



# 2020 Second Quarter and Interim Results Presentation

TCL電子控股有限公司

TCL ELECTRONICS HOLDINGS LIMITED

Incorporated in the Cayman Islands with Limited Liability

(Stock Code: 01070.HK)



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人工智能  
AI

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PART 01

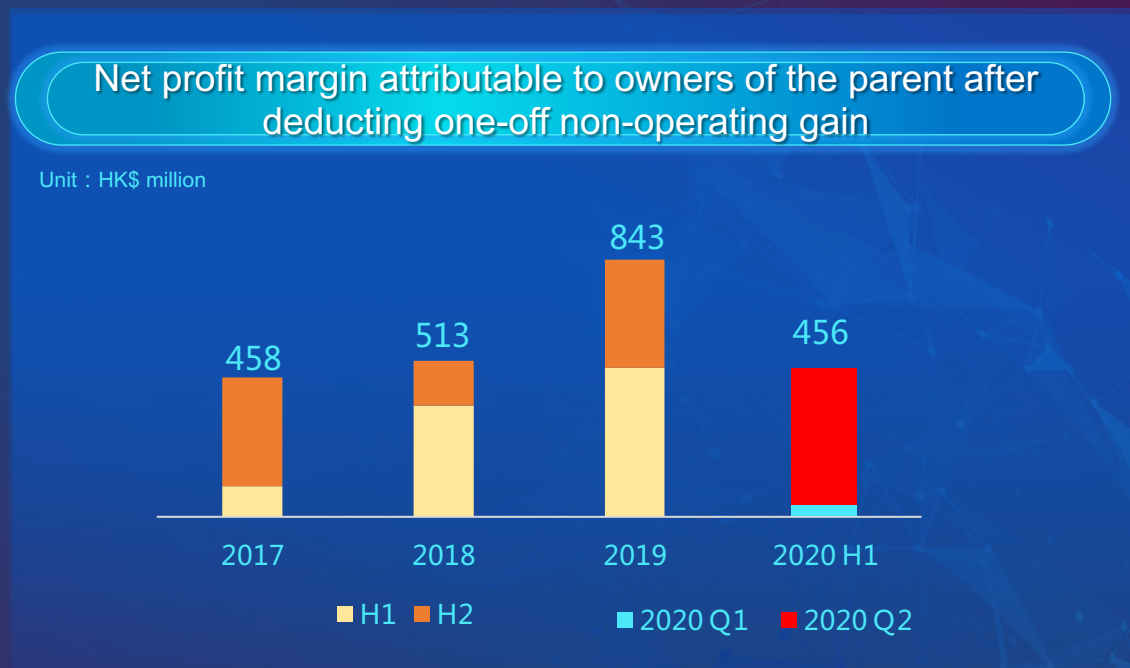
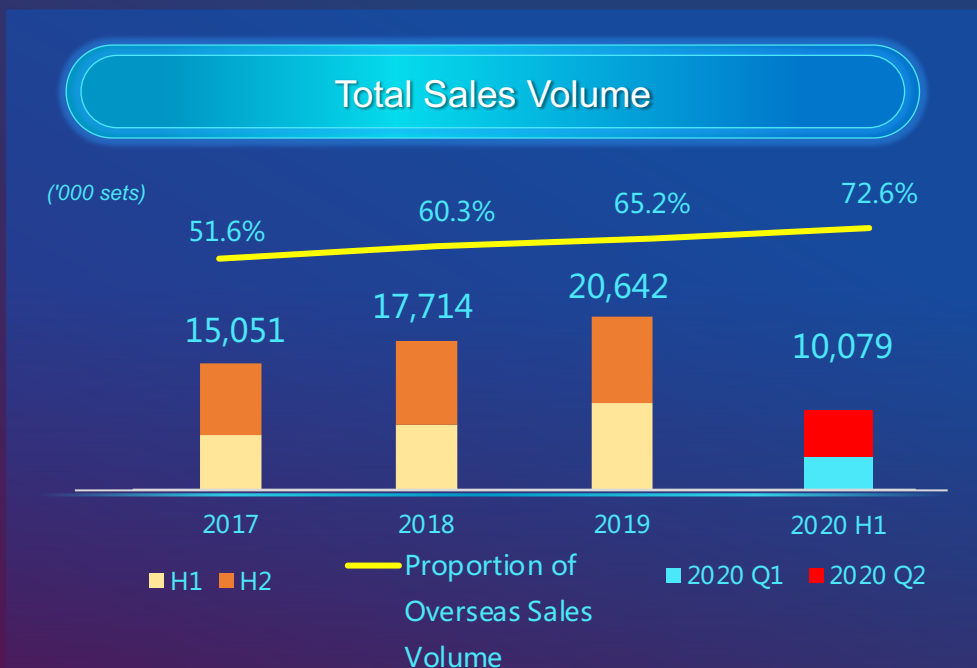
Financial Highlights



***TCL•XESS Smart Screen***



# Results Highlights ( Excluding ODM )



In 2020 Q2, the sales volume of TCL brand TV ranked **No.2** globally\*

Revenue HK\$ **35.80B**<sup>^</sup>  
 Profit attributable to Owners of the Parent HK\$ **765M**<sup>1,5^</sup>  
 Profit attributable to Owners of the Parent after deducting one-off non-operating gain HK\$ **513M**<sup>3,5^</sup>  
 Dividend Payout Ratio **45%**

**FY 2018**

Revenue HK\$ **36.49B**<sup>^</sup>  
 Profit attributable to Owners of the Parent HK\$ **1.83B**<sup>2,5^</sup>  
 Profit attributable to Owners of the Parent after deducting one-off non-operating gain HK\$ **843M**<sup>3,5^</sup>  
 Dividend Payout Ratio **45%**

**FY 2019**

1H Revenue HK\$ **17.28B**  
 > Q2 Revenue HK\$ **10.28B**, ↑ 36.6% yoy **FY 2020**  
 Q2 Profit attributable to Owners of the Parent HK\$ **438M**<sup>5</sup>  
 Q2 Profit attributable to Owners of the Parent after deducting one-off non-operating gain HK\$ **424M**<sup>3,5</sup>, ↑ 116.3% yoy  
 Dividend Payout Ratio **45%**<sup>4</sup>

1. Including one-off gain of HK\$155 million from the completion of asset transaction and one-off gain of HK\$110 million from the acquisition of affiliate company  
 2. Including a one-off non-operating gain of HK\$787 million due to the remeasurement of the fair value of 44.44% pre-existing equity interest in Falcon Network Technology held by the Group as of the acquisition date in 2019.

3. Profit attributable to Owners of the Parent after extraordinary items means one-off gain excluded  
 4. Dividend payout ratio after deducting one-time non-operating gain.

5. Net profit attributable to owners of the parent from continuing operations

<sup>^</sup> Restated  
 \* Source: Omdia ( formerly IHS )



# Key Business Development

The sales volume of TCL brand TV in Q2 ranked No. 2 in the world@

**5.81M** sets **+31.6%** yoy

Overseas : 4.20M sets, +40.4% yoy,  
+35.1% qoq

PRC : 1.61M sets, +13.1% yoy,  
+38.2% qoq



TCL brand TV ranked No.2 in China's retail market in 1H by turnover

**13.3%** **+ 1.5 p.p.** yoy

The market share in terms of turnover in 1H rose to the 2<sup>nd</sup> place and recorded an increase of 1.5 p.p. yoy to 13.3%#



Sales volume in 19 countries among top ranking in 1H

## Market Share in overseas market

**+1.7 p.p.** yoy

- The USA ranked 2<sup>nd</sup> ,+1.4 p.p. yoy&
- Australia: ranked 2<sup>nd</sup> ,+9.9 p.p. yoy ^
- France: ranked 3<sup>rd</sup> ,+0.4 p.p. yoy ^



## Chinese Internet Business (mainly Falcon Network)

- 1H Revenue: HK\$397M **+197.7%** yoy
- 1H Operating Profit: HK\$134M **+203.0%** yoy\*



## Overseas Internet Business

### Expanded cooperation with Google and Roku

- Revenue in 1H: HK\$124M, +29.0% yoy
- Operating Profit in 1H: HK\$89.85M, +69.3% yoy
- Started partnership with Google in N.A. in 2020 Q2
- Plan to explore markets outside N.A. with Roku in 2021



Improve the AI X IoT layout  
Stripping off ODM Business

## Acquiring TCL Communication

Step in diversified consumer electronics business  
Create all-scenario smart home ecosystem with smart display centered

@ source : OMDIA ( formerly, IHS )

# source : CMM

^ source : GfK

& source : NPD

\* Mainly due to the consolidation of Falcon Network's business from April 2019. Revenue and net profit in 1H 2020 increased by 60.0% and 88.0%, respectively on its own operation.



