

PLEASE CLICK ON THE PAGE NUMBER TO MOVE TO THE RELEVANT PAGE.

KEY HIGHLIGHTS

Sector

Commodities

Weekly: US dollar tumbles on easing Fed rate hike fears; industrial metals and iron ore prices spike on stimulus optimism.

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Results

Xiaomi Corp (1810 HK/BUY/HK\$16.18/Target: HK\$21.60)

3Q23: Another beat on solid execution.

Page 5

TRADERS' CORNER

Li Auto Inc. (2015 HK): Trading Buy range: HK\$153.00-160.00

JD.COM, Inc. (9618 HK): Trading Buy range: HK\$103.00-108.00

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CORPORATE AND MACRO CALENDAR

| Date | Country/Region | Economic Indicator |
|-----------|----------------|------------------------------|
| 27 Nov | China | Oct Industrial Profits |
| 30 Nov | China | Nov NBS PMI |
| 01 Dec | China | Caixin Nov Manufacturing PMI |
| 07 Dec | China | Nov Trade |
| 09 Dec | China | Nov Inflation |
| 09-15 Dec | China | Nov Money Supply And Credit |
| 15 Dec | China | Nov Economic Activities |
| 20 Dec | China | Dec Loan Prime Rate |
| 27 Dec | China | Nov Industrial Profits |
| 30 Dec | China | Dec NBS PMI |

KEY INDICES

| | Prev Close | 1D % | 1W % | 1M % | YTD % |
|------------------------|------------|-------|-------|--------|--------|
| DJIA | 35151.0 | 0.6 | 2.4 | 6.1 | 6.0 |
| S&P 500 | 4547.4 | 0.7 | 3.1 | 7.7 | 18.4 |
| FTSE 100 | 7496.4 | (0.1) | 0.9 | 1.3 | 0.6 |
| AS30 | 7268.7 | 0.1 | 1.7 | 2.5 | 0.7 |
| CSI 300 | 3576.3 | 0.2 | (0.1) | 1.9 | (7.6) |
| FSSTI | 3111.6 | (0.4) | 0.2 | 1.1 | (4.3) |
| HSCEI | 6103.3 | 2.2 | 1.9 | 3.9 | (9.0) |
| HSI | 17778.1 | 1.9 | 2.0 | 3.5 | (10.1) |
| JCI | 6994.9 | 0.2 | 2.3 | 2.1 | 2.1 |
| KLCI | 1456.9 | (0.3) | 0.8 | 1.1 | (2.6) |
| KOSPI | 2491.2 | 0.9 | 3.6 | 4.9 | 11.4 |
| Nikkei 225 | 33388.0 | (0.6) | 2.5 | 6.8 | 28.0 |
| SET | 1419.4 | 0.3 | 2.3 | 1.4 | (14.9) |
| TWSE | 17210.5 | 0.0 | 2.2 | 4.7 | 21.7 |
| BDI | 1817 | (0.2) | 9.8 | (11.2) | 19.9 |
| CPO (RM/mt) | 3800 | (1.2) | 3.5 | 2.2 | (6.1) |
| Brent Crude (US\$/bbl) | 82 | 1.8 | (0.6) | (11.0) | (4.5) |

Source: Bloomberg

TOP TRADING TURNOVER

| Company | Price (HK\$) | Chg (%) | 5-day ADT (HK\$m) |
|------------------|--------------|---------|-------------------|
| XIAOMI CORP-W | 16.18 | 1.5 | 2,785.9 |
| KUAI SHOU-W | 60.10 | 2.6 | 1,288.8 |
| JD-SW | 108.60 | 3.0 | 1,247.4 |
| LI AUTO INC-A | 160.90 | 2.4 | 1,114.6 |
| WUXI BIOLOGICS C | 48.00 | 1.6 | 1,063.5 |

TOP GAINERS

| Company | Price (HK\$) | Chg (%) | 5-day ADT (HK\$m) |
|------------------|--------------|---------|-------------------|
| CITIC | 7.49 | 6.5 | 96.9 |
| JD HEALTH | 39.90 | 5.4 | 163.5 |
| HAIDILAO INTERNA | 16.98 | 5.3 | 228.2 |
| XINYI SOLAR HLDS | 5.24 | 5.2 | 129.3 |
| KINGDEE INTL SFT | 12.14 | 5.2 | 197.8 |

TOP LOSERS

| Company | Price (HK\$) | Chg (%) | 5-day ADT (HK\$m) |
|------------------|--------------|---------|-------------------|
| LINK REIT | 38.80 | (2.6) | 371.7 |
| BYD ELECTRONIC | 37.80 | (1.8) | 268.4 |
| CHINA STATE CONS | 8.83 | (1.5) | 31.9 |
| BRILLIANCE CHINA | 4.19 | (1.4) | 119.9 |
| CHINA POWER INTE | 2.96 | (1.0) | 83.9 |

