
Universal Electronics Inc.

23rd Annual B. Riley Securities
Institutional Investor Conference

as of March 31, 2023
May 24, 2023



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, 2022. 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 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 sustainable production facility in the time frame and to the extent expected by management; our ability to manage through the continued supply chain constraints, inflationary pressures and macroeconomic conditions, including continued lower consumer spending; our ability to effectively allocate our global product development resources and accelerate moving product service and maintenance to lower cost regions; 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 and product line management; the continued decline in our market capitalization and consequent impairment in our goodwill; 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, public health crises, including the continuation or resurgence of the COVID-19 pandemic, or governmental actions, including war; 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 May 4, 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.



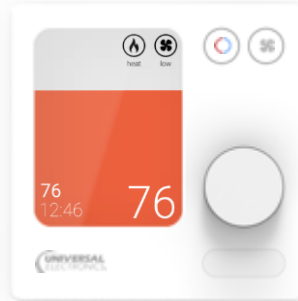
UEI is the global leader in wireless universal control solutions for home entertainment and smart home devices

Our employees worldwide design, develop, manufacture, ship and support over 100 millions of innovative consumer products each year offered by the world's leading brands in the consumer electronics, subscription broadcast, security, home automation, hospitality and climate control markets.

we do ctrl



Entertainment



HVAC

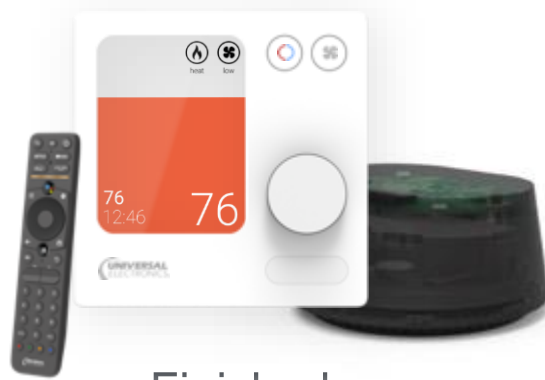


Whole Home

we do ctrl



Embedded
Technology



Finished
Goods



Software &
Services



UEI at a glance

Market Share Leader in Home Control

- More than three decades of experience designing and developing wireless entertainment and home control solutions
- Worldwide leader in growing market for entertainment (voice) remote controls
- Broad portfolio of connected sensing and control solutions for the home

Focus on Technology, Product Innovation, and Sustainability

- Industry leading QuickSet® Cloud for entertainment and smart home control
- Lead in sustainable wireless design with energy harvesting capabilities
- Innovator in smart thermostat and sensing technology
- More than 600 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 China, Mexico, Brazil and Vietnam

Top Tier Customer Base

- Technology licensing with leading consumer electronics brands
- Development partner for world's largest television, telecommunications, and security service providers, and climate control and home automation brands

Strong Long-term Financial Performance

- Long-term delivery of revenue and earnings growth

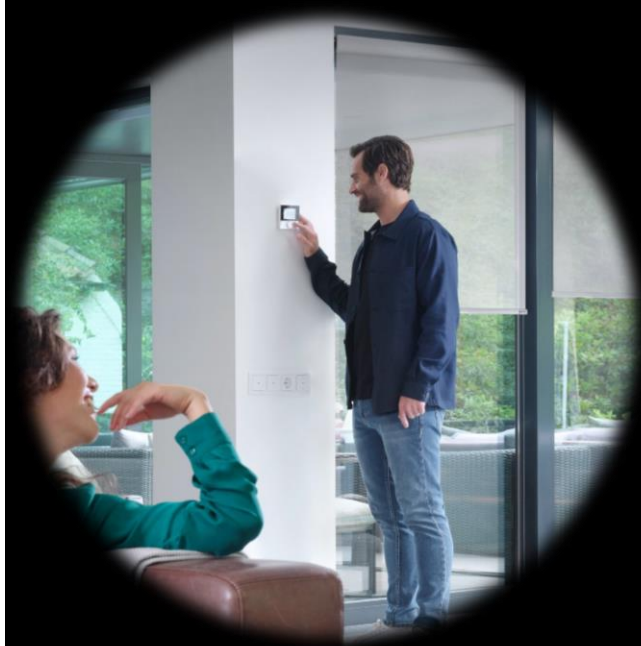
Attractive, growing markets worth \$3.2B

Home Entertainment



\$1.5B | +2%

Climate Control



\$800M | +10%

Home Security & Home Automation



\$900M | +7%

Connected TV Market Growth

Overall connected TV demand continues to be strong

- Primarily driven by **Smart TV, Streaming and Advanced Set-Top-Boxes**

Traditional pay TV market demand remains flat

- North America down, other markets up
- Still only 30% of pay TV market has advanced system

