



TCL

TCL多媒體科技控股有限公司

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

(Stock Code: 01070)

**Substantial and
Sustainable Growth**



2017 Annual Results

(Audited results for the 12 months ended 31 December)



**Financial
Highlights**



**Business
Review**



Outlook





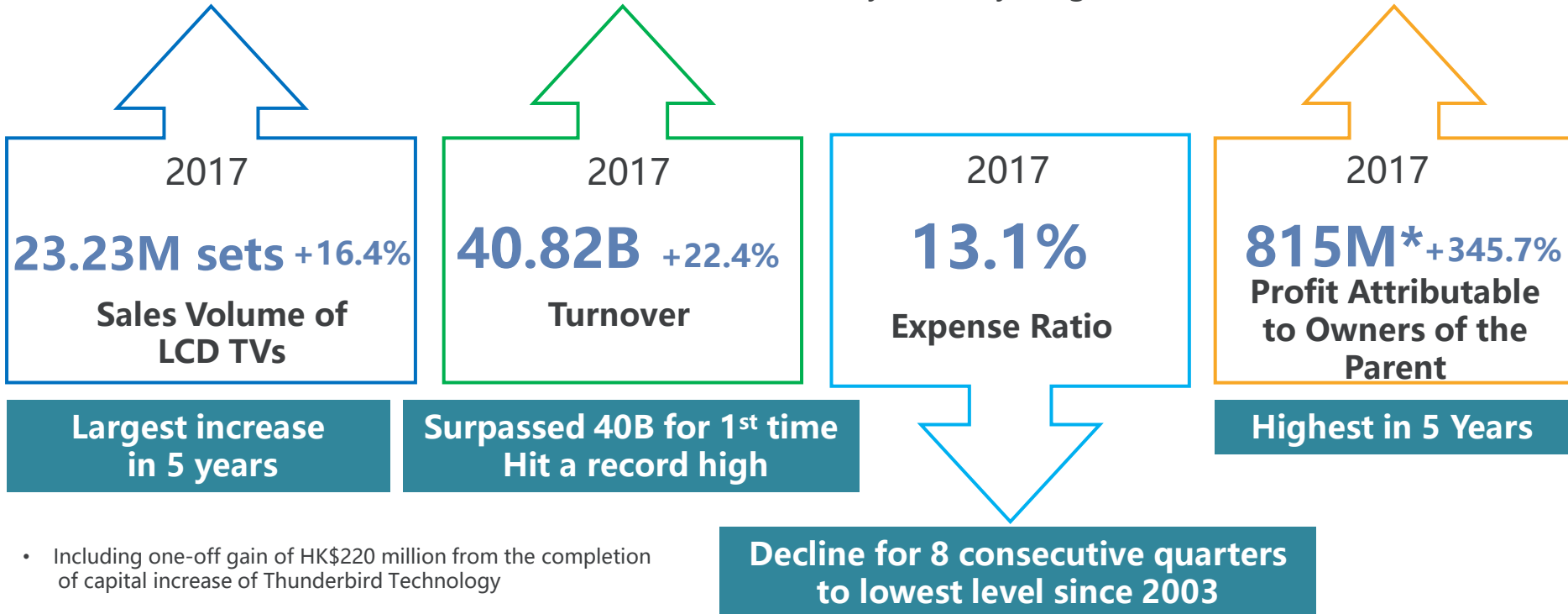
Financial Highlights

Results Overview



Remarkable improvement in operating results was mainly due to enhanced product competitiveness and effective high-end product strategy

- **Sales Volume / Turnover** : LCD TV sales volume and turnover surged year-on-year
- **Gross Profit Margin**: Benefited from improved product mix and lower panel prices in 2H2017, the overall gross profit margin rebounded considerably in Q4
- **Expense Ratio**: With continuous cost reduction and efficiency enhancement, expense ratio continued to drop for eight consecutive quarters
- **Profit Attributable to Owners of the Parent**: Robust year-on-year growth to HK\$815 million*

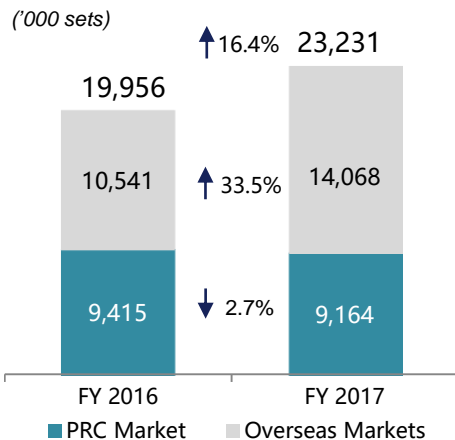


* Including one-off gain of HK\$220 million from the completion of capital increase of Thunderbird Technology

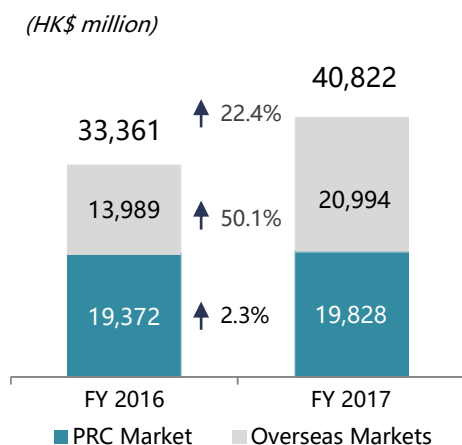
Financial Highlights (For FY2017 and 2017 Q4)



LCD TV Sales Volume



Turnover



(HK\$ million)	FY 2017	FY 2016	Change	2017 Q4	2016 Q4	Change
Turnover	40,822	33,361	22.4%	12,574	9,686	29.8%
Gross profit margin (%)	15.4	17.4	(2.0 p.p.)	16.6	18.2	(1.6 p.p.)
Expense ratio (%)	13.1	15.1	(2.0 p.p.)	12.6	14.3	(1.7 p.p.)
Net profit after tax	797	177*	350.8%	301	40*	655.6%
Net profit after tax margin (%)	2.0	0.5*	1.5 p.p.	2.4	0.4*	2.0 p.p.
Profit attributable to the owners of the parent	815	183*	345.7%	305	36*	751.2%
EBITDA [®]	1,276	536*	138.2%	518	106*	389.6%
Basic earnings per share (HK cents)	47.43	11.40* [^]	316.1%	17.70	2.10* [^]	742.9%
Proposed final dividend per share (HK cents)	15.07[#]	N/A	N/A	N/A	N/A	N/A

[®] EBITDA is defined as profit before deduction of finance costs, income tax, depreciation and amortization, excluding the Group's share of the profits and losses of the joint venture and associates

* By adopting the prudence principle, a full provision of HK\$170 million for receivables of energy-saving subsidies was made during the period

