



# Investment Value Analysis of Xiaomi Corporation

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**Abstract.** This paper provides a comprehensive analysis of the investment value of Xiaomi Corporation based on its financial statements from 2021 to 2023 and corporate risks. By researching its core financial indicators, business structure and strategic layout, this paper aims to provide investors profound insights into its investment potential. Firstly, the financial performance of Xiaomi is analyzed through key ratios such as solvency ratios, efficiency ratios, profitability ratios and growth potential ratios, indicating that it has maintained robust revenue growth. However, net profit margins have exhibited volatility. Nevertheless, by optimizing supply chain management and operational efficiency in 2023, it partially offset disadvantages, resulting in a recovery of net profit margins. Secondly, the primary risks faced by Xiaomi are assessed, which encompass both financial risks and non-financial risks. The paper also integrates Xiaomi's corporate strategy to study its market positioning. Meanwhile, its investments in emerging sectors like smart home devices, wearable technology and electric vehicles are evaluated, showing its future growth potential. Finally, by synthesizing financial health status, risk management and strategic layout, this paper offers investment recommendations. While encountering short-term uncertainties, Xiaomi has strong investment appeal over the long term. This paper suggests that investors moderately allocate their portfolios towards Xiaomi stock to capture investment returns. However, it is essential to consider fluctuations in financial performance, opportunities and challenges when assessing investment value.

**Keywords:** Xiaomi Corporation, Financial Ratio Analysis, Corporate Strategy, Corporate Risks, Investment Analysis.

## 1 Introduction

In the context of the macroeconomic environment, the global economy is undergoing a profound adjustment and transformation, and the science and technology industry has emerged as a key driver of economic growth and innovative development. In recent years, with the acceleration of technological revolutions and industrial transformations, the pace of technological innovation has been continuously increasing, leading to an influx of new technologies and applications. Emerging technologies such as artificial intelligence<sup>1</sup> big data and cloud computing are proliferating rapidly<sup>2</sup> creating vast

opportunities for technological enterprises. Areas including smartphones, the Internet of Things (IoT) and new energy vehicles have become forefronts for innovation within the technology industry.

As consumer demand for technology products continues to escalate, technology companies have to not only maintain a leading edge of innovation, but also prioritize user experience and service quality. As a globally recognized technology enterprise, Xiaomi Corporation is committed to its mission of 'making technology accessible and enjoyable for everyone,' striving to provide consumers with high-cost-performance technological products. Since its establishment in 2010, it has achieved remarkable accomplishments through its unique business model and novel product concepts. By offering cost-effective products, it has attracted a substantial consumer base. Utilizing an internet direct sales model has reduced its sales costs while increasing investment in research and development (R&D), which allows Xiaomi to optimize product design, enhance product performance and improve user experience, thus effectively meeting the diverse needs of consumers of different ages. Through investments and incubation initiatives, it collaborates closely with ecosystem enterprises to promote technological innovation and product iteration with joint efforts.

Xiaomi continuously innovates in the field of smart hardware, with products encompassing a wide range of categories including smartphones, smart speakers and smart wristbands. This has led to the formation of an ecological chain model that deeply integrates into consumers' daily lives, creating interconnected intelligent living scenarios. As for internet services, Xiaomi offers content distribution and cloud services. More importantly, it is investing in the development of new energy electric vehicles (EVs) strategically, thereby establishing a comprehensive technological ecosystem.

This paper focuses on the investment value analysis of Xiaomi Corporation, taking it as the core research subject. By analyzing its business model, financial condition, market competitiveness and other aspects, this study aims to assess its investment potential, enterprise risk and development prospects.

In terms of research methodology, this paper employs a combination of quantitative and qualitative approaches. For the quantitative aspect, financial ratio analysis and Z-score model are utilized to conduct an examination of Xiaomi Corporation's financial statements. Plus, the qualitative research methodology employed in this study integrates literature reference method, case analysis, industry analysis and PESTEL Analysis.

In light of the diversified business layout and rapid development of Xiaomi Corporation, this paper investigates its investment value, which holds significant theoretical and practical implications for investors, enterprises and the entire industry. From a theoretical perspective, this paper enriches the theoretical framework for investment analysis in technology enterprises, providing new research perspectives and methodologies for academia. Practically, for investors, it enables a more precise assessment of associated risks and returns while identifying opportunities within the technology industry to facilitate more informed and rational investment decisions. With regard to Xiaomi itself, this study can assist in recognizing its strengths and weaknesses, optimizing strategic planning, business layout and market expansion efforts, thereby en-

hancing its competitive edge in the marketplace to promote sustainable growth. Furthermore, examining Xiaomi's development model and successful experiences offers valuable insights that can serve as references for other companies within the technology industry, which can foster overall innovation and advancement.

## 2 Methodology

The research methodology combines both quantitative and qualitative approaches.

