



VTech Holdings Ltd (303.HK)

11 October 2017

SECTOR: Communications Equipment

HSI: 28,491

PRICE: HK\$117.70

EARNINGS (reported in USDm)						KEY DATA	
<i>For the fiscal year ended</i>	2016	2017	2018E	2019E	2020E	Issued Capital (m Shrs)	251.4
Revenue	1,857	2,079	2,223	2,328	2,417	Market Cap (b)	HK\$29.59
Operating Profit	203	200	256	269	275	Avg. 6M Turnover (m)	HK\$37.9
Net Profit	181	179	213	242	247	52 Week High/Low	HK\$128 / \$86.05
EPS (USD)	0.72	0.71	0.85	0.96	0.98	Net Gearing (%)	-43.0%
% Change	(8.5%)	(1.2%)	19%	14%	2%	Book Value per Share	HK\$18.1
DPS (USD)	0.42	0.70	0.83	0.95	0.98	Free Float (%)	65.1%
Dividend yield (%)	2.8%	4.6%	5.5%	6.3%	6.5%	Major Shareholder(s)	Dr. Allan Wong 34.92%
							Capital Group 15.00%

INTERIM RESULTS (USDm)				
<i>For the fiscal year ended</i>		1H15	1H16	% change
Revenue		928	983	5.9%
Operating Profit		111	79	(28.6%)
Net Profit		100	71	(28.7%)
EPS (USD)		0.40	0.28	(28.8%)

Note: Time-sensitive data and value were retrieved as at 10 Oct 2017

Source: Bloomberg, Company data, Platinum Research; FX Rate: USD:HKD 7.8

SECTION 1 FY17 RESULTS BRIEFING

Better than the Market Expectation

- Year ended 31 March 2017 revenue grew 12% YoY to US\$2,079.3m.
 - Revenues were mainly driven by higher sales in VTech's core regions of North America (15.7% YoY), Europe (9% YoY) and Asia Pacific (15.2% YoY).
- Gross profit margin increased to 33.2% from 31.4% (gross profit up 18.2% YoY).
- Three strategic acquisitions completed in electronic learning products (ELP), telecommunication (TEL) and contracted manufacturing services (CMS).
- Net profit decreased 1.3% YoY to US\$179m, caused by the one-off restructuring costs for the integration of the LeapFrog Enterprises acquisition.
- One-off legal costs associated to the investigation conducted by the U.K Competition and Markets Authority (CMA) and professional services for improving cyber security also weighed down on FY17 profit.
- Full year dividend of US\$0.70 per share, a 66% YoY increase and a return to VTech's historic dividend payout ratio level of 98.2%.
- VTech is in a net cash position with US\$267m with negligible debt.