

# Universal Electronics Inc.

## Sidoti Virtual Small Cap Conference

*Mar. 13 - 14, 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 continued ability to timely develop and deliver products and technologies that will be accepted by our customers, both near- and long-term; our ability to attract new customers and to successfully capture sales in all markets we serve, including in the connected home market as anticipated by management; our ability to successfully restructure our manufacturing footprint and achieve the optimization, lower concentration risks, and production facility in the time frame and to the extent expected by management, including management's plan to shut down an existing China facility which would result in the Company recording an impairment charge and severance expense in an amount believed by management to be material; our ability to manage through the continued supply chain constraints, inflationary pressures and macroeconomic conditions, including continued lower consumer spending; the continued commitment of our customers to their product development and ordering strategies and patterns that translate into greater demand for our technologies and products as anticipated by management; our ability to continue to manage our business, inventories and cash flows to achieve our net sales, margins and earnings through financial discipline, operational efficiency, product line management, liquidity requirements, capital expenditures and other investment spending expectations; the continued fluctuation in our market capitalization; the direct and indirect impact we may experience with respect to our business and financial results and management's ability to anticipate and mitigate the impact stemming from the continued economic uncertainty affecting consumers' confidence and spending, natural disasters or other events beyond our control, public health crises (including an outbreak of infectious disease), governmental actions, including the effects of political unrest, war (including the conflict between Russia and Ukraine), or terrorist activities; 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 press release. We make these forward-looking statements as of November 2, 2023, 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.



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

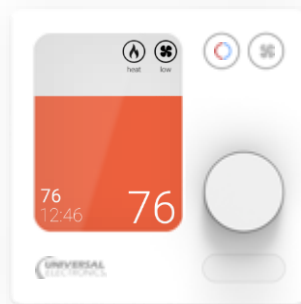
Our 600+ engineering and R&D team members worldwide design, develop, manufacture, ship and support millions of innovative consumer control products each year offered by the world's leading brands in the consumer electronics, video services, security, home automation, hospitality and climate control markets.

