

# Xiaomi Corporation Financial Analysis 2022

Yu Ping Lin<sup>1, a, \*</sup>, Dengwen Shi<sup>2, b</sup>, Xin He<sup>3, c</sup>

<sup>1</sup>King's College London, Accounting and Finance, Kings Business School London, WC2R 2LS, UK

<sup>2</sup>University of Toronto, Economics and Statistics, Art and Science Toronto, M5S 1A1, Canada

<sup>3</sup>New York University, Civil Engineering, Tandon School of Engineering, New York, 11201, USA

<sup>a</sup>K20090610@kcl.ac.uk, <sup>b</sup>dengwen.shi@mail.utoronto.ca, <sup>c</sup>hexin\_2022@126.com

**Abstract:** An extensive summary of Xiaomi Corporation's financial performance in 2022 is given in this financial analysis report. Recognised as a top global technology business, Xiaomi offers a vast array of online services and consumer electronics. With the goal of evaluating the company's financial stability and capacity to create value for shareholders, the study looks at a number of important financial metrics, such as sales, profitability, liquidity, and solvency. An overview of Xiaomi's history and current standing in the technology sector opens the article. The company's financial statements, including the income statement, balance sheet, and cash flow statement, are then thoroughly examined. In order to assess Xiaomi's operational effectiveness, profitability, and risk management, important financial ratios are calculated and examined. This investigation also looks at Xiaomi's marketing approaches, R&D expenditures, and international growth initiatives. It also takes into account how the company's financial performance is affected by outside variables including market trends, governmental regulations, and competitive pressures. The results of this financial research shed light on Xiaomi's capacity for growth, stability in the market, and flexibility in the face of a constantly changing technological environment. With this study, stakeholders, analysts, and investors may make well-informed decisions about their participation with Xiaomi Corporation in 2022.

**Keywords:** Xiaomi Corporation, Financial, Profit, Expense, Analysis.

## 1. Introduction

### 1.1. Business Overview

Xiaomi is an electronics firm headquartered in Beijing, China, which was established in April 2010. It became publicly listed on the Main Board of the Hong Kong Stock Exchange on July 9, 2018, with the ticker symbol 1810.HK. The organisation has a global presence and is involved in many activities such as designing, manufacturing, distributing, and selling laptops, cellphones, and other electronic gadgets. China, the nation in which Xiaomi was founded, is widely recognised as a prominent global manufacturer. Several variables contribute to the success of the economy, including the technological advancements made by investors over a period of time, the accessibility of low-cost labour, and the presence of a readily available market for the manufactured goods of enterprises [1].

Xiaomi is a top smartphone manufacturer. MIUI had 606 million monthly active users (MAU) in June 2023. The company has built a leading consumer AIoT (AI+IoT) platform with 654.5 million interconnected smart devices, excluding smartphones, laptops, and tablets, as of June 30, 2023. Xiaomi sells products in over 100 countries and territories. Xiaomi remained 360th on the Fortune Global 500 for the fifth year in August 2023.

Xiaomi Corporation is a component of the Hang Seng Index, China Enterprises Index, TECH Index, and China 50 Index [2].

### 1.2. Commercialization and Distribution

Xiaomi sells inexpensive smartphones, smart TVs, laptops, wearables, and gaming devices in over 100 countries. High-quality products at competitive rates are offered by the global corporation. Each year, it enters new territory.

Online sales now outnumber physical ones. This change

benefits manufacturers and buyers. However, the organisation now prioritises brick-and-mortar market penetration.

Xiaomi wants to expand globally and gain market share through competitive pricing and creative marketing. The company has invested heavily in product and technology improvements to achieve this goal [2].

Xiaomi operates in China, Singapore, India, and other countries, focused on South-east Asian markets. Despite being present in other countries, mainland China accounts for most of its revenue. Xiaomi sells mostly online, but it has opened physical stores in several countries to promote its products. The global online sector uses ecommerce platforms. Furthermore, Xiaomi is also opening Mi Home stores in Bangalore and Beijing [3].

### 1.3. Competition

Oppo, Huawei, and Vivo are major mobile phone competitors that affect Xiaomi's smartphone business. Despite being the fifth largest global corporation and fourth largest in China, it surpassed Samsung as the top smartphone maker in 2014. IDC found that Huawei overtook Xiaomi as the top smartphone maker in 2016. Xiaomi shipped 10.5 million units in the second quarter of 2015, a 38% drop. Over the same period, Huawei shipped 19.1 million units, a 15% annual increase. Huawei also increased their market share from 15.2% to 17.2%. Xiaomi's smartphone survived the rise of Huawei and other smartphone makers. Oppo, the latest smartphone competitor, competes directly with Xiaomi. The company shipped 18 million smartphones in the fourth quarter of 2015, a 124% increase. The market share ratio increased from 7.2% to 16.2%. Vivo was the only Xiaomi smartphone competitor. There was a 75% rise in the shipment ratio, with 14.7 million units representing 13.2% of the market niche [1].

## 1.4. Research and Development

Since the start of the year, artificial intelligence has grown internationally. Xiaomi is one of the mainland Chinese companies pioneering artificial intelligence. Xiaomi's visual AI team has grown by six times since 2016, reaching over 3,000 competent AI specialists. The company has developed AI skills in visual processing, audio analysis, acoustics, knowledge representation, natural language understanding, machine learning, and multimodal AI.

Xiaomi launched their massive language model. Xiaomi's proprietary language model, with 6 billion parameters, topped the C-EVAL list. It also topped the CMMLU list of Chinese-language big language models. This achievement occurred on August 10, 2023. Xiaomi plans "lightweight and local deployment." for LLM deployment. This method seeks a balance between efficiency and efficacy rather than just increasing parameter sizes. Xiaomi has begun invitation-based testing of its voice-based AI Assistant with complete language models.

Xiaomi increased its R&D spending to 4.6 billion in Q2 2023. This is a 21.0% year-over-year increase. The company expects its R&D spending to exceed 100 billion yen from 2022 to 2026 [5].

