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Financial Performance Analysis of Xiaomi Corporation

Shanshan Lin

Wenzhou Polytechnic, Wenzhou, 325000, China

Abstract: Xiaomi Corporation is a Chinese investment holding company principally engaged in the R&D and sales of smartphones, IoT devices, and lifestyle consumer products, complemented by internet services and strategic investments. Following years of expansion, Xiaomi has solidified its market presence and scaled its operations significantly. This paper conducts a comprehensive analysis of Xiaomi's financial health, industry positioning, and operational risks. By examining key financial indicators—specifically profitability and solvency—over recent fiscal years, this study identifies underlying operational inefficiencies and provides actionable insights for stakeholders. Furthermore, it evaluates the external and internal risks facing the enterprise and proposes corresponding mitigation strategies.

Keywords: Financial Analysis; Profitability; Solvency; Risk Management; Strategic Recommendations.

1. Introduction

As a pivotal entity in the consumer electronics and smart manufacturing sectors, Xiaomi Corporation has evolved from a single-product startup into a diversified IoT technology conglomerate. This trajectory has positioned the firm as a subject of significant interest among investors and analysts. Leveraging Xiaomi's financial statements from 2020 to 2024, this paper elucidates trends in operational performance, profitability, and solvency. The objective is to furnish investors and management with empirical evidence for strategic decision-making. Additionally, the study assesses prevailing industry and operational risks, culminating in a set of strategic recommendations.

2. Company Profile

Established in Beijing in 2010 by Lei Jun, Xiaomi Corporation has rapidly ascended to become a global leader in technology. Its core business encompasses R&D, manufacturing, and distribution of smartphones, IoT ecosystems, and smart hardware. Beyond hardware, Xiaomi derives substantial revenue from internet value-added services and venture capital investments. Over the past fifteen years, the company has strategically expanded into smart home appliances and, most notably, electric vehicle manufacturing, establishing a robust portfolio of globally recognized brands.

3. Analysis of Key Financial Indicators

3.1. Solvency Analysis

3.1.1. Short-term Solvency

Table 1. 2020–2024 Short-Term Liquidity Metrics

Item	2020	2021	2022	2023	2024
Current Ratio	1.63	1.61	1.79	1.72	1.29
Quick Ratio	1.23	1.14	1.21	1.32	0.93

The current ratio is a crucial financial metric for assessing a company's short-term solvency, representing the proportion of current assets to current liabilities. While a ratio of approximately 2.0 is traditionally considered ideal, Xiaomi Group exhibited a fluctuating trend from 2020 to 2024. The ratio stood at 1.63 in 2020 and rose to 1.79 by 2022, indicating that the company maintained robust short-term solvency during this period. Subsequently, the ratio declined between 2022 and 2024, with a more pronounced drop occurring from 2023 to 2024. Nevertheless, it remained above 1.2, demonstrating that the company's short-term debt repayment capacity remained relatively stable and adequate.

Similarly, the quick ratio, which measures immediate debt repayment capacity by excluding inventory from current assets, typically benchmarks at around 1.0. Xiaomi's quick ratio also fluctuated, moving from 1.14 in 2021 to 0.93 in 2024, both hovering near the benchmark of 1. This suggests that the company's quick assets were generally sufficient to cover its current liabilities. However, it is worth noting that an excessively high quick ratio may indicate suboptimal capital allocation, thereby increasing the opportunity cost of idle funds.

3.1.2. Long-term Solvency

Table 2. 2020–2024 Long-Term Liquidity Metrics

Item	2020	2021	2022	2023	2024
Asset-Liability Ratio	51.11	53.09	47.38	49.34	53.07
Equity Multiplier	2.05	2.13	1.90	1.98	2.14
Equity Ratio	1.05	1.13	0.90	0.98	1.13

The debt-to-asset ratio serves as a comprehensive metric for evaluating a company's leverage level, reflecting the proportion of total assets financed by liabilities. In general corporate finance, an optimal debt-to-asset ratio is typically considered to be within the 40% to 60% range. An excessively high ratio may expose creditors to potential losses, while a ratio exceeding 100% indicates insolvency and significant financial risk. From 2020 to 2024, Xiaomi Group's debt-to-asset ratio exhibited a relatively stable trend, maintaining a level of approximately 50%. This placement within the normal range suggests a sound financial position and indicates that the company's leverage has not undergone drastic fluctuations. Furthermore, this stability reflects Xiaomi's robust financing and risk management capabilities. By effectively balancing the growth of assets and liabilities, the company has successfully mitigated the risk of financial distress associated with over-leverage, demonstrating the absence of material financial risks.

