



VTech Holdings Ltd

FY2013 Annual Results Announcement

15 May 2013



Shereen Tong

Group Chief Financial Officer



Financial Highlights

For the year ended 31 March

(US\$ M)

2013

2012

Changes

Revenue

1,858.0

1,784.5

4.1%

Gross Profit

597.8

570.8

4.7%

Gross Profit Margin %

32.2%

32.0%

0.2% pts

Operating Profit

224.7

209.5

7.3%

Operating Profit Margin %

12.1%

11.7%

0.4% pts

**Profit Attributable to Shareholders
of the Company**

202.3

191.9

5.4%

Net Profit Margin %

10.9%

10.8%

0.1% pts

Basic Earnings per Share (US cents)

80.9

77.0

5.1%

Dividend per Share (US cents)

• Interim

16.0

16.0

• Final

64.0

60.0

• Total dividend for the year

80.0

76.0

5.3%





Revenue by Region

For the year ended 31 March

(US\$ M)	2013	%	2012	Change
North America	933.4	50.2	903.5	3.3%
Europe	769.9	41.4	719.3	7.0%
Asia Pacific	99.8	5.4	94.1	6.1%
Other Regions	54.9	3.0	67.6	-18.8%
Total	1,858.0	100.0	1,784.5	4.1%

(US\$ M)

31/03/13

31/03/12

Stocks

276.9

239.2

Stocks Turnover Days

90 days

82 days

Trade Debtors

224.9

210.6

Trade Debtors Turnover Days

62 days

56 days

(US\$ M)	31/03/13	31/03/12
Deposits and Cash	308.6	326.5
Total Borrowings	--	--
Net Cash Position	308.6	326.5

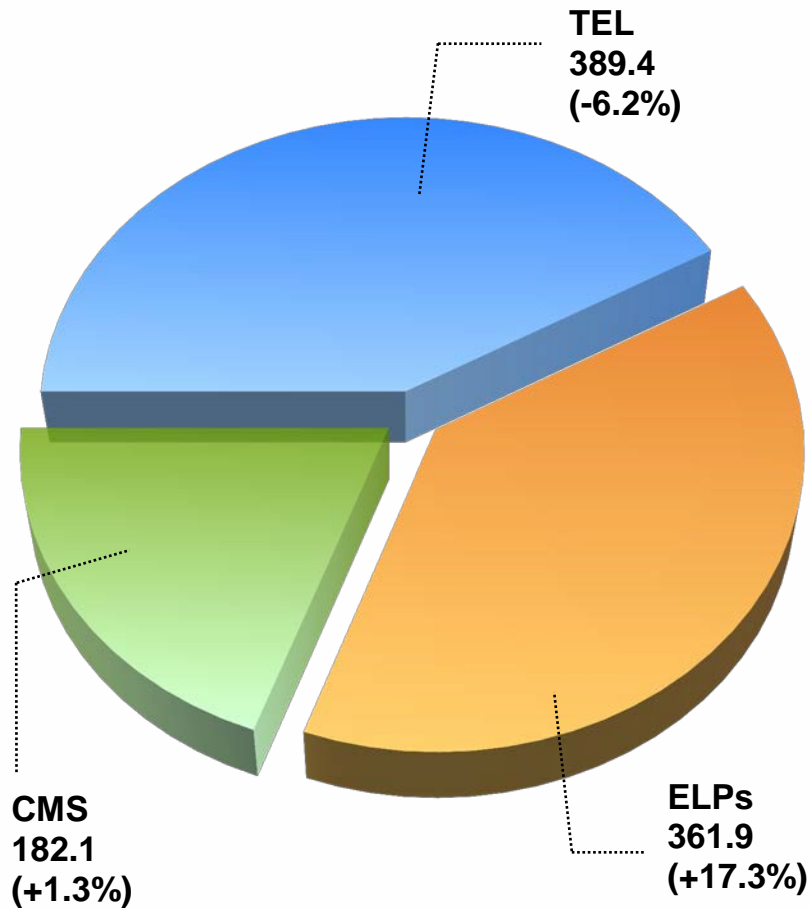
King Pang
Group President

Lower cost of materials offset by higher labour costs and manufacturing overheads in China:

- Recruitment and retention of workers became more challenging
- Raised workers' compensation and benefits
- Increased investment in improving workers' working and living environment

