

31 May 2017

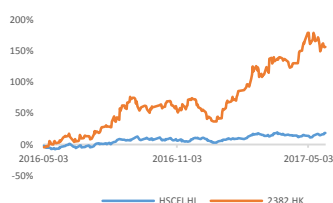
BUY
Unchanged

强劲的月度出货量

舜宇光学科技 (2382:HK)

Market Data: 29 May.

Closing Price (HK\$)	60.50
Price Target (HK\$)	73.33
HSCEI	10,619
HSCCI	4,079
52-week High/Low (HK\$)	67.00/25.15
Market Cap (USD Mn)	8,409
Market Cap (HK\$ Mn)	65,340
Shares Outstanding (Mn)	1,080
Exchange Rate (HK\$-US\$)	7.77



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Related Reports

"Sunny Optical (2382:HK)—Wider angle " 9 Feb. 2017

"Sunny Optical (2382:HK)—Shipment in focus " 13 Feb. 2017

Sunny Optical (2382:HK)—Magnified margin " 14 Mar. 2017

Financial summary and valuation

	2015	2016	2017E	2018E	2019E
Revenue (Rmbm)	10,696.20	14,611.78	25,093.25	33,603.47	39,947.79
YoY (%)	26.94%	36.61%	71.73%	33.91%	18.88%
Net income (Rmbm)	763.52	1,270.75	2,396.49	3,527.72	4,482.37
YoY (%)	36.04%	66.43%	88.59%	47.20%	27.06%
EPS (Rmb)	0.71	1.18	2.22	3.26	4.15
Diluted EPS (Rmb)	0.71	1.17	2.20	3.24	4.12
ROE (%)	19.86%	25.86%	36.36%	38.94%	38.37%
Debt/asset (%)	9.32%	8.95%	7.77%	6.73%	5.14%
Dividend yield	0.38%	0.53%	1.22%	1.80%	2.29%
PE (x)	77.06	46.67	24.74	16.81	13.23
PB (x)	15.30	11.98	8.93	6.49	5.04

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

上周厦门会议，舜宇光学管理层称公司将会重点开发高端模组市场。我们看到手机厂商采用双摄模组方案还在不断提升当中，这也为公司未来增长提供更多潜力。为反映强劲 1-4 月出货量，我们将 17 年摊薄后 eps 从 2.1rmb 调整至 2.2rmb(同比增长 88%)，18 年摊薄后 eps 从 3.01rmb 调整至 3.24rmb(同比增长 47.2%)，19 年摊薄后 eps 从 3.88rmb 调整至 4.12rmb(同比增长 27.09%)。我们将目标价从 69.25 港币提高至 73.33 港币(对应 30x 17 年 PE)。我们维持买入评级

模组类业务增长。舜宇光学在业绩会上给予低于市场预期全年模组增长，其主要意图在于重点关注其高端模组市场份额。低端模组市场有较大价格战压力(主要为 5M 及 8M 模组)。我们看到投资者及其担忧舜宇在今年下半年可能会丢掉部分高端模组份额。考虑到公司极强的竞争优势(之前与 Huawei 共同开发 Leica 镜头)，我们更加乐观一点。我们预计公司还会在高端模组市场增长其份额。我们判断即将推出的 Oppo R11 及 Vivo 新旗舰机型将会对公司接下来月度模组出货量有强力保障。我们判断其毛利仍将维持稳定。为反映好于预期的前 4 月出货量，我们将全年模组出货量增长从 20%上调至 25%。舜宇光学仍然是模组市场领头羊。未来手机厂商将会重点关注全屏幕设计，这也要求未来摄像头模组将进一步变小。我们认为舜宇光学将会成为首要收益者。未来 3D sensor 及光学变焦将会成为公司的模组新增长点。

镜头订单可视性。我们判断舜宇已进入高端镜头市场。公司称已拿到主力手机厂商高端双摄镜头订单。考虑到其前 4 月强劲镜头出货量增长(同比增长 86%)我们将全年镜头增长从 35%上调至 50%。与此同时，我们维持车载镜头 40%增长。对应公司指引为 30-35%增长。

