

Xiaomi (1810 HK)

4Q25 better than feared; Positive on AI investment to bear fruit in 2026-27

Xiaomi's 4Q25 results were better than feared, with revenue/adj. net profit growth of +7%/-24% YoY, 1%/10% above Bloomberg consensus estimates, thanks to better smartphone ASP (+7% YoY), smart EV's stronger operating income and better operating leverage. Looking into FY26E, while smartphone/auto industry headwinds remain in near term, we believe Xiaomi is well-positioned to strengthen its industry leadership given its solid execution in premiumization strategy, IoT overseas expansion, share gains of new-gen SU7/YU7 and leading multi-modal AI capability. Overall, we lower our FY26-27E NP by 4-9% to factor in 4Q25 results and weaker GPM in FY26-27E. Our new SOTP-based TP of HK\$44.47 implies 29.5x/23.9x FY26/27E P/E. Reiterate BUY.

■ **4Q25 better than feared on better smartphone mix, EV momentum and resilient internet.** Xiaomi's 4Q25 revenue/adj.net profit growth of +7%/-24% YoY is better-than-feared, being 1%/10% above consensus and 2%/18% above our estimates. By segment: 1) smartphone: revenue was -14% YoY due to weaker shipments (-12%) despite ASP hikes (+7%), and lower GPM of 8.3% (vs 11.1% in 3Q) given higher memory cost; 2) IoT: revenue was down 20% YoY due to fading subsidy impact in China, despite stronger tablets/TVs in overseas markets; 3) Smart EV: revenue climbed 122% YoY with 145k deliveries and ASP +6.6% YoY. In particular, EV's operating income continued to improve to RMB 1.1bn in 4Q (vs. RMB 0.7bn in 3Q).

■ **2026 outlook: SP premiumization, EV model launches, IoT overseas expansion and AI initiatives to accelerate.** During earnings call, despite auto/smartphone demand weakness in near term, mgmt. is confident to navigate the headwinds and enhance industry leadership: 1) Memory cost: LTA with suppliers and no supply shortage concerns, and limited impact on IoT/EV. 2) Smart EV: 550k delivery target in 2026 and overseas expansion in 2027 on track. 3) IoT: overseas TAM (ex. NA) is 3 times that of China, and overseas expansion will accelerate in 2026 (target 1k stores vs. 450 in FY25). 4) AI investment: RMB60bn AI spending in 2026-28, and clear AI model roadmap will strengthen ecosystem with AI/OS/chip capabilities.

■ **Accelerated AI developments set to bear fruit in 2026-27; Reiterate BUY.** We adjust our FY26-27E adj. EPS by 4-9% to reflect FY25 results and softer GPM into 2026-27 due to memory cost hikes. Our new SOTP-based TP of HK\$44.47 implies 29.5x/23.9x FY26/27E P/E. Reiterate BUY.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue (RMB mn)	270,970	365,906	457,287	522,288	613,077
YoY growth (%)	(3.2)	35.0	25.0	14.2	17.4
Adjusted net profit (RMB mn)	19,272.8	27,234.5	39,166.3	35,582.9	43,987.8
YoY growth (%)	126.3	41.3	43.8	(9.1)	23.6
EPS (Adjusted) (RMB)	0.77	1.10	1.53	1.39	1.71
Consensus EPS (RMB)	na	na	1.52	1.42	1.82
P/E (x)	37.2	26.3	18.9	20.8	16.8
P/B (x)	4.4	3.8	2.8	2.4	2.1
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	11.3	13.3	18.2	13.3	14.2
Net gearing (%)	76.9	95.3	80.7	63.1	47.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$44.47
(Previous TP)	HK\$47.16)
Up/Downside	36.1%
Current Price	HK\$32.68

China Technology

Alex NG

(852) 3900 0881

alexng@cmbi.com.hk

Hanqing LI

lihanqing@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	690,920.6
Avg 3 mths t/o (HK\$ mn)	5,895.3
52w High/Low (HK\$)	60.15/31.58
Total Issued Shares (mn)	21142.0

