

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

UEIC - Q3 2014 Universal Electronics Inc. Earnings Call

EVENT DATE/TIME: NOVEMBER 06, 2014 / 09:30PM GMT



## CORPORATE PARTICIPANTS

**Becky Herrick** *LHA - IR*

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

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

## CONFERENCE CALL PARTICIPANTS

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

**John Bright** *Avondale Partners LLC - Analyst*

**Jason Ursaner** *CJS Securities, Inc. - Analyst*

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

## PRESENTATION

---

### Operator

Good day, ladies and gentlemen, and welcome to the Universal Electronics third quarter 2014 results conference call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. (Operator Instructions). As a reminder, today's conference is being recorded.

I would now like to turn the conference over to Becky Herrick of LHA. Ma'am, you may begin.

---

### Becky Herrick - *Universal Electronics Inc. - IR*

Thank you Candice, and thank you all for joining us. By now, you should have received a copy of the press release. If you've 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.uei.com](http://www.uei.com). Also, any additional updated material non-public information that might be discussed during this call will be provided on the company's website, where it'll be retained for at least one year. You may also access that information by listening to the webcast replay. After reading a short Safe Harbor statement, I'll 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 its entire business and the expansion of its share of the markets it serves, including its core business and the smart device channel such as phone, tablet, TVs, IPTV devices, game consoles and wearables, the continuation of benefits the company's experienced and anticipate due to the licensing of the company's technologies and patents, such the company's QuickSet® and Control Plus™ technologies and sales of higher margin products. This success is anticipated by management from the global growth expected in consumer electronics, particularly in Asian mobile market, the continued adoption and selection of the company's technologies and products by the world's largest companies in the home entertainment industries, the continued innovation of next-generation solutions that are accepted by the company's customers and end users, management's continued ability to identify and execute an opportunities that maximize shareholder value including the effects repurchasing the company's shares have on the company's stock value, the continued sales and earnings growth as experienced in the past, management's ability to identify and execute upon growing trends in markets and other factors described in the company's filings with the US Securities and Exchange Commission.

The actual results the company achieved may differ materially from any forward-looking statements due to such risks and uncertainties. Management wishes to caution you that these 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 the 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 and the periodic and quarterly reports filed since then. 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 cost to fair market value, resulting from acquisitions, other employee related restructuring costs, stock-based compensation and certain costs incurred for years preceding the acquisition of Enson Assets Limited.

As a reminder, the results for the prior-year period have been adjusted to reflect the exclusion of stock-based compensation expense. In management's financial remarks, it will reference adjusted pro forma metrics. A full description and 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's now my pleasure to introduce Paul Arling. Please go ahead, Paul.

---

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

Thank you, Becky and thanks everyone for joining us today. 2014 has been a great year so far for UEI. Operating income grew to \$16.4 million in the third quarter, our highest level ever reported in a quarter. Year-to-date, operating income was \$39.7 million, representing a 24% increase over the same period in 2013 and again our highest third quarter year-to-date total ever.

Our results reflect a solid performance in our core business, as well as the growing contribution from sales in the smart device channel. In developing our embedded software solutions for smart devices, we anticipated the next evolution in home entertainment control. As this evolution gains traction, we are providing more and more of the world's largest companies with solutions to their advanced wireless control needs.

Our QuickSet solution is a widely deployed technology already in over 100 million devices around the world, including set-top boxes, televisions, game consoles, smartphones and tablets. QuickSet is the de facto solution for simplifying universal remote control set up and operations. Complementing our QuickSet technology is our Control Plus solutions, which further simplifies setup in everyday use by eliminating mode and input confusion. Control Plus is a key component to our smart device technology solutions, as the world's leading home entertainment companies rollout increasingly, dynamic and complex devices that need a simplified and intuitive control solution.

