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# Universal Electronics Inc.

## Sidoti Small-cap Conference

*March 22-23, 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 most recent annual report on Form 10-K for the year ended December 31, 2022, and the periodic reports we have filed since then. Risks that could affect forward-looking statements in this press release include: the timely development and delivery of our continued successful collaboration with existing and new customers in developing and launching next generation products, software solutions and technologies into existing and new growing markets which result in increased sales and market share growth for the Company; continued successful collaboration with existing and new customers in developing and launching next generation products, software solutions and technologies into existing and new growing markets which result in increased sales and market share growth for the Company; our ability to manage through supply chain constraints, semiconductor supply challenges, inflationary pressures and macroeconomic conditions; 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, manufacturing diversification and footprint strategy, and product line management; the effects that natural disasters and public health crises, including the continuation or resurgence of the COVID-19 pandemic or governmental actions, including war, have on our business and management's ability to anticipate and mitigate those effects; 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 February 16, 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 wireless universal control solutions for home entertainment and smart home devices

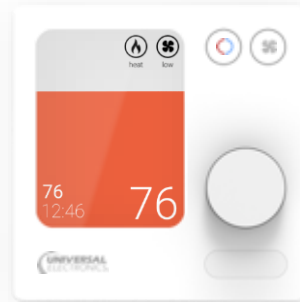
Our 4,600+ employees worldwide design, develop, manufacture, ship and support over 100 million innovative products each year which are used by the world's leading brands in the consumer electronics, subscription broadcast, security, home automation, hospitality and climate control markets.

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Entertainment



HVAC



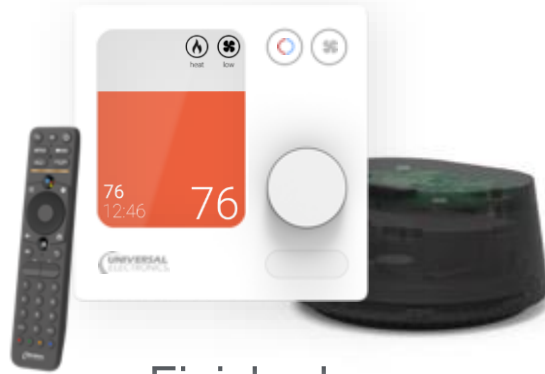
Whole Home

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Embedded



Finished



Software



# 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
- 4,600+ employees worldwide

## 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



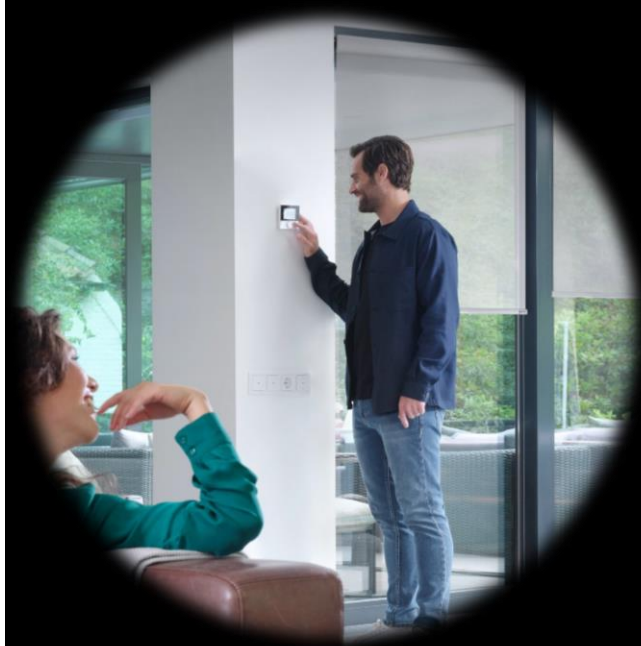
# Attractive, growing markets worth \$3.2B

## 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

- Smart TV, Streaming and Advanced Set-Top-Boxes grow

Traditional pay TV market demand remains flat

- North America down, other markets up
- Still only 30% of market has advanced TV 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 bundle more Streaming with Broadband

