AVG Technologies N.V.
Form 6-K
October 31, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

October 31, 2012

Commission File Number: 001-35408

AVG TECHNOLOGIES N.V.

Gatwickstraat 9-39

1043 GL Amsterdam

The Netherlands

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ¨

Table of Contents

Table of Contents

Item

1. Press release

Table of Contents

Item 1

AVG Reports Third Quarter 2012 Financial Results

Revenue Grows 34 Percent in Q3 Year Over Year; Reports Q3 GAAP EPS of $0.35 and Non-GAAP

EPS of $0.43; Raises Fiscal Year 2012 Outlook

AMSTERDAM, October 31, 2012 / PRNewswire / AVG Technologies N.V. (NYSE: AVG) today reported results for the third quarter ended September 30, 2012.

AVG s financial results well exceeded our expectations for the third quarter, driven by strong growth in both our subscription and platform derived businesses, stated J.R. Smith, chief executive officer of AVG. During the quarter, we enhanced our portfolio of products and services with the launch of AVG 2013. Our latest line of products and services focuses on protection, performance and privacy as well as the introduction of free phone support for even our free customers. Also in the quarter, we continued to increase our active user count to 143 million, including 20 million mobile users. Considering our strong execution, we are again raising our outlook for the fiscal year 2012.

Revenue for the third quarter of 2012 was $95.3 million, compared with $71.2 million for the third quarter of 2011, an increase of 34 percent.

Net income for the third quarter of 2012 was $19.0 million, or $0.35 per diluted ordinary share, based on 54.7 million weighted-average diluted shares outstanding. This compares to net income of $6.7 million, or $0.09 per diluted share, and 39.1 million weighted-average diluted shares outstanding for the third quarter of 2011.

Non-GAAP adjusted net income for the third quarter of 2012 was $23.4 million, or $0.43 per diluted share. This compares to non-GAAP adjusted net income of $10.5 million, or $0.20 per diluted share, for the same period of the prior year[1]. Non-GAAP results for the third quarter of 2012 exclude $2.7 million in share-based compensation expense and $1.9 million in acquisition amortization and reflect a $0.2 million adjustment to normalize to a tax rate of 14 percent.

Deferred revenue as of September 30, 2012 was $162.2 million. Cash and cash equivalents totaled $86.7 million as of September 30, 2012. Net debt[2] was $66.2 million as of September 30, 2012, compared to $73.7 million at June 30, 2012.

AVG generated $25.3 million in cash from operating activities in the third quarter of 2012, and $27.2 million in non-GAAP unlevered free cash flow. This represents a 29 percent revenue to non-GAAP unlevered free cash flow conversion rate.

[1] Non-GAAP adjusted net income per non-GAAP diluted share is calculated based on adjusted net income including earnings attributable to preferred shares in 2011. For further details, see the reconciliation note at the end of this press release.

[2] Net debt represents current and non-current debt less cash and cash equivalents.

Table of Contents

Financial Outlook

Based on information available as of October 31, 2012, AVG is providing the following financial outlook for the fourth quarter of 2012:

Revenue is expected to be in the range of $94.0 million to $98.0 million.

Net income is expected to be in the range of $9.0 million to $10.0 million; diluted EPS is expected to be in the range of $0.16 to $0.18.

Non-GAAP adjusted net income is expected to be in the range of $14.0 million to $15.0 million; non-GAAP diluted EPS is expected to be in the range of $0.25 to $0.27.

AVG s expectation of non-GAAP adjusted net income for the fourth quarter of 2012 excludes share-based compensation expense and acquisition amortization and assumes a tax rate of 14 percent. For the purpose of calculating diluted EPS and non-GAAP diluted EPS in the fourth quarter, the company assumes approximately 55.5 million weighted-average shares outstanding.

Based on information available as of October 31, 2012, AVG is increasing its financial outlook for fiscal year 2012 as follows:

Revenue is expected to be in the range of $354.0 million to $358.0 million.

Net income is expected to be in the range of $50.0 million to $51.0 million; diluted EPS is expected to be in the range of $0.91 to $0.93.

Non-GAAP adjusted net income is expected to be in the range of $73.0 million to $74.0 million; non-GAAP diluted EPS is expected to be in the range of $1.34 to $1.36.

Operating cash flow is expected to be in the range of $110.0 million to $114.0 million; non-GAAP unlevered free cash flow is expected to be in the range of $111.0 million to $115.0 million.

