ECARX Holdings Inc (ECX US)

3Q26: Memory Costs Cut Gross Margin To 7.0%

Highlights

- 3Q26 net loss widened to US$48.4m, missing our estimates, as gross margin fell 14.9ppt yoy to 7.0% on memory costs that outpaced price increases.
- Revenue rose 9.5% yoy and 6.9% qoq to US$240.8m, and management reaffirmed 2026 revenue guidance of US$1.0b-1.1b.
- We cut 2026-28 bottom line forecasts to a US$104m loss, US$22m and US$59m respectively.
- Maintain BUY, as Volkswagen programmes from 2027 reduce reliance on Geely, while Flyme, the cockpit software business acquired by ECARX, adds software revenue.

3Q26 Results

Year to 31 Dec (US$m)	3Q25	2Q26	3Q26	yoy %	qoq %	9M26	yoy %	Prev. 2026F	yoy %
Total revenue	219.9	225.2	240.8	9.5	6.9	597.5	10.0	1,051.3	24.0
Gross profit	48.2	44.5	16.9	(64.9)	(62.0)	90.5	(20.5)	197.7	22.6
Gross margin (%)	21.9	19.8	7.0	(14.9)	(12.7)	15.1	(5.8)	18.8	(0.2)
EBIT	(6.3)	(6.2)	(36.2)	474.6	483.9	(67.9)	(12.8)	13.7	n.a.
EBIT margin (%)	(2.9)	(2.8)	(15.0)	(12.2)	(12.3)	(11.4)	3.0	1.3	7.8
Net profit	(8.9)	(10.4)	(48.4)	443.8	365.4	(81.9)	(1.9)	(2.5)	(96.3)
Net margin (%)	(4.0)	(4.6)	(20.1)	(16.0)	(15.5)	(13.7)	1.7	(0.2)	7.6

Source: ECARX, UOB Kay Hian. 3Q25 restated for the Qiguang (Flyme) acquisition; 2Q26 as reported.

Analysis

- **3Q26 results missed our estimates, as memory costs cut gross margin to 7.0%.** ECARX Holdings Inc's (ECARX) gross profit fell 64.9% yoy/62.0% qoq to US$16.9m in 3Q26. Its net loss widened 443.8% yoy/365.4% qoq to US$48.4m, and its operating loss widened 474.6% yoy/483.9% qoq to US$36.2m. The 9M26 net loss of US$81.9m already exceeds our pre-revision 2026 forecast of a US$2.5m loss an consensus forecast of a US$9.2m loss. Adjusted EBITDA, which excludes share-based compensation of US$0.7m as well as interest, tax and depreciation and amortisation, swung to a loss of US$37.7m from a profit of US$0.5m in 2Q26.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	771.5	847.9	1,051.3	1,366.7	1,708.4
EBITDA	(102.3)	(34.9)	(51.5)	77.4	114.0
Operating profit	(122.9)	(54.8)	(71.5)	57.4	94.0
Net profit (rep./act.)	(129.8)	(66.0)	(103.8)	22.4	59.4
Net profit (adj.)	(125.7)	(77.1)	(103.8)	22.4	59.4
EPS (US cents)	(38.5)	(19.5)	(27.2)	5.8	15.3
PE (x)	n.a.	n.a.	n.a.	12.2	4.6
P/B (x)	n.a.	n.a.	n.a.	n.a.	n.a.
EV/EBITDA (x)	n.a.	n.a.	n.a.	7.6	5.2
Dividend yield (%)	-	-	-	-	-
Net margin (%)	(16.8)	(7.8)	(9.9)	1.6	3.5
Net debt/(cash) to equity (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Interest cover (x)	n.a.	n.a.	(2.3)	1.6	2.7
ROE (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Consensus net profit	-	-	(9.2)	25.1	55.9
UOBKH/Consensus (x)	-	-	n.a.	0.9	1.1

Source: ECARX, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	US$0.703
Target Price	US$2.20
Upside	+212.9%
Previous TP	US$2.70

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	ECX US
Shares issued (m)	381.1
Market cap (US$m)	396.3
3-mth avg daily t'over (US$m)	1.8

Price Performance (%)

52-week high/low				US$2.70/US$0.70
1mth	3mth	6mth	1yr	YTD
(9.6)	(3.7)	(46.1)	(32.0)	(39.5)

