

Universal Electronics Inc.

Sidoti Virtual Small Cap Conference

Sept. 18 – 19, 2024



This presentation contains “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, 2023 and the periodic reports filed and furnished since then. Risks that could affect forward-looking statements in this press release include: our ability to continue capturing design wins in the connected home and home entertainment markets, particularly the climate control and home automation markets through the development and delivery of unique and innovative solutions and excellent customer service, as anticipated by management; the continued growth of business with our largest customers in the climate controlled space which can be leveraged to attract other industry leaders to our product and technology offerings; management's ability to continue to manage our business, through cost saving initiatives and optimizing our manufacturing facilities and our cash flows to achieve improved results as expected by management; the continued successful expansion of our IP portfolio and the licensing of our technologies; our ability to capture potential upside opportunities in the traditional subscription broadcasting business due to our continued strong leading market share; and the direct and indirect impact we may experience with respect to our business and financial results stemming from the continued economic uncertainty affecting consumers’ confidence and spending, natural disasters, public health crises, governmental actions or political unrest, including war, terrorist activities, or other hostilities; the effects and uncertainties and other factors more fully described in our reports filed with the SEC; and the effects that changes in or enhanced use of laws, regulations and policies may have on our business including the impact of trade regulations pertaining to importation of our products. 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 presentation. We make these forward-looking statements as of August 8, 2024, 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.

OUR MISSION

Create smarter living

To create products and technologies that help everyday people easily discover and interact with the devices and services in their home.



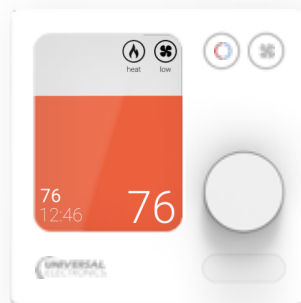
UEI is the global leader in universal control solutions for the home

Our 600+ engineering and R&D team members worldwide design, develop, manufacture, ship and support millions of innovative consumer control products each year offered by the world's leading brands in the consumer electronics, video services, security, home automation, hospitality and climate control markets.

