

FOR IMMEDIATE RELEASE

VTech Announces FY2021 Annual Results

Record revenue and profit, with growth from all three products lines

- Group revenue increased 9.5% to a record US\$2,372.3 million
- Profit attributable to shareholders of the Company rose 21.1% to a record US\$230.9 million
- Final dividend of US74.0 cents per ordinary share, resulting in a record full-year dividend of US91.0 cents, up 71.7% year-on-year
- Gross profit margin unchanged at 30.6%
- Positive result despite supply chain disruptions in 1H and components shortages in 4Q
- 45th anniversary marked with a sustainability-led strategy and increased focus on digitisation

Hong Kong, 18 May 2021 – VTech Holdings Limited (HKSE: 303) today announced its results for the financial year ended 31 March 2021, showing record revenue and profit, with growth from all three product lines.

“In the financial year 2021 VTech delivered record revenue and profit, as the Group’s businesses benefited from work-from-home and stay-at-home orders during the coronavirus (COVID-19) pandemic. All three product lines reported revenue growth, while profitability was further supported by effective cost control. The positive result came despite global supply chain disruptions during the first half and increasing shortages of semiconductors and other electronic components in the final quarter,” said Mr. Allan Wong, Chairman and Group CEO of VTech Holdings Limited.

Results and Dividend

Group revenue for the financial year ended 31 March 2021 increased by 9.5% to US\$2,372.3 million, as higher sales in North America, Europe and Asia Pacific offset lower sales in Other Regions.

Profit attributable to shareholders of the Company rose by 21.1% to US\$230.9 million. This was mainly attributable to higher revenue and lower operating expenses as a percentage of Group sales.

Basic earnings per share increased by 21.0% to US91.6 cents, compared to US75.7 cents in the previous financial year.

A final dividend of US74.0 cents per ordinary share has been proposed by the Board to shareholders, providing a full-year dividend of US91.0 cents per ordinary share, a 71.7% increase from the US53.0 cents declared in the previous financial year. This represents a dividend payout ratio of 99.4%.

Costs

The Group's gross profit margin in the financial year 2021 was 30.6%, unchanged year-on-year. The lower-than-expected gross profit margin was attributable to a marked increase in materials prices in the fourth quarter of the financial year, a change in product mix, rising freight costs and higher direct labour costs. These increases offset lower manufacturing overheads and a further improvement in productivity for the full financial year.

Manufacturing Footprint

The Group's strategy to expand its manufacturing base took a strategic step forward during the year with the acquisition of a production facility in Tecate, Mexico for professional loudspeakers. The acquisition of QSC, LLC's Mexican manufacturing facility, which was funded through internal resources, was completed on 1 April 2021. It not only adds a new product category to VTech's contract manufacturing services (CMS) business, but also establishes a manufacturing base outside Asia, helping the business to serve its customers better.

Segment Results

North America

Group revenue in North America rose by 0.6% to US\$995.1 million in the financial year 2021 as higher sales of electronic learning products (ELPs) and telecommunication (TEL) products offset lower CMS sales. North America became VTech's second largest market, accounting for 41.9% of Group revenue.

ELPs revenue in North America increased by 8.8% to US\$536.9 million, with good growth in Canada. The overall market grew, while VTech's sales to online retailers achieved a double-digit increase. The Group also gained market share and strengthened its position as the number one manufacturer of electronic learning toys from infancy through toddler and preschool in the US¹. In Canada, VTech strengthened its leadership further and remained the number one supplier in the infant, toddler and preschool toys category².

Standalone products performed well, with the pandemic spurring demand for electronic learning toys, as parents and children spend more time at home.

Growth in standalone products came from higher sales of both LeapFrog and VTech brands. The LeapFrog sales increase was especially robust. Preschool items offering overt educational values, including Learning Friends[®] 100 Words Book[™], 100 Animals Book[™] and 2-in-1 LeapTop Touch[™], achieved strong sell-through. The Blue's Clues & You![™] series of licensed products performed strongly, with the Really Smart Handy Dandy Notebook selling particularly well. Sales of LeapBuilders[®], however, registered a decline.

VTech standalone products benefited from rising sales of infant and toddler products, KidiZoom[®] cameras, other Kidi line products and the Go! Go! Smart family of products. These increases offset a decline in preschool products. There were innovative additions to the product line-up during the period. Go! Go! Smart Wheels[®] saw the launch of Ultimate Corkscrew Tower[™]. Building on the success of the popular robotic toy Myla the Magical Unicorn[™], VTech launched Myla's Sparkling Friends[™], a line of toys that brings colour play to life using fantastical characters. Go! Go! Cory Carson[®] vehicles and playsets also contributed to sales in the financial year 2021, supporting growth. Seasons 1, 2 and 3 of the associated animation series are now streaming globally on Netflix.

