



Q3 Fiscal Year 2017 Earnings

Prepared Management Remarks
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Ubiquiti Networks Third Quarter Fiscal 2017 Financial Results

Third Quarter Financial Summary

- *Record quarterly revenues of \$218.4 million, increasing 30% year-over-year*
- *GAAP gross profit and non-GAAP gross profit of \$99.1 million*
- *GAAP net income of \$64.4 million and non-GAAP net income of \$64.6 million, increasing 22% year-over-year*
- *GAAP diluted EPS of \$0.77 and non-GAAP diluted EPS of \$0.78*

Management Commentary

We are pleased to announce another record quarter as well as our seventh consecutive quarter of revenue growth for Ubiquiti Networks.

Revenues during the third quarter were \$218.4 million, and were at the high end of our guidance of \$210 million to \$220 million, and GAAP earnings were \$0.77 per diluted share, also at the high end of guidance of \$0.72 – \$0.78 per share. This quarter total revenues of \$218.4 million increased 30% year-over-year and 2% sequentially. It is the first quarter in the Company's history in which our Enterprise Technology revenue exceeded our Service Provider Technology revenue.

Enterprise Technology revenues were \$113.6 million, up 60% year-over-year, with strength across all regions as we experienced worldwide growth. Enterprise revenues grew 16% sequentially, driven by growth in EMEA, South America and Asia, with a decline in North America. Recall, North America revenues were up significantly in the second quarter of fiscal 2017. We attribute the sequential decline in revenue in North America to distributor ordering patterns and not to any decrease in demand for our products in this region.

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. The Company has consistently gained market share over the past three years in the Enterprise Technology segment with Access Point global unit share increasing from an estimated 12.1% in 2014 to 16.1% in 2016¹.

Global market share in Enterprise Technology is expected to continue to grow globally as we see further gains with our full suite of UniFi products, including switches, security gateways, cameras and other complementary products. The UniFi Software-Defined Networking (SDN) platform is an end-to-end system of network devices across different

¹ Source: Dell'Oro Group, February 2017

locations - all controlled from a single graphical interface, and is provided without any license or subscription fees. A 2016 wired and wireless access LAN infrastructure customer reference survey by Gartner found that over 70% of clients prefer a single vendor to deploy their access layer solution. With our UniFi SDN advantage, Enterprise customers can control and monitor our access points, switches, video surveillance and other equipment all from a single screen.

During the first half of the current fiscal year, 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. The Company expects to launch additional innovative products later this year that will be targeted to the consumer market.

Our Service Provider Technology revenues were up 9% year-over-year, primarily driven by increased sales of new products offered to the Ubiquiti service provider community.

During this quarter, both our non-GAAP and GAAP gross margin were 45.4%, representing a year-over-year decline from 49.3%. This decline in gross margins is primarily driven by a change in product mix, which was weighted toward newer products that are early in the cost curve.

We remain focused on execution as we continue to grow our business. We are making 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 high performance, best value proposition products.

There are a few key financial and product-related achievements that we would like to highlight:

Third Quarter Financial Highlights

- **Revenues increased 30% year-over-year and 2% sequentially**, primarily driven by continued strong demand for the Company's UniFi product family, new AmpliFi consumer products, and solid demand for new AC technology offerings for the Ubiquiti service provider community.
- **Enterprise Technology revenues surpassed Service Provider Technology revenues for the first time in Company history and increased 60% year-over-year and 16% sequentially.** Year-over-year growth was primarily fueled by continued adoption of the Company's UniFi AC access points, UniFi Switch, UniFi Video and other industry-leading products targeting the Enterprise market. Enterprise revenues also benefitted from strong sales of the Company's new consumer products.
- **Service Provider Technology revenues increased 9% year-over-year**, primarily driven by demand for new offerings for the Ubiquiti service provider community.
- **Non-GAAP diluted EPS increased 24% year-over-year**, demonstrating the continued scalability of Ubiquiti's unique business model, and sustaining a 30% net income margin trend, well above industry averages of less than 20%.
- **Gross margin of 45.4%, representing an increase on a sequential basis** and a decline of 4% on a year-over-year basis. Third quarter gross margin was negatively impacted by product mix, which was weighted toward newer products that are early in the cost curve.
- **Repurchased \$96.3 million of common stock**, repurchasing 1,932,411 shares at an average price of \$49.82 per share.
- **Amended the Company's Credit Agreement** on April 14, 2017, providing an additional \$100 million of availability under the Company's revolving credit facility.

