



TCL多媒體科技控股有限公司

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED
(Stock code: 01070)



2017 1Q Results Presentation

(Unaudited results for the three months ended 31 March)

Agenda

1

Financial Highlights

2

Business Review

3

Outlook

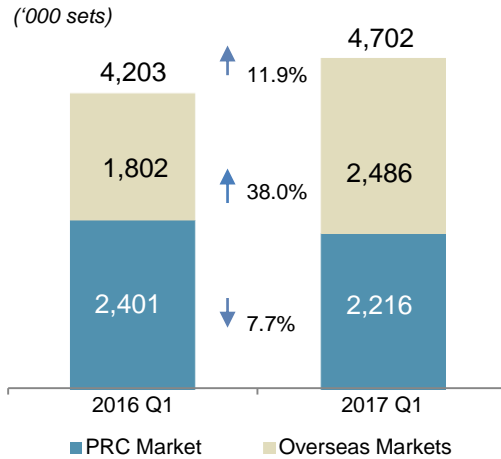
Financial Highlights



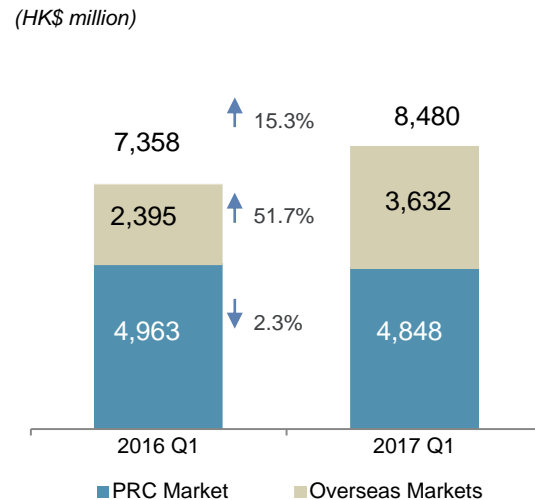
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Financial Highlights

LCD TV Sales Volume



Turnover

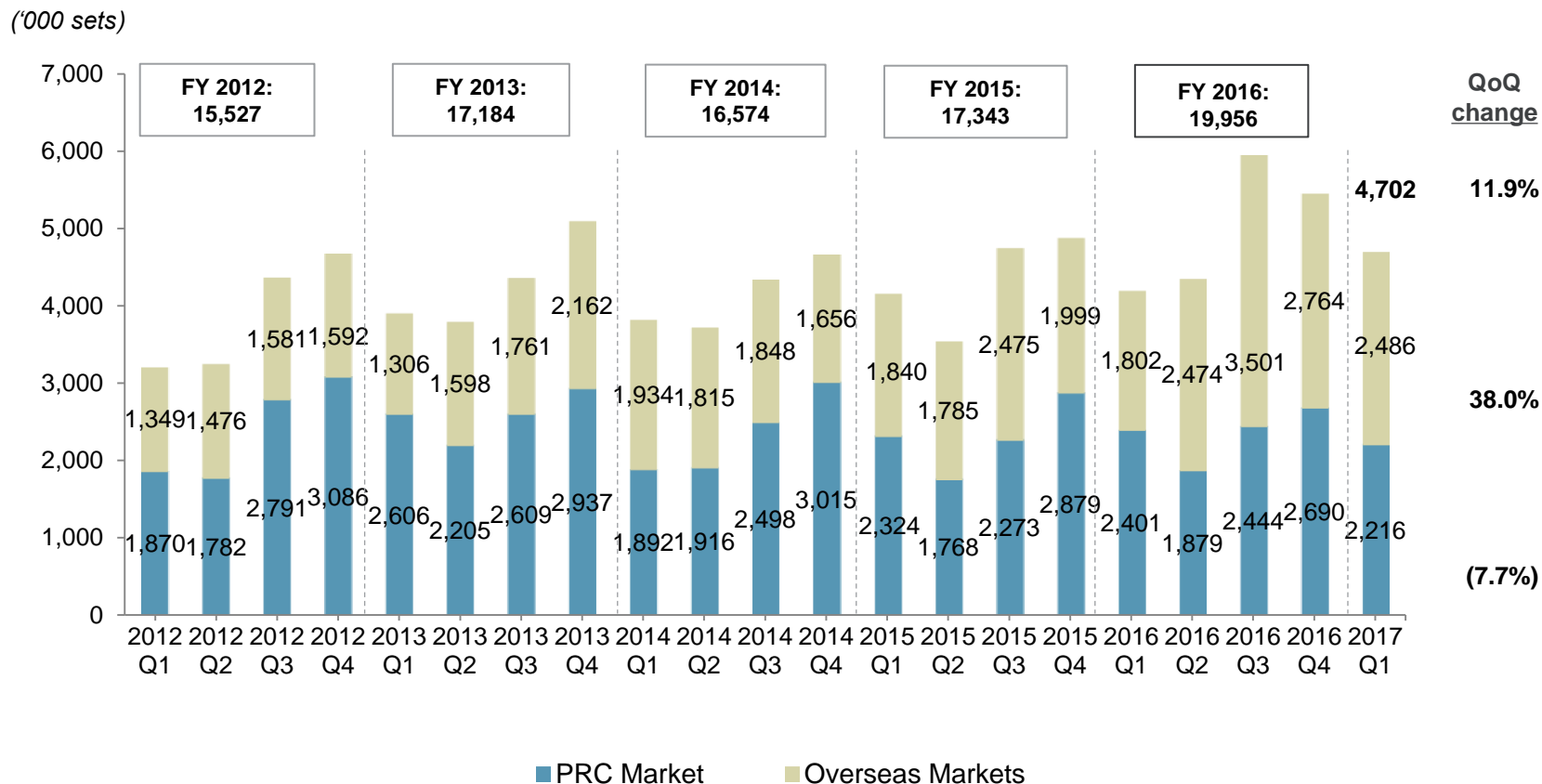


(HK\$ million)	2017 Q1	2016 Q1	Change
Turnover	8,480	7,358	15.3%
Gross profit margin (%)	15.7	18.8	(3.1 p.p.)
Expense Ratio (%)	14.2	16.7	(2.5 p.p.)
Net profit after tax	78	76	1.9%
Net profit after tax margin (%)	0.9	1.0	(0.1 p.p.)
Profit attributable to owners of the parent	81	74	10.2%
EBITDA	158	191	(17.2%)
Basic earnings per share (HK cents)	4.92	5.55	(11.4%)

