



VTech Holdings Ltd

2012/2013 Interim Results Announcement

14 November 2012

Financial Review



Financial Highlights

For the six months ended 30 September

(US\$ M)

2012

2011

Change

Revenue

876.1

858.1

2.1%

Gross Profit

266.3

261.0

2.0%

Gross Profit Margin %

30.4%

30.4%

–

Operating Profit

99.3

96.3

3.1%

Operating Profit Margin %

11.3%

11.2%

0.1% pts

**Profit Attributable to Shareholders
of the Company**

91.2

88.5

3.1%

Net Profit Margin %

10.4%

10.3%

0.1% pts

Basic Earnings per Share (US cents)

36.5

35.6

2.5%

Interim Dividend per Share (US cents)

16.0

16.0

–



Revenue by Region

For the six months ended 30 September

(US\$ M)	2012	%	2011	Change
North America	439.0	50.1	431.2	1.8%
Europe	352.0	40.2	336.5	4.6%
Asia Pacific	51.0	5.8	47.7	6.9%
Other Regions	34.1	3.9	42.7	-20.1%
Total	876.1	100.0	858.1	2.1%

(US\$ M)

30/09/12

31/03/12

30/09/11

Stocks

340.0

239.2

320.2

Stocks Turnover Days

111 days

82 days

108 days

Trade Debtors

377.3

210.6

339.5

Trade Debtors Turnover Days

61 days

56 days

58 days

(US\$ M)	30/09/12	31/03/12	30/09/11
Deposits and Cash	108.9	326.5	128.5
Total Borrowings	—	—	—
Net Cash Position	108.9	326.5	128.5

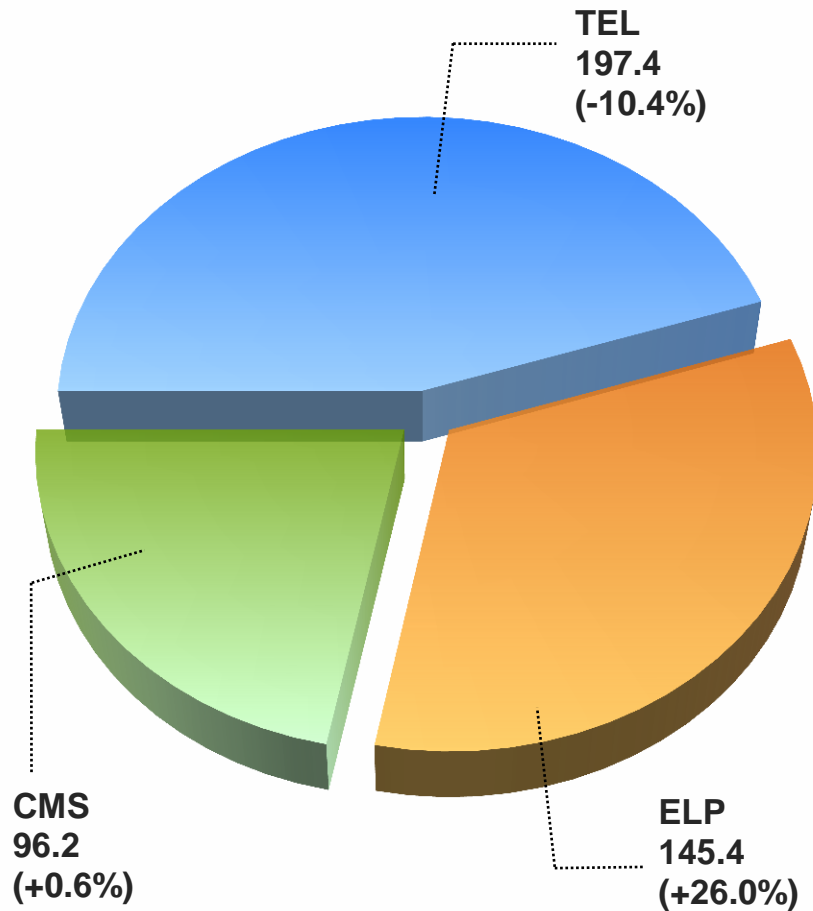
Operations Review

Labour cost and manufacturing overhead in China have continued to rise in 1H:

