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A Strategic and Financial Analysis of Xiaomi Group— A Study Based on the Period 2018–2024

Tajima Mana

Seisa International High School, Yokohama, Japan
mana5028@icloud.com

Abstract. Xiaomi, leveraging its trinity business model of "Hardware + Internet + New Retail," has rapidly risen to become one of the world's top five smartphone manufacturers. In 2021, the company announced its entry into the smart electric vehicle sector. This study takes Xiaomi Group as the research subject, examining its competitiveness and development potential in the global smart hardware and internet services market. By employing the SWOT model and Porter's Five Forces analysis, and integrating financial data from 2018 to 2024 and industry research reports, this paper systematically evaluates Xiaomi's strategic advantages and financial performance. The research finds that Xiaomi demonstrates significant competitiveness in the mid-to-low-end smartphone market and the development of its AIoT ecosystem. Its internet services business maintains a gross profit margin of over 70%, forming a relatively stable financial pillar. However, Xiaomi holds less than a 15% share in the high-end smartphone market, indicating a limited brand premium. Furthermore, it faces pressures from the international political environment and supply chain security. The unique contribution of this study lies in combining strategic and financial metrics to reveal the synergistic potential within Xiaomi's diversified layout, particularly between its AIoT and automotive businesses. This study suggests that Xiaomi should continue to increase R&D investment in high-end segments, optimize its overseas market structure, and explore new growth avenues through the interconnectivity between its smart electric vehicles and the existing IoT ecosystem. The conclusions offer reference value for investors and management.

Keywords: Xiaomi Group, Strategic Analysis, Financial Analysis, AIoT, Smart Electric Vehicles

1. Introduction

Founded in 2010, Xiaomi Group rapidly gained market share and emerged as a major global smartphone manufacturer by leveraging its "high cost-performance" positioning. Following its IPO in 2018, Xiaomi expanded globally with its unique "Hardware + Internet + New Retail" model. However, as the smartphone industry matured and faced headwinds from Sino-US technology competition and supply chain risks, its globalization and premiumization efforts encountered challenges. In this context, Xiaomi has intensified its R&D and branding investments in the high-

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end segment while also announcing its entry into the smart electric vehicle (EV) business, aiming to cultivate a new growth engine.

Existing research predominantly focuses on its business model or financial characteristics, often relying on early-stage data that fails to reflect the post-2020 diversification strategy. Furthermore, few studies have integrated strategic and financial analyses. Building on common methodologies used in prior research, this paper employs a combined SWOT and financial ratio analysis, utilizing data from Xiaomi's 2018–2024 financial reports (HKEX), Counterpoint/Canalys market reports, and the East Money database. It specifically investigates how Xiaomi has sustained its global competitiveness through strategic transformation and financial optimization under its established business model. The study's value is twofold: academically, it bridges the gap between strategic and financial research; practically, it provides strategic planning and valuation insights for investors and corporate managers. Additionally, Xiaomi's high-margin internet services business provides crucial financial support for its globalization strategy.

2. Literature review

From a business model perspective, Wang [1] explored the ecosystem advantages of Xiaomi's "Hardware + Internet + New Retail" model, but the research primarily focused on market performance, lacking financial correlation. Regarding internationalization strategy, Li [2] analyzed Xiaomi's localization path in the Indian market, emphasizing its channel strengths but paying limited attention to supply chain risks. In terms of financial performance and investment value, Zhang [3] assessed Xiaomi's financial health and growth potential from an investor's perspective. Chen [4] examined the effectiveness of Xiaomi's diversification strategy, noting its limited impact on profitability enhancement. From the integrated strategy-finance angle, Zhu & Gao [5] attempted a comprehensive analysis using PEST, SWOT, and financial ratios, providing a methodological reference for this study. In summary, while existing studies offer valuable insights from single dimensions, a combined strategic and financial analysis is lacking, which constitutes the primary focus of this paper.

3. Methodology

This study adopts a combined strategic and financial analysis framework to examine Xiaomi Group's competitiveness and development potential during the period 2018–2024. Both qualitative and quantitative research methods are employed to ensure analytical rigor and practical relevance.

3.1. Research methods

First, strategic analysis methods are applied to evaluate Xiaomi's competitive position and external environment. Specifically, the SWOT analysis is used to identify Xiaomi's internal strengths and weaknesses, as well as external opportunities and threats, with particular attention to its AIoT ecosystem, internet services, and smart electric vehicle (EV) business. In addition, Porter's Five Forces framework is referenced to assess industry competition intensity, including competitive rivalry, supplier power, buyer power, threat of substitutes, and barriers to entry in the global smartphone and smart hardware markets.

Second, financial analysis methods are utilized to assess Xiaomi's operational performance and profitability. Key indicators such as revenue growth, gross margin, profit structure, earnings per share (EPS), and cash flow performance are analyzed over time. Trend analysis and cross-segment

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comparison are conducted to evaluate the sustainability of Xiaomi's "hardware + internet services" dual-engine business model. Where appropriate, comparative benchmarking with major industry players (e.g., Apple and Samsung) is used to contextualize Xiaomi's performance, particularly in the high-end smartphone segment.

