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Q4 and full year Fiscal 2026 (January 31, 2026) earnings call script

Louis Gerhardy, VP Corporate Development

Good afternoon and thank you for joining our fourth 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 fourth 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.

Access to our fourth 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.

Before starting the call, we hope to see you at one of the following investor events scheduled during our first quarter of Fiscal Year 2027;

- March 3rd at Morgan Stanley's TMT Conference in San Francisco
- March 10th at Loop Capital Markets 7th Annual Investor Conference in New York
- March 10th to 12th at Embedded World in Nuremberg, Germany, we are offering investor meetings
- March 11th at Cantor Global Technology & Industrial Growth Conference in New York
- Bus tours at our Santa Clara headquarters with Instinet Nomura, Huatai and CLSA on March 12th, 18th, and 20th, respectively

- March 16th at Bank of America's 2026 Asia Tech Conference in Taipei
- March 24th at the ROTH Conference in Dana Point

As a reminder, we will enter our first quarter quiet period on April 16th, 2026.

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.

Fiscal 2026 established a new revenue record for Ambarella. Revenue increased 37% year-over-year, well above the growth in the overall semiconductor industry and most of our semiconductor company peers. Our 5nm new product cycles together with our customers' new product launches, combined to drive 50% year-over-year growth in our edge AI revenue. About 80% of our full year fiscal 2026 revenue is edge AI, all of which is also defined as "physical AI". Overall, Auto and IoT revenue both grew, with company-wide growth in both units shipped and average selling price.

Our fourth quarter revenue results followed a seasonal pattern with revenue down 7% sequentially, slightly above the mid-point of our original guidance. Our new 3rd generation 5 nanometer CV75 and CV72 AI SoCs are rapidly growing, reaching a high single digit percent of total revenue in Q4 and these new products are poised to be an important source of incremental revenue in the new year.

Looking further into fiscal 2027, we anticipate total revenue growth in the 10% to 15% range, with non-GAAP gross margin within our long-term model of 59.0% to 62.0%. For the year, we expectour new product cycles to continue to drive both unit and average selling price increases, with revenue growth in both Auto and IoT. In addition to the anticipated revenue ramp from CV75 and CV72, the recently announced (and sampled) CV7, our first 4nm chip, is expected to begin to generate revenue in the fourth quarter.

By a variety of measures, our Team's achievements in the last year have strengthened our edge AI leadership and we continue to enhance our market position.

- Financially, in fiscal year 2026, we continued to commercialize our AI investment and delivered premium revenue growth, returning to full-year non-GAAP profitability. Fiscal 2026 was our 17th consecutive year of positive free-cash-flow, with free cash flow for the year of $58 million, or 15% of revenue.

- We executed to both our operational and R&D priorities. While facing a variety of industry wide supply-chain constraints, we shipped more than 25 million units across more than 15 SoCs with many variants, and we taped-out our first 4nm and our first 2nm gate-all-around AI SoCs while successfully bringing CV75 and CV72 to mass commercialization. Our Cooper Development Platform, while already powerful and well established, is in a constant state of enhancement, including new agentic capabilities.
- Strategically we announced during our CES2026 Product and Technology Briefing we are augmenting our direct-to-customer go-to-market with incremental initiatives we expect to materially contribute to our long-term revenue growth.
    - First, we are incrementally building an indirect sales channel including independent software developers, distributors and system integrators. We expect this to improve our ability to address the edge infrastructure market as well as the highly fragmented robotics market. Furthermore, in the long-run our existing portfolio should benefit with longer-tailed revenue from small to mid-sized customers we have not directly supported in the past.

- The second strategic development is the establishment of a semi-custom/custom ASIC business, where we have strong interest from a variety of companies. Our deep intellectual property, perception engine, AI accelerators, software development platform, advanced VLSI capabilities, and established position in the edge AI market are increasingly valued by companies considering semi-custom or custom ASIC projects.

Stepping back for a minute, there continue to be significant industry developments with agents, applications, content, models, and services that, when combined with our enabling AI SoCs, create an environment where more edge and physical AI use cases can practically emerge. Techniques developed in the industry such as distillation and mixture-of-experts ("MOE") are enabling edge models to become smaller yet smarter, which we expect will enable applications to evolve from early adopters to the mainstream. All together, we see a variety of enterprise and consumer edge AI systems becoming real-time, proactive, and able to make closed loop decisions autonomously for the end user through agentics.

