Xiaomi Corp (1810 HK)

2Q26 Preview: EV Ramp Lifts Revenue 3.9% qoq But A Broad Margin Squeeze Holds Adjusted Net Profit At Rmb5.9b

HOLD (Maintained)	
Share Price	HK$28.78
Target Price	HK$31.50
Upside	+9.4%
Previous TP	HK$31.70

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Highlights

- We expect Xiaomi to register an 11.2% yoy revenue decline in 2Q26, with revenue up 3.9% qoq. Gross margin should drop 1.5ppt yoy and 1.0ppt qoq to 21.0%, and adjusted net profit should fall 45.7% yoy and 3.1% qoq to Rmb5,881m.
- We expect weakness across the board – smartphones impacted by memory costs; IoT moderating from a high base; and EV sales lagging behind estimates. That said, this should be already expected by the market.
- Maintain HOLD; trim target price to HK$31.50.

2Q26 Estimates

Year to 31 Dec (Rmbm)	2Q25	1Q26	2Q26F	yoy (%)	qoq (%)
Revenue	**115,956**	**99,142**	**103,009**	**(11.2)**	**3.9**
Smartphones	45,520	44,273	40,058	(12.0)	(9.5)
IoT & Lifestyle products	38,712	24,681	29,615	(23.5)	20.0
Internet services	9,098	9,468	9,513	4.6	0.5
EV	21,263	19,864	23,824	12.0	19.9
Other	1,363	854	-	-	-
Gross Profit	**26,101**	**21,810**	**21,640**	**(17.1)**	**(0.8)**
Adjusted Net Profit	**10,831**	**6,072**	**5,881**	**(45.7)**	**(3.1)**
GPM (%)	**22.5**	**22.0**	**21.0**	**(1.5)**	**(1.0)**
Smartphones	11.5	10.1	8.7	(2.8)	(1.4)
IoT & Lifestyle products	22.5	25.2	20.4	(2.1)	(4.8)
Internet services	75.4	76.1	76.0	0.6	(0.1)
EV	26.4	20.1	20.5	(5.9)	0.4

Source: Xiaomi, UOB Kay Hian

Analysis

- **2Q26 results preview.** We expect Xiaomi Corp's (Xiaomi) 2Q26 revenue to decline 11.2% yoy but rise 3.9% qoq to Rmb103b, as the EV segment's sequential ramp more than offsets a smaller smartphone quarter. Blended gross margin is expected to decline 1.5ppt yoy and 1.0ppt qoq to 21.0%, and adjusted net profit is likely to decline 45.7% yoy and 3.1% qoq to Rmb5,881m. Our 2026 adjusted net profit estimate is 17.9%, below Bloomberg consensus, mainly on more conservative IoT and EV margin assumptions.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	365,906	457,287	476,269	523,110	565,462
EBITDA	29,504	40,300	33,593	45,953	57,577
Operating profit	23,186	31,543	27,187	38,612	49,586
Net profit (rep./act.)	23,658	41,643	25,882	35,204	46,136
Net profit (adj.)	27,235	39,166	25,882	35,204	46,136
EPS (Fen)	109.7	162.3	100.9	137.2	179.8
PE (x)	23.85	16.12	25.94	19.07	14.55
P/B (x)	4.52	3.97	3.44	2.52	2.30
EV/EBITDA (x)	22.31	16.33	19.59	14.32	11.43
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	6.5	9.1	5.4	6.7	8.2
Net debt/(cash) to equity (%)	(20.9)	1.0	(5.3)	(10.2)	(12.5)
Interest cover (x)	(6.4)	(18.1)	(11.1)	(13.0)	(10.2)
ROE (%)	15.4	17.2	9.3	11.4	13.2
Consensus net profit			31,519	42,129	51,730
UOBKH/Consensus (x)			0.82	0.84	0.89

Source: Xiaomi, Bloomberg, UOB Kay Hian

Stock Data

GICS sector:	Communications Equipment
Bloomberg ticker:	1810 HK
Shares issued (m):	25,748
Market cap (HK$m):	741,027
Market cap (US$m):	94,474
3-mth avg daily t'over (US$m):	654.5

Price Performance (%)

52-week high/low				HK$59.90/HK$21.30
1mth	**3mth**	**6mth**	**1yr**	**YTD**
33.0	(0.8)	(18.9)	(45.9)	(26.6)

