

JS Global Lifestyle (1691 HK)

A slow start in FY22E but it is improving

SharkNinja's gross sales declined in 1Q22, but management pointed out sell-through in Apr 2022 had resumed to positive growth and kept its FY22E guidance. Hence we **maintain BUY but raise TP to HK\$ 11.83**, based on an unchanged 12x FY22E P/E. The stock is trading at 9x FY22E P/E, vs 5 year-average of 17x.

- A slight decline in sales in 1Q22, due to high base and supply constraint.** SharkNinja registered a gross sales decline of 1.5% YoY in 1Q22, kind of below management's FY22E guidance. However, given high base (~100% sales growth in 1Q21) and significant market shares gained, it was decent enough. For 1Q22 (vs 1Q21), in US, SN's market shares for cleaning/ cooking/ food preparation appliances increased by 3.5ppt/ 0.3ppt/ 2.3ppt to 34.8%/ 25.1%/ 34.1%, and in UK, shares for vacuum cleaners/ food preparation appliances/ electrical cooking pots increased by 1.6ppt/ 2.1ppt/ 4.4ppt to 30.3%/ 15.1%/ 55.0%. This sluggish growth was due to supply constraint (e.g. ports concession), as SN entered the year with very low level of inventory.
- Both sell-through and sell-in are improving in 2Q22E.** Retail sales actually declined in Jan-Feb due to lack of inventory in the channel, but had already rebounded strong in Mar and registered positive growth in Apr 2022. Moreover, the sell-in rebounded earlier in Feb and continued to improve into Apr 2022. Management highlighted that the retail end demand is still healthy and it is ramping up its inventory in 2Q22E to face the demand in 2H22E.
- Management is keeping its FY22E guidance of ~10%/ 10% sales/ net profit growth.** Management also expects 50%/ 25%/ 25% of the sales growth to be contributed by new products/ categories expansion and regional expansion.
- Margins are likely to expand in FY22E, but mostly due to tariff refund, while many other costs are being locked.** Tariffs refund will be the main driver for GP margin in FY22E. But the management's comment on no ASP increases in 1Q22 and perhaps for the rest of FY22E, is a sign of confidence to us, that they can achieve margins' target with ease. We also believe it had locked in a large portion of raw material costs and freight rate in FY22E, hence the margin will be under control, but that implies benefits from CNY depreciation will take more time to be materialized.
- Maintain BUY but fine-tuned TP to HK\$ 11.83.** We raised our FY22E/ 23E/ 24E NP estimates by 3%/ 2%/ 2%. We revised up TP to HK\$ 11.83, based on an unchanged 12x FY22E P/E. Valuation is not demanding at 9x FY22E P/E, vs 5 year-average of 17x and China/ Int'l peers' average of 17x/ 14x.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (US\$ mn)	4,196	5,151	5,642	6,256	6,822
YoY growth (%)	39.1	22.8	9.5	10.9	9.1
Adj. NP att. (US\$ mn)	378	464	453	566	643
Adj. EPS (US\$)	0.106	0.130	0.127	0.159	0.180
YoY growth (%)	153.906	22.8	(2.3)	24.7	13.7
Consensus EPS (US\$)	n/a	n/a	0.140	0.163	0.183
Adj. P/E (x)	10.6	8.6	8.8	7.1	6.2
P/B (x)	2.0	1.6	1.2	1.0	0.8
Yield (%)	3.1	4.7	5.1	6.0	7.0
ROE (%)	2.7	17.9	17.0	14.3	13.7
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\$11.83
(Previous TP)	HK\$11.54)
Up/Downside	+35.6%
Current Price	HK\$8.72

China Home Appliance Sector

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Stock Data

Mkt Cap (HK\$ mn)	30,473
Avg 3 mths t/o (HK\$ mn)	92.37
52w High/Low (HK\$)	26.40/6.31
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	-8.9%	-1.8%
3-mth	-28.7%	-16.0%
6-mth	-36.8%	-23.6%
12-mth	-62.6%	-48.8%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

Related Reports

JS Global (1691 HK, BUY) - Unexciting guidance and a cheap valuation – 31 Mar 2022

