

## Transcript

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ECARX Holdings Inc. (Nasdaq: ECX)  
Q1 2023 Earnings Call – June 12, 2023 08:00 AM EDT

### Corporate Participants

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- Adam Kay – ECARX – Head of Investor Relations
- Ziyu Shen – ECARX – Co-Founder, Chairman, Chief Executive Officer
- Peter Cirino – ECARX – Chief Operating Officer
- Ramesh Narasimhan – ECARX Limited - Chief Financial Officer

### Conference Call Participants

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- George Gianarikas – Canaccord – Analyst
- Yuqian Ding – HSBC – Analyst
- Ying Si – CICC – Analyst
- Derek Soderberg – Cantor Fitzgerald – Analyst
- Shelly Wang – Morgan Stanley – Analyst
- Xiaoyi Lei – Jefferies – Analyst
- Suji Desilva – ROTH Capital – Analyst

### Presentation

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Adam Kay – ECARX – Head of Investor Relations

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Good morning, everyone, and welcome to our First Quarter 2023 Earnings Conference Call. With me today are ECARX Chairman, CEO and Co-Founder, Ziyu Shen, Chief Operating Officer, Peter Cirino, and Chief Financial Officer, Ramesh Narasimhan. As a quick reminder, this call is being recorded.

Before we begin the prepared remarks, which will be followed by Q&A. Please note that we may refer to both GAAP and non-GAAP measures. Today's discussion also contains forward-looking statements based on the environment as we currently see it, and as such, does include risks and uncertainties. Please refer to our filings with the SEC for more information on the specific risk factors that could cause actual results to differ materially.

With that, I'd like to hand the call over to Ziyu.

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Ziyu Shen – ECARX – Co-Founder, Chairman, Chief Executive Officer

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Thank you, Adam. Hello, everyone, and welcome. Thank you for joining our Quarter one Earnings Call. Before I dive into the financial results for the first quarter, I'd first like to recap a few elements of our global strategy and progress. ECARX is ideally positioned to capture share in a large and rapidly evolving market, with an estimated TAM of USD 470 billion by 2030, supported by our differentiated full-stack technology that simplifies and

expedites OEM product development timelines. We see a clear path for accelerating growth over the next five years as we expand our reach beyond our current base of 12 OEMs and 21-vehicle brands.

We have a solid strategy in place to achieve double digit revenue growth, Adjusted EBITDA, profitability and strong free cash flow generation, while remaining disciplined in our capital allocation. Our focus remains on expanding revenue streams by patterning with global OEMs to meet their evolving needs, increasing average revenue per car through innovation, continuing to invest in R&D and accelerating collaborations with cutting-edge partners across the globe.

With that, I'd like to give you the highlights of our financial performance during the first quarter, which Ramesh will go into in great detail later.

We saw revenue of over USD 111 million for quarter one, up 16% compared to the prior year period in a challenging macro environment. This growth was largely driven by an increase in new digital cockpit sales volume and favorable sales mix with higher revenues per unit. Our focus on EVs is continuing to pay off, and we have great visibility into our revenue pipeline through the remainder of the year, as we start to roll out products into vehicle brands including Lotus, Smart, Volvo and Mazda.

We achieved gross profit of \$31 million, which was up more than 50% compared to the prior year period, driven by increased content per car, new product launches and a continued focus on sourcing efficiencies.

Following our strong performance in 2022, we again saw a significantly improved adjusted EBITDA in quarter one as we reduced our losses by 48% compared to the prior year period. Importantly, we remain on track to reach adjusted EBITDA profitability by the end of 2024.

As we continue to grow, it is important to remember how we got here, and what our purpose is. ECARX is a global mobility tech provider, working with OEMs to create new vehicle platforms from the ground up. We are one of the only companies within the industry offering a unique vertically integrated full-stack solutions, that include digital cockpit system, chipset solutions, a core operating system and an integrated software stack. These solutions and technologies, which are purely focused for the automotive industry, aim to combine multiple ECUs into a single computing platform, enabling OEMs to develop new applications, services and revenue streams.

We have a clear roadmap and are focused on further developing a fully integrated solution for the software-enabled vehicle of the future, and with our joint venture with ARM, we were the first to launch a 7-nanometer automotive grade SoC in China.

As of April, our solutions have been integrated into around five million cars world wide, and we continue to leverage our strong foundations to further expand internationally, seeing mass production and traction with mainstream OEMs like Volvo Cars, Mercedes, Mazda and Polestar.