Source: FactSet

Shareholding Structure

Lin Bin	8.6%
Smart Mobile Holdings Ltd	8.6%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-8.6%	-3.0%
3-mth	-16.7%	-14.2%
6-mth	-42.6%	-39.2%

Source: FactSet

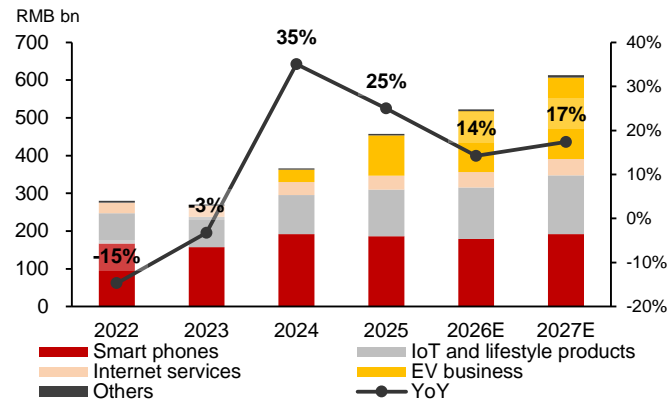
12-mth Price Performance



Source: FactSet

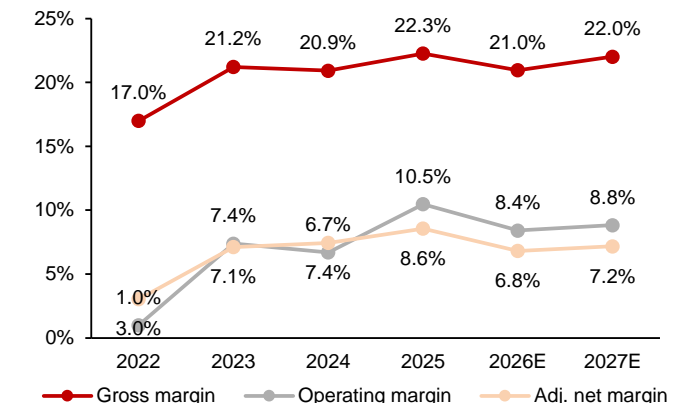
Focus Charts

Figure 1: Xiaomi revenue trend



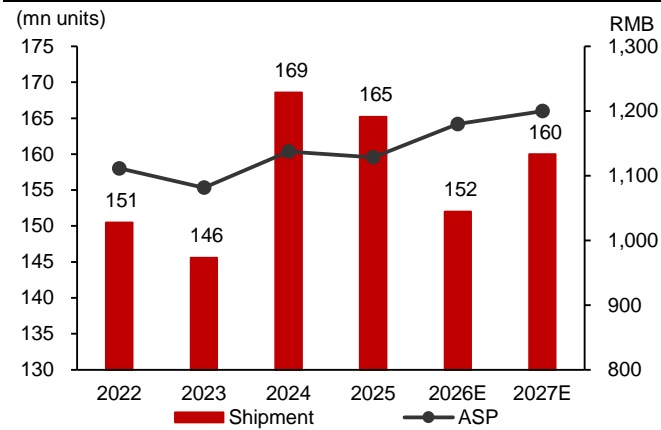
Source: Company data, CMBIGM estimates

Figure 2: Xiaomi margin trend



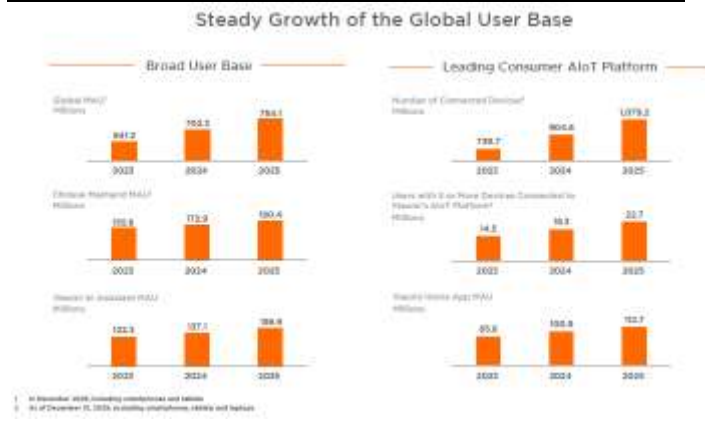
Source: Company data, CMBIGM estimates

Figure 3: Xiaomi smartphone shipment forecast



Source: Company data, CMBIGM estimates

Figure 4: Human x Car x Home Ecosystem



Source: Company data, CMBIGM

Figure 5: Xiaomi's new retail network globally



Source: Company data, CMBIGM

Figure 6: Xiaomi's EV sales network expansion



Source: Company data, CMBIGM

4Q25 Review

Figure 7: 4Q25 results review

RMB mn	4Q24	3Q25	4Q25	QoQ	YoY	Consensus		CMBIGM	
						4Q25E	Diff %	4Q25E	Diff %
Revenue	109,005	113,121	116,917	3.4%	7%	116,305	1%	114,356	2%
Gross profit	22,455	25,936	24,363	-6.1%	8%	24,361	0%	24,333	0%
Operating profit	8,890	15,110	6,229	-58.8%	-30%	6,237	0%	8,124	-23%
Adj. net profit	8,316	11,311	6,349	-43.9%	-24%	5,780	10%	5,365	18%
Adj. EPS (RMB)	0.33	0.44	0.25	-43.9%	-27%	0.23	4%	0.21	18%
Gross margin	20.6%	22.9%	20.8%	-2.1 ppt	0.2 ppt	20.9%	-0.1 ppt	21.3%	-0.4 ppt
Operating margin	8.2%	13.4%	5.3%	-8 ppt	-2.8 ppt	5.4%	0 ppt	7.1%	-1.8 ppt
Adj. net margin	7.6%	10.0%	5.4%	-4.6 ppt	-2.2 ppt	5.0%	0.5 ppt	4.7%	0.7 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 8: Revenue breakdown

RMB mn	FY24	1Q25	2Q25	3Q25	4Q25	FY25	FY26E	FY27E
Smart phones	191,756	50,612	45,520	45,969	44,339	186,440	179,360	192,000
...YoY	22%	9%	-2%	-3%	-14%	-3%	-4%	7%
Shipments (000 units)	168,600	41,800	42,400	43,300	37,700	165,200	152,000	160,000
