



TCL 多媒體科技控股有限公司
TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED
股份代號：01070



2016 Q1 Results Presentation

(Unaudited results for the three months ended 31 March)

Agenda



- 1** Financial Highlights
- 2** Business Review
- 3** Outlook

1. Financial Highlights



X1

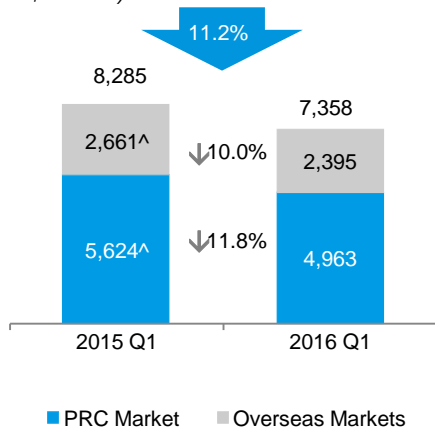
TCL

Financial Highlights



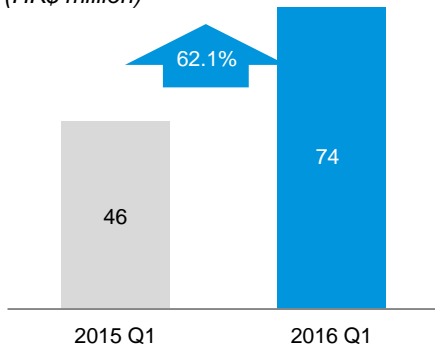
Turnover

(HK\$ million)



Profit Attributable to Owners of the Parent

(HK\$ million)



[^] Restated

(HK\$ million)

	2016 Q1	2015 Q1	Change
Turnover	7,358	8,285	(11.2%)
Gross profit	1,383	1,189	16.4%
Gross profit margin (%)	18.8%	14.3%	4.5 p.p.
Expense Ratio (%)	16.7%	13.1%	3.6 p.p.
Net profit after tax	76	40	89.7%
Net profit after tax margin (%)	1.0%	0.5%	0.5 p.p.
Profit attributable to owners of the parent	74	46	62.1%
Basic earnings per share (HK cents)	5.55	3.45	60.9%

As the major raw material prices fell year-on-year, average selling price of TVs in the first quarter decreased year-on-year, coupled with the impact of Hong Kong Dollar exchange rates translation, the Group's turnover of the first quarter dropped year-on-year. Nevertheless, resulting from continuous improvement in product mix and operational efficiency, gross profit margin increased by 4.5 percentage points year-on-year, which offset the impact of decline in turnover, the Group's profitability has been enhanced and results was improved.

Segment Results

The PRC Market TV Business

(HK\$ million)

	2016 Q1	2015 Q1 [^]	Change
Turnover	4,957	5,620	(11.8%)
Gross profit	1,065	993	7.2%
Gross profit margin	21.5%	17.7%	3.8 p.p.
Operating results	165	296	(44.3%)

Overseas Markets TV Business

(HK\$ million)

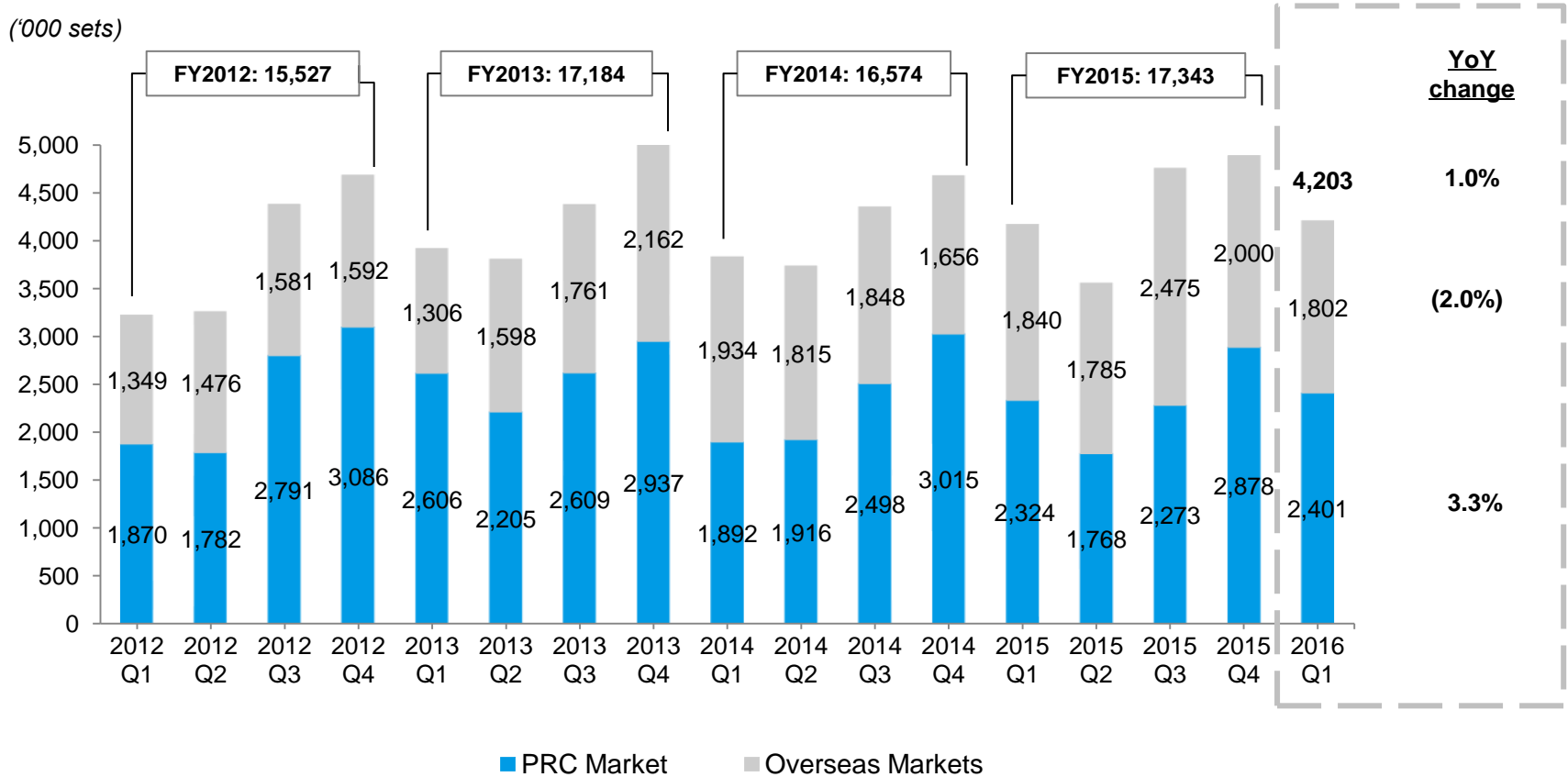
	2016 Q1	2015 Q1 [^]	Change
Turnover	2,380	2,654	(10.3%)
Gross Profit	311	186	67.5%
Gross profit margin	13.1%	7.0%	6.1 p.p.
Operating results	33	(126)	N/A

