

JS Global Lifestyle (01691.HK)

Global leader in high-quality innovative small home appliances
Hong Kong | Technology | Initiation

15 Mar 2021

Investment Summary

Global Industry Leader with Trusted Household brands

The Company has the ability to create and define market segments. Through in-depth understanding and accurate prediction of consumer needs, the Company continues to launch original products, create new market needs, diversify product categories, and establish a diversified and huge product portfolio. For example, the Company successfully launched a new series of wall breakers in China in 2016, and continued to extend customized product functions, including heating, mute, and no-clean functions, thus opening up the wall breaker market through this new product series, and in 2018 The annual sales quickly reached 196.9 million US dollars. The Company's Shark products have upgraded and transformed the American cleaning appliance industry and maintained the number one market share of the vacuum cleaner industry and the second market share of sweeping robots in the United States. It can be seen that the Company continues to maintain business growth through a diversified and innovative product portfolio, continuously launches new categories, increases market share, leads consumption upgrades, and is always at the forefront of future smart home products.

A disruptor of introducing innovative products create new demand

The Company has the ability to continuously innovate through their intense focus on consumer needs, their ability to assess and predict future market development and consumption trends, as well as their continuous pursuit of technology, high performance, functionality and ground-breaking appealing product design. By combining their consumer-centric product innovation and market-leading consumer demand generation, they have been able to create new market segments and disrupt existing categories.

Superior Distribution Channel Management

The Company occupies a leading position in the two largest small home appliance markets in the world, China and the United States, and has established a channel strategy tailored to local conditions and a complete omni-channel sales, marketing and distribution network based on the different market characteristics of each region.

Valuation and Investment Recommendation

As of the closing price on Mar 11, the Company's trailing P/E was 83.08x. We believe that based on the Company's sound fundamentals and its brand advantage. We give the Company a target price to earnings ratio of 28.0x in 2021. We expect the Company's 2020/2021/2022 earnings per share to be USD\$ 0.61/0.91/1.29, and 12 months target price of HK\$25.00, corresponding to the P/E ratio of the earnings per share for 2020/2021/2022 is 38.68x/27.47x/19.41x. Accumulate rating is given for the first coverage. (Current price as at 11 March 2021)

Accumulate (Initiation)

Current market price HKD22.35
(Closing price as at 11 Mar 2021)
Target price HKD 25.00 (+11.9%)

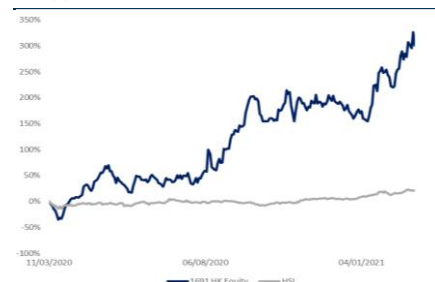
COMPANY DATA

O/S SHARES (MN):	3495
MARKET CAP(HKD MN):	67,097
52- WK HI/LO (HKD):	24.85/ 3.36

Major Shareholder %

Xuning Wang	56.75%
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Price vs HSI



Source: Wind, PSHK

KEY FINANCIALS

USD'mm	FY19	FY20E	FY21E	FY22E
Net Sales	3,016	4,020	5,080	6,329
Net profit	42	290	409	578
EPS, USD	0.04	0.65	0.91	1.29
P/E x	75.6	34.6	25	17
BVPS,USD	2.64	2.76	3.51	3.90
P/BV, x	8.5	8.1	6.37	5.73
ROE%	1	3	3	4
ROA%	1	8	9	9

Source: Company reports, PSHK

Closing price as of 11 Mar 2021

Research Analyst

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Company profile

JS Global Life was established in 1994 and is a global leader in high-quality innovative small home appliances. The Company's success is based on deep insight into consumer needs, and excellent product innovation and design capabilities supported by a global R&D platform, high brand participation driven by marketing advantages, and a highly penetrated omni-channel distribution network. We continue to create new products and add new categories. With the help of a diversified product portfolio, we cultivate the market and stimulate consumer demand, create market expectations for new products to lead the category, and reshape the consumption style and family life of global consumers. With multiple trusted market-leading brands: Joyoung, Shark and Ninja, the Company have maintained a leading position in the global small home appliance market.

