



# Investor Slides

*December 17, 2018*

NASDAQ GS: UEIC

# Agenda



Safe Harbor Statement



Company Overview



Investment Profile



Pillars of the Smart Home



Markets, Products and Innovation



Financial Performance

# Safe Harbor Statement

During this presentation, Management will reference Adjusted Non-GAAP information, including Adjusted Non-GAAP net sales, Adjusted Non-GAAP gross profit, Adjusted Non-GAAP net income, and Adjusted Non-GAAP diluted earnings per share. References to Adjusted Non-GAAP information are to non-GAAP measures. These measures are not in accordance with, or an alternative for, GAAP and may be different from non-GAAP measures used by other companies. The company's management believes that this presentation of Adjusted Non-GAAP financial information provides useful information to management and investors regarding certain additional financial and business trends relating to its financial condition and results of operations. In addition, management uses these measures for reviewing the financial results of the company and for budget planning purposes. In addition, management may make "forward-looking statements" within the meaning of federal securities laws, including regarding net sales, profit margin and earnings trends, estimates and assumptions; our expectations about new product and technology introductions and market growth projections; and similar statements concerning anticipated future events and expectations that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those we identify below and other risk factors that we identify in our most recent annual report on Form 10-K and quarterly and periodic filings since then. Risks that could affect forward-looking statements include the management's ability to maintain and build its relationships with its customers; management's ability to and anticipate the needs and wants of its customers and timely develop and deliver products and technologies that will meet those needs and wants; the continued trend of the home entertainment industry in providing consumers with more advanced technologies; the continued development, growth and importance of our patent portfolio and software solutions; the continued growth of the home entertainment, automation, smart home, intelligent sensing, and safety/security markets; management's ability to identify and acquire complementary innovative companies; the effects that new and proposed tariffs may have on the company's costs and profitability; the growth of those businesses that we have acquired; and management's ability to leverage its financial position to continue growing the company's global footprint, market share, sales and earnings as expected. Any of these factors could cause actual results to differ materially from the expectations we express or imply during this presentation. We make these forward-looking statements as of the date of this presentation and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

# Company Overview



## Founded in 1986

- Over 30 years in designing/developing entertainment control solutions
- Expanded to include Residential Safety & Security (2015) and Smart Energy Mgmt. (2017)



## Market Share Leader

- Worldwide leader in growing market for entertainment remote controls
- Broad portfolio of Connected (Smart) sensing and control solutions for the home



## Focus on Technology & Product Innovation

- Industry-leading entertainment control software (QuickSet) with 500M+ devices shipped
- Over 400 issued and pending patents across connected products portfolio



## Global Company

- Fully vertically integrated with design, development, software & manufacturing
- Global research & development teams on 4 continents



## Fortune 100 Customer Base

- Technology licensing with leading Consumer Electronics and Security brands
- Development partner for world's largest service providers



## Strong Financial Performance

- Consistent revenue and earnings growth
- \$42.0M in cash and cash equivalents as of September 30, 2018

# Investment Profile

- **Expanding Market Opportunity**
  - Global market trends continue to drive our business
  - Growth through acquisition of innovative companies in safety & security and energy management
  - Evolving smart home product categories represent long-term growth opportunity
- **Market Share Leader in the Global Entertainment Control Market**
  - Leading innovation which creates global competitive advantage
  - Superior offering validated by global customer base
- **Leveraging Solid Foundation to Drive Growth & Strengthen Global Position**
  - Established position in service provider, pro-security, consumer electronics and OEM channels
- **Strong Financial Position and Operating Model Provides Foundation for Growth**
  - Strong track record of sales and earnings performance and sound balance sheet produce above average return on capital
- **Strong Competitive Advantage**
  - Largest, most comprehensive intellectual property portfolio in the industry with over 400 patents
- **Experienced Management Team**
  - Long history of new product/market expansion and business growth

