

2020 Annual Results

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)

March 2021

CONTENT

PART 01

Financial Highlights

PART 02

Business Review

PART 03

Outlook





01

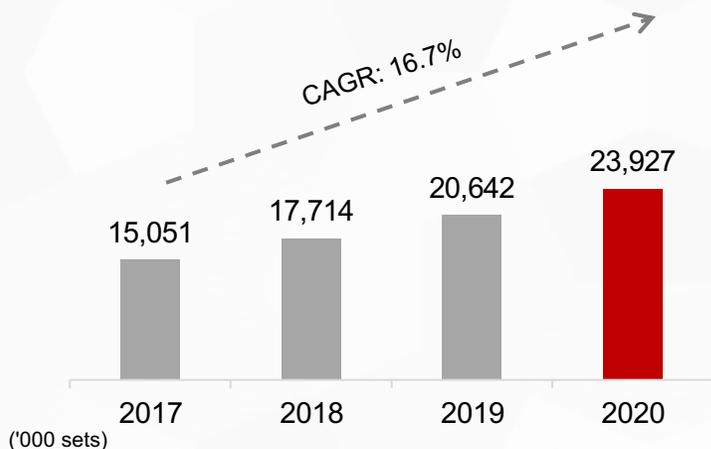
Financial Highlights

Results Highlights (Continuing Operations)

TV Sales Volume

- Global: Total sales volume reached **23.93M** sets, up **+15.9%** yoy
- Overseas: **+27.2%** yoy apparently
- PRC: down by 5.3%⁵ yoy slightly

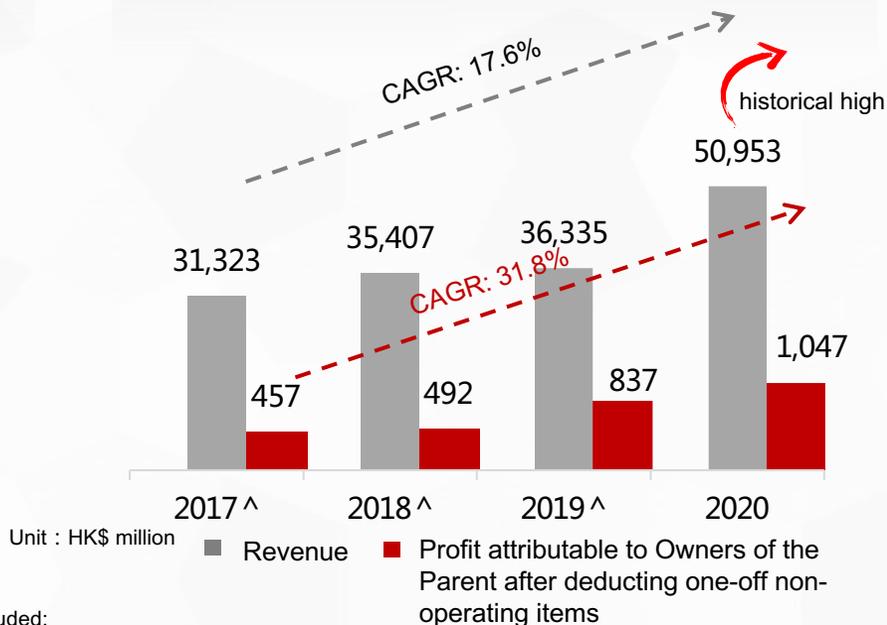
The sales volume of TCL TV sustained high growth, ranking in the Top 3 globally and among Top 5 in nearly 20 countries*



TV Sales Volume

Revenue & Profit attributable to owners of the parent after deducting one-off non-operating items

- Revenue reached HK\$**50.95B**^{3,4}, hitting **historical high**, **+40.2%** yoy apparently
- Profit attributable to owners of the parent after deducting one-off non-operating items reached HK\$**1,047M**^{1,3}, **+25.1%** yoy

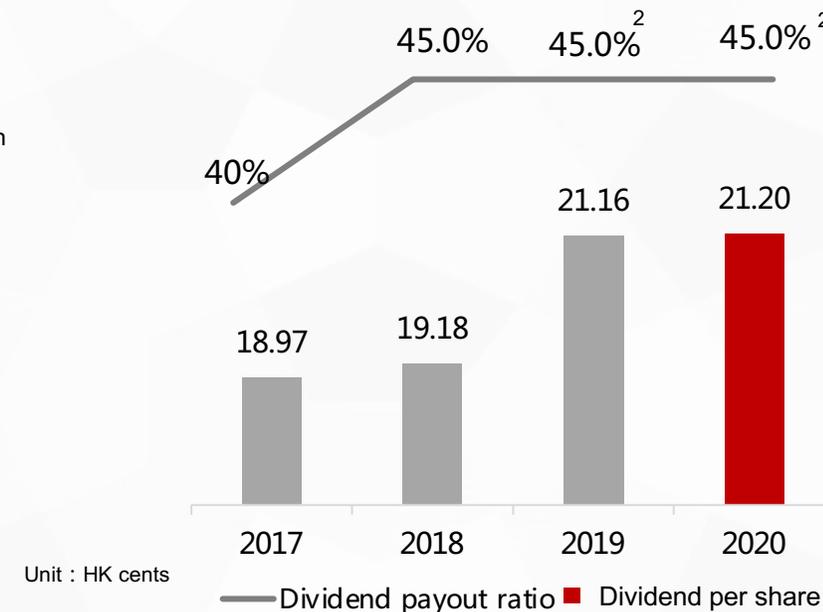


Unit : HK\$ million

■ Revenue ■ Profit attributable to Owners of the Parent after deducting one-off non-operating items

Dividends

- Dividend: HK **21.20** cents per share in 2020
- Dividend Payout Ratio: **45%** in 2020



Unit : HK cents

— Dividend payout ratio ■ Dividend per share

Notes:

1. Profit attributable to owners of the parent after one-off extraordinary items excluded;
2. Dividend payout ratio after deducting one-off non-operating items;
3. The continuing operations in 2020 excludes the disposed ODM, and includes results from September to December of TCL Communication;
4. If discontinued operations included, the total revenue in 2020 reached HK\$57.7 billion, indicating an increase of 22.9% yoy;
5. According to CMM's omni-channel data, sales volume of the overall TV industry in the PRC market fell by 9.7% yoy in 2020

[^] Restated

* Source: Omdia, GfK & NPD

2020 Annual Results (Continuing Operations)

Smart Mobile, Connective Devices and Service¹

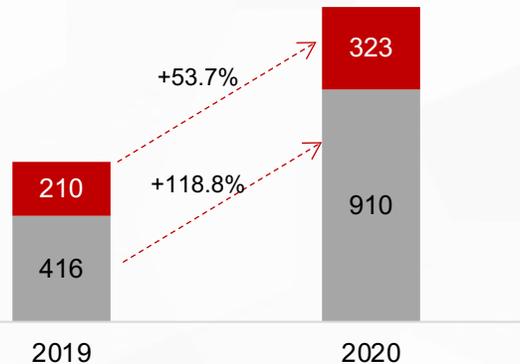
- ✓ Sales volume: +14.1% yoy from Sep.to Dec.
- ✓ Total revenue: +16.0% yoy from Sep.to Dec.

Internet Business

Total revenue in 2020 increased by 97.0% yoy, which :

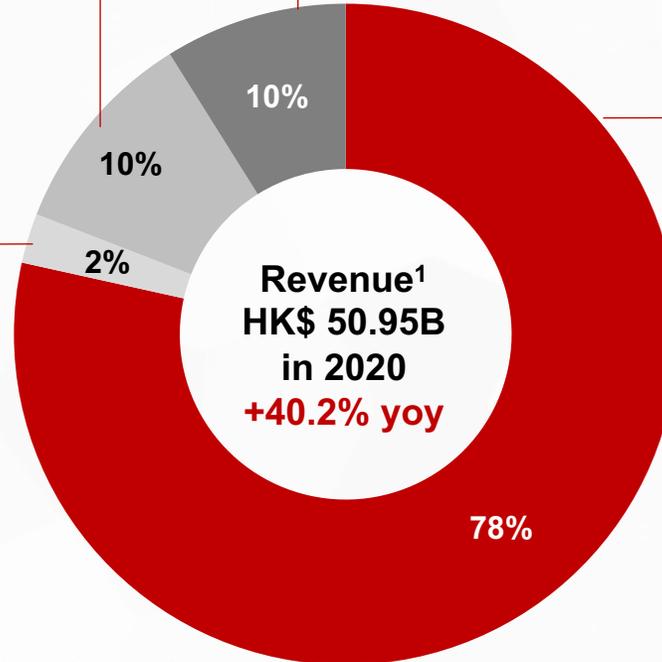
- ✓ Overseas markets: +53.7% yoy
- ✓ PRC market: +118.8% yoy

Unit : HK\$ million



■ PRC Market ■ Overseas Markets

Smart Commercial Display, Smart Home and Other Businesses



- Smart Screen Business
- Internet Business
- Smart Mobile, Connective Devices and Service
- Smart Commercial Display, Smart Home and Other Businesses

