

UNIVERSAL ELECTRONICS INC.
RECONCILIATION OF ADJUSTED NON-GAAP FINANCIAL RESULTS
(In thousands, except per share amounts)
(Unaudited)

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.

	Three Months Ended				Six Months Ended June 30, 2023	Nine Months Ended September 30, 2023	Twelve Months Ended December 31, 2023
	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023			
Net sales:							
Net sales - GAAP	\$ 108,377	\$ 107,391	\$ 107,095	\$ 97,594	\$ 215,768	\$ 322,863	\$ 420,457
Adjusted Non-GAAP net sales	<u>\$ 108,377</u>	<u>\$ 107,391</u>	<u>\$ 107,095</u>	<u>\$ 97,594</u>	<u>\$ 215,768</u>	<u>\$ 322,863</u>	<u>\$ 420,457</u>
Cost of sales:							
Cost of sales - GAAP	\$ 83,684	\$ 82,774	\$ 86,683	\$ 69,756	\$ 166,458	\$ 253,141	\$ 322,897
Impairment of long-lived assets ⁽¹⁾	—	—	(7,723)	—	—	(7,723)	(7,723)
Stock-based compensation expense	(36)	(26)	(31)	(32)	(62)	(93)	(125)
Adjusted Non-GAAP cost of sales	<u>83,648</u>	<u>82,748</u>	<u>78,929</u>	<u>69,724</u>	<u>166,396</u>	<u>245,325</u>	<u>315,049</u>
Adjusted Non-GAAP gross profit	<u>\$ 24,729</u>	<u>\$ 24,643</u>	<u>\$ 28,166</u>	<u>\$ 27,870</u>	<u>\$ 49,372</u>	<u>\$ 77,538</u>	<u>\$ 105,408</u>
Gross margin:							
Gross margin - GAAP	22.8 %	22.9 %	19.1 %	28.5 %	22.9 %	21.6 %	23.2 %
Impairment of long-lived assets ⁽¹⁾	— %	— %	7.2 %	— %	— %	2.4 %	1.8 %
Stock-based compensation expense	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Non-GAAP gross margin	<u>22.8 %</u>	<u>22.9 %</u>	<u>26.3 %</u>	<u>28.5 %</u>	<u>22.9 %</u>	<u>24.0 %</u>	<u>25.0 %</u>
Operating expenses:							
Operating expenses - GAAP	\$ 84,217	\$ 33,749	\$ 34,445	\$ 30,450	\$ 117,966	\$ 152,411	\$ 182,861
Impairment of long-lived assets ⁽¹⁾	—	—	(100)	—	—	(100)	(100)
Stock-based compensation expense	(2,504)	(2,132)	(2,103)	(1,945)	(4,636)	(6,739)	(8,684)
Amortization of acquired intangible assets	(286)	(284)	(286)	(281)	(570)	(856)	(1,137)
Litigation costs ⁽²⁾	(1,158)	(270)	(176)	(83)	(1,428)	(1,604)	(1,687)
Factory restructuring charges ⁽³⁾	—	—	(3,690)	(325)	—	(3,690)	(4,015)
Goodwill impairment ⁽⁴⁾	(49,075)	—	—	—	(49,075)	(49,075)	(49,075)
Severance ⁽⁵⁾	—	(1,886)	(569)	(180)	(1,886)	(2,455)	(2,635)
Adjusted Non-GAAP operating expenses	<u>\$ 31,194</u>	<u>\$ 29,177</u>	<u>\$ 27,521</u>	<u>\$ 27,636</u>	<u>\$ 60,371</u>	<u>\$ 87,892</u>	<u>\$ 115,528</u>

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(Unaudited)

