

TCL

2023 Annual Results

TCL电子控股有限公司

TCL ELECTRONICS HOLDINGS LIMITED

Incorporated in the Cayman Islands with Limited Liability

(Stock Code: 01070.HK)

INSPIRE GREATNESS



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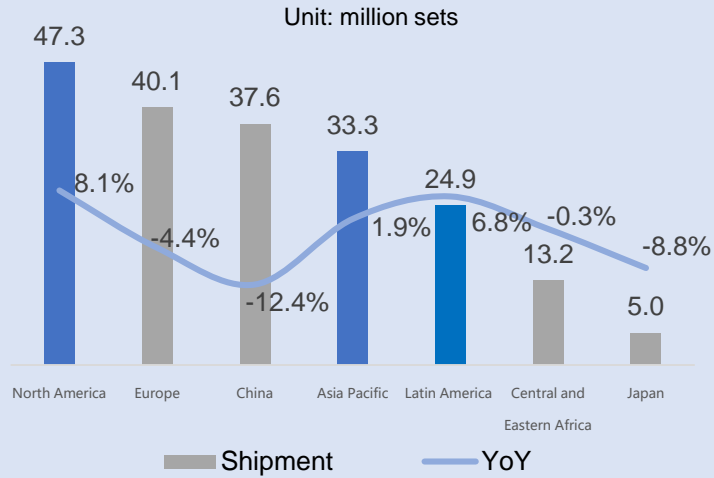
Market Environment



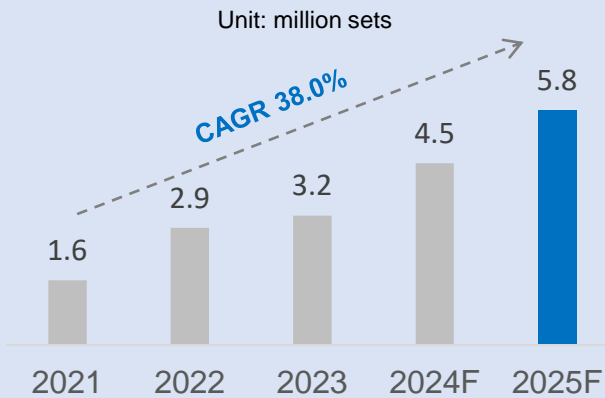
Market Environment | Global TV Demand Remains Stable with Mid-to-High-End Market, such as Mini LED Showing Significant Growth Momentum, and a Mid-to-High-End Strategy is Imperative. Panel Production Capacity is Shifting to Chinese Players, and Market Concentration of the Top Chinese TV Brands is Expected to Have a Breakthrough



Global TV shipment reached 201 million units in 2023, representing a year-on-year decrease of 0.9%¹

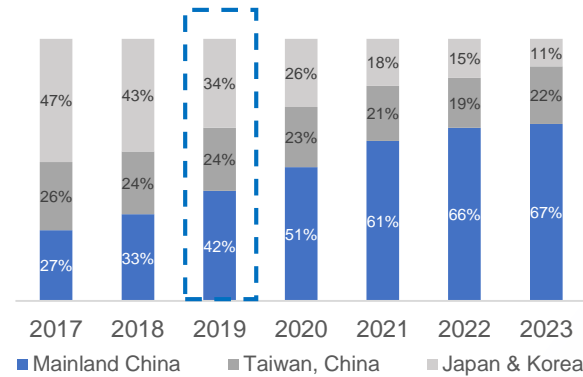


Global Shipment Forecast for Mini LED TV²



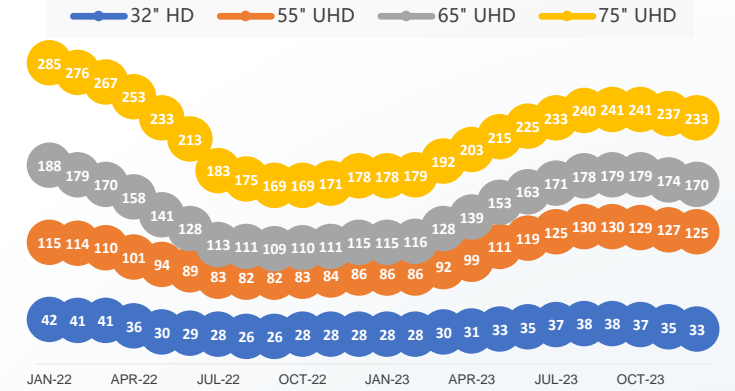
Market Share of Panel Manufacturers in terms of Production Capacity²

