

# Xiaomi (1810 HK)

## Key takeaways from product launch event: MIX Fold 3/Redmi K60 Ultra/Pad 6 Max/CyberDog 2 and more

Xiaomi hosted its Chairman's annual speech yesterday and released a series of highly anticipated products including MIX Fold 3, Redmi K60 Ultra, Pad 6 Max, smart band 8 Pro and CyberDog 2. Mr. Lei also disclosed the progress in Xiaomi's large model on smartphones and smart AI assistant. We believe most spec upgrades in MIX Fold 3 is in-line with expectations, and no price cut from prior version is not surprising considering high BOM costs and peers' similar pricing strategy. Looking ahead, we are positive on Xiaomi's premiumization strategy with rapid expansion into foldable phone market, product innovation, smart robot developments and edge AI applications. Reiterate BUY with TP of HK\$ 16.41, based on 24x FY24E P/E.

### ■ MIX Fold 3/Redmi K60 Ultra/Pad 6 Max: spec upgrade largely in-line.

Xiaomi launched a new gen of foldable smartphone MIX Fold 3, featuring improved cameras, innovative hinge design, reduced weight & thickness, better battery and wireless charging function. Most spec upgrades are in-line, and the starting selling price was unchanged compared with MIX Fold 2. We think no price reduction is mainly due to heavy BOM costs, only OPPO Find N2 and Honor Magic Vs were launched at the price below RMB 8,000 but with smaller screen size and lower specs. Pad 6 Max was launched with 14" screen size, Snapdragon 8+ processor, larger battery and improved software applications. Redmi K60 Ultra came with MediaTek Dimensity 9200+ SoC, and its starting price at RMB 2,599 is lower than that of K50 Ultra.

### ■ Updates on CyberDog 2 and large model progress: strengthen edge AI application and smart robot development.

Xiaomi stated that its smart AI assistants are updated with large model and it is open for testing by end users. Mgmt. is positive that large model implementation on smartphones achieved meaningful progress, yielding superior performance at the edge than cloud side. Xiaomi's updated version of smart robot product, CyberDog 2, was launched with improved product design, better motion control, heavier deployment of sensors and higher level of intelligence. It was equipped with NVIDIA CPU and GPU to allow 21 TOPS AI computing power, and self-developed CyberGear micromotors to achieve precision control.

### ■ Positive on earnings recovery and product innovation; Reiterate BUY.

We are positive on Xiaomi's earnings recovery and industry leadership in product innovation and premiumization. We maintain BUY rating with TP of HK\$ 16.41 based on 24x FY24E P/E. Upcoming catalysts include EV business progress, edge AI application progress and market share gain.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	328,309	280,044	268,732	293,285	325,746
YoY growth (%)	33.5	(14.7)	(4.0)	9.1	11.1
Adjusted net profit (RMB mn)	22,039.5	8,518.0	13,127.5	14,597.1	16,276.1
EPS (Adjusted) (RMB)	0.88	0.34	0.53	0.59	0.66
Consensus EPS (RMB)	na	na	0.43	0.50	0.57
P/E (x)	26.8	30.7	20.6	18.5	16.6
P/B (x)	3.8	1.8	1.7	1.6	1.6
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	14.8	1.8	7.7	5.5	6.1
Net gearing (%)	96.0	70.9	59.6	60.1	53.6

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

Target Price	HK\$16.41
(Previous TP)	HK\$16.41)
Up/Downside	39.3%
Current Price	HK\$11.78

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### Stock Data

Mkt Cap (HK\$ mn)	239,628.8
Avg 3 mths t/o (HK\$ mn)	677.3
52w High/Low (HK\$)	13.68/8.45
Total Issued Shares (mn)	20342.0
Source: FactSet	

### Shareholding Structure

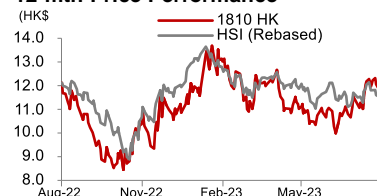
Lin Bin	8.6%
Smart Mobile Holdings Ltd	8.6%
Source: HKEx	

### Share Performance

	Absolute	Relative
1-mth	2.6%	6.1%
3-mth	6.9%	11.8%
6-mth	-9.5%	1.8%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

