

COMPANY RESULTS

Xiaomi Corp (1810 HK)

4Q24: Solid Results; Sustained Growth To Continue Across All Segments

Xiaomi's 4Q24 net profit is a solid beat at Rmb8.3b, with revenue, operating expenses and interest income surpassing expectations, although this was partially offset by a slight miss in gross margins. For 2025, Xiaomi has raised its EV sales target again to 350,000 units, while smartphone shipments will likely surpass 180m units on the back of market share gains. Maintain BUY and raise target price to HK\$63.90.

4Q24 RESULTS

Year to 31 Dec (Rmbm)	4Q23	3Q24	4Q24	yoy %	qoq %	2023	2024	yoy %
Revenue	73,244	92,507	109,005	48.8	17.8	270,970	365,906	35.0
Smartphones	44,232	47,452	51,311	16.0	8.1	157,461	191,759	21.8
IoT & Lifestyle products	20,347	26,102	30,868	51.7	18.3	80,108	104,104	30.0
Internet services	7,880	8,463	9,339	18.5	10.3	30,107	34,115	13.3
EV	n.a.	9,697	16,688	n.a.	72.1	n.a.	32,754	n.a.
Other	785	792	800	1.9	1.0	3,294	3,174	(3.6)
Gross Profit	15,614	18,881	22,455	43.8	18.9	57,476	76,560	33.2
Adjusted Net Profit	4,910	6,252	8,316	69.4	33.0	19,273	27,235	41.3
GPM (%)	21.3	20.4	20.6	(0.7)	0.2	21.2	20.9	(0.3)
Smartphones	16.4	11.7	12.0	(4.3)	0.3	14.6	12.6	(1.9)
IoT & Lifestyle products	13.9	20.8	20.5	6.6	(0.2)	16.3	20.3	3.9
Internet services	75.7	77.5	76.5	0.8	(0.9)	74.2	76.6	2.5
EV	n.a.	17.1	20.4	n.a.	3.3	n.a.	18.5	n.a.

Source: Xiaomi, UOB Kay Hian

RESULTS

- **Revenue beat.** Xiaomi Corp's (Xiaomi) 4Q24 revenue arrived at Rmb109b (+48.8% yoy and +17.8% qoq), exceeding our and consensus estimates by 4.6%/4.4% respectively. This was primarily driven by better-than-expected sales across the smartphones, IoT and Internet services businesses, while EV revenue was in line with our expectations.
- **Blended margin forecast missed.** The blended margin of 20.6% was 1.7ppt lower than our estimate, and slightly below consensus forecast of 20.7%. The miss was mainly due to the three core business which had registered a >1.0ppt miss in gross margins vs our estimates. On the bright side, EV margin of 20.4% was 0.9ppt higher than our estimates.
- **Adjusted net profit grew 69.4% yoy and 33.0% qoq to Rmb8.3b**, beating our and consensus estimates of Rmb6.7b and Rmb6.5b respectively. This was due to better-than-expected cost control.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2023	2024	2025F	2026F	2027F
Net turnover	270,970	365,906	459,245	514,152	565,705
EBITDA	19,602	29,504	43,406	51,045	60,168
Operating profit	14,765	23,186	37,421	44,693	52,892
Net profit (rep./act.)	17,475	23,658	34,384	42,693	49,454
Net profit (adj.)	19,273	27,235	34,384	42,693	49,454
EPS (Fen)	77.4	109.7	138.5	172.0	199.2
PE (x)	67.7	47.8	37.8	30.5	26.3
P/B (x)	9.5	9.1	8.0	6.9	5.8
EV/EBITDA (x)	66.5	44.2	30.0	25.5	21.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	6.4	6.5	7.5	8.3	8.7
Net debt/(cash) to equity (%)	(35.7)	(20.9)	(6.9)	(25.5)	(30.7)
Interest cover (x)	(7.4)	(6.4)	(10.2)	(7.4)	(9.0)
ROE (%)	12.5	15.4	16.7	17.5	17.0
Consensus adjusted net profit			32,541	41,501	53,088
UOBKH/Consensus (x)			1.06	1.03	0.93

Source: Xiaomi, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$57.65
Target Price	HK\$63.90
Upside	10.9%
(Previous TP:	HK\$52.40)

COMPANY DESCRIPTION

Xiaomi Corporation manufactures communication equipment and parts. The company produces and sells mobile phones, smart phone software, set-top boxes and related accessories. Xiaomi markets its products worldwide.

