

FOR IMMEDIATE RELEASE

VTech Announces FY2024 Annual Results

Higher profit on improved gross margin and lower operating expenses

- Group revenue declined by 4.3% to US\$2,145.7 million
- Gross profit margin improved from 28.3% to 29.6%
- Profit attributable to shareholders of the Company rose by 11.7% to US\$166.6 million
- Final dividend of US48.0 cents per ordinary share, resulting in a full-year dividend of US65.0 cents per ordinary share, an increase of 10.2% from the previous financial year
- Successful acquisition of assets of Gigaset Communications GmbH
- Financial position remains strong

Hong Kong, 21 May 2024 – VTech Holdings Limited (HKSE: 303) today announced its results for the year ended 31 March 2024.

“VTech reported an increase in profit for the financial year 2024 despite a decline in revenue. Tighter economic conditions in North America and Europe resulted in lower sales of electronic learning products and telecommunication products. This offset record revenue at contract manufacturing services as the supply of materials improved. Profit was boosted by an improvement in gross profit margin and a decline in operating expenses,” said Mr. Allan Wong, Chairman and Group CEO of VTech Holdings Limited.

Results and Dividend

Group revenue for the year ended 31 March 2024 declined by 4.3% to US\$2,145.7 million, from US\$2,241.7 million in the previous financial year. Lower sales in North America, Europe and Other Regions offset higher sales in Asia Pacific.

Profit attributable to shareholders of the Company increased by 11.7% to US\$166.6 million. The increase in profit was mainly due to an improvement in gross profit margin, supported by lower operating expenses resulting from a decline in selling and distribution costs.

Basic earnings per share increased by 11.7% to US66.0 cents, compared to US59.1 cents in the financial year 2023.

The Board of Directors has proposed a final dividend of US48.0 cents per ordinary share, providing a full-year dividend of US65.0 cents per ordinary share, an increase of 10.2% from the US59.0 cents declared in the previous financial year. This represents a dividend payout ratio of 98.7%.

Costs

The Group's gross profit margin in the financial year 2024 was 29.6%, as compared with 28.3% in the previous financial year. The improvement came as freight charges and inventory provision fell. Direct labour costs and manufacturing overheads also declined because of increased automation, a reduction in the factory workforce and the depreciation of the Renminbi against the US dollar. Partially offsetting these gains, cost of materials as a percentage of Group revenue rose despite lower materials prices because of a change in product mix.

Segment Results

North America

Group revenue in North America decreased by 6.3% to US\$922.6 million in the financial year 2024, as lower sales of electronic learning products (ELPs) and telecommunication (TEL) products offset an increase at contract manufacturing services (CMS). North America remained VTech's largest market, accounting for 43.0% of Group revenue.

ELPs revenue in North America decreased by 11.8% to US\$415.9 million. Sales decreased in both the US and Canada as consumer demand weakened and the toy markets contracted. Standalone and platform products both registered lower sales, as did both the VTech and LeapFrog brands. Despite the challenges,

VTech retained its leadership in electronic learning toys from infancy through toddler to preschool in the US and Canada in the calendar year 2023¹.

In the standalone products, at VTech higher sales of the Go! Go! Smart family of products, preschool products, Switch & Go[®] Dinos and the Kidi line were insufficient to offset lower sales of infant products, KidiZoom[®] camera, Marble Rush[®] and eco-friendly toys. LeapFrog managed to achieve higher sales of eco-friendly toys, while the successful roll-out of Magic Adventures[™] Telescope contributed additional revenue. However, this was offset by lower sales of infant, toddler and preschool products, LeapLand Adventures[™] and Magic Adventures Microscope.

Platform products also saw declines for both brands. The decrease at VTech was attributable to lower sales of KidiZoom Smartwatch, KidiBuzz[™] and Touch & Learn Activity Desk[™]. LeapFrog saw lower sales of educational tablets, interactive reading systems and Magic Adventures Globe, while subscriptions to LeapFrog Academy[™] also declined.

The Group's range of innovative ELPs achieved widespread recognition in North America throughout the financial year 2024, garnering more than 90 industry awards from trusted parenting websites, toy industry experts, toy advisory boards and major retailers. Storytime with Sunny[™] was included in Walmart Canada's "2023 Top Toys List", while Drill & Learn Workbench[™] made Walmart's "2023 Top Toys List" in the US. Magic Adventures Telescope was named among the "Best Inventions of 2023" by the prestigious *Time* magazine. It was also selected as a finalist in "The Toy Foundation's Toy of the Year Awards" in the STEAM (science, technology, engineering, the arts and mathematics) category.

