

# Sunny Optical (2382 HK)

## CEO transition announced, Remain confident in mgmt. and LT opportunity

Sunny Optical announced that CEO and Executive Director, Mr. Sun Yang has resigned from current roles due to health reasons, and Mr. Wang Wenjie (current Executive Director and Executive Vice President) has been appointed as his successor, effective from 26 Nov 2024. Mr. Wang worked in Sunny for over 35 years since his graduation in 1989. He was appointed as executive director in 2013, and is currently responsible for strategic planning and information management, as well as Sunny Optical Research Institute. Having spoken with the company, we believe the following is relevant: 1) the departure is Mr. Sun's decision, 2) his relationship with the board is good, 3) it is not performance issue, 4) mgmt. expects a seamless transition. Overall, based on our discussions with investors, we do not think the news is being viewed as a major surprise to the market, although we expect near-term volatility in the stock price. We think Mr. Wang is well regarded internally at Sunny and externally by key stakeholders, including customers and major shareholders.

- **Mr. Wang Wenjie appointed as CEO.** Prior to the CEO role, Mr. Wang is the Executive Director and Executive Vice President of Sunny Optical, and held several leadership positions over his 35-year tenure at the company. Most recently, he is responsible of Sunny's strategic planning and information management, as well as management of Sunny Optical Research Institute. He was elected as the vice chairman of the Chinese Optical Society in 2017, responsible for advancing the development of optical industry in China.
- **Mr. Sun Yang to depart after 12 years as CEO.** Mr. Sun has been the CEO at Sunny since 2012, and has worked in the company since 2002. During his tenure as CEO, Sunny's revenue grew by 695% from RMB3.98bn in 2012 to RMB31.7bn in 2023, and the stock price increased by 19 times (85x at peak in 2021) during 2012-2024 YTD.
- **Company strategy and priorities unchanged.** Broadly we do not expect a change in company strategy or priorities as a result of the transition. We believe Mr. Wang is an experienced, effective leader who could continue to lead Sunny on a growth path. Mgmt. remains focused on strengthening industry leadership and technology investment for long-term growth.
- **Valuation/Key risks.** Maintain BUY with SOTP-based TP of HK\$72.52, implying 24.9x FY25E P/E. Upcoming catalysts include AI phone upgrade cycle, camera spec upgrades and smartphone/AR&VR product launches.

### 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)	24.9	54.4	24.4	20.4	16.9
P/B (x)	2.7	2.6	2.5	2.3	2.1
Yield (%)	1.7	0.8	1.8	2.1	2.6
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  
**Up/Downside** 23.1%  
**Current Price** HK\$58.90

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### Stock Data

Mkt Cap (HK\$ mn)	64,613.3
Avg 3 mths t/o (HK\$ mn)	660.8
52w High/Low (HK\$)	75.05/34.45
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	24.5%	33.9%
3-mth	23.6%	13.7%
6-mth	39.4%	37.1%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

### Related Reports:

1) Gearing up for new growth cycle; Raise TP to HK\$72.52 – 22 Aug 2024 ([link](#))

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

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

## Sunny Optical's management profile

Figure 1: Sunny Optical's management profile (Prior to CEO change)

