



VTech Holdings Limited

FY2024 Annual Results Announcement

21 May 2024

Financial Review



Financial Highlights

For the year ended 31 March

(US\$ M)

2024

2023

Change

Revenue

2,145.7

2,241.7

-4.3%

Gross Profit

634.9

633.7

0.2%

Gross Profit Margin %

29.6%

28.3%

1.3% pts

Operating Profit

196.2

180.5

8.7%

Operating Profit Margin %

9.1%

8.1%

1.0% pts

Profit Attributable to Shareholders of the Company

166.6

149.2

11.7%

Net Profit Margin %

7.8%

6.7%

1.1% pts

Basic Earnings per Share (US cents)

66.0

59.1

11.5%

Dividend per Share (US cents)

• Interim

17.0

17.0

• Final

48.0

42.0

• Total dividend for the year

65.0

59.0

10.2%



Revenue by Region

For the year ended 31 March

(US\$ M)

2024

%

2023

Change

North America

922.6

43.0

984.8

-6.3%

Europe

888.3

41.4

917.0

-3.1%

Asia Pacific

317.7

14.8

315.8

0.6%

Other Regions

17.1

0.8

24.1

-29.0%

Total

2,145.7

100.0

2,241.7

-4.3%

(US\$ M)

31/03/24

31/03/23

Stocks

348.0

475.5

Stocks Turnover Days

101 days

128 days

Trade Debtors

224.6

277.2

Trade Debtors Turnover Days

60 days

59 days

(US\$ M)

31/03/24

31/03/23

Deposits and Cash

322.1

198.5

Total Borrowings

-

-

Net Cash Position

322.1

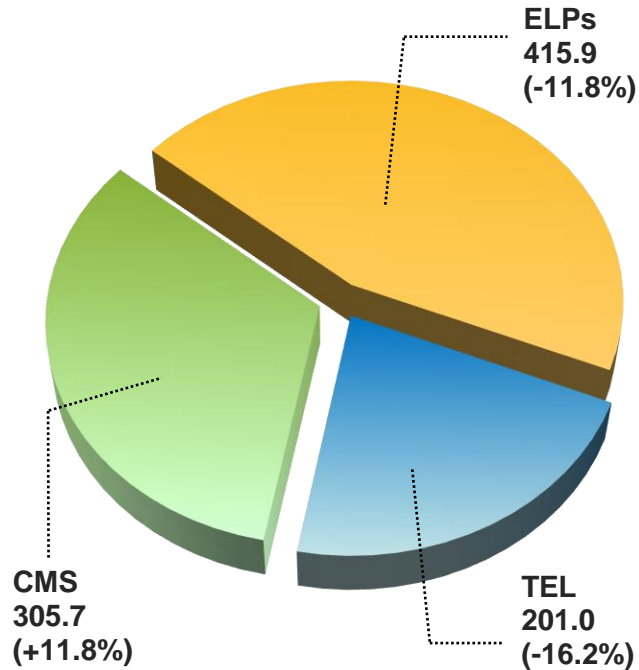
198.5

Costs

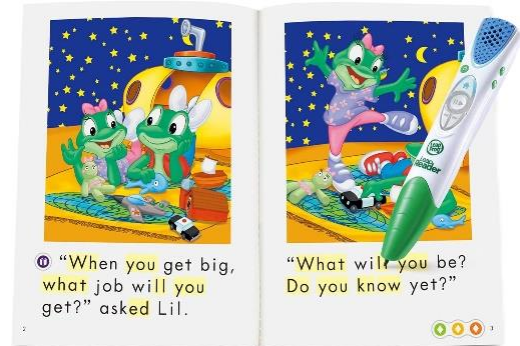
- Gross profit margin of 29.6%
- Improved on:
 - Lower freight charges and inventory provision
 - Lower direct labour costs and manufacturing overheads
- Gains partially offset by:
 - Higher cost of materials as % of Group revenue

Operations Review

Revenue by Product Line (US\$ million)



- Revenue decreased 6.3% to US\$922.6 million, 43.0% of Group revenue
- Lower sales of ELPs and TEL products offset increase at CMS
- ELPs revenue decreased 11.8% to US\$415.9 million
 - Sales decreases in US and Canada on weak demand and toy market contraction
 - Lower sales of standalone and platform products, and both brands
 - Retained leadership in electronic learning toys from infancy through toddler to preschool in US and Canada