- Raised workers' compensation
- Stepped up investment in factory improvements

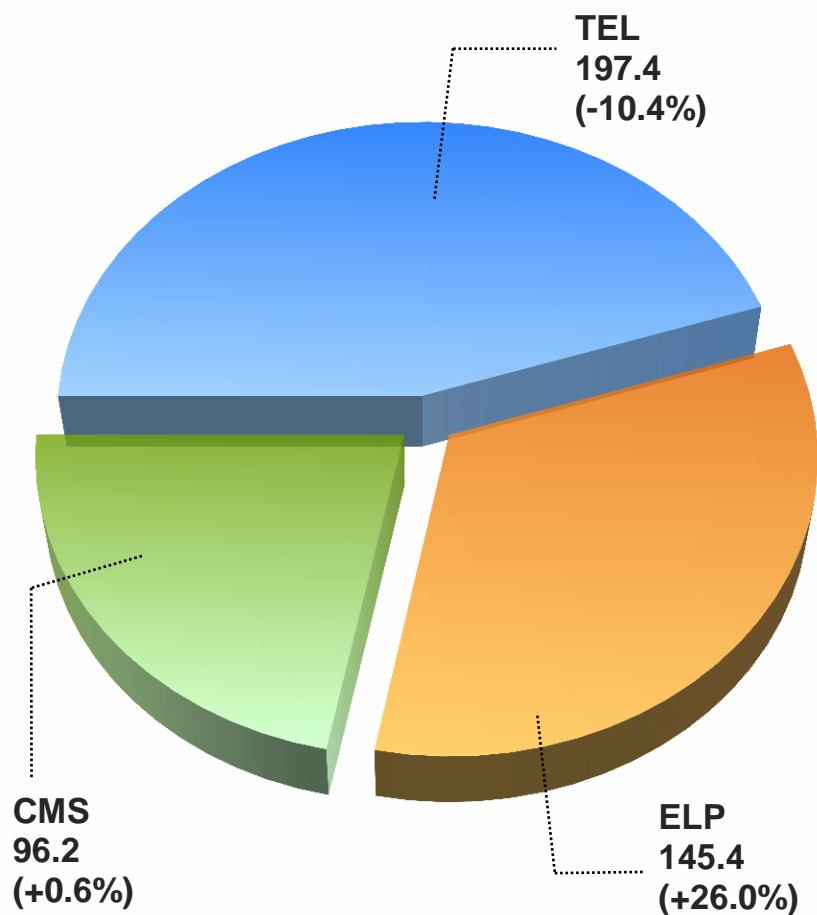
→ Gross margin stayed flat

Revenue by Product Line (US\$ million)



- Revenue grew 1.8% to US\$439.0 million, 50.1% of Group revenue
- Higher revenue from ELPs and CMS offset lower revenue from TEL products
- TEL revenue declined by 10.4% to US\$197.4 million
 - Residential phone sales affected by mature market, uncertain economic growth and weaker than expected demand
 - Maintained No.1 position in US
 - Increased sales of SMB and hotel phones

