



# TCL多媒體科技控股有限公司

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED  
(Stock code: 01070)



## 2017 Interim Results Presentation

*(Unaudited results for the six months ended 30 June)*

# Agenda



**Financial Highlights**



**Business Review**



**Outlook**



# Financial Highlights



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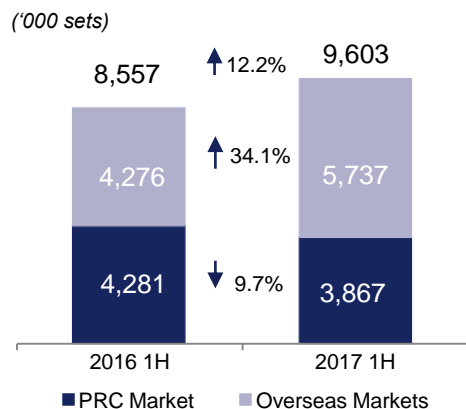


# Financial Highlights

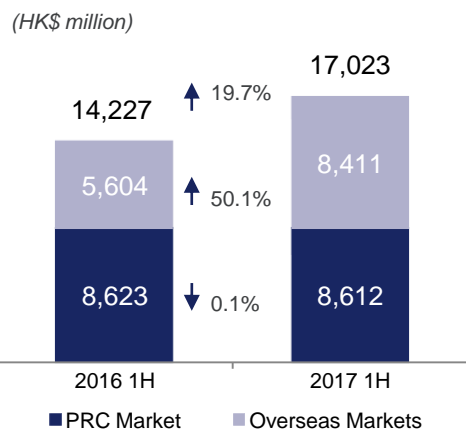
(For the six months and three months ended 30 June 2017)



## LCD TV Sales Volume



## Turnover

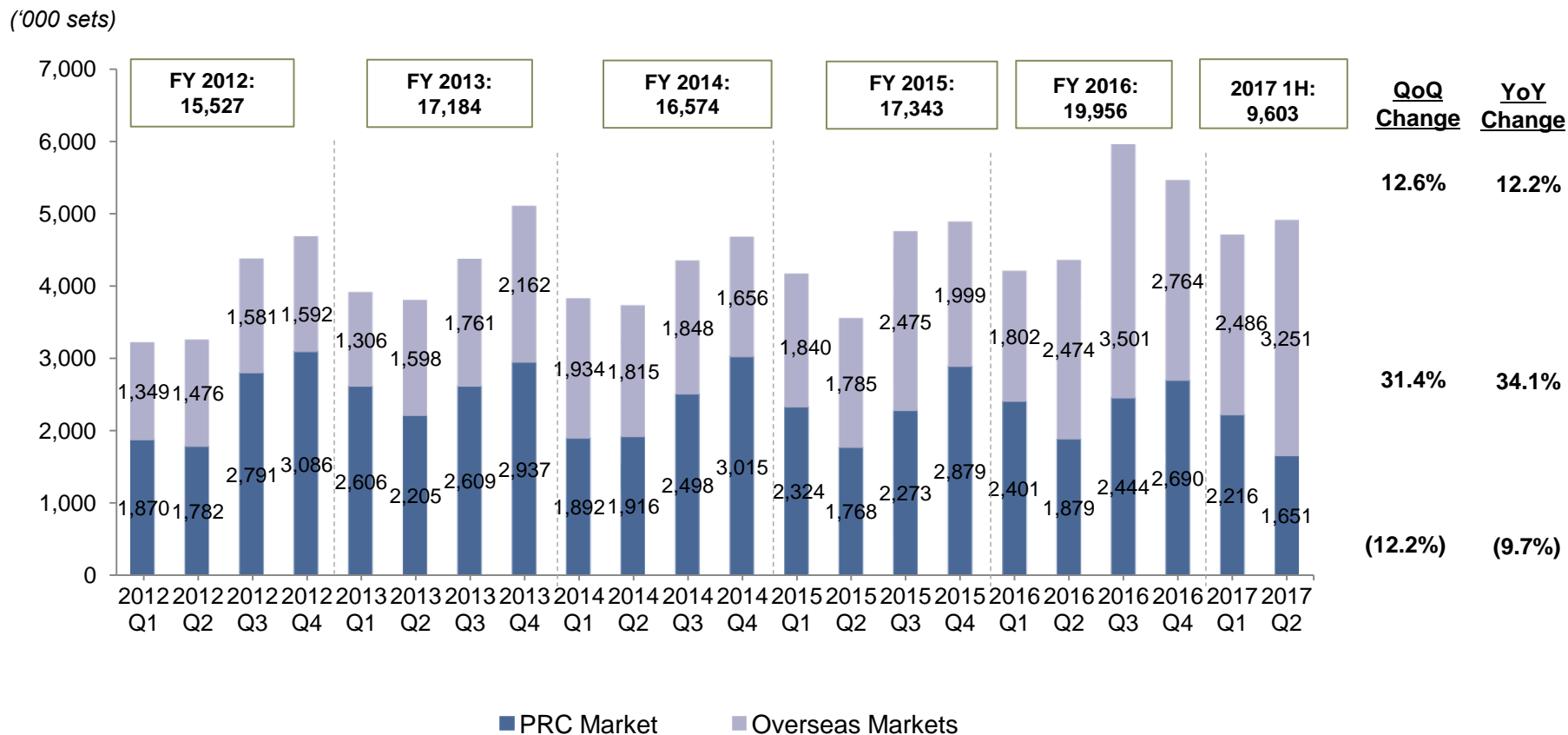


(HK\$ million)	2017 1H	2016 1H	Change	2017 Q2	2016 Q2	Change
Turnover	17,023	14,227	19.7%	8,543	6,869	24.4%
Gross profit margin (%)	15.4	17.4	(2.0 p.p.)	15.1	15.8	(0.7 p.p.)
Expense Ratio (%)	13.8	15.9	(2.1 p.p.)	13.3	15.1	(1.8 p.p.)
Net profit after tax	144	88	63.9%	66	12	467.4%
Net profit after tax margin (%)	0.8	0.6	0.2 p.p.	0.8	0.2	0.6 p.p.
Profit attributable to owners of the parent	151	95	59.5%	70	21	234.7%
EBITDA	312	298	4.6%	154	107	43.3%
Basic earnings per share (HK cents)	9.12	6.54	39.4%	4.20	1.33	215.8%
Interim dividend per share (HK cents)	3.90	N/A	N/A	3.90	N/A	N/A

