

Technology

Implications of Largan 3Q24 results

Largan (3008 TT, NR) announced 3Q results with revenue/GPM improved 73% and 1.8ppts QoQ thanks to the smartphone cycle, customers' new model launches, shipment ramp-up, better product mix/ASP/UTR. For 4Q24E/2025, mgmt. guided flattish Oct. shipments but Nov. shipments will decline MoM due to customers' order cuts. On the positive side, mgmt. maintained a positive view on stable ASP thanks to customer agreements, and pre-build orders for 1Q25E are well on track. For spec upgrades, mgmt. believes that major focuses in 2025 will be 1) periscope cameras, 2) larger image sensors and 3) foldable phones. For stocks, we believe camera supply chain will be under pressure in near term, but we remain positive on spec upgrades and the iPhone cycle in 2025, benefiting names such as BYDE, Sunny Optical, Q-tech and AAC Tech.

- **Better 3Q sales/GPM on new model launches, improving UTR and better mix.** Largan reported 3Q24 revenue growth of 39% YoY/73% QoQ thanks to the smartphone cycle, new model launches and shipment ramp-up. 3Q GPM grew 1.8ppts QoQ to 50.2%, driven by a better product mix, stable ASP and rising UTR. 3Q operating income jumped 100.5% QoQ mainly due to operating leverage and better cost control.
- **Guided order cuts in 4Q24E as major concern; periscope, larger image sensor upgrade and foldable phones the key focus in 2025.** For 4Q24E, mgmt. expects flattish QoQ shipments in Oct. while shipments in Nov will start to decline MoM, mainly due to weaker demand and share allocation decline for some exclusive models. However, mgmt. believed rising UTR, steady ASP and better yield will be positive to GPM in 4Q24E. In addition, mgmt. believes sluggish demand and customer order cuts are major overhangs in 4Q24E, but customer pre-build orders in 1Q25E are well on track. In terms of camera upgrade trend in 2025, mgmt. expected periscope and larger image sensor upgrades are the major focuses, while ultra wide-angle lens and high-end 8P plastic lens will remain mainstream without major upgrades. However, mgmt. are cautious on WLG hybrid lens outlook due to manufacturing challenges. For new orders, mgmt. highlighted that there are new customers working on foldable phones and ultra-thin technology. As for ASP, mgmt. is positive on stable pricing into 4Q24E due to prior agreements with customers. Overall, mgmt. believes periscope in high-end smartphones and foldable phones will be the bright spots in 2025.
- **Expect near-term pressure for camera supply chain; Focus on spec upgrades and iPhone cycle in 2025.** Overall, we expect the camera supply chain may be under pressure in near term, but we are positive on spec upgrades and the iPhone cycle in 2025, benefiting names such as BYDE, Sunny Optical, Q-tech and AAC tech. Upcoming catalysts include product launches in Oct-Nov, e.g. Xiaomi Mi15, Honor Magic 7, and Oppo Find X8.

Valuation Table

Name	Ticker	Rating	Mkt Cap (US\$ mn)	Price (LC)	TP (LC)	Upside/ Downside	P/E (x) FY24E FY25E	P/B (x) FY24E FY25E
AAC Tech	2018 HK	BUY	5,145	33.35	37.8	13%	21.2 17.0	1.5 1.4
BYDE	285 HK	BUY	9,948	34.30	40.9	19%	15.9 11.1	3.8 3.1
Q-Tech	1478 HK	BUY	753	4.94	6.4	30%	14.8 9.8	1.0 0.9
Sunny Optical	2382 HK	BUY	7,088	50.25	72.5	44%	20.0 16.8	2.0 1.9

Source: Company data, CMBIGM estimates

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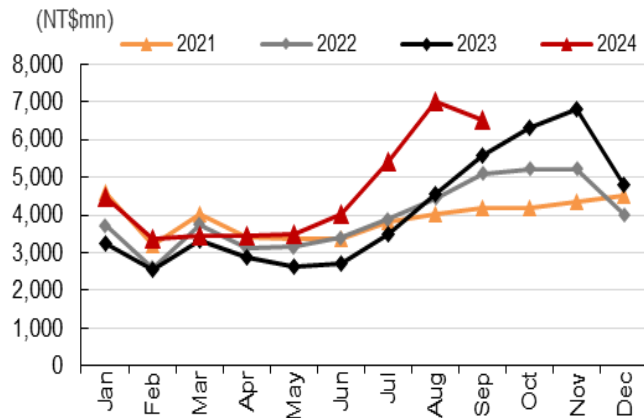
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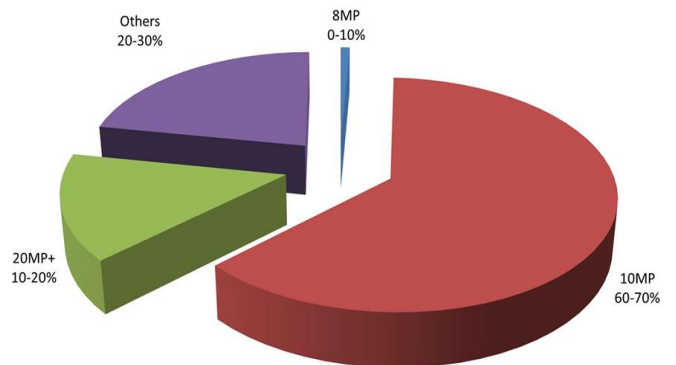
Focus Charts