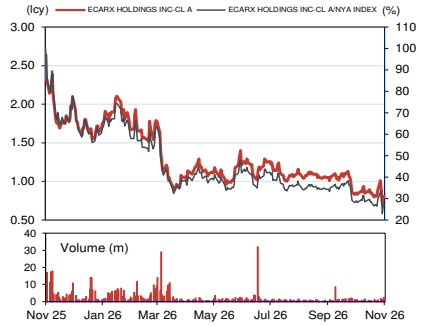
Major Shareholders (%)

Fu&Li Industrious Innovators Ltd.	43.10
Geely Technology Group Co., Ltd.	10.99
Baidu Holdings Ltd.	6.68

Balance Sheet Metrics

FY26 NTAV/Share (US$)	(0.88)
FY26 Net Debt/Share (US$)	1.17

Price Chart



Source: Bloomberg

Company Description

ECARX Holdings is an automobile intelligent solutions supplier, mainly engaged in the R&D of software and hardware solutions for automobile intelligence, including intelligent cockpit computing platforms, ADAS computing platforms, and central computing platforms.

  - **Revenue rose 9.5% yoy/6.9% qoq to US$240.8m, driven by sales of goods.** Shipments rose 8% yoy/31% qoq to around 721,000 units, with the higher-end Antora platform at 30% of shipments (+5ppt yoy). Sales of goods revenue rose 22.6% yoy/13.4% qoq to US$222.7m, on higher volume and price increases. Service revenue fell 52.5% yoy/37.0% qoq to US$17.7m, as model launches peaked in 2Q26. 9M26 revenue was 56.8% of our 2026 forecast, against 64.1% a year earlier. This implies 4Q26 revenue of US$453.8m (+49.0% yoy).
  - **Gross margin fell 14.9ppt yoy/12.7ppt qoq to 7.0%, as memory costs rose faster than prices.** Sales of goods margin fell 11.4ppt yoy to 4.3%, as ECARX absorbed much of the cost to protect volumes.
  - **We cut our 2026 gross margin assumption to 12.9% (from 18.8%), based on 10.0% in 4Q26, and keep that for 2027-28 at 18.0%.** We assume a 3.0ppt qoq recovery in 4Q26, as programme launches lift service revenue, which carries a higher gross margin than sales of goods, and price adjustments on new programmes start; management gave no margin guidance. Our 2027-28 assumption is 1.0ppt below that of 2025. We assume that pricing talks, long-term memory supply agreements and more Antora and Flyme software sales will restore the pass-through of memory costs, which adds revenue but no profit. Each 1ppt shortfall would take US$13.7m off 2027's net profit, or 61% of our forecast.
  - **R&D expenses fell 12.4% yoy to US$27.5m on R&D integration and AI use, while SG&A expenses rose 10.8% yoy on a one-off impairment.** Stripping out a US$6.7m impairment of DreamSmart convertible bonds, SG&A fell 18% yoy. **We raise 2026-28 R&D/revenue to 11.1%/8.0%/7.5% (from 10.0%/7.5%/7.0%) respectively to include the Flyme division, and SG&A/revenue to 8.7%/5.8%/5.0% (from 7.5%/5.8%/4.6%).**
- **We expect revenue to diversify beyond Geely from 2027.** The key drivers are:
  - **Volkswagen will become a multi-region customer from 2027.** After a Nov 25 award for digital cockpits in Latin America, Volkswagen plans to sell vehicles with ECARX products in Brazil and India from 2027, which would reduce reliance on Geely (about 75% of revenue).
  - **The mix is moving towards higher-value platforms and software.** Flyme's cockpit operating system, which is used in more than 3.5m vehicles, will add recurring software revenue at higher margins than hardware. We include Flyme's costs but no separate Flyme revenue uplift.
  - **Robotics LiDAR takes ECARX beyond cars.** Mass production for a lawn mower robot maker is planned for 2026; however, we have excluded this from our forecasts.

Earnings Revision/Risk

- **We cut our 2026-28 bottom line forecasts to a net loss of US$103.8m and net profits of US$22.4m and US$59.4m respectively,** from a net loss of US$2.5m and a net profit of US$28.6m/US$74.9m. The main risk to our forecasts is a sharper memory-cost squeeze.

