

Xiaomi (1810 HK)

Solid 3Q21 despite supply chain challenge; Reiterate BUY

Xiaomi's 3Q21 revenue/ adj. net profit grew 8%/25% YoY, 1%/8% above consensus but largely in-line with [our preview](#), mainly driven by flattish smartphone growth (+0.5% YoY), stronger advertising (+45% YoY) and better smartphone/internet margin of 12.8%/73.6% (vs 11.9%/71.6% BBG est.). Key takeaways include 1) China expansion to 10k+ offline stores, 2) chip shortage to persist until 2H22E, 3) stronger internet revenue due to premium smartphone models and overseas user growth, and 4) AIoT margin recovery in 4Q22E on normalizing logistics costs. We slightly revised FY21-23E EPS to reflect higher margins and lower smartphone shipment on prolonged chip shortage. Our new TP of HK\$31.34 is based on same 26x FY22E P/E. Current valuation at 17.2x FY22E P/E is close to 1-sd below 3-yr average at 16.4x, and we view risk-reward is attractive. Reiterate BUY.

- 3Q21 soft smartphone offset by stronger margin and internet growth.** Xiaomi's solid 3Q21 was mainly driven by better smartphone mix (ASP +6.7% YoY), stronger advertising (+45% YoY) and stronger margins in smartphone/internet services. By segment, smartphone/IoT/internet revenue grew 0.5%/16%/ 27% YoY in 3Q21 (vs 87%/36%/19% YoY in 2Q21). We maintain our positive view on Xiaomi's premium model strategy amid Huawei's weakness in high-end segment. We expect Xiaomi shipment to grow 30%/25%/14% YoY to 191mn/238mn/271mn in FY21-23E.
- 4Q21E/2022E outlook: global share gain, component shortage, ads momentum.** Mgmt. believes global chip shortage will persist until 2H22E but logistics cost pressure will alleviate in 4Q21E. Xiaomi expects significant growth potential in China offline market, and it will focus on enhance efficiency on 10k+ offline stores in China. For Europe, it will continue to expand sales network in both open market and carrier market. For internet segment, mgmt. believes advertising momentum will maintain healthy growth backed by premium smartphone user base and search ads ramp in overseas markets.
- Resilient growth despite supply chain challenges; Reiterate BUY.** We believe recent correction has reflected uncertainties from Honor's threat and supply chain uncertainties. We slightly adjusted forecasts to reflect lower shipment and better margin. Our new TP of HK\$31.34 is based on same 26x FY22E P/E. Catalysts include EV progress, product launch and market share gain.

Earnings Summary

| (YE31Dec) | FY19A | FY20A | FY21E | FY22E | FY23E |
|--------------------------|----------|----------|----------|----------|----------|
| Revenue (RMB mn) | 205,839 | 245,866 | 323,220 | 406,429 | 496,369 |
| YoY growth (%) | 17.7 | 19.4 | 31.5 | 25.7 | 22.1 |
| Adj. Net income (RMB mn) | 11,532 | 13,006 | 22,222 | 28,417 | 34,175 |
| Adj. EPS (RMB) | 0.49 | 0.54 | 0.85 | 1.08 | 1.30 |
| YoY growth (%) | (10.7) | 11.7 | 55.9 | 27.9 | 20.3 |
| Consensus EPS (RMB) | NA | NA | 0.86 | 1.00 | 1.19 |
| P/E (x) | 38.2 | 34.2 | 22.0 | 17.2 | 14.3 |
| P/B (x) | 6.7 | 4.5 | 4.3 | 3.6 | 3.0 |
| ROE (%) | 12.3 | 16.4 | 12.6 | 15.5 | 15.9 |
| Net gearing (%) | Net cash | Net cash | Net cash | Net cash | Net cash |

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

| | |
|---------------|------------|
| Target Price | HK\$31.34 |
| (Previous TP) | HK\$31.26) |
| Upside | 51% |
| Current Price | HK\$20.70 |

China Technology Sector

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Stock Data

| | |
|--------------------------|--------------|
| Mkt. Cap. (HK\$m) | 517,144 |
| Avg. 3mths t/o (HK\$m) | 2,150.61 |
| 52W High/Low (HK\$) | 35.90/ 19.86 |
| Total Issued Shares (mn) | 20,350 |

Source: Bloomberg

Shareholding Structure

| | |
|---------------------------|-------|
| Lin Bin | 8.91% |
| Smart Mobile Holdings Ltd | 8.41% |
| Mini Stone | 2.74% |

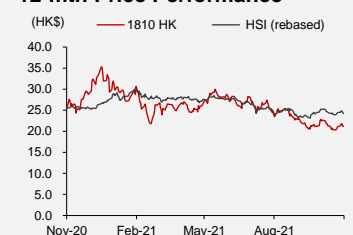
Source: Bloomberg

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -7.5% | -3.2% |
| 3-mth | -10.9% | -11.2% |
| 6-mth | -23.9% | -13.2% |

