



# Xiaomi Corporation

2018 Annual Results Announcement

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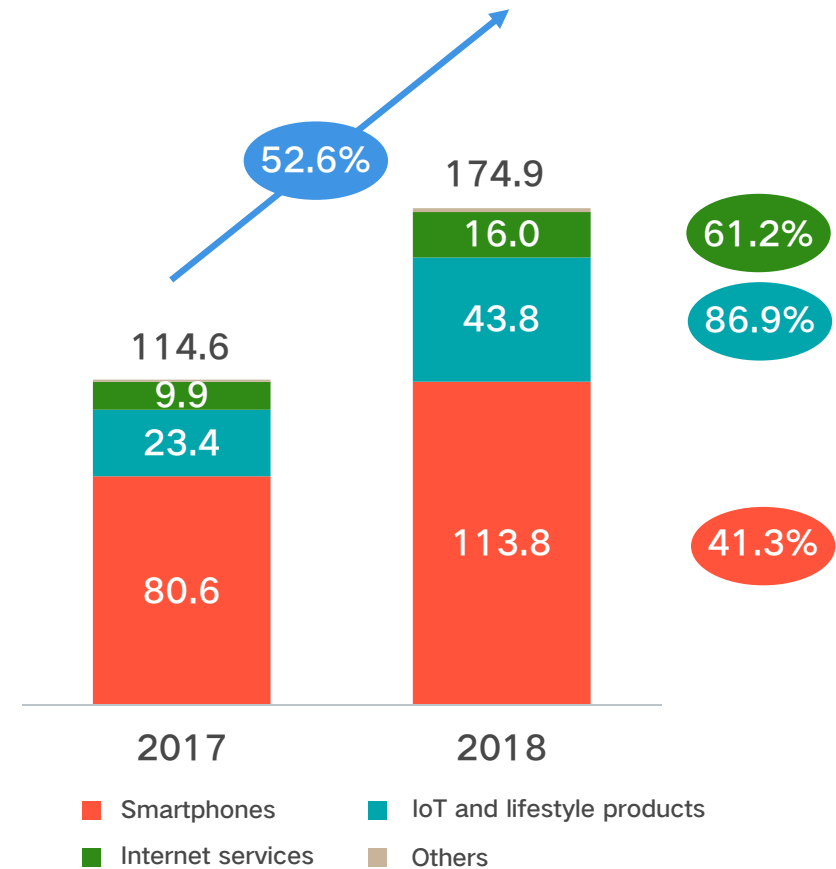
2018

Total revenue RMB174.9 billion  
YoY growth of **52.6%**

Adjusted net profit<sup>1</sup> RMB8.6 billion  
YoY growth of **59.5%**

Revenue  
RMB billion

YoY %



<sup>1</sup>Adjusted net profit is defined as loss or 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 gains on investments, and (iv) amortization of intangible assets resulting from acquisitions, and (v) changes of value of financial liabilities to fund partners.



According to IDC, Xiaomi achieved **32.2%** YoY growth in smartphone shipments while the global market declined by **4.1%** in 2018

Top 5 Smartphone Companies, Worldwide Shipments, Market Share and Year-Over-Year Growth, Calendar Year 2018 (shipments in millions of units)

Company	2018 Shipment Volumes	2018 Market Share	2017 Shipment Volumes	2017 Market Share	Year-Over-Year Change
Samsung	292.3	20.8%	317.7	21.7%	-8.0%
Apple	208.8	14.9%	215.8	14.7%	-3.2%
Huawei	206.0	14.7%	154.2	10.5%	33.6%
Xiaomi	122.6	8.7%	92.7	6.3%	32.2%
OPPO	113.1	8.1%	111.7	7.6%	1.3%
Others	462.0	32.9%	573.4	39.1%	-19.4%
Total	1,404.9	100.0%	1,465.5	100.0%	-4.1%

Source: IDC Quarterly Mobile Phone Tracker

Xiaomi sold **118.7** million units<sup>1</sup> of smartphones in 2018

<sup>1</sup>Company internal sales data

# Innovation: world leading photographic experiences



Mi 9 ranked **No.4**  
Mi MIX 3 tied for **No.6**

MOBILE		SELFIE		SMARTPHONE DXOMARK	
109	75	Huawei Mate 20 Pro			
109	72	Huawei P20 Pro			
109	96	Samsung Galaxy S10 Plus			
107		Xiaomi Mi 9			
105	82	Apple iPhone XS Max			
103		HTC U12+			
103	92	Samsung Galaxy Note 9			
103	84	Xiaomi Mi MIX 3			
102		Huawei P20			
101		Apple iPhone XR			

Mi 9 ranked **No.1**

VIDEO	
99	Xiaomi Mi 9
98	Google Pixel 3
98	Huawei P20 Pro
97	Huawei Mate 20 Pro
97	Samsung Galaxy S10 Plus
96	iPhone XS Max
96	iPhone XR
96	Google Pixel 2
95	HTC U12+



# Mi MIX 3<sup>5G</sup>

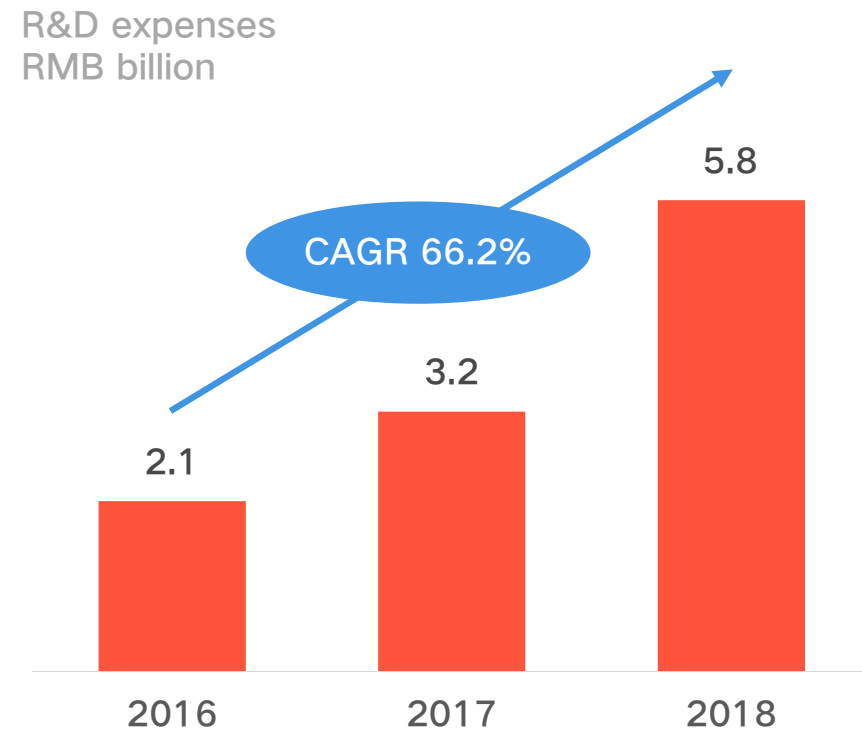
Mi MIX 3 5G was launched in Feb 2019  
With Snapdragon X50 5G modem





