

Company Report: Sunny Optical (02382 HK)

公司报告: 舜宇光学 (02382 HK)

Gin Yu 余劲同
(852) 2509 2130
gin.yu@gtjas.com.hk
17 July 2020

Lens Business to Gradually Recover, "Accumulate"

镜头业务逐步恢复, "收集"

- **We expect global smartphone shipments to remain under pressure in 2HFY20 but will gradually recover.** As COVID-19 continues to affect consumer spending, especially in overseas markets, we expect the global smartphone market to remain under pressure in 2HFY20. However, as China's economy is gradually becoming normal and economic activity of many overseas markets are gradually recovering, we expect the smartphone market and vehicle market to gradually recover.
- **We expect shipments of lenses to gradually recover in 2HFY20.** Due to the gradual decrease of impact of the pandemic on the smartphone market and the rising number of lens sets per smartphone, we expect shipments growth of handset lens sets to gradually recover. With work and production resumption of its vehicle lens sets business customers, as well as the huge potential of ADAS, IoV and autonomous driving, we expect that shipments of vehicle lens sets will gradually recover, and the yoy decline in shipments will continue to narrow.
- **We expect shipments of handset camera modules to remain strong.** As the shipments to a major customer is expected to suffer from the US ban, we expect the growth rate of handset camera modules shipments to be affected in the short term. However, due to the gradual recovery of the smartphone market and optical specifications upgrade trend of smartphones, we expect shipments of handset camera modules to remain strong.
- **We revise up TP from HK\$118.00 to HK\$156.00 due to the gradual recovery of lens business, and maintain the Company's investment rating as "Accumulate".** The TP represents 34.9x, 25.0x and 18.8x FY20-FY22 PER.
- **我们预计 2020 财年下半年的全球智能手机出货量仍将承受压力, 但将逐步恢复。** 由于新冠肺炎疫情继续影响消费支出, 尤其是海外市场, 我们预计 2020 财年下半年全球智能手机市场仍将承受压力。然而, 随着中国经济逐渐趋于正常, 以及许多海外市场的经济活动逐渐复苏, 我们预计智能手机市场和汽车市场将逐步复苏。
- **我们预计 2020 财年下半年镜头的出货量将逐渐恢复。** 由于疫情对智能手机市场的影响逐渐减少, 以及智能手机镜头的数量增加, 我们预计手机镜头的出货量增长将逐步恢复。随着车载镜头业务客户的复工复产以及 ADAS、车联网和自动驾驶的巨大潜力, 我们预计车载镜头的出货量将逐渐恢复, 同时出货量的同比下降将继续缩窄。
- **我们预计手机摄像模组的出货量将保持强劲。** 由于向一个主要客户的出货预计会受到美国禁令的影响, 我们预计手机摄像模组的出货量增长率将在短期内受到影响。然而, 由于智能手机市场的逐步复苏以及智能手机光学规格的升级趋势, 我们预计手机摄像模组的出货量将保持强劲。
- **由于镜头业务的逐步恢复, 我们将目标价从 118.00 港元上调至 156.00 港元, 并维持公司 "收集" 的投资评级。** 目标价相当于 34.9 倍、25.0 倍和 18.8 倍 2020-2022 财年市盈率。

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

HK\$156.00

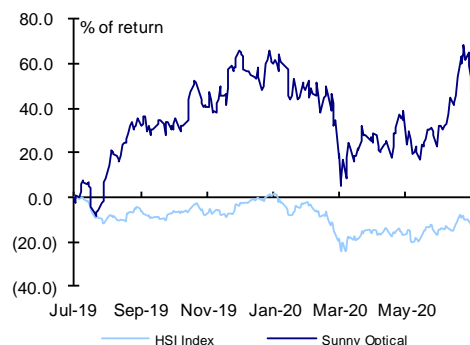
HK\$118.00

Share price 股价:

HK\$128.900

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. %			
绝对变动 %	13.7	16.1	49.1
Rel. % to HS Index			
相对恒指变动 %	10.7	12.7	60.9
Avg. Share price(HK\$)			
平均股价 (港元)	126.1	115.7	117.5

