



VTech Holdings Ltd

2013/2014 Interim Results Announcement

13 November 2013

Shereen Tong
Group Chief Financial Officer



Financial Highlights

For the six months ended 30 September

(US\$ M)

2013

2012

Change

Revenue

892.4

876.1

1.9%

Gross Profit

282.5

266.3

6.1%

Gross Profit Margin %

31.7%

30.4%

1.3% pts

Operating Profit

105.0

99.0

6.1%

Operating Profit Margin %

11.8%

11.3%

0.5% pts

**Profit Attributable to Shareholders
of the Company**

95.2

90.9

4.7%

Net Profit Margin %

10.7%

10.4%

0.3% pts

Basic Earnings per Share (US cents)

38.0

36.4

4.4%

Interim Dividend per Share (US cents)

16.0

16.0

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Revenue by Region

For the six months ended 30 September

(US\$ M)	2013	%	2012	Change
North America	455.8	51.1	439.0	3.8%
Europe	352.7	39.5	352.0	0.2%
Asia Pacific	52.7	5.9	51.0	3.3%
Other Regions	31.2	3.5	34.1	-8.5%
Total	892.4	100.0	876.1	1.9%

(US\$ M)

30/09/13

31/03/13

30/09/12

Stocks

399.3

276.9

340.0

Stocks Turnover Days

126 days

90 days

111 days

Trade Debtors

380.2

224.9

377.3

Trade Debtors Turnover Days

59 days

62 days

61 days

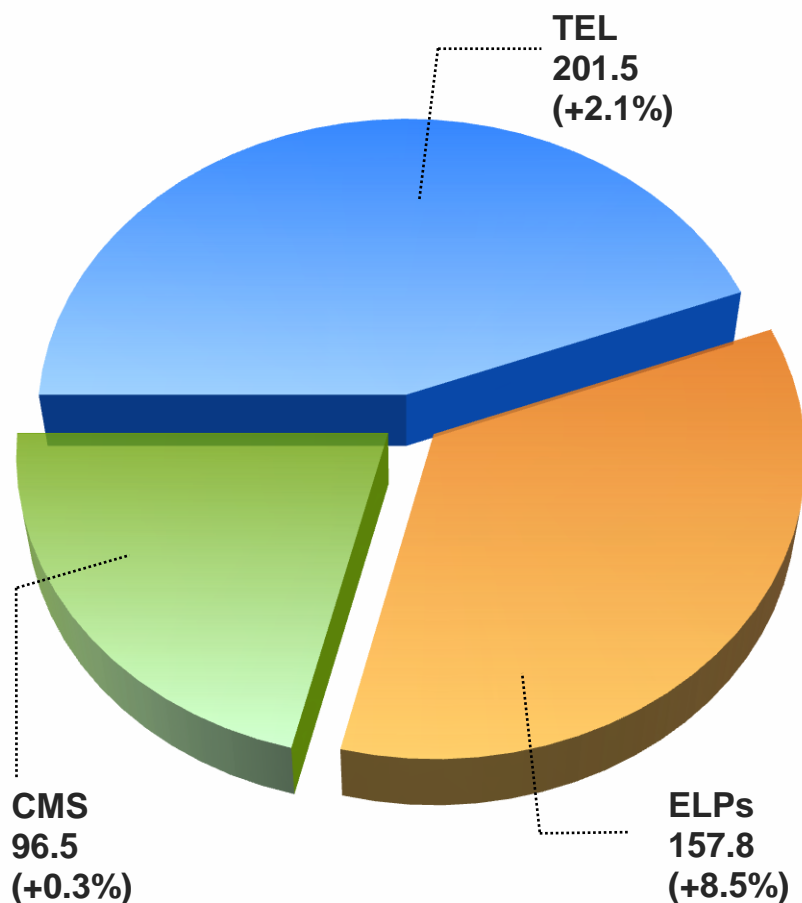
(US\$ M)	30/09/13	31/03/13	30/09/12
Deposits and Cash	94.7	308.6	108.9
Total Borrowings	—	—	—
Net Cash Position	94.7	308.6	108.9

King Pang
Group President

Gross margin improved in 1H:

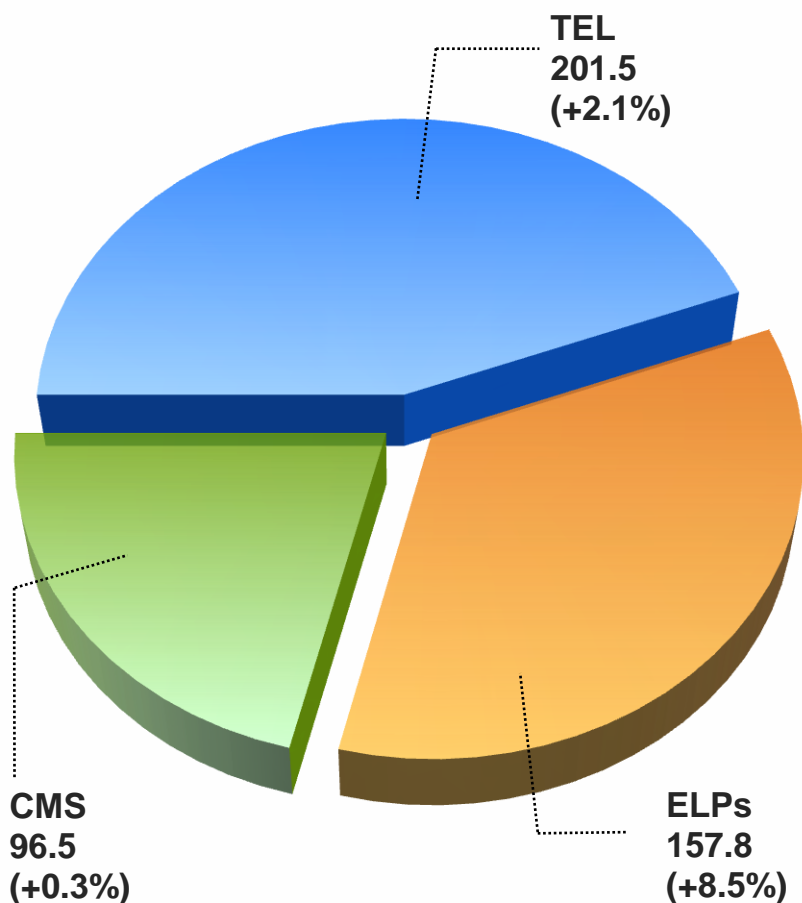
- Labour costs and manufacturing overheads in China continued to rise
- Offset by lower cost of materials and success in optimising product design

Revenue by Product Line (US\$ million)



- Revenue increased by 3.8% to US\$455.8 million, 51.1% of Group revenue
- Higher revenue from TEL products and ELPs, while CMS revenue held steady
- TEL revenue rose by 2.1% to US\$201.5 million
 - Maintained No.1 position in US
 - Sales of residential phones increased as market consolidated further
 - Higher sales of non-residential phone products, including SMB phones, hotel phones and baby monitors

Revenue by Product Line (US\$ million)