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 **\$800M** and to be **growing at 10%**, driven by:

- Thermostats: upgrading from programmable to smart thermostats
- Wall controllers: adding connectivity to integrate with home
- Handheld AC remotes: high volume, predominantly ROW

Innovation accelerates via **HVAC system** brands

Macro growth drivers for smarter control systems

- Global warming effects
- Rising energy costs drive smart/energy efficient controls
- Environmental awareness and regulations
- Growing concerns over air quality

Industry dynamics that impact growth

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

Source: ABI data 2021 - UEI addressable market for HVAC control systems



Handheld
Controller



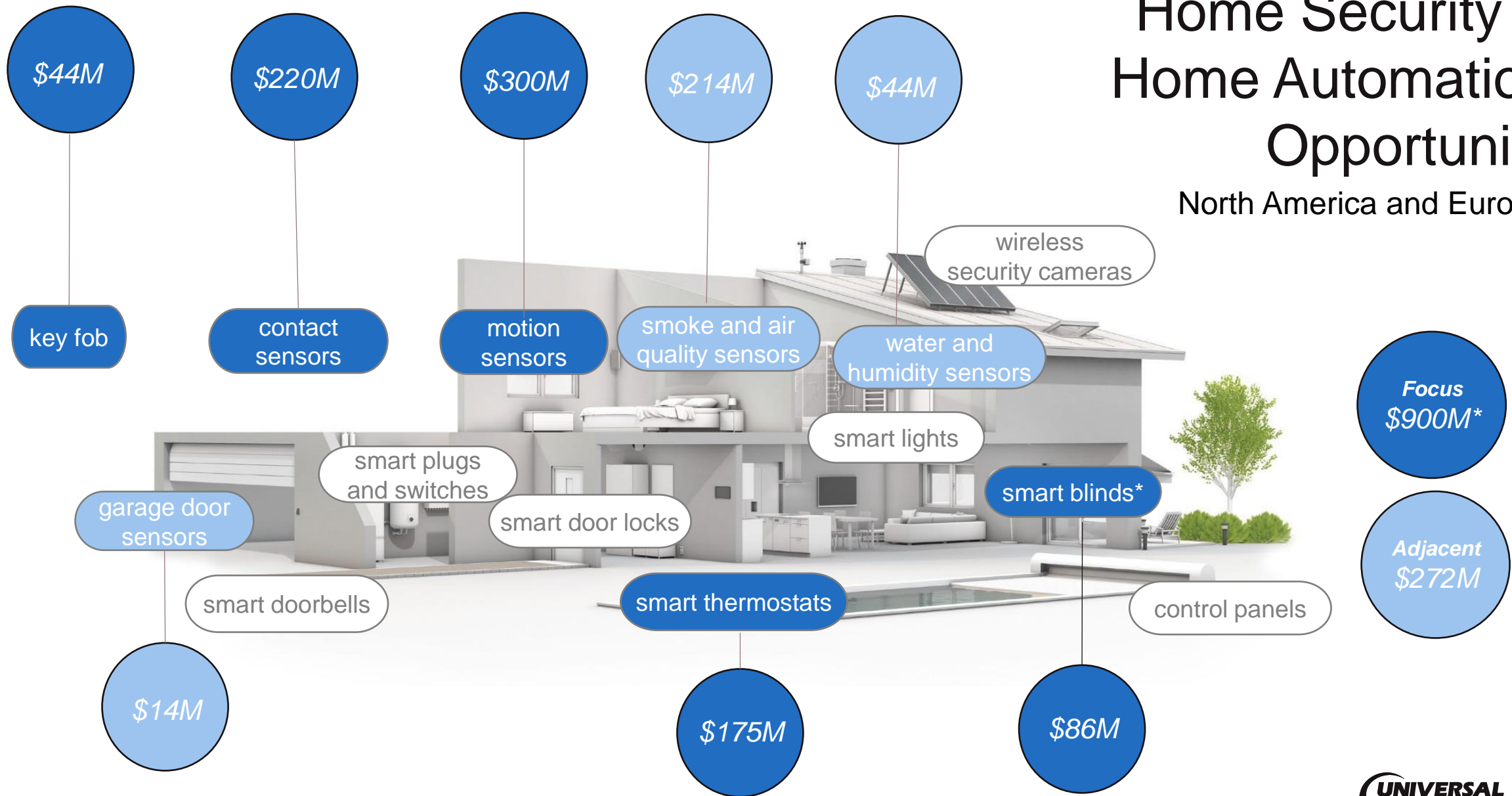
Programmable
Thermostat



Smart
Thermostat

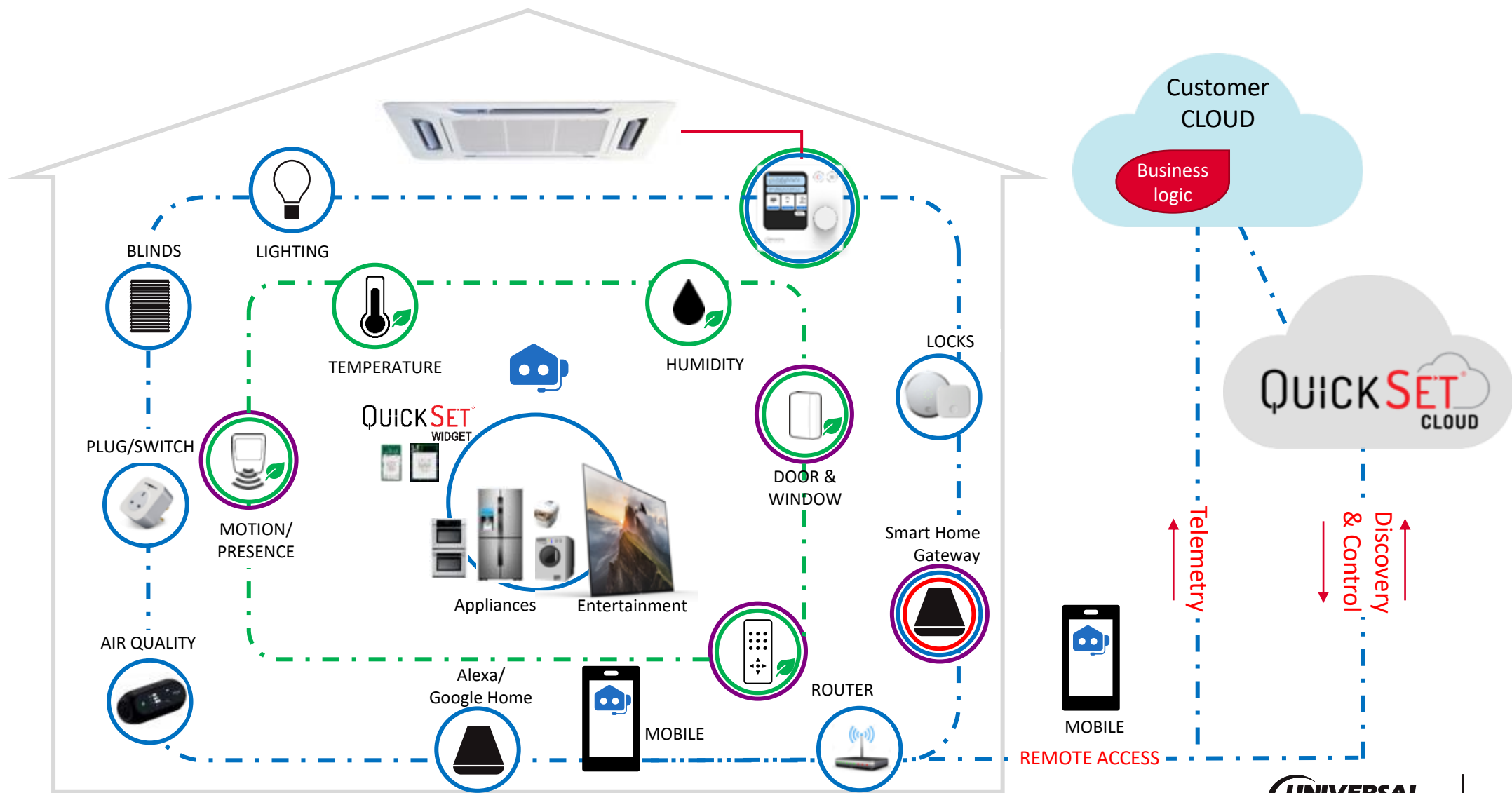
Home Security & Home Automation Opportunity

