

Xiaomi Corporation

1Q20: 5G and premium strategy started to pay off for smartphone amid the COVID-19 uncertainty

Reiterate Buy; right strategies to help get through uncertainty ahead

Xiaomi reported solid Q1 results. Revenue was Rmb49.7bn, up 13.6% YoY. Gross profit grew strongly by +44.9% YoY to Rmb7.6bn. Given the lockdown caused by COVID-19, S&M expense ratio fell to 5.3% this quarter. Non-IFRS net profit came in at Rmb2.3bn, up 10.6% YoY. As China was first in and first out amid this pandemic, we expect in the second quarter recovery of China business will offset the impact from lockdowns in other regions, such as India and Europe. On the other hand, as we see: 1) Xiaomi's 5G and premium strategy started to pay off for smartphone, 2) IoT will recover from supply chain disruption, and 3) monetization diversification of internet services, we keep our 20% full-year topline growth and EPS forecast unchanged.

Smartphone: 5G and premium strategy started to pay off

Despite an 12% decline in the global smartphone shipment in Q1, Xiaomi's smartphone shipment grew by 4.7% YoY to 29.2mn units. Meanwhile, revenue grew by 12.3% YoY, implying an ASP of Rmb1,039 in Q1 compared to Rmb945 from last quarter and Rmb968 in the same quarter last year. Shipments of Mi 10/Mi 10 Pro exceeded 1mn units two months after their launch, further strengthening Xiaomi's position in the premium segment. On the other hand, with expansion of 5G smartphone selection, Xiaomi led the major rivals in 5G penetration rate in China's market with a penetration rate of 25.9%, according to Canalys. In addition, edge in online channels and multi-brand strategy also helped Xiaomi achieve growth amid this tough situation. However, there are still headwinds from COVID-19 in near term. Although supply chain has fully recovered in China, the recovery in India is still in the early stage and is expected to recover 50-60% by next month.

IoT & lifestyle: maintained growth despite the supply chain disruption

This segment reported revenue of Rmb13.0bn, up 7.8% YoY. The production and sales of some categories, such as large home appliances, were affected by the pandemic. However, Smart TVs business continued to maintain its leading position in both the mainland China and overseas markets with a total global shipment of 2.7mn units, up 3% YoY. Regarding the AIoT platform, the number of connected devices to its open AIoT platform grew strongly by 42.6% YoY to 252mn units as of Q1. Due to the fewer discounts offered, the sector gross margin rose significantly to 13.4% in Q1.

Internet service: achieved decent revenue growth helped by diversification

Internet service revenue grew by +38.6% YoY/+3.6% QoQ to Rmb5.9bn in Q1. Advertising achieved revenue growth of 16.6% YoY, thanks to customer base expansion and optimization of recommendation algorithm. The bright spot was online gaming, which grew strongly by 81% YoY in Q1. However, due to the declining fintech's gross margin and rising proportion of online gaming revenue, gross margin declined to 57.1% this quarter. MIUI MAU increased by 26.7% YoY to 331mn with ARPU of Rmb17.8. As Xiaomi smartphone is strengthening its position in the premium segment, we expect it will benefit ARPU in the long run.

Reiterate Buy rating with PT of HK\$22.0 (72% upside)

Our HK\$22.0 per share Dec-20 price target is derived by using a discounted cash flow model, assuming a 13.4% cost of equity, 3% long-term growth rate. Key risks to our PT include: 1) prolonged COVID-19 pandemic; 2) longer-than-expected smartphone replacement cycle; 3) weaker-than-expected internet user acquisitions.

