



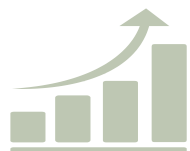
# TCL多媒體科技控股有限公司

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED  
(股份代號: 01070)



**2018 Q1  
Business Update**

# Agenda



**Business Review**

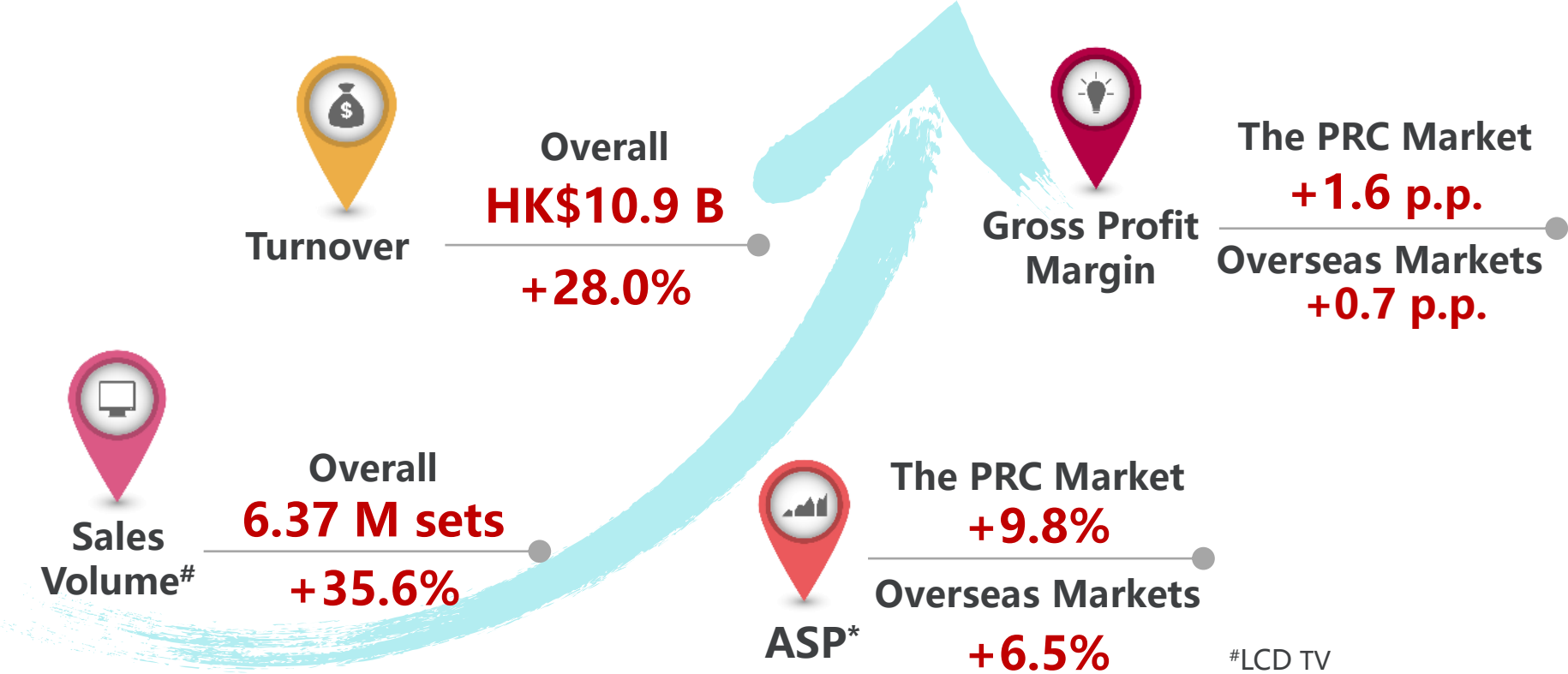


**Full-year Target**



# Business Review – Q1 Highlights

- Sales volume and turnover achieved the highest growth rates in the past five years. The PRC market stabilised and rebounded, and overseas markets delivered strong growth
- Continuous product mix enhancement led to a rise in ASP of self-branded products
- The gross profit margin has increased steadily, costs were under sustained control and profitability considerably strengthened