## 1.5. Financial Highlights

The second quarter and first half of fiscal year 2023 financial statement ended on June 30, 2023. The company's second-quarter revenues fell to CNY 67,354.91 million from CNY 70,170.88 million. Nett income rose from CNY 1,386.4 million to CNY 3,669.98 million. Continuous operations earned CNY 0.15 per share, up from CNY 0.06 last year. Profits per share from continuing activities rose from CNY 0.06 to CNY 0.15. The first six months saw sales of CNY 126,832.04 million, down from CNY 143,522.38 million the year before. The current fiscal year's nett income was CNY 7,873.81 billion, up from CNY 798.8 billion the year before. From CNY 0.03 to CNY 0.32, continuing operations earnings per share increased. Over a year, continuing operations earnings per share rose from CNY 0.03 to CNY 0.31 [4].

**Table 1.** Balance Sheet for Xiaomi Corporation from January 1,2020 to December 31,2022

DEADLINE	2022 December 31, 2022	2021 December 31, 2021	2020 December 31, 2020
<b>Total current assets</b>	160414.8	185851.4	176282.83
Cash and short-term investments	67776.99	86173.34	95525.23
Cash	-	16024.5	33633.41
Cash and cash equivalents	27607.26	23511.58	21119.03
Short-term investments	30323.82	33349.91	40772.79
Total net receivables	35250.38	40068.31	34028.39
Total net trading receivables	11835.08	17999.54	10161.02
Total inventory	50437.89	52397.95	42667.51
Prepayment	1102.92	1407.33	436.45
Total other current assets	5846.62	5804.48	3625.26
<b>Total assets</b>	273507.21	292891.87	253679.82
Total net property/plant/equipment	19503.2	16256.06	6305.66
Total property/plant/equipment	22594.42	18376	7769.48
Total accumulated depreciation	-3091.22	-2119.94	-1463.82
Net goodwill	1696.64	1696.64	253.25
Net intangible assets	4629.68	5579.16	4012.37
Long-term investment	81105.88	76891.23	57838.79
Long term notes receivable	15489.89	16859.49	-
Total other long-term assets	5575.48	6652.07	8986.92
Total other assets	69710.8	85970.47	-
<b>Total current liabilities</b>	89627.53	115727.47	107926.93
Accounts payable	53093.54	74643	72198.86
Payable/Accrual	-	-	-
Accruals	6040.08	7032.33	4319.03
Notes payable/short-term debt	271.63	1152.42	-
Current receivable portion of long-term liabilities/capital leases	3098.13	7059.68	7325.33
Total other current liabilities	27124.14	25840.04	24083.71
<b>Total liability</b>	129584.15	155459.37	129988.13
Total long-term debt	22958	22468.32	11151.29
Long term debt	21493.26	20719.79	10634.81
Capital lease debt	1464.74	1748.53	516.48
Deferred income tax	983.26	1202.72	300.56
Minority interests	264.6	219.59	321.82
Total other liabilities	15479.13	14688.86	10287.54
<b>Total equity</b>	143923.06	137432.5	123691.7
Total redeemable preferred shares	-	-	-
Net non-redeemable preference shares	-	-	-
Total common shares	0.406	0.407	0.41
Capital reserve	59483.29	59717.63	64655.89
Retained earnings (accumulated losses)	74099.61	71625.58	60955.35
Common treasury stock	-190.8	-343.73	-36.22
Employee Stock Ownership Plan Debt	-	-	-
Guarantee	-	-	-
Unrealized gains (losses)	-	-	-
Total other interests	10530.55	6432.61	-1883.73
<b>Total liabilities and shareholders' equity</b>	273507.21	292891.87	253679.82
<b>Total common shares outstanding</b>	31588.26	24967.95	25183.02
<b>Total preferred shares issued</b>	-	-	-

Millions of CNY (except items counted per share)

## 2. Literature Review

Xiaomi Corporation underlying financial data from January 1, 2020 to December 31, 2022 from Xiaomi Corporation official website (<https://ir.mi.com/zh-hans>). A total of three years financial reports from 2020 to 2022 are selected and corresponding balance sheet, income statement, cash flow statement, statement of changes in owners' equity for each year.

Combining three-year data for an overall review of the financial performance for Xiaomi Corporation and the results are illustrated in Table 1 to Table 10 and Fig. 1 to Fig. 4.

## 3. Method

### 3.1. Balanced Sheet Analysis

#### 3.1.1. Total Current Assets showed a steady upward trend through 2020 to 2022

In 2020, Xiaomi reported Total Current Assets of CNY 1,762.83 billion, reflecting a substantial base to meet its obligations. The subsequent increase to CNY 1,858.51 billion in 2021 is a positive sign of improved liquidity. This uptick can be attributed to several factors, including robust sales, efficient inventory management, and an uptrend in cash or investments[4].

However, the noteworthy decreased to CNY 1,604.15 billion in 2022. It's essential to dissect the decline by examining the components within Total Current Assets. Cash and Cash Equivalents declined from CNY 23.5 billion in 2021 to CNY 16.02 billion in 2022, while Short-term Investments also saw a reduction. This suggests that Xiaomi might have allocated its resources differently or channeled funds into other areas, such as debt repayment or long-term investments[4].

#### 3.1.2. On the contrary, the figure emerged a decrease in Total Assets during the period from 2020 to 2022

Xiaomi's Total Assets saw significant growth over the

three-year period, rising from CNY 2,536.80 billion in 2020 to CNY 2,928.92 billion in 2021, and then settling at CNY 2,735.07 billion in 2022. The surge in 2021 is noteworthy. It indicates robust capital investment, in production facilities, research and development, or acquisitions. The substantial asset growth is often seen as a positive signal, suggesting that the company is expanding its ability to generate future cash flows.

However, the decline in 2022 was less severe. Long-term Investments and long-term notes receivable reduced obviously, indicating that Xiaomi have shifted main strategy from long-term investments to short-term liquidity. Moreover, fluctuations in Net Property/Plant/Equipment, Intangible Assets, and Good will signify changes in asset valuation or strategy[4].

#### 3.1.3. Total current liabilities varied from 2020 to 2022

Starting at CNY 89,627.53 million in the first year, there was a significant surge by approximately 29% in the subsequent year, signaling possible expansion, investments, or short-term cash flow challenges. However, by the third year, a contraction was evident, with figures settling at CNY 107,926.93 million. The pattern indicated strategic financial adjustments, which consisted of extending payment cycles, restructuring, or managing financial needs[4].

#### 3.1.4. Total liabilities remained unchanged from 2020 to 2022

It aggregates both short-term and long-term obligations. The first year pegged the figure at CNY 129,584.15 million, with the next year witnessing a remarkable increase of around 20%. The increasing could indicate aggressive investment, expansion, or other strategic initiatives. The third year saw a contraction and brought the total liabilities closer to its original state at CNY 129,988.13 million. The considerable reduction in long-term debt by the third year highlights Xiaomi's intent to alleviate long-term financial burdens, and contribute to the overall reduction in total liabilities[4].

