



VTech Holdings Limited

FY2022 Annual Results Announcement

16 May 2022

Financial Review



Financial Highlights

For the year ended 31 March

(US\$ M)	2022	2021	Change
Revenue	2,370.5	2,372.3	-0.1%
Gross Profit	669.1	726.6	-7.9%
Gross Profit Margin %	28.2%	30.6%	-2.4% pts
Operating Profit	203.8	266.2	-23.4%
Operating Profit Margin %	8.6%	11.2%	-2.6% pts
Profit Attributable to Shareholders of the Company	172.7	230.9	-25.2%
Net Profit Margin %	7.3%	9.7%	-2.4% pts
Basic Earnings per Share (US cents)	68.5	91.6	-25.2%
Dividend per Share (US cents)			
• Interim	17.0	17.0	
• Final	51.0	74.0	
• Total dividend for the year	68.0	91.0	-25.3%

Revenue by Region

For the year ended 31 March

(US\$ M)	2022	%	2021	Change
North America	1,068.5	45.1	995.1	7.4%
Europe	1,025.1	43.2	1,086.3	-5.6%
Asia Pacific	255.0	10.8	268.4	-5.0%
Other Regions	21.9	0.9	22.5	-2.7%
Total	2,370.5	100.0	2,372.3	-0.1%

vtech | Working Capital

(US\$ M)

31/03/22

31/03/21

Stocks

553.3

414.0

Stocks Turnover Days

131 days

103 days

Trade Debtors

325.4

270.7

Trade Debtors Turnover Days

65 days

61 days

(US\$ M)	31/03/22	31/03/21
Deposits and Cash	195.8	343.8
Total Borrowings	-	-
Net Cash Position	195.8	343.8

Costs

- Gross profit margin of 28.2%
- Decline mainly attributable to:
 - Unprecedented increase in freight costs
 - Higher direct labour costs and manufacturing overhead
 - Higher materials prices
- Improvement seen in 2H as the Group raised prices
- Freight cost declined slightly after peak shipping season
- Semiconductors supply remained tight

vtech | Operating Environment

- Extremely challenging in FY2022
- Continual disruption to global supply chain led to materials shortages, significant cost increases and shipment delays
- Productivity impacted even further, as instability resulted in more overtime payments and hence higher overall labour costs
- Strong demand for VTech products, but some orders could not be fulfilled
- Materials supply and shipment problems led to late availability of products and low channel inventory