Name	Age	Joined Since	Position	Experience
Ye Liaoning (叶辽宁)	58	1984	One of founders, Executive Director, Chairman of the Board	Mr. Ye joined Yuyao County Chengbei Optical Instruments Factory in 1984 and became its deputy general manager since 1995. Mr. Ye has obtained a qualification of senior economist issued by the Personnel Bureau of Zhejiang in 2008. Mr. Ye obtained a diploma from Zhejiang Radio & TV University in 1999. Mr. Ye has been an executive Director since May 2007 and is currently a director of various subsidiaries of the Group.
Sun Yang (孙泱)	51	2002	CEO, Executive Director	Mr. Sun graduated from Ningbo University in 1995 with a bachelor's degree in economics. He then obtained a master's degree in economics from Shanghai University of Finance and Economics in 2005. He joined the Group as a chief officer of investment management centre in 2002. <b>He became an executive Director in 2009 and became CEO in 2012.</b> Mr. Sun has obtained a qualification of senior economist issued by the Personnel Bureau of Zhejiang in 2008 and has been awarded a qualification of chief senior economist issued by Zhejiang Province Human Resources and Social Security Department in December 2018.
Wang Wenjie (王文杰)	56	1989	Executive Director, Executive Vice President	Mr. Wang is responsible for the strategic planning and information management of the Group, as well as management of Sunny Optical (Zhejiang) Research Institute. Mr. Wang graduated from Zhejiang University with a bachelor's degree in engineering in 1989 and <b>joined the Group after his graduation in 1989.</b> Mr. Wang has been awarded a qualification of chief senior economist issued by Zhejiang Province Human Resources and Social Security Department in December 2022. <b>He has been an executive Director since December 2013.</b> He was elected as the vice chairman of the Chinese Optical Society in 2017, responsible for advancing the development of optical industry in China.
Dong Kewu (董克武)	55	2012	Vice President	Mr. Dong is responsible for human resource management of the Group. He graduated from Xidian University in 1990 with a bachelor's degree in computer and application and from Fudan University in 2004 with a master's degree in business administration. Prior to joining the Group in February 2012, Mr. Dong worked as a partner and consulting director in a renowned consulting firm.
Ma Jianfeng (马建峰)	51	2010	Vice President, Joint company secretary	Mr. Ma graduated from Xiamen University in July 1995 with a bachelor's degree in economics. Mr. Ma is a certified public accountant of the Chinese Institute of Certified Public Accountants and is a qualified senior accountant in the PRC. Mr. Ma has served as a chief financial officer for Ningbo Bird Co., Ltd. (宁波波导).
Zhang Guoxian (张国贤)	58	2001	Assistant to President	Mr. Zhang graduated from Yuyao Huancheng High School in 1983 and joined the Group since graduation. He attended the seminar of EMBA in Zhejiang University in 2004-05. He held positions including deputy general manager, executive deputy general manager and general manager of Sunny Zhejiang Optics.
Wong Pui Ling (黄佩玲)	42	2007	Joint company secretary, Senior investor relations director	Ms. Wong has more than 10 years of experience in financial reporting, accounting, auditing and investor relations. She is a qualified accountant and is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She holds a bachelor's degree in business administration from the Chinese University of Hong Kong and a postgraduate diploma in finance and law from the University of Hong Kong.
Qiu Wenwei (裘文伟)	47	1997	General manager of Sunny Automotive Optech.	Mr. Qiu served as the head of R&D department in 2006, and served as the head of vehicle lens sets business unit in 2008. In 2012, he served as the general manager of Sunny Automotive Optech. Mr. Qiu obtained a master's degree in optical engineering from Changchun University of Science and Technology in July 2014.
Zhang Baozhong (张宝忠)	55	1999	General manager of Sunny SmartLead.	Mr. Zhang obtained a bachelor's degree in mechanical manufacture technique and instrument in 1990 and MBA in 2013 from Zhejiang University. He held positions including executive deputy general manager of Sunny Optech and general manager of intelligent equipment business of Sunny Instruments.
Wu Jun (吴俊)	58	1997	General manager of Sunny Zhejiang Optics.	Mr. Wu graduated with a bachelor's degree in optical instruments from Shanghai Institute of Mechanism in 1986. He obtained a qualification as a senior engineer by the Personnel Bureau of Zhejiang in 1999. He worked in Jiangxi Optics Instrument General Factory for 10 years as research officer and quality control supervisor.
Wang Zhongwei (王忠伟)	45	2001	General manager of Sunny Optical Intelligence (Yuyao)	Mr. Wang obtained a bachelor's degree from Changchun Institute of Optics and Fine Mechanics in 2001, a master's degree in optical engineering from Changchun University of Science and Technology in 2010 and a doctor's degree in business administration from City University of Hong Kong in 2023. He held positions including the head of sales department, deputy general manager and general manager of Sunny Optotech.