Stock code: 1810.HK

Rating: Buy

Price target (HK\$)	22.0
Previous price target (HK\$)	22.0
Current price (HK\$, 20 May 2020)	12.8
Upside/downside %	72%
Market cap (HK\$ m)	307,925
Market cap (US\$ m)	39,732
Avg daily turnover (HK\$ m)	1,418

Source: Bloomberg, AMTD Research

Key forecasts

(Rmb m)	2019	2020e	2021e
Non-IFRS net profit	11,532	11,799	13,815
yoy %	35%	2%	17%
Revenue	205,839	247,153	312,198
yoy %	18%	20%	26%
Smartphone shipment (m)	125	136	164
yoy %	5%	9%	21%
Gross margin	13.9%	14.4%	14.3%
Non-IFRS net margin	5.6%	4.8%	4.4%
EPS	0.47	0.47	0.55

Source: Company data, AMTD Research estimates

Valuation

	2019	2020e	2021e
P/E (adjusted)	24.8	24.9	21.1
P/S	1.4	1.1	0.9
ROE	15.1%	13.4%	13.6%
ROA	7.0%	6.3%	6.3%

Source: Bloomberg, AMTD Research estimates

Share price performance



Source: Bloomberg

Brian Li
Analyst

+852 3163 3384

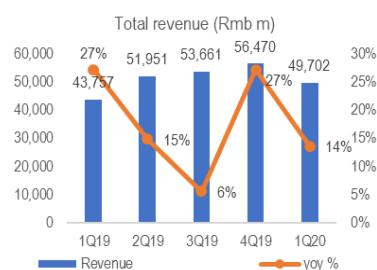
brian.li@amtdgroup.com
Halsey Wu
Associate

+852 3163 3220

halsey.wu@amtdgroup.com

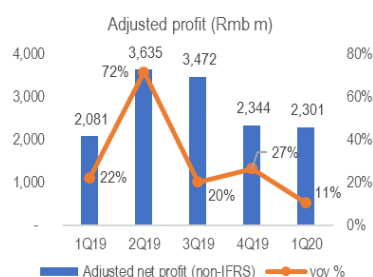
Focus charts

Figure 1: Revenue growth slightly down due to COVID-19 in 1Q20



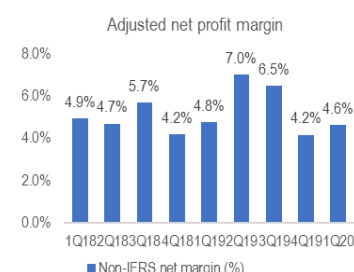
Source: Company data

Figure 2: Xiaomi non-IFRS net profit grew by 11%



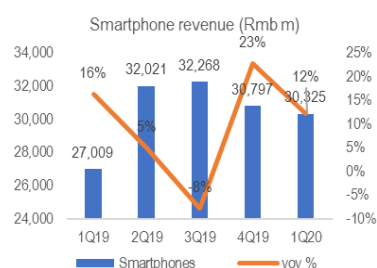
Source: Company data

Figure 3: Xiaomi non-IFRS net margin expanded to 4.6% in 1Q20



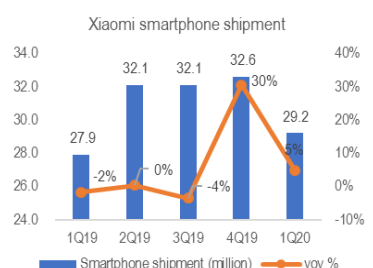
Source: Company data

Figure 4: Smartphone revenue grew by 12% thanks to its strength of online channels



