

# Sunny Optical (2382 HK)

## Gearing up for new growth cycle; Raise TP to HK\$72.52

Sunny's 1H24 revenue/NP growth of 32%/145% YoY is largely in-line with prior positive profit alert, driven by smartphone's HLS/HCM ASP/GPM recovery and rapid auto/XR growth. Mgmt. raised 2024 shipment guidance for HLS/VLS to 5-10% YoY /10-15% YoY (vs prior +5%/10% YoY), and guided ASP/GPM improvement into 2H24E and 2025. For 2025, we are positive on Apple's share gains, AI smartphone upgrade, auto product ramp-up and XR customers' order wins. We revised up FY24-26E estimates to factor in 1H24 results and better ASP/GPM outlook. Maintain BUY and lift SOTP-based TP to HK\$72.52, implying 24.9x FY25E P/E. Upcoming catalysts include iPhone16 launch, Android AI phones and monthly shipment.

■ **1H24 revenue/GPM beat on HCM/HLS product mix and ASP hike.** While Sunny's 1H net profit growth of 145% is in-line with prior profit alert, revenue growth of 32% YoY beat our/consensus estimates by 4%/9%, mainly driven by better product mix in smartphone/auto/XR (+34%/16%/112% YoY). Key highlights include: 1) we estimate HCM/HSL ASP rebounded by 15.1%/15.7% YoY in 1H24, implying Android's rapid spec upgrade, 2) 1H GPM improved 2.3ppt YoY/3.1ppt HoH to 17.2% and HLS/HCM GPM recovered to ~20%/6-8% in 1H24. 3) By region, 1H revenue from China/Europe/US grew 57%/32%/15% YoY, implying strong sales from Chinese smartphones, European automakers and US's Apple/Meta VR, while 20% YoY decline in Asia (exp. China) suggested weakness from Samsung smartphone and Japanese automakers.

■ **Upward revision for 2024 smartphone/XR guidance; Focus on Apple's share gains/upgrade, AI phones and auto/XR in 2025.** Mgmt. raised 2024 guidance in earnings call: 1) **HLS**: shipment up 5-10% YoY (vs. prior 5% YoY) in FY24E; 2H ASP to improve HoH (vs.+10-15% YoY in 1H); 2H GPM to rise to 20-25% (vs. ~20% GPM in 1H); 2) **HCM**: flattish shipment in FY24E; ASP to climb HoH and GPM to rise to 6-10% (vs. 6-8% in 1H) on high-end order wins and better yield. 3) **VLS**: shipment up 10-15% YoY (vs. prior 10% YoY); 2H GPM to maintain stable at ~40%. 4) **XR**: sales up 25% YoY (vs. prior +15% YoY). Looking into 2025, we expect growth drivers from 1) Sunny's OIS/VCM-integrated HCM, 2) iPhone share gains/upgrade in front-cam; 3) iPhone order wins in main cam/periscope cam (hybrid lens); 4) Android periscope-cam adoption, and 5) Meta AR glasses and Quest 3 Lite in 2H24E.

■ **Raise estimates on ASP/GPM upside; Reiterate BUY.** Overall, we raised our FY25-26E EPS by 7-8% to factor in 1H24 results, faster spec upgrade and stronger ASP/GPM recovery in FY25/26E. Trading at 20.1x/16.8x FY24/25E P/E (vs 33.6x 10-yr avg. P/E), we think the stock is attractive, vs 123%/19% EPS growth in FY24/25E. Reiterate BUY with new TP of HK\$72.52.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	33,197	31,681	39,765	43,167	47,468
YoY growth (%)	(11.5)	(4.6)	25.5	8.6	10.0
Net profit (RMB mn)	2,407.8	1,099.4	2,452.4	2,927.6	3,535.3
YoY growth (%)	(51.8)	(54.3)	123.1	19.4	20.8
EPS (Reported) (RMB)	2.20	1.01	2.25	2.68	3.24
Consensus EPS (RMB)	na	na	2.05	2.60	3.21
P/E (x)	20.5	44.8	20.1	16.8	13.9
P/B (x)	2.2	2.2	2.0	1.9	1.7
Yield (%)	2.1	1.0	2.2	2.6	3.1
ROE (%)	11.2	4.9	10.4	11.6	13.0
Net gearing (%)	(22.6)	(45.5)	(22.6)	(0.4)	(30.0)

