

# Xiaomi (1810 HK)

## Xiaomi EV SU7's pricing and pre-order above expectations; Raise TP to HK\$22.19

Xiaomi officially launched its SU 7 Series electric sedans on 28 Mar, which are priced at RMB 215.9k/245.9k/299.9k for SU7/SU7 Pro/SU7 Max models. Its competitive pricing strategy was well-received by the market, and the initial pre-orders of 50k/89k units in first 27min/24hr are above market expectations, mainly due to its competitive specs, self-developed autonomous driving technology (Xiaomi Pilot), and unique integrated AIoT ecosystem. In the near term, we believe investors will focus on pre-order momentum, shipment ramp-up and consumer feedback in next two months. Looking ahead, we remain positive on Xiaomi's unique "Human-car-home" ecosystem as major differentiation from other brands. We adjusted our forecasts to factor in EV shipment of 80k/150k/200k in FY24/25/26E, and assigned SOTP-based TP of HK\$22.19 (49% upside).

- Xiaomi SU7's pricing strategy is well received by the market.** Xiaomi officially launched its SU 7 Series electric sedan model on 28 Mar, with the price of RMB 215.9k/245.9k/299.9k for SU7/SU7 Pro/SU7 Max models. SU7's technical specs (0-100km/h acceleration, battery voltage/miles, in-cabin system) outperform its peers in the same price range (e.g. Zeekr 001/007, Tesla Model 3, Luxeed S7, Xpeng P7i), in our view. We are positive on Xiaomi's competitive pricing and AIoT ecosystem based on "Human-car-home" connectivity, which is its major competitive advantage over its EV peers.
- Initial pre-orders above market expectations; Shipment ramp-up will be major focus.** The initial pre-order of 50k/89k units within the first 27 minutes/24 hours surpassed market expectations. We think Xiaomi's EV production capacity could be the near-term bottle-neck given 100k units annual capacity for Xiaomi's phase one plant. Total capacity will reach 300k units after second phase starts operation in March 2025. In the near term, we expect pre-order momentum, shipment ramp-up and consumer feedback will be the major market focus in next two months.
- Positive market response as near-term catalyst; Raise SOTP-based TP to HK\$22.19.** Market reacted positively to Xiaomi's EV pricing and initial pre-orders, as Xiaomi ADR rallied over 11% post launch event. We think that Xiaomi's EV product pricing strategy and positive market response will be the near-term share price catalyst. We adjusted our forecasts to factor in EV shipment of 80k/150k/200k in FY24/25/26E, and assigned SOTP-based TP of HK\$22.19 (vs prior 24x FY24E P/E).

### 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)	N/A	N/A	0.64	0.70	0.83
P/E (x)	40.2	17.8	19.8	19.2	15.2
P/B (x)	2.4	2.1	1.9	1.8	1.7
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	1.8	11.3	7.6	7.4	9.2

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

<b>Target Price</b>	<b>HK\$22.19</b>
(Previous TP)	HK\$20.25)
<b>Up/Downside</b>	<b>48.6%</b>
<b>Current Price</b>	<b>HK\$14.94</b>

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### Stock Data

Mkt Cap (HK\$ mn)	303,909.5
Avg 3 mths t/o (HK\$ mn)	1,271.0
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	12.2%	12.5%
3-mth	-4.2%	-1.3%
6-mth	21.1%	30.4%

Source: FactSet

### 12-mth Price Performance













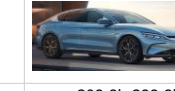

Source: FactSet

### Related reports:

- Xiaomi (1810 HK)- Raise TP and estimates on 4Q23 beat; All eyes on EV official launch on 28 March- 20<sup>th</sup> Mar 2024 ([link](#))
- Xiaomi (1810 HK)-Key takeaways from Xiaomi SU7 launch: Positive on EV tech breakthroughs and 1H24E mass production- 29<sup>th</sup> Dec 2023 ([link](#))

