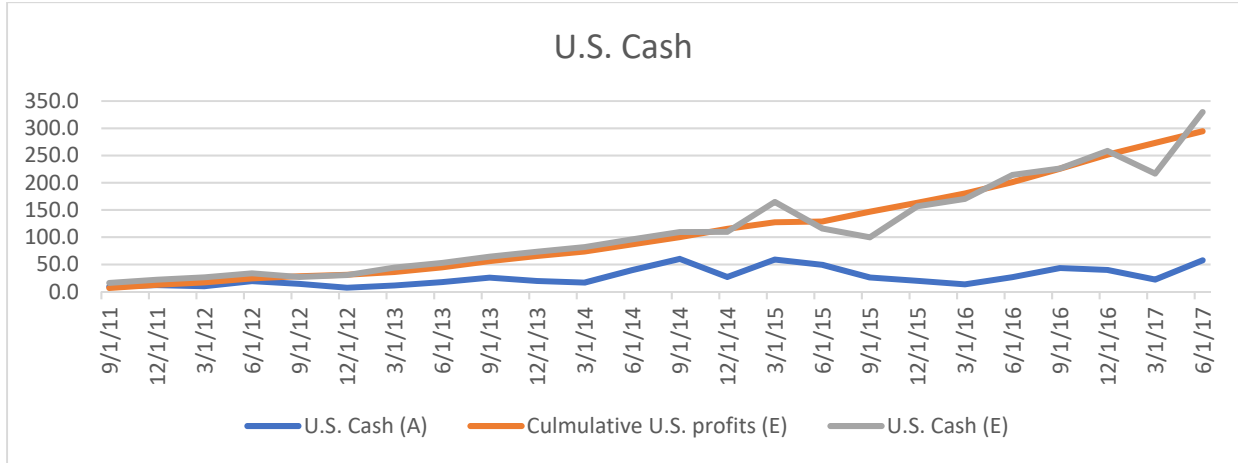


U.S. Cash Mystery

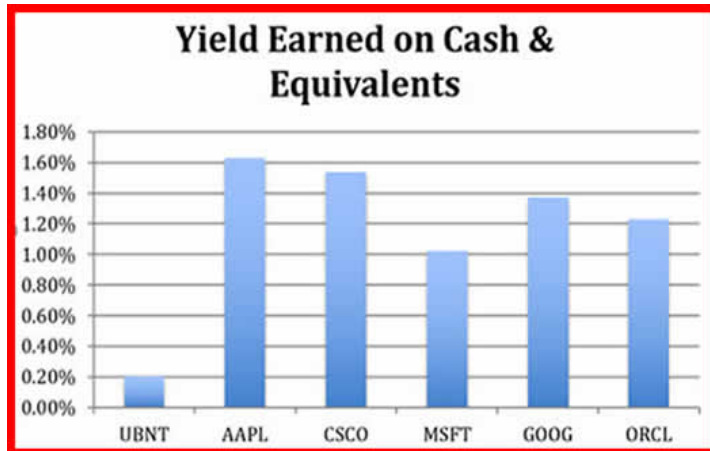
Since its IPO ~25-35% of UBNT’s revenue has been in the U.S. and the company has been profitable every quarter as a public company. UBNT does not disclose any profit or EBIT margins by region. However, simply assuming the overall company profit margin is the same for U.S. revenue results in the cumulative U.S. Profit line (orange in graph below). The green line includes adjustments for buybacks (done with U.S. cash), dividends, and debt issuances. This won’t be exact, but U.S. cash should be in this ballpark. The chart below shows it’s not:



The only explanation for this would be much lower profit margins in the U.S. for Ubiquiti. This is unlikely; in fact, profit margins in the U.S. should be much higher because Ubiquiti manufactures its product outside the U.S. and most of its employees are outside the U.S.

Interest Income Mystery

Ubiquiti holds \$550 million in cash outside the U.S. Yet, somehow Ubiquiti earns only 0.2% on this cash. This is much lower than peers:



The 3-month treasury yields 0.95%. How can Ubiquiti earn only 20 basis points on its dormant cash? This lack of interest income bears resemblance to many of the chinese RTOs.