<sup>#</sup>LCD TV  
\*Excluding ODM business

# Business Review - Financial Highlights

Operating performance improved considerably in Q1

<i>(HK\$ million)</i>	2018 Q1	2017 Q1	Change
<b>LCD TV Sales Volume ('000 sets)</b>	<b>6,374</b>	4,702	+35.6%
- The PRC Market	2,430	2,216	+9.6%
- Overseas Markets	3,944	2,486	+58.7%
<b>LCD TV Average Selling Price (HK\$)</b>	<b>1,697</b>	1,794	(5.4%)
- The PRC Market*	2,570	2,341	+9.8%
- Overseas Markets*	1,708	1,604	+6.5%
<b>Turnover (HK\$ million)</b>	<b>10,853</b>	8,480	+28.0%
- The PRC Market	4,929	4,848	+1.7%
- Overseas Markets	5,924	3,632	+63.1%
<b>Gross Profit Margin (%)</b>	<b>15.8</b>	15.7	+0.1 p.p.
- The PRC Market	21.1	19.5	+1.6 p.p.
- Overseas Markets	11.4	10.7	+0.7 p.p.



\* Excluding ODM business

# Business Review – Market Share and Ranking



Remarkable sales volume growth, rising market position

## Global LCD TV Market Share

Brand	Ranking	FY 2017	FY 2016
Samsung	1	20.2%	21.6%
LGE	2	12.1%	11.9%
<b>TCL</b>	<b>3</b>	<b>10.9%*</b>	<b>9.0%*</b>
Hisense	4	6.0%	6.1%
Sony	5	5.6%	5.6%

Source: IHS Technology

\*According to IHS Technology and Company shipment data

## PRC LCD TV Market Share

Brand	Ranking	2018 Q1	2017 Q1
Hisense	1	15.4%	14.6%
Skyworth	2	13.8%	13.5%
<b>TCL</b>	<b>3</b>	<b>12.1%</b>	<b>11.7%</b>
Changhong	4	10.4%	10.6%
Konka	5	8.7%	8.6%