According to the Frost & Sullivan Report, in terms of market share, the Company ranked sixth in the world among all small appliance companies in 2018, third among small appliance companies, and the two largest companies in China and the United States. The small home appliance market also has a leading market position.

Figure 1. Global Small Household Appliance Market Size and Rankings

Ranking	Our Ranking by Market Share 2018 ⁽¹⁾	Market Share ⁽¹⁾ 2018 (%)	Market Size 2018 (US\$ million)	Estimated Market Size 2023E (US\$ million)	Projected Market Size CAGR 2018-2023E (%)
Global	6th	4.5%	98,306.7	144,550.4	8.0%
China	3rd	8.8%	23,700.3	40,938.8	11.6%
US	2nd	8.1%	25,040.2	32,348.3	5.3%

Source: Company info, PSHK

Figure 2. Rankings of Selected products in China and the United States

Selected Product Ranking	Our Ranking by Market Share 2018 ⁽¹⁾	Market Share ⁽¹⁾ 2018 (%)	Market Size 2018 (US\$ million)	Estimated Market Size 2023E (US\$ million)	Projected Market Size CAGR 2018-2023E (%)
High-performance Multifunctional Blenders	1st in China	36.6%	1,707.3	4,980.0	23.9%
Food Processors	1st in China	36.8%	445.8	671.8	8.5%
Vacuums	1st in US	36.4%	3,191.5	3,711.5	3.1%
Robotic Vacuums	2nd in US	19.0%	935.6	2,312.4	19.8%
Steam Mops	2nd in US	28.5%	308.4	370.2	3.7%
Multifunctional Cookers	2nd in US	14.4%	598.4	1,195.7	14.8%

Source: Company info, PSHK

Investment Highlights

Global Industry Leader with Trusted Household brands

The Company has the ability to create and define market segments. Through in-depth understanding and accurate prediction of consumer needs, the Company continues to launch original products, create new market needs, diversify product categories, and establish a diversified and huge product portfolio. For example, the Company successfully launched a new series of wall breakers in China in 2016, and continued to extend customized product functions, including heating, mute, and no-clean functions, thus opening up the wall breaker market through this new product series, and in 2018 The annual sales quickly reached 196.9 million US dollars. The Company's Shark products have upgraded and transformed the American cleaning appliance industry and maintained the number one market share of the vacuum cleaner industry and the second market share of sweeping robots in the United States. It can be seen that the Company continues to maintain business growth through a diversified and innovative product portfolio, continuously launches new categories, increases market share, leads consumption upgrades, and is always at the forefront of future smart home products.

The Company develops localized small home appliance products for different international markets. The Company's business is rooted in the two largest small home appliance markets in the world, China and the United States, and expanded to other developed markets around the world. As an industry leader, the Company has successfully created many market blank categories and maintained a leading market share in the main product categories. For example: In the Chinese market, in terms of retail sales in 2018, the Company ranked third in the small home appliance market. In the US market, the Company ranked second in the small home appliance market in terms of retail sales in 2018. It can be seen that the Company continues to maintain business growth through a diversified and innovative product portfolio, continuously launches new categories, increases market share, leads consumption upgrades, and is always at the forefront of future smart home products.

A disruptor of introducing innovative products create new demand

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They have research development centers around the globe located in the United States, China, and the United Kingdom. This global platform powers their product development capabilities by encouraging collaboration and knowledge sharing across locations and categories. They enable apply core technologies and engineering innovation across product categories to shorten their product development cycle.

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portfolio, continuously launches new categories, increases market share, leads consumption upgrades, and is always at the forefront of future smart home products.

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In China, the Company adopted a new consumer-centric retail business model in the small home appliance industry. Consumers participate in product development by providing feedback, which has become part of the overall consumer experience, and retailer terminals have expanded from independent individuals online and offline to an integrated omni-channel distribution model. The Company has been deeply cultivating various regional markets for many years, has accumulated rich experience and local resources, and has long-term and in-depth cooperation with key distributors and retailers, and has established an extensive dealer network and sales points nationwide. Through the Company's unique experiential offline marketing techniques, consumers can try products in person and get a close-up experience of how the Company's innovative products can improve their lives.

Financial Analysis

Revenue analysis

The Company's total revenue for 2017/2018/2019 to be US \$1.56/2.68/3.02 billion. We expect the Company's forecasted total revenue for 2020/2021/2022 to be US\$ 4.02/5.08/6.33 billion respectively. The year-on-year growth was 33.3%/26.4%/24.6% respectively.