维持买入。由于其好于预期的出货量增长。我们将 17 年摊薄后 eps 从 2.1rmb 调整至 2.2rmb(同比增长 88%)，18 年摊薄后 eps 从 3.01rmb 调整至 3.24rmb(同比增长 47.2%)，19 年摊薄后 eps 从 3.88rmb 调整至 4.12rmb(同比增长 27.09%)。我们将目标价从 69.25 港币提高至 73.33 港币(对应 30x 17 年 PE)。公司如今股价对应 24x 17 年 PE 及 16.8 倍 18 年 PE。如今股价对应约 21%上行空间，我们维持买入评级。

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At our Xiamen annual conference last week, attended by Sunny Optical, company management detailed plans to focus on the higher-end module market. We continue to see rising adoption by handset manufacturers of dual-camera modules, as likely to drive growth for the firm in coming years. To reflect strong January-April shipments, we raise our diluted EPS forecasts from Rmb2.10 to Rmb2.20 in 17E (+88.0% YoY), from Rmb3.01 to Rmb3.24 in 18E (+47.2% YoY) and forecast from Rmb3.88 to Rmb4.12 in 19E (+27.09% YoY). We lift our target price accordingly, from HK\$69.25 to HK\$73.33 (30x 17E PE). Maintain BUY recommendation.

Modular expansion. Sunny management issued a lower-than-expected full-year module growth guidance, but indicated that it aims to build its presence in the high-end module market, given intense price competition in the low-end to mid-range market (5-8MP cameras). As a result, lower-end camera modules are subject to significant price and order pressure. We note investor concerns that the firm may lose market share in 2H. Nevertheless, we are more optimistic, given the firm's competitive advantage (we note its previous original equipment manufacture (OEM) arrangement with Huawei and global high-end camera producer Leica) and we are confident that Sunny will grow its share in the high-end market. We note that Oppo's upcoming R11 model and Vivo's new model would be the strong guarantee for its module monthly shipment. We also see its margin as stable. To reflect stronger-than-anticipated shipments in the first four months of 2017, we raise our full-year module growth estimates from 20% YoY to 25% YoY. Looking forward, we expect Sunny to be one of the main players in the domestic camera module market. With major domestic smartphone producers focusing on full-screen designs, requiring ultra-thin camera modules, we see Sunny, with its technological advantages, as a major beneficiary. We also see the emergence of 3D sensor and optical zoom technologies in handset cameras as a potential new driver of growth.

Lens visibility. We view Sunny as now having entered the high-end lens market. The firm claims that they have received dual-camera orders from major domestic smartphone manufacturers. On the back of strong January-April lens shipments (+86% YoY) we raise our full-year lens growth forecast from 35% YoY to 50% YoY. Meanwhile, we maintain our forecast of 40% YoY growth in vehicle lens shipments, vs firm guidance of 30-35% YoY.

Maintain BUY. Following stronger-than-expected shipments earlier this year, we raise our diluted EPS forecasts from Rmb2.10 to Rmb2.20 in 17E (+88.0% YoY), from Rmb3.01 to Rmb3.24 in 18E (+47.2% YoY) and forecast from Rmb3.88 to Rmb4.12 in 19E (+27.09% YoY). We lift our target price accordingly, from HK\$69.25 to HK\$73.33 (30x 17E PE). The company's stock is trading at 24x 17E PE and 16.8x 18E PE. With 21.2% upside, we maintain our BUY rating on Sunny Optical.