LCD TV Sales Volume



LCD TV Sales Volume (by quarter)

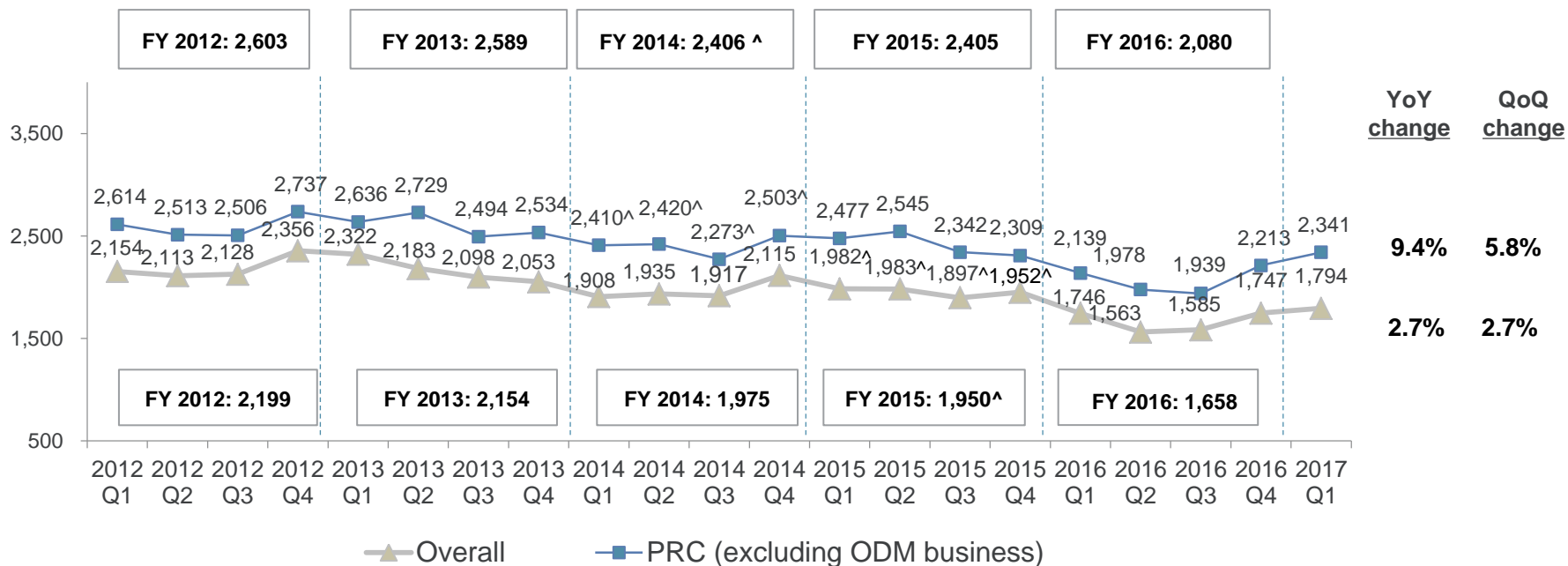


- Sales volume in the PRC market and overseas markets for each quarter from 2012 Q1 to 2015 Q4 have been restated

LCD TV Average Selling Prices

Average Selling Prices of LCD TVs (by quarter)

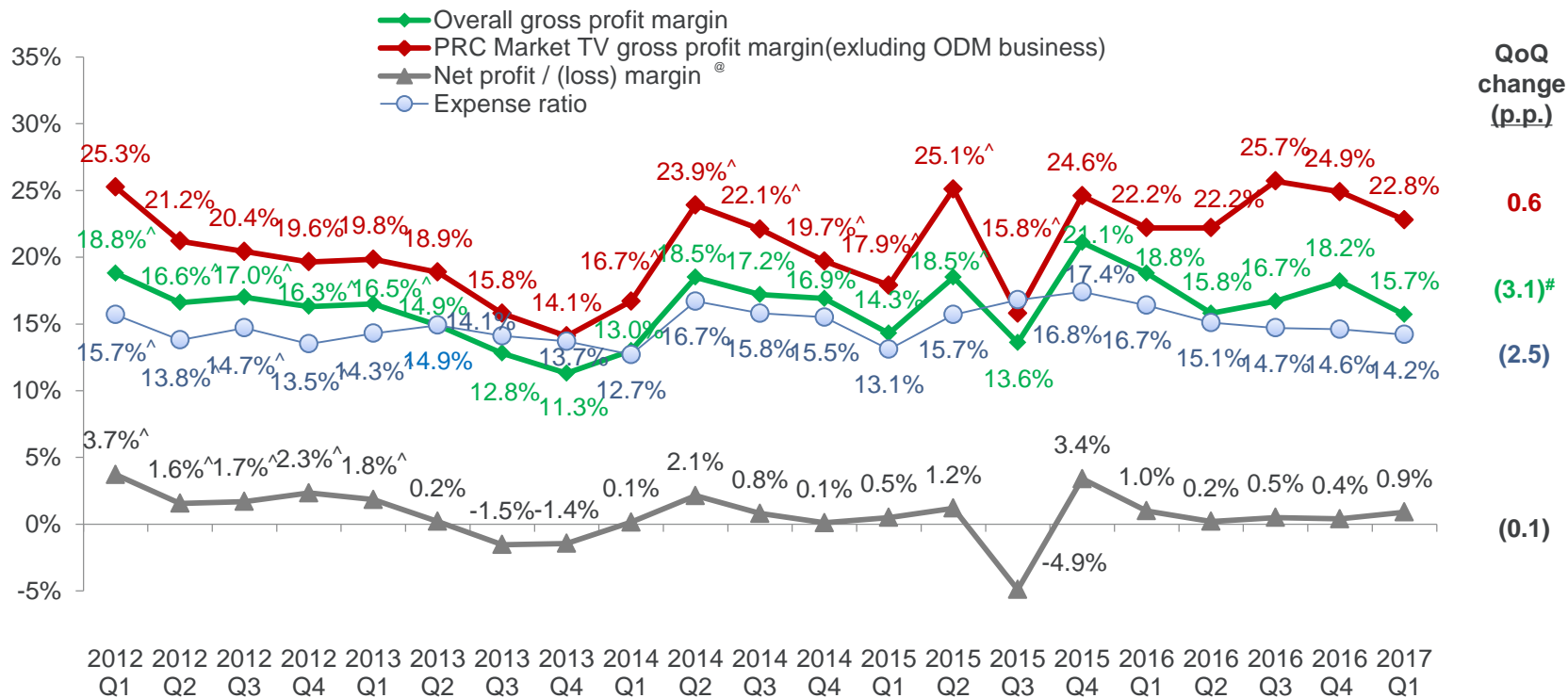
(HK\$)