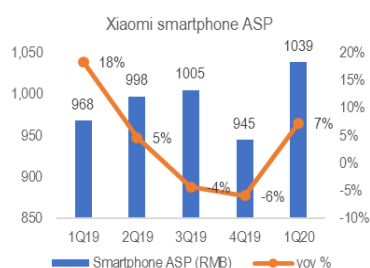
Source: Company data

Figure 5: Smartphone shipment decline due to the lockdowns



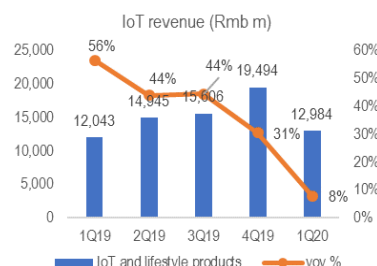
Source: Company data

Figure 6: Xiaomi smartphone ASP increased strongly driven by premium flagships



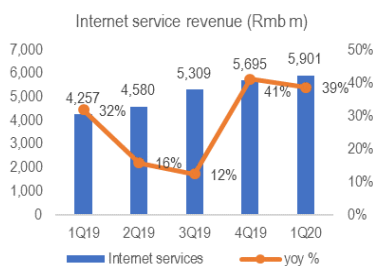
Source: Company data

Figure 7: IoT and life style revenue was adversely impacted by the virus



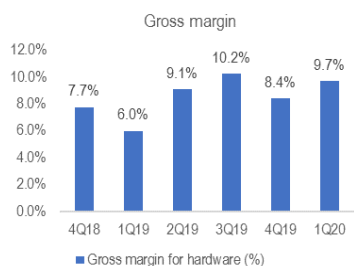
Source: Company data

Figure 8: Internet service revenue kept momentum



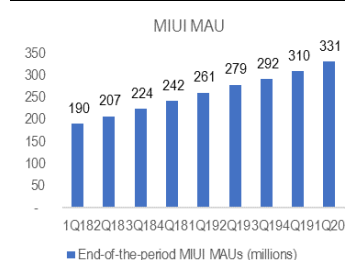
Source: Company data

Figure 9: Overall hardware gross margin expanded strongly



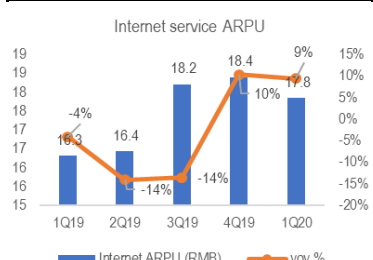
Source: Company data

Figure 10: MIUI MAU continued to expand



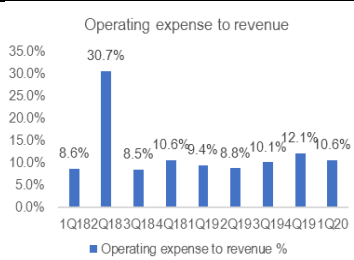
Source: Company data

Figure 11: Xiaomi internet service ARPU trends decline mainly due to the slowdown of fintech services



Source: Company data

Figure 12: Operating efficiency was maintained at a high level



Source: Company data

Figure 13: Xiaomi's quarterly P&L

Rmb m	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Profit & loss								
Revenue	45,235	50,846	44,421	43,757	51,951	53,661	56,470	49,702
Smartphones	30,501	34,983	25,077	27,009	32,021	32,268	30,797	30,325
IoT and lifestyle products	10,379	10,805	14,937	12,043	14,945	15,606	19,494	12,984
Internet services	3,958	4,729	4,037	4,257	4,580	5,309	5,695	5,901
Advertising	2,500	3,200	2,526	2,283	2,485	2,912	2,976	2,661
IVAS	1,458	1,529	1,509	1,975	2,095	2,397	2,719	3,239
Others	397	330	370	448	405	477	484	493
Cost of sales	(39,584)	(44,269)	(38,760)	38,541)	(44,692)	(45,425)	(48,626)	(42,144)
Gross profit	5,652	6,578	5,661	5,216	7,258	8,236	7,844	7,559
Gross margin	12.5%	12.9%	12.7%	11.9%	14.0%	15.3%	-27.4%	15.2%
Operating expenses	(13,896)	(4,305)	(4,696)	(4,127)	(4,575)	(5,414)	(6,859)	(5,277)
Selling and marketing expenses	(2,076)	(2,187)	(2,328)	(1,845)	(2,295)	(2,537)	(3,701)	(2,625)
Administrative expenses	(10,457)	(583)	(594)	(632)	(724)	(844)	(905)	(782)
R&D expenses	(1,364)	(1,534)	(1,775)	(1,651)	(1,556)	(2,033)	(2,253)	(1,871)
EBIT	(8,244)	2,273	965	1,088	2,684	2,823	985	2,281
Fair value changes on investments	527	65	2,075	2,633	(671)	33	1,819	348
Share of losses of investments	(129)	(184)	(318)	(145)	(12)	(241)	(274)	131
Other income	207	259	220	60	406	448	351	74
Other (losses)/gains, net	47	(202)	271	(22)	(71)	50	(183)	(510)
PBT	14,908	2,364	3,344	3,717	2,434	3,295	2,717	2,454
Income tax expenses	(276)	117	48	(525)	(479)	(775)	(280)	(294)
(Loss)/profit for the year	14,633	2,481	3,392	3,192	1,955	2,519	2,436	2,160
Minority interest	(19)	(18)	(17)	66	4	(6)	(5)	(4)
Attributable profit	14,651	2,499	3,409	3,126	1,952	2,525	2,441	2,163
Adjusted net profit (non-IFRS)	2,117	2,885	1,853	2,081	3,635	3,472	2,344	2,301
YoY growth %								
Total revenue					15%	6%	27%	14%
Smartphones					5%	-8%	23%	12%
IoT and lifestyle products					44%	44%	31%	8%
Internet services					16%	12%	41%	39%
Advertising					-1%	-9%	18%	17%
IVAS					44%	57%	80%	64%
Others					2%	45%	31%	10%
Gross profit					28%	25%	39%	45%
Adjusted net profit (non-IFRS)					72%	20%	27%	11%

