
Universal Electronics Inc.

16th Annual Needham Virtual
Technology & Media Conference

May 19, 2021



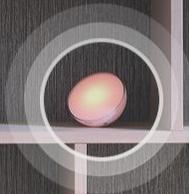
SAFE HARBOR STATEMENT

This presentation and accompanying schedules contain "forward-looking statements" within the meaning of federal securities laws, including net sales, profit margin and earnings trends, estimates and assumptions; our expectations about new product introductions; 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 Annual Report on Form 10-K for the year ended December 31, 2020, and the quarterly and periodic reports we have filed with the Securities Exchange Commission (the "SEC") since then. Risks that could affect forward-looking statements in this press release include: the acceptance of and demand for the various advanced control products and technologies identified in the release, including our Quickset® and voice control products, technologies, and platforms; our ability to continue anticipating the needs and wants of our customers, and timely develop and deliver products and technologies that will be accepted by our customers, including the LG webOS platform; the continued commitment of our customers to their product development strategies that translate into greater demand for our technologies and products as anticipated by management; the continued ordering pattern of our customers as anticipated by management; management's ability to manage its business to achieve its net sales, margins, and earnings through its operating efficiencies, product mix, and gross margin improvement initiatives as guided and as anticipated; our ability to enhance and protect the value of our intellectual properties, including our patents and trade secrets, through our licensing and litigation efforts; interruptions in our supply and logistics chains, including the impact to our quarterly revenue, margins and operating profits due to our inability to continue to obtain adequate quantities of component parts, including integrated circuits; the effects that natural disasters and public health crises, including the COVID-19 pandemic, have on our business and management's ability to anticipate and mitigate those effects, including the duration, severity and scope of the COVID-19 pandemic, and the actions and restrictions that may be imposed on us and our operations by federal, state, local and international public health and governmental authorities to contain and combat the outbreak and spread of COVID-19, each of which may exacerbate one or more of the aforementioned risks; and uncertainties and other factors more fully described in our reports filed with the SEC; and effects that changes in laws, regulations and policies may have on our business including the impact of trade regulations pertaining to importation of our products and the tariffs imposed upon them. Since it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results, the above list should not be considered a complete list. Further, any of these factors could cause actual results to differ materially from the expectations we express or imply in this press release. We make these forward-looking statements as of May 6, 2021, 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.

UEI is the global leader in wireless universal control solutions for home entertainment and smart home devices.

We design, develop, manufacture, ship and support solutions used by the world's leading brands in the video services, consumer electronics, security, home automation, hospitality, climate control and home appliance markets.

OUR SOLUTIONS



UEI at a glance

Market Share Leader

- More than three decades of experience designing and developing wireless entertainment and home control solutions
- Worldwide leader in growing market for entertainment (voice) remote controls
- Broad portfolio of connected sensing and control solutions for the home

Focus on Technology and Product Innovation

- Industry-leading QuickSet software controls entertainment and smart home devices
- Over 600 issued and pending patents

Global Scale

- Vertically integrated across design, development, software and manufacturing
- R&D teams in the U.S., Europe, China, India and Taiwan
- Globally diversified manufacturing in China, Mexico, Brazil and Vietnam
- 3,800+ employees worldwide

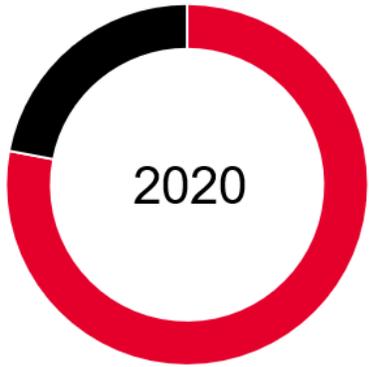
Fortune 100 Customer Base

- Technology licensing with leading consumer electronics and security brands
- Development partner for world's largest video and telecom service providers

