Aptiv Q2 2026 Earnings Prepared Remarks

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OPENING REMARKS

Good day and welcome to the Aptiv Q2 2026 Earnings Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Betsy Frank, Vice President, Investor Relations. Please go ahead.

Betsy Miller Frank | Vice President, Investor Relations

Thank you, Shelly. Good morning, and thank you for joining Aptiv's Second Quarter 2026 Earnings conference call. The press release and slide presentation can be found on the Investor Relations portion of our website at aptiv.com.

Today's review of our financials excludes amortization, restructuring, and other special items, and reflect the continuing operations of Aptiv, as of June 30, reflecting the treatment of our EDS segment as a discontinued operation for the second quarter 2025. The reconciliations between GAAP and Non-GAAP measures are included at the back of the slide presentation and the earnings press release. Unless stated otherwise, all references to growth rates are on a pro forma, adjusted, year-over-year basis.

During today's call, we will be providing certain forward-looking information that reflects Aptiv's current view of future financial performance and may be materially different for reasons that we cite in our Form 10-K and other SEC filings.

Joining us today will be Kevin Clark, Chair and Chief Executive Officer, and Varun Laroyia, Executive Vice President and Chief Financial Officer. With that, I'll turn the call over to Kevin.

STRATEGIC OVERVIEW

Kevin P. Clark | Chair & Chief Executive Officer

Thank you Betsy, and thanks everyone for joining us this morning.

Starting on slide 3, during the second quarter we generated 2% revenue growth and 10 basis points of EBITDA margin expansion and we continued to demonstrate progress diversifying our business, evidenced by double-digit Non-Auto revenue growth in the quarter, and new business awards in attractive, high-growth markets that present expansion opportunities for Aptiv.

And while we are increasingly optimistic about the long-term opportunities presented in these areas, in the near-term, we continue to contend with challenges in our traditional Automotive market, which are leading us to lower our 2026 guidance, including prolonged sales weakness in the domestic China market, which is causing local OEMs to reduce second-half production on vehicle platforms for the domestic market and also leading to a further reduction in schedules from Luxury European OEMs for vehicles exported to the China market.

Varun is going to walk you through how these dynamics and other factors are impacting our guidance for the remainder of the year and what specifically has changed since we last spoke to you. And I will spend a bit more time discussing the actions we're taking, including how we are working to evolve our business mix in-and-outside of the Automotive market to mitigate the challenges we're experiencing today. And now that the separation of EDS is complete, we'll continue to evaluate additional opportunities to maximize value for shareholders over the long term.

Now let's begin by reviewing our second quarter progress against our strategic priorities.

During the second quarter we continued the momentum we had established, leveraging our product portfolio and operating capabilities across diverse end markets, including product innovations, where we secured our first Gen 8 radar award, an important component of our ADAS platform, penetration into new end markets, where the products we have developed for Automotive have applications in other markets, reflected in the award from Robust.AI, which I will talk more about later, and expansion of our software partnership ecosystem with leading edge AI players, including most recently with NVIDIA.

This list represents a small portion of the $5 billion of new business awards during the second quarter, bringing our year-to-date total to $10 billion, putting us on track for our $20 billion full-year target.

We also continued to increase the resiliency of our business model by leveraging our digital twin and n-tier tracking capabilities to provide our Automotive and adjacent market customers with a step-change in supply chain visibility, and reaching long-term supply agreements as part of our supply chain resiliency efforts. These are both great examples of the actions we have taken to enhance the robustness of our operating model, better enabling us to keep our customers connected in this dynamic environment and it is one of the reasons we were recently recognized as supplier of the year by Ford in the Supply Chain category.

On capital allocation, we repurchased $250 million of our shares in the second quarter, bringing our year-to-date total to $325 million, with an intention to repurchase a similar amount in the second half of the year, and bring the full-year total to over $600 million. And over the next few years, we are committed to returning approximately half of our free cash flow to shareholders through share repurchases while simultaneously pursuing smaller bolt-on M&A transactions to diversify the business and better position us for the long-term.

Turning to review our business segments through the lens of the Automotive and Non-Automotive end markets we serve.

Starting with the Automotive market highlights during the quarter, we made some meaningful progress expanding our business with leading OEMs in Asia Pacific and driving growth in new business bookings across next-generation technology areas, including our full-stack Gen 6 ADAS system and in-cabin solutions like driver and cabin monitoring.