[^] Restated

LCD TV Sales Volume



LCD TV Sales Volume (By quarter)

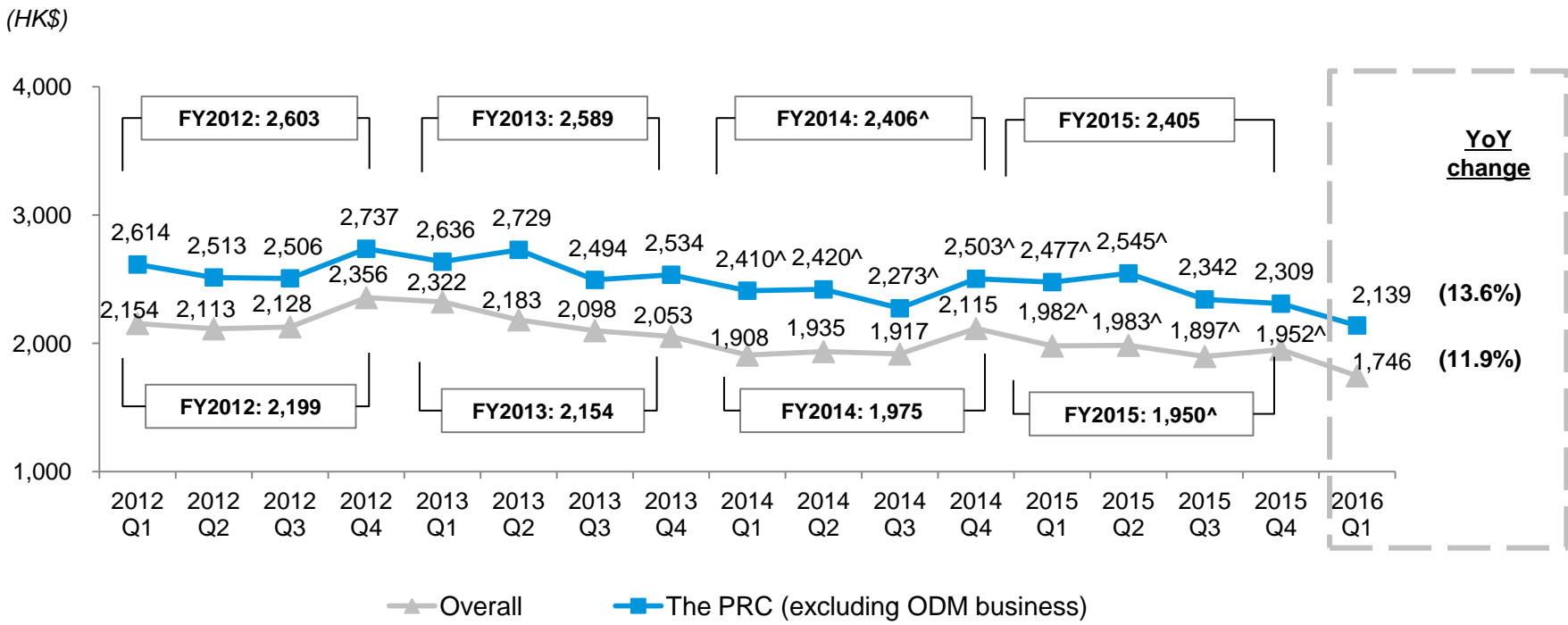


^ Sales volume in the PRC Market and Overseas Markets for each quarter from 2012 Q1 to 2015 Q4 have been restated

LCD TV Average Selling Prices



Average Selling Prices of LCD TVs (By quarter)

