

Hong Kong

ADD (no change)

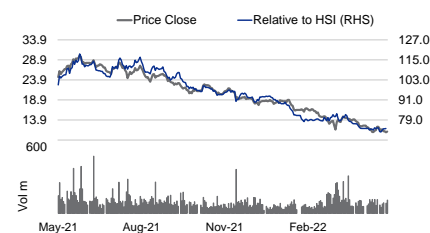
Consensus ratings*: Buy 45 Hold 4 Sell 3

Current price:	HK\$11.00
Target price:	HK\$19.84
Previous target:	HK\$27.00
Up/downside:	80.4%
CGS-CIMB / Consensus:	-1.3%
Reuters:	1810.HK
Bloomberg:	1810 HK
Market cap:	US\$35,010m
	HK\$274,826m
Average daily turnover:	US\$176.5m
	HK\$1,380m
Current shares o/s:	24,977m
Free float:	58.5%

*Source: Bloomberg

Key changes in this note

- FY22-24F revenue decreased by 4-11%
- FY22-24F GPM decreased by 0.3-0.4% pt
- FY22-24F EPS decreased by 21-25%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-11	-33.7	-55.3
Relative (%)	-3.6	-12.5	-25.4

Major shareholders	% held
Lei Jun	29.1
Lin Bin	12.4
Morningside China TMT Fund I and	12.6

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Xiaomi Corporation

Slower smartphone shipments in FY22F

- 1Q22F adjusted net profit likely dropped 54% yoy to Rmb2.8bn due to a 20% decline in smartphone shipments and lower GPM in Internet services.
- We believe FY22F smartphone shipments will stay flat at 190m units due to the weakened China smartphone market and persistent chipset shortages.
- Reiterate Add on Xiaomi as it continues to gain share in global smartphone market. TP lowered to HK\$19.84 to reflect weaker smartphone sales outlook.

1Q22F smartphone shipments fell 20% yoy on supply chain issues

We expect Xiaomi's smartphone shipments to have fallen by 20% yoy to c.39m units in 1Q22F due to supply chain issues and poor sentiment in China's smartphone market amid the Omicron outbreak in China and persistent 4G chipset shortages that affected overseas markets' (Europe, India, Southeast Asia) low-end segment sales. However, we expect Smartphone revenue to have declined by only c.13% yoy, supported by c.10% ASP growth, thanks to better mix. We also believe smartphone GPM stayed at a health 10% (10.1% in 4Q21, 12.8% in 3Q21) due to higher contributions from premium phones and stronger overseas sales. We expect the LATAM and EU markets to remain the key shipment drivers in FY22-23F, while smartphone sales in China shift towards the high-end segment. We believe Xiaomi's smartphone premium strategy will result in sustained ARPU improvements in Internet services over the next few years given that premium users typically spend more time and pay more for apps on their phones.

Cut smartphone shipment forecasts and lower EPS in FY22-24F

We revise downwards our FY22F/23F/24F smartphone shipment forecasts to 190m/230m/265m units (0%/+21%/+15% yoy) to reflect sustained supply chain issues and the weakened China smartphone market. As a result, we cut our FY22F/23F/24F EPS forecasts by 21%/25%/24% due to lower smartphone sales, lower GPM in Internet services and higher R&D expenses for new business (electric vehicles).

1Q22F net profit likely dropped 54% yoy on weak smartphone sales

We forecast 1Q22F adjusted net profit (non-IFRS) to drop 54% yoy (-37% qoq) to Rmb2.8bn, driven by a 6% decline in revenue and 0.7% GPM contraction, mainly dragged down by weakened smartphone sales (-13% yoy). We expect an 8% revenue growth in 1Q22F in the IoT segment due to strong TVs sales but offset by slower growth in the EU market due to the Russia-Ukraine war. We also expect Internet services to achieve a 9% revenue growth in 1Q22F despite the Omicron outbreak in China, thanks to stable advertising income. Nevertheless, we believe GPM in Internet service will be lower at c.70% due to decrease in pre-installed apps revenue.

