

小米集团

Earnings Review

2019 年三季报：稳健公司经营策略确保毛利率增长，2020 年将重点发力 5G

维持买入评级；硬件销售利率上升，业绩高于预期

小米公布 2019 年三季度营收为 537 亿元人民币，同比增长 5.5%、环比增长 3.3%，高于市场预期。三季度毛利润为 82 亿元人民币，同比增长 25.2%、环比增长 13.5%；毛利率持续上涨，从 19 年第二季度的 14% 及 18 年第三季度的 12.9% 上升至 15.3%，主要得益于硬件销售毛利率的上升。为在即将到来的 5G 时代抢占先机，小米本季度研发费用同比上升 32.5%，研发费用占营收的比例从上个季度的 3% 上升至 3.8%。非国际财务报告准则下的净利润达到 35 亿元人民币，同比增长 20.3%，环比下降 4.5%。我们认为，在小米稳健的库存管理模式、供应链的竞争优势以及在研发方面的持续投入将为小米在 5G 时代维持现有利润率的情况下，快速抢占市场份额奠定基础。

智能手机：良好的库存管理为 2020 年 5G 时代蓄力

为准备明年 4G 向 5G 的更替，小米采用了主动的库存管理措施，一方面确实导致了中国市场份额的下降，但另一方面，也为小米明年推出新的 5G 型号铺平了道路。小米计划在 2020 年推出 10 余款 5G 新机，以期在 5G 时代重新夺回市场份额。海外销售的强势增长弥补了中国市场份额下降的损失。根据 IDC 数据显示，在印度市场中，小米以 27.1% 的市场份额依旧占据第一位。同时，与欧洲电信运营商的渠道合作也为销售带来了增长。总体来说，小米第三季度出货量达 3210 万台，同比下降 4%，环比持平。收入为 323 亿，环比上升 0.8%。得益于谨慎的经营策略，毛利率从上季度的 8.1% 上升至 9%。

物联网及生活消费品板块：智能电视驱动增长，白电板块利率提升

该板块的收入达到 156 亿元人民币，同比增长 44.4%、环比增长 4.4%。智能电视的全球出货量达 310 万台，同比增长 59.8%，以 16.9% 的市场份额保持中国市场第一位。板块的毛利率从上季度的 11.2% 上升至 12.8%。我们认为毛利率的上升主要由于毛利率较高的白电板块的销售上升。在继空调和洗衣机的成功上市后，小米于 2019 年 10 月发布了小米冰箱，持续拓大小米物联网产品组合。就 AIoT 平台来说，连接至其开放式 AIoT 平台的设备数量同比增长 62% 到 2.13 亿台。

互联网服务：金融科技和小米有品保持势头

三季度互联网服务收入同比增长 12.3%、环比增长 15.9% 至 53 亿元人民币。其中广告业务子板块受到宏观因素的影响，同比下跌 9%。其余包括金融科技和小米有品在内的互联网增值服务收入同比增长 56.8%，增长强劲。毛利率轻微下滑至 62.9%。小米 MIUI 系统月活用户数达到 2.916 亿，同比增长 29.9%、环比增长 4.6%。我们相信，包括智能手机和物联网设备在内的硬件设备的安装和连接数的不断增长，小米互联网服务将持续保有发展机遇和增长潜力。

维持买入评级，目标价格 22.0 港元（相较目前股价有 146% 上升空间）

我们根据 DCF 模型得出 2020 年 12 月每股 22.0 港元的目标价格，假定 13.4% 的股本成本及 3% 的长期增长率。

Stock code: 1810.HK

Rating: Buy

Price target (HK\$)	22.0
Current price (HK\$, 20 Aug 2019)	8.95
Upside/downside %	146%
Market cap (HK\$ m)	215,203
Market cap (US\$ m)	27,490
Avg daily turnover (HK\$ m)	826

