



Baird's 2019 Global Consumer, Technology & Services Conference

June 4, 2019

NASDAQ GS: UEIC

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.

Pillars of the Smart Home

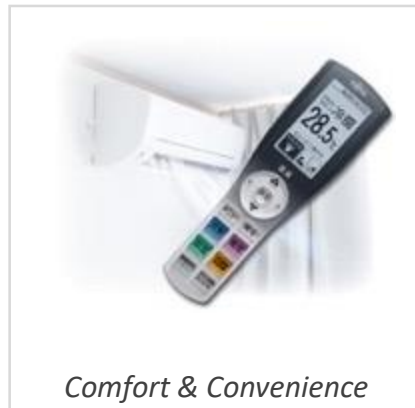
Universal Electronics Inc. (UEI) is the worldwide leader in universal control and sensing technologies for the smart home.

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.*

Company Overview



Founded in 1986

- 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 550M+ devices shipped
- Over 500 issued and pending patents across connected products portfolio



Global Scale

- 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
- \$44.9M in cash and cash equivalents as of March 31, 2019

Powering Global Leaders

Product and technology supplier to global leaders in:

- Subscription Broadcasting
- Consumer Electronics
- Telecom
- HVAC
- Smart Home
- Pro-Security



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, such as voice, to the control and navigation 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 550M devices worldwide

