

UTStarcom Holdings Corp.

# First Quarter 2015 Results

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This investor presentation contains forward-looking statements, including statements regarding the Company's expectation regarding its strategic initiatives and business outlook. Forward-looking statements are based on current expectations, estimates, forecasts and projections about the Company, the Company's future performance and the industries in which the Company operates as well as on the Company management's assumptions and beliefs.

These forward-looking statements are only predictions and are subject to risks and uncertainties that may cause actual results to differ materially and adversely from the Company's current expectations. These include risks and uncertainties related to, among other things, changes in the financial condition and cash position of the Company, changes in the composition of the Company's management and their effect on the Company, the Company's ability to realize anticipated results of operational improvements and benefits of the divestiture transaction, successfully operate and grow its services business, execute its business plan and manage regulatory matters, as well as the risk factors identified in the Company's latest Annual Report on Form 20-F, and Current Reports on Form 6-K, as filed with the Securities and Exchange Commission. We undertake no obligation to update these forward-looking statements to reflect events or circumstances occurring after the date of this investor presentation. The Company is in a period of significant transition and the conduct of its business is exposed to additional risks as a result.

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# Introduction

- ❖ Delivered better than expected top line performance and began to drive incremental improvement in gross margin.
- ❖ Key Financial Highlights:
  - Revenue increased 0.3% year over year to \$32.4 million from \$32.3 million.
  - Gross margin increased slightly year over year driven by the growth of the broadband business.
  - Continued to maintain a strong balance sheet with \$67.9 million in cash, cash equivalents and short-term investments.
- ❖ Incremental improvement has been driven by the growth of the broadband business.



## Business Update

## ❖ Update on evolving product mix:

- Several new products are still in the early stage of their product cycle.
- Continued to receive positive response on TN765 product with 100G Ethernet services and other products at industry and trade events.
- Will focus on the further development and sales of higher margin product lines.

## ❖ Making strides on our geographic diversification.

- In North America, we focused on ramping up new larger Silicon Valley office to enhance our marketing efforts with telecom carriers and cable service providers in the U.S..
- In Japan, we continued to strengthen our relationship with Softbank and continued our sales efforts to penetrate the market and secure more customers.
- In India, we won a three-year contract with Bharat Sanchar Nigam Ltd. (BSNL), the largest national wireline carrier to support its major network enhancement.
- In South East Asia, we won Banglalion in Bangladesh as a new customer in the carrier WiFi segment and expect to announce more design wins in the next several months.

- ❖ Broadband is the key area of focus for the Company and we are continuing to make incremental progress in this area:
  - High margin flagship products, the TN765 with 100G Ethernet services and the carrier-grade Wi-Fi solution, continue to be popular and in demand.
  - Strong demand from emerging country network operators for our market leading solutions, including carrier Wi-Fi, mobile backhaul as well as metro network aggregation solutions.
  - Focused on the opportunities in the higher end of the market, and our R&D teams are working on new products and solutions to meet evolving customer needs.



As the largest investor in both companies, we benefit from their growth and expansion. We continue to actively support the development of their business and hope to monetize these investment in future.



## aioTV

- ❖ aioTV continued to lead in its space in terms of product design and innovation.
  - aioTV has been engaged with multiple potential customers in the U.S. in licensing its platform and solutions.
  - aioTV is expected to announce a key design win in the next quarter or two.



## UiTV Media

- ❖ UiTV Media continued nurturing its partnership with TOT in Thailand and also began to market and license its technologies to companies in China and Asia.



## Update on Strategic Initiatives and Company Outlook

- ❖ The Company has undergone a significant business transformation during the last several years.
  - Disposed non-core parts of the business.
  - Reduced costs dramatically.
  - Developed new industry-leading products.
  - Made strategic investments for expansion into global markets and in new technologies companies.
  
- ❖ The Company will make additional aggressive steps to create a healthier base for the business due to ongoing market challenges and the extended evolution of the business model.
  - Will further fine-tune the business model by focusing only on the most profitable broadband products and higher opportunity markets such as Japan, the U.S. and emerging countries.
  - Less profitable products will no longer be offered.
  - Will further reduce the cost structure.