# LCD TV Sales Volume



## LCD TV Sales Volume (by quarter)

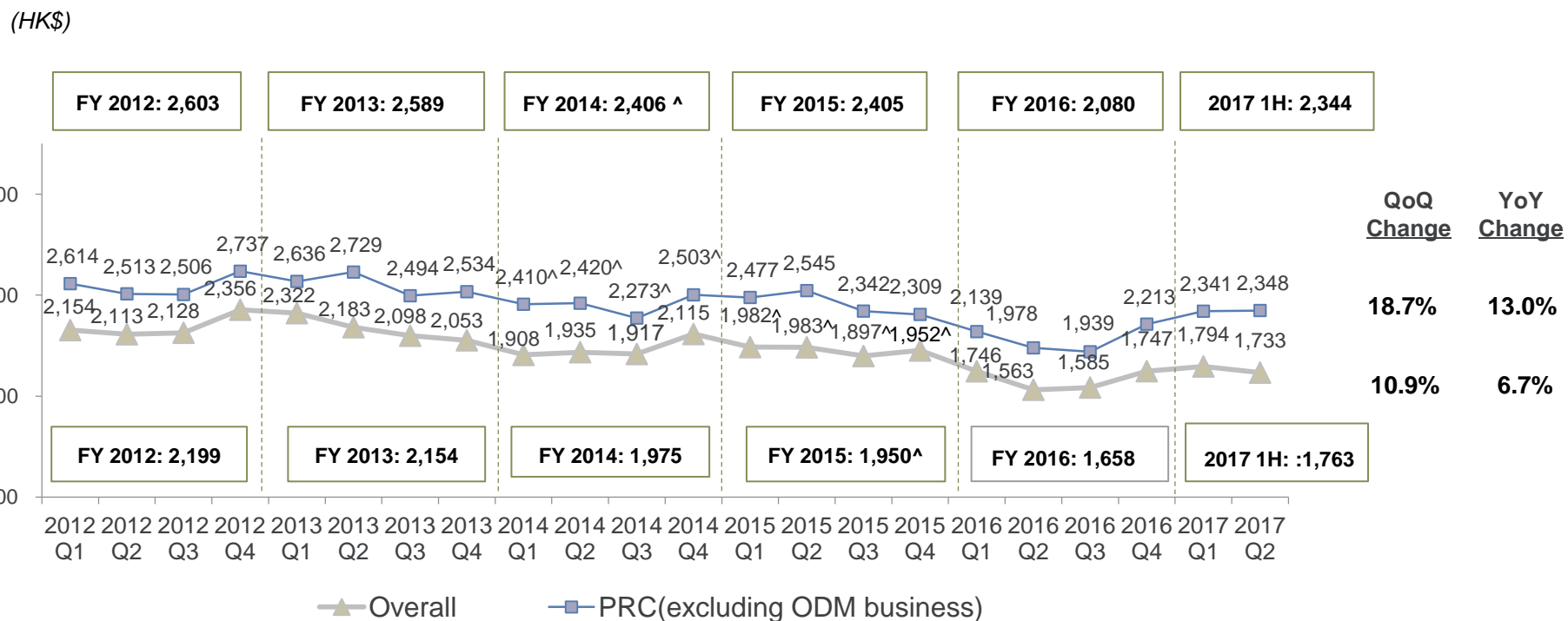


- Sales volume in the PRC market and overseas markets for each quarter from 2012 Q1 to 2015 Q4 have been restated



# LCD TV Average Selling Prices

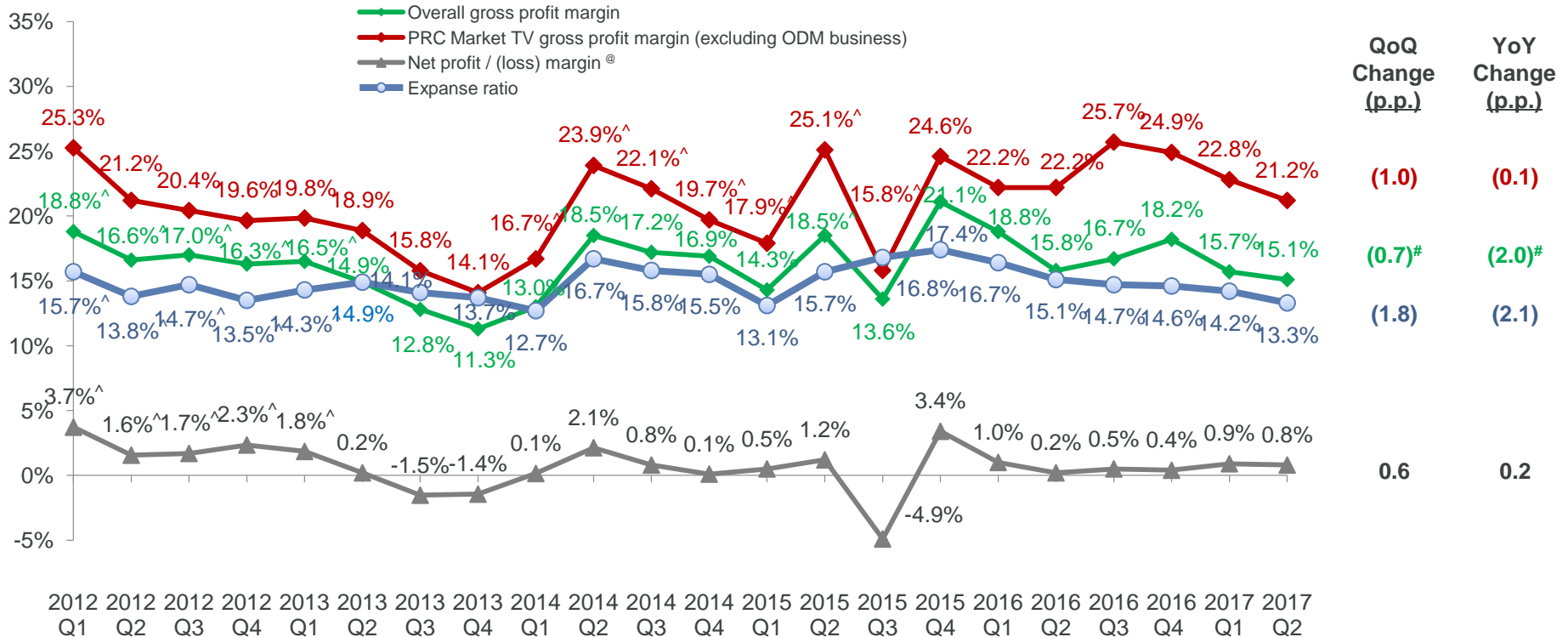
## Average Selling Prices of LCD TVs (by quarter)



<sup>^</sup> Restated

# Profit Margins and Expense Ratios

## Profit Margins and Expense Ratios (by quarter)



<sup>^</sup> Restated  
 \* Expense ratio = (Selling and distribution expenses + Administration expenses) / Turnover  
 @ Net profit / (loss) margin = Net profit / (loss) from continuing operations / Turnover  
 # As the price of raw materials remained high and sales proportion of overseas markets has increased

# Key Financial Indicators

	30 Jun 2017	31 Dec 2016	Change
<b>Inventory turnover (days)<sup>1</sup></b>	<b>48</b>	45	3 days
<b>A/R turnover (days)<sup>1</sup></b>	<b>54</b>	60	(6 days)
<b>A/P turnover (days)<sup>1</sup></b>	<b>81</b>	79	2 days
<b>Cash conversion cycle (days)</b>	<b>21</b>	26	(5 days)
<b>Current ratio (times)</b>	<b>1.3</b>	1.3	-
<b>Gearing ratio (gross)(%)<sup>2</sup></b>	<b>25.7</b>	21.0	4.7 p.p.
<b>Gearing ratio (net)(%)<sup>3</sup></b>	<b>0<sup>4</sup></b>	0 <sup>4</sup>	-

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

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

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

<sup>4</sup> As at 30 June 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>	30 Jun 2017	31 Dec 2016	Change
<b>Non-current assets</b>	2,963	2,846	4.1%
<b>Current assets</b>	17,641*	17,464	1.0%
- Inventory	4,162	4,349	(4.3%)
- Cash and bank balance	2,911*	3,882	(25.0%)
<b>Current liabilities</b>	13,742	13,733	0.1%
<b>Net current assets</b>	3,899	3,731	4.5%
<b>Non-current liabilities</b>	38	20	84.6%
<b>Net assets</b>	6,824	6,556	4.1%
<b>Net assets value per share (HK\$)</b>	3.87	3.72	4.0%

\* The decrease in Cash and Bank Balance is mainly due to the fact that the Company has deposited HK\$843 million in TCL Finance (Hong Kong) Co., Limited, which was classified as Other Receivables under Current Assets. Such arrangement was made in accordance with the terms of Master Financial Services (2017 Renewal) Agreement for the continuing connected transaction of the Company (already approved by shareholders in the extraordinary general meeting on 23 May 2017).