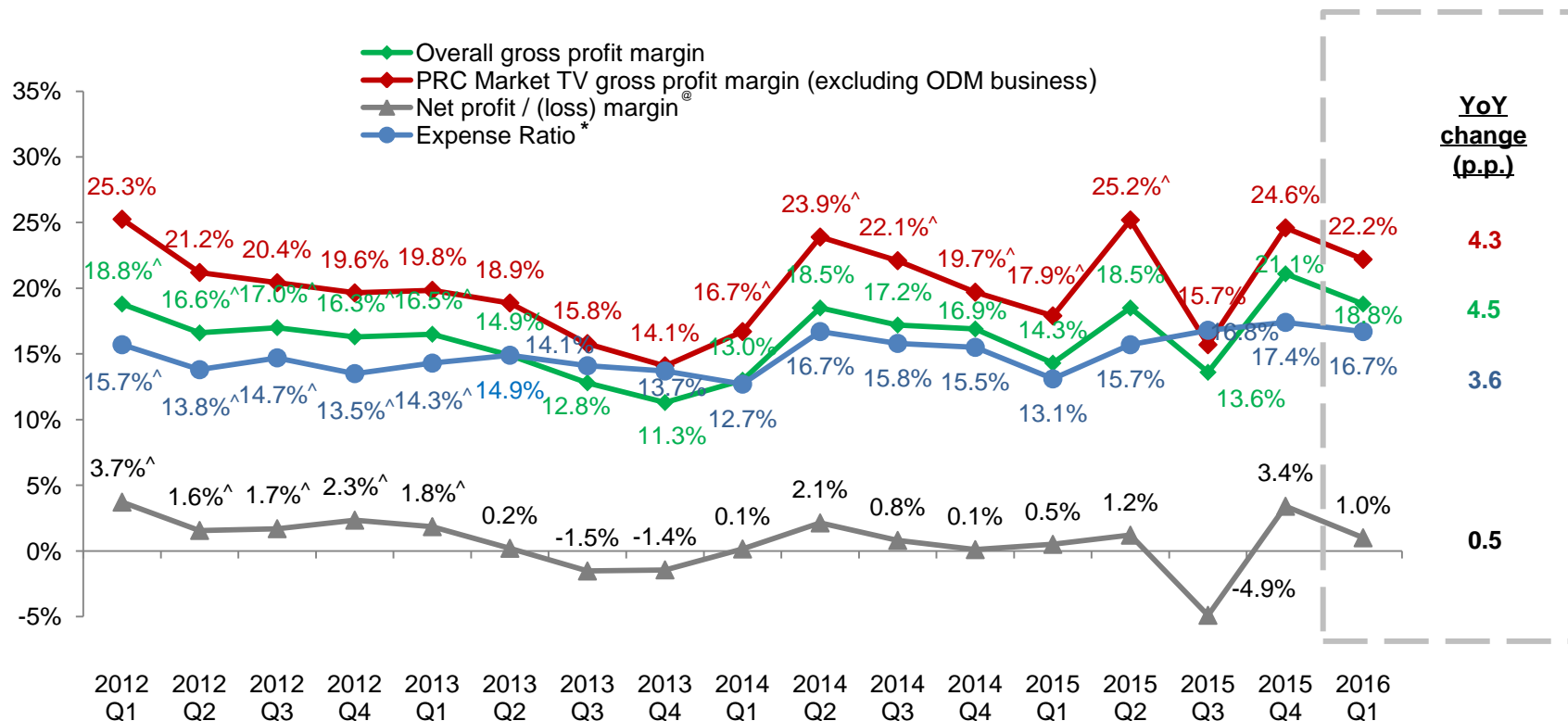


[^] Restated

Profit Margins and Expense Ratios



Profit Margins and Expense Ratios (By quarter)



[^] Restated

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

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

Key Financial Indicators



	31 Mar 2016	31 Dec 2015	Change
Inventory turnover (days)¹	51	52	(1 day)
A/R turnover (days)¹	57	54	+3 days
A/P turnover (days)¹	68	65	+3 days
Cash conversion cycle (days)	40	41	(1 day)
Current ratio (times)	1.2	1.2	Unchanged
Gearing ratio (gross)(%)²	49.4	60.6	(11.2 p.p.)
Gearing ratio (net)(%)³	5.9	7.2	(1.3 p.p.)

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

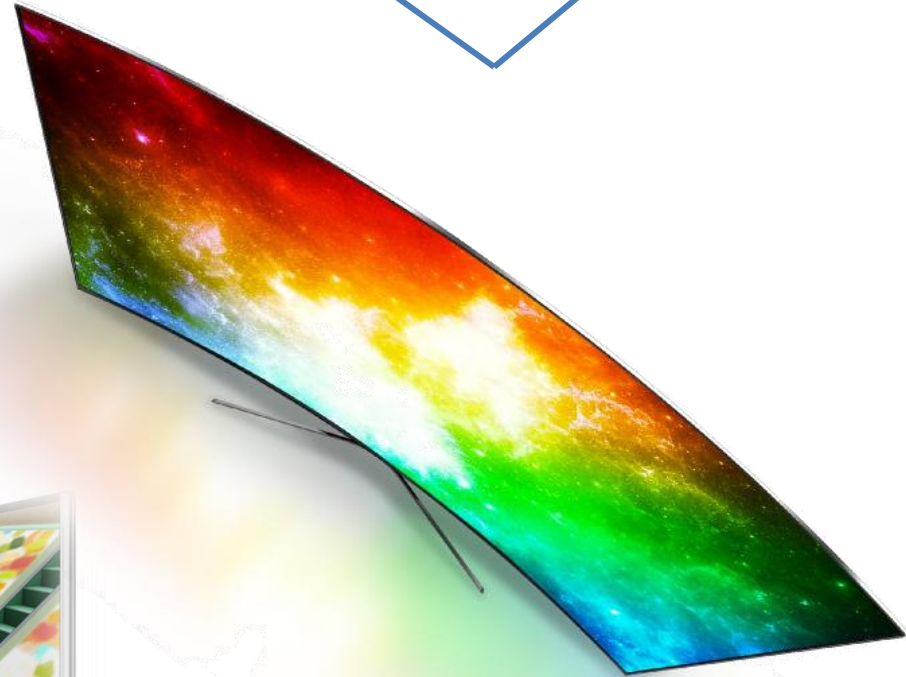
Balance Sheet Highlights



<i>(HK\$ million)</i>	31 Mar 2016	31 Dec 2015	Change
Non-current assets	2,999	2,981	0.6%
Current assets	14,806	15,198	(2.6%)
- Inventory	3,163	3,283	(3.6%)
- Cash and bank balance	1,681	2,215	(24.1%)
Current liabilities	12,155	12,605	(3.6%)
Net current assets	2,651	2,593	2.2%
Non-current liabilities	1,125	1,165	(3.4%)
Net assets	4,525	4,409	2.6%
Net assets value per share (HK\$)	3.18	3.10	2.6%

2. Business Review

C1



C2



Global LCD TV Market Share

Ranking	Brand	FY2015	FY2014
1	Samsung	20.98%	20.82%
2	LGE	12.40%	13.58%
3	TCL	5.56%	5.19%
	Hisense	5.56%	4.93%
5	Sony	5.54%	6.22%
6	Skyworth	4.59%	3.95%
7	AOC/TP Vision	3.75%	3.24%
8	Vizio	3.43%	3.00%
9	Changhong	3.00%	2.68%
10	Panasonic	2.89%	3.59%

Source: IHS Technology and Company data

The PRC LCD TV Market Share

Ranking	Brand	FY2015	FY2014
1	Hisense	16.76%	16.66%
2	Skyworth	14.69%	13.73%
3	TCL	14.04%	12.33%
4	Changhong	10.92%	10.76%
5	Konka	10.66%	11.79%
6	Samsung	6.72%	6.97%
7	Sharp	6.04%	5.80%
8	Haier	4.89%	4.77%
9	Sony	3.65%	4.47%
10	Pioneer	3.41%	2.97%

Source : CMM

LCD TV Sales Volume



<i>LCD TV Sales Volume ('000 sets)</i>	2016 Q1	2015 Q1	Change
Total	4,203	4,164	1.0%
Of which: Smart TVs	2,079	1,173	77.2%
- PRC	2,401	2,324 [^]	3.3%
- Overseas	1,802	1,840 [^]	(2.0%)