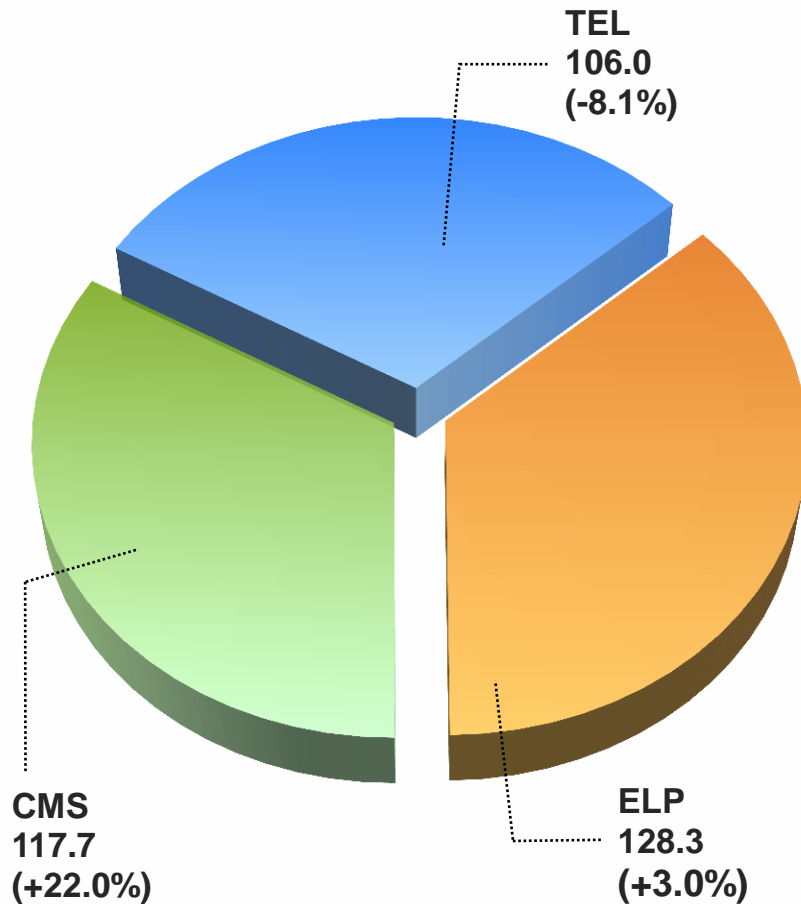
Revenue by Product Line (US\$ million)



- **ELP** revenue rose by 26.0% to US\$145.4 million
 - Both platform and standalone products recorded growth
 - InnoTab, InnoTab 2 and MobiGo 2 were growth drivers
 - Standalone products performed well. Switch & Go Dinos made the strongest contribution to growth
- **CMS** revenue increased by 0.6% to US\$96.2 million
 - Good growth in industrial products and commercial solid state lighting offset by sales decline to a professional audio customer
 - Sales of internet phones also lower

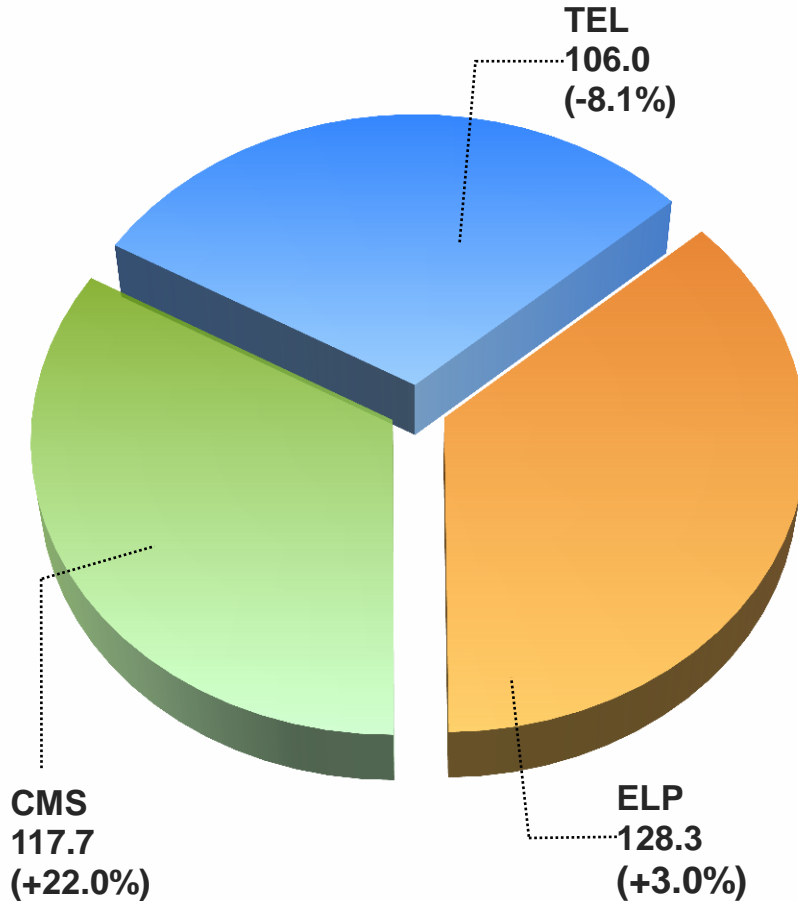
vtech | Europe

Revenue by Product Line (US\$ million)



