

INSPIRE GREATNESS

TCL

2022

Interim Results

TCL电子控股有限公司

TCL ELECTRONICS HOLDINGS LIMITED

Incorporated in the Cayman Islands with Limited Liability

(Stock Code: 01070.HK)

TCL

**INSPIRE
GREATNESS**

Contents

1

Environment and Strategy

2

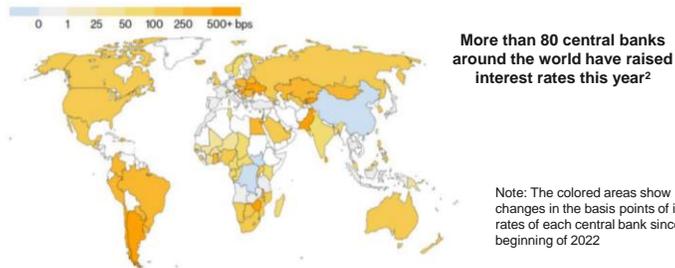
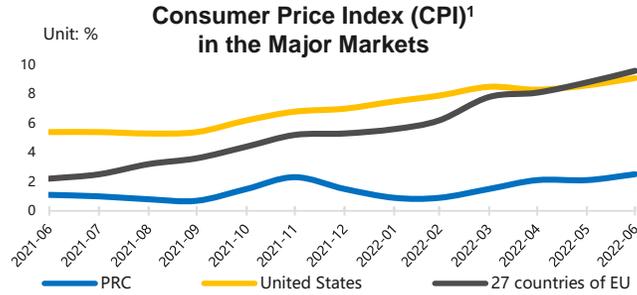
Business Review

3

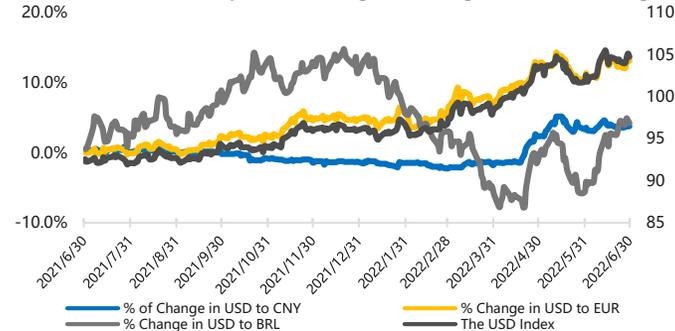
Outlook

The volatile global geopolitics and market environment, rising inflation in major economics, and recurrent epidemic outbreaks in China have challenged the resilience and operational capacity of the real economy

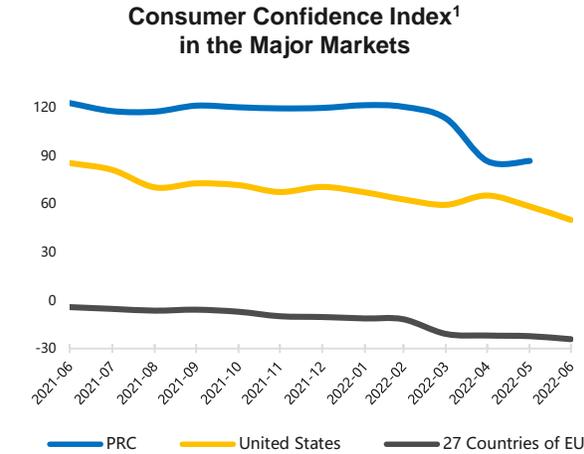
Increasing risk of global high inflation
Growing volatility in exchange rates
Entry to rate hike cycle in many countries



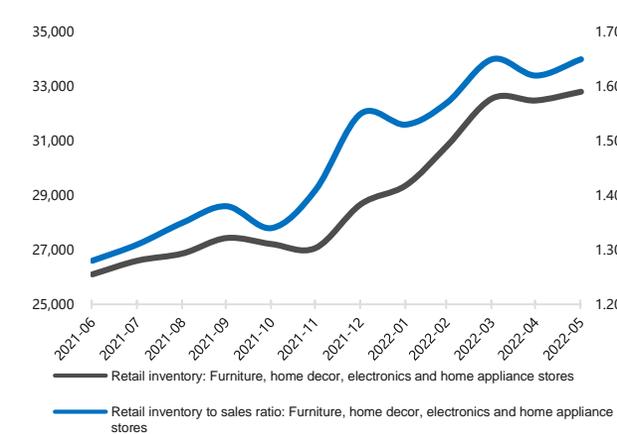
The US dollar continued to strengthen
The risk of volatility in the foreign exchange market is rising³



The slowdown in global economics and the decline in consumption capability leads to great destocking pressure in retail channels

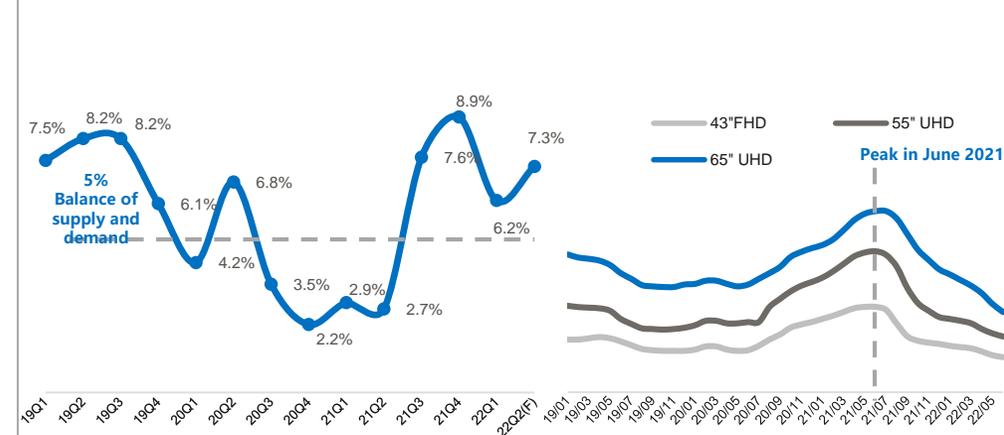


U.S. Retail Inventories¹

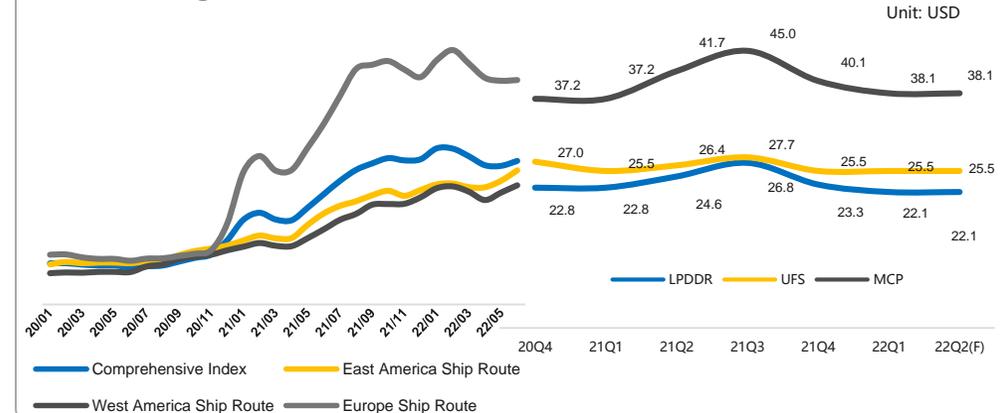


Supply chain constraint has eased slightly
But should still be prepared

TV Panel Supply/Demand Ratio and Price Trend⁴



China Export Container Freight Index⁵



Business Strategy

Brand leading value, with relative cost advantage

Revenue Growth

Cost Competitiveness

Reasonable Expense

Breakthroughs in medium and high-end
Accelerate the acquisition of overseas markets
Move on to and succeed in new tracks

Standardization, large-scale and strategic cooperation
Improve turnover efficiency
Lower costs

Pursuit of quality growth
Control the expense based on gross profit
Focus on marketing, logistics, R&D expenses

Implementation Path

Elements of Success

Operational efficiency
Organization vitality
Platform and process

Velocity

Product

Build hot products
Create control points in technology
Product iteration driven by IPD (integrated product development)