AVG s expectation of non-GAAP adjusted net income for the fiscal year 2012 excludes share-based compensation expense and acquisition amortization and assumes a tax rate of 14 percent. For the purpose of calculating diluted EPS and non-GAAP diluted EPS for 2012, the company assumes approximately 54.5 million weighted-average shares outstanding.

Table of Contents

Conference Call Information

AVG will hold its quarterly conference call today at 22:00 CET/5:00 p.m. ET/2:00 p.m. PT to discuss its third quarter financial results, business highlights and outlook. The conference call may be accessed via webcast at http://investors.avg.com or by calling +1 (877) 941-1427 (United States and Canada) or +1 (480) 629-9664 (International).

A replay of the webcast can be accessed via http://investors.avg.com. Additionally, an audio replay of the conference call will be available through November 7, 2012 by calling +1 (800) 406-7325 (United States and Canada) or +1 (303) 590-3030 (International), (conference passcode required: 4568939#).

Use of Non-GAAP Financial Information

This press release contains supplemental non-GAAP financial measures including the following: non-GAAP adjusted net income, non-GAAP adjusted net income per diluted share and non-GAAP unlevered free cash flow. The presentation of this supplemental non-GAAP financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with generally accepted accounting principles in the United States. In particular, adjusted net income, adjusted net income per diluted share and unlevered free cash flow should not be considered as measurements of the company s financial performance or liquidity under U.S. GAAP, as alternatives to income, operating income, cash flow from operation or any other performance measures derived in accordance with U.S. GAAP or as alternatives to cash flow from operating activities as a measure of the company s liquidity. Adjusted net income, adjusted net income per diluted share and unlevered free cash flow have limitations as analytical tools and should not be considered in isolation from, or as substitutes for, analysis of AVG s results of operations, including its cash flows, as reported under U.S. GAAP. Some of the limitations of adjusted net income, adjusted net income per diluted share and unlevered free cash flow as financial measures are:

- they do not reflect the company s future requirements for capital expenditure or contractual commitments, nor, in the case of the income measures, do they reflect the actual cash contributions received from customers;
- except in the case of free cash flow, they do not reflect changes in, or cash requirements for, the company s working capital needs;
- they do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on the company s debt;
- although amortization and share-based compensation are non-cash charges, the assets being amortized will often have to be replaced in the future and such measures do not reflect any cash requirements for such replacements; and
- other companies in AVG s industry may calculate these measures differently than AVG does, limiting their usefulness as comparative measures.

Because of these limitations, investors should rely on AVG s consolidated financial statements prepared in accordance with U.S. GAAP and treat the company s non-GAAP financial measures as supplemental information only.

AVG is providing these non-GAAP financial measures because it believes that such measures provide important supplemental information to management and investors about the company s core operating results, primarily because the non-GAAP financial measures exclude certain expenses and other amounts that management does not consider to be indicative of the company s core operating results or business outlook. AVG management uses these non-GAAP financial measures, in addition to the corresponding U.S. GAAP financial measures, in evaluating the company s operating performance, in planning and forecasting future periods, in making decisions regarding business operations and allocation of resources, and in comparing the company s performance against its historical performance.

For a reconciliation of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with U.S. GAAP, please see Reconciliation of U.S. GAAP to non-GAAP Financial Measures. All non-GAAP financial measures should be read in conjunction with the comparable information presented in accordance with U.S. GAAP.

Table of Contents

Forward-Looking Statements

This press release contains forward-looking statements within the Private Securities Litigation Reform Act of 1995, including those relating to an expected range of revenue, net income, EPS, operating cash flow, non-GAAP adjusted net income, non-GAAP EPS and non-GAAP unlevered free cash flow for the three-month period ending December 31, 2012 and/or the fiscal year ending December 31, 2012. Words such as expects, expectation, intends, assumes, believes and estimates, variations of such words and similar expressions are also intended to ident forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated herein. Factors that could cause or contribute to such differences include but are not limited to: changes in the company s growth strategies; changes in the company s future prospects, business development, results of operations and financial condition; changes to the online and computer threat environment and the endpoint security industry; competition from local and international companies, new entrants in the market and changes to the competitive landscape; the adoption of new, or changes to existing, laws and regulations; flaws in the assumptions underlying the calculation of the number of the company s active users; the termination of or changes to the company s relationships with its partners and other third parties; changes in the company s and its partners responses to privacy concerns; the company s plans to launch new products and online services and monetize its full user base; the company s ability to attract and retain active and subscription users; the company s ability to retain key personnel and attract new talent; the company s ability to adequately protect its intellectual property; flaws in the company s internal controls or IT systems; the company s geographic expansion plans; the anticipated costs and benefits of the company s acquisitions; the outcome of ongoing or any future litigation or arbitration, including litigation or arbitration relating to intellectual property rights; the company s legal and regulatory compliance efforts; and worldwide economic conditions and their impact on demand for the company s products and services. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements.