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

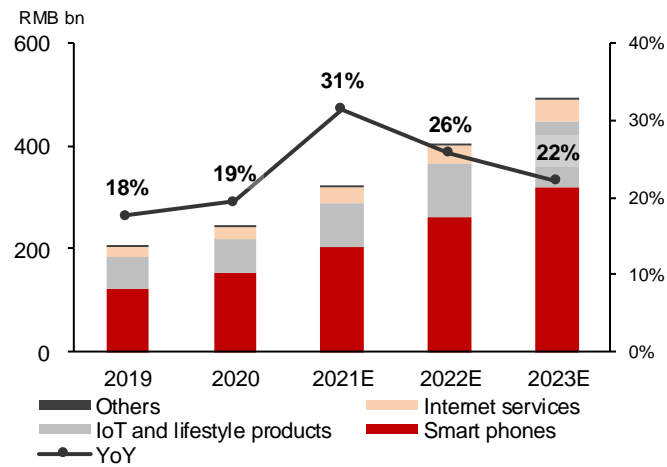
Auditor: PricewaterhouseCoopers

Recent Reports:

- 3Q21E preview: improving margin to offset muted smartphone growth – 22 Nov 2021
- 2Q21 beat on strong ads and margin – 26 Aug 2021

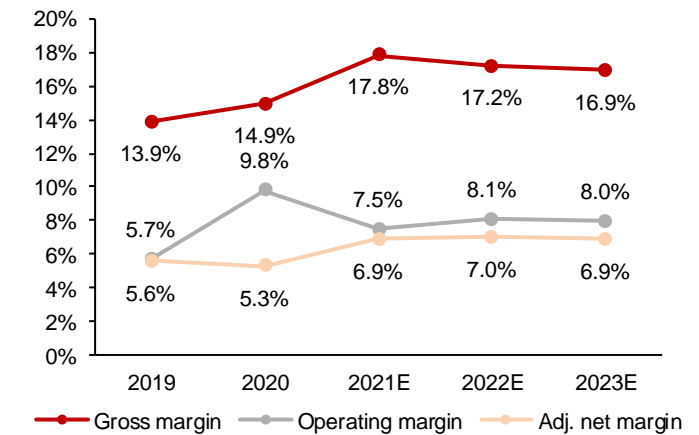
Focus Charts

Figure 1: Xiaomi revenue trend



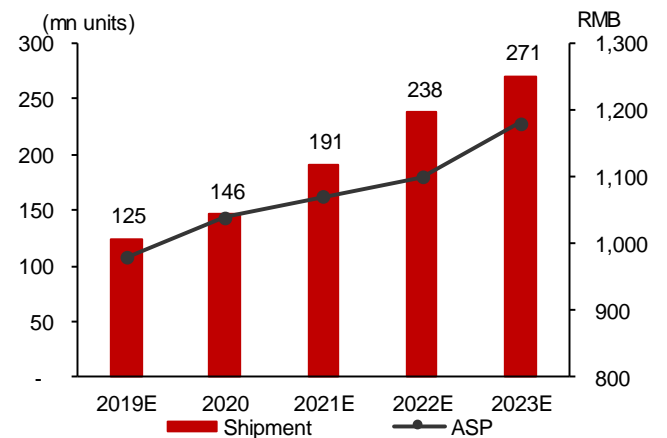
Source: Company data, CMBIS estimates

Figure 2: Xiaomi margin trend



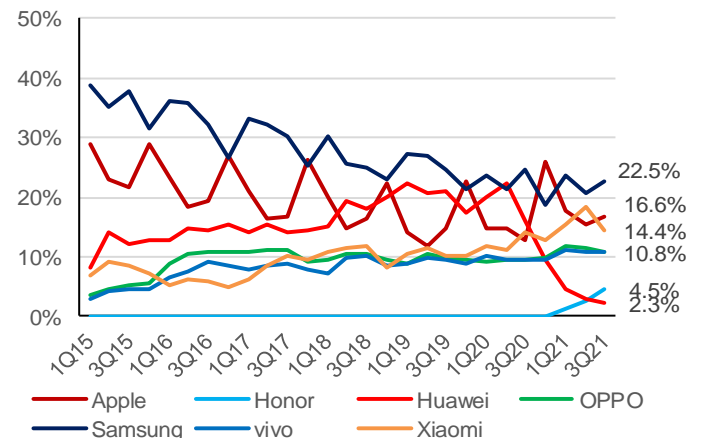
Source: Company data, CMBIS estimates

Figure 3: Xiaomi smartphone shipment forecast



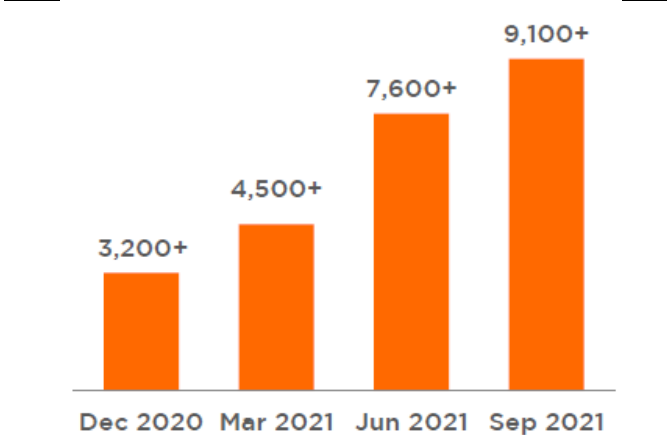
Source: Xiaomi, CMBIS estimates

Figure 4: Global smartphone market share



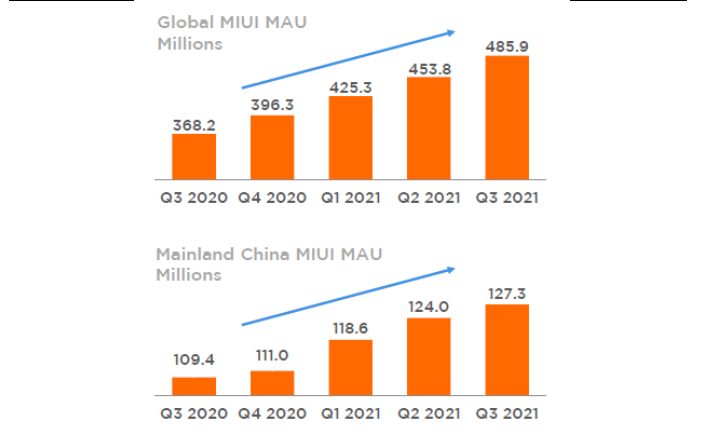
Source: IDC, CMBIS estimates

Figure 5: Xiaomi Offline stores in China



Source: Company data, CMBIS estimates

Figure 6: Xiaomi's solid MIUI MAU growth



Source: Company data, CMBIS estimates

3Q21 Review

