

TCL

TCL 多媒體科技控股有限公司

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

Stock Code: 01070



2016 Q3 Results Presentation

(Unaudited results for the nine months ended 30 September)

Agenda

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Outlook

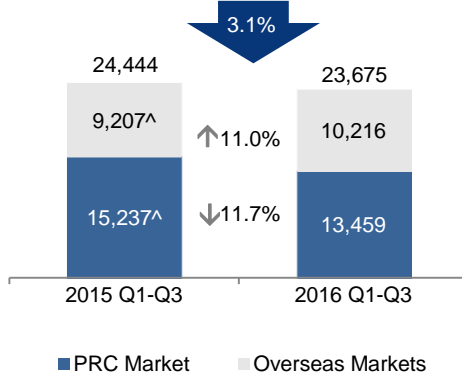
Financial Highlights



Financial Highlights (For the nine months and three months ended 30 September 2016)

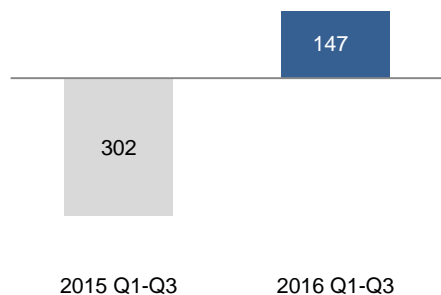
Turnover

(HK\$ million)



Profit / (loss) Attributable to Owners of the Parent

(HK\$ million)



[^] Restated

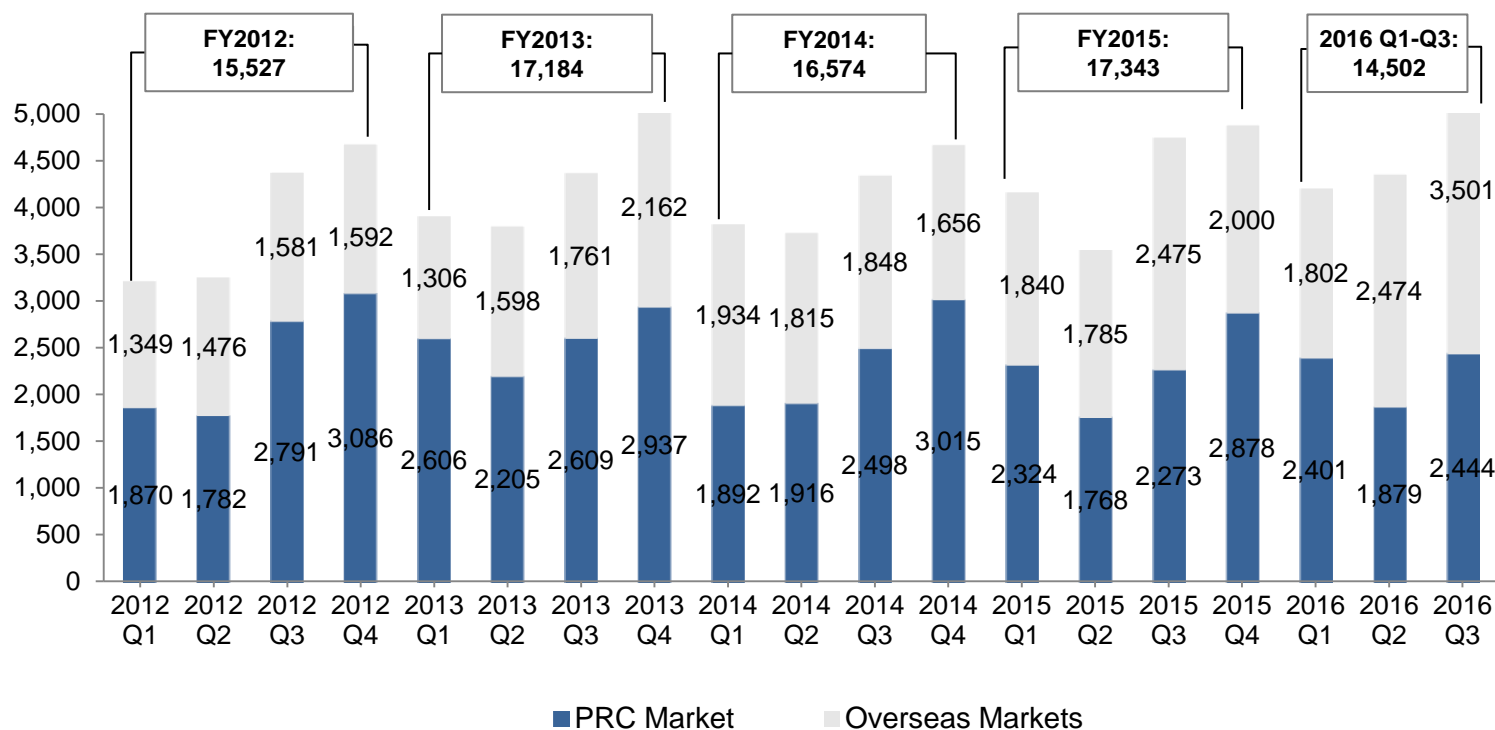
(HK\$ million)	2016 Q1-Q3	2015 Q1-Q3	Change	2016 Q3	2015 Q3	change
Turnover	23,675	24,444	(3.1%)	9,448	9,047	4.4%
Gross profit	4,049	3,730	8.6%	1,579	1,226	28.8%
Gross profit margin (%)	17.1	15.3	1.8 p.p.	16.7	13.6	3.1 p.p.
Expense ratio (%)	15.4	15.2	0.2 p.p.	14.7	16.8	(2.1 p.p.)
Net profit / (loss) after tax	137	(319)	N/A	49	(441)	N/A
Net profit / (loss) after tax margin (%)	0.6	(1.3)	1.9 p.p.	0.5	(4.9)	5.4 p.p.
Profit / (loss) attributable to owners of the parent	147	(302)	N/A	52	(438)	N/A
Basic earnings / (loss) per share (HK cents)	9.68	(22.76)	N/A	3.15	(32.91)	N/A

LCD TV Sales Volume



LCD TV Sales Volume (by quarter)

('000 sets)



