

14 February 2018

BUY
Unchanged

毛利收窄，光学升级

舜宇光学科技 (2382:HK)

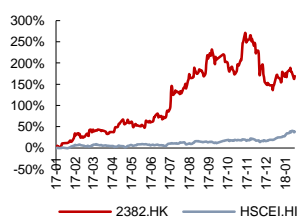
Financial summary and valuation

	2015	2016	2017E	2018E	2019E
Revenue (Rmbm)	10,696.20	14,611.78	23,359.22	28,682.40	36,463.23
YoY (%)	26.94%	36.61%	59.87%	22.79%	27.13%
Net income (Rmbm)	763.52	1,270.75	2,845.94	3,957.43	5,882.30
YoY (%)	36.04%	66.43%	123.96%	39.06%	48.64%
EPS (Rmb)	0.71	1.18	2.63	3.66	5.44
Diluted EPS (Rmb)	0.71	1.17	2.61	3.63	5.40
ROE (%)	19.86%	25.86%	41.21%	40.90%	42.65%
Debt/asset (%)	9.32%	8.95%	7.77%	6.71%	5.22%
Dividend yield	0.21%	0.29%	0.78%	1.08%	1.61%
PE (x)	128.93	78.07	34.86	25.07	16.87
PB (x)	25.60	20.03	14.25	10.17	7.14

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

Market Data: 12 Feb

Closing Price (HK\$)	112.6
Price Target (HK\$)	135
HSCEI	11,900
HSCCI	4,305
52-week High/Low (HK\$)	149/48.9
Market Cap (USD Mn)	15,836
Market Cap (HK\$ Mn)	123,522
Shares Outstanding (Mn)	1,097
Exchange Rate (HK\$-US\$)	7.80



Source: Bloomberg

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Related Reports

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Sunny Optical (2382:HK)—Improving View "
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Sunny Optical (2382:HK)—Raising its sights
" 20 Oct 2017

舜宇光学预计 2017 年业绩增速同比增长 120%，与此同时，其 1 月份出货量数据为：模组同比增长 9.1%，手机镜头出货量同比增长 19.6%，车载镜头同比增长 19.4%。我们认为 2017 年业绩及 1 月份出货量皆与市场预期一致。然而，考虑到未来镜头及模组业务竞争加剧，我们维持 17 年 EPS 为 2.61Rmb(同比增长 123%)，18 年 EPS 从 Rmb4.04 下调至 Rmb3.63(同比增长 39%)，19 年 EPS 从 6Rmb 下调至 5.4Rmb(同比增长 48.64%)。我们将目标价从 145 港币下调至 135 港币。维持买入评级。

模组业务毛利下滑。2017 年 4 季度，iPhone 出货量同比下滑 1%，主要的安卓阵营手机出货量出现双位数下滑。我们认为在 2018 年，主要的手机厂将依赖中低端产品来拓展其市场份额而高端手机出货量将面临极大压力。台积电法说会中预计高端手机在 2018 年将会同比下滑，中端手机将略有所增长。我们认为在今年苹果将推出一款 LCD 全面屏降价版手机。这也是今年手机规格下滑的主要标志之一。考虑到欧非及邱钦的竞争。我们并不认为舜宇模组业务将在今年能维持去年的毛利水平。我们将舜宇单摄模组毛利从 11%调低至 9%，出货量同比增长从 15%下调至 10%。对于其模组业务而言，2018 年将会是极为艰难的一年。3D 感应模组将会在 2019 年对其收入有较为明显影响。

良好的镜头业务。考虑到新进竞争者威胁，我们将手机镜头出货量增长从 35%下调至 25%。考虑到主要的国内手机厂商及三星将会大批量使用双摄以及未来 3D 感应模组带来的新增镜头需求，我们仍然坚信舜宇将持续性在安卓阵营提升市场份额。我们认为市场过度担忧瑞声科技的混合式镜头对行业的冲击。如今我们并没有看到下游厂商将会采用混合式镜头设计。此外，我们建议投资者关注今年舜宇车载镜头出货量，伴随 ADAS 系统普及，我们预计其车载镜头出货量将会同比增长 75%。