Notable program launches in the quarter included, within the Intelligent Systems segment, a full tech stack ADAS award across additional vehicle lines of a large European OEM, demonstrating the flexibility and scalability of our solutions and continued strength of our technology partnership, and the launch of our next-generation digital cockpit for a luxury European OEM, incorporating software-enabled functionality via over-the-air updates and lifecycle management capabilities. And within the Engineered Components segment, the integration of our high-voltage interconnects on a European OEM's next-gen, high-powered, 800-volt architecture program.

We also continued to innovate across our product portfolio, evidenced by the introduction of our Advanced Occupancy Classification (AOC) system, which is the industry's first occupant detection system that utilizes AI/ML-based computer vision software and is powered entirely by an in-cabin camera, streamlining vehicle system architecture as well as lowering costs.

We also secured several important new business awards in the quarter. Within Intelligent Systems, these include, a Gen 8 radar award by Volvo Cars for its next-gen, software-defined vehicle platform, where we will enable robust perception across increasingly complex environments and driving scenarios, as well as an award for a large North American OEM's next generation software-defined vehicle architecture, a critical milestone in the transition to more centralized vehicle architectures.

And within Engineered Components, these include high-voltage busbars across the North America and China markets for battery pack and charging applications, demonstrating continued penetration of both existing and new OEM customers on their next-generation EV platforms. And the continued expansion of our business with the leading China local OEMs across our key product lines, including high-speed cable assemblies and high-voltage inlets across platforms for both the domestic and the overseas markets.

Moving to slide 6 to discuss our progress in Non-Automotive markets, which reflects the applicability of our technologies across a diverse set of end markets and the strong operating execution by our team.

Starting with program launches during the quarter. In Engineered Components, we launched a new program providing high-performance interconnects for a utility scale energy storage provider that leverages the same technology we're already delivering in Automotive. And in Intelligent Systems, we launched our integrated cockpit controller for one of the industry-leading Commercial Vehicle OEMs.

In terms of product development in the second quarter, this included expanding our high-performance interconnect product line for complex Aerospace & Defense platforms, where space-efficient, high-density solutions are critical for customers. And collaborating on optimized power solutions for 800-volt DC architectures with a leading developer of power electronics for next-generation infrastructures, including data centers, a market where we have experienced strong commercial momentum, and see very meaningful growth opportunities over the next few years, that will further accelerate with the transition to 800-volt architectures. And lastly, achieving a key software milestone and cybersecurity rating for our enterprise Linux operating system, which will expand our potential opportunities in the government and defense markets.

A few notable business awards in the second quarter included Robust.AI's selection of our intelligent perception solutions and compute, including AI and ML-based sensor fusion powered by our innovative PULSE™ sensor for its Gen 3 Carter™ cobot, which I will talk more about on the next slide. And in Engineered Components, an award for our high-performance cable management and protection solutions for large-scale solar energy and battery storage projects in the U.S. market.

Lastly, we continue to expand our commercial presence in Non-Auto markets through our partnership ecosystem. First, with NVIDIA, where we've extended our partnership to provide Aptiv's production-grade software to edge AI customers using NVIDIA compute. Second, with Kyndryl, which is an important extension of our enterprise partner ecosystem, where Kyndryl will deploy our Wind River software as part of its mission-critical solutions portfolio. Together, they enable customers to more easily deploy and operate mission critical systems, while accelerating adoption through joint go-to-market initiatives and integrated offerings.

Turning to slide 7, I want to spend a few minutes providing an overview of our progress capturing opportunities in new end markets, which we are confident will meaningfully diversify our Non-Automotive revenue mix over the next few years.

The robotics and drone markets are higher growth, higher margin sectors, where opportunity has materialized faster than we previously anticipated, driven by the same demands for autonomous solutions that have been transforming Automotive over the past decade.

Since initially outlining our addressable market opportunity and growth targets for Non-Automotive markets, we have achieved the following, in robotics, we secured partnerships with three leading robotics manufacturers, and one of those partnerships has advanced to a meaningful commercial agreement and we expect to be making additional commercial announcements during the balance of the year.

In drones, in July we secured our first commercial award from a leading drone manufacturer, with total lifetime revenues of over $500 million over a five-year program. This award will be included in our third quarter bookings numbers. We are actively engaged in discussions with several drone manufacturers that we expect to translate into commercial agreements during the balance of the year.

