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CMB International Global Markets | Equity Research | Sector Update

Technology

Global AI glasses: Ray-Ban Meta upbeat in 1H25, Xiaomi 500k target and Quark Glasses launch

OUTPERFORM
(Maintain)

China Technology Sector

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We reiterate our positive view on the booming AI glasses cycle, and we believe ongoing strength of Ray-Ban Meta glasses (+200% in 1H25), Xiaomi AI glasses' bullish shipment target of 500k, strong product pipeline (Meta/Xiaomi/Rokid/RayNeo/Quark) and improving ecosystem with more AI features/use cases will continue to pave wave for the AI glasses supply chain into 2H25E. Looking ahead, global/China smart glasses market is set to continue robust growth of 43%/121% YoY in 2025, based on IDC. As more tech players are entering the AI smart glass market, we expect cost optimization and more gen-AI use cases will continue to drive demand in the next few years. Overall, we believe the tech supply chain will benefit from ongoing AI glasses cycle, including major tech brands (Xiaomi/TCL), optics players (Q-tech/O-Film), speakers/MEMS mic (AAC Tech), structural components (Luxshare/Lens/Lingyi/Everwin/TK), OEMs (Luxshare/Lens/Huaqin), customized lenses (Conant), and display (BOE/TCL).

- **Ray-Ban Meta tripled sales in 1H25; Xiaomi to target 5mn shipment by 2027**. We expect global AI glass market is poised for stronger growth in 2H25E, evidenced by accelerating momentum for market leader, Ray-Ban Meta (sales up >200% YoY in 1H25), Xiaomi's bullish AI glasses shipment target of 500k (link) and smartglass capacity expansion (>10mn by 2026) by global largest eyewear company, EssilorLuxottica. In addition, Xiaomi's mgmt. targeted its AI glasses shipment to reach 5mn by 2027, and estimated 50mn China AI glasses TAM (vs 700mn glasses TAM in China) (link). In 1Q25, global/China smart glasses shipment grew 82%/116% YoY, based on IDC.

- **Major tech players entering AI glasses space (Apple/Samsung/Huawei/Bytedance); Robust product pipeline into 2H25E.** We expect more new product launches in 2H25E. Based on our checks, **1) Meta** (60% mkt share in 2024) will accelerate product expansion with multiple launches (Aperol/Bellini/Hypernova/Prada) at Connect 2025 in Sep. **2) Quark AI glasses** were unveiled in WAIC 2025, targeting official launch in 4Q25E. **3) Bytedance** will launch AI glasses equipped with its LLM in 2H25E, following the launch of its first AI earbuds (Ola Friend) in Oct 2024. **4) For Apple,** we expect it to launch AI glasses in 2027, featuring cameras, microphones/speakers and AI-powered sensing for information about surroundings.

- **Stock implications.** We prefer names with increasing sales exposure to AI glasses. In terms of BOM cost, SoC accounted for 40-50% of total, while structural component/OEM/camera/PCB/battery/acoustics accounted for 12%/9%/5%/4%/4%/3% respectively, based on Wellsenn XR. We believe supply chain names to benefit including Xiaomi/TCL as brands, Q-tech/O-Film for optics, AAC Tech for speakers/MEMS mic, Luxshare/Lens/Huaqin as OEMs, Luxshare/Lens/Lingyi/Everwin/TK for structural components, Conant for customized lenses, and BOE/TCL for display.

Valuation Table

			Mkt Cap	TP	Upside/	P/E (x)		P/B (x)		ROE (%)	
Name	Ticker	Rating	(US$ mn)	(LC)	Downside	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Xiaomi	1810 HK	BUY	147,456.3	65.91	20%	31.2	23.9	4.6	3.9	18.0	19.2
AAC Tech	2018 HK	BUY	6,249.5	63.54	55%	16.4	13.7	1.7	1.6	10.1	11.0
Luxshare	002475 CH	BUY	37,308.1	55.09	46%	16.4	13.8	2.7	2.2	20.0	20.9
Q-Tech	1478 HK	BUY	1,802.4	13.21	11%	17.7	15.1	2.3	2.0	11.2	12.2
TK Group	2283 HK	BUY	266.8	2.78	10%	7.1	5.6	1.1	1.0	16.4	19.1
Lens Tech	6613 HK	NR	13,270.0	-	-	20.7	14.8	-	-	8.6	11.2

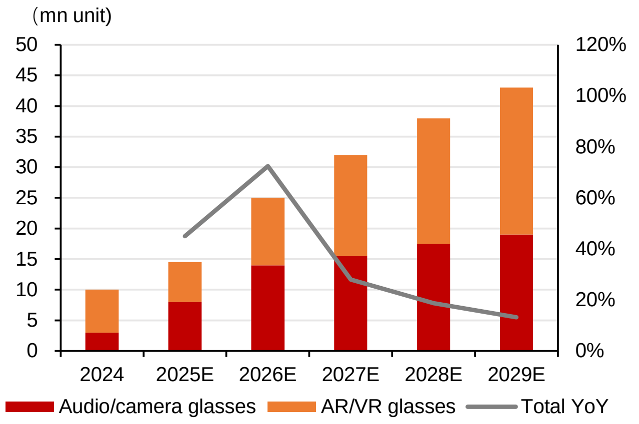
Source: Company data, CMBIGM estimates

Related Reports:

