



Ambarella, Inc. Announces Second Quarter Fiscal Year 2019 Financial Results

August 30, 2018

SANTA CLARA, Calif., Aug. 30, 2018 (GLOBE NEWSWIRE) -- Ambarella, Inc. (NASDAQ: AMBA), a leading developer of low-power, HD and Ultra HD video compression, image processing, and computer vision solutions, today announced financial results for its second quarter of fiscal year 2019 ended July 31, 2018.

- Revenue for the second quarter of fiscal 2019 was \$62.5 million, down 12.8% from \$71.6 million in the same period in fiscal 2018. For the six months ended July 31, 2018, revenue was \$119.4 million, down 12.0% from \$135.8 million for the six months ended July 31, 2017.
- Gross margin under U.S. generally accepted accounting principles (GAAP) for the second quarter of fiscal 2019 was 60.8%, compared with 62.6% for the same period in fiscal 2018. For the six months ended July 31, 2018, GAAP gross margin was 61.1%, compared with 63.2% for the six months ended July 31, 2017.
- GAAP net loss for the second quarter of fiscal 2019 was \$6.9 million, or loss per diluted ordinary share of \$0.21, compared with GAAP net income of \$3.3 million, or earnings per diluted ordinary share of \$0.10, for the same period in fiscal 2018. GAAP net loss for the six months ended July 31, 2018 was \$16.9 million, or loss per diluted ordinary share of \$0.51. This compares with GAAP net income of \$5.9 million, or earnings per diluted ordinary share of \$0.17, for the six months ended July 31, 2017.

Financial results on a non-GAAP basis for the second quarter of fiscal 2019 are as follows:

- Gross margin on a non-GAAP basis for the second quarter of fiscal 2019 was 61.4%, compared with 63.0% for the same period in fiscal 2018. For the six months ended July 31, 2018, non-GAAP gross margin was 61.6%, compared with 63.6% for the six months ended July 31, 2017.
- Non-GAAP net income for the second quarter of fiscal 2019 was \$8.5 million, or earnings per diluted ordinary share of \$0.25. This compares with adjusted non-GAAP net income of \$19.3 million, or earnings per diluted ordinary share of \$0.56, for the same period in fiscal 2018. Non-GAAP net income for the six months ended July 31, 2018 was \$13.1 million, or earnings per diluted ordinary share of \$0.38. This compares with adjusted non-GAAP net income of \$34.5 million, or earnings per diluted ordinary share of \$1.00, for the six months ended July 31, 2017.

Based on information available as of today, Ambarella is offering the following guidance for the third quarter of fiscal year 2019, ending October 31, 2018:

- Revenue is expected to be between \$55.5 million and \$58.5 million
- Gross margin on a non-GAAP basis is expected to be between 59.0% and 60.5%
- Operating expenses on a non-GAAP basis are expected to be between \$30.5 million and \$32.0 million

Ambarella reports gross margin, net income (loss) and earnings (losses) per share in accordance with GAAP and, additionally, on a non-GAAP basis. Non-GAAP financial information excludes the impact of stock-based compensation adjusted for the associated tax impact, which includes the effect of any benefits or shortfalls recognized. The non-GAAP net income for fiscal year 2019 includes a change in the allocation of stock-based compensation across the company's tax jurisdictions to improve alignment of the non-GAAP tax rate to the GAAP tax rate. Accordingly, non-GAAP net income and non-GAAP earnings per share for the second quarter and year-to-date of fiscal year 2018 ended July 31, 2017 have been adjusted for the change in non-GAAP income tax effect and presented consistent with the fiscal year 2019 presentation. The prior year non-GAAP tax rate for the second quarter ended July 31, 2017 was reduced from 17.3% to 3.6% resulting in non-GAAP earnings per diluted ordinary share increasing from \$0.48 to \$0.56. The non-GAAP tax rate for the six months ending July 31, 2017 was reduced from 16.2% to 3.4% resulting in the non-GAAP earnings per diluted ordinary share increasing from \$0.86 to \$1.00. A reconciliation of the GAAP to non-GAAP gross margin, net income (loss) and earnings (losses) per share numbers for the periods presented, as well as a description of the items excluded from the non-GAAP calculations, is included in the financial statements portion of this press release.

Total cash, cash equivalents and marketable securities on hand at the end of the second fiscal quarter of 2019 was \$376.0 million, compared with \$400.8 million at the end of the same quarter a year ago.

"While we are disappointed with our near term outlook, we remain confident that our decision to focus on computer vision applications in the IP security, automotive and robotics AI markets is the correct strategy and is already bearing fruit," said Fermi Wang, president and CEO. "We have delivered our CV22 and CV2 computer vision chips to customers and their evaluation results are very encouraging. We believe our excellent neural network processing performance combined with the low power of our solutions gives us a strong competitive position in our target markets. Moreover, we continue to expand our computer vision product family to deliver solutions that more fully address the growing market opportunity," he said.