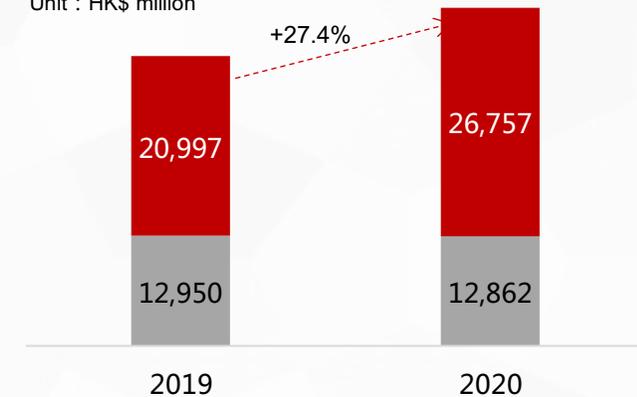
Revenue¹
HK\$ 50.95B
in 2020
+40.2% yoy

Smart Screen Business²

Total revenue in 2020 increased by 16.7% yoy, which:

- ✓ Overseas markets: +27.4% yoy
- ✓ PRC market: relatively stable versus last year, with market share by revenue growing by 2.5 p.p.³

Unit : HK\$ million



■ PRC Market ■ Overseas Markets

Notes:

1. Consolidating TCL Communication's performance from September to December 2020 and period comparison is based on financial results of the legal entity level of TCL Communication
2. Smart screen business products are mainly smart TVs
3. CMM omni-channel data

Financial Highlights

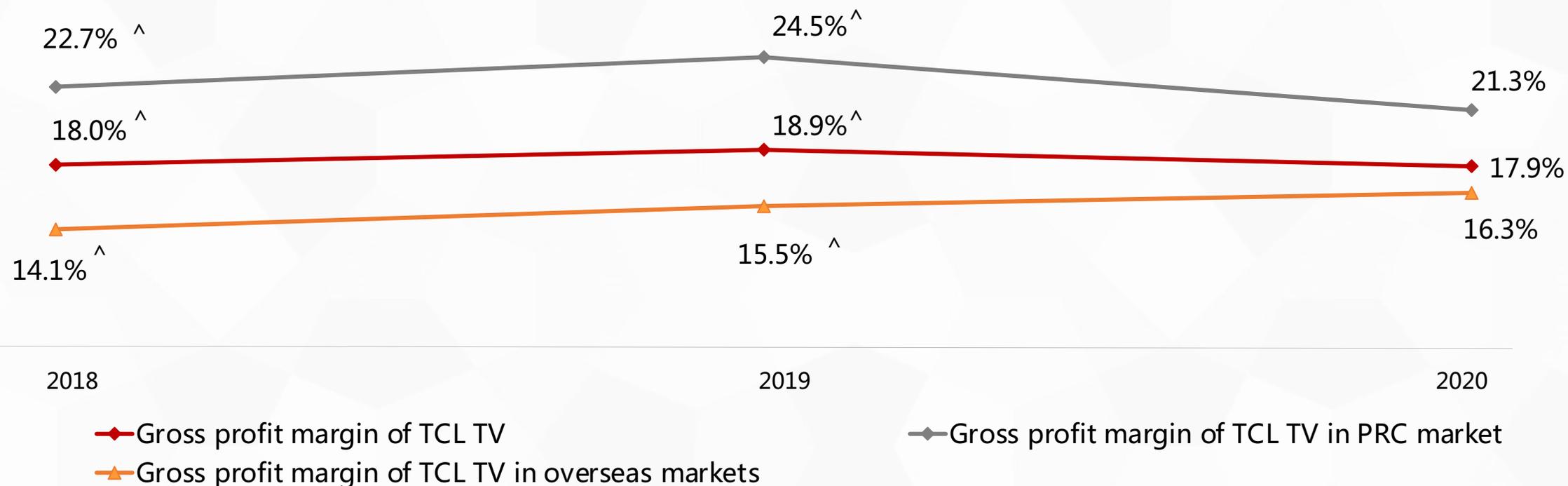
<i>(HK\$ million)</i>	FY2020	FY2019	Change
Revenue	50,953	36,335 [#]	+40.2%
Gross profit margin (%)	19.0%	20.5% [#]	(1.5 p.p.)
Expense ratio (%)	15.5%	16.7% [#]	(1.2 p.p.)
R&D	1,630	751 [#]	+117.0%
EBITDA	2,889	2,205 ^{#^}	+31.0%
Profit for the year from continuing operations[@]	1,893	1,871 ^{#^}	+1.2%
Profit attributable to owners of the parent[@]			
- Current year (Including discontinued operations) [@]	3,599	2,283 ^{#^}	+57.6%
- From continuing operations	1,847	1,826 ^{#^}	+1.2%
Profit attributable to owners of the parent after deducting one-off non-operating items			
- Current year (Including discontinued operations) [@]	1,155	1,070 [#]	+7.9%
- From continuing operations	1,047	837 [#]	+25.1%
Basic earnings per share (HK cents) (From continuing operations)[@]	79.25	80.14 [#]	(1.1%)
Annual dividend per share (HK cents)	21.20	21.16	+0.2%

Restated

[^] 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 in 2019

[@] Discontinued operations mainly refer to the disposal of TV ODM business, which had been completed by the end of August 2020

Gross Profit Margin of Smart Screen Products



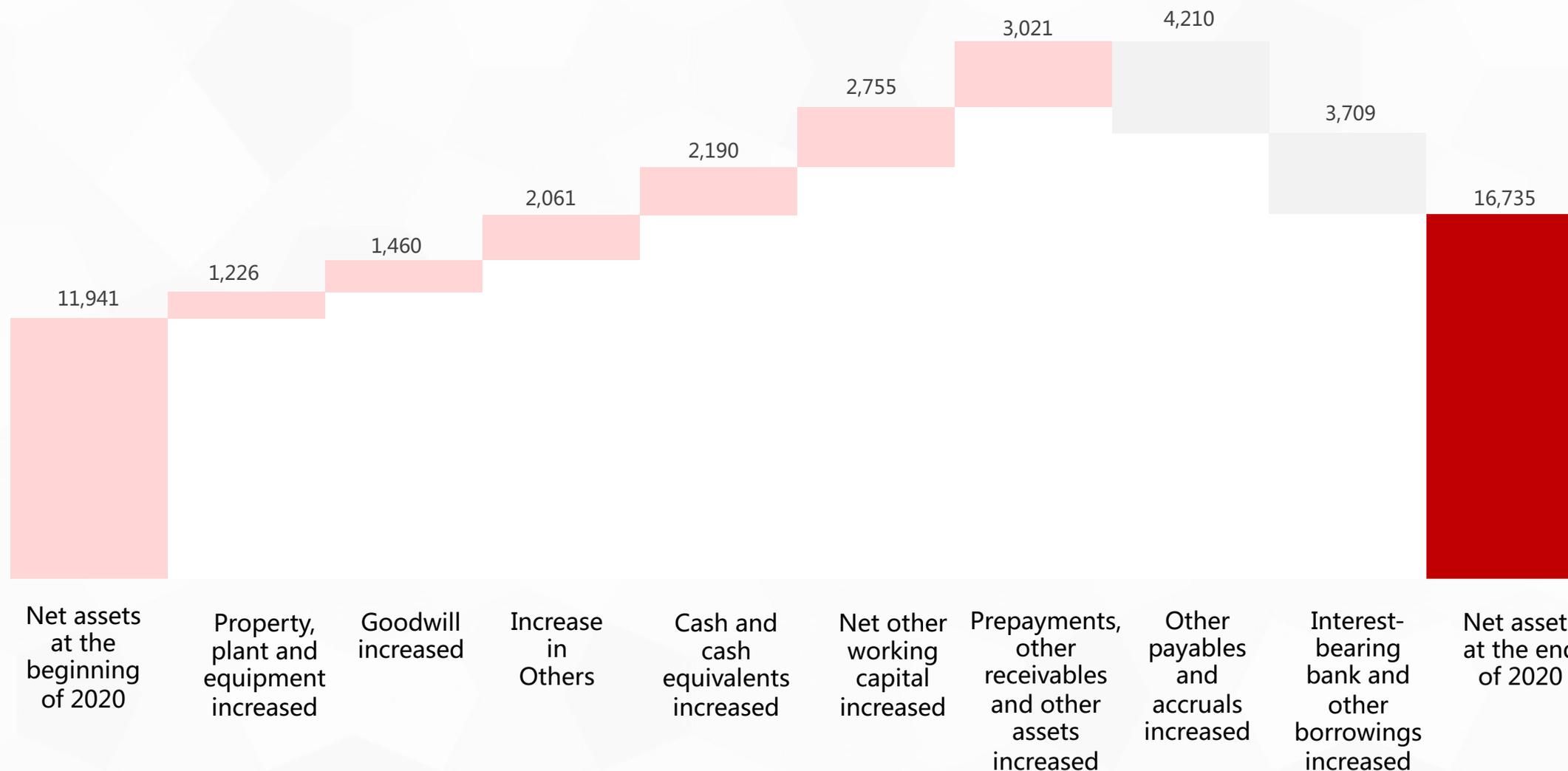
- In 2020, the coronavirus pandemic significantly impacted the global economy, and the gross profit margin of TV products of the Group for the year was **17.9%**, down by 1.0 p.p. yoy
 - The gross profit margin of TV products of the Group in the PRC market was **21.3%**, down by 3.2 p.p. yoy, which is mainly due to the adjustment of Group's domestic marketing strategy and rising prices of TV panels
 - The gross profit margin of TV products of the Group in overseas markets was **16.3%**, up 0.8 p.p. yoy, which was attributable to the optimization of product mix in Europe and emerging markets, leading to a higher gross profit margin



Consolidated Statement of Financial Position Highlights

Sound financial position

(Unit: HK\$ million)