Accumulated RMB**11.1** billion of R&D expenses for the past 3 years





RMB**5.8** billion of R&D expense in 2018



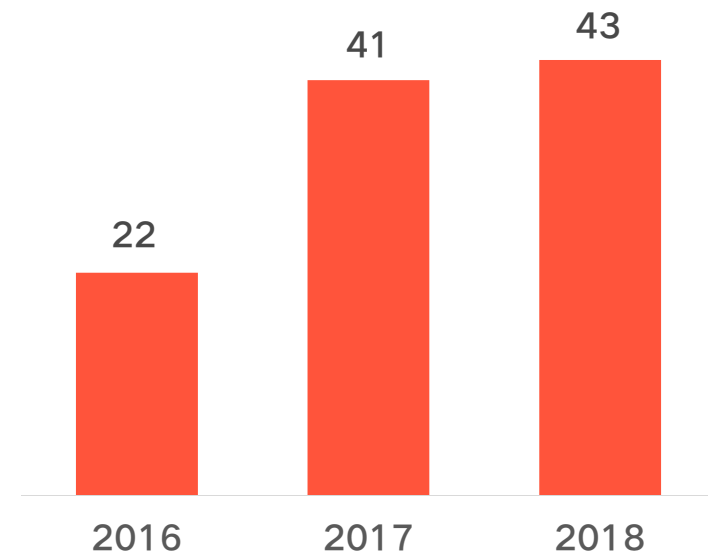
# Design: Xiaomi continued to win top international design awards



2 top international design awards in 2018

 <p>2018 Germany iF Design Gold Award</p>  <p>Mi Sphere Camera</p>	 <p>2018 Germany Reddot Award Best of the Best</p>  <p>Mi Rearview Mirror</p>
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Numbers of major design awards<sup>1</sup>



<sup>1</sup>Including iF, Red Dot, IDEA, Good Design and DFA



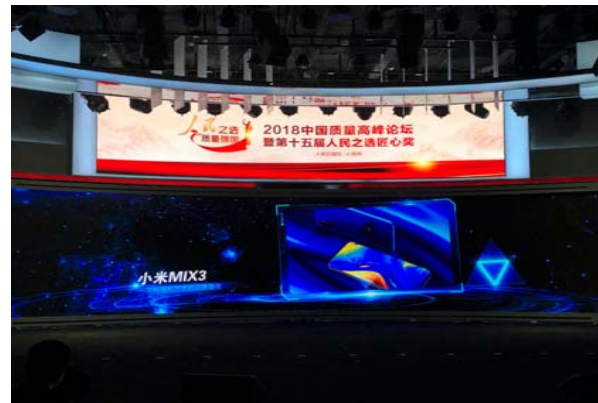
# Quality: widely recognized by the most authoritative quality organizations in China



“China Quality Technical Award” Top Prize  
Awarded by the China Association for Quality



“2018 People’s Ingenuity  
Product Award”



“2018 China Quality  
Benchmark Prize”



Mainland China smartphone fault feedback ratio decreased by **~43.7%**<sup>1</sup> YoY in 2018

<sup>1</sup>Company internal data, fault feedback ratio within the warranty period

Redmi Note 7 offers an **18-month** long warranty, raising the industry standard by **50%**










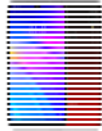


**Multi-brand strategy**  
to better serve different user segments



# Smartphone models launched in 2019 so far



Flagship	RMB3,000 and above		Mi 9		MIX 3 5G
	RMB2,000-3,000		Mi 9 SE		
Mid-range	RMB1,500-2,000		Redmi Note 7 Pro		
	RMB1,000-1,500		Redmi Note 7		
Entry level	RMB1,000 and below		Redmi 7		



Cutting-edge innovation  
Ultimate user experience



Mi 9 series supply is expected to exceed **1.5** million units by March 2019



Mi 9  
AI triple camera with Sony 48MP  
image sensor





Mi 9  
AI triple camera with Sony 48MP  
image sensor



Mi 9  
AI triple camera with Sony 48MP  
image sensor



High product quality

Ultimate price-performance ratio

Focus on e-commerce



Mr. Lu Weibing was appointed Group Vice President and Head of Redmi brand on January 10<sup>th</sup>, 2019

- Graduated from Tsinghua University
- 20-year smartphone industry experience
- Former President of Gionee
- Founder of Chenyee Technology





Redmi Note 7 was launched on January 10 2019

Shipment in mainland China exceeded **1** million units in less than one month after its launch

Global shipment is expected to exceed **4** million by the end of March 2019



# Strategy for Redmi in 2019

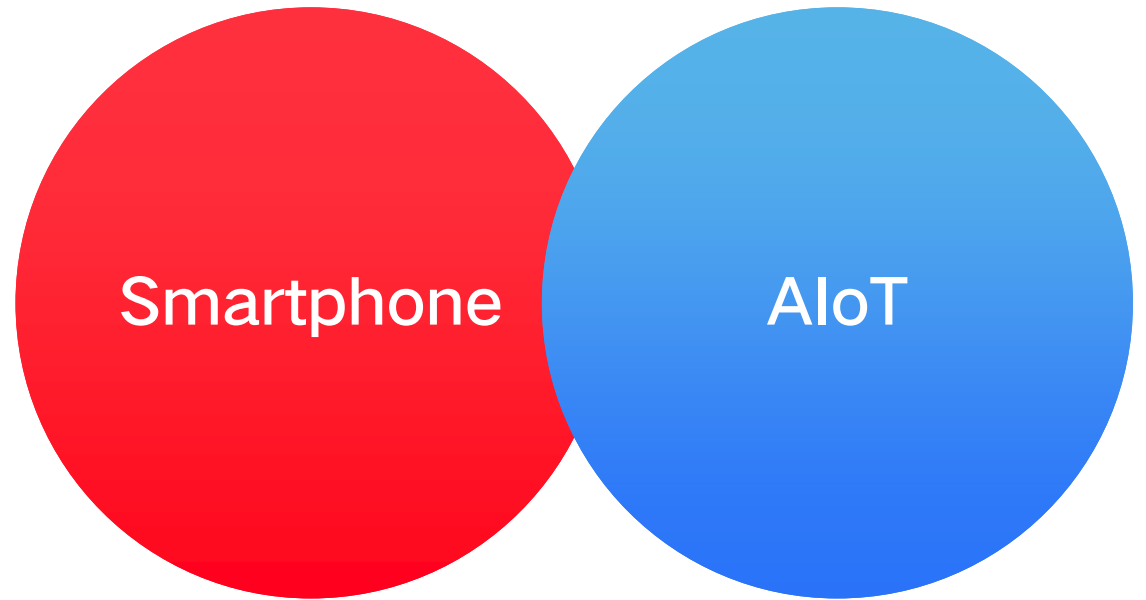
Expansion into the mid- to high-end smartphone market