...YoY	16%	3%	0%	0%	-12%	-2%	-8%	5%
ASP (RMB)	1,137	1,211	1,073	1,063	1,202	1,129	1,180	1,200
...YoY	5.2%	5.8%	-2.6%	-3.5%	7.4%	-0.8%	4.6%	1.7%
IoT and lifestyle products	104,104	32,339	38,712	27,552	24,597	123,200	136,523	155,613
...YoY	30%	59%	45%	6%	-20%	18%	11%	14%
Smart TVs and laptops	22,055	6,752	6,652	5,783	6,069	25,256	27,781	30,559
...YoY	13%	45%	40%	5%	-15%	15%	10%	10%
Other IoTs	81,191	25,588	32,060	21,770	19,440	98,857	108,742	125,054
...YoY	34%	63%	46%	6%	-15%	22%	10%	15%
Internet services	34,115	9,076	9,098	9,380	9,886	37,440	40,300	43,622
...YoY	13%	13%	10%	11%	6%	10%	8%	8%
Advertising services	24,700	6,600	6,832	7,253	7,800	28,485	30,764	33,225
...YoY	20%	20%	15%	17%	10%	15%	8%	8%
Internet value-added	9,610	2,476	2,265	2,128	2,086	8,956	9,536	10,397
...YoY	0%	-3%	-2%	-7%	-7%	-4%	6%	9%
Gaming	4,301	1,200	1,051	1,155	1,051	4,457	4,903	5,393
...YoY	-2%	0%	5%	5%	5%	4%	10%	10%
Other (incl. Youpin fintech, etc.)	5,309	1,276	1,214	973	1,035	4,498	4,633	5,004
...YoY	2%	-5%	-7%	-18%	-16%	-11%	3%	8%
EV Business	32,754	18,580	21,263	29,010	37,216	106,070	161,141	215,885
Shipments (units)	136,854	75,869	81,302	108,796	145,115	411,082	600,000	780,000
ASP (RMB)	234,447	238,301	253,662	260,053	249,846	251,171	258,706	263,881
Others	3,174	686	1,363	1,209	879	4,137	4,964	5,957
...YoY	-4%	13%	40%	53%	10%	30%	20%	20%
Total	365,903	111,293	115,956	113,121	116,917	457,287	522,288	613,077
...YoY	35%	47%	30%	22%	7%	25%	14%	17%
Gross margin								
Smart phones	12.6%	12.4%	11.5%	11.1%	8.3%	10.9%	8.1%	9.0%
IoT and lifestyle products	20.3%	25.2%	22.5%	23.9%	20.1%	23.1%	23.3%	23.5%
Internet services	76.6%	76.9%	75.4%	76.9%	76.8%	76.5%	75.8%	76.0%
EV Business	18.5%	23.2%	26.4%	25.5%	22.7%	24.3%	20.5%	22.5%
Others	-31.0%	-46.5%	-23.3%	-28.9%	-34.4%	-31.1%	-10.0%	-10.0%
Total	20.9%	22.8%	22.5%	22.9%	20.8%	22.3%	21.0%	22.0%