# Pillars of the Smart Home

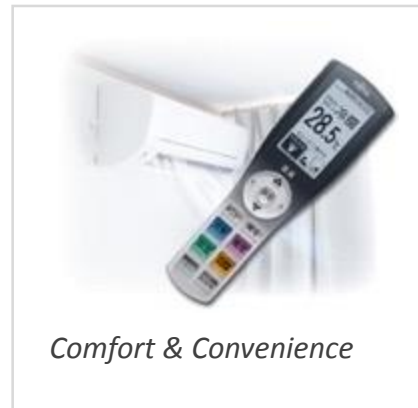
Universal Electronics Inc. (UEI) is the worldwide leader in universal control and sensing technologies for the smart home.

UEI's many first-to-market innovations help transform the entertainment control industry, while new investments allow us to offer a broad portfolio of Smart Home solutions.

Our product solutions form the **FOUNDATION** of the Smart Home Ecosystem



*Smart Entertainment Control*



*Comfort & Convenience*



*Safety & Security\**

*\*Acquired business in 2015.*



*Energy Management\**

*\*Acquired business in 2017.*

# Powering Global Leaders



# Market Evolution

## Market Situation

- Average global viewer spends 4.4 hours/day watching TV. In the US, it's 5.1 hours/day
  - In the US and Europe, TV is still the dominant platform with over 75% of video consumption occurring on the main living room TV screen
  - In addition, a global average of 28 minutes per day is spent searching for content to watch
- Entertainment Control has changed dramatically over the past 4 years
  - Command-based control is evolving to a more interactive experience. Features such as touch, voice, motion and content recommendation (based on user preferences) are becoming mainstream
  - On-demand and app-based digital media (Netflix, Hulu, etc.) is merging with LiveTV content giving consumers an endless supply of content to engage with
  - Embedded remote control technologies are shifting from traditional low-cost (line of sight) infrared to two-way (low-power) radio frequency bringing new features and capabilities to the control experience
- Smart Entertainment Control is Integral to the Smart Home Experience
  - Consumers demand new and better ways to connect; control and interact with information, entertainment and services

## Market Position

- UEI has a broad technology portfolio in the industry deploying tens of millions of control solutions that feature voice, touch and motion control as well as advanced smart connectivity solutions featuring ZigBee® RF4CE, Bluetooth® Smart, and Wi-Fi®
- With QuickSet®, UEI is delivering the global industry standard for embedded and Cloud-based software for device, app and content discovery and control. Currently deployed in over 500M devices worldwide

# Focus on Innovation

## Foundational Technologies that re-define control in the Smart Home

UEI is the global leader in developing and deploying millions of control and sensing technologies



### Advanced Entertainment Control Solutions



- Award-winning products & technologies with global deployments
- Proprietary low-power solutions designed for hand-held controllers
- Growing market for advanced (RF-based) entertainment remotes
- Market and Technology leadership in Voice Remote



### QuickSet: Global Industry Standard for Automated Device Setup and Control

- 4<sup>th</sup> Generation embedded and scalable Cloud architecture solution
- In over 500+M devices worldwide (run rate of 2B transactions/year)
- World's largest, most comprehensive AV device control library
- Current and near-term deployments include customers that represent nearly 30% (170M) global subscribers in markets served



### Innovative Safety & Security Solutions from the Team that Built the Pro-Security Market

- Broadest portfolio of safety and security solutions for the Pro-Security, Consumer and Service Provider channels
- Creating **Smarter Solutions** by integrating sensors and controllers across product ecosystems