Reiterate Add; target price lowered to HK\$19.84

We reiterate Add on Xiaomi as we believe it will continue to gain global smartphone market share and monetise its ecosystem. We cut our TP to HK\$19.84 on lower EPS, still based on 20x FY23F P/E, a 10% premium over its closest China Internet peers. Share price catalysts include recovery of smartphone shipments and easing of supply chain constraints. Downside risks include intensifying smartphone competition and sustained weak smartphone sales in China.

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)	17.81	10.73	13.40	11.40	10.12
Price To Sales (x)	0.92	0.72	0.66	0.54	0.46
DPS (Rmb)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	14.50	8.66	9.38	6.92	5.08
P/FCFE (x)	105.5	NA	15.3	11.8	10.2
Net Gearing	(54.8%)	(35.5%)	(41.9%)	(45.7%)	(51.7%)
P/BV (x)	1.92	1.72	1.59	1.37	1.22
ROE	12.7%	16.9%	12.6%	13.2%	13.0%
% Change In Normalised EPS Estimates			(20.8%)	(25.0%)	(24.3%)
Normalised EPS/consensus EPS (x)			0.86	0.85	0.80

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Slower smartphone shipments in FY22F

Figure 1: 1Q22F results preview

FYE Dec 31 (Rmb m)	1QFY22F	1QFY21	yoy % chg	qoq % chg	Prev. FY22F	Comments
Revenue	72,520	76,882	(5.7)	(15.3)	402,852	1Q22F revenue likely fell 6% yoy, driven by smartphones (-13% yoy), IoT (+8% yoy), and internet service (+9% yoy).
Operating costs	(68,642)	(69,952)	(1.9)	(11.5)	(365,910)	
EBITDA	3,878	6,931	(44.0)	(51.8)	36,942	
EBITDA margin (%)	5.3	9.0			9.2	1Q22F GPM is expected to decline 0.7% pt yoy to (+0.6% qoq) to 17.7%, driven by smartphone (-2.7% pts yoy), IoT (+0.9% pts) and internet service segment (-1.4% pts).
Depn & amort.	(813)	(657)	23.7	114.7	(2,730)	
EBIT	3,065	6,273	(51.1)	(13.4)	34,212	
Interest expense	(984)	634	(255.2)	16.4	(1,020)	
Interest & invt inc	110	87	25.9	103.7	452	
Fair value changes on investments	868	2,063	(57.9)	(77.6)	8,653	
Share of gain/(loss) of investments	(28)	9	N/M	(111.3)	390	
Exceptionals	-	-	N/M	N/M	-	
Pretax profit	3,031	9,067	(66.6)	(22.0)	33,645	
Tax	(584)	(1,278)	(54.3)	(59.5)	(4,920)	
Tax rate (%)	19.3	14.1			14.6	
Minority interests	32.0	4.0	703.6	(25.9)	23	
Net profit	2,479	7,793	(68.2)	(0.3)	28,747	1Q22F adjusted net profit (non-IFRS measure) likely drop 54% yoy to Rmb2.8bn. It will form 12% of our previously FY22F forecast due to weaker-than-expected smartphone sales and lower-than-expected GPM in internet services.
Reporting adjusted net profit #	2,813	6,069	(53.7)	(37.1)	24,260	
EPS (Rmb cts)	9.94	31.20	(68.1)	(0.3)	115.32	
Reporting adjusted EPS # (Rmb cts)	11.28	24.30	(53.6)	(37.1)	97.32	

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

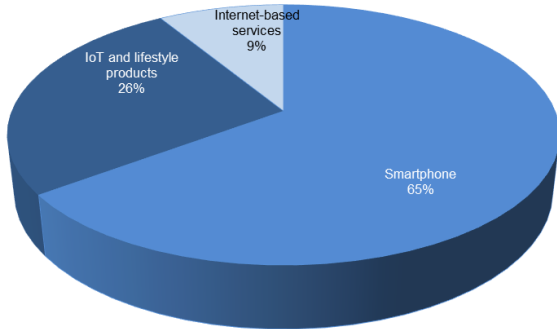
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Operational metrics (FY18 to FY24F)