In 2019, capacity in the Mainland China surpassed that of Japan and South Korea



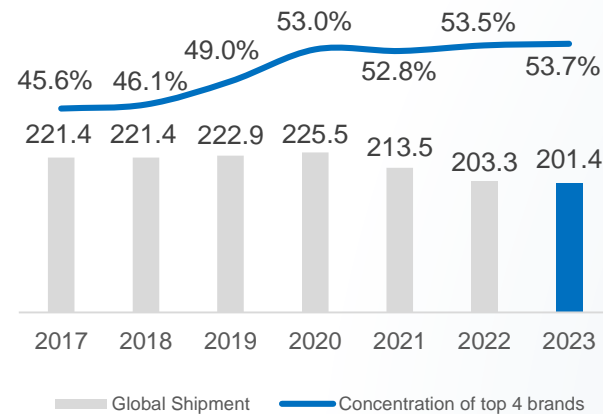
Panel Price Trend²

Unit: USD

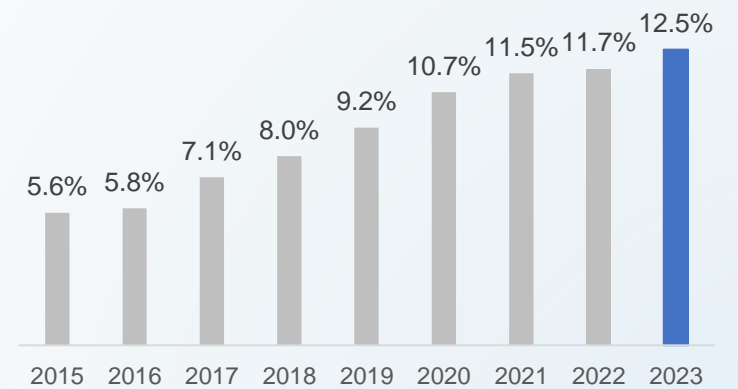


Global TV Shipment and Concentration of Top 4 Brands¹

Unit: million sets



Market Share of TCL Smart Screen in terms of Global Shipment¹



Data Source: 1. Omdia 2. Sigmaintell

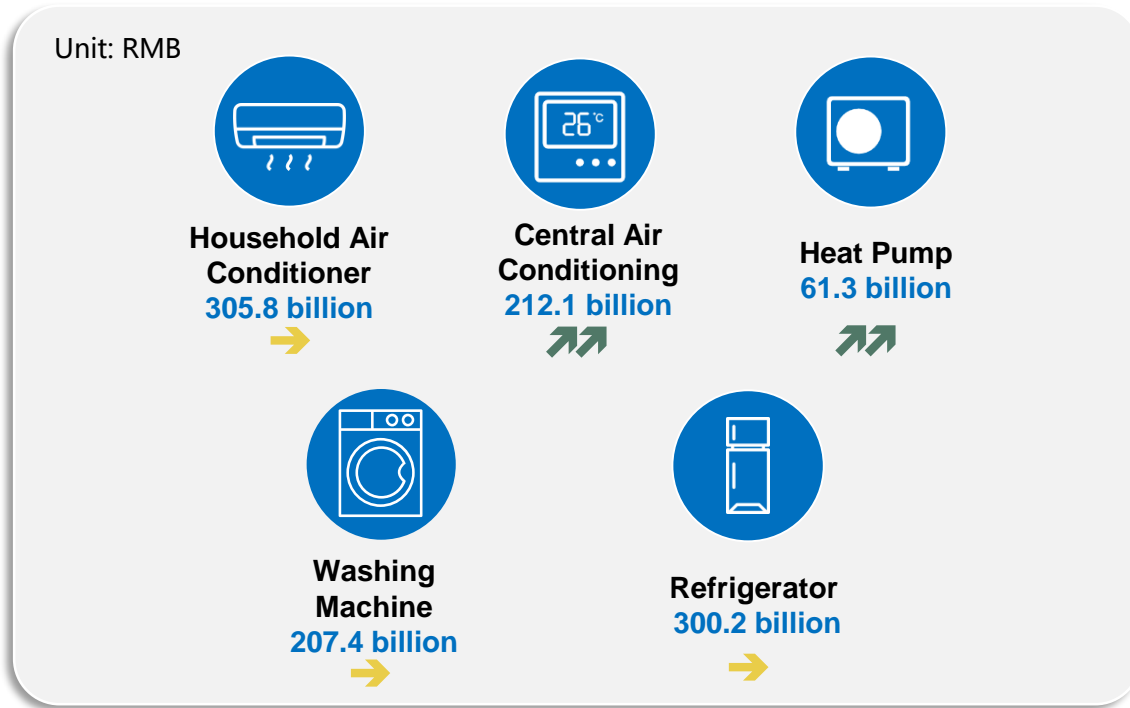


Market Environment | Scale of Household Appliance Market Remains Stable. Global Distribution Businesses Show Strong Synergistic Growth. New Business Sectors Have Enormous Growth Space

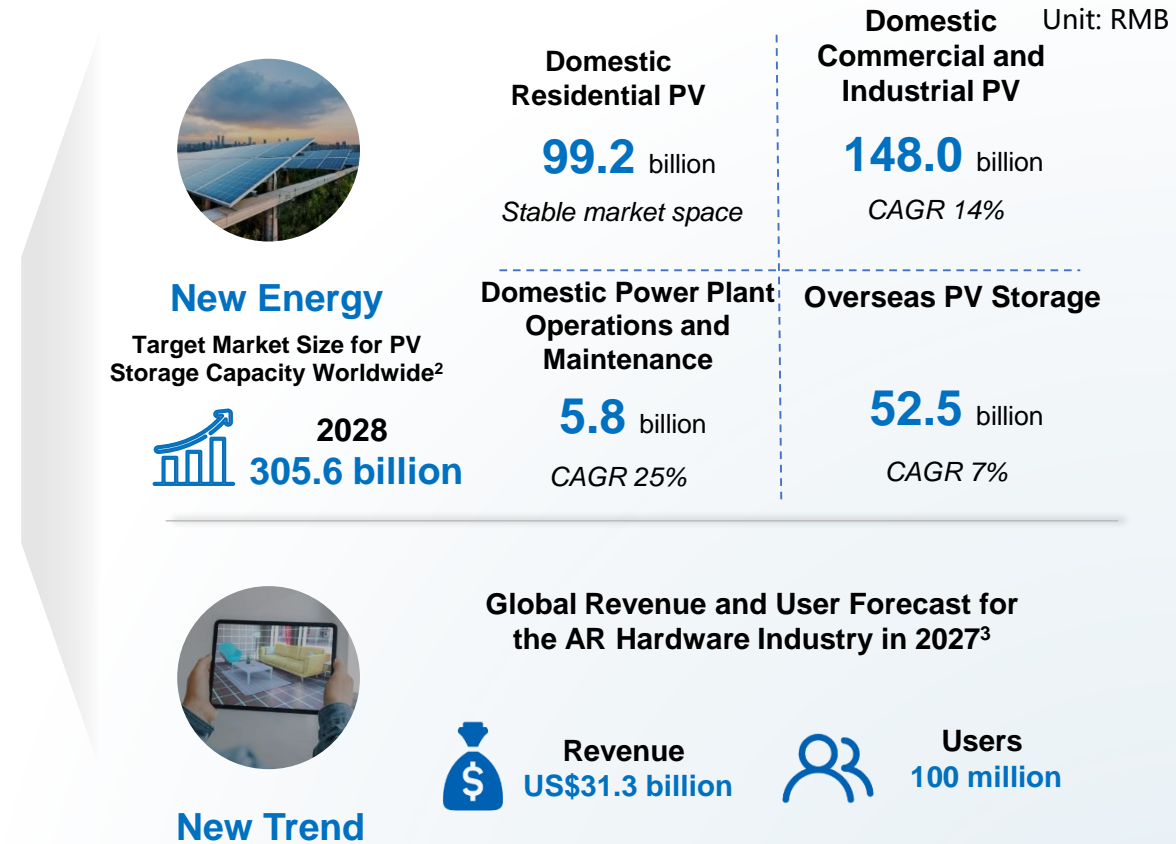


Market size of **air conditioners, refrigerators and washing machines** remains stable¹, distribution business has significant market space to explore

Annual growth rate forecast for the years 2023-2028
 ↗ ↗ >5% ↗ 2-5% → 0-2% ↘ <0%



The growth of **niche new business sectors** present both opportunities and uncertainties



