

## COMPANY UPDATE

**GoerTek Inc. (002241.SZ)**

Buy

Equity Research

**Key catalysts in 3Q16 to drive re-accelerating growth; reiterate Buy****What's changed**

We update our forecasts for three reasons: (1) **Potential of Chinese branded integrated VR:** We believe the turnkey solutions by Qualcomm and other chip suppliers will fuel the Chinese Virtual Reality (VR) market, similar to how they underpinned the take off of Chinese branded smartphones. With GoerTek benefiting from its partnership with QCOM and early mover advantage on VR, we forecast Chinese VR to contribute 5%/6% of total revenue in 2017E/2018E. (2) **Acoustic upgrade to drive up Apple revenue:** We now estimate 40% (vs. 10% previously) increase in speaker and receiver box value in iPhone 7 vs. 6S on inclusion of waterproof and stereo sound effect, which leads to 7% higher Apple revenue forecast in 2016E/17E despite now modelling lower unit sales. (3) **Lower ASP and GPM of Sony PS VR ODM business:** We previously expected Sony PS VR to have similar GPM as Oculus at 20%+ with US\$300 ASP but now incorporate company guidance that Sony's GPM will fall within 10-15% range with US\$250 ASP due to Sony's scale and strong control over its supply chain. Together, these revisions cut 2016-18E EPS by 5-6% as the lower margin offsets modestly higher revenue.

**Implications**

We are still 0-2% vs. Reuters consensus on 2016-17E operating profit. We expect robust earnings growth in 2Q16 (+30% yoy in line with guidance) and a strong 3Q16 driven by Apple's product cycle and VR shipment ramp up for Sony VR's October launch—key **catalysts** for the shares. In our view, 35% earnings growth yoy re-acceleration in 2016E (vs. -25% in 2015) should drive a re-rating of the stock in line with its last 12m peak of 26X P/E (currently 21x).

**Valuation**

Our 12m TP increases to Rmb31.6, up from Rmb30, as a higher 2016E peer multiple more than offsets our earnings cut. Our TP is based on 20X P/E (was 19X) applied to 2020E earnings which we discount back to 2016E at unchanged 8.4% COE. Our TP implies 26X NTM P/E.

**Key risks**

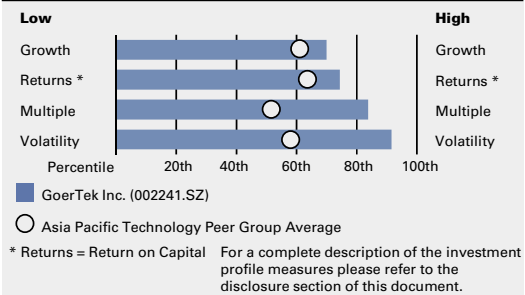
Slower-than-expected VR ramp up; weaker-than-expected iPhone sales

**INVESTMENT LIST MEMBERSHIP**

Asia Pacific Buy List

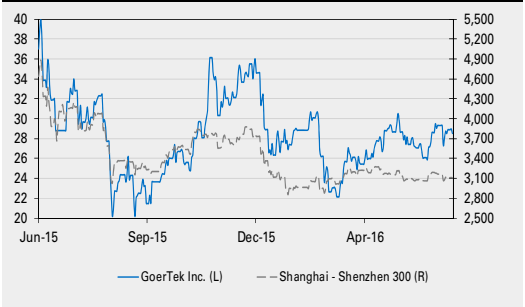
**Coverage View: Neutral**

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**Investment Profile****Key data**

	Current
Price (Rmb)	28.52
12 month price target (Rmb)	31.60
Market cap (Rmb mn / US\$ mn)	43,534.6 / 6,616.9
Foreign ownership (%)	--

