

November 25, 2025 1:30PM PST

Q3 fiscal year 2026 (October 31, 2025) earnings call script

Louis Gerhardy, VP Corporate Development

Good afternoon and thank you for joining our third quarter, fiscal year 2026 financial results conference call. On the call with me today is Dr. Fermi Wang, President and CEO, and John Young, CFO.

The primary purpose of today's call is to provide you with information regarding the results for our third quarter fiscal year 2026. The discussion today and the responses to your questions will contain forward-looking statements regarding our projected financial results, financial prospects, market growth and demand for our solutions, among other things.

These statements are based on currently available information and subject to risks, uncertainties and assumptions. Should any of these risks or uncertainties materialize or should our assumptions prove to be incorrect, our actual results could differ materially from these forward-looking statements. We are under no obligation to update these statements.

These risks, uncertainties and assumptions, as well as other information on potential risk factors that could affect our financial results, are more fully described in the documents that we file with the SEC.

Before starting the call, we hope to see you at one of the following investor events scheduled during our fourth fiscal quarter;

- December 2nd and 3rd at the UBS Global Technology and AI Conference in Scottsdale
- December 9th and 10th at NASDAQ's London Conference
- January 6th at 4:00pm to 5:30pm at our CES Technology Briefing
- January 6th to 10th in a sell-side analyst hosted tour at our CES location
- January 17th at the Needham Conference in New York

Access to our third quarter fiscal year 2026 results press release, transcripts, historical results, SEC filings and a replay of today's call can be found on the Investor Relations page of our website. The content of today's call as well as the materials posted on our website are Ambarella's property and cannot be reproduced or transcribed without our prior written consent.

Fermi will now provide a business update for the quarter, John will review the financial results and outlook and then the three of us will be available for your questions.

Fermi Wang, President & CEO

Good afternoon and thank you for joining our call today.

Before we proceed, I want to let you know that Les Kohn, our Co-Founder and CTO, will be stepping down from the Board of Directors to become our Chief Technology Adviser. He will continue to oversee our technology direction and development but without management responsibilities and with reduced time commitment. Les and I have worked closely since 1994 across four companies. I'm grateful that Les will continue as my close partner for over 31 years and beyond, and he truly is the best I could wish for. I'm happy he'll have more time to pursue his passions, but I will definitely miss our daily conversations on various topics.

Turning to our fiscal third quarter, we are reporting another strong quarter with both revenue and non-GAAP EPS exceeding expectations. We achieved record quarterly revenue of \$108.5 million, slightly above the high-end of our guidance range. Edge AI revenue, which we define as a product that integrates one of our proprietary deep learning AI accelerators, was about 80% of our total revenue, representing our sixth consecutive quarter of record edge AI revenue. We have increased our fiscal 2026 revenue guidance, which projects an all-time fiscal year total revenue record for Ambarella.

The strength in our average selling price (“ASP”) and with breadth of demand, we are raising our fiscal 2026 revenue growth guidance to a range of 36% to 38%, or approximately \$390 million at the mid-point. This compares with our prior estimate, provided on August 28th for 31% to 35% year-over-year growth, or approximately \$379 million at the mid-point.

These results are very encouraging, but I am even more excited about the edge AI opportunity ahead of us. There are three key factors behind our enthusiasm and our strong commitment to edge AI.

(1) The breadth of applications demanding edge AI technology and our products is expanding.

(2) The AI performance requirement for our product roadmap is expected to continue to rise, driving robust new product cycles.

(3) Our ASP has been increasing, and in the long run, we continue to see an excellent opportunity to capture more value per design.

I will elaborate on each of these.

First, AI at the edge is becoming more prevalent, driving an increasing breadth of applications in both enterprise and consumer driven markets. Our edge AI business started in enterprise

security, followed by automotive safety, smart home, telematics, and more recently the portable video market which includes action cameras, panorama cameras and body worn cameras. Looking ahead, high volume shipments into the aerial drone market are expected to commence this quarter, representing just the beginning of our realization of the large robotics market opportunity. There is also strong interest from existing and new customers in our edge infrastructure products and roadmap, and we are committed to developing this incremental opportunity. In addition, ADAS and vehicle autonomy remain large markets that can leverage our technology to a very high degree.

