Xiaomi Corp (1810 HK)

3Q26 Preview: Weaker Consumer Demand To Weigh On Earnings

Highlights

- We expect Xiaomi to register a 6.7% yoy and 3.1% qoq revenue decline in 3Q26. Gross margin should decline 3.3ppt yoy and 0.2ppt qoq to 19.6%, and adjusted net profit to fall 57.2% yoy and 22.1% qoq to Rmb4,843m.
- By segment, we expect smartphones to register resilient performance thanks to ASP hikes and mix improvements, while IoT and internet services are hit by weak spending and negative mix changes.
- Maintain HOLD with a lower target price of HK$25.90.

3Q26 Results Preview

Year to 31 Dec (Rmbm)	3Q25	2Q26	3Q26F	yoy (%)	qoq (%)
Revenue	113,121	108,922	105,579	(6.7)	(3.1)
Smartphones	45,969	42,119	44,759	(2.6)	6.3
IoT & Lifestyle products	27,552	31,278	26,726	(3.0)	(14.6)
Internet services	9,380	9,044	9,368	(0.1)	3.6
EV	29,010	24,896	23,227	(19.9)	(6.7)
Other	1,209	1,585	1,500	24.1	(5.4)
Gross Profit	25,936	21,609	20,718	(20.1)	(4.1)
Adjusted Net Profit	11,311	6,219	4,843	(57.2)	(22.1)
GPM (%)	22.9	19.8	19.6	(3.3)	(0.2)
Smartphones	11.1	8.5	8.7	(2.4)	0.2
IoT & Lifestyle products	23.9	20.1	20.5	(3.4)	0.4
Internet services	76.9	76.8	74.0	(2.9)	(2.8)
EV	25.5	19.2	19.0	(6.5)	(0.2)

Source: Xiaomi, UOB Kay Hian

Analysis

- **3Q26 results preview.** We expect Xiaomi Corp's (Xiaomi) 3Q26 revenue to decline 6.7% yoy and 3.1% qoq to Rmb106b, as weaker IoT and EV sales more than offset a stronger smartphone quarter. Blended gross margin is expected to decline 3.3ppt yoy and 0.2ppt qoq to 19.6%, and adjusted net profit is estimated to decline 57.2% yoy and 22.1% qoq to Rmb4,843m. Our 2026 adjusted net profit estimate is now 11.8% below Bloomberg consensus.
- **Smartphone revenue rises sequentially on a higher ASP.** According to Omdia, Xiaomi's smartphone shipment declined 29% yoy and 2% qoq to 30.7m units amid memory cost inflation, though its global share rose 1.0ppt qoq to 12%. However, we estimated that ASP rose 38.9% yoy and 8.0% qoq to Rmb1,458 as Xiaomi continues to raise prices and shift toward premium models, lifting revenue 6.3% qoq to Rmb44.8b, though still down 2.6% yoy. Gross margins are expected to decline 2.4ppt yoy but improve 0.2ppt qoq to 8.7%, as the better mix and higher ASP offset part of the memory cost hikes.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	365,906	457,287	437,686	462,494	517,984
EBITDA	29,504	40,300	23,762	34,981	48,514
Operating profit	23,186	31,543	17,356	27,640	41,849
Net profit (rep./act.)	23,658	41,643	24,331	25,045	37,919
Net profit (adj.)	27,235	39,166	22,436	25,045	37,919
EPS (Fen)	109.7	162.3	94.8	97.6	147.8
PE (x)	21.9	14.8	25.4	24.7	16.3
P/B (x)	4.2	3.7	3.2	2.3	2.1
EV/EBITDA (x)	20.6	15.1	25.6	17.4	12.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	6.5	9.1	5.6	5.4	7.3
Net debt/(cash) to equity (%)	(20.9)	1.0	(4.5)	(6.0)	(7.1)
Interest cover (x)	(6.4)	(18.1)	(7.6)	(13.4)	(13.5)
ROE (%)	15.4	17.2	8.1	8.3	11.3
Consensus net profit			25,439	33,534	42,544
UOBKH/Consensus (x)			0.88	0.75	0.89

