

JS Global Lifestyle (1691 HK)

Industry leading performance to drive re-rating

Maintain BUY and lifted TP to HK\$ 9.97, based on 19x FY21E P/E (raised from 19x FY21E P/E as its product mix is benefited amid the virus outbreak). 1Q20 numbers was resilient, thanks to a strong pick up in Mar 2020. We are confident this improving trend will continue in 2Q-4Q20E, driving re-rating further (esp. when Joyoung is undergoing a strong re-rating already). The stock is trading at 16x FY21E P/E, still attractive (vs China/ Int'l peers' avg. of 21x/ 19x). **JS Global continues to be our top pick in the home appliance space.**

- **Joyoung's 1Q20 sales/ NP att. fell by only 5%/ 10% YoY, inline and outperforming in the industry.** Joyoung's sales/ NP att. growth in 1Q20 was far better than its small appliances peers, such as Midea's -23%/ -21% and Supor's -35%/ -41%. We believe it was driven by the remarkable online growth in Mar 2020, where robust demand for home cooking and cleaning/sanitizing met the resumption of logistic capacity. Star products include: 1) blender, 2) air fryer, 3) steam mop and 4) other "bacteria killing" gadgets.
- **Joyoung's outlook in FY20E remains positive.** The Company had revised down its FY20E sales/ NP att. target to 11%/ 9% (from 17%/ 15%), indicated by employees' incentive scheme. We believe this target is now more realistic and is positive to maintain the staff's morale. Moreover, with the strong momentum in Mar-Apr 2020 (esp. online), we do find it achievable, and now forecast Joyoung's sales growth in 2Q/ 3Q/ 4Q20E to be 11%/ 19% / 26%.
- **SharkNinja to gain more market shares, therefore we remain optimistic in long run.** Offline demand in US/ EU must have been hit hard in Feb-Apr 2020, however, by referencing to the case in China, SharkNinja should eventually gain more market shares. As long as situation stabilized by 2Q or even 3Q20, we believe organic growth can be resumed in mid to long run.
- **GP margin can be boosted in the falling raw material environments.** Oil price (both WTI and Brent) has fallen by ~66% YTD. This, in our view, could drive down overall production costs of metals and plastics, and hence providing room for GP margin improvements in 2H20E and FY21E.
- **Maintain BUY and raised TP to HK\$ 9.97.** We fine-tuned FY20E/ 21E EPS estimates by -0.2%/ 4%, to factor in sales cut for SharkNinja but increases for Joyoung. We maintain BUY but lifted TP to HK\$ 9.97, as we use 19x FY21E P/E (raised from 16x FY21E P/E). Valuation is still attractive at 16x FY21E P/E, comparing to its China/ Int'l peers' average of 21x/ 19x FY21E P/E.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (USD mn)	2,682	3,016	3,394	3,894	4,303
YoY growth (%)	71.5	12.5	12.5	14.7	10.5
Adj. NP att. (USD mn)	60	136	177	233	251
Adj. EPS (USD)	0.018	0.039	0.051	0.067	0.072
YoY growth (%)	12.277	121.6	30.0	31.8	7.3
Consensus EPS (USD)	n/a	n/a	0.047	0.063	n/a
Adj. P/E (x)	61.5	27.9	21.4	16.2	15.1
P/B (x)	8.0	2.4	2.0	1.8	1.6
Yield (%)	2.2	6.7	0.7	1.8	2.6
ROE (%)	7.5	2.7	4.1	8.3	9.1
Net gearing (%)*	213.6	39.1	14.7	2.9	Net cash

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

BUY (Maintain)

Target Price	HK\$9.97
(Previous TP)	HK\$8.07)
Up/Downside	+17.3%
Current Price	HK\$8.50

China Home Appliance Sector

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Stock Data

Mkt Cap (HK\$ mn)	28,961
Avg 3 mths t/o (HK\$ mn)	9.39
52w High/Low (HK\$)	9.50/3.60
Total Issued Shares (mn)	3,407.2