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2018A	25,932	2,491	2.279	(14.6)	49.7	8.449	13.4	0.568	0.5	29.8
2019A	37,849	3,991	3.648	60.1	31.6	11.473	10.0	0.728	0.6	36.6
2020F	42,092	4,460	4.066	11.5	28.8	14.783	7.9	0.819	0.7	31.0
2021F	51,310	6,218	5.669	39.4	20.7	19.633	6.0	1.142	1.0	32.9
2022F	62,081	8,267	7.537	33.0	15.6	26.028	4.5	1.518	1.3	33.0
Shares in issue (m) 总股数 (m)				1,096.9	Major shareholder 大股东				Sun Xu Ltd. 35.5%	
Market cap. (HK\$ m) 市值 (HK\$ m)				141,390.4	Free float (%) 自由流通比率 (%)				64.5	
3 month average vol. 3 个月平均成交股数 ('000)				8,765.6	FY20 Net gearing (%) FY20 净负债/股东资金 (%)				17.0	
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				149.200 / 65.150	FY20 Est. NAV (HK\$) FY20 每股估值 (港元)				170.0	

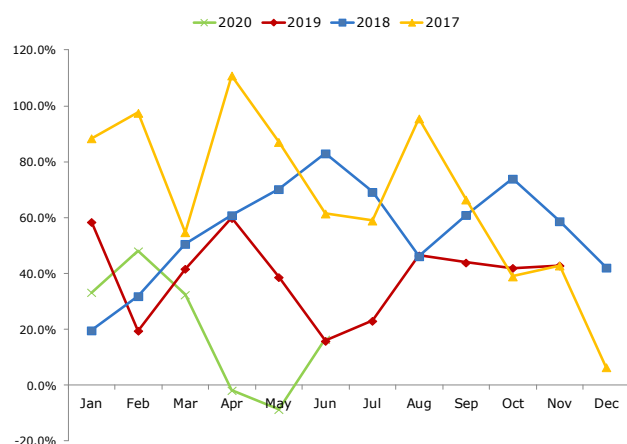
Source: the Company, Guotai Junan International.

We expect global smartphone shipments to remain under pressure in 2HFY20, but will gradually recover. As the COVID-19 pandemic continues to affect consumer spending, especially in overseas markets, we expect the global smartphone market to remain under pressure in 2HFY20. Market Research company IDC forecasts the global smartphone shipments to decline by 11.9% yoy in 2020. However, as China's economy is gradually becoming normal, and economic activities of many overseas markets are gradually recovering, we expect the smartphone market and vehicle market to gradually recover. Besides, the 5G smartphone industry is growing rapidly, 5G smartphone shipments accounted for 63.2% of total smartphone shipments in June 2020 in China, thus we expect 5G to promote the recovery of the smartphone market.

We expect shipments of lenses to gradually recover in 2HFY20. As the impact overseas from the pandemic gradually decreases, shipments of handset lens sets increased by 16.5% yoy and 20.8% mom in June 2020. Shipments of handset lens sets rose by 16.5% yoy in 1HFY20. Due to the gradual decrease of impact of the pandemic on the smartphone market and the rising number of lens sets per smartphone, we expect shipments growth of handset lens sets to gradually recover. Due to the continuous work resumption of downstream customers, decline in shipments of vehicle lens sets in June narrowed significantly compared to those in April and May, and shipments of vehicle lens sets increased by 20.8% mom. With the resumption of work and production vehicle lens sets business customers, as well as the huge potential of ADAS, IoV and autonomous driving, we expect shipments of vehicle lens sets will gradually recover, and the yoy decline in shipments will continue to narrow.