we do ctrl



Entertainment



Climate



Smart Home

Discover

Control

Interact



Embedded
Technology

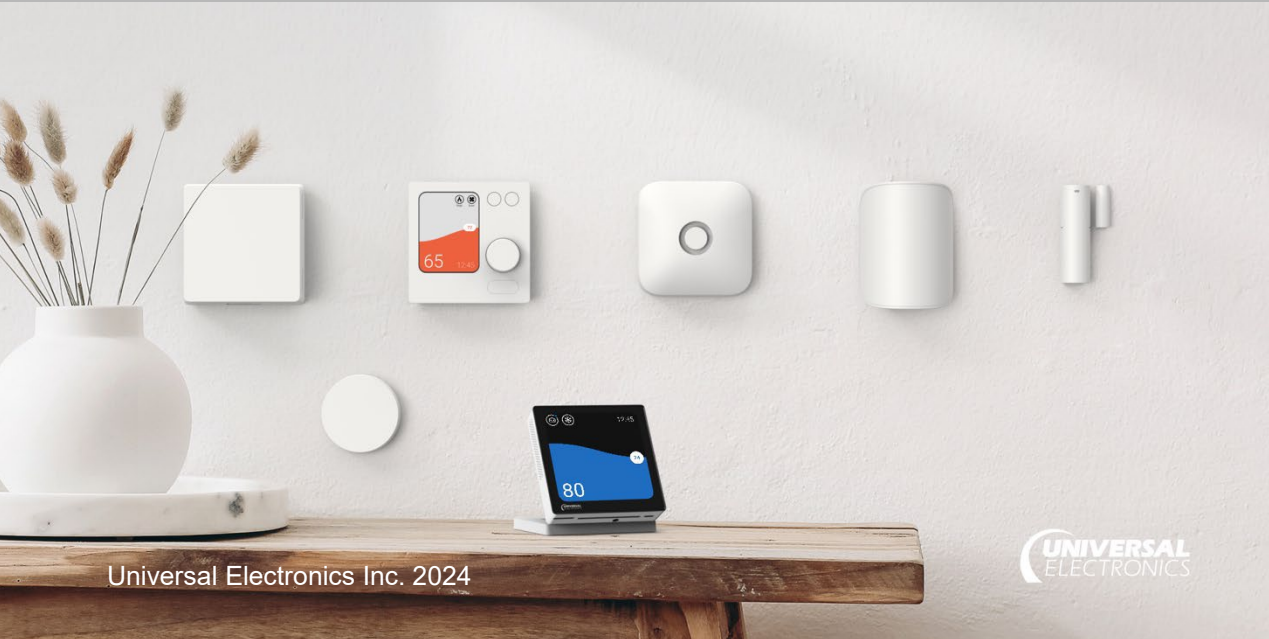


Finished
Goods



Software &
Cloud Services

UEI at a glance



Expansion in Growing Climate Control & Home Automation Markets

- Launched UEI TIDE™ family of Climate Control products including complete line of wired and wireless thermostats – as well as new product extensions
- Introduced Butler family of white-label smart home hubs with the latest wireless RF protocols and Matter-certified software
- Award-winning, market leading voice remote control solutions for home entertainment with energy-harvesting features for sustainability
- Showcasing Nevo® on TIDE, a smart home controller running QuickSet® Cloud that positions UEI as the leader in home entertainment and climate control
- Broad portfolio of connected sensing and control technologies for the home

Focus on Technology, Product Innovation, and Sustainability

- Industry leading QuickSet® Cloud for entertainment and smart home control
- Leader in sustainable wireless design with new battery-less remote designs
- Innovator in smart, wireless and connected thermostats and sensing technologies for OEMs
- More than 730 issued and pending U.S. patents as well as many foreign counterparts