Source: Company data, CMBIGM estimates

Earnings Revision

Figure 9: CMBIGM earnings revision

RMB mn	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	522,288	613,077	516,622	611,379	1%	0%
Gross profit	109,423	134,980	113,527	137,003	-4%	-1%
Operating profit	43,907	54,143	50,092	58,123	-12%	-7%
Adj. net profit	35,583	43,988	39,054	45,719	-9%	-4%
Adj. EPS (RMB)	1.39	1.71	1.51	1.76	-8%	-3%
Gross margin	21.0%	22.0%	22.0%	22.4%	-1 ppt	-0.4 ppt
Operating margin	8.4%	8.8%	9.7%	9.5%	-1.3 ppt	-0.7 ppt
Adj. net margin	6.8%	7.2%	7.6%	7.5%	-0.7 ppt	-0.3 ppt

Source: Company data, CMBIGM estimates

Figure 10: CMBIGM estimates vs consensus

RMB mn	CMBIGM		Consensus		Diff (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	522,288	613,077	517,143	603,793	1%	2%
Gross profit	109,423	134,980	112,117	135,673	-2%	-1%
Operating profit	43,907	54,143	40,233	53,998	9%	0%
Adj. net profit	35,583	43,988	37,570	51,110	-5%	-14%
Adj. EPS (RMB)	1.39	1.71	1.42	1.82	-3%	-6%
Gross margin	21.0%	22.0%	21.7%	22.5%	-0.7 ppt	-0.5 ppt
Operating margin	8.4%	8.8%	7.8%	8.9%	0.6 ppt	-0.1 ppt
Adj. net margin	6.8%	7.2%	7.3%	8.5%	-0.5 ppt	-1.3 ppt

