



UTStarcom Holdings Corp.

# Fourth Quarter 2015 Results

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NASDAQ: UTSI  
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# Disclosure & Forward Looking Statements

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.



# Introduction

- ❖ The revised business strategy resulted in improvement in fundamentals.
- ❖ Key Financial Highlights:
  - Fourth quarter 2015 Non-GAAP revenues were \$25.7million, exceeding our our expectations set and shared last quarter.
  - Fourth quarter 2015 Non-GAAP gross margin was 30.6%.
  - Fourth quarter 2015 Non-GAAP operation income reached to \$2.7 million.
  - Continued to maintain a strong balance sheet with \$77.1 million in cash and cash equivalents.



# Operating Highlights

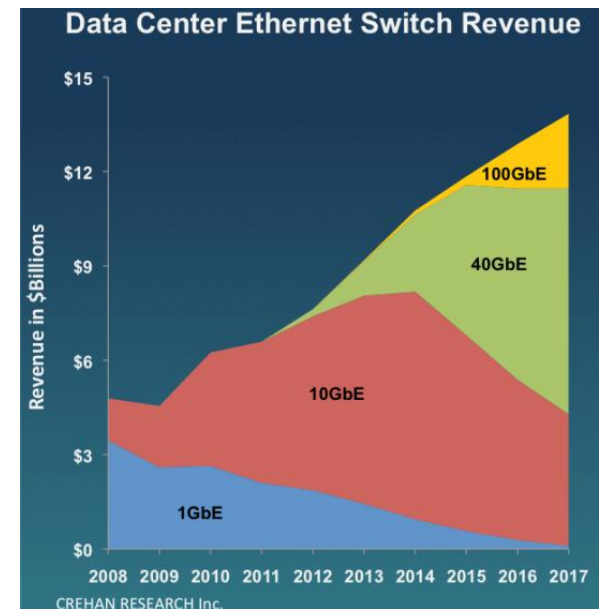
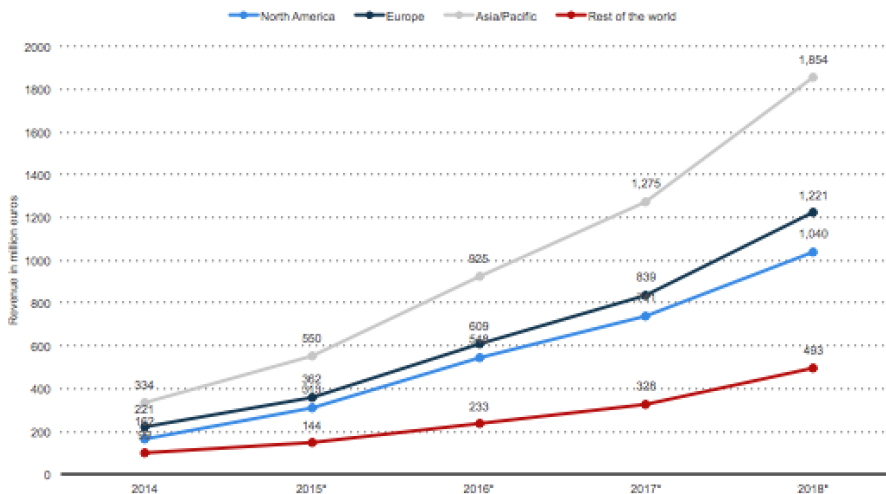
- ❖ Focused on high margin revenue in our broadband business, which remains a key business driver globally.
- ❖ Focused on key markets where we have deep understanding and experience while selectively investing in markets with great potential.
- ❖ Further streamlined business and improved operational efficiency.

# Data Center Market Opportunities

## Impact as related to UT business

- Potential need for large volumes of DC Switches
- UT's SDN/NFV can bring many benefits:
  - Integration of DC and Telecom infrastructure for efficient end-to-end service orchestration
  - Integration with DC for efficient implementation of network functions: Firewall, DPI, VPN, Routing, Load balancing etc.

