

Xiaomi (1810 HK)

Key takeaways from Xiaomi Investor Day

We attended Xiaomi Investor Day 2024 in Beijing on 23 Apr. Key takeaways include: 1) SU7 delivery target: 100k units in 2024 and 10k monthly delivery in June. 2) SU7 GPM target of 5-10% in 2024. 3) SU7 breakeven at 300-400k sales per year; 4) City NOA available in May and to be rolled out nationwide in Aug; 5) Smart EV sales/service centre: target to cover 46/82 cities by end of 2024; 6) Smart driving team: 1.5k/2k staff by 2024/25 from 1k currently; 7) 2024 guidance: RMB300bn in revenue with RMB24bn in R&D expenses. Overall, we believe SU7's sales/ GPM target exceeded market expectations, and we remain positive on Xiaomi's strong branding and unique "Human-car-home" ecosystem as major competitive edges over peers. Reiterate BUY. Near-term catalysts include Beijing Intl. Auto Exhibition in late Apr, 1Q24 results in May and 10k SU7 monthly shipments in June.

- Xiaomi SU7: 100k delivery target and 5-10% GPM in 2024; Breakeven target at 300-400k sales/year.** During the event, mgmt. reiterated strong order demand for SU7 since launch, and non-refundable orders now reached 70k with a higher share of high-end SU7 MAX model. Xiaomi also announced the 100k sales target for SU7 in 2024, and expected monthly delivery to reach 10k units in June. In addition, mgmt. stated that SU7 GPM may reach 5-10% in 2024, above our expectations, and EV business may reach breakeven at 300-400k sales volume per year. For the next three years, Xiaomi SU7 will focus on China market, and expand to overseas market at a later stage. To enhance smart driving capability, Xiaomi aims to expand smart driving team size to 1.5k/2k by 2024/25 from 1k currently. Company also targets to expand EV sale/service centre coverage to 46/82 cities by end of 2024.
- 2024 guidance: RMB300bn in revenue, RMB24bn in R&D exp, RMB11-12bn in EV-related exp., +15-20mn smartphone shipments.** For 2024, mgmt. guided revenue could reach RMB300bn for core business, and targeted to spend RMB24bn in R&D expenses and RMB11-12bn in EV-related expense. For smartphone, company targets 15-20mn more shipments in 2024, implying 161-166mn (+10-14% YoY). Xiaomi's 1Q24 smartphone shipments grew 34% YoY to 40.8mn, based on IDC.
- Valuation/Key risks.** Overall, market reacted positively to Xiaomi's SU7 sales/GPM target in 2024 and upcoming expansion plan. In the near term, order momentum, shipment ramp-up and consumer feedback will be major share price catalysts. Looking ahead, we remain positive on Xiaomi's unique "Human-car-home" ecosystem as a major differentiator from peers. Reiterate BUY with SOTP-based TP of HK\$22.19.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	280,044	270,970	321,495	363,516	399,909
YoY growth (%)	(14.7)	(3.2)	18.6	13.1	10.0
Adjusted net profit (RMB mn)	8,518.0	19,272.8	17,321.0	17,891.6	22,614.7
YoY growth (%)	(61.4)	126.3	(10.1)	3.3	26.4
EPS (Adjusted) (RMB)	0.34	0.77	0.70	0.72	0.91
Consensus EPS (RMB)	-	-	0.64	0.70	0.00
P/E (x)	43.6	19.3	21.5	20.8	16.5
P/B (x)	2.6	2.3	2.1	1.9	ns
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	1.8	11.3	7.6	7.4	9.2
Net gearing (%)	70.9	76.9	86.0	67.5	na

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$22.19
Up/Downside	37.2%
Current Price	HK\$16.18

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Stock Data

Mkt Cap (HK\$ mn)	329,133.6
Avg 3 mths t/o (HK\$ mn)	1,534.9
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%

