# Investor Slides

Needham 20th Annual Growth Conference
January 17, 2018

INNOVATION INSIDE

**NASDAQ GS: UEIC**

# Safe Harbor Statement

INNOVATION INSIDE

During this presentation, Management will reference Adjusted Non-GAAP information, including Adjusted Non-GAAP net sales, Adjusted Non-GAAP gross profit, Adjusted Non-GAAP net income, and Adjusted Non-GAAP diluted earnings per share, are to non-GAAP measures. These measures are not in accordance with, or an alternative for, GAAP and may be different from non-GAAP measures used by other companies. The company's management believes that this presentation of Adjusted Non-GAAP financial information provides useful information to management and investors regarding certain additional financial and business trends relating to its financial condition and results of operations. In addition, management uses these measures for reviewing the financial results of the company and for budget planning purposes. In addition, management may make "forward-looking statements" within the meaning of federal securities laws, including regarding net sales, profit margin and earnings trends, estimates and assumptions; our expectations about new product and technology introductions and market growth projections; 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 most recent annual report on Form 10-K and quarterly and periodic filings since then. Risks that could affect forward-looking statements include the company's ability to maintain and build its relationships with its customers, such as Comcast; the company's ability to anticipate the needs and wants of its customers and timely develop and deliver products and technologies that will meet those needs and wants; the continued trend of the home entertainment industry in providing consumers with more advanced technologies; the continued development, growth and importance of our patent portfolio and software solutions; the continued growth of the home entertainment, automation, intelligent sensing and safety/security markets; the growth of those business that we have acquired; and management's ability to continue growing the company's market share, sales and earnings as expected. Any of these factors could cause actual results to differ materially from the expectations we express or imply during this presentation. We make these forward-looking statements as of the date of this presentation 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.

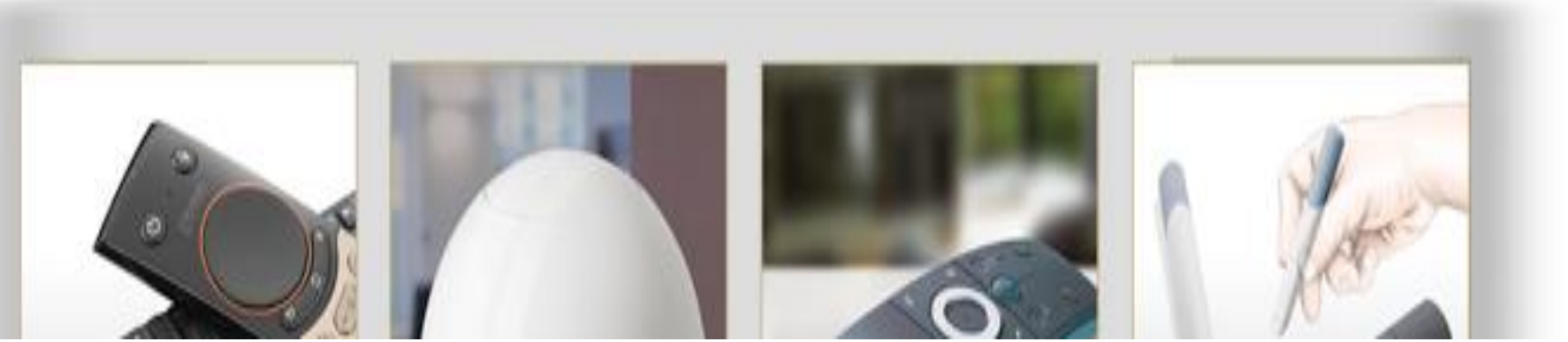
*Confidential © 2017 Universal Electronics Inc.*

# Redefining Control

INNOVATION INSIDE

Universal Electronics Inc. (UEI) **is the worldwide leader in universal control and sensing technologies** for the smart home.

With a global network of design and development services, UEI's many first-to-market innovations have helped transform the home entertainment control industry over the past 30 years. In 2015, we expanded our product and technology platform to include home automation, intelligent sensing and security.



