

TCL Multimedia Technology Holdings Limited

Stock code: 01070

TCL



Quantum Dot | HARMAN | NORDIC

Presentation for Annual Results 2014

Audited results for the year ended 31 December

Agenda



1. Financial Highlights



2. Business Review



3. Outlook

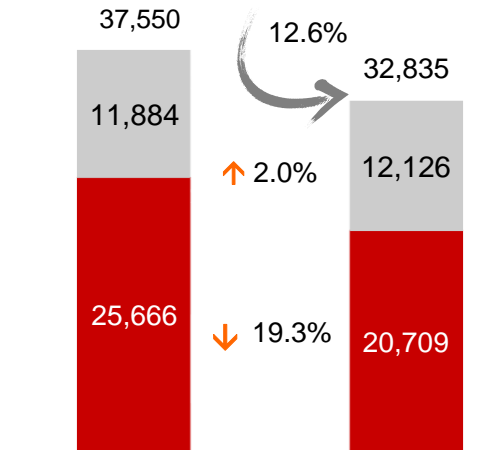
1. Financial Highlights



Consolidated Results (For the three months ended 31 December 2014 and year ended 31 December 2014)

TV Turnover

(HK\$ million)



FY2013

FY2014

■ PRC Market

■ Overseas Markets

10,553

6.3%

9,888

8.6%

2,962

7,314

5.3%

6,926

2013 Q4

2014 Q4

■ PRC Market

■ Overseas Markets

(HK\$ million)

LCD TV sales volume

('000 sets)

LCD TV average selling price

(HK\$)

Turnover

Gross profit

Gross profit margin (%)

Expense ratio (%)

From continuing operations

Net profit / (loss) after tax

Net profit / (loss) after tax margin (%)

Profit / (loss) attributable to owners of the parent

Basic earnings / (loss) per share (HK cents)

Full year dividend per share (HK cents)

Proposed final dividend per share (HK cents)

2014 Q4

2013 Q4

Change

FY 2014

FY 2013

Change

4,671

5,099

(8.4%)

16,574

17,184

(3.5%)

2,115

2,052

+3.1%

1,975

2,154

(8.3%)

9,925

11,607

(14.5%)

33,526

39,495

(15.1%)

1,672

1,314

+27.2%

5,503

5,414

+1.6%

16.8%

11.3%

+5.5 p.p.

16.4%

13.7%

+2.7 p.p.

15.5%

13.7%

+1.8 p.p.

15.2%

14.2%

+1.0 p.p.

7

(168)

N/A

246*

(123)

N/A

0.1%

(1.4%)

+1.5 p.p.

0.7%*

(0.3%)

+1.0 p.p.

7

(160)

N/A

234*

(119)

N/A

0.53

(11.97)

N/A

17.76*

(8.96)

N/A

N/A

N/A

N/A

5.28

28.99

(81.8%)

N/A

N/A

N/A

5.28

-

N/A

* Including the one-off gain of HK\$159 million from closure of certain subsidiaries

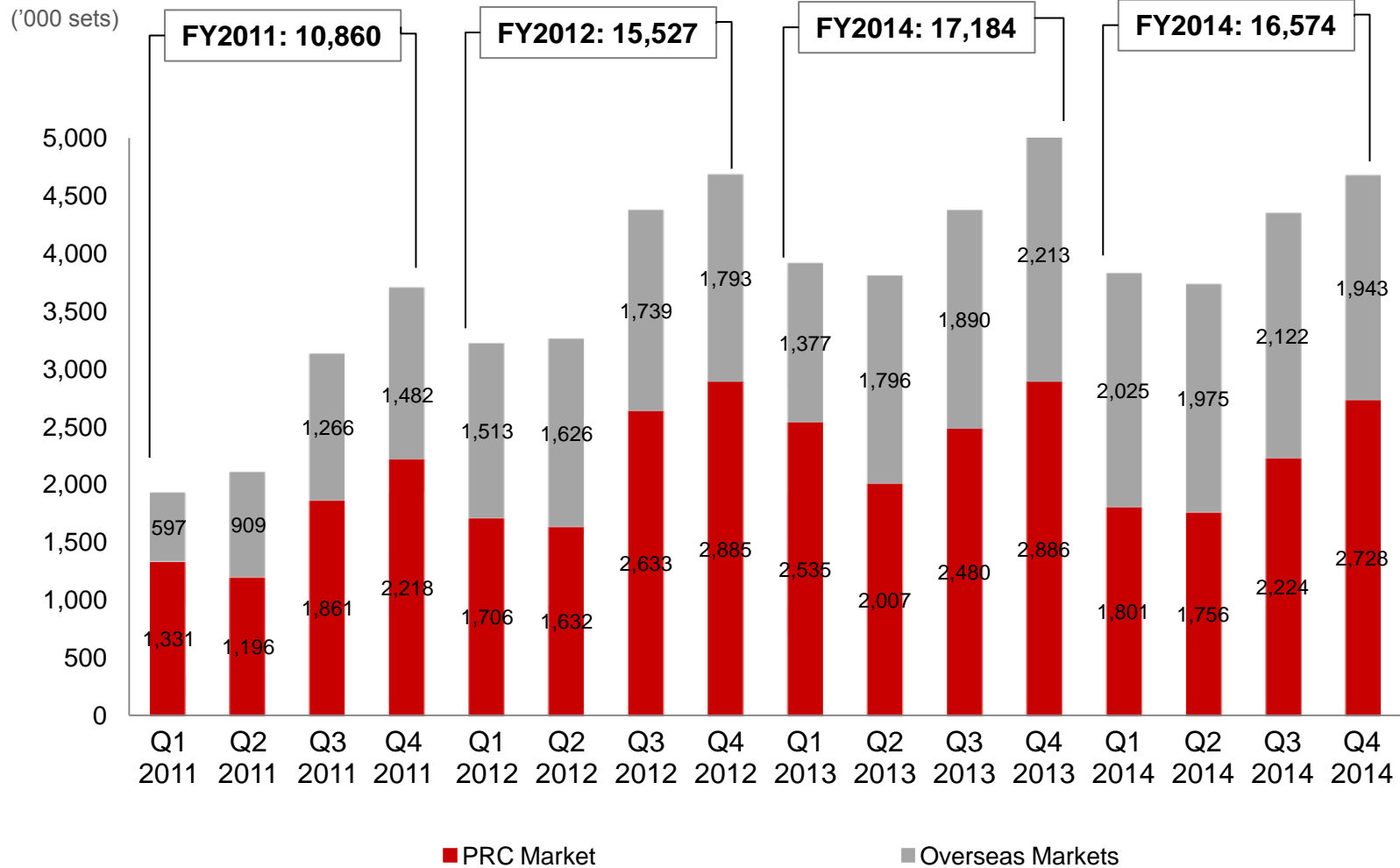
Segment Results

(For the three months ended 31 December 2014 and year ended 31 December 2014)

(HK\$ million)		2014 Q4	2013 Q4	Change	FY 2014	FY 2013	Change
TV Business							
PRC Market	Turnover	6,926	7,314	(5.3%)	20,709	25,666	(19.3%)
	Gross profit	1,349	1,031	+30.8%	4,227	4,368	(3.2%)
	Gross profit margin	19.5%	14.1%	+5.4 p.p.	20.4%	17.0%	+3.4 p.p.
	Operating results	133	(336)	N/A	582	61	+854.1%
TV Business							
Overseas Markets	Turnover	2,962	3,239	(8.6%)	12,126	11,884	+2.0%
	Gross profit	317	276	+14.9%	1,285	1,013	+26.9%
	Gross profit margin	10.7%	8.5%	+2.2 p.p.	10.6%	8.5%	+2.1 p.p.
	Operating results	(4)	32	N/A	(11)	(97)	+88.7%