TEL products revenue in North America fell by 16.2% to US\$201.0 million in the financial year 2024, with declines in all three product categories. Growth in Canada was offset by a decrease in the US.

A continuing market contraction saw sales of residential phones decline, while less shelf space from a major US retailer led to lower sales of AT&T branded phones. The Group did, however, increase its sales in Canada. During the financial year

¹ Circana, Retail Tracking Service. Ranking based on total retail sales of VTech and LeapFrog products in the combined toy categories of Early Electronic Learning, Toddler Figures/Playsets & Accessories, Preschool Electronic Learning, Electronic Entertainment (excluding Tablets) and Walkers for the 12 months ended December 2023

2024, VTech maintained its leadership position in the US residential phones market².

Commercial phones registered an overall sales decline. There were higher sales of hotel phones and Snom branded SIP (Session Initiation Protocol) phones, but this was unable to offset declines for headsets and multi-line analogue phones. The Group revitalised its go-to-market strategy for SIP phones, driving the sales increase in this product line. A range of Snom D7 desksets designed for hotel administration led to the growth in hotel phones. New thermostats for the hotel channel also started to make a sales contribution. Headsets, meanwhile, declined as a customer placed fewer orders. Sales of multi-line analogue phones decreased as the products made the transition to a new generation.

Sales of other telecommunication products also declined. Baby monitors saw sales decrease due to keen competition. A reduction in orders led to lower sales of CareLine[®] residential phones and IADs (integrated access devices). VTech launched several important new products during the financial year 2024, including in September 2023 the V-Care VC2105 Smart Baby Monitor, which uses AI (artificial intelligence) to provide sleep analytics and real-time alerts. The popular range of V-Hush[™] Sleep Training Soothers was expanded with new models. These are equipped with a touch night light offering over 250 colour choices and up to six ceiling projection frames.

In the financial year 2024, the Group maintained its number one position in the baby monitor market in the US and Canada³. LeapFrog's LF2936FHD Baby Monitor was named "Touch Screen Monitor Product of the Year" in the "2023 Baby Innovation Awards" in the US.

CMS sales in North America increased by 11.8% to US\$305.7 million in the financial year 2024. The main driver was professional audio equipment. Power amplifiers, mixers and wireless microphones benefited from improved materials supply, clearing the accumulated backlog of orders. The full revival of music concerts and related activities following the pandemic, along with new product launches, further led to increasing orders for such equipment. Sales of IoT (Internet-of-Things) products were boosted by a new customer in the field of smart home control systems. By contrast, sales of industrial products decreased, as

² MarketWise Consumer Insights, LLC, April 2023 – March 2024

³ Circana/Retail Tracking Service, US and Canada, VTech and LeapFrog brands combined, based on dollars and units, April 2023 – March 2024 combined vs April 2022 – March 2023 combined

orders for PCBA (printed circuit board assembly) for coin and note recognition machines fell. Solid-state lighting also experienced a decline as a slowdown in construction activity reduced demand for LED (light-emitting diode) lighting.

The high level of service and dedication to quality of VTech CMS led to more recognition from customers in the US during the financial year 2024, including “Best Supplier” from a professional audio equipment customer, a “20 Years Partnership Award” from an industrial products customer, “2023 Best Service Supplier” from a solid-state lighting customer and “Preferred Supplier 2023” from an automotive products customer.

Europe

Group revenue in Europe decreased by 3.1% to US\$888.3 million in the financial year 2024, as lower sales of ELPs and TEL products offset an increase at CMS. The region accounted for 41.4% of Group revenue.

ELPs revenue in Europe fell by 4.4% to US\$315.6 million, with declines in both standalone and platform products. Sales fell in all key markets, including France, the UK, Germany and Spain. In the calendar year 2023, VTech nevertheless remained the number one infant and toddler toys manufacturer in France, the UK, Germany, Spain and the Benelux countries⁴.

For standalone products, the sales decrease came as growth in LeapFrog products was unable to offset a decline for the VTech brand. At LeapFrog, infant, toddler and preschool products saw higher sales, offsetting a decrease in LeapLand Adventures. Sales of Magic Adventures Microscope and eco-friendly toys were stable. The successful launch of Magic Adventures Telescope in key European markets added incremental revenue. At VTech, preschool products, electronic learning aids and Marble Rush recorded higher sales. These gains, however, were insufficient to offset lower sales of infant products, the Go! Go! Smart family of products, KidiZoom camera, the Kidi line, Switch & Go Dinos and eco-friendly toys.