Source: Bloomberg

Shareholding Structure

Mr. Wang Xuning (Chairman) & concert party	57.87%
CDH Fund	10.61%
Mr. Mark Rosenzweig	8.06%
RSU Holding entity	4.16%
Mr. Mark Adam Barrocas	2.14%
Other SN investors	0.29%
Free Float	16.87%

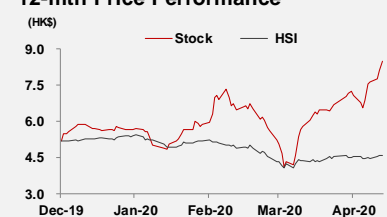
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	34.5%	27.1%
3-mth	67.7%	79.0%
6-mth	n/a	n/a
12-mth	n/a	n/a

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

Related Reports

1. JS Global (1691 HK, BUY) - Benefit from e-commerce and home-cooking - 2 Apr 2020
2. JS Global (1691 HK, BUY) - Cross-selling with world-class tech and style - 4 Feb 2020

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	3,016	3,394	3,894	3,016	3,402	3,845	0.0%	-0.2%	1.3%
Gross profit	1,127	1,271	1,482	1,127	1,273	1,461	0.0%	-0.2%	1.5%
EBIT	227	228	327	227	228	316	0.0%	-0.2%	3.5%
Adjusted NP att.	177	233	251	177	226	245	-0.2%	3.5%	2.1%
Adjusted EPS (RMB)	0.051	0.067	0.072	0.051	0.065	0.070	-0.2%	3.5%	2.1%
Gross margin	37.4%	37.4%	38.1%	37.4%	37.4%	38.0%	0ppt	0ppt	0.1ppt
EBIT margin	7.5%	6.7%	8.4%	7.5%	6.7%	8.2%	0ppt	0ppt	0.2ppt
Net profit att. margin	5.9%	6.9%	6.4%	5.9%	6.6%	6.4%	0ppt	0.2ppt	0.1ppt

Source: Company data, CMBIS estimates

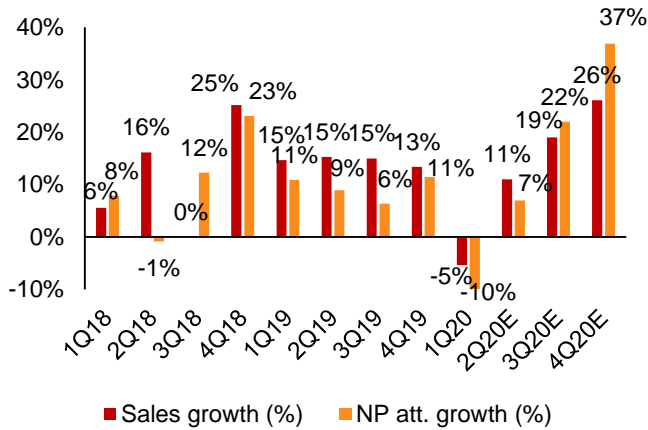
Figure 2: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	3,016	3,394	3,894	3,263	3,709	n/a	-7.6%	-8.5%	n/a
Gross profit	1,127	1,271	1,482	1,217	1,381	n/a	-7.4%	-8.0%	n/a
EBIT	227	228	327	237	319	n/a	-4.4%	-28.6%	n/a
Adjusted NP att.	177	233	251	152	209	n/a	16.3%	11.5%	n/a
Adjusted EPS (RMB)	0.051	0.067	0.072	0.047	0.063	n/a	8.2%	6.4%	n/a
Gross margin	37.4%	37.4%	38.1%	37.3%	37.3%	n/a	0.1ppt	0.2ppt	n/a
EBIT margin	7.5%	6.7%	8.4%	7.3%	8.6%	n/a	0.3ppt	-1.9ppt	n/a
Net profit att. margin	5.9%	6.9%	6.4%	4.7%	5.6%	n/a	1.2ppt	1.2ppt	n/a

