



UBIQUITI NETWORKS, INC. (NSDQ: UBNT)



January 9, 2019

#### Company Profile:

Ubiquiti Networks, Inc. develops networking technology for service providers, enterprises, and consumers. It focuses on three principal technologies, including high-capacity distributed Internet access, unified information technology, and consumer electronics for home and personal use. The company's service provider product platforms offer carrier-class network infrastructure for fixed wireless broadband, wireless backhaul systems, and routing; and enterprise product platforms provide wireless LAN infrastructure, video surveillance products, switching and routing solutions, security gateways, and other WLAN products, as well as offers consumer products under the Ubiquiti Labs brand name. Its proprietary products and solutions include radios, antennas, software, communications protocols, and management tools to deliver wireless broadband access and other services. The company also provides technology platforms, such as airMAX platform, which include proprietary protocols that contain technologies for minimizing signal noise; EdgeMAX, a disruptive price-performance software and system routing platform; airFiber, a point-to-point radio system; and UFiber GPON platform to build high speed fiber Internet networks. In addition, it offers UniFi Enterprise WLAN; UniFi Video, a video surveillance system; UniFi Switch that deliver performance, switching, and PoE+ support for enterprise networks; and UniFi Security Gateway that provide routing and network security, as well as develops AmpliFi platform, a Wi-Fi system solution for connected homes. Further, Ubiquiti Networks, Inc. offers embedded radio products; and mounting brackets, cables, and power over Ethernet adapters. It serves customers through a network of approximately 100 distributors and online retailers worldwide. The company was formerly known as Pera Networks, Inc. and changed its name to Ubiquiti Networks, Inc. in 2005. Ubiquiti Networks, Inc. was incorporated in 2003 and is headquartered in New York, New York.

<u>Key Statistics</u>	
Market Cap	7.37B
Enterprise Value	7.27B
Revenue [TTM]	1.05B
Net Income [TTM]	207.07M
Dividend Yield	1%
Historical Volatility	24.5%
Beta [5 year]	1.17

#### Investment Thesis:

The Founder & CEO retains the vast majority of its shares – around 70%. His approach is to disrupt the market by selling superior products for a price significantly below the competition's price – in all the markets in which it competes.

But what makes Ubiquiti unusual is that while most other companies that undercut existing markets with disruptive pricing struggle to turn a profit... But not Ubiquiti - it makes money... lots of it.

The company's innovative technology broke the world record for a five-gigahertz Wi-Fi link of 190 miles in Italy in 2007. But what made this product truly disruptive was its **price**. Ubiquiti sold its wireless Internet equipment for as much as **10 times cheaper** than its competitors.

Unlike many fast-growing companies – it is incredibly **profitable**. Its profit margins are around 30%. By comparison, Amazon's profit margins are around 2%. The average profit margin of the S&P 500 is only around 10%.

Ubiquiti's numbers are extraordinary. The company has 59 patents and another 130 pending.

#### Exit Strategy:

This is a long-term investment. We will use a dynamic trailing stop-loss derived from actual historical volatility in the security, to exit the position. As of this writing our stop is set at 24.5%. This means if the share price closes 24.5% below its high, we will sell the next day.