User

Marketing campaign
Wider global brand awareness
Capital market support

Brand

Innovation

Innovative business expansion
Innovative organization and culture

TCL

**INSPIRE
GREATNESS**

Contents

1

Environment and Strategy

2

Business Review

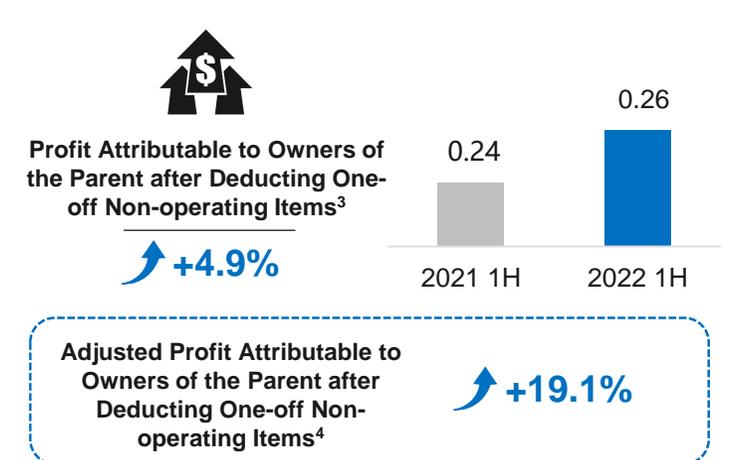
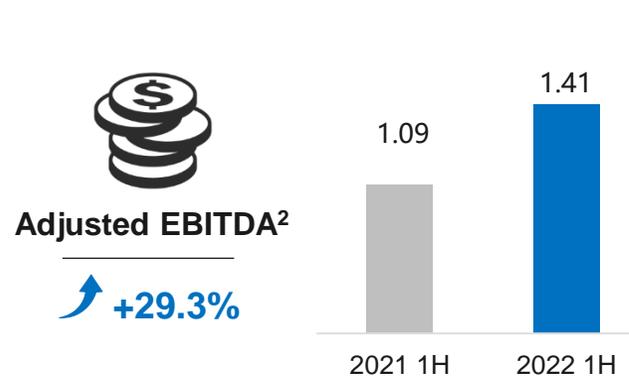
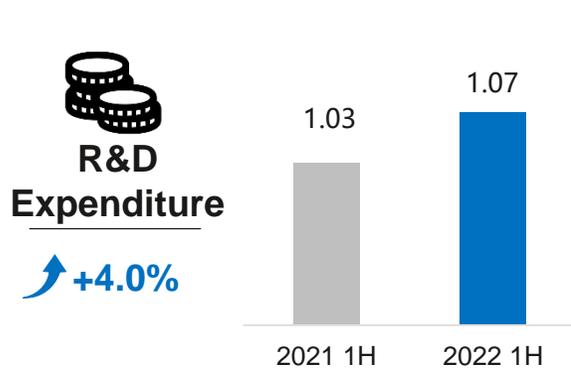
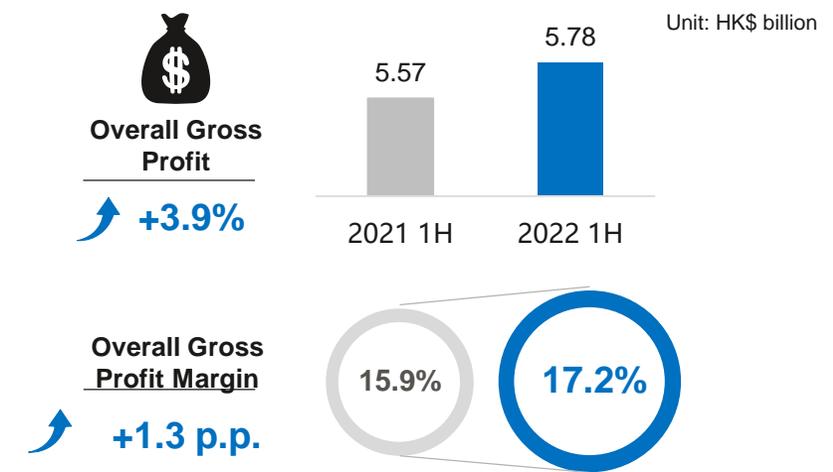
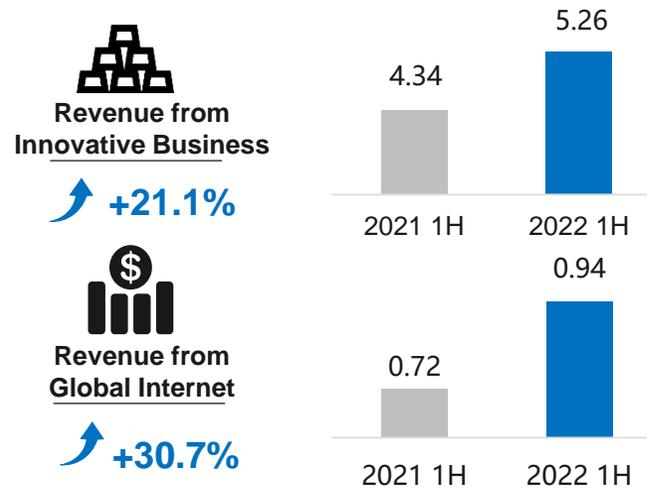
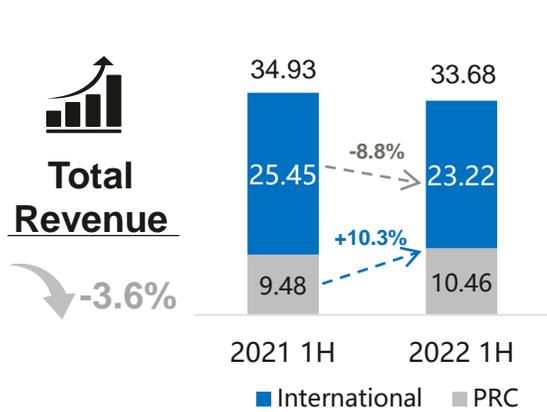
3

Outlook

2022 Interim Results Highlights | The Company adheres to the medium and high-end breakthrough and international operation, the quality of operation is improved, and the profits of core business are growing against the trend



- ✓ While the scale of the Company's revenue has been affected by the weakening overseas demand for smart screens¹, both innovative business and Internet business have maintained rapid growth
- ✓ The Company continues to increase R&D investment, and maintain the industry leading position; A breakthrough was made in the optimization of the product structure of all categories, and the overall gross profit margin increased by **1.3 percentage points**



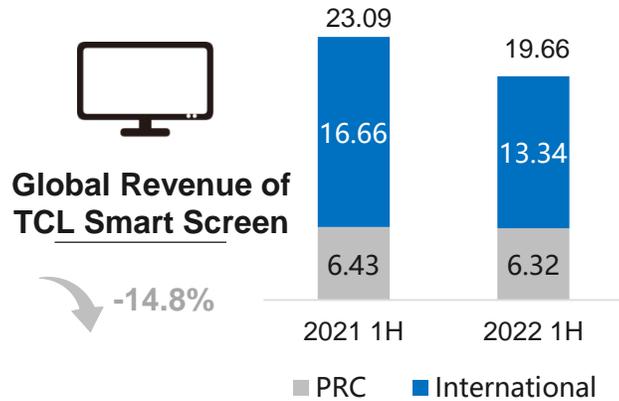
Notes:

1. According to Omdia data, the global TV shipments in Q1 2022 had decreased by 4.3%
2. Adjusted EBITDA is defined as earnings before finance costs, income tax, depreciation and amortization, excluding the Group's share of profits and losses of joint ventures and associates, and excluding one-off non-operating items
3. By deducting one-off non-operating items from profit attributable to owners of the parent
4. By adding back the following adjustments to profit attributable to owners of the parent after deducting one-off non-operating items: share-based compensation and the income tax effect of the adjustment

Display Business

Unit: HK\$ billion

Large-sized Display



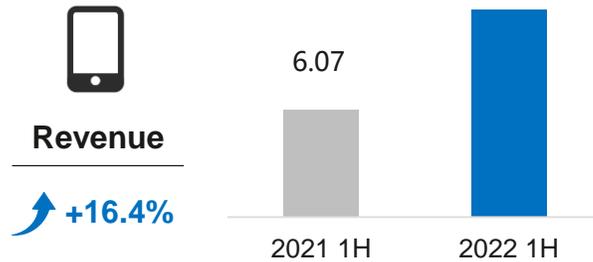
Focus on business quality: gross profit margin increased by 2.6 p.p.

