

JS Global Lifestyle (1691 HK)

1Q23 results beat and expect gradual recovery

1Q23 was a slight beat, mostly due to rocketed sales growth in the EU. Even with no FY23E guidance provided, we do think rapid growth in the EU will stay, sales growth in the US shall improve, together with the tailwinds in margins (e.g. cheaper input costs and freight rate, better discounts). We still have a BUY rating with TP of HK\$ 9.92, based on 11x FY23E P/E, vs 5 years average of 14x.

■ **SharkNinja resumed positive sales growth in 1Q23, slightly better than expected.** SharkNinja recorded a 5.4% YoY increase in gross sales in 1Q23, slightly better than our estimates of "slight drop". While sales decline of 8% in North America was inline with our estimates, we attributed the positive surprises to: 1) remarkable sales growth of 70% in Europe (87% in constant FX) and 2) successful ramp-up of new products like the Hair dryer, where its market shares had gone up to 17%, from just 2% one year ago. Despite industry headwinds in the US, we are still encouraged by the reasonable market shares gain by SharkNinja, which is a strong indication of its highly competitive products and branding. For 1Q23, SharkNinja's market shares in the US for Cleaning/ Food preparation/ Cooking appliances +0.9ppt/ +0.4ppt/ +0.1ppt, and its market shares in the UK for Vacuum cleaners/ Electrical cooking pots/ Food preparation appliances -1.2ppt/ +4.2ppt/ +5.4ppt YoY.

■ **We do expect sequential improvement in the US and China, rapid growth to stay in the EU and expansion in APAC to continue.** We believe the sales growth (so as the profit) in FY23E could be backloaded (3%/ 9% sales growth in 1H23E/ 2H23E) because: 1) end demand is still healthy in the US, sell-through sales growth was at +ve MSD while sell-in sales dropped by 8% at the same time in 1Q23, 2) de-stocking in the US may still be great in 1H23E, but should be eased in 2H23E, 3) speedy growth in the EU is likely to continue (meaningful market shares gains in food preparation and cooking appliances), 4) many new products and categories will be launched in 2H23E (on top of the Ninja 2in1 double layer oven, Ninja black cordless blender, ice cream maker, cutlery, Shark robot matrix), 5) Joyoung's sales was still under pressure in Jan-Feb due to pandemic and weakened overseas demands, but turnaround is rather likely in 2H23E, and 6) expansion in APAC will remain fast (Japan market already broken even, announced a new retail partner in South Korea and acquired the distribution partner in Australia and New Zealand).

■ **Maintain BUY and raised TP to HK\$ 9.92.** We lift FY23E/ 24E/ 25E net profit forecasts by 2%/ 2%/ 2% to factor in: 1) greater drags on Joyoung during pandemic, 2) faster EU sales growth and 3) better GP margin expansion ahead. Our new TP is based on 11x FY23E P/E (unchanged). Its valuation is not demanding at 8x FY23E P/E, compared to 5 years average of 14x.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (US\$ mn)	5,151	5,041	5,348	5,810	6,232
YoY growth (%)	22.8	(2.1)	6.1	8.6	7.3
Operating profit (US\$ mn)	611	509	589	683	753
Net profit (US\$ mn)	460.7	357.5	433.6	523.0	584.0
EPS (Reported) (US\$ cents)	12.29	9.43	11.15	13.57	15.26
YoY growth (%)	27.2	(23.3)	18.3	21.7	12.4
P/E (x)	8.4	6.5	7.9	7.7	6.5
P/B (x)	1.6	1.5	1.2	1.0	0.8
Yield (%)	2.1	0.0	5.1	6.2	6.9
ROE (%)	23.0	15.2	15.3	15.5	14.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$9.92**
 (Previous TP) HK\$9.72
Up/Downside **43.8%**
Current Price **HK\$6.90**

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Stock Data

Mkt Cap (HK\$ mn)	24,112.8
Avg 3 mths t/o (HK\$ mn)	56.5
52w High/Low (HK\$)	11.10/6.32
Total Issued Shares (mn)	3494.6
Source: FactSet	