Source: Xiaomi, Bloomberg, UOB Kay Hian

Analyst(s)

Johnny Yum
johnny.yum@uobkh.com
+852 2235 6760

Murphy Li
murphy.li@uobkh.com
+852 2826 4867

HOLD (Maintained)

Share Price	HK$26.48
Target Price	HK$25.90
Upside	-2.2%
Previous TP	HK$26.20

Stock Data

Sector	Communications Equipment
Bloomberg ticker	1810 HK
Shares issued (m)	25,796
Market cap (HK$m)	683,078
Market cap (US$m)	87,574
3-mth avg daily t'over (US$m)	492.5

Price Performance (%)

52-week high/low				HK$44.72/HK$21.42
1mth	3mth	6mth	1yr	YTD
4.9	(14.7)	(8.8)	(40.0)	(32.4)

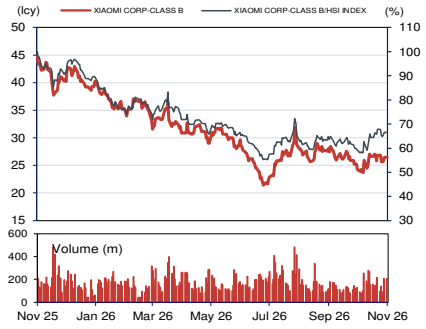
Major Shareholders (%)

Smart Mobile Holdings Ltd	8.54
Lin Bin	2.08

Balance Sheet Metrics

FY26 NAV/Share (HK$)	12.49
FY26 Net Debt/Share (HK$)	(0.54)

Price Chart



Source: Bloomberg

Company Description

Xiaomi Corporation 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.

- **IoT sales expected to weaken sequentially after the shopping festival.** We expect IoT revenue to decline 3.0% yoy and 14.6% qoq to Rmb27b as consumption weakens after the 618 shopping festival. Segment gross margin is expected to decline 3.4ppt yoy against a high base, but recover 0.4ppt qoq to 20.5% as promotional discounts ease.
- **Internet services revenue remains stable.** We expect revenue to decline 0.1% yoy but grow 3.6% qoq to Rmb9.4b, and gross margin to decline 2.9ppt yoy and 2.8ppt qoq to 74.0%. The margins decline is primarily due to the decline in shipment which led to a lower preinstallation revenue, and the worsening macro environment in China has led to fewer marketing promotions which affected the high margin advertising revenue as well.
- **EV deliveries and ASP both declined.** Industry data suggests that Xiaomi delivered 101,395 EVs in 3Q26, down 6.8% yoy and 2.7% qoq, as 12,444 SkyNomad deliveries in September had only partly offset shipment declines in the older SU7 and YU7 models. With ASP estimated to decline 15.3% yoy and 4.0% qoq to Rmb220,000 on mix changes, we expect segment revenue to decline 19.9% yoy and 6.7% qoq to Rmb23.2b, while gross margins are expected to decline 6.5ppt yoy and 0.2ppt qoq to 19.0%.

Valuation/Recommendation

- **Maintain HOLD with a lower target price of HK$25.90,** based on: a) HK$17.95 for the core business at 15.0x 2027 PE; and b) HK$7.95 for the EV business, based on a DCF valuation with a WACC of 10.8%, which also implies 1.6x 2026 EV/sales. Our target price implies 2.2% downside.

Earnings Revision/Risk

- We raised our top-line revenue forecasts for 2026-2028 by +1.0%/ +1.0%/+0.9% respectively, accounting for more resilient smartphone segment and weaker IoT segment. We cut our 2026-2028 adjusted net profit estimates by 3.0%/9.1%/5.5% to Rmb22.4b/Rmb25.0b/Rmb37.9b on lower IoT and internet services margins.

