



# Ubiquiti Networks Reports Q1 Fiscal 2013 Results

Released : 11/08/12

- **New product category revenues up over 24% sequentially**
- **\$23.7 million in net cash provided by operating activities**
- **Quarterly GAAP Diluted EPS of \$0.14 and Non-GAAP Diluted EPS of \$0.15**
- **Improved outlook due to expected revenue recovery of airMAX**

SAN JOSE, Calif., Nov. 8, 2012 (GLOBE NEWSWIRE) -- Ubiquiti Networks, Inc. (Nasdaq:UBNT), a next-generation communications technology company, today announced results for the first quarter of fiscal 2013, ended September 30, 2012.

For the first quarter of fiscal 2013, Ubiquiti reported revenues of \$61.5 million, a decrease of 22% compared to revenues of \$79.2 million for the same period the prior year.

For the first quarter of fiscal 2013, GAAP net income was \$13.2 million, a decrease of 39% compared to GAAP net income of \$21.5 million for the same period the prior year. Non-GAAP net income was \$13.6 million, a decrease of 37% compared to \$21.7 million for the same period last year.

The following table reconciles GAAP net income to non-GAAP net income and weighted-average shares used in computing net income per share of common stock-diluted to weighted-average shares used in computing non-GAAP Diluted EPS:

**Three Months Ended**  
**September 30,**  
**2012                  2011**  
 (in thousands, except per  
 share data)  
 (unaudited)

Net income	\$ 13,179	\$ 21,493
Stock-based compensation, net of taxes	393	211
Non-GAAP net income	\$ 13,572	\$ 21,704
Weighted-average shares used in computing net income per share of common stock- diluted	92,925	62,717
Weighted-average dilutive effect of stock options and restricted stock units	—	3,877
Weighted-average shares of Series A preferred shares outstanding	—	26,873
Weighted-average shares used in computing non-GAAP diluted EPS (1)	92,925	93,467
Non-GAAP diluted EPS (1)	\$ 0.15	\$ 0.23

(1) Non-GAAP Diluted EPS is calculated using non-GAAP net income excluding stock-based compensation, net of taxes and weighted-average shares outstanding as if Series A preferred stock is treated as common stock for the periods presented.

"Profitability, although down, has still remained strong with a 27% operating margin, \$0.15 earnings per share, and approximately \$14 million of non-GAAP net-income, reflecting the robust fundamentals of our strong business model. We have made significant legal and operational infrastructure improvements that have resulted in a series of anti-counterfeit successes, decreased lead times, and a return of stronger order flow," said Robert J. Pera, Founder and Chief Executive Officer of Ubiquiti Networks. "Ubiquiti is not just about our AirMax wireless Internet distribution system. With our new product categories now accounting for 25% of our business, and up approximately 500% year over year, we are a fully diversified Internet Protocol technology platforms company with exciting solutions for Wireless LAN (UniFi), Video Surveillance (AirVision), AirFiber (microwave backhaul), mFi (machine to machine communications), and EdgeMax (advanced routing). This company has a history of demonstrating an extraordinary ability to dynamically evolve and conquer challenges. And to this end, we have made fundamental changes to our infrastructure to ensure our long-term success."

The Company also announced that its Chief Financial Officer, John Ritchie, plans to leave the Company to pursue other opportunities. The Company has initiated a search for a new CFO. Mr.

Ritchie plans to remain with the Company through December 31, 2012 to ensure a seamless transition.

"I would like to extend my sincere thanks to John for his contributions to Ubiquiti and we wish him all the best in the future," said Pera.

### **Recent Highlights**

- In September, the Company released EdgeMax, a price/performance disruptive software and systems routing platform, offering what the company believes to be the world's first sub-\$100 router technology with greater than 1 million packet-per-second processing performance packed with powerful routing features.
- In October, AirFiber, the Company's microwave backhaul solution, won the 2012 Wireless Internet Provider Association product of the year award.
- AirVision, the Company's IP video surveillance platform has been re-architected and vastly upgraded with the release of the Company's AirVision 2.0 NVR and management software.

### **Business Outlook**

Ubiquiti currently believes the demand environment in its end markets supports the following forecast for the Company's fiscal second quarter ending December 31, 2012:

- Revenues of \$70 million to \$78 million
- GAAP Diluted EPS of \$0.18 to \$0.21
- Non-GAAP Diluted EPS of \$0.17 to \$0.20

### **Conference Call**

Ubiquiti Networks will discuss the Company's financial results by conference call at 2:00 p.m. PDT today. Instructions for listening to the conference call over the Web are available on the investor relations portion of UBIQUITI NETWORKS's website at [www.ubnt.com](http://www.ubnt.com).

