



Universal Electronics Reports Third Quarter 2015 Financial Results

November 5, 2015

- Fourth quarter 2015 financial guidance represents all-time highs in both net sales and EPS -

SANTA ANA, Calif.--(BUSINESS WIRE)--Nov. 5, 2015-- Universal Electronics Inc. (UEI), (NASDAQ:UEIC) reported financial results for the three and nine months ended September 30, 2015.

Paul Arling, UEI's Chairman and CEO, stated: "Our third quarter 2015 net sales represented 9% growth over the same quarter last year. We are just beginning to see the positive impacts of the rollout of advanced remote control technologies, and we anticipate it will continue building into our fourth quarter and beyond as our customers ramp into their new product releases. The world is changing as consumers require more advanced functionality and increased simplification, which is exactly where UEI excels as we help our customers provide devices and technologies that meet both requirements."

"We remain on plan with the integration of Ecolink Intelligent Technology, the acquisition which we announced on August 6, 2015. Ecolink is a leading provider of wireless security, sensing and home automation products and services. The acquisition provides us access to an exciting opportunity in the emerging and rapidly expanding smart home industry. We are currently working on several new products in this market, which we expect to introduce with our industry partners throughout 2016."

Adjusted Pro Forma Financial Results for the Three Months Ended September 30: 2015 Compared to 2014

- Net sales were \$160.5 million, compared to \$147.8 million.
 - Business Category revenue was \$148.6 million, compared to \$135.2 million. The Business Category contributed 92.6% of total net sales, compared to 91.5%.
 - Consumer Category revenue was \$11.9 million, compared to \$12.6 million. The Consumer Category contributed 7.4% of total net sales, compared to 8.5%.
- Gross margins were 26.9%, compared to 30.7%.
- Operating expenses were \$25.9 million, compared to \$28.9 million.
- Operating income was \$17.2 million, compared to \$16.4 million.
- Net income was \$11.8 million, or \$0.78 per diluted share, compared to \$12.9 million, or \$0.80 per diluted share.
- At September 30, 2015, cash and cash equivalents were \$64.3 million.

Adjusted Pro Forma Financial Results for the Nine Months Ended September 30: 2015 Compared to 2014

- Net sales were \$440.7 million, compared to \$423.9 million.
- Gross margins were 27.5%, compared to 29.7%.
- Operating expenses were \$81.5 million, compared to \$86.3 million.
- Operating income was \$39.8 million, compared to \$39.7 million.
- Net income was \$30.0 million, or \$1.89 per diluted share, compared to \$29.8 million, or \$1.85 per diluted share.

Bryan Hackworth, Senior Vice President and CFO, stated: "During the third quarter, we repurchased approximately 945,000 shares for \$44.4 million representing an average price of approximately \$47 per share. Looking ahead, we expect to continue to buy back our shares as the promising trends in our industry and our growing market position support our positive long-term outlook."

Financial Outlook

"Our fourth quarter 2015 financial guidance reflects the accelerated rollout of advanced remote control technologies among our customer base. As a result, we expect the fourth quarter will be the largest quarter in our long history in both net sales and earnings per share," stated Hackworth.

For the fourth quarter of 2015, the company expects net sales to range between \$159.0 million and \$167.0 million, compared to \$138.4 million in the fourth quarter of 2014. Adjusted pro forma earnings per diluted share for the fourth quarter of 2015 are expected to range from \$0.79 to \$0.89, compared to adjusted pro forma earnings per diluted share of \$0.70 in the fourth quarter of 2014.

Conference Call Information

UEI's management team will hold a conference call today, Thursday, November 5, 2015 at 4:30 p.m. ET / 1:30 p.m. PT, to discuss its third quarter 2015 earnings results, review recent activity and answer questions. To access the call in the U.S. please dial 877-843-0414 and for international calls

dial 315-625-3071 approximately 10 minutes prior to the start of the conference. The conference ID is 64007983. The conference call will also be broadcast live over the Internet and available for replay for one year at www.uei.com. In addition, a replay of the call will be available via telephone for two business days, beginning two hours after the call. To listen to the replay, in the U.S., please dial 855-859-2056 and internationally, 404-537-3406. Enter access code 64007983.