Asia/Pacific is expected to have the largest NFV and SDN market growth between now and 2018





# Smart City Market Opportunities

## Smart City

- ✓ ICT – vital enabling element of the Smart City concept
- ✓ Requires 100% broadband penetration both fixed line and wireless
- ✓ Assumes convergence of Telecom and IT infrastructure:
  - Internet access
  - Broadband services
  - Telecom services
  - Data services
  - Cloud services
  - Security, VPN, Firewall
  - Big data analytics
  - IoT, M2M

## Impact as related to UT business

### Penetration

- 100% wireless coverage (4/5G, Wi-Fi)
- More traffic
- IoT, M2M
- IPv6



- Growing need for NG-PTN metro network

- Need for large volumes of DC Switches

- Wide use of data centers

- SDN Network



- SDN Experiences can bring many benefits

- Municipal Management system (MMS)

- High availability and scalability NMS



# Overview of 4Q15 Non-GAAP Financials

## Non-GAAP Key Financial Highlights

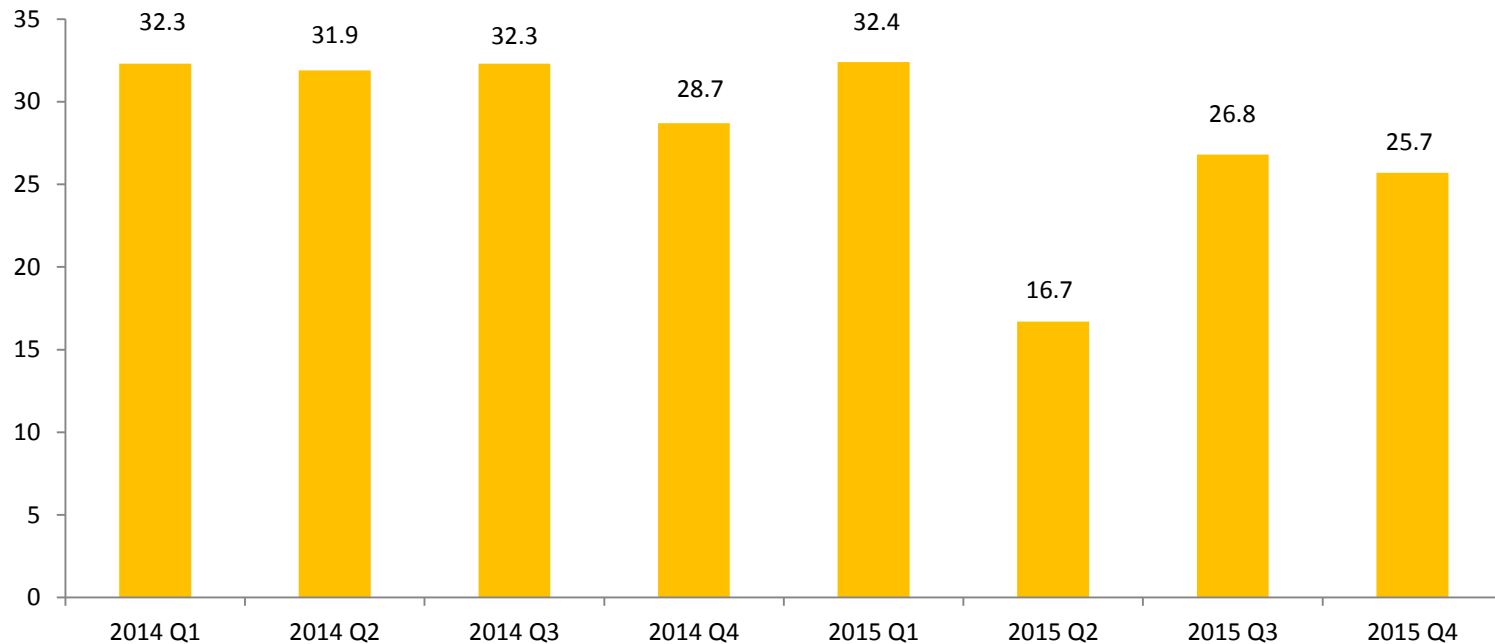
- Revenue improved sequentially to \$25.7million vs. \$26.8 million in the previous quarter.
- Gross margin improved sequentially to 30.6 % from 22.8 % in the previous quarter, driven by favorable product mix.
- Achieved operating profitability with operating income of \$2.7 million
- Continued to maintain a solid balance sheet with \$77.1 million in cash and cash equivalents and zero debt.



