

Hong Kong

ADD (no change)

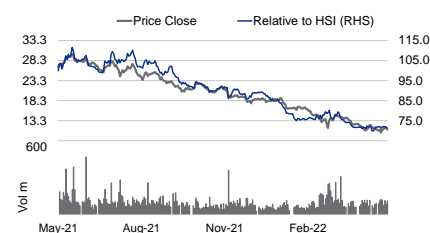
Consensus ratings*: Buy 44 Hold 5 Sell 3

Current price:	HK\$11.08
Target price:	HK\$19.84
Previous target:	HK\$19.84
Up/downside:	79.1%
CGS-CIMB / Consensus:	13.4%
Reuters:	1810.HK
Bloomberg:	1810 HK
Market cap:	US\$35,315m HK\$277,172m
Average daily turnover:	US\$180.9m HK\$1,415m
Current shares o/s:	24,977m
Free float:	58.5%

*Source: Bloomberg

Key changes in this note

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-8	-31.4	-58.4
Relative (%)	-3.7	-14.1	-28.8

Major shareholders

	% held
Lei Jun	29.1
Lin Bin	12.4
Morningside China TMT Fund I and II, L.P.	12.6

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Xiaomi Corporation

Smartphone sales set to recover in 2H22F

- 1Q22 NP fell 53% yoy due to poor China SP market and logistics disruption.
- We expect sequential SP sales improvement qoq in the rest of FY22F due to easing Omicron cases in China and improving production and logistic issues.
- Reiterate Add. Target price HK\$19.84 is based on 20x FY23F P/E.

1Q22 net profit fell 53% yoy due to poor China SP market

Xiaomi Corporation's 1Q22 adjusted net profit (non-IFRS) fell 53% yoy to Rmb2.86bn, in line with our and market's expectations, given the 22% decline in smartphone (SP) shipments and 3.0%-pt GPM erosion. 1Q22 revenue decreased by 5% yoy to Rmb73.4bn due to production and logistics challenges in China, offset by growth in IoT products (+7% yoy) and Internet services (+8% yoy). 1Q22 net profit formed 16% of our FY22F forecast. We deem it to be in line, as we expect sequential improvements in quarterly SP sales.

Smartphone sales likely to increase to c.45m units in 2Q22F

1Q22 SP shipment fell to 38.5m units (-22% yoy), dragged down by poor SP demand in all key regions: China, India and the EU, no thanks to a weakened macro economy, persistent 4G chipset shortages, and the Ukraine-Russia war. We expect better SP sales of c.45m units (-15% yoy) in 2Q22F, underpinned by China's 618 shopping festival, easing 4G chipset shortage, and the launch of Redmi K50-series (gaming phone) and Xiaomi Mi12-series (high-end segment). We expect Xiaomi FY22F SP shipment to be flat at 190m units, as we expect stronger shipments with c.50m units in 3Q/4Q22F (c.+14%/14% yoy) due to containment of the Omicron outbreak in China, improvement of production and logistic disruptions, and stable overseas shipments (India, the EU and LATAM). More importantly, we believe SP ASP will increase by 7% yoy in FY22F, lead by stronger premium phones sales in China and the EU.

IoT revenue to achieve solid growth of 14% yoy in FY22F

IoT revenue grew 7% yoy to Rmb19.5bn in 1Q22, led by TV, TWS earbuds, home appliances and tablets, while GPM reached a record high of 15.6% (+1.1% pts yoy), thanks to softened TV panel prices. We expect IoT revenue to maintain a solid growth of 14% yoy in FY22F, driven by smart TVs, smart watches and tablets, underpinned by overseas distribution channel expansion, especially in the EU and Southeast Asia.

Internet services revenue to accelerate in 2H22F

Internet service reached Rmb7.1bn (+8% yoy) in 1Q22, driven by advertising (+14% yoy) and gaming (+3% yoy). GPM declined 1.6% pts yoy (-5.3% pts qoq) to 70.8% due to a decrease in pre-installed apps revenue. Overseas business accounted for 22% of 1Q22 segment revenue, thanks to rising monetisation. We estimate Internet services revenue to accelerate in 2H22F and grow by 13% yoy in FY22F, driven by advertising business, thanks to a stable MIUI user base growth and fast-growing international business.