Diversification of product categories

Acceleration of international markets expansion



# Smartphone and AIoT The “Dual-Engine Strategy”



# Leading global consumer IoT platform



**~151 million**

Connected devices<sup>1</sup>  
YoY growth of 193.2%  
QoQ growth of 14.7%

**~2.3 million**

Users with more than 5  
Xiaomi IoT devices<sup>1</sup>  
YoY growth 109.5%  
QoQ growth of 16.2%

<sup>1</sup>As of December 2018, excluding smartphones and laptops



Over 9 million accumulated AI speaker shipment  
38.8 million AI Assistant MAU<sup>1</sup>



<sup>1</sup>As of December 2018



### Top 15 enterprises with most AI patent applications

Ranking			No. of patents applied
1	(1)	IBM (US)	3,000
2	(2)	Microsoft (US)	1,955
3	(4)	Google (US)	1,659
4	(11)	Baidu (US)	1,522
5	(7)	Samsung (Korea)	1,200
6	(3)	State Grid (China)	1,173
7	(18)	Intel (US)	903
8	(20)	Tencent (China)	766
9	(6)	NEC (Japan)	735
10	(30)	Alibaba (China)	709
11	(85)	Xiaomi (China)	684
12	(13)	Huawei (China)	681
13	(5)	Qualcomm (US)	676
14	(-)	Fanuc (Japan)	605
15	(17)	Fujitsu (Japan)	577

Note: Ranked by number of patents applied from 2016 to 2018. Ranked by number of patents applied from 2013 to 2015 in parenthesis, (-) denotes ranking outside of top 100

Ranked **11<sup>th</sup>** globally for  
number of AI patents applied



# Continued to optimize organization structure

Focused on technology innovation

- Established Technology Committee
- Established AIoT Strategy Committee

Strengthened management functions of our headquarters

- Formed the Organization Department and the Strategic Advisory Department

Streamlined businesses and promoted next generation leaders

- Reorganized ecosystem, internet, AI & cloud and finance related businesses into 16 new business units

Optimized geographic organization structure

- Set up China Department and streamlined sales and marketing teams by smartphones and IoT products

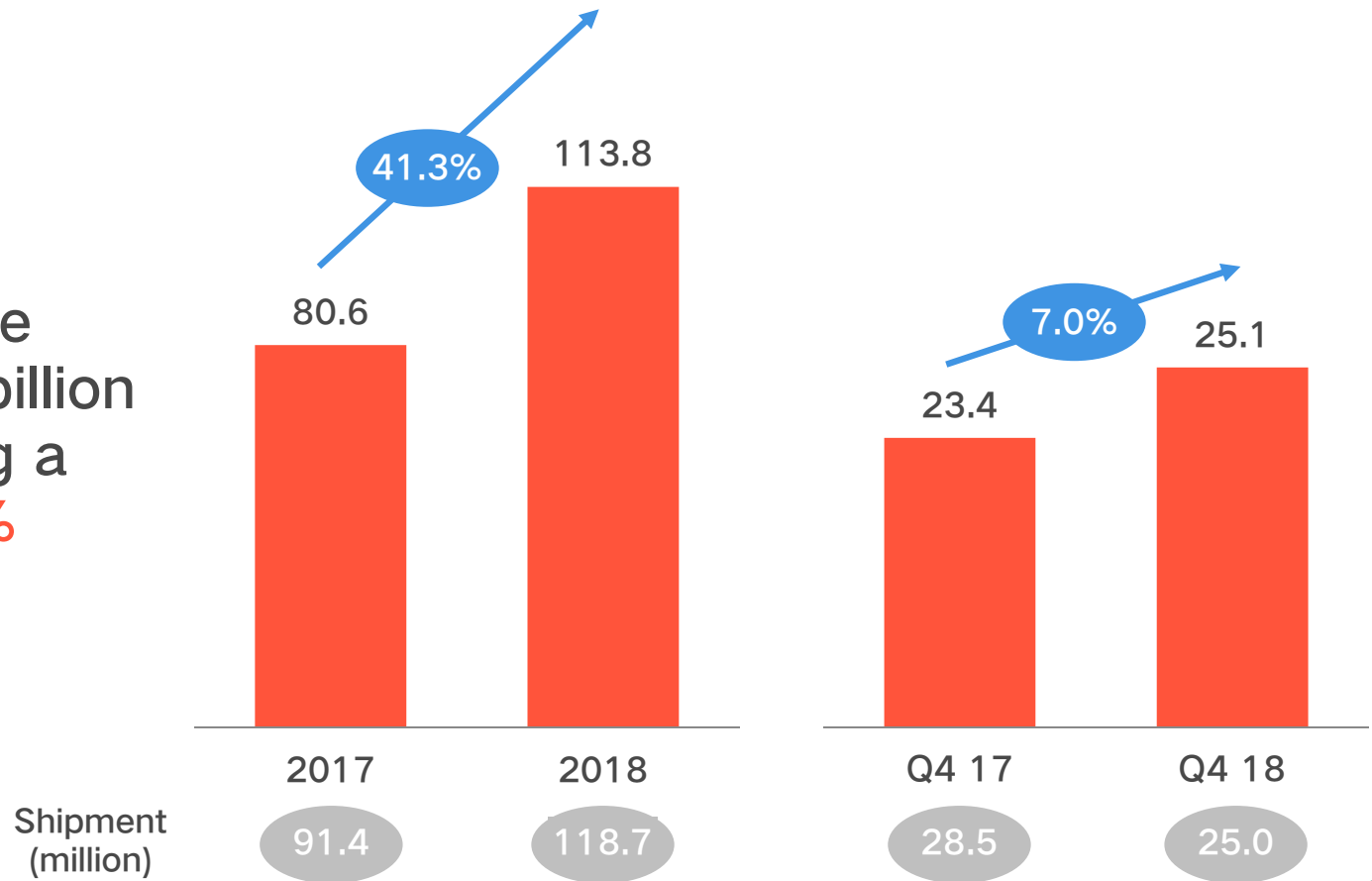


# Smartphones



Smartphones revenue  
RMB billion

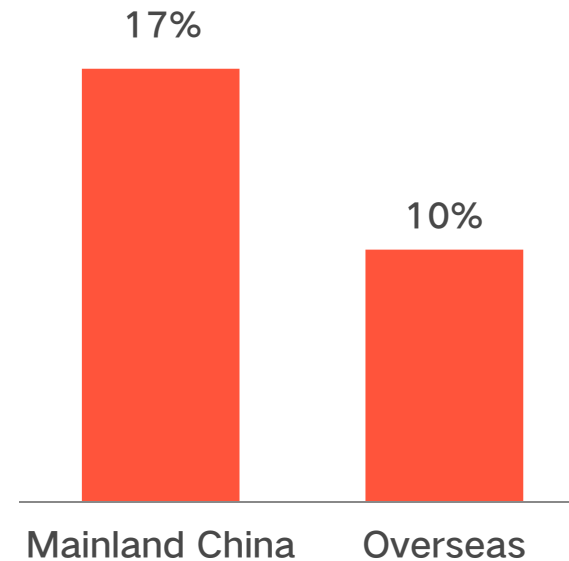
Smartphones revenue reached RMB113.8 billion in 2018, representing a YoY growth of **41.3%**