# 1H Financial Highlights

(HK\$ million)	2020 1H	2019 1H	Change
<b>Revenue</b>	<b>17,277</b>	17,825 <sup>#</sup>	(3.1%)
<b>Gross profit margin(%)</b>	<b>20.5%</b>	19.1% <sup>#</sup>	+1.4 p.p
<b>Expense ratio (%)</b>	<b>15.4%</b>	15.1% <sup>#</sup>	+0.3 p.p.
<b>R&amp;D</b>	<b>513</b>	357 <sup>#</sup>	+43.6%
<b>EBITDA</b>	<b>986</b>	1,582 <sup>#</sup>	(37.7%)
<b>Net profit (Excluding discontinued operations) <sup>@</sup></b>	<b>523</b>	1,303 <sup>#</sup>	(59.9%)
<b>Net profit attributable to owners of the parent</b>			
<b>- Current period (Including discontinued operations) <sup>@</sup></b>	<b>536</b>	1,362	(60.6%)
<b>- From continuing operations</b>	<b>470</b>	1,297 <sup>#</sup>	(63.8%)
<b>Net profit attributable to owners of the parent after deducting one-off non-operating gain</b>			
<b>- Current period (Including discontinued operations) <sup>@</sup></b>	<b>521</b>	554 <sup>^</sup>	(6.0%)
<b>- From continuing operations</b>	<b>455</b>	489 <sup>#^</sup>	(7.0%)

# restated

<sup>^</sup> One-off non-operating gain of HK\$787 million was recorded due to the remeasurement of the fair value of 44.44% pre-existing equity interest in Falcon Network Technology held by the Group as of the acquisition date in 1H 2019

<sup>@</sup> Discontinued operation refers to the TV ODM business, disposal of which is expected to be completed by the end of August 2020



## Q2 Financial Highlights

(HK\$ million)	2020 Q2	2019 Q2	Change	2020 Q2	2020 Q1	Change
<b>Revenue</b>	<b>10,277</b>	7,524 <sup>#</sup>	+ 36.6%	<b>10,277</b>	7,000	+ 46.8%
<b>Gross profit margin(%)</b>	<b>20.9%</b>	22.0% <sup>#</sup>	(1.1 p.p.)	<b>20.9%</b>	20.0%	+0.9 p.p.
<b>Expense ratio (%)</b>	<b>13.5%</b>	17.1% <sup>#</sup>	(3.6 p.p.)	<b>13.5%</b>	18.1%	(4.6 p.p.)
<b>R&amp;D</b>	<b>259</b>	183 <sup>#</sup>	+41.5%	<b>259</b>	253	+2.4%
<b>EBITDA</b>	<b>750</b>	1,172 <sup>#</sup>	(36.0%)	<b>750</b>	236	+217.8%
<b>Net profit (Excluding discontinued operations) <sup>@</sup></b>	<b>484</b>	1,015 <sup>#</sup>	(52.3%)	<b>484</b>	40	+1,110.0%
<b>Net profit attributable to owners of the parent</b>						
<b>- Current period (Including discontinued operations) <sup>@</sup></b>	<b>431</b>	1,088	(60.4%)	<b>431</b>	105	+310.5%
<b>- From continuing operations</b>	<b>438</b>	1,004 <sup>#</sup>	(56.4%)	<b>438</b>	32	+1,268.8%
<b>Net profit attributable to owners of the parent after deducting one-off non-operating gain</b>						
<b>- Current period (Including discontinued operations) <sup>@</sup></b>	<b>417</b>	280 <sup>^</sup>	+48.9%	<b>417</b>	105	+297.1%
<b>- From continuing operations</b>	<b>424</b>	196 <sup>#^</sup>	+116.3%	<b>424</b>	32	+1,225.0%

# restated

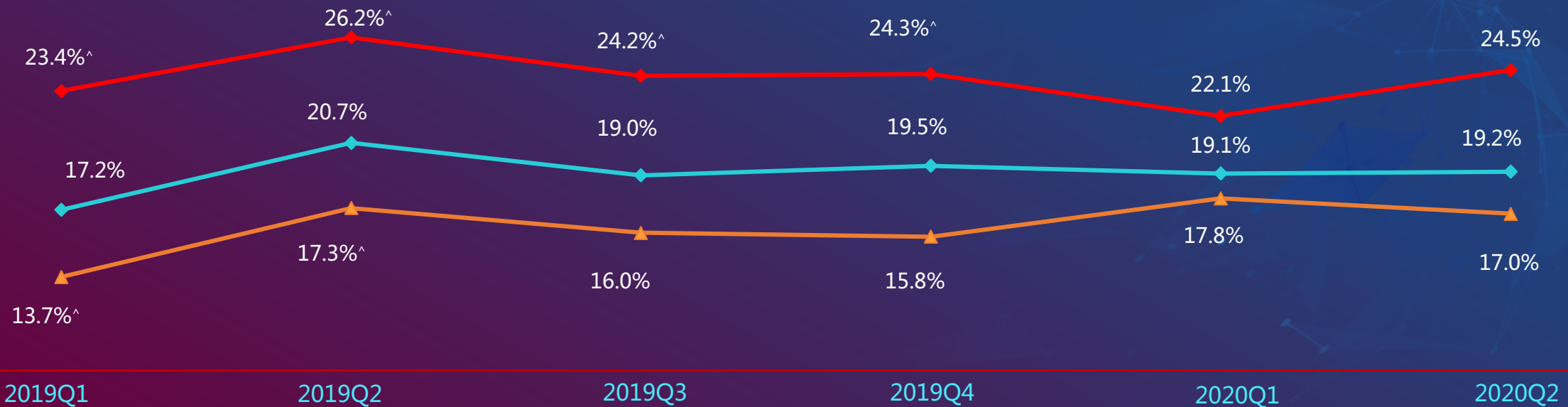
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<sup>@</sup> Discontinued operation refers to the TV ODM business, disposal of which is expected to be completed by the end of August 2020



# TV Gross Profit Margin

- The Q2 gross profit margins of TCL brand TV in the PRC market increased by 2.4 p.p. qoq, mainly attributable to the strong competitiveness of newly launched products and improved product mix with a higher proportion of high-end products.
- The Q2 gross profit margins of TCL brand TV in overseas markets decreased by 0.8 p.p. qoq, largely due to the change in geographic structure. European and Emerging Markets of higher gross profit margin recorded very strong growth in Q1 while the US market of relatively lower gross profit margin and lower costs grew faster in Q2.



◆ Overall TV gross profit margin (TCL brand) ◆ The PRC market TV gross profit margin (TCL brand) ◆ Overseas markets TV gross profit margin (TCL brand)

^ Restated





# Consolidated Statement of Financial Position Highlights

Sound financial position and sufficient cash

(HK\$ million)	30 June 2020	31 December 2019	Change
<b>Non-current assets</b>	4,924	5,676	(13.2%)
<b>Current assets</b>	32,120	27,646	+16.2%
- Trade receivables	5,235	5,994	(12.7%)
- Cash and bank balances	9,151	8,195	+11.7%
- Assets classified as held for sale <sup>^</sup>	4,873	-	N/A
<b>Current liabilities</b>	24,135	21,156	+14.1%
- Liabilities directly associated with assets classified as held for sale	3,689	-	N/A
<b>Net current assets</b>	7,985	6,490	+23.0%
<b>Non-current liabilities</b>	931	229	+306.6%
<b>Net assets</b>	11,978	11,937	+0.3%
<b>Net assets value per share (HK\$)</b>	4.88	4.90	(0.4%)

<sup>^</sup> Assets of discontinued operations



## Key Financial Indicators

Increased proportion of overseas supply chain, inventory turnover increased accordingly, customers were affected by the epidemic, extended credit period to support customers' development

	30 June 2020	31 December 2019	Change
<b>Inventory turnover (days)<sup>1</sup></b>	<b>51</b>	46	+5
<b>A/R turnover (days)<sup>1</sup></b>	<b>46</b>	42	+4
<b>A/P turnover (days)<sup>1</sup></b>	<b>81</b>	77	+4
<b>Cash conversion cycle (days)</b>	<b>16</b>	11	+5
<b>Current ratio (times)</b>	<b>1.3</b>	1.3	-
<b>Gearing ratio (gross)(%)<sup>2</sup></b>	<b>32.0</b>	16.2	+15.8 p.p. <sup>5</sup>
<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 balance for a 12-month period.

<sup>2</sup> Gearing ratio (gross) = Total interest-bearing borrowings and lease liabilities/ 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 and lease liabilities - Cash and bank balances - restricted cash.

<sup>4</sup> As at 30 June 2020 and 31 December 2019, gearing ratio (net) was 0% as the Group's cash and bank balance was higher than the total interest-bearing borrowings and lease liabilities.

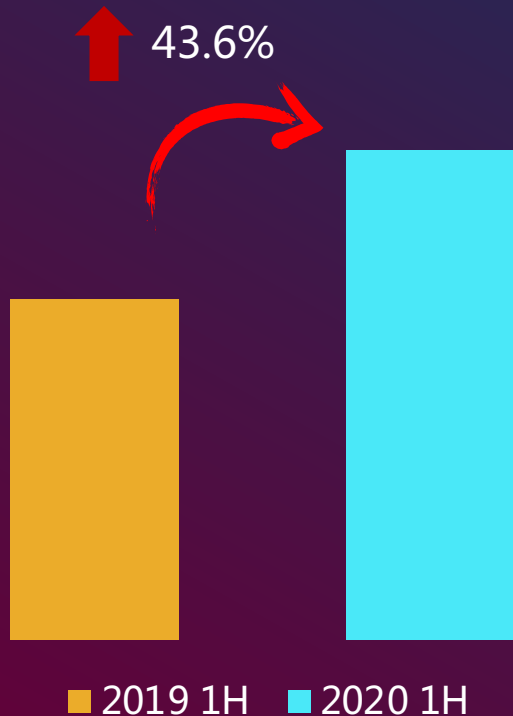
<sup>5</sup> Bank loan increased due to investment on increasing factories production capacities



# R&D Expenditure

- By June end 2020, headcount in R&D center increased by 46% versus the same period of last year, mainly due to new hiring of software talents for AI, smart home and open software platform and etc.. The headcount of software staffs increased by 60% yoy.
- In the upcoming 3 years, the expenditure on R&D will continuously go up, targeting advanced display, mobile communications, artificial intelligence (NLP central control, big data, computing vision), appearance process, open software, system platform, cloud computing, smart home, smart display, etc.