Next, I would like to review some of the progress we made over the first three months of the year, which puts us in strong position for the remainder of the year and emphasizes the power of the ECARX's strategy and playbook.

In addition to making strong progress building out our team in London, we opened an R&D center on the West Coast of the U.S. and a sales and engineering center in Germany. We continue to focus on developing our international capabilities to capture growth opportunities in the rapidly growing EV market in North America and Europe.

Having showcased our cutting-edge technology and exclusive collaborations with partners such as AMD at the start of the year, we also unveiled our exciting new product lineup, which is already scheduled to be in production in the second half year with Volvo, and Lynk & Co.

From a product prospect, we continue our automotive focussed testing program with Super Brain to ready this all-in-one full-stack solution, integrating the digital cockpit, driving and vehicle controls. Peter will elaborate our product lineup in a few minutes.

We are excited by the opportunities in the large and growing automotive tech industry and see broad trends that will further support strong growth for the years and decades to come. We believe our cutting-edge solutions and the strategic relationships will enable us to continue to capture new market share across geographies.

These growth drivers include: first, the shift towards the always connected, automated EVs; second, the rise of software-defined vehicle; and lastly, moving to a new platform dynamic that supports faster product development.

Research conducted by McKinsey showed that the TAM of this market is expected to reach almost \$0.5 trillion by 2030, and we plan to win more than our fair share in this market.

The rise of the software-defined vehicle is why Eric Li and I founded ECARX. As cars continue to evolve to become more complex digital devices, with greater vehicle autonomy and as drivers' expectations of their in-car experience increase, the demand for high powered, seamlessly connected automotive-focused compute platforms expands significantly.

Anticipating the clear direction the market was heading, ECARX turns its focus to EV models several year ago and is well positioned to take advantage of this growth vertical. With our unique product capabilities, we are best positioned to help OEMs move from a distributed E/E-architecture to a more centralized one, with increased computing power offering a better driver experience and additional benefits to OEMs such as reduced wiring needs, increased development speed, lower BOM costs - all leading to requiring fewer suppliers.

Before handing the call over to Peter, I want to thank all of our employees for the hard work and dedication to ECARX since our listing in December. We are excited by our results in the first three months of 2023 and believe we are well positioned to deliver on

our guidance for the remainder of the year given the industry trend transforming the automotive industry, and our own well-defined growth strategy.

With that, let me pass the call over to Peter Cirino, our Chief Operating Officer.

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Peter Cirino – ECARX – Chief Operating Officer

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Thank you, Ziyu and good morning everyone. One of the key drivers of growth for ECARX has been our focus on innovation. We continue to invest in research and development and to introduce cutting-edge technologies and features in our products, which allows us to stay ahead of the market.

We have a significant TAM opportunity ahead of us, and our clearly differentiated product line is designed to capture all segments of that growth opportunity. Our Antora series is designed to fulfill the need of powerful SoCs in high-volume vehicles in the growing EV market.

Makalu, one of the most powerful intelligent cockpits available today, designed to push the boundaries of the driver experience with amazing 3D graphics, is powered by AMD and Unreal Engine. And then to power the evolution of autonomy and software-defined vehicles and the future of electronic architecture, we have our all-in-one central compute platform, Super Brain. All of these projects are supported by Cloudpeak, our multi-pillared software system, which is featured in the new Volvo EX30.

Now let's switch gears to our product mix. All of our products are designed to be automotive grade, which in our view, is one of the key differentiators of ECARX compared to other industry players. Our Antora 1000 and 1000 Pro are designed to meet the growing demand for system-on-chip in the EV and intelligent vehicle markets. They have a unique physical safety island, which runs independently and needs no virtualization. The Antora 1000 Pro uses SE-Link to provide seamless connection for two Antora 1000 SoCs, effectively doubling the computing power and also will provide redundancy for more functions and features, thus increasing the life cycle of the vehicle.

Makalu delivers high-speed gaming performance and supports the latest graphics processing interfaces of PC platforms, ideal for gaming, real-time 3D environment rendering and spatial surrounding audio effects. It offers a very sophisticated in-vehicle experience. We are seeing real interest from OEMs for this product and mass production rollout is expected to begin in early 2024.

