

Sunny Optical (2382 HK)

FY25E profit alert in-line; auto/smart glasses to offset smartphone weakness in 2026

Sunny announced a FY25E positive profit alert with net profit growth of 70-75% YoY, driven by high-end spec upgrade, improved product mix and investment income from the deal for Goertek Optical Tech. Excluding one-off gains of RMB919mn, mid-point of net profit is largely in-line with our/Bloomberg consensus estimates. For 2026, we expect the smart driving trend (auto VLS/CCM), AI/AR glasses ramp-up and high-end camera spec upgrade to drive revenue growth, offsetting smartphone weakness on memory cost pressure. We lower FY26-27E EPS by 1-4% to reflect smartphone industry headwinds. Our new SOTP-based TP of HK\$91.38 implies 23.4x FY26E P/E. Upcoming catalysts include FY26E outlook/guidance, high-end spec upgrade, AI glasses launches and ADAS adoption.

- **FY25 positive profit alert in-line, driven by HLS/HCM spec upgrade and solid VLS growth.** Sunny announced a positive profit alert with earnings growth of 70-75% YoY, thanks to: 1) HLS/HCM ASP/GPM improvement due to camera spec upgrade, 2) resilient auto lens shipment growth, and 3) investment income of RMB919mn from subsidiaries' equity transfer in exchange for Goertek Optical Tech's equity interests. Excluding one-off gains, mid-point of FY25 earnings is in-line with our/consensus estimates. In addition, we believe Goertek Optical Tech's deal will accelerate Sunny's XR business development given the former's technology leadership in optical waveguide for AI glasses and AR headsets.
- **FY26E outlook: smart driving (VLS/VCM) and AI/AR glasses to offset smartphone weakness.** 1) **Smartphone HLS/HCM:** we expect HLS/HCM revenue to decline 12%/12% YoY due to mid/low-end Android smartphone weakness and inferior product mix (CMBI forecast: 5% YoY global smartphone shipment decline in FY26E). 2) **Auto VLS/CCM:** we expect rising penetration of L3/L4+ ADAS will benefit shipment/ASP and we forecast VLS/CCM revenue growth of 24%/30% YoY. 3) **XR:** we expect AI/AR glasses to ramp up rapidly in 2026-27E and Sunny is the key beneficiary given its solid customer base (Meta/Google/Samsung/Apple).
- **Maintain BUY with lowered TP on smartphone headwinds.** We lower our FY26-27E EPS by 1-4% to reflect weaker HLS/HCM shipment/ASP amid smartphone industry headwinds on memory cost hike. Our new SOTP-based TP of HK\$91.38 implies 23.4x rolled-over FY26E P/E. Reiterate BUY.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	31,681	38,294	42,056	41,582	45,468
YoY growth (%)	(4.6)	20.9	9.8	(1.1)	9.3
Net profit (RMB mn)	1,099.4	2,699.2	4,610.0	3,909.3	4,699.1
YoY growth (%)	(54.3)	145.5	70.8	(15.2)	20.2
EPS (Reported) (RMB)	1.01	2.48	4.24	3.59	4.32
Consensus EPS (RMB)	na	na	3.25	3.73	4.39
P/E (x)	55.6	22.6	13.2	15.6	13.0
P/B (x)	2.7	2.5	2.2	2.1	1.9
Yield (%)	0.8	1.9	3.3	2.8	3.4
ROE (%)	4.9	11.4	17.8	13.7	15.2
Net gearing (%)	(45.5)	(20.1)	(6.1)	(32.5)	(19.8)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$91.38
(Previous TP)	HK\$101.47)
Up/Downside	45.3%
Current Price	HK\$62.90

China Technology

Alex NG

(852) 3900 0881

alexng@cmbi.com.hk

Hanqing LI

lihanqing@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	69,001.3
Avg 3 mths t/o (HK\$ mn)	734.0
52w High/Low (HK\$)	93.90/55.40
Total Issued Shares (mn)	1097.0

Source: FactSet

Shareholding Structure

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

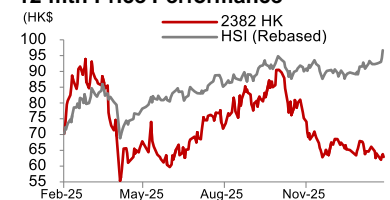
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-0.8%	-9.1%
3-mth	-22.2%	-26.7%
6-mth	-19.0%	-26.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Revision

