

JS Global Lifestyle (1691 HK)

Uninspiring guidance and a cheap valuation

SharkNinja's FY22E guidance was not an exciting one because it has already factored in the tariff refunds. However, we think the low valuation right now had already priced in a rather pessimistic scenario, after a 30% share price drop YTD. Hence we **maintain BUY but lower TP to HK\$ 11.54**, based on 12x FY22E P/E (cut from 18x). The stock is trading at 10x FY22E P/E, vs 5 year-average of 17x.

- FY21 result roughly inline.** JS Global's sales grew by 23% YoY to RMB 5.2bn while NP increased by 22% YoY to RMB 420mn, both were inline with CMBI / BBG est.. This result was a mixture of lower-than-expected GP margin, at 37% (vs CMBI est. of ~40%) but better-than-expected opex, at 26% of sales (vs CMBI est. of ~28%), plus the disappointing performance of Joyoung, which has sales/ net profit of RMB 10.5bn/ RMB 746mn, dropped by 6%/ 21% YoY and missing BBG est. by 9%/ 21%. Payout ratio was increased to ~44% in FY21, from ~35% in FY20, Based on current price, FY22E yield is at 5%.
- Fairly conservative outlook for FY22E.** Management is now guiding a ~10% /~10% sales/ net profit growth in FY22E. Given the slowdown in small appliances demand in US since Jan 2022, we are pleased by this 10% sales growth target and believe that is achievable, thanks to: 1) healthy inventory condition (for both channel and list co.), 2) new categories expansion (9 segments include: hair dryer, air purifier, cookware, knife set, coffee maker, ice cream maker, etc.), 3) delayed new product launches (from 4Q21 to 1Q22). However, we are still worried about its profitability, esp. when it has already priced in positives like: 1) tariff refunds approved by US government (CMBI est. of USD 30-40mn) and 2) USD 50mn savings from the supply chain synergies between JS Global and Joyoung. Noted that if the prices of metal, plastic, energy, FX, as well as transportation costs continue to rise, the net profit could still be at risk and may experience further pressure on share price onwards.
- More constructive measures for Joyoung in FY22E.** Performance of Joyoung was a bit disappointing in FY21. However, management believe that it is likely the bottom, as it will have: 1) a new round of product launches, 2) more product categories expansion (e.g. cookware, water purifier and cleaning appliances) and 3) a greater focus on DTC, retail sales condition and customers' analytics. Even more shares repurchase will also be considered.
- Maintain BUY but lowered TP at HK\$ 11.54.** We revised down our FY22E/ 23E NP estimates by 20%/ 14% to factor in: 1) weaker-than-expected sales, 2) higher-than-expected costs inflations and 3) miss in Joyoung's result. We revised down TP to HK\$ 11.54, based on 12x FY22E P/E (down from 18x). Valuation is not demanding at 10x FY22E P/E, vs 5 year-average of 17x and China/ Int'l peers' average of 19x/ 21x.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (US\$ mn)	4,196	5,151	5,628	6,241	6,806
YoY growth (%)	39.1	22.8	9.3	10.9	9.1
Adj. NP att. (US\$ mn)	378	464	443	553	630
Adj. EPS (US\$)	0.106	0.130	0.124	0.155	0.177
YoY growth (%)	153.906	22.8	(4.6)	24.9	13.9
Consensus EPS (US\$)	n/a	n/a	0.134	0.168	0.209
Adj. P/E (x)	11.2	9.1	9.5	7.6	6.7
P/B (x)	2.2	1.7	1.3	1.1	0.9
Yield (%)	2.9	4.5	4.7	5.6	6.5
ROE (%)	17.9	17.0	14.0	13.4	12.7
Net gearing (%)*	18.3	Net cash	Net cash	Net cash	Net cash

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

BUY (Maintain)

Target Price	HK\$11.54
(Previous TP)	HK\$22.35)
Up/Downside	+26.0%
Current Price	HK\$9.16

China Home Appliance Sector

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Stock Data

Mkt Cap (HK\$ mn)	32,011
Avg 3 mths t/o (HK\$ mn)	90.77
52w High/Low (HK\$)	26.50/6.31
Total Issued Shares (mn)	3,494.6

Source: Bloomberg

Shareholding Structure

Mr. Wang Xuning (Chairman) & concert party	56.43%
Mr. Mark Rosenzweig	7.87%
CDH Fund	6.10%
RSU Holding entity	4.88%
Mr. Mark Adam Barrocas	2.09%
Free Float	22.63%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-11.7%	-8.5%
3-mth	-36.3%	-32.9%
6-mth	-54.9%	-49.3%
12-mth	-59.6%	-47.8%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