## R&D Expenditure



## Eagle Lab



**4** Global Technology Centers



**400+** AI Algorithms teams



**200+** Big data cloud platform



# Condensed Consolidated Statement of Cash Flows (Highlights)

(HK\$ million)	2020 Q2	2020 Q1
Net cash flows from operating activities	894	8
Net cash flows from/(used in) investing activities	(177)	121
Net cash flows from financing activities	659	1,270
Net increase in cash and cash equivalents	1,376	1,399
Cash and cash equivalents at the beginning of the period	9,368	8,195
Effect of exchange rate changes on cash and cash equivalents	14	(226)
Cash and cash equivalents at the end of the period	10,758	9,368
<b>Analysis of cash and cash equivalents</b>		
Cash and cash equivalents as stated in the consolidated statement of financial position	9,151	7,645
Cash and cash equivalents attributable to a disposal group classified as held for sale	1,607	1,723
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	10,758	9,368

# PART 02

## Business Review



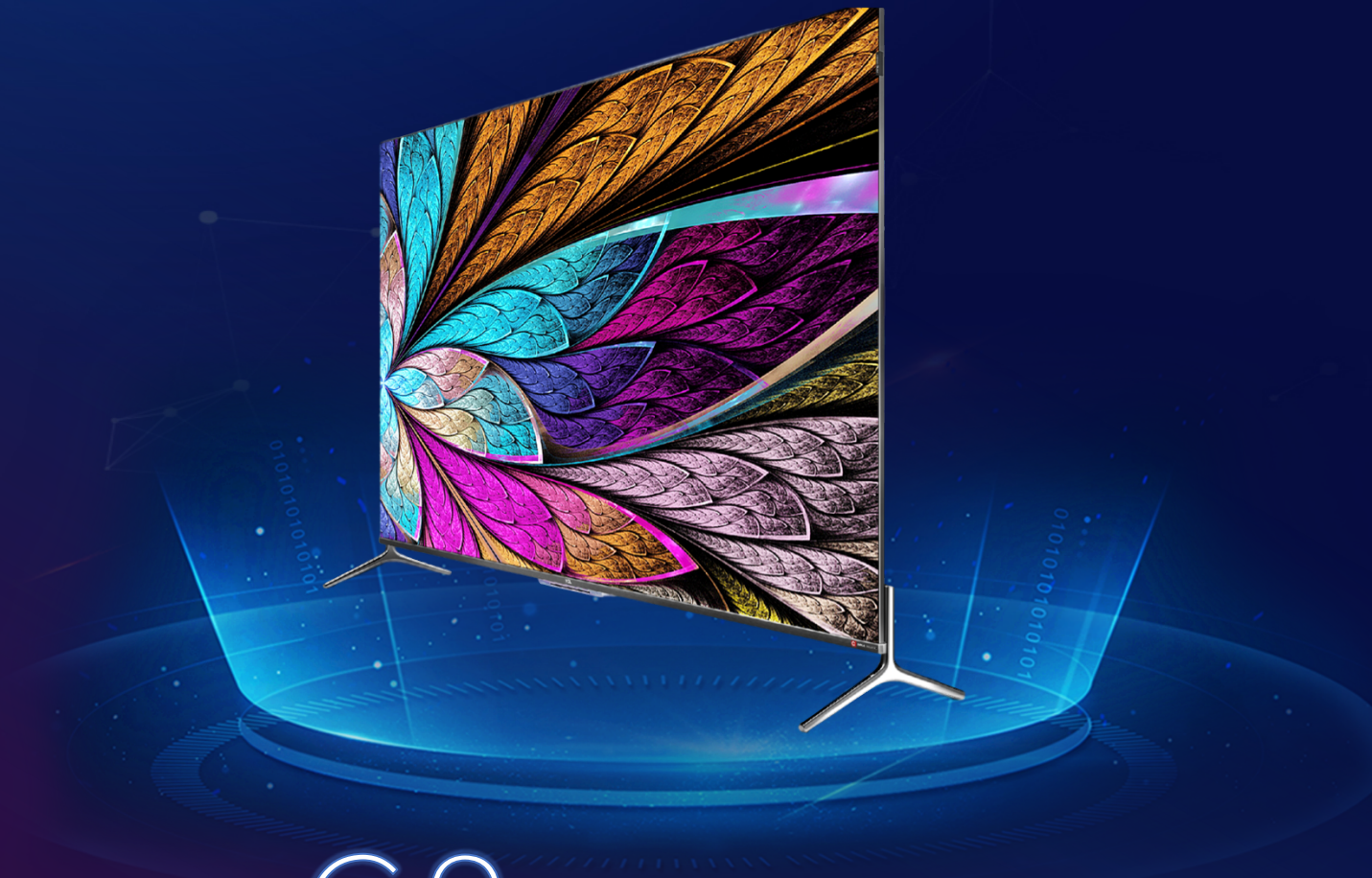
Products

Business



Application

Services



# C8 Zhizhen QLED TV



# TCL Electronics' Development Strategies



**With “smart display” as the core and  
5G+AI x IoT as the driver for technology,  
Create all-scenarios smart healthy life for customers,  
Aim to be the leading global intelligent technology company**





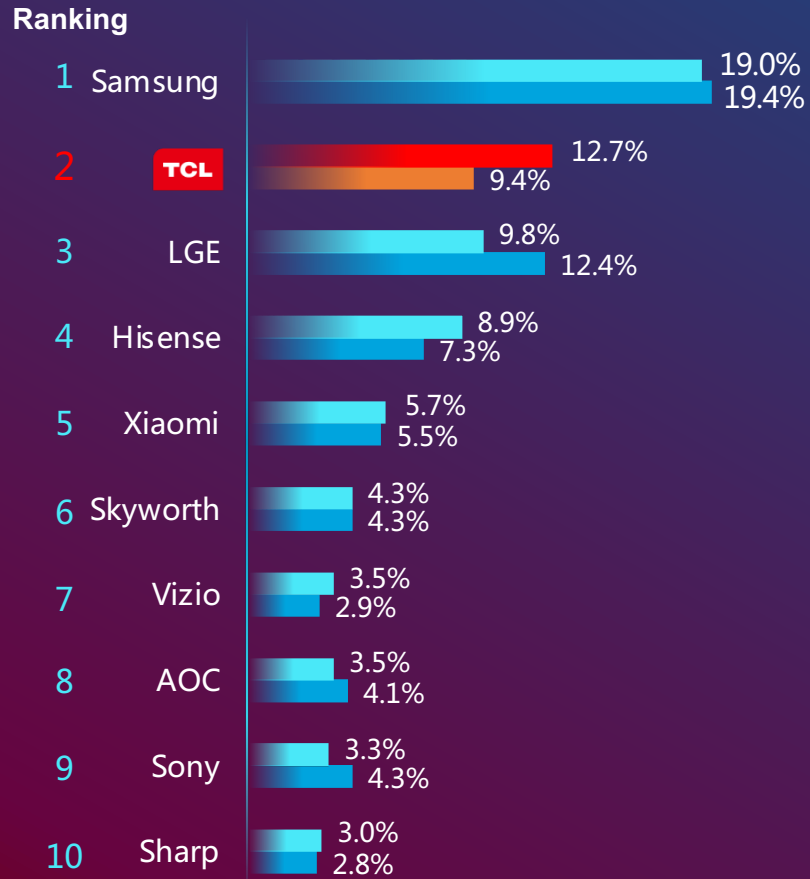
# Global and the PRC Market Shares & Rankings in Q2 2020