Smart Commercial Display



Penetrating the overseas industrial chain of commercial display drives the rapid growth of revenue and gross profit

Small & Medium-sized Display

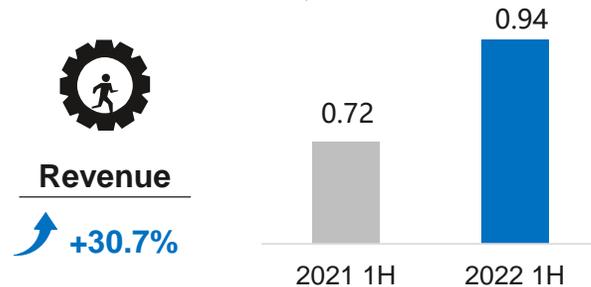


Product upgrades in North American markets and deepening of operator channels have driven rapid growth of revenue

Internet Business

The performance of Internet business was excellent and made significant profit contribution

Unit: HK\$ billion



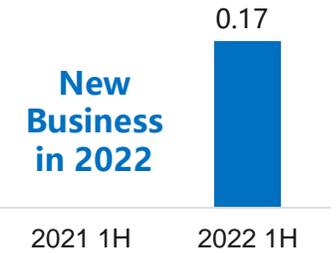
Innovative Business

The scale of revenue increased by 21.1% and profitability has been improved

Unit: HK\$ billion



Revenue of Photovoltaic

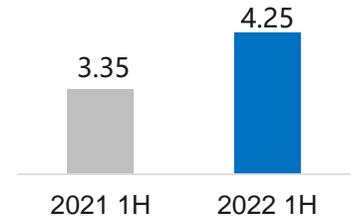


The Photovoltaic business had been officially operated in Q2, and achieved considerable sale volume and profit within a single quarter



Revenue of All Categories Marketing

+26.7%

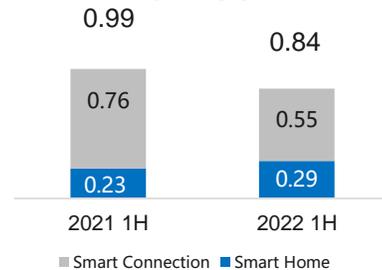


Revenue of global distribution expanded, and gross profit margin increased by 2.5 p.p.



Revenue of Smart Home and Smart Connection

-15.2%



Revenue of the smart home has maintained rapid growth
The pandemic and geopolitical conflicts affected the MIFI markets in Europe and the United States
Revenue of smart connection declined but still maintained its relative competitive advantage

1.1 Display Business—Large-sized Display | Achieved breakthroughs in the medium and high-end, the quality of operation has been significantly improved, and remained in a leading position by global market share



The significant trend of TCL's **large-sized smart screen**
The scale of sales volume ranked **Top 3** in Global¹

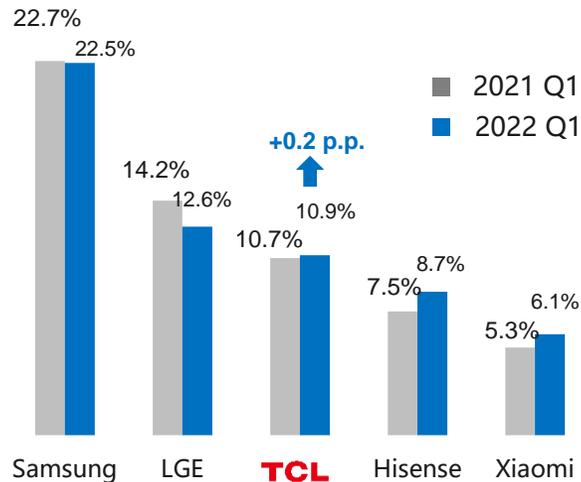
Global Sales Volume of TCL Smart Screen



Proportion of TCL's 65-inch and above Smart Screen



Global Market Share of TV Sales¹



Achieved breakthroughs in product structure, **gross profit margin** increased significantly
Sales volume of smart screen ranked **Top 5** in over 20 countries and regions

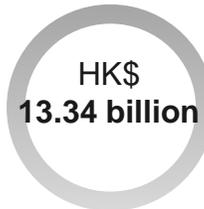
Product Structure



Sales Volume of 65-inch and above Smart Screen
+13.0%

Revenue

Unit: HK\$ billion



Gross Profit Margin

17.0%
+2.6 p.p.

Rankings of Sales Volume of TCL Smart Screen in Overseas Countries²

Emerging markets

Gross profit margin: **+2.3 p.p. yoy**

Australia Pakistan	No.1
Myanmar Philippines	No.2
Saudi Arabia Kazakhstan	No.3
Thailand Brazil Vietnam Morocco Argentina	No.4
Indonesia Chile UAE	No.5

North American Markets

Gross profit margin: **+0.9 p.p. yoy**

United States	No.3
Canada	No.3
Mexico	No.4

European Markets

Gross profit margin: **flat yoy**

France	No.2
Czech Republic	No.3
Italy	No.3
Poland	No.4
Hungary	No.5



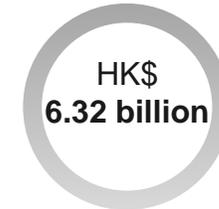
The penetration rates of ultra-large screen and high-end products have increased
Growth in average retail price significantly outperformed the market

Sales Volume⁴



Revenue

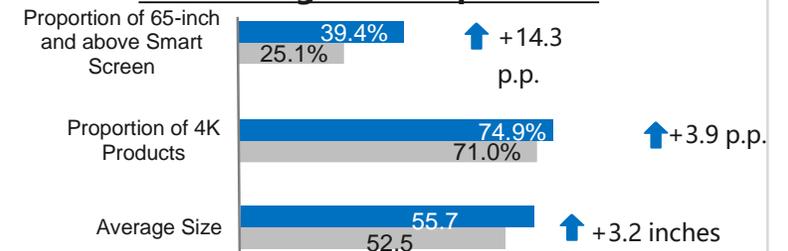
Unit: HK\$ billion



Gross Profit Margin

22.2%
+1.8 p.p.

Proportion of high-end products and average size of products



According to CMM omni-channel data, in 2022 1H:

- ✓ The **retail sales** of TCL smart screen **remained Top 2 in the industry**, and the average retail price increased against the market downtrend by 19.2% yoy, which significantly outperformed the average level in the industry
- ✓ The omni-channel sales volume of **Quantum dots and Mini LED smart screens** in PRC market ranked No.1

Notes: 1. Data source: Global shipment rankings of brand TV in 2022 Q1 from Omdia; the total global TV shipment declined by 4.3% in 2022 Q1

2. Data source: GfK and NPD, retail sales volume from January to June 2022

3. The ASP of the Company's online channel and offline chain-store channel have increased by different degrees due to the optimization of product structure, and the overall ASP has slightly decreased because of the change of channel structure

4. The Sigmaintell data shows that the pannel prices continued to decrease in 2022 1H, the pannel prices in June has decreased by 46%-67% yoy; in the 2022 1H; the shipments of brand TV in PRC market decreased by 1.4%

1.1 Display Business—Large-sized Display | Sales performance during the 618 shopping festival: sales of smart screen ranked No.1, **TCL** with significant feature of large size and high-end

✓ Adhered to Medium to High-end Strategy

✓ Captured consumer preferences, with the new products being widely praised

✓ Achieved all-round breakthroughs in TCL and Falcon dual brands

Sales of TCL's Smart Screen Ranked Top1¹



Both ranked
TOP1

The online retail sales volume, average sales price and sales of TCL's smart screen both increased, which outperformed the average level of the industry²