- Revenue rose by 4.6% to US\$352.0 million, 40.2% of Group revenue
- Higher revenue from ELPs and CMS offset lower revenue from TEL products
- TEL revenue decreased by 8.1% to US\$106.0 million
 - Weak economies caused customers to reduce lead times and inventory
 - Good growth from IADs and baby monitors
 - Maintained position as the leading manufacturer of cordless telephones in Western Europe

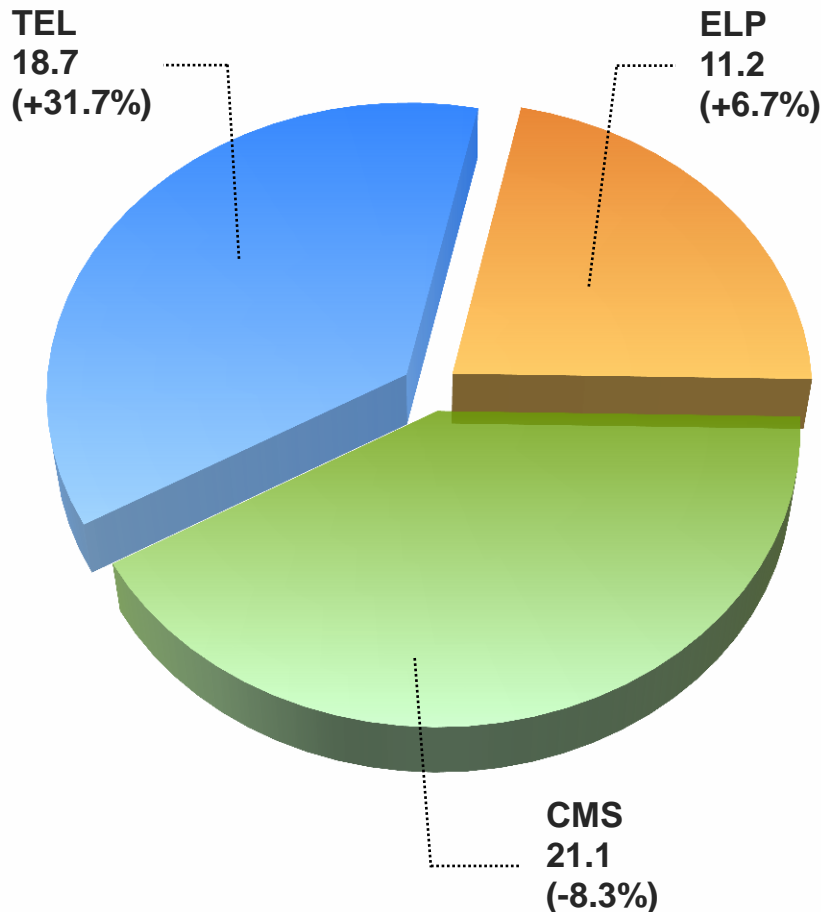
Revenue by Product Line (US\$ million)



- **ELP** revenue increased by 3.0% to US\$128.3 million
 - Growth somewhat hampered by a weaker Euro-US Dollar exchange rate
 - Main growth drivers were InnoTab, InnoTab 2 and Switch & Go Dinos
 - UK and France performed best, with lower sales in Germany, Spain and the Benelux countries
- **CMS** revenue rose by 22.0% to US\$117.7 million
 - Driven by strong growth in wireless headsets and medical and health products
 - Sales of switching mode power supplies also higher, buoyed by solar power inverters