- ❖ We believe the uptake of higher-end products will begin later this year.
- ❖ We expect to reduce an additional 10% operating expenses by further streamlining operations.
- ❖ The recalibration of the existing strategy will be apparent starting in the second quarter. We expect total revenues in the second quarter to be in the range of \$15 million to \$20 million.
- ❖ Given the transition that is underway, we are planning to provide an update on annual revenue and bottom line expectations later in the year.
- ❖ Taken together, UTStarcom will become stronger, more competitive and more profitable in the long-term, albeit with a lower expected overall top line growth rate than planned.



## Overview of First Quarter 2015 Results

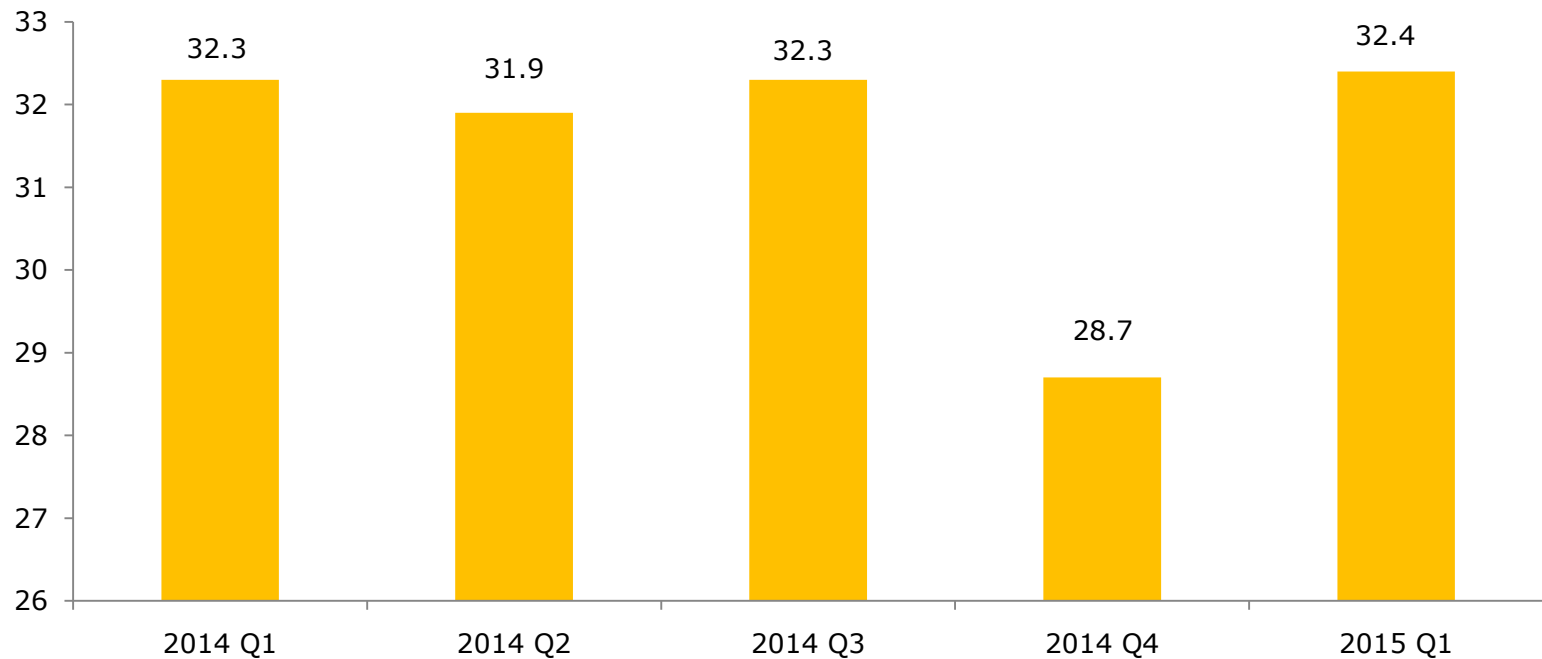
## Non-GAAP Key Financial Highlights

- ❖ Revenue increased 0.3% year over year to \$32.4 million from \$32.3 million.
- ❖ Gross margin improved sequentially to 14.9% from 11.9%, driven by favorable product mix.
- ❖ Continued to maintain a solid balance sheet with \$67.9 million in cash, cash equivalents and zero debt.