Source: Company data

## Earnings forecasts

Figure 2: 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 3: 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 TP of HK\$72.52

We maintain BUY with 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 4: 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>

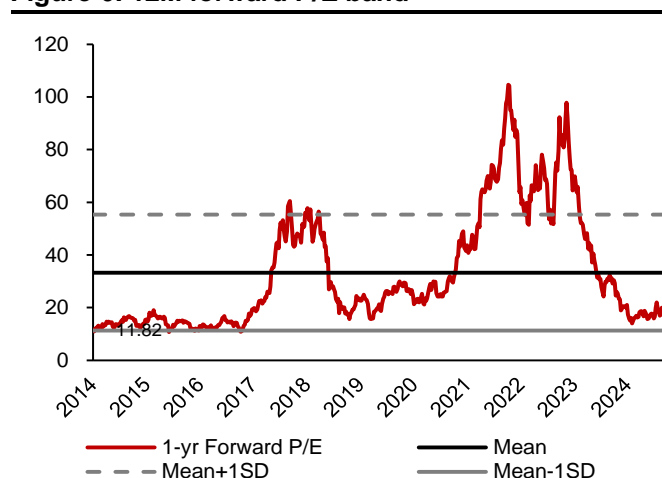
Source: Company data, CMBIGM estimates

**Figure 5: 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	8,288	58.90	72.52	23%	23.5	19.7	2.4	2.2	10.1	11.2
Q tech	1478 HK	BUY	906	5.95	6.43	8%	17.8	11.9	1.2	1.1	6.9	9.6
Cowell	1415 HK	NR	2,595	23.50	NA	NA	26.7	15.6	5.1	3.9	21.0	26.9
Truly	732 HK	NR	414	1.02	NA	NA	-	-	-	-	-	-
Catcher	2474 TT	NR	4,179	199.50	NA	NA	10.5	12.4	0.9	0.9	7.9	6.4
Largan	3008 TT	NR	10,069	2450.00	NA	NA	13.9	13.7	1.8	1.7	13.3	13.0
Lite-on	2301 TT	NR	7,661	106.00	NA	NA	19.5	16.1	2.8	2.6	14.6	16.9
Primax	4915 TT	NR	1,178	82.10	NA	NA	13.9	12.3	2.1	1.9	14.8	15.9
O-film	002456 CH	NR	6,658	14.56	NA	NA	136.1	53.9	11.6	11.1	6.0	12.2
<b>Average</b>							<b>32.7</b>	<b>19.5</b>	<b>3.5</b>	<b>3.2</b>	<b>11.8</b>	<b>14.0</b>

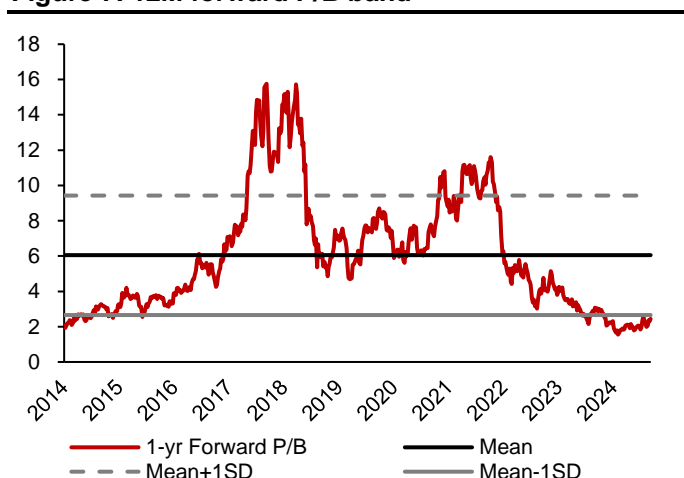
Source: Bloomberg, CMBIGM estimates

**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	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>

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
<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)
Net cash from operations	6,979	7,377	10,461	(346)	(636)	13,393
<b>Investing</b>						
Capital expenditure	(2,498)	(3,864)	(2,245)	(3,000)	(3,000)	(3,000)
Others	(403)	30	0	0	0	0
Net cash from investing	(2,902)	(3,834)	(2,245)	(3,000)	(3,000)	(3,000)
<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)
Net cash from financing	(1,241)	(2,159)	(954)	(1,558)	(1,765)	(2,029)
<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
Cash at the end of the year	5,605	7,033	13,085	8,181	2,781	11,144
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
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%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
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%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
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
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	12.0	24.9	54.4	24.4	20.4	16.9
P/B	2.9	2.7	2.6	2.5	2.3	2.1
Div yield (%)	1.6	1.7	0.8	1.8	2.1	2.6
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.



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