Figure 7: 3Q21 results review

| RMB mn | 3Q20 | 2Q21 | 3Q21 | QoQ | YoY | CMBIS | | Consensus | |
|------------------|--------|--------|--------|----------|----------|--------|----------|-----------|----------|
| | | | | | | 3Q21E | Diff % | 3Q21E | Diff % |
| Revenue | 72,163 | 87,789 | 78,063 | -11.1% | 8% | 76,429 | 2% | 77,463 | 1% |
| Gross Profit | 10,166 | 15,148 | 14,292 | -5.6% | 41% | 13,293 | 8% | 13,625 | 5% |
| Operating Profit | 6,697 | 10,726 | 2,730 | -74.6% | -59% | 6,784 | -60% | 6,404 | -57% |
| Adj. net profit | 4,128 | 6,322 | 5,176 | -18.1% | 25% | 4,993 | 4% | 4,814 | 8% |
| Adj. EPS (RMB) | 0.17 | 0.32 | 0.20 | -39.0% | 15% | 0.20 | -2% | 0.19 | 5% |
| Gross Margin | 14.1% | 17.3% | 18.3% | -1.1 ppt | 4.2 ppt | 17.4% | 0.9 ppt | 17.6% | 0.7 ppt |
| Operating Margin | 9.3% | 12.2% | 3.5% | 8.7 ppt | -5.8 ppt | 8.9% | -5.4 ppt | 8.3% | -4.8 ppt |
| Adj. Net Margin | 5.7% | 7.2% | 6.6% | 0.6 ppt | 0.9 ppt | 6.5% | 0.1 ppt | 6.2% | 0.4 ppt |