Figure 1: Largan: monthly sales



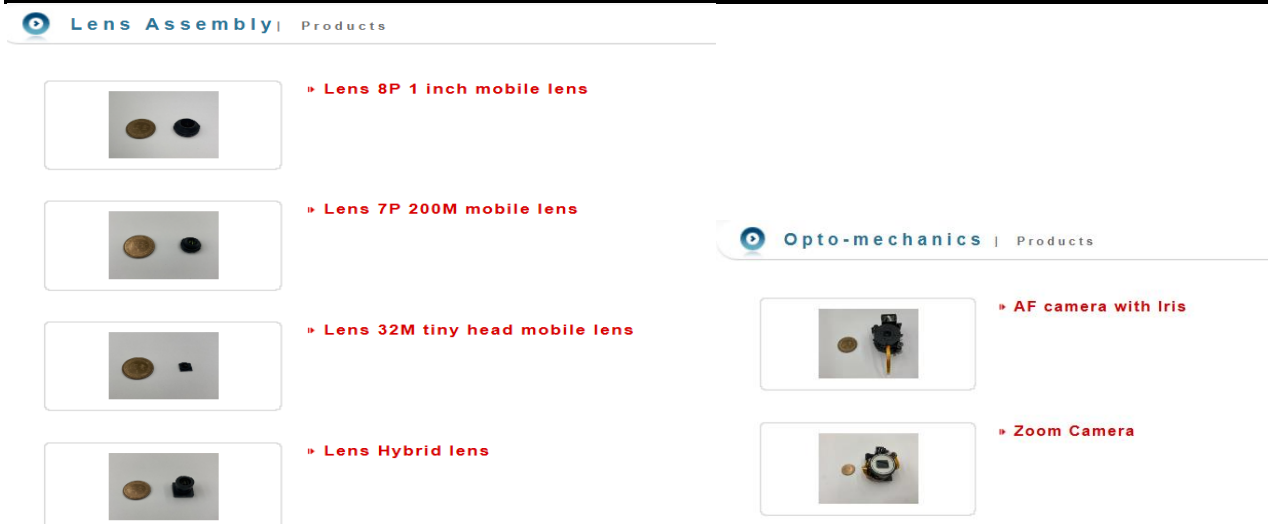
Source: Company data, CMBIGM estimates

Figure 2: Largan 3Q24 lens shipment breakdown



Source: Company data, CMBIGM

Figure 3: Largan's product lens and Opto-mechanics product lines



Source: Company data, CMBIGM

Figure 4: Supply chain mapping and sales mix exposure (2024)

Company	Ticker	Apple	Huawei	Samsung	Other CN brands	Others	Major Products
AAC Tech	2018 HK	25%	10%	10%	43%	12%	Handset/auto acoustics, haptics, optics, casing
FIT Hon Teng	6088 HK	20%	-	-	-	80%	Connectors, AirPods, accessories, EV, AI servers
Sunny Optical	2382 HK	5%	5%	15%	50%	25%	Handset CCM/lens sets, auto lens/modules. AR/VR
BYDE	285 HK	55%	5%	5%	15%	20%	Casing, ODM/OEM, automobile, AI servers
Cowell	1415 HK	90%	-	5%	-	5%	Camera modules
Luxshare	002475 CN	64%	5%	-	15%	16%	Wireless, iPhone/AirPods/Watch OEM, acoustics/haptics
Goertek	002241 CN	25%	5%	5%	15%	50%	Acoustics, AirPods, Watch, AR/VR, Gaming, Wearables
Tongda	698 HK	9%	5%	5%	40%	41%	Casing, waterproof materials, home appliances
Q-Tech	1478 HK	-	5%	-	85%	15%	Camera modules/lenses, FPM, auto CCM
TK Group	2283 HK	5%	-	-	-	95%	Plastic molding, plastic precision
Truly	732 HK	-	-	3%	62%	35%	Camera modules, fingerprint, display modules

