

# Xiaomi Corporation

Company updates

Valuation expansion boosted by strong LT growth potential and index inclusion catalyst, raise PT to HK\$30.5

## Valuation expansion boosted by LT growth potential, raising PT to HK\$30.5

As a clearer product strategy and solid execution are playing out, Xiaomi is becoming more attractive in 5G era. In particular, in the face of the challenging pandemic, Xiaomi delivered a solid 2Q results. We reiterate Buy on Xiaomi and lift PT to HK\$30.5 by applying its historical high of 45x P/E on FY21E, which will be further supported by index inclusion and share buybacks, in our view.

### Smartphone: share gain and localization with 5G & premium strategy

- 1) With broad and more affordable 5G product offerings, from entry-level of Redmi 9A series, mid-end of Redmi X10 5G, to high-end of Mi 10 5G series, we expect Xiaomi will gain from smartphone localization and lead competition in the 5G cycle and raised its FY21E global shipment to 169mn units.
- 2) According to Canalys, Xiaomi smartphone shipments grew by 64.9% YoY in Europe market in 2Q20, ranking top 3 with a market share of 16.8%. As escalated tension between Huawei and US, Xiaomi could continuously gain market share both in Europe and other major markets, in our view.
- 3) Xiaomi continued to strengthen its position in premium segment. Mi10 Pro was one of the most popular smartphones in price range of RMB3,500-RMB4,500, and its shipment exceeded 1mn units two months after the launch, further driving smartphone ASP up by 12% YoY to RMB1,118 in 2Q.

### IoT & lifestyle: "Smartphone x AIoT" – LT growth driver

- 1) In 2Q20, Xiaomi's global TV shipment amounted to 2.8mn units, while TV shipments in mainland China ranked 1<sup>st</sup> for the sixth consecutive quarter. With the new launches in early next quarter, we expect Xiaomi's TV will continue to dominate China's smart TV market.
- 2) No. of AIoT platform devices continued to grow strongly by 38.3% YoY to 271mn units as of 2Q20, indicating high user stickiness and loyalty. We believe "Smartphone x AIoT" strategy will create synergies effects between smartphone AIoT devices, and fuel the closed loop of its AIoT ecosystem.

### Internet service: monetization diversification in progress

- 1) Advertising/online game revenue was up 23.2% YoY/54.5% YoY respectively, benefiting from diversified ads platform, and MIUI MAU expansion (23.3%YoY to 343.5mn in 2Q).
- 2) TV internet services revenue grew robustly and MAU of smart TVs/Mi Box reached 32.0mn in Jun, up 41.8% YoY, further enhancing AIoT ecosystem.

### More upside supported by index inclusion

With trading volume expanding and market cap increasing, Xiaomi, the leader of tech stocks in HK market, has entered several important indexes: 1) included in Shanghai-Hong Kong Stock Connect on 28 Oct 2019; 2) included in Hang Seng TECH Index launched on 27 July 2020; and 3) will be included in Hang Seng HSI Index & Hang Seng China Enterprises Index on 7 Sept 2020. As tech stocks continue to gather momentum with the increasing proportion in HK market, we believe Xiaomi will be likely included in different kinds of benchmark indexes in the future. Thus, we expect Xiaomi has more upside from the index inclusion.

### Risks

Key risks to our PT include: 1) prolonged COVID-19 pandemic; 2) longer-than-expected smartphone replacement cycle; 3) weaker-than-expected internet user acquisitions.

Stock code: 1810.HK

Rating: Buy

<b>Price target (HK\$)</b>	<b>30.5</b>
Previous price target (HK\$)	24.4
Current price (HK\$, 28 Aug 2020)	22.5
Upside/downside %	36%
Market cap (HK\$ m)	542,424
Market cap (US\$ m)	69,988
Avg daily turnover (HK\$ m)	2,130

Source: Bloomberg, AMTD Research

### Key forecasts

(Rmb m)	2019	2020e	2021e
Non-IFRS net profit	11,532	10,506	15,141
yoY %	35%	-9%	44%
Revenue	205,839	242,769	323,272
yoY %	18%	18%	33%
Smartphone shipment (m)	125	136	169
yoY %	5%	9%	25%
Gross margin	13.9%	14.4%	14.5%
Non-IFRS net margin	5.6%	4.3%	4.7%
EPS	0.47	0.44	0.61