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

**Target Price** **HK\$72.52**  
 (Previous TP **HK\$67.88**)  
**Up/Downside** **47.3%**  
**Current Price** **HK\$49.25**

### China Technology

#### Alex NG

(852) 3900 0881  
 alexng@cmbi.com.hk

#### Hanqing LI

lihanqing@cmbi.com.hk

### Stock Data

Mkt Cap (HK\$ mn)	54,027.3
Avg 3 mths t/o (HK\$ mn)	576.1
52w High/Low (HK\$)	75.90/34.45
Total Issued Shares (mn)	1097.0

Source: FactSet

### Shareholding Structure

Sun Xu Ltd	35.5%
JP Morgan Chase & Co	4.9%

Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	2.1%	2.2%
3-mth	12.7%	24.6%
6-mth	-1.6%	-6.6%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

### Related Reports:

1) Positive profit alert alleviates GPM concerns; Upgrade to BUY – 22 Jul 2024 ([link](#))

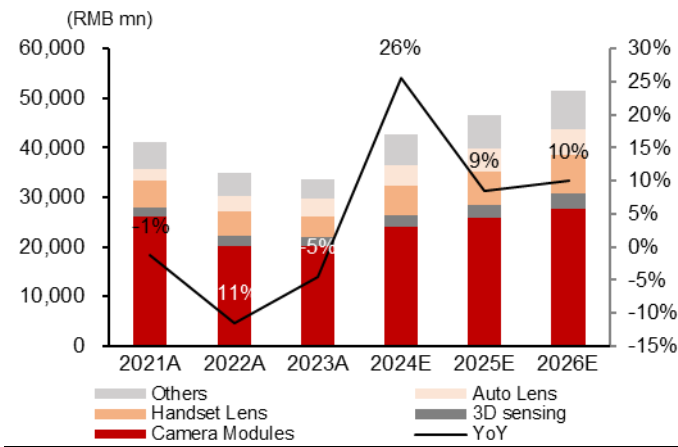
2) CMBI Corp Day takeaways: Positive on high-end upgrade, AI phone, ADAS hybrid lens and AR Glass outlook – 26 Jun 2024 ([link](#))

3) Investor Day takeaways: High-end upgrade to accelerate in 2H24E; Edge AI to drive long-term growth– 20 Jun 2024 ([link](#))

4) Expectations reset on conservative guidance; Maintain HOLD – 22 Mar 2024 ([link](#))