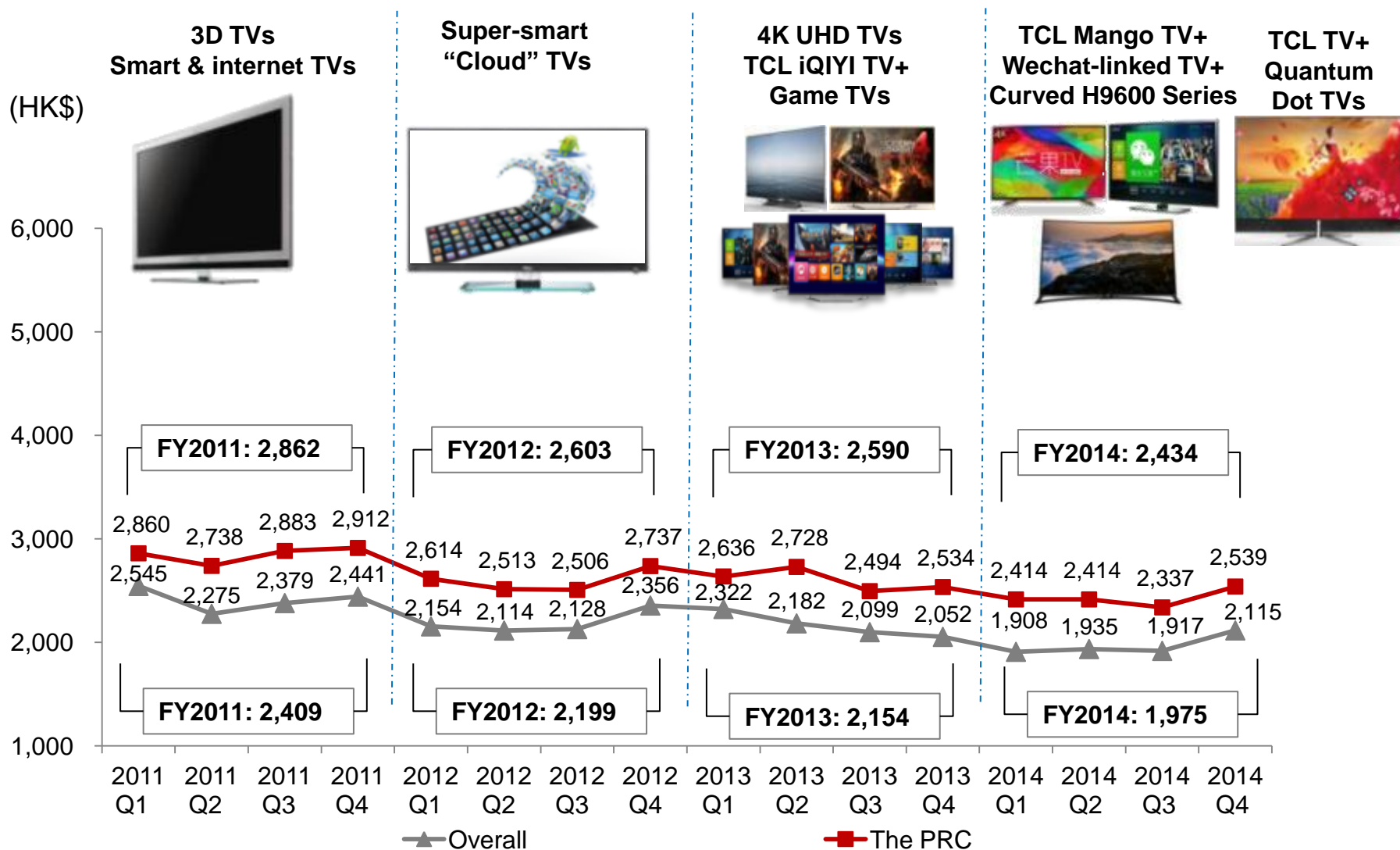
LCD TV Sales Volume

LCD TV Sales Volume (By quarter)



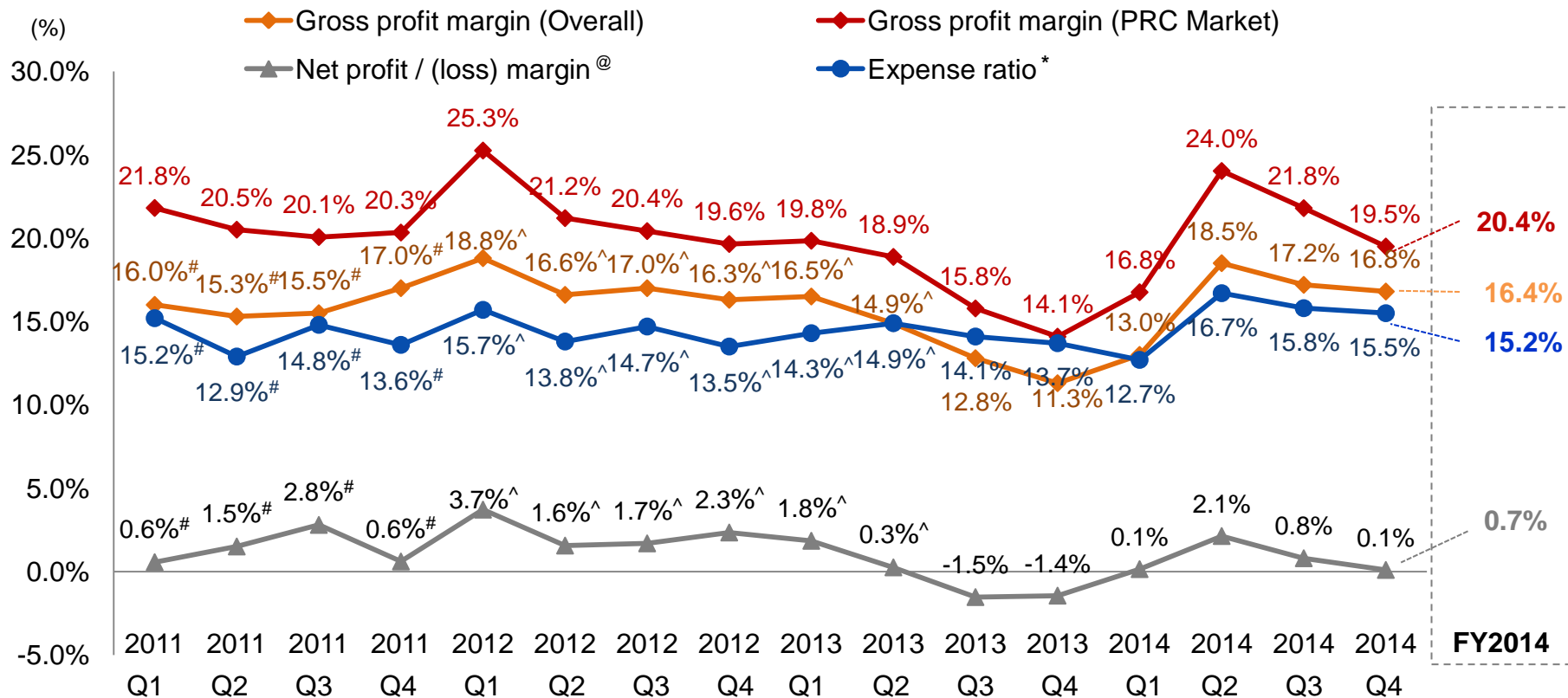
Average Selling Prices (“ASPs”)

Overall ASPs of LCD TVs (By quarter)



Profit Margins and Expense Ratios

Profit Margins and Expense Ratios (By quarter)



[#] Including AV business

[^] Restated

^{*} Expense ratio = (Selling and distribution expenses + Administrative expenses) / Turnover

[@] Net profit/(loss) margin = Net profit/(loss) from continuing operations / Turnover

Key Financial Indicators

	31 Dec 2014	31 Dec 2013	Change
Inventory turnover (days)*	49	64	(15 days)
A/R turnover (days)*	42	34	+8 days
A/P turnover (days)*	65	62	+3 days
Cash conversion cycle (days)	26	36	(10 days)
Current ratio (times)	1.1	1.1	Unchanged
Gearing ratio (total)(%)**	90.2	55.4	+34.8 p.p.
Gearing ratio (net)(%)***	10.0	0	+10.0 p.p.