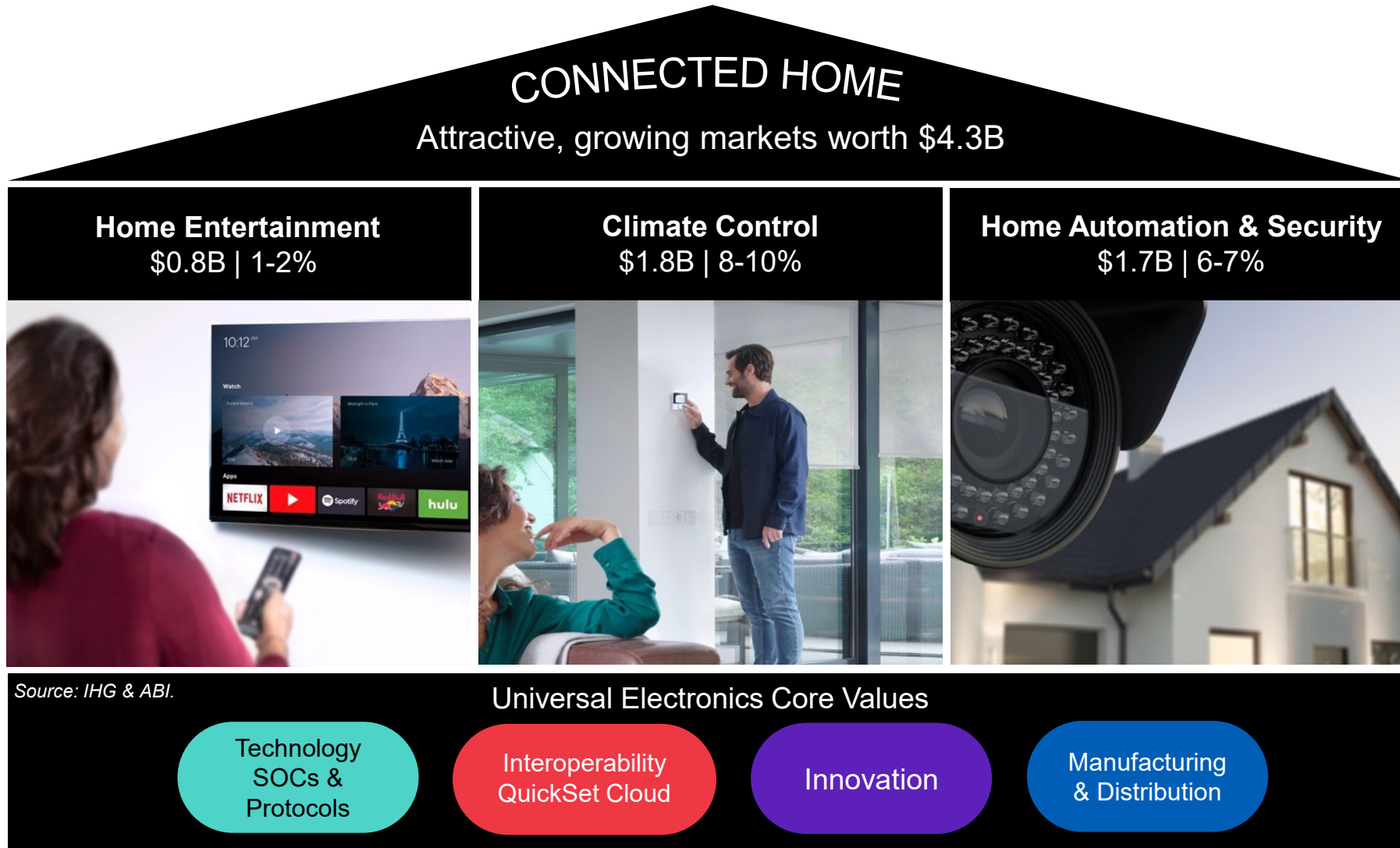
Global Scale and Reach

- Vertically integrated across design, development, and manufacturing
- R&D teams in U.S., Europe, China, and India
- Globally diversified manufacturing in Vietnam, China, Mexico & Brazil

Top Tier Customer Base

- Technology licensor to four of top five global Smart TV Brands
- Global market share leader in voice control for Video Service Providers
- Development partner to six of top ten HVAC OEM brands in Climate Control

Leadership position in entertainment device and services (app) discovery, setup and control has enabled us to develop core technology building blocks and interoperability expertise that is applicable in new, high-growth markets.



Entertainment Control

Overall home entertainment is still a growth channel

- Primarily driven by **SmartTV penetration, growth in streaming services and evolution into hybrid set-top boxes**

Traditional pay TV market decline shows signs of stabilizing

- OS and TV platform syndication opportunities

Move to more **streaming services**

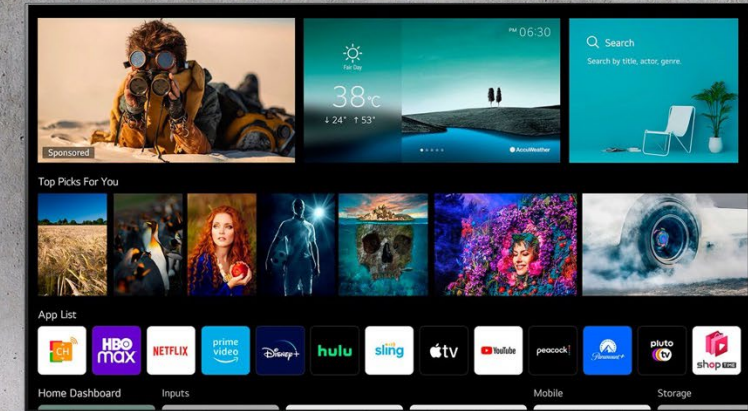
- Both Video-On-Demand as well as live TV streaming
- Subscription (SVOD), Sponsored (AVOD) and Free (FAST)

Business model changes, especially in USA

- **AdTech opportunity** will increase competition over TV OS
- Operators leveraging broadband to **bundle streaming services** with dedicated CPE

Advanced TV OS will become aggregator

- **Enabling convergence** of Live TV, Streaming Video, Cloud Gaming, Smart Home services



Climate Control Opportunity

Climate control systems are **growing** and **getting smarter**

Addressable HVAC market for residential climate control estimated at **\$1.8B** and to be growing at **10.6%**

- North America registered the highest growth rate, followed by APAC and Europe.

Market growth is driven by:

- More focus on health, well-being & air quality
- Energy efficiency, renewables & govt. incentives
- Cloud connected homes
- Industry consolidation

Innovation is accelerating in HVAC systems such as heat pumps and VRF that require custom control protocols

Industry dynamics that impact growth

- Growing AI and Cloud Intelligence
- Innovation in IoT and wireless sensors



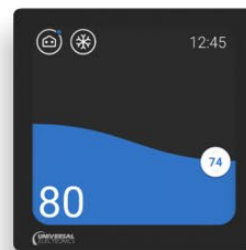
- Modular platform – potential application across multiple markets and channels
- Complete smart thermostat line-up – cloud-native architecture with full suite of connectivity, interoperability, and AI support
- Built-in end user and installer support - easy onboarding, discovery, and troubleshooting with QuickSet® and Virtual agent features
- Support for many wireless protocols – compatible with most HVAC systems and smart homes through easy integration of proprietary protocols
- Intuitive UX – award-winning, full-color display with touch and dial interface at market-leading price points