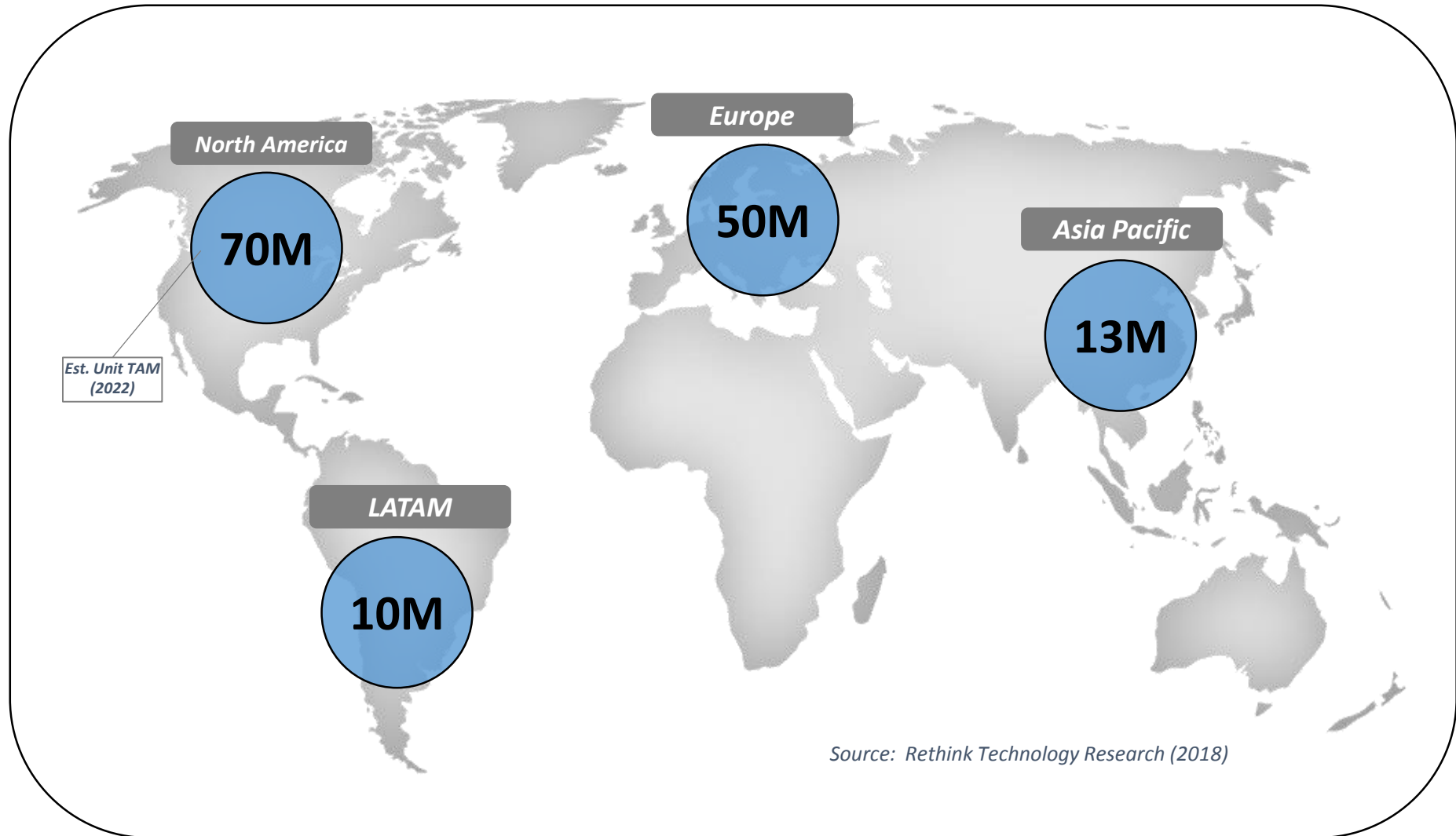


### Global solutions that deliver Comfort, Convenience and Energy Management

- Smart solutions for the OEM and hospitality channels in HVAC controllers, room aircon, lighting and home automation
- Enabling OEM partners to deliver intelligent solutions that deliver operational efficiency and meet growing consumer appetite for IoT

