Xiaomi Corp (1810 HK)

3Q26: EV Ramp And IoT Recovery Provide Support, But Memory Headwinds Persist

Highlights

- Revenue was slightly ahead and adjusted net profit was in line, as higher smartphone ASP partly offset weaker smartphone and EV shipment volumes.
- Management expects EV deliveries to remain strong in November and December, while IoT growth should benefit from overseas expansion. However, rising DRAM costs are expected to weigh on the smartphone and EV segments in 2027.
- Maintain HOLD with a target price of HK$25.90.

3Q26 Results

Year to 31 Dec (Rmbm)	3Q25	2Q26	3Q26	yoy (%)	qoq (%)
Revenue	113,121	108,922	107,240	(5.2)	(1.5)
Smartphones	45,969	42,119	45,579	(0.8)	8.2
IoT & Lifestyle products	27,552	31,278	27,153	(1.4)	(13.2)
Internet services	9,380	9,044	9,450	0.7	4.5
EV	29,010	24,896	23,884	(17.7)	(4.1)
Other	1,209	1,585	1,174	(2.9)	(26.0)
Gross Profit	25,936	21,609	21,615	(16.7)	0.0
Adjusted Net Profit	11,311	6,219	4,884	(56.8)	(21.5)
GPM (%)	22.9	19.8	20.2	(2.8)	0.3
Smartphones	11.1	8.5	9.2	(1.9)	0.6
IoT & Lifestyle products	23.9	20.1	21.7	(2.2)	1.6
Internet services	76.9	76.8	73.8	(3.1)	(3.0)
EV	25.5	19.2	19.2	(6.3)	0.0

Source: Xiaomi, UOB Kay Hian

Analysis

- **Revenue slightly ahead; adjusted net profit in line.** Revenue fell 5.2% yoy and 1.5% qoq to Rmb107,240m, 1.6% and 0.3% above our and consensus estimates, respectively, reflecting continued shipment weakness in smartphones and EVs, partly offset by higher smartphone ASP. Gross margin contracted 2.8ppt yoy to 20.2%, in line with our and consensus estimates. Adjusted net profit fell 56.8% yoy and 21.5% qoq to Rmb4,884m, in line with our estimate as operating expenses ended up largely in line with estimates.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	365,906	457,287	433,704	458,592	513,479
EBITDA	29,504	40,300	23,596	34,505	47,403
Operating profit	23,186	31,543	17,190	27,164	40,738
Net profit	23,658	41,643	23,210	24,503	36,786
Net profit (adj.)	27,235	39,166	22,322	24,503	36,786
EPS (fen)	109.7	162.3	90.5	95.5	143.4
P/E (x)	22.0	14.8	26.6	25.2	16.8
P/BV (x)	4.2	3.7	3.2	2.3	2.1
EV/EBITDA (x)	20.7	15.1	25.8	17.7	12.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	6.5	9.1	5.4	5.3	7.2
Net debt to equity (%)	(20.9)	1.0	(4.1)	(5.6)	(6.3)
Interest cover (x)	(6.4)	(18.1)	21.9	(14.3)	(14.2)
ROE (%)	15.4	17.2	8.0	8.1	11.1
Consensus net profit			24,145	31,263	40,611
UOBKH/Consensus (x)			0.92	0.78	0.91

Source: Xiaomi, Bloomberg, UOB Kay Hian

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HOLD (Maintained)

Share Price	HK$26.50
Target Price	HK$25.90
Upside	-2.3%
Previous TP	n.a.