Source: Company data, Bloomberg, CMBIS estimates

Figure 8: Revenue breakdown

| RMB mn | FY18 | FY19 | FY20 | 1Q21 | 2Q21 | 3Q21 | CMBI | | Consensus | |
|-----------------------------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|----------------|---------------|----------------|
| | | | | | | | 3Q21E | Diff % | 3Q21E | Diff % |
| Smart phones | 113,800 | 122,095 | 152,191 | 51,491 | 59,089 | 47,825 | 47,552 | 1% | 49,208 | -3% |
| ... YoY | 41% | 7% | 25% | 70% | 87% | 0.5% | 0% | | 3% | |
| Shipment (000') | | 124,700 | 146,400 | 49,400 | 52,900 | 43,900 | 44,300 | -1% | 45,955 | -4% |
| ... YoY | | 5% | 17% | 69% | 87% | -6% | -5% | | -1% | |
| ASP (RMB) | | 979 | 1,040 | 1,042 | 1,117 | 1,091 | 1,073 | 2% | 1,071 | 2% |
| ... YoY | | 2.1% | 6.2% | 0.4% | 0.0% | 6.7% | 5.0% | | 5% | |
| IoT and lifestyle products | 43,817 | 62,088 | 67,410 | 18,243 | 20,735 | 20,936 | 21,163 | -1% | 21,863 | -4% |
| ... YoY | 87% | 42% | 9% | 41% | 36% | 16% | 17% | | 43% | |
| Smart TVs and laptops | 18,200 | 24,200 | 22,394 | 5,600 | 6,000 | 5,900 | 6,380 | -8% | | |
| ... YoY | 119% | 33% | -7% | 19% | 25% | 2% | 10% | | | |
| Other IoTs | 25,617 | 37,888 | 45,016 | 12,643 | 14,735 | 15,036 | 14,783 | 2% | | |
| ... YoY | 69% | 48% | 19% | 53% | 41% | 22% | 20% | | | |
| Internet services | 15,956 | 19,842 | 23,755 | 6,571 | 7,033 | 7,338 | 6,846 | 7% | 7,313 | 0% |
| ... YoY | 61% | 24% | 20% | 11% | 19% | 27% | 19% | | 27% | |
| Advertising services | 10,100 | 10,676 | 12,722 | 3,894 | 4,512 | 4,791 | 4,139 | 16% | 4,669 | 3% |
| ... YoY | 80% | 6% | 19% | 46% | 46% | 45% | 25% | | 41% | |
| Internet VAS | 5,855 | 9,166 | 11,082 | 2,677 | 2,521 | 2,547 | 2,707 | -6% | 2,644 | -4% |
| ... YoY | 37% | 57% | 21% | -17% | -11% | 3% | 10% | | 7% | |
| Gaming | 2,700 | 3,195 | 4,200 | 1,123 | 900 | 1,000 | 880 | 14% | 1,007 | -1% |
| ... YoY | | 18% | 31% | -25% | -10% | 25% | 10% | | 26% | |
| Other (Youpin fintech, etc.) | 3,200 | 5,971 | 6,882 | 1,554 | 1,621 | 1,547 | 1,827 | -15% | 1,637 | -6% |
| ... YoY | | 87% | 15% | -11% | -11% | -7% | 10% | | -1% | |
| Others | 1,343 | 1,814 | 2,509 | 577 | 932 | 1,965 | 868 | 126% | 790 | 149% |
| ... YoY | 87% | 35% | 38% | 17% | 24% | 194% | 30% | | 18% | |
| Total | 174,915 | 205,839 | 245,866 | 76,882 | 87,789 | 78,063 | 76,429 | 2% | 77,463 | 1% |
| ... YoY | 53% | 18% | 19% | 55% | 64% | 8% | 6% | | 7% | |
| Gross Margin | | | | | | | | | | |
| Smart phones | 6.2% | 7.2% | 8.7% | 12.9% | 11.8% | 12.8% | 12.0% | 0.8 ppt | 11.9% | 0.9 ppt |
| IoT and lifestyle products | 10.3% | 11.2% | 12.8% | 14.5% | 13.2% | 11.6% | 13.0% | -1.4 ppt | 12.6% | -1 ppt |
| Internet services | 64.4% | 64.7% | 61.6% | 72.4% | 74.1% | 73.6% | 70.0% | 3.6 ppt | 71.6% | 1.9 ppt |
| Others | 27.3% | -0.1% | 11.9% | 20.9% | 21.3% | 18.0% | 5.0% | 13 ppt | 15.8% | 2.2 ppt |
| Total | 12.7% | 13.9% | 14.9% | 18.4% | 17.3% | 18.3% | 17.4% | 0.9 ppt | 17.6% | 0.7 ppt |

Source: Company data, CMBIS estimates

Earnings Revision

Our FY22-23E adj. NP are 8-9% above consensus

We adjusted FY21-22E adj. NP to reflect supply chain constraint and better margin. Our FY22-23E EPS are 8-9% above consensus given our more positive view on FY22E smartphone market share and better GPM ahead.

Figure 9: CMBIS earnings revision

| RMB mn | New | | | Old | | | Change (%) | | |
|------------------|---------|---------|---------|---------|---------|---------|------------|----------|----------|
| | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E |
| Revenue | 323,220 | 406,429 | 496,369 | 321,081 | 409,221 | 507,085 | 1% | -1% | -2% |
| Gross Profit | 57,657 | 69,741 | 83,980 | 55,996 | 67,618 | 82,321 | 3% | 3% | 2% |
| Operating Profit | 24,249 | 32,879 | 39,613 | 31,310 | 38,080 | 44,518 | -23% | -14% | -11% |
| Adj. net profit | 22,222 | 28,417 | 34,175 | 21,371 | 26,897 | 33,117 | 4% | 6% | 3% |
| Adj. EPS (RMB) | 0.85 | 1.08 | 1.30 | 0.86 | 1.08 | 1.33 | -1% | 0% | -2% |
| Gross Margin | 17.8% | 17.2% | 16.9% | 17.4% | 16.5% | 16.2% | 0.4 ppt | 0.6 ppt | 0.7 ppt |
| Operating Margin | 7.5% | 8.1% | 8.0% | 9.8% | 9.3% | 8.8% | -2.2 ppt | -1.2 ppt | -0.8 ppt |
| Adj. Net Margin | 6.9% | 7.0% | 6.9% | 6.7% | 6.6% | 6.5% | 0.2 ppt | 0.4 ppt | 0.4 ppt |

