

Xiaomi (1810 HK)

4Q23E preview: strong smartphone recovery, eye on EV product launch in 2Q24; Maintain BUY

Xiaomi will report its 4Q23 results in late March. We estimate 4Q revenue will deliver +10% YoY/+3% QoQ growth, and adj. net income will climb 180% YoY to RMB 4,096mn, mainly driven by strong smartphone sales and resilient internet revenue. We think 4Q23E results will be largely in-line with market expectations given outstanding sales of Xiaomi 14 and Double 11 sales event. Overall, we expect Xiaomi's smartphone sales will continue to improve with market recovery and continued share gains, and we are positive on EV product launch in 2Q24E and shipment ramp-up into 2H24E. We slightly trimmed our FY23-25E EPS by 1-6% for weaker 4Q23E GPM and EV business expenses. Our new TP of HK\$ 19.54 is based on the same 24x FY24E P/E. Maintain BUY. Catalysts include EV product launch and smartphone market share gain.

- Smartphone: strong shipment recovery with QoQ ASP hike.** Xiaomi's 4Q23 shipment increased 23% YoY (vs. +8% YoY for industry) with market share of 13%, based on Canalys. Xiaomi's strong shipment recovery was mainly boosted by the outstanding Xiaomi 14 model sales in 4Q23. In terms of ASP, we expect 4Q23E ASP to increase 5.4% QoQ to RMB 1,050 due to stronger sales of high-end model. However, we think smartphone GPM will trend down to 16.0% due to gradual pick-up of BOM costs and promotion of Double 11 sales events. Looking into FY24E, we are positive on market share gain momentum (esp. overseas), and we expect Xiaomi's global shipment to rebound 6%/3% YoY to 155mn/160mn units in FY24/25E.
- AIoT/internet: continued strength in internet revenue but weaker AIoT product sales.** We estimate AIoT/Internet revenue will deliver -0.8%/+10.1% YoY in 4Q23E (vs +8.5%/+9.7% YoY in 3Q23). We expect AIoT's QoQ sales to decline, attributable to weak season for TV/air conditioner/refrigerator/washing machine. We also expect AIoT GPM to trend down to 13.5%, due to higher BOM costs and product mix shift. For internet business, we think continued growth in 4Q23 was supported by strong advertising revenue. Overall, our FY23/24E adj. EPS is 4%/21% above consensus due to our positive view on higher GPM and better expense control.
- Maintain BUY with new TP of HK\$ 19.54; Positive on smartphone market recovery and EV product launch in 2Q24E.** We slightly trimmed our FY23-25E EPS by 1-6% for weaker 4Q23E GPM and expense concerns over EV business. Our new TP of HK\$ 19.54 is based on the same 24x FY24E P/E. Trading at 15.5x FY24E P/E, we think the valuation is attractive (vs 23x 5-year avg. P/E). Maintain BUY.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	328,309	280,044	270,672	302,141	329,298
YoY growth (%)	33.5	(14.7)	(3.3)	11.6	9.0
Adjusted net profit (RMB mn)	22,039.5	8,518.0	18,351.4	19,001.4	19,932.8
EPS (Adjusted) (RMB)	0.88	0.34	0.74	0.77	0.80
Consensus EPS (RMB)	N/A	N/A	0.71	0.63	0.68
P/E (x)	26.8	30.7	16.1	15.5	14.8
P/B (x)	3.8	1.8	1.8	1.7	1.5
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	14.8	1.8	10.6	9.0	8.8
Net gearing (%)	96.0	70.9	53.7	51.7	37.6

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$19.54**
 (Previous TP **HK\$20.25**)
 Up/Downside **51.2%**
 Current Price **HK\$12.92**

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Stock Data

Mkt Cap (HK\$ mn)	262,818.6
Avg 3 mths t/o (HK\$ mn)	1,436.7
52w High/Low (HK\$)	16.80/9.99
Total Issued Shares (mn)	20342.0

Source: FactSet

Shareholding Structure

Lin Bin	8.6%
Smart Mobile Holdings Ltd	8.6%

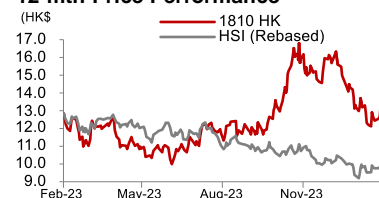
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-2.0%	-7.1%
3-mth	-18.9%	-12.4%
6-mth	10.1%	22.3%