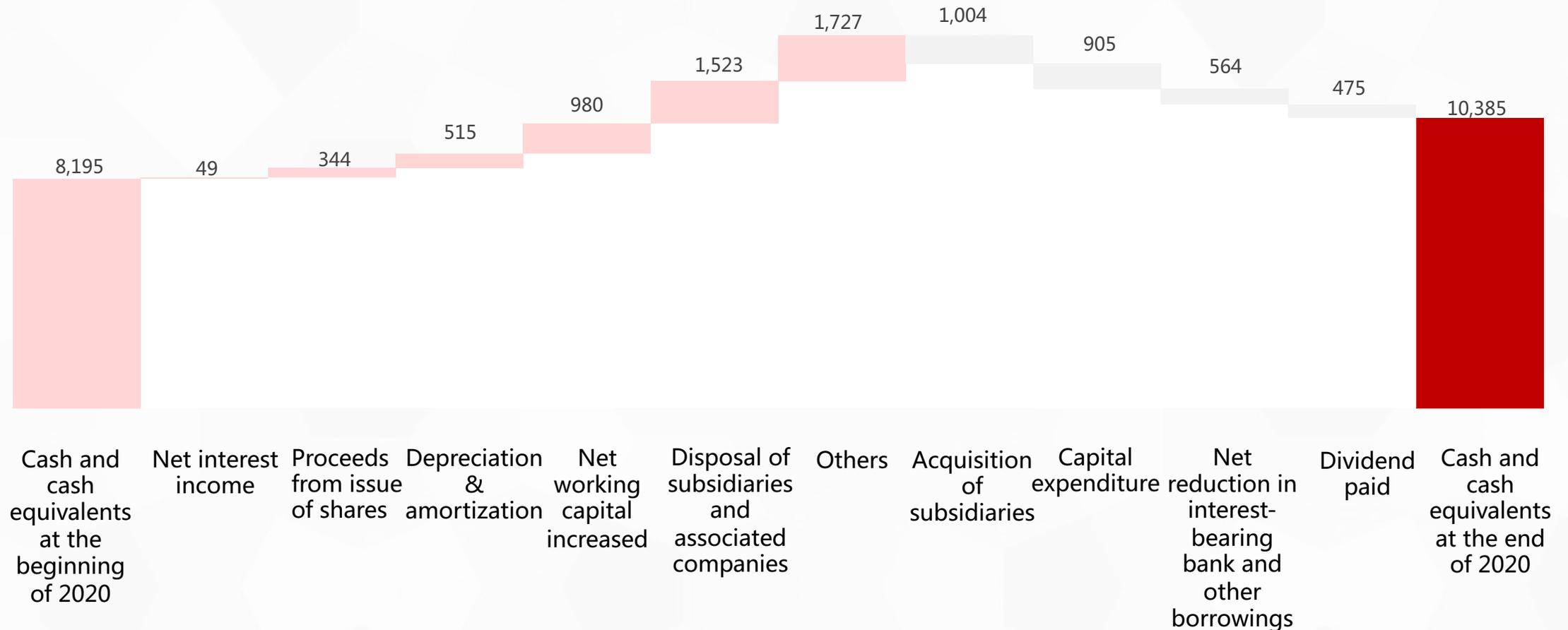


Note: The consolidated statement of financial position expansion is mainly due to the Company's acquisition of TCL Communication and its Brazilian associate in 2020

Changes in Cash and Cash Equivalents

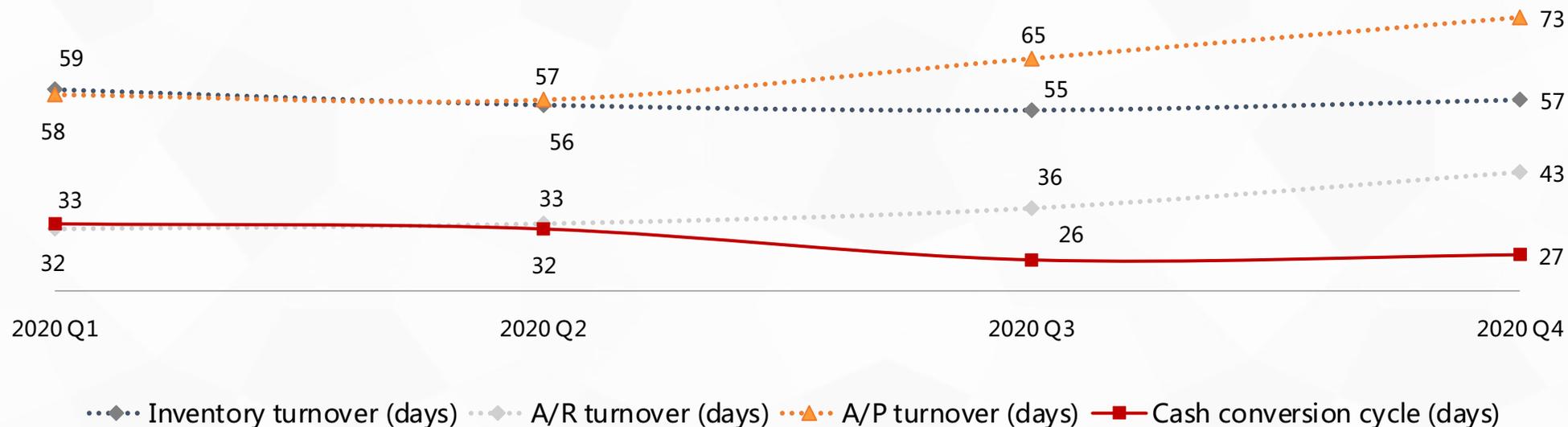
The Company effectively strengthened cash flow management and generated net cash inflows from operating activities, resulting in 26.7% yoy increase in the balance of cash and cash equivalents

(Unit: HK\$ million)



Key Financial Indicators

Cash conversion cycle was extended due to pandemic in 1H and had improved in 2H



	31 December 2020	31 December 2019	Change
Current ratio (times)	1.2	1.3	(0.1)
Gearing ratio (gross)(%) ²	35.8	16.2	19.6 p.p.
Gearing ratio (net)(%) ^{3,4}	0	0	-

Notes:

1 The above turnover days are calculated based on the average balance for a 12-month period

2 Gearing ratio (gross) = Total interest-bearing borrowings and lease liabilities/ Equity attributable to owners of the parent

3 Gearing ratio (net) = Net borrowing/ equity attributable to Owners of the Parent

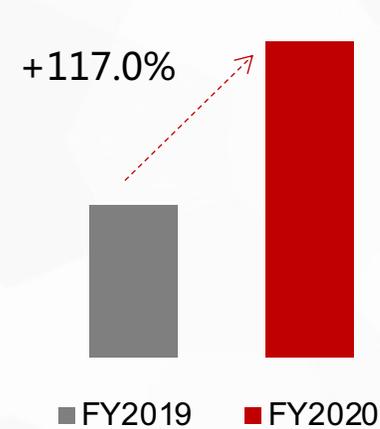
Net borrowing = Total interest-bearing borrowings and lease liabilities - cash and bank balances - restricted cash

4 As at 31 December 2020 and 31 December 2019, gearing ratio (net) was 0% as the Group's cash and bank balance and restricted cash were higher than the total interest-bearing borrowings and lease liabilities

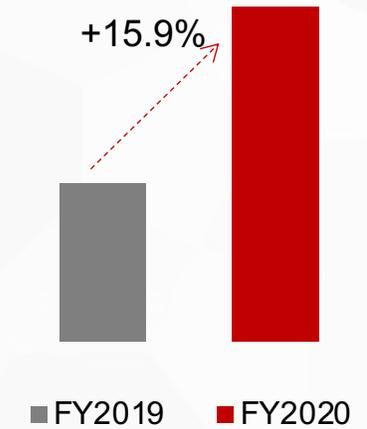
Investment in Research & Development

- R&D expenditure in 2020 reached HK\$1.63 billion, up 117.0% yoy. Besides increased expenditure on software development for upgrading products and service, the consolidation of new businesses occurring in 2020 also contributed to increased R&D expenditure during the above period. (Consolidation time: TCL Communication from September 2020 and Falcon Network Technology from April 2019)
- In 2020, the total number of R&D personnel increased by 15.9%¹ yoy, mainly due to new hiring of software talents for AI, open software platform, etc. The proportion of software staff in the Company's R&D Center (including the Eagle Lab) increased from 54% to 61%

R&D Expenditure



Total Number of R&D Personnel¹



Eagle Lab



4 Global Technology Centers



400+ AI Algorithms teams



200+ Big data cloud platform

Note:

1. The total number of R&D personnel in 2019 included the total number of comparable TCL Communication's R&D personnel in the same period



02

Business Review



Products
Business



Internet
Business



TCL TV market share by sales volume ranked Top 3 globally in 2020[#]

