



TCL多媒體科技控股有限公司

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED
(Stock code: 01070)

**2017 Q3
Business Update**



Agenda



- 1 Business Review**
- 2 Full Year Target**



Business Review - Financial Highlights

(For the nine months and three months ended 30 September 2017)



	2017 Q1-Q3	2016 Q1-Q3	Change	2017 Q3	2016 Q3	Change
LCD TV Sales Volume (000' sets)	16,115	14,502	11.1%	6,511	5,945	9.5%
LCD TV Average Selling Price (HK\$)	1,747	1,625	7.5%	1,723	1,585	8.7%
Turnover (HK\$ million)	28,248	23,675	19.3%	11,225	9,448	18.8%
Gross Profit (HK\$ million)	4,220	4,049	4.2%	1,594	1,579	0.9%
Gross Profit Margin (%)	14.9	17.1 (2.2 p.p.)		14.2	16.7 (2.5 p.p.)	

Significant improvement in business operation and profitability in the third quarter of 2017 with continuous increase in sales volume, turnover and average selling price:

- The sales volume, average selling price and turnover of LCD TVs in the first three quarters and the third quarter increased year-on-year
- With the continuous enhancement of its product mix in PRC market, the Group's sales performance was well above the average industry level
- The growth momentum in the overseas markets remained strong with competitive advantages
- The overall gross profit margin dropped mainly due to: 1) The proportion of the overseas business and the PRC's online business with lower gross profit margin ratio and expense ratio have increased; 2) The panel price began to fall significantly from the third quarter, the influence on the cost will subsequently be reflected on the gross profit margin in one to three months
- Despite the year-on-year decrease of the gross profit margin, the Group's profitability improved significantly through the continuous implementation of the strategy of "Downsizing, Cost Reduction, Efficiency Enhancement" which led to effective cost control and the downward trend of expense ratio

Global LCD TV Market Share

Brand	Ranking	2017 1H	2016 1H
Samsung	1	21.3%	21.7%
LGE	2	12.8%	13.0%
TCL	3	7.1%	6.1%
Hisense	4	5.6%	6.1%
Sony	5	5.1%	5.3%
Others	-	48.1%	47.8%