Further information on these factors and other risks that may affect the company s business is included in filings AVG makes with the Securities and Exchange Commission (SEC) from time to time, including its Annual Report on Form 20-F, particularly under the heading Risk Factors .

The financial information contained in this press release should be read in conjunction with the consolidated financial statements and notes thereto to be included in the company s report on Form 6-K. The company s results of operations for the third quarter ended September 30, 2012 are not necessarily indicative of the company s operating results for any future periods.

These documents are available online from the SEC or in the Investor Relations section of our website at http://investors.avg.com. Information on our website is not part of this release. All forward-looking statements in this press release are based on information currently available to us, and we assume no obligation to update these forward-looking statements in light of new information or future events.

About AVG

AVG s mission is to simplify, optimize and secure the Internet experience, providing peace of mind to a connected world. AVG s powerful yet easy-to-use software and online services put users in control of their Internet experience. By choosing AVG s software and services, users become part of a trusted global community that benefits from inherent network effects, mutual protection and support. AVG has grown its user base to 143 million active users as of September 30, 2012 and offers a product portfolio that targets the consumer and small business markets and includes Internet security, PC performance optimization, online backup, mobile security, identity protection and family safety software.

Table of Contents

AVG Technologies N.V.

Condensed Consolidated Balance Sheets

(In Thousands)

	December 31, 2011	September 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 60,740	$ 86,703
Trade accounts receivable, net	25,363	34,993
Inventories	883	932
Deferred income taxes	18,394	18,394
Prepaid expenses	3,975	4,841
Prepaid share issuance cost	6,820	0
Other current assets	6,363	7,153
Total current assets	**122,538**	**153,016**
Property and equipment, net	12,436	12,303
Deferred income taxes	59,750	56,770
Intangible assets, net	35,035	36,850
Goodwill	71,367	72,277
Investment in equity affiliate	511	333
Investments	9,750	9,750
Other assets	248	2,510
Total assets	**$ 311,635**	**$ 343,809**
LIABILITIES, PREFERRED SHARES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	11,035	9,983
Accrued compensation and benefits	15,941	18,876
Accrued expenses and other current liabilities	30,878	27,298
Current portion of long term debt	41,125	18,700
Income taxes payable	4,161	3,361
Deferred revenue	120,269	131,361
Total current liabilities	**223,409**	**209,579**
Long-term debt, less current portion	184,315	134,202
Deferred revenue, less current portion	30,839	30,844
Other non-current liabilities	3,397	3,646
Total liabilities	**441,960**	**378,271**
Class D preferred shares	**191,954**	**0**
Ordinary shares	476	722
Additional paid-in capital (Distributions in excess of capital)	(388,225)	(136,341)
Treasury shares	0	(3,869)
Accumulated other comprehensive loss	(6,324)	(5,129)
Retained earnings	71,794	110,155
Total shareholders deficit	**(322,279)**	**(34,462)**

Total liabilities, preferred shares and shareholders deficit	**$**	**311,635**	**$**	**343,809**

Table of Contents

AVG Technologies N.V.

Condensed Consolidated Statements of Comprehensive Income

(In thousands, except share data and per share data)