Following ECARX's Makalu, it's the Super Brain Central compute platform, which combines our SE1000 SoC with an advanced AD chipset. This product brings AI performance to its full potential. This is our all-in-one solution that we view as a supercomputing controller that integrates the cockpit, driving and vehicle control with our full stack hardware and software technologies.

The Super Brain will lead to improvements in the performance and efficiency of the electronic architecture and drive the evolution from EVs to intelligent mobile devices. Super Brain will also enable OEMs to reduce the wiring harness in the entire vehicle by

5%, cut vehicle engineering costs by 15% and bring a 20% material savings when compared to distributed controllers.

Finally, ECARX's Cloudpeak architecture is built to fully meet the functional safety and information security requirements of the vehicle. It supports multiple operating systems and the global mobility ecosystem. It meets both national and international standards and is compliant with the EAL4 certification.

We work with many OEMs directly serving 21 brands across Asia Pacific and Europe, and are continuously looking to diversify our customer base and our geographic footprint, as we have done recently with FAW and Mazda. For FAW, we will be supplying our Antora 1000 powered digital cockpit, which is planned for mass production by the end of the year. Lynk & Co will be utilizing our Antora 1000 Pro with Flyme Auto for its new 08 model launching in Q3. We recently announced the mass production of a customized intelligent cockpit product for Changan Mazda's CX50 model based on our E02 platform. This E02 platform has already been deployed in around 800,000 vehicles across 26 separate vehicles from various OEMs and remains a powerful intelligent cockpit computing platform.

Finally, Cloudpeak, our digital cockpit software stack, will be integrated into the new all-electric Volvo EX30 SUV in their state-of-the-art infotainment system.

We have a flexible business model, and in addition to our OEM customers, we also supply eight Tier 1 automotive suppliers, including Visteon, Neusoft, Beidou and Desay.

Our focus on developing an automotive tech platform is informed by our deep-rooted automotive knowledge and strategic collaborations. We recognized early on that the best way to deliver great computing power and fantastic experience is to collaborate at the R&D development stage. As many of you know, we have agreements and strong relationships with cutting-edge companies like AMD, ARM, Epic Games, Volvo and SiEngine, all to define the next generation of in-vehicle connectivity and take the digital customer experience to the next level. We remain excited about our wide industry partners and continue to seek collaborations with similarly innovative businesses to improve the cockpit experience and create meaningful differentiation of our product offering.

Looking ahead, we continue to build ECARX into a market leader in the large and growing and rapidly transforming EV market. We continue to invest in our people and in R&D to create the innovative and products and services that meet the evolving needs of our customers.

Now I will turn the presentation over to Ramesh to review our financial results.

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Ramesh Narasimhan – ECARX – Chief Financial Officer

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Thank you, Peter, and good morning to all of you. ECARX's first quarter financial results came in strong with our focus on growth and commercial success driving the numbers. We continued to see strong growth throughout the quarter, with the revenue up 16% to

\$111.1 million compared to the prior year period, in a challenging macro environment, where vehicle production year-over-year in China fell 10% year-over-year in Q1, a testament to the continued strong demand for our products and our focus on the EV market.

Our growth was driven by new digital cockpit sales volumes and the portfolio shift from IHU to DHUs. Our business remains robust, and we are confident of achieving our full year revenue guidance of \$700 million to \$720 million. The results for Q1 also reflect the seasonality of our industry and was in line with our expectations and is factored into the guidance for the year.

Compared to the prior year period, sale of goods revenue increased by 19%, and while software license revenue was up 140%, services revenue was around \$7 million lower, both driven by contract completions in the period.

Gross profit was \$30.7 million, up 52% compared to the prior year period. This was mostly a result of an increase in content per car, favorable product mix and a continued focus on sourcing and manufacturing efficiency, along with an increase in margin for software licensing.

Adjusted EBITDA was negative \$17.4 million, a 48% improvement compared to the prior year period, benefiting from higher margins and lower fixed costs, while maintaining investment in core product development. SG&A was 23% of revenue, up from 21% in the prior year as we continue our international expansion while keeping a tight control on costs. We finished the quarter with cash of \$148 million, up 31% compared to the prior quarter, which gives us a solid financial foundation and further strengthens our position in the market. This empowers us to continue to drive innovation, explore new markets and seize strategic partnerships.

Although I've presented this slide on previous occasions, it is crucial to emphasize the inherent seasonality within our business. This reminder is especially relevant to anticipate a similar pattern this year, considering the planned launches of new products scheduled for the third and fourth quarters.