# Total Non-GAAP Revenue

- ❖ Total Non-GAAP revenues for the fourth quarter of 2015 were \$25.7 million, compared to \$28.7 million for the fourth quarter of 2014.
- ❖ Total Non-GAAP revenues for 2015 were \$101.6 million, compared to \$125.2 million for 2014.

US\$ in millions



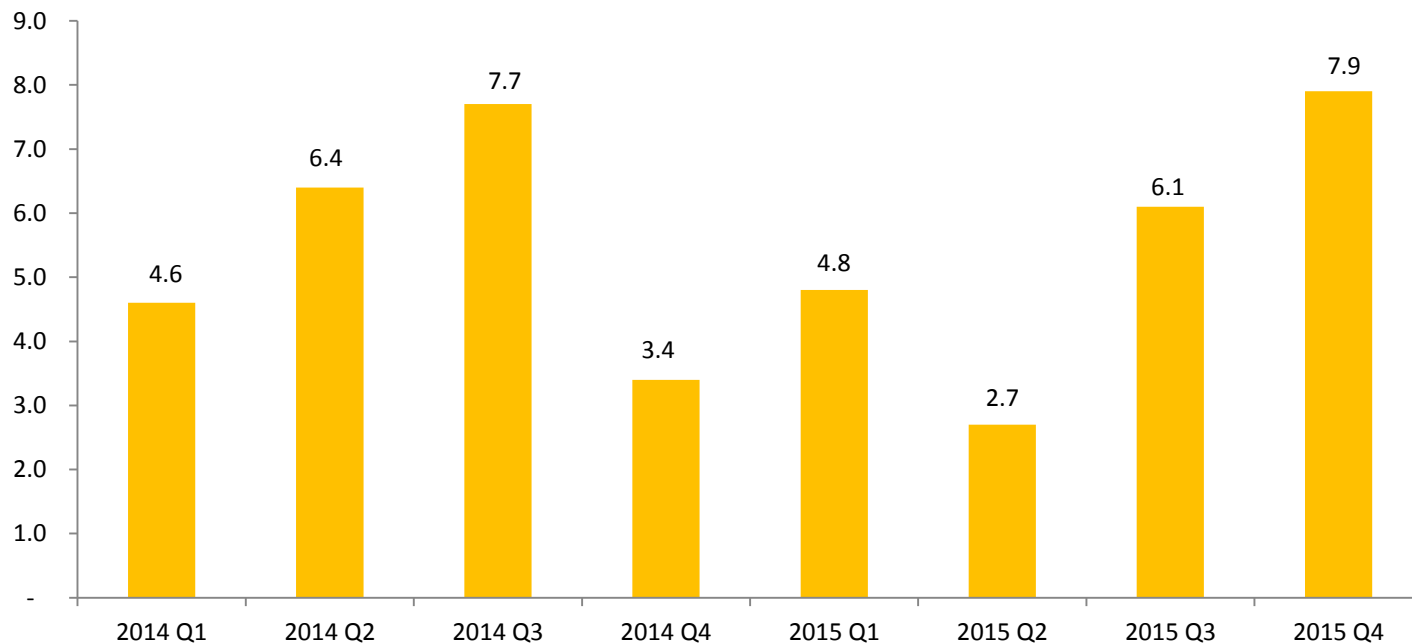




# Non GAAP Gross Profit

- ❖ Non-GAAP Gross profit was \$7.9 million for the fourth quarter of 2015, compared to \$3.4 million for the fourth quarter of 2014.
- ❖ Total Non-GAAP revenues for 2015 were \$21.5 million, compared to \$22.2 million for 2014.