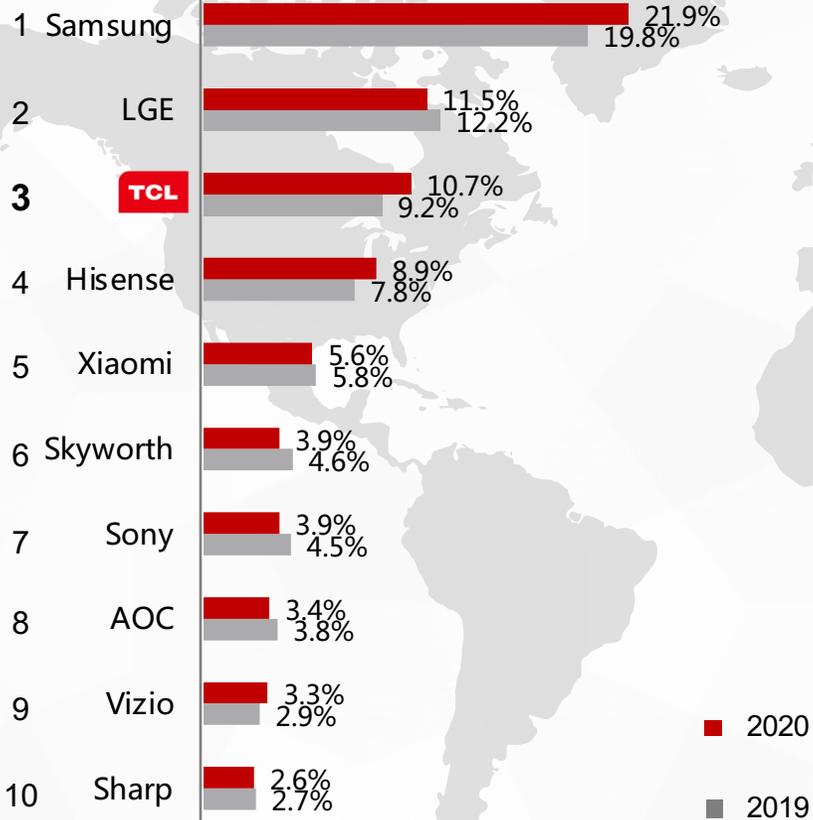


TCL LCD TV market share by sales volume jumped to Top 2 globally in 2020[#]



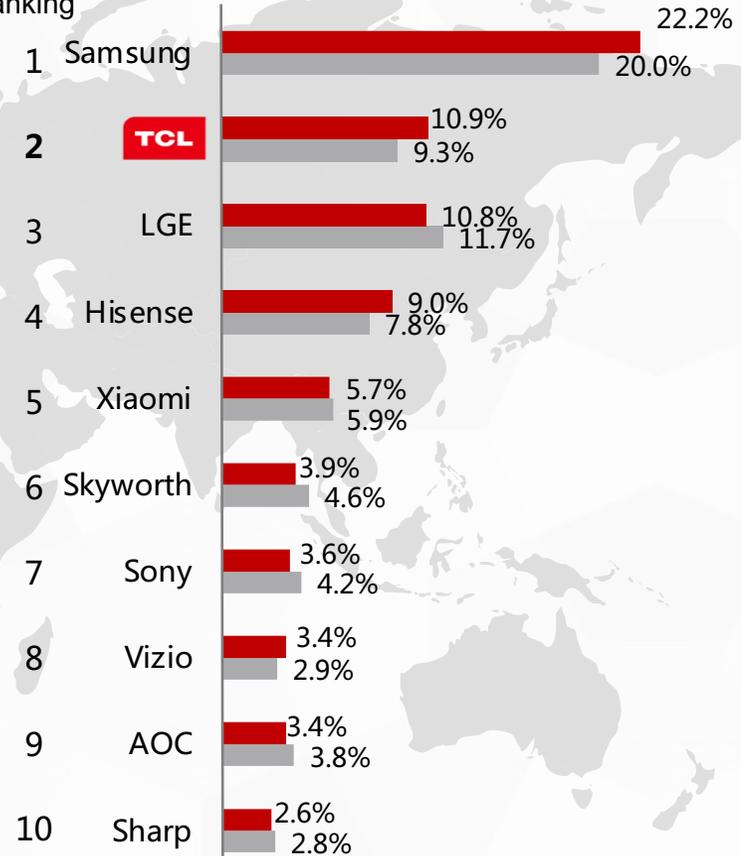
Market share by sales volume

Ranking



Market share by sales volume

Ranking



Source : Omdia

TCL Smart Screen Business – Overseas Markets

Sales volume, revenue and gross profit significantly increased

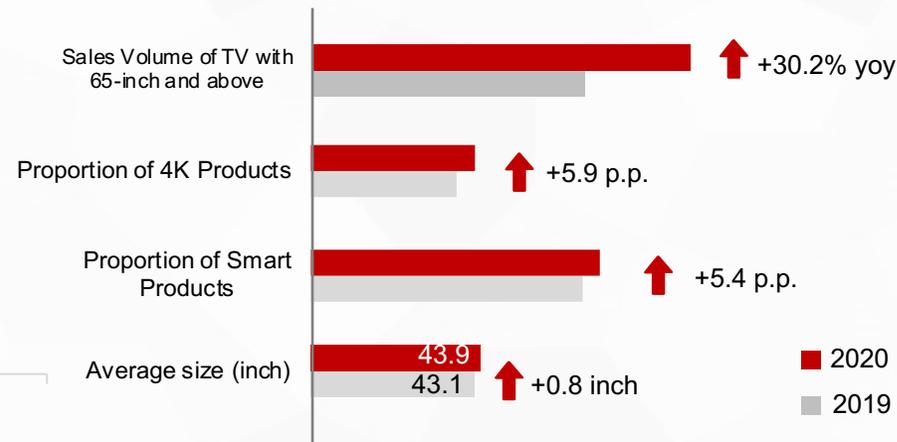
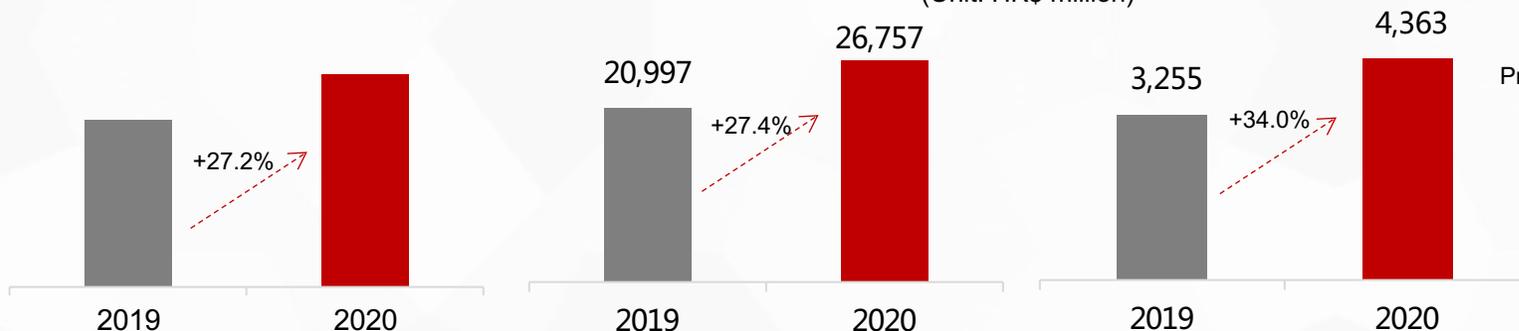
Growth and proportion of high-end products & average size of products

Sales Volume

Revenue

Gross Profit

(Unit: HK\$ million)

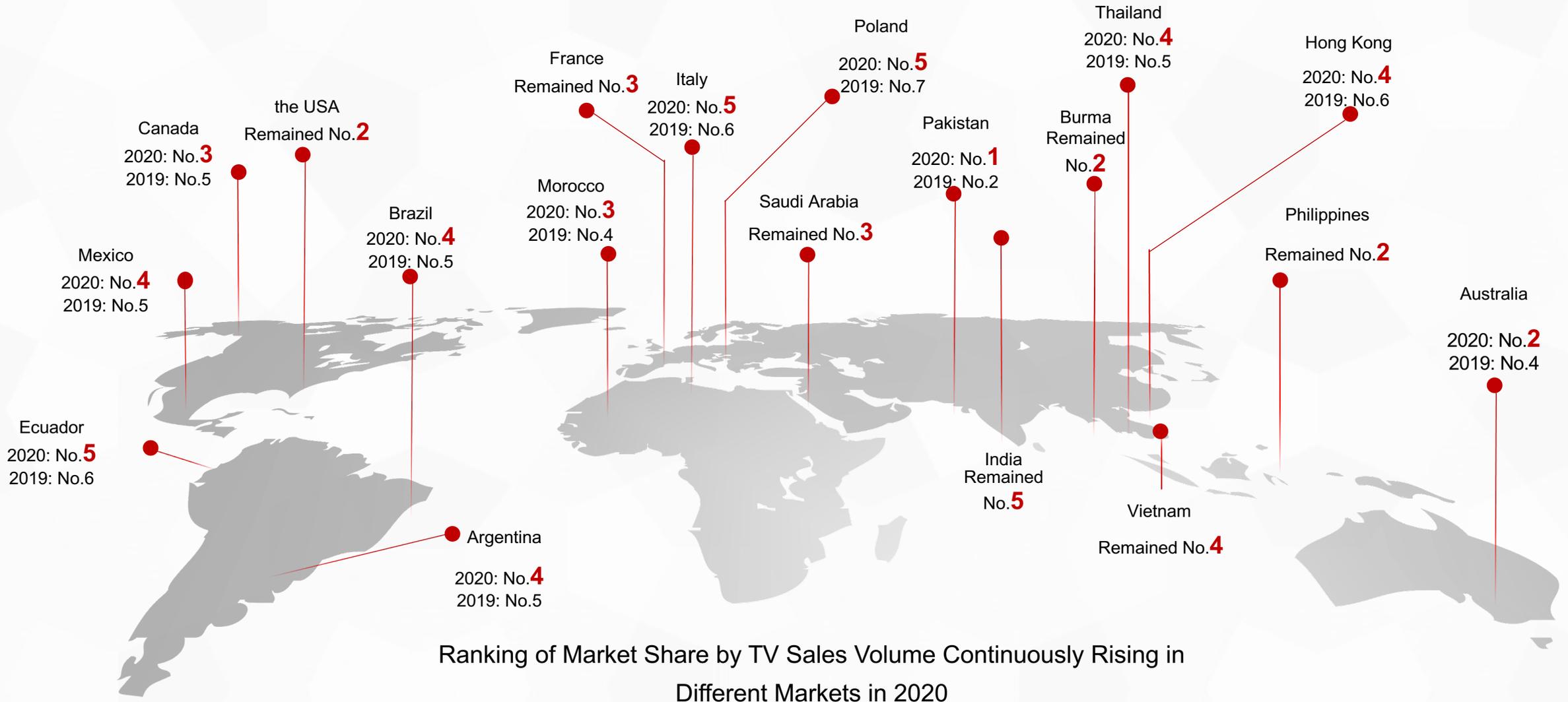


In 2020, sales volume of TCL TV increased by **27.2%** yoy in overseas markets



TCL Smart Screen Business – Overseas Markets

Continuously made inroads into key overseas markets and aggressively developed emerging markets, market shares increased yoy in over 20 major countries and regions around the world