	Three months ended September 30, 2011	Three months ended September 30, 2012	Nine months ended September 30, 2011	Nine months ended September 30, 2012
Revenue:				
Subscription	$ 43,942	$ 49,226	$ 130,071	$ 143,210
Platform-derived	27,228	46,027	68,022	117,551
Total revenue	**71,170**	**95,253**	**198,093**	**260,761**
Cost of revenue:				
Subscription	5,832	5,794	17,287	19,597
Platform-derived	3,352	9,548	6,517	20,214
Total cost of revenue	**9,184**	**15,342**	**23,804**	**39,811**
Gross profit	**61,986**	**79,911**	**174,289**	**220,950**
Operating expenses:				
Sales and marketing	19,190	22,298	53,904	63,710
Research and development	8,835	11,833	24,478	38,981
General and administrative	18,332	16,784	35,984	48,588
Total operating expenses	**46,357**	**50,915**	**114,366**	**151,279**
Operating income	**15,629**	**28,996**	**59,923**	**69,671**
Other expense, net	**(5,535)**	**(6,383)**	**(12,278)**	**(17,732)**
Income before income taxes and loss from investment in equity affiliate	**10,094**	**22,613**	**47,645**	**51,939**
Benefit (Provision) for income taxes	(3,373)	(3,581)	52,212	(10,845)
Loss from investment in equity affiliate	(61)	(69)	(180)	(178)
Net income	**6,660**	**18,963**	**99,677**	**40,916**
Comprehensive income	**$ 4,418**	**$ 19,686**	**$ 96,767**	**$ 42,111**
Net income	$ 6,660	$ 18,963	$ 99,677	$ 40,916
Preferred share dividends	(1,802)	0	(5,406)	(753)
Distributed and undistributed earnings to participating securities	(1,214)	0	(27,513)	0
Net income available to ordinary shareholders	**$ 3,644**	**$ 18,963**	**$ 66,758**	**$ 40,163**
Net income available to ordinary shareholders - basic	$ 3,644	$ 18,963	$ 66,758	$ 40,163
Net income available to ordinary shareholders - diluted	$ 3,644	$ 18,963	$ 66,758	$ 40,916

Earnings per ordinary share - basic	$	0.10	$	0.35		$	1.85	$ 0.77
Earnings per ordinary share - diluted	$	0.09	$	0.35		$	1.72	$ 0.75
Weighted-average shares outstanding - basic		36,000,000		54,232,743	$46.48	$40.81	$40.99	

01/02/2018	03/29/2018	$44.22	$34.87	$36.34
04/02/2018	06/29/2018	$44.85	$35.76	$39.40
07/02/2018	09/28/2018	$40.09	$33.55	$33.67
10/01/2018	12/31/2018	$38.45	$30.56	$33.45
01/02/2019*	02/22/2019*	$39.99	$32.25	$39.99

* As of the date of this preliminary terms supplement available information for the first calendar quarter of 2019 includes data for the period from January 2, 2019 through February 22, 2019. Accordingly, the "Quarterly High," "Quarterly Low" and "Quarterly Close" data indicated are for this shortened period only and do not reflect complete data for the first calendar quarter of 2019.

The graph below illustrates the performance of General Motors' common stock for the period indicated, based on information from Bloomberg. The solid line represents a hypothetical trigger price and coupon barrier of $32.26, which is equal to 80.00% of an intra-day price on February 25, 2019. The actual trigger price and coupon barrier will be based on the closing price of General Motors' common stock on the trade date. **Past performance of the underlying asset is not indicative of the future performance of the underlying asset.**

What are the Tax Consequences of the Securities?

The U.S. federal income tax consequences of your investment in the Securities are uncertain. There are no statutory provisions, regulations, published rulings or judicial decisions addressing the characterization for U.S. federal income tax purposes of securities with terms that are substantially the same as the Securities. Some of these tax consequences are summarized below, but we urge you to read the more detailed discussion in the prospectus supplement under "What are the Tax Consequences of the Securities?" and the accompanying product supplement under "Material U.S. Federal Income Tax Consequences — Securities Treated as Prepaid Derivatives or Prepaid Forwards" and to discuss the tax consequences of your particular situation with your tax advisor. This discussion is based upon the Internal Revenue Code of 1986, as amended (the "Code"), final, temporary and proposed U.S. Treasury Department (the "Treasury") regulations, rulings and decisions, in each case, as available and in effect as of the date hereof, all of which are subject to change, possibly with retroactive

effect. Tax consequences under state, local and non-U.S. laws are not addressed herein. No ruling from the U.S. Internal Revenue Service (the "IRS") has been sought as to the U.S. federal income tax consequences of your investment in the Securities, and the following discussion is not binding on the IRS.

U.S. Tax Treatment. Pursuant to the terms of the Securities, UBS and you agree, in the absence of a statutory or regulatory change or an administrative determination or judicial ruling to the contrary, to characterize the Securities as pre-paid derivative contracts with respect to the underlying asset. If your Securities are so treated, any contingent coupon that is paid by UBS (including on the maturity date or call settlement date) should be included in your income as ordinary income in accordance with your regular method of accounting for U.S. federal income tax purposes.