*ADT: Average daily turnover

KEY ASSUMPTIONS

| GDP (% yoy) | 2022 | 2023F | 2024F |
|----------------------------|-------|-------|-------|
| US | 2.1 | 2.0 | 1.0 |
| Euro Zone | 3.5 | 0.5 | 0.8 |
| Japan | 1.0 | 1.5 | 1.0 |
| Singapore | 3.6 | 0.7 | 3.0 |
| Malaysia | 8.7 | 4.0 | 4.6 |
| Thailand | 2.6 | 3.1 | 3.5 |
| Indonesia | 5.4 | 5.1 | 5.2 |
| Hong Kong | -3.5 | 4.6 | 3.0 |
| China | 3.0 | 5.0 | 4.6 |
| CPO (RM/mt) | 5,088 | 4,000 | 4,200 |
| Brent (Average) (US\$/bbl) | 99.0 | 81.0 | 84.0 |

Source: Bloomberg, UOB ETR, UOB Kay Hian

SECTOR UPDATE

Commodities – China

Weekly: Metal Prices Rebounded On Easing Fed Rate Hike Fears; Industrial Metals And Iron Ore Prices Rising On Stimulus Optimism

The US' weaker-than-expected Oct 23 CPI has eased market concerns of further rate hikes by the Fed, dragging the US dollar to a two-month low. Expectations of more stimulus measures from China are boosting demand outlook for industrial metals and iron ore. Steel mills' margins expansion continued on the rebound of steel prices, though consumption has slowed. Cement shipment slowed as the northern region entered the low season and the southern region encountered rainy weather.

WHAT'S NEW

- Base metals (maintain MARKET WEIGHT):** The US dollar fell to a two-month low on easing Fed rate hike fears.
 - COMEX gold/LME copper three-month futures were +2.4%/+2.9% wow to US\$1,985 per t oz/US\$8,267 per mt.
 - US dollar index fell to a two-month low. US dollar index/10-year treasury yield was down 1.8%/17 bp wow to 103.92/4.44% last week. The release of the US' weaker-than-expected Oct 23 CPI at +3.20% (vs. consensus +3.30% yoy) has eased market concerns of further rate hikes by the Fed, lending support to metal prices denominated in US dollar.
 - Copper prices hit nine-week high on stimulus optimism. China's weak Oct 23 CPI initially dragged on the demand outlook of industrial metals, but market sentiment was later boosted by China's vow to roll out additional stimulus measures supporting the real estate sector which remains in the doldrums. China has kept both one-year/five-year loan prime rate (LPR) unchanged on 20 Nov 23 at 3.45%/4.20%.
 - According to CME FedWatch Tool, market is now pricing in 100% odds of the Fed maintaining interest rate in Dec 23's meeting. Market is expecting the Fed's first rate cut in May 24 with a slightly higher probability at 61.96%.
 - This week, the market's focus will be on: a) 20-year US treasury bond auction (20 Nov 23), and b) FOMC meeting minutes (22 Nov 23).
- Steel (maintain UNDERWEIGHT):** Expanding margin despite soaring iron ore prices; consumption under pressure amid sharp rebound in steel prices and low season.
 - Iron ore prices continued rising on China's stimulus optimism. SGX iron ore futures have continued rising to US\$128.51 (+1.3% wow/+12.1% mom). Sentiment was partly boosted by the series of stimulus measures from the Chinese government intending to support the beleaguered property sector and easing local government liquidity tightness. Spot prices of rebar/hot-rolled coil (HRC)/cold-rolled coil (CRC) as at 17 Nov 23 saw wow changes of +1.3%/+1.2%/+0.4%.

PEER COMPARISON

| Company | Ticker | Rec | Price @ | Target | Upside/ | Market | PE | | P/B | | EV/EBITDA | | ROE (%) |
|--------------|-----------|------|-----------|--------|------------|-----------|-------|-------|-------|-------|-----------|-------|---------|
| | | | 20 Nov 23 | Price | (Downside) | Cap | 2023F | 2024F | 2023F | 2024F | 2023F | 2024F | |
| | | | (lcy) | (lcy) | to TP (%) | (lcy m) | (x) | (x) | (x) | (x) | (x) | (x) | |
| Anhui Conch | 914 HK | BUY | 19.10 | 28.20 | 47.6 | 126,648.5 | 8.2 | 7.1 | 0.5 | 0.5 | 7.8 | 6.6 | 6.1 |
| Baosteel | 600019 CH | BUY | 6.18 | 7.10 | 14.9 | 136,700.7 | 13.3 | 9.9 | 0.7 | 0.6 | 5.6 | 4.8 | 5.2 |
| CR Cement | 1313 HK | HOLD | 1.89 | 2.29 | 21.4 | 13,197.8 | 11.9 | 8.2 | 0.3 | 0.3 | 8.3 | 6.5 | 2.2 |
| Zijin Mining | 2899 HK | BUY | 11.88 | 15.00 | 26.3 | 333,262.3 | 12.4 | 10.6 | 2.7 | 2.3 | 10.2 | 8.9 | 23.7 |

Source: Bloomberg, UOB Kay Hian

MARKET WEIGHT

(Maintained)

