



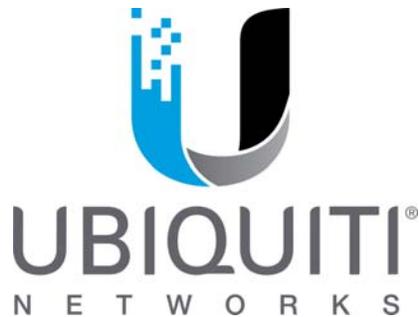
Q4 Fiscal Year 2017 Earnings

Prepared Management Remarks
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NASDAQ: UBNT



Ubiquiti Networks Preliminary Fourth Quarter Fiscal 2017 Financial Results Fiscal 2018 Outlook and Commentary The Company to Host Investor Update Meeting on September 26, 2017

Fourth Quarter Fiscal 2017 Financial Summary

- *Record quarterly revenues of \$228.6 million, increasing 23% year-over-year*
- *GAAP gross profit of \$103.2 million, representing 45.1% of revenues*
- *GAAP net income of \$60.7 million and non-GAAP net income of \$61.0 million*
- *GAAP diluted EPS of \$0.74 and non-GAAP diluted EPS of \$0.75*

Management Summary

We are pleased to announce another record quarter as well as the eighth consecutive quarter of revenue growth for Ubiquiti Networks. We are reaffirming our expectations that we will generate more than \$1 billion in revenues for fiscal 2018. Our historical quarterly trends and growth plans for next year support total top line growth of more than 15%, all within our long-term margin goals including net income margins of between 25% and 35%. Our net income margin of 27% for fourth quarter fiscal 2017 remains well above industry peers.

Fourth Quarter Financial Highlights

- **Revenues increased 23% year-over-year and 4.7% sequentially**, primarily driven by continued strong demand for new product offerings across the Company's product lines.
- **Enterprise Technology revenues increased 49% year-over-year**, primarily driven by continued adoption of the Company's UniFi product family of access points, switches, gateways and IP cameras.
- **Service Provider Technology revenues increased 5% year-over-year and 10% sequentially**, primarily driven by the Company's airMAX AC and airMAX AC Gen 2 product lines.
- **GAAP gross margin of 45.1%, reflecting the success of our newer product offerings.** We generally introduce new products at an aggressive price to capture market share and experience margin expansion over time as we reduce costs while maintaining our selling price. Recent revenue growth has been primarily driven by new product offerings and, accordingly, gross margins have decreased slightly on a sequential basis and declined 3.2% on a year-over-year basis.

- **Research and Development expenses increased to \$21.6 million**, primarily driven by an increase of approximately \$4 million in non-recurring engineering (NRE) payments.

Management Commentary

Revenues during the fourth quarter were \$228.6 million, and were above the high end of our guidance of \$215 million to \$225 million. GAAP earnings were \$0.74 and non-GAAP earnings were \$0.75 per diluted share, both at the high end of our guidance of \$0.69-\$0.74 GAAP and \$0.70-\$0.75 non-GAAP diluted EPS. This quarter total revenues increased 23% year-over-year and 5% sequentially.

Enterprise Technology revenues this quarter were \$114.0 million, up 49% year-over-year, driven by growth across all geographic regions. Enterprise Technology growth continues to be driven by strong sales for our UniFi product family, with products priced disruptively and new products launching at higher average selling prices than our legacy products. During fiscal 2017, we launched a line of consumer products under the Ubiquiti Labs brand, the financial results of which are included in our Enterprise Technology product category. We expect Ubiquiti Labs to experience a growth rate similar to UniFi over the past 6 years, with the launch of niche products targeted at specific types of consumers who will “pull” the inventory through our distribution channel.

Our Service Provider Technology revenues were up 5% year-over-year, primarily driven by increased sales of new products offered to the Ubiquiti service provider community, including airMAX AC Gen2. We expect the recent launch of our UFiber product line to contribute significantly to the expected growth in our Service Provider Technology product category.

