

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 1996

Commission File Number: 0-21044

UNIVERSAL ELECTRONICS INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

33-0204817

(I.R.S. Employer
Identification No.)

1864 ENTERPRISE PARKWAY WEST, TWINSBURG, OHIO
(Address of principal executive offices)

44087

(Zip Code)

216-487-1110

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Number of shares of Common Stock, \$.01 par value, outstanding at September 30, 1996	6,366,769
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THE INDEX OF EXHIBITS TO THIS QUARTERLY REPORT APPEARS ON PAGE 11

UNIVERSAL ELECTRONICS INC.

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ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED BALANCE SHEETASSETS

	SEPTEMBER 30, 1996 ----- (UNAUDITED)	DECEMBER 31, 1995 ----- (AUDITED)	SEPTEMBER 30, 1995 ----- (UNAUDITED)
(Dollars in thousands)			
Current assets:			
Cash and cash equivalents	\$ 722	\$ 872	\$ 1,319
Accounts receivable, net	20,877	26,106	24,204
Inventories	31,230	30,278	33,594
Refundable income taxes	--	795	90
Prepaid expenses	4,207	2,110	2,242
Deferred income taxes	4,329	3,702	4,992
	-----	-----	-----
Total current assets	61,365	63,863	66,441
Fixed assets, net	7,231	5,187	4,413
Other assets	996	1,055	892
	-----	-----	-----
Total assets	\$ 69,592 =====	\$ 70,105 =====	\$ 71,746 =====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Revolving credit facility	\$ 6,996	\$ 6,120	\$ 10,469
Accounts payable	8,050	9,162	9,137
Accrued income taxes	134	307	156
Accrued compensation	248	756	263
Other accrued expenses	1,887	3,522	2,898
	-----	-----	-----
Total current liabilities	17,315	19,867	22,923
	-----	-----	-----
Long-term debt	4,594	--	--
Stockholders' equity:			
Capital stock	68	68	67
Paid-in capital	53,917	53,623	53,506
Currency translation adjustment	(20)	25	62
Retained deficit	(3,688)	(3,478)	(4,812)
Cost of common stock held			
in treasury	(2,594)	--	--
	-----	-----	-----
Total stockholders' equity	47,683	50,238	48,823
	-----	-----	-----
Total liabilities and Stockholders' equity	\$ 69,592 =====	\$ 70,105 =====	\$ 71,746 =====

The accompanying notes are an integral part of these financial statements.

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
	----	----	----	----
(Dollars and shares in thousands, except per share amounts.)				
Net Sales	\$ 25,641	\$ 30,726	\$ 69,073	\$ 73,966
Cost of sales	18,870	21,583	49,835	53,148
	-----	-----	-----	-----
Gross profit	6,771	9,143	19,238	20,818
Selling, general and administrative expenses	6,482	6,824	19,668	21,086
Restructuring expenses	--	--	--	977
	-----	-----	-----	-----
Operating income (loss)	289	2,319	(430)	(1,245)
Interest expense	213	265	557	814
Interest income	(6)	(15)	(26)	(30)
Other (income) expenses, net	(83)	(11)	(221)	(356)
	-----	-----	-----	-----
Income (loss) before income taxes	165	2,080	(740)	(1,673)
Income tax (expense) benefit	(53)	(703)	530	658
	-----	-----	-----	-----
Net income (loss)	\$ 112	\$ 1,377	\$ (210)	\$ (1,015)
	=====	=====	=====	=====
Net income (loss) per share	\$ 0.02	\$ 0.20	\$ (0.03)	\$ (0.15)
	=====	=====	=====	=====
Weighted average common and common stock equivalents outstanding	6,855	6,829	6,760	6,742
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