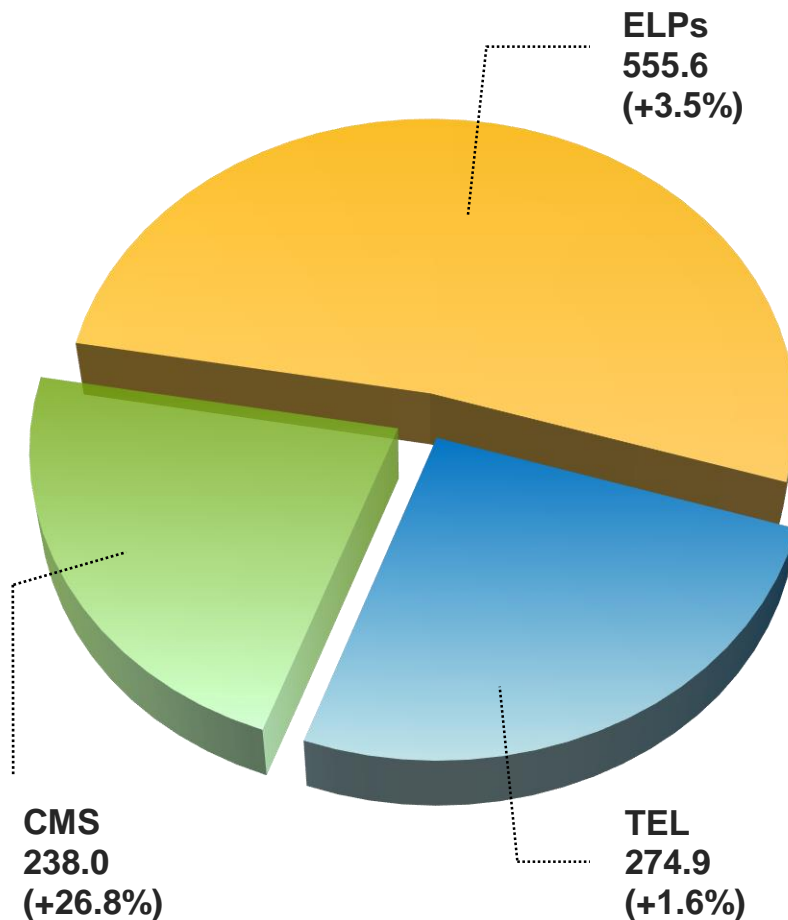
vtech | VTech's Response

- Swift measures to mitigate negative impacts took effect in 2H:
 - Close, long-standing relationships with suppliers enabled more stable supply of critical components
 - Re-engineered products
 - Sourced alternative shipping carriers
 - Increased stocks of critical components
 - Started production earlier
 - Raised product prices

Operations Review

vtech | North America

Revenue by Product Line (US\$ million)

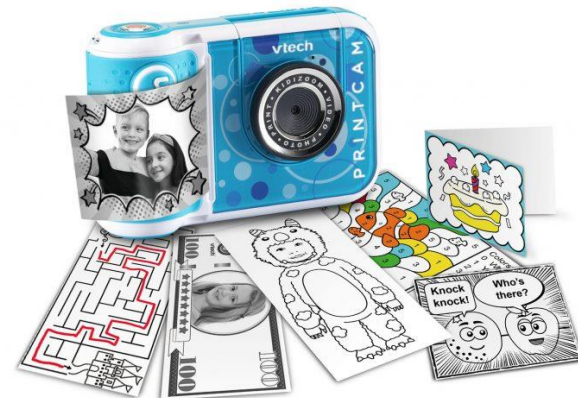


- **Revenue increased 7.4% to US\$1,068.5 million, 45.1% of Group revenue**
- **Higher sales of ELPs, TEL products and CMS**
- **ELPs revenue** rose 3.5% to US\$555.6 million
 - Higher sales in US offset decline in Canada
 - **US:** Maintained position as no.1 manufacturer of electronic learning toys from infancy through toddler and preschool
 - **Canada:** Remained no. 1 supplier in infant, toddler and preschool toys category

vtech | North America (continued)

- **Standalone Products:**

- Higher sales of both brands
- **VTech:** Sales increases from infant, toddler and preschool products, KidiZoom Cameras and Switch & Go Dinos, supported by launch of Marble Rush
- Offset declines in Kidi lines, Go! Go! Smart family of products and Go! Go! Cory Carson vehicles and playsets
- **LeapFrog:** Growth in infant and toddler products offset decline in preschool products
- New LeapLand Adventures boosted sales



vtech | North America (continued)



- **Platform Products:**

- Sales declined as higher sales of LeapFrog products insufficient to offset lower sales of VTech products
- **LeapFrog:** Growth in Magic Adventures Globe and interactive reading systems offset declines in children's educational tablets on semiconductor shortages, which also led to slowdown in new LeapFrog Academy subscriptions
- **VTech:** Sales declines for KidiZoom Smartwatches and KidiBuzz as shipment of new products held up by semiconductor shortages and shipment delays
- Offset growth of Touch & Learn Activity Desk



- **TEL products** revenue grew 1.6% to US\$274.9 million, as gains in commercial phones and other telecommunication products offset lower sales of residential phones

- Good increases in sales to online channels

- **Commercial Phones and Other Telecommunication Products:**

- Sales increased as business activity returned to normal
- New products drove growth
- **Baby monitors:** Boosted by additional placements in key retailers, expanded online sales and new product launches



vtech | North America (continued)

- VTech strengthened position as largest baby monitor manufacturer in US and Canada
- First LeapFrog branded baby monitor launched to positive reception
- **Headsets:** Grew on increased orders from existing customer
- **Snom SIP phones:** Gained market share on stable product supply
- **Hotel phones:** Sales benefitted from lifting of COVID-19 restrictions and supported by new models
- **Residential phones:** VTech maintained leadership in US although market returned to downward trend