¹ The NPD Group, Retail Tracking Service. Ranking based on total retail sales of VTech and LeapFrog products in the combined toy categories of early electronic learning, toddler figure and playset, walker, electronic entertainment (excluding tablets) and preschool electronic learning for the 12 months ended December 2020

² The NPD Group, Retail Tracking Service

Sales of platform products in North America decreased slightly. At VTech, platform products saw sales decline, as higher sales of Touch & Learn Activity Desk™ were insufficient to compensate for lower sales of KidiZoom Smartwatches and KidiBuzz™. For LeapFrog, the platform products business posted an overall decline. The brand's children's educational tablets and Magic Adventures Globe™ saw sales increases, offsetting declines in interactive reading systems and RockIt Twist™. Subscriptions to the LeapFrog Academy™ increased substantially during the financial year 2021.

During the 12 months, the Group's ELPs garnered many awards from toy and parenting industry experts, key retailers and toy advisory boards. In addition to those announced at the interim results in November 2020, VTech and LeapFrog branded ELPs scooped multiple "Seal of Approval (Holiday 2020)" awards given by the National Parenting Center, numerous Mom's Choice Awards "Gold Awards" and many citations in The National Parenting Product Awards (NAPPA). Three VTech products, namely Go! Go! Smart Wheels Ultimate Corkscrew Tower, Helping Heroes Fire Station™ and KidiZoom Creator Cam were finalists in the Toy Association's "2021 Toy of the Year (TOTY) Awards". For the third year in a row, KidiZoom Smartwatch was the number one selling item in the Youth Electronics Supercategory in the US from the NPD Group, where it was also the top selling toy in the individual class of Electronic Entertainment³.

TEL products revenue in North America saw a 10.9% rise to US\$270.5 million. The growth was driven by higher sales of residential phones, commercial phones and other telecommunication products. Sales to online retailers saw a strong increase.

The residential phones market in North America, which had been on a downward trend, saw an uptick during the financial year 2021. Consumers sought to replace and upgrade their fixed-line telephones as working from home became the norm. Both AT&T and VTech branded phones recorded sales increases, with super-long-range and Connect-to-Cell™ models performing especially well. In the financial year 2021, VTech strengthened its leadership position in the US residential phones market⁴.

³ The NPD Group, Retail Tracking Service, US, January - December 2020, USD

⁴ MarketWise Consumer Insights, LLC, April 2020 – March 2021

The best performers among commercial phones and other telecommunication products in North America were also products geared to staying at home. Baby monitors performed especially well, boosted by strong demand for the new series of VTech 1080p High Definition Smart Wi-Fi baby monitors. As a result, VTech baby monitors strengthened their position as the number one brand in the US and Canada⁵. Headsets and the CareLine™ range of residential phones also achieved higher sales. In contrast, small-to-medium sized business (SMB) phones, hotel phones and conference phones reported lower sales as they were all affected by the steep fall in business activity and travel. These decreases offset an increase in sales of VoIP (Voice over Internet Protocol) phones.

Despite the pandemic, VTech continued to introduce new commercial phones products. In December 2020, the Group launched a powerful expansion module for its Snom IP desk phones with a customisable large colour display that enhances functionality. In January 2021, a new series of designer hotel phones offering flexible installation was launched.

CMS revenue in North America fell by 25.5% to US\$187.7 million. All product categories posted lower sales. Demand for commercial professional audio products fell steeply as COVID-19 measures restricted large public gatherings in venues such as churches and concert halls. This was compounded by one major customer experiencing an over-inventory issue. These factors contributed to sales decrease in this segment, offsetting an increase in demand for professional audio equipment for home use. Sales of industrial products declined on lower orders for coin and note recognition machines. Solid-state lighting saw a sales decline as project-based bidding activity fell sharply due to the pandemic. Medical and health products saw lower orders of hearing aids, as sales activities were significantly affected by the COVID-19 restrictions. Communication products recorded a sales decline as customers phased out their product ranges.

Europe

Group revenue in Europe rose by 22.6% to US\$1,086.3 million in the financial year 2021, as higher sales of ELPs and CMS offset lower revenue of TEL products. Europe was VTech's largest market, accounting for 45.8% of Group revenue.