Source: 1. The Company's forecast data 2. The Company's forecast data, only including residential, commercial and industrial usage 3. Statista





Overall Results

2023 Annual Results Highlights | With the Well-deployed Mid-to-High-End Strategy and Improvement of Operation Efficiency, the Annual Profitability is Significantly Strengthened **TCL**


The shipment of smart screen recorded steady growth and innovative business showed an outstanding performance

Global shipment of TCL smart screen
 **25.26 million** sets **+6.2%** yoy

Shipment of 65"+ TCL smart screen
 **6.21 million** sets **+35.3%** yoy
 Proportion **+5.3p.p.** to **24.6%**

Global shipment of TCL Mini LED
 **+180.1%** yoy

Global shipment of TCL QLED
+116.1% yoy


Revenue of innovative Business
 **HK\$18.64 billion**
+78.5% yoy

In which: Photovoltaic Business
HK\$6.30 billion **+1,820.3%** yoy


Enhanced profitability, while maintaining a high dividend policy

Revenue
 **HK\$78.99 billion**
+10.7% ¹ yoy

Gross profit
 **HK\$14.76 billion**
+12.5% yoy


Gross profit margin
 **18.7%**
+0.3p.p. yoy

Profit attributable to owners of the parent
 **HK\$744 million**
+66.4% yoy

Adjusted profit attributable to owners of the parent
 **HK\$803 million**
+14.0% yoy


Improved operating efficiency and sound financial position

Inventory turnover
 **69 days**
9 days yoy

Cash conversion cycle
 **33 days**
14 days yoy

Overall expense ratio²
 **15.1%**
1.5p.p. yoy

Cash and cash equivalents
 **HK\$10.74 billion**
14.3% yoy

Proposed annual dividend of
 **HK16.0 cents**
 per ordinary share
 A dividend payout ratio reaches **50%**

Note:
 1. If the impact of the exchange rate conversion of RMB into HKD is excluded, the overall revenue denominated in RMB in 2023 increased by 15.8% yoy. 2. The overall expenses includes selling and distribution expenses as well as administrative expenses.

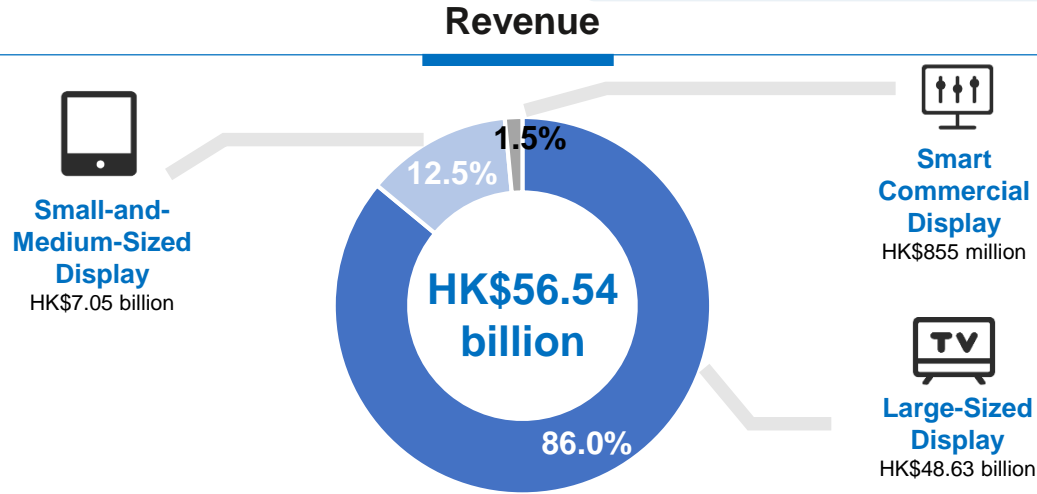


2023 Annual Results Highlights | The Display Business Developed Steadily in a Challenging Environment, Revenue of New Business Continues to Grow at a High Rate

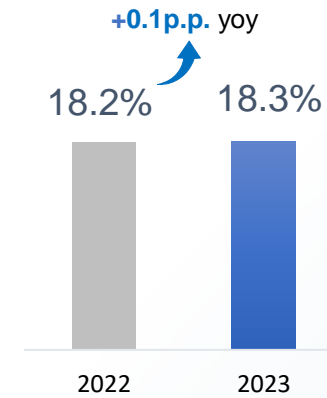


Leveraging the global leading advantage in large-sized displays, display business experienced stable development and **gross profit margin improved steadily.**

Display Business



Gross Profit Margin



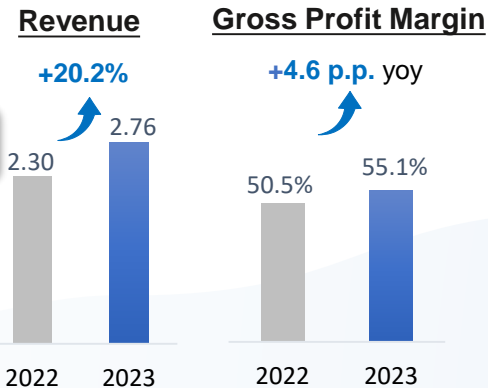
TCL X11G Max Lingyao QD-Mini LED TV

Internet Business

Profit contribution continued to grow

Unit: HK\$ billion

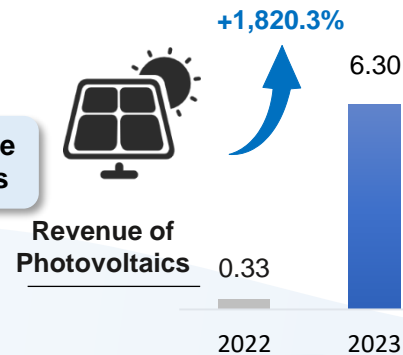
Internet Business



Innovative business continued to **grow significantly**, with revenue up **78.5%** year-on-year to HK\$18.64 billion, representing impressive performance of another **blue ocean**

Innovative Business

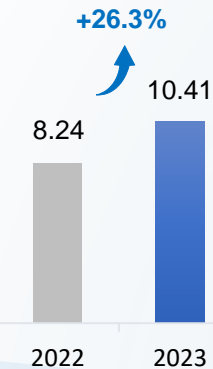
Unit: HK\$ billion



The photovoltaic business continued to **experience strong growth and achieved profitability**