# Business Review

C2



## Global LCD TV Market Share

Ranking	Brand	2017 Q1	2016 Q1
1	Samsung	21.6%	21.0%
2	LGE	12.6%	13.0%
<b>3</b>	<b>TCL</b>	<b>7.3%</b>	<b>6.5%</b>
4	Hisense	5.6%	6.5%
5	Sony	4.7%	5.0%
6	Sharp	4.1%	2.2%
7	Haier	4.0%	3.8%
8	AOC/TP Vision	3.8%	4.0%
9	Skyworth	3.8%	5.2%
10	Panasonic	3.0%	2.7%

Resource: IHS Technology

## The PRC LCD TV Market Share

Ranking	Brand	2017 1H	2016 1H
1	Hisense	16.6%	17.2%
2	Skyworth	14.2%	15.8%
<b>3</b>	<b>TCL</b>	<b>13.6%</b>	<b>15.0%</b>
4	Changhong	11.4%	10.4%
5	Konka	10.9%	11.5%
6	Sharp	7.1%	4.1%
7	Haier	7.3%	7.1%
8	Samsung	5.4%	5.2%
9	Sony	3.1%	2.4%
10	PPTV	2.2%	1.4%

Source: CMM

# LCD TV Sales Volume



<i>LCD TV Sales Volume ('000 sets)</i>	<b>2017 1H</b>	<b>2016 1H</b>	<b>Change</b>
<b>Total</b>	<b>9,603</b>	8,557	12.2%
- PRC Market	<b>3,867</b>	4,281	(9.7%)*
- Overseas Markets	<b>5,737</b>	4,276	34.1%
<b>Of which: Smart TVs</b>	<b>6,120</b>	4,085	49.8%
<b>4K TVs</b>	<b>2,227</b>	1,530	45.6%

\* In the first half of 2017, sales volume in the PRC TV industry decreased by 10.8% year-on-year ( Source: CMM)



# Segment Results



## PRC Market TV Business

(HK\$ million)

2017 1H	2016 1H	Change		2017 Q2	2016 Q2	Change
8,546	8,589	(0.5%)	<b>Turnover</b>	3,728	3,632	2.6%
1,670	1,743	(4.2%)	<b>Gross profit</b>	736	690	6.6%
19.5%	20.3%	(0.8 p.p.)	<b>Gross profit margin</b>	19.7%	19.0%	0.7 p.p.
90	210 <sup>^</sup>	(57.2%)	<b>Operating results</b>	(3)	51 <sup>^</sup>	N/A

## Overseas Markets TV Business

(HK\$ million)

2017 1H	2016 1H	Change		2017 Q2	2016 Q2	Change
8,385	5,553	51.0%	<b>Turnover</b>	4,766	3,173	50.2%
947	692	36.8%	<b>Gross profit</b>	542	369	46.8%
11.3%	12.5%	(1.2 p.p.)	<b>Gross profit margin</b>	11.4%	11.6%	(0.2 p.p.)
211	110 <sup>^</sup>	90.9%	<b>Operating results</b>	126	72 <sup>^</sup>	74.8%

<sup>^</sup> Restated

# TV Business in the PRC Market

- According to CMM's report, in the first half of 2017, the sales volume in the TV industry dropped by 10.8% year-on-year. Impacted by this situation, the Group's LCD TV sales volume decreased by 9.7% year-on-year to 3.87 million sets, yet its performance for sales volume was still better than the average level in the industry.
- Due to the optimisation of the product mix and the increase in the LCD TV's average selling price, the Group's LCD TV turnover slightly decreased by 0.5% to HK\$8.55 billion when compared to the same period of last year, while it rose by 2.6% year-on-year in the second quarter of 2017.
- According to CMM's report, the average selling price of TV industry increased by 14.9% year-on-year. The average selling price of the Group's LCD TVs (excluding ODM business) would have increased by 17.6% year-on-year if it was calculated in Renminbi. Due to 4.6% depreciation in the average exchange rate of Renminbi against Hong Kong dollars compared to the same period of last year, the average selling price of LCD TVs (excluding ODM business) increased by 13.0% year-on-year after it was converted and calculated in Hong Kong dollars, and was up by 18.7% in the second quarter when compared to the same period of last year.
- As the price of raw materials remained high, the gross profit of LCD TVs was under pressure but the gross profit margin (excluding ODM business) only dropped slightly by 0.1 percentage point year-on-year for optimised product mix. The gross profit margin for TCL brand products generally remained flat when compared to the same period of last year.



2017 Interim Results



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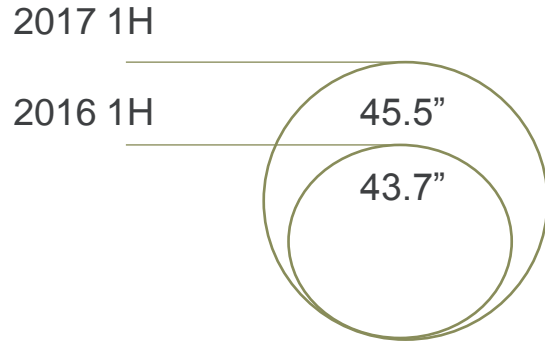


# TV Business in the PRC Market

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

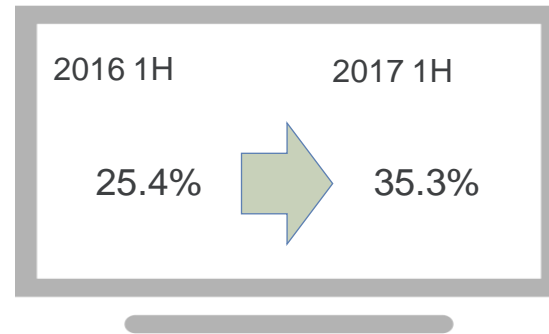


Change in average size^



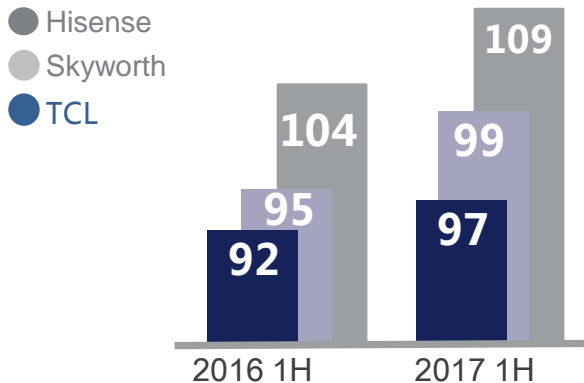
Remark: 45.6" in 2017 Q1

Change in proportion of ≥ 55" products^



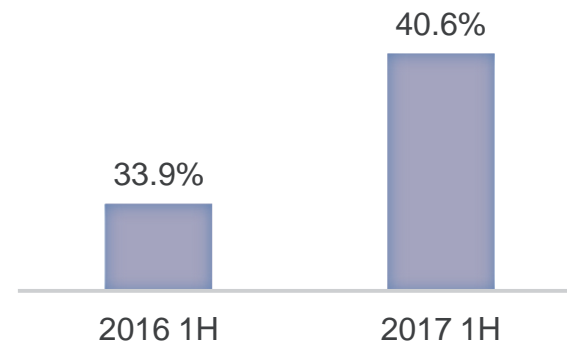
Remark: 35.5% in 2017 Q1

LCD TV brand price index (Source: CMM)



