Aptiv Q3 2026 Earnings Prepared Remarks

Aptiv Q3 2026 Earnings

November 3, 2026 | Webcast Event

Hosted by Aptiv Investor Relations

OPENING REMARKS

Good day and welcome to the Aptiv Q3 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, Jennifer. Good morning, and thank you for joining Aptiv's Third 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 exclude amortization, restructuring, and other special items, and year-over-year comparisons are based on Q3 2025 pro forma New Aptiv results excluding the former EDS segment. 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 an 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 are 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 thank you all for joining us this morning.

Starting on slide 3, we delivered solid third quarter financial results, including revenue growth of 2%, which was consistent with the second quarter, and EBITDA margin of 18%, in line with our expectations. We repurchased more than $230 million of stock in the quarter, bringing our year-to-date total to more than $550 million. And we remain active in the fourth quarter, and plan to repurchase at least $650 million by year-end, returning 100% of our free cash flow to shareholders during 2026.

Shifting to future business, we secured roughly $4 billion of new business awards in the third quarter, bringing our year-to-date total to more than $13 billion, which reflects progress in the following strategic areas: in China, we grew bookings by 30%, of which more than 20% are tied to export programs. In Intelligent Systems, we more than doubled European bookings, addressing the customer mix challenges we are facing in that region that are weighing on our growth, and we booked $3.8 billion of Non-Auto awards, more than double the year-ago period, as we've established our presence in new end markets, including drones and robotics.

The momentum we have built in Non-Automotive markets has led to a significant revenue base that we are now leveraging to create incremental growth opportunities. We are on track to generate more than $3 billion in 2026 revenues, including $2 billion in A&D, Telecom and Datacom, and Diversified Industrials. As our revenues in these markets have scaled, so have the opportunities to further leverage the breadth of our product portfolio and the depth of our capabilities.

This is best exemplified by the award we received in July from a leading drone manufacturer, that we discussed on our last earnings call, and the two robotics awards we have secured over the past two quarters, as well as the increased amount of business we are being awarded in the energy storage and AI data center markets.

I will talk more about our individual awards this quarter on the next two slides, but looking ahead, we have a large funnel of fourth quarter bookings opportunities and are on track to reach our $20 billion target. That said, award cycles may lengthen as we finalize negotiations on commercial recoveries and the pass-through of price increases, which we expect to increase meaningfully in 2027.

Now, let's review our business segments through the lens of the Automotive and Non-Automotive end markets we serve.

Starting with the Automotive market on slide 4, we continued to expand and diversify our OEM customer base, creating a more resilient revenue stream.

Notable program launches in the quarter included our next-generation L2 ADAS smart camera for a leading Chinese OEM's exports to the European market. The solution combines a Chinese SoC, Wind River Kaiwu RTOS, a vision stack from STRADVISION, and Aptiv's software features, all brought together through Aptiv's global ADAS integration, validation and safety capabilities, to deliver a cost-effective ADAS solution that meets stringent 2026 European NCAP five-star safety standards. This solution demonstrates the power of our open, flexible, and modular ADAS architecture and our ability to deploy technology from China in global markets. This is just the first of other planned launches with this OEM for export in to the European market.

High-speed cable solutions for the flagship SUV and truck program of a North American OEM and a Korean OEM's next-generation EV platform. Multiple advanced radar programs across Korean and major Japanese OEMs, reflecting our continued growth and technology adoption across global vehicle programs. A zonal controller with up-integrated functionality for multiple premium electric vehicle brands at a leading Chinese OEM, and high-voltage interconnect solutions deployed across multiple leading OEMs and flagship EV platforms.

We also secured several important new business awards in the quarter, including two strategic ADAS awards with the China-based global EV market leader, for deployment across its next-generation intelligent driving platforms in 2027. First, an L2 ADAS system incorporating a localized technology stack and components, and second, a next-generation radar solution enabling L2++ functionality, secured on an accelerated development timeline. These awards highlight Aptiv's flexibility in delivering innovative, high-performance technologies tailored to regional needs and evolving customer strategies.

A conquest award for high-performance cable management products, highlighting continued adoption across leading Japanese OEM platforms. Another award from our modular connector portfolio for a leading European OEM's next-generation modular vehicle architecture. And lastly, two integrated cockpit controller awards for Chinese OEM export programs, further strengthening our competitive position as these customers expand globally.

Moving to slide 5 to discuss our progress in Non-Automotive markets, where new business awards further strengthened our confidence in the growth potential of these markets.

We continued to deepen our network of strategic partnerships during the third quarter, including an expanded partnership with NVIDIA, which brings together NVIDIA's edge platforms and Aptiv's sensing, compute, software and systems integration capabilities to accelerate the deployment of production-ready physical AI and intelligent edge systems. And a partnership with Samsung, leveraging our Wind River Cloud Platform solution to support the advancement of AI-RAN in Korea.