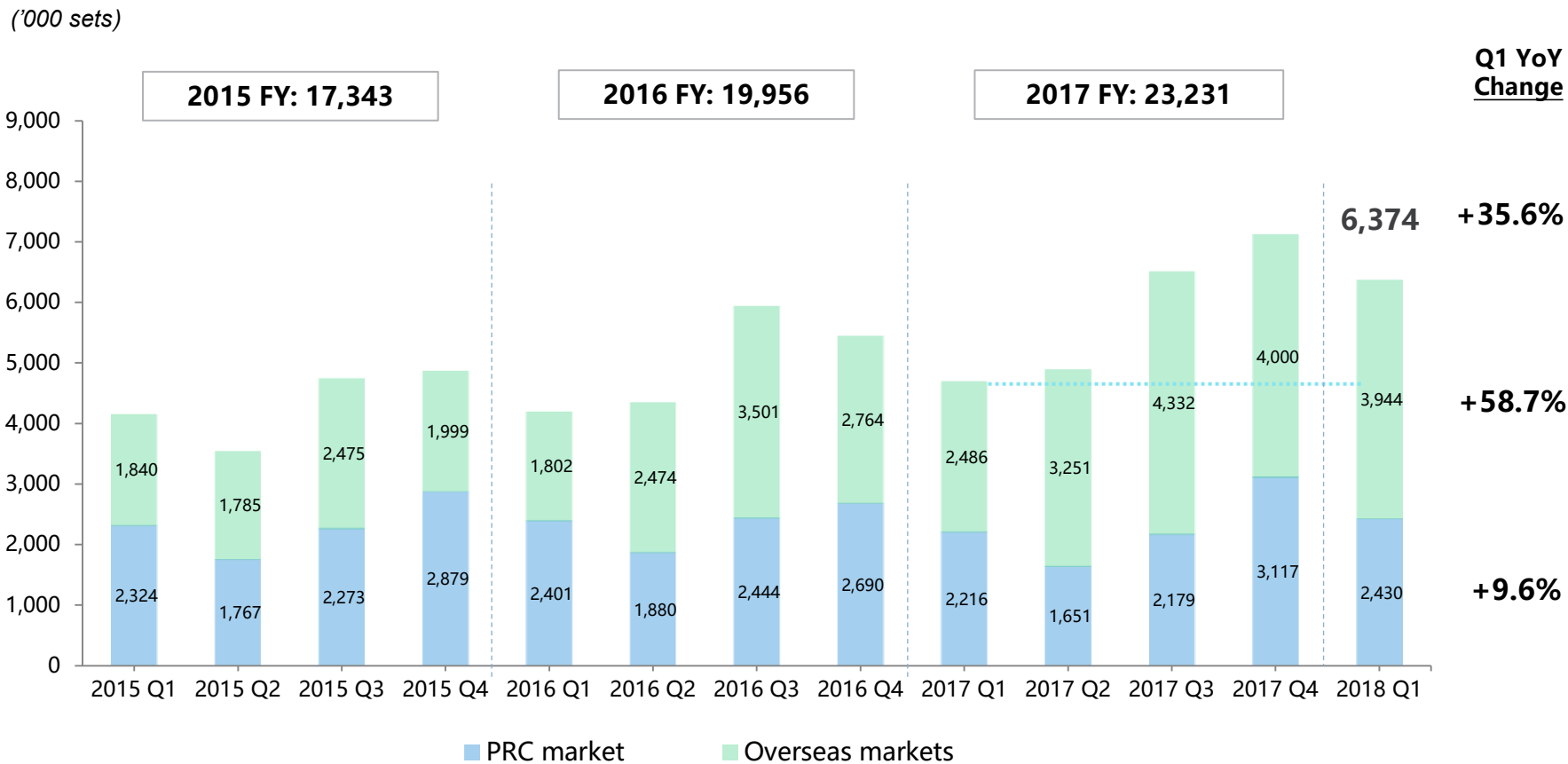
Source: CMM omni-channel data



# Business Review - LCD TV Sales Volume

Q1 sales volume achieved the highest growth rate in the past five years

## LCD TV Sales Volume (by quarter)



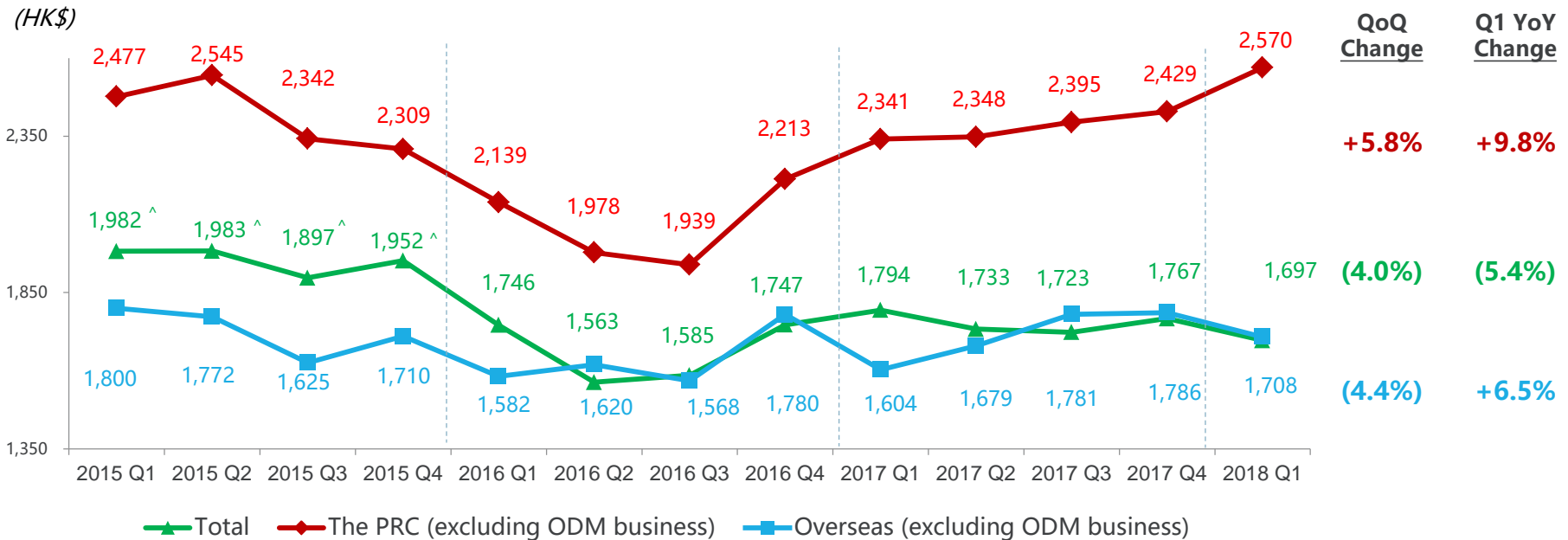
\* Sales volume in the PRC market and overseas markets for each quarter in 2015 have been restated