## Focus Charts

### Figure 1: Xiaomi SU7 Series in comparison with market peers

Model	Xiaomi SU7 Max	Xiaomi SU7 Pro	Xiaomi SU7	Tesla Model 3	Taycan	ZEEKER 001
						
Price (RMB)	299.9k	245.9k	215.9k	245.9k-285.9k	898k+	269k-329k
Dimensions (mm)	4997*1963*1455	4997*1963*1455	4997*1963*1455	4720*2089*1442	4963*1966*1395	4977*1999*1545
Wheelbase (mm)	3000	3000	3000	2875	2900	3005
Seating	5	5	5	5	4	5
Driving mode	Dual engine AWD	RWD	RWD	Dual engine AWD	RWD	RWD/AWD
Peak power (kw)	495	220	220	194/331	240/300	310/580
Peak torque (N.m)	838	400	400	340/559	345	440/810
0-100km/h acceleration (s)	2.78	5.7	5.28	6.1/4.4	5.4	3.3/3.5/5.9
Battery miles CLTC (km)	800	830/758	700	606/567/682/713	430/527	675/705/750
Battery type	NMC	NMC	LFP	LFP/NMC	NMC	LFP/NMC
Voltage	800V SiC	400V	400V	400V	800V	800V
System	HyperOS	HyperOS	HyperOS	Tesla	-	-
SoC	Qualcomm 8295	Qualcomm 8295	Qualcomm 8295	AMD Ryzen	-	Qualcomm 8295
Screens	2*	2*	2*	2	1	3
Speakers	25	10	10	9, 17	10	28
Smart chatbot	Xiao Ai	Xiao Ai	Xiao Ai	-	-	EVA
System	Xiaomi Pilot Max	Xiaomi Pilot Max	Xiaomi Pilot Pro	Autopilot	-	ZEEKR AD
SoC	2*Orin	2*Orin	Orin	Tesla FSD	-	2*Mobileye EyeQ5H
Computing power (TOPS)	508	508	84	720	-	48
Number of camera	11	11	11	8	2	11
Number of ultrasonic radar	12	12	12	12/0	8	12
Number of LiDAR	1	1	-	0	-	1
Number of mm wave radar	3	3	1	0	-	1
Model	ZEEKER 007	Xpeng P7	Xpeng P7i	NIO ET5	BYD Han EV	Luxeed S7
						
Price (RMB)	209.9k-299.9k	239.9k	223.9k-339.9k	298k	209.8k-299.8k	249.8k-349.8k
Dimensions (mm)	4865*1900*1450	4880*1896*1450	4888*1896*1450	4790*1960*1499	4995*1910*1495	4971*1963*1477
Wheelbase (mm)	2928	2998	2998	2888	2920	2950
Seating	5	5	5	5	5	5
Driving mode	RWD/AWD	RWD	RWD/Dual AWD	Dual engine AWD	FWD/Dual AWD	RWD/Dual engine AWD
Peak power (kw)	310/475	196	203/348	360	150/168/180	215/365
Peak torque (N.m)	440/710	390	440/757	700	310/350/700	-
0-100km/h acceleration (s)	5.6/3.8/2.84	6.4	6.4/3.9	4	7.9/3.9	5.4/3.3
Battery miles CLTC (km)	616/660/688	586	550/702/610	560/710/1055	506/605/715/610	550/630/705/855
Battery type	LFP/NMC	LFP	LFP/NMC	NMC	blade battery	LFP/NMC
Voltage	800V	400V	400V	500V	400V	800V SiC
System	-	Xmart OS	Xmart OS 4.0	NIO OS/Banyan	-	Harmony OS 4
SoC	Qualcomm 8295	Qualcomm 8155	Qualcomm SA8155P	Qualcomm 8295P	-	-
Screens	2	2	2	2	2	2
Speakers	21	8+4	20	23	8, 12	15/17
Smart chatbot	EVA	Xiao P	Xiao P	Nomi	-	Xiao Yi
System	ZEEKER AD	Xpilot	Xpilot/XNGP	NAD/ADAM	DiPilot	Huawei ADS 2.0
SoC	1*Orin/2*Orin	Xavier	Orin-X/2*Orin-X	4*Orin X	Horizon Robotics Journey 5	Huawei MDC
Computing power (TOPS)	254/508	30	254/508	1016	128	210
Number of camera	12	13	12	11	5	11
Number of ultrasonic radar	12	12	12	12	8, 12	12
Number of LiDAR	0/1	-	0/2	1	0	1
Number of mm wave radar	5	5	5	5	1,3,5	3