During the quarter, we also executed multiple new program launches across our portfolio of high-and low-voltage interconnect products for a leading Commercial Vehicle manufacturer. Collectively, these launches reinforce the applicability of our portfolio across Commercial Vehicle architectures. Lastly, we launched our first radar program for a major Commercial Vehicle OEM in North America.

A few notable new business awards in the third quarter included an award in China for humanoid robots, incorporating high-performance compute and interconnect technologies. High-performance interconnect and connectivity solutions for data center and battery energy storage applications, reinforcing how our portfolio supports next-gen AI infrastructure. An award in the medical device industry, providing high-performance cable assemblies for critical patient care applications where

reliability and performance are paramount. And lastly, a key software award with a leading telecom equipment provider, supporting a range of critical network infrastructure applications.

Turning to slide 6, I want to take a minute to talk about the setup for 2027 before Varun walks you through the numbers.

Starting with the challenges, which we believe present risks to third party vehicle production forecasts.

First, the industry is experiencing significant input cost inflation. For memory chips, the favorable pricing we secured for our customers in 2026 will not repeat in 2027. We were well ahead of this headwind in 2026 due to our robust supply chain strategy. We began investing in buffer stock inventory in early 2025 for select customers who were interested in the added insurance, and over the same period, we have met regularly with these customers to flag our expectations for supply constraints and material inflation, including on semiconductors and memory chips. As you would expect, these customers are now more strategically positioned to mitigate any supply constraints which are starting to affect OEM production schedules. On top of this, broader commodity inflation and tariffs continue to increase input costs.

Second, regarding assumptions for vehicle production, we believe ongoing supply chain constraints will continue to lead to intermittent production disruption, affordability pressures, from the combination of higher MSRPs and lease rates could weigh on consumer demand, and could translate to lower vehicle production. And the conflict in the middle east and Ukraine, as well as evolving global trade and tariff policies across Europe, the U.S., Mexico, and China, could further increase input costs and exacerbate current supply-demand imbalances.

Our outlook for 2027 is also influenced by the current revenue headwinds driven by two luxury German OEMs that will continue through the fourth quarter of next year and largely abate in 2028, which Varun will touch on shortly.

So, as we position our business, we are taking a more cautious posture. But these challenges have also presented several opportunities.

Our resilient global supply chain, which we execute on a regional basis, includes dual sourcing and validation of product alternatives, and is backed by a digital twin that covers 95% of all the parts we procure, mapped down at least four supply tiers, and covers 99% of the semiconductors we purchase, mapped down at least five supply tiers. And to the extent our customers face increased cost pressure, the resiliency of our supply chain enhances the value of our advanced technology solutions, which are high-performing, open-architected, scalable, and cost-effective.

As a proof point, last week we received a customer award that draws on all of our strengths, resulting in significant incremental ADAS content, replacing competitors' high cost vision, parking, and surround view monitoring systems with a fully integrated Aptiv ADAS platform, built on our smart camera with latest-generation DDR5 memory for supply resilience, that incorporates the vision solution from our partner STRADVISION and Aptiv's full L2+ ADAS, parking, and in-cabin software and hardware tech stack.

The challenging environment is creating incremental opportunities for our high-performance, cost-effective solutions, although the impact on revenue will have a more pronounced effect in 2028.

Outside of the Automotive market, we are finding significant opportunity in the energy storage, data center, robotics, and Aerospace & Defense markets, by leveraging our world class supply chain capabilities, as well as our portfolio of compute, perception systems, and high-speed interconnects.

Varun will share more on how all of this is shaping our 2027 financial outlook.

FINANCIAL OVERVIEW

Varun Laroyia | Executive Vice President & Chief Financial Officer

Thanks Kevin, and good morning, everyone. Starting on slide 7 with our third quarter financial results.

We delivered revenues of $3.2 billion which grew at an adjusted rate of 2%, consistent with the prior quarter. The results include 11% growth in Non-Auto and a 1% decline in Automotive.

Looking at revenue growth by region, North America grew 5%, driven by strength in both our Intelligent Systems and Engineered Components segments. In Europe, revenue was down 5%, driven by a decline in the Intelligent Systems business where revenue was impacted by weakness with two luxury German OEMs, which we expect to persist through the end of 2027. This was partially offset by growth in the Engineered Components segment. And in Asia Pacific, revenue increased 5%. Including 13% growth in Asia ex-China, mainly driven by growth in India and 1% growth in China driven by continued momentum in Intelligent Systems, which grew for the second consecutive quarter.

Adjusted EBITDA totaled $567 million, and adjusted EBITDA margin decreased 140 basis points due to product mix including lower software revenues and the timing of engineering credits, unfavorable commodities partially offset by favorable FX, and investments in both segments directed towards organic growth initiatives.

Earnings per share was $1.42, a decrease of 6 cents, reflecting lower operating income, offset by the benefit of share repurchases, and lower tax expense.