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# we do ctrl



Entertainment



Climate



Smart Home

Discover

Control

Interact



Embedded  
Technology

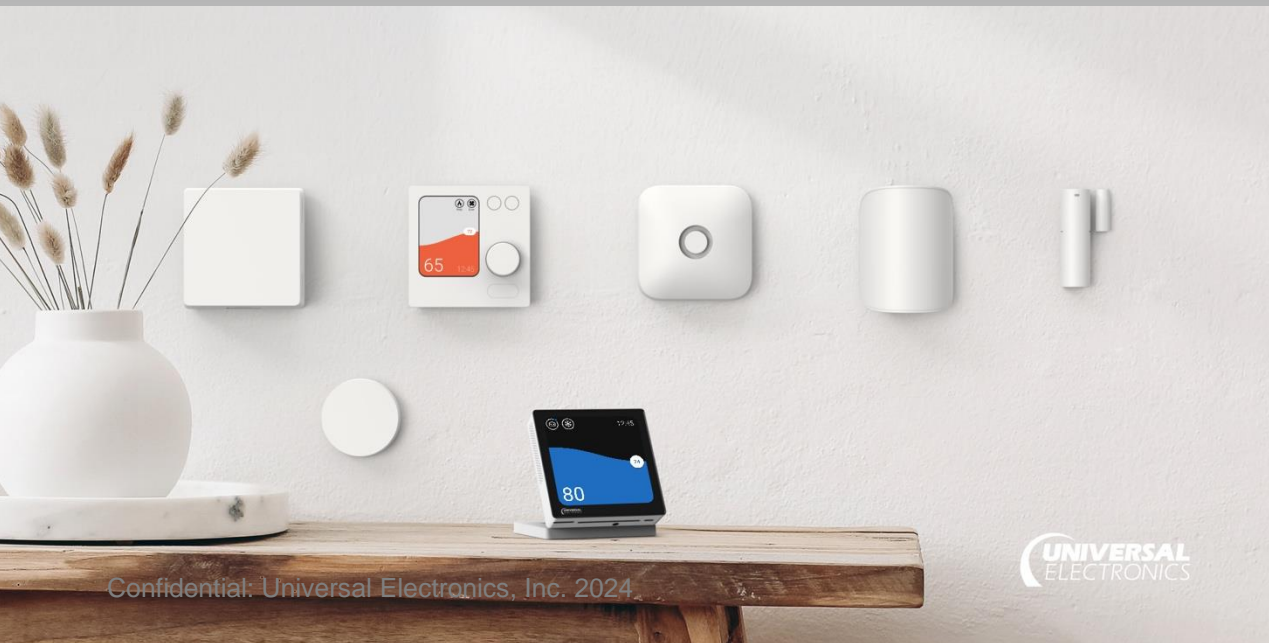


Finished  
Goods



Software &  
Cloud Services

# UEI at a glance



## Product Expansion in Growing Climate Control and 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 700 issued and pending patents