Stock Data

Sector	Communications Equipment
Bloomberg ticker	1810 HK
Shares issued (m)	25,741
Market cap (HK$m)	682,137
Market cap (US$m)	87,453
3-mth avg daily t'over (US$m)	501.1

Price Performance (%)

52-week high/low				HK$43.64/HK$21.30
1mth	3mth	6mth	1yr	YTD
(1.1)	(4.7)	(11.7)	(31.5)	(32.4)

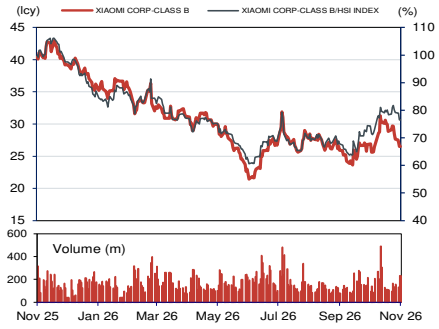
Major Shareholders (%)

Smart Mobile Holdings Ltd	8.54
Lin Bin	2.08

Balance Sheet Metrics

FY26 NAV/Share (HK$)	12.41
FY26 Net Cash/Share (HK$)	0.50

Price Chart



Source: Bloomberg

Company Description

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

- **DRAM costs to keep rising in 2027; premiumisation to support pass-through.** Management expects DRAM costs to continue rising in 2027, as supply capacity is unlikely to increase materially before 1H28, while NAND prices should remain broadly stable, with potential for a slight increase. Xiaomi plans to offset the resulting volume pressure through premiumisation and pass on higher costs through ASP increases, although higher prices could lengthen replacement cycles from around three years and nine months to four years.
- **IoT is past the worst, with overseas shipments to contribute more growth.** Management believes IoT has passed its trough, with TV and smart large home appliance revenue returning to positive yoy growth in 3Q26, while overseas TV shipments and revenue reached record highs. Overseas markets currently contribute about 30% of IoT revenue and Xiaomi aims to increase this share by introducing more product categories. Management sees overseas expansion, alongside domestic premiumisation and dedicated smart home appliance stores, as the key IoT growth drivers over the next two to three years.
- **EV deliveries to exceed October's record of 50,168.** Management expects November and December deliveries to surpass this level, supported by the SKYNOMAD production ramp and the fulfillment of strong initial locked orders. SKYNOMAD is also broadening Xiaomi's customer base toward older, family-oriented buyers, with more than 50% aged 35 or above and 88% being family users.
- **Robotics enters pilot deployment, but still too early for monetisation.** Xiaomi has begun small-scale robot deployments at its auto factory and Xiaomi Youth Apartments. However, monetisation is still being explored, despite viewing embodied intelligence as a major long-term opportunity whose potential could exceed that of the auto industry.
- **BIS restrictions create uncertainty for future chip access.** Management expects no impact on chips already approved and in use, but additional purchases and newer-generation chips may require fresh BIS approval. As the framework remains new and implementation is still evolving, Xiaomi is assessing the potential impact on future chip procurement.

Valuation/Recommendation

- **Maintain HOLD with target price unchanged at HK$25.90,** based on: a) HK$18.05 for the core business at 15.0x 2027 PE; and b) HK$7.85 for the EV business, based on a DCF valuation with a WACC of 10.8%, which also implies 1.7x 2027 EV/sales.

Earnings Revision/Risk

- We cut our 2026-28 adjusted net profit forecasts by 11.8%/2.5%/3.2% to Rmb22,322m/Rmb24,503m/Rmb36,786m, as we lower our ASP assumption for the EV segment and fine-tune our margin assumptions for the IoT segment.

SOTP Valuation

EV		Core	
Intrinsic value (Rmb)	$173,140	EPS (Rmb)	1.03
CNY to HKD	1.17	CNY to HKD	1.17
Intrinsic value (HK$)	$202,574	EPS (HK$)	1.20
Valuation	$7.85	Valuation	18.05
EV/Sales (2027) (x)	**1.7**	**PE Multiple (x)**	**15.0**