Stock Repurchase

In the second quarter of fiscal year 2019, the company repurchased a total of 1,119,193 shares for total consideration of approximately \$45.0 million. Under the \$50.0 million repurchase program that expired on June 30, 2018, the company repurchased a total of 1,074,542 ordinary shares for total cash consideration of approximately \$50.0 million. Under the \$100.0 million program that commenced on June 5, 2018, the company has repurchased a total of 862,805 shares for total cash consideration of approximately \$33.9 million through July 31, 2018.

Quarterly Conference Call

Ambarella plans to hold a conference call at 4:30 p.m. Eastern Time / 1:30 p.m. Pacific Time today with Fermi Wang, chief executive officer; Casey Eichler, chief financial officer; and George Laplante, executive vice president, to discuss the second quarter of fiscal year 2019 results. The call can be accessed by dialing 877-304-8963 in the USA; international callers should dial 760-666-4834, Participant passcode is "Ambarella." Please dial in ten minutes prior to the scheduled conference call time. A live and archived webcast of the call will be available on Ambarella's website at <http://www.ambarella.com/> for up to 30 days after the call.

About Ambarella

Ambarella, Inc. (AMBA) is a leading developer of low-power, high-definition (HD) and Ultra HD video compression and image processing solutions, and computer vision solutions. The company's products are used in a variety of HD cameras including security IP-cameras, sports cameras, wearable cameras, drone cameras and automotive video processing solutions. Ambarella is currently combining advanced computer vision technology with its state-of-the-art video to enable the next generation of intelligent cameras, advanced driver assistance systems (ADAS) and autonomous vehicles. For more information about Ambarella, please visit www.ambarella.com.

"Safe harbor" statement under the Private Securities Litigation Reform Act of 1995

This press release contains forward-looking statements that are not historical facts and often can be identified by terms such as "outlook," "projected," "intends," "will," "estimates," "anticipates," "expects," "believes," "could," or similar expressions, including the guidance for the third quarter of fiscal year 2019 ending October 31, 2018, and the comments of our CEO relating to the company's product strategy, the competitiveness of the company's products and technologies and their ability to achieve customer acceptance, and the market opportunities and ability of the company to develop products to address those opportunities. The achievement or success of the matters covered by such forward-looking statements involves risks, uncertainties and assumptions. Our actual results could differ materially from those predicted or implied and reported results should not be considered as an indication of our future performance.

The risks and uncertainties referred to above include, but are not limited to, risks associated with revenue being generated from new customers or design wins, neither of which is assured; the commercial success of our customers' products; our growth strategy; our ability to anticipate future market demands and future needs of our customers; our ability to introduce new and enhanced solutions; our ability to develop, and to generate revenue from, new advanced technologies, such as computer vision functionality; our ability to retain and expand customer relationships and to achieve design wins; the expansion of our current markets and our ability to successfully enter new markets, such as the OEM automotive and robotics markets; anticipated trends and challenges, including competition, in the markets in which we operate; our ability to effectively manage growth; our ability to retain key employees; and the potential for intellectual property disputes or other litigation.

Further information on these and other factors that could affect our financial results is included in the company's Annual Report on Form 10-K for our 2018 fiscal year, which is on file with the Securities and Exchange Commission. Additional information will also be set forth in the company's quarterly reports on Form 10-Q, annual reports on Form 10-K and other filings the company makes with the Securities and Exchange Commission from time to time, copies of which may be obtained by visiting the Investor Relations portion of our web site at www.ambarella.com or the SEC's web site at www.sec.gov. Undue reliance should not be placed on the forward-looking statements in this release, which are based on information available to us on the date hereof. The results we report in our Quarterly Report on Form 10-Q for the second fiscal quarter ended July 31, 2018 could differ from the preliminary results announced in this press release.

Ambarella assumes no obligation and does not intend to update the forward-looking statements made in this press release, except as required by law.

Non-GAAP Financial Measures

The company has provided in this release non-GAAP financial information including non-GAAP gross margin, net income, and earnings per share, as a supplement to the condensed consolidated financial statements, which are prepared in accordance with generally accepted accounting principles ("GAAP"). Management uses these non-GAAP financial measures internally in analyzing the company's financial results to assess operational performance and liquidity. The company believes that both management and investors benefit from referring to these non-GAAP financial measures in assessing its performance and when planning, forecasting and analyzing future periods. Further, the company believes these non-GAAP financial measures are useful to investors because they allow for greater transparency with respect to key financial metrics that the company uses in making operating decisions and because the company believes that investors and analysts use them to help assess the health of its business and for comparison to other companies. Non-GAAP results are presented for supplemental informational purposes only for understanding the company's operating results. The non-GAAP information should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from non-GAAP measures used by other companies.