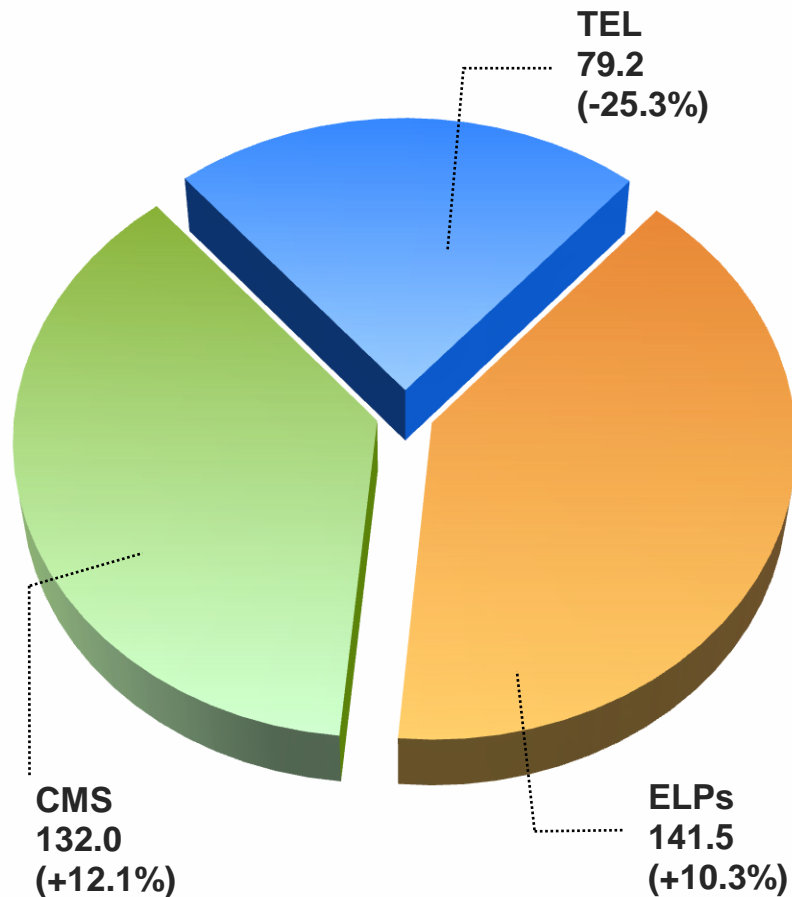


- **ELPs** revenue rose by 8.5% to US\$157.8 million
 - Driven by higher sales of standalone and platform products
 - Standalone products: Infant products were key driver. Go! Go! Smart Wheels sold strongly
 - Platform products: Higher sales of the InnoTab range more than compensated for lower sales of MobiGo 2 and V.Reader

- **CMS** revenue increased by 0.3% to US\$96.5 million
 - Growth in professional audio, home appliances, communication and wireless products mostly offset by sales declines in solid state lighting and industrial products

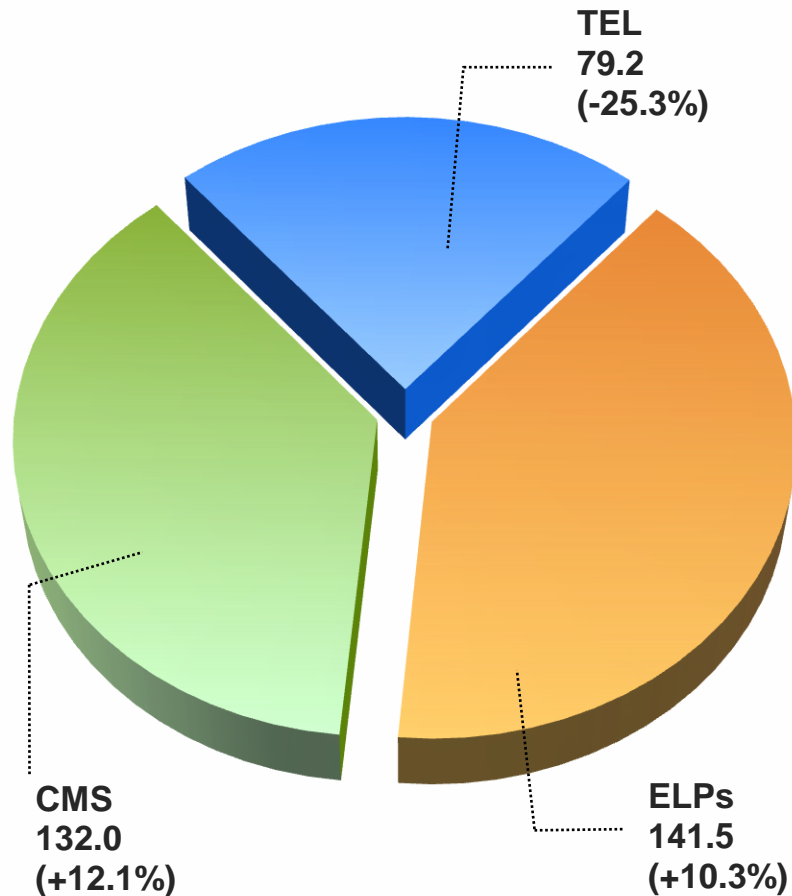
vtech | Europe

Revenue by Product Line (US\$ million)



- Revenue was up by 0.2% to US\$352.7 million, 39.5% of Group revenue
- Higher revenues from ELPs and CMS offset by lower revenue from TEL products
- TEL revenue decreased by 25.3% to US\$79.2 million
 - Market weakness and management’s decision to focus on higher margin business resulted in lower sales of cordless telephones
 - Sales of baby monitors and connected home devices continued to grow

