

Xiaomi (1810 HK)

2Q24 beat on EV GPM and resilient core earnings; Reiterate BUY

Xiaomi delivered strong 2Q24 revenue/adj.net profit growth of 32%/20% YoY. Adj. net profit is 21%/27% ahead of our/consensus estimates, mainly driven by stronger EV/internet GPM and improving efficiency. Xiaomi reported its first EV business financials with a quarterly GPM at 15.7%, well above market expectation of 5-10%, and mgmt. guided QoQ GPM expansion into 3Q/4Q24E. Looking ahead, we are positive on Xiaomi smartphones' global market share gains, new retail strategy execution, AIoT business growth momentum and EV shipment delivery to drive earnings growth into FY24E-25E. We raise FY24-26E EPS by 6-8% to factor in strong 2Q results and better EV profitability, and lift SOTP-based TP to HK\$24.4, implying 23.9x FY24E P/E. Upcoming catalysts include SU7 monthly shipments and smartphone market share gains.

■ **2Q24 earnings beat on strong IoT/internet/EV margins.** Xiaomi's 2Q24 global smartphone shipments increased 28.1% YoY and ASP dropped 0.8% YoY due to an increasing mix of lower-ASP overseas smartphone shipments. By segment, smartphone/AIoT/internet revenue grew 27.1%/20.3%/11.0% YoY, boosted by strong SP/Pad/wearables/large home appliance shipments and a growing global user base. Smartphone GPM came in at 12.1% (vs. 1Q24 14.8%) due to rising BOM costs, while internet segment GPM reached 78.3% (vs. 1Q24 74.2%) thanks to a higher mix of advertising business and overseas internet income. Xiaomi reported its first EV business financials with a quarterly GPM 15.7%, well above market expectation of 5-10%.

■ **2H24 outlook: upbeat QoQ EV GPM expansion; new retail strategy to accelerate.** Xiaomi maintained 120k EV annual delivery guidance with EV GPM to improve QoQ into 3Q/4Q24E. Xiaomi's new retail strategy executed beyond initial expectations with annual new store opening target raised from 3,000 to 4,000 stores. Its overseas retail channel expansion plan is also set to boost SP/AIoT sales with expanded SKUs. Overall, we expect Xiaomi's revenue/adj. net profit to grow 26%/21% YoY in FY24E.

■ **Our FY24-26E EPS are 26-33% above consensus; Maintain BUY.** We raise FY24-26E EPS by 6-8% to factor in strong 2Q24 results, and lift SOTP-based TP to HK\$ 24.4, implying 23.9x FY24E P/E. Reiterate BUY. Catalysts include SU7 monthly shipments and smartphone market share gains.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	280,044	270,970	340,915	384,924	421,750
YoY growth (%)	(14.7)	(3.2)	25.8	12.9	9.6
Adjusted net profit (RMB mn)	8,518.0	19,272.8	23,355.4	26,535.0	31,247.9
YoY growth (%)	(61.4)	126.3	21.2	13.6	17.8
EPS (Adjusted) (RMB)	0.34	0.77	0.94	1.07	1.26
Consensus EPS (RMB)	N/A	N/A	0.71	0.82	0.99
P/E (x)	46.8	20.7	17.1	15.1	12.8
P/B (x)	2.8	2.4	2.2	2.0	1.8
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	1.8	11.3	10.6	11.2	12.1
Net gearing (%)	70.9	76.9	84.0	56.7	56.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$24.40
(Previous TP)	HK\$24.29)
Up/Downside	39.3%
Current Price	HK\$17.52

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Stock Data

Mkt Cap (HK\$ mn)	356,391.8
Avg 3 mths t/o (HK\$ mn)	1,515.3
52w High/Low (HK\$)	19.98/11.48
Total Issued Shares (mn)	20342.0

Source: FactSet

Shareholding Structure

Lin Bin	8.6%
Smart Mobile Holdings Ltd	8.6%

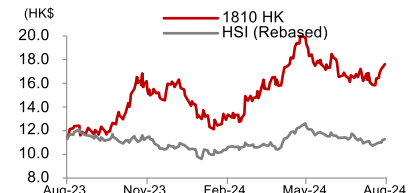
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	6.1%	6.2%
3-mth	-9.2%	0.3%
6-mth	31.1%	24.4%