[^] Restated

Profit Margins and Expense Ratios

Profit Margins and Expense Ratios (by quarter)



[^] Restated

* Expense ratio = (Selling and distribution expenses + Administration expenses) / Turnover

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

Affected by the year-on-year increase in major raw material prices and the adjustment of sales mix in the PRC and overseas

Key Financial Indicators



	31 Mar 2017	31 Dec 2016	Change
Inventory turnover (days)¹	47	45	2 days
A/R turnover (days)¹	57	60	(3 days)
A/P turnover (days)¹	81	79	2 days
Cash conversion cycle (days)	23	26	(3 days)
Current ratio (times)	1.3	1.3	-
Gearing ratio (gross)(%)²	32.6	21.0	11.6 p.p.
Gearing ratio (net)(%)³	0⁴	0 ⁴	-

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 March 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

<i>(HK\$ million)</i>	31 Mar 2017	31 Dec 2016	Change
Non-current assets	2,901	2,846	2.0%
Current assets	18,132	17,464	3.8%
- Inventory	4,479	4,349	3.0%
- Cash and bank balance	3,963	3,882	2.1%
Current liabilities	14,331	13,733	4.4%
Net current assets	3,801	3,731	1.9%
Non-current liabilities	19	20	(8.5%)
Net assets	6,684	6,556	1.9%
Net assets value per share (HK\$)	3.79	3.72	1.9%

Business Review



C2



Global LCD TV Market Share

Ranking	Brand	FY2016	FY2015
1	Samsung	21.6%	21.0%
2	LGE	11.9%	12.4%
3	TCL	9.0%*	7.7%*
4	Hisense	6.1%	5.6%
5	Sony	5.6%	5.5%
6	Skyworth	4.5%	4.6%
7	AOC/TP Vision	3.8%	3.7%
8	Vizio	3.7%	3.4%
9	Haier	3.4%	2.9%
10	Changhong	3.2%	3.0%

Source: IHS Technology

* According to IHS Technology and Company data

The PRC LCD TV Market Share

Ranking	Brand	2017 Q1	2016 Q1
1	Hisense	16.9%	17.7%
2	Skyworth	14.5%	16.0%
3	TCL	13.6%	15.7%
4	Changhong	11.7%	10.3%
5	Konka	11.0%	11.5%
6	Haier	7.2%	6.6%
7	Sharp	6.7%	4.1%
8	Samsung	5.1%	4.7%
9	Sony	2.7%	2.6%
10	Sanyo	2.4%	2.4%

Source : CMM

LCD TV Sales Volume



<i>LCD TV Sales Volume</i> (<i>'000 sets</i>)	2017 Q1	2016 Q1	Change
Total	4,702	4,203	11.9%
- PRC Market	2,216	2,401	(7.7%)
- Overseas Markets	2,486	1,802	38.0%
Of which: Smart TVs	3,089	2,079	48.6%
4K TVs	1,099	745	47.6%

Segment Results

PRC Market TV Business

(HK\$ million)

	2017 Q1	2016 Q1	Change
Turnover	4,818	4,957	(2.8%)
Gross profit	934	1,053 [^]	(11.3%)
Gross profit margin	19.4%	21.2% [^]	(1.8 p.p.)
Operating results	93	159 [^]	(41.4%)

Overseas Markets TV Business

(HK\$ million)

	2017 Q1	2016 Q1	Change
Turnover	3,619	2,380	52.1%
Gross profit	405	323 [^]	25.3%
Gross profit margin	11.2%	13.6% [^]	(2.4 p.p.)
Operating results	85	38 [^]	121.3%

[^] Restated

TV Business in the PRC Market

- According to CMM's report, sales volume and revenue of TV industry dropped by 12.5% and 6.0% year-on-year, respectively in the first quarter of 2017. Impacted by this situation, the Group's LCD TV sales volume decreased by 7.7% year-on-year to 2.22 million sets.
- According to CMM's report, the average selling price of TV industry increased by 7.4% year-on-year. The average selling price of the Group's LCD TVs (excluding ODM business) would have increased by 14.8% if it was calculated in Renminbi. Due to the 5.4% depreciation in the average exchange rate of Renminbi against Hong Kong dollars compared with the same period of last year, the average selling price of the Group's LCD TVs (excluding ODM business) soared by 9.4% year-on-year after it was converted and calculated in Hong Kong dollars, and rose by 5.8% quarter-on-quarter.
- With product mix improvement and the rise in the average selling price of LCD TVs, the Group's turnover of LCD TVs was only down by 2.8% year-on-year to HK\$4.82 billion.
- The panel prices have continued to hover at a high level, which has put pressure on overall gross profit margin. Nevertheless, the Group has proactively optimised its product mix, the gross profit margin of LCD TVs (excluding ODM business) slightly increased by 0.6 percentage point.

