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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to ECARX Quarter 3 2023 Earnings Conference Call. I would now like to hand the conference over to Rene Du, Head of Investor Relations of ECARX. Please go ahead.

Rene Du

Thank you, operator. Good morning and welcome to our third quarter 2023 earnings conference call. With me today are ECARX Chairman and Chief Executive Officer, Ziyu Shen; Chief Operating Officer, Peter Cirino; and Chief Financial Officer, Phil Zhou. Following their prepared remarks, they will all be available to answer your questions during the Q&A session that follows.

Please note, today's call is being recorded.

Before we start, I would like to refer you to our Forward-Looking Statements at the bottom of our earnings press release, which also applies to this call. Further information on specific risk factors that could cause actual results to differ materially can be found in our filings with the SEC. In addition, this call will include discussions of certain non-GAAP financial measure. Please refer to our earnings release, which contains a reconciliation of the non-GAAP measure to GAAP measure.

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

Ziyu Shen - ECARX Holdings Inc. - CEO & Chairman

Thank you, Rene. Hello everyone and thank you for joining our third quarter earnings call.

Let me start by saying a few words about the China market.

This quarter saw again a growing share of NEVs sold versus ICE vehicles and the trend is clearly accelerating with global NEV adoption rate reached record high at 19.8% in the third quarter. This year China is well positioned to become the largest automotive exporter in the world. This year is also likely to be the first year where domestic brands will outsell foreign brands in China. One of the important trends that we witnessed this quarter was the launch of car-specific mobile phones whose OS seamlessly integrates into the vehicles' ecosystems to create a better user experience. With Meizu, we are pursuing a similar integration strategy.

At ECARX, we delivered another strong quarter of growth with revenue up 50% year-over-year as we continue to benefit from increased spending by OEMs on enhancing the in-car experience and meeting consumer demand for greater connectivity and more sophisticated digital cockpit technologies.

There are now over 5.6 million vehicles on the road that incorporate our technology across 24 brands offered by our 15 automotive OEM customers. Vehicles on the road equipped with our products increased 8% from last quarter and 31% from the same period last year. With our dedicated team of over 2,000 people, 70% of whom are engineers, we are firmly positioned as a leading tech provider in the industry.

I'm pleased to report that we further expanded our customer base outside the Geely Group in China during the quarter with Dongfeng Peugeot-Citroën Automobile - the joint venture between Dongfeng and Stellantis - coming onboard as a significant customer in August. We also added 6 design wins for flagship car models in the third quarter, paving the way for future growth which I'll let Peter go over in more detail later.

Internationally, Chinese EV makers and technology suppliers have truly arrived on the global stage following their massive presence at the IAA Mobility motor show in Munich in September. We are investing significant resources into growing our business and presence outside of China and have several key milestones coming up that will significantly raise our visibility internationally, including the upcoming launch of the Volvo EX-30 that will feature our digital cockpit solution.

The recent debut of the Lynk & Co 08 SUV equipped with our full stack solution is a great showcase for the full range of technologies we have to offer as our industry profile continues to grow. We are also attracting increased attention as a technology provider within the mobility space through the ecosystem partnerships we announced with Baidu and Mobileye this quarter.

In summary, we delivered a very strong quarter both from a commercial, technology and ecosystem point of view.

I will now pass the call over to Peter who will go through the operating results for the quarter in more detail.

Peter W. Cirino - ECARX Holdings Inc. – COO

Thank you, Ziyu, and good day everyone.

Our innovative product portfolio enabled us to secure a number of new design wins during the quarter. Operationally, we focused on strengthening our profile internationally, expanding our partner ecosystem, and delivering additional product advancements.

With operations in 11 major locations across 3 continents, our global footprint facilitates close working relationships with local OEMs and access to a truly global talent pool.