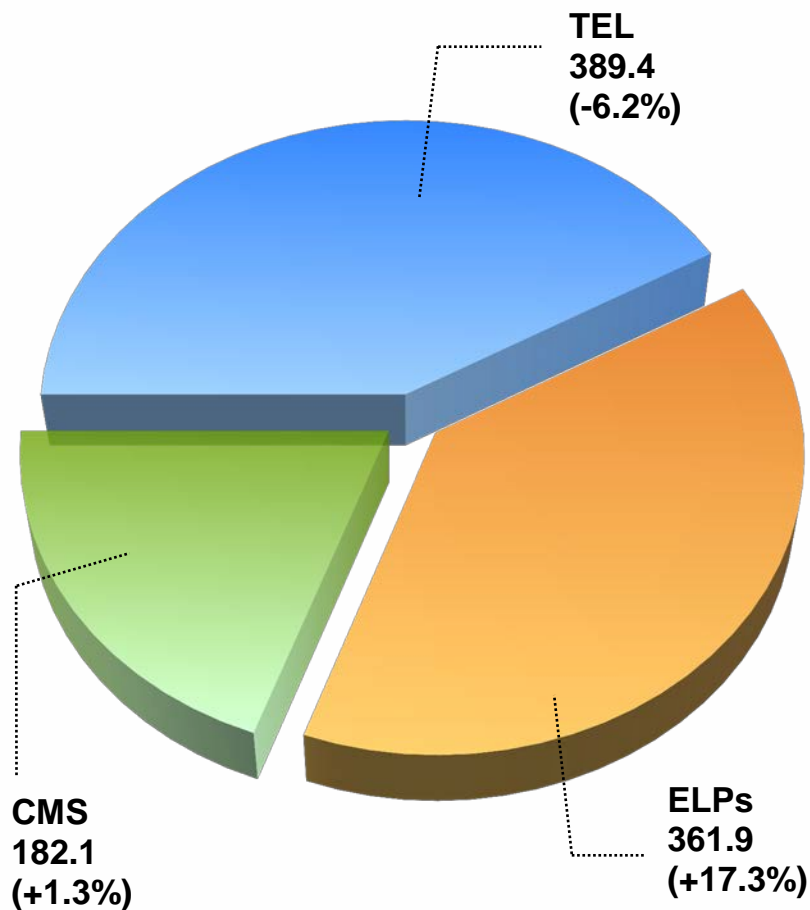
vtech | North America

Revenue by Product Line (US\$ million)



- Revenue increased by 3.3% to US\$933.4 million, 50.2% of Group revenue
- Higher revenue from ELPs and CMS offset lower revenue from TEL products
- TEL revenue down by 6.2% to US\$389.4 million
 - Decline mainly due to lower sales of residential phones
 - Maintained No.1 position in US
 - Sales of SMB phones, baby monitors, hotel phones and cordless headsets continued to rise

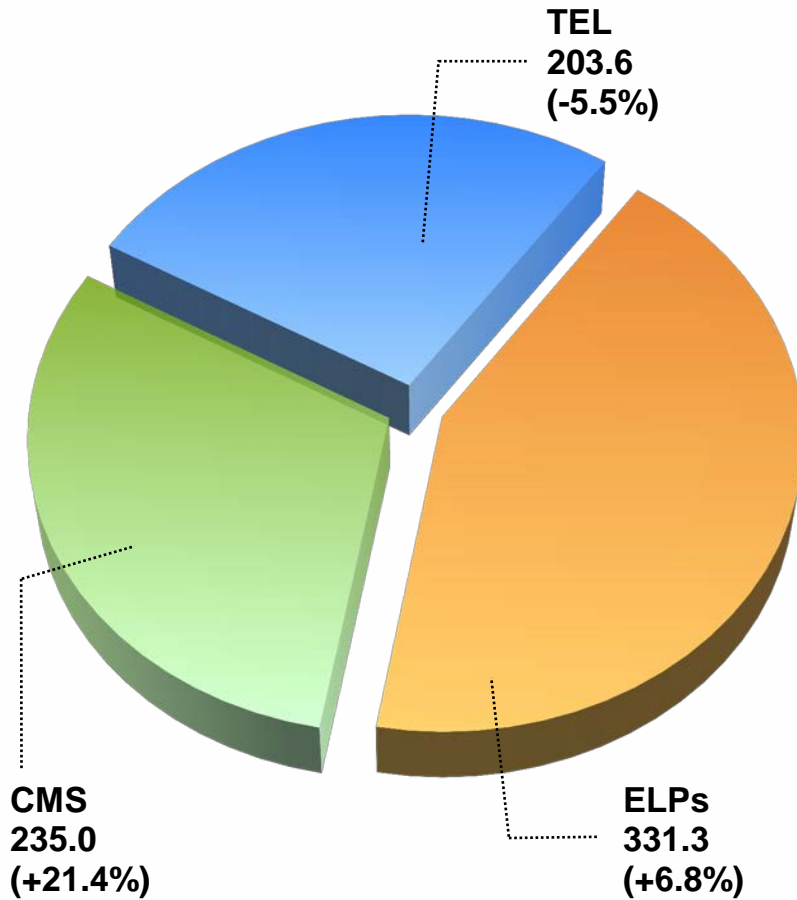
Revenue by Product Line (US\$ million)



