



VTech Holdings Limited

FY2023 Annual Results Announcement

17 May 2023

Financial Review



Financial Highlights

For the year ended 31 March

| (US\$ M) | 2023 | 2022 | Change |
|---|----------------|---------|-----------|
| Revenue | 2,241.7 | 2,370.5 | -5.4% |
| Gross Profit | 633.7 | 669.1 | -5.3% |
| Gross Profit Margin % | 28.3% | 28.2% | 0.1% pts |
| Operating Profit | 180.5 | 203.8 | -11.4% |
| Operating Profit Margin % | 8.1% | 8.6% | -0.5% pts |
| Profit Attributable to Shareholders of the Company | 149.2 | 172.7 | -13.6% |
| Net Profit Margin % | 6.7% | 7.3% | -0.6% pts |
| Basic Earnings per Share (US cents) | 59.1 | 68.5 | -13.7% |
| Dividend per Share (US cents) | | | |
| • Interim | 17.0 | 17.0 | |
| • Final | 42.0 | 51.0 | |
| • Total dividend for the year | 59.0 | 68.0 | -13.2% |

Revenue by Region

For the year ended 31 March

| (US\$ M) | 2023 | % | 2022 | Change |
|---------------|---------|-------|---------|--------|
| North America | 984.8 | 43.9 | 1,068.5 | -7.8% |
| Europe | 917.0 | 40.9 | 1,025.1 | -10.5% |
| Asia Pacific | 315.8 | 14.1 | 255.0 | 23.8% |
| Other Regions | 24.1 | 1.1 | 21.9 | 10.0% |
| Total | 2,241.7 | 100.0 | 2,370.5 | -5.4% |

vtech | Working Capital

(US\$ M)

31/03/23

31/03/22

Stocks

475.5

553.3

Stocks Turnover Days

128 days

131 days

Trade Debtors

277.2

325.4

Trade Debtors Turnover Days

59 days

65 days

| (US\$ M) | 31/03/23 | 31/03/22 |
|-------------------|----------|----------|
| Deposits and Cash | 198.5 | 195.8 |
| Total Borrowings | - | - |
| Net Cash Position | 198.5 | 195.8 |

