



# **VTech Holdings Limited**

2024/2025 Interim Results Announcement

12 November 2024

# Financial Review



# Financial Highlights

For the six months ended 30 September

(US\$ M)	2024	2023	Change
<b>Revenue</b>	<b>1,089.7</b>	1,140.9	-4.5%
<b>Gross Profit</b>	<b>343.5</b>	325.5	5.5%
Gross Profit Margin %	31.5%	28.5%	3.0% pts
<b>Operating Profit</b>	<b>104.2</b>	110.3	-5.5%
Operating Profit Margin %	9.6%	9.7%	-0.1% pts
<b>Profit Attributable to Shareholders of the Company</b>	<b>87.4</b>	93.6	-6.6%
Net Profit Margin %	8.0%	8.2%	-0.2% pts
<b>Basic Earnings per Share</b> (US cents)	<b>34.6</b>	37.0	-6.5%
<b>Interim Dividend per Share</b> (US cents)	<b>17.0</b>	17.0	-



# Revenue by Region

For the six months ended 30 September

(US\$ M)	2024	%	2023	Change
North America	453.1	41.6	489.4	-7.4%
Europe	462.1	42.4	468.7	-1.4%
Asia Pacific	159.4	14.6	171.5	-7.1%
Other Regions	15.1	1.4	11.3	33.6%
<b>Total</b>	<b>1,089.7</b>	<b>100.0</b>	<b>1,140.9</b>	<b>-4.5%</b>

(US\$ M)	30/09/24	31/03/24	30/09/23
<b>Stocks</b>	<b>425.2</b>	348.0	432.0
<b>Stocks Turnover Days</b>	<b>129 days</b>	101 days	120 days
<b>Trade Debtors</b>	<b>481.9</b>	224.6	451.7
<b>Trade Debtors Turnover Days</b>	<b>63 days</b>	60 days	60 days

(US\$ M)	30/09/24	31/03/24	30/09/23
Deposits and Cash	150.2	322.1	108.5
Total Borrowings	-	-	-
Net Cash Position	150.2	322.1	108.5

# Costs

- Gross profit margin was 31.5%
- Improved due to lower cost of materials, change in product mix and gross profit contribution from Gigaset
- These offset higher direct labour costs, manufacturing overheads and freight charges as percentages of Group revenue

# Integration of Assets of GST Communications GmbH

(formerly known as Gigaset Communications GmbH)

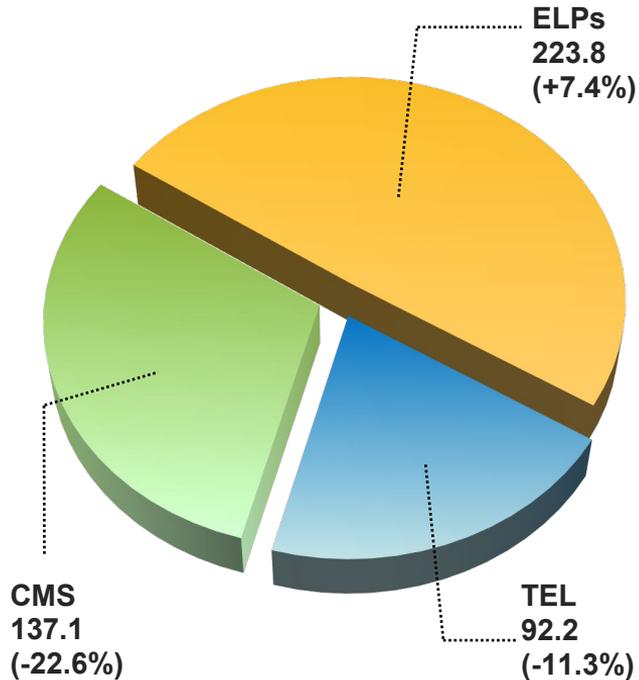
- Acquisition was completed on 5 April 2024
- Global leader in communications technology based in Bocholt, Germany
- Operations in DECT phones, business telephony solutions for enterprise customers and Android-based smartphones now managed by new VTech entity Gigaset Technologies GmbH
- Swift and efficient integration of assets to restore supply chain and change procurement process to lower costs
- Production and product supply returned to normal by September