**Table 2.** Common-Size Consolidated Income Statement for Xiaomi Corporation from January 1, 2020 to December 2022

	Year ended December 31, 2022 (RMB in millions)	2021	2020
<b>Revenue</b>	280,044.0	328,309.1	245,865.6
Cost of sales	(232,466.8)	(270,048.2)	(209,113.8)
<b>Gross profit</b>	47,577.2	58,260.9	36,751.8
Selling and marketing expenses	(21,323.3)	(20,980.8)	(14,539.4)
Administrative expenses	(5,113.9)	(4,738.9)	(3,746.4)
Research and development expenses	(16,028.1)	(13,167.1)	(9,256.1)
Fair value changes on investments measured at fair value through profit or loss	(1,662.0)	8,132.1	13,173.5
Share of gains/(losses) of investments accounted for using the equity method	(400.1)	275.0	1,380.9
Other income	1,135.5	826.9	642.9
Other losses, net	(1,368.8)	(2,579.5)	(372.5)
<b>Operating profit</b>	2,816.5	26,028.6	24,034.7
Finance (expenses)/income, net	1,117.5	(1,611.6)	(2,401.3)
<b>Profit before income tax</b>	3,934.0	24,417.0	21,633.4
Income tax expenses	(1,431.4)	(5,133.8)	(1,320.7)
<b>Profit for the year</b>	2,502.6	19,283.2	20,312.7
<b>Non-IFRS Measure: Adjusted net profit</b>	8,518.0	22,039.5	13,006.4

### 3.1.5. Total Equity showed a downward trend between 2020 to 2022

Over the last three years, Xiaomi's total equity has consistently risen from CNY 123,691.7 million to CNY 143,923.06 million, with a marked growth of 11% in the first year, which slowed to 4.7% in the third year. While the capital reserve decreased by 7.6% initially, it stabilized in the subsequent years. Retained earnings depicted a positive trend, consistently increasing each year, indicating Xiaomi's profitability and decision to retain some earnings. There was a notable fluctuation in the common treasury stock, suggesting share repurchasing activities in the second year and possible re-issuance or sales in the third. The 'Total Other

Interests' category demonstrated significant variability, moving from a negative value to a substantial positive in the third year, possibly reflecting changes in minority interests or other comprehensive income[4].

## 3.2. Balanced Sheet Analysis

### 3.2.1. Revenue Analysis

Revenue fell 14.7% to CNY280.0 billion during the Reporting Period, compared to RMB328.3 billion for the year ending December 31, 2021. Revenue rose 33.7% to RMB328.3 billion during the Reporting Period from CNY245.8 billion in the fiscal year ending December 31, 2022[4,7].

**Table 3.** Revenue by line of business for the Reporting Period and the fiscal year ending December 31, 2022

	Year ended December 31,					
	2022		2021		2020	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
	(RMB in millions, unless specified)					
Smartphones	167,217.2	59.7%	208,868.9	63.6%	152,190.9	61.9%
IoT and lifestyle products	79,794.9	28.5%	84,980.1	25.9%	67,410.5	27.4%
Internet services	28,321.4	3%	28,211.7	8.6%	23,755.3	9.7%
Others	4,710.5	1.7%	6,248.4	1.9%	2,508.9	1.0%
<b>Total revenue</b>	<b>280,044.0</b>	<b>100.0%</b>	<b>328,309.1</b>	<b>100.0%</b>	<b>245,865.6</b>	<b>100.0%</b>

#### 3.2.1.1 The figures for Smartphones experienced increase and decrease during these 3 years

The smartphones division's revenue fell 19.9% from CNY 208.9 billion to CNY167.2 billion between the fiscal year ending December 31, 2021 and the Reporting Period. The average selling price (ASP) of smartphones increased, slightly offsetting the fall in smartphone shipments. The Reporting Period saw smartphone shipments drop 20.9% from 190.3 million to 150.5 million. Global smartphone demand has fallen due to macroeconomic issues and geopolitical upheaval, causing this loss. The average selling price (ASP) of our smartphones was CNY 1,097.5 per unit for the fiscal year ending December 31, 2021, and CNY1,111.3 per unit for the time period under consideration. This is 1.3% higher[4].

#### 3.2.1.2 The figures for IoT and lifestyle products showed an same changing pattern with smartphones

From CNY 85.0 billion in the year ending December 31, 2021 to CNY 79.8 billion, our IoT and lifestyle goods segment revenue fell 6.1%. This drop is mostly due to lower sales of smart TVs in mainland China and IoT gadgets abroad. This reduction was somewhat offset by mainland China tablet and smart large home appliance revenue growth.

From CNY 27.4 billion in the fiscal year ending December 31, 2021 to CNY 23.7 billion in the Reporting Period, smart TV and laptop revenue fell 13.3%. A drop in crucial component prices drove down the average selling price (ASP) of smart TVs and computers. Our company shipped 12.4 million smart TVs worldwide, up 0.6% year-over-year compared to the global market's 5.6% decline. We

continue to outperform the industry.

Revenue from smart air conditioners, refrigerators, and washing machines has grown 40% year-over-year. Our tablets shipped over 160% more in mainland China year-over-year. This boost drove tablet revenue growth [4].

#### 3.2.1.3 The figures for Internet services rose rapidly in 2021 and remained unchanged for 2022

The internet services segment revenue rose 0.4% to CNY28.3 billion during the Reporting Period from CNY28.2 billion in the fiscal year ending December 31, 2021. This growth is mostly due to our TV value-added services, advertising, and gaming businesses. This good development was offset by our fintech company's revenue reduction. From CNY5.0 billion to CNY6.8 billion, overseas internet service revenue rose 35.2% in the Reporting Period. This rise is due to our worldwide Internet user base growing [4].

#### 3.2.1.4 The figures for Other Revenue's changes from 2020 to 2022

Other revenue decreased by 24.6%, from CNY6.2 billion for the year ended December 31, 2021 to CNY4.7 billion for the Reporting Period, primarily due to a decrease in revenue from building sales[4].

### 3.2.2. Cost of Sales Analysis

Xiaomi Corporation's cost of sales declined 13.9% from CNY270.0 billion on December 31, 2021, to CNY232.5 billion. The cost of sales rose 30.0% from CNY 209.1 billion for the fiscal year ended December 31, 2020, to CNY270.0 billion for the Reporting Period[4,7].

