

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (date of earliest event reported): February 20, 2020

UNIVERSAL ELECTRONICS INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

0-21044
(Commission File No.)

33-0204817
(I.R.S. Employer
Identification No.)

15147 N. Scottsdale Road, Suite H300
Scottsdale, Arizona 85254-2494
(Address of principal executive offices, with Zip Code)

(480) 530-3000
(Registrant's telephone number, including area code):

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbols | Name of each exchange on which registered |
|--|-----------------|---|
| Common Stock, par value \$0.01 per share | UEIC | The NASDAQ Stock Market LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Item 2.02 Results of Operations and Financial Condition

On February 20, 2020, Universal Electronics Inc. is issuing a press release and holding a conference call regarding its financial results for the fourth quarter and full year ended December 31, 2019. A copy of this press release is furnished with this Report as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits. The following exhibit is furnished with this Report.

99.1 Press Release of Universal Electronics Inc. dated February 20, 2020.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Universal Electronics Inc.

Date: February 20, 2020

By: /s/ Bryan Hackworth
Bryan Hackworth
Chief Financial Officer
(Principal Financial Officer)

INDEX TO EXHIBITS

| Exhibit Number | Description |
|----------------|---|
| 99.1 | Press Release Dated February 20, 2020 |



UNIVERSAL ELECTRONICS REPORTS

FOURTH QUARTER AND YEAR-END 2019 FINANCIAL RESULTS

SCOTTSDALE, AZ – February 20, 2020 – Universal Electronics Inc. (UEI), (NASDAQ: UEIC) reported financial results for the three and twelve months ended December 31, 2019.

“In 2019, we posted the highest annual Adjusted Non-GAAP net sales and EPS in our 34-year history of \$751.7 million and \$3.55, respectively,” said Paul Arling, UEI’s chairman and CEO. “Over the past year, we invested in innovation to increase our competitive edge and drive long-term growth; we enriched our product mix to favor higher margin advanced solutions; and we implemented initiatives to improve productivity globally. Our efforts to increase profitability are coming to fruition, as we achieved our highest gross and operating margins in four years. Combined with strategic product development, we have better positioned UEI to flourish in the ever evolving and expanding arena of sensing and control technologies for the smart home in 2020 and beyond.”

Financial Results for the Three Months Ended December 31: 2019 Compared to 2018

- GAAP net sales were \$174.7 million, compared to \$170.3 million; Adjusted Non-GAAP net sales were \$174.8 million, compared to \$168.3 million.
- GAAP gross margins were 28.5%, compared to 22.0%; Adjusted Non-GAAP gross margins were 29.3%, compared to 28.7%.
- GAAP operating income was \$11.5 million, compared to \$2.6 million; Adjusted Non-GAAP operating income was \$17.3 million, compared to \$16.4 million.
- GAAP net income was \$7.0 million, or \$0.49 per diluted share, compared to a GAAP net loss of \$11.1 million or \$0.80 per diluted share; Adjusted Non-GAAP net income was \$12.8 million, or \$0.90 per diluted share, compared to \$11.7 million, or \$0.84 per diluted share.
- Net cash provided by operating activities was \$45.3 million for the fourth quarter and \$85.3 million for the year, both records for UEI.

Financial Results for the Twelve Months Ended December 31: 2019 Compared to 2018

- GAAP net sales were \$753.5 million, compared to \$680.2 million; Adjusted Non-GAAP net sales were \$751.7 million, compared to \$678.5 million.
- GAAP net income was \$3.6 million, or \$0.26 per diluted share, compared to \$11.9 million or \$0.85 per diluted share; Adjusted Non-GAAP net income was \$50.1 million, or \$3.55 per diluted share, compared to \$29.7 million, or \$2.11 per diluted share.

Financial Outlook

For the first quarter of 2020, excluding any potential impact related to the COVID-19 virus, the company expects GAAP net sales to range between \$170 million and \$180 million, compared to \$184.2 million in the first quarter of 2019. GAAP earnings per diluted share for the first quarter of 2020 are expected to range from \$0.36 to \$0.46, compared to GAAP loss per diluted share of \$0.07 in the first quarter of 2019.