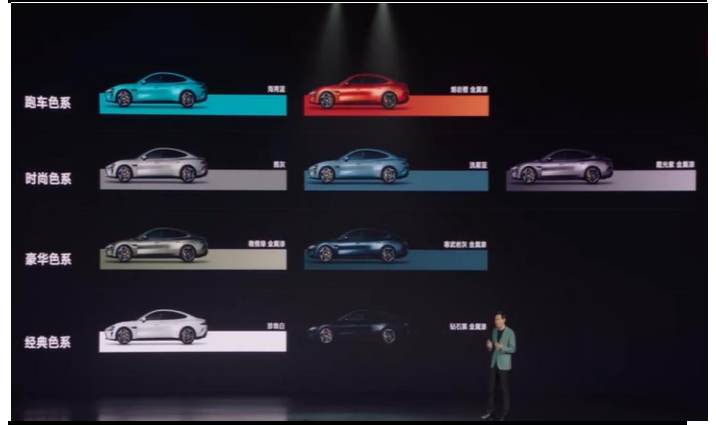
Source: Company data, CMBIGM, \*does not include HUD and Xiaomi pads.

Figure 2: Xiaomi's SU7 Series EV models



Source: Company data, CMBIGM estimates

Figure 3: 9 EV body/ 4 EV interior color selections



Source: Company data, CMBIGM estimates

Figure 4: Xiaomi's highly automated production lines



Source: Company data, CMBIGM estimates

Figure 5: Xiaomi's self-developed AD technology



Source: Company data, CMBIGM estimates

Figure 6: Xiaomi EV ecosystem products



Source: Company data, CMBIGM estimates

Figure 7: Xiaomi EV HyperOS connectivity



Source: Company data, CMBIGM estimates

## Earnings Revision

### Our FY24-26E adj. EPS are 3-10% above consensus

We trimmed FY24-26E adj. EPS by 5-15% to reflect EV business GPM dilution and related expenses. We estimate smartphone sales will increase 12%/7% YoY in FY24/25E, while AIoT revenue will rebound strongly 14%/14% YoY in FY24/25E. Our FY24-26E EPS is 3-10% above consensus.

**Figure 8: CMBIGM earnings revision**

RMB mn	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	321,495	363,516	399,909	303,895	332,166	360,199	6%	9%	11%
Gross profit	60,928	67,077	77,016	63,568	68,958	75,030	-4%	-3%	3%
Operating profit	15,419	16,179	22,477	18,642	20,505	23,977	-17%	-21%	-6%
Adj. net profit	17,321	17,892	22,615	19,738	21,136	23,740	-12%	-15%	-5%
Adj. EPS (RMB)	0.70	0.72	0.91	0.79	0.85	0.95	-12%	-15%	-5%
Gross margin	19.0%	18.5%	19.3%	20.9%	20.8%	20.8%	-2 ppt	-2.3 ppt	-1.6 ppt
Operating margin	4.8%	4.5%	5.6%	6.1%	6.2%	6.7%	-1.3 ppt	-1.7 ppt	-1 ppt
Adj. net margin	5.4%	4.9%	5.7%	6.5%	6.4%	6.6%	-1.1 ppt	-1.4 ppt	-0.9 ppt