- **Standalone products:**
 - **VTech:** Higher sales of Go! Go! Smart family, preschool products, Switch & Go Dinos and Kidi line insufficient to offset lower sales of infant products, KidiZoom camera, Marble Rush and eco-friendly toys
 - **LeapFrog:** Growth from eco-friendly toys and additional revenue of Magic Adventures Telescope offset by lower sales of infant, toddler and preschool products, LeapLand Adventures and Magic Adventures Microscope
- **Platform products:** Sales declines for both brands
- **LeapFrog Academy:** Subscriptions declined

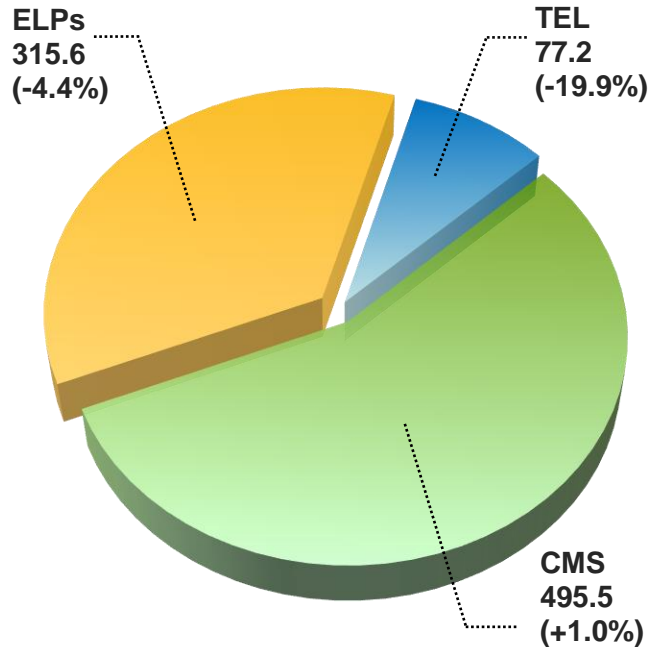


- **TEL products** revenue fell 16.2% to US\$201.0 million
- Lower sales in all categories, with a decrease in the US offsetting growth in Canada
- **Residential phones:** Sales decline on continuing market contraction and less shelf space at a US retailer
- **Commercial phones:** Overall sales decline. Higher sales of hotel phones and SIP phones unable to offset declines for headsets and multi-line analogue phones
- **Other telecommunication products:** Sales decrease on lower sales of baby monitors, CareLine and IADs

- **CMS** revenue increased 11.8% to US\$305.7 million, mainly driven by professional audio equipment
- **Professional audio equipment:** Growth driven by improved materials supply, revival of music concerts and new product launches
- **IoT products:** Boosted by a new customer in smart home control systems
- **Industrial products:** Sales decrease on lower orders for PCBA for coin and note recognition machines
- **Solid-state lighting:** Sales decline on slowdown in construction activity



Revenue by Product Line (US\$ million)



- Revenue decreased 3.1% to US\$888.3 million, 41.4% of Group revenue
- Lower sales of ELPs and TEL products offset increase at CMS
- ELPs revenue fell 4.4% to US\$315.6 million
 - Lower sales from standalone and platform products, with declines in all key markets
 - Remained no. 1 manufacturer of infant and toddler toys in France, UK, Germany, Spain and the Benelux countries

- **Standalone products:**

- Growth in LeapFrog products unable to offset a decline for VTech brand
- **LeapFrog:** Higher sales of infant, toddler and preschool products offset decrease in LeapLand Adventures, with stable sales of eco-friendly toys and Magic Adventures Microscope. Incremental revenue from Magic Adventures Telescope
- **VTech:** Higher sales of preschool products, ELAs and Marble Rush insufficient to offset lower sales of infant products, Go! Go! Smart family, KidiZoom camera, Kidi line, Switch & Go Dinos and eco-friendly toys