For the quantitative research method, an analysis of Xiaomi's financial statements from 2021 to 2023 is conducted. It includes a holistic evaluation of key indicators such as solvency ratios, efficiency ratios, profitability ratios and growth potential ratios to assess the financial health of Xiaomi. Furthermore, the Z-score model is utilized to predict its potential bankruptcy risks.

In terms of qualitative research methods, literature reference method, case analysis and industry analysis are adopted. A thorough examination of relevant literature gives insights into the prevailing methodologies for investment analysis pertaining to technology enterprises as discussed by scholars. The case study approach focuses on a complete understanding of Xiaomi's business model along with its industry context and market strategies. As for industry analysis, considering corporate strategy frameworks alongside business layouts, its investment value and potential risks are appraised. Through PESTEL Analysis, non-financial risks faced by Xiaomi are elaborated.

### 2.1 Financial Ratio Analysis

Financial ratio analysis is a research method that involves the calculation and analysis of data from an enterprise's financial statements to assess its financial condition, operational performance and cash flow.

In this paper, this analysis focuses on the Xiaomi Corporation. Specifically, regarding solvency ratios, calculations are made for the current ratio, equity multiplier and debt-to-asset ratio. For efficiency ratios, accounts receivable turnover ratio, inventory turnover ratio and total assets turnover ratio are computed. Concerning profitability ratios, gross profit margin, net profit margin and return on equity (ROE) are analyzed. Finally, for growth potential ratios, operating income growth rate and net profit growth rate are assessed.

### 2.2 Definition of Financial Ratios

**Solvency Ratio.** Current ratio is the proportion of a company's current assets to its current liabilities, serving as an indicator of the ability of current assets to be converted into cash for repaying debts before short-term obligations come due.

The equity multiplier is the ratio of total assets to shareholders' equity, reflecting the extent of the company's financial leverage.

Debt-to-asset ratio represents the proportion of the company's total liabilities to its total assets, indicating the extent to which its assets are financed through debt, which measures long-term solvency and financial risk.

**Efficiency Ratio.** Accounts receivable turnover ratio is the ratio of net credit sales to the average accounts receivable balance over a specified period, reflecting the speed of turnover for accounts receivables and management practices efficiency.

Inventory turnover ratio refers to the ratio of the company's cost of goods sold over a specific period to its average inventory balance, assessing the liquidity of inventory and evaluating whether the capital tied up in inventory is reasonable.

Total asset turnover ratio is the proportion of the company's operating income to its average total assets over a specified period, evaluating its overall quality and efficiency of asset utilization.

**Profitability Ratio.** Gross profit margin is defined as the percentage of gross profit relative to sales revenue, reflecting the initial profitability of products or services.

Net profit margin is the ratio of the net profit to its sales revenue, indicating the amount of net profit generated per unit of sales revenue.

Return on equity (ROE) is the ratio of net profit to average net assets, reflecting the level of returns on shareholders' equity, which measures the company's efficiency in utilizing its own capital.

**Growth Potential Ratio.** Operating income growth rate refers to the ratio of the increase in a company's operating revenue for the current period to the total operating revenue from the previous period, as an essential index for assessing its operational performance and market share, and for forecasting trends in business expansion.

Net profit growth rate is the ratio of the increase in net profit for the current period to the net profit from the previous period, indicating the speed at which the company's net profit is growing and assessing its asset operation and management performance.

## 3 Analysis and Discussion

### 3.1 Company Introduction

**Company Profile.** Xiaomi Corporation, officially established in April 2010 and headquartered in Beijing, China, is a consumer electronics and smart manufacturing company, which centered around smartphones, smart hardware and IoT platforms. It was listed on the main board of the Hong Kong Stock Exchange under the stock code 01810 on July 9, 2018. Its mission is to perseveringly create heartfelt products at fair prices, enabling people worldwide to enjoy the wonderful life that technology brings.

The corporation is not merely an electronics manufacturer, it has evolved into a comprehensive smart living platform. In the field of AIoT (Artificial Intelligence+Internet of Things), it acts as a world-leading consumer-grade platform, whose business model revolves around 'hardware+new retail+internet services' [1]. Through a strategy focused on high cost-performance products and an internet-driven operational approach, it has achieved remarkable success both domestically and internationally.

**Main Business Operations.** Main business operations of Xiaomi are diversified, encompassing smartphones, smart home devices and other consumer electronics.

In the smartphone sector, its products have garnered significant user favor. As of June 2024, the number of monthly active users reached 676 million worldwide. As for smart hardware offerings, it provides a wide array of products ranging from smart home devices such as smart speakers and cameras to personal wearables like fitness bands and smartwatches [2]. This rich product lineup meets various needs across different scenarios in daily life, work environments and entertainment activities [3].