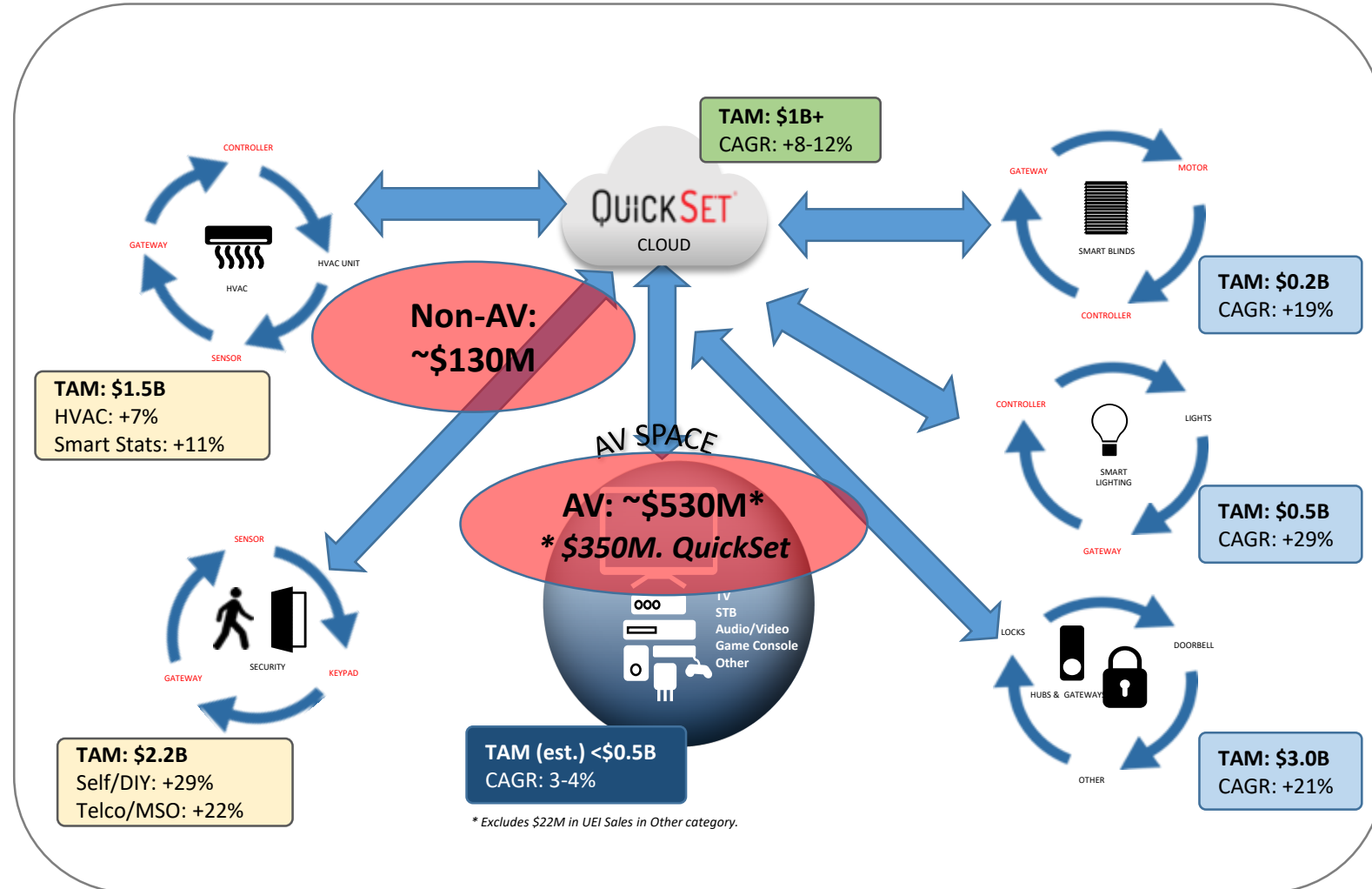
Business Growth Potential

Business growth is based on leveraging core strengths:

- Best-in-class, global database and technology solution for IR, RF and IP control of legacy and connected (IoT) devices
- Scalable cloud architecture to deliver automated discovery, set-up and control of millions of AV and growing list of IoT devices worldwide
- Footprint in universal entertainment control, that represents an estimated 4-5 hours of daily consumer engagement
- Scale in low power RF design, development and manufacture that we have successfully translated to Smart Home controllers and sensor devices



Our clear leadership position in intelligent A/V control has given us the tactical competitive advantage to expand into Smart Home Automation and Control



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



Award-winning Advanced Voice Control for Smart Entertainment and IoT



- 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 control platforms



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

- 4th Generation embedded and scalable Cloud architecture solution
- In over 550M devices worldwide (run rate of 2B transactions/year)
- World's largest, most comprehensive AV + IoT discovery & 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

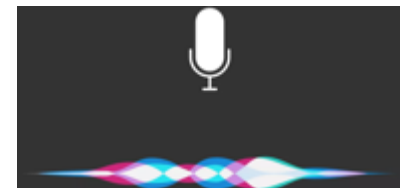
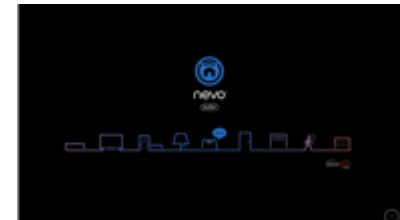


Global solutions that deliver Comfort, Convenience and Energy Management

- 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

Applications and Technology

- **QUICKSET® CLOUD:** Entertainment and smart home device discovery and control platform offering *Interoperability as a Service* used by hundreds of millions of devices from leading brands.
- **NEVO® BUTLER:** Digital assistant platform optimized for smart home applications, nevo.ai powered by QuickSet Cloud; offered as a white label solution to accelerate introduction of new smart home services.
- **VOICE CONTROL:** Simpler entertainment experience, better content discovery, and powerful smart home interaction through natural language interfaces.
- **SMART HOME SOLUTIONS:** Solutions across energy management, safety and security to accelerate introduction of new product & services for the smart home.
- **SMART HOME CONNECTIVITY:** Wide range of connectivity solutions addressing low power and secure wireless communication needs in smart home applications.



CES 2019 Success

- Introduced Nevo® Butler, a new Product and Cloud Service to Unify Entertainment Control and Home Automation Experiences
- Launched Nevo® Butler, a Turnkey Digital Assistant Platform for Smart Home in Collaboration with Microsoft
- Introduced Smarter Living Kits Powered by Nevo® Butler to Accelerate Introduction of New Smart Home Services
- Launched Smart Home Services Marketplace, including:
 - Firedome to Provide Enhanced Cybersecurity Features; and
 - Cirrent to Help Deliver Seamless Wi-Fi® Set Up for Connected Home Products
- Teamed Up with Sensory to Deliver Smart Home Digital Assistant Platform with Embedded Voice Control and Branded Assistant Experience
- Demonstrated Hands-Free, Battery-operated, Voice-Activated Remote Control in collaboration with DSP Group