Source: Company data, AMTD Research estimates

### Valuation

	2019	2020e	2021e
P/E (adjusted)	43.5	47.0	33.7
P/S	2.4	2.0	1.5
ROE	15.1%	12.0%	15.0%
ROA	7.0%	5.7%	6.9%

Source: Bloomberg, AMTD Research estimates

### Share price performance



Source: Bloomberg

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Figure 1: Xiaomi's quarterly P&amp;L

Rmb m	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
<b>Profit &amp; loss</b>									
<b>Revenue</b>	<b>45,235</b>	<b>50,846</b>	<b>44,421</b>	<b>43,757</b>	<b>51,951</b>	<b>53,661</b>	<b>56,470</b>	<b>49,702</b>	<b>53,538</b>
Smartphones	30,501	34,983	25,077	27,009	32,021	32,268	30,797	30,325	31,628
IoT and lifestyle products	10,379	10,805	14,937	12,043	14,945	15,606	19,494	12,984	15,253
Internet services	3,958	4,729	4,037	4,257	4,580	5,309	5,695	5,901	5,908
Advertising	2,500	3,200	2,526	2,283	2,485	2,912	2,976	2,661	3,062
IVAS	1,458	1,529	1,509	1,975	2,095	2,397	2,719	3,239	2,846
Others	397	330	370	448	405	477	484	493	750
<b>Cost of sales</b>	<b>(39,584)</b>	<b>(44,269)</b>	<b>(38,760)</b>	<b>38,541)</b>	<b>(44,692)</b>	<b>(45,425)</b>	<b>(48,626)</b>	<b>(42,144)</b>	<b>(45,836)</b>
<b>Gross profit</b>	<b>5,652</b>	<b>6,578</b>	<b>5,661</b>	<b>5,216</b>	<b>7,258</b>	<b>8,236</b>	<b>7,844</b>	<b>7,559</b>	<b>7,701</b>
<b>Gross margin</b>	<b>12.5%</b>	<b>12.9%</b>	<b>12.7%</b>	<b>11.9%</b>	<b>14.0%</b>	<b>15.3%</b>	<b>13.9%</b>	<b>15.2%</b>	<b>14.4%</b>
<b>Operating expenses</b>	<b>(13,896)</b>	<b>(4,305)</b>	<b>(4,696)</b>	<b>(4,127)</b>	<b>(4,575)</b>	<b>(5,414)</b>	<b>(6,859)</b>	<b>(5,277)</b>	<b>(6,018)</b>
Selling and marketing expenses	(2,076)	(2,187)	(2,328)	(1,845)	(2,295)	(2,537)	(3,701)	(2,625)	(3,224)
Administrative expenses	(10,457)	(583)	(594)	(632)	(724)	(844)	(905)	(782)	(836)
R&D expenses	(1,364)	(1,534)	(1,775)	(1,651)	(1,556)	(2,033)	(2,253)	(1,871)	(1,958)
<b>EBIT</b>	<b>(8,244)</b>	<b>2,273</b>	<b>965</b>	<b>1,088</b>	<b>2,684</b>	<b>2,823</b>	<b>985</b>	<b>2,281</b>	<b>1,683</b>
Fair value changes on investments	527	65	2,075	2,633	(671)	33	1,819	348	2,366
Share of losses of investments	(129)	(184)	(318)	(145)	(12)	(241)	(274)	131	893
Other income	207	259	220	60	406	448	351	74	183
Other (losses)/gains, net	47	(202)	271	(22)	(71)	50	(183)	(510)	288
<b>PBT</b>	<b>14,908</b>	<b>2,364</b>	<b>3,344</b>	<b>3,717</b>	<b>2,434</b>	<b>3,295</b>	<b>2,717</b>	<b>2,454</b>	<b>4,868</b>
Income tax expenses	(276)	117	48	(525)	(479)	(775)	(280)	(294)	(374)
<b>(Loss)/profit for the year</b>	<b>14,633</b>	<b>2,481</b>	<b>3,392</b>	<b>3,192</b>	<b>1,955</b>	<b>2,519</b>	<b>2,436</b>	<b>2,160</b>	<b>4,493</b>
Minority interest	(19)	(18)	(17)	66	4	(6)	(5)	(4)	(5)
<b>Attributable profit</b>	<b>14,651</b>	<b>2,499</b>	<b>3,409</b>	<b>3,126</b>	<b>1,952</b>	<b>2,525</b>	<b>2,441</b>	<b>2,163</b>	<b>4,498</b>
<b>Adjusted net profit (non-IFRS)</b>	<b>2,117</b>	<b>2,885</b>	<b>1,853</b>	<b>2,081</b>	<b>3,635</b>	<b>3,472</b>	<b>2,344</b>	<b>2,301</b>	<b>3,373</b>
<b>YoY growth %</b>									
<b>Total revenue</b>					<b>15%</b>	<b>6%</b>	<b>27%</b>	<b>14%</b>	<b>3%</b>
Smartphones					5%	-8%	23%	12%	-1%
IoT and lifestyle products					44%	44%	31%	8%	2%
Internet services					16%	12%	41%	39%	29%
Advertising					-1%	-9%	18%	17%	23%
IVAS					44%	57%	80%	64%	36%
Others					2%	45%	31%	10%	85%
<b>Gross profit</b>					<b>28%</b>	<b>25%</b>	<b>39%</b>	<b>45%</b>	<b>6%</b>
<b>Adjusted net profit (non-IFRS)</b>					<b>72%</b>	<b>20%</b>	<b>27%</b>	<b>11%</b>	<b>-7%</b>