Fig 1: January 2017 shipments

In thousand		Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Lens	2016	22,817	20,937	26,036	20,885	24,156	29,534	32,861	31,721	37,601	42,493	40,087	50,113
	2017	42,989	41,354	40,299	44,043								
	yoy growth	88.41%	97.52%	54.78%	110.88%								
Camera module	2016	15,625	12,085	15,888	19,369	19,400	25,401	23,706	27,677	26,684	26,364	28,209	29,453
	2017	31,813	29,427	23,372	21,099								
	yoy growth	103.60%	143.50%	47.10%	8.93%								
Vehicle lens	2016	2,311	1,544	1,617	1,795	1,659	1,655	1,776	1,871	2,170	2,117	2,128	1,979
	2017	2,718	2,448	2,586	2,487								
	yoy growth	17.61%	58.55%	59.93%	38.55%								

Source: Company data, SWS Research

Fig 2: Key assumptions, 2H16-2H17E

	1H17E	2H17E	1H18E	2H18E
Blended gross margin	19.97%	21.56%	22.45%	23.43%
Module ASP	55.95	58.33	63.78	62.34
Lens ASP	5.07	5.94	6.54	6.86
8MP or higher lenses, as % of total lens shipments	65%	80%	85%	85%
Dual camera module, as % of total module shipments	20%	25%	35%	40%

Source: Company, SWS Research

Fig 1: Income statement

(Rmb'000)	2015	2016	2017E	2018E	2019E
Revenue	10,696.20	14,611.78	25,093.25	33,603.47	39,947.79
Cost of sales	8,932.80	11,931.64	19,863.01	25,884.43	30,109.50
Gross profit	1,763.40	2,680.15	5,230.25	7,719.04	9,838.29
Other income	93.20	118.86	80.00	80.00	80.00
Selling expense	(95.00)	(153.89)	(339.97)	(501.74)	(639.49)
R&D cost	(502.14)	(694.20)	(1,359.86)	(2,006.95)	(2,557.96)
Administrative expenses	(256.92)	(331.24)	(732.23)	(1,080.67)	(1,377.36)
Finance cost	(16.00)	(16.18)	(12.00)	0.00	0.00
Profit before taxation	862.28	1,446.44	2,846.18	4,189.69	5,323.49
Income tax	(87.56)	(174.83)	(449.70)	(661.97)	(841.11)
Tax rate	10.15%	12.09%	15.80%	15.80%	15.80%
Profit for the year	763.52	1,270.75	2,396.49	3,527.72	4,482.37

Source: SWS Research

Fig 2: Cash flow statement

(Rmb'000)	2015	2016	2017E	2018E	2019E
Operating Cash flow					
Net income	761.63	1,271.60	2,396.49	3,527.72	4,482.37
D&A	245.72	315.87	370.51	373.70	377.37
Operating asset	538.44	13.75	(953.67)	(395.72)	(547.91)
other operating cash adjustment	155.70	(376.23)	0.00	0.00	1.00
Net cash generated from operating activities	1,701.49	1,224.99	1,698.54	3,254.37	4,312.83
Investing Cash flow					
Proceed from disposal of PP&E	7.95	10.116	7.5	7.5	7.501
Capex	(411.25)	(978.65)	(413.47)	(428.17)	(433.37)
Net investing cash	(1,444.13)				
Other investing cash adjustment	(84.56)	(46.77)	0.00	0.00	1.00
Net cash generated from investing activities	(1,932.00)	(1,015.30)	(405.97)	(420.67)	(424.87)
Financing cash flow					
Debt increase	815.80				
minus: debt decrease	654.13				
Equity increase	0.00				
minus: equity decrease	70.77				
Dividend	170.04	(203.19)	(718.95)	(1,058.31)	(1,344.71)
Other financing cash adjustment	(8.80)	273.654			
Net Cash generated from financing activities	(87.94)	70.47	(718.95)	(1,058.31)	(1,344.71)
Net cash changes					
Exchange influence	0.63	0.00	0.00	0.00	0.00
Other cash adjustment	0.00	0.00	0.00	0.00	0.00
Net increase in cash and cash equivalents	(317.82)	280.15	608.06	1,850.78	2,543.25
Cash and cash equivalents at 1 Jan.	504.60	186.78	466.93	1,074.99	3,074.49
Cash and cash equivalents at 31 Dec.	186.78	466.93	1,074.99	2,925.77	5,617.74