# Business Review - LCD TV ASP

ASP of TCL-branded products in the PRC market continued to rise significantly

## Average Selling Prices of LCD TVs (by Quarter)



	2016 FY	2017 FY	2018 Q1
<b>Overall</b>	1,658	1,753	<b>1,697</b>
<b>- PRC Market(excluding ODM Business)</b>	2,080	2,384	<b>2,570</b>
<b>- Overseas Markets(excluding ODM Business)</b>	1,630	1,723	<b>1,708</b>

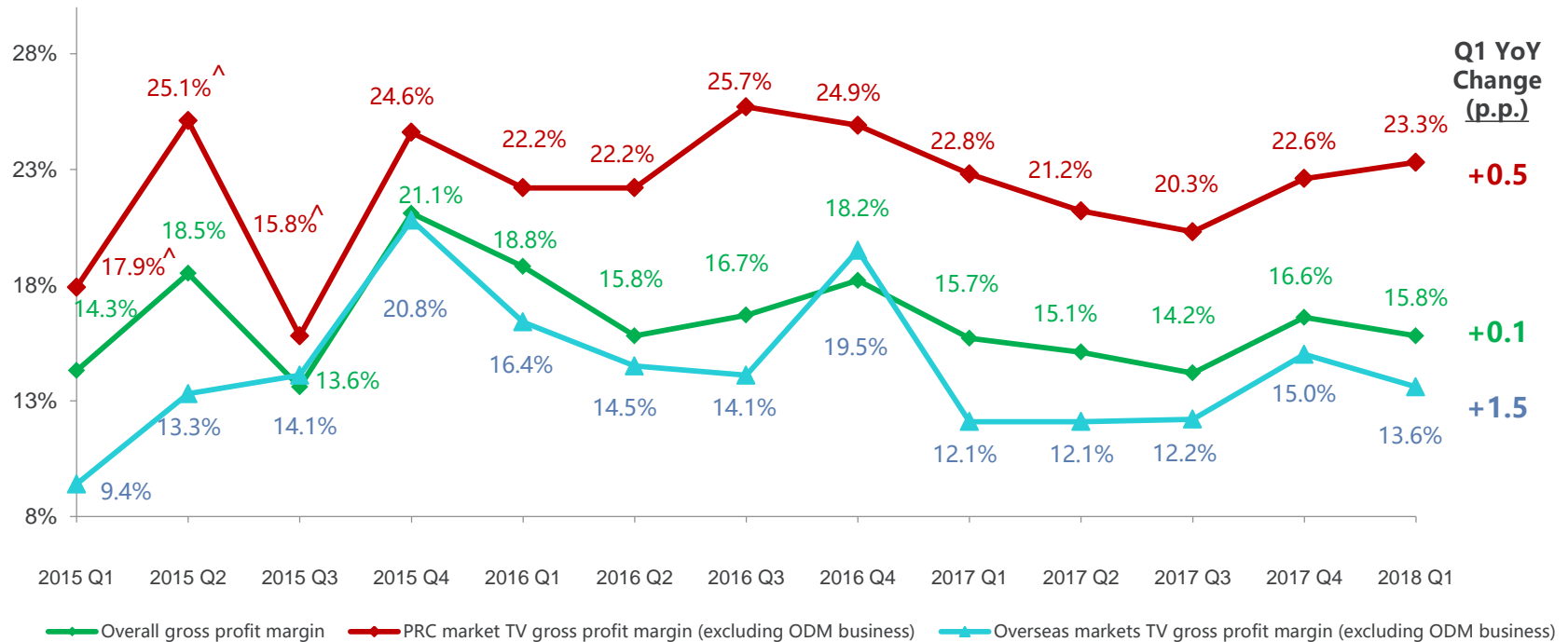
^ Restated

Source: CMM omni-channel data

# Business Review - Gross Profit Margin

Product competitiveness greatly enhanced, resulting in a considerable increase in gross profit margins in both the PRC and overseas markets