Source: Bloomberg, AMTD Research

Key forecasts

(Rmb m)	2018	2019e	2020e
Non-IFRS net profit	8,555	11,590	14,309
yoy %	60%	35%	23%
Revenue	174,915	206,939	255,457
yoy %	53%	18%	23%
Smartphone shipment (m)	119	128	146
yoy %	30%	8%	14%
Gross margin	12.7%	13.8%	14.1%
Non-IFRS net margin	4.9%	5.6%	5.6%
EPS	0.53	0.48	0.55

Source: Company data, AMTD Research

Valuation

	2018	2019e	2020e
P/E (adjusted)	23.5	16.5	13.4
P/S	1.1	0.9	0.7
ROE	8.6%	14.9%	15.6%
ROA	7.3%	7.5%	7.9%

Source: Bloomberg, AMTD Research

Share price performance

Source: Bloomberg

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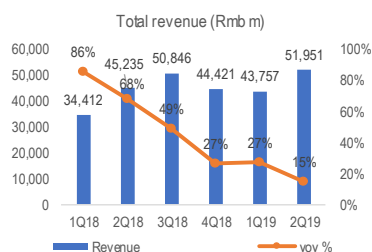
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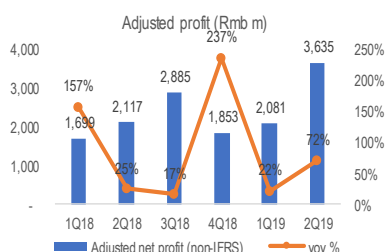
Focus charts