As Ziyu mentioned, we have gained significant momentum in the China market by adding 3 additional OEMs to our customer base. We also added 6 new design wins in the third quarter. Three of these will utilize the ECARX Antora 1000 Pro Platform, two will utilize the ECARX Makalu platform, with the remaining to adopt ECARX Antora 1000 platform.

These achievements underscore the increasing demand for software-defined vehicles and enriched in-car experiences, reflecting the significant value proposition and market opportunity for our innovative product portfolio. Our ECARX Antora series offers customers a high-end intelligent cockpit experience at an attractive price point. ECARX's well-integrated Antora SoC also enables them to save on engineering costs and decrease the time needed to bring their vehicles to market.

ECARX Makalu on the other hand offers clients an ultra-high performance digital cockpit computing platform supported by a powerful AMD SoC and Unreal Engine graphics solutions. With unparalleled 3D graphics, security and entertainment features, it is one of the most powerful intelligent cockpits available on the market.

As Ziyu mentioned, our solutions are now being integrated into Dongfeng Peugeot-Citroën Automobile's new Citroën Tianyi, Peugeot 4008 compact SUV, and Peugeot's flagship 508L sedan, which began mass production in the first half of August. These vehicles are equipped with our E02 intelligent cockpit computing module, which has already been installed in more than one million vehicles across 32 separate models from a variety of automotive brands.

While we continue to grow in China, we also made significant progress with our global expansion during the quarter. The Volvo EX 30, which is equipped with ECARX Cloudpeak, began start of production in late September and will be launched globally later this year. We are confident its launch will significantly raise our international profile and provide customers globally a demonstration of the cutting-edge technology and enjoyable in-car experience we can deliver.

To support our expanding international profile, we showcased our ultra-high performance digital cockpit capabilities, and more notably our immersive Makalu Platform, at IAA MOBILITY in Munich in September. Our on-site demo allowed visitors to fully experience these innovative solutions and get a taste for the technologies that will shape the vehicle industry for years to come. In November, we will be presenting at the Reuters Automotive USA 2023 industry gathering in Detroit, where we will also meet with many North American prospects.

On the technology front, we expanded our product portfolio to include the ECARX Skyland ADAS platforms. ECARX Skyland Pro is our first-generation autonomous driving control unit, which integrates automated parking and active safe driving solutions such as lane change assistance on controlled-access highways. These ADAS capabilities will allow us to further expand content per vehicle and strengthen customer loyalty by providing a more secure and supportive driving experience.

The Lynk & Co 08 is the first vehicle to launch which contains our full stack solution. It reflects our ability to drive technological innovation and is representative of the direction we are headed in. Its digital cockpit is powered by the Antora 1000 Pro platform integrated with the ECARX Cloudpeak software stack and Flyme Auto to deliver a smooth and seamless interactive in-car experience. Together with ECARX Skyland Pro ADAS Platform and 5R10V sensor configuration, these technologies bring L2+ capability to this flagship car. Lynk & Co 08 recently received a high score in preliminary ADAS tests under China's new car safety assessment program, C-NCAP. With such stellar results, we are confident we can leverage the full stack solution for Lynk & Co 08 to approach new customers.

We continue to carefully invest in the development of new, cutting-edge technologies, and have a strong development pipeline that we eagerly look forward to updating you all on in the months ahead.

Let me now share with you some updates on our partnership ecosystem which is helping us develop disruptive technologies that will sustainably drive growth and innovation across the automotive sector.

In August, we began collaborating with Mobileye to build a "one box" solution integrating automated driving and parking features that will enable hands-off and eyes-off self-driving on controlled-access highways. This solution will be used in the mass production of the Polestar 4 electric SUV coupé, the world's first mass-produced car to adopt Mobileye Chauffeur consumer AV technology.

As part of this collaboration, ECARX will be responsible for the development of parking-related algorithms and functions, local production of hardware used in the domain controller unit, quality management and supply chain management. This represents significant progress in terms of both innovation and our go-to-market strategies.