Source: Company data; AMTD research

Figure 14: Xiaomi's P&L forecast

Rmb m	2016	2017	2018	2019	2020E
Profit & loss					
Revenue	68,434	114,625	174,915	205,839	247,153
Smartphones	48,764	80,564	113,800	122,095	138,881
IoT and lifestyle products	12,415	23,448	43,817	62,088	81,208
Internet services	6,538	9,896	15,956	19,842	25,160
Advertising	3,838	5,614	10,100	10,655	12,363
IVAS	2,699	4,282	5,853	9,186	12,797
Others	717	717	1,343	1,814	1,905
Cost of sales	(61,185)	(99,471)	(152,723)	(177,285)	(211,491)
Gross profit	7,249	15,154	22,192	28,554	35,662
Gross margin	10.6%	13.2%	12.7%	13.9%	14.4%
Operating expenses	(6,053)	(9,599)	(25,869)	(20,975)	(22,565)
Selling and marketing expenses	(3,022)	(5,232)	(7,993)	(10,378)	(10,875)
Administrative expenses	(927)	(1,216)	(12,099)	(3,104)	(3,213)
R&D expenses	(2,104)	(3,151)	(5,777)	(7,493)	(8,477)
EBIT	1,196	5,555	(3,677)	7,580	13,097
Fair value changes on investments	2,727	6,371	4,430	3,813	1,000
Share of losses of investments	(150)	(231)	(615)	(672)	(200)
Other income	540	449	845	1,266	300
Other (losses)/gains, net	(528)	72	213	(226)	-
PBT	1,176	(41,829)	1,196	12,163	14,549
Income tax expenses	(684)	(2,060)	(449)	(2,060)	(2,414)
(Loss)/profit for the year	492	(43,889)	13,478	10,103	12,136
Minority interest	(62)	(63)	(76)	59	65
Attributable profit	553	(43,826)	13,554	10,044	12,071
Adjusted net profit (non-IFRS)	1,896	5,362	8,555	11,532	11,799
Yoy growth %					
Total revenue	2%	67%	53%	18%	20%
Smartphones	-9%	65%	41%	7%	14%
IoT and lifestyle products	43%	89%	87%	42%	31%
Internet services	102%	51%	61%	24%	27%
Advertising	111%	46%	80%	5%	16%
IVAS	90%	59%	37%	57%	39%
Others	-39%	0%	87%	35%	5%
Gross profit	169%	109%	46%	29%	25%
(Loss)/profit for the year (reported)	na	na	na	-25%	20%
Adjusted net profit (non-IFRS)	na	183%	60%	35%	2%