- **ELPs** revenue rose by 17.3% to US\$361.9 million
 - Driven by higher sales of both platform and standalone products
 - Sales of InnoTab grew strongly
 - Expanded software library also contributed to growth
 - Infant products and Switch & Go Dinosaurs were key growth drivers for standalone products

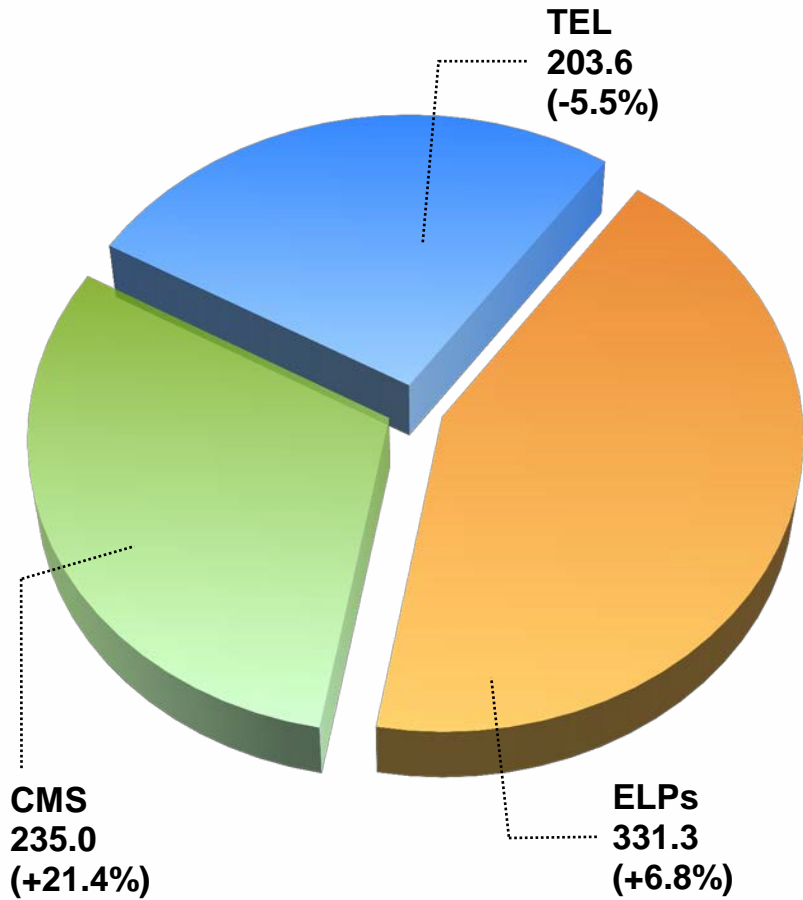
- **CMS** revenue increased by 1.3% to US\$182.1 million
 - Higher sales of professional audio equipment, industrial products, commercial solid-state lighting and home appliances offset lower sales of internet phones

Revenue by Product Line (US\$ million)



- Revenue increased by 7.0% to US\$769.9 million, 41.4% of Group revenue
- Higher ELPs and CMS revenue offset lower revenue of TEL products
- TEL revenue declined by 5.5% to US\$203.6 million
 - Revenue decrease due to lower sales of residential phones
 - Maintained position as the largest manufacturer of cordless phones in Western Europe
 - Sales of non-residential-phone products continued to rise

