



Universal Electronics Reports Second Quarter 2010 Financial Results

August 5, 2010

CYPRESS, Calif., Aug 05, 2010 (BUSINESS WIRE) --

Universal Electronics Inc. (UEI) (NASDAQ:UEIC) reported financial results for the second quarter ended June 30, 2010.

"Our second quarter earnings were marked by consistent revenue performance, improved margins and our ability to manage expenses while continuing to invest in R&D," stated Paul Arling, UEI's Chairman and CEO. "UEI's focus on innovation drives our success in providing the control solutions and technologies that meet customers' and consumers' future needs. We have a strong track record of introducing breakthrough solutions that support ease-of-use and minimize the complexity of today's home entertainment environment. We believe that our focus on affordable, ease of use solutions for consumers will result in benefits for our customers and, ultimately, our shareholders."

Financial Results for the Quarter Ended June 30: 2010 Compared to 2009

- Net sales were \$78.9 million, compared to \$78.3 million.
 - Business Category revenue was \$67.3 million, compared to \$68.1 million. The Business Category contributed 85% of total net sales, compared to 87%.
 - Consumer Category revenue was \$11.6 million, compared to \$10.2 million. The Consumer Category contributed 15% of total net sales, compared to 13%.
- Gross margins were 34.8%, compared to 32.6%.
- Total operating expenses were \$20.1 million, compared to \$19.8 million.
- Operating income was \$7.3 million, compared to \$5.7 million.
- Interest income was \$17,000, compared to \$127,000.
- Net income was \$4.8 million, or \$0.34 per diluted share, compared to \$3.8 million, or \$0.27 per diluted share.
- At June 30, 2010, cash and cash equivalents was \$78.8 million.

Bryan Hackworth, UEI's CFO, commented, "During the second quarter 2010, we increased the operating margin rate and grew cash flow from operations. We are confident we will continue to leverage our fixed cost structure and deliver strong earnings per diluted share growth in 2010."

Six-month Period Financial Results: June 30, 2010 Compared to June 30, 2009

- Net sales were \$150.3 million, compared to \$149.4 million.
- Gross margins were 32.9%, compared to 31.4%.
- Total operating expenses were \$39.5 million, compared to \$39.7 million.
- Net income was \$6.6 million, or \$0.47 per diluted share, compared to \$4.6 million, or \$0.33 per diluted share.

Financial Outlook

For the third quarter of 2010, net sales are expected to range between \$79.5 million and \$83.5 million, compared to \$83.2 million in the third quarter of 2009. The company anticipates gross margins for the third quarter of 2010 to be approximately 33% of sales, plus or minus one point, compared to 31.3% of sales in the third quarter of 2009. For the third quarter of 2010, operating expenses are expected to range from \$19.3 million to \$19.9 million, compared to third quarter 2009 operating expenses of \$19.4 million. Earnings per diluted share for the third quarter of 2010 are expected to range from \$0.32 to \$0.36, compared to earnings per diluted share of \$0.30 in the third quarter of 2009.

For the full 2010 year, the company expects net sales to range between \$315.0 million and \$325.0 million, compared to \$317.6 million in 2009. Earnings per diluted share for 2010 are expected to range from \$1.20 to \$1.28, compared to earnings per diluted share of \$1.05 in 2009.

Conference Call Information

UEI's management team will hold a conference call today, Thursday, August 5, 2010 at 4:30 p.m. ET / 1:30 p.m. PT, to discuss its second quarter 2010 earnings results, review the quarterly activity and answer questions. To access the call in the U.S. please dial 877-655-6895 and for international calls dial 706-758-0299 approximately 10 minutes prior to the start of the conference. The conference ID is 89845448. The conference call will also be broadcast live over the Internet and available for replay for one year at www.uei.com. In addition, a replay of the call will be available via telephone for two business days, beginning two hours after the call. To listen to the replay, in the U.S., please dial 800-642-1687 and internationally, 706-645-9291. Enter access code 89845448.

About Universal Electronics Inc.