Costs

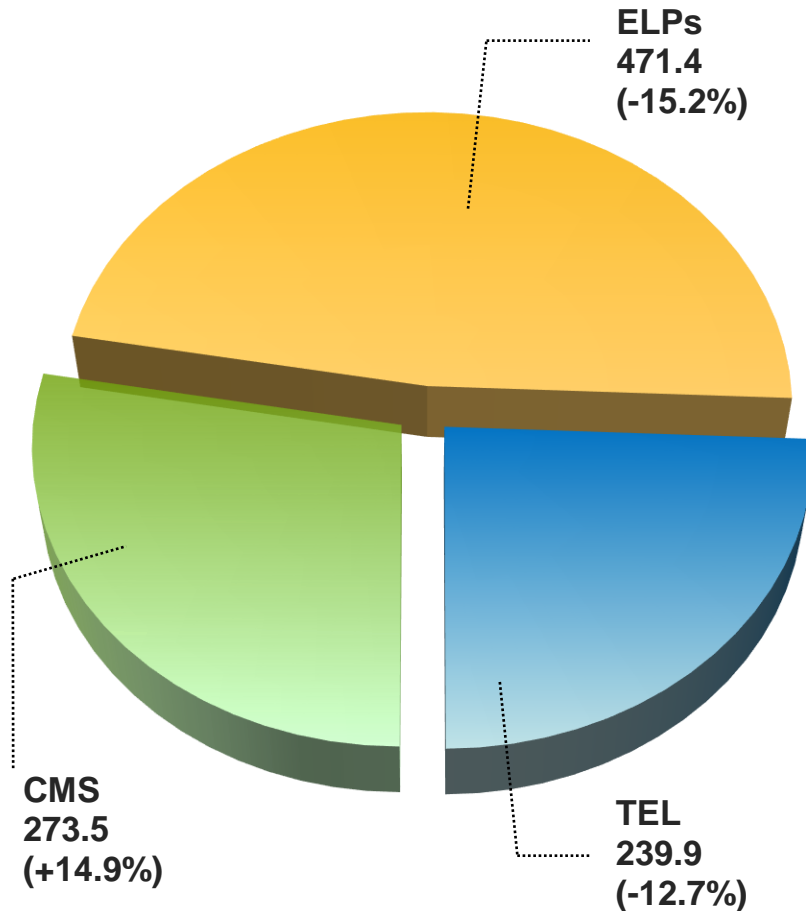
vtech | Costs

- Gross profit margin of 28.3%
- Slight increase mainly attributable to:
 - Lower cost of materials and freight charges
 - Increased selling prices
 - Lower direct labour costs and manufacturing overheads
- Gains offset by:
 - Lower Group revenue, depreciation of the major currencies against the US dollar, increase in inventory provisions and change in product mix

Operations Review

vtech | North America

Revenue by Product Line (US\$ million)



- **Revenue decreased 7.8% to US\$984.8 million, 43.9% of Group revenue**
- **Lower sales of ELPs and TEL products offset increase at CMS**
- **ELPs revenue** declined 15.2% to US\$471.4 million
 - Sales decreases in US and Canada
 - Lower sales from standalone and platform products, with declines in both brands
 - **US:** Retained leadership in electronic learning toys from infancy through toddler to preschool
 - **Canada:** Remained no. 1 supplier in infant, toddler and preschool toys category

vtech | North America (continued)

- **Standalone Products:**

- **VTech:** Higher sales of Marble Rush and Kidi line offset by lower sales of infant, toddler and preschool products, KidiZoom cameras, Switch & Go Dinos and Go! Go! Smart family
- **LeapFrog:** Growth for LeapLand Adventures and eco-friendly toys and added revenue from Magic Adventures Microscope offset by lower sales of infant, toddler and preschool products

- **Platform Products:**

- Sales declined but KidiZoom Smartwatch topped Youth Electronics Category in US and Canada

- **LeapFrog Academy** subscription revenue declined





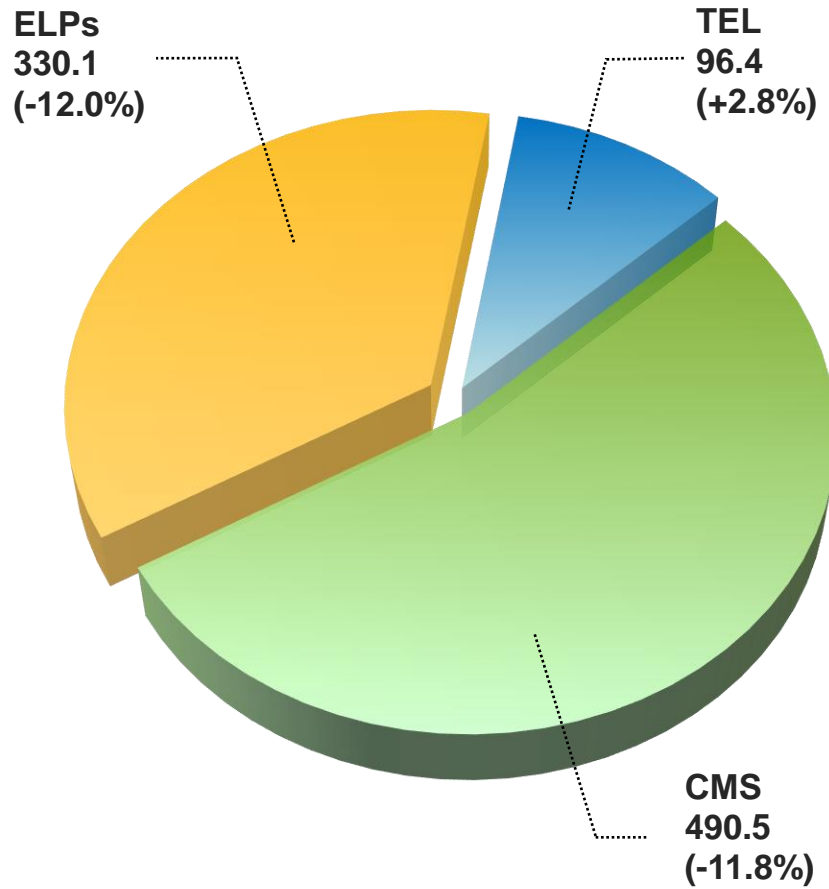
- **TEL products** revenue fell 12.7% to US\$239.9 million
- Lower sales of residential phones, commercial phones and other telecommunication products
- **Residential phones:** Sales declined due to market contraction and lower shipments
- **Commercial phones:** Lower sales of multi-line phones, headsets and SIP phones offset growth of hotel phones
- **Other telecommunication products:** Sales declines in baby monitors and CareLine products