There are a few key product-related achievements that we would like to highlight from this quarter:

Recent Product Highlights

- **Provided GPS synchronization functionality for the airMAX AC product family**, available with only a simple firmware upgrade.
- **Released significant updates to the UniFi ecosystem**, including new hotspot analytics, high density WLAN improvements, increased scalability and an integrated RADIUS server for our security gateways.
- **Introduced the UFiber GPON platform**, enabling internet service providers to quickly build high-speed fiber networks for many users and over long distances.
- **Introduced PrismStation AC base station radios and airPrism sector antennas**, enabling the next stage of high-performance, high-density airMAX networks throughout the world.
- **Continued the roll-out of the AmpliFi product family into retail stores**, including Best Buy, Sam’s Club, GameStop and international retailers.
- **Added new features to the AmpliFi product family**, including increased parental controls, remote access, wired ethernet backhaul, support for multiple languages and other features.

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 expense, recovery as a result of a BEC fraud, the adoption of ASU 2016-09 Improvements to Employee Share-Based Payments Accounting,

implementation of overhead capitalization, and the tax effects of these non-GAAP adjustments. Note that expenses related to non-recurring engineering (R&D) expenses were not eliminated from non-GAAP results.

Income Statement

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

Income statement highlights	F4Q17	F3Q17	F4Q16
Revenues	228.6	218.4	185.7
<i>Service Provider Technology</i>	114.7	104.7	109.0
<i>Enterprise Technology</i>	114.0	113.6	76.7
Gross profit	103.2	99.1	89.8
<i>Gross Profit (%)</i>	45.1%	45.4%	48.3%
Total operating expenses	31.5	25.7	24.1
Income from operations	71.7	73.4	65.6
GAAP Net Income	60.7	64.4	57.7
GAAP EPS (diluted)	0.74	0.77	0.69
Non-GAAP Net Income	61.0	64.6	58.2
Non-GAAP EPS (diluted)	0.75	0.78	0.69

Service Provider Technology

- The Service Provider Technology product category encompasses the airMAX, airFiber and EdgeMAX product lines, as well as the sunMAX solar system product line
- Revenues of \$114.7 million
- Represents 50.2% of our total fiscal Q4 2017 revenues

Enterprise Technology

- The Enterprise Technology product category encompasses our UniFi Access Point, UniFi Video, UniFi VoIP, UniFi Security Gateway, UniFi Switch and mFi product lines as well as our AmpliFi consumer product line
- Revenues of \$114.0 million
- Represents 49.8% of our total fiscal Q4 2017 revenues

Ubiquiti Networks Inc.

Revenues by Geographical Area

(In thousands)

	Three Months Ended June 30,		Years Ended June 30,	
	2017	2016	2017	2016
North America	\$ 84,088	\$ 71,087	\$ 331,435	\$ 239,526
South America	34,271	23,925	105,511	85,036
Europe, the Middle East and Africa (EMEA)	87,937	69,658	334,473	264,404
Asia Pacific (APAC)	22,320	21,006	93,849	77,429
Total revenues	<u>\$ 228,616</u>	<u>\$ 185,676</u>	<u>\$ 865,268</u>	<u>\$ 666,395</u>

During the fourth quarter of fiscal 2017, revenues grew 23% versus the prior year period. Year-over-year, North America revenues increased 18%, EMEA revenues increased 26%, South America revenues increased 43% and APAC revenues increased 6%.

Gross Margins

During this quarter, GAAP gross margin was 45.1%, reflecting the success of our newer product offerings. As explained above, we generally introduce new products at an aggressive price to capture market share and experience margin expansion over time as we reduce costs while maintaining our selling price. Gross margins have decreased slightly on a sequential basis and declined 3.2% on a year-over-year basis because recent revenue growth has been primarily driven by new product offerings.

We anticipate our first quarter fiscal 2018 gross margins to remain consistent on a sequential basis as our newer products continue to gain market share. Our long term gross margin projection remains at 45% to 50% given we expect the margins on our newer products to expand as we implement cost reduction strategies while maintaining our selling prices.

Research and Development

Research and Development expenses increased to \$21.6 million primarily driven by approximately \$4 million in higher non-recurring engineering (NRE) payments versus the prior year.

