

China Technology Sector

OUTPERFORM
 (Maintain)

Apple Launch Event: new iPhone 14/Airpods/Watch inline; No price hike is the major surprise

Apple unveiled four iPhone 14 models (14/14 Plus, 14 Pro/Pro Max), featuring better cameras, new satellite feature, dynamic island and always-on display, and also launched three Apple Watch (8, Ultra SE2) and new AirPods Pro. We believe most spec upgrade is in-line with expectations, but no price hike is the major surprise given surging inflation and supply chain challenges. For supply chain, given limited spec upgrade and Android demand weakness, we prefer names with high sales exposure to iPhone and share gainers with YoY growth, such as **Luxshare** for iPhone/Watch/AirPods OEM, **Goertek** for share gain in Watch/ AirPods, and **FIT Hon Teng/Tongda** for iPhone shipment upside.

■ New iPhone spec largely in-line; No price hike will boost share gain.

Apple launched a new gen of iPhone 14 (14/14 Plus, 14 Pro/Pro Max), featuring improved cameras, satellite connectivity, dynamic island and always-on display. Most upgrades will come to higher-end Pro models. While the spec is largely in-line, we believe no price increase is the major surprise despite rising inflation pressure and supply chain cost hike. We expect the pricing strategy will offer a competitive position in the high-end segment, which will drive volume upside. Overall, we expect iPhone shipment of 235mn in FY22E (flatish YoY, vs -9% YoY industry), given Samsung/Huawei's high-end share loss and Android demand weakness.

■ Apple Watch Ultra is the bright spot; new AirPods Pro with limited upgrade.

The Apple Watch 8 features new body temperature sensor, car crash detection and low-power mode, while the new high-end watch, Apple Watch Ultra, came with a new design, bigger screen and features built for athletes and explorers, such as built-in depth gauge, and displays duration underwater and water temperature. Apple Watch Ultra is priced at US\$799 for all models, which is well-positioned to gain share in endurance sports market from peers such as Garmin.

■ Prefer Apple supply chain over Android; Top Picks Luxshare, Goertek, FIT Hon Teng, Tongda.

Although Apple supply chain has underperformed over past month due to US-China tensions and rate hike, we believe shipment upside will boost sentiment for the supply chain in 4Q22E. We prefer Apple names with share gain potential, such as Luxshare for iPhone/ Watch/AirPods OEM, Goertek for Watch/AirPods and FIT Hon Teng/Tongda for iPhone shipment upside. We maintain HOLD on AAC Tech for margin concerns and Sunny Optical/BYDE for fair valuation.

Valuation Table

Name	Ticker	Rating	Mkt Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY22E FY23E	P/B (x) FY22E FY23E	ROE
Luxshare	002475 CH	BUY	36,954	36.33	74.2	NA	25.5 19.2	5.6	22.8
Goertek	002241 CH	BUY	16,167	32.96	44.7	36%	20.6 16.7	3.5	17.1
FIT Hon Teng	6088 HK	BUY	1,028	1.11	1.8	60%	6.3 5.5	0.4	6.0
Tongda	698 HK	BUY	139	0.11	0.2	96%	3.7 2.8	0.1	2.3
AAC Tech	2018 HK	HOLD	2,266	14.72	14.0	-5%	17.4 12.1	0.7	4.0
Sunny Optical	2382 HK	HOLD	14,211	101.70	102.3	1%	36.5 24.7	4.3	11.8
BYDE	285 HK	HOLD	6,989	24.35	19.3	-21%	32.6 18.5	1.9	6.0

Source: Company data, CMBIGM estimates, * TP under review

China Technology Sector

Alex NG

(852) 3900 0881

alexng@cmbi.com.hk

Lily YANG, Ph.D

(852) 3916 3716

lilyyang@cmbi.com.hk

Claudia LIU

claudialiu@cmbi.com.hk

Focus Charts

Figure 1: iPhone 14 series (2022) vs iPhone 13 series (2021)