Platform products saw lower VTech sales as children’s educational tablets, KidiZoom Smartwatch, the KidiCom[®] range of products and Touch & Learn Activity Desk all declined. By contrast, sales of LeapFrog products rose. This came as Magic Adventures Globe achieved growth, while sales of interactive reading systems were stable.

⁴ Circana, Retail Tracking Service, January – December 2023

During the financial year 2024, VTech was given the prestigious “Trophée de l’innovation (Innovation Trophy) 2002-2023” by a key customer in France. In addition, four VTech ELPs won “Grand Prix du Jouet 2023” awards from France’s *La Revue du Jouet* magazine. The award-winning products were KissKiss, Mon toutou bisous (Kosy the Kissing Puppy) in the “Best Interactive Plush Toy” category, Switch & Go Combo – Trio, le méga T-Rex SOS 3 en 1 (Switch & Go 3-in-1 Rescue Rex) in the “Best Transformable Vehicle” category, KidiSecrets Mon casier MagicLocker in the “Best Electronic Game” category and Genius XL – Télescope Vidéo Interactif (Magic Adventures Telescope) in the “Best Scientific Toy” category. In Spain, Magic Adventures Telescope was awarded “Best Toy of the Year 2023” in the category of “Electronic Toys” by the Spanish Association of Toy Manufacturers.

Revenue from TEL products in Europe decreased by 19.9% to US\$77.2 million in the financial year 2024, as residential phones, commercial phones and other telecommunication products all experienced declines.

Sales of VTech residential phones grew, as the brand expanded into France and Italy, while increasing sales in the UK and Germany. This was offset by lower shipments to ODM (original design manufacturing) customers, who were facing over-inventory issues.

The decline in commercial phones came as sales of Snom branded SIP phones and hotel phones trended lower. Inflation and high interest rates led to reduced business investment in Europe, affecting demand for SIP phones and hotel phones. Countering the overall decline, the latest Snom D8 SIP desksets have proven popular despite their premium price point, while the value D7 series was expanded to cater to continued demand. Building out the Snom deskset offering further, the multi-cell M500 mobility system was launched in February 2024. In hotel phones, to target future growth, Snom Technology GmbH was appointed as an additional sales channel in continental Europe.

In other telecommunication products, growth in baby monitors was insufficient to compensate for a drop in CareLine residential phones, CAT-iq (Cordless Advanced Technology—internet and quality) handsets and IADs as ODM customers reduced orders due to over-inventory. Nonetheless, VTech and LeapFrog baby monitors made good progress in the UK, strengthening the

Group's position as the number one baby monitor brand in the country⁵. In January 2024, VTech was named the UK's most trusted baby monitor brand in the latest *BrandSpark International UK Trust Study*, conducted by market research and consulting firm BrandSpark International, in partnership with *Newsweek* magazine⁶.

CMS revenue in Europe grew by 1.0% to US\$495.5 million. Medical and health products, communication products and smart energy storage systems saw higher sales, offsetting declines in hearables, professional audio equipment, IoT products and automotive products. Sales of home appliances were stable.

Medical and health products grew as hearing aids customers launched new products and gained market share, while sales of hair removal products were stable. In communication products, wireless router sales rose as the customer built up inventory to prepare for moving production to a new location and VTech gained market share. Sales of energy storage systems ramped up as the customer captured market share following new product launches. Sales of hearables decreased, however, as the customer's headsets for mobile phones reached the end of their life cycle. Sales of headsets for commercial use returned to normal levels. Professional audio equipment fell as orders for home audio interface products declined, although a new customer was added. Sales of home appliances held steady. IoT products saw lower orders for smart meters as the customer lost market share. Meanwhile, orders for internet-connected thermostats and air-conditioning controls declined as demand returned to normal levels after the energy crisis and a product launch was delayed. Sales of automotive products were lower as the customer lost market share because of keen competition and the delayed launch of its new EV (electric vehicle) charger.

During the financial year, VTech CMS picked up several supplier awards from its European customers. These included "Supplier of the Year 2023" and a "Best Supplier Award 2023" from two IoT product customers, as well as "Supplier of the Year 2023" and an "Outstanding Supplier Award" from two professional audio equipment customers.

