

Volume, price and margin all rise, 1Q earnings double

Key takeaway

The company released its 1Q26 results announcement, with both revenue and earnings achieving double-digit growth. The revenue growth was mainly driven by higher TV volume and price, especially strong growth in Europe, the US and emerging markets, as well as incremental contributions from internet and innovation businesses; the profit growth was driven by both the gross margin improvement from global large-screen adoption and rising MiniLED penetration, and the decline in expense ratios from the company's own cost reduction and efficiency enhancement efforts. Looking ahead to the next three quarters, the upcoming North America World Cup is expected to further boost TV shipment volume and product mix in Europe, the US and emerging markets, and stabilizing panel prices will be conducive to cost improvement. We expect full-year revenue and profit in 2026 to maintain their growth trajectory.

Event

On May 13, 2026, TCL ELECTRONICS released its 1Q26 results announcement.

In 1Q26, the company achieved operating revenue of HKD29,225mn (+15.3%), net profit attributable to shareholders of the parent company of HKD359mn (+123.6%), net profit margin of 1.2% (+0.6pct), and adjusted net profit attributable to shareholders of the parent company of HKD384mn (+140.0%), with a net profit margin of 1.3% (+0.7pct).

Quick Take

1. Revenue analysis: 1Q TV volume and price both rose, internet business maintained growth

I. By product: TV sales grew in both domestic and overseas markets, internet business remained steady

1) Display business: Smart screen volume and price both rose, small and medium-sized display and commercial display achieved high growth. In 1Q26, this segment achieved revenue of HKD19,523mn (+19.0%), accounting for 66.8% of total revenue, with a gross margin of 17.0% (+2.5pct).

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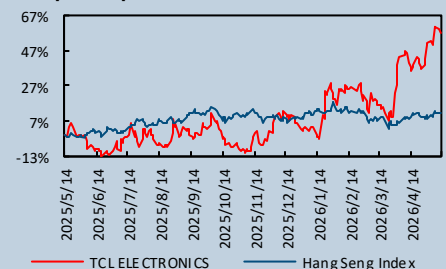
Current price: HKD 15.56

Key Data

Absolute/relative share performance (%)

	1 month	3 months	12 months
	7.31/5.40	23.49/25.87	45.97/33.91
12-month high/low price (HKD)			15.95/9.10
Total share capital (10,000 shares)			252,093.52
Outstanding H Shares (10,000 shares)			252,093.52
Total Market Cap (HKD'00mn)			392.26
Floating market cap (HKD'00mn)			392.26
3-month average daily trading volume (10,000 shares)			906.82
Major shareholders			
T.C.L. Industries Holdings (Hong Kong) Limited			54.54%

Stock price performance



A. Smart screen: Both domestic and overseas sales grew, MiniLED penetration rate increased rapidly. We estimate sales volume was around 7.50mn units (+15%), with an average price of around HKD2,240 (+2%), achieving revenue of HKD16,715mn (+17.2%), with a gross margin of 17.5% (+3.0pct). MiniLED sales volume was around 1.16mn units (+102.1%), with a penetration rate of 15.4% (+6.6pct). ① **Domestic:** Sales volume was around 1.65mn units (+10%), with an average price of HKD2,790 (-6%), achieving revenue of HKD4,607mn (+3.9%), with a gross margin of 20.1% (+2.0pct). MiniLED TV sales volume was around 320,000 units (+21.5%), with a penetration rate of 19.4% (+1.8pct). ② **Overseas:** Sales volume was around 5.82mn units (+16%), with an average price of HKD2,080 (+6%), achieving revenue of HKD12,108mn (+23.2%), with a gross margin of 16.6% (+3.7pct). MiniLED TV sales volume was around 830,000 units (+178.3%), with a penetration rate of 14.2% (+8.2pct). **By region,** North America volume was around 1.33mn units (+17.5%), with an ASP of approximately HKD2,366 (+12.5%), generating revenue of around HKD3.1bn (+32.2%). MiniLED TV volume was around 210,000 units (+220% approximately), with a penetration rate of 15.7% (+10pct). Europe volume was around 950,000 units (+18%), with an ASP of HKD2,925 (+10.2%), generating revenue of around HKD2.8bn (+30%). Emerging markets volume was around 3.54mn units (+15%), with an ASP of HKD1,745 (+1%), generating revenue of around HKD6.2bn (+16.4%).

B. Small and medium-sized displays: Focusing on Europe, the US and carrier channels, with continuous iteration of eye-care technology. Revenue was HKD2.529bn (+26.3%).

C. Smart commercial display: Focusing on structural optimization domestically and expanding high-end users overseas. Revenue was HKD2.79bn (+105.1%).

2) Innovative business: Revenue grew steadily, while profit margin dipped temporarily. 1Q26 revenue was HKD8.955bn (+8.1%), accounting for 30.6%.

A. Multi-category marketing: Brand and channel synergy drove steady revenue growth. Revenue was HKD3.653bn (+1.4%), with a gross margin of 9.6% (-3.5pct).

B. Photovoltaic: Entering the first tier, with revenue maintaining high growth. Revenue was HKD4.809bn (+12.7%), with a gross margin of 9.4% (+0.1pct).

C. Smart connectivity and smart home: Launched an AI robot, while smart glasses seized a first-mover advantage. Revenue was HKD494mn (+19.6%).

3) Internet business: Expanding in overseas markets, with a continuously improving profit margin. 1Q26 revenue was HKD740mn (+16.4%), accounting for 2.5%, with a gross margin of 65.0% (+9.1pct). ① **Domestic:** Revenue was HKD340mn. ② **Overseas:** Revenue was HKD400mn.