Related Reports

- JS Global (1691 HK, BUY) - Hope for the best and prepare for the worst – 11 Nov 2021
- JS Global (1691 HK, BUY) - Concerns on logistic constraints overdone – 22 Oct 2021
- JS Global (1691 HK, BUY) - Rapid growth and stable margin are achievable – 1 Sep 2021

Earnings revision

Figure 1: Earnings revision

US\$ mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	5,628	6,241	6,806	5,960	6,601	n/a	-5.6%	-5.5%	n/a
Gross profit	2,182	2,421	2,656	2,428	2,711	n/a	-10.1%	-10.7%	n/a
EBIT	669	786	892	792	919	n/a	-15.6%	-14.5%	n/a
Adjusted NP att.	443	553	630	571	656	n/a	-22.5%	-15.7%	n/a
Adjusted EPS (US\$)	0.124	0.155	0.177	0.160	0.184	n/a	-22.5%	-15.7%	n/a
Gross margin	38.8%	38.8%	39.0%	40.7%	41.1%	n/a	-2ppt	-2.3ppt	n/a
EBIT margin	11.9%	12.6%	13.1%	13.3%	13.9%	n/a	-1.4ppt	-1.3ppt	n/a
Net profit att. margin	7.9%	8.9%	9.2%	9.6%	9.9%	n/a	-1.7ppt	-1.1ppt	n/a

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$ mn	CMBIS			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	5,628	6,241	6,806	6,283	7,375	7,648	-10.4%	-15.4%	-11.0%
Gross profit	2,182	2,421	2,656	2,624	3,117	3,099	-16.8%	-22.3%	-14.3%
EBIT	669	786	892	783	946	999	-14.6%	-16.9%	-10.7%
Adjusted NP att.	443	553	630	542	654	745	-18.3%	-15.4%	-15.5%
Adjusted EPS (US\$)	0.124	0.155	0.177	0.153	0.191	0.210	-18.8%	-18.6%	-15.9%
Gross margin	38.8%	38.8%	39.0%	41.8%	42.3%	40.5%	-3ppt	-3.5ppt	-1.5ppt
EBIT margin	11.9%	12.6%	13.1%	12.5%	12.8%	13.1%	-0.6ppt	-0.2ppt	0ppt
Net profit att. margin	7.9%	8.9%	9.2%	8.6%	8.9%	9.7%	-0.8ppt	0ppt	-0.5ppt