* The above turnover days are calculated based on the average balances for a 12-month period

** Gearing ratio (total) = Total interest-bearing borrowings / Equity attributable to owners of the parent

*** Gearing ratio (net) = Net Borrowing / Equity attributable to owners of the parent. Net Borrowing = Total interest-bearing borrowings - Cash and bank balances - Pledged deposits

Balance Sheet Highlights

(HK\$ million)	31 Dec 2014	31 Dec 2013	Change
Non-current assets	3,362	3,230	+4.1%
Current assets	18,120	18,925	(4.3%)
- Inventory	4,055	4,972	(18.4%)
- Cash and bank balance	3,379	3,048	+10.9%
Current liabilities	15,916	16,510	(3.6%)
Net current assets	2,204	2,415	(8.7%)
Non-current liabilities	960	1,163	(17.5%)
Net assets	4,606	4,482	+2.8%

2. Business Review



LCD TV Global Market Share

Ranking	Brand	FY 2014	FY 2013
1	Samsung	21.8%	20.5%
2	LGE	14.2%	13.8%
3	Sony	6.5%	6.2%
4	TCL	5.4%	6.5%
5	Hisense	5.2%	4.7%
6	Skyworth	4.1%	4.4%
7	Panasonic	3.7%	3.9%
8	Toshiba	3.4%	4.2%
9	AOC/TP Vision	3.4%	4.1%
10	Vizio	3.1%	3.1%

LCD TV PRC Market Share

Ranking	Brand	FY 2014	FY 2013
1	Skyworth	16.4%	16.1%
2	Hisense	16.3%	15.1%
3	TCL	16.0%	18.1%
4	Changhong	10.8%	11.9%
5	Konka	10.2%	11.3%
6	Haier	5.4%	5.7%
7	Samsung	5.0%	4.1%
8	Sharp	3.5%	3.5%
9	Sony	3.2%	3.4%
10	LGE	1.8%	1.9%

TV Sales Volume

(For the three months ended 31 December 2014 and the year ended 31 December 2014)

Total TV Sales Volume ('000 sets)	2014 Q4	2013 Q4	Change	FY 2014	FY2013	Change
Total	4,683	5,259	(11.0%)	16,739	18,239	(8.2%)
PRC	2,728	2,886	(5.5%)	8,509	9,926	(14.3%)
Overseas	1,955	2,373	(17.6%)	8,230	8,313	(1.0%)
LCD TV Sales Volume ('000 sets)	2014 Q4	2013 Q4	Change	FY 2014	FY2013	Change
Total	4,671	5,099	(8.4%)	16,574	17,184	(3.5%)
Of which: LED backlight LCD TVs	4,648	5,092	(8.7%)	16,517	16,661	(0.9%)
Smart TVs	1,280	1,018	+25.7%	3,755	2,800	+34.1%
PRC	2,728	2,886	(5.5%)	8,509	9,908	(14.1%)
Overseas	1,943	2,213	(12.2%)	8,065	7,276	+10.8%

TV Business in the PRC Market

Highlights

- TCL TV+ Home Entertainment TV as a featured series and launched a number of new products and new services, among which the new flagship TV+ model H9700, which led a revolution in colours, is the first Quantum Dot TV in the PRC
- Achieved breakthroughs in internet business and the number of users, launched the innovative Golive home theatre service and Wechat-linked TV+
- Participated in the Smart Home Business joint venture headed by TCL Group to jointly promote TCL Smart Home project

Drawbacks

- Average selling price and profit were under pressure while sales volume and revenue decreased year-on-year due to the overall weak market demand, the cross-industry competition from Internet enterprises and the inadequacies in its selling capabilities. Sales performance of high-end products still lagged behind key competitors
- Results for the fourth quarter was far below expectations although it is a traditional peak season

TV Business in the PRC Market

The Group achieved a turnover of HK\$33,526 million last year, down by 15.1% year-on-year and sold 16.57 million sets of LCD TVs, down by 3.5% year-on-year, overall business performance failed to meet expectations, mainly due to the unsatisfactory results of the PRC Market

- 1. Average selling price and profit were under pressure while sales volume and revenue decreased year-on-year due to the weak market demand, the cross-industry competition from internet enterprises and the inadequacies in the Group's selling capabilities**
- 2. Sales performance of high-end products still lagged behind its key competitors**

❑ Comparison for market share and ASP for UHD products (year 2014)

Brand	Market share for sales volume	ASP
Hisense	19.5%	6,401
Skyworth	17.6%	5,761
TCL	11.7%	5,540
Konka	11.9%	4,874
Changhong	11.7%	5,211

Source: CMM

TV Business in the PRC Market

3. Inadequacies in product management capability

- TCL's product has a relatively short life cycle

Brand	Sales volume proportion of models launched in different time period			
	<4 months	4~9 months	10~15 months	>15 months
Hisense	8.67%	42.29%	14.52%	34.52%
Skyworth	1.97%	15.71%	70.07%	12.26%
TCL	4.91%	61.99%	24.89%	8.21%

Source: CMM (Dec 2014)

TV Business in the Overseas Markets

Highlights

- Sales volume in the North American Market has been recovering with TCL Roku smart TV named “The Best TV of 2014” by “PC Magazine”
- Continuously enhanced market share in the European Market and ranked No.4 in the LCD TVs market in France (GfK figure) with a market share of 7.5%

Drawbacks

- Sales volume and revenue fell short of expectations, mainly due to the unsatisfactory sales performance in Brazil
- Fluctuations in foreign currency exchange rates in some markets resulted in exchange losses

Progressed orderly with implementation the “double +” strategy

Products

+

Services



Feb

Launched brand new TCL iQIYI TV+ with iQIYI



Aug

Launched TV Box



Sep

The world's first TCL Wechat-linked TV+



Sep

TCL Mango TV+



Sep

TCL Mango TV+ and Curved H9600 series



Dec

Launched H9700, the first Quantum Dot TV in the PRC

Feb

Mar

Apr

May

Jun

Jul

Aug

Sep

Oct

Nov

Dec



Mar

Launched “TCL Game TV Ecosystem Strategic Alliance”



Apr

Developed the world's first double-screen integrated game platform and game console T²



Jun

Completed capital injection in Kuyu Technology online-to-offline (“O2O”) platform