Source: IHS Technology

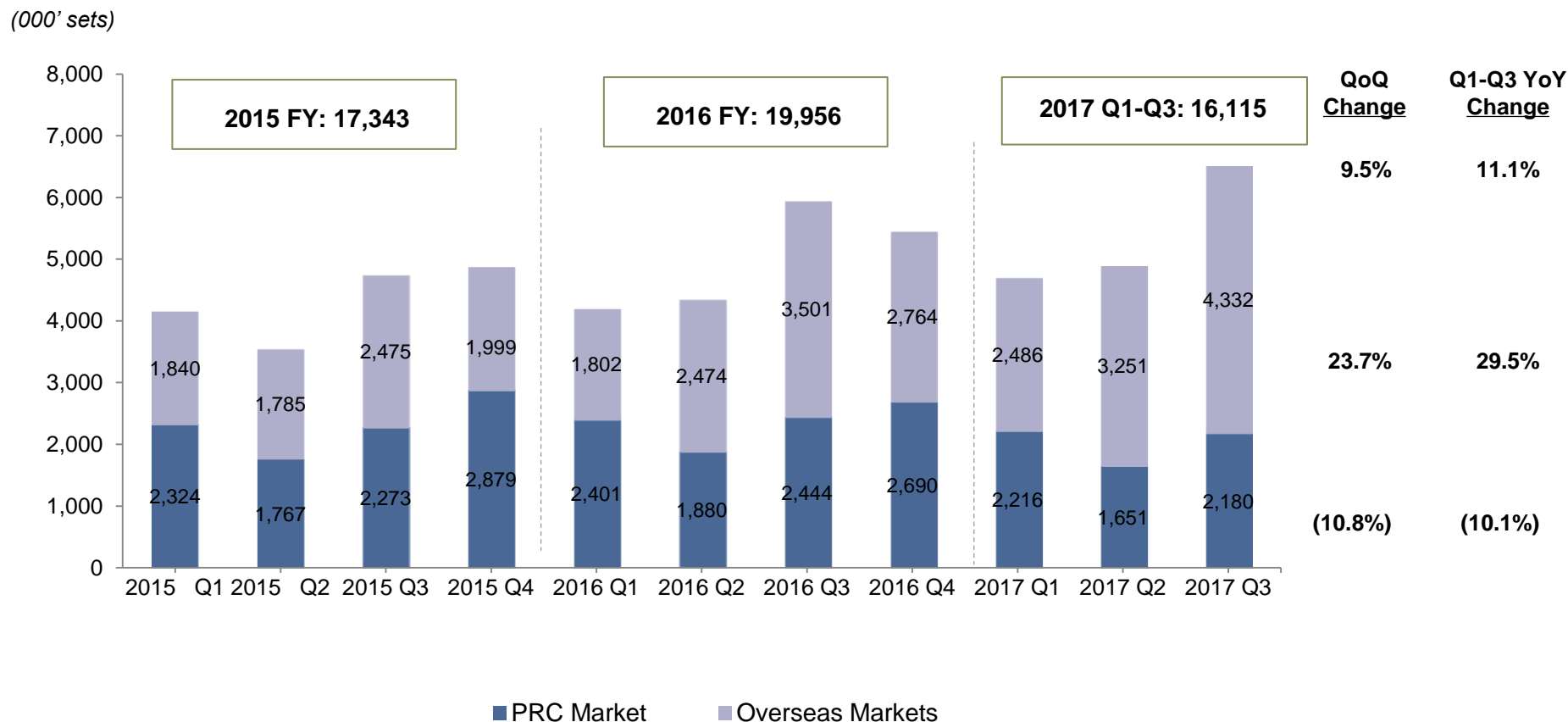
The PRC LCD TV Market Share

Brand	Ranking	2017 Q1-Q3	2016 Q1-Q3
Hisense	1	16.7%	17.1%
Skyworth	2	14.0%	15.4%
TCL	3	13.6%	14.5%
Changhong	4	11.6%	10.9%
Konka	5	10.4%	11.3%
Others	-	33.7%	30.8%

Source: CMM

Business Review - LCD TV Sales Volume

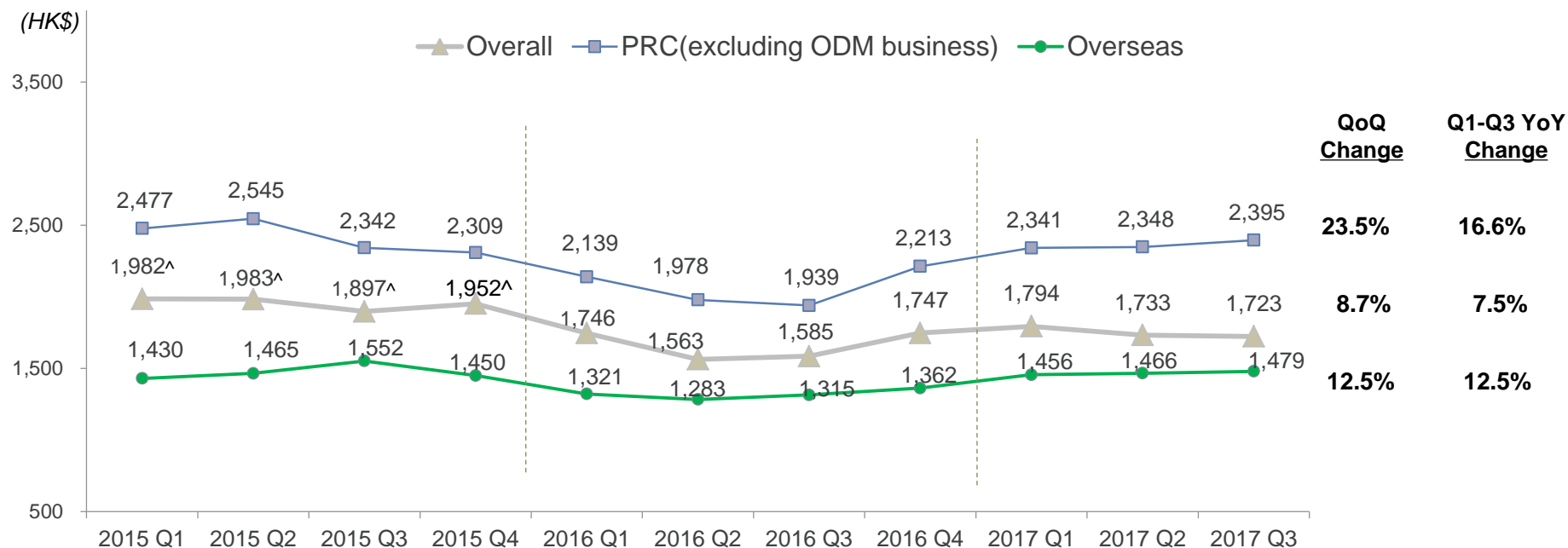
LCD TV Sales Volume (by quarter)