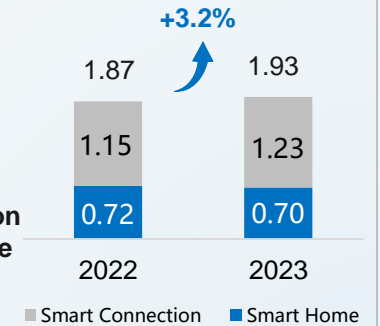
Revenue of All-Category Marketing



Global distribution revenue expanded; GPM increased by **3.5 p.p.** to 16.7%



Revenue of Smart Connection and Smart Home



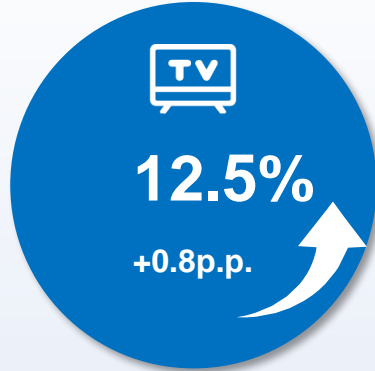
The profitability of smart connection and smart home business continued to increase; GPM increased by **5.6 p.p.** yoy to 20.9%



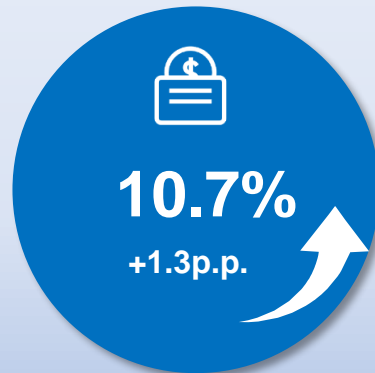
2023 Annual Results Highlights | As a Leader Globally, **TCL Smart Screen** Outperforms the Industry Against the Trend. Both Sales Volume and Revenue Increases, with Particularly Impressive Performance in the Mid-to-High-End Segment



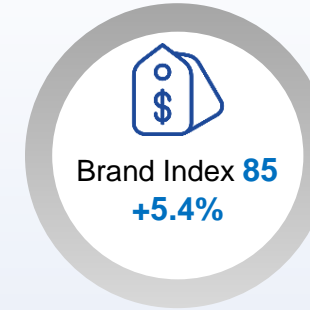
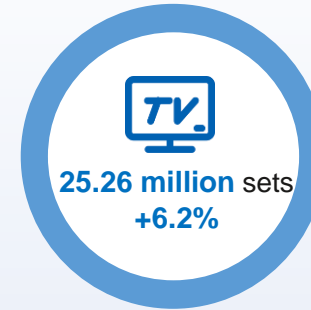
TCL smart screen's global market share in terms of shipment¹



TCL smart screen's global market share in terms of sales revenue¹

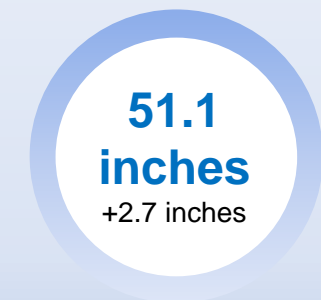
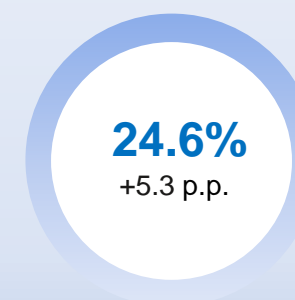
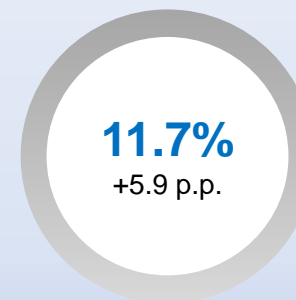
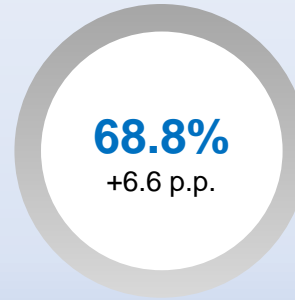


Global shipment of TCL smart screen **outperformed the industry average**, with TCL smart screen's brand index² continuously increased



Note: According to Omdia, the global shipment of TV industry in 2023 decreased slightly by 0.9% yoy

Product mix advantages began to emerge, as the proportion of high-end products continued to increase



Proportion of 4K product

Proportion of Quantum Dot product

Proportion of ≥65-inch product

Average size

Source: 1. Omdia, the ranking of global brand TV in terms of shipment and sales revenue in 2023 2. The brand index is calculated by dividing the market share of sales revenue by the market share of shipment

Marketing



- ✓ Global key region and channel coverage
 - Global top 50 channel coverage rate reached 90%
 - Top 30 channel revenue growth of overseas smart screen exceeded 30%
- ✓ Deepened retail system and terminal operations
- ✓ Strengthened professional and B2B channel capabilities

- ✓ Adopted a global perspective to develop products and strengthened regional alignment
- ✓ Persisted in breaking through the mid-to-high-end market and solidified category development in batches
- ✓ Emphasised high value for price and enhanced the technological attributes of the products



Product

R&D



- ✓ Established a long-term technology investment system
- ✓ Filled in the gaps and enhanced strengths to create global selling points
- ✓ Fostered an engineer-oriented mindset and enhanced the structure of technical talents
- ✓ Increase R&D per capita gross profit by over 30%

- ✓ Adhering to the “category leader” positioning, we have achieved product-application innovation based on large-language model technology, leading development in Mini LED display technology, and implementation plans for photovoltaic storage and thermal flex technology

- ✓ Upholding efficiency as the top priority, inventory turnover days was reduced by 9 days, and cash turnover days was accelerated by 14 days

- ✓ Implemented a global localisation strategy with factory presence in multiple locations including China, Vietnam, Mexico, Brazil, Poland, etc.