ELPs revenue in Europe increased by 5.4% to US\$351.2 million. Growth slowed down in the second half, however, as lockdowns in the region forced the closure of stores selling non-essential items. Geographically, sales increased in France, the UK, Germany and the Netherlands, while Spain experienced a decline. In the calendar year 2020, VTech remained

⁵ The NPD Group Inc., Retail Tracking Service, US & Canada, Baby Monitors, April 2020 – March 2021 combined vs April 2019 – March 2020 combined

the number one infant and toddler toy manufacturer in France, the UK, Germany and the Benelux countries⁶.

In standalone products, both the VTech and LeapFrog brands achieved higher sales. For the VTech brand, growth was led by electronic learning aids, KidiZoom cameras, other Kidi line products and Switch & Go Dinos[®]. This offset declines in the Toot-Toot family of products. Sales of infant, toddler and preschool products were largely stable during the financial year 2021. The new Go! Go! Cory Carson vehicles and playsets were rolled out to the major European markets in September 2020 under the name Toot-Toot Cory Carson[®], which supported the growth in standalone products. LeapFrog saw rising sales of infant, toddler and preschool products, with strong sell-through of Learning Friends 100 Words Book and 100 Animals Book. This offset a decline for LeapBuilders/Bla Bla Blocks[®].

Platform products saw lower sales, as growth of LeapFrog branded products was insufficient to offset a decline in VTech branded products. For LeapFrog, the revenue increase was driven by higher sales of Magic Adventures Globe and interactive reading systems, which offset declines in RockIt Twist and children's educational tablets. At VTech, higher sales of Touch & Learn Activity Desk were unable to offset lower sales of children's educational tablets and KidiCom[™] Max. Sales of KidiZoom Smartwatches remained steady year-on-year.

In the financial year 2021, Speak & Learn Puppy[™] and KidiZoom Video Studio HD were named "Best Infant Toy" and "Best High Tech Toy" respectively, in the "Grand Prix du Jouet 2020" awards given by *La Revue du Jouet* magazine in France. KidiZoom Video Studio HD was named "Toy of the Year 2020" by the Belgian Federation of Toys, while in Spain, Speak & Learn Puppy was named "Best Toy of the Year 2020 (Early Childhood and Preschool Category)" by the Spanish Association of Toy Manufacturers. In the UK, both KidiZoom Studio and Splashtime Submarine won "Creative Play Awards 2020" from *Creative Steps* magazine.

Revenue from TEL products in Europe fell by 2.8% to US\$109.3 million. Higher sales of commercial phones and other telecommunication products were insufficient to offset lower sales of residential phones.

In Europe, the Group sells residential phones to major telephone companies in the region on an original design manufacturing basis. The sales decrease was due to lower orders from an existing customer.

⁶ The NPD Group, Retail Tracking Service

Sales of commercial phones and other telecommunication products increased. Stay-at-home restrictions benefited sales of CAT-iq (Cordless Advanced Technology – internet and quality) handsets, the CareLine range of residential phones, integrated access devices (IADs) and headsets, as consumers sought to upgrade their communication devices. Baby monitors saw sales decline, however, as a major customer reduced orders. The cancellation of trade shows and a slowdown in business activities also resulted in lower orders for VoIP phones, conference phones and hotel phones. This was despite a gradual pick-up in the second half as some business activities resumed.

In the UK, in addition to three top awards from *Loved by Parents* magazine, VTech's 1080p 7-inch Smart Wi-Fi baby monitor was named "Best Baby Monitor 2021 – Gold Winner" in the Mother & Baby Awards.

CMS revenue in Europe rose strongly by 42.1% to US\$625.8 million. Hearables, medical and health products, home appliances, communication products and automotive related products saw higher sales, offsetting declines in professional audio equipment, IoT (Internet-of-Things) products and switching mode power supplies.

Hearables recorded the strongest growth, with demand for headsets boosted by the need to work from home. Orders for these products were also buoyed by a customer moving production of its new version of a true wireless headset to VTech from a competitor. The home appliances business benefited from higher orders from existing customers. The medical and health products business saw sales of health and beauty products rise sharply under the pandemic, offsetting a decline in orders for hearing aids. Communication products saw higher orders of Wi-Fi routers, while sales of smart battery chargers for the automotive industry improved due to the good market response to a new product launch by the customer. In contrast, professional audio equipment posted lower sales, as growing demand for audio interface equipment for home use failed to offset lower orders for audio mixers and amplifiers. The pandemic slowed down the installation of smart meters in the UK, negatively affecting IoT products, though sales of internet-connected thermostats and air-conditioning controls were stable. Sales of switching mode power supplies were lower as a customer transferred production back in-house following a change in ownership.

Asia Pacific

Group revenue in Asia Pacific grew by 3.5% to US\$268.4 million in the financial year 2021, as higher sales of TEL products and CMS offset lower revenue from ELPs. The Asia Pacific region represented 11.3% of Group revenue.