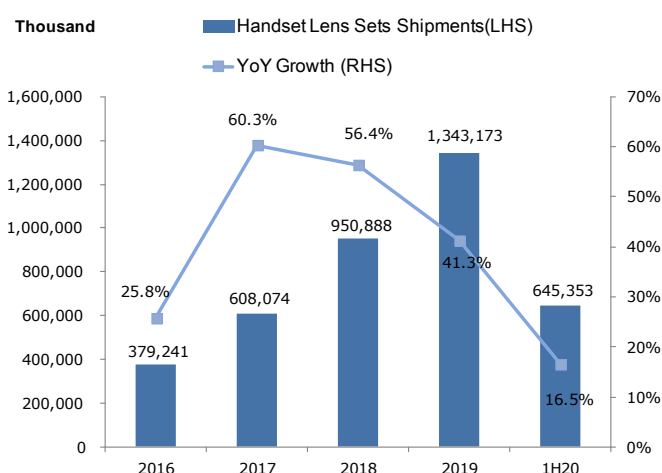
We expect shipments of handset camera modules to remain strong. In 1HFY20, shipments of handset camera modules increased by 24.9% yoy, but in June 2020, shipments of handset camera modules only increased by 1.1% yoy and decreased by 8.5% mom; the differentiation in shipments performance of handset lens sets and handset camera modules in June was mainly due to the difference in customer structure (Samsung accounts for a large proportion of handset lens sets business but accounts for only a small proportion of handset camera modules business). As the shipments of handset camera modules of a major customer is expected to suffer from the US ban, we expect that the growth rate of shipments of handset camera modules will be affected in the short term. However, due to the gradual recovery of the smartphone market and significant upgrade trend of optical specifications of smartphones, we expect shipments of handset camera modules to remain strong.

Figure-1: Sunny Optical's Monthly Handset Lens Sets Shipments YoY Growth

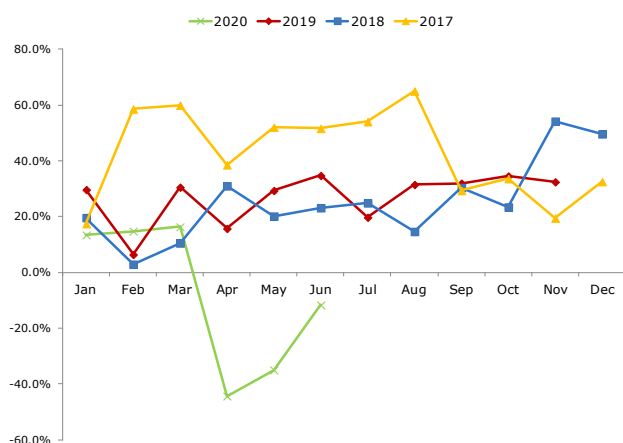


Source: the Company, Guotai Junan International.

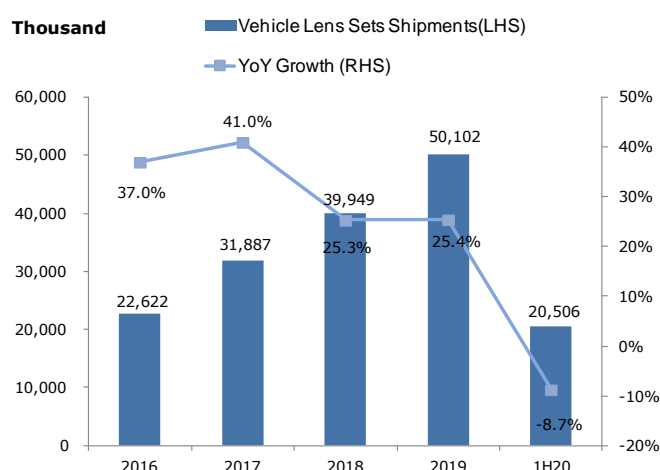
Figure-2: Sunny Optical's Handset Lens Sets Shipments and YoY Growth



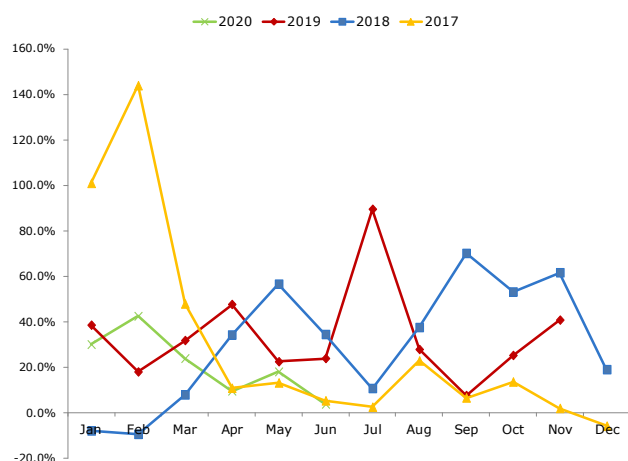
Source: the Company, Guotai Junan International.