Source: Company data, CMBIGM estimates

Valuation

Peers Valuation

Figure 3: 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	11.54	9.16	26%	32,011	Dec-21	9.5	7.6	1.3	1.1	14.0	0.8	4.7	
Joyoung	002242 CH	NR	n/a	16.75	n/a	15,830	Dec-21	12.6	11.0	2.7	2.5	20.8	0.9	6.5	
Vesync	2148 HK	NR	n/a	5.51	n/a	6,419	Dec-20	11.7	8.5	2.3	1.9	23.9	0.6	2.8	
Zhejiang Supor	002032 CH	NR	n/a	49.63	n/a	49,453	Dec-20	20.3	17.3	4.8	4.2	24.2	1.3	2.6	
GD Xinbao	002705 CH	NR	n/a	16.85	n/a	17,165	Dec-20	17.3	13.3	2.1		12.2	3.0	2.2	
Bear Electric	002959 CH	NR	n/a	45.35	n/a	8,742	Dec-20	22.6	17.0	3.3	2.9	14.5	2.5	2.0	
Ecovacs Robotics	603486 CH	NR	n/a	110.88	n/a	78,411	Dec-20	31.2	23.1	12.8	9.0	43.8	0.4	1.1	
Beijing Roborock	688169 CH	NR	n/a	574.80	n/a	47,316	Dec-20	26.4	20.2	4.6	3.8	17.4	1.1	0.5	
Kingclean Electric	603355 CH	NR	n/a	20.79	n/a	14,722	Dec-20	17.9	12.0	2.9	2.5	16.6	0.3	0.7	
								Avg.	18.9	14.4	4.1	3.5	20.8	1.2	2.6
								Med.	17.9	13.3	2.9	2.7	17.4	0.9	2.2
A + H Home Appliances															
Midea Group	000333 CH	BUY	95.24	57.00	67%	491,300	Dec-20	13.9	12.0	3.0	2.6	21.7	0.9	3.2	
Gree Electric	000651 CH	NR	n/a	32.07	n/a	233,714	Dec-20	8.3	7.3	1.6	1.4	19.0	0.6	7.0	
Haier Smart Home	600690 CH	NR	n/a	22.40	n/a	249,809	Dec-20	16.1	13.6	2.7	2.4	17.3	1.0	2.3	
Haier Electronics	6690 HK	BUY	36.91	25.30	46%	249,809	Dec-20	14.2	12.0	2.5	2.2	17.9	0.9	2.5	
Hisense Home	921 HK	NR	n/a	7.79	n/a	16,233	Dec-20	6.0	4.6	0.8	0.7	6.3	0.4	4.8	
Hisense Home - A	000921 CH	NR	n/a	11.37	n/a	16,233	Dec-20	11.3	9.4	1.4	1.3	12.4	1.2	3.0	
Whirlpool China	600983 CH	NR	n/a	8.16	n/a	7,706	Dec-20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Hangzhou Robam	002508 CH	NR	n/a	29.11	n/a	34,040	Dec-20	17.5	12.3	3.0	2.6	17.2	0.9	2.0	
Vatti Corporation	002035 CH	NR	n/a	5.53	n/a	5,776	Dec-20	11.4	9.1	1.4	1.2	12.0	0.7	2.8	
								Avg.	12.3	10.0	2.0	1.8	15.5	0.8	3.5
								Med.	12.7	10.7	2.0	1.8	17.3	0.9	2.9
International Small Home Appliances															
Techtronic	669 HK	NR	n/a	130	n/a	237,566	Dec-21	23.2	19.2	5.4	4.6	25.4	1.2	1.7	
Smith (A.O.) Corp	AOS US	NR	n/a	67	n/a	82,930	Dec-21	19.1	17.7	5.8	5.0	30.0	1.7	1.7	
Helen Of Troy	HELE US	NR	n/a	205	n/a	38,704	Feb-21	17.4	16.1	3.7	3.0	19.8	1.6	n/a	
De'Longhi Spa	DLG IM	NR	n/a	25	n/a	33,191	Dec-21	15.2	13.4	2.3	2.1	15.3	(8.8)	2.8	
Irobot Corp	IRBT US	NR	n/a	69	n/a	14,542	Jan-22	37.6	17.4	2.6	2.4	5.7	0.4	0.0	
Seb Sa	SK FP	NR	n/a	128	n/a	61,584	Dec-21	13.9	12.8	2.2	1.9	16.4	6.4	2.0	
Koninklijke Philips	PHIA NA	NR	n/a	28	n/a	217,052	Dec-21	16.8	14.1	1.7	1.6	9.0	(1.0)	3.1	
								Avg.	20.5	15.8	3.4	2.9	17.4	0.2	1.9
								Med.	17.4	16.1	2.6	2.4	16.4	1.2	1.9
International Home Appliances															
Whirlpool Corp	WHR US	NR	n/a	187.11	n/a	85,615	Dec-21	7.1	6.7	2.2	2.0	29.1	(4.4)	3.6	
Ingersoll-Rand	IR US	NR	n/a	50.76	n/a	162,077	Dec-21	21.8	19.3	2.8	2.3	8.9	0.7	0.1	
Electrolux Ab	ELUXB SS	NR	n/a	154	n/a	40,272	Dec-21	8.9	7.6	2.2	2.0	25.3	1.2	6.2	
Daikin Industries	6367 JP	NR	n/a	22425.0	n/a	421,991	Mar-21	30.0	26.6	3.6	3.3	12.5	2.0	0.9	
Panasonic Corp	6752 JP	NR	n/a	1210	n/a	190,542	Mar-21	11.5	11.0	1.0	1.0	9.1	0.8	2.5	
Fujitsu General Ltd	6755 JP	NR	n/a	2426.00	n/a	17,024	Mar-21	25.9	17.9	2.0	1.8	7.8	4.3	1.3	
Lg Electronics Inc	066570 KS	NR	n/a	121000.	n/a	127,881	Dec-21	7.2	6.2	1.1	0.9	15.7	0.2	1.0	
Samsung	005930 KS	NR	n/a	69900.0	n/a	2,694,918	Dec-21	10.0	8.8	1.4	1.3	14.5	0.7	2.1	
								Avg.	15.3	13.0	2.0	1.8	15.4	0.7	2.2
								Med.	10.7	9.9	2.1	1.9	13.5	0.7	1.7

Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 4: CMBIGM' assumptions

USD mn	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Sales by brand (US\$ mn)						
Joyoung	1,280	1,463	1,436	1,537	1,675	1,805
SharkNinja	1,736	2,733	3,715	4,091	4,566	5,001
Others	-	-	-	-	-	-
Total	3,016	4,196	5,151	5,628	6,241	6,806
Sales growth by brand (%)						
Joyoung	8.6%	14.3%	-1.9%	7.1%	9.0%	7.8%
SharkNinja	17.5%	57.4%	35.9%	10.1%	11.6%	9.5%
Others	-100.0%	-	-	-	-	-
Total	12.5%	39.1%	22.8%	9.3%	10.9%	9.1%
Sales by segment growth (%)						
Cleaning	5.6%	50.4%	15.5%	1.1%	8.7%	7.5%
Food preparation	3.2%	22.2%	5.6%	10.4%	10.9%	9.5%
Cooking	37.4%	41.6%	41.8%	18.2%	14.0%	11.0%
Others	-2.7%	29.4%	45.6%	2.4%	2.0%	1.5%
Sales by region growth (%)						
China	6.8%	13.2%	-2.8%	6.2%	10.3%	7.8%
North America	11.2%	51.6%	34.1%	7.0%	9.0%	8.0%
Europe	67.8%	103.6%	36.7%	25.0%	20.0%	15.0%
Other markets	33.5%	45.1%	78.6%	17.0%	10.0%	10.0%
GP margins by segment						
Joyoung	33.3%	32.7%	30.5%	31.0%	31.7%	31.9%
SharkNinja	41.1%	46.5%	37.1%	39.6%	38.5%	38.7%
Others	38.7%	45.5%	43.3%	43.4%	43.7%	43.8%
Total	37.4%	41.5%	37.4%	38.8%	38.8%	39.0%
Opex breakdown						
D & A	-1.7%	-1.4%	-1.1%	-0.9%	-0.7%	-0.7%
Admin exp. (ex D & A)	-12.1%	-10.2%	-9.4%	-9.8%	-9.6%	-9.5%
A & P	-6.3%	-6.7%	-6.1%	-6.2%	-6.2%	-6.2%
S & D costs (ex. A & P)	-10.5%	-9.9%	-9.6%	-10.4%	-10.1%	-10.0%
Selling & distribution costs / sales	-16.8%	-16.6%	-15.7%	-16.6%	-16.3%	-16.2%
Admin expenses / sales	-13.8%	-11.6%	-10.4%	-10.7%	-10.3%	-10.1%
OP margins						
Effective tax rate	29.0%	23.6%	19.9%	18.0%	18.0%	18.0%
NP att. margins						
NP att. margins	1.4%	8.2%	8.2%	7.8%	8.4%	9.0%
NP att. growth (%)	20.9%	717.1%	22.1%	4.5%	19.4%	16.5%
Adjusted NP growth (%)	34.9%	104.5%	19.8%	1.0%	23.0%	13.0%
Adjusted NP att. growth (%)	141.8%	159.9%	22.8%	-4.6%	24.9%	13.9%

Source: Company data, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (US\$ mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	3,016	4,196	5,151	5,628	6,241	6,806
Joyoung	1,280	1,463	1,436	1,537	1,675	1,805
SharkNinja	1,736	2,733	3,715	4,091	4,566	5,001
Others	-	-	-	-	-	-
Cost of goods sold	(1,890)	(2,453)	(3,226)	(3,446)	(3,820)	(4,150)
Gross profit	1,127	1,743	1,924	2,182	2,421	2,656
Other income	23	60	33	23	26	28
Operating expenses	(922)	(1,183)	(1,346)	(1,536)	(1,661)	(1,792)
A & P	(189)	(282)	(317)	(349)	(387)	(422)
S & D costs (ex. A & P)	(318)	(414)	(492)	(585)	(629)	(680)
D & A	(51)	(59)	(54)	(49)	(46)	(44)
Admin exp. (ex D & A)	(365)	(428)	(483)	(554)	(599)	(646)
Other opex	-	-	-	-	-	-
EBIT	227	620	611	669	786	892
Finance costs, net	(78)	(69)	(20)	(11)	(11)	(3)
JVs & associates	2	(0)	1	-	-	-
Exceptional	(32)	(24)	(17)	(39)	(44)	(47)
Pre-tax profit	119	527	575	619	731	842
Income tax	(34)	(124)	(114)	(111)	(132)	(151)
Less: Minority interests	43	58	40	68	75	79
Net profit att.	42	344	420	440	525	611
Adj. Net profit att.	145	378	464	443	553	630