	iPhone 14	iPhone 14 Plus	iPhone 14 Pro	iPhone 14 Pro Max	iPhone 13 mini	iPhone 13	iPhone 13 Pro	iPhone 13 Pro Max
Debut price	\$799	\$899	\$999	\$1,099	\$699	\$799	\$999	\$1,099
Storage	128GB, 256GB, 512GB	128GB, 256GB, 512GB	128GB, 256GB, 512GB, 1TB	128GB, 256GB, 512GB, 1TB	128GB, 256GB, 512GB	128GB, 256GB, 512GB	128GB, 256GB, 512GB, 1TB	128GB, 256GB, 512GB, 1TB
Screen Size	6.1 inches	6.7 inches	6.1 inches	6.7 inches	5.4 inches	6.1 inches	6.1 inches	6.7 inches
Resolution	2532 x 1170	2778 x 1284	2556 x 1179	2796 x 1290	2340 x 1080	2532 x 1170	2532 x 1170	2778 x 1284
Adaptive refresh			ProMotion 120Hz	ProMotion 120Hz			ProMotion 120Hz	ProMotion 120Hz
Processor	A15	A15	A16	A16	A15	A15	A15	A15
Rear camera	12MP main (f/1.5), 12MP ultrawide (f/2.4), 2x optical zoom, digital zoom 5x	12MP main (f/1.5), 12MP ultrawide (f/2.4), 2x optical zoom, digital zoom 5x	48MP main (f/1.78), 12MP ultrawide (f/2.2), 12MP 2x Telephoto (f/1.78), 12MP 3x telephoto (f/2.8), digital zoom 15x	48MP main (f/1.78), 12MP ultrawide (f/2.2), 12MP 2x Telephoto (f/1.78), 12MP 3x telephoto (f/2.8), digital zoom 15x	12MP main (f/1.6), 12MP ultrawide (f/2.4)	12MP main (f/1.6), 12MP ultrawide (f/2.4)	12MP wide (f/1.5), 12MP ultrawide (f/1.8), 12MP telephoto (f/2.8) with 3x zoom	12MP wide (f/1.5), 12MP ultrawide (f/1.8), 12MP telephoto (f/2.8) with 3x zoom
Colors	Midnight, purple, starlight, red, blue	Midnight, purple, starlight, red, blue	Space black, silver, gold, deep purple	Space black, silver, gold, deep purple	Red, Starlight, Midnight, Blue, Pink	Red, Starlight, Midnight, Blue, Pink	Graphite, Gold, Silver, Sierra Blue	Graphite, Gold, Silver, Sierra Blue
Battery Size	Up to 20 hours	Up to 26 hours	Up to 23 hours	Up to 29 hours	Up to 17 hours	Up to 19 hours	Up to 22 hours	Up to 28 hours
Size (inch)	5.8 x 2.8 x 0.3	6.3 x 3.1 x 0.3	5.8 x 2.8 x 0.3	6.3 x 3.1 x 0.3	5.2 x 2.5 x 0.3	5.8 x 2.8 x 0.3	5.8 x 2.8 x 0.3	6.3 x 3.1 x 0.3
Weight	6.07 ounces	7.16 ounces	7.27 ounces	8.47 ounces	4.97 ounces	6.14 ounces	7.2 ounces	8.5 ounces