In addition, excluding amounts attributable to any contingent coupon, you should generally recognize capital gain or loss upon the taxable disposition of your Securities in an amount equal to the difference between the amount you receive at such time (other than amounts or proceeds attributable to a contingent coupon or any amount attributable to any accrued but unpaid contingent coupon) and the amount you paid for your Securities. Such gain or loss should generally be long-term capital gain or loss if you have held your Securities for more than one year (otherwise such gain or loss would be short-term capital gain or loss if held for one year or less). The deductibility of capital losses is subject to limitations. Although uncertain, it is possible that proceeds received from the taxable disposition of your Securities prior to a coupon payment date that are attributable to an expected contingent coupon could be treated as ordinary income. You should consult your tax advisor regarding this risk.

We will not attempt to ascertain whether the underlying asset issuer would be treated as a "passive foreign investment company" (a "PFIC") within the meaning of Section 1297 of the Code or as a "United States real property holding corporation" (a "USRPHC") within the meaning of Section 897 of the Code. If the underlying asset issuer were so treated, certain adverse U.S. federal income tax consequences might apply, to a U.S. holder in the case of a PFIC and to a non-U.S. holder in the case of a USRPHC, upon the taxable disposition of a Security. You should refer to information filed with the SEC or the equivalent governmental authority by the underlying asset issuer and consult your tax advisor regarding the possible consequences to you in the event that such entity is or becomes a PFIC or USRPHC.

In the opinion of our counsel, Cadwalader, Wickersham & Taft LLP, based on certain factual representations received from us, it would be reasonable to treat your Securities in the manner described above. However, because there is no authority that specifically addresses the tax treatment of the Securities, it is possible that your Securities could alternatively be treated for tax purposes as a single contingent payment debt instrument, or pursuant to some other characterization, such that the timing and character of your income from the Securities could differ materially and adversely from the treatment described above, as described further under "Material U.S. Federal Income Tax Consequences — Alternative Treatments for Securities Treated as Any Type of Prepaid Derivative or Prepaid Forward" in the accompanying product supplement. Because of this uncertainty, we urge you to consult your tax advisor as to the tax consequences of your investment in the Notes.
Notice 2008-2. In 2007, the IRS released a notice that may affect the taxation of holders of the Securities. According to Notice 2008-2, the IRS and the Treasury are actively considering whether the holder of an instrument such as the Securities should be required to accrue ordinary income on a current basis. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of the Securities will ultimately be required to accrue income currently in excess of any receipt of contingent coupons and this could be applied on a retroactive basis. The IRS and the Treasury are also considering other relevant issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital, whether non-U.S. holders of such instruments should be subject to withholding tax on any deemed income accruals, and whether the special "constructive ownership rules" of Section 1260 of the Code should be applied to such instruments. Both U.S. and non-U.S. holders are urged to consult their tax advisor concerning the significance and potential impact of the above considerations.

Except to the extent otherwise required by law, UBS intends to treat your Securities for U.S. federal income tax purposes in accordance with the treatment described above and under "Material U.S. Federal Income Tax Consequences — Securities Treated as Prepaid Derivatives or Prepaid Forwards with Associated Contingent Coupons" in the accompanying product supplement unless and until such time as the IRS and the Treasury determine that some other treatment is more appropriate.

Medicare Tax on Net Investment Income. U.S. holders that are individuals, estates, and certain trusts are subject to an additional 3.8% tax on all or a portion of their "net investment income", which may include any income or gain realized with respect to the Securities, to the extent of their net investment income that when added to their other modified adjusted gross income, exceeds $200,000 for an unmarried individual, $250,000 for a married taxpayer filing a joint return (or a surviving spouse), or $125,000 for a married individual filing a separate return. The 3.8% Medicare tax is determined in a different manner than the income tax. U.S. holders should consult their tax advisors as to the consequences of the 3.8% Medicare tax to an investment in the Securities.

Specified Foreign Financial Assets. U.S. holders may be subject to reporting obligations with respect to their Securities if they do not hold their Securities in an account maintained by a financial institution and the aggregate value of their Securities and certain other "specified foreign financial assets" (applying certain attribution rules) exceeds an applicable threshold. Significant penalties can apply if a U.S. holder is required to disclose its Securities and fails to do so.