Figure 1: CMBIGM earnings revisions

RMB mn	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	42,056	41,582	45,468	42,284	47,324	52,258	-1%	-12%	-13%
Gross profit	8,435	8,562	9,857	8,185	9,343	10,551	3%	-8%	-7%
Operating profit	4,711	4,825	5,749	4,301	5,162	5,934	10%	-7%	-3%
Net profit	4,610	3,909	4,699	3,353	4,089	4,750	37%	-4%	-1%
EPS (RMB)	4.24	3.59	4.32	3.08	3.76	4.37	37%	-4%	-1%
Gross margin	20.1%	20.6%	21.7%	19.4%	19.7%	20.2%	0.7 ppt	0.8 ppt	1.5 ppt
Operating margin	11.2%	11.6%	12.6%	10.2%	10.9%	11.4%	1 ppt	0.7 ppt	1.3 ppt
Net margin	11.0%	9.4%	10.3%	7.9%	8.6%	9.1%	3 ppt	0.8 ppt	1.2 ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	42,056	41,582	45,468	42,970	46,850	52,484	-2%	-11%	-13%
Gross profit	8,435	8,562	9,857	8,498	9,430	10,648	-1%	-9%	-7%
Operating profit	4,711	4,825	5,749	3,654	4,316	5,128	29%	12%	12%
Net profit	4,610	3,909	4,699	3,539	4,100	4,815	30%	-5%	-2%
EPS (RMB)	4.24	3.59	4.32	3.25	3.73	4.39	30%	-4%	-1%
Gross margin	20.1%	20.6%	21.7%	19.8%	20.1%	20.3%	0.3 ppt	0.5 ppt	1.4 ppt
Operating margin	11.2%	11.6%	12.6%	8.5%	9.2%	9.8%	2.7 ppt	2.4 ppt	2.9 ppt
Net margin	11.0%	9.4%	10.3%	8.2%	8.8%	9.2%	2.7 ppt	0.7 ppt	1.2 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: P&L forecast

RMB mn	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	33,197	31,681	38,294	42,056	41,582	45,468
...YoY	-11.5%	-4.6%	20.9%	9.8%	-1.1%	9.3%
Cost of sales	-26,592	-27,091	(31,288)	(33,622)	(33,021)	(35,611)
Gross profit	6,605	4,590	7,006	8,435	8,562	9,857
GPM (%)	19.9%	14.5%	18.3%	20.1%	20.6%	21.7%
...YoY	-24.4%	-30.5%	52.6%	20.4%	1.5%	15.1%
SG&A	(1,281)	(1,425)	(1,839)	(1,864)	(1,892)	(2,046)
...% of rev	-3.9%	-4.5%	-4.8%	-4.4%	-4.6%	-4.5%
R&D	(2,803)	(2,566)	(2,924)	(3,314)	(3,160)	(3,456)
...% of rev	-8.4%	-8.1%	-7.6%	-7.9%	-7.6%	-7.6%
Other gain & loss	537	151	637	716	921	-
Operating profit	3,014	1,785	3,525	4,711	4,825	5,749
OPM (%)	9.1%	5.6%	9.2%	11.2%	11.6%	12.6%
...YoY	-48.5%	-40.8%	97.5%	33.7%	2.4%	19.1%
Net profit	2,408	1,099	2,699	4,610	3,909	4,699
NPM (%)	7.3%	3.5%	7.0%	11.0%	9.4%	10.3%
...YoY	-51.8%	-54.3%	145.5%	70.8%	-15.2%	20.2%