Of course, with all the breakthroughs, our customers have a lot to learn and evaluate as they consider new AI business cases. The various components of our comprehensive Cooper Development Platform together with our engineering support, are enabling customers to implement new technologies. For example, a power constrained application may need a hybrid AI workload split between cloud and edge, but in other cases where no latency is acceptable, we need to support a vast majority of AI processing on our silicon. Overall, you can see there are many different edge AI applications, use cases and trade-offs we must support, and our broad edge AI product portfolio and established and powerful development platform are must haves to drive the proliferation and diversification of the edge and physical AI market.

I will now discuss some representative customer engagements during the quarter.

I want to start by highlighting our industrial automation robotic design win at the warehouses of a large US based e-commerce provider. They leveraged our N1-655 AI SoC to develop a perception hub for the warehouse floor. A fleet of these systems is being deployed to enable a high speed, accurate and efficient storage and retrieval system at their large-scale warehouses across the country. We are seeing several such Physical AI designs starting to emerge on our SoCs.

In Other IoT applications, we were awarded several projects in the video conferencing market this quarter. Insta360 launched their Link 2 Pro and Link 2C Pro high-end web cameras based on our H22 SoC. They are able to do 4K30fps video processing with AI compute at low power and support AI features like auto tracking and auto framing.

QSC, a cloud-native, audio, video and control ecosystem company based in California, announced their Q-SYS High-definition video conferencing PTZ camera designed on our CV72 SoC which they plan to deploy across a wide range of applications such as corporate collaboration, education and hospitality markets. They are leveraging AI-ISP for enhanced video quality and use AI for face detection and intelligent presenter tracking.

In enterprise security, IDIS a leading security technology customer, announced their DC-D3168 security camera based on our CV72 SoC. It is their premium 4K dome camera that uses AI for efficient detection and perception in varying light conditions.

Our customer Dallmeier, based in Germany, launched their Domera RDF6140 dome camera based on CV25 this quarter. They leverage our AI accelerator to offer several AI features like motion detection, tamper detection, intrusion detection and line crossing.

Finally, one of our leading customers IQSIGHT (previously known as BOSCH) announced two new AI products both based on CV72. The Flexidome 7100i anonymizes the images inside the camera for enhanced privacy and compliance, and the Dinion 7100i detects people and vehicles accurately with maximum details in dark, low-light conditions.

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

Ford recently launched the dealer-fit Truck Bed Camera last quarter, it's a smart security camera for the truck bed built on our CV25. It provides real-time truck bed monitoring leveraging AI-powered intrusion monitoring and threat detection.

Thinkware Systems in South Korea launched their QxD2 in-car digital video recorder system which is the first of its kind to leverage our AI ISP neural network on our CV25 SoC. The QxD2 achieves superior image quality even at extremely low light conditions with the help of our AI ISP. Thinkware also used Ambarella's ADAS software stack to enhance perception capabilities for their forward-facing ADAS.

Garmin, announced their innovative dezl DualView based on CV25. It's a rugged two-camera system that enables professional truck drivers an edge in situational awareness by providing a

clear, live view down the full length of each side of their truck. They leverage our AI accelerator, CVFlow, for blind-spot monitoring with alerts for merging vehicles plus automatic HD video recording of detected road incidents.

In summary, these 11 representative customer engagements represent the implementation of a wide variety of applications and AI workloads. Inherent in these wins is the high degree of programmability and flexibility in our SoC and software platform, enabling us to serve a wide variety of applications with minimal incremental investment, while the customer benefits by having the ability to reuse their software and scale.

While we are seeing edge AI green shoots emerge in a very diverse range of edge applications, we currently see the largest long-term growth opportunities in the robotics, automotive and edge infrastructure markets.

The robotics market is a diverse market, in a variety of applications; fixed factory automation, humanoid, mobile terrestrial, aerial drones and more. We are already shipping into the fixed factory automation market, and Q4 was our first full quarter of production revenue from the

aerial drone market, which we believe is one of the highest volume mobile robotic markets today. With our industrial automation robotic engagement announced today, we are establishing ourselves in yet another form factor in the diverse and nascent robotic market.

In the auto market, we have two businesses, our safety/telematics/ADAS business, which represents most of our revenue and a majority of our near-term growth opportunity in autos, and our auto autonomy business, starting at L2+, which offers longer term growth opportunities. At this time the auto opportunities we have either won or been invited to bid upon in the next six years (fiscal 2027 to fiscal 2032) is approximately $13.0 billion, with the won proportion similar to last year.

In the edge infrastructure market, we are observing early customer opportunities with two different design architectures, one physical AI and the second digital AI.

- First, enterprise buyers want to run physical AI inferencing on a local edge gateway to aggregate multi-modal data from multiple sensors, pre-process it in real time for use cases such as fleet management, physical security, industrial robots, etc. They typically design fully self-sufficient edge solutions to process data locally on devices for real time,

low-latency and secure decision-making that can be summarized and sent to data centers for training and analytics.

