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# EDITED TRANSCRIPT

UEIC - Q1 2014 Universal Electronics Inc. Earnings  
Conference Call

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## CORPORATE PARTICIPANTS

**Becky Herrick** *LHA - IR*

**Paul Arling** *Universal Electronics Inc. - Chairman and CEO*

**Bryan Hackworth** *Universal Electronics Inc. - SVP and CFO*

## CONFERENCE CALL PARTICIPANTS

**Jason Ursaner** *CJS Securities - Analyst*

**Steven Frankel** *Dougherty & Company - Analyst*

**Josh Goldberg** *G2 Investment Partners Management - Analyst*

**George Prince** *RBC Global Asset Management - Analyst*

**Ian Corydon B. Riley & Co. - Analyst**

## PRESENTATION

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### Operator

Good day, ladies and gentlemen, and welcome to the Universal Electronics first-quarter 2014 results conference call. At this time all participants are in listen-only mode. Later we will conduct a question-and-answer session, and instructions will be given at that time. (Operator Instructions). As a reminder, today's program is being recorded. I would now like to introduce your host for today's program, Becky Herrick, with LHA. Please go ahead.

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### Becky Herrick - LHA - IR

Thank you, Jonathan. Thank you all for joining us for the Universal Electronics first-quarter 2014 conference call. By now you should have received a copy of the press release, and if you have not please contact LHA at 415-433-3777. This call is being broadcast live over the Internet. A webcast replay will be available for one year at [www.UEIC.com](http://www.UEIC.com). Also any additional updated material nonpublic information that might be discussed during this call will be provided on the Company's website where it will be retained for at least one year. You may also access that information by listening to the webcast replay.

After reading a short story Safe Harbor statement, I will turn the call over to management. During the course of this conference call management may make projections or other forward-looking statements regarding future events and the future financial performance of the Company, including the benefits anticipated by the Company due to the continued strength across this entire business; the continued innovation of products and advanced technologies such as the Company's QuickSet and Control Plus technologies that will attract new customers and existing and new markets; the continued expansion of the Company's technologies into smart devices such as smartphones, tablets, smart TVs, IPTV devices, game consoles, and over-the-top services including the benefits anticipated by management due to Samsung selecting the Company to embed our technology into the Samsung WatchON application and in Samsung's Galaxy S5 smartphone, and the Gear 2 and Gear 2 Neo, and due to Microsoft selecting the company to embed our technology into the Microsoft Xbox One console; the successes anticipated by management from the growth expected in consumer electronics, particularly in the wearable segment; and the other factors described in the Company's filings with the US Securities and Exchange Commission. The actual results the company achieves may differ materially from any forward-looking statements due to such risks and uncertainties.

The company undertakes no obligation to revise or update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this release. Management wishes to caution you that the statements are just projections and actual results or events may differ materially and the Company undertakes no obligation to revise or update these statements to reflect events or circumstances that may arise after today's date.

For further detail on risk, management refers you to be press release mentioned at the onset of this call and the documents the Company files from time to time with the SEC, including the Annual Report on Form 10-K for the year ended December 31, 2013. These documents contain and identify various factors that could cause actual results to differ materially from those contained in management's projections or forward-looking statements.



Also the company references adjusted pro forma or non-GAAP metrics in this call. These adjusted pro forma metrics are provided because management uses them in making financial, operating, and planning decisions and in evaluating the Company's performance. The Company believes these measures will assist investors in assessing the Company's underlying performance for the period being reported.

Adjusted pro forma metrics exclude amortization expense relating to intangible assets acquired, depreciation expense relating to the increase in fixed assets from costs fair market value, other employee-related restructuring costs and stock-based compensation. As a reminder, the results of the prior year periods have been adjusted to reflect the exclusion of stock-based compensation expense. In management's financial remarks that will reference adjusted pro forma metrics, a full reconciliation of these adjusted pro forma measures versus GAAP is included in the company's press release that was issued after the close of market today.