Operational metrics	Dec 18A	Dec 19A	1Q20	2Q20	3Q20	4Q20	Dec 20A	1Q21	2Q21	3Q21	4Q21	Dec 21A	Dec 22F	Dec 23F	Dec 24F
Revenue breakdown by segment (Rmb m)	174,915	205,839	49,702	53,538	72,163	70,463	245,866	76,882	87,789	78,063	85,575	328,309	359,050	437,922	516,094
- Smartphone	113,800	122,095	30,325	31,628	47,604	42,635	152,191	51,491	59,089	47,825	50,464	208,869	222,720	282,550	339,545
- IoT and lifestyle products	43,817	62,088	12,984	15,253	18,119	21,054	67,411	18,243	20,735	20,936	25,067	84,980	96,856	110,664	125,843
- Internet-based services	15,956	19,842	5,901	5,908	5,772	6,175	23,755	6,571	7,033	7,338	7,269	28,212	31,975	35,711	39,909
- Advertising services	10,100	10,654	2,671	3,100	3,300	3,629	12,700	3,907	4,500	4,800	4,893	18,100	21,358	23,921	26,791
- Gaming	n.a.	3,214	1,519	1,000	800	881	4,200	1,100	900	1,000	1,000	4,000	4,200	4,410	4,631
- Value added services	5,856	5,974	1,711	1,808	1,672	1,665	6,855	1,564	1,633	1,538	1,376	6,112	6,417	7,380	8,487
Gross profit margin by segment (%)	12.7%	13.9%	15.2%	14.4%	14.1%	16.1%	14.9%	18.4%	17.3%	18.3%	17.1%	17.7%	17.2%	17.0%	16.9%
- Smartphone	6.2%	7.2%	8.1%	7.2%	8.4%	10.5%	8.7%	12.9%	11.8%	12.8%	10.1%	11.9%	10.5%	10.8%	11.0%
- IoT and lifestyle products	10.3%	11.2%	13.4%	11.4%	14.2%	12.1%	12.8%	14.5%	13.2%	11.6%	13.0%	13.1%	14.0%	13.5%	13.5%
- Internet-based services (MIUI O/S)	64.4%	64.7%	57.1%	60.3%	60.4%	68.4%	61.6%	72.4%	74.1%	73.6%	76.1%	74.1%	72.0%	75.0%	75.0%
Smartphone unit sales (million units)	118.7	124.6	29.2	28.3	46.6	42.3	146.4	49.4	52.9	43.9	44.1	190.3	190.0	230.0	265.0
- China	52.7	38.4	7.0	7.2	10.5	12.2	36.9	13.6	13.0	11.2	12.7	50.5	55.0	61.0	65.0
- Overseas	66.0	86.2	22.2	21.1	36.1	30.1	109.5	35.8	39.9	32.7	31.4	139.8	135.0	169.0	200.0
- ASP (Rmb/ unit)	959	980	1,039	1,118	1,022	1,009	1,040	1,042	1,117	1,089	1,144	1,098	1,172	1,228	1,281
Internet-based services															
- MAUs (million)	233	310	331	344	368	396	396	425	454	486	509	509	560	619	666
- ARPU (Rmb)	82.5	75.5	73.7	70.1	64.9	64.6	67.3	64.0	64.0	62.5	58.5	62.3	59.8	60.6	62.1
- Connected devices (million units)	151	235	252	271	290	304	325	351	371	395	434	434	464	497	532
Change (yoy %)	Dec 18A	Dec 19A	1Q20	2Q20	3Q20	4Q20	Dec 20A	1Q21	2Q21	3Q21	4Q21	Dec 21A	Dec 22F	Dec 23F	Dec 24F
Revenue breakdown by segment (Rmb m)	53%	18%	14%	3%	34%	25%	19%	30%	19%	64%	60%	34%	9%	22%	18%
- Smartphone	41%	7%	12%	-1%	48%	38%	25%	70%	87%	0%	18%	37%	7%	27%	20%
- IoT and lifestyle products	87%	42%	8%	2%	16%	8%	9%	41%	36%	16%	19%	26%	14%	14%	14%
- Internet-based services	61%	24%	39%	29%	9%	8%	20%	11%	19%	27%	18%	19%	13%	12%	12%
- Advertising services	80%	5%	17%	19%	14%	21%	19%	46%	45%	45%	35%	43%	18%	12%	12%
- Gaming	n.a.	n.a.	81%	48%	-3%	1%	31%	-28%	-10%	25%	13%	-5%	5%	5%	5%
- Value added services	37%	2%	52%	39%	5%	-9%	15%	-9%	-10%	-8%	-17%	-11%	5%	15%	15%
Gross profit margin by segment (% pts)	-0.5%	1.2%	3.3%	0.4%	0.2%	2.2%	1.1%	3.2%	2.9%	4.2%	1.1%	2.8%	-0.5%	-0.2%	-0.2%
- Smartphone	-2.6%	1.0%	4.8%	-0.8%	0.6%	3.3%	1.5%	4.8%	4.6%	4.4%	-0.3%	3.2%	-1.4%	0.3%	0.2%
- IoT and lifestyle products	2.0%	0.9%	1.4%	0.2%	4.8%	0.9%	1.6%	1.1%	1.8%	-2.7%	1.0%	0.3%	0.9%	-0.5%	0.0%
- Internet-based services (MIUI O/S)	4.1%	0.4%	-10.3%	-5.4%	-3.2%	3.7%	-3.1%	15.2%	13.9%	13.1%	7.7%	12.4%	-2.1%	3.0%	0.0%
Smartphone unit sales (million units)	30%	5%	5%	-12%	45%	30%	17%	69%	87%	-6%	4%	30%	0%	21%	15%
- China (million units)	-10%	-27%	-34%	-38%	22%	58%	-4%	94%	81%	7%	4%	37%	9%	11%	7%
- Overseas (million units)	99%	31%	28%	3%	54%	21%	27%	61%	89%	-9%	4%	28%	-3%	25%	18%
- ASP (Rmb)	9%	2%	7%	12%	2%	7%	6%	0%	0%	7%	13%	6%	7%	5%	4%
Internet-based services															
- MAUs (million)	37%	33%	27%	23%	26%	28%	28%	29%	32%	32%	28%	28%	10%	11%	8%
- ARPU (Rmb)	27%	-8%	9%	3%	-13%	-15%	-11%	-13%	-9%	-4%	-10%	-7%	-4%	1%	3%

