
Universal Electronics Inc.

Imperial Capital Security Investor Conference

*as of September 30, 2023
reported on December 14, 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 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.



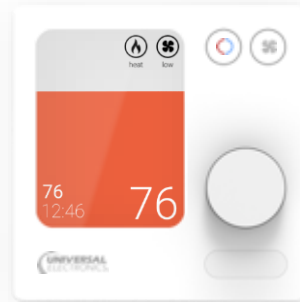
UEI is the global leader in wireless universal control solutions for home entertainment and smart home devices

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

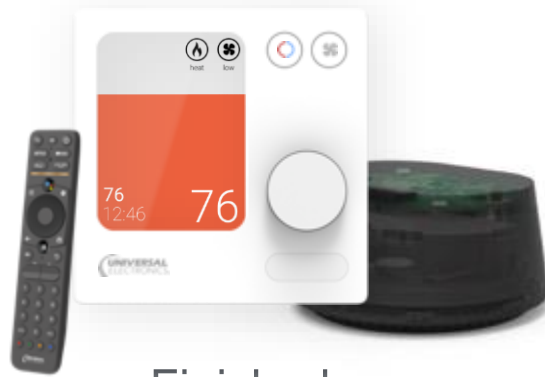


Whole Home

we do ctrl



Embedded
Technology



Finished
Goods



Software &
Services



UEI at a glance

Market Share Leader in Connected 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 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 energy harvesting capabilities
- Innovator in smart thermostat and sensing technologies for OEMs
- More than 600 issued and pending patents