- Sales volume in the PRC market and overseas markets for each quarter in 2015 have been restated

Business Review - LCD TV Average Selling Price

Average Selling Prices of LCD TVs (by quarter)

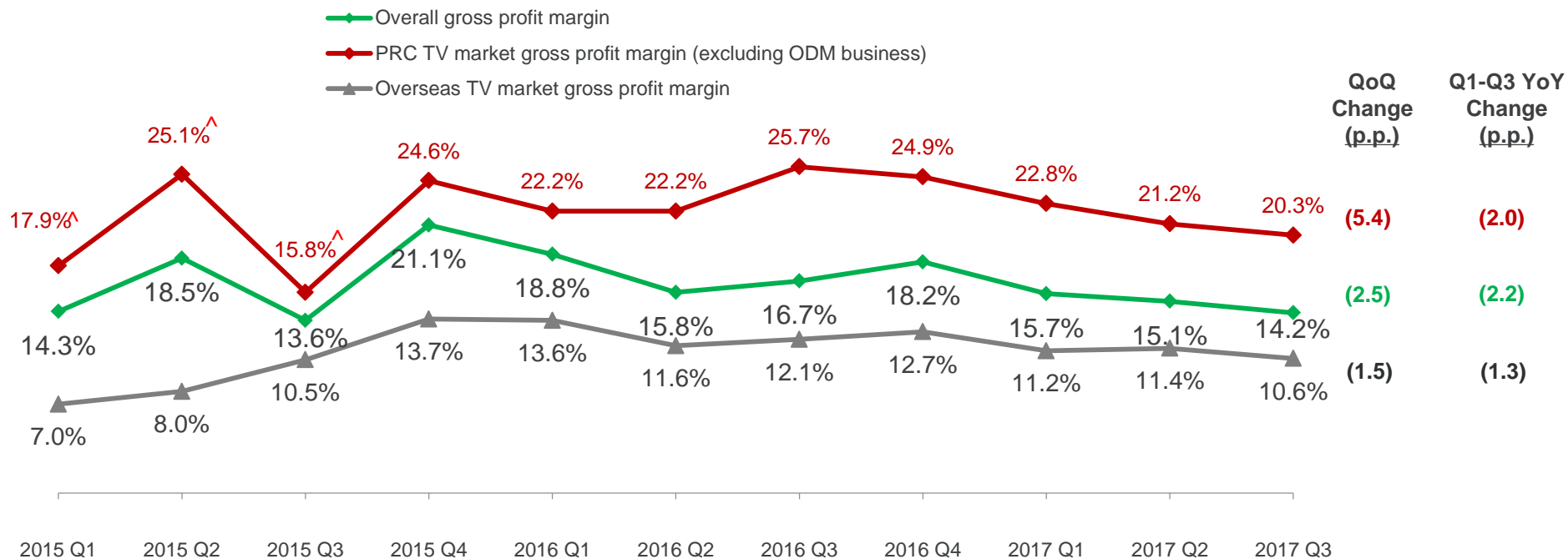


	2015 FY	2016 FY	2017 Q1-Q3
Overall	1,950^	1,658	1,747
- PRC Market(excluding ODM Business)	2,405	2,080	2,363
- Overseas Markets	1,480	1,321	1,469

^ Restated

Business Review - Profit Margins

Profit Margins (by quarter)