Going forward, ECARX and Mobileye will partner on a driver-assisted solution and a cockpit-driving-parking integrated solution based on the latest EyeQ™6 automotive-grade SoC.

We also expanded our partnership with Baidu Apollo during the quarter, which will see us become one of the first automotive technology partners to explore the intelligent cockpit application of its AI large language model (LLM). Through this partnership, multiple innovative functions have been integrated into ECARX computing platforms, some of which are expected to be launched on select mass-produced Lynk & Co models in the near future. This partnership will leverage each party's respective strengths and will usher in a new era of innovative automotive intelligent solutions that will shape the industry at large.

We expect these solutions to enable ECARX to help OEMs provide more natural and differentiated speech recognition, offer unique smart experiences, and propel further innovation in automotive intelligence. To further enhance our technological leadership, we will also incorporate LLM capabilities into our integrated intelligent ecosystem.

Our strategic partnership with XINGJI MEIZU is also very important. The Flyme Auto ecosystem's foundational concept is the integration of smartphone computing and storage capabilities into vehicles to create seamless interconnection. With unique features such as a small window display mode, dynamic effects, and sophisticated in-car climate control, Flyme Auto became the first operating system in the automotive industry to receive certification from China's TL Certification Institute for its superior performance, providing customers with a unique and smooth interactive in-car experience.

Finally, an update on ECARX Cloudpeak, our cross-domain system developed in collaboration with our joint venture with Volvo. ECARX Cloudpeak was built to meet strict vehicle safety and information security requirements. It supports multiple operating systems and global mobility ecosystems with security protocols that meet both Chinese and international standards. In late August, ECARX Cloudpeak was awarded the EAL4 certification for information security.

In closing, as the automotive industry progresses towards software-defined vehicles, and thus from distributed E/E architectures to central computing platforms, our innovative solutions and strategic partnerships with some of the world's leading tech companies and OEMs will enable us to build and solidify our market leadership and position ourselves at the forefront of this global transition.

Now I will turn the call over to Phil to review our financial results for the past quarter.

Phil Jing Zhou - ECARX Holdings Inc. – CFO

Thank you, Peter, and good day to everyone. We delivered another solid quarter of growth which further strengthened our position as a key player in the automotive technology sector.

Total revenue for the quarter was RMB 1.08 billion, a significant increase of 50% year-over-year. Computing Hardware Goods revenue was RMB 734 million, up by 38% year-over-year driven by an increase in demand for our new digital cockpit solution. We increased penetration into Geely ecosystem brands Smart and Lotus, while our share of wallet in Geely Auto business remained stable. We have shifted our product and solution offering to the NEV market segment and captured the market growth curve. Software license revenue came in at RMB 137 million, an increase of 73% year-over-year and 21% sequentially, primarily due to demand through two framework agreements with strategic partners PATEO and XINGJI MEIZU. The related demand was high for ECARX Antora platform software and ECARX Automotive Service (EAS) IP licenses, which reflects the unique value proposition offered by our cutting-edge solutions. Service revenue maintained strong growth momentum as well, with a surge of 92% year-over-year to RMB 209 million. This remarkable increase was primarily due to revenue recognition timing for non-recurring engineering revenue. As we discussed on our last earnings call, we expected the bulk of this revenue to be booked in the second half of 2023.

Gross profit reached RMB 331 million, an increase of 140% year-over-year. This was well above the nearly 29% year-over-year increase in cost of revenue due to timing differences in completing non-recurring engineering contracts, which we plan and manage from a full fiscal year perspective. We expected this, as part of the recovery of low year-over-year gross profit growth delivered last quarter. Looking at quarter four, which is the peak season for the industry, we see challenges in maintaining the same level of gross margin considering the fierce competition to drive demand and top line growth. As well, there may be further pressure on our hardware product margin performance in the coming quarters, due to industry-wide price cut and evolving customer E/E architectures. We will focus on driving software and service revenue growth and improving operating efficiency to mitigate the margin impact.