# Entertainment Voice Control Market

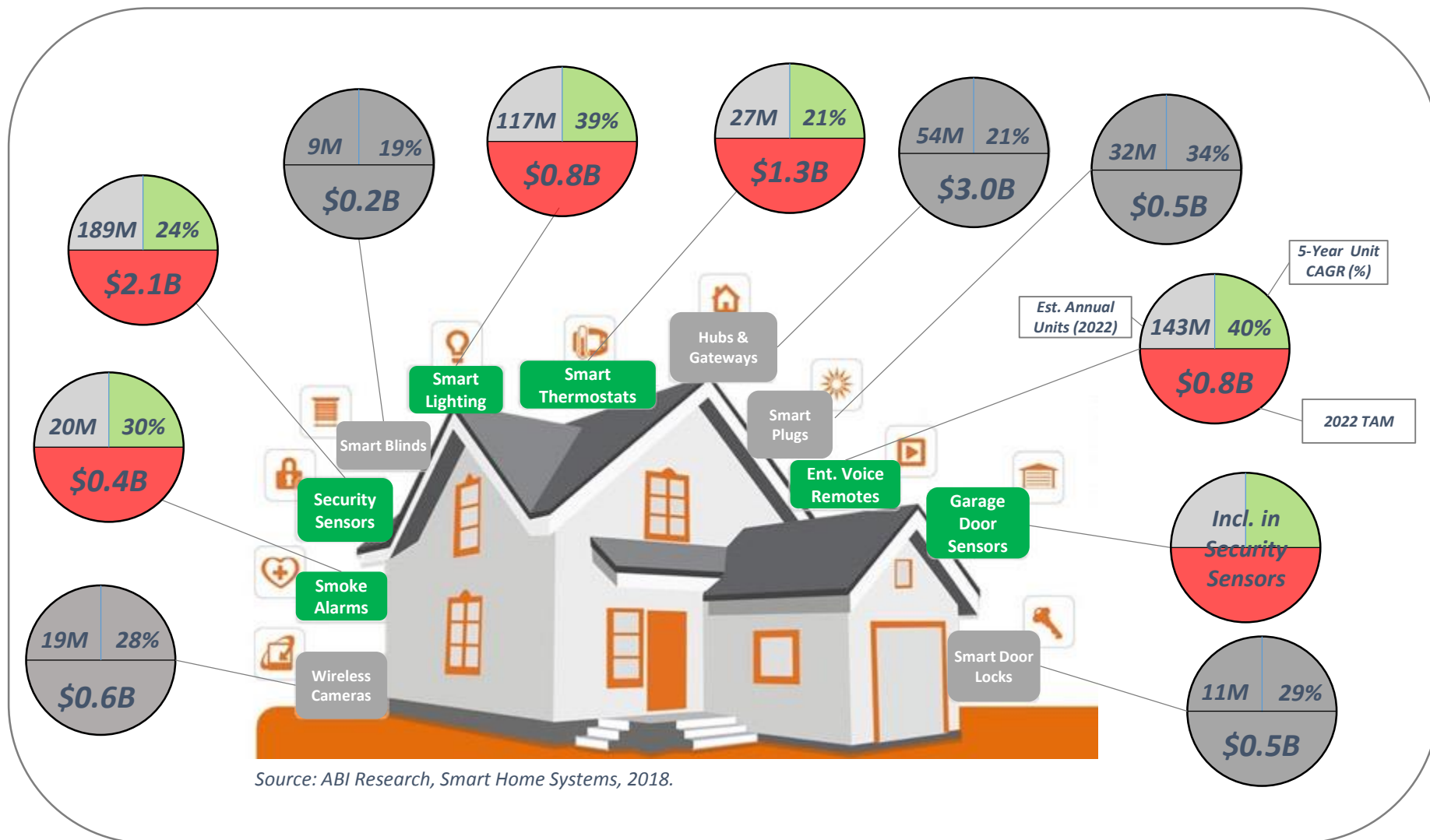
- Entertainment voice control in Pay-TV segment is estimated to grow to over 140M units by 2022.
- Today UEI's market share in this remote control segment is estimated at over 80%.