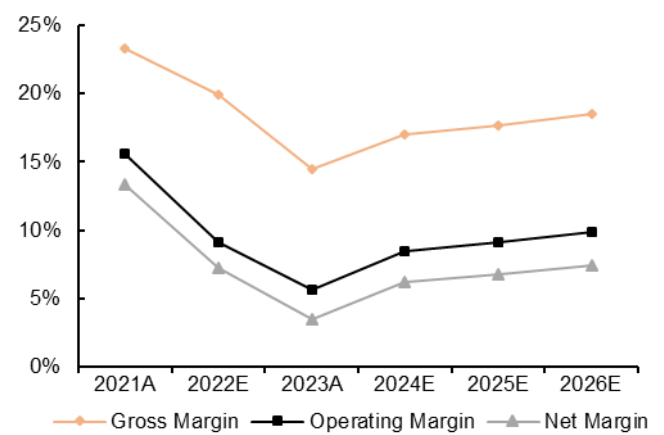
## Focus Charts

Figure 1: Sunny Optical's revenue trend



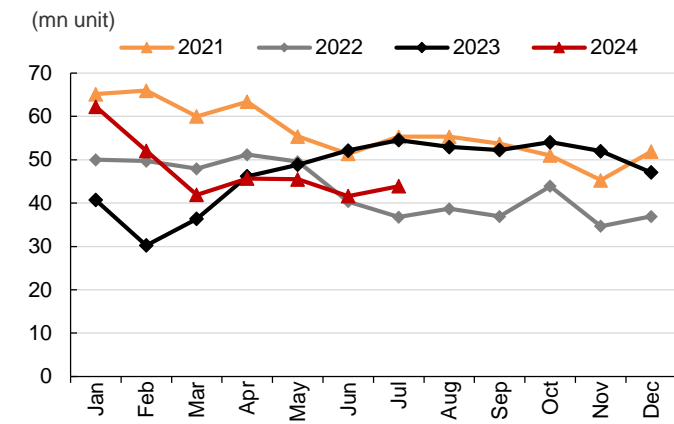
Source: Company data, CMBIGM estimates

Figure 2: Sunny Optical's GPM trend



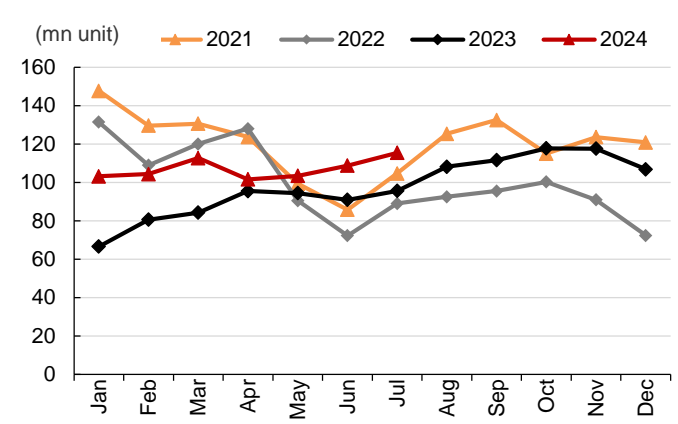
Source: Company data, CMBIGM estimates

Figure 3: Sunny's HCM shipment



Source: Company data, CMBIGM estimates

Figure 4: Sunny's HLS shipment



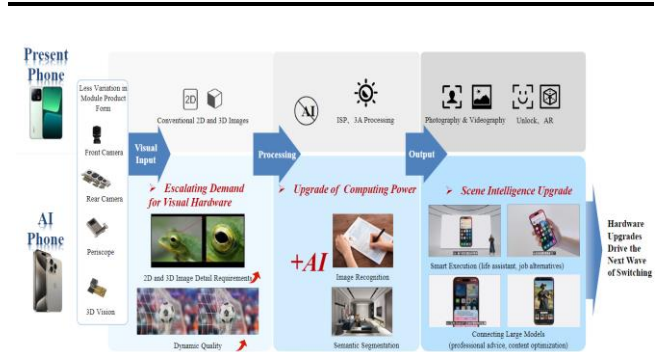
Source: Company data, CMBIGM estimates

Figure 5: Technologies in automotive modules



Source: Company data, CMBIGM

Figure 6: Edge-side AI to drive phone upgrade



Source: Company data, CMBIGM

## 1H24 Review

Figure 7: 1H24 result review

RMB mn	2H22	1H23	2H23	1H24	YoY	CMBI		Consensus	
						1H24E	Diff (%)	1H24E	Diff (%)
Revenue	16,225	14,279	17,403	18,860	32%	18,083	4%	17,316	9%
Gross profit	3,083	2,131	2,460	3,246	52%	2,974	9%	2,964	10%
Operating profit	1,216	794	991	1,526	92%	1,460	5%	903	69%
Net profit	1,050	437	663	1,070	145%	1,070	0%	1,069	0%
EPS (RMB)	0.96	0.40	0.61	0.99	148%	0.97	2%	0.98	1%
Gross margin	19.0%	14.9%	14.1%	17.2%	2.3 ppt	16.4%	0.8 ppt	17.1%	0.1 ppt
Operating margin	7.5%	5.6%	5.7%	8.1%	2.5 ppt	8.1%	0 ppt	5.2%	2.9 ppt
Net margin	6.5%	3.1%	3.8%	5.7%	2.7 ppt	5.9%	-0.1 ppt	6.2%	-0.4 ppt