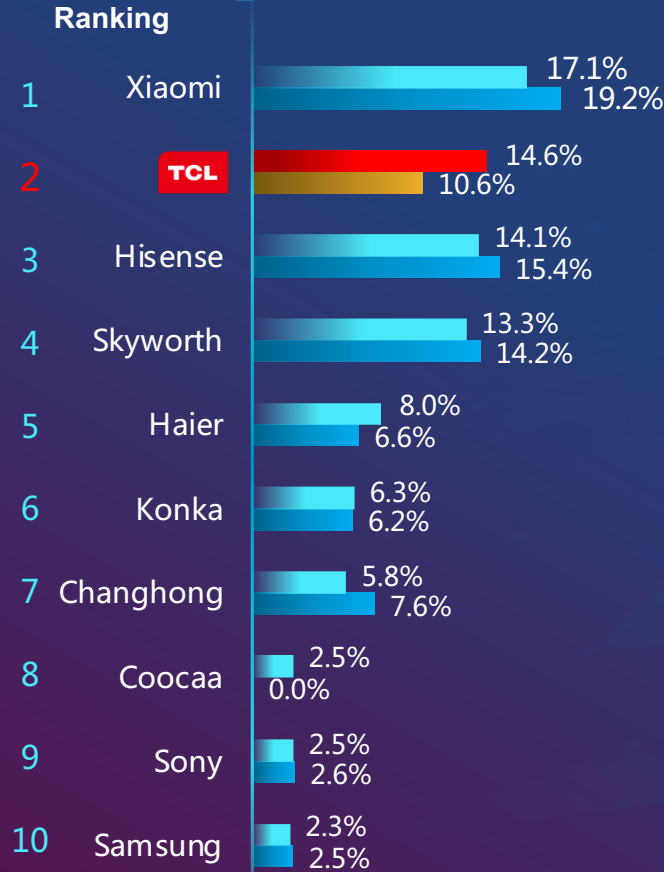
**TCL brand TV market share in terms of sales volume in Q2 jumped to 2<sup>nd</sup> place in global<sup>#</sup>**

**TCL brand TV market share in terms of both sales volume and turnover ranked top two in China\***

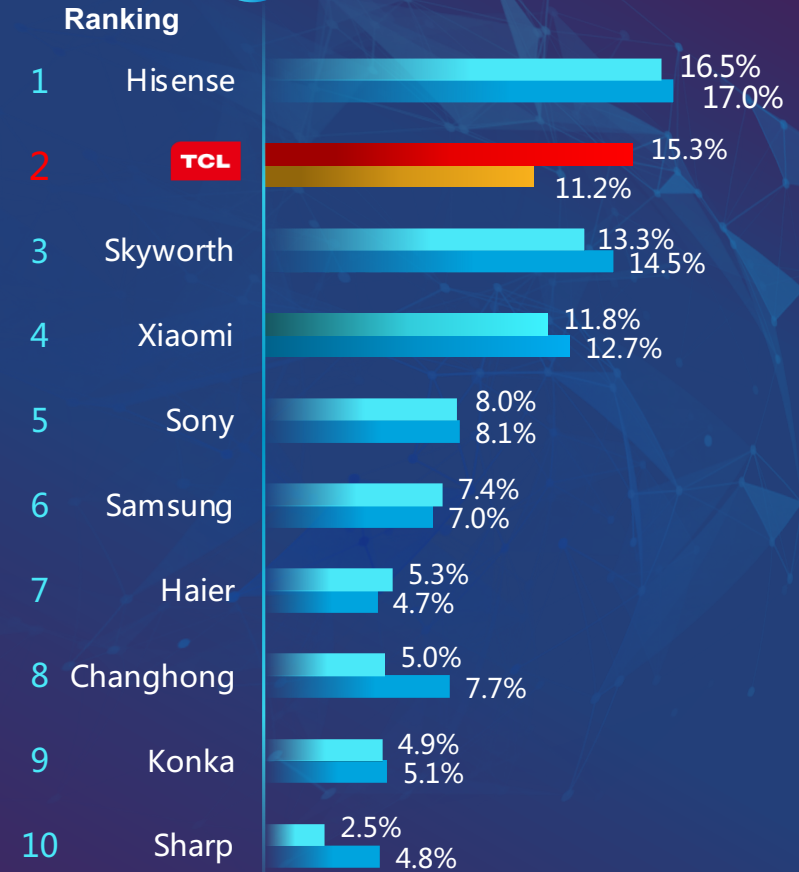
**Market share of sales volume**



**Market share of sales volume**



**Market share of turnover**



# Source : Omdia

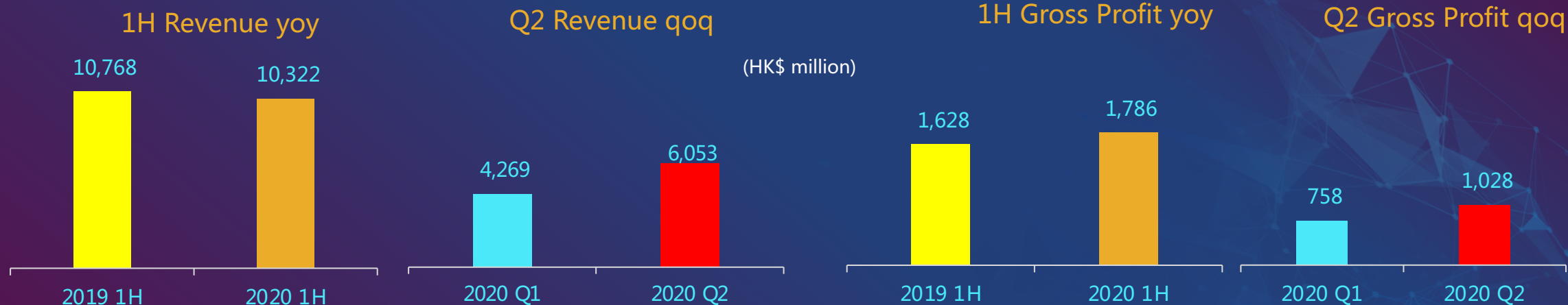
\*Source : CMM omni-channel data

■ 2020 Q2 ■ 2019 Q2



# TCL Brand TV Business in Overseas Markets

The leading advantage became more apparent and sales volume, revenue and gross profit all grew up against the market downtrend



Sales Volume

In 2020 Q2, sales volume of TCL Brand TV increased by **40.4% yoy** and increase against the market downtrend qoq by **35.1%** to about **4.2** million sets.

Sales Volume Growth of TV with 65-inch and above screen

**+67.8% YoY**

Proportion of 4K products

**51.6%** **+16.0 p.p.**

2020 Q2  
2019 Q2

Proportion of Smart products

**91.7%** **+6.8 p.p.**

Average size (inch)

**43.8** **+2.6 inch**

Growth and proportion of high-end products & average size of products

## North American markets

Sales Volume in 2020 Q2

**+68.5% yoy**

**+104.7% qoq**

**Ranking in 2020 1H**

The US market: 2<sup>nd</sup>#

Canada market: 3<sup>rd</sup>#

Mexico market: 4<sup>th</sup>#

# Source : NPD

\* Source : GfK

## Emerging markets

Sales Volume in 2020 Q2

**+5.0% yoy**

**-12.6% qoq**

**Ranking in 2020 1H**

Pakistan market: 1<sup>st</sup>\*

Australia/Philippines market: 2<sup>nd</sup>\*

Saudi Arabia/Morocco market: 3<sup>rd</sup>\*

Brazil/Thailand/Vietnam

market: 4<sup>th</sup>\*

## European markets

Sales Volume in 2020 Q2

**+55.0% yoy**

**+10.6% qoq**

**Ranking in 2020 1H**

France market: 3<sup>rd</sup>\*

Gain market share of sales

volume in

Germany/Poland/Italy/UK

yoy\*





# TCL Brand TV Business in Overseas Markets

Continuously penetrated in key overseas markets, and actively explored emerging markets, top in ranking in 19 countries.



Rankings of Sales Volume' s Market Share in Various Countries Continued to rise from Jan. to June,2020.

Data from: GfK, (North America: NPD)

\* Sales volume data from Jan. to May ,2020.



# TCL Brand TV Business in North America

Sales volume continued to increase in the N.A., with full coverage of six major distribution channels and wider brand influence



Sale volume remained strong growth : in 2020 1H, ranked No.2 in the U.S. and gained 1.4 p.p. yoy in market share

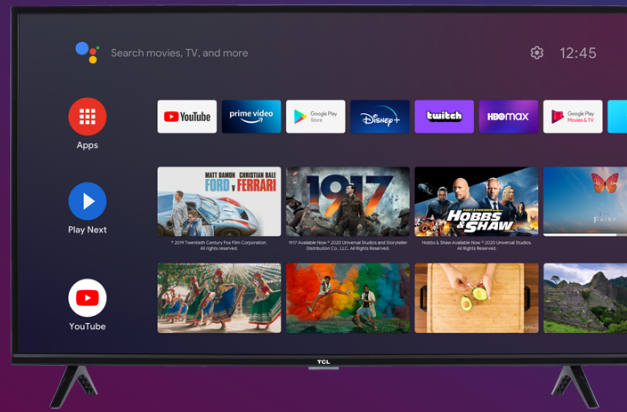


Further optimization of channel structure in the US market. By sales volume, contribution by Best Buy and Amazon increased by 8.1p.p. and 9.4p.p, respectively in 2020 1H.