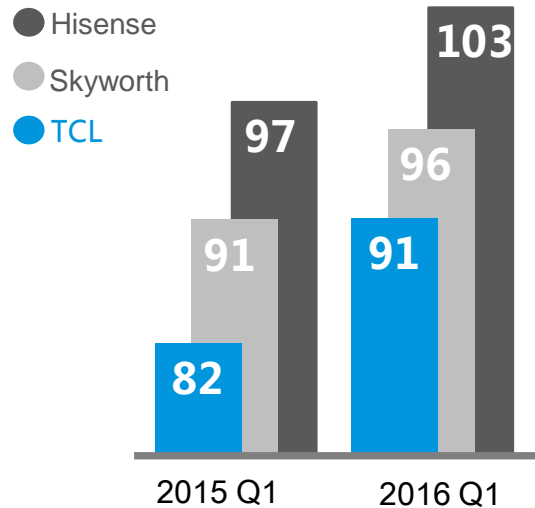
[^] Restated

TV Business in the PRC Market



- In the first quarter of 2016, LCD TV sales volume increased by 3.3% year-on-year to 2.40 million sets
- As the major raw material prices fell year-on-year, average selling price of TVs in the first quarter decreased year-on-year, coupled with the impact of Hong Kong Dollar exchange rates translation, turnover in the PRC Market for the first quarter dropped year-on-year. Nevertheless, gross profit margin of LCD TVs was up from 17.7% in the same period of last year to 21.5%, resulting from continuous enhancement in product mix and improved operational efficiency

Brand Price Index



Source: CMM

Sales Volume of the PRC'S Curved TV Market (excluding ODM business) in March

Ranked No.1 among domestic brands with market share of 28.3%



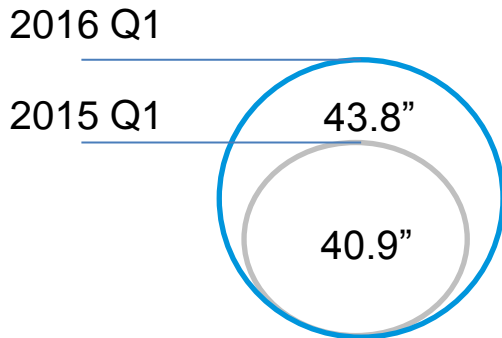
Source: CMM

TV Business in the PRC Market

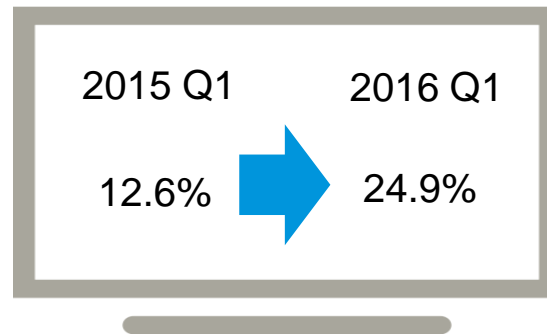


Continuous Enhancement in Product Mix

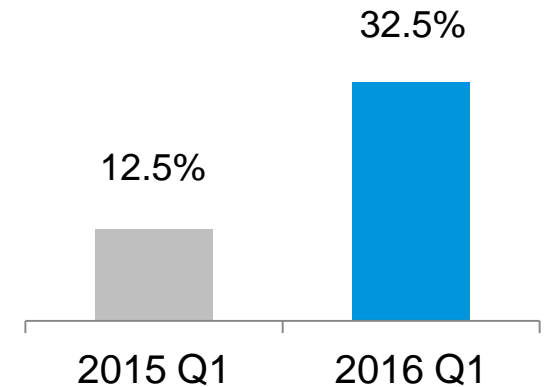
Change in average size in the PRC Market (excluding ODM business)



Change in proportion of ≥ 55 " products in the PRC Market (excluding ODM business)



Change in proportion of 4K products in the PRC Market (excluding ODM business)



Market Penetration of 4K UHD TV Sales in the PRC Market

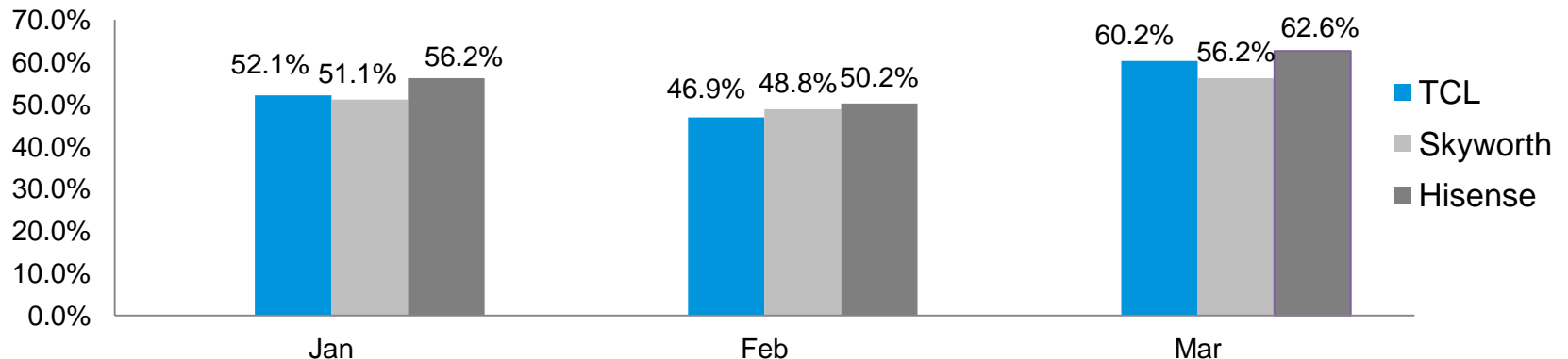
Narrowing Disparity Among Major Competitors



Comparison of 4K UHD TV market share and average selling price

	Market shares		Average selling price (RMB)	
	(Jan – Mar 2016)	(Jan – Mar 2015)	(Jan – Mar 2016)	(Jan – Mar 2015)
Hisense	21.5%	20.1%	4,578	5,740
Skyworth	18.0%	14.4%	4,272	5,367
TCL	18.0%	13.0%	3,991	4,999

Comparison of 4K UHD TV market penetration (Jan – Mar 2016)