3D 感应模组更新。由于未来大规模 3D 感应模组的普及，奥地利微电子预计其未来 3 年每年收入增速为 60%。根据公司线上业绩说明会，与舜宇的合作有助于公司拓展安卓阵营的 3D 感应模组市场。因此，我们坚定地认为舜宇将会在下半年拿到华为 3D 感应模组的订单。依赖其技术优势，我们认为舜宇在未来会拿到更多的 3D 感应模组订单。近期对于鲲游光电的投资主要是为未来 DOE 产能做准备。3D 感应模组将在 2019 年占公司整体模组出货量约 15%。

维持买入。我们维持 17 年 EPS 为 2.61Rmb(同比增长 123%)，18 年 EPS 从 4.04Rmb 下调至 3.63Rmb (同比增长 39%)，19 年 EPS 从 6Rmb 下调至 5.4Rmb(同比增长 48.64%)。公司如今股价对应约 25x 18 年 PE 及 10x 18 年 PB。我们将目标价从 145 港币下调至 135 港币，对应 30x 18 年 PE。如今股价对应 20%空间，我们维持买入评级

Sunny Optical guides full-year 2017 net profit growth of 120%-plus YoY, and announced January module shipments fell 9.1% YoY, lens shipments increased 19.6% YoY and vehicle lens deliveries grew 19.4% YoY. We believe both 2017 and January 2018 shipment results are in line with market expectations. We maintain our EPS forecast of Rmb2.61 for 17E (+124.0% YoY), but, with intensifying competition in both the lens and camera module businesses, we lower our forecasts from Rmb4.04 to Rmb3.63 in 18E (+39.0% YoY) and from Rmb6.00 to Rmb5.40 in 19E (+48.6% YoY). We lower our target price from HK\$145 to HK\$135, and maintain our BUY rating.

Lower module gross margin. In 4Q17, Apple (AAPL:US) recorded a 1% YoY decline in *iPhone* shipments, while major Android brands witnessed double-digit shipment decline. For 18E, we expect downstream smartphone vendors will look to expand in the low-end to mid-range smartphone market, a view supported by Taiwan Semiconductor Manufacturing Co (2330:TT), which anticipates declining high-end smartphone shipments but growth in mid-range smartphones. Under these conditions, we assume Apple will begin promotion of a new LCD full-screen design *iPhone* with lower average selling price (ASP) in 2018. Such design is a strong symbol of de-spec period in 2018. Along with intensified competition from both Q Technology Group (1478:HK – N-R) and Shenzhen O-film Tech (002456:CH - BUY), we believe Sunny's module business gross margin will decline from 2017 levels. We cut our single camera module gross margin assumption from 11% to 9% and our shipment growth rate from 15% to 10%. For its camera module business, we view 2018 as likely to be a challenging year for Sunny as new 3D sensing module demand will not start to make a significant contribution until 2019E.

Lens business remains intact. We cut our lens shipment growth projection from 35% YoY to 25% YoY to account for increased competition in the market. We believe Sunny will continue to expand its lens market share among Android brands, considering wide adoption of dual-camera technology among domestic mid-range smartphones and future demand from 3D sensing modules. We believe the market is overly concerned about the potential hybrid lens threat from AAC Technologies Holdings (2008:HK – N-R). At present, we see no clear signals that smartphone makers will adopt hybrid designs. We believe investors should be focused on Sunny's 75% YoY vehicle lens shipment growth in 18E as advanced driver assistance systems (ADAS) take off.

3D sensing update. We are confident that Sunny will receive 3D module orders from Huawei starting in 2H18E. Recent investment in Ncphotonics gives it diffractive optical elements (DOE) capacity. We forecast 3D sensing modules will account for c.15% of total module shipments in 19E.