⁵ GfK Retail and Technology UK Limited. Based on period March 2022 – December 2023

⁶ Voted most trusted Baby Monitor brand by UK shoppers based on the 2024 BrandSpark® U.K. Trust Study

Asia Pacific

Group revenue in Asia Pacific increased by 0.6% to US\$317.7 million in the financial year 2024, as lower sales of ELPs and TEL products were offset by an increase at CMS. The region accounted for 14.8% of Group revenue.

Revenue from ELPs in Asia Pacific decreased by 11.3% to US\$70.4 million, as higher sales in mainland China were offset by declines in Australia and Japan. In mainland China, both online and offline channels posted sales increases as the country rebounded from the pandemic. The strong sell-through of the core learning products and the revamped Go! Go! Smart Wheels® line drove the growth. Australia saw sales decreases for both VTech and LeapFrog branded products, as higher inflation and interest rates led to a weakening of the economy. Nonetheless, VTech maintained its position as the number one manufacturer in the infant and toddler toys category in the country⁷. In Japan, sales were affected by lower sell-through of jointly developed smartwatches and a decrease in sales to a major toy retailer.

TEL products revenue in Asia Pacific decreased by 25.0% to US\$21.3 million due to lower sales in Australia, Japan and Hong Kong. In Australia, both residential phones and baby monitors registered declines. However, the Group's baby monitors picked up two "Bounty Baby Awards 2023" during the financial year 2024. The VTech BM7750HD Baby Monitor was a "Bronze Winner" in the "Best Baby Monitor" category, while LeapFrog's LF925HD Baby Monitor made the "Editors' Top 5 Picks". In Japan, sales of residential phones fell as an ODM customer reduced orders because of over-inventory. In Hong Kong, sales decreased following declines for IADs and residential phones.

CMS sales in Asia Pacific rose by 8.7% to US\$226.0 million, driven mainly by rising orders for DJ equipment, which boosted sales of professional audio equipment. The CMS facilities in Malaysia are also benefiting from the continued strong rise in demand from existing customers seeking to diversify their source of supply. Medical and health products experienced a decline on lower sales of diagnostic ultrasound systems due to over-inventory, coupled with a delay in a new product launch. Communication products also posted a decline. Sales of marine radios were down, as the depreciation of the Japanese yen saw customers move the production of some models back in-house to Japan. During the financial year 2024, a professional audio equipment customer in Australia honoured VTech CMS with a "10 Years Partnership Award".

⁷ Circana, Retail Tracking Service, January – December 2023

Other Regions

Group revenue in Other Regions, comprising Latin America, the Middle East and Africa, fell by 29.0% to US\$17.1 million in the financial year 2024. The decrease was due mainly to lower sales of ELPs and TEL products. Other Regions accounted for 0.8% of Group revenue.

ELPs revenue in Other Regions decreased by 17.1% to US\$8.7 million. Latin America, the Middle East and Africa all reported lower sales.

TEL products revenue in Other Regions was down by 38.2% to US\$8.4 million. The decrease was attributable to sales declines in Latin America, the Middle East and Africa.

CMS revenue in Other Regions was immaterial in the financial year 2024.

Acquisition of the Assets of Gigaset

On 5 April 2024 VTech completed the acquisition of the assets of Gigaset Communications GmbH (Gigaset), a global leader in communication technology. These assets were related to the development, production and sales activities of Gigaset's businesses in DECT (Digital Enhanced Cordless Telecommunications) phones, business telephony solutions for enterprise customers and android-based smartphones. The preliminary purchase price was EUR27.5 million and the transaction was funded by internal resources.

Gigaset is a German brand with a more than 30-year history and the acquisition is highly complementary to the TEL products business. Gigaset is the market leader in DECT phones in Europe, while VTech is the number one supplier of residential phones in the US. The acquisition therefore strengthens the Group's leadership and makes VTech now the world's leader in residential phones. In commercial phones, Gigaset's product range focuses on multi-cell systems, complementing Snom's desksets. Meanwhile, its smartphone business opens up a completely new product area for VTech. Gigaset also has a comprehensive sales network covering all European markets that can now be combined with VTech's strength in North America. Furthermore, the acquisition gives VTech its first manufacturing facilities in Europe through Gigaset's highly automated factory in Bocholt, which is supported by R&D (research and development) centres in Germany and Poland.

With a proven track record of integrating such acquisitions, VTech is confident of being able to unlock the value of the new assets, generating sustainable and profitable growth over the long term.