OPEX increased 22% sequentially and 56% year-over-year for two main reasons. First, R&D increased 27% sequentially and 71% year-over-year as we invested to keep pace with advancements made in technology. Second, our global expansion into Europe and the US, where we are tapping into growing demand as OEMs transition towards NEVs, and we are accessing a truly global talent pool.

Adjusted EBITDA loss was RMB 179 million, an improvement from the loss of 181 million last year. This is a slight improvement, but we need to be aware that such result has already included our accelerated R&D investments in ADAS solutions and JICA, the JV with Geely Group. If we take out the loss from JV, the profit could be improved by around 50mn in Q3; however, we firmly believe the investment in ADAS solutions is worthwhile and it will empower our long-term growth. The performance of the ADAS product on Lynk&Co 08 is quite impressive as an example. The Loss per share also improved y/y from RMB1.48 to 0.79. This is mainly attributed to the revenue growth in computing platform products, gross margin improvement, and operating cost control. Cost control did not impair our investments in advanced technology development and global expansion.

Moving onto our balance sheet, at quarter end we had RMB 688 million of cash and restricted cash. With a solid foundation for growth now in place, we expect to allocate additional capital to accelerating our growth trajectory. Maintaining a solid balance sheet is of paramount importance, so we will focus on improving operating efficiency across our supply chain, inventory, and cash flow.

Looking forward, we will maintain our operational focus on optimizing efficiency and cost management while carefully allocating resources towards opportunities that can enhance future growth prospects and drive innovation. Sustainable and fiscally responsible business practices are the backbone of our long-term financial health.

With that, I'll turn the call back to Ziyu for some concluding remarks, then we will start the Q&A session. Ziyu?

Ziyu Shen - ECARX Holdings Inc. - CEO & Chairman

We are excited about our position in a significant and flourishing market, where industry trends are driving robust sector growth. We're pleased to witness that our customer base has further extended beyond the Geely Group. Our unique technology and diverse product offerings have enabled new design wins and fostered strategic ecosystem partnerships. We're committed to continued progress in these areas. Meanwhile, we are prudently allocating resources towards opportunities that can enhance future growth prospects and drive innovation, much like our ongoing efforts to strengthen our international business and presence.

Operator, we will now open the floor for questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) First question comes from the line of Mai Liu from HSBC.

Mai Liu - HSBC - Analyst

This is Mai from HSBC. And congratulations on the strong third quarter results. I have 2 questions. The first is regarding the gross margin. We saw a company has maintained a pretty good, stable gross margin quarter-over-quarter despite the very challenging pricing environment. And how do we perceive the gross margin outlook going forward? And will the pricing pressure in our clients escalate to us? And could you give us some color on the pricing mechanics with our customers.

And my second question is regarding the sector. How do you perceive the inflection point of non-striving faction in both China and the world, especially we are saying the EV pure players like Xpeng, LiAuto, Zeekr are rolling out their non-striving faction and how do we see the inflection point for non-striving in China and also in the world in the next coming 2 to 3 years, maybe. Yes, that's my question.

Phil Jing Zhou - ECARX Holdings Inc. - CFO

This is Phil. I'm going to take the first question regarding the margin performance. Yes, in quarter 3, we delivered another strong quarter, and we are on track to deliver profitability expectation based on the current momentum. And looking forward, quarter 4 is a traditional peak season in the automotive industry and all OEMs will work on the shipment maximization.

There could be a trade-off on pricing, volume, velocity, and we anticipate that the margin erosion will transfer throughout the entire industry chain. But we are ready to catch up the trend and finish the full year under our rein a strong way. So the profit momentum we built in the first 3 quarters can help us to get there. So we have confidence to deliver our original gross margin goal.