Source: Bloomberg, CMBIGM estimates

Figure 11: P&L forecast

RMB mn	FY24	1Q25	2Q25	3Q25	4Q25	FY25	FY26E	FY27E
Revenue	365,903	111,293	115,956	113,121	116,917	457,287	522,288	613,077
...YoY	35%	47%	30%	22%	7%	25%	14%	17%
Cost of sales	(289,343)	(85,887)	(89,855)	(87,185)	(92,554)	(355,481)	(412,865)	(478,097)
Gross profit	76,560	25,406	26,101	25,936	24,363	101,806	109,423	134,980
GPM (%)	20.9%	22.8%	22.5%	22.9%	20.8%	22.3%	21.0%	22.0%
...YoY	33%	51%	42%	37%	8%	33%	7%	23%
SG&A	(30,991)	(8,730)	(9,405)	(10,158)	(11,492)	(39,785)	(44,394)	(52,725)
...% of rev	-8.5%	-7.8%	-8.1%	-9.0%	-9.8%	-8.7%	-8.5%	-8.6%
R&D	(24,050)	(6,712)	(7,763)	(9,059)	(9,680)	(33,214)	(40,216)	(47,207)
...% of rev	-6.6%	-6.0%	-6.7%	-8.0%	-8.3%	-7.3%	-7.7%	-7.7%
Operating profit	24,503	13,125	13,437	15,110	6,229	47,901	43,907	54,143
OPM (%)	6.7%	11.8%	11.6%	13.4%	5.3%	10.5%	8.4%	8.8%
...YoY	22%	256%	128%	150%	-30%	95%	-8%	23%
Adj. net profit	27,235	10,676	10,831	11,311	6,349	39,166	35,583	43,988
NPM (%)	7.4%	9.6%	9.3%	10.0%	5.4%	8.6%	6.8%	7.2%
...YoY	41%	64%	75%	81%	-24%	44%	-9%	24%

Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with new SOTP-based TP of HK\$44.47

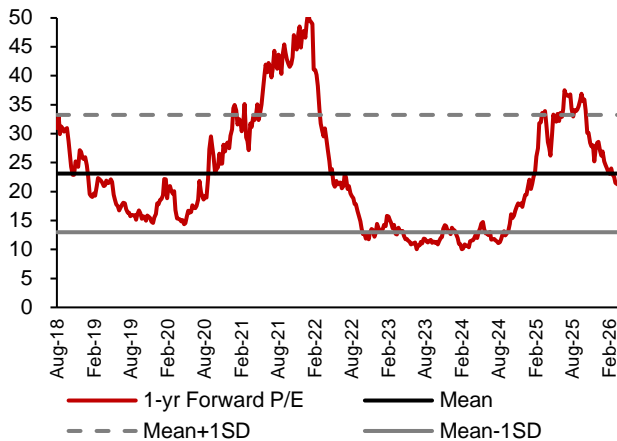
We derive our TP of HK\$44.47 based on the SOTP methodology in order to reflect different growth profiles of Xiaomi's various businesses. We assign same 18x/23x/25x FY25E P/E to its smartphone/AIoT/Internet businesses. For EV business, we assign the same 2.0x FY26E P/S. In addition, we believe our implied target multiple of 29.5x/23.9x FY26E/27E P/E is justified given global share gains in smartphone market, premiumization strategy, IoT overseas expansion, resilient internet business, and EV shipment momentum. Upcoming catalysts include new product launches, and EV capacity expansion.

Figure 12: Xiaomi – SOTP valuation

Business segment	FY26E Rev (RMB mn)	% of FY26E Core NP	FY26E Core NP (RMB mn)	Valuation methodology	Target multiple (x)	Valuation (RMB mn)
Smart phones	179,360	19%	5,417	P/E	18.0	97,507
AIoT and lifestyle products	136,523	42%	11,861	P/E	23.0	272,799
Internet services	40,300	40%	11,390	P/E	25.0	284,750
Others	4,964	-1%	(185)	P/E	25.0	(4,627)
Smart EV (FY26E)	161,141			P/S	2.00	322,281
						972,709
Cash (RMB mn)						26,914
Debt (RMB mn)						(36,124)
Investment (RMB mn)						86,200
Total (RMB mn)						1,049,700
No. of shares (mn)						25,657
TP (RMB)						40.91
TP (HK\$)						44.47

