

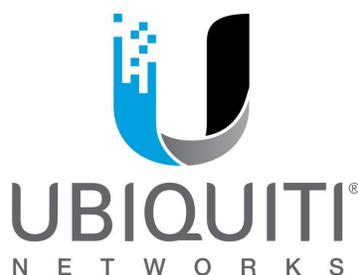


Q3 Fiscal Year 2015 Earnings

Prepared Management Remarks
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NASDAQ: UBNT



Ubiquiti Networks Third Quarter Fiscal 2015 Financial Results

Third Quarter Fiscal 2015 Financial Summary

- *Revenues of \$147.5 million*
- *GAAP gross profit of \$66.0 million and non-GAAP gross profit of \$66.1 million*
- *GAAP net income of \$41.1 million and non-GAAP net income of \$42.0 million*
- *GAAP diluted EPS of \$0.46 and non-GAAP diluted EPS of \$0.47*
- *\$36.7 million in net cash provided by operating activities*

Management Commentary

This quarter we achieved financial results within our guidance range. Revenues were \$147.5 million, compared to guidance of \$146 million to \$158 million, while non-GAAP diluted earnings were \$0.47 per share, compared to guidance of \$0.45 – \$0.50 per share.

The primary driver of revenue results at the low end of our guidance range was a sequential decline in North American revenues by \$8.4 million. We believe that this decline is primarily due to shipping delays to our North American distributors caused by recent labor disputes between the International Longshore and Warehouse Union and the Pacific Maritime Association at West Coast shipping terminals. Specifically, a subset of our North American distributors reduced their purchases during this quarter while they awaited shipment of the backlog of stalled goods that had been embargoed on the West Coast. This reduced rate of purchasing had a greater impact on our Enterprise Technology product category than our Service Provider Technology product category due to the product mix of the affected distributors. We believe that this decline in North American and Enterprise Technology revenues is a result of exogenous factors and are therefore not a long-term trend.

The Company continues to see significant demand for its broad offering of competitively-priced, proprietary products with outstanding performance to our end customers. This quarter, we saw our Service Provider Technology revenues grow at over 6% compared to fiscal Q2 2015. This growth was primarily driven by increased demand for our airMAX® product line. Additionally, our Enterprise Technology revenues have increased more than 50% year-over-year. While Enterprise Technology revenues declined this quarter, we believe this decline is primarily due to the aforementioned labor disputes at West Coast shipping terminals. We do not expect this reduction in Enterprise Technology revenue to be a long-term trend.

In addition to the financial summary below, recent Company highlights include:

Recent Financial Highlights

- **Service Provider Technology revenues increased over 6% in just one quarter**, driven by strong demand for airMAX[®] AC products.
- **Enterprise Technology revenues increased over 50% year-over-year**, fueled by UniFi[®] access points and other industry-leading products targeting the Enterprise market.
- **North American revenues increased over 56% year-over-year**, reflecting consistent demand for both our Service Provider Technology and Enterprise Technology products in this historically underpenetrated market.
- **Refinanced our credit facility**, providing for a \$100 million term loan and a \$200 million revolving credit loan.

Recent Product Highlights

- **Shipped the first airFiber[®] X and sold related antennas**, a revolutionary new platform for the global last-mile wireless industry.
- **Extended the UniFi[®] Video surveillance management system** with the introduction of the UniFi Video Camera Micro and new UniFi Video software, including iOS application.
- **Shipped our recently launched Enterprise Technology products to distributors**, including the first UniFi Switches, as well as the PRO and Executive models of the UniFi VoIP Phones.
- **Announced the EdgeRouter[™] X**, an advanced gigabit Ethernet router that delivers world-leading price/performance value in an ultra-compact form factor.

Key Quarterly Financial Summary

These prepared remarks include both GAAP and non-GAAP financial information because we consider non-GAAP information in our planning and forecasting processes. We believe that disclosing these non-GAAP financial measures can provide useful supplemental information that, while not a substitute for GAAP measures, can allow for greater transparency in the review of our financial and operational performance. Non-GAAP financial measures exclude certain costs, expenses and gains such as stock based compensation expenses, purchase commitment termination fee and the tax effects of these non-GAAP adjustments.