*Confidential © 2017 Universal Electronics Inc.*

# Our Mission

INNOVATION INSIDE

Turning technology into solutions
to make it easy for users to connect, control, and interact
with entertainment, information, and other emerging services.

*Confidential © 2017 Universal Electronics Inc.*

# Industry Leading Technology

INNOVATION INSIDE

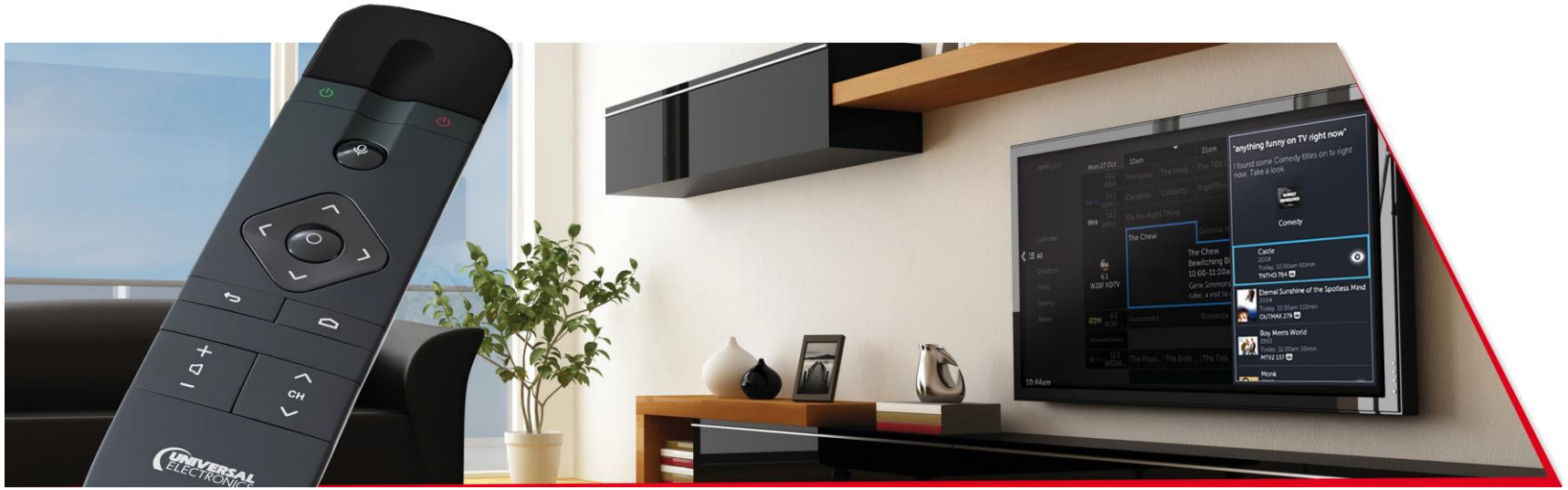
- Technology expertise in all areas of AV device control
- Innovator with 30 years in developing first-to-market solutions
- Most widely deployed and world renowned device code database
- Largest patent portfolio in our industry
- Complete end-to-end supplier in home entertainment  control solutions, safety and security products

*Confidential ©  2017 Universal Electronics Inc.*

# Redefining Control for Connected Devices

INNOVATION INSIDE

- Households are experiencing exponential growth in content and complexity of user interfaces
- Remote Controls are now part of the Connected Home ecosystem
- Consumers demand new and better ways to connect; control and interact with information and entertainment
- UEI has the broadest technology portfolio in the industry deploying tens of millions of control solutions that feature voice, touch and motion control as well as the advanced connectivity solutions featuring ZigBee® RF4CE, Bluetooth® Smart, and Wi-Fi® communication protocols