As you heard earlier from Ziyu, we have had a pretty full agenda so far this year, and looking forward, we have a number of key milestones to deliver through the balance of the year, including a number of key product launches seeing Antora 1000 and 1000 Pro on the road in a mass rollout for the first time while we continue to expand our international footprint and enhance our engineering capabilities.

We're also focused on diversifying the business in terms of our customer base and geography. Our first quarter progress on all these metrics gives us confidence in meeting our projections for 2023, and we are reiterating our guidance for revenue to be in the range of \$700 million to \$720 million, a 38% year-over-year increase at the midpoint. For adjusted EBITDA, we maintain our guidance of achieving breakeven by the end of 2024.

To summarize, we continue to see strong revenue growth and our new product introductions, including the Antora series, Makalu, Super Brain Central computing platform and Cloudpeak software have generated excitement among both our existing customers and potential prospects. These innovative offerings have positioned us as a leading player in the leading market. Both these factors signify our ability to stay ahead of industry trends and meet the growing demand for electric vehicles, which are expected to continue and serve as a strong tailwind for the years to come.

We continue to strengthen the business by adding engineering capacity and by executing our commitment to diversify our customer base and revenues. Lastly, our financial performance continues to create a clear pathway to achieving adjusted EBITDA profitability by the end of 2024.

In conclusion, we continue to make significant strides in driving the business forward while benefiting from the secular adoption of electric vehicles and strong demand for our automotive grade products. With the clear path to profitability, we are well positioned for continued success.

With that, we would like to open up for questions.

Operator - -

(Operator Instructions) We will take our first question, and the question comes from the line of George Gianarikas from Canaccord Genuity.

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George Gianarikas – Canaccord – Analyst

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My first one is just you've done an admirable job of navigating the headwinds in EV and auto demand globally. Can you just kind of give us a little bit more meat on the bone there and help us understand a little bit of what you're seeing in the marketplace and what gives you confidence in the second half ramp that you just articulated?

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Peter Cirino – ECARX – Chief Operating Officer

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George, thanks for joining the call today. And thanks for the question. You certainly – I think one of the strengths we have for ECARX is just a fantastic market that we participate in. Our segments of the automotive space continues to grow rapidly, and we see continuing strength in terms of demand for our products. About a number of years ago, Ziyu, our CEO, how to focus primarily on electric vehicles, and I think that's providing a good tailwind for what we were able to achieve first quarter, and our continued visibility into balance of the year.

We've got a number of exciting launches. We talked about the Mazda launch in our earnings call, additional launches with Lynk & Co that we announced in our Cloudpeak software we're launching on the Volvo EX30 later this year. So I think with the continued strength in electric vehicles and these launches, we are pretty confident in our continued progress through the balance of the year.

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George Gianarikas – Canaccord – Analyst

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And just as a follow-up, completely different topic, more long term in nature. Curious as to whether you can give us any update on Super Brain and particularly the SiEngine and the partnership there with ARM, any update, any additional color you can share there would be very much appreciated. Also whether or not you'd be open to other partnerships within the Super Brain ecosystem outside of the SiEngine?

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Peter Cirino – ECARX – Chief Operating Officer

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Certainly. I mean, we definitely see an advantage of ECARX is the technology ecosystem that we work with. So whether that's partnerships that we have with ARM and SiEngine, Volvo cars with HaleyTek on our Cloudpeak software, AMD and Unreal in our Makalu product, those partnerships continue to be, I think, a critical element of our strategy, enabling us to develop products quickly with the best technology and in a cost-effective way and bring them to market.

As we continue to work with SiEngine, I think one of the significant advantage this year is the launch of the 7-nanometer SoC. We'll have that on vehicle in a matter of weeks here and continuing to ramp up fairly aggressively as we go through '23 and '24. So we're excited to see that product roll out. And partnerships will continue to be core to our strategy on a go-forward basis, I think both in the cockpit space and in the central computing space.

Operator - -

We will take our next question, and the next question comes from the line of Yuqian Ding from HSBC.

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Yuqian Ding – HSBC – Analyst

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I've got 2 questions. First, on the R&D side, we're reading in the results that we stopped the R&D of the ADAS perception. So could you give us a bit more context on it and break down the key R&D areas for us. And second, could you also update if any order win, especially from the non-Geely, Daimler, Volvo? Other than these OEMs, any particular nationality or region, we're being focusing on? And how do we steer through the geopolitical tension that might get in the way in terms of breaking into these international OEMs sourcing system?

