

China Technology Sector

Apple Launch Event: iPhone 13/Watch 7 largely inline; no new AirPods 3 slightly disappointing

As anticipated, Apple announced four iPhone 13 models (13 mini, 13, 13 Pro, 13 Pro Max), featuring smaller notch, ProMotion, camera improvements, and 1TB option, and also refreshed Watch 7, iPad 9 and iPad mini 6 for performance upgrade. We think most of the new hardware are in line with expectations, but no announcement on new AirPod 3 may disappoint the market. We also believe lowered pricing for new low-end iPhone models will boost shipment upside. For supply chain, given limited spec upgrade, we prefer share gainers with YoY growth, such as BYDE for iPad/Watch, and remain neutral on AAC Tech for margin pressure and Sunny Optical for fair valuation. We also think AirPods 3 launch delay may be slightly negative to Luxshare/Goertek in near term.

- New iPhone spec largely in-line; lower pricing for 13/mini with same storage may boost volume.** Apple launched a new gen of iPhone 13 models, featuring smaller notch, ProMotion, camera improvements, and 1TB option. While the specs were in-line with expectations, we believe reduced price for iPhone 13/mini with same storage (e.g. \$799 for iPhone 13 128GB, vs \$799 for iPhone 12 64GB in 2020) will offer a more favorable position in the competitive low-end segment, which will drive volume upside. Overall, we expect iPhone shipment of 230mn in FY21E (+12% YoY, 85mn iPhone 13), given Huawei share loss and 5G replacement cycle overseas.
- Refresh Watch 7/iPad 9 with limited hardware changes.** Apple Watch 7 upgrades were primarily centered on a 20% larger screen area, 33% faster charging speed, improved water resistance, and crack resistant front crystal. However, Watch 7 does not feature the expected flattened edge design and new health monitoring feature (e.g. blood). iPad 9 gets an A13 Bionic processor, improved 12MP front camera (Center Stage feature, better low-light), and iPad mini 6 is its first update since 2019, with a new edge-to-edge display and Touch ID button similar to iPad Air. We estimate Watch/iPad shipment to grow +33%/-6% YoY to 45mn/50mn in FY21E.
- Near-term concerns on sell-through weakness; Prefer share gainers BYDE for iPad/Watch OEM/components.** Although Apple supply chain has underperformed over past few weeks, we believe sentiment will remain weak into 4Q21E given semi shortage and sell-through concerns. We prefer Apple names with share gain, such as BYDE for Apple share gain and iPad/Watch components, and we maintain HOLD on AAC Tech for margin concerns and Sunny Optical for fair valuation.

Valuation Table

Name	Ticker	Rating	Mkt Cap (USD mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY21E	P/E (x) FY22E	P/B (x) FY21E	ROE FY21E
AAC Tech	2018 HK	Hold	6,214	40.00	45.3	13%	23.8	13.9	2.0	9.1
Sunny Optical	2382 HK	Hold	31,780	225.40	210.1	-7%	40.9	32.0	13.1	25.2
BYDE	285 HK	Buy	9,153	31.60	49.5	57%	16.2	11.3	2.9	15.5
Q-tech	1478 HK	Buy	1,860	12.24	22.0	80%	12.0	10.1	3.4	23.1
TK Group	2283 HK	Buy	332	3.10	4.1	32%	8.2	7.4	2.0	20.0

Source: Bloomberg, CMBIS estimates

OUTPERFORM
(Maintain)

China Technology Sector

Alex Ng
(852) 3900 0881
alexng@cmbi.com.hk

Lily Yang
(852) 3916 3716
lilyyang@cmbi.com.hk

Related Reports

- Apple FY1Q beat with mixed guidance; iPhone 12 and Mac/iPad momentum to continue into 2021 – 28 Jan 2021
- Global smartphone recovery to continue in 2021; Prefer share gainers and Xiaomi/Apple plays - 29 Dec 2020
- Supply chain implications on Huawei Mate 40 launch – 23 Oct 2020
- iPhone 12 launch as expected; Wireless trend to benefit Luxshare/Goertek/FIT Hon Teng – 14 Oct 2020