TIDE UI



TIDE DIAL



TIDE TOUCH



TIDE BRIDGE



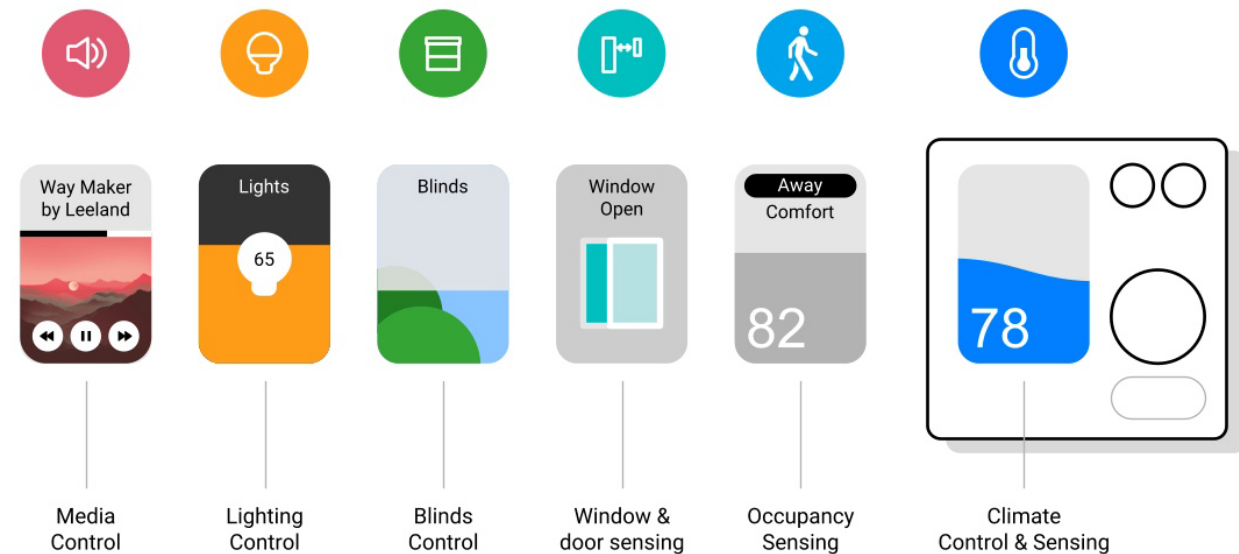
UNIVERSAL
MODULAR
PACK

Smart Control Re-Imagined

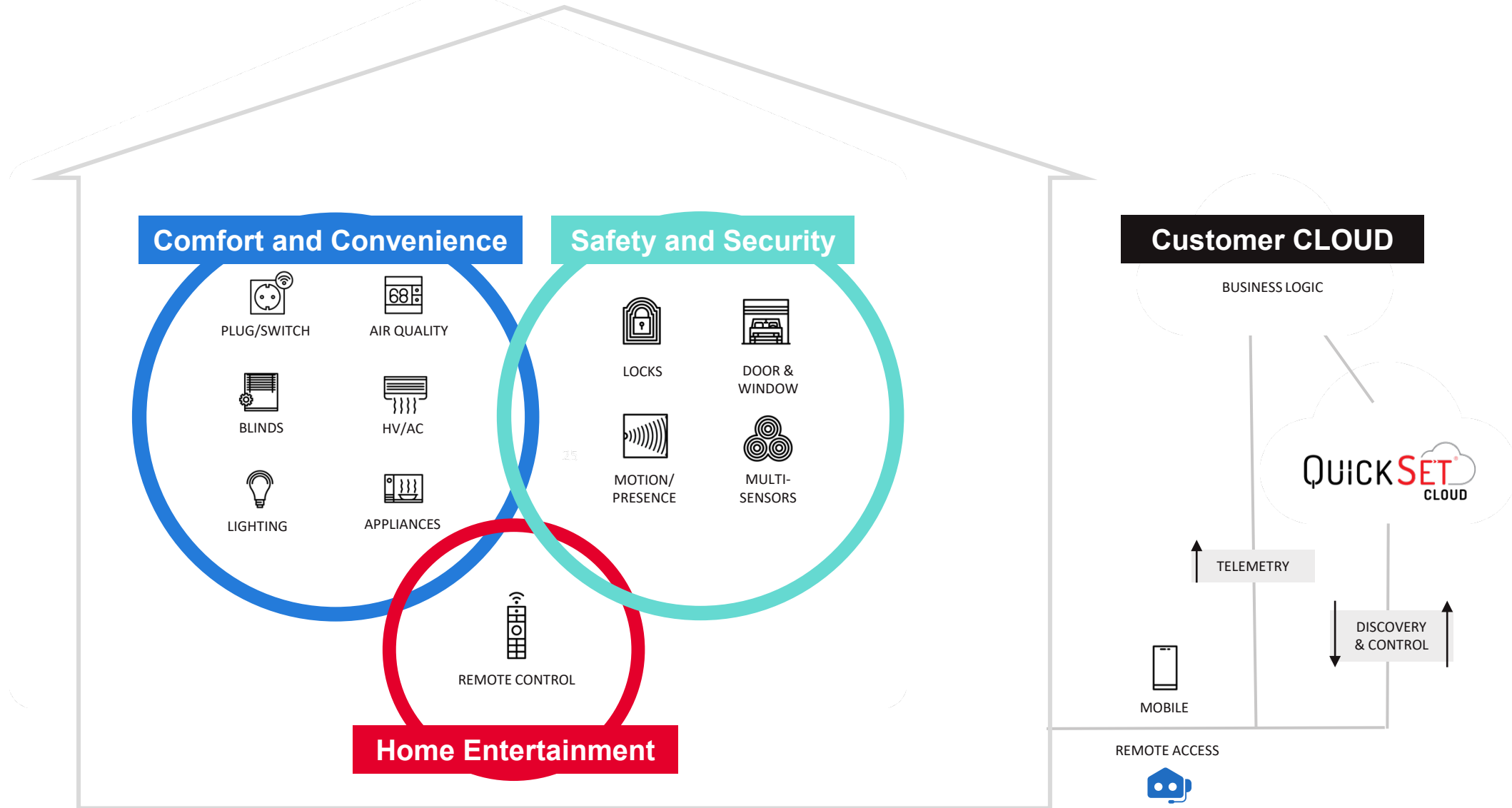


INTELLIGENT CLIMATE CONTROL

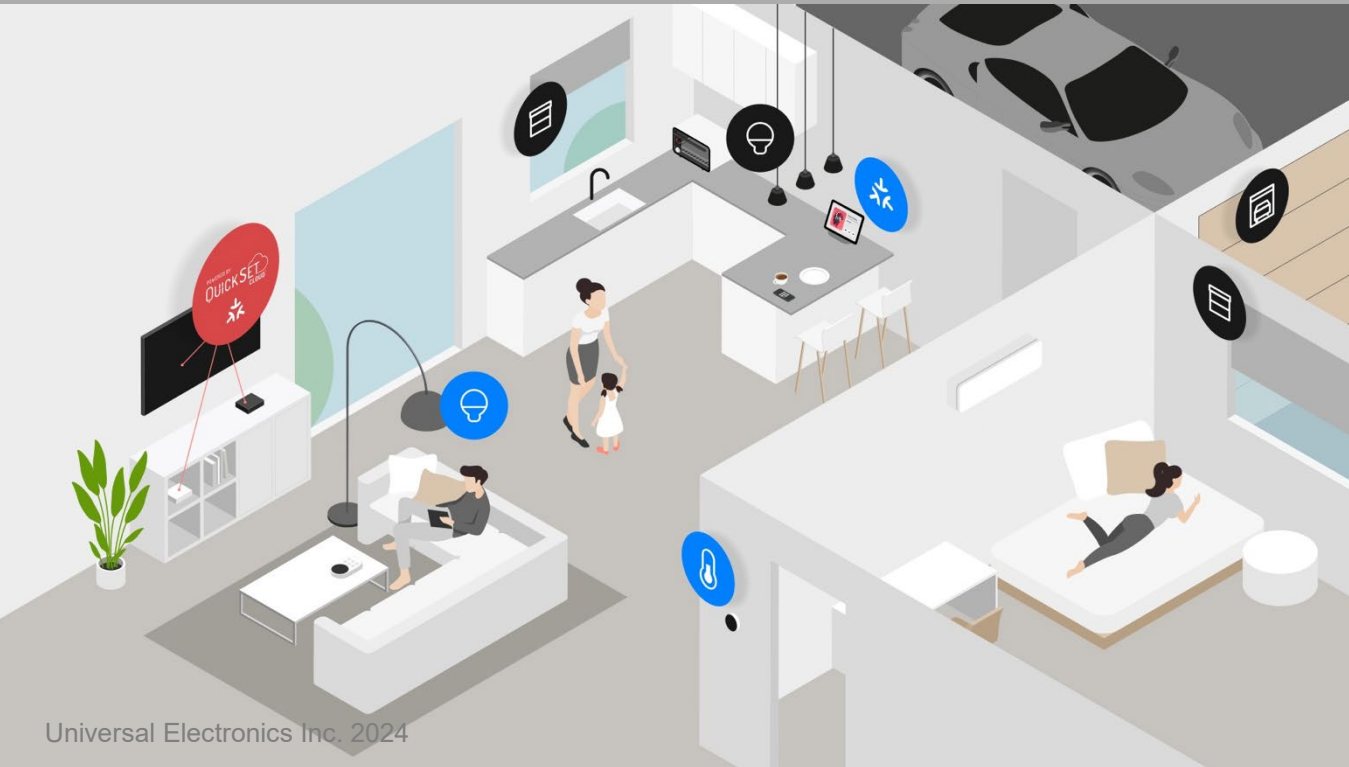
- Opportunity to penetrate high growth, HVAC OEM Climate Control market
- Invest in developing thermostat solutions, sensors and software optimized for HVAC OEMs
- Creating innovative use cases to re-define the role of Climate Control in the home