On the call today are Chairman and Chief Executive Officer Paul Arling, who will deliver an overview; and Chief Financial Officer Bryan Hackworth, who will summarize the financials, and then Paul will return to provide closing remarks. It is now my pleasure to introduce Paul Arling. Please go ahead, Paul.

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**Paul Arling - Universal Electronics Inc. - Chairman and CEO**

Thank you, Becky. Our first-quarter results demonstrate our continued strong performance across the entire business. Compared to the first quarter of last year we reported 13% revenue growth and an operating income increase of 38%. We have clearly established a strong start to 2014. Our sales to consumer electronics customers reflected robust demand for TVs utilizing our traditional and advanced control technologies, as well as the continued roll out in smart TVs embedded with our software.

We have further expanded our leadership position in smart device control technology through licensing our innovations into new applications. For example, during the first quarter we continued our successful relationship with Microsoft for its Xbox One gaming console which began shipping late in 2013.

As an increasing number of companies seek to integrate their devices into the home entertainment environment, UEI's technologies are a natural fit as we provide all of the plumbing to control all devices within the connected home. UEI QuickSet is our embedded software technology that enables an AV device remote to be set up and programmed to control virtually any television or entertainment device in the home with minimal or no user input.

QuickSet is currently deployed in over 70 million devices around the world including set-top boxes, smart phones, smart TVs, and game consoles -- just to name a few. And it is available on a variety of platforms and operating systems. Licensees of UEI QuickSet include DirecTV, Samsung, Sony, LG, and Microsoft, and the list of industry leading companies that are adopting QuickSet continues to grow.

UEI's Control Plus technology built on UEI QuickSet to automatically discover and set up connected devices, and addresses common frustrations for consumers -- mode confusion and input switching. We are working with a major player in the home entertainment space to roll out Control Plus as part of a significant software release later this year. We look forward to updating you in the near future.

We continue working with some of the world's largest mobile companies on their new smart device products. As we announced yesterday another example of this is Samsung and its recently released Galaxy S5 smartphone. Through the licensing of our control technology and IP, UEI is powering Samsung's WatchON app, which is part of the Galaxy Essentials from the S5 Phone. Samsung has also recently begun shipping two new smartwatches, the Gear 2 and the Gear 2 Neo.

UEI's embedded app technology is preinstalled into these devices, powering the WatchON app that enables the watch to communicate within the connected home. This concept of wearable technology could represent a significant opportunity for us. According to NextMarket Insights, the smartwatch market is expected to grow at a compound annual growth rate of over 70% over the next six years, from 15 million units in 2014 to nearly 400 million units by 2020.

Just like other devices in the smart device channel, the technologies UEI specializes in provide the functionality to power these smartwatches to control devices within the home entertainment stack. These recent wins, just like the many wins before them, further prove that UEI is redefining what a remote control is and what a remote control can do. We are creating new ways that smartphones, tablets, game consoles, TVs, and yes, even traditional remote controls can make the home entertainment experience easier for consumers.

With that I'd like to now turn the call over to our CFO, Bryan Hackworth to discuss our financial results.



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**Bryan Hackworth - Universal Electronics Inc. - SVP and CFO**

Thank you, Paul. As a reminder our results for the first quarter of 2014, as well as the same period in 2013, will reference adjusted pro forma metrics. The first quarter of 2014 had sales of \$129.8 million, up 13% compared to \$114.7 million for the first quarter of 2013. Business category net sales were \$118.4 million, up 13% compared to the first quarter 2013 net sales of \$104.6 million.

Our consumer category net sales were \$11.4 million, up 13% compared to the first quarter of 2013 net sales of \$10.1 million. Gross profit for the first quarter was \$36.8 million, or 28.3% of sales compared to a gross margin of 28.6% in the first quarter of 2013. Operating expenses were \$28 million, or 21.6% of sales compared to \$26.5 million or 23.1% of sales in the first quarter of sales 2013.