Figure 1: Xiaomi revenue growth



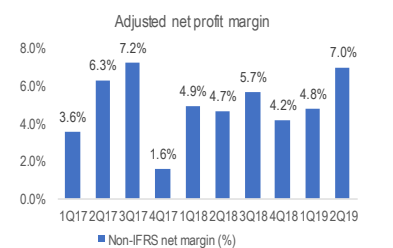
Source: Company data

Figure 2: Xiaomi non-IFRS net profit grew by 72%



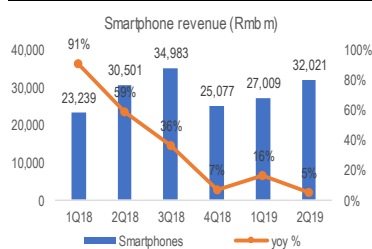
Source: Company data

Figure 3: Xiaomi non-IFRS net margin expanded strongly



Source: Company data

Figure 4: Smartphone revenue



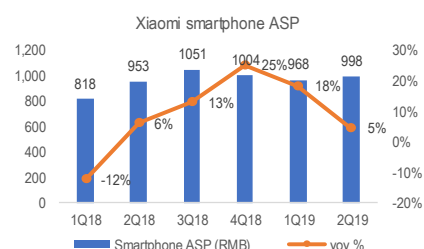
Source: Company data

Figure 5: Xiaomi smartphone shipment



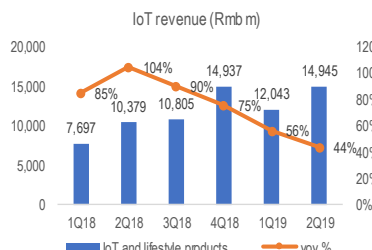
Source: Company data

Figure 6: Xiaomi smartphone ASP



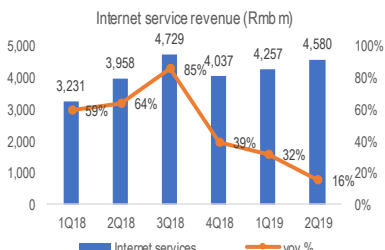
Source: Company data

Figure 7: IoT and life style revenue



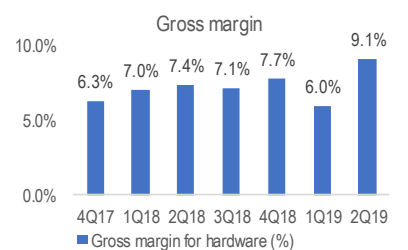
Source: Company data

Figure 8: Internet service revenue



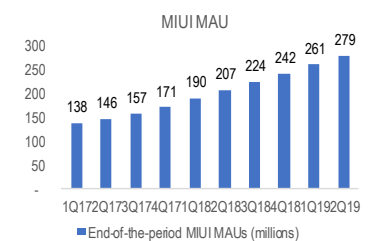
Source: Company data

Figure 9: Overall hardware gross margin



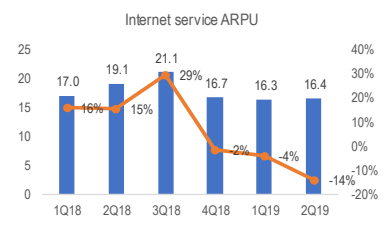
Source: Company data

Figure 10: MIUI MAU continued to expand



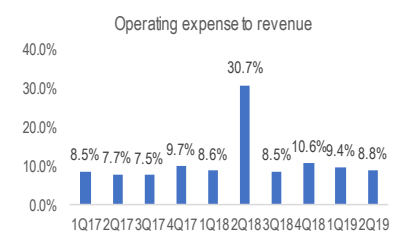
Source: Company data

Figure 11: Xiaomi internet service ARPU trends



Source: Company data

Figure 12: Operating efficiency was maintained at high level



Source: Company data

Figure 13: Xiaomi's quarterly P&L

Rmb m	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Profit & loss								
Revenue	34,100	35,114	34,412	45,235	50,846	44,421	43,757	51,951
Smartphones	25,711	23,440	23,239	30,501	34,983	25,077	27,009	32,021
IoT and lifestyle products	5,692	8,514	7,697	10,379	10,805	14,937	12,043	14,945
Internet services	2,550	2,898	3,231	3,958	4,729	4,037	4,257	4,580
Advertising	1,525	1,607	1,874	2,500	3,200	2,526	2,283	2,485
IVAS	1,024	1,291	1,357	1,458	1,529	1,509	1,975	2,095
Others	147	262	245	397	330	370	448	405
Cost of sales	(28,898)	(31,474)	(30,111)	(39,584)	(44,269)	(38,760)	(38,541)	(44,692)
Gross profit	5,202	3,640	4,301	5,652	6,578	5,661	5,216	7,258
Gross margin	15.3%	10.4%	12.5%	12.5%	12.9%	12.7%	11.9%	14.0%
Operating expenses	(2,548)	(3,399)	(2,972)	(13,896)	(4,305)	(4,696)	(4,127)	(4,575)
Selling and marketing expenses	(1,447)	(1,914)	(1,403)	(2,076)	(2,187)	(2,328)	(1,845)	(2,295)
Administrative expenses	(297)	(450)	(465)	(10,457)	(583)	(594)	(632)	(724)
R&D expenses	(805)	(1,035)	(1,104)	(1,364)	(1,534)	(1,775)	(1,651)	(1,556)
EBIT	2,654	241	1,330	(8,244)	2,273	965	1,088	2,684
Fair value changes on investments	-	3,453	1,763	527	65	2,075	2,633	(671)
Share of losses of investments	(67)	(14)	16	(129)	(184)	(318)	(145)	(12)
Other income	106	146	158	207	259	220	60	406
Other (losses)/gains, net	222	(140)	98	47	(202)	271	(22)	(71)
PBT	(10,264)	(12,703)	(6,689)	14,908	2,364	3,344	3,717	2,336
Income tax expenses	(729)	(360)	(338)	(276)	117	48	(525)	(479)
(Loss)/profit for the year	(10,993)	(13,063)	(7,027)	14,633	2,481	3,392	3,192	1,955
Minority interest	(3)	(33)	(22)	(19)	(18)	(17)	66	4
Attributable profit	(10,990)	(13,030)	(7,005)	14,651	2,499	3,409	3,126	1,952
Adjusted net profit (non-IFRS)	2,459	550	1,699	2,117	2,885	1,853	2,081	1,680
Yoy growth %								
Total revenue				68%	49%	27%	27%	15%
Smartphones				59%	36%	7%	16%	5%
IoT and lifestyle products				104%	90%	75%	56%	44%
Internet services				64%	85%	39%	32%	16%
Advertising				70%	110%	57%	22%	-1%
IVAS				54%	49%	17%	45%	44%
Others				149%	125%	41%	83%	2%
Gross profit				47%	26%	56%	21%	28%
Adjusted net profit (non-IFRS)				25%	17%	237%	22%	72%