Strong Financial Performance

- Consistent revenue and earnings growth

Diverse, scalable sales channels



■ Home Entertainment ■ Connected Home



Video Service Providers



Consumer Electronics



Retail



Security and Automation



Climate Control

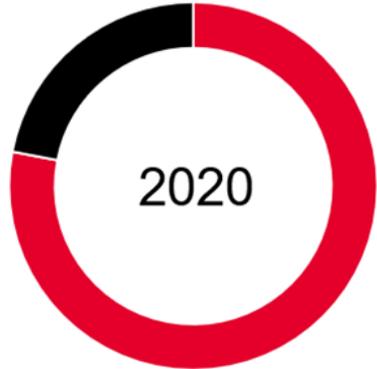


Home Appliances



Hospitality

Powering Fortune 500 companies



Video Service Providers



Consumer Electronics



Retail



Security and Automation



Climate Control



Home Appliances



Hospitality

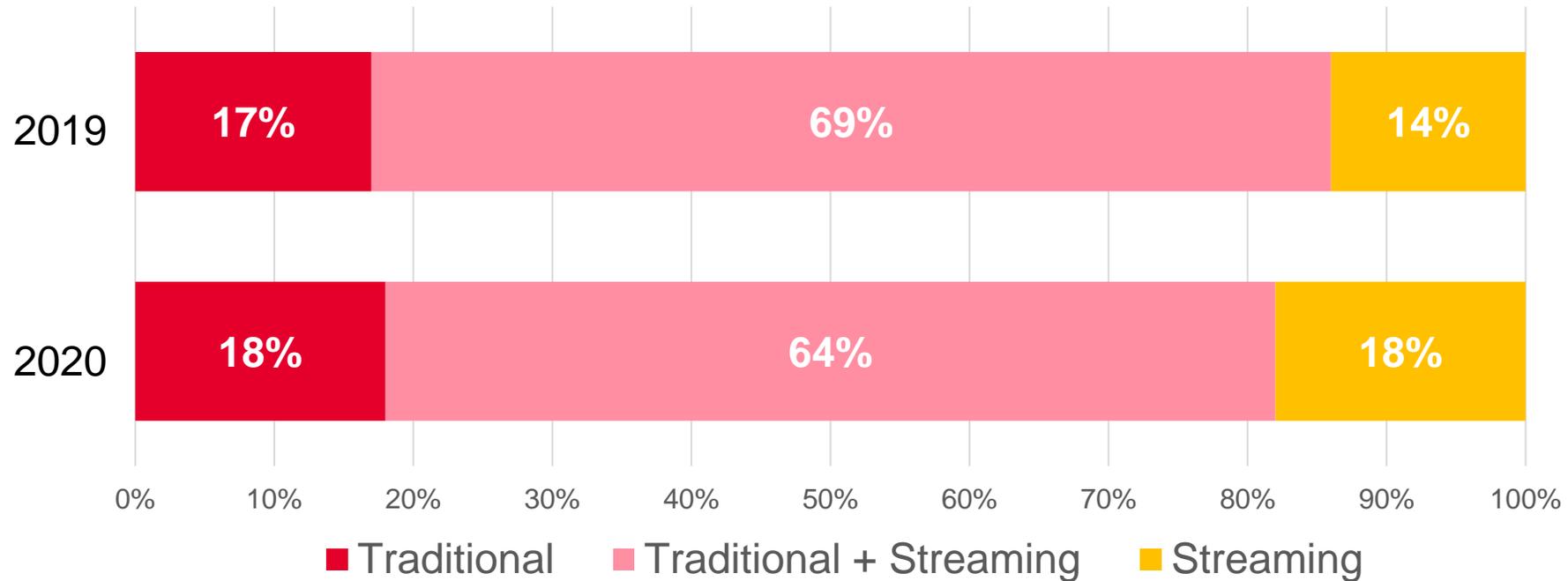
The average American spends 4:58 hours per day watching TV

Source: Nielsen, Q2 2020



Most Americans watch both traditional and streaming services

3x more customers combine services than those who have cut the cord and only stream



Traditional: over-the-air or MVPD (cable or satellite TV service provider)

Streaming: direct-to-consumer app based video over internet (TVOD, SVOD, AVOD) or virtual MVPD

Source: Hub Entertainment Research, August 2020

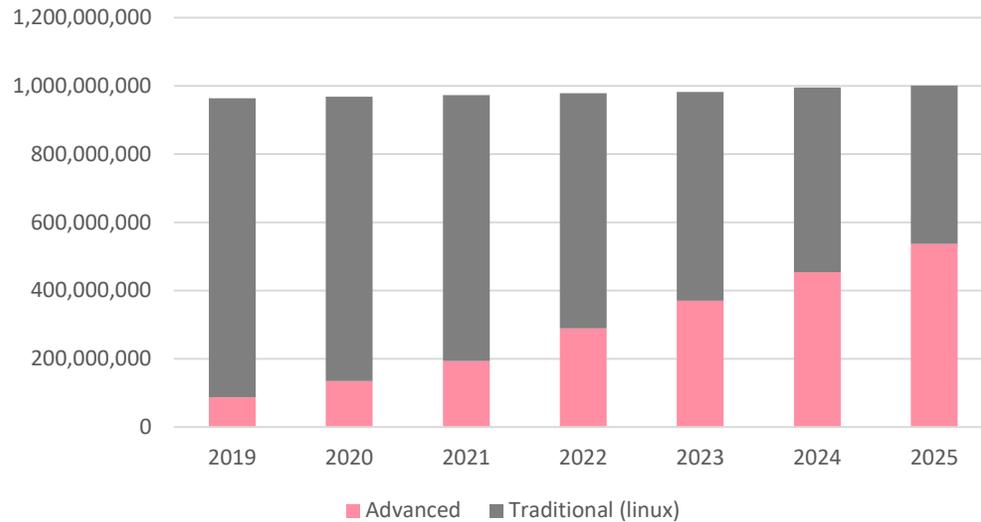


Entertainment control has dramatically changed in the past four years

- More content requires better search leading to greater demand for voice remotes
- Internet connectivity and two-way communication create smart control opportunity

Set-top boxes with advanced TV OS will penetrate over half a billion households as they offer a better user experience and OTT services