# Smart Home

Foundation for long-term growth anchored in core Smart Home product categories:

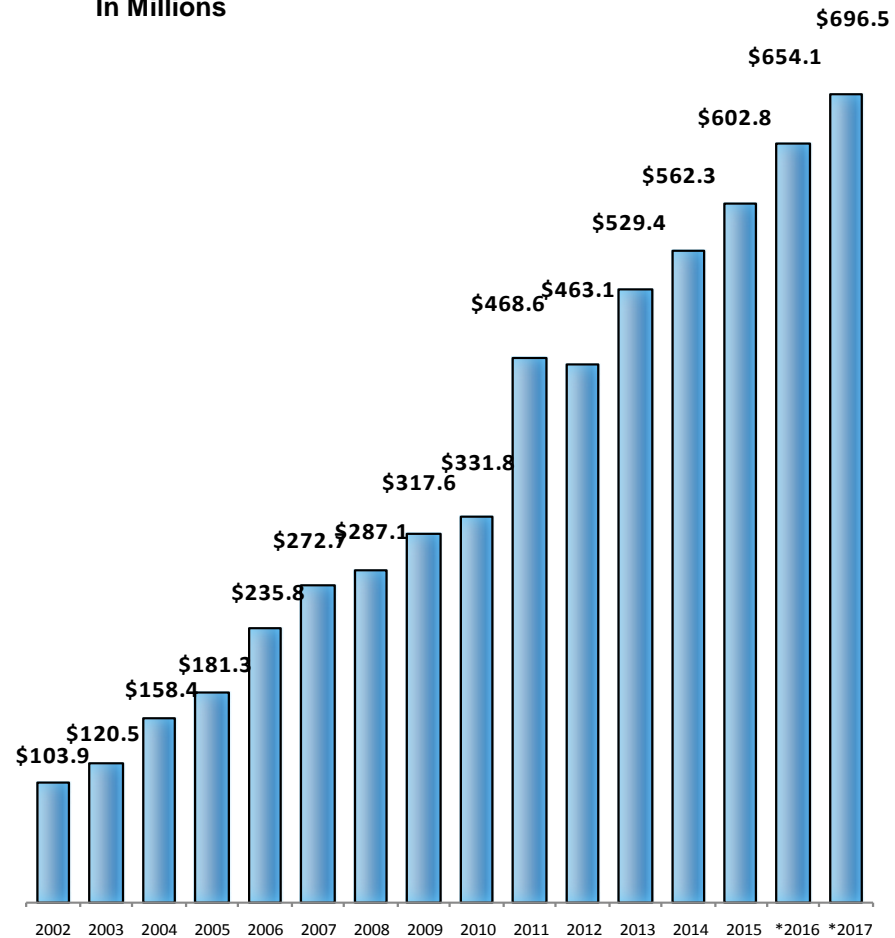
- Current Smart Home solutions represent an estimated market potential of \$5.3B (5-Yr. CAGR of 19%)
- Market adjacencies represent an additional \$4.8B in total available market potential