Fully prepared for potential risks : Production capacity layout in Mexican and Vietnam

Cooperation with Google had extended to the US market. In June 2020, the company announced that the **TCL 3 Series** of Android TVs will officially be launched in the United States. With Google Assistant on Android TV, customers can control their TV and smart home devices, search for content across apps, get answers to questions, plan their day, and more – with their voice



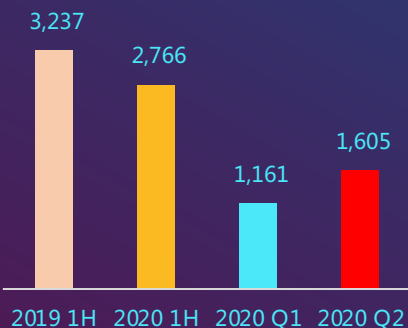


# TCL Brand TV Business in the PRC Market

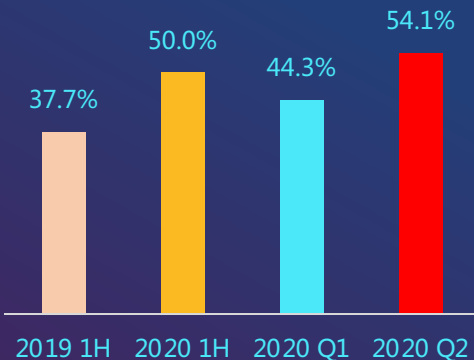
Market share by revenue in the PRC market grew against the downward trend

The proportion of online sales continued to increase

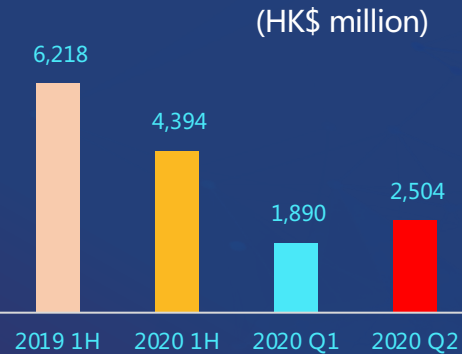
1 H Sales Volume yoy Q2 Sales Volume qoq  
( ' 000 sets )



The proportion of online sales volume

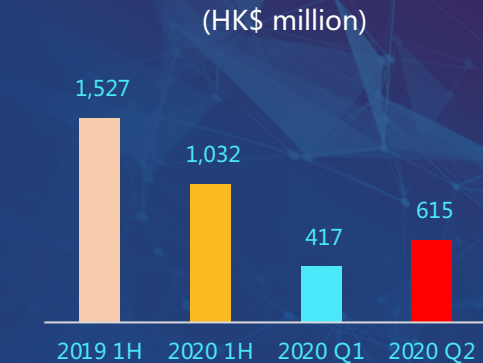


1H Turnover yoy



Q2 Turnover qoq

1H Gross Profit yoy



Q2 Gross Profit qoq



**Sales volume** : given the outbreak of pandemic in Q1, the company took active measures to cope with the impact and adjusted the supply chain on time. By expanding the online channel layout and utilizing online live broadcast on sales, the sales volume of TCL brand TV increased by 13.1% to 1.61 million sets in Q2.

- By sales volume, proportion of TV with 65-inch and above size screen increased quickly to 19.0% in Q2
- The proportion of online sales volume rose to 54.1% in Q2, an increase of 10.3 p.p. yoy



**Revenue** : By adjusting sales channels actively in Q2 and leveraging on click-and-mortar, the company made overwhelming achievement in both online and offline sales and the revenue of TCL Brand TV reached HK\$ 2.5 billion in Q2.



**Gross Profit Margin** : Thanks to strong competitiveness of new products, optimized product mix with a higher proportion of high-end products, the gross profit margin of TV rose 2.4 p.p. qoq to 24.5% in Q2

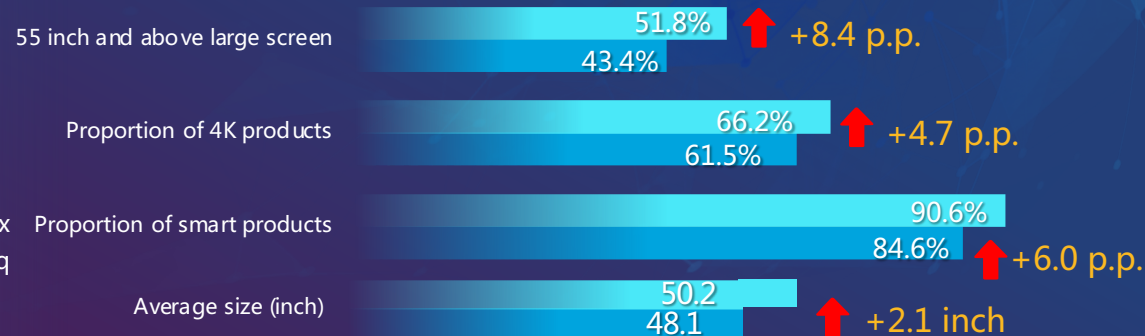


TCL Brand TV's average price ranked No.2 in China's First-tier Brands in the 2020 1H#

\* Affected by COVID-19 in 2020 Q1, panel price in 2020 1H was at a lower level than the same period of last year, which resulted in lower ASP this year, and RMB depreciated against HKD by 4.8% yoy, which impacted the amount of revenue when the financial statements are presented in HKD.

# Source : CMM omni-channel data

## Proportion of high-end products & average size of products



■ 2020 Q2 ■ 2019 Q2

# PART 02

## Business Review



Products  
Business



Application  
Services

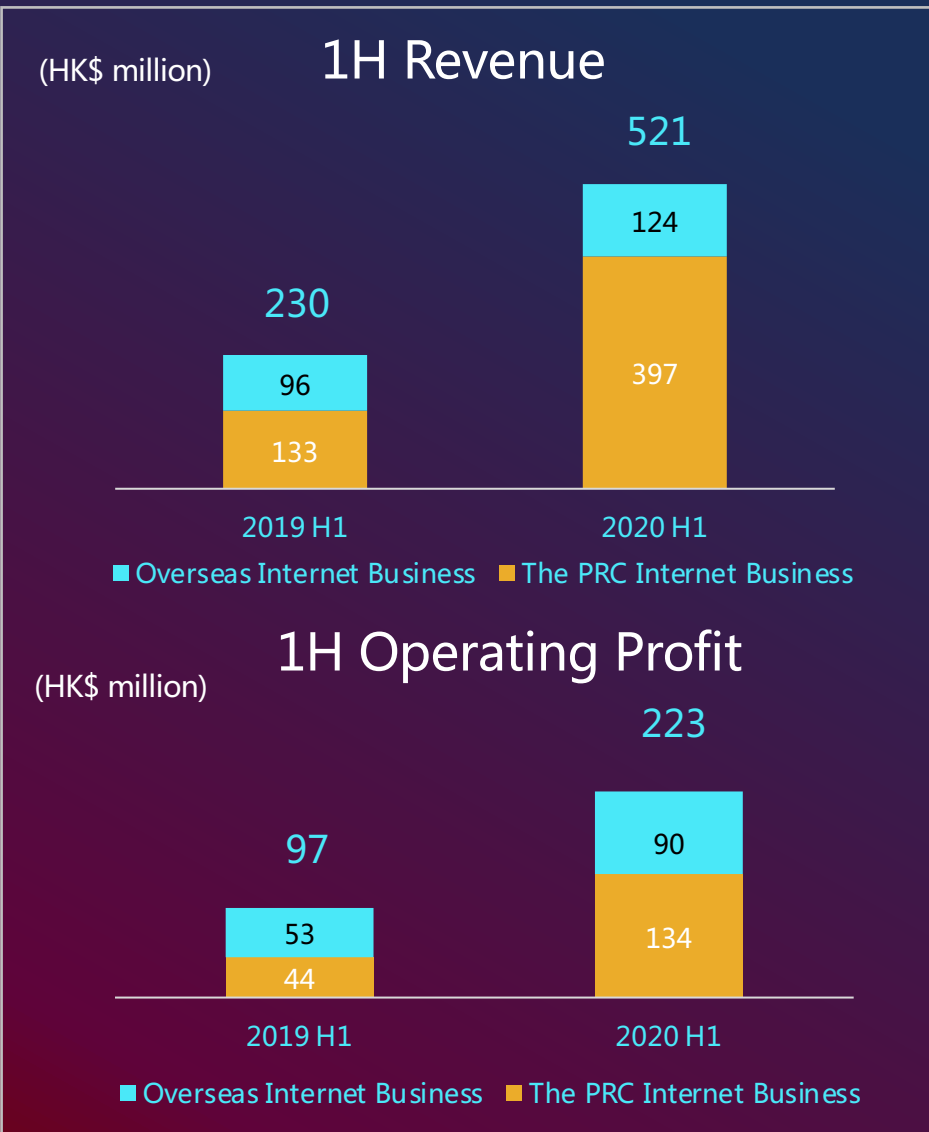


P9 Hollywood Theater TV



# Internet Business

In 1H, global Internet business revenue increased significantly by **126.9%\*** yoy, further enhancing profitability



## The PRC Market

Mainly about Falcon Network Technology, which is responsible for development and operation of TCL's smart TV OS.