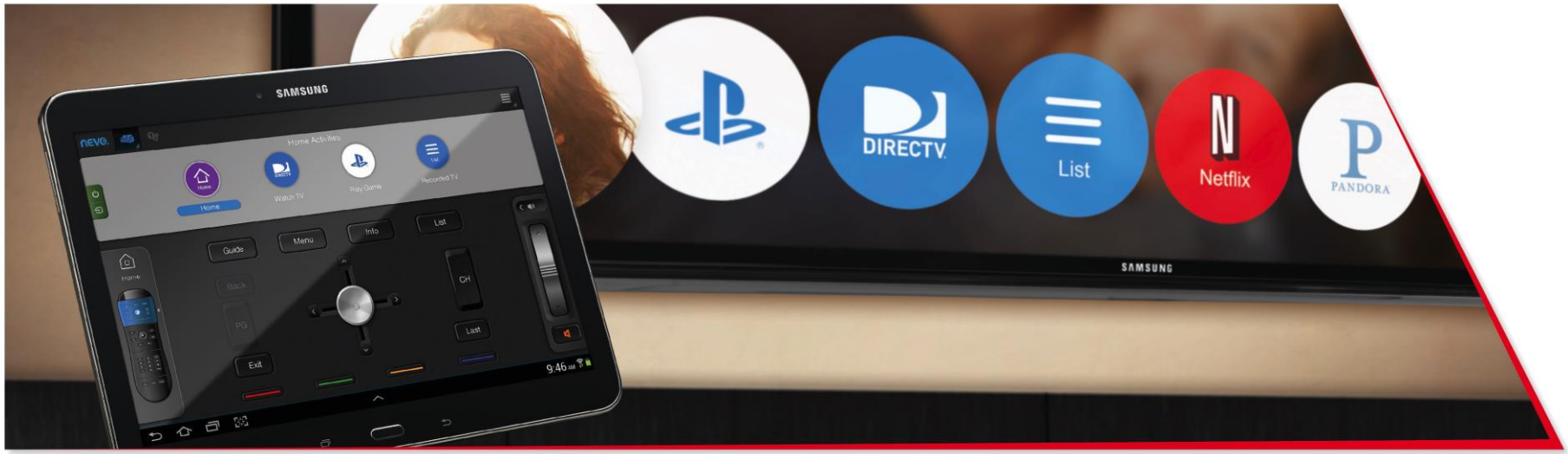



*Confidential © 2017 Universal Electronics Inc.*

# Redefining Control through Software

INNOVATION INSIDE

- UEI's embedded software, hardware, and cloud services provide the intelligence to seamlessly control and interact with an ever expanding list of home entertainment and other connected home devices
- QuickSet® software and cloud services enable intelligent setup of home entertainment devices that require little or no setup and deliver one-touch control
- UEI software is powering some of the world's biggest brands in mobile, gaming, and consumer electronics