SECTOR PICKS

| Company | Ticker | Rec | Share Price (HK\$) | Target Price (HK\$) |
|-------------|--------|-----|--------------------|---------------------|
| Anhui Conch | 914 HK | BUY | 19.10 | 28.20 |

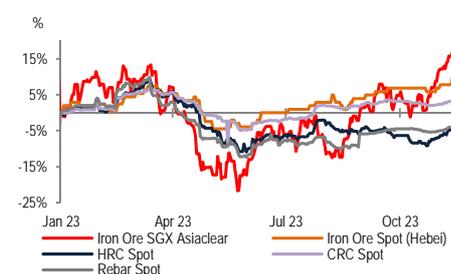
Source: UOB Kay Hian

METALS – YTD PRICE PERFORMANCE



Source: Bloomberg, UOB Kay Hian

STEEL – YTD PRICE PERFORMANCE



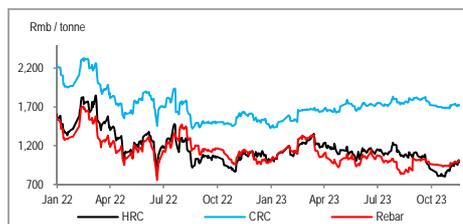
Source: Bloomberg, UOB Kay Hian

ANALYST(S)

Ziv Ang Sze Champ
+603 2147 1826
zivang@uobkayhian.com

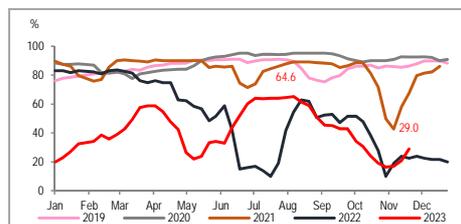
- China's National Development and Reform Commission (NDRC) is tightening its supervision on speculation activities for iron ore futures. Dalian Commodity Exchange has set iron ore futures trading limits at no more than 500 lots on contracts for January to May 24 deliveries.
- **Expansion of steel mills' margin despite rising costs.** Despite fast-rising iron ore prices, the uptick in domestic steel products' prices has been able to offset the impacts of higher costs. Weekly average of HRC steel-raw materials spread expanded by another 2.4% w/w to Rmb983 per tonne. Mysteel's survey indicated that 28.99% (+8.23ppt w/w) out of the 247 sampled steel mills are currently profit-making.

STEEL-RAW MATERIAL SPREADS



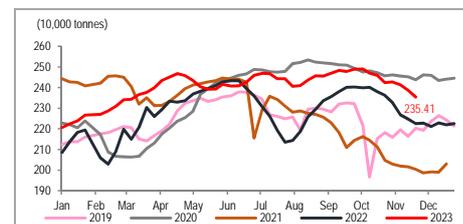
Source: Bloomberg, UOB Kay Hian

RATIO OF PROFIT-MAKING OUT OF 247 SAMPLED STEEL MILLS



Source: Wind, UOB Kay Hian

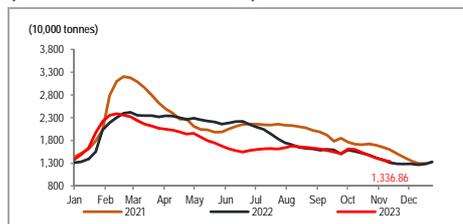
247 SAMPLED STEEL MILLS DAILY AVERAGE MOLTEN IRON OUTPUT



Source: Wind, UOB Kay Hian

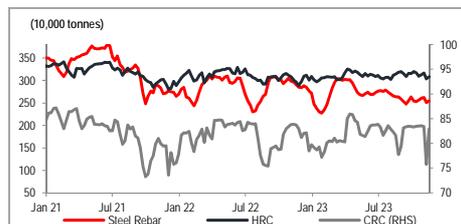
- **Steel production set to rebound on improving margins.** According to Mysteel's survey on 247 sampled steel mills, daily average molten iron production (for the week ended 17 Nov 23) was 2.3541m tonnes (-1.4% w/w), and blast furnace capacity utilisation ratio was down 1.22ppt w/w to 87.99%. Weekly output of five major steel products has rebounded to 8.9508m tonnes (+2.5% w/w/-3.6% yoy). Steel mills are gradually resuming production from maintenance amid improving profitability, and are expected to add on inventory pressure given the lacklustre downstream demand.
- **Steel consumption under pressure.** Overall steel inventory based on Mysteel's survey was down 2.28% w/w to 13.37 tonnes (+1.7% yoy). Weekly steel apparent consumption has slowed as we enter the low season. Apparent consumption was flattish w/w at 9.2633m last week, but was still 4.2% lower compared with last month, pressured by the rising steel prices and the start of the winter season in the northern region.