Set-top-box operating system, world

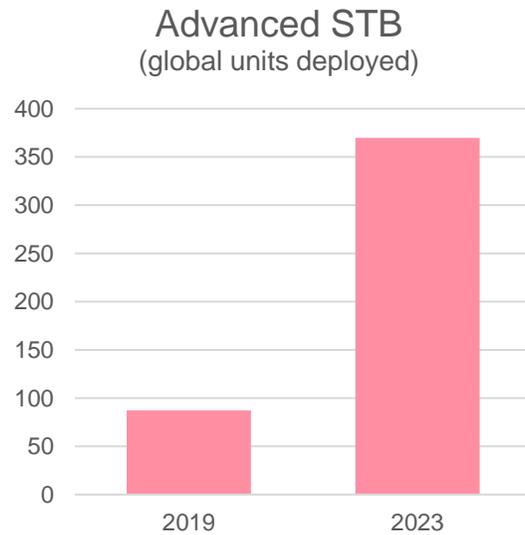


Source: Rethink Technology, 2020



MARKET OPPORTUNITIES

Advanced
Set-Top Box

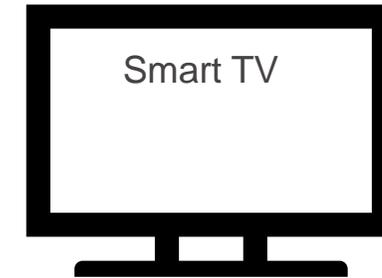


Source: Rethink Technology, 2020

Streaming Media
Player



Source: Parks Associates, 2019



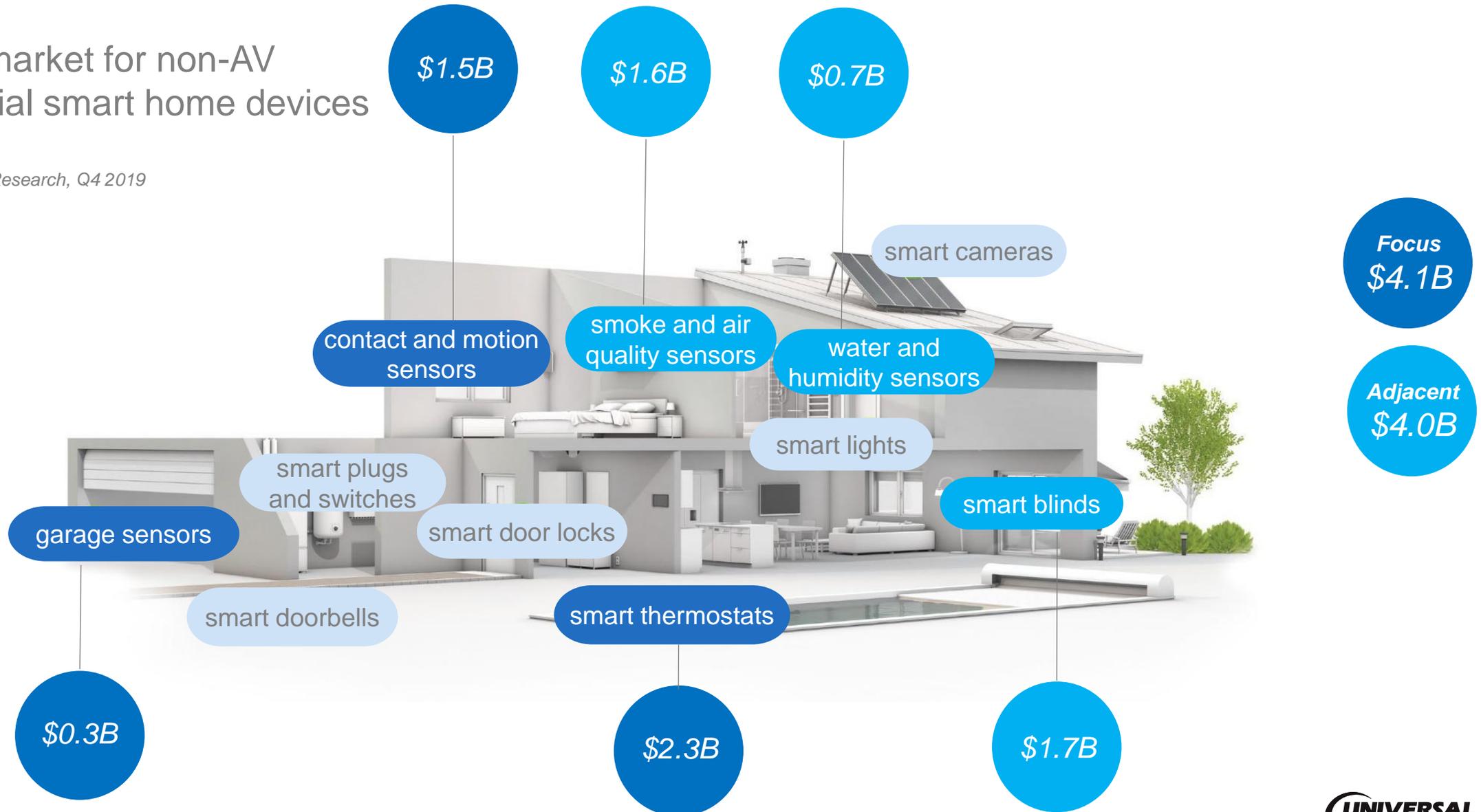
Source: IHG, 2019

69% of U.S. households
have at least one smart
home device



Global market for non-AV residential smart home devices

Source: ABI Research, Q4 2019



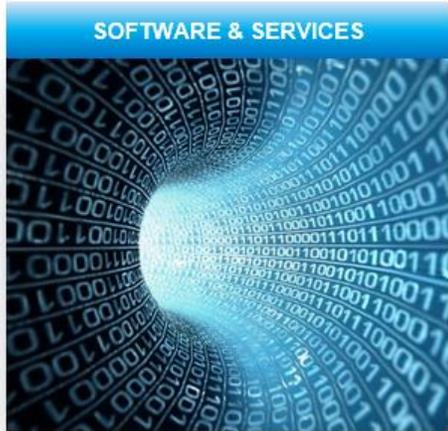


OUR VISION

Connecting the home

To be the most knowledgeable company on the planet about the entertainment, smart devices and services that people have in their home.

OUR SOLUTIONS



Our industry-leading technology and expertise power our solutions to enable unmatched control of entertainment and smart home devices for a seamless user experience

- Global leader in high performance, low cost voice solutions based on proprietary silicon with more than 100 million units shipped
- World's largest cloud-based knowledge graph for devices and services in the home with over 100 billion cloud transactions annually

New Products

- The **UEI Comfort family of connected thermostats** is designed to simplify installation, use and support of climate control in residential, commercial and hospitality applications with built-in sensing capabilities to optimize comfort and reduce energy costs