Advanced TV OS will become aggregator

- Live TV, Streaming Video, Cloud Gaming, Smart Home
- Convergence



# Climate Control Opportunity

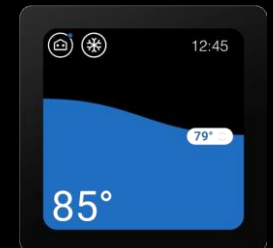
- Residential climate control systems are **growing** and **getting smarter**
- Addressable HVAC market for residential climate control solutions is **worth \$800M growing 10%**
  - Handheld AC remotes: high volume, predominantly ROW
  - Wall controllers: adding connectivity to integrate with home
  - Thermostats: upgrading from programmable to smart thermostats
- Innovation accelerates with **HVAC system** brands
- Macro growth drivers** for smarter control systems
  - Global warming drives need for AC
  - Rising cost of energy drives need for smart 'stats
  - Environmental awareness and regulations
  - Growing concerns on air quality
- Industry dynamics** that impact growth
  - Growing AI and Cloud intelligence
  - Innovation in IOT and wireless sensors



Handheld  
Controller



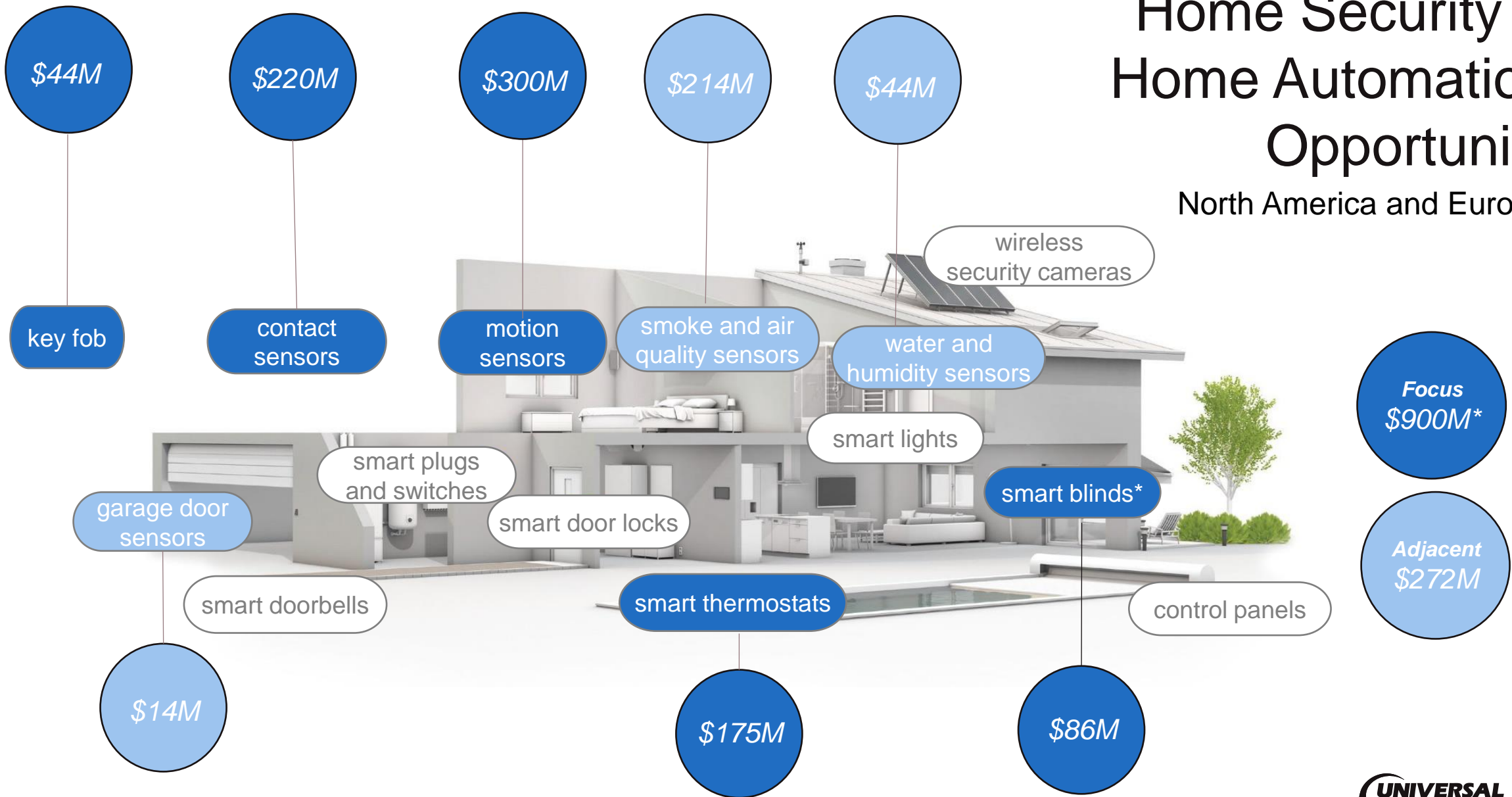
Programmable  
Thermostat



Smart  
Thermostat

# Home Security & Home Automation Opportunity

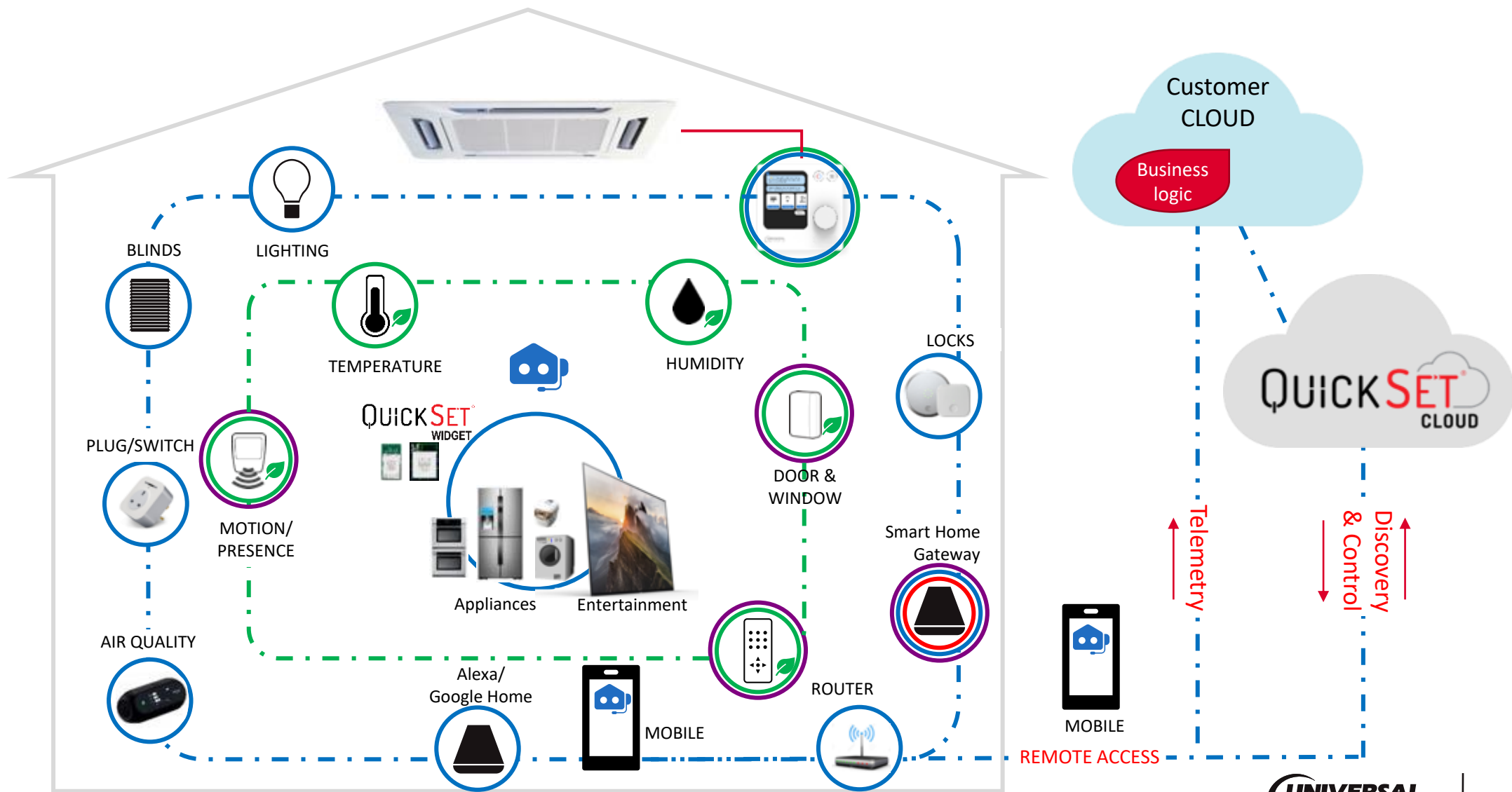
North America and Europe



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



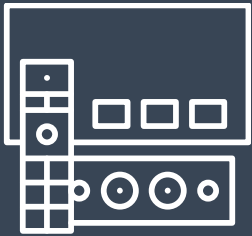