Source: FactSet

12-mth Price Performance



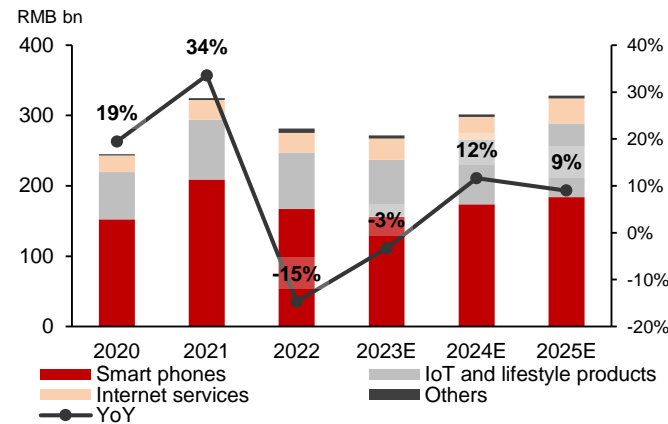
Source: FactSet

Related Reports:

- Xiaomi (1810 HK): Key takeaways from Xiaomi SU7 launch: Positive on EV tech breakthroughs and 1H24E mass production-29 Dec 2023 ([link](#))
- Xiaomi (1810 HK)-3Q23 beat on GPM and resilient smartphone; Reiterate BUY on EV upside in FY24E-21 Nov 2023 ([link](#))