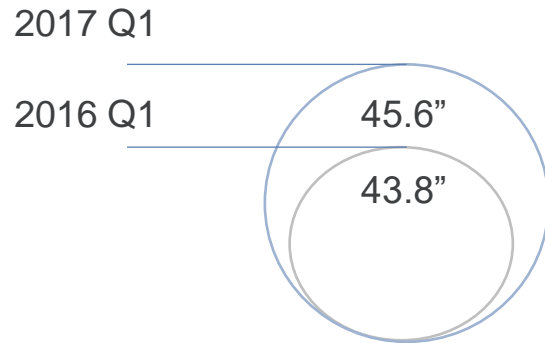


TV Business in the PRC Market

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

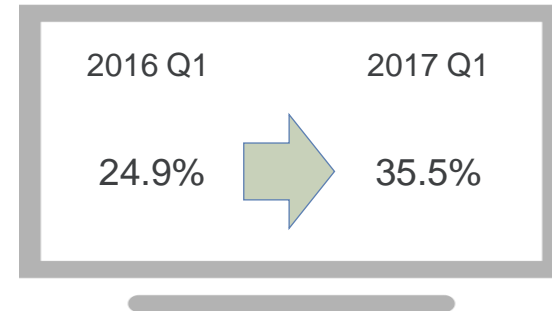


Change in average size^



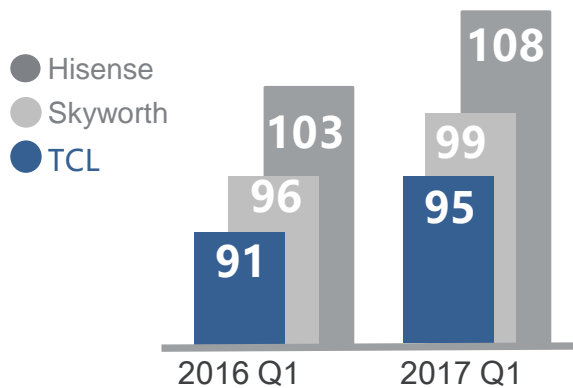
Remark: 44.3" in 2016

Change in proportion of ≥ 55" products^



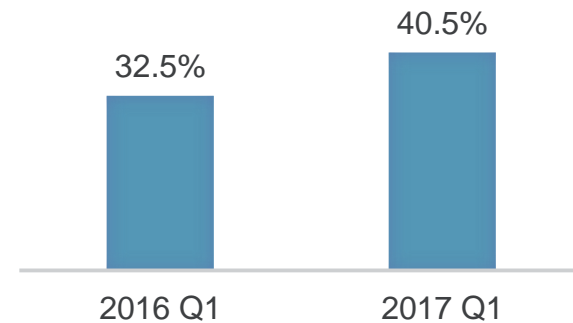
Remark: 29.0% in 2016

LCD TV brand price index (Source: CMM)



Remark: LCD TV brand price index for Hisense, Skyworth and TCL in 2016 were 105,96,93, respectively

Change in proportion of 4K products^



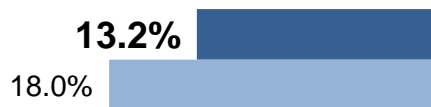
Remark: 36.3% in 2016

^ excluding ODM business

Market Share and Average Selling Price of 4K TVs in the PRC Market



Market share by sales volume



■ 2017 Q1 ■ 2016 Q1

Average selling price (RMB)



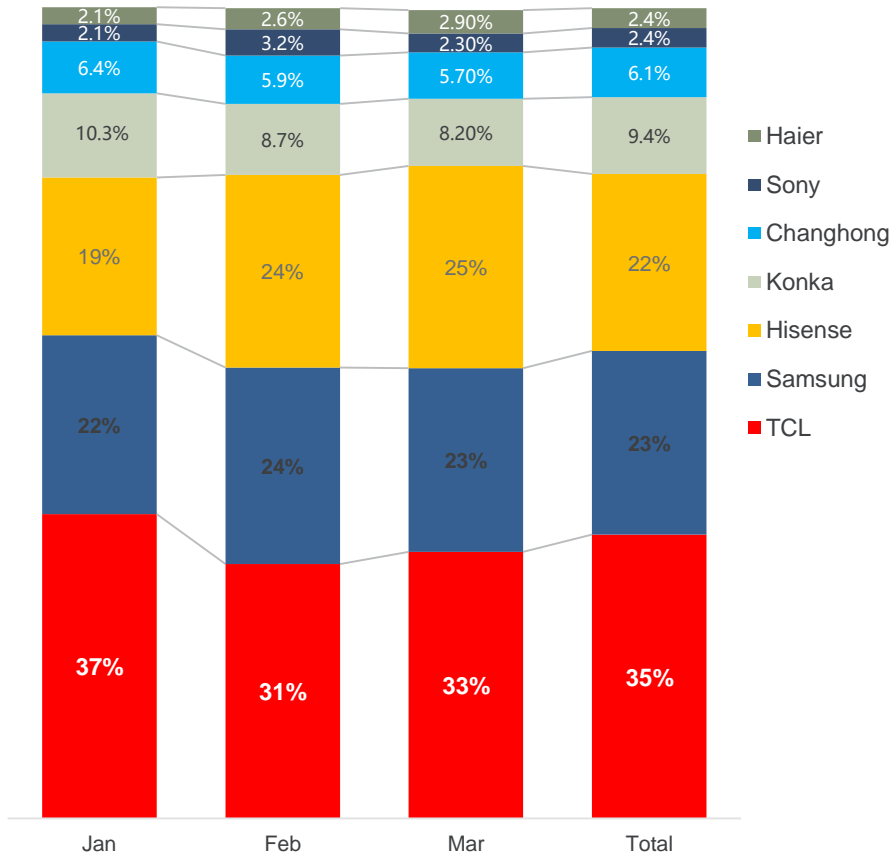
■ 2017 Q1 ■ 2016 Q1

Source: CMM

Ranked No.1 Among Domestic Brands in Curved TV Market Share in the PRC



Proportion of Sales Volume of Curved TVs for Major Brands by Month



Source: CMM

Sales volume of the PRC's curved TV market (excluding ODM business) in 2017 Q1

Ranked No.1 among domestic brands with market share of 34.8%



Source: CMM

TV Business in Overseas Market



- Continuous improvement in operating results has benefited from sales channels expansion and active development in new emerging markets
 - LCD TV sales volume increased by 38.0% year-on-year to 2.49 million set, of which the North American market and the emerging markets surged by 241.2% and 29.7% year-on-year, respectively
 - Turnover of LCD TV was up by 52.1% year-on-year to HK\$3.62 billion and the average selling price increased by 10.2% year-on-year
 - Product mix (excluding ODM business) was enhanced through the CBUS (curved, big screen, 4K, smart) strategy