For the first quarter of 2020, excluding any potential impact related to the COVID-19 virus, the company expects Adjusted Non-GAAP net sales to range between \$170 million and \$180 million, compared to \$182.7 million in the first quarter of 2019. Adjusted Non-GAAP earnings per diluted share are expected to range from \$0.90 to \$1.00 compared to Adjusted Non-GAAP earnings per diluted share of \$0.82 in the first quarter of 2019.

The COVID-19 virus may impact first quarter 2020 by shifting up to \$10 million of net sales to second quarter 2020. As a result, EPS for the first quarter of 2020 may be lower by \$0.12 to \$0.15 cents. Management is working diligently to mitigate any negative impact; however, the final outcome remains uncertain at this time.

The first quarter 2020 Adjusted Non-GAAP earnings per diluted share estimate excludes \$0.54 per share related to, among other things, additional Section 301 U.S. tariffs on goods manufactured in China, excess manufacturing overhead and factory transition costs, stock-based compensation, amortization of acquired intangibles, changes in contingent consideration relating to acquisitions, foreign currency gains and losses, restructuring costs and the related tax impact of these adjustments. For a more detailed explanation

of Non-GAAP measures, please see the Use of Non-GAAP Financial Metrics discussion and the Reconciliation of Adjusted Non-GAAP Financial Results, each located elsewhere in this press release.

Conference Call Information

UEI's management team will hold a conference call today, Thursday, February 20, 2020 at 4:30 p.m. ET / 1:30 p.m. PT, to discuss its fourth quarter and full year 2019 earnings results, review recent activity and answer questions. To access the call in the U.S. please dial 877-843-0414, and for international calls dial 315-625-3071 approximately 10 minutes prior to the start of the conference. The conference ID is 7698605. The conference call will also be broadcast live at www.uei.com where it will be available for replay for one year. In addition, a replay 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 855-859-2056, and internationally dial 404-537-3406. The access code is 7698605.

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 and believes that providing these non-GAAP financial measures to investors, as a supplement to GAAP financial measures, helps 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 the additional Section 301 U.S. tariffs on products manufactured in China and imported into the U.S. and the impact of stock-based compensation for performance-based warrants. Adjusted Non-GAAP gross profit is defined as gross profit excluding the impact of the additional Section 301 U.S. tariffs on products manufactured in China and imported into the U.S. and costs of implementing countermeasures to mitigate this impact, excess manufacturing overhead and factory transition costs, impairment expenses related to the disposal of the company's Ohio call center, stock-based compensation expense, depreciation expense related to the increase in fixed assets from cost to fair market value resulting from acquisitions and amortization of intangibles acquired. Adjusted Non-GAAP operating expenses are defined as operating expenses excluding costs incurred related to implementing countermeasures to mitigate the impact of the additional Section 301 U.S. tariffs on products manufactured in China and imported into the U.S., stock-based compensation expense, amortization of intangibles acquired, changes in contingent consideration related to acquisitions and employee related restructuring and other costs. Adjusted Non-GAAP net income is defined as net income excluding the aforementioned items, foreign currency gains and losses, the net gain recognized on the sale of the company's Guangzhou factory, the related tax effects of all adjustments as well as the effect of certain net deferred tax asset adjustments and income tax expense representing the impact of the U.S. Tax Cuts and Jobs Act. Adjusted Non-GAAP diluted earnings per 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.

About Universal Electronics

Universal Electronics Inc. is the worldwide leader in universal control and sensing technologies for the smart home. For more information, please visit www.uei.com/about.