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Peter Cirino – ECARX – Chief Operating Officer

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Yes, sure. I'd be happy to address the question. I mean we continue to invest very heavily in R&D. We've got approximately 70% of our total headcount is engineering focus. As we looked at our internal investments. We felt that our partnership progress was, let's say, at a faster pace, and we chose to focus a lot of our ADAS activities on the partnership side. So with our JICA Intelligent Vehicle partnership as well as Zenseact and Luminar that we've got close relationships with, we believe we have a very good offering to continue to grow in the ADAS space. So it just a matter of adjusting our



approach and making sure we're really utilizing the best activities, and that's core to the way that we approach the business.

Relative to Volvo, I mentioned the EX30 launch is an exciting launch for us. It's a product that will have on-vehicle later this year, and we integrate the Google Automotive Systems, automotive services into that product line. It's a global launch for ECARX, so as that vehicle ramps up, it will be in almost all the world markets. So we continue to advance on a global stage, and we believe it's a great reference product that enables us to continue to make progress in the international marketplace.

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Ramesh Narasimhan – ECARX – Chief Financial Officer

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And if I can just add on the R&D, we continue to invest very heavily to ensure that we stay ahead of the tech curve. And if you look at our spending 60% to 70% of our OpEx is primarily focused on R&D, and we'll continue to invest in R&D going forward as well. In terms of your second question, in terms of diversifying our revenue, we're continuously focused on that. We have established our international offices. We also have established engineering centers in both U.S. and in Germany, where we are establishing sales and engineering service centers, again, to be very close to potential customers where we're continuously having some very exciting discussions about future opportunities. While we cannot mention any names today, it is something that, as a business, we are very, very closely following up and implementing.

Operator - -

We will take our next question, the next question comes from the line of Ying Si from CICC.

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Ying Si – CICC – Analyst

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Great. Congratulations to the results for quarter 1. So actually, I have 4 questions. So I'll just begin one by one. The first one is actually we have noticed that the quarter 1 revenue actually took 14% of the forecast revenue for 2023. So could you help us do a breakdown on the quarterly revenue for this year's revenue forecast? That's the first question.

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Ramesh Narasimhan – ECARX – Chief Financial Officer

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Sorry, I didn't really understand the question. Do you want a breakdown of Q1 revenue?

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Ying Si – CICC – Analyst

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Well, actually, I want breakdown on the quarterly revenue for this year, like the second quarter, third quarter, fourth quarter. Because we have noticed that the revenue actually took a larger percentage if we go under the roads, reaching the end of the year, usually like 30% from last year. Could you give us a guidance on the percentage? Yes, please?

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Ramesh Narasimhan – ECARX – Chief Financial Officer

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Yes, sure. I mean I think it's one of the key things that we addressed in our full year earnings. In terms of the seasonality, we always find the Q1 to be the smallest in terms of the seasonality and Q4 to be the strongest. And we are not seeing anything different this year. It's consistent with what we have said in the past. And we have said in past that Q1 is approximately about 16% to 17%, Q2 in the range of about 20%, Q3 similar to that and then Q4 about 40%. So that's what we are anticipating in 2023 as well in that range compared to the overall full year revenue. Of course, you've got to overlay the fact that, as we mentioned earlier, we have got Q3, Q4 new product launches that will accelerate on top of the seasonality. So you have to take that into consideration as well. But typically, this is the seasonality that we see in the market.

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Ying Si – CICC – Analyst

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Okay. So my second question is like so far Antora 1000 Pro, as we have seen that it is launched in Lynk & Co 08 in quarter 3, so my question is that, could you help us to forecast on the revenue that can be generated from this product in quarter 3 this year?

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Peter Cirino – ECARX – Chief Operating Officer

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Certainly, we anticipate that we're confident that product will launch. We're working very closely with Lynk & Co to make sure there is a launch of successful vehicle under our supply chain lined up. And we expect it to ramp this year. We've got additional launches in Antora 1000 and Antora 1000 Pro across multiple brands next year. We don't disclose specific revenue by product lines, but it only contributes to the ramp-up you've seen in the latter half of the year required.

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Ying Si – CICC – Analyst

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Okay, that's fine. So the third question I wanted to ask is that, how would you expect your service revenue and gross margin trends in maybe the coming year or the next 2, 3 quarters?