Reiterate Add; target price at HK\$19.84

Reiterate Add as we believe Xiaomi will continue to gain global SP market share and rising premium phone sales due to continuous domestic and overseas channel expansion. Our TP HK\$19.84 is based on 20x FY23F P/E, at par with its closest China Internet peers. Share price catalysts include SP shipments resuming growth and stable monetisation in the MIUI ecosystem. Risks: sustained supply chain constraints and weak global SP sales.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (Rmbm)	245,866	328,309	359,050	437,922	516,094
Net Profit (Rmbm)	20,355	19,339	17,577	23,239	25,860
Normalised EPS (Rmb)	0.54	0.88	0.72	0.85	0.95
Normalised EPS Growth	11.7%	63.1%	(18.7%)	17.7%	12.6%
FD Normalised P/E (x)	18.00	10.84	13.55	11.52	10.23
Price To Sales (x)	0.93	0.72	0.66	0.54	0.46
DPS (Rmb)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	14.72	8.77	9.51	7.03	5.17
P/FCFE (x)	106.6	NA	15.5	11.9	10.3
Net Gearing	(54.8%)	(35.5%)	(41.9%)	(45.7%)	(51.7%)
P/BV (x)	1.94	1.73	1.60	1.38	1.23
ROE	12.7%	16.9%	12.6%	13.2%	13.0%
Normalised EPS/consensus EPS (x)			0.99	0.94	0.90

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Smartphone sales set to recover in 2H22F

1Q22 results highlights >

1Q22 reported that its adjusted net profit (non-IFRS measures) fell 53% yoy to Rmb2.86bn, driven by a 5% revenue decline and a 1.1%-pt GPM erosion.

- 1Q22 revenue decreased by 5% yoy to Rmb73.4bn, mainly dragged down by the SP segment (-11% yoy), while IoT & lifestyle products (IoT, +7% yoy) and Internet services (+8% yoy) maintained stable growth despite production and logistics challenges in China, on the back of nationwide cities lockdown (around 20-30 major cities were locked down for 1-2 weeks, including Shenzhen and Shanghai) and Covid-19 prevention and control measures.
- Overseas revenue accounted for 51% of total 1Q22 revenue.
- 1Q22 SP sales dropped by 11% yoy to Rmb45.8bn due to a 22% yoy shipment decline, but offset by a 14% yoy ASP growth, thanks to better product mix on higher contribution from premium phones.
- China and India markets led the decline in 1Q22 SP shipments: China SP shipment dropped 19% yoy due to poor consumer sentiments on the back of the lockdowns in the various cities. India SP shipment decreased 18% yoy due to a lack of 4G chipsets and keener competition in the low-end segment.
- SP GPM retracted 3.0% pts yoy to 9.9% (-0.2% pts qoq) in 1Q22, due to promotions and surging input costs (logistics expenses and components costs).
- Global MIUI users rose 24% yoy (+4% qoq) to 529m (136m in China, +14% yoy, 4% qoq) in 1Q22.
- 1Q22 IoT revenue grew 7% yoy to Rmb19.5bn, driven by China market on strong sales in smart TVs, TWS earbuds, smart home appliances and tablets. International IoT business was affected by logistics issues and the Ukraine-Russia war.
- IoT GPM gained 1.1% pts yoy (+2.6% pts qoq) to 15.6%, thanks to stronger sales in high-margin products, such as smart watch and tablets, and softened TV panel price.
- Internet services revenue remained resilient in 1Q22 and grew 8% yoy to Rm7.1bn, continuously driven by high-margin advertising business (+16% yoy to Rmb4.5bn) and gaming business (+3% yoy to Rmb1.1bn).
- Overseas Internet revenue jumped 71% yoy to Rmb1.6bn in 1Q22, accounting for 21.9% of total Internet services revenue. Revenue growth in China decelerated by 3% yoy due to tightened policies in Internet services and gaming industry.
- Internet services GPM fell 1.6% pts yoy (-5.3% qoq) to 70.8%, due to a decrease of pre-installed apps revenue (decrease of SP shipment).
- ARPU fell 14% yoy to Rmb54.8 in 1Q22.

