11 - 10 - 2026

Ambiq Micro

Ambiq Micro's Third Quarter 2026 Financial Results

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CORPORATE SPEAKERS:

Charlene Wan
Ambiq Micro, Inc.; Vice President of Corporate Marketing, Vice President of Investor Relations

Fumihide Esaka
Ambiq Micro, Inc.; Chief Executive Officer, Director

Jeffrey Winzeler
Ambiq Micro, Inc.; Chief Financial Officer

Scott Hanson
Ambiq Micro, Inc.; Founder, Chief Technology Officer, Director

PARTICIPANTS:

Liam Pharr
Bank of America Securities; Equity Research Analyst

Tore Svanberg
Stifel; Managing Director, Senior Analyst

Unidentified Participant
Unknown; Unknown

PRESENTATION:

Operator^ Good morning. And welcome to the Ambiq Micro Third Quarter 2026 Earnings Conference Call. As a reminder, this conference call is being recorded. (Operator Instructions). I'd now like to turn the call over to Ms. Charlene Wan, Ambiq's Vice President of Corporate Marketing and Investor Relations. Please go ahead.

Charlene Wan^ On today's call Ambiq CEO Fumihide Esaka will provide an overview of the company's performance and strategy. CFO Jeff Winzeler will then discuss the quarter's financial results and outlook. Following their remarks, Scott Hanson, Ambiq's founder and CTO, will join Humi [ph] and Jeff for Q&A.

Our earnings release is available on the Investor Relations page of our website at www.ambiq.com. We have also posted our earnings presentation on the Investor Relations section of our website.

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Before I turn the call over to Humi [ph], I'd like to remind our listeners that during the course of this conference call management will discuss non-GAAP financial measures. Reconciliations of these non-GAAP measures to their most directly comparable GAAP measures are included in our earnings release available on the company's Investor Relations website.

In addition, today's call will contain forward-looking statements representing management's beliefs and assumptions only as of the date made. Our most recent annual report on Form 10-K and other filings with the SEC provide more information on specific risks that may cause the actual results to differ materially from current expectations. And now it's my pleasure to turn the call over to Ambiq's CEO, Humi [ph] Esaka.

Fumihide Esaka^ Good morning everyone. And thank you for joining us. Third quarter results reflect the growing momentum in our business with net sales up 110% year-over-year, marking our sixth consecutive quarter of sequential growth.

Based on the demand we are seeing today, we expect growth to accelerate in the fourth quarter and remain strong into next year. This momentum reflects a fundamental shift toward greater edge AI adoption and increasingly sophisticated AI capabilities, giving us confidence in the scale and durability of the opportunity ahead. Net sales growth was broad-based across customers, product families, and form factors with increases in both volume and ASP.

Three factors drove this performance. First, healthy end-user demand supported continued growth from existing customer programs. Second, we saw a strong response to our customers' new product launches which incorporate more advanced edge AI capabilities across smart watches, displayless bands, and rings.

And third, we continued to add and scale new customers. seven customers generated more than $1 million each in net sales this quarter, up from three a year ago. And we grew our total active customer base by approximately 50% year-over-year.

With lean inventory across channels and continued expedite requests, we are confident that the demand reflects underlying end market consumption rather than inventory replenishment. Importantly, our visibility into customer forecasts and strong supply chain relationships helped us secure the capacity needed to meet growing demand in a supply-constrained environment.

Looking ahead, we see strong customer order activity and expect a meaningful step-up in fourth quarter net sales. As a result, we expect to deliver approximately $140 million in net sales for the full year 2026, nearly doubling from 2025.

We are positioned for another year of strong growth in 2027 and believe we are still in the early stages of a significant multiyear shift toward intelligence at the edge. Advances in model efficiency are enabling more sophisticated AI on a growing range of devices, improving responsiveness and privacy while reducing reliance on connectivity and cloud compute.

Unlike cloud AI, the edge AI opportunity builds on a vast existing infrastructure and edge device unit volume with growth driven by more intelligent devices and increasing compute requirements per device.

As that shift accelerates, ultra-low power compute becomes increasingly critical, exactly what our SPOT platform was designed to enable. We are translating that opportunity into commercial momentum today while investing to expand our addressable opportunity over time.