Revenue from ELPs in Asia Pacific decreased by 1.4% to US\$82.0 million, as growth in Australia was offset by lower sales in mainland China. Australia saw a robust sales increase on strong sell-through of both VTech and LeapFrog branded products, with demand for educational toys rising as children spent more time at home due to the pandemic. In addition, effective channel management drove online-to-offline sales higher, boosting growth in the country. In the calendar year 2020, VTech maintained its position as the number one manufacturer in the infant and toddler toys category in Australia⁷. In mainland China, sales were lower, primarily due to a revenue decrease in offline channels. In Malaysia, the Group recognised a first full-year sales contribution from its flagship store on Lazada.com.

TEL products in Asia Pacific saw revenue increase by 13.6% to US\$31.7 million, driven by higher sales in Australia, Japan and Hong Kong. In Australia, growth was mainly attributable to baby monitors, while Hong Kong saw higher sales of IADs. In Japan, orders for residential phones increased as an existing customer increased orders.

CMS revenue in Asia Pacific rose by 4.3% to US\$154.7 million. Growth in professional audio equipment and communication products offset lower sales of medical and health products and home appliances. This came despite the production facilities in Muar, Malaysia having to shut for several weeks in April because of government COVID-19 measures. Higher sales of professional audio equipment were mainly attributable to increased sales of DJ equipment and the acquisition of a customer supplying USB streaming microphones for online KOLs (Key Opinion Leaders). Sales of communication products rose on more orders for marine radios as a new generation of products was launched. In contrast to these increases, medical and health products reported lower sales. Orders for diagnostic ultrasound systems declined as hospitals shifted their budgets to purchase COVID-19 related equipment. Sales of home appliances also decreased, as a product reached the end of its life cycle.

⁷ The NPD Group, Retail Tracking Service

Other Regions

Group revenue in Other Regions, comprising Latin America, the Middle East and Africa, fell by 25.5% to US\$22.5 million in the financial year 2021. The decrease was attributable to lower sales at all three product lines. Other Regions accounted for 1.0% of Group revenue.

ELPs revenue in Other Regions decreased by 30.6% to US\$8.4 million. Higher sales in Africa were offset by lower sales in the Middle East and Latin America.

TEL products revenue in Other Regions was down by 16.9% to US\$13.8 million. The decline was attributable to sales decreases in Latin America, which offset increases in the Middle East and Africa.

CMS revenue in Other Regions was US\$0.3 million in the financial year 2021, as compared to US\$1.5 million in the previous financial year.

Towards a Sustainable Future

With the COVID-19 pandemic continuing to affect lives around the world, VTech's top priority has been to protect the health and safety of its employees while fulfilling orders. This has meant ensuring a safe working environment at its locations worldwide, in line with government and World Health Organisation recommendations. VTech and its employees have also been supporting children and local communities with financial donations, free online learning, as well as gifts of educational toys, phones and baby monitors.

Looking to the future, last year, VTech set out its pledge to replace fossil-based plastic in all its ELPs with sustainable alternatives by 2030. Later this year, the Group will take an important first step towards this target with the roll-out of a number of eco-friendly ELPs made from plant-based and reclaimed plastics. A new wooden toy line, made with material sourced from responsibly managed forest certified by the Forest Stewardship Council, will also be launched. These innovations represent a significant start to the next phase of the Group's effort to build a better future for the children of today and tomorrow.

Outlook

The Group's revenue for the financial year 2022 is hard to predict. All of its product lines have a solid order book, but despite the Group's best efforts, the fluid situation in global material supplies may affect its ability to meet demand. Currently, there is a general shortage of electronic components worldwide, in particular of semiconductors and LCD

(Liquid Crystal Display) screens. Foundries are struggling to meet a huge increase in demand and not only are lead times much longer, but order fulfilment is erratic. Despite long-term relationships with suppliers and their full support, some of the Group's confirmed orders are not being fulfilled on time. This uncertainty in the supply chain could limit VTech's ability to meet orders.

Gross profit margin, meanwhile, is expected to decline. It will be impacted by higher materials prices owing to tight supply, rising freight costs and a stronger Renminbi. VTech has taken steps to mitigate the effects through diversifying sources of supply, re-engineering products, negotiating new shipping contracts and price increases.

For ELPs, the Group will focus on maintaining its positive momentum through new product launches globally and a return to growth in Asia Pacific.

Platform products will benefit from the launch of new versions of KidiZoom Smartwatch, KidiBuzz and Touch & Learn Activity Desk under the VTech brand, while LeapFrog will introduce a refreshed LeapStart reading system.