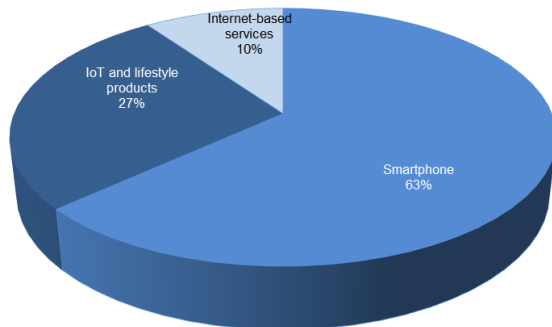
Figure 1: Results review

FYE Dec 31 (Rmb m)	1QFY22	1QFY21	yoy % chg	qoq % chg	Prev. FY22F	Comments
Revenue	73,352	76,882	(4.6)	(14.3)	359,050	1Q22 revenue fell 5% yoy, driven by smartphones (-11% yoy), IoT (+7% yoy), and internet service (+8% yoy).
Operating costs	(69,558)	(69,952)	(0.6)	(10.3)	(332,185)	
EBITDA	3,793	6,931	(45.3)	(52.8)	26,865	
EBITDA margin (%)	5.2	9.0			7.5	1Q22 GPM declined 1.1% pts yoy to (+0.2% pt qoq) to 17.3%,
Depn & amort.	(813)	(657)	23.7	114.7	(2,946)	driven by smartphone (-3.0% pts), IoT (+1.1% pts) and internet service segment (-1.6% pts).
EBIT	2,980	6,273	(52.5)	(15.8)	23,919	
Interest expense	230	634	(63.8)	127.2	(4,510)	
Interest & invt inc	126	87	44.1	104.3	421	
Fair value changes on investments	(3,550)	2,063	(272.1)	(191.5)	6,653	
Share of gain/(loss) of investments	(201)	9	N/M	(181.5)	390	
Exceptionals	-	-	N/M	N/M	-	
Pretax profit	(416)	9,067	(104.6)	(110.7)	19,830	
Tax	(115)	(1,278)	(91.0)	(92.1)	(2,302)	
Tax rate (%)	(27.6)	14.1			11.6	
Minority interests	(57.0)	4.0	(1,532.6)	(232.1)	48	
Net profit	(588)	7,793	(107.5)	(123.6)	17,577	1Q22 adjusted net profit (non-IFRS measure) dropped 53% yoy to
Reporting adjusted net profit #	2,859	6,069	(52.9)	(36.1)	17,950	Rmb2.86bn. It formed 16% of our FY22F forecast, in line, as we expect sequential qoq SP sales improvement.
EPS (Rmb cts)	(2.36)	31.20	(107.6)	(123.6)	70.37	
Reporting adjusted EPS # (Rmb cts)	11.47	24.30	(52.8)	(36.1)	71.86	

Reporting adjusted net profit (non-IFRS measure) excluded fair value changes on investments, change of value of financial liabilities to fund investors, share-based compensations, amortisation, and income tax effects

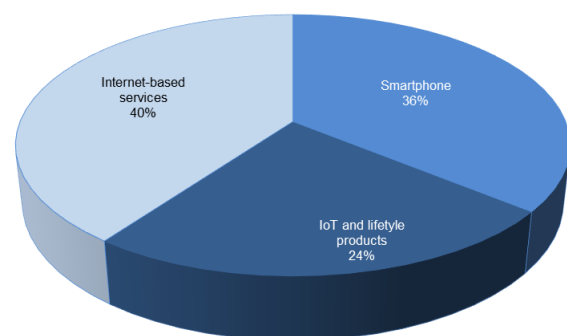
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Revenue breakdown by business segment (1Q22)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Gross profit breakdown by business segment (1Q22)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

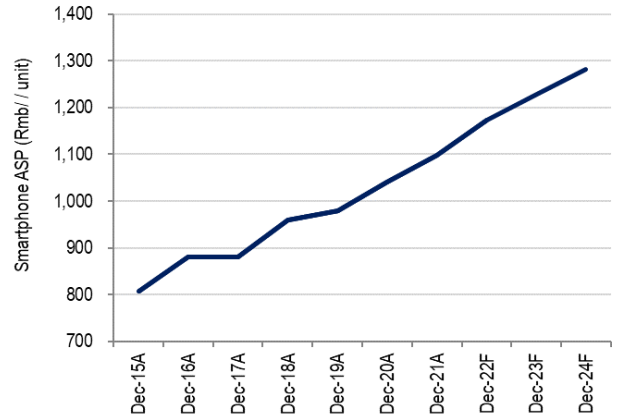
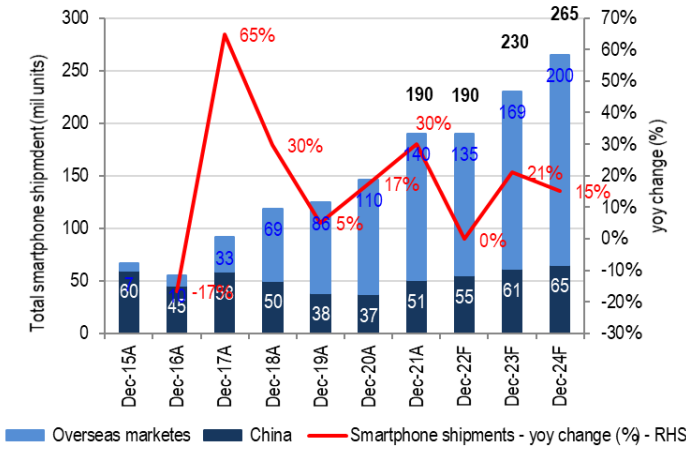
Figure 4: Operational metrics