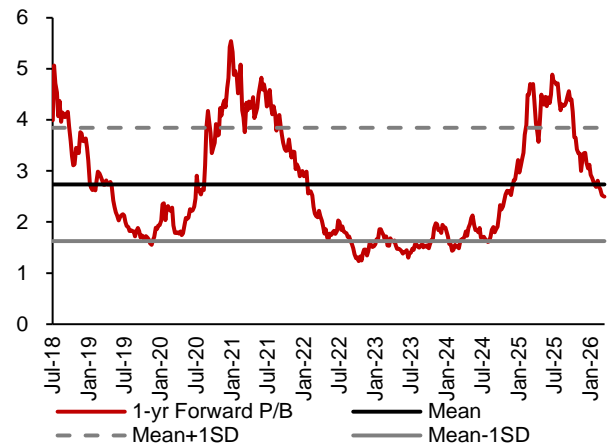
Source: Company data, CMBIGM estimates

Figure 13: 12M forward P/E band



Source: Bloomberg, CMBIGM

Figure 14: 12M forward P/B band



Source: Bloomberg, CMBIGM

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	280,044	270,970	365,906	457,287	522,288	613,077
Cost of goods sold	(232,467)	(213,494)	(289,346)	(355,481)	(412,865)	(478,097)
Gross profit	47,577	57,476	76,560	101,806	109,423	134,980
Selling expense	(21,323)	(19,227)	(25,390)	(33,132)	(36,560)	(42,915)
Admin expense	(5,114)	(5,127)	(5,601)	(6,653)	(7,834)	(9,809)
R&D expense	(16,028)	(19,098)	(24,050)	(33,214)	(40,216)	(47,207)
Other income	1,136	740	1,667	2,737	2,737	2,737
Gain/loss on financial assets at FVTPL	(1,662)	3,501	1,051	13,312	13,312	13,312
Investment gain/loss	(400)	46	277	326	326	326
EBIT	2,816	20,009	24,503	47,901	43,907	54,143
Net Interest income/(expense)	1,117	2,002	3,624	1,746	1,746	1,746
Foreign exchange gain/loss	(1,369)	1,697	(10)	2,720	2,720	2,720
Others	0	0	0	0	0	0
Pre-tax profit	3,934	22,011	28,127	49,647	45,653	55,889
Income tax	(1,431)	(4,537)	(4,548)	(8,080)	(7,670)	(9,501)
Minority interest	29	(1)	(80)	(77)	(70)	(86)
Net profit	2,503	17,474	23,578	41,566	37,983	46,388
Adjusted net profit	8,518	19,273	27,235	39,166	35,583	43,988
Net dividends	0	0	0	0	0	0
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	160,415	199,053	225,709	254,811	293,872	371,759
Cash & equivalents	27,607	33,631	33,661	26,914	51,505	110,507
Account receivables	19,625	21,924	26,850	27,820	39,123	35,083
Inventories	50,438	44,423	62,510	80,989	84,157	107,082
Prepayment	18,578	20,079	29,100	33,726	33,726	33,726
ST bank deposits	29,875	52,798	36,350	51,309	51,309	51,309
Financial assets at FVTPL	9,846	20,194	28,124	29,274	29,274	29,274
Other current assets	4,446	6,005	9,113	4,779	4,779	4,779
Non-current assets	113,092	125,195	177,447	253,285	253,978	255,968
PP&E	9,138	13,721	18,088	27,950	28,643	30,633
Deferred income tax	2,278	2,161	2,782	3,636	3,636	3,636
Investment in JVs & assos	7,932	6,922	6,151	6,268	6,268	6,268
Intangibles	4,630	8,629	8,153	8,319	8,319	8,319
Financial assets at FVTPL	55,980	60,200	62,112	80,881	80,881	80,881
Other non-current assets	33,134	33,562	80,161	126,230	126,230	126,230
Total assets	273,507	324,247	403,155	508,096	547,851	627,727
Current liabilities	89,628	115,588	175,385	192,405	194,177	227,666
Short-term borrowings	2,151	6,183	13,327	13,202	13,202	13,202
Account payables	53,094	62,099	98,281	110,699	112,471	145,960
Tax payable	1,384	1,838	3,822	6,649	6,649	6,649
Other current liabilities	32,999	45,467	59,955	61,855	61,855	61,855
Non-current liabilities	39,957	44,398	38,565	49,367	49,367	49,367
Long-term borrowings	21,493	21,674	17,276	22,921	22,921	22,921
Deferred income	983	1,494	1,282	2,401	2,401	2,401
Other non-current liabilities	17,480	21,230	20,007	24,045	24,045	24,045
Total liabilities	129,584	159,986	213,950	241,773	243,544	277,033
Share capital	406	407	407	426	426	426
Other reserves	143,658	163,995	188,737	266,218	304,272	350,745
Total shareholders equity	143,923	164,262	189,205	266,323	304,306	350,694
Minority interest	265	266	467	105	34	(52)
Total equity and liabilities	273,507	324,247	403,155	508,096	547,851	627,727