Source: Company data, CMBIS estimates

Figure 10: CMBIS estimates vs consensus

| RMB mn | CMBIS | | | Consensus | | | Diff (%) | | |
|------------------|---------|---------|---------|-----------|---------|---------|----------|----------|----------|
| | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E |
| Revenue | 323,220 | 406,429 | 496,369 | 333,381 | 406,707 | 476,251 | -3% | 0% | 4% |
| Gross Profit | 57,657 | 69,741 | 83,980 | 56,827 | 68,136 | 81,268 | 1% | 2% | 3% |
| Operating Profit | 24,249 | 32,879 | 39,613 | 30,768 | 33,369 | 39,407 | -21% | -1% | 1% |
| Adj. net profit | 22,222 | 28,417 | 34,175 | 20,872 | 24,931 | 30,547 | 6% | 14% | 12% |
| Adj. EPS (RMB) | 0.85 | 1.08 | 1.30 | 0.86 | 1.00 | 1.19 | -2% | 8% | 9% |
| Gross Margin | 17.8% | 17.2% | 16.9% | 17.0% | 16.8% | 17.1% | 0.8 ppt | 0.4 ppt | -0.1 ppt |
| Operating Margin | 7.5% | 8.1% | 8.0% | 9.2% | 8.2% | 8.3% | -1.7 ppt | -0.1 ppt | -0.3 ppt |
| Adj. Net Margin | 6.9% | 7.0% | 6.9% | 6.3% | 6.1% | 6.4% | 0.6 ppt | 0.9 ppt | 0.5 ppt |

Source: Bloomberg, CMBIS estimates

Figure 11: P&L forecast

| RMB mn | FY20 | 1Q21 | 2Q21E | 3Q21 | 4Q21E | FY21E | FY22E | FY23E |
|-------------------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
| Revenue | 245,866 | 76,882 | 87,789 | 78,063 | 80,465 | 323,220 | 406,429 | 496,369 |
| ...YoY | 19% | 55% | 64% | 8% | 14% | 31% | 26% | 22% |
| Cost of sales | (209,114) | (62,721) | (72,641) | (63,771) | (66,409) | (265,563) | (336,688) | (412,389) |
| Gross profit | 36,752 | 14,161 | 15,148 | 14,292 | 14,055 | 57,657 | 69,741 | 83,980 |
| GPM (%) | 14.9% | 18.4% | 17.3% | 18.3% | 17.5% | 17.8% | 17.2% | 16.9% |
| ...YoY | 29% | 87% | 97% | 41% | 24% | 57% | 21% | 20% |
| SG&A | (18,286) | (5,151) | (6,831) | (8,120) | (6,518) | (26,620) | (25,605) | (29,782) |
| ...% of rev | -7.4% | -6.7% | -7.8% | -10.4% | -8.1% | -8.2% | -6.3% | -6.0% |
| R&D | (9,256) | (3,012) | (3,064) | (1,275) | (3,219) | (10,569) | (15,038) | (18,366) |
| ...% of rev | -3.8% | -3.9% | -3.5% | -1.6% | -4.0% | -3.3% | -3.7% | -3.7% |
| Operating profit | 24,035 | 8,158 | 10,726 | 2,730 | 2,636 | 24,249 | 32,879 | 39,613 |
| OPM (%) | 9.8% | 10.6% | 12.2% | 3.5% | 3.3% | 7.5% | 8.1% | 8.0% |
| ...YoY | 104% | 251% | 98% | -59% | -73% | 1% | 36% | 20% |
| Adj. net profit | 13,006 | 6,069 | 6,322 | 5,176 | 5,034 | 22,222 | 28,417 | 34,175 |
| NPM (%) | 5.3% | 7.9% | 7.2% | 6.6% | 6.3% | 6.9% | 7.0% | 6.9% |
| ...YoY | 13% | 164% | 87% | 25% | 57% | 71% | 28% | 20% |