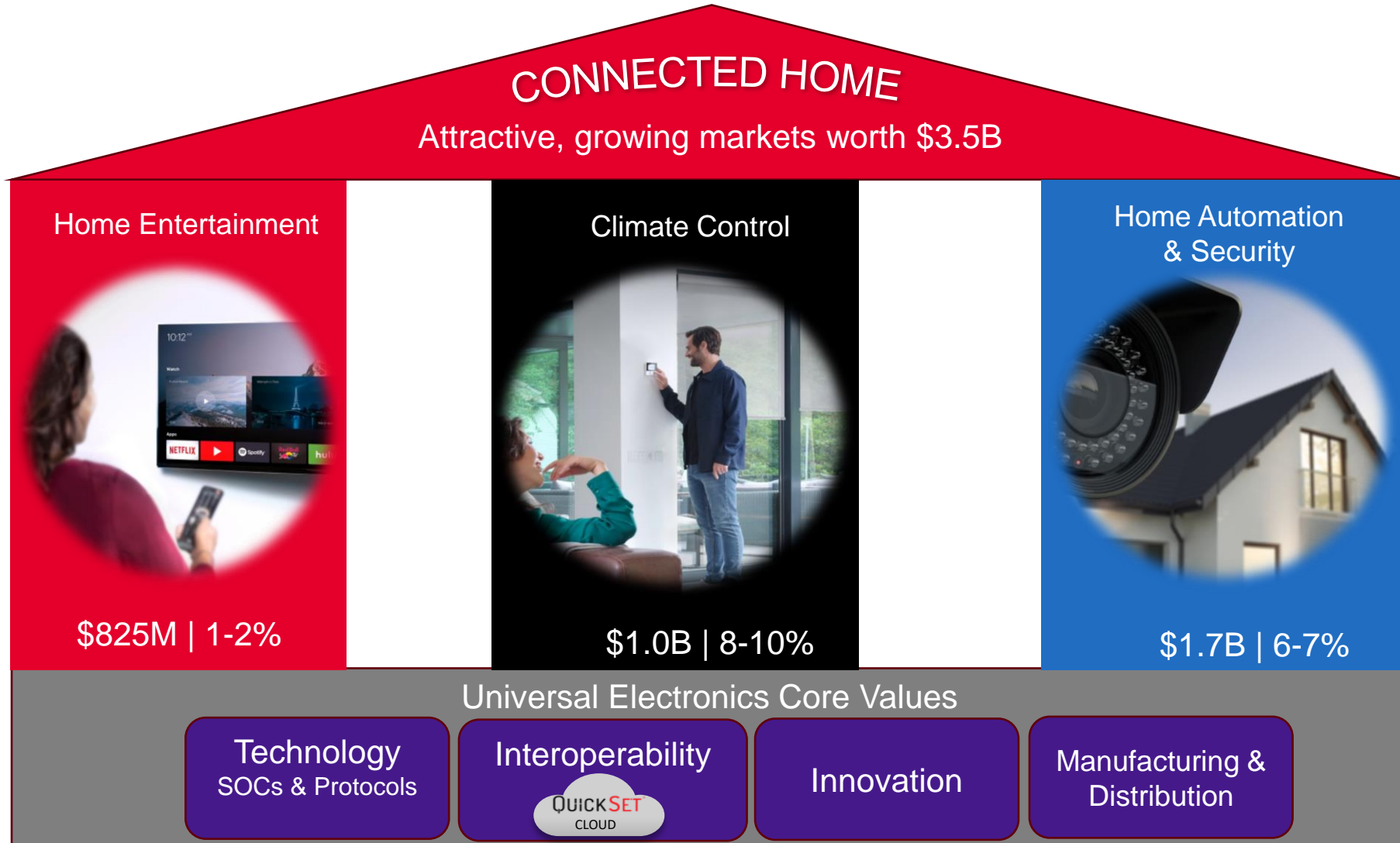
Global Scale and Reach

- 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 licensor to CE industry incl. 3 of top 5 global Smart TV brands
- Global market share leader in voice control for Video Service Provider
- Development partner to 6 of top 10 HVAC OEM brands in Climate Control

Leadership position in intelligent A/V device discovery, setup and control has enabled us to develop core values and expertise that can be leveraged into new markets.



Entertainment Control Market

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**

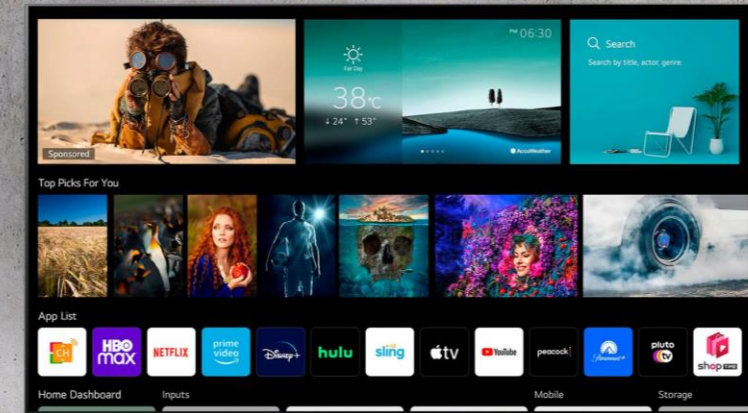
- Both Video-On-Demand as well as live TV streaming
- Subscription (SVOD), Sponsored (AVOD) and Free (FAST)

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 **\$1B 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 accelerating in **HVAC OEM systems**

Macro growth drivers for smarter control systems

- Consumer demand for greater comfort & convenience
- 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



Handheld
Controller



Programmable
Thermostat



Smart
Thermostat

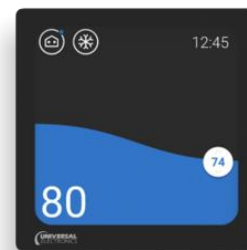
- Modular platform – potential application across multiple markets and channels
- Complete smart thermostat line-up – cloud native architecture with full suite of connectivity, interoperability, and AI support
- Built-in end user and installer support - easy onboarding, discovery, and trouble shooting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