11.3%

Retail Sales Volume



20.6%

Average Retail Price



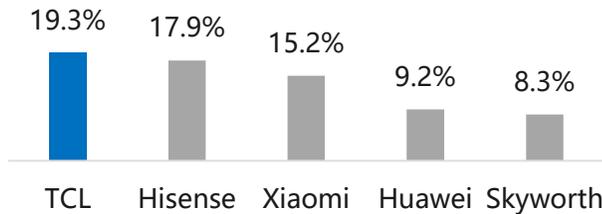
32.4%

Retail Sales

Note: In the PRC's online market during the 618 period, the sales volume of color TV increased by 5.2% yoy, while the average retail price and sales decreased by 13.4% and 8.8% yoy respectively

Market Share of TCL's Large-sized Smart Screen Ranked No.1²

Market shares of Online Retail Sales Volume of TCL's Large-sized Smart Screen²



Note: Large-sized refers to 65-inch and above color TV products

Size of 75-inch and above¹

Sales Volume yoy increased by

5 times

Among which the market shares of 98-inch reached

50%

TCL's Mini LED Ranked Top 1 by Sales Volume¹

Mini LED TV

Sales volume yoy increased by

35 times

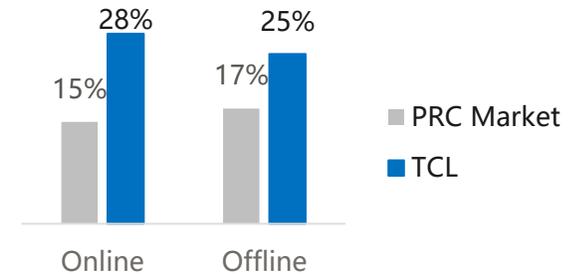
TCL Q10G Mini LED TV Sales Volume exceeded



16,000+ sets

Market Share of 120Hz+TCL's Smart Screen Ranked No.1²

Market shares of retail sales volume of 120Hz+ smart screen²



Sales volume of TCL blue-ray 98-inch (98TZE) real high-refresh rate TV exceeded¹ **4,000+ sets**



Sales volume of Falcon crane 5Plus 85-inch (85S545C) gaming TV exceeded¹ **7,000+ sets**

1.2 Display Business—Small & Medium-sized Display | The Company's advantage in global operator channels is prominent and the business in North American markets rebounded significantly



First-tier network operator



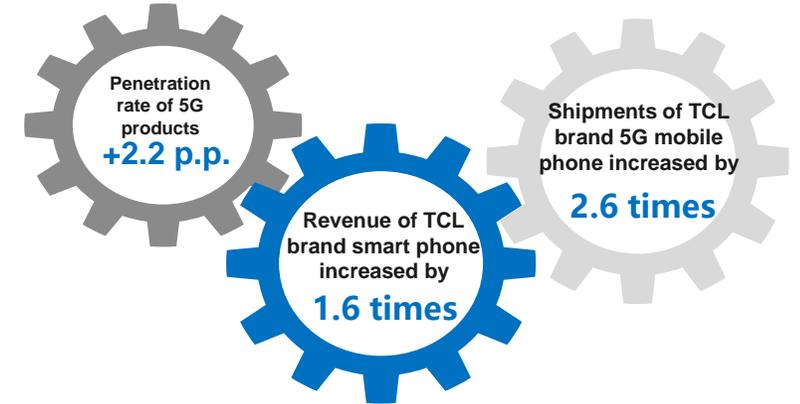
HK\$ 7.06 billion
+16.4%

Revenue in North America
+51.3%

North American Markets

- ✓ Revenue from Smart Phone +82.4%
- ✓ Revenue from Android Tablet +31.9%

Accelerated the Penetration of TCL Brand Smart Phone



Acceleration in tilting toward TCL's own brand drove both the global shipments and the sales price of smart phone going up¹



TCL Stylus 5G



For 6 consecutive years, won the EcoVadis Sustainability Rating² Award



TCL Smart Tablet

- ✓ Ranked Top 2 among Android tablets in global operator channels²
- ✓ New 4G and 5G products have been successfully introduced to major operators in North America and Europe
- ✓ The to B business in public markets have made important progress, by partnering with Uber in Europe
- ✓ Achieved breakthroughs in the to C channel in public markets in key countries (Walmart and Sam's club in North America)



Rankings of TCL's Sales Volume²

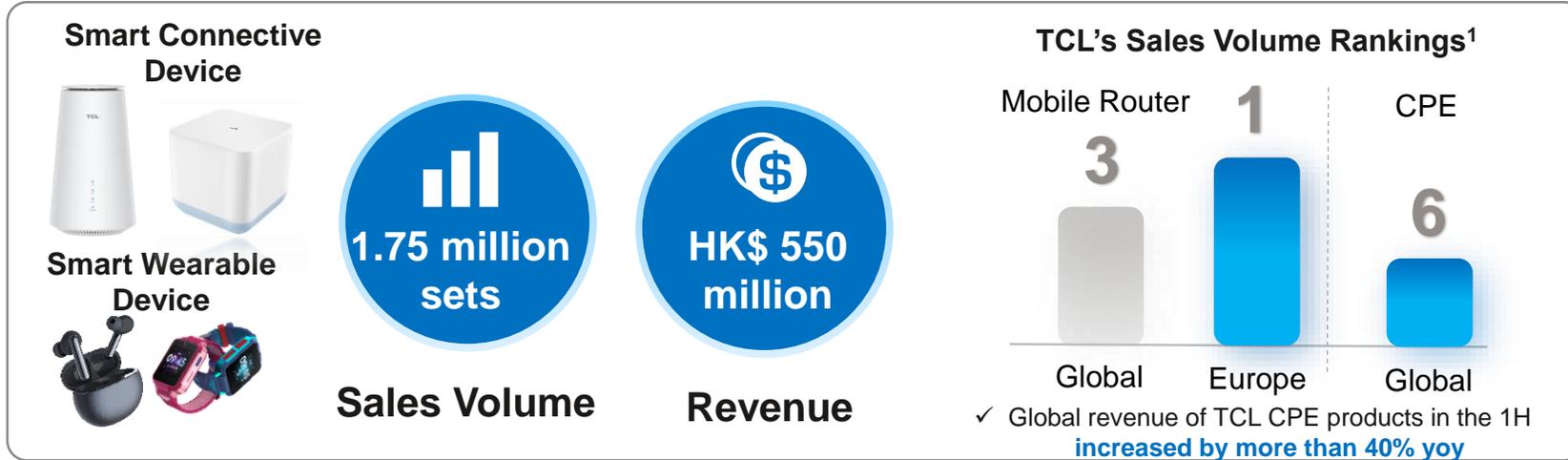


Notes:

1. According to the latest data from IDC, 314 million smart phones were shipped worldwide in 2022Q1, down by 8.8% yoy
2. Data source: IDC, the global shipments of phones and Android tablets in 2022Q1

2.1 Innovative Business—Smart Connection and Smart Home | Global development of new categories of products featured with intelligence and technology; became one of the first laying out in AR/VR track

Smart Connective and Wearable Devices—Fast responded to market dynamics and actively expanded the layout of 4G/5G products, continuously made breakthroughs in the operators channel



Smart Home

- ✓ Revenue in the 1H **increased by 25.8% yoy** to HK\$ 287 million
- ✓ The scale of TCL's smart door lock is leading in the industry, and the small home appliance has won various international design awards

Smart Door Lock



SoundBar

Won the 2022 Red Dot Award



Layout in AR/VR Track

XR Glasses TCL NXTWEAR Air



- ✓ The weight is only 75g, and the front lens can be changed
- ✓ A portable cinema with 140-inch screen and a viewing distance of 4 meters offers 2D and 3D full HD viewing
- ✓ Watching movies, mobile games, telecommuting and other diverse scenes
- ✓ Won the IDG "Most Innovative Product Award"
- ✓ It has been available online and offline in the PRC market since April

