

TCL

2023 Interim 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

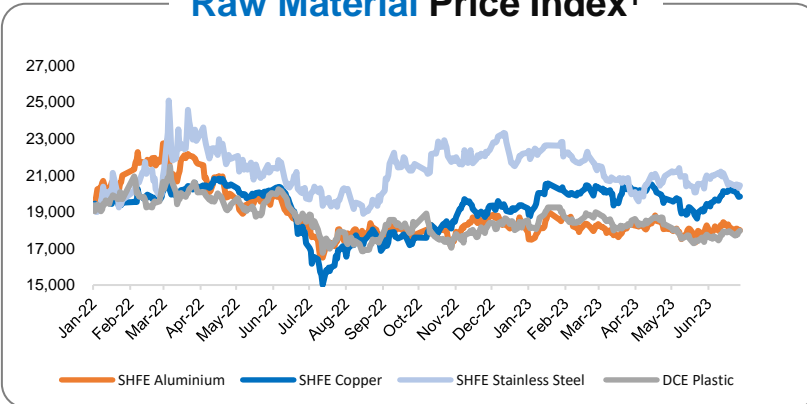


Market Environment | Raw materials price and sea freight price both fell yoy, weak domestic recovery combined with US interest rate hikes, weaker exports, and stepwise RMB depreciation

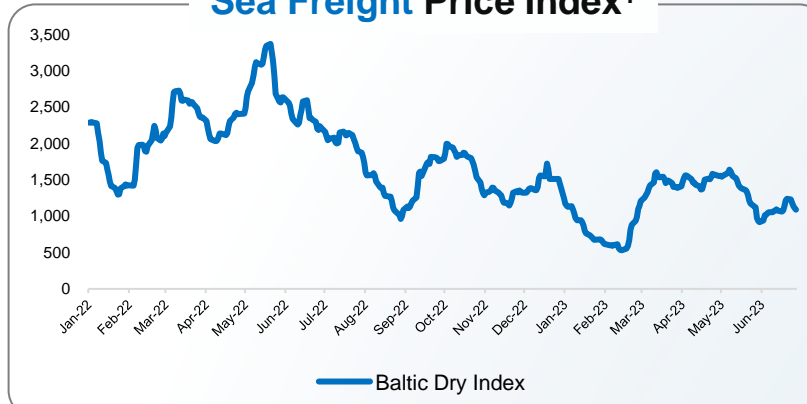


- **Raw material price index and sea freight price index continued to decline¹**, and were lower in the first half of 2023 than that in the same period last year, reducing the cost of conducting overseas business and contributing to the improvement in gross profit margins for enterprises
- **Owing to weaker exports from China** and reduced foreign trade, the total value of exports in the first half of 2023 fell by 3.2% compared with that in the same period last year²
- **The RMB depreciated against the US dollar in a stepwise manner** in the first half of 2023, with a cumulative depreciation of 4.9%, due to the weaker domestic macroeconomic recovery and structural differences among industries, coupled with the widening of the interest rate differential between China and the US³
- **The Federal Reserve, in an effort to control inflation and maintain a tough monetary policy**, continued to raise interest rates, with the federal funds rate continuing to rise and the US CPI/PPI continuing to decline¹

Raw Material Price Index¹



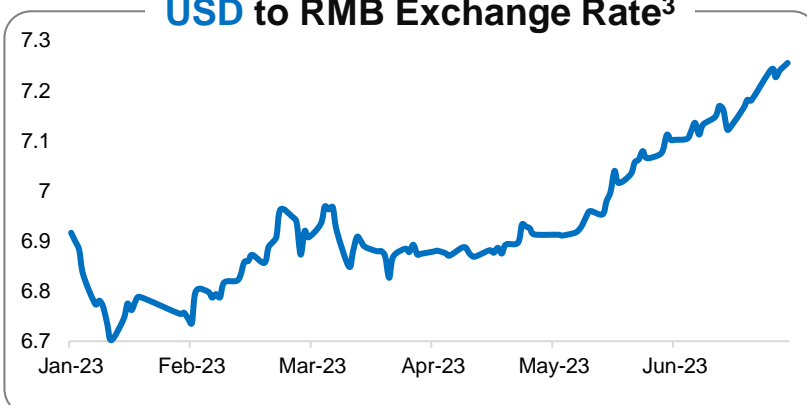
Sea Freight Price Index¹



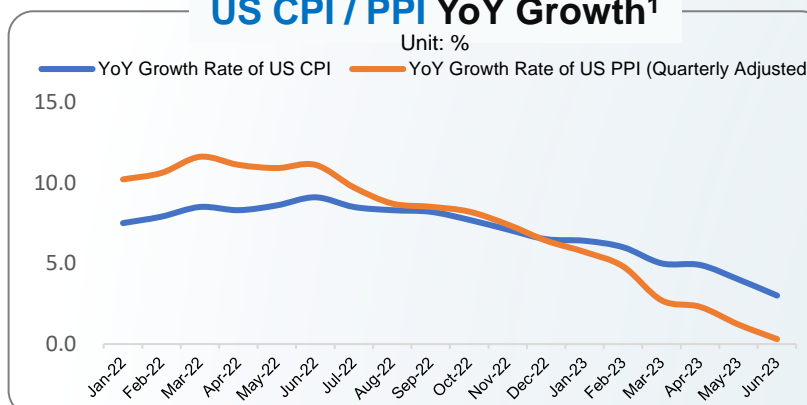
Gross Export Value of China²



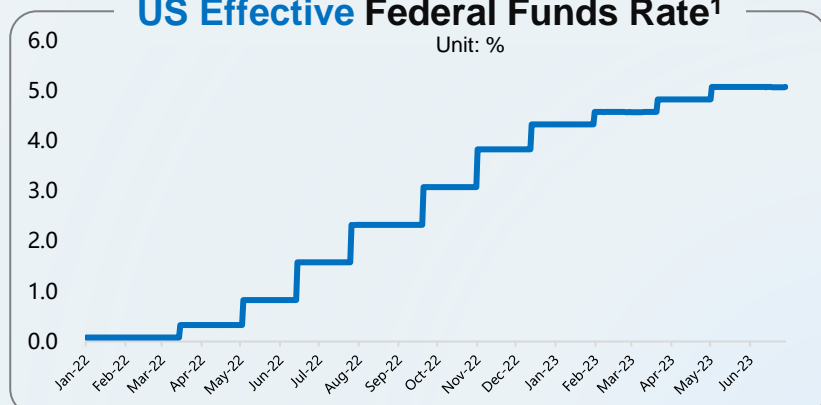
USD to RMB Exchange Rate³



US CPI / PPI YoY Growth¹



US Effective Federal Funds Rate¹



The global major household appliance market is estimated to reach around **RMB1.4 trillion¹** by 2027

Shipment of TCL smart screens ranked Top 2 globally², with market share reaching 12.4%

	<p>TV 460 billion¹</p>	<p>TCL's market share</p> <p>≥10%</p> <p><10%</p>	<p>Regions</p> <p>China, North America, Latin America, Central and East Africa</p> <p>Japan, Asia Pacific (excluding Japan), Europe</p>
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Air Conditioner
300 billion¹

Refrigerator
300 billion¹

Washing Machine
300 billion¹

Demand in the **mobile phone market** remains sluggish, driving consolidation, while the **commercial display industry** remains relatively fragmented

Target mobile phone market in 2027
180 billion¹

Demand in global market continues to consolidate

Target smart commercial display market in 2027
70 billion¹

Steady growth with a fragmented industry

New business sectors have huge growth potential

New Energy - Photovoltaic, energy storage products and solutions

Forecast for newly installed PV capacity worldwide³

In 2027
617GW

New Trend - Mobile scenario of AR/VR products

Global revenue and user forecast for the AR hardware industry in 2027⁴

Revenue
US\$31.3 billion

Users
100 million

New Space - Hotel/community/building, etc. To-B scenarios

New Scenarios - Key products in new intelligent hardware (Intelligent mini projector, home security, etc.)

