

JS Global Lifestyle (1691 HK)

Hope for the best and prepare for the worst

SharkNinja 3Q21 sales growth was roughly in-line under huge macro pressure. Also, headwinds are still there in 4Q21E and 1H22E despite an unchanged guidance. In our view, the low valuation right now had already priced in a rather pessimistic scenario, therefore we **maintain BUY and the TP at HK\$ 22.35**, based on 18x FY22E P/E (unchanged). The stock is trading at 12x FY22E P/E, vs China/ Int'l peers' avg. of 20x/ 22x FY22E P/E.

- **An in-line sales growth for SharkNinja in 3Q21.** SharkNinja's unaudited gross sales (before settlement of refund and promotions, which is a reasonable proxy for group sales) had grown by 19.3% in 3Q21 (MSD/ 20%+/ 20%+ in Jul/ Aug/ Sep), in-line with guidance. Given high base last year, tough shipping condition and costs pressure, such result is already admirable.
- **Macro headwind persists but guidance for 4Q21E and FY22E maintained.** JS Global's performance was certainly outstanding in 9M21, but similar to its peers, it is facing various macro headwinds, namely: 1) disruption of productions in Thailand and Vietnam due to COVID-19, where the capacity may not be fully recovered until Jan 2022 and had led to higher import tariffs paid (because orders are shifted back to mainland China), 2) port congestion (transit time had been surging from 28 days in Dec 2020, to 36 days in Aug 2021 and 54 days in Nov 2021) due to containers and truck drivers shortage and 3) climbing raw material prices (metal, chips, plastic, etc.) and logistic costs (freight rate and related wages). Even though some of these negatives may linger into 1H22E, management is still keeping the guidance of double-digit sales growth for 4Q21E and double-digit sales and net profit growth in FY22E. Hence, we are not revising our forecasts for now and hopefully these issues are short-lived.
- **Series of new product launches to support the long-term growth story.** SharkNinja is aiming to become the largest small appliance company in the world, and we believe it certainly has the quality (best-in-class R&D, marketing and global supply chain) and proven track record (20% sales CAGR for the last decade and achieved consistent market share gains in existing products, new categories and regions, e.g. achieved No.1 in Vacuum with Shark and just launched Ninja in UK in 2020). 2021 is a big year of expansion, where it has launched products in many new categories (such as: 1) ice cream maker, 2) coffee maker, 3) cooking ware, 4) knife set, 5) hair dryer and 6) air purifier) and new regions (e.g. France, Germany, Italy, Spain, Japan, Australia).
- **Maintain BUY and TP at HK\$ 22.35.** We maintained our NP estimates and kept TP at HK\$ 22.35, based on 18x FY22E P/E (unchanged). Valuation is not demanding at 12x FY22E P/E, vs China/ Int'l peers' avg. of 20x/ 22x.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (US\$ mn)	3,016	4,196	5,249	5,960	6,601
YoY growth (%)	12.5	39.1	25.1	13.6	10.8
Adj. NP att. (US\$ mn)	145	378	485	571	656
Adj. EPS (US\$)	0.042	0.106	0.136	0.160	0.184
YoY growth (%)	136.573	153.9	28.3	17.9	14.8
Consensus EPS (US\$)	n/a	n/a	0.134	0.168	0.209
Adj. P/E (x)	44.5	17.6	13.7	11.6	10.1
P/B (x)	4.1	2.8	2.3	1.8	1.4
Yield (%)	4.0	1.8	2.6	3.7	4.3
ROE (%)	7.5	2.7	15.0	15.1	14.9
Net gearing (%)*	39.1	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates, *net debt (cash) / equity

BUY (Maintain)

Target Price	HK\$22.35
(Previous TP)	HK\$22.35)
Up/Downside	+54.6%
Current Price	HK\$14.46

China Home Appliance Sector

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Stock Data

Mkt Cap (HK\$ mn)	50,532
Avg 3 mths t/o (HK\$ mn)	141.96
52w High/Low (HK\$)	26.50/12.98
Total Issued Shares (mn)	3,494.6

Source: Bloomberg

Shareholding Structure

Mr. Wang Xuning (Chairman) & concert party	56.43%
CDH Fund	10.66%
Mr. Mark Rosenzweig	7.87%
RSU Holding entity	4.88%
Mr. Mark Adam Barrocas	2.09%
Free Float	11.63%