Source: FactSet

12-mth Price Performance



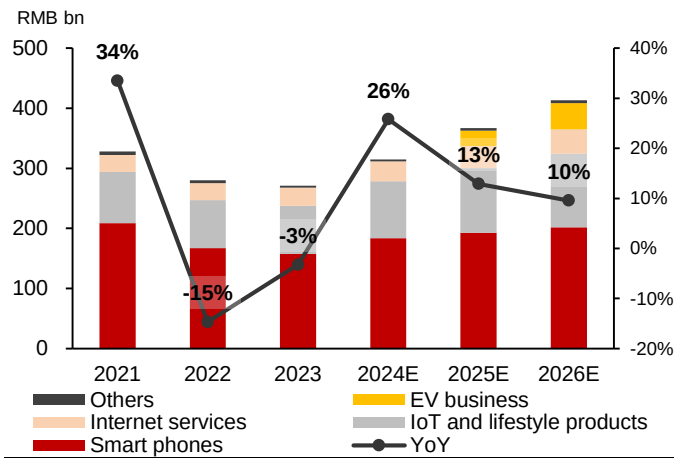
Source: FactSet

Related reports:

- 2Q24E preview: expect resilient core earnings with better EV profitability; Reiterate BUY-5 Aug 2024 ([link](#))
- CMBI Corp Day takeaways: Growth outlook intact; market concerns overdone- 28 Jun 2024 ([link](#))
- 1Q24 beat on strong margins; Positive on upbeat SU7 delivery target - 24 May 2024 ([link](#))
- 1Q24E preview: Expect strong earnings ahead; Raise TP to HK\$ 23.77 - 9 May 2024 ([link](#))
- Key takeaways from Xiaomi Investor Day - 24 Apr 2024 ([link](#))