Source: Company data, CMBIS estimates

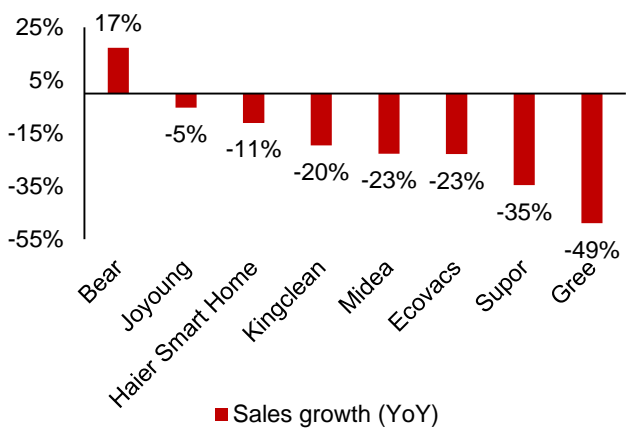
Focus Charts

Figure 3: Joyoung sales/ NP att. growth



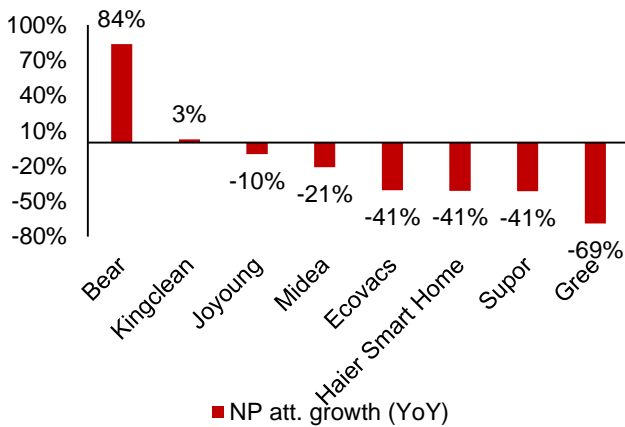
Source: Company data, CMBIS estimates

Figure 4: 1Q20 sales growth, by listed co.



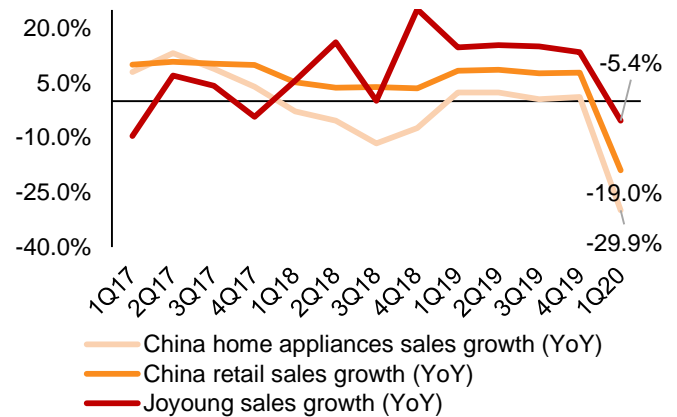
Source: Company data, Bloomberg, CMBIS estimates

Figure 5: 1Q20 NP att. growth, by listed co.



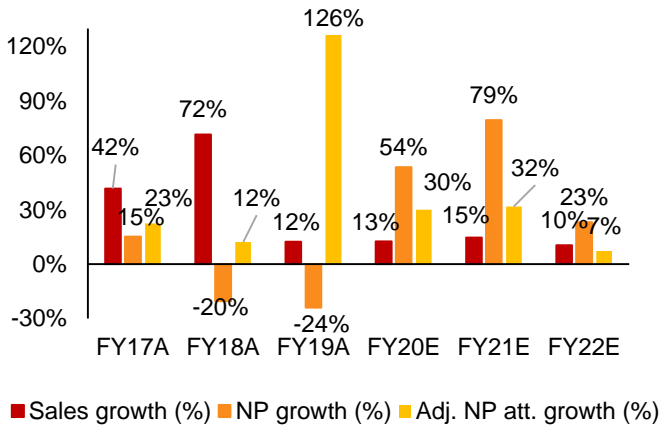
Source: Company data, Bloomberg, CMBIS estimates