In addition, its smart device integration feature automates the set up for universal controls for use with compatible second screen apps. Put simply, we envision a day, not far off, where consumer will be able to buy a TV, bring it home and plug a couple of content devices into it and the TV and controller will be automatically configured to deliver an intuitive experience with buttons such as "watch TV" or stream from your favorite online video source configured automatically with little to no user input at all. This configuration can be done through embedded software and can ultimately be accomplished through smart devices or through the traditional remote control. As such, we are using technology to redefine exactly what a remote control is and what a remote control is able to do.

With many of the leaders in home entertainment devices and services, choosing our embedded software technology, our presence and reputation around the globe continues to grow. Over the past two years, we have established relationships with many companies in the mobile category that are rolling out smart devices and have chosen UEI solutions for their automated set up needs. We are continuing to build our licensing footprint through multiple opportunities with current and new customers, domestically and internationally.

The mobile market in Asia represents a significant opportunity for UEI. According to IDC, China smartphone market has tripled in size over the last three years to around 350 million units, making the country the world's largest smartphone market. We recently launched QuickSet in several flagship smartphone models in the China market, including popular brands there like Huawei, OPPO and ZTE. While these brands are not widely known in the US, together they shipped over 120 million smartphones, primarily in the China market for the 12 months ending June 2014. To put these initial customer wins in the context, Apple shipped slightly over 160 million units worldwide over this same period.

There is significant opportunity for UEI globally as the technologies we have developed over the last decade translate to today's new and emerging devices such as television set-tops, Internet streaming players, smartphones, game consoles and even smart watches. Our focus on innovation ensures we will be poised to provide the functionality to power and control these devices within the home entertainment stack for years to come.

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



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

Thank you, Paul. As a reminder, our results for the third quarter 2014 as well as the same periods in 2013 will reference adjusted pro forma metrics. Third quarter of 2014 net sales were \$147.8 million, up approximately 4% compared to \$142.4 million for the third quarter of 2013. Business category net sales were \$135.2 million, an increase of approximately 4% from \$129.7 million in the third quarter of 2013. The majority of our growth was derived from the OEM channels specifically, in the form of licensing arrangements and embedded chip technologies. Our consumer category net sales were \$12.6 million compared to \$12.7 million in the third quarter of 2013.

Gross profit for the third quarter was \$45.4 million or 30.7% of sales compared to a gross margin of 28.6% in the third quarter of 2013. The increase of 210 basis points was driven primarily by an increase in licensing revenue as well as an increase in embedded chip technology sales as more customers are adopting our technologies for smart devices such as phones, tablets, televisions, game consoles and wearables.

Total operating expenses were \$28.9 million compared to \$27.6 million for the third quarter of 2013. Breaking down our operating expenses, R&D expense was \$4.2 million compared to \$4.1 million in the third quarter of 2013, SG&A expenses were \$24.8 million compared to \$23.4 million in the third quarter of 2013. Operating income was \$16.4 million, an increase of 25% when compared to \$13.2 million in the third quarter of 2013. Our operating income as a percentage of net sales moved into double-digit territory at 11.1% for the third quarter of 2014 compared to 9.2% in the same quarter last year.

The effective tax rate was 18.8% compared to 14.5% in the third quarter of 2013. Third quarter 2014 net income was \$12.9 million or \$0.80 per diluted share compared to \$10.7 million or \$0.68 per diluted share in the third quarter of 2013.

For the nine-month period ended September 30, 2014, net sales were \$423.9 million, an increase of approximately 8% compared to \$393.2 million in the same period of 2013. Gross margin for the first nine months of 2014 was 29.7% compared to 28.4% in the same period a year ago. Total operating expenses were \$86.3 million compared to \$79.6 million in 2013. Operating income was \$39.7 million, an increase of approximately 24% compared to \$32 million in 2013. As a percent of net sales, operating income was 9.4% in the first nine months of 2014 compared to 8.1% in the same period last year. Net income for the nine-month period was \$29.8 million or \$1.85 per diluted share compared to \$23.6 million or \$1.53 per diluted share in the prior-year period.