- **CMS** revenue increased 14.9% to US\$273.5 million
- Higher sales of professional audio equipment and industrial products offset decline for solid-state lighting
 - **Professional audio:** Higher demand for power amplifiers and loudspeakers
 - **Industrial products:** More orders for PCBA for coin and note recognition machines
 - **Solid-state lighting:** Major customer reduced orders
- New customers in IoT products and professional audio equipment



Revenue by Product Line (US\$ million)



- **Revenue decreased 10.5% to US\$917.0 million, 40.9% of Group revenue**
- **Lower sales of ELPs and CMS offset higher sales of TEL products**
- **ELPs** revenue decreased 12.0% to US\$330.1 million
 - Declines for standalone and platform products
 - Sales declined in France, UK, Germany and Netherlands
 - Remained no. 1 infant and toddler toys manufacturer in France, UK, Germany, Spain and Benelux countries

vtech | Europe (continued)

- **Standalone Products:**

- **VTech:** Higher sales of Marble Rush, ELAs and eco-friendly toys offset by lower sales of infant, toddler and preschool products, KidiZoom cameras, Kidi line and Toot-Toot family
- **LeapFrog:** Slight sales increase as growth in eco-friendly toys and LeapLand Adventures offset declines in infant, toddler and preschool products. Magic Adventures Microscope added incremental business



- **Platform Products:**

- **VTech:** Sales declined on lower sales of children's educational tablets, KidiZoom Smartwatch, KidiCom range and Touch & Learn Activity Desk
- **LeapFrog:** Higher sales of Magic Adventures Globe insufficient to offset lower sales of interactive reading systems



vtech | Europe (continued)



- **TEL products** revenue rose 2.8% to US\$96.4 million
- **Residential phones:** Sales increased as VTech branded phones grew in UK and Germany while several ODM customers increased orders
- **Other telecommunication products:** Sales rose as higher sales of CAT-iq handsets offset lower sales of baby monitors, CareLine products and IADs
- **Commercial phones:** Sales declined as growth in hotel phones offset by declines in SIP phones and headsets

- **CMS** revenue declined 11.8% to US\$490.5 million
- Lower orders of hearables and communication products offset gains in other categories
 - **Hearables:** Lower orders for Bluetooth and commercial headsets
 - **Communication products:** Orders for Wi-Fi routers decreased
 - **Professional audio:** Demand recovery for audio mixers