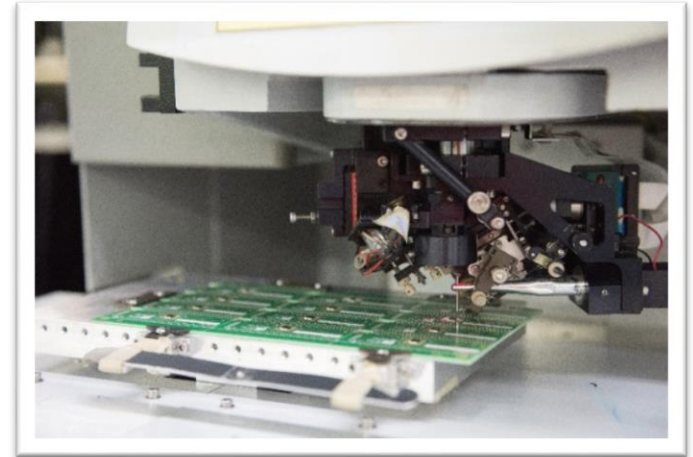


- **CMS** revenue increased 26.8% to US\$238.0 million
- Growth in most product categories and full year sales contribution from the plant in Mexico
 - **Professional audio:** Higher sales to a customer on business acquisition
 - Relaxation of social distancing measures lifted sales of equipment used in concert halls, lecture theatres and churches

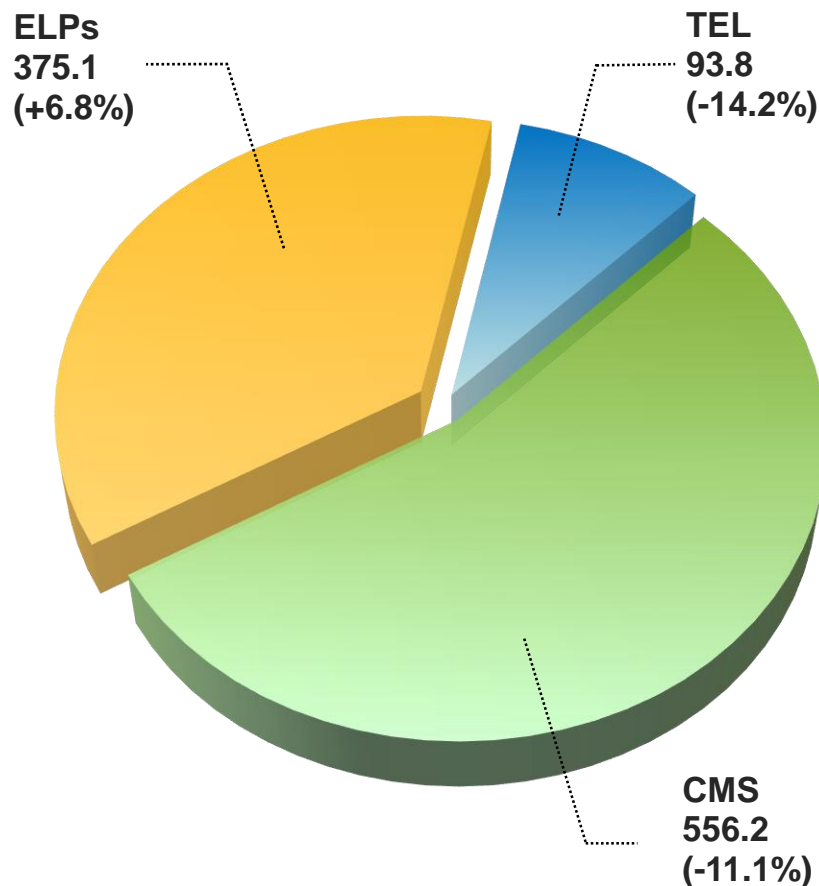


vtech | North America (continued)

- **Solid-state lighting:** Sales grew as tenders and project-based activities resumed
- **Industrial products:** Sales increased on higher orders for PCBA for coin and note recognition machines
- **Medical and health products:** Sales grew on more orders for hearing aids
- **Communication products:** Sales rose on more orders for commercial VoIP phones



Revenue by Product Line (US\$ million)