Sep

Hosted the first TCL “T-fans” Festival



Nov

Announced the establishment of joint venture to develop smart home business



Nov

Introduced an innovative service - Golive

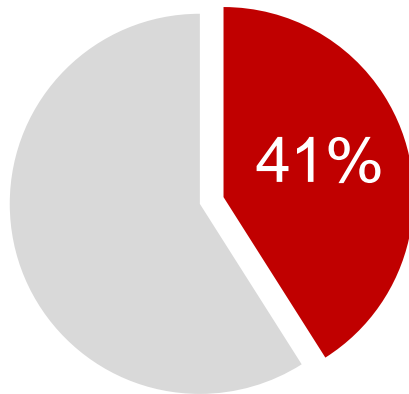


The first PRC brand to launch the Quantum Dot TV



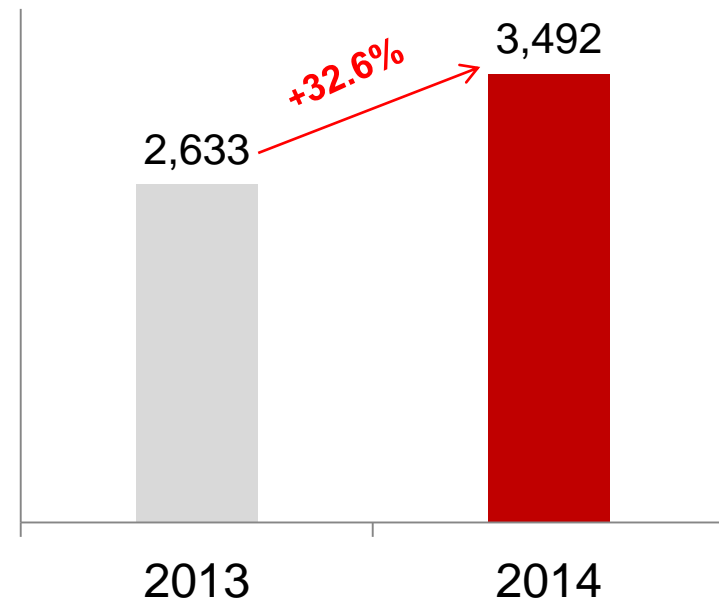
Increase in sales volume of Smart TVs

Proportion of smart TVs to the total sales volume of LCD TVs in the PRC Market in 2014

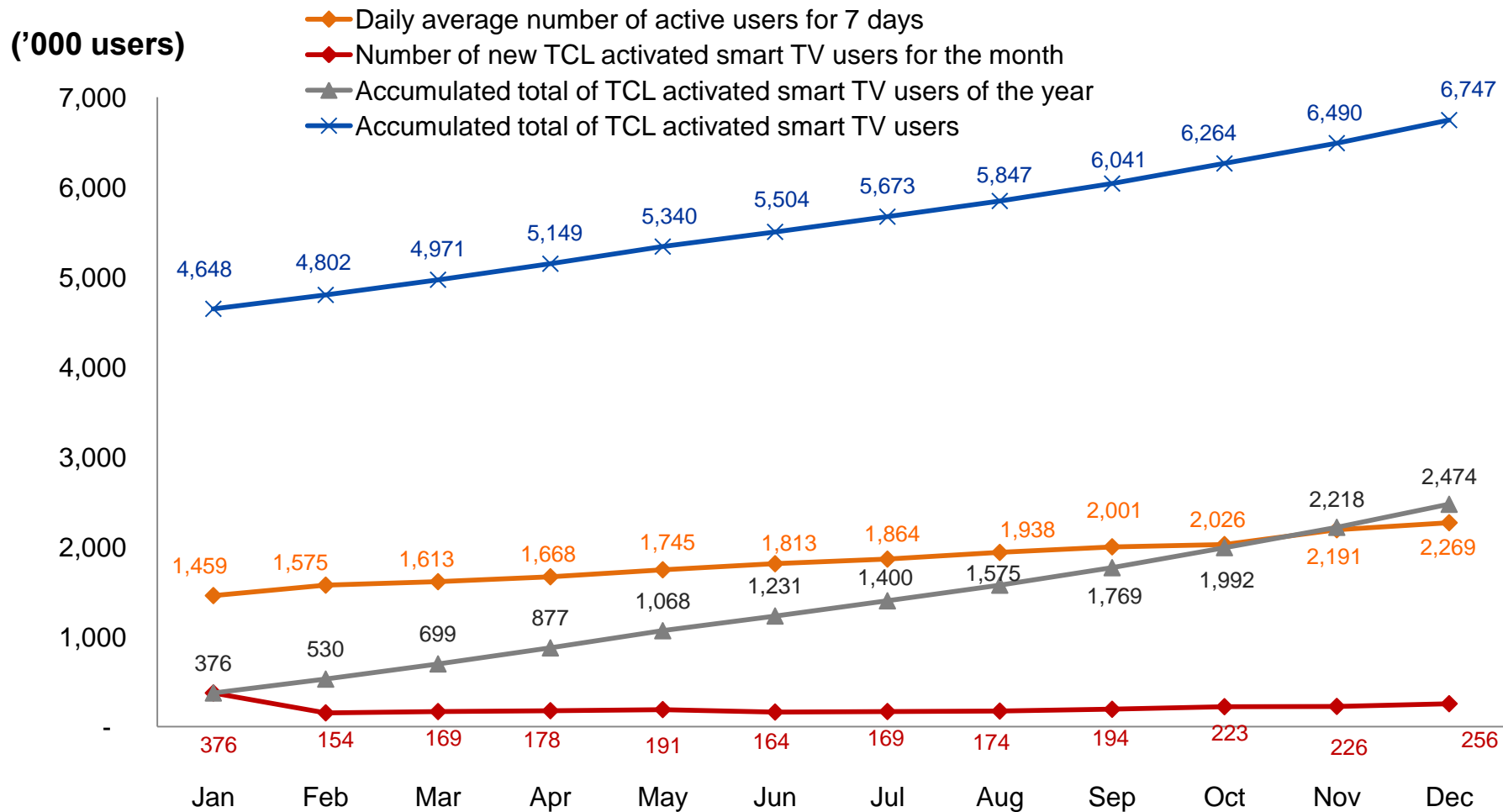


Sales volume of smart TVs in the PRC Market

('000 sets)