	12/15	12/16E	12/17E	12/18E
<b>EPS (Rmb) New</b>	<b>0.82</b>	<b>1.11</b>	<b>1.38</b>	<b>1.58</b>
EPS revision (%)	0.0	(5.2)	(5.2)	(6.4)
EPS growth (%)	(24.5)	35.1	24.6	14.6
<b>EPS (dil) (Rmb) New</b>	<b>0.82</b>	<b>1.11</b>	<b>1.38</b>	<b>1.58</b>
P/E (X)	37.9	25.8	20.7	18.0
P/B (X)	5.0	4.0	3.4	2.9
EV/EBITDA (X)	21.2	15.7	13.1	11.8
Dividend yield (%)	0.3	0.4	0.5	0.6
ROE (%)	14.1	16.6	17.7	17.4
CROCI (%)	20.0	17.5	16.9	16.0

**Price performance chart**

Share price performance (%)	3 month	6 month	12 month
Absolute	5.5	(17.2)	(22.9)
Rel. to Shanghai - Shenzhen 300	10.3	3.0	15.1

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 6/21/2016 close.

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# GoerTek Inc.: Summary Financials

Profit model (Rmb mn)	12/15	12/16E	12/17E	12/18E	Balance sheet (Rmb mn)	12/15	12/16E	12/17E	12/18E
<b>Total revenue</b>	<b>13,656.0</b>	<b>19,516.1</b>	<b>24,382.5</b>	<b>28,326.5</b>	Cash & equivalents	4,378.8	2,812.1	2,307.4	2,266.0
Cost of goods sold	(10,256.1)	(14,905.8)	(18,739.0)	(21,919.1)	Accounts receivable	3,918.9	5,600.6	6,997.1	8,129.0
SG&A	(989.3)	(1,418.8)	(1,726.2)	(1,955.0)	Inventory	2,146.9	3,120.2	3,922.6	4,588.3
R&D	(770.5)	(1,034.4)	(1,219.1)	(1,388.0)	Other current assets	198.5	198.5	198.5	198.5
Other operating profit/(expense)	0.0	0.0	0.0	0.0	<b>Total current assets</b>	<b>10,643.1</b>	<b>11,731.4</b>	<b>13,425.6</b>	<b>15,181.8</b>
ESO expense	--	--	--	--	Net PP&E	6,692.4	8,577.8	10,011.5	11,452.0
<b>EBITDA</b>	<b>2,336.7</b>	<b>3,008.1</b>	<b>3,633.0</b>	<b>4,042.1</b>	Net intangibles	1,575.4	1,376.1	1,202.1	1,050.1
Depreciation & amortization	(696.7)	(851.0)	(934.7)	(977.7)	Total investments	253.1	253.1	253.1	253.1
<b>EBIT</b>	<b>1,640.0</b>	<b>2,157.1</b>	<b>2,698.3</b>	<b>3,064.4</b>	Other long-term assets	84.0	84.0	84.0	84.0
Interest income	53.6	48.2	34.6	28.4	<b>Total assets</b>	<b>19,247.9</b>	<b>22,022.4</b>	<b>24,976.3</b>	<b>28,020.9</b>
Interest expense	(241.6)	(258.2)	(264.3)	(256.6)	Accounts payable	2,755.9	4,005.3	5,035.3	5,889.8
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0	Short-term debt	2,673.8	2,673.8	2,673.8	2,673.8
Others	38.6	58.1	31.9	31.9	Other current liabilities	470.2	486.5	528.1	558.8
<b>Pretax profits</b>	<b>1,490.6</b>	<b>2,005.3</b>	<b>2,500.4</b>	<b>2,868.0</b>	<b>Total current liabilities</b>	<b>5,899.9</b>	<b>7,165.6</b>	<b>8,237.1</b>	<b>9,122.4</b>
Income tax	(250.2)	(327.6)	(407.5)	(467.4)	Long-term debt	3,742.1	3,742.1	3,742.1	3,742.1
Minorities	10.7	12.2	12.2	12.2	Other long-term liabilities	109.0	109.0	109.0	109.0
<b>Net income pre-preferred dividends</b>	<b>1,251.1</b>	<b>1,689.9</b>	<b>2,105.2</b>	<b>2,412.8</b>	Total long-term liabilities	3,851.1	3,851.1	3,851.1	3,851.1
Preferred dividends	0.0	0.0	0.0	0.0	<b>Total liabilities</b>	<b>9,751.0</b>	<b>11,016.7</b>	<b>12,088.2</b>	<b>12,973.5</b>
<b>Net income (pre-exceptionals)</b>	<b>1,251.1</b>	<b>1,689.9</b>	<b>2,105.2</b>	<b>2,412.8</b>	<b>Preferred shares</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Post-tax exceptionals	0.0	0.0	0.0	0.0	<b>Total common equity</b>	<b>9,405.1</b>	<b>10,926.1</b>	<b>12,820.7</b>	<b>14,992.3</b>