- ✓ Deepened the global market presence by establishing six major marketing divisions: China, North America, Latin America, Europe, Asia-Pacific, and Middle East/Africa. Enhanced end-to-end operational capabilities in product management

- ✓ Strengthened key positions and overseas talents, stimulated organisational vitality, and increased the proportion of young cadres to over 30%

Innovation



Operation



Organisation





R&D Innovation | With the Enhancement of **Product Competitiveness** and **R&D Efficiency** as Key Focus, Continuous Technological Innovation is Pursued to Improve User Experience and Accelerate Operational Efficiency **TCL**

Continuously focused on building **Mini LED technology** barriers with leading advantages within industry



Paper-like screen and eye protection UI technology on mobile devices met users' eye protection needs in all scenarios

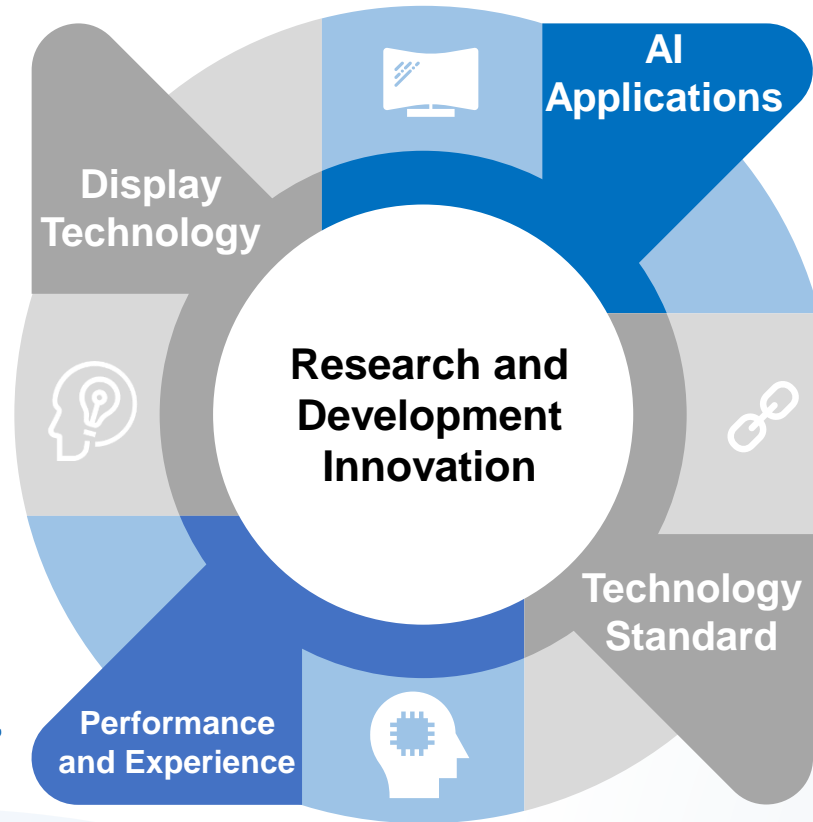
Enhanced **innovative R&D in micro-display technologies** such as AR, and the waveguide-based XR new products won huge popularity



Focused on **creating ultimate system performance**, optimised performance of software and hardware from multiple dimensions



Innovative breakthroughs in picture quality engine, adaptive sound quality, and spatial sound effects, bringing a **comprehensive improvement to users' immersive audio-visual experience**



Based on **AIGC autonomous content operation (IDEO AI)**, enhanced innovative experiences such as content creation and large-screen interaction

Leveraging the Turing platform to implement **GenAI engineering applications**, continuously empowering product experiences with a focus on both internal and external aspects, and improving workflow efficiency



Focused on building a moat around the **next-generation communication standard***, rapidly increased the market share index of high-value patents and archived a breakthrough in SEP patents from 0 to 1

Safeguarded global strategic layout of intellectual property rights, economic benefits have already been generated through **patent operations** in major litigation areas



*Note: The next-generation communication standard refers to the communication standard in Wi-Fi 8, H.267, 5.5G, 6G, and Star Flash

Brand Marketing | Promote the Localisation of Global Branding Strategy and Demonstrate Strong Brand Power in Various Fields such as Sports, Esports, Film and TV series, and Exhibitions **TCL**

Sport IP Sponsorship: Collaborated with the Italian national team, the National Football League in the U.S., the Australian Football League, and the Copa Libertadores in South America to enhance market visibility



Esports and Exhibition Marketing: Sponsorship of the League of Legends Professional League (LPL), participation in the International Consumer Electronics Show (CES), the Berlin Electronics Fair (IFA) and other globally renowned exhibitions



Film & TV IP Sponsorship: Conducted collaborative marketing campaigns with popular film and TV series such as "The Wandering Earth," "Moon Man," "The Goldfinger," and "No More Bets"



Overall ESG Rating¹

Overall ESG rating of **A** for **six** consecutive years from 2018 to 2023

Index Inclusion

2019 to 2023

Inclusion in the **Hang Seng Sustainable Enterprises Benchmark Index** for **five consecutive years¹**

ESG Performance Comparison¹

Compared to 91 peer companies: **Top 20%**
Compared to 517 other index components: **Top 20%**

Overall ESG Performance¹

E

- Strictly implemented carbon verification internally and insisted on green operation in order to effectively reduce greenhouse gases
- Corporately built green eco-system externally by propelling the signature of the first "Proposal of Building Green Supply Chain" of household appliance industry

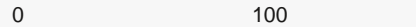
S

- Launched the industry's **first TV care solution, TCL Care**, which was honoured with the silver award at the IDEA Award in the U.S.
- Propel the culture of equality, diversity and communion, encourage gender equality, the proportion of **female employees within the group has surpassed 40%** as of December 31, 2023

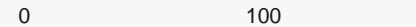
G

- Adhere to business ethics and improved the integrity system and mechanism
- **Actively carried out network security and privacy protection management**

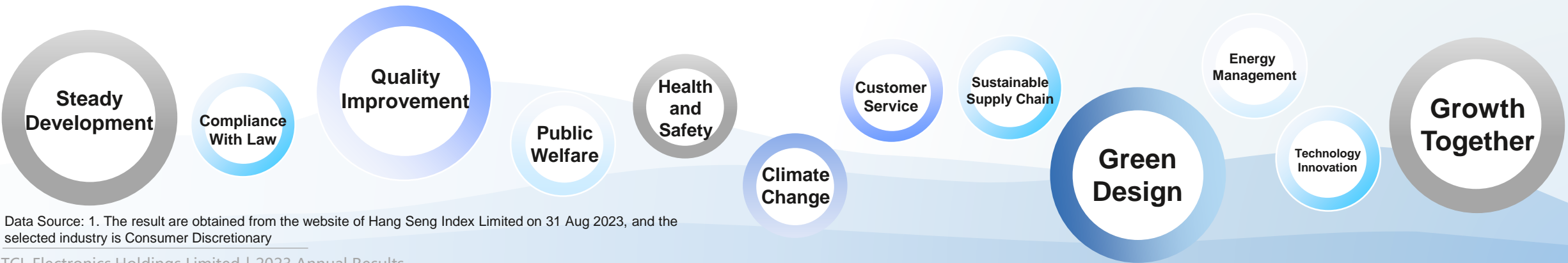
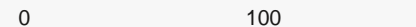
Environment