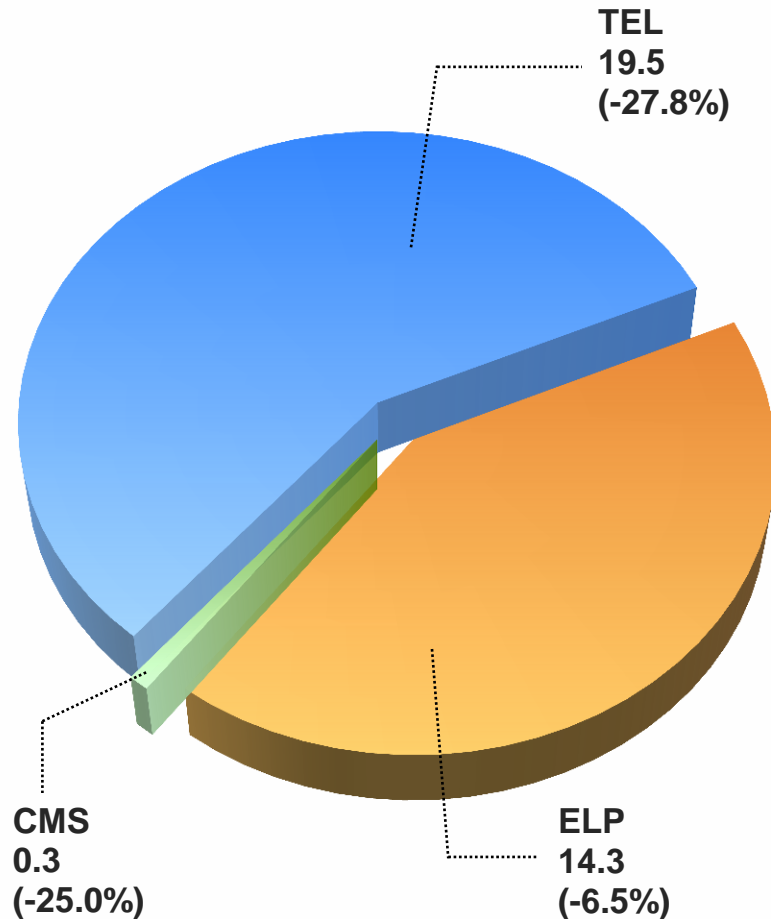
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Revenue by Product Line (US\$ million)



- **Revenue increased by 6.9% to US\$51.0 million, 5.8% of Group revenue**
- **TEL** revenue rose by 31.7% to US\$18.7 million due to increased orders from Japanese customer, further expansion in Taiwan and entry to new markets
- **ELP** revenue grew by 6.7% to US\$11.2 million, driven by higher sales in China, Korea and Japan. Shipment to Australia held steady
- **CMS** revenue declined by 8.3% to US\$21.1 million. Lower sales in Japan offset strong growth in China and Korea

Revenue by Product Line (US\$ million)



- **Revenue down 20.1% to US\$34.1 million, 3.9% of Group revenue**
- Other regions include Latin America, the Middle East and Africa
- Growth in Africa and the Middle East was more than offset by a decline in Latin America
- Revenue from TEL products fell by 27.8% to US\$19.5 million
- Revenue from ELPs and CMS decreased by 6.5% and 25.0% to US\$14.3 million and US\$0.3 million respectively

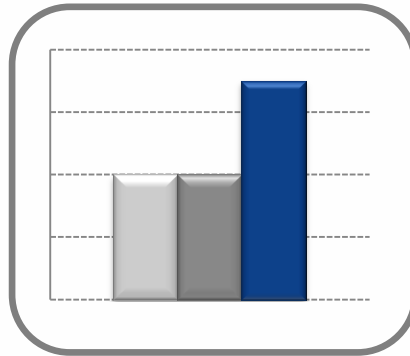


Growth Strategy

Product Innovation



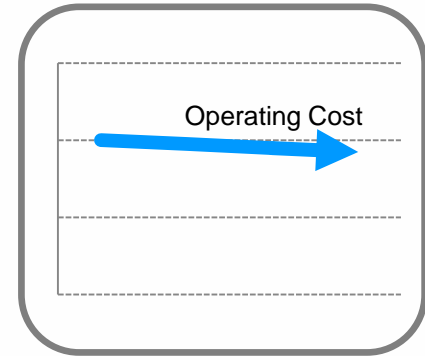
Gains in Market Share



Geographic Expansion



Operational Excellence



- New SMB phone, CareLine, Retro phone
- Platform products: InnoTab 2, InnoTab 2S, MobiGo 2 and Storio 2
- Standalone products: Switch & Go Dinos, Toot-Toot Drivers and more

- World's No. 1 cordless phone manufacturer
- World's No. 1 ELP supplier
- CMS growth continues to outperform global EMS market

- AP + other regions = 9.7% of Group sales
- TEL: Further expansion in Taiwan, entry to new markets
- ELPs: Further inroads into China, Korea and Japan
- CMS: Strong growth in China and Korea