The overall gross profit margin dropped mainly due to: 1) The proportion of the overseas business and China's internet business with low gross profit margin ratio and expense ratio have increased; 2) The panel price began to fall significantly from the third quarter, the influence on the cost will subsequently be reflected on the gross profit margin in one to three months

[^] Restated

Business Review – The PRC Market

The PRC Market TV Business

(HK\$ million)

2017 Q1-Q3	2016 Q1-Q3	Change		2017 Q3	2016 Q3	Change
13,354	13,408	(0.4%)	Turnover	4,808	4,818	(0.2%)
2,578	2,758	(6.5%)	Gross Profit	908	1,015	(10.5%)
19.3%	20.6%	(1.3 p.p.)	Gross Profit Margin	18.9%	21.1%	(2.2 p.p.)

- According to CMM's report, the sales volume of LCD TV offline market in the first three quarters of 2017 decreased by 19.7% year-on-year. The Group's LCD TV sales volume dropped 10.1% year-on-year to 6.05 million sets, yet its sales performance was better than the average level in the industry
- Due to the optimisation of product mix and the rise of average selling price of LCD TVs, turnover of the LCD TVs of the Group rose by 2.3% year-on-year in Renminbi (RMB). As a result of the 2.7% depreciation in the average exchange rate of RMB against Hong Kong dollars (HKD) compared to the same period of last year, the turnover which was converted into HKD remained flat
- According to CMM's report, the average selling price of LCD TV in the offline market increased 14.0% year-on-year. The average selling price of LCD TVs of the Group (excluding ODM business) rose 19.3% year-on-year in RMB
- Gross profit margin decreased mainly due to: 1) the proportion of online business with lower gross profit margin and expense ratio has increased; 2) the panel price began to fall significantly from the third quarter, the influence on the cost will be reflected in the fourth quarter

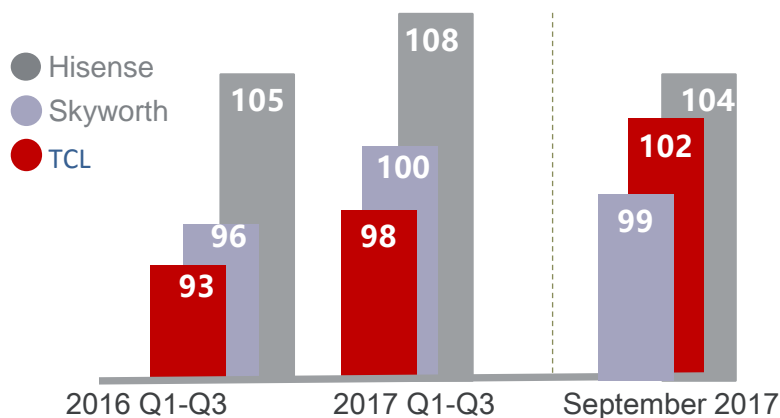
Business Review - The PRC Market

Continuous Enhancement in Product Mix and Increasing Proportion of High-end Products

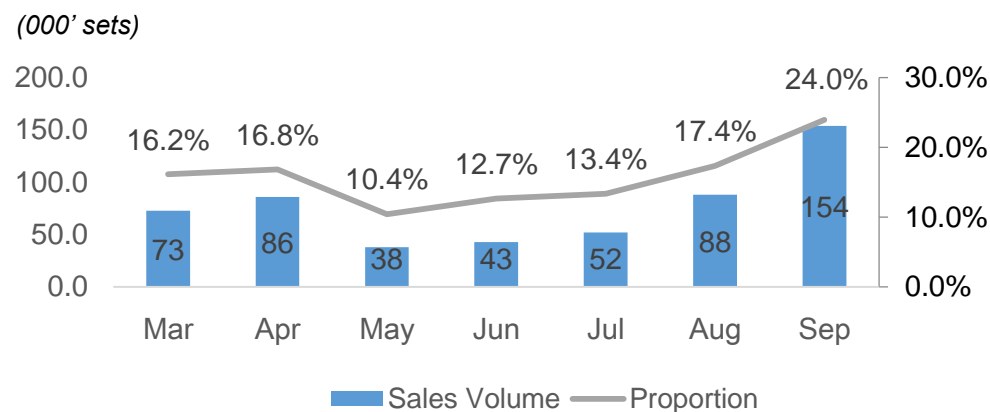
	2017 Q1-Q3	2016 Q1-Q3
Proportion of 4K products sales volume*	40.4%	34.3%
Proportion of ≥ 55" products sales volume*	35.3%	26.5%
Average size*	45.4"	43.8"
Market share of sales volume of curved TV market Ranked No.1 (Source: CMM)	34.5%	30.0%