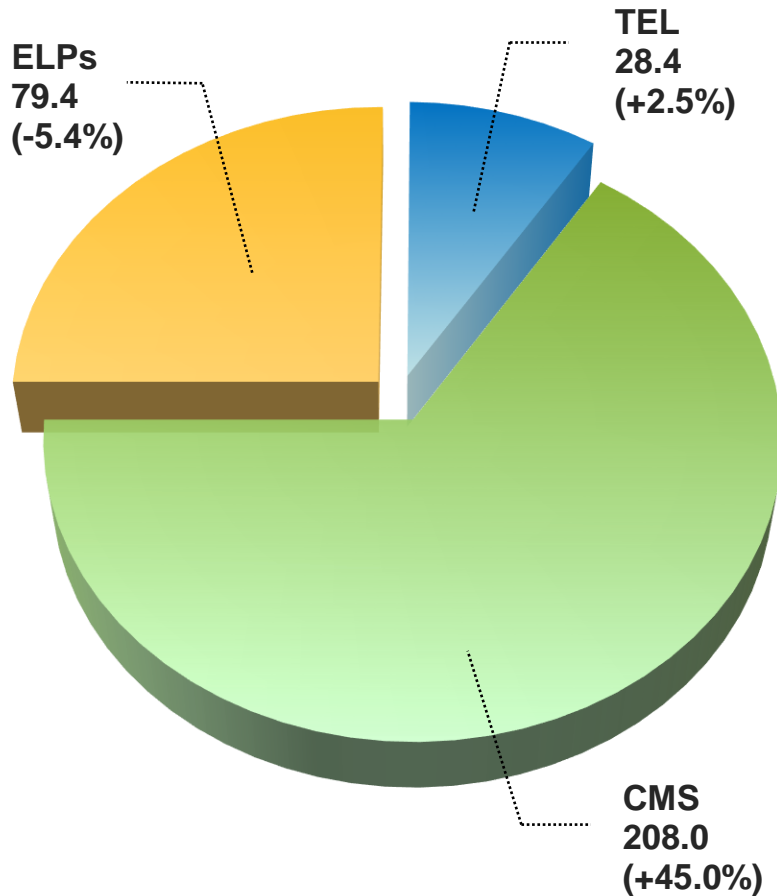


- **IoT products:** Sales grew as installation of smart meters resumed in UK, demand for internet connected thermostats and air-conditioning controls rose
- **Medical and health products:** Higher sales of hearing aids offset decline in hair removal products
- **Home appliances:** Sales stable
- **Power supplies:** Growth in smart energy storage systems



vtech | Asia Pacific

Revenue by Product Line (US\$ million)



- **Revenue rose 23.8% to US\$315.8 million, 14.1% of Group revenue**
- **Higher sales of TEL products and CMS offset lower ELPs revenue**
- **ELPs** revenue decreased 5.4% to US\$79.4 million
- Growth in Japan unable to offset lower sales in mainland China
 - **Japan:** Growth from rising sales to major toy retailer and good sell-through of smartwatches
 - **Australia:** Sales steady and remained no. 1 manufacturer in infant and toddler toys category
 - **Mainland China:** Higher online sales insufficient to offset lower offline sales

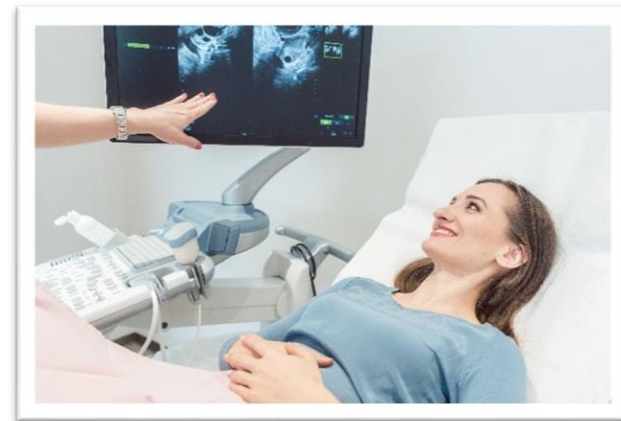
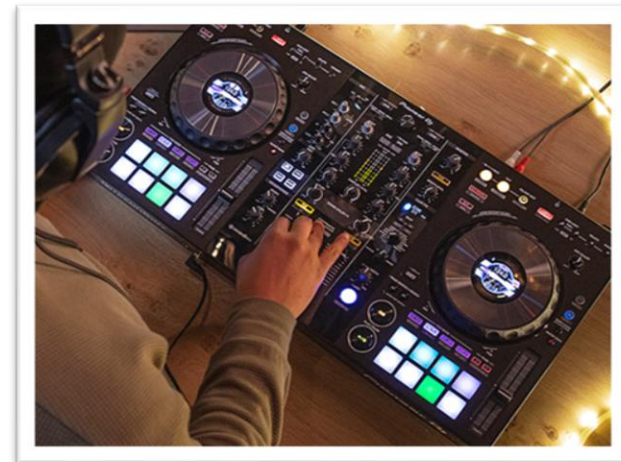
vtech | Asia Pacific (continued)