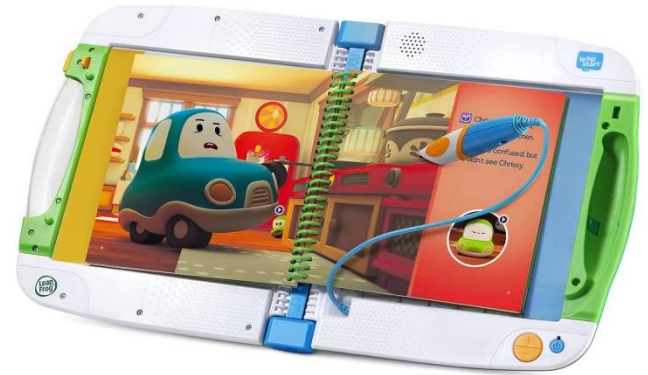
- Revenue declined 5.6% to US\$1,025.1 million, 43.2% of Group revenue
- Higher sales of ELPs offset by lower sales of TEL products and CMS
- ELPs revenue grew 6.8% to US\$375.1 million
 - Sales picked up in 2H as new products hit the shelves and channel inventory improved
 - Standalone products saw higher sales for full year, but platform products declined on materials shortages
 - Sales increased in France, Germany, Spain and Netherlands; declined in UK
 - Remained no. 1 infant and toddler toys manufacturer in France, UK, Germany and Benelux; regained leadership in Spain

- **Standalone Products:**
 - Higher sales for both brands
 - **VTech:** Higher sales of infant, toddler and preschool products, KidiZoom Cameras, Kidi line products, Switch & Go Dinos and ELAs, augmented by Marble Rush launch
 - Offset declines for Toot-Toot family of products and Toot-Toot Cory Carson vehicles and playsets
 - **LeapFrog:** Growth in infant, toddler and preschool products, augmented by launch of LeapLand Adventures



- **Platform Products:**

- Lower sales for both brands, as materials shortages and logistics problems caused late availability of certain new products and low channel inventory
- These included new generation of LeapStart/MagiBook, KidiCom Advance 3.0, Magic Adventures Globe, KidiCom MAX and children's educational tablets
- Offset gains for Touch & Learn Activity Desk
- Sales of KidiZoom Smartwatches stable



vtech | Europe (continued)



- **TEL products** revenue fell 14.2% to US\$93.8 million
 - Lower sales of residential phones and other telecommunication products offset higher sales of commercial phones
- **Residential Phones:**
 - Sells products on ODM basis
 - Shortage of semiconductors resulted in shipment deferrals and reduced sales
 - Successful launch of VTech branded DECT phones on a major e-tailer in UK, paving the way for increasing penetration of branded products in Europe



- **Commercial Phones and Other Telecommunication Products:**

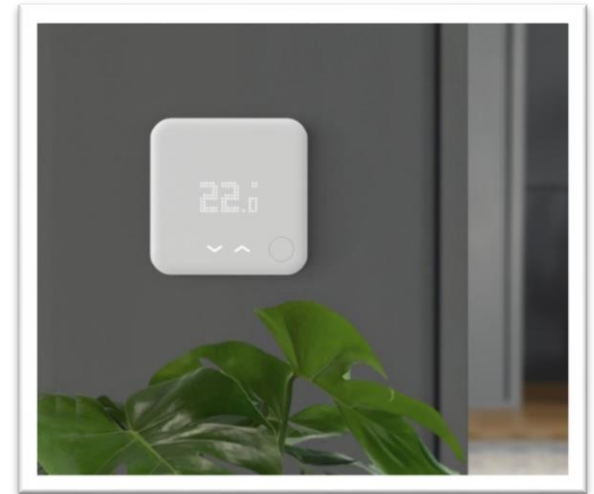
- **Baby monitors, CAT-iq handsets, CareLine residential phones and IADs:** Sales decreased as semiconductor shortages negatively impacted production
- **Baby monitors:** VTech branded products strengthened position in UK on new product line-up
- **Snom SIP phones and hotel phones:** Resumption of business activity and leisure travel led to sales increases