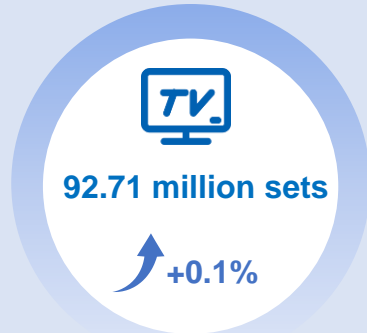


Data Source: 1. The Company's forecast data; in RMB 2. Omdia, market share of global brand TV shipment in 2023 H1 3. Solar Power Europe 4. Statista



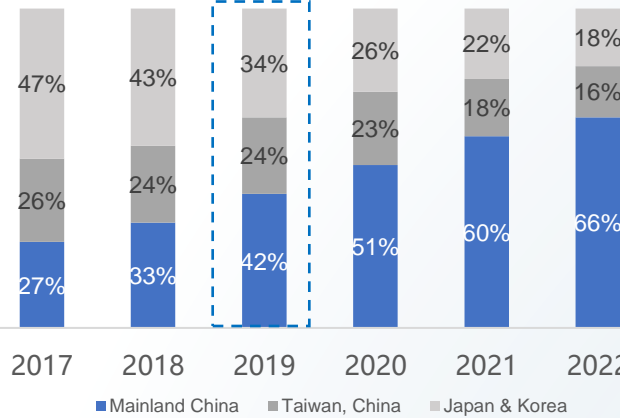
Global TV Shipment in 2023 H1¹

Unit: million sets



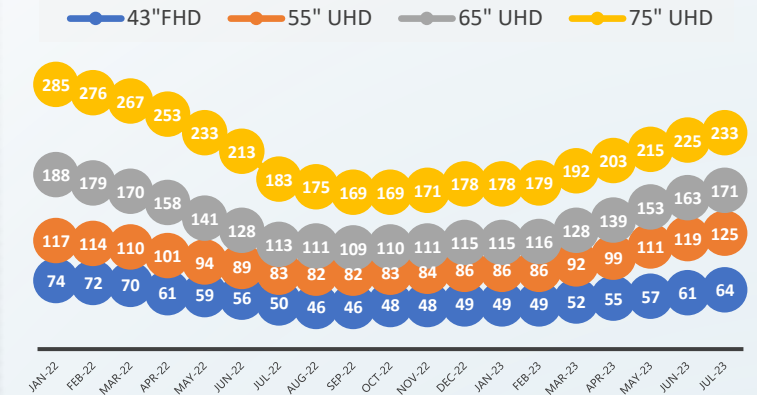
Market Share of Panel Manufacturers in terms of Production Capacity²

In 2019, the mainland's capacity surpassed that of Japan and South Korea



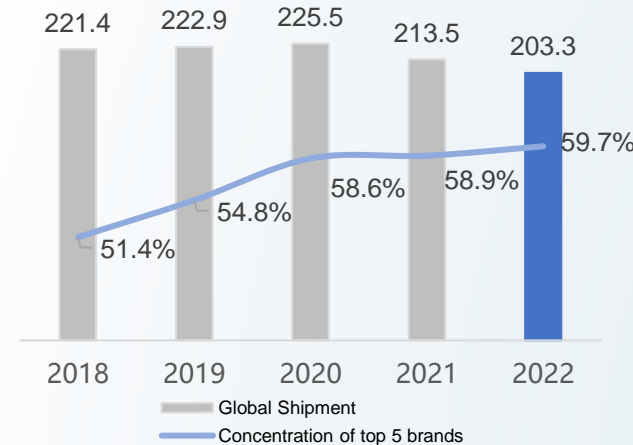
Panel Price Trend²

Unit: USD

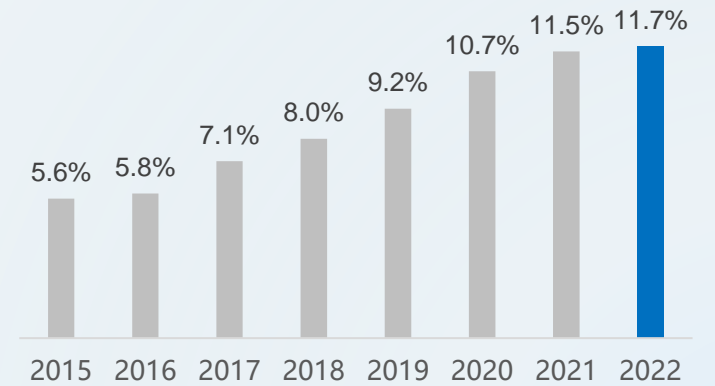


Global TV Shipment and Concentration of Top 5 Brands¹

Unit: million sets



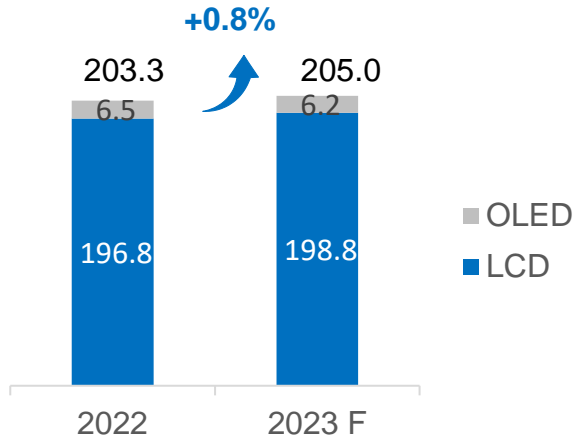
Market Share of TCL Smart Screens in terms of Global Shipment¹