- **Platform products:**

- VTech sales declined but LeapFrog brand grew, driven by Magic Adventures Globe





- **TEL products** revenue decreased 19.9% to US\$77.2 million, with all product categories experiencing declines
- **Residential phones:** VTech brand expanded into France and Italy, while increasing sales in UK and Germany. This offset by lower ODM shipments
- **Commercial phones:** Lower sales of SIP phones and hotel phones. Snom M500 system launched and Snom Technology appointed as an additional sales channel for hotel phones
- **Other telecommunication products:** Growth in baby monitors insufficient to compensate for a drop in CareLine, CAT-iq handsets and IADs

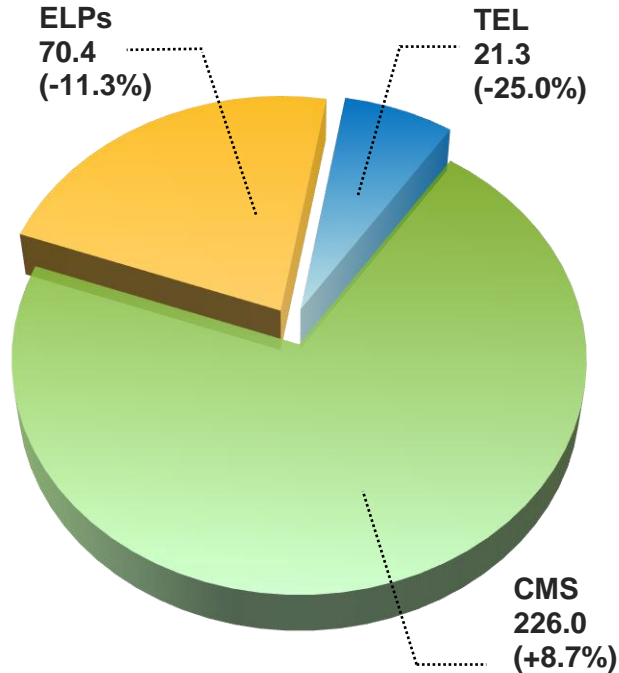
- **CMS** revenue grew by 1.0% to US\$495.5 million
- Growth led by medical and health products, communication products and smart energy storage systems
 - **Medical and health products:** Higher sales of hearing aids. Sales of hair removal products stable
 - **Communication products:** Sales of wireless routers rose
 - **Smart energy storage systems:** Sales ramped up as customer captured market share



- **Hearables:** Sales decreased as mobile phone headsets ended life cycle, commercial headsets normalised
- **Professional audio equipment:** Orders for home audio interface products declined, but a new customer added
- **IoT products:** Lower orders for smart meters and internet connected thermostats and air-conditioning controls
- **Automotive products:** Lower sales as customer lost market share and delayed the launch of its new EV charger
- **Home appliances:** Sales held steady



Revenue by Product Line (US\$ million)

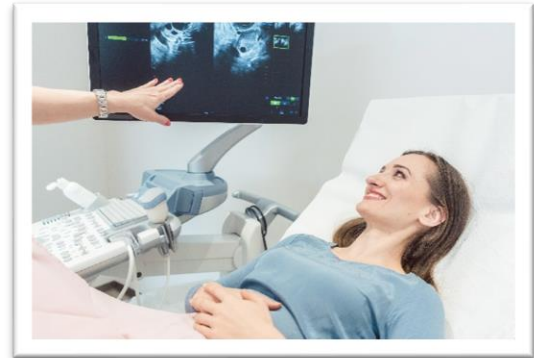


- Revenue increased 0.6% to US\$317.7 million, 14.8% of Group revenue
- Increase at CMS offset lower sales of ELPs and TEL products
- ELPs revenue decreased 11.3% to US\$70.4 million
- Growth in mainland China offset by declines in Australia and Japan
 - **Mainland China:** Online and offline sales up, with core learning products and revamped Go! Go! Smart Wheels driving growth
 - **Australia:** Sales decrease on weakening economy, but VTech remained no. 1 in infant and toddler toys category
 - **Japan:** Lower sell-through of smartwatches and sales decrease at a major toy retailer