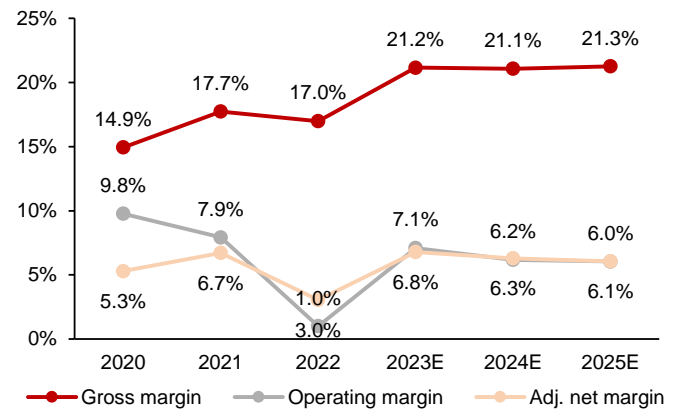
Focus Charts

Figure 1: Xiaomi's revenue trend



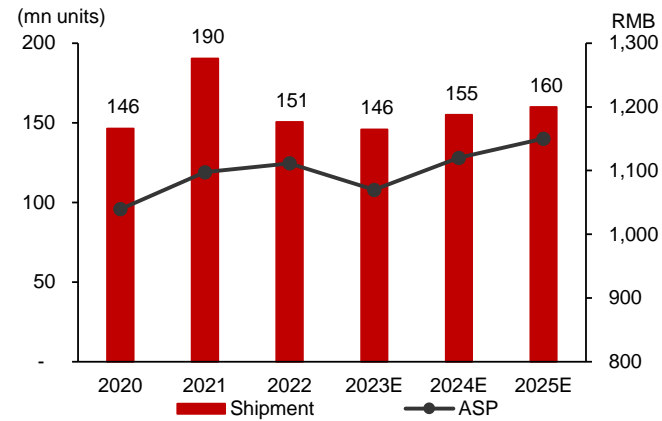
Source: Company data, CMBIGM estimates

Figure 2: Xiaomi's margin trend



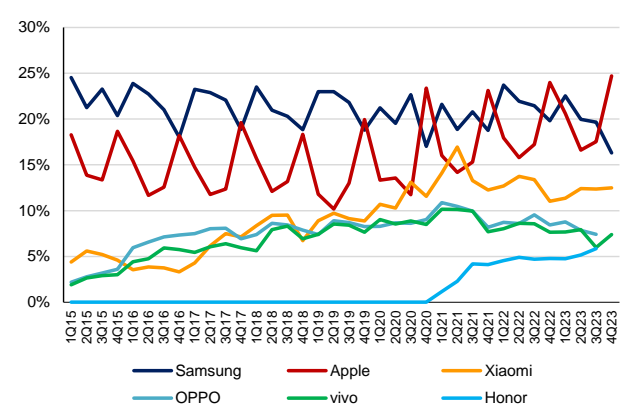
Source: Company data, CMBIGM estimates

Figure 3: Xiaomi's smartphone shipment forecast



Source: Xiaomi, CMBIGM estimates

Figure 4: Global smartphone market share



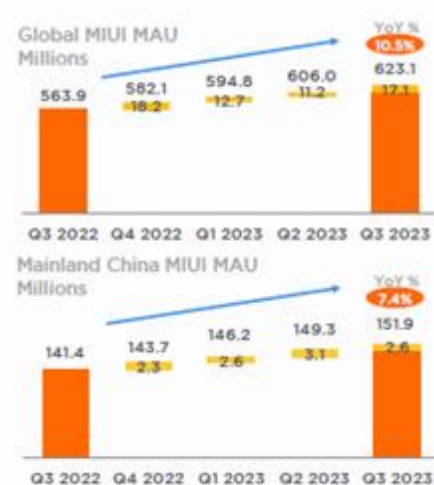
Source: IDC, CMBIGM estimates

Figure 5: Smartphone market share gain in 3Q23



Source: Company data, CMBIGM estimates

Figure 6: Xiaomi's solid MIUI MAU growth



Source: Company data, CMBIGM estimates

4Q23 Preview

Figure 7: 4Q23 results preview

RMB mn	4Q22	1Q23	2Q23	CMBIGM 3Q23	4Q23E	QoQ	YoY	Consensus 4Q23E	Diff %
Revenue	66,047	59,477	67,355	70,894	72,735	2.6%	10%	73,399	-1%
Gross profit	11,378	11,592	14,161	16,110	15,428	-4.2%	36%	15,668	-2%
Operating profit	3,356	5,900	4,041	5,011	4,246	-15.3%	27%	3,350	27%
Adj. net profit	1,461	3,233	5,140	5,990	4,096	-31.6%	180%	4,014	2%
Adj. EPS (RMB)	0.06	0.13	0.21	0.24	0.16	-31.6%	180%	0.15	9%
Gross margin	17.2%	19.5%	21.0%	22.7%	21.2%	-1.5 ppt	4 ppt	21.3%	-0.1 ppt
Operating margin	5.1%	9.9%	6.0%	7.1%	5.8%	-1.2 ppt	0.8 ppt	4.6%	1.3 ppt
Adj. net margin	2.2%	5.4%	7.6%	8.4%	5.6%	-2.8 ppt	3.4 ppt	5.5%	0.2 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 8: Revenue breakdown