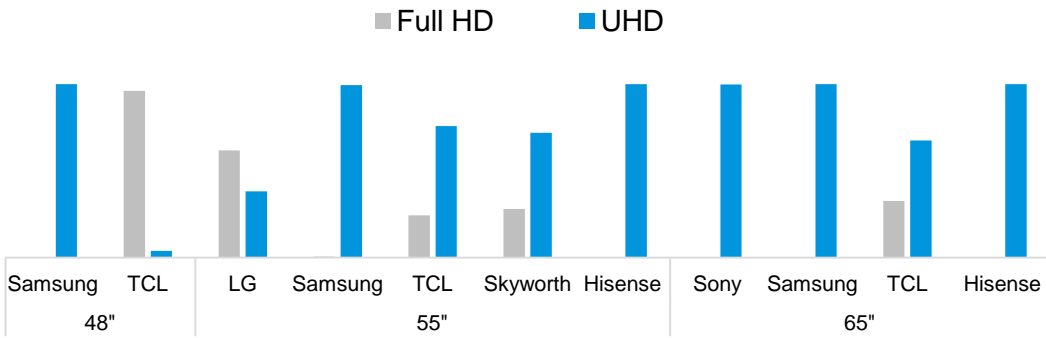


Source: CMM

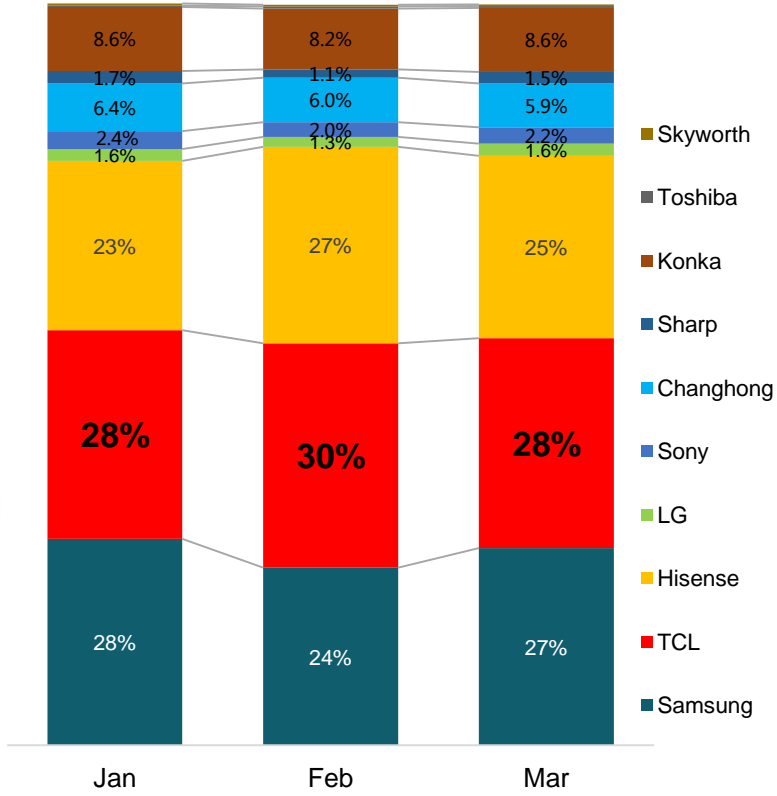
Ranked No.1 Among Domestic Brands in Curved TV Market Share in the PRC



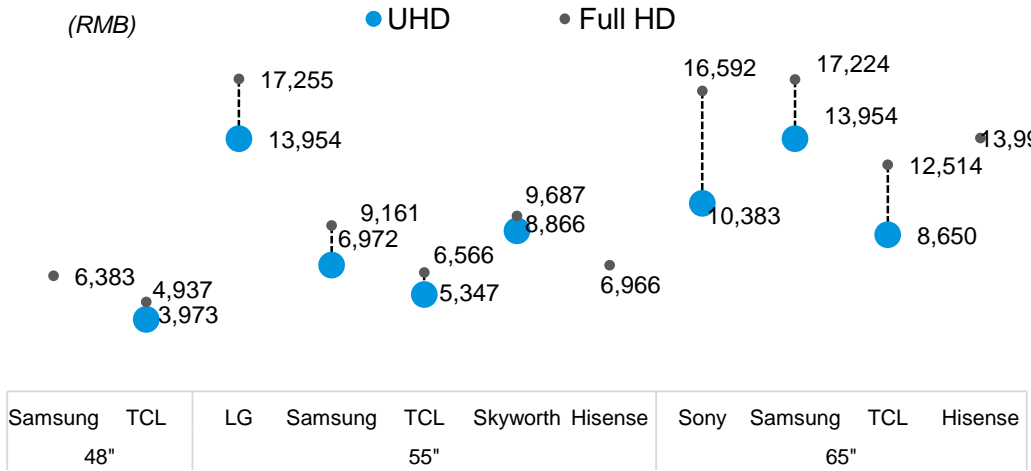
Proportion of Sales Volume of Curved TVs for Major Brands from Jan – Mar 2016 (by Size)



Market Shares of Curved TVs for Major Brands (by Month)



Selling Prices of Curved TVs for Major Brands from Jan – Mar 2016 (by Size)



Source: CMM

TV Business in Overseas Markets



- In the first quarter of 2016, sales volume of LCD TVs in the Overseas Markets decreased by 2.0% year-on-year to 1.80 million sets
- Similarly, mainly due to the drop of major raw material prices, leading to a decline in average selling price of TVs, turnover of the Overseas Markets decreased year-on-year. Nevertheless, gross profit margin of LCD TVs rose to 13.1% from 7.0% in the same period of last year, up by 6.1 percentage points which was attributable to continuous enhanced product mix. Operating results improved significantly