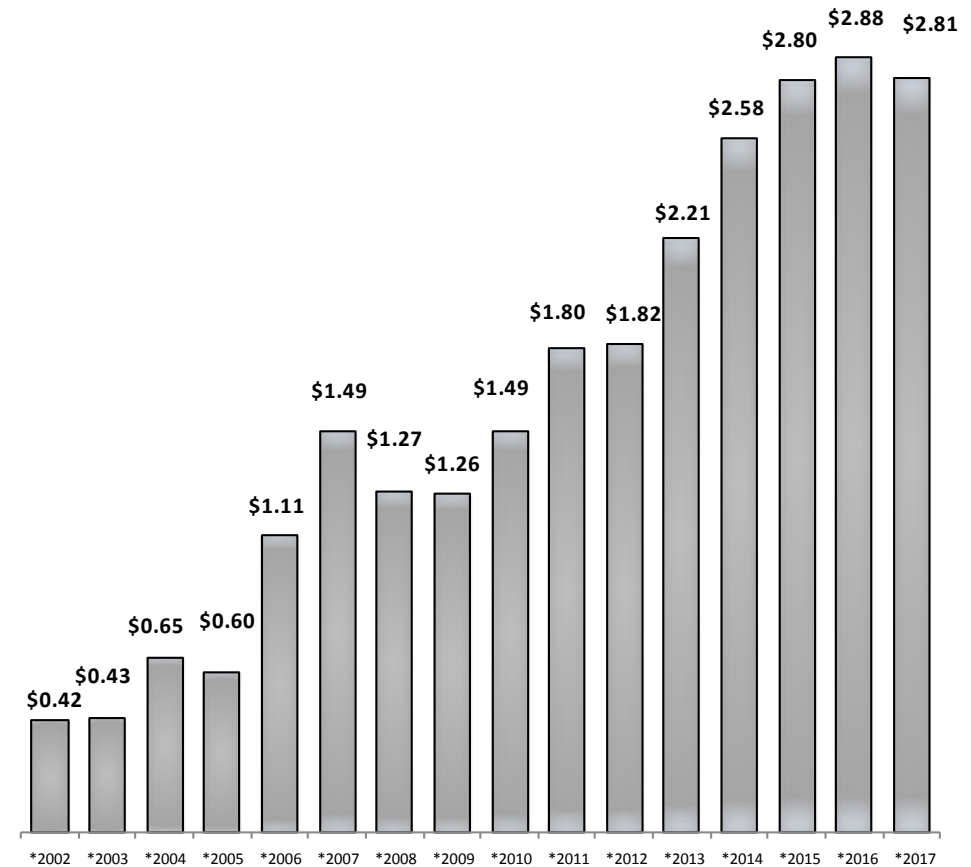
# Consistent Growth

## Net Sales

In Millions



## EPS



\*Adjusted Metrics (non-GAAP)

# Strategy for Continued Growth

- **Invest in innovation**

- Introduce solutions that simplify and enhance consumer interactions with entertainment, safety and security in the home – easy to set up, easy to use
- Develop products and technologies that lead the changing market dynamics and consumer preferences in content search, discovery and consumption
- Apply emerging technologies to solve everyday consumer frustrations by creating innovative product concepts and use cases that redefine what a remote control is and what a remote control is capable of doing

- **Deepen existing customer relationships and add new customers**

- Long term track record of adding customers and growing the relationships

- **Expand geographically into regions that show promising market opportunities**

- Asia, Latin America provide significant growth opportunity

- **Leverage strong financial position and operating model for continued growth**

- Consistent revenue and earnings growth over the past 15 years
- Cash and cash equivalents of \$42.M