Figure 6: Joyoung vs China appliances sales growth



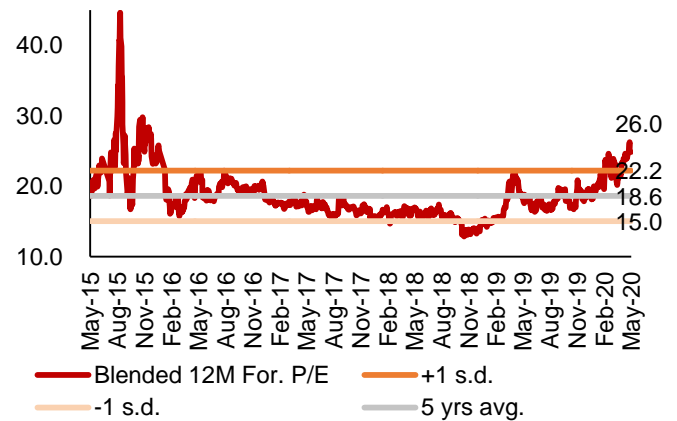
Source: Company data, NBS, CMBIS estimates

Figure 7: JS Global sales/ adj. NP att. growth



Source: Company data, CMBIS estimates

Figure 8: Joyoung's Forward 12M P/E brand



Source: Bloomberg, CMBIS estimates

Assumptions

Figure 9: CMBIS' assumptions

USD mn	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
Sales by brand (USD mn)						
Joyoung	1,054	1,179	1,280	1,431	1,637	1,797
SharkNinja	477	1,477	1,736	1,964	2,258	2,505
Others	33	25	-	-	-	-
Total	1,563	2,682	3,016	3,394	3,894	4,303
Sales growth by brand (%)						
Joyoung	-2.5%	11.9%	8.6%	11.8%	14.4%	9.8%
SharkNinja		210.0%	17.5%	13.1%	15.0%	11.0%
Others	46.7%	-23.5%	-100.0%	n/a	n/a	n/a
Total	41.7%	71.5%	12.5%	12.5%	14.7%	10.5%
Sales by segment growth (%)						
Cleaning		233.2%	5.6%	5.8%	18.4%	12.8%
Food preparation	27.3%	35.2%	3.2%	11.4%	12.8%	8.4%
Cooking	-1.6%	25.6%	37.4%	23.7%	14.1%	10.5%
Others	23.4%	22.3%	-2.7%	0.2%	2.0%	2.6%
Sales by region growth (%)						
China	-1.4%	11.6%	6.8%	11.9%	11.6%	8.1%
North America	5880.5%	192.9%	11.2%	11.0%	14.0%	10.0%
Europe	651.9%	263.2%	67.8%	25.0%	35.0%	22.5%
Other markets	42.7%	258.6%	33.5%	17.0%	15.0%	13.0%
GP margins by segment						
Joyoung	32.2%	32.1%	33.3%	33.5%	34.4%	34.3%
SharkNinja	37.0%	42.2%	41.1%	41.0%	41.2%	41.3%
Others	32.2%	39.4%	38.7%	38.8%	39.1%	39.1%
Total	33.2%	37.3%	37.4%	37.4%	38.1%	38.1%
Opex breakdown						
D & A	-0.8%	-1.7%	-1.7%	-1.3%	-1.1%	-1.0%
Admin exp. (ex D & A)	-7.9%	-10.2%	-12.1%	-12.7%	-12.2%	-12.0%
A & P	-6.2%	-7.7%	-6.3%	-7.5%	-7.4%	-7.2%
S & D costs (ex. A & P)	-10.6%	-10.1%	-10.5%	-9.7%	-9.3%	-9.5%
Selling & distribution costs / sales	-16.9%	-17.8%	-16.8%	-17.2%	-16.7%	-16.7%
Admin expenses / sales	-8.7%	-11.8%	-13.8%	-14.0%	-13.3%	-13.0%
OP margins						
Effective tax rate	-39.6%	21.0%	29.0%	23.0%	18.0%	18.0%
NP att. margins						
NP att. margins	3.1%	1.3%	1.4%	2.3%	4.4%	5.0%
NP att. growth (%)	-7.0%	-27.7%	20.9%	82.8%	123.8%	25.0%
Adjusted NP growth (%)	36.9%	8.9%	28.9%	17.9%	28.1%	9.6%
Adjusted NP att. growth (%)	22.5%	12.3%	126.5%	30.0%	31.8%	7.3%