**Table 4.** Each business segment's cost of sales for the Reporting Period and the fiscal year ending December 31, 2022

	2022		Year ended December 31, 2021		2020	
	% of total		% of total		% of total	
	Amount	Revenue	Amount	Revenue	Amount	Revenue
	(RMB in millions, unless specified)					
Smartphones	152,248.4	54.4%	184,007.9	56.0%	138,986.9	56.5%
IoT and lifestyle products	68,296.4	24.4%	73,888.6	22.5%	58,804.8	23.9%
Internet services	7,974.4	2.8%	7,316.6	2.2%	9,111.0	3.7%
Others	3,947.6	1.4%	4,835.1	1.6%	2,211.1	1.0%
Total cost of sales	232,466.8	83.0%	270,048.2	82.3%	209,113.8	85.1%

### 3.2.2.1 The figures for Smartphones doubled for both of the years.

The cost of sales associated with our smartphones division saw a decline of 17.3% from CNY184.0 billion for the fiscal year ending on December 31, 2021, to CNY152.2 billion for the Reporting Period. This drop may be attributed primarily to a reduction in our smartphone shipments, which was somewhat offset by a rise in the provision for inventory impairment [4].

### 3.2.2.2 The figures for IoT and lifestyle products showed an fast increase of 23% per year from 2020 to 2022

The IoT and lifestyle products segment's cost of sales decreased by 7.6% from CNY73.9 billion for the year ended December 31, 2021 to RMB68.3 billion for the Reporting Period, predominantly as a result of decreased sales of our IoT and lifestyle products [4].

### 3.2.2.3 The data for Internet services increased approximately 9% each year from 2020 to 2022

The cost of sales related to our internet services segment exhibited a 9.0% rise, ascending from CNY7.3 billion during the year concluding on December 31, 2021, to CNY8.0 billion for the Reporting Period. This escalation primarily stemmed from augmented costs in our advertising business, TV value-added services, and gaming business. However, it was partially mitigated by a reduction in costs associated with our fintech business [4].

### 3.2.2.4 The figure for Others increased steady between the year of 2020 to 2022

The "others" sector's cost of sales dropped from CNY4.8

billion for the fiscal year ended on December 31, 2021, to CNY3.9 billion for the current reporting period, a decrease of 18.4%. The sales of buildings may be mostly to blame for this decline [4].

### 3.2.2.5 Gross Profit and Margin changed for each sector from 2020 from 2022

Gross profit dropped 18.3% from CNY58.3 billion for the fiscal year ending December 31, 2021, to CNY47.6 billion for the Reporting Period. The current fiscal year gross margin is 17.0%, down from 17.7% in 2021.

Xiaomi's smartphones division's gross profit margin fell from 11.9% in the fiscal year ending December 31, 2021, to 9.0% in the current Reporting Period. This decrease is due to increased inventory reduction efforts, the 2022 US currency strengthening, and an increase in inventory impairment provisions.

The company's IoT and lifestyle goods segment's gross profit margin rose from 13.1% in the fiscal year ending December 31, 2021, to 14.4% during the Reporting Period. The lower cost of critical components let smart TVs' gross profit margin rise. Smart major home appliances, such as air conditioners, improved in gross profit margin.

The gross profit margin derived from Xiaomi's internet services sector had a fall from 74.1% in the fiscal year ending on December 31, 2021, to 71.1% during the Reporting Period. This decrease can be largely attributed to the decline in gross profit margin within the advertising business.

### 3.2.3. Expenses Analysis

**Table 5.** Period-to-period changes in R&D expenses, Selling&Marketing expenses and Administrative Expense

(In millions, except percentages)	2022	Change	2021	Change	2020
Research and Development Expenses	16,028.1	21.7%	13167.1	42.3%	9256.1
Selling and Marketing Expenses	21,323.3	1.6%	20,980.8	44.3%	14,539.4
Administrative Expenses	5,113.9	7.9%	4738.9	26.5%	3746.4

Research & development expenses increased 21.7% from CNY13.2 billion in the year ending December 31, 2021 to CNY16.0 billion. Smart electric vehicle (EV) development and other innovative ventures cost more, explaining this growth.

Selling and marketing expenses rose 1.6% to CNY21.3 billion during the Reporting Period from CNY21.0 billion in the year ending December 31, 2021. This growth was mostly due to higher compensation for sales and marketing staff, compensated by lower shipping costs. Promotion and advertising costs remain at CNY7.2 billion for the Reporting Period and the fiscal year ending December 31, 2021.

Administrators spent CNY5.1 billion, up 7.9% from CNY4.7 billion in the year ending December 31, 2021. The rise in administrative worker pay and receivables credit loss

allowance may explain this rise [4].

### 3.2.4. The Fair Value Changes on Investments Measured at Fair Value Through Profit or Loss

The fair value fluctuations of Xiaomi's investments, which are determined at fair value via profit or loss, saw a shift from a gain of CNY8.1 billion for the fiscal year ending on December 31, 2021, to a loss of CNY1.7 billion for the Reporting Period. This movement was principally driven by the fair value depreciation of the listed equity assets [4].

### 3.2.5. The Share of Net (Losses)/Profits of Investments Accounted for Using the Equity Method

During the Reporting Period, the proportion of net gains or losses from investments accounted for using the equity method shifted from net profits of CNY275.0 million in the

fiscal year ending December 31, 2021 to net losses of CNY400.1 million. This change is predominantly attributable to dilution gains obtained from specific investees in 2021, including the dilution gain attributable to Kingsoft Cloud [4].

### 3.2.6. Other Income changes between the reporting period

The year-on-year growth in other revenue was 37.3%, rising from CNY0.8 billion in the year ending December 31, 2021 to CNY1.1 billion during the Reporting Period. This increase may be attributed mostly to a rise in government grants [4].

### 3.2.7. Other Losses, Net changes between the reporting period

The net losses of other categories experienced a decline of 46.9% from CNY2.6 billion for the fiscal year ending on December 31, 2021, to CNY1.4 billion during the current reporting period. The main factor contributing to this is a reduction in the devaluation of listed investments that are accounted for using the equity method. However, this is largely counterbalanced by an increase in losses due to fluctuations in foreign currency rates throughout the specified reporting period [4].