	Three Months Ended				Six Months Ended June 30, 2023	Nine Months Ended September 30, 2023	Twelve Months Ended December 31, 2023
	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023			
Operating income (loss):							
Operating income (loss) - GAAP	\$ (59,524)	\$ (9,132)	\$ (14,033)	\$ (2,612)	\$ (68,656)	\$ (82,689)	\$ (85,301)
Impairment of long-lived assets ⁽¹⁾	—	—	7,823	—	—	7,823	7,823
Stock-based compensation expense	2,540	2,158	2,134	1,977	4,698	6,832	8,809
Amortization of acquired intangible assets	286	284	286	281	570	856	1,137
Litigation costs ⁽²⁾	1,158	270	176	83	1,428	1,604	1,687
Factory restructuring costs ⁽³⁾	—	—	3,690	325	—	3,690	4,015
Goodwill impairment ⁽⁴⁾	49,075	—	—	—	49,075	49,075	49,075
Severance ⁽⁵⁾	—	1,886	569	180	1,886	2,455	2,635
Adjusted Non-GAAP operating income (loss)	<u>\$ (6,465)</u>	<u>\$ (4,534)</u>	<u>\$ 645</u>	<u>\$ 234</u>	<u>\$ (10,999)</u>	<u>\$ (10,354)</u>	<u>\$ (10,120)</u>
Adjusted pro forma operating income (loss) as a percentage of net sales	(6.0)%	(4.2)%	0.6 %	0.2 %	(5.1)%	(3.2)%	(2.4)%
Net income (loss):							
Net income (loss) - GAAP	\$ (61,363)	\$ (10,411)	\$ (19,362)	\$ (7,102)	\$ (71,774)	\$ (91,136)	\$ (98,238)
Impairment of long-lived assets ⁽¹⁾	—	—	7,823	—	—	7,823	7,823
Stock-based compensation expense	2,540	2,158	2,134	1,977	4,698	6,832	8,809
Amortization of acquired intangible assets	286	284	286	281	570	856	1,137
Litigation costs ⁽²⁾	1,158	270	176	83	1,428	1,604	1,687
Factory restructuring costs ⁽³⁾	—	—	3,690	325	—	3,690	4,015
Goodwill impairment ⁽⁴⁾	49,075	—	—	—	49,075	49,075	49,075
Severance ⁽⁵⁾	—	1,886	569	180	1,886	2,455	2,635
Foreign currency (gain)/loss	432	744	1,067	1,258	1,176	2,243	3,501
Income tax provision on adjustments	2,086	2,016	1,582	2,516	4,102	5,684	8,200
Other income tax adjustments ⁽⁶⁾	—	—	1,377	—	—	1,377	1,377
Adjusted Non-GAAP net income (loss)	<u>\$ (5,786)</u>	<u>\$ (3,053)</u>	<u>\$ (658)</u>	<u>\$ (482)</u>	<u>\$ (8,839)</u>	<u>\$ (9,497)</u>	<u>\$ (9,979)</u>
Diluted shares used in computing earnings (loss) per share:							
GAAP	12,749	12,860	12,911	12,902	12,804	12,839	12,855
Adjusted Non-GAAP	12,749	12,860	12,911	12,902	12,804	12,839	12,855

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	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023			
Diluted earnings (loss) per share:							
Diluted earnings (loss) per share - GAAP	\$ (4.81)	\$ (0.81)	\$ (1.50)	\$ (0.55)	\$ (5.61)	\$ (7.10)	\$ (7.64)
Total adjustments	\$ 4.36	\$ 0.57	\$ 1.45	\$ 0.51	\$ 4.92	\$ 6.36	\$ 6.87
Adjusted Non-GAAP diluted earnings (loss) per share	\$ (0.45)	\$ (0.24)	\$ (0.05)	\$ (0.04)	\$ (0.69)	\$ (0.74)	\$ (0.78)

