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Securities Research Report · H Share Quick Take Brown Goods

Performance of the brown goods leader beats expectations, Sony brand to empower it in the future

TCL ELECTRONICS (1070.HK)

Key takeaway

According to TCL Electronics 25 earnings results, the company achieved rapid growth in revenue and performance. The revenue growth was mainly driven by the increase in both volume and price of TVs, as well as the incremental contribution from internet and innovative businesses. On the profit side, despite the stable gross margins, rapid growth was achieved, mainly benefiting from the company's cost reduction, quality improvement, and efficiency enhancement, with well-controlled expense ratios and steady business performance. The company plans to reach a strategic cooperation with Sony in the home entertainment field, establishing a joint venture with TCL holding 51% of shares to take over Sony's TV and home audio product lines. The joint venture is expected to integrate the technological and resource advantages of both parties, reshape the competitive landscape of global TV brands, and directly increase TCL's consolidated revenue, boosting its profit margin and valuation.

Event

On 27 March , 2026, TCL Electronics released its 25 earnings results.

In 2025, the company achieved an operating revenue of HKD 114.583 billion (+15.4%), a net profit attributable to the parent company of HKD 2.495 billion (+41.8%), a NPM attributable to the parent company of 2.2% (+0.4 pct), an adjusted net profit attributable to the parent company of HKD 2.512 billion (+56.5%), and a NPM of 2.2% (+0.6 pct).

Thesis

I. Revenue Analysis: Steady performance in core TV business and rapid growth in emerging businesses in 2025

1. By product: Overseas TV business sees growth, innovative businesses made incremental contribution

1) Display business: Smart TVs witnesses volume and price ramp-up, small and medium sizes & commercial displays remain steady. In 2025, the segment achieved a revenue of HKD 75.797 billion (+9.2%),

Maintain **Buy**

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Current Price: HKD 11.02

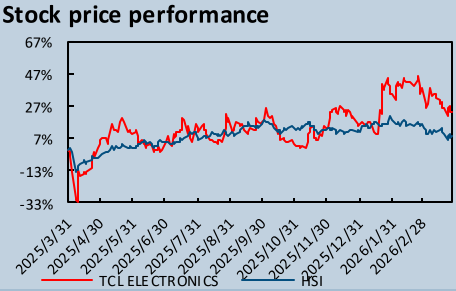
Key Data

Absolute/Relative Stock Performance (%)

1 Month	3 Months	12 Months
-7.78/-2.37	2.42/5.77	24.38/18.13

12-Month High/Low (HKD)	12.93/6.54
Total Share Capital (10,000 Shares)	252,093.52
Outstanding H Shares (10,000 Shares)	252,093.52
Total Market Cap (HKD100 Million)	277.81
Floating market cap (HKD 100 million)	277.81
Average daily trading volume in the past 3 months (10,000 shares)	752.43
Major shareholders	
T.C.L. Industries Holdings (H.K.) Limited	54.54%

Stock price performance



accounting for 66.2%, with a gross margin of 16.5% (+1.0 pct).

A. Smart screens: Growth rate outperforms the industry, Mini LED penetration rate increases rapidly. According to our estimation, the sales volume was around 30.3 million (+4%~5%), with an average price of around HKD 2,130 (+3%), achieving a revenue of HKD 64.708 billion (+7.7%) and a gross margin of 16.8% (+1.4 pcts); among them, Mini LED sales volume was around 3.85 million (+118.0%), with a penetration rate of 12.7% (+6.6 pct). **Domestically:** Sales volume was around 5.7 million (-10%), with an average price of HKD 3,018 (flat), achieving a revenue of HKD 17.204 billion (-9.7%) and a gross margin of 21.7% (+1.9 pcts); among them, Mini LED TV sales volume was 1.29 million (+33.6%), with a penetration rate of 22.6% (+7.3 pcts).

Overseas: Sales volume was about 24.6 million (+8%~9%), average price was HKD 1,929 (+6%~7%), achieving revenue of HKD 47.504 billion (+15.7%), with a gross margin of 15.1% (+1.6pcts); among which, Mini LED TV sales volume was 2.56 million (+219.8%), with a penetration rate of 10.4% (+6.9pct).

B. Small and medium size TVs: Focusing on European and American markets and operator channels, with continuous iteration of eye-care technology. The segment achieved revenue of HKD 9.968 billion (+17.8%), with a GPM of 14.4% (1.0pct).

C. Smart commercial TVs: Focusing on structural optimization domestically, and expanding high-end users overseas. Achieved revenue of HKD 1.121 billion (+28.4%), with a GPM of 12.8% (-0.5pct).

2) Innovative business: Rapid revenue growth, with a temporary decline in profit margin. In 2025, the business line achieved revenue of HKD 35.628 billion (+31.9%), accounting for 31.1%, with a GPM of 10.3% (-2.1pcts).

A. All-category marketing: Brand & channel synergy bolsters steady revenue growth. Achieved revenue of HKD 12.645 billion (+1.6%), with a GPM of 10.9% (-3.0pcts).

B. PVs: Becoming a top-tier player, maintaining high revenue growth. Achieved revenue of HKD 21.063 billion (+63.6%), with a GPM of 8.6% (-0.9pct).

C. Smart connection and smart home: Released AI robots, seized the initiative in smart glasses . Achieved revenue of HKD 1.920 billion (+13.7%), with a GPM of 24.6% (+1.9pcts).

3) Internet business: Expanding in overseas markets, with continuous improvement in profit margin. In 2025, the business line achieved revenue of HKD 3.109 billion (+18.3%), accounting for 2.7%, with a GPM of 56.4% (+0.2pct). **Domestically:** Achieved revenue of HKD 1.803 billion (-0.2%). **Overseas:** Achieved revenue of HKD 1.305 billion (+59.2%).

