And we think not yet today, but certainly by '27 and '28, this starts to become a really

important consideration for purchase. And if done well can completely unlock massive pools of demand relative to the competitive set.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

I agree. Just from experience -- people who have an experience that kind of technology...

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

But once you have it, it's hard to imagine not having it.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

And then when you see as the robotaxis just kind of propagate and you show the general public, wait a minute, this technology does this. And they'll want to have some of that as an ownership.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. So this is by far our biggest focus here from an investment point of view from a technology development. We've built a really robust network architecture, topology ECUs, our own operating system at the vehicle level. And that's not built. It's scaled. We've licensed it as part of a large deal, a \$5.8 billion deal to Volkswagen Group, but the big next frontier for us is driving into autonomy.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

All right. Let's take it back to the core business and the path to profitability. A lot of moving pieces over the past 12 months between the tariffs and the regulatory credits running off, which not only affect the purchase price decision at the end of this month, and we'll talk about that and maybe some things that you might be able to do to give a little more -- get some more -- get some more things to the door.

And then also, just the regulatory credits around selling GHG credits and ZEV credit is also changing. So kind of how are you navigating that so far? And what are the ways that you can kind of offset that to maintain margins, maintain the very significant improvement in margins that you've had over the last couple of years?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes, there's -- I mean there's been a lot of changes. I think first the thing about the categories, there's changes to trade, which impacts us both in terms of cost of smaller components. And uniquely, in Q2, there was an export control out of China, which impacted a lot of things. But importantly for us, it impacted heavy rare earth metals, which for us, we -- 100% of our vehicles produced in United States. All of those vehicles are, of course, electric. All those vehicles require heavy rare earth metals. That was very painful for us in Q2.

That's since been lifted. And I think a tremendous amount of work is happening across many companies and in collaboration in conjunction with the U.S. government to create new supplies for some of these very China-specific materials.

Putting that aside, I'd say the 2 big shifts we see here, this removal of the greenhouse gas emissions, zero-mission vehicle requirements and what that's driving in terms of the credit sales. So for us, it used to be a large source of revenue. We're the second largest seller of this. Of course, Tesla being the largest. So as that goes away and then the consumer-facing tax credit, the 7,500 goes away, certainly, those are immediate short-term headwinds.

But I think a part of this that we should recognize is those incentives also have been creating a bunch of unnatural things in the market. And most specifically, they've created a dynamic where a number of manufacturers in order to earn credits, have products that maybe aren't selling that well on their own, but they've incentivized them to such a degree that you have very artificial pricing on vehicles. So you can lease -- you can Google that.

You can go lease an EV for \$50 to \$100 a month. And that's actually very unhealthy for the landscape because you have this artificially low pricing, which creates downward pressure on everyone else. And that's going to go away after September 30. And you're going to see a lot less pressure from most of the existing incumbent legacy manufacturers to try to use incentives as a way to drive volume and use that volume to earn their own credits. That's sort of going to disappear. And so you're going to see a less competitive environment from both a pricing point of view, and you're going to see a less competitive environment with folks stepping back from electrification and focusing more on either hybrid or their existing combustion business.

And so as I look at R2 into '26 and '27, I think it's really going to be important in terms of driving overall electric vehicle adoption in the United States. To date, we've really had one set of really good choices with the Model 3 and the Model Y. I think for the first time, we'll have a choice that's also really compelling, but a different form factor, different brand presentation, different attributes and features that are embedded into the vehicle that are going to give consumers a real choice.

And the fact that Tesla has been able to maintain such significant market share with a great set of products, but nonetheless, with those set of products that have not changed a huge amount in the last few years is reflective of just a market that does not have a lot of great choice. It's reflective of a market with, I think, consumers looking for something out there and just not finding it.

#### **Adam Michael Jonas**

*Morgan Stanley, Research Division*

So yes, you can compete more on your strengths now on design, engineering and technology. So kind of expressing that with the R2, kind of going back to that, how much of the design and the hardware and software, let's say, bill of materials and work is done already? How much of it is cooked or how much is still potentially in play? And remind us kind of your milestones for start of production and how you think about [indiscernible]?