Free cash flow for the quarter was $194 million which, brings our year-to-date pro forma free cash flow to $44 million. I'll talk more in a moment about full year expectations though our pacing through Q3 is consistent with our outlook for the full year, given the separation costs incurred in the first half of the year related to the spin of our Electrical Distribution Systems business, inventory investments to ensure supply chain resiliency, and seasonality.

Moving on to slide 8 to cover segment-level financials.

In Intelligent Systems, revenue of $1.4 billion was down 3% mainly driven by Europe and partially offset by growth in North America and Asia Pacific. Sensors and Compute revenues were lower by 2% owing to softness in Automotive. Software and Services declined 11%, in line with our forecast that we updated last quarter. Automotive revenues were down 4% driven by program roll-offs and lower exports to China with two German luxury OEMs, and excluding these would have resulted in growth of 5% for the segment. Non-automotive revenues grew 3%, reflecting 15% growth in Sensors & Compute, partially offset by weakness in Software & Services.

Intelligent Systems' adjusted EBITDA margin contracted by 240 basis points, driven primarily by the lower revenues in higher margin Software & Services and the timing of engineering credits, partially offset by performance initiatives. Moving to Engineered Components, revenue of $1.8 billion grew 6% versus the prior year, with growth across North America, Europe, and Asia Pacific. Automotive revenues grew 2%, while Non-Auto markets grew 16%, mainly driven by growth in diversified industrials. Adjusted EBITDA margin decreased 100 basis points reflecting commodity headwinds, partially offset by flow through on higher volume.

Turning to slide 9 for our 2026 financial guidance. As a reminder, our guidance is based on pro forma numbers which are available on the Investor Relations website under the quarterly financials section, and for the full year, we are maintaining our income statement guidance from last quarter, with the key metrics unchanged at the midpoint, and the revenue range narrowed.

On free cash flow, we are narrowing the range for the full year and lowering the midpoint by $25 million to $650 million. The initial $450 million drag on free cash flow associated with the spin-related costs and supply chain resiliency is now $500 million, with separation costs slightly lower than planned and inventory investments higher owing to inflation.

For the fourth quarter we forecast revenue of $3.2 billion at the midpoint, representing adjusted growth of 3%. The sequential step-up in revenue growth of 1% reflects production recovery at a North American OEM, and higher Commercial Vehicle revenues, offset by lower vehicle production. And I would also note that Software & Services revenues are forecast to be lower year-on-year in-line with the third quarter decline owing to the timing of Enterprise awards.

We expect adjusted EBITDA of $612 million and a margin of 19.4% at the midpoint. The sequential step-up in margin is driven by customer recoveries, engineering performance benefits including credits, and manufacturing performance. For earnings per share, our guidance implies $1.45 at the midpoint.

I'd like to conclude by sharing our initial thoughts on the 2027 financial outlook. As Kevin shared, we are planning for challenges to vehicle production. Third party forecasts as of September are calling for flat vehicle production globally. In our framework for production assumptions, we've anchored the top end of our range to this flat scenario, which we think is optimistic given our expectations for supply constraints and significant input cost inflation related to semiconductors including memory chips, broader commodity inflation, and overall affordability pressures.

Our results will be impacted by two further items. First, pricing and recoveries, where higher semiconductor prices will create a revenue benefit. Currently, we are estimating approximately $700 million in inflation related to semiconductor prices, primarily memory. The second impact relates to our Intelligent Systems business which will continue to be impacted by weakness with the two German luxury OEMs owing net program roll-offs that conclude at the end of 2027, and lower production assumptions for exports to China.

Beyond these items, our assumptions for revenue growth incorporate an incremental element of conservatism, which we believe is appropriate at this stage. Regarding bottom line impact, the recoveries will be neutral to EBITDA but create margin dilution given the lack of margin on higher prices being passed through. We will provide more details when we issue our formal guidance next quarter.

Outside of the points I mentioned, we expect it will be a flat to slightly positive year driven by the combined impact of revenues ex-recoveries, continued growth in Non-Automotive markets, investments supporting organic growth, and performance initiatives. 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 11. I want to close by underscoring that regardless of the near-term challenges, we continue to see significant long-term opportunity in our business supported by our differentiated portfolio of advanced technologies.

We are confident that the strategy we've built serving the Automotive market positions us well as the industry adapts and evolves. We are also confident in our opportunity beyond Automotive, where we continue to make organic investments across both business segments to accelerate our penetration, building on the momentum we have established. The opportunities in the Auto and Industrial markets underpins our expectations that our revenue growth re-accelerates in 2028.

This confidence, combined with what we believe is a disconnect between the intrinsic value of our stock and its current trading value, is leading us to prioritize share repurchases in our capital allocation strategy. Which means we plan to return 100% of our free cash flow to shareholders through at least the end of 2027, consistent with what we are doing in 2026.

As we focus on unlocking shareholder value, we are evaluating the composition of our business and product portfolio, and we will provide an update in the first quarter of 2027.

In summary, we are focused on shareholder value creation through strong operating execution, disciplined capital allocation, and portfolio optimization.

Aptiv Q3 2026 Earnings Prepared Remarks

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.