<b>Net income</b>	<b>1,251.1</b>	<b>1,689.9</b>	<b>2,105.2</b>	<b>2,412.8</b>	Minority interest	91.9	79.6	67.4	55.2
EPS (basic, pre-exception) (Rmb)	0.82	1.11	1.38	1.58	<b>Total liabilities &amp; equity</b>	<b>19,247.9</b>	<b>22,022.4</b>	<b>24,976.3</b>	<b>28,020.9</b>
EPS (basic, post-exception) (Rmb)	0.82	1.11	1.38	1.58	<b>BVPS (Rmb)</b>	<b>6.16</b>	<b>7.16</b>	<b>8.40</b>	<b>9.82</b>
EPS (diluted, post-exception) (Rmb)	0.82	1.11	1.38	1.58					
<b>EPS excl. ESO expense (basic) (Rmb)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>Ratios</b>	<b>12/15</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>
<b>EPS excl. ESO expense (dil.) (Rmb)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	CROCI (%)	20.0	17.5	16.9	16.0
DPS (Rmb)	0.10	0.11	0.14	0.16	ROE (%)	14.1	16.6	17.7	17.4
Dividend payout ratio (%)	12.2	10.0	10.0	10.0	ROA (%)	6.8	8.2	9.0	9.1
Free cash flow yield (%)	0.8	(3.2)	(0.8)	0.4	ROACE (%)	12.9	14.2	14.5	14.3
					Inventory days	66.9	64.5	68.6	70.9
<b>Growth &amp; margins (%)</b>	<b>12/15</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	Receivables days	109.2	89.0	94.3	97.5
Sales growth	7.5	42.9	24.9	16.2	Payable days	93.2	82.8	88.0	91.0
EBITDA growth	(7.1)	28.7	20.8	11.3	Net debt/equity (%)	21.5	32.7	31.9	27.6
EBIT growth	(20.8)	31.5	25.1	13.6	Interest cover - EBIT (X)	8.7	10.3	11.7	13.4
Net income growth	(24.5)	35.1	24.6	14.6					
EPS growth	(24.5)	35.1	24.6	14.6	<b>Valuation</b>	<b>12/15</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>
Gross margin	24.9	23.6	23.1	22.6	P/E (analyst) (X)	37.9	25.8	20.7	18.0
EBITDA margin	17.1	15.4	14.9	14.3	P/B (X)	5.0	4.0	3.4	2.9
EBIT margin	12.0	11.1	11.1	10.8	EV/EBITDA (X)	21.2	15.7	13.1	11.8
					EV/GCI (X)	3.7	2.7	2.3	2.0
					Dividend yield (%)	0.3	0.4	0.5	0.6
<b>Cash flow statement (Rmb mn)</b>	<b>12/15</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>					
Net income pre-preferred dividends	1,251.1	1,689.9	2,105.2	2,412.8					
D&A add-back	696.7	851.0	934.7	977.7					
Minorities interests add-back	(10.7)	(12.2)	(12.2)	(12.2)					
Net (inc)/dec working capital	74.8	(1,405.6)	(1,168.9)	(943.0)					
Other operating cash flow	397.1	0.0	0.0	0.0					
<b>Cash flow from operations</b>	<b>2,409.1</b>	<b>1,123.1</b>	<b>1,858.7</b>	<b>2,435.3</b>					
Capital expenditures	(2,035.9)	(2,537.1)	(2,194.4)	(2,266.1)					
Acquisitions	0.0	0.0	0.0	0.0					
Divestitures	6.5	0.0	0.0	0.0					
Others	(199.0)	0.0	0.0	0.0					
<b>Cash flow from investments</b>	<b>(2,228.4)</b>	<b>(2,537.1)</b>	<b>(2,194.4)</b>	<b>(2,266.1)</b>					
Dividends paid (common & pref)	(367.2)	(152.6)	(169.0)	(210.5)					
Inc/(dec) in debt	(277.3)	0.0	0.0	0.0					
Common stock issuance (repurchase)	0.3	0.0	0.0	0.0					
Other financing cash flows	264.3	0.0	0.0	0.0					
<b>Cash flow from financing</b>	<b>(379.9)</b>	<b>(152.6)</b>	<b>(169.0)</b>	<b>(210.5)</b>					
<b>Total cash flow</b>	<b>(199.2)</b>	<b>(1,566.7)</b>	<b>(504.7)</b>	<b>(41.3)</b>					