And the confidence actually was built on our execution on profit performance in the first couple of quarters. And we will continue to max. #1, the initiative is about the software and service portfolio optimization. The second one, we will continue to drive the cost optimization. The third one, we will drive product cost selling to enhance the vehicle cost efficiency, right?

So having said that, the NEV market is now having a fierce price competition on the market share gain between OEMs and these pricing pressures are expected to transfer, right, to Tier 1 vendors and affect the entire market, as I mentioned. And the whole customers are also working on the E/E architecture transformation so as to enhance the digital cockpit capability as well as the cost optimization.

So we do foresee the hardware profit will erode, but will be offset by the initiatives I just mentioned about and we will also proactively participate in the architectural transformation discussion, and we are sure that our technology platform will be fulfilling the customer demand and the transition time window is coming soon by end of 2024.

So with that, we are able to mitigate the margin erosion on hardware solutions at the same time, drive our software and service further growth. So we are pretty comfortable with our ability to compete in that environment with our full stack solution that we are already offering on Lynk&Co 08 , and we expect more to come.

Peter W. Cirino - ECARX Holdings Inc. - COO

And then maybe I'll take the second question, Phil, thanks for that answer. When we look at the autonomous market, it's certainly still in its initial stages, but quite a dynamic and, I think, exciting market for ECARX to participate in.

So as we talked about earlier in the presentation, the Lynk & Co 08 is in the market containing our full stack solution, which includes the digital cockpit as well as our Skyland Pro autonomous system. That's our first significant autonomous launch in the market that ADAS Level 2+ system eventually will, through OTA features include Navigate Autopilot, and we see that solution being very competitive, both feature set and cost competitive product out in the autonomous market.

When we scan both the China markets and the global markets relative to autonomous, certainly, there's a number of OEMs that are leading in China. I think the deployment of systems there will certainly be much more aggressive. We believe that there'll be mostly focused on the Level 2+ space, and that's where the volume in that autonomous market will be. But certainly, there will be some offerings that go beyond that.

We're excited about our collaboration with Mobileye that will enable us to launch be one of the first to launch the Chauffeur system on the Polestar 4. We recently made a detailed announcement about that partnership as well, and we're collaborating very closely with Mobileye to offer some unique customizations with this EyeQ™6 and Chauffeur solution that we'll be bringing into the Polestar 4 as well as other vehicles.

And when we look across the European markets and North American markets, we're certainly engaged with a number of OEMs to have discussions about the products that I talked about. I think the adoption rate could be a little slower in some of those markets. We certainly also see that Level 2+ will be the largest volume for some years to come, but there's certainly many investments going on in the autonomous market, and we're excited with the opportunity to participate with the products that we're bringing to the vehicles first in China, but I believe strongly that we'll have opportunities to bring those products to the rest of the world as well.

Operator

The next question comes from the line of Lou Jia from BOCI.

Jia Lou - Bank of China International - Analyst

Congratulations on the results for this quarter. And I have 2 questions. The first one is related to Antora 1000 Pro . And we received feedback Lynk & Co 08 has been delivered for some time. Have we received any feedback about the use of Antora 1000 Pro? And could you share any other models which will be equipped with an Antora 1000 Pro in 2024?

And the second question is considering that we may have more than 13 new products next year, could you share about our budget in R&D for 2024? And do we still maintain the breakeven plan by the end of next year?

Peter W. Cirino - ECARX Holdings Inc. - COO

Thank you Lou Jia. Maybe I'll take the first part of that question concerning the Antora Pro digital cockpit. As we've launched the Lynk & Co 08 , it's a first opportunity for ECARX to put our full stack solution onto a vehicle. So important for the organization because it represents the ability to launch the product from what I'll say, from silicon to cloud services. So it's our Antora Pro digital cockpit computing platform on that vehicle. The software stack is our full software stack Cloudpeak software stack in that car as well as the Flyme Auto integration with the cell phone with the major cellphone that has also launched on that vehicle.