Source: Apple, CMBIGM

Figure 1: Apple iPhone Pro series



Source: Apple, CMBIGM

Figure 2: New Apple Watch Ultra



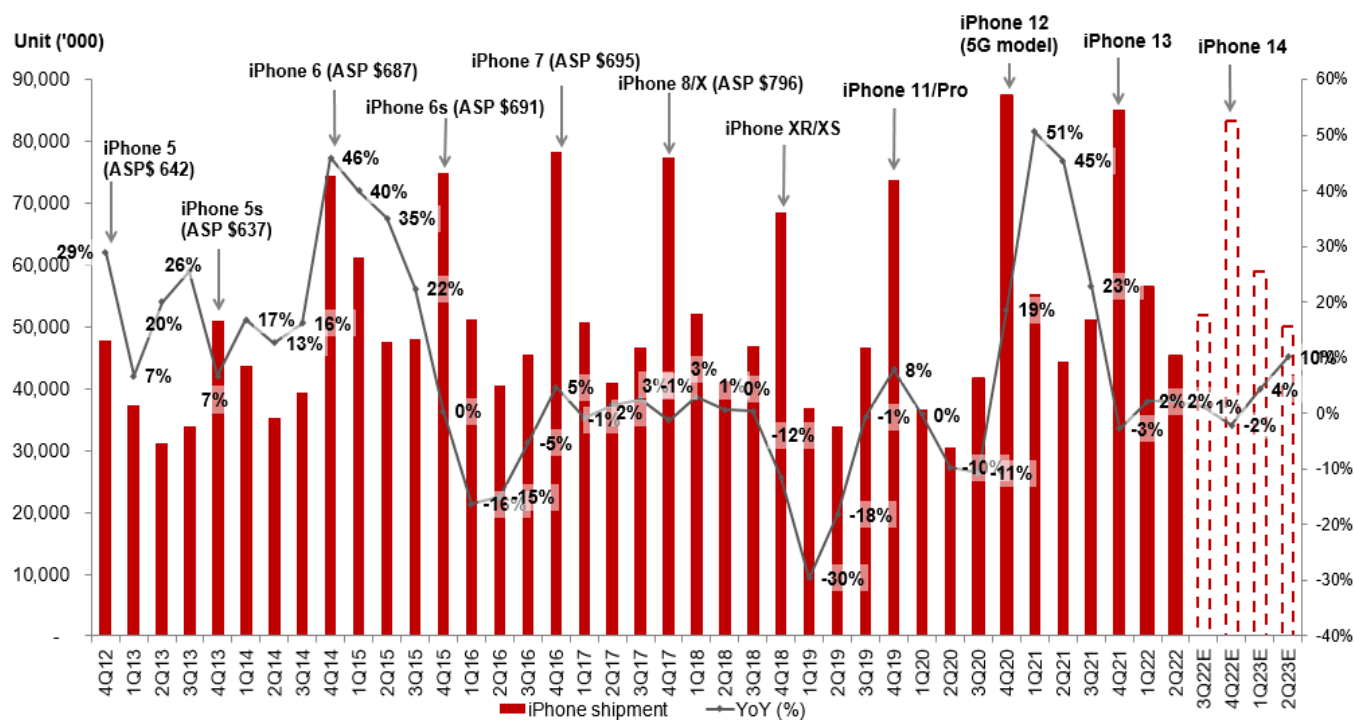
Source: Apple, CMBIGM

Figure 3: Supply chain mapping and sales mix exposure (2022)

Company	Ticker	Apple	Huawei	Samsung	Other CN brands	Others	Major Products
AAC Tech	2018 HK	45%	5%	25%	20%	5%	Acoustics, haptics, optics, casing
FIT Hon Teng	6088 HK	40%	3%			57%	Connector, wireless charging, accessories
Sunny Optical	2382 HK	2%	5%	15%	63%	15%	Camera module, handset lens sets, auto lens/module
BYDE	285 HK	40%	5%	10%	30%	15%	Metal/glass/plastics casing, ODM/OEM, e-cigarette
Tongda	698 HK	20%	5%	10%	35%	25%	Metal/plastic casing, waterproof
Q-Tech	1478 HK		5%		85%	15%	Cam module/lens, fingerprint modules, auto cam module
TK Group	2283 HK	10%				90%	Plastic molding, plastic precision
Truly	732 HK			3%	62%	35%	Camera modules, fingerprint, display modules
Cowell	1415 HK	90%		5%		5%	Camera Module
Luxshare	002475 CN	60%	10%	3%		27%	Wireless, iPhone/AirPods/Watch OEM, acoustics/haptics
Goertek	002241 CN	45%	5%	10%	15%	25%	Acoustics, AirPods, Watch, AR/VR, Wearables
Sunway	300136 CH	45%	5%	10%	30%	10%	Antenna, wireless charging, connector, RF
Lens Tech	300433 CN	50%	5%	10%	20%	15%	Glass/metal casing, EMS

Source: Company data, CMBIGM estimates

Figure 4: Apple's iPhone shipment by quarter (CY)