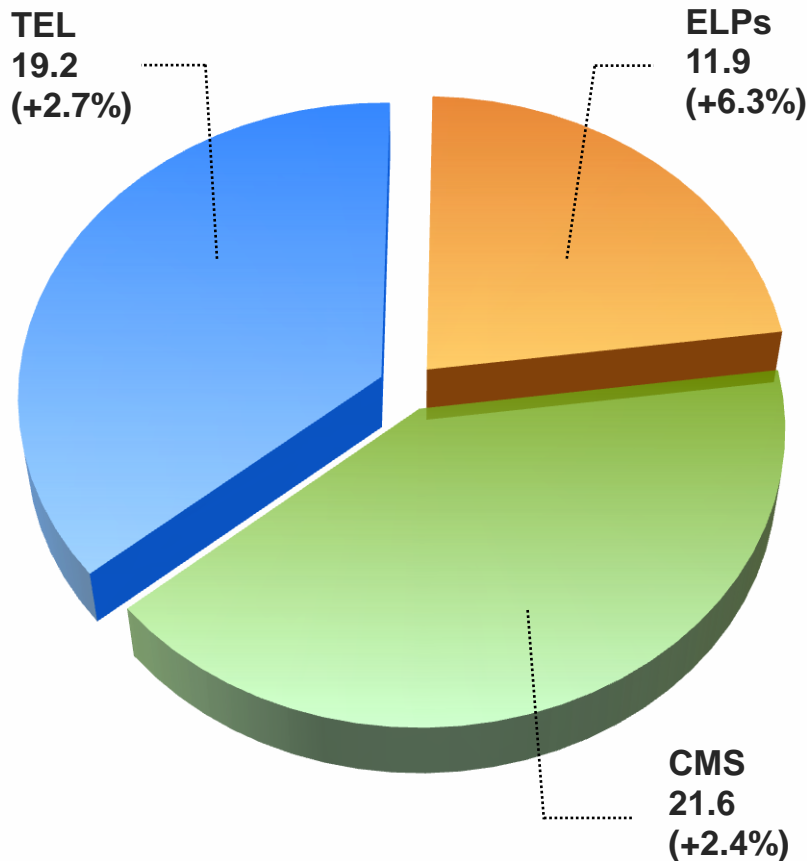
Revenue by Product Line (US\$ million)



- **ELPs** revenue was up by 10.3% to US\$141.5 million
 - Educational tablets led the growth, along with Toot-Toot Drivers and Switch and Go Dinos
 - InnoTab range updated in UK with introduction of InnoTab 3 and 3S, while Storio 2 was sold in all major markets
 - Good growth in France, Germany, the Benelux countries and Spain, with lower sales in UK
- **CMS** revenue rose by 12.1% to US\$132.0 million
 - Sales increase driven by professional audio equipment, wireless headsets and home appliances
 - Sales of switching mode power supplies declined

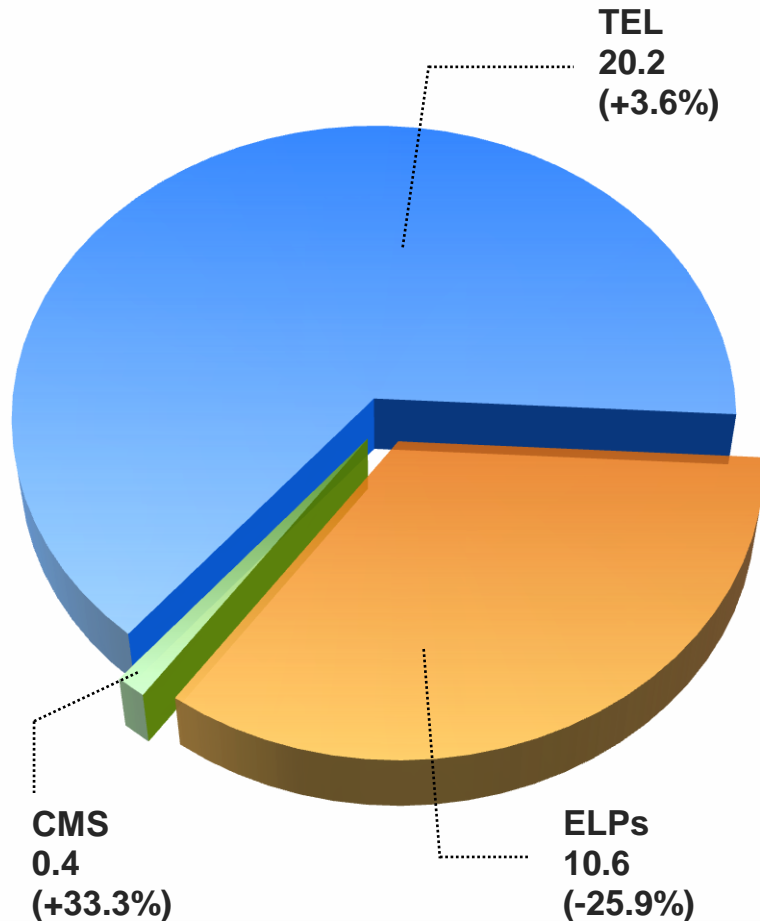
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Revenue by Product Line (US\$ million)