### 3.2.8. Finance Income/(Costs), Net changes between the reporting period

The net finance income/(costs) saw a significant shift from a net cost of CNY1.6 billion in the fiscal year ending on

December 31, 2021, to a net income of CNY1.1 billion during the Reporting Period. This movement may be largely attributed to a decrease in the fluctuations in the value of financial obligations associated with funding investors [4].

### 3.2.9. Income Tax Expenses changes between the reporting period

The income tax costs saw a significant fall of 72.1% during the Reporting Period, going from CNY5.1 billion for the year ended December 31, 2021, to CNY1.4 billion. This decline may be attributed principally to the decrease in taxable income seen during the Reporting Period [4].

### 3.2.10. Profit for the Year changes between the reporting period

As a result of the aforementioned factors, the company's profit for the Reporting Period amounted to CNY2.5 billion, in contrast to the figure of CNY19.3 billion recorded for the fiscal year concluding on December 31, 2021 [4].

### 3.2.11. Adjusted Net Profit changes between the reporting period

During the Reporting Period, the company posted an adjusted net profit of CNY8.5 billion, representing a decline from the adjusted net profit of CNY22.0 billion reported for the fiscal year ending December 31, 2021[4].

## 3.3. Cash Flow Statement Analysis

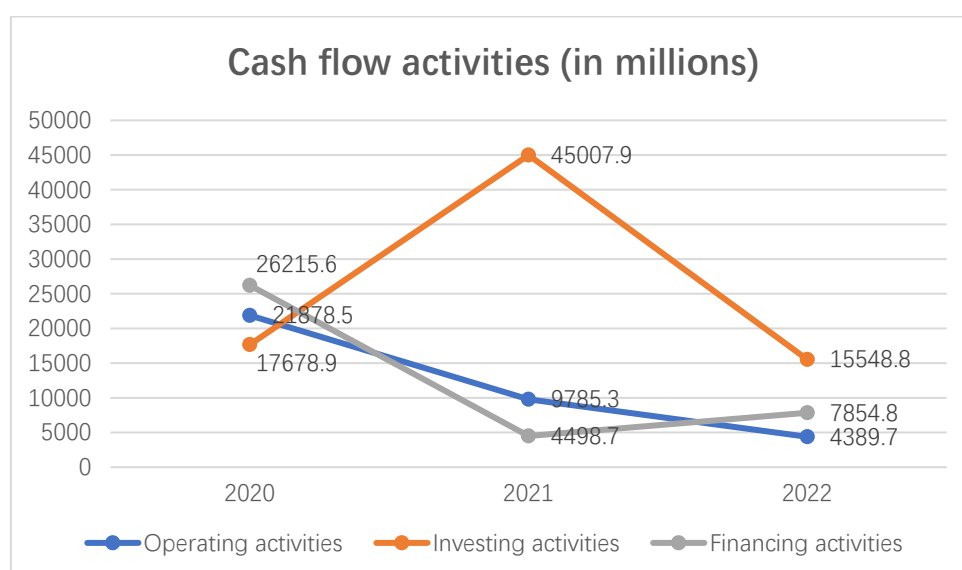


Figure 1. Xiaomi Corporation's Cash Flow Activities (in millions) from January 1 2020 to December 31 2022

### 3.3.1. Operating Activities showed a downward trend

Xiaomi's cash provided by operating activities experienced a significant decline over the three-year period. In 2020, it amounted to \$21,878.5 million, which decreased substantially to \$9,785.3 million in 2021 and further declined to \$4,389.7 million in 2022. This decline in operating cash flow suggests potential challenges in generating cash from core operations. Factors such as lower product sales and higher tax payments, as mentioned in the previous analysis, likely contributed to this decline. Xiaomi needs to address these issues to ensure sustainable cash flow from its operational activities[4,7].

### 3.3.2. Investing Activities experienced an increase then a decrease

Cash used in investing activities for Xiaomi showed variations over the three years. In 2020, it was \$17,678.9

million, which significantly increased to \$45,007.9 million in 2021 and then decreased to \$15,548.8 million in 2022. The substantial increase in 2021 may indicate significant investments in acquisitions or capital expenditures, as seen in the previous analysis. The subsequent decline in 2022 might suggest a shift in the company's investment strategy or a reduction in acquisition-related spending [4,7].

### 3.3.3. Financing Activities experienced a decrease then an increase

Xiaomi's cash flow from financing activities displayed fluctuations as well. In 2020, it was \$26,215.6 million, followed by a decrease to \$4,498.7 million in 2021, and then an increase to \$7,854.8 million in 2022. The decrease in financing activities in 2021 may have been influenced by debt repayments and stock repurchases, as mentioned in the previous analysis. The increase in 2022 suggests a possible

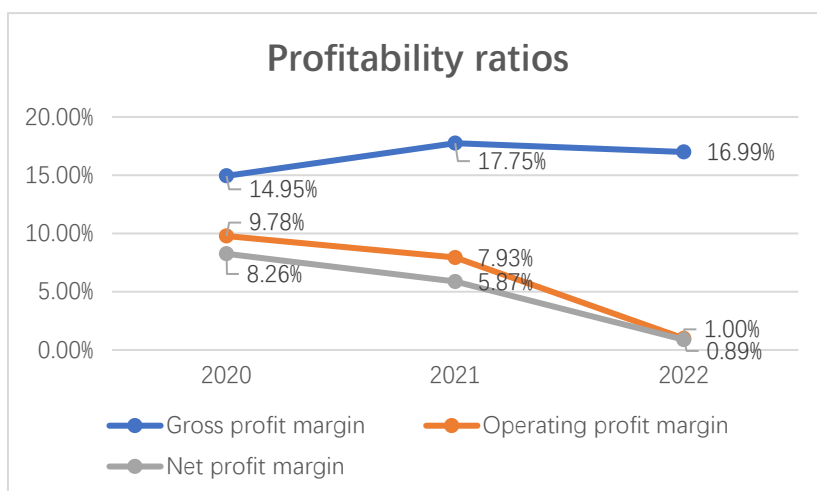
need for external funding or changes in Xiaomi's capital structure [4,7].