- **QuickSet® Widget** enables OEMs to upgrade their products to be connected, managed and secured, and enables interoperability with other devices, expanding UEI's portfolio across several connected home product segments
- **UEI Virtual Agent** enables self-help support to address common challenges around onboarding, feature discovery and troubleshooting for entertainment and smart home devices



Recent Wins



UEI to provide voice-enabled remotes for the new Virgin TV 360 platform

UEI to launch Apple TV remote control for MVPDs



UEI to provide voice-enabled remotes for Liberty Global's environmentally friendly 4K Mini TV Box

Strong Gross and Operating Margins

Adjusted Non-GAAP* (\$ M, except EPS)	Q1 2021	Q1 2020
Net Sales	\$150.7	\$152.0
Gross Margin	31.4%	30.9%
Operating Margin	10.4%	9.8%
Net Income	\$12.6	\$11.5
EPS	\$0.89	\$0.81

Adjusted Non-GAAP* Guidance (\$ M, except EPS)	Q2 2021	Q2 2020
Net Sales	\$153 - \$163	\$153.3
EPS ¹	\$0.87-\$0.97	\$0.89

ENRICHING PRODUCT MIX WITH TECHNOLOGY & LICENSING

- Expanded GM:
 - 30.8% in 2020 vs. 26.7% in 2019

INVESTING IN SCALABILITY AND EFFICIENCY

- Improved OM with restructuring and cost efficiency efforts:
 - 10.7% in 2020 vs. 8.8% in 2019

STRENGTHENING BALANCE SHEET

- \$55.4M cash and cash equivalents at 3/31/21
- \$40.0M in debt at 3/31/21
- Stock repurchase:
 - 440k+ shares bought for \$17.7M in 2020
 - 190k+ shares bought for \$11.0M in Q1 2021
 - 300k share repurchase authorization approved Apr. 2021