	Proportion of 2017 Q1	Proportion of 2016 Q1	Year-on-year change in proportion (p.p.)
Curved	1.9%	0.5%	1.4
Large Screen	14.8%	10.6%	4.2
4K	16.2%	4.6%	11.6
Smart	77.2%	43.4%	33.8

- As the panel prices have continued to hover at a high level, gross profit margin of LCD TV decreased from 13.6% in the same period of last year to 11.2%

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

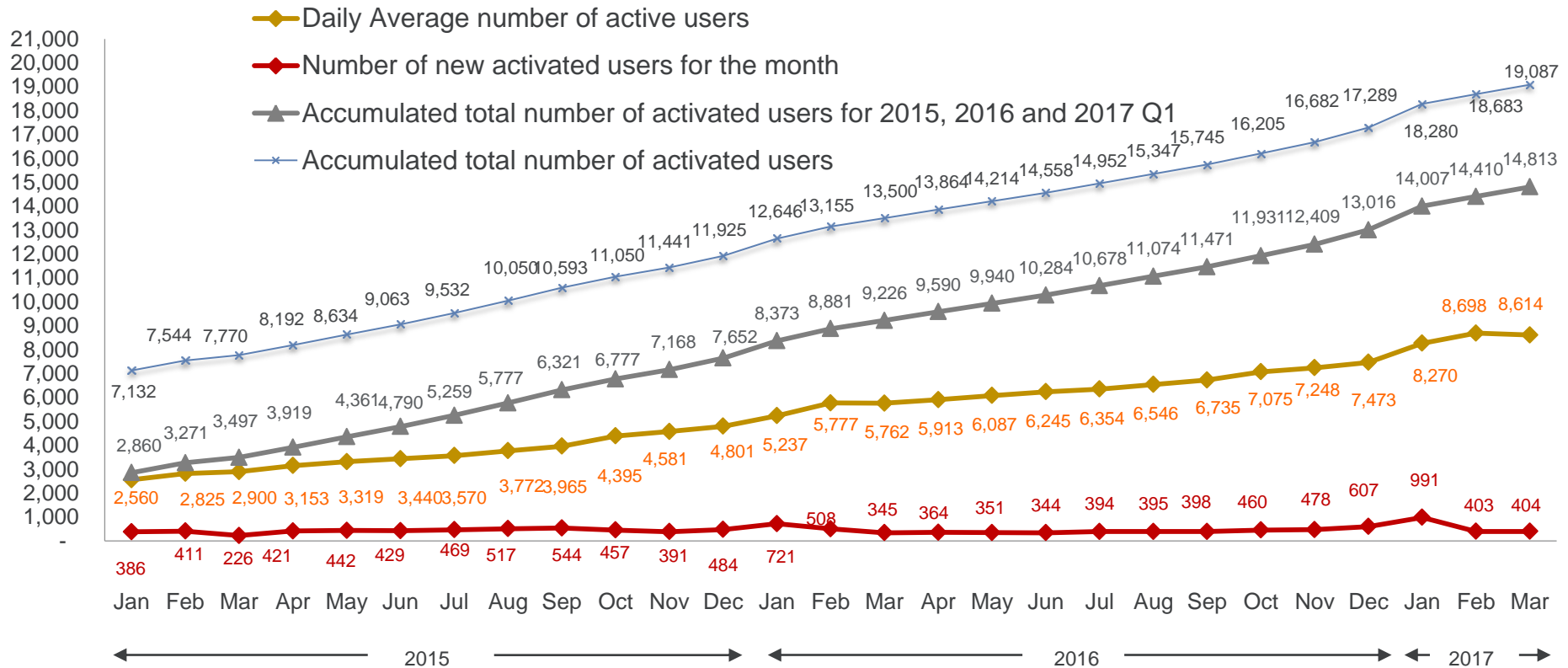


Internet Business



(TCL Smart TV Operation Statistics in 2015, 2016 and 2017 Q1)

('000 users)



The accumulated total number of activated users in 2017 Q1 was up by 41.4% year-on-year, with a cumulative increase of 5.59 million. As at the end of March 2017, accumulated total number of activated users was 19.09 million

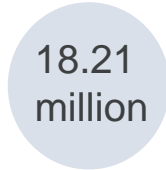
Number of Users and Average Daily Spending Time on TV of Internet Business

Number of users of video-on-demand business

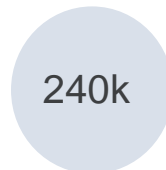
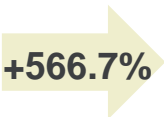
2016 Q1



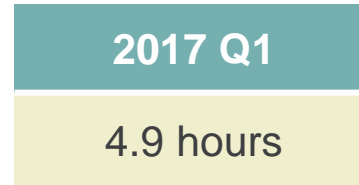
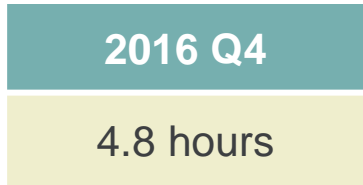
2017 Q1