1. Xiaomi (1810 HK) - Launch event takeaways: YU7, AI Glasses, MIX Flip 2 (link)
2. Technology - Global AI smart glasses market set to kick off in 2025 (link)
3. Technology - Meta Connect 2024: Quest 3S, Orion AR glasses, AI and Ray-Ban smart glass (link)
4. Technology - Apple Vision Pro and more (link)
5. Technology - Apple MR: Long-awaited next "iPhone moment" (link)

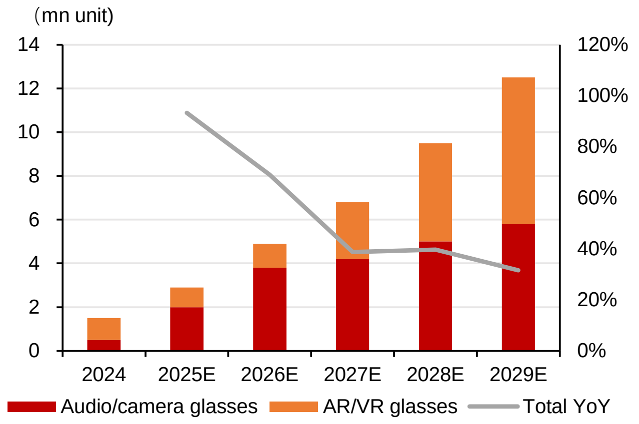
Focus Charts

Figure 1: Global AI/smart glasses shipment forecast



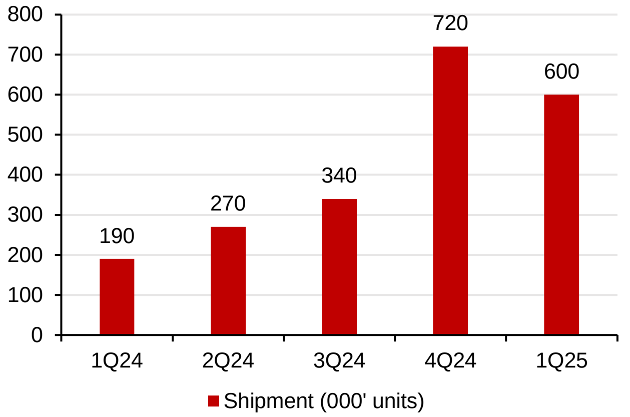
Source: IDC, CMBIGM

Figure 2: China AI/smart glasses shipment forecast



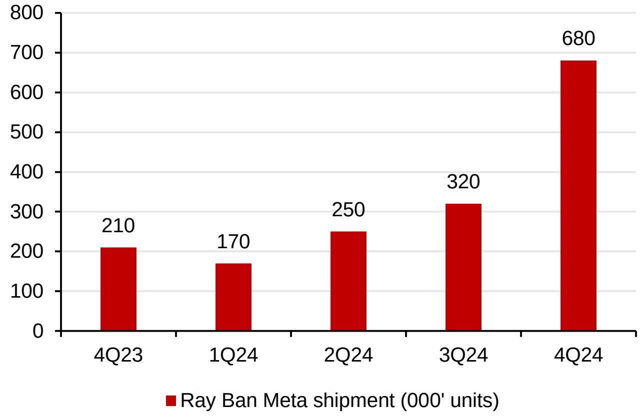
Source: IDC, CMBIGM

Figure 3: Global AI smart glasses quarterly sales



Source: Wellsenn XR, CMBIGM

Figure 4: Ray Ban Meta glasses sales by quarter



Source: Wellsenn XR, CMBIGM

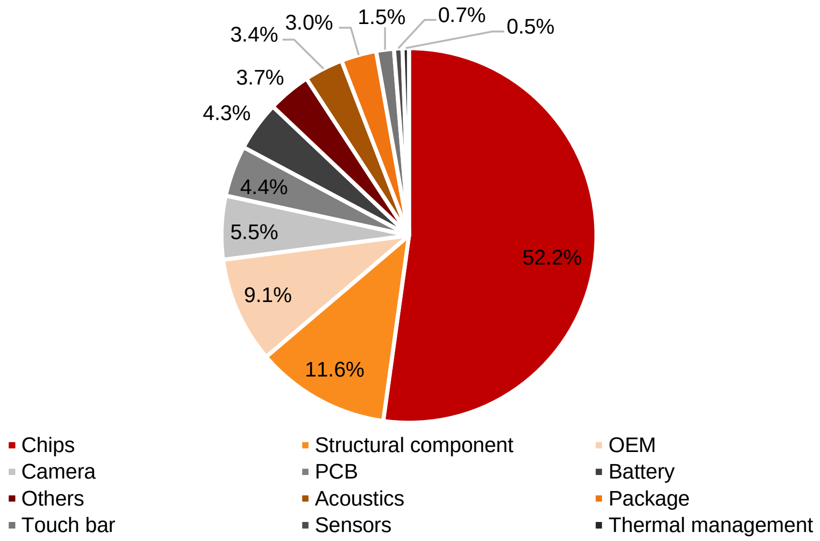
Figure 5: Ray Ban Meta glasses

Source: Wellsenn XR, CMBIGM

Figure 6: Xiaomi AI glasses

Source: Company website, CMBIGM

Figure 7: Meta Ray-Ban AI glasses BOM breakdown



Source: Wellsenn XR, CMBIGM

Figure 8: Global AI glass supply chain

Source: Wellsenn XR, CMBIGM

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