Outlook

Inflation and high interest rates continue to weigh on consumer sentiment and business investment in North America and Europe. Geo-political conditions, meanwhile, are increasingly uncertain. Despite the challenge this poses, the Group expects higher revenue in the financial year 2025. ELPs will grow as new products hit the shelves, while TEL products will benefit from an immediate contribution from Gigaset. CMS revenue is expected to hold steady. Profitability is forecast to improve due to higher Group revenue, stable costs and a more favourable product mix.

The stable cost environment is expected to continue in the financial year 2025. Cost of materials is forecast to remain little changed due to weak global demand. Labour costs and manufacturing overheads are holding steady as there is currently no pressure for wage increases in mainland China and the Renminbi remains weak. These factors will offset an increase in freight charges, which have risen owing to the situation in the Middle East.

The ELPs business is expected to see a recovery in revenue, driven by new product launches and enhanced merchandising arrangements. A rebound is expected in both the US and Europe. New VTech and LeapFrog products in the core learning categories, KidiZoom Smartwatch, KidiZoom cameras and the Magic Adventures line will drive growth. In Asia Pacific, sales in Australia are forecast to stabilise. The positive momentum in mainland China is expected to continue, with increasing sales in both offline and online channels. Globally, to counter the pressures of the challenging operating environment, VTech will be more targeted in its marketing and tighten inventory management further.

Sales of TEL products are forecast to rise as Gigaset makes an immediate top-line contribution. Integrating Gigaset's businesses into the Group's global R&D, procurement, manufacturing, sales and marketing and logistics operations will be the key task for the financial year 2025. This will see the TEL products business reorganised into three categories, namely residential phones, commercial phones and smartphones, and other telecommunication products. VTech is targeting to complete the process by the end of the current calendar year.

Sales of residential phones will return to growth following the addition of the Gigaset brand, with its sales network covering all European markets. The Group aims to grow Gigaset's residential phone business and market share by expanding its product lines. In commercial phones, Snom branded commercial phones will see sales increase, driven by new product launches. Gigaset's multi-cell systems will be augmented by Snom SIP phones. Hotel phones will also contribute to growth, as the positive momentum continues and VTech gains further market share. Gigaset's android-based smartphones, meanwhile, add a new domain to VTech's product portfolios. Other telecommunication products will see the Group build on the success of its first baby monitor with AI features to launch a second-generation version with more advanced functionalities.

CMS revenue is expected to be stable. Faced with economic uncertainties, customers have become cautious in placing orders and are managing inventory more tightly. Sales of key product categories are expected to remain largely stable. Growth will be seen in smart energy storage systems, as the customer is launching new products and gaining market share. Sales of hearables will be negatively impacted by lower demand.

To prepare for future growth, the drive to globalise the production base will continue. Given the strong demand for supply from the Malaysian facilities from existing customers, the Group plans to add more manufacturing space within the current facilities. In Mexico, the factory is on track to offer full turnkey electronics manufacturing services (EMS) capability from June 2024 onwards. The Group will also begin the assessment of implementing Industry 4.0 in its Malaysian and Mexican facilities to raise efficiency, cost effectiveness and customer service further.

"VTech has expanded its global footprint further with the acquisition of the Gigaset assets. We now enjoy greater economies of scale and more direct access to key markets, shortening product lead times and simplifying supply chains. This will enable us to serve our customers better. We can therefore be confident of achieving sustainable growth based on our strategy of product innovation, market share gains, geographic expansion and operational excellence," said Mr Wong.

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About VTech

VTech is the global leader in electronic learning products from infancy through toddler and preschool and the world's largest supplier of residential phones. It also provides highly sought-after contract manufacturing services. Its culture of integrity, accountability and innovation guides the company towards a sustainable future.

Established in 1976, VTech has been the pioneer in the electronic learning toy category and its products incorporate advanced educational expertise and cutting-edge innovation. The Group's telecommunication products elevate home and business users' experience through the latest in technology and design. As a leading electronic manufacturing service provider, VTech offers full turnkey services in facilities that are moving towards Industry 4.0 manufacturing.

With a global workforce of over 20,000 employees in 15 countries and regions, VTech maintains R&D centres, manufacturing operations and sales subsidiaries across the Americas, Europe and Asia. Its products are sold in over 80 countries, through partnerships with leading retailers, e-commerce companies and distributors.

Note: Starting from 22:00, 21 May 2024 (HKT), the webcast of the results announcement can be accessed through VTech website via this link www.vtech.com/en/investors/financial-briefings.

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