Source: Company data, CMBIS estimates

Valuation

Maintain BUY with new TP of HK\$31.34

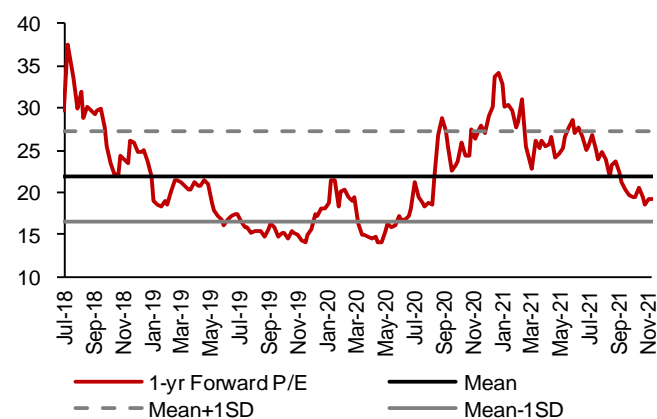
Our new TP of HK\$31.34 is based on same 26x FY22E P/E. Current valuation at 17.2x FY22E P/E is close to 1-sd below 3-yr average at 16.4x, and we view risk-reward is attractive. Catalysts include product launch, stronger shipment, share gain, internet revenue recovery and smart EV progress.

Figure 12: Peers' valuation

| Company | Ticker | Rating | Market Cap US\$(mn) | Price (LC) | TP (LC) | Up/Down -side | P/E (x) | | P/B (x) | | ROE (%) | |
|-------------------|-----------|--------|------------------------|---------------|------------|------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | | | | | FY21E | FY22E | FY21E | FY22E | FY21E | FY22E |
| HK-listed | | | | | | | | | | | | |
| Xiaomi | 1810 HK | Buy | 66,358 | 20.7 | 31.34 | 51% | 22.0 | 17.2 | 4.3 | 3.6 | 12.6 | 15.5 |
| Sunny Optical | 2382 HK | Hold | 32,793 | 233.0 | 210.1 | -10% | 42.3 | 33.1 | 13.5 | 10.7 | 25.2 | 28.2 |
| AAC Tech | 2018 HK | Hold | 5,668 | 36.6 | 45.3 | 24% | 19.0 | 17.1 | 1.8 | 1.7 | 9.1 | 9.3 |
| BYDE | 285 HK | Hold | 9,411 | 32.6 | 49.5 | 52% | 16.7 | 11.7 | 3.0 | 2.6 | 15.5 | 15.1 |
| FIT Hon Teng | 6088 HK | Buy | 1,492 | 1.6 | *3.6 | NA | 6.7 | 10.5 | 0.7 | 0.6 | 8.9 | 5.4 |
| Tongda | 698 HK | Buy | 349 | 0.3 | *0.6 | NA | 3.5 | 4.5 | 0.3 | 0.3 | 7.7 | 6.5 |
| Q tech | 1478 HK | Buy | 1,744 | 11.5 | 22.0 | 91% | 11.3 | 9.5 | 3.2 | 2.6 | 23.1 | 25.7 |
| TK Group | 2283 HK | Buy | 289 | 2.7 | 4.1 | 52% | 4.2 | 4.2 | 1.7 | 1.7 | 41.7 | 21.2 |
| Average | | | | | | | 16.9 | 14.6 | 3.7 | 3.1 | 15.0 | 15.2 |
| Smartphone | | | | | | | | | | | | |
| Apple | AAPL US | NR | 2,641,758 | 161.0 | NA | NA | 28.9 | 28.4 | 44.7 | 37.4 | 143.7 | 137.8 |
| Lenovo | 992 HK | NR | 12,006 | 7.8 | NA | NA | 10.6 | 6.9 | 2.8 | 2.4 | 30.7 | 41.1 |
| Samsung | 005930 KS | NR | 378,295 | 75,300.0 | NA | NA | 12.6 | 11.6 | 1.7 | 1.5 | 14.1 | 13.6 |
| LG Elec | 066570 KS | NR | 17,628 | 128,000.0 | NA | NA | 11.5 | 6.8 | 1.3 | 1.1 | 10.9 | 16.9 |
| Average | | | | | | | 15.9 | 13.4 | 12.6 | 10.6 | 49.8 | 52.4 |
| IoT | | | | | | | | | | | | |
| Skyworth | 751 HK | NR | 1,740 | 5.1 | NA | NA | 12.0 | 9.5 | - | - | - | - |
| Hisense | 600060 CH | NR | 2,854 | 13.9 | NA | NA | 13.6 | 11.4 | 1.1 | 1.0 | 8.4 | 9.4 |
| Midea | 000333 CH | NR | 75,935 | 69.5 | NA | NA | 17.1 | 14.7 | 3.6 | 3.2 | 21.7 | 22.3 |
| Gree | 000651 CH | NR | 33,245 | 35.9 | NA | NA | 9.1 | 8.0 | 1.8 | 1.6 | 19.0 | 19.8 |
| Average | | | | | | | 13.0 | 10.9 | 2.1 | 1.9 | 16.4 | 17.2 |
| Internet | | | | | | | | | | | | |
| Tencent | 700 HK | NR | 592,463 | 481.2 | NA | NA | 28.9 | 25.1 | 4.4 | 3.7 | 17.9 | 16.2 |
| Alibaba | BABA US | NR | 370,365 | 136.6 | NA | NA | 13.3 | 16.3 | 2.3 | 2.5 | 19.0 | 11.9 |
| Baidu | BIDU US | NR | 51,447 | 147.8 | NA | NA | 18.5 | 16.7 | 1.5 | 1.7 | 7.9 | 7.8 |
| JD | JD US | NR | 136,739 | 87.7 | NA | NA | 57.6 | 42.1 | 4.3 | 4.3 | 2.7 | 6.6 |
| Average | | | | | | | 29.6 | 25.1 | 3.1 | 3.1 | 11.9 | 10.6 |