Valuation/Recommendation

- **Maintain BUY and trim target price from US$2.70 to US$2.20,** based on 10-year DCF (WACC: 14%, terminal growth: 4%). Our target price of US$2.20 implies 30x 2027F PE.
- **Our BUY rating rests on ECARX's shift towards a platform with global customers, software revenue and uses beyond cars,** while the stock trades at 0.26x 2026F price-to-sales.

Share Price Catalyst

- 2026 revenue coming in within guidance.
- Easing memory costs and gross margin recovery.
- New non-Geely partnerships.

Profit & Loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	847.9	1,051.3	1,366.7	1,708.4
EBITDA	(34.9)	(51.5)	77.4	114.0
Deprec. & amort.	(19.9)	(20.0)	(20.0)	(20.0)
EBIT	(54.8)	(71.5)	57.4	94.0
Total other non-operating income	7.1	(3.0)	-	-
Associate contributions	1.2	13.7	-	-
Net interest income/(expense)	(20.1)	(30.9)	(35.0)	(34.6)
Pre-tax profit	(67.7)	(105.4)	22.4	59.4
Tax	(1.2)	(0.6)	-	-
Minorities	2.9	2.2	-	-
Net profit	(66.0)	(103.8)	22.4	59.4
Net profit (adj.)	(77.1)	(103.8)	22.4	59.4

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	26.7	36.7	37.7	38.7
Other LT assets	152.5	158.5	159.5	160.5
Cash/ST investment	93.3	60.1	47.4	84.9
Other current assets	389.9	586.4	713.4	861.4
Total assets	662.4	841.7	958.0	1,145.5
ST debt	349.5	569.5	569.5	569.5
Other current liabilities	473.5	582.8	676.7	804.9
LT debt	65.9	213.4	213.4	213.4
Other LT liabilities	57.0	57.0	57.0	57.0
Shareholders' equity	(282.7)	(578.0)	(555.6)	(496.2)
Minority interest	(0.8)	(3.0)	(3.0)	(3.0)
Total liabilities & equity	662.4	841.7	958.0	1,145.5

Cash Flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	(94.4)	(173.2)	9.3	59.5
Pre-tax profit	(68.9)	(106.0)	22.4	59.4
Tax	(1.2)	(0.6)	-	-
Deprec. & amort.	19.9	20.0	20.0	20.0
Working capital changes	(37.5)	(87.2)	(33.1)	(19.8)
Non-cash items	(6.6)	0.6	-	-
Other operating cashflows	-	-	-	-
Investing	(70.5)	(36.0)	(22.0)	(22.0)
Capex (growth)	(12.2)	(36.0)	(22.0)	(22.0)
Investments	-	1.0	2.0	3.0
Others	(58.3)	(1.0)	(2.0)	(3.0)
Financing	203.9	176.1	-	-
Dividend payments	-	-	-	-
Proceeds from borrowings	334.0	534.1	300.0	300.0
Loan repayment	(216.6)	(300.0)	(300.0)	(300.0)
Others/interest paid	86.5	(58.1)	-	-
Net cash inflow (outflow)	39.0	(33.2)	(12.7)	37.5
Beginning cash & cash equivalent	50.2	93.3	60.1	47.4
Changes due to forex impact	4.1	-	-	-
Ending cash & cash equivalent	93.3	60.1	47.4	84.9

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	(4.1)	(4.9)	5.7	6.7
Pre-tax margin	(8.0)	(10.0)	1.6	3.5
Net margin	(7.8)	(9.9)	1.6	3.5
ROA	(11.2)	(13.8)	2.5	5.6
ROE	n.a.	n.a.	n.a.	n.a.
Growth				
Turnover	9.9	24.0	30.0	25.0
EBITDA	n.a.	n.a.	(250.3)	47.2
Pre-tax profit	n.a.	n.a.	(121.2)	165.2
Net profit	n.a.	n.a.	(121.6)	165.2
Net profit (adj.)	n.a.	n.a.	(121.6)	165.2
EPS	n.a.	n.a.	(121.1)	165.2
Leverage				
Debt to total capital	62.7	93.0	81.7	68.3
Debt to equity	n.a.	n.a.	n.a.	n.a.
Net debt/(cash) to equity	n.a.	n.a.	n.a.	n.a.
Interest cover (x)	n.a.	(2.3)	1.6	2.7

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