Source: Company data, CMBIGM estimates

## Earnings Revision

Figure 8: CMBIGM earnings revisions

RMB mn	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	39,765	43,167	47,468	39,816	44,259	48,555	0%	-2%	-2%
Gross profit	6,767	7,632	8,763	6,515	7,421	8,556	4%	3%	2%
Operating profit	3,360	3,953	4,669	3,334	3,649	4,369	1%	8%	7%
Net profit	2,452	2,928	3,535	2,458	2,709	3,315	0%	8%	7%
EPS (RMB)	2.25	2.68	3.24	2.25	2.48	3.04	0%	8%	7%
Gross margin	17.0%	17.7%	18.5%	16.4%	16.8%	17.6%	0.7 ppt	0.9 ppt	0.8 ppt
Operating margin	8.5%	9.2%	9.8%	8.4%	8.2%	9.0%	0.1 ppt	0.9 ppt	0.8 ppt
Net margin	6.2%	6.8%	7.4%	6.2%	6.1%	6.8%	0 ppt	0.7 ppt	0.6 ppt

Source: Company data, CMBIGM estimates

Figure 9: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	39,765	43,167	47,468	36,846	41,335	45,905	8%	4%	3%
Gross profit	6,767	7,632	8,763	6,351	7,393	8,510	7%	3%	3%
Operating profit	3,360	3,953	4,669	2,102	3,087	3,906	60%	28%	20%
Net profit	2,452	2,928	3,535	2,276	2,828	3,472	8%	4%	2%
EPS (RMB)	2.25	2.68	3.24	2.05	2.60	3.21	10%	3%	1%
Gross margin	17.0%	17.7%	18.5%	17.2%	17.9%	18.5%	-0.2 ppt	-0.2 ppt	-0.1 ppt
Operating margin	8.5%	9.2%	9.8%	5.7%	7.5%	8.5%	2.7 ppt	1.7 ppt	1.3 ppt
Net margin	6.2%	6.8%	7.4%	6.2%	6.8%	7.6%	0 ppt	-0.1 ppt	-0.1 ppt

Source: Bloomberg, CMBIGM estimates

**Figure 10: P&L forecast**

RMB mn	FY22	FY23	1H24	2H24E	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>33,197</b>	<b>31,681</b>	<b>18,860</b>	<b>20,904</b>	<b>39,765</b>	<b>43,167</b>	<b>47,468</b>
...YoY	-11.5%	-4.6%	32.1%	20.1%	25.5%	8.6%	10.0%
Cost of sales	-26,592	-27,091	(15,614)	(17,384)	(32,997)	(35,535)	(38,705)
<b>Gross profit</b>	<b>6,605</b>	<b>4,590</b>	<b>3,246</b>	<b>3,521</b>	<b>6,767</b>	<b>7,632</b>	<b>8,763</b>
<b>GPM (%)</b>	<b>19.9%</b>	<b>14.5%</b>	<b>17.2%</b>	<b>16.8%</b>	<b>17.0%</b>	<b>17.7%</b>	<b>18.5%</b>
...YoY	-24.4%	-30.5%	52.4%	43.1%	47.4%	12.8%	14.8%
SG&A	(1,281)	(1,425)	(790)	(878)	(1,668)	(1,679)	(1,846)
...% of rev	-3.9%	-4.5%	-4.2%	-4.2%	-4.2%	-3.9%	-3.9%
R&D	(2,803)	(2,566)	(1,468)	(1,568)	(3,036)	(3,130)	(3,441)
...% of rev	-8.4%	-8.1%	-7.8%	-7.5%	-7.6%	-7.3%	-7.3%
Other gain & loss	537	151	504	572	637	1,129	1,194
<b>Operating profit</b>	<b>3,014</b>	<b>1,785</b>	<b>1,526</b>	<b>1,834</b>	<b>3,360</b>	<b>3,953</b>	<b>4,669</b>
<b>OPM (%)</b>	<b>9.1%</b>	<b>5.6%</b>	<b>8.1%</b>	<b>8.8%</b>	<b>8.5%</b>	<b>9.2%</b>	<b>9.8%</b>
...YoY	-48.5%	-40.8%	92.3%	85.0%	88.3%	17.6%	18.1%
<b>Net profit</b>	<b>2,408</b>	<b>1,099</b>	<b>1,079</b>	<b>1,373</b>	<b>2,452</b>	<b>2,928</b>	<b>3,535</b>
<b>NPM (%)</b>	<b>7.3%</b>	<b>3.5%</b>	<b>5.7%</b>	<b>6.6%</b>	<b>6.2%</b>	<b>6.8%</b>	<b>7.4%</b>
...YoY	-51.8%	-54.3%	147.1%	107.2%	123.1%	19.4%	20.8%