Use of Non-GAAP Financial Metrics

Non-GAAP gross margins, Non-GAAP operating expenses, and Non-GAAP net income and earnings per share are supplemental measures of the company's performance that are not required by, and are not presented in accordance with GAAP. The Non-GAAP information does not substitute for any performance measure derived in accordance with GAAP. Non-GAAP gross profit is defined as gross profit excluding cost of goods sold and depreciation expense related to the increase in inventories and fixed assets from cost to fair market value resulting from acquisitions. Non-GAAP operating expenses are defined as operating expenses excluding amortization of intangibles acquired, employee related restructuring costs, stock-based compensation expense, a court ordered award to a defendant in a lawsuit for a portion of its legal fees and acquisition related expenses. Non-GAAP net income is defined as net income from operations excluding the aforementioned items and the related tax effects. A reconciliation of Non-GAAP financial results to GAAP results is included at the end of this press release.

About Universal Electronics

Founded in 1986, Universal Electronics Inc. (UEI) is the global leader in wireless control technology for the connected home. UEI designs, develops, and delivers innovative solutions that enable consumers to control entertainment devices, digital media, and home systems. The company's broad portfolio of patented technologies and database of infrared control software have been adopted by many Fortune 500 companies in the consumer electronics, subscription broadcast, and computing industries. UEI sells and licenses wireless control products through distributors and retailers under the One For All® brand name. For additional information, visit our website at www.uei.com.

Safe Harbor Statement

This press release contains forward-looking statements that are made pursuant to the Safe-Harbor provisions of the Private Securities Litigation Reform Act of 1995. Words and expressions reflecting something other than historical fact are intended to identify forward-looking statements. These forward-looking statements involve a number of risks and uncertainties, including the company's ability to maintain and build its relationships with key customers; the company's ability to anticipate the needs and wants of its customers and timely develop and deliver products that will meet those needs and wants; the significant percentage of our revenues attributable to a limited number of customers, the timing of new product rollout orders from the company's customers as anticipated by management; the continued trend of the home entertainment industry in providing consumers with more advanced technologies; the successful integration of the Ecolink assets and business lines; the timely development, delivery and market acceptance of products and technologies such as home security, home automation, wireless sensors and other technologies identified in this release; the continued penetration and growth of next generation consumer technologies; management's ability to manage its business to achieve its revenue and earnings as guided; the continued ability to identify and execute on opportunities that maximize stockholder value, including the effects repurchasing the company's shares have on the company's stock value; and the other factors described in the company's filings with the U.S. Securities and Exchange Commission. The actual results the company achieves may differ materially from any forward-looking statement due to such risks and uncertainties. The company undertakes no obligations to revise or update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this release.

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share-related data)
(Unaudited)

| | September 30, 2015 | December 31, 2014 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 64,308 | \$ 112,521 |
| Restricted cash | 4,623 | — |
| Accounts receivable, net | 112,054 | 97,989 |
| Inventories, net | 112,998 | 97,474 |
| Prepaid expenses and other current assets | 6,462 | 6,856 |
| Income tax receivable | 56 | 77 |
| Deferred income taxes | 5,175 | 5,048 |
| Total current assets | 305,676 | 319,965 |
| Property, plant, and equipment, net | 89,060 | 76,135 |
| Goodwill | 43,381 | 30,739 |
| Intangible assets, net | 33,952 | 24,614 |
| Deferred income taxes | 6,643 | 6,146 |
| Other assets | 5,516 | 5,471 |
| Total assets | \$ 484,228 | \$ 463,070 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 90,762 | \$ 69,991 |
| Line of credit | 47,000 | — |