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

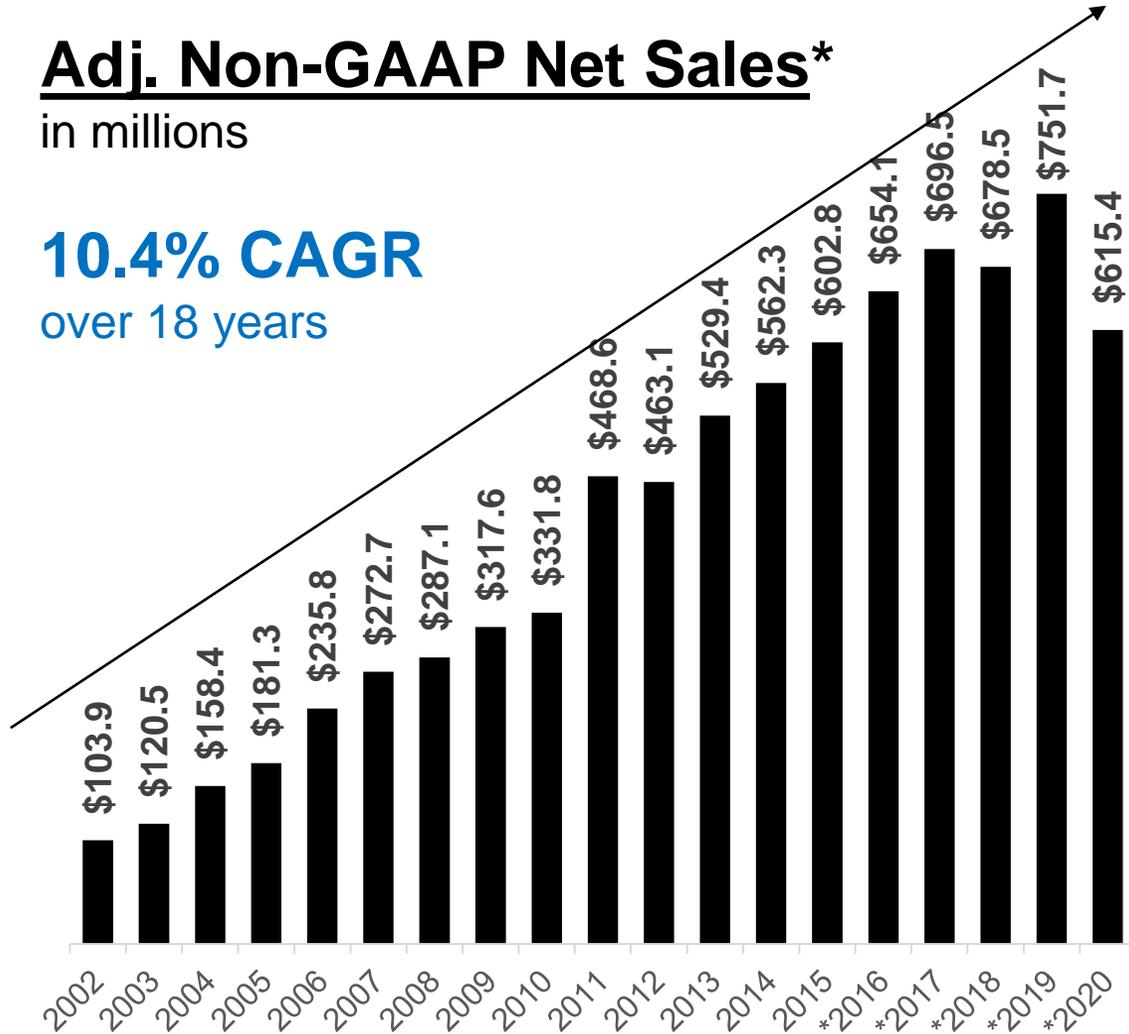
¹ The company recorded tax incentive refunds in China of \$1.1M equating to a benefit of \$0.08 per diluted share in Q2 2020.