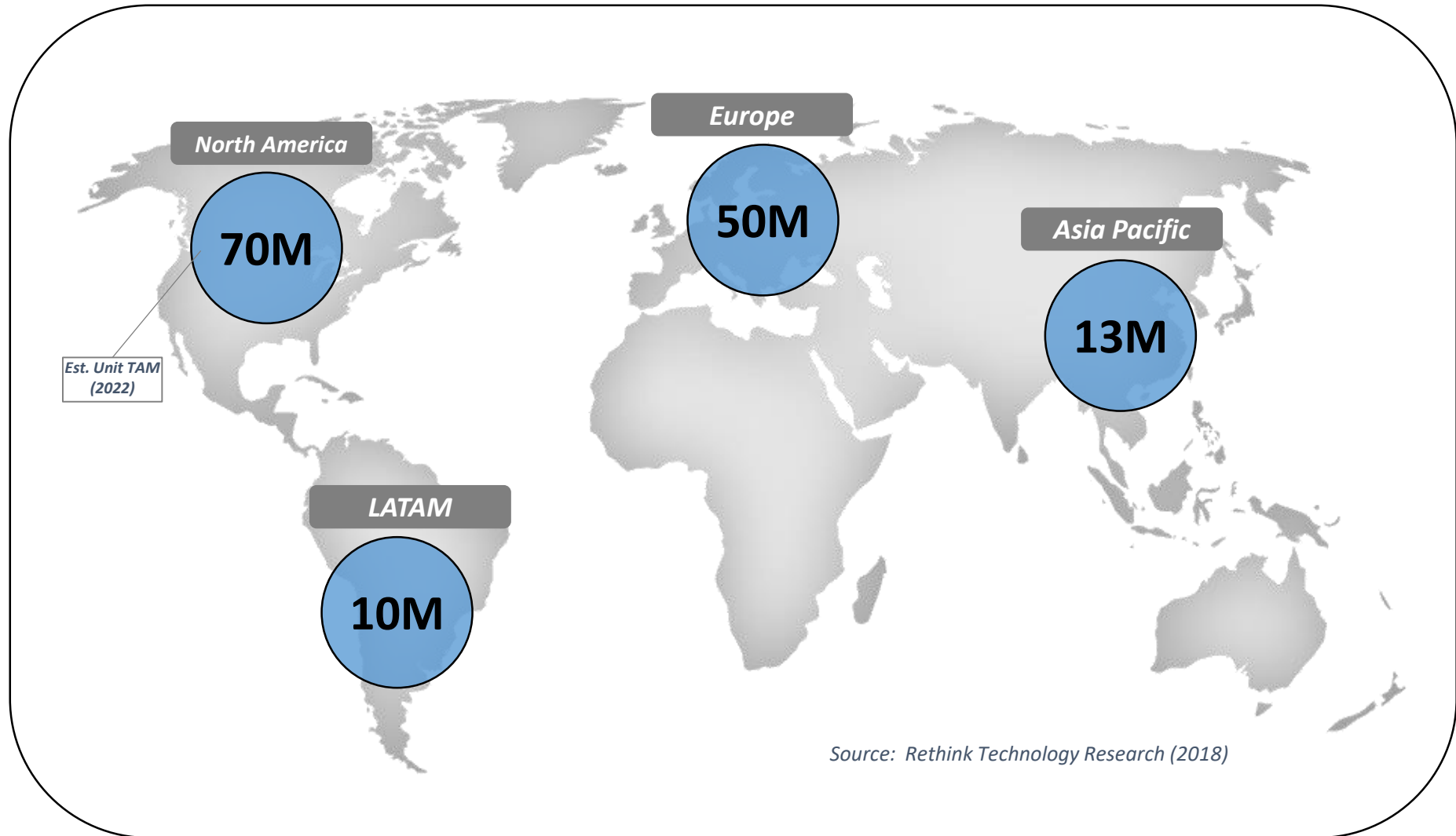


NEVO BUTLER: A new kind of smart home hub with built-in nevo.ai digital assistant



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 70-80%.