- **TEL products** revenue increased 2.5% to US\$28.4 million, as higher sales in Japan offset lower sales in Australia and Hong Kong
 - **Japan:** Growth from more orders of CareLine products from existing customer
 - **Australia:** Residential phones declined as market shrank while baby monitors held back by semiconductor shortages
 - **Hong Kong:** IADs orders reduced



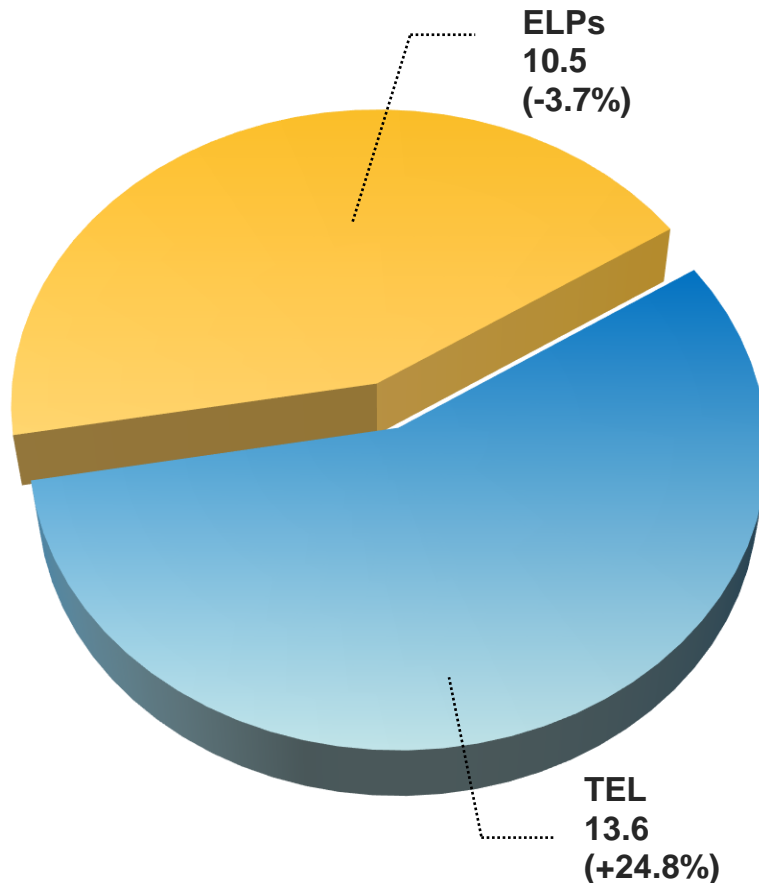
vtech | Asia Pacific (continued)

- **CMS** revenue rose 45.0% to US\$208.0 million
- Higher sales of professional audio equipment, medical and health products, and communication products
 - **Professional audio:** Rebound in sales of DJ equipment as Malaysian facilities returned to full production
 - **Medical and health products:** More orders for diagnostic ultrasound systems
 - **Communication products:** Increased orders for marine radios



vtech | Other Regions

Revenue by Product Line (US\$ million)