We remain focused on execution as we continue to grow our business, and believe we run one of the most efficient R&D teams in technology. This is evidenced by our industry leading annual sales per employee of \$1.3 million.

We will continue to make substantial investments in R&D, inventory and operations that we believe will help us expand our addressable market and maintain our industry leading financial metrics. We're very excited about our new product pipeline, which we expect will enable us to increase average selling prices for our high performance, best value proposition products. We estimate our long-term R&D expenses to range between 6% to 8% of revenues.

Sales, General and Administrative

Our selling, general and administrative ("SG&A") expenses for the quarter were \$9.9 million compared to \$9.2 million for the prior year. For long-term planning purposes, we expect SG&A expenses to range between 3% and 5% of revenues.

Headcount

We finished the fourth fiscal quarter with a total of 725 full-time equivalent employees, up from 656 or 11% in the prior quarter, and up from 537 or 35% in the prior year. Increases in headcount versus the prior quarter primarily reflect additional employees in R&D.

Taxes

Our GAAP effective tax rate for the quarter was 13.6% as compared with 11.0% in the fourth quarter of fiscal 2016. On a non-GAAP basis, our effective tax rate for the quarter was 14.0%, as compared with 11.3% in the fourth quarter of fiscal 2016. For long term planning purposes, we assume a target effective tax rate of 12% to 14%.

Net Income

GAAP net income for the fourth quarter of fiscal 2017 was \$60.7 million, or \$0.74 per diluted share, compared with GAAP net income of \$57.7 million, or \$0.69 per diluted share, in the fourth quarter of fiscal 2016. Non-GAAP net income in the fourth quarter of fiscal 2017 was \$61.0 million, or \$0.75 per diluted share, compared with \$58.2 million, or \$0.69 per diluted share, in the fourth quarter of fiscal 2016. The Company's net income margin was 27% in the

fourth quarter fiscal 2017 compared to 31% in the prior year period. For long-term planning purposes, we expect net income margin to range between 25% and 35% of revenues.

Balance Sheet

Total cash and cash equivalents as of June 30, 2017 were \$604.2 million, compared with \$533.9 million as of March 31, 2017, representing an increase of over 13%. The Company held \$546.8 million of cash and cash equivalents in accounts of the Company's subsidiaries outside of the United States. The Company repurchased \$2.5 million of common stock during the quarter, representing 50,000 shares at an average price of \$49.55 per share.

This quarter the Company experienced an increase in days sales outstanding in accounts receivable ("DSO") to 55 days, compared with 52 days in the prior quarter. DSO's have increased over time and we expect this increase to continue as the mix of the Company's distributors evolves toward larger volumes of products moving through large distributors who qualify for credit terms. Enabling these distributors to purchase higher volumes of products on credit terms allows them to shorten the cash conversion cycle and has helped enable Ubiquiti to significantly expand its market share while maintaining a conservative customer credit profile.

Ubiquiti has invested in inventory to reduce lead times, meet increasing demand and support the commensurate growth of the Company's customers. The Company is committed to optimizing inventory to correspond with end-market demand. Finished goods inventory at the end of the quarter increased \$11.0 million to \$133.8 million, primarily driven by increased inventory of our newer products. The Company expects to hold 8 to 12 weeks of previously introduced product inventory in warehouses going forward, in addition to new product inventory and selected raw materials.

Distribution Channel Management

Ubiquiti has built and maintained 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. The Company, through its distribution network, added retail distribution of its AmpliFi consumer products including Best Buy, Sam's Club, GameStop and international retailers. Products are also sold via web sales on UBNT.com, Amplifi.com, Amazon.com and BestBuy.com.

Cash Flow Statement

Our net cash flow from operations for fiscal 2017 was \$112.0 million, compared with a net cash flow from operations of \$197.5 million for fiscal 2016. In line with our long-term strategy, the reduction in cash flow during fiscal 2017 as compared with fiscal 2016 was driven by increased investments in working capital, partially offset by increased net earnings. Capital expenditures for the fourth quarter of fiscal 2017 were \$1.5 million.

