



Rating  
**Hold**

Asia  
China

Technology  
Hardware & Equipment

Company  
**O-Film Alert**

Reuters 002456.SZ    Bloomberg 002456.CH    Exchange SHZ    Ticker 002456

Date  
10 January 2018

Company Update

Price at 9 Jan 2018 (CNY)	20.33
Price target - 12mth (CNY)	23.00
52-week range (CNY)	25.90 - 12.65
Shenzhen Index	2,031

## Access China conference highlights

### Positive growth outlook, but fairly priced

O-Film attended our DB Access China conference in Beijing. O-Film elaborate on key growth drivers in 2018, including the breakthrough in high-end dual cam projects (for Chinese OEMs), rising Apple sales (Touch panel ITO film and RX module in Face ID system) and potential 3D sensing module projects from Chinese OEMs. O-Film expects to see small volume adoption of 3D sensing in 2H18, before a bigger ramp in 2019. For longer term, O-Film will focus on smart vehicle solution (ADAS, entertainment system). Trading at 26x PER (or 0.8x PEG), we think it is fairly priced, despite the decent growth. Hold.

### CCM – breakthrough in high-end dual cam projects

O-Film views dual-cam as the key growth driver in CCM business, believing it will benefit from rising dual-cam penetration in China smartphones (from sub-20% to 30%-40%) and its share gain in high-end projects. O-Film has built monthly capacity of 15mn for dual-cam CCM now and expects to double this by end of 2018 (while single-cam CCM capacity could stay flat at 60-65mn units). For high-end projects, O-Film highlights that it had grown its share in Huawei's high-end products (P/Mate series) from almost nil in 1H17 to 10-15% in 2H17. Based on current order visibility, O-Film think it could get 30%+ or 40%+ market share in new projects. Particularly, O-Film believe it will be the key supplier for the globe's first trio-cam project (Huawei P20 Pro, in our view).

### 3D sensing – iPhone's RX module + initial adoption from Chinese OEMs

O-Film targets to get RX (receiver) module of iPhone's Face ID system in 2H18, by leveraging its current iPhone front-cam capacity. The design and structure of RX module is familiar to that of front cam. Face ID adoption is expected to spread out from iPhone X to all new iPhones in 2H18, so Apple will need more suppliers. O-Film expects some Chinese clients to adopt 3D sensing module on few very high-end models, but also notes the volume will be very small, given the immature technologies and low production yield. O-Film believes this will be an important long-term growth driver, and has formed an exclusive partnership with Mantis Vision (a leading 3D sensing algorithm supplier) to target Chinese OEMs. Other partners include Himax in WLO lens and Finisar in VCSEL.

### Apple's touch panel (TP) business – expanding from iPad to iPhone

O-Film expects Android's TP business to stay stable, with the rising adoption of out-cell solution to offset the continued pricing pressure. But, O-Film is positive about i-device's TP business. The firm just penetrated into iPad's TP sensor + full lamination business in May 2017, and has quickly grown market share from zero to 20%-30% by the end of 2017. In 2018, O-Film expects it will continue to grow market share in iPad Tps, and is very likely to win iPhone TP orders as well (touch sensor + 3D touch + cover glass lamination).

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### Key data

FYE 12/31	2016A	2017E	2018E
Sales (CNYm)	26,746	34,537	43,042
Net Profit (CNYm)	718.8	1,522.4	2,394.0
DB EPS (CNY)	0.28	0.56	0.88
PER (x)	44.2	36.3	23.1
Yield (net) (%)	0.2	0.3	0.5

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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