We've seen very strong demand for that vehicle. And we anticipate that the demand in the market will continue to grow for that car. So we're excited about continuing to service that vehicle and launch additional features in future OTAs, both in the digital cockpit and in the Skyland autonomous system that's launched on that vehicle.

When we look at future launches, we have additional launches that are planned for next year with both the -- with all 3 of our significant products. So the Antora series, the Antora Pro series as well as our Makalu series, we'll have a large number of launches as we move through 2024 on a number of different platforms. So I think that will contribute to a significant volume growth we see for the organization on a go-forward basis.

Phil Jing Zhou - ECARX Holdings Inc. - CFO

Yes. And I will take the second question regarding the R&D investment. So looking at our current trajectory for quarter 2 and quarter 3, R&D expense as a percentage of revenue will be stable at around 30%. So we will keep investing into the other ones, the R&D development and product availability for the market. So while there's a potential to adjust R&D investment percentage as the scaling of the revenue growth approach, and we will keep it at a reasonable level, 30% at our general guideline. And we also expect a significant growth and the possibility of continuing to in fix the cost.

So original guidance on breakeven was based on the company's position at the starting of this year. And the goal is still there. And but breakeven could be further pushed out to 2025 given that the investment that we're making in a brand-new product portfolio, as Peter just mentioned, we have JV merge starting in Q2. And we also invest a bit into AD – autonomous driving solutions.

Nevertheless, we are still working on a go and as long as we invest in additional product lines, the whole group's profitability will be different, but we will make sure the return of investment and keep pushing over breakeven as our entire goal.

Operator

Our next question comes from the line of Derek Soderberg from Cantor Fitzgerald.

Derek John Soderberg - Cantor Fitzgerald & Co., Research Division - Research Analyst

I want to start with the pricing environment. I'm curious how sort of ASPs are moving. And then as it relates to inflation, do you guys have maybe inflation clauses embedded in your pricing contracts? And how quickly are those contracts negotiated every year?

Phil Jing Zhou - ECARX Holdings Inc. - CFO

I'm going to address this question. So yes, the pricing competition is observed in the industry, at least during the first 3 quarters. And as I mentioned, the pricing undercut will be transferred to the entire industry. However, ECARX, we -- right now, we are offering the full stack solutions, right, including the computing platform, software operating system and ADAS solutions. And on top of that, we are also driving cost optimization. So including the package you just mentioned. So during -- for the contracts we signed with our customers and vendors, we also defined the flexibility in terms of the foreign exchange, okay? And at the same time, right, we also provide our high value-added services to the customers. So with that, we are able to maintain and keep increasing the ASP. At the same time, without pricing away our cost optimization activities.

Derek John Soderberg - Cantor Fitzgerald & Co., Research Division - Research Analyst

Got it. And then as my follow-up, I'm curious if you could talk a bit about there's a strike in the United States with the auto workers. I'm curious if there's any sort of knockout effects that you're seeing on your end? And then just on the macro environment, are you seeing any particular areas of strength or weakness that have kind of changed in the past quarter or 2?

Peter W. Cirino - ECARX Holdings Inc. - COO

Derek, maybe I'll capture that question. I mean, we've talked about a number of exciting launches for ECARX, and I think that's what's driving our volume, both in the current quarter and as we look at our outlook into next year, the launches certainly with a number of electric vehicles are seeing very strong adoption in the market. So we mentioned the Volvo EX30, we have launches coming with the Polestar brand and with our other -- with Lynk&Co brand and also a lot of activities beyond our core customers like we've described earlier today with the launch of products with the Peugeot-Citroën and Dongfeng brands that we see launching this quarter. So I think we have a very strong pipeline.

When we look at the impact from -- the U.S. strike doesn't really affect our business at this point in time. The -- but we certainly see very strong demand for our products, both as we go through here in Q4 and as we move into 2024.