Maintain BUY. We maintain our EPS forecast of Rmb2.61 for 17E (+124.0% YoY), but, with intensifying competition in both the lens and camera module businesses, we lower our forecasts from Rmb4.04 to Rmb3.63 in 18E (+39.0% YoY) and from Rmb6.00 to Rmb5.40 in 19E (+48.6% YoY). The company's stock is trading at 25x 18E PE and 10x 18E PB. We lower our target price from HK\$145 to HK\$135, representing 30x 18E PE. With 20% upside, we maintain our BUY recommendation.

Fig 1: Key assumption change

	Before	After
18E and 19E single camera module gross margin	11%	9%
18E Camera module shipment yoy growth	15%	10%
18E camera lens shipment yoy growth	35%	25%
18E duel-cam shipment	120mn	108mn

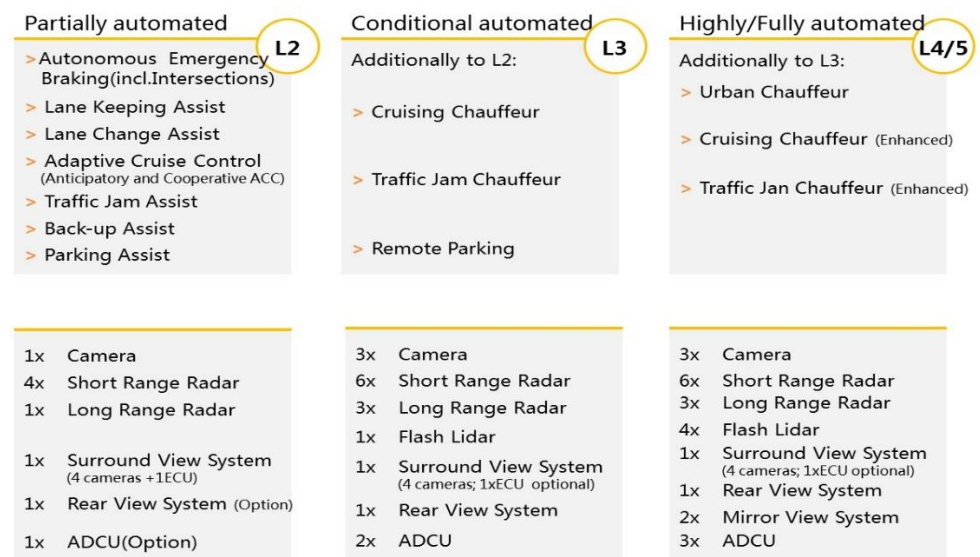
Source: Sunny Optical, SWS Research

Fig 2: Sunny's dual-camera order allocation projection

	1H16	2H16	1H17	2H17E	2H17E YoY growth	Penetration rate	Total demand	Market share
Huawei								
Mate	5.6	5.76	6.50	6.91	20%	100%	6.91	60%
P (excluding lite)	7.2	10.70	8.70	12.84	20%	100%	12.84	60%
Honor	10.46	14.53	14.77	14.53	0%	80%	11.62	50%
Maimang	3.5	3.10	1.90	3.10	0%	50%	1.55	40%
Changxiang	1.6	2.20	3.70	2.64	20%	30%	0.79	40%
Changwan	8.1	9.70	11.70	11.64	20%	30%	3.50	0%
Nova		0.79	2.70	3.00	280%	50%	1.50	40%
Vivo								
X play	0.45	0.82	1.90	1.64	100%	80%	1.31	40%
X	13	24.00	14.00	24.00	0%	100%	24.00	60%
Oppo								
R	19	26.12	22.00	28.73	10%	100%	28.73	60%
Total							92.76	50.74