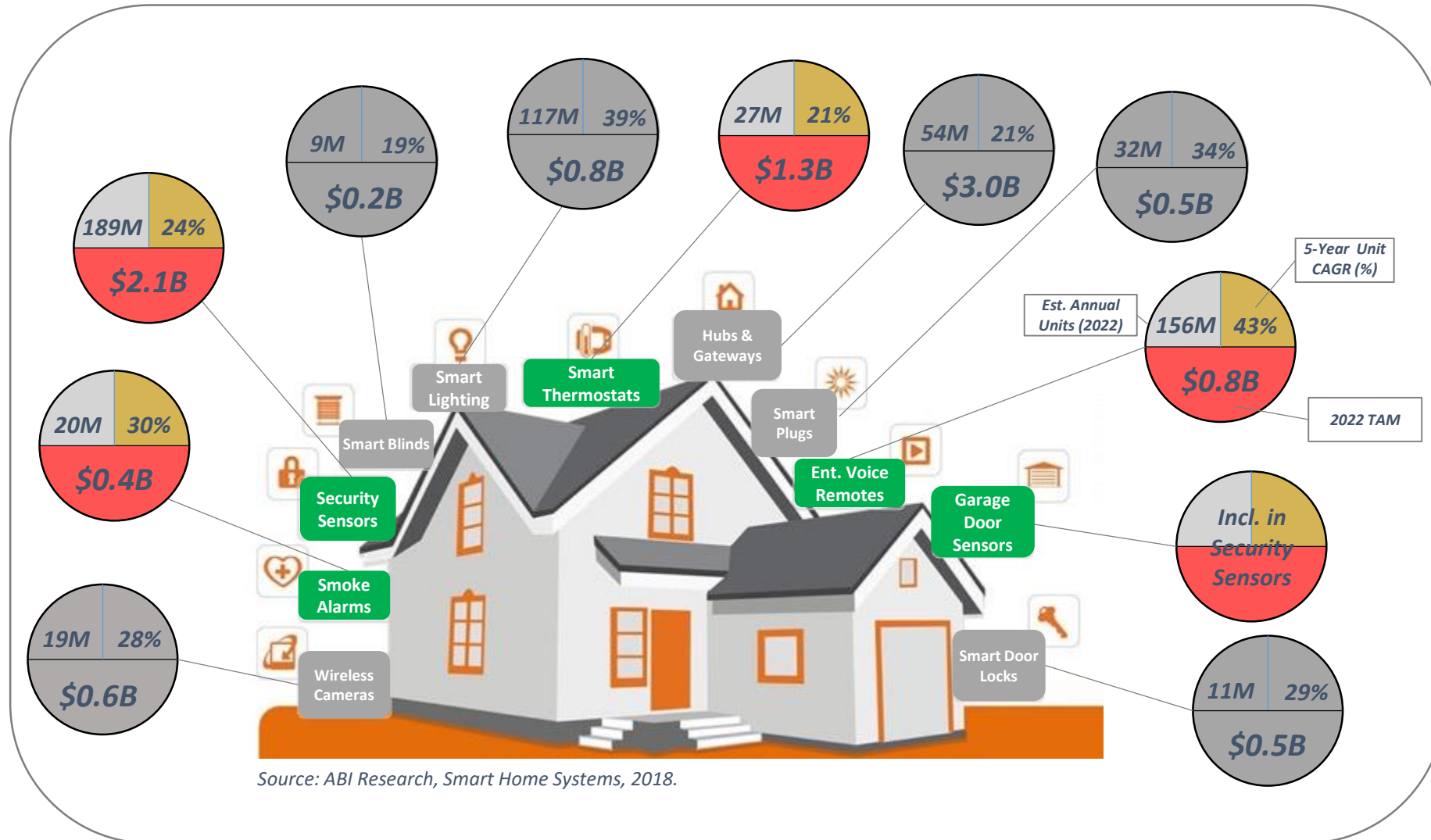


Smart Home Market Opportunity

UEI is active in two Smart Home Automation categories: Safety & Security and Climate Control.

These markets represent an estimated market potential of over \$3B and a projected 5-Yr. CAGR of over 20%.

In the Smart Home market, adjacent market product categories represent an additional \$5.6B potential market in areas such as Smart Lighting, Blinds, and Smart Hubs and Gateways.



Foundation for Growth

Adjusted Non-GAAP* <i>(\$ M, except EPS)</i>	Q1 2019	Q1 2018
Net Sales	\$182.7	\$165.2
Gross Margin	25.8%	23.9%
Net Income	\$11.3	\$4.1
EPS	\$0.82	\$0.29

Guidance Adjusted Non-GAAP* <i>(\$ M, except EPS)</i>	Q2 2019	Q2 2018
Net Sales	\$178 - \$188	\$162.4
EPS	\$0.70 - \$0.80	\$0.15

* Reconciliation of Adjusted non-GAAP to GAAP in the appendix.