Source: Company data; AMTD research

Figure 2: Xiaomi's P&amp;L forecast

Rmb m	2016	2017	2018	2019	2020E	2021E
<b>Profit &amp; loss</b>						
<b>Revenue</b>	<b>68,434</b>	<b>114,625</b>	<b>174,915</b>	<b>205,839</b>	<b>242,769</b>	<b>323,272</b>
Smartphones	48,764	80,564	113,800	122,095	140,646	187,100
IoT and lifestyle products	12,415	23,448	43,817	62,088	74,606	100,417
Internet services	6,538	9,896	15,956	19,842	25,612	33,755
Advertising	3,838	5,614	10,100	10,655	12,363	17,926
IVAS	2,699	4,282	5,853	9,186	13,249	15,829
Others	717	717	1,343	1,814	1,905	2,000
<b>Cost of sales</b>	<b>(61,185)</b>	<b>(99,471)</b>	<b>(152,723)</b>	<b>(177,285)</b>	<b>(207,846)</b>	<b>(276,548)</b>
<b>Gross profit</b>	<b>7,249</b>	<b>15,154</b>	<b>22,192</b>	<b>28,554</b>	<b>34,922</b>	<b>46,724</b>
<b>Gross margin</b>	<b>10.6%</b>	<b>13.2%</b>	<b>12.7%</b>	<b>13.9%</b>	<b>14.4%</b>	<b>14.5%</b>
<b>Operating expenses</b>	<b>(6,053)</b>	<b>(9,599)</b>	<b>(25,869)</b>	<b>(20,975)</b>	<b>(24,034)</b>	<b>(30,388)</b>
Selling and marketing expenses	(3,022)	(5,232)	(7,993)	(10,378)	(10,925)	(14,547)
Administrative expenses	(927)	(1,216)	(12,099)	(3,104)	(3,156)	(4,526)
R&D expenses	(2,104)	(3,151)	(5,777)	(7,493)	(9,954)	(11,315)
<b>EBIT</b>	<b>1,196</b>	<b>5,555</b>	<b>(3,677)</b>	<b>7,580</b>	<b>10,888</b>	<b>16,336</b>
Fair value changes on investments	2,727	6,371	4,430	3,813	1,000	1,000
Share of losses of investments	(150)	(231)	(615)	(672)	(200)	(200)
Other income	540	449	845	1,266	300	300
Other (losses)/gains, net	(528)	72	213	(226)	-	-
<b>PBT</b>	<b>1,176</b>	<b>(41,829)</b>	<b>13,927</b>	<b>12,163</b>	<b>12,340</b>	<b>17,943</b>
Income tax expenses	(684)	(2,060)	(449)	(2,060)	(1,798)	(2,615)
<b>(Loss)/profit for the year</b>	<b>492</b>	<b>(43,889)</b>	<b>13,478</b>	<b>10,103</b>	<b>10,542</b>	<b>15,327</b>
Minority interest	(62)	(63)	(76)	59	65	71
<b>Attributable profit</b>	<b>553</b>	<b>(43,826)</b>	<b>13,554</b>	<b>10,044</b>	<b>10,478</b>	<b>15,256</b>
<b>Adjusted net profit (non-IFRS)</b>	<b>1,896</b>	<b>5,362</b>	<b>8,555</b>	<b>11,532</b>	<b>10,506</b>	<b>15,141</b>
<b>Yoy growth %</b>						
<b>Total revenue</b>	<b>2%</b>	<b>67%</b>	<b>53%</b>	<b>18%</b>	<b>18%</b>	<b>33%</b>
Smartphones	-9%	65%	41%	7%	15%	33%
IoT and lifestyle products	43%	89%	87%	42%	20%	35%
Internet services	102%	51%	61%	24%	29%	32%
Advertising	111%	46%	80%	5%	16%	45%
IVAS	90%	59%	37%	57%	44%	19%
Others	-39%	0%	87%	35%	5%	5%
<b>Gross profit</b>	<b>169%</b>	<b>109%</b>	<b>46%</b>	<b>29%</b>	<b>22%</b>	<b>34%</b>
<b>(Loss)/profit for the year (reported)</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>-25%</b>	<b>4%</b>	<b>45%</b>
<b>Adjusted net profit (non-IFRS)</b>	<b>na</b>	<b>183%</b>	<b>60%</b>	<b>35%</b>	<b>-9%</b>	<b>44%</b>