Source: Company data, CMBIS estimates

Valuation

Peers Valuation

Figure 10: 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	9.97	8.50	17%	28,961	Dec-19	21.4	16.2	2.0	1.8	4.1	1.2	0.7	
Joyoung	002242 CH	NR	n/a	31.40	n/a	26,444	Dec-19	26.2	22.5	5.8	5.3	20.3	2.1	2.7	
Zhejiang Supor	002032 CH	NR	n/a	65.88	n/a	59,373	Dec-19	26.0	21.9	6.7	5.8	25.7	2.8	2.2	
GD Xinbao	002705 CH	NR	n/a	26.68	n/a	23,469	Dec-19	25.8	21.8	4.2	3.7	17.2	1.5	2.0	
Bear Electric	002959 CH	NR	n/a	101.30	n/a	13,342	Dec-19	35.5	28.2	6.1	5.2	25.2	1.9	1.2	
Ecovacs Robotics	603486 CH	NR	n/a	19.47	n/a	12,063	Dec-19	26.6	20.9	4.2	3.9	3.6	n/a	0.5	
Kingclean Electric	603355 CH	NR	n/a	21.57	n/a	9,493	Dec-19	15.0	14.9	2.4	2.1	16.4	n/a	1.3	
								Avg.	25.2	20.9	4.5	4.0	16.1	1.9	1.5
								Med.	26.0	21.8	4.2	3.9	17.2	1.9	1.3
A + H Home Appliances															
Midea Group	000333 CH	BUY	75.33	53.75	40%	412,099	Dec-19	14.7	12.8	3.1	2.7	23.4	1.7	3.1	
Gree Electric	000651 CH	NR	n/a	54.77	n/a	361,626	Dec-19	13.3	11.5	2.8	2.5	19.9	2.0	4.8	
Haier Smart Home	600690 CH	NR	n/a	15.46	n/a	113,210	Dec-19	11.7	9.9	1.8	1.6	15.9	2.5	2.6	
Haier Electronics	1169 HK	NR	n/a	21.35	n/a	60,138	Dec-19	13.6	11.6	1.8	1.6	27.6	(1.1)	2.2	
Hisense Home	921 HK	NR	n/a	7.47	n/a	12,919	Dec-19	7.4	5.5	1.0	0.9	22.3	6.2	3.9	
Hisense Home - A	000921 CH	NR	n/a	9.57	n/a	12,919	Dec-19	9.3	8.1	1.3	1.2	22.3	(5.9)	2.9	
Whirlpool China	600983 CH	NR	n/a	4.67	n/a	3,928	Dec-19	n/a	n/a	n/a	n/a	(10.6)	n/a	n/a	
Hangzhou Robam	002508 CH	NR	n/a	31.88	n/a	33,207	Dec-19	17.9	15.8	3.7	3.2	22.5	2.1	2.6	
Vatti Corporation	002035 CH	NR	n/a	11.34	n/a	10,819	Dec-19	12.1	10.7	2.7	2.3	23.4	1.6	3.0	
								Avg.	12.5	10.7	2.3	2.0	18.5	1.2	3.1
								Med.	12.7	11.1	2.3	1.9	22.3	1.9	3.0
International Small Home Appliances															
Techtronic	669 HK	NR	n/a	59	n/a	108,078	Dec-19	20.8	17.1	3.6	3.2	19.1	1.3	1.9	
Smith (A.O.) Corp	AOS US	NR	n/a	42	n/a	52,309	Dec-19	23.0	19.0	4.1	n/a	21.9	7.3	2.5	
Helen Of Troy	HELE US	NR	n/a	167	n/a	32,690	Feb-20	20.3	18.7	n/a	n/a	14.1	n/a	n/a	
De'Longhi Spa	DLG IM	NR	n/a	16	n/a	21,000	Dec-19	19.7	16.5	2.0	1.8	14.3	(6.1)	3.0	
Irobot Corp	IRBT US	NR	n/a	59	n/a	12,841	Dec-19	337.5	28.6	2.5	2.4	7.6	(56.5)	0.0	
Seb Sa	SK FP	NR	n/a	110	n/a	47,053	Dec-19	20.8	13.6	2.1	1.9	16.9	3.8	1.3	
Koninklijke Philips	PHIA NA	NR	n/a	40	n/a	303,370	Dec-19	20.8	17.8	2.7	2.6	9.5	0.9	2.2	
								Avg.	66.1	18.8	2.8	2.4	14.8	(8.2)	1.8
								Med.	20.8	17.8	2.6	2.4	14.3	1.1	2.1
International Home Appliances															
Whirlpool Corp	WHR US	NR	n/a	112.19	n/a	54,066	Dec-19	10.3	8.1	1.7	1.5	29.5	(2.0)	4.5	
Ingersoll-Rand	IR US	NR	n/a	28.13	n/a	90,842	Dec-19	25.1	18.7	2.0	1.9	9.0	0.8	0.4	
Electrolux Ab	ELUXB SS	NR	n/a	135	n/a	33,067	Dec-19	35.7	10.5	1.8	1.6	11.3	2.2	4.3	
Daikin Industries	6367 JP	NR	n/a	13525.0	n/a	287,819	Mar-19	20.8	20.1	2.5	2.3	13.1	3.0	1.2	
Panasonic Corp	6752 JP	NR	n/a	790	n/a	140,711	Mar-19	9.5	12.0	0.9	0.9	15.2	(1.0)	3.9	
Fujitsu General Ltd	6755 JP	NR	n/a	1724.0	n/a	13,678	Mar-20	18.6	14.3	1.5	1.4	5.3	0.6	1.7	
Lg Electronics Inc	066570 KS	NR	n/a	54900.0	n/a	56,895	Dec-19	8.9	6.3	0.6	0.6	0.2	0.0	1.4	
Samsung	005930 KS	NR	n/a	50000.0	n/a	1,890,251	Dec-19	13.3	9.0	1.2	1.1	7.6	0.6	2.9	
								Avg.	17.8	12.4	1.5	1.4	11.4	0.5	2.5
								Med.	16.0	11.3	1.6	1.5	10.1	0.6	2.3