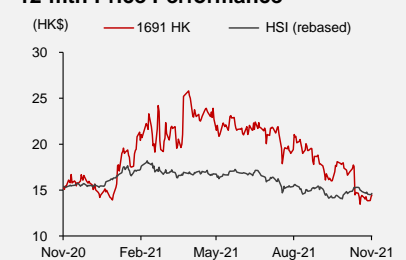
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-17.9%	-17.8%
3-mth	-26.5%	-22.1%
6-mth	-37.1%	-27.5%
12-mth	-9.7%	-5.4%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

Related Reports

1. JS Global (1691 HK, BUY) - Concerns on logistic constraints overdone – 22 Oct 2021
2. JS Global (1691 HK, BUY) - Rapid growth and stable margin are achievable – 1 Sep 2021
3. JS Global (1691 HK, BUY) - Market share gains by product innovations – 7 Apr 2021

Earnings revision

Figure 1: Earnings revision

US\$ mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	5,249	5,960	6,601	5,249	5,960	6,601	0.0%	0.0%	0.0%
Gross profit	2,101	2,428	2,711	2,101	2,428	2,711	0.0%	0.0%	0.0%
EBIT	671	792	919	671	792	919	0.0%	0.0%	0.0%
Adjusted NP att.	485	571	656	485	571	656	0.0%	0.0%	0.0%
Adjusted EPS (US\$)	0.136	0.160	0.184	0.136	0.160	0.184	0.0%	0.0%	0.0%
Gross margin	40.0%	40.7%	41.1%	40.0%	40.7%	41.1%	0ppt	0ppt	0ppt
EBIT margin	12.8%	13.3%	13.9%	12.8%	13.3%	13.9%	0ppt	0ppt	0ppt
Net profit att. margin	9.2%	9.6%	9.9%	9.2%	9.6%	9.9%	0ppt	0ppt	0ppt

Source: Company data, CMBIS estimates

Figure 2: CMBIS estimates vs consensus

US\$ mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	5,249	5,960	6,601	5,388	6,525	7,722	-2.6%	-8.7%	-14.5%
Gross profit	2,101	2,428	2,711	2,237	2,747	3,288	-6.1%	-11.6%	-17.6%
EBIT	671	792	919	689	867	1,071	-2.7%	-8.6%	-14.2%
Adjusted NP att.	485	571	656	466	580	702	4.0%	-1.5%	-6.5%
Adjusted EPS (US\$)	0.136	0.160	0.184	0.134	0.168	0.209	1.8%	-4.5%	-12.1%
Gross margin	40.0%	40.7%	41.1%	41.5%	42.1%	42.6%	-1.5ppt	-1.4ppt	-1.5ppt
EBIT margin	12.8%	13.3%	13.9%	12.8%	13.3%	13.9%	0ppt	0ppt	0ppt
Net profit att. margin	9.2%	9.6%	9.9%	8.6%	8.9%	9.1%	0.6ppt	0.7ppt	0.8ppt

Source: Company data, CMBIS estimates

Assumptions

Figure 3: CMBIS' assumptions

USD mn	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Sales by brand (US\$ mn)						
Joyoung	1,179	1,280	1,463	1,419	1,534	1,674
SharkNinja	1,477	1,736	2,733	3,830	4,426	4,927
Others	25	-	-	-	-	-
Total	2,682	3,016	4,196	5,249	5,960	6,601
Sales growth by brand (%)						
Joyoung	11.9%	8.6%	14.3%	-3.0%	8.1%	9.1%
SharkNinja	210.0%	17.5%	57.4%	40.1%	15.6%	11.3%
Others	-23.5%	-100.0%	-	-	-	-
Total	71.5%	12.5%	39.1%	25.1%	13.6%	10.8%
Sales by segment growth (%)						
Cleaning	233.2%	5.6%	50.4%	27.7%	12.3%	8.7%
Food preparation	35.2%	3.2%	22.2%	8.9%	10.6%	10.9%
Cooking	25.6%	37.4%	41.6%	36.0%	18.0%	13.9%
Others	22.3%	-2.7%	29.4%	10.4%	3.2%	2.6%
Sales by region growth (%)						
China	11.6%	6.8%	13.2%	-8.4%	5.5%	9.0%
North America	192.9%	11.2%	51.6%	40.0%	13.0%	9.0%
Europe	263.2%	67.8%	103.6%	60.0%	30.0%	20.0%
Other markets	258.6%	33.5%	45.1%	20.0%	17.0%	10.0%
GP margins by segment						
Joyoung	32.1%	33.3%	32.7%	32.0%	32.5%	32.7%
SharkNinja	42.2%	41.1%	46.5%	42.4%	43.3%	43.5%
Others	39.4%	38.7%	45.5%	43.3%	43.4%	43.7%
Total	37.3%	37.4%	41.5%	40.0%	40.7%	41.1%
Opex breakdown						
D & A	-1.7%	-1.7%	-1.4%	-0.8%	-0.7%	-0.6%
Admin exp. (ex D & A)	-10.2%	-12.1%	-10.2%	-10.2%	-10.1%	-10.0%
A & P	-7.7%	-6.3%	-6.7%	-6.8%	-6.7%	-6.7%
S & D costs (ex. A & P)	-10.1%	-10.5%	-9.9%	-9.9%	-10.3%	-10.2%
Selling & distribution costs / sales	-17.8%	-16.8%	-16.6%	-16.7%	-17.0%	-16.9%
Admin expenses / sales	-11.8%	-13.8%	-11.6%	-11.0%	-10.9%	-10.6%
OP margins						
Effective tax rate	9.3%	7.7%	15.0%	13.0%	13.6%	14.3%
	21.0%	29.0%	23.6%	20.0%	18.0%	18.0%
NP att. margins						
	1.3%	1.4%	8.2%	8.3%	9.1%	9.6%
NP att. growth (%)						
	-27.7%	20.9%	717.1%	25.9%	24.9%	16.6%
Adjusted NP growth (%)						
	8.9%	34.9%	104.5%	30.5%	17.0%	14.9%
Adjusted NP att. growth (%)						
	12.3%	141.8%	159.9%	28.3%	17.9%	14.8%