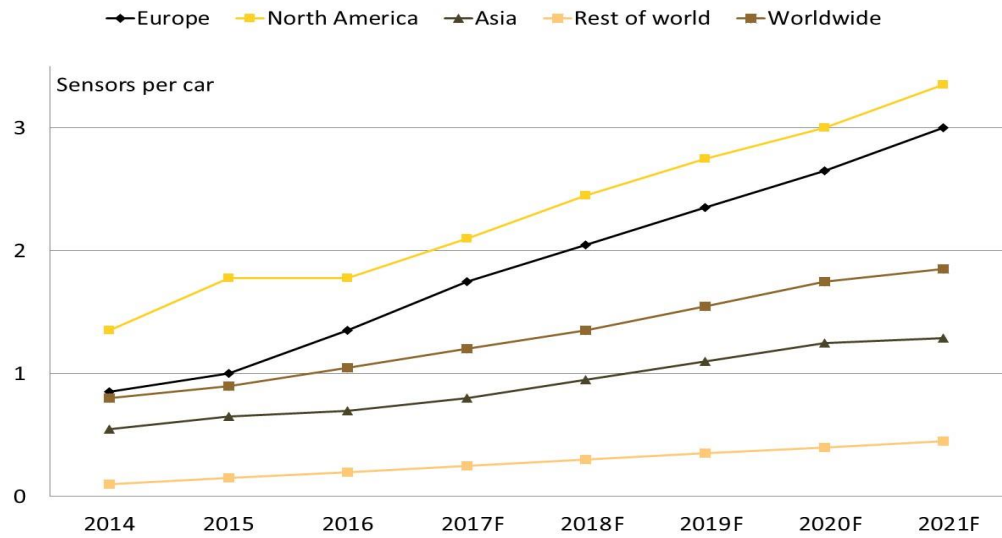
Source: IDC, SWS Research

Fig 3: Lens requirements for different automation levels



Source: Continental, SWS Research

Fig 4: Number of sensors per car, 2014-21F



Source: Continental, SWS Research

Fig 5: 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	45,194	47,690	52,235	62,016	62,598	59,041	57,269	53,346
	yoy growth	88.41%	97.52%	54.78%	110.88%	87.10%	61.50%	58.96%	95.90%	66.50%	38.94%	42.86%	6.50%
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	21,488	26,120	24,001	33,646	28,011	29,490	28,346	28,018
	yoy growth	103.60%	143.50%	47.10%	8.93%	10.80%	2.80%	1.24%	21.60%	5.00%	11.86%	0.49%	-4.90%
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	2,522	2,509	2,735	3,087	2,806	2,828	2,542	2,623
	yoy growth	17.61%	58.55%	59.93%	38.55%	52.00%	51.60%	54.00%	64.90%	29.30%	33.59%	19.45%	32.50%

Source: Company data, SWS Research

Fig 1: Income statement

(Rmb'000)	2015	2016	2017E	2018E	2019E
Revenue	10,696.20	14,611.78	23,359.22	28,682.40	36,463.23
Cost of sales	8,932.80	11,931.64	18,392.01	21,776.45	26,656.54
Gross profit	1,763.40	2,680.15	4,967.21	6,905.94	9,806.70
Other income	93.20	118.86	105.25	80.00	80.00
Selling expense	(95.00)	(153.89)	(237.96)	(286.82)	(364.63)
R&D cost	(502.14)	(694.20)	(1,201.39)	(1,405.44)	(1,786.70)
Administrative expenses	(256.92)	(331.24)	(448.95)	(573.65)	(729.26)
Finance cost	(16.00)	(16.18)	(26.15)	0.00	0.00
Profit before taxation	862.28	1,446.44	3,380.32	4,700.03	6,986.10
Income tax	(98.76)	(174.83)	(534.38)	(742.61)	(1,103.80)
Tax rate	11.45%	12.09%	15.81%	15.80%	15.80%
Profit for the year	763.52	1,270.75	2,845.94	3,957.43	5,882.30