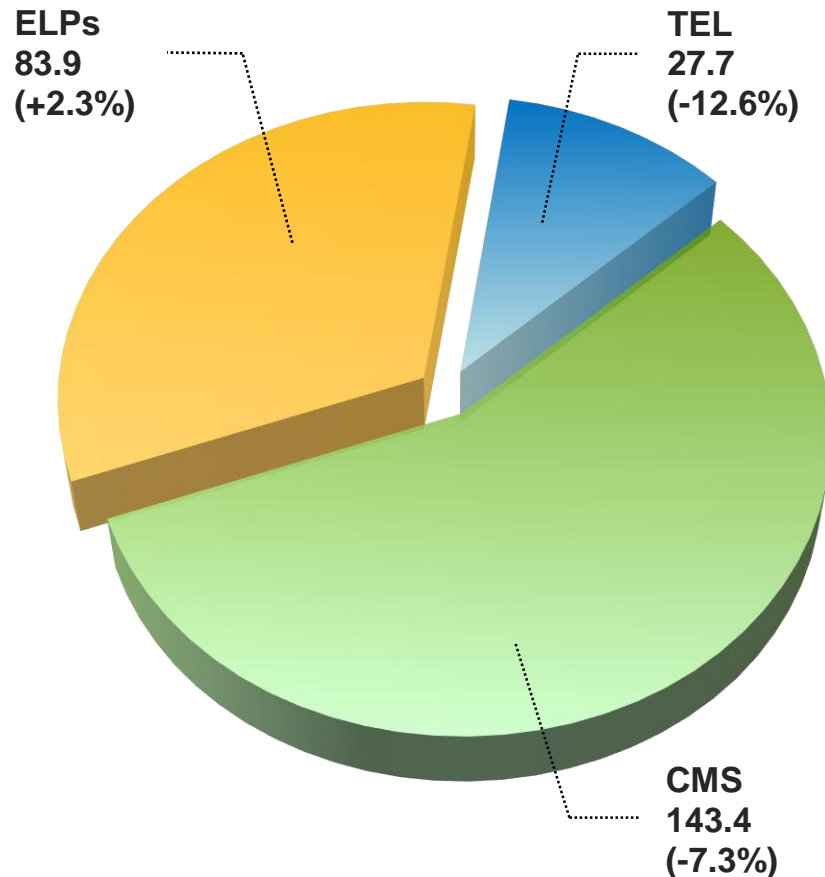
- **CMS** revenue fell 11.1% to US\$556.2 million
 - **Hearables:** Lower sales on materials shortages and reduced orders for Bluetooth headsets
 - **Professional audio:** Sales increase driven by higher orders for audio mixers
 - **IoT products:** Sales grew as installation of smart meters resumed in UK, demand for internet connected thermostats and air-conditioning controls recovered
 - **Medical and health products:** Growth driven by increased orders for hearing aids, with sales of health and beauty products stable



- **Home appliances:** Sales increased slightly
- **Automotive related products:** Increased orders for smart electric vehicle chargers
- **Communication products:** Sales decrease on lower orders for Wi-Fi routers
- Added a new customer in **smart energy management systems**



Revenue by Product Line (US\$ million)



- Revenue decreased 5.0% to US\$255.0 million, 10.8% of Group revenue
- Lower sales of TEL products and CMS offset higher ELPs revenue
- ELPs revenue increased 2.3% to US\$83.9 million, as growth in Australia and Japan offset decline in mainland China

vtech | Asia Pacific (continued)



- **Australia:** Sales growth on easing of lockdowns and re-opening of retail stores in 2H
 - Remained no. 1 manufacturer in infant and toddler toys category
- **Japan:** Growth from rising sales to a major toy retailer and good sell through of jointly developed smartwatch featuring popular Japanese characters
- **Mainland China:** Lower online and offline sales despite the success of the new range of Switch & Go Dinos based on Mini Force animation and the enhanced version of Magic Adventures Globe