Earnings revision

Figure 1: Earnings revision

US\$ mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	5,642	6,256	6,822	5,628	6,241	6,806	0.2%	0.2%	0.2%
Gross profit	2,176	2,415	2,650	2,182	2,421	2,656	-0.3%	-0.3%	-0.2%
EBIT	666	783	890	669	786	892	-0.4%	-0.3%	-0.3%
Adjusted NP att.	453	566	643	443	553	630	2.4%	2.3%	2.1%
Adjusted EPS (US\$)	0.127	0.159	0.180	0.124	0.155	0.177	2.6%	2.4%	2.0%
Gross margin	38.6%	38.6%	38.8%	38.8%	38.8%	39.0%	-0.2ppt	-0.2ppt	-0.2ppt
EBIT margin	11.8%	12.5%	13.0%	11.9%	12.6%	13.1%	-0.1ppt	-0.1ppt	-0.1ppt
Net profit att. margin	8.0%	9.0%	9.4%	8.1%	9.1%	9.5%	-0.1ppt	-0.1ppt	-0.1ppt

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	5,642	6,256	6,822	5,783	6,571	7,373	-2.4%	-4.8%	-7.5%
Gross profit	2,176	2,415	2,650	2,274	2,577	2,898	-4.3%	-6.3%	-8.5%
EBIT	666	783	890	688	798	907	-3.2%	-1.8%	-1.9%
Adjusted NP att.	453	566	643	478	553	630	-5.1%	2.4%	2.2%
Adjusted EPS (US\$)	0.127	0.159	0.180	0.140	0.163	0.183	-9.1%	-2.7%	-1.1%
Gross margin	38.6%	38.6%	38.8%	39.3%	39.2%	39.3%	-0.8ppt	-0.6ppt	-0.5ppt
EBIT margin	11.8%	12.5%	13.0%	11.9%	12.1%	12.3%	-0.1ppt	0.4ppt	0.7ppt
Net profit att. margin	8.0%	9.0%	9.4%	8.3%	8.4%	8.5%	-0.2ppt	0.6ppt	0.9ppt