Shareholding Structure

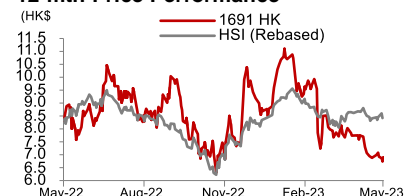
Mr. Wang Xuning & concert party	56.4%
Mr. Mark Rosenzweig	7.9%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	-10.2%	-7.6%
3-mth	-27.7%	-22.4%
6-mth	0.9%	-17.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

- **Margin expansion is still feasible.** Management mentioned that GP margin was higher YoY in 1Q23 and we are also confident to see GP margin improvement in FY23E (by at least 1ppt), supported by: 1) sharp drop of shipping costs, 2) lowered raw material and key component (e.g. batteries and electronic parts) prices, and 3) less promotional environment.
- **No FY23E financial guidance was provided once again, but we believe growth is still important.** Management did highlight the priority of its businesses in FY23E, where: 1) market shares gain and 2) topline growth are still the most critical elements, and then followed by 3) GP margin, while 4) inventory clearance is not that important because inventory level is already quite healthy and certain inventories are still needed, in order to capture potential demand.

Earnings revision

Figure 1: Earnings revision

US\$ mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	5,348	5,810	6,232	5,306	5,763	6,179	0.8%	0.8%	0.8%
Gross profit	2,051	2,246	2,410	2,032	2,224	2,386	1.0%	1.0%	1.0%
EBIT	589	683	753	577	669	738	2.1%	2.0%	2.1%
Adjusted NP att.	407	482	541	399	472	529	2.1%	2.1%	2.1%
Adjusted EPS (US\$)	0.116	0.137	0.153	0.113	0.134	0.150	2.1%	2.1%	2.1%
Gross margin	38.4%	38.7%	38.7%	38.3%	38.6%	38.6%	0.1ppt	0.1ppt	0.1ppt
EBIT margin	11.0%	11.7%	12.1%	10.9%	11.6%	11.9%	0.1ppt	0.1ppt	0.1ppt
Net profit att. margin	7.6%	8.3%	8.7%	7.5%	8.2%	8.6%	0.1ppt	0.1ppt	0.1ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$ mn	CMBIS			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	5,348	5,810	6,232	5,389	5,854	6,233	-0.8%	-0.7%	0.0%
Gross profit	2,051	2,246	2,410	2,063	2,261	2,433	-0.6%	-0.7%	-1.0%
EBIT	589	683	753	577	656	712	2.1%	4.1%	5.8%
Adjusted NP att.	407	482	541	391	457	482	4.1%	5.4%	12.2%
Adjusted EPS (US\$)	0.116	0.137	0.153	0.113	0.130	0.135	2.8%	5.2%	13.6%
Gross margin	38.4%	38.7%	38.7%	38.3%	38.6%	39.0%	0.1ppt	0ppt	-0.4ppt
EBIT margin	11.0%	11.7%	12.1%	10.7%	11.2%	11.4%	0.3ppt	0.5ppt	0.7ppt
Net profit att. margin	7.6%	8.3%	8.7%	7.3%	7.8%	7.7%	0.4ppt	0.5ppt	0.9ppt