# Connectivity for Entire Home



TURNKEY PRODUCT SOLUTIONS

INGREDIENT TECHNOLOGIES

Home Entertainment



ADVANCED REMOTE  
CONTROLS

AUDIO-VIDEO  
ACCESSORIES

Connected Home



ADVANCED REMOTE  
CONTROLS

THERMOSTATS

SMART HOME HUBS

Software & Services

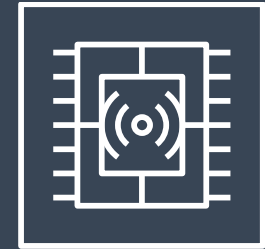


QUICKSET

NEVO.AI  
DIGITAL ASSISTANT

CLOUD AND EDGE  
SERVICES

Wireless Connectivity



SILICON  
SOLUTIONS

TURNKEY  
MODULES



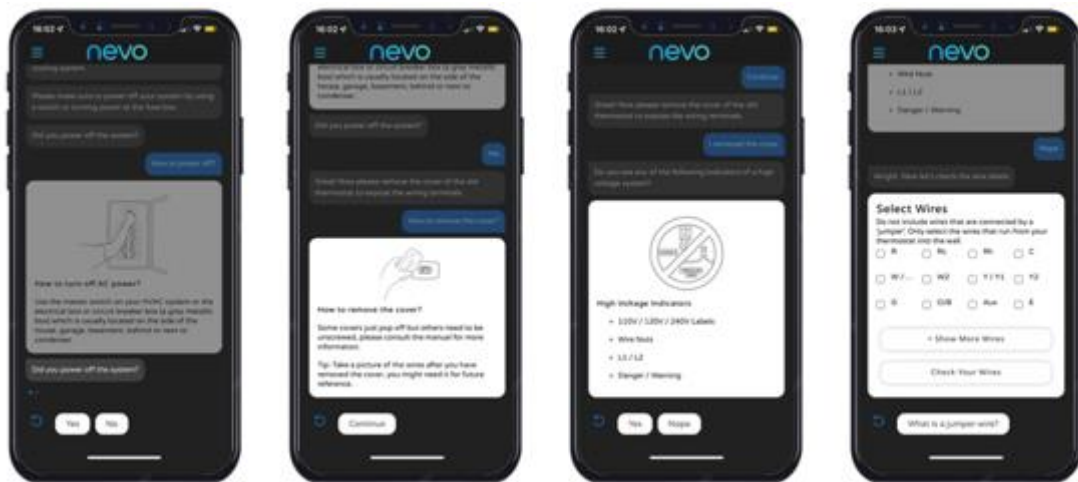
# Embedded and Cloud Software



## QuickSet® is the industry standard for home control

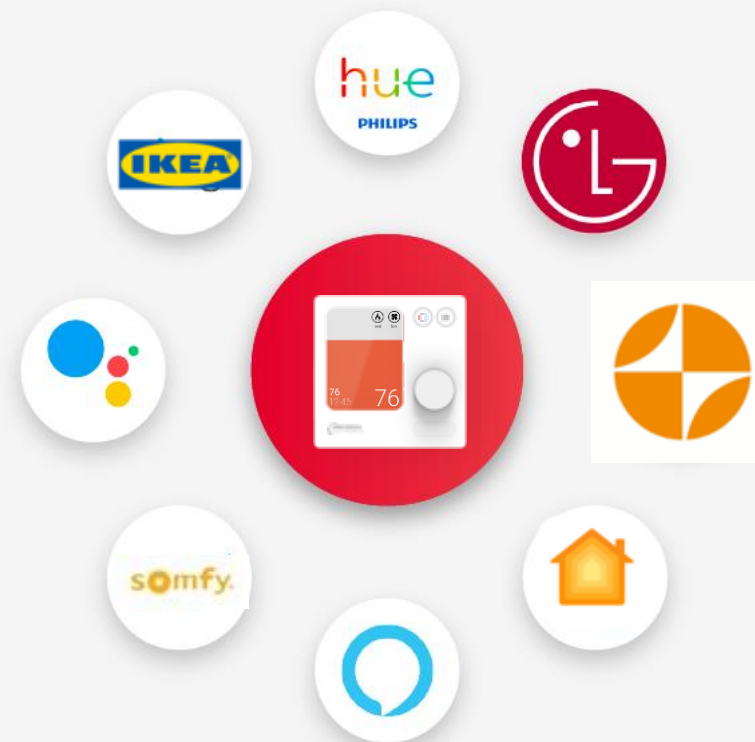
- Launched in 2008, QuickSet® has been **deployed in over 600 million devices** and is providing the worlds' most comprehensive knowledge graph for **discovery and control of entertainment and smart home devices**.
- QuickSet® Cloud is continuous expanding and already processed **over 150 billion transactions** 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® can communicate over **multiple protocols** including IP, Zigbee/Rf4CE, Bluetooth LE, and Matter.





## Helpful By Design

Setup, Feature Discovery & Troubleshooting



## Interoperability

Discover, Identify & Control