### Related Reports:

1. Xiaomi (1810 HK)-2Q23E preview: earnings recovery to accelerate; Maintain BUY ([link](#))

# Focus Charts

Figure 1: Xiaomi MIX Fold 3 specs in comparison to earlier model and other brands

	OPPO Find N2	Huawei Mate X3	vivo X Fold 2	Honor Magic V2	Samsung Z Fold 5	Xiaomi MIX FOLD 2	Xiaomi MIX FOLD 3
Time of Release	2022.9	2023.4	2023.4	2023.7	2023.8	2022.8	2023.8
Starting Price	RMB 7999	RMB 12999	RMB 8999	RMB 8999	RMB 12999	RMB 8999	RMB 8999
Screen Size	7.10"	7.85"	8.03"	7.92"	7.6"	8.02"	8.03"
Phone Size (folded)	132.2 x 72.6mm	156.9 x 72.4mm	161.3 x 73.4mm	156.7 x 74mm	154.9 x 67.1mm	161.6 x 73.9mm	161.2 x 73.5mm
Phone Size (expanded)	132.2 x 140.5mm	156.9 x 141.5mm	161.3 x 143.3mm	156.7 x 145.4mm	154.9 x 129.9mm	161.6 x 144.7mm	161.2 x 143.28mm
Phone Thickness (folded)	14.6mm	11.1mm	12.9mm	10.1mm	13.4mm	11.2mm	10.96/10.86mm
Phone Thickness (expanded)	7.4mm	5.3mm	6.0mm	4.8mm	6.1mm	5.4mm	5.26mm
Weight	233g	239g	279g	237g	253g	269g	259/255g
Processor	Snapdragon 8+ Gen 1	Snapdragon 8+ 4G	Snapdragon 8 Gen 2	Snapdragon 8 Gen 2	Snapdragon 8 Gen 2	Snapdragon 8+ Gen 1	Snapdragon 8 Gen 2
Battery	4520mAh	4800mAh	4800mAh	5000mAh	4400mAh	4500mAh	4800mAh
Memory	256GB, 512GB	256GB, 512GB, 1TB	256GB, 512GB	256GB	512GB, 1TB	256GB, 512GB, 1TB	256GB, 512GB, 1TB
Cameras	50MP main, 48MP wide, 32MP telephoto, 32MP front	50MP main, 12MP periscope telephoto, 13MP ultra wide, 8MP front	50MP main, 12MP portrait, 12MP ultra wide, 16MP front	50MP main, 20MP telephoto, 50MP ultra wide, 16MP front	50MP main, 12MP ultra wide, 10MP 3x zoom, 10MP front	50MP 7P main, 13MP ultra wide, 8MP 2x zoom, 20MP front	50MP main, 10MP telephoto, 10MP periscope telephoto, 12MP ultra wide, 20MP front
Pictures							