The equity multiplier is a financial metric used to assess investment returns and corporate performance, representing the proportion of a company's assets financed by shareholders' equity. A high equity multiplier implies a heavy reliance on debt financing, which elevates financial leverage and consequently increases financial risk. During the period under review, Xiaomi's equity multiplier displayed mild fluctuations but remained relatively stable, hovering around 2.0. This figure falls within a normal operational range, suggesting that the company has not become overly dependent on equity financing. Moreover, it indicates stable business operations and implies that the risks associated with external financing are moderate and well-managed.

The debt-to-equity ratio, calculated as total liabilities divided by total shareholders' equity, reflects the relative proportion of capital provided by creditors versus shareholders, thereby indicating the stability of a company's fundamental financial structure. Conventionally, when a company's debt-to-asset ratio is between 40% and 60%, maintaining a debt-to-equity ratio between 0.7 and 1.5 is considered essential for preserving a stable financial structure. From 2020 to 2024, Xiaomi's debt-to-equity ratio fluctuated stably around 1.0. This consistency demonstrates strong long-term solvency, lower risk exposure for creditors, and a resilient financial structure. Additionally, the debt-to-equity ratio serves as an indicator of corporate growth potential. Xiaomi's ratio within the normal range implies that the company can strategically utilize debt financing to acquire capital, thereby expanding its production scale, increasing market share, and demonstrating significant potential for future growth.

3.2. Profitability Analysis

Table 3. 2020–2024 Profitability Metrics

Item	2020	2021	2022	2023	2024
Return on Equity	19.28	14.83	1.74	11.27	13.42
Return on Total Assets	9.05	7.08	0.86	5.80	6.51
Gross Profit Margin	14.75	17.16	16.18	20.37	20.92
Net Profit Margin	8.28	5.89	0.88	6.45	6.47

From 2020 to 2024, Xiaomi Group's Return on Equity (ROE) exhibited significant volatility. Notably, the ROE stood at 14.83% in 2021 but plummeted to 1.74% in 2022, representing a drastic decline of nearly 88%. An analysis of the company's related financial statements suggests that this downturn was primarily driven by a turbulent market environment and strategic operational adjustments. At the end of 2022, Xiaomi's management introduced a new operational strategy. Consequently, the ROE rebounded to 11.27% in 2023 and continued to rise to 13.42% in 2024. This recovery demonstrates the successful implementation of the strategic adjustments and indicates that the company has emerged from its profitability trough, exhibiting strong financial resilience.

The Return on Total Assets (ROA) displayed a similar fluctuating trend during the same period, closely mirroring the trajectory of the ROE. This consistent correlation aligns with standard financial dynamics, thereby validating the authenticity of the company's operational data and underscoring the reliability of the conclusions derived from this financial analysis.

Regarding the gross profit margin, Xiaomi demonstrated an upward trend from 2020 to 2024, increasing from 14.75% to 20.92%. This improvement is likely attributable to the enhanced technological sophistication and manufacturing processes of its products, which have strengthened its market competitiveness. However, Xiaomi's gross margin remains lower than that of its industry peers. This discrepancy is largely a result of the company's commitment to a cost-performance (high value-for-money) strategy. By offering affordable products that enhance the user experience, Xiaomi has effectively accumulated a substantial customer base and elevated brand awareness. This mass-market appeal not only fortifies its current market position but also stimulates its potential for sustained future growth.

Between 2020 and 2024, the trajectory of Xiaomi's net profit margin closely paralleled the fluctuations in its asset returns. The net profit margin fell from 8.28% in 2020 to a trough of 0.88% in 2022, before gradually recovering due to strategic adjustments such as cost containment and production scale optimization. This trend reflects the restoration and enhancement of the company's profitability. To further strengthen marketing efforts and expand profit margins without compromising product quality, the company could optimize its product mix. Specifically, adjusting production capacity in response to market demand—by moderately reducing the proportion of low-margin products while increasing the output of high-margin products—would effectively boost the company's overall net profit.

4. Financial Statement Item Analysis

4.1. Balance Sheet Analysis

4.1.1. Asset Analysis

Table 4. 2020–2024 Asset Items (Unit: RMB Billion)

Item	2020	2021	2022	2023	2024
Current Assets	185.85	160.42	199.05	225.71	254.81
Non-current Assets	107.04	113.09	125.20	177.45	253.29
Total Assets	292.89	273.51	324.25	403.16	508.10

Based on the annual report data, Xiaomi Group's current assets exhibited a fluctuating trend between 2020 and 2024. Starting at RMB 185.851 billion in 2020, the figure experienced undulating growth, ultimately reaching RMB 254.811 billion by 2024. These fluctuations indicate that changes in current assets are closely aligned with the company's operational direction and strategic adjustments. Notably, the contraction in 2021 can be reasonably attributed to intensified market competition and rising operational costs, which collectively exerted downward pressure on the company's short-term liquidity.