Source: Company data; AMTD estimates

Figure 15: Xiaomi key operating matrix

Operating matrix	2016	2017	2018	2019	2020E
Revenue mix					
Smartphones	71.3%	70.3%	65.1%	59.3%	56.2%
IoT and lifestyle products	18.1%	20.5%	25.1%	30.2%	32.9%
Internet services	9.6%	8.6%	9.1%	9.6%	10.2%
Advertising	5.6%	4.9%	5.8%	5.2%	5.0%
IVAS	3.9%	3.7%	3.3%	4.5%	5.2%
Others	1.0%	0.6%	0.8%	0.9%	0.8%
Smartphone shipment (million)	55	91	119	125	136
yoy %	-17%	65%	30%	5%	9%
Smartphone ASP (Rmb)	880	881	959	980	1,023
yoy %	9.0%	0.2%	8.8%	2.2%	4.4%
IoT and lifestyle product sales per smartphone	224	257	308	486	598
yoy %	71.5%	14.5%	20.0%	58.0%	23.0%
IoT and lifestyle product sales per MIUI MAU	92	137	181	196	215
yoy %	18.9%	49.1%	31.8%	8%	10%
End-of-the-period MIUI MAUs (millions)	135	171	242	310	377
yoy %	20%	27%	42%	28%	22%
Internet ARPU (Rmb)	49	58	66	64	67
yoy %	68%	19%	14%	-3%	4%
Gross margin for hardware (%)	4.40%	8.70%	7.33%	8.5%	9.5%
Gross margin for internet services segment (%)	64%	60%	64%	65%	64%
Advertising	86%	82%	82%	82%	82%
IVAS	34%	32%	30%	30%	35%
Non-IFRS net margin (%)	2.8%	4.7%	4.9%	5.6%	4.8%
Operating margin (reported)	5.5%	10.7%	0.7%	5.7%	5.7%
Cash conversion cycle (days)	-35	-38	-36	-34	-35
Operating expense to revenue %	8.8%	8.4%	14.8%	10.2%	9.1%
Net cash/ (net debt)	9,663	8,986	28,794	47,821	35,876