North America and Europe



Source: ABI Research, Q1 2022 Inc \$75M hospitality-related control products

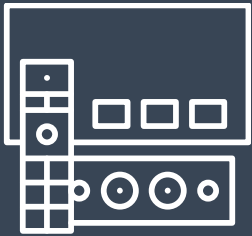
Connectivity for Entire Home



TURNKEY PRODUCT SOLUTIONS

INGREDIENT TECHNOLOGIES

Home Entertainment



ADVANCED REMOTE
CONTROLS

AUDIO-VIDEO
ACCESSORIES

Connected Home



ADVANCED REMOTE
CONTROLS

THERMOSTATS

SMART HOME HUBS

Software & Services

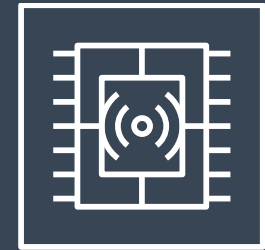


QUICKSET

NEVO.AI
DIGITAL ASSISTANT

CLOUD AND EDGE
SERVICES

Wireless Connectivity



SILICON
SOLUTIONS

TURNKEY
MODULES



Embedded and Cloud Software



QuickSet® is the Industry Standard for Home Control

- Launched in 2008, QuickSet® has been **deployed in over 600 million devices** and is providing the worlds' most comprehensive knowledge graph for **discovery and control of entertainment and smart home devices**.
- QuickSet® Cloud is continuous expanding and has already processed **over 150 billion transactions** in 2021.
- Our **knowledge graph** includes 25 million unique fingerprints across nearly 1 million devices from 12,800 consumer brands, offering true **interoperability** between home entertainment and smart home **devices**, and **ecosystems** such as Alexa, Assistant, and SmartThings.
- QuickSet® discovery & control across can communicate over **multiple protocols** including IP, Zigbee/Rf4CE, Bluetooth LE, and Matter.

Eterna

Xtreme
Low Power
SoC

2.5x
Computing Power

80%
more efficient

10x
longer battery life**

* Compared to previous generation SoC

** Compared to conventional BLE/Voice Remotes



Partnering with scalable channel leaders



- **HVAC channel boasts 7 major brands** that represent 30+% of the market.
 - Recent awards include Daikin, Carrier, Mitsubishi/Trane and several other brands
 - Customer-initiated developments started for **smart thermostat** Comfort / TIDE Dial and TIDE Touch to ship in 2024 to Japan, Europe and more.
 - Success reminiscent of early home entertainment patterns.
- **Home Automation and Security channel** attracting new customers and increasing share with new product design wins for controllers, sensors, and other home automation products.
 - Leading brands like Vivint, Hunter Douglas and Somfy
 - Product introductions will begin later this year and ramp into 2024
- Actively engaged on several opportunities to expand **QuickSet® Cloud** across smart TV, set-top and gateway platforms beyond initial successes at Samsung, LG and Sony.
- **Video Service Provider channel**, secured major program wins for new television streaming platforms in the U.S. and Europe that we will begin shipping later in 2023.
- Continued penetration of growing AndroidTV and AppleTV **streaming platform** markets with Tier 2 and Tier 3 operators.



Adjusted Non-GAAP* (\$ M, except EPS)	Q1 2023	Q1 2022
Net Sales	\$108.4	\$132.4
Gross Margin	25.4%	28.9%
Net (Loss)/Income	\$(3.5)	\$6.1
EPS	\$(0.28)	\$0.47

Adjusted Non-GAAP* Guidance (\$ M, except EPS)	Q2 2023	Q2 2022
Net Sales	\$105 - \$115	\$139.1
EPS	\$(0.25) - \$(0.15)	\$0.66

CONTINUING STRATEGIC TRANSFORMATION

- Shifting development spend to higher growth channels in the connected home space
- Diversifying and optimizing our manufacturing base with the construction of a new factory in Vietnam and reducing manufacturing footprint in China

IMPLEMENTING PRODUCT DEVELOPMENT INITIATIVES

- Creating leverageable platforms in HVAC and HASH channels to advance to new customer acquisition process
- Moving ongoing maintenance and development support activities to lower-cost regions
- Allocating global development resources to projects with the highest potential revenue and business impact

LEVERAGING STRONG BALANCE SHEET

- \$56.9M cash, cash equivalents and term deposits at 3/31/23, compared to \$66.7M at 12/31/22

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

Thank you!

Questions?