Founded in 1986, Universal Electronics Inc. (UEI) is the global leader in wireless control technology for the connected home. UEI designs, develops, and delivers innovative solutions that enable consumers to control entertainment devices, digital media, and home systems. The company's broad portfolio of patented technologies and database of infrared control software have been adopted by many Fortune 500 companies in the consumer electronics, subscription broadcast, and computing industries. UEI sells and licenses wireless control products through distributors and retailers under the One For All(R) brand name. UEI also delivers complete home control solutions in the professional custom installation market under the brand name Nevo(R). For additional information, please visit our website at www.uei.com.

Safe Harbor Statement

This press release contains forward-looking statements that are made pursuant to the Safe-Harbor provisions of the Private Securities Litigation Reform Act of 1995. Words and expressions reflecting something other than historical fact are intended to identify forward-looking statements. These forward-looking statements involve a number of risks and uncertainties, including the ability of the Company to continue developing innovative control solutions and technologies that are accepted by our customers and consumers; the continued leveraging of the Company's fixed cost structure resulting in increased profitability and cash flow; general economic conditions; and other factors described in the Company's filings with the U.S. Securities and Exchange Commission. The actual results that the Company achieves may differ materially from any forward looking statement due to such risks and uncertainties. The Company undertakes no obligations to revise or update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this release.

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share-related data)
(Unaudited)

| | June 30, 2010 | December 31, 2009 |
|--|--------------------------|----------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 78,838 | \$ 29,016 |
| Term deposit | -- | 49,246 |
| Accounts receivable, net | 56,130 | 64,392 |
| Inventories, net | 43,927 | 40,947 |
| Prepaid expenses and other current assets | 2,315 | 2,423 |
| Deferred income taxes | 2,959 | 3,016 |
| Total current assets | 184,169 | 189,040 |
| Equipment, furniture and fixtures, net | 10,219 | 9,990 |
| Goodwill | 13,404 | 13,724 |
| Intangible assets, net | 11,422 | 11,572 |
| Other assets | 759 | 1,144 |
| Deferred income taxes | 7,761 | 7,837 |
| Total assets | <u>\$227,734</u> | <u>\$ 233,307</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 41,828 | \$ 39,514 |
| Accrued sales discounts, rebates and royalties | 4,785 | 6,028 |
| Accrued income taxes | 957 | 3,254 |
| Accrued compensation | 5,345 | 4,619 |
| Other accrued expenses | 6,404 | 8,539 |
| Total current liabilities | 59,319 | 61,954 |
| Long-term liabilities: | | |
| Deferred income taxes | 139 | 153 |
| Income tax payable | 1,348 | 1,348 |
| Other long-term liabilities | 100 | 122 |
| Total liabilities | 60,906 | 63,577 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.01 par value, 5,000,000 shares authorized; none issued or outstanding | -- | -- |
| Common stock, \$0.01 par value, 50,000,000 shares authorized; 19,238,800 and 19,140,232 shares issued on June 30, 2010 and December 31, 2009, respectively | 192 | 191 |
| Paid-in capital | 131,971 | 128,913 |
| Accumulated other comprehensive (loss) income | (4,018) | 1,463 |
| Retained earnings | 125,602 | 118,989 |
| | <u>253,747</u> | <u>249,556</u> |

Less cost of common stock in treasury, 5,790,633 and 5,449,962 shares on June 30, 2010 and December 31, 2009, respectively

| | | |
|--|------------------|-------------------|
| Total stockholders' equity | <u>(86,919)</u> | <u>(79,826)</u> |
| Total liabilities and stockholders' equity | <u>166,828</u> | <u>169,730</u> |
| | <u>\$227,734</u> | <u>\$ 233,307</u> |