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-May		2019	2020e	2021e	2019	2020e	2021e	2020e	2021e	2019	2020e	2019	2020e
China smartphones & home appliances																
992 HK equity	Lenovo	HKD	4.4	6,651	11.1	10.4	8.9	168.7	13.0	9.5	0.1	0.1	4.8	4.2	8.2	6.4
000333 CH equity	Midea	CNY	59.0	57,786	17.0	16.5	14.1	16.9	(1.5)	17.3	1.5	1.3	13.3	13.3	15.9	16.3
000651 CH equity	Gree	CNY	57.4	48,170	13.2	14.4	12.3	(5.7)	(3.7)	16.8	1.8	1.6	8.5	9.5	9.0	10.8
600690 CH equity	Haier	CNY	15.3	14,563	11.5	13.2	11.2	6.3	(8.4)	17.8	0.5	0.5	10.0	10.4	13.3	14.5
1169 HK equity	Haier Electronics	HKD	21.2	7,560	10.8	14.2	11.9	80.1	(45.1)	19.4	0.7	0.7	7.3	8.0	8.2	9.2
000921 CH equity	Hisence Kelon	CNY	10.2	1,797	9.1	10.0	8.7	n.a.	(17.2)	14.5	0.3	0.3	15.6	6.9	9.1	13.3
000521 CH equity	Meiling	CNY	3.0	397	29.3	58.6	32.6	45.9	(7.4)	80.0	0.2	0.2	n.a.	n.a.	n.a.	n.a.
Average					14.5	19.6	14.2	52.0	(10.0)	25.1	0.7	0.7	9.9	8.7	10.6	11.7
China kitchen & small appliance																
002508 CH equity	Robam	CNY	30.8	4,141	18.4	17.5	15.3	8.4	5.4	14.1	3.6	3.2	14.3	13.6	15.8	15.1
002035 CH equity	Vatti	CNY	10.9	1,338	12.5	12.0	10.6	9.9	6.6	13.9	1.6	1.4	9.4	9.1	10.0	9.6
002242 CH equity	Joyoung	CNY	32.5	3,545	30.6	27.4	23.5	8.1	11.7	16.7	2.4	2.1	26.3	23.9	28.2	25.5
002032 CH equity	Supor	CNY	70.8	8,148	29.9	29.6	24.7	14.9	1.2	19.8	2.9	2.5	23.5	22.8	25.1	26.7
603868 CH equity	Flyco	CNY	36.3	2,246	20.6	22.7	21.2	(19.1)	2.4	7.2	4.2	4.0	14.5	15.6	16.4	17.5
603355 CH equity	Kingclean	CNY	21.9	1,232	17.5	17.1	15.5	19.0	1.8	10.5	1.6	1.5	10.6	10.1	13.5	14.3
Average					21.6	21.1	18.5	6.9	4.9	13.7	2.7	2.4	16.4	15.9	18.2	18.1
China TV																
751 HK equity	Skyworth Digital	HKD	2.0	802	9.1	6.7	5.5	55.8	8.5	21.1	0.1	0.1	4.9	4.7	n.a.	n.a.
1070 HK equity	TCL Multimidea	HKD	3.5	1,056	5.2	7.1	5.6	127.9	(41.1)	26.6	0.2	0.2	1.0	1.4	0.9	1.6
600060 CH equity	Hisence	CNY	12.2	2,282	43.6	25.6	19.9	41.7	13.6	29.0	0.5	0.4	10.3	10.8	n.a.	n.a.
Average					19.3	13.1	10.3	75.1	(6.3)	25.6	0.3	0.2	5.4	5.7	0.9	1.6
Global automation																
6954 JP equity	Faunc	JPY	18,195.0	34,359	23.6	49.1	46.6	(15.3)	(52.0)	1.7	7.2	7.5	16.0	23.7	20.3	36.5
6506 JP equity	Yaskawa Electric	JPY	3,630.0	9,126	22.0	62.2	73.8	4.4	(64.6)	(9.6)	2.4	2.5	15.1	28.0	19.3	47.6
KU2 GR equity	KUKA	EUR	39.6	1,729	56.6	n.a.	n.a.	(19.7)	(609.3)	67.7	0.5	0.5	10.0	28.8	44.3	n.a.
ABB US equity	ABB	USD	18.9	41,065	18.1	28.0	18.4	n.a.	n.a.	52.7	1.7	1.6	17.5	17.7	15.4	25.0
300024 CH equity	Siasun Robotics	CNY	13.5	2,921	47.9	55.1	47.3	(34.7)	28.2	16.6	6.8	6.0	37.5	44.2	47.0	51.5
Average					33.6	48.6	46.5	(16.3)	(174.4)	25.8	3.7	3.6	19.2	28.5	29.3	40.2
Global smartphones & home appliances																
AAPL US equity	Apple	USD	319.2	1,383,650	27.3	25.7	21.6	0.1	4.5	19.0	5.2	4.7	17.2	17.3	21.4	21.2
005930 KS equity	Samsung Electronic	KRW	50,000.0	243,238	15.4	13.5	9.1	(56.9)	16.5	48.4	1.3	1.1	3.9	3.5	7.8	6.7
066570 KS equity	LG Electronics	KRW	58,000.0	7,641	11.8	8.4	6.7	(97.5)	3,443.2	26.5	0.2	0.1	3.6	3.8	6.9	7.9
6758 JP equity	Sony	JPY	6,747.0	80,068	10.4	14.5	16.6	86.3	(34.8)	(12.6)	1.0	1.0	5.9	5.8	8.8	8.8
6752 JP equity	Panasonic	JPY	881.6	20,283	8.5	10.7	13.6	20.4	(20.6)	(32.6)	0.3	0.3	4.1	4.5	7.2	9.1
WHR US equity	Whirlpool	USD	118.9	7,389	7.7	11.6	9.0	5.5	(35.7)	28.7	0.4	0.4	6.2	8.2	9.3	13.7
ELUXB SS equity	Electrolux	SEK	142.1	4,593	10.2	35.0	10.5	(20.5)	(69.6)	234.7	0.4	0.4	4.7	7.6	8.4	25.5
AOS US equity	AO Smith	USD	42.5	6,842	18.8	24.3	19.3	(14.9)	(21.4)	26.4	2.5	2.4	11.8	14.7	n.a.	18.2
SK FP equity	SEB	EUR	111.0	6,129	13.2	21.0	13.6	(1.7)	(39.2)	54.3	0.8	0.8	8.5	10.8	11.1	14.9
5947 JP equity	Rinnai	JPY	8,800.0	4,243	23.0	21.8	21.4	(2.9)	5.3	(1.4)	1.3	1.4	7.5	7.3	n.a.	n.a.
Average					14.6	18.6	14.1	(8.2)	324.8	39.1	1.4	1.3	7.3	8.3	10.1	14.0