On the hardware side, we continue to scale our newest platforms from design wins to commercial deployment. Apollo330 Plus and Apollo510 Lite are gaining traction across a broad range of applications from wearables and smart glasses to hearing assist, medical monitoring, smart pens, and industrial remote monitoring.

We are encouraged by the breadth of customer engagement and remain on track for the first customer devices based on these platforms to reach the market in early 2027. On the software side, we have launched or significantly enhanced seven AI software products this year, strengthening our differentiation and helping customers accelerate development.

In addition to providing tools that enable customers to develop their own AI models, we are now developing our own AI models for customers' use. This quarter, a customer began deploying the first Ambiq-developed AI model for a voice-based use case.

We see this as an important validation of our AI capabilities and an opportunity to broaden our reach, particularly among customers without extensive in-house AI resources. Importantly, our hardware and software innovation is already translating into greater revenue diversification.

We remain on track to double revenue outside of wearables this year with these customers expected to represent a mid-single-digit percentage of total revenue in 2026. Given the longer design cycles in these markets, we expect the revenue contribution to build over time. Non-wearables are expected to remain in the mid-single digits as a percentage of revenue in 2027 before stepping up to low double digits in 2028.

We also see additional upside from there as we secure new design wins across the Apollo3 and Apollo5 families, while the planned launch of Apollo340 in 2027 is expected to expand our addressable opportunity further.

Infrastructure monitoring is one emerging opportunity where we see a strong fit for our technology. These applications increasingly require always-on sensing and AI at the edge to monitor buildings and critical equipment. They also operate within stringent power constraints, playing directly to Ambiq's strengths in ultra-low power compute and on-device AI.

We recently secured a design win with a leading global provider of cloud-based physical security solutions for an AI-enabled glass break detection sensor. The design uses both the Apollo hardware platform and the HELIA AI software platform. Importantly, this customer has a broad portfolio across physical security, access, and building management, creating opportunities to expand into additional applications over time.

We have also partnered with an industrial AI company whose asset performance and predictive maintenance solutions are deployed with some of the largest U.S. energy operators. These engagements are on track to begin contributing to revenue in 2027.

Importantly, they provide early validation of the opportunity to bring intelligent ultra-low power sensing to a much broader range of infrastructure assets. Looking ahead, we expect Apollo340 to accelerate our diversification across medical, industrial, and smart building markets.

Its combination of SPOT power efficiency and edge AI performance provides a lower cost, compact, and easier to deploy platform. This expands the range of applications and customers we can address. And by supporting reference designs, modules, and ecosystem partners, we can reach that broader customer base more efficiently. Turning to our next-generation product roadmap.

Atomiq110 remains on track for tape-out by year-end with customer sampling expected in the first quarter of 2027. Customer engagement is already underway through early development platforms, allowing us to incorporate valuable feedback ahead of silicon.

Atomiq120 will build on the same architecture and 12-nanometer SPOT platform, extending the family to more compute-intensive applications including vision. Apollo340 is also expected to begin customer sampling in 2027.

In closing, we delivered another strong quarter with accelerating demand across the business. Our customer base and design funnel continue to expand and diversify as growing AI adoption is increasing the need for ultra-low power compute.

With our differentiated technology and expanding portfolio, we believe Ambiq is well positioned to capture that opportunity. We remain focused on executing against the demand in front of us while investing to extend our leadership over the long term. With that, I will turn it over to Jeff to cover the financials.

Jeffrey Winzeler^ Thank you, Humi [ph]. And good morning, everyone. Our strong top line performance translated into growth in gross profit which more than doubled year-over-year and grew faster than net sales.

This reflects the impact capturing the increasing value we provide to our customers through our differentiated SPOT platform, an active focus on reducing product costs, and scaling the business. Turning to the details of our third quarter financial results. Net sales were $38.1 million, increasing 110% year-over-year.

This was driven by strong volume growth, along with a higher ASP as our product mix continued to shift toward more advanced solutions. During the quarter, we continue to see the benefits of customer diversification with sales outside our major customers increasing more than 270% year-over-year.

Sales to end customers in China represented 17.3% of total net sales compared to 6.7% in the prior year period. This reflects continued expansion within our existing high-value customer base in China. Non-GAAP gross profit increased 128% year-over-year to $18.6 million.

Non-GAAP gross margin was 48.7%, up 390 basis points year-over-year. While we continue to see higher input and supply chain costs during the quarter, our focus on manufacturing efficiencies is helping to offset these pressures.