Non-U.S. Holders. The U.S. federal income tax treatment of the contingent coupons is unclear. Subject to the discussions below with respect to Section 871(m) of the Code and FATCA (as defined below), our counsel is of the opinion that contingent coupons paid to a non-U.S. holder that provides us (and/or the applicable withholding agent) with a fully completed and validly executed applicable IRS Form W-8 should not be subject to U.S. withholding tax and we do not intend to withhold any tax on contingent coupons. However, it is possible that the IRS could assert that such payments are subject to U.S. withholding tax, or that another withholding agent may otherwise determine that withholding is required, in which case such other withholding agent may withhold up to 30% on such payments (subject to reduction or elimination of such withholding tax pursuant to an applicable income tax treaty). We will not pay any additional amounts in respect of such withholding. Subject to Section 871(m) of the Code, discussed below, gain from the taxable disposition of the Securities generally should not be subject to U.S. tax unless (i) such gain is effectively connected with a trade or business conducted by the non-U.S. holder in the U.S., (ii) the non-U.S. holder is a non-resident alien individual and is present in the U.S. for 183 days or more during the taxable year of such taxable disposition and certain other conditions are satisfied or (iii) the non-U.S. holder has certain other present or former connections with the U.S.

Section 871(m). A 30% withholding tax (which may be reduced by an applicable income tax treaty) is imposed under Section 871(m) of the Code on certain "dividend equivalents" paid or deemed paid to a non-U.S. holder with respect to a "specified equity-linked instrument" that references one or more dividend-paying U.S. equity securities. The withholding tax can apply even if the instrument does not provide for payments that reference dividends. Treasury regulations provide that the withholding tax applies to all dividend equivalents paid or deemed paid on specified equity-linked instruments that have a delta of one ("delta one specified equity-linked instruments") issued after 2016 and to all dividend equivalents paid or deemed paid on all other specified equity-linked instruments issued after 2018. However, the IRS has issued guidance that states that the Treasury and the IRS intend to amend the effective dates of the Treasury regulations to provide that withholding on dividend equivalents paid or deemed paid will not apply to specified equity-linked instruments that are not delta one specified equity-linked instruments and are issued before January 1, 2021.

Based on our determination that the Securities are not "delta-one" with respect to the underlying asset, our counsel is of the opinion that the Securities should not be delta one specified equity-linked instruments and thus should not be subject to withholding on dividend equivalents. Our determination is not binding on the IRS, and the IRS may disagree with this determination. Furthermore, the application of Section 871(m) of the Code will depend on our determinations made upon issuance of the Securities. If withholding is required, we will not make payments of any additional amounts.

Nevertheless, after issuance, it is possible that your Securities could be deemed to be reissued for tax purposes upon the occurrence of certain events affecting the underlying asset or your Securities, and following such occurrence your Securities could be treated as delta one specified equity-linked instruments that are subject to withholding on dividend equivalents. It is also possible that withholding tax or other tax under Section 871(m) of the Code could apply to the Securities under these rules if you enter, or have entered, into certain other transactions in respect of the underlying asset or the Securities. If you enter, or have entered, into other transactions in respect of the underlying asset or the Securities, you should consult your tax advisor regarding the application of Section 871(m) of the Code to your Securities in the context of your other transactions.

Because of the uncertainty regarding the application of the 30% withholding tax on dividend equivalents to the Securities, you are urged to consult your tax advisor regarding the potential application of Section 871(m) of the Code and the 30% withholding tax to an investment in the Securities.

Foreign Account Tax Compliance Act. The Foreign Account Tax Compliance Act ("FATCA") was enacted on March 18, 2010, and imposes a 30% U.S. withholding tax on "withholdable payments" (i.e., certain U.S.-source payments, including interest (and original issue discount), dividends, other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce U.S.-source interest or dividends) and "passthru payments" (i.e., certain payments attributable to withholdable payments) made to certain foreign financial institutions (and certain of their affiliates) unless the payee foreign financial institution agrees (or is required), among other things, to disclose the identity of any U.S. individual with an account of the institution (or the relevant affiliate) and to annually report certain information about such account. FATCA also requires withholding agents making withholdable payments to certain foreign entities that do not disclose the name, address, and taxpayer identification number of any substantial U.S. owners (or do not certify that they do not have any substantial U.S. owners) to withhold tax at a rate of 30%. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes.