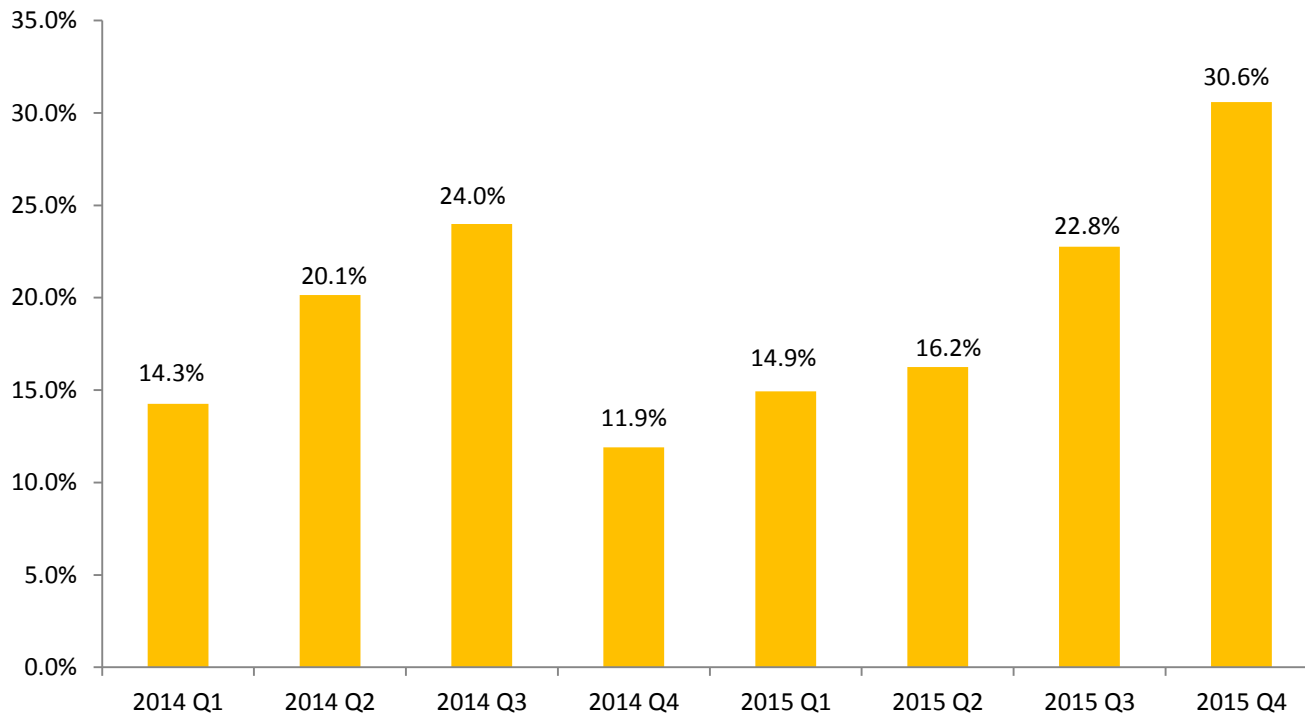
US\$ in millions





# Non GAAP Gross Margin

- ❖ Non-GAAP gross margin was 30.6% for the fourth quarter of 2015, compared to 22.8 % for the third quarter of 2015 and 11.9% for the fourth quarter of 2014.
- ❖ Non-GAAP gross margin was 21.2% for 2015, compared to 17.7% for 2014.