4) Other businesses: 1Q26 revenue was HKD6mn (-53.8%), accounting for 0.02%.

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

1) China: 1Q26 revenue was HKD11.385bn (+1.5%), accounting for 39.0%.

2) **North America:** 1Q26 revenue was HKD4.863bn (+26.4%), accounting for 16.6%.

3) **Europe:** 1Q26 revenue was HKD4.028bn (+40.5%), accounting for 13.8%.

4) **Emerging markets:** 1Q26 revenue was HKD8.950bn (+20.7%), accounting for 30.6%.

2. Profit analysis: Profitability faced temporary pressure, but the long-term improvement trend remains expected

I. Gross margin: Large-screen strategy and new business scaling drive gross margin improvement

The company's gross margin remained stable. In 1Q26, gross margin was 16.1% (+1.6 pcts). Looking ahead to 2026, the World Cup will drive replacement demand for large-size TVs, coupled with North American channel structure upgrades. As economies of scale for new businesses gradually emerge and the revenue contribution from innovation and internet businesses increases, gross margin also has upward momentum. We expect the gross margin level in 2026 to resume its upward trend.

II. Expenses: Continued cost reduction and efficiency improvement, expense ratios declined

In 1Q26, selling/administrative/R&D/financing expense ratios changed by -0.3/-0.4/+0.1/-0.04 pct YoY, respectively, mainly driven by the company's ongoing efforts to reduce costs and improve quality and efficiency, while strengthening expense control. Looking ahead to 2026, TCL will increase its multi-brand marketing efforts as a Worldwide Olympic Partner and continue to expand channel coverage. However, as cost reduction and efficiency improvement continue to advance, expense ratios are expected to remain at healthy levels.

III. Net profit: Net margin improved significantly, with further room for long-term improvement

In 1Q26, net margin was 1.2% (+0.6 pcts), and adjusted net margin was 1.3% (+0.7 pcts). The large-screen and MiniLED ramp-up in both domestic and export TV shipments drove a notable improvement in display business gross margin, while strong growth in overseas internet business significantly boosted overall gross margin. Considering changes in both gross margin and expenses, we expect further room for long-term net margin improvement.

Investment recommendation: TCL ELECTRONICS continues to advance its "mid-to-high-end + large-screen" and multi-brand strategy, steadily increasing domestic and overseas market share and expanding its smart screen business scale. By optimizing product and channel mix, localizing operations, and pursuing cost reduction and efficiency improvement, the company is driving a recovery in profitability. The strategic partnership with Sony is expected to strengthen the company's overall competitiveness in the global TV market, directly increase consolidated revenue, and improve profit margins and valuation levels. We forecast the company will achieve net profit attributable to shareholders of the parent company of HKD3,005mn/4,028mn/5,064mn in 2026-2028, corresponding to EPS of HKD1.19/1.60/2.01. The current share price implies a PE of 13.05x/9.74x/7.75x. We maintain the "Buy" rating.

Key financial indicators

	2024	2025	2026E	2027E	2028E
Revenue (million RMB)	99,322.33	114,582.83	133,503.13	162,461.83	190,937.29
YoY (%)	25.75	15.36	16.51	21.69	17.53
Net profit (in million RMB)	1,759.37	2,495.13	3,004.81	4,027.73	5,063.63
YoY (%)	136.59	41.82	20.43	34.04	25.72
Gross margin (%)	15.66	15.62	16.11	16.51	16.89
Net margin (%)	1.86	2.21	2.28	2.51	2.69
ROE(%)	10.23	13.00	14.22	16.97	18.76
EPS (Diluted/RMB)	0.70	0.99	1.19	1.60	2.01
P/E (x)	22.30	15.72	13.05	9.74	7.75
P/B (x)	2.28	2.04	1.86	1.65	1.45

Source: iFinD, China Securities

Risks:

1) Market demand decline: The global TV market has entered a phase of replacement-driven competition. The demand overdrift effect is gradually emerging in developed countries and regions such as Europe, the US, and Japan, while high inflation has eroded real household purchasing power, meaning TV shipment demand will remain sluggish. According to data from Sigmaintell, global TV shipments in 2025 are expected to be 2.21 billion units (YoY -0.7%). Based on data from RUNTO Technology, China's TV shipments in 2025 are 32.895 million units (YoY -8.5%). Looking ahead, a fundamental shift in the TV market environment is unlikely.

2) Panel price rebound: Inventory at leading panel makers continues to decline, and production cuts are expanding, providing support for market supply and demand. According to AVC Revo data, TV panel prices across all sizes stopped falling in October 2022 and subsequently experienced modest increases. Compared with early October 2022, the average prices of 75/65/55/50/43/32-inch TV panels had risen by USD72/73/52/40/17/10 respectively by June 2024.

3) RMB exchange rate fluctuations: Long-term exchange rate fluctuations will affect the business strategies of foreign trade enterprises. The short-term fluctuation of the USD exchange rate is relatively large. According to data from the China Foreign Exchange Trade System, the current USD/CNY spot exchange rate is around 6.8.

Analysts

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Chief Analyst of the Pharmaceutical Industry at China Securities, holds a Master's degree in Management from Fudan University, with over 10 years of experience in sell-side research in the pharmaceutical sector. Skilled in proactively identifying opportunities in niche segments, conducts in-depth and meticulous company research, and is responsible for overall investment direction decisions.

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		Neutral	Increase by -5% to -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
	Industry ratings	Outperform	Increase by more than 10% compared to the benchmark index
		Neutral	Increase by -10% to -10% relative to the benchmark index
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