In standalone products, VTech will see additions to the core infant, toddler and preschool ranges, expansions to the KidiZoom Camera and Kidi lines, and the launch of Marble Rush™, an easy to construct modular marble run that allows children to build countless configurations. The LeapFrog brand will introduce more items to its popular Blue's Clues & You! line, led by Story Time with Blue. The Learning Friends 100 Words Book series will be augmented by the addition of 100 Words About Places I Go™. These will hit the market alongside LeapLand Adventures™, a TV learning game, the new eco-friendly toys line-up and a series of new role-play toys. The Go! Go! Cory Carson line will be expanded with new models and new content on Netflix.

In Asia Pacific, sales in mainland China are expected to resume growth following a renewed focus on channel management and e-commerce. This will be supported by new product launches, including a new line of Switch & Go Dinos based on a popular animation series called Mini Force. In Malaysia, to augment its Lazada.com flagship store, the Group has opened its second VTech official online store on Shopee, boosting sales in the country. The Group also plans to open additional online stores on different e-commerce platforms in other South East Asian countries.

In TEL products, VTech aims to launch new products that cater to the continued demand for residential phones and other telecommunication products, as well as a recovery in the commercial phones market.

Sales of residential phones will benefit from the introduction of a series of new products, notably a new premium work-from-home desktop cordless telephone with 5-inch colour display that will be introduced in the second quarter of the financial year 2022. Other telecommunication products will see the launch of Wi-Fi 6 IADs in the first quarter. These provide enhanced performance as compared with the existing products and support dual Wide Area Network connection through 4G LTE (Long Term Evolution). The category will be augmented by a smart Wi-Fi baby monitor under the LeapFrog brand, incorporating health monitoring and baby care app features. In commercial offerings, a new range of Snom products targeting work-from-anywhere users will be launched in the second quarter, driving recovery for the business sector. The consolidation of the hospitality sector, meanwhile, will allow VTech to gain market share, boosted by sales of a new series of handsets. Designed for modern hotel guest rooms, the stylishly slim handsets with elegant colour display come with a compact VoIP or analog base system and can be mounted anywhere in a guest room.

Although the CMS business is seeing increased demand in most product categories, its ability to meet orders may be impacted by the critical situation in global material supplies. The Group is working closely with customers and suppliers to deal with the issues that arise. The new manufacturing facility in Tecate, Mexico will contribute to CMS revenue in the financial year 2022 through producing QSC branded professional loudspeakers. Utilisation of the facility will rise gradually, as new customers are added. The production capacity of the facility in Muar, Malaysia will be increased, as more existing customers wish to maintain dual manufacturing sites as a contingency.

45th Anniversary

The year 2021 marks the 45th year since VTech's founding. In this time, the Group has grown from a small Hong Kong enterprise to an ever more global company, operating sales and marketing offices, manufacturing and R&D facilities around the world with innovative products that sell in over 80 countries and regions.

The strong results the Group has announced for the financial year 2021 testify to the strength of VTech's business model, based on product innovation, market share gains, geographic expansion and operational excellence. VTech has a diverse product mix, fully integrated operations and a proven ability to bring innovative products to market

consistently. This has given the Group a growing presence around the world and leadership in many product categories.

“The pandemic is accelerating changes in the online-to-offline environment and consumer behaviour. Our brands, technological capabilities, manufacturing know-how and fully integrated operations have put us ahead of this trend and we will continue to benefit from this as we execute our sustainability-led strategy. We are integrating sustainability into all aspects of our business operations, while at the same time putting increasing focus on digitisation, leveraging the insights from our huge customer base, from design through to manufacturing, from marketing through to after-sales service. I am therefore confident that VTech will continue to deliver value to shareholders for decades to come,” said Mr Wong.

~ End ~

About VTech

VTech is the global leader in electronic learning products from infancy through toddler and preschool and the largest manufacturer of residential phones in the US. It also provides highly sought-after contract manufacturing services. Since its establishment in 1976, VTech has been a pioneer in the electronic learning toy category. With advanced educational expertise and cutting-edge innovation, VTech products provide fun and learning to children around the world. Leveraging decades of success in cordless telephony, VTech's diverse collection of telecommunication products elevates both home and business users' experience through the latest in technology and design. As one of the world's leading electronic manufacturing service providers, VTech offers world-class, full turnkey services to customers in a number of product categories. The Group's mission is to design, manufacture and supply innovative and high quality products in a manner that minimises any impact on the environment, while creating sustainable value for its stakeholders and the community.

Note: Starting from 22:00, 18 May 2021 (HKT), the archived 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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