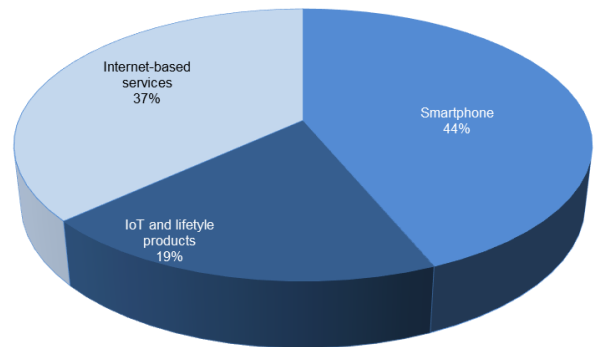
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Revenue breakdown by business segment (FY21)



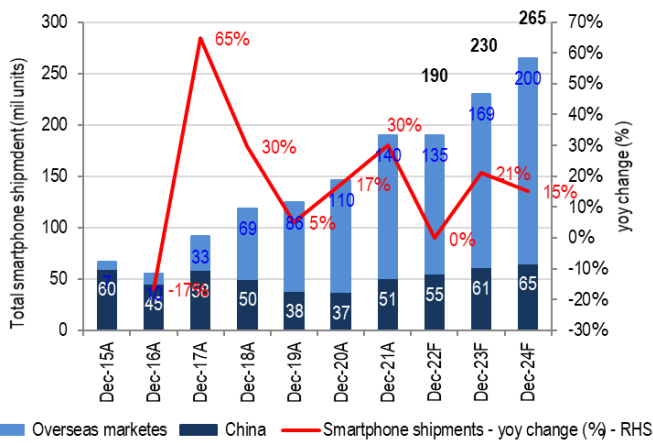
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Gross profit breakdown by business segment (FY21)



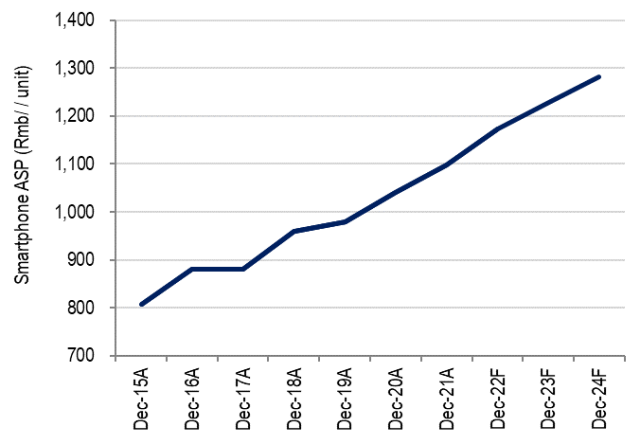
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Xiaomi's smartphone sales volume (FY15-24F), based on our estimates



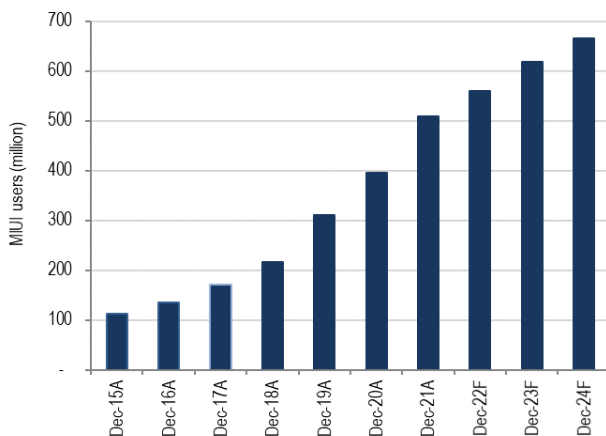
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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



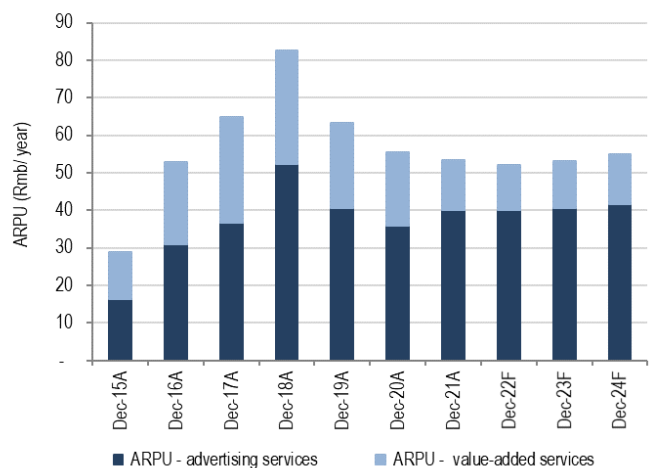
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: Xiaomi's Internet-based services ARPU (FY15-24F), CGS-CIMB estimates



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Cut adjusted EPS in FY22F/23F/24F by 21%/25%24% ➤

We cut our adjusted EPS in FY22F/23F/24F by c.21%/25%/24% as we expect lower smartphone sales in FY22-24F, lower GPM in Internet services and higher R&D expenses for new business (electric vehicles) [Figure 9].