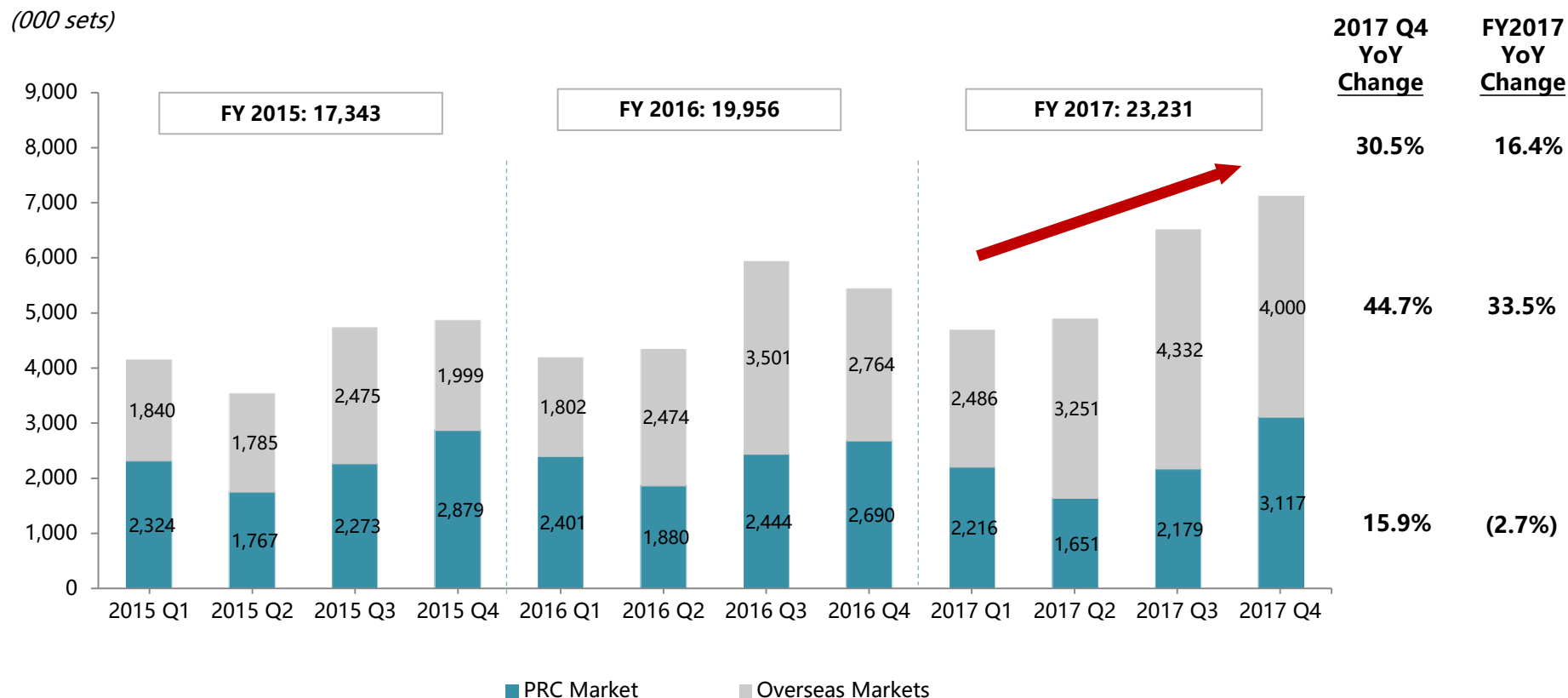
[^] Restated

[#] Dividend for the year is HK18.97 cents per share, dividend payout ratio is 40%. As the shares increased due to the rights issue, the actual dividend payout ratio based on the net income is 51%

LCD TV Sales Volume



LCD TV Sales Volume (by quarter)



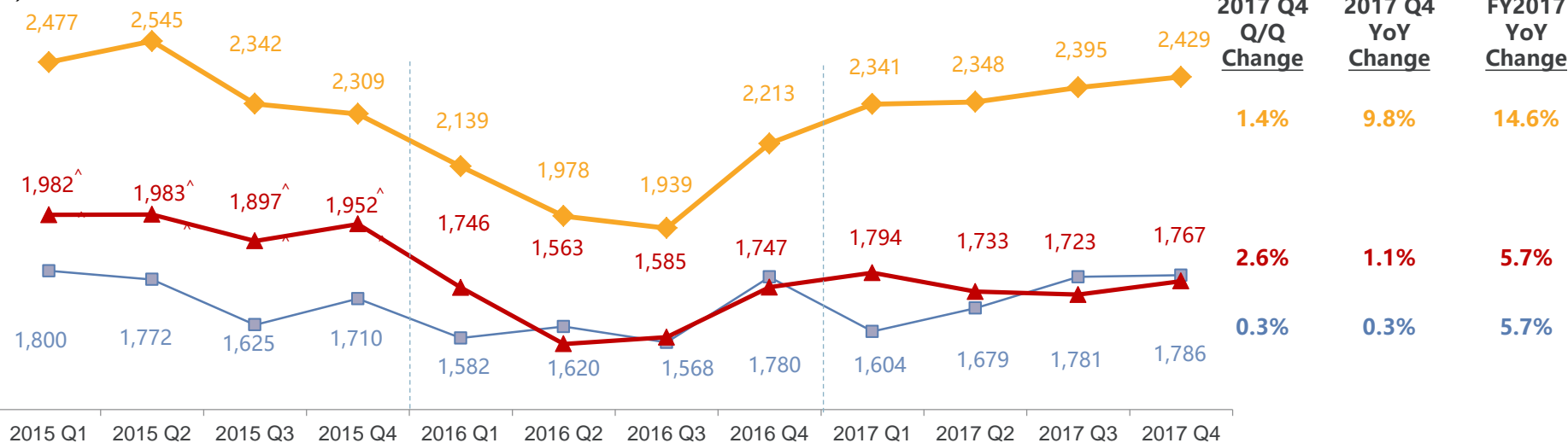
Strengthened product competitiveness and benefits of internationalisation strategy resulted in steady volume growth on a yearly basis and incremental rise in 2017

LCD TV Average Selling Price



ASP of LCD TVs (by quarter)

(HK\$)



◆ The PRC (excluding ODM business) ■ Overseas (excluding ODM business) ▲ Total

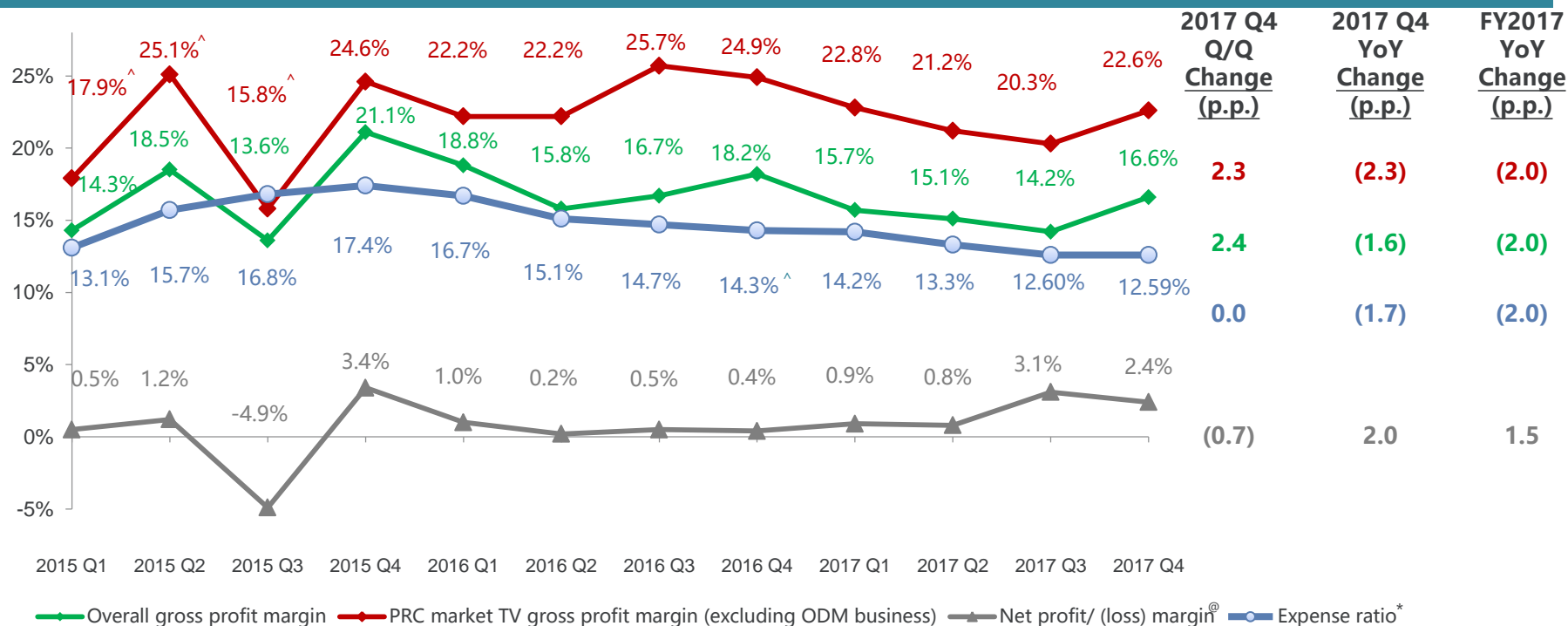
	FY 2015	FY 2016	FY 2017
Total	1,950 [^]	1,658	1,753
- PRC Market (excluding ODM business)	2,405	2,080	2,384
- Overseas Markets (excluding ODM business)	1,727	1,630	1,723