Contacts

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Note on Forward-looking Statements

This press release and accompanying schedules contain "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 and the periodic reports filed thereafter. Risks that could affect forward-looking statements in this press release include the effect of global and regional economic conditions on our business, including effects on purchasing decisions by consumers and businesses; the timely development and

delivery of our products and technologies that will be accepted by our customers, including with our voice-enabled advanced control products; the effect that shifts in the mix of products and services and in the geographic, currency or channel mix, component cost increases, price competition, or the introduction of new products or services, including new products or services with higher cost structures, could have on the company achieving its growth, net sales, margins, and earnings as guided and as anticipated, including management's ability to improve margins, operating costs and efficiencies at acceptable levels through cost containment efforts; the continued availability on acceptable terms, or at all, of certain components and services essential to our business, including components that may only be available from single or limited sources; the ability of the company to comply with laws and regulations regarding data protection; the continued service and availability of key executives and employees; the effects that public health issues, including the outbreak of COVID-19 have on our business, including the restrictions that local, provincial and national governments have placed on our China factories and other offices, our workforce, and our suppliers and logistics providers that could disrupt supply or delivery of our products and management's ability to mitigate those effects; and the effects that complex and changes in laws, regulations and policies may have on our business including the impact that trade regulations pertaining to importation of our products and the tariffs imposed upon them. 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 20, 2020. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

– Tables Follow –

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

| | December 31, 2019 | December 31, 2018 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 74,302 | \$ 53,207 |
| Accounts receivable, net | 139,198 | 144,689 |
| Contract assets | 12,579 | 25,572 |
| Inventories, net | 145,135 | 144,350 |
| Prepaid expenses and other current assets | 6,733 | 11,638 |
| Income tax receivable | 805 | 997 |
| Total current assets | 378,752 | 380,453 |
| Property, plant and equipment, net | 90,732 | 95,840 |
| Goodwill | 48,447 | 48,485 |
| Intangible assets, net | 19,830 | 24,370 |
| Operating lease right-of-use assets | 19,826 | — |
| Deferred income taxes | 4,409 | 1,833 |
| Other assets | 2,163 | 4,615 |
| Total assets | \$ 564,159 | \$ 555,596 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 102,588 | \$ 107,282 |
| Line of credit | 68,000 | 101,500 |
| Accrued compensation | 43,668 | 33,965 |
| Accrued sales discounts, rebates and royalties | 9,766 | 9,574 |
| Accrued income taxes | 6,989 | 3,524 |
| Other accrued liabilities | 35,445 | 24,011 |
| Total current liabilities | 266,456 | 279,856 |
| Long-term liabilities: | | |
| Operating lease obligations | 15,639 | — |
| Long-term contingent consideration | 4,349 | 8,435 |
| Deferred income taxes | 1,703 | 930 |
| Income tax payable | 1,600 | 1,647 |
| Other long-term liabilities | 13 | 1,768 |
| Total liabilities | 289,760 | 292,636 |
| 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; 24,118,088 and 23,932,703 shares issued on December 31, 2019 and 2018, respectively | 241 | 239 |
| Paid-in capital | 288,338 | 276,103 |
| Treasury stock, at cost, 10,174,199 and 10,116,459 shares on December 31, 2019 and 2018, respectively | (277,817) | (275,889) |
| Accumulated other comprehensive income (loss) | (22,781) | (20,281) |
| Retained earnings | 286,418 | 282,788 |
| Total stockholders' equity | 274,399 | 262,960 |
| Total liabilities and stockholders' equity | \$ 564,159 | \$ 555,596 |

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED INCOME STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---------------------------------|--------------------|----------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net sales | \$ 174,694 | \$ 170,303 | \$ 753,477 | \$ 680,241 |
| Cost of sales | 124,837 | 132,776 | 583,274 | 538,437 |
| Gross profit | 49,857 | 37,527 | 170,203 | 141,804 |
| Research and development expenses | 7,528 | 6,112 | 29,412 | 23,815 |
| Selling, general and administrative expenses | 30,878 | 28,843 | 125,476 | 119,654 |
| Operating income (loss) | 11,451 | 2,572 | 15,315 | (1,665) |
| Interest income (expense), net | (830) | (1,164) | (3,918) | (4,690) |
| Gain on sale of Guangzhou factory | — | — | — | 36,978 |
| Other income (expense), net | (569) | (506) | (995) | (4,457) |
| Income before provision for income taxes | 10,052 | 902 | 10,402 | 26,166 |
| Provision for income taxes | 3,025 | 12,009 | 6,772 | 14,242 |
| Net income (loss) | <u>\$ 7,027</u> | <u>\$ (11,107)</u> | <u>\$ 3,630</u> | <u>\$ 11,924</u> |
| Earnings (loss) per share: | | | | |
| Basic | <u>\$ 0.50</u> | <u>\$ (0.80)</u> | <u>\$ 0.26</u> | <u>\$ 0.85</u> |
| Diluted | <u>\$ 0.49</u> | <u>\$ (0.80)</u> | <u>\$ 0.26</u> | <u>\$ 0.85</u> |
| Shares used in computing earnings (loss) per share: | | | | |
| Basic | <u>13,931</u> | <u>13,804</u> | <u>13,879</u> | <u>13,948</u> |
| Diluted | <u>14,286</u> | <u>13,804</u> | <u>14,109</u> | <u>14,060</u> |