Income Statement

Financial Results Summary (\$, in millions, except per share data)

Income Statement highlights	F3Q15	F2Q15	F3Q14
Revenues	147.5	153.1	148.3
<i>Service Provider Technology</i>	106.2	99.7	121.0
<i>Enterprise Technology</i>	41.2	53.4	27.3
Cost of Revenues	81.5	84.1	82.7
Gross Profit	66.0	69.0	65.6
<i>Gross Profit (%)</i>	44.7%	45.1%	44.2%
Total Operating Expenses	20.7	18.3	15.5
Income from Operations	45.2	50.7	50.1
GAAP Net Income	41.1	46.3	45.2
GAAP EPS (diluted)	0.46	0.52	0.50
Non-GAAP Net Income	42.0	47.1	45.2
Non-GAAP EPS (diluted)	0.47	0.53	0.50

Revenue by Product Category

Service Provider Technology

- The Service Provider Technology product category encompasses the airMAX[®], airFiber[®] and EdgeMAX[®] embedded radio and antenna product lines.
- Revenues of \$106.2 million, an increase of over 6% sequentially.
- Represented 72% of our total Q3 2015 revenues.
- Shipped our newly released airFiber[®] X and related antennas, as well as our EdgeRouter[™] X.
- Launched first phase of airCRM[™] suite. The first two modules, airCRM Control and airCRM Billing, are now gaining traction among beta users of these powerful tools for wireless internet service providers.

Enterprise Technology

- The Enterprise Technology product category encompasses our UniFi[®], UniFi[®] Video, UniFi[®] VoIP, UniFi[®] Security Gateway, UniFi[®] Switch and mFi[®] product lines.
- Revenues of \$41.2 million.
- Represented 28% of our total Q3 2015 revenues.
- While this quarter we experienced a more than 50% increase in Enterprise Technology revenue year-over-year, we experienced a sequential reduction. We believe the revenue reduction quarter-over-quarter in this category was primarily due to recent labor disputes at West Coast shipping terminals and we do not expect this reduction in Enterprise Technology revenue to be a long-term trend.
- Extended the UniFi[®] Video surveillance management system with the introduction of the UniFi Video Camera Micro and new UniFi Video software, including iOS application.
- Shipped recently launched Enterprise products to distributors, including the first UniFi Switches, as well as the PRO and Executive models of the UniFi VoIP Phones. Only limited quantities were available for distribution during the quarter and did not have a material impact on revenue.

Revenue by Geography (\$, in millions)

Region	F3Q15	F2Q15	F3Q14
North America	45.7	54.1	29.2
South America	17.9	22.2	25.1
Europe, the Middle East and Africa (EMEA)	66.8	60.1	77.9
Asia Pacific	17.1	16.7	16.2
Total	147.5	153.1	148.3

In the third quarter of fiscal 2015, EMEA revenues showed strength and were up 11% on a sequential basis. We saw strong incremental demand from Eastern European countries, in particular, Poland. We saw high demand across all product lines in this region, especially our airMAX product line. EMEA represented 45% of total revenue for the quarter.

While sales to EMEA were strong for the quarter, our total revenues worldwide were lower than expected primarily due to reduced demand from our customers in North and South America. We believe that the decline in South American revenues was primarily a function of a strong U.S. Dollar. We believe that the reduction in North America Enterprise Technology revenues was primarily due to recent labor disputes at West Coast shipping terminals and we do not expect this reduction in Enterprise Technology revenue to be a long-term trend.

Gross Margins

During this quarter, our non-GAAP gross margin was 44.8%, and GAAP gross margin was 44.7%. Non-GAAP and GAAP gross margins for the same quarter in the prior year were 44.3% and 44.2%, respectively. Margins for the quarter were in line with expectations and our long-term targets. The variance quarter over quarter was primarily driven by the mix of products sold during the quarter. We believe our future margins will fluctuate between 43.0% and 45.0%.

Research and Development

Research and Development ("R&D") expenses were \$14.4 million on a non-GAAP basis, or 10% of revenue. Non-GAAP R&D expenses were up 19% sequentially, primarily due to the hiring of new engineers, as well as higher taxes and benefits costs that are incurred at the beginning of every calendar year. These R&D investments will help us to bring new products to the market and remain at the cutting edge of networking technology. Our investments in R&D are primarily reflected in labor costs, and to a lesser extent, in opening and maintaining offices for these employees. During the past few quarters, we have released a number of new products, significantly expanding our addressable market, as a result of the R&D investments we made in the past. We expect to continue to invest in developing new products and newer versions of existing products. Accordingly, we estimate our R&D expenses to be 9% to 10% of revenues going forward.