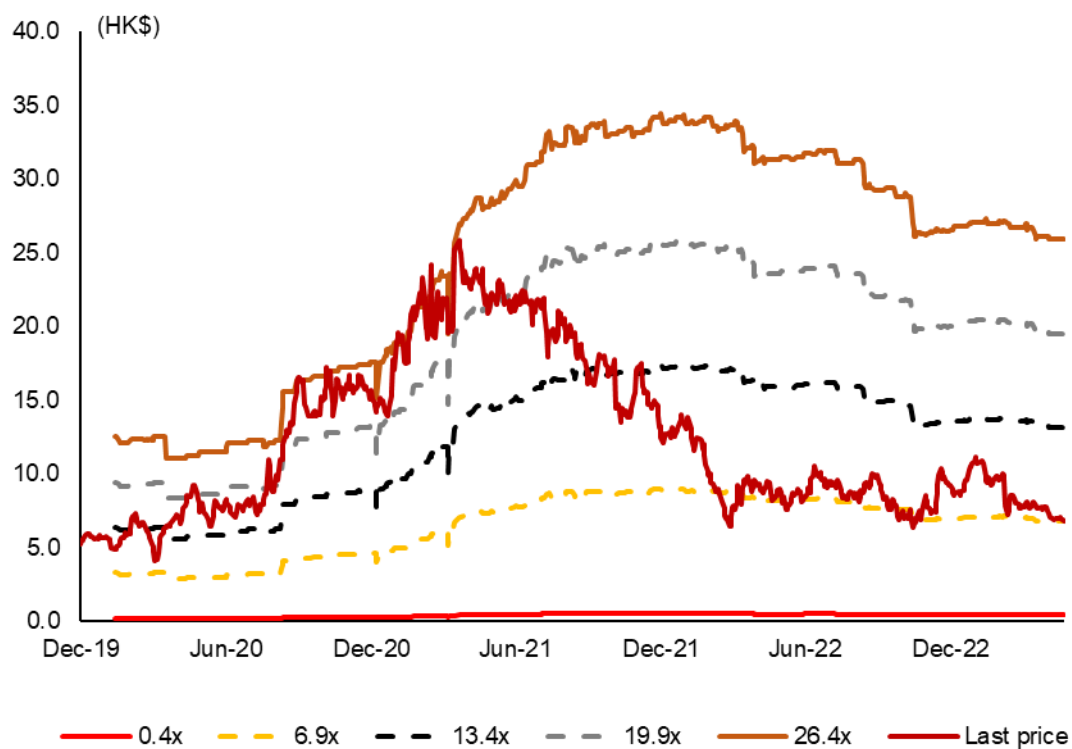
Source: Company data, CMBIGM estimates

Valuation

Figure 3: Peers' valuation

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD perf.	
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$ mn)	End	FY1E	FY2E	FY2E	FY2E	FY1E	FY1E	FY1E	
A+ H shares Small Home Appliances															
JS Global	1691 HK	BUY	9.92	6.90	44%	24,113	Dec-22	7.7	6.5	1.0	12.9	0.7	5.0	(21.3)	
Joyoung	002242 CH	NR	n/a	15.73	n/a	13,626	Dec-22	16.4	14.2	3.2	20.3	0.8	5.1	(4.6)	
Vesync	2148 HK	BUY	4.70	3.50	34%	4,070	Dec-22	10.2	8.0	1.6	15.4	(0.0)	1.6	(27.5)	
Zhejiang Supor	002032 CH	NR	n/a	50.72	n/a	46,213	Dec-22	17.9	16.1	5.1	28.6	1.7	3.8	2.5	
GD Xinbao	002705 CH	NR	n/a	15.73	n/a	14,687	Dec-22	11.4	10.0	1.7	14.5	2.4	2.9	(5.5)	
Bear Electric	002959 CH	NR	n/a	81.18	n/a	14,302	Dec-22	25.2	21.5	4.6	18.3	1.3	1.6	34.6	
Ecovacs Robotics	603486 CH	NR	n/a	67.70	n/a	43,764	Dec-22	19.2	15.9	4.9	25.8	1.3	1.7	(7.2)	
Beijing Roborock	688169 CH	NR	n/a	318.46	n/a	33,696	Dec-22	21.4	17.8	2.8	13.3	1.3	0.6	28.5	
Kingclean Electric	603355 CH	NR	n/a	24.11	n/a	15,630	Dec-22	13.7	11.8	3.2	24.3	1.3	4.5	(14.0)	
								Avg.	15.9	13.5	3.1	19.3	1.2	3.0	(1.6)
								Med.	16.4	14.2	3.2	18.3	1.3	2.9	(5.5)
A + H Home Appliances															
Midea Group	000333 CH	BUY	67.79	55.40	22%	439,318	Dec-22	11.6	10.5	2.4	20.8	1.6	4.0	6.9	
Gree Electric	000651 CH	NR	n/a	34.59	n/a	219,986	Dec-22	7.0	6.4	1.6	23.1	0.8	7.4	7.0	
Haier Smart Home	600690 CH	NR	n/a	22.64	n/a	233,166	Dec-22	12.5	11.0	2.0	16.5	n/a	2.9	(7.4)	
Haier Electronics	6690 HK	BUY	29.10	24.10	21%	233,166	Dec-22	11.8	10.4	1.9	16.8	(15.9)	3.2	(9.4)	
Hisense Home	921 HK	NR	n/a	17.58	n/a	33,058	Dec-22	11.3	9.5	1.7	14.6	0.6	3.8	104.2	
Hisense Home - A	000921 CH	NR	n/a	24.49	n/a	33,058	Dec-22	18.4	15.4	2.7	14.6	0.9	2.8	86.0	
Whirlpool China	600983 CH	NR	n/a	7.46	n/a	6,457	Dec-22	13.3	11.1	0.5	3.8	0.1	2.3	7.8	