At the same time we are realizing greater value from SPOT as we enable increasingly sophisticated AI capabilities. Turning to operating expenses. Non-GAAP R&D was $13.1 million, up 90.1% year-over-year, reflecting investments necessary to support multiple product development programs currently underway.

Non-GAAP SG&A was $9.6 million, up 53.8% year-over-year, driven by higher compensation-related and public company costs as we continue to scale the business. Third quarter non-GAAP net loss was $1.2 million, a $2.8 million improvement year-over-year. Non-GAAP net loss per share was $0.05 based on 24.3 million average shares outstanding.

Our balance sheet remains strong with $363.5 million of cash and cash equivalents and no debt. Looking ahead, customer forecasts and order activity provide clear visibility into accelerating demand.

And despite tighter supply conditions, we remain confident in our ability to support customers and execute against the opportunities ahead. For the fourth quarter, we expect net sales in the range of $43.5 million to $44.5 million, positioning us for our seventh consecutive quarter of net sales growth. Non-GAAP gross margin is expected to be roughly flat with 3Q as manufacturing efficiencies and product mix helped to offset increased supply chain cost pressures.

We expect fourth quarter non-GAAP operating expense of $25.5 million to $26.5 million, inclusive of $0.5 million of IP spending in addition to other variable costs associated with the Atomiq110 and Apollo340 tape-outs.

Finally, we expect a non-GAAP loss per share of $0.09 to $0.03 based on a weighted average share count of 24.6 million shares outstanding. Stepping back, our performance this year has significantly exceeded the expectations we set at the beginning of 2026.

Based on our fourth quarter outlook, we now expect full year net sales of approximately $140 million compared to our initial expectation of more than $100 million. We also expect gross margin to expand by almost 300 basis points year-over-year, well ahead of our initial expectation for modest improvement. With that, I'll turn the call back to Humi [ph] before we open the line for Q&A.

Fumihide Esaka^ Thank you, Jeff. We have strong momentum across the business and remain focused on delivering for our customers, advancing our product roadmap, and delivering long-term growth.

With our differentiated technology and expanding portfolio, we believe Ambiq is well positioned to capture the significant opportunity ahead. With that, I will open the call to questions. Operator, please go ahead.

QUESTION & ANSWER:

Operator^ (Operator Instructions). Your first question comes from the line of Liam Pharr from Bank of America.

Liam Pharr^ I wanted to start by -- in August, you said supply would limit sales in both 3Q and 4Q. The 4Q guide is now up about $6 million. Is 4Q still supply limited? Or is capacity caught up with demand? And if it is still limited, roughly how much unfilled demand do you think carries into the first half of 2027?

Fumihide Esaka^ We do still have certain demand that we couldn't completely fill, but I believe that we will be able to support all the customers with a minimum quantity that we needed. Our demand continued to be strong. And like I said in the last quarter, we can meet most of the demand as long as within a certain lead time.

Again, in 4Q, we had a little bit of a short lead time upside in the demand. And those are the things that we couldn't provide so that we believe that we have been able to work with our supply chain partners to provide product they need within a certain like lead time range.

So to answer your question, yes, we have to leave some demand unfilled because that upside came in with such a short lead time. But besides that, our supply chain partner has helped us to deliver as much as our customer needs. So I hope that answers the question.

Scott Hanson^ And if I could just add one thing. In a couple of cases, we were able to use expedites to bring in some of the orders. So that was a positive thing, but that's not always something that we can count on.

But I would say that this was -- it's a very dynamic environment. The team has been working very closely with the various suppliers. We've been working on reducing test times and increasing throughputs and so forth. So I think we've done a lot.

Fumihide Esaka^ And expedite, we do owe a lot to our supply chain partners because usually, they just can't -- they are sold out as well. So they've done way beyond what they need to do to help us out.

Liam Pharr^ Amazing. And for my follow-up, 3Q OpEx was a little bit below the initial guide. Did any tape-out or IP spending move from 3Q into 4Q? And how should we think about OpEx going into 2027 to support all of your different product ramps, especially thinking about Atomiq in 2028?

Jeffrey Winzeler^ Yes. So the answer to your question is, yes, some of our spending has slipped into 3Q and 4Q. We saw some of that upside in 3Q in OpEx as we just reported, and our guide for Q4 shows that continuing to increase.