Sales, General and Administrative

Our non-GAAP selling, general and administrative ("SG&A") expenses for the quarter were \$5.1 million, or 3% of revenue. We continue to run a highly efficient operating business model, and are focused on leveraging a scalable cost structure. We believe that our SG&A expenses will continue to be between 3% and 4% of revenues.

Headcount

We finished the quarter with a total of 447 full-time employees, up from 418 or 7% in the prior quarter, and up from 263 or 70% in the prior year, primarily related to the hiring of new engineers. Ubiquiti is a fast-growing company with a need to hire new engineers to help the company maintain its leading position and this is reflected by the increase in headcount.

Taxes

Our GAAP effective tax rate for the quarter was 7% as compared with 9% in the third quarter of fiscal 2014. This low effective tax rate reflects our geographic sales/product mix, resulting in a larger percentage of our overall profit occurring in jurisdictions with lower corporate income tax rates. For the current fiscal year, we estimate our tax rate to be 10%. For long term planning purposes, we assume a target tax rate of 11.5%.

Net Income

GAAP net income for the third quarter of fiscal 2015 was \$41.1 million, or \$0.46 per diluted share, compared with GAAP net income of \$45.2 million, or \$0.50 per diluted share, in the third quarter of fiscal 2014. We recorded third quarter of fiscal 2015 non-GAAP net income of \$42.0 million, or \$0.47 per diluted share, compared with non-GAAP net income of \$45.2 million, or \$0.50 per diluted share, in the third quarter of fiscal 2014.

Balance Sheet

Total cash and cash equivalents as of March 31, 2015 were \$451.2 million, compared with \$388.6 million as of December 31, 2014. The increase in cash and cash equivalents was primarily as a result of cash provided by operating activities of \$36.7 million for the quarter and net proceeds from a new debt facility. We believe that our cash position will allow us to make investments that will continue to enhance our competitive position and product portfolio.

Days sales outstanding in accounts receivable ("DSOs") as of March 31, 2015 was 43 days, compared with 44 days in the prior quarter.

Our inventory balance at the end of the quarter was \$41.7 million which represents approximately 8.2 turns on an annualized basis, compared to 8.8 turns in the prior quarter. We currently expect to maintain inventory between 8 and 9 turns going forward.

Distribution Channel Management

Since the founding of the Company, Ubiquiti has built a network of over 100 distributors, master resellers and resellers worldwide. Distribution channel management, including improved visibility of future demand and channel inventory levels through periodic reporting by our channel partners, has been and will continue to be a focus of the Company.

Cash Flow Statement

Our net cash inflow from operations for the third quarter of fiscal 2015 was \$36.7 million, compared with a net cash outflow of \$14.0 million in the third quarter of fiscal 2014. Capital expenditures for the period were \$2.4 million.

The Company commenced a \$75 million share repurchase program on June 2, 2014, which will expire on June 2, 2015. During the third quarter of fiscal 2015, the Company did not repurchase any shares of its common stock and approximately \$60 million remains for common stock repurchases under the repurchase plan.

Fourth Quarter Fiscal 2015 Outlook

The following represents our financial outlook for the fourth quarter of fiscal 2015.

Based on our analysis of orders received and current estimated channel inventory levels, we expect to generate revenues of \$140 - \$150 million in the fourth quarter of fiscal year 2015.

We anticipate GAAP earnings in the range of \$0.42 – \$0.47 per share, and non-GAAP diluted earnings to be in the range of \$0.43 – \$0.48 per share, based on a share count of approximately 90 million.

Conclusion

Although our revenue has slightly decreased quarter over quarter, we believe Ubiquiti is well placed to grow significantly in the next few quarters due to the following growth drivers:

- **New product launches:** We have recently announced a number of new products including Unifi Phones, Unifi Switches, airFiber X and EdgeRouter X lines of products.
- **802.11ac upgrade cycle:** We believe the market is in the initial stages of transitioning into the new AC standard, and our newly announced airMAX and Unifi AP AC lines of products are well positioned to take advantage of this upgrade cycle given their industry-leading price/performance ratio and unparalleled value to our consumers.
- **Improving foreign currency environment:** Currency fluctuation does not have a direct impact on our financial statements because the vast majority of our products are sold at prices denominated in U.S. Dollars. However, we believe that a stronger U.S. Dollar has caused a decline in non-U.S. revenues, primarily in South America. We believe that this reduction in revenue is temporary and that South American customers are delaying their purchases, as opposed to foregoing their purchases, and that non-U.S. revenues, primarily in South America, will return to normal levels in the near future.
- **United States E-Rate funding program:** While we do not directly sell into the education market, we believe the e-rate funding program in the United States, scheduled to begin in the second half of calendar 2015, will further strengthen our position in North America.