Long term, sustainable value creation

Adj. Non-GAAP Net Sales*

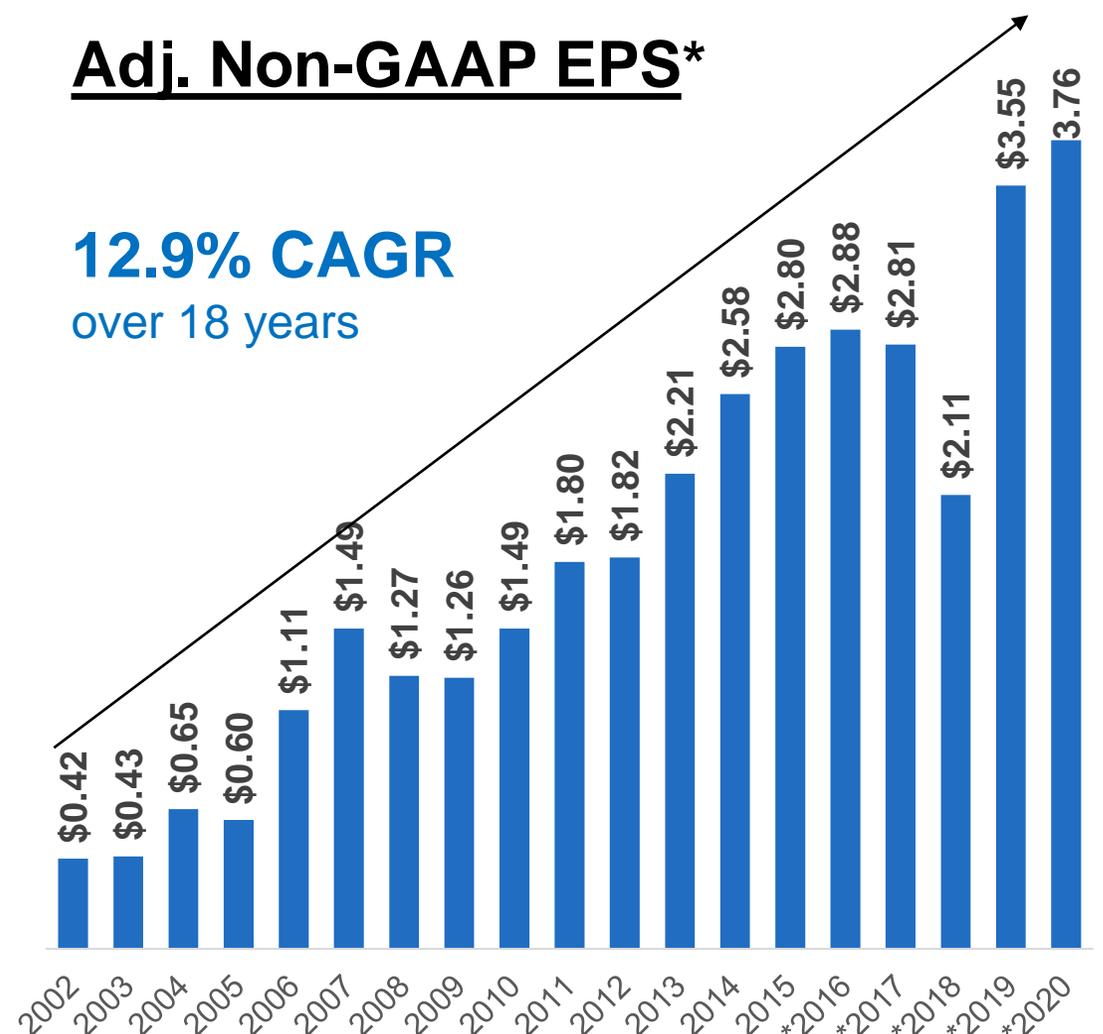
in millions

10.4% CAGR
over 18 years



Adj. Non-GAAP EPS*

12.9% CAGR
over 18 years



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

GROW HOME ENTERTAINMENT CHANNELS

- Leverage long-term customer relationships
- Upgrade customers to voice remotes and technology on advanced video platforms
- Continue expansion into streaming and hybrid systems
- Develop extended products and services

DIVERSIFY INTO CONNECTED HOME

- Focus on diversifying in security, home automation, climate control and hospitality channels
- Leverage strength in high-volume electronics, wireless connectivity and interoperability
- Innovate with new products and services

SHIFT TO HIGHER MARGIN SALES

- Shift focus to selling hardware, software and services across all channels and making products smarter

DELIVER CONSISTENT GROWTH

- Targeting 5% to 10% sales and 10% to 20% earnings growth long-term

Thank you!

Questions?

Financial Appendix



In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, UEI provides Adjusted Non-GAAP information as additional information for its operating results. References to Adjusted Non-GAAP information are to non-GAAP financial measures. These measures are not required by, in accordance with, or an alternative for, GAAP and may be different from non-GAAP financial measures used by other companies. 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, help 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.

Adjusted Non-GAAP net sales is defined as net sales excluding the revenue impact of the additional Section 301 U.S. tariffs on products manufactured in China and imported into the U.S. and the impact of stock-based compensation for performance-based warrants. Adjusted Non-GAAP gross profit is defined as gross profit excluding the impact of the additional Section 301 U.S. tariffs on products manufactured in China and imported into the U.S. and costs of implementing countermeasures to mitigate this impact, excess manufacturing overhead costs including those related to the COVID-19 pandemic, factory transition costs, the loss on the sale of our Ohio call center, stock-based compensation expense, depreciation expense related to the increase in fixed assets from cost to fair market value resulting from acquisitions and employee related restructuring costs. Adjusted Non-GAAP operating expenses are defined as operating expenses excluding costs incurred related to implementing countermeasures to mitigate the impact of the additional Section 301 U.S. tariffs on products manufactured in China and imported into the U.S., stock-based compensation expense, amortization of intangibles acquired, changes in contingent consideration related to acquisitions and employee related restructuring and other costs. Adjusted Non-GAAP net income is defined as net income excluding the aforementioned items, the reversal of a social insurance accrual related to our Guangzhou entity, which was sold in 2018, foreign currency gains and losses, the related tax effects of all adjustments as well as the effect of a reversal of a reserve of an uncertain tax position related to our Guangzhou entity, which was sold in 2018, and certain net deferred tax adjustments. Adjusted Non-GAAP diluted earnings per share is calculated using Adjusted Non-GAAP net income. A reconciliation of these financial measures to the most directly comparable GAAP financial measures is included at the end of this presentation.

GAAP TO ADJUSTED NON-GAAP RECONCILIATION TABLE (In thousands, except per share amounts, unaudited)