| | | |
|---|------------|------------|
| Accrued compensation | 32,782 | 40,656 |
| Accrued sales discounts, rebates and royalties | 6,491 | 8,097 |
| Accrued income taxes | 4,326 | 4,263 |
| Deferred income taxes | — | — |
| Other accrued expenses | 21,380 | 13,358 |
| Total current liabilities | 202,741 | 136,365 |
| Long-term liabilities: | | |
| Long-term contingent consideration | 11,200 | — |
| Deferred income taxes | 8,684 | 8,456 |
| Income tax payable | 566 | 566 |
| Other long-term liabilities | 1,976 | 2,062 |
| Total liabilities | 225,167 | 147,449 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.01 par value, 5,000,000 shares authorized; none issued or outstanding | — | — |
| Common stock, \$0.01 par value, 50,000,000 shares authorized; 23,100,243 and 22,909,884 shares issued on September 30, 2015 and December 31, 2014, respectively | 231 | 229 |
| Paid-in capital | 224,036 | 214,710 |
| Treasury stock, at cost, 8,601,895 and 7,008,475 shares on September 30, 2015 and December 31, 2014, respectively | (199,646) | (120,938) |
| Accumulated other comprehensive income (loss) | (11,842) | (4,446) |
| Retained earnings | 245,901 | 226,066 |
| Universal Electronics Inc. stockholders' equity | 258,680 | 315,621 |
| Non-controlling interest | 381 | — |
| Total stockholders' equity | 259,061 | 315,621 |
| Total liabilities and stockholders' equity | \$ 484,228 | \$ 463,070 |

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED INCOME STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|------------|---------------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net sales | \$ 160,467 | \$ 147,780 | \$ 440,723 | \$ 423,940 |
| Cost of sales | 117,658 | 102,665 | 320,225 | 298,721 |
| Gross profit | 42,809 | 45,115 | 120,498 | 125,219 |
| Research and development expenses | 4,134 | 4,210 | 12,664 | 12,606 |
| Selling, general and administrative expenses | 29,642 | 27,120 | 82,298 | 81,164 |
| Operating income | 9,033 | 13,785 | 25,536 | 31,449 |
| Interest income (expense), net | (16) | 66 | 198 | (21) |
| Other income (expense), net | (558) | (655) | (272) | (1,338) |
| Income before provision for income taxes | 8,459 | 13,196 | 25,462 | 30,090 |
| Provision for income taxes | 2,185 | 2,325 | 5,624 | 6,458 |
| Net income | 6,274 | 10,871 | 19,838 | 23,632 |
| Net income attributable to non-controlling interest | 3 | — | 3 | — |
| Net income attributable to Universal Electronics Inc. | \$ 6,271 | \$ 10,871 | \$ 19,835 | \$ 23,632 |
| Earnings per share attributable to Universal Electronics Inc.: | | | | |
| Basic | \$ 0.42 | \$ 0.69 | \$ 1.28 | \$ 1.50 |
| Diluted | \$ 0.41 | \$ 0.68 | \$ 1.25 | \$ 1.46 |
| Shares used in computing earnings per share: | | | | |
| Basic | 14,966 | 15,723 | 15,535 | 15,764 |
| Diluted | 15,230 | 16,103 | 15,834 | 16,135 |