Source: Company data, CMBIGM estimates

**Figure 11: Major assumptions**

	FY22	FY23	FY24E	FY25E	FY26E
<b>Shipment volume (mn unit)</b>					
<b>Optical Components</b>					
Handset lens sets	1,193	1,171	1,306	1,391	1,502
...YoY(%)	-17%	-2%	12%	7%	8%
Vehicle lens sets	79	91	101	116	133
...YoY(%)	16%	15%	12%	14%	15%
<b>Optoelectronic Products</b>					
Handset camera modules	517	567	611	642	674
...YoY(%)	-23%	10%	8%	5%	5%
Other optoelectronic (AR/VR/3D)	51	32	41	49	59
...YoY(%)	-14%	-36%	27%	20%	20%
<b>Optical Instruments</b>					
Microscopic instruments	320	251	203	210	230
...YoY(%)	24%	-21%	-19%	3%	10%
<b>Revenue (RMB mn)</b>					
Optical components	9,468	9,555	11,130	11,991	13,419
Optoelectronic products	23,326	21,599	28,237	30,774	33,626
Optical instruments	403	527	398	402	423
<b>Total Revenue</b>	<b>33,197</b>	<b>31,681</b>	<b>39,765</b>	<b>43,167</b>	<b>47,468</b>
...YoY(%)	-11.5%	-4.6%	25.5%	8.6%	10.1%
<b>Gross Margin</b>					
Optical components	33.4%	28.4%	31.9%	32.3%	33.0%
Optoelectronic products	10.7%	5.5%	8.4%	9.1%	9.5%
Optical instruments	42.0%	41.2%	47.7%	46.0%	46.0%

Source: Company data, CMBIGM estimates

## Valuation

### Maintain BUY with new TP of HK\$72.52

We maintain BUY with new SOTP-based TP of HK\$72.52. We derived our 12-month TP from SOTP methodology and weighted-average target P/E multiple of 24.9x FY25E EPS, to reflect Sunny's diversification in multiple businesses with different growth profiles, and visibility of product upcycles across different segments.

We assign 18x P/E to its CCM business to reflect its China's No.1 position, product upcycle and advanced technology capacity. We assign 35x P/E for its vehicle lens business to reflect the high-margin and high-growth industry nature of vehicle lens (25% CAGR FY22-24E) and Sunny's No.1 global market share. We apply a 25x P/E to its handset lens segment given secular upgrade trend and continued share gains from peers.