Pursuant to final and temporary Treasury regulations and other IRS guidance, the withholding and reporting requirements under FATCA will generally apply to certain "withholdable payments" made on or after July 1, 2014, certain gross proceeds on a taxable disposition occurring after December 31, 2018, and certain foreign passthru payments made after December 31, 2018 (or, if later, the date that final regulations defining the term "foreign passthru payment" are published). If withholding is required, we (or the applicable paying agent) will not be required to pay additional amounts with respect to the amounts so withheld. Foreign financial institutions and non-financial foreign entities located in jurisdictions that have an intergovernmental agreement with the U.S. governing FATCA may be subject to different rules.

Investors should consult their tax advisors about the application of FATCA, in particular if they may be classified as financial institutions (or if they hold their Securities through a foreign entity) under the FATCA rules.

Proposed Legislation. In 2007, legislation was introduced in Congress that, if it had been enacted, would have required holders of Securities purchased after the bill was enacted to accrue interest income over the term of the Securities despite the fact that there may be no interest payments over the entire term of the Securities.

Furthermore, in 2013, the House Ways and Means Committee released in draft form certain proposed legislation relating to financial instruments. If it had been enacted, the effect of this legislation generally would have been to require instruments such as the Securities to be marked to market on an annual basis with all gains and losses to be treated as ordinary, subject to certain exceptions.

It is not possible to predict whether any similar or identical bills will be enacted in the future, or whether any such bill would affect the tax treatment of your Securities. You are urged to consult your tax advisor regarding the possible changes in law and their possible impact on the tax treatment of your Securities.

Both U.S. and non-U.S. holders are urged to consult their tax advisors concerning the application of U.S. federal income tax laws to their particular situation, as well as any tax consequences of the purchase, beneficial ownership and disposition of the Securities (including possible alternative treatments and the issues presented by Notice 2008-2) arising under the laws of any state, local, non-U.S. or other taxing jurisdiction.

Supplemental Plan of Distribution (Conflicts of Interest); Secondary Markets (if any)

We will agree to sell to UBS Securities LLC and UBS Securities LLC will agree to purchase, all of the Securities at the issue price to the public less the underwriting discount indicated on the cover of the final terms supplement, the document that will be filed pursuant to Rule 424(b) containing the final pricing terms of the Securities. UBS Securities LLC will agree to resell all of the Securities to UBS Financial Services Inc. at a discount from the issue price to the public equal to the underwriting discount indicated on the cover of the final terms supplement.

Conflicts of Interest - Each of UBS Securities LLC and UBS Financial Services Inc. is an affiliate of UBS and, as such, has a "conflict of interest" in this offering within the meaning of FINRA Rule 5121. In addition, UBS will receive the net proceeds (excluding the underwriting discount) from the initial public offering of the Securities and, thus creates an additional conflict of interest within the meaning of FINRA Rule 5121. Consequently, the offering is being conducted in compliance with the provisions of Rule 5121. Neither UBS Securities LLC nor UBS Financial Services Inc. is permitted to sell Securities in the offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

UBS Securities LLC and its affiliates may offer to buy or sell the Securities in the secondary market (if any) at prices greater than UBS' internal valuation - The value of the Securities at any time will vary based on many factors that cannot be predicted. However, the price (not including UBS Securities LLC's or any affiliate's customary bid-ask spreads) at which UBS Securities LLC or any affiliate would offer to buy or sell the Securities immediately after the trade date in the secondary market is expected to exceed the estimated initial value of the Securities as determined by reference to our internal pricing models. The amount of the excess will decline to zero on a straight line basis over a period ending no later than 1 month after the trade date, provided that UBS Securities LLC may shorten the period based on various factors, including the magnitude of purchases and other negotiated provisions with selling agents. Notwithstanding the foregoing, UBS Securities LLC and its affiliates are not required to make a market for the Securities and may stop making a market at any time. For more information about secondary market offers and the estimated initial value of the Securities, see "Key Risks - Fair value considerations" and "Key Risks - Limited or no secondary market and secondary market price considerations" in this preliminary terms supplement.

Prohibition of Sales to EEA Retail Investors — The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC, as amended. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

You should rely only on the information incorporated by reference or provided in this preliminary terms supplement, the accompanying prospectus supplement, the accompanying product supplement or the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these Securities in any state where the offer is not permitted. You should not assume that the information in this preliminary terms supplement is accurate as of any date other than the date on the front of the document.