Enhanced product competitiveness and improvement in product mix led to a continual increase in ASP

Profit Margins and Expense Ratios



Profit Margins and Expense Ratios (by quarter)



Expense ratio declined for eight consecutive quarters due to continued cost reduction and efficiency enhancement.
Product innovation and product mix upgrade reduced the impact of cost fluctuations, gross profit margin rebounded in 2017 Q4.

[^] Restated
^{*} Expense ratio = (Selling and distribution expenses + Administration expenses) / Turnover
[®] Net profit / (loss) margin = Net profit / (loss) from continuing operations / Turnover

Key Financial Indicators



	31 December 2017	31 December 2016	Change
Inventory turnover (days)¹	46	45	1
A/R turnover (days)¹	50	60	(10)
A/P turnover (days)¹	78	79	(1)
Cash conversion cycle (days)	18	26	(8)
Current ratio (times)	1.2	1.3	(0.1)
Gearing ratio (gross)(%)²	38.4	21.0	17.4 p.p.
Gearing ratio (net)(%)³	0⁴	0 ⁴	-

Focus on increasing efficiency and channel optimisation, A/R turnover and cash conversion cycle improved considerably

¹ The above turnover days are calculated based on the average balances for a 12-month period

² Gearing ratio (gross) = Total interest-bearing borrowings / Equity attributable to owners of the parent

³ Gearing ratio (net) = Net Borrowing / Equity attributable to owners of the parent. Net Borrowing = Total interest-bearing borrowings - Cash and bank balances - Pledged deposits

⁴ As at 31 December 2017 and 31 December 2016, as the Group's cash and bank balance was higher than the total interest-bearing borrowings, gearing ratio (net) was 0%

Balance Sheet Highlights



(HK\$ million)	31 December 2017	31 December 2016	Change
Non-current assets	3,354	2,846	17.9%
Current assets	22,710	17,464	30.0%
- Inventory	5,059	4,349	16.3%
- Cash and bank balance	5,910	3,882	52.2%
Current liabilities	18,330	13,733	33.5%
Net current assets	4,380	3,731	17.4%
Non-current liabilities	37	20	80.4%
Net assets	7,697	6,556	17.4%
Net assets value per share (HK\$)	4.37	3.72	17.5%

Net assets value per share increased significantly year-on-year



Business Review

Global and PRC Market Shares Increased Consistently



Global LCD TV Market Share

Ranking	Brand	FY 2017	FY 2016
1	Samsung	20.2%	21.6%
2	LGE	12.1%	11.9%
3	TCL	10.9%*	9.0%*
4	Hisense	6.0%	6.1%
5	Sony	5.6%	5.6%
6	Sharp	4.2%	4.5%
7	AOC/TP Vision	4.1%	3.8%
8	Skyworth	3.8%	3.7%
9	Haier	3.0%	3.4%
10	Panasonic	2.9%	3.2%

Source: IHS Technology

*According to IHS Technology and Company shipment data

The PRC LCD TV Market Share

Ranking	Brand	FY 2017	FY 2016
1	Hisense	14.4%	13.9%
2	Skyworth	12.7%	13.3%
3	TCL	11.9%	11.4%
4	Changhong	9.9%	9.5%
5	Konka	8.1%	7.9%
6	Sharp	7.8%	2.6%
7	Haier	7.6%	9.0%
8	Mi	4.9%	2.2%
9	Philips	4.7%	4.4%
10	Samsung	3.1%	3.3%

Source: CMM omni-channel data

LCD TV Sales Volume



Continual optimisation of product mix in the PRC market

Sales outperformed the industry average

Internationalisation yielded results

Overseas markets became an important growth engine

LCD TV Sales Volume ('000 sets)	FY 2017	FY 2016	Change	2017 Q4	2016 Q4	Change
Total	23,231	19,956	16.4%	7,117	5,454	30.5%
- PRC Market	9,164	9,415	(2.7%)	3,117	2,690	15.9%
- Overseas Markets	14,068	10,541	33.5%	4,000	2,764	44.7%
Of which: Smart TVs	15,094	10,593	42.5%	4,892	3,104	57.6%
4K TVs	5,805	3,977	46.0%	2,070	1,255	64.9%

TV Business in the PRC Market



Continuous optimisation of product mix Operating results increases significantly

(HK\$ million)

FY 2017	FY 2016	Change	The PRC Market (including ODM business)	2017 Q4	2016 Q4	Change
19,774	19,173	3.1%	Turnover	6,421	5,765	11.4%
3,902	4,014	(2.8%)	Gross Profit	1,324	1,257	5.4%
19.7%	20.9%	(1.2 p.p.)	Gross Profit Margin	20.6%	21.8%	(1.2 p.p.) ²
466	219 ¹	113.3%	Operating Results	292	8 ¹	3,474.6%

¹ By adopting the prudence principle, a full provision of HK\$170 million for receivables of energy-saving subsidies was made during the period

² In the fourth quarter of 2017, the gross margin improved by 1.7 percentage points from the previous quarter, from 18.9% in the third quarter to 20.6%.

TV Business in the PRC Market



- **Sales outperformed industry average:** In 2017, the sales volume of China's TV industry decreased by 8.1%# year-on-year. The Group adhered to the high-end product strategy and continued to enhance its product competitiveness. The sales volume rebounded in Q4 with a year-on-year increase of 15.9%. Annual LCD TV sales volume decreased marginally by 2.7% year-on-year to 9.16 million sets
- **Revenue increased year-on-year:** As a result of improved product mix and increased average selling price of LCD TVs, annual LCD TV sales revenue rose by 3.1% year-on-year to HK\$19.77 billion, of which revenue in Q4 increased by 11.4% year-on-year to HK\$6.42 billion
- **ASP increase outpaced industry average:** The average selling price of the TV industry increased by 13.9%# year-on-year, and the average selling price* of the Group increased by 15.6% year-on-year if converted to RMB
- **Gross profit margin rebounded in Q4:** Although the gross profit margin* of LCD TVs dropped by 2.0 percentage points year-on-year to 21.8% due to panel price increases, the gross profit margin* in Q4 increased significantly to 22.6% from 20.3% in Q3, mainly due to improved product mix and reduction in panel prices since Q3

	FY 2017	FY 2016	Change YoY (p.p.)
Proportion of 4K TV sales volume*	42.7%	36.3%	6.4
Proportion of TV with screen size of 55 inches and above sales volume*	37.5%	29.0%	8.5
Average size*	45.8"	44.3"	1.5

According to CMM omni-channel data

* Excluding ODM business




TV Business in the PRC Market

Continual rise in the proportion of high-end products
Brand price index increased considerably

Brand price index of LCD TV in the PRC market
(Source: CMM)