UNIVERSAL ELECTRONICS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

| | Nine Months Ended September 30, | |
|---|--|------------------|
| | 2015 | 2014 |
| Cash provided by operating activities: | | |
| Net income | \$ 19,838 | \$ 23,632 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 14,459 | 13,445 |
| Provision for doubtful accounts | 189 | 16 |
| Provision for inventory write-downs | 2,258 | 2,385 |
| Deferred income taxes | (515) | 777 |
| Tax benefit from exercise of stock options and vested restricted stock | 1,023 | 2,141 |
| Excess tax benefit from stock-based compensation | (1,071) | (2,124) |
| Shares issued for employee benefit plan | 734 | 703 |
| Stock-based compensation | 5,923 | 4,831 |
| Changes in operating assets and liabilities: | | |
| Restricted cash | (4,623) | — |
| Accounts receivable | (17,851) | (13,988) |
| Inventories | (20,261) | (577) |
| Prepaid expenses and other assets | 426 | (403) |
| Accounts payable and accrued expenses | 21,821 | 13,647 |
| Accrued income taxes | 180 | (1,138) |
| Net cash provided by operating activities | <u>22,530</u> | <u>43,347</u> |
| Cash used for investing activities: | | |
| Acquisition of net assets of Ecolink Intelligent Technology, Inc., net of cash acquired | (12,482) | — |
| Acquisition of property, plant, and equipment | (26,376) | (12,480) |
| Acquisition of intangible assets | (1,877) | (1,374) |
| Net cash used for investing activities | <u>(40,735)</u> | <u>(13,854)</u> |
| Cash provided by (used for) financing activities: | | |
| Borrowings under line of credit | 69,500 | — |
| Repayments on line of credit | (22,500) | — |
| Proceeds from stock options exercised | 1,648 | 6,400 |
| Treasury stock purchased | (78,708) | (15,184) |
| Excess tax benefit from stock-based compensation | 1,071 | 2,124 |
| Net cash provided by (used for) financing activities | <u>(28,989)</u> | <u>(6,660)</u> |
| Effect of exchange rate changes on cash | (1,019) | (43) |
| Net increase (decrease) in cash and cash equivalents | (48,213) | 22,790 |
| Cash and cash equivalents at beginning of year | 112,521 | 76,174 |
| Cash and cash equivalents at end of period | <u>\$ 64,308</u> | <u>\$ 98,964</u> |
| Supplemental cash flow information: | | |
| Income taxes paid | \$ 3,922 | \$ 4,091 |
| Interest paid | \$ 68 | \$ — |

UNIVERSAL ELECTRONICS INC.

RECONCILIATION OF ADJUSTED PRO FORMA FINANCIAL RESULTS

(In thousands, except per share amounts)

(Unaudited)

| | Three Months Ended September 30, | | | Three Months Ended September 30, | | |
|--|---|--------------------|---------------------------|---|--------------------|---------------------------|
| | 2015 | | | 2014 | | |
| | GAAP | Adjustments | Adjusted Pro Forma | GAAP | Adjustments | Adjusted Pro Forma |
| Net sales | \$ 160,467 | \$ — | \$ 160,467 | \$ 147,780 | \$ — | \$ 147,780 |
| Cost of sales ⁽¹⁾ | 117,658 | (302) | 117,356 | 102,665 | (236) | 102,429 |
| Gross profit | 42,809 | 302 | 43,111 | 45,115 | 236 | 45,351 |
| Research and development expenses ⁽²⁾ | 4,134 | (94) | 4,040 | 4,210 | (60) | 4,150 |

| | | | | | | |
|---|----------|----------|-----------|-----------|----------|-----------|
| Selling, general and administrative expenses ⁽³⁾ | 29,642 | (7,787) | 21,855 | 27,120 | (2,332) | 24,788 |
| Operating income | 9,033 | 8,183 | 17,216 | 13,785 | 2,628 | 16,413 |
| Interest income (expense), net | (16) | — | (16) | 66 | — | 66 |
| Other income (expense), net | (558) | — | (558) | (655) | — | (655) |
| Income before provision for income taxes | 8,459 | 8,183 | 16,642 | 13,196 | 2,628 | 15,824 |
| Provision for income taxes ⁽⁴⁾ | 2,185 | 2,644 | 4,829 | 2,325 | 649 | 2,974 |
| Net income | 6,274 | 5,539 | 11,813 | 10,871 | 1,979 | 12,850 |
| Net income attributable to non-controlling interest | 3 | — | 3 | — | — | — |
| Net income attributable to Universal Electronics Inc. | \$ 6,271 | \$ 5,539 | \$ 11,810 | \$ 10,871 | \$ 1,979 | \$ 12,850 |
| Diluted earnings per share attributable to Universal Electronics Inc. | \$ 0.41 | \$ 0.36 | \$ 0.78 | \$ 0.68 | \$ 0.12 | \$ 0.80 |

