

FOR IMMEDIATE RELEASE

VTech Announces 2024/2025 Interim Results

Higher gross profit despite lower revenue

- Group revenue decreased 4.5% to US\$1,089.7 million
- Gross profit margin improved from 28.5% to 31.5%
- Profit attributable to shareholders of the Company declined 6.6% to US\$87.4 million
- Interim dividend of US17.0 cents per ordinary share, unchanged
- Gigaset integration on track for full completion by end of calendar year 2024
- Financial position remains strong

Hong Kong, 12 November 2024 – VTech Holdings Limited (HKSE: 303) today announced its results for the six months ended 30 September 2024.

“VTech reported lower revenue and profit in the first half of the financial year 2025. A decline in sales of contract manufacturing services offset growth in electronic learning products and telecommunication products. Profit attributable to shareholders of the Company decreased owing to lower Group revenue and higher operating expenses arising from the integration of the assets of GST Communications GmbH (formerly known as Gigaset Communications GmbH), despite an improvement in gross profit,” said Mr. Allan Wong, Chairman and Group CEO of VTech Holdings Limited.

Results and Dividend

Group revenue for the six months ended 30 September 2024 decreased by 4.5% to US\$1,089.7 million, from US\$1,140.9 million in the corresponding period last year. Lower sales in North America, Europe and Asia Pacific offset higher sales in Other Regions.

Profit attributable to shareholders of the Company declined by 6.6% to US\$87.4 million. The decrease in profit was mainly attributable to lower revenue and higher operating expenses

arising from the integration of the assets of GST Communications GmbH, which offset an improvement in gross profit.

Basic earnings per share decreased by 6.5% to US34.6 cents, compared to US37.0 cents in the same period of the previous financial year.

The Board of Directors has declared an interim dividend of US17.0 cents per ordinary share, unchanged from the interim dividend declared in the first half of the financial year 2024.

Costs

The Group's gross profit margin in the first six months of the financial year 2025 was 31.5%, as compared with 28.5% in the same period of the previous financial year. This was mainly due to the lower cost of materials arising from the decline in material prices and a change in product mix, as well as the gross profit contributed by Gigaset Technologies GmbH ("Gigaset") following the acquisition of the assets of GST Communications GmbH on 5 April 2024. These offset higher direct labour costs, manufacturing overheads and freight charges as percentages of Group revenue.

The increases in direct labour costs and manufacturing overheads as percentages of Group revenue compared with the same period last year were mainly due to an increase in production volume, with an associated increase in the factory workforce, as well as the inclusion of workers at the Gigaset factory in Germany following the acquisition. These offset the positive impact of the depreciation of the Renminbi against the US dollar and an improvement in productivity. The increase in freight charges, meanwhile, was mainly due to higher container freight rates compared with the same period last year.

Integration of Assets of GST Communications GmbH (formerly known as Gigaset Communications GmbH)

On 5 April 2024, VTech completed the acquisition of the assets of GST Communications GmbH, a global leader in communications technology based in Bocholt, Germany. Its operations in DECT (Digital Enhanced Cordless Telecommunications) cordless phones, business telephony solutions for enterprise customers and Android-based smartphones are now managed and operated by the new VTech entity Gigaset Technologies GmbH.

The Group took swift and efficient action to integrate the assets into its global operations during the six months following the acquisition. The supply chain was restored and changes to procurement were instituted to lower costs. By September, production and product supply had returned to normal.

VTech has also been re-establishing the sales force in all major European countries. Communications and interactions have been enhanced to speed up decision-making in the launch of new products.

To unlock synergies in the development of new products and their manufacture, VTech's engineering teams are now working closely with the product development teams in Germany to strengthen the product roadmap, reduce product costs and accelerate new product introduction.

