

# Xiaomi (1810 HK)

## Solid 5G roadmap; Maintain Hold on fair valuation

Xiaomi delivered in-line 3Q19 revenue with 6% YoY, while adj. NP grew 20% YoY, 18%/17% above our/consensus estimates, thanks to better GPM in smartphone/IoT segment and higher investment income. Despite near-term headwinds in ads/mobile, we are increasingly positive on mgmt. strategy in 5G product roadmap and overseas expansion in 2020. We raised FY19-21E EPS by 4-8% to reflect better GPM in smartphone and internet service. Maintain Hold as we think valuation of 17.2x FY20E P/E is fair before shipment recovery in 2Q20E.

- Margin expansion despite slower growth.** Xiaomi posted revenue growth of 6% YoY in 3Q19, thanks to IoT/internet services growth of 44%/12% YoY which is offset by 7.8% decline in smartphone. GPM climbed to 15.3% (vs 14% for CMBI/cons est.) as smartphone/IoT GPM improved YoY to 9%/12.8% (vs 8.1%/11.2% in 2Q), resulting in stronger adj. NP growth of 20% YoY.
- Smartphone share loss continued; Expect 5G recovery with 8-9% GPM.** Smartphone fell 7.8% YoY (vs +5% in 2Q), due to 3.5% shipment decline and 4.3% ASP drop (China/overseas +4.6%/-4.1% YoY). Thanks to prudent inventory management and 5G first-mover advantage, mgmt. is confident to achieve GPM of 8-9% in FY20-21E, which is positive to the stock in our view.
- Internet: fintech takes off but slower ads dragged margin.** Internet services decelerated to 12% YoY due to weak ads offsetting strong VAS. While revenue outside China ad/gaming accounted for 37% of internet sales, mgmt. expects more diversified revenue from fintech. GPM declined to 62.9% due to lower-margin fintech and pilot test of advertising network. Mgmt. guided 60% GPM in near future, easing concern on continued pressure.
- Well-positioned to capture 5G cycle.** Xiaomi has been preparing for 5G since 2017 and debut two 5G models in 2019 in Sept. Looking ahead, Xiaomi anticipates China will account for 40-50% of the 5G global market and plans to launch 1) 10+ 5G models in 2020, and 2) sub-RMB1,000 models and IoT mass adoption in 2021-22. We believe Xiaomi's pricing strategy and solid IoT pipeline will offer distinct competitive advantage in 5G market in 2020.
- Maintain Hold with new TP of HK\$9.12.** We lifted our FY19-21 EPS by 4-8% to reflect better GPM. Overall, we maintain our neutral view mainly due to rich valuation at 17.2x FY20E P/E. Our new TP of HK\$9.12 is based on same 18x FY20E P/E. Upside risks include better shipment and margin recovery.

### Earnings Summary

(YE31Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue (RMB mn)	114,625	174,915	198,723	241,959	287,819
YoY growth (%)	67.5	52.6	13.6	21.8	19.0
Adj. Net income (RMB mn)	5,362	8,743	11,906	13,437	16,201
Adj. EPS (RMB)	-	0.54	0.50	0.56	0.68
YoY growth (%)	-	-	(8.0)	12.9	20.6
P/E (x)	-	14.4	19.4	17.2	14.3
P/B (x)	(0.6)	1.8	2.3	2.0	1.7
Yield (%)	-	-	-	-	-
ROE (%)	34	19	11.7	13.9	14.4
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, CMBIS estimates

### HOLD (Maintain)

Target Price	HK\$9.12
(Previous TP)	HK\$8.40
Upside	4.0%
Current Price	HK\$8.73

### China Technology Sector

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#### Stock Data

Mkt. Cap. (HK\$m)	209,913
Avg. 3mths t/o (HK\$m)	752.39
52W High/Low (HK\$)	14.98/8.28
Total Issued Shares (mn)	17,385