Remark: LCD TV brand price index for Hisense, Skyworth and TCL in 2017 Q1 were 108,99,95, respectively

Change in proportion of 4K products^



Remark: 40.5% in 2017 Q1

^ excluding ODM business

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

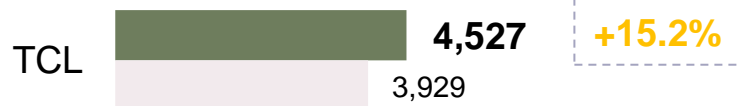
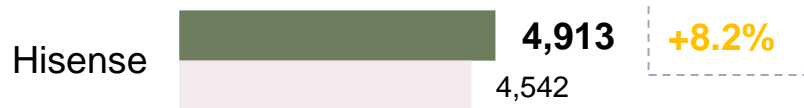


Market share by sales volume



■ 2017 1H    ■ 2016 1H

Average selling price (RMB)



■ 2017 1H    ■ 2016 1H

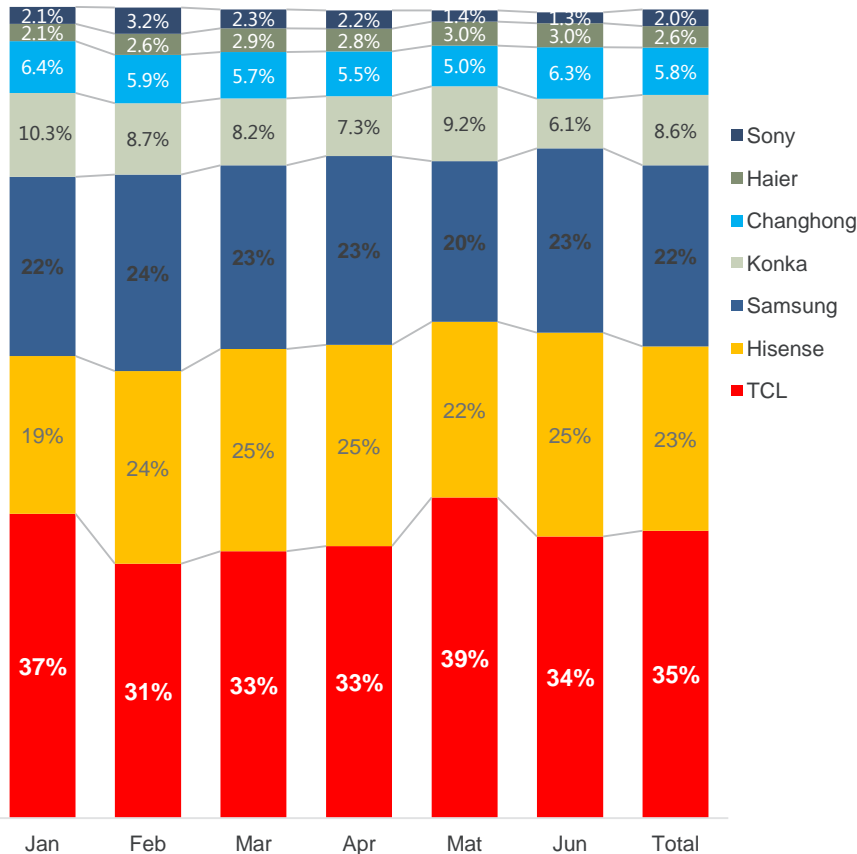
Source: CMM



# 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 1H

Ranked No.1 among domestic brands with market share of 35.2%



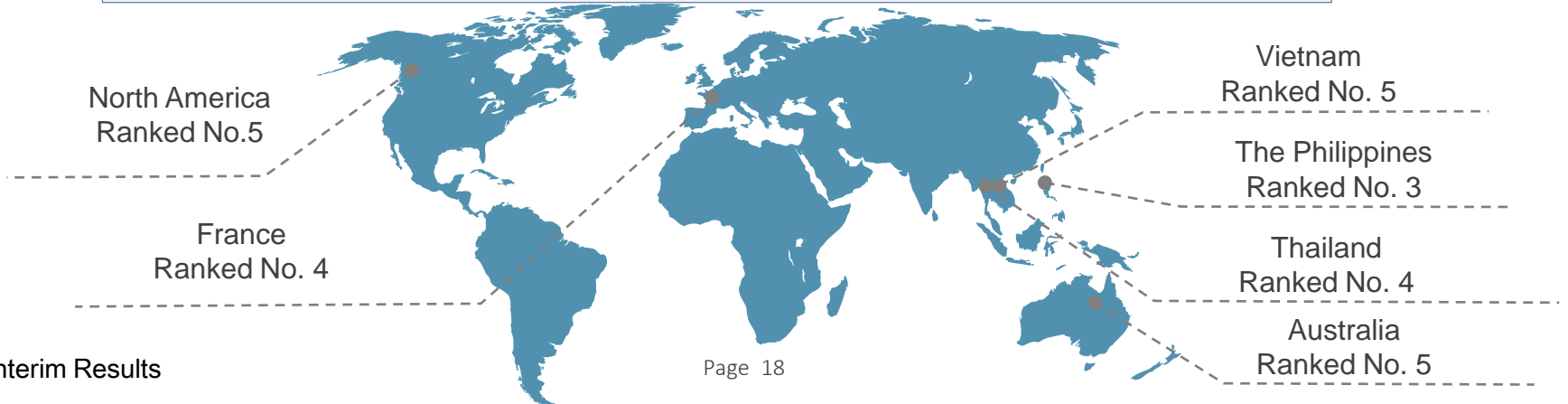
Source: CMM

# TV Business in Overseas Market

- Leveraged on many years of experience, and combined with advantages of TCL’s vertical integration of supply chain, the Group strengthened its efforts to accelerate its product mix transition by increasing its proportion of high-end products. Both sales volume and revenue in the overseas markets recorded significant increase, becoming a main driver for business growth.
  - LCD TV sales volume increased by 34.1% year-on-year to 5.74 million sets, of which sales volume in the North America market and the emerging markets rose by 215.9% and 20.5%, respectively.
  - LCD TV turnover was up by 51.0% year-on-year to HK\$8.38 billion, the average selling price increased by 12.5% year-on-year.
  - Enhanced its product mix through CBUS (curved, big screen, 4K and smart) strategy (excluding ODM business):

	Proportion of 2017 1H	Proportion of 2016 1H	Year-on-year change in proportion (p.p.)
Curved	1.9%	1.6%	0.3
55” and above large-screen	16.3%	13.8%	2.5
4K	19.3%	12.5%	6.8
Smart	77.0%	48.3%	28.7