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

| | Year Ended December 31, | |
|---|-------------------------|-----------|
| | 2019 | 2018 |
| Cash provided by operating activities: | | |
| Net income | \$ 3,630 | \$ 11,924 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 31,926 | 33,602 |
| Provision for doubtful accounts | 441 | 305 |
| Provision for inventory write-downs | 17,667 | 8,655 |
| Gain on sale of Guangzhou factory | — | (36,978) |
| Deferred income taxes | (1,779) | 3,967 |
| Shares issued for employee benefit plan | 947 | 1,062 |
| Employee and director stock-based compensation | 8,845 | 8,820 |
| Performance-based common stock warrants | 1,997 | 163 |
| Impairment of long-term assets | 1,506 | 4,907 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable and contract assets | 17,203 | 5,455 |
| Inventories | (19,581) | (19,870) |
| Prepaid expenses and other assets | 4,648 | (587) |
| Accounts payable and accrued liabilities | 14,233 | (7,386) |
| Accrued income taxes | 3,574 | (1,184) |
| Net cash provided by operating activities | 85,257 | 12,855 |
| Cash provided by (used for) investing activities: | | |
| Proceeds from sale of Guangzhou factory | — | 51,291 |
| Acquisitions of property, plant and equipment | (21,313) | (20,142) |
| Refund of deposit received toward sale of Guangzhou factory | — | (5,053) |
| Acquisitions of intangible assets | (2,655) | (2,521) |
| Net cash provided by (used for) investing activities | (23,968) | 23,575 |
| Cash provided by (used for) financing activities: | | |
| Borrowings under line of credit | 72,500 | 68,000 |
| Repayments on line of credit | (106,000) | (104,500) |
| Proceeds from stock options exercised | 448 | 864 |
| Treasury stock purchased | (1,928) | (13,824) |
| Contingent consideration payments in connection with business combinations | (4,251) | (3,858) |
| Net cash provided by (used for) financing activities | (39,231) | (53,318) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (963) | 2,756 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 21,095 | (14,132) |
| Cash, cash equivalents and restricted cash at beginning of year | 53,207 | 67,339 |
| Cash, cash equivalents and restricted cash at end of period | \$ 74,302 | \$ 53,207 |
| Supplemental cash flow information: | | |
| Income taxes paid | \$ 7,275 | \$ 7,658 |
| Interest paid | \$ 4,403 | \$ 4,981 |