Social



Governance



Data Source: 1. The result are obtained from the website of Hang Seng Index Limited on 31 Aug 2023, and the selected industry is Consumer Discretionary



Segment Performance



Display Business - Large-Sized Display | Brand Power Continue to Improve, Propelling the Sales Volume and Revenue of Large-Sized Display to Outperform Industry Averages **TCL**

PRC Market

The dual-brand strategy bolstered sales growth, far outperforming the industry¹
High-end strategy led to a consistent increase in market penetration

Shipment

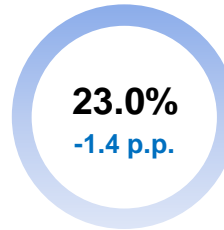


TCL	Total Shipment	-4.3%
	≥75-inch Shipment	+45.8%
Industry ¹	Total Shipment	-12.4%
	Retail sales volume	-5.3%

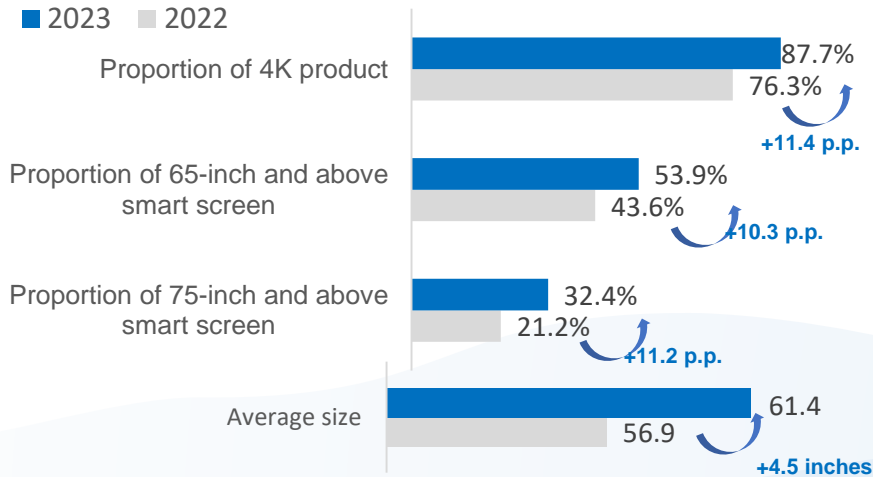
Revenue

In RMB	In HK\$
14.43 billion	16.02 billion
+10.2%	+5.4%

Gross Profit Margin²



High-End Products and Average Size of Products



PRC Market Ranking

1 Omni-channel sales volume and revenue of TCL QLED and Mini LED smart screen

1 Brand index of TCL smart screen **132**
+10.0%

2 Sales revenue market share of TCL smart screen **18.1%**
+3.5 p.p.

Data Source: Omni-channel retail data from CMM in 2023

International Market

Product mix breakthrough, stable gross profit margin
TCL smart screen ranked top 5 in nearly 30 countries³

Shipment

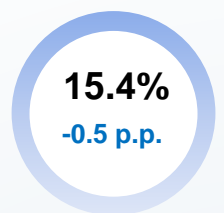


Total Shipment	+10.0%
≥65-inch Shipment	+60.3%

Revenue



Gross Profit Margin



Market Share Ranking of TCL Smart Screen in Overseas Countries³

Shipment in Emerging Market +17.0% yoy

Australia	
The Philippines	No.1
Myanmar	
Pakistan	

Saudi Arabia	No.2
--------------	------

Kazakhstan	No.3
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Vietnam	No.4
Thailand	
Argentina	

India	No.5
Chile	
Ecuador	
UAE	

Shipment in North American Market +15.8% yoy

U.S.	No.2
Canada	No.3
Mexico	No.5

Shipment in European Market +18.4% yoy

France	No.2
Spain	No.3
Sweden	
Czech Republic	

Italy	No.4
Poland	
Hungary	
The Netherlands	No.5
Greece	

Note:

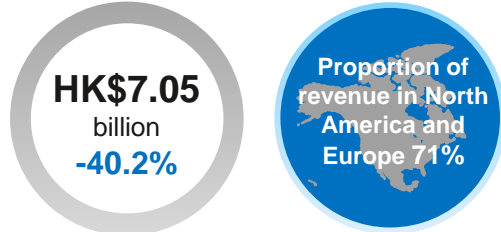
- According to Omdia, shipment of TV industry in the PRC market declined by 12.4% year-on-year to 37.60 million sets in 2023. According to omni-channel data from CMM, retail sales volume of TV industry in the PRC market declined by 5.3% year-on-year to 33.10 million sets in 2023
- The year-on-year decline in gross profit margin was mainly due to changes in brand structure and rising panel costs
- Market share data of TV retail sales volume in overseas countries (except the North American market) in 2023 is from GfK, market share data of TV retail sales volume in the North American market in 2023 is from Circana

Small-and-Medium-Sized Display – Adhering to a product-driven approach, focusing on breakthroughs, and enhancing quality for development; gross profit further improved

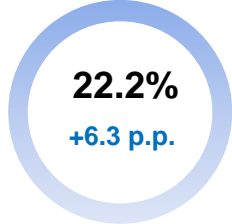
Full coverage among first-tier mobile carriers in the U.S. and Europe



Revenue



Gross Profit Margin



Introduced the world's first colour e-ink screen smartphone

TCL 40 NXTPAPER (5G)



Smart Commercial Display | Focusing on the IFPD market and providing multi-scenario product solutions to empower long-term scale growth

Revenue



Gross Profit Margin



New Product of TCL Smart Education



Smart Education Solution

New Product of TCL Smart Meeting Board TCL NXTHUB V60Pro



Smart Enterprise Solution



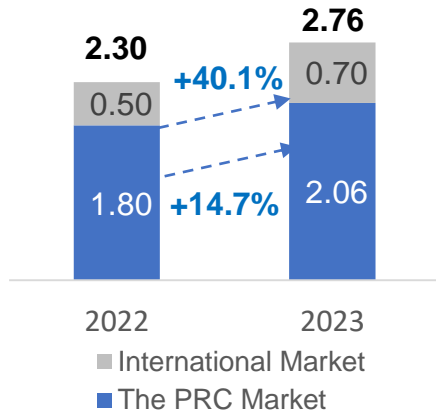
TCL Smart Medical Solution

Global Internet Business

Revenue

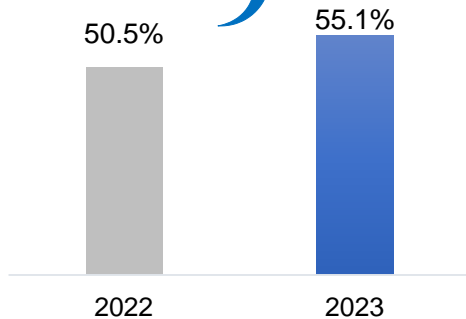
Unit: HK\$ billion

+20.2%



Gross Profit Margin

+4.6 p.p.