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



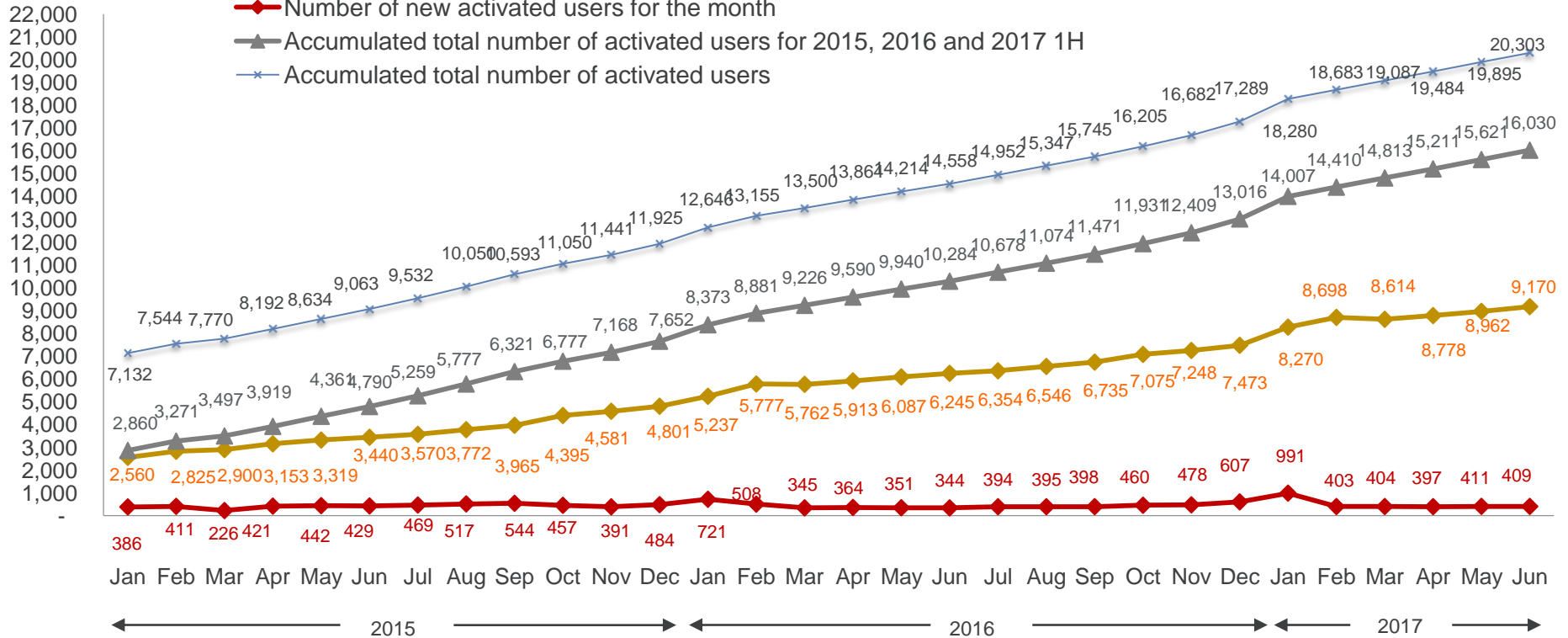
# Internet Business



(TCL Smart TV Operation Statistics: accumulated number of activated users as of 2017 1H reached 20 million)

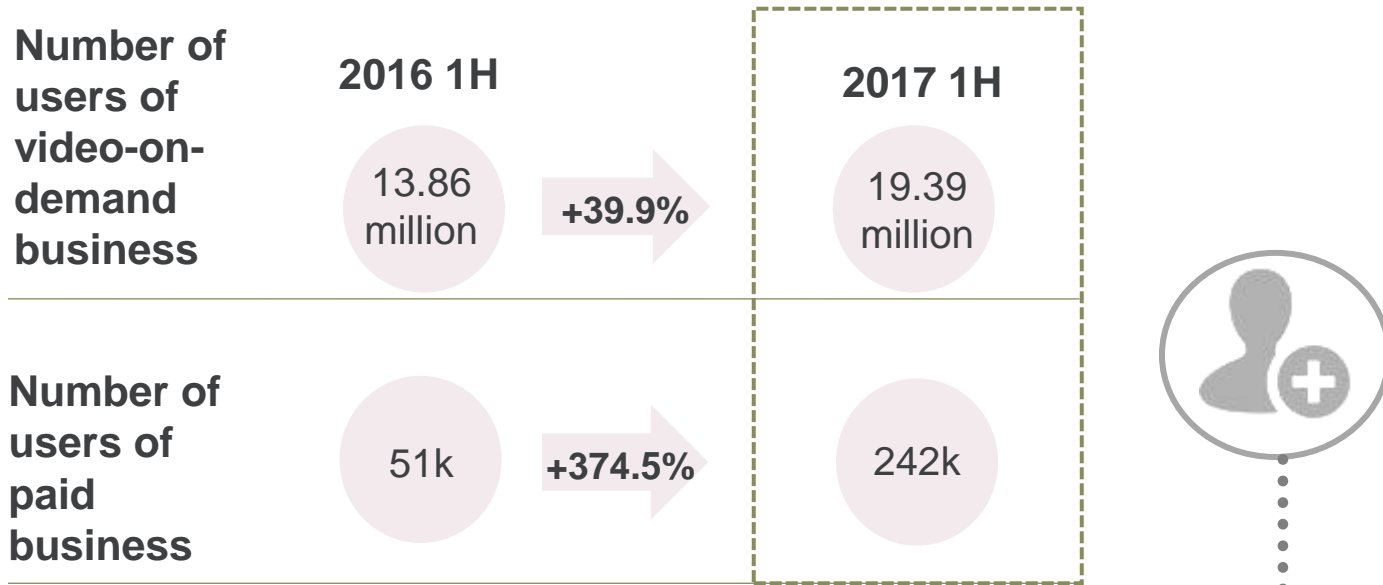
('000 users)

- ◆ Daily Average number of active users
- ◆ Number of new activated users for the month
- ▲ Accumulated total number of activated users for 2015, 2016 and 2017 1H
- ✕ Accumulated total number of activated users



The accumulated total number of activated users in 2017 1H was up by 39.5% year-on-year, with a cumulative increase of 5.75 million. As at the end of June 2017, accumulated total number of activated users was 20.30 million

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



## Average Daily Spending Time on TV

2016 Q4	2017 Q1	2017 1H
4.8 hours	4.9 hours	4.9 hours





# TCL FFalcon Brand Establishes Cross-boundary Collaboration with Tencent



## Achieving Strategic Complementary Effect on Resources and Accelerating the Promotion of “Smart + Internet” New Business Model