We are very focused on execution right now and we are committed to grow our business and execute on our long-term business strategy. We are making investments in R&D and operations that we believe will help us expand our addressable market and maintain our industry leading financial metrics. As we look to future prospects, we are confident in our dominant position in the wireless broadband market and growing market share in the enterprise WLAN coordinated access points market.

We remind investors that, in any given quarter, we may observe fluctuations in specific product categories or geographies for a variety of reasons, and seasonal fluctuations as well. We believe we will maintain our leadership position of building world-class products with disruptive price-to-performance ratios, serving to bridge the digital divide and connect underserved markets. We believe the long-term global market environment for our products continues to be favorable. We continue to lay a strong foundation for long-term value creation and appreciate our shareholders' continued commitment to the Company.

I look forward to speaking to you on our earnings call. The Q&A call information is listed below.

Robert J. Pera

CEO, Founder & Chairman

Conference Call Information

Ubiquiti Networks will host a Q&A-only call to discuss the Company's financial results at 2:00 p.m. Pacific Time today. Management's prepared remarks can be found on the Investor Relations section of the Ubiquiti Networks website, <http://ir.ubnt.com/results.cfm>.

To listen to the Q&A call via telephone, dial (877) 291-1296 (U.S. toll-free) or (720) 259-9209 (International) to be connected to the call by an operator. Participants should dial in at least 10 minutes prior to the start of the call. Investors may also listen to a live webcast of the Q&A conference call by visiting the Investor Relations section of the Ubiquiti Networks website at <http://ir.ubnt.com>.

A recording of the Q&A call will be available approximately two hours after the call concludes and will be accessible on the Investor Relations section of the Ubiquiti Networks website, <http://ir.ubnt.com>.

About Ubiquiti Networks

Ubiquiti Networks (NASDAQ: UBNT) is closing the digital divide by building network communication platforms for everyone and everywhere. With over 28 million devices sold worldwide, Ubiquiti is transforming under-networked enterprises and communities. Our leading edge platforms, airMAX[®], UniFi[®], airFiber[®], UniFi[®] Video, UniFi[®] VoIP, UniFi[®] Switch, mFi[®] and EdgeMAX[®], combine innovative technology, disruptive price-to-performance and the support of a global user community to eliminate barriers to connectivity. For more information, join our community at <http://www.ubnt.com>.

Ubiquiti, the Ubiquiti U logo, Ubiquiti Networks, airMAX, airFiber, airCRM, UniFi, mFi, EdgeMAX, and EdgeRouter are registered trademarks or trademarks of Ubiquiti Networks, Inc. in the United States and other countries.

The Ubiquiti Networks, Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=24865>.

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Use of Non-GAAP Financial Information

To supplement the financial information prepared under generally accepted accounting principles, or GAAP, we use non-GAAP measures of net income and earnings per diluted share that are GAAP net income and GAAP earnings per diluted share adjusted to exclude certain costs, expenses and gains. Non-GAAP net income and non-GAAP earnings per diluted share are among the primary indicators used by management as a basis for planning and forecasting future periods, and by management and our board of directors to determine whether our operating performance has met specified targets and thresholds. Management uses non-GAAP net income and non-GAAP earnings per diluted share when evaluating operating performance because it believes that the exclusion of the items described below, for which the amounts or timing may vary significantly depending upon the Company's activities and other factors, facilitates comparability of the Company's operating performance from period to period. We have chosen to provide this information to investors so they can analyze our operating results in the same way that management does and use this information in their assessment of our business and the valuation of our Company.

We compute non-GAAP net income and non-GAAP diluted earnings per share by adjusting GAAP net income and GAAP earnings per diluted share to remove the impact of certain adjustments and the tax effect of those adjustments. Items excluded from net income are:

- Stock-based compensation expense
- Reserve against vendor deposits relating to a purchase commitment termination fee
- Gain on reversal of charge for an export compliance matter
- Tax effect of non-GAAP adjustments, applying the principles of ASC 740

Ubiquiti Networks Inc. Reconciliation of GAAP Net Income to Non-GAAP Net Income (In thousands, except per share data) (Unaudited)