With respect to its financial results for the second quarter of fiscal year 2019, the company has provided below reconciliations of its non-GAAP financial measures to its most directly comparable GAAP financial measures. With respect to the company's expectations for the third quarter of fiscal year 2019, a reconciliation of non-GAAP gross margin and non-GAAP operating expenses guidance to the closest corresponding GAAP measure is not available without unreasonable efforts on a forward-looking basis due to the high variability and low visibility with respect to the charges excluded from these non-GAAP measures. We expect the variability of the above charges to have a significant, and potentially unpredictable, impact on our future GAAP financial results.

AMBARELLA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)
(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
Revenue	\$ 62,474	\$ 71,630	\$ 119,412	\$ 135,765
Cost of revenue	24,461	26,825	46,507	49,997
Gross profit	38,013	44,805	72,905	85,768
Operating expenses:				
Research and development	32,129	27,538	63,793	54,140
Selling, general and administrative	12,566	11,962	25,744	23,706
Total operating expenses	44,695	39,500	89,537	77,846
Income (loss) from operations	(6,682)	5,305	(16,632)	7,922
Other income, net	732	224	1,524	377
Income (loss) before income taxes	(5,950)	5,529	(15,108)	8,299
Provision for income taxes	927	2,226	1,775	2,432
Net income (loss)	\$ (6,877)	\$ 3,303	\$ (16,883)	\$ 5,867
Net income (loss) per share attributable to ordinary shareholders:				
Basic	\$ (0.21)	\$ 0.10	\$ (0.51)	\$ 0.18
Diluted	\$ (0.21)	\$ 0.10	\$ (0.51)	\$ 0.17
Weighted-average shares used to compute net income (loss) per share attributable to ordinary shareholders:				
Basic	33,219,152	33,227,717	33,276,976	33,240,767
Diluted	33,219,152	34,572,927	33,276,976	34,629,004

The following table presents details of stock-based compensation expense included in each functional line item in the condensed consolidated statements of operations above:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
	(unaudited, in thousands)			
Stock-based compensation:				
Cost of revenue	\$ 317	\$ 332	\$ 632	\$ 635
Research and development	9,367	8,649	18,127	16,626
Selling, general and administrative	5,446	5,454	10,566	10,146
Total stock-based compensation	\$ 15,130	\$ 14,435	\$ 29,325	\$ 27,407

AMBARELLA, INC.
RECONCILIATION OF GAAP TO NON-GAAP DILUTED EARNINGS PER SHARE
(in thousands, except share and per share data)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2018	2017	2018	2017
	(unaudited)			
GAAP net income (loss)	\$ (6,877)	\$ 3,303	\$ (16,883)	\$ 5,867
Non-GAAP adjustments:				
Stock-based compensation expense	15,130	14,435	29,325	27,407

Income tax effect	272	1,516	618	1,235
Non-GAAP net income	\$ 8,525	\$ 19,254	\$ 13,060	\$ 34,509
GAAP - diluted weighted average shares	33,219,152	34,572,927	33,276,976	34,629,004
Non-GAAP - diluted weighted average shares	34,162,690	34,572,927	34,337,641	34,629,004
GAAP - diluted net income (loss) per share	\$ (0.21) \$ 0.10	\$ (0.51) \$ 0.17
Non-GAAP adjustments:				
Stock-based compensation expense	0.46	0.42	0.88	0.79
Income tax effect	0.01	0.04	0.02	0.04
Effect of Non-GAAP - diluted weighted average shares	(0.01) —	(0.01) —
Non-GAAP - diluted net income per share	\$ 0.25	\$ 0.56	\$ 0.38	\$ 1.00

The difference between GAAP and non-GAAP gross margin was 0.6% and 0.4%, or \$317,000 and \$332,000, for the three months ended July 31, 2018 and 2017, respectively. The difference between GAAP and non-GAAP gross margin was 0.5% and 0.4%, or \$632,000 and \$635,000, for the six months ended July 31, 2018 and 2017, respectively. The differences were due to the effect of stock-based compensation.

AMBARELLA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands)

	July 31, 2018	January 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 295,289	\$ 346,672
Marketable securities	80,671	87,919
Accounts receivable, net	29,007	31,294
Inventories	30,787	23,383
Restricted cash	9	9
Prepaid expenses and other current assets	2,686	4,006
Total current assets	438,449	493,283
Property and equipment, net	7,010	6,449
Deferred tax assets, non-current	3,760	3,642
Intangible assets, net	12,366	14,417
Goodwill	26,601	26,601
Other non-current assets	2,536	2,257
Total assets	\$ 490,722	\$ 546,649
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	23,381	19,815
Accrued and other current liabilities	23,090	32,178
Income taxes payable	524	936
Deferred revenue, current	583	307
Total current liabilities	47,578	53,236
Other long-term liabilities	10,252	11,226
Total liabilities	57,830	64,462
Shareholders' equity:		
Preference shares	—	—
Ordinary shares	15	15
Additional paid-in capital	188,663	221,186
Accumulated other comprehensive loss	(211) (279
Retained earnings	244,425	261,265
Total shareholders' equity	432,892	482,187

Total liabilities and shareholders' equity

\$ 490,722

\$ 546,649

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Source: Ambarella