TCL Smart TV Operation Statistics in 2014

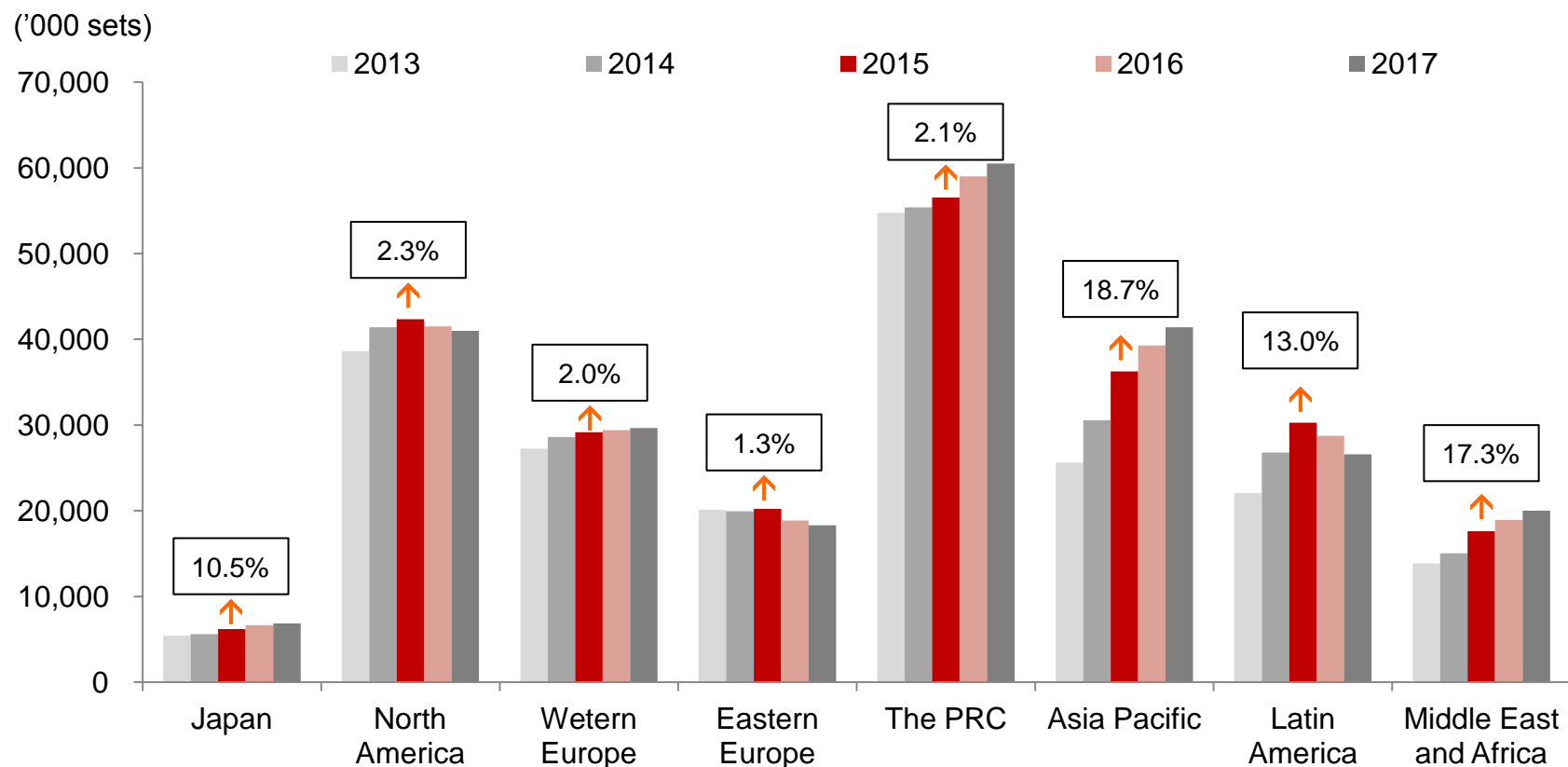


3.Outlook



Global TV Market Forecasts – Growth of Market Size

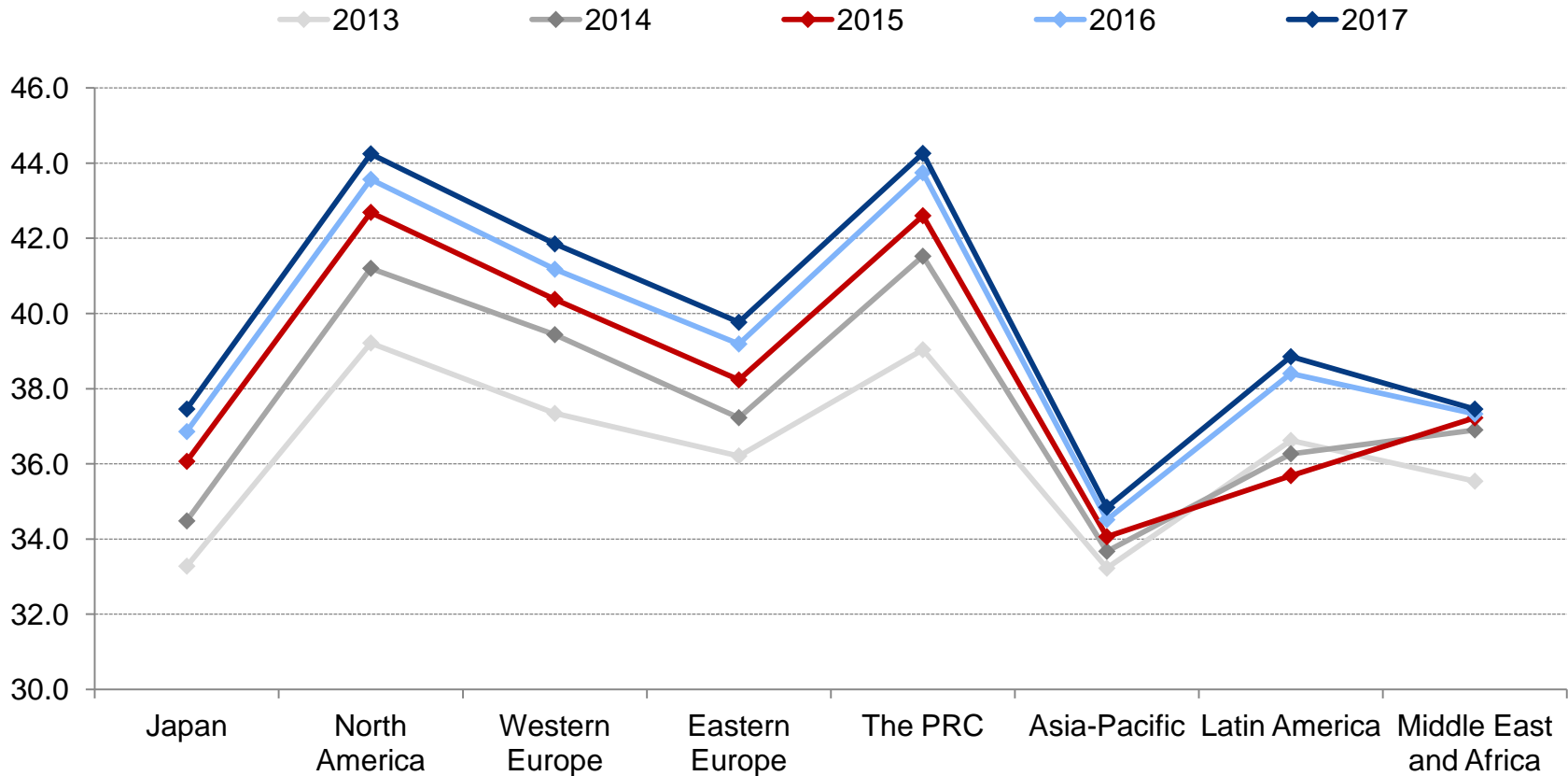
The size of LCD TV market is expected to grow by approximately 7% in 2015



Source: DisplaySearch

Global TV Market Forecasts – Product Mix

Mainly focus on big-screen models in developed countries
while middle and small size models still comprise relatively higher proportions in Emerging Markets