Hangzhou Robam	002508 CH	NR	n/a	24.80	n/a	26,580	Dec-22	11.8	10.5	2.1	18.1	0.8	2.7	(10.7)	
Vatti Corporation	002035 CH	NR	n/a	6.92	n/a	6,624	Dec-22	11.6	10.2	1.5	13.1	0.2	3.2	24.9	
								Avg.	12.2	10.6	1.8	15.7	(1.4)	3.6	23.3
								Med.	11.8	10.5	1.9	16.5	0.6	3.2	7.0
International Small Home Appliances															
Techtronic	669 HK	NR	n/a	82	n/a	150,912	Dec-22	16.4	14.1	3.2	21.0	1.1	2.4	(5.6)	
Smith (A.O.) Corp	AOS US	NR	n/a	69	n/a	81,162	Dec-22	19.9	18.6	5.8	30.2	0.5	1.8	20.4	
Helen Of Troy	HELE US	NR	n/a	96	n/a	18,009	Feb-23	10.9	9.6	1.4	13.6	0.6	n/a	(13.7)	
De'Longhi Spa	DLG IM	NR	n/a	21	n/a	27,046	Dec-22	15.2	13.4	1.8	11.6	1.1	2.5	(0.7)	
Irobot Corp	IRBT US	NR	n/a	36	n/a	7,742	Dec-22	n/a	n/a	2.7	(28.9)	n/a	0.0	(25.5)	
Seb Sa	SK FP	NR	n/a	103	n/a	49,016	Dec-22	14.1	11.7	1.7	10.7	0.6	2.4	31.8	
Koninklijke Philips	PHIA NA	NR	n/a	19	n/a	147,091	Dec-22	17.5	13.5	1.3	4.2	(0.1)	4.5	37.5	
								Avg.	15.7	13.5	2.6	8.9	0.6	2.3	6.3
								Med.	15.8	13.4	1.8	11.6	0.6	2.4	(0.7)
International Home Appliances															
Whirlpool Corp	WHR US	NR	n/a	131.51	n/a	56,386	Dec-22	8.1	7.5	2.9	36.8	(0.0)	5.3	(7.0)	
Ingersoll-Rand	IR US	NR	n/a	58.58	n/a	185,532	Dec-22	22.2	20.1	2.4	10.9	0.8	0.1	12.1	
Electrolux Ab	ELUXB SS	NR	n/a	166	n/a	36,088	Dec-22	22.9	10.3	2.5	10.8	(0.1)	2.7	17.8	
Daikin Industries	6367 JP	NR	n/a	25555.00	n/a	435,942	Mar-23	26.2	23.8	3.1	12.5	2.8	1.0	26.5	
Panasonic Corp	6752 JP	NR	n/a	1297	n/a	185,242	Mar-23	11.6	10.0	0.9	8.0	1.3	2.5	16.8	
Fujitsu General	6755 JP	NR	n/a	3395.00	n/a	21,604	Mar-23	24.0	20.3	2.5	11.5	0.7	1.1	7.3	
Lg Electronics Inc	066570 KS	NR	n/a	114900.00	n/a	111,552	Dec-22	9.2	6.9	0.9	10.7	0.2	0.7	32.8	
Samsung	005930 KS	NR	n/a	64600.00	n/a	2,287,900	Dec-22	41.0	14.1	1.2	3.2	(5.5)	2.2	16.8	
								Avg.	20.7	14.1	2.1	13.1	0.0	1.9	15.4
								Med.	22.5	12.2	2.4	10.9	0.5	1.6	16.8