- **Revenue increased by 3.3% to US\$52.7 million, 5.9% of Group revenue**
- **TEL** revenue was up by 2.7% to US\$19.2 million, with growth in Australia and China. Sales in Japan returned to normal
- **ELPs** revenue grew by 6.3% to US\$11.9 million, driven by higher sales in China. Shipment to Australia was down due to soft market
- **CMS** revenue increased by 2.4% to US\$21.6 million. Higher sales of marine radios and medical & health products offset lower sales of solid state lighting

Revenue by Product Line (US\$ million)



- **Revenue declined by 8.5% to US\$31.2 million, 3.5% of Group revenue**

- Other regions include Latin America, Middle East and Africa

- **TEL** revenue increased by 3.6% to US\$20.2 million. Growth in Latin America offset sales declines in Middle East and Africa

- **ELPs** revenue decreased by 25.9% to US\$10.6 million, mainly due to lower sales in Latin America and Middle East

- **CMS** revenue was US\$0.4 million, as compared to US\$0.3 million in the same period last year

Allan Wong
Chairman and Group CEO



New Product Launches in 1H

- World's first home entrance monitoring system, combining a versatile cordless phone with a digital video door bell
- Kid Connect, a ground-breaking communication app exclusive to InnoTab 3S
- InnoTab 3 and 3S

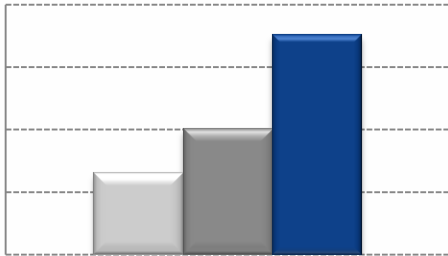




New Product Areas

- Wireless conferencing system
- SIP-based products
- Connected home devices

Gains in Market Share



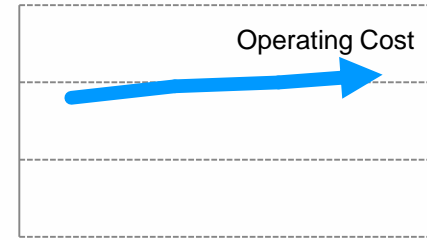
- World's No. 1 cordless phone manufacturer
- Largest supplier of ELPs from infancy to preschool in US and Western Europe

Geographic Expansion



- AP + Other Regions = 9.4% of Group sales
- TEL products and ELPs: Good growth in China
- CMS: New product category in Japan

Operational Excellence



- Manage cost closely
- SG&A: As % of Group revenue increased slightly (16.5% in 1HFY14 vs 15.8% in 1HFY13)

Outlook

- Operating environment in VTech's major markets likely to remain challenging in 2H
 - Pace of recovery in the US appears to be slowing
 - Many European economies face conditions that are still tough and uncertain
- Nonetheless, we are optimistic of achieving top-line growth with improved gross profit margin for FY2014

- Gross margin is expected to improve YoY
 - Further rise in labour costs and manufacturing overheads will be offset by lower cost of materials
- Higher advertising and promotional expenses are planned in 2H to maintain sales in a competitive environment

TEL products

- Sales expected to pick up in 2H
- Residential phone business:
 - Sales are improving in Europe and Other Regions
 - Continued growth is expected in North America and Asia Pacific
- Non-residential phone business:
 - Continue to expand



ELPs

- **Positive momentum expected to carry into 2H**
- Standalone products:
 - Good sell-through, esp. Go! Go! Smart Wheels and Switch and Go Dinos
- Platform products:
 - Sales are expected to hold steady



CMS

- **Expected to see growth in 2H**
- More orders from existing customers in professional audio equipment and wireless headsets
- Additional business from new customers



“We have made a solid start to the financial year 2014 and look set to continue on a growth path in the second half of the financial year...”

...VTech will continue to leverage its strength in product innovation, strong balance sheet, market leadership and operational excellence to bring sustainable returns to shareholders.”

Thank You