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Louis Gerhardy, VP Corporate Development

Good afternoon and thank you for joining our third quarter fiscal year 2025 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 of fiscal year 2025. 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 2025, 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.

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Before we start the call, we want to inform you of our plans to participate in the following investor events during the fourth quarter:

- December 3rd at the UBS Global Technology and AI Conference
- December 4th at the Wells Fargo TMT Summit
- BNP's bus tour on December 5th
- NASDAQ's London Conference on December 10th and 11th
- Nomura CES Conference January 6th and
- Needham's Growth Conference January 14th
- And of course, we hope to see you during the multiple sell-side analyst hosted tours at our CES exhibition January 7th to 10th in Las Vegas.

Fermi will now provide a business update for the quarter; John will review the financial results and outlook and then we will be available for your questions.

Dr. Fermi Wang, President & CEO

Good afternoon and thank you all for joining our call today.

Our third quarter revenue was above the high-end of our guidance range, increasing about 30% sequentially in both our Auto and IoT businesses. Company specific factors are more than offsetting the overall weakness in the market, with our strength originating from our customers' new product ramps, especially those incorporating our new higher priced AI inference processors, such as CV5. We again achieved record levels of AI revenue which in turn contributed to a higher blended average selling price ("ASP").

We are now forecasting fiscal 2025 revenue to increase 22% to 24% year-over-year versus our prior estimate for revenue growth in the mid to high teens. Last quarter we described our new product momentum as a series of waves, and next year, in fiscal 2026, we expect the first wave, from CV5, to continue and be augmented with the commencement of the second wave, CV7. We expect the first and second new product waves to enable us to grow revenue again in fiscal 2026, with both Auto and IoT expected to grow despite the weakness in the overall market.

Our CV3-AD family of SoCs for L2+ and higher levels of autonomy represents the 3rd wave with revenue expected to commence in calendar year 2026, or our fiscal 2027. During the third quarter, we received first silicon of our CV3-AD655 AI SoC, which targets advanced L2+ applications, including mass market passenger vehicles, and we are now delivering engineering samples to customers.

As you know the global automotive industry is under significant pressure, so we are proud to forecast our automotive business is expected to grow this year and next. I would like to remind you our automotive business is comprised of two different businesses, our existing ADAS business and our central domain controller business, also known as the CV3 platform.

Our existing automotive business, mostly ADAS with a majority now AI SoCs, will represent about \$80M this year with an estimated 5-year compounded annual revenue growth rate in the mid-teens.

Our CV3 platform targets a much larger, but still emerging, revenue opportunity; L2+ and higher levels of autonomy. This new opportunity has the potential to significantly accelerate our 5-year automotive revenue CAGR, beyond the mid-teens CAGR I mentioned for our existing auto business. We remain highly focused on incremental CV3 design wins in an increasingly challenged automotive market. As you know, global vehicle production growth is slow, L2+ market penetration remains in the low single digits, and OEM projects and software development are delayed.

In this environment we have updated our automotive revenue funnel. As a reminder our automotive funnel represents a probability weighted estimate of the automotive revenue we could generate over the next 6 years, from fiscal year 2026 (calendar 2025) to fiscal year 2031 (calendar 2030). At this time our 6-year funnel is approximately \$2.2 billion versus \$2.4 billion a year ago, with “won” business representing more than \$800 million and “pipeline” of more than \$1.3 billion. Due to the challenging automotive industry dynamics described earlier, there has been significant volatility in the last year within the funnel as customers’ annual forecasts were revised, projects were delayed or canceled, new projects were added, and projects were either won or lost. Notably, we estimate there is about \$2 billion not included in the funnel beyond year six, the terminal year of our methodology.

We remain optimistic about the long-term secular trends for the L2+ and higher levels of autonomy, and the role that our CV3 platform can serve in this market. We are optimistic because our CV3 platform brings solutions to some of the key challenges automotive OEMS are facing today, including power efficiency, scalability, an open platform with the availability of optimized software IP modules, and centralized radar. We remain diligent in our efforts to get more CV3 business into the “won” column.

I will now discuss representative customer activity in the quarter.

In the automotive market we highlight new models featuring a variety of advanced safety and automation features.

Smart Automobile, a joint venture between Mercedes-Benz and Geely, introduced its Smart #5 model in October. This electric SUV features a L2 ADAS system based on our CV2 with functional safety and is supplied by tier-1 Aptiv.

Xiaopeng, also known as XPeng, an electric vehicle pioneer in China, announced the P7+ a mid to full-sized electric sedan that utilizes our A12 video processor for the rearview electronic mirror (“emirror”). This emirror is pre-installed on 100% of the P7+ vehicles and start of production commenced in October.

Also in the emirror market, the joint-venture between Honda and Dongfeng launched its Lingxi-L electric passenger vehicle which includes a camera monitoring system (“CMS”). This feature provides interior displays that replace the left and right-side exterior mirrors. This system is based on our CV28.

Farizon Auto, a Geely brand focused on the development and sales of commercial vehicles, launched its Xingzhi H8R light truck featuring a front ADAS plus driver monitoring system based on our CV22AQ.

Turning to our IoT businesses, we are announcing the first customer for our CV7 family, which represents the beginning of the second wave of new product revenue I described earlier.

In the enterprise market, Verkada introduced its next generation of cameras including new 4K dome, fisheye and PTZ cameras. Based on Ambarella's latest CV72, the new cameras feature advanced analytics including AI-powered search.

Verkada also introduced a new suite of video intercoms and an indoor split mini camera, all based on Ambarella's CV25.