#### **Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

I mean from like a bill of materials point of view, the vehicle's blocked. So it's the vehicle, the BOM is sourced. The vehicle I drove here in -- drove today is well north of 99% of the parts on a production tool. So it's -- that means both from a supplier cost point of view and from a supplier readiness point of view, the risks are being really well managed, and we have a tremendous amount of visibility into the health of all those different components. And importantly, the suppliers to our suppliers and this is what has, we felt some pain on this in the past where...

#### **Adam Michael Jonas**

*Morgan Stanley, Research Division*

A year ago, there was some...

#### **Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes, we had some supplier challenges were supplier bankruptcies, and this actually wasn't our Tier 1. This is in the lower tiers. So we're very, very focused on making sure the supply base inclusive of the Tier 2s, Tier 3s, Tier 4s are ready to support this significant step-up in volume. And in many ways, the challenges we've encountered with R1 have been good training for processes and tools, ramping in the middle of COVID and then ramping in the 2022, 2023 supply chain crisis was good for some of these learnings.

#### **Adam Michael Jonas**

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*Morgan Stanley, Research Division*

So what about milestones then in terms of the production ramp in normal and then also what you're thinking about R2 GA and the Georgia plant?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. So we've got -- we're launching our 2 out of our facility in Normal, Illinois. We made the decision that actually allows us to have all of our production still in 1 campus. We're able to reuse a number of parts of our existing plants, our paint shop or stamping operation. But we added a new general assembly plant, and we added a new body shop. And in total, added about 2.1 million square feet, to the existing facility. That's now built. That's finished. The vast majority of the equipment has been installed. And later on this year, we're going to be building what we call manufacturing validation builds. And so there's several hundred vehicles we'll build to validate everything from suppliers to logistics to the plant itself.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

By the end of this year.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. And those get built to support the ramp-up of then as we shift to saleable units. And the interesting thing is as you go from what we call [ MVP ] builds to the saleable units, there's essentially like we draw a line in the sand.

And once we hit enough of the criteria around things running smoothly, we then turn on the full plant. We start running across a full shift. And we started in a single shift and then very quickly, we pulled in a second shift. And the constraint for us in ramping as we look at '26 is going to be a few of our suppliers that are being asked to jump up pretty quickly in volume. And so we're very cognizant. We know exactly which suppliers are going to throttle production '26, and then those same suppliers are important for us to continue to ramp into '27.

And so the amount of planning that we have on looking at the plan for every part, the plan for the parts that go into every part has been really robust, just based upon a lot of the scars on our back and the learnings that we've accumulated since first launching.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Okay. If we were in Georgia right now touring the land, the projects, what will we see?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

We actually have a say there next week with an official groundbreaking with the governor, but it's -- I mean it's an amazing site. It's a 2,000-acre site. We've built in partnership with the state. The state is funded a full highway that goes right into the site. We have rail that comes into the site, where the plant is going to sit. All the grading work is done. We've got a water tower. So all the infrastructure is there so that when we start to build the site, it will go up pretty quickly. And we've done a lot of work to optimize how we laid out the plant and the logistics in and out of the plant and have the advantage of it, of course, as being a greenfield site.

And so in addition to that, we also have the benefit of having -- launching our R2 first in our Normal facility. We've found opportunities at the vehicle level to further improve it for Georgia site. There's further optimizations that will...

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

In terms of manufacturing...

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

And really in terms of the vehicle design to then in conjunction with that, optimize the manufacturing design in Georgia. So those are all things that are underway right now.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Okay. So from that groundbreaking to production, we're still talking about 2 years about that.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

About that, yes. We haven't provided a precise timing about that.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Okay. In terms of business model, a lot of investors, particularly after leading up to the Volkswagen investment and cooperation and after see a good opportunity for Rivian to get into different businesses, maybe potentially some more capital-light businesses or licensing model, seeing you potentially like a stood-up kind of Tier 1 advanced robotics and AI-embodied enabler or a technology supplier and partner.