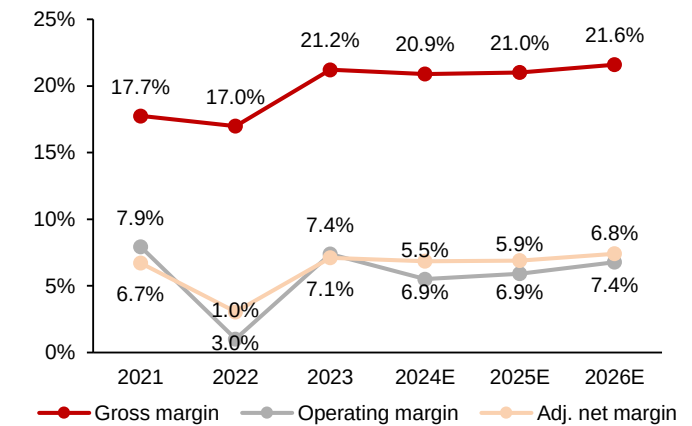
Focus Charts

Figure 1: Xiaomi revenue trend



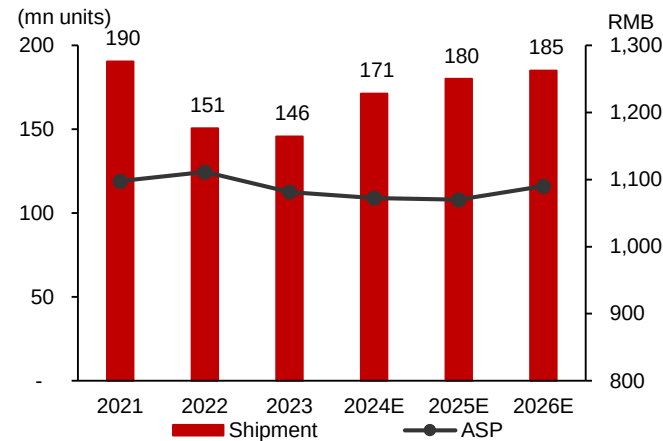
Source: Company data, CMBIGM estimates

Figure 2: Xiaomi margin trend



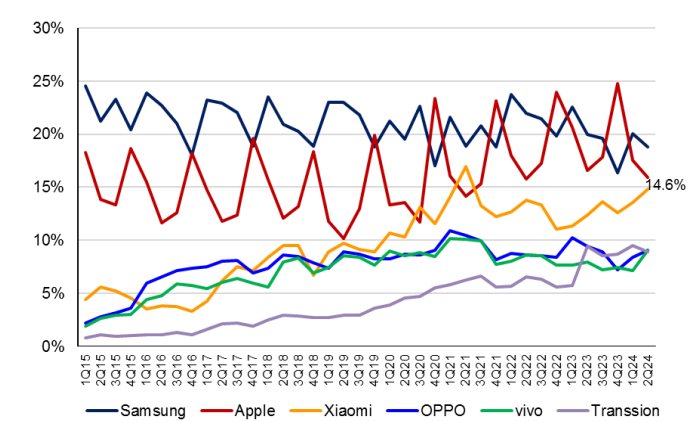
Source: Company data, CMBIGM estimates

Figure 3: Xiaomi smartphone shipment forecast



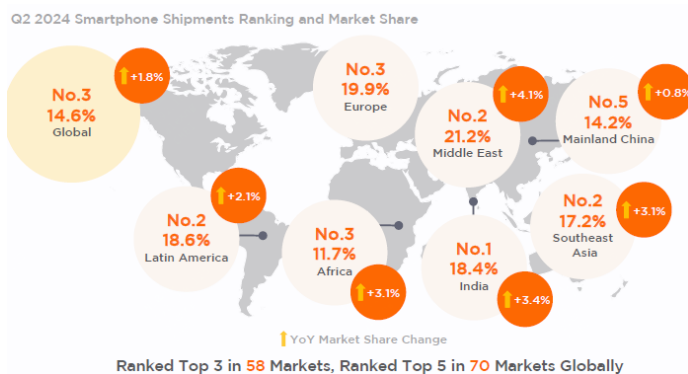
Source: Company data, CMBIGM estimates

Figure 4: Global smartphone market share



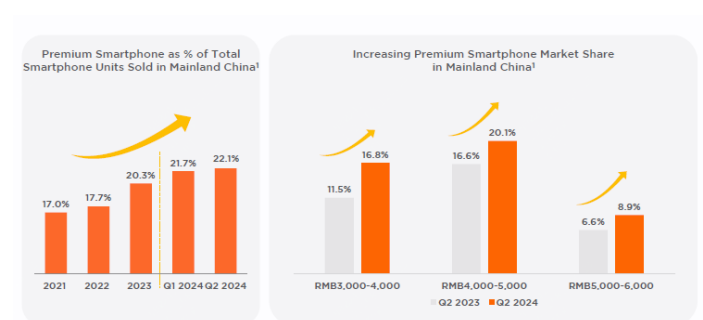
Source: IDC, CMBIGM

Figure 5: Global smartphone market share gains



Source: Company data, CMBIGM

Figure 6: Smartphone premiumization strategy



Source: Company data, CMBIGM

2Q24 Review

Figure 7: 2Q24 results review

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	QoQ	YoY	Consensus 2Q24E	Diff %
Revenue	59,477	67,355	70,894	73,244	75,507	88,888	17.7%	32%	86,851	2%
Gross profit	11,592	14,161	16,110	15,614	16,830	18,394	9.3%	30%	16,998	8%
Operating profit	5,900	4,041	5,011	5,057	3,683	5,889	59.9%	46%	4,101	44%
Adj. net profit	3,233	5,140	5,990	4,910	6,491	6,175	-4.9%	20%	4,855	27%
Adj. EPS (RMB)	0.13	0.21	0.24	0.20	0.26	0.25	-4.1%	20%	0.19	32%
Gross margin	19.5%	21.0%	22.7%	21.3%	22.3%	20.7%	-1.6 ppt	-0.3 ppt	19.6%	1.1 ppt
Operating margin	9.9%	6.0%	7.1%	6.9%	4.9%	6.6%	1.7 ppt	0.6 ppt	4.7%	1.9 ppt
Adj. net margin	5.4%	7.6%	8.4%	6.7%	8.6%	6.9%	-1.6 ppt	-0.7 ppt	5.6%	1.4 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 8: Revenue breakdown