Breaking down our operating expenses, R&D expense was \$4.3 million compared to \$4.2 million in the first quarter of 2013. SG&A expenses were \$23.7 million compared to \$22.3 million in the first quarter of 2013. Operating capital was \$8.8 million, an increase of 38% when compared to \$6.4 million in the first quarter of 2013.

The effective tax rate was 24.1% compared to 16.8% in the first quarter of 2013. First quarter 2014 net income was \$6.4 million, or \$0.40 per diluted share compared to \$4.8 million or \$0.32 per diluted share the first quarter of 2013.

Next, I'll review our cash flow and balance sheet at March 31, 2014. We have generated a significant amount of cash during the past 12 months, as our cash balances increased to \$90.4 million at March 31, 2014, compared to \$28.7 million a year prior. We continue to evaluate the potential uses of our cash, including internal investments as well as mergers and acquisitions.

However, at this time we believe that repurchasing our shares is the best alternative given our bright future and our recent trading price. As a result, our Board of Directors has authorized us to purchase up to 1 million shares. Purchases may be made in open market transactions, block transactions, on or off an exchange, or in privately negotiated transactions.

DSO's were approximately 59 days at March 31, 2014, compared to 69 days a year prior. Net inventory turns were approximately four turns at March 31, 2014, compared to 3.7 turns a year prior.

Now turning to our guidance, for the second quarter of 2014 we expect revenue between \$141 million and \$149 million compared to last year's second-quarter revenue of \$136.1 million. EPS for the second quarter is expected to range from \$0.56 to \$0.66 per diluted share compared to \$0.53 recorded for the second quarter of 2013. And now I'd like to turn the call back to Paul.

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**Paul Arling - Universal Electronics Inc. - Chairman and CEO**

Thanks, Bryan. We are at a dynamic stage in our industry right now. The explosion of content and the myriad ways that consumers are going to be able to discover and enjoy the content are creating the need for greater simplicity. This has become the priority for device manufacturers, content providers, and mobile platforms, and creates an enormous opportunity for us. UEI has established a proven track record of successful innovation by proactively developing and patenting technology that incorporates ease of use and advanced functionality. Our position in the industry continues to be stronger than ever, and we are confident that UEI will be at the forefront of providing the control solutions that address consumers' desires to make their home entertainment environment easier to access and control. Stay tuned.

I'd now like to open it up for questions. Jonathan?



## QUESTION AND ANSWER

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### Operator

(Operator Instructions)

Jason Ursaner, CJS Securities.

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### Jason Ursaner - CJS Securities - Analyst

Congratulations on a strong start to the year. Can you maybe talk about a little more about the contribution from mobile in the quarter? Is there a range that maybe you could bracket the incremental contribution of the Xbox program in Q1 versus Q4?

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### Bryan Hackworth - Universal Electronics Inc. - SVP and CFO

Yes. We don't disclose specifically those numbers. I will say in Q1, though, the contribution was less than in Q4 -- on the Xbox.

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### Jason Ursaner - CJS Securities - Analyst

Okay. I'm not really trying to get any customer-specific sensitive information, because you mentioned the product launched late in the quarter. So, I'm just trying to understand rough numbers for the size of that program can be expected to build to and maybe what it's contributing to guidance for Q2? And I guess more importantly, obviously with the Samsung announcement yesterday, mobile is positioned to become much more meaningful portion of your earnings. This is really the first program that would be a frame of reference for having modeled that, going forward.

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### Paul Arling - Universal Electronics Inc. - Chairman and CEO

Jason, in terms of smart devices -- first of all on the Xbox, I think I had said late in the year 2013, so it started earlier than just late in Q4 -- number one, just as a clarification. In terms of guidance on any of these platforms, the only thing I would ask you to do is look for the publicly available information from those customers because we certainly can't provide any individual customer's data -- either on licensing agreements or units, for certain.

