**November 24, 2026 1:30PM PST**

**Q3 Fiscal 2027 (October 31, 2026) earnings call script**

**Louis Gerhardy, VP Corporate Development**

Good afternoon and thank you for joining our third quarter, fiscal year 2027 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 2027. 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.

Access to our third quarter fiscal year 2027 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.

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

- December 1st at UBS TMT in Scottsdale, Arizona
- December 9th we will be at the NASDAQ London Investor Conference
- December 16th we have a virtual participation at Northland's Growth Conference
- January 6th and 7th we are hosting meetings at our CES location in Las Vegas
- January 12th and 13th, we will participate in Needham's Growth Conference in New York

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.

In our fiscal third quarter we achieved both record total revenue and record edge AI revenue. Despite this achievement, the 7% sequentially revenue growth was at the low end of the guidance range we provided on September 3rd and below our normal seasonal performance. Our enterprise IoT business and our automotive business were close to our expectations but our consumer IoT business was below our expectations, declining sequentially in what is seasonally the strongest quarter for the year, as memory pricing and availability challenges began to have a material impact.

In our Q2 earnings call on Sept 3rd, we highlighted the reallocation of semiconductor industry capacity to the datacenter was creating challenges for many of our customers, and in recent weeks, despite our efforts to help our customers mitigate the memory related challenges, it became apparent the memory induced weakness we began to see in the consumer markets in Q3 was spreading into all of our markets to various degrees. We are anticipating a sequential decline in Q4 revenue that is well below the average mid-single digit sequential decline. We attribute the sub seasonal outlook to the unprecedented rise in memory prices as well as the scarcity of memory supply, which is causing our customers, to different degrees, to cancel, push-out or delay new orders.

Based on the memory situation, we have heavily scrutinized our customers' orders and forecasts and removed items we do not expect to ship. We considered our customers' allocation of their scarce memory supply to their most important products, which often incorporate our newest and higher priced AI SoCs. In the second half of fiscal 2028 we expect several more of our new products to begin to ramp, and as a result, we anticipate total revenue growth for the year.

In times like this, it is important to zoom-out for perspective. AI is about intelligence, and not only intelligence centrally located in a data center. Edge AI or Physical AI perception ensures massive amounts of relevant real world sensor data are filtered and interpreted locally, enabling real-time decisions to be made either locally or sent into the cloud. For the data center, Edge AI processing prevents network congestion, reduces expensive cloud bandwidth and storage costs, reduces power consumption and allows the data center to focus on high cognitive tasks, global optimization and heavy model training. Put another way, physical AI uses smaller, optimized models that bring domain specific context to large foundation models running in the datacenter, which differentiates and improves the overall combined edge AI and cloud AI value proposition.

So it should not be a surprise the current memory related cyclical obstacles does not have an impact on our very positive secular growth outlook the edge AI market as well as our positioning and ongoing investment therein. We continue to sustain our core R&D investment priorities that we expect to allow us to seize more of the tremendous edge AI and physical AI opportunity in front of us. The $22.9 billion serviceable available market ("SAM") we previously articulated for our fiscal 2032 or calendar year 2031 has not changed.

I will now provide an update on important growth initiatives we are currently investing in, including

- seven new products
- our expanding Partner program
- enhancements to our Cooper Development Platform
- and the development of new growth markets

First regarding new products, our 5nm CV75 and CV72 AI SoCs, capable of both advanced CNN and transformer based GenAI, are in the midst of a very strong production ramp and are currently expected to post significant growth in the next year, despite the market driven memory related challenges.

Our new 4nm CV7 AI SoC generated production revenue for the first time in the third quarter from three different customers. Each of the customers is running different AI workloads for diverse applications, including one aerial drone. We have dozens of CV7 opportunities at various stages of development, and we see a steady ramp in CV7 revenue in the next year.

We recently announced our new 4nm X7 AI SoC, which we expect to be the beginning of an entire new product line of stand-alone AI accelerators for the edge infrastructure. X7, the first chip in the family, serves as an AI co-processor for a host processor, such as ARM, X86 or an existing AMBA chip. Since announcing X7, we have begun enabling half a dozen customers with development hardware and software and are seeing early evaluation activity across automotive and IoT.