Segment Results

North America

Group revenue in North America decreased by 7.4% to US\$453.1 million in the first six months of the financial year 2025. Higher sales of electronic learning products (ELPs) were offset by lower sales of telecommunication (TEL) products and contract manufacturing services (CMS). North America became VTech's second largest market, accounting for 41.6% of Group revenue.

ELPs revenue in North America increased by 7.4% to US\$223.8 million. The growth was driven by higher sales in both the US and Canada. In the US, the toy market began to stabilise, after contracting in the calendar year 2023. The new leadership team further capitalised on the upturn with a successful revitalised sales and marketing strategy. Standalone products were the main growth driver, with both the VTech and LeapFrog brands recording higher sales. As a result, VTech retained its leadership in electronic learning toys from infancy through toddler to preschool in the US and Canada in the first nine months of the calendar year 2024¹.

In standalone products, VTech saw higher sales of infant, toddler and preschool products, the Kidi line and electronic learning aids. These offset declines for the Go! Go! Smart family

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 calendar year ended September 2024

of products, Switch & Go® Dinos, Marble Rush® and eco-friendly toys. Meanwhile, sales of KidiZoom® cameras held steady. LeapFrog managed to achieve growth in infant, toddler and preschool products, as well as eco-friendly toys. The Magic Adventures™ series also achieved higher sales, as the successful roll-out of Magic Adventures Binoculars contributed additional revenue. However, these were partially offset by lower sales of LeapLand Adventures™.

Platform products saw sales increase, mainly driven by LeapFrog products. LeapFrog saw higher sales of educational tablets, interactive reading systems and Magic Adventures Globe. However, subscriptions to LeapFrog Academy™ reported a decline. For VTech, sales of platform products held steady during the period. Sales of Touch & Learn Activity Desk™ saw an increase, offsetting declines in KidiZoom Smartwatches and KidiBuzz™.

In September, LeapFrog launched its “Everything Starts with Reading” campaign, designed to inspire children to achieve success in reading. Showcasing a range of the brand’s best-selling educational tools, all tailored to different development stages, the campaign features partnerships with a diverse group of influential voices, who talk about how reading helped their lives.

The Group’s ELPs received numerous awards in North America during the first six months of the financial year 2025 for their quality and inventiveness. In the US, VTech Sort & Discover Activity Wagon™ was named in Walmart’s “2024 Top Toys List”. KidiZoom Smartwatch DX4 was included in Target’s “2024 Bullseye’s Top Toys”, as well as in Amazon’s “2024 Toys We Love” list alongside two more new products, 5-in-1 Make-a-Bot™ and Kidi Star™ Drum Pad. Three VTech and two LeapFrog products gained “The National Parenting Center Seal of Approval” for Spring 2024, while seven VTech and three LeapFrog products made the “2024 National Parenting Product Awards”. In Canada, KidiZoom Smartwatch DX4 and Sort & Discover Activity Wagon were winners of the “Parent Tested Parent Approved Seal of Approval”, together with LeapStart® Learning Success Bundle™.

TEL products revenue in North America fell by 11.3% to US\$92.2 million in the first half of the financial year 2025, with declines in both the US and Canada. This included a small sales contribution from Gigaset in the region.

In residential phones, despite outperforming the market in North America and gaining further market share, sales were lower as the market continued to decline. During the first six months of the financial year 2025, VTech maintained its leadership position in the US residential phones market.

Commercial phones sales decreased despite growth in hotel phones and headsets. There were good sales of the latest series of hotel phones, while the new thermostats for the hotel channel made further progress in increasing market penetration. Sales of headsets grew as a customer increased orders. These were, however, insufficient to offset lower sales of SIP (Session Initiation Protocol) phones, as a customer reduced orders. Sales of multi-line analogue phones also posted a decline.

Sales of other telecommunication products also declined. Baby monitors saw sales decrease owing to keen competition. A reduction in orders led to lower sales of CareLine® residential phones while sales of IADs (integrated access devices) remained stable. In the first half of the financial year 2025, the Group retained its position as the number one baby monitor brand in the US and Canada². In Canada, the VTech BC8213 V-Hush™ Junior Sleep Training Soother Speaker and RM5754HD Baby Monitor each earned a “Parent Tested Parent Approved Seal of Approval”.