RMB mn	FY23	1Q24	2Q24	3Q24E	4Q24E	FY24E	FY25E	FY26E
Smart phones	157,461	46,480	46,516	43,560	47,170	183,726	192,600	201,650
...YoY	-6%	33%	27%	5%	7%	17%	5%	5%
Shipments (000 units)	145,600	40,600	42,200	44,000	44,500	171,300	180,000	185,000
...YoY	-3%	34%	28%	5%	10%	18%	5%	3%
ASP (RMB)	1,081	1,145	1,102	990	1,060	1,073	1,070	1,090
...YoY	-2.7%	-0.6%	-0.9%	-0.6%	-2.9%	-0.8%	-0.2%	1.9%
IoT and lifestyle products	80,108	20,373	26,760	24,061	23,346	94,541	107,722	122,781
...YoY	0%	21%	20%	16%	15%	18%	14%	14%
Smart TVs and laptops	19,482	4,656	4,752	5,231	5,355	19,994	21,994	24,193
...YoY	-18%	-1%	-5%	3%	5%	3%	10%	10%
Other IoTs	60,626	15,717	22,009	18,829	17,991	74,546	85,728	98,588
...YoY	8%	30%	40%	23%	18%	23%	15%	15%
Internet services	30,107	8,048	8,266	8,430	8,482	33,226	36,548	40,203
...YoY	6%	15%	11%	9%	8%	10%	10%	10%
Advertising services	20,500	5,500	5,962	5,940	6,048	23,450	25,795	28,374
...YoY	11%	25%	17%	10%	8%	14%	10%	10%
Internet value-added	9,607	2,548	2,304	2,490	2,434	9,776	10,753	11,829
...YoY	-2%	-3%	-2%	6%	7%	2%	10%	10%
Gaming	4,387	1,200	1,000	1,107	1,001	4,308	4,739	5,213
...YoY	7%	-11%	-1%	3%	5%	-2%	10%	10%
Other (incl. Youpin fintech, etc.)	5,220	1,348	1,304	1,383	1,432	5,467	6,014	6,615
...YoY	-9%	5%	-2%	8%	8%	5%	10%	10%
EV business	-	-	6,369	8,050	11,500	25,919	43,849	52,071
Others	3,294	605	977	980	942	3,504	4,205	5,046
...YoY	-30%	-4%	-8%	20%	20%	6%	20%	20%
Total	270,970	75,507	88,888	85,081	91,440	340,915	384,924	421,750
...YoY	-3%	27%	32%	20%	25%	26%	13%	10%
Gross margin								
Smart phones	14.6%	14.8%	12.1%	11.5%	12.0%	12.6%	13.0%	13.5%
IoT and lifestyle products	16.3%	19.9%	19.7%	19.5%	19.5%	19.6%	19.0%	19.5%
Internet services	74.2%	74.2%	78.3%	75.0%	75.0%	75.6%	74.5%	74.5%
EV Business	-	-	15.4%	16.0%	17.0%	16.3%	17.5%	18.0%
Others	-27.8%	-11.9%	0.9%	10.0%	10.0%	3.7%	11.0%	12.0%
Total	21.2%	22.3%	20.7%	20.5%	20.4%	20.9%	21.0%	21.6%

Source: Company data, CMBIGM estimates

Earnings Revision

Our FY24-26E adj. NP are 26-33% above consensus

We lift FY24-26E adj. EPS by 6-8% to reflect higher smartphone shipment and better margin across all segments. Our FY24-26E EPS are 26-33% above consensus given our more positive view on EV business profitability, other core business strength and operating efficiency improvement.

Figure 9: CMBIGM earnings revision

RMB mn	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	340,915	384,924	421,750	343,507	380,506	418,218	-1%	1%	1%
Gross profit	71,257	80,870	91,095	69,367	76,893	85,551	3%	5%	6%
Operating profit	18,783	22,746	28,620	15,150	19,158	24,080	24%	19%	19%
Adj. net profit	23,355	26,535	31,248	21,785	25,039	29,035	7%	6%	8%
Adj. EPS (RMB)	0.94	1.07	1.26	0.88	1.01	1.17	7%	6%	8%
Gross margin	20.9%	21.0%	21.6%	20.2%	20.2%	20.5%	0.7 ppt	0.8 ppt	1.1 ppt
Operating margin	5.5%	5.9%	6.8%	4.4%	5.0%	5.8%	1.1 ppt	0.9 ppt	1 ppt
Adj. net margin	6.9%	6.9%	7.4%	6.3%	6.6%	6.9%	0.5 ppt	0.3 ppt	0.5 ppt