### 3.4. Financial Ratios Analysis

#### 3.4.1. Profitability Ratios

**Table 6.** Xiaomi Corporation's Profitability Ratios from January 1 2020 to December 31 2022

Profitability ratios	2022	2021	2020
Gross profit margin	16.99%	17.75%	14.95%
Operating profit margin	1.00%	7.93%	9.78%
Net profit margin	0.89%	5.87%	8.26%



**Figure 2.** Xiaomi Corporation's Profitability Ratio from January 1 2020 to December 31 2022

#### Changes for Gross Profit Margin from 2020 to 2022

Xiaomi's gross profit margin remained relatively stable during the three-year period. In 2020, it was 14.95%, which increased slightly to 17.75% in 2021 but then decreased to 16.99% in 2022. The consistent gross profit margin suggests that Xiaomi effectively managed its cost of goods sold (COGS) and maintained control over production costs. This stability indicates efficient operations and cost management within the company's core business [4,7].

#### Changes for Operating Profit Margin from 2020 to 2022

Xiaomi's operating profit margin saw more significant fluctuations over the years. In 2020, it was 9.78%, which declined to 7.93% in 2021 and further decreased to 1.00% in 2022. The sharp decline in the operating profit margin in 2022 is a matter of concern. This could be attributed to factors such

as increased operating expenses or lower sales. It suggests that Xiaomi faced challenges in controlling its operating costs and maintaining profitability from its core business operations [4,7].

#### Changes for Net Profit Margin from 2020 to 2022

Similar to the operating profit margin, Xiaomi's net profit margin also experienced fluctuations. In 2020, it stood at 8.26%, which then dropped to 5.87% in 2021 and further decreased to 0.89% in 2022. The decline in the net profit margin indicates that Xiaomi faced challenges in generating profit after accounting for all operating expenses and taxes. It may suggest the need for cost-saving measures or revenue-enhancing strategies [4,7].

#### 3.4.2. Activity Ratios

**Table 7.** Xiaomi Corporation's Activity Ratios from January 1 2020 to December 31 2022

Short-term (operating) activity ratios	2022	2021	2020
<i>Turnover Ratios (%)</i>			
<i>Inventory turnover</i>	4.31	5.81	5.8
<i>Payable turnover</i>	4.38	3.62	2.9
<i>Average No. of Days</i>			
<i>Days inventory held</i>	84	62	63
<i>Average collection period</i>	20.54	15.47	12.38
<i>Average payable payment period</i>	105.93	97.68	111.78
<i>Cash conversion cycle</i>	-0.7	-19.54	-36.33

#### Changes for Inventory Turnover from 2020 to 2022

Xiaomi's inventory turnover has shown some fluctuations over the three years. In 2020, it stood at 5.8, increased to 5.81 in 2021, and then decreased to 4.31 in 2022. Despite the drop in 2022, Xiaomi's inventory turnover remains relatively healthy, indicating efficient management of its inventory. The decline in turnover may be attributed to factors such as changes in demand, production delays, or shifts in the company's product mix [4,7].

#### Changes for Payable Turnover from 2020 to 2022

Payable turnover measures how quickly a company pays

its suppliers. Xiaomi's payable turnover has been on an upward trend, reaching 4.38 in 2022, compared to 3.62 in 2021 and 2.9 in 2020. The increasing payable turnover suggests that Xiaomi is managing its payable obligations more efficiently. A higher payable turnover may indicate improved negotiation terms with suppliers, allowing the company to delay payments while maintaining positive supplier relationships [4,7].

#### Changes for Days Inventory Held from 2020 to 2022

Xiaomi's days inventory held has seen some variability. In 2020, it was 63 days, decreased to 62 days in 2021, and then

increased to 84 days in 2022. The increase in days inventory held in 2022 may signal a need for further analysis. It suggests that Xiaomi is holding inventory for a longer duration, which could potentially tie up working capital or indicate challenges in demand forecasting [4,7].

**Changes for Average Collection Period from 2020 to 2022**

The average collection period measures the time it takes for Xiaomi to collect payments from its clients. It has steadily increased from 12.38 days in 2020 to 15.47 days in 2021 and further to 20.54 days in 2022. The rising average collection period may indicate changes in customer payment behavior or credit terms. A longer collection period could impact cash flow, and Xiaomi may need to assess its credit policies and receivables management [4,7].

**Changes for Average Payable Payment Period from 2020 to 2022**

Xiaomi's average payable payment period has fluctuated over the years, ranging from 97.68 days in 2021 to 111.78

days in 2020, and then decreasing to 105.93 days in 2022. The variability in the payable payment period suggests changes in the company's payment practices and relationships with suppliers. It's essential for Xiaomi to strike a balance between extending payment terms and maintaining positive supplier relationships [4,7].

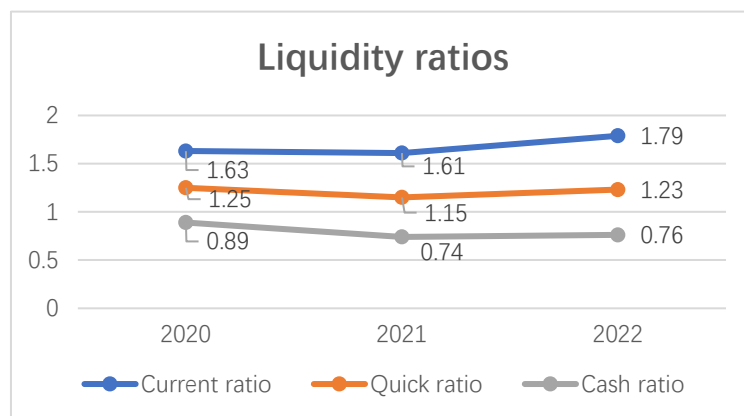
**Changes from Cash Conversion Cycle from 2020 to 2022**

Xiaomi's cash conversion cycle has shown a significant improvement in recent years. It was -36.33 days in 2020, -19.54 days in 2021, and further improved to -0.7 days in 2022. The negative cash conversion cycle indicates that Xiaomi is effectively managing its operating cash flow. It means that the company can convert its investments in inventory and accounts receivable into cash quickly, which is a positive sign for its liquidity [4,7].

**3.4.3. Liquidity ratios**

**Table 8.** Xiaomi Corporation's Liquidity Ratios from January 1 2020 to December 31 2022

Liquidity ratios	2022	2021	2020
Current ratio	1.79	1.61	1.63
Quick ratio	1.23	1.15	1.25
Cash ratio	0.76	0.74	0.89



**Figure 3.** Xiaomi Corporation's Liquidity Ratio from January 1 2020 to December 31 2022

**Current Ratio showed an upward trend**

The current ratio, which assesses a company's ability to cover short-term liabilities with its current assets, has shown a positive trend for Xiaomi. In 2020, it stood at 1.63, increased to 1.61 in 2021, and further improved to 1.79 in 2022. This consistent growth in the current ratio indicates that Xiaomi has effectively managed its current assets in relation to its current liabilities. The company appears well-prepared to meet its short-term obligations and is in a strong liquidity position [4,7].