QoQ Change **Q1-Q3 YoY Change**

25.2% 16.3%

41.5% 27.5%

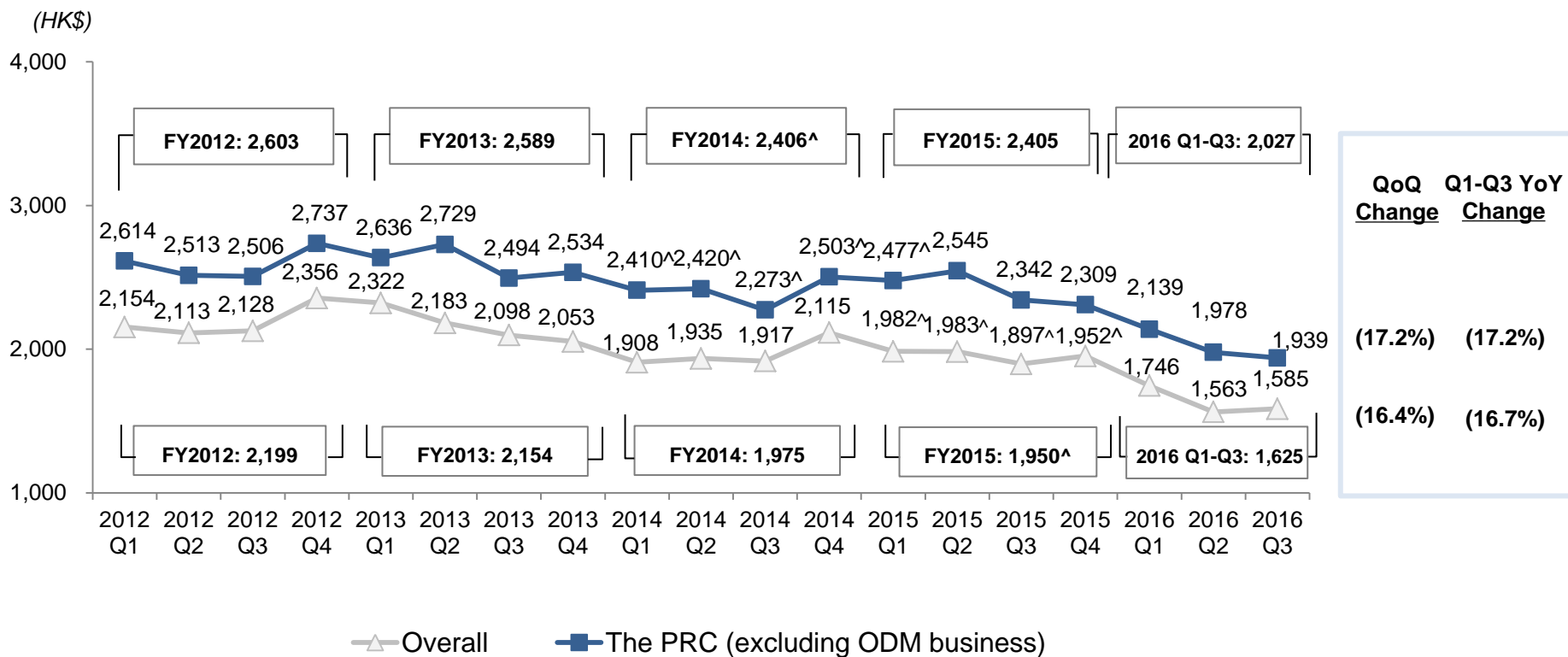
7.5% 5.6%

- 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)



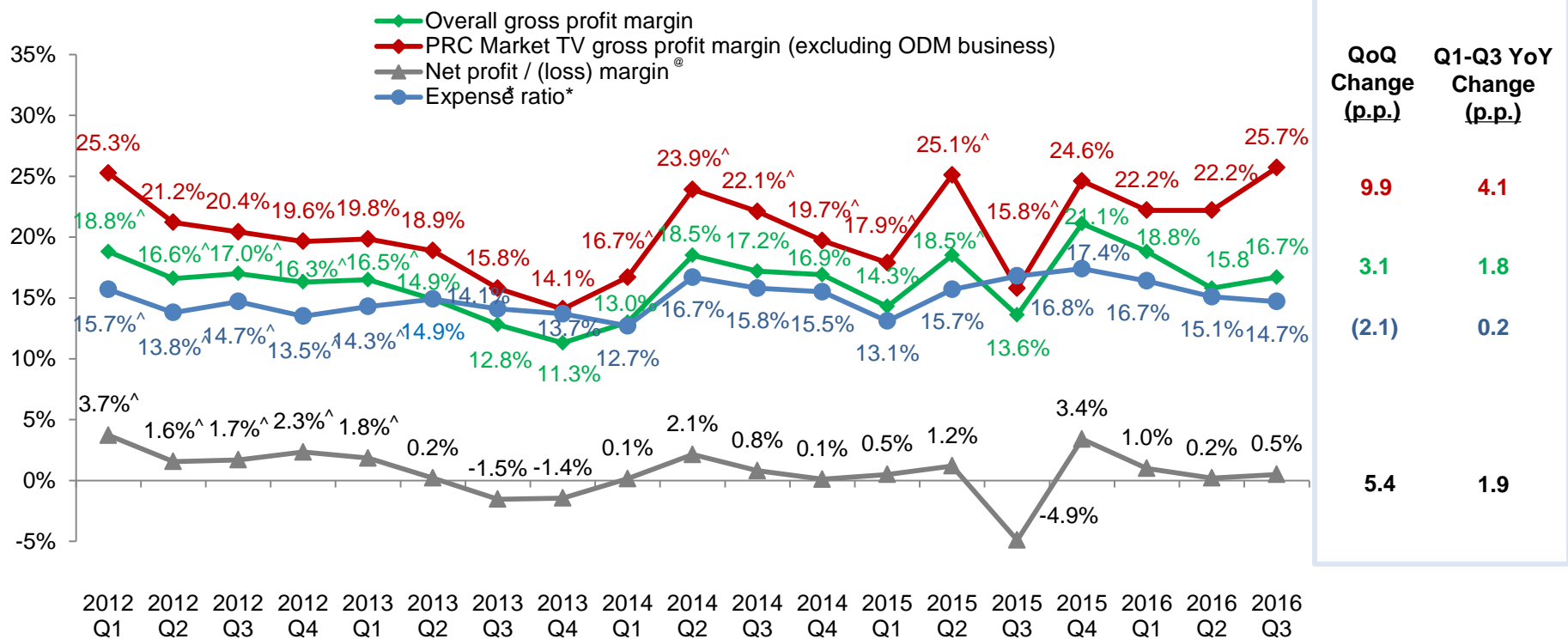
- Impacted by continued depreciation in the average exchange rate of Renminbi against Hong Kong dollars and fluctuation in panel prices, the average selling price of products declined year-on-year