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	3,934	22,011	28,127	49,647	45,653	55,889
Depreciation & amortization	3,707	(1,383)	(46)	(4,462)	5,574	7,206
Tax paid	(3,420)	(4,083)	(2,564)	(5,253)	(7,670)	(9,501)
Change in working capital	(21,255)	25,862	(27,493)	(42,662)	(12,699)	14,604
Others	12,644	(1,107)	41,272	36,873	0	0
Net cash from operations	(4,390)	41,300	39,295	34,142	30,858	68,198
Investing						
Capital expenditure	(5,800)	(3,200)	(4,321)	(5,400)	(6,267)	(9,196)
Acquisition of subsidiaries/ investments	(25)	0	0	0	0	0
Net proceeds from disposal of short-term investments	23,136	0	0	0	0	0
Others	(1,763)	(31,969)	(31,065)	(66,278)	0	0
Net cash from investing	15,549	(35,169)	(35,386)	(71,679)	(6,267)	(9,196)
Financing						
Net borrowings	(2,791)	0	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(2,386)	0	0	0	0	0
Others	(2,677)	(505)	(3,999)	30,766	0	0
Net cash from financing	(7,855)	(505)	(3,999)	30,766	0	0
Net change in cash						
Cash at the beginning of the year	24,339	27,607	33,631	33,661	26,914	51,505
Exchange difference	398	120	23	0	0	0
Cash at the end of the year	27,607	33,631	33,661	26,914	51,505	110,507
GROWTH						
YE 31 Dec						
Revenue	(14.7%)	(3.2%)	35.0%	25.0%	14.2%	17.4%
Gross profit	(18.3%)	20.8%	33.2%	33.0%	7.5%	23.4%
EBIT	(89.2%)	610.4%	22.5%	95.5%	(8.3%)	23.3%
Net profit	(87.0%)	598.3%	34.9%	76.3%	(8.6%)	22.1%
Adj. net profit	(61.4%)	126.3%	41.3%	43.8%	(9.1%)	23.6%
PROFITABILITY						
YE 31 Dec						
Gross profit margin	17.0%	21.2%	20.9%	22.3%	21.0%	22.0%
Adj. net profit margin	3.0%	7.1%	7.4%	8.6%	6.8%	7.2%
Return on equity (ROE)	1.8%	11.3%	13.3%	18.2%	13.3%	14.2%
GEARING/LIQUIDITY/ACTIVITIES						
YE 31 Dec						
Net debt to equity (x)	0.7	0.8	1.0	0.8	0.6	0.5
Current ratio (x)	1.8	1.7	1.3	1.3	1.5	1.6
Receivable turnover days	19.4	16.1	13.3	11.9	12.0	12.0
Inventory turnover days	80.7	81.1	67.4	73.7	45.4	45.4
Payable turnover days	100.3	98.5	101.2	107.3	94.6	94.6
VALUATION						
YE 31 Dec						
P/E	84.0	37.2	26.3	18.9	20.8	16.8
P/E (diluted)	84.0	37.2	26.3	18.9	20.8	16.8
P/B	5.0	4.4	3.8	2.8	2.4	2.1
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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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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