Source: Company data, CMBIGM estimates

Figure 4: Major assumptions

	FY22	FY23	FY24	FY25E	FY26E	FY27E
Shipment volume (mn units)						
Optical Components						
Handset lens sets	1,193	1,171	1,324	1,262	1,199	1,295
...YoY(%)	-17%	-2%	13%	-5%	-5%	8%
Vehicle lens sets	79	91	102	130	155	178
...YoY(%)	16%	15%	13%	27%	19%	15%
Optoelectronic Products						
Handset camera modules	517	567	534	486	462	489
...YoY(%)	-23%	10%	-6%	-9%	-5%	6%
Other optoelectronic (AR/VR/3D)	51	32	55	57	65	75
...YoY(%)	-14%	-36%	70%	4%	15%	15%
Optical Instruments						
Microscopic instruments	320	251	225	236	259	285
...YoY(%)	24%	-21%	-10%	5%	10%	10%
Revenue (RMB mn)						
Optical components	9,468	9,555	11,708	13,722	15,381	17,289
Optoelectronic products	23,326	21,599	26,157	27,986	25,813	27,764
Optical instruments	403	527	430	348	388	415
Total Revenue	33,197	31,681	38,294	42,056	41,582	45,468
...YoY(%)	-11.5%	-4.6%	20.9%	9.8%	-1.1%	9.3%
Gross Margin						
Optical components	19.9%	14.5%	18.4%	20.1%	20.6%	21.7%
Optoelectronic products	33.4%	28.4%	31.9%	32.4%	31.5%	33.5%
Optoelectronic products	10.7%	5.5%	9.0%	10.3%	9.5%	9.8%
Optical instruments	42.0%	41.2%	46.2%	47.5%	50.0%	50.0%

Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with new TP of HK\$91.38

We maintain BUY with new SOTP-based TP of HK\$91.38. We derived our 12-month TP from SOTP methodology and weighted-average target P/E multiple of 23.4x FY26E EPS, to reflect Sunny's diversification in multiple businesses with different growth profiles, and visibility of product upcycles across different segments.

We lower target P/E multiples across all segments given smartphone/auto industry headwinds in the near term, and assign 23x P/E (vs prior 28x) to its CCM business to reflect its global No.1 position, AI product upcycle and technology leadership. We assign 25x P/E (vs prior 38x) for its vehicle lens business to reflect high-margin and high-growth industry nature of vehicle lens, Sunny's No.1 global market share and accelerated ADAS adoption. We apply a 23x P/E (vs prior 28x) to its handset lens segment given secular upgrade trend and continued share gains from peers.

Figure 5: Sunny Optical – SOTP valuation

Business segment	% of FY26E Profit	FY26E EPS (RMB)	Target P/E
Camera modules	29.1%	1.05	23x
Handset lenses	39.6%	1.42	23x
Vehicle lenses	29.0%	1.04	25x
Others	2.3%	0.08	15x
Total (RMB) /Implied P/E		3.59	23.4x
TP (HK\$)			91.38

Source: Company data, CMBIGM estimates

Figure 6: 12M forward P/E band



Source: Bloomberg, CMBIGM estimates

Figure 7: 12M forward P/B band



Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	33,197	31,681	38,294	42,056	41,582	45,468
Cost of goods sold	(26,592)	(27,091)	(31,288)	(33,622)	(33,021)	(35,611)
Gross profit	6,605	4,590	7,006	8,435	8,562	9,857
Selling expense	(353)	(415)	(439)	(442)	(478)	(523)
Admin expense	(929)	(1,010)	(1,399)	(1,422)	(1,414)	(1,523)
R&D expense	(2,803)	(2,566)	(2,924)	(3,314)	(3,160)	(3,456)
Others	504	1,208	1,281	1,460	1,316	1,393
Operating profit	3,014	1,785	3,525	4,711	4,825	5,749
Share of (losses)/profits of associates/JV	(6)	23	118	216	216	216
Net Interest income/(expense)	(293)	(449)	(499)	(471)	(471)	(471)
Pre-tax profit	2,715	1,358	3,144	5,375	4,571	5,494
Income tax	(241)	(208)	(367)	(561)	(548)	(659)
Minority interest	66	51	78	204	113	136
Net profit	2,408	1,099	2,699	4,610	3,909	4,699
Net dividends	1,048	505	1,174	2,006	1,701	2,045