Rank	Brand	Price Index
1.	Hisense	105
2.	Skyworth	96
3.	TCL	93

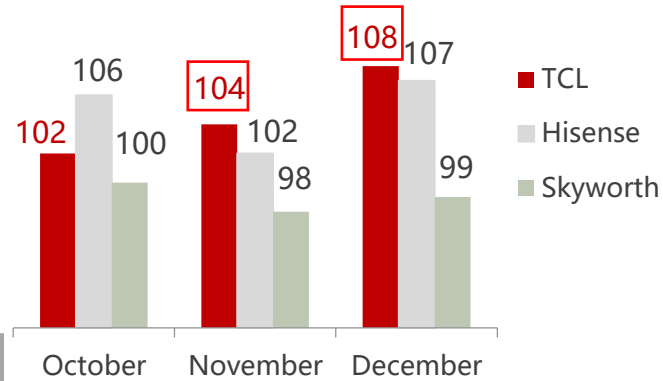
2016



Rank	Brand	Price Index
1.	Hisense	107
2.	TCL	99.4
3.	Skyworth	99.3

2017

TCL Leaps to the Top of the Index
in Nov and Dec



Market share
33.6%



Curved TV in the PRC Market*
Sales volume in 2017 **Ranked No. 1**



TV Business in Overseas Markets

Notable results from years of cultivating the overseas markets and focusing on quality growth

(HK\$ million)

2017	2016	Change	Overseas Markets (including ODM business)	2017 Q4	2016 Q4	Change
20,949	13,921	50.5%	Turnover	6,155	3,765	63.5%
2,382	1,728	37.8%	Gross Profit	756	479	57.7%
11.4%	12.4%	(1.0 p.p.)	Gross Profit Margin	12.3%	12.7%	(0.4 p.p.) ¹
480	393	22.0%	Operating Results	93	142	(34.5%)

¹ In 2017 Q4, the gross profit margin improved by 1.7 percentage points from the previous quarter, from 10.6% in Q3 to 12.3%

TV Business in Overseas Markets



Notable results were achieved through years of cultivating the overseas markets. Active product mix transformation and vertical integration of complete industrial chain significantly enhanced competitive strength

- **Notable increase in sales volume and revenue**, overseas markets became an important growth engine
- **Sales volume** of LCD TV rose by 33.5% year-on-year to 14.07 million sets
 - 1) **North American market** sales volume surged considerably by 131.5% year-on-year, which more than doubled that of last year
 - 2) **Emerging markets** sales volume increased by 21.5% year-on-year, among which the performance of the Brazilian market was a bright spot with a strong sales volume growth of 149.6%
- LCD TV **sales revenue** increased significantly by 50.5% year-on-year to HK\$20.95 billion
- Continual improvement in **product mix** led to steady rise in **ASP**

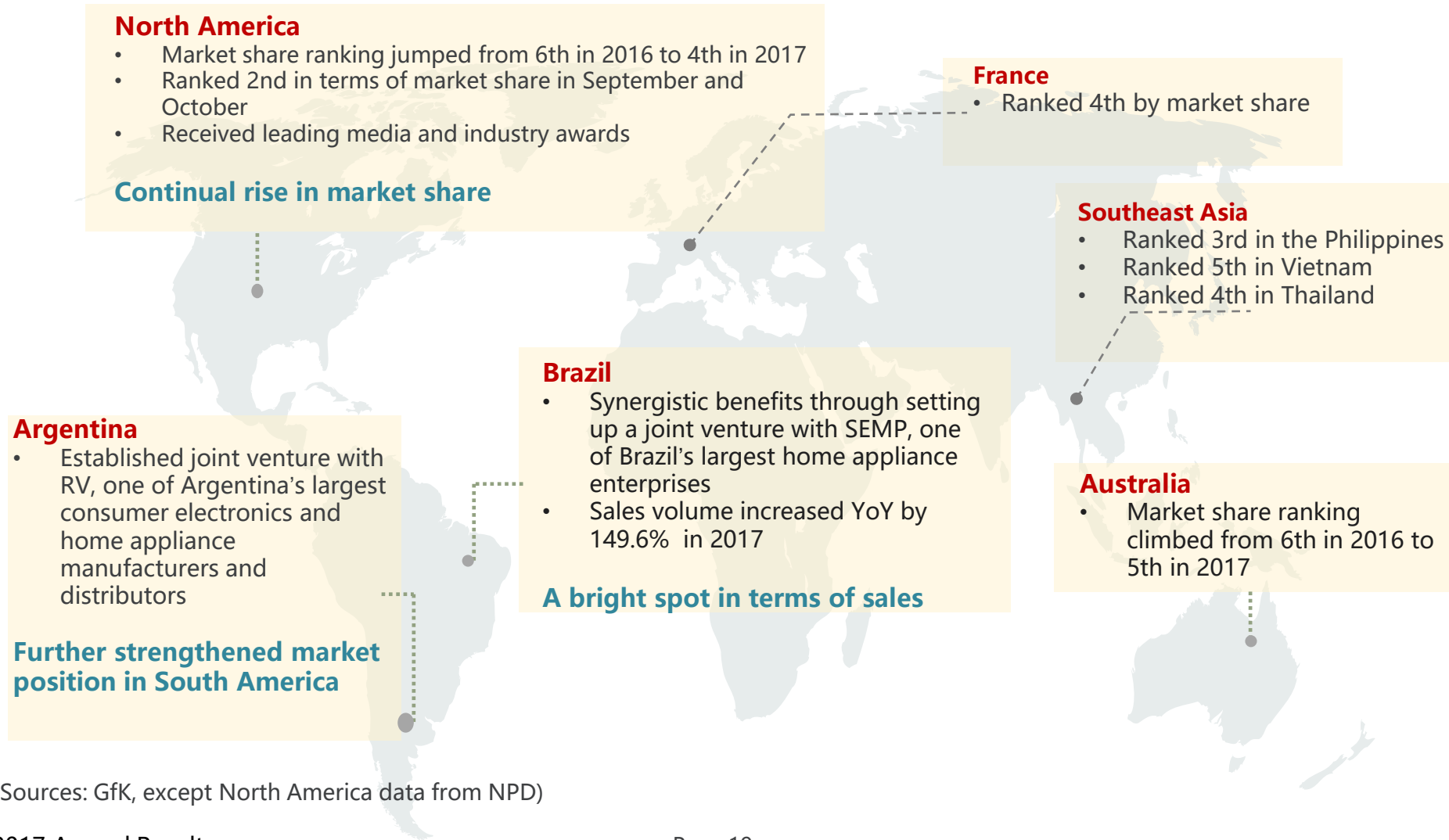
As a % of total sales volume	FY 2017	FY 2016	Change in proportion YoY (p.p.)
Sales volume of 4K TV*	26.4%	14.8%	11.6
Sales volume of TV with screen size of 55 inches and above*	20.6%	14.8%	5.8
Sales volume of smart TV*	77.6%	58.2%	19.4