How is that kind of -- is it something you've acknowledged before in calls, how has that evolved? And I asked that question now because your biggest, let's say, your biggest peer, Tesla, Elon's making some pretty deliberate and decisive actions to diversify away from the steering wheel having car business. So when I see a lot of car companies, including you, but also a lot of your others, pure plays and legacy peers, they say, "we're going to make this EV. We're Going to make this EV." I'm like, "why are you doubling down a business? Or what is it that you -- why do you think you could be profitable in this business when Tesla even at 1.8 million units is not and the Chinese haven't even come here yet?"

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. So the question is how do we think about technology? So yes, I guess, the deal we did with Volkswagen is that it's really important in that it is the second largest car company in the world, Volkswagen Group. And it's not a large car company but it has a whole host of brands. So Porsche, VW, Audi, Škoda, CUPRA, Bentley. There's just a wide spectrum of brands across price points, form factors, markets. And in many ways, it's the perfect first customer for us as a technology provider because that complexity allows us to demonstrate almost as an existence proof that...

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

You pick the Double Black Diamond with Wolfsburg.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. As a way to put it, but it allows us to really demonstrate the scalability of the technology. And so it's now been stated publicly, but one of the first products that come out of this effort is what's called the VW ID 1. And so it's their smallest vehicles. You can Google it. You can see pictures of it. It's a \$22,000 vehicle.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

It's their answer to China.

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

Yes, exactly. It's their answer to China. And when that car launches, as is the case of any car that's pushing technical boundaries, every car company in the world will buy it, BYD will buy it. Xiaomi will buy it. XPeng will buy it. We'll take it apart, and everyone is going to be impressed with how elegant the network architecture is, the ECU layout and importantly, the associated wiring and electrical systems to support that.

It's really a massive step forward relative to anything that's been done before. And the size of the vehicle and the price point of the vehicle forced it. But that's part of our technology platform. And so that same platform is going to equally be used obviously, with a lot more I/O and maybe a few more ECUs, zonal ECUs to support bigger cars, but flagship vehicles in the Porsche, Audi brand. And so to cover flagship within Porsche or Audi down to the lowest-priced EV available in Europe on the same technology backbone demonstrates really capability that we think is scalable to many other manufacturers. And so we're absolutely thinking about that. We do think it's an interesting part of the business.

We also think that every manufacturer is going to have to make this transition to a software-defined architecture just as a foundational element to even really be serious about integrating any form of AI or autonomy into the vehicle. And so we see this as a really exciting opportunity.

**Adam Michael Jonas***Morgan Stanley, Research Division*

It's been over a year. It's been like 15 months or so, I think, since you announced the deal. It was like spring or early summer 2024.

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

Yes, about a year.

**Adam Michael Jonas***Morgan Stanley, Research Division*

How is it going so far? I mean it sounds like based on what you said, you're getting product into vehicles.

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

Yes. Yes, I was just -- I was in Munich this week for IAA. And it's surreal. So I grew up a car enthusiast. And specifically, I was a Porsche...

**Adam Michael Jonas***Morgan Stanley, Research Division*

You're still a car enthusiast.

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

I'm still a car enthusiast, very much so, but as a Porsche fan and a Volkswagen fan. And when I was a kid, I would like wait for the -- European car shows to come, and I read about Frankfurt, read about what's happening, the car is being released and like wait for the magazines to come out and read them. And it was surreal to be there at this time, and to be part of that and see a car being presented it and realize tat, that car is all of our tech.

And so within Volkswagen, very large display that they had, it was beautiful layout where they had a bunch of different brands, a bunch of different cars. The only brand that was on the wall in their display and that wasn't one of their own brands was Rivian. And it said Rivian, and it had a whole description is

a beautiful animated thing with a car that described our technology. And then it said, "a partnership to change the world." big letters.

And so I was reflecting on exactly what you said. It's been about a year since we signed the deal. And so I was thinking, boy, in the last year, we've now announced these programs. We built deep relationship with the Volkswagen Group. And they're very happy with it. So happy that they're willing to put it on the wall and very publicly broadcast how closely we're working together.