With the advancement of technologies, the corporation is venturing into the field of EVs, aiming to create an interconnected travel experience. The main product is the Xiaomi SU7 series, which feature sleek body designs with futuristic aesthetics while offering long-range capabilities throughout their entire lineup. The intelligent cockpit is equipped with Snapdragon 8295 cabin chips that facilitate seamless connectivity with smartphones, smartwatches and home devices, enabling multi-scenario intelligent assisted driving functions including automatic parking and smart summon features.

Additionally, Xiaomi boasts multiple brands within its portfolio including MI, Redmi, MIJIA, and POCO operating independently in overseas markets, thereby forming a diversified brand matrix [4].

**The Industrial Chain.** The industrial chain covers upstream suppliers, midstream manufacturers and downstream sales channels and users.

Through close collaboration with high-quality upstream suppliers, Xiaomi ensures its products' quality while leveraging economies of scale to reduce costs [5]. Chip suppliers such as Qualcomm and MediaTek provide core computing capabilities. Meanwhile, screen suppliers like Samsung guarantee high-quality display effects.

In the midstream segment, it adopts a light asset model by outsourcing production processes to contract manufacturers like Foxconn and Inventec, focusing on product design, R&D and brand management.

Within the downstream industrial chain, it has established a combined online-offline sales network [6]. It not only operates its own Mi Store and flagship stores on major e-commerce platforms but also develops offline new retail channels by building MIJIA experience stores that offer convenient service experiences.

**Industry Affiliation.** Xiaomi operates primarily within the consumer electronics sector and intelligent manufacturing industry [7]. It stands out as a benchmark enterprise within its sector [8]. It has been included in Fortune magazine's Global 500 list for several consecutive years while being recognized multiple times as one of the fastest-growing companies worldwide. Moreover, Xiaomi holds a significant share in the global smartphone market [9]. According to preliminary data from Counterpoint Research regarding global smartphone sales in 2024, it was projected to sell 170 million units in 2024, ranking third globally with a market share of 14%, trailing behind Samsung at 19% and Apple at 18%. Statistics from authoritative institutions such as Canalys and IDC indicate that Xiaomi's global smartphone shipments have frequently placed among the top three worldwide rankings in recent years. Furthermore, within smart hardware and IoT sectors, its AIoT platform occupies a leading position globally, which drives trends in industry development.

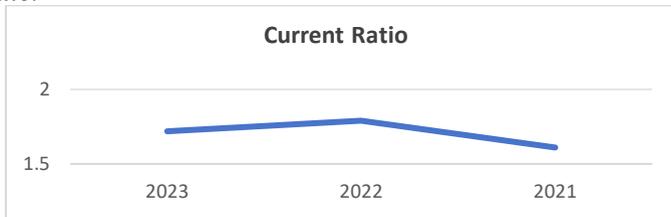
### 3.2 Financial Ratio Analysis of Xiaomi Corporation

#### Solvency Ratio.

**Table 1.** Solvency Ratio of Xiaomi Corp.

Ratio/Year	2023	2022	2021
<b>Current Ratio</b>	1.72	1.79	1.61
<b>Equity Multiplier</b>	1.97	1.9	2.13
<b>Debt-to-Asset Ratio</b>	49.34	47.38	53.08

#### *Current Ratio.*

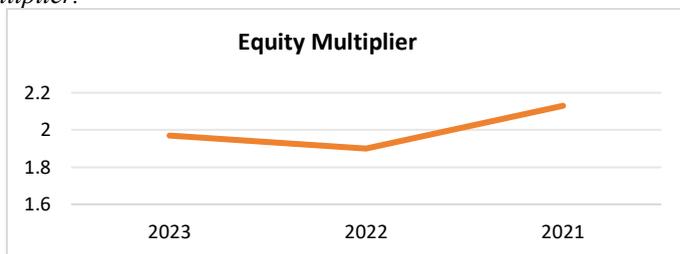


**Fig. 1.** Current Ratio of Xiaomi Corp.

The current ratio of Xiaomi Corporation from 2021 to 2023 initially increased and then decreased, overall stable. (Fig.1) (Table 1) The increase indicates an enhancement in Xiaomi's short-term solvency, which can be attributed to its ample cash reserves in 2022, elevating the proportion of cash and cash equivalents within current assets while reducing accounts receivable backlog and improving working capital conditions. In 2023, Xiaomi intensified investments in new businesses such as EVs, leading to an increase in certain short-term liabilities.

Therefore, Xiaomi should optimize its cash flow and inventory management to ensure that large-scale investments into new business ventures do not exert excessive pressure on liquidity. Meanwhile, prudent planning of debt structure is essential for maintaining financial stability.