Note: Last actual year may include reported and estimated data.  
Source: Company data, Goldman Sachs Research estimates.

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# Updating forecasts on VR and Apple

## Beyond Oculus and Sony PS VR

There are three types of VR headsets – slide on, discrete and integrated. Currently the global brands—Facebook Oculus, Sony PS VR and HTC Vive—are the main players in the discrete category (see our global report *Profiles in Innovation: Virtual & Augmented Reality: Understanding the race for the next computing platform* (Jan 13, 2016)). Over the next few years, we see Chinese brands as having the potential to dominate in integrated mobile VR devices.

Recall the growth path of Chinese branded smartphones, which currently account for more than 60% of global smartphone shipments. The rise of Chinese smartphones started in 2011 and shipments strongly ramped up from 80mn in 2011 to 260mn and 490mn units in 2012 and 2013, respectively. The inflection was largely driven by the smartphone SOC and turnkey solution introduced by Mediatek and Qualcomm which lowered the technology barrier and shortened the time to market for ODMs to design a new smartphone model. We foresee a similar trend for Chinese branded integrated VR headsets.

Qualcomm is actively promoting the adoption of its Snapdragon 820 chip in VR devices. It introduced a virtual reality software development kit in March 2016 to provide developers with access to the VR features and simplify development process with the Snapdragon 820. In China, Qualcomm set up a joint venture with Thundersoft, a smart device platform provider. Thundersoft announced its first reference design for mobile VR devices based on Snapdragon 820 chip in May. Qualcomm and GoerTek also entered a cooperation agreement in March under which Qualcomm will supply GoerTek with VR related ICs and license certain software so that GoerTek can develop total solutions for mobile VR products with integrated hardware and software. GoerTek’s first Chinese VR customer is Pico, which launched Pico Neo, the first integrated mobile VR headset powered by Snapdragon 820. We expect more Chinese branded VR to come to market as the barriers to entry are lowered with the assistance of chipset vendors such as Qualcomm.

We believe GoerTek should continue to leverage its cooperation with Qualcomm and its own hardware manufacturing specialty to benefit from the take off of Chinese branded integrated VR. We forecast 1mn and 1.6mn Chinese branded VR headset shipments by GoerTek in 2017E and 2018E, respectively, contributing 5% and 6% of its revenue.

### Exhibit 1: Qualcomm targets the VR market via cooperation agreements with GoerTek and others

Qualcomm Snapdragon 820 specs

CPU	Quad-core, 64bit Qualcomm Kryo
GPU	Qualcomm Adreno 530 GPU
DSP	Qualcomm Hexagon 680 DSP
Camera	Up to 25 MP camera; Qualcomm Spectra image sensor processor
Video	Up to 4K ultra HD capture and playback
Display	4K Ultra HD on device and output
Modem	LTE FDD/TDD, WCDMA, EVDO, TD-SCDMA, GSM
Connectivity	Wi-Fi, Bluetooth, USB 3.0/2.0
VR Software Development Kit	<ul style="list-style-type: none"> <li>- DSP sensor fusion, to enhance immersive experiences</li> <li>- Fast motion to photom, to reduce latency by up to 50%</li> <li>- Stereoscopic rendering with lens correction</li> <li>- VR layering</li> <li>- Power management</li> </ul>