TABLE OF CONTENTS

Preliminary Terms Supplement

Indicative Terms	1
Additional Information About UBS and the Securities	3
Key Risks	4
Information About the Underlying Asset	7
General Motors Company	7
What are the Tax Consequences of the Securities?	9
Supplemental Plan of Distribution (Conflicts of Interest); Secondary Markets (if any)	11

Prospectus Supplement

Investment Description	i
Features	i
Security Offerings	i
Additional Information About UBS and the Securities	ii
Investor Suitability	1
Summary Terms	2
Investment Timeline	2
Key Risks	3
Hypothetical Examples of How the Securities Might Perform	8
What are the Tax Consequences of the Securities ?	10
Information About the Underlying Asset	13
Supplemental Plan of Distribution (Conflicts of Interest); Secondary Markets (if any)	13
Annex A – Form of Final Terms Supplement	A-2
Annex B – UBS Equity Investor - Investment Guide	B-2

Product Supplement

Product Supplement Summary	PS-1
Specific Terms of Each Security Will Be Described in the Applicable Supplements	PS-1
The Securities are Part of a Series	PS-1
Denomination	PS-2

Coupons	PS-2
Early Redemption	PS-3
Payment at Maturity for the Securities	PS-3
Defined Terms Relating to Payment on the Securities	PS-3
Valuation Dates	PS-5
Valuation Periods	PS-6
Payment Dates	PS-6
Closing Level	PS-7
Intraday Level	PS-7
The Tax Consequences of an Investment in the Securities is Uncertain	PS-8
Risk Factors	PS-9
General Terms of the Securities	PS-9
Specific Terms of Each Security Will Be Described in the Applicable Supplements	PS-28
The Securities are Part of a Series	PS-28
Denomination	PS-28
Coupons	PS-29
Early Redemption	PS-29
Payment at Maturity for Securities	PS-30
Defined Terms Relating to Payment on the Securities	PS-30
Valuation Dates	PS-32
Valuation Periods	PS-33
Payment Dates	PS-33
Closing Level	PS-33
Intraday Level	PS-34
Market Disruption Events	PS-35
Discontinuance of or Adjustments to an Underlying Index; Alteration of Method of Calculation	PS-39
Antidilution Adjustments for Securities Linked to an Underlying Equity or Equity Basket Asset	PS-39
Reorganization Events for Securities Linked to an Underlying Equity or Equity Basket Asset	PS-43
Delisting or Suspension of Trading in an Underlying Equity	PS-46
Delisting of ADRs or Termination of ADR Facility	PS-46
Delisting, Discontinuance or Modification of an ETF	PS-47
Redemption Price Upon Optional Tax Redemption	PS-48
Default Amount on Acceleration	PS-48
Default Amount	PS-48
Default Quotation Period	PS-49
Qualified Financial Institutions	PS-49
Manner of Payment and Delivery	PS-49
Regular Record Dates for Coupons	PS-49
Trading Day	PS-49
Business Day	PS-49
Role of Calculation Agent	PS-50
Booking Branch	PS-50
Use of Proceeds and Hedging	PS-51
Material U.S. Federal Income Tax Consequences	PS-52
Certain ERISA Considerations	PS-74
Supplemental Plan of Distribution (Conflict of Interest)	PS-75

Prospectus

Introduction	1

Cautionary Note Regarding Forward-Looking Statements	3
Incorporation of Information About UBS AG	4
Where You Can Find More Information	5
Presentation of Financial Information	6
Limitations on Enforcement of U.S. Laws Against UBS AG, Its Management and Others	6
UBS	7
Swiss Regulatory Powers	10
Use of Proceeds	11
Description of Debt Securities We May Offer	12
Description of Warrants We May Offer	32
Legal Ownership and Book-Entry Issuance	47
Considerations Relating to Indexed Securities	52
Considerations Relating to Securities Denominated or Payable in or Linked to a Non-U.S. Dollar Currency	55
U.S. Tax Considerations	58
Tax Considerations Under the Laws of Switzerland	69
Benefit Plan Investor Considerations	71
Plan of Distribution	73
Conflicts of Interest	75
Validity of the Securities	76
Experts	76

$ •

UBS AG Trigger Phoenix

Autocallable Optimization

Securities due on or about March 2, 2021

Preliminary Terms Supplement dated February 25, 2019

(To Prospectus Supplement dated November 1, 2018,

Product Supplement dated October 31, 2018 and

Prospectus dated October 31, 2018)

UBS Investment Bank

UBS Financial Services Inc.