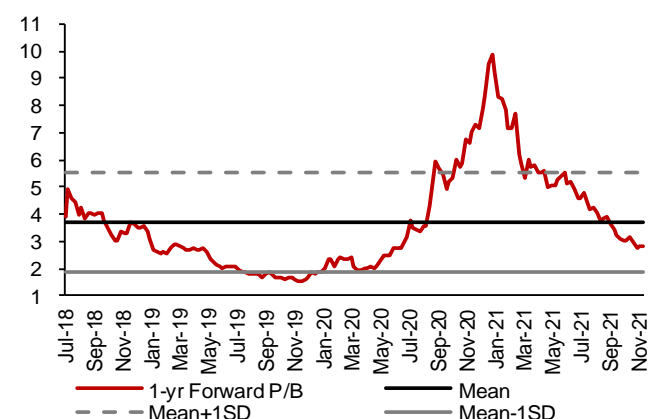
Source: Bloomberg, CMBIS, *TP under review

Figure 13: 12M forward P/E band



Source: Bloomberg, CMBIS

Figure 14: 12M forward P/B band



Source: Bloomberg, CMBIS

Financial Summary

Income

| YE 31 Dec (RMB mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 205,839 | 245,866 | 323,220 | 406,429 | 496,369 |
| COGS | (177,285) | (209,114) | (265,563) | (336,688) | (412,389) |
| Gross profit | 28,554 | 36,752 | 57,657 | 69,741 | 83,980 |
| Selling and marketing | (10,378) | (14,539) | (18,312) | (20,321) | (23,329) |
| Administrative | (3,104) | (3,746) | (8,308) | (5,284) | (6,453) |
| R&D | (7,493) | (9,256) | (10,569) | (15,038) | (18,366) |
| Other operating exp. | 4,181 | 14,825 | 3,781 | 3,781 | 3,781 |
| Operating profit | 11,760 | 24,035 | 24,249 | 32,879 | 39,613 |
| Financial cost | 402 | (1,641) | (2,401) | (2,401) | (2,401) |
| Other income/(losses) | - | (760) | - | - | - |
| Pre-tax profit | 12,163 | 21,633 | 21,847 | 30,478 | 37,211 |
| Tax | (2,060) | (1,321) | (3,932) | (4,419) | (5,396) |
| Minority interest | 59 | (43) | (20) | (29) | (35) |
| Net profit | 10,044 | 20,356 | 17,935 | 26,087 | 31,851 |
| Adj. Net profit | 11,532 | 13,006 | 22,222 | 28,417 | 34,175 |

Cash flow

| YE 31 Dec (RMB mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|--------------------------------|-----------------|-----------------|----------------|----------------|----------------|
| Profit before taxation | 12,163 | 21,633 | 21,847 | 30,478 | 37,211 |
| Depreciation | 1,381 | 1,708 | 1,558 | 2,152 | 2,877 |
| Chg. in working capital | 9,553 | 4,320 | 9,660 | 4,058 | 10,452 |
| Others | 714 | (5,784) | (3,932) | (4,419) | (5,396) |
| Net cash from Op. | 23,810 | 21,879 | 29,134 | 32,269 | 45,145 |
| Capex | (3,337) | (2,962) | (6,464) | (8,129) | (9,927) |
| Other | (28,233) | (14,716) | - | - | - |
| Net cash from investing | (31,570) | (17,679) | (6,464) | (8,129) | (9,927) |
| Net bank borrowings | 6,619 | (2,004) | - | - | - |
| Dividend paid | - | - | - | - | - |
| Other | (3,498) | 28,220 | - | - | - |
| Net cash from financing | 3,121 | 26,216 | - | - | - |
| Net change in cash | (4,639) | 30,415 | 22,669 | 24,141 | 35,218 |
| Cash at beg of year | 30,230 | 25,920 | 54,752 | 77,422 | 101,562 |
| Exchange difference | 328 | (1,583) | - | - | - |
| Cash at end of year | 25,920 | 54,752 | 77,422 | 101,562 | 136,780 |