**Quick Ratio experienced an increase during these three years**

The quick ratio, a stricter measure of liquidity that excludes inventory from current assets, has also displayed a positive trend. In 2020, it was 1.25, which decreased slightly to 1.15 in 2021 but then increased to 1.23 in 2022. While there was a temporary dip in 2021, the overall trend suggests that

Xiaomi's ability to meet short-term obligations without relying on inventory has remained strong. This indicates that the company has a solid financial position even when excluding less liquid assets [4,7].

**Cash Ratio increased between 2020 to 2022**

The cash ratio, which specifically focuses on a company's ability to cover short-term liabilities with cash and cash equivalents, has shown stability over the three years. In 2020, it was 0.89, which remained consistent at 0.74 in 2021 and increased slightly to 0.76 in 2022. The stability in the cash ratio indicates that Xiaomi has maintained a sufficient cash reserve relative to its short-term obligations. This suggests that the company is well-prepared to handle any immediate financial challenges or crises [4,7].

**3.4.4. Leverage and coverage ratios**

**Table 9.** Xiaomi Corporation's Leverage and coverage ratios from January 1 2020 to December 31 2022

Long-term (investment) activity ratios	2022	2021	2020
Net fixed asset turnover	34.78	49.48	36.98
Total asset turnover	1.024	1.121	0.969
Debt and solvency ratios	2022	2021	2020
Debt to equity	0.17	0.22	0.15
Debt to revenue	0.08	0.09	0.08
Debt to capital	0.474	0.531	0.511
Interest coverage	5.42	7.05	2.9

### Leverage Ratios experienced an increase then decreased

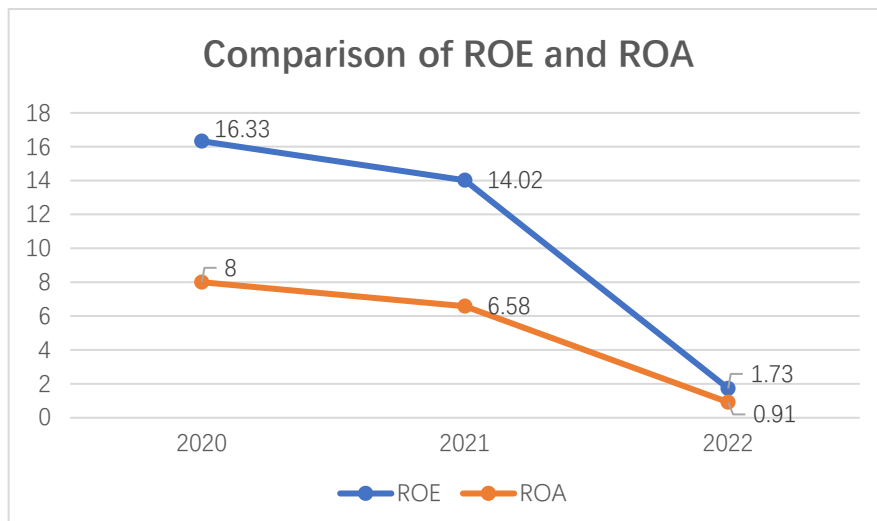
Xiaomi has shown a favorable trend in managing its financial leverage. The decreasing debt to equity ratio, coupled with a stable debt to revenue ratio, indicates a reduction in financial risk associated with debt. This suggests that Xiaomi has been diligent in maintaining a healthy balance between debt and equity, contributing to a stable financial position. Additionally, the total asset turnover has consistently improved, highlighting Xiaomi's efficient use of assets to generate income [4,7]. **The changes for Coverage Ratio during the reporting period between 2020 and 2022**

Xiaomi's interest coverage ratios, while fluctuating, demonstrate an overall ability to comfortably cover interest expenses. This implies that Xiaomi has sufficient earnings to meet its interest obligations. In summary, Xiaomi's financial metrics suggest a well-managed balance between leveraging assets for income generation and maintaining manageable levels of debt. The company's ability to cover interest expenses further strengthens its financial stability. These factors collectively indicate a solid financial foundation for Xiaomi [4,7].

### 3.5. Du-Pont Analysis

**Table 10.** Xiaomi Corporation's Return ratios from January 1 2020 to December 31 2022

Return ratios	ROE =	ROA ×	Leverage
2022	1.73	0.91	1.9
2021	14.02	6.58	2.13
2020	16.33	8	2.04
Disaggregation of ROA	ROA =	Net profit Margin ×	Total Asset turnover
2022	0.91	0.89	1.024
2021	6.58	5.87	1.121
2020	8	8.26	0.969

**Figure 4.** Comparison of ROE and ROA of Xiaomi Corporation from January 1 2020 to December 31 2022

#### 3.5.1. Return Ratios (ROE and ROA)'s changing pattern from January 1 2020 to December 31 2022.

##### 1. ROE (Return on Equity)

Xiaomi's ROE exhibited a substantial decline from 16.33% in 2020 to 14.02% in 2021 and further dropped to a notably lower 1.73% in 2022 [4,7]. The significant decrease in ROE over these years is primarily attributed to the sharp decline in ROA, reflecting the company's challenges in maintaining profitability relative to its equity base.

##### 2. ROA (Return on Assets)

Xiaomi's ROA also experienced a dramatic decline from 8.00% in 2020 to 6.58% in 2021 and further decreased to 0.91% in 2022 [4,7]. The decreasing ROA indicates that Xiaomi's

ability to generate income from its assets weakened over this period, which, in turn, negatively impacted its ROE.

#### 3.5.2. The Disaggregation of ROA from reporting period between 2020 and 2022

##### Net Profit Margin and Total Asset Turnover

The analysis further reveals that the decline in ROA was influenced by both a decrease in net profit margin and a decline in total asset turnover. In 2020, the net profit margin was 8.26%, which decreased to 5.87% in 2021 and further to 0.89% in 2022. Similarly, total asset turnover decreased from 0.969 in 2020 to 1.121 in 2021 and then to 1.024 in 2022 [4,7]. The fall in net profit margin can be attributed to rising R&D expenses and SG&A expenses. Meanwhile, the decline in

total asset turnover suggests potential challenges in efficiently utilizing assets to generate revenue.