* Excluding ODM business

TV Business in Overseas Markets

TCL internationalisation reaped rewards

Strives to become “The Great Brand” seeking international development



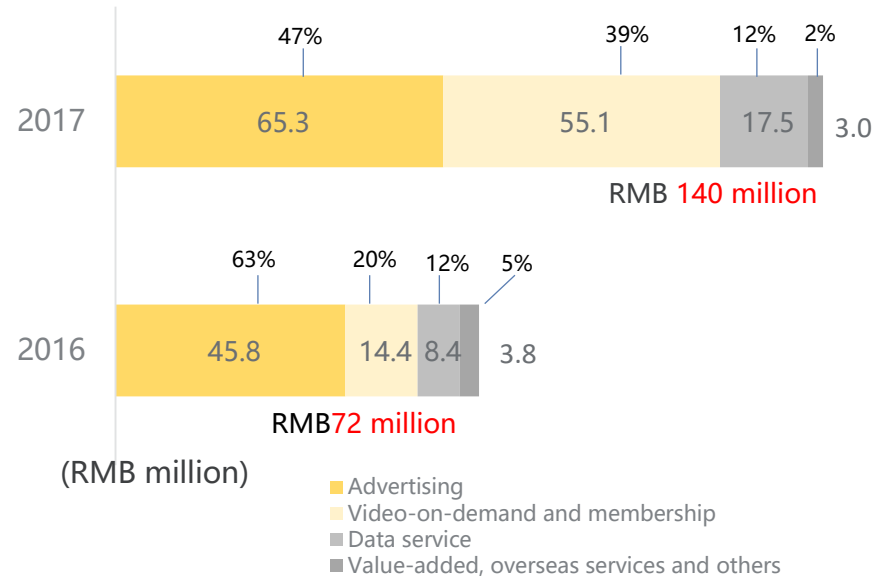
(Sources: GfK, except North America data from NPD)

Internet Business: Outstanding Commercial Value



Consistent enhancement of operating strength of FFalcon platform

- FFalcon continued to expand its user base, increase user loyalty, raise the commercial value of the platform, and form a model of income sources mainly from advertising and membership services, as well as various sources including development of data value-added service
- In 2017, **FFalcon's video-on-demand and membership business grew significantly in absolute terms and as a % of total revenue**, and the advertising income as a % of total revenue dropped, **reflecting that commercial monetisation ability of the company's internet business has grown much stronger.**



FY 2017

Number of users of video business

21.97 million

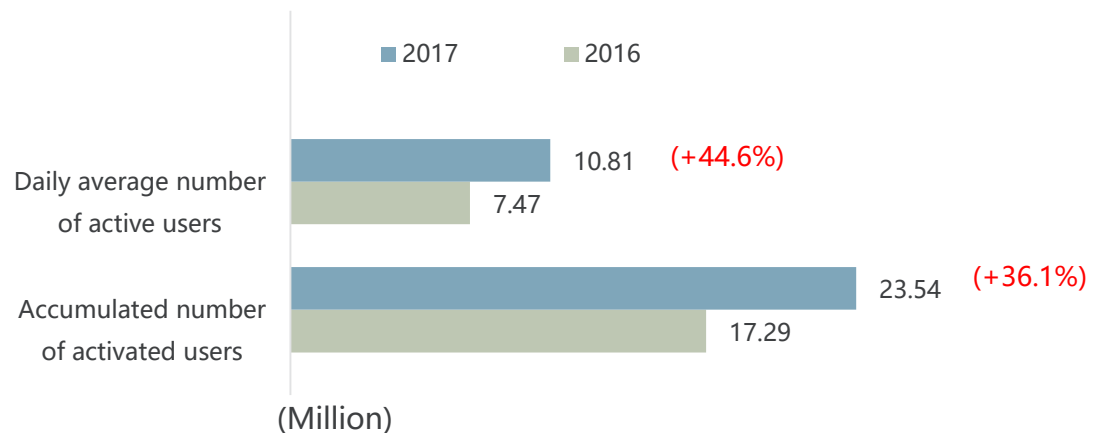
YoY+26.3%



Number of users of paid business

2.05 million

YoY+199%



TCL FFalcon's Collaboration with Tencent and South New Media



Cooperation with Tencent: to create No.1 internet TV brand

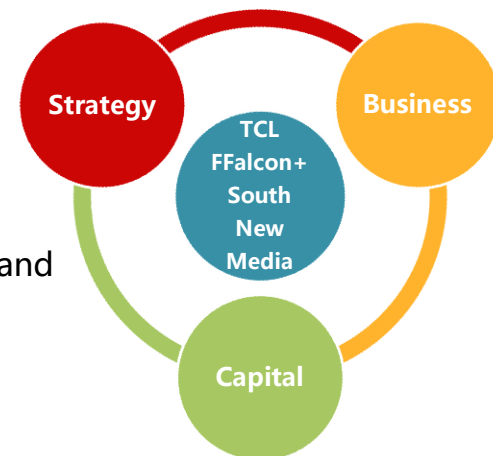
Joint operation of content | Personalised content recommendations | Integration of members and marketing of major drama | Joint promotion of brands | Sales channel diversion

Through resources sharing in the collaboration with Tencent, FFalcon gains:

- ✓ Complete upstream and downstream industrial chain, comprehensive service system and new business model
- ✓ Integrate pan-entertainment resources, IP, social networking, and peripherals in the user platform to enhance smart context experience for family, increase brand influence, market share, user base, and revenue

Guangdong South New Media Invests in FFalcon

- ✓ Closely links with licensees to ensure “platform + license” advantage
- ✓ Introduction and cooperation of multi-channel content on the basis of the full content of a licensee and a content platform
- ✓ Achieve multi-platform content incorporation to create advantages in content, and swiftly increase the overall value of the FFalcon platform

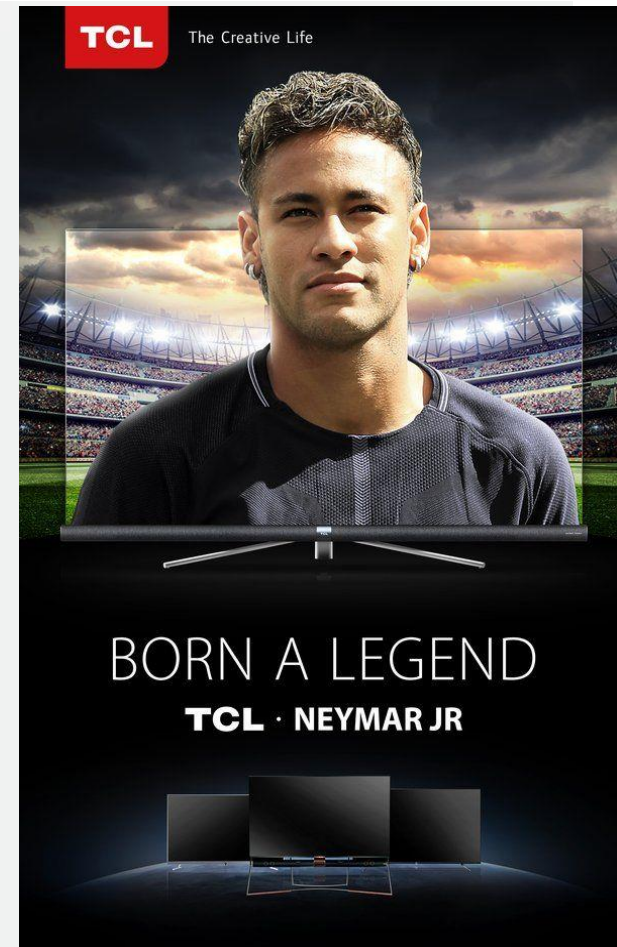


Renowned Football Star Neymar Jr. Becomes TCL Global Brand Ambassador



Enhance brand promotion, raise brand strength, improve global business blueprint

- TCL will launch a series of innovative marketing activities with Neymar Jr.
- Deepen TCL's penetration into European, North American and South American markets, and other emerging markets
- Further enhance TCL's strength in sports marketing during 2018, a year of major sports events, to reinforce TCL's youthful and international brand image