Source: Company data; AMTD Research estimates

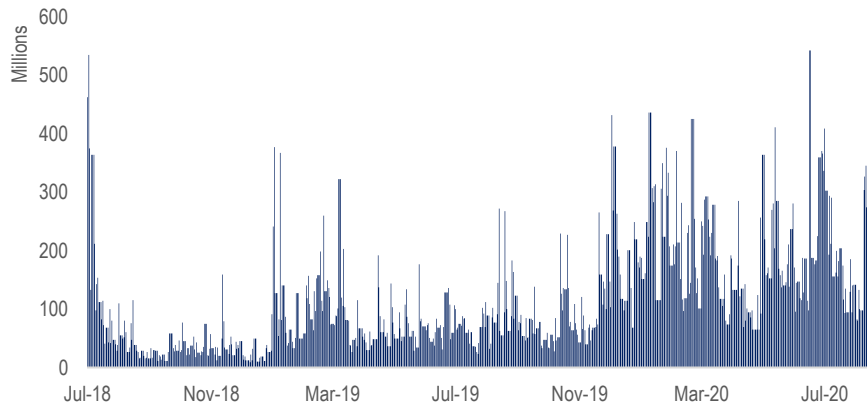
Figure 3: Xiaomi key operating matrix

Operating matrix	2016	2017	2018	2019	2020E	2021E
<b>Revenue mix</b>						
Smartphones	71.3%	70.3%	65.1%	59.3%	57.9%	57.9%
IoT and lifestyle products	18.1%	20.5%	25.1%	30.2%	30.7%	31.1%
Internet services	9.6%	8.6%	9.1%	9.6%	10.5%	10.4%
Advertising	5.6%	4.9%	5.8%	5.2%	5.1%	5.5%
IVAS	3.9%	3.7%	3.3%	4.5%	5.5%	4.9%
Others	1.0%	0.6%	0.8%	0.9%	0.8%	0.6%
Smartphone shipment (million)	55	91	119	125	136	169
yoy %	-17%	65%	30%	5%	9%	25%
Smartphone ASP (Rmb)	880	881	959	980	1,036	1,106
yoy %	9.0%	0.2%	8.8%	2.2%	5.7%	6.7%
IoT and lifestyle product sales per smartphone (Rmb)	224	257	308	486	550	594
yoy %	71.5%	14.5%	20.0%	58.0%	13.0%	8.0%
IoT and lifestyle product sales per MIUI MAU (Rmb)	92	137	181	196	194	218
yoy %	18.9%	49.1%	31.8%	8%	-1%	12%
End-of-the-period MIUI MAUs (millions)	135	171	242	310	384	460
yoy %	20%	27%	42%	28%	24%	20%
Internet ARPU (Rmb)	49	58	66	64	67	73
yoy %	68%	19%	14%	-3%	4%	10%
Gross margin for hardware (%)	4.40%	8.70%	7.33%	8.5%	9.4%	9.2%
Gross margin for internet services segment (%)	64%	60%	64%	65%	57%	59%
Advertising	86%	82%	82%	82%	80%	80%
IVAS	34%	32%	30%	30%	35%	35%
Non-IFRS net margin (%)	2.8%	4.7%	4.9%	5.6%	4.3%	4.7%
Operating margin (reported)	5.5%	10.7%	0.7%	5.7%	4.9%	5.4%
Cash conversion cycle (days)	-35	-38	-36	-34	-35	-35
Operating expense to revenue %	8.8%	8.4%	14.8%	10.2%	9.9%	9.4%
Net cash/ (net debt)	9,663	8,986	28,794	47,821	34,112	39,155