In 2020 1H, the revenue was **HK\$397 million**, up **197.7%\*** yoy. The monetization capability continued to enhance:

- Revenue of Video-on-demand and Membership increased by **76.6%** yoy
- Revenue of Advertising Business increased by **1.5%** yoy
- Revenue of Value-added Business increased by **136.5%** yoy

## Overseas Market

Cooperate with global Internet giants such as Roku, Google and Netflix to provide users with perfect service experience

In 2020 Q2, the revenue was **HK\$124 million**, up **29.0%** yoy, with a great potential for future growth

In 2020, the group will continue to deepen its global cooperation with Internet giants

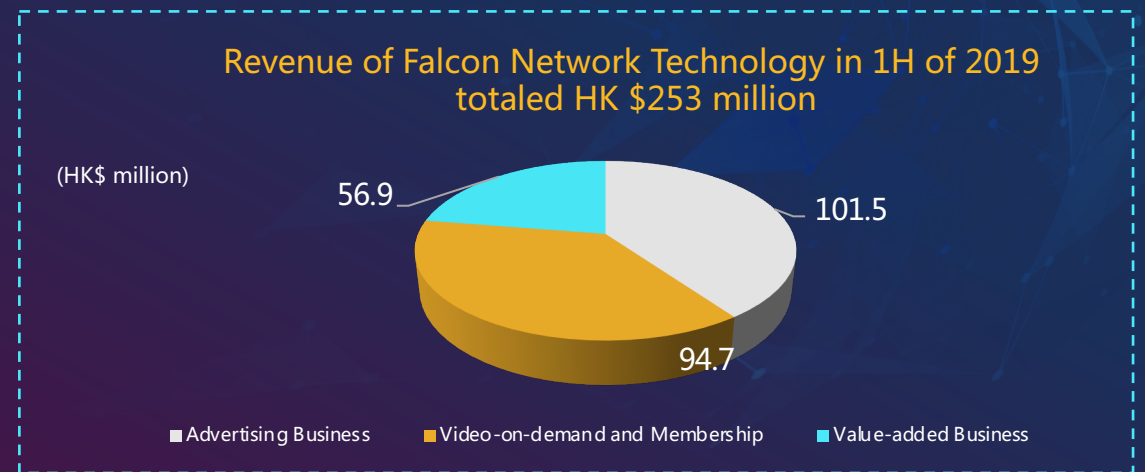
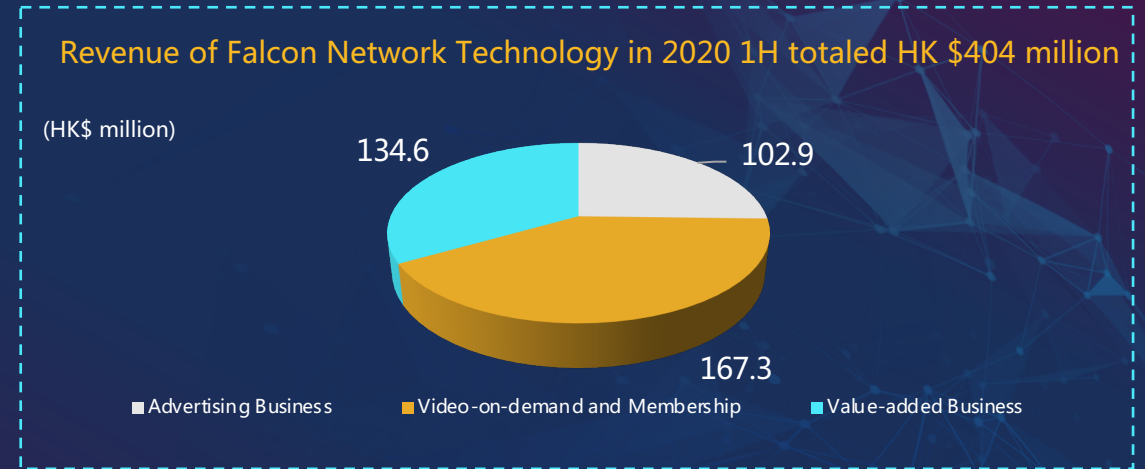
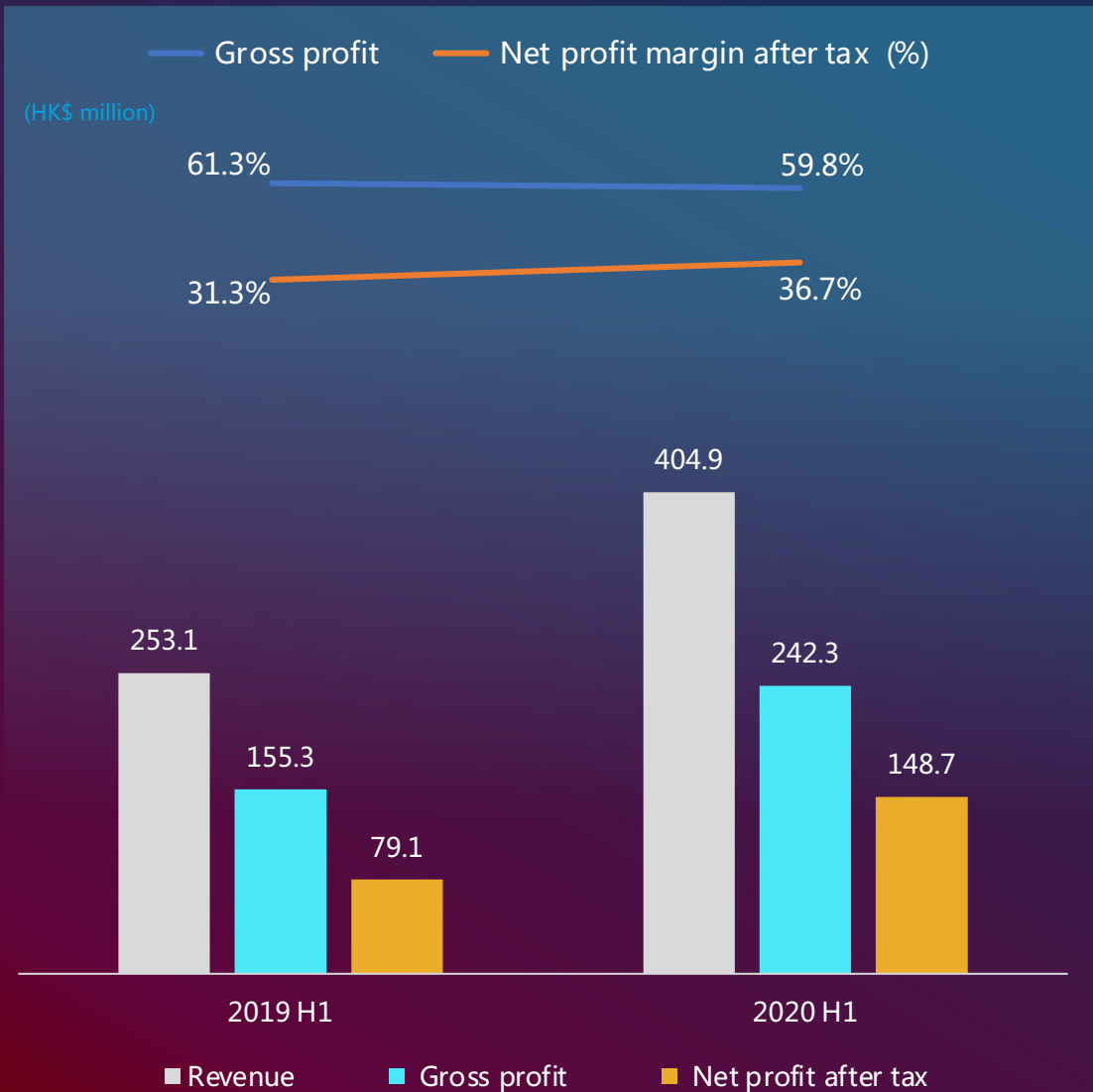
- Google: Android TV began to sell in the US market in June, extending the cooperation across the world.
- Roku: Cooperation is extended to outside North America since July.
- Netflix: Cooperation in global overseas market went effective in 2020
- The content integration application TCL Channel is planned to be launched on TCL Brand Roku TV and Google TV in the U.S. in 2020 (TCL Channel is launched in India, Brazil, Thailand, Vietnam, Japan, Russia, France and Germany markets in 2019)

\* Falcon Network Technology has been consolidated since April 2019.



# Internet Business—Falcon Network Technology

Revenue in 1H increased by **60.0%** yoy, net profit after tax soared by **88.0%** yoy, indicating of stronger profitability