And I think a lot of that has come out of our working teams really like the technology. They see it as a big advancement relative to what else is out there. And then my relationship with the CEO of Volkswagen Group with Ali is outstanding, the person who's running the joint venture, who is our Head of Software. He's an outstanding leader and he's built great partnerships. But as I said, it really demonstrates our ability to work with large companies. And this is now the second large company that we do business with. The other being Amazon, which we partner with to build commercial vans. So we've -- we continue to show that we're capable of working with large businesses and applying our technology and our capabilities to support those businesses.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

And the partnership does not yet include ADAS at this point, but it could. And then, of course, you, so you could deepen and expand the scope within that big complex partner or you could also diversify amongst partners as well, right?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

But when I think about the autonomy side, which we touched on earlier, just to go back to that, I remember, it was also around a little over a year ago, you mentioned when we were talking about ADAS and you were getting the Mobileye camera off the wind screen you said an OEM either needs to kind of outsource everything to a partner or do everything or almost everything in-house. It's a hybrid model of doing some things and outsourcing where things kind of go wrong.

Just for this audience to kind of understand like everything that you continue to learn, especially as the technology gets on the AI flywheel, why is that? Why have you taken the approach to go internal? Do you have any -- are you -- tell us why that was the right decision? And where do you go from here?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. That's a really important question. So when we think of self-driving, I think we often look at it and we think of it as a space that's sort of been around for maybe 15 years. And while that's true, there's 2 very different chapters of self-driving. There's the chapter from, call it, early 2010s to maybe '20, '21, 2022. In that chapter, it consisted of platforms that had a perception stack that saw the world and in this seeing the world, whether it's cameras or cameras plus radar plus LiDAR, whatever the perception stack is to identify objects would classify those objects, and then it would associate vectors to those objects.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

And that is by drawing a circle around the object.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes, and you have annotations and you have a bunch of, actually often humans that would try to write the programs for, is that a tree? Is that a person? But those of them we get handed to a planner and the planner would be operating around a set of rules that were written by humans. So it's a program set of rules. And that rules-based environment would then prescribe to the vehicle, how it should behave based upon all that object detection in that environment. And so as a result, these systems were very specific to the market that they were tuned for, meaning you couldn't take a self-driving vehicle that was developed and tuned for California and put it in Tokyo and expect it to work.

Similarly, they were very specific to the vehicle and the sensor set that was on that vehicle. So if you had increased cameras or different cameras. It required a very heavy lift to reprogram the vehicle to work in that environment.

And then early 2020s, along came this big technical innovation of transformers and using transformers to do things like encoding. And suddenly, the whole model started to shift where we went from a rules-based environment of how a self-driving vehicle would work to one of which you're building a very large foundation model or neural net that prescribes how the world works, how you drive in the world.

And to train that model, you need raw data, meaning you can't take a bunch of outputs from third parties that you can't take outputs from let's say a Mobileye camera that's saying, "hey, that's a car moving at this velocity." You need the raw information that you're going to feed into building a large multidimensional model, and you're going to train that model with the benefit of all the data coming off of your deployed car park.

And so to do this well, you need control of the sensor set. All the sensors need to provide there all signals in. You need a really robust and thoughtfully designed triggering systems. So how you select which piece of information you want to take, and so there's obvious ones, like does the card disengage when it's being driven on its own? That's obvious.

But less obvious, like, for example, if you running the model in parallel to the human driver, anytime the model predicts something different than the human driver, that's interesting, and that's a chance to learn. And so you build this framework to trigger and select data, and then you need to take that data and move it off the vehicle. So you need a really robust data management platform, you need to be WiFi connected, and then that data has to go somewhere. It needs to go to a large training environment. This is thousands of GPUs that are running and building this model. And that needs to happen all the time every day on every car that's deployed.

And so to do what I've just described, it just simply doesn't work. It does not apply in an AI-centric world, if you have Tier 1 supplier doing these cameras -- another Tier 1 supplier doing these cameras. You just don't have an ability to build this data flywheel.