Source: Company data; AMTD Research estimates

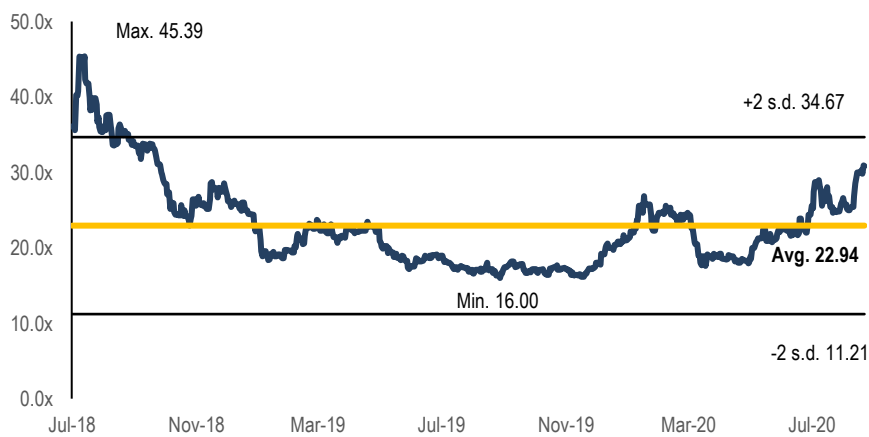
## Trading volume & valuation

**Figure 4: Daily trading volume of Xiaomi (mn shrs)**



Source: Bloomberg, AMTD Research

**Figure 5: One year forward P/E of Xiaomi**



Source: Bloomberg, AMTD Research

Figure 6: Valuation comparison table (1) – Global smartphone and home appliance companies