# 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



- Strong growth in **HVAC channel** with Daikin, Mitsubishi and several other brands with a multi-million dollar pipeline of new project wins globally with new Comfort (TIDE) **smart thermostat**.
- Expanding in **Home Automation and Security** channel with companies as Vivint Smart Home, Hunter Douglas and Somfy – very strong partnership opportunities leading to a backlog of project design wins that will drive long-term revenue.
- Actively engaged on several opportunities to expand **QuickSet® Cloud Home Dashboard** across smart TV, set-top and gateway platforms beyond initial successes at Samsung, LG and Sony.
- Several new remote design wins at major Video Service Providers that will be launching streaming services on OTT and Smart TV platforms in U.S. and Europe, including Comcast, Charter, DirecTV, Dish, Liberty Global, Sky and Vodafone.
- Continued penetration of growing AndroidTV and AppleTV **streaming platform** markets with Tier 2 and Tier 3 operators throughout the US and EMEA.



- **Eterna Remote Named CES® 2023 Innovation Awards Honoree** from over 2,300 submissions. Eterna provides maximum performance with minimum battery waste for TV service providers wanting to minimize their carbon footprint. UEI's new Xtreme Low-Power Bluetooth LE silicon makes them 2.5X more powerful and up to 10X more efficient than prior generations.