#### *Equity Multiplier.*

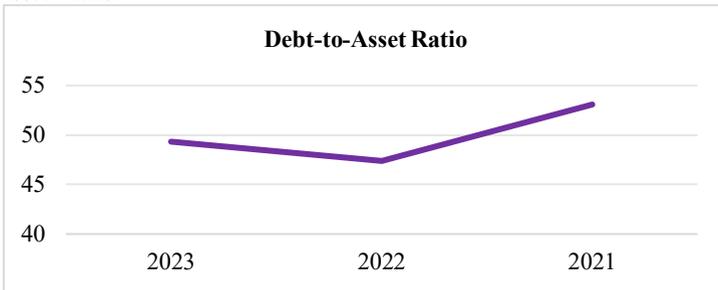


**Fig. 2.** Equity Multiplier of Xiaomi Corp.

The equity multiplier has fluctuations between 2021 and 2023. (Table 2) (Fig. 2) Its decrease in 2022 compared to 2021 indicates that Xiaomi adopted a more conservative financial strategy, lowering leverage risk. The slight increase for 2023 relative to 2022 suggests that it has engaged in greater debt financing, resulting in an expansion of asset size relative to shareholder equity.

Therefore, Xiaomi should maintain a moderate level of leverage since only reducing leverage does not necessarily lead to long-term growth in shareholder value. It can enhance core business profitability and manage costs and expenditures to ensure healthy returns under lower leverage conditions.

*Debt-to-Asset Ratio.*



**Fig. 3.** Debt-to-Asset Ratio of Xiaomi Corp.

From 2021 to 2022, Xiaomi reduced borrowings or repaid a portion of debts, with total liabilities decreasing. (Table 3) (Fig. 3) From 2022 to 2023, though liabilities increased slightly, the rapid growth of its assets led to a relative stabilization of debt-to-asset ratio without significant escalation.

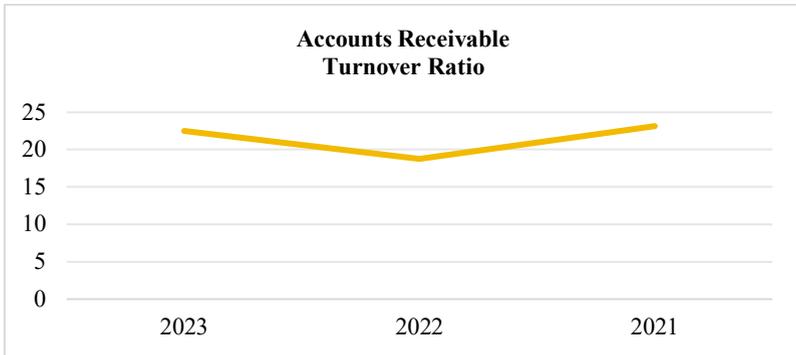
It reflects strategic adjustments in Xiaomi’s financial structure as it gradually reduces liabilities. It can control liability levels based on its cash flow and profitability status, optimize capital structure and enhance profitability to maintain financial health.

**Efficiency Ratio.**

**Table 2.** Efficiency Ratio of Xiaomi Corp.

Ratio/Year	2023	2022	2021
<b>Accounts Receivable Turnover Ratio</b>	22.48	18.77	23.15
<b>Inventory Turnover Ratio</b>	4.50	4.52	5.74
<b>Total Assets Turnover Ratio</b>	0.91	0.99	1.20

*Accounts Receivable Turnover Ratio.*



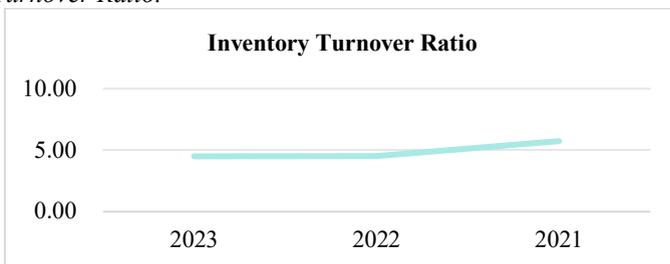
**Fig. 4.** Accounts Receivable Turnover Ratio of Xiaomi Corp.

This ratio experienced a decline from 2021 to 2022, indicating that Xiaomi faced a slowdown in cash collection speed. (Fig. 4) (Table 2) It was due to the global economic downturn, inflationary pressures, a deceleration in smartphone market demand, as well as challenges such as chip shortages and rising logistics costs.

In contrast, this ratio rebounded in 2022-2023, suggesting an improvement in collecting payments and an acceleration of cash inflow. It was because Xiaomi's revenue growth and expanded sales scale in 2023 [10]. Additionally, it revised its credit policies and strengthened accounts receivable management. Furthermore, improvements in global supply chain conditions enhanced delivery efficiency, thus shortening payment cycles.

Therefore, Xiaomi should continue optimizing its credit management practices. By assisting distributors with inventory management optimization and mitigating potential liquidity strains, it can ensure a healthy cycle between sales and collections, supporting its long-term sustainable development [11].