4) Other businesses: In 2025, achieved revenue of HKD 49 million (-80.0%), accounting for 0.04%, with a GPM of 2.8% (-3.4pcts).

II. By region: Both domestic and export sales achieved growth, with overseas hardware and software

contributing to the increment

1) Domestic market: In 2025, achieved revenue of HKD 47.393 billion (+14.3%), accounting for 41.4%, of which smart TVs and other revenue totaled HKD 45.590 billion (+14.9%), and internet revenue was HKD 1.803 billion (-0.2%).

2) North America: In 2025, achieved revenue of HKD 19.485 billion (+12.5%), accounting for 17.0%, of which smart TVs and other revenue totaled HKD 19.043 billion (+12.3%), and internet revenue was HKD 443 million (+21.7%).

3) Europe: In 2025, achieved revenue of HKD 16.001 billion (+22.0%), accounting for 14.0%, of which smart TVs and other revenue totaled HKD 15.817 billion (+21.7%), and internet revenue was HKD 185 million (+54.6%).

4) Emerging markets: Revenue in 2025 reached HKD 31.703 billion (+15.7%), accounting for 27.7%, of which smart TVs and other revenue reached HKD 31.025 billion (+14.6%), and internet revenue was HKD 678 million (+101.4%).

II. Profitability Analysis: Profitability is under short-term pressure,but the long-term improvement trend remains promising.

1. Gross profits: GPM remains stable despite business structure changes.

The company's GPM remained stable, at 15.6% (-0.04pct) in 2025. Looking ahead to 2026, the World Cup will drive the replacement of large-sized TVs, coupled with the upgrade of the channel structure in North America, the economies of scale effect of new businesses will gradually emerge, the proportion of innovation and internet businesses will rise, and the GPM will also have upward momentum. We expected the GPM to resume its upward trend in 2025.

2. Expenses: With continuous cost reduction and efficiency improvement, expense ratio has decreased

In 2025, the selling/administrative/R&D expense ratios -0.6/-0.1/-0.1pct YoY, respectively, mainly due to the company's continuous promotion of cost reduction, quality and efficiency improvement, and enhanced expense control efforts. Looking ahead to 2026, TCL will increase its multi-brand marketing efforts, become a global Olympic partner, and continue to promote channel coverage. However, with the further promotion of cost reduction and efficiency improvement, the expense ratio is expected to maintain a healthy level.

III. Net profit: NPM has significantly improved, and there is still room for long-term improvement

In 2025, the NPM attributable to the parent company was 2.2% (+0.4pct), and the adjusted NPM attributable to the parent company was 2.2% (+0.6pct). With a stable GPM, the company maintained a steady improvement in business performance through cost reduction, quality and efficiency improvement. Combining the changes in the gross profits and the expenses, we expected that there is room for further improvement in the long-term NPM.

Investment Recommendation: TCL Electronics continues to promote the "mid-to-high-end + large-sized TVs" and multi-brand strategies, continuously increasing its domestic and foreign market share and expanding its smart TV business, and driving the recovery of profitability through optimizing product and channel structures, localization, and cost reduction and efficiency improvement. Reaching strategic partnership with Sony is expected to strengthen the company's competitiveness in the global TV market, directly increase its consolidated revenue, and improve profit margins and valuation. We forecast that the company will achieve a net profit attributable to the parent company of HKD 3.01billion/HKD4.046billion/HKD5.099 billion from 2026 to 2028, implying an EPS of HKD 1.19/HKD1.60/HKD2.02. The current stock price implies a PE of 9.23x/6.87x/5.45x, maintain "Buy" rating.

Risks:

1) Decline in market demand: The global TV market has entered a zero-sum competition. The overdraft effect of market demand in developed countries and regions such as Europe, the US, and Japan is gradually emerging. In addition, high inflation has led to a decline in the actual purchasing power of residents, and TV shipment demand will remain sluggish. According to Sigmaintell data, global TV shipments in 2025 is estimated to be 221 million (-0.7% YoY); according to RUNTO data, China's TV shipments in 2025 was 32.895 million (-8.5% YoY). Looking ahead, it is unlikely to see fundamental changes in the TV market environment.

2) Rebound in panel prices: The continuous decline in inventory of leading panel manufacturers, coupled with further production cuts, has bolstered market demand. According to AVC Revo data, the prices of TV panels of various sizes bottomed out in October 2022, and then experienced a slight increase. Compared with early October 2022, the average prices of 75/65/55/50/43/32-inch TV panels increased by USD72/USD73/ USD52/USD40/ USD17/USD10 respectively by June 2024.

3) RMB fluctuations: Long-term FX fluctuations will affect the business strategies of foreign trade enterprises. The USD will be highly volatile in the short term. According to data from the China Foreign Exchange Trade System, the current USD to CNY exchange rate is around 6.9.

Analysts

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Chief Pharmaceutical Industry Analyst at China Securities, holds a Master's degree in Management from Fudan University. With over 10 years of experience in sell-side pharmaceutical research, she is adept at prospectively identifying niche market opportunities, conducting meticulous company research, and determining overall investment strategies.

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Investment rating standard		Ratings	Description
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		Overweight	Increase by 5%-15% relative to the benchmark index
		Neutral	Increase by -5%-5% relative to the benchmark index
		Underweight	Decrease by 5%-15% relative to the benchmark index
		Sell	Decrease by more than 15% relative to the benchmark index
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		Neutral	Increase by -10-10% relative to the benchmark index
		Underperform	Decrease by more than 10% relative to the benchmark index

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