- (1) Includes impairment charges related to machinery and equipment and leasehold improvements associated with the closure of our southwestern China factory, which ceased operations in September 2023. In addition, includes impairment charges relating to machinery and equipment at our Mexico factory as we reduced its capacity due to lower demand.
- (2) Includes 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 months ended March 31, 2023 and June 30, 2023 include \$1.0 million and \$0.2 million, respectively, of expenses associated with non-recurring legal matters involving internal investigations at our manufacturing plants ("non-recurring legal matters"). Each of the six months ended June 30, 2023, nine months ended September 30, 2023 and twelve months ended December 31, 2023 include \$1.2 million of expenses associated with non-recurring legal matters.
- (3) Includes severance and other exit costs associated with the closure of our southwestern China factory and the downsizing of our Mexico factory.
- (4) Includes a goodwill impairment charge as a result of our market capitalization being significantly less than the carrying value of our equity.
- (5) Includes severance costs associated with a reduction in headcount at our corporate offices.
- (6) Includes a valuation allowance recorded against the deferred tax assets at our southwestern China entity as a result of its closure in September 2023.

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	March 31, 2024	June 30, 2024	September 30, 2024	December 31, 2024			
Net sales:							
Net sales - GAAP	\$ 91,900	\$ 90,452	\$ 102,073	\$ 110,454	\$ 182,352	\$ 284,425	\$ 394,879
Adjusted Non-GAAP net sales	<u>\$ 91,900</u>	<u>\$ 90,452</u>	<u>\$ 102,073</u>	<u>\$ 110,454</u>	<u>\$ 182,352</u>	<u>\$ 284,425</u>	<u>\$ 394,879</u>
Cost of sales:							
Cost of sales - GAAP	\$ 65,912	\$ 64,500	\$ 71,341	\$ 79,132	\$ 130,412	\$ 201,753	\$ 280,885
Stock-based compensation expense	(27)	(20)	(25)	(34)	(47)	(72)	(106)
Adjusted Non-GAAP cost of sales	<u>65,885</u>	<u>64,480</u>	<u>71,316</u>	<u>79,098</u>	<u>130,365</u>	<u>201,681</u>	<u>280,779</u>
Adjusted Non-GAAP gross profit	<u>\$ 26,015</u>	<u>\$ 25,972</u>	<u>\$ 30,757</u>	<u>\$ 31,356</u>	<u>\$ 51,987</u>	<u>\$ 82,744</u>	<u>\$ 114,100</u>
Gross margin:							
Gross margin - GAAP	28.3 %	28.7 %	30.1 %	28.4 %	28.5 %	29.1 %	28.9 %
Stock-based compensation expense	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Non-GAAP gross margin	<u>28.3 %</u>	<u>28.7 %</u>	<u>30.1 %</u>	<u>28.4 %</u>	<u>28.5 %</u>	<u>29.1 %</u>	<u>28.9 %</u>
Operating expenses:							
Operating expenses - GAAP	\$ 32,896	\$ 30,405	\$ 30,314	\$ 35,676	\$ 63,301	\$ 93,615	\$ 129,291
Stock-based compensation expense	(1,877)	(1,441)	(1,626)	(1,650)	(3,318)	(4,944)	(6,594)
Amortization of acquired intangible assets	(248)	(219)	(219)	(223)	(467)	(686)	(909)
Litigation costs ⁽¹⁾	(286)	(71)	(175)	(157)	(357)	(532)	(689)
Factory restructuring charges ⁽²⁾	(1,063)	(1,555)	(104)	(863)	(2,618)	(2,722)	(3,585)
Legal judgment ⁽³⁾	—	—	—	(4,172)	—	—	(4,172)
Severance ⁽⁴⁾	—	—	—	(960)	—	—	(960)
Lease termination ⁽⁵⁾	—	—	—	(476)	—	—	(476)
Adjusted Non-GAAP operating expenses	<u>\$ 29,422</u>	<u>\$ 27,119</u>	<u>\$ 28,190</u>	<u>\$ 27,175</u>	<u>\$ 56,541</u>	<u>\$ 84,731</u>	<u>\$ 111,906</u>