Regarding non-current assets, a consistent year-on-year expansion was observed from 2020 to 2024, growing from RMB 107.04 billion to RMB 253.285 billion, representing a nearly 2.3-fold increase in scale. Notably, significant growth was recorded in property, plant, and equipment (PP&E), as well as long-term investments measured at amortized cost. Analytically, this trend indicates that Xiaomi has continuously intensified its capital expenditures in production scale, facilities, and equipment in recent years. These strategic investments aim to expand capacity, enhance production efficiency, and bolster long-term commitments to technological R&D and product diversification, thereby reinforcing the company's long-term competitiveness and sustainable development capabilities.

4.1.2. Capital Analysis

Table 5. 2020–20244.1.2. Capital analysis (Unit: RMB Billion)

Item	2020	2021	2022	2023	2024
Current Liabilities	115.73	89.63	115.59	175.39	192.41
Non-current Liabilities	13.96	16.07	17.94	39.03	49.37
Total Liabilities	129.69	105.69	133.53	214.41	241.78

Based on the annual report data, Xiaomi Group's current liabilities exhibited a fluctuating trend over the past five years. Starting at RMB 115.727 billion in 2020, the figure ultimately rose year-on-year to reach RMB 192.405 billion in 2024. This overall increase in current liabilities is likely associated with the expansion of operational scale and the upgrading of production equipment. The temporary reduction in 2021 may be attributed to strategic adjustments in financial management aimed at enhancing financial stability. Although such measures might temporarily reduce total assets, they are instrumental in improving the quality of the balance sheet from a long-term perspective.

Regarding non-current liabilities, the company experienced a consistent year-on-year increase from 2020 to 2024. This upward trend suggests that Xiaomi financed fixed asset investments, equipment upgrades, and technological R&D through long-term borrowings and bond payables during this period. However, such an expansion of the capital structure inevitably increases interest burdens and elevates financial risks.

In summary, under the pressures of industry competition and market volatility, Xiaomi has demonstrated the flexibility to formulate new strategies and promptly optimize its operational approaches. These adaptive measures have effectively maintained financial stability, ensured adequate liquidity, and preserved debt-servicing capacity. Consequently, the company has sustained a robust financial structure, positioning it well to mitigate and respond to market risks.

4.2. Income Statement Analysis

Based on the annual report data, Xiaomi Group's total operating revenue has demonstrated a fluctuating yet generally upward trajectory in recent years. Specifically, total revenue surged from RMB 245.866 billion in 2020 to RMB 328.309 billion in 2021, representing an impressive growth rate of approximately 34%. Concurrently, operating costs increased from RMB 209.114 billion to RMB 270.048 billion, a growth rate of roughly 30%. Since the cost growth rate was slightly lower than the revenue growth rate, this indicates that the company successfully managed cost expenditures to enhance product profitability. In the subsequent two years, however, operating revenue experienced a slight contraction.

Regarding operating expenses, selling expenses saw a substantial increase of approximately 44% in 2021 compared to 2020. This escalation is likely attributable to Xiaomi's intensified marketing efforts, expanded sales channels, and increased capital allocation for business development. The sharp decline in corporate profits in 2022 can be associated with macroeconomic uncertainties, pandemic-related disruptions, and substantial capital requirements for new product R&D. Meanwhile, administrative expenses exhibited a continuous upward trend, rising from RMB 13.003 billion in 2020 to RMB 24.225 billion in 2023. By September 2024, administrative expenses had already reached RMB 20.735 billion, maintaining their upward trajectory. This growth reflects the company's expansion in operational scale, enhanced employee compensation and benefits, and increased investment in technological R&D. These proactive measures underscore Xiaomi's commitment to sustainable future development. Furthermore, it is noteworthy that financial expenses have decreased consecutively, shifting from RMB 2.401 billion in 2020 to negative RMB 2.002 billion in 2023 and further to negative RMB 3.106 billion in 2024. This sustained decline demonstrates the significant success of Xiaomi's financial strategies and highlights the continuous optimization of its capital utilization efficiency.

In terms of taxation, income tax expenses have consistently aligned with fluctuations in net profit. Income tax stood at RMB 1.321 billion in 2020 and increased to RMB 5.134 billion in 2021. Following the sharp profit contraction in 2022, the income tax decreased correspondingly to RMB 1.431 billion. As profitability recovered and resumed an upward trend in 2023 and 2024, income tax expenses increased proportionally. This dynamic strictly adheres to tax regulations, reflecting the compliance, authenticity, and transparency of Xiaomi's financial reporting.

