

# Sunny Optical Technology (02382.HK)

1H21 GMP increase under downgraded specification of smartphone  
Hong Kong | TMT Hardware | Update Report

26 August 2021

## Investment Summary

Sunny Optical announced the company's interim results as of 30 June 2021. During the period, the revenue was approximately RMB 19.833 billion (+5.1% yoy). The overall gross profit margin increased by 5.4 ppts yoy to 24.9% and the net profit attributable to the parent was approximately RMB 26.88 billion (+53.7% yoy). The company's revenue growth was lower than expected, mainly due to the downgraded specification of smartphone market landscape and unfavourable sales performance of high-end smartphone models, the average selling price of handset camera modules decreased significantly compared to the corresponding period of last year, which partially offset the revenue growth brought by the increased shipment volume. The company's net profit matches the market expectations, mainly benefited from the efficiency improvement and cost down of production brought by manufacturing optimisation and automation level improvement.

## Adjusted HLS shipment, short-term pressure on high-end products

The company's shipment volume of HLS increased by approximately 11.1%, yoy in 1H21. The management has adjusted its guidance for HLS, from the expected annual growth rate of 15%-20% to 5%-10%. The shipment volume of HCM increased by approximately 34.5% yoy in 1H21, and the company maintains its forecast of 20%-25% yoy growth for the whole year. The trend of downgrading specification in the mobile phone market has caused short-term pressure on the company's high-end product market performance. The company's shipments volume of 6P and above HLS grew by only 2.9% yoy in 1H21. The overall shipment volume of periscope modules and large image size modules (chip surface at 1/1.7" and above) fell by 21.0% yoy in 1H21. At a result, the ASP of HLS dropped slightly yoy, while the ASP of HCM has dropped significantly. The company's management believes that the ASP in the second half of the year will still have a chance to be under pressure, but they are optimistic to the future business. In addition to the company's ability to optimize production lines, it has successfully digested the impact of changes in customer structure and gradually penetrates the Apple supply chain. It is believed that the mobile phone market will reappear in the trend of upgrading, and once it happens, the company will have an advantage.

## Automotive-related businesses exceed market expectation

The company's automotive-related product revenue reached approximately RMB 1.614 billion in 1H21, a significant increase of 72.38% yoy, the shipment volume increased by 82% yoy, continuing to maintain its position with no.1 market shares. The company has raised its forecast for the shipment growth of VLS from 20%-25% to 30%-35%. In addition, the company has implemented mass production of light detection and ranging (LIDAR), transmitting and receiving modules and completed the R&D of the core optical engines for holographic AR HUD solutions.

## Company valuation

Considering the ASP of the HLS and HCM is expected to be under pressure in the second half of the year and the company's overall gross profit margin has increased, we slightly lowered the company's net profit attributable to the parent company for 2021/ 2022/ 2023 to RMB 5.714/ 7.141/ 8.734 billion, which 2021 – 2023 CAGR is 23.63%. We maintain the company's 2021 P/E ratio of 40x and slightly revise down the target price to HKD 245.1, corresponding to the PE ratio of 32.0x / 26.2x in 2022/ 2023. "Accumulate" grading is maintained.

## Accumulate (Maintain)

CMP HKD 223.20

(Closing price as of 24 August)

Target HKD 245.1 (+9.81%)

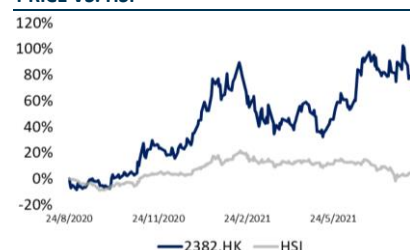
### COMPANY DATA

O/S SHARES (MN) :	1,096.85
MARKET CAP (HKD MN) :	244,817
52 - WK HI/LO (HKD):	259.4/203.8

### SHARE HOLDING PATTERN, %

Wang Wenjian	38.51%
J.P. Morgan Chase & Co.	6.01%

### PRICE VS. HSI



Source: Wind, Phillip Securities (HK) Research

### KEY FINANCIALS

CNY mn	FY19	FY20	FY21E	FY22E
Net Sales	37,849	38,002	42,823	52,991
Net Profit	3,991	4,872	5,714	7,141
EPS, CNY cent	3.65	4.46	5.21	6.51
P/E, x	54.75	42.14	36.42	29.14
BVPS, CNY	11.64	15.40	19.74	25.30
P/BV, x	17.17	12.20	9.61	7.50
DPS (HKD cent)	8.1	10.6	12.3	15.3
Div. Yield (%)	0.36%	0.47%	0.55%	0.69%

Source: Company reports, Phillip Securities Est.