Source: Company data, CMBIGM

Figure 2: Xiaomi MIX Fold 3



Source: Xiaomi, CMBIGM

Figure 3: Xiaomi MIX Fold 3 hinge innovation



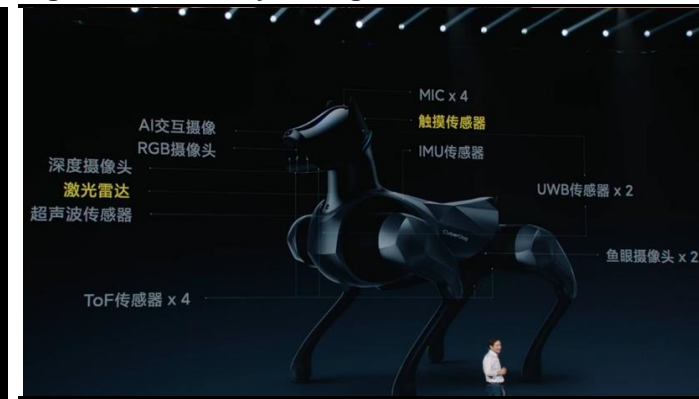
Source: Xiaomi, CMBIGM

Figure 4: Xiaomi Pad 6 Max



Source: Xiaomi, CMBIGM

Figure 5: Xiaomi CyberDog 2

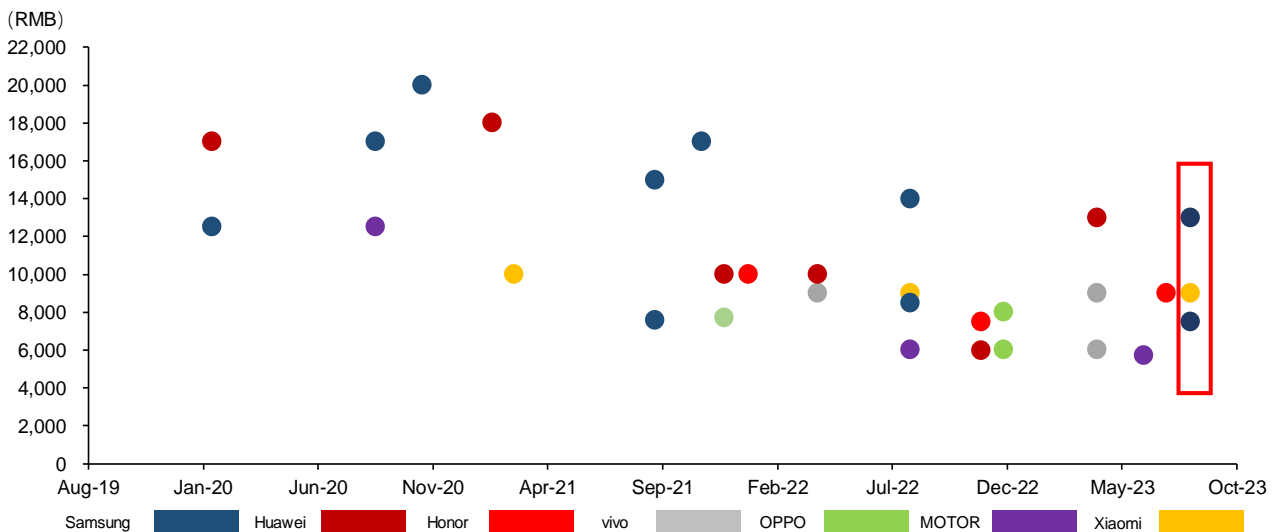


Source: Xiaomi, CMBIGM

**Figure 6: Foldable smartphone launch timeline, specs and selling price**

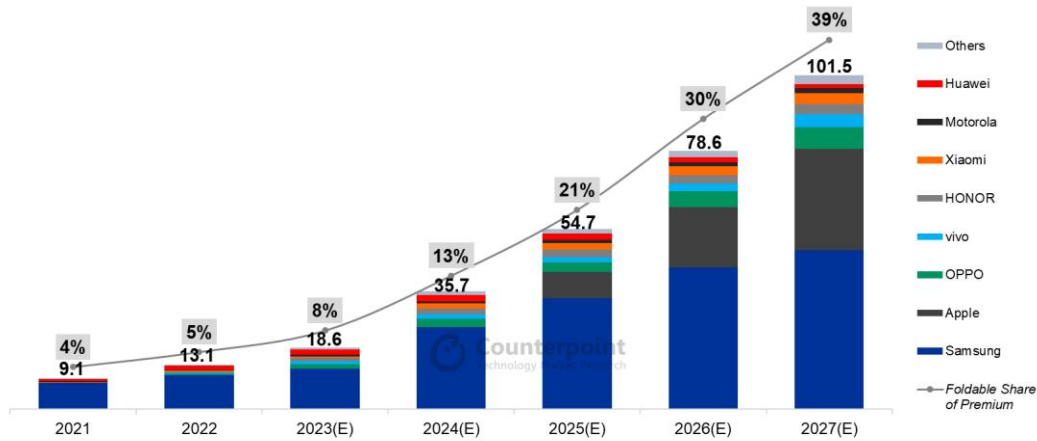
Time of Release	Brand and Model	Starting Price (RMB)	Folding Type
2020.2	Huawei Mate Xs	16,999	Horizontal
2020.2	Samsung Galaxy Z Flip	12,499	Vertical
2020.9	Motorola Razr	12,499	Vertical
2020.9	Samsung Galaxy Z Fold 2	16,999	Horizontal
2020.11	Samsung W21	19,999	Horizontal
2021.2	Huawei Mate X2	17,999	Horizontal
2021.3	Xiaomi Mix Fold	9,999	Horizontal
2021.9	Samsung Galaxy Z Flip 3	7,599	Vertical
2021.9	Samsung Galaxy Z Fold 3	14,999	Horizontal
2021.10	Samsung W22	16,999	Horizontal
2021.12	Huawei P50 Pocket	9,988	Vertical
2021.12	OPPO Find N	7,699	Vertical
2022.1	Honor Magic V	9,999	Horizontal
2022.4	VIVO X Fold	8,999	Horizontal
2022.4	Huawei Mate Xs 2	9,999	Vertical
2022.8	Xiaomi MIX Fold 2	8,999	Horizontal
2022.8	Samsung Galaxy Z Flip 4	8,499	Vertical
2022.8	Samsung Galaxy Z Fold 4	13,999	Horizontal
2022.8	Motorola Razr 2022	5,999	Vertical
2022.11	Huawei Pocket S	5,988	Vertical
2022.11	Honor Magic Vs	7,499	Horizontal
2022.12	OPPO Find N2	7,999	Horizontal
2022.12	OPPO Find N2 Flip	5,999	Vertical
2023.4	Huawei Mate X3	12,999	Horizontal
2023.4	VIVO X Flip	5,999	Vertical
2023.4	VIVO X Fold 2	8,999	Horizontal
2023.6	Motorola Razr 40 Ultra	5,699	Vertical
2023.7	Honor Magic V2	8,999	Horizontal
2023.8	Samsung Galaxy Z Flip 5	7,499	Vertical
2023.8	Samsung Galaxy Z Fold 5	12,999	Horizontal
2023.8	Xiaomi MIX Fold 3	8,999	Horizontal