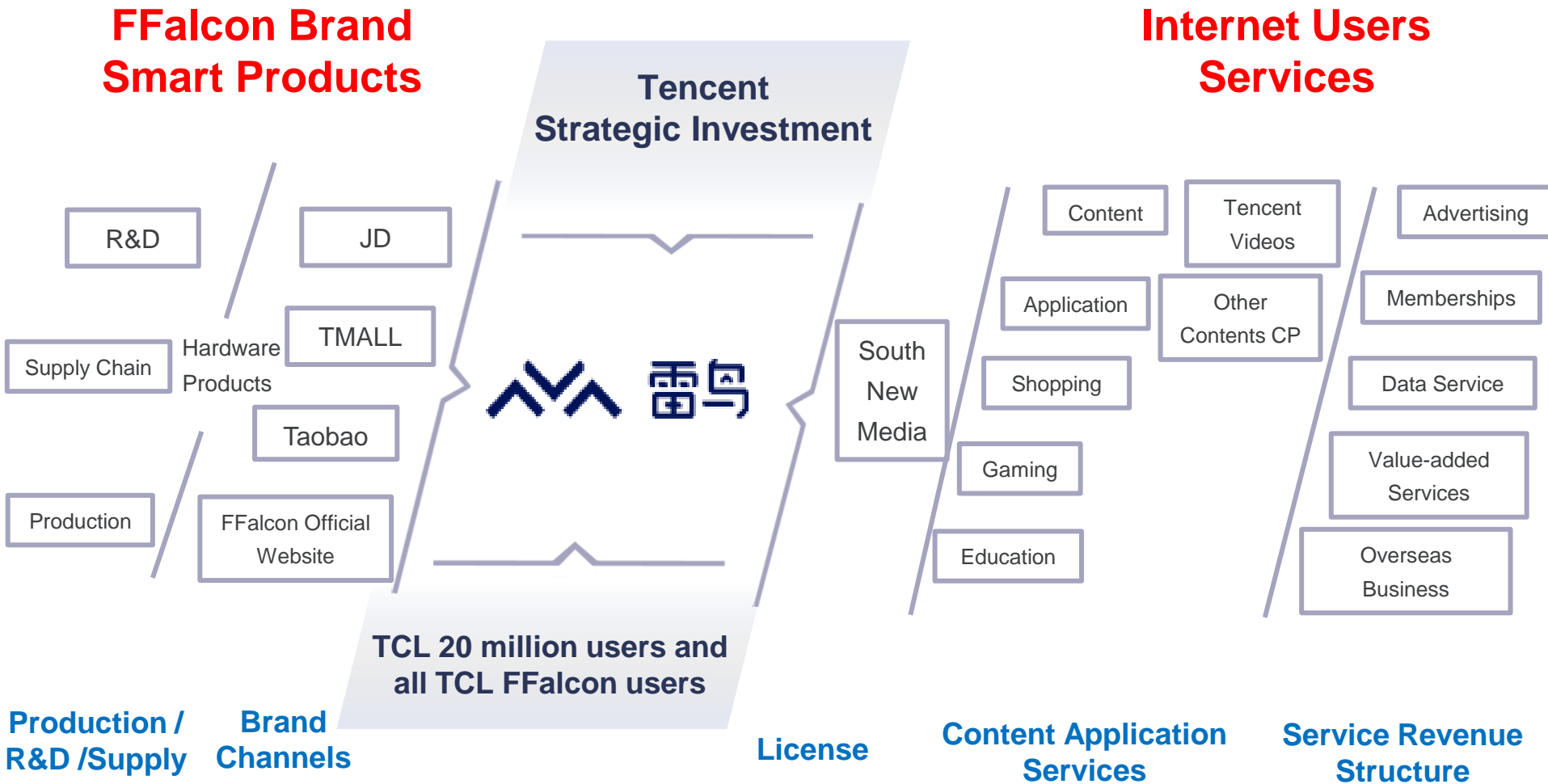


## To be the Premier Membership-based Internet TV Brand

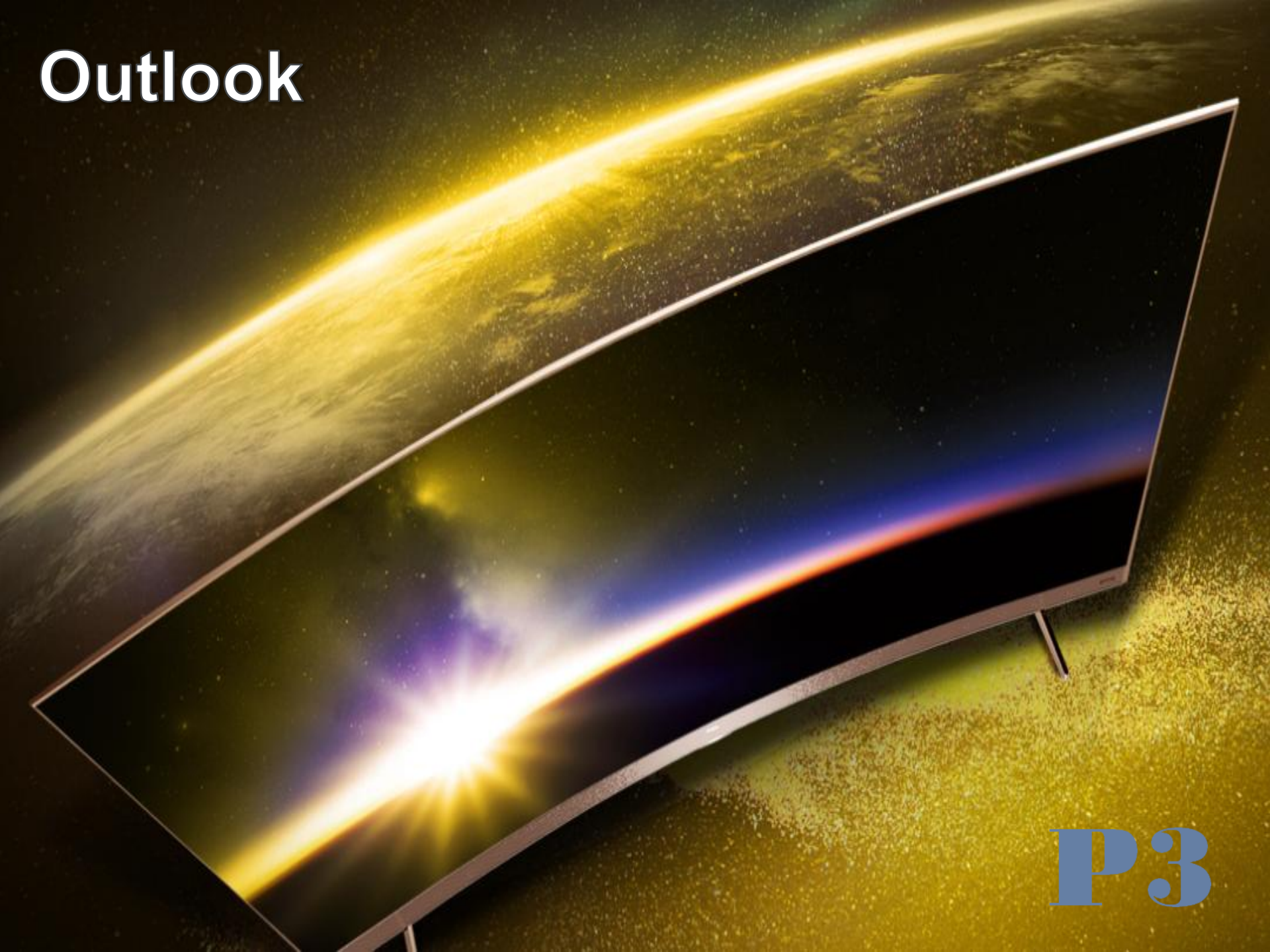
By virtue of complementary resources, FFalcon will possess:

- ✓ Complete upstream and downstream industrial chain
- ✓ Comprehensive service system
- ✓ New business model