## Total Non-GAAP Revenue

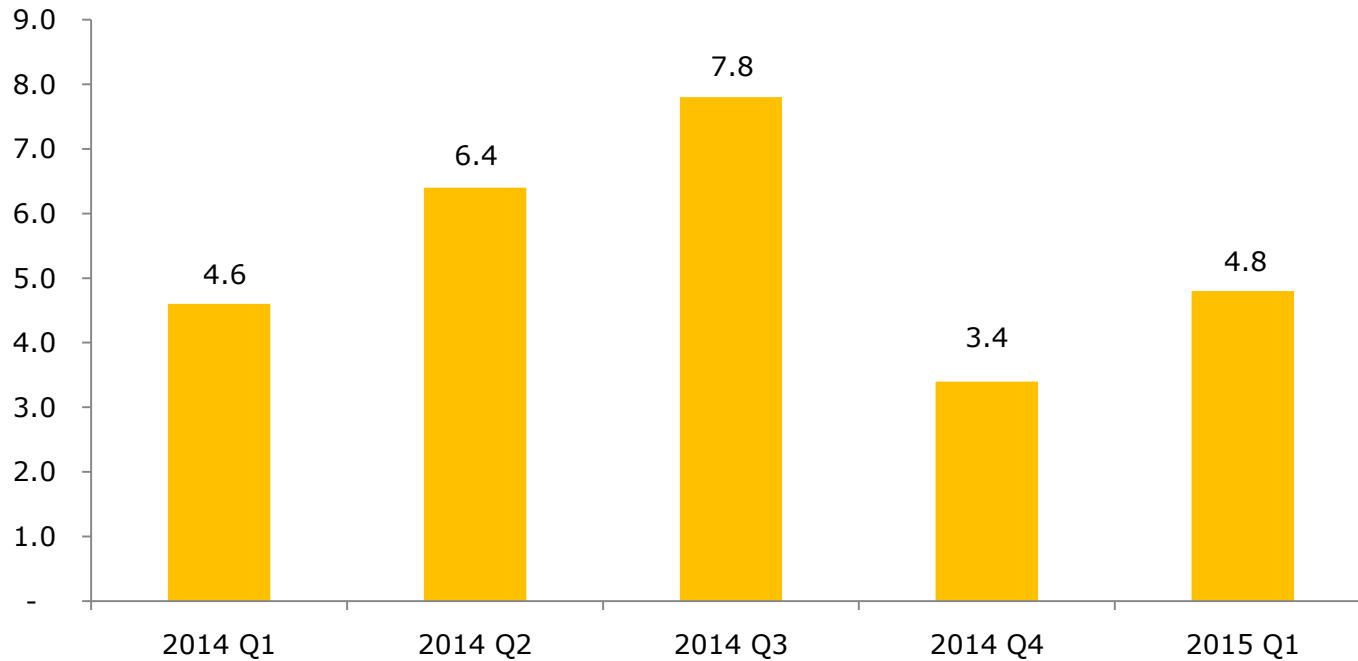
- ❖ Total Non-GAAP revenues for the first quarter of 2015 were \$32.4 million, an increase of 0.3 % from \$32.3 million for the corresponding period of 2014.