Focus Charts

Figure 1: iPhone 13 series (2021) vs iPhone 12 series (2020)

	iPhone 13 mini	iPhone 13	iPhone 13 Pro	iPhone 13 Pro Max	iPhone 12 mini	iPhone 12	iPhone 12 Pro	iPhone 12 Pro Max
Debut price	\$699	\$799	\$999	\$1,099	\$699	\$799	\$999	\$1,099
Storage	128GB, 256GB, 512GB	128GB, 256GB, 512GB	128GB, 256GB, 512GB, 1TB	128GB, 256GB, 512GB, 1TB	64GB, 128GB, 256GB	64GB, 128GB, 256GB	128GB, 256GB, 512GB	128GB, 256GB, 512GB
Screen size	5.4 inches	6.1 inches	6.1 inches	6.7 inches	5.4 inches	6.1 inches	6.1 inches	6.7 inches
Resolution	2340x1080	2532x1170	2532 x 1170	2778 x 1284	2340x1090	2532x1170	2532 x 1170	2778 x 1284)
Adaptive refresh			ProMotion 120Hz	ProMotion 120Hz				
Processor	A15	A15	A15	A15	A14	A14	A14	A14
Rear cameras	12MP main (f/1.6); 12MP ultrawide (f/2.4)	12MP main (f/1.6); 12MP ultrawide (f/2.4)	12MP wide (f/1.5), 12MP ultra-wide (f/1.8), 12MP telephoto (f/2.8) with 3x zoom	12MP wide (f/1.5), 12MP ultra-wide (f/1.8), 12MP telephoto (f/2.8) with 3x zoom	12MP main (f/1.6), 16MP ultrawide (f/2.4)	12MP main (f/1.6), 16MP ultrawide (f/2.4)	12MP wide (f/1.6), 12MP ultra-wide (f/2.4), 12MP telephoto (f/2.0) with 2x zoom	12MP wide (f/1.6), 12MP ultra-wide (f/2.4), 12MP telephoto (f/2.0) with 2.5x zoom
Colors	Red, Starlight, Midnight, Blue, Pink	Red, Starlight, Midnight, Blue, Pink	Graphite, Gold, Silver, Sierra Blue	Graphite, Gold, Silver, Sierra Blue	White, black, blue, green, purple, Red	White, black, blue, green, purple, Red	Silver, Graphite, Gold, Pacific Blue	Silver, Graphite, Gold, Pacific Blue
Battery Size (Video playback)	Up to 17 hours	Up to 19 hours	Up to 22 hours	Up to 28 hours	Up to 15 hours	Up to 17 hours	Up to 17 hours	Up to 20 hours
Size (inch)	5.2 x 2.5 x 0.3	5.8 x 2.8 x 0.3	5.8 x 2.8 x 0.3	6.3 x 3.1 x 0.3	5.2 x 2.5 x 0.3	5.8 x 2.8 x 0.3	5.78 x 2.82 x 0.29	6.33 x 3.07 x 0.29
Weight	4.97 ounces	6.14 ounces	7.2 ounces	8.5 ounces	4.76 ounces	5.78 ounces	6.7 ounces	8 ounces