UEI has the expertise to bring seamless interoperability and deliver a derived value proposition.



QuickSet® delivers Smart Home interoperability & increased user engagement through personalized experiences



- Launched in 2008, QuickSet® has been **deployed in over 600 million devices** and is providing the world's most comprehensive solution for **smart home device discovery and control**.
- QuickSet® Cloud has scaled across industry application to manage **over 380 billion transactions** in 2023.
- Our **smart and legacy device knowledge** includes 1 million devices from 13,500 consumer brands, offering true **interoperability** between home entertainment and smart home **devices**, and **ecosystems** such as Google, Amazon and Apple Home Kit.
- QuickSet® is a certified Software Component, Matter Controller that enables discovery & control and works across any wired and wireless communication **protocols** including IP, Zigbee/Rf4CE, Bluetooth LE, and Matter.

Partnering with global channel leaders



Video Service Providers



Consumer Electronics



Consumer Accessories



Climate Control



Home Security



Home Automation

Business Highlights

Climate Control Market Penetration

- Secured design wins at major HVAC OEMs, including Daikin, Carrier, LG, Fujitsu, Toshiba-Carrier, Mitsubishi-Trane US (METUS) and Panasonic.
- Engaged with 13 of the top 14 HVAC OEM brands in Europe that collectively represent over 80% of that market
- Awarded 3 design wins at 2 of the top 3 European HVAC OEMs
- Kicked off >10 customer-initiated UEI TIDE family development projects expected to be shipping later in 2024 and 2025
- Expanding climate control product line to include wireless bridges with built-in indoor Air Quality (IAQ) monitoring and air purifier control (IR)
- Success reminiscent of early home entertainment market growth

Home Automation and Security Channels

- Attracting new customers and increasing share with new product design wins for controllers, sensors, integrating wireless standards and interoperability features
- Strong pipeline of new customer products in development

QuickSet® Cloud Home Entertainment Opportunity

- 6th generation Cloud software blends smart home with video entertainment use cases to drive increased user engagement and personalization for content discovery including whole home Audio-Video casting across any device in the home



Adjusted Non-GAAP* (\$M, except EPS)	Q2 2024	Q2 2023
Net Sales	\$90.5	\$107.4
Gross Margin	28.7%	22.9%
Net Loss	\$(1.2)	\$(3.1)
Loss per Share	\$(0.09)	\$(0.24)

Adjusted Non-GAAP* Guidance (\$M, except EPS)	Q3 2024	Q3 2023
Net Sales	\$98 - \$108	\$107.1
EPS	\$0.01 - \$0.11	\$0.06

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

DRIVING LONG-TERM SALES & PROFITABILITY GROWTH

- Winning additional business in higher growth connected home channel
- Seeding net sales growth in latter half of 2024, 2025 and on

ONCE AGAIN VALIDATING PATENTS, EXTERNALLY

- US Court of Appeals for the Fed. Circuit affirmed prior US ITC ruling
- Confirmed Roku's infringement of UEI IP
- Supports UEI's return to the US District Court to request judgment on monetary damages regarding the infringing activities of Roku/partners

DELIVERING EFFICIENCIES

- Strong gross margins reflect strategies
- Implemented footprint optimization and corporate restructuring
 - Accelerated plans to streamline Mexico facility to H1 2024
 - Exceeding op. expectations at new Vietnam facility
 - Ceased SW China factory op. ~1 QTR sooner than expected

LOWERING DEBT IN HIGH INTEREST ENVIRONMENT

- 6/30/24 compared to 12/31/23
 - \$23.1M cash and cash equivalents vs. \$42.8M including \$14M LOC reduction, \$5M security deposit and \$2M stock repurchase
 - \$41M outstanding debt vs. \$55M