Source: Bloomberg, CMBIGM estimates

Figure 4: Forward 12M P/E valuation band

Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 5: CMBIGM assumptions

US\$ mn	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Sales by brand (US\$ mn)						
Joyoung	1,463	1,436	1,325	1,435	1,543	1,643
SharkNinja	2,733	3,715	3,716	3,913	4,267	4,589
Others	-	-	-	-	-	-
Total	4,196	5,151	5,041	5,348	5,810	6,232
Sales growth by brand (%)						
Joyoung	14.3%	-1.9%	-7.7%	8.3%	7.5%	6.5%
SharkNinja	57.4%	35.9%	0.0%	5.3%	9.1%	7.5%
Others	-	-	-	-	-	-
Total	39.1%	22.8%	-2.1%	6.1%	8.6%	7.3%
Sales by segment growth (%)						
Cleaning	50.4%	15.5%	-1.1%	2.4%	7.4%	6.3%
Food preparation	22.2%	5.6%	-3.1%	9.4%	9.5%	8.5%
Cooking	41.6%	41.8%	-5.7%	8.7%	10.7%	8.4%
Others	29.4%	45.6%	18.9%	3.6%	1.4%	1.4%
Sales by region growth (%)						
China	13.2%	-2.8%	-6.5%	7.3%	11.7%	8.8%
North America	51.6%	34.1%	-1.2%	2.0%	6.0%	5.0%
Europe	103.6%	36.7%	2.5%	20.0%	13.0%	12.0%
Other markets	45.1%	78.6%	1.2%	15.0%	10.0%	10.0%
GP margins by segment						
Joyoung	32.7%	30.5%	32.1%	31.7%	31.9%	31.9%
SharkNinja	46.5%	37.1%	36.5%	38.9%	39.2%	39.2%
Others	45.5%	43.3%	42.4%	42.7%	42.8%	42.8%
Total	41.5%	37.4%	37.3%	38.4%	38.7%	38.7%
Opex breakdown						
D & A	-1.4%	-1.1%	-1.2%	-0.9%	-0.8%	-0.7%
Admin exp. (ex D & A)	-10.2%	-9.4%	-10.9%	-11.1%	-10.9%	-10.7%
A & P	-6.7%	-6.1%	-5.8%	-5.8%	-5.8%	-5.8%
S & D costs (ex. A & P)	-9.9%	-9.6%	-9.9%	-10.0%	-9.8%	-9.8%
Selling & distribution costs / sales	-16.6%	-15.7%	-15.7%	-15.8%	-15.6%	-15.6%
Admin expenses / sales	-11.6%	-10.4%	-12.1%	-12.0%	-11.7%	-11.4%
OP margins						
Effective tax rate	23.6%	19.9%	22.0%	20.0%	18.0%	18.0%
NP att. margins						
NP att. growth (%)	717.1%	22.1%	-21.0%	18.3%	21.7%	12.4%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Revenue	4,196	5,151	5,041	5,348	5,810	6,232
Cost of goods sold	(2,453)	(3,226)	(3,161)	(3,297)	(3,564)	(3,822)
Gross profit	1,743	1,924	1,880	2,051	2,246	2,410
Operating expenses	(1,183)	(1,346)	(1,400)	(1,484)	(1,587)	(1,683)
Selling expense	(696)	(809)	(790)	(844)	(907)	(970)
Admin expense	(487)	(538)	(610)	(640)	(680)	(713)
R&D expense	0	0	0	0	0	0
Others	0	0	0	0	0	0
Operating profit	620	611	509	589	683	753
Other income	60	33	29	22	24	26
Share of (losses)/profits of associates/JV	(0)	1	5	0	0	0
EBITDA	723	705	616	686	773	839
Depreciation	(63)	(66)	(59)	(51)	(45)	(41)
Other amortisation	(40)	(29)	(49)	(45)	(45)	(45)
Interest income	11	8	8	12	17	23
Interest expense	(80)	(28)	(47)	(38)	(38)	(38)
Other income/expense	(24)	(17)	(18)	(21)	(23)	(25)
Pre-tax profit	527	575	457	542	638	712
Income tax	(124)	(114)	(99)	(108)	(115)	(128)
Minority interest	(58)	(40)	(25)	(41)	(45)	(46)
Net profit	402	461	358	434	523	584