Operator

Our next question comes from the Shixuan Jane Chen from Jefferies.

Jane Chen - Jefferies - Analyst

This is Jane from Jefferies. And congratulations on the strong financial performance. I have 2 questions for management. My first question is about the product pipeline. Can you share more colors about the new product, mass production timeline and the guidance of the delivery target of each product line. And I'm also wondering which customer or car model, or platform do you think can be the strongest growth driver next year?

And my second question is regarding the competition from Huawei, especially in terms of the smart cockpit solution, Huawei is expanding a cooperation with smart oncoming cars and we will launch more new models. And AgM7 and M9 has gained much interest and recognition from customers. How do you think of the competition from Huawei, since we are also developing the Flyme Auto operating system with XINGJI MEIZU. These are my questions.

Peter W. Cirino - ECARX Holdings Inc. - COO

Yes. Thanks for your question. Let me go and address both elements. We have a large number of new launches as we go into 2024. So we see launches across all of our products, both in the digital cockpit space with as I mentioned earlier with Antora and Antora Pro, those vehicles, vehicles deploying those systems launched throughout 2024 on a number of different brands.

We mentioned some today, especially with the Volvo EX30 is a significant launch for us as it enables us to deliver vehicles globally throughout, I believe it's more than 40 countries on that vehicle. Also, we mentioned the Lynk & Co 08 with our full stack solution is a key benchmark product for ECARX and it's very well received in the marketplace as well.

As we go through 2024, we expect launches with our digital cockpit products as well as additional launches on the Skyland ADAS system. So we'll continue to see the steady progress that we've made in 2023 and extend that into 2024.

As Phil mentioned, we're continuing to invest in our pipeline with future product developments, both in the ADAS space as well as the digital cockpit space. Recently, we announced the Mobileye collaboration that will bring new and unique product offering to our portfolio with a future launch on a Polestar 4 coupé as well as we'll likely be making additional announcements as we go through the next 1 to 2 quarters on investments in our digital cockpit platform as well.

And then your second question was relative to Huawei. I would say we're really excited to see Huawei enter the market. I mean, they are a very strong competitor that brings a great technology stack. But we're also quite excited about the offering that ECARX can bring both with our computing platform, our software stack and the Flyme Auto collaboration that we have with MEIZU. So ECARX is a very unique -- has a very unique position in the market because we truly offer a fully vertical technology stack. So we go, as I said earlier in the call, we go from silicon right through the cloud services. And I think we bring a very competitive product offering to that space.

Huawei is a great company, and it's great to see them invest in the automotive marketplace. I think it demonstrates the potential for this -- for the continued expansion of this product in the market and how customers -- how end customers are differentiating their purchases in vehicles.

And I think if you look at our product offering, it's very capable as well, provides a very unique user experience, especially with the Flyme auto stack and the full cell phone integration that we can do with the MEIZU cell phones. And I think we're very comfortable with our ability to compete on a go-forward basis and excited to see additional new technology partners come into the space and really demonstrate how significant the demand will be in the future.

Operator

Next question comes from the line of Jiaqi Zhang from CICC.

Jiaqi Zhang - CICC - Analyst

Congratulations on the results for this quarter. So I'm Jiaqi from CICC. So I see some great progress in the software provided by ECARX in this quarter's presentation. So I would like to ask 3 questions regarding the software products. The first one is regarding the Cloudpeak, which is launched in the Volvo EX30. I think it is probably launches on a hardware platform that is not produced by ECARX. So could you give us on how is the projects -- how the products collaborate with the other party? And what is the business model? And what is the gross margin be like in this project? So that's my first question.

The second question is regarding the Flyme auto system. So it has been launched on Lynk & Co 08, but we have noticed that it is not launched in Lynk & Co 06. So could you give us some guidance what kind of projects will use Flyme auto and which ones are not? And could you also refresh us what is the Flyme auto business model like? And what are the -- are there going to be more projects going to launch with Flyme auto? So that's my second question.