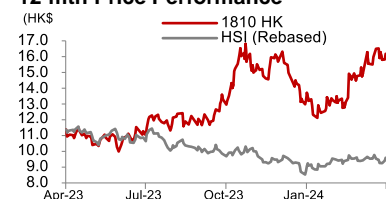
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	9.3%	7.2%
3-mth	22.4%	11.7%
6-mth	21.7%	24.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

- Xiaomi (1810 HK) – Xiaomi EV SU7's pricing and pre-order above expectations; Raise TP to HK\$22.19 – 2 Apr 2024 ([link](#))
- Xiaomi (1810 HK) - Raise TP and estimates on 4Q23 beat; All eyes on EV tech breakthroughs and 1H24E mass production- 29th Dec 2023 ([link](#))
- Xiaomi (1810 HK) - Key takeaways from Xiaomi SU7 launch: Positive on EV tech breakthroughs and 1H24E mass production- 29th Dec 2023 ([link](#))

Focus Charts

Figure 1: Xiaomi's SU7 delivery plan



Source: Company data, CMBIGM

Figure 2: SU7 delivery target in 2024



Source: Company data, CMBIGM

Figure 3: Xiaomi's SU7 order mix



Source: Company data, CMBIGM

Figure 4: Xiaomi's EV sales/service centre target



Source: Company data, CMBIGM

Figure 5: Xiaomi financial guidance in 2024



Source: Company data, CMBIGM

Figure 6: Xiaomi business strategy in 2024



Source: Company data, CMBIGM

Earnings Forecasts

Figure 7: P&L forecast

RMB mn	FY22	FY23	FY24E	FY25E	FY26E
Revenue	280,044	270,970	321,495	363,516	399,909
... YoY	-15%	-3%	19%	13%	10%
Cost of sales	(232,467)	(213,494)	(260,567)	(296,439)	(322,893)
Gross profit	47,577	57,476	60,928	67,077	77,016
GPM (%)	17.0%	21.2%	19.0%	18.5%	19.3%
... YoY	-18%	21%	6%	10%	15%
SG&A	(26,437)	(24,353)	(28,452)	(31,626)	(34,792)
... % of rev	-9.4%	-9.0%	-8.9%	-8.7%	-8.7%
R&D	(16,028)	(19,098)	(22,505)	(24,719)	(25,194)
... % of rev	-5.7%	-7.0%	-7.0%	-6.8%	-6.3%
Operating profit	2,816	20,009	15,419	16,179	22,477
OPM (%)	1.0%	7.4%	4.8%	4.5%	5.6%
... YoY	-89%	610%	-23%	5%	39%
Adj. net profit	8,518	19,273	17,321	17,892	22,615
NPM (%)	3.0%	7.1%	5.4%	4.9%	5.7%
... YoY	-61%	126%	-10%	3%	26%

Source: Company data, CMBIGM estimates

Figure 8: Revenue breakdown

RMB mn	FY22	FY23	FY24E	FY25E	FY26E
Smart phones	167,217	157,461	176,700	188,370	197,540
... YoY	-20%	-6%	12%	7%	5%
Shipment (mn)	150,500	145,600	155,000	161,000	166,000
ASP (RMB)	1,111	1,081	1,140	1,170	1,190
AIoT and lifestyle products	79,795	80,108	91,150	103,751	118,135
... YoY	-6%	0%	14%	14%	14%
Smart TVs and laptops	23,700	19,482	21,430	23,573	25,931
Other IoTs	56,095	60,626	69,719	80,177	92,204
Internet services	28,321	30,107	32,093	35,303	38,833
... YoY	0%	6%	7%	10%	10%
Advertising services	18,500	20,500	21,525	23,678	26,045
... YoY	2%	11%	5%	10%	10%
Internet value-added	9,821	9,607	10,568	11,625	12,788
... YoY	-3%	-2%	10%	10%	10%
Gaming	4,100	4,387	4,826	5,308	5,839
Other (incl. Youpin fintech)	5,721	5,220	5,743	6,317	6,948
EV business	-	-	17,600	31,350	39,710
... YoY	-	-	-	78%	27%
Others	4,711	3,294	3,952	4,743	5,691
... YoY	-25%	-30%	20%	20%	20%
Total	280,044	270,970	321,495	363,516	399,909
... YoY	-15%	-3%	19%	13%	10%
Gross margin					
Smart phones	9.0%	14.6%	13.9%	13.6%	13.5%
AIoT and lifestyle products	14.4%	16.3%	16.2%	16.0%	16.0%
Internet services	71.8%	74.2%	74.3%	74.4%	74.4%
EV business	-	-	-15.0%	-6.0%	5.0%
Others	16.2%	-27.8%	10.0%	10.0%	10.0%
Total	17.0%	21.2%	20.9%	20.8%	20.8%

Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with SOTP-based TP of HK\$22.19

Our TP of HK22.19 is SOTP-based in order to reflect different growth profiles of Xiaomi's various businesses. We assign 13x/10x/15x FY24E P/E to its smartphone/ AIoT / internet businesses, in-line with respective peers. For EV business, we assign 0.75x FY25E P/S, largely in-line with the average of its Chinese EV peers (Li, Xpeng, NIO, BYD). Near-term catalysts include Auto Show Beijing (25-27 Apr), 1Q24 results in May and 10k SU7 monthly shipments in June.

Figure 9: Xiaomi – SOTP valuation

Business segment	FY24E Rev (RMB mn)	% of FY24E Core NP	FY24E NP (RMB mn)	Valuation methodology	Target Multiple (x)	Valuation (RMB mn)
Smart phones	176,700	39%	12,349	P/E	13.0	160,537
AIoT and lifestyle products	91,150	23%	7,424	P/E	10.0	74,242
Internet services	32,093	38%	11,989	P/E	15.0	179,835
Others	3,952	1%	199	P/E	10.0	1,987
EV (FY25E)	31,350			P/S	0.75	23,513
			31,961			440,115
Investment (Rmb mn)						68,000
Total (RMB mn)						508,115
No of shares (mn)						24,885
TP (RMB)						20.42
TP (HK\$)						22.19