| | Nine Months Ended September 30, 2015 | | | Nine Months Ended September 30, 2014 | | |
|---|--------------------------------------|-------------|--------------------|--------------------------------------|-------------|--------------------|
| | GAAP | Adjustments | Adjusted Pro Forma | GAAP | Adjustments | Adjusted Pro Forma |
| Net sales | \$ 440,723 | \$ — | \$ 440,723 | \$ 423,940 | \$ — | \$ 423,940 |
| Cost of sales ⁽⁵⁾ | 320,225 | (803) | 319,422 | 298,721 | (707) | 298,014 |
| Gross profit | 120,498 | 803 | 121,301 | 125,219 | 707 | 125,926 |
| Research and development expenses ⁽⁶⁾ | 12,664 | (305) | 12,359 | 12,606 | (261) | 12,345 |
| Selling, general and administrative expenses ⁽⁷⁾ | 82,298 | (13,154) | 69,144 | 81,164 | (7,234) | 73,930 |
| Operating income | 25,536 | 14,262 | 39,798 | 31,449 | 8,202 | 39,651 |
| Interest income (expense), net | 198 | — | 198 | (21) | — | (21) |
| Other income (expense), net | (272) | — | (272) | (1,338) | — | (1,338) |
| Income before provision for income taxes | 25,462 | 14,262 | 39,724 | 30,090 | 8,202 | 38,292 |
| Provision for income taxes ⁽⁸⁾ | 5,624 | 4,127 | 9,751 | 6,458 | 1,995 | 8,453 |
| Net income | 19,838 | 10,135 | 29,973 | 23,632 | 6,207 | 29,839 |
| Net income attributable to non-controlling interest | 3 | — | 3 | — | — | — |
| Net income attributable to Universal Electronics Inc. | \$ 19,835 | \$ 10,135 | \$ 29,970 | \$ 23,632 | \$ 6,207 | \$ 29,839 |
| Diluted earnings per share attributable to Universal Electronics Inc. | \$ 1.25 | \$ 0.64 | \$ 1.89 | \$ 1.46 | \$ 0.38 | \$ 1.85 |

(1) To reflect depreciation expense of \$0.2 million for each of the three months ended September 30, 2015 and 2014 related to the mark-up in fixed assets from cost to fair value as a result of acquisitions. Also, to reflect the effect of fair value adjustments to inventories sold through during the one month period ended September 30, 2015 of \$0.1 million. The inventory fair value adjustments relate to inventories purchased as a part of the Ecolink Intelligent Technology, Inc. acquisition.

(2) To reflect stock-based compensation expense for the three months ended September 30, 2015 and 2014.

(3) To reflect amortization expense of \$0.9 million and \$0.7 million for the three months ended September 30, 2015 and 2014, respectively, related to intangible assets acquired as part of acquisitions; to reflect stock-based compensation expense of \$1.8 million and \$1.5 million for the three months ended September 30, 2015 and 2014, respectively; to reflect other employee related restructuring costs of \$0.2 million and \$0.1 million for the three months ended September 30, 2015 and 2014, respectively; and to reflect \$4.6 million related to a court ordered award to a defendant in a lawsuit for a portion of its legal fees and \$0.2 million of acquisition related expenses for the three months ended September 30, 2015.

(4) To reflect the tax effect of the adjustments.

(5) To reflect depreciation expense of \$0.7 million for each of the nine months ended September 30, 2015 and 2014 related to the mark-up in fixed assets from cost to fair value as a result of acquisitions. Also, to reflect the effect of fair value adjustments to inventories sold through during the one month period ended September 30, 2015 of \$0.1 million. The inventory fair value adjustments relate to inventories purchased as a part of the Ecolink Intelligent Technology, Inc. acquisition.

(6) To reflect stock-based compensation expense for the nine months ended September 30, 2015 and 2014.

(7) To reflect amortization expense of \$2.4 million and \$2.2 million for the nine months ended September 30, 2015 and 2014, respectively, related to intangible assets acquired as part of acquisitions; to reflect stock-based compensation expense of \$5.6 million and \$4.6 million for the nine months ended September 30, 2015 and 2014, respectively; to reflect other employee related restructuring costs of \$0.4 million for each of the nine months ended September 30, 2015 and 2014; and to reflect \$4.6 million related to a court ordered award to a defendant in a lawsuit for a portion of its legal fees and \$0.2 million of acquisition related expenses for the nine months ended September 30, 2015.

(8) To reflect the tax effect of the adjustments.

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