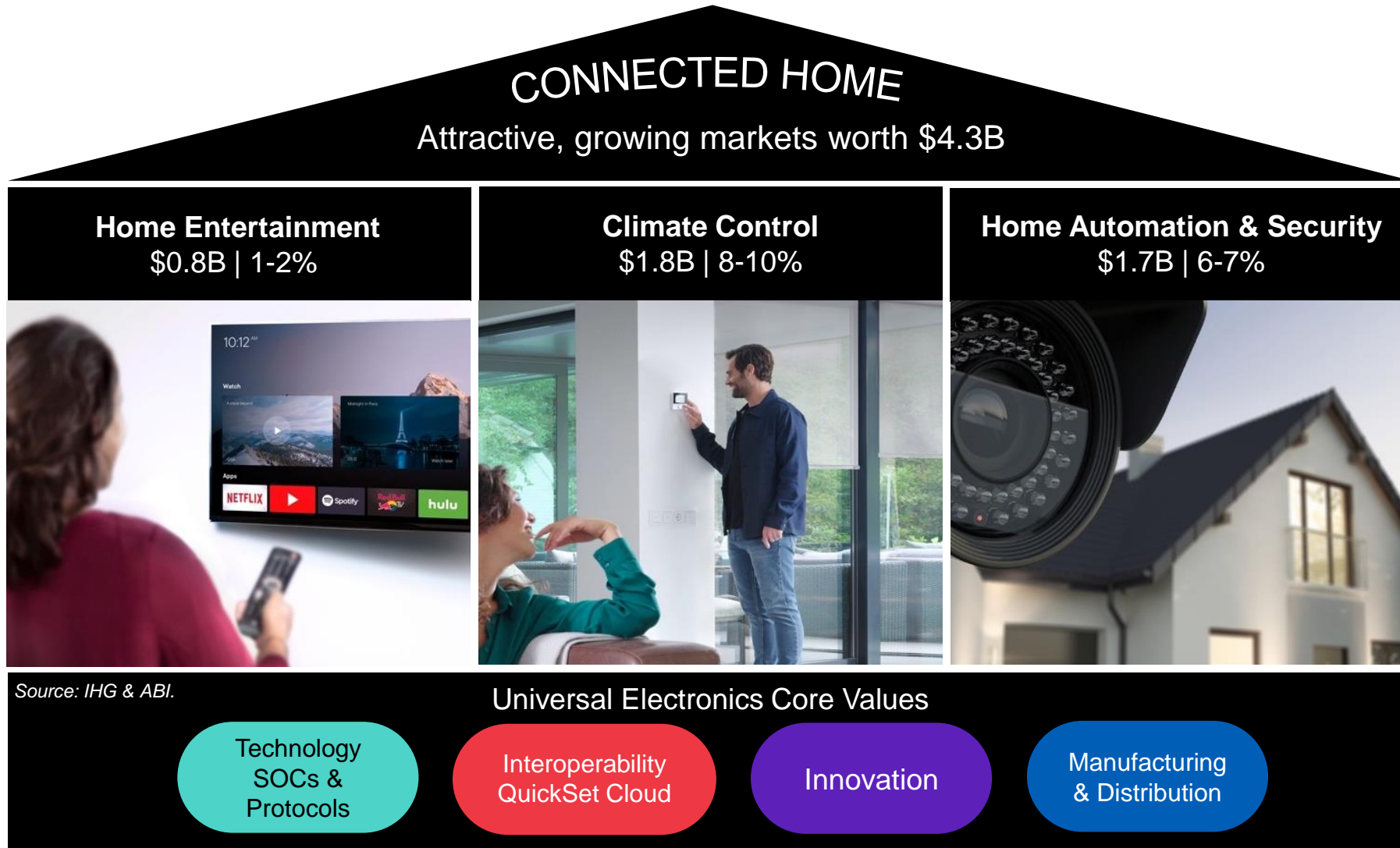
## Global Scale and Reach

- 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 Market

Overall home entertainment demand continues to be strong

- 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**

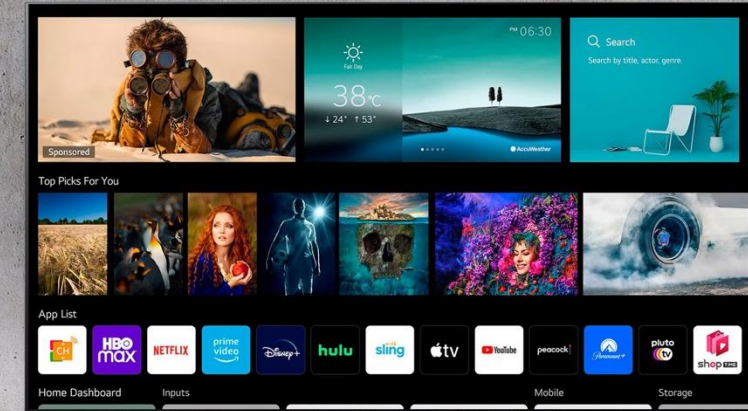
- Both Video-On-Demand as well as live TV streaming
- Subscription (SVOD), Sponsored (AVOD) and Free (FAST)

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

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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



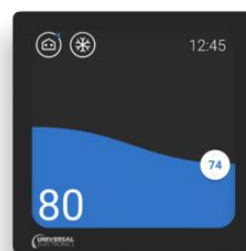
- Modular platform – potential application across multiple markets and channels
- Complete smart thermostat line-up – cloud-native architecture with full suite of connectivity, interoperability, and AI support
- Built-in end user and installer support - easy onboarding, discovery, and troubleshooting 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