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

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---------------------------------|-------------------|----------------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net sales: | | | | |
| Net sales - GAAP | \$ 174,694 | \$ 170,303 | \$ 753,477 | \$ 680,241 |
| Section 301 U.S. tariffs on goods imported from China ⁽¹⁾ | (530) | (1,459) | (3,725) | (1,858) |
| Stock-based compensation for performance-based warrants | 616 | (584) | 1,997 | 163 |
| Adjusted Non-GAAP net sales | <u>\$ 174,780</u> | <u>\$ 168,260</u> | <u>\$ 751,749</u> | <u>\$ 678,546</u> |
| Cost of sales: | | | | |
| Cost of sales - GAAP | \$ 124,837 | \$ 132,776 | \$ 583,274 | \$ 538,437 |
| Section 301 U.S. tariffs on goods imported from China ⁽¹⁾ | 1,084 | (8,570) | (13,377) | (9,654) |
| Excess manufacturing overhead and factory transition costs ⁽²⁾ | (1,412) | (3,979) | (17,746) | (17,904) |
| Impairment of Ohio call center assets ⁽³⁾ | (811) | — | (811) | — |
| Adjustments to acquired tangible assets ⁽⁴⁾ | (110) | (284) | (471) | (758) |
| Stock-based compensation expense | (37) | (22) | (139) | (85) |
| Amortization of acquired intangible assets | — | — | — | (37) |
| Adjusted Non-GAAP cost of sales | <u>123,551</u> | <u>119,921</u> | <u>550,730</u> | <u>509,999</u> |
| Adjusted Non-GAAP gross profit | <u>\$ 51,229</u> | <u>\$ 48,339</u> | <u>\$ 201,019</u> | <u>\$ 168,547</u> |
| Gross margin: | | | | |
| Gross margin - GAAP | 28.5 % | 22.0 % | 22.6% | 20.8% |
| Section 301 U.S. tariffs on goods imported from China ⁽¹⁾ | (0.8)% | 4.5 % | 1.4% | 1.2% |
| Stock-based compensation for performance-based warrants | 0.3 % | (0.3)% | 0.2% | 0.0% |
| Excess manufacturing overhead and factory transition costs ⁽²⁾ | 0.7 % | 2.3 % | 2.3% | 2.7% |
| Impairment of Ohio call center assets ⁽³⁾ | 0.5 % | — % | 0.1% | —% |
| Adjustments to acquired tangible assets ⁽⁴⁾ | 0.1 % | 0.2 % | 0.1% | 0.1% |
| Stock-based compensation expense | 0.0 % | 0.0 % | 0.0% | 0.0% |
| Amortization of acquired intangible assets | — % | — % | —% | 0.0% |
| Adjusted Non-GAAP gross margin | <u>29.3 %</u> | <u>28.7 %</u> | <u>26.7%</u> | <u>24.8%</u> |
| Operating expenses: | | | | |
| Operating expenses - GAAP | \$ 38,406 | \$ 34,955 | \$ 154,888 | \$ 143,469 |
| Section 301 U.S. tariffs on goods imported from China ⁽¹⁾ | (18) | (150) | (1,804) | (350) |
| Stock-based compensation expense | (2,090) | (1,990) | (8,705) | (8,736) |
| Amortization of acquired intangible assets | (1,395) | (1,401) | (5,595) | (5,602) |
| Change in contingent consideration | 366 | 1,275 | (1,403) | 717 |
| Employee related restructuring and other costs | (1,335) | (767) | (2,720) | (1,925) |
| Adjusted Non-GAAP operating expenses | <u>\$ 33,934</u> | <u>\$ 31,922</u> | <u>\$ 134,661</u> | <u>\$ 127,573</u> |