But I will say this, that if you were to look back over the last couple of years the contribution from all these quote-unquote smart devices -- game consoles; televisions; mobile platforms including smartphones; and tablets; and now beginning this year, smartwatches -- the contribution has grown significantly. We may at some later point talk specifically about that as a group, but we want to be, again, careful of sensitive information of our customers, which we never talk about. But it's fair to say that these smart devices -- these connected devices over the last three years have actually increased pretty significantly as part of the contribution to our sales and gross margin dollars and, of course, earnings.

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### Jason Ursaner - CJS Securities - Analyst

Okay. If we take our own assumptions on either dollar content and then the number of units in terms of volume, how should we think about the incremental flow through on gross margin? Obviously, you are doing a lot of the activities to create this product for your core business. Maybe if you could just talk about the added costs and how should we think about gross margin expansion and ultimately operating margin expansion from whatever our assumption on dollar revenue?

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### Bryan Hackworth - Universal Electronics Inc. - SVP and CFO

When you are dealing with licensing, Jason, it's obviously going to improve the gross margin, even on chips because sometimes we embed our technology -- we will either license it or embed our technology on a chip, which also typically yields slightly higher gross margins than, say, a standard remote. But the one thing that we've done as well is we've grown our core business, and we're selling more to large customers, which is a good thing.



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Now when you are dealing with large customers, they yield -- they typically get some purchasing power. And the gross margins on a sale to a large customer will be typically be less than, say, our company average. But the good thing is it still contributes to our bottom line. So if you look at Q1 -- the perfect example where we grew sales by 13% yet operating income grew by 38%. So sometimes you get some gives and takes on the gross margin rate, but the bottom line is they are both contributing to an improvement for the operating income line.

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**Jason Ursaner - CJS Securities - Analyst**

Got it. I guess I was more -- I would have assumed -- if it is a pure license agreement I would think that gross margin profile is pretty dramatically different I guess is what I'm trying to get at. I would think there is fairly little cost -- more of a software type sale.

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**Bryan Hackworth - Universal Electronics Inc. - SVP and CFO**

That's true. If you are talking about a pure license, that's absolutely correct -- that there is very little associated variable cost with a license. That's true. But we're still in the beginning phases of the whole smart device channel. It's still early stages, but you're right. If you're looking at it independently, there is very little variable costs associated with the license revenue.

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**Jason Ursaner - CJS Securities - Analyst**

Understood. And then just last question on the cash balance, obviously, it's growing pretty substantially which is certainly not a problem. But maybe just some thoughts on capital structure. What are you going to do with the cash over time?

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**Bryan Hackworth - Universal Electronics Inc. - SVP and CFO**

We just disclosed in the prepared remarks that we are planning on buying back, contingent on price, but buying back up to 1 million shares of our stock. Our Board has recently approved that. So we believe in the Company. We believe we have a bright future. Given our strong cash flow over the last 12 months and the recent stock price, we believe the best investment right now is in our own stock.

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**Jason Ursaner - CJS Securities - Analyst**

Okay, great. Appreciate that. Thanks.

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**Operator**

Steven Frankel, Dougherty.

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**Steven Frankel - Dougherty & Company - Analyst**

Bryan, just for clarification, what's the amount of stock comp that's factored into the Q2 guidance? Is it the same?

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**Bryan Hackworth - Universal Electronics Inc. - SVP and CFO**

Yes, it's about the same Steve. It's about \$4.5 million to \$5 million for a given year. So just divide that by four. I think it's \$1.3 million to be exact, I think, for the quarter.

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**Steven Frankel - Dougherty & Company - Analyst**



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And in terms of gross margin, normally we think of these new smart devices and the software content raising gross margin, but gross margin was down a little bit year-on-year. What else went on in the quarter that was countervailing to that?