Second, we see a large opportunity to execute at the edge the increasingly complex AI technologies currently implemented at the core of the network, or in the datacenter. The challenge, and our opportunity, is that the solutions used at the core of the network are often not suitable for the edge, where the edge performance requirement is rising. In the edge market, low power consumption, real-time processing, privacy, security, small form factors, thermal, network bandwidth efficiency, and lower price points are critical. At Ambarella, we continue to invest heavily in our proprietary edge AI SoC technology and products to support these unique and increasingly complex edge AI requirements. For example, our 10nm CV2 family supports CNN networks and our 5nm embedding our third generation AI processors is scaling our customers into more complex CNN and generative AI applications simultaneously.

Third, we see an excellent opportunity to continue to increase our ASP. The shift from CPU workloads to higher levels of accelerated computing, or AI, is well underway. The adoption of increasingly complex datacenter technologies for the edge is another driver. Finally, the extension of our roadmap beyond edge endpoints and into the edge infrastructure and auto autonomy is also expected in particular to bolster our ASP. For example, our SoC blended ASP in Q3 was up about 20% year-over-year, and as our 3rd generation AI SoCs and other new products become a more material portion of our revenue, we anticipate further increases in the value we earn per design win.

I will now describe some of the representative customer engagements that reflect the factors I just described.

In the Enterprise Security market;

We are very pleased to share a significant milestone with our customer Sparsh who became India's first security camera manufacturer to receive Standardization Testing and Quality Certification ("STQC") for its complete range of cameras. At the heart of the collaboration is our CV28. This gives us a tremendous start to accelerate our adoption in the rapidly growing indigenous made in India market.

Keenfinity, spun-out of Bosch, announced their Autodome 7100I moving PTZ camera with built-in AI analytics, ultra-HD imaging based on CV72. They have also announced their Dinon thermal security camera that is based on our CV22 that runs their CNN models to detect and classify objects accurately up to 2,000ft.

Verkada announced their upcoming CV75-based AF64 Access Station Pro which enables secure physical access with AI facial recognition-powered Face Unlock alongside traditional badge and mobile access methods. The company also launched a new CR63-E remote security camera that leverages the power efficiencies of our CV75. They also expanded CV72-based multi-sensor security camera product line CH53-E/CH63-E (4x5MP and 4x4K) and CY63-E (2x4K).

Motorola has developed their Avigilon Halo 4 smart sensor on our CV25 which is an all-in-one environmental monitoring and security device that is designed for areas where cameras are restricted to detect events like smoke, fire and audio anomalies.

In the robotics smart home market, one of our customers Whisker announced the Litter-Robot 5 Pro their first model with facial recognition that supports 2 night vision equipped AI-powered cameras built on our CV28.

We are seeing great momentum in our portable video market with Arashi who released 2 models this quarter. The X4 Air at just 165g is the new lightest compact 8K 360 action camera is based on CV5 and is first in the range to support 8k30fps active HDR. Arashi also launched the latest version of their body worn camera GO Ultra. Based on CV52 it captures 4k60fps video and 50MP photos with improved performance even in low-light environments.

In our Automotive safety, ADAS and telematics business I would like to share some key customer wins during the quarter.

Zeekr, a unit of Geely, has developed their in-cabin DVR system on CV28 for the 9X full size luxury model.

As Xpeng expands their global market presence, they have built all their driver management system for all their exported models on CV28.

Solera, a global leader in vehicle lifecycle management, announced their new SR5 AI-Powered smart camera in Oct based on our CV22. In a first for Solera, the SR5 camera is powered by AI + HI (Human Intelligence) a revolutionary approach in fleet telematics that combines AI based analysis with human oversight to improve safety, efficiency and operations.

From these representative customer engagements I just described, the strength of our current product portfolio is clearly represented, with 7 examples from the 10nm CV2 family and 7 examples from our 5nm generation. These products, all available today, offer customers a wide variety of options, ranging from CNN to transformer network processing, one to many sensor inputs, support for multiple sensing modalities all at a wide range of price points. Our new product roadmap will expand this portfolio further.