- Upgrading manufacturing footprint
 - Moving production for US products to facility in Mexico from China to address tariffs
 - Adding new manufacturing partner in the Philippines
- Freeing resources for strategic investments to capture market expansion
 - Streamlining corporate structure
 - Increasing operational efficiency
 - Moving corporate office to Arizona
- Target operating model
 - Grow net sales 5% to 10%
 - Maintain relatively flat expenses
 - Creating substantial operating leverage
- \$44.9M in cash & cash equivalents at Mar. 31, 2019

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 With Strong Competitive Advantage in the Global Entertainment Control Market**

- Leading innovation which creates global competitive advantage
- Superior offering validated by global customer base
- Largest, most comprehensive intellectual property portfolio in the industry with over 500 patents

- **Experienced Management Team**

- Long history of new product/market expansion and business growth

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
- Adjacent markets that are rapidly converting their product portfolios into smart (IoT) platforms



Appendix

Use of Non-GAAP Financial Measures

UEI provides Adjusted Non-GAAP information in addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP. UEI's management uses these measures for reviewing the financial results of UEI, for budget planning purposes, and for making operational and financial decisions and believes that providing these non-GAAP financial measures to investors, as a supplement to GAAP financial measures, helps investors evaluate UEI's core operating and financial performance and business trends consistent with how management evaluates such performance and trends. Additionally, management believes these measures facilitate comparisons with the core operating and financial results and business trends of competitors and other companies. Certain elements of UEI's results of operations are presented excluding the impact of foreign currency exchange rate fluctuations (constant currency). To present this information, current period results for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the average exchange rates in effect during the corresponding period of the prior fiscal year, rather than the average exchange rate in effect during the current fiscal year. Therefore, the foreign currency impact is equal to current year results in local currencies multiplied by the change in the average foreign currency exchange rate between the current fiscal period and the corresponding period of the prior fiscal year. Management believes that presenting constant currency results of operations provides useful information to investors because they provide transparency to underlying performance by excluding the effect that foreign currency exchange rate fluctuations have on period-to-period comparability.

Adjusted Non-GAAP net sales is defined as net sales excluding the impact of stock-based compensation for performance-based warrants, the impact of the adoption of Accounting Standards Codification 606, "Revenue from Contracts with Customers" ("ASC 606"), the revenue impact of increased U.S. tariffs on products manufactured in China and imported into the U.S. and the impact of foreign currency exchange rate fluctuations. Adjusted Non-GAAP gross profit is defined as gross profit excluding stock-based compensation expense, depreciation expense related to the increase in fixed assets from cost to fair market value resulting from acquisitions, the effect of fair value adjustments to inventories acquired in business combinations that sold through during the period, amortization of intangibles acquired, excess manufacturing overhead and factory transition costs, the impact of the adoption of ASC 606, the impact of increased U.S. tariffs on products manufactured in China and imported into the U.S. and costs of implementing countermeasures to mitigate this impact, and the impact of foreign currency exchange rate fluctuations. Adjusted Non-GAAP operating expenses are defined as operating expenses excluding amortization of intangibles acquired, stock-based compensation expense, employee related restructuring costs, changes in contingent consideration related to acquisitions, the impact of the adoption of ASC 606, costs incurred related to implementing countermeasures to mitigate the impact of increased U.S. tariffs on products manufactured in China and imported into the U.S., transaction costs related to the sale of our Guangzhou factory, and the impact of foreign currency exchange rate fluctuations. Adjusted Non-GAAP net income is defined as net income excluding the aforementioned items, foreign currency gains and losses, the net gain recognized on the sale of the company's Guangzhou factory, and the related tax effects of all adjustments, as well as income tax expense representing the impact of the U.S. Tax Cuts and Jobs Act, the effect of certain net deferred tax asset adjustments and other nonrecurring income tax items. Adjusted Non-GAAP diluted earnings per share is calculated using Adjusted Non-GAAP net income.