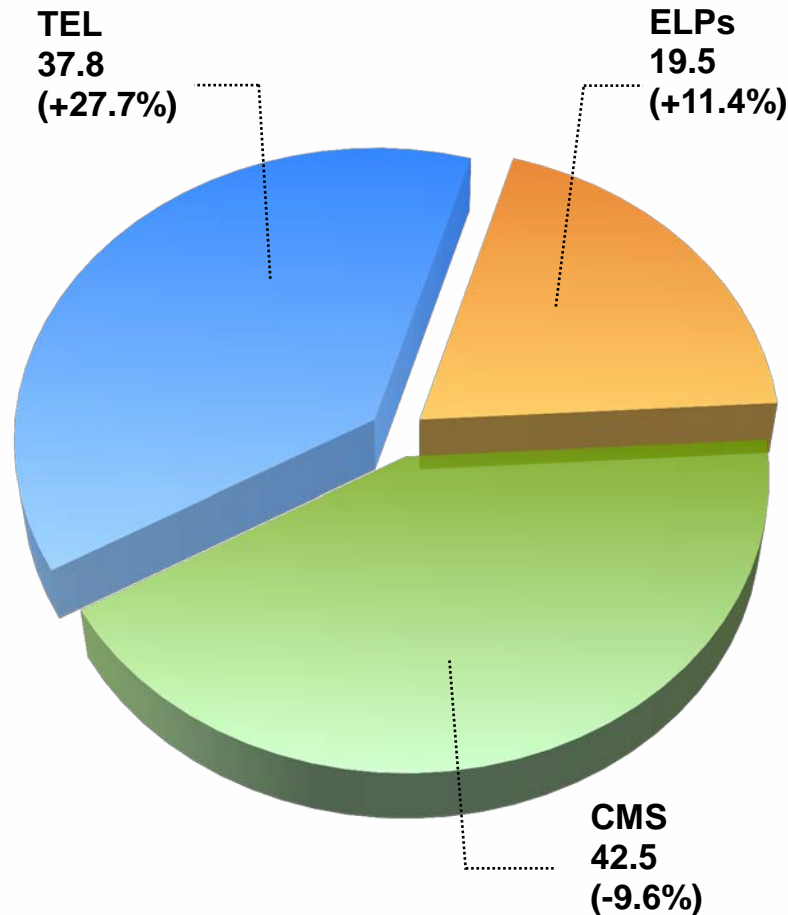
Revenue by Product Line (US\$ million)



- **ELPs** revenue up 6.8% to US\$331.3 million
 - Growth negatively impacted by a lower average Euro-US Dollar exchange rate
 - Storio 2, Switch & Go Dinos and infant products were growth drivers
 - Largest infant toy manufacturer
 - Higher sales in UK, France and Germany
- **CMS** revenue rose by 21.4% to US\$235.0 million
 - Sales growth in almost all product categories, including medical and health products, wireless headsets, switching mode power supplies and professional audio equipment

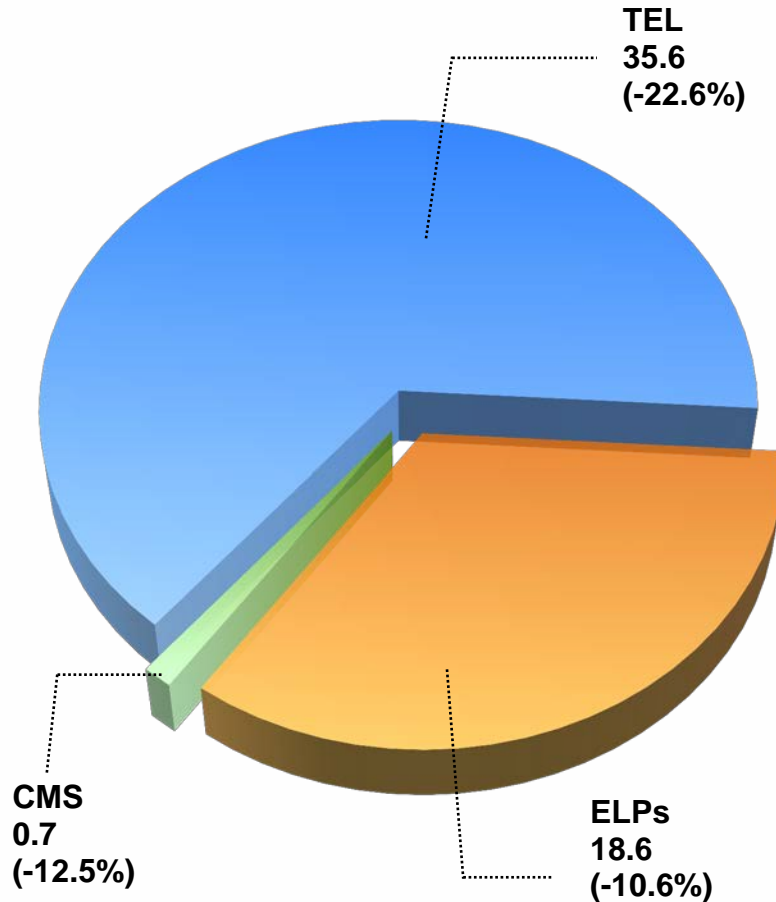
vtech | Asia Pacific

Revenue by Product Line (US\$ million)