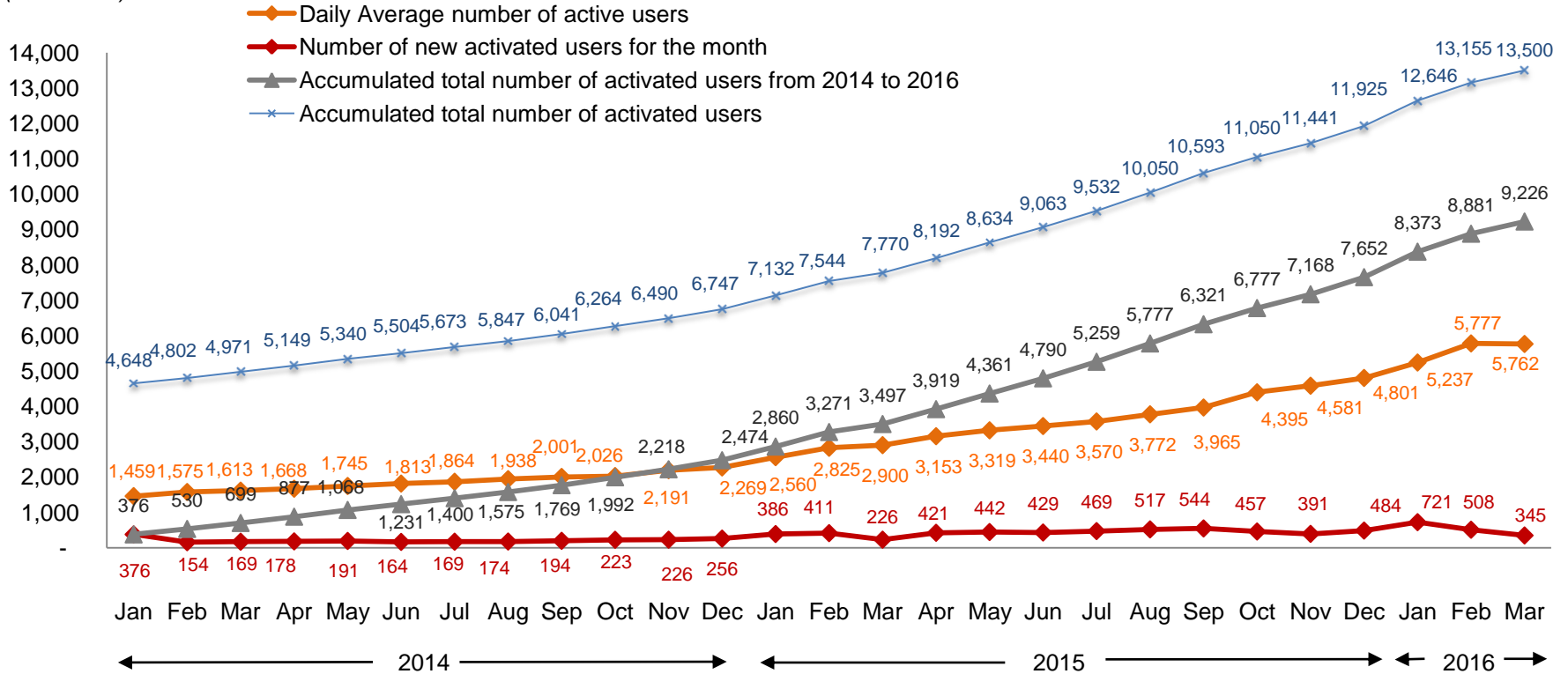


Internet Business

(TCL Smart TV Operation Statistics in 2014, 2015 and 2016 Q1)



('000 users)



█ The accumulated total number of activated users in 2016 Q1 was up by 73.7% year-on-year, with an accumulated growth of 5.73 million users. As at the end of March 2016, accumulated total number of activated users was 13.50 million

Rapid Growth in Internet Business

(Service Revenue in 2016 Q1 was approximately RMB3.58 million)



2016 Q1 Business Growth

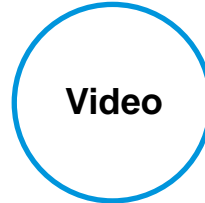
■ 2016 Q1 ■ 2015

Total no. of activated video users
 2016 Q1: 11380000
 2015: 7660000

Total no. of activated gaming users
 2016 Q1: 5800000
 2015: 4384000

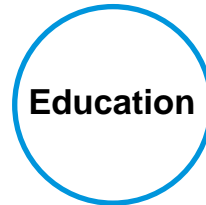
Total no. of activated education users
 2016 Q1: 2300000
 2015: 1524000

Total no. of activated lifestyle users
 2016 Q1: 1400000
 2015: 1100000



Video

	2015	2016 Q1
Average daily video-on-demand frequency	20.2 times	21.0 times
Average daily time spent	4.4 hrs	4.7 hrs



Education

Average daily viewing time	50 mins	40 mins
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Gaming

Average daily gaming time	70 mins	70 mins
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3. Outlook