AR Glasses Leiniao Smart Glasses Pioneer Version was Unveiled at 2022 CES



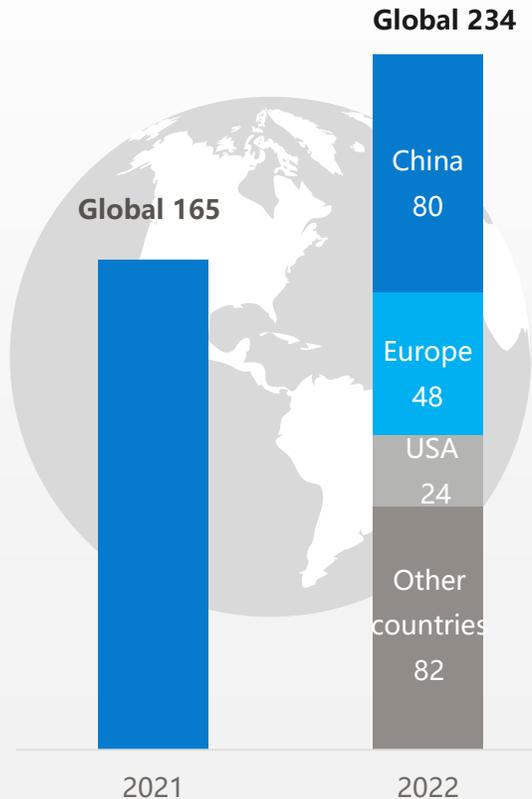
- ✓ The first binocular full-color micro LED AR glasses with holographic optical waveguide in the industry
- ✓ The first full-color display engine
- ✓ Break through the technical bottleneck of the industry, and achieve a balance in efficiency, dispersion and mass production
- ✓ Take the lead in realizing full-color highlight display on thin and light glasses

2.3 Innovative Business—Photovoltaic Business | Due to global shortage of energy, severe global warming and increasingly high inflation, major economics are adding support to PV energy. Global PV market is anticipated CAGR of annual average installed PV capacity close to 30% for the period of 2021-2025, while market share is still unconcentrated in regards to competition

Global newly installed PV capacity¹

Unit: GW

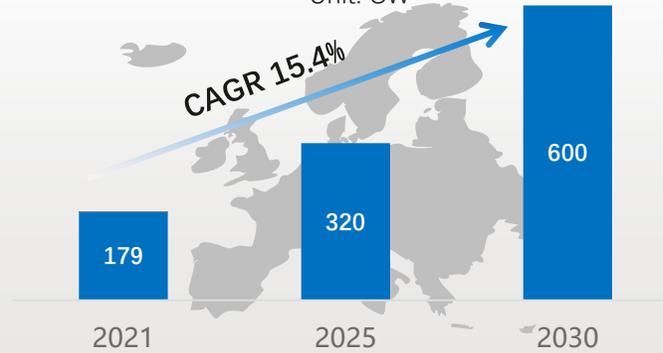
2021-2025 Forecast
CAGR 30%



Cumulative installed PV capacity in Europe²

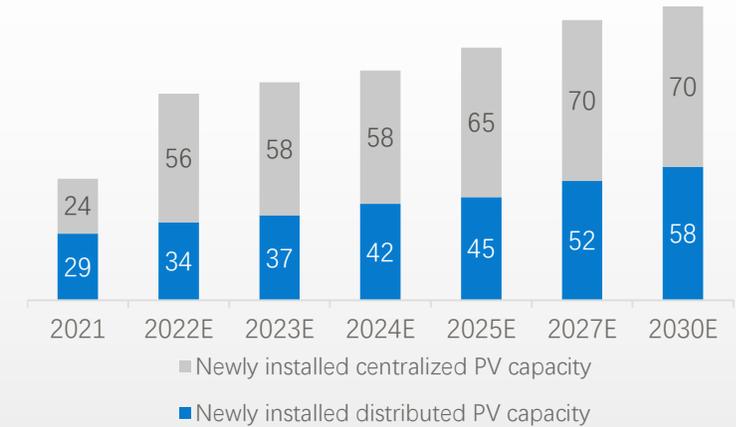
(Distributed PV capacity dominated in Europe)

Unit: GW



2021-2030 newly installed PV capacity in China³

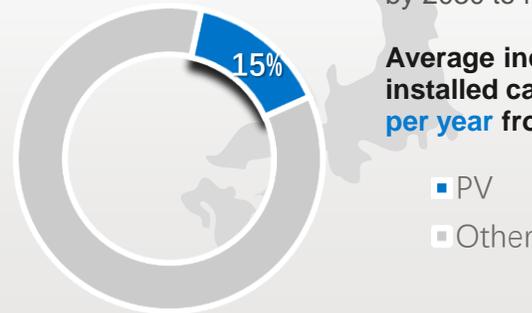
Unit: GW



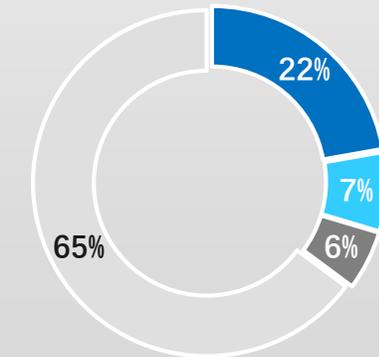
Year 2030 Target of Power Market Structure of Japan⁴

Anticipated cumulative installed PV capacity in Japan by 2030 to reach **115-135GW**

Average increment of installed capacity of **5-7GW per year** from 2022-2030



Competition: Market share in China is unconcentrated, in favor of participants seizing market share quickly⁵



Newly installed household PV capacity in China in 2021 **21.6GW**

Notes: Data resource: 1. International Energy Agency (IEA), BOCI Securities 2. REPowerEU, BOCI Securities 3.China Photovoltaic Industry Association (CPIA) 4. 《Japan Power Market Outlook》, BOCI Securities 5. National Energy Administration

2.3 Innovative Business—Photovoltaic Business | Enter the track of distributed PV , specify the vision and business model, and accelerate developing 2B and 2C markets and growing project pipeline