INVENTORY OF FIVE MAJOR STEEL PRODUCTS (TRADERS & STEEL MILLS)



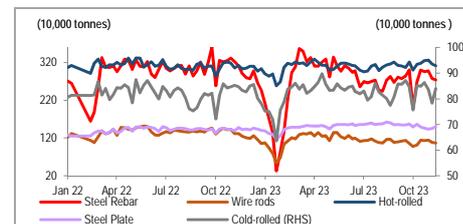
Source: Wind, UOB Kay Hian

WEEKLY PRODUCTION OUTPUT OF MAJOR STEEL PRODUCTS



Source: Wind, UOB Kay Hian

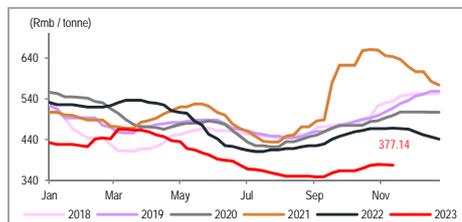
STEEL PRODUCTS WEEKLY APPARENT CONSUMPTION



Source: Wind, UOB Kay Hian

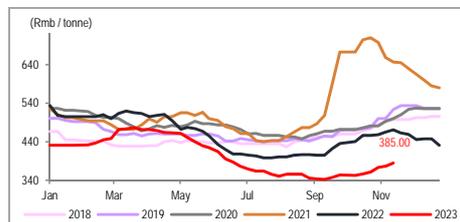
- **NBS: 10M23 China excavator production volume down 34.6%.** According to China Bureau of Statistics (NBS), Oct 23's domestic excavator production volume slowed further by 34.6% yoy to 17,186 units. 10M23 production volume was down 24.6% yoy to 195,124 units.
- **Cement (maintain MARKET WEIGHT):** Price rebound continued; margin recovering on easing coal prices.
 - **Ninth consecutive week of price rebound.** National average PO42.5 cement prices (bulk) continued its upward trend, rising 0.4% w/w to Rmb375.67 per tonne. Average cement prices for the eastern/central/southern regions saw changes of -0.4%/+1.8%/+2.6% w/w. Cement-coal spread expanded further by 1.5% w/w last week to Rmb253.99 per tonne, partly boosted by the 1.7% w/w decline of thermal coal prices.

AVERAGE CEMENT PRICES- EAST CHINA



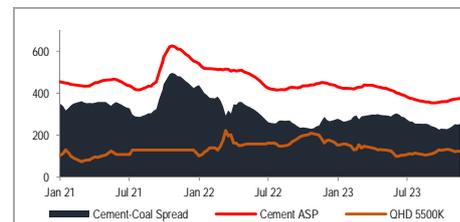
Source: Wind, UOB Kay Hian

AVERAGE CEMENT PRICES- CENTRAL SOUTH CHINA



Source: Wind, UOB Kay Hian

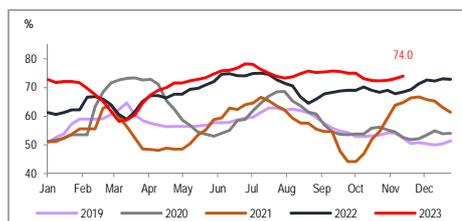
CEMENT-COAL SPREAD



Source: Wind, UOB Kay Hian

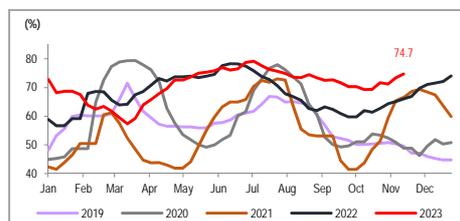
- Shipments amid winter season and rainy weather.** According to 100NJZ's survey conducted on 250 cement enterprises, weekly cement shipment volume for the week of 8-14 Nov 23 was 6.0285m tonnes (-1.6% wow/-30.0% yoy). By region, the eastern/central/southern regions' shipment volumes were +11.8%/-4.8%/+1.5% mom (-26.8%/-32.2%/-42.0% yoy) respectively. Shipment for infrastructure projects was 2.39m tonnes (-1.2% wow/-8.8% yoy). Majority of the projects in northern regions have halted operations as they enter the winter season, whereas southern regions were hit by rainy weather despite improving project liquidity.
- Rising inventory pressure despite slowing output.** Based on 100NJZ's survey on 274 cement enterprises, clinker production capacity utilisation was down 7.48ppt wotw to 60.79% for the week ended 16 November. Average cement storage capacity ratio for the eastern/central south region was up 1.2ppt wotw to 74.7%/76.6%.