- Tight cost control
- Efficient operations
- SG&A: As % of Group revenue slightly decreased (15.8% in 1HFY13 vs 15.9% in 1HFY12)

Outlook

- Global economic environment remains challenging
- Growth is uncertain in the US, with a lingering high level of unemployment
- In Europe, austerity measures are depressing consumer demand

- Remain cautiously optimistic of achieving overall top line growth in FY2013
- Do not expect gross margin to improve, while bottom line growth will be modest
 - Labour cost and manufacturing overhead will increase further from 1H
 - Continue to invest in CSR to achieve sustainable development

vtech | Outlook

- **Build on the success in SMB and hotel phones and bring further innovation to residential phones in difficult operating environment**
- **North America** – Sales of SMB and hotel phones expected to increase. Expect to outperform the market in residential phones. Sales of TEL products via online retailers will be higher
- **Europe** – Sales in 2H will improve over 1H with some improvement in order situation
- **Asia Pacific** – Sales will pick up in Australia. Positive momentum in Japan expected to continue

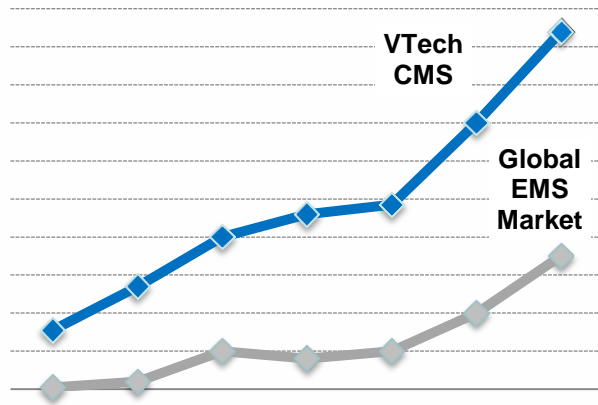


vtech | Outlook

- **Expect positive momentum to continue despite challenging global economic environment**
- **North America** – Platform products will lead the way in 2H on full impact of MobiGo 2 and InnoTab 2, joined by new InnoTab 2S. Switch & Go Dinos will continue as growth driver
- **Europe** – Expect continuation of good performance in UK and France. Germany and the Benelux countries to return to growth, sales in Spain to remain slow
- Global ELP sales via online retailers will continue to grow



vtech | Outlook



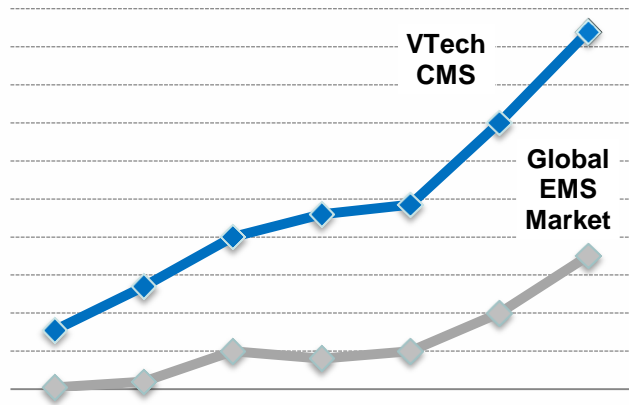
- **CMS will continue to outperform the global EMS market**

- **Professional audio** – Will see growth for the full year, as sales in North America will return to normal and sales in Europe will rise



- **Switching mode power supplies** – Solid growth expected for the full year, though sales in 2H will be stable, following good growth in 1H
- **Solid state lighting** – Growth in commercial solid state lighting will more than compensate for further sales decline in consumer LED light bulbs

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- **Wireless products** – Sales will continue to increase, led by wireless headsets and marine radio
- **Enhanced manufacturing facility will also help drive growth**
 - Supports continued expansion in China business
 - Enables CMS to grow in medical and health products, as we can manufacture sophisticated products with stringent safety and quality requirements, including those requiring FDA approval



“Our ability to deliver growth in the face of difficult market conditions testifies to the strength of the Group...

...We will continue to focus on product innovation and geographical expansion to drive growth, while managing costs and risks to enhance profitability.”

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Thank You

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> INNOVATION BEYOND TECHNOLOGY