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**Bryan Hackworth** - *Universal Electronics Inc. - SVP and CFO*

Basically what I just spoke about. The growth was primarily related to large customers -- sales to large customers, and the yield pricing power. So we ended up selling more. So, it puts downward pressure on the gross margin rate, but we care more about the operating income than we did gross margin. We care about both, but if you've got a customer that we are going to sell more to, the average gross margin is lower than our Company average. But the associated variable cost is low, so it's going to put upward pressure on the operating margin line, which it has. Again, if you look at Q1 it's a perfect example. 13% net sales growth, 38% operating margin growth. So, they are both positives.

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**Steven Frankel** - *Dougherty & Company - Analyst*

Okay. And then just to make sure I heard Paul correctly, is the WatchON app that's got your technology in it shipping now with the S5, globally or in major geographies at this point?

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**Paul Arling** - *Universal Electronics Inc. - Chairman and CEO*

It is. The WatchON app on the Gear 2 and the Gear 2 Neo. So, I would encourage you call to go out and get your S5 phone and your Gear 2 or Gear 2 Neo and utilize our technology on those smartwatches.

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**Steven Frankel** - *Dougherty & Company - Analyst*

Great. That's all I have. Thank you.

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**Operator**

(Operator Instructions)

Jason Ursaner, CJS Securities.

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**Jason Ursaner** - *CJS Securities - Analyst*

On the S5, so the WatchON app, which is one of the essential apps -- it's not the preloaded one. So is the smart remote app using a different database for setting up consumer TVs and/or a different underlying control methodology? And should we assume your royalty, at least at the onset, is based on shipments or downloads?

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**Paul Arling** - *Universal Electronics Inc. - Chairman and CEO*

There are two apps on the phone. We are embedded -- Samsung has developed its own app, which has been branded WatchON. We have integrated our control technologies and IP into that WatchON app. It's included as a free download or as part of the Galaxy Essentials, on the S5. It is pre-installed on the Gear 2 and Gear 2 Neo.

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**Jason Ursaner** - *CJS Securities - Analyst*

Okay. And the smart remote, though, excluding the functionality part, but in terms of the database that is going to use for setting up on TVs, would that also use an underlying database that's yours?



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**Paul Arling** - *Universal Electronics Inc. - Chairman and CEO*

No. That is not our app.

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**Jason Ursaner** - *CJS Securities - Analyst*

Okay, appreciate it. Thanks.

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**Operator**

Edison Chu, G2 Investments.

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**Josh Goldberg** - *G2 Investment Partners Management - Analyst*

Hi, guys. This is Josh Goldberg for Edison. A really great quarter. Congratulations. I guess I'll start by saying, obviously positive about your stock repurchase. Did you buyback any stock in the first quarter?

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**Bryan Hackworth** - *Universal Electronics Inc. - SVP and CFO*

No. Nothing significant.

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**Josh Goldberg** - *G2 Investment Partners Management - Analyst*

Okay. Is there a reason why, if you had the share buyback in place?

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**Paul Arling** - *Universal Electronics Inc. - Chairman and CEO*

We have a share buyback in place as of our Board meeting, which was recently -- in the last couple of weeks.

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**Josh Goldberg** - *G2 Investment Partners Management - Analyst*

Okay. Got you. And then I guess kind of coming back to the last person's question, it sounds like you are pre-installed on some of the Samsung products but not the actual Galaxy S5, where they have a different technology. Obviously, it's a key customer of yours. Is there any thought of maybe the company that's working with them now, have you thought about either having some stuff licensed with them, suing them for the patents that you control. It would seem like they are kind of flying under the radar here, for that app. And I have a follow-up.

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**Paul Arling** - *Universal Electronics Inc. - Chairman and CEO*

Yes. We are preinstalled on the watches. We are in certain regions of the world, the WatchON app may be preinstalled, as well. This region in the US, it is not. It is part of the Galaxy Essentials, which is a download. There is another app on the phone. As we publicly disclosed, we are in the midst of a litigation with a company that is powering some of these apps, including what we understand is the other app on this Galaxy S5. So, we are currently in litigation with a company in this market space.