CEMENT STORAGE CAPACITY RATIO – NATIONAL AVERAGE



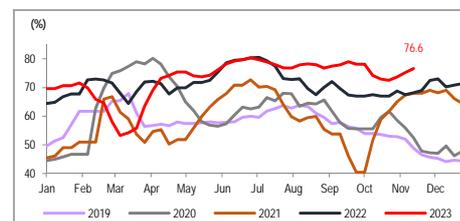
Source: Wind, UOB Kay Hian

CEMENT STORAGE CAPACITY RATIO – EAST CHINA



Source: Wind, UOB Kay Hian

CEMENT STORAGE CAPACITY RATIO – CENTRAL-SOUTH CHINA



Source: Wind, UOB Kay Hian

ESSENTIALS

- We maintain MARKET WEIGHT on the base metals sector.** Although fears of further rate hikes have eased and thus helped to support metals prices, we are still concerned on global copper demand given the prospects of a prolonged high interest rate environment and gloomy global economic outlook, especially with China's property sector remaining in the doldrums. The downcycle is likely to last until 2H24, while the rebound in crude oil prices would also inflate miners' production costs and erode margins.
- We maintain MARKET WEIGHT on the cement sector.** Cement shipment volume is reversing down as we enter the winter season, whereby projects in the northern region are gradually halting operations. We have yet to witness significant acceleration in construction progress, with demand to be mainly driven by existing projects while most of the new projects have been deferred to next year. Cement manufacturers and distributors are now focussing on receivables collection and inventory digestion.
- We maintain UNDERWEIGHT on the steel sector.** Growing production output amid weakening downstream demand during the low season will add on inventory, and steel prices are likely to be under pressure in Dec 23. Steel mills are also generally pessimistic on demand prospects for 4Q23, especially with the intensifying competition between industry players. We are still monitoring the price movement of iron ore futures and doubt the effectiveness of NDRC's recent intervention.

COMPANY RESULTS

Xiaomi Corp (1810 HK)

3Q23: Another Beat On Solid Execution

Xiaomi's 3Q23 results beat expectations, with adjusted net profit 20% above our and consensus estimates on the back of better-than-expected margins for its smartphone business. The recovery in consumer spending is on track, and the implementation of AI in smartphones can bolster replacement demand going forward. Maintain BUY. Raise target price to HK\$21.60 as we factor in the EV business' valuation.

3Q23 RESULTS

| Year to 31 Dec | 3Q22 | 2Q23 | 3Q23 | yoy% | qoq % | 9M22 | 9M23 | yoy% |
|--------------------------|--------|--------|--------|--------|--------|---------|---------|--------|
| Revenue | 70,474 | 67,355 | 70,894 | 0.6 | 5.3 | 213,997 | 197,726 | (7.6) |
| Smartphones | 42,514 | 36,596 | 41,649 | (2.0) | 13.8 | 130,545 | 113,229 | (13.3) |
| IoT & Lifestyle products | 19,059 | 22,254 | 20,673 | 8.5 | (7.1) | 58,348 | 59,761 | 2.4 |
| Internet services | 7,067 | 7,444 | 7,756 | 9.7 | 4.2 | 21,150 | 22,228 | 5.1 |
| Other | 1,835 | 1,061 | 817 | (55.5) | (23.1) | 3,954 | 2,509 | (36.6) |
| Gross Profit | 11,722 | 14,161 | 16,110 | 37.4 | 13.8 | 36,200 | 41,862 | 15.6 |
| Adjusted Net Profit | 2,117 | 5,140 | 5,990 | 182.9 | 16.5 | 7,057 | 14,363 | 103.5 |
| GPM (%) | 16.6 | 21.0 | 22.7 | 6.1 | 1.7 | 16.9 | 21.2 | 4.3 |
| Smartphones | 8.9 | 13.3 | 16.6 | 7.7 | 3.3 | 9.2 | 13.9 | 4.7 |
| IoT & Lifestyle products | 13.5 | 17.6 | 17.8 | 4.3 | 0.3 | 14.5 | 17.1 | 2.7 |
| Internet services | 72.1 | 74.1 | 74.4 | 2.4 | 0.3 | 71.9 | 73.6 | 1.7 |

Source: Xiaomi, UOB Kay Hian

RESULTS

• **3Q23 results another strong beat.** Xiaomi Corp's (Xiaomi) 3Q23 results was largely in line at Rmb70.9b (+0.6% yoy and +5.3% qoq). However, the margin of the smartphone business was a big beat at 16.6% (2.6ppt above our estimates), driven by a better profit mix (more new products) and a recovery in impairment costs. With operating expenses well-controlled at 15.6% of revenue (+0.5ppt qoq, in line), adjusted net profit surged 1.8x yoy and 16.5% qoq to Rmb5,990m, which is 19.8% above our estimates.

STOCK IMPACT

• **Better outlook for smartphones in 2024; AI to bolster replacement demand going forward.** Management highlighted that the strong recovery in sales in the past month showcased that consumers' appetite for new features in smartphones remained high. The development of AI and LLMs in smartphones will bring a lot of new features to smartphones in the coming years which can bolster replacement demand going forward.