### **About Ubiquiti Networks**

Ubiquiti Networks is a next-generation communications technology company bridging the digital divide between emerging and developed markets by fundamentally changing the economics and complexity of deploying high performance networking solutions in underserved and

underpenetrated markets globally. Our technology platforms focus on delivering industry-leading performance, compelling price-performing characteristics and an unparalleled user experience. For more information, visit <http://www.ubnt.com/>.

The Ubiquiti Networks, Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=10852>

### **Use of Non-GAAP Financial Information**

To supplement our condensed consolidated financial results prepared under generally accepted accounting principles, or GAAP, we use non-GAAP measures of net income and earnings per diluted share that are adjusted to exclude certain recurring costs, expenses and gains such as stock based compensation expense and the tax effects of these non-GAAP adjustments. In addition, our non-GAAP adjustments present shares of Series A preferred stock as if these shares had been converted to common stock throughout the periods presented. Reconciliations of the adjustments to GAAP results for the three months ended September 30, 2012 and 2011 are provided below. In addition, an explanation of the ways in which management uses non-GAAP financial information to evaluate its business, the substance behind management's decision to use this non-GAAP financial information, the material limitations associated with the use of non-GAAP financial information, the manner in which management compensates for those limitations, and the substantive reasons management believes that this non-GAAP financial information provides useful information to investors is included under "About our Non-GAAP Net Income and Adjustments" after the tables below.

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.

### **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", "anticipate", "believe", "estimate", "expect", "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 growth prospects, market positioning, potential of new technology platforms, effect of anti-counterfeit manufacturing processes, short and long term opportunities, 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, distributors inventory management practices and general economic conditions; impact of counterfeiting and our ability to contain that; 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; if we fail 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 and 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, 2012 and other filings filed with the U.S. Securities and Exchange Commission (the SEC), which are available at the SEC's website at [www.sec.gov](http://www.sec.gov). Copies may also be obtained by contacting Ubiquiti Networks' Investor Relations Department, or by email at [investor.relations@ubnt.com](mailto:investor.relations@ubnt.com) or Ubiquiti Networks' Investor Relations website at [www.ubnt.com](http://www.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. Ubiquiti Networks undertakes no obligation to update information contained in this press release. You should review our SEC filings carefully and with the understanding that our actual future results may be materially different from what we expect.

## **Ubiquiti Networks Inc.**

### **Condensed Consolidated Statement of Operations**

**(In thousands, except per share data)**

**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2012</b>	<b>2011</b>
Revenues	\$ 61,535	\$ 79,167
Cost of revenues	36,515	46,154
Gross profit	25,020	33,013
Operating expenses:		
Research and development	4,711	3,369
Sales, general and administrative	4,534	2,144
Total operating expenses	9,245	5,513
Income from operations	15,775	27,500
Interest expense and other, net	(86)	(634)
Income before provision for income taxes	15,689	26,866
Provision for income taxes	2,510	5,373
Net income	\$ 13,179	\$ 21,493
Preferred stock cumulative dividend and accretion of cost of preferred stock	—	(102,727)

Net income (loss) attributable to common stockholders—diluted	\$ 13,179	\$ (81,234)
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Net income (loss) per share of common stock:

Basic	\$ 0.14	\$ (1.30)
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Diluted	\$ 0.14	\$ (1.30)
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Weighted average shares used in computing net income (loss) per share of common stock:

Basic	90,970	62,717
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Diluted	92,925	62,717
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## Ubiquiti Networks Inc.

### Reconciliation of GAAP Net Income to Non-GAAP Net Income

(In thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,	
	2012	2011
Net income	\$ 13,179	\$ 21,493
Stock-based compensation:		
Cost of revenues	81	6
Research and development	266	116
Sales, general and administrative	309	229
Tax effect of stock-based compensation	(263)	(140)
Non-GAAP net income	\$ 13,572	\$ 21,704
Non-GAAP diluted EPS (1)	\$ 0.15	\$ 0.23
Weighted-average shares used in non-GAAP diluted EPS	92,925	93,467

(1)

(1) Non-GAAP Diluted EPS is calculated using non-GAAP net income excluding stock-based compensation, net of taxes and weighted-average shares outstanding as if Series A preferred stock is treated as common stock for the periods presented.