- Sales force re-established in all major European markets
- Communications and interactions enhanced to speed up decision-making in new product launches
- VTech engineering teams are working closely with teams in Germany to:
  - strengthen product roadmap
  - reduce product costs
  - accelerate new product introduction

# Operations Review

Revenue by Product Line (US\$ million)



- Revenue decreased 7.4% to US\$453.1 million, 41.6% of Group revenue
- Higher sales of ELPs offset by lower sales of TEL products and CMS
- ELPs revenue up 7.4% to US\$223.8 million
  - Higher sales in US and Canada as toy market stabilised, new leadership team capitalised on upturn with revitalised sales and marketing strategy
  - Growth driven by standalone products
  - Retained leadership in electronic learning toys from infancy through toddler to preschool in US and Canada

- **Standalone products:**
  - **VTech:** Higher sales of infant, toddler and preschool products, Kidi line and electronic learning aids offset declines for Go! Go! Smart family of products, Switch & Go Dinos, Marble Rush and eco-friendly toys. KidiZoom camera sales steady
  - **LeapFrog:** Growth in infant, toddler and preschool products, as well as eco-friendly toys. Magic Adventures series achieved higher sales as Magic Adventures Binoculars contributed additional revenue. These partially offset by lower LeapLand Adventures sales
- **Platform products:** Sales increased driven by LeapFrog products



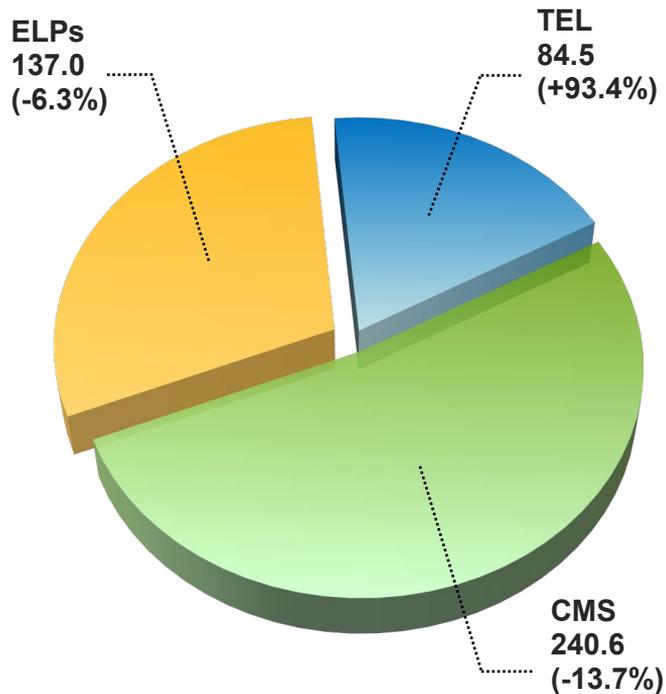


- **TEL products** revenue fell 11.3% to US\$92.2 million
- Declines in US and Canada, included small sales contribution from Gigaset
- **Residential phones:** Lower sales as the market continued to decline
- **Commercial phones:** Sales decreased despite growth in hotel phones and headsets
- **Other telecommunication products:** Sales declined on lower sales of baby monitors and CareLine, with sales of IADs stable

- **CMS** revenue decreased 22.6% to US\$137.1 million. In 1HFY2024, improved materials supply cleared backlogs, boosting growth in professional audio equipment. In 1HFY2025, subdued end-market demand led to over-inventory at many customers
- **Professional audio equipment:** Power amplifiers, audio mixers down as end-user demand dropped. Professional loudspeakers affected by customer's excess inventory
- **Industrial products:** Sales decreased on lower orders for coin and note recognition machines
- **Solid-state lighting:** Sales lower as projects cut back
- **IoT products:** Sales declined as customer faced financial issue



Revenue by Product Line (US\$ million)



- Revenue decreased 1.4% to US\$462.1 million, 42.4% of Group revenue
- Higher sales of TEL products offset by lower sales of ELPs and CMS
- ELPs revenue decreased 6.3% to US\$137.0 million
  - Declines for both standalone and platform products
  - Sales decreased in France, Germany and the Benelux countries, offsetting growth in UK and Spain
  - Remained no. 1 infant and toddler toys manufacturer in France, UK, Germany, Spain and the Benelux countries