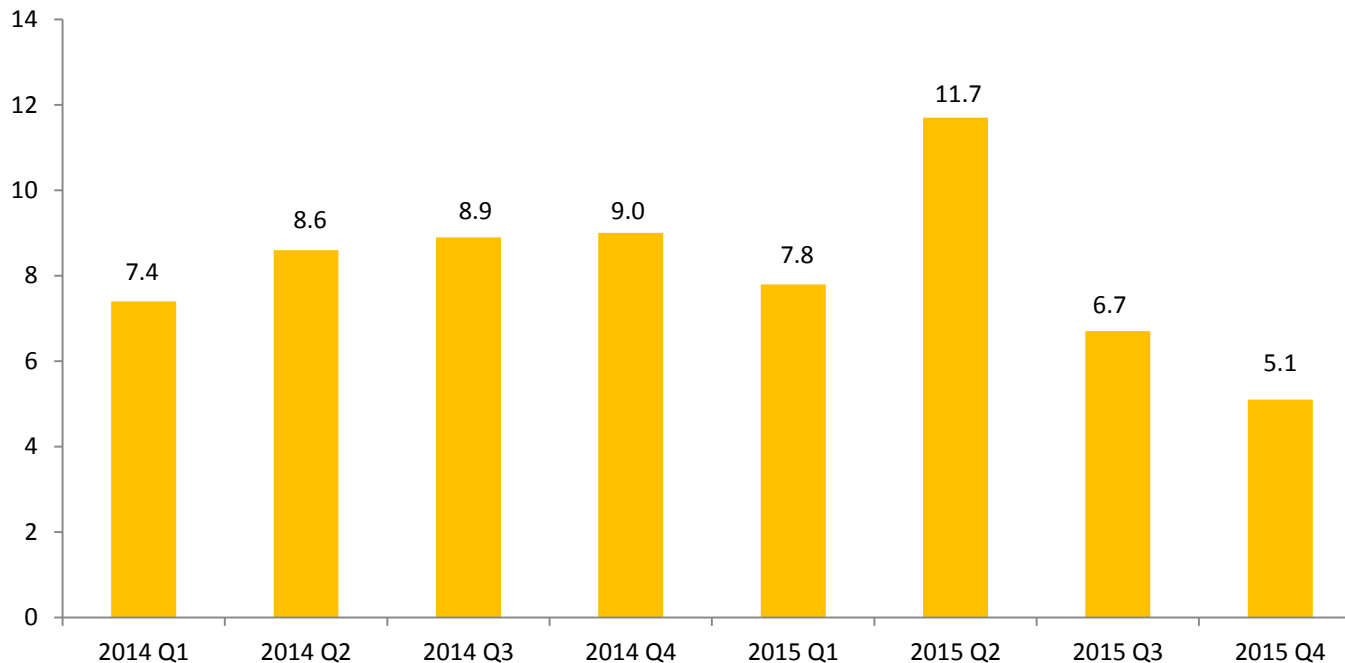




# Non GAAP Operating Expenses

- ❖ Non-GAAP operating expenses were \$5.1 million for the fourth quarter of 2015, a decrease of 43% Y/Y from \$9.0 million for the fourth quarter of 2014.
- ❖ Non-GAAP operating expenses were \$31.4 million for 2015, compared to 34.0 million for 2014.