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	30,646	35,144	31,427	30,156	35,672	37,606
Cash & equivalents	7,033	13,085	7,592	4,340	12,279	9,078
Account receivables	7,205	7,855	8,932	9,504	8,724	11,207
Inventories	4,721	5,137	5,835	7,245	5,602	8,253
ST bank deposits	485	1,324	1,324	1,324	1,324	1,324
Financial assets at FVTPL	10,086	7,113	7,113	7,113	7,113	7,113
Other current assets	1,115	631	631	631	631	631
Non-current assets	12,356	15,153	15,832	16,192	16,225	15,986
PP&E	10,120	9,927	10,563	10,899	10,935	10,671
Other non-current assets	2,236	5,226	5,268	5,293	5,290	5,315
Total assets	43,001	50,297	47,259	46,348	51,897	53,592
Current liabilities	19,337	21,287	16,646	12,927	16,155	15,060
Short-term borrowings	1,990	699	699	699	699	699
Account payables	12,917	20,325	15,678	11,956	15,184	14,085
Other current liabilities	8,757	7,987	14,236	20,766	19,859	23,748
Non-current liabilities	1,482	6,129	6,129	6,129	6,129	6,129
Long-term borrowings	30	1,965	1,965	1,965	1,965	1,965
Other non-current liabilities	1,452	4,164	4,164	4,164	4,164	4,164
Total liabilities	20,819	27,415	22,775	19,056	22,284	21,189
Share capital	105	105	105	105	105	105
Other reserves	21,733	22,318	23,842	26,446	28,655	31,309
Total shareholders equity	22,182	22,882	24,484	27,292	29,613	32,403
Minority interest	344	459	537	741	853	989
Total equity and liabilities	43,001	50,297	47,259	46,348	51,897	53,592

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,715	1,358	3,144	5,375	4,571	5,494
Depreciation & amortization	2,048	2,437	2,364	2,664	2,964	3,264
Change in working capital	4,053	6,342	(6,422)	(5,704)	5,651	(6,233)
Others	(1,438)	324	96	(112)	(75)	(210)
Net cash from operations	7,377	10,461	(818)	2,224	13,111	2,314
Investing						
Capital expenditure	(3,864)	(2,245)	(3,000)	(3,000)	(3,000)	(3,000)
Others	30	0	0	0	0	0
Net cash from investing	(3,834)	(2,245)	(3,000)	(3,000)	(3,000)	(3,000)
Financing						
Dividend paid	(1,048)	(505)	(1,174)	(2,006)	(1,701)	(2,045)
Net borrowings	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(1,111)	(449)	(499)	(471)	(471)	(471)
Net cash from financing	(2,159)	(954)	(1,674)	(2,476)	(2,172)	(2,515)
Net change in cash						
Cash at the beginning of the year	5,605	7,033	13,085	7,592	4,340	12,279
Exchange difference	44	0	0	0	0	0
Cash at the end of the year	7,033	13,085	7,592	4,340	12,279	9,078
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(11.5%)	(4.6%)	20.9%	9.8%	(1.1%)	9.3%
Gross profit	(24.4%)	(30.5%)	52.6%	20.4%	1.5%	15.1%
Operating profit	(48.5%)	(40.8%)	97.5%	33.7%	2.4%	19.1%
Net profit	(51.8%)	(54.3%)	145.5%	70.8%	(15.2%)	20.2%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	19.9%	14.5%	18.3%	20.1%	20.6%	21.7%
Operating margin	9.1%	5.6%	9.2%	11.2%	11.6%	12.6%
Return on equity (ROE)	11.2%	4.9%	11.4%	17.8%	13.7%	15.2%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.2)	(0.5)	(0.2)	(0.1)	(0.3)	(0.2)
Current ratio (x)	1.6	1.7	1.9	2.3	2.2	2.5
Receivable turnover days	80.6	86.8	80.0	80.0	80.0	80.0
Inventory turnover days	70.0	66.4	64.0	71.0	71.0	71.0
Payable turnover days	156.4	223.9	210.0	150.0	150.0	150.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	25.4	55.6	22.6	13.2	15.6	13.0
P/B	2.8	2.7	2.5	2.2	2.1	1.9
Div yield (%)	1.7	0.8	1.9	3.3	2.8	3.4
EV	22,182.4	22,881.6	24,484.2	27,292.2	29,613.2	32,403.1
EV/Sales	0.7	0.7	0.6	0.6	0.7	0.7

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

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CMB International Global Markets Limited

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

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