Source: Company, CMBIGM

**Figure 7: Foldable smartphone model launch timeline and price trend**

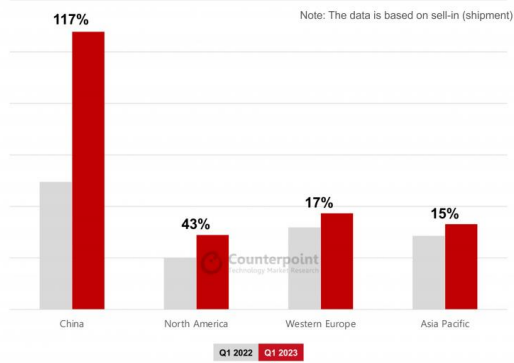
Source: Company, CMBIGM.

**Figure 8: Global foldable smartphone shipment forecast by brand & foldable share in premium segment (2021-27E)**



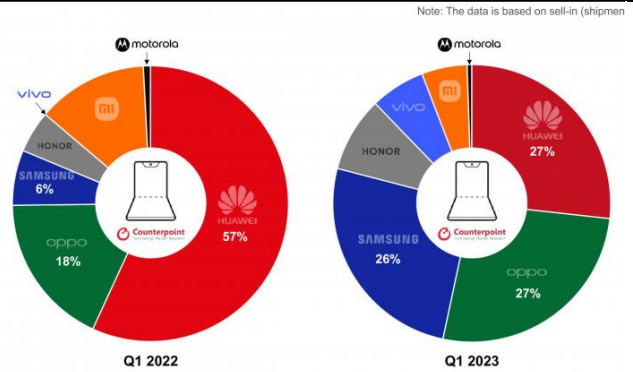
Source: Counterpoint, CMBIGM.

**Figure 9: Foldable phone market growth by region (1Q23)**



Source: Counterpoint, CMBIGM

**Figure 10: China foldable phone market share by OEM (1Q23)**



Source: Counterpoint, CMBIGM

## Valuation

### Maintain BUY with TP of HK\$16.41 (39% upside)

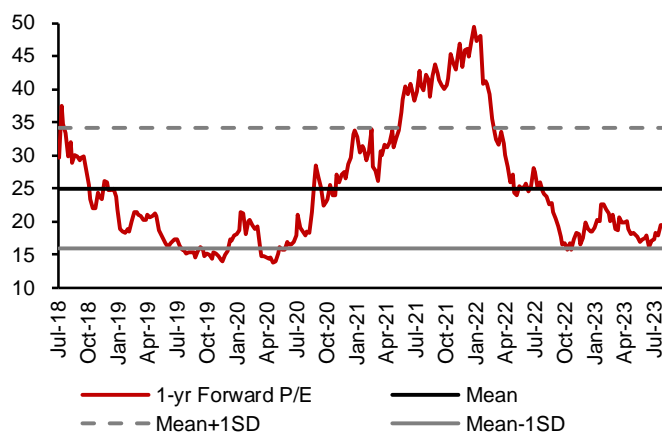
Our TP of HK\$16.41 is based on 24x FY24E P/E. The stock now trades at 18.5x FY24E P/E, and we view risk-reward as attractive given earnings recovery and smart EV upside. Catalysts include product launch, edge AI deployment progress, stronger shipment, share gain, internet revenue recovery and smart EV progress.