[^] 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

Key Financial Indicators



	30 Sep 2016	31 Dec 2015	Change
Inventory turnover (days) ¹	44	52	(8 days)
A/R turnover (days) ¹	60	54	6 days
A/P turnover (days) ¹	74	65	9 days
Cash conversion cycle (days)	30	41	(11 days)
Current ratio (times)	1.3	1.2	0.1x
Gearing ratio (total)(%) ²	20.9	60.6	(39.7 p.p.)
Gearing ratio (net)(%) ³	0 ⁴	7.2	(7.2 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

⁴ As at 30 September 2016, as the Group's cash and bank balances of approximately HK\$2.01 billion were higher than the total interest-bearing borrowings of approximately HK\$1.37 billion, the Group's gearing ratio (net) was 0%

Balance Sheet Highlights



<i>(HK\$ million)</i>	30 Sep 2016	31 Dec 2015	Change
Non-current assets	2,871	2,981	(3.7%)
Current assets	16,303	15,198	7.3%
- Inventory	3,630	3,283	10.6%
- Cash and bank balances	2,008	2,215	(9.3%)
Current liabilities	12,152	12,605	(3.6%)
Net current assets	4,151	2,593	60.1%
Non current liabilities	384	1,165	(67.1%)
Net assets	6,638	4,409	50.6%
Net assets value per share (HK\$)	3.77	3.10	21.5%

Business Review

TCL





Global LCD TV Market Share

Ranking	Brand	2016 1H	2015 1H
1	Samsung	21.6%	20.9%
2	LGE	13.2%	13.9%
3	TCL	6.0%	5.6%
4	Hisense	6.0%	5.5%
5	Sony	5.3%	5.4%
6	Skyworth	4.7%	4.6%
7	AOC/TP Vision	3.9%	3.3%
8	Haier	3.5%	3.2%
9	Vizio	3.5%	3.4%
10	Changhong	3.3%	3.1%

Source: IHS Technology

The PRC LCD TV Market Share

Ranking	Brand	2016 1H	2015 1H
1	Hisense	17.2%	16.8%
2	Skyworth	15.8%	14.4%
3	TCL	15.0%	13.8%
4	Konka	11.5%	11.6%
5	Changhong	10.4%	11.0%
6	Haier	7.1%	4.3%
7	Samsung	5.2%	6.8%
8	Sharp	4.1%	6.3%
9	Pioneer	3.1%	3.0%
10	Sony	2.4%	4.0%

Source: CMM

LCD TV Sales Volume



<i>LCD TV Sales Volume ('000 sets)</i>	2016 Q1-Q3	2015 Q1-Q3	Change
Total	14,502	12,464	16.3%
- PRC Market	6,725	6,365 [^]	5.6%
- Overseas Markets	7,777	6,099 [^]	27.5%
Of which: Smart TVs	7,489	4,184	79.0%
4K TVs	2,722	1,247	118.2%

[^] Restated

Segment Results (For the nine months and three months ended 30 September 2016)



PRC Market TV Business

<i>(HK\$ million)</i>			<i>(HK\$ million)</i>			
2016 Q1-Q3	2015 Q1-Q3 [^]	Change		2016 Q3	2015 Q3 [^]	Change
13,408	15,217	(11.9%)	Turnover	4,818	5,166	(6.7%)
2,758	2,918	(5.5%)	Gross profit	1,015	813	24.8%
20.6%	19.2%	1.4 p.p.	Gross profit margin	21.1%	15.7%	5.4 p.p.
180	384	(53.2%)	Operating results	(18)	(134)	(86.7%)

Overseas Markets TV Business

<i>(HK\$ million)</i>			<i>(HK\$ million)</i>			
2016 Q1-Q3	2015 Q1-Q3 [^]	Change		2016 Q3	2015 Q3 [^]	Change
10,156	9,118	11.4%	Turnover	4,603	3,841	19.8%
1,248	800	56.0%	Gross profit	556	405	37.4%
12.3%	8.8%	3.5 p.p.	Gross profit margin	12.1%	10.5%	1.6 p.p.
287	(114)	N/A	Operating results	164	106	55.4%

[^] Restated

TV Business in the PRC Market



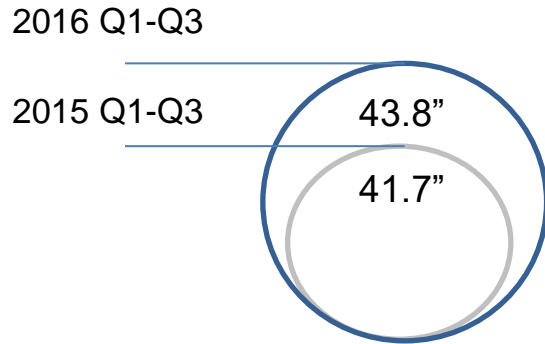
- For the first three quarters of 2016, LCD TV sales volume increased by 5.6% year-on-year to 6.73 million sets
- For the first three quarters of 2016, turnover of LCD TVs fell by 11.9% year-on-year to HK\$13.41 billion
- For the first three quarters of 2016, average exchange rate of Renminbi against Hong Kong dollars depreciated by 5.9% compared to the same period of last year
- Gross profit margin of LCD TVs increased by 1.4 percentage points year-on-year to 20.6% for the first three quarters
- Actively enhanced the product mix and further strengthened cost control in the third quarter, thus improving gross profit margin from 15.7% in the same period of last year to 21.1%
- TCL's LCD TV brand price index increased from 85 in the same period of last year to 93 for the first three quarters of 2016, reducing the disparity among major competitors

TV Business in the PRC Market

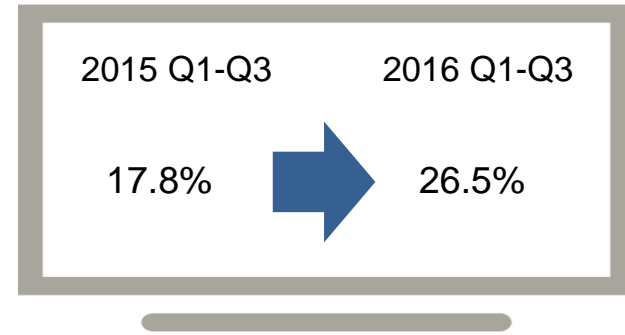


Continuous Enhancement in Product Mix and Increasing Proportion of High-end Products