	Three Months Ended March 31,	
	2021	2020
Net sales:		
Net sales - GAAP	\$ 150,542	\$ 151,778
Stock-based compensation for performance-based warrants	143	184
Adjusted Non-GAAP net sales	<u>\$ 150,685</u>	<u>\$ 151,962</u>
Cost of sales:		
Cost of sales - GAAP	\$ 104,143	\$ 108,837
Excess manufacturing overhead and factory transition costs ⁽¹⁾	(1,245)	(2,915)
Loss on sale of Ohio call center ⁽²⁾	—	(570)
Gain on release from Ohio call center lease obligation guarantee ⁽³⁾	542	—
Stock-based compensation expense	(37)	(74)
Adjustments to acquired tangible assets ⁽⁴⁾	(65)	(66)
Employee related restructuring	—	(204)
Adjusted Non-GAAP cost of sales	<u>103,338</u>	<u>105,008</u>
Adjusted Non-GAAP gross profit	<u>\$ 47,347</u>	<u>\$ 46,954</u>
Gross margin:		
Gross margin - GAAP	30.8 %	28.3 %
Stock-based compensation for performance-based warrants	0.2 %	0.1 %
Excess manufacturing overhead and factory transition costs ⁽¹⁾	0.8 %	2.0 %
Loss on sale of Ohio call center ⁽²⁾	— %	0.4 %
Gain on release from Ohio call center lease obligation guarantee ⁽³⁾	(0.4)%	— %
Stock-based compensation expense	0.0 %	0.0 %
Adjustments to acquired tangible assets ⁽⁴⁾	0.0 %	0.0 %
Employee related restructuring	— %	0.1 %
Adjusted Non-GAAP gross margin	<u>31.4 %</u>	<u>30.9 %</u>
Operating expenses:		
Operating expenses - GAAP	\$ 37,788	\$ 34,895
Stock-based compensation expense	(2,563)	(2,229)
Amortization of acquired intangible assets	(276)	(1,395)
Change in contingent consideration	193	963
Litigation costs ⁽⁵⁾	(3,569)	—
Employee related restructuring and other costs	111	(237)
Adjusted Non-GAAP operating expenses	<u>\$ 31,684</u>	<u>\$ 31,997</u>

	Three Months Ended March 31,	
	2021	2020
Operating income:		
Operating income - GAAP	\$ 8,611	\$ 8,046
Stock-based compensation for performance-based warrants	143	184
Excess manufacturing overhead and factory transition costs ⁽¹⁾	1,245	2,915
Loss on sale of Ohio call center ⁽²⁾	—	570
Gain on release from Ohio call center lease obligation guarantee ⁽³⁾	(542)	—
Stock-based compensation expense	2,600	2,303
Adjustments to acquired tangible assets ⁽⁴⁾	65	66
Amortization of acquired intangible assets	276	1,395
Change in contingent consideration	(193)	(963)
Litigation costs ⁽⁵⁾	3,569	—
Employee related restructuring and other costs	(111)	441
Adjusted Non-GAAP operating income	<u>\$ 15,663</u>	<u>\$ 14,957</u>
Adjusted pro forma operating income as a percentage of net sales	10.4 %	9.8 %

Net income:		
Net income – GAAP	\$ 6,993	\$ 5,846
Stock-based compensation for performance-based warrants	143	184
Excess manufacturing overhead and factory transition costs ⁽¹⁾	1,245	2,915
Loss on sale of Ohio call center ⁽²⁾	—	570
Gain on release from Ohio call center lease obligation guarantee ⁽³⁾	(542)	—
Stock-based compensation expense	2,600	2,303
Adjustments to acquired tangible assets ⁽⁴⁾	65	66
Amortization of acquired intangible assets	276	1,395
Change in contingent consideration	(193)	(963)
Litigation costs ⁽⁵⁾	3,569	—
Employee related restructuring and other costs	(111)	441
Foreign currency (gain) loss	109	296
Income tax provision on adjustments	(1,533)	(1,542)
Adjusted Non-GAAP net income	<u>\$ 12,621</u>	<u>\$ 11,511</u>

Diluted shares used in computing earnings per share:		
GAAP	14,199	14,211
Adjusted Non-GAAP	14,199	14,211

Diluted earnings per share:		
Diluted earnings per share - GAAP	\$ 0.49	\$ 0.41
Total adjustments	\$ 0.40	\$ 0.40
Adjusted Non-GAAP diluted earnings per share	\$ 0.89	\$ 0.81

GAAP TO ADJUSTED NON-GAAP RECONCILIATION TABLE

- (1) Excess manufacturing overhead costs have been incurred for the three months ended March 31, 2021 and 2020 due to the expansion of our manufacturing facility in Mexico where products destined for the U.S. market are now manufactured. These products destined for the U.S. market were previously manufactured in China. Additionally, the three months ended March 31, 2020 includes excess manufacturing overhead costs incurred as we temporarily shut-down our China and Mexico-based factories as a result of the COVID-19 pandemic.
- (2) Consists of the loss recorded on the sale of our Ohio call center in February 2020.
- (3) Consists of the gain associated with the January 2021 release from our guarantee of the lease obligation related to our Ohio call center which was sold in February 2020.
- (4) Consists of depreciation related to the mark-up from cost to fair value of fixed assets acquired in business combinations.
- (5) Consists of expenses related to our International Trade Commission (“ITC”) investigation of Roku, Inc. and certain other related entities. We have requested the ITC to issue a permanent limited exclusion order prohibiting the importation of certain products into the United States due to their infringement of our patents.