Financial Appendix



USE OF NON-GAAP FINANCIAL METRICS

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 March 31,	
	2023	2022
Net sales:		
Net sales - GAAP	\$ 108,377	\$ 132,410
Adjusted Non-GAAP net sales	<u>\$ 108,377</u>	<u>\$ 132,410</u>
Cost of sales:		
Cost of sales - GAAP	\$ 83,684	\$ 96,142
Excess manufacturing overhead and factory transition costs ⁽¹⁾	(2,785)	(1,908)
Stock-based compensation expense	(36)	(39)
Adjustments to acquired tangible assets ⁽²⁾	<u>(60)</u>	<u>(61)</u>
Adjusted Non-GAAP cost of sales	80,803	94,134
Adjusted Non-GAAP gross profit	<u>\$ 27,574</u>	<u>\$ 38,276</u>
Gross margin:		
Gross margin - GAAP	22.8 %	27.4 %
Excess manufacturing overhead and factory transition costs ⁽¹⁾	2.6 %	1.4 %
Stock-based compensation expense	0.0 %	0.0 %
Adjustments to acquired tangible assets ⁽²⁾	<u>0.0 %</u>	<u>0.1 %</u>
Adjusted Non-GAAP gross margin	<u>25.4 %</u>	<u>28.9 %</u>
Operating expenses:		
Operating expenses - GAAP	\$ 84,217	\$ 36,829
Stock-based compensation expense	(2,504)	(2,460)
Amortization of acquired intangible assets	(286)	(275)
Litigation costs ⁽³⁾	(1,158)	(3,659)
Goodwill impairment ⁽⁴⁾	<u>(49,075)</u>	<u>—</u>
Adjusted Non-GAAP operating expenses	<u>\$ 31,194</u>	<u>\$ 30,435</u>
Operating income (loss):		
Operating income (loss) - GAAP	\$ (59,524)	\$ (561)
Excess manufacturing overhead and factory transition costs ⁽¹⁾	2,785	1,908
Stock-based compensation expense	2,540	2,499
Adjustments to acquired tangible assets ⁽²⁾	60	61
Amortization of acquired intangible assets	286	275
Litigation costs ⁽³⁾	1,158	3,659
Goodwill impairment ⁽⁴⁾	<u>49,075</u>	<u>—</u>
Adjusted Non-GAAP operating income (loss)	<u>\$ (3,620)</u>	<u>\$ 7,841</u>
Adjusted pro forma operating income (loss) as a percentage of net sales		
Adjusted pro forma operating income (loss) as a percentage of net sales	(3.3)%	5.9 %

	Three Months Ended March 31,	
	2023	2022
Net income (loss):		
Net income (loss) - GAAP	\$ (61,363)	\$ (2,910)
Excess manufacturing overhead and factory transition costs ⁽¹⁾	2,785	1,908
Stock-based compensation expense	2,540	2,499
Adjustments to acquired tangible assets ⁽²⁾	60	61
Amortization of acquired intangible assets	286	275
Litigation costs ⁽³⁾	1,158	3,659
Goodwill impairment ⁽⁴⁾	49,075	—
Foreign currency net (gain)/loss	432	(337)
Income tax provision on adjustments	<u>1,520</u>	<u>908</u>
Adjusted Non-GAAP net income (loss)	<u>\$ (3,507)</u>	<u>\$ 6,063</u>

Diluted shares used in computing earnings (loss) per share:		
GAAP	12,749	12,812
Adjusted Non-GAAP	12,749	12,978

Diluted earnings (loss) per share:		
Diluted earnings (loss) per share - GAAP	\$ (4.81)	\$ (0.23)
Total adjustments	\$ 4.54	\$ 0.69
Adjusted Non-GAAP diluted earnings (loss) per share	\$ (0.28)	\$ 0.47

- 1) The three months ended March 31, 2023 and 2022 include excess manufacturing overhead costs due primarily to the expansion of our manufacturing facility in Mexico where products destined for the U.S. market are now manufactured. These products destined for the U.S. market were previously manufactured in China. In addition, the three months ended March 31, 2023 include normal start-up costs such as idle labor and training associated with our new factory in Vietnam. We plan to commence operations in Vietnam in the second quarter of 2023.
- 2) Consists of depreciation related to the mark-up from cost to fair value of fixed assets acquired in business combinations.
- 3) 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.
- 4) During the three months ended March 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.

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

	Three Months Ended June 30,		
	2023		2022
	Low Range	High Range	Actual
Net sales:			
Net sales - GAAP	\$ 105,000	\$ 115,000	\$ 139,101
Total adjustments ⁽¹⁾	—	—	—
Adjusted Non-GAAP net sales	<u>\$ 105,000</u>	<u>\$ 115,000</u>	<u>\$ 139,101</u>
Diluted earnings (loss) per share:			
Diluted earnings (loss) per share - GAAP	\$ (0.94)	\$ (0.84)	\$ 0.23
Total adjustments ⁽²⁾	\$ 0.69	\$ 0.69	\$ 0.43
Adjusted Non-GAAP diluted earnings (loss) per share	<u>\$ (0.25)</u>	<u>\$ (0.15)</u>	<u>\$ 0.66</u>

- (1) The three months ended June 30, 2023 and 2022 do not include any Non-GAAP adjustments to net sales.
- (2) The three months ended June 30, 2023 and 2022 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.