Source: Bloomberg

#### Shareholding Structure

Smart Mobile	12.92%
Morningside China TMT	10.12%
Apoletto Ltd	4.92%

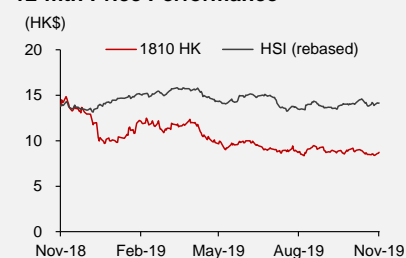
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	-4.9%	-5.7%
3-mth	-0.9%	-5.5%
6-mth	-11.8%	-10.3%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: PricewaterhouseCoopers

#### Recent Reports:

Xiaomi (1810 HK, Hold) - 3Q19 preview: Mobile/Ads slowdown to persist – 25 Nov 2019

## Earnings Revision

Figure: 3Q19 results review

RMB mn	3Q18	2Q19	3Q19	QoQ	YoY	CMBI		Consensus	
						3Q19E	Diff %	3Q19E	Diff %
Revenue	50,846	51,951	53,661	18.7%	5.5%	53,767	-0.2%	53,300	1%
Gross Profit	6,578	7,259	8,236	39.2%	25.2%	7,518	9.6%	7,431	11%
Operating Profit	2,211	2,336	3,113	-35.4%	40.8%	2,313	34.6%	2,843	9%
Adj. net profit	2,885	3,635	3,472	74.7%	20.3%	2,937	18.2%	2,955	17%
Adj. EPS (RMB)	0.14	0.15	0.15	-4.5%	7.9%	0.12	18.2%	0.12	19%
<b>Gross Margin</b>	12.9%	14.0%	15.3%	2.1 ppt	2.4 ppt	14.0%	1.4 ppt	13.9%	1.4 ppt
<b>Operating Margin</b>	4.3%	4.5%	5.8%	-3.8 ppt	1.5 ppt	4.3%	1.5 ppt	5.3%	0.5 ppt
<b>Adj. Net Margin</b>	5.7%	7.0%	6.5%	2.2 ppt	0.8 ppt	5.5%	1 ppt	5.5%	0.9 ppt

Source: Company data, Bloomberg, CMBIS

Figure 1: Revenue breakdown

RMB mn	FY17	FY18	1Q19	2Q19	3Q19	4Q19E	FY19E	FY20E	FY21E
<b>Smart phones</b>	<b>80,564</b>	<b>113,800</b>	<b>27,009</b>	<b>32,021</b>	<b>32,268</b>	<b>22,948</b>	<b>114,246</b>	<b>128,100</b>	<b>137,500</b>
... YoY	65%	41%	16%	5%	-8%	-8%	0%	12%	7%
<b>IoT and lifestyle products</b>	<b>23,448</b>	<b>43,817</b>	<b>12,043</b>	<b>14,945</b>	<b>15,606</b>	<b>21,461</b>	<b>64,055</b>	<b>89,026</b>	<b>119,627</b>
... YoY	89%	87%	56%	44%	44%	44%	46%	39%	34%
Smart TVs and laptops	8,300	18,200	5,113	5,500	5,770	9,310	25,694	33,402	41,752
... YoY		119%	58%	32%	37%	42%	41%	30%	25%
Other IoTs	15,148	25,617	6,929	9,445	9,836	12,151	38,362	55,625	77,874
... YoY		69%	55%	52%	50%	45%	50%	45%	40%
<b>Internet services</b>	<b>9,896</b>	<b>15,956</b>	<b>4,257</b>	<b>4,580</b>	<b>5,309</b>	<b>4,500</b>	<b>18,646</b>	<b>22,525</b>	<b>27,693</b>
... YoY	51%	61%	32%	16%	12%	11%	17%	21%	23%
Advertising services	5,614	10,100	2,283	2,505	2,912	2,400	10,100	10,403	10,923
... YoY	46%	80%	22%	-0.6%	-9%	-5%	0%	3%	5%
Internet value-added services	4,282	5,855	1,975	2,075	2,397	2,100	8,547	12,123	16,770
... YoY	59%	37%	45%	42%	57%	39%	46%	42%	38%
<b>Others</b>	<b>717</b>	<b>1,343</b>	<b>448</b>	<b>405</b>	<b>477</b>	<b>444</b>	<b>1,775</b>	<b>2,307</b>	<b>2,999</b>
... YoY	0%	87%	83%	2%	45%	20%	32%	30%	30%
<b>Total</b>	<b>114,625</b>	<b>174,915</b>	<b>43,757</b>	<b>51,951</b>	<b>53,661</b>	<b>49,354</b>	<b>198,723</b>	<b>241,959</b>	<b>287,819</b>
... YoY		53%	27%	15%	6%	11%	14%	22%	19%
<b>Gross Margin</b>									
Smart phones	8.8%	6.2%	3.3%	8.1%	9.0%	8.0%	7.2%	7.5%	7.2%
IoT and lifestyle products	8.3%	10.3%	12.0%	11.2%	12.8%	11.0%	11.7%	11.3%	11.3%
Internet services	60.2%	64.4%	67.4%	65.6%	62.9%	61.0%	64.2%	61.0%	60.0%
Others	19.7%	27.3%	2.7%	-2.0%	0.7%	3.0%	1.2%	2.0%	2.0%
<b>Total</b>	<b>13.2%</b>	<b>12.7%</b>	<b>11.9%</b>	<b>14.0%</b>	<b>15.3%</b>	<b>14.1%</b>	<b>13.9%</b>	<b>13.8%</b>	<b>13.9%</b>