- **Standalone products:**
  - Growth in LeapFrog brand offset by decline of VTech products
  - **LeapFrog:** Higher sales of infant and toddler products offset decreases in preschool products and LeapLand Adventures. Magic Adventures Binoculars added incremental revenue in Magic Adventures series. Sales of eco-friendly toys stable
  - **VTech:** Infant, toddler and preschool products recorded higher sales. These gains, insufficient to offset declines for Go! Go! Smart family of products, KidiZoom camera, Kidi line, electronic learning aids, Switch & Go Dinos, Marble Rush and eco-friendly toys
- **Platform products:**
  - Lower sales of both VTech and LeapFrog products



- **TEL products** revenue increased 93.4% to US\$84.5 million. Sales of residential phones and commercial phones rose as Gigaset sales consolidated to VTech
- **Residential phones:** Despite market decline and lower ODM shipments, sales rose on consolidation of Gigaset revenue
- **Commercial phones:** Sales increased as Gigaset sales offset declines in Snom branded SIP phones and hotel phones
- **Other telecommunication products:** Sales decreased due to lower sales of CAT-iq handsets and CareLine. This offset higher sales of baby monitors

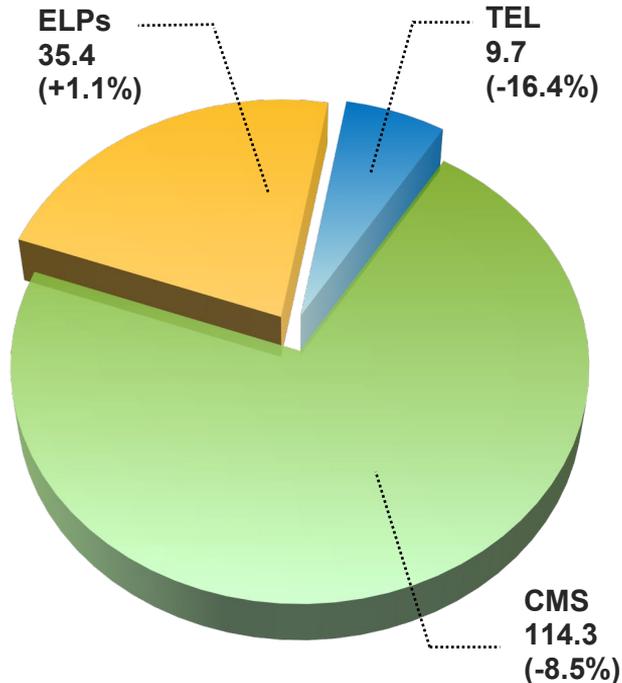
- **CMS** revenue decreased 13.7% to US\$240.6 million on weak end-market demand and excess inventory among customers
- Lower sales of professional audio equipment, hearables and smart energy storage systems offset rising sales of medical and health products, IoT products and automotive products
- **Professional audio equipment:** Lower sales of home audio interface products due to delayed product launch and over-inventory at a customer
- **Hearables:** Sales declined as one customer's product reached end of lifecycle, another faced excess inventory



- **Smart energy storage systems:** Lower sales as customer faced keen competition and was impacted by cancellation of government subsidies
- **Medical and health products:** Sales grew due to higher sales of hearing aids and hair removal products
- **IoT products:** Sales rose as orders for internet connected thermostats and air-conditioning controls increased
- **Automotive products:** Growth driven by increased sales of car battery chargers
- **Home appliances and communication products:** Sales held steady



## Revenue by Product Line (US\$ million)



- Revenue decreased 7.1% to US\$159.4 million, 14.6% of Group revenue
- Growth in ELPs insufficient to compensate for declines in TEL products and CMS
- ELPs revenue increased 1.1% to US\$35.4 million, due to higher sales in Australia and mainland China
  - **Australia:** Growth mainly came from VTech brand. Local toy market stabilised and effective marketing activities resulted in good sell-through of new products. Sales of LeapFrog products largely stable
  - **Mainland China:** Sales increases for online and offline channels. Increased in-store marketing and merchandising resulted in higher sales of core learning products, Go! Go! Smart family of products and Marble Rush