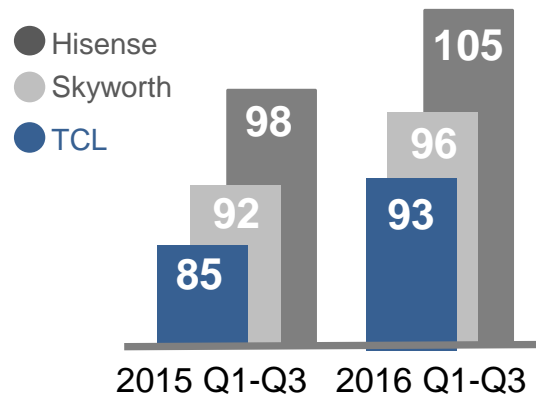
Change in average size[^]



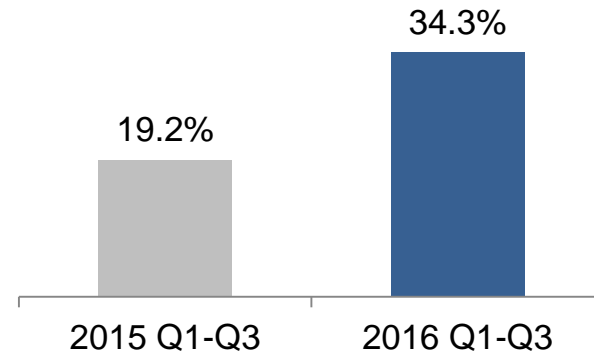
Change in proportion of ≥ 55 " products[^]



LCD TV brand price index
(Source: CMM)



Change in proportion of 4K products[^]



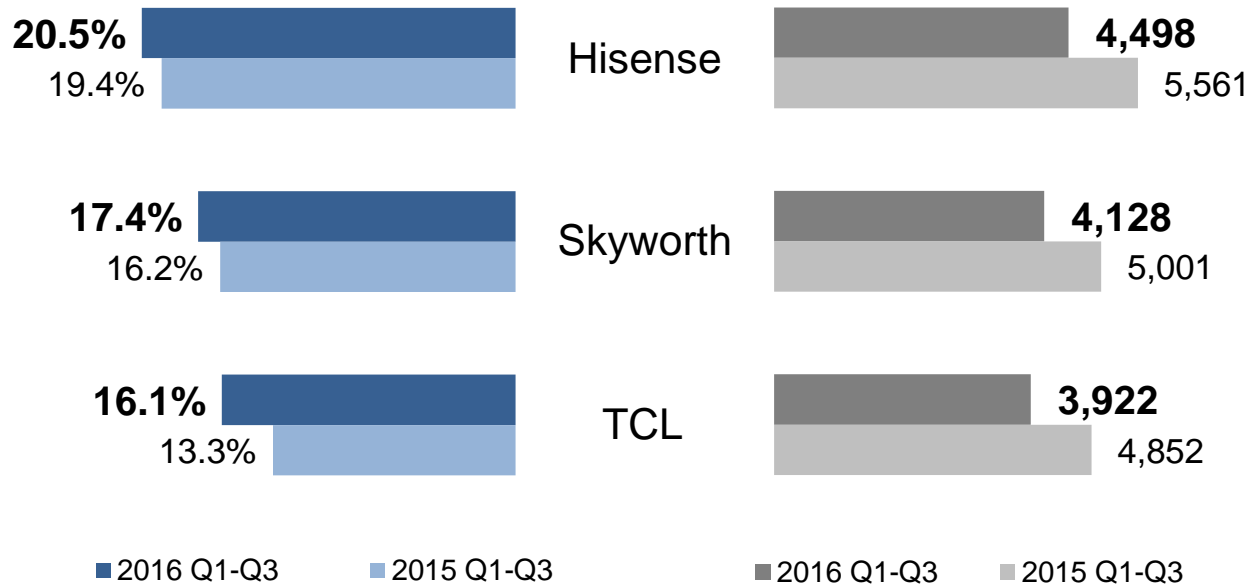
Market Share and Average Selling Price of 4K TVs in the PRC Market

Narrowing Disparity Among Major Competitors



Market share

Average selling price (RMB)