**Figure 12: Sunny Optical – SOTP valuation**

Business segment	% of FY25E Profit	FY25E EPS (RMB)	Target P/E
Camera modules	36.5%	0.98	18x
Handset lenses	36.7%	0.98	25x
Vehicle lenses	24.3%	0.65	35x
Others	2.5%	0.07	25x
<b>Total (RMB) /Implied P/E</b>		<b>2.68</b>	<b>24.9x</b>
<b>TP (HK\$)</b>			<b>72.52</b>

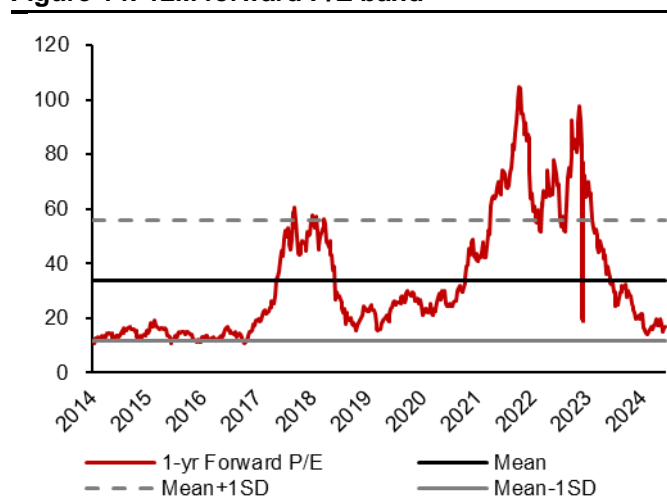
Source: Company data, CMBIGM estimates

**Figure 13: Peers' valuation**

Company	Ticker	Rating	Market Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY24E	P/E (x) FY25E	P/B (x) FY24E	P/B (x) FY25E	ROE (%) FY24E	ROE (%) FY25E
Sunny Optical	2382 HK	BUY	6,918	49.3	72.5	47%	20.1	16.8	2.0	1.9	10.4	11.6
Q tech	1478 HK	BUY	760	5.0	6.4	29%	15.0	10.0	1.0	1.0	6.9	9.6
Cowell	1415 HK	NR	2,566	23.30	NA	NA	25.1	14.8	5.0	3.8	21.3	27.4
Truly	732 HK	NR	414	1.02	NA	NA	-	-	-	-	-	-
Catcher	2474 TT	NR	4,907	230.50	NA	NA	11.8	14.9	1.0	1.0	8.3	6.2
Largan	3008 TT	NR	12,467	2985.00	NA	NA	16.8	16.3	2.2	2.0	13.7	13.1
Lite-on	2301 TT	NR	7,860	107.00	NA	NA	18.3	15.5	2.8	2.6	15.6	17.5
Primax	4915 TT	NR	1,253	86.50	NA	NA	14.0	12.4	2.1	2.0	15.0	16.2
O-film	002456 CH	NR	3,657	7.89	NA	NA	39.5	24.3	6.3	6.0	5.0	11.1
<b>Average</b>							<b>20.1</b>	<b>15.6</b>	<b>2.8</b>	<b>2.5</b>	<b>12.0</b>	<b>14.1</b>