US\$ in millions



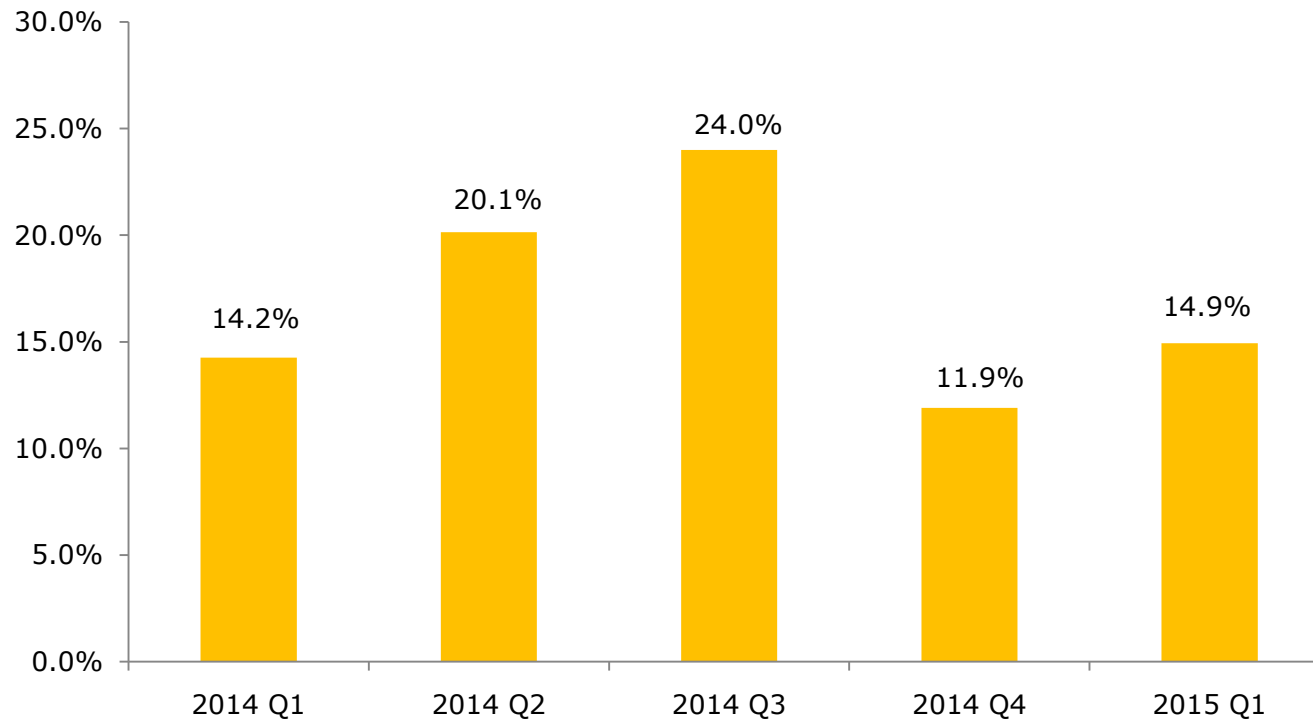
- ❖ Non GAAP Gross profit was \$4.8 million for the first quarter of 2015, compared to \$4.6 million for the corresponding period of 2014.