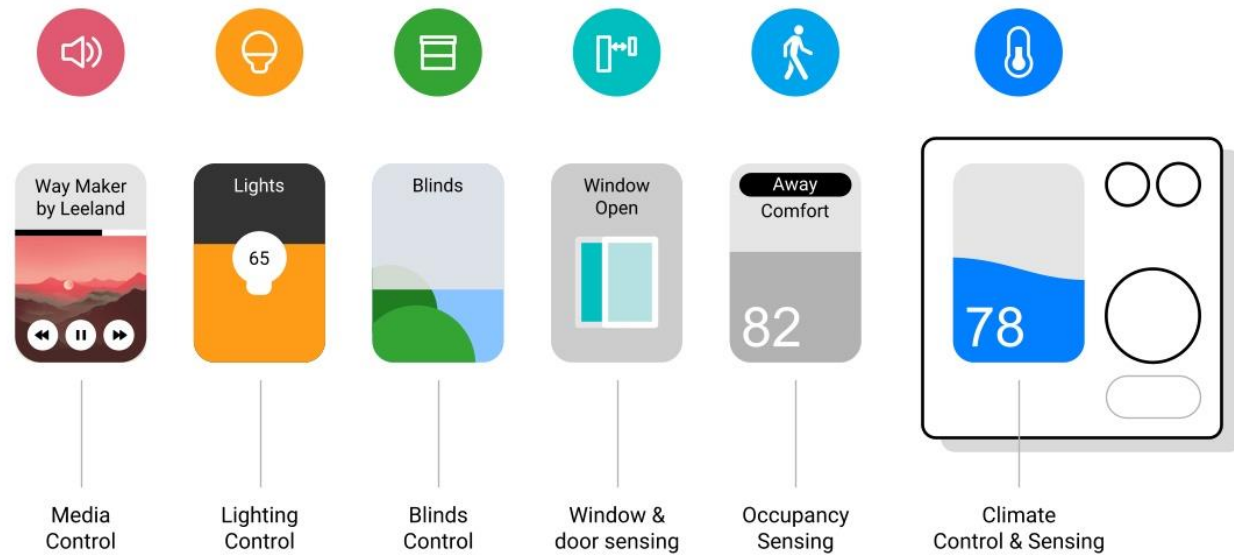
UNIVERSAL  
MODULAR  
PACK

# Smart Control Re-Imagined

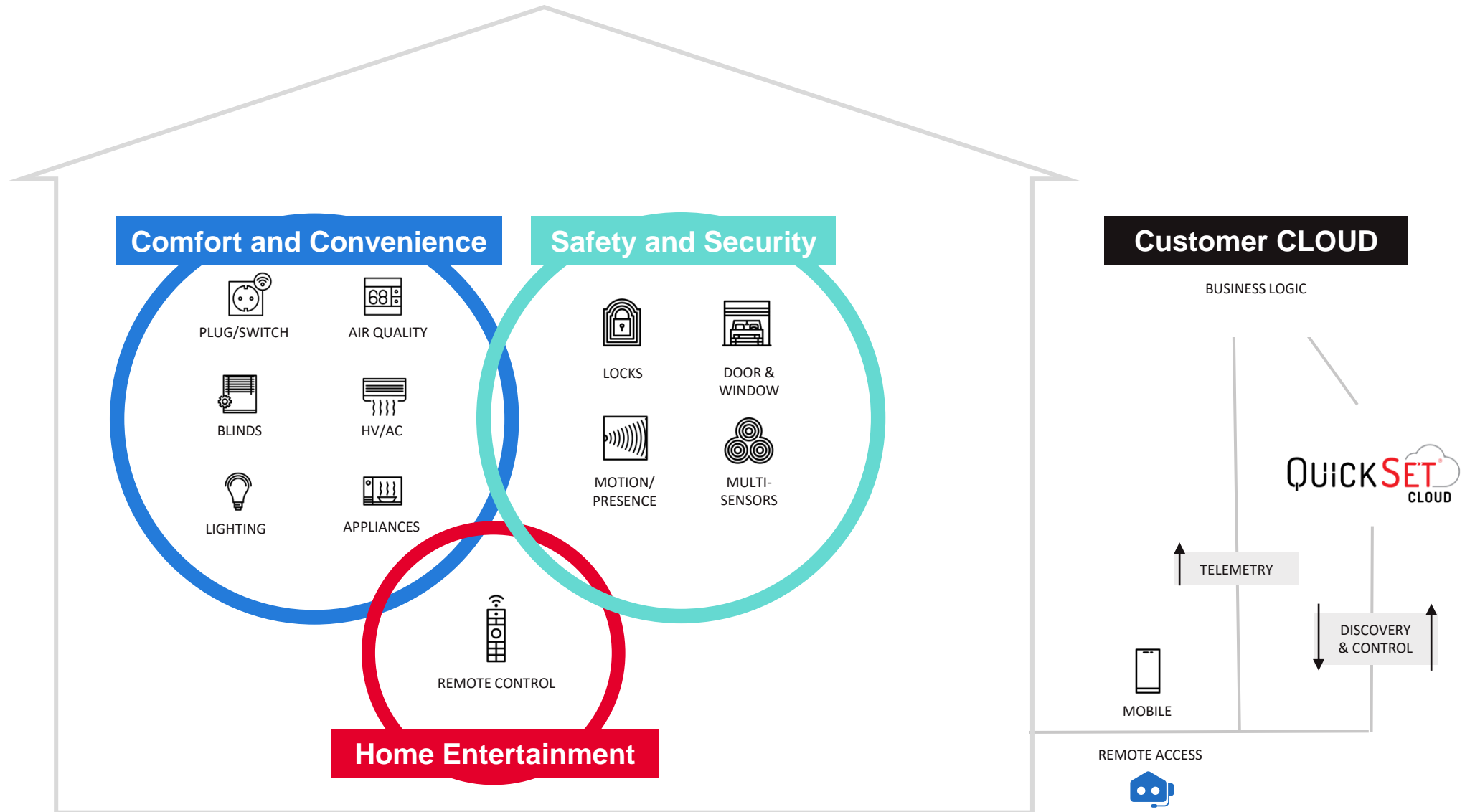


## INTELLIGENT CLIMATE CONTROL

- 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 worlds' most comprehensive solution for **smart home device discovery and control**.
- QuickSet® Cloud has scaled across industry application to manages **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