Source: Company data, CMBIGM estimates

**Figure 9: CMBIGM estimates vs consensus**

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	321,495	363,516	399,909	309,544	347,138	392,558	4%	5%	2%
Gross profit	60,928	67,077	77,016	62,432	68,996	77,326	-2%	-3%	0%
Operating profit	15,419	16,179	22,477	14,970	16,683	19,970	3%	-3%	13%
Adj. net profit	17,321	17,892	22,615	15,274	17,056	20,760	13%	5%	9%
Adj. EPS (RMB)	0.70	0.72	0.91	0.64	0.70	0.83	8%	3%	10%
Gross margin	19.0%	18.5%	19.3%	20.2%	19.9%	19.7%	-1.2 ppt	-1.4 ppt	-0.4 ppt
Operating margin	4.8%	4.5%	5.6%	4.8%	4.8%	5.1%	0 ppt	-0.4 ppt	0.5 ppt
Adj. net margin	5.4%	4.9%	5.7%	4.9%	4.9%	5.3%	0.5 ppt	0 ppt	0.4 ppt

Source: Bloomberg, CMBIGM estimates

**Figure 10: P&L forecast**

RMB mn	FY22	1Q23	2Q23	3Q23	4Q23	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>280,044</b>	<b>59,477</b>	<b>67,355</b>	<b>70,894</b>	<b>73,244</b>	<b>270,970</b>	<b>321,495</b>	<b>363,516</b>	<b>399,909</b>
...YoY	-15%	-19%	-4%	1%	11%	-3%	19%	13%	10%
Cost of sales	(232,467)	(47,886)	(53,194)	(54,785)	(57,630)	(213,494)	(260,567)	(296,439)	(322,893)
<b>Gross profit</b>	<b>47,577</b>	<b>11,592</b>	<b>14,161</b>	<b>16,110</b>	<b>15,614</b>	<b>57,476</b>	<b>60,928</b>	<b>67,077</b>	<b>77,016</b>
GPM (%)	17.0%	19.5%	21.0%	22.7%	21.3%	21.2%	19.0%	18.5%	19.3%
...YoY	-18%	-9%	20%	37%	37%	21%	6%	10%	15%
SG&A	(26,437)	(5,239)	(5,620)	(6,102)	(7,393)	(24,353)	(28,452)	(31,626)	(34,792)
...% of rev	-9.4%	-8.8%	-8.3%	-8.6%	-10.1%	-9.0%	-8.9%	-8.7%	-8.7%
R&D	(16,028)	(4,113)	(4,555)	(4,966)	(5,463)	(19,098)	(22,505)	(24,719)	(25,194)
...% of rev	-5.7%	-6.9%	-6.8%	-7.0%	-7.5%	-7.0%	-7.0%	-6.8%	-6.3%
<b>Operating profit</b>	<b>2,816</b>	<b>5,900</b>	<b>4,041</b>	<b>5,011</b>	<b>5,057</b>	<b>20,009</b>	<b>15,419</b>	<b>16,179</b>	<b>22,477</b>
OPM (%)	1.0%	9.9%	6.0%	7.1%	6.9%	7.4%	4.8%	4.5%	5.6%
...YoY	-89%	-747%	133%	-468%	51%	610%	-23%	5%	39%
<b>Adj. net profit</b>	<b>8,518</b>	<b>3,233</b>	<b>5,140</b>	<b>5,990</b>	<b>4,910</b>	<b>19,273</b>	<b>17,321</b>	<b>17,892</b>	<b>22,615</b>
NPM (%)	3.0%	5.4%	7.6%	8.4%	6.7%	7.1%	5.4%	4.9%	5.7%
...YoY	-61%	13%	147%	183%	236%	126%	-10%	3%	26%