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Ramesh Narasimhan – ECARX – Chief Financial Officer

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I mean, look, the service revenue is very seasonal. I mean, when I says seasonal, it's not based on calendarization, but it depends on contract completion. And we -- that will be in line with contracts that we have got in place. But as I said, overall, we are still very much focused on, and confident on delivery of the \$700 million to \$720 million. And we've taken into account the contracts or the service revenue that will come into place this year within that. But it is very clearly driven by a specific contracts that we've got in place.

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Ying Si – CICC – Analyst

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Let me know, what's the relative size of the contract, or is that clear currently?

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Ramesh Narasimhan – ECARX – Chief Financial Officer

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Well, it varies. It depends on the level of customization that we do for different OEMs. We obviously don't go into the details of what level of customization because that would be relating to the confidential information what they expect in the future products. But yes, the level of contracts is driven by what customer experience, the OEM is wanting in its products and its product position.

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Ying Si – CICC – Analyst

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Okay. Right. And for the gross margin trends, could you please elaborate on it?

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Ramesh Narasimhan – ECARX – Chief Financial Officer

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Yes. I mean we got a gross margin of 28% this year overall. We are expecting that trend to continue through this year. Of course, in the second half, we have new products coming through. But overall, I think for the year, we are expecting gross margin to be in that range.

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Ying Si – CICC – Analyst

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Sorry, I didn't get your last senses. So it's around 25% for this year...

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Ramesh Narasimhan – ECARX – Chief Financial Officer

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Yes. Overall, we are expecting the gross margin to be in this range.

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Ying Si – CICC – Analyst

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Okay. And my last question is regarding the percentage of revenue generated from non-Geely OEMs. So could you help us do a brief elaboration on like the progress of ECARX getting the contracts from non-Geely OEMs? And what are the revenues generated from these contracts, please?

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Ziyu Shen – ECARX – Co-Founder, Chairman, Chief Executive Officer

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So yes, so this Ziyu speaking. Thank you for the question. So I think in quarter one, we have already announced FAW Group partnership. That's very significant milestone for us. We already got very confirmed conformation from FAW Group for Antora series product collaboration. And also 2 weeks ago, also, we announced Changan Mazda SOP launch. That's also a very important milestone for us for E02 platform. We're already production long years. I think that is current we already disclosed the non-Geely OEM partnership business. Of course, the team is trying – working very hard as still. And we

also have very strong confidence to distribute our technology to more and more Chinese domestic OEMs and the global OEMs together. Hello? Hello? Can you hear me?

Operator - -

It seems the participants have muted themselves. One moment.

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Ying Si – CICC – Analyst

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Could you hear me?

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Ziyu Shen – ECARX – Co-Founder, Chairman, Chief Executive Officer

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Yes, we can hear you.

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Ying Si – CICC – Analyst

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Great. So my previous question is like, could you help to a rough estimation regarding the revenue -- actually, the portion of revenue that generated from non-Geely OEMs maybe by the end of this year? Is it possible to do this kind of estimation by this time?

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Ramesh Narasimhan – ECARX – Chief Financial Officer

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Yes. as you said in the past, we will continue to drive the diversification of revenue by our customer base. But we certainly anticipate the diversification to improve. As we launch new products in Volvo and as Ziyu mentioned, with FAW early next year, I think we take a longer-term view in terms of diversifying our customer revenue rather than taking a 12-month view because, as you very well known, with automotive contracts in place, it takes about 24 months and sometimes even 36 months to implement. So what is really important is that we take a longer-term view in terms of diversification objectives rather than looking at it year by year. So I think it is something that when we make announcements on new contracts, you will get to see more and more of customer base that -- where we have opportunity to diversify.

Operator - -

We will take our next question, your next question comes from the line of Derek Soderberg from Cantor Fitzgerald.

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Derek Soderberg – Cantor Fitzgerald – Analyst

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I wanted to ask and maybe just a question for Peter. If you could speak a bit more about the Makalu platform. There's a lot of power in the solution. Curious if you can talk about what portion of the market is sort of ready for this level of computing power? And how you expect the Makalu ramp to play out? And then if you could just talk about the interest level and feedback around Makalu as well, that would be great.