TCL Smart Screen Business – North America



Sales volume in the U.S. continued its strong momentum in 2020 and remained No.2 in the market



- ✓ The proportion of mid-to-high end sales channels such as BestBuy and Target in the U.S. and Canada increased by 8.7 p.p.
- ✓ Product mix in the North American market improved, with 4K products penetration rate increasing by 1.5 p.p. and the QLED penetration rate increasing by 3.1 p.p.



Deeper globalization strategies:
Further increased production capacity of the factories in Mexico and Vietnam, in order to be flexibly responding to market dynamics

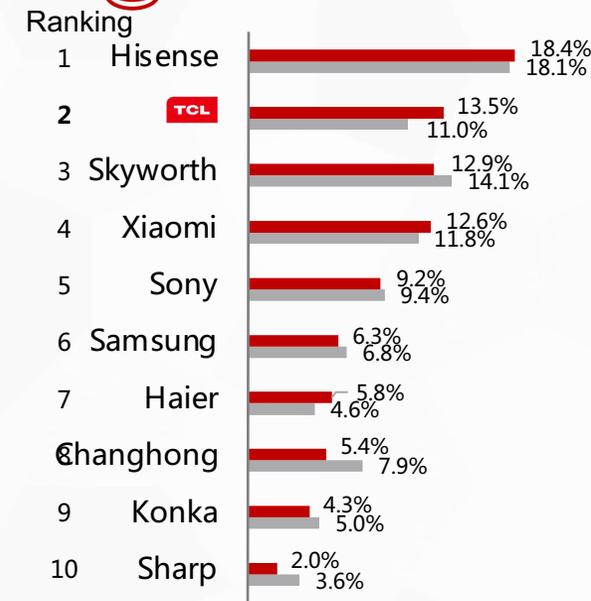


- With its prominent market position in the global market, the Company had established strategic cooperation with global Internet giants.
- ✓ Remains as Roku's largest TV partner worldwide
 - ✓ Become Google's largest TV business partner

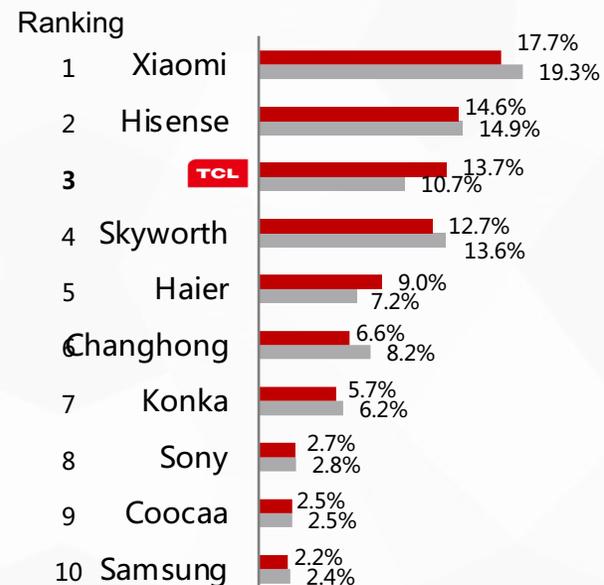


TCL Smart Screen Business – PRC

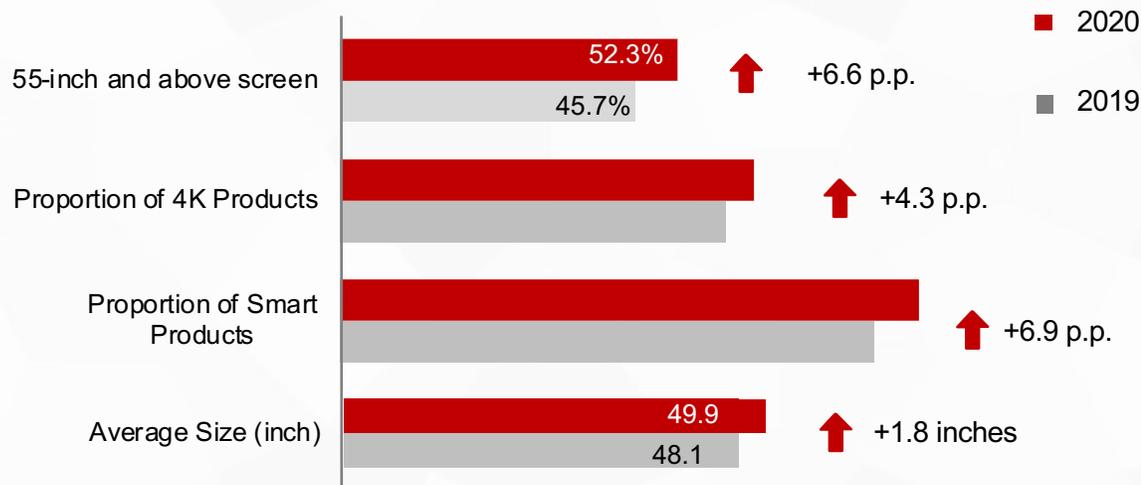
Market share by revenue#



Market share by sales volume#

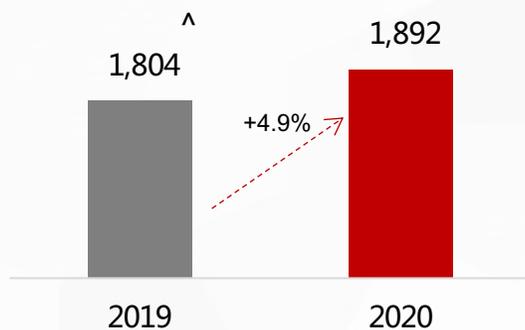


Proportion of high-end products & average size of products

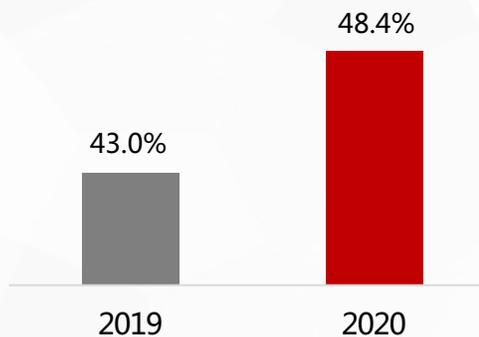


ASP

(Unit: HK\$)

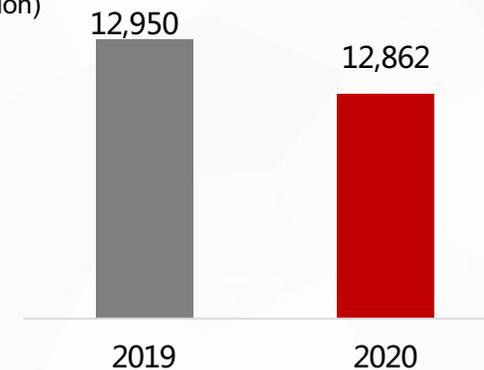


Proportion of Online Sales Volume



Revenue

(Unit: HK\$ million)





Smart Mobile, Connective Devices and Service¹

From Sep. to Dec.2020, sales volume increased by 14.1% yoy while revenue increased by 16.0% yoy