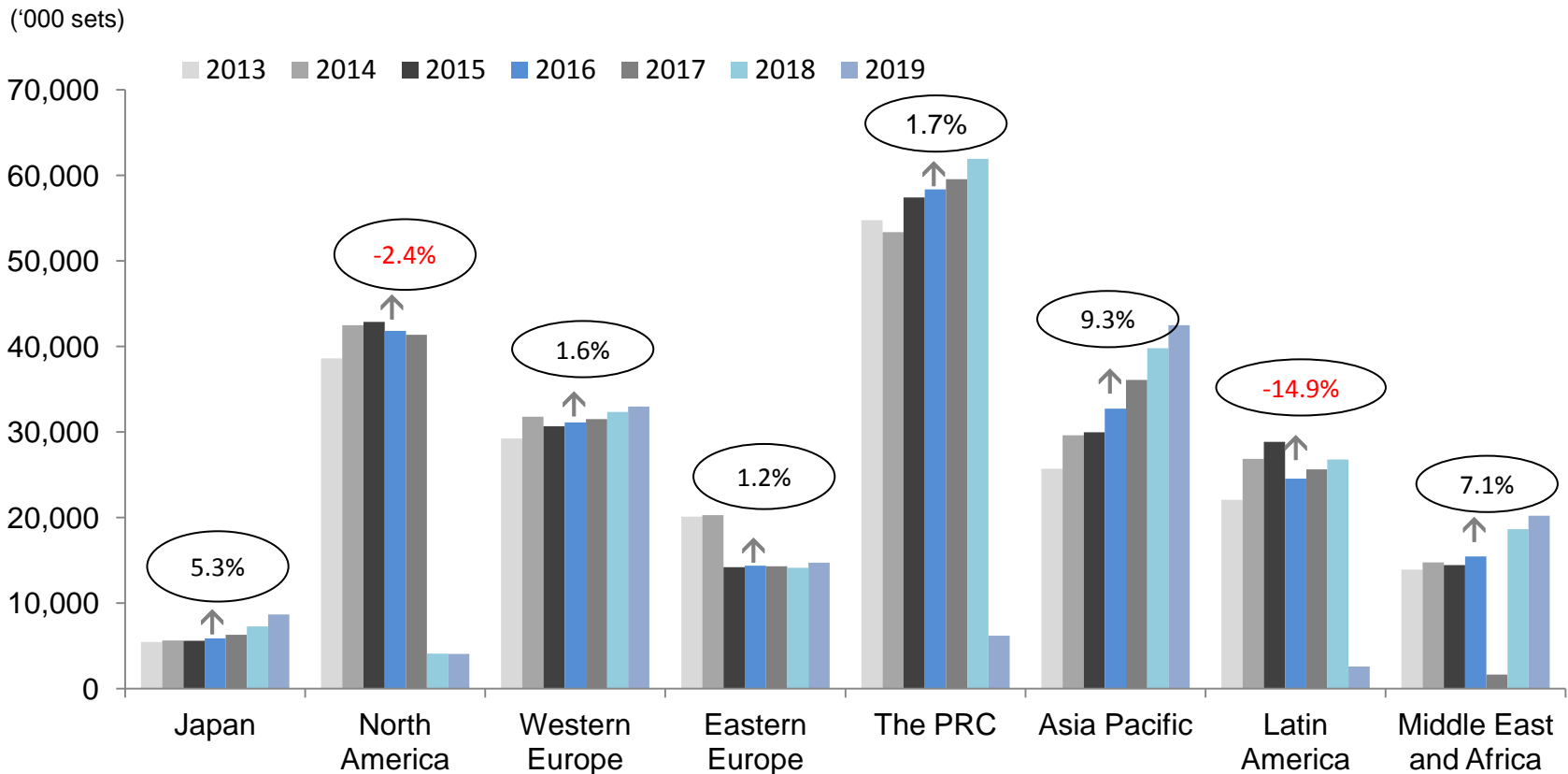


Global LCD TV Sales Volume Forecasts



Projection of 2016-2019 Global LCD TV Sales Volume

In 2016, overall LCD TV sales volume is expected to grow by 0.2% year-on-year

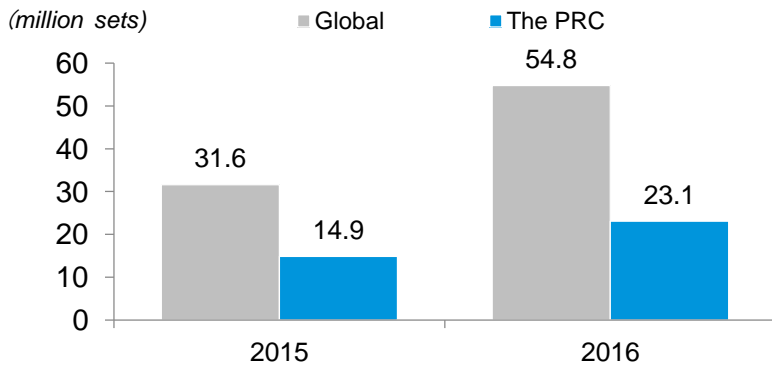


Source: IHS Technology

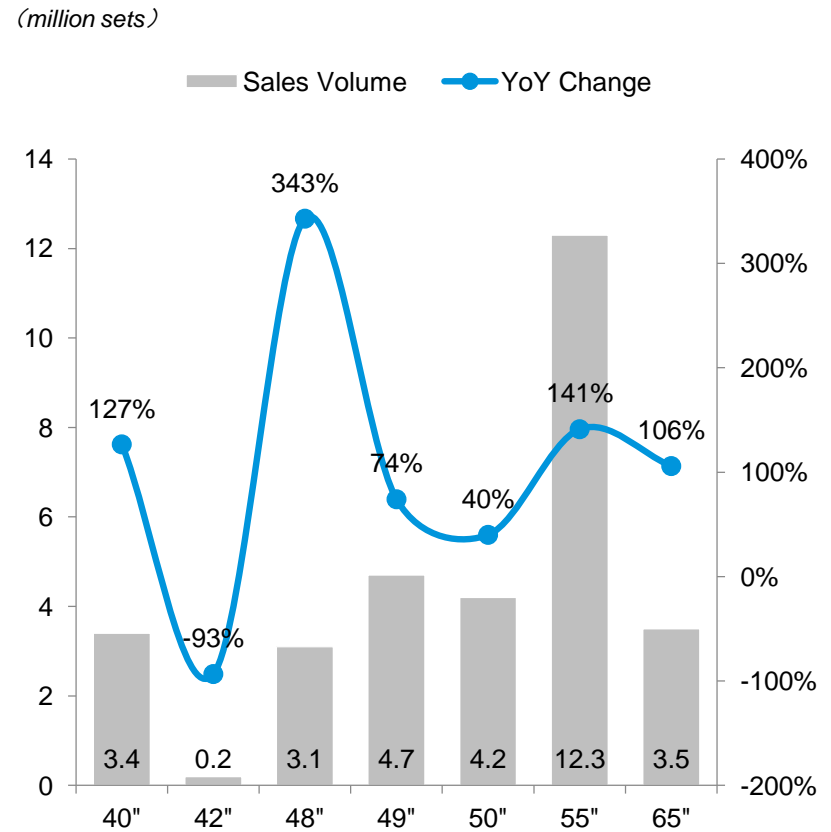
Growth Trends for Global and The PRC Curved TVs, UHD TVs and Screens



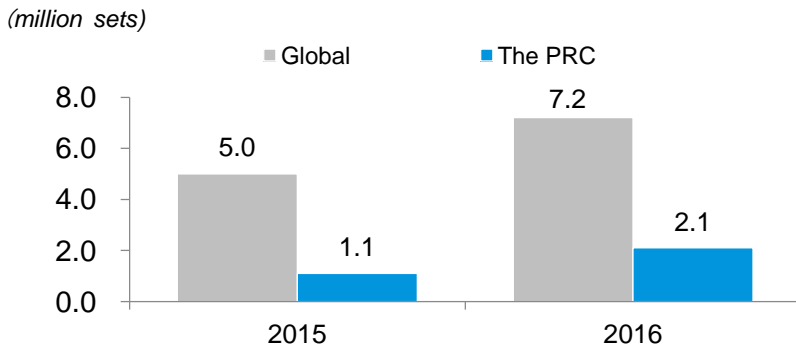
2015-2016 UHD TV Sales Volume Forecasts



2015 UHD Screen Sales Volume by Size



2015-2016 Curved TV Sales Volume Forecasts



Source: IHS Technology

Source: AVC

The PRC's TV Market Forecasts

2016 Retail Sales Volume Forecast



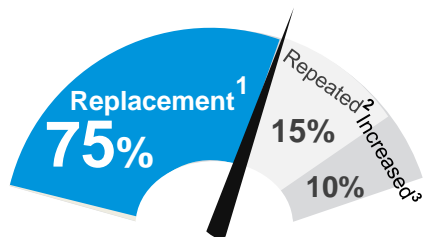
47.39M sets
(+1.4%)