## Profit Margins (by Quarter)



<sup>^</sup> Restated





# Business Review – The PRC Market

Continued to enhance product competitiveness and optimise product mix led to a sustained increase in gross profit margin

(HK\$ million)

The PRC Market (Overall including ODM Business)	2018 Q1	2017 Q1	Change
Turnover	4,922	4,818	+2.2%
Gross Profit	1,041	934	+11.4%
Gross Profit Margin	21.1%	19.4%	+1.7 p.p.



- **Sales volume:** LCD TV sales volume in the first quarter of 2018 **surged by 9.6%** to 2.43 million sets, and the sales performance in the PRC market continued to outperform the industry average
- **Turnover:** Benefited from the increase in sales volume and enhancement in product mix, turnover of LCD TV was up by 2.2% year-on-year to HK\$4.92 billion
- **Average selling price:** ASP of LCD TV (excluding ODM business) **rose by 9.8%** year-on-year to HK\$2,570
- **Gross profit margin:** Panel price decline coupled with the increase in product competitiveness and continuous enhancement in product mix resulted in a rise in gross profit margin (excluding ODM business) in the PRC market to 23.3%, which is the highest among all quarters of last year. The gross profit margin increased for the second quarter in a row since Q4 of last year

# Business Review - The PRC Market

Continuous rise in the proportion of high-end products Brand price index ranked No.1

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

Rank	Brand	Index	Rank	Brand	Index
1.	Hisense	108	1.	TCL	109
2.	Skyworth	99	2.	Hisense	107
3.	TCL	95	3.	Skyworth	99

Jan-Mar 2017 | Jan-Mar 2018

Brand price index for Jan-Mar 2018 increased to **109**, ranking **No.1**

Sales Volume Ranking of Curved TV in the PRC Market  
(Source: CMM)



Ranked **No.1** with market share of **35.2%** for Jan-Mar 2018

	2018 Q1	2017 Q1	Change YoY (p.p.)
Proportion of 4K TV sales volume*	53.3%	40.5%	+12.8
Proportion of 55-inch and above TV sales volume*	45.0%	35.5%	+9.5
Average size*	47.7"	45.6"	+2.1"

\* Excluding ODM Business



# Business Review – Overseas Markets

Overseas business maintained steady growth, regional profits improved significantly year-on-year

(HK\$ million)

Overseas Markets (Overall including ODM Business)	2018 Q1	2017 Q1	Change
Turnover	5,892	3,619	+62.8%
Gross Profit	694	405	+71.3%
Gross Profit Margin	11.8%	11.2%	+0.6 p.p.



➤ **Sales Volume:** LCD TV sales volume **increased by 58.7%** year-on-year to 3.94 million sets

✓ **North American market** retained steady growth with a year-on-year **increase of 43.6%** in sales volume

In the Group's global layout, the recent Sino-US trade disputes will not bring any material impact on its business in the US in the first half of the year. The Group has taken proactive actions to ensure the steady growth of the US operations in the future.

✓ **Emerging markets** sustained rapid growth, the Central American region and the South American region including Brazil continued significant growth, with sales volume **increasing by 54.7%** year-on-year

✓ **European markets** such as France, Italy, Poland and Spain also improved considerably

➤ **Turnover:** LCD TV turnover **rose notably by 62.8%** year-on-year to HK\$5.89 billion

➤ **Average selling price:** Continued optimisation of product mix in the overseas markets resulted in a **6.5%** year-on-year increase in ASP\*, and gross profit margin rose by 1.5 p.p. year-on-year

	2018 Q1	2017 Q1	Change (p.p.)
Proportion of 4K TV sales volume*	31.3%	16.2%	+15.1
Proportion of 55-inch and above TV sales volume*	23.0%	14.8%	+8.2
Proportion of Smart TV sales volume*	83.8%	77.2%	+6.6

\* Excluding ODM Business

# Business Review – Overseas Markets

Dedicated efforts in overseas markets development to expand global business footprint