# Partnership Model



# Outlook



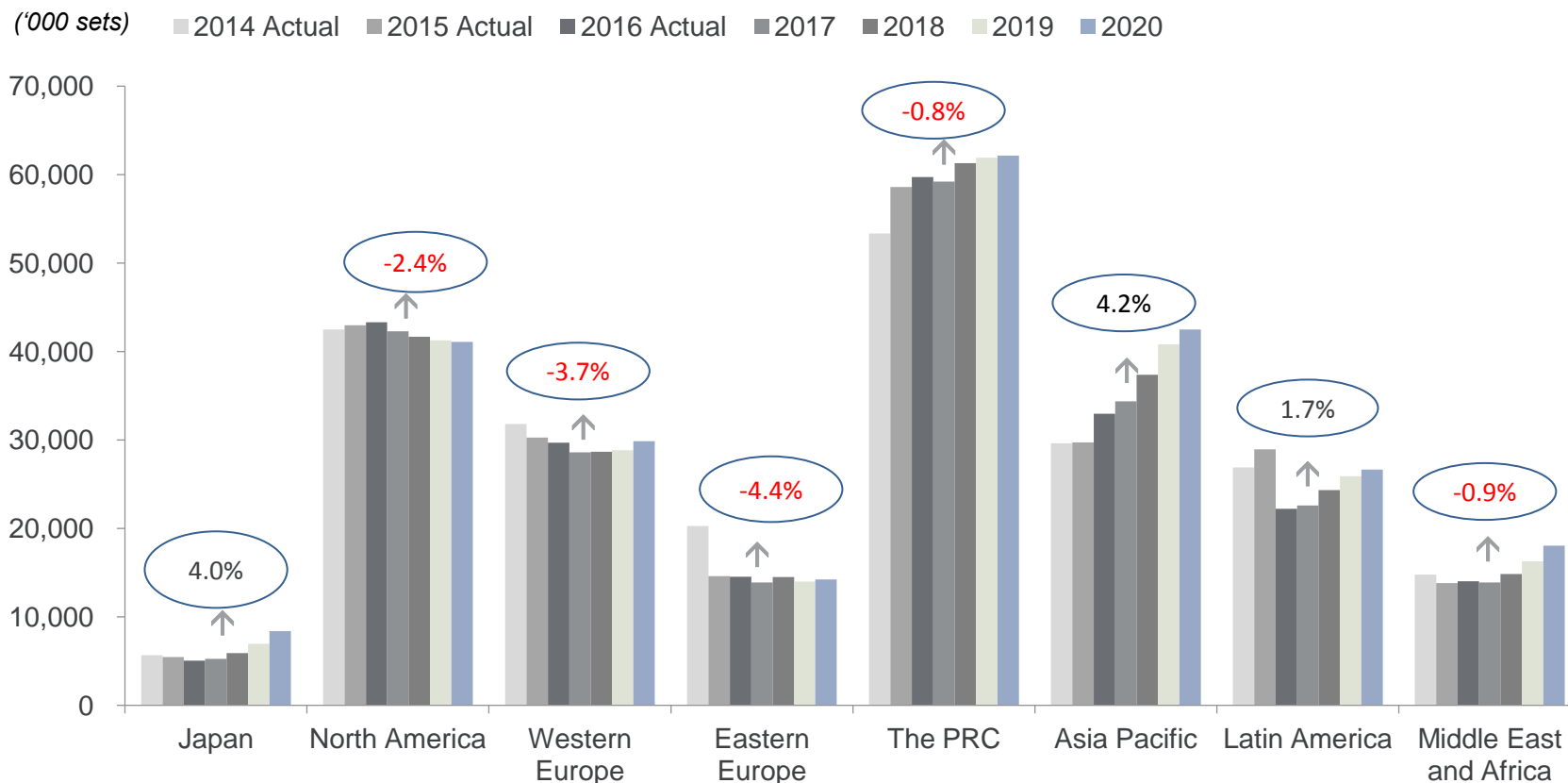
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# Global LCD TV Sales Volume Forecasts



## Projection of 2017-2020 Global LCD TV Sales Volume

In 2017, overall LCD TV sales volume is expected to decrease by 0.6% year-on-year

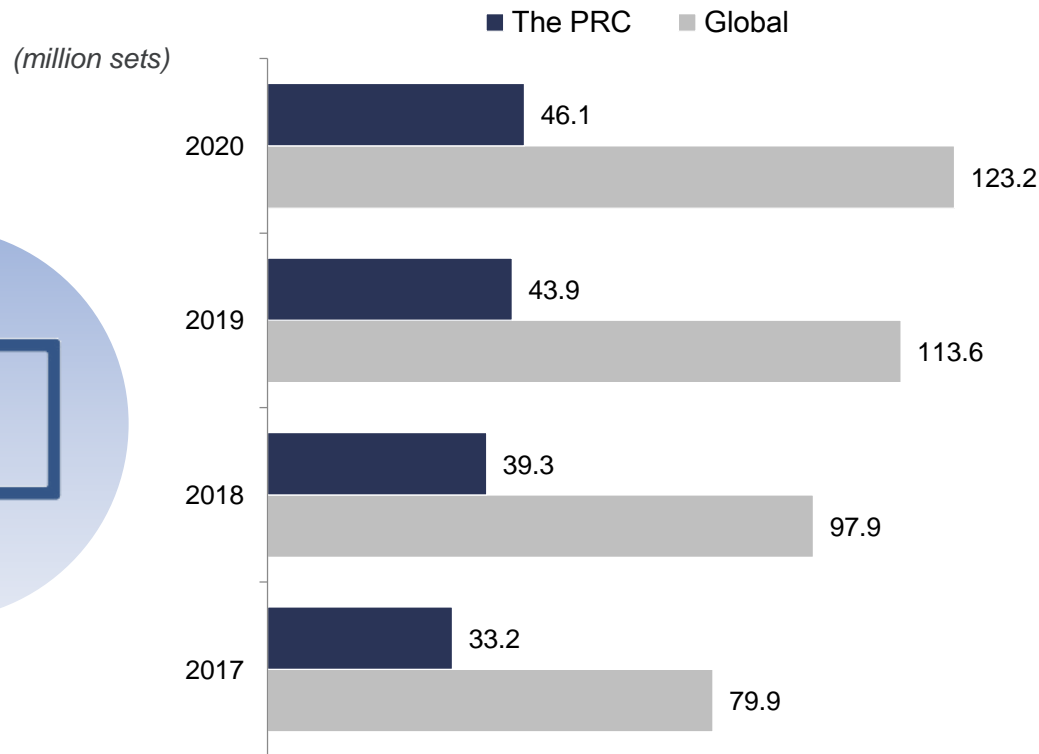


Source: IHS Technology (2017 Q2 data)

# Growth Trends for Global and The PRC UHD TVs



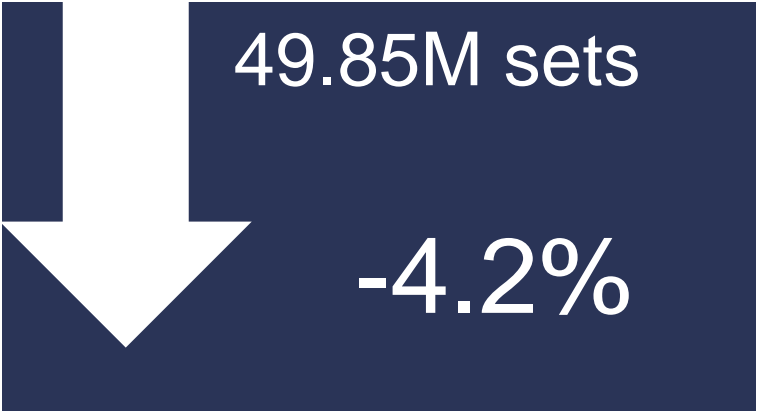
## 2017-2018 4K TV Sales Volume Forecast