2017 is an Award-winning Year for TCL

Leading innovation and product competitiveness gained industry recognition



IFA

**“Quantum Technology Gold Award”
at the IFA Product Technical
Innovation Award**



CES

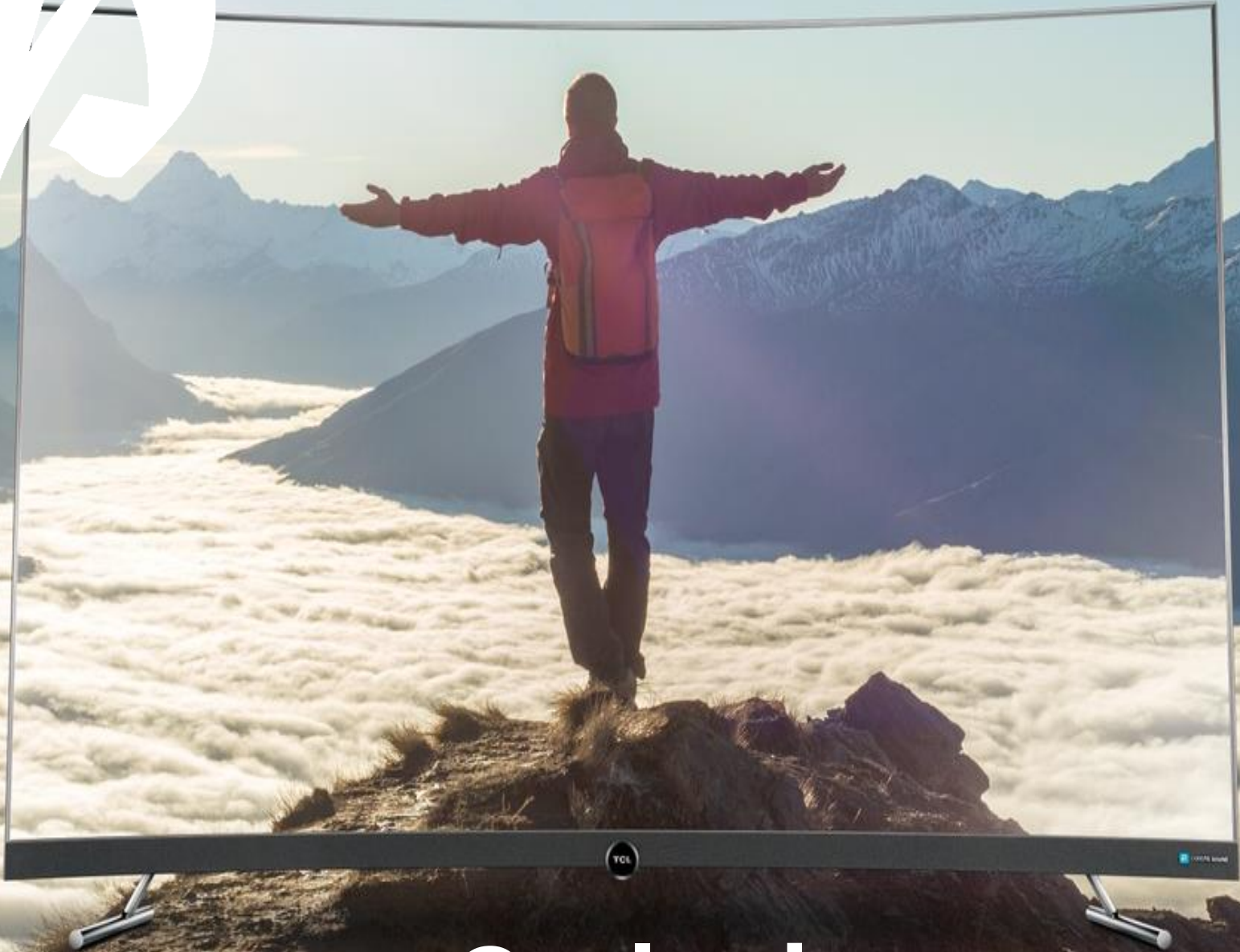
**“China Innovation Brand Award”
“China Innovative Product
Award”
“Top 10 Brands in Consumer
Electronics Industry”
“Top 15 Global TV Brands”
“Top 50 Global Consumer
Electronics Brands”**



iF

**German
“iF Design Award”**

7D



Outlook

Rights Issue Completed

The rights issue, oversubscribed by 7.9 times, was successfully completed and raised net proceeds of approximately HK\$2 billion. **It lifted the curtain for diversification and globalisation of the Group's business, as well as smart production and R&D.** The Group will be renamed "TCL Electronics Holdings Limited"



Business Diversification



Strengthen internal and external integration of **high-quality industrial resources, diversify its business**, develop smart manufacturing and continuous R&D and innovation



Smart & Internet TV Business

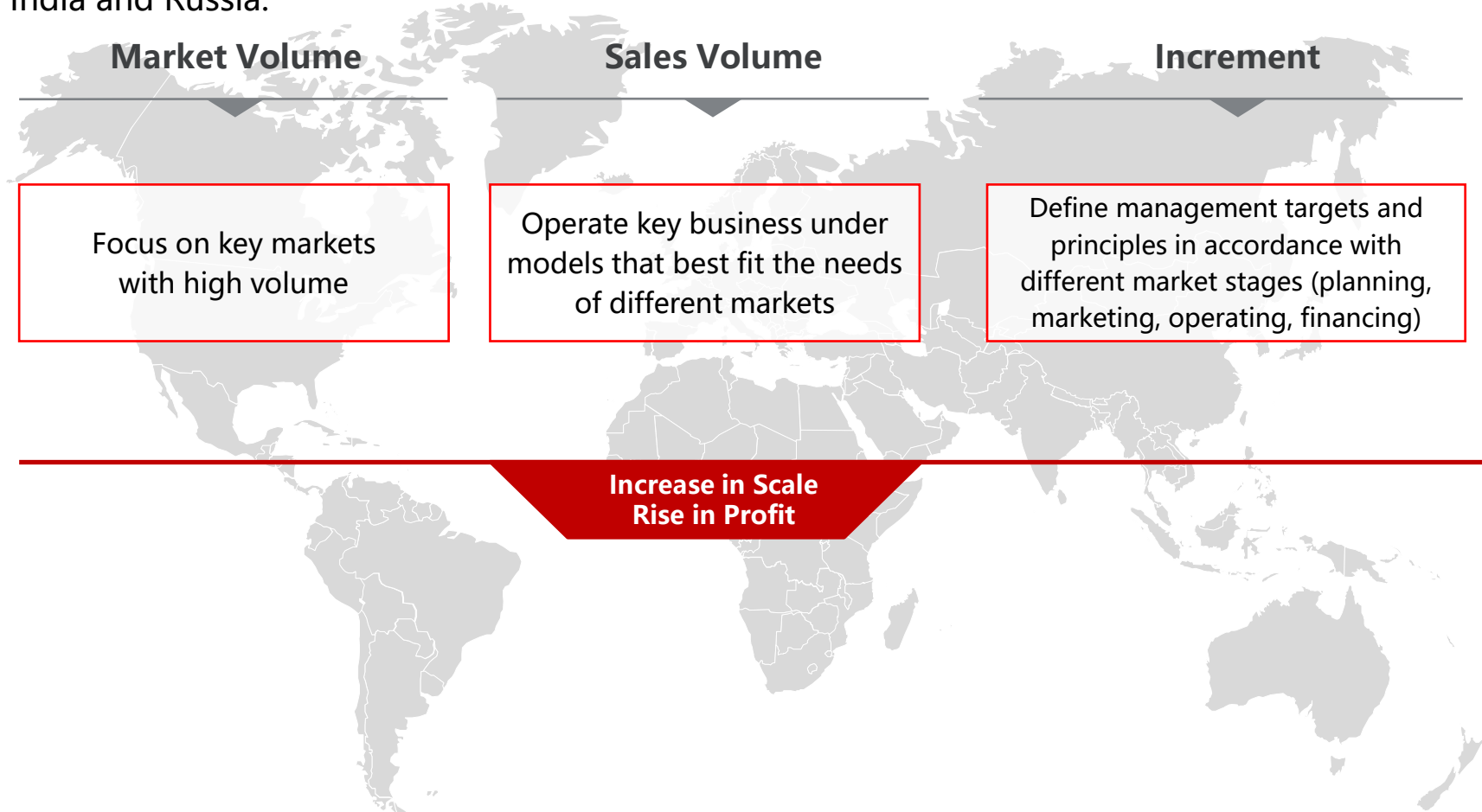
Smart AV

Smart Home

- Consolidate and expand its existing TV business while actively diversifying its business to develop smart AV and smart home businesses through investments, M&As and restructuring and open up new business growth opportunities
- Integrate the Group's internal and external quality assets of home appliance business, further strengthen the linkage among product technology, industrial chain, brand marketing and international business, and maximise the Group's advantages through synergies, aiming to become an internationally leading consumer and household electronic products brand.
- Cooperate with TCL Corporation and look for suitable investment targets and M&A opportunities in the industry chain through the establishment of strategic investment funds, to create an industry ecosystem