Source: Company data, CMBIGM estimates

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 (%)	
							FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Optics												
Sunny Optical	2382 HK	HOLD	14,211	101.70	102.3	1%	36.5	24.7	4.3	3.8	11.8	15.3
Q Tech	1478 HK	BUY	631	4.18	5.6	34%	16.3	8.0	0.9	0.8	5.5	10.3
Truly	732 HK	NR	592	1.42	NA	NA	4.9	4.1	0.4	0.4	8.2	9.2
Cowell	1415 HK	NR	1,672	15.68	NA	NA	22.4	14.3	3.9	-	21.4	27.3
Largan	3008 TT	NR	8,660	2005	NA	NA	13.7	15.1	1.8	1.7	13.3	11.6
Genius	3406 TT	NR	1,647	452	NA	NA	19.7	15.7	2.7	2.4	14.4	15.7
Primax	4915 TT	NR	992	66.90	NA	NA	10.7	9.8	1.8	1.7	17.7	18.0
Lite-On	2301 TT	NR	5,112	67.20	NA	NA	11.1	10.3	2.1	2.0	18.7	19.5
O-Film	002456 CH	NR	2,946	6.30	NA	NA	-	572.7	2.6	2.6	(11.4)	(1.8)
Samsung Elec	009150 KS	NR	7,493	138500	NA	NA	9.5	8.5	1.4	1.2	15.4	15.1
Lg Innotek	011070 KS	NR	5,777	336500	NA	NA	7.1	6.3	1.8	1.4	29.4	24.3
Partron	091700 KS	NR	352	8260	NA	NA	11.8	8.5	1.0	0.9	8.6	11.2
Average							14.9	58.2	2.1	1.7	12.8	14.6
Acoustics/Haptics												
AAC Tech	2018 HK	HOLD	2,266	14.72	14.0	-5%	17.4	12.1	0.7	0.7	4.0	5.6
Goertek	002241 CH	BUY	16,167	32.96	44.7	36%	20.6	16.7	3.5	3.0	17.1	17.8
Luxshare	002475 CH	BUY	36,954	36.33	*74.2	NA	25.5	19.2	5.6	4.4	22.8	23.0
Sunway	300136 CH	NR	2,349	16.91	NA	NA	20.6	15.3	2.4	2.1	12.2	15.0
Merry	2439 TT	NR	624	88	NA	NA	12.6	12.7	1.5	1.5	12.2	11.5
Knowles	KN US	NR	1,265	13.80	NA	NA	11.1	9.9	-	-	-	-
Nidec	6594 JP	NR	37,583	9087	NA	NA	37.9	31.3	4.5	3.8	12.2	12.6
Alps Alpine	6770 JP	NR	1,880	1236	NA	NA	14.8	8.6	0.7	0.6	4.7	7.6
Average							20.1	15.7	2.7	2.3	8.9	10.0
Connector												
FIT Hon Teng	6088 HK	BUY	1,028	1.11	1.8	60%	6.3	5.5	0.4	0.4	6.0	6.3
Luxshare	002475 CH	BUY	36,954	36.33	*74.2	NA	25.5	19.2	5.6	4.4	22.8	23.0
TE	TEL US	NR	40,450	126.47	NA	NA	17.4	16.4	3.8	3.4	21.9	21.7
Amphenol	APH US	NR	44,166	74.25	NA	NA	25.2	24.2	6.6	5.8	27.7	26.6
Average							18.6	16.3	4.1	3.5	13.9	13.7
EMS/OEM												
BYDE	285 HK	HOLD	6,989	24.35	19.3	-21%	32.6	18.5	1.9	1.8	6.0	9.6
Luxshare	002475 CH	BUY	36,954	36.33	*74.2	NA	25.5	19.2	5.6	4.4	22.8	23.0
Hon Hai Precision	2317 TT	NR	47,553	106.00	NA	NA	9.7	8.8	1.0	0.9	10.2	10.6
Pegatron	4938 TT	NR	5,560	64.40	NA	NA	11.0	9.3	1.0	0.9	8.7	10.0
Wistron	3231 TT	NR	2,513	26.75	NA	NA	8.7	7.6	0.8	0.8	9.8	10.5
Average							29.0	20.9	6.6	5.0	13.6	19.9
Casing												
BYDE	285 HK	HOLD	6,989	24.35	19.3	-21%	32.6	18.5	1.9	1.8	6.0	9.6
Tongda	698 HK	BUY	139	0.11	0.2	96%	3.7	2.8	0.1	0.1	2.3	3.0
TK Group	2283 HK	BUY	187	1.76	3.4	92%	4.3	3.4	0.8	0.7	18.6	20.7
Ju Teng	3336 HK	NR	216	1.41	NA	NA	7.1	4.9	0.2	0.2	3.5	5.0
Everwin	300115 CH	NR	2,364	13.71	NA	NA	49.0	19.7	2.8	2.5	4.8	11.2
Lens Tech	300433 CH	NR	7,804	10.93	NA	NA	24.8	14.6	1.2	1.2	6.3	8.0
Chaozhou Three	300408 CH	NR	7,382	26.83	NA	NA	22.2	17.1	2.9	2.5	12.7	14.7
Catcher	2474 TT	NR	3,838	166.0	NA	NA	13.8	15.4	0.8	0.8	5.7	4.8
Jabil	JBL US	NR	7,986	58.06	NA	NA	7.8	7.4	3.0	2.4	43.6	35.7
Average							18.4	11.5	1.5	1.4	11.5	12.5

Source: Bloomberg, CMBIGM estimates, * TP under review

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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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