The content-per-device opportunity in the robotics and drone markets are significant and our initial awards represent a large portion of that total content opportunity and both of these markets present time-to-market advantages versus our experience in Automotive.

In summary, we are increasingly confident in the broad relevance of our product portfolio across multiple end markets, which will significantly change our business mix. We have a high degree of confidence in achieving annual revenues from the robotics and drone markets of about $300 million over the next few years, and we believe we are also uniquely positioned to benefit from the growth opportunities in the space, energy storage and data center markets which we'll talk more about in the future.

Aptiv Q2 2026 Earnings Prepared Remarks

I will now turn the call over to Varun to go through our financial results and guidance, in more detail.

FINANCIAL OVERVIEW

Varun Laroyia | Executive Vice President & Chief Financial Officer

Thanks Kevin, and good morning everyone.

Starting on slide 8 with our second quarter financial results.

We delivered revenues of $3.3 billion, which grew at an adjusted rate of 2%, and were just shy of the midpoint of our guidance.

Looking at revenue growth by region, North America grew 10%, driven by strength across both segments. In Europe, revenue was down 8%, primarily reflecting volume pressures with select luxury OEMs, predominantly in Intelligent Systems. And in Asia Pacific, revenue increased 6%, including 5% growth in China driven by improved mix with the local OEMs, partially offset by a slowdown in production for the domestic market.

Adjusted EBITDA totaled $613 million, and adjusted EBITDA margin increased 10 basis points. This came in ahead of our guidance due to the timing of recoveries and operating performance. FX and commodities amounted to a 30 basis point headwind to margin, in line with our expectations.

Earnings per share was $1.63, an increase of 12 cents from New Aptiv pro forma results in Q2 2025, reflecting higher operating income, the benefit of share repurchases and interest/other income, partially offset by higher tax expense.

Free cash flow for the quarter was an outflow of $33 million, and included approximately $70 million in cash separation costs associated with the Versigent spin-off, which we highlighted last quarter.

Moving on to slide 9, and starting with highlights on the consolidated business.

We generated strong results in strategically important Non-Automotive revenues, with 12% growth, while absorbing some customer mix headwinds in our Automotive business in the second quarter, where revenues declined 1%. Adjusted EBITDA margin increased 10 basis points, driven by flow through on revenue growth, strong performance across material and manufacturing, and a benefit in timing of certain recoveries, more than offsetting the impact of stranded costs following the Versigent spin, which we are aggressively working to eliminate.

Turning to Intelligent Systems, revenue of $1.5 billion was flat versus the prior year, which reflects strength in Non-Auto which was driven by Software & Services, and this was offset by Automotive revenues which were impacted by weakness with certain European OEMs and lower production at a North American OEM impacted by a supplier fire. Intelligent Systems' adjusted EBITDA margin declined 120 basis points primarily driven by investments in Non-Auto markets and the impact of stranded costs.

Moving to Engineered Components, revenue of $1.8 billion grew 3% versus the prior year, driven by double digit growth in Non-Auto markets and more specifically, in Diversified Industrials and Aerospace & Defense, while Automotive revenues were essentially flat. Adjusted EBITDA margin increased 100 basis points and reflects flow through on volume growth, favorable timing of the previously mentioned recoveries, and performance initiatives, partially offset by stranded costs.

Turning to our full-year 2026 financial guidance on slide 10.

As a reminder, historical New Aptiv Pro Forma Financials are on the Investor Relations website under the Quarterly Financials section, and those correspond to our guidance that treats Q1 as New Aptiv pro forma.

Starting with the full year, we now expect revenue in the range of $12.6 billion to $12.8 billion, which implies adjusted growth of 2% at the midpoint. I'll discuss the changes here in detail on the next slide.

We expect adjusted EBITDA in the range of $2.31 billion to $2.37 billion, and an EBITDA margin of 18.4% at the midpoint, reflecting the impact of lower revenue growth, which is partially offset by performance.

We now expect adjusted earnings per share in the range of $5.60 to $5.80, with the midpoint of $5.70, reflecting lower operating earnings, partially offset by a slightly lower effective tax rate and a lower share count. This also includes the projected impact of an additional $300 million in share repurchases through the remainder of the year as Kevin mentioned.