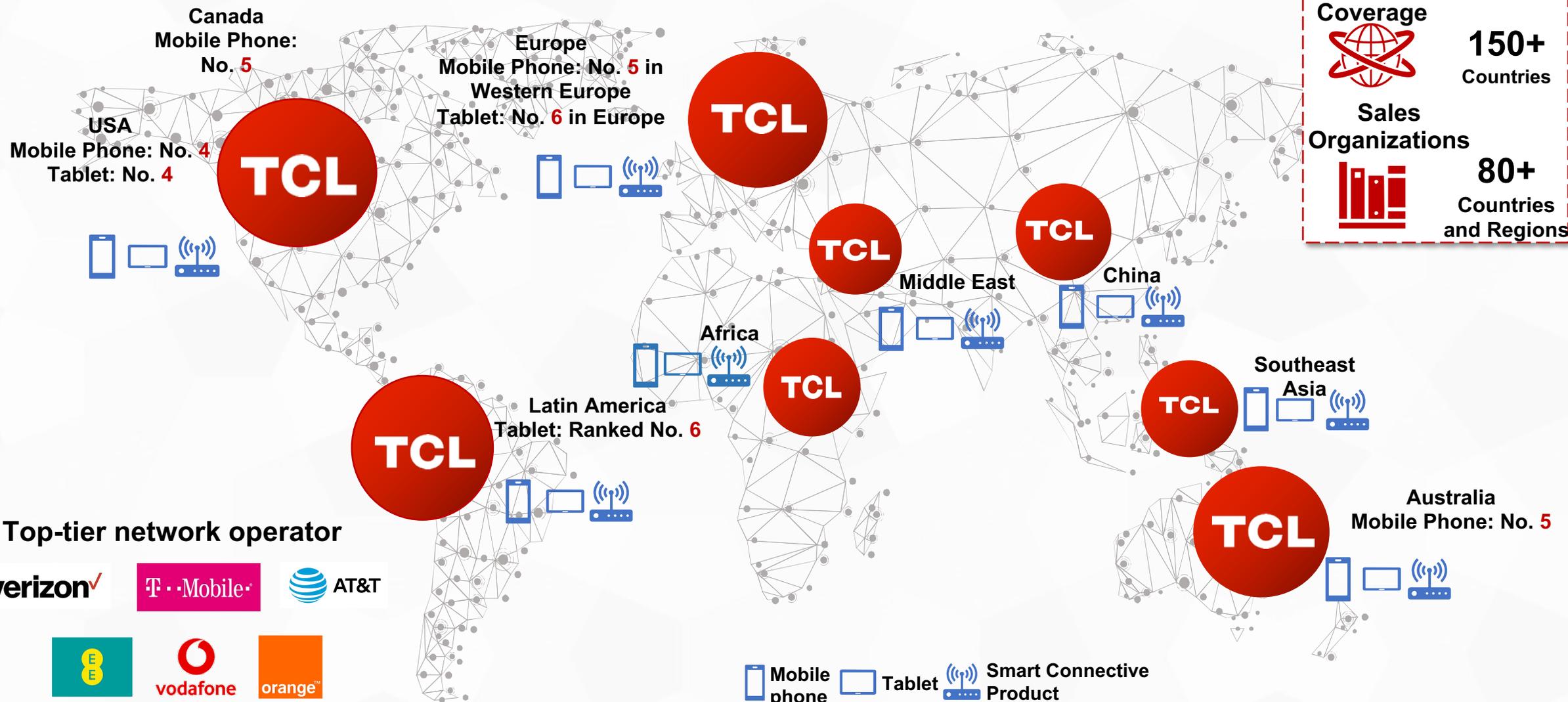


Note:

1. The Company started to consolidate TCL Communication's performance in September 2020 and period comparison is based on financial results of the legal entity level of TCL Communication

Global Layout for Smart Mobile, Connective Devices and Service

Major inroads into overseas markets with focus on North America, Europe and Latin American markets where strong partnerships with local major operators have been established



Note: The above rankings are from the IDC ranking data in 2020



02

Business Review



Products
Business



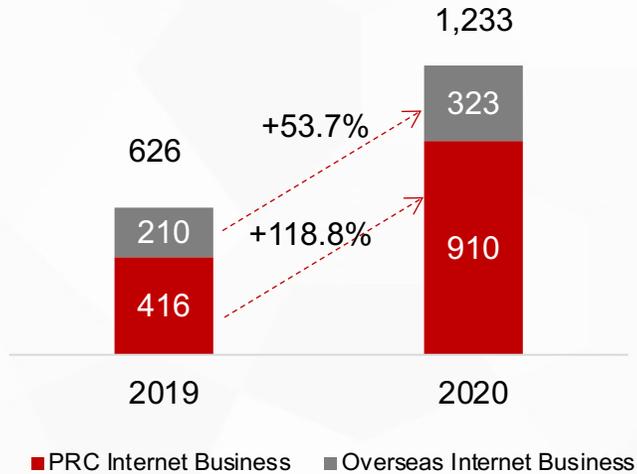
Internet
Business

Internet Business

Global Internet business revenue increased by 97.0%* yoy, profitability was significantly enhanced

(HK\$ million)

Revenue



PRC Market

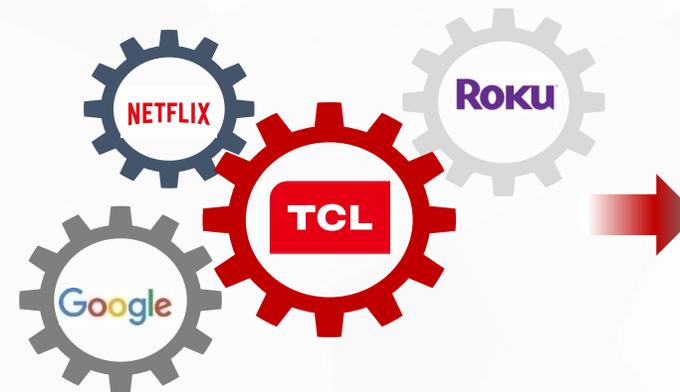
Falcon Network Technology is responsible for development and operation of TCL's smart TV operating system

In 2020, revenue was HK\$910 million, up 118.8%* yoy. The monetization capability continued to improve:

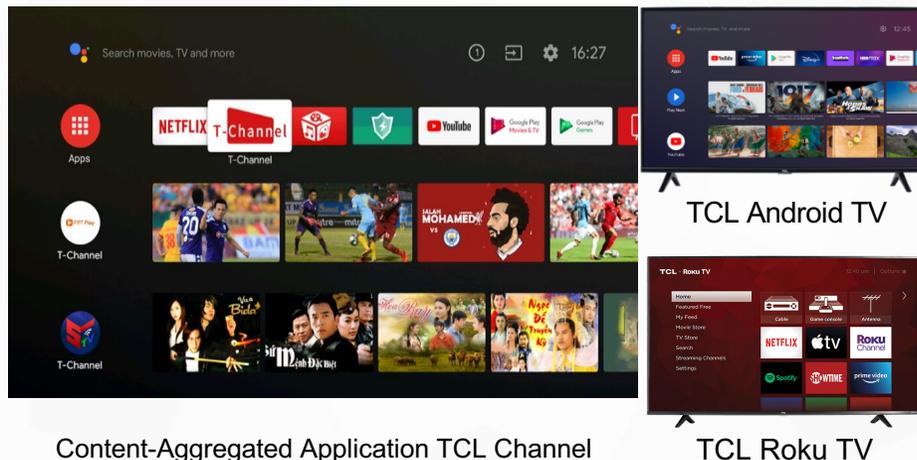
- Revenue of Membership +91.1% yoy
- Revenue of Advertising Business +10.3% yoy
- Revenue of Value-added Business +141.9% yoy

Overseas Markets

Cooperate with global Internet giants such as Roku, Google and Netflix to create optimal user experience



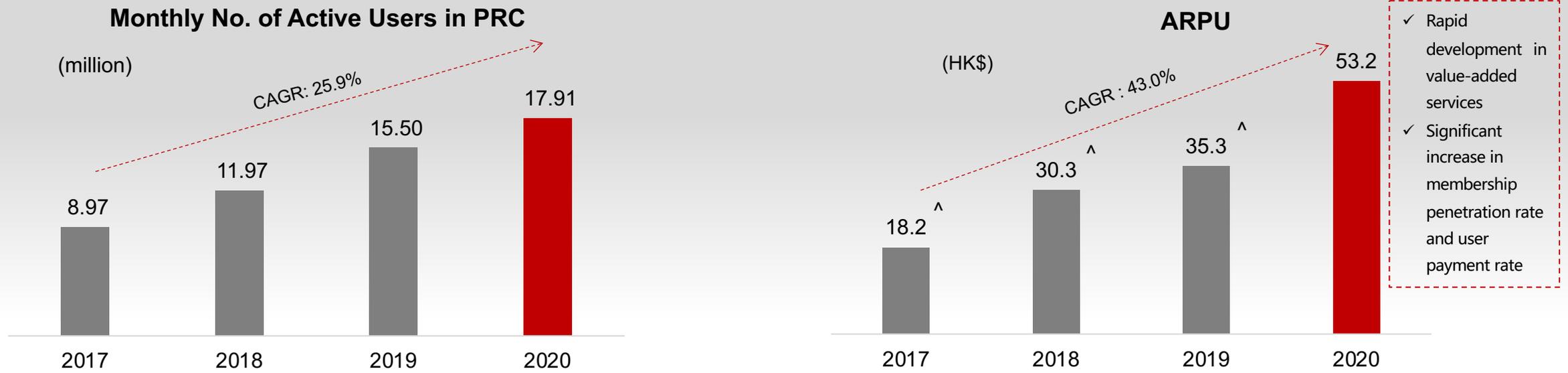
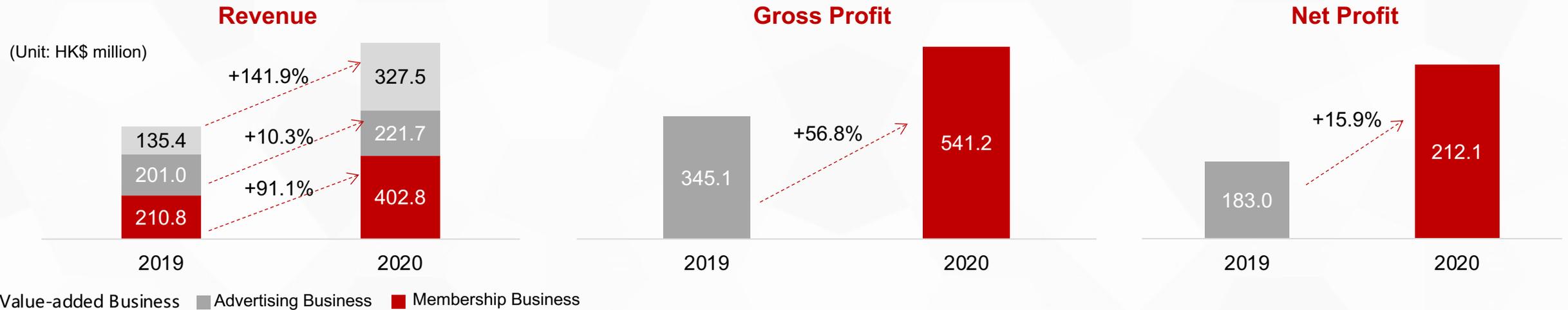
- In 2020, revenue was HK\$323 million, up 53.7% yoy
- **TCL Channel** was launched on TCL Roku TV and Android TV in the US, with coverage of 12 countries