SOTP Valuation

----- EV and new initiatives -----		---------- Core ----------	
Intrinsic value (Rmb)	174,886	EPS (Rmb)	1.02
CNY to HKD	1.17	CNY to HKD	1.2
Intrinsic value (HK$)	204,617	EPS (HK$)	1.19
Valuation	7.95	Valuation	17.95
EV/Sales (2026) (x)	1.6	**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	433,302	458,110	513,208	437,686	462,494	517,984	1.0	1.0	0.9
Smartphones	167,239	162,515	174,807	174,325	169,402	182,214	4.2	4.2	4.2
IoT and Lifestyle products	113,344	119,011	124,962	110,880	116,424	122,245	(2.2)	(2.2)	(2.2)
Internet services	37,510	40,683	42,425	37,271	40,767	42,511	(0.6)	0.2	0.2
EV	111,072	131,764	166,877	111,072	131,764	166,877	-	-	-
Margins (%)									
Smartphones	9.0	8.3	8.5	9.0	8.3	8.5	-	-	-
IoT and Lifestyle products	22.8	23.3	23.9	21.3	22.0	23.0	(1.5)	(1.3)	(0.9)
Internet services	76.0	76.0	76.0	75.2	74.0	74.5	(0.8)	(2.0)	(1.5)
EV	20.3	21.6	22.5	20.3	21.6	22.5	-	-	-

Source: Xiaomi, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	457,287	437,686	462,494	517,984
EBITDA	40,300	23,762	34,981	48,514
Deprec. & amort.	(8,757)	(6,406)	(7,341)	(6,665)
EBIT	31,543	17,356	27,640	41,849
Total other non-operating income	16,358	10,627	-	-
Associate contributions	326	86	-	-
Net interest income/(expense)	1,746	2,271	2,062	3,095
Pre-tax profit	49,647	30,253	29,702	44,944
Tax	(8,080)	(5,967)	(4,703)	(7,039)
Minorities	77	45	46	13
Net profit	41,643	24,331	25,045	37,919
Net profit (adj.)	39,166	22,436	25,045	37,919

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	42,605	48,642	54,662
Other current assets	243,660	208,027	203,905	236,030
Total assets	508,096	514,748	542,322	606,802
ST debt	6,649	6,649	6,649	6,649
Other current liabilities	185,756	168,122	170,698	197,372
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	290,550	315,595	353,514
Minority interest	105	60	13	0
Total liabilities & equity	508,096	514,748	542,322	606,902

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	34,142	46,420	36,976	36,025
Pre-tax profit	49,647	30,253	29,702	44,944
Tax	(8,080)	(5,967)	(4,703)	(7,039)
Deprec. & amort.	8,757	6,406	7,341	6,665
Associates	(326)	(86)	-	-
Working capital changes	(12,677)	2,235	6,697	(5,451)
Non-cash items	(3,178)	13,578	(2,062)	(3,095)
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	2,271	2,062	3,095
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	2,271	2,062	3,095
Net cash inflow (outflow)	(6,770)	15,690	6,037	6,020
Beginning cash & cash equivalent	33,661	26,914	42,605	48,642
Changes due to forex impact	23	-	-	-
Ending cash & cash equivalent	26,914	42,605	48,642	54,662

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	22.3	20.5	21.3	21.8
Pre-tax margin	10.3	6.2	6.4	8.7
Net margin	9.1	5.6	5.4	7.3
ROA	8.6	4.4	4.7	6.6
ROE	17.2	8.1	8.3	11.3
Growth				
Turnover	25.0	(4.3)	5.7	12.0
EBITDA	33.0	(11.8)	9.4	14.7
Pre-tax profit	76.5	(39.1)	(1.8)	51.3
Net profit	76.0	(41.6)	2.9	51.4
Net profit (adj.)	43.8	(42.7)	11.6	51.4
EPS	48.0	(41.6)	2.9	51.4
Leverage				
Debt to total capital	5.8	5.7	5.5	0.0
Debt to equity	11.1	10.2	9.4	8.4
Net debt/(cash) to equity	1.0	(4.5)	(6.0)	(7.1)
Interest cover (x)	(18.1)	(7.6)	(13.4)	(13.5)

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