Source: Company data, CMBIS

## Our FY20-21E EPS are 3-7% below consensus

We lifted FY19-21E EPS by 7%/8%/4% to reflect better GPM. Our FY20-21E EPS are 3-7% below consensus given our more conservative view on smartphone and advertising growth.

**Figure 2: Earnings revision**

RMB mn	New			Old			Change (%)		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	198,723	241,959	287,819	201,717	242,065	286,037	-1%	0%	1%
Gross Profit	27,666	33,454	40,094	26,969	32,867	39,820	3%	2%	1%
Operating Profit	11,008	14,424	17,195	9,956	12,910	16,159	11%	12%	6%
Adj. net profit	11,906	13,437	16,201	11,138	12,412	15,593	7%	8%	4%
Adj. EPS (RMB)	0.50	0.56	0.68	0.47	0.52	0.66	7%	8%	4%
Gross Margin	13.9%	13.8%	13.9%	13.37%	13.58%	13.9%	0.6 ppt	0.2 ppt	0 ppt
Operating Margin	5.5%	6.0%	6.0%	4.94%	5.33%	5.6%	0.6 ppt	0.6 ppt	0.3 ppt
Adj. Net Margin	6.0%	5.6%	5.6%	5.52%	5.13%	5.5%	0.5 ppt	0.4 ppt	0.2 ppt

Sources: Company data, CMBIS

**Figure 3: CMBI estimates vs consensus**

RMB mn	CMBI			Consensus			Diff (%)		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	198,723	241,959	287,819	208,745	256,744	311,002	-5%	-6%	-7%
Gross Profit	27,666	33,454	40,094	28,015	35,344	43,355	-1%	-5%	-8%
Operating Profit	11,008	14,424	17,195	11,239	13,616	17,711	-2%	6%	-3%
Adj. net profit	11,906	13,437	16,201	11,045	13,413	16,649	8%	0%	-3%
Adj. EPS (RMB)	0.50	0.56	0.68	0.48	0.58	0.73	5%	-3%	-7%
Gross Margin	13.9%	13.8%	13.9%	13.4%	13.8%	13.9%	0.5 ppt	0.1 ppt	0 ppt
Operating Margin	5.5%	6.0%	6.0%	5.4%	5.3%	5.7%	0.2 ppt	0.7 ppt	0.3 ppt
Adj. Net Margin	6.0%	5.6%	5.6%	5.3%	5.2%	5.4%	0.7 ppt	0.3 ppt	0.3 ppt