UEI Investment Rationale



- Targeting attractive, growing connected home markets worth \$4.3B
 - **Attracting top-tier customer base in new markets**
- Expanding product portfolio in growing climate control and home automation markets
 - **Leveraging global scale and reach**
- Focusing on technology, product innovation and sustainability
 - **Over 730 issued and pending U.S. patents as well as many foreign counterparts**
- Delivering efficiencies and improving financial position
 - **Projecting profitability for H2 2024 and consistent sales & earnings growth into 2025, 2026 and beyond**

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. Management 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. Adjusted Non-GAAP gross profit is defined as gross profit excluding stock-based compensation expense. Adjusted Non-GAAP operating expenses are defined as operating expenses excluding stock-based compensation expense, amortization of intangibles acquired, costs associated with certain litigation efforts, factory restructuring costs, goodwill impairment and severance. Adjusted Non-GAAP net income (loss) is defined as net income (loss) excluding the aforementioned items, foreign currency gains and losses, and the related tax effects of all adjustments. Adjusted Non-GAAP earnings (loss) per diluted share is calculated using Adjusted Non-GAAP net income (loss). A reconciliation of these financial measures to the most directly comparable GAAP financial measures is included at the end of this press release.

The company will no longer exclude excess manufacturing overhead costs resulting from the continued transition of its global manufacturing footprint, specifically in Mexico and Vietnam, and depreciation related to the mark-up from cost to fair value of fixed assets acquired in business combinations from its Adjusted Non-GAAP figures. This impacts Adjusted Non-GAAP gross profit, gross margin, operating income (loss), income (loss) before provision (benefit) from income taxes and net income (loss) in the quarterly results for 2023 and 2024. There is no impact to GAAP results. A reconciliation of these measures is posted on the website in the Q2 2024 Quarterly Results section.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net sales:				
Net sales - GAAP	\$ 90,452	\$ 107,391	\$ 182,352	\$ 215,768
Adjusted Non-GAAP net sales	\$ 90,452	\$ 107,391	\$ 182,352	\$ 215,768
Cost of sales:				
Cost of sales - GAAP ⁽¹⁾	\$ 64,500	\$ 82,774	\$ 130,412	\$ 166,458
Stock-based compensation expense	(20)	(26)	(47)	(62)
Adjusted Non-GAAP cost of sales	64,480	82,748	130,365	166,396
Adjusted Non-GAAP gross profit	\$ 25,972	\$ 24,643	\$ 51,987	\$ 49,372
Gross margin:				
Gross margin - GAAP ⁽¹⁾	28.7 %	22.9 %	28.5 %	22.9 %
Stock-based compensation expense	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Non-GAAP gross margin	28.7 %	22.9 %	28.5 %	22.9 %
Operating expenses:				
Operating expenses - GAAP	\$ 30,405	\$ 33,749	\$ 63,301	\$ 117,966
Stock-based compensation expense	(1,441)	(2,132)	(3,318)	(4,636)
Amortization of acquired intangible assets	(219)	(284)	(467)	(570)
Litigation costs ⁽²⁾	(71)	(270)	(357)	(1,428)
Factory restructuring charges ⁽³⁾	(1,555)	—	(2,618)	—
Goodwill impairment ⁽⁴⁾	—	—	—	(49,075)
Severance ⁽⁵⁾	—	(1,886)	—	(1,886)
Adjusted Non-GAAP operating expenses	\$ 27,119	\$ 29,177	\$ 56,541	\$ 60,371

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating income (loss):				
Operating income (loss) - GAAP ⁽¹⁾	\$ (4,453)	\$ (9,132)	\$ (11,361)	\$ (68,656)
Stock-based compensation expense	1,461	2,158	3,365	4,698
Amortization of acquired intangible assets	219	284	467	570
Litigation costs ⁽²⁾	71	270	357	1,428
Factory restructuring costs ⁽³⁾	1,555	—	2,618	—
Goodwill impairment ⁽⁴⁾	—	—	—	49,075
Severance ⁽⁵⁾	—	1,886	—	1,886
Adjusted Non-GAAP operating income (loss)	<u>\$ (1,147)</u>	<u>\$ (4,534)</u>	<u>\$ (4,554)</u>	<u>\$ (10,999)</u>
Adjusted pro forma operating income (loss) as a percentage of net sales	(1.3)%	(4.2)%	(2.5)%	(5.1)%
Net income (loss):				
Net income (loss) - GAAP ⁽¹⁾	\$ (8,193)	\$ (10,411)	\$ (16,842)	\$ (71,774)
Stock-based compensation expense	1,461	2,158	3,365	4,698
Amortization of acquired intangible assets	219	284	467	570
Litigation costs ⁽²⁾	71	270	357	1,428
Factory restructuring costs ⁽³⁾	1,555	—	2,618	—
Goodwill impairment ⁽⁴⁾	—	—	—	49,075
Severance ⁽⁵⁾	—	1,886	—	1,886
Foreign currency (gain)/loss	354	744	458	1,176
Income tax provision on adjustments	3,341	2,016	4,967	4,102
Adjusted Non-GAAP net income (loss)	<u>\$ (1,192)</u>	<u>\$ (3,053)</u>	<u>\$ (4,610)</u>	<u>\$ (8,839)</u>