Next, I'll review our cash flow and balance sheet at September 30, 2014. Cash and cash equivalents was \$99 million at September 30, 2014 compared to \$44.6 million a year prior. During the third quarter, we repurchased approximately 18,000 shares for \$900,000, representing an average price of approximately \$49 per share. DSOs were approximately 65 days at both September 30, 2014 and September 30, 2013. Net inventory turns improved to approximately 4.5 turns at September 30, 2014 compared to 4 turns a year prior.

Now turning to our guidance. For the fourth quarter of 2014, we expect revenue between \$134 million and \$142 million compared to last year's fourth quarter revenue of \$136.1 million. EPS for the fourth quarter is expected to range from \$0.59 to \$0.69 per diluted share compared to \$0.55 recorded for the fourth quarter of 2013.

Lastly I'd like to provide an update to our long-term outlook. Over the past couple of years, we've stated the long-term profile of our business is one with approximately 5% to 10% average annual revenue growth and average earnings growth of between 10% and 15%. However, given the success we've had in embedding our technology in multiple smart devices via pure licensing arrangements and/or embedded chip sales, our gross and operating margins have expanded. As a result, our profile has changed and we believe we can continue to grow our top line by an average of 5% to 10% or we expect our earnings will grow by an average of 10% to 20%.

I'll now turn the call back to Paul.

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

Thank you, Bryan. The best testament to the innovation we develop here at UEI is the customers who work with us to deploy it. The list of leading home entertainment companies who are working with UEI on our industry leading solutions include such names as Samsung, LG, Sony, Panasonic, Comcast, DIRECTV, EchoStar, Sky, UPC, Virgin Media, Microsoft and many, many others.

UEI has solidified its reputation as the provider of choice in wireless control technology. As we continue to roll out new technologies, software and devices, we are more confident than ever in our ability to build our share in the high-growth global markets that we serve.



Going forward, we remain focused on investing in innovation to support the simplification and enhancement of the home entertainment experience, as well as supporting new trends in devices and content, and deepening existing customer relationships, while also adding new ones around the world. Stay tuned.

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

## QUESTION AND ANSWER

---

**Operator**

(Operator Instructions) Steven Frankel, Dougherty & Company.

---

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

Paul, let's start with the top line, which was below your guidance and below where the Street was. Was there anything particular in the quarter that didn't come in the way you thought it would and same in terms of the fourth quarter, where the revenue guidance looks a little light?

---

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

It really is a mix change. We are a little light on the remote controls, but we are heavy on the real rich margin products like the licensing and the embedded software and the chips. So it's a little bit of a mix change. So we felt, you're right, we felt a little bit short of the [revenue] guidance range. However, we're still up 4% year-over-year for the quarter and as you could see at about \$0.80 [in Adjusted Pro Forma EPS]. It really is a positive mix change actually [that] contributed well to our bottom line, as we grew in the third quarter operating income by 25%.

---

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

And do you think this mix shift is something that's likely to continue for several quarters or is this the new way to look at the business where you're going to be doing more chips versus completed remotes?

---

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

It all depends on how much we sell to large customers. It's kind of we've said last couple quarters, we're doing well in smart device channel, but if we continue to sell more to large customers, then it put downward pressure on the total gross margin percentage. But right now, you see, we've raised our outlook where we used to say we can grow the bottom line by the 10% to 15%. We're now raising at 10% to 20%, mainly because of the mix shift just referenced.

---

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

And what about customer concentration?

---

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

We had one 10% customer in the quarter.

---

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

And was it -- exactly what percentage?

---

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



It was, I believe, 12.3%.

---

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

Was that the same large customer as the last quarter?

---

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

No, it was DIRECTV.

---

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

And what was behind the lower tax rate in the quarter?

---

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

Mainly, it's - we have R&D credits in the US, which hasn't been passed by Congress for 2014. Well in China, they have a similar program and it basically, we got approval in Q3. So we are able to take a benefit in the third quarter similar to last year as well. That's why both Q3s, for 2013 and 2014, the effective tax rate was actually lower than the average.