*Excluding ODM business

LCD TV Brand Price Index (Source: CMM)



Sales Volume and Proportion of New Products from March to September 2017



Business Review - Overseas Markets

Overseas Market TV Business

(HK\$ million)

2017 Q1-Q3	2016 Q1-Q3	Change		2017 Q3	2016 Q3	Change
14,793	10,156	45.7%	Turnover	6,408	4,603	39.2%
1,626	1,248	30.2%	Gross Profit	678	556	22.0%
11.0%	12.3%	(1.3 p.p.)	Gross Profit Margin	10.6%	12.1%	(1.5 p.p.)

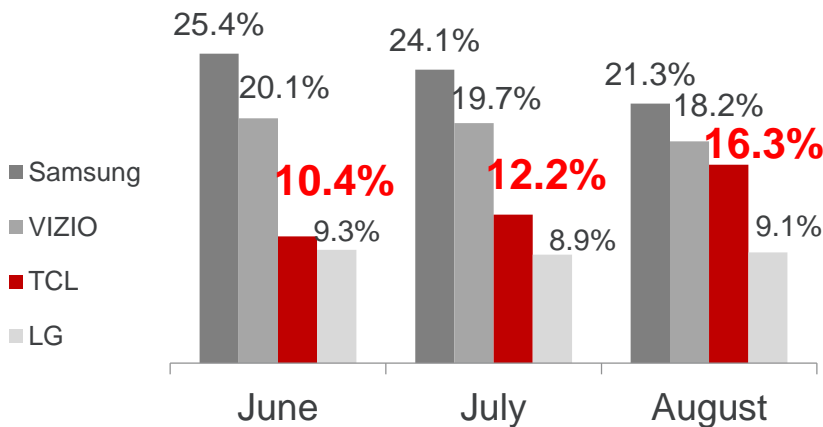
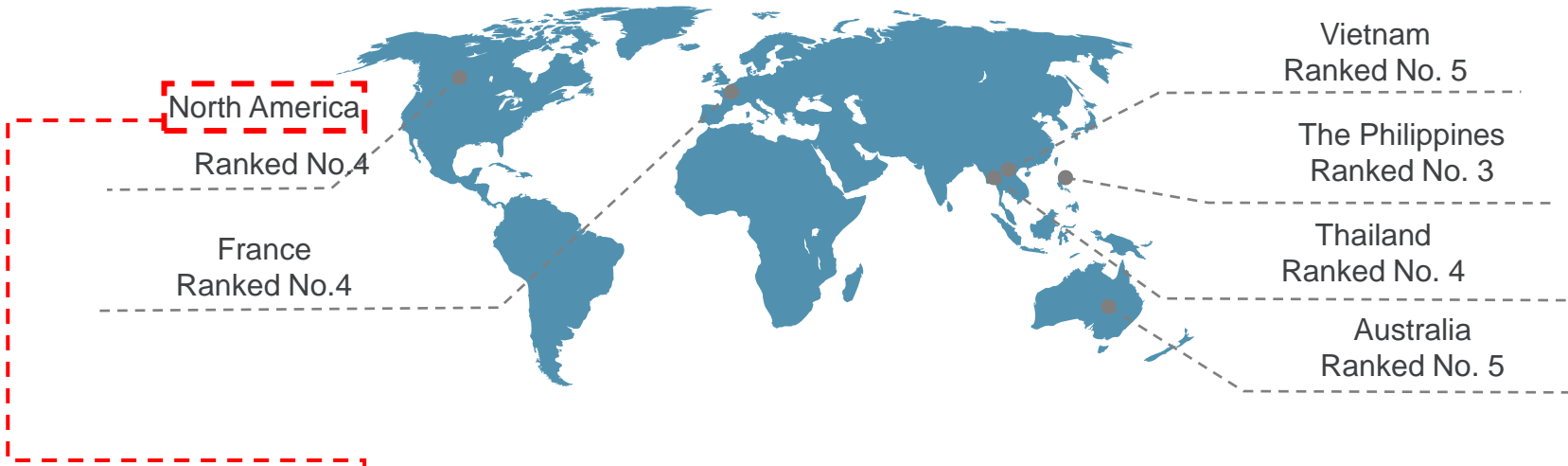
- Sales volume and turnover in the overseas markets increased significantly, becoming the key driver for business growth
- LCD TV sales volume increased by 29.5% year-on-year to 10.07 million sets, which was mainly attributable to its strong sales performance in the North American market and the emerging markets such as Brazil. Sales volume in the North American market and emerging markets rose by 97.4% and 22.8%, respectively.
- LCD TV turnover was up by 45.7% year-on-year to HK\$14.80 billion
- The product mix has been optimised through proactive implementation of the CBUS (curved, large screen, 4K and smart) strategy (excluding ODM business), the average selling price rose by 12.5% year-on-year