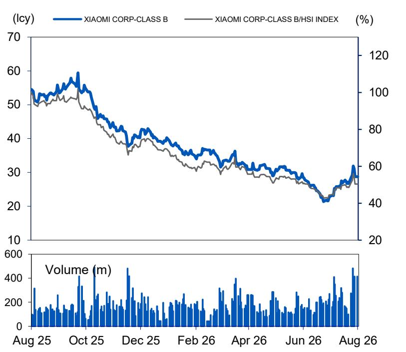
Major Shareholders

	%
Smart Mobile Holdings Ltd	8.54
Lin Bin	2.08

Balance Sheet Metrics

FY26 NAV/Share (HK$)	12.52
FY26 Net Cash/Share (HK$)	0.66

Price Chart



Source: Bloomberg

Company Description

Xiaomi Corp manufactures communication equipment and parts. The company produces and sells mobile phones, smart phone software, set-top boxes and related accessories. Xiaomi markets its products worldwide.

- **Smartphone revenue fell on lower shipments, with ASP still near a record high.** According to Omdia, Xiaomi's smartphone shipment declined 26% yoy and 8% qoq to 31.2m units as Xiaomi continued to slash production of the loss-making low-end smartphones. However, ASP should have remained at an elevated level, up 19.6% at Rmb1,284 and slightly down 2.0% qoq to Rmb1,284 thanks to the better mix. Gross margins are expected to trail down 2.8ppt yoy and 1.4ppt qoq to 8.7%, as Xiaomi has yet to face the full impact of the memory cost hikes.
- **IoT sales recovered sequentially amid promotional season.** We expect IoT revenue to decline 23.5% yoy against an exceptionally high base, but to recover 20.0% qoq to Rmb30b due to the 618 shopping festival. Segment gross margin is expected to decline 2.1ppt yoy and 4.8ppt qoq to 20.4%, due to: a) a high base in 2Q25 from government subsidies, and b) 2Q seasonality from promotional discounts.
- **Internet services remained the stable earner.** We expect revenue to grow 4.6% yoy and 0.5% qoq to Rmb9.5b, and gross margin to be broadly stable at 76.0% (+0.6ppt yoy, -0.1ppt qoq).
- **EV deliveries improved but mix deteriorated.** Industry data suggests that Xiaomi delivered 104,199 units of EVs, compared to only 80,900 units in 1Q26. However, as 2Q was primarily driven by the lower ASP of the new SU7 series, segment revenue is estimated to have only expanded by 12.0% yoy and 19.9% qoq to Rmb23.8b. Segment gross margin should also decline 5.9ppt yoy but improve 0.4ppt qoq to 20.5%, due to the deteriorating mix.

Valuation/Recommendation

- **Maintain HOLD and trim target price to HK$31.50,** based on: a) HK$12.91 for the core business, which is based on 15.0x 2026F PE; and b) HK$18.59 for the EV business which is based on a 10-year DCF valuation with a WACC of 10.8%. The valuation for the EV business also implies 3.8x 2026F EV/sales. Our target price implies 9.4% upside.

Earnings Revision/Risk

- We trim our 2026-28 adjusted net profit estimates by 0.9%/0.1%/0.1% respectively to Rmb25.9b/Rmb35.2b/Rmb46.1b. We have factored in a slightly lower internet services revenue assumption for 2026-28 as we expect headwinds to its gaming revenue in the foreseeable future.

Share Price Catalyst

- a) Delivery ramp of the Kunlun-based Sky Nomad models from September, b) moderation in memory price hikes, and c) 2Q26 results announcement (18 Aug 26) and guidance on 3Q26.

SOTP Valuation

---------------- EV ----------------		-------------- Core --------------	
Intrinsic value (Rmb)	435,104	Intrinsic value (Rmb)	0.79
CNY to HKD	1.1	CNY to HKD	1.1
Intrinsic value (HK$)	478,615	Intrinsic value (HK$)	0.86
Valuation	$18.6	Valuation	$12.9
EV/Sales (2026) (x)	3.8	PE multiple (x)	15.0