KEY FINANCIALS

| Year to 31 Dec (Rmbm) | 2021 | 2022 | 2023F | 2024F | 2025F |
|-------------------------------|---------|---------|---------|---------|---------|
| Net turnover | 328,309 | 280,044 | 276,907 | 317,384 | 356,111 |
| EBITDA | 23,263 | 9,955 | 20,174 | 23,634 | 25,137 |
| Operating profit | 20,201 | 6,247 | 16,317 | 19,508 | 20,727 |
| Net profit (rep./act.) | 19,339 | 2,474 | 16,311 | 17,065 | 17,824 |
| Net profit (adj.) | 22,040 | 8,518 | 17,432 | 17,065 | 17,824 |
| EPS (Fen) | 88.4 | 34.3 | 69.8 | 68.3 | 71.3 |
| PE (x) | 15.3 | 42.9 | 19.3 | 20.8 | 19.9 |
| P/B (x) | 3.9 | 2.9 | 2.4 | 2.5 | 2.2 |
| EV/EBITDA (x) | 12.9 | 30.1 | 14.9 | 12.7 | 11.9 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net margin (%) | 5.9 | 0.9 | 5.9 | 5.4 | 5.0 |
| Net debt/(cash) to equity (%) | (20.6) | (23.6) | (45.7) | (45.5) | (38.9) |
| Interest cover (x) | 12.5 | (5.6) | (8.6) | (6.4) | (7.3) |
| ROE (%) | 16.9 | 6.1 | 11.5 | 10.1 | 9.6 |
| Consensus adjusted net profit | - | - | 15,635 | 14,748 | 16,912 |
| UOBKH/Consensus (x) | - | - | 1.11 | 1.16 | 1.05 |

Source: Xiaomi, Bloomberg, UOB Kay Hian

BUY

(Maintained)

| | |
|--------------|-------------|
| Share Price | HK\$16.18 |
| Target Price | HK\$21.60 |
| Upside | 30.4% |
| (Previous TP | HK\$ 16.80) |

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): | 24,988 |
| Market cap (HK\$m): | 404,310 |
| Market cap (US\$m): | 59,457 |
| 3-mth avg daily t'over (US\$m): | 167.7 |

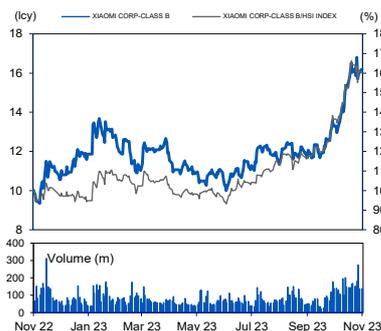
Price Performance (%)

| | | | | |
|------------------|--------------------|-------------|------------|------------|
| 52-week high/low | HK\$17.00/HK\$9.00 | | | |
| 1mth | 3mth | 6mth | 1yr | YTD |
| 21.7 | 37.8 | 49.0 | 57.1 | 47.9 |

Major Shareholders

| | |
|---------------------------|------|
| | % |
| Lin Bin | 8.78 |
| FY23 NAV/Share (RMB) | 7.28 |
| FY23 Net Cash/Share (RMB) | 3.32 |

PRICE CHART



Source: Bloomberg

ANALYST(S)

Johnny Yum
 +852 2236 6706
 johnny.yum@uobkayhian.com.hk

- **Premiumisation remains key focus; contribution from offline channels further expanded.** Thanks to improving supply chain efficiency, Xiaomi's offline-store GMV increased 28% yoy during the quarter, and its contribution to premium smartphone sales in China expanded from 46% in 2Q23 to 55% in 3Q23.
- **Growth in internet service business could accelerate** as Xiaomi expands its monetisation for its overseas user base with the introduction of more overseas partners to Xiaomi's internet service platform. At the same time, we expect Xiaomi to benefit from accelerated share gain in the overseas market, as well as the recovery in China's advertising spending and gaming industry.

EARNING REVISION/RISK

- **We raise our smartphone shipment assumption to 147m/156m/162m units** (from 145m/155m/162m units) as we are now more optimistic on Xiaomi's share gains in the overseas market.
- **We raise our internet service business sales assumption by 2.1%/0.2%/0.2%** for 2023-25 to factor in a faster-than-expected growth in the overseas market.
- **We introduce our 2023-25 EV sales assumptions** with sales at Rmb12.5b/30b/40b and margins at -15%/-5%/10% respectively. Our sales assumption implies shipment of 50,000/120,000/160,000 units, and an ASP of Rmb250,000.
- **We adjust our blended margins assumption by +0.7ppt/-0.9ppt/-1.7ppt in 2023-25**, as we factor in a higher margin assumption for smartphones, which is more than offset by contribution from the low-margin EV business in 2024-25. Note that we still expect smartphone margins to moderate to 14.2%/13.8%/13.0% in 4Q23/2024/2025 from a higher material costs.
- **Our 2023-25 adjusted net profit estimates are lifted by 7.3%/11.8%/18.5% to Rmb17.4b/17.1b/17.8b respectively.**

VALUATION/RECOMMENDATION

- **Maintain BUY and raise target price to HK\$21.60.** We factor in Xiaomi's EV business and utilise SOTP valuation with the following components: a) HK\$21.1 for the core business, which is based on 21.3x 2024F PE, largely on a par with five-year average historical forward mean; and b) HK\$0.5 for the EV business which is based on 10-year DCF valuation based on a WACC of 16%. The valuation for the EV business also implies 1x 2024F P/S.