Source: Company data; AMTD research

Figure 14: Xiaomi's P&L forecast

Rmb m	2016	2017	2018	2019E	2020E
Profit & loss					
Revenue	68,434	114,625	174,915	210,094	259,179
Smartphones	48,764	80,564	113,800	126,659	149,462
IoT and lifestyle products	12,415	23,448	43,817	63,101	84,061
Internet services	6,538	9,896	15,956	18,857	24,105
Advertising	3,838	5,614	10,100	10,302	12,363
IVAS	2,699	4,282	5,853	8,555	11,743
Others	717	717	1,343	1,477	1,551
Cost of sales	(61,185)	(99,471)	(152,723)	(181,472)	(223,204)
Gross profit	7,249	15,154	22,192	28,622	35,975
Gross margin	10.6%	13.2%	12.7%	13.6%	13.9%
Operating expenses	(6,053)	(9,599)	(25,869)	(18,908)	(24,104)
Selling and marketing expenses	(3,022)	(5,232)	(7,993)	(9,244)	(11,663)
Administrative expenses	(927)	(1,216)	(12,099)	(2,521)	(3,369)
R&D expenses	(2,104)	(3,151)	(5,777)	(7,143)	(9,071)
EBIT	1,196	5,555	(3,677)	9,714	11,871
Fair value changes on investments	2,727	6,371	4,430	1,000	1,000
Share of losses of investments	(150)	(231)	(615)	(200)	(200)
Other income	540	449	845	300	300
Other (losses)/gains, net	(528)	72	213	-	-
PBT	1,176	(41,829)	1,196	11,075	13,323
Income tax expenses	(684)	(2,060)	(449)	(1,838)	(2,205)
(Loss)/profit for the year	492	(43,889)	13,478	9,237	11,118
Minority interest	(62)	(63)	(76)	(84)	(92)
Attributable profit	553	(43,826)	13,554	9,321	11,210
Adjusted net profit (non-IFRS)	1,896	5,362	8,555	11,178	13,747
Yoy growth %					
Total revenue	2%	67%	53%	20%	23%
Smartphones	-9%	65%	41%	11%	18%
IoT and lifestyle products	43%	89%	87%	44%	33%
Internet services	102%	51%	61%	18%	28%
Advertising	111%	46%	80%	2%	20%
IVAS	90%	59%	37%	46%	37%
Others	-39%	0%	87%	10%	5%
Gross profit	169%	109%	46%	29%	26%
(Loss)/profit for the year (reported)	na	na	na	-31%	20%
Adjusted net profit (non-IFRS)	na	183%	60%	31%	23%

Source: Company data; AMTD estimates

Figure 15: Xiaomi key operating matrix

Operating matrix	2016	2017	2018	2019E	2020E
Revenue mix					
Smartphones	71.3%	70.3%	65.1%	60.3%	57.7%
IoT and lifestyle products	18.1%	20.5%	25.1%	30.0%	32.4%
Internet services	9.6%	8.6%	9.1%	9.0%	9.3%
Advertising	5.6%	4.9%	5.8%	4.9%	4.8%
IVAS	3.9%	3.7%	3.3%	4.1%	4.5%
Others	1.0%	0.6%	0.8%	0.7%	0.6%
Smartphone shipment (million)	55	91	119	130	148
yoy %	-17%	65%	30%	9%	14%
Smartphone ASP (Rmb)	880	881	959	976	1,012
yoy %	9.0%	0.2%	8.8%	1.8%	3.6%
IoT and lifestyle product sales per smartphone	224	257	308	486	569
yoy %	71.5%	14.5%	20.0%	58.0%	17.0%
IoT and lifestyle product sales per MIUI MAU	92	137	181	218	236
yoy %	18.9%	49.1%	32%	20%	8%
End-of-the-period MIUI MAUs (millions)	135	171	242	290	357
yoy %	20%	27%	42%	20%	23%
Internet ARPU (Rmb)	49	58	66	65	68
yoy %	68%	19%	14%	-1%	4%
Gross margin for hardware (%)	4.4%	8.7%	7.3%	8.5%	8.7%
Gross margin for internet services segment (%)	64%	60%	64%	65%	64%
Advertising	86%	82%	82%	90%	90%
IVAS	34%	32%	30%	35%	35%
Non-IFRS net margin (%)	2.8%	4.7%	4.9%	5.3%	5.3%
Operating margin (reported)	5.5%	10.7%	0.7%	5.1%	5.0%
Operating expense to revenue %	8.8%	8.4%	14.8%	9.0%	9.3%
Cash conversion cycle (days)	-35	-38	-36	-35	-35
Net cash/ (net debt)	9,663	8,986	28,794	40,434	23,969

