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Sunny Optical | Asia Pacific

Mixed Results in 1H26;, Better Growth and Margin Required for Re-rating in 2H26

AlphaSignals Earnings Reaction

Unchanged	**Modest upside**	**Modest revision higher**
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key Takeaways

- Pan-IoT/Other is becoming a meaningful new earnings engine.
- Vehicle and XR maintained double-digit growth in 1H26.
- Handset revenue facing headwinds despite mix improvement.
- Gross margin dip is a minor negative.

Upbeat 1H26 revenue and earnings: Revenue rose 11.5% YoY in 1H26, to RMB21.9bn. New businesses, including robotics, intelligent imaging, and optical instruments, were the key growth driver, with revenue nearly doubling from RMB2.1bn to RMB4.0bn. Net profit increased 9.9% YoY, to RMB1.81bn, easing concerns over earnings pressure from smartphone industry headwinds.

Modest margin contraction: GPM declined to 19.5% in 1H26 from 19.8% in 1H25. GPM fell across handsets (12.3% vs. 14.3%), vehicles (30.3% vs. 33.4%), and XR (13.0% vs. 17.3%). Other/Pan-IoT was the only area of improvement, with GPM rising to 34.4% from 33.1%.

What could drive the stock up: Beyond seasonal improvement in handset demand, vehicle growth accelerating to 15% or above could support a re-rating. Breakthrough in optical communications could provide an additional catalyst.

Potential downside risks: Further deceleration in traditional businesses and continuous margin decline could drive a de-rating. In optical communications, development limited to mature products could raise concerns over the growth and margin outlook.

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Sunny Optical (2382.HK, 2382 HK)

Greater China Technology Hardware | China

Stock Rating	**Equal-weight**
Industry View	**In-Line**
Price target	HK$62.00
Up/downside to price target (%)	(1)
Shr price, close (Aug 26, 2026)	HK$62.60
52-Week Range	HK$91.40-51.50
Sh out, dil, curr (mn)	1,093
Mkt cap, curr (mn)	Rmb58,630
EV, curr (mn)	Rmb59,039
Avg daily trading value (mn)	HK$895

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	4.11	2.85	3.46	4.02
EPS (Rmb)§	3.48	3.68	4.27	5.33
Revenue, net (Rmb mn)	43,229	42,747	49,763	54,362
ModelWare net inc (Rmb mn)	4,468	3,102	3,768	4,374
P/E	14.3	18.8	15.5	13.3
ROE (%)	17.7	10.4	11.5	11.7
Div yld (%)	0.8	2.0	1.1	1.3

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

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Results Summary

Exhibit 1: 1H26 Results Review

(Rmb mn)	1H25	1H26	YoY	2H25	HoH
Net sales	**19,652**	**21,906**	**11.5%**	**23,577**	**-7.1%**
Smartphone	13,248	13,149	-0.8%	14,076	-6.6%
Vehicle	3,400	3,762	10.6%	3,927	-4.2%
XR	861	956	11.0%	1,533	-37.6%
Others	2,142	4,039	88.5%	4,041	0.0%
Gross profit	**3,894**	**4,269**	**9.6%**	**4,621**	**-7.6%**
Smartphone	1,900	1,615	-15.0%	2,105	-23.3%
Vehicle	1,137	1,139	0.1%	1,203	-5.4%
XR	149	125	-16.4%	320	-61.1%
Others	709	1,390	96.2%	993	40.0%
GPM	**19.8%**	**19.5%**	**-0.3%**	**19.6%**	**-0.1%**
Smartphone	14.3%	12.3%	-2.1%	15.0%	-2.7%
Vehicle	33.4%	30.3%	-3.2%	30.6%	-0.4%
XR	17.3%	13.0%	-4.3%	20.9%	-7.9%
Others	33.1%	34.4%	1.3%	24.6%	9.8%
Selling	(184)	(183)	-0.7%	(159)	15.3%
G&A	(593)	(571)	-3.7%	(827)	-31.0%
R&D	(1,634)	(1,651)	1.0%	(1,625)	1.6%
OPEX	**(2,411)**	**(2,405)**	**-0.2%**	**(2,611)**	**-7.9%**
% OPEX	12.3%	11.0%	-1.3%	11.1%	-0.1%
Operating income	**1,484**	**1,864**	**25.6%**	**2,011**	**-7.3%**
% OPM	7.6%	8.5%	1.0%	8.5%	0.0%
Total Non-op	381	338	-11.3%	1,540	-78.0%
Pre-tax income	**1,865**	**2,202**	**18.1%**	**3,551**	**-38.0%**
Income tax	(141)	(252)	78.8%	(468)	-46.1%
% effective tax rate	8%	11%	3.9%	13%	-1.7%
Net income	**1,646**	**1,808**	**9.9%**	**2,993**	**-39.6%**
% NPM	8.4%	8.3%	-0.1%	12.7%	-4.4%

Source: Company data, Morgan Stanley Research



Valuation Methodology and Risks

Sunny Optical (2382.HK)

Base case, residual income model (RIM)-derived SOTP methodology. We use RIM valuation methodology for Greater China Hardware Tech companies in our coverage, while SOTP reflects the material differences in growth and return profile of its businesses. We apply a cost of equity of 11%, medium-term growth rates of -6%, 11% and 16%, and long-term growth rates of 3%, 5% and 5% for the handset, vehicle and AR/VR business.