In addition to our comprehensive and expanding AI SoC portfolio, another important distinguishing characteristic of our portfolio is the advanced VLSI technology we offer to customers at the edge. For example, 5nm based products represented more than 45% of our total Q3 revenue, with products based on more advanced nodes in development.

In summary, the first three quarters of fiscal 2026 are steps in the right direction with strong revenue growth, new product execution, profitability and with our cumulative year-to-date free-cash-flow almost 14.8%. We continue to forecast a large edge AI serviceable available market (“SAM”) of \$12.9 billion by fiscal year 2031. We recognize the edge AI market is still in its early innings of development and to successfully address this large SAM we remain highly committed to our R&D investment that enables us to build upon our existing leadership position.

I hope to see you January 6th at our CES2026 Product and Technology Briefing, which will give you a chance to learn about our new technologies and products and meet a broad set of our management team.

John will now discuss the Q3 results and the Q4 outlook.

Fermi Wang, President & CEO

Thank you for joining our call today and I hope to see you at some of our numerous events this quarter.

John Young, CFO

Thanks Fermi.

I'll now review the financial highlights for the third quarter, fiscal year 2026 ending October 31, 2025. I will also provide a financial outlook for our fourth quarter of fiscal year 2026 ending January 31, 2026.

I'll be discussing non-GAAP results and ask that you refer to today's press release for a detailed reconciliation of GAAP to non-GAAP results. For non-GAAP reporting, we have eliminated stock-based compensation and acquisition-related expenses, adjusted for the impact of taxes.

For fiscal Q3, revenue was \$108.5 million, above the high-end of our prior guidance range of \$100.0 million to \$108.0 million, and up 13.5% from the prior quarter and up 31.2% year-over-year. Sequentially, Automotive revenue increased in the low-single digits and IoT increased in the mid-teens, with IoT growth led by the adoption of edge AI in enterprise security and portable video applications.

Non-GAAP gross margin for fiscal Q3 was 60.9%, slightly above the mid-point of our prior guidance range of 60.0% to 61.5% due to product mix.

Non-GAAP operating expense in Q3 was \$55.3 million, slightly below the midpoint of our prior guidance range of \$54.0 to \$57.0 million.

Q3 net interest and other income was \$2.1 million.

Q3 non-GAAP tax provision was approximately \$900 thousand.

We reported a Non-GAAP net profit of \$11.9 million or \$0.27 per diluted share in Q3.

Now I'll turn to our Balance Sheet and Cash Flow.

Fiscal Q3 cash and marketable securities reached \$295.3 million, increasing \$34.1 million from the prior quarter and \$68.8 million from the same quarter a year ago. Increased cash and marketable securities benefited primarily from operating cash flow associated with increased revenue.

Receivables days-sales-outstanding decrease from 41 days in the prior quarter to 36 days, and days of inventory decreased from 85 to 76 days.

Operating cash inflow was \$34.3 million for the quarter.

Capital expenditures for tangible and intangible assets were \$2.9 million for the quarter.

Free cash flow was \$31.4 million for the quarter.

We had one logistics company representing 10% or more of our revenue. WT

Microelectronics, a fulfillment partner in Taiwan that ships to multiple customers in Asia, came in at 70.2% of revenue for the third quarter.

I'll now discuss the outlook for the fourth quarter of fiscal year 2026. The breadth of our edge AI business is expanding together with strong unit volume and average selling prices. As a result, in Q4 we forecast revenue in the range of \$97.0 to \$103.0 million, or \$100 million at the midpoint with a higher percentage of revenue coming from our high-volume customers. Sequentially, due to seasonality, we expect a mid to high single digit decline in both our Automotive and IoT businesses.

We expect fiscal Q4 Non-GAAP gross margin to be in the range of 59.0% to 60.5%.

We expect non-GAAP OPEX in the fourth quarter to be in the range of \$55.0 to \$58.0 million, with the increase compared to Q3 driven primarily by employee related and CES expense.

We estimate net interest and other income to be approximately \$2.0 million, our non-GAAP tax expense to be approximately \$600 thousand and our diluted share count to be approximately 44.5 million shares.

Thank you for joining our call today, and with that, I will turn the call over to the operator for questions.

(Q&A)