#### *Inventory Turnover Ratio.*

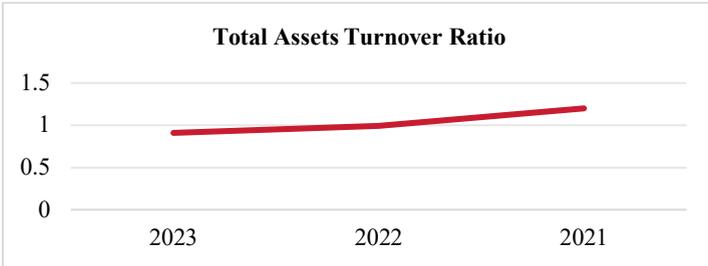


**Fig. 5.** Inventory Turnover Ratio of Xiaomi Corp.

In 2021-2022, the inventory turnover ratio experienced an obvious decline, demonstrating an exacerbation of inventory backlog at Xiaomi and a decrease in sales efficiency because of underperformance of certain new products (Fig. 5). In 2023, this ratio remained basically stable, meaning that Xiaomi's inventory management was optimized, but market demand recovery was limited.

The corporation should enhance supply chain collaboration and ameliorate inventory management to accelerate the sale of mid-range and low-end models.

*Total Assets Turnover Ratio.*



**Fig. 6.** Total Assets Turnover Ratio of Xiaomi Corp.

Owing to weak demand in the smartphone market, inventory accumulation and increased capital occupation, the asset utilization efficiency experienced a notable decline from 2021 to 2022 (Fig. 6). Although Xiaomi has been promoting high-end strategy in recent years, competition in the high-end smartphone segment is intense and sales cycles are prolonged, affecting total assets turnover ratio [12].

During 2022-2023, this ratio continued to decrease due to a slowdown in growth within smart home and IoT product segments. Furthermore, Xiaomi heavily increased its investment in the Xiaomi SU7 in 2023. This business is currently at the R&D stage and requires heavy preliminary investments that have led to an increase in asset occupation without generating corresponding revenue contributions.

From a short-term perspective, this ratio will likely to be influenced by investments in EVs. However, if the mobile phone business picks up and new EVs successfully land, it is expected to be improved.

**Profitability Ratio.**

**Table 3.** Profitability Ratio of Xiaomi Corp.

Ratio/Year	2023	2022	2021
<b>Gross Profit Margin</b>	21.21%	16.99%	17.75%
<b>Net Profit Margin</b>	6.45%	0.89%	5.87%
<b>Return on Equity (ROE)</b>	11.36%	1.76%	14.82%

*Gross Profit Margin.*



**Fig. 7.** Gross Profit Margin of Xiaomi Corp.

The gross profit margin has shown an upward trend (Fig. 7). (Table 3) The decline in 2022 was due to the global semiconductor shortage and intense competition in smartphone markets [13]. Furthermore, the global economic downturn resulted in decreased consumer spending and sales performance of high-margin products. In contrast, the sharp rebound in 2023 was mainly due to an increase in the sales proportion of high-end products and growth of internet services.

In response, Xiaomi should intensify its efforts in the high-end market by launching more competitive flagship models while enhancing brand premium capabilities [14].

#### *Net Profit Margin.*

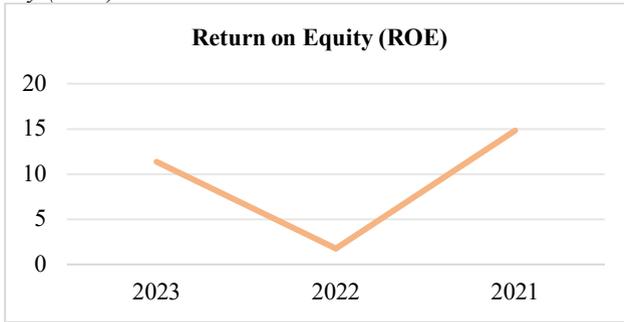


**Fig. 8.** Net Profit Margin of Xiaomi Corp.

In 2021-2022, the net profit margin had a significant decline, which severely impacted profitability (Fig. 8). It was because weak demand in the smartphone market. In response, Xiaomi implemented price reduction and promotional strategies to maintain market share while increasing investments in the high-end market segment, resulting in a short-term rise in R&D and marketing expenses, ultimately causing a decline in net profits. Additionally, fluctuations within global capital markets affected investment returns, compounded by depreciation of the RMB that increased financial costs. Conversely, there was a substantial recovery from 2022 to 2023 due to penetrating high-end markets.

Xiaomi should ameliorate strategies for high-end markets, increasing revenue contributions from higher-margin businesses like advertising, finance and cloud services and lowering reliance on hardware sales.

*Return on Equity (ROE).*



**Fig. 9.** Return on Equity (ROE) of Xiaomi Corp.

ROE in 2021-2022 had a slump (Fig. 9). The net profit margin reveals that the figure for 2022 was largely lower than that of 2021, which directly impacted ROE. Concurrently, the smartphone market faced stagnation, hindering sales growth. However, there was a notable rebound in ROE from 2022 to 2023 attributed to strategies focused on high-end product offerings, growth within internet services and cost optimization measures.