(Dollars in Thousands)	Nine Months Ended September 30,	
	1996	1995
	----	----
Cash provided by operating activities		
Net loss	\$ (210)	\$ (1,015)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation and amortization	1,192	1,000
Deferred income taxes	(627)	(1,368)
Changes in operating assets and liabilities:		
Receivables	5,469	(7,453)
Inventories	(982)	9,398
Other assets	(2,063)	3,750
Payables and accruals	(3,383)	(1,264)
Accrued income taxes	641	(269)
	-----	-----
Net cash provided by operating activities	37	2,779
	-----	-----
Cash used for investing activities:		
Acquisition of fixed assets	(3,185)	(1,756)
Trademarks	(155)	(143)
	-----	-----
Net cash used for investing activities:	(3,340)	(1,899)
	-----	-----
Cash provided by (used for) financing activities:		
Short-term bank borrowings	46,259	58,500
Short-term bank payments	(45,383)	(59,511)
Long-term debt	4,594	(25)
Proceeds from stock options exercised	295	10
Treasury stock purchased	(2,594)	
	-----	-----
Net cash provided by (used for) financing activities	3,171	(1,026)
	-----	-----
Effect of exchange rates on cash	(18)	25
	-----	-----
Net decrease in cash and cash equivalents	(150)	(121)
Cash and cash equivalents at beginning of period	872	1,440
	-----	-----
Cash and cash equivalents at end of period	\$ 722	\$ 1,319
	=====	=====
Supplemental Information to the Consolidated Statement of Cash Flows		
Cash paid (received) during the period for:		
Interest	\$ 545	\$ 824
	=====	=====
Income taxes	\$ (358)	\$ 537
	=====	=====

The accompanying notes are an integral part of these financial statements.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ADJUSTMENTS

All adjustments, consisting of recurring adjustments necessary for a fair presentation of financial position and results of operations of these unaudited interim periods, have been included in the accompanying consolidated financial statements.

INVENTORIES

Inventories consist of the following (in thousands):

	September 30, 1996	December 31, 1995	September 30, 1995
Components	\$13,273	\$14,127	\$15,932
Finished goods	17,957	16,151	17,662
	-----	-----	-----
Total inventories	\$31,230	\$30,278	\$33,594
	=====	=====	=====

The Company provides certain components to its contract manufacturers for inclusion in the Company's finished goods.

Net Income Per Share

Net income per share is computed by dividing net income by the weighted average of common stock and common stock equivalents outstanding. Common stock equivalents are computed using the treasury stock method.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Net sales for the third quarter were \$25.6 million compared to \$30.7 million for the same quarter a year earlier. Net income was \$112,000, or \$0.02 per share, as compared to net income of \$1.4 million, or \$0.20 per share, for the third quarter of 1995.

Net sales for the first nine months of 1996 were \$69.1 million compared to \$74.0 million for the same period a year earlier. The Company experienced a loss for the first nine months of 1996 equal to \$210,000, or \$0.03 per share, compared to a loss of \$1.0 million, or \$0.15 per share in the first nine months of 1995. Included in the 1995 loss was a restructuring charge of \$0.09 per share (\$977,000 pre-tax) associated with personnel severance and facilities closures.

Net sales in the Company's Retail Businesses experienced 4.0% growth for the third quarter, increasing from \$19.2 million last year to \$20.0 million this year. Competitive pressures in the domestic One For All(R) Retail Business continued during the quarter, resulting in a sales decline of 12.3%. The other Retail Businesses, however, including Private Label, Europe and Eversafe(R), increased by 19.8% over the same period last year. Year-to-date sales for the Retail Businesses showed a 1.8% decline mainly due to the loss of a large, but low margin Private Label customer and the competitive pricing and cost pressures which the Company experiences in its domestic One For All Retail Business.

Net sales in the Company's Technology Businesses (Cable, Cable OEM, and OEM) declined from \$11.6 million in the third quarter of 1995 to \$5.7 million in 1996. This decline was driven largely by the absence of a large non-recurring order in the third quarter of 1995 and the loss of a major OEM customer. These factors were also the major reasons for the 15.3% year to date sales decline.

Gross margins for the third quarter declined from 29.8% last year to 26.4% this year, driven largely by changes in sales mix between our Retail and Technology Businesses and continued price competition in our the domestic Retail Business. Gross profit margins will fluctuate due to a variety of factors, including, among other things, shifts in product mix, changes in product pricing, fluctuations in manufacturing and freight costs, and changes in customer mix.