PRC Market: Guided by intelligence, convenience, and innovation to continuously enhance user experience

“Super Story Painter” AI story collection



- ✓ Launched the industry's first customised content column generated by AI large-language model technology
- ✓ **Content innovation + expansion of application scenarios**



LING KONG UI won Red Dot Design Award 2023



- ✓ **Customised layout**
- ✓ **Simplified information**
- ✓ **Dual system setup**

Further improvements to foundational experience



- Improved efficiency of content distribution in the recommendation scenario
- Improved launcher refresh efficiency
- Enhanced launcher interface to be more user-friendly
- Elevated aesthetic appeal of the launcher interface

International Market: Upgraded TCL Channel content integration application platform and launched TCLtv+ for North American users

- ✓ Cooperated with giants like Google, Roku and Netflix to continuously improve user experience
- ✓ Falcon has achieved breakthroughs in its overseas business model. It has accumulated a large number of overseas TCL smart screen users through its OTT platform cooperation, enhancing its monetisation capability. By the end of December 2023, TCL Channel had accumulated **over 23 million** users, covering **60 countries** in North America, Europe, Central and South America, and the Asia-Pacific region
- ✓ TCL has launched a brand new online streaming service, TCLtv+, for North American users, offering over 200 FAST channels as well as access to more than 1,500 on-demand movies and TV series at the first stage



Google ROKU NETFLIX
Continue to deepen global cooperation with Internet giants

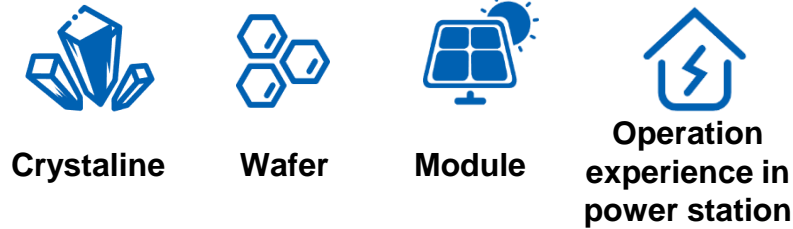


- ✓ **Complete** upstream photovoltaic industrial chain and rich financial/project resources
- ✓ Products, finance and channels create **differentiated capabilities**

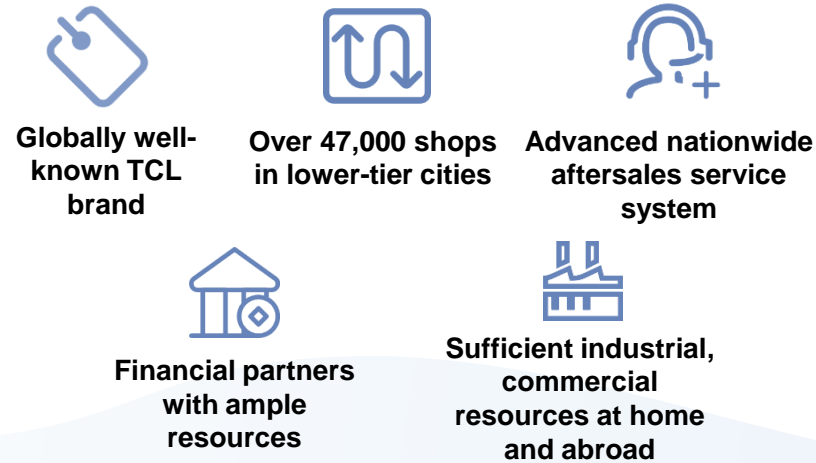


- ✓ **Business positioning:** Focus on photovoltaic system integration operator and product brand owner
- ✓ **Newly installed capacity growth led the market, with the business scale experiencing high-quality expansion and yielding profitable contribution**

TCL Zhonghuan



TCL Electronics



70+ industrial and commercial projects have been signed

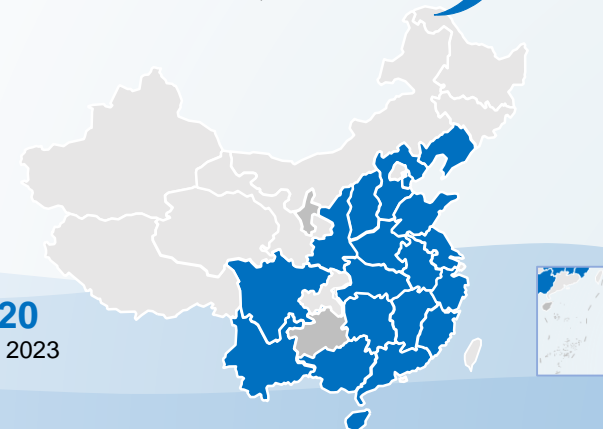
500+ new distributors

Strengthened six major capabilities of **product, channel, finance, supply chain, digitalisation, engineering operation and maintenance**



Revenue in 2023
HK\$6.30 billion
+1,820.3%

■ Explored business in **20** provinces and cities in 2023



All-Category Marketing: Brand/channel synergies facilitated double-digit growth in distribution scale