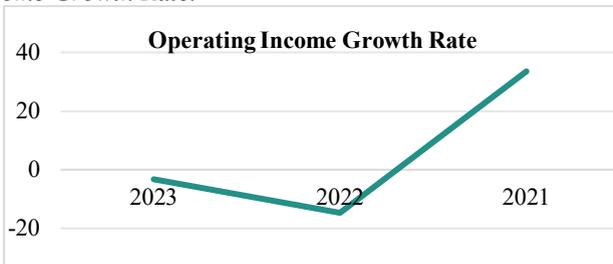
Xiaomi can further refine product structure and increase the proportion of internet business revenues, maintaining steady growth in ROE.

**Growth Potential Ratio.**

**Table 4.** Growth Potential Ratio of Xiaomi Corp.

Ratio/Year		2023	2022	2021
<b>Operating Growth Rate</b>	<b>Income</b>	-3.24	-14.7	33.53
<b>Net Profit Growth Rate</b>		606.34	-87.21	-4.99

*Operating Income Growth Rate.*



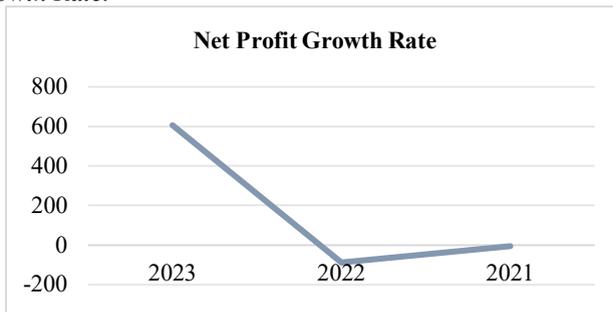
**Fig. 10.** Operating Income Growth Rate of Xiaomi Corp.

From 2021 to 2023, this rate declined, while the year of 2021 marked a relatively high level of growth, driven by sales of smartphones, the expansion of IoT products and

international market penetration. (Fig. 10) (Table 4) However, in 2022, there was a great decline because of global economic uncertainty, supply chain issues and intensified competition. Although the extent of negative growth decreased in 2023, it remained negative, indicating that Xiaomi's revenues had yet to return to a trajectory of growth. The struggle for market share has exerted downward pressure on pricing and revenue, and high-end smartphone product line failed to achieve anticipated market reception [15].

Consequently, Xiaomi should expand into new business areas such as further development of cloud computing services, AI and big data technologies to ensure long-term competitiveness. Additionally, strengthening its international market presence and enhancing penetration rates in emerging markets can contribute to overall revenue.

#### *Net Profit Growth Rate.*



**Fig. 11.** Net Profit Growth Rate of Xiaomi Corp.

Although revenue increased in 2021, the decrease in profit was influenced by factors including rising costs, intensified market competition and investment losses (Fig. 11). This rate saw a significant drop in 2022. In contrast, it rebounded sharply in 2023, attributed to strategic measures aimed at enhancing profitability through cost control, expansion of higher-margin product lines and expense management.

Overall, this rate exhibited considerable volatility. Xiaomi should focus on diversifying its profit models and strengthen supply chain management, thus improving overall operational efficiency.

## **4 Financial Risk**

### **4.1 Principle of Z-score Model**

This model was proposed by Edward I. Altman in 1968, employing multivariate discriminant analysis to predict financial crises within enterprises. Its objective is to assist stakeholders in identifying potential financial risks [16].

The calculation formula is as follows.

$$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 0.999X_5 \quad (1)$$

In this formula,  $X_1$  is Net Working Capital/Total Assets, reflecting the liquidity of the enterprise's assets.  $X_2$  is Retained Earnings/Total Assets, illustrating the enterprise's cumulative profitability.  $X_3$  is EBIT/Total Assets ((Gross Profit + Financial Expenses)/Total Assets), measuring the ability to generate profits from all its assets.  $X_4$  is calculated with Owner's Equity/Total Liabilities, reflecting the financial structure and debt repayment capacity of the enterprise.  $X_5$  is calculated with Prime Operating Revenue/Total Assets, representing the efficiency of asset utilization.

The criteria for evaluating the Z-score is as follows [17]. If  $Z \geq 2.67$ , the financial condition of the enterprise is considered to be sound. If  $1.81 \leq Z < 2.67$ , the financial situation is relatively stable, but it exhibits certain financial risks. If  $Z < 1.81$ , the enterprise faces a heightened risk of bankruptcy.

#### 4.2 Z-score Model of Xiaomi Corporation

**Table 5.** The value of  $X_1$  of Xiaomi Corp. Unit: 100 million yuan

	2023	2022	2021
<b>Current Assets</b>	1991	1604	1859
<b>Current Liabilities</b>	1156	896.3	1157
<b>Total Assets</b>	3242	2735	2929
<b><math>X_1</math></b>	0.25756	0.25876	0.23967

The value of  $X_1$  in 2023 experienced a slight decline compared to 2022, while it showed an increase relative to 2021 (Table 5). In the short term, Xiaomi faces asset liquidity pressures. Whereas, due to a notable growth in current assets, its short-term solvency remains manageable.