Diluted earnings (loss) per share:								
Diluted earnings (loss) per share - GAAP ⁽¹⁾	\$	(0.63)	\$	(0.81)	\$	(1.30)	\$	(5.61)
Total adjustments	\$	0.54	\$	0.57	\$	0.95	\$	4.92
Adjusted Non-GAAP diluted earnings (loss) per share	\$	(0.09)	\$	(0.24)	\$	(0.36)	\$	(0.69)

⁽¹⁾ GAAP gross margin, operating loss and net loss for the three months ended June 30, 2024 include \$1.4 million, equivalent to 160 basis points of gross margin or \$0.09 per share (net of tax), of excess manufacturing overhead costs resulting from the continued transition of our global manufacturing footprint, specifically in Mexico and Vietnam, and depreciation related to the mark-up from cost to fair value of fixed assets acquired in business combinations ("excess manufacturing costs"). GAAP gross margin, operating loss and net loss for the three months ended June 30, 2023 include \$2.7 million, equivalent to 250 basis points of gross margin or \$0.18 per share (net of tax), of excess manufacturing costs.

GAAP gross margin, operating loss and net loss for the six months ended June 30, 2024 include \$2.6 million, equivalent to 140 basis points of gross margin or \$0.17 per share (net of tax), of excess manufacturing costs. GAAP gross margin, operating loss and net loss for the six months ended June 30, 2023 include \$5.5 million, equivalent to 250 basis points of gross margin or \$0.35 per share (net of tax), of excess manufacturing costs.

⁽²⁾ The three and six months ended June 30, 2024 and 2023, include expenses related to our various litigation matters involving Roku, Inc. and certain other related entities including three Federal District Court cases, two International Trade Commission investigations and the defense of various inter partes reviews and appeals before the US Patent and Trademark Board. In addition, the three and six months ended June 30, 2023 include \$0.2 million and \$1.2 million, respectively, of expenses associated with non-recurring legal matters involving internal investigations at our manufacturing plants.

⁽³⁾ The three and six months ended June 30, 2024 include severance and other exit costs associated with the closure of our southwestern China factory and the downsizing of our Mexico factory.

⁽⁴⁾ The six months ended June 30, 2023 includes a goodwill impairment charge of \$49.1 million as a result of our market capitalization being significantly less than the carrying value of our equity.

⁽⁵⁾ The three and six months ended June 30, 2023 include severance costs associated with a reduction in headcount at our corporate offices.

RECONCILIATION OF GAAP TO ADJUSTED NON-GAAP OUTLOOK AND FINANCIAL RESULTS
(In thousands, except per share amounts, unaudited)

	Three Months Ended September 30,		
	2024		2023
	Low Range	High Range	Actual
Net sales:			
Net sales - GAAP	\$ 98,000	\$ 108,000	\$ 107,095
Total adjustments ⁽¹⁾	—	—	—
Adjusted Non-GAAP net sales	<u>\$ 98,000</u>	<u>\$ 108,000</u>	<u>\$ 107,095</u>
Diluted earnings (loss) per share:			
Diluted earnings (loss) per share - GAAP	\$ (0.33)	\$ (0.23)	\$ (1.50)
Total adjustments ⁽²⁾	\$ 0.34	\$ 0.34	\$ 1.56
Adjusted Non-GAAP diluted earnings (loss) per share	\$ 0.01	\$ 0.11	\$ 0.06

(1) The three months ended September 30, 2024 and 2023 do not include any Non-GAAP adjustments to net sales.

(2) The three months ended September 30, 2024 and 2023 include adjustments for stock-based compensation expense, amortization of acquired intangibles, costs associated with certain litigation efforts, factory restructuring costs, foreign currency gains and losses and the related tax impact of these adjustments. The three months ended September 30, 2023 also includes adjustments for impairment, severance and a valuation allowance on certain deferred tax assets.