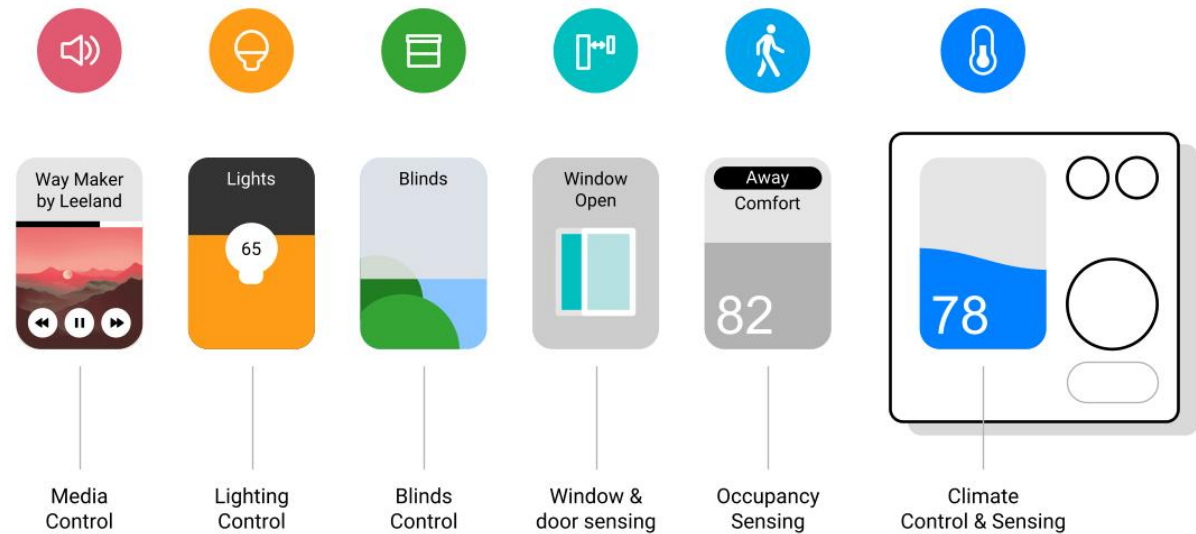
TIDE BRIDGE



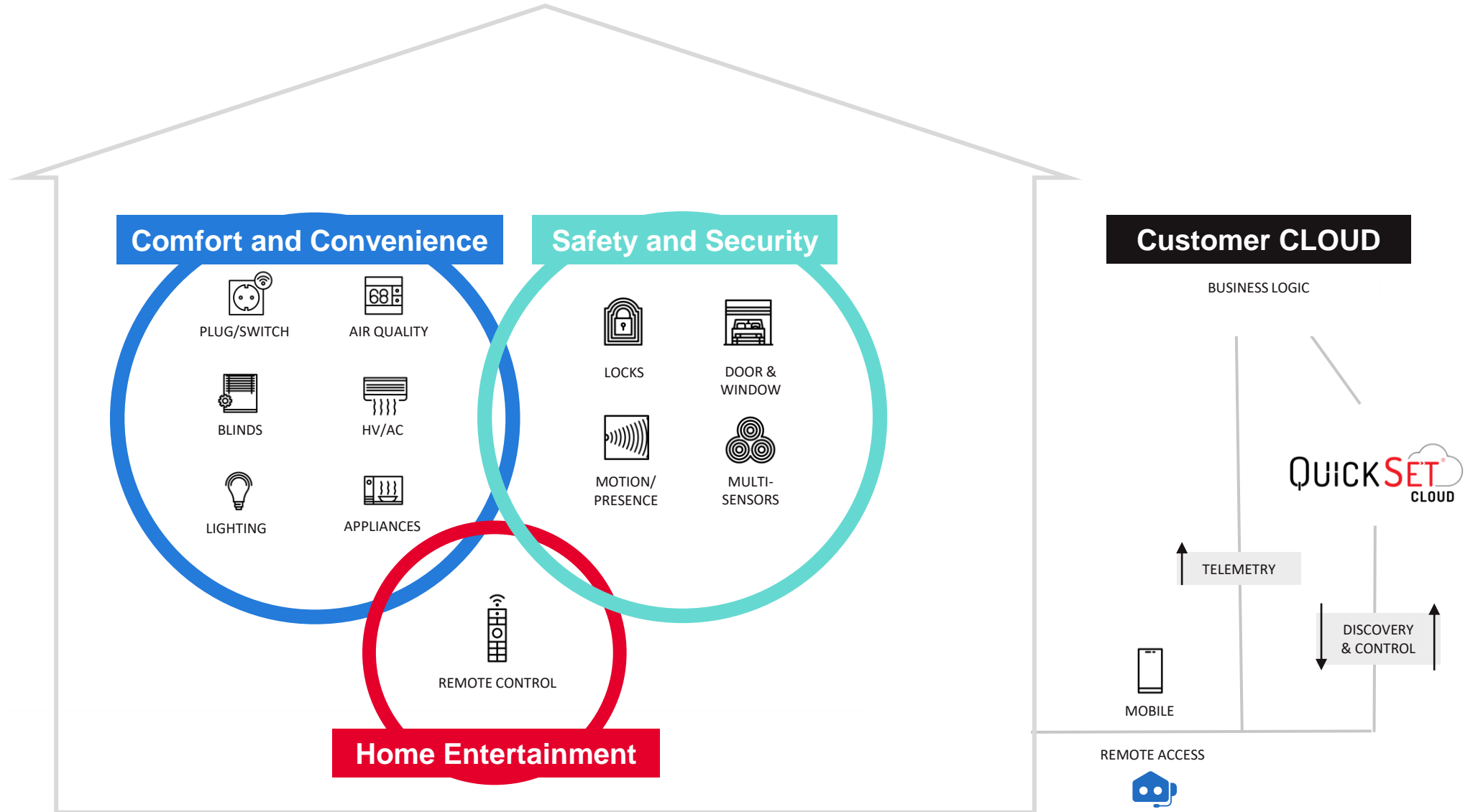
UNIVERSAL
MODULAR
PACK



- 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.





Embedded and Cloud Software



QuickSet[®] delivers Smart Home Interoperability

- Launched in 2008, QuickSet[®] has been **deployed in over 600 million devices** and is providing the world's most comprehensive solution for **smart home device discovery and control**.
- QuickSet[®] Cloud has scaled across industry application to manage **over 150 billion transactions** in 2023.
- Our **smart and legacy device knowledge** 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 Google, Amazon and Apple Home Kit.
- QuickSet[®] discovery & control works across any wired and wireless communication **protocols** including IP, Zigbee/Rf4CE, Bluetooth LE, and Matter.

Partnering with scalable channel leaders



Video Service Providers



Consumer Electronics



Consumer Accessories



Climate Control



Home Security



Home Automation

- **Design wins represent nearly 70% of HVAC market**
 - Announced METUS SDW Thermostat (Tide Dial) now shipping
 - Recent awards also include LG, Daikin, Toshiba-Carrier, METUS SRW, and several others
 - More than 10 customer-initiated development projects kicked-off based on the UEI TIDE family shipping in 2024 and 2025
 - 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, and other home automation products
 - Major design wins with leading brands such as Vivint, Somfy and Develco and new customers wins at Noke and Simplisafe
 - New Product Introductions (NPIs) scheduled for 2024 and ramp in 2025
- **QuickSet®** expands Smart TV OS footprint – adds AppViewer Discovery & Virtual Agent
 - Actively engaged on several opportunities to expand **QuickSet® Cloud** across Smart TV and set-top platforms with leading TV OS platforms



Adjusted Non-GAAP* (\$ M, except EPS)	Q3 2023	Q3 2022
Net Sales	\$107.1	\$148.5
Gross Margin	28.4%	30.8%
Net Income	\$1.1	\$12.6
EPS	\$0.08	\$1.00

Adjusted Non-GAAP* Guidance (\$ M, except EPS)	Q4 2023	Q4 2022
Net Sales	\$95 - \$105	\$122.8
EPS	\$(0.05) - \$0.05	\$0.44