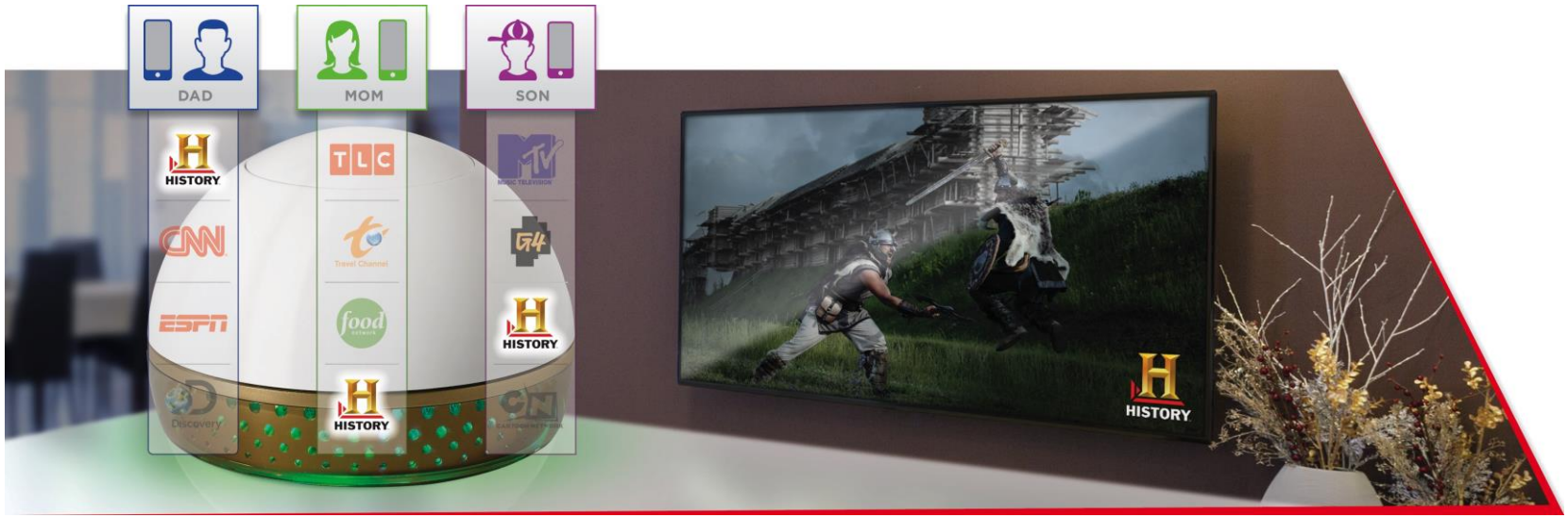

*Confidential © 2017 Universal Electronics Inc.*

# Redefining Control through The User Experience

INNOVATION INSIDE

- With over 400 patents issued and pending, UEI has earned its status as an innovative leader with the largest and most comprehensive intellectual property portfolio in the industry.

- UEI applies emerging technologies to solve everyday consumer frustrations by creating innovative product concepts and use cases that redefine what a remote control is and what a remote control does.




*Confidential © 2017 Universal Electronics Inc.*

# Investment Rationale

INNOVATION INSIDE

- **Expanding Market Opportunity**
  - Global market trends continue to drive our business
  - Dynamic changes in home entertainment content delivery present significant opportunity
  - Acquired innovative company in home safety and security market
  - Evolving smart device market represents potential growth opportunity
- **#1 Market Share in the Global Remote Control Market**
  - Leading innovation which creates global competitive advantage
  - Superior offering validated by global customer base
- **Leveraging Solid Foundation to Drive Growth & Strengthen Global Position**
  - Established channels in OEM, Subscription Broadcasting, Consumer & Pro-Security
- **Strong Financial Position and Operating Model Provides Foundation**
  - Strong track record of sales and earnings performance and sound balance sheet produce above average return on capital

*Confidential © 2017 Universal Electronics Inc.*

# Control Capabilities Beyond the Remote

INNOVATION INSIDE

## Consumer Entertainment Control

- OEM and replacement remotes
- 450-500M unit market
- Low ASPs and margins
- Specialty accessories → high margins
- 3-4% market growth

## Subscription Broadcasting Control

- Advanced remotes for PayTV services
- 290-300M unit market
- ASPs trending higher
- New technologies → ASP growth
- 8-10% market growth

## Residential Temperature Control

- OEM Air Con remotes
- 100-150M unit market
- Display remotes with high ASPs
- New technologies → ASP growth
- 8-10% market growth

## Home Safety & Security Sensors

- Pro-security, cable/sat and consumer
- 200M unit sensor market
- High ASPs and margins
- Double-digit market growth
- Innovation → product differentiation

## Smart Device Licensing

- Smartphone & Tablet integration
- Over 1.2B unit market
- Licensing royalties low
- Market not fully evolved
- 2-3% market growth