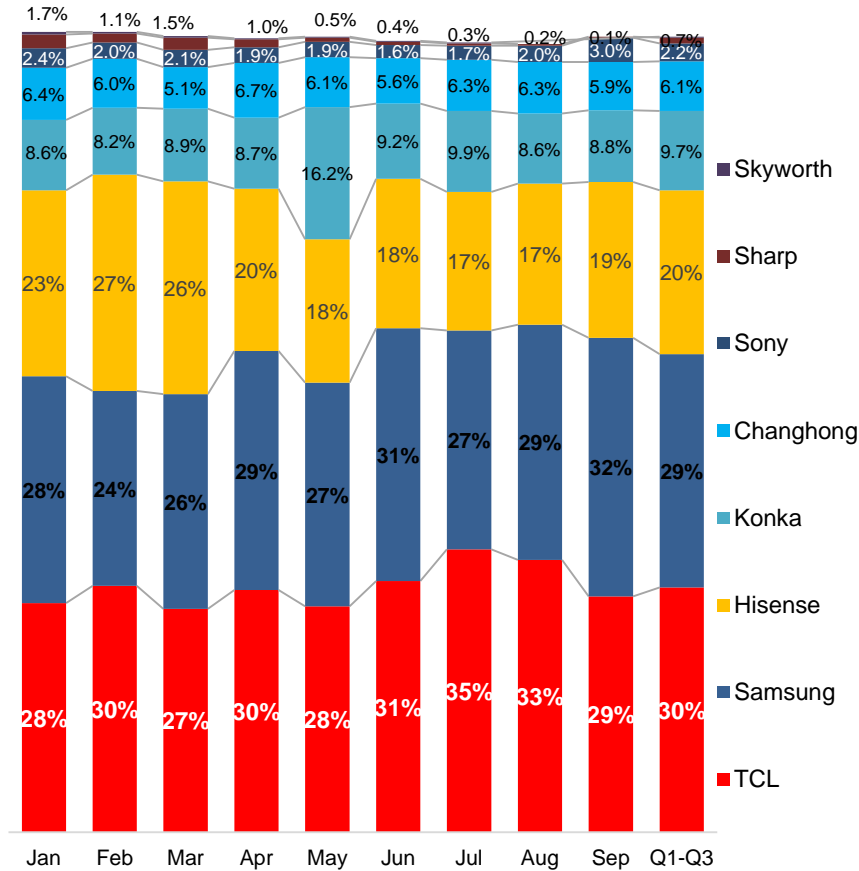


Source: CMM

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) for 2016 Q1-Q3

Ranked No. 1 among domestic brands with market share of 30.0%



Source: CMM

TV Business in the Overseas Markets



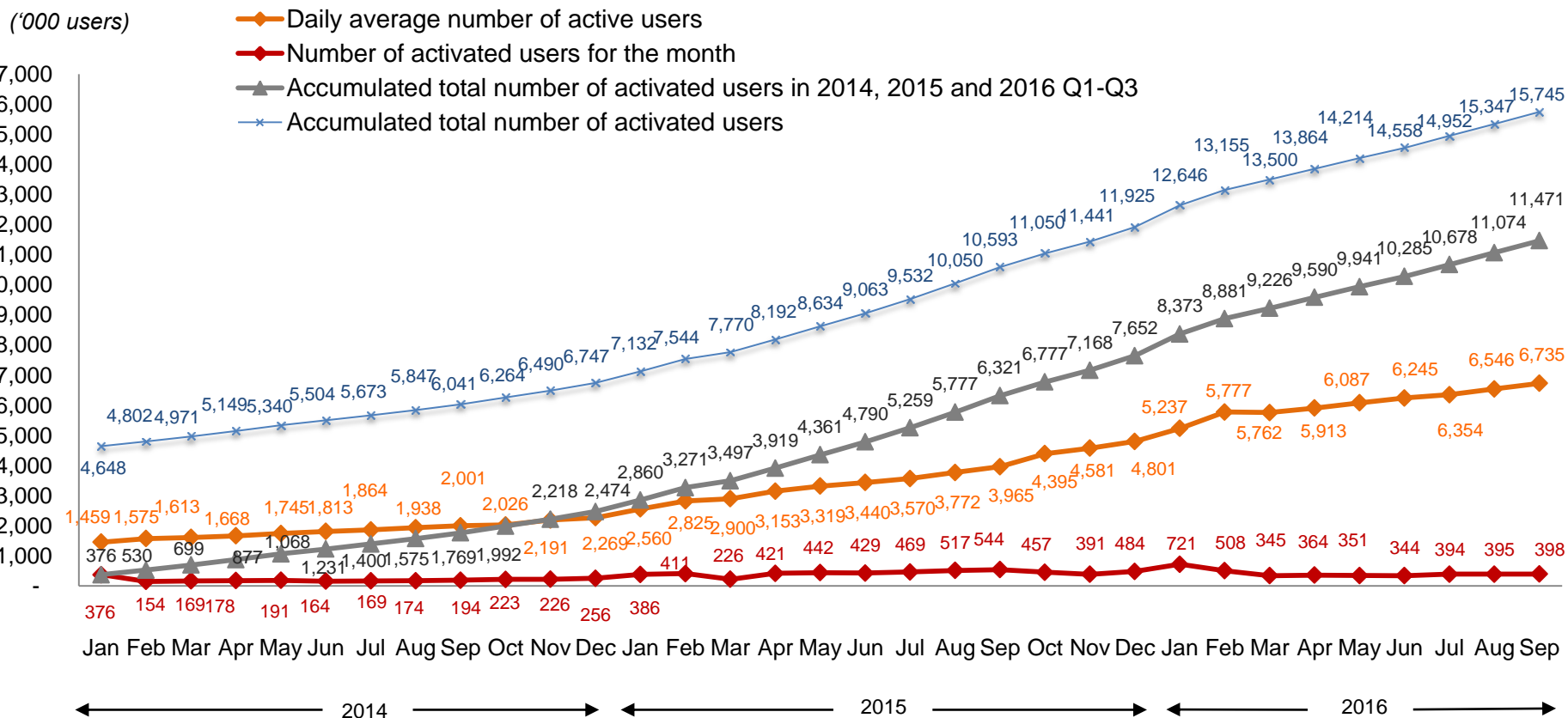
- For the first three quarters of 2016, LCD TV sales volume increased by 27.5% year-on-year to 7.78 million sets, turnover was up by 11.8% year-on-year to HK\$10.16 billion
 - In North American market, LCD TV sales volume surged by 88.1% year-on-year
 - LCD TV sales volume in the emerging markets and European market rose by 46.4% and 7.8% year-on-year, respectively
- Contributed by the continued strong growth in the emerging markets and North American market, along with continuously optimised product mix and sales channel establishment, the proportion of sales volume of high-end products such as large screen, smart, 4K and curved TVs was increasing, the operating results have significantly improved with LCD TVs gross profit margin for the first three quarters increased from 8.8% in the same period of last year to 12.3%

Sales volume from Jan to Aug 2015 and from Jan to Aug 2016
market share rankings (Source: GfK)



Internet Business

(TCL Smart TV Operation Statistics in 2014, 2015 and 2016 Q1-Q3)

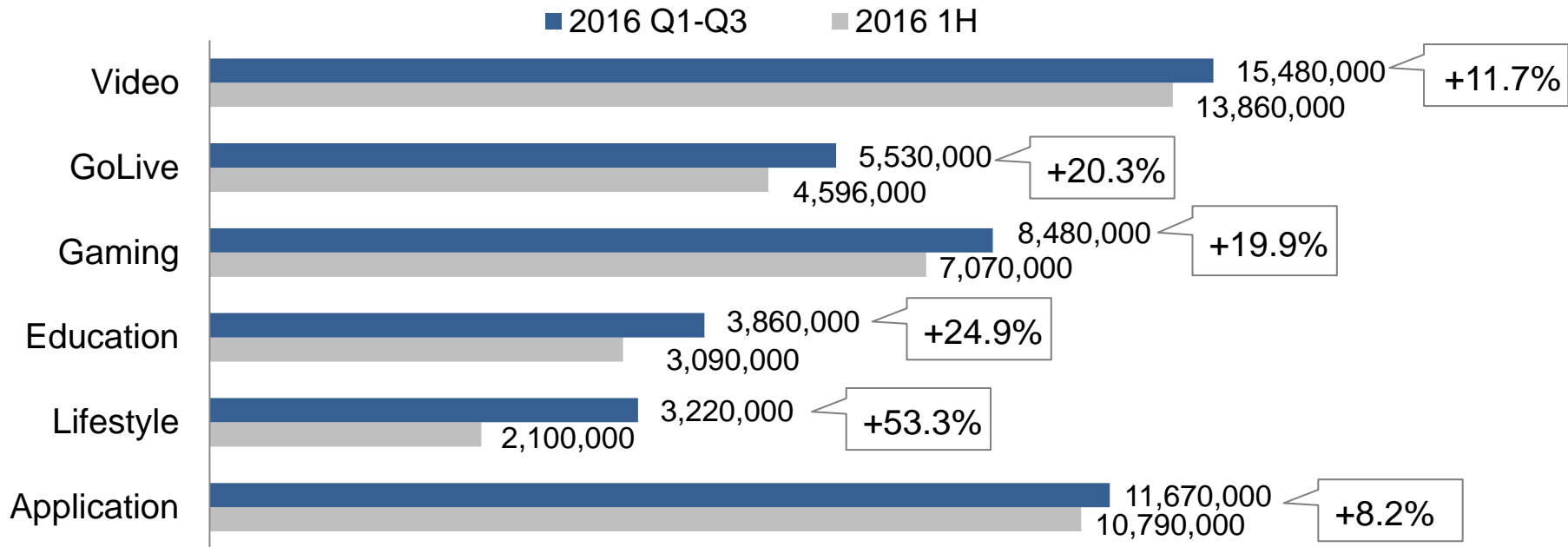


■ The accumulated total number of activated users in the first three quarters of 2016 was up by 48.6% year-on-year, with an accumulated growth of 5.15 million users. As at the end of September 2016, accumulated total number of activated users was 15.75 million