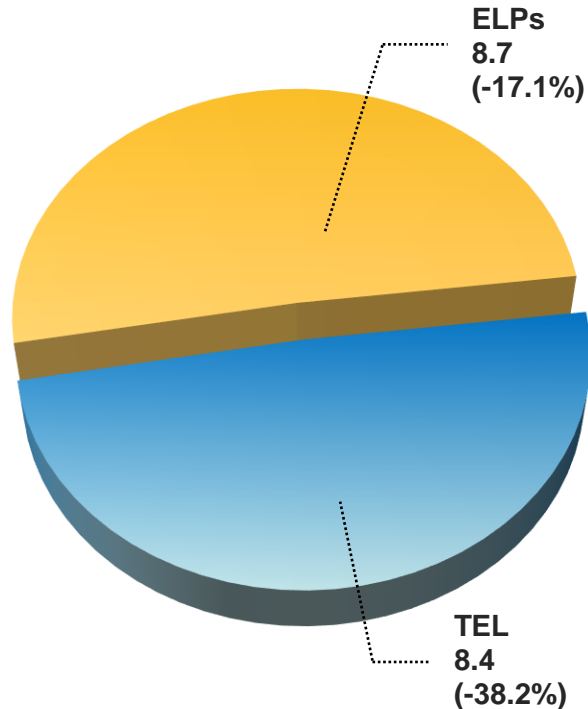
- **TEL products** revenue decreased 25.0% to US\$21.3 million, with lower sales in Australia, Japan and Hong Kong
 - **Australia:** Sales of residential phones and baby monitors declined
 - **Japan:** Sales of residential phones fell as an ODM customer reduced orders
 - **Hong Kong:** IADs and residential phones sales declined



- **CMS** revenue rose 8.7% to US\$226.0 million
- Strong rise in demand for Malaysian facility as customers seek to diversify
 - **Professional audio equipment:** Drove the growth on rising orders for DJ equipment
 - **Medical and health products:** Lower sales of diagnostic ultrasound systems due to over-inventory, coupled with delayed product launch
 - **Communication products:** Sales of marine radios down as production of some models moved back to Japan



Revenue by Product Line (US\$ million)



- Revenue fell 29.0% to US\$17.1 million, 0.8% of Group revenue
- Mainly due to lower sales of ELPs and TEL products
- ELPs revenue decreased 17.1% to US\$8.7 million. Latin America, Middle East and Africa all reported lower sales
- TEL products revenue down 38.2% to US\$8.4 million. Sales declined in Latin America, Middle East and Africa
- CMS revenue immaterial

Acquisition of Gigaset Assets

- Completed on 5 April 2024
- Global leader in communication technology and a German brand with over 30-year history
- Assets related to development, production and sales activities of Gigaset's businesses in DECT phones, business telephony solutions for enterprise customers and android-based smartphones
- Preliminary purchase price EUR27.5 million
- Funded by internal resources

Acquisition of Gigaset Assets

- Highly complementary to TEL products business
- Residential phones – Makes VTech world's no. 1 supplier
- Commercial phones – Gigaset's multi-cell systems complement Snom desksets
- Smartphones – Completely new product area
- First manufacturing facilities in Europe through Bocholt factory, supported by R&D centres in Germany and Poland



Outlook

- Inflation and high interest rates affecting consumer sentiment and business investment in North America and Europe
- Geo-political conditions increasingly uncertain
- Expect higher revenue in FY2025 despite the challenges
- Profitability forecast to improve

Costs

- Expect stable environment to continue in FY2025
- Cost of materials forecast to remain little changed
- Labour costs and manufacturing overheads holding steady
- This will offset higher freight charges because of the situation in Middle East

ELPs

- Expect revenue recovery, driven by new product launches and enhanced merchandising arrangements
- Rebound expected in both US and Europe
- In Asia Pacific, sales in Australia forecast to stabilise, positive momentum in mainland China expected to continue
- More targeted marketing and tighter inventory management globally



TEL Products

- Sales forecast to rise as Gigaset makes immediate contribution
- **Residential phones:** Will return to growth with addition of Gigaset brand
- **Commercial phones and smartphones:** Snom branded commercial phones and hotel phones will grow. Snom SIP phones to complement Gigaset multi-cell systems. Smartphones add a new domain
- **Other telecommunication products:** Second generation of baby monitor with AI features



CMS

- Expect stable revenue
- Sales of key product categories expected to remain largely stable
- Growth will be seen in smart energy storage systems
- Sales of hearables will be negatively impacted by lower demand
- Globalisation of production base to continue



Q&A

Thank You