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Current assets	2,714	2,779	3,350	3,908	4,757	5,684
Cash & equivalents	571	555	1,292	1,744	2,419	3,185
Account receivables	1,204	1,246	1,199	1,272	1,382	1,482
Inventories	575	782	665	694	750	804
Prepayment	121	85	83	88	96	103
ST bank deposits	33	29	29	29	29	29
Other current assets	209	82	82	82	82	82
Non-current assets	1,940	2,030	1,991	1,961	1,944	1,935
PP&E	208	206	210	226	254	291
Investment in JVs & assos	27	27	32	32	32	32
Intangibles	562	588	542	499	456	413
Other non-current assets	1,143	1,208	1,206	1,203	1,201	1,199
Total assets	4,654	4,809	5,341	5,869	6,700	7,620
Current liabilities	1,618	1,623	1,596	1,670	1,798	1,919
Short-term borrowings	47	85	85	85	85	85
Account payables	885	879	864	901	975	1,045
Tax payable	28	21	21	21	21	21
Other current liabilities	658	638	625	661	717	767
Non-current liabilities	1,116	1,097	1,122	1,162	1,207	1,253
Long-term borrowings	893	857	857	857	857	857
Other non-current liabilities	223	240	265	306	350	396
Total liabilities	2,734	2,720	2,717	2,832	3,005	3,172
Share capital	1,132	1,034	1,034	1,034	1,034	1,034
Retained earnings	0	0	517	1,065	1,733	2,484
Other reserves	788	1,055	1,072	938	927	929
Total shareholders equity	1,920	2,089	2,623	3,038	3,695	4,447
Minority interest	0	0	0	0	0	0
Total equity and liabilities	4,654	4,809	5,341	5,869	6,700	7,620

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	527	575	457	542	638	712
Depreciation & amortization	103	94	107	96	91	86
Tax paid	(102)	(133)	(99)	(108)	(115)	(128)
Change in working capital	24	(284)	138	(33)	(45)	(40)
Others	101	78	60	60	62	63
Net cash from operations	653	330	663	557	630	693
Investing						
Capital expenditure	(68)	(64)	(63)	(67)	(73)	(78)
Acquisition of subsidiaries/ investments	(16)	(51)	0	0	0	0
Others	(127)	(26)	0	0	0	0
Net cash from investing	(211)	(141)	(63)	(67)	(73)	(78)
Financing						
Dividend paid	(265)	(155)	184	0	156	190
Net borrowings	(399)	(17)	0	0	0	0
Proceeds from share issues	138	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	210	(30)	(47)	(38)	(38)	(38)
Net cash from financing	(317)	(202)	137	(38)	117	151
Net change in cash						
Cash at the beginning of the year	421	571	555	1,292	1,744	2,419
Exchange difference	25	(2)	0	0	0	0
Others	125	(13)	737	452	675	766
Cash at the end of the year	571	555	1,292	1,744	2,419	3,185
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	39.1%	22.8%	(2.1%)	6.1%	8.6%	7.3%
Gross profit	54.7%	10.4%	(2.3%)	9.1%	9.5%	7.3%
Operating profit	173.4%	(1.4%)	(16.7%)	15.8%	15.8%	10.3%
EBITDA	127.7%	(2.4%)	(12.6%)	11.2%	12.8%	8.5%
Net profit	372.3%	14.5%	(22.4%)	21.3%	20.6%	11.7%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	41.5%	37.4%	37.3%	38.4%	38.7%	38.7%
Operating margin	14.8%	11.9%	10.1%	11.0%	11.7%	12.1%
EBITDA margin	17.2%	13.7%	12.2%	12.8%	13.3%	13.5%
Return on equity (ROE)	23.3%	23.0%	15.2%	15.3%	15.5%	14.3%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	1.7	1.7	2.1	2.3	2.6	3.0
Receivable turnover days	87.3	86.8	86.8	86.8	86.8	86.8
Inventory turnover days	72.1	76.8	76.8	76.8	76.8	76.8
Payable turnover days	105.3	99.8	99.8	99.8	99.8	99.8
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	8.4	6.5	7.9	7.7	6.5	5.8
P/E (diluted)	8.4	6.5	7.9	7.7	6.5	5.8
P/B	1.6	1.5	1.2	1.0	0.8	0.7
P/CFPS	13.0	13.1	7.3	4.9	4.5	4.1
Div yield (%)	2.7	2.1	0.0	5.1	6.2	6.9

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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