Source: Company data; AMTD estimates

Figure 16: Valuation comparison table (1) – Global smartphone and home appliance companies

Code	Company	Price		Mkt Cap (US\$ m)	PE (x)			EPS g (%)			P/S (x)		EV/EBITDA		EV/EBIT	
		Curr.	20-Aug		2018e	2019e	2020e	2018e	2019e	2020e	2019e	2020e	2018e	2019e	2018e	2019e
China smartphones & home appliances																
992 HK equity	Lenovo	HKD	5.6	8,593	N/A	14.3	10.5	(141.8)	400.0	35.7	0.2	0.2	11.4	6.0	29.5	10.1
000333 CH equity	Midea	CNY	51.5	50,595	16.6	14.9	13.1	15.8	12.0	13.7	1.3	1.2	13.9	12.5	16.7	14.7
000651 CH equity	Gree	CNY	52.8	44,998	11.9	11.5	10.4	17.2	5.7	10.5	1.5	1.4	6.9	6.6	7.4	7.3
600690 CH equity	Haier	CNY	15.5	13,696	12.6	11.7	10.4	6.5	9.2	12.5	0.5	0.4	8.5	7.8	10.9	9.7
1169 HK equity	Haier Electronics	HKD	18.5	6,621	12.2	10.2	10.0	12.4	20.1	2.0	0.5	0.5	6.1	5.7	6.8	6.7
000921 CH equity	Hisence Kelon	CNY	11.0	1,876	10.5	9.3	8.1	(31.3)	16.4	14.8	0.4	0.3	6.7	5.2	n.a.	n.a.
000521 CH equity	Meiling	CNY	3.3	466	37.0	55.5	27.8	19.4	62.2	100.0	0.2	0.2	n.a.	n.a.	n.a.	n.a.
Average					16.8	18.2	12.9	(9.8)	67.3	25.3	0.6	0.6	8.9	7.3	14.3	9.7
China kitchen & small appliance																
002508 CH equity	Robam	CNY	24.8	3,335	15.6	14.5	12.9	0.6	10.3	12.5	2.9	2.6	12.6	12.0	13.2	12.9
002035 CH equity	Vatti	CNY	10.1	1,257	13.0	11.3	9.6	32.1	14.6	17.5	1.4	1.2	8.8	7.8	9.6	8.8
002242 CH equity	Joyoung	CNY	21.3	2,316	21.7	19.4	16.8	10.0	11.0	15.1	1.8	1.5	19.1	16.9	19.4	18.8
002032 CH equity	Supor	CNY	68.7	7,994	34.4	28.8	24.5	27.6	16.6	17.8	2.8	2.4	26.6	22.5	28.6	21.8
603868 CH equity	Flyco	CNY	36.6	2,259	17.9	17.0	15.5	1.0	10.8	9.5	3.7	3.4	12.2	12.2	n.a.	n.a.
603355 CH equity	Kingclean	CNY	20.0	1,137	16.8	14.6	12.6	15.4	30.8	15.3	1.3	1.1	11.1	8.5	n.a.	n.a.
Average					19.9	17.6	15.3	14.5	15.7	14.6	2.3	2.0	15.1	13.3	17.7	15.6
China TV																
751 HK equity	Skyworth Digital	HKD	2.0	792	12.5	6.0	4.8	(59.9)	88.1	24.6	0.1	0.1	7.2	4.1	14.4	n.a.