Selling, general and administrative expenses were \$6.5 million for the 1996 third quarter compared with \$6.8 million last year. Year-to-date, S, G, & A expenses were \$19.7 for 1996 compared with \$21.1 last year. The decrease is due primarily to the decrease in professional legal fees and consumer affairs costs.

The Company recorded interest expense of approximately \$557,000 related to borrowings under its revolving credit line for the first nine months of 1996 compared to approximately \$814,000 for the same period last year. The decrease is the result of a lower average outstanding balance and reduced interest rate in the first nine months of 1996 compared to the same period in 1995.

The Company recorded an income tax benefit of approximately \$530,000 for the first nine months of 1996 as compared to a benefit of approximately \$658,000 million for the same period of 1995. The 1996 benefit includes a first quarter release of approximately \$174,000 in the valuation allowance of deferred tax assets created in 1994. The continuing improvement and return to profitable operations has permitted management to reevaluate the Company's position and recognize the tax benefit because management believes the related tax credits should be realized before their statutory expiration.

Backlog

As of the end of the third quarter of 1996, the Company had backlog orders of \$7.6 million. Although the Company believes current orders to be firm and expects that substantially all of the backlog will be shipped in 1996, there can be no assurance that such orders will be shipped. The Company further believes that backlog is not a meaningful indicator of its future performance.

Liquidity and Capital Resources

The Company's principal sources of funds are its operations and bank credit facilities. Cash provided from operating activities was approximately \$37,000 for the first nine months of 1996 compared to \$2.8 million in 1995. The cash provided from operating activities in 1995 was primarily the result of the liquidation of excess inventories identified at the end of 1994. The Company's bank credit facilities include a revolving credit line which is available to fund the Company's seasonal working capital needs and for general operating purposes. This revolving credit facility provides the Company with borrowing availability of \$22 million and bears interest equal to the bank's prime rate minus three-quarter percent. The credit facility is

secured by a first priority security interest in the accounts receivable, inventory, equipment, and general intangibles of the Company. At September 30, 1996, the interest rate charged on the outstanding balance of this credit line was 7.5%. Under the terms of this revolving credit facility, the Company's ability to pay cash dividends on its common stock is restricted and amounts available for borrowing are reduced by the outstanding balance of the Company's import letters of credit. As of September 30, 1996, the Company had utilized approximately \$7.0 million of the credit facility for the acquisition of inventory to support future sales and for other general operating purposes and had approximately \$1.3 million of outstanding import letters of credit. In addition, the Company utilized approximately \$4.6 million of the outstanding credit facility for the acquisition of and improvements to its Twinsburg, Ohio facility amounting to approximately \$2.0 million and approximately \$2.6 million for a previously announced acquisition of treasury stock. This amount has been classified as long-term in the accompanying balance sheet. The Company's borrowing under this revolving credit facility and outstanding import letters of credit fluctuates due to, among other things, seasonality of the business, the timing of supplier shipments, customer orders and payments, and vendor payments.

Capital expenditures in the first nine months of 1996 and 1995 were approximately \$3.3 million and \$1.9 million, respectively. Approximately \$1.7 million of 1996 first half capital expenditures were for the acquisition of the Twinsburg, Ohio facility with the balance primarily relating to the acquisition of new product tooling. Capital expenditures for the first nine months of 1995 were primarily for new product tooling, computers, and operating software. It is the Company's policy to carefully monitor the state of its business, cash requirements and capital structure. The Company believes that funds generated from operations and available from its borrowing capacity will be sufficient to fund its currently anticipated cash needs, however, there can be no assurances that this will occur.

RISK FACTORS PERTAINING TO THE THIRD QUARTER 1996

The Company cautions that the following important factors, among others (including but not limited to factors mentioned from time to time in the Company's reports filed with the Securities and Exchange Commission), could affect the Company's actual results and could cause the Company's actual consolidated results to differ materially from those expressed in any forward-looking statements of the Company made by or on behalf of the Company. The factors included here are not exhaustive. Further, any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Therefore, forward-looking statements should not be relied upon as a prediction of actual future results.