GAAP to Adjusted Non-GAAP Reconciliation Table

	Three Months Ended March 31,	
	2019	2018
Net sales:		
Net sales - GAAP	\$ 184,163	\$ 164,698
U.S. tariffs on goods imported from China ⁽¹⁾	(1,916)	—
Stock-based compensation for performance-based warrants	434	471
Adjusted Non-GAAP net sales	<u>\$ 182,681</u>	<u>\$ 165,169</u>
Cost of sales:		
Cost of sales - GAAP	\$ 144,289	\$ 127,496
U.S. tariffs on goods imported from China ⁽¹⁾	(5,410)	—
Excess manufacturing overhead and factory transition costs ⁽²⁾	(3,272)	(1,553)
Adjustments to acquired tangible assets ⁽³⁾	(120)	(158)
Stock-based compensation expense	(28)	(17)
Amortization of acquired intangible assets	—	(37)
Adjusted Non-GAAP cost of sales	<u>135,459</u>	<u>125,731</u>
Adjusted Non-GAAP gross profit	<u>\$ 47,222</u>	<u>\$ 39,438</u>
Gross margin:		
Gross margin - GAAP	21.7 %	22.6%
U.S. tariffs on goods imported from China ⁽¹⁾	2.1 %	—%
Stock-based compensation for performance-based warrants	0.2 %	0.3%
Excess manufacturing overhead and factory transition costs ⁽²⁾	1.7 %	0.9%
Adjustments to acquired tangible assets ⁽³⁾	0.1 %	0.1%
Stock-based compensation expense	0.0 %	0.0%
Amortization of acquired intangible assets	— %	0.0%
Adjusted Non-GAAP gross margin	<u>25.8 %</u>	<u>23.9%</u>
Operating expenses:		
Operating expenses - GAAP	38,211	36,298
U.S. tariffs on goods imported from China ⁽¹⁾	(724)	—
Stock-based compensation expense	(1,890)	(2,187)
Amortization of acquired intangible assets	(1,401)	(1,399)
Change in contingent consideration	(1,062)	751
Employee related restructuring and other costs	(515)	(112)
Adjusted Non-GAAP operating expenses	<u>\$ 32,619</u>	<u>\$ 33,351</u>

GAAP to Adjusted Non-GAAP Reconciliation Table

	Three Months Ended March 31,	
	2019	2018
Operating income:		
Operating income - GAAP	\$ 1,663	\$ 904
U.S. tariffs on goods imported from China ⁽¹⁾	4,218	—
Stock-based compensation for performance-based warrants	434	471
Excess manufacturing overhead and factory transition costs ⁽²⁾	3,272	1,553
Adjustments to acquired tangible assets ⁽³⁾	120	158
Stock-based compensation expense	1,918	2,204
Amortization of acquired intangible assets	1,401	1,436
Change in contingent consideration	1,062	(751)
Employee related restructuring and other costs	515	112
Adjusted Non-GAAP operating income	\$ 14,603	\$ 6,087
Adjusted pro forma operating income as a percentage of net sales	8.0%	3.7%
Net income (loss):		
Net income (loss) - GAAP	\$ (1,005)	\$ (587)
U.S. tariffs on goods imported from China ⁽¹⁾	4,218	—
Stock-based compensation for performance-based warrants	434	471
Excess manufacturing overhead and factory transition costs ⁽²⁾	3,272	1,553
Adjustments to acquired tangible assets ⁽³⁾	120	158
Stock-based compensation expense	1,918	2,204
Amortization of acquired intangible assets	1,401	1,436
Change in contingent consideration	1,062	(751)
Employee related restructuring and other costs	515	112
Foreign currency (gain) loss	403	605
Income tax provision on adjustments	(2,761)	(1,061)
Other income tax adjustments ⁽⁴⁾	1,772	—
Adjusted Non-GAAP net income	\$ 11,349	\$ 4,140
Diluted shares used in computing earnings (loss) per share:		
GAAP	13,827	14,087
Adjusted Non-GAAP	13,920	14,233
Diluted earnings (loss) per share:		
Diluted earnings (loss) per share - GAAP	\$ (0.07)	\$ (0.04)
Total adjustments	\$ 0.89	\$ 0.33
Adjusted Non-GAAP diluted earnings per share	\$ 0.82	\$ 0.29

GAAP to Adjusted Non-GAAP Reconciliation Table

- (1) Includes incremental revenues and costs directly attributable to the increased U.S. tariffs implemented in 2018 on goods manufactured in China and imported into the U.S. as well as costs incurred for the movement of factory equipment, duplicative labor efforts and other costs of countermeasures undertaken by the company to modify its manufacturing operations and supply chain in response to the increased U.S. tariffs on goods manufactured in China and imported into the U.S.
- (2) The three months ended March 31, 2019 include excess manufacturing overhead costs incurred as a result of expanding our manufacturing capacity in Mexico and transitioning certain of our manufacturing activities from China to Mexico. The three months ended March 31, 2018 include excess manufacturing costs incurred resulting from factory underutilization associated with ceasing manufacturing activities while transitioning our Asia operations onto our new global ERP system, which went live in Asia in April 2018.
- (3) Consists of depreciation related to the mark-up from cost to fair value of fixed assets acquired in business combinations.
- (4) The three months ended March 31, 2019 includes net deferred tax asset adjustments resulting from a lower statutory tax rate due to tax incentives at one of our China factories.



Thank You