

Xiaomi becomes the latest tech company to venture into AV digital frontier

Article

The news: Xiaomi will spend **\$77.4 million** to acquire autonomous vehicle (AV) startup **Deepmotion** using funds from surging smartphone shipments in an effort to expand its

product offerings, **according to** Bloomberg.

- Xiaomi reported a record **64% year-over-year (YoY) revenue increase** in its Q2 ending in June. Its net income also surged **80% YoY**.
- In addition to AVs, Xiaomi also said earlier this year that it would invest \$10 billion into electric vehicles over the next decade.

The rapid rise of Xiaomi: The Chinese smartphone giant has rapidly filled the shoes of a diminished Huawei and recently **became** the world's largest smartphone vendor by shipments for the first time.

- That mantle was held by Huawei as recently as 2020, but an onslaught of US sanctions rapidly tanked its international business.
- Xiaomi, meanwhile, took off in international markets. In Q2, Xiaomi smartphone shipments **grew 83% YoY** in Western Europe, Africa, and Latin America.

The bigger picture: Xiaomi is the latest Chinese tech firm to enter an increasingly competitive and crowded EV and AV space.

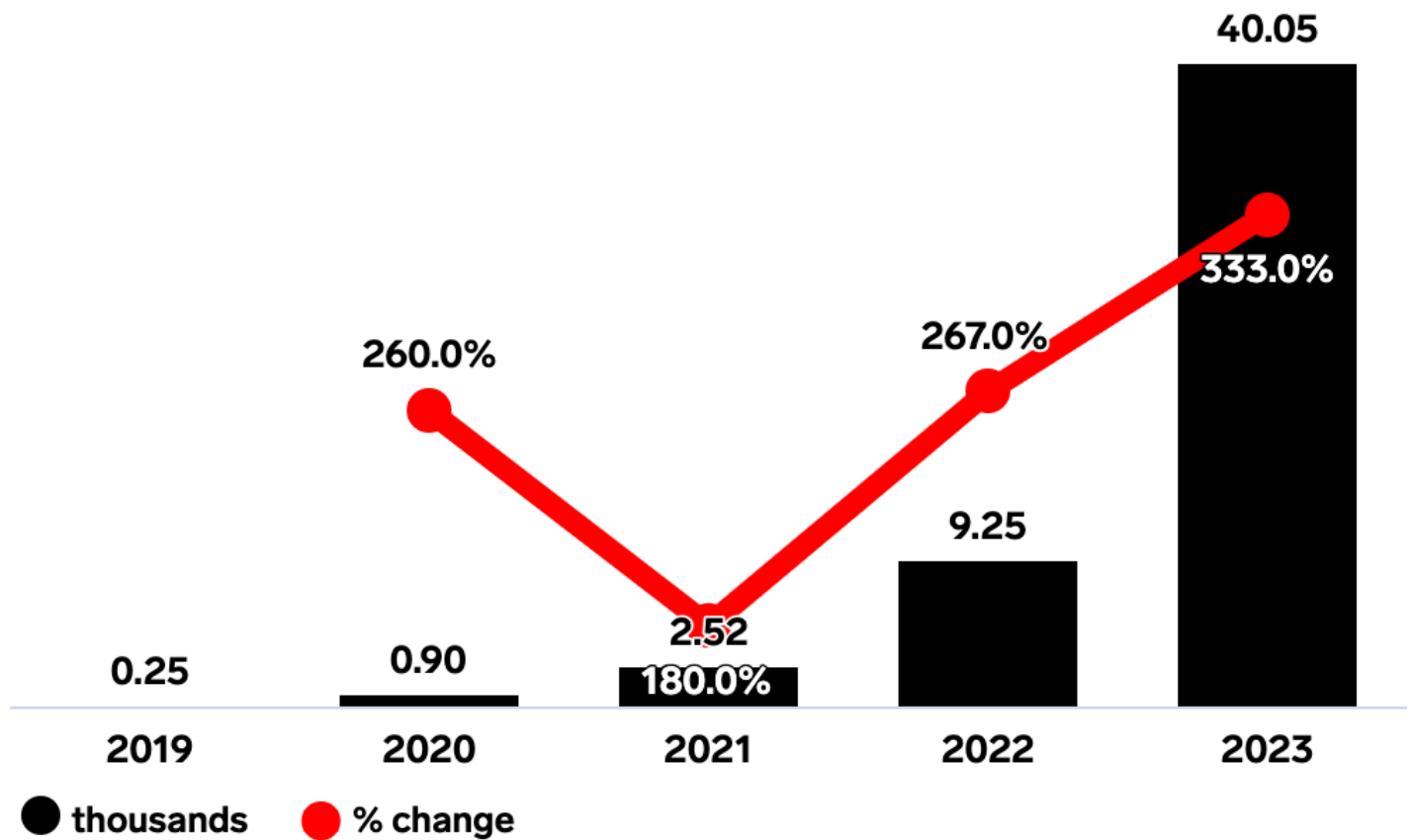
- Chinese tech giant Baidu has been working on autonomous vehicles for years and recently launched the world's first paid (though limited) autonomous taxi service in May.
- Not to be outdone, Alibaba announced earlier this year that it would develop a self-driving truck in partnership with logistics company Cainiao.

The opportunity: Autonomous vehicles could turn into the next digital frontier for Xiaomi if the company hits a ceiling on new smartphone users.

- AVs, which feature touch-screen interfaces and mobile broadband connectivity bundled into infotainment centers that serve as an extension of the mobile experience, could offer a potentially large growth area.
- If it can deal with (nontrivial) manufacturing hurdles, Xiaomi could be well suited to use its experience creating consumer electronics to create a tech-integrated connected car.
- **According to** our estimates, autonomous ride-sharing vehicles in the US alone are expected to see a **333% increase** from 2021 to 2023.

What's the catch? Xiaomi may need to tread carefully given China's reinvigorated regulatory regime that has demonstrated an **eagerness** to limit the size of the country's largest tech companies.

Autonomous Ride-Sharing Vehicle Units US, 2019-2023



Source: eMarketer, July 2021

[InsiderIntelligence.com](https://www.insiderintelligence.com)