US\$ in millions

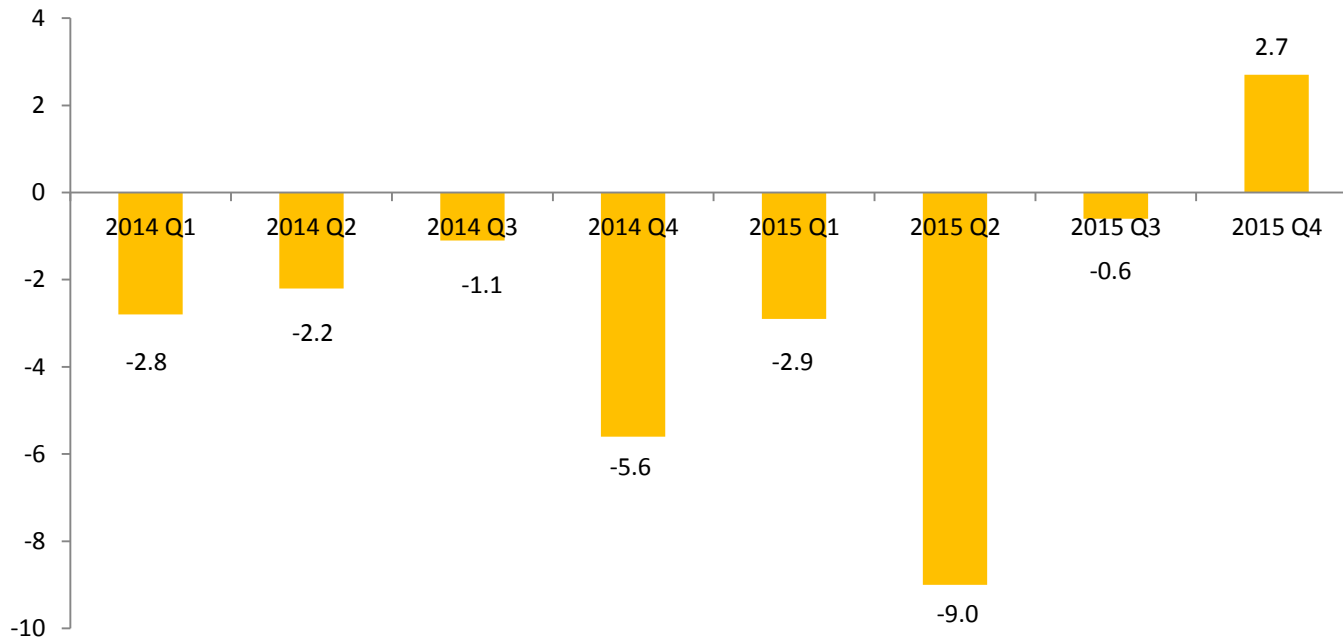




# Non GAAP Operating Income(Loss)

- ❖ Non-GAAP operating income was \$2.7 million for the fourth quarter of 2015, compared to operating loss of \$5.6 million for the fourth quarter of 2014.
- ❖ Non-GAAP operating loss was \$9.8 million for 2015, compared to operating loss of \$11.8 million for 2014.

US\$ in millions





# Non GAAP Net Loss

- ❖ Non-GAAP net loss was \$13.7 million for the fourth quarter of 2015, compared to net loss of \$13.7 million for the fourth quarter of 2014.
- ❖ Non-GAAP net loss was \$24.5 million for 2015, compared to net loss of \$28.0 million for 2014.

US\$ in millions





# Cash Flow Analysis

- ❖ Cash balance of \$77.1 million in cash and cash equivalents with zero debt.
- ❖ Cash provided by operating activities for the fourth quarter of 2015 was \$6.5 million.
- ❖ Cash used in investing activities for the fourth quarter of 2015 was \$1.1 million.
- ❖ Cash used in financing activities for the fourth quarter of 2015 was \$0.2 million.



# Recap of Our Go-forward Strategy

- ❖ Will continue to focus on high margin revenue in our broadband business as this remains the key business driver for us globally.
- ❖ Will achieve a healthy geographic diversification by focusing on key markets and exploring emerging markets.
- ❖ Will continue to drive down cost, streamline the business, and improve operational efficiency.
- ❖ Will cooperate with our strategic investor and explore new market opportunities.



# Company Outlook

- ❖ We have strategically realigned our business in order to transform UTStarcom, generate higher margins, and ultimately enhance shareholder value.
- ❖ Looking at the first quarter, the Company expects to generate non-GAAP revenue in the range of \$15-20 million.





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Thank you !