Figure-3: Sunny Optical's Monthly Vehicle Lens Sets Shipments YoY Growth


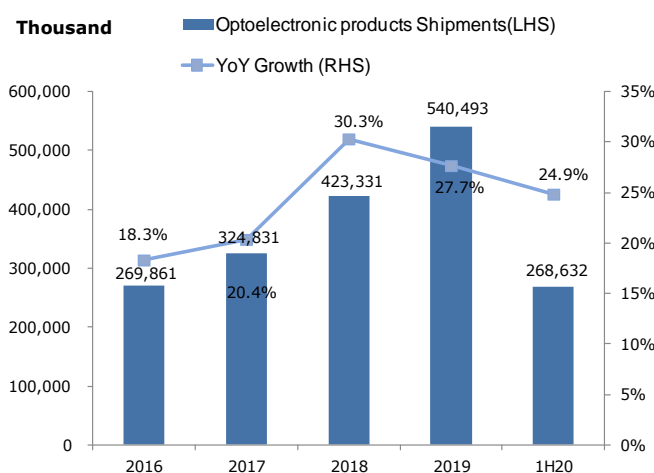
Source: the Company, Guotai Junan International.

Figure-4: Sunny Optical's Vehicle Lens Sets Shipments and YoY Growth


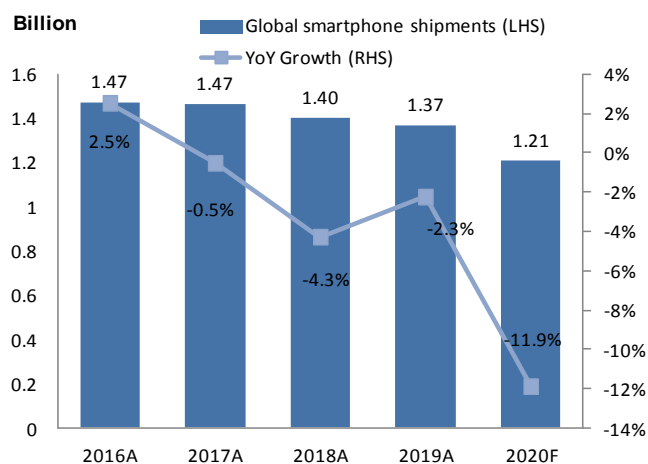
Source: the Company, Guotai Junan International.

Figure-5: Sunny Optical's Monthly Optoelectronic Products Shipments YoY Growth


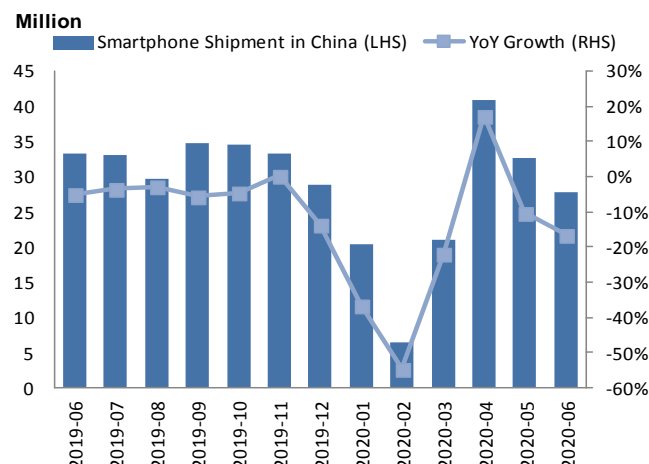
Source: the Company, Guotai Junan International.

Figure-6: Sunny Optical's Optoelectronic Products Shipments and YoY Growth


Source: the Company, Guotai Junan International.

Figure-7: Global Smartphone Shipments and Forecasts


Source: IDC, Guotai Junan International.

Figure-8: China Smartphone Shipments


Source: CAICT, Guotai Junan International.