US\$ in millions



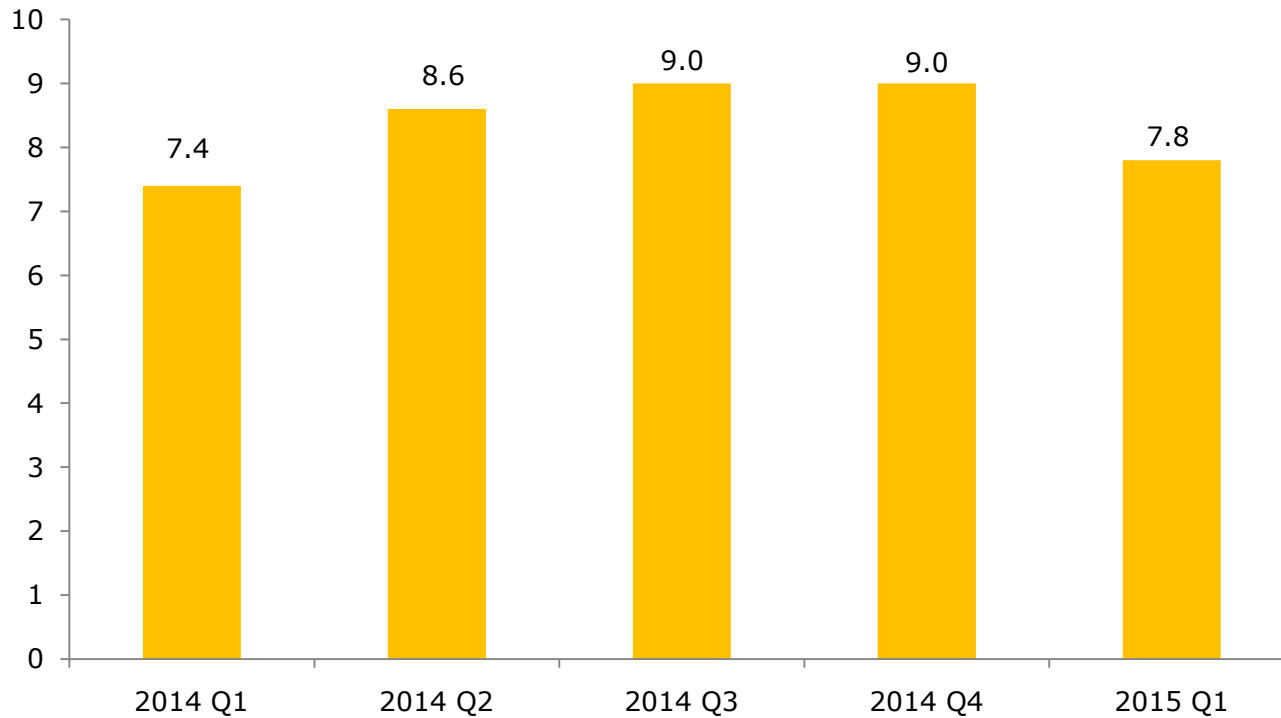


- ❖ Gross margin was 14.9% for the first quarter of 2015, compared to 14.2 % for the corresponding period of 2014.



- ❖ Operating expenses were \$7.8 million for the first quarter of 2015, an increase of 5.4% from \$7.4 million for the corresponding period of 2014.