DCF ASSUMPTIONS FOR EV BUSINESS

| (Rmbm) | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
|------------------------|-----------------|-----------------|-----------------|----------------|----------------|---------------|---------------|---------------|----------------|----------------|----------------|
| Revenue | | | | | | | | | | | |
| EV | - | 12,500 | 30,000 | 40,000 | 50,000 | 60,000 | 70,000 | 87,500 | 105,000 | 115,000 | 125,000 |
| Service | - | 5 | 85 | 264 | 530 | 924 | 1,575 | 2,520 | 3,822 | 5,472 | 7,506 |
| Total revenue | - | 12,505 | 30,085 | 40,264 | 50,530 | 60,924 | 71,575 | 90,020 | 108,822 | 120,472 | 132,506 |
| EV | - | (1,875) | (1,500) | 4,000 | 7,500 | 10,800 | 13,300 | 17,500 | 21,000 | 23,000 | 25,000 |
| GPM (%) | - | (15) | (5) | 10 | 15 | 18 | 19 | 20 | 20 | 20 | 20 |
| Internet service | - | - | 60 | 185 | 371 | 647 | 1,103 | 1,764 | 2,675 | 3,830 | 5,254 |
| GPU (%) | - | - | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 70 |
| Total GP | - | (1,875) | (1,441) | 4,185 | 7,871 | 11,447 | 14,403 | 19,264 | 23,675 | 26,830 | 30,254 |
| Opex | (6,000) | (7,000) | (8,000) | (9,000) | (9,000) | (9,000) | (9,000) | (8,000) | (8,000) | (8,000) | (8,000) |
| Operating profit | (6,000) | (8,875) | (9,441) | (4,815) | (1,129) | 2,447 | 5,403 | 11,264 | 15,675 | 18,830 | 22,254 |
| Tax expenses | - | - | - | - | - | - | 810 | 1,690 | 2,351 | 2,825 | 3,338 |
| Capex | (5,000) | (4,500) | (4,000) | (3,500) | (3,000) | (3,000) | (3,000) | (2,500) | (2,500) | (2,000) | (2,000) |
| FCF | (11,000) | (13,375) | (13,441) | (8,315) | (4,129) | (553) | 2,403 | 8,764 | 13,175 | 16,830 | 20,254 |
| Terminal value | | | | | | | | | | | 160,971 |
| Cashflow | (11,000) | (13,375) | (13,441) | (8,315) | (4,129) | (553) | 2,403 | 8,764 | 13,175 | 16,830 | 181,225 |
| ----- EV ----- | | | | | | | | | | | |
| Intrinsic value (Rmb) | \$11,538 | | | | | | | | | | |
| CNY to HKD | 1.1 | | | | | | | | | | |
| Intrinsic value (HK\$) | \$12,691 | | | | | | | | | | |
| Valuation | \$0.5 | | | | | | | | | | |
| EV/Sales (2024) (x) | 1.0 | | | | | | | | | | |
| ----- Core ----- | | | | | | | | | | | |
| EPS (Rmb) | | | | | 0.90 | | | | | | |
| CNY to HKD | | | | | 1.10 | | | | | | |
| EPS (HK\$) | | | | | 0.99 | | | | | | |
| Valuation | | | | | 21.10 | | | | | | |
| PE Multiple (x) | | | | | 21.30 | | | | | | |

Source: Xiaomi, UOB Kay Hian *core EPS excludes operating expenses into EV business.

PROFIT & LOSS

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|----------------------------------|---------|---------|---------|---------|
| Net turnover | 280,044 | 276,907 | 317,384 | 356,111 |
| EBITDA | 9,955 | 20,174 | 23,634 | 25,137 |
| Deprec. & amort. | (3,707) | (3,857) | (4,126) | (4,410) |
| EBIT | 6,247 | 16,317 | 19,508 | 20,727 |
| Total other non-operating income | (3,431) | 3,422 | - | - |
| Associate contributions | (400) | 74 | - | - |
| Net interest income/(expense) | 1,117 | 1,887 | 3,058 | 2,844 |
| Pre-tax profit | 3,934 | 21,570 | 22,566 | 23,571 |
| Tax | (1,431) | (5,177) | (5,416) | (5,657) |
| Minorities | (29) | (82) | (86) | (90) |
| Net profit | 2,474 | 16,311 | 17,065 | 17,824 |
| Net profit (adj.) | 8,518 | 17,432 | 17,065 | 17,824 |

CASH FLOW

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|----------------------------------|----------|----------|----------|----------|
| Operating | (4,390) | 45,307 | 12,555 | 28,487 |
| Pre-tax profit | 3,934 | 21,570 | 22,566 | 23,571 |
| Tax | (3,420) | (5,177) | (5,416) | (5,657) |
| Deprec. & amort. | 3,707 | 3,857 | 4,126 | 4,410 |
| Associates | 400 | (74) | - | - |
| Working capital changes | (21,255) | 26,944 | (5,663) | 9,007 |
| Non-cash items | 12,244 | (1,813) | (3,058) | (2,844) |
| Other operating cashflows | - | - | - | - |
| Investing | 15,549 | (8,000) | (8,000) | (6,500) |
| Capex (growth) | (5,800) | (8,000) | (8,000) | (6,500) |
| Investments | (80,563) | - | - | - |
| Proceeds from sale of assets | 98,068 | - | - | - |
| Others | 3,843 | - | - | - |
| Financing | (7,855) | 2,029 | 3,058 | 2,844 |
| Dividend payments | - | - | - | - |
| Issue of shares | 84 | - | - | - |
| Proceeds from borrowings | 19,858 | 20,000 | 20,000 | 20,000 |
| Loan repayment | (22,649) | (19,858) | (20,000) | (20,000) |
| Others/interest paid | (5,147) | 1,887 | 3,058 | 2,844 |
| Net cash inflow (outflow) | 3,304 | 39,337 | 7,613 | 24,831 |
| Beginning cash & cash equivalent | 23,512 | 27,607 | 67,016 | 74,500 |
| Changes due to forex impact | 791 | - | - | - |
| Ending cash & cash equivalent | 27,607 | 66,944 | 74,629 | 99,331 |