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	11.83	8.72	36%	30,473	Dec-21	8.8	7.1	1.3	1.0	14.3	0.7	4.8	
Joyoung	002242 CH	NR	n/a	15.55	n/a	14,137	Dec-21	14.1	12.3	2.6	2.4	18.6	1.0	6.1	
Vesync	2148 HK	NR	n/a	5.63	n/a	6,559	Dec-21	12.4	10.1	2.4	2.0	16.7	0.3	2.6	
Zhejiang Supor	002032 CH	NR	n/a	53.50	n/a	51,282	Dec-21	19.0	16.7	5.0	4.3	26.7	1.4	3.8	
GD Xinbao	002705 CH	NR	n/a	17.31	n/a	16,963	Dec-21	13.8	11.6	2.0	1.8	14.5	0.7	2.9	
Bear Electric	002959 CH	NR	n/a	51.24	n/a	9,502	Dec-21	23.1	19.1	3.4	3.0	14.9	1.2	2.0	
Ecovacs Robotics	603486 CH	NR	n/a	102.50	n/a	69,728	Dec-21	22.0	16.9	8.2	5.9	39.2	0.8	1.4	
Beijing Roborock	688169 CH	NR	n/a	572.00	n/a	45,294	Dec-21	21.7	17.1	3.8	3.1	17.6	0.9	0.5	
Kingclean Electric	603355 CH	NR	n/a	22.18	n/a	15,109	Dec-21	13.1	10.5	2.8	2.3	22.6	n/a	1.5	
								Avg.	16.5	13.5	3.5	2.9	20.6	0.9	2.9
								Med.	14.1	12.3	2.8	2.4	17.6	0.8	2.6
A + H Home Appliances															
Midea Group	000333 CH	BUY	95.24	58.70	62%	486,839	Dec-21	12.5	11.0	2.7	2.4	22.1	1.1	3.4	
Gree Electric	000651 CH	NR	n/a	34.22	n/a	239,898	Dec-21	7.7	6.9	1.6	1.4	20.9	0.9	7.5	
Haier Smart Home	600690 CH	NR	n/a	26.49	n/a	282,918	Dec-21	16.4	14.2	2.7	2.4	17.1	1.1	2.3	
Haier Electronics	6690 HK	BUY	33.13	28.55	16%	282,920	Dec-21	14.7	12.7	2.5	2.3	17.7	1.0	2.7	
Hisense Home	921 HK	NR	n/a	7.89	n/a	16,494	Dec-21	7.3	5.8	0.8	0.7	12.3	0.3	5.5	
Hisense Home - A	000921 CH	NR	n/a	12.02	n/a	16,493	Dec-21	12.0	10.0	1.4	1.3	12.0	0.5	2.4	
Whirlpool China	600983 CH	NR	n/a	7.35	n/a	6,677	Dec-21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Hangzhou Robam	002508 CH	NR	n/a	31.10	n/a	34,984	Dec-21	13.5	11.7	2.8	2.4	21.2	0.5	2.5	
Vatti Corporation	002035 CH	NR	n/a	5.40	n/a	5,426	Dec-21	9.3	8.2	1.2	1.1	13.5	0.2	3.8	
								Avg.	11.7	10.1	2.0	1.7	17.1	0.7	3.8
								Med.	12.2	10.5	2.0	1.8	17.4	0.7	3.1
International Small Home Appliances															
Techtronic	669 HK	NR	n/a	103	n/a	189,140	Dec-21	18.4	15.2	4.3	3.6	25.5	0.9	2.1	
Smith (A.O.) Corp	AOS US	NR	n/a	62	n/a	75,478	Dec-21	17.4	16.2	5.3	4.5	30.0	1.6	1.8	
Helen Of Troy	HELE US	NR	n/a	212	n/a	39,618	Feb-22	16.1	15.6	3.3	3.0	21.5	n/a	n/a	
De'Longhi Spa	DLG IM	NR	n/a	24	n/a	29,667	Dec-21	14.2	12.6	2.1	1.9	15.1	(3.9)	2.9	
Irobot Corp	IRBT US	NR	n/a	56	n/a	11,978	Jan-22	25.5	14.2	2.1	1.9	8.8	0.3	0.0	
Seb Sa	SK FP	NR	n/a	115	n/a	52,564	Dec-21	13.0	11.9	1.9	1.7	15.4	4.1	2.3	
Koninklijke Philips	PHIA NA	NR	n/a	25	n/a	184,328	Dec-21	15.6	13.1	1.5	1.4	7.9	(0.8)	3.5	
								Avg.	17.2	14.1	2.9	2.6	17.7	0.4	2.1
								Med.	16.1	14.2	2.1	1.9	15.4	0.6	2.2
International Home Appliances															
Whirlpool Corp	WHR US	NR	n/a	198.19	n/a	87,428	Dec-21	8.1	7.6	2.3	2.1	27.0	(4.8)	3.3	
Ingersoll-Rand	IR US	NR	n/a	46.99	n/a	149,788	Dec-21	20.3	18.0	2.4	2.0	8.8	0.7	0.1	
Electrolux Ab	ELUXB SS	NR	n/a	155	n/a	35,092	Dec-21	10.0	8.0	2.3	2.0	23.9	1.8	6.1	
Daikin Industries	6367 JP	NR	n/a	19480.0	n/a	344,956	Mar-21	26.0	23.1	3.1	2.8	12.5	2.0	1.0	
Panasonic Corp	6752 JP	NR	n/a	1154	n/a	171,004	Mar-21	11.0	10.6	1.0	0.9	9.0	0.9	2.6	
Fujitsu General Ltd	6755 JP	NR	n/a	2269.00	n/a	14,983	Mar-22	16.8	14.1	1.7	1.6	10.8	0.3	1.5	
Lg Electronics Inc	066570 KS	NR	n/a	115500.	n/a	117,697	Dec-21	6.9	6.5	1.0	0.9	15.3	0.2	1.1	
Samsung	005930 KS	NR	n/a	67900.0	n/a	2,524,061	Dec-21	9.5	8.7	1.4	1.2	14.9	0.9	2.1	
								Avg.	13.6	12.1	1.9	1.7	15.3	0.2	2.2
								Med.	10.5	9.6	2.0	1.8	13.7	0.8	1.8

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	1,551	1,690	1,821
SharkNinja	1,736	2,733	3,715	4,091	4,566	5,001
Others	-	-	-	-	-	-
Total	3,016	4,196	5,151	5,642	6,256	6,822
Sales growth by brand (%)						
Joyoung	8.6%	14.3%	-1.9%	8.0%	8.9%	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%	9.5%	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%	11.0%	10.9%	9.5%
Cooking	37.4%	41.6%	41.8%	18.5%	14.0%	11.0%
Others	-2.7%	29.4%	45.6%	2.9%	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%	29.0%	29.7%	29.9%
SharkNinja	41.1%	46.5%	37.1%	40.5%	39.4%	39.6%
Others	38.7%	45.5%	43.3%	43.4%	43.7%	43.8%
Total	37.4%	41.5%	37.4%	38.6%	38.6%	38.8%
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%	-9.9%	-9.7%	-9.6%
A & P	-6.3%	-6.7%	-6.1%	-6.1%	-6.1%	-6.1%
S & D costs (ex. A & P)	-10.5%	-9.9%	-9.6%	-10.3%	-10.0%	-9.9%
Selling & distribution costs / sales	-16.8%	-16.6%	-15.7%	-16.4%	-16.1%	-16.0%
Admin expenses / sales	-13.8%	-11.6%	-10.4%	-10.8%	-10.4%	-10.2%
OP margins						
Effective tax rate	7.7%	15.0%	12.0%	12.0%	12.9%	13.5%
	29.0%	23.6%	19.9%	18.0%	18.0%	18.0%
NP att. margins						
	1.4%	8.2%	8.2%	8.0%	8.6%	9.2%
NP att. growth (%)						
	20.9%	717.1%	22.1%	7.3%	19.3%	16.3%
Adjusted NP growth (%)						
	34.9%	104.5%	19.8%	0.5%	23.2%	13.0%
Adjusted NP att. growth (%)						
	141.8%	159.9%	22.8%	-2.3%	24.7%	13.7%

