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Conant Optical (2276.HK)

Key takeaways from investor meetings

CITI'S TAKE

We hosted investor meetings for Conant Optical on 19 August. We feel comfortable in our view that 2H26 and 2027 will see stronger earnings growth driven by: 1) easing raw material supply for 1.74-index RX lenses, which should boost shipments and drive better product mix and gross margins; 2) new ASPs having an impact for the full period, potentially driving revenue upside; 3) continued recovery in emerging markets; and 4) the ramp-up of the XR business, contributing to a better product mix and GM. Now trading below its RX lens peers and with minimal valuation assigned to XR, the stock should re-rate, in our view, when its customers' products launches in 2H, including RayNeo and North American customers. International customers are also launching several products in 2027. Reiterate Buy as our top AI glasses proxy.

Buy / High Risk

Short-Term View: Upside

Price (19 Aug 26 16:10)	HK\$38.44
Target price	HK\$43.20
Expected share price return	12.4%
Expected dividend yield	1.0%
Expected total return	13.4%
Market Cap	HK\$19,153M
	US\$2,442M

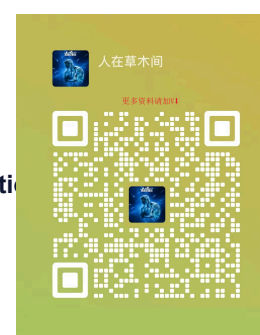
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See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations



Key 1H26 results highlights: (1) 1H26 revenue grew 8% YoY and 6% HoH. SEA markets grew 12% HoH with GM improvement; the Americas grew 34% YoY driven by the North America AI glasses business and a new distributor/dealer business in Latin America; and China grew 14% YoY on own-brand and 1.74 products. (2) Own-brand products recorded 17% YoY growth in 1H26, while ODM fell on a high base of comparison and 1.74 raw material shortage. (3) The XR business accounted for 4% of revenue with higher GM, part of it contributed by NRE.

Full-year guidance remains intact: (1) Core business should grow 10% this year, with stronger YoY growth in 2H26 supported by better supply conditions for 1.74 raw materials, an ASP increase for 1.74 products starting May, continued demand recovery in emerging markets, and continued promotion of the Asahi brand. (2) Core business NP should grow 20–25% this year, supported by GM improvement on product mix (increased 1.74 contribution, XR business products) and opex control.

XR business update: Conant has collaborated with ~20 domestic and international smart glasses OEMs across 40+ projects. The focus this year is to prepare production for the key North American customer with whom the company has signed an MOU, with the production ramp-up likely to start in December. Several projects will enter commercialization next year, with those from tech and cloud companies likely driving market attention and adoption. Domestic customers are also aggressively launching products and ramping up their scale. We think new business could contribute 10% of revenue this year and at least 20% next year, and potentially over 50% in 2028 or 2029.

Other updates: (1) The FX impact was more significant in 1H26 than in prior years due to HKD holdings post-placement. (2) Raw material supply should improve in 2H26 thanks to increased allocation from a key supplier given strong demand, while also diversifying suppliers across index products. (3) Capex this year should be about Rmb220–250mn.

Adding Upside 90-Day Short-Term View on Conant Optical (2276.HK)

Direction: Upside

Duration: Within 90 Days

Category: Special situations and Thematic driven

We expect the company to benefit from RayNeo, Meta AI glasses with display, and other North American customers' new AI glasses products.

Conant Optical

Valuation

Our target price of HK\$43.2 is based on 20.8x 2027E EPS, which is the average consensus 2027E forward P/E for the AI glasses supply chain, supported by a 25% earnings CAGR in 2025-28E on our estimates and our view that Conant could be one of the RX lens suppliers for Meta display AI glasses in 1H27-1H29.

Risks

The stock is rated High Risk given the fragmented market landscape, Conant's small market cap, and low liquidity. We view geopolitical uncertainties/tariffs impact, potential disappointment in demand for AI glasses, depreciation burden from new facilities rollout, supply constraints, FX impact, intensified competition, etc. as key downside risks that could impede the stock from reaching our target price.