RMB mn	FY22	1Q23	2Q23	3Q23	4Q23E	FY23E	FY24E	FY25E
Smart phones	167,217	34,985	36,595	41,649	42,735	155,964	173,600	184,000
...YoY	-20%	-24%	-13%	-2%	17%	-7%	11%	6%
Shipment (mn)	150,500	30,400	32,900	41,800	40,700	145,800	155,000	160,000
...YoY	-21%	-21%	-16%	4%	24%	-3%	6%	3%
ASP (RMB)	1,111	1,152	1,112	996	1,050	1,070	1,120	1,150
...YoY	1.3%	-3.1%	2.8%	-5.8%	-6.4%	-3.7%	4.7%	2.7%
IoT and lifestyle products	79,795	16,834	22,254	20,673	21,272	81,033	92,160	104,853
...YoY	-6%	-14%	12%	8%	-1%	2%	14%	14%
Smart TVs and laptops	23,700	4,700	4,700	4,982	6,175	20,557	22,613	24,874
...YoY	-15%	-24%	-19%	-23%	-5%	-13%	10%	10%
Other IoTs	56,095	12,134	17,554	15,691	15,097	60,475	69,547	79,979
...YoY	-2%	-9%	32%	5%	1%	8%	15%	15%
Internet services	28,321	7,028	7,444	7,756	7,896	30,124	32,120	35,332
...YoY	0%	-1%	7%	10%	10%	6%	7%	10%
Advertising services	18,500	4,400	5,100	5,400	5,433	20,333	21,349	23,484
...YoY	2%	-3%	12%	16%	14%	10%	5%	10%
Internet value-added	9,821	2,628	2,344	2,356	2,464	9,791	10,770	11,848
...YoY	-3%	2%	-4%	-2%	2%	0%	10%	10%
Gaming	4,100	1,345	1,013	1,075	1,100	4,533	4,987	5,485
...YoY	5%	16%	8%	6%	10%	11%	10%	10%
Other (incl. Youpin fintech, etc.)	5,721	1,283	1,331	1,281	1,364	5,258	5,784	6,362
...YoY	-8%	-10%	-11%	-7%	-3%	-8%	10%	10%
Others	4,711	630	1,062	817	832	3,551	4,261	5,114
...YoY	-25%	-37%	-5%	-55%	10%	-25%	20%	20%
Total	280,044	59,477	67,355	70,894	72,735	270,672	302,141	329,298
...YoY	-15%	-19%	-4%	1%	10%	-3%	12%	9%
Gross margin								
Smart phones	9.0%	11.2%	13.3%	16.6%	16.0%	14.5%	14.0%	14.0%
IoT and lifestyle products	14.4%	15.7%	17.6%	17.8%	13.5%	16.2%	16.5%	16.8%
Internet services	71.8%	72.3%	74.1%	74.4%	74.0%	73.7%	74.0%	74.0%
Others	16.2%	-10.8%	-13.4%	-33.9%	-15.0%	-17.2%	10.0%	10.0%
Total	17.0%	19.5%	21.0%	22.7%	21.2%	21.2%	21.1%	21.3%

Source: Company data, CMBIGM estimates

Earnings Revision

Our FY23-25E adj. EPS are 4-21% above consensus

We slightly trimmed our FY23-25E adj. EPS by 1-6% to reflect lower 4Q23E GPM and higher EV business expenses. We estimate smartphone sales will decrease 7% YoY in FY23E and increase 11%/6% YoY in FY24/25E, while AIoT revenue will increase 2% YoY in FY23E and rebound strongly by 14%/14% YoY in FY24/25E. Our FY23-25E EPS is 4-21% above consensus mainly due to our estimate in better GPM and lower expense burden.

Figure 9: CMBIGM earnings revision

RMB mn	New			Old			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	270,672	302,141	329,298	269,916	304,862	338,621	0%	-1%	-3%
Gross profit	57,290	63,705	70,032	58,958	63,155	70,246	-3%	1%	0%
Operating profit	19,198	18,670	19,912	19,371	18,895	20,958	-1%	-1%	-5%
Adj. net profit	18,351	19,001	19,933	18,480	19,696	21,293	-1%	-4%	-6%
Adj. EPS (RMB)	0.74	0.77	0.80	0.74	0.79	0.86	-1%	-4%	-6%
Gross margin	21.2%	21.1%	21.3%	21.8%	20.7%	20.7%	-0.7 ppt	0.4 ppt	0.5 ppt
Operating margin	7.1%	6.2%	6.0%	7.2%	6.2%	6.2%	-0.1 ppt	0 ppt	-0.1 ppt
Adj. net margin	6.8%	6.3%	6.1%	6.8%	6.5%	6.3%	-0.1 ppt	-0.2 ppt	-0.2 ppt

Source: Company data, CMBIGM estimates

Figure 10: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	270,672	302,141	329,298	271,413	305,355	341,043	0%	-1%	-3%
Gross profit	57,290	63,705	70,032	57,309	61,750	68,499	0%	3%	2%
Operating profit	19,198	18,670	19,912	17,453	15,781	17,962	10%	18%	11%
Adj. net profit	18,351	19,001	19,933	17,692	15,870	17,562	4%	20%	14%
Adj. EPS (RMB)	0.74	0.77	0.80	0.71	0.63	0.68	4%	21%	17%
Gross margin	21.2%	21.1%	21.3%	21.1%	20.2%	20.1%	0.1 ppt	0.9 ppt	1.2 ppt
Operating margin	7.1%	6.2%	6.0%	6.4%	5.2%	5.3%	0.7 ppt	1 ppt	0.8 ppt
Adj. net margin	6.8%	6.3%	6.1%	6.5%	5.2%	5.1%	0.3 ppt	1.1 ppt	0.9 ppt