CMS revenue in North America decreased by 22.6% to US\$137.1 million in the first six months of the financial year 2025. In the first half of the previous financial year, improved materials supply cleared orders backlogs, boosting growth in professional audio equipment. By contrast, in the first six months of the financial year 2025, end-market demand was subdued and many customers consequently faced over-inventory issues. This resulted in fewer orders in many key product categories during the period. In professional audio equipment, sales of power amplifiers and audio mixers were down as end-user demand dropped, while those of professional loudspeakers were affected by a customer facing excess inventory. Sales of industrial products decreased, driven by lower orders for coin and note recognition machines. Solid-state lighting posted lower sales as projects were cut back due to the uncertain economic conditions. Internet-of-Things (IoT) products saw sales decline as a customer experienced a financial issue. Globally, VTech has maintained its position as the world’s number one contract manufacturer of professional audio equipment³.

² Circana, LLC, Retail Tracking Service, US & CA, Tech, Baby Monitors, Dollar and Unit Sales, April 2024 – September 2024 Combined vs. April 2023 – September 2023 Combined

³ *Music Trades Magazine*, September 2024 Edition, Based on estimated revenue for the calendar year 2023

Europe

Group revenue in Europe decreased by 1.4% to US\$462.1 million in the first six months of the financial year 2025, as higher sales of TEL products were offset by lower sales of ELPs and CMS. Europe became VTech's largest market, accounting for 42.4% of Group revenue.

ELPs revenue in Europe decreased by 6.3% to US\$137.0 million, with declines for both standalone and platform products. The toy markets in the major European countries continued to experience declines because of weak economic growth. High interest rates and the accumulated impact of inflation have reduced disposable incomes, in turn causing retailers to exercise caution when placing orders. Furthermore, the strong US dollar has continued to pressure retailers. Sales decreased in France, Germany and the Benelux countries, offsetting growth in the UK and Spain. In the first nine months of the calendar year 2024, VTech remained the number one infant and toddler toys manufacturer in France, the UK, Germany, Spain and the Benelux countries⁴.

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

Platform products saw lower sales of both VTech and LeapFrog products. At VTech, sales of children's educational tablets, KidiZoom Smartwatches, the KidiCom[®] range of products and Touch & Learn Activity Desk all declined. At LeapFrog, both Magic Adventures Globe and interactive reading systems recorded sales decreases.

During the first six months of the financial year 2025, VTech V-Bot Explorer, Mon robot 5 en 1 (5-in-1 Make-a-Bot) was named "Best Robot" and VTech Genius XL – Jumelles vidéo interactives (Magic Adventures Binoculars) was named "Best Discovery Toy" in the "Grand Prix du Jouet 2024" awards from France's *La Revue du Jouet* magazine. In Spain, Magic Adventures Binoculars was awarded "Best Toy of the Year 2024" in the category of "Electronic Toys" and "Best Toy Chosen by the Jury" by the Spanish Association of Toy

⁴ Circana, Retail Tracking Service, January – September 2024

Manufacturers. In addition, VTech Marble Rush Storage Box (Colossal Adventure Storage Set™) was named “Best Toy of the Year 2024” in the “Construction” category.

Revenue from TEL products in Europe increased by 93.4% to US\$84.5 million in the first six months of the financial year 2025. Sales of residential phones and commercial phones rose as Gigaset sales were consolidated into VTech.

Despite market decline and lower shipments to ODM (original design manufacturing) customers, sales of residential phones in Europe rose as a result of the consolidation of Gigaset revenue.