Priced as of 20 May 2020; Source: Bloomberg, company data, AMTD research

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-May		PE (x)			EPS 3yr%	PE/G (x)							
					2019	2020e	2021e		2019-2021e	2019	2020e					2021e
China Internet																
BABA US equity	Alibaba	USD	216.8	581,588	42.0	31.1	26.8	25.0%	2.2	1.6	1.4	8.2	6.3	32.1	25.3	
700 HK equity	Tencent	HKD	440.0	538,424	40.5	32.4	26.3	24.1%	2.1	1.7	1.4	8.1	6.6	28.8	22.1	
BIDU US equity	Baidu	USD	108.5	37,531	17.8	17.6	13.1	16.7%	2.5	2.5	1.9	2.4	2.1	12.9	10.3	
JD US equity	JD.com	USD	54.3	79,761	54.2	42.7	28.3	38.3%	1.3	1.0	0.7	0.8	0.7	37.6	26.4	
NTES US equity	Netease	USD	390.3	50,405	24.5	23.1	20.2	10.3%	n.a.	n.a.	n.a.	4.7	4.1	19.2	13.6	
TCOM US equity	Ctrip	USD	25.7	15,254	19	n.a.	20	-2.0%	9.7	n.a.	10.2	4	3	24	2,056	
WB US equity	Weibo	USD	34.3	7,772	12.6	16.0	13.0	-1.7%	1.3	1.6	1.3	4.6	4.1	10.7	13.2	
WUBA US equity	58.com	USD	50.8	7,606	13.7	19.1	13.1	2.2%	n.a.	n.a.	n.a.	3.4	2.9	12.8	13.8	
ATHM US equity	Autohome	USD	82.6	9,837	21.5	19.8	17.8	9.8%	1.2	1.1	1.0	8.0	7.2	17.0	15.8	
SINA US equity	Sina	USD	33.6	2,199	11.6	13.9	11.6	0.1%	n.a.	n.a.	n.a.	1.0	0.9	4.9	6.4	
YY US equity	YY	USD	65.8	5,176	16.9	18.8	12.4	16.7%	0.5	0.5	0.3	1.3	1.2	12.1	13.0	
VIPS US equity	Vipshop	USD	15.2	10,221	16.4	12.6	10.3	26.3%	n.a.	n.a.	n.a.	0.8	0.7	11.2	8.6	
2858 HK equity	Yixin	HKD	1.4	1,193	13.4	n.a.	22.5	-22.8%	n.a.	n.a.	n.a.	2.2	1.8	n.a.	n.a.	
MOMO US equity	Momo	USD	21.7	4,531	8.0	10.0	7.9	1.2%	n.a.	n.a.	n.a.	1.9	1.6	5.6	5.6	
BITA US equity	Bitauto	USD	11.8	839	11.5	n.a.	28.5	-36.4%	n.a.	n.a.	n.a.	0.7	0.6	42.0	13.6	
FANG US equity	Fang	USD	43.7	6,890	6.8	22.8	22.1	-44.3%	0.4	1.3	1.2	2.3	2.3	4.6	6.5	
BZUN US equity	Baozun	USD	29.2	1,843	32.9	23.8	16.9	39.5%	n.a.	n.a.	n.a.	1.5	1.2	27.4	19.0	
Average						21.4	21.7	18.3	6.1%	2.4	1.4	2.1	3.3	2.8	18.9	141.8
Average ex-Tencent						20.3	20.9	17.8	5.0%	2.4	1.4	2.2	3.0	2.5	18.3	149.3
Leading global Internet																
FB US equity	Facebook	USD	230.0	655,208	25.2	27.7	21.4	13.8%	1.1	1.1	1.1	8.5	6.8	15.1	16.4	
GOOGL US equity	Google	USD	1,409.2	961,044	23.4	28.3	22.0	14.2%	1.5	1.5	1.5	7.0	5.8	14.4	15.4	
AMZN US equity	Amazon	USD	2,497.9	1,245,913	76.8	76.5	48.4	35.2%	2.2	2.2	2.2	3.6	3.1	30.1	28.4	
Average						41.8	44.1	30.6	21.1%	1.6	1.6	1.6	6.4	5.2	19.9	20.1