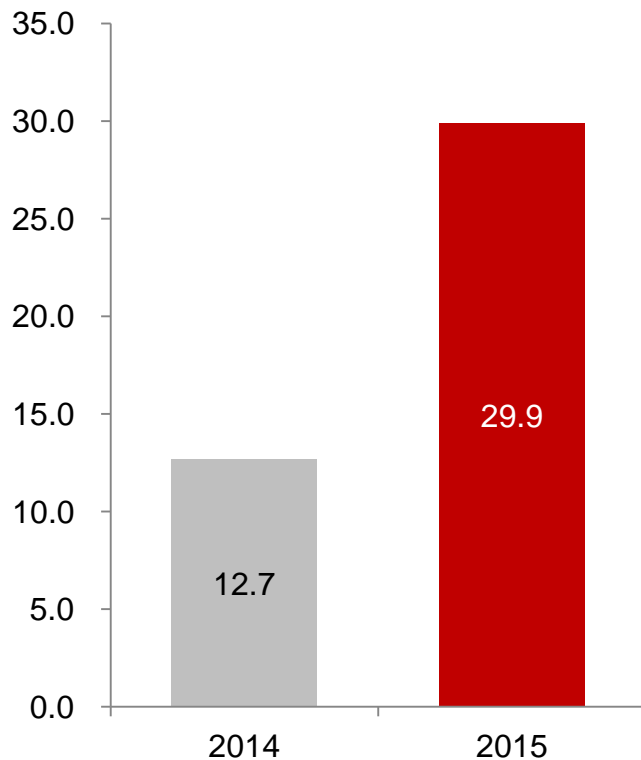
Source: DisplaySearch

Forecasts for 4K TVs in Global and the PRC Market

Global 4K TVs are expected to grow by 139%

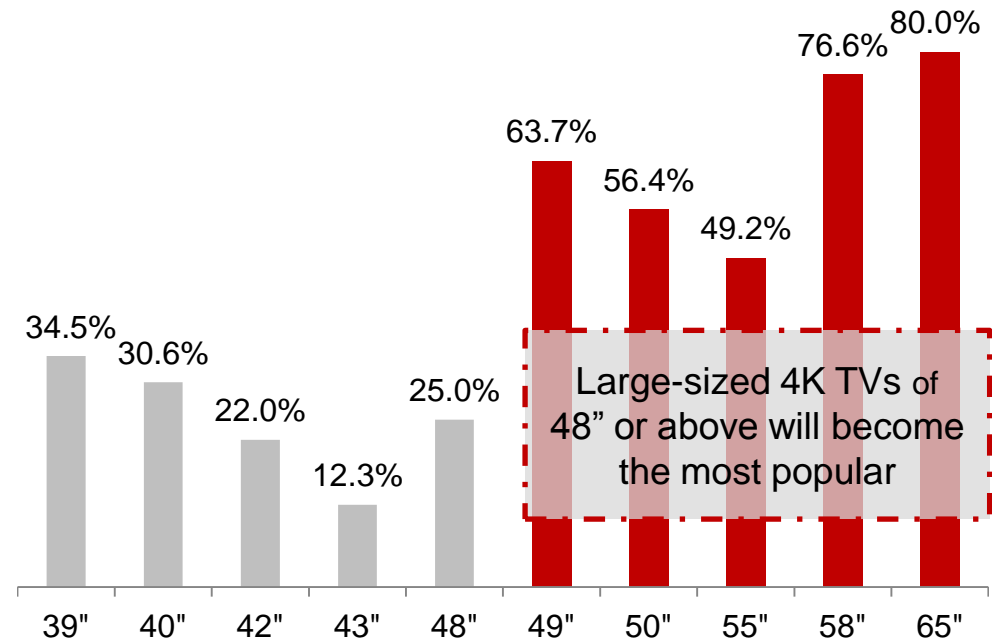
Global sales volume forecast of 4K TVs in 2015

(Unit: million sets)



Source: DisplaySearch

Penetration rates forecast for 4K TVs in major sizes in the PRC Market for 2015



Source: CMM

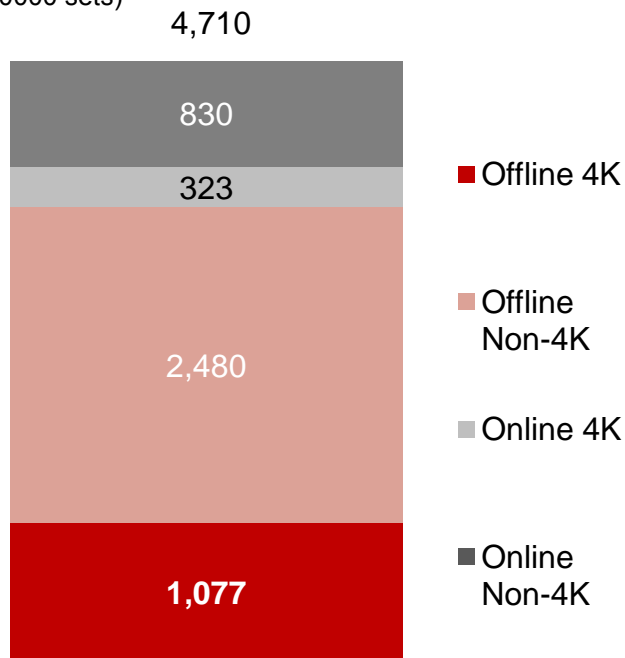
- Sales volume of 4K TVs in the PRC is expected to reach 14 million sets in 2015

Forecasts for LCD and 4K TVs in the PRC TV Market

– Market Size

Forecast Sales Volume of the PRC Market in 2015 by CMM

(Unit: '0000 sets)



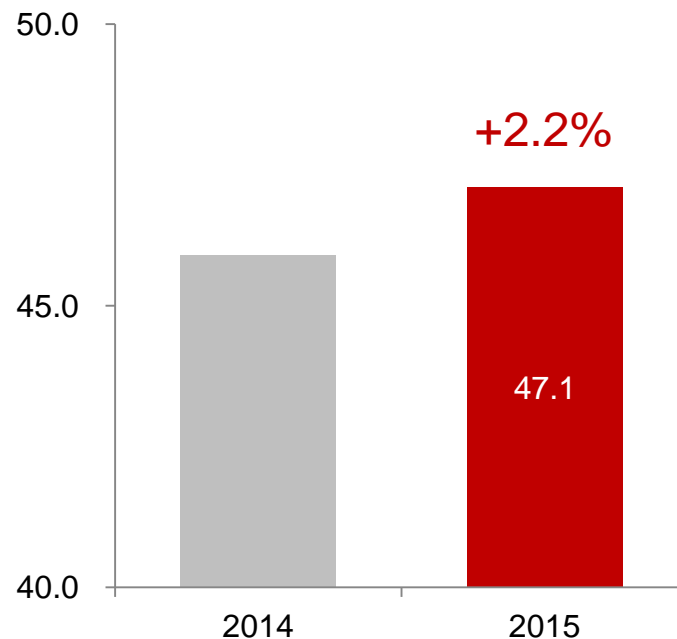
Penetration rate of 4K TVs
(According to channels)

Online	28.0%
Offline	30.3%

Source: CMM

Forecast for LCD TVs sales volume in the PRC Market in 2015 by CMM

(Unit: million sets)