Sales of commercial phones also increased as Gigaset sales offset declines in Snom branded SIP phones and hotel phones. Weak economic conditions in Europe and the consequent reduction in corporate spending affected demand for SIP phones, while hotel phones were affected by financial constraints at a distributor. Snom and its products picked up three awards in Europe in the first half of the financial year 2025. In Germany, Snom Technology GmbH was named one of the “Most Trustworthy Companies 2024” by the F.A.Z. Institut, while the Snom SP800 IP (Internet Protocol) desktop telephony system made second place in the “Products of the Year 2024” awards given by technology publisher connect professional. In the UK, the M500 DECT series won “Best Comms Device” in the “2024 Comms Council UK Awards”.

Sales of other telecommunication products decreased, largely attributable to lower sales of CAT-iq handsets and CareLine residential phones, as ODM customers reduced orders because of over-inventory. This offset higher sales of baby monitors as VTech continued to make progress in major European countries. In the UK, the Group maintained its position as the number one baby monitor brand⁵. One VTech and two LeapFrog baby monitors and the BC8213 V-Hush Junior Sleep Training Soother Speaker scooped “Dadsnet Awards 2024” during the period, with the RM7768HD Baby Monitor being named the “Gold Winner (Best Technology Product)”. The latter product was also a “Silver Winner (Best Baby Monitor)” in the “Project Baby Awards 2024”, alongside the BC8213 V-Hush Junior Sleep Training Soother Speaker, which was a “Silver Winner (Best Sleep Accessory)”.

CMS revenue in Europe decreased by 13.7% to US\$240.6 million, again because of weak end-market demand and excess inventory among customers. Sales of professional audio equipment, hearables and smart energy storage systems were all lower. The decline in these categories offset rising sales of medical and health products, IoT products and

⁵ GfK Retail and Technology UK Limited. Based on period October 2023 – September 2024

automotive products. In professional audio equipment, home audio interface products saw lower sales owing to a delayed product launch and over-inventory at a customer. Hearables posted a decline as one customer's product reached the end of its lifecycle and another faced excess inventory. Smart energy storage systems also reported lower sales. The customer faced keen competition and was negatively impacted by the cancellation of installation subsidies by the Swedish government. Medical and health products grew as hearing aids and hair removal products reported higher sales. In IoT products, orders for internet connected thermostats and air-conditioning controls increased as the customer successfully grew sales by selling directly to businesses. Growth in automotive products was driven by increased sales of car battery chargers as VTech gained market share. Sales of home appliances and communication products, meanwhile, held steady.

Asia Pacific

Group revenue in Asia Pacific decreased by 7.1% to US\$159.4 million in the first six months of the financial year 2025. Growth in ELPs was insufficient to compensate for declines in TEL products and CMS. The region represented 14.6% of Group revenue.

Revenue from ELPs in Asia Pacific increased by 1.1% to US\$35.4 million, mainly due to higher sales in Australia and mainland China. In Australia, growth mainly came from the VTech brand. Sales recovered as the local toy market stabilised, despite continued tough economic conditions owing to high interest rates. Launches of new products were well supported by effective marketing activities, resulting in good sell-through at major retailers. Sales of LeapFrog products in the country were largely stable. During the first nine months of the calendar year 2024, VTech maintained its position as the number one manufacturer of electronic learning toys from infancy through toddler and preschool in the country⁶. In mainland China, both online and offline channels posted sales increases. VTech increased in-store marketing and merchandising, resulting in higher sales of the core learning products, the Go! Go! Smart family of products and Marble Rush. During the period, VTech's Turbo Edge Riders™ gained a "Sustainability Award", while Marble Rush Sky Elevator Set™ was given an "Innovative Design Award" in mainland China's "2024 CBME (Children Baby Maternity Expo) Awards".

TEL products revenue in Asia Pacific decreased by 16.4% to US\$9.7 million. This was attributable to lower sales of residential phones and other telecommunication products in

⁶ 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 calendar year ended September 2024

Australia and Japan. This offset growth in commercial phones as the Group increased its sales of SIP phones.