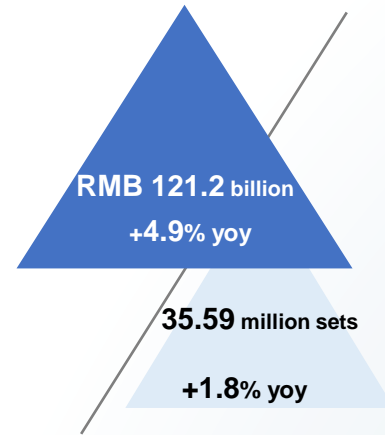


Global TV Market Scale Forecast in 2023¹

Unit: million sets

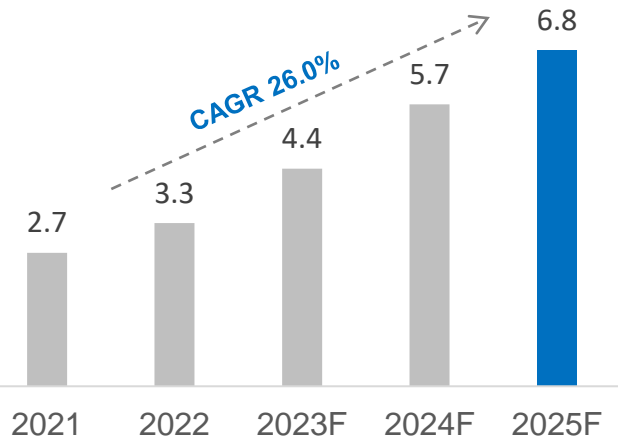


China TV Market Scale Forecast in 2023²



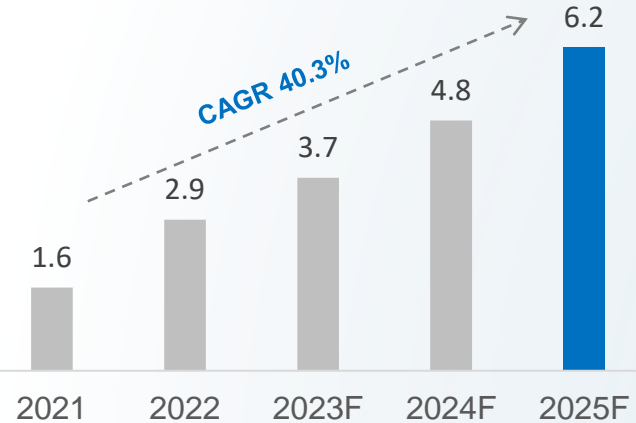
75"+ TV Global Shipment Forecasts³

Unit: million sets



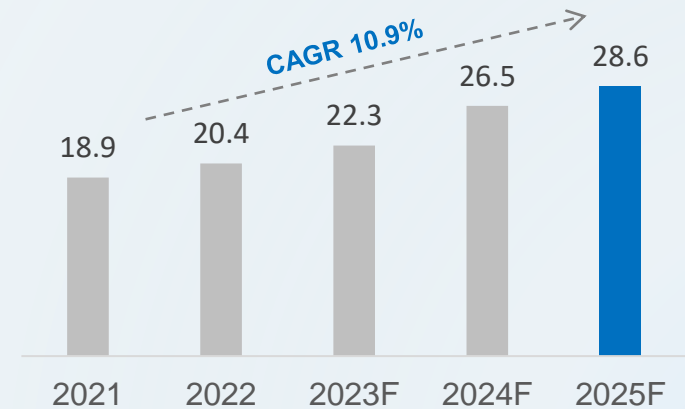
Mini LED TV Global Shipment Forecasts³

Unit: million sets



TV with High Refresh Rate Global Shipment Forecasts³

Unit: million sets





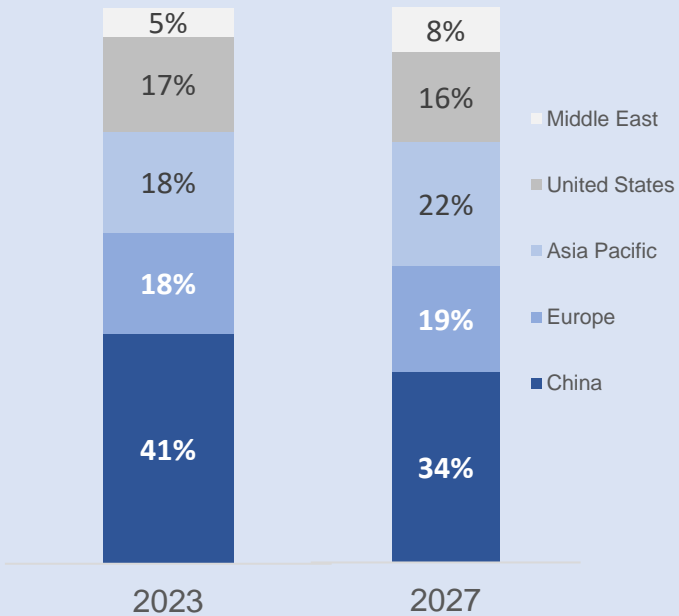
Newly Installed PV Capacity Forecast in Global Market¹

Unit: GW

2023: 341
2027: 617
CAGR 16%

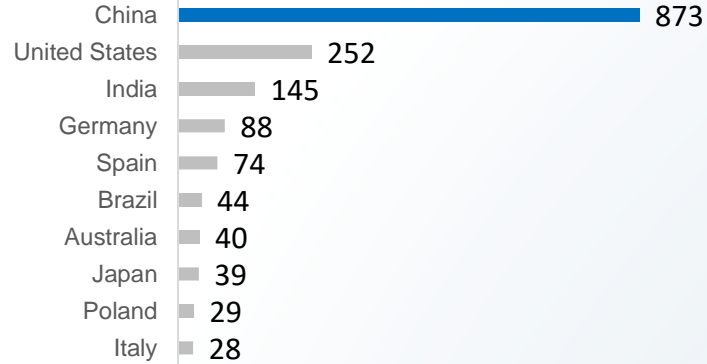
Global PV Market Share Forecast¹

Unit: GW



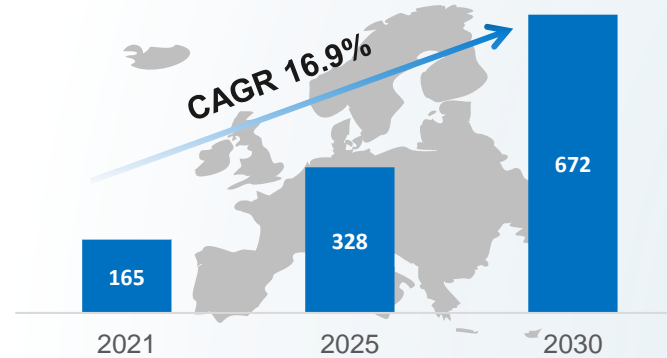
Forecast of the World's Top 10 Countries in terms of Cumulative Newly Installed PV Capacity from 2023 to 2027¹

Unit: GW



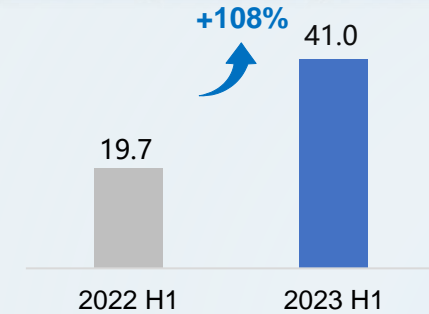
Cumulative Installed PV Capacity in Europe² (Distributed PV capacity dominates in Europe)

Unit: GW



Newly Installed Capacity in China's Distributed PV Industry³

Unit: GW



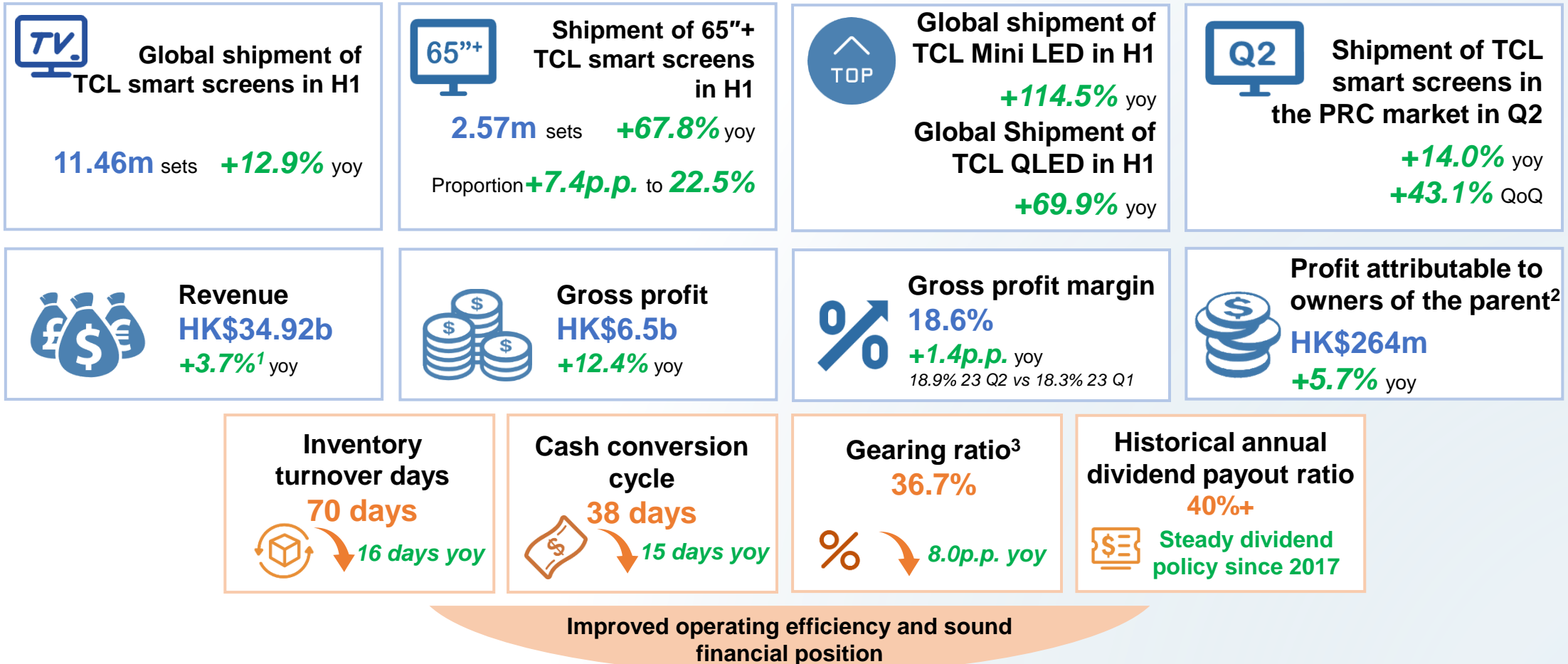


Business Review





Steady growth in performance



Improved operating efficiency and sound financial position

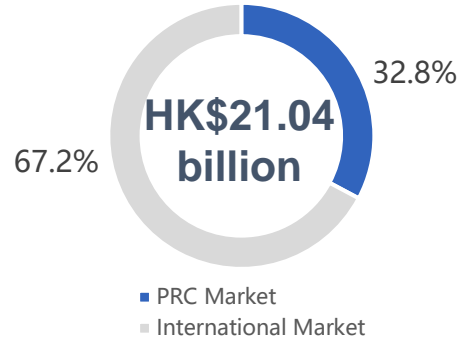
Note:

1. If the impact of the exchange rate conversion of RMB into HKD is excluded, the overall revenue denominated in RMB in 2023 H1 increased by 10.9% yoy
2. In 2023 H1, the adjusted profit attributable to owners of the parent increased by 1.0% yoy to HK\$262 million; in 2023 H1, the Company strategically increased spending on brand marketing to enhance the Company's global brand influence, and the selling and distribution expenses increased by 13.0% yoy to HK\$3.65 billion. At the same time, the performance of the small-and-medium-sized display business was lower than expected, which restrained the short-term profit growth
3. Gearing ratio is calculated as total debt (i.e. total interest-bearing bank and other loans and lease liabilities) divided by equity attributable to owners of the parent company

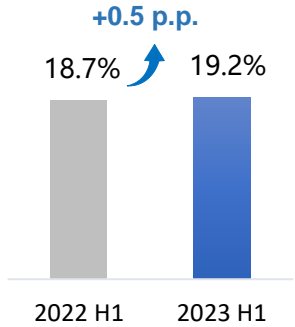


Large-Sized Display

Revenue



Gross Profit Margin

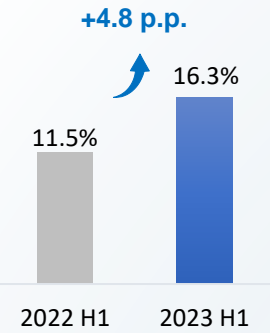


Small-and-Medium-Sized Display

Revenue



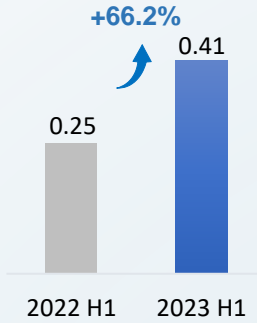
Gross Profit Margin



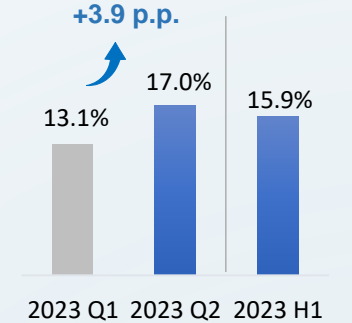
Smart Commercial Display

Revenue

Unit: HK\$ billion



Gross Profit Margin

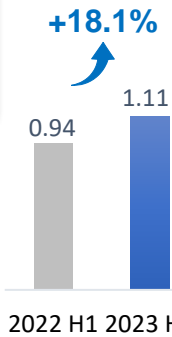


Display Business

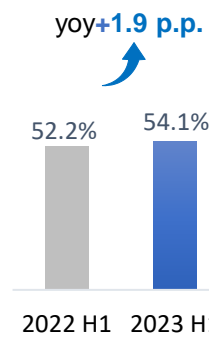
Unit: HK\$ billion

Internet business performed well with significant profit contribution

Revenue



Gross Profit Margin



Internet Business

Unit: HK\$ billion

Innovative business continued to grow strongly, with revenue up 65.2% year-on-year to HK\$8.69 billion, another **blue ocean growth opportunity**



Revenue of Photovoltaics

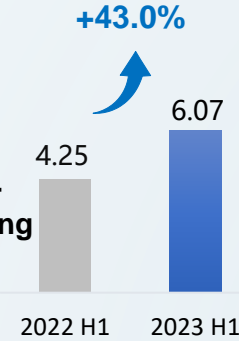


Innovative Business

The photovoltaic business **grew strongly**



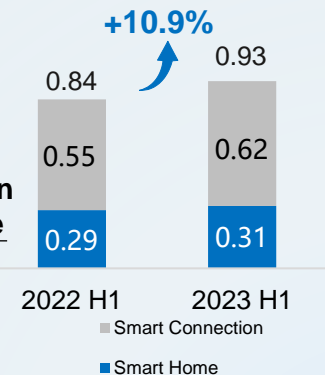
Revenue of All-Category Marketing



Global distribution revenue expanded GPM increased by **1.4 p.p.** to 15.2%



Revenue of Smart Connection and Smart Home



The scale of smart connection and smart home business continued to grow GPM increased by **2.2 p.p** yoy to 18.7%

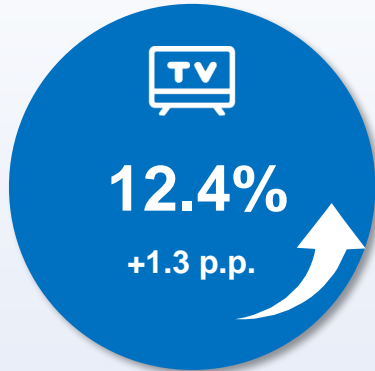


1.1 Display Business – Large-Sized Display | **The breakthrough of mid-to-high-end large screens was remarkable,** with market share in terms of both shipment and revenue increasing, and the performance far exceeding the industry level



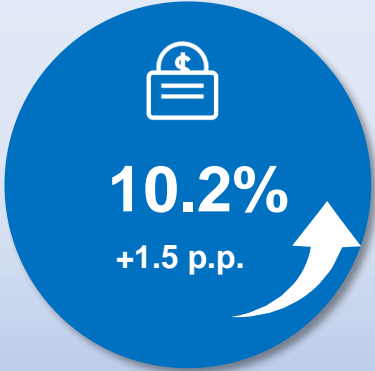
NO.2

TCL smart screens' global market share in terms of shipment

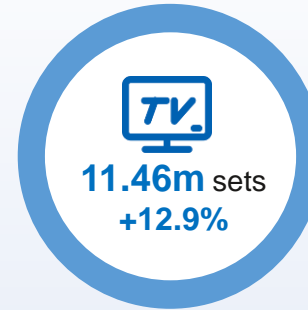


NO.3

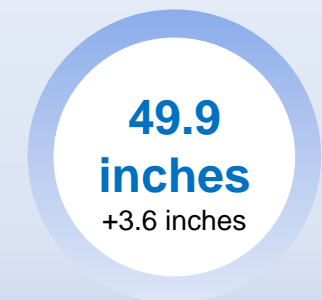
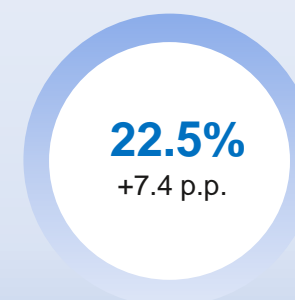
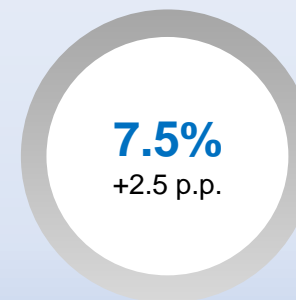
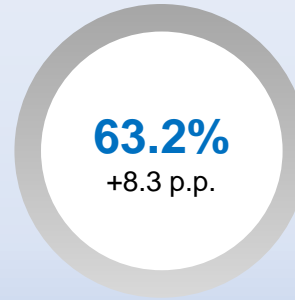
TCL smart screens' global market share in terms of sales revenue¹



Global shipment of TCL smart screens **outperformed the industry average²**
TCL smart screens' brand index³ continuously increased



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



Proportion of 4K Products

Proportion of Quantum Dot Products

Proportion of ≥65-inch Products

Average Size

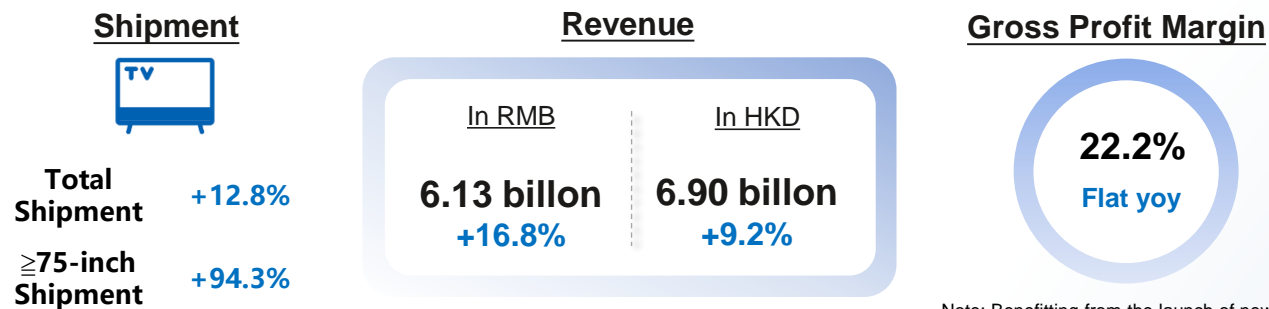
Data Source:

1. Omdia, the ranking of global brand TV in terms of shipment and sales revenue in 2023 H1
2. Omdia, the global TV shipment in 2023 H1 increased slightly by 0.1% yoy
3. The brand index is calculated by dividing the market share of sales revenue by the market share of shipment

1.1 Display Business – Large-Sized Display | Brand power continued to improve, driving increased sales volume, sales revenue and profit of TCL large-sized smart screens, with performance far exceeding the industry level

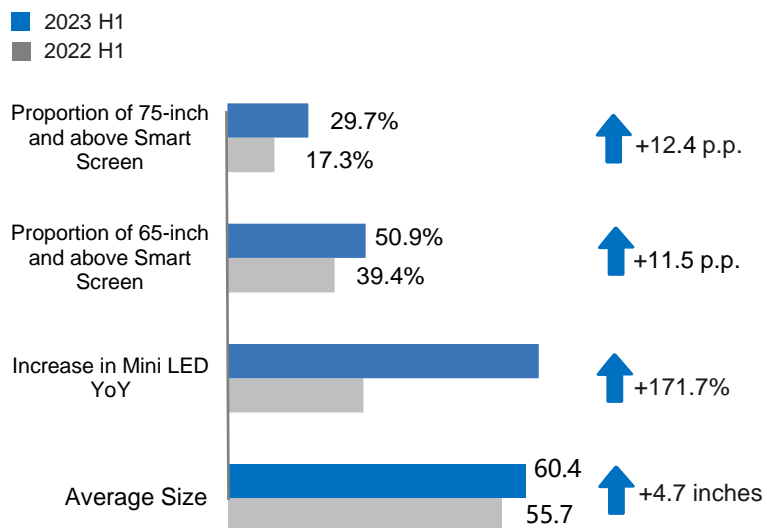
PRC Market

Dual-brand strategy helped sales soar, outperforming the industry¹
High-end strategy continued to advance, with market penetration rate increasing



Note: Benefitting from the launch of new products, the GPM of 2023 Q2 increased by 3.2 p.p. compared with 2023 Q1

High-End Products and Average Size of Products

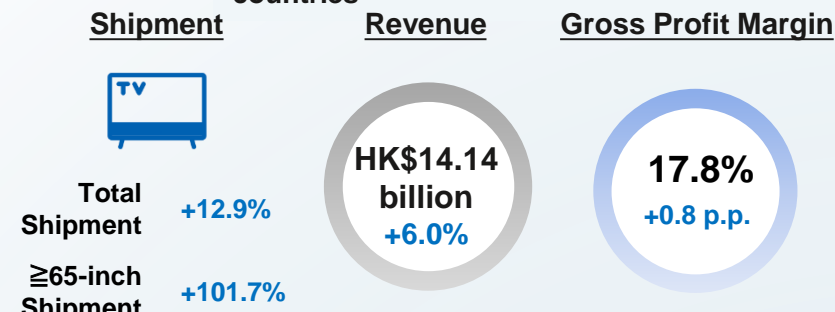


According to the omni-channel data from CMM, in 2023 H1:

- ✓ TCL smart screens' market share in terms of sales revenue jumped to the top two in the industry, up 4.2 p.p. yoy
- ✓ TCL smart screens' brand index in the PRC market increased by 12.8% yoy to 132, ranking first among Chinese brands
- ✓ The omni-channel retail sales volume of TCL QLED and Mini LED smart screens in the PRC market continued to rank No. 1

International Market

Breakthrough in product structure with stable gross profit margin
TCL smart screens ranked top 5 in nearly 30 countries²



Market Share Ranking of TCL Smart Screens in Overseas Countries²

Emerging Markets Shipment +17.6% yoy

Australia	No.1
The Philippines	No.1
Myanmar	No.1
Pakistan	No.1
Saudi Arabi	No.2
Brazil	No.3
Argentina	No.3
Kazakhstan	No.3
Thailand	No.4
Vietnam	No.4
Chile	No.4
Japan	No.5
Ecuador	No.5
UAE	No.5
India	No.5

North American Markets Shipment +18.6% yoy

United States	No.3
Canada	No.3
Mexico	No.5

European Markets Shipment -10.0% yoy

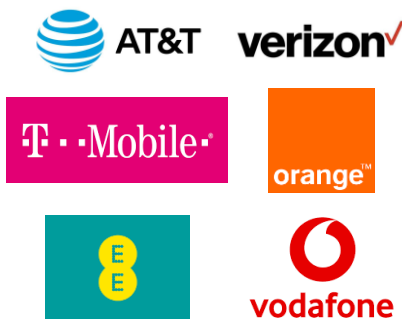
France	No.2
Czech Republic	No.3
Sweden	No.3
Italy	No.4
Spain	No.4
Greece	No.4
Poland	No.4
Hungary	No.5
The Netherlands	No.5

Note:

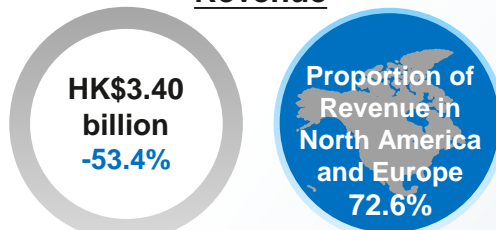
- According to Omdia's data, TV shipment in the PRC market fell 2.8% yoy to 17.78 million sets in 2023 H1. According to the omni-channel data from CMM, TV retail sales volume in the PRC market rose 3.5% yoy to 16.94 million sets in 2023 H1
- Market share data of accumulated TV shipment in overseas countries (except North America) in 2023 H1 is from GfK, and the market share data of accumulated TV retail sales volume in North America in 2023 H1 is from NPD

Small-and-Medium-Sized Display – Gross profit improved due to product-driven, breakthrough-focused, and quality-improved development, while scale and profitability were lower than expected owing to the weak market

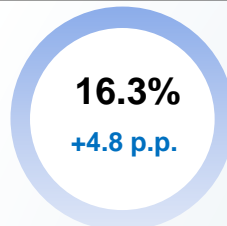
Full coverage among **first-tier mobile carriers in the U.S. and Europe**



Revenue



Gross Profit Margin



TCL 40 R 5G Smartphone



TCL TAB 10 Gen 2 Tablet

Smart Commercial Display | Focusing on the IFPD market and providing multi-scenario product solutions; revenue increased by 66.2% yoy to HK\$413 million

- ✓ Explored into the IFPD market in cooperation with **DingTalk and Tencent Ecology**. Cooperated with **overseas leading IFPD brand**, fully utilising its business integration. Shipemnt in overseas markets increased rapidly.
- ✓ Developed **multi-scenario product solutions** to empower education, medical service, office, and public services etc., and continued to provide efficient multi-scenario product applications

New Product of TCL Smart Education Solution



Smart Education Solution

**New Product of TCL Smart Meeting Board
TCL NXTHUB V60Pro**



Smart Enterprise Solution



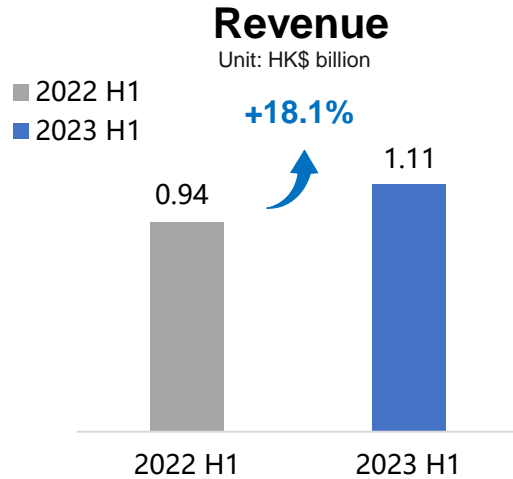
TCL Smart Medical Solution



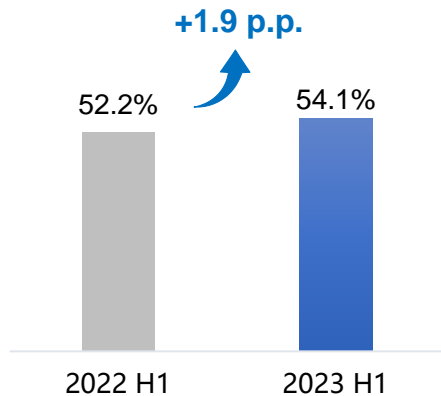
2.1 Internet Business | Strengthened vertical and innovative business as well as international business, with global internet business revenue up **18.1% yoy** and **solid profitability**