**Table 6.** The value of  $X_2$  of Xiaomi Corp. Unit: 100 million yuan

	2023	2022	2021
<b>Retained Earnings</b>	1640	1437	1372
<b>Total Assets</b>	3242	2735	2929
<b><math>X_2</math></b>	0.5059	0.5254	0.4684

The value of  $X_2$  reached its peak in 2022, followed by a slight decline in 2023, but it was not substantial, indicating an enhancement in risk resilience (Table 6). The significant annual increase in retained earnings reflects Xiaomi's strong self-financing capability. Xiaomi should optimize its capital structure to improve asset utilization efficiency and profitability.

**Table 7.** The value of  $X_3$  of Xiaomi Corp. Unit: 100 million yuan

	2023	2022	2021
<b>EBIT</b>	240.19	50.225	228.63
<b>Total Assets</b>	3242	2735	2929
<b>Income Tax Expense</b>	45.37	14.31	51.34
<b>Interest Expense</b>	20.02	11.175	-16.11
<b>Net Profit</b>	174.8	24.74	193.4
<b><math>X_3</math></b>	0.0741	0.0184	0.0781

$X_3$  of 2023 showed a significant increase compared to 2022, presenting enhanced profitability (Table 7). However, with the rise in financing costs and tax burdens, it is essential to pay attention to Xiaomi's capital structure and financial risk.

**Table 8.** The value of  $X_4$  of Xiaomi Corp. Unit: 100 million yuan

	2023	2022	2021
<b>Owner's Equity</b>	1643	1439	1374
<b>Total Liabilities</b>	1600	1296	1555
<b><math>X_4</math></b>	1.0269	1.1103	0.8836

The continuous growth of equity represented Xiaomi's positive financial stability (Table 8).  $X_4$  initially increased and then declined, but it was minimal, showing that both the financial structure and debt repayment capacity remained basically stable.

**Table 9.** The value of  $X_5$  of Xiaomi Corp. Unit: 100 million yuan

	2023	2022	2021
<b>Prime Operating Revenue</b>	2710	2800	3283
<b>Total Assets</b>	3242	2735	2929
<b><math>X_5</math></b>	0.8359	1.0238	1.1209

Compared to 2021 and 2022,  $X_5$  greatly declined in 2023, indicating certain pressure on asset operational efficiency (Table 9). Xiaomi should further optimize resource allocation to enhance operational efficiency and strengthen revenue growth in its core business, thereby making better use of the increasing assets.

Finally, based on the Equation (1).

**Table 10.** The Z-score of Xiaomi Corp.

	2023	2022	2021
<b>Z</b>	2.7130	2.7956	2.8509

Therefore, the Z-score has consistently remained above 2.67 from 2021 to 2023 (Table 10). It demonstrates that Xiaomi's financial condition is robust and the likelihood of financial crisis is low.

## 5 Non-Financial Risks

Non-financial risks refer to the risks that enterprises encounter during their operational processes, which are not directly reflected in financial statements. However, they can impact the operations and long-term development of enterprises [18].

The PESTEL Analysis Model is utilized to examine the non-financial risks faced by Xiaomi, comprising political risk, economic risk, social risk, technological risk, environmental risk and legal risk.

### **5.1 Political Risk**

The instability of global trade dynamics impacts Xiaomi's international operations. The rise of trade protectionism in many countries has led to an increase in trade barriers, such as tariff adjustments and import-export quota restrictions. When expanding into overseas markets, Xiaomi must remain vigilant regarding the evolving trade policies of different nations to mitigate the risks.

Geopolitical conflicts have exacerbated market conditions in certain regions, affecting the normal sales and supply chain stability of Xiaomi's products. It should enhance the assessment of geopolitical risks and formulate flexible marketing strategies accordingly.

### **5.2 Economic Risk**

The uncertainty surrounding global economic trends has a significant impact on consumer purchasing power. Furthermore, the uneven levels of economic development across different countries pose challenges. Though emerging markets present substantial potential, their weak economic foundations and high exchange rate volatility complicate Xiaomi's market expansion and profit forecasting.

Xiaomi operates in multiple countries worldwide, engaging in various currency settlements. Fluctuations in exchange rates can affect both the cost of raw material procurement and the conversion costs associated with overseas revenue into local currencies [19]. Xiaomi can employ financial instruments like forward foreign exchange contracts and currency swaps.