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

FOCUSING ON HIGHER GROWTH CONNECTED HOME CHANNEL

- Winning new business that is expected to build revenues throughout 2024 and 2025

OPTIMIZING MANUFACTURING FOOTPRINT

- New Vietnam facility ramping operations and exceeding expectations
- Southwestern China factory ceased operations in Sept. 2023, approximately 1 quarter sooner than expected
- Mexico facility plans to streamline accelerated to H1 2024 from H2 2024

IMPROVING EFFICIENCIES

- Implemented corporate restructuring and footprint optimization
- 300 bpt gross margin sequential improvement from Q2 2023

AUTHORIZES STOCK REPURCHASE

- BOD initiates 1M shares buyback in Q4 2023 based on conviction in growth strategy and market opportunity
- \$60.1M cash, cash equivalents and term deposits at 9/30/23, compared to \$66.7M at 12/31/22
- \$20.1M in cash provided by operations in the 9 mos. ended 9/30/23

Thank you!

Questions?

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net sales:				
Net sales - GAAP	\$ 107,095	\$ 148,482	\$ 322,863	\$ 419,993
Adjusted Non-GAAP net sales	\$ 107,095	\$ 148,482	\$ 322,863	\$ 419,993
Cost of sales:				
Cost of sales - GAAP	\$ 86,683	\$ 104,040	\$ 253,141	\$ 299,912
Excess manufacturing overhead and factory transition costs ⁽¹⁾	(2,168)	(1,186)	(7,569)	(4,120)
Impairment of long-lived assets ⁽²⁾	(7,723)	—	(7,723)	—
Stock-based compensation expense	(31)	(38)	(93)	(117)
Adjustments to acquired tangible assets ⁽³⁾	(60)	(60)	(181)	(181)
Adjusted Non-GAAP cost of sales	76,701	102,756	237,575	295,494
Adjusted Non-GAAP gross profit	\$ 30,394	\$ 45,726	\$ 85,288	\$ 124,499
Gross margin:				
Gross margin - GAAP	19.1 %	29.9 %	21.6 %	28.6 %
Excess manufacturing overhead and factory transition costs ⁽¹⁾	2.0 %	0.8 %	2.3 %	1.0 %
Impairment of long-lived assets ⁽²⁾	7.2 %	— %	2.4 %	— %
Stock-based compensation expense	0.0 %	0.0 %	0.0 %	0.0 %
Adjustments to acquired tangible assets ⁽³⁾	0.1 %	0.1 %	0.1 %	0.0 %
Adjusted Non-GAAP gross margin	28.4 %	30.8 %	26.4 %	29.6 %
Operating expenses:				
Operating expenses - GAAP	\$ 34,445	\$ 32,945	\$ 152,411	\$ 103,648
Stock-based compensation expense	(2,103)	(2,401)	(6,739)	(7,457)
Amortization of acquired intangible assets	(286)	(296)	(856)	(872)
Litigation costs ⁽⁴⁾	(176)	—	(1,604)	(4,264)
Goodwill impairment ⁽⁵⁾	—	—	(49,075)	—
Impairment of long-lived assets ⁽²⁾	(100)	—	(100)	—
Factory restructuring charges ⁽⁶⁾	(3,690)	—	(3,690)	—
Severance ⁽⁷⁾	(569)	—	(2,455)	—
Adjusted Non-GAAP operating expenses	\$ 27,521	\$ 30,248	\$ 87,892	\$ 91,055
Operating income (loss):				
Operating income (loss) - GAAP	\$ (14,033)	\$ 11,497	\$ (82,689)	\$ 16,433
Excess manufacturing overhead and factory transition costs ⁽¹⁾	2,168	1,186	7,569	4,120
Impairment of long-lived assets ⁽²⁾	7,823	—	7,823	—
Stock-based compensation expense	2,134	2,439	6,832	7,574
Adjustments to acquired tangible assets ⁽³⁾	60	60	181	181
Amortization of acquired intangible assets	286	296	856	872
Litigation costs ⁽⁴⁾	176	—	1,604	4,264
Goodwill impairment ⁽⁵⁾	—	—	49,075	—
Factory restructuring costs ⁽⁶⁾	3,690	—	3,690	—
Severance ⁽⁷⁾	569	—	2,455	—
Adjusted Non-GAAP operating income (loss)	\$ 2,873	\$ 15,478	\$ (2,604)	\$ 33,444
Adjusted pro forma operating income (loss) as a percentage of net sales	2.7 %	10.4 %	(0.8)%	8.0 %