Jan-Feb 2018 market share rankings in term of sales volume (except Brazil)  
(Source: GfK, except North America from NPD)

**North American**  
Ranking **jumped to 3<sup>rd</sup>** from 8<sup>th</sup> in Jan-Feb 2017

**France**  
Ranked No.4

**Philippines**  
Ranked No.3

**Brazil**  
Sales volume in 2018 Q1 rose by 91% YoY

**Thailand**  
Ranked No.5

**Vietnam**  
Ranked No.6





**Australia**  
Ranked No.5



# Business Review - Internet Business

## Consistent enhancement of operating strengths of FFalcon platform

- Turnover for 2018 Q1 was approximately **RMB 68.87 million**, representing **a substantial surge of approximately 338%** year-on-year from approximately RMB15.74 million in the corresponding period last year
  - ✓ Of which, turnover from the **paid business** was approximately **RMB29.21 million**, representing a significant year-on-year increase of approximately **216%**, which represents **53%** of the full-year turnover of the paid business last year, reflecting a substantial **rise in monetization capability** of the Internet business

		2018 Q1 (RMB)	2017 Q1 (RMB)	Change
Advertising		34.82 million	6.36 million	+448%
Video-on-demand and membership		29.21 million	9.24 million	+216%
Data service		0.56 million	-	N/A
Value-added, overseas services and others		4.28 million	0.14 million	+2,957%
<b>Total:</b>		<b>Approx. 68.87 million</b>	<b>Approx. 15.74 million</b>	<b>+338%</b>

# Business Review - Internet Business

User base of FFalcon platform further expanded with increased user loyalty



\* Restated

# Business Diversification and Globalisation, Smart Manufacturing and R&D

To reflect the diversification, globalisation, smart manufacturing, and R&D strategies, the Group will be renamed “TCL Electronics Holdings Limited”



# Business Diversification

Strengthen internal and external integration of high-quality industrial resources, diversify business



Smart & Internet TV Business

Smart AV

Smart Home

- Reinforce and expand 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 TCL Corporation'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 international brand in electronic products
- 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



# Obtained “Onkyo” Brand Authorisation



## New Entry to Smart AV Market to Empower Future Growth

- **Exclusive brand usage rights:** TCL Multimedia obtained the exclusive global usage rights (except Japan) of the “ONKYO” trademark, to develop, manufacture, and sell a variety of AV products such as headphones, small speakers, and TV speakers including standalone soundbars for TVs, etc.
- **New entry to smart AV market:** TCL Multimedia will apply its proprietary artificial intelligence technology to develop innovative high-end smart AV products that offer added-value, providing customers with exceptional home entertainment experience



# Implementation Progress in 2018 Q1 and 2018 Target



	2018 Q1 Actual			2018 Target		
	Overall Actual	PRC Market	Overseas Markets	Overall Target	PRC Market	Overseas Markets
		Q1 Actual	Q1 Actual		FY Target	FY Target
LCD TV Sales Volume ('000 sets)	6,370 ↑35.6%	2,430 ↑9.6%	3,940 ↑58.7%	25,600 ↑10%	9,500 ↑4%	16,100 ↑14%
Turnover (HK\$ billion)	10.8 ↑28.0%	4.9 ↑1.7%	5.9 ↑63.1%	46.0 ↑13%	-	-

PRC Market (excluding ODM business)	2017 FY Actual	2018 Q1 Actual	2018 FY Target
Proportion of Smart TV Sales Volume (%)	76.3%	83.2%	85%
Proportion of 4K TV Sales Volume (%)	42.7%	53.3%	48%
Proportion of Curved TV Sales Volume (%)	14.8%	13.0%	16%
Proportion of Online Sales Volume (%)	26.2%	32.1%	30%

	2017 FY Actual	2018 Q1 Actual	2018 FY Target
Internet service Turnover (RMB million)	140	68.87	220
Number of TCL global activated smart TV users (Accumulated number at period end) (year-end/quarter-end) <sup>1</sup>	23,536,522	25,588,112	28,500,000
Daily average number of active users (year-end/month-end) <sup>2</sup>	10,809,751 <sup>3</sup>	12,058,685 <sup>3</sup>	13,000,000
Average daily spending time on TV (hour)	4.90	5.05	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. March 2018 data

# Disclaimer



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