Product Proportion (excluding ODM business)

	2017 Q1-Q3	2016 Q1-Q3	Change (p.p.)
Curved	1.8%	1.6%	0.2
55" and above large-screen	18.7%	15.4%	3.3
4K	23.2%	15.2%	8.0
Smart	77.4%	58.9%	18.5

Business Review - Overseas Markets

Jan - Aug 2017 market share rankings in term of sales volume
(Source: GfK, except North America from NPD)

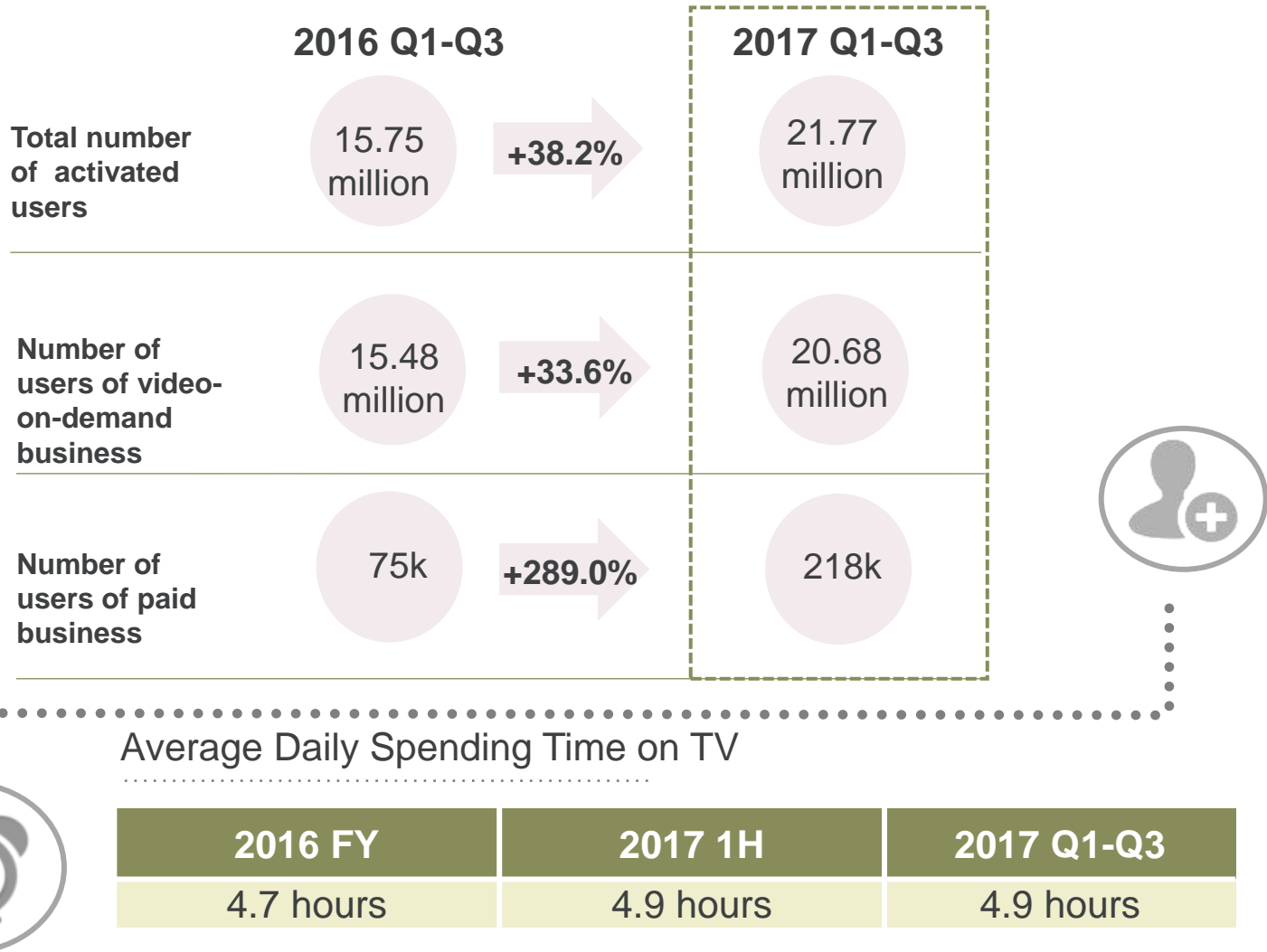


TCL North American market ranking rose to **No. 3**, narrowing the gap with competitors

Source: NPD

Business Review - Internet Business

Number of users exceeds 20 million and average daily spending time on TV rose steadily



Business Review - New Flagship Products Debut at the IFA



X6

XESS High-end Quantum Dot Product



Size: 85" Flat UD

Positioning: Industry flagship products targeting at elite customers

Channel: High-end chains/shopping mall+direct sales

Debut: Oct 2017

C5

Most Competitive Middle- and High-End Product



Size: 65/55" Curved UD

Positioning: Medium price targeting at quality customers

Channel: All coverage

Debut: August 2017

P6

Product with High Cost-performance Ratio



Size: 65/55/50/49/43/40"UD

49/43/40/32"FHD

Positioning: Main products with lower price targeting at young and fashionable customers

Channel: All coverage

Debut: August 2017

Progress of Implementation in 2017 Q1-Q3 and Target for 2017



	2017 Q1-Q3 Actual			2017 Target		
	Overall Actual	The PRC Market	Overseas Markets	Overall Target	The PRC Market	Overseas Markets