Source: Company data, CMBIGM

Figure 5: Peers Comparison

Company	Ticker	Rating	Mkt Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Brand												
Apple	AAPL US	NR	3,529,640	232.15	NA	NA	34.6	31.2	56.2	43.8	155.7	159.6
Xiaomi	1810 HK	Buy	77,737	24.20	24.4	1%	23.1	20.3	3.0	2.6	12.8	13.0
Transsion	688036 CH	NR	15,205	94.80	NA	NA	18.6	15.7	5.0	4.1	27.7	27.3
Samsung	005930 KS	NR	257,940	59,200.00	NA	NA	11.0	8.7	1.0	0.9	9.6	11.2
Average							21.8	19.0	16.3	12.9	51.5	52.8
Optics												
Sunny Optical	2382 HK	Buy	7,088	50.25	72.5	44%	20.0	16.8	2.0	1.9	10.1	11.2
Q Tech	1478 HK	Buy	753	4.94	6.4	30%	14.8	9.8	1.0	0.9	6.9	9.6
Cowell	1415 HK	NR	2,453	22.20	NA	NA	24.8	15.0	4.9	3.7	20.3	26.0
Truly	732 HK	NR	460	1.13	NA	NA	-	-	-	-	-	-
Largan	3008 TT	NR	9,663	2,325.00	NA	NA	13.1	12.8	1.7	1.6	13.5	13.1
Genius	3406 TT	NR	1,622	462.00	NA	NA	11.3	11.1	2.1	1.9	20.0	17.8
O-Film	002456 CH	NR	5,465	11.74	NA	NA	67.9	43.0	9.3	9.0	7.6	12.1
Lg Innotek	011070 KS	NR	3,334	193,000.00	NA	NA	6.2	5.4	0.8	0.7	14.6	14.6
Partron	091700 KS	NR	300	6,980.00	NA	NA	9.4	8.4	0.8	0.8	9.0	9.5
Average							20.93	15.31	2.84	2.56	12.75	14.23
Acoustics/Haptics												
AAC Tech	2018 HK	Buy	5,145	33.35	37.8	13%	21.2	17.0	1.5	1.4	7.0	8.2
Goertek	002241 CH	Buy	10,819	22.52	25.9	15%	26.5	21.7	2.2	2.0	8.4	9.5
Luxshare	002475 CH	Buy	45,188	44.46	45.1	1%	23.6	19.3	3.8	3.2	16.0	16.4
Knowles	KN US	NR	1,584	17.91	NA	NA	18.5	15.1	-	-	-	-
Nidec	6594 JP	NR	22,803	2,864.00	NA	NA	22.9	17.8	2.2	2.4	10.1	11.3
Average							22.55	18.16	2.42	2.25	10.38	11.34
Connector												
FIT Hon Teng	6088 HK	Buy	2,852	3.05	4.3	39%	15.2	9.4	1.1	1.0	7.0	10.3
Luxshare	002475 CH	Buy	45,188	44.46	45.1	1%	23.6	19.3	3.8	3.2	16.0	16.4
TE	TEL US	NR	44,940	147.87	NA	NA	19.6	18.0	3.6	3.4	19.1	19.4
Amphenol	APH US	NR	81,338	67.54	NA	NA	38.2	32.7	8.5	7.5	24.4	24.6
Average							24.16	19.85	4.24	3.75	16.59	17.66
EMS/OEM												
BYDE	285 HK	Buy	9,948	34.30	40.9	19%	15.9	11.1	3.8	3.1	23.8	27.5
Luxshare	002475 CH	Buy	45,188	44.46	45.1	1%	23.6	19.3	3.8	3.2	16.0	16.4
Hon Hai Precision	2317 TT	NR	89,579	207.50	NA	NA	18.1	13.8	1.7	1.6	9.8	11.7
Pegatron	4938 TT	NR	8,627	104.00	NA	NA	14.4	13.7	1.4	1.4	9.1	9.4
Wistron	3231 TT	NR	9,834	109.00	NA	NA	16.4	12.9	2.5	2.2	16.6	18.3
Average							28.98	20.90	6.61	5.02	13.58	19.86
Casing												
BYDE	285 HK	Buy	9,948	34.30	40.9	19%	15.9	11.1	3.8	3.1	23.8	27.5
FII	601138 CH	NR	72,879	26.08	NA	NA	20.1	15.8	3.3	2.9	16.7	18.5
Tongda	698 HK	Buy	117	0.09	0.1	31%	31.0	4.7	0.1	0.1	0.4	2.7
TK Group	2283 HK	Buy	191	1.78	2.8	58%	5.2	4.1	0.8	0.7	15.2	17.4
Lens Tech	300433 CH	NR	15,819	22.59	NA	NA	29.2	22.6	2.3	2.2	7.9	9.7
Ju Teng	3336 HK	NR	151	0.98	NA	NA	-	-	-	-	-	-
Everwin	300115 CH	NR	2,869	15.09	NA	NA	26.3	23.0	2.7	2.5	11.3	11.7
Average							21.29	13.55	2.18	1.91	12.55	14.57

Source: Bloomberg, CMBIGM estimates

Note: for not-rated stocks, earnings forecasts are Bloomberg consensus; data as of 17 Oct close.

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