1070 HK equity	TCL Multimidea	HKD	3.5	1,041	8.4	7.8	6.8	(23.4)	21.9	14.7	0.2	0.1	1.8	1.7	2.1	2.1
600060 CH equity	Hisence	CNY	7.7	1,429	9.7	14.1	14.3	(58.3)	82.3	(1.6)	0.3	0.3	9.0	9.3	n.a.	n.a.
Average					10.2	9.3	8.7	(47.2)	64.1	12.6	0.2	0.2	6.0	5.0	8.2	2.1
Global automation																
6954 JP equity	Faunc	JPY	18,180.0	35,029	19.2	23.8	38.5	42.5	(15.3)	(40.4)	5.9	6.6	12.0	16.2	13.8	20.5
6506 JP equity	Yaskawa Electric	JPY	3,475.0	8,653	22.8	20.6	29.8	95.0	4.4	(25.8)	1.9	2.0	13.7	14.0	16.7	17.9
KU2 GR equity	KUKA	EUR	38.2	1,684	26.3	44.6	20.7	(85.4)	162.8	115.8	0.5	0.4	n.a.	n.a.	n.a.	n.a.
ABB US equity	ABB	USD	18.5	40,089	16.7	18.4	14.7	n.a.	n.a.	25.1	1.4	1.4	11.7	14.7	16.4	19.4
300024 CH equity	Siasun Robotics	CNY	15.1	3,334	44.7	42.7	35.6	4.0	22.6	20.1	6.5	5.4	40.1	35.1	47.8	42.3
Average					26.0	30.0	27.9	14.0	43.6	18.9	3.2	3.2	19.4	20.0	23.7	25.0
Global smartphones & home appliances																
AAPL US equity	Apple	USD	210.4	950,655	17.8	18.1	16.5	28.9	(1.9)	9.8	3.7	3.5	10.5	11.3	12.6	13.4
005930 KS equity	Samsung Electronic	KRW	44,450.0	219,643	6.6	14.1	11.0	14.8	(57.1)	28.2	1.2	1.1	2.2	3.6	3.1	7.3
066570 KS equity	LG Electronics	KRW	60,800.0	8,182	6.8	9.5	6.5	(28.1)	(16.3)	45.7	0.2	0.1	4.0	4.0	6.4	7.8
6758 JP equity	Sony	JPY	5,965.0	70,973	15.4	9.1	13.9	568.7	86.3	(40.8)	0.9	0.9	6.7	5.9	9.8	8.4
6752 JP equity	Panasonic	JPY	817.7	18,864	9.3	7.8	9.7	57.3	20.4	(31.0)	0.2	0.3	4.9	4.5	8.6	7.9
WHR US equity	Whirlpool	USD	137.2	8,714	9.4	9.0	8.2	10.3	-	10.0	0.4	0.4	8.1	8.0	12.2	11.5
ELUXB SS equity	Electrolux	SEK	227.7	7,266	14.3	14.3	11.6	(16.2)	(4.9)	23.1	0.5	0.5	7.7	7.3	12.3	12.7
AOS US equity	AO Smith	USD	46.2	7,592	18.0	19.4	17.2	20.3	(9.0)	13.3	2.5	2.4	11.6	12.4	13.1	n.a.
SK FP equity	SEB	EUR	135.8	7,580	16.3	15.4	13.8	9.6	(0.1)	11.2	0.9	0.9	11.0	10.4	14.1	13.2
5947 JP equity	Rinnai	JPY	6,720.0	3,194	15.0	17.1	16.2	(4.4)	(2.9)	1.8	1.0	1.0	4.5	4.8	5.9	n.a.
Average					12.9	13.4	12.5	66.1	1.5	7.1	1.1	1.1	7.1	7.2	9.8	10.3