Operational metrics	Dec 18A	Dec 19A	Dec 20A	1Q21	2Q21	3Q21	4Q21	Dec 21A	1Q22	Dec 22F	Dec 23F	Dec 24F
Revenue breakdown by segment (Rmb m)	174,915	205,839	245,866	76,882	87,789	78,063	85,575	328,309	73,352	359,050	437,922	516,094
- Smartphone	113,800	122,095	152,191	51,491	59,089	47,825	50,464	208,869	45,763	222,720	282,550	339,545
- IoT and lifestyle products	43,817	62,088	67,411	18,243	20,735	20,936	25,067	84,980	19,477	96,856	110,664	125,843
- Internet-based services	15,956	19,842	23,755	6,571	7,033	7,338	7,269	28,212	7,112	31,975	35,711	39,909
- Advertising services	10,100	10,654	12,700	3,907	4,500	4,800	4,893	18,100	4,500	21,358	23,921	26,791
- Gaming	n.a.	3,198	4,200	1,080	900	1,000	1,020	4,000	1,110	4,200	4,410	4,631
- Value added services	5,856	5,989	6,855	1,584	1,633	1,538	1,356	6,112	1,502	6,417	7,380	8,487
Gross profit margin by segment (%)	12.7%	13.9%	14.9%	18.4%	17.3%	18.3%	17.1%	17.7%	17.3%	17.2%	17.0%	16.9%
- Smartphone	6.2%	7.2%	8.7%	12.9%	11.8%	12.8%	10.1%	11.9%	9.9%	10.5%	10.8%	11.0%
- IoT and lifestyle products	10.3%	11.2%	12.8%	14.5%	13.2%	11.6%	13.0%	13.1%	15.6%	14.0%	13.5%	13.5%
- Internet-based services (MIUI O/S)	64.4%	64.7%	61.6%	72.4%	74.1%	73.6%	76.1%	74.1%	70.8%	72.0%	75.0%	75.0%
Smartphone unit sales (million units)	118.7	124.6	146.4	49.4	52.9	43.9	44.1	190.3	38.5	190.0	230.0	265.0
- China	52.7	38.4	36.9	13.6	13.0	11.2	12.7	50.5	11.0	55.0	61.0	65.0
- Overseas	66.0	86.2	109.5	35.8	39.9	32.7	31.4	139.8	27.5	135.0	169.0	200.0
- ASP (Rmb/ unit)	959	980	1,040	1,042	1,117	1,089	1,144	1,098	1,189	1,172	1,228	1,281
Internet-based services												
- MAUs (million)	233	310	396	425	454	486	509	509	529	560	619	666
- ARPU (Rmb)	82.5	75.5	67.3	64.0	64.0	62.5	58.5	62.3	54.8	59.8	60.6	62.1
- Connected devices (million units)	151	235	325	351	371	395	434	434	478	464	497	532
Change (yoy %)	Dec 18A	Dec 19A	Dec 20A	1Q21	2Q21	3Q21	4Q21	Dec 21A	1Q22	Dec 22F	Dec 23F	Dec 24F
Revenue breakdown by segment (Rmb m)	53%	18%	19%	30%	19%	64%	60%	34%	-5%	9%	22%	18%
- Smartphone	41%	7%	25%	70%	87%	0%	18%	37%	-11%	7%	27%	20%
- IoT and lifestyle products	87%	42%	9%	41%	36%	16%	19%	26%	7%	14%	14%	14%
- Internet-based services	61%	24%	20%	11%	19%	27%	18%	19%	8%	13%	12%	12%
- Advertising services	80%	5%	19%	46%	45%	45%	35%	43%	15%	18%	12%	12%
- Gaming	n.a.	n.a.	31%	-28%	-10%	25%	18%	-5%	3%	5%	5%	5%
- Value added services	37%	2%	14%	-9%	-10%	-8%	-17%	-11%	-5%	5%	15%	15%
Gross profit margin by segment (% pts)	-0.5%	1.2%	1.1%	3.2%	2.9%	4.2%	1.1%	2.8%	-1.1%	-0.5%	-0.2%	-0.2%
- Smartphone	-2.6%	1.0%	1.5%	4.8%	4.6%	4.4%	-0.3%	3.2%	-3.0%	-1.4%	0.3%	0.2%
- IoT and lifestyle products	2.0%	0.9%	1.6%	1.1%	1.8%	-2.7%	1.0%	0.3%	1.1%	0.9%	-0.5%	0.0%
- Internet-based services (MIUI O/S)	4.1%	0.4%	-3.1%	15.2%	13.9%	13.1%	7.7%	12.4%	-1.6%	-2.1%	3.0%	0.0%
Smartphone unit sales (million units)	30%	5%	17%	69%	87%	-6%	4%	30%	-22%	0%	21%	15%
- China (million units)	-10%	-27%	-4%	94%	81%	7%	4%	37%	-19%	9%	11%	7%
- Overseas (million units)	99%	31%	27%	61%	89%	-9%	4%	28%	-23%	-3%	25%	18%
- ASP (Rmb)	9%	2%	6%	0%	0%	7%	13%	6%	14%	7%	5%	4%
Internet-based services												
- MAUs (million)	37%	33%	28%	29%	32%	32%	28%	28%	24%	10%	11%	8%
- ARPU (Rmb)	27%	-8%	-11%	-13%	-9%	-4%	-10%	-7%	-14%	-4%	1%	3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Xiaomi smartphone sales volume (FY15-24F), CGS-CIMB research estimates