Cash flow summary

YE 31 Dec (US\$ mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT	227	620	611	669	786	892
D & A	77	105	102	98	93	89
Change in working capital	49	24	(151)	(53)	(63)	(59)
Income tax paid	(41)	(102)	(114)	(111)	(132)	(151)
Others	67	5	8	13	21	29
Net cash from operating	380	653	456	616	705	800
Capex & investments	(74)	(68)	(108)	(118)	(131)	(143)
Associated companies	(7)	6	-	-	-	-
Interest received	8	4	-	-	-	-
Others	(45)	(153)	-	-	-	-
Net cash from investing	(118)	(211)	(108)	(118)	(131)	(143)
Equity raised	375	138	-	-	-	-
Net change in bank loans	(205)	(399)	(150)	-	-	-
Dividend paid	(95)	(265)	120	184	194	231
Others	(93)	210	(28)	(24)	(32)	(32)
Net cash from financing	(18)	(317)	(58)	160	161	199
Net change in cash	244	125	290	658	735	856
Beginning cash balance	181	421	571	861	1,519	2,254
Exchange difference	(4)	25	-	-	-	-
Cash at end of the year	421	571	861	1,519	2,254	3,110

Balance sheet

YE 31 Dec (US\$ mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	1,999	1,940	1,947	1,967	2,005	2,060
Fixed asset	207	208	258	320	402	499
Intangible assets & goodwill	1,389	1,411	1,369	1,328	1,286	1,245
Prepaid lease payments	16	16	16	16	16	16
Interest in joint ventures	36	27	27	27	27	27
Other non-current assets	353	278	277	275	274	272
Current assets	1,775	2,714	3,300	4,144	5,139	6,231
Cash & cash equivalents	421	571	861	1,519	2,254	3,110
Inventories	393	575	707	755	837	910
Trade and other receivables	804	1,204	1,341	1,465	1,624	1,772
Prepayments	68	121	149	163	181	197
Other current assets	89	243	243	243	243	243
Current liabilities	990	1,618	1,763	1,896	2,092	2,269
Bank loans	26	47	47	47	47	47
Trade payables	530	885	884	944	1,047	1,137
Accruals & other payables	411	643	789	862	956	1,04
Tax payables	14	28	28	28	28	28
others	9	15	15	15	15	15
Non-current liabilities	1,251	1,116	966	966	966	966
Bank loans	1,049	893	743	743	743	743
Deferred income	53	61	61	61	61	61
Deferred tax	134	147	147	147	147	147
Others	15	15	15	15	15	15
Minority Interest	-	-	40	108	183	262
Total net assets	1,533	1,920	2,478	3,141	3,903	4,793
Shareholders' equity	1,533	1,920	2,478	3,141	3,903	4,793

Source: Company data, CMBIGM estimates

Key ratios

YE 31 Dec	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)						
Joyoung	42.4	34.9	27.9	27.3	26.8	26.5
SharkNinja	57.6	65.1	72.1	72.7	73.2	73.5
Others	-	-	-	-	-	-
Total	100.	100.	100.	100.	100.	100.
P&L ratios (%)						
Gross margin	37.4	41.5	37.4	38.8	38.8	39.0
Operating margin	7.5	14.8	11.9	11.9	12.6	13.1
Pre-tax margin	3.9	12.6	11.2	11.0	11.7	12.4
Net margin	1.4	8.2	8.2	7.8	8.4	9.0
Effective tax rate	29.0	23.6	19.9	18.0	18.0	18.0
Balance sheet ratios						
Current ratio (x)	1.8	1.7	1.9	2.2	2.5	2.7
Quick ratio (x)	1.4	1.3	1.5	1.8	2.1	2.3
Cash ratio (x)	0.4	0.4	0.5	0.8	1.1	1.4
Inventory turnover days	72	72	80	80	80	80
Trade receivables days	95	87	95	95	95	95
Trade payables days	91	105	100	100	100	100
Total debt / total equity ratio (%)	71	50	32	26	21	17
Net debt / equity ratio	39	18	Net cash	Net cash	Net cash	Net cash
Returns (%)						
ROE	2.7	17.9	17.0	14.0	13.4	12.7
ROA	1.1	7.4	8.0	7.2	7.3	7.4
Per share						
Adj. EPS (US\$)	0.04	0.11	0.13	0.12	0.16	0.18
DPS (US\$)	0.07	0.03	0.05	0.06	0.07	0.08
BVPS (US\$)	0.45	0.55	0.71	0.90	1.12	1.37

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