CV8, our first 2nm AI SoC and our first semi-custom project, is sampling and is expected to generate production revenue in the second half of next year, fiscal 2028. CV8 serves both consumer and enterprise applications. Current activity includes a next-generation 360-degree camera program and a high-resolution video collaboration system, demonstrating the potential for CV8 to extend beyond its launch application. These engagements remain at the development stage, but they reinforce our view that CV8 can serve a broader range of premium edge AI products.

I am also pleased to announce that we taped out a 4nm SoC and will also shortly tape-out our second 2nm SoC, which we expect to be a significant boost to the expansion of our edge AI platform, with revenue from both new and existing markets and customers. We intend to provide more information on the new 2nm AI SoC at CES2027

In summary, our AI SoCs, new and existing, integrate into a single chip the AI accelerated computing functions, perception, AI acceleration, CPUs and more. Our newest SoCs all target more sophisticated AI workloads and this group of products are all expected to carry blended average selling prices ("ASPs") well above our current ASP of about $15.

Moving to our multi-faceted Partner Program, it is targeted at expanding the reach of our edge AI products. We expect to our Partner Program to achieve this by the creation of a support ecosystem that can reach many more small and mid-sized customers and by providing multiple layers of support for our AI SoCs, which are becoming increasingly more complex. We had previously announced our Partner ecosystem included technical distributors, system integrators, independent software vendors ("ISVs") and today, we have announced a fourth leg to our Partner ecosystem, system design houses.

In our last earnings call we announced Macnica, leading global technical distributor, would offer our components or complete bundles for multiple edge AI vertical markets. Macnica has already designed us in an expanding pipeline of 30 new opportunities in markets such as scientific equipment, agriculture and construction equipment, traffic management, other AI monitoring markets, and with Macnica we are also able to reach into new geographies such as South America.

Capgemini, our first major global systems integrator, is targeting very large enterprises that want to adopt Edge AI and Physical AI solutions while reducing complexity and moving from evaluation to scalable deployment more rapidly. Together, we are developing opportunities in construction operations, factory-floor inspection and industrial safety, expanding our reach into enterprise accounts and applications where we previously had limited engagement.

For the independent software vendor ("ISV") component of our Partner Program, our goal was to have a dozen ISVs by the end of this fiscal year. ISVs provide an important bridge between the capabilities of our AI SoCs and customers' applications by delivering optimized models, software and solution components. Nine months into the year, we have more than ten ISVs at various stages of development across a range of applications in half a dozen new verticals.

We are adding a fourth pillar to our Partner Program with Sigma Connectivity as our first global design house and engineering services partner. Sigma can support OEM customers from initial concept and system design through prototyping, testing, industrialization and market launch. We already have an active pipeline for our 3rd generation SOCs spanning applications like drones, smart glasses, fleet video and video collaboration, with projects requiring capabilities such as hardware design, firmware development, image-quality tuning and product bring-up. This relationship expands our ability to support more complex customer programs and accelerate their path from evaluation to production.

Regarding the ongoing enhancements to our Cooper Development Platform, as I mentioned earlier one of the key enablers for Physical AI is the availability of smaller memory optimized models. In this regard, we announced this morning a strategic collaboration with Liquid AI to bring device-native agentic AI to physical AI, enabling vision language and large language models on Ambarella platforms with a smaller DRAM footprint. Our work on Google's Gemma 4 E2B shows that our memory optimizations reduced its footprint and significantly cut load time, with no accuracy loss on a CV72-based production camera as well as on a CV75 product. These memory-efficient models are a natural fit for the partnerships we are building.

Our new products, Partner Program and the constant improvements to our Cooper Development Platform enable us to more effectively address important emerging markets such as robotics and edge infrastructure where we have 20+ wins collectively. In robotics, our engagements now span warehouse systems, industrial inspection, autonomous mobile robots and drones. In edge infrastructure, the market is increasingly focused on moving inference closer to where data is generated, driven by requirements for real-time response, privacy, power efficiency and lower cost per inference. At the AI Infrastructure Summit in September we had 1,000+ visitors to our sessions and booth with more than 100,000 digital engagements, we saw strong interest from new prospects in physical AI and edge deployment, reinforcing our belief that this market is moving from experimentation toward production-oriented architectures.