Source: Xiaomi, UOB Kay Hian

Changes To 2026-28 Estimates

Year to 31 Dec	Old estimates			New estimates			Differences (%)		
(Rmbm)	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F
Turnover	437,686	462,494	517,984	433,704	458,592	513,479	(0.9)	(0.8)	(0.9)
Smartphones	174,325	169,402	182,214	174,325	169,402	182,214	-	-	-
IoT and Lifestyle products	110,880	116,424	122,245	110,880	116,424	122,245	-	-	-
Internet services	37,271	40,767	42,511	37,317	40,612	42,354	0.1	(0.4)	(0.4)
EV	111,072	131,764	166,877	107,045	128,018	162,529	(3.6)	(2.8)	(2.6)
Margins (%)									
Smartphones	9.0	8.3	8.5	9.0	8.3	8.5	-	-	-
IoT and Lifestyle products	21.3	22.0	23.0	21.5	22.0	23.0	0.2	-	-
Internet services	75.2	74.0	74.5	75.2	74.0	74.5	-	-	-
EV	20.3	21.6	22.5	20.2	21.6	22.4	(0.1)	0.0	(0.1)

Source: Xiaomi, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	457,287	433,704	458,592	513,479
EBITDA	40,300	23,596	34,505	47,403
Depreciation & amortization	(8,757)	(6,406)	(7,341)	(6,665)
EBIT	31,543	17,190	27,164	40,738
Total other non-operating income	16,358	12,673	-	-
Associate contributions	326	168	-	-
Net interest income/(expense)	1,746	(783)	1,902	2,866
Pre-tax profit	49,647	29,080	29,066	43,604
Tax	(8,080)	(5,912)	(4,609)	(6,835)
Minorities	77	43	45	16
Net profit	41,643	23,210	24,503	36,786
Net profit (recurrent)	39,166	22,322	24,503	36,786

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	27,950	37,696	47,182	53,469
Other LT assets	209,572	226,420	242,593	262,642
Cash/ST investment	26,914	41,315	47,037	51,686
Other current assets	243,660	205,506	204,429	233,211
Total assets	508,096	510,937	541,241	601,007
ST debt	6,649	6,649	6,649	6,649
Other current liabilities	185,756	165,430	171,277	194,373
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	289,429	313,932	350,717
Minority interest	105	62	16	0
Total liabilities & equity	508,096	510,937	541,241	601,107

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	34,142	48,184	36,820	34,883
Pre-tax profit	49,647	29,080	29,066	43,604
Tax	(8,080)	(5,912)	(4,609)	(6,835)
Depreciation/amortization	8,757	6,406	7,341	6,665
Associates	(326)	(168)	-	-
Working capital changes	(12,677)	2,064	6,924	(5,685)
Non-cash items	(3,178)	16,714	(1,902)	(2,866)
Other operating cashflows	-	-	-	-
Investing	(71,679)	(33,000)	(33,000)	(33,100)
Capex (growth)	(13,000)	(13,000)	(13,000)	(10,000)
Investments	-	-	-	(3,000)
Proceeds from sale of assets	-	-	-	-
Others	(58,679)	(20,000)	(20,000)	(20,100)
Financing	30,766	(783)	1,902	2,866
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	(783)	1,902	2,866
Net cash inflow (outflow)	(6,770)	14,400	5,722	4,649
Beginning cash & cash equivalent	33,661	26,914	41,315	47,037
Changes due to forex impact	23	-	-	-
Ending cash & cash equivalent	26,914	41,315	47,037	51,686

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	22.3	20.6	21.2	21.7
Pretax margin	10.3	6.4	6.3	8.5
Net margin	9.1	5.4	5.3	7.2
ROA	8.6	4.4	4.7	6.4
ROE	17.2	8.0	8.1	11.1
Growth				
Turnover	25.0	(5.2)	5.7	12.0
Gross profit	33.0	(12.3)	9.1	14.6
Pre-tax profit	76.5	(41.4)	(0.0)	50.0
Net profit	76.0	(44.3)	5.6	50.1
Net profit (adj)	43.8	(43.0)	9.8	50.1
EPS (adj.)	48.0	(44.3)	5.6	50.1
Leverage				
Debt to total capital	5.8	5.8	5.5	0.0
Debt to equity	11.1	10.2	9.4	8.4
Net debt to equity	1.0	(4.1)	(5.6)	(6.3)
Interest cover (x)	(18.1)	21.9	(14.3)	(14.2)

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