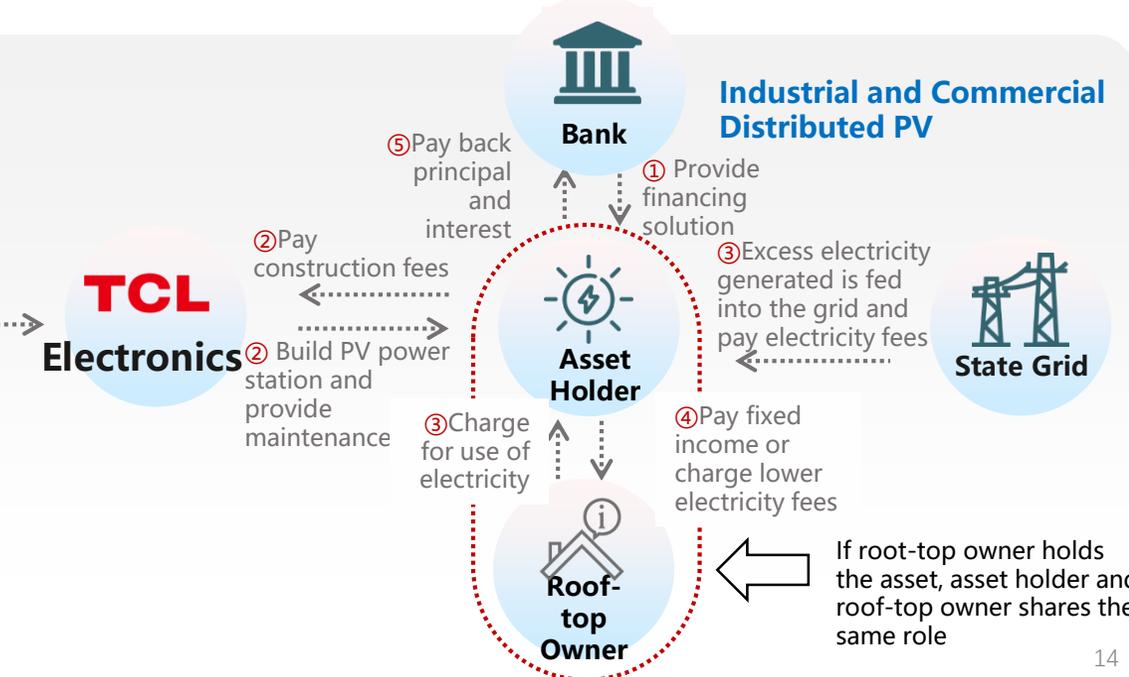
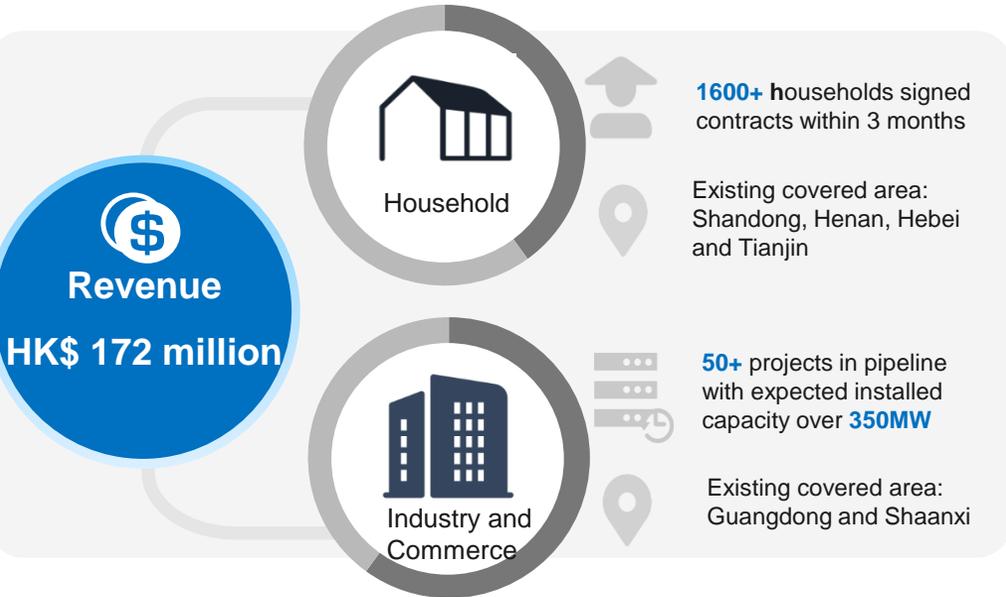
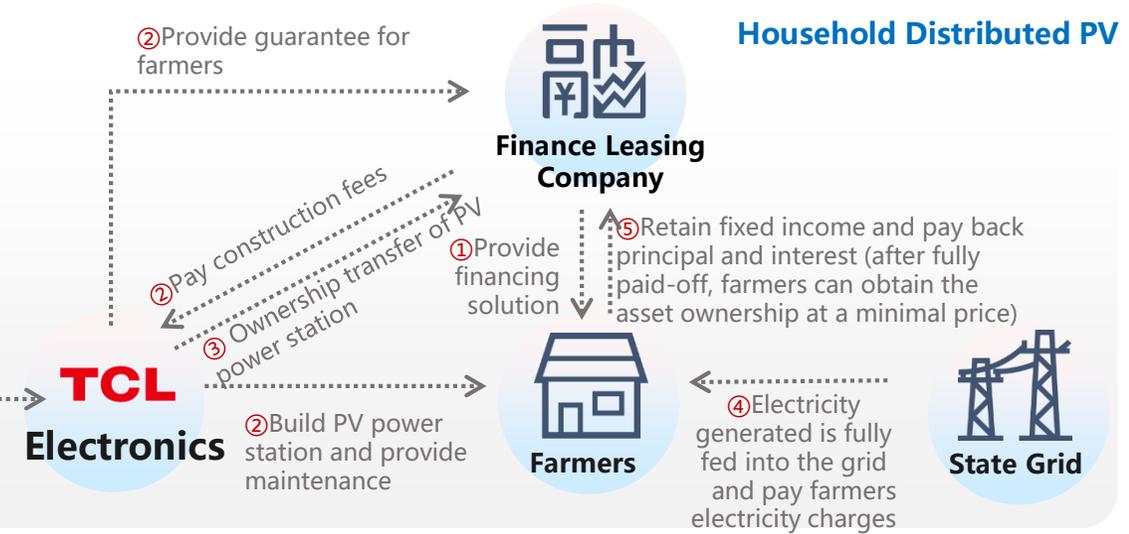
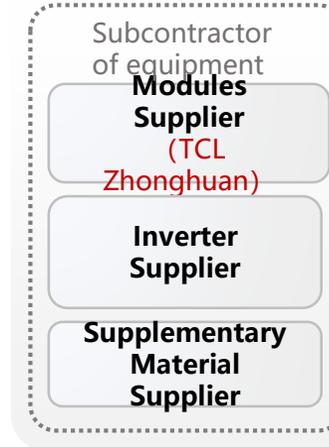
Vision

Household: become innovator and pioneer of leading zero-carbon and smart life

Industry and Commerce : become a leading provider of integrated green energy solution for zero-carbon industrial park

- ✓ The Company entered the Photovoltaic track in 2022 and officially started operation in Q2; its revenue had exceeded 100 million within a single quarter
- ✓ The order volume of monthly installation capacity and revenue grew exponentially

Business Model



2.3 Innovative Business—Photovoltaic Business | With advantage in industrial supply chain, take initiative in household PV business, explore in industry and commerce sector, quickly enter the first-tier group in China and prepare for globalization

TCL

- ✓ TCL system possesses complete supply chain in the PV upstream chain with extension to finance business
- ✓ TCL Electronics entered distributed PV business with late-mover advantage