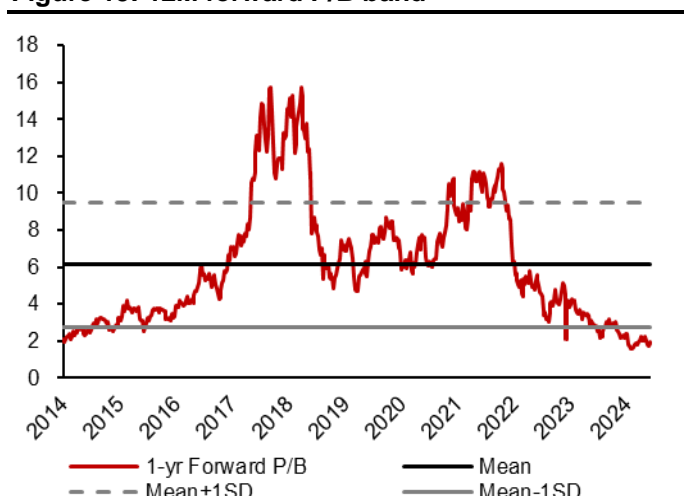
Source: Bloomberg, CMBIGM estimates

**Figure 14: 12M forward P/E band**



Source: Bloomberg, CMBIGM estimates

**Figure 15: 12M forward P/B band**



Source: Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	37,497	33,197	31,681	39,765	43,167	47,468
Cost of goods sold	(28,761)	(26,592)	(27,091)	(32,997)	(35,535)	(38,705)
<b>Gross profit</b>	<b>8,736</b>	<b>6,605</b>	<b>4,590</b>	<b>6,767</b>	<b>7,632</b>	<b>8,763</b>
Selling expense	(274)	(353)	(415)	(456)	(471)	(517)
Admin expense	(758)	(929)	(1,010)	(1,211)	(1,209)	(1,329)
R&D expense	(2,642)	(2,803)	(2,566)	(3,036)	(3,130)	(3,441)
Others	789	504	1,208	1,324	1,129	1,194
<b>Operating profit</b>	<b>5,851</b>	<b>3,014</b>	<b>1,785</b>	<b>3,360</b>	<b>3,953</b>	<b>4,669</b>
Share of (losses)/profits of associates/JV	19	(6)	23	(12)	(12)	(12)
<b>Net Interest income/(expense)</b>	<b>(230)</b>	<b>(293)</b>	<b>(449)</b>	<b>(491)</b>	<b>(491)</b>	<b>(491)</b>
<b>Pre-tax profit</b>	<b>5,640</b>	<b>2,715</b>	<b>1,358</b>	<b>2,858</b>	<b>3,450</b>	<b>4,167</b>
Income tax	(579)	(241)	(208)	(314)	(414)	(500)
Minority interest	68	66	51	91	109	131
<b>Net profit</b>	<b>4,993</b>	<b>2,408</b>	<b>1,099</b>	<b>2,452</b>	<b>2,928</b>	<b>3,535</b>
Net dividends	974	1,048	505	1,067	1,274	1,538

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
<b>Current assets</b>	<b>27,989</b>	<b>30,646</b>	<b>35,144</b>	<b>33,260</b>	<b>28,584</b>	<b>39,341</b>
Cash & equivalents	5,605	7,033	13,085	8,181	2,781	11,144
Account receivables	7,448	7,205	7,855	9,576	9,346	11,462
Inventories	5,482	4,721	5,137	6,435	7,390	7,668
ST bank deposits	1,112	485	1,324	1,324	1,324	1,324
Financial assets at FVTPL	8,314	10,086	7,113	7,113	7,113	7,113
Other current assets	28	1,115	631	631	631	631
<b>Non-current assets</b>	<b>10,785</b>	<b>12,356</b>	<b>15,153</b>	<b>15,841</b>	<b>16,199</b>	<b>16,263</b>
PP&E	8,303	10,120	9,927	10,563	10,899	10,935
Other non-current assets	2,481	2,236	5,226	5,278	5,300	5,327
<b>Total assets</b>	<b>38,774</b>	<b>43,001</b>	<b>50,297</b>	<b>49,101</b>	<b>44,783</b>	<b>55,604</b>
<b>Current liabilities</b>	<b>11,873</b>	<b>19,337</b>	<b>21,287</b>	<b>18,614</b>	<b>12,534</b>	<b>21,227</b>
Short-term borrowings	1,539	1,990	699	699	699	699
Account payables	9,869	12,917	20,325	17,645	11,562	20,251
Other current liabilities	15,493	8,757	7,987	12,143	19,988	13,428
<b>Non-current liabilities</b>	<b>6,005</b>	<b>1,482</b>	<b>6,129</b>	<b>6,129</b>	<b>6,129</b>	<b>6,129</b>
Long-term borrowings	700	30	1,965	1,965	1,965	1,965
Other non-current liabilities	5,305	1,452	4,164	4,164	4,164	4,164
<b>Total liabilities</b>	<b>17,879</b>	<b>20,819</b>	<b>27,415</b>	<b>24,743</b>	<b>18,663</b>	<b>27,356</b>
Share capital	105	105	105	105	105	105
Other reserves	20,483	21,733	22,318	23,703	25,357	27,354
<b>Total shareholders equity</b>	<b>20,895</b>	<b>22,182</b>	<b>22,882</b>	<b>24,358</b>	<b>26,120</b>	<b>28,249</b>
Minority interest	307	344	459	550	658	790
<b>Total equity and liabilities</b>	<b>38,774</b>	<b>43,001</b>	<b>50,297</b>	<b>49,101</b>	<b>44,783</b>	<b>55,604</b>