Source: Company data, CMBIS estimates

Valuation

Peers Valuation

Figure 4: Peers' valuation

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$ mn)	Year End	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)	
								FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E	
A+ H shares Small Home Appliances															
JS Global	1691 HK	BUY	22.35	14.46	55%	50,532	Dec-20	13.7	11.7	2.3	1.8	15.1	0.7	2.6	
Joyoung	002242 CH	NR	n/a	23.09	n/a	21,585	Dec-20	18.4	16.2	3.9	3.5	21.0	1.4	3.7	
Vesync	2148 HK	NR	n/a	10.24	n/a	11,930	Dec-20	20.2	14.6	4.2	3.4	21.2	1.0	1.7	
Zhejiang Supor	002032 CH	NR	n/a	54.30	n/a	53,517	Dec-20	21.9	19.1	5.2	4.6	24.6	1.5	2.4	
GD Xinbao	002705 CH	NR	n/a	24.92	n/a	25,109	Dec-20	22.3	17.5	3.1	2.8	13.3	2.6	2.3	
Bear Electric	002959 CH	NR	n/a	59.50	n/a	11,345	Dec-20	26.3	19.9	4.2	3.6	15.4	2.1	1.2	
Ecovacs Robotics	603486 CH	NR	n/a	179.98	n/a	125,474	Dec-20	50.0	37.2	21.0	14.6	43.4	0.6	0.8	
Beijing Roborock	688169 CH	NR	n/a	912.00	n/a	74,238	Dec-20	37.9	29.3	7.1	5.8	19.1	1.5	0.4	
Kingclean Electric	603355 CH	NR	n/a	23.59	n/a	16,532	Dec-20	19.1	15.0	3.5	3.0	17.9	0.4	0.5	
								Avg.	25.6	20.0	6.1	4.8	21.2	1.3	1.7
								Med.	21.9	17.5	4.2	3.5	19.1	1.4	1.7
A + H Home Appliances															
Midea Group	000333 CH	BUY	95.24	69.58	37%	592,022	Dec-20	17.1	14.7	3.6	3.2	21.7	1.2	2.6	
Gree Electric	000651 CH	NR	n/a	34.67	n/a	254,190	Dec-20	8.9	7.7	1.7	1.6	19.0	0.6	6.9	
Haier Smart Home	600690 CH	NR	n/a	25.23	n/a	275,650	Dec-20	18.2	15.1	3.1	2.7	17.0	1.1	2.0	
Haier Electronics	6690 HK	BUY	36.91	27.65	33%	275,652	Dec-20	15.9	13.3	2.7	2.4	17.7	0.9	2.3	
Hisense Home	921 HK	NR	n/a	8.56	n/a	16,966	Dec-20	7.1	5.2	0.9	0.8	6.3	0.4	4.3	
Hisense Home - A	000921 CH	NR	n/a	11.84	n/a	16,966	Dec-20	11.8	9.5	1.5	1.4	13.0	1.2	2.4	
Whirlpool China	600983 CH	NR	n/a	8.99	n/a	8,398	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Hangzhou Robam	002508 CH	NR	n/a	30.05	n/a	34,757	Dec-20	14.8	12.8	3.0	2.6	20.6	0.8	2.2	
Vatti Corporation	002035 CH	NR	n/a	5.91	n/a	6,106	Dec-20	9.9	8.3	1.4	1.3	14.3	0.5	3.0	
								Avg.	13.0	10.8	2.2	2.0	16.2	0.9	3.2
								Med.	13.3	11.1	2.2	2.0	17.4	0.9	2.5
International Small Home Appliances															
Techtronic	669 HK	NR	n/a	168	n/a	308,110	Dec-20	36.1	30.0	8.5	7.3	25.5	1.4	1.1	
Smith (A.O.) Corp	AOS US	NR	n/a	79	n/a	97,588	Dec-20	27.1	22.5	7.1	6.6	26.2	1.4	1.4	