 <p>LIBERTY GLOBAL<sup>®</sup> <b>vodafone</b> Charter COMMUNICATIONS <b>sky</b> COMCAST <b>dish</b> <b>orange</b> <b>sling</b> <b>TiVo</b> <b>DIRECTV stream</b></p>	 <p><b>VIZIO</b> <b>LG</b> <b>SHARP</b> <b>SONY</b> <b>XBOX ONE</b> <b>Microsoft</b> <b>PHILIPS</b> <b>SAMSUNG</b> <b>Panasonic</b></p>	 <p><b>BEST BUY</b> <b>amazon</b> <b>MediaMarkt</b> <b>Dixons Carphone</b> <b>ELKJOP</b> <b>Sainsbury's</b> <b>Argos</b> <b>Carrefour</b></p>
Video Service Providers	Consumer Electronics	Consumer Accessories
 <p><b>DAIKIN</b> <b>TRANE</b> <b>MITSUBISHI ELECTRIC</b> <b>TOSHIBA</b> <b>Carrier</b> <b>Panasonic</b> <b>FUJITSU</b></p>	 <p><b>vivint.SmartHome</b> <b>ring</b> <b>alula</b> <b>United Technologies</b> <b>works with ALARM.COM</b> Professional Smart Security</p>	 <p><b>HunterDouglas</b> <b>somfy</b> <b>TOTO</b> <b>SÖNIFI</b> <b>LIXIL</b></p>
Climate Control	Home Security	Home Automation

# Recent Business Highlights

TIDE



## Climate Control Market Penetration

- Recent project design awards at major HVAC OEMs such as LG, Daikin, Toshiba-Carrier and Mitsubishi-Trane US (METUS)
- More than ten customer-initiated development projects kicked off based on the UEI TIDE family shipping in 2024 and 2025
- Product expansion includes wireless bridges with built-in indoor Air Quality (iAQ) monitoring and air purifier control (IR)
- Success reminiscent of early home entertainment remote control growth

## Home Automation and Security Channel

- 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

- 6<sup>th</sup> 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



<b>Adjusted Non-GAAP*</b> <b>(\$M, except EPS)</b>	<b>Q4 2023</b>	<b>Q4 2022</b>
Net Sales	\$97.6	\$122.8
Gross Margin	30.2%	30.7%
Net Income	\$0.9	\$5.6
EPS	\$0.07	\$0.44

<b>Adjusted Non-GAAP*</b> <b>Guidance (\$M, except EPS)</b>	<b>Q1 2024</b>	<b>Q1 2023</b>
Net Sales	\$86 - \$96	\$108.4
EPS	\$(0.27) - \$(0.17)	\$(0.28)

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

### PROJECTING FY 2024 EARNINGS GROWTH & PROFITABILITY

- 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 delivered better than expected Q4 2023 EPS
- 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

### EXECUTING 1M SHARE STOCK REPURCHASE PROGRAM

- Based on conviction in growth strategy and market opportunity
  - 100k shares bought for \$860k in Q4 2023
  - Plan to buy more in Q1 2024
- 12/31/23, compared to 12/31/22
  - \$42.8M cash and cash equivalents vs. \$66.7M
  - \$55M outstanding debt vs. \$88M

# UEI Investment Rationale



- Targeting attractive, growing connected home markets worth \$4.3B
  - **Attracting top-tier customer base**
- Expanding product base in growing climate control and home automation markets
  - **Leveraging global scale and reach**
- Focusing on technology, product innovation, and sustainability
  - **Validating patents, externally once again**
- Delivering efficiencies and improving financial position
  - **Projecting 2024 earnings growth & profitability**

# 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 the impact of excess manufacturing overhead costs, factory transition costs, stock-based compensation expense, and depreciation expense related to the increase in fixed assets from cost to fair market value resulting from acquisitions. 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 and goodwill impairment. Adjusted Non-GAAP net income is defined as net income 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.