Figure 11: 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
<b>HK-listed</b>												
Xiaomi	1810 HK	Buy	37,738	11.8	16.4	39%	20.6	18.5	1.7	1.6	7.7	5.5
Sunny Optical	2382 HK	Hold	9,547	68.1	78.3	15%	37.0	23.5	2.8	2.5	7.5	10.8
AAC Tech	2018 HK	Hold	2,566	16.7	15.6	-7%	27.8	16.7	0.8	0.8	2.9	4.7
BYDE	285 HK	Buy	8,372	29.1	31.7	9%	17.7	14.5	2.1	1.9	11.7	12.8
FIT Hon Teng	6088 HK	Buy	1,044	1.1	2.1	84%	7.4	6.0	0.4	0.4	5.2	6.3
Tongda	698 HK	Buy	107	0.1	0.2	98%	3.9	2.8	0.1	0.1	1.8	3.8
Q tech	1478 HK	Buy	468	3.1	3.6	16%	9.2	5.9	0.7	0.6	7.0	10.1
TK Group	2283 HK	Buy	150	1.4	3.4	140%	2.7	3.6	0.6	0.6	20.7	17.8
<b>Average</b>							<b>17.6</b>	<b>12.5</b>	<b>1.2</b>	<b>1.1</b>	<b>6.4</b>	<b>8.2</b>
<b>Smartphone</b>												
Apple	AAPL US	NR	2,805,094	179.4	NA	NA	29.6	27.3	46.9	34.8	165.4	144.4
Lenovo	992 HK	NR	12,084	7.8	NA	NA	7.2	8.1	1.9	1.8	30.6	23.9
Samsung	005930 KS	NR	300,989	67,300.0	NA	NA	45.3	14.3	1.3	1.2	2.9	8.6
LG Elec	066570 KS	NR	12,444	101,500.0	NA	NA	9.4	6.6	0.9	0.8	9.1	11.8
<b>Average</b>							<b>22.9</b>	<b>14.1</b>	<b>12.7</b>	<b>9.6</b>	<b>52.0</b>	<b>47.2</b>
<b>IoT</b>												
Skyworth	751 HK	NR	985	3.1	NA	NA	4.4	3.5	0.4	0.3	8.8	10.3
Hisense	600060 CH	NR	3,793	21.1	NA	NA	12.8	10.8	1.4	1.3	11.2	12.0
Midea	000333 CH	NR	53,655	55.4	NA	NA	11.6	10.5	2.4	2.1	21.0	20.5
Gree	000651 CH	NR	27,798	35.8	NA	NA	7.5	6.8	1.8	1.5	24.3	23.0
<b>Average</b>							<b>9.1</b>	<b>7.9</b>	<b>1.5</b>	<b>1.3</b>	<b>16.3</b>	<b>16.4</b>