Source: Bloomberg, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (USD mn)	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	1,563	2,682	3,016	3,394	3,894	4,303
Joyoung	1,054	1,179	1,280	1,431	1,637	1,797
SharkNinja	477	1,477	1,736	1,964	2,258	2,505
Others	33	25	-	-	-	-
Cost of goods sold	(1,044)	(1,683)	(1,890)	(2,124)	(2,413)	(2,661)
Gross profit	519	999	1,127	1,271	1,482	1,641
Other income	21	42	23	16	16	18
Operating expenses	(400)	(795)	(922)	(1,059)	(1,171)	(1,276)
A & P	(98)	(208)	(189)	(255)	(288)	(310)
S & D costs (ex. A & P)	(166)	(270)	(318)	(330)	(363)	(407)
D & A	(13)	(45)	(51)	(43)	(44)	(43)
Admin exp. (ex D & A)	(123)	(273)	(365)	(431)	(476)	(517)
Other opex	-	-	-	-	-	-
EBIT	141	246	227	228	327	382
Finance costs, net	(17)	(76)	(78)	(51)	(33)	(21)
JVs & associates	3	6	2	-	-	-
Exceptional	(26)	(35)	(32)	(7)	(8)	(8.6)
Pre-tax profit	102	140	119	170	286	353
Income tax	39	(28)	(34)	(39)	(52)	(63)
Less: Minority interests	93	77	43	54	62	74
Net profit att.	48	35	42	77	172	216
Adj. Net profit att.	54	60	136	177	233	251