Continuously deepen the global cooperation with Internet giants in 2020

* Falcon Network Technology has been consolidated since April 2019

Internet Business—Falcon Network Technology

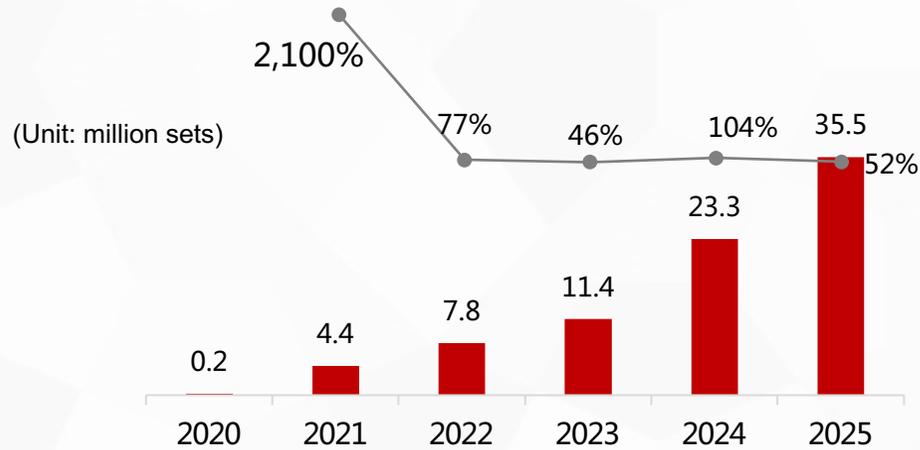


Notes:
 ^ Restated
 1. The slight decrease of the gross profit margin of Falcon was mainly due to its continuously enhanced capability to operate its proprietary platform, the proportion of revenue from membership business has significantly increased, while the gross profit margin of membership business is slightly lower than advertising and value-added business.
 2. The yoy decline of the net profit margin after tax was mainly due to the cost incurred by the implementation of share options incentive plan in 2020 Q4. By excluding the impact, the net profit would maintain at around 30%.

TCL Electronics leads the development of Mini LED technology

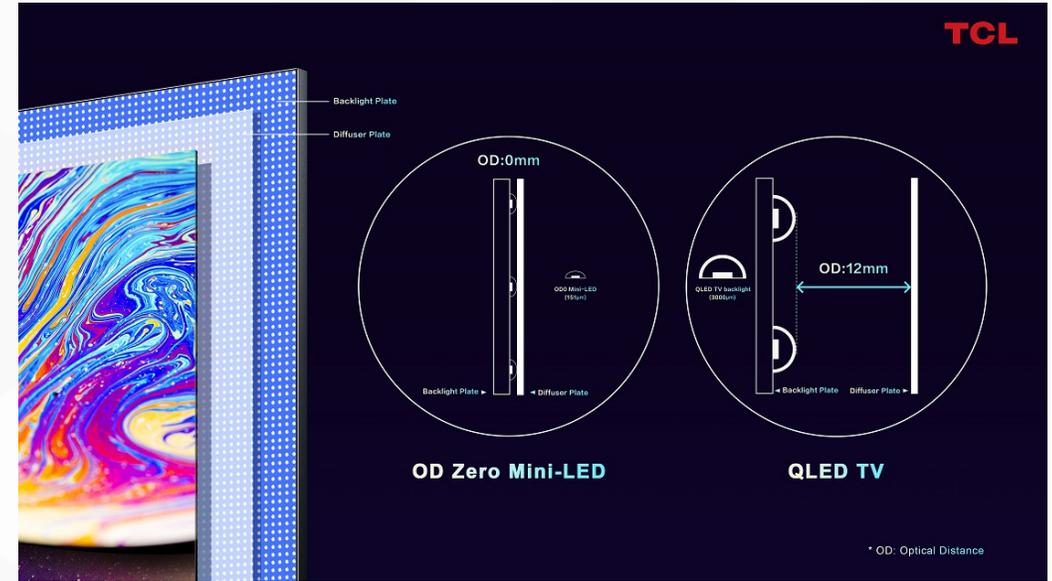
First in the world to launch Mini LED backlight TV, first in the industry to achieve large-scale production

Global Shipments of Mini LED Forecast

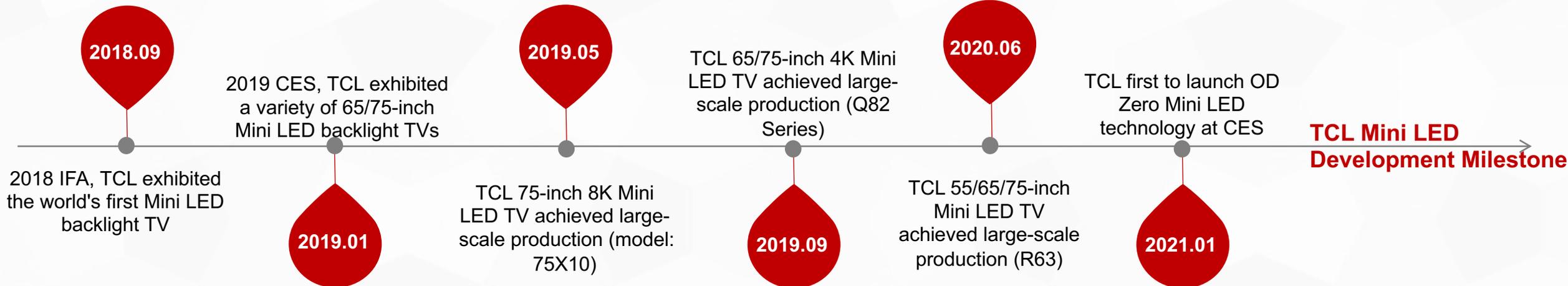


Source: TrendForce

—●— YoY growth rate ■ Shipment



OD Zero technology—Extremely thin Mini LED TV

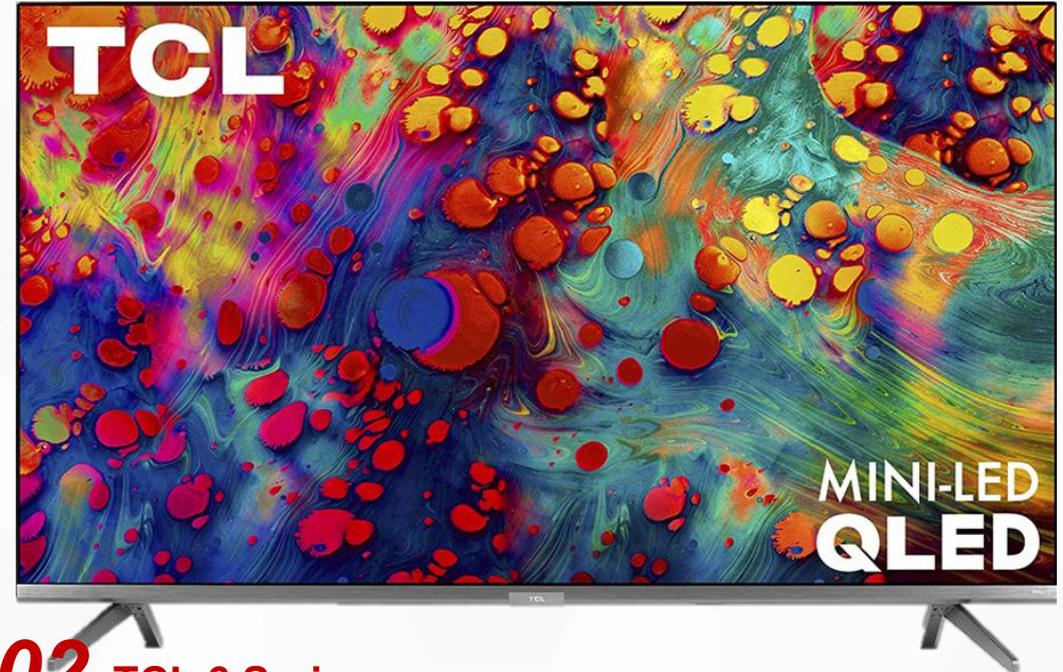


TCL Mini LED Series highly recognised by the industry



01 TCL 8 Series

- TCL 8-Series Mini LED TV was awarded The Best Roku TVs for 2020 by famous technology media Digital Trends
- "With a 4K+HDR+QLED display powered by a first-of-its-kind Mini LED backlight, it set a new benchmark not just for Roku TVs, but for all QLED TVs"
- "TCL 8-Series can deliver excellent black level.... the 75-inch model has 25,000 mini LEDs, which gives you a completely new degree of control over contrast. It's so good that the 8-Series almost achieves OLED-level of pure black"