Source: Bloomberg, CMBIS

**Figure 4: P&L forecast**

RMB mn	FY17	FY18	1Q19	2Q19	3Q19	4Q19E	FY19E	FY20E	FY21E
<b>Revenue</b>	<b>114,625</b>	<b>174,915</b>	<b>43,757</b>	<b>51,951</b>	<b>53,661</b>	<b>49,354</b>	<b>198,723</b>	<b>241,959</b>	<b>287,819</b>
...YoY	67%	53%	27%	15%	6%	11%	14%	22%	19%
Cost of sales	(99,471)	(152,723)	(38,541)	(44,692)	(45,425)	(42,399)	(171,057)	(208,505)	(247,725)
<b>Gross profit</b>	<b>15,154</b>	<b>22,192</b>	<b>5,216</b>	<b>7,259</b>	<b>8,236</b>	<b>6,955</b>	<b>27,666</b>	<b>33,454</b>	<b>40,094</b>
GPM (%)	13.2%	12.7%	11.9%	14.0%	15.3%	14.1%	13.9%	13.8%	13.9%
...YoY	109%	46%	21%	28%	25%	23%	25%	21%	20%
SG&A	(6,448)	(20,092)	(2,477)	(3,019)	(3,381)	(2,956)	(11,832)	(13,913)	(16,406)
...% of rev	-5.6%	-11.5%	-5.7%	-5.8%	-6.3%	-6.0%	-6.0%	-5.8%	-5.7%
R&D	(3,151)	(5,777)	(1,651)	(1,556)	(2,033)	(1,727)	(6,967)	(7,259)	(8,635)
...% of rev	-2.7%	-3.3%	-3.8%	-3.0%	-3.8%	-3.5%	-3.5%	-3.0%	-3.0%
<b>Operating profit</b>	<b>12,215</b>	<b>1,196</b>	<b>3,614</b>	<b>2,336</b>	<b>3,113</b>	<b>1,945</b>	<b>11,008</b>	<b>14,424</b>	<b>17,195</b>
OPM (%)	10.7%	0.7%	8.3%	4.5%	5.8%	3.9%	5.5%	6.0%	6.0%
...YoY	223%	-90%	7%	-131%	41%	-39%	820%	31%	19%
<b>Adj. net profit</b>	<b>5,362</b>	<b>8,555</b>	<b>2,081</b>	<b>3,635</b>	<b>3,472</b>	<b>2,501</b>	<b>11,906</b>	<b>13,437</b>	<b>16,201</b>
NPM (%)	4.7%	4.9%	4.8%	7.0%	6.5%	5.1%	6.0%	5.6%	5.6%
...YoY	183%	60%	22%	72%	20%	35%	39%	13%	21%

Source: Company data, CMBIS

## Valuation

### Maintain HOLD; TP revised to HK\$9.12

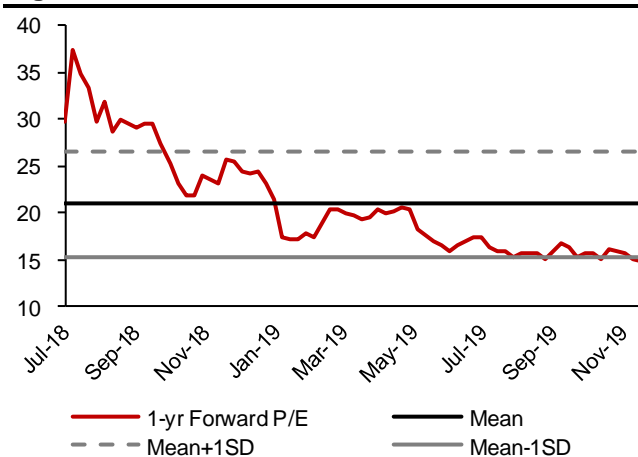
Our new 12m TP of HK\$ 9.12 is based on same 18x FY20E P/E. We think it is justified given challenging smartphone market, product transition into AIoT, and advertising slowdown. Trading at 17.2x FY20E P/E, we view the stock is fairly valued and maintain HOLD rating on the stock.