- We revise down our smartphone shipments forecast to 190m/230m/265m units (0%/+21%/+15% yoy) in FY22F/23F/24F, respectively, to reflect sustained supply chain issues and weakened China smartphone market.
- We expect Xiaomi to substantially increase its R&D expenses (rising number of engineers in the R&D team) for electric vehicles (EVs) development. Xiaomi plans to launch the first Xiaomi car at the end FY24F.
- We expect GPM in Internet service to narrow to c.72% in FY22F (74% in FY21) before stabilising at c.74% in FY23F and FY24F due to fewer premium smartphone users on slower smartphone sales growth.

Figure 9: Earnings revisions



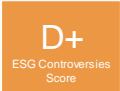




FYE 31 Dec (Rmb m)	Dec-21A	Dec-22F			Dec-23F			Dec-24F		
		Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	328,309	402,852	359,050	-10.9%	470,539	437,922	-6.9%	538,095	516,094	-4.1%
Gross profit	58,261	70,889	61,842	-12.8%	81,559	74,488	-8.7%	92,744	86,970	-6.2%
Gross profit margin	17.7%	17.6%	17.2%	-0.4% pts	17.3%	17.0%	-0.3% pts	17.2%	16.9%	-0.4% pts
EBITDA	19,764	25,165	18,892	-24.9%	30,766	23,042	-25.1%	34,985	26,987	-22.9%
EBITDA margin	6.0%	6.2%	5.3%	-1.0% pts	6.5%	5.3%	-1.3% pts	6.5%	5.2%	-1.3% pts
Net profit	19,339	23,747	17,577	-26.0%	32,655	23,239	-28.8%	35,966	25,860	-28.1%
Reporting adjusted net profit	22,040	22,664	17,950	-20.8%	28,174	21,131	-25.0%	31,439	23,799	-24.3%
EPS (Rmb)	0.78	0.95	0.70	-26.0%	1.31	0.93	-28.8%	1.44	1.04	-28.1%
Reporting adjusted EPS (Rmb)	0.49	0.91	0.72	-20.8%	1.13	0.85	-25.0%	1.26	0.95	-24.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