TCL
Zhonghuan



Crystalline



Wafer



Module



Operation
experience in
power station

TCL
Electronics



Globally well-
known TCL brand



Over 47,000 shops
in lower-tier cities



Advanced
after-sales
service system
in nationwide

TCL
Finance



Differentiated
finance service

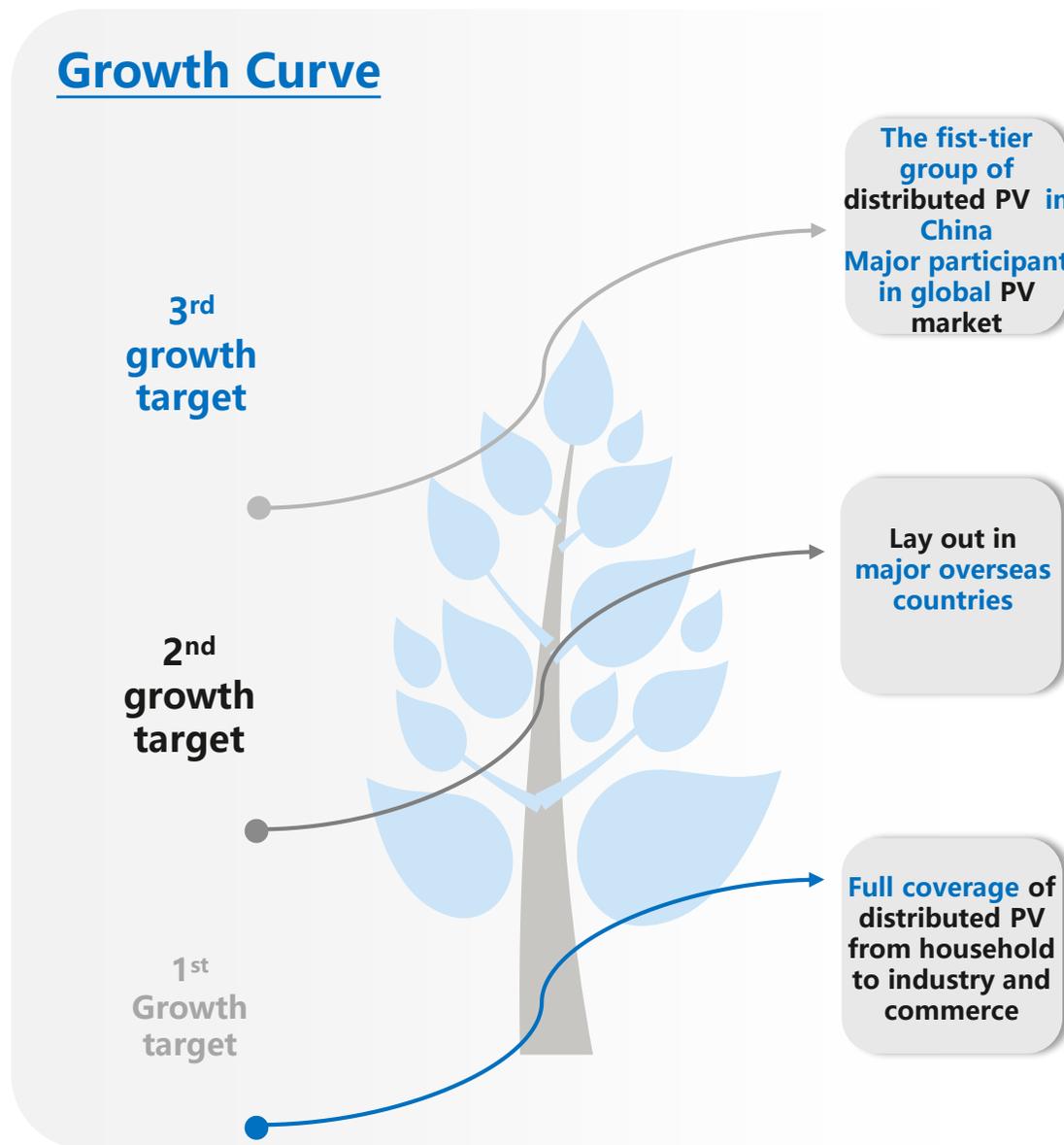


Talents of
both PV and
finance
industry



Abundant hands-
on experience in
PV business

Growth Curve



3.1 Internet Business | Revenue of global Internet business has significantly increased by 30.7% yoy, with strong profitability and significant profit contribution

Revenue of Global Internet

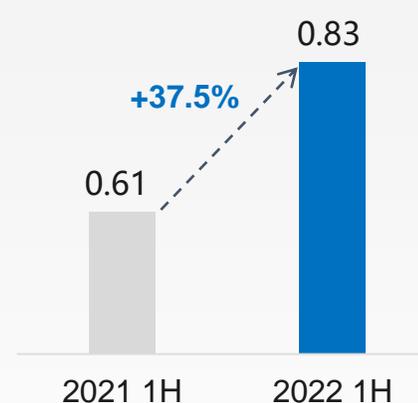


Falcon Network Technology

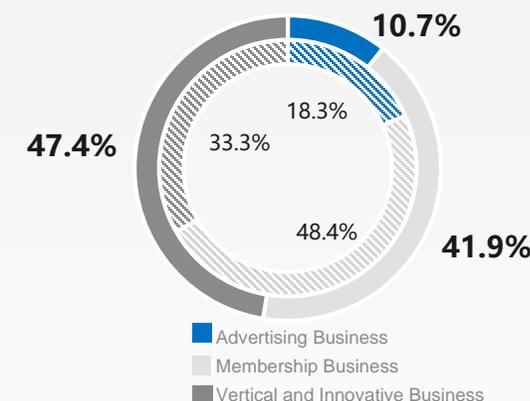
Focus on **product innovation** to strengthen competitiveness, and continuously improve the **operation efficiency** of the platform

Unit: HK\$ billion

Revenue



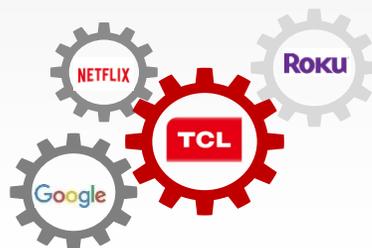
The Proportion of Revenue
Outer ring 2022 1H vs Inner ring 2021 1H^



International Market Performance

International market: TCL smart screens equipped with third-party OTT system, where the Company is operating **TCL Channel**, a content integration application platform

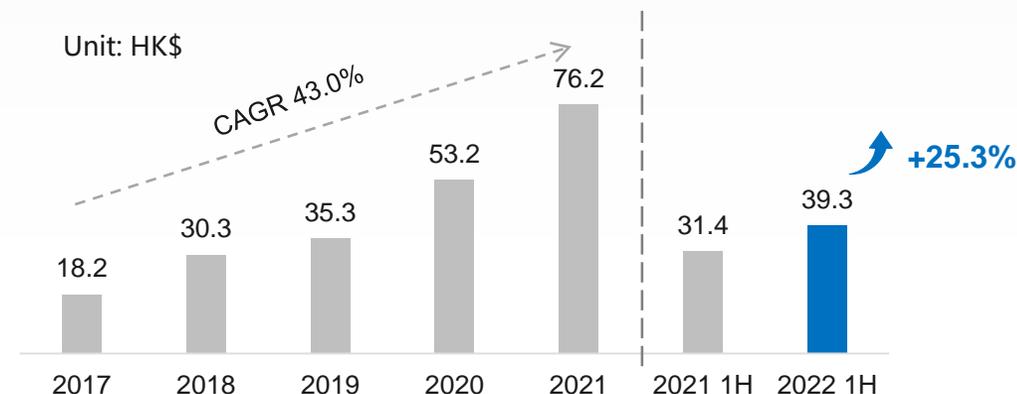
- ✓ Cooperate with giants like Roku, Google and Netflix, and keep upgrading users' optimal experience
- ✓ Since 2021, it has been continuously obtaining revenue sharing from Google's platform operation
- ✓ Falcon has gradually achieved breakthrough in its overseas business model, being able to reach a large number of overseas TCL smart screen users through OTT platforms in cooperation, and had rapidly grown **TCL Channel** users and enhanced monetization on stream volume
- ✓ By the end of June 2022, **TCL Channel** had accumulated over **10 million** users, covering **60** countries in North America, Europe, Central and South America, and the Asia-Pacific region



Continue to deepen global cooperation with Internet giants

ARPU

Unit: HK\$



Note: ^adjusted

4.1 Business Review | The Company focuses on products, marketing, operations and organization to strengthen long-term capacity building



Key Element

Product Capability

- ◆ Breakthroughs had been made in the **medium to high-end** smart screens and **all category of** products
- ◆ The **cost competitiveness** across various categories of products has been enhanced
- ◆ **KYC and differentiated selling points** need be improved



Marketing Capability

- ◆ PRC: Improvement had been made in channel structure optimization, retail capability, service and logistics capability
- ◆ International: Channel structure optimization need be expedited
- ◆ Go to Market(GTM), branding, channel, end-to-end retail capability need be enhanced



Operational Capability

- ◆ Procurement, supply management and manufacturing continued to improve
- ◆ Global layout of supply chain need be optimized more quickly
- ◆ Asset turnover efficiency need be raised



Organizational Capability

- ◆ Founded ABG (America Business Group) and propelled transform in Communication
- ◆ Digitalization accelerated
- ◆ Improve professionalism and rejuvenation of personnel and incentive mechanism



Capability Review



The industry-leading display technology helps to create a commanding point of core technology

- ✓ Synergy with China Star Optoelectronics Technology, continuously improve the development and application of high-end display technology, and maintain a leading position in the industry
- ✓ Focus on image quality, AR optical design, audio and video, build top core technology control points, improve the comprehensive competitiveness of products
- ✓ Through organizing R&D model reform, further consolidate the industry-leading product development efficiency

Strengthen connective capability to build all-scenario smart healthy life

- ✓ Focus on 5G, AI, IoT, big data and cloud services, build connective, interactive and intellectualized platform and implement in various scenarios
- ✓ Centered with users' needs and experience, create optimal experience and value for users

Enhance in building software platform and elevate experience of global users

- ✓ Focus on human-computer interaction, operating system, artificial intelligence and other technological innovation platforms, and improve system fluidity and stability, camera and voice-related AI algorithms and engineering capabilities, and enhance security compliance capability building
- ✓ Increase investment in Internet application services to improve users' experience and business conversion rate