*Confidential © 2017 Universal Electronics Inc.*

# Global Operations

INNOVATION INSIDE

**SANTA ANA,** CALIFORNIA, USA
Corporate Headquarters Innovation & Design Center

**ENSCHEDE,** THE NETHERLANDS
European and Retail Headquarters

**HONG KONG,** CHINA
Asian Headquarters
Global Logistics Hub

EUROPE

NORTH AMERICA

LATIN AMERICA

AFRICA

ASIA PACIFIC

AUSTRALIA

**MANAUS,** BRAZIL
Manufacturing and Operations

**TWINSBURG,** OHIO, USA
North American Call Center

**MONTERREY,** MEXICO
Manufacturing

**CARLSBAD,** CALIFORNIA, USA
Ecolink

**SAN MATEO,** CALIFORNIA, USA
Advanced Engineering

**YANGZHOU,** CHINA
Manufacturing

**PANYU,** CHINA
Engineering

**QINZHOU,** CHINA
Manufacturing

**SUZHOU,** CHINA
Engineering

**BANGALORE,** INDIA
Software Development

**SEOUL,** KOREA
Regional Sales Office

**TOKYO,** JAPAN
Regional Sales Office

*Confidential © 2017 Universal Electronics Inc.*

# Powering Global Leaders

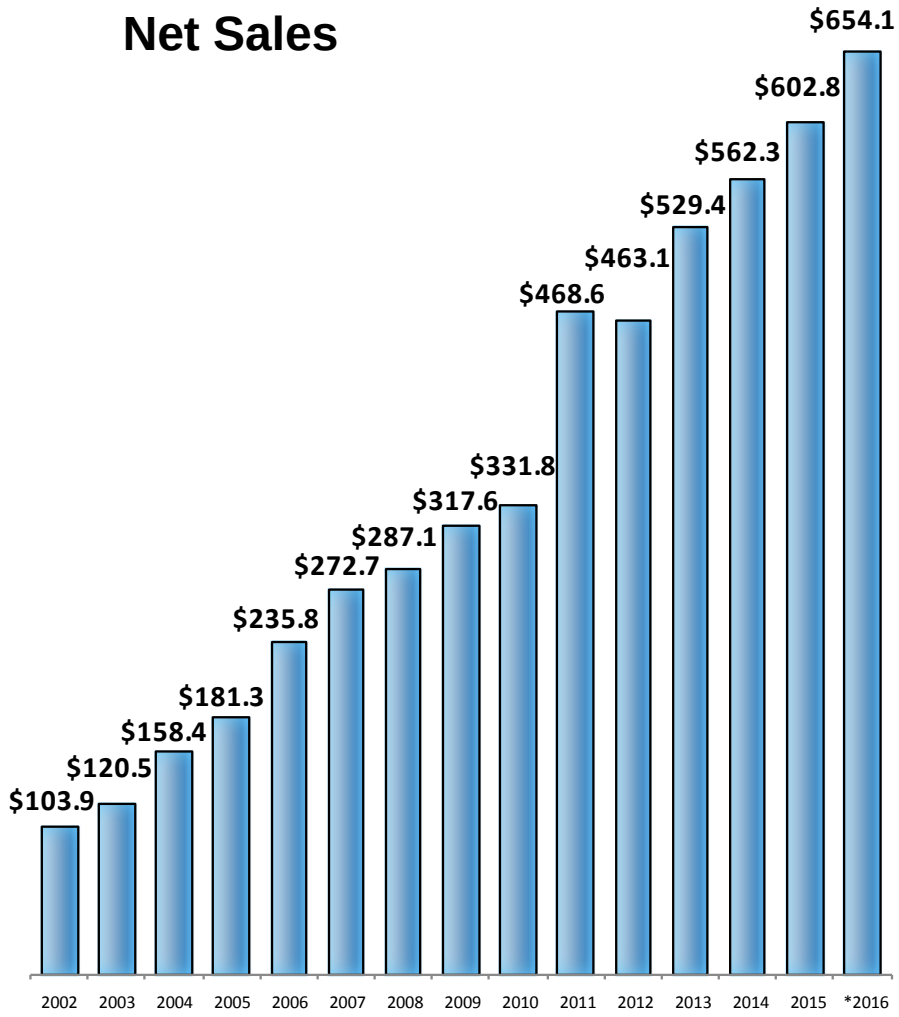
INNOVATION INSIDE

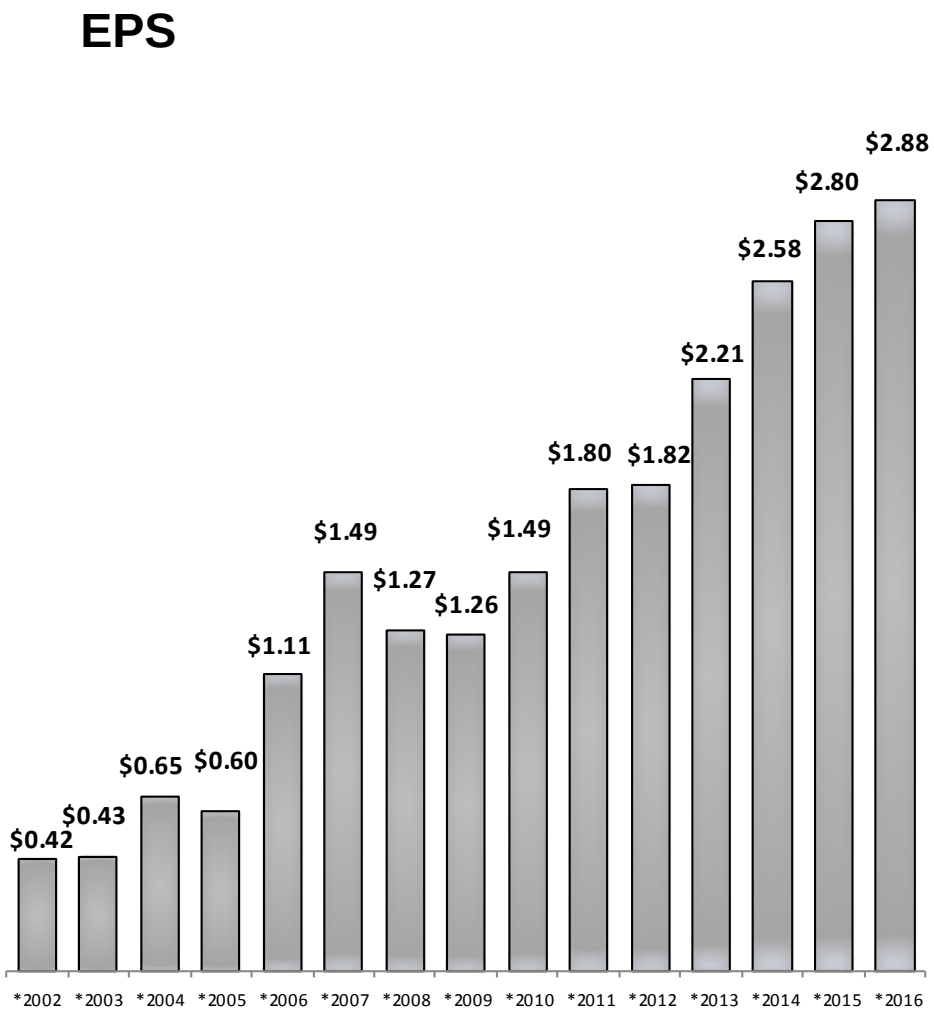
*Confidential © 2017 Universal Electronics Inc.*

# Consistent Growth

INNOVATION INSIDE

In Millions




*Adjusted Metrics (non-GAAP)

*Confidential © 2017 Universal Electronics Inc.*

# Strategy for Continued Growth

INNOVATION INSIDE

- **Invest in innovation**
  - Introduce solutions that simplify and enhance consumer interactions with entertainment, safety and security in the home – easy to set up, easy to use
  - Develop products and technologies that lead the changing market dynamics and consumer preferences in content search, discovery and consumption
- **Deepen existing customer relationships and add new customers**
  - Long term track record of adding customers and growing the relationships
- **Expand geographically into regions that show promising market opportunities**
  - Asia, Latin America provide significant growth opportunity
- **Leverage strong financial position and operating model for continued growth**
  - Consistent revenue and earnings growth over the past 15 years
  - Cash and cash equivalents of $48.6 million