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**Josh Goldberg** - *G2 Investment Partners Management - Analyst*

Okay. Got you. And then just in terms of your traditional business, could you talk about any 10% customers in the quarter and how do you think the business segment fared this quarter with some of the mergers and acquisitions in the space? Thanks.





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**Bryan Hackworth** - *Universal Electronics Inc. - SVP and CFO*

Yes. We had one 10% customer; it was DirecTV that came out at 11.3%. In terms of how the business channel fared, it fared very well. I didn't see really any adverse effects at all from the mergers and acquisitions recently. The subscription broadcast continues to grow, as well as the OEM channels, so we've done well in the -- any recent M&A activity we have seen no adverse effect.

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**Josh Goldberg** - *G2 Investment Partners Management - Analyst*

Got you. And the gross margins, down to 23%. Was that just a function of mix?

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**Bryan Hackworth** - *Universal Electronics Inc. - SVP and CFO*

It was 28.3%. It wasn't 23%. Yes. It was mix. It was more sales to large customers offset some of the incremental licensing revenue. The license revenue has grown, so I don't want people to think that it hasn't. It's just sometimes it gets offset by factors such as selling more to large customers, which isn't a bad thing when incrementally it improves your bottom line.

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**Josh Goldberg** - *G2 Investment Partners Management - Analyst*

When you are looking at your second-quarter guidance I assume the majority of that growth is still coming from your business in consumer, and not the licensing part of the business; is that fair to say?

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**Bryan Hackworth** - *Universal Electronics Inc. - SVP and CFO*

Yes.

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**Josh Goldberg** - *G2 Investment Partners Management - Analyst*

Okay. And just previously, the last couple of years your second-quarter is up anywhere from 12% to 15% to 19%. Is there a certain level of conservatism in the June quarter that you are only guiding it at the midpoint -- 12% and more like 10% to 14% -- in the ranges? It seems a little bit conservative if you had some license deals and obviously in general you had a strong June quarter.

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**Bryan Hackworth** - *Universal Electronics Inc. - SVP and CFO*

Yes. All I can say with that is maybe I am guilty of being conservative sometimes, but right now I think this is where we are going to land. We said in the long term we are going to grow between 10% and 15% -- bottom line of 5% to 10%, so we are actually for the next quarter we are seeing the top line more like in the 10% to 15%. So just based on the information I have right now is where I think we are going to wind up.

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**Josh Goldberg** - *G2 Investment Partners Management - Analyst*

Got you. Great. Thanks so much.

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**Operator**

George Prince, RBC.



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**George Prince - RBC Global Asset Management - Analyst**

Good quarter. I like that one. How are you doing, Bryan? How are you doing Paul? Broad question here, Paul. Can you talk about the opportunities internationally for any of the products?

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**Paul Arling - Universal Electronics Inc. - Chairman and CEO**

Sure. For the core products?

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**George Prince - RBC Global Asset Management - Analyst**

You take your pick. What seems to be exciting? What seems to be growing? What are the opportunities going forward?

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**Paul Arling - Universal Electronics Inc. - Chairman and CEO**

I guess this is good news. We've seen pretty broad-based growth. I mean we've done well across our different types of products -- core products, as Bryan was just talking about the mix. We've seen pretty good growth in core product sales as well as the smart device license area where we have new wins. Also regionally we have seen pretty good strength. So I wouldn't call out any one thing that was responsible for the 13% growth and 38% operating income growth. We had a lot of really positive things going on in our business that have caused a broad-based growth. And it's been through the hard work of the people here, both in the engineering group and the commercial group sales and marketing to produce these results.