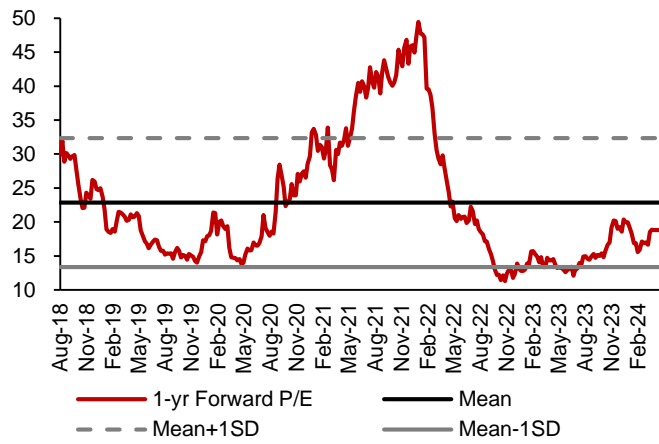
Source: Company data, CMBIGM estimates

Figure 10: Peers' valuation

Company	Ticker	Rating	Market Cap	Price	TP	Up/Down	P/E (x)		P/B (x)		ROE (%)	
			US\$(mn)	(LC)	(LC)	-side	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
HK-listed												
Xiaomi	1810 HK	BUY	51,526	16.2	20.2	25%	18.8	20.7	2.2	2.0	11.7	9.8
Sunny Optical	2382 HK	HOLD	5,004	35.8	47.3	32%	31.8	25.9	1.5	1.5	4.8	5.7
AAC Tech	2018 HK	HOLD	3,686	24.1	22.4	-7%	34.3	18.8	1.1	1.1	3.3	5.8
BYDE	285 HK	BUY	6,916	24.1	46.5	93%	12.1	8.8	1.7	2.5	13.7	29.0
FIT Hon Teng	6088 HK	BUY	1,842	2.0	2.4	22%	14.0	9.0	0.7	0.7	5.1	7.6
Tongda	698 HK	BUY	91	0.1	0.1	92%	(0.6)	3.2	0.1	0.1	(17.6)	3.1
Q tech	1478 HK	BUY	473	3.1	3.9	26%	11.2	8.5	0.7	0.6	6.1	7.6
TK Group	2283 HK	BUY	160	1.5	2.8	86%	6.0	4.4	0.7	0.7	12.3	15.3
			Average				17.4	13.6	1.1	1.2	3.9	9.8
Smartphone												
Apple	AAPL US	NR	2,567,676	166.3	NA	NA	27.4	25.3	44.3	34.7	169.4	149.1
Lenovo	992 HK	NR	13,061	8.3	NA	NA	7.7	13.9	2.1	2.1	30.6	16.1
Samsung	005930 KS	NR	328,117	75,500.0	NA	NA	45.4	15.6	1.4	1.3	3.1	8.6
LG Elec	066570 KS	NR	11,055	92,800.0	NA	NA	11.1	8.0	0.8	0.7	7.2	9.5
			Average				22.9	15.7	12.2	9.7	52.6	45.8
IoT												
Skyworth	751 HK	NR	937	3.1	NA	NA	9.7	5.5	0.4	0.4	4.2	6.7
Hisense	600060 CH	NR	4,818	26.7	NA	NA	16.3	14.1	1.8	1.7	11.3	11.6
Midea	000333 CH	NR	65,781	68.4	NA	NA	14.1	12.6	3.0	2.7	21.5	21.2
Gree	000651 CH	NR	30,429	39.2	NA	NA	8.0	7.4	1.9	1.7	25.0	23.3
			Average				12.0	9.9	1.8	1.6	15.5	15.7