Priced as of 20 Aug 2019; Source: Bloomberg, company data, AMTD estimates

Figure 17: Valuation comparison table (2) – Global internet companies

Code	Company	Price		Mkt Cap (US\$ m)	Non-GAAP					P/S (x)		EV/EBITDA	
		Curr.	20-Aug		PE (x)		EPS 3yr% 2018e-2020e	PE/G (x)		2019e	2020e	2018e	2019e
					2018e	2019e		2018e	2019e				
China Internet													
BABA US equity	Alibaba	USD	177.2	461,379	37.4	34.1	26.4%	1.9	1.7	8.7	6.4	29.6	26.2
700 HK equity	Tencent	HKD	333.4	406,157	37.5	30.4	29.4%	2.4	1.9	7.5	6.0	27.5	21.7
BIDU US equity	Baidu	USD	108.7	38,054	11.9	25.5	17.5%	3.3	7.2	2.5	2.2	8.7	18.8
JD US equity	JD.com	USD	31.4	45,684	142.2	37.7	48.9%	2.9	0.8	0.6	0.5	77.1	23.2
NTES US equity	Netease	USD	249.1	31,876	27.2	21.4	21.0%	1.3	1.0	2.9	2.5	21.2	13.5
CTRP US equity	Ctrip	USD	35.3	19,516	33.2	25.5	35.7%	1.3	1.0	3.7	3.2	39.4	23.9
WB US equity	Weibo	USD	42.2	9,494	16.0	15.7	39.2%	1.0	1.0	5.2	4.6	13.7	13.1
WUBA US equity	58.com	USD	55.2	8,201	21.5	20.3	31.7%	1.0	0.9	3.7	3.2	18.8	16.4
ATHM US equity	Autohome	USD	85.3	10,065	24.6	21.1	22.3%	1.2	1.1	8.2	7.1	20.6	17.2
SINA US equity	Sina	USD	42.3	2,937	14.3	16.9	45.3%	n.a.	n.a.	1.3	1.2	6.1	5.8
YY US equity	YY	USD	56.6	4,579	8.2	13.7	18.4%	0.4	0.6	1.3	1.0	5.9	9.3
VIPS US equity	Vipshop	USD	8.6	5,749	15.2	11.0	28.7%	1.9	1.4	0.5	0.4	10.2	6.7
2858 HK equity	Yixin	HKD	1.6	1,283	28.4	19.8	122.6%	n.a.	n.a.	1.6	1.5	114.3	53.2
MOMO US equity	Momo	USD	33.0	6,843	14.8	12.7	24.4%	0.6	0.5	2.9	2.5	11.5	10.3
BITA US equity	Bitauto	USD	11.3	794	8.8	8.3	29.3%	n.a.	n.a.	0.5	0.4	24.5	22.4
FANG US equity	Fang	USD	99.3	16,187	15.2	13.9	46.9%	0.9	0.8	3.9	3.0	13.6	6.8
BZUN US equity	Baozun	USD	50.1	2,897	57.6	37.1	48.2%	108.6	70.0	2.8	2.1	43.9	28.0
Average					30.2	21.5	37.4%	9.2	6.4	3.4	2.8	28.6	18.6
Average ex-Tencent					29.8	21.0	37.9%	9.7	6.7	3.2	2.6	28.7	18.4
Leading global Internet													
FB US equity	Facebook	USD	183.8	524,401	21.6	20.7	13.8%	1.1	1.1	7.5	6.1	14.7	13.0
GOOGL US equity	Google	USD	1,183.5	820,346	21.8	19.2	14.2%	1.7	1.5	6.2	5.3	14.2	12.1
AMZN US equity	Amazon	USD	1,801.4	891,063	62.5	54.7	35.2%	1.4	1.2	3.2	2.7	27.8	22.1
Average					35.3	31.5	21.1%	1.4	1.3	5.6	4.7	18.9	15.7

Priced as of 20 Aug 2019; Source: Bloomberg, company data, AMTD estimates

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