---

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

It should go back to normal in Q4?

---

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

I would expect so. Yes. It all depends. Congress hasn't passed in the US the federal R&D tax credits, so if they do in Q4, you'll actually see a significant difference as well.

---

**Operator**

Jason Ursaner, CJS Securities.

---

**Jason Ursaner - CJS Securities, Inc. - Analyst**

Just following up on a couple of Steven's questions there, with the growth rate in business category, was it balanced between the two main markets of OEM and MSO?

---

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

Now, it is more on the OEM.

---

**Jason Ursaner - CJS Securities, Inc. - Analyst**

Was there anything -- did you see anything different about the build cycle for this holiday season or anything different about the seasonal pattern going forward there from TV makers particularly?



---

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

No. I didn't see any change from prior years.

---

**Jason Ursaner** - *CJS Securities, Inc. - Analyst*

And in the MSO side, obviously, there's been a lot of the headlines about some friction DISH and CNN and HBO going all that. But behind the scenes on the supplier side, is it more of a relative comment or are you still seeing the investments at a pretty healthy pace from your customers in new technologies and some of these things that are going into more of the advanced features and chipsets?

---

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

Yes, we've seen a great deal of investment by many of the major operators on next generation technology, next generation boxes, next generation control methodologies. I mean, over the last couple of years, it's been pretty astonishing how much more focused the companies have become versus say eight, 10 years ago. So, we've seen a significant investment. In terms of the programming and content issues that have risen, we haven't seen much of an impact of that.

---

**Jason Ursaner** - *CJS Securities, Inc. - Analyst*

And is this just more of a realization on their part that there is a much higher value proposition in what you guys are doing and beside it's not just a remote, it's kind of part of their brand and you're part of how users really interact with the whole system or are you getting that anecdotally from customers when you talk with them pretty closely?

---

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

Yes, look, I actually think they want to improve the user experience. I think it's a highly competitive world. Consumers are experiencing ease-of-use in a lot of different categories of products, and I think the subscription broadcasting and consumer electronics companies recognize that winning formula long-term is a company that can make things extremely easy for the consumer, particularly when they're in a relaxed environment like those five hours a day when they want to relax in front of their TV, they don't want it to be work, they want it to be easy. So I think they recognize that and they're working. Many of them, the leading companies are working on methods to accomplish that goal.

---

**Jason Ursaner** - *CJS Securities, Inc. - Analyst*

In terms of hitting the new, the raised outlook on earnings growth, obviously, a large part of that's going to be growth in embedded mobile as it comes in over time. Can you maybe just talk a little more about the revenue recognition for that part of the business? How has it been working so far in terms of getting paid, and I guess, really just measuring some of these, the things you're providing there, especially if it's in a license form?

---

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

Yes, we haven't had any issues with collection so far so that that hasn't been an issue. The revenue recognition varies by contract. It seems like each customer has a slight nuance to the contract. And in general, what you do is you recognize the revenue for a license deal when the OEM ships to a retailer, sometimes we have better technologies, say a chip, in which case, if we ship a chip to the OEM then we recognize it upon shipments, but so we've been consistent with that.

---

**Jason Ursaner** - *CJS Securities, Inc. - Analyst*

In terms of kind of establishing the base now, you mentioned some big customer wins. If you look at this quarter, I guess the customers that you've previously been able to disclose, were any of those not at a full run rate yet or relatively full run rate for the products that you kind of have said you're on and then the new customers that you mentioned today, obviously, those are building from this quarter, I would imagine?



---

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

Some are, some of the projects have started up recently. Many of the major customers though have run for multiple months. So it varies by customer. But it's like any quarter, every new win, every new SKU will add to any specific quarter. So if you're doing three projects with a customer and then you add a fourth and fifth, the first three were in the run rate from the prior quarter, and then next two begin this quarter or began last quarter and will fully affect this quarter. So I mean, we literally have hundreds, probably thousands, actually, of projects that are going on at any given time at various stages of the lifecycle.