Financial Risk

- The Company optimized the supplier settlement model, expanded the overseas coverage of factoring, proactively managed treasury, resulting in **a net cash inflow from operating activities of HK\$132 million in 2022 1H**
- The Company gave full play to its financing capability, obtained a number of low-cost loan products in home market and abroad, and proactively controlled risk of financial leverage while growing business scale, **gearing ratio (net)¹ was only 0.3%**
- In 2022 1H, when foreign exchanges fluctuates violently. the Company has formulated hedging strategies effectively accommodating its overseas business operations, mainly by natural hedging and supplemented with derivative products, and managed nearly 20 kinds of foreign currencies by diversified means, and continuously **achieved net gains from foreign exchange management**

Notes:

1. 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 - Pledged deposits (or restricted cash)
2. Data Source: Global shipment rankings of brand TV in 2022 Q1 from Omdia; the total global TV shipment declined by 4.3% in 2022 Q1



Market Risk

- As the global economy slowed down, the Company **continued to invest in R&D to maintain its leadership in technology**. R&D expenses increased by 4.0% yoy. The Company strengthened R&D platforming management to **increase synergy of R&D and the output efficiency**
- Weaker demand after advanced consumption during pandemic, combined with international geopolitical risks resulted in a decline in overall market demand. The Company adhered to the strategy of “brand leading value” , focused on product structure optimization, and made breakthroughs in **large-screen** and **high-end** products. The sales volume of large-size TV increased significantly, and the **brand index improved, and sales volume ranked top 3 in the global TV market²**

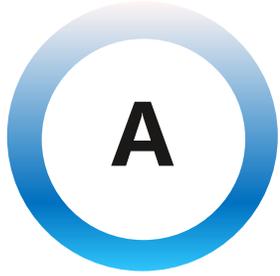


Operational Risk

- Deepen reform, proactively implement integrated financial reform, integrated product development reform, integrated supply chain reform and other projects, **reduce costs and increase efficiency**, improve the Company's **operating efficiency**
- Make use of the **global capacity** layout, flexibly respond to changes in Sino-US trade, and with strategic agreements safeguard **logistics capacity** in both maritime and land transport
- With the advantage of industrial chain integration and economics of scale, secure supply of **key materials**

4.4 Business Review | Environmental, Social and Governance: The Company's superior ESG performance has been rated A by Hang Seng Index for four consecutive years

Overall ESG Rating¹



From 2018 to 2021
ESG has been rated A for **four consecutive years**

Overall Awards

From 2019 to 2021

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

has been listed as **China Green Product Design** by the Ministry of Industry and Information Technology for three consecutive years

ESG Performance Comparison¹

Compare with peer

companies: **Top 20%**
(out of 77 companies)

Comparison with other

components: **Top 20%**
(Out of 436 companies)

Overall ESG Performance¹

Environmental



Social



Governance



E

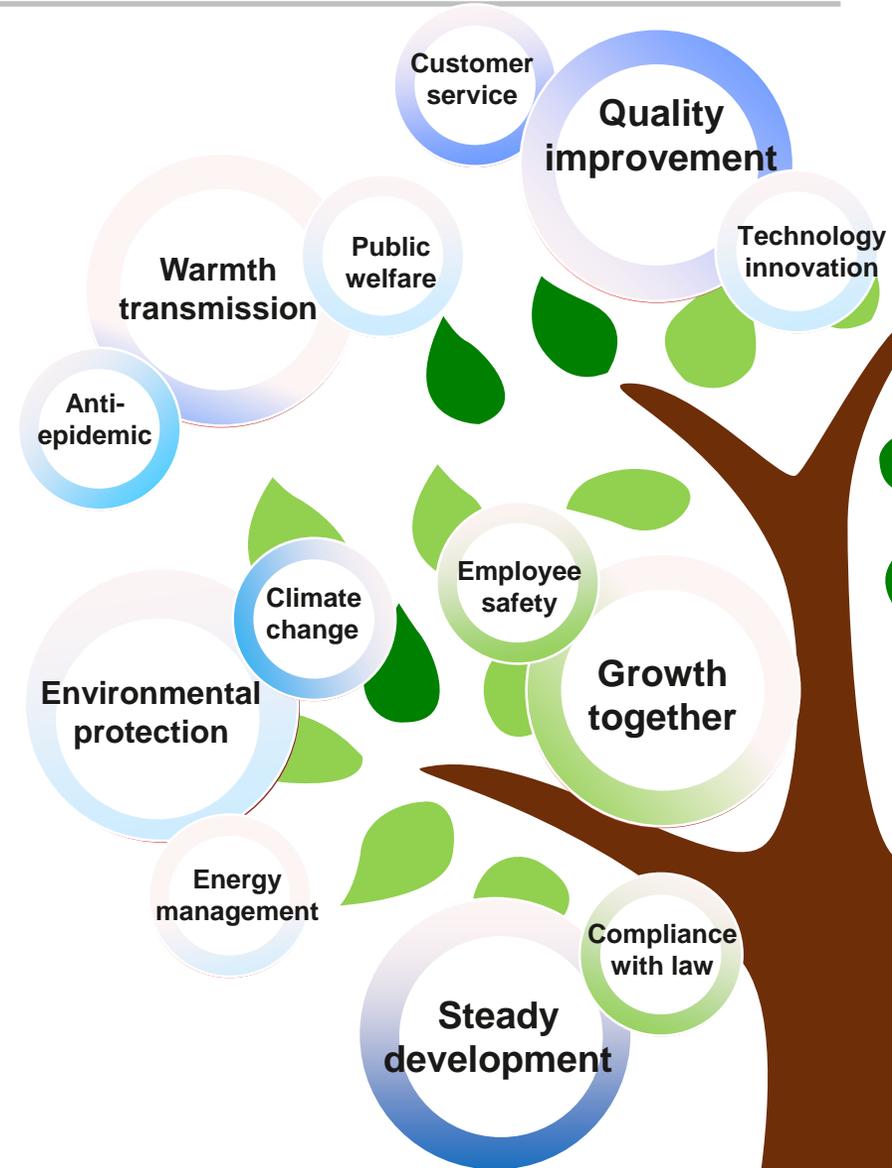
- Setting **environmental goals for 2025**
- The first domestic electronic and electrical products (LCD TV) **carbon label certification enterprise**
- Has passed the international **environmental management system certification**, such as ISO14001

S

- In 2021, **40%** of employees worldwide were **female**
- Awarded "**Good MPF Employer Award**", "**MPF Promotion Award**" and "**E-Contribution Award**" by the MPFA of Hong Kong in 2021

G

- Global operation meets local compliance requirements
- Establish a sound **anti-corruption** system



TCL

**INSPIRE
GREATNESS**

Contents

1

Environment and Strategy

2

Business Review

3

Outlook

Outlook | **Strategy:** Adhere to the “globalization and technicalization”, pursue to create sustainable growth value for consumers

Strategic Path

Brand Leading value
Relative cost advantage

Interconnection of **all category smart devices** Intellectualized **All-scenarios**

Breakthrough in Distribution and Retail Capability

Intense investment in targeted markets to gain market share



Brand Premium and Influence Increase
Building a mid-to-high end brand image

Growth in both Revenue and Profits

Continue to accumulate capabilities for the mid-to-long term



New Track in Middle and High-end Overseas Markets



Focus on and Iterate Product Platforms

Improve the input-output efficiency of products

Improve product competitiveness
Elevate **product value and price**

Speed



Form **relative cost advantage** in scale,
Continue to reduce cost and increase efficiency



User/Brand/Marketing

Business philosophy “Users above everything”
Brand building on consumers’ mind
Upgrade in marketing media and content quality



Retail/Channel

Reform in distribution channel
Enhance customer relationships and retail experience
Improve in-store penetration and operational efficiency



Product/Technology

Build a leading capability in making products for users’ need
Monetization driven by hard and soft technology



Strategic Management

Strategic management of multi-business portfolio
Innovation of business model
Strengthen strategic organization and systemization of process



Innovative Reform

Strengthen the existing Internet business
Accelerate the layout in advance for new products and new track



Cost/Efficiency

Build competitive advantage in total cost
Light assets, quick turnover and digitalization acceleration
Efficiency of direct access to users

- The information contained herein should not be utilised 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.

INSPIRE GREATNESS

TCL

Thanks

TCL电子控股有限公司
TCL ELECTRONICS HOLDINGS LIMITED

August 2022