- **Revenue grew 10.0% to US\$24.1 million, 1.1% of Group revenue**
- **Higher sales of TEL products offset lower sales of ELPs and CMS**
- **ELPs** revenue decreased 3.7% to US\$10.5 million. Higher sales in Middle East unable to offset declines in Latin America and Africa
- **TEL products** revenue rose 24.8% to US\$13.6 million as sales increases in Latin America and Middle East offset decline in Africa
- **CMS** revenue immaterial

Reorganisation of ELPs and TEL Products Operations

vtech | Reorganisation

- **Goal: To create a stronger, leaner and more efficient organisation**
- **ELPs**
 - Structural reorganisation of US business
 - New leadership team, reduce management layers, downsize operations
 - Increase product productivity
 - Strengthen product planning and marketing
 - Rebuild e-commerce team
 - Implement measures to raise supply chain efficiency

- **TEL Products**

- Streamline R&D function in mainland China
- Tighten management
- Accelerate new product launches
- Revitalise go-to-market strategy for commercial phones, with dedicated teams to refocus telecommunication service provider and VAR businesses

Outlook

Macro-economic outlook for FY2024 uncertain

- Challenges from persistent inflation and high interest rates will continue
- Consumers remain price-sensitive and reluctant to make purchases
- Customers cautious about placing orders and managing inventory
- Group revenue target to be flat year-on-year
- Profitability forecast to recover

Costs

- Appear favourable in FY2024
- **Cost of materials:** Expected to decrease
- **Direct labour costs:** No longer rising in mainland China
- **Manufacturing overheads:** Expected to improve
- **Freight costs:** Back to pre-pandemic levels
- Exception: High domestic transportation costs in US and Europe

ELPs

- Striving to achieve growth
- Sales in North America and Europe to recover
- Extend geographical reach
- Asia Pacific:
 - Expected to grow in Australia and strong sales recovery in mainland China



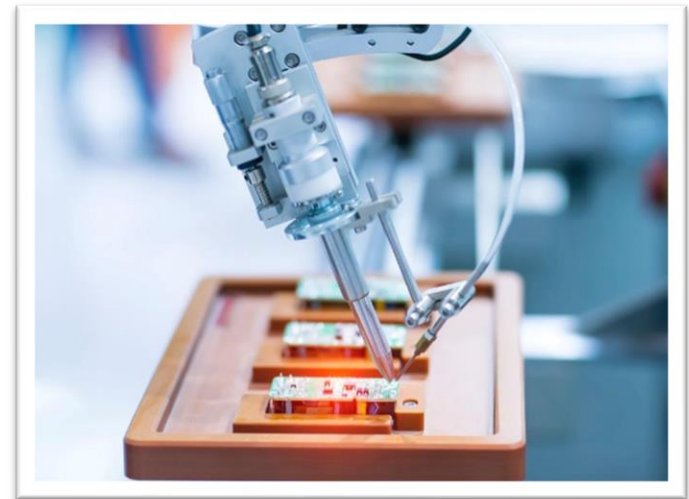
TEL Products

- Revenue projected to be higher
- **Commercial phones:** Sales expected to increase, driven by Snom D8 SIP desksets, multi-cell SIP DECT mobility system, work-from-anywhere series and hospitality category
- **Residential phones:** Growth in Europe expected to offset decline in US
- **Other telecommunication products:** Benefit from recovery in baby monitors



CMS

- Revenue forecast to be stable
- Sales of professional audio equipment, industrial products and medical and health products expected to remain largely stable
- Growth from smart energy storage systems and smart home control systems
- Sales of hearables expected to stabilise
- Work to continue to complete Industry 4.0 implementation in mainland China facilities
- Mexican facility on track to offer full turnkey EMS capability by December 2023



Q&A

Thank You