Figure 5: Peers' valuation

Company	Ticker	Rating	Market Cap US\$(mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
<b>HK-listed</b>												
Xiaomi	1810 HK	Hold	26,814	8.7	9.12	4%	19.4	17.2	2.3	2.0	11.7	13.9
Sunny Optical	2382 HK	Buy	17,696	126.3	140.0	11%	36.1	24.8	10.4	8.1	28.9	32.4
AAC Tech	2018 HK	Sell	8,460	54.8	29.6	-46%	30.4	23.1	3.0	2.8	9.9	12.0
BYDE	285 HK	Buy	4,237	14.7	15.0	2%	20.0	15.5	1.8	1.6	8.8	10.3
FIT Hon Teng	6088 HK	Buy	2,330	2.7	3.8	40%	8.9	7.8	1.1	1.0	12.1	12.2
Tongda	698 HK	Buy	497	0.6	0.9	52%	4.6	3.9	0.5	0.5	11.7	12.8
Q tech	1478 HK	Buy	1,751	12.0	9.5	-21%	29.5	22.7	4.8	4.1	16.4	18.0
TK Group	2283 HK	Buy	382	3.6	4.1	14%	7.8	6.5	2.3	2.3	29.7	35.7
<b>Average</b>							<b>20.9</b>	<b>16.2</b>	<b>3.4</b>	<b>2.9</b>	<b>14.5</b>	<b>15.9</b>
<b>Smartphone</b>												
Apple	AAPL US	NR	1,174,311	264.3	NA	NA	22.6	20.2	13.5	17.6	57.1	72.7
Lenovo	992 HK	NR	8,211	5.4	NA	NA	13.7	10.7	2.0	1.9	15.7	19.8
Samsung	005930 KS	NR	264,904	52,200	NA	NA	16.1	12.4	1.4	1.3	8.6	10.6
LG Elec	066570 KS	NR	9,947	71,500	NA	NA	14.4	8.7	0.8	0.8	6.2	9.1
<b>Average</b>							<b>16.7</b>	<b>13.0</b>	<b>4.4</b>	<b>5.4</b>	<b>21.9</b>	<b>28.1</b>
<b>IoT</b>												
Skyworth	751 HK	NR	848	2.2	NA	NA	9.3	6.6	0.3	0.3	3.8	4.9
Hisense	600060 CH	NR	1,747	9.4	NA	NA	41.3	28.1	0.9	0.8	2.5	2.9
Midea	000333 CH	NR	54,461	55.1	NA	NA	15.7	13.9	3.8	3.2	25.0	24.4
Gree	000651 CH	NR	49,365	57.6	NA	NA	12.3	11.1	3.2	2.8	27.6	26.4
Huami	HMI US	NR	628	10.2	NA	NA	8.1	7.3	1.9	1.4	-	-
Fitbit	FIT US	NR	1,792	6.9	NA	NA	-	-	3.1	3.6	-	-
<b>Average</b>							<b>17.3</b>	<b>13.4</b>	<b>2.2</b>	<b>2.0</b>	<b>14.7</b>	<b>14.7</b>
<b>Internet</b>												
Tencent	700 HK	NR	408,764	335.0	NA	NA	30.4	25.3	6.8	5.5	25.0	23.7
Alibaba	BABA US	NR	520,501	194.7	NA	NA	37.3	26.7	7.4	5.5	16.0	21.8
Baidu	BIDU US	NR	41,095	118.6	NA	NA	22.2	17.5	1.8	1.7	4.2	8.6
JD	JD US	NR	47,777	32.9	NA	NA	32.3	23.6	4.4	3.7	13.0	14.5
<b>Average</b>							<b>30.6</b>	<b>23.3</b>	<b>5.1</b>	<b>4.1</b>	<b>14.5</b>	<b>17.1</b>