Priced as of 20 May 2020; Source: Bloomberg, company data, AMTD research

IMPORTANT DISCLOSURES

AMTD Investment Ratings

Industry Rating	
Overweight	Industry sector expected to outperform the market over the next 12 months
Neutral	Industry sector expected to perform in-line with the market over the next 12 months
Underweight	Industry sector expected to underperform the market over the next 12 months
Stock Rating	
Buy	Stock with potential return of over 20% over the next 12 months
Hold	Stock with potential return of -20% to +20% over the next 12 months
Sell	Stock with potential loss of over 20% over the next 12 months

Analyst Certification

We, Brian Li and Halsey Wu, hereby certify that (i) all of the views expressed in this research report reflect accurately our personal views about the subject company or companies and its or their securities; and (ii) no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed by us in this research report, nor is it tied to any specific investment banking transactions performed by AMTD Global Markets Limited.

Firm Disclosure

AMTD Global Markets Limited has an investment banking relationship with Xiaomi Corporation and/or its affiliate(s) within the past 12 months.

AMTD Global Markets Limited

Address: 23/F - 25/F, Nexxus Building, 41 Connaught Road Central, Hong Kong
Tel: (852) 3163-3288 **Fax:** (852) 3163-3289

GENERAL DISCLOSURES

The research report is prepared by AMTD Global Markets Limited ("AMTD") and is distributed to its selected clients.

This research report provides general information only and is not to be construed as an offer to sell or a solicitation of an offer to buy any security in any jurisdiction where such offer or solicitation would be illegal. It does not (i) constitute a personal advice or recommendation, including but not limited to accounting, legal or tax advice, or investment recommendations; or (ii) take into account any specific clients' particular needs, investment objectives and financial situation. AMTD does not act as an adviser and it accepts no fiduciary responsibility or liability for any financial or other consequences. This research report should not be taken in substitution for judgment to be exercised by clients. Clients should consider if any information, advice or recommendation in this research report is suitable for their particular circumstances and seek legal or professional advice, if appropriate.

This research report is based on information from sources that we considered reliable. We do not warrant its completeness or accuracy except with respect to any disclosures relative to AMTD and/or its affiliates. The value or price of investments referred to in this research report and the return from them may fluctuate. Past performance is not reliable indicator to future performance. Future returns are not guaranteed and a loss of original capital may occur.

The facts, estimates, opinions, forecasts and any other information contained in the research report are as of the date hereof and are subject to change without prior notification. AMTD, its group companies, or any of its or their directors or employees ("AMTD Group") do not represent or warrant, expressly or impliedly, that the information contained in the research report is correct, accurate or complete and it should not be relied upon. AMTD Group will accept no responsibilities or liabilities whatsoever for any use of or reliance upon the research report and its contents.

This research report may contain information from third parties, such as credit ratings from credit ratings agencies. The reproduction and redistribution of the third party content in any form by any means is forbidden except with prior written consent from the relevant third party. Third party content providers do not guarantee the timeliness, completeness, accuracy or availability of any information. They are not responsible for any errors or omissions, regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability of fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities for investment purposes, and should not be relied on as investment advice.

To the extent allowed by relevant and applicable law and/or regulation: (i) AMTD, and/or its directors and employees may deal as principal or agent, or buy or sell, or have long or short positions in, the securities or other instruments based thereon, of issuers or securities mentioned herein; (ii) AMTD may take part or make investment in financing transactions with, or provide

other services to or solicit business from issuer(s) of the securities mentioned in the research report; (iii) AMTD may make a market in the securities in respect of the issuer mentioned in the research report; (iv) AMTD may have served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this research report or may be providing, or have provided within the previous 12 months, other investment banking services, or investment services in relation to the investment concerned or a related investment.

AMTD controls information flow and manages conflicts of interest through its compliance policies and procedures (such as, Chinese Wall maintenance and staff dealing monitoring).

The research report is strictly confidential to the recipient. No part of this research report may be reproduced or redistributed in any form by any means to any other person without the prior written consent of AMTD Global Markets Limited.