China smartphones revenue continued to grow in 2018 driven by ASP expansion

ASP YoY growth in 2018



# Smartphone models in 2018



% of smartphones revenue in Q4 2018

**Flagship**  
(RMB2,000 and above)

Launched in Q4 2018



Mi MIX series

MIX 3 launched on October 25, 2018



Mi 8



POCO

32%

**Mid-range**  
(RMB800-1,999)



Mi Play

Launched on December 24, 2018



Mi 8 SE/Lite



Mi 6X



Mi MAX 3



Redmi 6 series



Redmi S2

68%

**Entry level**  
(RMB799 and below)



Redmi 6A



Mi MIX 3 and Mi Play were the only new smartphones launched in Q4 2018






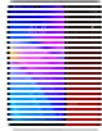
Mi MIX 3 is our most premium smartphone. This product enhanced our presence in the high-end market

Q4 2018 was a period of adjustment to prepare for the launch of Redmi brand and our new products in Q1 2019



# Smartphone models launched in 2019 so far



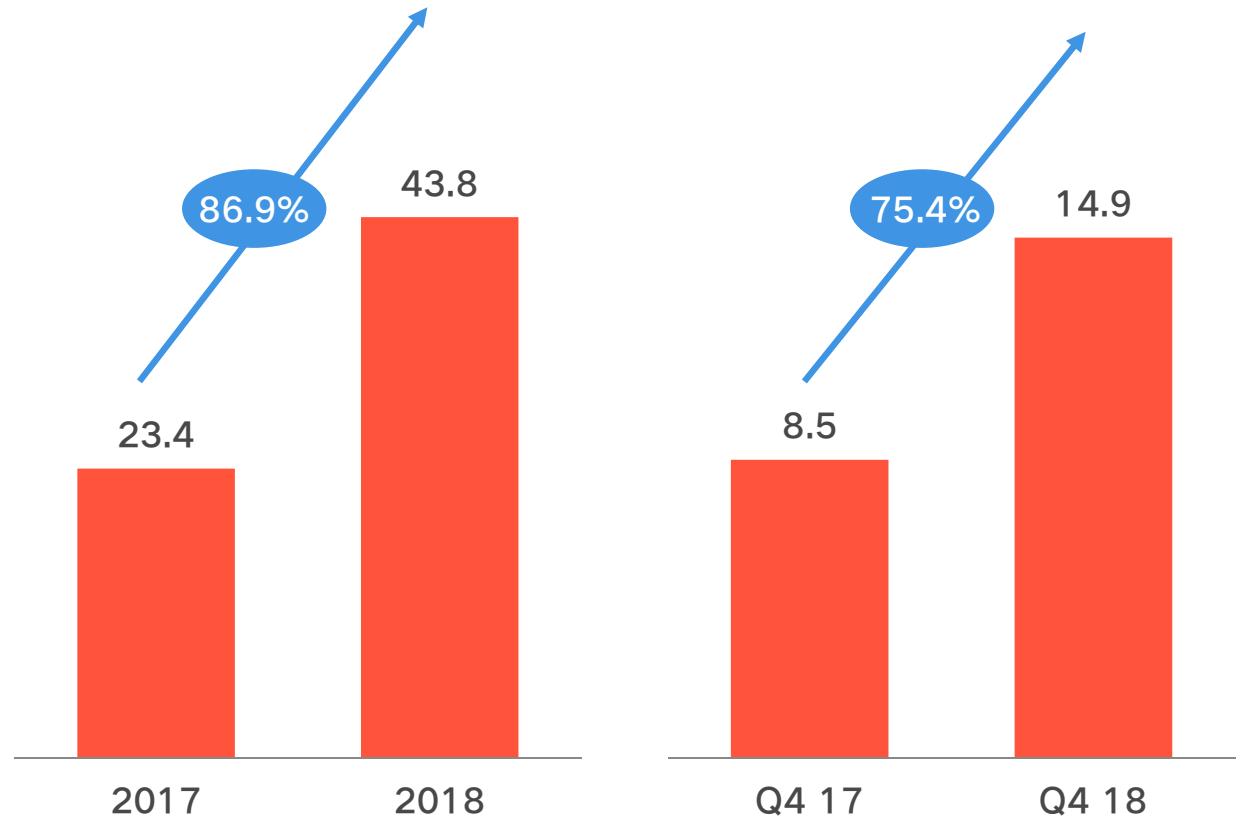
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	RMB1,000-1,500		Redmi Note 7		
Entry level	RMB1,000 and below		Redmi 7		



# IoT and lifestyle products



IoT and lifestyle products revenue  
RMB billion



IoT and lifestyle products revenue reached RMB43.8 billion in 2018, representing a YoY growth of **86.9%**

Smart TVs sales volume reached **8.4** million units with **225%** YoY in 2018

**No.1** smart TV brand in mainland China by shipment in Q4 2018





## Further expansion into white goods market



Launched in July 2018

Launched in December 2018





# Key IoT products<sup>1</sup> driving growth in Q4 2018



No.2 in wearable shipments in Q4 2018



Popular in developed markets

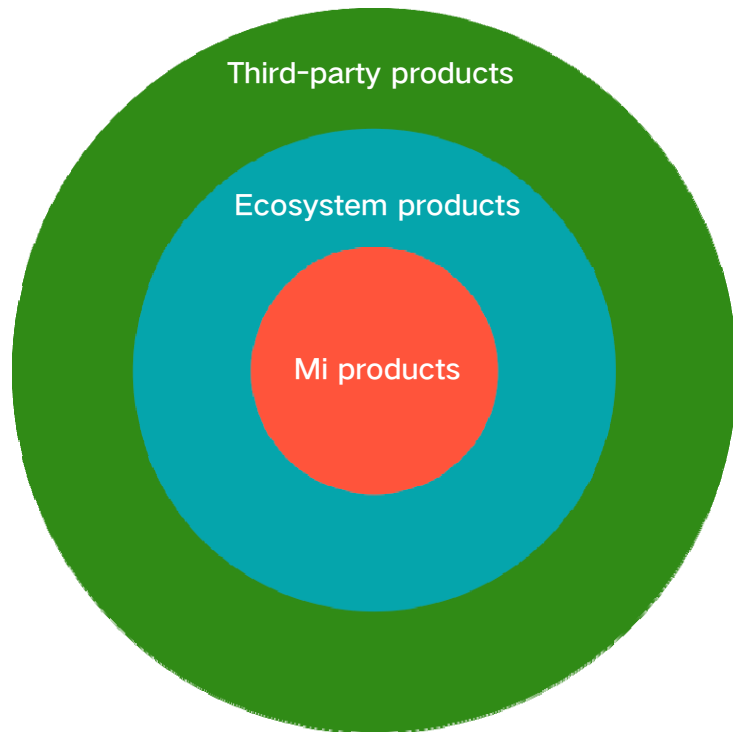


No.2 by shipment in 2018

<sup>1</sup>Other than TVs and laptops



# Leading open IoT platform



~151 million connected devices<sup>1</sup>  
YoY growth of 193.2%

~2.3 million users with more than 5  
Xiaomi IoT devices<sup>1</sup>  
YoY growth of 109.5%