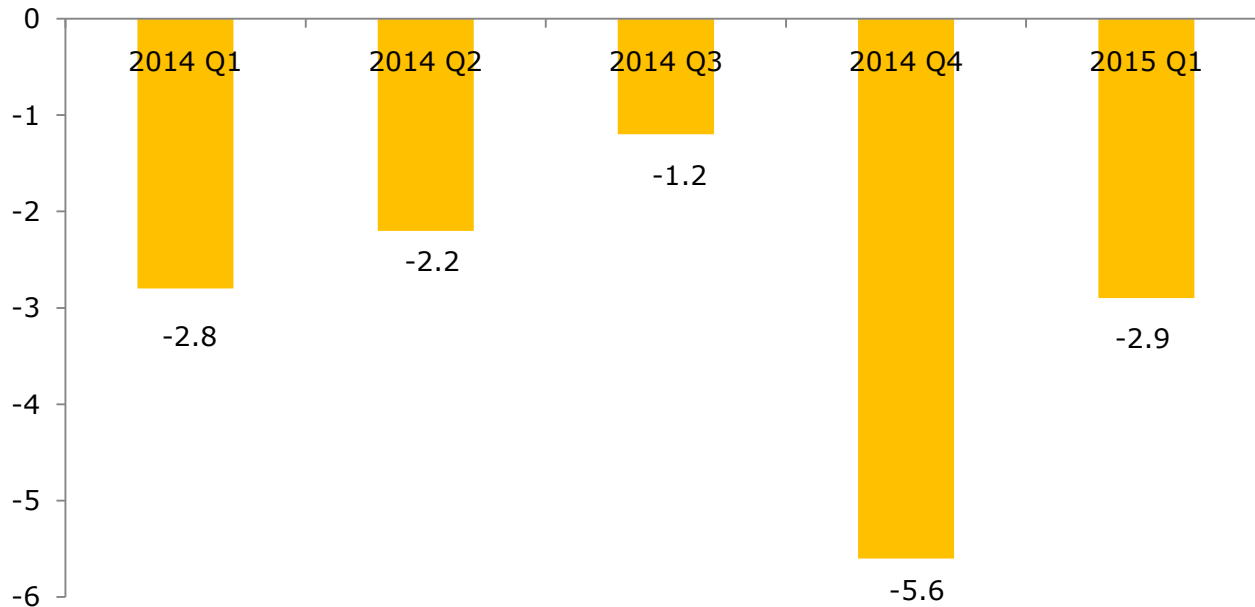
US\$ in millions



# Non GAAP Operating Loss

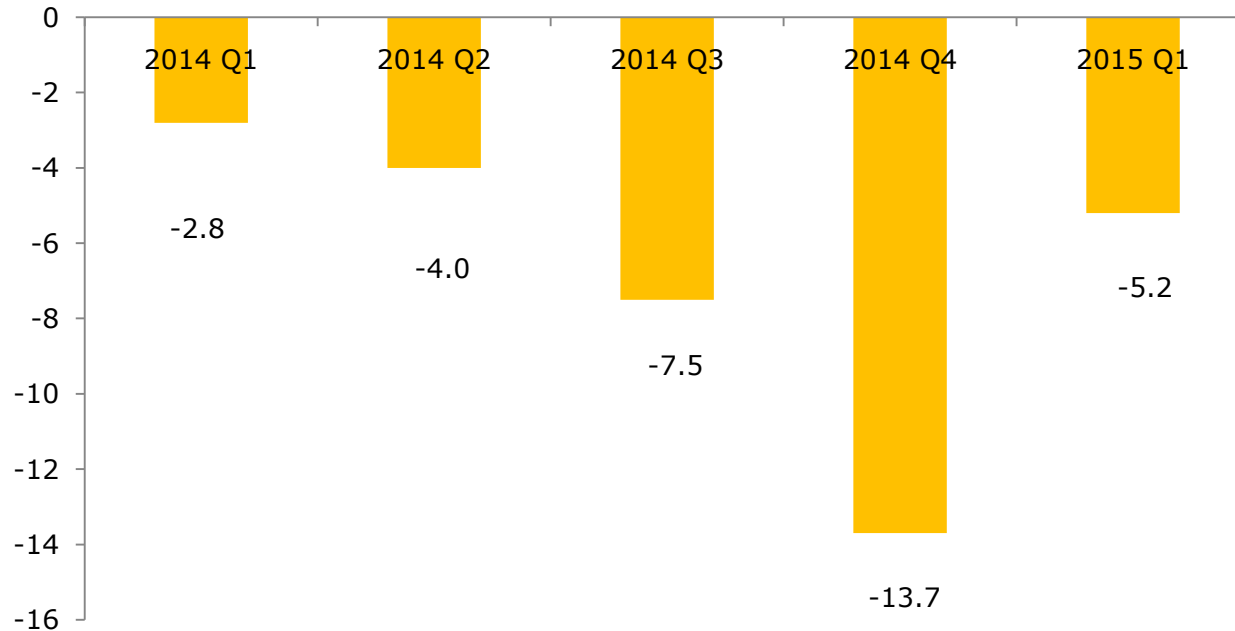
- ❖ Operating loss was \$2.9 million for the first quarter of 2015, compared to operating loss of \$2.8 million for the corresponding period of 2014.

US\$ in millions



- ❖ Net loss was \$5.2 million for the first quarter of 2015, compared to net loss of \$2.8 million for the corresponding period of 2014.

US\$ in millions



- ❖ Cash balance of \$67.9 million in cash, cash equivalents and short-term investment, and no debt.
- ❖ Cash used in operating activities for the first quarter of 2015 was \$9.2 million.
- ❖ Cash provided by investing activities for the first quarter of 2015 was \$0.6 million.
- ❖ Cash used in financing activities for the first quarter of 2015 was \$1.5 million, mostly related to our shares repurchase program.



## Conclusion

## Recap of Our Go-forward Strategy

- ❖ Will focus only on high margin revenue in our broadband business, which will continue to be the key driver of our business globally.
- ❖ Will focus on higher opportunity geographic markets.
- ❖ Will continue to streamline the business and further cut cost while continue to improve operational efficiency.
- ❖ Will continue to nurture our strategic investments in UiTV and aioTV in order to monetize these investments and generate a good return.
- ❖ Will also explore a variety of broader ways to unlock the true value of the broadband business. Specifically, we are planning to evaluate various strategic alternatives for this business, which may include strategic partnerships and potential access to the PRC capital markets.

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