We continue to see strong customer momentum. Verkada has expanded its third-generation security portfolio with CV72- and CV75-based bullet cameras; a CV75-based transportation camera for buses, trains and ferries, and a new intercom platform, extending our presence in professional security and edge AI. Samsara is in mass production with a CV22-based 360-degree AI camera for heavy equipment, opening an additional fleet telematics opportunity. In consumer imaging, Aputure is shipping a CV75-based live-streaming camera, Tanlink is ramping a CV75-based high-end multi-channel car DVR, and Hohem has showcased its CV75-based low-power 4K pocket camera. Together, these wins demonstrate the breadth of our computer-vision portfolio, our differentiation in low-power AI and high-quality video processing, and growing adoption across diverse edge-AI markets.

These representative customer engagements highlight the programmability and flexibility of our AI SoCs and our Cooper Development Platform. We believe a broad and highly programmable edge AI platform is required to address a wide number of use cases, enabling customers to be more efficient by reusing SW and scaling their business. Our SW platform is now open and easy to use, supports a wide variety of AI models with more than 200 different AI models architectures reaching production, 12 edge AI SoCs already available with hundreds of TOPS like performance.

In conclusion, there are very few competitors with such a comprehensive, established and growing edge and physical AI platform, with more than 55 million units shipped on a cumulative basis. The industrywide memory market crisis is not going to distract us from our key investment initiatives. We are focusing on what we can control, and as we discussed we are executing to key initiatives that we expect to strengthen our ability to deliver premium growth and shareholder return.

I will turn it over to John now for further comments on the results and outlook.

**John Young, CFO**

Thanks Fermi.

I'll now review the financial highlights for the third quarter, fiscal year 2027 ending October 31, 2026. I will also provide a financial outlook for our fourth quarter of fiscal year 2027 ending January 31, 2027.

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, acquisition-related expenses and development project termination credit, adjusted for the impact of taxes

Revenue of $115.2 million in the fiscal third quarter represented a new quarterly record, although the results were at the low-end of our prior guidance range of $115.0 million to $124.0 million. Third quarter revenue increased 6.6% sequentially and increased 6.2% on a year-over-year basis. Sequential growth was led by enterprise IoT and automotive businesses, while our consumer IoT SoC revenue was below expectations.

Non-GAAP gross margin for fiscal Q3 was 59.5%, at the mid-point of our prior guidance range of 59.0% to 60.0%.

Non-GAAP operating expense in Q3 was $57.7 million, slightly below the mid-point of the prior guidance range of $56.5 to $59.5 million, with lower compensation and engineering-related cost associated with the timing of hiring and development progress, partially offset by higher legal fees.

Q3 net interest and other income was $2.1 million.

Q3 non-GAAP tax provision was approximately $294 thousand.

We reported Q3 Non-GAAP net profit of $12.7 million or $0.28 per diluted share.

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

Fiscal Q3 cash and marketable securities were $282.8 million, increasing $10.5 million from the prior quarter while decreasing $12.5 million from the same quarter a year ago.

Receivables days-sales-outstanding increased from 32 to 47 days.

Days of inventory decreased from 157 to 130 days.

Operating cash flow was a positive $15.5 million for the quarter.

Capital expenditures for tangible and intangible assets were $2.1 million for the quarter.

Free cash flow was a positive $13.4 million for the quarter.

During the third quarter of fiscal year 2027 we did not repurchase shares of our stock. Ambarella has a $50.0 million repurchase program open and valid through June 30, 2027. The repurchase program does not obligate the company to acquire any particular amount of ordinary shares, and it may be suspended at any time at the company's discretion.

WT Microelectronics, a logistics partner in Taiwan that ships to multiple customers in Asia, was 56.7% of revenue for the third quarter. Hakuto, a logistics and distribution partner in Japan, was 11.8% of revenue in the quarter.

I'll now discuss the outlook for the fourth quarter of fiscal year 2027. As Fermi described the industrywide memory crisis intensified and has now led customers to reduce their outlooks. As a result, our fiscal fourth quarter revenue outlook is well below the average seasonal decline, with sub seasonal results expected in both Auto and IoT. As a result, we anticipate fiscal fourth quarter revenue in the $70 million to $75 million range.

We expect fiscal Q4 Non-GAAP gross margin to be in the range of 59.0% to 60.25%.

We expect non-GAAP OPEX in the fourth quarter to be in the range of $57.5 million to $59.5 million.

We estimate net interest and other income to be approximately $2.0 million, our non-GAAP tax expense to be approximately $1.2 million and our diluted share count to be approximately 44.7 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)

**Fermi Wang, President & CEO**

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