Costs and expenses analysis

The main cost of the Company is the cost of sales, and the main expenses are sales and marketing expenses, and general and administrative expenses. In 2019, they were US\$ 1.89/0.51/0.42 billion, accounting for 63%/17%/14% of revenue. We expect the Company's gross profit margin to be 45.3%/43.8%/44.5% in 2020-2022. We believe that sales and marketing expenses and general and administrative expenses will maintain its revenue share. Based on the above, we estimate that the operating costs of the Company in 2020-2022 will be US\$ 3.34/4.2/5.13 billion.

Valuation

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We expect the Company's 2020/2021/2022 earnings per share to be US\$ 0.08/0.12/0.17, and 12 months target price of HK\$25.0, corresponding to the P/E ratio of the earnings per share for 2020/2021/2022 is 38.68x/27.47x/19.41x. Accumulate rating is given for the first coverage. (Current price as at 11 March 2021)

Peer comparison

Company	Stock code	Closing Price	Market Cap	P/E			P/B		
				TTM	2020	2021	TTM	2020	2021
(listed currency) (million RMB)									
Vesync Co Ltd	2148 hk equity	13.70	15,589	89.4x	48.0x	16.6x	7.0x	5.1x	4.3x
JS环球生活	1691 hk equity	20.65	65,306	83.1x	32.4x	26.0x	8.6x	7.6x	6.0x
海尔智家	6690 hk equity	30.00	260,762	25.2x	25.0x	20.3x	3.6x	3.8x	3.4x
Average				65.9x	35.1x	21.0x	6.4x	5.5x	4.6x
Median				83.1x	32.4x	20.3x	7.0x	5.1x	4.3x

Closing price as of 11 March 2021

Source: Bloomberg, PSHK

Risks

- 1) The Company's sales volume fell short of expectations
- 2) Another outbreak of the epidemic impacts production and sales
- 3) The global economic development is not as expected

Financial statements

Key financial data

FYE DEC	FY18	FY19	FY20E	FY21E	FY22E
Valuation Ratio					
P/E ratio	41.04	75.60	34.58	24.56	17.36
P/B ratio	10.02	8.47	8.10	6.37	5.73
Per share data (USD)					
EPS	0.07	0.04	0.08	0.12	0.17
Book value per share	2.23	2.64	2.76	3.51	3.90
Growth & Margin					
Revenue growth	71%	12%	33%	26%	25%
Net profit growth	-28%	21%	589%	41%	42%
Net profit margin	9%	4%	3%	10%	11%
Gross profit margin	37%	37%	45%	44%	45%
Key Ratios					
ROE	3.1%	1.4%	3.0%	3.3%	4.2%
ROA	1.1%	1.2%	7.9%	8.7%	9.0%

Closing price as at 11 March 2021

Source: Company data, PSHK

Consolidated Statement of Profit or Loss and Other Comprehensive income

(US\$ million)

Fiscal year	2017A	2018A	2019A	2020E	2021E	2022E
Fiscal year end date	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22
Revenue	1,563	2,681	3,016	4,020	5,080	6,329
Cost of Sales	(1,044)	(1,683)	(1,890)	(2,200)	(2,857)	(3,510)
Gross Profit	519	998	1,127	1,820	2,223	2,819
Other income and gains	23	45	28	-	-	-
Selling and distribution expenses	(264)	(478)	(507)	(632)	(690)	(874)
Administrative expenses	(136)	(318)	(416)	(511)	(650)	(746)
Impairment losses on financial assets	(3)	(4)	(2)	-	(2)	(1)
Other expenses	(23)	(31)	(31)	(28)	(30)	(30)
Finance costs	(18)	(78)	(84)	(109)	(91)	(91)
Share of profits and losses of associates	3	6	2	4	4	3
Profit before income tax	102	140	118	543	764	1,082
Income tax benefits (expenses)	39	(28)	(34)	(156)	(219)	(310)
Profit for the year	141	111	84	387	545	771
Net profit attributable to ordinary shareholders	48	35	42	290	409	578
Net profit(loss) attributable to non-controlling interests	93	77	43	97	136	193

Source: Company data, PSHK

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within \pm 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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