Source: Company data, CMBIGM estimates

Figure 10: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	340,915	384,924	421,750	336,554	387,127	436,953	1%	-1%	-3%
Gross profit	71,257	80,870	91,095	67,419	76,465	87,666	6%	6%	4%
Operating profit	18,783	22,746	28,620	15,331	19,840	25,129	23%	15%	14%
Adj. net profit	23,355	26,535	31,248	18,692	20,870	25,486	25%	27%	23%
Adj. EPS (RMB)	0.94	1.07	1.26	0.71	0.82	0.99	33%	29%	26%
Gross margin	20.9%	21.0%	21.6%	20.0%	19.8%	20.1%	0.9 ppt	1.3 ppt	1.5 ppt
Operating margin	5.5%	5.9%	6.8%	4.6%	5.1%	5.8%	1 ppt	0.8 ppt	1 ppt
Adj. net margin	6.9%	6.9%	7.4%	5.6%	5.4%	5.8%	1.3 ppt	1.5 ppt	1.6 ppt

Source: Bloomberg, CMBIGM estimates

Figure 11: P&L forecast

RMB mn	FY23	1Q24	2Q24	3Q24E	4Q24E	FY24E	FY25E	FY26E
Revenue	270,970	75,507	88,888	85,081	91,440	340,915	384,924	421,750
...YoY	-3%	27%	32%	20%	25%	26%	13%	10%
Cost of sales	(213,494)	(58,677)	(70,494)	(67,671)	(72,816)	(269,658)	(304,054)	(330,656)
Gross profit	57,476	16,830	18,394	17,410	18,623	71,257	80,870	91,095
GPM (%)	21.2%	22.3%	20.7%	20.5%	20.4%	20.9%	21.0%	21.6%
...YoY	21%	45%	30%	8%	19%	24%	13%	13%
SG&A	(24,353)	(7,004)	(7,082)	(7,147)	(8,504)	(29,736)	(33,296)	(36,481)
...% of rev	-9.0%	-9.3%	-8.0%	-8.4%	-9.3%	-8.7%	-8.7%	-8.7%
R&D	(19,098)	(5,159)	(5,498)	(5,785)	(6,712)	(23,154)	(25,405)	(26,570)
...% of rev	-7.0%	-6.8%	-6.2%	-6.8%	-7.3%	-6.8%	-6.6%	-6.3%
Operating profit	20,009	3,683	5,889	4,505	4,707	18,783	22,746	28,620
OPM (%)	7.4%	4.9%	6.6%	5.3%	5.1%	5.5%	5.9%	6.8%
...YoY	610%	-38%	46%	-10%	-7%	-6%	21%	26%
Adj. net profit	19,273	6,491	6,175	5,355	5,406	23,355	26,535	31,248
NPM (%)	7.1%	8.6%	6.9%	6.3%	5.9%	6.9%	6.9%	7.4%
...YoY	126%	101%	20%	-11%	10%	21%	14%	18%

Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with new SOTP-based TP of HK\$24.4

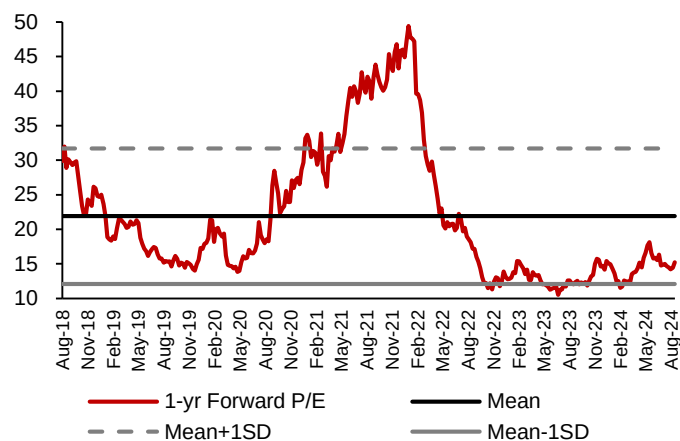
We derive a new SOTP-based TP of HK\$24.4 in order to reflect different growth profiles of Xiaomi's various businesses. We assign 15x/15x/15x FY24E P/E to its smartphone/AIoT/Internet businesses, in-line with its peers. For EV business, we assign 0.75x FY25E P/S, in-line with the average of its Chinese EV peers (Li Auto, Xpeng, NIO, BYD). Earnings upside is likely driven by further SP share gains and SU7's better margin.