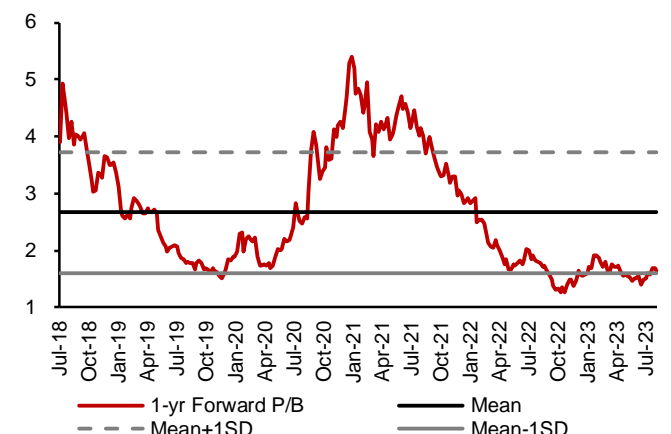
Source: Bloomberg, CMBIGM

Figure 12: 12M forward P/E band



Source: Bloomberg, CMBIGM

Figure 13: 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	268,732	293,285	325,746
Cost of goods sold	(209,114)	(270,048)	(232,467)	(218,316)	(238,962)	(265,483)
Gross profit	36,752	58,261	47,577	50,416	54,324	60,263
Selling expense	(14,539)	(20,981)	(21,323)	(18,690)	(22,583)	(24,431)
Admin expense	(3,746)	(4,739)	(5,114)	(4,917)	(4,986)	(5,212)
R&D expense	(9,256)	(13,167)	(16,028)	(18,248)	(20,530)	(22,476)
Other income	643	827	1,136	1,135	1,135	1,135
Gain/loss on financial assets at FVTPL	13,173	8,132	(1,662)	2,853	2,853	2,853
Investment gain/loss	1,381	275	(400)	(532)	(532)	(532)
EBIT	24,035	26,029	2,816	14,255	10,385	12,304
Net Interest income/(expense)	(1,641)	(1,612)	1,117	(433)	(433)	(433)
Foreign exchange gain/loss	(372)	(2,580)	(1,369)	704	704	704
Others	0	0	0	0	0	0
Pre-tax profit	21,633	24,417	3,934	13,822	9,952	11,871
Income tax	(1,321)	(5,134)	(1,431)	(2,340)	(1,244)	(1,484)
Minority interest	(43)	(56)	29	(36)	99	118
Net profit	20,313	19,283	2,503	11,481	8,708	10,387
Adjusted net profit	13,006	22,039	8,518	13,128	14,597	16,276
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	176,286	186,167	204,141
Cash & equivalents	54,752	23,512	27,607	44,042	41,728	56,864
Account receivables	19,080	23,095	19,625	22,908	22,080	26,154
Inventories	41,671	52,398	50,438	46,591	59,614	58,379
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	115,725	118,236	120,718
PP&E	6,306	6,965	9,138	11,770	14,282	16,763
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	292,011	304,403	324,859
Current liabilities	107,927	115,727	89,628	96,649	100,334	110,402
Short-term borrowings	6,962	5,527	2,151	2,151	2,151	2,151
Account payables	72,199	74,643	53,094	60,115	63,800	73,868
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	136,606	140,290	150,359
Share capital	409	407	406	406	406	406
Other reserves	123,691	137,212	143,658	155,176	163,784	174,053
Total shareholders equity	124,014	137,432	143,923	155,405	164,113	174,500
Minority interest	322	220	265	229	328	446
Total equity and liabilities	253,680	292,892	273,507	292,011	304,403	324,859



CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	21,633	24,417	3,934	13,822	9,952	11,871
Depreciation & amortization	1,708	3,062	2,182	2,742	3,354	4,033
Tax paid	(1,126)	(2,442)	(2,382)	(2,340)	(1,244)	(1,484)
Change in working capital	4,320	(15,725)	(15,675)	7,585	(8,511)	7,230
Others	(3,830)	474	7,552	0	0	0
<b>Net cash from operations</b>	<b>22,706</b>	<b>9,785</b>	<b>(4,390)</b>	<b>21,809</b>	<b>3,552</b>	<b>21,651</b>
<b>Investing</b>						
Capital expenditure	(3,026)	(7,169)	(5,800)	(5,375)	(5,866)	(6,515)
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
<b>Net cash from investing</b>	<b>(17,679)</b>	<b>(45,008)</b>	<b>15,549</b>	<b>(5,375)</b>	<b>(5,866)</b>	<b>(6,515)</b>
<b>Financing</b>						
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
<b>Net cash from financing</b>	<b>26,216</b>	<b>4,499</b>	<b>(7,855)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	25,920	55,580	24,339	27,607	44,042	41,728
Exchange difference	(517)	791	0	0	0	0
<b>Cash at the end of the year</b>	<b>55,580</b>	<b>24,339</b>	<b>27,607</b>	<b>44,042</b>	<b>41,728</b>	<b>56,864</b>

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

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<b>SELL</b>	: Stock with potential loss of over 10% over next 12 months
<b>NOT RATED</b>	: Stock is not rated by CMBIGM
<b>OUTPERFORM</b>	: Industry expected to outperform the relevant broad market benchmark over next 12 months
<b>MARKET-PERFORM</b>	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
<b>UNDERPERFORM</b>	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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