Source: Xiaomi, UOB Kay Hian

Changes to Key Estimates

(Rmbm)	---- OLD ----			---- NEW ----			---- CHANGE (%) ----		
	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F
Turnover	**476,741**	**523,135**	**565,510**	**476,269**	**523,110**	**565,462**	**(0.0)**	**(0.0)**	**(0.0)**
Smartphones	172,642	170,673	178,986	172,642	170,673	178,986	-	-	-
IoT and Lifestyle products	129,360	133,241	143,900	129,360	133,241	143,900	-	-	-
Internet services	39,767	41,933	43,200	39,732	41,912	43,151	(0.1)	(0.1)	(0.1)
EV	130,835	173,151	195,288	130,835	173,151	195,288	-	-	-
Margins (%)									
Smartphones	6.5	6.2	6.7	6.5	6.2	6.7	-	-	-
IoT and Lifestyle products	20.0	19.5	19.5	20.0	19.5	19.5	-	-	-
Internet services	76.0	76.0	76.0	76.0	76.0	76.0	-	-	-
EV	23.4	23.1	24.3	23.4	23.1	24.3	-	-	-

Source: Xiaomi, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	**457,287**	**476,269**	**523,110**	**565,462**
EBITDA	40,300	33,593	45,953	57,577
Deprec. & amort.	(8,757)	(6,406)	(7,341)	(7,991)
EBIT	**31,543**	**27,187**	**38,612**	**49,586**
Total other non-operating income	16,358	-	-	-
Associate contributions	326	-	-	-
Net interest income/(expense)	1,746	2,455	2,975	4,880
Pre-tax profit	**49,647**	**29,642**	**41,587**	**54,466**
Tax	(8,080)	(3,808)	(6,449)	(8,415)
Minorities	77	48	65	85
Net profit	**41,643**	**25,882**	**35,204**	**46,136**
Net profit (adj.)	39,166	25,882	35,204	46,136

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	27,950	37,696	47,182	56,469
Other LT assets	209,572	226,420	242,593	258,316
Cash/ST investment	26,914	45,056	62,808	76,195
Other current assets	243,660	231,512	213,028	252,552
Total assets	**508,096**	**540,684**	**565,611**	**643,532**
ST debt	6,649	6,649	6,649	6,649
Other current liabilities	185,756	192,510	182,299	214,168
LT debt	22,921	22,921	22,921	22,921
Other LT liabilities	26,446	26,446	26,446	26,446
Shareholders' equity	266,219	292,101	327,305	373,441
Minority interest	105	57	(8)	(94)
Total liabilities & equity	**508,096**	**540,684**	**565,611**	**643,532**

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	**34,142**	**48,686**	**47,776**	**41,508**
Pre-tax profit	49,647	29,642	41,587	54,466
Tax	(8,080)	(3,808)	(6,449)	(8,415)
Deprec. & amort.	8,757	6,406	7,341	7,991
Associates	(326)	-	-	-
Working capital changes	(12,677)	3,138	8,273	(7,654)
Non-cash items	(3,178)	13,308	(2,975)	(4,880)
Other operating cashflows	-	-	-	-
Investing	**(71,679)**	**(33,000)**	**(33,000)**	**(33,000)**
Capex (growth)	(13,000)	(13,000)	(13,000)	(13,000)
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	(58,679)	(20,000)	(20,000)	(20,000)
Financing	**30,766**	**2,455**	**2,975**	**4,880**
Dividend payments	-	-	-	-
Issue of shares	-	-	-	-
Proceeds from borrowings	10,000	10,000	10,000	10,000
Loan repayment	(25,998)	(10,000)	(10,000)	(10,000)
Others/interest paid	46,764	2,455	2,975	4,880
Net cash inflow (outflow)	**(6,770)**	**18,141**	**17,752**	**13,388**
Beginning cash & cash equivalent	33,661	26,914	45,056	62,808
Changes due to forex impact	23	-	-	-
Ending cash & cash equivalent	**26,914**	**45,056**	**62,808**	**76,195**

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	22.3	20.5	20.7	21.3
Pre-tax margin	10.3	6.2	8.0	9.6
Net margin	9.1	5.4	6.7	8.2
ROA	8.6	4.9	6.4	7.6
ROE	17.2	9.3	11.4	13.2
Growth				
Turnover	25.0	4.2	9.8	8.1
EBITDA	36.6	(16.6)	36.8	25.3
Pre-tax profit	76.5	(40.3)	40.3	31.0
Net profit	76.0	(37.8)	36.0	31.1
Net profit (adj.)	43.8	(33.9)	36.0	31.1
EPS	48.0	(37.8)	36.0	31.1
Leverage				
Debt to total capital	5.8	5.5	5.2	4.6
Debt to equity	11.1	10.1	9.0	7.9
Net debt/(cash) to equity	1.0	(5.3)	(10.2)	(12.5)
Interest cover (x)	(18.1)	(11.1)	(13.0)	(10.2)

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