3.2. Data collection and sources

The study primarily relies on secondary data collected from authoritative and publicly available sources. Financial data from 2018 to 2024 is obtained from Xiaomi Group's annual reports and financial disclosures released on the Hong Kong Stock Exchange (HKEX) (Table 1). These data include income statements, segment information, and key financial indicators.

Industry-level data, such as global smartphone shipment trends, market recovery cycles, and high-end market structure, are sourced from reputable industry research institutions, including Counterpoint Research and Canalys. Supplementary financial and market information is retrieved from the East Money database, which provides additional context for valuation and performance assessment.

Table 1. Research design and data sources

Dimension	Content
Research Period	2018–2024
Research Object	Xiaomi Group
Research Methods	SWOT analysis; Financial ratio analysis; Trend analysis
Financial Data Sources	Xiaomi annual reports (HKEX), East Money
Industry Data Sources	Counterpoint Research; Canalys
Key Variables	Revenue growth, gross margin, EPS, cash flow
Comparative Benchmarks	Apple; Samsung

To ensure data reliability, all information is cross-checked across multiple sources. The selected time horizon allows the study to capture Xiaomi's strategic transformation following its IPO, as well as the impact of industry cyclicality, premiumization efforts, and diversification into the smart EV sector.

3.3. Analytical framework

By integrating strategic frameworks with financial performance analysis, this study constructs a holistic evaluation model that links Xiaomi's strategic choices with observable financial outcomes. This integrated approach enables a deeper understanding of how Xiaomi's high-margin internet services business supports its hardware expansion and long-term ecosystem strategy, while also highlighting the constraints faced in premiumization and internationalization.

4. Empirical analysis

4.1. Financial performance

Revenue and Profit Trends: Driven by the "Hardware + Internet + New Retail" model, Xiaomi sustained growth from 2018 to 2021. It faced pressure in 2022 due to weakened global demand and channel inventory adjustments. A gradual recovery was observed by 2024, supported by a broader

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industry rebound and an optimized product mix, with internet services and premium/high-storage models driving an overall gross margin recovery. At the industry level, after global smartphone shipments hit a near-decade low in 2023, they resumed year-on-year growth in 2024 (Counterpoint reported 4% growth [6]), providing a favorable backdrop for improving brand shipments and average selling prices (ASPs).

Gross Margin and Structure: The gross margin for Xiaomi's internet services business reached a historical high of approximately 76.5% in 2024, significantly outperforming its hardware business. This consistently provides substantial support for overall profit and cash flow, validating the logic of the "hardware scale—traffic monetization" combination.

Cash Flow and Investments: The IoT and internet services segments generated stable cash flow. The premiumization push and the smart EV initiative imposed near-term pressure on capital expenditure and R&D investment. However, medium-to-long-term ecosystem synergies (smartphone/IoT/car connectivity) are expected to create a closed loop of "user—device—service."

Benchmarking Perspective: The premium market remains dominated by Apple and Samsung. Xiaomi's share in the high-end segment (>$600) is relatively low. Nevertheless, it achieved double-digit growth in this segment in 2024 amid the overall market recovery and brand upscaling efforts, securing its position among the global top three. This progress lays a foundation for future premium market penetration and ecosystem leverage.

Progress of New Business (EV): Deliveries of the SU7 model commenced in 2024, with order lock-ins and delivery pace exceeding expectations. Management repeatedly raised its annual delivery target during 2024 and disclosed cumulative delivery milestones. Volume is expected to further increase in 2025. In the short term, this business prioritizes scale and brand reputation. Future profitability elasticity will primarily depend on supply chain ramp-up, platform reuse, and software-based value-added services.

- Revenue Trend: Maintained double-digit growth from 2018 to 2021, slowing in 2022 due to declining global demand (see Figure 1).
- Profit Structure: Hardware gross margin ~10%; Internet services gross margin >70%.
- EPS CAGR (2018–2024E): Approximately 8–10%.
- Cash Flow: IoT and internet services businesses contributed stable cash flow.

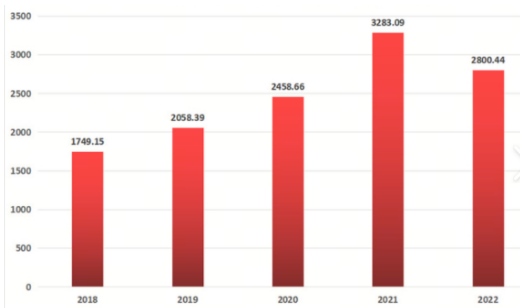

Figure 1. Revenue and net profit trend of Xiaomi Group, 2018–2022

4.2. Strategic analysis

As shown in Table 2, Xiaomi's primary competitive advantages stem from its IoT and internet services businesses. However, its share in the high-end market remains below 15%, significantly lower than Apple's (>50%). As indicated earlier, Xiaomi's internet services gross margin substantially outperforms its hardware business (70% vs. 10%). This demonstrates the stability of Xiaomi's profit model while also highlighting its relative weakness in the global high-end segment.