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
<b>Net sales:</b>				
Net sales - GAAP	\$ 97,594	\$ 122,758	\$ 420,457	\$ 542,751
Adjusted Non-GAAP net sales	\$ 97,594	\$ 122,758	\$ 420,457	\$ 542,751
<b>Cost of sales:</b>				
Cost of sales - GAAP	\$ 69,756	\$ 90,547	\$ 322,897	\$ 390,459
Excess manufacturing overhead and factory transition costs <sup>(1)</sup>	(1,539)	(2,549)	(9,108)	(6,670)
Impairment of long-lived assets <sup>(2)</sup>	—	(2,868)	(7,723)	(2,868)
Stock-based compensation expense	(32)	(38)	(125)	(155)
Adjustments to acquired tangible assets <sup>(3)</sup>	(60)	(60)	(241)	(241)
Adjusted Non-GAAP cost of sales	68,125	85,032	305,700	380,525
Adjusted Non-GAAP gross profit	\$ 29,469	\$ 37,726	\$ 114,757	\$ 162,226
<b>Gross margin:</b>				
Gross margin - GAAP	28.5 %	26.2 %	23.2 %	28.1 %
Excess manufacturing overhead and factory transition costs <sup>(1)</sup>	1.6 %	2.1 %	2.2 %	1.2 %
Impairment of long-lived assets <sup>(2)</sup>	— %	2.3 %	1.8 %	0.5 %
Stock-based compensation expense	0.0 %	0.0 %	0.0 %	0.0 %
Adjustments to acquired tangible assets <sup>(3)</sup>	0.1 %	0.1 %	0.1 %	0.1 %
Adjusted Non-GAAP gross margin	30.2 %	30.7 %	27.3 %	29.9 %

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
<b>Operating expenses:</b>				
Operating expenses - GAAP	\$ 30,450	\$ 34,096	\$ 182,861	\$ 137,744
Stock-based compensation expense	(1,945)	(2,401)	(8,684)	(9,858)
Amortization of acquired intangible assets	(281)	(281)	(1,137)	(1,153)
Litigation costs <sup>(4)</sup>	(83)	(2,004)	(1,687)	(6,268)
Goodwill impairment <sup>(5)</sup>	—	—	(49,075)	—
Impairment of long-lived assets <sup>(2)</sup>	—	—	(100)	—
Factory restructuring charges <sup>(6)</sup>	(325)	—	(4,015)	—
Severance <sup>(7)</sup>	(180)	—	(2,635)	—
Adjusted Non-GAAP operating expenses	<u>\$ 27,636</u>	<u>\$ 29,410</u>	<u>\$ 115,528</u>	<u>\$ 120,465</u>
<b>Operating income (loss):</b>				
Operating income (loss) - GAAP	\$ (2,612)	\$ (1,885)	\$ (85,301)	\$ 14,548
Excess manufacturing overhead and factory transition costs <sup>(1)</sup>	1,539	2,549	9,108	6,670
Impairment of long-lived assets <sup>(2)</sup>	—	2,868	7,823	2,868
Stock-based compensation expense	1,977	2,439	8,809	10,013
Adjustments to acquired tangible assets <sup>(3)</sup>	60	60	241	241
Amortization of acquired intangible assets	281	281	1,137	1,153
Litigation costs <sup>(4)</sup>	83	2,004	1,687	6,268
Goodwill impairment <sup>(5)</sup>	—	—	49,075	—
Factory restructuring costs <sup>(6)</sup>	325	—	4,015	—
Severance <sup>(7)</sup>	180	—	2,635	—
Adjusted Non-GAAP operating income (loss)	<u>\$ 1,833</u>	<u>\$ 8,316</u>	<u>\$ (771)</u>	<u>\$ 41,761</u>
Adjusted Non-GAAP operating income (loss) as a percentage of net sales	1.9 %	6.8 %	(0.2)%	7.7 %

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
<b>Net income (loss):</b>				
Net income (loss) - GAAP	\$ (7,102)	\$ (6,905)	\$ (98,238)	\$ 407
Excess manufacturing overhead and factory transition costs <sup>(1)</sup>	1,539	2,549	9,108	6,670
Impairment of long-lived assets <sup>(2)</sup>	—	2,868	7,823	2,868
Stock-based compensation expense	1,977	2,439	8,809	10,013
Adjustments to acquired tangible assets <sup>(3)</sup>	60	60	241	241
Amortization of acquired intangible assets	281	281	1,137	1,153
Litigation costs <sup>(4)</sup>	83	2,004	1,687	6,268
Goodwill impairment <sup>(5)</sup>	—	—	49,075	—
Factory restructuring costs <sup>(6)</sup>	325	—	4,015	—
Severance <sup>(7)</sup>	180	—	2,635	—
Foreign currency (gain) loss	1,258	1,075	3,501	1,091
Income tax provision on adjustments	2,317	1,277	6,517	4,035
Other income tax adjustments <sup>(8)</sup>	—	—	1,377	—
Adjusted Non-GAAP net income (loss)	<u>\$ 918</u>	<u>\$ 5,648</u>	<u>\$ (2,313)</u>	<u>\$ 32,746</u>