Source: Company data

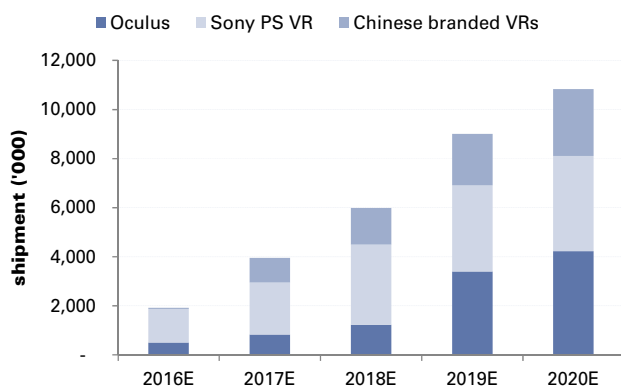
**Exhibit 2: Pico is the first integrated mobile VR headset powered by Snapdragon 820**  
Pico specs

Pico Neo	Specifications
Processors	Qualcomm Snapdragon 820 (quad-core 2.2GHz, Adreno 530 GPU, Hexago 680 DSP)
3D Lenses	COP lenses
Display	Dual AMOLED Screen (3.81 inch each) , 1200 x 1080 pixels, 90Hz refresh rate, 102°FOV Near-sighting self-adjustment: 0-800° , Pupil Distance self-adjustment: 54-73mm
Motion Sensors	Headset: 9-axis magnetic sensor, distance sensor, Hand-hold gamepad: 6-axis magnetic sensor, displacement accuracy 1mm, rotation accuracy 0.25°, 1000HZ sampling rate
Positional Tracker	Dual detecting camera: 720p@60HZ, HFOV>120°; dual detecting hand hold
Memory	4G LPDDR4-1866, flash storage 32G eMMC 5.1
Storage SSD	support up to 128G Micro-SD card
Mechanicals/housing	Headset: Plastic casing
Connectivity to host machine	Headset: Type-C USB, Micro-USB port; hand-hold gamepad: HMD Type-C USB Port
Haptics	Haptics Engine, 2.2G vibration, 30ms reaction time
Audio	DiveSound 3D sound
PUI (Pico user interface)	Based on Android 6.0; full-immersion scenario main interface
Battery	5000mAh; more than 3-hr gaming/music video battery life

Source: Company data

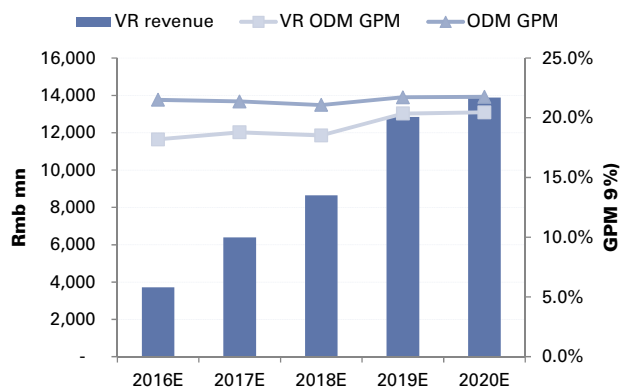
We did an in-depth analysis of GoerTek’s VR business gross margin in our report *GoerTek: Virtual Reality brings earnings reality for GoerTek; reiterate Buy*, April 14, 2016. We believe the lower components cost through vertical integration, the nature of customized niche products and lower manufacturing cost contribute to its ODM margin premium. We view this will continue for both Oculus and Chinese customers such as Pico. But for Sony PS VR, we note that as Sony is a well-established system company with its own supply chain, GoerTek provides fewer components as well as software integration to Sony’s VR products; therefore GoerTek’s GPM for Sony falls in the 10-15% range, as guided by the company vs. 20+% for Oculus as guided. On a blended basis, we estimate 18% and 19% GPM for GoerTek’s VR ODM business in 2016 and 2017, down 4ppt vs. our previous forecasts to reflect the lower margin/ASP.