Risks to Upside

- Improvement in smartphone CCM and lens gross margin
- Faster-than-expected vehicle lens/module growth
- Faster-than-expected share gains in new international client
- A breakthrough in MR/Smart glasses business

Risks to Downside

- Industry demand weakness, weighing on gross margin
- More intense smartphone CCM/lens competition
- Weaker-than-expected vehicle related growth

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(as of July 31, 2026)
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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1529	42%	442	47%	29%	750	43%
Equal-weight/Hold	1582	43%	396	42%	25%	773	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	560	15%	97	10%	17%	217	12%
Total	3,674		936			1741	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

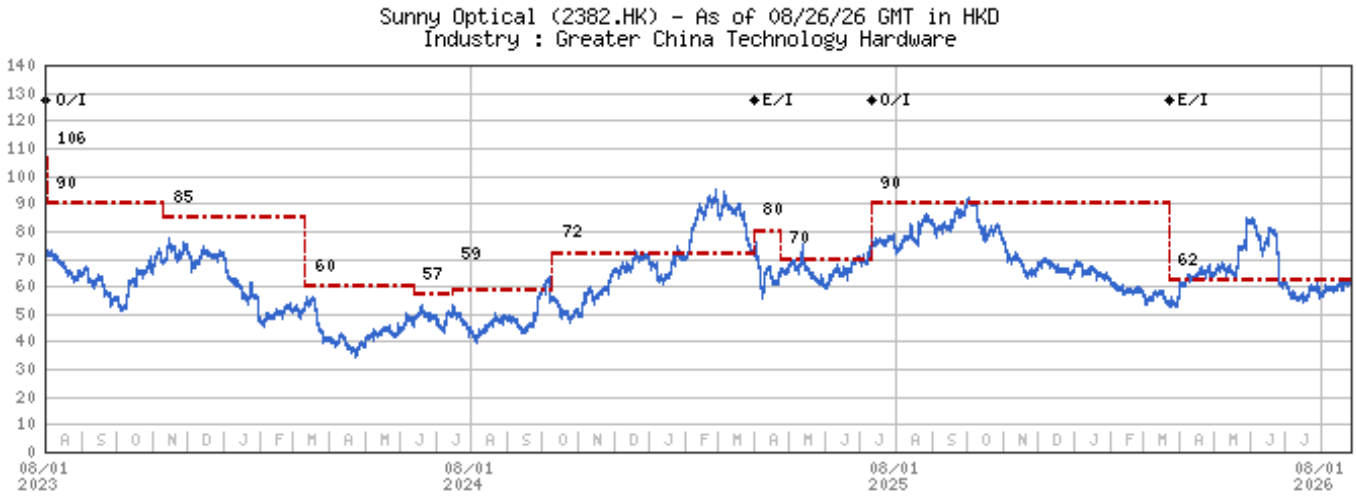
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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 8/1/21 : O/I; 8/18/21 : E/I; 4/5/22 : O/I; 1/9/23 : E/I; 5/16/23 : O/I; 3/31/25 : E/I; 7/10/25 : O/I; 3/23/26 : E/I

Price Target History: 4/14/21 : 208; 8/18/21 : 230; 12/17/21 : 255; 3/1/22 : 200; 4/5/22 : 190; 7/25/22 : 150; 9/13/22 : 135; 11/15/22 : 110; 1/9/23 : 106; 8/2/23 : 90; 11/10/23 : 85; 3/11/24 : 60; 6/12/24 : 57; 7/15/24 : 59; 10/9/24 : 72; 3/31/25 : 80; 4/23/25 : 70; 7/10/25 : 90; 3/23/26 : 62

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/26/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$40.16
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb167.88
BYD Electronics (0285.HK)	O (04/28/2023)	HK$23.18
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.64
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb16.23
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb398.78
Genius Electronic Optical Co. Ltd. (3406.TW)	E (04/23/2025)	NT$759.00
GoerTek Inc (002241.SZ)	E (08/14/2026)	Rmb23.82
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.48
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb34.78
Largan Precision (3008.TW)	O (07/10/2026)	NT$6,290.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb6.79
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb12.25
Lingyi Itech Guangdong Co (1688.HK)	O (08/14/2026)	HK$6.21
Luxshare Precision Industry Co., Ltd. (2475.HK)	O (08/14/2026)	HK$63.35
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb57.11
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb7.18
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$5.62
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb54.74
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$44.62
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb57.82
Sunny Optical (2382.HK)	E (03/23/2026)	HK$62.60
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb253.58
Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb18.49

Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$28.46
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb388.02
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$163.00
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb106.87
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb26.04
Zhongji Innolight Co Ltd (300308.SZ)	++	Rmb850.90
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$23.66
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb33.54
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$2,055.00
Advantech (2395.TW)	O (01/20/2021)	NT$688.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,470.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$3,155.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$25.50
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,075.00
Bizlink (3665.TW)	O (03/10/2025)	NT$2,005.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb5.72
Chenbro (8210.TW)	O (07/23/2025)	NT$974.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$1,980.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,750.00
E Ink Holdings Inc. (8069.TWO)	E (08/10/2026)	NT$160.00
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$62.70
Fositek Corp (6805.TW)	O (06/25/2025)	NT$2,025.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$353.00
Innolux (3481.TW)	E (04/07/2025)	NT$46.40
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$14,510.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb39.02
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$307.00
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb4.91
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb6.60
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb210.60
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$31.40
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$971.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$206.50
Compal Electronics (2324.TW)	U (04/23/2025)	NT$40.95
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$5.01
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb60.57
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$351.50
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$1,040.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$246.50
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb73.79
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$3,255.00
Lenovo (0992.HK)	O (07/10/2026)	HK$30.56
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$1,625.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$1,180.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$89.30
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$332.50
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb130.01
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb348.03
Unimicron (3037.TW)	O (02/23/2026)	NT$1,160.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$428.00
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$182.00
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$6,785.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$537.00

Zhen Ding (4958.TW)	++	NT$453.00

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

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