Global Internet Business



Gross Profit Margin



The PRC Market: focused on product innovation with continuously improved user experience

 **LING KONG UI won Red Dot Design Award 2023**



Launched the industry's first customised content column generated by AI large-language model technology – **"Super Story Painter" AI story collection**



International Market: partnered with third-party OTT platforms and operated TCL Channel, our integrated content application

- ✓ Cooperated with giants like Google, Roku and Netflix to continuously improve user experience
- ✓ Since 2021, it has continuously received revenue sharing from Google's platform
- ✓ Falcon has gradually 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 June 2023, TCL Channel had accumulated over **21 million** users, covering **60 countries** in North America, Europe, Central and South America, and the Asia-Pacific region



Continue to deepen global cooperation with Internet giants

3.1 Innovative Business - Photovoltaic Business | PV presents a broad “blue ocean” market opportunity; penetration of To-B and To-C business continued to increase, with exponential growth in scale TCL

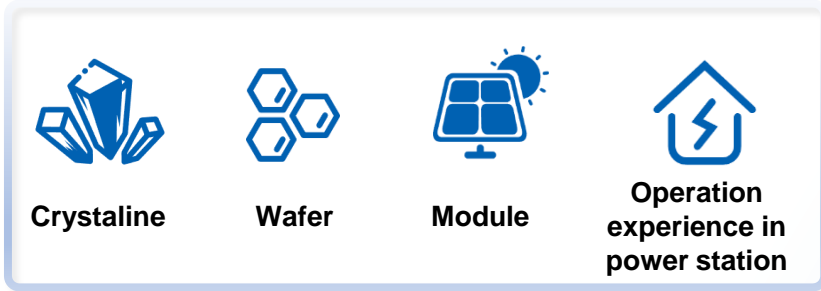


- ✓ **Complete** upstream photovoltaic industrial chain and rich financial/project resources
- ✓ Products, finance and channels as a moat to create **differentiated capabilities**

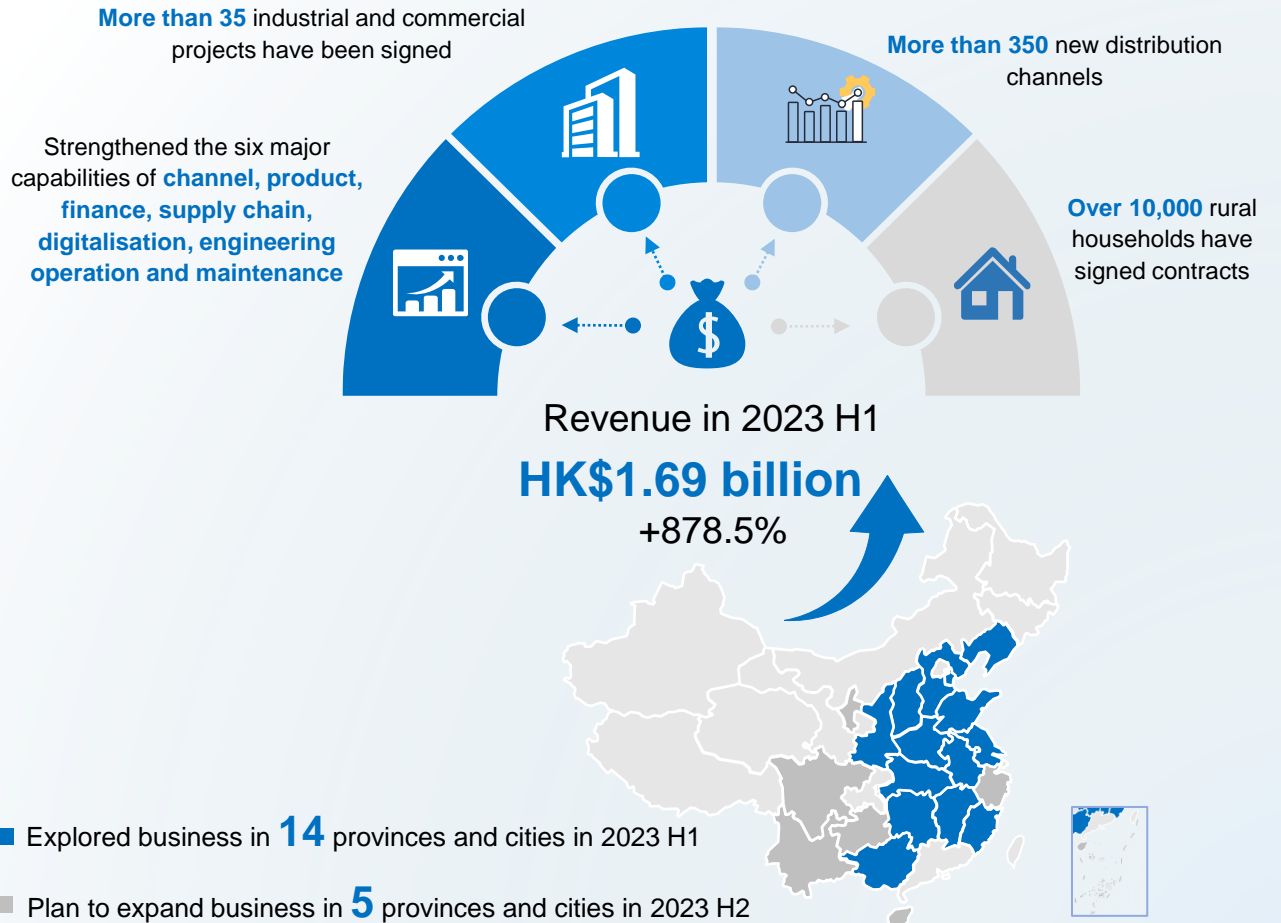


- ✓ **Business Positioning:** Focus on system integrators and operation and maintenance service provider
- ✓ Seize market opportunities and **rapidly expand business scale**