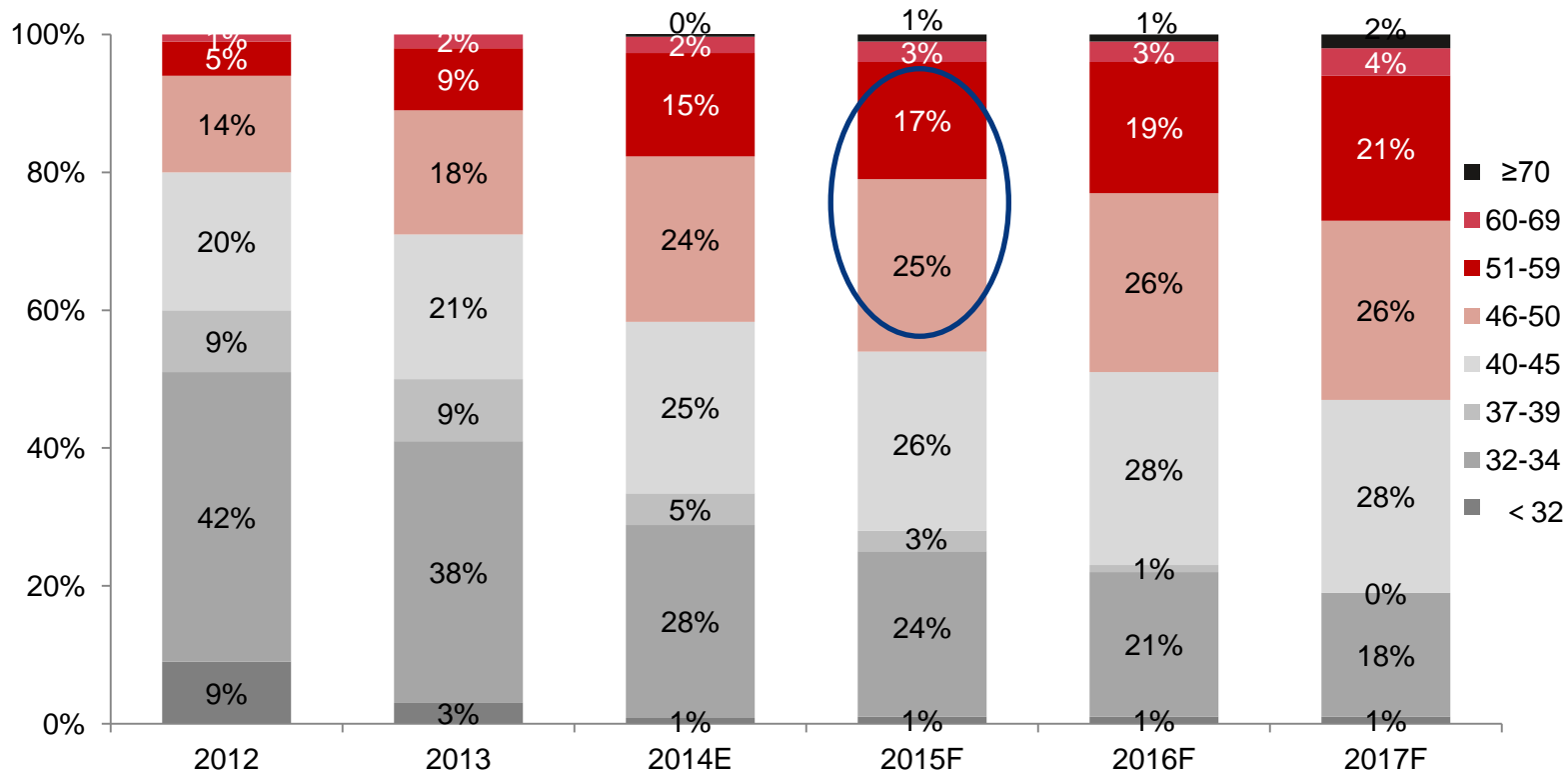


Source: CMM



Forecasts for the PRC TV Market – Product Mix

Forecasts of Colour TV market shares by size 2012-2017



Source: CMM

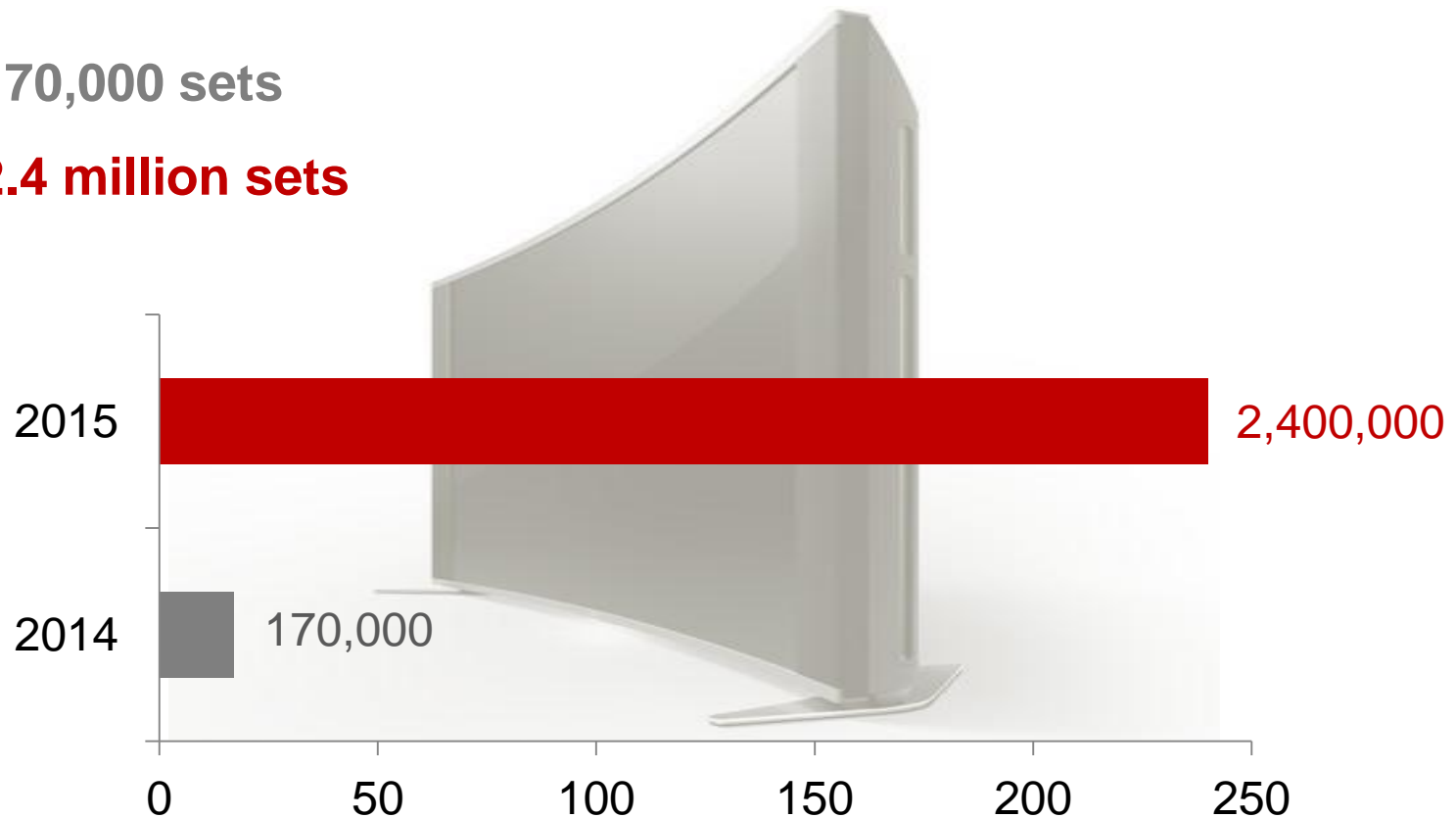
- Large-sized screens have evolved into a growing trend, with proportion of 46 inches or above comprising over 40% in 2015

Forecasts for Curved TVs in the PRC Market

Forecast for Curved TVs sales volume

2014: 170,000 sets

2015: **2.4 million sets**



Source: CMM

Forecasts for The PRC TV Market – High Colour Domain

Product Type in the market	Traditional LED TV	High colour domain LED TV	OLED	Quantum dot (QD)
Colour domain value (NTSC)	65-72%	72-90%	100%	110%