Figure 6: Xiaomi's smartphone ASP (FY15-FY24F), CGS-CIMB research estimates

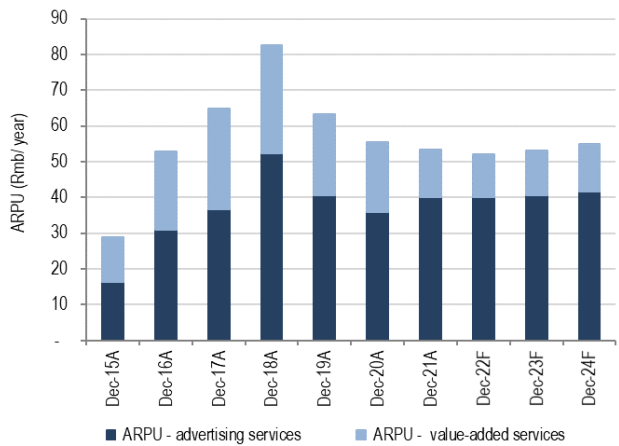
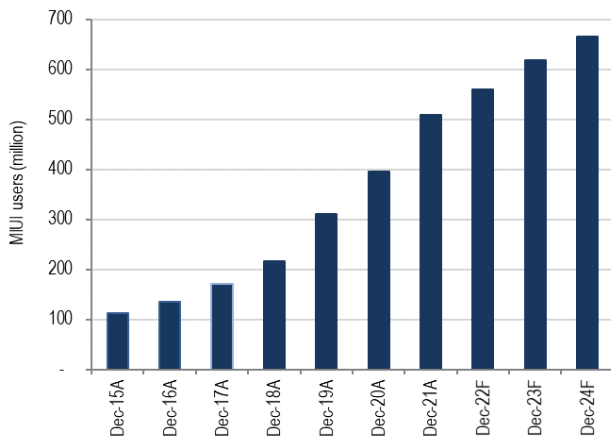


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Figure 7: Total number of MIUI users (FY15-FY24F), CGS-CIMB research estimates