	<u>Three Months Ended March</u>		<u>Nine Months Ended March</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net income	\$ 41,137	\$ 45,199	\$ 125,145	\$ 127,519
Stock-based compensation:				
Cost of revenues	141	153	440	445
Research and development	810	630	2,499	1,679
Sales, general and administrative	425	258	1,240	1,506
Purchase commitment termination fee	—	—	5,500	—
Gain on reversal of charge for an export compliance matter	—	(1,121)	—	(1,121)
Tax effect of non-GAAP adjustments	(550)	32	(2,331)	(1,004)
Non-GAAP net income	<u>\$ 41,963</u>	<u>\$ 45,151</u>	<u>\$ 132,493</u>	<u>\$ 129,024</u>
Non-GAAP diluted EPS	<u>\$ 0.47</u>	<u>\$ 0.50</u>	<u>\$ 1.48</u>	<u>\$ 1.44</u>
Weighted-average shares used in non-GAAP diluted EPS	<u>89,400</u>	<u>89,775</u>	<u>89,707</u>	<u>89,667</u>

Usefulness of Non-GAAP Financial Information to Investors

These non-GAAP measures are not in accordance with, or an alternative to, GAAP and may be materially different from other non-GAAP measures, including similarly titled non-GAAP measures used by other companies. The presentation of this additional information should not be considered in isolation from, as a substitute for, or superior to, net income or earnings per diluted share prepared in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect certain items that may have a material impact upon our reported financial results. We expect to continue to incur expenses of a nature similar to the non-GAAP adjustments described above, and exclusion of these items from our non-GAAP net income and non-GAAP earnings per diluted share should not be construed as an inference that these costs are unusual, infrequent or non-recurring.

For more information on the non-GAAP adjustments, please see the table captioned “Reconciliation of GAAP Net Income to non-GAAP Net Income” included herein.

Safe Harbor for Forward Looking Statements

Certain statements in this press release are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements other than statements of historical fact including words such as “look”, “will”, “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “consider” and “plan” and statements in the future tense are forward-looking statements. The statements in this press release that could be deemed forward-looking statements include statements regarding expectations related to our cash position, newer distributions agreements, DSOs, Gross Margins, R&D, SG&A, tax rates, inventory turns, growth opportunities, demand and long-term global environment for our products, introduction of new products and financial performance estimates including revenues, GAAP diluted EPS and non-GAAP diluted EPS for the Company's fiscal quarter ending March 31, 2015, and any statements or assumptions underlying any of the foregoing.

Forward-looking statements are subject to certain risks and uncertainties that could cause our actual future results to differ materially, or cause a material adverse impact on our results. Potential risks and uncertainties include, but are not limited to, fluctuations in our operating results; varying demand for our products due to the financial and operating condition of our distributors and their customers, and distributors' inventory management practices; political and economic conditions and volatility affecting the stability of business environments, economic growth, currency values, commodity prices and other factors that may influence the ultimate demand for our products in particular geographies or globally; impact of counterfeiting and our ability to contain such impact; our reliance on a limited number of distributors; inability of our contract manufacturers and suppliers to meet our demand; our dependence on Qualcomm Atheros for chipsets without a short-term alternative; as we move into new markets competition from certain of our current or potential competitors who may be more established in such markets; our ability to keep pace with technological and market developments; success and timing of new product introductions by us and the performance of our products generally; our ability to effectively manage the significant increase in our transactional sales volumes; we may become subject to warranty claims, product liability and product recalls; that a substantial majority of our sales are into countries outside the United States and we are subject to numerous U.S. export control and economic sanctions laws; costs related to responding to government inquiries related to regulatory compliance; our reliance on the Ubiquiti Community; our reliance on certain key members of our management team, including our founder and chief executive officer, Robert J. Pera; adverse tax-related matters such as tax audits, changes in our effective tax rate or new tax legislative proposals; whether the final determination of our income tax liability may be materially different from our income tax provisions; the impact of any intellectual property litigation and claims for indemnification; litigation related to U.S. Securities laws; and economic and political conditions in the United States and abroad. We discuss these risks in greater detail under the heading “Risk Factors” and elsewhere in our Annual Report on Form 10-K for the year ended June 30, 2014, and subsequent filings filed with the U.S. Securities and Exchange Commission (the SEC), which are available at the SEC's website at www.sec.gov. Copies may also be obtained by contacting the Ubiquiti Networks Investor Relations Department, by email at IR@ubnt.com or by visiting the Investor Relations section of the Ubiquiti Networks website, <http://ir.ubnt.com>.

Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date made. Except as required by law, Ubiquiti Networks undertakes no obligation to update information contained herein. You should review our SEC filings carefully and with the understanding that our actual future results may be materially different from what we expect.