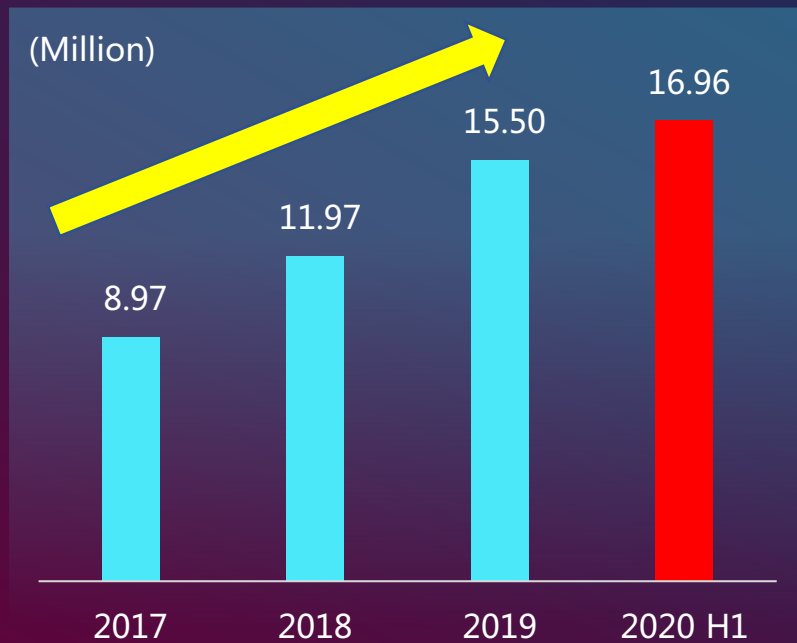




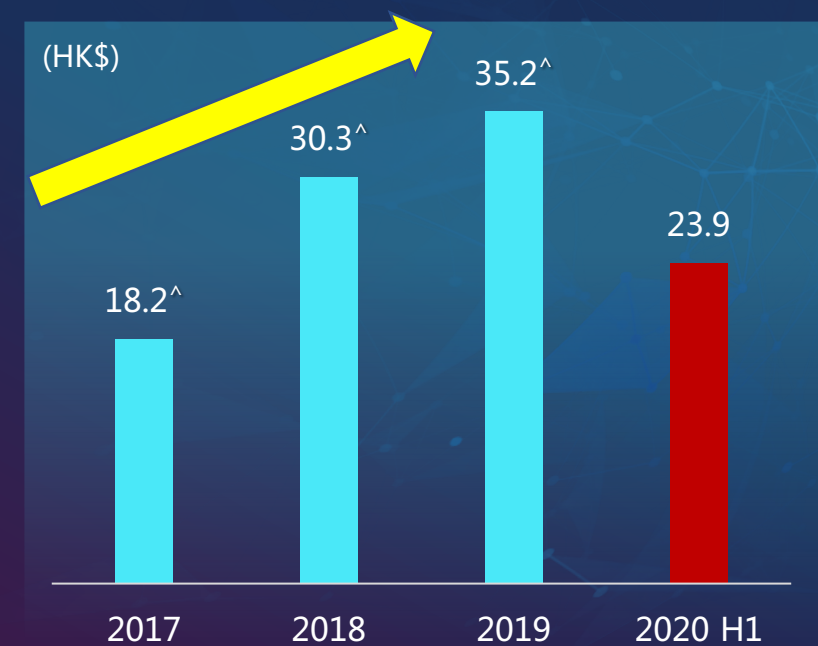
# Internet Business—Falcon Network Technology

- In the first two quarters of 2020, the monthly average number of active users was both at 17 million roughly.
- ARPU increased by 28.8% yoy in the 2020 1H

Average Monthly No. of Operative Active Users



ARPU



<sup>^</sup> Restated



# Internet Business——Falcon Network Technology

Actively develop home service scenarios, widen the coverage of cross-smart-screen terminals, and provide users with smart life experience with lean innovation

## Setup of Family Scenario

Explore large-screen content ecosystem and build family life service scenario

- Cooperate with top video clip platforms such as Kuaishou and ByteDance to enrich video clip content on big screen
- Start collaboration with 5 content partners including Tianyi Cloud Game, NetEase Cloud Game and MiguPlay in order to expand the big-screen cloud game scenario
- Allied with WeSing, CoachAI and etc., to enrich vertical content such as big screen Karaoke and AI fitness
- Propel cooperation with local life service platforms, in order to explore local life services and general health services within the family scenario

- Launch high-quality UHD content of 4K and Dolby in joint with Tencent
- With customized operation, integrate films and videos with other vertical content to create "TCL membership" model and build a growth system for membership

Enhance content richness and operational efficiency  
Build TCL membership system

## Operational service improvement

## Innovation of Users Experience

Optimize recommendation algorithm and voice interaction  
Upgrade user experience with AI empowered

- Algorithms are fully covered on apps recommendation. 96% of mainstream models support algorithm, which cover more than 80% of daily active users
- Refined application of deep learning algorithms to achieve a double up in content click rate

- By 2020 1H, TCL Channel has come online in eight countries including India, Vietnam, Japan, Russia, Brazil, Thailand, France, and Germany
- Launcher Advertising System was launched in Brazil in June 2020 and it will cover other Asia-Pacific countries in 2020 2H
- TCL Channel ranked TOP 5 in popularity among Indian local users according to a survey TCL conducted in April 2020

Accelerate the global coverage of products and businesses to achieve large-scale revenue

## Breakthrough in overseas business







# Large Screen TV Launched in Spring 2020

In the spring of 2020, 13 new model TVs of 3 Series named "Large-screen Sound and Picture Experts that Understand You" featured with super-large screen were launched

- "C8 Zhizhen QLED TV" – First-time equipped with Quantum Dot Pro 2020 technology. Quantum dot plus TCL' s self-developed Q image quality engine technology makes the brightness, color and clarity further optimized
- "P9 Hollywood Theater TV" – Equipped with seperate Hi-Fi professional audio, which is co-developed with Onkyo, a top audio brand in the world
- " V8 full scene AI TV" – Upgrade in all-the-time, all-the-people, all-round capability and all-over-the-house, these four aspects, enables users to enjoy the perfect picture quality, sound quality, and all-scenario AI technology and functions



C8 Zhizhen QLED 8k TV



P9 Hollywood Theater TV



# 1<sup>st</sup> Rotatable Smart Screen in worldwide - TCL•XESS Smart Screen

- New specie featured with Super VUI, Huge Screen Cell Phone and AI Large Screen
- Equipped with the latest AI, replacing traditional GUI (graphical user interface) with VUI (voice user interface)
- AI auto rotation from horizontal mode to vertical mode by shaking cell phones, giving visual experience of watching videos on 55-inch screen
- As a part of AI x IoT strategies, TCL•XESS Smart Screen will become the core access to Smart Home and play a functional role of connecting all-scenarios smart life





## Launch the 1<sup>st</sup> 5G 8K Smart Screen in the World

- At the 2020 TCL 5G 8K Smart Screen New Product Release Conference held on August 18, the 75X10 series, the world's first 5G 8K smart screen equipped with Mini Led high-end display technology was launched
- This smart screen supports 5G video calls, fitness, games and etc.
- It can not only provide large-screen and immersive experience of audio & video, but also support high-speed and stable 5G streaming, which can accommodate the ultra-high speed requirement of 8K contents





# Comprehensive Strength Gained High Recognitions

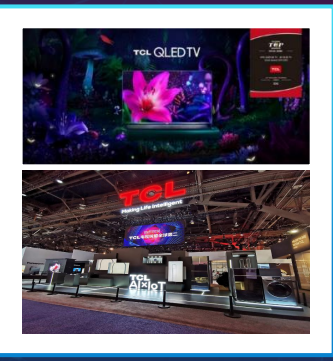
**Expert Imaging and Sound Association (EISA) fully affirmed the audio and visual quality of TCL products**

- QLED TV C815 series and RAY•DANZ soundbar were awarded "Best Buy TV – 2020-2021" and "Best Buy Soundbar – 2020-2021", respectively by EISA. The audio and image quality of the product is absolutely endorsed



**Awarded at Consumer Electronics Show (CES) 2020**

- TCL QLED TV 8K X9 was awarded "8K QLED TV Gold Award 2019-2020" by the IDG
- 2019-2020 Global TV Brands Top 10
- 2019-2020 CE Brands Top 10
- 2019-2020 Global CE Brands Top 50



**Various kinds of awards and recognition on multiple high-end smart TVs**

- TCL-XESS Smart Screen won the "AWE2020 Best Product Award" at AWE 2020
- At the Universal Smart Display Leaders Summit and CRC 56th Annual Research Conference on Color TV Industry in 2020, TCL C8 Zhizhen QLED TV and TCL X10 8K QLED TV were both selected as "Innovative Product Guide for Electronic Video Industry 2020"



**iF DESIGN AWARD 2020**

- TCL 9 Series RAY•DANZ soundbar won the "iF Design Award 2020", showing the company is well recognized not just for its leading image technology, but also for its audio equipment



**Falcon Network named "Top 100 Startup Companies Mostly Attended to by Chinese Investors in 2020"**

- Falcon Network is listed in "Top 100 Startup Companies Mostly Attended to by Chinese Investors in 2020", which is released by 36Kr.
- 36Kr believes that all the companies on the list lead the innovations in various business fields in China, not only gaining extensive attention from investors, but also leading the direction of new economic wave