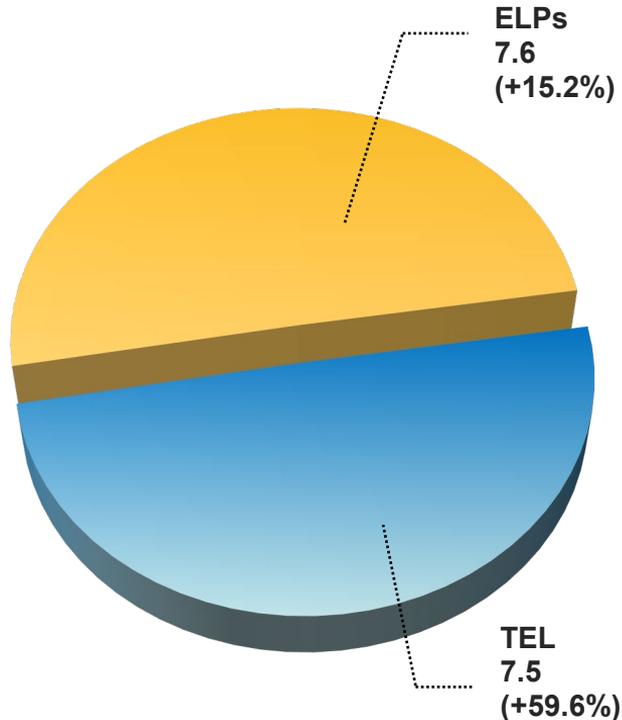
- **TEL products** revenue decreased 16.4% to US\$9.7 million
- Due to lower sales of residential phones and other telecommunication products in Australia and Japan
- This offset growth in commercial phones as SIP phones sales increased



- **CMS** revenue fell 8.5% to US\$114.3 million on lower sales of professional audio equipment, medical and health products, and communication products
  - **Professional audio equipment:** Lower sales as orders for DJ equipment declined
  - **Medical and health products:** Sales decreased on lower orders for diagnostic ultrasound systems as customer lost market share in mainland China
  - **Communication products:** Orders for marine radios fell as depreciation of Japanese yen saw a customer move production back in-house to Japan



Revenue by Product Line (US\$ million)



- **Revenue rose 33.6% to US\$15.1 million, 1.4% of Group revenue**
- **Growth in ELPs and TEL products**
- **ELPs** revenue increased 15.2% to US\$7.6 million. Higher sales in Latin America and Middle East offset lower sales in Africa
- **TEL products** revenue up 59.6% to US\$7.5 million. Growth in Latin America and Middle East offset decline in Africa. This included a sales contribution from Gigaset
- **CMS** revenue immaterial

# Outlook

- Despite the fall in inflation, global interest rates remain high and geopolitical tensions are increasing, weighing on confidence in all markets
- Both businesses and consumers continue to rein in spending
- Group revenue forecast to increase for full financial year 2025, driven by higher ELPs sales in US and increased revenue from TEL products following Gigaset integration
- Profitability on track to show improvement as cost of materials continues to trend down and the Group benefits from change in product mix

## ELPs

- Revenue forecast to increase for FY2025
- Growth expected to come mainly from the US, where new leadership team's revitalised sales and marketing strategy is achieving good results
- Standalone products continue to lead sales increase, with licensed preschool products performing particularly well
- In Europe, sales in major markets projected to pick up in 2H as new products hit the shelves and more marketing activities roll out
- In Asia Pacific, growth in Australia and mainland China expected to continue



## TEL Products

- Revenue expected to see growth year-on-year, driven by higher sales of residential phones and commercial phones
- Sales expected to improve in 2H as production and supply of Gigaset's products now returned to normal
- On track to complete integration process by end of CY2024
- Focus on growing Gigaset's commercial phones and residential phones
- Sales of baby monitors anticipated to decrease



## CMS

- Revenue now expected to decrease for FY2025 on geopolitical uncertainty and generally weak global economy
- Sales in 2H forecast to stabilise
- Well positioned for the growing demand to diversify source of supply away from mainland China, as the Group strengthens global manufacturing footprint
- In Malaysia, a new warehouse will free up manufacturing space and increase production capacity by 30% by Q1 CY2025
- Mexican facilities now fully operational and able to fulfil US customers' on-shoring requirements



# Q&A

**Thank You**