



June 2, 2015

Ambarella, Inc. Announces First Quarter Fiscal 2016 Financial Results

First Quarter Revenue Up 73.5% Year Over Year

SANTA CLARA, Calif., June 2, 2015 (GLOBE NEWSWIRE) -- Ambarella, Inc. (Nasdaq:AMBA), a leading developer of low-power, HD video compression and image processing semiconductors, today announced financial results for its first fiscal quarter ended April 30, 2015.

- Revenue for the first quarter of fiscal 2016 was \$71.0 million, up 73.5% from \$40.9 million in the same period in fiscal 2015.
- Gross margin under U.S. generally accepted accounting principles (GAAP) for the first quarter of fiscal 2016 was 64.7%, compared with 62.5% for the same period in fiscal 2015.
- GAAP net income for the first quarter of fiscal 2016 was \$18.9 million, or \$0.56 per diluted ordinary share, compared with GAAP net income of \$5.3 million, or \$0.17 per diluted ordinary share, for the same period in fiscal 2015.

Financial results on a non-GAAP basis for the first fiscal quarter ended April 30, 2015 are as follows:

- Gross margin on a non-GAAP basis for the first quarter of fiscal 2016 was 64.8%, compared with 62.7% for the same period in fiscal 2015.
- Non-GAAP net income for the first quarter of fiscal 2016 was \$23.7 million, or \$0.71 per diluted ordinary share. This compares with non-GAAP net income of \$7.8 million, or \$0.25 per diluted ordinary share, for the same period in fiscal 2015.

Ambarella reports gross margin, net income and earnings per share in accordance with GAAP and, additionally, on a non-GAAP basis. Non-GAAP financial information excludes the impact of stock-based compensation and the associated tax impact. A reconciliation of the GAAP to non-GAAP gross margin, net income and earnings per share numbers, 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 first fiscal quarter of 2016 was \$235.2 million, compared with \$155.6 million at the end of the same quarter a year ago.

"We enjoyed a strong first quarter with revenue up 73.5 percent from the same period last year," said Fermi Wang, president and CEO of Ambarella. "In addition to continued growth from our existing wearable, IP security and automotive video recorder camera markets, we see increased activity across a wide range of home monitoring cameras including models by U.S. service providers, as well as from quadcopters or flying cameras. We look forward to continued success, as we enable the next generation of intelligent HD and Ultra HD cameras."

Quarterly Conference Call

Ambarella plans to hold a conference call at 5 p.m. Eastern Time / 2 p.m. Pacific Time today with Fermi Wang, Chief Executive Officer, and George Laplante, Chief Financial Officer, to discuss the first quarter 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. (Nasdaq:AMBA), is a leading developer of low-power, high-definition (HD) and Ultra HD video compression and

image processing solutions. The company's products are used in a variety of professional and consumer applications including security IP-cameras, sports cameras, wearable cameras, flying cameras and automotive video processing solutions. Ambarella compression chips are also used in broadcasting TV programs worldwide.

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 comments of our CEO relating to our ability to expand beyond our current primary markets and to develop new technology and products that gain market acceptance and design wins in next generation HD and Ultra HD cameras. 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; 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 retain and expand customer relationships and to achieve design wins; our ability to successfully enter new 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 2015 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 first fiscal quarter ended April 30, 2015 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.

The company has provided below reconciliations between its non-GAAP financial measures to its most directly comparable GAAP financial measures.

AMBARELLA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

(unaudited)

Three Months Ended April 30,

	<u>2015</u>	<u>2014</u>
Revenue	\$ 71,013	\$ 40,921
Cost of revenue	<u>25,095</u>	<u>15,325</u>
Gross profit	<u>45,918</u>	<u>25,596</u>
Operating expenses:		
Research and development	16,583	12,914
Selling, general and administrative	<u>9,010</u>	<u>6,755</u>
Total operating expenses	25,593	19,669
Income from operations	20,325	5,927
Other income	<u>27</u>	<u>49</u>
Income before income taxes	20,352	5,976
Provision for income taxes	<u>1,498</u>	<u>716</u>
Net income	<u>\$ 18,854</u>	<u>\$ 5,260</u>
Net income per share attributable to ordinary shareholders:		
Basic	<u>\$ 0.61</u>	<u>\$ 0.18</u>
Diluted	<u>\$ 0.56</u>	<u>\$ 0.17</u>
Weighted-average shares used to compute net income per share attributable to ordinary shareholders:		
Basic	<u>31,099,081</u>	<u>28,976,339</u>
Diluted	<u>33,472,309</u>	<u>31,763,993</u>