Recent Product Highlights

- **Began shipping UniFi AC HD access points in volume**, bringing the industry's highest performance 802.11ac Wave 2 technology to the masses at a disruptive price point of only \$349 (MSRP).
- **Announced the UniFi AC In-Wall access point**, designed to convert an Ethernet wall connection into a dual-band 802.11ac Wi-Fi access point with powerful 802.3at PoE+ functionality. This product is ideal for several verticals in the Enterprise segment including healthcare, education, hospitality and others that want to introduce per-room Wi-Fi.
- **Launched airMAX AC GEN2**, bringing significant breakthroughs in network performance, usability and backwards compatibility to Ubiquiti's Service Provider customers and expanding Ubiquiti's strength in dense urban environments, beyond its traditional strength in rural and remote areas.
- **Announced the distribution of AmpliFi products in the consumer retail channel**, including Best Buy, GameStop and Sam's Club, with an anticipated gradual roll-out beginning in the fourth fiscal quarter of 2017 to hundreds of stores in the U.S. in addition to existing availability on Amplifi.com and Amazon.com.
- **Released significant updates to the UniFi Mobile App**, allowing Ubiquiti's Enterprise customers to provision a UniFi access point without configuring a UniFi controller, **and the UMobile App**, a convenient client application allowing Service Provider customers to install airMAX devices.

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, loss as a result of a BEC fraud, implementation of overhead capitalization, the adoption of ASU 2016-09 Improvements to Employee Share-Based Payments Accounting, and the tax effects of these non-GAAP adjustments.

Income Statement

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

Income statement highlights	F3Q17	F2Q17	F3Q16
Revenues	218.4	213.5	167.4
<i>Service Provider Technology</i>	<i>104.7</i>	<i>115.6</i>	<i>96.2</i>
<i>Enterprise Technology</i>	<i>113.6</i>	<i>98.0</i>	<i>71.2</i>
Gross profit	99.1	95.1	82.5
<i>Gross Profit (%)</i>	<i>45.4%</i>	<i>44.6%</i>	<i>49.3%</i>
Total Operating Expenses	25.7	25.3	22.4
Income from Operations	73.4	69.8	60.1
GAAP Net Income	64.4	60.6	52.7
GAAP EPS (diluted)	0.77	0.72	0.62
Non-GAAP Net Income	64.6	60.1	53.0
Non-GAAP EPS (diluted)	0.78	0.72	0.63

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 \$104.7 million
- Represents 48% of our total fiscal Q3 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 \$113.6 million
- Represents 52% of our total fiscal Q3 2017 revenues

Revenue by Geographical Area (\$, in thousands)

	Three Months Ended March		Nine Months Ended March	
	2017	2016	2017	2016
North America	\$ 78,573	\$ 57,791	\$ 247,347	\$ 168,428
South America	27,770	15,450	71,240	61,123
Europe, the Middle East and Africa (EMEA)	87,780	73,269	246,536	194,745
Asia Pacific (APAC)	24,236	20,923	71,529	56,423
Total revenues	\$ 218,359	\$ 167,433	\$ 636,652	\$ 480,719

During the third quarter of fiscal 2017, revenues grew significantly versus the prior year period. Year-over-year, North America revenues increased 36%, EMEA revenues increased 20%, South America revenues increased 79% and APAC revenues increased 16%. We attribute the sequential decline in revenue in North America to distributor ordering patterns and not to any decrease in demand for our products in this region.

Gross Margins

During the third fiscal quarter, both our non-GAAP and GAAP gross margins were 45.4%. Non-GAAP and GAAP gross margins for the same quarter in the prior year were 49.3%. As previously mentioned, our gross margins were negatively impacted versus the prior year by product mix, which was weighted toward newer products that are early in the cost curve. We anticipate our fourth quarter gross margins to remain consistent on a sequential basis. However, our annual long term gross margin projection remains at 45% to 50% because 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 ("R&D") expenses were \$16.2 million on a non-GAAP basis, or 7% of revenue, as compared to non-GAAP R&D expenses of \$13.3 million in the prior year. Our R&D investments help us to bring new products to the market and remain at the cutting edge of networking technology. Our investments in R&D reflected in an increase in R&D hiring, and to a lesser extent, in opening and maintaining offices for these employees.

During the past few quarters, we released several new products with the effect of significantly expanding our addressable market, which is 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. We estimate our long-term R&D expenses to

range between 8% to 10% of revenues, although we anticipate R&D expenses to range between 9% and 10% of revenues for the fourth quarter due to certain non-recurring engineering milestone payments.