Xiaomi Group has experienced considerable volatility in its profitability. Net profit witnessed a severe decline in 2022, dropping from RMB 20.313 billion in 2020 to merely RMB 2.503 billion in 2022, representing a year-on-year decrease of 87%. This downturn was primarily driven by adverse external factors, including a macroeconomic downturn, escalating global inflation, and significantly weakened consumer demand. In response, Xiaomi strategically pivoted its operational approach from pursuing sheer scale to a dual focus on "scale and profitability." Consequently, net profit rebounded significantly in 2023, returning to its historical normal levels. This demonstrates Xiaomi's agility in rectifying strategic missteps and adapting to market dynamics, thereby enhancing its competitive edge and ensuring promising prospects for sustained future growth.

5. Risk Analysis and Future Outlook

5.1. Macroeconomic and Industry Risks

As a highly recognized consumer electronics and smart manufacturing enterprise, Xiaomi Corporation holds a significant position within the smart technology sector. Consequently, its performance is highly susceptible to fluctuations in the macroeconomic landscape and industry dynamics. In 2025, the Chinese economy will remain in a critical phase of transitioning toward high-quality development, marking both the concluding year of the 14th Five-Year Plan and the preparatory year for the 15th Five-Year Plan. However, the current international economic outlook remains challenging. Geopolitical fragmentation is likely to serve as a persistent impediment to economic growth in the coming years, potentially suppressing global GDP expansion and exerting adverse effects on corporate performance. Furthermore, geopolitical tensions may disrupt supply chains, leading to increased manufacturing costs and compressed profit margins. Therefore, Xiaomi must closely monitor macroeconomic trends and industry developments, maintaining the flexibility to adjust its operational strategies to mitigate potential external risks.

5.2. Internal Operational Risks

Regarding internal operational risks, Xiaomi must continue to prioritize production safety, supply chain management, production line capacity, and R&D and innovation in emerging technologies. Simultaneously, the company needs to closely track market demand and promptly update its product portfolio to mitigate the risks of excessive inventory backlog and supply shortages for high-demand products. Sustained attention to production safety and product quality is essential to achieve zero production accidents and zero product defects, thereby preventing significant financial losses and maintaining or enhancing the corporate brand reputation. Consequently, the company must continuously optimize its internal management systems, improve operational efficiency, ensure product safety and quality, and effectively minimize operational risks.

5.3. Strategic Discussion and Future Prospects

Based on the aforementioned analysis, in navigating the future market environment, Xiaomi should continue to enhance its market competitiveness in the consumer electronics and smart manufacturing sectors. This can be achieved by intensifying R&D investments to drive product innovation and upgrade service models. Concurrently, the company can leverage mergers and acquisitions (M&A) to expand its business scope and market share, thereby strengthening its competitive advantages and broadening its competitive channels. Furthermore, Xiaomi should bolster its efforts in international market expansion, actively aligning with national policies to promote its brand and products globally, thereby expanding its market footprint and facilitating international capital recovery. In terms of risk management, the company should establish a more comprehensive risk early-warning and response mechanism to ensure the timely mitigation of emerging challenges and to prevent a recurrence of the financial distress experienced in 2022.

6. Conclusion

Based on an in-depth analysis of Xiaomi Corporation's financial reports from 2020 to 2024, the following conclusions can be drawn:

During the period under review, Xiaomi Group demonstrated robust operational resilience and strategic flexibility. Despite a significant decline in profitability in 2022, driven by a complex and volatile macroeconomic environment and internal strategic adjustments, management responded swiftly by pivoting its operational strategy to prioritize both scale and profitability. This strategic shift proved effective, enabling the company to achieve a performance recovery in 2023 and 2024, as evidenced by a notable rebound in profitability metrics.

In terms of financial structure, Xiaomi Group maintained a relatively prudent position. Its debt-to-asset ratio consistently remained within a reasonable range of approximately 50%, indicating stable long-term solvency. Concurrently, the company has continued to increase its investment in non-current assets, with substantial capital allocation directed toward property, plant, and equipment, and long-term R&D. This reflects Xiaomi's commitment to expanding production capacity, deepening its technological moat, and laying a solid foundation for long-term sustainable development.

Nevertheless, the company faces a series of challenges. Short-term solvency indicators have weakened since 2022, while increasingly complex international geopolitical dynamics and supply chain risks continue to exert external pressure. Furthermore, internal operations are subject to increasingly stringent requirements regarding inventory management, product innovation, and production safety.

In summary, Xiaomi Group has successfully navigated a period of temporary downturn, with its financial health and operational strategies demonstrating strong adaptability and resilience. Looking ahead, if the company can continue to strengthen technological R&D and product innovation while further optimizing operational efficiency and effectively managing both internal and external risks, it is well-positioned to consolidate and enhance its market standing amidst fierce competition, thereby achieving long-term and stable growth.

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