Xiaomi Corporation
Q3 2019 Results Announcement
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Xiaomi’s first smartphone launched in 2011, and it now enjoys a spot in China’s top four largest smartphone brands. It also has a sizable overseas expansion: Xiaomi phones hold the largest market share in India, one of the fastest-growing smartphone markets in the world. Xiaomi’s financial record is still relatively short — it went public just over a year ago—but diversifying its brand with smart-home devices, an addition to its Internet of things ecosystem, should help growth average 20% in the next two years.

Catch up with Data Sheet, Fortune’s daily digest on the business of tech.
Xiaomi ranks 57th in Forbes Top 100 Digital Companies 2019
5G: New era arrives

We released our first 5G smartphone **Mi 9 Pro** in China on September 24th 2019, which was well received by the market.
5G to bring new growth opportunities to China smartphones

China smartphone shipments\(^1\)

\(^1\)According to IDC
Innovation:
Relentlessly pursuing advanced technologies
Mi MIX Alpha

World’s first surround display smartphone with 180.6% of screen-to-body ratio
Innovation: Relentlessly pursuing advanced technologies
Mi CC9 Pro / Mi Note 10

The first smartphone to sport the 108MP penta-camera
No.1 in overall camera score, video, zoom, and texture
Continued to invest in R&D

Accumulative R&D expenses from 2016 to Q3 2019 reached RMB16.3 billion

R&D expenses increased 32.5% YoY in Q3 2019
AloT: Leading global consumer IoT platform

~213 million
Connected devices\(^1\)
YoY growth of 62.0%

~3.5 million
Users with 5 or more devices connected to Xiaomi’s IoT platform\(^1\)
YoY growth of 78.7%

\(^1\)As of September 30, 2019, excluding smartphones and laptops
AIoT:
Listed on National Open Innovation Platforms for Next Generation AI for achievements in smart home on August 29th 2019
Q3 2019

Total revenue RMB53.7 billion
YoY growth of 5.5%

Adjusted net profit\(^1\) RMB3.5 billion
YoY growth of 20.3%

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\(^1\)Defined as profit for the period, as adjusted by adding back (i) fair value changes of convertible redeemable preferred shares, (ii) share-based compensation, (iii) net fair value changes on investments, and (iv) amortization of intangible assets resulting from acquisitions, (v) changes of value of financial liabilities to fund investors, and (vi) income tax effects
Smartphones
Smartphone revenue reached **RMB32.3 billion** in Q3 2019

Xiaomi sold ~**32.1 million units** of smartphones in Q3 2019
China 5G smartphone replacement cycle to kick off in 2020

2017-2019 mainland China smartphone shipments
million units

5G
Launched Mi MIX 3 5G in Barcelona MWC

Launched Mi 9 Pro 5G & Mi MIX Alpha

Xiaomi to launch 10+ 5G models in 2020

2017

2019.2

2019.6

2019.9

2020

Granting of 5G commercial licenses in mainland China

5G preparation and technology development

4G - 5G transition

5G take off in China
Devoted to bringing 5G smartphones to the mass market

Mi 1
RMB 1,999
2011
Launched flagship smartphone at the price of less than RMB2,000

Redmi Note 3
RMB 899+
2016
Launched smartphone with fingerprint scanner at the price of less than RMB1,000

Redmi Note 7
RMB 999+
2019
Launched smartphone equipped with 48MP camera at the price of less than RMB1,000

Redmi Note 8 Pro
RMB 1,399+
2019
Launched 64MP quad-camera smartphone at the price of less than RMB1,500

Mi 9 Pro 5G
RMB 3,699+
2019
Launched 5G smartphone at the price of less than RMB3,700

Our efficient business model is well equipped to deliver 5G technology to the mass market.
Our mission:
Relentlessly build amazing products with honest prices to let everyone in the world enjoy a better life through innovative technology
Current focus on healthy operation leads to continued margin expansion
Continues to execute smartphone multi-brand strategy: smartphone models launched since Q2

- Continued to establish Xiaomi in the mid- to high-end and diversified user markets

  - **Mid- to high-end**
    - Mi MIX Alpha
    - Mi 9 Pro

  - **Diversified user markets**
    - Mi CC9 Pro / Mi Note 10

- Continued to offer products with the ultimate price-performance ratio across all major price points

  - **Flagship**
    - Redmi K20 Pro Premium Edition
  - **Mid-range**
    - Redmi Note 8 Pro
    - Redmi Note 8
  - **Entry level**
    - Redmi 8
    - Redmi 8A
IoT and lifestyle product revenue reached **RMB15.6 billion** in Q3 2019, representing a YoY growth of **44.4%**
Smart TV shipments reached ~3.1 million units with YoY growth of 59.8% in Q3 2019

Ranked No.1 by shipments in mainland China and No.5 globally in Q3 2019¹

We launched Mi TV 5 series on November 5, 2019, an all-round upgrade for the future home

¹According to AVC
Further expansion into home appliances

We launched Mi Refrigerator on October 11, 2019
We launched Xiaomi’s first smartwatch **Mi Watch** on November 5, 2019

The device is equipped with **MIUI For Watch** and marks our entry into the smartwatch category after our success of Mi Band
57.9 million AI Assistant MAU\(^1\), representing a YoY growth of 68.6%

AI touchscreen speaker won 2019 Red Dot Design Award, the US Industrial Design Excellence Award and the Good Design Award

\(^1\)In September 2019
Internet Services
Internet service revenue reached RMB5.3 billion in Q3 2019, representing a YoY growth of 12.3%.