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Concurrently, its strategic layouts in AIoT and electric vehicles offer substantial potential for future growth. Establishing cross-domain synergies could significantly enhance user stickiness and brand value. It is worth noting that these findings not only complement the existing body of literature but also underscore Xiaomi's distinctive position within the contemporary business landscape.

Table 2. Key financial and strategic indicators of Xiaomi Group (2018–2024)

Indicator	2018–2021	2022	2023–2024	Strategic Interpretation
Revenue Growth	Sustained double-digit growth	Sharp slowdown	Gradual recovery	Reflects strong scale advantage but high exposure to industry cyclicality
Overall Gross Margin	Relatively stable	Declined	Rebounded	Product mix optimization and higher contribution from internet services
Hardware Gross Margin	~10%	~10%	~10%	Scale-driven model with limited pricing power
Internet Services Gross Margin	>70%	>70%	~76.5%	Core profit pillar providing financial resilience
Segment Profit Structure	Hardware-led revenue	Pressure on hardware	Profit increasingly driven by services	Validates "hardware + services" dual-engine model
EPS Trend	Continuous growth	Decline	Recovery	Earnings resilience despite macro and industry shocks
Operating Cash Flow	Stable	Slight pressure	Improved	Strong internal financing capacity
R&D Investment Intensity	Rising	Rising	Accelerated	Strategic shift toward premium smartphones and EV development
Capital Expenditure Pressure	Moderate	Increasing	High	Short-term burden driven by EV and ecosystem expansion

5. Conclusion

Between 2018 and 2024, Xiaomi demonstrated a clear pattern of cyclicality and resilience within its "dual-engine" structure. On one hand, its hardware business was deeply affected by the cyclical fluctuations of the smartphone industry, experiencing pressure during the global demand downturn in 2022. On the other hand, its internet services business, characterized by high gross margins and strong cash flow, saw its gross margin rise to approximately 76.5% in 2024. This provided a crucial financial buffer for the company to navigate market cycles and advance its premiumization and ecosystem strategies. From an industry perspective, after bottoming out in 2023, the global smartphone market experienced a recovery in 2024. This external inflection point, combined with Xiaomi's more focused product strategy (e.g., imaging, performance, and AI experience), resulted in signs of simultaneous improvement in both market share and profit quality.

However, significant challenges persist. First, the high-end market remains dominated by Apple and Samsung. Xiaomi is still in a catch-up phase within the >$600 price segment, and the lower premium market penetration continues to constrain its brand premium and per-unit profit margins. Second, uncertainties stemming from international geopolitics and supply chain security impose higher requirements for its overseas market strategies (compliance, channels, localization) and access to core components. Third, the smart electric vehicle (EV) business, part of its diversified portfolio, requires sustained capital expenditure and organizational synergy during its launch phase.

The realization of its economies of scale, platform capabilities, and software-based monetization remains to be validated over time. In summary, the next 2–3 years represent a critical transition period for Xiaomi, moving from a "share-driven" to a "quality and ecosystem value-driven" growth model.

Based on the integrated "strategy + finance" assessment in this study, feasible pathways for Xiaomi include: (1) Continue increasing R&D investment in core high-end technologies (imaging, chipset synergy, on-device AI inference, and device-cloud collaboration). This should be coupled with a synergistic flagship and sub-brand strategy to move up the price ladder and increase the average selling price (ASP). (2) Optimize its overseas regional structure. Implement differentiated strategies for growth markets (e.g., Latin America, MEA, Southeast Asia) versus saturated markets (e.g., Europe), while strengthening compliance and channel efficiency. (3) Advance the integrated "smartphone/IoT/car" product-service ecosystem. Focus on creating a unified account and benefits system around the car OS, smart home hub, and cross-device content/cloud services to boost average revenue per user (ARPU) and lifetime value. (4) Steadily progress EV capacity ramp-up and platform reuse. Leverage a common electronic/electrical architecture to reduce Bill of Materials (BOM) and R&D amortization costs, while exploring software-based revenue streams such as ADAS subscriptions and in-car application distribution.

If the above measures are successfully implemented, the high margins from internet services and the ecosystem expansion via IoT/EV could become complementary. This positions Xiaomi to potentially achieve dual-track growth characterized by "premiumization + ecosystem integration" in the next industry innovation cycle.

Overall, Xiaomi's development from 2018 to 2024 exhibits dual characteristics: a stable foundation built on IoT and internet services, alongside persistent pressures from its premiumization and internationalization efforts. From an investor's perspective, key focal points should be the penetration rate of high-end models and the EV mass-production timeline. From a corporate strategy standpoint, priorities include strengthening high-end R&D, optimizing the overseas market structure, and fostering integration between EVs and the existing IoT ecosystem.

The contribution of this paper lies in proposing an integrated "strategy + finance" analytical framework. This framework not only reveals the opportunities and bottlenecks in Xiaomi's strategic transformation but also provides actionable insights for investors and corporate management. This aligns with the discussion on the potential of EV-IoT interconnectivity, suggesting that a diversified strategy could indeed become a long-term growth driver for Xiaomi. The author posits that Xiaomi's venture into the EV sector resembles a long-term strategic bet rather than a near-term source of profit.

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