Source: Company data, CMBIGM estimates

Figure 11: Revenue breakdown

RMB mn	FY22	1Q23	2Q23	3Q23	4Q23	FY23	FY24E	FY25E	FY26E
<b>Smart phones</b>	<b>167,217</b>	<b>34,985</b>	<b>36,595</b>	<b>41,649</b>	<b>44,232</b>	<b>157,461</b>	<b>176,700</b>	<b>188,370</b>	<b>197,540</b>
... YoY	-20%	-24%	-13%	-2%	21%	-6%	12%	7%	5%
Shipment (mn)	150,500	30,400	32,900	41,800	40,500	145,600	155,000	161,000	166,000
... YoY	-21%	-21%	-16%	4%	24%	-3%	6%	4%	3%
ASP (RMB)	1,111	1,152	1,112	996	1,092	1,081	1,140	1,170	1,190
... YoY	1.3%	-3.1%	2.8%	-5.8%	-2.6%	-2.7%	5.4%	2.6%	1.7%
<b>AIoT and lifestyle products</b>	<b>79,795</b>	<b>16,834</b>	<b>22,254</b>	<b>20,673</b>	<b>20,347</b>	<b>80,108</b>	<b>91,150</b>	<b>103,751</b>	<b>118,135</b>
... YoY	-6%	-14%	12%	8%	-5%	0%	14%	14%	14%
Smart TVs and laptops	23,700	4,700	4,700	4,982	5,100	19,482	21,430	23,573	25,931
... YoY	-15%	-24%	-19%	-23%	-22%	-18%	10%	10%	10%
Other IoTs	56,095	12,134	17,554	15,691	15,247	60,626	69,719	80,177	92,204
... YoY	-2%	-9%	32%	5%	2%	8%	15%	15%	15%
<b>Internet services</b>	<b>28,321</b>	<b>7,028</b>	<b>7,444</b>	<b>7,756</b>	<b>7,880</b>	<b>30,107</b>	<b>32,093</b>	<b>35,303</b>	<b>38,833</b>
... YoY	0%	-1%	7%	10%	10%	6%	7%	10%	10%
Advertising services	18,500	4,400	5,100	5,400	5,600	20,500	21,525	23,678	26,045
... YoY	2%	-3%	12%	16%	18%	11%	5%	10%	10%
Internet value-added	9,821	2,628	2,344	2,356	2,280	9,607	10,568	11,625	12,788
... YoY	-3%	2%	-4%	-2%	-5%	-2%	10%	10%	10%
Gaming	4,100	1,345	1,013	1,075	954	4,387	4,826	5,308	5,839
... YoY	5%	16%	8%	6%	-5%	7%	10%	10%	10%
Other (incl. Youpin fintech)	5,721	1,283	1,331	1,281	1,326	5,220	5,743	6,317	6,948
... YoY	-8%	-10%	-11%	-7%	-6%	-9%	10%	10%	10%
<b>EV business</b>							<b>17,600</b>	<b>31,350</b>	<b>39,710</b>
... YoY								<b>78%</b>	<b>27%</b>
<b>Others</b>	<b>4,711</b>	<b>630</b>	<b>1,062</b>	<b>817</b>	<b>785</b>	<b>3,294</b>	<b>3,952</b>	<b>4,743</b>	<b>5,691</b>
... YoY	-25%	-37%	-5%	-55%	4%	-30%	20%	20%	20%
<b>Total</b>	<b>280,044</b>	<b>59,477</b>	<b>67,355</b>	<b>70,894</b>	<b>73,244</b>	<b>270,970</b>	<b>321,495</b>	<b>363,516</b>	<b>399,909</b>
... YoY	-15%	-19%	-4%	1%	11%	-3%	19%	13%	10%
<b>Gross margin</b>									
Smart phones	9.0%	11.2%	13.3%	16.6%	16.4%	14.6%	13.9%	13.6%	13.5%
AIoT and lifestyle products	14.4%	15.7%	17.6%	17.8%	13.9%	16.3%	16.2%	16.0%	16.0%
Internet services	71.8%	72.3%	74.1%	74.4%	75.7%	74.2%	74.3%	74.4%	74.4%
EV business							-15.0%	-6.0%	5.0%
Others	16.2%	-10.8%	-13.4%	-33.9%	-54.8%	-27.8%	10.0%	10.0%	10.0%
<b>Total</b>	<b>17.0%</b>	<b>19.5%</b>	<b>21.0%</b>	<b>22.7%</b>	<b>21.3%</b>	<b>21.2%</b>	<b>20.9%</b>	<b>20.8%</b>	<b>20.8%</b>