<sup>1</sup>As of December 2018, excluding smartphones and laptops

# Xiaomi and IKEA established a global strategic partnership



+



Global strategic partnership



All IKEA smart lighting products can be connected to Xiaomi IoT platform



Can be controlled by Xiaomi AI Assistant and Mi Home App





20.3 million<sup>1</sup>

Mi Home App MAU

50%+

of Mi Home App users are non-Xiaomi phone users

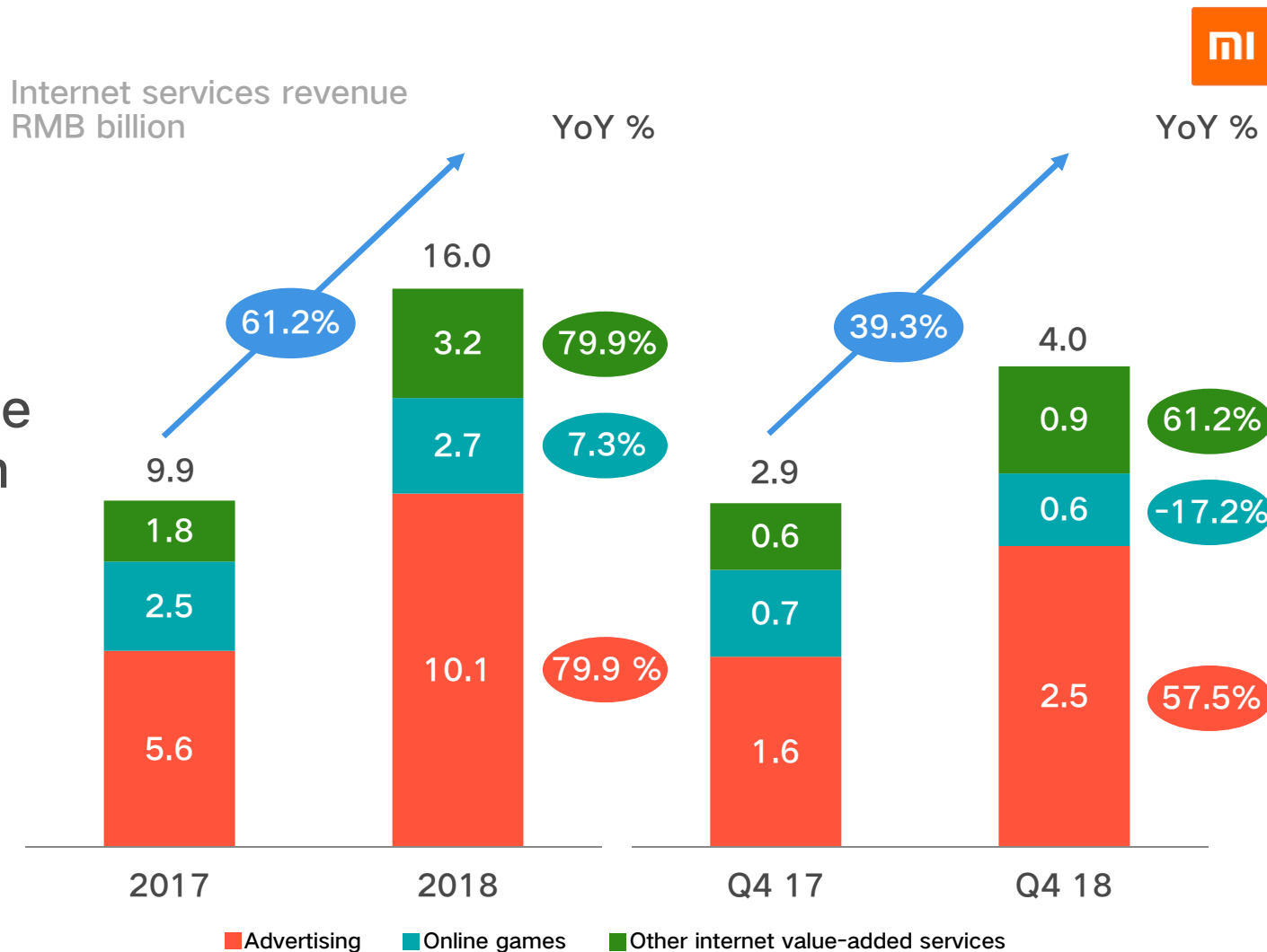


<sup>1</sup>As of December 2018



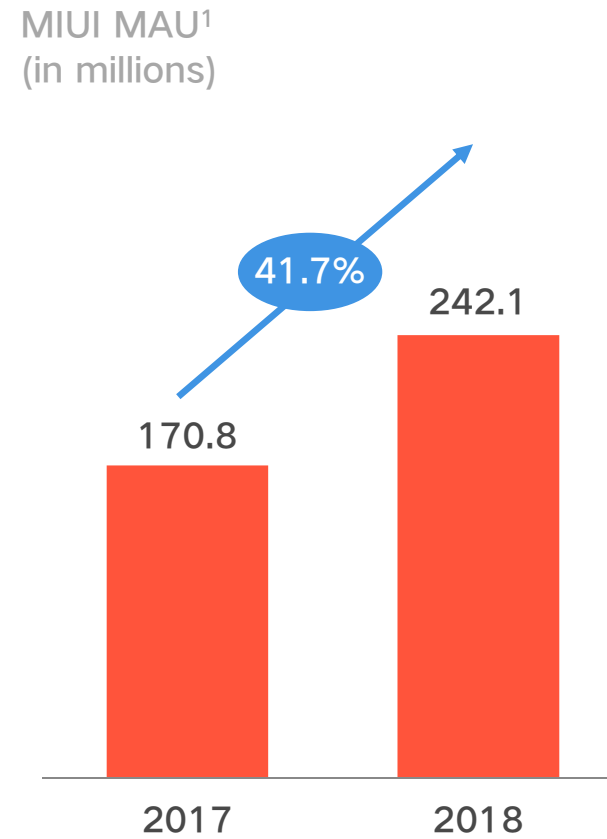
# Internet Services

Internet services revenue reached RMB16.0 billion in 2018, representing a YoY growth of **61.2%**