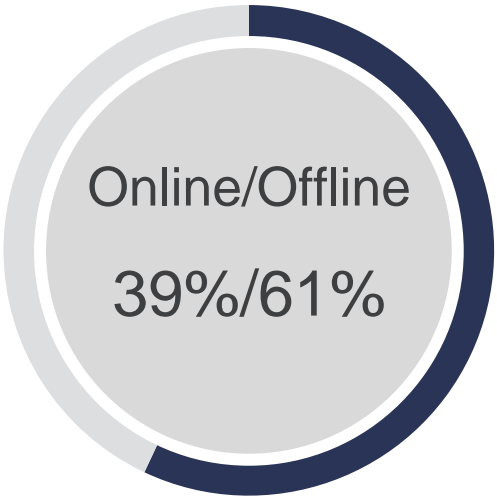
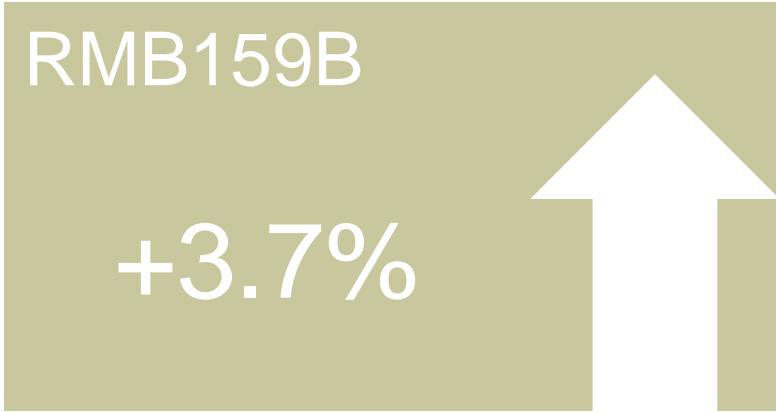
Source: IHS Technology (2017 Q2 forecasted data)

# The PRC TV Market Forecasts

## 2017 Retail Sales Volume Forecast



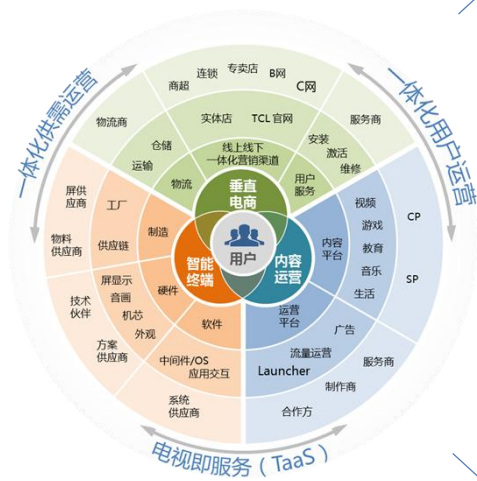
## 2017 Retail Turnover Forecast



Source: CMM forecast



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



**Build a comprehensive ecological enterprise based on smart TV business**

## 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

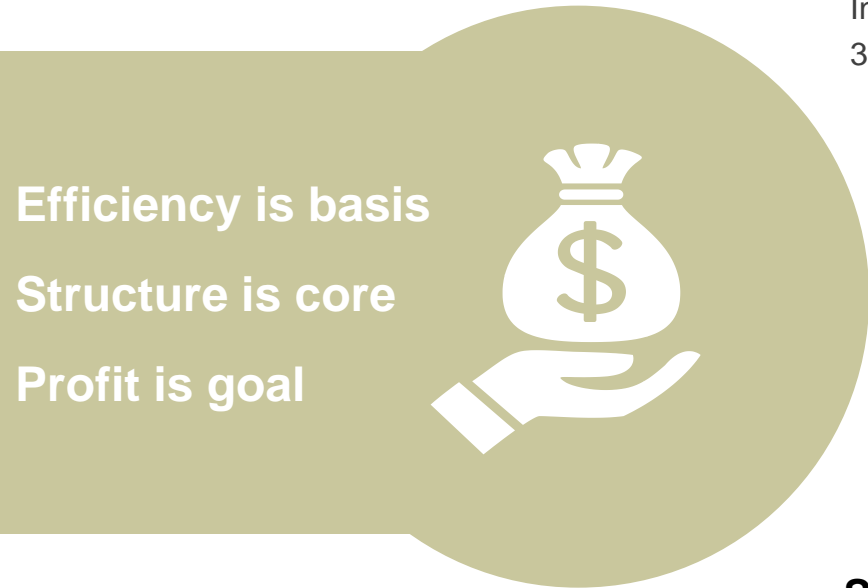
## Continue to Pursue Internationalisation

- ◆ 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

# 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 organisation and optimise workflow
- 2) Enhance workforce efficiency

# Internet Service Revenue Breakdown

		2017 Target (RMB)	2017 1H Actual (RMB)
Advertising		87 million	14.816 million
Membership Services		53 million	15.289 million
Data Services		8 million	-
Value-added Services		2 million	55,000
Overseas Services		-	32,000
<b>Total</b>		<b>Approx.150 million</b>	<b>Approx.30.192 million</b>

\* Restated

Remark: Total revenue was approx.RMB25.44 million\* in 2016 1H, up by 18.7% year-on-year

# Progress of Implementation in 2017 1H and Target for 2017



	2017 1H Actual			2017 Target		
	Overall Actual	The PRC Market	Overseas Markets	Overall Target	The PRC Market	Overseas Markets
		1H Actual	1H Actual		FY Target	FY Target
LCD TV Sales Volume ('0000 sets)	960.3 ↑12.2%	386.7 ↓9.7%	573.7 ↑34.1%	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 Actual	2017 1H Actual
Proportion of smart TV sales volume (%)	66.1%	75%	75.7%	75.1%
Proportion of 4K TV sales volume (%)	36.3%	42%	40.5%	40.6%
Proportion of curved TV sales volume (%)	10.9%	15%	15.4%	15.4%
Proportion of online sales volume (%)	20.0%	20%	18.7%	21.7%

	FY 2016 Actual	FY 2017 Target	2017 Q1 Actual	2017 1H Actual
Internet service revenue (RMB)	Approximately 72.29 million	Approximately 150 million	Approximately 15.74 million	Approximately 30.19 million
Number of TCL global activated smart TV users (Accumulated number at period end) (year-end/quarter-end) <sup>1</sup>	17,289,434	Adjusted to 22,000,000 from 21,000,000	19,087,187	20,303,387
Daily average number of active users (year-end/month-end) <sup>2</sup>	7,473,240 <sup>3</sup>	Adjusted to 9,800,000 from 9,350,000	8,613,932 <sup>3</sup>	9,169,637 <sup>4</sup>
Average daily spending time on TV (hour)	4.7	4.9	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

4. June 2017 data

# Disclaimer



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# Q&A



C2-CUDG

X3

X1-SCUD

X2

C2