STOCK DATA

GICS sector	Communications Equipment
Bloomberg ticker:	1810 HK
Shares issued (m):	24,948
Market cap (HK\$m):	1,438,275
Market cap (US\$m):	211,511
3-mth avg daily t'over (US\$m):	1,340.7

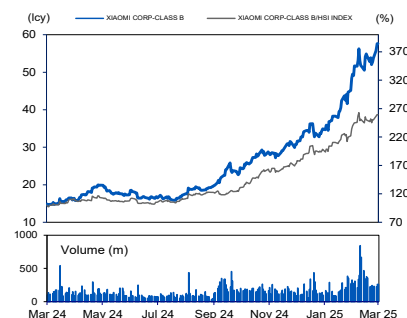
Price Performance (%)

52-week high/low	HK\$58.70 / HK\$14.36			
1mth	3mth	6mth	1yr	YTD
19.1	87.2	195.3	285.9	67.1

Major Shareholders

Smart Mobile Holdings Ltd	8.91
FY25 NAV/Share (RMB)	9.89
FY25 Net Cash/Share (RMB)	0.68

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- EV sales target raised to 350,000 units.** This compares with our estimate of 320,000 units, primarily due to a combination of: a) robust new orders growth eg the SU7 Ultra has already received 10,000 confirmed orders since its launch so far; and b) a better-than-expected capacity ramp-up as there could be more room for optimisation at its phase one factory. The on-going optimisation in production efficiency and the improvements in production scale will support a sustained expansion in margins throughout 2025 compared with 4Q24's 20.4%.
- Smartphone premiumisation as key focus; 2025 shipments to top 180m units.** Xiaomi's share in Africa, Southeast Asia and the Middle East expanded by 2.4ppt/2.0ppt/1.5ppt in 2024 respectively, and contribution from its premium smartphone sales in China had also increased by 3.0ppt to 24.3% during the year. Premiumisation will remain a key focus and Xiaomi will start to prioritise product mix over shipment volume in some regions (eg. Western Europe). At the same time, there is likely to be limited impact from price hikes of components (eg memory) in 2025, which coupled with the premiumisation trend leads us to expect a sustained margins expansion for its smartphone business in 2025-26.
- A real AI OS may take 2-3 years to develop,** and the current AI smartphones are more about individual AI features. A full integration of GenAI into the operating system (OS) will need more time to achieve.
- IoT business likely to see continued solid growth from a high base.** Xiaomi's IoT business grew by >50% yoy in 4Q24, primarily driven by both large home appliances (eg air conditioners/washing machines registered >50%/45% shipment growths respectively in 2024), tablets (shipments up 73% yoy) and wearables. Management believes there is still plenty of room to grow its IoT business, especially in the overseas market which has a x2 total addressable market compared with the domestic market. Given that Xiaomi is now accelerating its offline channel expansion in the overseas market (ie Europe, Japan, and Korea), we believe its growth is likely to further accelerate in 1-2 years' time.

EARNINGS REVISION/RISK

- We adjust our 2025 core net profit estimates by +1.7%, driven by: a) higher EV business shipment/margin assumptions, b) higher revenue assumptions for IoT business, and c) a lower opex assumption, which are offset by a lower gross margins assumption. We also introduce our 2027 estimates, with adjusted net profit arriving at Rmb49.6b, implying a yoy growth of 19.7%.

VALUATION/RECOMMENDATION

- Maintain BUY and raise target price to HK\$63.90,** based on: a) HK\$47.40 for the core business, which is based on 30.0x 2025F PE, 1SD above its five-year historical forward mean; and b) HK\$16.50 for the EV business which is based on 10-year DCF valuation based on a WACC of 9.6%. The valuation for the EV business also implies 4.7x 2025F P/S.

SOTP VALUATION

EV		Core	
Intrinsic value (Rmb)	374,906	EPS (Rmb)	1.45
CNY to HKD	1.1	CNY to HKD	1.1
Intrinsic value (HK\$)	412,396	EPS (HK\$)	1.58
Valuation	16.5	Valuation	47.4
EV/Sales (2025) (x)	4.7	PE Multiple (x)	30.0

Note: Core EPS excludes operating expenses into EV business.

Source: Xiaomi, UOB Kay Hian

OLD KEY ESTIMATES

(Rmbm)	OLD		
	2024F	2025F	2026F
Turnover	361,099	450,799	504,614
Smartphones	189,499	215,218	234,864
IoT and Lifestyle products	102,137	110,148	115,656
Internet services	33,681	36,358	39,048
EV	32,488	85,782	111,753
Margins (%)			
Smartphones	13.0	14.0	14.0
IoT and Lifestyle products	20.5	21.5	22.0
Internet services	77.0	77.0	77.0
EV	18.0	19.0	20.0

Source: Xiaomi, UOB Kay Hian

NEW KEY ESTIMATES

(Rmbm)	NEW			
	2024	2025F	2026F	2027F
Turnover	365,906	459,245	514,152	565,705
Smartphones	191,759	215,438	235,106	257,053
IoT and Lifestyle products	104,104	116,596	122,426	128,547
Internet services	34,115	36,358	39,049	40,708
EV	32,754	87,679	114,397	136,222
Margins (%)				
Smartphones	12.6	13.2	13.5	13.5
IoT and Lifestyle products	20.3	21.0	21.5	22.0
Internet services	76.6	77.0	77.0	77.0
EV	18.5	21.0	21.5	22.0