Helen Of Troy	HELE US	NR	n/a	238	n/a	44,651	Feb-21	22.1	19.6	n/a	n/a	15.3	1.9	n/a	
De'Longhi Spa	DLG IM	NR	n/a	33	n/a	45,343	Dec-20	16.6	16.4	3.3	2.9	21.8	0.9	2.2	
Irobot Corp	IRBT US	NR	n/a	90	n/a	18,839	Jan-21	62.8	27.3	3.5	3.3	6.1	31.4	0.0	
Seb Sa	SK FP	NR	n/a	136	n/a	67,677	Dec-20	16.1	15.1	2.6	2.3	17.1	0.7	1.7	
Koninklijke Philips	PHIA NA	NR	n/a	41	n/a	341,630	Dec-20	22.3	21.2	2.8	2.6	14.6	1.1	2.1	
								Avg.	29.0	21.7	4.6	4.2	18.1	5.5	1.4
								Med.	22.3	21.2	3.4	3.1	17.1	1.4	1.5
International Home Appliances															
Whirlpool Corp	WHR US	NR	n/a	221.06	n/a	104,600	Dec-20	8.4	8.8	2.7	2.4	35.2	0.5	2.5	
Ingersoll-Rand	IR US	NR	n/a	59.50	n/a	188,913	Dec-20	29.9	26.1	2.7	3.4	6.8	(0.1)	0.0	
Electrolux Ab	ELUXB SS	NR	n/a	196	n/a	54,919	Dec-20	10.9	11.1	3.2	3.0	28.9	(5.2)	4.6	
Daikin Industries	6367 JP	NR	n/a	25150.0	n/a	507,422	Mar-21	33.2	29.6	4.0	3.7	12.9	1.8	0.8	
Panasonic Corp	6752 JP	NR	n/a	1380	n/a	233,091	Mar-21	13.0	11.9	1.2	1.1	9.4	0.7	2.2	
Fujitsu General Ltd	6755 JP	NR	n/a	2728.00	n/a	20,524	Mar-21	21.8	18.2	2.2	2.0	10.5	2.2	1.2	
Lg Electronics Inc	066570 KS	NR	n/a	119500.	n/a	129,266	Dec-20	10.9	6.4	1.2	1.0	10.7	0.5	1.1	
Samsung	005930 KS	NR	n/a	70200.0	n/a	2,770,151	Dec-20	11.8	10.8	1.6	1.4	14.0	0.5	2.1	
								Avg.	17.5	15.4	2.3	2.2	16.1	0.1	1.8
								Med.	12.4	11.5	2.4	2.2	11.8	0.5	1.6

Source: Bloomberg, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (US\$ mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	2,682	3,016	4,196	5,249	5,960	6,601
Joyoung	1,179	1,280	1,463	1,419	1,534	1,674
SharkNinja	1,477	1,736	2,733	3,830	4,426	4,927
Others	25	-	-	-	-	-
Cost of goods sold	(1,683)	(1,890)	(2,453)	(3,148)	(3,532)	(3,891)
Gross profit	999	1,127	1,743	2,101	2,428	2,711
Other income	42	23	60	27	24	27
Operating expenses	(795)	(922)	(1,183)	(1,457)	(1,660)	(1,819)
A & P	(208)	(189)	(282)	(357)	(399)	(442)
S & D costs (ex. A & P)	(270)	(318)	(414)	(522)	(613)	(674)
D & A	(45)	(51)	(59)	(45)	(44)	(43)
Admin exp. (ex D & A)	(273)	(365)	(428)	(534)	(603)	(659)
Other opex	-	-	-	-	-	-
EBIT	246	227	620	671	792	919
Finance costs, net	(76)	(78)	(69)	(14)	(7)	(7)
JVs & associates	6	2	(0)	-	-	-
Exceptional	(35)	(32)	(24)	(37)	(42)	(46)
Pre-tax profit	140	119	527	620	744	866
Income tax	(28)	(34)	(124)	(124)	(134)	(156)
Less: Minority interests	77	43	58	63	69	79
Net profit att.	35	42	344	434	541	631
Adj. Net profit att.	60	145	378	485	571	656