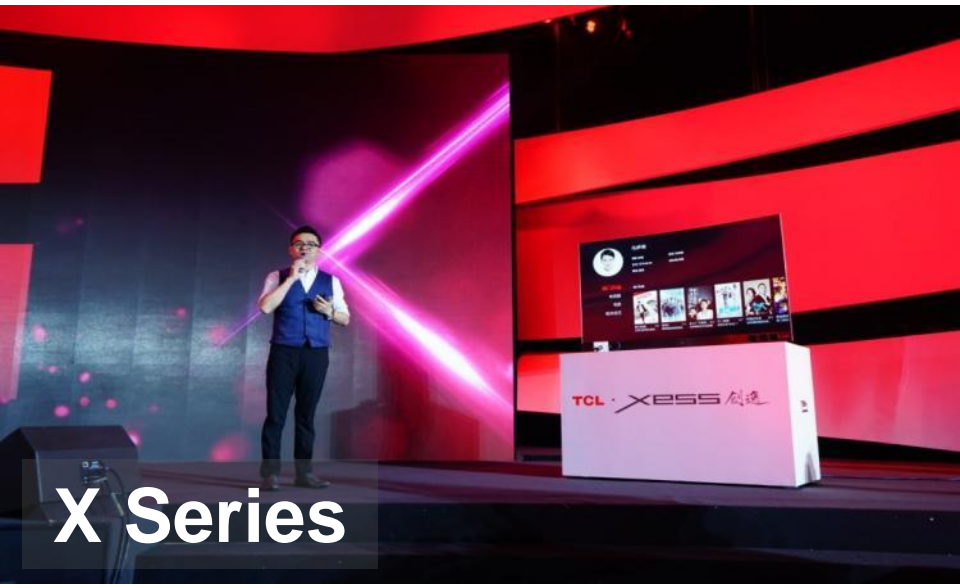
Number of users of paid business



Average Daily Spending Time on TV



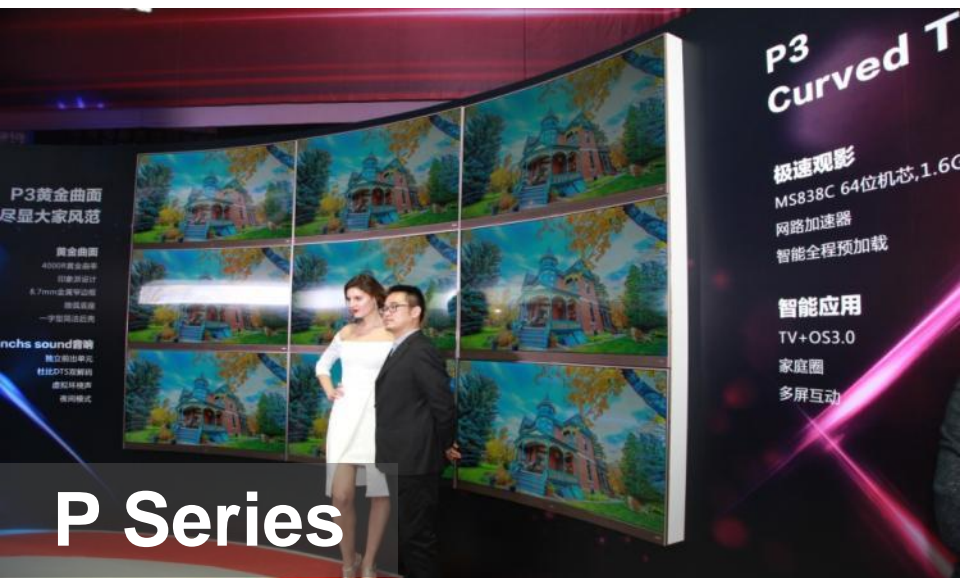
TCL 2017 New Product Launch & New Internet TV Brand Presentation



X Series



C Series



P Series



FFALCON

TCL “FFALCON” Brand – Taps into the Internet Television Market



100%

Coverage of Chinese Movie Circuits

11,000+

Movies

3,000+

North American Famous Movies

150k+

TV Series

60k+hours

NBA CBA

150k+

Animations



FFALCON is equipped with various unparalleled advanced technologies:

- Ultra High Definition 4K large screen
- Vertical Alignment and all ecological High Dynamic Range
- Dolby Vision
- USB3.0 hub
- Smart definition and voice control

Outlook



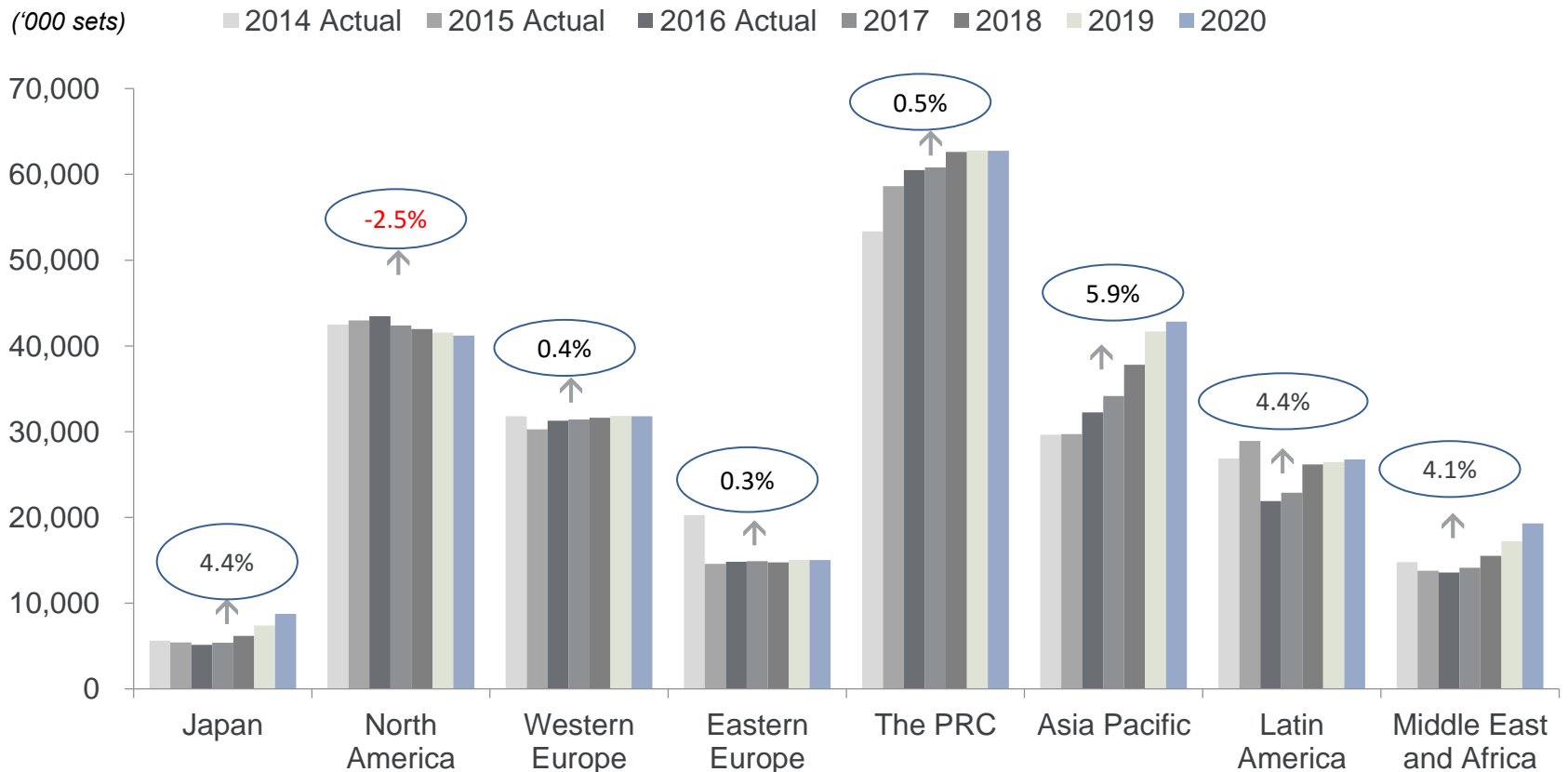
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Global LCD TV Sales Volume Forecasts