Valuation

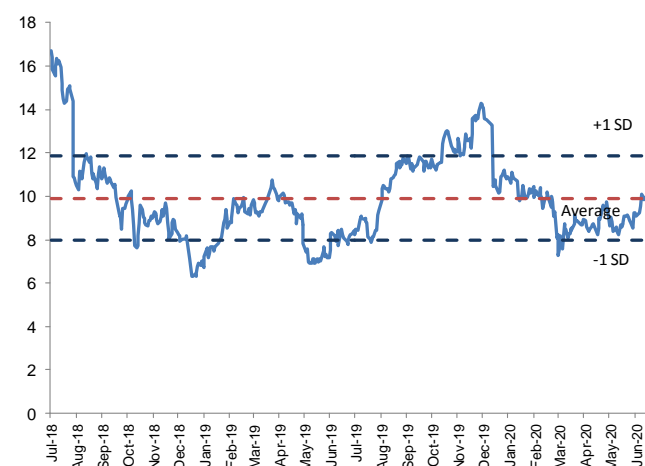
We have revised up the target price from HK\$118.00 to HK\$156.00, and maintain the Company's investment rating as "Accumulate". We expect that the COVID-19 pandemic will continue to bring pressure on the smartphone market in 2HFY20, but the impact will gradually decline, and the Company's lens business will gradually recover. Thus we revise up our target price to HK\$156.00, and maintain our investment rating as "Accumulate". The TP represents 34.9x, 25.0x and 18.8x FY20-FY22 PER.

Figure-9: Sunny Optical's PE Graph



Source: Bloomberg, Guotai Junan International.

Figure-10: Sunny Optical's PB Graph



Source: Bloomberg, Guotai Junan International.

Table-1: Peers Comparison

Table 1: PRC Core Comparison													
			Market Cap		PER			PBR			ROE (%)	D/Y (%)	EV/EBITDA
Company	Ticker	Currency	Price	(HKD Mil)	20F	21F	22F	20F	21F	22F	20F	20F	20F
HK Listed Companies													
Q Tech Group Co. Ltd.	01478 HK	HKD	10.500	12,684	15.7	12.4	10.9	3.2	2.6	2.2	21.6	1.2	10.2
Sunny Optical	02382 HK	HKD	128.900	143,907	27.6	21.3	17.4	7.8	6.0	4.6	31.3	0.8	18.8
Aac Technologies Holdings In	2018 HK	HKD	52.900	64,171	27.3	19.4	16.5	2.7	2.5	2.2	10.4	1.1	12.3
Truly International Holdings	732 HK	HKD	0.920	3,125	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cowell E Holdings Inc.	01415 HK	HKD	2.920	2,561	7.7	6.4	5.9	0.9	0.9	0.9	11.2	7.6	2.9
Simple Average					19.6	14.9	12.7	3.7	3.0	2.5	18.6	2.7	11.0
Weighted Average					26.6	20.1	16.6	6.0	4.7	3.8	24.5	1.0	16.2
Taiwan Listed Companies													
Largan Precision Co. Ltd.	03008 TT	TWD	4,000.000	141,554	18.8	15.4	13.9	3.6	3.1	2.7	21.4	2.0	11.0
Tung Thih Electronic Co Ltd	03552 TT	TWD	72.800	1,692	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Simple Average					18.8	15.4	13.9	3.6	3.1	2.7	21.4	2.0	11.0
Weighted Average					18.8	15.4	13.9	3.6	3.1	2.7	21.4	2.0	11.0
PRC Listed Companies													
O-Film Tech Co Ltd-A	002456 CH	CNY	18.990	58,375	39.6	28.1	22.0	4.7	4.0	3.4	11.7	0.1	16.0
Hangzhou Hikvision Digital-A	002415 CH	CNY	34.790	363,889	24.0	19.7	16.6	6.0	5.0	4.2	26.2	2.1	21.5
Zhejiang Dahua Technology-A	002236 CH	CNY	19.770	66,888	16.6	13.6	11.6	3.1	2.6	2.1	19.6	0.7	15.9
Goertek Inc -A	002241 CH	CNY	30.140	116,695	48.8	35.3	29.3	5.5	4.8	4.2	11.3	0.4	23.8
Luxshare Precision Industr-A	002475 CH	CNY	52.920	428,109	51.9	37.9	30.6	13.2	10.0	7.7	25.9	0.2	38.3
Lens Technology Co Ltd-A	300433 CH	CNY	29.750	152,741	35.1	29.2	22.4	5.1	4.4	3.6	15.7	0.5	18.2
Dongxu Optoelectronic Tech-A	000413 CH	CNY	2.840	17,842	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ningbo Joyson Electronic -A	600699 CH	CNY	22.930	31,886	29.0	19.4	20.5	2.0	1.9	1.9	6.6	0.2	8.1
Zhejiang Crystal-Optech -A	002273 CH	CNY	16.250	22,292	32.1	25.2	21.3	3.6	3.2	2.8	11.0	1.1	n.a.
Simple Average					34.6	26.1	21.8	5.4	4.5	3.7	16.0	0.7	20.3
Weighted Average					38.0	28.8	23.5	7.9	6.4	5.1	21.6	0.9	26.3
Overall Average													
Overall Average					24.3	18.8	16.1	4.2	3.5	3.0	18.7	1.8	14.1
Overall Weighted Average					27.8	21.4	18.0	5.9	4.7	3.8	22.5	1.3	17.8