*Confidential © 2017 Universal Electronics Inc.*

# GAAP to Adjusted Non-GAAP Reconciliation Table

INNOVATION INSIDE

**Universal Electronics Inc**
**Reconciliation of Adjusted Non-GAAP Financial Results**
**(In thousands, except per share amounts)**
**(Unaudited)**

| | Year ended December 31, | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net income attributable to UEI:** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| Net income attributable to UEI - GAAP | $ 5,939 | $ 6,267 | $ 9,114 | $ 9,701 | $ 13,520 | $ 20,230 | $ 15,806 | $ 14,675 | $ 15,081 | $ 19,946 | $ 16,553 | $ 22,963 | $ 32,534 | $ 29,174 | $ 20,354 |
| Performance-based common stock warrants | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,728 |
| Depreciation of acquired fixed assets (1) | - | - | - | - | - | - | - | - | 175 | 1,108 | 1,108 | 1,108 | 951 | 976 | 1,042 |
| Fair value adjustments to acquired inventories (2) | - | - | - | - | - | - | - | - | 1,624 | - | - | - | - | 166 | 115 |
| Excess manufacturing overhead (3) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,213 |
| Amortization of acquired intangible assets | - | - | - | - | - | - | - | - | 428 | 2,750 | 2,970 | 2,970 | 2,971 | 3,620 | 4,977 |
| Stock-based compensation | - | - | - | - | 3,117 | 3,521 | 4,243 | 4,312 | 4,966 | 4,511 | 4,575 | 5,342 | 6,444 | 7,913 | 10,324 |
| Employee related restructuring costs | - | - | - | - | - | - | - | - | - | 542 | 576 | 1,987 | 852 | 1,023 | 4,977 |
| Direct acquisition related expenses | - | - | - | - | - | - | - | - | 1,070 | - | 251 | - | | 228 | - |
| Change in contingent consideration | - | - | - | - | - | - | - | - | - | - | - | - | - | 551 | (1,251) |
| Litigation settlement costs | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,639 | 2,000 |
| Nonrecurring items (4) | - | - | - | - | - | - | - | - | - | - | 519 | 291 | - | - | (11) |
| Foreign currency (gain) loss | (94) | (344) | 152 | (2,107) | 508 | 35 | (315) | 246 | (239) | 1,412 | 1,686 | 3,267 | 854 | 228 | (660) |
| Income tax provision on pretax pro forma adjustments | 35 | 129 | (57) | 789 | (1,190) | (1,214) | (1,373) | (1,595) | (2,095) | (2,812) | (3,210) | (4,003) | (3,058) | (5,683) | (6,888) |
| Income tax provision related to tax law changes and other discrete tax rate adjustments | - | - | - | - | - | - | - | - | - | - | 2,542 | 573 | 119 | 649 | 1,577 |
| Adjusted Non-GAAP net income attributable to UEI | $ 5,880 | $ 6,052 | $ 9,209 | $ 8,383 | $ 15,955 | $ 22,572 | $ 18,361 | $ 17,638 | $ 21,010 | $ 27,457 | $ 27,570 | $ 34,498 | $ 41,667 | $ 43,484 | $ 42,497 |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Diluted earnings per share attributable to UEI** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Diluted earnings 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 |
| 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 |
| 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 |

(1) Depreciation related to the mark-up from cost to fair value of fixed assets acquired in business combinations.
(2) Effect of fair value adjustments to inventories acquired as part of the Ecolink Intelligent Technology, Inc. (2015) and Enson Assets Limited (2010) business combinations and sold through during the period.
(3) Excess manufacturing overhead incurred resulting from the transition of manufacturing activities from our Guangzhou factory to our other three China factories.
(4) 2012 comprised of corporate headquarters relocation costs; 2013 comprised of a software audit settlement charge for infringements that occurred prior to the acquisition of Enson Assets Limited; 2016 comprised of adjustments attributable to noncontrolling interest.

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fully-Diluted Shares Outstanding | 14,163 | 14,007 | 14,100 | 13,992 | 14,432 | 15,177 | 14,456 | 13,971 | 14,106 | 15,213 | 15,110 | 15,601 | 16,152 | 15,542 | 14,764 |

*Confidential © 2017 Universal Electronics Inc.*



UNIVERSAL ELECTRONICS