Figure 12: Xiaomi – SOTP valuation

Business segment	FY24E Rev (RMB mn)	% of FY24E Core NP	FY24E Core NP (RMB mn)	Valuation methodology	Target multiple (x)	Valuation (RMB mn)
Smart phones	183,726	35%	10,566	P/E	15.0	158,496
AIoT and lifestyle products	94,541	28%	8,461	P/E	15.0	126,910
Internet services	33,226	37%	11,447	P/E	15.0	171,705
Others	3,504	0%	59	P/E	10.0	585
EV (FY25E)	43,849			P/S	0.75	32,887
			30,533			490,583
Investment (RMB mn)						68,000
Total (RMB mn)						558,583
No of shares (mn)						24,885
TP (RMB)						22.45
TP (HK\$)						24.40

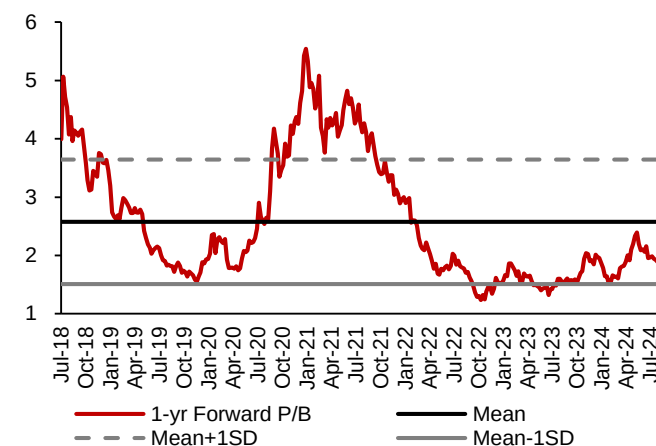
Source: Company data, CMBIGM estimates

Figure 13: 12M forward P/E band



Source: Bloomberg, CMBIGM

Figure 14: 12M forward P/B band



Source: Bloomberg, CMBIGM

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	328,309	280,044	270,970	340,915	384,924	421,750
Cost of goods sold	(270,048)	(232,467)	(213,494)	(269,658)	(304,054)	(330,656)
Gross profit	58,261	47,577	57,476	71,257	80,870	91,095
Selling expense	(20,981)	(21,323)	(19,227)	(24,024)	(26,560)	(29,101)
Admin expense	(4,739)	(5,114)	(5,127)	(5,713)	(6,736)	(7,381)
R&D expense	(13,167)	(16,028)	(19,098)	(23,154)	(25,405)	(26,570)
Other income	827	1,136	740	983	983	983
Gain/loss on financial assets at FVTPL	8,132	(1,662)	3,501	(1,752)	(1,752)	(1,752)
Investment gain/loss	275	(400)	46	346	346	346
EBIT	26,029	2,816	20,009	18,783	22,746	28,620
Net Interest income/(expense)	(1,612)	1,117	2,002	4,187	4,187	4,187
Foreign exchange gain/loss	(2,580)	(1,369)	1,697	840	1,000	1,000
Others	0	0	0	0	0	0
Pre-tax profit	24,417	3,934	22,011	22,970	26,932	32,807
Income tax	(5,134)	(1,431)	(4,537)	(4,540)	(5,324)	(6,485)
Minority interest	(56)	29	(1)	(46)	(53)	(65)
Net profit	19,283	2,503	17,474	18,429	21,609	26,322
Adjusted net profit	22,039	8,518	19,273	23,355	26,535	31,248
Net dividends	0	0	0	0	0	0
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	185,851	160,415	199,053	228,293	247,087	280,007
Cash & equivalents	23,512	27,607	33,631	22,080	61,978	58,288
Account receivables	23,095	19,625	21,924	31,713	26,324	35,396
Inventories	52,398	50,438	44,423	75,425	59,710	87,248
Prepayment	19,852	18,578	20,079	20,079	20,079	20,079
ST bank deposits	31,041	29,875	52,798	52,798	52,798	52,798
Financial assets at FVTPL	30,910	9,846	20,194	20,194	20,194	20,194
Other current assets	5,045	4,446	6,005	6,005	6,005	6,005
Non-current assets	107,040	113,092	125,195	130,019	135,035	140,030
PP&E	6,965	9,138	13,721	18,546	23,561	28,556
Deferred income tax	1,662	2,278	2,161	2,161	2,161	2,161
Investment in JVs & assos	10,231	7,932	6,922	6,922	6,922	6,922
Intangibles	5,579	4,630	8,629	8,629	8,629	8,629
Financial assets at FVTPL	50,114	55,980	60,200	60,200	60,200	60,200
Other non-current assets	32,490	33,134	33,562	33,562	33,562	33,562
Total assets	292,892	273,507	324,247	358,312	382,122	420,037
Current liabilities	115,727	89,628	115,588	131,223	133,424	145,018
Short-term borrowings	5,527	2,151	6,183	6,183	6,183	6,183
Account payables	74,643	53,094	62,099	77,734	79,935	91,529
Tax payable	2,335	1,384	1,838	1,838	1,838	1,838
Other current liabilities	33,222	32,999	45,467	45,467	45,467	45,467
Non-current liabilities	39,732	39,957	44,398	44,398	44,398	44,398
Long-term borrowings	20,720	21,493	21,674	21,674	21,674	21,674
Deferred income	1,203	983	1,494	1,494	1,494	1,494
Other non-current liabilities	17,809	17,480	21,230	21,230	21,230	21,230
Total liabilities	155,459	129,584	159,986	175,622	177,822	189,416
Share capital	407	406	407	407	407	407
Other reserves	137,212	143,658	163,995	182,470	204,132	230,519
Total shareholders equity	137,432	143,923	164,262	182,691	204,300	230,621
Minority interest	220	265	266	221	167	102
Total equity and liabilities	292,892	273,507	324,247	358,312	382,122	420,037