- Expanded wireless connectivity solutions with enhanced security, sustainability, and scalability, extending family of QuickSet®-certified connectivity solutions.
- Unveiled 4 new Matter-enhanced solutions for QuickSet; Nevo® Butler; TIDE Dial, UEI's smart thermostat; and QuickSet Widget, UEI's connectivity for SoCs and modules.
- Expanded software and services for whole home control and support with Smart Home as a Service, interoperability with Matter, MyNevo® Companion app and UEI Virtual Agent and UEI NetReady customer support services.





<b>Adjusted Non-GAAP*</b> (\$ M, except EPS)	<b>Q4 2022</b>	<b>Q4 2021</b>
Net Sales	\$122.8	\$143.9
Gross Margin	30.7%	28.4%
Net Income	\$5.6	\$9.0
EPS	\$0.44	\$0.68

<b>Adjusted Non-GAAP*</b> <b>Guidance (\$ M, except EPS)</b>	<b>Q1 2023</b>	<b>Q1 2022</b>
Net Sales	\$100 - \$110	\$132.4
EPS	\$(0.28) - \$(0.38)	\$0.47

## 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

## IMPLEMENTING PRODUCT DEVELOPMENT INITIATIVES

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

## LEVERAGING STRONG BALANCE SHEET

- \$66.7M cash, cash equivalents and term deposits at 12/31/22, compared to \$60.8M at 12/31/21

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



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Thank you!