Source: Company data, CMBIGM estimates



## Valuation

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

We adjusted our forecasts to factor in EV shipment and assigned SOTP-based TP of HK\$22.19 (vs prior 24x FY24E P/E) in order to reflect different growth profiles for Xiaomi's various businesses. We assign 13x/10x/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 average of its Chinese EV peers (Li, Xpeng, NIO, BYD). Upcoming catalysts include EV product shipment ramp-up, and smartphone market share gain.

Figure 12: 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
			<b>31,961</b>			<b>440,115</b>
Investment (Rmb mn)						68,000
<b>Total (RMB mn)</b>						<b>508,115</b>
<b>No of shares (mn)</b>						<b>24,885</b>
<b>TP (RMB)</b>						<b>20.42</b>
<b>TP (HK\$)</b>						<b>22.19</b>

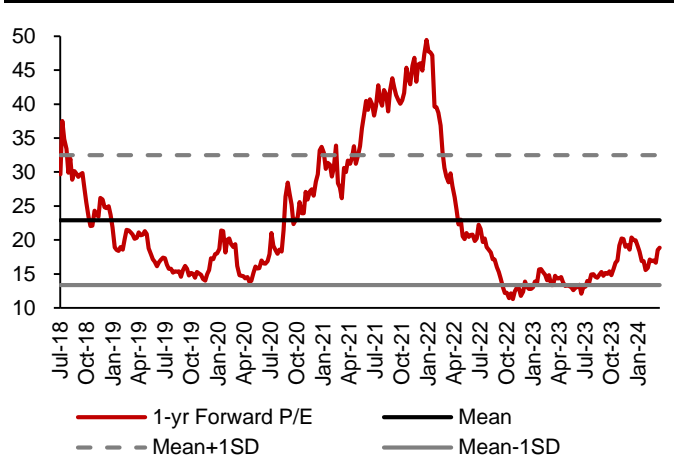
Source: Company data, CMBIGM estimates

Figure 13: 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	47,630	14.9	22.2	49%	17.8	19.8	2.1	1.9	11.3	7.6
Sunny Optical	2382 HK	HOLD	5,599	40.0	50.7	27%	34.1	18.9	1.7	1.6	5.0	8.6
AAC Tech	2018 HK	HOLD	4,020	26.3	22.4	-15%	37.4	20.5	1.2	1.2	3.3	5.8
BYDE	285 HK	BUY	8,306	28.9	46.5	61%	14.5	10.5	2.0	3.1	13.7	29.0
FIT Hon Teng	6088 HK	BUY	1,863	2.0	2.2	11%	14.2	10.0	0.7	0.7	5.1	7.0
Tongda	698 HK	BUY	95	0.1	0.2	124%	4.2	2.6	0.1	0.1	2.3	3.5
Q tech	1478 HK	BUY	457	3.0	3.6	19%	10.8	5.6	0.6	0.6	5.9	10.3
TK Group	2283 HK	BUY	159	1.5	3.1	107%	5.3	3.9	0.7	0.6	13.3	16.3
			<b>Average</b>				<b>18.9</b>	<b>12.2</b>	<b>1.2</b>	<b>1.3</b>	<b>6.7</b>	<b>10.7</b>
<b>Smartphone</b>												
Apple	AAPL US	NR	2,647,974	171.5	NA	NA	28.3	26.1	45.7	35.6	169.4	148.2
Lenovo	992 HK	NR	14,377	9.1	NA	NA	8.5	15.2	2.3	2.3	30.6	16.2
Samsung	005930 KS	NR	365,894	82,700.0	NA	NA	49.8	17.9	1.6	1.5	3.1	8.2
LG Elec	066570 KS	NR	11,643	96,000.0	NA	NA	11.7	8.1	0.8	0.8	7.1	9.6
			<b>Average</b>				<b>24.6</b>	<b>16.8</b>	<b>12.6</b>	<b>10.0</b>	<b>52.5</b>	<b>45.6</b>
<b>IoT</b>												
Skyworth	751 HK	NR	898	3.0	NA	NA	9.3	5.3	0.4	0.3	4.2	6.7
Hisense	600060 CH	NR	4,215	23.3	NA	NA	14.2	12.1	1.6	1.4	11.3	11.8
Midea	000333 CH	NR	63,424	65.8	NA	NA	13.6	12.2	2.9	2.6	21.5	21.3
Gree	000651 CH	NR	31,184	40.0	NA	NA	8.2	7.6	2.0	1.7	25.0	23.2
			<b>Average</b>				<b>11.3</b>	<b>9.3</b>	<b>1.7</b>	<b>1.5</b>	<b>15.5</b>	<b>15.8</b>