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	24,417	3,934	22,011	22,970	26,932	32,807
Depreciation & amortization	3,062	3,707	(1,383)	1,994	2,683	3,439
Tax paid	(2,442)	(3,420)	(4,083)	(4,540)	(5,324)	(6,485)
Change in working capital	(15,725)	(21,255)	25,862	(25,156)	23,304	(25,016)
Others	474	12,644	(1,107)	0	0	0
Net cash from operations	9,785	(4,390)	41,300	(4,733)	47,597	4,745
Investing						
Capital expenditure	(7,169)	(5,800)	(3,200)	(6,818)	(7,698)	(8,435)
Acquisition of subsidiaries/ investments	(1,086)	(25)	0	0	0	0
Net proceeds from disposal of short-term investments	166,947	23,136	0	0	0	0
Others	(203,699)	(1,763)	(31,969)	0	0	0
Net cash from investing	(45,008)	15,549	(35,169)	(6,818)	(7,698)	(8,435)
Financing						
Net borrowings	9,227	(2,791)	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(7,007)	(2,386)	0	0	0	0
Others	2,278	(2,677)	(505)	0	0	0
Net cash from financing	4,499	(7,855)	(505)	0	0	0
Net change in cash						
Cash at the beginning of the year	55,580	24,339	27,607	33,631	22,080	61,978
Exchange difference	791	398	0	0	0	0
Cash at the end of the year	24,339	27,607	33,631	22,080	61,978	58,288
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	33.5%	(14.7%)	(3.2%)	25.8%	12.9%	9.6%
Gross profit	58.5%	(18.3%)	20.8%	24.0%	13.5%	12.6%
EBIT	8.3%	(89.2%)	610.4%	(6.1%)	21.1%	25.8%
Net profit	(5.1%)	(87.0%)	598.3%	5.5%	17.3%	21.8%
Adj. net profit	69.5%	(61.4%)	126.3%	21.2%	13.6%	17.8%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	17.7%	17.0%	21.2%	20.9%	21.0%	21.6%
Adj. net profit margin	6.7%	3.0%	7.1%	6.9%	6.9%	7.4%
Return on equity (ROE)	14.8%	1.8%	11.3%	10.6%	11.2%	12.1%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	1.0	0.7	0.8	0.8	0.6	na
Current ratio (x)	1.6	1.8	1.7	1.7	1.9	1.9
Receivable turnover days	15.6	19.4	16.1	12.0	12.0	12.0
Inventory turnover days	63.6	80.7	81.1	45.4	45.4	45.4
Payable turnover days	99.2	100.3	98.5	94.6	94.6	94.6
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	20.7	46.8	20.7	17.1	15.1	12.8
P/E (diluted)	18.2	46.8	20.7	17.1	15.1	12.8
P/B	2.9	2.8	2.4	2.2	2.0	ns
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

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