- Second, we see early customer opportunities from enterprise IT buyers for digital AI applications that push centrally trained and high-capacity models to be distilled, quantized and deployed in edge nodes to enable low latency, closed loop automation for secure digital AI applications while still maintaining centralized control in the cloud.

In summary, we are an edge AI market leader across a broad set of criteria.

- First is our credibility. We have an installed base of 42 million edge AI SoCs with more than 370 unique customer AI products reaching production and approximately $1 billion in cumulative edge AI revenue primarily from our second generation, CV2 family.
- Next is our portfolio breadth. We have 12 edge AI SoCs supporting models ranging up to 34 billion parameters, with support up to 100 billion parameters in the future, covering the full breadth of edge AI applications.

- Finally, our development platform is an established and critical enablement tool. The Cooper Development Platform scales across our edge AI portfolio and multiple applications with our customers implementing and reaching production with more than 200 different model architectures.

In conclusion, I am very proud of the resilience, commitment and execution of our Team in the last year, and I am very excited about our prospects in fiscal 2027 and the years ahead. We are committed to our edge AI strategy and driving earnings growth.

John will now discuss the Q4 and fiscal year 2026 results as well as the first quarter outlook in more detail.

John Young, CFO

Thanks Fermi.

I'll now review the financial highlights for the fourth quarter, fiscal year 2026 ending January 31, 2026. I will also provide a financial outlook for our first quarter of fiscal year 2027 ending April 30, 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.

Fiscal year 2026 revenue increased 37.2% to $390.7 million. Automotive revenue, led by telematics, increased in the high single digits and IoT increased almost 50% year-over-year, led by portable video and a continuation of strong growth in physical security.

For fiscal year 2026, non-GAAP gross margin was 60.7%, versus 62.7% in fiscal 2025. Non-GAAP operating expense increased 12.9% for the year versus 6.5% in the prior year, driven by higher costs related to employees and SoC development projects.

Ending cash and marketable securities totaled $312.6 million, up from $250.3 million at the end of the prior year, driven by free-cash-flow of $58.0 million for the year, or 14.8% of revenue.

For fiscal Q4, revenue was $100.9 million, slightly above the mid-point of our prior guidance range of $97.0 million to $103.0 million, down 7.0% from the prior quarter and up 20.1% year-over-year. Sequentially, Automotive and IoT both experienced a similar seasonal decline.

Non-GAAP gross margin for fiscal Q4 was 59.8%, at the mid-point of our prior guidance range of 59.0% to 60.5%.

Non-GAAP operating expense in Q4 was $56.5 million, also at the midpoint of our prior guidance range of $55.0 to $58.0 million.

Q4 net interest and other income was $2.3 million.

Q4 non-GAAP tax provision was approximately $551 thousand.

We reported a Non-GAAP net profit of $5.5 million or $0.13 per diluted share in Q4.

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

Fiscal Q4 cash and marketable securities reached $312.6 million, increasing $17.3 million from the prior quarter and $62.3 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 of 36 in Q4 was flat with the prior quarter. Days of inventory increased from 76 to 99 days to support our current level of business.

Operating cash inflow was $18.9 million for the quarter and $73.5 million for the year.

Capital expenditures for tangible and intangible assets were $3.9 million for the quarter and $15.5 million for the year.

Free cash flow was $15.0 million for the quarter.

During the second quarter of fiscal year 2026, Ambarella's Board of Directors approved an extension of the current share repurchase program for an additional twelve months ending June 30, 2026. In the fourth quarter of fiscal year 2026, the company did not repurchase shares. During the first quarter we repurchased 24,152 shares of our stock for total consideration of $1.0 million. As of today, there is approximately $48 million available under our repurchase authorization.

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 73.1% of revenue for the fourth quarter and 69.7% for the year.

I'll now discuss the outlook for the first quarter of fiscal year 2027. We forecast Q1 revenue to be seasonal and in the range of $97.0 to $103.0 million, or $100.0 million at the midpoint.

Sequentially, Auto revenue is expected to increase with IoT revenue expected to be seasonally down.

We expect fiscal Q1 Non-GAAP gross margin to be in the range of 59.0% to 60.5%.

We expect non-GAAP OPEX in the first quarter to be in the range of $55.0 to $58.0 million.

We estimate net interest and other income to be approximately $2.0 million, our non-GAAP tax expense to be approximately $800 thousand and our diluted share count to be approximately 44.1 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 numerous events this quarter.