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share amounts)
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|---------------------------|-----------------|-------------------------|-----------------|
| | June 30, | | June 30, | |
| | 2010 | 2009 | 2010 | 2009 |
| Net sales | \$ 78,892 | \$ 78,303 | \$150,268 | \$149,429 |
| Cost of sales | <u>51,467</u> | <u>52,808</u> | <u>100,779</u> | <u>102,497</u> |
| Gross profit | 27,425 | 25,495 | 49,489 | 46,932 |
| Research and development expenses | 2,488 | 2,050 | 5,257 | 4,160 |
| Selling, general and administrative expenses | <u>17,621</u> | <u>17,758</u> | <u>34,229</u> | <u>35,549</u> |
| Operating income | 7,316 | 5,687 | 10,003 | 7,223 |
| Interest income, net | 17 | 127 | 100 | 266 |
| Other (expense) income, net | <u>(21)</u> | <u>182</u> | <u>22</u> | <u>(186)</u> |
| Income before provision for income taxes | 7,312 | 5,996 | 10,125 | 7,303 |
| Provision for income taxes | <u>(2,535)</u> | <u>(2,180)</u> | <u>(3,512)</u> | <u>(2,691)</u> |
| Net income | <u>\$ 4,777</u> | <u>\$ 3,816</u> | <u>\$ 6,613</u> | <u>\$ 4,612</u> |
| Earnings per share: | | | | |
| Basic | <u>\$ 0.35</u> | <u>\$ 0.28</u> | <u>\$ 0.48</u> | <u>\$ 0.34</u> |
| Diluted | <u>\$ 0.34</u> | <u>\$ 0.27</u> | <u>\$ 0.47</u> | <u>\$ 0.33</u> |
| Shares used in computing earnings per share: | | | | |
| Basic | <u>13,601</u> | <u>13,621</u> | <u>13,650</u> | <u>13,640</u> |
| Diluted | <u>13,929</u> | <u>13,981</u> | <u>14,011</u> | <u>13,907</u> |

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

| | Six Months Ended | |
|---|-------------------------|--------------|
| | June 30, | |
| | 2010 | 2009 |
| Cash provided by operating activities: | | |
| Net income | \$ 6,613 | \$ 4,612 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,079 | 3,332 |
| Provision for doubtful accounts | 747 | 143 |
| Provision for inventory write-downs | 1,450 | 2,170 |
| Deferred income taxes | 33 | (111) |
| Tax benefit from exercise of stock options | 109 | 301 |
| Excess tax benefit from stock-based compensation | (103) | (151) |
| Shares issued for employee benefit plan | 375 | 342 |
| Stock-based compensation | 2,532 | 2,081 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 3,872 | 927 |
| Inventories | (6,368) | (3,021) |
| Prepaid expenses and other assets | 307 | 1,112 |
| Accounts payable and accrued expenses | 2,992 | (1,603) |
| Accrued income taxes | <u>(1,909)</u> | <u>(527)</u> |
| Net cash provided by operating activities | <u>13,729</u> | <u>9,607</u> |
| Cash provided by (used for) investing activities: | | |
| Term deposit | 49,246 | (49,199) |
| Acquisition of equipment, furniture and fixtures | (3,041) | (2,193) |
| Acquisition of intangible assets | (749) | (751) |

| | | |
|--|-----------------|------------------|
| Acquisition of assets from Zilog, Inc. | -- | (9,502) |
| Net cash provided by (used for) investing activities | <u>45,456</u> | <u>(61,645)</u> |
| Cash used for financing activities: | | |
| Proceeds from stock options exercised | 257 | 1,557 |
| Treasury stock purchased | (7,308) | (3,873) |
| Excess tax benefit from stock-based compensation | 103 | 151 |
| Net cash used for financing activities | <u>(6,948)</u> | <u>(2,165)</u> |
| Effect of exchange rate changes on cash | <u>(2,415)</u> | <u>342</u> |
| Net increase (decrease) in cash and cash equivalents | 49,822 | (53,861) |
| Cash and cash equivalents at beginning of period | <u>29,016</u> | <u>75,238</u> |
| Cash and cash equivalents at end of period | <u>\$78,838</u> | <u>\$ 21,377</u> |



SOURCE: Universal Electronics Inc.

UEI

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