Source: Xiaomi, UOB Kay Hian

% CHANGE

(%)	CHANGE (%)			
	2024	2025F	2026F	2027F
Turnover	1.3	1.9	1.9	n.a.
Smartphones	1.2	0.1	0.1	n.a.
IoT and Lifestyle products	1.9	5.9	5.9	n.a.
Internet services	1.3	0.0	0.0	n.a.
EV	0.8	2.2	2.4	n.a.
Margins (%)				
Smartphones	-0.4	-0.8	-0.5	n.a.
IoT and Lifestyle products	-0.2	-0.5	-0.5	n.a.
Internet services	-0.4	0.0	0.0	n.a.
EV	0.5	2.0	1.5	n.a.

Source: Xiaomi, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2024	2025F	2026F	2027F
Net turnover	365,906	459,245	514,152	565,705
EBITDA	29,504	43,406	51,045	60,168
Deprec. & amort.	(6,318)	(5,985)	(6,351)	(7,276)
EBIT	23,186	37,421	44,693	52,892
Total other non-operating income	1,317	-	-	-
Associate contributions	277	-	-	-
Net interest income/(expense)	3,624	3,677	6,037	5,851
Pre-tax profit	28,127	41,098	50,731	58,743
Tax	(4,548)	(6,830)	(8,182)	(9,455)
Minorities	80	116	144	167
Net profit	23,658	34,384	42,693	49,454
Net profit (adj.)	27,235	34,384	42,693	49,454

CASH FLOW

Year to 31 Dec (Rmbm)	2024	2025F	2026F	2027F
Operating	39,295	21,657	59,330	36,056
Pre-tax profit	28,127	41,098	50,731	58,743
Tax	(4,548)	(6,830)	(8,182)	(9,455)
Deprec. & amort.	6,318	5,985	6,351	7,276
Associates	(277)	-	-	-
Working capital changes	14,905	(14,919)	16,467	(14,657)
Non-cash items	(5,229)	(3,677)	(6,037)	(5,851)
Other operating cashflows	-	-	-	1
Investing	(35,386)	(13,000)	(13,000)	(13,000)
Capex (growth)	(10,480)	(13,000)	(13,000)	(13,000)
Investments	(24,906)	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	-	-	-	-
Financing	(3,999)	3,677	6,037	5,851
Dividend payments	-	-	-	-
Issue of shares	-	-	-	-
Proceeds from borrowings	10,000	10,000	10,000	10,000
Loan repayment	(8,866)	(10,000)	(10,000)	(10,000)
Others/interest paid	(5,133)	3,677	6,037	5,851
Net cash inflow (outflow)	(90)	12,334	52,367	28,907
Beginning cash & cash equivalent	33,631	33,661	45,996	98,363
Changes due to forex impact	120	-	-	-
Ending cash & cash equivalent	33,661	45,996	98,363	127,270

BALANCE SHEET

Year to 31 Dec (Rmbm)	2024	2025F	2026F	2027F
Fixed assets	18,088	28,350	38,261	47,929
Other LT assets	159,359	156,112	152,850	148,905
Cash/ST investment	33,661	45,996	98,363	127,270
Other current assets	192,047	194,038	220,071	220,707
Total assets	403,155	424,496	509,544	544,811
ST debt	13,327	13,327	13,327	13,327
Other current liabilities	162,058	149,129	191,629	177,609
LT debt	17,276	17,276	17,276	17,276
Other LT liabilities	21,289	21,289	21,289	21,289
Shareholders' equity	188,738	223,122	265,815	315,269
Minority interest	467	352	208	41
Total liabilities & equity	403,155	424,496	509,544	544,811

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
Gross margin	20.9	21.6	21.9	22.0
Pre-tax margin	7.7	8.9	9.9	10.4
Net margin	6.5	7.5	8.3	8.7
ROA	7.5	8.3	9.1	9.4
ROE	15.4	16.7	17.5	17.0
Growth				
Turnover	35.0	25.5	12.0	10.0
EBITDA	33.2	29.7	13.5	10.3
Pre-tax profit	27.8	46.1	23.4	15.8
Net profit	35.4	45.3	24.2	15.8
Net profit (adj.)	41.3	26.3	24.2	15.8
EPS	41.7	26.3	24.2	15.8
Leverage				
Debt to total capital	7.6	7.2	6.0	0.0
Debt to equity	16.2	13.7	11.5	9.7
Net debt/(cash) to equity	(20.9)	(6.9)	(25.5)	(30.7)
Interest cover (x)	(6.4)	(10.2)	(7.4)	(9.0)

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