My last question is regarding the autonomous driving functions on the Skyland Pro . So who is actually responsible for developing these functions? And how is the business model going to be like?

Peter W. Cirino - ECARX Holdings Inc. - COO

Yes, thank you for your questions. So let me try to address them one by one. So as we look at the Cloudpeak solution that we've launched on the EX-30. This is a demonstration of ECARX capability to deliver products on a global scale. So we have a significant number of engineers that are actively working on continuing to mature that product. It's a product that we developed jointly with our joint venture with Volvo Cars and one that will feature the Google Automotive services.

In that environment, as we mentioned earlier, it is launched on a Qualcomm SoC as well as with through tight collaboration through a great partner that we have with Visteon on the supply chain side. But I would say ECARX is playing a position of a system integrator and software developer.

We've also contributed significantly to the hardware design in that environment. As we have already announced in our Antora series, we bring supply chain capabilities to our portfolio. So we operate in a number of different business models to deliver those solutions to the marketplace, but we play a very strong position in terms of development of the software delivering the UI UX that has been detailed by Volvo cars and also integrating all the solutions from Google Automotive into the software capabilities of that vehicle.

Relative to the Flyme Auto position, it's the Lynk & Co 08 is really a great product. And when you couple that with the cell phone integration and the unique user experience that we bring through our full vertical technology stack, I think it really is a differentiating product in the marketplace.

There are many new launches coming with the Flyme Auto solution in the software stack. And in that construct, we have unique relationship with MEIZU that we work very tightly with them on the integration of that capability into the vehicle. There are a large number of launches inside our pipeline, and we're working to deploy that on more vehicles as we go through 2024 and 2025. And I think it provides an extremely solid user experience and differentiating user experience with the full integration of the cell phone in the vehicle. And we really see that's the -- one of the core founding principles in ECARX that both Ziyu and Eric saw, they establish our business. Is this not only this importance of both software and compute power to the automotive experience on a go-forward basis, but the integration of, let's say, one digital life inside the vehicle, where your cell phone and the car become one user experience and through the collaboration with the XINGJI MEIZU Group, we bring that to life and the the Lynk & Co 08 plus in the number of launches that we'll see throughout 2024 and go forward.

And then lastly, you mentioned autonomous on the Skyland Pro system, there's a -- it's a significant activity from JICA and from ECARX to develop the driving algorithms for that vehicle driving and parking algorithms for that vehicle. And a significant portion of that development was done in-house. We often engage a number of partners. And I think we've announced that Black Sesame was a key partner for us in the deployment of that system. And some of the some of the solutions and software stack primarily with perception software was done by Black Sesame, but much of the driving decision software, sensor fusion software and so on, ECARX brought and JICA brought to that vehicle.

And as we have -- as I look across our future deployment relative to the OTAs that will come to that vehicle, we will continue to deploy new features in that ADAS system as we move through this quarter and next quarter and we believe quite strongly it will be a competitive solution, both in the China market and potentially even in the global market.

I mean we mentioned a very high rating on the C-NCAP score, and we're continuing to qualify that also in other safety stores. It was built from a very strong foundation in terms of AutoSAR and QNX at the base level of that software can make sure it really can be a globally competitive solution in the future.

Operator

(Operator Instructions). At this time, there are no further questions from the line. Allow me to hand the call back to management for closing.

Phil Jing Zhou - ECARX Holdings Inc. - CFO

All right. Thank you all for participating in today's earnings call. So ECARX, we are excited about our position in this significant and flourishing market where the industry trends are driving robust sector growth. And the ECARX also keep a strong momentum in business growth and the profitability enhancement and that we'll further devote our heart-and-soul into that and looking forward to talking with you very soon in coming quarter 4 and annual report cycle. Thank you again.

Operator

That does conclude today's conference call. Thank you for your participation. You may now disconnect your lines.

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