Dependence Upon Key Suppliers

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Most of the components used in the Company's products are available from multiple sources; however, the Company has elected to purchase integrated circuit components used in the Company's products, principally its remote control products, and certain other components used in the Company's products, from several selected sources. The Company has recently developed alternative sources of supply for these integrated circuit components. However, there can be no assurance that the Company will be able to continue to obtain these components on a timely basis or in the quantities necessary to maintain or meet the forecasted requirements. The Company generally maintains inventories of its integrated chips, which could be used in part to mitigate, but not eliminate, delays resulting from supply interruptions. An extended interruption or termination in the supply of any of the components used in the Company's products, or a reduction in their quality or reliability, would have an adverse effect on the Company's business and results of operations.

Dependence On Foreign Manufacturing

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Third-party manufacturers located in foreign countries manufacture substantially all of the Company's remote controls products. The Company's arrangements with its foreign manufacturers are subject to the risks of doing business abroad, such as import duties, trade restrictions, work stoppages, political instability and other factors which could have a material adverse effect on the Company's business and results of operations. The Company believes that the loss of any one or more of its manufacturers would not have a long-term material adverse effect on the Company's business and results of operations because numerous other manufacturers are

available to fulfill the Company's requirements. In addition to continuing to seek out alternative and additional third party manufacturers both domestically and abroad, the Company has recently commenced manufacturing a small amount of its remote controls in-house. Such in-house manufacturing, however, does not presently reduce the Company's dependence on its third party manufacturers. However, the loss of any of the Company's major manufacturers could adversely affect the Company's business until alternative manufacturing arrangements are secured.

Potential Fluctuations In Quarterly Results

The Company's quarterly financial results may vary significantly depending primarily upon factors such as the timing of significant orders, the timing of new product offerings and presentations by the Company and its competitors. In addition, historically the Company's business historically has been seasonal, with the largest proportion of sales occurring in September, October and November of each calendar year. Factors such as quarterly variations in financial results could adversely affect the market price of the Common Stock and cause it to fluctuate substantially. In addition, the Company may (i) from time to time increase its operating expenses to fund greater levels of research and development, increase its sales and marketing activities, develop new distribution channels, improve its operational and financial systems and broaden its customer support capabilities and (ii) incur significant operating expenses associated with any new acquisitions. To the extent that such expenses precede or are not subsequently followed by increased revenues, the Company's business, operating results and financial condition will be materially adversely affected.

The Company expects to experience significant fluctuations in future quarterly operating results that may be caused by many factors, including demand for the Company's products, introduction or enhancement of products by the Company and its competitors, market acceptance of new products, price reductions by the Company or its competitors, changes in the mix of distribution channels through which products are sold, level of product returns, mix of products sold, component pricing, mix of international and North American revenues, and general economic conditions. In addition, as a strategic response to changes in the competitive environment, the Company may from time to time make certain pricing or marketing decisions or acquisitions that could have a material adverse effect on the Company's business, results of operations or financial condition. As a result, the Company believes that period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance. Due to all of the foregoing factors, it is likely that in some future quarters the Company's operating results will be below the expectations of public market analysts and investors. In such event, the price of the Company's common stock would likely be materially adversely affected.

Dependence On Consumer Preference

The Company is susceptible to fluctuations in its business based upon consumer demand for its products. The Company believes that its success depends in substantial part on its ability to anticipate, gauge and respond to such fluctuation in consumer demand. However, it is impossible to predict with complete accuracy the occurrence and effect of any such event that will cause such fluctuations in consumer demand for the Company's products.

Dependence Upon Timely Product Introduction

The Company's ability to remain competitive in the remote control products market will depend in part upon its ability to successfully identify new product opportunities and to develop and introduce new products and enhancements on a timely and cost effective basis. There can be no assurance that the Company will be successful in developing and marketing new products or in enhancing its existing products, that new products will achieve ongoing consumer acceptance, that products developed by others will not render the Company's products non-competitive or obsolete or that the Company will be able to obtain or maintain the rights to use proprietary technologies developed by others which are incorporated in the Company's products. Any failure by the Company to anticipate or respond adequately to technological developments and customer requirements, or any significant delays in product development or introduction, could have a material adverse effect on the Company's financial condition and results of operations.