---

**Operator**

John Bright, Avondale Partners.

---

**John Bright** - *Avondale Partners LLC - Analyst*

Paul, with the gross and the operating margin improvement, order of magnitude, how should investors think about pricing of QuickSet and Control Plus for modeling purposes?

---

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

Again, we don't disclose the specific prices by customer. But clearly, things like QuickSet and Control Plus are unique features of UEI's that are both technically protected, difficult to replicate and in some cases, patent protected. In each of those cases, patent protected. So they're unique features to UEI and as with most companies, when you differentiate on features and sell products or technologies or embedded software that contains those unique features that are not easily gained either internally by those companies or externally through competitors, there's going to be a little bit of ability to price. So the margins that we receive on licenses and the chips in the embedded technology are on average higher than they are for product and when it's embedded in product, you typically see a little bit of ability to price a little bit of extra premium into the product.

---

**John Bright** - *Avondale Partners LLC - Analyst*

Bryan, in addition to the revenue mix changing the long-term model for the earnings growth, is the visibility improving as well?

---

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

I think the same. The visibility hasn't changed much over the years.

---

**John Bright** - *Avondale Partners LLC - Analyst*

On the tax rate, what would've been the EPS benefit associated with that?

---

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

It was about \$500,000. A couple cents on the tax. However, we also had, keep in mind that, below the operating income line, the operating FX loss of an equal amount. So those two negated each other so that we came at the upper end of the guidance is really driven by operating income.

---

**Operator**

Edison Chu, G2 Investment.

---

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





It's Josh Goldberg for Edison. I just wanted to ask you a couple of things. First, your last comment in the press release said, you feel comfortable that you can grow 5% to 10% over the long term and now instead of I think you said now 10% to 20% versus 10% to 15%. Can you help me understand obviously every year is different, but, if we were to look at 2015, why wouldn't that be kind of, let's say, the first sort of stat at 2015. So, we can grow your top line 6%, 7% which is what are you going to grow this year and your earnings closer to 15% next year? And I have a follow-up to that.

---

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

We just want to make sure everybody understands as Bryan said, this is a long-term guidance. We're not providing guidance about the year 2015 or 2016 or 2017. We're providing guidance about a long-term average annual growth rate. What we changed was not the sales, the sales had a range of 5% to 10% before, it's still does, but we widened the guidance on earnings from 10% to 15% to 10% to 20% and that's a recognition that we have as the sales mix has changed, gross margins have stepped up slightly. We also through expense control, through a leveraged business model and have been able to raise the operating margins and we think a long-term average of 5% to 10% would yield a earnings growth of 10% to 20%.

---

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

I guess what I'm saying is, is that in the midpoint of your guidance for 2014, your revenue will grow only about 6% but your earnings going to grow north of 25%. So, it seems like a little bit level of conservatism in terms of just 10% to 20% on the earning side obviously you're going to spend some more on R&D and everything else but your incremental margin dollars are really falling to the bottom line in a big way, it's almost 50% flow through to the bottom line at this point?

---

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

Yes. I think if you do that again, you'll see that the sales growth last year and this year were between 5% and 10%. I think they were 6% to 7% and if you do use the midpoint of the range, and again, Bryan has given a range, not a number. But if you use the midpoint of the range for Q4, EPS growth in 2013 and 2014 would be in the 15% to 20% range, closer to 20%, 19% I think. A testament to those ranges of 5% to 10% and 10% to 20%, we have fallen within those ranges in last year and will this year, and we think this is the type of model one should build on average over the next number of years.

---

**Jason Ursaner - CJS Securities, Inc. - Analyst**

Can you talk a little bit more about your opportunities in licensing. Obviously, I think a lot of investors are excited about that part of the business, not the traditional remote business, which clearly has been a profit machine for you. But, it sounds like you've made some really good strides on the licensing side in the last few months. And maybe if you can discuss a little about what's going on with Peel Technology as well.