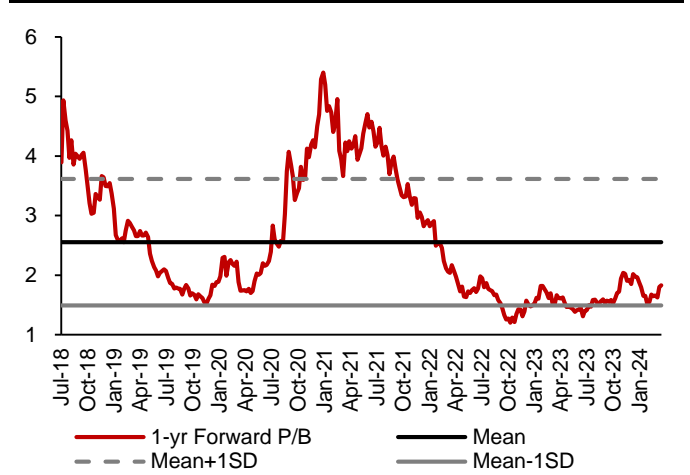
Source: Bloomberg, CMBIGM

Figure 14: 12M forward P/E band



Source: Bloomberg, CMBIGM

Figure 15: 12M forward P/B band



Source: Bloomberg, CMBIGM

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec (RMB mn)</b>						
<b>Revenue</b>	<b>328,309</b>	<b>280,044</b>	<b>270,970</b>	<b>321,495</b>	<b>363,516</b>	<b>399,909</b>
Cost of goods sold	(270,048)	(232,467)	(213,494)	(260,567)	(296,439)	(322,893)
<b>Gross profit</b>	<b>58,261</b>	<b>47,577</b>	<b>57,476</b>	<b>60,928</b>	<b>67,077</b>	<b>77,016</b>
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
<b>EBIT</b>	<b>26,029</b>	<b>2,816</b>	<b>20,009</b>	<b>15,419</b>	<b>16,179</b>	<b>22,477</b>
<b>Net Interest income/(expense)</b>	<b>(1,612)</b>	<b>1,117</b>	<b>2,002</b>	<b>2,002</b>	<b>2,002</b>	<b>2,002</b>
Foreign exchange gain/loss	(2,580)	(1,369)	1,697	1,000	1,000	1,000
Others	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>24,417</b>	<b>3,934</b>	<b>22,011</b>	<b>17,421</b>	<b>18,182</b>	<b>24,479</b>
Income tax	(5,134)	(1,431)	(4,537)	(4,355)	(4,545)	(6,120)
Minority interest	(56)	29	(1)	(1)	(1)	(1)
<b>Net profit</b>	<b>19,283</b>	<b>2,503</b>	<b>17,474</b>	<b>13,066</b>	<b>13,636</b>	<b>18,359</b>
<b>Adjusted net profit</b>	<b>22,039</b>	<b>8,518</b>	<b>19,273</b>	<b>17,321</b>	<b>17,892</b>	<b>22,615</b>
Net dividends	0	0	0	0	0	0
<b>BALANCE SHEET</b>						
<b>YE 31 Dec (RMB mn)</b>						
<b>Current assets</b>	<b>185,851</b>	<b>160,415</b>	<b>199,053</b>	<b>213,924</b>	<b>224,607</b>	<b>(1,948,755)</b>
Cash & equivalents	23,512	27,607	33,631	13,693	39,041	(2,164,383)
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
<b>Non-current assets</b>	<b>107,040</b>	<b>113,092</b>	<b>125,195</b>	<b>134,311</b>	<b>144,944</b>	<b>2,342,703</b>
PP&E	6,965	9,138	13,721	22,837	33,470	2,231,229
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
<b>Total assets</b>	<b>292,892</b>	<b>273,507</b>	<b>324,247</b>	<b>348,235</b>	<b>369,551</b>	<b>393,948</b>