Deepen Global Strategies Implementation

Overseas business has become the main driving force for growth: A breakthrough has been achieved in the North American market. Going forward, the Group will strengthen its market position in the North American market and will improve its business in the European market, while actively expanding in key countries and regional markets with large market scale such as India and Russia.



Strategic Vision and Goals for the Next Three Years



Build an eco-business enterprise based on smart TV business

Provide users with exquisite smart TV products and services

Among the **Top 3 in the Global Coloured TV Industry**

Ranked **No.1 in China**

Strategic Themes in 2018



Gain differentiation through continued high-end product strategy

Leading Products

Channel Transformation



Build a user-centric, retail-driven, internet-based sales system



Innovate new products and applications to create better user experience than existing products

Technological Innovation

Outstanding Operation



Fast and flexible supply system, focusing on maximizing the core value of key assets, efficient organisation management to create synergies



Raise customer satisfaction through the entire product life cycle centering on user experience

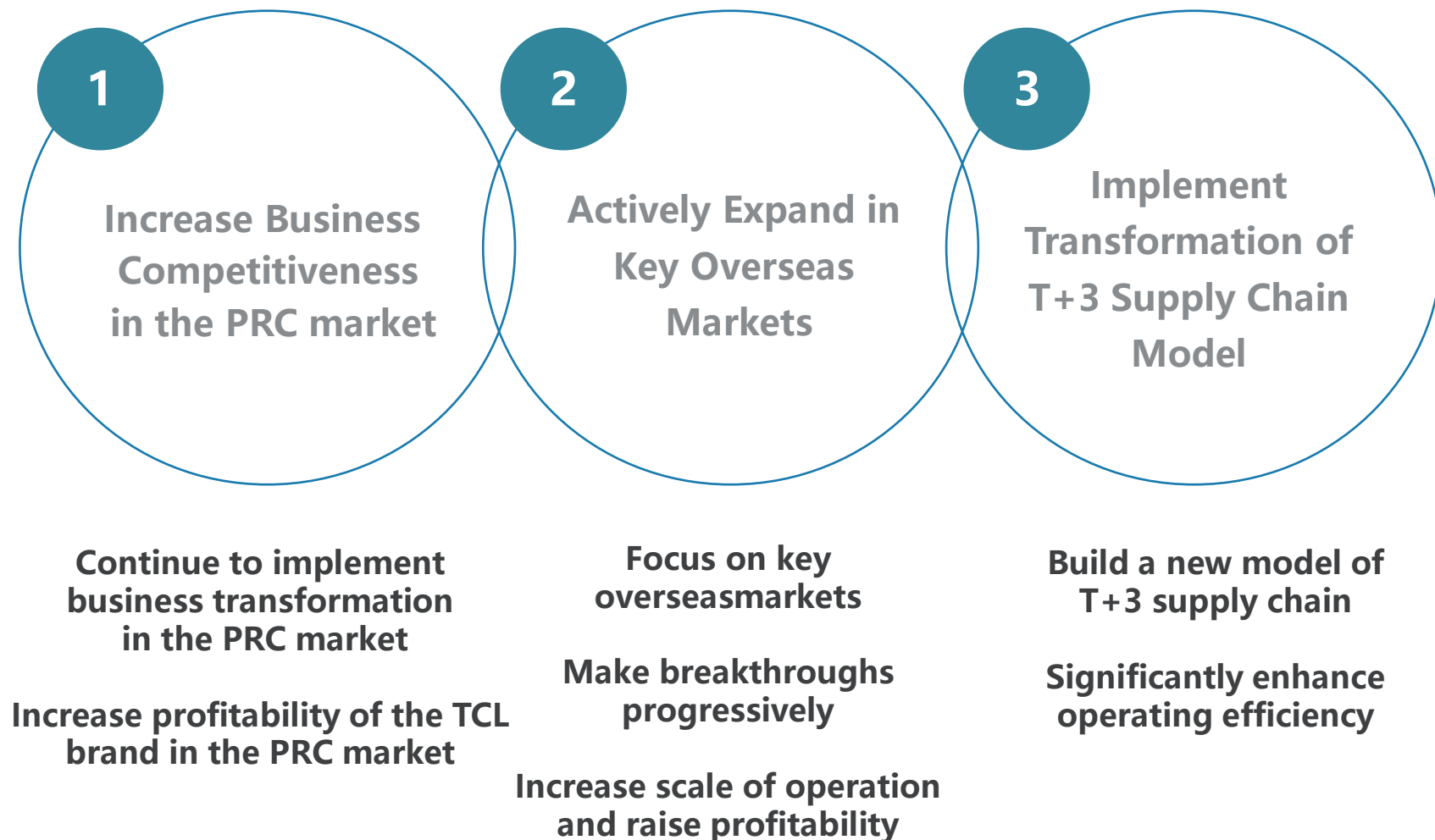
User Loyalty

Global Operation



Adhere to the “three-pillar” business structure to establish globalised operation capability. Make breakthroughs in key markets to build global influence