And so what I said to Adam, which I still strongly believe is that you have to give it all to one person to one entity, that's going to have the ability to create that data flywheel or the inverse of that, which is you have to own it all yourself. And so we, of course, took the decision, this is in, as I said, a few years ago now, late '21, early '22 to build this in-house. We built a large team. We built a perception stack. We built a compute platform. We built this data flywheel. We launched the vehicles middle of '24, and we've been building this data set since then and rapidly training.

And given the size of our car park is much smaller than Teslas, which is also using this approach of a really data-heavy end-to-end trained AI-based approach, we've also gone, and we have a really robust camera set. We supplement that with a robust radar platform. So we have a 3D imaging radar in the front and then corners. And we're using the stronger perception stack to allow for accelerated learning, particularly in tough environments.

So I think being able to drive in the rain or being able to drive in the fog is really how you can teach the model, teach the model and the camera is much better if you have things that can see through the rain or see through fog like radars. And so that's where we are. It's -- and we're starting to see the progress of it really manifest in features. We're going to see big steps forward. In some ways, a nonlinear acceleration to the content, as we look at the next 12 months with the next one being the ability to, as I described it,

go hands-free in just about any road. But we're going to provide some demos at this Autonomy Day at the end of the year that's going to...

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Do we know where this is going to be? Is it -- the Autonomy Day.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

It's in the Bay Area. We haven't announced yet, but I just did. So there we go.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

We've got 5 minutes left. Any questions from the audience for RJ? Just speak up. Project.

**Unknown Analyst**

Given what's going on with your largest competitor and maybe CEO turning off the customer base, which is [indiscernible] and politics, how does this open the opportunity for R2 to really maybe have a -- help quantify just a bigger market opportunity? I don't know if you've quantified this at all internally, but how do you think about that?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. I mean it's hard to quantify, I think...

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Are you getting into politics any time soon?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

No.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Okay. All right. I just want to make sure.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

I think the way we look at it is the customers ultimately are going to need choice. And in the United States, we've had electrification somewhat stabilized at around 8% penetration. And a lot of talk goes on to what's causing that. And I actually really believe we often miss the true causality of it, which is just a true lack of choice, a true lack of choice of highly compelling options.

And if you're going to go buy a vehicle today, the number of great choices is well under the number of fingers on my hand. It's -- I'd say, Model 3 Model Y, great vehicles in terms of -- if you want a vehicle under \$50,000, they're strong, but there's not a lot of others. And so you contrast with the ICE space, we have 300-plus different choices, it's really created a glass ceiling on how much demand is going to be.

And so we look at R2 and I think certainly, there's going to be some cross shop and maybe some movement of customers from Tesla to Rivian, we'll see that. But I think the bigger point is that there's 92% of customers that haven't yet found a product that was compelling enough to get them to move out of their ICE vehicle.



And I mean I'm highly biased, but when I drive an R2, I just can't imagine someone choosing to be in a similarly priced 5-passenger crossover SUV in the ICE world. The technology, the smoothness of ride, the acceleration, the range, the cost of operating the vehicle, it's just so advantaged. And the form factor is really interesting, and there's a bunch of other unique features we've developed in the vehicle.

So the part I'm most excited about is just I really -- I drive a Rivian almost every day, but when I travel a lot of times, I'll be in a rental car just because I want to get experience in sort of be in these non-EVs. And every time I'm in on one, I'm sort of blown away that people are still buying them. And then I think, why are they doing that? Well, they need a different form factor than what's available or they need a different -- they want a different brand or look. They want a different set of attributes. But the delta in terms of capability features is really significant. So we're -- I've never been more bullish than I am today on what we're building and what's to come with R2.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

All right. Quick one here. Yes. Okay.