Source: Bloomberg, CMBIGM estimates

Figure 11: P&L forecast

RMB mn	FY22	1Q23	2Q23	3Q23	4Q23E	FY23E	FY24E	FY25E
Revenue	280,044	59,477	67,355	70,894	72,735	270,672	302,141	329,298
...YoY	-15%	-19%	-4%	1%	10%	-3%	12%	9%
Cost of sales	(232,467)	(47,886)	(53,194)	(54,785)	(57,308)	(213,172)	(238,436)	(259,266)
Gross profit	47,577	11,592	14,161	16,110	15,428	57,290	63,705	70,032
GPM (%)	17.0%	19.5%	21.0%	22.7%	21.2%	21.2%	21.1%	21.3%
...YoY	-18%	-9%	20%	37%	36%	20%	11%	10%
SG&A	(26,437)	(5,239)	(5,620)	(6,102)	(6,546)	(23,507)	(28,099)	(31,283)
...% of rev	-9.4%	-8.8%	-8.3%	-8.6%	-9.0%	-8.7%	-9.3%	-9.5%
R&D	(16,028)	(4,113)	(4,555)	(4,966)	(5,164)	(18,799)	(21,150)	(23,051)
...% of rev	-5.7%	-6.9%	-6.8%	-7.0%	-7.1%	-6.9%	-7.0%	-7.0%
Operating profit	2,816	5,900	4,041	5,011	4,246	19,198	18,670	19,912
OPM (%)	1.0%	9.9%	6.0%	7.1%	5.8%	7.1%	6.2%	6.0%
...YoY	-89%	-747%	133%	-468%	27%	582%	-3%	7%
Adj. net profit	8,518	3,233	5,140	5,990	4,096	18,351	19,001	19,933
NPM (%)	3.0%	5.4%	7.6%	8.4%	5.6%	6.8%	6.3%	6.1%
...YoY	-61%	13%	147%	183%	180%	115%	4%	5%

Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with new TP of HK\$19.54 (51.2% upside)

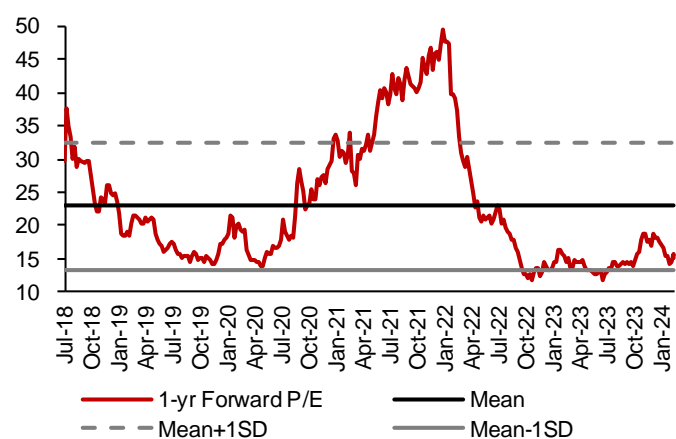
Our new TP of HK\$19.54 is based on same 24x FY24E P/E. The stock now trades at 15.5x FY24E P/E, and we view risk-reward as attractive given earnings recovery and smart EV upside. Catalysts include product launch, stronger shipment, share gain, internet revenue recovery and smart EV progress.