**Diluted shares used in computing earnings (loss) per share:**

GAAP	12,902	12,686	12,855	12,779
Adjusted Non-GAAP	12,933	12,729	12,855	12,779

**Diluted earnings (loss) per share:**

Diluted earnings (loss) per share - GAAP	\$ (0.55)	\$ (0.54)	\$ (7.64)	\$ 0.03
Total adjustments	\$ 0.62	\$ 0.99	\$ 7.46	\$ 2.53
Adjusted Non-GAAP diluted earnings (loss) per share	\$ 0.07	\$ 0.44	\$ (0.18)	\$ 2.56

- (1) The three and twelve months ended December 31, 2023 and 2022 include unabsorbed manufacturing overhead costs resulting from the expansion of our manufacturing facility in Mexico where products destined for the U.S. market are manufactured, exacerbated by a subsequent decline in production volume. These products destined for the U.S. market were previously manufactured in China. The three and twelve months ended December 31, 2023 also include manufacturing inefficiencies associated with our new Vietnam factory which commenced operations in the latter part of June 2023. In addition, in the twelve months ended December 31, 2023 and the three and twelve months ended December 31, 2022, we incurred normal start-up costs such as idle labor and training associated with the Vietnam factory prior to its commencement.
- (2) The twelve months ended December 31, 2023 include impairment charges relating to machinery and equipment and leasehold improvements associated with the closure of our southwestern China factory, which ceased operations in September 2023. In addition, we also incurred impairment charges relating to machinery and equipment at our Mexico factory as we are reducing its capacity due to lower demand. The three and twelve months ended December 31, 2022 include impairment charges incurred related to the underutilization of fixed assets in our Mexico factory.
- (3) Consists of depreciation related to the mark-up from cost to fair value of fixed assets acquired in business combinations.
- (4) Consists of 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 as well as other non-recurring legal matters.
- (5) During the twelve months ended December 31, 2023, we recorded 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.
- (6) The three and twelve months ended December 31, 2023 include severance and equipment moving costs associated with the closure of our southwestern China factory.
- (7) The three and twelve months ended December 31, 2023 include severance costs associated with a reduction in headcount at our corporate offices.
- (8) The twelve months ended December 31, 2023 includes a \$1.4 million valuation allowance recorded against the deferred tax assets at our southwestern China entity as a result of its closure.



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

	<b>Three Months Ended March 31,</b>		
	<b>2024</b>		<b>2023</b>
	<b>Low Range</b>	<b>High Range</b>	<b>Actual</b>
<b>Net sales:</b>			
Net sales - GAAP	\$ 86,000	\$ 96,000	\$ 108,377
Total adjustments <sup>(1)</sup>	—	—	—
Adjusted Non-GAAP net sales	<u>\$ 86,000</u>	<u>\$ 96,000</u>	<u>\$ 108,377</u>
<b>Loss per share:</b>			
Loss per share - GAAP	\$ (0.88)	\$ (0.78)	\$ (4.81)
Total adjustments <sup>(2)</sup>	\$ 0.61	\$ 0.61	\$ 4.54
Adjusted Non-GAAP loss per share	\$ (0.27)	\$ (0.17)	\$ (0.28)

(1) The three months ended March 31, 2024 and 2023 do not include any Non-GAAP adjustments to net sales.

(2) The three months ended March 31, 2024 and 2023 includes adjustments for excess manufacturing overhead costs, factory transition costs, stock-based compensation expense, depreciation expense related to the increase in fixed assets from cost to fair market value resulting from acquisitions, amortization of acquired intangibles, costs associated with certain litigation efforts, foreign currency gains and losses and the related tax impact of these adjustments. The three months ended March 31, 2023 also includes adjustments for goodwill impairment.