## Ubiquiti Networks, Inc.

### Reconciliation of Weighted-Average Shares Used in Computing Net Income (Loss) Per Share of Common Stock-Diluted to Weighted-Average Shares Used In Computing Non-GAAP Diluted EPS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,	
	2012	2011
Weighted-average shares used in computing net income(loss) per share of common stock- diluted	92,925	62,717
Add back:		
Weighted-average dilutive effect of stock options and restricted stock units	—	3,877
Weighted-average shares of Series A preferred shares outstanding	—	26,873
Weighted-average shares used in computing non-GAAP diluted EPS	92,925	93,467

## Ubiquiti Networks Inc.

### Condensed Consolidated Balance Sheets

(In thousands, except share amounts)

(Unaudited)



	September 30, 2012	June 30, 2012 <sup>(1)</sup>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 132,486	\$ 122,060
Accounts receivable, net	60,877	75,644
Inventories	7,632	7,734
Current deferred tax asset	882	882
Prepaid expenses and other current assets	2,428	1,577
Total current assets	204,305	207,897
Property and equipment, net	5,042	4,471
Long-term deferred tax asset	232	232
Other long-term assets	1,577	1,136
Total assets	\$ 211,156	\$ 213,736
<b>Liabilities, Convertible Preferred Stock and Stockholders' Deficit</b>		
Current liabilities:		
Accounts payable	\$ 25,465	\$ 26,450
Customer deposits	384	235
Deferred revenues	798	805
Income taxes payable	3,284	946
Debt – short-term	5,008	6,968
Other current liabilities	10,031	17,031
Total current liabilities	44,970	52,435
Long-term taxes payable	7,727	7,727
Debt – long-term	44,843	22,623
Total liabilities	97,540	82,785
Stockholders' deficit:		

Common stock	89	92
Additional paid-in capital	129,725	128,981
Treasury stock	(100,770)	(69,515)
Retained earnings	84,572	71,393
Total stockholders' deficit	113,616	130,951
Total liabilities, convertible preferred stock and stockholders' deficit	\$ 211,156	\$ 213,736

(1) Derived from audited consolidated statements as of and for the year ended June 30, 2012.

### Ubiquiti Networks Inc.

### Revenue by Product Category and Geographical Area

(In thousands)

(Unaudited)

### Three Months Ended September 30,

2012

2011

### Revenue by Product Category

AirMax	\$ 32,057	\$ 49,835
New platforms	15,628	2,734
Other systems	3,784	12,765
Total systems	51,469	65,334
Embedded radio	1,714	3,225
Antennas/other	8,352	10,608
Total revenues	\$ 61,535	\$ 79,167

### Revenue by Geographical Area

North America	\$ 20,361	\$ 24,941
South America	10,243	19,835
Europe, the Middle East and Africa	23,144	24,783
Asia Pacific	7,787	9,608
Total revenues	\$ 61,535	\$ 79,167

## About our Non-GAAP Net Income and Adjustments

### Use of Non-GAAP Financial Information

To supplement our condensed consolidated financial results 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 recurring costs, expenses and gains.

We believe that the presentation of non-GAAP net income and non-GAAP earnings per diluted share provides important supplemental information regarding non-cash expenses, significant recurring items that we believe are important to understanding our financial, and business trends relating to our financial condition and results of operations. 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 and/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.

### Use and Economic Substance of Non-GAAP Financial Measures used by Ubiquiti Networks

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 recurring stock-based compensation expense and the tax effect of these adjustments. In addition, our non-GAAP diluted

earnings per share is calculated using weighted-average shares outstanding as if Series A preferred stock outstanding had been converted to common stock throughout the periods presented. Examples of items excluded from net income are:

- Recurring charges and gains, including:
  - Stock-based compensation expense is recognized in accordance with FASB Accounting Standards Codification, Topic 718, Stock Compensation.
- Tax effect of non-GAAP adjustments. After adjusting to exclude the items described above, we apply the principles of ASC 740, Income Taxes, to estimate the non-GAAP income tax provision.

### 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 tables captioned "Reconciliation of GAAP Net Income to non-GAAP Net Income" and "Reconciliation of Weighted-Average Shares Used in Computing Net Income (Loss) Per Share of Common Stock-Diluted to Weighted-Average Shares Used In Computing Non-GAAP Diluted EPS" included in this press release.

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Ubiquiti Networks, Inc.

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