**Exhibit 3: We forecast 2mn, 4mn and 6mn VR headset shipments by GoerTek from 2016E to 2018E**  
GoerTek VR shipment



Source: Gao Hua Securities Research

**Exhibit 4: We expect 39% revenue CAGR for GoerTek’s VR business through 2020E**  
GoerTek VR revenue and GPM



Source: Gao Hua Securities Research

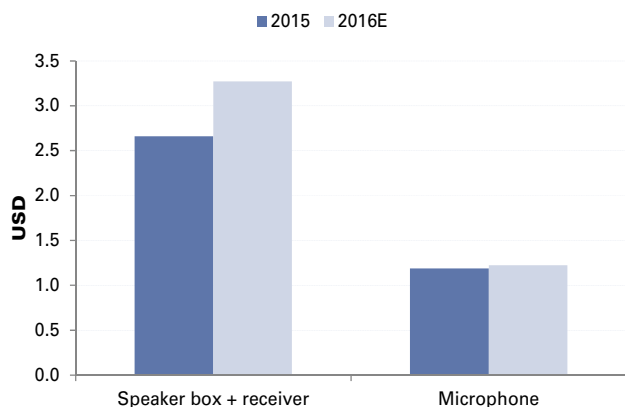
**Specs upgrade more than offsets the weak unit sales**

According to our supply chain checks, iPhone 7 is likely to enhance its acoustic feature to include waterproof and stereo sound effects, which would require upgraded speaker and receiver box. The manufacturing process for these upgraded components is more

complicated than before. As such, we now forecast 40% increase in content value per box for speakers and receivers in iPhone 7 vs. 6S compared with 10% as we previously estimated. As well, Apple will allocate Knowles' share of speaker boxes (approximately 5%) to GoerTek and AAC due to Knowles' announced decision to sell its speaker business. Furthermore, Apple's earpod could see design changes for the first time since introduction this fall according to our supply chain checks, which could boost up ASP by 25% by our estimates. We believe the content upgrade will be more than offset the weak unit sales as guided by Apple at its 1Q result. Therefore, we forecast GoerTek's Apple revenue to increase by 11% and 5% in 2016E and 2017E, respectively.

**Exhibit 5: Our channel checks indicate that Phone7 will have higher acoustic content value per box for speaker and receiver box**

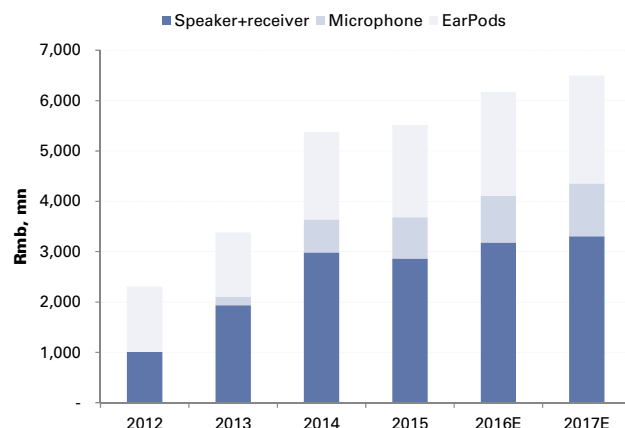
Acoustic content per box in iPhone in 2015 and 2016



Source: Gao Hua Securities Research

**Exhibit 6: We forecast GoerTek's Apple revenue to increase by 11% and 5% in 2016E and 2017E**

Apple revenue by acoustic components



Source: Gao Hua Securities Research

**We lower our 2016-18 EPS forecasts by 5-6%**

We lower our EPS forecasts by 5-6% in 2016E to 2018E as the lower VR ODM margin assumptions offset the higher revenue from Chinese branded VR and higher acoustic content value. However, we are still 0.3% and 2% vs. Reuters' consensus on operating profit in 2016E and 2017E, respectively.