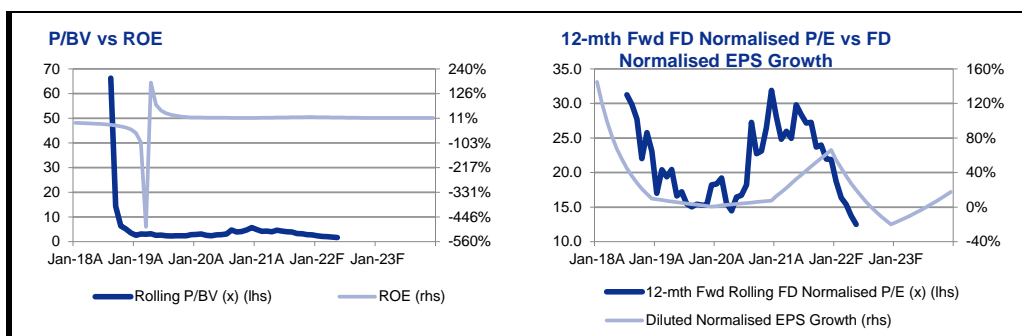
Figure 10: Peers comparison

Company	Bloomberg Ticker	Bloomberg Recom.	Price		Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)		
			(local curr)	Target Price (local curr)		CY2022F	CY2023F		CY2022F	CY2023F	CY2022F	CY2023F	CY2022F	CY2023F	CY2022F	CY2023F	
China Internet giants (ATMXJ) - HKEX-listed																	
Alibaba	9988 HK	Not Rated	84.8	N/A	229,994	8.7	13.1	-2.7%	2.2	1.9	19.0%	9.8%	7.6	9.0	0.0%	0.0%	
Tencent	700 HK	Not Rated	341.2	N/A	417,811	22.1	21.9	12.9%	3.0	2.5	17.4%	14.9%	16.2	15.6	0.5%	0.5%	
JD.com Inc	9618 HK	Not Rated	208.0	N/A	82,768	35.1	32.8	N/A	N/A	N/A	2.8%	4.8%	32.5	22.3	0.0%	0.0%	
Meituan	3690 HK	Not Rated	151.8	N/A	119,558	N/A	#N/A	N/A	N/A	N/A	-21.1%	-9.8%	N/A	#N/A	N/A	0.0%	0.0%
Xiaomi	1810 HK	Add	11.00	19.84	35,010	11.0	11.0	2.4%	1.6	1.4	12.9%	13.3%	9.1	6.9	0.0%	0.0%	
Average						19.2	19.7	4.2%	2.2	1.9	6.2%	6.6%	16.4	13.5	0.1%	0.1%	
China Internet company - others																	
Baidu	BIDU US	Not Rated	106.6	N/A	36,843	15.3	17.1	14.6%	1.2	1.2	6.9%	5.4%	6.0	8.7	0.0%	0.0%	
China Literature	772 HK	Not Rated	31.85	N/A	4,147	N/A	N/A	18.0%	1.5	1.4	9.2%	7.3%	13.6	13.3	0.0%	0.0%	
Momo	MOMO US	Not Rated	4.80	N/A	952	3.4	3.8	-1.5%	0.6	0.6	12.0%	12.2%	0.5	2.6	10.6%	11.0%	
NetEase	9999 HK	Not Rated	138.6	N/A	57,986	23.8	19.8	N/A	N/A	N/A	16.9%	17.7%	17.7	14.8	1.1%	1.0%	
Weibo	WB US	Not Rated	20.01	N/A	4,734	6.5	7.4	4.5%	1.1	1.0	18.2%	14.3%	6.4	5.0	0.0%	0.0%	
YY	YY US	Not Rated	35.69	N/A	2,530	77.7	18.0	114.3%	0.6	0.5	-1.5%	2.4%	2.9	3.3	4.7%	5.4%	
Average						27.9	12.3	33.8%	1.0	0.9	11.0%	10.8%	8.2	7.8	3.3%	3.5%	
US Internet giants																	
Apple	AAPL US	Not Rated	152.1	N/A	2,461,119	27.2	24.8	4.9%	40.7	33.2	143.7%	153.1%	19.9	18.1	0.6%	0.6%	
Facebook	FB US	Not Rated	196.2	N/A	531,008	13.1	14.3	3.0%	3.9	3.1	29.0%	26.1%	7.4	8.4	0.0%	0.0%	