Source: Bloomberg.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F	Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F
Optical components Revenue	6,023	8,815	9,560	12,027	15,593	PP&E	4,523	6,567	7,894	9,389	11,197
Optoelectronic products Revenue	19,609	28,748	32,234	38,923	46,053	Prepay lease payments	214	0	0	0	0
Optical instruments Revenue	300	285	298	360	434	Intangible assets	349	419	446	468	481
Total Revenue	25,932	37,849	42,092	51,310	62,081	Interest in an associates	101	1	1	1	1
Cost of revenues	(21,019)	(30,098)	(33,361)	(39,952)	(47,439)	Deposit for acquisition of PPE	401	315	481	577	693
Gross profit	4,913	7,751	8,731	11,358	14,642	Others	496	945	990	1,081	1,183
						Total Non-current Assets	6,084	8,247	9,812	11,516	13,554
Other income	467	406	419	586	651						
Other gains & losses	(297)	(212)	(71)	(49)	(51)	Inventories	3,074	5,146	5,998	7,327	8,904
S&D expenses	(210)	(279)	(310)	(359)	(435)	Receivables & prepayment	6,231	9,630	11,108	13,569	16,489
R&D expenses	(1,362)	(2,209)	(2,610)	(3,335)	(4,097)	Financial assets at FVTPL	4,760	5,663	5,380	5,918	6,214
Admin expenses	(434)	(650)	(842)	(872)	(1,055)	Cash & Cash Equivalents	2,254	1,917	2,053	3,432	6,131
Operating Profit	3,077	4,806	5,318	7,328	9,656	Others	449	90	94	98	102
Share of result of an associate	(24)	(6)	(3)	(1)	(1)	Total Current Assets	16,768	22,446	24,633	30,343	37,839
Finance costs	(202)	(250)	(231)	(211)	(195)						
Profit Before Tax	2,851	4,550	5,085	7,116	9,460	Total Assets	22,852	30,693	34,445	41,860	51,393
Income Tax	(339)	(531)	(593)	(854)	(1,135)						
Profit After Tax	2,513	4,019	4,491	6,262	8,325	Trade and other payables	7,064	11,322	11,676	13,983	16,604
Non-controlling Interest	(22)	(28)	(31)	(44)	(58)	Borrowings	1,482	1,119	783	548	384
Shareholders' Profit / Loss	2,491	3,991	4,460	6,218	8,267	Others	131	190	199	209	219
Basic EPS	2.279	3.648	4.066	5.669	7.537	Total Current Liabilities	8,677	12,630	12,659	14,740	17,207
Cash Flow Statement						Deferred tax liabilities	403	685	753	829	912
Year end 31 Dec (RMB m)	2018A	2019F	2020F	2021F	2022F	Deferred income	70	74	76	78	81
Profit before tax	2,851	4,550	5,085	7,116	9,460	Bonds payable	4,080	4,156	4,073	3,910	3,754
D&A	819	1,237	1,708	2,350	3,065	Others	333	422	446	471	498
Change in working capital	(203)	(1,122)	(1,997)	(1,549)	(1,919)	Total Non-current Liabilities	4,887	5,336	5,348	5,288	5,244
Tax paid	(262)	(288)	(535)	(798)	(1,074)						
Others	363	(65)	(212)	(221)	(351)	Total Liabilities	13,564	17,967	18,007	20,029	22,451
Cash from Operating Activities	3,568	4,313	4,048	6,898	9,180	Share capital	105	105	105	105	105
						Reserves	9,129	12,448	16,109	21,429	28,443
Investing activities						Total Shareholders' Equity	9,234	12,553	16,214	21,534	28,548
CAPEX	(2,491)	(2,959)	(2,959)	(3,725)	(4,690)	Minority Interest	54	173	224	297	394
Change in financial assets at FVTPL	(2,480)	(903)	283	(538)	(296)	Total Equity	9,288	12,726	16,438	21,831	28,942
Others	(528)	563	257	253	315						
Cash from Investing Activities	(5,499)	(3,299)	(2,420)	(4,010)	(4,671)	Financial Ratios					
							2018A	2019A	2020F	2021F	2022F
Dividend paid	(725)	(623)	(799)	(898)	(1,252)	Gross profit margin (%)	18.9	20.5	20.7	22.1	23.6
Change in borrowings	88	(364)	(336)	(235)	(164)	Operating profit margin (%)	11.9	12.7	12.6	14.3	15.6
Change in bond payable	3,832	0	0	0	0	Net profit margin (%)	9.6	10.5	10.6	12.1	13.3
Others	(238)	(364)	(358)	(376)	(393)	ROA (%)	12.9	14.9	13.7	16.3	17.7
Cash from Financing Activities	2,957	(1,350)	(1,492)	(1,510)	(1,810)	ROE (%)	29.8	36.6	31.0	32.9	33.0
Net Changes in Cash	1,025	(337)	136	1,379	2,700	Current ratio (x)	1.9	1.8	1.9	2.1	2.2
Cash at Beg of Year	1,227	2,254	1,917	2,053	3,432	Quick ratio (x)	1.6	1.4	1.5	1.6	1.7
FX change	2	0	0	0	0	Debt to equity ratio (x)	59.9	41.4	29.5	20.4	14.3
Cash at End of Year	2,254	1,917	2,053	3,432	6,131	Net gearing (%)	35.4	26.3	17.0	4.6	Net Cash