## Research Analyst

Samuel Sung (+852 2277 6527)

samuelsung@phillip.com.hk

## Financial

### Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	37,849	38,002	42,823	52,991	65,000
COGS	(30,098)	(29,304)	(32,546)	(40,167)	(49,400)
<b>Gross Profit</b>	7,751	8,698	10,278	12,824	15,600
S&A expense	(279)	(313)	(343)	(436)	(527)
R&D expense	(2,209)	(2,499)	(2,869)	(3,609)	(4,388)
Admin. expense	(650)	(719)	(814)	(1,023)	(1,242)
Other gains and losses	(201)	187	-	-	-
<b>Operating Profit</b>	4,412	5,354	6,252	7,756	9,445
Finance costs	(250)	(234)	(228)	(219)	(207)
Other income/ expense	(201)	187	-	-	-
<b>Profit before tax</b>	4,550	5,643	6,624	8,279	10,147
Income tax expense	(531)	(703)	(828)	(1,031)	(1,264)
NCI	(28)	(68)	(82)	(107)	(150)
<b>Profit for the year</b>	3,991	4,872	5,714	7,141	8,734
<b>EPS (RMB)</b>	3.65	4.46	5.21	6.51	7.96

### Key Financial Data

Dec Y/E	FY19	FY20	FY21E	FY22E	FY23E
<b>Valuation Ratio</b>					
P/E ratio, x	54.75	42.14	36.42	29.14	23.82
P/B ratio, x	17.17	12.20	9.61	7.50	5.91
Dividend Yield, %	0.36%	0.47%	0.55%	0.69%	0.84%

### Per share data (RMB)

EPS	3.65	4.46	5.21	6.51	7.96
BVPS	11.64	15.40	19.74	25.30	32.10
DPS (HKD)	0.810	1.057	1.226	1.532	1.874

### Growth & Margin

	FY19	FY20	FY21E	FY22E	FY23E
<b>Growth</b>					
Revenue Growth	46.0%	0.4%	12.7%	23.7%	22.7%
Gross Profit Growth	57.8%	12.2%	18.2%	24.8%	21.6%
Operating Profit Growth	68.8%	21.4%	16.8%	24.1%	21.8%
Net Profit Growth	60.2%	22.1%	17.3%	25.0%	22.3%
<b>Margin</b>					
Gross Profit Margin	20.5%	22.9%	24.0%	24.2%	24.0%
Operating Profit Margin	11.7%	14.1%	14.6%	14.6%	14.5%
Net Profit Margin	10.5%	12.8%	13.3%	13.5%	13.4%

### Key Ratios

ROE	36.6%	33.4%	30.1%	29.3%	28.2%
ROA	13.0%	13.7%	13.6%	14.4%	14.5%

### Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY19	FY20	FY21E	FY22E	FY23E
<b>Non Current Asset</b>					
PPE	6,567	7,513	8,490	10,443	12,844
GoodWill	2	2	2	2	2
Intangible assets	419	363	347	330	314
Deferred tax assets	131	207	207	207	207
LT Investment	339	841	841	841	841
Others	789	882	909	937	964
<b>Total Non Current Assets</b>	8,247	9,809	10,796	12,760	15,172
<b>Current Asset</b>					
Bank balances and cash	1,917	2,842	6,442	9,172	12,418
T/R	9,630	8,212	11,029	12,780	16,425
Inventories	5,146	5,783	4,917	6,088	7,446
Others	5,753	8,793	8,793	8,793	8,793
<b>Total Current Assets</b>	22,446	25,630	31,180	36,833	45,082
<b>Total Assets</b>	30,693	35,438	41,977	49,593	60,255
<b>Non Current Liabilities</b>					
Bond borrowings	1,119	2,071	2,071	2,071	2,071
LT payables	299	246	246	246	246
Deferred tax liabilities	685	889	889	889	889
Others	196	171	171	171	171
<b>Total Non Current Liabilities</b>	5,336	5,201	5,201	5,201	5,201
<b>Current Liabilities</b>					
Bank borrowings	1,119	2,071	2,071	2,071	2,071
T/P	11,322	10,733	12,450	13,961	17,167
Others	189	608	608	608	608
<b>Total Current Liabilities</b>	12,630	13,411	15,128	16,640	19,846
<b>Equity</b>					
Share capital	105	105	105	105	105
Reserve	12,448	16,492	21,232	27,230	34,536
Non controlling interest	173	229	311	418	567
<b>Total Equity</b>	12,726	16,826	21,648	27,753	35,209
<b>Total Liabilities and Equity</b>	30,693	35,438	41,977	49,594	60,255

### Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	FY19	FY20	FY21E	FY22E	FY23E
<b>CFO</b>	4,662	7,160	7,928	8,459	10,224
Profit before tax	4,550	5,643	6,624	8,279	10,147
D&A	1,277	1,627	2,139	2,403	2,930
Chg in working cap	(1,476)	115	(234)	(1,411)	(1,797)
Income tax paid	(186)	(313)	(828)	(1,031)	(1,264)
Others	497	88	228	219	207
<b>CFI</b>	(3,556)	(5,976)	(3,127)	(4,366)	(5,343)
Capex	(3,133)	(2,736)	(3,127)	(4,366)	(5,343)
Others	(423)	(3,240)	-	-	-
<b>CFF</b>	(1,441)	(222)	(1,202)	(1,362)	(1,635)
Interest paid	(240)	(224)	(228)	(219)	(207)
Dividend paid	(623)	(796)	(974)	(1,143)	(1,428)
Total bond issuance	(381)	1,016	-	-	-
Others	(197)	(217)	-	-	-
<b>Net Change in Cash</b>	(336)	962	3,600	2,731	3,246
Foreign exchange	(2)	(37)	-	-	-
<b>Cash and CE at Y/E</b>	1,917	2,842	6,442	9,172	12,418