# GAAP to Adjusted Non-GAAP Reconciliation Table

## Reconciliation of Adjusted Non-GAAP Financial Results (In thousands, except per share amounts) (Unaudited)

	Year ended December 31,															
Net income (loss) attributable to UEI:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net income (loss) attributable to UEI - GAAP	\$ 5,939	\$ 6,267	\$ 9,114	\$ 9,701	\$ 13,520	\$ 20,230	\$ 15,806	\$ 14,675	\$ 15,081	\$ 19,946	\$ 16,553	\$ 22,963	\$ 32,534	\$ 29,174	\$ 20,354	\$ (10,323)
Performance-based common stock warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,728	683
Adjustments to acquired tangible assets (1)	-	-	-	-	-	-	-	-	1,799	1,108	1,108	1,108	951	1,142	1,157	1,185
Factory transition costs (2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,213	10,542
Amortization of acquired intangible assets	-	-	-	-	-	-	-	-	428	2,750	2,970	2,970	2,971	3,620	4,977	5,585
Stock-based compensation	-	-	-	-	3,117	3,521	4,243	4,312	4,966	4,511	4,575	5,342	6,444	7,913	10,324	11,943
Employee related restructuring costs	-	-	-	-	-	-	-	-	-	542	576	1,987	852	1,023	4,977	7,008
Direct acquisition related expenses	-	-	-	-	-	-	-	-	1,070	-	251	-	-	228	-	-
Change in contingent consideration	-	-	-	-	-	-	-	-	-	-	-	-	-	551	(1,251)	3,000
Litigation settlement costs	-	-	-	-	-	-	-	-	-	-	-	-	-	4,639	2,000	-
Transaction costs related to sale of Guangzhou factory	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,912
Nonrecurring other items	-	-	-	-	-	-	-	-	-	-	519	291	-	-	(11)	849
Foreign currency (gain) loss	(94)	(344)	152	(2,107)	508	35	(315)	246	(239)	1,412	1,686	3,267	854	228	(660)	1,429
Income tax provision on pretax pro forma adjustments	35	129	(57)	789	(1,190)	(1,214)	(1,373)	(1,595)	(2,095)	(2,812)	(3,210)	(4,003)	(3,058)	(5,683)	(6,888)	(9,705)
Income tax provision related to tax law changes and other discrete tax rate adjustments	-	-	-	-	-	-	-	-	-	-	2,542	573	119	649	1,577	16,975
Adjusted Non-GAAP net income attributable to UEI	\$ 5,880	\$ 6,052	\$ 9,209	\$ 8,383	\$ 15,955	\$ 22,572	\$ 18,361	\$ 17,638	\$ 21,010	\$ 27,457	\$ 27,570	\$ 34,498	\$ 41,667	\$ 43,484	\$ 42,497	\$ 41,083
<b>Diluted earnings (loss) per share attributable to UEI</b>																
Diluted earnings (loss) per share attributable to UEI - GAAP	\$ 0.42	\$ 0.45	\$ 0.65	\$ 0.69	\$ 0.94	\$ 1.33	\$ 1.09	\$ 1.05	\$ 1.07	\$ 1.31	\$ 1.10	\$ 1.47	\$ 2.01	\$ 1.88	\$ 1.38	\$ (0.72)
Total pro forma adjustments	\$ (0.00)	\$ (0.02)	\$ 0.01	\$ (0.09)	\$ 0.17	\$ 0.15	\$ 0.18	\$ 0.21	\$ 0.42	\$ 0.49	\$ 0.73	\$ 0.74	\$ 0.57	\$ 0.92	\$ 1.50	\$ 3.53
Adjusted Non-GAAP diluted earnings per share attributable to UEI	\$ 0.42	\$ 0.43	\$ 0.65	\$ 0.60	\$ 1.11	\$ 1.49	\$ 1.27	\$ 1.26	\$ 1.49	\$ 1.80	\$ 1.82	\$ 2.21	\$ 2.58	\$ 2.80	\$ 2.88	\$ 2.81

(1) Consists of depreciation related to the mark-up from cost to fair value of fixed assets acquired in business combinations as well as the effect of fair value adjustments to inventories acquired in business combinations that sold through during the period.

(2) Excess manufacturing and other transition costs incurred as a result of the transition of manufacturing activities from our Guangzhou factory to our other factories.

Fully-Diluted Shares Outstanding - GAAP	14,163	14,007	14,100	13,992	14,432	15,177	14,456	13,971	14,106	15,213	15,110	15,601	16,152	15,542	14,764	14,351
Fully-Diluted Shares Outstanding - Adjusted Non-GAAP	14,163	14,007	14,100	13,992	14,432	15,177	14,456	13,971	14,106	15,213	15,110	15,601	16,152	15,542	14,764	14,615



*Thank You*