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**George Prince - RBC Global Asset Management - Analyst**

Is there any particular region that looks exciting in the next couple of years for any of the products?

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**Paul Arling - Universal Electronics Inc. - Chairman and CEO**

Yes. We've done really well here, in the US, in Q1. We did last year, as well. I think that may surprise people because everyone sort of views this as all the growth is outside the US. We've done very well here. Of course, as expected, we've seen a lot of real positive results in Asia. As you know, many consumer electronics brands and many of the mobile brands, their home is in Asia, which is part of our Asia sales group. So they've performed extremely well over there on both the core products for today as well as these design wins and embedded technologies and embedded software for the products of tomorrow. So I think that's probably where we are seeing a lot of good long-term growth is from those embedded wins.

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**George Prince - RBC Global Asset Management - Analyst**

All right. Well, good luck.

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**Operator**

(Operator Instructions) Jason Ursaner, CJS Securities.

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**Jason Ursaner - CJS Securities - Analyst**

Takes for taking the follow-up, again. Just Bryan, you got asked before on the Q2 outlook on the licensing, you said it's not expected to be a big contributor as part of the revenue growth or revenue and your adjusted earnings growth?



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**Bryan Hackworth** - *Universal Electronics Inc. - SVP and CFO*

Revenue growth. It still plays a factor. It's just if you take our total sales for the year or what expect for the year or even for the first half of the year, I should say, it's still not making -- from a percentage basis a significant on the top line, but it contributes to the bottom line because it's [potent], right. As we talked about earlier, you're talking about very little variable costs associated with it, and if it's a license deal, it's a 100% margin.

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**Jason Ursaner** - *CJS Securities - Analyst*

Right. And then just last question on the WatchON, have there been any public statistics on the percent of users who download the Essentials app package? I would imagine it's fairly high. I'm not sure if there's been anything written on it.

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**Paul Arling** - *Universal Electronics Inc. - Chairman and CEO*

There hasn't yet, Jason. Unfortunately -- obviously you know phone just launched in the last couple of weeks, the S5. So, don't have any early indication on that. As I said earlier, the app is free. It's actually bundled as a group of apps in which the user can essentially add, as the name implies, Samsung markets them as apps that are essential to get the most out of your Galaxy phone. And then there's a download all button. The apps are free for the user. So you presume that that would mean that there would be a fair amount of people who would hit that download all and realize they are free and download them. So, we don't have any early take, though, on the number of downloads. And remember, again, there are regions where it is preinstalled, so that will be irrelevant. And of course on the watch, it's a preinstalled app.

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**Jason Ursaner** - *CJS Securities - Analyst*

Okay. Great. Thanks a lot. Look forward to hearing from you guys next quarter.

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**Operator**

(Operator Instructions) Ian Corydon, B. Riley & Co.

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**Ian Corydon** - *B. Riley & Co. - Analyst*

Thank you. I apologize if this has been asked already, but can we assume that the license is about the same whether you are preinstalled on the S5 or whether you are downloaded in the Essentials?

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**Paul Arling** - *Universal Electronics Inc. - Chairman and CEO*

Yes. You can presume that.

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**Ian Corydon** - *B. Riley & Co. - Analyst*

Okay. And is there a significant difference between the license on the phone versus the smartwatches?

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**Paul Arling** - *Universal Electronics Inc. - Chairman and CEO*

No.

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**Ian Corydon** - *B. Riley & Co. - Analyst*



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Okay. Thank you.

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### Operator

This does conclude the question and answer session of today's program. I'd like to turn the program back to Paul Arling.

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### Paul Arling - *Universal Electronics Inc. - Chairman and CEO*

Okay. Thank you Jonathan. And thank you everyone for joining us today and your continued support of UEI. I just wanted to let you know that we will be participating in the B. Riley & Co. 15th Annual Investor Conference on May 21<sup>st</sup> in Santa Monica. We hope to see you there. Thanks for joining and goodbye.

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### Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

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