Code	Company	Price		Mkt Cap (US\$ m)	PE (x)			EPS g (%)			P/S (x)			EV/EBITDA			EV/EBIT		
		Curr.	28-Aug		2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e
<b>China smartphones &amp; home appliances</b>																			
992 HK equity	Lenovo	HKD	5.2	8,061	13.4	12.7	10.3	168.7	13.0	14.8	0.2	0.2	0.2	5.4	4.7	4.2	9.2	7.2	6.5
000333 CH equity	Midea	CNY	70.3	71,880	20.3	19.8	17.0	16.9	(1.5)	16.5	1.8	1.8	1.6	16.1	15.7	13.7	19.2	19.0	16.2
000651 CH equity	Gree	CNY	55.0	48,227	12.8	15.3	12.5	(5.7)	(12.7)	22.5	1.6	1.8	1.6	8.1	9.7	8.0	8.7	10.7	8.6
600690 CH equity	Haier	CNY	23.2	22,512	17.2	20.2	17.4	6.3	(10.4)	16.2	0.8	0.8	0.7	12.8	13.3	11.1	16.9	18.8	14.6
1169 HK equity	Haier Electronics	HKD	28.1	10,195	14.0	18.6	15.6	80.1	(45.6)	19.2	0.9	0.9	0.8	10.3	11.5	9.5	11.7	13.4	11.2
000921 CH equity	Hisence Kelon	CNY	14.9	2,598	13.1	15.1	12.5	n.a.	(20.4)	20.1	0.5	0.4	0.4	21.1	8.5	7.1	12.3	12.3	10.3
000521 CH equity	Meiling	CNY	3.3	466	33.2	66.4	36.9	45.9	(7.4)	80.0	0.2	0.2	0.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Average</b>					<b>17.7</b>	<b>24.0</b>	<b>17.5</b>	<b>52.0</b>	<b>(12.1)</b>	<b>27.1</b>	<b>0.8</b>	<b>0.9</b>	<b>0.8</b>	<b>12.3</b>	<b>10.6</b>	<b>8.9</b>	<b>13.0</b>	<b>13.6</b>	<b>11.2</b>
<b>China kitchen &amp; small appliance</b>																			
002508 CH equity	Robam	CNY	39.3	5,426	23.4	22.0	19.4	8.4	6.0	13.5	4.8	4.6	4.0	18.8	17.9	15.6	20.7	19.0	16.7
002035 CH equity	Vaifi	CNY	11.1	1,405	12.7	13.0	11.3	9.9	-	15.5	1.7	1.7	1.5	9.6	9.8	8.3	10.2	9.7	9.1
002242 CH equity	Joyoung	CNY	45.0	5,026	41.9	37.4	31.7	8.1	12.5	17.7	3.7	3.3	2.8	36.4	32.3	27.1	39.0	35.3	29.2
002032 CH equity	Supor	CNY	83.0	9,926	35.3	35.5	30.0	14.9	(0.5)	18.7	3.4	3.5	3.0	27.9	28.2	23.8	29.9	31.8	26.5
603868 CH equity	Flyco	CNY	58.9	3,734	33.1	36.3	32.4	(19.1)	3.3	12.0	6.5	6.9	6.3	24.5	25.9	22.9	27.6	28.1	26.2
603355 CH equity	Kingclean	CNY	29.0	1,693	23.4	22.7	20.5	19.0	2.0	11.0	2.0	2.1	1.9	14.3	14.0	12.7	18.2	19.2	17.5
<b>Average</b>					<b>28.3</b>	<b>27.8</b>	<b>24.2</b>	<b>6.9</b>	<b>3.9</b>	<b>14.7</b>	<b>3.7</b>	<b>3.7</b>	<b>3.3</b>	<b>21.9</b>	<b>21.4</b>	<b>18.4</b>	<b>24.3</b>	<b>23.9</b>	<b>20.9</b>
<b>China TV</b>																			
751 HK equity	Skyworth Digital	HKD	2.7	1,062	12.1	8.7	7.5	55.8	11.0	15.2	0.2	0.2	0.2	5.6	4.9	4.9	n.a.	n.a.	n.a.
1070 HK equity	TCL Multimidea	HKD	5.3	1,642	8.0	11.1	9.3	127.9	(41.9)	19.1	0.3	0.3	0.2	3.0	4.1	3.5	2.8	5.1	4.6
600060 CH equity	Hisence	CNY	14.7	2,805	51.8	24.3	20.1	41.7	42.6	20.6	0.5	0.5	0.5	13.6	11.9	10.2	n.a.	n.a.	n.a.