## **4. Result**

### **4.1. Balance Sheet Analysis**

In conclusion, the financial statements of Xiaomi indicate a dynamic financial environment that is distinguished by swings in liquidity, strategic adjustments in obligations, and ongoing increase in equity. These alterations provide evidence that the organisation is able to adapt to changing market conditions and respond strategically to shifting corporate goals.

### **4.2. Income Statement Analysis**

#### **4.2.1. Revenue Analysis**

During the time covered by the study, Xiaomi Corporation had a variety of ups and downs in its total revenue. Other divisions, such as internet of things (IoT) goods and internet services, exhibited varied results, with some regions seeing growth while others faced obstacles. While the smartphone division saw a loss in sales, other divisions, such as the IoT products and internet services, showed mixed results. The success of the corporation appears to be driven by a variety of factors, including the dynamics of the worldwide market and the price of the products.

#### **4.2.2. Cost of Sales Analysis**

In summary, Xiaomi Corporation saw fluctuations in its cost of sales and gross profit margins across several business areas throughout the Reporting Period. The aforementioned modifications are indicative of the organization's endeavours to effectively control expenses, respond to market forces, and adjust to changing business circumstances.

#### **4.2.3. Expenses Analysis**

In brief, Xiaomi Corporation made deliberate budget allocations to support its research and development endeavours, leading to heightened expenditures aimed at fostering innovation, namely within the domain of smart electric vehicles. The selling and marketing expenses had a marginal increase as a result of elevated employee remuneration, however this was offset by reduced shipping expenditures. The rise in administrative expenditures can be attributed to the allocation of resources towards enhancing administrative tasks and establishing provisions for credit loss. The financial decisions made by Xiaomi are in line with the company's dedication to technical progress, marketing endeavours, and streamlined administrative processes in order to maintain its development and competitive edge.

#### **4.2.4. Other Analysis**

The financial fluctuations observed in Xiaomi's financial performance during the Reporting Period can be attributed to many factors, including alterations in investments, the use of equity method accounting, government grants, volatility in foreign currency rates, and income tax costs. These factors all contribute to the overall impact on the company's profit.

### **4.3. Cash Flow Statement Analysis**

In conclusion, Xiaomi's cash flow activities have fluctuated significantly over the past three years. The decline in operating activities suggests that generating cash from primary operations may be difficult. Changes in investment strategies or acquisitions likely caused fluctuations in investment activity. Variable trends were observed in

financing activities, possibly reflecting alterations in the company's capital requirements. Xiaomi should address these cash flow dynamics carefully to maintain financial stability and support its future growth objectives.

### **4.4. Financial Ratios Analysis**

#### **4.4.1. Profitability Ratios**

The profitability ratios of Xiaomi paint a varied picture. In 2022, the company's operating and nett profit margins have decreased substantially, despite the fact that its gross profit margin has been effectively managed, indicating a proficiency in controlling production costs. This decline may be a result of increased operating expenses or other factors that have a negative impact on profitability. Despite its market potential, Xiaomi must carefully address these challenges to ensure sustainable profitability in the future.

#### **4.4.2. Activity Ratios**

In summation, Xiaomi's financial performance metrics demonstrate its capacity to adapt to fluctuating market conditions and proficiently manage multiple facets of its financial operations. These metrics provide insight into the company's inventory management, supplier relationships, customer payment dynamics, and cash flow management as a whole.

#### **4.4.3. Liquidity Ratios**

In conclusion, the liquidity ratios of Xiaomi indicate a solid financial position. The rising current and fast ratios over time indicate a strengthening capacity to meet short-term obligations. In addition, the stable cash ratio indicates that the company has ample cash reserves, providing a margin in times of uncertainty or unanticipated financial demands. Not only does Xiaomi's consistent liquidity strength reflect its prudent financial management, but it also reinforces the company's position as a market leader in the technology and consumer electronics industries. This company's stable liquidity position affords it the flexibility to navigate various market conditions and invest in future growth opportunities.

#### **4.4.4. Leverage and coverage ratios**

In essence, Xiaomi's financial indicators demonstrate effective management of asset utilisation to generate revenue while simultaneously ensuring a reasonable level of debt. The evidence of a declining debt to equity ratio, a consistent debt to revenue ratio, effective asset utilisation, and satisfactory interest coverage all suggest that Xiaomi possesses a robust financial footing. These practises play a significant role in enhancing the company's financial stability and resilience within the market.

### **4.5. Du-Pont Analysis**

In essence, the Du-Pont Analysis conducted on Xiaomi reveals a notable fall in both Return on Equity (ROE) and Return on Assets (ROA) over the course of several years. This loss may be mostly attributed to the decrease in ROA, which is a result of the diminished nett profit margin and total asset turnover. In order to tackle this issue, Xiaomi ought to contemplate implementing tactics aimed at enhancing profitability, managing costs, and optimising asset efficiency. These measures are crucial for the company to restore its financial performance and successfully attain its ambitious objectives of high growth [4,7].

## **5. Discussion**

In conclusion, Xiaomi's financial analysis offers insightful

information regarding the company's existing strengths as well as opportunities for growth. The agility of the company, its capacity to control its costs, and its liquidity position are all noticeable qualities, however the profitability and asset efficiency of the organisation need to be addressed. Taking a deliberate approach to addressing these areas will be essential to Xiaomi's ability to maintain its success in a dynamic industry.

## 6. Conclusion

Xiaomi Corporation experienced a notable dip in revenue during the report period, dropping by 14.7% to CNY 280.0 billion. It comes after a substantial revenue increase of 33.7% in the prior fiscal year. Most of the company's revenue was derived from its smartphone sales, which comprised 59.7%. Meanwhile, IoT and lifestyle products contributed 28.5% to the income, with the part witnessing a dip in sales of smart TVs but a surge in smart home appliances. Accounting for 10.1% of revenue, Internet services saw marginal growth, mainly from TV services, advertising, and gaming. On the other hand, the 'other revenue' category decreased 24.6%. Xiaomi's profitability has concerns, with its net profit margin plummeting to 0.89% in 2022. The company's gross profit dropped by 18.3%, leading to a gross profit margin of 17.0%. This decline in profitability and revenue suggests Xiaomi's vulnerability to market changes and highlights the need for financial and strategic management.

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