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

	<u>Three Months Ended April 30,</u>	
	<u>2015</u>	<u>2014</u>
	(unaudited, in thousands)	
Stock-based compensation:		
Cost of revenue	\$ 124	\$ 59
Research and development	3,094	1,590
Selling, general and administrative	<u>2,264</u>	<u>1,225</u>
Total stock-based compensation	<u>\$ 5,482</u>	<u>\$ 2,874</u>

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

Three Months Ended April 30,

	<u>2015</u>	<u>2014</u>
	(unaudited)	
GAAP net income	\$ 18,854	\$ 5,260
Two-class method - allocation to participating securities	—	(2)
Treasury stock method - additional allocation to ordinary shares	—	—
GAAP net income - diluted	<u>\$ 18,854</u>	<u>\$ 5,258</u>
Non-GAAP adjustments:		
Stock-based compensation expense, net of tax effect	4,807	2,576
Two-class method - additional allocation to participating securities	—	(1)
Treasury stock method - additional allocation to ordinary shares	—	—
Non-GAAP net income - diluted	<u>\$ 23,661</u>	<u>\$ 7,833</u>
GAAP - diluted weighted average shares	33,472,309	31,763,993
Non-GAAP - diluted weighted average shares	33,472,309	31,763,993
GAAP - diluted net income per share	\$ 0.56	\$ 0.17
Non-GAAP adjustments:		
Stock-based compensation expense, net of tax effect	0.15	0.08
Non-GAAP adjustment to two-class method diluted net income	—	—
Non-GAAP adjustment to treasury stock method diluted net income	—	—
Non-GAAP - diluted net income per share	\$ 0.71	\$ 0.25

The difference between GAAP and non-GAAP gross margin was 0.1% and 0.2%, or \$124,000 and \$59,000 for the three months ended April 30, 2015 and 2014, respectively. The difference was due to the effect of stock-based compensation and the associated tax impact recorded for GAAP purposes.

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

	<u>April 30,</u>	<u>January 31,</u>
	<u>2015</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 197,311	\$ 170,291
Marketable securities	37,917	37,703
Accounts receivable, net	39,193	40,180
Inventories	25,803	21,693
Restricted cash	8	8
Deferred tax assets, current	2,058	1,990
Prepaid expenses and other current assets	<u>2,688</u>	<u>3,506</u>
Total current assets	304,978	275,371
Property and equipment, net	3,022	3,075
Deferred tax assets, non-current	4,000	3,936
Other assets	<u>1,928</u>	<u>1,902</u>

Total assets	<u>\$ 313,928</u>	<u>\$ 284,284</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	23,990	21,036
Accrued liabilities	15,343	18,699
Income taxes payable	1,306	748
Deferred tax liabilities, current	72	92
Deferred revenue, current	<u>6,219</u>	<u>4,907</u>
Total current liabilities	46,930	45,482
Deferred revenue, non-current	187	198
Other long-term liabilities	<u>1,405</u>	<u>1,393</u>
Total liabilities	<u>48,522</u>	<u>47,073</u>
Shareholders' equity:		
Preference shares	—	—
Ordinary shares	14	14
Additional paid-in capital	149,921	140,564
Accumulated other comprehensive loss	(17)	(1)
Retained earnings	<u>115,488</u>	<u>96,634</u>
Total shareholders' equity	<u>265,406</u>	<u>237,211</u>
Total liabilities and shareholders' equity	<u>\$ 313,928</u>	<u>\$ 284,284</u>

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Source: Ambarella, Inc.

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