Sales, General and Administrative

Our non-GAAP selling, general and administrative ("SG&A") expenses for the quarter were \$8.9 million, or 4% of revenue, compared to \$8.3 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 third fiscal quarter with a total of 656 full-time equivalent employees, up from 620 or 6% in the prior quarter, and up from 503 or 30% 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 11.0% as compared with 11.6% in the third quarter of fiscal 2016. On a non-GAAP basis, our effective tax rate for the quarter was 11.5%, as compared with 12.0% in the third quarter of fiscal 2016. We estimate our fourth quarter tax rate will be approximately 10%. However, for long term planning purposes, we assume a target effective tax rate of approximately 12% to 14%.

Net Income

GAAP net income for the third quarter of fiscal 2017 was \$64.4 million, or \$0.77 per diluted share, compared with GAAP net income of \$52.7 million, or \$0.62 per diluted share, in the third quarter of fiscal 2016. Non-GAAP net income in the third quarter of fiscal 2017 was \$64.6 million, or \$0.78 per diluted share, compared with \$53.0 million, or \$0.63 per diluted share, in the third quarter of fiscal 2016. 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 March 31, 2017 were \$533.9 million, compared with \$612.7 million as of December 31, 2016. The Company held \$511.8 million of cash and cash equivalents in accounts of the Company's subsidiaries outside of the United States. We repurchased \$96.3 million of common stock during the quarter, repurchasing 1,932,411 shares at an average price of \$49.82 per share. Additionally, we amended the Company's Credit Agreement, providing an additional \$100 million of availability under our revolving credit facility, effective as of April 14, 2017.

This quarter the Company experienced an increase in days sales outstanding in accounts receivable ("DSO") to 52 days, compared with 50 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 \$27.5 million to \$122.8 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.

Cash Flow Statement

Our net cash flow from operations for the first nine months of fiscal 2017 was \$65.9 million, compared with a net cash flow from operations of \$151.9 million in the first nine months of fiscal 2016. Capital expenditures for the third quarter of fiscal 2017 were \$2.9 million.

Fourth Quarter Fiscal 2017 Outlook

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

- Revenues of \$215-\$225 million;
- GAAP diluted EPS of \$0.69-\$0.74 and non-GAAP diluted EPS of \$0.70-\$0.75;
- Gross margins are expected to remain consistent on a sequential basis;
- Research and Development costs are expected to range between 9% and 10% of revenue during the fourth quarter, reflecting non-recurring engineering milestone payments as well as increased R&D staffing; and
- An effective tax rate of 10% including the expected benefit from discrete items.

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

Conference Call Information

Ubiquiti Networks will host a Q&A-only call to discuss the Company's financial results at 5:30 p.m. Eastern Time (2:30 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) Conference ID: 97551818. 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 loss/(recovery)
- Implementation of overhead capitalization
- Adoption of ASU 2016-09 Improvement to Employee Share-Based Payments Accounting
- 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		Nine Months Ended	
	March 31,		March 31,	
	2017	2016	2017	2016
Net income and comprehensive income	\$ 64,432	\$ 52,699	\$ 196,828	\$ 155,910
Stock-based compensation:				
Cost of revenues	39	114	213	341
Research and development	421	566	1,362	1,770
Sales, general and administrative	141	202	519	755
Business e-mail compromise ("BEC") fraud loss/(recovery)	—	(3)	—	(8,294)
Excess tax benefits resulting from the adoption of ASU 2016-09 Stock Compensation	(179)	—	(7,859)	—
Implementation of overhead capitalization	—	(219)	—	(1,213)
Tax effect of Non-GAAP adjustments	(240)	(327)	(837)	(1,002)
Non-GAAP net income	\$ 64,614	\$ 53,032	\$ 190,226	\$ 148,267
Non-GAAP diluted EPS	\$ 0.78	\$ 0.63	\$ 2.29	\$ 1.72
Shares outstanding (Diluted)	83,317	84,685	83,694	86,433
Share adjustment (ASU 2016-09 Adoption)	(635)	—	(689)	—
Weighted-average shares used in Non-GAAP diluted EPS	82,682	84,685	83,005	86,433

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 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”, “assume” and “plan” and statements in the future tense are forward-looking statements. The statements in these prepared remarks that could be deemed forward-looking statements include statements regarding our expectations for our financial results for the fourth fiscal quarter and full fiscal year 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, GAAP diluted EPS and non-GAAP diluted EPS for the Company's third fiscal quarter, fourth fiscal quarter and full fiscal year, 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.