GAAP TO ADJUSTED NON-GAAP RECONCILIATION TABLE

(In millions, unaudited)

	Year ended December 31,																		
Net sales:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net sales - GAAP	\$103.9	\$120.5	\$158.4	\$181.3	\$235.8	\$272.7	\$287.1	\$317.6	\$331.8	\$468.6	\$463.1	\$529.4	\$562.3	\$602.8	\$651.4	\$695.8	\$680.2	\$753.5	\$614.7
Performance-based common stock warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.7	0.7	0.2	2.0	0.7
U.S. tariffs on goods imported from China (1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.9)	(3.7)	-
Adjusted Non-GAAP net sales	\$103.9	\$120.5	\$158.4	\$181.3	\$235.8	\$272.7	\$287.1	\$317.6	\$331.8	\$468.6	\$463.1	\$529.4	\$562.3	\$602.8	\$654.1	\$696.5	\$678.5	\$751.7	\$615.4

(1) Includes incremental revenues directly attributable to the additional Section 301 U.S. tariffs implemented in 2018 on goods manufactured in China and imported into the U.S.

(In millions, 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	2018	2019	2020
Net income (loss) attributable to UEI - GAAP	\$ 5.9	\$ 6.3	\$ 9.1	\$ 9.7	\$ 13.5	\$ 20.2	\$ 15.8	\$ 14.7	\$ 15.1	\$ 19.9	\$ 16.6	\$ 23.0	\$ 32.5	\$ 29.2	\$ 20.4	\$ (10.3)	\$ 11.9	\$ 3.6	\$ 38.6
Performance-based common stock warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.7	0.7	0.2	2.0	0.7
Adjustments to acquired tangible assets (1)	-	-	-	-	-	-	-	-	1.8	1.1	1.1	1.1	1.0	1.1	1.2	1.2	0.8	0.5	0.4
Factory transition costs (2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.2	10.5	17.9	17.7	7.5
Amortization of acquired intangible assets	-	-	-	-	-	-	-	-	0.4	2.8	3.0	3.0	3.0	3.6	5.0	5.6	5.6	5.6	4.5
Stock-based compensation	-	-	-	-	3.1	3.5	4.2	4.3	5.0	4.5	4.6	5.3	6.4	7.9	10.3	11.9	8.8	8.8	9.1
Employee related restructuring costs	-	-	-	-	-	-	-	-	-	0.5	0.6	2.0	0.9	1.0	5.0	7.0	1.9	2.7	0.5
Accrued social insurance adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9.5)
Direct acquisition related expenses	-	-	-	-	-	-	-	-	1.1	-	0.3	-	-	0.2	-	-	-	-	-
Change in contingent consideration	-	-	-	-	-	-	-	-	-	-	-	-	-	0.6	(1.3)	3.0	(0.7)	1.4	(2.4)
Litigation settlement costs	-	-	-	-	-	-	-	-	-	-	-	-	-	4.6	2.0	-	-	-	3.9
Transaction costs related to sale of Guangzhou factory	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.9	-	-	-
U.S. tariffs on goods imported from China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.1	11.5	3.5
Gain on sale of Guangzhou factory	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(37.0)	-	-
Nonrecurring other items	-	-	-	-	-	-	-	-	-	-	0.5	0.3	-	-	(0.0)	0.8	-	0.8	0.1
Foreign currency (gain) loss	(0.1)	(0.3)	0.2	(2.1)	0.5	0.0	(0.3)	0.2	(0.2)	1.4	1.7	3.3	0.9	0.2	(0.7)	1.4	4.4	0.9	2.0
Income tax provision on pretax pro forma adjustments	0.0	0.1	(0.1)	0.8	(1.2)	(1.2)	(1.4)	(1.6)	(2.1)	(2.8)	(3.2)	(4.0)	(3.1)	(5.7)	(6.9)	(9.7)	(3.4)	(7.3)	(4.3)
Income tax provision related to tax law changes and other discrete tax	-	-	-	-	-	-	-	-	-	-	2.5	0.6	0.1	0.6	1.6	17.0	11.0	1.8	(1.3)
Adjusted Non-GAAP net income attributable to UEI	\$ 6	\$ 6	\$ 9	\$ 8	\$ 16	\$ 23	\$ 18	\$ 18	\$ 21	\$ 27	\$ 28	\$ 34	\$ 42	\$ 43	\$ 42	\$ 41	\$ 30	\$ 50	\$ 53.3

Diluted earnings (loss) per share attributable to UEI

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)	\$ 0.85	\$ 0.26	\$ 2.72
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	\$ 1.26	\$ 3.29	\$ 1.04
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	\$ 2.11	\$ 3.55	\$ 3.76

(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

(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 in 2016-2018 as well as excess manufacturing overhead costs associated with transitioning certain manufacturing activities from China to Mexico in 2018.

Fully-Diluted Shares Outstanding - GAAP	14.2	14.0	14.1	14.0	14.4	15.2	14.5	14.0	14.1	15.2	15.1	15.6	16.2	15.5	14.8	14.4	14.1	14.1	14.2
Fully-Diluted Shares Outstanding - Adjusted Non-GAAP	14.2	14.0	14.1	14.0	14.4	15.2	14.5	14.0	14.1	15.2	15.1	15.6	16.2	15.5	14.8	14.6	14.1	14.1	14.2