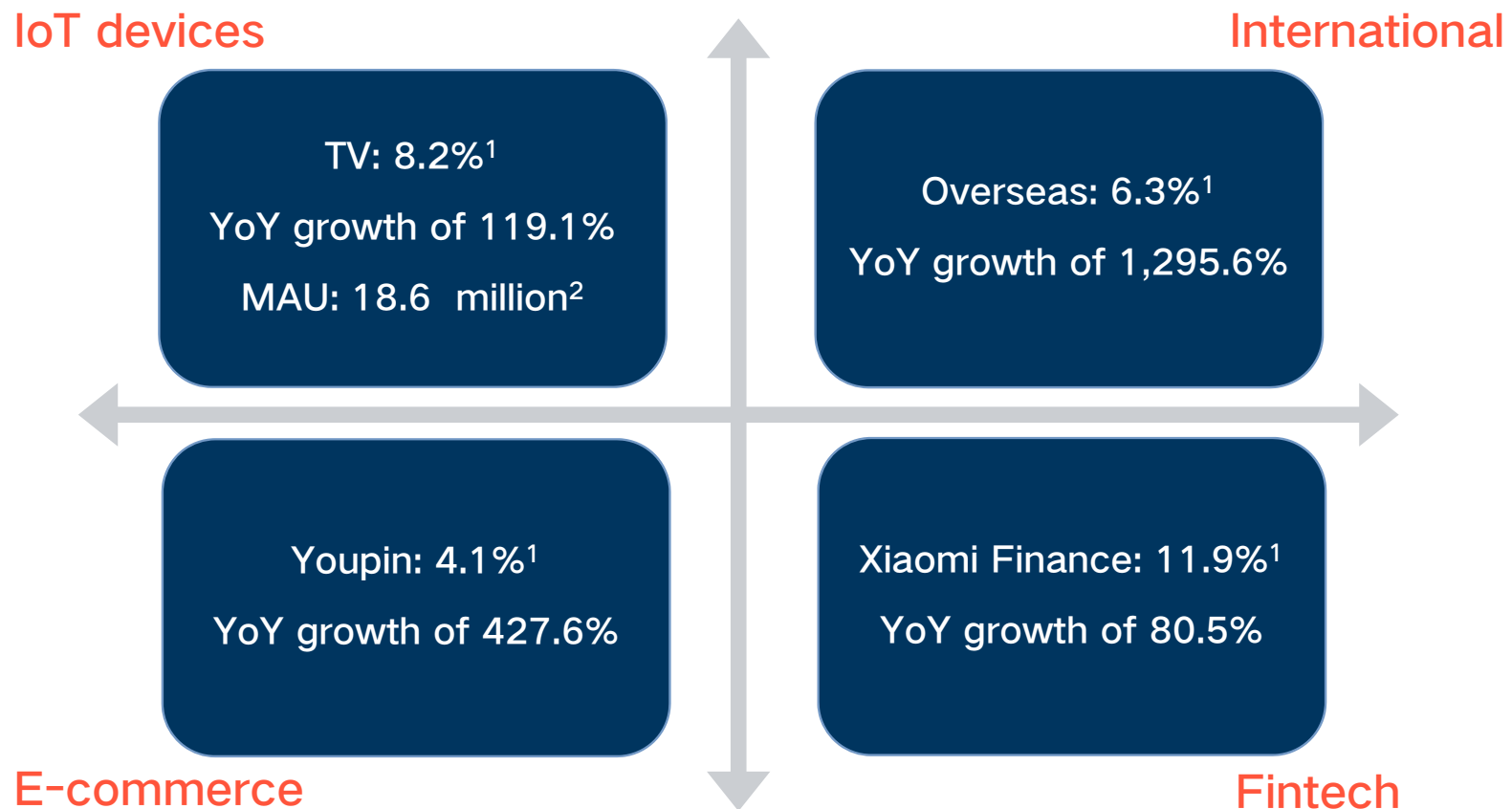
# Strong MIUI user growth



<sup>1</sup>MAU as of December 2018



# Over 30% of revenue from internet services outside of advertising and gaming from China smartphones



<sup>1</sup> % of internet services revenues in Q4 2018. TV internet revenue, overseas internet revenue and Youpin e-commerce revenue are according to management accounts

<sup>2</sup> Includes TV and TV box MAU



# International



2018 International revenue reached RMB70.0 billion with YoY growth of **118.1%**, representing **40.0%** of total revenue



# No.1 in India for six consecutive quarters and No.2 for smartphone market share in Indonesia

India smartphone market share				
Rank	Vendor	2017 Market share	2018 Market share	Shipment YoY Growth
#1	Xiaomi	20.6%	29.9%	59.6%
#2	Samsung	23.6%	25.8%	20.4%
#3	VIVO	10.1%	10.5%	14.3%
#4	OPPO	8.5%	8.2%	5.2%

Indonesia smartphone market share				
Rank	Vendor	2017 Market share	2018 Market share	Shipment YoY Growth
#1	Samsung	24.9%	24.5%	15.3%
#2	Xiaomi	6.2%	21.2%	299.6%
#3	OPPO	18.2%	18.6%	19.6%
#4	VIVO	7.7%	11.2%	70.6%





# Xiaomi ranked **No.4** for smartphone shipments in Western Europe with **415%** YoY growth in 2018

Western Europe smartphone market share				
Rank	Vendor	2017 Market share	2018 Market share	Shipment YoY Growth
#1	Samsung	34.9%	32.4%	-14.6%
#2	Apple	26.3%	26.4%	-7.6%
#3	Huawei	13.3%	20.4%	41.4%
#4	Xiaomi	0.6%	3.2%	415.2%