Our new 12m TP is Rmb31.6, up from Rmb30, as we mark to market the 2016E peer average multiple (20X vs. 19X previously), which we apply to 2020E earnings (unchanged at Rmb2.18) and discount back to 2016E using an 8.4% COE. Our TP implies 26X NTM P/E, similar to the peak P/E in last 12 months. We expect the earnings growth re-acceleration in 2016E to drive a re-rating of the stock from 21X NTM currently.

### Exhibit 7: We cut our EPS forecasts by 5-6% in 2016E to 2018E as a lower margin offset higher revenue

GoerTek forecast revisions

GoerTek estimates	2016E			2017E			2018E		
	New	Old	Diff.	New	Old	Diff.	New	Old	Diff.
Revenue (Rmb mn)	19,516	19,664	-0.8%	24,383	24,146	1.0%	28,327	27,960	1.3%
Gross margin (%)	23.6%	24.3%	-0.6%	23.1%	23.9%	-0.8%	22.6%	23.8%	-1.2%
Operating profit (Rmb mn)	2,157	2,269	-4.9%	2,698	2,816	-4.2%	3,064	3,249	-5.7%
Net profit (Rmb mn)	1,690	1,783	-5.2%	2,105	2,220	-5.2%	2,413	2,578	-6.4%
EPS (Rmb)	1.11	1.17	-5.2%	1.38	1.45	-5.2%	1.58	1.69	-6.4%

	1Q16	yoy%	2Q16	yoy%	3Q16	yoy%
Revenue (Rmb mn)	2,689	11%	3,576	19%	5,890	60%
Operating Profit (Rmb mn)	257	-24%	428	22%	714	46%
Net profit (Rmb mn)	197	-27%	324	30%	559	66%

Source: Gao Hua Securities Research

### Exhibit 8: We are still modestly above consensus on operating profit in 2016E and 2017E

GoerTek forecasts vs. Reuters' consensus

	2016E			2017E			2018E		
	GS	Consensus	Diff.	GS	Consensus	Diff.	GS	Consensus	Diff.
Revenue (Rmb mn)	19,516	17,876	9.2%	24,383	21,992	10.9%	28,327	25,691	10.3%
Gross profit (Rmb mn)	4,610	4,299	7.2%	5,644	5,304	6.4%	6,407	6,648	-3.6%
Gross margin (%)	23.6%	24.0%	-0.4%	23.1%	24.1%	-1.0%	22.6%	25.9%	-3.3%
Operating Profit (Rmb mn)	2,157	2,151	0.3%	2,698	2,654	1.7%	3,064	3,149	-2.7%
Operating margin (%)	11.1%	12.0%	-1.0%	11.1%	12.1%	-1.0%	10.8%	12.3%	-1.4%
Net profit (Rmb mn)	1,690	1,758	-3.9%	2,105	2,172	-3.1%	2,413	2,596	-7.1%
Net margin (%)	8.7%	9.8%	-1.2%	8.6%	9.9%	-1.2%	8.5%	10.1%	-1.6%
EPS (Rmb)	1.11	1.15	-3.7%	1.38	1.42	-2.9%	1.58	1.50	5.4%

Source: Reuters, Gao Hua Securities Research

### Exhibit 9: We apply peers' average 2016E P/E of 20X to our 2020E earnings and discount back to 2016E with an COE of 8.4%