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	5,642	6,256	6,822
Joyoung	1,280	1,463	1,436	1,551	1,690	1,821
SharkNinja	1,736	2,733	3,715	4,091	4,566	5,001
Others	-	-	-	-	-	-
Cost of goods sold	(1,890)	(2,453)	(3,226)	(3,466)	(3,841)	(4,172)
Gross profit	1,127	1,743	1,924	2,176	2,415	2,650
Other income	23	60	33	23	26	28
Operating expenses	(922)	(1,183)	(1,346)	(1,533)	(1,657)	(1,788)
A & P	(189)	(282)	(317)	(344)	(382)	(416)
S & D costs (ex. A & P)	(318)	(414)	(492)	(580)	(624)	(674)
D & A	(51)	(59)	(54)	(49)	(46)	(44)
Admin exp. (ex D & A)	(365)	(428)	(483)	(560)	(605)	(653)
Other opex	-	-	-	-	-	-
EBIT	227	620	611	666	783	890
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	616	728	839
Income tax	(34)	(124)	(114)	(111)	(131)	(151)
Less: Minority interests	43	58	40	54	59	63
Net profit att.	42	344	420	451	538	625
Adj. Net profit att.	145	378	464	453	566	643

Cash flow summary

YE 31 Dec (US\$ mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT	227	620	611	666	783	890
D & A	77	105	102	98	93	89
Change in working capital	49	24	(151)	(54)	(63)	(59)
Income tax paid	(41)	(102)	(114)	(111)	(131)	(151)
Others	67	5	8	13	21	29
Net cash from operating	380	653	456	613	703	798
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	199	237
Others	(93)	210	(28)	(24)	(32)	(32)
Net cash from financing	(18)	(317)	(58)	160	166	205
Net change in cash	244	125	290	655	738	860
Beginning cash balance	181	421	571	861	1,515	2,253
Exchange difference	(4)	25	-	-	-	-
Cash at end of the year	421	571	861	1,515	2,253	3,113

Balance sheet

YE 31 Dec (US\$ mn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	1,999	1,940	1,947	1,967	2,006	2,060
Fixed asset	207	208	258	321	402	500
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	4,149	5,147	6,243
Cash & cash equivalents	421	571	861	1,515	2,253	3,113
Inventories	393	575	707	760	842	914
Trade and other receivables	804	1,204	1,341	1,468	1,628	1,776
Prepayments	68	121	149	163	181	197
Other current assets	89	243	243	243	243	243
Current liabilities	990	1,618	1,763	1,903	2,100	2,278
Bank loans	26	47	47	47	47	47
Trade payables	530	885	884	950	1,052	1,143
Accruals & other payables	411	643	789	864	958	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	94	153	216
Total net assets	1,533	1,920	2,478	3,153	3,933	4,843
Shareholders' equity	1,533	1,920	2,478	3,153	3,933	4,843

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	27.5	27.0	26.7
SharkNinja	57.6	65.1	72.1	72.5	73.0	73.3
Others	-	-	-	-	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)						
Gross margin	37.4	41.5	37.4	38.6	38.6	38.8
Operating margin	7.5	14.8	11.9	11.8	12.5	13.0
Pre-tax margin	3.9	12.6	11.2	10.9	11.6	12.3
Net margin	1.4	8.2	8.2	8.0	8.6	9.2
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	2.0	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	20	17
Net debt / equity ratio	39	18	Net cash	Net cash	Net cash	Net cash
Returns (%)						
ROE	2.7	17.9	17.0	14.3	13.7	12.9
ROA	1.1	7.4	8.0	7.4	7.5	7.5
Per share						
Adj. EPS (US\$)	0.04	0.11	0.13	0.13	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	1.13	1.39

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