Current Price as of: August 24

Source: PSHK

**PHILLIP RESEARCH STOCK SELECTION SYSTEMS**

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm$ 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

**GENERAL DISCLAIMER**

This publication is prepared by Phillip Securities (Hong Kong) Ltd ("Phillip Securities"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication shall not be reproduced in whole or in part, distributed or published by you for any purpose. Phillip Securities shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this publication are based on such information and are expressions of belief only. Phillip Securities has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a financial adviser regarding the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This publication should not be relied upon as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

**Disclosure of Interest**

Analyst Disclosure: Neither the analyst(s) preparing this report nor his associate has any financial interest in or serves as an officer of the listed corporation covered in this report.

Firm's Disclosure: Phillip Securities does not have any investment banking relationship with the listed corporation covered in this report nor any financial interest of 1% or more of the market capitalization in the listed corporation. In addition, no executive staff of Phillip Securities serves as an officer of the listed corporation.

**Availability**

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Information contained herein is based on sources that Phillip Securities (Hong Kong) Limited ("PSHK") believed to be accurate. PSHK does not bear responsibility for any loss occasioned by reliance placed upon the contents hereof. PSHK (or its affiliates or employees) may have positions in relevant investment products. For details of different product's risks, please visit the Risk Disclosures Statement on <http://www.phillip.com.hk>.

© 2021 Phillip Securities (Hong Kong) Limited

## Contact Information (Regional Member Companies)

## SINGAPORE

**Phillip Securities Pte Ltd**

250 North Bridge Road, #06-00 Raffles City Tower,  
Singapore 179101

Tel : (65) 6533 6001 Fax: (65) 6535 3834

[www.phillip.com.sg](http://www.phillip.com.sg)

## INDONESIA

**PT Phillip Securities Indonesia**

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,  
Jakarta 10220, Indonesia

Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809

[www.phillip.co.id](http://www.phillip.co.id)

## THAILAND

**Phillip Securities (Thailand) Public Co. Ltd.**

15th Floor, Vorawat Building, 849 Silom Road,  
Silom, Bangrak, Bangkok 10500 Thailand

Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921

[www.phillip.co.th](http://www.phillip.co.th)

## UNITED STATES

**Phillip Futures Inc.**

141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA

Tel (1) 312 356 9000 Fax: (1) 312 356 9005

## MALAYSIA

**Phillip Capital Management Sdn Bhd**

B-3-6 Block B Level 3, Megan Avenue II,  
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Tel (60) 3 2162 8841 Fax (60) 3 2166 5099

[www.poems.com.my](http://www.poems.com.my)

## CHINA

**Phillip Financial Advisory (Shanghai) Co. Ltd.**

No 436 Heng Feng Road, Green Tech Tower Unit 604  
Shanghai 200 070

Tel (86) 21 5169 9400 Fax: (86) 21 6091 1155

[www.phillip.com.cn](http://www.phillip.com.cn)

## FRANCE

**King & Shaxson Capital Ltd.**

3rd Floor, 35 Rue de la Bienfaisance  
75008 Paris France

Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017

[www.kingandshaxson.com](http://www.kingandshaxson.com)

## AUSTRALIA

**PhillipCapital Australia**

L Level 10, 330 Collins Street  
Melbourne VIC 3000 Australia

Tel: (61) 3 9618 8238 Fax: (61) 3 9200 2277

[www.phillipcapital.com.au](http://www.phillipcapital.com.au)

## HONG KONG

**Phillip Securities (HK) Ltd**

11/F United Centre 95 Queensway Hong Kong

Tel (852) 2277 6600 Fax: (852) 2868 5307

[www.phillip.com.hk](http://www.phillip.com.hk)

## JAPAN

**Phillip Securities Japan, Ltd**

4-2 Nihonbashi Kabutocho, Chuo-ku  
Tokyo 103-0026

Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141

[www.phillip.co.jp](http://www.phillip.co.jp)

## INDIA

**PhillipCapital (India) Private Limited**

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,  
Lower Parel West, Mumbai 400013

Tel: (9122) 2300 2999 Fax: (9122) 6667 9955

[www.phillipcapital.in](http://www.phillipcapital.in)

## UNITED KINGDOM

**King & Shaxson Ltd.**

6th Floor, Candlewick House, 120 Cannon Street  
London, EC4N 6AS

Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835

[www.kingandshaxson.com](http://www.kingandshaxson.com)

## SRI LANKA

**Asha Phillip Securities Limited**

Level 4, Millennium House, 46/58 Navam Mawatha,  
Colombo 2, Sri Lanka

Tel: (94) 11 2429 100 Fax: (94) 11 2429 199

[www.ashaphillip.net/home.htm](http://www.ashaphillip.net/home.htm)