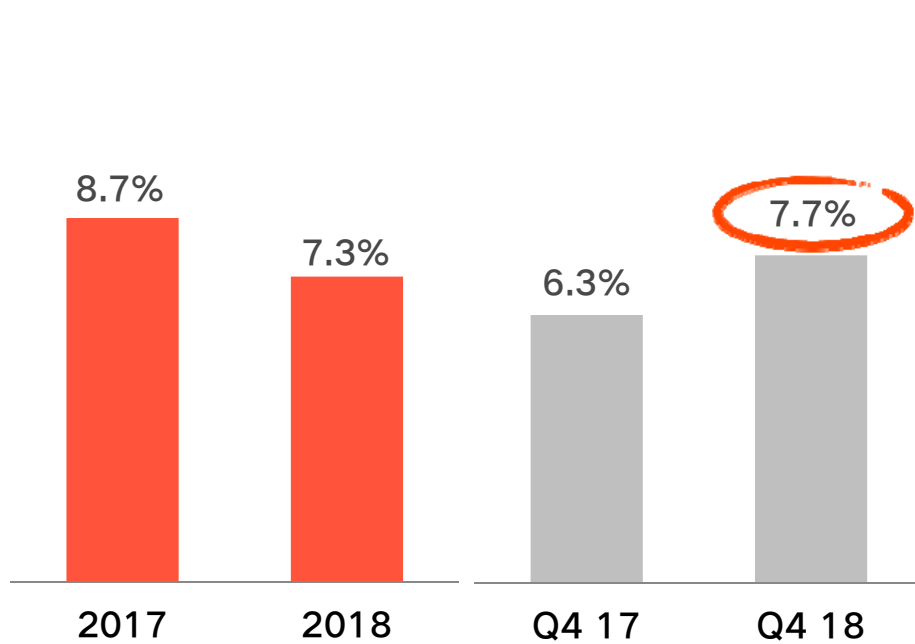


# Financials

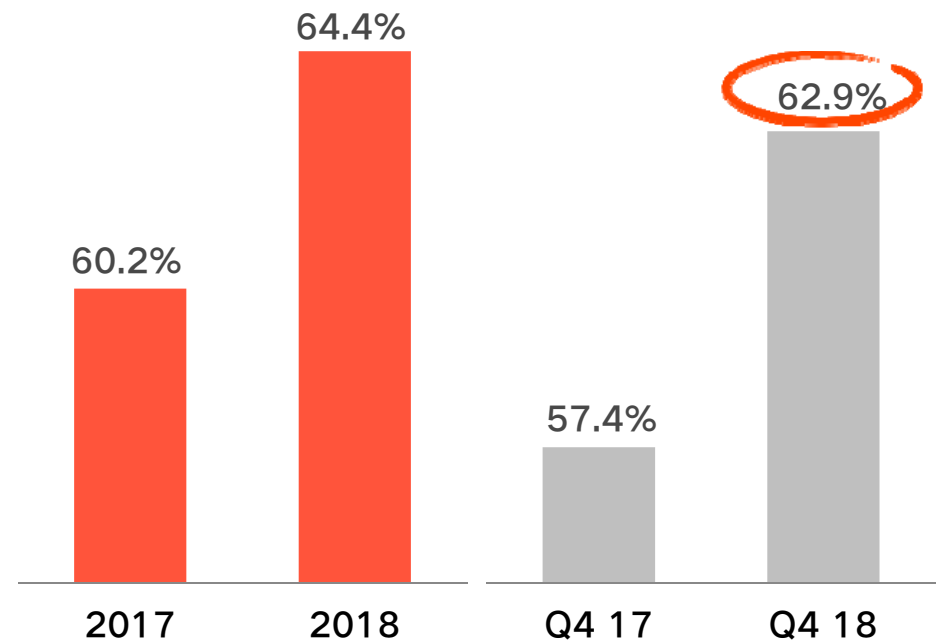


# Gross margins by segment

Hardware gross margin<sup>1</sup>



Internet services gross margin

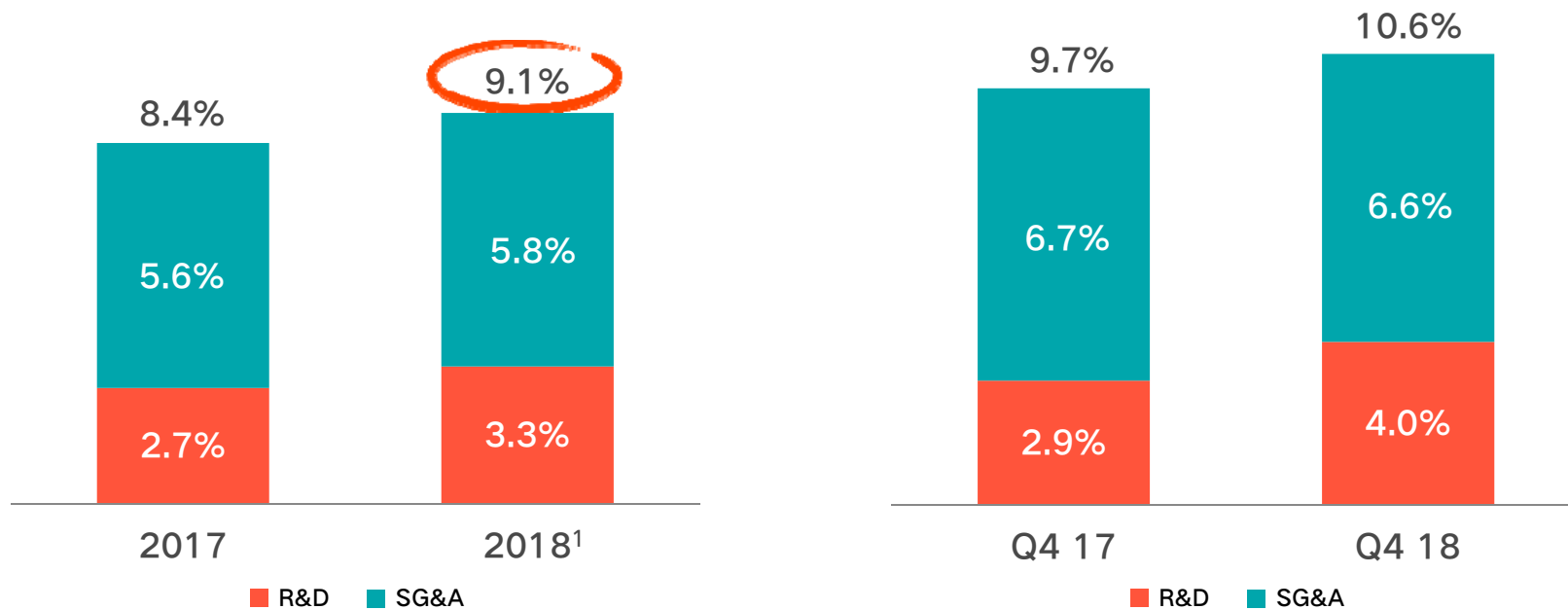


<sup>1</sup>Hardware gross margin is derived from the sum of gross profits from smartphones and IoT and lifestyle products divided by the sum of their respective revenue \* 100%

# Operating expenses<sup>1</sup> ratio in 2018 was below 10%



Operating expenses breakdown

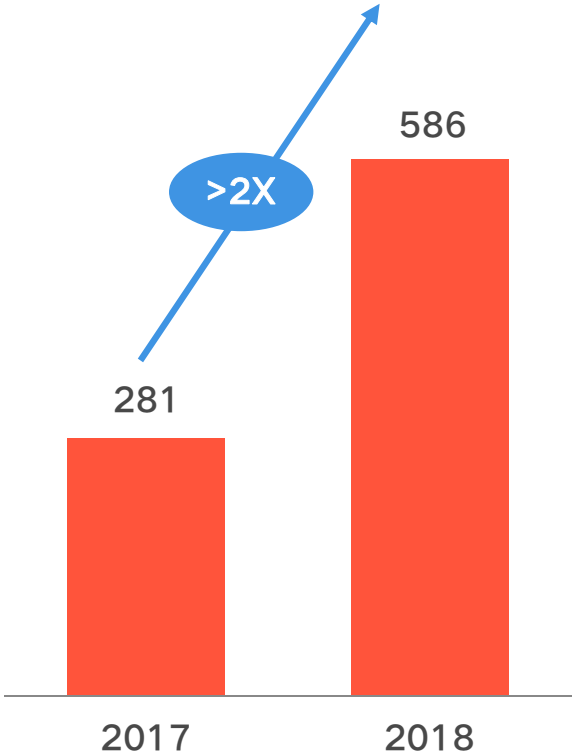


<sup>1</sup>Excludes a one-off share-based compensation in Q2 2018

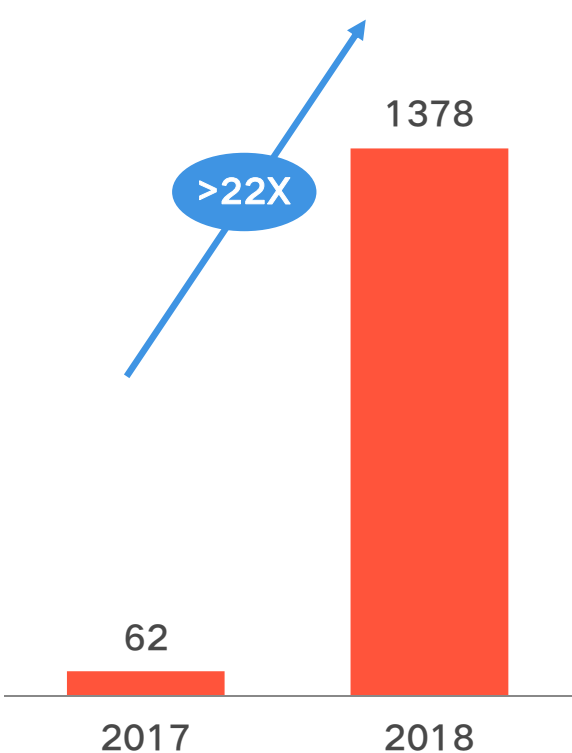


# Expanded our efficient new retail network

Number of Mi Homes in mainland China



Number of franchise stores in mainland China





“Xiaomi’s hardware business will have an overall net profit margin that will not exceed 5% per year.