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Peter Cirino – ECARX – Chief Operating Officer

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Derek, good to hear from you. Thanks for the question. We mentioned that we're working pretty aggressively on getting Makalu out in the market. We've already announced that, that product will be launched late this year, early next year as it ramps up. In that launch, we will also use a lot of 3D environments, and we think that will bring a great experience to the vehicle. Additionally, on top of that launch, we've also announced that Smart will be adopting that globally -- adopting the Makalu product globally for their brand. I think we're quite excited around both solutions as being fantastic user experiences that those OEMs will be able to bring to customer base.

We're continuing to work with a number of different OEMS to broaden the adoption of Makalu. And I think that we do get some excitement around that product, especially with the 3D capabilities. And I think we'll continue to talk about some exciting adoption to that product as we go through next year.

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Derek Soderberg – Cantor Fitzgerald – Analyst

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Got it. That's helpful. And then, Ramesh, you guys have a pretty clear product roadmap that you spoke about during your Investor Day, and you guys are continuing to invest in R&D, and you've got these product launches coming. Can you talk about your cash position, and how you feel about where that is for the year just as it relates to funding further growth?

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Ramesh Narasimhan – ECARX – Chief Financial Officer

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Sure, Derek. Good to talk to you again. We started the year with \$112 million in terms of cash. During the quarter, our cash balance actually improved, and we ended up at \$148 million. I think we have a very strong cash balance right now, and we are comfortable that the business has got sufficient cash to support continuing investment in R&D going forward. Of course, like any business, if there is a -- if we feel there is a need to raise further funding, then at that time, we will evaluate what options we have and make the decision going forward. But currently, we are very, very confident with the cash balances that we've got.

Operator - -

We will take the next question, your next question comes from the line of Shelley Wang from Morgan Stanley.

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Shelley Wang – Morgan Stanley – Analyst

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I have two questions from my side. One, just a follow-up on the customer expansion. So when we supply to the non-Geely brands, I mean, what's our like a competitive advantage comparing to our -- like our peers?

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Peter Cirino – ECARX – Chief Operating Officer

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Yes, sure. I'll take a shot at that. We think that ECARX brings a number of advantages to the market. Because as we look at our capabilities, first, we're between ECARX and the strong partnerships and joint ventures that we have, we've got the ability to deliver product from sales into cloud services in a fully integrated stack that enables us to understand the system and bring the best platforms into the market. Being a pure-play automotive company, we've got experience in launching many vehicles and ensuring that our product line is very focused on the automotive industry and delivering advantages to the automotive OEMs based on the knowledge of the system -- the system knowledge that we bring to play.

With our relationship with the Geely brands, we very much are there helping to craft the vehicle road map on day 1 when vehicles are born. This enables us to bring our technology into vehicles very quickly. And as we talk to future customers, we're often talking about products that are on the road and successfully delivering great experiences to customers and to the OEMs and rather than talking about engineering prototypes and activities like that.

And then lastly, we've got a very strong technology partnership ecosystem that we see ourselves at the center of and kind of the architect of that system and bringing technologies like we've talked about here with AMD, our joint venture with ARM, our joint venture with HaleyTek where we're bringing the Google Automotive software into the vehicle and the Google Automotive services. And we see -- just to name a few, and we see this technology ecosystem is critical to the way that we're able to develop our systems and bring fantastic experience in the vehicle.

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Ramesh Narasimhan – ECARX – Chief Financial Officer

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And if I can just add a couple of points. We see ourselves as leading in the leading market. And what that means is we are on top of the tech driving -- that driving a lot of innovation. So that's a critical competitive advantage that we have got. And we have also said that we are -- we believe we are unique in terms of the vertical integration. What that means is that we are very, very cost competitive when it comes to delivering advanced products, which I also believe is a very critical cost advantage that we have in the market.

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Shelley Wang – Morgan Stanley – Analyst

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Got it. Very clear. And my second question is about the DeSpac concern. So we are seeing like the car makers in China are aggressively cutting retail prices this year. So from -- like our side, do we feel like will car makers pass the cost pressure to us, like asking for the price cap or used like it fewer intelligent cockpit features? And what's our strategy if OEMs come to us for more price cuts?