<b>Current liabilities</b>	<b>115,727</b>	<b>89,628</b>	<b>115,588</b>	<b>126,509</b>	<b>134,189</b>	<b>140,227</b>
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
<b>Non-current liabilities</b>	<b>39,732</b>	<b>39,957</b>	<b>44,398</b>	<b>44,398</b>	<b>44,398</b>	<b>44,398</b>
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
<b>Total liabilities</b>	<b>155,459</b>	<b>129,584</b>	<b>159,986</b>	<b>170,907</b>	<b>178,587</b>	<b>184,625</b>
Share capital	407	406	407	407	407	407
Other reserves	137,212	143,658	163,995	177,062	190,699	209,059
<b>Total shareholders equity</b>	<b>137,432</b>	<b>143,923</b>	<b>164,262</b>	<b>177,327</b>	<b>190,964</b>	<b>209,323</b>
Minority interest	220	265	266	266	265	264
<b>Total equity and liabilities</b>	<b>292,892</b>	<b>273,507</b>	<b>324,247</b>	<b>348,235</b>	<b>369,551</b>	<b>393,948</b>



<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>24,417</b>	<b>3,934</b>	<b>22,011</b>	<b>17,421</b>	<b>18,182</b>	<b>24,479</b>
Depreciation & amortization	3,062	3,707	(2,088)	(2,686)	(3,363)	(190,217)
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	(402)	0	0	0
<b>Net cash from operations</b>	<b>9,785</b>	<b>(4,390)</b>	<b>41,300</b>	<b>(13,508)</b>	<b>32,618</b>	<b>(195,881)</b>
<b>Investing</b>						
Capital expenditure	(7,169)	(5,800)	(2,495)	(6,430)	(7,270)	(2,007,542)
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)	(32,674)	0	0	0
<b>Net cash from investing</b>	<b>(45,008)</b>	<b>15,549</b>	<b>(35,169)</b>	<b>(6,430)</b>	<b>(7,270)</b>	<b>(2,007,542)</b>
<b>Financing</b>						
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
<b>Net cash from financing</b>	<b>4,499</b>	<b>(7,855)</b>	<b>(505)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	55,580	24,339	27,607	33,631	13,693	39,041
Exchange difference	791	398	0	0	0	0
<b>Cash at the end of the year</b>	<b>24,339</b>	<b>27,607</b>	<b>33,631</b>	<b>13,693</b>	<b>39,041</b>	<b>(2,164,383)</b>

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

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