Figure 8: Xiaomi's smartphone ASP (FY15-FY24F), CGS-CIMB research estimates










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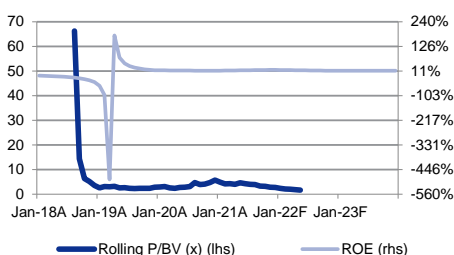
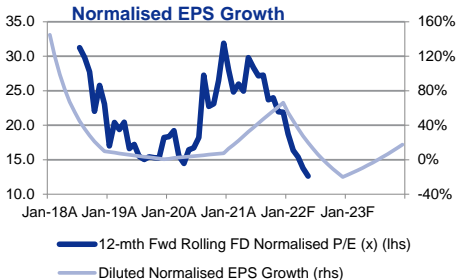
Figure 9: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY2022F	CY2023F		CY2022F	CY2023F	CY2022F	CY2023F	CY2022F	CY2023F	CY2022F	CY2023F
China Internet giants (ATMXJ) - HKEX-listed																
Alibaba	9988 HK	Not Rated	87.3	N/A	236,690	12.5	12.3	-2.8%	2.2	1.9	9.8%	10.1%	9.5	7.8	0.0%	0.0%
Tencent	700 HK	Not Rated	341.8	N/A	418,658	23.0	18.9	12.0%	3.0	2.6	14.4%	15.1%	17.0	13.9	0.5%	0.5%
JD.com Inc	9618 HK	Not Rated	199.8	N/A	79,526	31.9	20.9	32.3%	2.4	2.2	3.8%	7.3%	21.9	13.5	0.2%	0.0%
Meituan	3690 HK	Not Rated	165.5	N/A	130,414	N/A	105.3	N/A	7.4	6.9	-10.2%	4.7%	N/A	48.6	0.0%	0.0%
Xiaomi	1810 HK	Add	11.08	19.84	35,315	13.3	11.1	2.4%	1.6	1.4	12.9%	13.3%	9.2	7.0	0.0%	0.0%
Average						20.2	33.7	11.0%	3.3	3.0	6.2%	10.1%	14.4	18.2	0.1%	0.1%
China Internet company - others																
Baidu	BIDU US	Not Rated	118.9	N/A	41,072	19.3	13.4	14.4%	1.3	1.4	5.4%	7.2%	10.3	6.8	0.0%	0.0%
China Literature	772 HK	Not Rated	31.60	N/A	4,116	20.3	16.5	17.2%	1.5	1.4	7.2%	8.2%	13.3	10.8	0.0%	0.0%
Momo	MOMO US	Not Rated	4.89	N/A	970	4.0	3.5	-2.5%	0.6	0.6	12.3%	13.0%	1.9	1.3	10.8%	9.2%
NetEase	9999 HK	Not Rated	148.4	N/A	62,103	21.4	18.3	16.3%	3.9	3.4	17.7%	17.8%	16.0	13.8	0.9%	1.0%
Weibo	WB US	Not Rated	21.50	N/A	5,086	8.0	7.1	4.2%	1.2	1.0	14.2%	13.9%	5.4	3.8	0.0%	0.0%
YY	YY US	Not Rated	39.76	N/A	2,819	19.7	14.1	114.3%	0.6	0.5	2.5%	3.8%	4.5	2.8	4.8%	4.3%
Average						14.7	11.9	29.9%	1.6	1.4	10.8%	11.4%	8.2	6.5	3.3%	2.9%
US Internet giants																
Apple	AAPL US	Not Rated	140.8	N/A	2,279,197	22.9	21.5	5.0%	37.7	30.7	153.1%	146.6%	16.7	16.1	0.6%	0.7%
Facebook	FB US	Not Rated	192.2	N/A	520,264	14.3	12.2	2.4%	3.8	3.0	25.7%	26.6%	8.4	6.8	0.0%	0.0%
Netflix	NFLX US	Not Rated	177.2	N/A	78,721	15.8	14.3	8.3%	3.9	3.2	26.3%	24.1%	12.4	11.1	0.0%	0.0%
Alphabet	GOOG US	Not Rated	2,248.0	N/A	1,477,082	18.3	15.4	14.3%	5.2	4.2	28.1%	27.3%	11.2	9.3	0.0%	0.0%
Amazon	AMZN US	Not Rated	2,142.3	N/A	1,089,806	53.3	28.5	28.5%	6.7	5.3	8.1%	16.4%	15.6	11.8	0.0%	0.0%
Average						24.9	18.4	11.7%	11.5	9.3	48.2%	48.2%	12.8	11.0	0.1%	0.1%
Handset component makers																
AAC Technologies	2018 HK	Reduce	16.52	13.54	2,544	14.2	10.3	11.9%	1.1	1.0	6.6%	10.2%	6.0	5.5	1.0%	1.4%
Q Tech	1478 HK	Add	5.26	10.56	794	6.0	5.1	12.2%	1.0	0.8	17.6%	17.5%	2.2	1.5	0.0%	0.0%
Sunny Optical	2382 HK	Add	109.4	177.2	15,289	18.6	14.3	24.6%	4.1	3.3	25.0%	26.8%	9.8	7.5	1.1%	1.4%
Tongda Group	698 HK	Hold	0.14	0.28	171	2.6	2.1	N/A	0.1	0.1	6.5%	7.7%	1.7	1.3	5.7%	7.1%
BOE Technology	000725 CH	Add	3.85	6.34	21,845	N/A	N/A	-10.2%	1.0	0.9	11.8%	11.9%	4.0	3.8	4.6%	5.1%
Lens Technology	300433 CH	Add	9.98	16.40	7,359	15.0	12.2	16.5%	1.1	1.0	7.6%	8.7%	8.5	7.3	1.7%	2.1%
Shenzhen Goodix	603160 CH	Reduce	58.2	55.2	3,955	36.4	31.6	3.5%	2.7	2.5	8.1%	8.2%	39.5	33.2	0.8%	0.9%
Shenzhen O-film Tech	002456 CH	Not Rated	5.71	N/A	2,750	43.9	35.5	102.2%	2.1	2.1	-1.5%	-1.1%	17.8	12.8	0.0%	0.1%
Largan Precision	3008 TT	Not Rated	1,585	N/A	7,143	11.4	12.0	-0.1%	1.4	1.3	12.8%	11.9%	4.1	3.6	4.3%	4.1%
Liteon Tech	2301 TT	Not Rated	62.90	N/A	4,968	11.1	9.7	5.7%	1.9	1.8	17.7%	18.7%	5.1	4.5	7.0%	7.6%
Tianma	000050 CH	Add	9.19	15.72	3,349	13.6	12.6	0.5%	0.6	0.6	4.7%	4.8%	9.1	8.4	0.8%	0.9%
Universal Scientific Industrial	601231 CH	Add	12.56	18.32	4,116	12.3	10.3	19.1%	1.3	1.0	13.6%	11.1%	5.2	2.9	4.9%	5.8%
Will Semi	603501 CH	Add	162.0	221.0	21,062	28.7	23.5	15.9%	6.7	5.3	27.0%	25.2%	19.6	16.0	0.4%	0.4%
Average						17.3	14.5	16.7%	1.6	1.4	10.6%	11.4%	9.8	8.1	2.5%	2.8%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG (PRICE AS AT 19 MAY 2022)