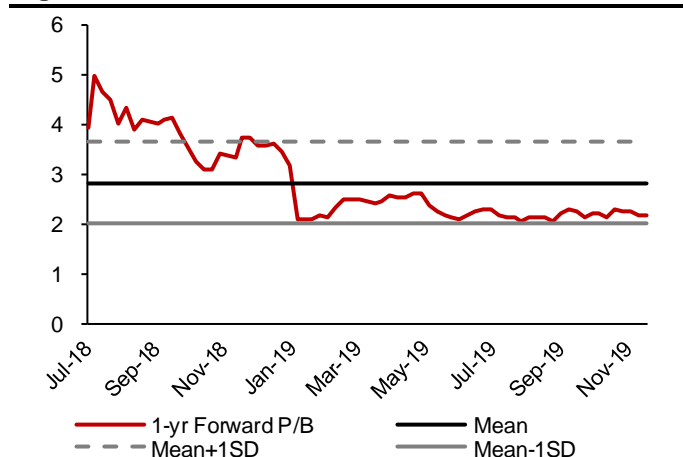
Source: Bloomberg, CMBIS

Figure 6: 12M forward P/E band



Source: Bloomberg, CMBIS

Figure 7: 12M forward P/B band



Source: Bloomberg, CMBIS

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Revenue</b>	<b>114,625</b>	<b>174,915</b>	<b>198,723</b>	<b>241,959</b>	<b>287,819</b>
COGS	(99,471)	(152,723)	(171,057)	(208,505)	(247,725)
<b>Gross profit</b>	<b>15,154</b>	<b>22,192</b>	<b>27,666</b>	<b>33,454</b>	<b>40,094</b>
Selling and marketing	(5,232)	(7,993)	(8,942)	(10,646)	(12,664)
Administrative	(1,216)	(12,099)	(2,890)	(3,266)	(3,742)
R&D	(3,151)	(5,777)	(6,967)	(7,259)	(8,635)
Other operating exp.	6,660	4,874	2,142	2,142	2,142
<b>Operating profit</b>	<b>12,215</b>	<b>1,196</b>	<b>11,008</b>	<b>14,424</b>	<b>17,195</b>
Financial cost	27	216	557	664	1,071
Other income/(losses)	(54,072)	12,514	0	0	(0)
<b>Pre-tax profit</b>	<b>(41,829)</b>	<b>13,927</b>	<b>11,565</b>	<b>15,089</b>	<b>18,266</b>
Tax	(2,060)	(449)	(2,097)	(1,962)	(2,375)
Minority interest	(63)	(76)	61	85	103
<b>Net profit</b>	<b>(43,826)</b>	<b>13,554</b>	<b>9,406</b>	<b>13,042</b>	<b>15,788</b>
<b>Adj. Net profit</b>	<b>5,362</b>	<b>8,743</b>	<b>11,906</b>	<b>13,437</b>	<b>16,201</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Profit before taxation</b>	(41,829)	13,927	11,565	15,089	18,266
Depreciation	361	748	717	1,070	1,491
Change in working capital	(7,283)	(13,396)	10,669	(3,408)	10,975
Others	47,756	(2,693)	(2,097)	(1,962)	(2,375)
<b>Net cash from operating</b>	<b>(996)</b>	<b>(1,415)</b>	<b>20,853</b>	<b>10,789</b>	<b>28,357</b>
Capex	(1,216)	(3,758)	(3,974)	(4,839)	(5,756)
Other	(1,461)	(3,750)	-	-	-
<b>Net cash from investing</b>	<b>(2,678)</b>	<b>(7,508)</b>	<b>(3,974)</b>	<b>(4,839)</b>	<b>(5,756)</b>
Net bank borrowings	6,644	(236)	-	-	-
Dividend paid	-	-	-	-	-
Other	(429)	26,810	-	-	-
<b>Net cash from financing</b>	<b>6,215</b>	<b>26,574</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in cash</b>	<b>2,542</b>	<b>17,652</b>	<b>16,879</b>	<b>5,950</b>	<b>22,600</b>
Cash at beginning of the yr	9,230	11,563	30,230	47,109	53,059
Exchange difference	(209)	1,015	-	-	-
<b>Cash at the end of the year</b>	<b>11,563</b>	<b>30,230</b>	<b>47,109</b>	<b>53,059</b>	<b>75,659</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Current assets</b>	<b>61,138</b>	<b>106,013</b>	<b>108,351</b>	<b>140,999</b>	<b>149,672</b>
Cash & equivalents	11,563	30,230	47,109	53,059	75,659
Account receivables	5,470	5,598	7,506	8,450	10,531
Inventories	16,343	29,481	13,032	38,787	22,779
ST bank deposits	225	1,366	1,366	1,366	1,366
Other	27,538	39,337	39,337	39,337	39,337
<b>Non-current assets</b>	<b>28,731</b>	<b>39,215</b>	<b>42,473</b>	<b>46,242</b>	<b>50,508</b>
PPE	1,731	5,068	8,326	12,095	16,361
Deferred income tax	592	1,312	1,312	1,312	1,312
Intangibles	2,274	2,061	2,061	2,061	2,061
Other	24,135	30,774	30,774	30,774	30,774
<b>Total assets</b>	<b>89,870</b>	<b>145,228</b>	<b>150,824</b>	<b>187,241</b>	<b>200,180</b>
<b>Current liabilities</b>	<b>47,133</b>	<b>61,940</b>	<b>58,068</b>	<b>81,359</b>	<b>78,406</b>
Short-term borrowings	3,551	3,075	3,075	3,075	3,075
Account payables	34,003	46,287	42,415	65,706	62,753
Tax payable	421	662	662	662	662
Other	9,157	11,916	11,916	11,916	11,916
<b>Non-current liabilities</b>	<b>169,948</b>	<b>12,038</b>	<b>12,038</b>	<b>12,038</b>	<b>12,038</b>
Long-term borrowings	7,251	7,856	7,856	7,856	7,856
Deferred tax liability	1,019	778	778	778	778
Other	161,678	3,404	3,404	3,404	3,404
<b>Total liabilities</b>	<b>217,080</b>	<b>73,978</b>	<b>70,106</b>	<b>93,396</b>	<b>90,444</b>
Share capital	0	0	0	0	0
Reserves	(127,273)	71,323	80,729	93,771	109,559
Minority interest	62	(73)	(11)	74	177
<b>Shareholders' equity</b>	<b>(127,211)</b>	<b>71,250</b>	<b>80,718</b>	<b>93,845</b>	<b>109,736</b>
<b>Total equity/liabilities</b>	<b>89,870</b>	<b>145,228</b>	<b>150,824</b>	<b>187,241</b>	<b>200,180</b>