Source: Company data, CMBIS estimates

Figure 2: Apple Watch 7 series



Source: Apple, CMBIS

Figure 3: New Family Setup



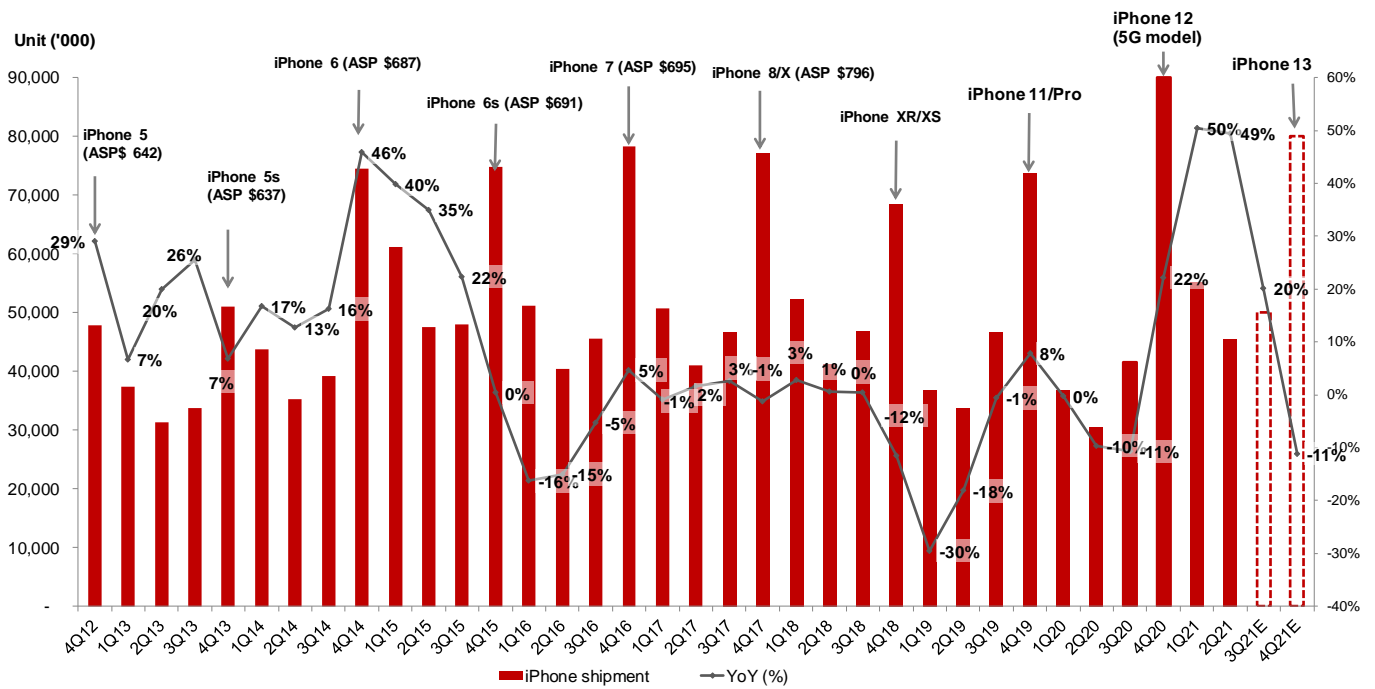
Source: Apple, CMBIS

Figure 4: Supply chain mapping and sales mix exposure (2021)

Company	Ticker	Apple	Huawei	Samsung	Other CN brands	Others	Major Products
AAC Tech	2018 HK	45%	5%	25%	20%	5%	Acoustics, haptics, optics, casing
FIT Hon Teng	6088 HK	40%	3%			57%	Connector, wireless charging, accessories
Sunny Optical	2382 HK	2%	5%	15%	63%	15%	Camera module, handset lens sets, auto lens/module
BYDE	285 HK	40%	5%	10%	30%	15%	Metal/glass/plastics casing, ODM/OEM, e-cigarette
Tongda	698 HK	20%	5%	10%	35%	25%	Metal/plastic casing, waterproof
Q-Tech	1478 HK		5%		85%	15%	Cam module/lens, fingerprint modules, auto cam module
TK Group	2283 HK	10%				90%	Plastic molding, plastic precision
Truly	732 HK			3%	62%	35%	Camera modules, fingerprint, display modules
Cowell	1415 HK	90%		5%		5%	Camera Module
Luxshare	002475 CN	60%	10%	3%		27%	Wireless, AirPods, Watch, acoustics/haptics, EMS
Goertek	002241 CN	45%	5%	10%	15%	25%	Acoustics, AirPods, Watch, AR/VR, Wearables
Sunway	300136 CH	45%	5%	10%	30%	10%	Antenna, wireless charging, connector, RF
Lens Tech	300433 CN	50%	5%	10%	20%	15%	Glass/metal casing, EMS

Source: Company data, CMBIS estimates

Figure 5: Apple's iPhone shipment by quarter (CY)