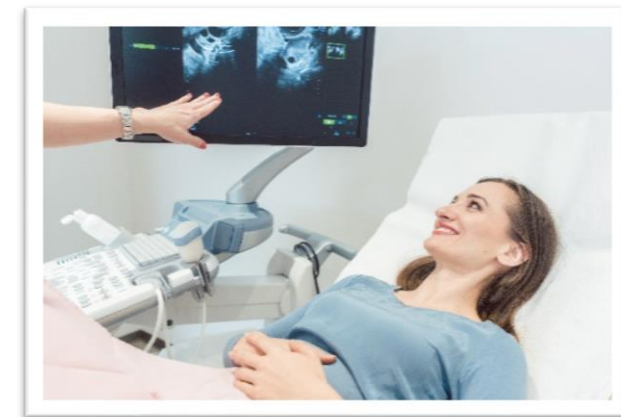
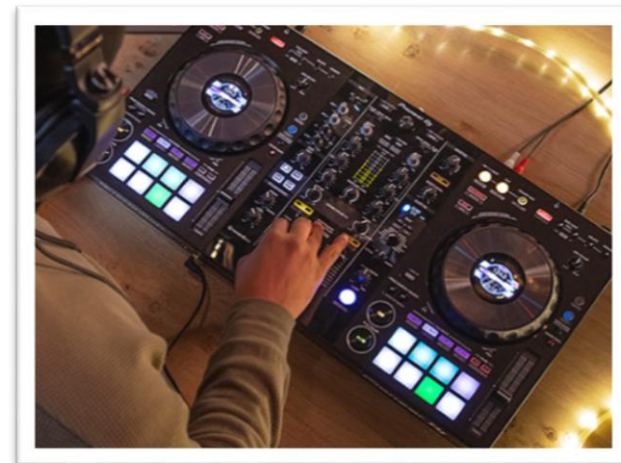
vtech | Asia Pacific (continued)

- **TEL products** revenue decreased 12.6% to US\$27.7 million, as higher sales in Australia offset by lower sales in Japan and Hong Kong
 - **Australia:** Higher sales of baby monitors compensated for decline in residential phones
 - **Japan:** Sales decreased on semiconductor shortage for existing residential phones customer
 - **Hong Kong:** IADs orders decreased



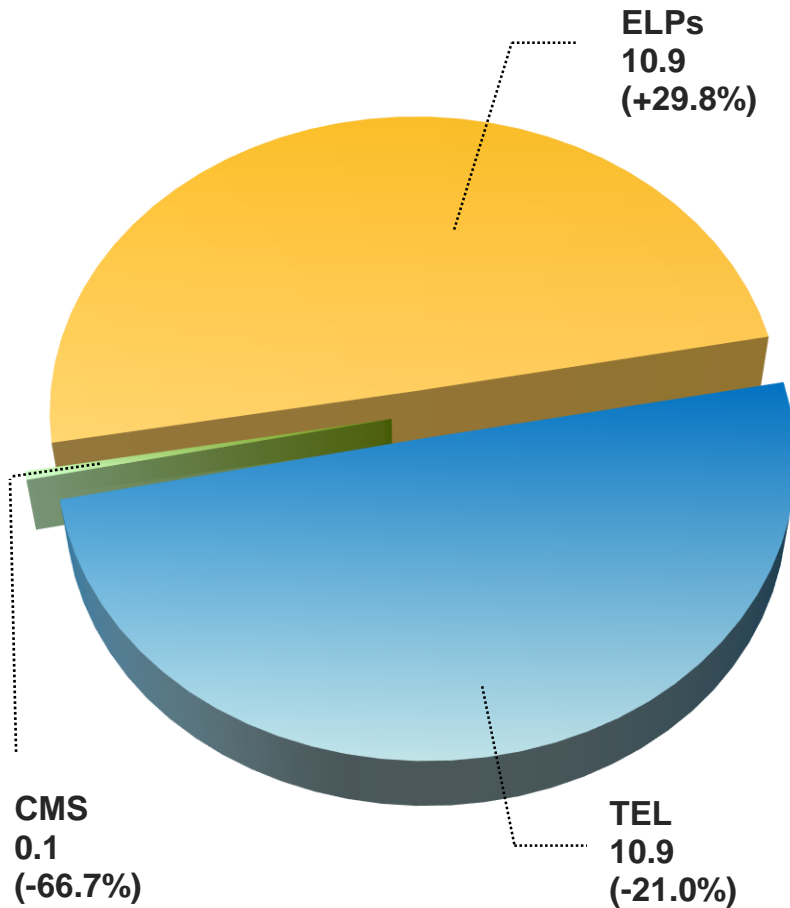
vtech | Asia Pacific (continued)