TCL Zhonghuan

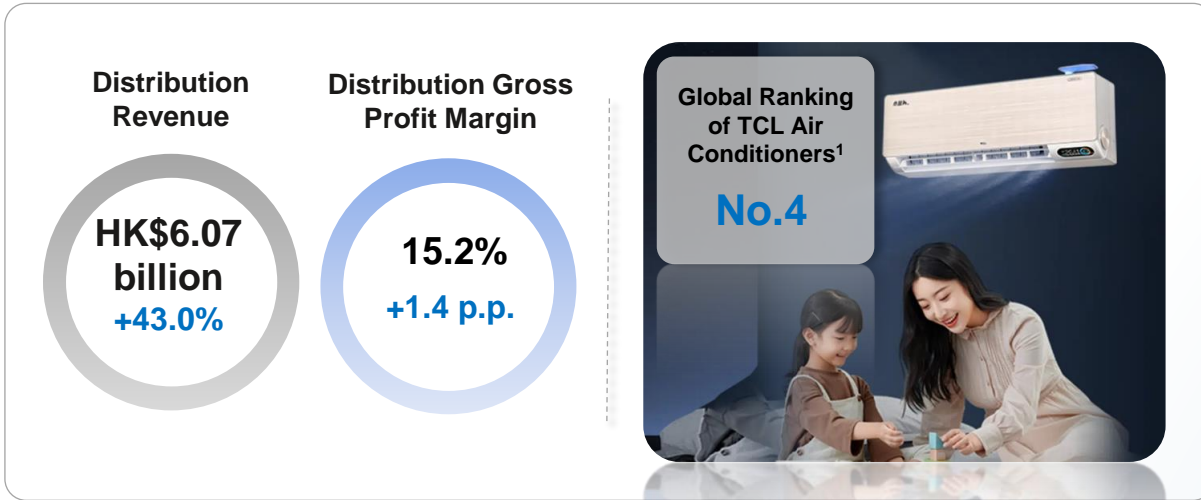


TCL Electronics

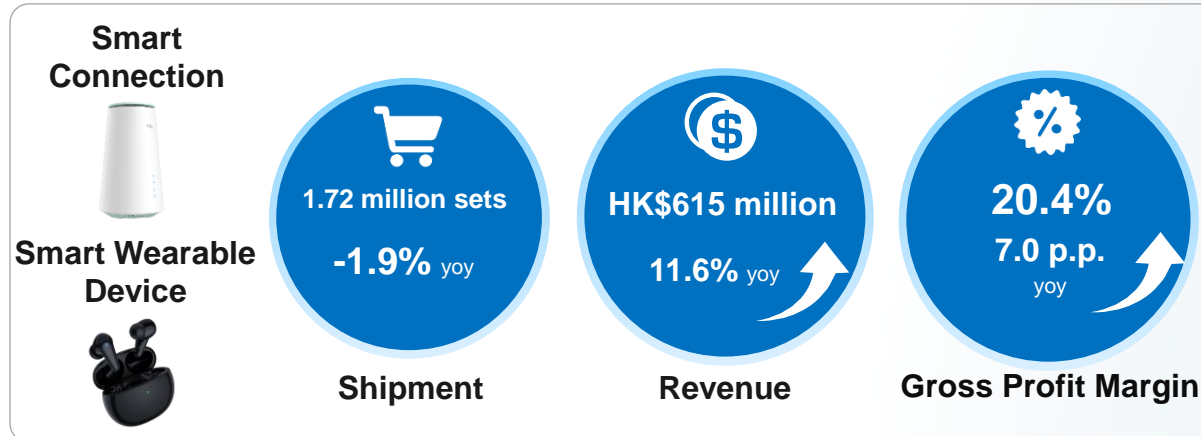


3.2 Innovative Business – All-Category Marketing | Continued to scale up at a high rate, led the smart glasses industry and achieved continuous breakthroughs in smart connection and smart home

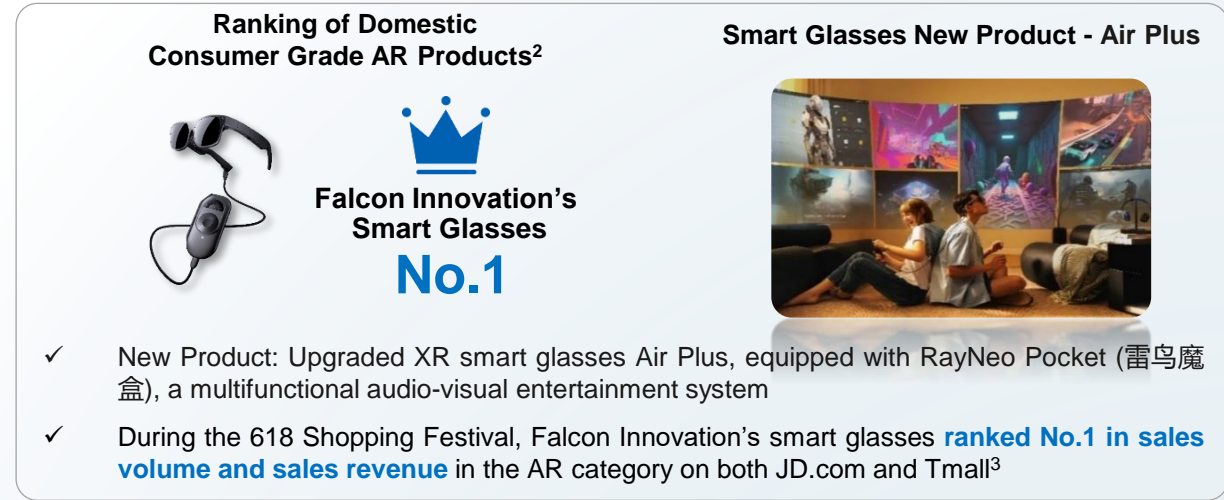
All-Category Marketing - Brand/channel synergy accelerated distribution scale growth



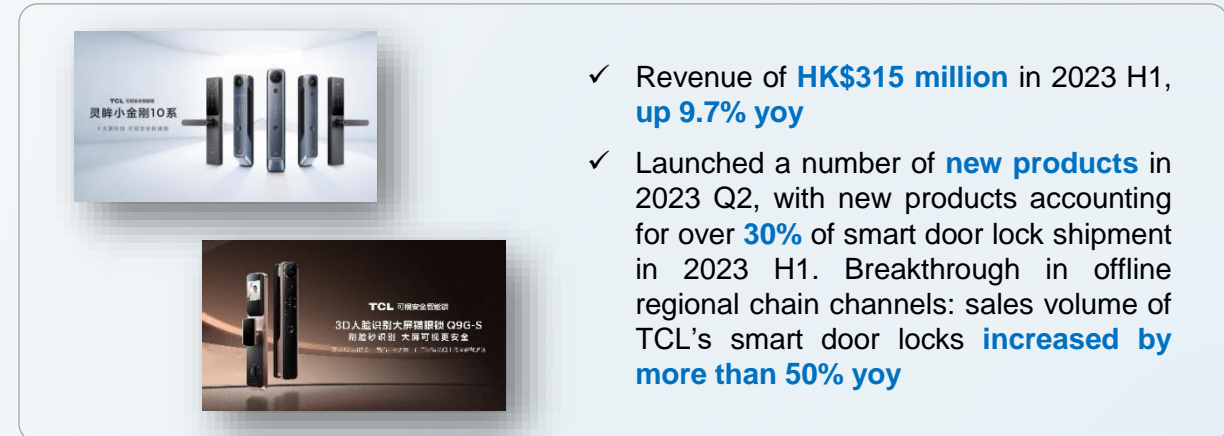
Smart Connection - Actively expanded product portfolio into 4G/5G, continuously making breakthroughs in the carrier channel



AR/XR Glasses – Market share ranked No.1 in the PRC online market



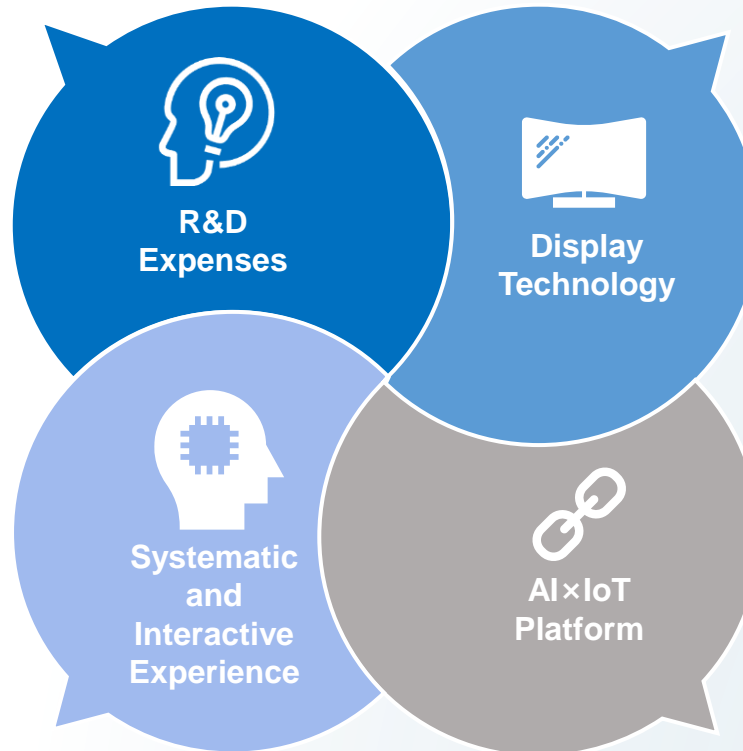
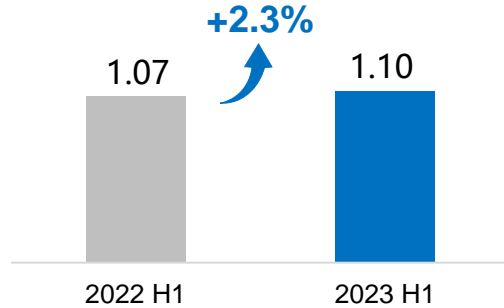
Smart Home - The mid-to-high-end product mix improved, with breakthrough in offline channels



Data Source: 1. Industry Online, global shipment figures for 2023 H1 2. CINNO Research, sales volume data for the PRC market in 2023 Q2 3. JDSZ and Tmall SYCM