Balance sheet

| YE 31 Dec (RMB mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Current assets | 137,539 | 176,283 | 182,604 | 246,257 | 266,707 |
| Cash & equivalents | 25,920 | 54,752 | 77,422 | 101,562 | 136,780 |
| Account receivables | 6,949 | 10,161 | 11,154 | 15,648 | 17,085 |
| Inventories | 32,585 | 41,671 | 24,329 | 59,347 | 43,143 |
| ST bank deposits | 21,523 | 17,599 | 17,599 | 17,599 | 17,599 |
| Other | 50,562 | 52,100 | 52,100 | 52,100 | 52,100 |
| Non-current assets | 46,090 | 77,397 | 82,303 | 88,279 | 95,329 |
| PPE | 6,992 | 6,306 | 11,212 | 17,188 | 24,238 |
| Deferred income tax | 1,283 | 2,011 | 2,011 | 2,011 | 2,011 |
| Intangibles | 1,672 | 4,266 | 4,266 | 4,266 | 4,266 |
| Other | 36,142 | 64,815 | 64,815 | 64,815 | 64,815 |
| Total assets | 183,629 | 253,680 | 264,907 | 334,536 | 362,036 |
| Current liabilities | 92,181 | 107,927 | 101,238 | 144,809 | 140,494 |
| Short-term borrowings | 12,837 | 6,962 | 6,962 | 6,962 | 6,962 |
| Account payables | 59,528 | 72,199 | 65,510 | 109,081 | 104,766 |
| Tax payable | 479 | 674 | 674 | 674 | 674 |
| Other | 19,337 | 28,092 | 28,092 | 28,092 | 28,092 |
| Non-current liabilities | 9,791 | 21,739 | 21,739 | 21,739 | 21,739 |
| Long-term borrowings | 4,787 | 10,635 | 10,635 | 10,635 | 10,635 |
| Deferred tax liability | 580 | 301 | 301 | 301 | 301 |
| Other | 4,424 | 10,804 | 10,804 | 10,804 | 10,804 |
| Total liabilities | 101,972 | 129,666 | 122,978 | 166,549 | 162,233 |
| Share capital | 0 | 0 | 0 | 0 | 0 |
| Reserves | 81,330 | 123,691 | 141,626 | 167,714 | 199,565 |
| Minority interest | 327 | 322 | 302 | 273 | 238 |
| Shareholders' equity | 81,658 | 124,014 | 141,929 | 167,987 | 199,803 |
| Total equity/liabilities | 183,629 | 253,680 | 264,907 | 334,536 | 362,036 |

Key ratios

| YE 31 Dec | FY19A | FY20A | FY21E | FY22E | FY23E |
|------------------------------------|----------|----------|----------|----------|----------|
| Sales mix (%) | | | | | |
| Smart phones | 59 | 62 | 63 | 64 | 64 |
| IoT and lifestyle products | 30 | 27 | 27 | 26 | 26 |
| Internet services | 10 | 10 | 9 | 9 | 9 |
| Others | 1 | 1 | 1 | 1 | 1 |
| Growth (%) | | | | | |
| Revenue | 17.7 | 19.4 | 31.5 | 25.7 | 22.1 |
| Gross profit | 28.7 | 28.7 | 56.9 | 21.0 | 20.4 |
| Operating profit | 882.9 | 104.4 | 0.9 | 35.6 | 20.5 |
| Adj. Net profit | 31.9 | 12.8 | 70.9 | 27.9 | 20.3 |
| Profit & loss ratio (%) | | | | | |
| Gross margin | 13.9 | 14.9 | 17.8 | 17.2 | 16.9 |
| Operating margin | 5.7 | 9.8 | 7.5 | 8.1 | 8.0 |
| Net profit margin | 4.9 | 8.3 | 5.5 | 6.4 | 6.4 |
| Balance sheet ratio | | | | | |
| Net debt/total equity (x) | Net cash | Net cash | Net cash | Net cash | Net cash |
| Current ratio (x) | 1.5 | 1.6 | 1.8 | 1.7 | 1.9 |
| Receivable turnover days | 33 | 29 | 30 | 30 | 30 |
| Inventory turnover days | 6 | 6 | 8 | 8 | 8 |
| Payable turnover days | 3 | 3 | 4 | 4 | 4 |
| Profitability (%) | | | | | |
| ROE | 12.3 | 16.4 | 12.6 | 15.5 | 15.9 |
| ROA | 5.5 | 8.0 | 6.8 | 7.8 | 8.8 |
| Per share data (RMB) | | | | | |
| Adj. EPS | 0.49 | 0.54 | 0.85 | 1.08 | 1.30 |
| DPS | - | - | - | - | - |

Source: Company data, CMBIS estimates

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