Core Tasks for 2018

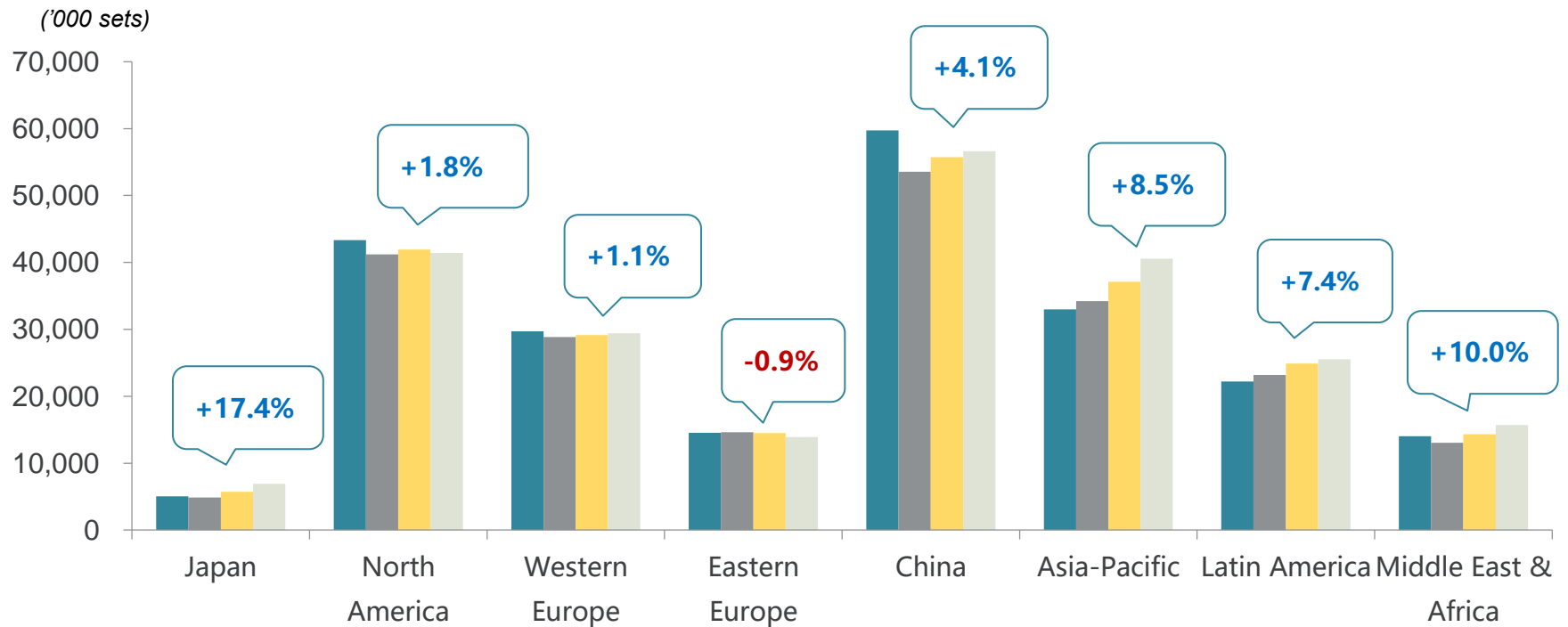


Overview of Global LCD TV Sales Trend



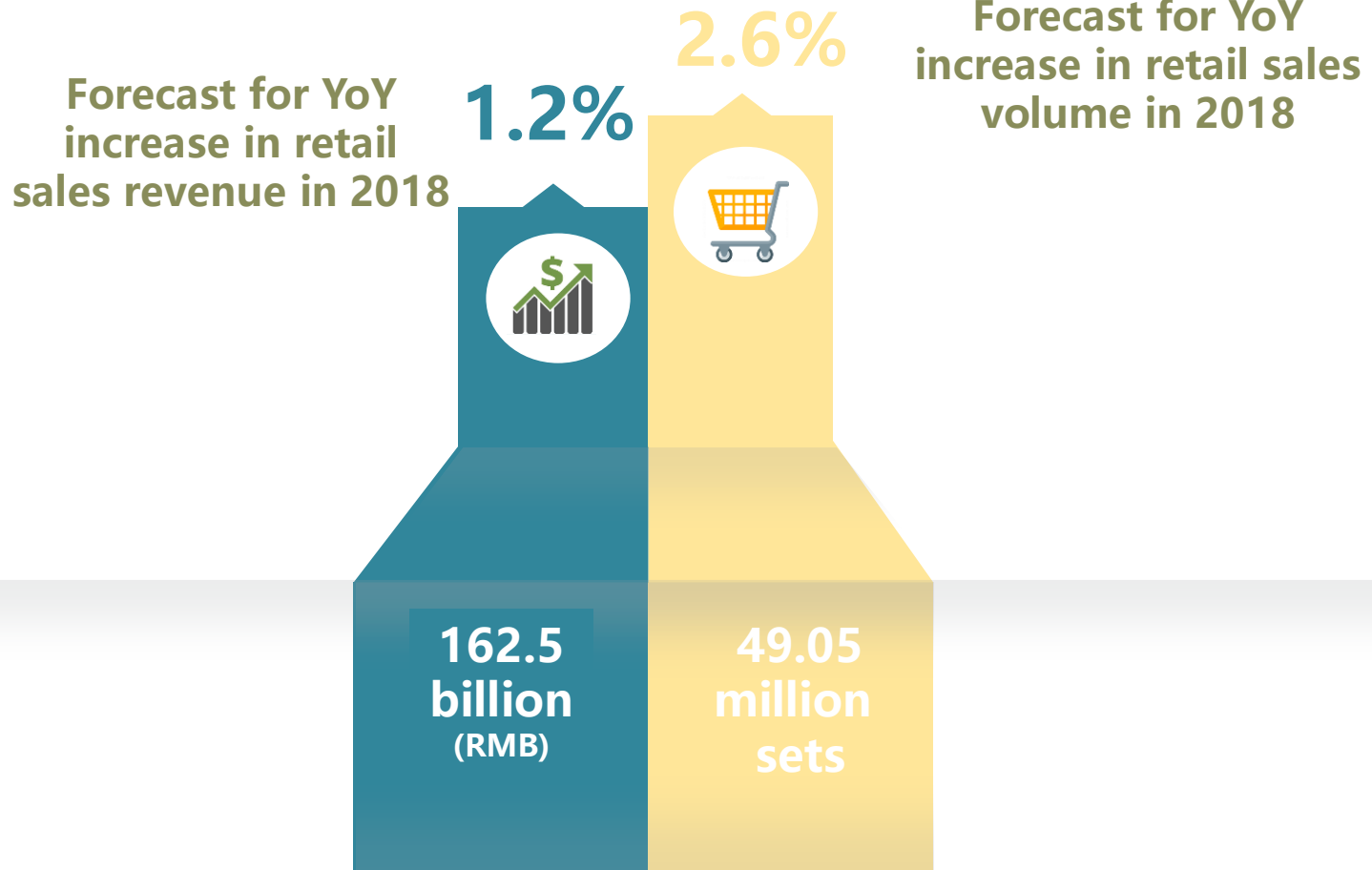
Total LCD TV Sales Volume Projection in 2018: **4.6% Growth** YoY

■ 2016 Actual ■ 2017 Actual ■ 2018 Forecast ■ 2019 Forecast



Source : IHS Technology (2017 Q4 data)

Forecast for TV Market in the PRC



Source: CMM omni-channel data

Progress of Implementation in 2017 and Target for 2018



	2017 Actual			2018 Target		
	Overall Actual	PRC Market FY Actual	Overseas Markets FY Actual	Overall Target	PRC Market FY Target	Overseas Markets FY Target
LCD TV Sales Volume ('000 sets)	23,230	9,160	14,070	25,600 ↑10%	9,500 ↑4%	16,100 ↑14%
Turnover (HK\$ billion)	40.8	-	-	46.0 ↑13%	-	-

PRC Market (excluding ODM business)	2017 FY Target	2017 FY Actual	2018 FY Target
Proportion of Smart TV Sales Volume (%)	75%	76.3%	85%
Proportion of 4K TV Sales Volume (%)	42%	42.7%	48%
Proportion of Curved TV Sales Volume (%)	15%	14.8%	16%
Proportion of Online Sales Volume (%)	20%	26.2%	30%

	2017 FY Target	2017 FY Actual	2018 FY Target
Internet service revenue (RMB)	Approximately 150 million	Approximately 140 million	Approximately 220 million
Number of TCL global activated smart TV users (Accumulated number at period end) (year-end/quarter-end) ¹	Adjusted to 22,000,000 from 21,000,000	23,536,522	28,500,000
Daily average number of active users (year-end/month-end) ²	Adjusted to 9,800,000 from 9,350,000	10,809,751 ³	13,000,000
Average daily spending time on TV (hour)	4.9	4.9	5.2

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. December 2017 data

- The information contained herein should not be utilised for any legal purposes with regards to any investor's investment decision or results. In particular, this document does not constitute any recommendation or invitation for subscribing for or sale and purchase of any securities in TCL Multimedia Technology Holdings Limited (the "Company"). The Company hereby expressly disclaims any liability for any loss or damage resulting from or in connection with any reliance by any investor on the information contained herein.
- A number of forward-looking statements may be made from this presentation. Forward-looking statements are statements that are not historical facts. These forward-looking statements are based on the current expectations of the Company and there can be no assurance that such expectations will prove to be correct. Because forward-looking statements involve risks and uncertainties, the Company' s actual results could differ materially from these statements.

TCL



Q&A