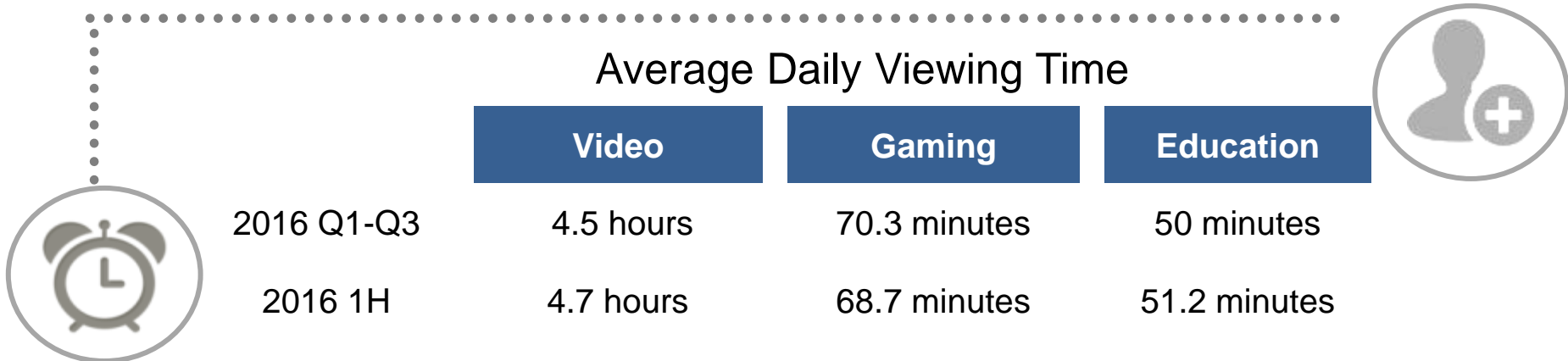
Total Number of Users on Internet Business and Average Daily Viewing Time



Total Number of Users on Internet Business



Average Daily Viewing Time





TCL 2016 Autumn New Product Launch Presentation – TCL·XESS



High-end Sub-brand XESS Unveiled – the PRC Women’s National Volleyball Team Head Coach Ms. Lang Ping as Ambassador



Debut of new flagship products XESS series X1 and X2

X1

- Yue Cai quantum dot display material (110% of the industry highest colour gamut)
- Advanced local dimming backlight technology
- Dolby Vision High Dynamic Range picture quality certification
- Harman Kardon premium sound quality certification



X2

- 7.9mm ultra-thin screen
- Rimless design
- Nordic minimalist style

Ms. Lang Ping as ambassador of TCL XESS series TVs

- XESS, as the latest high-end sub-brand, is positioned for “the pursuit of excellence by elites”
- Expressing the belief of core brand value of “enlighten lives with quality and style”