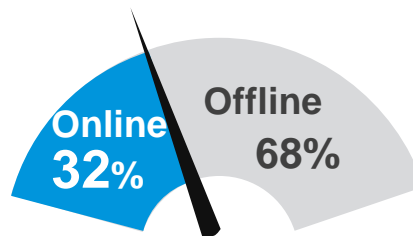
2016 Retail Turnover Forecast

161.1B RMB
(+2.5%)

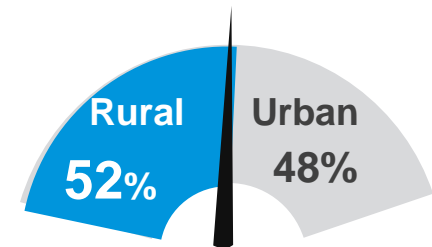
Retail Volume Demand Structure



Retail Volume Channels Structure



Retail Volume Area Structure



Notes: ¹ Replacement: High-end over low-end, replacement of 40"-50" over 32"
² Previous owners' second purchase
³ New buyers' purchase

Source: AVC

X Series (X1 QUHD TVs)

- High Dynamic Range Dolby Vision
- Local dimming backlight control
- Black crystal screen
- MEMC motion enhancement, etc. multi-dimensional integrated image enhancement technologies
- Harman Kardon S-class curved stereo
- Nordic modernist design style



C Series (C1 and C2 ultra-thin curved / flat TVs)

- 9.9mm thickness
- Magnificent image quality processing engine
- MEMC motion enhancement
- 2nd generation of C movement technology
- TV+OS 3.0 operating system

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



Continue to Implement “double +” Strategic Transformation

- Establish an ecosystem for living room economy that focuses on TV+ smart TV platform
- Establish competitive O2O business model
- Strengthen user management capability



Enhance Core Competitiveness and Operational Efficiency

- Product technology capabilities
- Industry capabilities
- Brand and globalisation capabilities
- Internet application service capabilities

Continue to Pursue Internationalisation

- Actively implement the TV+ strategy in the Overseas Markets to expand the proportion of paid content users
- Consolidate marketing and industrial capacities in the key markets and optimise supply chain management

Strategic Cooperation between TCL and Leshi



Joint user base operations



Joint product development



Supply chain synergies



Overseas channels expansion

Strategic Cooperation between TCL and Leshi



TCL shares its impeccable supply and manufacturing capabilities with Leshi

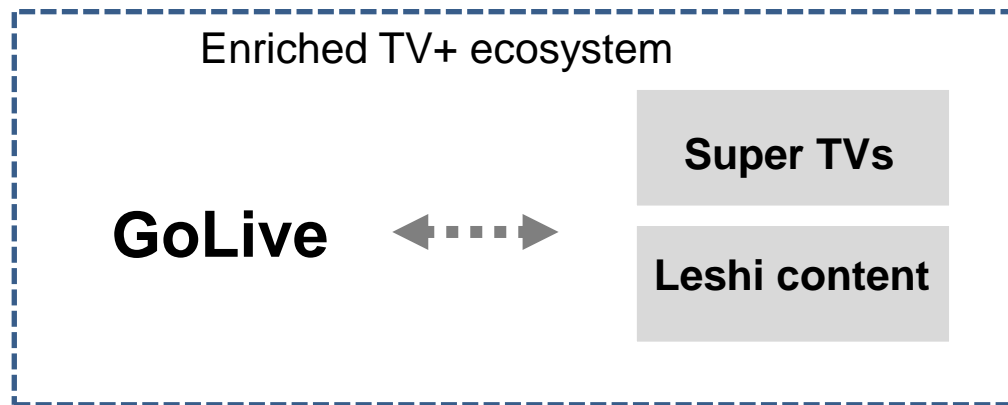
1.20 million sets
Leshi super TVs manufacturing guaranteed

500,000 pieces
TCL screens supply guaranteed

RMB50.00 million
Expected to generate advertising revenue for TCL from TV start-up and shutdown commercials in 2016






Over **13 million** TCL smart TV home users

Over **5 million** Leshi super TV home users



2015 and 2016 Q1 Internet Service Revenue Breakdown and Targets for 2016



	2015 Actual (RMB)	2016 Target (RMB)	2016 Q1 Actual (RMB)
 Video (including GoLive) and Advertising	41.94 million	91.86 million	3.02 million
 Gaming	30,000	3 million	30,000
 Education	40,000	2.5 million	20,000
 Lifestyle and App Store	10,000	3.5 million	510,000
 Big Data	670,000	3 million	-
Total:	Approx. 43 million	Approx. 100 million	Approx. 3.58 million

Note: Internet service revenue is affected by the quarterly settlement method, which is particularly intensified in April, July, October and December. Revenue of the first quarter of 2016 turns to be in normal status

2016 Target and Progress of Implementation



	2015					2016				
	Overall Actual	The PRC Market		Overseas Markets		Overall Target	The PRC Market		Overseas Markets	
		FY Actual	Q1 Actual	FY Actual	Q1 Actual		FY Target	Q1 Actual	FY Target	Q1 Actual
LCD TVs sales volume (million sets)	17.34	9.24 [^]	2.32 [^]	8.10 [^]	1.84 [^]	20.00	10.54	2.40 (↑3.3%)	9.46	1.80 (↓2.0%)

The PRC Market (excluding ODM business)	FY2015 Actual	FY2016 Target	2016 Q1 Actual
Proportion of smart TV sales volume (%)	54%	60%	63.7%
Proportion of 4K TV sales volume (%)	20%	28%	32.5%
Proportion of curved TV sales volume (%)	2.5%	8%	6.5%
Proportion of online sales volume (%)	16%	18%	22.4%

	FY2015 Actual	FY2016 Target	2016 Q1 Actual
Number of TCL activated smart TV users (Accumulated number at period end) (year-end / quarter-end) ¹	11,924,856	14,750,000	13,499,849
Daily average number of active users (year-end / month-end) ²	4,800,723 ³	6,400,000	5,762,014 ⁴
Internet service revenue (RMB)	Approximately 43 million	Approximately 100 million	Approximately 3.58 million

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. December 2015 data

4. March 2016 data

[^] Restated

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TCL 多媒體科技控股有限公司
TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED
股份代號：01070

Q&A