Lastly, free cash flow is expected to be in the range of $625 million to $725 million reflecting the reduction in EBITDA. As a reminder, this includes the one-time cash separation costs associated with the Versigent spin-off, which have already been largely incurred year-to-date and the continued investments in supply chain resiliency for semiconductors.

For the third quarter specifically, we expect adjusted revenue growth of 1% at the midpoint, adjusted EBITDA and EBITDA margin of $560 million and 17.7% at the midpoint, and earnings per share of $1.30 at the midpoint.

Turning back to our full-year guidance to discuss the key changes to revenue in further detail.

We are reducing full-year revenue guidance at the midpoint by $300 million, which reflects the following.

First, approximately $150 million related to changes in customer production schedules. These schedule revisions are primarily related to weakness in the domestic China market, with both local China OEMs and European OEMs that export to the China market.

Second, $100 million related to delays in program launches and ramps, specifically delayed ramp in production volumes on certain programs in China, and a launch with a European OEM, where the launch is delayed by the OEM, and we did not benefit from the expansion to additional car lines as we originally anticipated.

And finally, approximately $50 million related to the timing of enterprise sales in Software & Services.

While these items have impacted both business segments, the Intelligent Systems business is disproportionately impacted by the above factors.

Now, translating this to the implied ramp in year-over-year revenue growth from first half to second half that we outlined last quarter.

As a result of what I just described the following have changed.

First, the 150 basis points improvement in growth from the lapping of previously identified headwinds, specifically the lower production with a major North American customer due to a supplier fire and program cancellations with local China OEMs is unchanged.

Second, launches and ramps are now expected to contribute 200 basis points to revenue growth in the second half of the year. This is lower by 100 basis points than initially anticipated, reflecting the programs I previously described.

And beyond that, the outlook for vehicle production in the second half has turned from a tailwind to a headwind. This is further amplified by our customer and program mix due to the schedule changes I outlined earlier which cumulatively are now a 150 basis points headwind to revenue growth in the second half.

I want to wrap up with some closing comments on these revisions.

First, the China domestic market, which has, and continues to be a more volatile region, has clearly deteriorated relative to when we last updated you.

And second, we were not conservative enough in certain assumptions, particularly around launches and ramps. To that end, we have incorporated an additional element of conservatism in the second half of this year.

I'll close by noting that we continue to see long-term opportunity across a diverse set of end markets and across regions where we are delivering solid progress as evidenced by our revenues, bookings, and commercial awards.

With that, I will turn the call back to Kevin for his closing remarks.

CLOSING REMARKS

Kevin P. Clark | Chair & Chief Executive Officer

Thanks Varun, I will wrap up on slide 12.

In summary, we remain confident in the significant long-term opportunity resulting from secular trends that are demanding solutions that can sense, think, act, and optimize, and the customer needs they introduce for high-performance and cost-optimized solutions.

However, we also acknowledge the more near-term challenges to our business driven by ongoing volatility in the domestic China market and the related impact on our broader Automotive customer mix. To be clear, our customer mix in China has improved, and dramatically moved toward the local OEMs, however, this improvement has not been enough to offset the rapid shift of local OEMs' business toward export platforms, as well as the reduction of European vehicle exports into the China market.

Holistically, we continue to focus on improving the revenue mix of our business, both inside-and-outside of Automotive. We also remain laser focused on execution, delivering margin expansion, earnings growth, and strong free cash flow generation across a variety of different macro backdrops, and we are keenly aware that these efforts need to translate into increased shareholder value.

Based on the significant value opportunity we see in our stock, combined with the strength of our cash flow generation and balance sheet, we intend to remain active buyers of our shares, utilizing approximately 50% of our expected free cash flow on a more regular basis over the next few years to repurchase our shares. And in 2026, our repurchases will be materially above this level.

We are also committed to continually evaluating our business portfolio in light of changes in the macro environment to maximize shareholder value. We are confident that we will continue to deliver value for our customers, drive profitable growth, and create sustainable long-term value for our shareholders.

Note: This transcript is a reproduction of remarks made during the live presentation, and has been edited for readability, clarity, and accuracy, including the removal of repeated phrases and verbal fillers, correction of verbal inaccuracies, and other non-substantive conversational elements inherent in extemporaneous speech. No material changes to the content or meaning have been made.