- **Revenue increased by 6.1% to US\$99.8 million, 5.4% of Group revenue**
- **TEL** revenue grew by 27.7% to US\$37.8 million, due to rise in order from Japanese customers and higher sales in Australia
- **ELPs** revenue increased by 11.4% to US\$19.5 million, mainly driven by higher sales of standalone products in China, Japan and Korea
- **CMS** revenue decreased by 9.6% to US\$42.5 million. Higher sales in China more than offset by lower revenue in Japan and Korea

Revenue by Product Line (US\$ million)



- **Revenue fell by 18.8% to US\$54.9 million, 3.0% of Group revenue**
- Other regions include Latin America, Middle East and Africa
- Revenue decline due to lower sales in all regions and product lines
- Revenue from TEL products decreased by 22.6% to US\$35.6 million
- Revenue from ELPs and CMS down by 10.6% and 12.5% to US\$18.6 million and US\$0.7 million respectively

Allan Wong
Chairman and Group CEO





TEL products

- Launched world's first home entrance monitoring system
- Expand well-received CareLine
- Developing VTech's first wireless conferencing system
- SIP phones for commercial use
- New applications based on DECT ULE platform
- Launch enhanced versions of video baby monitors and new hotel phones

ELPs

- Upgrade the lineup of children’s educational tablets to new generation
- Expand worldwide software library to approx. 70 cartridges and over 1,000 apps in 5 languages by the end of CY2013
- Introduce innovative products to core infant and preschool lines
- Launch new generation of Kidizoom digital cameras
- Expand Switch & Go Dinos and Go! Go! Smart Wheels lines



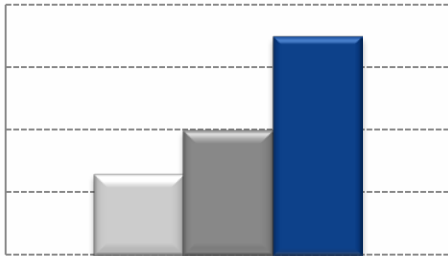


CMS

- Innovation in service
- Stringent quality management system and experienced staff
- Recognised strength in DFM
- Flexibility in services
- Unique manufacturing know-how in certain product categories
- Dedicated manufacturing facilities for China market



Gains in Market Share



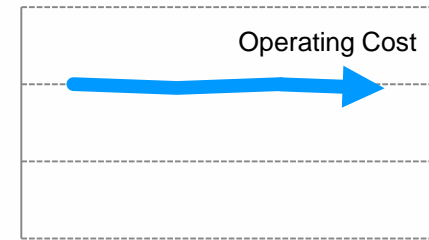
- World's No. 1 cordless phone manufacturer
- Largest supplier of ELPs from infancy to preschool in US and Western Europe
- CMS continues to increase market share globally

Geographic Expansion



- AP + Other Regions = less than 10% of Group sales
- AP: China continues to be our focus, increasing presence in Australia and Japan
- Efforts will focus on key markets in Latin America and Middle East

Operational Excellence



- Rising labour costs + higher manufacturing overheads will pose continual challenges
- Continue to mitigate cost pressure through further automation, product optimisation and process improvement
- Manage operating cost diligently and maintain a lean company structure

Outlook

- Macro-economic environment will remain challenging in FY2014
 - US economic recovery is expected to continue, but it is likely to remain slow
 - Picture is mixed and uncertain in Europe

- Optimistic of achieving revenue growth across all product lines in FY2014
- Stable gross profit margin
 - Steady material costs
 - Higher labour costs and manufacturing overheads
 - Efficiency gains

TEL products

- US: market consolidation
- EU: uncertain
- AP & Other Regions: higher sales

ELPs

- Strong base of continued products
- New platform and standalone products
- Focus on software cartridge and download app sales

CMS

- New customers
- Expansion in Japan and Germany
- New business area



“VTech has an enviable track record in product development, a strong balance sheet, market leadership position and efficient operations...

...The solid, executable plans we have in place should enable us to seize growth opportunities and generate higher returns for shareholders.”

Thank You