Netflix	NFLX US	Not Rated	173.1	N/A	76,904	15.6	15.5	8.3%	3.9	3.1	36.9%	26.3%	12.7	12.2	0.0%	0.0%	
Alphabet	GOOG US	Not Rated	2,261.7	N/A	1,485,615	19.7	18.2	14.3%	5.1	4.2	29.8%	28.2%	12.8	11.2	0.0%	0.0%	
Amazon	AMZN US	Not Rated	2,175.8	N/A	1,106,864	37.8	50.7	28.5%	6.8	5.4	19.7%	10.9%	16.6	15.8	0.0%	0.0%	
Average						22.7	24.7	11.8%	12.1	9.8	51.8%	48.9%	13.9	13.1	0.1%	0.1%	
Handset component makers																	
AAC Technologies	2018 HK	Reduce	16.72	16.73	2,574	14.3	10.4	14.0%	1.1	1.0	6.4%	10.2%	6.0	5.4	1.0%	1.4%	
Q Tech	1478 HK	Add	5.06	10.56	764	5.7	4.9	N/A	0.9	0.8	17.6%	17.5%	2.1	1.4	0.0%	0.0%	
Sunny Optical	2382 HK	Add	102.2	177.2	14,280	17.3	13.3	24.6%	3.9	3.1	25.0%	26.8%	9.0	6.8	1.2%	1.5%	
Tongda Group	698 HK	Hold	0.13	0.28	158	2.4	2.0	#N/A	0.1	0.1	6.5%	7.7%	1.7	1.3	6.1%	7.6%	
BOE Technology	000725 CH	Add	3.83	6.34	21,802	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	10.00	16.40	7,396	15.1	12.2	16.5%	1.1	1.0	7.6%	8.7%	8.6	7.4	1.7%	2.1%	
Shenzhen Goodix	603160 CH	Reduce	57.9	55.2	3,947	36.2	31.4	3.5%	2.7	2.5	8.1%	8.2%	39.4	33.1	0.8%	0.9%	
Shenzhen O-film Tech	002456 CH	Not Rated	5.48	N/A	2,657	#N/A	N/A	42.2	2.0	1.9	-14.8%	-1.5%	13.4	15.0	0.0%	0.0%	
Largan Precision	3008 TT	Not Rated	1,620	N/A	7,315	11.6	11.7	0.5%	1.4	1.3	13.5%	12.6%	3.9	4.2	4.8%	4.1%	
Liteon Tech	2301 TT	Not Rated	64.40	N/A	5,096	10.9	11.4	5.7%	2.0	1.9	18.0%	17.7%	6.1	5.3	6.4%	6.8%	
Tianma	000050 CH	Add	9.07	15.72	3,315	13.4	12.4	0.5%	0.6	0.6	4.7%	4.8%	9.1	8.4	0.8%	0.9%	
Universal Scientific Industrial	601231 CH	Add	12.72	18.32	4,181	12.4	10.4	19.1%	1.4	1.0	13.6%	11.1%	5.3	3.0	4.8%	5.8%	
Will Semi	603501 CH	Add	152.6	221.0	19,897	27.0	22.1	15.9%	6.3	5.0	27.0%	25.2%	18.5	15.1	0.4%	0.5%	
Average						14.1	15.2	#N/A	1.5	1.4	9.5%	11.3%	9.4	8.4	2.5%	2.8%	