Questions?

# Financial Appendix



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## 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 excluding the revenue impact of stock-based compensation for performance-based warrants. Adjusted Non-GAAP gross profit is defined as gross profit excluding the impact of excess manufacturing overhead costs, factory transition costs, impairment charges on fixed assets, gain on the release from our Ohio call center lease obligation guarantee, 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, changes in contingent consideration related to acquisitions, costs associated with certain litigation efforts, and employee related restructuring and other costs. Adjusted Non-GAAP net income is defined as net income excluding the aforementioned items, the loss on the sale of our Argentina subsidiary, foreign currency gains and losses and the related tax effects of all adjustments. Adjusted Non-GAAP earnings per diluted share is calculated using Adjusted Non-GAAP net income. A reconciliation of these financial measures to the most directly comparable GAAP financial measures is included at the end of this press release.

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
<b>Net sales:</b>				
Net sales - GAAP	\$ 122,758	\$ 144,944	\$ 542,751	\$ 601,602
Stock-based compensation for performance-based warrants	—	(1,084)	—	(686)
Adjusted Non-GAAP net sales	<u>\$ 122,758</u>	<u>\$ 143,860</u>	<u>\$ 542,751</u>	<u>\$ 600,916</u>
<b>Cost of sales:</b>				
Cost of sales - GAAP	\$ 90,547	\$ 108,809	\$ 390,459	\$ 428,586
Excess manufacturing overhead and factory transition costs <sup>(1)</sup>	(2,549)	(2,262)	(6,670)	(5,830)
Impairment of fixed assets <sup>(2)</sup>	(2,868)	(3,473)	(2,868)	(3,473)
Gain on release from Ohio call center lease obligation guarantee <sup>(3)</sup>	—	—	—	542
Stock-based compensation expense	(38)	(40)	(155)	(156)
Adjustments to acquired tangible assets <sup>(4)</sup>	(60)	(63)	(241)	(257)
Adjusted Non-GAAP cost of sales	<u>85,032</u>	<u>102,971</u>	<u>380,525</u>	<u>419,412</u>
Adjusted Non-GAAP gross profit	<u>\$ 37,726</u>	<u>\$ 40,889</u>	<u>\$ 162,226</u>	<u>\$ 181,504</u>
<b>Gross margin:</b>				
Gross margin - GAAP	26.2 %	24.9 %	28.1 %	28.8 %
Stock-based compensation for performance-based warrants	— %	(0.5)%	— %	(0.1)%
Excess manufacturing overhead and factory transition costs <sup>(1)</sup>	2.1 %	1.6 %	1.2 %	1.0 %
Impairment of fixed assets <sup>(2)</sup>	2.3 %	2.4 %	0.5 %	0.6 %
Gain on release from Ohio call center lease obligation guarantee <sup>(3)</sup>	— %	— %	— %	(0.1)%
Stock-based compensation expense	0.0 %	0.0 %	0.0 %	0.0 %
Adjustments to acquired tangible assets <sup>(4)</sup>	<u>0.1 %</u>	<u>0.0 %</u>	<u>0.1 %</u>	<u>0.0 %</u>
Adjusted Non-GAAP gross margin	<u>30.7 %</u>	<u>28.4 %</u>	<u>29.9 %</u>	<u>30.2 %</u>
<b>Operating expenses:</b>				
Operating expenses - GAAP	\$ 34,096	\$ 39,418	\$ 137,744	\$ 149,763
Stock-based compensation expense	(2,401)	(2,414)	(9,858)	(9,814)
Amortization of acquired intangible assets	(281)	(714)	(1,153)	(1,544)
Change in contingent consideration	—	—	—	180
Litigation costs <sup>(5)</sup>	(2,004)	(5,294)	(6,268)	(15,300)
Employee related restructuring and other costs	—	(828)	—	(717)
Adjusted Non-GAAP operating expenses	<u>\$ 29,410</u>	<u>\$ 30,168</u>	<u>\$ 120,465</u>	<u>\$ 122,568</u>

