Celestica

3Q26 Quick Take: 2027 Outlook Raises the Bar, but FCF Questions Linger

Overweight

CLS, CLS US
Price (26 Oct 26):$246.65

IT Hardware/ Telecom & Networking Equipment

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Celestica's 3Q26 results and updated 2027 outlook continue to point to a robust demand environment and further room to expand operating margins, which we expect to be well received by investors. That said, the lingering question heading into the earnings call and analyst day is likely to be working capital requirements and FCF into 2027 and beyond.

For 3Q26, revenue of $5.8 bn came in above JPMe, consensus, and the high end of the guidance range, driven by particularly strong Compute & Storage demand. Meanwhile, the 4Q26 guide was more mixed as revenue tracked below JPMe and was largely in line with consensus, operating margins were modestly better than both JPMe and consensus, and earnings came in softer than both heading into the print. Separately, management lowered FCF guidance to $460 mn in 2026 (vs. JPMe of $466 mn and prior guidance of $600mn), citing "targeted working capital investments to support the accelerating growth in 2027."

Looking ahead to 2027, revenue is guided to $40 bn, or +90% y/y, well ahead of both JPMe and consensus as management reinforced the strength of demand by noting that its 2028 forecast is "meaningfully higher" than the 2027 outlook. Operating margin guidance for 2027 also came in ahead of JPMe and consensus, together supporting solid EPS upside relative to consensus. Notably, the press release did not include FCF guidance for 2027, following a reduction to FCF guidance for 2026, which is likely to be an area of focus heading into the earnings call and analyst day.

Celestica is hosting an earnings call tomorrow at 8:00 AM ET, which can be accessed via webcast.

See page 4 for analyst certification and important disclosures.

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Figure 1: 3Q26 Results vs. JPMe and Consensus

$ in Millions

	3Q26 Results				
	Actual	JPMe	Variance	Consensus	Variance
Income Statement					
Sales	**5,830**	**5,705**	**125**	**5,458**	**372**
COGS	5,177	5,055	122	4,830	347
Gross Profit	652	650	2	627	25
Margin	*11.2%*	*11.4%*	*-20 bps*	*11.5%*	*-31 bps*
R&D	51	58	(7)		
% of Sales	*0.9%*	*1.0%*	*-14 bps*		
SG&A	105	110	(5)		
% of Sales	*1.8%*	*1.9%*	*-13 bps*		
Op. Expense	156	168	(11)	169	(13)
% of Sales	*2.7%*	*2.9%*	*-2589.0%*	*3.1%*	*-41 bps*
Op. Profit	**496**	**482**	**14**	**459**	**37**
Margin	*8.5%*	*8.5%*	*6 bps*	*8.4%*	*11 bps*
Non-Op. Income	(4)	(17)	13		
Pre-Tax Income	492	465	27		
Tax	90	94	(4)		
Rate	*18.2%*	*20.2%*	*-198 bps*		
Net Income	402	371	31	351	51
EPS	**$3.30**	**$3.05**	**$0.25**	**$2.96**	**$0.34**
Shares	122	122	0		
Segment Revenue					
ATS	957	906	51	896	61
CCS	4,872	4,799	73	4,400	472
Segment Operating Profit					
ATS	63	58	5	57	6
CCS	433	424	9	390	44
Segment Operating Margins					
ATS	*6.6%*	*6.4%*	*13 bps*	*6.3%*	*22 bps*
CCS	*8.9%*	*8.8%*	*6 bps*	*8.8%*	*14 bps*

Source: Company reports, Bloomberg Finance L.P. and J.P. Morgan estimates.

Figure 2: 4Q26 Guide vs. JPMe and Consensus

$ in Millions

	Guidance 4Q26				
	Guidance	JPMe	Variance	Consensus	Variance
Income Statement					
Revenue	**$6,425**	**6,889**	**(464)**	**$6,395**	**30**
Operating Income	559	591	(32)	549	10
Margin	*8.7%*	*8.6%*	*12 bps*	*8.6%*	*11 bps*
EPS	**$3.47**	**$3.60**	**($0.13)**	**$3.49**	**($0.02)**

Source: Company reports, Bloomberg Finance L.P. and J.P. Morgan estimates.

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Figure 3: 2026 Guide vs. JPMe and Consensus

$ in Millions

	Guidance 2026				
	Guidance	JPMe	Variance	Consensus	Variance
Income Statement					
Revenue	**$21,000**	**21,339**	**(339)**	**$20,594**	**406**
Operating Income	1,764	1,785	(21)	1,719	45
Margin	*8.4%*	*8.4%*	*4 bps*	*8.3%*	*5 bps*
EPS	**$11.55**	**$11.35**	**$0.20**	**$11.16**	**$0.39**

Source: Company reports, Bloomberg Finance L.P. and J.P. Morgan estimates.

Figure 4: 2027 Guide vs. JPMe and Consensus

$ in Millions

	Guidance 2027				
	Guidance	JPMe	Variance	Consensus	Variance
Income Statement					
Revenue	**$40,000**	**38,864**	**1,136**	**$35,873**	**4,127**
Operating Income	3,600	3,424	176	3,132	468
Margin	*9.0%*	*8.8%*	*19 bps*	*8.7%*	*27 bps*
EPS	**$21.50**	**$21.30**	**$0.20**	**$19.84**	**$1.66**

Source: Company reports, Bloomberg Finance L.P. and J.P. Morgan estimates.