- **CMS** revenue declined 7.3% to US\$143.4 million
- Lower sales of professional audio equipment offset growth in medical and health products and communication products
- **Professional audio:** Lower sales of DJ equipment and USB streaming microphones for online KOLs
- **Medical and health products:** More orders for diagnostic ultrasound systems
- **Hearables:** Demand increased as business activity recovered
- **Communication products:** Higher orders for marine radios



vtech | Other Regions

Revenue by Product Line (US\$ million)



- **Revenue fell 2.7% to US\$21.9 million, 0.9% of Group revenue**
- **Lower sales of TEL products and CMS offset growth in ELPs**
- **ELPs** revenue increased 29.8% to US\$10.9 million. Higher sales in Latin America offset declines in Middle East and Africa
- **TEL products** revenue fell 21.0% to US\$10.9 million as sales decreases in Latin America and Middle East offset growth in Africa
- **CMS** revenue was US\$0.1 million, as compared to US\$0.3 million in FY2021

Sustainability



- **A Steadfast Commitment**
 - Sustainable designs for products and packaging
 - Climate change initiatives
 - Safe and inclusive workplace
 - Ethical sourcing throughout supply chain
- **Making Progress Towards a Circular Economy**
 - Introduced green ELPs utilising plant-based plastic, reclaimed plastic and FSC-certified wood
 - More eco-friendly toy products in FY2023

Outlook

Uncertainties in FY2023

- High inflation in US and Europe may slow consumer spending
- Recent lockdowns in major cities in mainland China negatively impacting domestic consumption
- Materials prices remain elevated, especially plastic materials
- Supply of semiconductors and critical components remains tight
- Lockdowns in mainland China disrupting global supply chain
- Freight costs will be higher than last year, despite some improvement in supply of containers

- Minimal direct effects from war in Ukraine
- Cautiously optimistic to achieve overall top-line growth in FY2023
- Gross profit margin expected to be largely stable year-on-year
- Much better prepared to tackle supply chain pressures

ELPs

- Revenue forecast to post modest growth
- Infant, toddler and preschool products will maintain positive momentum
- Expanded Spring offerings hit the shelves on time, with good initial sell-through
- **LeapFrog Academy:** Subscriptions expected to return to growth
- **Mainland China:** Sales expected to decrease



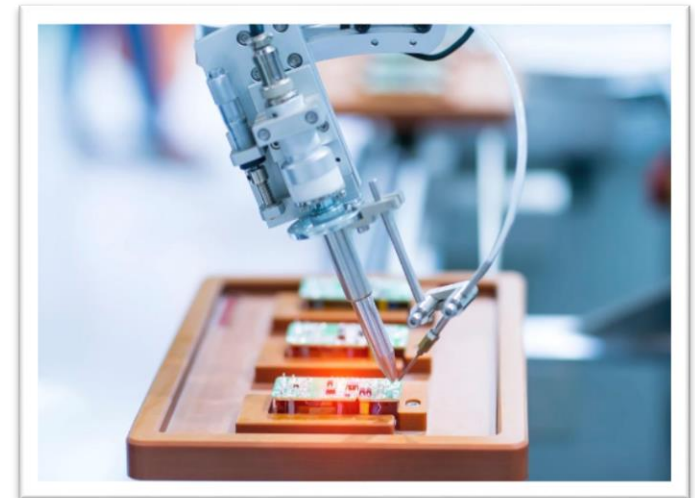
TEL products

- Expected to achieve higher revenue
- **Baby monitors:** To be strengthened by expansion of LeapFrog range and new VTech branded series with AI detection features
- **Commercial phones:** New D8 series of Snom SIP desksets, multi-cell SIP DECT mobility system, work-from-anywhere series, new hospitality phones
- **Residential phones:** Recovery in the US and expansion in Europe



CMS

- Anticipated to return to growth
- Most product categories forecast to grow
- Hearables to decline further on lower demand for mobile headsets
- Significant contribution from new smart energy management systems
- Further growth from NPI centre in Shenzhen
- Mexican facility to ramp up production and build up EMS capacity



Q&A

Thank You