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

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---------------------------------|-------------|----------------------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Operating income (loss): | | | | |
| Operating income (loss) - GAAP | \$ 11,451 | \$ 2,572 | \$ 15,315 | \$ (1,665) |
| Section 301 U.S. tariffs on goods imported from China ⁽¹⁾ | (1,596) | 7,261 | 11,456 | 8,146 |
| Stock-based compensation for performance-based warrants | 616 | (584) | 1,997 | 163 |
| Excess manufacturing overhead and factory transition costs ⁽²⁾ | 1,412 | 3,979 | 17,746 | 17,904 |
| Impairment of Ohio call center assets ⁽³⁾ | 811 | — | 811 | — |
| Adjustments to acquired tangible assets ⁽⁴⁾ | 110 | 284 | 471 | 758 |
| Stock-based compensation expense | 2,127 | 2,012 | 8,844 | 8,821 |
| Amortization of acquired intangible assets | 1,395 | 1,401 | 5,595 | 5,639 |
| Change in contingent consideration | (366) | (1,275) | 1,403 | (717) |
| Employee related restructuring and other costs | 1,335 | 767 | 2,720 | 1,925 |
| Adjusted Non-GAAP operating income | \$ 17,295 | \$ 16,417 | \$ 66,358 | \$ 40,974 |
| Adjusted Non-GAAP operating income as a percentage of net sales | 9.9% | 9.8% | 8.8% | 6.0% |
| Net income (loss): | | | | |
| Net income (loss) - GAAP | \$ 7,027 | \$ (11,107) | \$ 3,630 | \$ 11,924 |
| Section 301 U.S. tariffs on goods imported from China ⁽¹⁾ | (1,596) | 7,261 | 11,456 | 8,146 |
| Stock-based compensation for performance-based warrants | 616 | (584) | 1,997 | 163 |
| Excess manufacturing overhead and factory transition costs ⁽²⁾ | 1,412 | 3,979 | 17,746 | 17,904 |
| Impairment of Ohio call center assets ⁽³⁾ | 811 | — | 811 | — |
| Adjustments to acquired tangible assets ⁽⁴⁾ | 110 | 284 | 471 | 758 |
| Stock-based compensation expense | 2,127 | 2,012 | 8,844 | 8,821 |
| Amortization of acquired intangible assets | 1,395 | 1,401 | 5,595 | 5,639 |
| Change in contingent consideration | (366) | (1,275) | 1,403 | (717) |
| Employee related restructuring and other costs | 1,335 | 767 | 2,720 | 1,925 |
| Foreign currency (gain) loss | 263 | 427 | 933 | 4,441 |
| Gain on sale of Guangzhou factory | — | — | — | (36,978) |
| Income tax provision on adjustments | (320) | (1,721) | (7,259) | (3,351) |
| Other income tax adjustments ⁽⁵⁾ | — | 10,292 | 1,772 | 10,986 |
| Adjusted Non-GAAP net income | \$ 12,814 | \$ 11,736 | \$ 50,119 | \$ 29,661 |
| Diluted shares used in computing earnings (loss) per share: | | | | |
| GAAP | 14,286 | 13,804 | 14,109 | 14,060 |
| Adjusted Non-GAAP | 14,286 | 13,894 | 14,109 | 14,060 |
| Diluted earnings (loss) per share: | | | | |
| Diluted earnings (loss) per share - GAAP | \$ 0.49 | \$ (0.80) | \$ 0.26 | \$ 0.85 |
| Total adjustments | \$ 0.41 | \$ 1.64 | \$ 3.29 | \$ 1.26 |
| Adjusted Non-GAAP diluted earnings per share | \$ 0.90 | \$ 0.84 | \$ 3.55 | \$ 2.11 |

- (1) Includes incremental revenues and costs directly attributable to the additional Section 301 U.S. tariffs implemented in 2018 on goods manufactured in China and imported into the U.S. as well as costs incurred for the movement of factory equipment and other costs of countermeasures undertaken by the company to modify its manufacturing operations and supply chain.
- (2) The three and twelve months ended December 31, 2019 and December 31, 2018 include excess manufacturing overhead costs incurred as a result of expanding our manufacturing capacity in Mexico and transitioning certain of our manufacturing activities from China to Mexico. The twelve months ended December 31, 2019 includes direct manufacturing inefficiencies incurred in Mexico during the start-up phase of production. The twelve months ended December 31, 2018 includes excess costs incurred resulting from factory underutilization associated with ceasing manufacturing activities while transitioning our Asia operations onto our new global ERP system, which went live in Asia in April 2018. Additionally, the twelve months ended December 31, 2018 includes \$4.8 million of asset write-downs associated with the closure and sale of our Guangzhou, China factory.
- (3) Consists of impairment expenses associated with the disposal of our call center in Euclid, Ohio.
- (4) Consists of depreciation related to the mark-up from cost to fair value of fixed assets acquired in business combinations.
- (5) The twelve months ended December 31, 2019 and December 31, 2018 include net deferred tax asset adjustments resulting from a lower statutory tax rate due to tax incentives at one of our China factories. The three and twelve months ended December 31, 2018 includes the valuation allowance recorded against U.S. federal and state deferred tax assets and the estimated state and withholding tax liability related to foreign unrepatriated earnings.

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