PART 03

Outlook

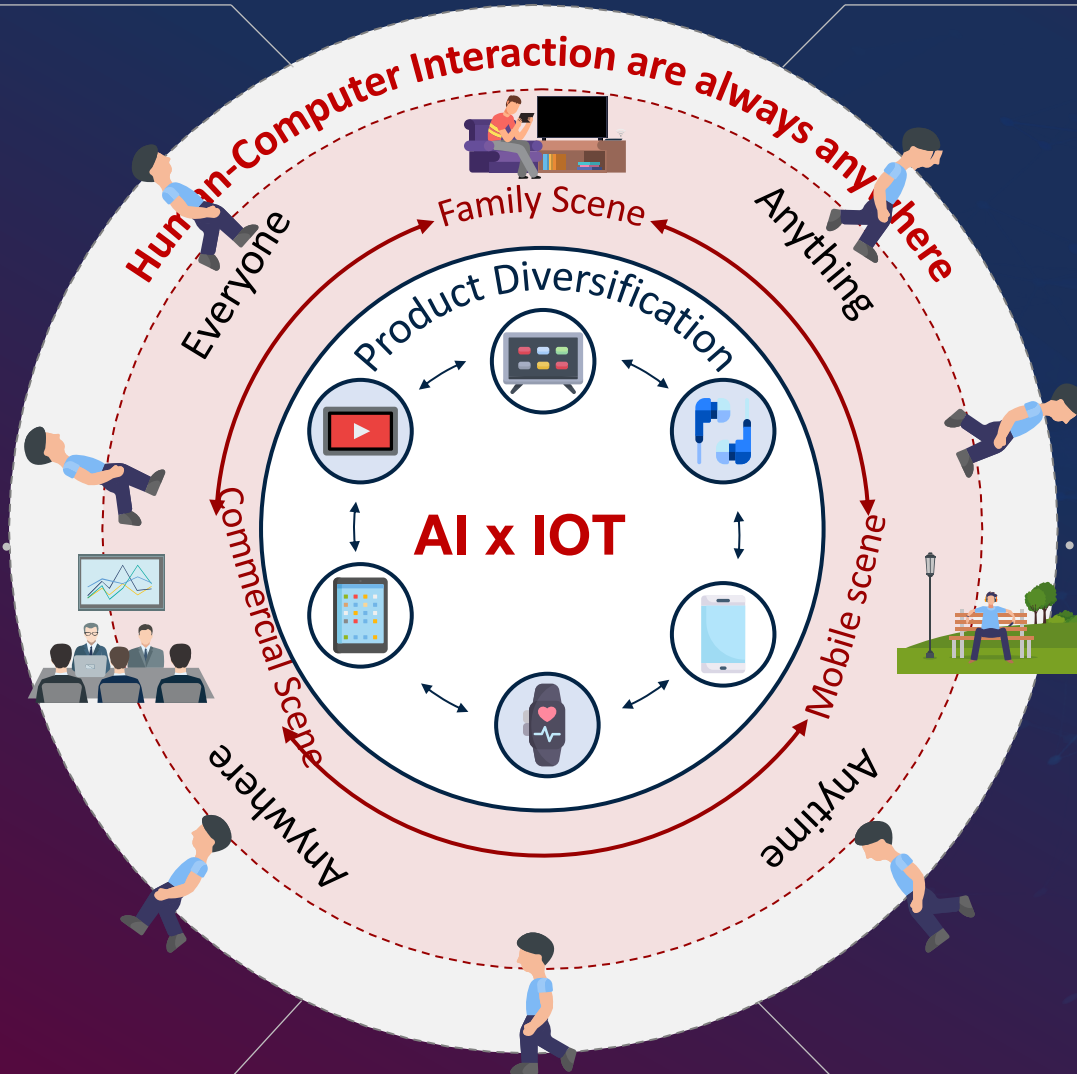


**75X10**

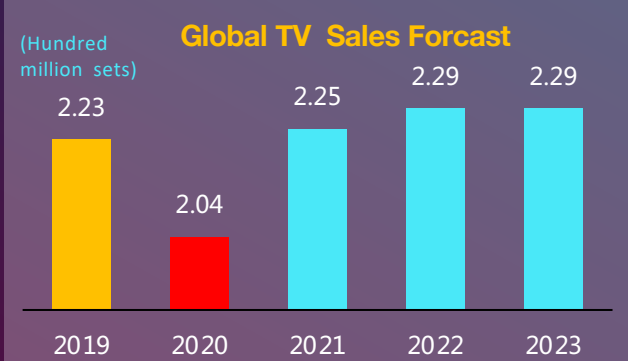


# After Business Transformation, TCL Electronics Will Become a Smart Technology Company with Multiple Products Applied in All Scenarios

## Access to an over trillion-RMB market

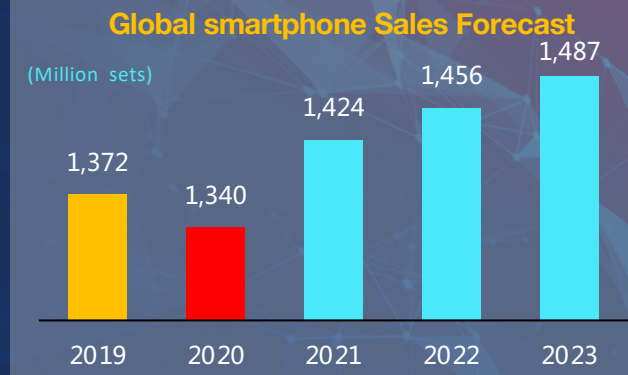


### TV



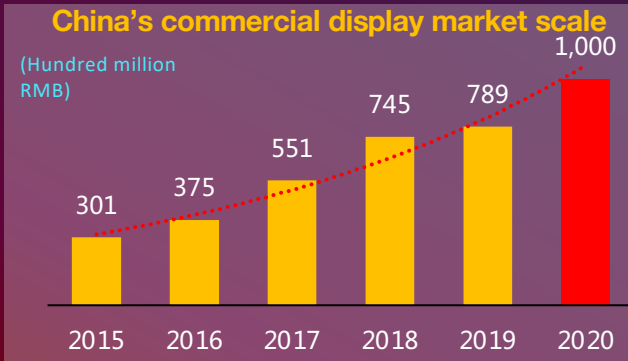
Source : IHS

### Mobile phone



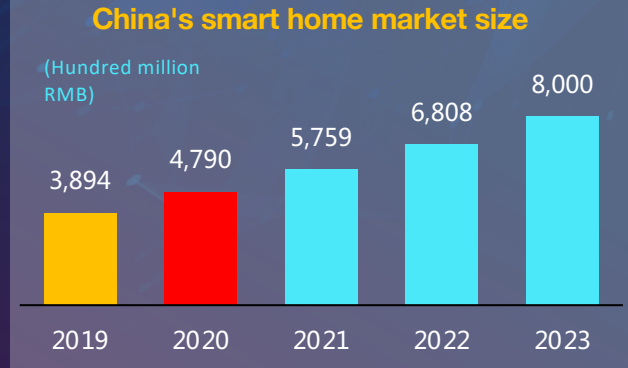
Source : IDC

### Commercial Display



Source: AVC Revo

### Smart home



Source: All View Cloud 2020 Q2 and Interim Results 30



# Development Strategy in the Future

To create all-scenario smart life for users with "AI x IoT" strategies

Devote to becoming the world's leading smart technology company



## Develop the global market with TCL brand

- Deepen the synergic advantage in the industrial chain integration
- Continue to gain market shares in both domestic and overseas markets



## "Product + Service, Smart + Internet"

- Accelerate the development of global Internet business
- Expand user base and continue to increase ARPU



Application service will contribute **50%** profits by 2023



Family scenario

## 1、 Smart TV

Become a global leader in terms of sales volume, 5G+8K, smart screen in 2023

## 2、 Household Internet

Domestic: Develop new business, increase ARPU  
Overseas: Become the largest TV partner of both Google and Roku



Mobile scenario

## Mobile phone / tablet / smart connection / smart wearable

- A leading Chinese company in the overseas operator market
- Seize the opportunities of 5G development
- Synergize with TV business in technology, brand and channel
- Remain rapid growth of tablets and smart connections products



Commercial scenario

## Commercial display

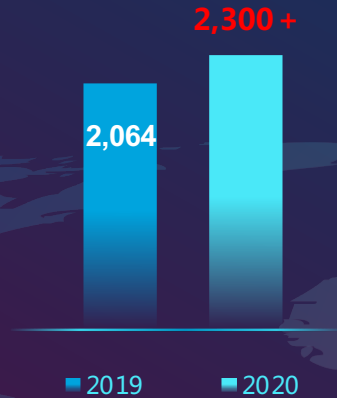
- A blue ocean market with hundreds of billion RMB scale
- 1+1+N business model
- Focus on smart conference and smart business scenarios



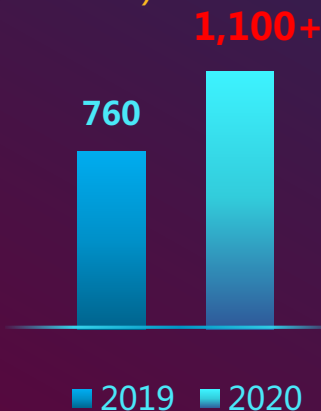
# Outlook for 2020



TCL brand TV sales volume  
((0,000 sets))



Revenue from Internet Business  
(HK\$ Million)



The speedy development of 5G technology will lead to comprehensive intelligent upgrade of the display industry. Based on high-quality display technology, we will stick to the goal of "Display on things!", further implement intelligentization and globalization strategies., continuously increase R&D investment and enhance product innovation, proactively propel digitalized transformation, and expand Internet value-added service revenue.

We are confident and determined to be a leading company in the world, to provide users with multi-screen real-time interaction, products and services with all-scenario intelligent perception, and to bring long-term growth and returns to our shareholders. In 2020, we strive to maintain double-digit yoy growth in revenue and profit.



Q&A

An abstract geometric pattern consisting of interconnected lines and dots, resembling a network or a molecular structure, is positioned on the right side of the slide. The pattern is rendered in a light blue color and is set against a background that transitions from a dark blue on the left to a deep red on the right.



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