If the net margin exceeds 5%, we will return the excess to our users.”

LEI JUN

April 25, 2018

Note: Hardware business(“HB”) overall net profit margin = HB overall net profit / Revenue from HB. HB overall profit before tax = Revenue from HB - Cost of sales of HB - Selling and marketing expenses of HB - Administrative expenses of HB - Research and development expenses of HB. HB overall net profit = HB overall profit before tax - Income tax expenses of HB.



2018 overall hardware business is profitable  
with net profit margin<sup>1</sup> <1%

<sup>1</sup>Hardware business(“HB”) overall net profit margin = HB overall net profit / Revenue from HB. HB overall profit before tax = Revenue from HB - Cost of sales of HB - Selling and marketing expenses of HB - Administrative expenses of HB - Research and development expenses of HB. HB overall net profit = HB overall profit before tax - Income tax expenses of HB.



Group net profit in 2018 was RMB**13.5** billion

Adjusted net profit<sup>1</sup> in 2018 was RMB**8.6** billion,  
with YoY growth of **59.5%**

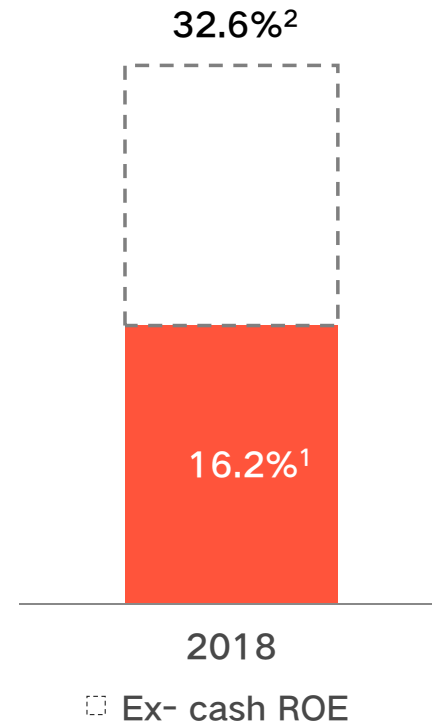
<sup>1</sup>Adjusted net profit is defined as loss or profit for the period, as adjusted by adding back (i) fair value changes of convertible redeemable preferred shares, (ii) share-based compensation, (iii) net fair value gains on investments, (iv) amortization of intangible assets resulting from acquisitions and (v) changes of value of financial liabilities to fund partners.





# Strong return on equity

Return on<sup>1</sup> equity



<sup>1</sup>Return on equity is calculated by dividing adjusted net income by average equity. Equity in 2017 was adjusted by adding back convertible redeemable preferred shares of RMB161.5 billion

<sup>2</sup>Ex-cash return on equity is calculated by dividing ex-cash adjusted net income by average ex-cash equity. The ex-cash equity is calculated by deducting cash resources from equity. Cash resources include cash and cash equivalent, restricted cash, short-term bank deposits and short-term investments measured at fair value through profit or loss. Accordingly, interest income generated by the cash resources is excluded from the adjusted net income



# Maintain a negative cash conversion cycle

Working capital	Q4 2018
Trade receivables turnover days	14
Inventory turnover days	65 <sup>1</sup>
Trade payables turnover days	115
Cash conversion cycle	(36)

Inventories declined by **12%**<sup>1</sup> in January 2019 compared to December 2018

Inventory turnover days in January 2019 was **55** days<sup>1</sup>

<sup>1</sup>According to management accounts. When calculating inventory turnover days, the inventories related to our real estate business were excluded from total inventories

# RMB3.4 billion net cash generated from operating activities in 2018



RMB (in millions)	Q4 2018	2018
Net cash generated from/(used in) operating activities <sup>1</sup>	(4,634)	3,431
Net cash generated from/(used in) investing activities	(1,454)	(7,508)
Net cash generated from/(used in) financing activities <sup>1</sup>	1,074	26,718
Net increase/(decrease) in cash and cash equivalents	(5,014)	22,641

<sup>1</sup>Net cash generated from/(used in) operating activities excludes (1) the increase in loan and interest receivables and impairment provision for loan receivables mainly resulting from the internet finance business; (2) the increase in trade payables resulting from the finance factoring business; and (3) the increase in restricted cash resulting from the internet finance business; Net cash generated from/(used in) financing activities excludes the change of borrowings for the internet finance business



**RMB39.7 billion**  
cash resources<sup>1</sup> as of December 31, 2018

<sup>1</sup>Including cash and cash equivalent, restricted cash, short-term bank deposits and short-term investments measured at fair value through profit or loss



# 260+

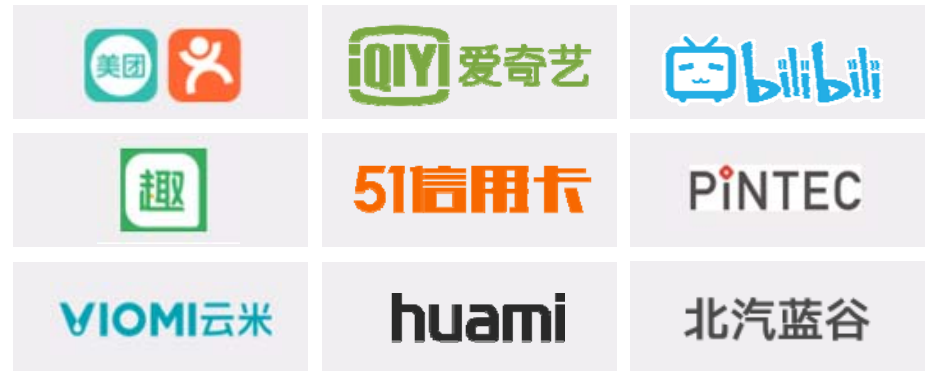
Xiaomi has invested in over 260 companies as of December 2018

# RMB27.3 billion

Investment book value RMB27.3 billion<sup>1</sup> as of 2018, YoY growth of **32.6%**

# 9 successful IPOs

Portfolio companies listed in 2018



<sup>1</sup>Include investment accounted for using the equity method and long-term investments measured at fair value through profit or loss