Outlook

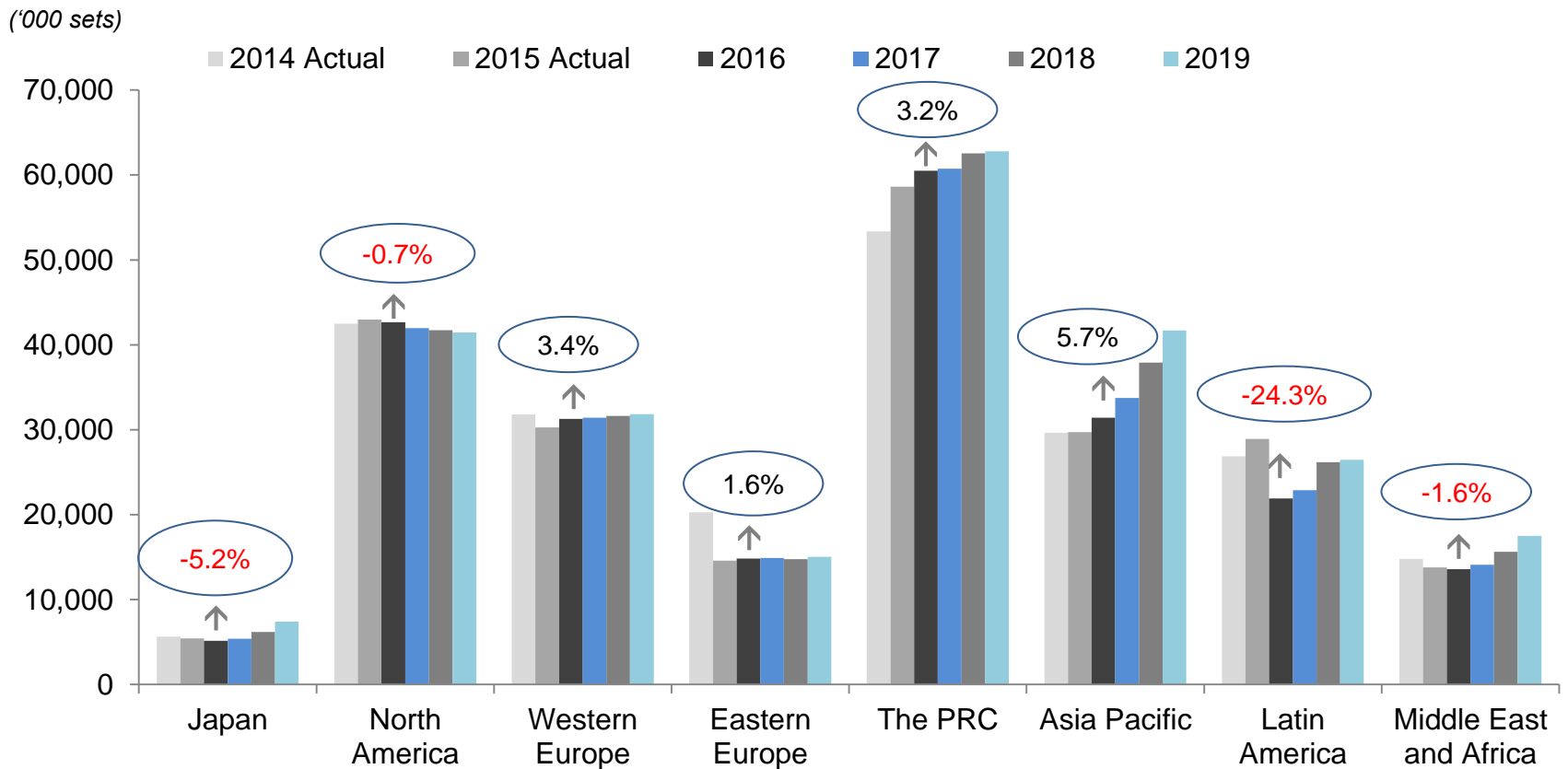


Global LCD TV Sales Volume Forecasts



Projection of 2016-2019 Global LCD TV Sales Volume

In 2016, overall LCD TV sales volume is expected to decrease by 1.3% year-on-year



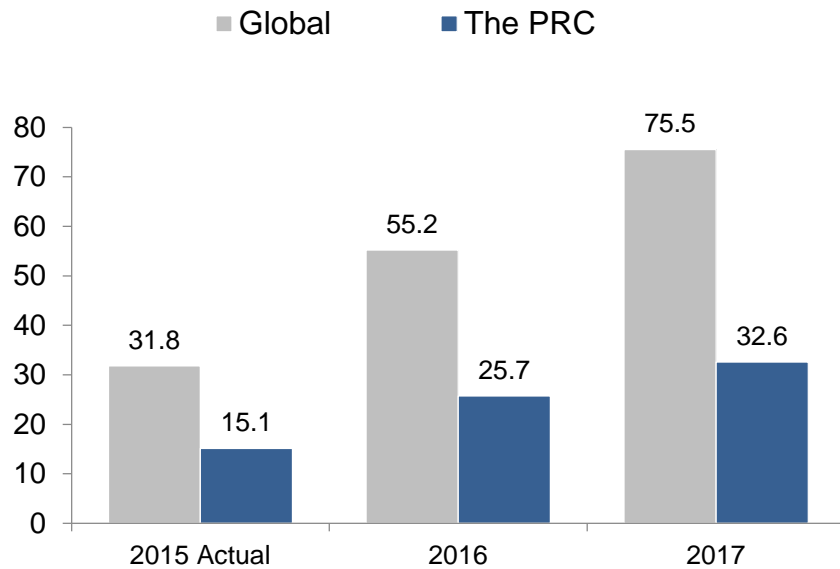
Source: IHS Technology (2016 Q3 data)

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



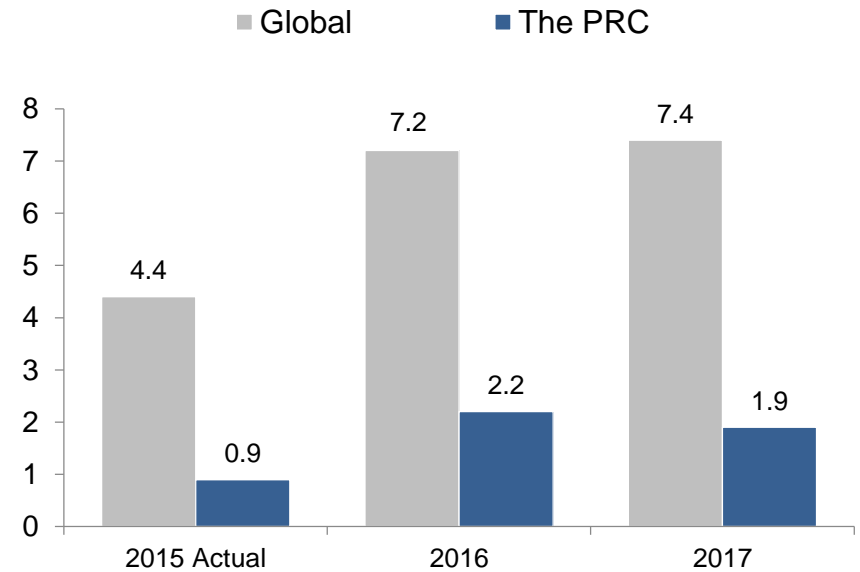
2016-2017 UHD TV Sales Volume Forecast

(million sets)



2016-2017 Curved TV Sales Volume Forecast

(million sets)



Source: IHS Technology (2016 Q3 data)

The PRC TV Market Forecasts



2016 Retail Sales Volume Forecast



50.53M sets

(↑ 7.0%)

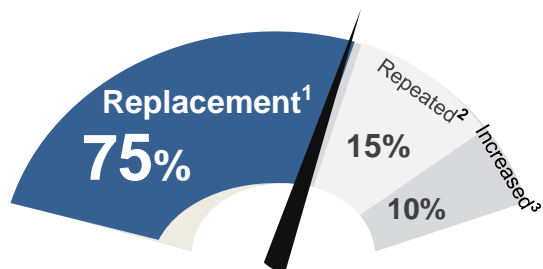
2016 Retail Turnover Forecast



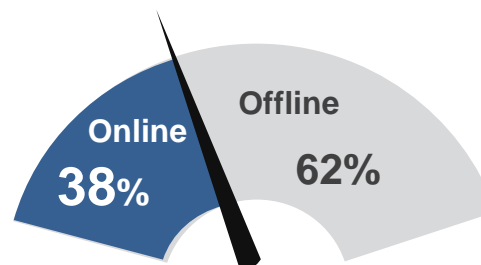
153.0B RMB

(↓ 3.7%)

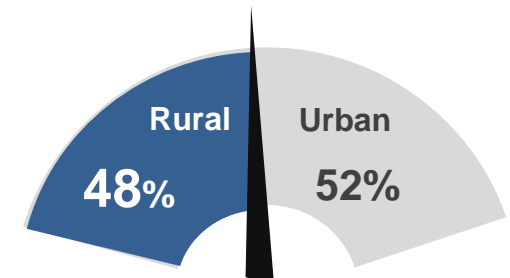
Retail Volume Demand Structure



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 (2016 Sep data)

TCL Cooperates with Leading Brazilian Home Appliance SEMP in Investing and Establishing a Company in Brazil