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Ramesh Narasimhan – ECARX – Chief Financial Officer

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Yes. I think it's very important to distinguish what ECARX offers versus traditional automotive components. Where we are seeing as a value-add differentiator from an

automaker perspective. So it's not a traditional pricing negotiation. It is what problem are we trying to solve for the OEM, and what value add we bring to the table in terms of the digital customer experience. So I think it's more a question of what we can deliver rather than more about a pricing pressure. So we're not the traditional OEM customer who makes a bracket, and we want it cheaper by another \$0.10. That's not the kind of conversations we have. So it's really about enhancing the product value for the OEM and the customer experience ultimately.

Operator - -

We will take our next question, and your next question comes from the line of Xiaoyi Lei from Jefferies.

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Xiaoyi Lei – Jefferies – Analyst

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I have two questions. My first question is on the industry front. How do you evaluate the impact on the value chain if Tesla rolls out FSD in China? And my second question is with regard to your next-generation product Antora 1000 Pro, as the integration of digital cockpit and ADAS functions on 1 chip seems becomes the new norm, I'm wondering, could you please compel your product with Qualcomm's recently released Ride Flex SoC in terms of the functionality as well as the pricing?

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Peter Cirino – ECARX – Chief Operating Officer

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I'll take the first one. Relative to ADAS, we have got a tremendous amount of activity across all markets with – in the ADAS space. ECARX, I think, is quite excited with the developments that we're bringing to market specifically with our JICA joint venture. We're working very closely with that system, and we anticipate that we'll continue to make some great announcements in the future with how we bring that product forward. Additionally we've got a number of partnerships that we continue to have in place with Volvo and Zenseact and Luminar, and we're quite – we feel quite confident in the way we're approaching the ADAS market and developments that will take place there and the place that ECARX's will play in that future.

And then relative to the Qualcomm product line, the – I think when we look at the SoC roadmap for ECARX, especially when you look at the Antora 1000 product and its direct competitor, the Qualcomm 8155, there are a number of use cases where we see a significant advantage in the way that we've designed that system and brought DDR5 memory into the vehicle and optimized the interfaces that there are use cases where we see up to a 30% performance enhancement versus the direct Qualcomm product line. And I think we will -- we continue to believe we've got a strong road map in working with SiEngine to bring great SoCs that are both cost competitive and future competitive into the market.

Operator - -

We will take our next question, your next question comes from the line of Suji Desilva from Roth Capital.

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Suji DeSilva – Roth MKM – Analyst

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So on the Super Brain central compute platform, I think you talked about some potential BOM savings, perhaps some wiring and so forth. Can you elaborate there and maybe how that compares to the competitors in terms of the advantage there?

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Peter Cirino – ECARX – Chief Operating Officer

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Yes, Suji, great, thanks for the question. Thanks for joining us today. I think central compute has got the potential to unlock a lot of potential in the vehicle around savings from a BOM perspective, from a vehicle infrastructure perspective, and we're quite excited about the Super Brain product. We're still – we still have that product in development, so not yet on vehicle, but we anticipate that will come in the near term here. And then we'll – we anticipate we will have an official launch date, I would say, in the next 6 to 12 months. So we're excited about the developments with that product and the potential that it can bring to the vehicle.

I think we've quoted that we see significant savings from electronic infrastructure perspective in the vehicle, both from consolidating additional ECUs together and creating savings from that perspective as well as the wiring savings that we've quoted in vehicle that we would anticipate coming from that application as well.

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Suji DeSilva – Roth MKM – Analyst

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Okay. Great. And then also, I was just curious on the – in your attempt to diversified geographically. You placed your U.S. office, I believe, in California. I'm just curious on the thinking behind that location? Is it closer to tech resources versus the – where the car companies are? Just curious on that thinking.

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Peter Cirino – ECARX – Chief Operating Officer

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Sure. I mean we're continuing to expand our footprint to serve customers effectively. So we mentioned today our engineering and sales center that will be ramping up in Germany and with hiring well on the way there. Our activities in California tend to be focused today on SoC IP development. And we believe that's a fantastic place for talent and driving effective capabilities in that space. But we also see it as an opportunity to build from as we continue to approach potential customers in North America and hope that it serves as a launching pad for those activities.

Operator - -

There seems to be no further questions. I would like to hand back for closing remarks.

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Ramesh Narasimhan – ECARX – Chief Financial Officer

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Yes. If I can thank you very much. I just wanted to thank everyone for joining the call today. As we've mentioned, as a management team, we are very excited about ECARX growth story, and we're very confident on delivering the key milestones that we went



through today. And once again, thank you for very insightful questions, and I appreciate that. Thanks, everyone.