**Unknown Analyst**

You mentioned earlier that heavy rare earths are kind of a pinch point. Do you see OEMs like yourself investing up the supply chain directly into mines, like similar to what GM did with MP Materials maybe couple of years ago now?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. It's a great question. It's a really hard question in that the reality -- the harsh reality is when we look at heavy rare earth metals, there's not processing that exists at scale here in the United States. There's some efforts, as you know, and as referenced, but they're not yet at scale. And until they're at scale to support production, in our case, lots of magnets for motors, we do have a real dependency on the China supply chain.

And so we and many others -- many other industries as well felt this in the second quarter when there was the export control out of China that it halted production. And so I think that was a wake-up call to many that we need to build supply chains outside of that. There's roles that we play in -- there's a role that we play in that. There's a role that I think collaborations play in this, and there's certainly a role that the U.S. government plays in helping to create the right environments for those to thrive here either in the United States or in friendly places. So I think that's a real risk not just of electric vehicles, but to a wide range of things that need heavy rare earth metals.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Question here?

**Unknown Analyst**

Thanks, RJ. When it comes to the upcoming expiry of the credit, I guess there's this dynamic of some demand pull forward this quarter and maybe it's probably going to pull some from this year or next year, I guess, presents some challenge with your sales and delivery team in fulfilling those orders. Could you maybe talk to how the team is handling that?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes. I mean the teams are working hard. I think that we have the ability to absorb those types of spikes. And we've built a process that allows it to move pretty quickly.

I think a related question is what does Q4 look like or Q1 look like? And in our case, because our products today with R1, the price -- the average selling price in R1 is around \$90,000, and that's the average. That

means people buying a trimotor or a quad-motor spending quite a bit more than that. And so what we're finding is that a number -- a lot of our customer base is much more pricing sensitive, and the tax credit isn't a huge motivator. It doesn't really change perspective of whether they're going to buy the vehicle or not.

For the more entry side of our business, where we have like our standard pack, there's more sensitivity. And so we're spending a lot of time thinking about how to -- as we get into Q4, what demand was pulled forward into Q3 from that, that we're going to see a falloff in Q4. We are projecting there's going to be some impact in Q4, but we're watching really closely to try to project what that's going to look like.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Okay. We were at, sorry -- got one. Go for it.

**Unknown Analyst**

Very quick. You're going smaller in size with a lot of vehicles, but I'm somebody that has a large family and true 7-passenger Yukon kind of sized vehicle. Is that something that's conducive to an electric vehicle because I don't see too many of those today. I know GM and Ford -- I mean they're trying, but it seems like that's something that you do very well in.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Yes, we have like our current 7-passenger SUVs, not quite as big as like the big Denali. But it's -- I mean I sat in the third row. It's comfortable. You can fit back there. We're not planning to build anything larger than that. It's a very unique U.S. market vehicle. You end up with -- it's a pretty small niche. And the bigger market by far is actually the mid-sized SUV, which is [indiscernible] is playing.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

RJ, we're on time. Just a quick one as we head out. I'm going to -- let's do buy, sell, hold, a rapid fire. I'm going to list to say a word or two, and you tell me buy, sell, hold, okay?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Okay. I don't know where this is going to go.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

That's good. That's why I'm doing it, okay? I hope you come back again some time. All right. LiDAR.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

We think it's important.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Buy, sell or hold?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Buy.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*



Okay. Simulation?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Important. Buy.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Okay? Rare earth magnets.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Super important.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Okay. Humanoids.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

I think many form factors in robotics, yes.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Micromobility.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Absolutely. Yes.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Okay. Selling cars into Europe from the U.S.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Very important. Yes. And easier now with the tariff structure changing.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Robotaxis.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

We think important.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Do you experience them on the regular -- do you...

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

I mean I spent my time in the Bay Area. So yes.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Cooler place you've ever driven a Rivian?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Probably Utah. Utah and Milan.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Okay. All right, 2 more. Favorite vegan dish.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

[indiscernible]

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Okay? And how does a vegan get by in Wolfsburg, Germany?

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

With energy bars.

**Adam Michael Jonas**

*Morgan Stanley, Research Division*

Okay. Thanks, RJ. That was awesome.

**Robert Joseph Scaringe**

*Founder, CEO & Chairman of the Board*

Absolutely.

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