### Key ratios

YE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Sales mix (%)</b>					
Smart phones	70	65	57	53	48
IoT and lifestyle products	20	25	32	37	42
Internet services	9	9	9	9	10
Others	1	1	1	1	1
<b>Growth (%)</b>					
Revenue	67.5	52.6	13.6	21.8	19.0
Gross profit	109.0	46.4	24.7	20.9	19.8
Operating profit	222.7	-	820.0	31.0	19.2
Adj. Net profit	-	63.1	36.2	12.9	20.6
<b>Profit &amp; loss ratio (%)</b>					
Gross margin	13.2	12.7	13.9	13.8	13.9
Operating margin	10.7	0.7	5.5	6.0	6.0
Net profit margin	(38.2)	7.7	4.7	5.4	5.5
<b>Balance sheet ratio</b>					
Net debt/total equity (x)	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	1.3	1.7	1.9	1.7	1.9
Receivable turnover days	30	32	30	30	30
Inventory turnover days	8	7	8	8	8
Payable turnover days	4	4	4	4	4
<b>Profitability (%)</b>					
ROE	34.5	19.0	11.7	13.9	14.4
ROA	(48.8)	9.3	6.2	7.0	7.9
<b>Per share data (RMB)</b>					
Adj. EPS		0.54	0.50	0.56	0.68
DPS	-	-	-	-	-

Source: Company data, CMBIS estimates



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