Projection of 2017-2020 Global LCD TV Sales Volume

In 2017, overall LCD TV sales volume is expected to increase by 1.4% year-on-year



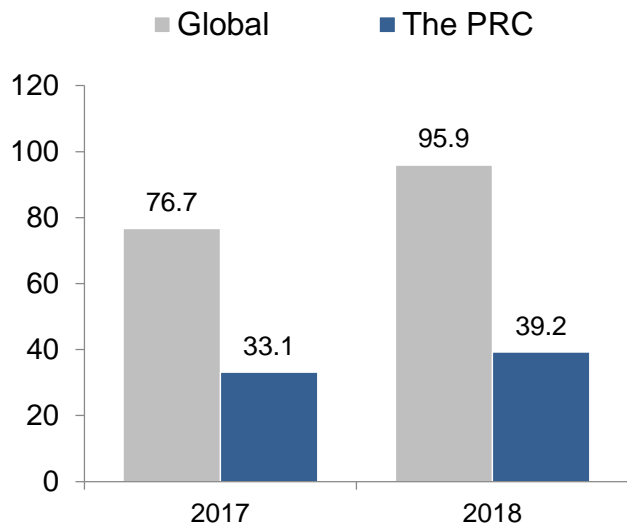
Source: IHS Technology (2016 Q4 data)

Growth Trends for Global and The PRC Curved TVs and UHD TVs



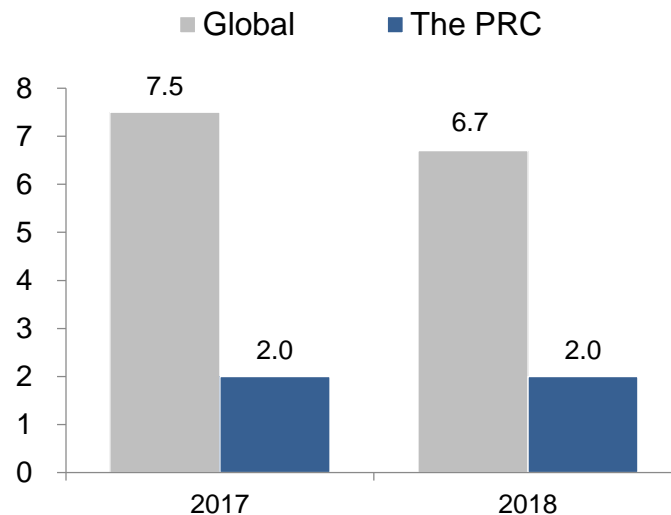
2017-2018 UHD TV Sales Volume Forecast

(million sets)



2017-2018 Curved TV Sales Volume Forecast

(million sets)

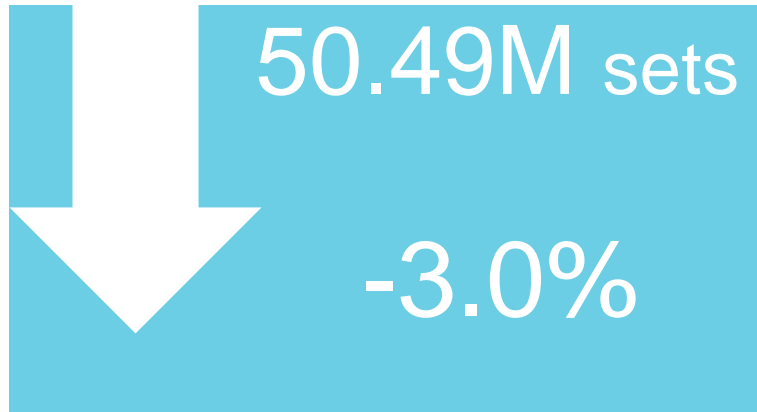


Source: IHS Technology

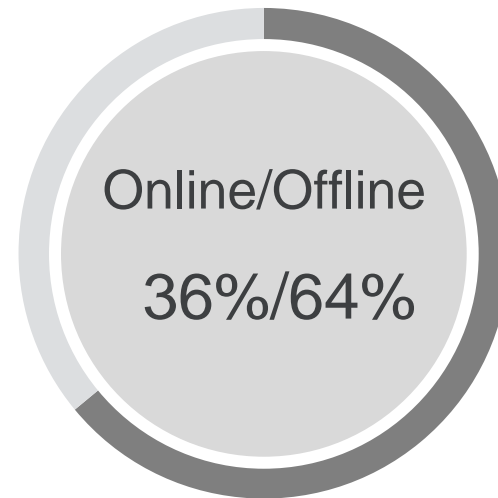
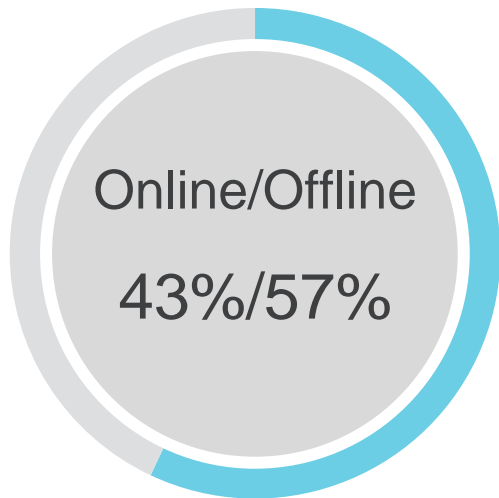
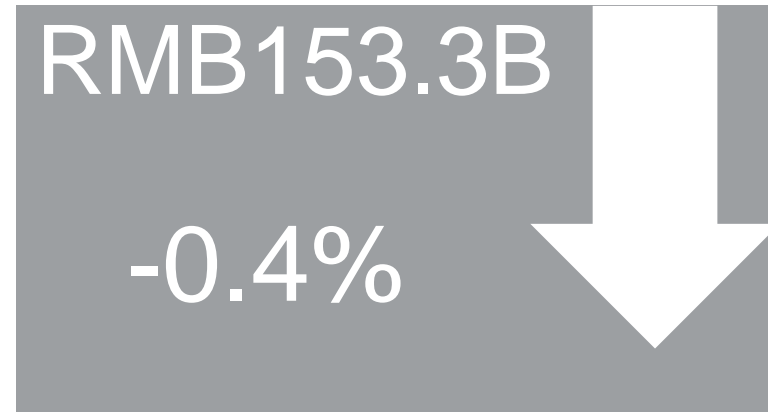
The PRC TV Market Forecasts