### **5.3 Social Risk**

The consumer electronics market is characterized by rapid changes in consumer preferences, with increasing demands for product appearance, functionality and levels of intelligence. In the smartphone sector, Apple and Samsung dominate a large share of the market due to their high-end brand image and technological advantages [20]. Therefore, Xiaomi must continuously invest in R&D and marketing. With the development of IoT market, many companies are entering the field of IoT and lifestyle consumer products. Xiaomi should innovate product ecosystem. For smart electric vehicles, manufacturers like Tesla and BYD hold remarkable advantages. As a newcomer, Xiaomi faces considerable pressure. Thus, it should adjust its strategic positioning and business model promptly.

### **5.4 Technological Risk**

First, there is technological innovation pressure. The consumer electronics industry experiences rapid technological updates and iterations, necessitating Xiaomi to continuously invest funds. Furthermore, technological innovation carries inherent uncertainties, and investments may not translate into anticipated technological outcomes or market returns in time.

In addition, there exist technological substitution risks. The advancement of VR and AR technologies has the potential to alter how individuals access information and entertainment, influencing the smartphone market [21]. Xiaomi should monitor emerging technology trends and proactively strategize. Plus, its core products heavily rely on suppliers for raw materials and components, increasing supply chain risks. Any disruption within the supply chain or supplier credibility issues may result in product shortages.

## 5.5 Environmental Risk

The global awareness of environmental protection is increasing, and the regulatory requirements for the production, recycling and disposal of electronic products are becoming increasingly stringent [22]. Xiaomi should adhere to environmental standards and utilize eco-friendly materials. Failure to do so may result in substantial fines, product recalls and other risks, damaging its reputation.

## 5.6 Legal Risk

In the highly competitive technology industry, intellectual property disputes are prevalent. Xiaomi may face patent infringement lawsuits during its product development and manufacturing processes [23].

Its operations rely on information systems and data analysis, necessitating the collection, storage and utilization of vast amounts of user data. Consequently, data security and privacy protection have emerged as important legal issues [24]. For instance, the European Union's General Data Protection Regulation (GDPR) imposes strict requirements on corporate data processing activities. Thus, Xiaomi must ensure compliance with them to reduce legal risks. Its Technology Committee has developed a Data Security and Privacy Committee responsible for formulating a data classification system and implementing security control measures.

The corporation has obtained international certifications for security and privacy management including ISO 27001, ISO 29151 and ISO 27018. It also published the MIUI Security and Privacy White Paper, sharing its practices of data security and user privacy protection with users and industry stakeholders alike.

## 6 Conclusion

This paper conducts an in-depth analysis of Xiaomi Corporation's financial reports from 2021 to 2023 and its risks, revealing its financial status, operational performance and multiple potential risks. In terms of revenue, although there was a decline during 2022-2023 due to global economic fluctuations and industry competition, stability was achieved in 2023. The smartphone business remains core to the corporation, maintaining a leading position in global market share while greatly increasing its market share in China's high-end segment, reflecting an enhancement in brand premium capability. The IoT and consumer lifestyle products have shown stable growth as well.

Meanwhile, the internet services sector has performed well due to large user base, and its revenue and gross margin reached historical highs with monthly active users solidifying the corporation's monetization capabilities.

As for risk management, competitive market risks persistently exist as rivals of smartphone and IoT markets continually launch new products to capture market share. Additionally, supply chain risks have become prominent against a backdrop of global supply chain instability featured by raw material price fluctuations and disruptions affecting production and delivery. Nevertheless, Xiaomi addresses these risks through market strategies, supply chain management and measures of managing foreign exchange risk.

In conclusion, Xiaomi demonstrates robust business resilience and strategic adaptability. It has diversified its business layout, and the initial effects of its high-end strategy are becoming evident. Furthermore, Xiaomi possesses strong competitiveness in the global market, along with promising development potential and investment value. Looking ahead, as technology continues to advance and markets expand further, it is expected to achieve more remarkable success.

This study is beneficial for investors as they can assess Xiaomi's financial health, business development trajectory, profitability trends and potential risk factors more accurately. This facilitates evaluations of investment returns and risk exposure during the decision-making process, allowing for scientifically grounded investment choices.

At the industry level, this study provides valuable insights into developmental models for peer companies, including pathways for high-end strategic implementation, experiences in synergistic development across businesses, as well as practices related to R&D investments and the conversion of innovative outcomes. Plus, it serves as an empirical case for research institutions and scholars aiming to further investigate the growth and investment strategies of technology enterprises, enriching academic resources.

In the future, research on Xiaomi can be expanded from multiple perspectives. With the advancement of its EVs business, studies can focus on the influence of this sector on Xiaomi's overall performance and valuation, which includes aspects such as market share acquisition, technological breakthroughs in R&D, cost control measures and profit forecasting.

Plus, under intensifying global market competition and rapid technological iteration, it is essential to analyze how Xiaomi can optimize its global market strategy and enhance brand influence better, as well as explore emerging technologies. By integrating macroeconomic conditions with policy changes, their long-term effects on its business development can be investigated, thereby constructing a more comprehensive and multidimensional framework for studying corporate growth.

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