<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	5,640	2,715	1,358	2,858	3,450	4,167
Depreciation & amortization	1,638	2,048	2,437	2,364	2,664	2,964
Change in working capital	200	4,053	6,342	(5,699)	(6,808)	6,295
Others	(499)	(1,438)	324	132	58	(33)
<b>Net cash from operations</b>	<b>6,979</b>	<b>7,377</b>	<b>10,461</b>	<b>(346)</b>	<b>(636)</b>	<b>13,393</b>
<b>Investing</b>						
Capital expenditure	(2,498)	(3,864)	(2,245)	(3,000)	(3,000)	(3,000)
Others	(403)	30	0	0	0	0
<b>Net cash from investing</b>	<b>(2,902)</b>	<b>(3,834)</b>	<b>(2,245)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(3,000)</b>
<b>Financing</b>						
Dividend paid	(974)	(1,048)	(505)	(1,067)	(1,274)	(1,538)
Net borrowings	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(267)	(1,111)	(449)	(491)	(491)	(491)
<b>Net cash from financing</b>	<b>(1,241)</b>	<b>(2,159)</b>	<b>(954)</b>	<b>(1,558)</b>	<b>(1,765)</b>	<b>(2,029)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	2,842	5,605	7,033	13,085	8,181	2,781
Exchange difference	(73)	44	0	0	0	0
<b>Cash at the end of the year</b>	<b>5,605</b>	<b>7,033</b>	<b>13,085</b>	<b>8,181</b>	<b>2,781</b>	<b>11,144</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	(1.3%)	(11.5%)	(4.6%)	25.5%	8.6%	10.0%
Gross profit	0.4%	(24.4%)	(30.5%)	47.4%	12.8%	14.8%
Operating profit	(0.4%)	(48.5%)	(40.8%)	88.3%	17.6%	18.1%
Net profit	2.3%	(51.8%)	(54.3%)	123.1%	19.4%	20.8%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	23.3%	19.9%	14.5%	17.0%	17.7%	18.5%
Operating margin	15.6%	9.1%	5.6%	8.5%	9.2%	9.8%
Return on equity (ROE)	26.5%	11.2%	4.9%	10.4%	11.6%	13.0%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.2)	(0.2)	(0.5)	(0.2)	(0.0)	(0.3)
Current ratio (x)	2.4	1.6	1.7	1.8	2.3	1.9
Receivable turnover days	76.2	80.6	86.8	80.0	80.0	80.0
Inventory turnover days	71.5	70.0	66.4	64.0	71.0	71.0
Payable turnover days	130.7	156.4	223.9	210.0	150.0	150.0
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	9.9	20.5	44.8	20.1	16.8	13.9
P/B	2.4	2.2	2.2	2.0	1.9	1.7
Div yield (%)	2.0	2.1	1.0	2.2	2.6	3.1
EV	20,895.3	22,182.4	22,881.6	24,358.0	26,120.3	28,248.5
EV/Sales	0.6	0.7	0.7	0.6	0.6	0.6

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

# Disclosures & Disclaimers

## Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

## CMBIGM Ratings

**BUY** : Stock with potential return of over 15% over next 12 months  
**HOLD** : Stock with potential return of +15% to -10% over next 12 months  
**SELL** : Stock with potential loss of over 10% over next 12 months  
**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
**MARKET-PERFORM** : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months  
**UNDERPERFORM** : Industry expected to underperform the relevant broad market benchmark over next 12 months

## CMB International Global Markets Limited

**Address:** 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

**CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)**

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.