Advertising revenue excluding pre-installation achieved positive YoY growth of 6.9%.
Advertising revenue increased quarter by quarter in 2019 amid challenging environment in China.
MIUI 11 brings better user experience

Minimalistic design  Efficiency & Connectivity  Smart travel
Global MIUI MAU\(^1\) reached 291.6 million while mainland China MIUI MAU\(^1\) remained flat year-over-year at 112.8 million

\(^1\)In September as of respective years
\(^2\)In September as of respective years, including both TV and TV box users
Increasing diversification of internet service revenue

~37.2% of internet service revenue was from internet services outside of advertising and gaming from mainland China smartphones, with YoY growth of 87.8%
Continued to strengthen our overseas internet services

Major internet services in India

- **App store** (No.2 on our smartphones)¹
- **Browser** (No.1 on our smartphones)¹
- **Security center** (No.1 on our smartphones)¹
- **Video** (No.2 on our smartphones)¹
- **Music** (No.1 on our smartphones)¹

¹In September 2019, according to DAU on our smartphones in India
Overseas
Overseas revenue continued to grow with YoY growth of 17.2% in Q3 2019, representing 48.7% of total revenue.
India’s No. 1 Smartphone Brand

9 consecutive quarters: Q3 2017 to Q3 2019
Q3 2019 market share: 27.1%

Source: IDC
Xiaomi ranked **No.4** by smartphone shipments in Western Europe in Q3 2019

### Western Europe smartphone market share

<table>
<thead>
<tr>
<th>Rank</th>
<th>Vendor</th>
<th>2019 Q3 Market share</th>
<th>Shipment YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>Samsung</td>
<td>37.3%</td>
<td>16.2%</td>
</tr>
<tr>
<td>#2</td>
<td>Apple</td>
<td>24.1%</td>
<td>(8.0%)</td>
</tr>
<tr>
<td>#3</td>
<td>Huawei</td>
<td>19.3%</td>
<td>(16.6%)</td>
</tr>
<tr>
<td>#4</td>
<td>Xiaomi</td>
<td>7.0%</td>
<td><strong>90.9%</strong></td>
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</tbody>
</table>

### Spain smartphone market share

<table>
<thead>
<tr>
<th>Rank</th>
<th>Vendor</th>
<th>2019 Q3 Market share</th>
<th>Shipment YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>Samsung</td>
<td>32.1%</td>
<td>21.0%</td>
</tr>
<tr>
<td>#2</td>
<td>Xiaomi</td>
<td><strong>22.9%</strong></td>
<td><strong>63.7%</strong></td>
</tr>
<tr>
<td>#3</td>
<td>Huawei</td>
<td>22.6%</td>
<td>-17.9%</td>
</tr>
<tr>
<td>#4</td>
<td>Apple</td>
<td>7.5%</td>
<td>-30.8%</td>
</tr>
</tbody>
</table>

Rank **No.1** in open market in Spain

Source: Canalys
Financials
Gross margins by segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smartphone gross margin</td>
<td>8.1%</td>
<td>9.0%</td>
</tr>
<tr>
<td>IoT and lifestyle products</td>
<td>11.2%</td>
<td>12.8%</td>
</tr>
<tr>
<td>gross margin</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet service gross margin</td>
<td>65.6%</td>
<td>62.9%</td>
</tr>
</tbody>
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Operating expense ratio increased in Q3 2019 as we continued to invest in R&D and brand promotion.

R&D expenses increased 32.5% YoY in Q3 2019.
Prudent inventory management to capture the upcoming 5G opportunities
Strong cash flow performance

Adjusted operating cash flow
RMB billion

Net cash generated from operating activities: 3.0

Adjustments for fintech: 0.6

Adjusted operating cash flow: 3.6

¹Including (1) the increase in loan and interest receivables and impairment provision for loan receivables mainly resulting from the internet finance business; (2) the decrease in trade payables resulting from the finance factoring business; and (3) the increase in restricted cash resulting from the internet finance business.
Adequate cash and assets to prepare for future growth

<table>
<thead>
<tr>
<th>Cash resources&lt;sup&gt;1&lt;/sup&gt;</th>
<th>RMB56.6 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book value of investment portfolio&lt;sup&gt;2&lt;/sup&gt;</td>
<td>RMB28.7 billion</td>
</tr>
<tr>
<td>Book value of office and other real estate&lt;sup&gt;3&lt;/sup&gt;</td>
<td>RMB10.9 billion</td>
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RMB80.7 billion
Quarterly increased RMB5.1 billion

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<sup>1</sup>The cash resources which the Group considered in cash management including but not limited to cash and cash equivalents, restricted cash, short-term bank deposits, short-term investments measured at fair value through profit or loss and long-term bank deposits.

<sup>2</sup>Including investment accounted for using the equity method and long-term investments measured at fair value through profit or loss.

<sup>3</sup>Book value at cost.