BALANCE SHEET

| Year to 31 Dec (Rmbm) | 2022 | 2023F | 2024F | 2025F |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Fixed assets | 9,138 | 14,828 | 20,326 | 24,115 |
| Other LT assets | 103,954 | 102,407 | 100,784 | 99,084 |
| Cash/ST investment | 27,607 | 67,016 | 74,500 | 99,515 |
| Other current assets | 132,808 | 117,921 | 137,519 | 139,826 |
| Total assets | 273,507 | 302,337 | 332,909 | 362,817 |
| ST debt | 2,151 | 2,293 | 2,293 | 2,293 |
| Other current liabilities | 87,477 | 99,607 | 113,341 | 124,967 |
| LT debt | 21,493 | 21,493 | 21,493 | 21,493 |
| Other LT liabilities | 18,463 | 18,463 | 18,463 | 18,463 |
| Shareholders' equity | 143,658 | 160,014 | 177,077 | 194,903 |
| Minority interest | 265 | 347 | 432 | 522 |
| Total liabilities & equity | 273,507 | 302,336 | 332,981 | 362,760 |

KEY METRICS

| Year to 31 Dec (%) | 2022 | 2023F | 2024F | 2025F |
|---------------------------|--------|--------|--------|--------|
| Profitability | | | | |
| Gross margin | 17.0 | 21.3 | 19.9 | 18.6 |
| Pre-tax margin | 1.9 | 7.7 | 7.1 | 6.6 |
| Net margin | 0.9 | 5.9 | 5.4 | 5.0 |
| ROA | 3.0 | 6.1 | 5.4 | 5.1 |
| ROE | 6.1 | 11.5 | 10.1 | 9.6 |
| Growth | | | | |
| Turnover | (14.7) | (1.1) | 14.6 | 12.2 |
| EBITDA | (18.3) | 23.9 | 7.2 | 4.9 |
| Pre-tax profit | (83.9) | 448.3 | 4.6 | 4.5 |
| Net profit | (87.2) | 559.3 | 4.6 | 4.5 |
| Net profit (adj.) | (61.4) | 104.6 | (2.1) | 4.5 |
| EPS | (61.2) | 103.3 | (2.1) | 4.5 |
| Leverage | | | | |
| Debt to total capital | 8.6 | 7.9 | 7.1 | 6.6 |
| Debt to equity | 16.5 | 14.9 | 13.4 | 12.2 |
| Net debt/(cash) to equity | (23.6) | (45.7) | (45.5) | (38.9) |
| Interest cover (x) | (5.6) | (8.6) | (6.4) | (7.3) |

TRADERS' CORNER



Chart by Bloomberg

Li Auto Inc. (2015 HK)

Trading Buy range: HK\$153.00-160.00

Last price: HK\$160.90

Target price: HK\$168.00/HK\$180.00

Protective stop: Breaks below HK\$140.00

Stock Highlights:

Li Auto started taking pre-orders for Li MEGA last Friday. The car will be priced below Rmb600,000 and orders exceeded 10,000 units within two hours.

Technical View:

Share price saw an adjustment between August and October. Price has risen above its 10-day (light blue), 20-day (orange), 50-day (red) and 100-day (pink) moving averages, but is restricted by the 200-day moving average (purple). The 14-day RSI is above the midline level of 50 and is currently around 62, indicating strong momentum. The MACD line is higher than the signal line, showing a double bullish signal.

Average timeframe: Around two weeks.



Chart by Bloomberg

JD.COM, Inc. (9618 HK)

Trading Buy range: HK\$103.00-108.00

Last price: HK\$108.60

Target price: HK\$113.00/HK\$115.00

Protective stop: Breaks below HK\$98.00

Stock Highlights:

In 3Q23, net income attributable to the company's ordinary shareholders increased 31.7% to Rmb7.9b.

Technical View:

Share price recovered from 24 Oct 23's low, and has now risen above its 10-day (light blue), 20-day (orange), 50-day (red), 100-day (pink), and 200-day (purple) moving averages. The 14-day RSI is above the midline level of 50 and is currently around 55, with increasing momentum. The MACD line is higher than the signal line, showing a bullish crossover.

Average timeframe: Around two weeks.

ANALYST(S)

Terence Chiu

+852 2236 6716

terence.chiu@uobkayhian.com.hk

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