Cash flow summary

YE 31 Dec (US\$ mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
EBIT	246	227	620	671	792	919
D & A	87	77	88	89	88	85
Change in working capital	(48)	49	(89)	(183)	(83)	(74)
Income tax paid	(16)	(41)	(124)	(124)	(134)	(156)
Others	(36)	67	11	12	17	25
Net cash from operating	234	380	506	464	680	799
Capex & investments	(67)	(74)	(97)	(110)	(125)	(139)
Associated companies	29	(7)	-	-	-	-
Interest received	7	8	-	-	-	-
Others	21	(45)	-	-	-	-
Net cash from investing	(10)	(118)	(97)	(110)	(125)	(139)
Equity raised	-	375	138	-	-	-
Net change in bank loans	(59)	(205)	(150)	(150)	-	-
Dividend paid	(83)	(95)	250	120	170	238
Others	(119)	(93)	(80)	(26)	(24)	(31)
Net cash from financing	(261)	(18)	157	(56)	146	207
Net change in cash	(37)	244	566	298	702	867
Beginning cash balance	211	181	421	988	1,286	1,987
Exchange difference	7	(4)	-	-	-	-
Cash at end of the year	181	421	988	1,286	1,987	2,855

Balance sheet

YE 31 Dec (US\$ mn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	1,889	1,999	2,008	2,029	2,066	2,119
Fixed asset	191	207	257	320	399	494
Intangible assets & goodwill	1,398	1,389	1,348	1,308	1,267	1,227
Prepaid lease payments	16	16	16	16	16	16
Interest in joint ventures	36	36	35	35	35	35
Other non-current assets	247	353	351	350	348	347
Current assets	1,411	1,775	2,947	3,549	4,536	5,663
Cash & cash equivalents	181	421	988	1,286	1,987	2,855
Inventories	350	393	575	690	774	853
Trade and other receivables	773	804	1,201	1,366	1,551	1,718
Prepayments	66	68	94	118	134	148
Other current assets	42	89	89	89	89	89
Current liabilities	1,281	990	1,507	1,627	1,829	2,015
Bank loans	486	26	26	26	26	26
Trade payables	409	530	885	862	968	1,066
Accruals & other payables	364	411	572	715	812	900
Tax payables	11	14	14	14	14	14
others	11	9	9	9	9	9
Non-current liabilities	1,557	1,251	1,101	951	951	951
Bank loans	700	1,049	899	749	749	749
Deferred income	53	53	53	53	53	53
Deferred tax	134	134	134	134	134	134
Others	671	15	15	15	15	15
Minority Interest	-	-	58	120	189	268
Total net assets	463	1,533	2,289	2,879	3,632	4,548
Shareholders' equity	463	1,533	2,289	2,879	3,632	4,548

Source: Company data, CMBIS estimates

Key ratios

YE 31 Dec	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)						
Joyoung	44.0	42.4	34.9	27.0	25.7	25.4
SharkNinja	55.1	57.6	65.1	73.0	74.3	74.6
Others	1.0	-	-	-	-	-
Total	100	100	100	100	100	100
P&L ratios (%)						
Gross margin	37.3	37.4	41.5	40.0	40.7	41.1
Operating margin	9.2	7.5	14.8	12.8	13.3	13.9
Pre-tax margin	5.2	3.9	12.6	11.8	12.5	13.1
Net margin	1.3	1.4	8.2	8.3	9.1	9.6
Effective tax rate	21.0	29.0	23.6	20.0	18.0	18.0
Balance sheet ratios						
Current ratio (x)	1.1	1.8	2.0	2.2	2.5	2.8
Quick ratio (x)	0.8	1.4	1.6	1.8	2.1	2.4
Cash ratio (x)	0.1	0.4	0.7	0.8	1.1	1.4
Inventory turnover days	67	72	86	80	80	80
Trade receivables days	95	95	105	95	95	95
Trade payables days	73	91	132	100	100	100
Total debt / total equity ratio (%)	258	71	41	27	22	17
Net debt / equity ratio	214	39	Net cash	Net cash	Net cash	Net cash
Returns (%)						
ROE	7.5	2.7	15.0	15.1	14.9	13.9
ROA	1.1	1.1	7.0	7.8	8.2	8.1
Per share						
Adj. EPS (US\$)	0.02	0.04	0.11	0.14	0.16	0.18
DPS (US\$)	0.02	0.07	0.03	0.05	0.07	0.08
BVPS (US\$)	0.14	0.45	0.66	0.83	1.04	1.30

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