2023 H1 R&D Expense ratio 3.1%

Unit: HK\$ billion



Achieved breakthrough in display technology by establishing technical control points, helping TCL's Mini LED technology remain far ahead of competitors



Innovative breakthroughs in contrast, colour, clarity, adaptive sound quality, and spatial sound effects, comprehensively improving users' immersive audio and video experience

Increased investments in system technology platforms improved user experience



Deepened research and development in innovative business sectors such as AR/VR. Explored the application of smart interactive scenarios

Systematic and Interactive Experience

AIxIoT Platform

Consolidated the AIxIoT technology platform provided smarter personalised services



Incorporated AI model capabilities enhanced internal working processes and improved operational efficiency



4.3 Business Highlights | The brand and various intelligent products won significant recognition from the global industry and consumers

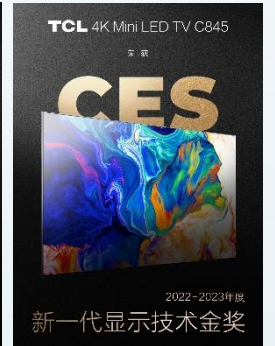


2023 AWE Award

- TCL X11G QD-Mini LED TV won the “2023 AWE Award”
- TCL Dual Wash Washing Machine G160Q10-HDY won the “AWE Excellent Product Award”
- TCL Fresh Air III Series Air Conditioner won the “AWE Excellent Product Award”

Global Top Brands Award

- TCL X11G QD-Mini LED TV won “Innovation Award for Mini LED Display of the Year”
- TCL 4K Mini LED TV C845 won the “Gold Award for New Generation Display Technology”
- TCL NXTPAPER 12 Pro Tablet won the “Innovation Award for Eye Protection Technology Innovation Award”



iF and Red Dot Design Award

- TCL smart products won the 2022 “iF Design Award” and 5 “Red Dot Design Award”
- TCL NXTPAPER 11, TCL Q-Zone Washing Machine, TCL 93 Series Home Theatre Soundbar, TCL Ultra Thin & Embedded REF(X Series), etc. won the “iF Design Award”
- TCL Ultrathin Mesh Router, TCL Baby Care Washing Machine, TCL S6 Series Home Theatre Soundbar, etc. won the “Red Dot Design Award”

Prizes awarded by National Household Appliances Industry Information Centre

- TCL Ultra Thin Refrigerator R461P12-UQ was awarded the title of “Pioneer of Freezing and Fresh Storage”
- TCL Fresh Air III Series Air Conditioner was honored with the title of “Pioneer of Fresh and Healthy Air”



Falcon AR/XR smart glasses won multiple industry awards

- NXTWEAR X2 won the “China Information Technology Expo Innovation Award”
- TCL NXTWEAR S won the “Global Mobile Award” (GLOMO)

TCL Photovoltaic Technology won the “2023 Industrial and Commercial Photovoltaic Excellence EPC Award”

- Relying on the synergistic advantages of TCL Group's industrial chain and its own vertically integrated management advantages in terminals, TCL Photovoltaic Technology has established industrial and commercial photovoltaic cooperation with leading companies in many industries such as manufacturing, technology, electronic information, education, textiles, food, and logistics.



4.3 Business Highlights | Environmental, Social and Governance performance has been rated A by Hang Seng Index for five consecutive years, an outstanding performance



Overall ESG Rating¹



Overall ESG rating of A for five consecutive years from 2018 to 2022

Overall Awards

2019 to 2022

TCL has been included in the **Hang Seng Sustainable Enterprises Benchmark Index** for four consecutive years¹

ESG Performance Comparison¹

Compared to peer companies:

Top 20%

(Out of 94 companies)

Compared to other index

components: **Top 20%**

(Out of 575 companies)

Overall ESG Performance¹

Environment

0 100

Society

0 100

Governance

0 100

E

- Introduced the industry's first new embedded integrated honeycomb panel packaging scheme, **reducing greenhouse gas emissions from transportation by cutting packaging thickness**
- With manual spraying production line waste gas treatment transformation, **VOCs removal rate rose to 85%, and emissions were reduced by 4.8 tons/year**
- Expanded the photovoltaic business to help rural revitalisation and **propel the development of the low-carbon economy**

S

The Group **continues to increase the proportion of female employees** globally, to over **40%** as at 31 Dec 2022

TCL mobile phone products have introduced **a hearing aid function**, to provide a more convenient and **accessible** product experience

G

The 7th Gelonghui Award for Outstanding Listed Companies in Greater China: **Annual Information Disclosure Award**

Integrated, formulated and adopted the **Anti-Corruption Policy** in 2022





Outlook





Product

- ✓ Master the technical winning points
- ✓ Provide extreme user experience
- ✓ Achieve industrial chain integration, with cost competitiveness



Marketing

- ✓ Improve both brand index and recognition
- ✓ Continue to deepen the coverage of key areas and high-quality channels

Branding leads to value



Operation

- ✓ Optimise layout, improve efficiency and reduce cost
- ✓ Refine operation, improve efficiency



Organisation

- ✓ Build a personnel training system
- ✓ Optimise the process and digital construction capacity

**Relative Cost Advantage
Enhance Operation Efficiency**

TCL

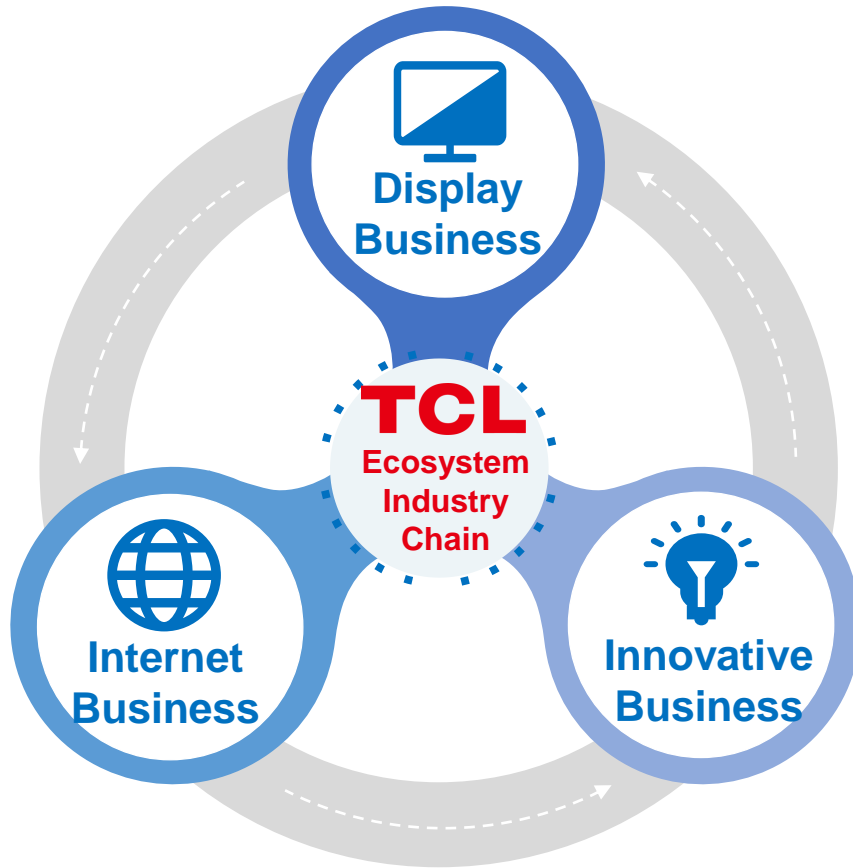
INSPIRE GREATNESS



Collaborative Innovation

- ✓ Maintain continuous innovation capacity
- ✓ Produce synergistic ecological effect

Collaborative Innovation Driver



Core Business

Focus on mid-to-high-end products and continue to implement the dual-brand strategy of “TCL+Falcon”
Optimise the domestic and foreign channel layout, aiming to solidify the Group’s position as a global leader

Based on its display business and technology, the Group will continue to increase its market share in mid-to-high-end products and foster high-quality growth via its brand value and large-screen and mid-to-high-end strategy



New Business

Seizing blue ocean market opportunities in new business sectors and achieving results for a brighter future

Taking user experience as the key concern, improving the convenience of use and the richness of content to provide continuous and stable profit contribution

Seizing opportunities in new markets such as photovoltaics and smart glasses, rapidly building up scale, and empowering the company's long-term 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

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- 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 THANKS!

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