In addition, the introduction of new products which the Company may introduce in the future may require the expenditure of funds for research and development, tooling, manufacturing processes, inventory and marketing. In order to achieve high volume production of any new product, the Company may have to make substantial investments in inventory and expand its production capabilities.

Dependence On Major Customers

The Company's performance is affected by the economic strength and weakness of its worldwide customers. The Company sells its products to mass merchants, such as Wal-Mart, Kmart, and Sears and to technology oriented business such as companies doing business in the cable and telecommunications industries. The Company also supplies its products to its wholly-owned, non-U.S. subsidiaries and to independent foreign distributors, who in turn distribute the Company's products worldwide, with the United Kingdom, Europe, and Australia currently representing the Company's principal foreign markets. The loss of any one or more of the Company's key customers either in the United States or abroad due to the financial weakness or bankruptcy of any such customer may have an adverse affect on the Company's financial condition or results of operations.

Competition

The remote control industry is characterized by intense competition based primarily on product availability, price, speed of delivery, ability to tailor specific solutions to customer needs, quality and depth of product lines. The Company's competition is fragmented across its product lines, and accordingly, the Company does not compete with any one company across all product lines. The Company competes with a variety of entities, some of which have greater financial and other resources than the Company and, in particular, the Company's competition in its domestic Retail Business comes primarily from two companies, RCA and Sony. The Company's ability to remain competitive in this industry depends in part on its ability to successfully identify new product opportunities and develop and introduce new products and enhancements on a timely and cost effective basis.

General Economic Conditions

General economic conditions, both domestic and foreign, have an impact on the Company's business and financial results. From time to time the markets in which the Company sells its products experience weak economic conditions that may negatively affect the sales of the Company's products. To the extent that general economic conditions affect the demand for products sold by the Company, such conditions could have an adverse effect on the Company's business. Moreover, operating its business in countries outside of the United States exposes the Company to fluctuations in foreign currency exchange rates, exchange ratios, nationalization or expropriation of assets, import/export controls, political instability, variations in the protection of intellectual property rights, limitations on foreign investments and restrictions on the ability to convert currency are risks inherent in conducting operations in geographically distant locations, with customers speaking different languages and having different cultural approaches to the conduct of business, any one of which alone or collectively, may have an adverse affect on the Company's international operations, and consequently on the Company's business, operating results and financial condition.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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(A) Exhibits	
11.1 Statement re: Computation of Per Share Earnings (filed herewith).	13
(B) Reports on Form 8-K	
There were no reports on Forms 8-K filed during the quarter ended September 30, 1996.	
(C) Exhibit 27 Financial Data Schedule	14

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

(Registrant) Universal Electronics Inc.

Date: November 14, 1996 \s\ David M. Gabrielsen

David M. Gabrielsen
Chairman, President and Chief Executive Officer

Date: November 14, 1996 \s\ Paul Arling

Paul Arling
Senior Vice President and Chief Financial Officer

UNIVERSAL ELECTRONICS INC.
COMPUTATION OF PER SHARE EARNINGS

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	1996	1995	1996	1995
Common stock outstanding, beginning of period	6,750,898	6,741,578	6,750,898	6,741,578
Weighted average common stock outstanding from exercise of stock options and treasury stock purchase	(2,106)	1,204	8,770	405
Weighted average common stock outstanding	6,748,792	6,742,782	6,759,668	6,741,983
Stock options	106,237	86,166	--	--
Weighted average common and common stock equivalents outstanding	6,855,029	6,828,948	6,759,668	6,741,983
Net income (loss) attributable to common stockholders	\$ 112,183	1,377,163	\$ (210,313)	\$(1,014,858)
Net income (loss) per common and common stock equivalents	\$ 0.02	\$ 0.20	\$ (0.03)	\$ (0.15)

9-MOS
DEC-31-1995
JAN-01-1996
SEP-30-1996
722
0
21,237
(360)
31,230
61,365
10,420
(3,189)
69,592
17,315
4,594
68
0
0
47,615
69,592
69,073
49,835
19,668
0
(42)
557
(740)
530
(210)
0
0
0
(210)
(.03)
0