AR/XR Glasses – New Products

New Product of RayNeo - X2/X2 Lite/Air2

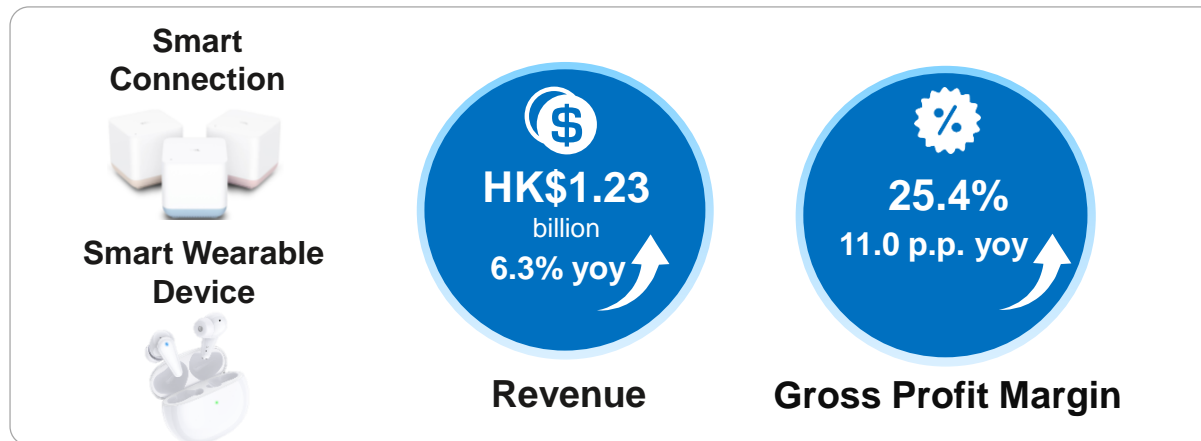
RayNeo X2 - The world's **first mass-producible Micro LED waveguide** AR glasses

RayNeo X2 Lite - Equipped with Snapdragon AR1 platform, with an overall weight of around 60g

RayNeo Air2 - Features a new Micro OLED low-power screen, weighing about 76g, offering an enhanced movie and gaming experience

Ranked **No. 1** in domestic consumer-grade AR product market²
The leader in total sales volume for the AR category on both JD.com and Tmall platforms during the 618 and double 11 shopping festivals³
 With its debut on Amazon, the Air2 model earned the title of **bestseller** in the smart glasses category and also **topped** the new product rankings⁴

Smart Connection – Continued to enhance carrier channel, reduced cost and increased efficiency in order to realise growth with quality



Smart Home - The Mid-to-High-End product mix improved, with continuous innovation and upgrading of new products and technology

Smart Door-Lock

Soundbar

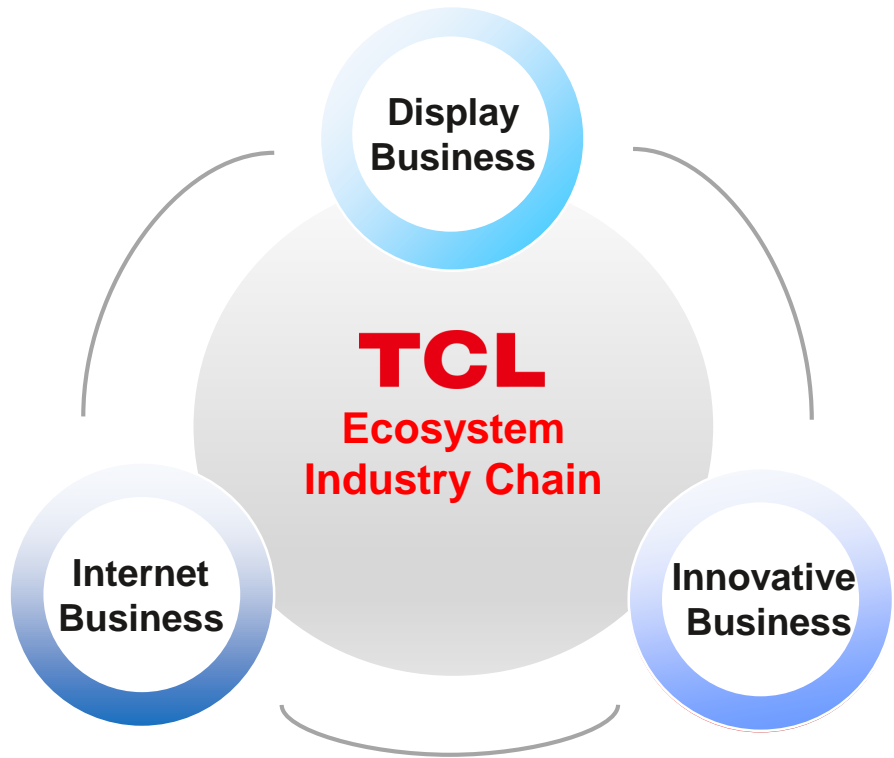
✓ Total revenue reached **HK\$706 million**, essentially flat year-over-year.

✓ **Several new door-lock models** have been launched, including the face recognition lock K9G Pro, which features the latest AI dual-calibration algorithm, true 3D structured light face recognition, and other core technologies, **resulting in a 13-fold increase in security performance**

Data Source: 1. China IOL, global shipment figures of 2023 2. Runto, online AR sales volume data in the PRC market of 2023 3. JDSZ and Tmall SYCM 4. RayNeo XR Wechat Public Account



Outlook



Core Business

Increase Profitability



Large-Sized Display

- "TCL + Falcon" dual-brand leadership
- Focus on mid-to-high-end breakthrough
- Adherence to global operation



Internet Business

- Enhance user experience and expand overseas
- Sustainable and stable growth



Small-and-Medium-Sized Display

- Cultivate the European and American markets with a regional focus
- Continuous cost reduction, prioritise profitability

New Business

Explore the second growth curve



All-Category Marketing

- Synergies from global brand and channel advantages
- Rapidly capture segment markets



Photovoltaic Business

- Accelerate development domestically
- Overseas channel breakthroughs



AR/VR Glasses

- Proactive positioning to seize smart terminal market
- Empower long-term growth potential

Net profit growth > Gross profit growth > Revenue growth

Sustained revenue growth consolidates leading position in the industry

- ASP improvement
- Improvement of regional and channel coverage
- Improvement of sales volume growth in key regions and key channels
- Growth in new business scale

Profit growth rewards shareholders for long-term support

- Enhancement in product and technology competitiveness
- Structural cost reduction
- Efficiency improvement in R&D, operating assets and organisation



 **Product**

- Mastering the technical winning points, breakthroughs in mid-to-high-end markets
- Quality first, collaborative innovation, addressing weaknesses
- Advancing platform construction with a global perspective

 **Marketing**

- In-depth coverage of key regions and high-quality channels
- Upgrade retail systems and end-user operational capabilities

 **Collaborative Innovation**

- Adhere to long-termism to build synergies in an ecosystem
- Increase investment in innovation, establish leadership in different categories

 **Operation**

- Localised layout globally with efficiency as first priority
- Advance synergy and cooperation across entire value chain

 **Organisation**

- Strengthen globalised management organisation
- Advance digitalisation across value chain

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