GoerTek Comp sheet and TP derivation

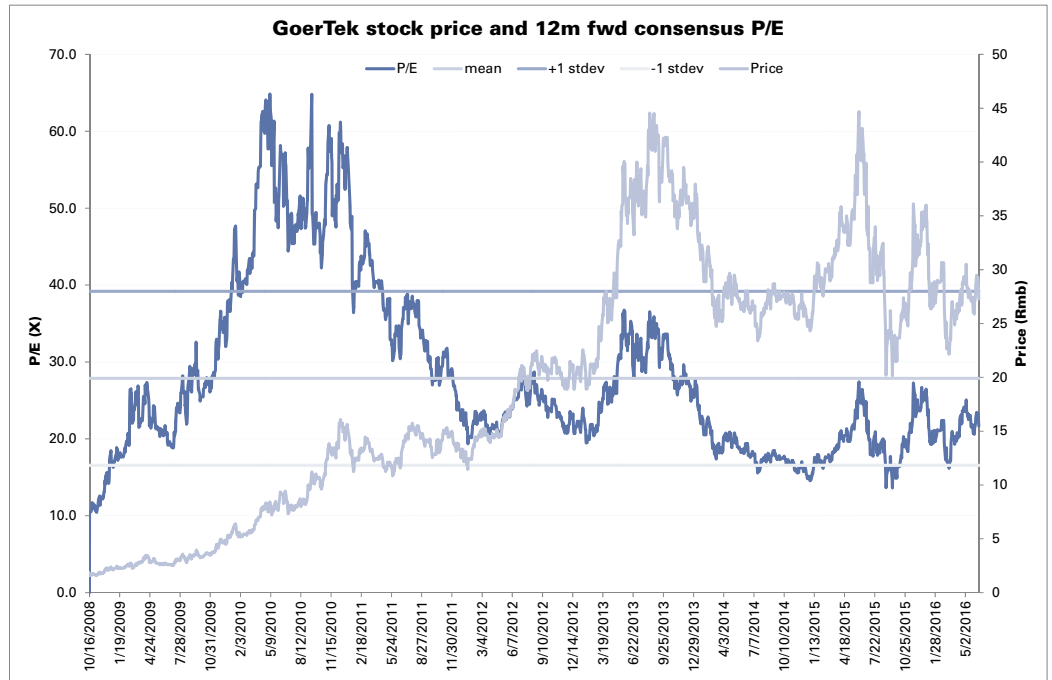
Company name	Ticker	Market cap (\$ mn)	P/E (X)			EV/EBITDA (X)			P/B (X)			ROE		
			15E	16E	17E	15E	16E	17E	15E	16E	17E	15E	16E	17E
GoerTek Inc.	002241.SZ	6,327	33.3	23.4	18.8	21.2	14.5	12.1	4.4	3.8	3.2	14%	17%	18%
AAC Technologies	2018.HK	9,879	20.0	13.7	11.8	11.9	10.9	8.9	5.7	4.5	3.5	31%	36%	33%
Knowles Corp	KN.US	1,351	29.2	17.9	N/A	10.9	11.7	N/A	NA	NA	NA	N/A	6%	N/A
Nvidia Corp.	NVDA	27,934	36.1	26.3	24.6	8.4	13.7	11.6	5.8	5.2	4.4	17%	23%	22%
Himax Technologies Inc	HIMX.US	1,626	59.5	22.6	17.0	38.2	17.1	12.1	3.8	3.4	3.1	6%	14%	18%
<b>Global peer average</b>			<b>36.2</b>	<b>20.2</b>	<b>17.8</b>	<b>17.3</b>	<b>13.3</b>	<b>10.9</b>	<b>5.1</b>	<b>4.4</b>	<b>3.7</b>	<b>18%</b>	<b>20%</b>	<b>25%</b>

Ticker	Company	Rating	Current Price (Pricing currency)	12-m TP (Pricing currency)	Potential up/down side	2016E		2020E		Average COE
						EPS (Rmb)	Current P/E	EPS (Rmb)	Exit P/E	
002241.SZ	Goertek	Buy	28.5	31.6	11%	1.11	25.7	2.18	20.0	8.4%

Note: Priced as of June 20, 2016

Source: Datastream, Gao Hua Securities Research, Bloomberg

**Exhibit 10: We expect GoerTek shares to re-rate on the re-accelerating earnings growth**  
GoerTek 12m forward P/E



Source: Datastream

# Disclosure Appendix

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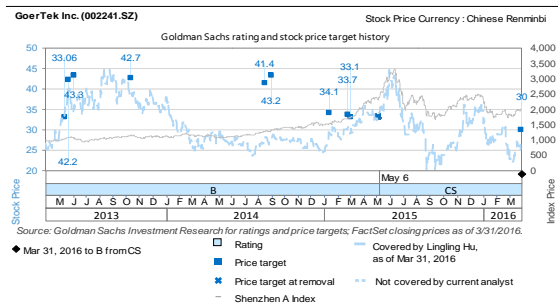
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