Three Months Ended September 30, Nine Months Ended September 30,

2023 2022 2023 2022

Net income (loss):				
Net income (loss) - GAAP	\$ (19,362)	\$ 7,234	\$ (91,136)	\$ 7,312
Excess manufacturing overhead and factory transition costs ⁽¹⁾	2,168	1,186	7,569	4,120
Impairment of long-lived assets ⁽²⁾	7,823	—	7,823	—
Stock-based compensation expense	2,134	2,439	6,832	7,574
Adjustments to acquired tangible assets ⁽³⁾	60	60	181	181
Amortization of acquired intangible assets	286	296	856	872
Litigation costs ⁽⁴⁾	176	—	1,604	4,264
Goodwill impairment ⁽⁵⁾	—	—	49,075	—
Factory restructuring costs ⁽⁶⁾	3,690	—	3,690	—
Severance ⁽⁷⁾	569	—	2,455	—
Foreign currency net (gain)/loss	1,067	74	2,243	16
Income tax provision on adjustments	1,098	1,344	4,200	2,758
Other income tax adjustments ⁽⁸⁾	1,377	—	1,377	—
Adjusted Non-GAAP net income (loss)	\$ 1,086	\$ 12,633	\$ (3,231)	\$ 27,097

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

GAAP	12,911	12,696	12,839	12,797
Adjusted Non-GAAP	12,951	12,696	12,839	12,797

Diluted earnings (loss) per share:

Diluted earnings (loss) per share - GAAP	\$ (1.50)	\$ 0.57	\$ (7.10)	\$ 0.57
Total adjustments	\$ 1.58	\$ 0.43	\$ 6.85	\$ 1.55
Adjusted Non-GAAP diluted earnings (loss) per share	\$ 0.08	\$ 1.00	\$ (0.25)	\$ 2.12

- (1) The three and nine months ended September 30, 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 nine months ended September 30, 2023 also include manufacturing inefficiencies associated with our new Vietnam factory which recently commenced operations in the latter part of June 2023. In addition, for the nine months ended September 30, 2023, we incurred normal start-up costs such as idle labor and training associated with this same factory prior to its commencement.
- (2) The three and nine months ended September 30, 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.
- (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 nine months ended September 30, 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 nine months ended September 30, 2023 include severance and equipment moving costs associated with the closure of our southwestern China factory.
- (7) The three and nine months ended September 30, 2023 includes severance costs associated with a reduction in headcount at our corporate offices.
- (8) The three and nine months ended September 30, 2023 include 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)

	Three Months Ended December 31,		
	2023		2022
	Low Range	High Range	Actual
Net sales:			
Net sales - GAAP	\$ 95,000	\$ 105,000	\$ 122,758
Total adjustments ⁽¹⁾	—	—	—
Adjusted Non-GAAP net sales	<u>\$ 95,000</u>	<u>\$ 105,000</u>	<u>\$ 122,758</u>
Diluted earnings (loss) per share:			
Diluted earnings (loss) per share - GAAP	\$ (0.51)	\$ (0.41)	\$ (0.54)
Total adjustments ⁽²⁾	\$ 0.46	\$ 0.46	\$ 0.99
Adjusted Non-GAAP diluted earnings (loss) per share	<u>\$ (0.05)</u>	<u>\$ 0.05</u>	<u>\$ 0.44</u>

- (1) The three months ended December 31, 2023 and 2022 do not include any Non-GAAP adjustments to net sales.
- (2) The three months ended December 31, 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.