Outlook

Based on recent business trends, the Company believes the demand environment in its end markets supports the following forecast for the Company's first quarter fiscal 2018 ending September 30, 2017:

- Revenues of \$230-\$250 million;
- GAAP diluted EPS of \$0.80-\$0.90;
- Gross margins are expected to remain consistent on a sequential basis; and
- An effective tax rate of 13%.

For the full year ending June 30, 2018, the Company expects to generate revenues of \$1.0 - \$1.15 billion and diluted earnings per share of \$3.70 - \$4.30 driven by growth of both the Enterprise Technology and Service Provider Technology segments.

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

Robert J. Pera

CEO, Founder & Chairman

Investor Update Meeting Scheduled for September 26, 2017

The Company's Chairman, Chief Executive Officer, and Founder, Robert Pera, will host an Investor Update on September 26th at 12:30 p.m. ET. The meeting will include an Investor Relations update from Laura Kiernan, and a question and answer session. The meeting will be video webcast live and will remain on the Company's website following the event. Additional details on the event will be provided at a later date.

Conference Call Information

Ubiquiti Networks will host a Q&A-only call to discuss the Company's financial results at 11:00 a.m. Eastern Time (8:00 a.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 1-877-291-1296 (U.S. toll-free) or 1-720-259-9209 (International) Conference ID: 54990409. 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, Inc. (Nasdaq: UBNT) eliminates barriers to connectivity for under-networked enterprises, communities and consumers with its leading-edge platforms that connect hundreds of millions of people throughout the world. With over 60 million devices sold worldwide, through a network of over 100 distributors, to customers in more than 180 countries and territories, Ubiquiti has maintained an industry-leading financial profile by leveraging a unique business model to develop products that combine innovative technology with disruptive price-to-performance characteristics. Our growth is supported by the Ubiquiti Community, a global grass-roots community of 4 million entrepreneurial operators and systems integrators who engage in thousands of forums. For more information, join our community at <http://www.ubnt.com>.

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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 earnings per diluted 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
- Business e-mail compromise ("BEC") fraud (recovery)
- Adoption of ASU 2016-09 Improvement to Employee Share-Based Payments Accounting
- Implementation of overhead capitalization
- 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

	Three Months Ended June 30,		Years Ended June 30,	
	2017	2016	2017	2016
Net income and comprehensive income	\$ 60,678	\$ 57,706	\$ 257,506	\$ 213,616
Stock-based compensation:				
Cost of revenues	51	107	264	448
Research and development	499	526	1,861	2,296
Sales, general and administrative	142	220	661	975
Business e-mail compromise ("BEC") fraud (recovery)	—	—	—	(8,294)
Excess tax benefits resulting from the adoption of ASU 2016-09 Stock Compensation	(80)	—	(7,939)	—
Implementation of overhead capitalization	—	(8)	—	(1,221)
Tax effect of non-GAAP adjustments	(277)	(341)	(1,114)	(1,342)
Non-GAAP net income	\$ 61,013	\$ 58,210	\$ 251,239	\$ 206,478
Non-GAAP diluted EPS	\$ 0.75	\$ 0.69	\$ 3.04	\$ 2.41
Shares outstanding (Diluted)	81,906	83,836	83,252	85,784
Share adjustment (ASU 2016-09 Adoption)	(622)	—	(672)	—
Weighted-average shares used in non-GAAP diluted EPS	81,284	83,836	82,580	85,784

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 these prepared management remarks 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 these prepared management remarks that could be deemed forward-looking statements include statements regarding our expectations for our financial results for the first fiscal quarter of 2018 and the full fiscal year 2018 and statements regarding expectations related to our cash position, expenses, DSO, number of distributors and resellers, shipments, the roll-out of our consumer retail channel, the introduction of new consumer products, Gross Margins, R&D, SG&A, tax rates, inventory turns, growth opportunities, demand and long term global environment for our products, new products, and financial performance estimates including revenues and GAAP diluted EPS for the Company's first fiscal quarter of 2018 and full fiscal year 2018, 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, 2016, 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.