Source: the Company, Guotai Junan International.

17 July 2020

Sunny Optical 舜宇光学 (02382 HK)

Company Report

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

DISCLOSURE OF INTERESTS

- (1) The Analysts and their associates do not serve as an officer of the issuer mentioned in this Research Report.
- (2) The Analysts and their associates do not have any financial interests in relation to the issuer mentioned in this Research Report.
- (3) Except for GUOTAI JUNAN I (01788 HK), JINSHANG BANK (02558 HK), ZHONGLIANG HLDG (02772 HK), BINHAI INVESTMENT (02886 HK), HAITIAN ANTENNA (08227 HK), Guotai Junan and its group companies do not hold equal to or more than 1% of the market capitalization of the issuer mentioned in this Research Report.
- (4) Guotai Junan and its group companies have not had investment banking relationships with the issuer mentioned in this Research Report within the preceding 12 months.
- (5) Guotai Junan and its group companies are making, or will make a market in the securities in respect of the issuer mentioned in this Research Report.
- (6) Guotai Junan and its group companies have not employed an individual serving as an officer of the issuer mentioned in this Research Report. There is no officer of the issuer mentioned in this Research Report associated with Guotai Junan and its group companies.

DISCLAIMER

This Research Report does not constitute an invitation or offer to acquire, purchase or subscribe for securities by Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan"). Guotai Junan and its group companies may do business that relates to companies covered in research reports, including investment banking, investment services, etc. (for example, the placing agent, lead manager, sponsor, underwriter or invest proprietarily).

Any opinions expressed in this report may differ or be contrary to opinions or investment strategies expressed orally or in written form by sales persons, dealers and other professional executives of Guotai Junan group of companies. Any opinions expressed in this report may differ or be contrary to opinions or investment decisions made by the asset management and investment banking groups of Guotai Junan.

Though best effort has been made to ensure the accuracy of the information and data contained in this Research Report, Guotai Junan does not guarantee the accuracy and completeness of the information and data herein. This Research Report may contain some forward-looking estimates and forecasts derived from the assumptions of the future political and economic conditions with inherently unpredictable and mutable situation, so uncertainty may contain. Investors should understand and comprehend the investment objectives and its related risks, and where necessary consult their own financial advisers prior to any investment decision.

This Research Report is not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject Guotai Junan and its group companies to any registration or licensing requirement within such jurisdiction.

© 2020 Guotai Junan Securities (Hong Kong) Limited. All Rights Reserved.
 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtja.com.hk