		Q1-Q3 Actual	Q1-Q3 Actual		2017 Target	2017 Target
LCD TV Sales Volume ('0000 sets)	1,612 ↑11.1%	605 ↓10.1%	1,007 ↑29.5%	2,200 ↑10.2%	1,000 ↑6.2%	1,200 ↑13.8%

The PRC Market (excluding ODM business)	FY 2016 Actual	FY 2017 Target	2017 Q1-Q3 Actual
Proportion of smart TV sales volume	66.1%	75%	74.7%
Proportion of 4K TV sales volume	36.3%	42%	40.4%
Proportion of curved TV sales volume	10.9%	15%	14.4%
Proportion of online sales volume	20.0%	20%	22.4%

	FY 2016 Actual	FY 2017 Target	2017 Q1-Q3 Actual
Internet service revenue (RMB)	Approximately 72.29 million	Approximately 150 million	Approximately 66.40 million ⁴
Number of TCL global activated smart TV users (Accumulated number at period end) (year-end/quarter-end) ¹	17,289,434	Adjusted from 21,000,000 to 22,000,000	21,764,819
Daily average number of active users (year-end/month-end) ²	7,473,240	Adjusted from 9,350,000 to 9,800,000	9,875,658 ³
Average daily spending time on TV (hour)	4.7	4.9	4.9

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

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

3. September 2017 data

4. Upon completion of the capital increase of Thunderbird Technology on 1 September 2017, Thunderbird Technology is no longer the subsidiary of the Group. For details, please refer to the Company's announcements dated 2 July, 2017 and 1 September, 2017

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