Source: SWS Research

Fig 2: Cash flow statement

(Rmb'000)	2015	2016	2017E	2018E	2019E
Operating Cash flow					
Net income	761.63	1,270.75	2,845.94	3,957.43	5,882.30
D&A	245.72	316.71	459.14	535.12	512.57
Operating asset	538.44	(141.97)	(1,073.17)	(387.33)	(584.03)
other operating cash adjustment	155.70	170.05	0.00	0.00	0.00
Net cash generated from operating activities	1,701.49	1,615.55	2,231.91	4,105.23	5,810.84
Investing Cash flow					
Proceed from disposal of PP&E	7.95	10.04	7.5	7.5	7.501
Capex	(411.25)	(972.66)	(1,476.86)	(479.53)	(508.92)
Net investing cash	(1,444.13)	(370.90)			
Other investing cash adjustment	(84.56)	73.66	0.00	0.00	0.00
Net cash generated from investing activities	(1,932.00)	(1,259.86)	(1,469.36)	(472.03)	(501.42)
Financing cash flow					
Debt increase	815.80	1,000.41			
minus: debt decrease	654.13	779.30			
Equity increase	0.00				
minus: equity decrease	70.77	63.91			
Dividend	170.04	(228.18)	(853.78)	(1,187.23)	(1,764.69)
Other financing cash adjustment	(8.80)	-10.28			
Net Cash generated from financing activities	(87.94)	(81.25)	(853.78)	(1,187.23)	(1,764.69)
Net cash changes					
Exchange influence	0.63	5.72	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	(91.24)	2,445.96	3,544.73
Cash and cash equivalents at 1 Jan.	504.60	186.78	466.93	375.69	2,821.66
Cash and cash equivalents at 31 Dec.	186.78	466.93	375.69	2,821.66	6,366.39

Source: SWS Research

Fig 3: Balance sheet

(Rmb'000)	2015	2016	2017E	2018E	2019E
Proerty, plant and equipment	1,140.81	1,793.51	2,803.73	2,740.64	2,729.49
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	0.95				
Other receivable					
Inventories	896.96	2,828.36	1,981.95	2,216.72	2,579.21

Trade and other receivables and prepayment	3,002.95	3,715.94	5,481.01	6,730.04	8,004.15
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	375.69	2821.66	6366.39
Total asset	7,636.29	11,636.54	13,474.18	17,340.86	22,511.04
Trade and other payables	2,914.40	5,572.54	5,418.02	6,514.50	7,567.07
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	105.18	105.18	105.18	105.18	105.18
Reserves	3,725.81	4,790.08	6,782.24	9,552.44	13,670.08
Non-controlling interests	13.91	18.09	18.09	18.09	18.09
Total	7,636.29	11,636.54	13,474.18	17,340.86	22,511.08

Source: SWS Research

Fig 4: Key performance indicators

	2015	2016	2017E	2018E	2019E
Earnings per share	0.71	1.18	2.63	3.66	5.44
Operating CF per share	1.55	1.47	2.03	3.74	5.30
Dividend per share	0.16	0.21	0.78	1.08	1.61
Book value per share	3.50	4.48	6.29	8.82	12.57
Key Operating Ratios (%)					
ROE	19.86%	25.86%	41.21%	40.90%	42.65%
Gross profit margin	16.49%	18.34%	21.26%	24.08%	26.89%
Ebit margin	14.47%	15.28%	16.39%	17.05%	19.16%
Revenue growth (YoY)	26.94%	36.61%	59.87%	22.79%	27.13%
Net profit growth (YoY)	36.04%	66.43%	123.96%	39.06%	48.64%
Turnover rate of total assets	1.40	1.26	1.73	1.65	1.62
Dividend yield (%)	0.15%	0.21%	0.29%	0.78%	1.08%
Valuation Ratios (X)					
PE	128.93	78.07	34.86	25.07	16.87
PB	25.60	20.03	14.25	10.17	7.14

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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