SEMP

- SEMP is one of the largest home appliance enterprises in Brazil with substantial brand recognition, it manufactures and sells TVs, various small home appliances, home theatres and other consumer electronic products. It has over 8,000 sales outlets and nearly 400 after-sales service outlets in Brazil
- Brazil has a population of approximately 209 million, and is one of the world's largest countries in terms of population and market capacity, bringing immense growth potential



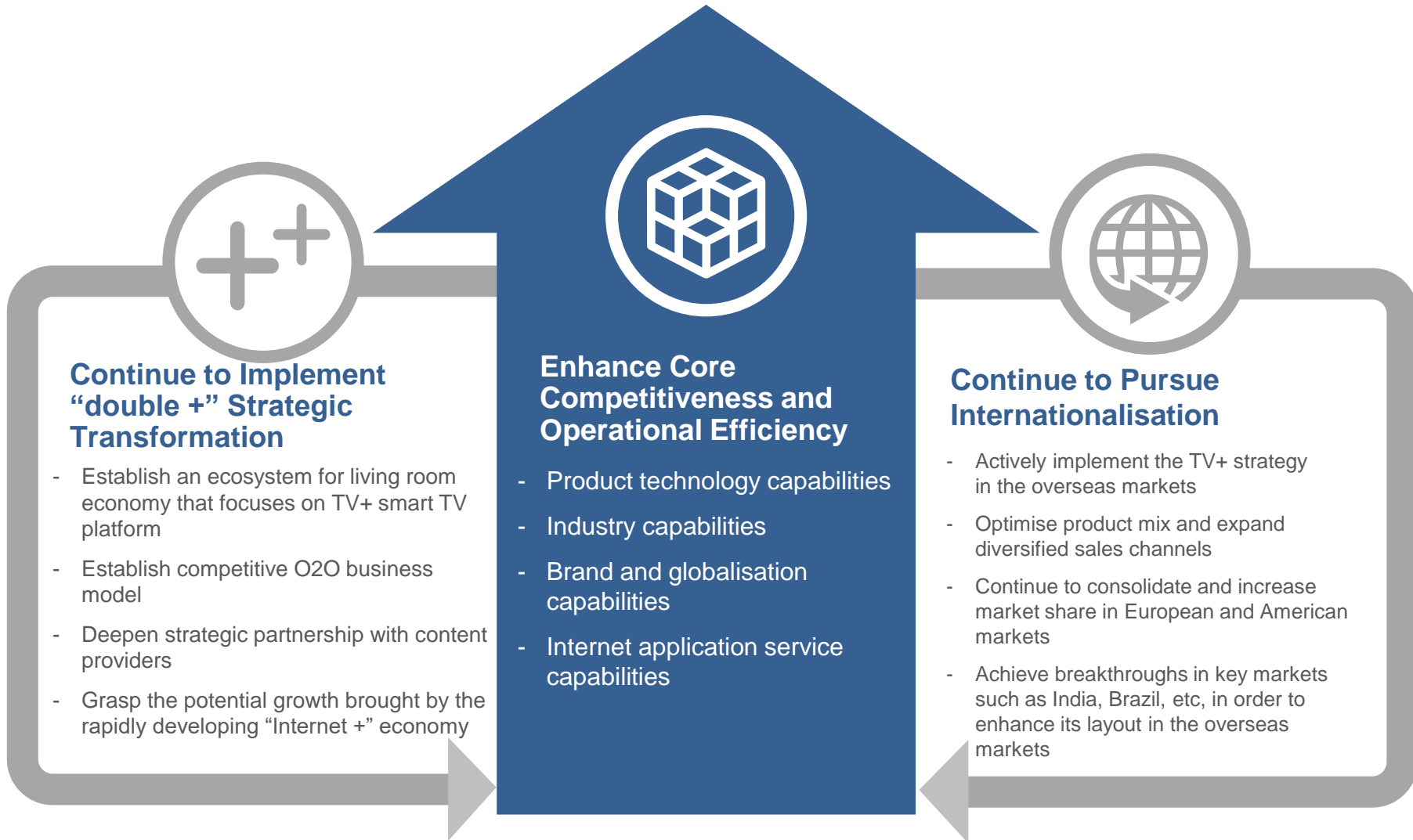
Sales volume of TCL branded products is expected to exceed

0.8 million sets

reaching a market share of over **8%**






Target to increase its market share to **10%** in **Brazil** with the **Top 3** ranking

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



2016 Q1-Q3 Internet Service Revenue Breakdown and Targets for 2016



	2016 Target (RMB)	2016 Q1-Q3 Actual (RMB)
 Video (GoLive included) and Advertising	91.86 million	29.03 million
 Gaming	3 million	200,000
 Education	2.5 million	160,000
 Lifestyle, App Store and Others	3.98 million	3.66 million
 Big Data	3 million	2.79 million
Total:	Approx. 100 million	Approx. 35.84 million



Targets for 2016 and Progress of Implementation

	2015					2016				
	Overall Actual	The PRC Market		Overseas Markets		Overall Target	The PRC Market		Overseas Markets	
		FY Actual	Q1-Q3 Actual	FY Actual	Q1-Q3 Actual		FY Target	Q1-Q3 Actual	FY Target	Q1-Q3 Actual
LCD TVs sales volume (million sets)	17.34	9.24 [^]	6.37 [^]	8.10 [^]	6.10 [^]	20.00	10.54	6.73 (↑5.6%)	9.46	7.78 (↑27.5%)

The PRC Market (excluding ODM business)	FY 2016 Target	2016 1H Actual	2016 Q1-Q3 Actual
Proportion of smart TV sales volume (%)	Adjusted up from 60% to 62%	62.6%	63.1%
Proportion of 4K TV sales volume (%)	Adjusted up from 28% to 32%	33.9%	34.3%
Proportion of curved TV sales volume (%)	8%	7.4%	8.9%
Proportion of online sales volume (%)	18%	20.2%	18.1%

	FY 2016 Target	2016 1H Actual	2016 Q1-Q3 Actual
Number of TCL activated smart TV users (Accumulated number at period end) (year-end/quarter-end) ¹	Adjusted up from 15,500,000 to 16,000,000	14,557,671	15,745,216
Daily average number of active users (year-end/month-end) ²	Adjusted up from 6,400,000 to 6,700,000	6,244,653 ³	6,734,969 ⁴
Internet Service Revenue (RMB)	Approximately 100 million	Approximately 28.75 million	Approximately 35.84 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. June 2016 data

4. September 2016 data

[^] Restated

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TCL多媒體科技控股有限公司

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

Stock Code: 01070

Q&A