Refinitiv ESG Scores	
	
     	
<h2>ESG in a nutshell</h2> <p>In 2021, Xiaomi started merging its ESG framework into its products and supply chain. It appended ESG elements, especially on social, such as elderly concerns and emotional care on its AI assistant “小愛同學”. It also analysed the ESG data, and conducted ESG risk assessments on its suppliers. In our view, Xiaomi is not involved in any environmentally-detrimental industry practices and takes the effort to minimise the environmental impact of its operations.</p>	
<h3>Keep your eye on</h3> <p>Xiaomi’s total energy and water consumption and GHG emissions increased in FY21; total hazardous waste and non-hazardous waste produced also increased in FY21.</p>	<h3>Implications</h3> <p>Xiaomi’s total energy consumption rose 22% yoy to 144,627 MWh in FY21. Total water consumption rose 53% yoy to 463,663 metric tons in FY21. Total greenhouse gas (GHG) emissions increased 25% yoy to 82,820 metric tons in FY21. Total hazardous waste produced increased from 0.37 metric tons in FY20 to 2.50 metric tons in FY21. Total non-hazardous waste produced increased 36% yoy to 6,329 metric tons in FY21.</p> <p>In terms of third-party rating, according to Refinitiv Eikon, Xiaomi’s environmental pillar was ranked 2nd out of 14 in China’s computers, phones & electronics sector.</p> <p>Social.</p>
<h3>ESG highlights</h3> <p>Xiaomi has upgraded its AI assistant to support the needy in the community.</p>	<h3>Implications</h3> <p>Xiaomi conducted a survey on the needs of the elderly and implemented new features on its AI assistant afterwards, including “voice control” for better accessibility and “smart reminder” for reminding functions. The company also co-operate with university psychology scholars to append new technology on its AI assistant to identify and understand user emotions for better user companionship and emotional care.</p> <p>In terms of third-party rating, according to Refinitiv Eikon, Xiaomi’s social pillar was ranked 2nd out of 14 in China’s computers, phones & electronics sector.</p>
<h3>Trends</h3> <p>Xiaomi has established a supply chain ESG management framework.</p>	<h3>Implications</h3> <p>In 2021, Xiaomi incorporated its ESG framework to its supply chain management to collect ESG data related to its products, including energy consumption, GHG emissions, pollutants, and sourcing of conflict minerals. It also extended ESG risk assessments and due diligence from direct suppliers to second-tier suppliers so that Xiaomi can label them with corresponding risk levels, and closely track their ESG issues.</p> <p>In terms of third-party rating, according to Refinitiv Eikon, Xiaomi’s governance pillar was ranked 2nd out of 14 in China’s computers, phones & electronics sector.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS
P/BV vs ROE

12-mth Fwd FD Normalised P/E vs FD Normalised EPS Growth

Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	245,866	328,309	359,050	437,922	516,094
Gross Profit	36,752	58,261	61,842	74,488	86,970
Operating EBITDA	10,918	21,517	18,471	22,659	26,642
Depreciation And Amortisation	(1,708)	(2,143)	(2,946)	(3,788)	(4,442)
Operating EBIT	9,210	19,374	15,525	18,871	22,200
Financial Income/(Expense)	(2,401)	(1,612)	(3,159)	(1,271)	(892)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	7,476	9,355	7,837	6,723	6,357
Profit Before Tax (pre-EI)	14,284	27,117	20,203	24,324	27,665
Exceptional Items	7,349	(2,700)	(373)	2,108	2,061
Pre-tax Profit	21,633	24,417	19,830	26,432	29,726
Taxation	(1,321)	(5,134)	(2,302)	(3,237)	(3,897)
Exceptional Income - post-tax					
Profit After Tax	20,313	19,283	17,529	23,195	25,828
Minority Interests	43	56	48	44	32
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	20,355	19,339	17,577	23,239	25,860
Normalised Net Profit	12,964	21,983	17,902	21,087	23,767
Fully Diluted Normalised Profit	13,006	22,039	17,950	21,131	23,799

Cash Flow

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	10,918	21,517	18,471	22,659	26,642
Cash Flow from Inv. & Assoc.	0	0	0	0	0
Change In Working Capital	4,089	(9,363)	250	98	105
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(6)	0	0	0	0
Other Operating Cashflow	11,232	4,377	10,623	10,102	9,310
Net Interest (Paid)/Received	(2,401)	(1,612)	(3,159)	(1,271)	(892)
Tax Paid	(1,953)	(5,134)	(2,302)	(3,237)	(3,897)
Cashflow From Operations	21,879	9,785	23,883	28,352	31,268
Capex	(3,089)	(3,800)	(6,000)	(6,000)	(6,000)
Disposals Of FAs/subsidiaries	0	0	0	0	0
Acq. Of Subsidiaries/investments	(5,000)	(3,500)	(3,500)	(3,500)	(3,500)
Other Investing Cashflow	(9,590)	(37,708)	1,351	1,597	1,900
Cash Flow From Investing	(17,679)	(45,008)	(8,149)	(7,903)	(7,600)
Debt Raised/(repaid)	(2,004)	0	0	0	0
Proceeds From Issue Of Shares	25,709	0	0	0	0
Shares Repurchased	(455)	0	0	0	0
Dividends Paid	0	0	0	0	0
Preferred Dividends					
Other Financing Cashflow	2,711	(2,841)	(4,510)	(2,868)	(2,792)
Cash Flow From Financing	25,961	(2,841)	(4,510)	(2,868)	(2,792)
Total Cash Generated	30,161	(38,064)	11,225	17,580	20,876
Free Cashflow To Equity	2,195	(35,223)	15,735	20,449	23,668
Free Cashflow To Firm	7,565	(32,381)	20,245	23,317	26,459