(1) The three and twelve months ended December 31, 2022 and 2021 include excess manufacturing overhead costs due 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 and twelve months ended December 31, 2022 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) The three and twelve months ended December 31, 2022 consist of impairment charges related to the underutilization of fixed assets in our Mexico factory. The three and twelve months ended December 31, 2021 consist of impairment charges related to underutilization of fixed assets in our China-based factories as a result of our long-term factory planning strategy of reducing our concentration risk in that region. (3) Consists of the gain associated with the January 2021 release from our guarantee of the lease obligation related to our Ohio call center which was sold in February 2020. (4) Consists of depreciation related to the mark-up from cost to fair value of fixed assets acquired in business combinations. (5) 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. (6) Consists of the loss recorded on the sale of our Argentina subsidiary in September 2021.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
<b>Operating income (loss):</b>				
Operating income (loss) - GAAP	\$ (1,885)	\$ (3,283)	\$ 14,548	\$ 23,253
Stock-based compensation for performance-based warrants	—	(1,084)	—	(686)
Excess manufacturing overhead and factory transition costs <sup>(1)</sup>	2,549	2,262	6,670	5,830
Impairment of fixed assets <sup>(2)</sup>	2,868	3,473	2,868	3,473
Gain on release from Ohio call center lease obligation guarantee <sup>(3)</sup>	—	—	—	(542)
Stock-based compensation expense	2,439	2,454	10,013	9,970
Adjustments to acquired tangible assets <sup>(4)</sup>	60	63	241	257
Amortization of acquired intangible assets	281	714	1,153	1,544
Change in contingent consideration	—	—	—	(180)
Litigation costs <sup>(5)</sup>	2,004	5,294	6,268	15,300
Employee related restructuring and other costs	—	828	—	717
Adjusted Non-GAAP operating income	<u>\$ 8,316</u>	<u>\$ 10,721</u>	<u>\$ 41,761</u>	<u>\$ 58,936</u>
Adjusted Non-GAAP operating income as a percentage of net sales	6.8 %	7.5 %	7.7 %	9.8 %

<b>Net income (loss):</b>				
Net income (loss) - GAAP	\$ (6,905)	\$ (6,330)	\$ 407	\$ 5,301
Stock-based compensation for performance-based warrants	—	(1,084)	—	(686)
Excess manufacturing overhead and factory transition costs <sup>(1)</sup>	2,549	2,262	6,670	5,830
Impairment of fixed assets <sup>(2)</sup>	2,868	3,473	2,868	3,473
Gain on release from Ohio call center lease obligation guarantee <sup>(3)</sup>	—	—	—	(542)
Stock-based compensation expense	2,439	2,454	10,013	9,970
Adjustments to acquired tangible assets <sup>(4)</sup>	60	63	241	257
Amortization of acquired intangible assets	281	714	1,153	1,544
Change in contingent consideration	—	—	—	(180)
Litigation costs <sup>(5)</sup>	2,004	5,294	6,268	15,300
Employee related restructuring and other costs	—	828	—	717
Loss on sale of Argentina subsidiary <sup>(6)</sup>	—	—	—	6,050
Foreign currency (gain) loss	1,075	579	1,091	1,334
Income tax provision on adjustments	<u>1,277</u>	<u>789</u>	<u>4,035</u>	<u>984</u>
Adjusted Non-GAAP net income	<u>\$ 5,648</u>	<u>\$ 9,042</u>	<u>\$ 32,746</u>	<u>\$ 49,352</u>

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

GAAP	12,686	13,000	12,779	13,742
Adjusted Non-GAAP	12,729	13,214	12,779	13,742

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

Diluted earnings (loss) per share - GAAP	\$ (0.54)	\$ (0.49)	\$ 0.03	\$ 0.39
Total adjustments	\$ 0.99	\$ 1.16	\$ 2.53	\$ 3.21
Adjusted Non-GAAP diluted earnings per share	\$ 0.44	\$ 0.68	\$ 2.56	\$ 3.59