Source: Company data, CMBIS estimates

Figure 6: Peers Comparison

Company	Ticker	Rating	Mkt Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Optics												
Sunny Optical	2382 HK	Hold	31,780	225.40	210.1	-7%	40.9	32.0	13.1	10.3	25.2	25.3
Q Tech	1478 HK	Buy	1,860	12.24	22.0	80%	12.0	10.1	3.4	2.8	23.1	22.8
Truly	732 HK	NR	1,087	2.57	NA	NA	6.4	4.7	-	-	-	-
Cowell	1415 HK	NR	588	5.48	NA	NA	10.1	8.1	1.8	1.5	18.8	20.6
Largan	3008 TT	NR	12,211	2520	NA	NA	15.8	13.8	2.3	2.1	14.9	15.8
Genius	3406 TT	NR	1,860	460	NA	NA	20.0	14.5	3.0	2.6	15.1	17.9
Primax	4915 TT	NR	819	50.20	NA	NA	9.3	8.2	1.5	1.4	16.1	17.3
Lite-On	2301 TT	NR	5,197	61.50	NA	NA	9.9	10.8	1.9	1.8	18.9	16.2
O-Film	002456 CH	NR	3,413	8.16	NA	NA	19.9	16.2	2.2	2.0	4.4	7.1
Samsung Elec	009150 KS	NR	11,742	183500	NA	NA	14.1	12.6	2.1	1.8	15.9	15.4
Lg Innotek	011070 KS	NR	4,367	216000	NA	NA	6.8	7.3	1.6	1.3	27.0	19.9
Partron	091700 KS	NR	458	9900	NA	NA	10.9	9.3	1.3	1.2	12.5	13.2
Average							14.7	12.3	3.1	2.6	17.4	17.4
Acoustics/Haptics												
AAC Tech	2018 HK	Hold	6,214	40.00	45.3	13%	23.8	13.9	2.0	1.9	9.1	9.7
Goertek	002241 CH	Buy	24,350	45.94	46.9	2%	34.3	27.4	8.2	7.0	20.3	20.2
Luxshare	002475 CH	Buy	36,452	33.38	*74.2	NA	18.9	20.0	6.3	4.9	25.8	25.6
Sunway	300136 CH	Buy	3,547	23.62	NA	NA	21.0	15.5	3.5	2.9	15.2	17.6
Merry	2439 TT	NR	736	97	NA	NA	16.9	11.7	1.8	1.7	9.2	12.9
Knowles	KN US	NR	1,760	19.13	NA	NA	13.6	12.7	-	-	-	-
Nidec	6594 JP	NR	75,502	13865	NA	NA	67.0	53.8	7.8	6.7	12.2	13.2
Alps Alpine	6770 JP	NR	2,505	1251	NA	NA	-	14.7	0.8	0.7	(0.2)	5.0
Average							27.9	21.2	4.3	3.7	12.9	7.0
Connector												
FIT Hon Teng	6088 HK	Buy	1,404	1.57	*3.6	NA	6.5	10.6	0.6	0.6	8.9	8.8
Luxshare	002475 CH	Buy	36,452	33.38	*74.2	NA	18.9	20.0	6.3	4.9	25.8	25.5
TE	TEL US	NR	47,474	144.74	NA	NA	22.3	20.4	4.7	4.2	22.2	22.3
Amphenol	APH US	NR	45,301	75.73	NA	NA	31.7	28.7	7.6	6.7	26.0	26.0
Average							19.8	19.9	4.8	4.1	20.7	12.1
EMS/OEM												
BYDE	285 HK	Buy	9,153	31.60	49.5	57%	16.2	11.3	2.9	2.5	15.5	18.5
Luxshare	002475 CH	Buy	36,452	33.38	*74.2	NA	18.9	20.0	6.3	4.9	25.8	25.6
Hon Hai Precision	2317 TT	NR	54,336	108.50	NA	NA	11.0	9.9	1.1	1.0	10.0	10.4
Pegatron	4938 TT	NR	6,232	64.60	NA	NA	8.5	9.5	1.0	1.0	11.7	10.1
Wistron	3231 TT	NR	2,911	27.75	NA	NA	9.0	8.5	1.0	1.0	11.7	11.9
Average							29.0	20.9	6.6	5.0	13.6	19.9
Casing												
BYDE	285 HK	Buy	9,153	31.60	49.5	57%	16.2	11.3	2.9	2.5	15.5	18.5
Tongda	698 HK	Buy	337	0.27	*0.6	NA	3.4	3.6	0.3	0.3	7.7	7.6
TK Group	2283 HK	Buy	332	3.10	4.1	32%	8.2	7.4	2.0	2.0	20.0	19.8
Ju Teng	3336 HK	NR	244	1.58	NA	NA	9.3	7.9	0.3	0.3	3.1	3.6
Everwin	300115 CH	NR	3,068	16.45	NA	NA	21.0	14.8	2.7	2.3	12.1	16.1
Lens Tech	300433 CH	NR	18,180	23.56	NA	NA	17.2	13.5	2.5	2.1	14.6	16.0
Chaozhou Three	300408 CH	NR	10,130	35.92	NA	NA	30.2	22.7	5.2	4.3	17.3	19.5
Catcher	2474 TT	NR	4,265	155.0	NA	NA	13.0	11.2	0.7	0.7	5.4	6.2
Jabil	JBL US	NR	9,097	62.38	NA	NA	11.2	10.4	4.2	3.6	41.7	37.2
Average							14.0	11.1	2.3	2.0	17.7	17.6

Source: Bloomberg, CMBIS estimates, * TP under review

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIS Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIS

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Securities Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.