Bosch announced its new Flexidome 8100i dome camera family, based on CV22, they feature deep-learning based detection of persons and vehicles even in crowded or congested scenes.

Alarm.com, introduced 5M and 8M cloud IP bullet and dome cameras based on our CV22.

The cameras include on-board recording and advanced analytics.

In Japan, i-PRO, formerly Panasonic Security, announced the addition of 19 new models to its Aero PTZ camera line based on our CV22.

We are encouraged to see better than expected adoption of our AI SoCs in Other IoT markets. While our products frequently target automotive and enterprise applications, our AI SoCs are designed with enough programmability to drive adoption in other IoT markets.

For example, Insta360 recently introduced its Ace Pro 2 portable camera featuring 8K video and 50MP photos. Based on our 5nm CV5, the camera includes gesture and voice control and AI-based highlight assistance.

Insta360 also introduced its Link and Link 2C AI 4K webcams based on our H22 video processor.

Garmin announced its GC245 and 255 HD marine cameras based on our CV28 and featuring on-screen distance markers and guidance lines to aid with boat docking.

GRAB, a leading technology company based in Singapore, known for its SuperApp providing diversified services, introduced its KartaCam-2 to collect street-view images for map making. Our CV5 supports four 48MP image sensors for full 360-degree viewing and provides edge AI processing.

From this partial list of customer engagements this quarter, you can see we continue to build upon our well-established position for AI computer vision at the edge, in both IoT as well as our traditional automotive ADAS markets. In fact, on a cumulative basis, we have now shipped more than 25 million edge AI SoCs and this helps set the table for the introduction of our new higher value SoCs supporting more advanced edge AI networks, such as VLMs (vision language models), CLIP (Contrastive Language-Image Pretraining) and GenAI (Generative AI).

We believe the significant and continued build-out of AI training and inference capacity in data centers for more and more advanced AI networks is a leading indicator for the secular growth opportunity we see for AI inference processing at the edge. Our strategic plan is well aligned with this and the first wave of new AI product revenue is underway. We expect the second wave to commence alongside the first wave next year, with subsequent waves starting calendar 2026 (our fiscal 2027) including the CV3 and our 2nm platforms.

New product success is the key factor in determining our incremental revenue growth next year. We are pleased to return to non-GAAP profitability in Q3. We are highly focused on driving revenue growth and positive operating leverage on the path to our target long-term non-GAAP operating margin of 30%. We have delivered 15 consecutive years of positive free cash flow through the end of fiscal 2024, and we are optimistic our new products can enable us to build upon this positive record.

John will now discuss the Q3 results and Q4 outlook in more detail

John Young, CFO

I'll now review the financial highlights for the third quarter of fiscal year 2025 ending October 31, 2024. I will also provide a financial outlook for our fourth quarter of fiscal year 2025 ending January 31, 2025.

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 expense along with acquisition related costs and restructuring expense, adjusted for the impact of taxes.

For Fiscal Q3, revenue was \$82.7 million, above the high-end of our guidance range, up 30% from the prior quarter and up 63% year-over-year.

Non-GAAP gross margin for Fiscal Q3 was 62.6% and at the low-end of our prior guidance due to product mix, as we opportunistically drove some revenue upside from certain legacy processors at below average gross margin.

Non-GAAP operating expense was \$49.1 million, about \$900 thousand lower than the mid-point of our prior guidance range, driven by continued expense management and the timing of spending between quarters. We remain on track to our internal product development milestones.

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

Q3 non-GAAP tax provision was approximately \$236 thousand.

We reported a Non-GAAP net profit of \$4.5 million or \$0.11 cents of earnings per diluted share.

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

Fiscal Q3 cash and marketable securities increased \$6.7 million from the prior quarter to \$226.5 million. Receivables days sales outstanding increased from 33 days in the prior quarter to 38 days, and days of inventory decreased from 108 to 94 days.

Capital expenditures for tangible and intangible assets were \$2.5 million in the quarter and \$6.2 million for the nine months ended October 31, 2024.

We generated positive operating cash flow of \$6.6 million in the quarter and \$8.4 million through the first three quarters of fiscal 2025. Free-cash-flow in the quarter was \$4.1 million with year-to-date free cash flow of \$2.2 million.

We had two logistics companies representing 10% or more of our revenue in Q3. WT Microelectronics, a fulfillment partner in Taiwan that ships to multiple customers in Asia, came in at 66% of revenue for the third quarter. Chicony, an ODM who manufactures for multiple end-customers, was 11% of revenue for the quarter.

I'll now discuss the outlook for the fourth quarter of Fiscal year 2025. The continued strength of our customers' new product ramps, especially those enabled by our new product wave 1, from our 5nm CV5, cause us to increase our Q4 estimate. We are expecting normal seasonal decline in Q4 following the stronger than expected Q3. Fiscal Q4 revenue is expected to be in the range of \$76 to \$80 million, with IoT and Auto both flat to slightly down sequentially.

We expect Fiscal Q4 Non-GAAP gross margin to be in the range of 61.5% to 63%.

We expect non-GAAP OPEX in the fourth quarter to be in the range of \$49.0 to \$52.0 million, with the increase compared to Q3 driven by CES marketing activities, increased headcount and project-related engineering expenses.

We estimate net interest income to be approximately \$1.8 million, our non-GAAP tax expense to be approximately \$600 thousand and our diluted share count to be approximately 41.8 million fully diluted shares.

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

Q&A

Dr. Fermi Wang, President & CEO

Thank you for participating in our call and I hope to see you at an upcoming event.