



Rating  
**Buy**

Asia  
China

Technology  
Hardware & Equipment

Company  
**Sunway Alert**

Reuters 300136.SZ Bloomberg 300136 CS Exchange SHZ Ticker 300136

Date  
9 January 2018

Company Update

|                            |               |
|----------------------------|---------------|
| Price at 8 Jan 2018 (CNY)  | 48.87         |
| Price target - 12mth (CNY) | 60.00         |
| 52-week range (CNY)        | 60.00 - 25.19 |
| Shenzhen Index             | 2,031         |

## Access China conference highlights

### Positive 2018 outlook and long term prospectus

Sunway attend our DB Access China event in Beijing (Jan 8-10). We summarize key meeting highlights in this note. The firm's guideline for strong 2018 growth and solid long term business outlook, driven by wireless charging, smartphone mechanical parts, 5G antenna, and etc. are in line with our positive view. Maintain Buy rating.

### Antenna BU (ABU) – wireless charging/5G as near-/long-term drivers

Sunway expects antenna and connector BUs will still constitute the majority of 2018 sales, while acoustic and semiconductor BUs remains important parts of the firm's long-term strategic business plan (as total solution provider for key clients). Sunway view wireless charging modules as key growth driver of ABU in 2018/2019. After achieving 20%-30% market share in Samsung's high/mid-end devices, Sunway sees a high chance it can penetrate into iPhone in 2H18, due to potential design change (from current FPC-based solution to copper coil-based solution). The TAM of wireless charging (RX) module could grow from sub-200mn in 2017 to 300mn+ in 2018 while ASP of wireless charging module will be ~USD3 (vs less than USD1 for its current core biz – Wi-Fi/GPS antenna). For long term, Sunway expects the arrival of 5G (likely in 2020) will increase the demand of antenna in a significant way (as it covers from low frequency band to ultra-high frequency band) which will serve as a new growth catalysts in long run.

### Connector BU (CBU) – multiple projects from iPhone

Sunway highlights multiple growth drivers for CBUs, include:

- Penetrating into Lightning connectors: Sunway's Lightning connector had been qualified by Apple, with shipments to start in 2018. Initially, it will serve as the third supplier (after Hon Hai and JAE), but Sunway is confident it will gain shares in long run. Every new iPhone comes with three Lightning connectors in the box (one for power adapter cable, one for ear pod cable, and one for audio adapter cable).
- Rising dual cam penetration on iPhone: Sunway expects all three new iPhones in 2H18 will have dual cam (vs only two models with dual cam in 2H17). Their camera related mechanical parts (dual cam supporting frames and VCM cases) will benefit from rising dual cam penetration
- Rising market shares in iPhone EMI shielding cases: Sunway got into this business since late 2015, and expects to win more EMI shielding case slots in 2018 or gain higher market shares in current slots.

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### Key data

| FYE 12/31         | 2016A | 2017E   | 2018E   |
|-------------------|-------|---------|---------|
| Sales (CNYm)      | 2,413 | 3,788   | 6,598   |
| Net Profit (CNYm) | 531.6 | 1,088.2 | 1,666.7 |
| DB EPS (CNY)      | 0.56  | 1.11    | 1.71    |
| PER (x)           | 45.1  | 43.9    | 28.6    |
| Yield (net) (%)   | 0.1   | 0.2     | 0.3     |

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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