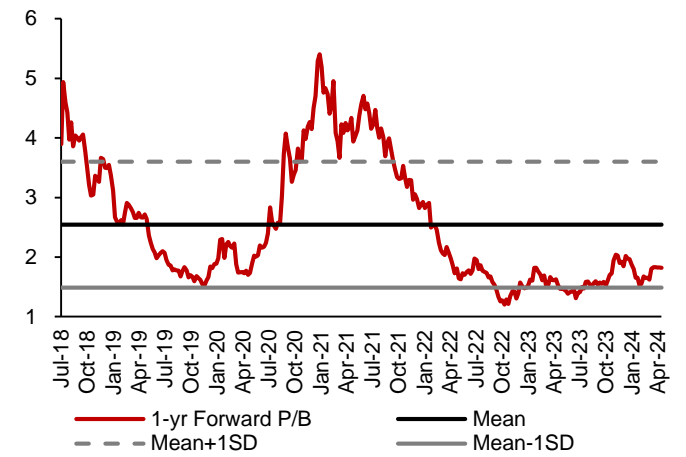
Source: Bloomberg, CMBIGM

Figure 11: 12M forward P/E band



Source: Bloomberg, CMBIGM

Figure 12: 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	321,495	363,516	399,909
Cost of goods sold	(270,048)	(232,467)	(213,494)	(260,567)	(296,439)	(322,893)
Gross profit	58,261	47,577	57,476	60,928	67,077	77,016
Selling expense	(20,981)	(21,323)	(19,227)	(22,505)	(25,083)	(27,594)
Admin expense	(4,739)	(5,114)	(5,127)	(5,948)	(6,543)	(7,198)
R&D expense	(13,167)	(16,028)	(19,098)	(22,505)	(24,719)	(25,194)
Other income	827	1,136	740	901	901	901
Gain/loss on financial assets at FVTPL	8,132	(1,662)	3,501	3,501	3,501	3,501
Investment gain/loss	275	(400)	46	46	46	46
EBIT	26,029	2,816	20,009	15,419	16,179	22,477
Net Interest income/(expense)	(1,612)	1,117	2,002	2,002	2,002	2,002
Foreign exchange gain/loss	(2,580)	(1,369)	1,697	1,000	1,000	1,000
Others	0	0	0	0	0	0
Pre-tax profit	24,417	3,934	22,011	17,421	18,182	24,479
Income tax	(5,134)	(1,431)	(4,537)	(4,355)	(4,545)	(6,120)
Minority interest	(56)	29	(1)	(1)	(1)	(1)
Net profit	19,283	2,503	17,474	13,066	13,636	18,359
Adjusted net profit	22,039	8,518	19,273	17,321	17,892	22,615
Net dividends	0	0	0	0	0	0
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	185,851	160,415	199,053	218,569	235,225	254,951
Cash & equivalents	23,512	27,607	33,631	18,338	49,659	39,324
Account receivables	23,095	19,625	21,924	29,771	26,126	33,410
Inventories	52,398	50,438	44,423	71,385	60,366	83,142
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	129,666	134,326	138,997
PP&E	6,965	9,138	13,721	18,192	22,852	27,523
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	348,235	369,551	393,948
Current liabilities	115,727	89,628	115,588	126,509	134,189	140,227
Short-term borrowings	5,527	2,151	6,183	6,183	6,183	6,183
Account payables	74,643	53,094	62,099	73,020	80,700	86,738
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	170,907	178,587	184,625
Share capital	407	406	407	407	407	407
Other reserves	137,212	143,658	163,995	177,062	190,699	209,059
Total shareholders equity	137,432	143,923	164,262	177,327	190,964	209,323
Minority interest	220	265	266	266	265	264
Total equity and liabilities	292,892	273,507	324,247	348,235	369,551	393,948

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	24,417	3,934	22,011	17,421	18,182	24,479
Depreciation & amortization	3,062	3,707	(1,383)	1,959	2,610	3,327
Tax paid	(2,442)	(3,420)	(4,083)	(4,355)	(4,545)	(6,120)
Change in working capital	(15,725)	(21,255)	25,862	(23,888)	22,344	(24,023)
Others	474	12,644	(1,107)	0	0	0
Net cash from operations	9,785	(4,390)	41,300	(8,864)	38,591	(2,337)
Investing						
Capital expenditure	(7,169)	(5,800)	(3,200)	(6,430)	(7,270)	(7,998)
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)	(6,430)	(7,270)	(7,998)
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	18,338	49,659
Exchange difference	791	398	0	0	0	0
Cash at the end of the year	24,339	27,607	33,631	18,338	49,659	39,324
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	33.5%	(14.7%)	(3.2%)	18.6%	13.1%	10.0%
Gross profit	58.5%	(18.3%)	20.8%	6.0%	10.1%	14.8%
EBIT	8.3%	(89.2%)	610.4%	(22.9%)	4.9%	38.9%
Net profit	(5.1%)	(87.0%)	598.3%	(25.2%)	4.4%	34.6%
Adj. net profit	69.5%	(61.4%)	126.3%	(10.1%)	3.3%	26.4%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	17.7%	17.0%	21.2%	19.0%	18.5%	19.3%
Adj. net profit margin	6.7%	3.0%	7.1%	5.4%	4.9%	5.7%
Return on equity (ROE)	14.8%	1.8%	11.3%	7.6%	7.4%	9.2%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	1.0	0.7	0.8	0.9	0.7	na
Current ratio (x)	1.6	1.8	1.7	1.7	1.8	1.8
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	19.3	43.6	19.3	21.5	20.8	16.5
P/E (diluted)	16.9	43.6	19.3	21.5	20.8	16.5
P/B	2.7	2.6	2.3	2.1	1.9	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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CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

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