Now that said, that the primary driver behind those things are variable costs like IP spending and tape-out costs associated with Atomiq110 and with Apollo340. In terms of looking forward into 2027, I think it's too early to really guide in terms of what our run rate of spending is going to be for next year. We're in the process of doing our annual operating plan right now. So we'll come back to you at a future time and give you some insight in terms of what that looks like.

Operator^ Your next question comes from the line of Tore Svanberg from Stifel.

Tore Svanberg^ And congratulations on the results. Humi [ph], I was hoping you could talk a little bit more about the diversification. I think you said your non-wearable customer -- I mean

your -- sort of your larger customers, I think you grew almost 300%. So can you maybe highlight some potential applications there and use cases?

Scott Hanson^ Why don't -- I can step in and talk about that, Tore. So actually, there was one that I believe we highlighted already which is a glass break sensor and security system. This is what I think is kind of a bellwether opportunity within the broader infrastructure monitoring markets. And think of that being smart home-related, industrial related, and we've got a number of different customers doing that.

So in the past, we've talked about one company doing machine health monitoring using anomaly detection and local AI models. And we actually just had another win related to that recently. And so if you look broadly at infrastructure monitoring, whether it's monitoring the smart grid or monitoring security in a home or security in a building, we see that as a really healthy and growing space.

On the medical side or let's call it, digital health side, we're seeing a lot of opportunity as well. So we've talked about this in the past, but our portfolio of wins keeps growing there. It's everything from EEG monitors to Parkinson's detection monitors to blood glucose monitors and heart monitors, Holter monitors, these sorts of things. So a lot of really interesting use cases there. So those are the two that I'll highlight right now which I see as being nice contributors in the coming years.

Tore Svanberg^ Very good. And as my follow-up, I think you also gave us a number for non-wearables. I think you said maybe double digits by calendar '28. Maybe a related question, what would that percentage look like if we assume customers that are buying both hardware and software and also those customers that are buying hardware, software, and your AI models? Like what percentage could that potentially be by 2028?

Scott Hanson^ Well what I'll say is that the percentage could go up. I think it's too early to quantify that. But maybe the key takeaway, I'm really glad you keyed in on the sale of the software, the AI model to the customer that was mentioned because that is a big moment for the company.

It's kind of, let's call it, immaterial right now in terms of contribution to revenue, but it has a potential to be significant. So we see that as a proof point. We're going to continue to pursue design-ins and design wins.

I would say I think your intuition is right that a lot of the big opportunities for that type of product lie outside of our main customers. Our biggest customers are very capable of doing a lot of that development themselves.

And so as we start looking at some of these non-wearables opportunities, that's the place where we can contribute value by building and selling AI models. So we'll report more on that in future quarters, but I think you're right to think that, that becomes additive to that 2028 non-wearables contribution.

Operator^ (Operator Instructions). Your next question comes from the line of Kevin Garrigan from Jefferies.

Unidentified Participant^ This is Amritha [ph] for Kevin Garrigan. First of all, congrats on the results. And secondly, so you're expecting another strong growth year in 2027. Can you give us a sense of what you are thinking in terms of contribution from unit growth versus higher ASPs and new products?

Fumihide Esaka^ So our customer projection continue to be extremely strong even into 2027 from both quantity-wise and also now that a lot of customers moving towards Apollo5, so ASP is going up. So a mixture of quantity and price are both being healthy.

However it is too early for us to give you really specific numbers, and we'll be giving you guys those forecast in 2027 Q1 earnings call. But what I can see right now is still very strong demand coming from all the existing customer as well as a new customer that we just adopted. So we're very optimistic that 2027 is going to be another great year for us.

Unidentified Participant^ Okay. Got it. And then another follow-up, another question. So last quarter, constraints existed across wafers, substrates, packaging, and test. And there still seems like there's a supply chain crunch today. So for you guys which part of the supply chain remains the bottleneck? And where have you secured meaningful incremental capacity?

Fumihide Esaka^ Like I said in the past, supply chain constraint comes in when customers give us such a really short lead time where like sometimes it's not really easy for us to work with our supply chain partners. But you see our growth from Q2, Q3, Q4, our supply chain partner has been helping us to meet most of the demand with reasonable lead time. So we believe that we will continue to do so in 2027.

Operator^ We have reached the end of the Q&A session, and this concludes today's call. Thank you for attending. You may now disconnect.