---

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

The licensing is an exciting area. We think that the solution we've put together, the SDK and API for people to build their app on in the smart device area or the embedded technology on TV, set-top boxes and other AV products are quite compelling. As I said in my comments earlier, we do envision a day, not far off because the technologies require to implement what I described in the call are already available. We don't need any changeover in TV technologies or set-top box technologies or mobile phone technologies to implement that vision. It's simply a question of embedding the software in the products and consumers can experience a day where they bring a TV home, plug a couple of things in that are automatically discovered. It will automatically suggest activities like watch TV or watch your streaming device. Those buttons could appear either on a remote or on a smartphone. So we think this is pretty compelling. As we would tell customers, the average person is watching over three hours a day of TV, the average person on this planet. The average person in the US is watching more than five hours, and who does not want that feature, who doesn't want a TV that does that. It's kind of hard to argue that people don't want something that's that simple to set up and operate for something they're doing between three and five hours a day. So I think that's why we're gaining traction. We've got a really good solution for it. As we mentioned on the call, there's a lot of major names in China that are now embedding on flagship models this idea. Now as far as Peel goes, I don't really have any comment on it. The case is ongoing. Not speaking specifically about them. UEI is an innovative company. We've been thinking of different features and things to put into these products for our entire history, quite frankly. Some of the ideas that we have in this arena are 10 to 15 years old, and we have (inaudible) in-force our creations. So that's what we're doing with Peel and with anybody else out there who would violate that IP without paying us for it.



---

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

And then maybe, Bryan, if could you just touch upon the top line. Was there one area, maybe a region that came in a little less than you expected, or was it a certain segment? Obviously, the consumer business was down year-over-year, so maybe just touch upon what kind of budget you see overall in that area?

---

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

The Americas were down a little bit versus our forecast. But like we said earlier, the flip side was, we had more sales than expected in the licensing and embedded chip technologies, which is primarily in Asia. So those two basically offset, but it shifted towards more profitable sales dollars.

---

**Operator**

(Operator Instructions). Steven Frankel, Dougherty & Company.

---

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

Paul, I'd like to drill down a little bit on Control Plus. What's the pipeline look like in terms of potential design wins for that? And are these things, we could expect to come to market in 2015 or it's further out than that?

---

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

The design wins are in the pipeline. As you know, the products are being worked on. It isn't always clear that the specific products are going to come out or exactly on what timeframe. My expectation, though would be that you'll start to see things in the year 2015.

---

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

Would you care to share any numbers in terms of the number of products that are coming in the funnel versus where it was six or nine months ago?

---

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

Yes, it's increased, but again, when you're in that early development stage, it's not clear that the product is going to actually have the feature. It may just have QuickSet, not with the Control Plus feature added. So I don't want to venture to say exactly how many projects, but we've got a lot of them in the pipeline, there is extreme amount of interest in this feature. For obvious reasons as I mentioned to Josh earlier, it's kind of difficult to say people don't want to have that sort of automated experience. It's just a question of having it built into the products and our expectation would be that there'll be products introduced next year with Control Plus embedded.

---

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

That interest cuts across both the OEM and the MSO?

---

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

It does. And also mobile, because it's a tie in the mobile.

---

**Operator**

Thank you. And I'm showing no further questions at this time. I'd like to turn the conference back over to Mr. Paul Arling for any further remarks.



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

Thanks everybody for joining us today and for your continued support of our company. As you probably all know, in January, we will be displaying new solutions at the CES Show or the Consumer Electronics Show in Las Vegas. We'll be presenting at the Needham Annual Growth Conference in New York City in January as well. So we hope to see you either at CES or at the Growth Conference or elsewhere. Thanks for participating and good bye.

**Operator**

Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program and you may all disconnect. Have a great day, everyone.

#### **DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

© 2014 Thomson Reuters. All Rights Reserved.