2017 Retail Sales Volume Forecast



2017 Retail Turnover Forecast



Source: CMM

Overall Strategy - Twin Drivers of “double +” Strategy and Internationalisation



Continue to Implement “double +” Strategic Transformation

- ◆ Establish a customer-centric ecosystem based on platform operation to develop new business models
- ◆ Optimise software and hardware experiences, integrate product and operation platforms to optimise user experience, enhance platform capabilities and expand the scale of operations
- ◆ Actively implement the TV+ business strategy in the overseas markets

Continue to Pursue Internationalisation

- ◆ Focus on branding by strengthening brand investment and enhancing brand image
- ◆ Enhance efficiency and structural transformation to establish operating models with healthy and steady growth
- ◆ Strengthen and enhance existing businesses while focusing on breakthroughs in the key markets

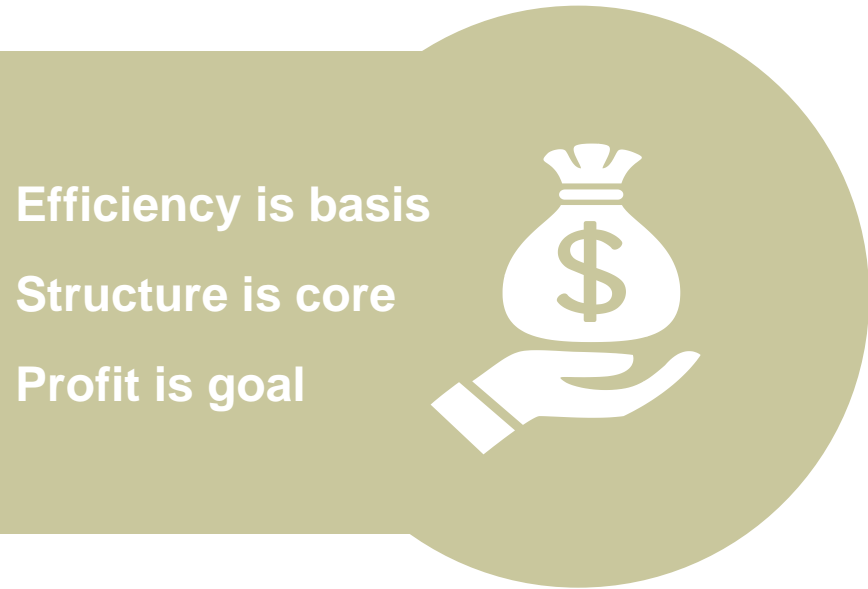
Enhance Core Competitiveness and Operational Efficiency

- ◆ Continue to innovate and enhance R&D capability to maintain leading position of products
- ◆ Implement intelligent manufacturing and strengthen industrial manufacturing capability
- ◆ Continue to optimise business and workflow to enhance operational efficiency and decrease system costs



Build a comprehensive ecological enterprise based on smart TV business

Overall Operation Philosophy



Focus on “two-up and two-down” as operating strategy



- 1) Increase the proportion of products with high gross profit
- 2) Increase the proportion of low cost channels
- 3) Decrease system costs
- 4) Decrease asset turnover days

Structure-based competitive strategy



- 1) Flagship product strategy
- 2) New product category
- 3) New technology

Continue to foster the establishment of four core competitiveness



- 1) Technology capabilities
- 2) Industry capabilities
- 3) Brand and channel capabilities
- 4) internet application and service capabilities

Streamline organization and enhance workforce efficiency



- 1) Streamline organization and optimise workflow
- 2) Enhance workforce efficiency

Internet Service Revenue Breakdown

		2017 Target (RMB)	2017 Q1 Actual (RMB)
Advertising		87 million	6.36 million
Membership Services		53 million	9.24 million
Data Services		8 million	-
Value-added Services		2 million	0.14 million
Total:		Approx.150 million	Approx. 15.74 million

Remark: Total revenue of approx.RMB3.58 million in 2016 Q1

Progress of Implementation in 2017 Q1 and Target for 2017



	2017 Q1 Actual			2017 Target		
	Overall Actual	The PRC Market	Overseas Markets	Overall Target	The PRC Market	Overseas Markets
		Q1 Actual	Q1 Actual		FY Target	FY Target
LCD TV Sales Volume ('0000 sets)	470.2 ↑11.9%	221.6 ↓7.7%	248.6 ↑38.0%	2,200 ↑10.2%	1,000 ↑6.2%	1,200 ↑13.8%

The PRC Market (excluding ODM business)	FY 2016 Actual	2017 Q1 Actual	FY 2017 Target
Proportion of smart TV sales volume (%)	66.1%	75.7%	75%
Proportion of 4K TV sales volume (%)	36.3%	40.5%	42%
Proportion of curved TV sales volume (%)	10.9%	15.4%	15%
Proportion of online sales volume (%)	20.0%	18.7%	20%

	FY 2016 Actual	2017 Q1 Actual	FY 2017 Target
Internet service revenue (RMB)	Approximately 72.29 million	Approximately 15.74 million	Approximately 150 million
Number of TCL global activated smart TV users (Accumulated number at period end) (year-end/quarter-end) ¹	17,289,434	19,087,187	21,000,000
Daily average number of active users (year-end/month-end) ²	7,473,240	8,613,932 ³	9,350,000
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. March 2017 data

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TCL

Q&A