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG (PRICE AS AT 11 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

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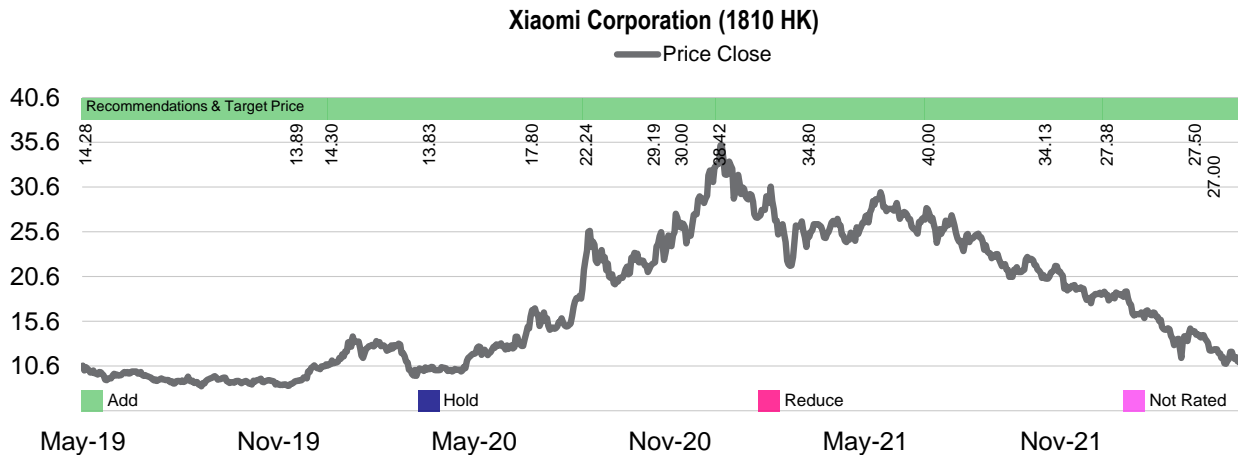
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%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