<b>Average</b>					<b>24.0</b>	<b>14.7</b>	<b>12.3</b>	<b>75.1</b>	<b>3.9</b>	<b>18.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>7.4</b>	<b>6.9</b>	<b>6.2</b>	<b>2.8</b>	<b>5.1</b>	<b>4.6</b>
<b>Global automation</b>																			
6954 JP equity	Faunc	JPY	18,590.0	35,614	24.2	50.4	60.9	(15.3)	(52.0)	(20.1)	5.9	7.3	8.0	16.3	24.2	27.8	20.7	37.2	46.2
6506 JP equity	Yaskawa Electric	JPY	3,775.0	9,552	22.6	63.9	61.8	4.4	n.a.	n.a.	2.1	2.5	2.7	15.6	28.8	26.9	19.9	49.0	46.4
KU2 GR equity	KUKA	EUR	36.6	1,731	52.3	n.a.	n.a.	(19.7)	(609.3)	67.7	0.5	0.5	0.5	9.6	27.7	13.9	42.6	n.a.	n.a.
ABB US equity	ABB	USD	25.8	55,982	24.6	27.6	22.4	n.a.	n.a.	23.4	2.0	2.2	2.1	23.7	20.0	16.1	20.8	31.9	21.6
300024 CH equity	Siasun Robotics	CNY	16.2	3,677	58.4	80.9	67.7	(34.7)	6.4	19.5	8.0	8.8	7.7	44.4	63.3	54.0	55.6	112.7	81.6
<b>Average</b>					<b>36.4</b>	<b>55.7</b>	<b>53.2</b>	<b>(16.3)</b>	<b>(218.3)</b>	<b>22.6</b>	<b>3.7</b>	<b>4.3</b>	<b>4.2</b>	<b>21.9</b>	<b>32.8</b>	<b>27.7</b>	<b>31.9</b>	<b>57.7</b>	<b>49.0</b>
<b>Global smartphones &amp; home appliances</b>																			
AAPL US equity	Apple	USD	499.2	2,134,525	42.8	38.7	33.1	0.1	8.4	17.1	8.2	7.8	7.0	27.2	26.6	23.2	33.8	31.7	26.7
005930 KS equity	Samsung Electronics	KRW	55,400.0	279,795	17.1	15.1	10.9	(56.9)	16.0	39.0	1.4	1.4	1.3	4.4	3.9	3.2	8.9	7.5	5.3
066570 KS equity	LG Electronics	KRW	85,900.0	11,893	17.7	10.4	8.8	(97.5)	4,206.9	18.7	0.2	0.2	0.2	4.4	4.3	3.9	8.5	8.6	7.6
6758 JP equity	Sony	JPY	8,280.0	99,066	12.6	17.6	20.8	86.3	(34.8)	(15.4)	1.2	1.2	1.3	7.3	7.2	8.3	10.9	10.8	13.6
6752 JP equity	Panasonic	JPY	970.3	22,587	9.3	11.7	22.6	20.4	(20.6)	(55.7)	0.3	0.3	0.4	4.6	5.0	7.4	8.0	10.1	18.2
WHR US equity	Whirlpool	USD	178.9	11,143	11.6	13.9	11.4	5.5	(19.6)	21.5	0.5	0.6	0.6	8.1	9.4	8.3	12.1	14.4	11.9
ELUXB SS equity	Electrolux	SEK	188.0	6,727	13.4	28.4	14.4	(20.5)	(50.4)	97.3	0.5	0.5	0.5	6.0	8.5	6.2	10.7	24.2	11.6
AOS US equity	AO Smith	USD	49.4	7,967	21.9	27.3	21.9	(14.9)	(18.6)	24.5	2.6	2.9	2.7	13.7	16.3	13.8	n.a.	19.6	15.7
SK FP equity	SEB	EUR	147.9	8,846	17.6	25.2	17.6	(1.7)	(32.5)	43.4	1.0	1.1	1.0	10.6	12.7	10.6	13.9	21.4	16.8
5947 JP equity	Rinnai	JPY	9,670.0	4,736	25.2	23.8	24.4	(2.9)	5.3	(5.7)	1.4	1.5	1.5	8.2	8.0	8.1	n.a.	n.a.	n.a.
<b>Average</b>					<b>18.9</b>	<b>21.2</b>	<b>18.6</b>	<b>(8.2)</b>	<b>406.0</b>	<b>18.5</b>	<b>1.7</b>	<b>1.8</b>	<b>1.6</b>	<b>9.5</b>	<b>10.2</b>	<b>9.3</b>	<b>13.3</b>	<b>16.5</b>	<b>14.2</b>