CMS revenue in Asia Pacific fell by 8.5% to US\$114.3 million. This was due to lower sales of professional audio equipment, medical and health products, and communication products. Professional audio equipment posted lower sales as orders for DJ equipment declined. Medical and health products also saw sales decrease. Orders for diagnostic ultrasound systems fell as the customer lost market share in mainland China. In communication products, orders for marine radios fell as the depreciation of the Japanese yen saw a customer move production back in-house to Japan.

Other Regions

Group revenue in Other Regions, comprising Latin America, the Middle East and Africa, rose by 33.6% to US\$15.1 million in the first six months of the financial year 2025. Both ELPs and TEL products reported growth. Other Regions accounted for 1.4% of Group revenue.

ELPs revenue in Other Regions increased by 15.2% to US\$7.6 million, as higher sales in Latin America and the Middle East offset lower sales in Africa.

TEL products revenue in Other Regions grew by 59.6% to US\$7.5 million. The increase was attributable to sales growth in Latin America and the Middle East, offsetting a decline in Africa. This included a sales contribution from Gigaset.

CMS revenue in Other Regions was immaterial in the first six months of the financial year 2025.

Outlook

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

For ELPs, revenue is forecast to increase for the full financial year 2025. The growth is expected to come mainly from the US, where the new leadership team is deploying a revitalised sales and marketing strategy that is achieving good results. Standalone products will continue to lead the sales increase, with licensed preschool products performing particularly well. In Europe, sales in the major markets are projected to pick up in the second half, as new products hit the shelves and more marketing activities roll out. In Asia Pacific, growth in Australia and mainland China is expected to continue.

TEL products revenue is expected to see growth year-on-year, driven by higher sales of residential phones and commercial phones. Sales are expected to improve in the second half, as the production and supply of Gigaset's products have now returned to normal. VTech is on track to complete the integration process by the end of the calendar year 2024. The Group is focusing on growing Gigaset's commercial phones and residential phones. The second half of the financial year 2025 will see the launch of Gigaset's first desktop phones to complement its well-recognised multi-cell systems. It will thus be able to deliver seamless, comprehensive solutions to professional users in office, service and industrial environments. In addition, VTech aims to increase its share of the residential phones market in Europe by broadening Gigaset's product range across different price points. For other telecommunication products, sales of baby monitors are anticipated to decrease for the full financial year 2025.

CMS revenue is now expected to decrease for the full financial year 2025 due to geopolitical uncertainty and the generally weak global economy. Sales in the second half, however, are forecast to stabilise. VTech CMS is well positioned for the growing demand of companies seeking to diversify their source of supply away from mainland China, as the Group strengthens its global manufacturing footprint. In Malaysia, the Group is building a new warehouse to free up manufacturing space and will increase production capacity by 30% by the first quarter of the calendar year 2025. In addition, the facilities in Mexico are now fully operational and able to fulfil the on-shoring requirements of US customers.

"VTech has taken steps to maintain competitiveness in the face of the rapidly changing political and economic environment by increasing its global footprint. Our solid balance sheet, reputable brands, strong product innovation and operational excellence underpin our consistent performance. We look forward to the opportunities that lie ahead," said Mr. Wong.

~ End ~

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.

Shares of VTech Holdings Limited are listed on The Stock Exchange of Hong Kong Limited (HKSE: 303).

Note: Starting from 22:00, 12 November (HKT), the webcast of the results announcement can be accessed through VTech website via this link <https://www.vtech.com/en/investors/results-reports/>.

This release is issued by VTech Holdings Limited through Golin. For further information, please contact:

Grace Pang
VTech Holdings Limited
(852) 2680 1000 (office)
grace_pang@vtech.com (email)

VTech representative in Hong Kong
Jennifer Chan, Golin
(852) 2501 7939 (office)
jchan@golin.com (email)