# Ambarella, Inc. (AMBA)

**The near-term investment case materially weakened despite record revenue**

FQ3 2027 Earnings Review
Period ended 2026-10-31
Reported 2026-11-24

## 1 | KEY RESULTS VS. CONSENSUS

| Metric | Reported | Consensus | vs. Cons. |
|---|---|---|---|
| Revenue | $115.2 million | $119.7 million | -3.8% |
| Operating Income (adjusted; vs. year ago) | ~$10.9 million | ~$10.7 million | |
| Net Income (adjusted; vs. Q2) | $12.7 million | $8.2 million | +54.9% |
| Diluted EPS (adjusted) | $0.28 | $0.31 | -9.7% |

## 2 | GUIDANCE AND OUTLOOK

Q4 revenue guidance of $70 million to $75 million implies a 35% to 39% sequential decline, versus normal mid-single-digit seasonality. Adjusted gross margin is guided to 59% to 60.25%, with adjusted operating expenses of $57.5 million to $59.5 million. Implied FY2027 revenue growth is only 0.8% to 2.0%, versus the original 10% to 15% framework. Management expects FY2028 growth despite unchanged memory conditions, with a weak 1H and new-product contributions in 2H; CV8 production revenue is expected in 2H FY2028.

## 3 | EARNINGS ANALYSIS

**CONSUMER WEAKNESS UNDERMINES RECORD SALES.** Revenue increased 6.2% year over year and 6.6% sequentially, but consumer IoT declined during its seasonally strongest quarter. Enterprise IoT and automotive broadly met expectations. Revenue was marginally above the lower boundary of the $115 million to $124 million guidance range. Growth slowed from 16.9% in Q1 and 13.2% in Q2. The consumer decline and subsequent order reductions show the slowdown is not simply a statistical base effect.

**TAX BENEFITS FLATTER EARNINGS GROWTH.** Adjusted operating income increased only approximately 1.6% year over year. Approximately 75% of the adjusted net-income improvement came from a lower tax provision. GAAP net loss was $12.7 million. The reconciliation to adjusted profit included $24.2 million of stock-based compensation and $1.2 million of acquisition-related costs. Stock compensation represented approximately 21% of revenue and exceeded adjusted net income and free cash flow. Adjusted diluted weighted-average shares increased approximately 1.9% year over year. Adjusted earnings remain an incomplete measure of shareholder economics.

**STABLE MARGINS CANNOT ABSORB CONTRACTION.** Adjusted gross margin was 59.5%, up from 59.3% sequentially but below 60.9% a year earlier. The principal near-term problem is customers' inability or unwillingness to build end products, not a disclosed collapse in chip gross margins. Broadly unchanged Q4 expenses cannot offset the severe revenue contraction; management's assumptions imply substantial non-GAAP losses. Management is preserving VLSI and algorithm investment; discretionary spending remains under review, with no action yet taken and no quantified savings target announced.

**LIQUIDITY BUYS DEVELOPMENT TIME.** Operating cash flow was $15.5 million, capital expenditure $2.1 million and free cash flow $13.4 million. Some cash improvement reflected investment timing. Cash and marketable securities rose sequentially to $282.8 million but remained below year-earlier levels. Receivables increased disproportionately to sales, with DSO rising from 32 days to 47 days. Inventory declined from $76.9 million to $61.4 million. These movements do not establish collection problems or that downstream channel inventories are clean.

**RECOVERY REQUIRES PRODUCTION PROOF.** CV72 and CV75 are in substantial production ramps; CV7 generated initial production revenue. New products, not deferred orders, dominate the recovery thesis. Customers prioritize their highest-value products for memory, but design wins do not establish firm unit commitments or successful launch economics. Management did not quantify backlog or long-term agreement coverage. Consumer shortages can destroy demand when products miss selling seasons. The technological opportunity remains credible, but earnings recovery is substantially more conditional. Shipment conversion, customer memory access and realized cash generation matter more than product announcements.

## 4 | KEY READ-THROUGHS

### MARGIN COMPRESSION AND LOST SELLING SEASONS

*Insta360 (688775), GoPro (GPRO) | Negative | Potentially material for profitability and working capital*

Higher replacement-cost memory compresses hardware margins or forces production cuts; missing a selling season can permanently eliminate revenue. Insta360 inventory rose to approximately RMB7.15 billion from RMB2.92 billion, providing potential supply protection but tying up cash. The negative is cash conversion and replenishment economics, not an assumed sales collapse. GoPro's pending transaction can dominate its equity response. Neither company was identified as responsible for Ambarella's order reductions. The timing depends on company-specific inventory protection.

### DOWNSTREAM DEMAND DESTRUCTION DOES NOT YET INVALIDATE UPSTREAM PRICING POWER

*Micron (MU), SK hynix (000660), Samsung (005930) | Positive for memory pricing and near-term earnings resilience, with a negative longer-term qualification from customer demand destruction | Substantial at the memory-business level*

Scarce memory is allocated toward better-paying AI and server applications, supporting producer prices and mix even as consumer-device output falls. Ambarella's 59% to 60.25% adjusted gross-margin guidance distinguishes downstream production constraints from collapsing chip prices. Micron and SK hynix offer more concentrated exposure; Samsung also has vulnerable device businesses. Persistent cancellations and memory-efficient redesigns ultimately qualify the pricing argument. Supply released by weaker consumer demand can be absorbed by AI demand.

### PRODUCTION SHIPMENTS PROVIDE A STRONGER SIGNAL

*Sensata (ST) | Positive | Likely small for consolidated earnings initially*

Sensata is in mass production with a CV22-based 360-degree AI camera for heavy equipment, evidence of commercialization rather than a prospective pipeline. Local AI adds safety and monitoring functionality. However, price premiums and unit volumes were not disclosed. Against approximately $1 billion of quarterly revenue, the unquantified camera ramp does not justify a significant consolidated earnings revision. Industrial demand can survive delays better than seasonal devices, but memory shortages still constrain production.

### DEPLOYMENT COMPLEXITY CREATES REVENUE OPPORTUNITIES

*Macnica (3132), Capgemini (CAP) | Positive | Limited near-term consolidated earnings impact*

Macnica's pipeline of 30 opportunities can convert technical design support into distribution revenue; Capgemini can capture engineering and integration work. No awarded service contracts, fee structures or revenue-recognition terms were disclosed. The projects cannot independently move Capgemini's approximately €6.1 billion quarterly revenue forecast. The prior indication of approximately 2 to 3 years for meaningful indirect-channel revenue remains the financial horizon. Macnica's non-exclusive agreement offers access, not minimum purchases or guaranteed revenue.

Prepared from the company's earnings release and earnings call transcript. Figures as reported by the company. For information only. Not investment advice.