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Operating income (loss):							
Operating income (loss) - GAAP	\$ (6,908)	\$ (4,453)	\$ 418	\$ (4,354)	\$ (11,361)	\$ (10,943)	\$ (15,297)
Stock-based compensation expense	1,904	1,461	1,651	1,684	3,365	5,016	6,700
Amortization of acquired intangible assets	248	219	219	223	467	686	909
Litigation costs ⁽¹⁾	286	71	175	157	357	532	689
Factory restructuring charges ⁽²⁾	1,063	1,555	104	863	2,618	2,722	3,585
Legal judgment ⁽³⁾	—	—	—	4,172	—	—	4,172
Severance ⁽⁴⁾	—	—	—	960	—	—	960
Lease termination ⁽⁵⁾	—	—	—	476	—	—	476
Adjusted Non-GAAP operating income (loss)	<u>\$ (3,407)</u>	<u>\$ (1,147)</u>	<u>\$ 2,567</u>	<u>\$ 4,181</u>	<u>\$ (4,554)</u>	<u>\$ (1,987)</u>	<u>\$ 2,194</u>
Adjusted pro forma operating income (loss) as a percentage of net sales	(3.7)%	(1.3)%	2.5 %	3.8 %	(2.5)%	(0.7)%	0.6 %
Net income (loss):							
Net income (loss) - GAAP	\$ (8,649)	\$ (8,193)	\$ (2,658)	\$ (4,529)	\$ (16,842)	\$ (19,500)	\$ (24,029)
Stock-based compensation expense	1,904	1,461	1,651	1,684	3,365	5,016	6,700
Amortization of acquired intangible assets	248	219	219	223	467	686	909
Litigation costs ⁽¹⁾	286	71	175	157	357	532	689
Factory restructuring charges ⁽²⁾	1,063	1,555	104	863	2,618	2,722	3,585
Legal judgment ⁽³⁾	—	—	—	4,172	—	—	4,172
Severance ⁽⁴⁾	—	—	—	960	—	—	960
Lease termination ⁽⁵⁾	—	—	—	476	—	—	476
Foreign currency (gain)/loss	104	354	(264)	132	458	194	326
Income tax provision on adjustments	1,626	3,341	2,134	410	4,967	7,101	7,511
Other income tax adjustments ⁽⁶⁾	—	—	—	(1,924)	—	—	(1,924)
Adjusted Non-GAAP net income (loss)	<u>\$ (3,418)</u>	<u>\$ (1,192)</u>	<u>\$ 1,361</u>	<u>\$ 2,624</u>	<u>\$ (4,610)</u>	<u>\$ (3,249)</u>	<u>\$ (625)</u>
Diluted shares used in computing earnings (loss) per share:							
GAAP	12,902	12,917	12,985	13,032	12,909	12,935	12,959
Adjusted Non-GAAP	12,902	12,917	13,140	13,249	12,909	12,935	12,959

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Diluted earnings (loss) per share:							
Diluted earnings (loss) per share - GAAP	\$ (0.67)	\$ (0.63)	\$ (0.20)	\$ (0.35)	\$ (1.30)	\$ (1.51)	\$ (1.85)
Total adjustments	\$ 0.41	\$ 0.54	\$ 0.31	\$ 0.54	\$ 0.95	\$ 1.26	\$ 1.81
Adjusted Non-GAAP diluted earnings (loss) per share	\$ (0.26)	\$ (0.09)	\$ 0.10	\$ 0.20	\$ (0.36)	\$ (0.25)	\$ (0.05)

- (1) Includes 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.
- (2) Includes severance and other exit costs associated with the closure of our southwestern and eastern China factories and the streamlining of our Mexico factory.
- (3) Includes an adverse judgment against one of our China subsidiaries. We have appealed this ruling and expect a decision on our appeal in early to mid-April 2025.
- (4) Includes severance costs associated with a reduction in headcount at our corporate offices.
- (5) Includes lease termination costs associated with one of our Mexico facilities.
- (6) Includes a \$0.4 million valuation allowance recorded against the deferred tax assets at our eastern China entity as a result of its shutdown as well as a \$2.3 million adjustment due to the revaluation of net deferred tax assets at our remaining China factory resulting from expiration of a tax incentive that increased the statutory rate.