Priced as of 28 Aug 2020; Source: Bloomberg

Figure 7: Valuation comparison table (2) – Global internet companies

Code	Company	Price		Mkt Cap (US\$ m)	Non-GAAP						P/S (x)			EV/EBITDA			
		Curr.	28-Aug		PE (x)			EPS 3yr% 2019-2021e	PE/G (x)			2019	2020e	2021e	2019	2020e	2021e
					2019	2020e	2021e		2019	2020e	2021e						
<b>China Internet</b>																	
BABA US equity	Alibaba	USD	289.0	781,929	54.1	40.1	31.7	30.7%	3.0	2.2	1.7	14.3	10.7	8.0	42.2	33.2	24.8
700 HK equity	Tencent	HKD	540.5	668,247	48.5	37.7	30.3	26.5%	2.2	1.7	1.4	12.2	9.6	7.8	34.4	26.5	22.1
BIDU US equity	Baidu	USD	129.0	44,462	20.5	17.1	14.5	19.0%	0.6	0.5	0.4	2.9	2.9	2.6	15.1	10.9	8.8
JD US equity	JD.com	USD	80.0	125,129	77.3	50.8	35.8	46.8%	1.8	1.2	0.8	1.5	1.2	1.0	54.6	35.9	24.2
NTES US equity	Netease	USD	504.2	69,679	30.7	26.6	23.6	14.0%	32.3	28.0	24.8	7.5	6.6	5.7	25.4	21.1	18.3
CTRP US equity	Ctrip	USD	30.6	18,166	22	n.a.	25	-5.6%	1.6	n.a.	1.8	4	6	4	23	n.a.	22
WB US equity	Weibo	USD	38.5	8,717	14.1	18.8	15.1	-3.2%	1.7	2.3	1.8	4.9	5.3	4.7	12.1	15.5	12.4
WJBA US equity	58.com	USD	55.7	8,347	14.5	13.6	13.3	4.6%	n.a.	n.a.	n.a.	3.7	3.6	3.1	14.3	11.5	10.1
ATHM US equity	Authome	USD	84.8	10,094	21.3	20.0	17.7	9.8%	1.2	1.1	1.0	8.3	8.0	7.2	16.7	14.9	12.9
SINA US equity	Sina	USD	41.1	2,687	14.2	17.3	13.4	2.7%	n.a.	n.a.	n.a.	1.3	1.3	1.1	5.8	7.3	5.5
YY US equity	YY	USD	90.9	7,345	22.6	25.5	17.2	14.7%	n.a.	n.a.	n.a.	2.0	2.0	1.8	21.4	16.9	13.2
VIPS US equity	Vipshop	USD	17.1	11,553	17.8	13.9	11.7	23.7%	n.a.	n.a.	n.a.	0.9	0.8	0.7	11.9	9.4	7.6
2858 HK equity	Yixin	HKD	2.0	1,645	17.9	n.a.	34.1	-27.5%	n.a.	n.a.	n.a.	n.a.	3.0	2.6	n.a.	n.a.	134.2
MOMO US equity	Momo	USD	21.2	4,422	7.6	9.2	7.1	3.8%	0.6	0.7	0.6	1.8	1.8	1.6	5.0	5.2	4.0
BITA US equity	Bitaut	USD	15.8	1,123	14.9	n.a.	36.0	-35.7%	n.a.	n.a.	n.a.	0.7	0.8	0.7	22.8	n.a.	23.6
FANG US equity	Fang	USD	40.1	6,335	6.3	17.4	13.0	-30.3%	0.4	1.0	0.7	1.6	2.0	2.0	4.4	6.4	6.1
BZUN US equity	Baozun	USD	41.2	2,597	44.8	31.1	22.1	42.5%	128.0	88.9	63.0	2.5	2.0	1.5	36.4	23.6	16.4
<b>Average</b>					<b>26.4</b>	<b>24.2</b>	<b>21.3</b>	<b>8.0%</b>	<b>15.7</b>	<b>12.7</b>	<b>8.9</b>	<b>4.3</b>	<b>4.0</b>	<b>3.3</b>	<b>21.6</b>	<b>17.0</b>	<b>21.5</b>
<b>Average ex-Tencent</b>					<b>25.2</b>	<b>23.3</b>	<b>20.7</b>	<b>6.9%</b>	<b>17.0</b>	<b>13.9</b>	<b>9.6</b>	<b>3.9</b>	<b>3.7</b>	<b>3.0</b>	<b>20.8</b>	<b>16.4</b>	<b>21.5</b>
<b>Leading global Internet</b>																	
FB US equity	Facebook	USD	293.7	836,583	32.2	33.0	26.4	13.8%	1.4	1.4	1.4	11.9	10.5	8.4	19.7	19.8	15.7
GOOGL US equity	Google	USD	1,639.4	1,116,857	27.2	31.8	25.2	14.2%	1.7	1.7	1.7	8.4	7.9	6.6	17.0	17.2	13.8
AMZN US equity	Amazon	USD	3,401.8	1,703,926	104.6	73.5	57.3	35.2%	3.2	3.2	3.2	6.1	4.6	3.9	40.8	31.8	25.5
<b>Average</b>					<b>54.7</b>	<b>46.1</b>	<b>36.3</b>	<b>21.1%</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>8.8</b>	<b>7.7</b>	<b>6.3</b>	<b>25.8</b>	<b>22.9</b>	<b>18.3</b>

Priced as of 28 Aug 2020; Source: Bloomberg

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