Source: SWS Research

Fig 3: Balance sheet

(Rmb'000)	2015	2016	2017E	2018E	2019E
Proerty, plant and equipment	1,140.81	1,793.51	1,828.97	1,875.95	1,924.45
Prepaid lease payments	113.00	164.03	164.03	164.03	164.03
Investment properties	15.84	15.00	15.00	15.00	15.00
Intangible assets	0.01	0.00	0.00	0.00	0.00
Interests in associates	110.44	99.78	99.78	99.78	99.78
Deferred tax assets	5.70	27.88	27.88	27.88	27.88
Deposits paid for acquisition of PP&E	137.04	152.38	152.38	152.38	152.38
Available-for-sale investments	67.67	62.27	62.27	62.27	62.27
Deposits paid for acquisition of a land use right	27.74	3.82	3.82	3.82	3.82

Derivative financial assets					
Other receivable					
Inventories	896.96	2,828.36	2,131.84	2,616.49	2,825.68
Trade and other receivables and prepayment	3,002.95	3,715.94	5,887.88	7,884.72	8,776.72
Prepaid lease payments	3.34	4.45	4.45	4.45	4.45
Derivative financial assets	16.11	13.80	13.80	13.80	13.80
Financial assets designated as at fair value through profit or loss	1,708.27	2,027.50	2,027.50	2,027.50	2,027.50
Amounts due from related parties	1.22	0.68	0.68	0.68	0.68
Tax recoverable					
Amount due from a associate					
Pledged bank deposits	129.56	100.97	100.97	100.97	100.97
Short term fixed deposits	71.92	159.25	159.25	159.25	159.25
Bank balance and cash	186.78	466.93	1074.99	2925.77	5617.74
Total asset	7,636.29	11,636.54	13,438.52	17,588.52	21,976.39
Trade and other payables	2,914.40	5,572.54	5,777.33	7,633.86	8,625.79
Amounts due to related parties	3.11	5.21	5.21	5.21	5.21
Derivative financial liabilities	103.93	93.25	93.25	93.25	93.25
Tax payable	21.13	53.01	53.01	53.01	53.01
Borrowings	683.24	904.35	904.35	904.35	904.35
Deferred income- current portion	13.61	29.97	29.97	29.97	29.97
Deferred tax liabilities	19.20	33.86	33.86	33.86	33.86
Derivative financial liabilities	1.93	0.00	0.00	0.00	0.00
Other payable	6.35	2.82	2.82	2.82	2.82
Deferred income-non-current portion	24.50	28.19	28.19	28.19	28.19
Share Capital					
Reserves	105.18	105.18	105.18	105.18	106.18
Non-controlling interests	3,725.81	4,790.08	6,467.62	8,937.02	12,074.72
Total	13.91	18.09	18.09	18.09	18.09

Source: SWS Research

Fig 4: Key performance indicators

	2015	2016	2017E	2018E	2019E
Earnings per share	0.71	1.18	2.22	3.26	4.15
Operating CF per share	1.55	1.12	1.55	2.97	3.23
Dividend per share	0.16	0.19	0.66	0.96	1.23
Book value per share	3.50	4.48	6.01	8.26	10.65
Key Operating Ratios (%)					
ROIC	17.49%	17.11%	16.27%	17.70%	19.78%
ROE	19.86%	25.86%	36.36%	38.94%	38.37%
Gross profit margin	16.49%	18.34%	20.84%	22.97%	18.34%
Ebit margin	11.34%	11.98%	12.47%	12.86%	13.33%
Revenue growth (YoY)	26.94%	36.61%	71.73%	33.91%	18.88%
Net profit growth (YoY)	36.04%	66.43%	88.59%	47.20%	27.06%
Turnover rate of total assets	0.30	0.40	0.54	0.54	0.54
Dividend yield (%)	0.28%	0.53%	1.22%	1.80%	0.53%
Valuation Ratios (X)					
PE	77.06	46.67	24.74	16.81	13.23
PB	15.30	11.98	8.93	6.49	5.04

Source: SWS Research

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BUY: Share price performance is expected to generate more than 20% upside over a 12-month period.

Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

Underperform: Share price performance is expected to generate between 10-20% downside over a 12-month period.

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