02 TCL 6 Series

- TCL 6-Series Mini LED TV was awarded "The Best TVs for 2020, Whatever Your Budget", by Forbes
- "TCL proves time and again that you can make a quality TV for a fraction of the cost of its competitors, and the 6-Series is arguably its best example of that yet"
- "The TCL 6-Series has surprisingly deep black for a QLED TV, with quantum dots aiding its bright and broad array of colors. Excellent contrast ratio is great for movies, TV and games, and local dimming is robust and capable, making HDR-supporting content really pop where it counts"

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 unequivocally endorsed
- TCL 9 Series RAY•DANZ soundbar won the "iF Design Award 2020", indicating that the company is well recognised not only for its leading image technology, but also for its audio equipment



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

- In the CNET2021 Best TV Awards held by the authoritative IT website, TCL products were well recognised by the international community. TCL 6 Series won the award for the most cost-effective 4K TV, TCL 55R635 won the award for the most cost-effective 55-inch TV, TCL 4 Series won the Best Discount 4K TV Award and TCL 8 Series won Best 4K Picture Quality in Non-OLED



Ranked No. 8 in Top 100 Chinese Brand Value and No. 1 in China's TV manufacturing industry by R&F

- According to the 2020 (26th) Chinese Brands Evaluation of Top 100 issued by R&F Global Ranking, TCL brand was estimated at RMB 102.58 billion, ranked No. 8 in the Top 100 Brand Value and ranked No. 1 in China's TV manufacturing industry, which further confirms the brand strength of TCL



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

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



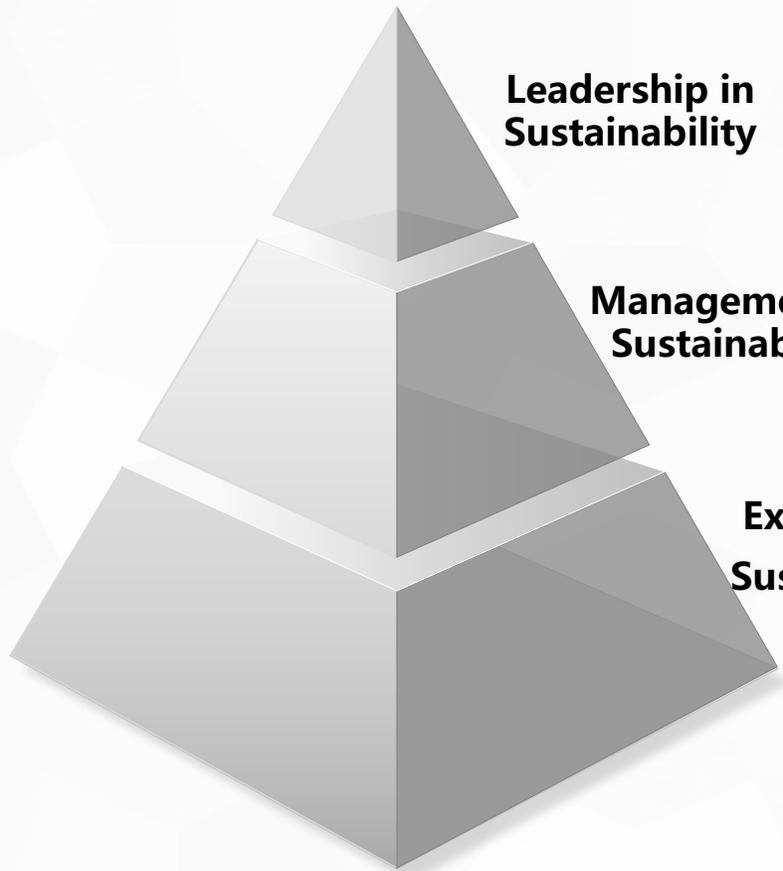
Smart Mobile Products Awarded the 2020 Design Award by "iF" and "Red Dot"

- TCL10 Pro Smartphone was awarded the "iF Design Award 2020" and "Red Dot Design Award 2020"
- TCL AC1200WiFi Router was awarded the "Red Dot Design Award 2020"



Corporate Social Responsibility

- ✓ Included in **Hang Seng Corporate Sustainability Benchmark Index** for both 2019 and 2020
- ✓ Awarded **China Green Product Design** by Ministry of Industry and Information Technology for both 2019 and 2020



Leadership in Sustainability

Management in Sustainability

Execution in Sustainability



ESG

Corporate governance

Community and economic development

Product responsibility

Labour

Industrial chain management

Environmental protection

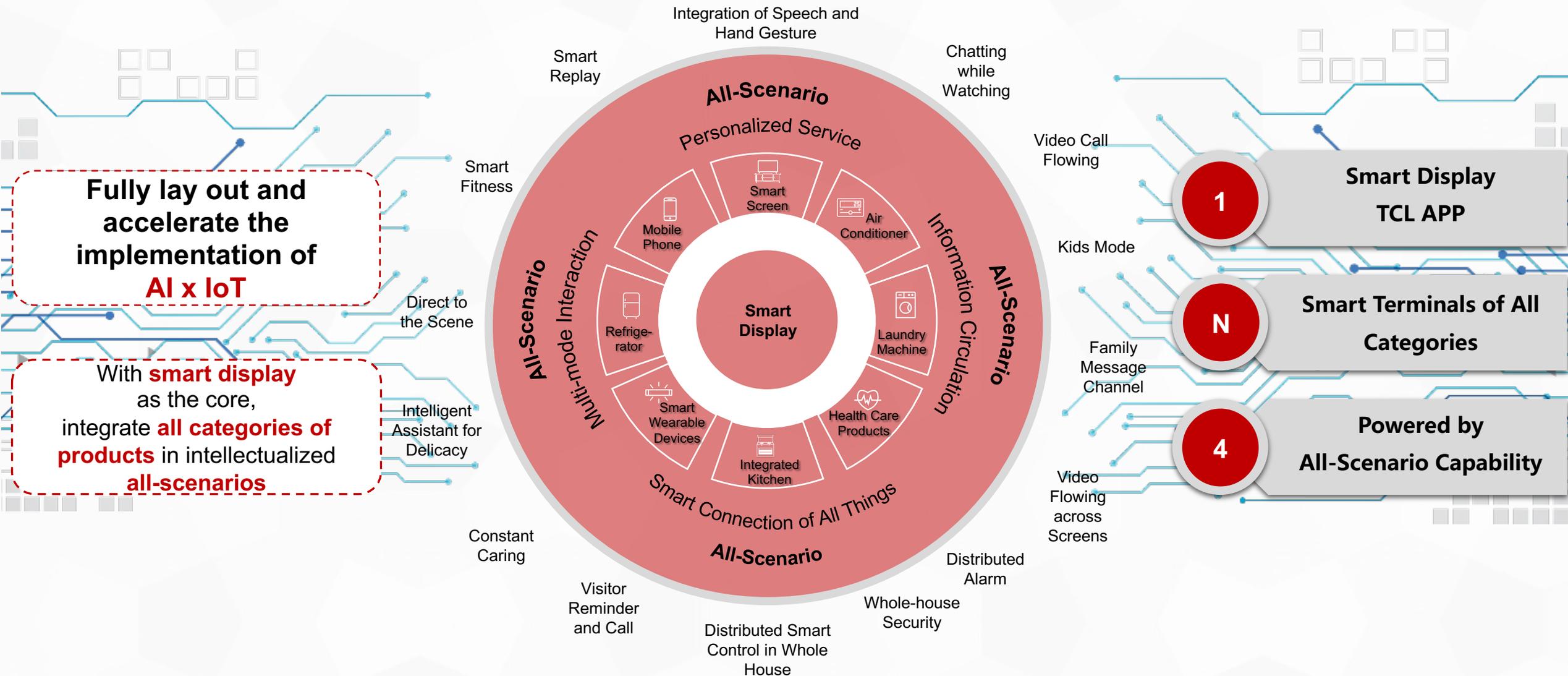
Level of Sustainability Governance



03

Outlook

TCL Electronics to Become a Leading Smart Technology Company with Smart Display as the Core after business transformation



▶ Future Strategy

With smart display as the core and AI x IoT as the driver for technology, to create an all-scenario smart life for users and be devoted to becoming the world's leading smart technology company

Continue to Gain Global Market Shares of TCL Brand



Deepen the synergic advantage in the industrial chain integration
Continue to leverage on advantages in product capability and technological competitiveness

"Product + Service, Smart + Internet"



Accelerate the development of TCL's global Internet business
Expand user base and continue to grow ARPU



Application service will contribute >50% of profits by 2023



1. Smart Screen

Become a global leader in terms of sales volume, 5G+8K, smart screen in 2023
Leading the development of Mini LED technology

2. Household Internet

Domestic: From household OTT big screen applications to IoT smart screens applications
Overseas: Become the largest TV partner of both Google and Roku



Mobile phone / tablet / smart connection / smart wearable

Increase investment and enhance TCL brand business
A leading Chinese company in the overseas operator market
Synergize with TV business in technology, brand and channel
Continue rapid growth of tablets and smart connection products



Smart Commercial display

A huge market worth of hundreds of billions in RMB
Focus on smart conference and smart business scenarios
Dually driven by Interactive Board solutions for corporate clients + Smart Modules business

Q&A

-
- The information contained herein should not be utilized for any legal purposes with regards to any investor's investment decision or results. In particular, this document does not constitute any recommendation or invitation for subscribing for or sale and purchase of any securities in TCL Electronics Holdings Limited (the "Company"). The Company hereby expressly disclaims any liability for any loss or damage resulting from or in connection with any reliance by any investor on the information contained herein.
 - 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.



THANKS

TCL ELECTRONICS HOLDINGS LIMITED

electronics.tcl.com