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 (%)	
							FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
HK-listed												
Xiaomi	1810 HK	BUY	41,424	12.9	19.5	51%	16.1	15.5	1.8	1.7	10.6	9.0
Sunny Optical	2382 HK	HOLD	6,949	49.6	50.7	2%	42.3	23.4	2.1	2.0	5.0	8.6
AAC Tech	2018 HK	HOLD	2,832	18.5	14.0	-24%	32.5	18.6	0.9	0.9	2.7	4.6
BYDE	285 HK	BUY	8,499	29.5	45.9	55%	15.1	11.1	2.0	1.7	13.4	15.7
FIT Hon Teng	6088 HK	BUY	886	0.95	2.06	117%	6.6	5.2	0.4	0.3	5.3	6.2
Tongda	698 HK	BUY	120	0.10	0.17	77%	5.3	3.3	0.1	0.1	2.3	3.5
Q tech	1478 HK	BUY	463	3.06	3.60	18%	11.0	5.7	0.6	0.6	5.9	10.3
TK Group	2283 HK	BUY	148	1.39	3.09	122%	5.0	3.7	0.7	0.6	13.3	16.3
Average							18.4	11.8	1.1	1.0	6.6	8.6
Smartphone												
Apple	AAPL US	NR	2,815,209	182.3	NA	NA	28.4	27.6	38.0	39.1	172.0	146.8
Lenovo	992 HK	NR	13,276	8.4	NA	NA	13.7	13.4	2.5	2.1	30.4	17.5
Samsung	005930 KS	NR	330,047	73,800.0	NA	NA	32.8	16.4	1.3	1.3	3.6	8.0
LG Elec	066570 KS	NR	12,234	99,800.0	NA	NA	22.8	8.2	0.8	0.8	-	9.7
Average							24.4	16.4	10.7	10.8	68.7	45.5
IoT												
Skyworth	751 HK	NR	780	2.6	NA	NA	8.0	7.0	0.3	0.3	4.2	4.4
Hisense	600060 CH	NR	4,427	24.4	NA	NA	14.2	12.0	1.7	1.5	11.8	12.7
Midea	000333 CH	NR	58,609	60.6	NA	NA	12.5	11.3	2.7	2.4	21.5	21.2
Gree	000651 CH	NR	28,931	37.0	NA	NA	7.6	7.1	1.8	1.6	25.0	23.2
Average							10.6	9.3	1.6	1.5	15.6	15.4