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	85,585	75,068	88,728	105,543	127,313
Total Debtors	35,262	42,946	46,968	57,285	67,511
Inventories	41,671	52,398	57,668	70,518	83,264
Total Other Current Assets	23,374	31,635	32,458	34,444	36,164
Total Current Assets	185,892	202,047	225,821	267,790	314,252
Fixed Assets	6,306	6,965	10,746	13,686	15,972
Total Investments	47,997	60,344	62,094	63,844	65,594
Intangible Assets	4,266	5,579	5,579	5,579	5,579
Total Other Non-Current Assets	9,220	17,957	17,957	17,957	17,957
Total Non-current Assets	67,788	90,845	96,377	101,067	105,102
Short-term Debt	6,962	5,527	5,682	6,057	6,381
Current Portion of Long-Term Debt					
Total Creditors	85,819	94,868	104,409	127,674	150,751
Other Current Liabilities	15,146	15,333	22,069	17,062	18,715
Total Current Liabilities	107,927	115,727	132,160	150,792	175,847
Total Long-term Debt	10,635	20,720	20,720	20,720	20,720
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	10,001	16,914	18,497	22,561	26,588
Total Non-current Liabilities	20,636	37,633	39,217	43,280	47,308
Total Provisions	1,103	2,098	2,153	2,292	2,416
Total Liabilities	129,666	155,459	173,530	196,365	225,571
Shareholders' Equity	123,692	137,213	148,448	172,272	193,563
Minority Interests	322	220	220	220	220
Total Equity	124,014	137,432	148,668	172,492	193,783

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	19.4%	33.5%	9.4%	22.0%	17.9%
Operating EBITDA Growth	21.8%	97.1%	(14.2%)	22.7%	17.6%
Operating EBITDA Margin	4.44%	6.55%	5.14%	5.17%	5.16%
Net Cash Per Share (Rmb)	2.70	1.95	2.50	3.15	4.01
BVPS (Rmb)	4.91	5.49	5.94	6.90	7.75
Gross Interest Cover	2.74	6.82	3.44	6.58	7.95
Effective Tax Rate	6.1%	21.0%	11.6%	12.2%	13.1%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	12.73	15.65	19.14	18.19	18.53
Inventory Days	64.98	63.57	67.59	64.37	65.58
Accounts Payables Days	115.3	99.2	96.3	91.7	93.4
ROIC (%)	36%	101%	33%	42%	41%
ROCE (%)	14.6%	19.5%	14.5%	14.4%	14.4%
Return On Average Assets	7.03%	8.63%	6.85%	6.47%	6.26%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Smartphone ASP growth (yoy %)	6.1%	5.6%	6.8%	4.8%	4.3%
Smartphone unit sales growth (yoy %)	17.5%	30.0%	-0.2%	21.1%	15.2%
MIUI users (million)	396.3	508.9	508.3	583.3	627.6
ARPU (Rmb)	67.3	62.3	62.9	65.4	65.9

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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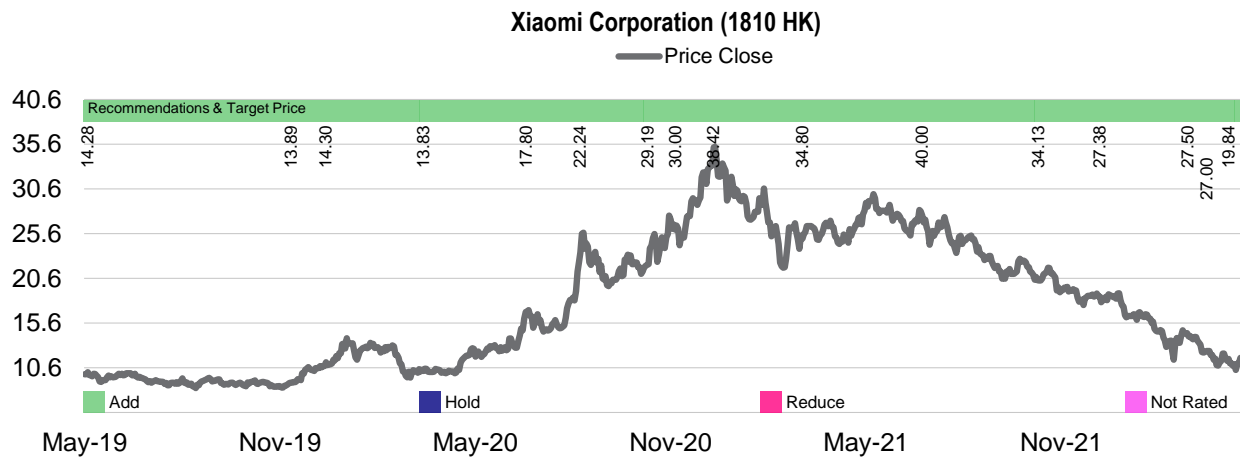
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.