- High colour domain will become a key feature of the major high-end products in 2015
- In terms of display performance, performance of high colour domain LED and Quantum Dot are close to that of OLED. High colour domain LED, quantum dot will become the first choice among the middle- to high-end products since the cost-performance ratio of OLED is relatively low

Overall Strategies

Internet business:

- ✓ Achieve “double +” strategic transformation supported by smart TVs
- ✓ Establish a business model based on internet operation service

BUS strategy:

- ✓ Continue to implement “Big screen, Ultra-high-definition and Smart” TVs – (BUS) strategy
- ✓ Increase investments in brand building to raise the sales proportion of TCL brand

Product strategy:

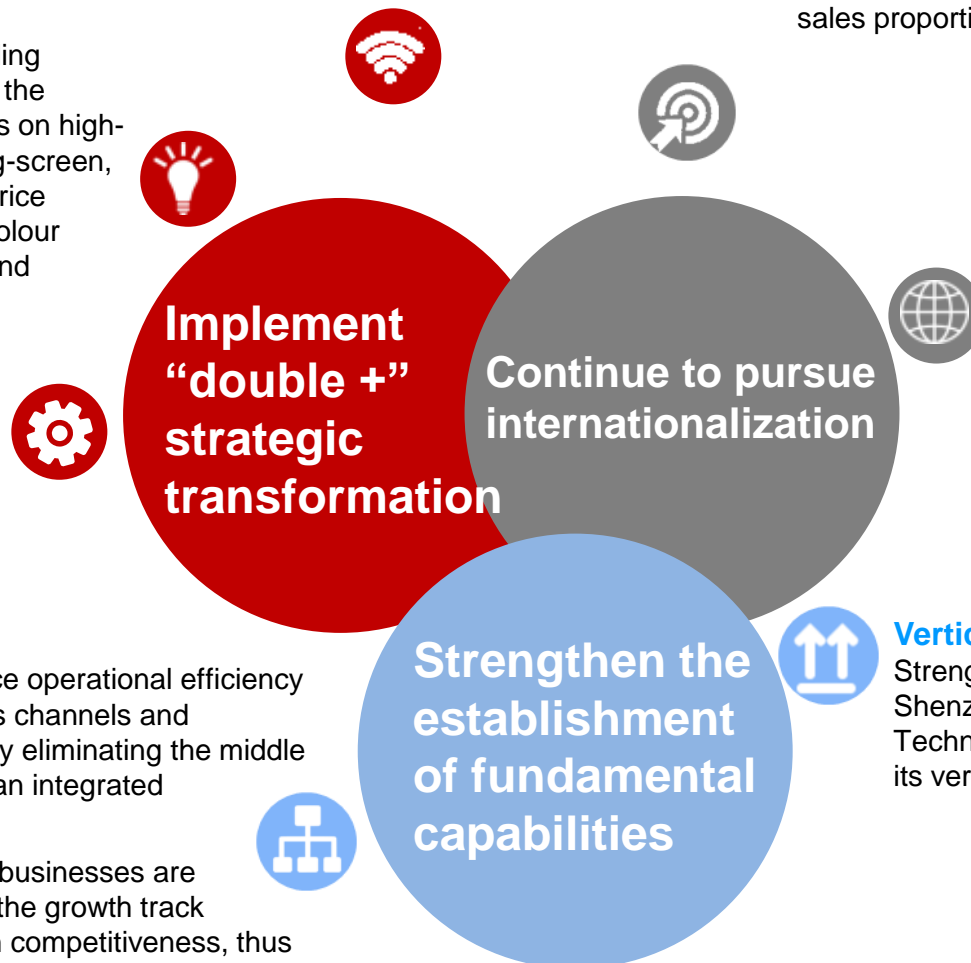
Continuously implement leading product strategy with TV+ as the featured product series; focus on high-end products with curved, big-screen, ultra-high-definition, selling price above RMB7,000 and high colour domain (Quantum Dot TVs and Curved TVs)

Electronic commerce business:

Establish a competitive O2O business model

Improved operation:

- ✓ Lower costs and enhance operational efficiency through deepening sales channels and organisational reforms by eliminating the middle layers and establishing an integrated operational system
- ✓ The PRC and overseas businesses are expected to be back on the growth track through improvement on competitiveness, thus enhancing profitability



Breakthroughs in key markets:

- ✓ Concentrate resources into key markets to seek breakthroughs in France, United States, Brazil and India
- ✓ Proactively exploit synergies with other businesses of TCL Corporation to raise the influence of TCL brand

Vertical integration:

Strengthen industrial cooperation with Shenzhen China Star Optoelectronics Technology Co., Ltd, maximising utilities from its vertical integration along the industrial chain

Operational Strategies

Launch products
as scheduled

1

**Substantial
improvements
in core business
performances**

Ensure lowered costs
and enhanced efficiency
of the supply chain from
the operation center

2

**Significant
enhancements
in operational
efficiency**

Simplify organisational
hierarchy structure to
improve gross margin
level

3

**Effective
enactment of
integrated
business
model**

Internet Business Strategies

Implement “double +” strategic transformation and establish a business model based on Internet operation service through smart TVs

- 1 Expand operable **user base**
- 2 Establish operable **business model**
- 3 Establish scaled operational **service revenue**
- 4 Innovate and incubate new **internet businesses**

Tapping existing demand pool, discriminating competition has become the new mode of competition

**Start from scratch, Restart from the beginning
Neither construct nor destruct, Destruct by construct**

Destruction by Construction



Strategy

Establish a new user-oriented business model
To implement a continuous product-driven leading product strategy

Target

Focus efforts on a unified profit centre with the Company's overall target as the starting point

Operation

Product-driven organisation oriented to users based on market and user insight

Coherent system integrating product strategy, planning, R&D, operation, marketing and service from start to finish forming a closed loop operated by gear systems spiraling upwards
A start from scratch attitude, planning, workflow, organisation and role assignment

Culture

Promote an "Accountable Accomplishment" culture



Comparison of 2015 Target

	2014 Actual			2015 Target		
	Overall	The PRC Market	Overseas Markets	Overall	The PRC Market	Overseas Markets
LCD TVs sales volume ('0000 sets)	1,657	851	806	1,750	870	880
Turnover (HK\$ million)	33,526			40,500		

	2014 Actual	2015 Target
	The PRC Market	The PRC Market
Proportion of smart TVs sales volume (%)	41.0%	60%
Proportion of 4K TVs sales volume (%)	9.7%	20%
Proportion of sales volume from online channels (%)	7.8%	15%

	2014 Actual	2015 Target
Number of activated users (Accumulated number at period end) (year-end) ¹	6,746,610	10,000,000
Daily active users (year-end) ²	2,268,959	4,200,000
Service revenue (RMB)		RMB50,000,000

1. Number of activated users (Accumulated number at period end) = Accumulated number of activated TV terminals

2. Daily active users = Number of unrepeated individual users who visit within 7 days

Strategic Goals

**To become a global entertainment
technology enterprise**



**Provide audio-visual
products and services that
exceed users' expectations**



**A leading brand in the PRC
A World's Top 3 TV enterprise
in integrated competitiveness**

New products in 2015

H9700



 量子点电视
Quantum Dot TV H9700


量子点显示技术


哈曼代领 A 级音质


北欧宜家工之设计

H8800



Integrated Built-in Stand Design

H7800

The Thinnest



As slim as 13 mm

Thickness of mainstream mobile phones at 17 mm

Exquisitely slim body requires meticulous craftsmanship



E6800



True colour H6800 Series

Vivid colour, exceed your expectations



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