Cash flow summary

YE 31 Dec (USD mn)	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
EBIT	141	246	227	228	327	382
D & A	29	87	89	87	86	84
Change in working capital	(83)	(48)	81	(71)	(59)	(48)
Income tax paid	(9)	(16)	(34)	(39)	(52)	(63)
Others	(27)	(36)	(94)	8	8	11
Net cash from operating	52	234	269	213	311	366
Capex & investments	(21)	(67)	(76)	(78)	(82)	(90)
Associated companies	(1,309)	29	34	-	-	-
Interest received	7	7	-	-	-	-
Others	109	21	-	-	-	-
Net cash from investing	(1,213)	(10)	(42)	(78)	(82)	(90)
Equity raised	-	-	375	-	-	-
Net change in bank loans	1,176	(59)	(112)	(350)	(200)	-
Dividend paid	(39)	(83)	83	250	26	67
Others	113	(119)	(333)	(59)	(41)	(32)
Net cash from financing	1,25	(261)	13	(159)	(215)	35
Net change in cash	89	(37)	240	(25)	14	311
Beginning cash balance	127	211	181	421	397	411
Exchange difference	(5)	7	-	-	-	-
Cash at end of the year	211	181	421	397	411	722

Balance sheet

YE 31 Dec (USD mn)	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
Non-current assets	1,896	1,889	1,999	1,991	1,986	1,992
Fixed asset	180	191	207	239	276	323
Intangible assets & goodwill	1,405	1,398	1,389	1,349	1,309	1,270
Prepaid lease payments	22	16	16	16	16	16
Interest in joint ventures	37	36	36	36	36	36
Other non-current assets	252	247	353	351	350	348
Current assets	1,389	1,411	1,775	1,867	2,080	2,556
Cash & cash equivalents	211	181	421	397	411	722
Inventories	272	350	393	417	474	523
Trade and other receivables	628	773	804	887	1,018	1,125
Prepayments	220	66	68	76	88	97
Other current assets	58	42	89	89	89	89
Current liabilities	661	1,281	990	936	1,025	1,142
Bank loans	10	486	26	-74	-124	-124
Trade payables	262	409	530	524	595	656
Accruals & other payables	371	364	411	463	531	586
Tax payables	7	11	14	14	14	14
others	10	11	9	9	9	9
Non-current liabilities	2,026	1,557	1,251	1,001	851	851
Bank loans	1,194	700	1,049	799	649	649
Deferred income	57	53	53	53	53	53
Deferred tax	132	134	134	134	134	134
Others	643	671	15	15	15	15
Minority Interest	-	-	-	54	116	190
Total net assets	598	463	1,533	1,867	2,074	2,366
Shareholders' equity	598	463	1,533	1,867	2,074	2,366

Key ratios

YE 31 Dec	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
Sales mix (%)						
Joyoung	67.4	44.0	42.4	42.1	42.0	41.8
SharkNinja	30.5	55.1	57.6	57.9	58.0	58.2
Others	2.1	1.0	-	-	-	-
Total	100.	100.	100.	100.	100.	100.
P&L ratios (%)						
Gross margin	33.2	37.3	37.4	37.4	38.1	38.1
Operating margin	9.0	9.2	7.5	6.7	8.4	8.9
Pre-tax margin	6.5	5.2	3.9	5.0	7.4	8.2
Net margin	3.1	1.3	1.4	2.3	4.4	5.0
Effective tax rate	-39.6	21.0	29.0	23.0	18.0	18.0
Balance sheet ratios						
Current ratio (x)	2.1	1.1	1.8	2.0	2.0	2.2
Quick ratio (x)	1.7	0.8	1.4	1.5	1.6	1.8
Cash ratio (x)	0.3	0.1	0.4	0.4	0.4	0.6
Inventory turnover days	58	67	72	72	72	72
Trade receivables days	99	95	95	95	95	95
Trade payables days	77	73	91	90	90	90
Total debt / total equity ratio (%)	203	258	71	39	26	23
Net debt / equity ratio	167	214	39	15	3	Net cash
Returns (%)						
ROE	8.1	7.5	2.7	4.1	8.3	9.1
ROA	1.5	1.1	1.1	2.0	4.2	4.7
Per share						
Adj. EPS (USD)	0.02	0.02	0.04	0.05	0.07	0.07
DPS (USD)	0.01	0.02	0.07	0.01	0.02	0.03
BVPS (USD)	0.18	0.14	0.45	0.55	0.61	0.69

Source: Company data, CMBIS estimates

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