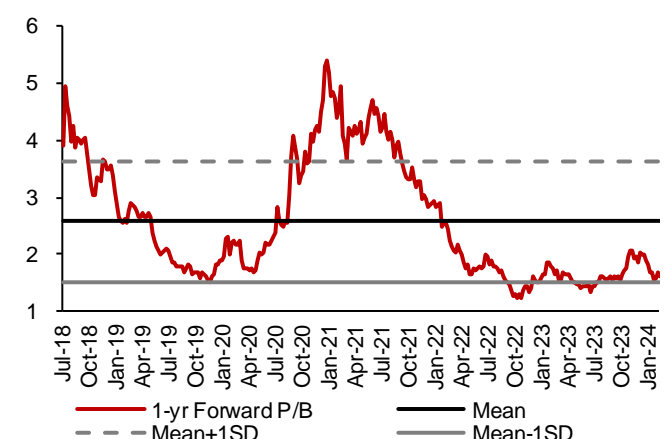
Source: Bloomberg, CMBIGM

Figure 13: 12M forward P/E band



Source: Bloomberg, CMBIGM

Figure 14: 12M forward P/B band



Source: Bloomberg, CMBIGM

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	245,866	328,309	280,044	270,672	302,141	329,298
Cost of goods sold	(209,114)	(270,048)	(232,467)	(213,172)	(238,436)	(259,266)
Gross profit	36,752	58,261	47,577	57,500	63,705	70,032
Selling expense	(14,539)	(20,981)	(21,323)	(18,408)	(22,056)	(24,697)
Admin expense	(3,746)	(4,739)	(5,114)	(5,098)	(6,043)	(6,586)
R&D expense	(9,256)	(13,167)	(16,028)	(18,799)	(21,150)	(23,051)
Other income	643	827	1,136	1,067	1,067	1,067
Gain/loss on financial assets at FVTPL	13,173	8,132	(1,662)	2,678	2,678	2,678
Investment gain/loss	1,381	275	(400)	(18)	(18)	(18)
EBIT	24,035	26,029	2,816	19,198	18,670	19,912
Net Interest income/(expense)	(1,641)	(1,612)	1,117	1,525	1,525	1,525
Foreign exchange gain/loss	(372)	(2,580)	(1,369)	487	487	487
Others	0	0	0	0	0	0
Pre-tax profit	21,633	24,417	3,934	20,723	20,195	21,436
Income tax	(1,321)	(5,134)	(1,431)	(4,665)	(5,049)	(5,359)
Minority interest	(43)	(56)	29	(55)	173	183
Net profit	20,313	19,283	2,503	16,058	15,146	16,077
Adjusted net profit	13,006	22,039	8,518	18,351	19,001	19,933
Net dividends	0	0	0	0	0	0
BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	176,283	185,851	160,415	178,160	199,386	214,997
Cash & equivalents	54,752	23,512	27,607	48,008	52,204	72,871
Account receivables	19,080	23,095	19,625	23,102	22,772	25,817
Inventories	41,671	52,398	50,438	44,305	61,666	53,563
Prepayment	16,182	19,852	18,578	18,578	18,578	18,578
ST bank deposits	17,599	31,041	29,875	29,875	29,875	29,875
Financial assets at FVTPL	22,376	30,910	9,846	9,846	9,846	9,846
Other current assets	4,623	5,045	4,446	4,446	4,446	4,446
Non-current assets	77,397	107,040	113,092	115,759	118,426	120,948
PP&E	6,306	6,965	9,138	11,805	14,471	16,994
Deferred income tax	2,011	1,662	2,278	2,278	2,278	2,278
Investment in JVs & assos	12,782	10,231	7,932	7,932	7,932	7,932
Intangibles	4,266	5,579	4,630	4,630	4,630	4,630
Financial assets at FVTPL	35,215	50,114	55,980	55,980	55,980	55,980
Other non-current assets	16,817	32,490	33,134	33,134	33,134	33,134
Total assets	253,680	292,892	273,507	293,920	317,812	335,945
Current liabilities	107,927	115,727	89,628	93,982	102,728	104,784
Short-term borrowings	6,962	5,527	2,151	2,151	2,151	2,151
Account payables	72,199	74,643	53,094	57,448	66,194	68,250
Tax payable	674	2,335	1,384	1,384	1,384	1,384
Other current liabilities	28,092	33,222	32,999	32,999	32,999	32,999
Non-current liabilities	21,739	39,732	39,957	39,957	39,957	39,957
Long-term borrowings	10,635	20,720	21,493	21,493	21,493	21,493
Deferred income	301	1,203	983	983	983	983
Other non-current liabilities	10,804	17,809	17,480	17,480	17,480	17,480
Total liabilities	129,666	155,459	129,584	133,939	142,685	144,740
Share capital	409	407	406	406	406	406
Other reserves	123,691	137,212	143,658	159,771	174,745	190,639
Total shareholders equity	124,014	137,432	143,923	159,981	175,127	191,204
Minority interest	322	220	265	209	382	565
Total equity and liabilities	253,680	292,892	273,507	293,920	317,812	335,945

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	21,633	24,417	3,934	20,723	20,195	21,436
Depreciation & amortization	1,708	3,062	2,182	2,747	3,377	4,063
Tax paid	(1,126)	(2,442)	(2,382)	(4,665)	(5,049)	(5,359)
Change in working capital	4,320	(15,725)	(15,675)	7,010	(8,285)	7,113
Others	(3,830)	474	7,552	0	0	0
Net cash from operations	22,706	9,785	(4,390)	25,815	10,238	27,253
Investing						
Capital expenditure	(3,026)	(7,169)	(5,800)	(5,413)	(6,043)	(6,586)
Acquisition of subsidiaries/ investments	39	(1,086)	(25)	0	0	0
Net proceeds from disposal of short-term investments	190,494	166,947	23,136	0	0	0
Others	(205,186)	(203,699)	(1,763)	0	0	0
Net cash from investing	(17,679)	(45,008)	15,549	(5,413)	(6,043)	(6,586)
Financing						
Net borrowings	(2,004)	9,227	(2,791)	0	0	0
Proceeds from share issues	19,908	0	0	0	0	0
Share repurchases	(455)	(7,007)	(2,386)	0	0	0
Others	8,767	2,278	(2,677)	0	0	0
Net cash from financing	26,216	4,499	(7,855)	0	0	0
Net change in cash						
Cash at the beginning of the year	25,920	55,580	24,339	27,607	48,008	52,204
Exchange difference	(517)	791	0	0	0	0
Cash at the end of the year	55,580	24,339	27,607	48,008	52,204	72,871

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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